IFRS 17

Impact on financial statements of insurance companies

Workshop for investors

Warsaw, 2 June 2023

Agenda


Basic concepts of IFRS 17

Key differences between IFRS 4 and IFRS 17

Area	IFRS 4	IFRS 17
Accounting practice	• Various accounting practices between insurance companies	• Consistent and clearly defined valuation methodology • Better comparability between insurers against each other and over time
Data requirements and measurement	• No explicit requirement on measurement and updates of estimates and assumptions • Limited application of discounting • Separate presentation of profitable and onerous contracts is not a requirement • Options and guarantees are not fully reflected in measurement of insurance contracts	• Assumptions are regularly updated to reflect current estimates • Insurance contracts' measurement reflects time value of money (discount rate) and uncertainty related to non-financial risk (risk adjustment) • Separate measurement of onerous and profitable contracts • CSM representing unearned profit is recognized in line with insurance services provided
Profitability drivers	• Lack of transparency about profitability • Difficult identification of key drivers of profit	• Key drivers of profit (investment vs. underwriting) are made transparent

Comparison of IFRS 4 and IFRS 17 – P&L

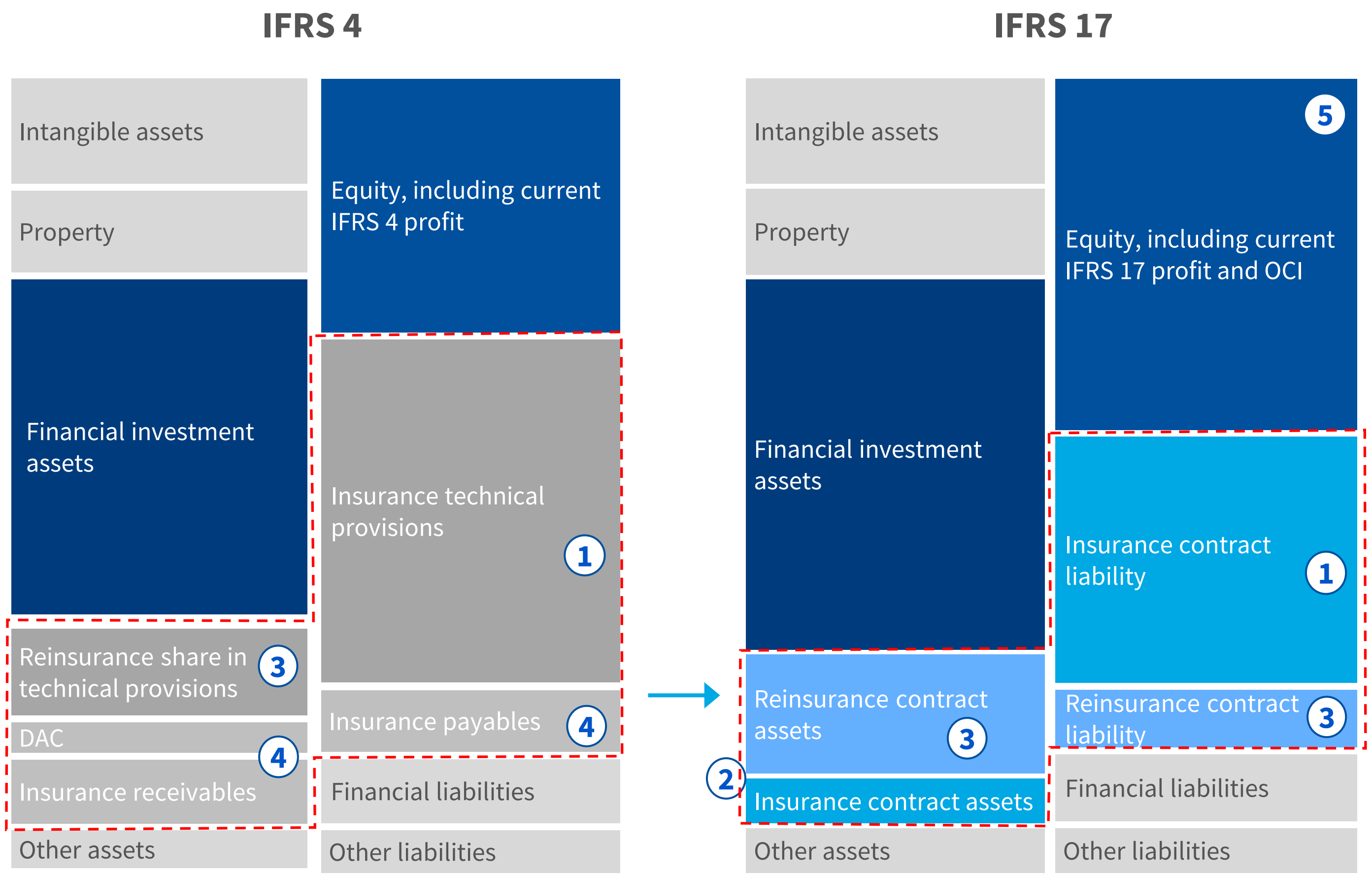
IFRS 4	Key components
Revenue	Net earned premium
	Investment income
	Other income
Expenses	Net claims paid
	Changes in technical provisions
	Acquisition costs
	Administrative and operating expenses
	Expenses for financial assets and liabilities
	Other expenses
Profit or loss before tax	

IFRS 17	Key components
Insurance service result	Insurance revenue (+)
	Insurance service expenses (-)
	Reinsurance result (+/-)
Finance result	Investment result (+/-)
	Insurance finance expense (IFIE) (+/-)
Other result	Other income and expenses (+/-)
Profit or loss before tax	

Key takeaways:

- Greater transparency
- Insurance service result presented separately from insurance finance result
- Result on reinsurance held is presented separately from gross business (direct business and accepted reinsurance)
- Insurance service revenue and insurance service expense are decreased by non-distinct investment component
- Immediate recognition of loss (for the entire coverage period) for onerous contracts

Comparison of IFRS 4 and IFRS 17 – BS



1. **IFRS 4 insurance technical provisions** are replaced by **IFRS 17 insurance contract liabilities**.

2. In case when IFRS 17 valuation of insurance liabilities is negative than such amount is presented on the assets side as an **insurance asset.** Separate presentation of insurance assets and insurance liabilities (without netting each other) is a new requirement of IFRS 17.

3. Reinsurance held contracts are valuated separately from gross business and presented as **reinsurance contract asset** (or liability).

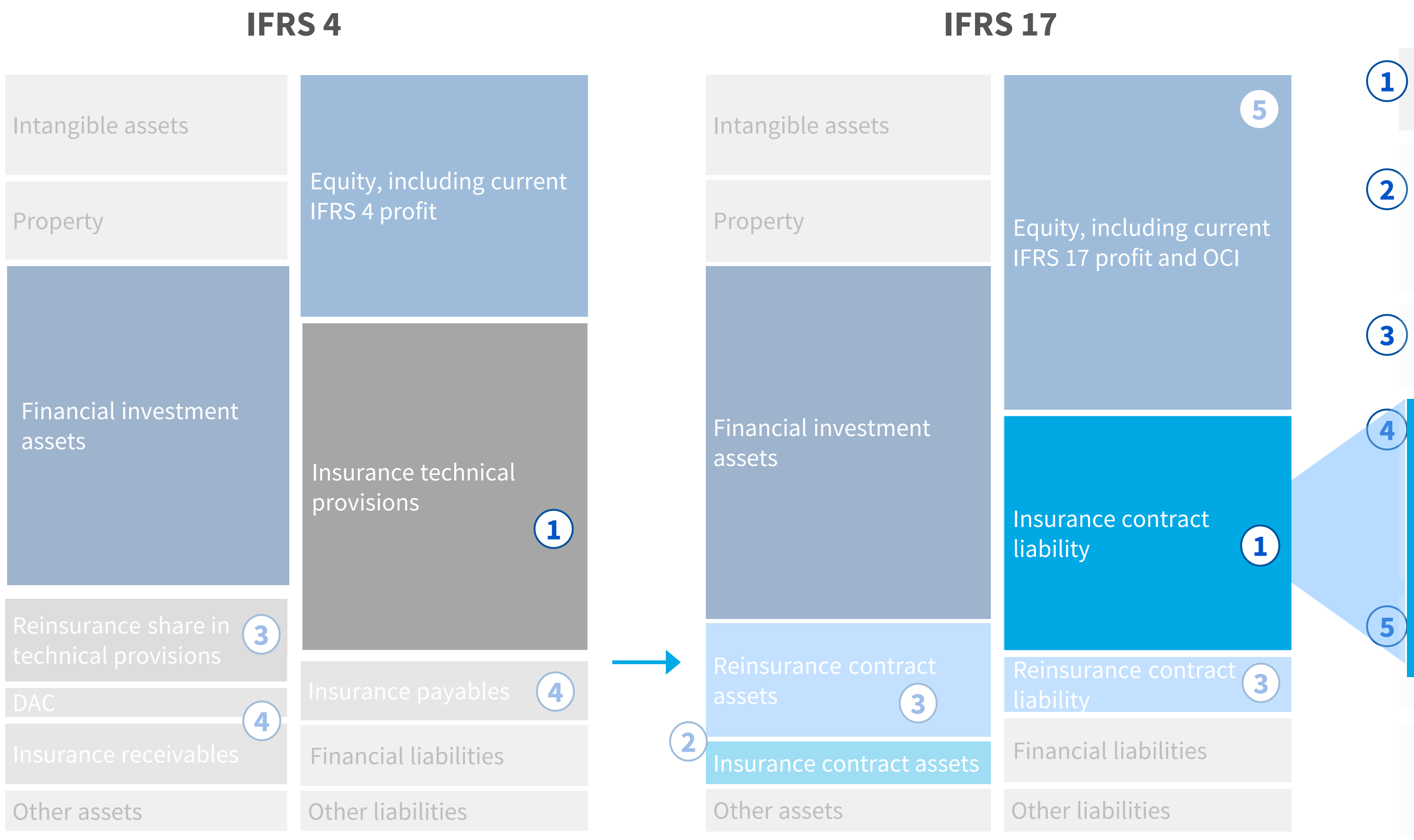
4. Under IFRS 17 acquisition costs are deferred and recognized through the CSM amortization over time. **Insurance receivables** (in particular premium receivables), **insurance payables** (in particular claim and commission payables) are included in valuation of insurance contract liabilities.

5. Other comprehensive income (OCI) for liabilities, reflecting change of measurement due to changes in financial risks is a new component of **Equity** (option chosen by PZU).

Other components (**intangible assets**, **financial investment assets** and **other assets and liabilities**) are measured in line with other IFRS standards (e.g. IFRS 9 Financial instruments).

Chart for illustrative purposes. Level of Balance Sheet items may differ between IFRS 4 and IFRS 17.

Comparison of IFRS 4 and IFRS 17 – BS



1 **IFRS 4 insurance technical provisions** are replaced by **IFRS 17 insurance contract liabilities**.

2 In case when IFRS 17 valuation of insurance liabilities is negative than such amount is presented on the assets side as an **insurance asset.** Separate presentation of insurance assets and insurance liabilities (without netting each other) is a new requirement of IFRS 17.

3 Reinsurance held contracts are valuated separately from gross business and presented as **reinsurance contract asset** (or liability).

4 Insurance contract liability comprises of the following components:

- **Liability for Remaining Coverage,** excluding Loss Component (LRC excl. LC),
- **Loss Component** (LC),
- **Risk Adjustment LRC** (RA LRC),
- **Contractual Service Margin** (CSM),
- **Liability for Incurred Claims** (LIC)
- **Risk Adjustment LIC** (RA LIC)

5 **Equity** (option chosen by PZU).

Other components (**intangible assets**, **financial investment assets** and **other assets and liabilities**) are measured in line with other IFRS standards (e.g. IFRS 9 Financial instruments).

Chart for illustrative purposes. Level of Balance Sheet items may differ between IFRS 4 and IFRS 17.

IFRS 17 valuation models

	Key features	Example products	Share in PZU Group*
Premium allocation approach (PAA)	• Optional approach for short duration contracts (pre-claims liability) • GMM approach used to valuate Liability for Incurred Claims • Method similar to valuation under IFRS 4 (UPR-Receivables)	• Short-duration contract (non-life insurance and reinsurance)	67%
General Measurement Model (GMM)	• Default model in IFRS 17 • Probability weighted discounted cash flows • Market-based valuation of options and guarantees • Based on building block approach (see next slide) • Contractual service margin (CSM): to spread recognition of profit and impact of changes	• Annuities • Protection • Long-duration non-life business	33%
Variable fee approach (VFA)	• Based on the building block approach, but with additional features for direct participating contracts • Market volatility passes through CSM vs Statement of Comprehensive Income (P&L/OCI) for building block approach	• With-profit business • Unit-linked business	0,1%

**Share based on IFRS 17 insurance revenue*

IFRS 17 valuation models – insurance liabilities

Premium allocation approach (PAA)

LIABILITY FOR INCURRED CLAIMS

Risk adjustment

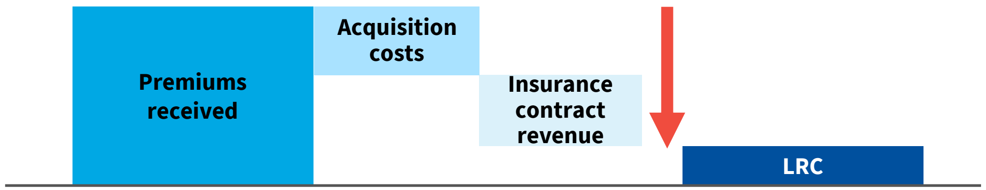
Expected cashflows related to past service (adjusted for time value of money)

+

LIABILITY FOR REMAINING COVERAGE

Liability for remaining coverage

- Liability for remaining coverage calculated as premiums received less acquisition costs and premium earned



- Liability for incurred claims calculated in the same way as for GMM model
- Insurance revenue close to premium earned under IFRS 4
- No impact of changes in actuarial and economic assumptions for LRC part

General Measurement Model (GMM)

LIABILITY FOR REMAINING COVERAGE

BUILDING BLOCK APPROACH

Contractual service margin

Risk adjustment

Expected cashflows (adjusted for time value of money)

+

LIABILITY FOR INCURRED CLAIMS

Risk adjustment

Expected cashflows related to past service (adjusted for time value of money)

- Valuation based on building block approach (three main components adjusted for time value of money)
- Expected cash-flows including all future cash-flows (also payables and receivables under IFRS 4)
- CSM representing unearned profit recognized over coverage period
- Changes of actuarial assumptions recognized over time through CSM
- Changes of economic assumptions recognized in finance expense or directly in OCI

Risk Adjustment

Key features

DEFINITION: "The compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk."

