Powszechny Zakład Ubezpieczeń Spółka Akcyjna

Solvency and financial condition report
as at and for the financial year ended 31 December 2023

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Glossary

DAC – deferred acquisition costs;

SII Directive – Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);

EIOPA – the European Insurance and Occupational Pensions Authority;

PZU Group – PZU as the parent company together with its subsidiaries, including subsidiary companies within the meaning of the applicable provisions of accounting law;

organizational unit – organizational cell or specialized unit of PZU;

Strategic Entities – PZU Życie, TFI PZU SA, PTE PZU SA, PZU Centrum Operacji SA, PZU Pomoc SA, PZU Zdrowie SA, PZU Finanse sp. z o.o., Link4, TUW PZUW, Alior Bank, Tower Inwestycje sp. z o.o., Ogrodowa Inwestycje sp. z o.o., PZU LT GD, AAS Balta, Lietuvos Draudimas AB, Pekao;

subsidiary – business unit (also a non-corporate business unit such as a civil-law partnership or a mutual fund) directly or indirectly controlled by PZU; the fact of the exercise of such control results from the grounds laid down in International Financial Reporting Standard 10 “Consolidated Financial Statements”;

KNF, regulatory authority – Polish Financial Supervision Authority;

CCC – Commercial Company Code;

LAC DT – adjustment on account of the loss absorbing capacity of deferred taxes;

MCR – minimum capital requirement in the SII system;

IFRS – International Financial Reporting Standards, as endorsed by the European Commission, published and in force as at 31 December 2023;

PZU branches – field outlets of PZU and PZU Życie carrying out insurance activities in the area of direct client service, including product sales;

ORSA – own risk and solvency assessment – assessment of general needs regarding solvency, consistent compliance with capital requirements and technical provisions requirements and materiality with which the risk profile deviates from the assumptions underlying the solvency capital requirement, carried out on the basis of the “Own risk and solvency assessment policy in the PZU Group, PZU SA and PZU Życie SA”, in accordance with the Insurance Activity Act and EIOPA guidelines;

GTCI – General Terms and Conditions of Insurance;

PAS – Polish Accounting Standards, as laid down in the Accounting Act and in the executive regulations thereto, in particular in the Finance Minister’s Regulation of 12 April 2016 on the specific accounting policies of insurance and reinsurance undertakings and the Finance Minister’s Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and presentation of financial instruments; in matters not regulated in the Accounting Act and in the executive regulations thereto, National Accounting Standards / or IFRS are applied accordingly;

PZU, Company – Powszechny Zakład Ubezpieczeń Spółka Akcyjna;

PZU Życie – Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna;

QRT – quarterly and annual quantitative reporting templates;

Delegated Regulation – delegated regulation of 10 October 2014, supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as amended;

implementing regulation applicable to the SFCR – Commission Implementing Regulation (EU) 2023/895 of 4 April 2023 laying down implementing technical standards for the application of Directive 2009/138/EC of the European Parliament and the Council with regard to the procedures, formats and templates for the disclosure by insurance and reinsurance undertakings of their report on their solvency and financial condition and repealing Implementing Regulation (EU) 2015/2452;

SCR – solvency capital requirement in the SII system;

PZU Group strategy – PZU Group strategy for 2021-2024 – "#PZU Potential and growth – We care about the most important things in life";

SII System – the entirety of legal requirements as set out in the SII Directive and regulations issued on its basis. The SII Directive has been incorporated in Polish legislation by the Insurance Activity Act;

Act on Statutory Auditors – Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017;

Insurance Activity Act – Act of 11 September 2015 on Insurance and Reinsurance Activity;

Accounting Act – Accounting Act of 29 September 1994;

Act on the Rules for Shaping the Compensation of Persons Managing Certain Companies – Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Certain Companies;

IAs – intangible assets;

result on insurance activity – technical result of non-life insurance activity according to PAS;

EIOPA guidelines – EIOPA guidelines pertaining to public disclosures and reporting;

Corporate Governance Rules – Corporate Governance Rules for Supervised Institutions issued by KNF, in effect since 1 January 2015;

Names of companies:

- Alior Bank – Alior Bank SA;
- Link4 – Link4 Towarzystwo Ubezpieczeń SA;
- Pekao – Bank Pekao SA;
- TFI PZU SA – Towarzystwo Funduszy Inwestycyjnych PZU SA;
- TUW PZUW – Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych.

Summary

Basis of preparation

The Solvency and Financial Condition Report has been drawn up and disclosed in order to satisfy the requirements under Article 284 of the Insurance Activity Act, which implements the requirements of the SII Directive into the national legal system. The layout of this report is consistent with annex XX to the delegated regulation, with the reservation that only information relevant to PZU's business is disclosed.

This report has been prepared in accordance with the provisions of:

- Insurance Activity Act;
- Delegated Regulation;
- EIOPA guidelines;
- implementing regulation applicable to the SFCR.

Assets, liabilities and own funds have been measured by applying the provisions of the Insurance Activity Act, the delegated regulation, the EIOPA guidelines on the recognition and measurement of assets and liabilities other than technical provisions, the EIOPA guidelines on the measurement of technical provisions and the EIOPA guidelines on the classification of own funds.

The capital requirement is calculated using the standard SII formula for the primary purpose of covering the risks associated with the existing activity to the largest extent possible. All calculations pertaining to risk modules and sub-modules have been based on the methods defined in the delegated regulation.

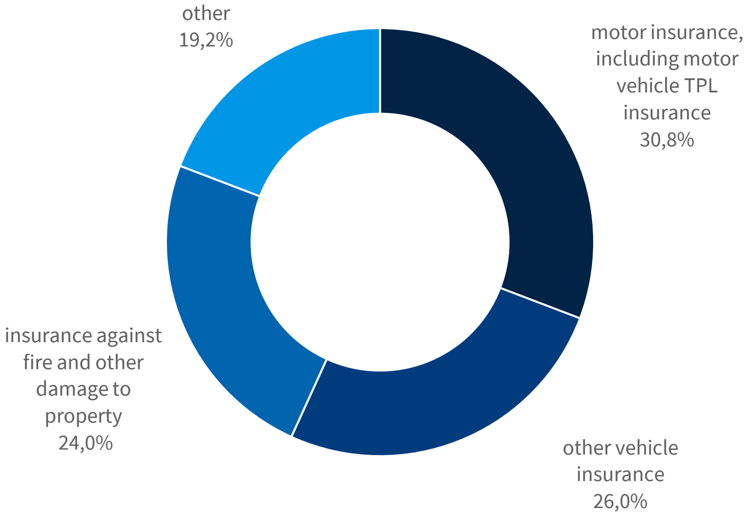
Unless specified otherwise, all values are presented in this report in thousands of PLN.

PZU's business and operating results

PZU is the largest insurer operating on the non-life insurance market in Poland with a market share of 28.3%[1] (including inward reinsurance toward Link4 and TUW PZUW) and a major insurer in Central and Eastern Europe. As the PZU Group's parent company, PZU offers an extensive array of non-life insurance products, including motor insurance, property insurance, casualty insurance, agricultural insurance and third party liability insurance both in Poland and abroad. At yearend 2023, motor insurance was the most important group of products offered by PZU, both in terms of the number of insurance agreements and its premium stated as a percentage of total gross written premium.

[1] Source: KNF (www.knf.gov.pl). Biuletyn Kwartalny [Quarterly Bulletin]. Rynek ubezpieczeń [Insurance Market] 3/2023

The chart below shows the breakdown of the most significant business lines in the SII system in 2023 measured by gross written premium.



At the first three quarters of 2023 PZU had a 28.3%[1] share in the non-life insurance market versus 28.3% in the corresponding period in 2022 (27.7%[2] and 27.3% on direct activity, respectively), maintaining market share at the same level as last year.

PZU achieved the following results:

Item name	Value (PLN thousand)		Change 2023/2022	
	2023	2022	(PLN 000)	%
Technical result	1,454,616	1,266,929	187,687	15%
Net profit	3,983,187	1,636,774	2,346,413	143%
Net profit (excluding dividends received from PZU Życie)	3,085,608	1,089,334	1,996,274	183%

[1] Source: KNF (www.knf.gov.pl). Biuletyn Kwartalny [Quarterly Bulletin]. Rynek ubezpieczeń [Insurance Market] 3/2023

[2] Source: KNF (www.knf.gov.pl). Biuletyn Kwartalny [Quarterly Bulletin]. Rynek ubezpieczeń [Insurance Market] 3/2023

In the individual net result items, PZU recorded:

Item name	Value (PLN thousand)		Change 2023/2022		Comments
	2023	2022	(PLN 000)	%	
Net earned premium	13,842,554	12,750,016	1,092,538	9%	Growth in gross earned premiums was recorded in all insurance groups, most notably in motor insurance – MOD insurance (the effect of rising vehicle values, translating into increased sums insured) and TPL insurance, as well as insurance against fire and other damage to property (growth in sales of subsidized crop insurance and buildings and property insurance) and general third party liability insurance (growth in the PZU Firma and professional TPL insurance portfolio) and the provision of assistance.
Claims and benefits	8,377,405	7,894,796	482,609	6%	Increased claims in the group of motor insurance (the result of the deterioration in claims ratio this year as a result of an increase in average claims paid, partially offset by the positive development of claims from previous years), the provision of assistance and general TPL insurance (mainly in compulsory agricultural liability insurance and medical entity liability insurance), which was partially offset by lower claims costs in insurance against fire and other damage to property and insurance guarantees and other financial insurance.
Net investment result	3,604,170	1,303,073	2,301,097	177%	The increase as a consequence of higher income on shares in subordinated entities, primarily as a result of an increase in the valuation of PZU Group banks, as well as higher dividends from PZU Życie. The increase in the valuation of the PZU Group's banks was primarily the result of an increase in interest rates, which became apparent mainly as an increase in the revaluation reserve of net cash flow hedging instruments and securities valuations, as well as an increase in the banks' earnings,
Administrative expenses	905,792	758,586	147,206	19%	The increase in costs is the result of higher personnel costs (the impact of remuneration increases due to changes in the macroeconomic environment), rising real estate costs as a result of the indexation of rental and utilities prices, the cost of the new headquarters and the intensification of marketing activities.
Acquisition expense including reinsurance commissions	3,407,565	3,014,155	393,410	13%	Increased expenses following the growth of the insurance portfolio and the increasing share of dealer and multiagency channels, characterized by higher commissions.

In 2023, PZU generated a return on equity (ROE) of 21.7%, up 11.3 p.p. compared to 2022 year.

In the most recent update of the rating dated 1 March 2024, S&P affirmed the financial strength and credit strength ratings for PZU and its main subsidiaries at “A-”. The rating remained unchanged (stable).

System of governance

The system of governance in place in the Company, including its organization, is commensurate with the scale of operations, the extent of realized functions and the scale and complexity of risks, and it effectively supports the achievement of the Company's strategic objectives as well as immediate business and operating goals.

The Company's management system comprises, in particular, the Management Board, the Supervisory Board and four key functions: actuarial, risk management, compliance and internal audit. The allocation of powers among the Management Board members is accurately defined. Each key function has been assigned the scope of powers and duties as well as proper operational independence and access to the managing and supervisory bodies. Committees have been established within the Company's structure to support its activities in specific areas of business and corporate governance. PZU has in place the rules for compensating Supervisory Board members, Management Board members and employees based on the requirements of the SII System as well as the rules for conducting a fit and proper evaluation for persons overseeing and performing key functions. The risk management system relies on the risk management process and on the organizational structure which itself is based on the allocation of powers and duties exercised and executed within this process. Within the risk management system, PZU operates an internal control system designed to ensure the Company's adherence to regulatory requirements and the effectiveness and efficiency of its operations and to safeguard the availability and reliability of financial and non-financial information. The Company has put in place detailed rules for outsourcing, defining within them the basic and critical activities.

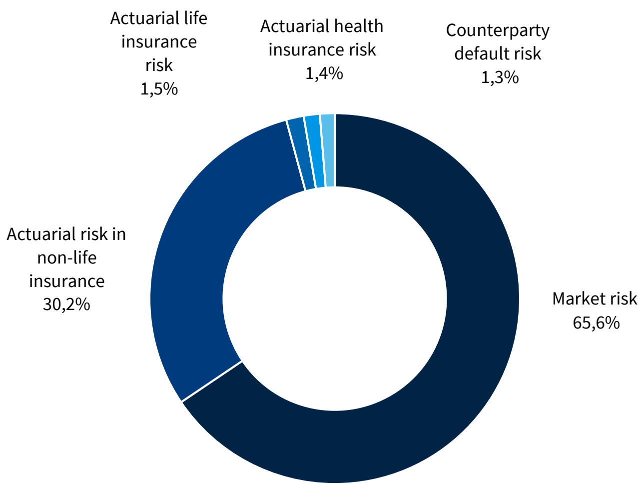
In the reporting period and until the date of the report, the Company introduced changes in the composition of the Supervisory Board and Management Board, as well as in the positions of Directors of the PZU Group. The changes are presented in section B.1.

Risk profile

PZU's risk profile is a direct result of the nature of its business and the PZU Group's strategy and business plans; it is subject to periodical monitoring and control. The magnitude of the risk is a consequence of the Company's scale of insurance activity and the value of funds obtained from its core line of business and allocated to investments.

The Company's most significant risks:

- market risk – accounted for 65.6% of the basic solvency capital requirement before diversification,
- actuarial risk in non-life insurance – accounted for 30.2% of the basic solvency capital requirement before diversification.



A detailed list of risks and a description of the process for managing the control of these risks are presented in section C.

Solvency of the Company

In compliance with the applicable provisions of the SII system, PZU calculates its SCR reflecting the value of eligible own funds that would enable the Company to cover significant unforeseen losses within one year, thus ensuring a sufficient degree of protection of the interests of the insureds.

In the light of the nature of business and the significant risks involved, the standard formula proposed by the provisions of the SII system is a proper reflection of the solvency requirement and as such is applied by PZU. The risks covered by PZU's SCR include: actuarial risk, counterparty insolvency risk, operational risk and the adjustment related to the capacity of deferred income tax to cover losses.

The basic solvency capital requirement after diversification amounted to PLN 14,037,467 thousand at the end of 2023, up 39% from the end of 2022. The change occurred mainly as a result of an increase in the capital requirement for market risk and actuarial risk in non-life insurance. In market risk, the dominant factor was an increase in concentration risk and in actuarial risk – an increase in exposure and changes to the catastrophe reinsurance program.

Valuation for solvency purposes

For solvency purposes, the Company measures its assets and liabilities other than technical provisions at fair value. The fair value is calculated using market prices quoted on active markets for the same assets or liabilities. In cases where there is no such active market, alternative measurement methods are used, as provided for by the provisions of the SII system: mark-to-market measurement, income-based measurement or cost-based measurement.

The most significant asset groups according to PZU's economic balance sheet are: subordinated entities, debt securities, loans, receivables under insurance and from insurance intermediaries and property used for own needs.

The main differences in the measurement of these assets compared to their measurement in the financial statements prepared according to PAS pertain to subordinated entities, debt securities and borrowings. These differences stem mostly from the fact that in the economic balance sheet the said assets are measured at fair value, whereas the financial statements according to PAS are prepared using measurement methods based on historical cost (purchase price minus depreciation, equity method, adjusted purchase price). Moreover, the economic balance sheet includes right-of-use assets measured in accordance with IFRS 16 Leases, which are not recognized in the balance sheet according to Polish Accounting Standards.

The most significant liability groups according to PZU's economic balance sheet are: technical provisions, subordinated liabilities, liabilities under liabilities and liabilities to insurance intermediaries and deferred tax liability.

In the case of subordinated liabilities, the difference between values according to PAS and measurement for solvency purposes follows from the application of different measurement methods: according to PAS at the adjusted purchase price, while for the purposes of the economic balance sheet they are presented at fair value but without adjusting own credit spread from the date of the emergence of the liability.

The Company measures technical provisions at the value which another insurance undertaking or reinsurance undertaking (reference undertaking) could be expected to demand for taking over and fulfilling the insurance and reinsurance liabilities. Technical provisions consist of the best estimate and the risk margin, in compliance with Article 225 of the Insurance Activity Act.

During the reporting period, there were no significant changes in the method of measurement of assets and liabilities other than technical provisions.

Capital management

PZU's capital and dividend policy is aimed at zeroing in on the rate of return for shareholders through efficient capital management while maintaining the existing security level and preserving capital resources for the purposes of strategic development through acquisitions.

At both the end of 2023 and 2022, the Company met solvency requirements. A decline in the solvency ratio is a component of the increase in SCR and the relatively smaller increase in own funds. Details of the reasons for the increase in the capital requirement itself can be found in section C of the report.

Below are the characteristics of the changes in solvency ratios, the amounts of allowable own funds and capital requirements between 2023 and 2022.

Category	Value (PLN 000s, %)		Change 2023/2022	
	2023	2022	(PLN 000s, p.p.)	%
Coverage ratio of the solvency capital requirement (SCR) with eligible own funds	**238%**	**267%**	**(29%)**	**(11%)**
Eligible own funds to cover the solvency capital requirement (SCR), including:	31,385,051	25,127,350	6,257,701	25%
basic own funds included in category 1	29,034,345	22,777,957	6,256,388	27%
basic own funds included in category 2	2,350,706	2,349,393	1,313	0%
Solvency capital requirement (SCR)	13,184,756	9,418,185	3,766,571	40%
Coverage ratio of the minimum capital requirement (MCR) with eligible own funds	**901%**	**987%**	**(86%)**	**(9%)**
Amount of eligible own funds to cover the minimum capital requirement (MCR), including:	29,693,583	23,248,867	6,444,716	28%
basic own funds included in category 1	29,034,345	22,777,957	6,256,388	27%
basic own funds included in category 2	659,238	470,910	188,328	40%
Minimum capital requirement (MCR)	3,296,189	2,354,546	941,643	40%

In its SCR calculation, the Company does not apply the transitory provisions. As at 31 December 2023, the PZU did not apply the matching adjustment referred to in Article 227 of the Insurance Activity Act, the volatility adjustment mentioned in Article 229 of the Insurance Activity Act, transitional risk-free interest rate term structure mentioned in Article 496 of the Insurance Activity Act or the transitional deduction mentioned in Article 497 of the Insurance Activity Act.

A. Business and operating results

A.1. Business

Name and legal form

PZU is the parent company of the PZU Group.

Regulatory authority in charge of exercising financial supervision over the Company and overseeing the PZU Group

Polish Financial Supervision Authority, ul. Piękna 20, 00-549 Warsaw.

Statutory auditor

Justyna Zań, registration no. 12750, acting on behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., an entity authorized to audit financial statements, no. 3546 on the list maintained by the Polish Agency for Audit Supervision, ul. Inflancka 4A, 00-189 Warsaw, Poland.