No specified technique but the risk adjustment should reflect both **favorable and unfavorable** outcomes in a way that reflects the entity's **degree of risk aversion**

Similar concept to Risk Margin under Solvency II but on the contrary to Solvency II regime:

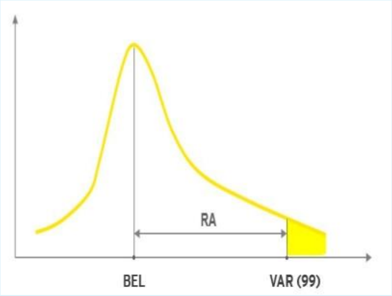
- Methods **other than cost of capital** can be used
- Even if cost of capital method is used, **unit of account** (for diversification) and rate of **cost of capital** may **differ**
- **Separate gross / reinsurance** risk adjustments are needed

IMPACT ON RESULTS

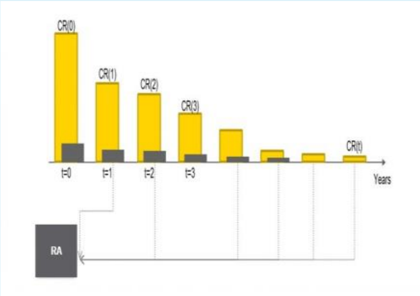
- Under IFRS 4 prudence margin included in technical reserved **implicitly** with no prescribed method
- IFRS 17 provides **more transparency** as insurance companies have to **disclose** both **methods used** and **RA quantile** representing degree of Company's risk aversion
- **Significant** component of Liability for Incurred Claims **for non-life business**
- If actual payments equal to projected best estimates release of RA recognized **directly in P&L**

Methods selected by PZU Group

NON-LIFE BUSINESS
CONFIDENCE LEVEL APPROACH



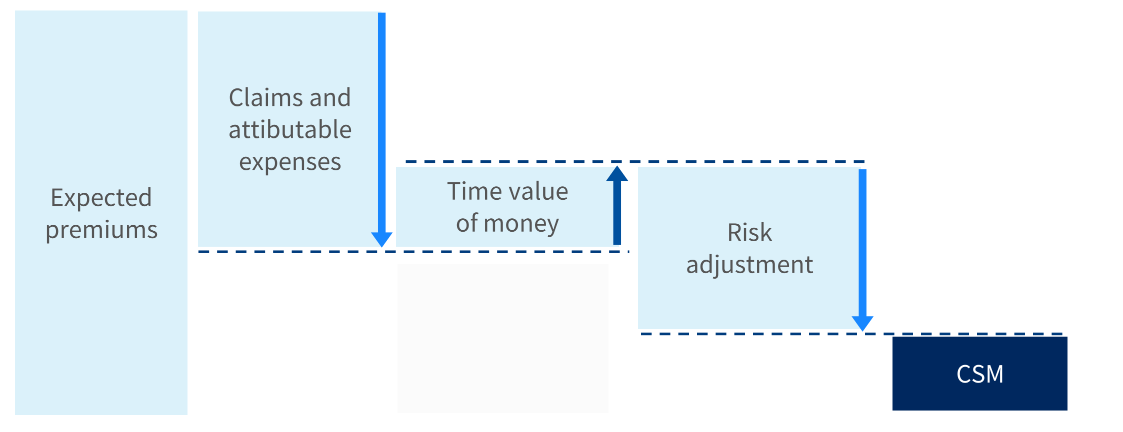
LIFE BUSINESS
COST OF CAPITAL METHOD



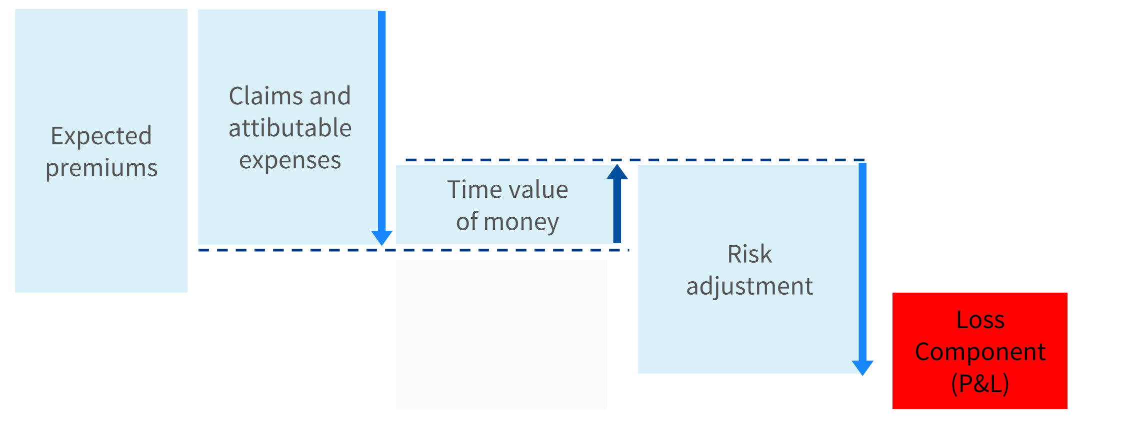
- PZU Group decided to calculate Risk Adjustment using VaR method for Non-life Business and using Cost of Capital method for Life Business
- Methods were chosen to appropriately reflect the uncertainty for non-financial risks, with the consideration of the nature of Non-life and Life businesses, data availability and valuation uncertainty measurement methods used by PZU Group in the past e.g. for Embedded Value purpose.

Contractual Service Margin

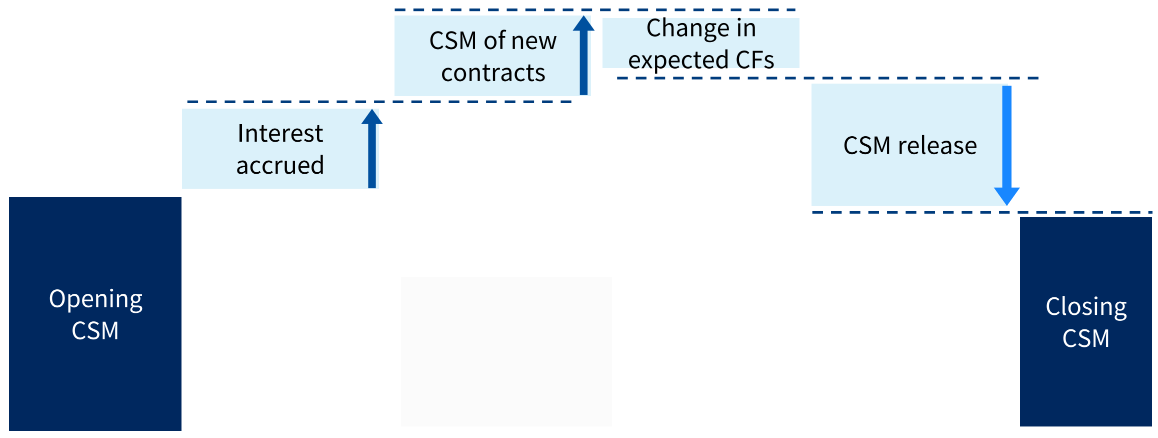
Recognition of new CSM



Onerous contracts



Roll-forward of CSM



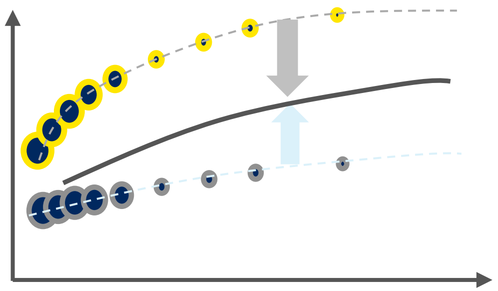
- The CSM is a **new element** of insurance liabilities representing **unearned profit**
- The CSM **spreads profits** and **actuarial assumption** changes (for GMM and VFA model) and **economic assumption** changes (only for VFA) over the life of a policy
- Profit driven by **release of CSM which unwind to the P&L** over the life of the policy
- **Profit emergence** is **more predictable** than under IFRS 4
- For **onerous contracts** no CSM recognized and **total loss recognized directly and immediately in P&L**

Discounting

Methodology

- Reserves discounted at a market consistent
- Two possible approaches to derive discount curves: top-down and bottom-up
- Methodology for discount curves similar to Solvency II

TOP-DOWN *VERSUS* BOTTOM-UP



Selected by PZU Group

BOTTOM-UP

Discount rates = Risk-free rates + Illiquidity premium

TOP-DOWN

Discount rates = Reference portfolio − Default risk

Illiquidity premium should reflect illiquidity characteristics of liabilities

IMPACT ON RESULTS

- No impact on the lifetime profitability of contracts
- Impact of change in interest rates absorbed by OCI (GMM) and CSM (VFA) or through P&L
- For OCI option discounting effects progressively unwinded in investment results
- For OCI option changing discount rates significantly impacting equity volatility
- For P&L option changing discount rates significantly impacting P&L volatility

Transition approaches

DECIDE TRANSITION METHOD BY GROUP OF CONTRACTS

Full retrospective approach (apply IAS 8)

If impracticable

Modified retrospective approach **OR** Fair value approach

- Modifications available if necessary given reasonable and supportable information (*)
- Maximize the use of the information needed for full retrospective approach

Full retrospective approach

- Apply IFRS 17 as if it had always existed
- Requires very granular input also for historical data (historical actuarial projections and actual experience)
- Difficult to implement

Modified retrospective approach

- Historical actuarial projections replaced with actual experience
- Split into yearly cohorts not required

Fair value approach

- CSM calculated as a difference between fair value of liabilities and fulfilment cashflows under IFRS 17
- Limited possibility of recognizing positive CSM

(*) If no reasonable and supportable information available, use fair value approach

Summary of key accounting choices

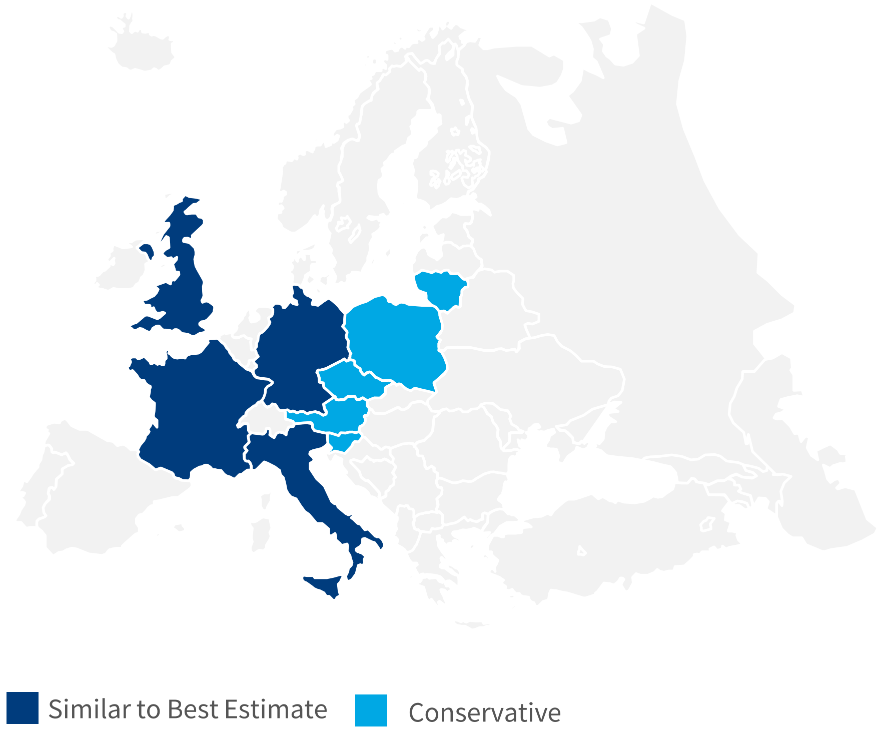
	Alternative	PZU's Choice	Rationale
Discount rates	**Top-down approach** Portfolio yield less allowance for unexpected losses	**Bottom-up approach** Risk-free rates plus illiquidity premium	Consistency with Solvency 2 framework
Changes in discount rates	**Through P&L** Changes in discount rates reported directly in P&L	**Through OCI** Changes in discount rates reported in OCI and amortized in P&L over time	Mitigation of P&L sensitivities
Risk adjustment	**No specific method prescribed**	**Cost of Capital** Life business **Confidence level** Non-life business	Reflects appropriate level of prudence over best estimate
Level of aggregation	**Other granularity less than one-year**	**Annual cohorts** Life business **Quarterly cohorts** Non-life business	• For non-life business more granular approach towards monitoring of profitability • For long-term life business reduction of operational complexity with no impact on results accuracy
Transition approach	NA	**Full retrospective approach 59%** **Modified retrospective approach 40%** **Fair Value approach 1%**	Default approach MRA applied when possible, FVA applied to limited extent

Impact of IFRS 17 on non-life business – market observations

Key market observations

- Most non-life and reinsurance companies apply **PAA method** for the **majority of** their **portfolios** resulting in a **limited impact** on LRC valuation
- The **impact** of implementation of IFRS 17 **on equity depends on** previous **reserving policy** for claims reserves **under IFRS 4**
- If the **reserving policy** under IFRS 4 was more **conservative** we can expect **increase of equity** due to decrease in LIC under IFRS 17
- If the **reserving policy** under IFRS 4 was more **in line with best estimate** approach we can expect **limited impact on equity** (mainly resulting from discounting)
- **Discount rates significantly impact valuation of LIC** which can result in a **higher volatility of equity (or P&L if OCI option is not applied)** in particular when assets covering liabilities are not fully matched or their valuation method is not sensitive to changes of interest rates (e.g. assets valuated using amortized cost).

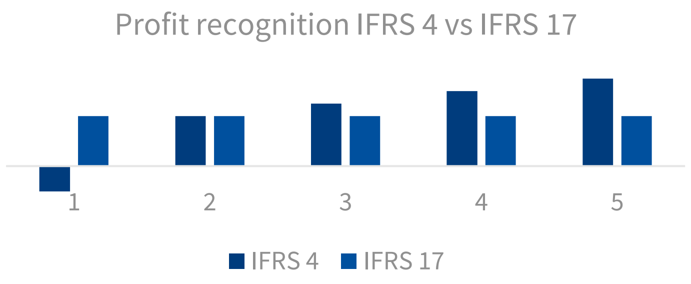
IFRS 4 vs IFRS 17 reserving policy by country



Impact of IFRS 17 on life business – market observations

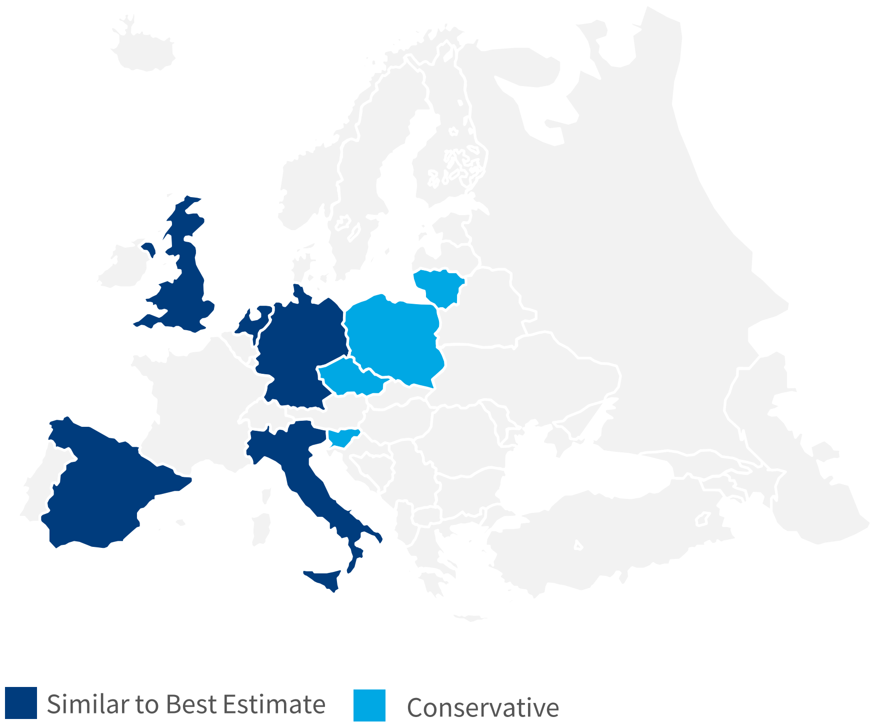
Key market observations

- Most life companies apply **GMM and VFA methods** for the **majority of** their **portfolios**, this results in stable profit recognition over time due to CSM recognition mechanism
- The **impact** of implementation of IFRS 17 **on equity depends on** previous **reserving policy under IFRS 4**
- If the **reserving policy** under IFRS 4 was more **conservative** we can expect **increase of equity** due to decrease in LRC under IFRS 17
- If the **reserving policy** under IFRS 4 was more **in line with best estimate** approach we can expect **decrease of equity** due to additional element of liabilities i.e. CSM
- **Discount rates significantly impact valuation of LRC** which can result in a **higher volatility of equity** in particular when assets covering liabilities are not fully matched or their valuation method is not sensitive to changes of interest rates (e.g. assets valuated using amortized cost).