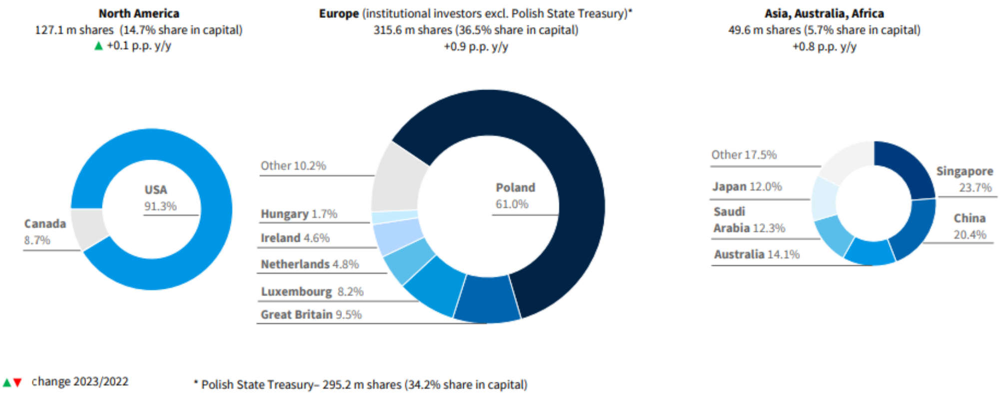
Shareholders holding significant stakes in Company

As at 31 December 2023, the PZU shareholding structure was as follows:

No.	Sub-module name	Number of shares and votes	Percentage share in the share capital and in the total number of votes at the Shareholder Meeting
1	State Treasury	295,217,300	34.19%
2	BlackRock, Inc. [1)]	43,228,203	5.00%
3	Other shareholders	525,077,497	60.81%
	TOTAL	**863,523,000**	**100.00%**

[1)] Source: Current report 27/2023.

PZU institutional investors



Company's position in the PZU Group's legal structure

The PZU Group's capital structure as at 31 December 2023 is presented in Attachment 1 to the report.

A simplified organizational chart of the Company is presented in Attachment 2.

PZU's significant lines of business and relevant geographies of the Company's operations

PZU offers an extensive array of non-life insurance products in Poland and internationally, including motor insurance, property insurance, casualty insurance, agricultural insurance and third party liability insurance. At yearend 2023, motor insurance was the most important group of products offered by PZU, both in terms of the number of insurance contracts and its premium stated as a percentage of total gross written premium.

By business line in the SII system, the most significant group in 2023 is:

- motor insurance, including motor vehicle TPL insurance with a portfolio share of 30.8%,
- other vehicle insurance with a portfolio share of 26.0%,
- insurance against fire and other damage to property with a portfolio share of 24.0%.

Information on premiums, claims and benefits and costs broken down by lines of business in the SII system and by countries was included in QRT form S.04.05.01 constituting Attachment 4 and S.05.01.02 constituting Attachment 5 to the report.

All significant events of a business and other nature that occurred during the reporting period and had a significant impact on PZU

Dividend from PZU Życie

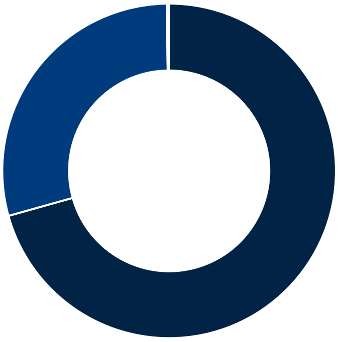
On 6 June 2023, the PZU Życie Ordinary Shareholder Meeting adopted a resolution to distribute net profit for the 2022 financial year in the amount of PLN 900,691 thousand, designating the amount of PLN 897,759 thousand for dividend and PLN 3,112 thousand for the Company Social Benefit Fund. The record date was set at 29 June 2023 and the dividend payout date was set for 26 September 2023.

Distribution of profit

On 7 June 2023, PZU's Ordinary Shareholder Meeting distributed net profit for the 2022 financial year increased by the amount transferred from supplementary capital created from the 2021 net profit, in the total amount of PLN 2,932,769, earmarking:

- PLN 2,072,456 thousand for a dividend payment;
- PLN 853,612 thousand for supplementary capital;
- PLN 6,701 thousand to the Company Social Benefit Fund.

The record date was set at 7 September 2023 and the dividend payout date was set for 28 September 2023.



The profit distribution is consistent with the PZU Group's Capital and Dividend Policy for 2021–2024, as adopted on 24 March 2021, and takes into account the recommendations contained in the Polish Financial Supervision Authority's (KNF) stance on the dividend policy in 2023 issued on 6 December 2022.

A.2. Result on insurance activity

Premiums, claims paid and costs broken down by lines of business are presented in form QRT S.05.01.02 constituting Attachment 5 to the report.

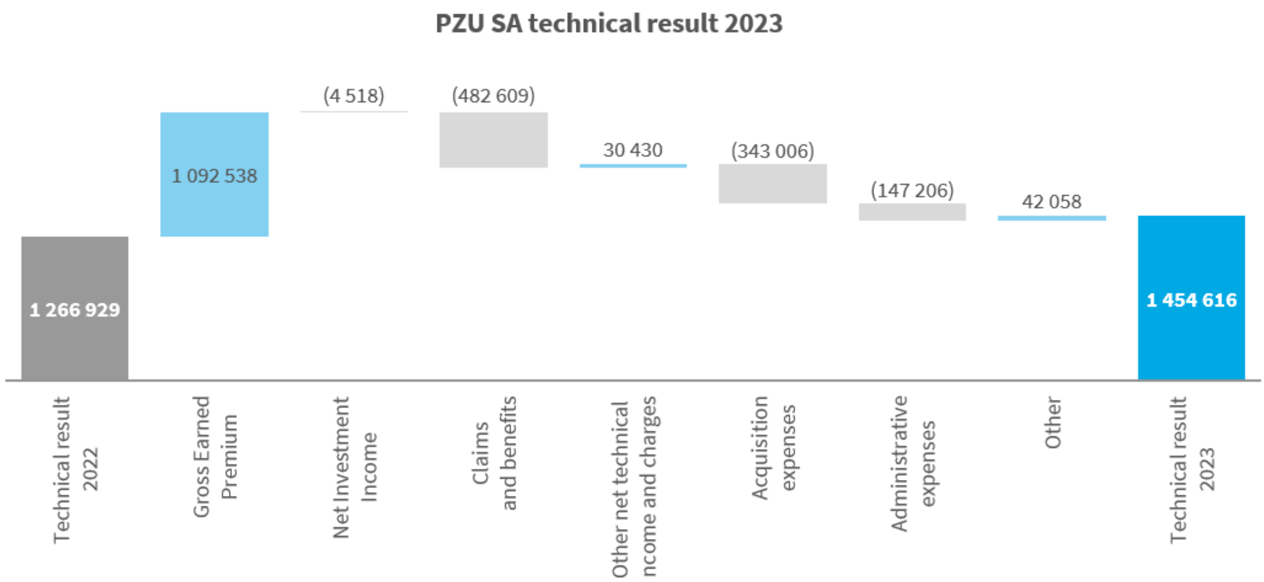
Key drivers of the result on insurance activity according to PAS

In 2023, PZU recorded a technical result of PLN 1,454,616 thousand compared to PLN 1,266,929 thousand in the preceding year, marking an increase of PLN 187,687 thousand, or by 14.8% year over year.

The key drivers of PZU's financial results in 2023 were as follows:

- an increase in net earned premium by PLN 1,092,538 thousand, or 8.6%, from 2022;
- an increase in claims and benefits by PLN 482,609 thousand from 2022, to the level of PLN 8,377,405 thousand, up 6.1%. The main change, an increase in the group of motor insurance, the provision of assistance and general TPL insurance, was partially offset by lower claims costs in insurance against fire and other damage to property, credit and guarantees and other financial insurance;
- an increase of acquisition expenses including reinsurance commissions by PLN 343,006 thousand, or 12.2%, compared to 2022, as a consequence of the growing insurance portfolio and the growing share of dealer and multiagency channels in the sales structure, characterized by higher commission rates;

Result on insurance activity according to PAS broken down into statutory groups (PLN 000s)	2023	2022
Results of accidents and sickness	169,365	180,174
Motor third party liability insurance	45,075	207,124
Other motor insurance	471,846	426,975
Marine, aviation and transport	19,611	25,911
Insurance against fire and other property losses	621,558	444,290
Third party liability	(31,840)	13,004
Loans and guarantees	73,966	(73,512)
Assistance	56,348	77,476
Legal protection	808	274
Other financial insurance	27,879	(34,787)
Total	**1,454,616**	**1,266,929**



Revenues (premiums)

In 2023, PZU collected gross written premium of PLN 16,187,497 thousand, which was PLN 1,495,774 thousand, or 10.2% more than in 2022. These consisted primarily (according to PAS broken down into statutory groups):

- TPL motor insurance premiums, accounting for 31.0% of PZU's insurance portfolio (32.6% in the prior year). The increase in premiums (up PLN 35,925 thousand, or 4.9%, compared to 2022), with a 1.6 p.p. lower share of the portfolio compared to 2022, is the result of better matching of offerings to client risk and an increasing supply of new vehicles;
- other MOD insurance premiums with a 25.9% share of PZU's total gross written premium (up 1.0 p.p. versus the previous year). The value of the premium against 2022 increased by PLN 540,744 thousand, or 14.8%, which is due to the high dynamics of the number of insurances with a simultaneous increase in the average premium due to the increasing value of vehicles translating into an increase in sums insured;
- premiums on insurance against fire and other damage to property accounting for 24.4% of PZU's premium portfolio. Compared to 2022, their share in the insurance portfolio declined by 0.3 p.p., while their value was up by PLN 316,692 thousand, i.e. by 8.7%. The increase in premiums is due, among other things, to higher sales of housing insurance (PZU

Dom) and PZU Firma, as well as all-risk construction insurance. This effect was partly offset by lower underground property insurance;

- premiums on ADD and other insurance, whose share in the portfolio reached 12.1%, i.e. up 0.6 p.p. higher than in 2022. The value of premiums increased mainly in insurance for the provision of assistance (up by PLN 120,476 thousand, or 24.8%, compared to 2022) and marine, aviation and transportation insurance (up by PLN 74,809 thousand, or 52.8%, compared to 2022). Contributing to this were higher sales of loss-of-profit insurance (including BI (Business Interruption) and ALOP (Advance Loss of Profit)), as well as travel and assistance insurance PZU Auto Pomoc and PZU Auto Szyba.

Gross written premium according to PAS, broken down into statutory groups (PLN 000s)	2023	2022
Results of accidents and sickness	557,482	550,813
Motor third party liability insurance	5,018,467	4,782,542
Other motor insurance	4,197,533	3,656,789
Marine, aviation and transport	216,530	141,720
Insurance against fire and other property losses	3,945,633	3,628,942
Third party liability	1,060,818	930,580
Loans and guarantees	90,533	84,572
Assistance	606,596	486,120
Legal protection	15,588	14,385
Other financial insurance	478,317	415,260
Total	**16,187,497**	**14,691,723**

Costs

Claims and benefits with movement in technical provisions according to PAS

In 2023, net claims and benefits and movement in PZU's provisions totaled PLN 8,377,405 thousand, i.e. 6.1% increase compared to 2022.

The following factors contributed to the change in the net value of claims and benefits:

- lower claims ratio in insurance against fire and other damage to property, among others, as a result of the level of losses caused by atmospheric events (hurricanes, ground frosts and hail) lower than the year before;
- decrease in claims ratio in insurance guarantees (among others, impact of claims from due performance of a contract with a high unit value in 2022) and other financial insurance;
- higher cost of claims in the motor insurance group in both MOD and MTPL insurance, which is the result of the deterioration in claims ratio this year (the impact of an increase in average claims paid), partially offset by the positive development of claims from previous years;
- an increase in the value of claims and benefits in the general third party liability insurance group, mainly in compulsory agricultural liability insurance, voluntary professional liability insurance, as well as liability insurance under PZU Dom and PZU Firma.

Claims and benefits according to PAS, broken down into statutory groups (PLN 000s)	2023	2022
Results of accidents and sickness	128,848	109,803
Motor third party liability insurance	3,691,150	3,453,212
Other motor insurance	2,394,966	2,061,185
Marine, aviation and transport	51,775	31,016
Insurance against fire and other property losses	1,193,977	1,229,359
Third party liability	623,130	557,677
Loans and guarantees	(54,856)	111,230
Assistance	310,506	229,598
Legal protection	7,583	8,154
Other financial insurance	30,326	103,562
Total	**8,377,405**	**7,894,796**

Acquisition and administrative expenses

Acquisition expenses (including reinsurance commissions) amounted to PLN 3,157,869 thousand in 2023, increasing by 12.2% % in comparison to 2022, which along with a 8.6% increase in net earned premium y/y translated into a deterioration of the acquisition expense ratio by 0.7 p.p. The change in the acquisition expense ratio was driven largely by the modification in the product and sales channel mix, including a growing share of the dealer and multiagency channels.

In 2023, administrative expenses reached PLN 905,792 thousand, i.e. 19.4% higher than in the previous year, which translates into a worse administrative expense ratio, by 0.6 p.p. The increase in administrative expenses is the result of, among others, higher personnel costs (the impact of remuneration increases due to changes in the macroeconomic environment), rising real estate maintenance expenses (as a result of the indexation of rental and utilities prices), the cost of the new headquarters and the intensification of marketing activities.

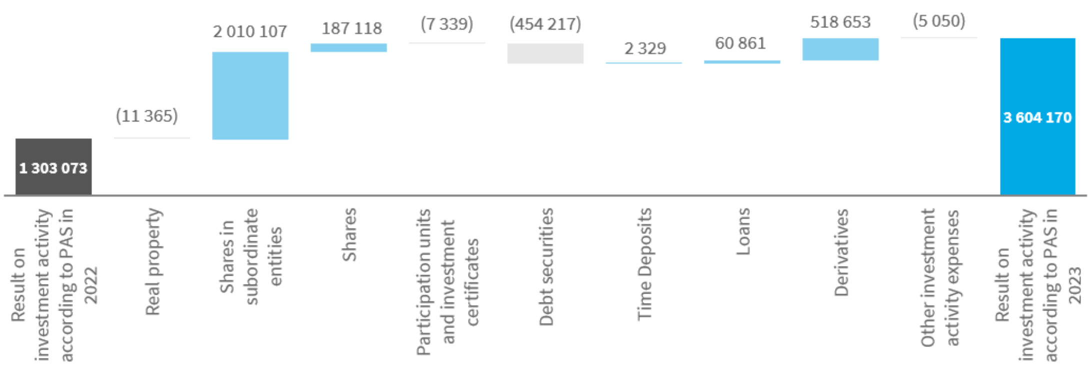
Other technical income and expenses

The balance of other technical income and expenses in 2023 was negative and stood at PLN 193,667 thousand. The improvement relative to 2022 is the result of, among others, an increase in foreign exchange gains and an increase in interest received for late payment of receivables.

A.3. Result on investment activity

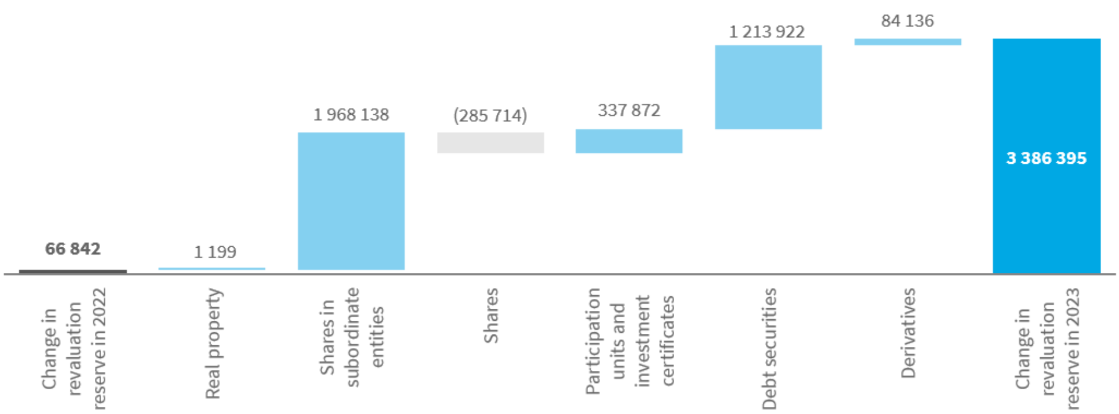
In 2023, the result on PZU's investment activity was PLN 3,604,170 thousand compared to PLN 1,303,071 thousand in the previous year. The main contributors to the increase in earnings were higher income on shares in subordinated entities, primarily as a result of an increase in the valuation of PZU's subsidiary banks, as well as higher dividends from PZU Życie. In addition, the increase in the result was influenced by income from the sale of part of the non-standard investment portfolio and the reference to the profit previously recognized in the income statement. At the same time, an increase in the result on currency derivatives was offset by a decrease in the result on the hedged debt securities portfolio.

Result on investment activity according to Polish GAAP in 2023



Gross investment activity result (without a deferred tax adjustment) recognized through revaluation reserve was PLN 3,386 395 thousand in 2023, compared to PLN 66,842 thousand in the previous year. This was mainly due to the higher valuation on shares in subordinated entities in particular as a consequence of higher measure by the equity method of Pekao and Alior Bank. In addition, the increase in revaluation reserve was influenced by an increase in the valuation of debt instruments, as a result of declines in profitability in the markets against increases in the comparable period, as well as higher results on the portfolios of deposits covered through participation units and investment certificates of mutual funds managed by PZU TFI SA.

Change in revaluation reserve in 2022



In 2023, PZU did not conduct any securitization activity.

A.4. Results from other types of activity

In 2023, the net balance of other operating income and expenses was negative and totaled PLN 417,940 thousand compared with the similarly negative balance in 2022 of PLN 364,310 thousand. The balance in 2023 was affected by an increase in other operating expenses compared to the previous year, including a higher level of financial expenses – interest from the issuance of debt securities.

General profit and loss account according to PAS (PLN 000s)	2023	2022
Technical result	1,454,616	1,266,929
Net investment result	3,604 170	1,303,073
Other operating income and expenses (net)	(417,940)	(364,310)
Profit (loss) before tax	4,392 324	1,952,652
Net profit (loss)	3,983 187	1,636,774

In 2023, the Company did not have any material lease agreements.

A.5. All other material information

Conflict in Ukraine

Due to the Russian Federation's invasion of Ukraine and the armed conflict lasting since 24 February 2022, PZU's Management Board assessed the impact of this situation on the Company's operations, business continuity, financial position and going concern.

As at 31 December 2023, the measure by the adjusted equity method of the Ukrainian company: PrJSC IC PZU Ukraine and PrJSC IC PZU Ukraine Life Insurance was PLN 26,353 thousand and PLN 35,078 thousand, and as at 31 December 2022 – PLN 18,186 thousand and 19,867 thousand, respectively. Except for the assets of companies operating in Ukraine, as at 31 December 2023 and 31 December 2022 the Company did not have any debt exposure to markets affected by military actions or sanctions (Russia, Belarus, Ukraine).

With martial law in effect throughout Ukraine as of 24 February 2022 (currently extended until 13 May 2024), and active hostilities carried out in the east and south of the country, as well as air strikes throughout the Ukrainian territory, Ukrainian companies controlled by PZU are working with wartime limitations in mind.

One of such war regulations enforced by the NBU on 24 February 2022 provided for a ban on international cash transfers from Ukraine, as a result of which insurance undertakings are not able to make international reinsurance payments to non-residents.

On 14 February 2023 the NBU's resolution of 10 February 2023 came into force. On the basis of that resolution insurers can pay international reinsurance liabilities (except mandatory motor liability insurance) provided that they are prior verified and recorded in the list of insurers authorized to make reinsurance operations with foreign reinsurers. By a decision of the NBU, since 13 March 2023, PrJSC IC PZU Ukraine has been included in the list of authorized insurers.

A new Ukrainian law – "On Insurance" – came into force on 1 January 2024. The law changed requirements for licensing insurers, assessing their solvency and liquidity, corporate governance and risk management, termination of the insurer's business, and insurance portfolio transfer. Insurance companies must adapt to these new requirements by 1 July 2024.

In the last days of 2023, NBU adopted and published more than 20 resolutions that contain implementing regulations related to the "On Insurance" law coming into force.

The insurance market regulations, introduced by the law and NBU's resolutions, increase the security of the financial and capital market, implementing solutions from developed European markets.

Both companies meet the new minimum share capital requirement (min. UAH 48 million), as defined in the "On Insurance" law.

As at the date of signing the statements, the statement of the possibility of maintaining business continuity (materialization of the risk of the full loss of operational capabilities) of the Ukrainian companies controlled by PZU is subject to uncertainty due to the following potential threats, among others:

- long-lasting military actions and their escalation;
- continuation of long-range weapons fire on civilian and military facilities, including critical infrastructure facilities, leading to significant losses among the population and disruptions in the supply of utility services such as energy, heating and water supply;
- lack of access to key systems, including by destroying the companies. physical infrastructure.

PZU analyzes the developments on an ongoing basis and examines forward-looking scenarios for the run of events. Given the situation in Ukraine, the measurement of assets and liabilities (in particular assets and liabilities under insurance and reinsurance contracts) of Ukrainian companies controlled by PZU is subject to a number of assumptions and is highly uncertain.

Purchase of PG TUW and PG TUWnŻ

On 4 September 2023, PZU (the "Buyer") entered into a conditional agreement with Orlen SA (the "Seller") for the sale of 2,000,000 shares in the share capital of PG TUW constituting 100% of the shares in the share capital of PG TUW and entitling to 99.9997% of the votes at the Shareholder Meeting of PG TUW, with the Seller being the sole equity member of PG TUW.

PG TUW holds 1,525,000 shares in the share capital of PG TUWnŻ representing 100% of the shares in PG TUWnŻ and entitling PG TUWnŻ to 99.99992% of the votes at the Shareholder Meeting of PG TUWnŻ, with PG TUW being the sole equity member of PG TUWnŻ.

Upon fulfillment of the conditions precedent, the Seller entered into the final agreement with the Buyer on 25 January 2024. As of 25 January 2024, both PG TUW and PG TUWnŻ are subsidiaries of PZU.

The total price for the acquired shares was PLN 47 million and may be subject to adjustment due to the difference between the net asset value of the companies as at 31 December 2022 and the value as at 25 January 2024 (the closing date of the transaction).

B. System of governance

B.1. General information on the system of governance

The system of governance in place in the Company, including its organization, is commensurate with the scale of operations, the extent of realized functions and the scale and complexity of risks, and it effectively supports the achievement of the Company's strategic objectives as well as immediate business and operating goals.

The adopted formal, organizational and procedural solutions include all the significant elements of the management system and make it possible to maintain an acceptable risk level in the Company.

The management system in the adopted structure of the Company addresses all the tasks defined for an insurance undertaking in compliance with the prevailing law. An assessment of the management system's adequacy was made on the basis of conducted analysis of activity in the areas indicated in the regulatory requirements and subject to reporting in this report.

Supervisory Board

In accordance with the Company's Articles of Association, the Supervisory Board is composed of seven to eleven members. The number of Supervisory Board members is specified by the Shareholder Meeting. Supervisory Board members are appointed by the Shareholder Meeting for a joint term of office which lasts three consecutive full financial years.

The Articles of Association give the State Treasury the right to appoint and dismiss one Member of the Supervisory Board by way of a written statement submitted to the Management Board. This right will expire at the time the State Treasury ceases to be a Company shareholder. A candidate for a Supervisory Board Member named by the State Treasury should meet the requirements set forth in Article 19 of the Act of 16 December 2016 on Rules for Managing State Property.

The Supervisory Board elects a Chairperson and Vice-Chairperson from its composition.

The Supervisory Board Chairperson manages the work of the Supervisory Board. If there is no Supervisory Board Chairperson, they are absent or temporarily unable to serve, all the rights and duties of the Supervisory Board Chairperson shall be exercised by the Supervisory Board Deputy Chairperson, with the exception of the authority to decide on the content of the Supervisory Board's resolution in the event of a tied vote.

The Supervisory Board adopts the organizational rules and regulations of the Supervisory Board which define its organization and manner of acting. The Rules and Regulations define the composition and manner of appointing members to the Supervisory Board, tasks and scope of its operations as well as the procedure for convening and conducting meetings.

The Supervisory Board may elect from among its members a Secretary of the Supervisory Board, whose competence shall be to assist the Supervisory Board Chairperson, and if there is no Chairperson, in the event of their absence or temporary impediment preventing them from performing their duties, Supervisory Board Deputy Chairperson, in the performance of their duties, in particular:

- organizing the work of the Supervisory Board;
- supervising over the organizational and technical support for Supervisory Board meetings;
- preparing that minutes of meetings of the Supervisory Board;
- presenting draft reports prepared by the Supervisory Board as required by Company's Articles of Association.

The Supervisory Board may delegate its members to perform specific oversight functions individually. Each delegation requires a Supervisory Board resolution naming the delegated person(s) and specifying a detailed scope of the oversight functions and the delegation period. Supervisory Board members seconded to perform certain supervisory activities independently provide the Supervisory Board with information on supervisory activities undertaken and their results at least once in each quarter of the fiscal year. During the reporting period, the Supervisory Board did not exercise the above right.

The Supervisory Board exercises permanent supervision over the Company's operations in all areas of its activity.

The Supervisory Board's powers include in particular:

- evaluating the Management Board's report on the Company's activity and the Management Board's report on the activity of the PZU Group and the Company's financial statements and consolidated financial statements of the PZU Group for the previous financial year for compliance with the accounting ledgers and documents as well as the facts;
- approving the solvency and financial condition report of the Company and the solvency and financial condition report of the PZU Group;
- preparing reports on compensation for Management Board and Supervisory Board Members on an annual basis;
- selecting a statutory auditor to evaluate the report on the remuneration of Management Board and Supervisory Board Members;
- review of the motions of the Management Board concerning profit distribution or loss coverage;
- submitting to the Shareholder Meeting an annual written report of the Supervisory Board for the past financial year, taking into account in particular the results of the assessment referred to above;
- conducting qualification procedure for Management Board Members;
- concluding, terminating and amending agreements with Management Board Members and setting the rules for their compensation, giving consideration to the rules defined by the Shareholder Meeting, in accordance with § 18 item 12 of the Articles of Association;
- appointing, suspending and dismissing the President of the Management Board, Management Board Members or the entire Management Board and making decisions to discontinue such a suspension;
- agreeing to transfer the entire or portion of the insurance portfolio;
- giving consent to the acquisition, subscription for or disposal of ownership interests and shares in companies and on the Company's participation in other entities – the Supervisory Board may define the maximum amount, the terms and conditions and the procedure that the Management Board may use to conduct the foregoing activities without the obligation to obtain an approval from the Supervisory Board, except that the following require approval of the Supervisory Board:
    - subscription for or acquisition of shares or ownership interests in another company, with the value exceeding:
        - PLN 100,000 thousand or
        - 10% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements,
    - disposal of shares or ownership interests in another company, with the market value exceeding:
        - PLN 100,000 thousand or
        - 10% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements;
- delegating members of the Supervisory Board to perform temporarily the functions of members of the Management Board who have been dismissed, resigned or cannot perform their functions for other reasons;
- accepting instructions on how the Company's representatives should vote at Shareholder Meetings of PZU Życie SA in the following matters: increasing or decreasing the share capital, issuing bonds, selling or leasing PZU Życie SA's enterprise or establishing a usufruct right on the enterprise, dividing PZU Życie SA, merging PZU Życie SA with another company, liquidating or dissolving PZU Życie SA;
- selecting the audit firm to carry out the mandatory audit of the financial statements, including the annual financial statements of the Company and the annual consolidated financial statements of the PZU Group, the solvency and financial

condition report of the Company and the solvency and financial condition report of the PZU Group, and reviews of the financial statements in accordance with the obligations following from the prevailing laws;

- deciding on the consolidated text of the revised Articles of Association;
- granting consent to purchase or sell real property, perpetual usufruct or share in real property or in perpetual usufruct, of the gross value exceeding the equivalent of EUR 3,000,000;
- granting consent for the Company to enter with a related party into a material transaction referred to in Article 90i section 3 of the Act of 29 July 2005 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies, taking into account the exclusions and specific regulations in this respect laid down in Chapter 4b of this act;
- granting consent for the Company to conclude an agreement with an underwriter referred to in Article 433 § 3 of the Commercial Company Code;
- granting consent to pay out an interim dividend towards an expected dividend;
- granting consent to establish or close the regional branches referred to in § 2 section 2 of the Articles of Association and foreign branches;
- approving the Company's long-term development plans and annual financial plans prepared by the Management Board;
- approving the Rules and Regulations of the Management Board;
- performing tasks resulting from the guidelines or recommendations of regulatory authorities, in particular the Polish Financial Supervision Authority, adopted in the Company;
    - adopting and amending the rules for assessing the Management Board's suitability;
    - conducting individual suitability assessments of Management Board candidates, Management Board Members, and collective Management Board assessments;
    - conducting individual suitability assessments of Supervisory Board's Audit Committee candidates, Supervisory Board's Audit Committee Members, and collective Supervisory Board's Audit Committee assessments;
    - making regular assessments of the application of the Corporate Governance Rules for Regulated Institutions issued by the Financial Supervision Authority;
    - preparing and presenting to the Shareholder Meeting a report on the evaluation of the functioning of the Company's remuneration policy;
    - approving the risk management strategy and overseeing its implementation;
- examining and consulting matters submitted by the Management Board for deliberation at the Shareholder Meeting;
- determining the detailed scope, form and deadlines for the provision of information referred to in § 27a of the Articles of Association;
- issuing an opinion on the Management Board's resolution on disposing without tender or auction of fixed assets within the meaning of the Accounting Act of 29 September 1994 with the market value exceeding 0.1% of total assets, determined on the basis of the last approved financial statements, in the cases specified in § 36a section 2 item 2 of the Articles of Association.

In addition, the Supervisory Board's consent is required for:

- executing an agreement to provide legal, marketing, public relations and public communication services or management consulting services if the total net fee to be paid for such services under this agreement or other agreements executed with the same entity is greater than PLN 500 thousand annually;
- amending an agreement to provide legal, marketing, public relations and public communication services or management consulting services by increasing the said fee above and beyond the net amount of PLN 500 thousand annually;

- executing an agreement to provide legal, marketing, public relations and public communication services and management consulting services which do not specify the maximum amount of the fee;
- executing an agreement on:
  - donation or other agreement having a similar effect, the value of which exceeds PLN 20 thousand or 0.1% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements;
  - a debt release or other agreement having a similar effect, the value of which exceeds PLN 50 thousand or 0.1% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements;
- subject to § 18 item 11 of the Articles of Association, the disposal of non-current assets within the meaning of the Accounting Act of 29 September 1994 classified as intangible assets, property, plant and equipment or long-term investments, including contribution to a company or a cooperative – if the market value of those assets exceeds 5% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements; and also handing those assets over for use to another entity for a period longer than 180 days in a calendar year based on a legal act, if the market value of the subject matter of the legal act exceeds 5% of total assets, whereas the handing over of assets for use in the case of:
  - lease, rental and other agreements to hand over an asset for use to other entities against payment, the market value of the subject matter of a legal act is defined as the value of benefits for:
    - one year – if the asset was handed over under agreements signed for an indefinite term,
    - the entire term of the agreement – in the case of agreements signed for a definite term,
  - lending for use agreements and other agreements to hand over an asset to other entities for gratuitous use, the market value of the subject matter of a legal act is defined as the value of benefits that would be due if a lease or rental agreement was executed instead, for:
    - one year – if the asset is handed over under an agreement signed for an indefinite term,
    - the full duration of the term of validity in the case of contracts executed for an unspecified term;
- subject to § 18 item 11 of the Articles of Association, the acquisition of non-current assets within the meaning of the Accounting Act of 29 September 1994, with the value exceeding:
  - PLN 100 thousand or
  - 5% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements.

At present, the following committees function as part of the Supervisory Board of PZU SA:

- Audit Committee;
- Nomination and Compensation Committee,
- Strategy Committee.

The Audit Committee is established in order to increase the effectiveness of the Supervisory Board's performance of supervisory activities in monitoring the Company' financial reporting process, the Company's auditing activities, and the effectiveness of the Company's internal control systems, internal audit, and risk management system. In addition, the Audit Committee may request the Supervisory Board to request specific control activities in the Company, whereby the requested activities may be performed by an external unit or entity.

The Audit Committee meets the legal requirement so that at least one of its members holds accounting or financial audit qualifications within the meaning of and based on the requirements of the Act on Statutory Auditors. Furthermore, in accordance with the said Act, the majority of the Audit Committee members, including its chairperson, should meet the statutory independence criteria (independent member) concerning, without limitation, professional or family ties, especially to managers or supervisors of PZU or PZU Group entities. An independent supervisory board member is obligated to present a written declaration on satisfying all the independence criteria and advise the Company of ceasing to satisfy these criteria.

In the course of its work the Audit Committee takes into account the “Best practices for public interest entities pertaining to the appointment, composition and operation of the audit committee”, as published by the Office of the Polish Financial Supervision Authority.

The Nomination and Compensation Committee is appointed to improve the effectiveness of the Supervisory Board’s supervision activities related to the development of the management structure, including organizational solutions, the remuneration principles and the selection of properly qualified staff.

The tasks of the Nomination and Compensation Committee include, in particular, issuing opinions and presenting recommendations to the Supervisory Board with regard to its decisions made with regard to:

- concluding, terminating and amending agreements with Management Board Members and setting the rules for their compensation;
- setting the level of compensation, bonuses and additional benefits for the Management Board;
- appointing, suspending and dismissing the President of the Management Board, Management Board Members or the entire Management Board and making decisions to discontinue the suspension;
- seconding Supervisory Board Members to perform temporarily the functions of Management Board Members who have been dismissed, resigned or cannot perform their functions for other reasons.
- suitability assessment:
  - individual suitability assessments of Management Board candidates, Management Board Members, and collective Management Board assessments;
  - individual suitability assessments of Supervisory Board’s Audit Committee candidates, Supervisory Board’s Audit Committee Members, and collective Supervisory Board’s Audit Committee assessments;
- approving the proposed individual suitability assessments of Supervisory Board candidates, Supervisory Board Members, and collective Supervisory Board assessments;

Moreover, the scope of the Nomination and Compensation Committee’s activities may include other matters entrusted to it by the Supervisory Board.

The Strategy Committee is appointed to improve the effectiveness of the Supervisory Board’s oversight activities related to issuing opinions on all strategic documents presented by the Management Board (in particular, the Company’s development strategy) and to provide the Supervisory Board with recommendations on planned investments that materially impact the Company’s assets.

The tasks of the Strategy Committee include, in particular, issuing opinions and presenting recommendations to the Supervisory Board with regard to its decisions made with regard to:

- approving PZU’s long-term development plans prepared by the Management Board;
- planned investments in PZU and the PZU Group;
- granting consent for PZU to conclude an agreement with an underwriter as referred to in Article 433 § 3 of the Commercial Company Code;
- defining rules for purchase, subscription or sale of ownership interests and shares in companies as well as Company’s participation in other entities;
- accepting the Management Board’s motions for purchase, subscription or sale of ownership interests and shares in companies as well as the Company’s participation in other entities;
- granting consent to transferring an insurance portfolio in its entirety or in part.

Moreover, the scope of the Strategy Committee’s activities may include other matters entrusted to it by the Supervisory Board.

In accordance with the Rules and Regulations of the Supervisory Board, apart from appointing the Audit Committee and the Nomination and Compensation Committee, provided for in the Articles of Association to properly perform its supervision, the Supervisory Board may appoint other permanent or ad hoc committees to perform specific supervisory activities. The scope of the activities of a standing committee is determined by the committee's rules of procedure adopted by the virtue of a Supervisory Board resolution. The scope of the activities of an *ad hoc* committee is determined by the virtue of a Supervisory Board resolution.

Management Board

In accordance with the Company's Articles of Association, the Management Board is composed of three to eight members appointed for a joint term of office spanning three consecutive full financial years.

Management Board Members, including the President of the Management Board, are appointed and dismissed by the Supervisory Board. Such appointment takes place following a recruitment procedure designed to verify and evaluate qualifications of the candidates and to select the best candidate.

The Management Board exercises any and all rights related to management of the Company, which are not reserved by law or the Articles of Association to the Shareholder Meeting or the Supervisory Board. Two Management Board Members acting jointly or one Management Board Member acting jointly with a commercial proxy are authorized to represent the Company. The Management Board adopts its rules and regulations, which are approved by the Supervisory Board. The President of the Management Board directs the work of the Management Board.

A Directive of the President of the Management Board defines the division of organizational oversight duties among the Company's Management Board Members and assigns the functions of the Heads of Divisions.

PZU has in place the positions of PZU Group Directors. Those positions have been established to ensure a consistent and effective management model for PZU and PZU Życie based on a functional division of responsibilities for the companies' various business areas. Until 2022, the positions of PZU Group Directors at PZU were entrusted to individuals who were simultaneously serving as Board Members at PZU Życie. In 2023, a second type of PZU Group Director position was introduced, i.e., a position given to persons who are also of the PZU Group Directors at PZU Życie. PZU Group Directors at PZU generally oversee areas similar to those they oversee at PZU Życie as either Board Members or PZU Group Directors.