Profits recognized over the **lifetime of policy** are **equal** under IFRS 4 and IFRS 17, but depending on the reserving policy under IFRS 4 their **recognition over time** may **significantly differ**

IFRS 4 vs IFRS 17 reserving policy by country



Calculation examples in the PAA and GMM model

Detailed net comprehensive income

IFRS 17 statement of financial performance	Valuation method	
	PAA	**BBA / VFA**
Insurance service result before reinsurance contracts held	**X**	**X**
Insurance contract revenue	**X**	**X**
Amortization of LRC (PAA) 1	X	
Expected incurred claims for the period 2		X
Expected incurred expenses for the period 2		X
Release of CSM for the services provided in the period 3		X
Release of Risk Adjustment for the period 4		X
Recovery of insurance acquisition cash flows 5	X	X
Other income		
Insurance service expenses	**(X)**	**(X)**
Claims incurred in the period 6	(X)	(X)
Expenses incurred in the period 6	(X)	(X)
Changes that relate to past service (LIC) 6	(X)	(X)
Amortization of Loss Component 7	(X)	(X)
New Loss Component recognized 7	(X)	(X)
Amortization of insurance acquisition cash flows 5	(X)	(X)
Net gain/loss from reinsurance contracts held 8	**(X)**	**(X)**
Allocation of reinsurance premiums	**(X)**	**(X)**
Amounts recoverable from reinsurers for incurred claims	**X**	**X**
Recoveries of claims incurred in the period	X	X
Recoveries of expenses incurred in the period	X	X
Changes that relate to past service (LIC) - RI	X	X
Finance income	**X**	**X**
Insurance finance income / expense 9	(X)	(X)
Reinsurance finance income / expense 9	X	X
Investment income	X	X
Operating result	**X**	**X**
Other comprehensive income 10	X	X
Total comprehensive income	**X**	**X**

1 LRC amortization (PAA) is a revenue from insurance contracts usually similar to earned premium adjusted for acquisition costs and premium receivables.

2 Expected claims and expenses for the period are released accordingly to the actuarial cash-flow projection. This reflects the risk expected to be *earned* over the period.

3 Release of profit for the period is driven by CSM amortization in line with insurance service provided.

4 Prudence margin for uncertainty is released in line with the services provided.

5 Acquisition costs are included in CSM and amortized over time through CSM amortization. Amount of acquisition costs allocated to the period is presented in both insurance revenue and insurance service expensefor presentational purposes and in order not to underestimate insurance revenue.

6 Claims and expenses incurred in the period are recognized as Insurance Service Expenses. Experience adjustment on claims from past periods or changes to LIC are presented separately from claims incurred in the period.

7 Loss Component impacts the P&L immediately when the contract is recognized as onerous. Amount of Loss Component is later amortized over time. Changes in assumptions affecting Loss Component are included in *New Loss Component recognized.*

8 Result on reinsurance held is presented separately from gross business. Items for reinsurance contracts are similar to the gross side, except for no Loss Component for reinsurance.

9 *Unwinding* is the effect of removing the discount effect from liabilities in line with the chosen *locked-in curve*. In case of positive interest rates it has negative impact for insurance liabilities.

10 OCI option – impact of the change of discount curves on insurance liabilities measurement can be presented aside the P&L in the total comprehensive income.

Calculation examples (Non-Life, PAA) – description & assumptions

General information & assumptions:

- ✓ 1-year MTPL product measured using PAA
- ✓ Yearly reporting step
- ✓ Premium paid upfront
- ✓ No Risk Adjustment assumed
- ✓ Deferred acquisition costs

Examples cover presentation of the impact resulting from:

- ✓ Experience variance between expected and actual claims (Example 2)
- ✓ Coverage period overlapping reporting step (Example 3)
- ✓ Onerosity of the policy (Combined Ratio > 100%) (Example 4)
- ✓ Flat Interest Rate (Example 5)
- ✓ Quota Share reinsurance (Example 6)

Calculation example 1 – IFRS 17 results (non-onerous policy)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%

Earning pattern	1	2	3
Premium/acquisition cost	100%	0%	0%

Payment pattern	1	2	3
Claims	70%	30%	0%

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-180	0	**-600**
Acquisition costs	-100	0	0	**-100**
Total	480	-180	0	**300**

Income statement (IFRS 17)	1	2	3	Total
Insurance service result *(before reinsurance contracts held)*	**300**	**0**	**0**	**300**
Insurance contract revenue	**1000**	**0**	**0**	**1000**
Amortization of LRC (PAA)	900	0	0	**900**
Recovery of insurance acquisition cash flows	100	0	0	**100**
Insurance service expenses	**-700**	**0**	**0**	**-700**
Claims incurred in the period	-600	0	0	**-600**
Amortization of acquisition cash flows	-100	0	0	**-100**
Operating result	**300**	**0**	**0**	**300**

LRC* (EoP)	**0**	**0**	**0**	n/a
LIC (EoP)**	**180**	**0**	**0**	n/a

*LRC – Liability for Remaining Coverage
**LIC – Liability for Incurred Claims

Calculation example 1 – IFRS 4 results (non-onerous policy)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%

Earning pattern	1	2	3
Premium/acquisition cost	100%	0%	0%

Payment pattern	1	2	3
Claims	70%	30%	0%

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-180	0	**-600**
Acquisition costs	-100	0	0	**-100**
Total	480	-180	0	**300**

Income statement (IFRS 4)	1	2	3	Total
Earned Premium	1000	0	0	**1000**
Gross Written Premium	*1000*	*0*	*0*	***1000***
Change in Unearned Premium Reserve	*0*	*0*	*0*	***0***
Claims paid	-420	-180	0	**-600**
Change in claim reserves	-180	180	0	**0**
Acquisition costs	-100	0	0	**-100**
Profit or loss	**300**	**0**	**0**	**300**

Unearned Premium Reserve	**0**	**0**	**0**	n/a
Claim reserves	**180**	**0**	**0**	n/a
Deferred Acquisition Costs	**0**	**0**	**0**	n/a

Calculation example 2 – IFRS 17 results (non-onerous policy, experience variance on claims)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%

Earning pattern	1	2	3
Premium/acquisition cost	100%	0%	0%

Payment pattern	1	2	3
Claims	70%	30%	0%

Expected cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-180	0	**-600**
Acquisition costs	-100	0	0	**-100**
Total	480	-180	0	**300**

Difference between expected and actual claims recognized as an expense.

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-230	0	**-650**
Acquisition costs	-100	0	0	**-100**
Total	480	-230	0	**250**

Income statement (IFRS 17)	1	2	3	Total
Insurance service result before *(reinsurance contracts held)*	**300**	**-50**	**0**	**250**
Insurance contract revenue	**1000**	**0**	**0**	**1000**
Amortization of LRC (PAA)	900	0	0	**900**
Recovery of insurance acquisition cash flows	100	0	0	**100**
Insurance service expenses	**-700**	**-50**	**0**	**-750**
Claims incurred in the period	-600	0	0	**-600**
Changes that relate to past service (LIC)	0	-50	0	**-50**
Amortization of insurance acquisition cash flows	-100	0	0	**-100**
Operating result	**300**	**-50**	**0**	**250**

LRC (EoP)	**0**	**0**	**0**	n/a
LIC (EoP)	**180**	**0**	**0**	n/a

Calculation example 2 – IFRS 4 results (non-onerous policy, experience variance on claims)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%

Earning pattern	1	2	3
Premium/acquisition cost	100%	0%	0%

Payment pattern	1	2	3
Claims	70%	30%	0%

Expected cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-180	0	**-600**
Acquisition costs	-100	0	0	**-100**
Total	480	-180	0	**300**

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-230	0	**-650**
Acquisition costs	-100	0	0	**-100**
Total	480	-230	0	**250**

Income statement (IFRS 4)	1	2	3	Total
Earned Premium	1000	0	0	**1000**
Gross Written Premium	*1000*	*0*	*0*	***1000***
Change in Unearned Premium Reserve	*0*	*0*	*0*	***0***
Claims paid	-420	-230	0	**-650**
Change in claim reserves	-180	180	0	**0**
Acquisition costs	-100	0	0	**-100**
Profit or loss	**300**	**-50**	**0**	**250**

Unearned Premium Reserve	**0**	**0**	**0**	n/a
Claim reserves	**180**	**0**	**0**	n/a
Deferred Acquisition Costs	**0**	**0**	**0**	n/a

Calculation example 3 – IFRS 17 results (non-onerous policy, coverage period overlapping reporting step)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%

Earning pattern	1	2	3
Premium/acquisition cost	50%	50%	0%

Payment pattern	1	2	3
Claims	35%	50%	15%

Active coverage in both periods. LRC established at end of the first period.

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-210	-300	-90	**-600**
Acquisition costs	-100	0	0	**-100**
Total	690	-300	-90	**300**

Income statement (IFRS 17)	1	2	3	Total
Insurance service result *(before reinsurance contracts held)*	**150**	**150**	**0**	**300**
Insurance contract revenue	**500**	**500**	**0**	**1000**
Amortization of LRC (PAA)	450	450	0	**900**
Recovery of insurance acquisition cash flows	50	50	0	**100**
Insurance service expenses	**-350**	**-350**	**0**	**-700**
Claims incurred in the period	-300	-300	0	-600
Amortization of acquisition cash flows	-50	-50	0	-100
Operating result	**150**	**150**		**300**

	1	2	3	Total
LRC (EoP)	**450**	**0**	**0**	n/a
LIC (EoP)	**90**	**90**	**0**	n/a

Calculation example 3 – IFRS 4 results (non-onerous policy, coverage period overlapping reporting step)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%

Earning pattern	1	2	3
Premium/acquisition cost	50%	50%	0%

Payment pattern	1	2	3
Claims	35%	50%	15%

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-210	-300	-90	**-600**
Acquisition costs	-100	0	0	**-100**
Total	690	-300	-90	**300**

Income statement (IFRS 4)	1	2	3	Total
Earned Premium	500	500	0	**1000**
Gross Written Premium	*1000*	*0*	*0*	***1000***
Change in Unearned Premium Reserve	*-500*	*500*	*0*	***0***
Claims paid	-210	-300	-90	**-600**
Change in claim reserves	-90	0	90	**0**
Acquisition costs	-50	-50	0	**-100**
Profit or loss	**150**	**150**	**0**	**300**

Unearned Premium Reserve	**500**	**0**	**0**	n/a
Claim reserves	**90**	**90**	**0**	n/a
Deferred Acquisition Costs	**50**	**0**	**0**	n/a

Calculation example 4 – IFRS 17 results (onerous policy)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	110%
Acquisition Ratio	10%

Earning pattern	1	2	3
Premium/acquisition cost	50%	50%	0%

Payment pattern	1	2	3
Claims	35%	50%	15%

Combined ratio over 100% leads to Loss Component recognition. Loss Component is amortized over the coverage period.

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-385	-550	-165	**-1100**
Acquisition costs	-100	0	0	**-100**
Total	515	-550	-165	**-200**

Income statement (IFRS 17)	1	2	3	Total
Insurance service result *(before reinsurance contracts held)*	**-200**	**0**	**0**	**-200**
Insurance contract revenue	**500**	**500**	**0**	**1000**
Amortization of LRC (PAA)	450	450	0	**900**
Recovery of insurance acquisition cash flows	50	50	0	**100**
Insurance service expenses	**-700**	**-500**	**0**	**-1200**
Claims incurred in the period	-550	-550	0	**-900**
Amortization of Loss Component	100	100	0	**-200**
New Loss Component recognized	-200	0	0	**-200**
Amortization of insurance acquisition cash flows	-50	-50	0	**-100**
Operating result	**-200**	**0**	**0**	**-200**

LRC excl. Loss Component (EoP)	**450**	**0**	**0**	n/a
LRC Loss Component (EoP)	**100**	**0**	**0**	n/a
LIC (EoP)	**165**	**165**	**0**	n/a

Calculation example 4 – IFRS 4 results (onerous policy)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	110%
Acquisition Ratio	10%

Earning pattern	1	2	3
Premium/acquisition cost	50%	50%	0%

Payment pattern	1	2	3
Claims	35%	50%	15%

Unexpired Risk Reserve established at the end of the first period

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-385	-550	-165	**-1100**
Acquisition costs	-100	0	0	**-100**
Total	515	-550	-165	**-200**

Income statement (IFRS 4)	1	2	3	Total
Earned Premium	400	600	0	**1000**
Gross Written Premium	*1000*	*0*	*0*	***1000***
Change in Unearned Premium Reserve incl. URR	*-600*	*600*	*0*	***0***
Claims paid	-385	-550	-165	**-1100**
Change in claim reserves	-165	0	165	**0**
Acquisition costs	-50	-50	0	**-100**
Profit or loss	**-200**	**0**	**0**	**-200**

Unearned Premium Reserve	**500**	**0**	**0**	n/a
Claim reserves	**165**	**165**	**0**	n/a
Unexpired Risk Reserve	**100**	**0**	**0**	n/a
Deferred Acquisition Costs	**50**	**0**	**0**	n/a

Calculation example 5 – IFRS 17 results (non-onerous policy, discounting)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%
Interest rate (p.a.)	5%

Earning pattern	1	2	3
Premium/acquisition cost	100%	0%	0%

Payment pattern	1	2	3
Claims	70%	30%	0%

Claims incurred in the period are recognized at their present value. Unwinding (removal of discounting effect) is recognized as finance income.

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-180	0	**-600**
Acquisition costs	-100	0	0	**-100**
Total	480	-180	0	**300**

Income statement (IFRS 17)	1	2	3	Total
Insurance service result *(before reinsurance contracts held)*	**309**	**0**	**0**	**309**
Insurance contract revenue	**1000**	**0**	**0**	**1000**
Amortization of LRC (PAA)	900	0	0	**900**
Recovery of insurance acquisition cash flows	100	0	0	**100**
Insurance service expenses	**-691**	**0**	**0**	**-691**
Claims incurred in the period	-591	0	0	**-591**
Amortization of acquisition cash flows	-100	0	0	**-100**
Insurance finance income / expense	**0**	**-9**	**0**	**-9**
Operating result	**309**	**-9**	**0**	**300**

	1	2	3	Total
LRC (EoP)	**0**	**0**	**0**	n/a
LIC (EoP)	**171**	**0**	**0**	n/a

Calculation example 5 – IFRS 17 results (non-onerous policy, discounting)

Assumption	Value
Gross	
Loss R	
Acquis	
Interes	

Earnin			
Premium/acquisition cost	100%	0%	0%

Payment pattern	1	2	3
Claims	70%	30%	0%

Claims incurred in the period

591 = 420 + 180 / (1 + 5%)

Insurance finance income / expense

-9 = -5% * 180

LIC (EoP)

171 = 180 / (1 + 5%)

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-180	0	**-600**
Acquisition costs	-100	0	0	**-100**
Total	480	-180	0	**300**

Income statement (IFRS 17)	1	2	3	Total
Insurance service result *(before reinsurance contracts held)*	**309**	**0**	**0**	**309**
Insurance contract revenue	**1000**	**0**	**0**	**1000**
Amortization of LRC (PAA)	900	0	0	**900**
Recovery of insurance acquisition cash flows	100	0	0	**100**
Insurance service expenses	**-691**	**0**	**0**	**-691**
Claims incurred in the period	-591	0	0	**-591**
Amortization of acquisition cash flows	-100	0	0	**-100**
Insurance finance income / expense	**0**	**-9**	**0**	**-9**
Operating result	**309**	**-9**	**0**	**300**
LRC (EoP)	0	0	0	n/a
LIC (EoP)	**171**	**0**	**0**	n/a

Calculation example 5 – IFRS 4 results (non-onerous policy)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%
Interest rate (p.a.)	5%

Earning pattern	1	2	3
Premium/acquisition cost	100%	0%	0%

Payment pattern	1	2	3
Claims	70%	30%	0%

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-180	0	**-600**
Acquisition costs	-100	0	0	**-100**
Total	480	-180	0	**300**

Income statement (IFRS 4)	1	2	3	Total
Earned Premium	1000	0	0	**1000**
Gross Written Premium	*1000*	*0*	*0*	***1000***
Change in Unearned Premium Reserve	*0*	*0*	*0*	***0***
Claims paid	-420	-180	0	**-600**
Change in claim reserves	-180	180	0	**0**
Acquisition costs	-100	0	0	**-100**
Profit or loss	**300**	**0**	**0**	**300**

Unearned Premium Reserve	**0**	**0**	**0**	n/a
Claim reserves	**180**	**0**	**0**	n/a
Deferred Acquisition Costs	**0**	**0**	**0**	n/a

Calculation example 6 – IFRS 17 results (non-onerous policy, reinsurance)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%
Interest rate (p.a.)	5%
Reinsurance: quota share treaty	40%

Earning pattern	1	2	3
Premium/acquisition cost	100%	0%	0%

Payment pattern	1	2	3
Claims	70%	30%	0%

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-180	0	**-600**
Acquisition costs	-100	0	0	**-100**
Reinsurance premium	-400	0	0	**-400**
Reinsurance share in claims paid	168	72	0	**240**
Total	248	-108	0	**140**

Valuation of reinsurance held is performed separately from gross business.

Income statement (IFRS 17)	1	2	3	Total
Insurance service result before reinsurance contracts held	***309***	***0***	***0***	***309***
Insurance contract revenue	**1000**	**0**	**0**	**1000**
Amortization of LRC (PAA)	900	0	0	**900**
Recovery of insurance acquisition cash flows	100	0	0	**100**
Insurance service expenses	**-691**	**0**	**0**	**-691**
Claims incurred in the period	-591	0	0	**-591**
Amortization of insurance acquisition cash flows	-100	0	0	**-100**
Net gain/loss from reinsurance contracts held	***-163***	***0***	***0***	***-163***
Allocation of reinsurance premiums	**-400**	**0**	**0**	**-400**
Amounts recoverable from reinsurers for incurred claims	**237**	**0**	**0**	**237**
Recoveries of claims incurred in the period	237	0	0	**237**
Finance income	***0***	***-5***	***0***	***-5***
Insurance finance income or expense	*0*	*-9*	*0*	***-9***
Reinsurance finance income or expense	*0*	*3*	*0*	***3***
Operating result	**145**	**-5**	**0**	**140**
LRC (EoP)	**0**	**0**	**0**	n/a
ARC* (EoP)	**0**	**0**	**0**	n/a
LIC (EoP)	**171**	**0**	**0**	n/a
AIC (EoP)**	**-69**	**0**	**0**	n/a

*ARC – Reisurance Asset for Remaining Coverage
**AIC – Reinsurance Asset for Incurred Claims

Calculation example 6 – IFRS 17 results (non-onerous policy, reinsurance)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%
Interest rate (p.a.)	5%
Reinsurance: quota share treaty	40%

Earning pattern	1	2	3
Premium/acquisition cost	100%	0%	0%

Paym			
Claims			

Actual				otal
Premi				1000
Claims & Expenses	-420	-180	0	-600
Acquisition costs	-100	0	0	-100
Reinsurance premium	-400	0	0	-400
Reinsurance share in claims paid	168	72	0	240
Total	248	-108	0	140

Claims incurred in the period

591 = 420 + 180 / (1 + 5%)

Recoveries of claims incurred in the period

237 = 40% * 591

Valuation of reinsurance held is performed separately from gross business.

Income statement (IFRS 17)	1	2	3	Total
Insurance service result before reinsurance contracts held	*309*	*0*	*0*	***309***
Insurance contract revenue	**1000**	**0**	**0**	**1000**
Amortization of LRC (PAA)	900	0	0	**900**
Recovery of insurance acquisition cash flows	100	0	0	**100**
Insurance service expenses	**-691**	**0**	**0**	**-691**
Claims incurred in the period	-591	0	0	**-591**
Amortization of insurance acquisition cash flows	-100	0	0	**-100**
Net gain/loss from reinsurance contracts held	*-163*	*0*	*0*	***-163***
Allocation of reinsurance premiums	**-400**	**0**	**0**	**-400**
Amounts recoverable from reinsurers for incurred claims	**237**	**0**	**0**	**237**
Recoveries of claims incurred in the period	237	0	0	**237**
Finance income	*0*	*-5*	*0*	***-5***
Insurance finance income or expense	*0*	*-9*	*0*	***-9***
Reinsurance finance income or expense	*0*	*3*	*0*	***3***
Operating result	**145**	**-5**	**0**	**140**

LRC (EoP)	**0**	**0**	**0**	n/a
ARC* (EoP)	**0**	**0**	**0**	n/a
LIC (EoP)	**171**	**0**	**0**	n/a
AIC** (EoP)	**-69**	**0**	**0**	n/a

*ARC – Reisurance Asset for Remaining Coverage
**AIC – Reinsurance Asset for Incurred Claims

Calculation example 6 – IFRS 4 results (non-onerous policy, reinsurance)

Assumption	Value
Gross Written Premium	1000
Loss Ratio	60%
Acquisition Ratio	10%
Interest rate (p.a.)	5%
Reinsurance: quota share treaty	40%

Earning pattern	1	2	3
Premium/acquisition cost	100%	0%	0%

Payment pattern	1	2	3
Claims	70%	30%	0%

Actual cash flows	1	2	3	Total
Premiums	1000	0	0	**1000**
Claims & Expenses	-420	-180	0	**-600**
Acquisition costs	-100	0	0	**-100**
Reinsurance premium	-400	0	0	**-400**
Reinsurance share in claims paid	168	72	0	**240**
Total	248	-108	0	**140**

Income statement (IFRS 4)	1	2	3	Total
Net Earned Premium	600	0	0	**600**
Gross Written Premium	*1000*	*0*	*0*	***1000***
RI Share in GWP	*-400*	*0*	*0*	***-400***
Net Claims	-252	-108	0	**-360**
Claims Paid – gross	*-420*	*-180*	*0*	***-600***
RI share in claims paid	*168*	*72*	*0*	***240***
Change in claim reserves – net	-108	108	0	**0**
Change in claim reserves – gross	*-180*	*180*	*0*	***0***
RI share in change in claim reserves	*72*	*-72*	*0*	***0***
Acquisition costs	-100	0	0	**-100**
Profit or loss	**140**	**0**	**0**	**140**

Unearned Premium Reserve	**0**	**0**	**0**	n/a
RI share in Unearned Premium Reserve	**0**	**0**	**0**	n/a
Claim Reserves – gross	**180**	**0**	**0**	n/a
RI share in Claim Reserves	**72**	**0**	**0**	n/a
Deferred acquisition costs	**0**	**0**	**0**	n/a

Calculation examples (Life) – description & assumptions

General information & assumptions:

- ✓ 2-years single premium product measured using GMM
- ✓ Linear amortization of CSM and acquisition costs
- ✓ Linear Loss Component amortization
- ✓ No Risk Adjustment assumed
- ✓ No discounting assumed, except of example no 8 and 9

Examples cover presentation of the impact resulting from:

- ✓ Onerosity of the policy
- ✓ Experience variance between expected and actual values
- ✓ Change of assumptions between projections
- ✓ Change of discount curves

Calculation example 1 – IFRS 17 results (non-onerous policy)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

PV Inflows	-1000
PV Outflows	800
CSM at IR	**200**

Actual cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

CSM	**200**	**100**	**0**	**n/a**
Loss component	**0**	**0**	**0**	**n/a**
BEL excl. LC	**-200**	**300**	**0**	**n/a**

PZU Group - Statement of financial performance (according to IFRS 17)	0	1	2	Total
Insurance service result before reinsurance contracts held	**0**	**100**	**100**	**200**
Insurance contract revenue	**0**	**500**	**500**	**1000**
Expected incurred claims for the period	0	200	200	400
Expected incurred expenses for the period	0	100	100	200
Release of contractual service margin for the services provided in the period	0	100	100	200
Recovery of insurance acquisition cash flows	0	100	100	200
Insurance service expenses	**0**	**-400**	**-400**	**-800**
Claims incurred in the period	0	-200	-200	-400
Expenses incurred in the period	0	-100	-100	-200
Amortization of Loss Component	0	0	0	0
New Loss Component recognized	0	0	0	0
Amortization of insurance acquisition cash flows	0	-100	-100	-200
Operating result	**0**	**100**	**100**	**200**

KEY TAKEAWAYS

In case of no major experience variances and changes in actuarial assumptions, distribution of profits during the duration of the contract is in line with CSM amortization pattern. CSM amortization pattern reflects amount of services provided in the coverage period.

Calculation example 1 – IFRS 4 results (non-onerous policy, non-deferred vs deferred acquisition costs)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Change in reserves	900	-450	-450	**0**
Total	100	-150	-150	**-200**

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Change in reserves	900	-450	-450	**0**
Total	100	-150	-150	**-200**

Technical Provisions	**900**	**450**	**0**	**n/a**
Deferred Acquisition Costs	**200**	**100**	**0**	**n/a**

Non-deferred acquisition costs

Income statement (IFRS 4)		1	2	Total
Premiums	0	1000	0	**1000**
Claims	0	-200	-200	**-400**
Expenses	0	-100	-100	**-200**
Acquisition costs	0	-200	0	**-200**
Change in reserves	0	-450	450	**0**
Profit or loss		**50**	**150**	**200**

Deferred acquisition costs

Income statement (IFRS 4)		1	2	Total
Premiums	0	1000	0	**1000**
Claims	0	-200	-200	**-400**
Expenses	0	-100	-100	**-200**
Acquisition costs	0	-100	-100	**-200**
Change in reserves	0	-450	450	**0**
Profit or loss		**150**	**50**	**200**

KEY TAKEAWAYS

The sum of profits accounted under IFRS 17 and IFRS 4 is equal. Under IFRS 4 decision on deferring acquisition expenses impacts the timing of the profits. Under IFRS 17 acquisition expenses are always deferred (through CSM calculation).

Calculation example 1 – IFRS 4 results (non-onerous policy, two variants of reserves)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Change in reserves	900	-450	-450	**0**
Total	100	-150	-150	**-200**

Variant 1

Income statement (IFRS 4)		1	2	Total
Premiums	0	1000	0	**1000**
Claims	0	-200	-200	**-400**
Expenses	0	-100	-100	**-200**
Acquisition costs	0	-200	0	**-200**
Change in reserves	0	-450	450	**0**
Profit or loss		**50**	**150**	**200**

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Change in reserves	1500	-750	-750	**0**
Total	700	-450	-450	**-200**

Variant 2

Income statement (IFRS 4)		1	2	Total
Premiums	0	1000	0	**1000**
Claims	0	-200	-200	**-400**
Expenses	0	-100	-100	**-200**
Acquisition costs	0	-200	0	**-200**
Change in reserves	0	-750	750	**0**
Profit or loss		**-250**	**450**	**200**

Technical Provisions (variant 1)	**900**	**450**	**0**	**n/a**
Technical Provisions (variant 2)	**1500**	**750**	**0**	**n/a**
Deferred Acquisition Costs	**n/a**	**n/a**	**n/a**	**n/a**

KEY TAKEAWAYS

Under IFRS 4 the timing of recognition of the profits depends on the level of prudency of established reserves, while under IFRS 17 reserves are always based on best estimate assumptions.

Calculation example 2 – IFRS 17 results (onerous policy)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	400	400	**800**
Expenses	0	200	200	**400**
Acquisition costs	200	0	0	**200**
Total	-800	600	600	**400**

PV Inflows	-1000
PV Outflows	1400
LC at IR	**400**

Actual cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	400	400	**800**
Expenses	0	200	200	**400**
Acquisition costs	200	0	0	**200**
Total	-800	600	600	**400**

CSM	**0**	**0**	**0**	**n/a**
Loss component	**400**	**200**	**0**	**n/a**
BEL excl. LC	**0**	**400**	**0**	**n/a**

PZU Group - Statement of financial performance (according to IFRS 17)	0	1	2	Total
Insurance service result before reinsurance contracts held	**0**	**-400**	**0**	**-400**
Insurance contract revenue	**0**	**500**	**500**	**1000**
Expected incurred claims for the period	0	300	300	600
Expected incurred expenses for the period	0	100	100	200
Release of contractual service margin for the services provided in the period	0	0	0	0
Recovery of insurance acquisition cash flows	0	100	100	200
Insurance service expenses	**0**	**-900**	**-500**	**-1400**
Claims incurred in the period	0	-400	-400	-800
Expenses incurred in the period	0	-200	-200	-400
Amortization of Loss Component	0	200	200	400
New Loss Component recognized	0	-400	0	-400
Amortization of insurance acquisition cash flows	0	-100	-100	-200
Operating result	**0**	**-400**	**0**	**-400**

KEY TAKEAWAYS

According to IFRS 17 Standard, losses from the whole duration of the contract are recognized immediately in the P&L. No profit or loss is recognized in subsequent reporting periods.

Calculation example 2 – IFRS 4 results (onerous policy, two variants of reserves)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	400	400	**800**
Expenses	0	200	200	**400**
Acquisition costs	200	0	0	**200**
Change in reserves	1800	-900	-900	**0**
Total	1000	-300	-300	**400**

Variant 1

Income statement (IFRS 4)		1	2	Total
Premiums	0	1000	0	**1000**
Claims	0	-400	-400	**-800**
Expenses	0	-200	-200	**-400**
Acquisition costs	0	-200	0	**-200**
Change in reserves	0	-900	900	**0**
Profit or loss		**-700**	**300**	**-400**

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	400	400	**800**
Expenses	0	200	200	**400**
Acquisition costs	200	0	0	**200**
Change in reserves	2400	-1200	-1200	**0**
Total	1600	-600	-600	**400**

Variant 2

Income statement (IFRS 4)		1	2	Total
Premiums	0	1000	0	**1000**
Claims	0	-400	-400	**-800**
Expenses	0	-200	-200	**-400**
Acquisition costs	0	-200	0	**-200**
Change in reserves	0	-1200	1200	**0**
Profit or loss		**-1000**	**600**	**-400**

Technical Provisions (variant 1)	**1800**	**900**	**0**	**n/a**
Technical Provisions (variant 2)	**2400**	**1200**	**0**	**n/a**
Deferred Acquisition Costs	**n/a**	**n/a**	**n/a**	**n/a**

KEY TAKEAWAYS

Under IFRS 4 the timing of recognition of the profits depends on the level of prudency of established reserves, while under IFRS 17 reserves are always based on best estimate assumptions.

Calculation example 3 – IFRS 17 results (non-onerous policy, experience variance on claims and expenses)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

PV Inflows	-1000
PV Outflows	800
CSM at IR	**200**

Actual cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	300	200	**500**
Expenses	0	200	100	**300**
Acquisition costs	200	0	0	**200**
Total	-800	500	300	**0**

CSM	**200**	**100**	**0**	**n/a**
Loss component	**0**	**0**	**0**	**n/a**
BEL excl. LC	**-200**	**300**	**0**	**n/a**

PZU Group - Statement of financial performance (according to IFRS 17)	0	1	2	Total
Insurance service result before reinsurance contracts held	**0**	**-100**	**100**	**0**
Insurance contract revenue	**0**	**500**	**500**	**1000**
Expected incurred claims for the period	0	200	200	400
Expected incurred expenses for the period	0	100	100	200
Release of contractual service margin for the services provided in the period	0	100	100	200
Recovery of insurance acquisition cash flows	0	100	100	200
Insurance service expenses	**0**	**-600**	**-400**	**-1000**
Claims incurred in the period	0	-300	-200	-500
Expenses incurred in the period	0	-200	-100	-300
Amortization of Loss Component	0	0	0	0
New Loss Component recognized	0	0	0	0
Amortization of insurance acquisition cash flows	0	-100	-100	-200
Operating result	**0**	**-100**	**100**	**0**

KEY TAKEAWAYS

Under IFRS 17 experience variance on claims or expenses is recognized directly in P&L.