What follows is a presentation of the scope of responsibilities of the Members of the PZU Management Board and the PZU Group Directors as at the end of 2023:

First name and surname	Function in the PZU Group	Scope of responsibilities as at the end of 2023	Additional scope of responsibilities during the year
Beata Kozłowska-Chyła	President of the PZU Management Board from 2 October 2020 to 23 February 2024 Acting President of the PZU Management Board from 12 March 2020 to 1 October 2020	internal audit, compliance, PZU Group strategy, strategic analysis, corporate communication, reinsurance*	management of mass and health products, as well as insurance programs, and strategic management of product offering, underwriting, actuarial tariff, CRM **
Ernest Bejda	PZU Management Board Member from 4 May 2020 to 23 February 2024	security, AML in the PZU Group, purchasing, analysis and efficiency of processes, insurance operations, claims and benefits handling, assistance, remote customer service, digitization of processes, development of digital services and platforms, after-sales customer service	-

First name and surname	Function in the PZU Group	Scope of responsibilities as at the end of 2023	Additional scope of responsibilities during the year
Krzysztof Kozłowski	PZU Management Board Member from 4 August 2021 to 23 February 2024	corporate management and corporate governance in the PZU Group, administration, project management, business development in the PZU Group	-
Małgorzata Kot	PZU Management Board Member from 10 September 2020 to 23 February 2024 PZU Group Director at PZU from 16 April 2020 to 9 September 2020	management of the PZU branch network, retail sales (tied-agent, multi-agent and broker channels), remote sales, retail distribution strategy, retail sales support, sales analyses	-
Tomasz Kulik	Member of the PZU Management Board since 14 October 2016	actuarial, finance, CRM ***	-
Piotr Nowak	PZU Management Board Member from 28 April 2022 to 23 February 2024	investment, IT, innovation	-
Maciej Rapkiewicz	Member of the PZU Management Board since 22 March 2016	Risks	-
Małgorzata Sadurska	Member of the PZU Management Board from 13 June 2017 to 23 February 2024	assurbanking, bancassurance and strategic partnership programs, corporate sales and corporate business development, corporate product management, analysis, underwriting and risk assessment of corporate insurance, financial risk insurance, corporate business services	-
Aleksandra Agatowska	Member of the Management Board from 24 October 2019 to 19 February 2020 / PZU Group Director at PZU from 20 February 2020 Member of the PZU Życie Management Board since 25 March 2016 / Acting President of the PZU Życie Management Board from 19 February 2020 to 14 February 2021 / CEO of the PZU Życie Management Board since 15 February 2021	-	client experience management
Bartłomiej Litwińczuk	PZU Group Director at PZU since 19 August 2016	HR, advisory services and legal services	-
Dorota Macieja	PZU Group Director at PZU since 15 March 2017	sustainable development, customer communication, real estate	-
Andrzej Jaworski	PZU Group Director at PZU since 15 April 2022	health insurance	-
Sylwia Matusiak	PZU Group Director at PZU since 1 January 2023	marketing, sponsorship, prevention	-

First name and surname	Function in the PZU Group	Scope of responsibilities as at the end of 2023	Additional scope of responsibilities during the year
Małgorzata Skibińska	PZU Group Director at PZU since 1 February 2023	management of mass and health products, as well as insurance programs, and strategic management of product offering, underwriting, actuarial tariff	-
Dominik Witek	PZU Group Director at PZU since 6 June 2023	client experience management	-

* additionally, supervised the following PZU Group Directors: Aleksandra Agatowska, Dorota Macieja, Sylwia Matusiak, Andrzej Jaworski, Bartłomiej Litwinczuk, Dominik Witek,
** additionally, supervised Małgorzata Skibińska – PZU Group Director,
*** additionally, supervises Małgorzata Skibińska, PZU Group Director

In 2023, in addition to the committees established at the level of the Supervisory Board, the following committees operated at PZU:

- PZU Group's Risk Committee;
- Investment Risk Committee
- Actuarial, Operational and Model Risk Committee;
- Investment Committee
- Asset-Liability Management Committee;
- Data Governance Committee;
- Sponsorship and Prevention Committee;
- Innovations Committee;
- PZU Pricing Committee;
- Property Committee;
- Procurement Committee;
- Initiatives Management Committee;
- Cost Committee;
- Crisis Management Team (oversees the operation of the Business Continuity management system and is responsible for managing emergencies in the Company).

Duties and responsibilities of persons overseeing key functions

Key functions are performed by Members of the Management Board and the Supervisory Board and the officers overseeing key functions in PZU, i.e.:

- the actuarial function;
- the risk management function;
- the compliance function;
- the internal audit function.

The actuarial function is supervised at PZU by the Company's Chief Actuary, who is also the Director for Underwriting Risk in the Actuarial Department. The tasks performed under this function are described in section B.6.

The risk management function is overseen at PZU by the Director of the Risk Department. The tasks performed under this function are described in section B.30.

The compliance function is overseen at PZU by the Managing Director on Regulations. The tasks performed under this function are described in section B.40.

The internal audit function is supervised at PZU by the Managing Director on Audit, who heads the Internal Audit Department. The tasks performed under this function are described in section B.50.

Operational independence of key functions

In principle, the persons in charge of the key functions do not participate in the implementation of processes and tasks from outside the scope of the key functions. The functions are performed so as to ensure impartiality and independence from operational processes.

The persons overseeing key functions have direct access to the Management Board and unlimited access to all material information. They report regularly to the Management Board and the Supervisory Board; in particular, the Managing Director on Audit reports directly to the Supervisory Board Audit Committee.

In order to ensure operational independence, the persons overseeing key functions in PZU are covered by the Compensation Policy in PZU, applicable to the narrow group of officers of key importance to the Company. The Policy ensures, inter alia, the independence of a key officer, by separating the impact of activities in his or her area of assessment or oversight on the person's variable remuneration; it also allows for a major part of this remuneration to be deferred.

Material changes to the system of governance which took place during the reporting period

During the reporting period, there were changes in the composition of the PZU Supervisory Board, as well as in the positions of PZU Group Directors at PZU, as described below.

In 2023 and at the beginning of 2024, the following changes transpired in the PZU Supervisory Board:

- On 5 June 2023, a shareholder of PZU, the State Treasury, exercising the right provided for in § 20(7) of PZU's Articles of Association, appointed Paweł Górecki to the Supervisory Board of PZU.
- On 7 June 2023, PZU's Ordinary Shareholder Meeting appointed the PZU Supervisory Board for a new term, covering three full financial years of 2024–2026, with the following composition: Marcin Chludziński, Agata Górnicka, Robert Jastrzębski, Marcin Kubicza, Elżbieta Mączyńska-Ziemacka, Krzysztof Opolski, Radosław Sierpiński, Józef Wierzbowski and Maciej Zaborowski; at the same time, as of the date of the PZU's Ordinary Shareholder Meeting, the mandates of two previous Members of the PZU Supervisory Board – Robert Śnitko and Piotr Wachowiak – expired;
- On 15 June 2023, Robert Jastrzębski was elected Chairman of the Supervisory Board of PZU and Paweł Górecki was appointed Deputy Chairman of the Supervisory Board of PZU;
- On 30 August 2023, the PZU Supervisory Board elected Agata Górnicka as Secretary of the Supervisory Board;
- On 13 September 2023, the Extraordinary General Meeting of PZU dismissed Elżbieta Mączyńska-Ziemacka from the PZU Supervisory Board.

On 14 February 2024, PZU received a letter from the Minister for State Assets, acting on behalf of the State Treasury of the Republic of Poland, dated 13 February 2024, notifying of the dismissal of Paweł Górecki from the PZU Supervisory Board. Pursuant to § 20(7) of the Articles of Association of PZU SA and in line with Article 354 § 1of the Commercial Company Code, the dismissal through a written statement submitted by the State Treasury to the Management Board is effective upon its delivery.

On 15 February 2024, the Extraordinary General Meeting of PZU:

- dismissed the following persons from the PZU Supervisory Board: Robert Jastrzębski, Agata Górnicka, Radosław Sierpiński, Marcin Chludziński, Maciej Zaborowski, Krzysztof Opolski and Józef Wierzbowski;

- appointed the following persons to the PZU Supervisory Board: Michał Bernaczyk, Anita Elżanowska, Filip Gorczyca, Michał Jonczynski, Andrzej Kaleta, Małgorzata Kurzynoga, Anna Machnikowska, Wojciech Olejniczak and Adam Uszpolewicz.

On 16 February 2024, Marcin Kubicza was elected Chairman of the PZU Supervisory Board.

On 23 February 2024, Małgorzata Kurzynoga was elected as Vice Chairman of the PZU Supervisory Board, and Anna Machnikowska was elected as Secretary of the PZU Supervisory Board.

1 January 2023 marked the beginning of the joint term of the PZU Management Board, covering the financial years of 2023–2025, with the following composition: Beata Kozłowska-Chyła, Ernest Bejda, Małgorzata Kot, Krzysztof Kozłowski, Tomasz Kulik, Piotr Nowak, Maciej j Rapkiewicz and Małgorzata Sadurska.

On 23 February 2024, the PZU Supervisory Board dismissed the following persons from the PZU Management Board: Beata Kozłowska-Chyła, Ernest Bejda, Małgorzata Kot, Krzysztof Kozłowski, Piotr Nowak and Małgorzata Sadurska.

At the same time, the PZU Supervisory Board adopted resolutions to delegate the following Members of the PZU Supervisory Board:

- Anita Elżanowska – to temporarily perform the function of the President of the PZU Management Board;
- Michał Bernaczyk – to temporarily perform the function of the Member of the PZU Management Board.

This delegating was for a period of no more than 3 months. The resolutions came into force upon their adoption.

On 27 March 2024, PZU's Supervisory Board appointed the following persons to the PZU Management Board: Artur Olech, Bartosz Grześkowiak, Elżbieta Häuser-Schöneich and Jan Zimowicz.

The resolutions came into force upon their adoption.

All the appointments take place on 28 April 2024 for a joint term of office, encompassing three full financial years 2023–2025.

In 2023, the following individuals assumed the positions of PZU Group Directors:

- Sylwia Matusiak (1 January 2023);
- Małgorzata Skibińska (on 1 February 2023);
- Dominik Witek (6 June 2023).

Sylwia Matusiak and Dominik Witek are simultaneously on the PZU Życie Management Board, while Malgorzata Skibinska serves as PZU Group Director of PZU Życie.

As at the date of the Solvency and Financial Condition Report, the following persons comprised the PZU Management Board:

- Anita Elżanowska – Member of the PZU Supervisory Board delegated to temporarily perform the function of the President of the PZU Management Board;
- Michał Bernaczyk – Member of the PZU Supervisory Board delegated to temporarily perform the function of the Member of the PZU Management Board;
- Tomasz Kulik – Member of the Management Board of PZU;
- Maciej Rapkiewicz – Member of the PZU Management Board.

This report was accepted by the PZU Management Board in the composition given above.

Information on the principles and practices of compensating members of the Supervisory Board, the Management Board and employees

PZU Supervisory Board members do not receive variable compensation pegged to the Company's performance. The compensation rules applicable to the Supervisory Board members are set directly by the Shareholder Meeting. In 2023, Members of the Supervisory Board received a fixed monthly remuneration, in the amount set in a resolution of the Company's Extraordinary Shareholder Meeting adopted on 8 February 2017 on the rules for setting the compensation of PZU SA Supervisory

Board Members (as amended) and in accordance with Resolution No. 36 of the PZU Ordinary Shareholder Meeting of 26 May 2020 in the matter of Compensation Policy for the PZU SA Management Board and Supervisory Board Members, which was adapted to the reference range defined pursuant to Article 10 of the Act on the Rules for Shaping the Compensation of Persons Managing Certain Companies. The Policy adopted in 2020 includes in particular the following regulations: the Act on the Rules for Shaping the Compensation of Persons Managing Certain Companies, the Act on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies of 29 July 2005, delegated regulation, Insurance Activity Act and Corporate Governance Rules.

The principles of remuneration for the Members of the Management Board are decided by the Supervisory Board, and envisage that the total remuneration for a Management Board Member payable for management services and performance of other obligations resulting from a Management Services Provision Agreement, concluded for the duration of performing the functions on the Company's Management Board, is composed of the following components:

- fixed compensation – flat monthly base compensation (for a calendar month) that cannot exceed the reference range established pursuant to Article 4 section 2 of the Act on the Rules for Shaping the Compensation of Persons Managing Certain Companies without prejudice to the situations outlined in Article 4 section 3 of the aforementioned act;
- variable compensation – supplementary compensation for a given financial year depending on the extent to which management objectives are attained. The variable compensation for a given financial year may not exceed 100% of the annual fixed compensation in the previous financial year for which the amount of variable compensation due is to be calculated. In addition a significant portion of the variable compensation is awarded in the form of deferred variable compensation. Deferred variable compensation is subject to deferral for 3 years, while 12, 24 and 36 months, respectively from the date of allocation, a Management Board member may acquire the right to 1/3 of the deferred part of variable compensation for a given year subsequent to satisfying the conditions defined in the Management Services Provision Agreement.

The Company has defined the rules of compensating employees, in particular the persons carrying out the key functions. The rules applicable to those persons are an element of an effective risk management at the Company and contain the rules of remuneration applicable to insurance market entities as stipulated by the existing law, the Corporate Governance Rules, the Delegated Regulation and the Insurance Activity Act.

Pursuant to the Compensation Policy, the variable compensation component is determined individually for each specific employee group or each individual. Its amount is linked to the Company's financial performance and the employee's individual work performance. The rules for awarding variable compensation are designed to support proper and effective risk management, discourage excessive risk-taking beyond the limits accepted by the Supervisory Board, as well as to support the implementation of the business strategy and avert conflicts of interest. The variable compensation component may be subject to limitations as regards the allowable maximum amount. The Policy also provides for the option of deferring the disbursement of a significant portion of variable compensation. The Compensation Policy does not include an employee scheme of rights to shares, share options, additional pension and disability plans or else early retirement plans for the Members of the Management Board, Supervisory Board or other persons overseeing key functions.

Information on material transactions concluded during the reporting period with shareholders and members of the Management Board or Supervisory Board

In 2023, the Company paid a dividend to its shareholders, as described in section A.1.

B.2. Fit and proper requirements

The requirements regarding skills, qualifications and professional expertise of the persons who effectively run the Company or persons performing other key functions

The requirements regarding the skills, qualifications and professional expertise of the persons who effectively run the Company or persons performing other key functions are applied relative to their respective scopes of responsibilities, the existing law and the Company's internal regulations.

Within the group of the of the persons who effectively run the Company and persons performing other key functions, the Company considers the following 4 groups:

- Members of the Supervisory Board, whose applicable requirements regarding skills, qualifications and professional expertise are regulated by the Company's Articles of Association;
- Managers, i.e. persons acting as a Members of the Company's Management Board or a PZU Group Directors in PZU who concurrently serve as a Members of the Management Board of PZU Życie;
- persons overseeing key functions, i.e. persons designated as heads of the individual key functions by force of a resolution of the President of the Management Board;
- persons with key functions in the Company, i.e. persons employed in the Company's business and organization units who perform key functions pursuant to the Company's organizational rules and regulations.

The Company applies separate requirements to its Managers, persons overseeing key functions and persons performing key functions.

In particular, a Company's Manager must satisfy the following requirements:

- meets the requirements set out in the Company's Articles of Association;
- is able to ensure that the Company's affairs are run with due care;
- has full capacity to take legal actions;
- was not convicted for a premeditated crime or intentional crime against tax regulations, under a legally binding court ruling;
- is not a member of a governing body of:
  - a reinsurance undertaking,
  - a mutual fund company or an alternative investment fund manager within the meaning of the Act on Mutual Funds, operating under a valid license,
  - an entity conducting brokerage activities within the meaning of the Act of 29 July 2005 on Trading in Financial Instruments, or other activities in the field of trading in financial instruments within the meaning of this Act,
  - a universal pension fund company,
  - a bank;
- has proven knowledge of the Polish language, as required by the Insurance Activity Act;
- has professional experience and knowledge which are adequate to his or her function, in particular as regards:
  - the insurance and financial markets,
  - the system of governance,
  - financial and actuarial analysis,
  - principles, rules and requirements of the laws applicable to the Company's business, including the skills of adapting to changes in law.

A person overseeing a key function in the Company must in particular satisfy the following requirements:

- holds a university degree obtained in the Republic of Poland or another country in the meaning of the relevant laws in effect in that country, unless KNF issues consent to the Company to forgo that requirement in view of the person's professional experience;
- meets the requirements defined by the Company for its Managers, referred to above.

A person performing key functions in the Company must meet the requirements defined in the job description of his or her position. Job descriptions for individual functions are drawn up based on the Company's organizational rules and regulations and the organizational rules and regulations of a given unit fulfilling a key function. The core requirements applicable to the aforementioned group of persons, broken down by key function, are described below:

- for positions in the actuarial function: the Company requires knowledge of insurance and financial mathematics and professional experience and education which are adequate to perform the relevant tasks;
- for positions in the risk management function: the Company requires knowledge of underwriting risk assessment and underwriting risk provisioning, asset and liability management, capital investments - in particular in derivative instruments and similar financial instruments, liquidity and concentration risk management, operational risk management, reinsurance and other techniques of risk mitigation, as well as professional experience and education which are adequate to perform the relevant tasks;
- for positions in the internal audit function: the Company requires knowledge of risk assessment, process analysis and designation, audit work methodology, business process good practices, skills of providing recommendations based on audit findings collected in the course of a planned audit, as well as professional experience and education which are adequate to perform the relevant tasks;
- for positions in the compliance function: the Company requires knowledge of compliance risk management, compliance risk assessment, skills of developing systemic solutions for compliance risk management, and professional experience and education which are adequate to perform the relevant tasks.

Conducting a fit and proper evaluation of the persons who effectively run the Company or persons performing other key functions

The requirements for conducting fit and proper evaluation of the persons who effectively run the Company or persons performing other key functions are applied relative to their respective scopes of responsibilities, the existing law and the Company's internal regulations.

The Company applies separate principles of conducting a fit and proper evaluation of its Managers, the persons overseeing key functions and persons performing key functions.

In keeping with the foregoing, the bodies responsible for the fit and proper evaluation are:

- for Managers of the Company – the Supervisory Board in the case of Members of the Management Board and the Management Board in the case of PZU Group Directors in PZU who also serve as Members of the PZU Życie Management Board;
- for persons overseeing key functions - the Management Board.

The evaluation of Managers and persons overseeing key functions in the Company is conducted prior to the appointment to be a Management Board Member or a PZU Group Director or to a position involving oversight over a key function. The assessment is verified on an annual basis in the evaluation update process or in other cases specifically defined in the pertinent regulations adopted in this respect. Direct superiors of persons performing key functions in the Company will conduct a fit and proper evaluation.

The fit and proper evaluation is conducted prior to the appointment to a key function or whenever the person is suspected of having acted in contravention with the law, which could result in particular in the Company's non-compliance with the law or a financial crime.

The criteria applied in the above mentioned assessments are defined pursuant to the existing law, the Company's internal regulations and the relevant job description. The individual criteria are evaluated individually and form the basis for evaluating the person. The assessment is carried out based on the documents provided by the applicant confirming his or her compliance with the requirements, an assessment of his or her behavior and attitudes shown in the performance of professional duties, as well as information from other sources.

Every year, the Company's Management Board issues a report on the annual review of the evaluation of the persons overseeing key functions in the Company (hereinafter "Report"). This Report has been prepared on the basis of § 3 sec. 2 item 3 of the Principles for conducting the fit and proper evaluation and review of the persons overseeing key functions in PZU and PZU Życie.

The Reports are prepared based on information and statements submitted or filled out by the persons overseeing key functions in the Company. During the review of the fit and proper evaluation, the obligated employees complete or confirm the documents and statements submitted earlier.

Based on the collected documents and also on the basis of knowledge as at the date of preparing the Report, if no indications arise that may change the fit and proper evaluation of the respective individuals, the HR Office recommends that the previous evaluation in this respect is upheld. If the HR Office learns of any circumstances that may affect its recommendation, it will immediately update it.

Taking into account the "Methodology of assessment of suitability of members of corporate bodies of supervised entities by the Polish Financial Supervision Authority" published by KNF on 27 January 2020, in 2020 the Company carried out an analysis of completeness of the formal solutions adopted in this respect for Management Board and Supervisory Board Members and rationale for updating them.

As a result of the completed analysis, on 18 November 2020, the Company's Supervisory Board adopted a resolution on the "Rules for assessment of suitability of the PZU SA Supervisory Board and Audit Committee" (URN/111/2020).