Calculation example 3 – IFRS 4 results (non-onerous policy, experience variance on claims and expenses)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Change in reserves	900	-450	-450	**0**
Total	100	-150	-150	**-200**

Income statement (IFRS 4)		1	2	Total
Premiums	0	1000	0	**1000**
Claims	0	-300	-200	**-500**
Expenses	0	-200	-100	**-300**
Acquisition costs	0	-200	0	**-200**
Change in reserves	0	-450	450	**0**
Profit or loss		**-150**	**150**	**0**

Actual cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	300	200	**500**
Expenses	0	200	100	**300**
Acquisition costs	200	0	0	**200**
Total	-800	500	300	**0**

Technical Provisions	**900**	**450**	**0**	**n/a**
Deferred Acquisition Costs	**n/a**	**n/a**	**n/a**	**n/a**

KEY TAKEAWAYS

Under IFRS 4 experience variance on claims or expenses is recognized directly in P&L.

Calculation example 4 – IFRS 17 results (non-onerous policy, change of actuarial assumptions)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

PV Inflows	-1000
PV Outflows	800
CSM at IR	**200**

Increase of expected claims results in negative unlocking of CSM

Measurement at the end of Year 1

Expected cash flows	0	1	2	Total
Premiums			0	**0**
Claims			300	**300**
Expenses			100	**100**
Acquisition costs			0	**0**
Total			400	**400**

Actual cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	300	**500**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	400	**-100**

PZU Group - Statement of financial performance (according to IFRS 17)	0	1	2	Total
Insurance service result before reinsurance contracts held	**0**	**50**	**50**	**100**
Insurance contract revenue	**0**	**450**	**550**	**1000**
Expected incurred claims for the period	0	200	300	500
Expected incurred expenses for the period	0	100	100	200
Release of contractual service margin for the services provided in the period	0	50	50	100
Recovery of insurance acquisition cash flows	0	100	100	200
Insurance service expenses	**0**	**-400**	**-500**	**-900**
Claims incurred in the period	0	-200	-300	-500
Expenses incurred in the period	0	-100	-100	-200
Amortization of Loss Component	0	0	0	0
New Loss Component recognized	0	0	0	0
Amortization of insurance acquisition cash flows	0	-100	-100	-200
Operating result	**0**	**50**	**50**	**100**

CSM	**200**	**50**	**0**	**n/a**
Loss component	**0**	**0**	**0**	**n/a**
BEL excl. LC	**-200**	**400**	**0**	**n/a**

KEY TAKEAWAYS

Change of actuarial assumptions adjusts CSM and does not directly impact P&L.

Calculation example 4 – IFRS 4 results (non-onerous policy, change of actuarial assumptions)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Change in reserves	900	-450	-450	**0**
Total	100	-150	-150	**-200**

Measurement at the end of Year 1

Expected cash flows	0	1	2	Total
Premiums			0	**0**
Claims			300	**300**
Expenses			100	**100**
Acquisition costs			0	**0**
Change in reserves			-600	**-600**
Total			-200	**-200**

Actual cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	300	**500**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	400	**-100**

Income statement (IFRS 4)		1	2	Total
Premiums	0	1000	0	**1000**
Claims	0	-200	-300	**-500**
Expenses	0	-100	-100	**-200**
Acquisition costs	0	-200	0	**-200**
Change in reserves (initial establishment)	0	-900	0	**-900**
Change in reserves (establishment for the 2nd period)	0	-150	0	**-150**
Change in reserves (release)	0	450	600	**1050**
Profit or loss		**-100**	**200**	**100**

Technical Provisions	**900**	**600**	**0**	**n/a**
Deferred Acquisition Costs	**n/a**	**n/a**	**n/a**	**n/a**

KEY TAKEAWAYS

Change of actuarial assumption is directly recognized in P&L through change in reserves.

Calculation example 5 – IFRS 17 results (non-onerous policy, changed into onerous due to unfavorable change of actuarial assumptions)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

PV Inflows	-1000
PV Outflows	800
CSM at IR	**200**

Measurement at the end of Year 1

Expected cash flows	0	1	2	Total
Premiums			0	**0**
Claims			500	**500**
Expenses			200	**200**
Acquisition costs			0	**0**
Total			700	**700**

Actual cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	500	**700**
Expenses	0	100	200	**300**
Acquisition costs	200	0	0	**200**
Total	-800	300	700	**200**

PZU Group - Statement of financial performance (according to IFRS 17)	0	1	2	Total
Insurance service result before reinsurance contracts held	**0**	**-200**	**0**	**-200**
Insurance contract revenue	**0**	**300**	**700**	**1000**
Expected incurred claims for the period	0	150	450	600
Expected incurred expenses for the period	0	50	150	200
Release of contractual service margin for the services provided in the period	0	0	0	0
Recovery of insurance acquisition cash flows	0	100	100	200
Insurance service expenses	**0**	**-500**	**-700**	**-1200**
Claims incurred in the period	0	-200	-500	-700
Expenses incurred in the period	0	-100	-200	-300
Amortization of Loss Component	0	100	100	200
New Loss Component recognized	0	-200	0	-200
Amortization of insurance acquisition cash flows	0	-100	-100	-200
Operating result	**0**	**-200**	**0**	**-200**

CSM	**200**	**0**	**0**	**n/a**
Loss component	**0**	**200**	**0**	**n/a**
BEL excl. LC	**-200**	**500**	**0**	**n/a**

KEY TAKEAWAYS

Impact of unfavourable changes of actuarial assumptions is absorbed by the CSM, remaining part is immediately recognized as a loss in P&L.

Calculation example 5 – IFRS 4 results (non-onerous policy, changed into onerous due to unfavorable change of actuarial assumptions)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Change in reserves	900	-450	-450	**0**
Total	100	-150	-150	**-200**

Measurement at the end of Year 1

Expected cash flows	0	1	2	Total
Premiums			0	**0**
Claims			500	**500**
Expenses			200	**200**
Acquisition costs			0	**0**
Change in reserves			-1050	**-1050**
Total			-350	**-350**

Actual cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	500	**700**
Expenses	0	100	200	**300**
Acquisition costs	200	0	0	**200**
Total	-800	300	700	**200**

Income statement (IFRS 4)		1	2	Total
Premiums	0	1000	0	**1000**
Claims	0	-200	-500	**-700**
Expenses	0	-100	-200	**-300**
Acquisition costs	0	-200	0	**-200**
Change in reserves (initial establishment)	0	-900	0	**-900**
Change in reserves (establishment for the 2nd period)	0	-600	0	**-600**
Change in reserves (release)	0	450	1050	**1500**
Profit or loss		**-550**	**350**	**-200**

Technical Provisions	**900**	**1050**	**0**	**n/a**
Deferred Acquisition Costs	**n/a**	**n/a**	**n/a**	**n/a**

KEY TAKEAWAYS

Change of actuarial assumption is directly recognized in P&L through change in reserves.

Calculation example 6 – IFRS 17 results (non-onerous policy, discounting)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

Interest rate curve 0 (at IR)		1%	1%
Discount factor	1.00	0.99	0.98
BEL Expected	**-209**	**297**	**0**

PV Premiums	-1000
PV Acquisition Costs	200
PV Claims & Expenses	591
CSM at IR	**209**

Includes Interest accretion on CSM (-2) and Interest accretion on BEL (-6)

Actual cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

Interest rate curve 1			1%
Discount factor		1.00	0.99
BEL		**297**	**0**
BEL - BEL Expected		**0**	**0**

PZU Group - Statement of financial performance (according to IFRS 17)	0	1	2	Total
Insurance service result before reinsurance contracts held	**0**	**105**	**107**	**212**
Insurance contract revenue	**0**	**505**	**507**	**1012**
Expected incurred claims for the period	0	200	200	400
Expected incurred expenses for the period	0	100	100	200
Release of contractual service margin for the services provided in the period	0	105	107	212
Recovery of insurance acquisition cash flows	0	100	100	200
Insurance service expenses	**0**	**-400**	**-400**	**-800**
Claims incurred in the period	0	-200	-200	-400
Expenses incurred in the period	0	-100	-100	-200
Amortization of Loss Component	0	0	0	0
New Loss Component recognized	0	0	0	0
Amortization of insurance acquisition cash flows	0	-100	-100	-200
Finance income	**0**	**-8**	**-4**	**-12**
Insurance finance income / expense	0	-8	-4	-12
Operating result	**0**	**97**	**103**	**200**

KEY TAKEAWAYS

Under IFRS 17 change in reserves due to change of time value of money is presented separately in Insurance finance income/expense in the P&L, while under IFRS 4 all changes in reserves are presented together.

Calculation example 6 – IFRS 17 results (non-onerous policy, discounting)

Initial recognition

Expecte...				Total
Premiu...				-1000
Claims				400
Expense...				200
Acquisit...				200
Total				-200

CSM BoP (0)	**209**
Interest accretion	1% * 209 = 2
Release	-50% * 211 = -105
CSM EoP(1)	**105**

	0	1	2
Interest rate curve 0 (at IR)		1%	1%
Discount factor	1.00	0.99	0.98
BEL Expected	**-209**	**297**	**0**

PV Premiums	-1000
PV Acquisition Costs	200
PV Claims & Expenses	591
CSM at IR	**209**

Actual cash flows	**0**	**1**	**2**	**Total**
Premiums	-1000	0	0	-1000
Claims	0	200	200	400
Expense...				200
Acquisit...				200
Total				-200

Insurance service expense	**-8**
Interest accretion on CSM	-1% * 209 = -2
Interest accretion on BEL	-1% * (-209 + 1000 – 200) = -6

Interest...			
Discoun...			
BEL			
BEL - BEL Expected		**0**	**0**

PZU Group - Statement of financial performance (according to IFRS 17)	**0**	**1**	**2**	**Total**
Insurance service result before reinsurance contracts held	**0**	**105**	**107**	**212**
Insurance contract revenue	**0**	**505**	**507**	**1012**
Expected incurred claims for the period	0	200	200	400
Expected incurred expenses for the period	0	100	100	200
Release of contractual service margin for the services provided in the period	**0**	**105**	**107**	**212**
Recovery of insurance acquisition cash flows	0	100	100	200
Insurance service expenses	**0**	**-400**	**-400**	**-800**
Claims incurred in the period	0	-200	-200	-400
Expenses incurred in the period	0	-100	-100	-200
Amortization of Loss Component	0	0	0	0
New Loss Component recognized	0	0	0	0
Amortization of insurance acquisition cash flows	0	-100	-100	-200
Finance income	**0**	**-8**	**-4**	**-12**
Insurance finance income / expense	**0**	**-8**	**-4**	**-12**
Operating result	**0**	**97**	**103**	**200**

KEY TAKEAWAYS

Under IFRS 17 change in reserves due to change of time value of money is presented separately in Insurance finance income/expense in the P&L, while under IFRS 4 all changes in reserves are presented together.

Calculation example 7 – IFRS 17 results (non-onerous policy, change of discount curves – OCI option)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

Interest rate curve 0 (at IR)		1%	1%
Discount factor	1.00	0.99	0.98
BEL Expected	**-209**	**297**	**0**

PV Premiums	-1000
PV Acquisition Costs	200
PV Claims & Expenses	591
CSM at IR	**209**

Results in Other Comprehensive Income equal to 6 in the first period

Actual cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

Interest rate curve 1			3%
Discount factor		1.00	0.97
BEL		**291**	**0**
BEL - BEL Expected		**-6**	**0**

PZU Group - Statement of financial performance (according to IFRS 17)	0	1	2	Total
Insurance service result before reinsurance contracts held	**0**	**105**	**107**	**212**
Insurance contract revenue	**0**	**505**	**507**	**1012**
Expected incurred claims for the period	0	200	200	400
Expected incurred expenses for the period	0	100	100	200
Release of contractual service margin for the services provided in the period	0	105	107	212
Recovery of insurance acquisition cash flows	0	100	100	200
Insurance service expenses	**0**	**-400**	**-400**	**-800**
Claims incurred in the period	0	-200	-200	-400
Expenses incurred in the period	0	-100	-100	-200
Amortization of Loss Component	0	0	0	0
New Loss Component recognized	0	0	0	0
Amortization of insurance acquisition cash flows	0	-100	-100	-200
Finance income	**0**	**-8**	**-4**	**-12**
Insurance finance income / expense	0	-8	-4	-12
Operating result	**0**	**97**	**103**	**200**
Other Comprehensive Income (BS)	**0**	**6**		

KEY TAKEAWAYS

For General Measurement Model when OCI option is elected, the impact of change of discount curve is directly presented in Other Comprehensive Income.

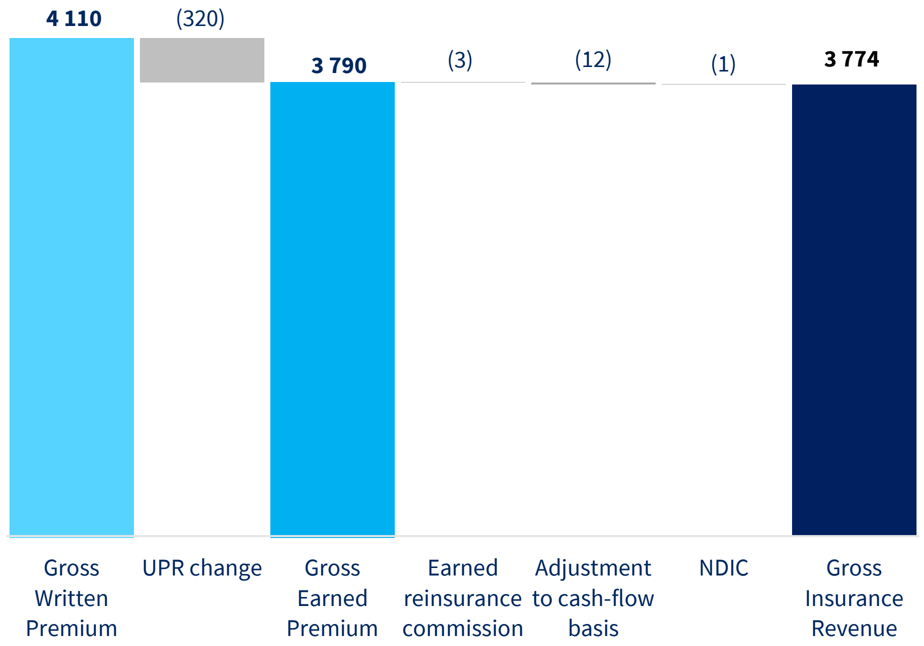
IFRS 17 in PZU

detailed discussion of the new presentation of PZU's results

Non-life PL – GWP vs. Insurance revenue

GWP, Gross Earned Premium and Gross Insurance Revenue, 1Q23, PLN m

Key metric under **IFRS 4**



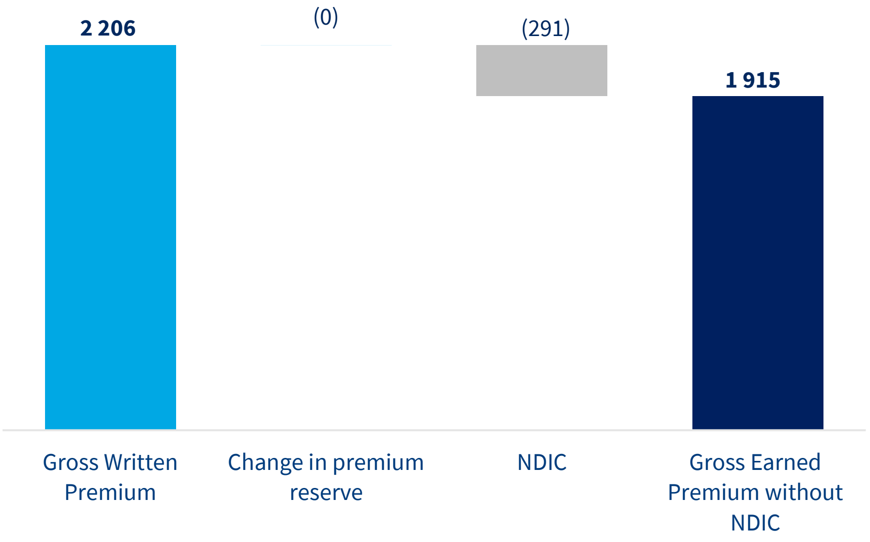
Key metric under **IFRS 17**

- Includes operations in PZU Poland – PZU, LINK4, TUW PZUW
- Insurance revenue under IFRS 17, apart from the earned premium, takes into account adjustments to cash-flow basis (such as premium and reinsurance commission write-offs, accrued interest from delayed premiums and deduction of the non-distinct investment components (NDIC)
- Non-distinct investment component – represents the part of the benefit payable to the insured, which will always be paid to the insured regardless of whether or not the insurance event occurs. In Non-life in PZU these are bonuses and rebates as well as reinsurance sliding scale
- In case of Inward reinsurance, earned reinsurance commission deducts earned premium