The procedure was on 16 June 2021 by the Ordinary Shareholder Meeting of PZU, which at the same time accepted the PZU SA Supervisory Board's report on the results of assessment of suitability of the PZU SA Supervisory Board and Audit Committee conducted by the PZU Supervisory Board in the transition period, i.e. between 18 November 2020 (i.e. the date of resolution URN/111/2020) and 16 June 2021 (i.e. the date of adoption of the rules for assessment of suitability by the Ordinary Shareholder Meeting of PZU). The rules for assessment of suitability of the PZU SA Supervisory Board and Audit Committee, adopted on 16 June 2020, were subsequently amended on 7 June 2023, by Resolution No. 42/2023 of the PZU Ordinary Shareholder Meeting.

The rules for assessment of suitability of the PZU Supervisory Board and the Audit Committee set out, among others, the types of suitability assessments and the prerequisites for conducting them, the powers of the Supervisory Board and the Shareholder Meeting in the suitability assessment process, the requirements as to the personnel composition of the Company's Supervisory Board, the suitability assessment criteria and the process of conducting the assessment.

As regards the Management Board Members, on 18 November 2020, the Supervisory Board defined the rules for assessment of suitability by resolution No. URN/129/2020 on the "Rules for assessment of suitability of the PZU SA Management Board", which was subsequently amended by resolutions No. URN/46/2021 of 12 May 2021 and No. URN/82/2023 of 10 May 2023. In connection with the adoption of the above procedure, on 20 January 2022 the PZU SA Supervisory Board adopted resolution No. URN/4/2022 repealing the rules of assessment prevailing in this respect, i.e. the Principles for Assessment and Verification of Competence and Integrity of Members of the PZU and PZU Życie Management Boards and those PZU Group Directors at PZU who are also Members of the PZU Życie Management Board (URN/16/2018).

The Rules currently applicable to Management Board Members define, among others, the types of suitability assessments and the prerequisites for conducting them, the powers of the Supervisory Board and the Nomination and Compensation Committee in the suitability assessment process, the requirements as to the personnel composition of the Company's Management Board, the suitability assessment criteria and the process of conducting the assessment.

As regards the PZU Group Directors at PZU who are also Members of the PZU Życie Management Board, the fit and proper evaluation is made on the basis of the Principles for Assessment and Verification of Competence and Integrity of PZU Group Directors in PZU who are also Members of the PZU Życie Management Board and the PZU Group Directors in PZU Życie who are also Members of the PZU Management Board, in the wording set out in Resolution No. UZ/322/2021 adopted by the PZU SA Management Board on 3 December 2021. This procedure sets out the rules for conducting a fit and proper evaluation of a PZU Group Director candidate and then for their subsequent review: (1) once a year during the fit and proper evaluation update process, (2) if the PZU Group Director is suspected of acting in contravention with the law, which could result in particular in the Company's non-compliance with the law, its committing of a financial crime or a threat to sound management of the Company.

B.3. Risk management system, including own risk and solvency assessment

Description of the risk management system

The Company's Management Board has established the risk management strategy whose purpose is as follows:

- enhance the Company's value through active and deliberate management of the extent of risk taken;
- prevent the acceptance of risk at a level that could pose a threat to the Company's financial stability.

Risk management in PZU is based on analyzing risk in all processes and units and therefore it is an integral part of the management process.

The risk management system in PZU is based on the following:

- a split of duties and tasks performed by governing bodies, committees and units taking part in the risk management process;
- risk management process, including risk identification, measurement and assessment, monitoring and control methods, risk reporting and undertaking management actions.

The split of duties and tasks is based on four decision-making levels. The first three entail the following:

- the Supervisory Board, which supervises the risk management process and assesses its adequacy and effectiveness as part of its decision-making powers defined in the Company's Articles of Association and the rules and regulations of the Supervisory Board, as well as through the Audit Committee;
- The Management Board, which organizes the risk management system and ensures that it is operational, by adopting strategies and policies, setting the level of risk appetite, defining the risk profile as well as tolerance levels for the individual categories of risk;
- The committees, which decide about limiting the levels of individual risks to fit the risk appetite framework they have defined; they adopt procedures and methodologies for mitigating the individual risks and accept the limits for individual risk types.

The fourth decision-making level pertains to operational measures and is divided into three lines of defense:

- the first line – entails ongoing risk management at the entities' business unit level and decision-making as part of the risk management process, taking into account the limits for individual risks;
- the second line – risk management by specialized units responsible for risk identification, measurement, monitoring and reporting, as well as for limits control;
- the third line – internal audit which conducts independent audits of the individual elements of the risk management system, as well as of control procedures.

The risk management process consists of the following stages:

1. Risk identification

   Commences with a proposal to start developing an insurance product, buying a financial instrument, modifying an operating process, and also whenever some other event occurs that may potentially lead to the emergence of risk. The identification process continues until the expiration of liabilities, receivables or activities associated with the risk. Risk identification involves identification of actual and potential sources of risk, which are later analyzed in terms of significance.

2. Risk measurement and assessment

Risk measurement and assessment are carried out depending on the nature of the given type of risk and the level of its materiality. Risk measurement is carried out by specialized units. The Risk Department is responsible for the development of tools and the measurement of risk in terms of risk appetite, risk profile and risk tolerance.

3. Risk monitoring and control

   Risk monitoring and control consists in the ongoing analysis of deviations from benchmarks (limits, threshold values, plans, figures from prior periods, recommendations and guidelines).

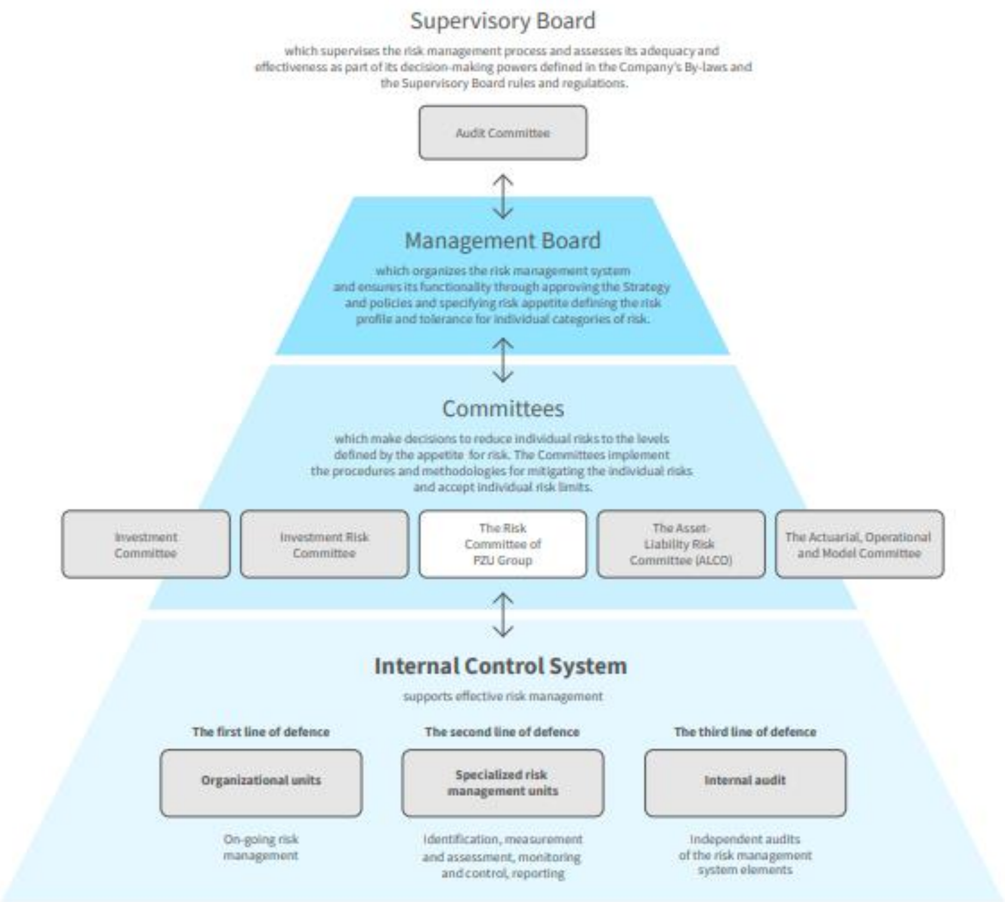
4. Reporting

   Reporting allows for effective communication on risk and supports risk management on various decision-making levels;

5. Management actions

   The management actions include among others: risk avoidance, risk transfer, risk mitigation, determination of risk appetite, acceptance of risk level, as well as the use of tools supporting such actions.

Chart of the organizational structure for the risk management system



The tasks of the Risk Management Function include in particular:

- the development and implementation of a risk management strategy and management policies for individual types of risk;
- the development of measurement methods for individual types of risk;
- the design and development of tools to support the risk management process;

- the identification, measurement and assessment, monitoring and controlling of risks;
- risk reporting and proposals of risk mitigating measures;
- drafting the proposals regarding the limits and restrictions grid and the key risk indicators (KRI);
- drafting control reports and monitoring the utilization of limits and restrictions;
- preparation of risk management rules and methodologies;
- preparation of risk information for the regulatory authority and rating agencies;
- stress-testing;
- acting as a competence center for risk management.

The person overseeing the risk management function is the Director of the Risk Department, who reports to the PZU Management Board Member responsible for risk management. The Risk Department is responsible for a system-based risk management and it cooperates in this process with all units.

Own risk and solvency assessment

The own risk and solvency assessment process is an integral part of the financial planning process and consists of the following stages:

- drafting and approval of the process assumptions in the given year;
- drafting and approval by the relevant units, and then forwarding to the Risk Department, of data consistent with the valuation adopted in the SII system and consistent with the PZU Group Strategy and financial plans of the Company;
- analysis and assessment of risks;
- analysis of the fulfillment of requirements concerning technical provisions;
- conducting an assessment of the capital required to implement the assumptions of the financial plan;
- assessment of the capital condition of the Company through stress testing;
- analysis of the consistency with risk appetite and the risk profile;
- proposal of changes regarding reduction in the risk exposure or increase of own funds, where necessary;
- changes to the financial plan or draft financial plan, where necessary;
- approval of the results of own risk and solvency assessment and initiation of possible management measures;
- documenting the outcome of the own risk and solvency assessment process in the form of a report;
- drafting of the own risk and solvency assessment protocol;
- provision to the regulatory authority of the own risk and solvency assessment report for the authority's purposes.

The own risk and solvency assessment process, and the analyses it involves, have been construed as to ensure support for the financial planning process in terms of risk profile analysis and evaluation of compliance with the capital requirements within the planned time horizon and the financial plan assumptions. It also constitutes the summary and review of efficiency of the measures taken in the risk management process.

The structure of the own risk and solvency assessment process and the responsibilities of its individual participants have been adjusted to complement the obligations of the individual units based on their decision-making powers specified in the system of governance and on the financial planning process. The Company's Management Board is responsible for organizing and ensuring efficient functioning of the own risk and solvency assessment process. Management Board members overseeing the units participating in the process oversee the activities related to the own risk and solvency assessment process in their reporting areas and approve the data and analysis prepared in their areas that are required to conduct the own risk and solvency assessment. The Risk Department develops the own risk and solvency assessment process, coordinates the assessment as it is conducted and conducts an assessment of own solvency needs, continuous compliance with capital requirements and deviation of the risk profile from the assumptions underlying the calculation of the solvency capital requirement. All the prognostic data are delivered to the Risk Department through the intermediation of the Planning and Controlling Department, which is responsible for their internal consistency and consistency with financial plans.

Own risk and solvency assessment is carried out on a regular basis, at least once a year, or on an ad hoc basis upon the occurrence of significant changes in the risk profile resulting from changes in internal operations or changes in the business environment that were not fully reflected in the current year's financial plans and accompanying forecasts used in the last own risk and solvency assessment process.

The results of own risk and solvency assessment are documented in the form of a report. The report is subject to an independent review by the Internal Audit Department and then, after the PZU Group's Risk Committee issues its opinion on the report, it is subject to approval by the Management Board.

The assessment of general solvency needs is conducted for all the risks identified as material under the Risk Management Strategy and the individual risk management policies, i.e. actuarial risk, market risk (including liquidity risk), concentration risk, credit risk and operational risk. The analysis also covers compliance risk and model risk.

The assessment of general solvency needs in 2023 covered the 3-year forecast horizon, taking into account the timeframe of the current PZU Group Strategy and the accompanying financial plans and the supervisory requirement for the minimum forecast horizon (three years). As part of the assessment of general solvency needs, analysis has been conducted to determine whether, with the current business strategy, the Company would maintain the necessary capital level that is adequate to the risk it is currently exposed to and to which it may be exposed in the future (including in the case of sudden events reflected in shock scenarios). The tested scenarios have been designed on the basis of PZU's risk profile, allowing for a review of its capital needs in new situations, involving both significant changes in the macroeconomic environment as well as shocks typical for the insurance sector. Moreover, the analysis includes scenarios that affect both assets as well as equity and liabilities.

According to internal regulations, if the own risk and solvency assessment identifies a potential decline in the solvency ratio below the acceptable level or an overrun of the risk profile limits, Director of the Risk Department, in cooperation with Director of the Planning and Controlling Department, presents potential possible measures, including changes to financial plans, in order to mitigate the risk or to increase own funds. Those measures are then submitted for approval to the Management Board Member overseeing the Risk Department, in consultation with the Management Board Member overseeing the Planning and Controlling Department.

B.4. Internal control system

Description of the internal control system

In addition to the risk management system, PZU operates an internal control system designed to ensure the Company's adherence to regulatory requirements and the effectiveness and efficiency of its operations, and to safeguard the availability and reliability of financial and non-financial information.

The system includes in particular the compliance function, administrative and accounting procedures, internal control organization, as well as reporting arrangements at all levels of the Company's organizational structure.

The internal control system supports the Company's Supervisory Board, Management Board, managers of individual units and areas and employees in the fulfillment of objectives set forth in particular in the Company's strategy; as a result, the system must focus on the following areas:

- internal control environment, i.e. promoting the importance of control among employees and promoting management supervision, management style, including delegation of tasks, honesty, ethical values and employee development;
- risk identification and assessment, including containment at an acceptable level;
- control activities and split of responsibilities;

- quality and communication of information, i.e. ensuring a flow of information that enables the Company to run and control its operations;
- monitoring compliance with the efficiency of control mechanisms.

Relative to the type of tasks set forth in the organizational rules and regulations of divisions and units, job descriptions and employee responsibilities documents, the scope of internal control includes in particular:

- completeness, up-to-dateness and compliance of the Company's relevant internal regulations with the existing law;
- correctness, completeness and timeliness of activities, including document circulation;
- correctness or organization and allocation of work;
- observance of powers-of-attorney, authorizations, limits and other control elements, in particular relating to:
  - signing of the Company's internal and external correspondence;
  - entering into transactions, which result in liabilities for the Company;
  - business decision-making;
  - use of IT systems;
- correctness of processes;
- correctness of accounting records;
- safety of IT systems and ICT networks;
- safety of protected information, within the meaning of the applicable internal regulations.

If a Company's employee identifies irregularities found as a result of an inspection, the employee is obligated to document them and inform his/her direct superior thereof. At the same time, the employee is obligated to report the irregularity in accordance with the Company's internal regulations, e.g. to report them to the Compliance Function using the Whistleblowing Procedure.

The direct superior takes measures to eliminate the non-conformities and informs the manager of the relevant unit or area if additional measures must be taken.

Compliance function

The purpose of the compliance function is to ensure an effective management system for the risk of non-compliance with regulatory requirements and the Company's internal regulations.

The compliance function comprises:

- provision of advice to the Company's Management Board and Supervisory Board regarding compliance with the law,
- evaluation of the possible impact of changes in the legal environment on the Company's operations,
- identification and assessment of the risk associated with non-compliance with the existing law, internal regulations and the standards of conduct adopted by the Company.

The compliance function includes in particular the following tasks:

- implementation of a comprehensive system of compliance solutions in the Company, monitoring them and continuously refining them;
- introduction of processes and procedures to ensure effective management of compliance risk;
- establishment of the rules for ensuring compliance with regulations, including the definition of responsibilities, competences and reporting duties of the compliance function;
- developing the compliance assurance plan entailing the planned actions of the compliance function that incorporate all the areas of the Company's activity and their exposure to risk related to adherence to regulations;
- assessment of the suitability of measures adopted by the Company to prevent non-compliance;

- development of coherent system-based solutions to manage compliance risk to be implemented by PZU Group companies.

The Compliance Department is responsible for system-based management of compliance risk; in doing so, the Compliance Department collaborates with all the Company's units.

The appointment and dismissal of manager of the Compliance Department must be consulted with the Supervisory Board Audit Committee.

The person overseeing the compliance function is the Managing Director responsible for Compliance, who reports to the President of the PZU Management Board. The Managing Director responsible for Compliance and the Director of the Compliance Department have direct access to the Members of the Company's Management Board and its Supervisory Board, to whom the compliance function reports on issues pertaining to the operation of the compliance function and compliance risk management. The reporting takes the form of cyclical reports on compliance risk and ad hoc memos presented to members of the Company's governing bodies.

In PZU, the compliance function operates based on impartiality and independence, as well as separation from operational functions. The Compliance Department operates in the second line and is separated from the Company's on-going business operations. The objectives and responsibilities of the Compliance Department are defined in its organizational rules and regulations and the Compliance Policy. In particular, it fulfills the tasks attributed to the system-based compliance function. Furthermore, it is responsible for system-based compliance risk management. At the Company level, the actions undertaken under, and the information arising from, compliance risk assessment and management are reported - on a regular and ad hoc basis - to the PZU Management Board and Supervisory Board.

B.5. Internal audit function

Description of the implementation of the internal audit function

At PZU, the internal audit function is implemented by the Internal Audit Department as the "third line"; it conducts independent audits of the risk management system elements as well as of the control activities embedded in PZU's operations.

The scope of internal audit includes: an independent risk assessment, an examination of the business units, products, systems, business processes and risk management processes, with a frequency that depends on the identified risk areas and the significance of risks, as well as on the role and effectiveness of internal control in mitigating those risks.

The duties of the internal audit function comprise:

- assessment of the suitability and effectiveness of the internal control system and of all the other elements of the management system;
- development and implementation of an audit plan, which defines the scope of audit work to be undertaken in subsequent years, with regard to all types of activity and the Company's overall system of management;
- provision of regular management information from internal audit areas to the Company's Management Board and the Supervisory Board's Audit Committee;
- making recommendations based on the results of the audit activities carried out;
- checking the execution of the corrective measures stemming from the recommendations made.

The Internal Audit Department conducts the following audits:

- planned audits;
- ad hoc audits;
- follow-up audits.

The audit plan is prepared on the basis of an annual risk assessment in individual areas of PZU's operations, which is carried out in accordance with an internal methodology. An opinion on the draft audit plan is pronounced by the Supervisory Board's Audit Committee, and then it is approved by the Management Board.

The findings of planned audits are presented in audit reports. The findings of ad hoc and follow-up audits are presented in the form, manner and time agreed with the person who decided to request the audit.

In addition to carrying out planned, ad hoc and follow-up audits, the Internal Audit Department carries out consulting activities aimed at advising units on process improvement, and analytical activities in which it monitors selected processes of the Company's operations based on data and information obtained from information systems and units.

The timeliness of the implementation of audit recommendations by the units is overseen by the responsible Management Board Members or the PZU Group Directors. The Internal Audit Department monitors the progress of implementing the recommendations based on the information received from the individual units and then, following an analysis, it decides when they are deemed implemented. The implementation of the recommendations made to the individual auditee units may be subject to review by the Internal Audit Department (follow-up audits).

In order to ensure good quality and continuous improvement of the internal audit function, internal (on an annual basis) and external (not less than once every five years) assessments of the Company's internal audit activities are conducted. An independent assessment of the internal audit function carried out in 2020 in PZU by PwC Advisory spółka z ograniczoną odpowiedzialnością sp.k. and an analysis of coordination of the group's internal audit by the Internal Audit Department showed general compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics developed by the Institute of Internal Auditors.

Independence and impartiality of internal audit

The internal audit function is impartial and independent of operational functions. The independence of the Internal Audit Department is protected by a range of measures.

The Managing Director for Audit, who runs the Internal Audit Department, reports organizationally directly to the President of the PZU Management Board and functionally to the Supervisory Board's Audit Committee. The appointment and dismissal of manager of the Internal Audit Department must be consulted with the Supervisory Board Audit Committee.

In PZU, internal audits are conducted by employees of the Internal Audit Department (internal auditors), a team of people with high professional and ethical qualifications, having knowledge, skills and expertise in auditing.

The Managing Director for Audit participates in meetings of the PZU Supervisory Board's Audit Committee. Furthermore, the Managing Director for Audit or an Internal Audit Department employee named by him or her will take part, without a voting right, in meetings of the Company's Management Board and selected Committees in operation in PZU's structure.

When justified, the Internal Audit Department may use the support of employees of PZU Group entities or external service providers.

Over the time of an audit, members of the audit team have the powers of internal auditors and are obligated to observe internal auditors' duties.

Internal auditors have access to the necessary information, explanations, documents and data, allowing for the timely and correct performance of their tasks.

The Internal Audit Department prepares an annual activity report, which includes:

- information on completed audits (including on the achievement of the audit plan);
- evaluation of the internal control system and the risk management system.

The annual report is presented to the Management Board by 31 March of the following year, and subsequently to the PZU Supervisory Board's Audit Committee, by the time decided by the agendas and dates of the meetings of the PZU Supervisory Board Audit Committee.

The Internal Audit Department also prepares quarterly reports, including in particular:

- information on the progress in implementing the audit plan;
- information on the findings of internal audits and recommendations issued and rejected;
- information on the recommendation monitoring results, including any significant actions taken in order to implement the material recommendations (priority A) timeliness of their implementation, while explaining any possible departures form the performance of the original plan.

The Managing Director for Audit provides the aforementioned reports to the following:

- Members of the PZU Management Board and PZU Group Directors, by the end of the month following the end of the reported quarter to which the information pertains;
- The Audit Committee, by the time decided by the agendas and dates of the PZU Supervisory Board's Audit Committee meetings.

The scope of audit activities performed in the individual audits and the post-audit evaluations are autonomous decisions of the Internal Audit Department. The tasks are allocated in such a manner so as to prevent potential and actual conflicts of interest. Each employee, before proceeding with an assignment, is required to confirm independence and objectivity within the scope of the audit to be carried out, and to inform the superior in the event of a potential conflict of interest. If such a situation arises, the tasks are rotated as needed. Furthermore, an auditor cannot audit activities they have themselves performed or managed before one year has elapsed. PZU has implemented the Internal Auditor's Code of Ethics, based on the guidelines of the Institute of Internal Auditors (IIA). The purpose of the Code is to promote best practices and models for ethical behavior, and to motivate the need for continuous professional improvement and development of the proper image of internal auditors. Internal auditors may not accept responsibility for the operational activity that is assessed by internal audit.

The Managing Director on Audit decides about the audit resources and schedule.

The Internal Audit Department conducts advisory activities based on decisions made by the Managing Director on Audit. The nature and scope of such advisory activities are each time agreed with the relevant unit and are designed to improve the processes, however the responsibility for the processes lies with the managers of such units. The manner of implementation and the method of reporting of advisory activities are agreed with the unit manager for whom these advisory services are provided, with a stipulation that if any material issues are found, the Internal Audit Department will report them to the PZU Management Board and the PZU Supervisory Board's Audit Committee.

The Managing Director for Audit confirms the independence and objectivity of the internal audit function in the quarterly and annual statements described above, which are forwarded to the PZU Management Board and the PZU Supervisory Board's Audit Committee.

B.6. Actuarial function

PZU operates according to precise characteristics of the actuarial function, its manager, the manager's required scope of knowledge and competencies, as well as the position of the function in PZU's system of governance. The actuarial function reports directly to the Management Board. The majority of tasks, including in particular the key responsibilities, are performed by the employees of the Actuarial Department, who often collaborate with other units. The function has guaranteed access to all data necessary to perform its activities, as well as the possibility to communicate with, and request clarifications from, any PZU employees.

The Director of the Actuarial Department at PZU is responsible for the calculation of technical provisions. The Director on Risk Underwriting in the Actuarial Department – the Company's Chief Actuary – is responsible for the actuarial function, including for the validation of provisioning. The aforementioned division of responsibilities, combined with separation from units in charge of tariffs, product development and reinsurance, guarantees that the actuarial function is free from any influences that could impair its ability to perform actuarial tasks in an impartial, integral and independent manner.

The purpose of the actuarial function at PZU is:

- to coordinate the amounts of technical provisions;
- to ensure the suitability of methodologies and models, as well as the assumptions adopted for the calculations of technical provisions;
- to assess whether the data used for the calculation of technical provisions is sufficient and of adequate quality;
- to compare the best estimates with the data resulting from accumulated experience;
- to inform the Company's Management Board and Supervisory Board about the reliability and adequacy of technical provisions;
- to oversee the calculation of technical provisions for solvency purposes in the instances of approximations, including a case-by-case approach;
- to provide an opinion on the overall underwriting policy;
- to provide an opinion on the suitability of reinsurance solutions, in the context of their impact on the technical provision amounts;
- to contribute to the effective implementation of the risk management system, including in particular:
  - modeling of risks input into the calculations of the solvency capital requirements and the minimum capital requirement,
  - analysis of own risk and solvency assessment.

Besides its own analysis, the actuarial function also uses analysis, studies and reports prepared by other units, including inter alia by:

- Risk Department;
- Reinsurance Department;
- Actuarial Analyses Department;
- competent product departments;
- Planning and Controlling Department;
- Information Management Department.

Individual tasks are performed by the actuarial function on as needed basis, but no less frequently than once a quarter. They are documented on an ongoing basis. The actuarial activities of any given year are summarized in an Actuarial Function Report, which is drafted in the following year and addressed directly to the Management Board.

B.7. Outsourcing

The Company has adopted the outsourcing rules, which also govern the outsourcing of activities that the Company considers core or important. The Company does not outsource the key functions of the system of governance to suppliers.

Before entering into an outsourcing contract for core or important activities, the outsourcing risk of the potential supplier is assessed.

Outsourcing contracts for the core or important activities contain provisions required by law, including those that guarantee the appropriate service level and a possibility for the Company and by authorized entities to verify the performance of the contracts. External entities also have contingency plans in place for the performance of the contract and are obligated to update them in the event of a change of circumstances related to the performance of the contract. Draft outsourcing contracts are opined by the designated units, including the Legal Department and the Compliance Department.

The Company monitors the outsourcing risk and manages the risk on an on-going basis and at the system-based level. In particular, the Company evaluates on an on-going basis the quality and timeliness of performance and, at least once a year, conducts a regular inspection of the suppliers to verify the quality of the services provided thereby. The system-based management of the outsourcing risk includes, inter alia, an evaluation of the outsourcing risk at the Company-wide level and reporting to the Management Board and the regulatory authority as regards performance of the obligations arising from prevailing laws.

At PZU, the core or important activities are outsourced with a view to invest the Company's funds and in claims handling and assistance processes. All outsourcing providers performing core or important activities are subject to Polish jurisdiction.

C. Risk profile

PZU's risk profile results from the PZU Group's strategy and financial plans and is subject to monitoring and control from time to time.

Given the scale of the Company's insurance operations (the leader in the non-life and motor insurance markets) and the amount of invested funds (inter alia through PZU's capital stake in Pekao or Alior Bank) the most significant risks are actuarial risk and market risk.

Assessment of solvency risks

In 2023, there was no materialization of risks that could materially adversely affect PZU's operations.

Analyses carried out in 2023 in the course of the own risk and solvency assessment process show that own funds will remain at a level that will ensure coverage of the capital requirement throughout the projection period (3-year horizon). This applies to both the baseline and shock scenarios. The implementation of the business strategy is not at risk from the point of view of security parameters. The results obtained in the course of the own risk and solvency assessment do not indicate the need for significant changes in the principles of capital management set forth in, among other things, the Capital and Dividend Policy, the planned activities or the principles of product development and creation.

Risks included in the calculation of the Solvency Capital Requirement

The Solvency Capital Requirement (SCR) is calculated on the basis of the standard formula according to the SII system and includes the following risks:

- actuarial risk (non-life insurance, life insurance and health insurance);
- market risk;
- counterparty insolvency risk;
- operational risk;
- adjustment of technical provisions and deferred taxation to cover losses.

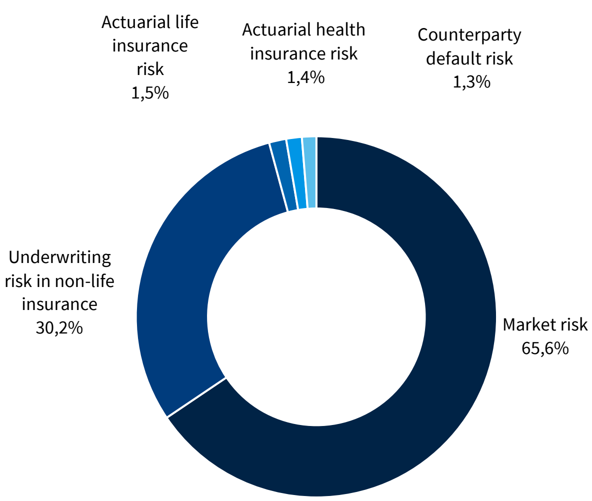
The table below presents the value of the solvency capital requirement and the basic solvency capital requirement before and after the diversification effect as at 31 December 2023 and compared to the preceding year.

Sub-module name	Value (PLN thousand)		Change 2023/2022	
	2023	2022	(PLN 000)	%
Market risk	11,515,128	8,012,593	3,502,535	44%
Counterparty default risk	226,137	225,510	627	0%
Actuarial life insurance risk	269,480	220,387	49,093	22%
Actuarial health insurance risk	245,843	245,387	456	0%
Underwriting risk in non-life insurance	5,306,276	4,179,027	1,127,249	27%
Basic capital requirement before diversification	17,562,864	12,882,904	4,679,960	36%
Diversification	(3,525,397)	(2,765,620)	(759,777)	27%
Basic capital requirement after diversification	14,037,467	10,117,284	3,920,183	39%
Operational risk	457,637	412,932	44,705	11%
Adjustment for the loss-absorbing capacity of deferred taxes	(1,310,348)	(1,112,031)	(198,317)	18%
Solvency capital requirement	13,184,756	9,418,185	3,766,571	40%

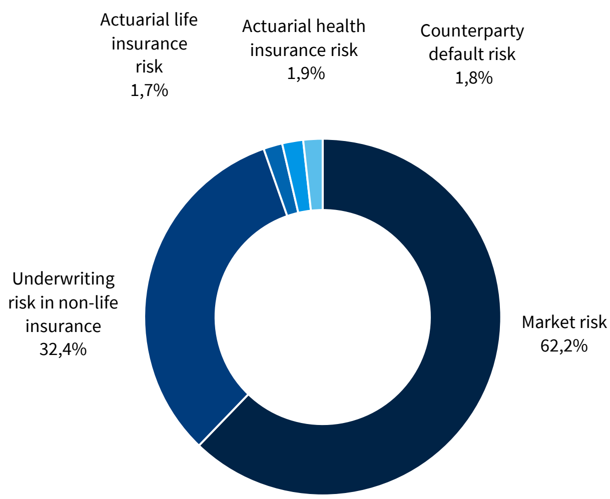
The Company's most significant risks

The charts below present the company's most significant risks along with the percentage of the basic solvency requirement before diversification as at 31 December 2023 and 31 December 2022.

31 December 2023



31 December 2022



Prudent person principle

The Company has in place internal procedures which transpose the obligations resulting from the principle of the prudent investor. As a result, PZU invests its funds exclusively in assets and financial instruments for which the Company is able to measure, monitor and as a consequence manage the risks involved, and which are incorporated in the assessment of its overall solvency needs. Having ensured an adequate level of investment liquidity, PZU invests into low-risk assets of sufficient quality and rate of return. When investing assets covering the technical provisions for solvency purposes, the Company takes into account the nature and duration of the existing insurance contracts, in keeping with the policyholder interests. Such assets, according to PZU's investment strategy, do not include investments in strategic units (including PZU Group banks). PZU diversifies assets covering the technical provisions and disperses those assets in order to avoid over-exposure to one single asset class, issuer or geographical area.

Sensitivity analysis

The Company has conducted stress tests for market and actuarial risks, in accordance with the methodology adopted by the KNF, as well as sensitivity analysis for other significant risks and events according to the scenarios prepared for the own risk and solvency assessment purposes (ORSA). The stress testing and sensitivity analysis requirements are in principle not applicable to the risks described in section C.6. because of the nature and specificity of those risks.

Within the framework of these analyses PZU also makes a liquidity assessment involving the estimation of the possibilities of financing the payouts of claims and benefits as a result of extraordinary insurable events. The results of the stress tests demonstrate the ability to finance these types of events.

Under the own risk and solvency assessment (ORSA), the sensitivity analysis conducted for PZU covered stress scenarios affecting assets and liabilities alike. The stress tests selected for execution under ORSA span the Company’s most important areas of underwriting activity and its risk profile and correspond to the assessment of the most significant risks in its business.

The tests were carried out based on the principles contained in the SII system. Each test was conducted independently, with the assumed change of the designated elements in the tests and maintenance of the remaining ratios at the baseline scenario level. A stress test takes into account a change in own funds and the solvency capital requirement to check the overall impact exerted on the Company’s equity standing.

The test results do not reflect the influence of potential actions taken by the Company’s Management Board in order to mitigate the impact of the materialized scenario. In fact, given the PZU’s risk management system, and in particular the system of limits and restrictions, the Company’s Management Board may take relevant actions to prevent or mitigate the impact, should the scenario materialize.

The stress test results evidence that in 2023 PZU held sufficient own funds to maintain the solvency ratio above the levels required by the KNF following the occurrence of the test scenarios.

The table below depicts the principal sensitivity analyses conducted for the purposes of ORSA. These tests were administered in the course of 2023 as part of the prospective assessment of the Company's equity condition performed during the ORSA process and they refer to the solvency ratios as at the end of 2023 as forecast at the time of performing the various stress tests.

No.	Stress tests / sensitivity analysis	Risk impact	Change to the value of base solvency ratio (in p.p.)
1.	Increase in interest rates (+200 bps for the PLN curve, +100bps for the EUR curve)	Market risk	(12)
2.	Decrease in interest rates (-200 bps for the PLN curve, -100 bps for the EUR curve)	Market risk	13
3.	Shift in the shape of the interest rate curve (based on the curve generated in the model for calculating the value at risk for market risk in the 1 in 200 scenario)	Market risk	(49)
4.	Decrease in share prices (-50%)	Market risk	(1)
5.	Decrease in real estate prices (-30%)	Market risk	(7)
6.	Increase in FX rate (+30%)	Market risk	(2)
7.	Decrease in FX rate (-30%)	Market risk	1
8.	Counterpart default (the insolvency of two counterparties with the Company's largest exposure has been assumed from among the counterparties with a BB or lower rating)	Counterparty default risk	(6)
9.	Increase in loss ratio (10 p.p.)	Actuarial risk	(9)
10.	Increase in gross claims provision (+10%+max(PNR,0))	Underwriting risk	(14)
11.	Catastrophic loss – single	Underwriting risk	(5)
12.	Catastrophic loss – multiple	Actuarial risk	(9)
13.	Extraordinary loss	Underwriting risk	(37)
14.	Reduction in mortality rates (-20%)	Underwriting risk	(2)
15.	Simultaneous increase in interest rates (+200 bps for the PLN curve, +100bps for the EUR curve) and a 10 p. p. increase in claims ratio	Market risk, actuarial risk	(20)

KNF's stress tests

In 2023, stress tests were also conducted as at 31 December 2022 and based on the 2023 financial plans being implemented and accompanying forecasts for 2024–2025 in accordance with the *Methods for Conducting Stress Tests in Insurance and Reinsurance Undertakings, 15th Edition* (hereinafter: *"KNF ST Methodology"*).

The test results do not reflect the influence of potential actions taken by the Company's Management Board in order to mitigate the impact of the materialized scenario. In fact, given the PZU's risk management system, and in particular the system of limits and restrictions, the Company's Management Board may take relevant actions to prevent or mitigate the impact, should the scenario materialize.

The stress test results evidence that in 2023 PZU held sufficient own funds to maintain the solvency ratio above the levels required by the KNF following the occurrence of the test scenarios.

The table below presents the results of stress tests conducted in accordance with the "KNF ST Methodology" and the impact exerted by a given test on the solvency ratio published at the time of the stress tests, or in accordance with their status as at 31 December 2022:

No.	KNF tests	Risk impact	Change to the value of base solvency ratio (in p.p.)
1	Interest rate risk	Market risk	(4)
2	Combined scenario for selected types of market risk	Market risk	(18)
3	Risk of cancellation of foreign currency loan agreements	Market and actuarial risk	-
4	Physical risks – risk of flooding and strong wind (Division II)	Market and actuarial risk	(3)
5	Physical risk – hail risk (Division II)	Market and actuarial risk	(3)

Operational risk scenarios

Additionally, in the operational risk area stress tests are conducted as scenario-based analyses of operational risk. It is a method of operational risk identification and assessment based on an analysis of an occurrence of a hypothetical operational risk incident in the Company. The purpose of these checks is to identify areas which may be prone to the most adverse real loss, identification of potential threats, as well as planning of actions and controls to prevent the operational risk incident described in the scenario from happening in the future.

Exposure to risk arising from off-balance sheet items

As at 31 December 2023, the value of off-balance sheet items included in the capital requirements calculations was PLN 1,558,215 thousand and pertained to the value of bonds securing contingent transactions (as at 31 December 2022: PLN 1,072,950 thousand).

C.1. Actuarial risk

Actuarial risk is the possibility of loss or of adverse change in the value of liabilities under the executed insurance agreements and insurance guarantee agreements, due to inadequate premium pricing and technical provisioning assumptions.