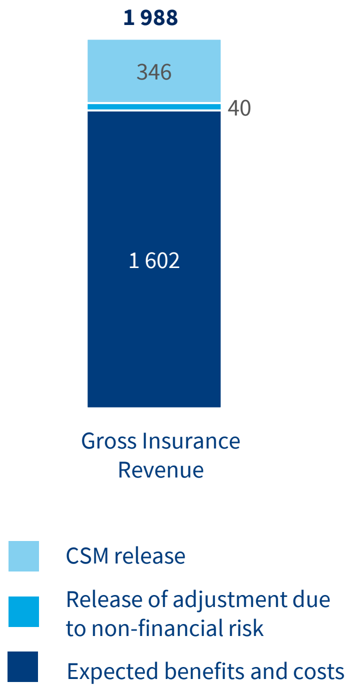
Life PL – GWP vs. Insurance revenue

GWP, Gross Earned Premium and Gross Insurance Revenue, 1Q23, PLN m

Key metric under **IFRS 4**



Key metric under **IFRS 17**



- Includes operations in PZU Poland – PZU Życie
- The insurance service revenue replaced GWP under IFRS17 as one of the key measures
- These two metrics are not comparable as profit distribution in IFRS 17 differs from the one under IFRS 4
- Insurance revenue is the remuneration to which the entity expects to be entitled in exchange for the insurance services provided during the period
- Insurance revenue under IFRS 17 for GMM or VFA models used by PZU, includes:
    - contractual service margin (CSM) release in the amount of total contract profit attributable to the period
    - release of risk adjustment for non-financial risk
    - expected claims, benefits and expenses
    - part of premiums related to the recovery of acquisition expenses unlike written premiums
- Insurance revenue under IFRS 17 does not include non-distinct investment component (NDIC)
- NDIC represents the part of the benefit payable to the insured, which will always be paid to the insured regardless of whether or not the insurance event occurs. In life insurance, for instance, this may be surrender values in the endowment product or expected benefits from insurance event up to the fund value for Unit-Linked products. In IFRS 17 for presentation purposes NDIC is deducted from both insurance revenues and expenses

Amortization of liabilities for remaining coverage (PAA) and allocation of reinsurance premiums

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Amortization of liabilities for remaining coverage (PAA)																	
693	820	2,031	2,188	-	-	-	-	-	-	374	477	44	36	-	-	-	-
Allocation of reinsurance premiums																	
(213)	(319)	(32)	(40)	-	-	-	-	-	-	(4)	(7)	1	-	-	-	-	-

Item explanation: amortization of premium received minus acquisition expenses – for non-onerous insurance contracts represents part of premium needed to cover claims, expenses, margin for uncertainty (Risk Adjustment) and assumed profit

1Q22	1Q23
Amortization of liabilities for remaining coverage (PAA)	
3,142	3,521
Reinsurance	
(248)	(366)

Main factors that impacting reported figures:

- **sales volumes within last 12 months.** Growth in 1Q23 resulted from higher sales growth in the second half of 2022 and to a lesser extent, of current year premiums - mainly applies to motor own damage insurance and TPL insurance (also on the LINK4 portfolio) and non-motor insurance. In motor own damage (MOD) insurance, it is mainly the impact of the increase in average premiums resulting from the increasing value of vehicles and tariff changes. Effect on both MOD and Motor TPL portfolio compounded by a higher number of agreements - impact of higher vehicle availability than last year
- **acquisition expenses** – both commissions and initial administrative expenses
- **allocation of reinsurance premiums** depends on reinsurance programs

Expected claims and benefits (GMM, VFA)

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Expected claims and benefits (GMM, VFA)																	
-	-	-	-	1,341	1,189	34	35	-	1	3	3	11	8	-	-	-	-

Item explanation: includes expected claims and benefits in the period. Expected values are actuarial cash-flow projections from models as of the end of the previous year for existing business (applies for all reporting quarters) as year-to-date approach is used (contrary to period-to-period approach) and actuarial cash-flow projections from models expected in current period from new business.

▷ In case of onerous contracts, the value of expected claims and benefits together with expected expenses is limited to the value of premium received, remaining part is recognised in the expense part as the loss component.

	1Q22	1Q23
Expected claims and benefits (GMM, VFA)	1,389	1,236

Main factors impacting reported figures:

- **risks distribution** during the projected period, i.e. usually the lower risk attributable to the period, the lower expected claims, in such a case expected claims are rather shifted for next periods in line with contract duration. In projections as of YE 2021 PZU assumed higher mortality rates due to COVID-19 which caused higher expected benefits in 1Q22 than in 1Q23
- **actuarial assumptions** on mortality, morbidity and lapses

Expected expenses (GMM, VFA)

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Expected expenses (GMM, VFA)																	
-	-	-	-	206	219	23	21	(1)	(1)	2	2	-	-	-	-	-	-

Item explanation: includes expected expenses in the period. Expected values are actuarial cash-flow projections from models as of the end of the previous year (applies for all reporting quarters) as year-to-date approach is used (contrary to period-to-period approach) and actuarial cash-flow projections from models expected in current period from new business.

▷ In case of onerous contracts, the value of expected claims and benefits together with expected expenses is limited to the value of premium received, remaining part is recognized in the expense part as the loss component.

1Q22	1Q23
Expected expenses (GMM, VFA)	
230	241

Main factors impacting reported figures:

- actuarial **assumptions** on administrative **expenses**
- actuarial **assumptions** usually are derived during annual **budgeting** process.

Release of the contractual service margin (GMM, VFA)

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Release of the contractual service margin (GMM, VFA)																	
-	-	-	-	257	294	33	53	3	5	1	3	-	-	-	-	-	-

Item explanation: includes release of profit for the period, based on CSM amortization in line with insurance service provided. Amortization results from coverage unit distribution. Projected coverage units are calculated in actuarial cash-flow models.

	1Q22	1Q23
Release of the contractual service margin (GMM, VFA)	294	355

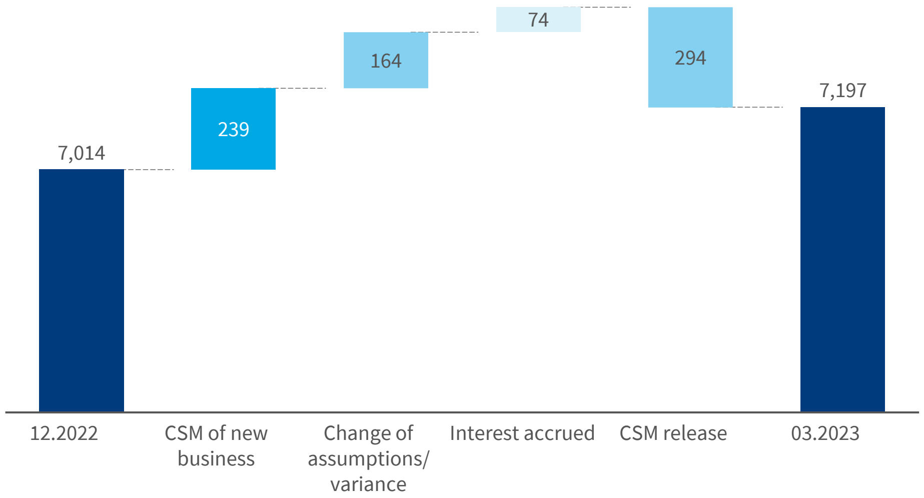
Main factors impacting reported figures:

- CSM at transition
- coverage units – for PZU these are the total sums of individual sum insured for main contract and riders, annual benefit for annuity insurance
- value of CSM / loss component for new insurance contracts
- changes in actuarial assumptions
- portfolio variances, including riders upsell to main contract.

Release of the contractual service margin in 1Q23

Insurance revenue

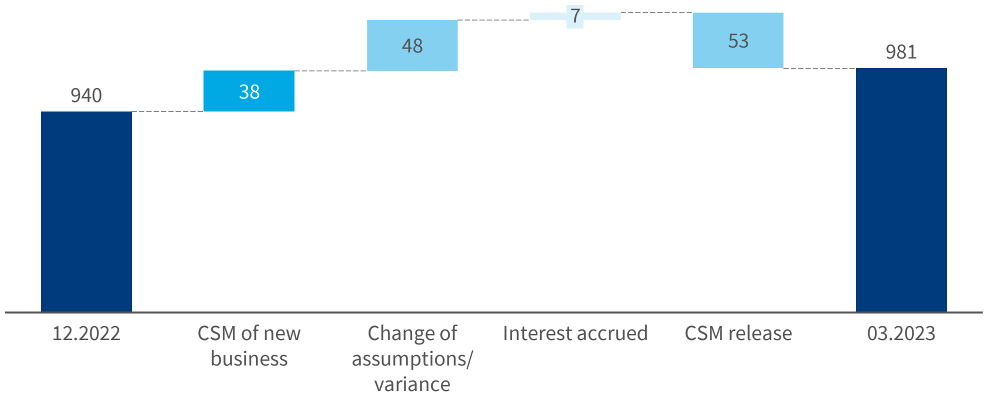
Group and individually continued insurance - CSM (PLN m)



Change in the contractual service margin (CSM) (profits to be recognised over time) between balance sheet dates results from:

- additional CSM from the sale of new business in the amount of PLN 239 million (agreements where profit is recognised on conclusion)
- updating of assumptions for the valuation of liabilities (the largest effect being lower assumed inflation for premium indexation) and variance in the development of the policyholder portfolio, including the up-sale of riders increasing future profits recognised in the CSM (PLN 103 million)
- increase of the CSM by the change in the value of money over time - accrued interest
- CSM release of PLN 294 million (profit attributed to the current period on the basis of expectations from the beginning of the period in proportion to the insurance service provided)

Individual protection insurance - CSM (PLN m)



Change in the contractual service margin (CSM) (profits to be recognised over time) between balance sheet dates results from:

- additional CSM from the sale of new business in the amount of PLN 38 million (agreements where profit is recognised on conclusion)
- updating of assumptions for the valuation of liabilities and variance in the development of the policyholder portfolio, including the up-sale of riders increasing future profits recognised in the CSM (PLN 25 million)
- increase of the CSM by the change in the value of money over time - accrued interest
- CSM release of PLN 53 million (profit attributed to the current period on the basis of expectations from the beginning of the period in proportion to the insurance service provided)

Release of risk adjustment for non-financial risks (GMM, VFA)

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Release of risk adjustment for non-financial risks (GMM, VFA)																	
-	-	-	-	36	31	4	4	4	5	1	1	-	-	-	-	-	-

Item explanation: includes explicit prudence margin for uncertainty amortization. Risk adjustment covers non-financial risks (e.g. underwriting risk, surrender risk and expense risk). The risk adjustment is a form of compensation for the uncertainty about the amount and timing of cash flows arising from the groups of insurance contracts. Due to the different risk characteristics, the risk adjustment for cash flows relating to the future coverage period (included in the liability for remaining coverage) and the past coverage period (included in the liability for claims incurred) are estimated separately. At the entity level, the risk adjustment is determined as a simple sum of the risk adjustments for all groups of contracts in the portfolio, disregarding any correlations between these groups. Finally, a confidence level is determined based on the value obtained, which takes into account correlations and diversification effects between homogeneous risk groups.

1Q22	1Q23
Release of risk adjustment for non-financial risks (GMM, VFA)	
45	41

Main factors impacting reported figures:

- risk profile of issued contracts
- embedded volatility of current cash flows
- contract duration
- targeted confidence level defined by the company
- selected calculation methodology - depending on a nature of the risk concerned, a risk adjustment for non-financial risks is determined using the VaR method or the cost-of-capital method
- confidence levels for the finally determined non-financial risk adjustment were 79% at 31 March 2023 and 31 December 2022, and 80% at 31 March 2022.

Insurance revenue

Insurance service expenses

Insurance acquisition cash flows

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Recovery of insurance acquisition cash flows																	
117	140	547	626	102	109	53	45	-	1	86	100	13	9	-	-	-	-
Amortization of insurance acquisition cash flows																	
(117)	(140)	(547)	(626)	(102)	(109)	(53)	(45)	-	(1)	(86)	(100)	(13)	(9)	-	-	-	-

Item explanation: Amount of acquisition costs allocated to the period is presented in both insurance revenue and insurance service expense in the amount of actual value of commission expenses as well as any initial administrative expense, only for presentational purposes without impact on the insurance service result.

1Q22	1Q23
Recovery of insurance acquisition cash flows	
918	1,030
Amortization of insurance acquisition cash flows	
(918)	(1,030)

Main factors impacting reported figures:

- sales volumes
- commission levels
- amount of expenses allocated to initial administrative expenses

Other income

Insurance revenue

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Other income																	
-	-	-	-	(17)	(19)	(2)	(3)	-	(1)	-	-	-	-	-	-	-	-

Item explanation: other income includes mainly variance between premium modelled by actuarial models and actual premium paid (*experience adjustment*). Great part of 1Q 2023 value i.e. PLN 19 million of lower revenue relates to Group and individually continued insurance which amounts to 2% of total modelled value.

1Q22	1Q23
Other income	
(19)	(23)

Main factors impacting reported figures:

- modelling simplifications such as usage of averages not on individual policy data.

Claims incurred in the period (without the investment component) and incurred claims

Insurance service expenses

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Claims incurred in the period (without the investment component)																	
(528)	(446)	(1,596)	(1,642)	(1,394)	(1,302)	(20)	(21)	(8)	(7)	(327)	(383)	(29)	(25)	-	-	-	-
Incurred claims (amounts recoverable from reinsurers)																	
131	93	7	5	-	-	-	-	-	-	3	4	4	2	-	-	-	-

Item explanation: claims incurred in the period are recognized as Insurance Service Expenses. Experience adjustment on claims from past periods or changes to LIC are presented separately from claims incurred in the period.

▷ The amount is reduced by non-distinct investment component.

▷ Amounts recoverable from reinsurers correspond to insurance service expense for insurance contract issued.

1Q22	1Q23
Claims incurred in the period (without the investment component)	
(3,902)	(3,826)
Reinsurance	
145	104

Main factors impacting reported figures:

- actual claims

Expenses incurred in the period

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Expenses incurred in the period																	
(38)	(53)	(193)	(219)	(172)	(200)	(18)	(21)	4	(2)	(53)	(62)	(10)	(7)	-	-	-	-
Incurred expenses (amounts recoverable from reinsurers)																	
3	12	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Item explanation: expenses incurred in the period are recognized as Insurance Service Expenses.
This line includes attributable expenses which differ from expenses related to insurance activities presented in IFRS 4.

In IFRS 17 attributable expenses include:
▷ expenses arising from acquisition (selling, underwriting) of a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs
▷ fixed and variable overheads such as for example accounting, other finance, IT, HR expenses, which can be allocated (even using allocation keys) to insurance contracts.

Expenses not included in attributable expenses (non-attributable), previously reported in insurance result in IFRS 4, are for example:
▷ product development and training costs that are not directly attributable to the portfolio of insurance contracts
▷ other operating revenues and costs (e.g. PR/brand management, expenses related to supervision on subsidiaries, wasted labour costs (e.g. costs related to COVID-19 pandemics - support of intermediaries network during lock-down)
▷ own funds asset management expenses.

1Q22	1Q23
Expenses incurred in the period	
(480)	(564)
Reinsurance	
3	13

Main factors impacting reported figures:

- actual expenses

Run-off of claim reserves from prior years

Insurance service expenses

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Run-off of claim reserves from prior years																	
80	(1,216)	172	105	-	-	-	-	-	-	30	44	-	-	-	-	-	-
Run-off of claim reserves from prior years (amounts recoverable from reinsurers)																	
(6)	1,234	14	(6)	-	-	-	-	-	-	(24)	-	-	-	-	-	-	-

Item explanation: Experience adjustment on claims from past periods or changes to LIC, i.e. change in reserve for prior year claims in the excess of the actual claims and expenses.

1Q22	1Q23
Run-off of claim reserves from prior years	
282	(1,067)
Reinsurance	
(16)	1,228

Main factors impacting reported figures:

- claim and expense volatility
- reinsurance share depends on reinsurance programs

Amortization of loss component

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Amortization of loss component																	
27	41	78	130	130	93	10	2	1	3	49	39	-	-	-	-	-	-

Item explanation: Release of the loss component previously recognized. It covers premium deficiencies for claim and expenses for the period for onerous contracts as well as related risk adjustment. Loss component is amortized using the systematic allocation approach over the lifetime of the group of contracts such that there is a ‘zero’ loss component by the end of the coverage period.

At each reporting period, the amount by which the loss component balance has been amortized will also appear in the insurance service expense line as ‘reversals of losses’. In GMM, this same amount will also reduce insurance revenue to reflect the amount of expected cash out flows that can be ‘supported’ by the premiums.

1Q22	1Q23
Amortization of loss component	
295	308

Main factors impacting reported figures:

- assumptions on claims and expenses
- previously recognized loss component

Recognition of the loss component

Insurance service expenses

PLN m

Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Recognition of the loss component																	
(32)	(41)	(65)	(159)	(140)	(102)	(11)	(3)	(1)	(3)	(52)	(39)	-	-	-	-	-	-

Item explanation: Loss Component impacts the P&L immediately when the contract is recognized as onerous. Amount of Loss Component is later amortized over time. This position covers also changes in actuarial assumptions affecting Loss Component (decrease or increase) previously recognized.

	1Q22	1Q23
Recognition of the loss component	(301)	(347)

Main factors impacting reported figures:

- economic market situation (interest rates)
- current expectation on claim and expense levels
- approach to tariff setting process
- market practise and competitive conditions

Insurance and reinsurance finance income or expenses

PLN m

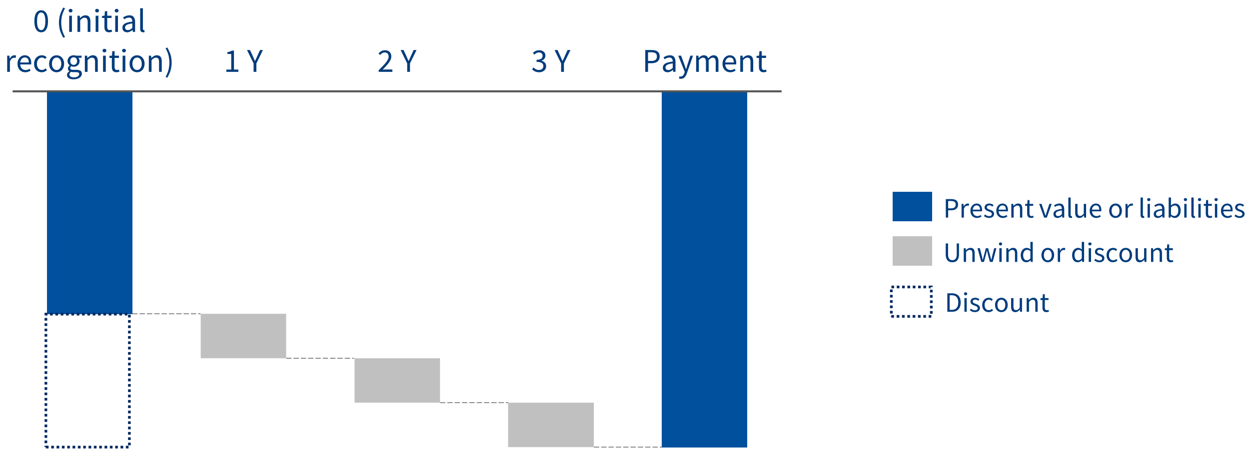
Corporate insurance (NL)		Mass insurance (NL)		Group and individually continued insurance (L)		Individual protective insurance (L)		Life investment insurance		Baltic countries		Ukraine		Investment contracts		Investments	
1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23	1Q22	1Q23
Insurance finance income or expenses																	
(21)	(36)	(66)	(80)	(109)	(123)	(61)	(22)	206	(205)	9	(9)	-	-	-	-	-	-
Reinsurance finance income or expenses																	
7	11	3	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-

1Q22	1Q23
Insurance finance income or expenses	
(42)	(475)
Reinsurance	
10	14

Item explanation: Insurance finance income or expenses is the effect of u*nwinding,* i.e. the effect of removing the discount effect during the year from liabilities (BEL and CSM) in line with the chosen *locked-in curve* (from policy commencement or accident year or quarter). In case of OCI option application, the remaining part of curves changes on the liabilities is recognised in equity.

Main factors that have impact on reported figures:

- interest rate levels from the past – for long term products and liabilities (almost all Life products except for Group insurance, annuities and other long-term labilities for Non-life)
- current interest rates levels - for short term products (Non-life, group insurance)
- OCI option reduces P&L volatility for long term products - changes in interest rates in greater part are recognized in equities rather than in P&L
- most of the volatility in life investment insurance results from changes in fund value of Unit linked assets



Investment result - recap

- Reallocation of investment income – after implementation of IFRS 17, allocation is based on **actual** investment income (on an IFRS basis) of individual investment portfolios, according to the purpose and **valuation reflecting a specific investment strategy**
- Investment income **modelled according to risk appetite**, separately by:
  - **portfolio to cover technical provisions** (assets with lower valuation volatility and higher liquidity) – aligned to local technical rate requirements (local GAAP)
  - **surplus portfolio** – managed according to assumptions for specific investment strategies in line with strategic asset allocation

Annuities

Continued

With profit sharing and term

Loss – BEL + RA coverage

Protection

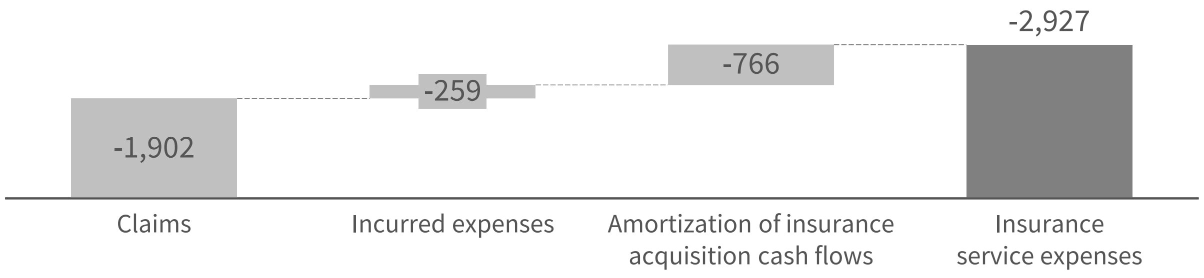
Own funds

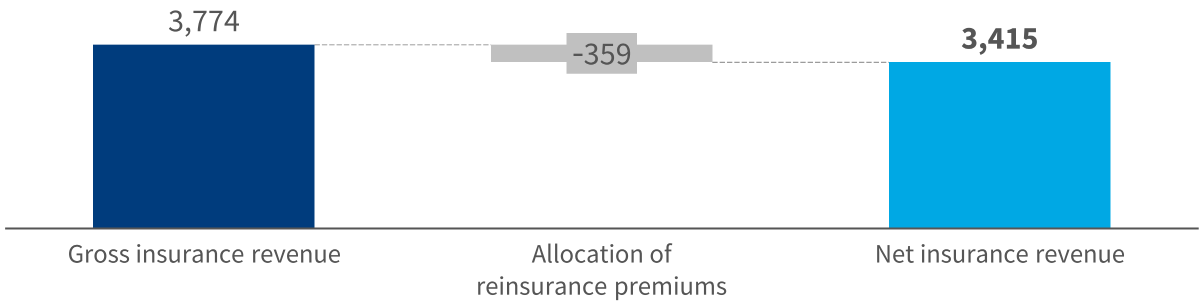
Main portfolio of investments –
portfolios to cover technical liabilities and own funds
Total PLN 46.7 bn

1Q23 PLN m	Corporate insurance (NL)	Mass insurance (NL)	Group and individually continued insurance (L)	Individual protective insurance (L)	Life investment insurance	Baltic countries	Ukraine	Investment contracts	Investments[1]	Pension	Other	PPA (banking)[2]	Banking	Total
Investment income	83	197	199	28	212	12	15		129	4	(46)	40	5,850	6,723
Interest expenses	-	-	-	-	-	-	-		(55)	-	13	-	(2,154)	(2,196)
Segment view[3]				746						85			3,696	
De-consolidation view[4]						791							3,736	

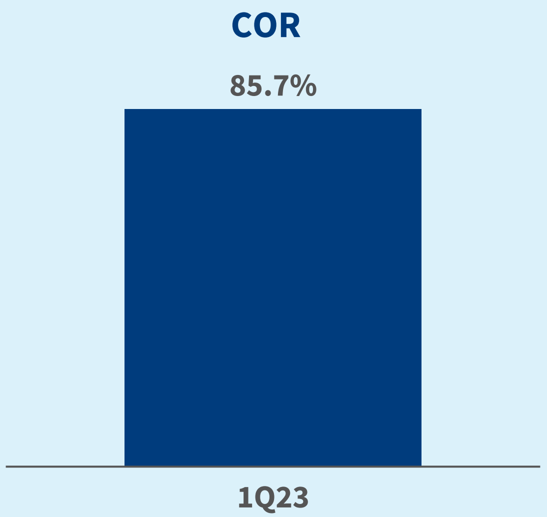
1. Segment „investments", apart from the income from the main portfolio surplus includes third party investments and consolidation adjustments e.g. interim FX on real estate portfolio
2. PPA - adjustments for changes in fair value of acquired assets and liabilities (e.g., credit liabilities)
3. Disclosure on reporting segments, Condensed Interim Consolidated Financial Statements for the 3 months ended 31 March 2023, pages 98-99
4. Disclosure on split of profit into PZU Group ex banks, Bank Pekao and Alior Bank, Condensed Interim Consolidated Financial Statements for the 3 months ended 31 March 2023, page 27

Combined operating ratio





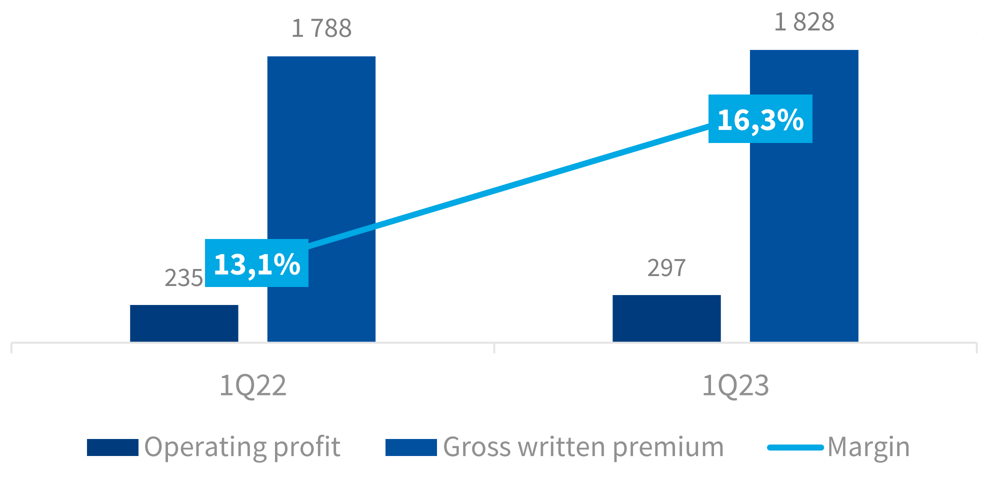
IFRS 17



- Combined operating ratio, calculated for the non-life insurance sector - this is the ratio of insurance service expenses, including amounts recoverable from reinsurers to the net insurance revenue; a decrease in the value of this indicator signifies an improvement in efficiency (Combined Operating Ratio)
- The COR calculation method has been adapted to the new measures introduced by IFRS 17

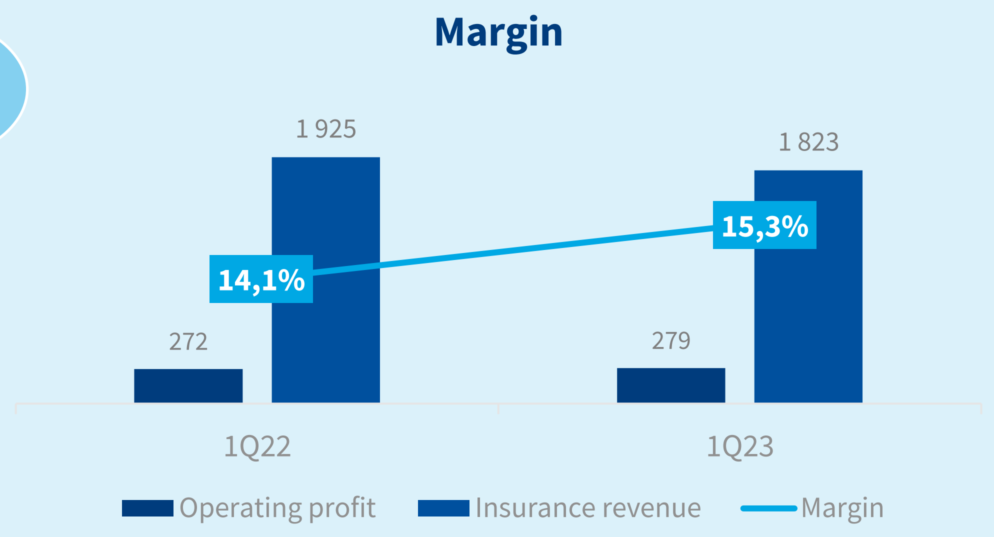
Operating result margin in life insurance

IFRS 4



IFRS 17

Group and individually continued insurance



- Operating result margin in life insurance – profitability of life insurance segments, calculated as the ratio of the profit or loss on operating activities to the net income on insurance activities; the higher the ratio, the better the efficiency

aROE

Measurement of liabilities and assets based on local accounting standards (PAS)

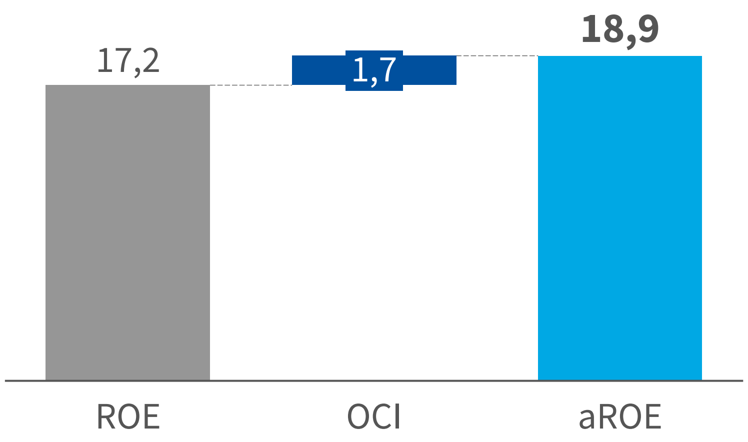
- Measurement of technical provisions under PAS is based on technical rate and is not directly impacted by current interest rates
- Investment policy of PZU Group is aligned with the PAS valuation; sovereign bonds held to maturity and measured at amortized cost (AC) account for 44% of entire investment portfolio

Asymmetric measurement of liabilities and part of the assets under IFRS 17

- In consolidated statements under IFRS 17, technical provisions, from 1 January 2023 are measured based on current risk – free rates
- Sizeable part of the assets will still be measured at amortized cost
- This dichotomy will potentially lead to volatility in equity and ROE

aROE (%) – new strategic KPI of PZU, adjusted return on equity calculated on a capital basis excluding accumulated other comprehensive income relating to financial income or expenses from insurance and reinsurance. Net result and equity attributable to equity holders of the parent company, annualized.

aROE vs. ROE in 1Q23 (%)



- The change from ROE to **adjusted ROE** (aROE) decreases ratio volatility arising from changes in interest rates recognized directly in the equity

- **The OCI option** - the insurance finance income or expenses (IFIE) comprises the change in the carrying amount of the group of insurance contracts arising mainly from the effect of the time value of money and changes in discounting rates including financial risk. In 'OCI option' it is allowed to recognize the part of the IFIE, which is affected by changes in current discount rates in the reporting period in other comprehensive income whereas insurance finance income or expenses recognized in P&L represents unwind of discounting and accretion of interest on CSM.