Actuarial risk

Non-life insurance risks	Life insurance risks	Health insurance risks
Premium and provisioning risk	Mortality risk	Health non-life risk
Catastrophic risk	Longevity risk	Health life risk
Lapse risk	Morbidity risk	Catastrophic risk
	Lapse risk	
	Cost risk	
	Risk of disability pension revision	
	Catastrophic risk	

Identification

Risk identification commences with an insurance product development process and continues until the expiry of the related liabilities. The identification of underwriting risk is performed, among others, as follows:

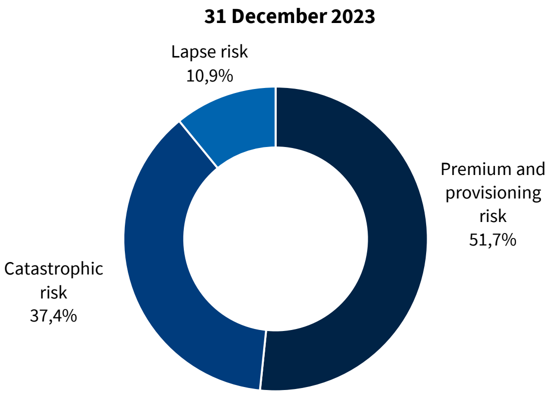
- analyzing the GTCI with respect to the risk being undertaken and compliance with the generally binding legal regulations;
- analyzing the GTCI or other model agreements with respect to the actuarial risk being undertaken on their basis;
- identification of potential risks related to a given product, for the purposes of subsequent measurement and monitoring;
- an analysis of the impact exerted by the introduction of new insurance products on the Company’s capital requirements and risk margin computed according to the standard formula;
- verification and validation of changes to products;
- an assessment of actuarial risk with reference to similar existing insurance products;

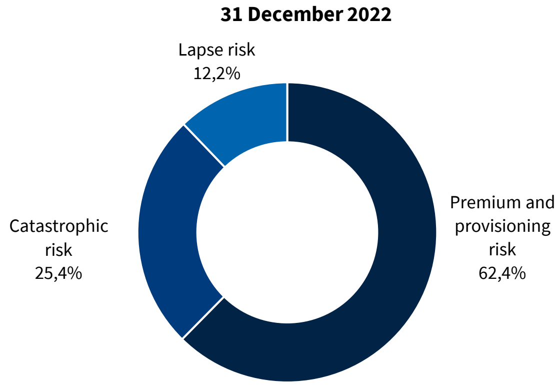
- monitoring of existing product;
- analyzing the policy of underwriting, tariffs, provisions and reinsurance and the claims and benefits handling process.

Risk exposure

Non-life insurance risk was the most significant in the Company's portfolio, accounting for 30.2% of the basic solvency requirement before diversification.

The charts below present the share of each sub-module in actuarial risk (without the diversification effect) as at 31 December 2023 and 31 December 2022.





Within actuarial risk, PZU identifies concentration risk with regard to possible losses caused by natural disasters, such as, in particular, floods and cyclones. With regard to the exposure to the risk of floods and cyclones, the risk management system in the PZU Group allows to monitor it regularly and the reinsurance program in place reduces the potential for net catastrophic loss. In addition, within the portfolio of PZU's clients, we identify significant concentrations on high corporate risks which are subject to facultative reinsurance reducing possible net losses to acceptable levels, not threatening PZU's financial stability.

Measurement and assessment

The assessment of actuarial risk consists in the identification of the degree of the risk or a group of risks that may lead to a loss, and in an analysis of risk elements in order to make an underwriting decision that results in a liability for the Company.

The actuarial risk assessment process undergoes continual evolution designed to adapt the applied measures to the changing external environment, achieve more effective product profitability management and organizational changes and modify the product offering. However, the changes recorded in 2023 were not of material character.

The measurement of actuarial risk is performed in particular by the way of:

- an analysis of selected ratios;
- the scenario method – an analysis of impairment arising from an assumed change in risk factors;
- the factor method – a simplified version of the scenario method, reduced to one scenario per risk factor;
- statistical data;

- exposure and sensitivity measures;
- application of the expertise of the Company's employees.

Monitoring and control

Monitoring and controlling underwriting risk involves a regular analysis of the level of risk and determining the degree of utilization of the established borderline values of underwriting risk tolerance and limits.

Reporting

Reporting is designed to ensure effective communication regarding actuarial risk and support the management of actuarial risk at various decision-making levels, from an employee to the Supervisory Board. The frequency of each report and the scope of information provided are tailored to the information needs at each decision-making level.

Management actions

The management actions taken in the course of the underwriting risk management process are performed in particular by the way of:

- defining tolerance for underwriting risk and monitoring it;
- business decisions and sales plans;
- calculation and monitoring of the adequacy of technical provisions;
- tariff strategy, monitoring of current estimates and assessment of the premium adequacy;
- the process of assessment, valuation and acceptance of actuarial risk;
- application of tools designed to mitigate underwriting risk, including in particular reinsurance and prevention.

In PZU, underwriting risk is mitigated in particular through the following activities:

- defining the scopes of liability, including exclusions in the GTCI or other model agreements;
- co-insurance and reinsurance;
- application of an adequate tariff policy;
- application of the appropriate methodology for calculating technical provisions;
- application of an appropriate procedure to assess underwriting risk;
- application of the appropriate claims handling procedure;
- sales decisions and plans;
- prevention.

Non-life insurance risk

Premium and provisioning risk

The possibility of loss or adverse change in the value of insurance liabilities:

- resulting from fluctuations in the occurrence, frequency and severity of insured events, as well as fluctuations in the timing and amount of claims and benefits payments (premium risk) or
- resulting from the risk of lack of coverage of current and future liabilities, resulting from insurance contracts and insurance guarantee contracts (provisioning risk).

Catastrophic risk

Catastrophic risk – the risk of loss, or of adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and technical provisioning assumptions related to extreme or irregular events.

Lapse risk

The risk of loss or adverse change in the value of insurance liabilities, resulting from changes in the level of trend changes or changes in the lapse rates, policy lapses, redemptions and renewals.

Actuarial risk in non-life insurance

Sub-module name	Value (PLN 000)		Change 2023/2022		Comments
	2023	2022	(PLN 000)	%	
Premium and provisioning risk	3,816,745	3,521,277	295,468	8%	The increase in the premium and provisioning risk is mainly due to an increase in planned earned premiums.
Life catastrophe	2,767,258	1,436,535	1,330,723	93%	The increase in the capital requirement for operational risk is due to: - changes to the catastrophe reinsurance program; - an increase in exposure to natural disasters risk.
Lapse risk	806,438	687,042	119,396	17%	The increase in lapse risk was mainly in insurance against fire and other property damage and was due to an increase in the provision for unearned premiums, with a decrease in amounts due from reinsurance, as well as lower expected claims ratio in this line.
Diversification	(2,084,165)	(1,465,827)	(618,338)	42%	The effect of the above changes
Actuarial non-life risk	5,306,276	4,179,027	1,127,249	27%	The effect of the above changes

Management actions

In the area of premium and provisioning risk, the following actions are carried out:

- active monitoring of the combined ratio;
- an analysis of the impact of changes in the external environment on the statistical data used to calculate premiums and provisions;
- proactive monitoring of results achieved on individual products;
- a reinsurance program designed to mitigate potential financial losses resulting from an unexpected increase in loss ratio.

As regards catastrophic risk in non-life insurance, the following actions are carried out:

- monitoring of changes in portfolio exposure;
- monitoring of the reinsurance program's volume and retention, including potential modification thereof in order to mitigate losses resulting from catastrophic events;
- exposure map for non-life insurance;
- analysis of exposures to the risk of fire (in relation to the risk of fire within a 200 m radius);
- creation of a flooding risk model, to be used in a wide spectrum of business applications (including underwriting, tariff-setting) and a flooding exposure map.

Life insurance risks

Longevity risk

The risk of loss or of adverse change in the value of insurance liabilities resulting from changes in the level, trend changes or changes in the volatility of mortality rates, where a decrease in mortality rates leads to an increase in the value of insurance liabilities.

Risk of disability pension revision

The risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level, trend changes or changes in the volatility of disability pension revision rates in annuity insurance, due to changes in the legal environment or the health of the insured.

Cost risk

The risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level, trend changes or changes in the volatility of the amount of costs incurred to handle insurance or reinsurance contracts.

Actuarial risk in life insurance

Sub-module name	Value (PLN thousand)		Change 2023/2022		Comments
	2023	2022	(PLN 000)	%	
Longevity risk	212,145	171,360	40,785	24%	The increase in the capital requirements is due to a change in the interest rate curve published by EIOPA.
Risk of disability pension revision	107,088	91,312	15,776	17%	The increase in the capital requirements is due to a change in the interest rate curve published by EIOPA.
Cost risk	20,488	15,792	4,696	30%	The increase in the capital requirements is due to a change in the interest rate curve published by EIOPA.
Diversification	(70,241)	(58,077)	(12,164)	21%	The effect of the above changes
Actuarial life risk	269,480	220,387	49,093	22%	The effect of the above changes

Health insurance risks

Health non-life risk

Actuarial risk in health insurance treated as non-life insurance. It includes premium and provisioning risks and lapse risk.

Health catastrophic risk

Catastrophic risk in health insurance resulting from a mass accident, concentration or pandemic.

Actuarial risk in health insurance

Sub-module name	Value (PLN thousand)		Change 2023/2022		Comments
	2023	2022	(PLN 000)	%	
Health non-life risk	244,748	244,292	456	0%	Increase in premium earned in the last 12 months.
Health catastrophic risk	4,243	4,243	-	0%	-
Diversification	(3,148)	(3,148)	-	0%	-
Actuarial health risk	245,843	245,387	456	0%	The effect of the above changes

C.2. Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, credit spread, value of liabilities and financial instruments.

Market risk					
Interest rate risk	Equity risk	Credit spread risk	Foreign exchange risk	Property price risk	Asset concentration risk

Interest rate risk

The possibility of incurring a loss as a result of changes in the value of financial instruments or assets and a change in the present value of projected cash flows from liabilities, caused by changes in the term structure of market rates or in the volatility of risk-free market interest rates.

Equity risk

The possibility of incurring loss as a result of changes in the values of assets, liabilities and financial instruments caused by changes in the level or in the volatility of market prices of equities.

Credit spread risk

The possibility of incurring loss as a result of changes in the value of assets, liabilities and financial instruments, caused by changes in the level or in the volatility of credit spreads over the term structure of the interest rates on securities issued by the State Treasury.

Foreign exchange risk

The possibility of incurring loss as a result of changes in the value of assets, liabilities and financial instruments, caused by changes in the level or in the volatility of currency exchange rates.

Property price risk

The possibility of incurring loss as a result of changes in the values of assets, liabilities and financial instruments caused by changes in the level or in the volatility of market prices of property.

Asset concentration risk

The possibility of incurring loss stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.

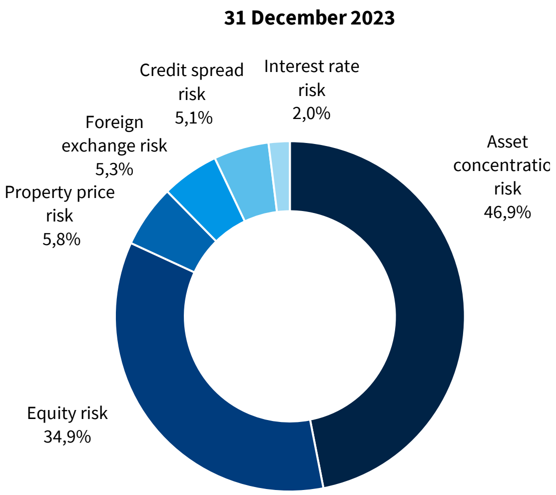
Identification

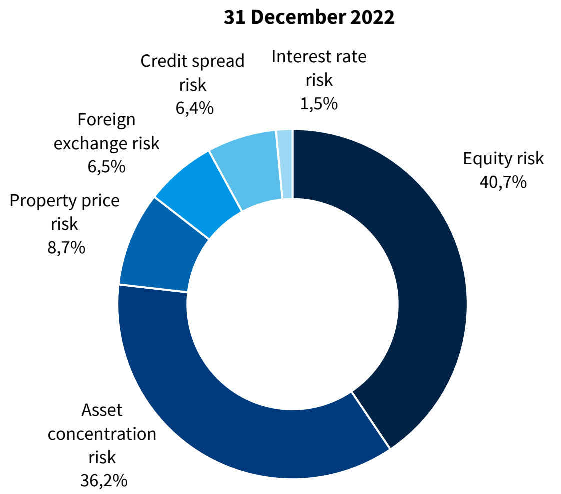
The identification of market risk involves recognizing the actual and potential sources of such risk. The process of identifying market risk associated with assets commences at the time of making a decision to start entering into transactions on a given type of financial instruments. Units that make the decision to commence transactions in a given type of financial instrument draw up a description of the instrument, containing, in particular, a description of the risk factors involved, and provide it to the Risk Department, which identifies and assesses market risk on that basis.

The process of market risk identification associated with insurance liabilities commences with the process of developing an insurance product and involves identification of the relationship between the cash flows generated by that product and the relevant market risk factors. The identified market risks are subject to assessment, relative to their materiality, i.e. if the materialization of that risk would entail a loss capable of affecting the financial condition.

Risk exposure

As at 31 December 2023, market risk accounted for 65.6% of the basic solvency requirement before diversification (compared to 62.2% in 2022).





Capital requirements for market risk

Sub-module name	Value (PLN thousand)		Change 2023/2022	
	2023	2022	(PLN 000)	%
Equity risk	6,179,158	4,965,320	1,213,838	24%
Concentration risk	8,298,301	4,434,853	3,863,448	87%
Foreign exchange risk	937,769	801,075	136,694	17%
Property	1,020,874	1,067,071	(46,197)	(4)%
Interest rate risk	348,864	186,106	162,758	87%
Credit spread risk	901,326	786,059	115,267	15%
Diversification	(6,171,164)	(4,227,891)	(1,943,273)	46%
Market risk	11,515 128	8,012,593	3,502,535	44%

At the end of 2023, concentration risk and equity price risk represent the largest part of the market risk module. The increase in market risk was mainly due to an increase in the capital requirement for concentration risk as a result of an increase in the valuation of investments in strategic shares. The increase in the value of the investments in question resulted mainly from the increases in share prices of PZU Group banks on the Warsaw Stock Exchange. As at 31 December 2022, the value of Alior Bank and Pekao in PZU's portfolio stood at PLN 1,427,549 thousand and PLN 4,540,732 thousand, respectively, while one year later their valuations rose to PLN 3,180,014 thousand and 7,981,714 thousand.

The asset concentration risk sub-module points to concentration in the PZU Group. Bulk of PZU's investments are bonds issued or guaranteed by the State Treasury. Market risk concentration is reduced by the way of risk limits for each type of investment being set by the relevant Committees.

Measurement and assessment

Market risk is measured using the following risk measures:

- standard formula in accordance with the rules defined by SII Directive;
- exposure and sensitivity measures;
- VaR measure (value at risk), a risk measure quantifying the potential economic loss that will not be exceeded within a period of one year under normal conditions, with a probability of 99.5%;
- accumulated monthly loss.

When measuring market risk, the following particular stages can be identified:

- collection of information on assets and liabilities that generate market risk;
- calculation of the value of the risk.

Risk is measured:

- daily for exposure and sensitivity measures of the instruments in the transaction system;
- monthly – when using the value at risk calculation model for market risk (VaR);
- quarterly – based on the standard formula.

Monitoring and control

Market risk is monitored and controlled in two ways internally in the organizational units responsible for operational management of market risk and independently by the Risk Department. Monitoring of market risk involves an analysis of the level of risk and of the utilization of the designated limits. The risk is monitored on a daily and monthly basis, in accordance with the defined limits.

Reporting

Reporting involves communicating the level of market risk, the effects of monitoring and control to various decision-making levels. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

Management actions

Management actions in respect of market risk involve in particular:

- transactions to mitigate market risk, i.e. buying or selling a financial instrument, closing a derivative, or purchasing a hedging derivative;
- diversification of the assets portfolio, in particular with respect to market risk categories, maturities of instruments, concentration of exposure in one entity, geographical concentration;
- setting market risk restrictions and limits.

The setting of limits is the main management tool for maintaining risk positions within acceptable risk tolerance levels. The structure of limits for individual market risk categories, as well as for individual business units, is established so as to ensure that they are consistent with the risk profile and risk tolerance approved by the Management Board. The Investment Risk Committee and Investment Committee establish additional detailed market risk limits.

In 2023, market risk measurement methods and risk control techniques did not change.

C.3. Credit risk/counterparty default risk

Credit risk is defined as risk of a loss or an adverse change in the financial standing to which PZU SA is exposed, resulting from fluctuations in the trustworthiness and creditworthiness of securities issuers, business partners and all debtors, materializing through the counterparty's default on a liability or an increase in credit spread.

Credit risk		
Credit spread risk	Asset concentration risk	Counterparty default risk

Credit spread risk

The possibility of incurring loss as a result of changes in the value of assets, liabilities and financial instruments, caused by changes in the level or in the volatility of credit spreads over the term structure of the interest rates on securities issued by the State Treasury.

Asset concentration risk

The possibility of incurring loss stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.

Counterparty default risk

The possibility of incurring a loss as a result of unexpected default of PZU SA counterparties and debtors or deterioration of their credit rating.

Identification

Credit risk is identified at the stage of making a decision on an investment in a new type of financial instrument or on accepting credit exposure to a new entity. Such identification involves an analysis of whether the contemplated investment entails credit risk, what its level depends on and what its volatility over time is. Both actual and potential sources of credit risk are identified.

Risk exposure

In 2023, counterparty default risk (CDR) accounted for 1.7% of the total value of the Company's SCR. Compared to 2022, the share fell by 0.7 p.p. with a 0.3% increase in CDR alone.

Credit risk includes counterparty default risk, credit spread risk and asset concentration risk. In accordance with the requirements defined by the SII Directive, credit spread risk and concentration risk are included in the market risk module and the data for the capital requirement are presented there. In 2023, no significant changes were made to measurement methods of credit risk and counterparty default risk.

At PZU, risk concentration with regard to counterparty default risk occurs through reinsurance positions and cash in bank accounts.

In the case of other exposures, credit risk concentration is mitigated by setting limits to reduce the exposure to single entities, groups of entities and credit limits for sectors and states other than Poland by the Investment Risk Committee and the Investment Committee.

PZU performs regular reviews of the set limits together with an analysis of concentration risk.

Measurement and assessment

Underwriting consists of estimating the probability of realization of a specific risk and estimating the potential impact of its realization on the financial standing.

Credit risk is measured using:

- exposure measures (the amount of the gross and net credit exposure and maturity-weighted net credit exposure);
- capital requirement calculated using the standard formula.

Monitoring and control

Monitoring and control of credit risk and concentration risk involves an analysis of the current risk level, assessment of creditworthiness and calculation of the degree of utilization of existing limits. Such monitoring is performed, without limitation, on a daily, monthly and quarterly basis, for:

- credit exposure in investment portfolios;
- credit risk exposures in financial insurance;
- exposures to reinsurance;
- exposure limits;
- risk tolerance limits based on the values calculated using the standard formula.

The structure of credit risk limits for each issuer is established so that the limits are consistent with the risk profile and risk tolerance adopted by the Management Board. In PZU, the above structure is established by the Investment Committee – for transactions up to PLN 600 million inclusive and by the Investment Risk Committee – for transactions above PLN 600 million. Additionally, the Committees set detailed limits on amounts and qualitative restrictions.

Reporting

Reporting involves communicating the levels of credit risk and concentration risk and the effects of monitoring and control to various decision-making levels. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

Management actions

Management actions in respect of credit risk involve in particular:

- setting limits to curtail exposure to single entities, groups of entities, sectors or states;
- diversification of the portfolio of assets and financial insurance, especially with regard to state, sector;
- acceptance of collateral;
- execution of transactions serving the purpose of mitigation of credit risk, i.e. selling a financial instrument, closing a derivative, purchasing a hedging derivative, restructuring a debt.