Attachments

Calculation example 8 – IFRS 17 results (non-onerous policy, experience variance on premiums related to past or current service)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

PV Inflows	-1000
PV Outflows	800
CSM at IR	**200**

Includes experience variance on premiums

Actual cash flows	0	1	2	Total
Premiums	-1000	-200	0	**-1200**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	100	300	**-400**

CSM	**200**	**100**	**0**	**n/a**
Loss component	**0**	**0**	**0**	**n/a**
BEL excl. LC	**-200**	**300**	**0**	**n/a**

PZU Group - Statement of financial performance (according to IFRS 17)	0	1	2	Total
Insurance service result before reinsurance contracts held	**0**	**300**	**100**	**400**
Insurance contract revenue	**0**	**700**	**500**	**1200**
Expected incurred claims for the period	0	200	200	400
Expected incurred expenses for the period	0	100	100	200
Release of contractual service margin for the services provided in the period	0	100	100	200
Recovery of insurance acquisition cash flows	0	100	100	200
Other	0	200	0	200
Insurance service expenses	**0**	**-400**	**-400**	**-800**
Claims incurred in the period	0	-200	-200	-400
Expenses incurred in the period	0	-100	-100	-200
Amortization of Loss Component	0	0	0	0
New Loss Component recognized	0	0	0	0
Amortization of insurance acquisition cash flows	0	-100	-100	-200
Operating result	**0**	**300**	**100**	**400**

KEY TAKEAWAYS

Experience variance on premiums related to past or current service is recognized directly in P&L.

Calculation example 9 – IFRS 17 results (non-onerous policy, experience variance on premiums related to future service)

Initial recognition

Expected cash flows	0	1	2	Total
Premiums	-1000	0	0	**-1000**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	300	300	**-200**

PV Inflows	-1000
PV Outflows	800
CSM at IR	**200**

Increase of premiums results in positive unlocking of CSM

Actual cash flows	0	1	2	Total
Premiums	-1000	-200	0	**-1200**
Claims	0	200	200	**400**
Expenses	0	100	100	**200**
Acquisition costs	200	0	0	**200**
Total	-800	100	300	**-200**

CSM	**200**	**200**	**0**	**n/a**
Loss component	**0**	**0**	**0**	**n/a**
BEL excl. LC	**-200**	**300**	**0**	**n/a**

PZU Group - Statement of financial performance (according to IFRS 17)	0	1	2	Total
Insurance service result before reinsurance contracts held	**0**	**200**	**200**	**400**
Insurance contract revenue	**0**	**600**	**600**	**1200**
Expected incurred claims for the period	0	200	200	400
Expected incurred expenses for the period	0	100	100	200
Release of contractual service margin for the services provided in the period	0	200	200	400
Recovery of insurance acquisition cash flows	0	100	100	200
Insurance service expenses	**0**	**-400**	**-400**	**-800**
Claims incurred in the period	0	-200	-200	-400
Expenses incurred in the period	0	-100	-100	-200
Amortization of Loss Component	0	0	0	0
New Loss Component recognized	0	0	0	0
Amortization of insurance acquisition cash flows	0	-100	-100	-200
Operating result	**0**	**200**	**200**	**400**

KEY TAKEAWAYS

Experience variance on premiums related to future service adjusts CSM and does not go directly through P&L.

Reporting segments in PZU Group

Segment	Accounting standards	Segment description	Aggregation criteria
Corporate insurance (non-life insurance)	IFRS	An extensive variety of property insurance products, civil liability and motor insurance products tailored to the customer's needs, entailing individual underwriting offered to large business entities by PZU, Link4, TUW PZUW.	Aggregation by similarity of the products offered, similar client groups to which they are offered, distribution channels and operation in the same regulatory environment.
Mass insurance (non-life insurance)	IFRS	An extensive variety of property, accident, civil liability and motor insurance products offered to individual clients and entities forming part of the small and medium enterprise sector by PZU and Link4.	As above.
Group and individually continued insurance (life insurance)	IFRS	Group insurance products offered by PZU Zycie to groups of employees and other formal groups (e.g. trade unions), under which persons with a legal relationship with the policyholder (e.g. employer, trade union) accede to the insurance product granted and individually continued insurance products under which the policyholder acquires the right to individual continuation during the group phase. The PZU Życie's product range covers a wide range of protection, investment (but not investment contracts) and health insurance products.	No aggregation.
Individual protective insurance products (life insurance)	IFRS	Insurance products offered by PZU Życie to individual clients, under which the insurance contract pertains to a specific insured and the insured concerned is subject to individual underwriting. The PZU Życie's product range covers a wide range of protection and health insurance products.	No aggregation.
Life i investment insurance	IFRS	Unit-linked insurance products with a significant insurance risk (investment agreements that are not investment contracts).	No aggregation.
Investments	IFRS	This segment includes investments of own funds understood as a surplus of investments over the level allocated for the purpose of covering the insurance liabilities of PZU and PZU Życie.	The aggregation was effected because of the similar surplus-based nature of revenues.
Banking activities	IFRS	A wide range of banking products offered both to corporate and individual clients by Pekao Group and by Alior Bank Group.	The aggregation was carried out due to the similarity of products and services offered by the companies and the identical regulatory environment of their operations.
Pension insurance	PSR	2nd pillar pension insurance.	No aggregation.
Baltic States	IFRS	Non-life and life insurance products offered by LD and its branch in Estonia, Balta and PZU LT GD.	The aggregation was carried out due to the similarity of products and services offered by the companies and the similar regulatory environment of their operations.
Ukraine	IFRS	Non-life and life insurance products offered by PZU Ukraine and PZU Ukraine Life Insurance.	The aggregation was carried out due to the similarity of the regulatory environment of their operations.
Investment contracts	IFRS	PZU Życie products that do not transfer any significant insurance risk within the meaning of IFRS 17 and that do not meet the definition of an insurance contract (i.e. some products with a guaranteed return and some unit-linked products).	No aggregation.
Other	PAS/IFRS	Other products and services not classified into any of the aforementioned segments.	

Reporting segments in PZU Group

1 January – 31 March 2023	Corporate insurance	Mass insurance	Group and indivi-dually continued insurance	Individual protec-tive insurance	Life invest-ment insurance	Baltic States	Ukraine	Invest-ment contracts	Invest-ments	Banking activities	Pension	Other	Total
Insurance service result before reinsurance	(895)	403	203	67	-	85	12	-	-	-	-	-	(125)
Insurance revenue	960	2,814	1,823	155	10	586	53	-	-	-	-	-	6,401
Amortization of liabilities for remaining coverage (PAA)	820	2,188	-	-	-	477	36	-	-	-	-	-	3,521
Expected claims and benefits (GMM, VFA)	-	-	1,189	35	1	3	8	-	-	-	-	-	1,236
Expected expenses(GMM, VFA)	-	-	219	21	(1)	2	-	-	-	-	-	-	241
Release of the contractual service margin (GMM, VFA)	-	-	294	53	5	3	-	-	-	-	-	-	355
Release of risk adjustment for non-financial risks (GMM, VFA)	-	-	31	4	5	1	-	-	-	-	-	-	41
Recovery of insurance acquisition cash flows	140	626	109	45	1	100	9	-	-	-	-	-	1,030
Other income	-	-	(19)	(3)	(1)	-	-	-	-	-	-	-	(23)
Insurance service expenses	(1,855)	(2,411)	(1,620)	(88)	(10)	(501)	(41)	-	-	-	-	-	(6,526)
Claims incurred in the period (without the investment component)	(446)	(1,642)	(1,302)	(21)	(7)	(383)	(25)	-	-	-	-	-	(3,826)
Expenses incurred in the period	(53)	(219)	(200)	(21)	(2)	(62)	(7)	-	-	-	-	-	(564)
Run-off of claim reserves from prior years	(1,216)	105	-	-	-	44	-	-	-	-	-	-	(1,067)
Amortization of loss component	41	130	93	2	3	39	-	-	-	-	-	-	308
Recognition of the loss component	(41)	(159)	(102)	(3)	(3)	(39)	-	-	-	-	-	-	(347)
Amortization of insurance acquisition cash flows	(140)	(626)	(109)	(45)	(1)	(100)	(9)	-	-	-	-	-	(1,030)
Net expenses from reinsurance contracts held	1,020	(40)	-	-	-	(3)	2	-	-	-	-	-	979
Allocation of reinsurance premiums	(319)	(40)	-	-	-	(7)	-	-	-	-	-	-	(366)
Amounts recoverable from reinsurers, including:	1,339	-	-	-	-	4	2	-	-	-	-	-	1,345
Incurred claims	93	5	-	-	-	4	2	-	-	-	-	-	104
Incurred expenses	12	1	-	-	-	-	-	-	-	-	-	-	13
Run-off of claim reserves from prior years	1,234	(6)	-	-	-	-	-						1,228
Insurance service result	**125**	**363**	**203**	**67**	**-**	**82**	**14**	**-**	**-**	**-**	**-**	**-**	**854**
Insurance finance income or expenses	(36)	(80)	(123)	(22)	(205)	(9)	-	-	-	-	-	-	(475)
Reinsurance finance income or expenses	11	3	-	-	-	-	-	-	-	-	-	-	14
Investment income	83	197	199	28	212	12	15	-	129	5,850	4	(6)	6,723
Fee and commission result	-	-	-	-	-	-	-	1	23	884	34	(33)	909
Operating costs of banks	-	-	-	-	-	-	-	-	-	(1,534)	-	45	(1,489)
Interest expenses	-	-	-	-	-	-	-	-	(55)	(2,154)	-	13	(2,196)
Other operating income and expenses	-	-	-	-	-	-	-	-	(25)	(628)	(6)	(271)	(930)
Operating profit	**183**	**483**	**279**	**73**	**7**	**85**	**29**	**1**	**72**	**2,418**	**32**	**(252)**	**3,410**

Definitions

BEL	Best Estimate Liability, amount required to ensure the service and benefit payments for the insured, in line with best estimate assumptions i.e. when everything happens as planned.
Coverage units	Units of insurance service provided, they are used to set CSM amortization schemes.
CSM	Contractual Service Margin, a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognize as it provides insurance contract services under the insurance contracts in the group. Changes of actuarial assumptions recognized over time go through CSM.
GMM	General Measurement Model – default IFRS 17 model, where insurance liabilities is calculated as a sum of discounted estimated future cash flows (BEL), Risk Adjustment and CSM.
IR	Initial Recognition – date of first recognition of an insurance contract.
IFIE	Insurance Finance Income or Expenses, the effect of time value for money and financial risk and the changes thereof presented in income statement.
Locked-in rates	Interest rates at initial recognition
NDIC	Non-distinct investment component – represents the part of the benefit payable to the insured, which will always be paid to the insured regardless of whether or not the insurance event occurs
PAA	Premium Allocation Approach – simplified approach, according to which the measurement of the liability for the remaining coverage period is analogous to the IFRS 4 premium provision mechanism (without separate presentation of a risk adjustment for non-financial risks and contractual service margin), and the liabilities for claims incurred are measured in the same way as for the general measurement model. The PAA method is applied to short duration contracts that meet the relevant eligibility criteria at the initial recognition
RA	Risk adjustment for non-financial risk, the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.
Transition	Date of transition to valuation in accordance with IFRS 17 standard, January 1st, 2022
UoA	Unit of Account, the lowest level at which valuation under IFRS 17 is conducted, only at this level compensation of profit and loss of insurance contracts is allowed.
Release of RA	Compensation required by the entity due to the uncertainty incurred regarding the amount and timing of cash flows, resulting from non-financial risks during the entity's performance of insurance contracts.
CSM release	The release of CSM presented in financial result – CSM is released in the current period based on proportion of total insurance service provided in the period
VFA	Variable Fee Approach – method based on the building block approach, applied for contracts with direct participating features, where changes in economic assumptions passes through CSM over the life of contract, method applied e.g. for Unit-Linked contracts.

Glossary

Allocation of reinsurance premiums	Alokacja składek reasekuracyjnych
Amortization of insurance acquisition cash flows	Amortyzacja przepływów pieniężnych z tytułu akwizycji
Amortization of Loss Component	Rozwiązanie komponentu straty
Amortization of LRC (PAA)	Amortyzacja zobowiązań z tytułu pozostałego okresu świadczenia usług (PAA)
Amounts recoverable from reinsurers for incurred claims	Kwoty należne od reasekuratorów, z tytułu szkód zaistniałych
Changes that relate to past service (LIC)	Rozwinięcie rezerwy szkodowej z lat ubiegłych
Changes that relate to past service (LIC) - RI	Rozwinięcie rezerwy szkodowej z lat ubiegłych z tytułu umów reasekuracji
Claims incurred in the period	Odszkodowania i świadczenia (z wyłączeniem komponentu inwestycyjnego)
Contractual Service Margin (CSM)	Marża kontraktowa
Expected incurred claims for the period	Oczekiwane odszkodowania i świadczenia (GMM, VFA)
Expected incurred expenses for the period	Oczekiwane koszty (GMM, VFA)
Expenses incurred in the period	Koszty administracyjne
Finance income	Przychody finansowe
General Measurement Model (GMM)	Model ogólny
Insurance contract revenue	Przychody z ubezpieczeń
Insurance finance income / expense	Przychody i koszty finansowe z ubezpieczeń
Insurance service expenses	Koszty usług ubezpieczenia
Insurance service result before reinsurance contracts held	Wynik z usług ubezpieczenia przed reasekuracją
Investment income	Wynik z działalności inwestycyjnej
Liability for Incurred Claims (LIC)	Zobowiązanie z tytułu zaistniałych szkód
Liability for Remaining Coverage (LRC)	Zobowiązanie z tytułu pozostałego okresu świadczenia usług
Loss component (LC)	Komponent straty
Net gain/loss from reinsurance contracts held	Zysk/strata netto z tytułu umów reasekuracji biernej
New Loss Component recognized	Utworzenie komponentu straty
Operating result	Zysk z działalności operacyjnej
Other comprehensive income	Inne dochody całkowite
Other income	Pozostałe przychody
Premium Allocation Approach (PAA)	Metoda wyceny oparta na alokacji składki
Recoveries of claims incurred in the period	Kwoty należne od reasekuratorów z tytułu odszkodowań poniesionych w bieżącym okresie
Recoveries of expenses incurred in the period	Kwoty należne od reasekuratorów z tytułu kosztów poniesionych w bieżącym okresie
Recovery of insurance acquisition cash flows	Przypisanie części składek związanej z odzyskaniem kosztów akwizycji
Reinsurance finance income / expense	Przychody i koszty finansowe z reasekuracji
Release of CSM for the services provided in the period	Uwolnienie marży kontraktowej (GMM, VFA)
Release of Risk Adjustment for the period	Uwolnienie korekty z tytułu ryzyka niefinansowego (GMM, VFA)
Total comprehensive income	Całkowite dochody razem

Q&A

Feel free to contact us

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