C.4. Liquidity risk

Financial liquidity risk means the possibility of losing the capacity to settle, on an ongoing basis, the Company's liabilities to its clients or counterparties. The aim of the liquidity risk management system is to maintain the capacity of fulfilling the Company's liabilities on an ongoing basis. In 2023, no material changes to the liquidity risk management processes were introduced. The Company maintains the required level of the investment portfolio liquidity (the profile of the liquidity risks did not change to a material extent in the reporting period).

Identification

The risk identification involves analysis of the possibility of occurrence of unfavorable events, in particular:

- shortage of liquid cash to satisfy the Company's current needs;
- financial instruments held being not liquid;
- the structural mismatch between the maturity of assets and liabilities.

Risk exposure

As at 31 December 2023, PZU was in compliance with the requirements of liquidity stress tests, based on the VaR method, i.e. it maintained deposits with an adequate degree of liquidity at the required level, i.e. at a minimum of PLN 5.3 billion.

PZU has not identified a significant risk concentration with regard to liquidity risk.

Measurement and assessment

Risk measurement and assessment are carried out from the following perspectives:

- liquidity gaps (static, long-term financial liquidity risk) – by monitoring a mismatch of net cash flows resulting from insurance contracts executed until the balance sheet date and inflows from assets to cover insurance liabilities in each period, based on a projection of cash flows;
- potential shortage of financial funds (medium-term financial liquidity risk) – through analysis of historical and expected cash flows from the operating activity;
- stress tests (medium-term financial liquidity risk) – by estimating the impact of selling the portfolio of financial investments in a short period to satisfy liabilities arising from the occurrence of extraordinary insured events;
- current statements of estimates (short-term financial liquidity) – by monitoring demand for cash reported by other business units by the date defined in prevailing internal regulations.

Monitoring and control

Monitoring financial liquidity risk involves analyzing the utilization of defined limits.

Reporting

Reporting involves communicating the level of financial liquidity to various decision-making levels.

Management actions

The following measures aim to reduce financial liquidity risk:

- maintaining cash in a separate liquidity portfolio at a level consistent with the limits for the portfolio value;
- maintaining sufficient cash in a foreign currency in portfolios of investments earmarked for satisfying insurance liabilities denominated in the given foreign currency;
- maintaining an appropriate level of liquid financial investments in the investment portfolio;
- provisions of the Agreement on managing portfolios of financial instruments entered into between TFI PZU SA and PZU regarding limitation of the time for withdrawing cash from the portfolios managed by TFI PZU SA to at most 3 days after a request for cash is filed;
- the possibility of performing sell-buy-back transactions on treasury securities, including those held until maturity;
- centralization of management of portfolios/funds by TFI PZU SA (using the services of one external asset management entity facilitates risk management, including liquidity risk).

The Company does not estimate liquidity risk by taking into account the amount of expected profit from future premiums as referred to in Article 295 sec. 5 of the delegated Regulation. The amount of expected profit from future premiums as at 31 December 2023 is PLN 885,798 thousand (as at 31 December 2022: PLN 724,819 thousand).

C.5. Operational risk

Operational risk is the risk of suffering loss resulting from improper or erroneous internal processes, human activities, system failures or external events.

Operational risk			
Security risk	Legal risk	Personnel risk	IT risk

Security risk

The risk of incurring a loss due to ineffective or erroneous solutions to protect the Company's operations from harmful human actions or external factors, as well as actions constituting an abuse of the law; this includes IT security risk, understood as the risk arising from non-compliance (deviations) with the Company's policies, external regulations, procedures, standards and good practices in the field of IT security;

Legal risk

The risk of incurring a loss resulting from actions that are inconsistent with applicable laws, internal regulations or contractual obligations, which may also arise as a result of erroneous, late adoption or non-adoption of legal regulations and erroneous interpretation of regulations;

Personnel risk

The risk of incurring a loss resulting from inadequate and ineffective personnel policies, lack of adequate human resources, human errors including improperly designed and implemented processes;

IT risk

The risk of incurring a loss due to information technology that does not meet business requirements for reliability and data availability at the level assumed by the Company, or has not been properly implemented and is not operating as intended.

Identification

Operational risk is identified in particular by:

- accumulation and analysis of information on operational risk incidents and the reasons for their occurrence;
- self-assessment of operational risk;
- scenario analysis.

Risk exposure

Based on an analysis of operational risk indicators in the following areas: security, human resources, IT technologies and law, the operational risk of the Company was assessed as low. No significant changes to the operational risk profile were found in the reporting period. The method of assessing operational risk did not change, either. Based on up-to-date knowledge, no material concentrations were identified in the area of operational risk in the present reporting period. Neither any grounds were identified that could indicate the possibility of such concentrations to appear in the future.

Measurement and assessment

Operational risk is measured and assessed by:

- calculating the effects of the occurrence of operational risk incidents;
- estimating the effects of potential operational risk incidents that may occur in the Company's business.

The following systematic tools are used to measure and assess the level of operational risk:

- operational risk incident information database;
- operational risk indicators;
- operational risk scenario analyses;
- self-assessment of operational risk.

Monitoring and control

Monitoring and control of operational risk is performed mainly through an established system of operational risk indicators allowing for assessment of changes in the level of operational risk over time and assessment of factors that affect the level of this risk in the Company's business.

Reporting

Reporting involves communicating the level of operational risk, the effects of monitoring and control to various decision-making levels. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

Management actions

Management actions involving reactions to any identified and assessed operational risks involve, in particular:

- risk mitigation by taking actions aimed at minimizing risks, for instance by strengthening the internal control system;
- risk transfer – in particular, by entering into insurance agreements;
- risk avoidance by refraining from undertaking or withdrawing from a particular type of business in cases where too high a level of operational risk is ascertained and where the costs involved in risk mitigation are unreasonable;
- risk acceptance – approval of consequences of a possible realization of operational risk unless they threaten to exceed the operational risk tolerance level.

C.6. Other significant risks

Other significant risks			
Compliance risk	Model risk	Competition risk	Business risk

Taking into consideration the nature and distinct nature of the risks described in this part of the report, the requirements for stress testing and sensitivity analyses , are in principle not applicable to this scope of reporting.

C.6.1. Compliance risk

The compliance risk understood as the risk that PZU may infringe on the law, internal regulations and adopted standards of conduct, including ethical standards, which results or may result in being subject to legal sanctions, or incurring financial loss or else loss of reputation or credibility. It also includes the risk that the operations performed by PZU will be out of line with the changing legal environment (both in the area of the so called 'hard law' and 'soft law'). This risk may materialize as a result of delayed implementation or absence of clear and unambiguous laws. This may cause irregularities in business and, as a result, lead to higher costs (for instance, administrative penalties, other financial penalties) and a heightened level of loss of reputation risk.

Identification

The identification and assessment of compliance risk is performed for each internal process by Business Unit Managers in accordance with the allocation of responsibility for reporting. In addition, the Compliance Department identifies compliance risks based on its own activities and obtained information.

Risk exposure

According to the risk assessment carried out on the basis of the Compliance Risk Assessment Methodology adopted by the Company in PZU SA and PZU Życie SA, taking into account the self-assessment carried out by Business Unit Managers and the information obtained under Line II and Line III, the company-wide compliance risk assessment in PZU is at a moderate level.

Measurement and assessment

Compliance risk is assessed and measured by evaluating the implementation and application of external regulations, standards of conduct and internal regulations, and assessing their materiality determining the effects of risk materialization:

- financial, resulting, without limitation, from administrative penalties, court judgments, contractual penalties and claims paid;
- non-financial, pertaining to a loss of reputation, including damage to the image and brand.

In the reporting period, no significant changes to the methods of assessing compliance risk occurred. Neither any significant concentrations of risks – because of nature of the described risks – were identified either.

Monitoring and control

Compliance risk is monitored, in particular, through:

- compliance analyses;
- systemic analysis of the regular reports received from the Business Unit Managers;
- participation in the Company's legislative process;
- reviews and monitoring of regulatory requirements;
- participation in legislative work aimed at amending the existing laws of general application;
- performing diverse activities in industry organizations;
- coordination of external control processes;
- coordination of the implementation of statutory disclosure obligations;
- monitoring of anti-monopoly jurisprudence and proceedings conducted by the President of UOKiK;
- performance of tasks in the field of disclosure obligations for listed companies;
- review of the implementation of the Compliance Department's recommendations;
- monitoring of risk mitigation activities, including those carried out by business units.

Reporting

Reporting involves reporting on the identification and risk of non-compliance, the effects of its monitoring and control. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

Management actions

Management actions taken in response to the compliance risk comprise in particular:

- acceptance of risk;
- mitigation of risk, including adjustment of procedures and processes to regulatory requirements, issuing opinions and drafting internal regulations from the point of view of compliance, participating in the process of agreeing marketing activities;
- avoidance of the risk by preventing any involvement in activities that are out of compliance with the applicable regulatory requirements or best market practices or activities that may have an unfavorable impact on the entity's image.

C.6.2. Model risk

Model risk is defined as the risk of incurring financial losses, incorrectly estimating data reported to the regulatory authority, taking incorrect decision or losing reputation as a result of errors in the development, implementation or application of models. In 2023, the formal process of identification and assessment of this risk, aiming to ensure high quality of the risk management practices applied to this risk, was continued.

Identification

The process involves the regular identification of the models used in the areas covered. Identified models are assessed for materiality, where materiality is a feature of the model describing its significance and the processes in which it is used. The materiality assessment influences the scope of the actions performed and tools used in the process.

Risk exposure

At the end of 2023, the level of aggregate model risk (for all models combined) was at an acceptable level from the perspective of the provisions of the Model Risk Management Policy.

Measurement and assessment

Risk measurement is based on the results of independent model validations and model monitoring.

Monitoring and control

Risk monitoring involves ongoing analysis of deviations from the adopted points of reference regarding the model risk (including verification of how recommendations are implemented, verification that the level of model risk is acceptable from the point of view of the provisions of the Model Risk Management Policy).

Reporting

Risk reporting involves communicating the process results on the appropriate management level, in particular results of risk monitoring, validation and measurement.

Management actions

Management actions aim to mitigate the model risk level. The actions can be active (e.g. recommendations resulting from completed validations) and passive (developing model and model risk management standards).

C.6.3. Competition risk and business risk

Competition risk

A risk of market changes (conditions of competition) having an adverse impact on the entity, including competitors' actions aimed at taking over the sales entities (agents), competitors' actions aimed at taking over the clients, entity's failure to respond to client expectations, aggressive pricing policy.

Business risk

The possibility of incurring a loss or adverse change of the value of liabilities, associated with an incorrect business model, including related to a failure to attain the assumed and necessary economic objectives due to failure in market competition.

Identification

The process of identifying risks is carried out as part of the company's own risk and solvency assessment in the process of analyzing and identifying risks and identifying key risks. The Company identifies and evaluates risks not designated as material in internal regulations. This process facilitates risk analysis in the medium-term and identification and assessment of emerging risks.

Risk exposure

After the last update conducted in 2023, the risks were at an acceptable level.

Measurement and assessment

All identified risks are assessed from the perspective of frequency and severity of materialization (taking into account the financial severity and impact on reputation).

Monitoring and control

This analysis is updated at least once a year.

Reporting

The results of the annual process, together with a report on the own risk and solvency assessment, are reported to the Company's Management Board. A summary of the top 10 risks is also presented to the Company’s Supervisory Board.

Management actions

For each risk, the first-line defense units that own the risk indicate a list of management actions to be taken.

C.7. Additional information

Other information did not occur.

D. Measurement of assets and liabilities

The chapter presents information on methods of valuing assets and liabilities in accordance with the rules of the SII System. Quantitative information on assets and liabilities measured in accordance with the SII system is included in form QRT S.02.01.02 which constitutes Attachment 3 to this report. The following tables present a comparison between the valuation of assets and liabilities established:

- in accordance with the rules used for valuation for the purposes of separate financial statements (according to the PAS) – the column entitled "Amount from the financial statements",
- and the value established for solvency purposes (column entitled "Amount according to Solvency II").

Assets as at 31 December 2023 (data in PLN 000s)	Amount from the financial statements	Change in valuation rules	Reclassification of items	Solvency II value
Deferred acquisition costs	1,893,946	(1,893,946)	-	-
Intangible assets	313,546	(313,546)	-	-
Property, plant and equipment (tangible fixed assets) used for own needs	287,704	540,206	-	827,910
Investments (other than insurance assets in which the benefit is determined on the basis of specified indices or other base values, and life insurance linked to a unit-linked fund)	44,015,496	7,759,429	-	51,774,925
Real property (other than used for own needs)	125,339	64,985	-	190,324
Shares in related entities, including equity interests	17,577,489	8,649,683	9,252,268	35,479,440
Shares and interests	141,828	(15)	-	141,813
Shares and interests – quoted	141,791	-	-	141,791
Shares and interests – unquoted	37	(15)	-	22
Debt securities	15,641,490	(955,196)	-	14,686,294
Government bonds	13,219,851	(956,202)	-	12,263,649
Corporate bonds	2,421,640	1,006	-	2,422,646
Participation units and investment certificates in collective investment undertakings	10,104,331	-	(9,252,268)	852,063
Derivatives	166,026	-	-	166,026
Deposits other than cash equivalents	258,993	(28)	-	258,965
Loans and mortgage-backed loans – other	2,458,284	19,619	-	2,477,903
Amounts due and payable from reinsurance agreements for liabilities resulting from:	4,918,227	(2,958,513)	-	1,959,714
Insurance other than life insurance and health insurance treated as non-life insurance	4,664,031	(2,862,183)	-	1,801,848
Insurance other than life insurance products (excluding health insurance)	4,482,372	(2,711,157)	-	1,771,215
Health insurance treated as non-life insurance	181,659	(151,026)	-	30,633

Assets as at 31 December 2023 (data in PLN 000s)	Amount from the financial statements	Change in valuation rules	Reclassification of items	Solvency II value
Life insurance and health insurance treated as life insurance, except for health insurance and the insurance in which a benefit is determined on the basis of specified indices or other underlying values and unit-linked life insurance	254,196	(96,330)	-	157,866
Receivables from insurance and from insurance intermediaries	2,735,509	(2,301,192)	-	434,317
Outward reinsurance receivables	53,028	(15,307)	-	37,721
Other receivables (trade receivables other than those from insurance activity)	165,198	-	(62,052)	103,146
Cash and cash equivalents	160,057	-	(12,033)	148,024
Other assets (not included in other items)	882,125	(756,905)	-	125,220
Total assets	**57,883,120**	**79,845**	**(74,085)**	**57,888,880**

Liabilities as at 31 December 2023 (data in PLN 000s)	Amount from the financial statements	Change in valuation rules	Reclassification of items	Solvency II value
Technical provisions – non-life insurance	24,038,212	(10,127,669)	-	13,910,543
Technical provisions – non-life insurance (excluding health insurance)	23,184,020	(9,478,407)	-	13,705,613
Technical provisions calculated jointly	-	-	-	-
Best estimate	-	12,902,975	-	12,902,975
Risk margin	-	802,638	-	802,638
Technical provisions – health insurance (treated as non-life insurance)	854,192	(649,262)	-	204,930
Technical provisions calculated jointly	-	-	-	-
Best estimate	-	202,851	-	202,851
Risk margin	-	2,079	-	2,079
Technical provisions in life insurance (except for the insurance in which a benefit is determined on the basis of specified indices or other underlying values and unit-linked life insurance)	5,247,931	(1,380,529)	-	3,867,402
Technical provisions in life insurance (except for health insurance and the insurance in which a benefit is determined on the basis of specified indices or other underlying values and unit-linked life insurance)	5,247,931	(1,380,529)	-	3,867,402
Technical provisions calculated jointly	-	-	-	-
Best estimate	-	3,727,480	-	3,727,480
Risk margin	-	139,922	-	139,922
Other technical provisions	665,480	(665,480)	-	-
Other provisions (other than technical provisions)	58,884	(4,078)	-	54,806

Liabilities as at 31 December 2023 (data in PLN 000s)	Amount from the financial statements	Change in valuation rules	Reclassification of items	Solvency II value
Employee pension benefit liabilities	11,528	-	-	11,528
Deferred tax liabilities	747,455	1,059,760	-	1,807,215
Derivatives	32,848	-	-	32,848
Liabilities to credit institutions	145,944	-	-	145,944
Financial liabilities other than liabilities to credit institutions		360,240	-	360,240
Insurance liabilities and liabilities to insurance intermediaries	607,548	(118,070)	-	489,478
Outward reinsurance liabilities	217,966	(217,705)	-	261
Other liabilities (trade liabilities, other than those from insurance activity)	528,833	(37,225)	(74,085)	417,523
Subordinated liabilities (included in the basic own funds)	2,327,793	22,913	-	2,350,706
Other liabilities (not included in other items)	2,368,462	(1,825,013)	-	543,449
Total liabilities	**36,998,884**	**(12,932,856)**	**(74,085)**	**23,991,943**

D.1. Assets

Assets for solvency purposes are valued at fair value, and the following table sets forth the grounds, methods and major assumptions used in valuing assets, and in the case of differences between the valuation for statutory reporting purposes and the valuation for SII solvency purposes, a qualitative description of the significant differences between these valuations.

Assets	Description of the grounds, methods and major assumptions used in the valuation for solvency purposes and differences to the valuation for statutory reporting purposes
Intangible assets	For solvency purposes, intangible assets are measured at zero. According to PAS, intangible assets are measured at purchase prices or production costs less amortization charges and impairment losses.
Real property	The fair value of real property is determined using the alternative measurement method described in section D.4. Right-of-use assets are carried using alternative measurement methods, in compliance with the rules laid down in IFRS16 “Leases.”
Shares in related entities, including equity interests	The measurement method consistent with the hierarchy described in Article 13 of the delegated regulation: Equity interests in subordinated entities listed on active markets are measured at fair value in accordance with Article 10 sec. 2 of the delegated regulation, i.e. based on the market prices of the same assets listed on active markets. Shares in subordinated entities not quoted on active markets are measured using the adjusted equity method. The adjusted equity method requires that PZU should measure equity interests held in subordinated entities based on the share owned in the subordinated entity’s surplus of assets over liabilities. When calculating a surplus of assets over liabilities for subordinated parties, particular assets and liabilities of the given entity are measured in accordance with the principles of the SII system. Participation units in mutual funds which the Company classifies as participation units in subordinated entities are measured using the alternative measurement method described in section D.4 for participation units and investment certificates in collective investment undertakings.

Assets	Description of the grounds, methods and major assumptions used in the valuation for solvency purposes and differences to the valuation for statutory reporting purposes
Debt securities, loans	Fair values of debt securities are determined on the basis of quotations publicly available on an active market and if there are no such quotations – valuations published by an authorized information service; and if there are no such quotations either – using valuation models containing references to published price quotations of the underlying financial instruments, interest rates and stock exchange indices. PZU conducts an internal review of the valuations published by the authorized information service comparing them to the valuations available from other sources based on data which can be observed on the market. The difference between values according to PAS and measurement for solvency purposes follows from different methods of valuation. According to PAS, some debt securities and loans are measured at adjusted cost including permanent impairment losses, while for the purposes of the economic balance sheet they are measured at fair value. The fair value of debt securities for which an active market does not exist and of loans is measured using the alternative measurement method described in section D.4.
Participation units and investment certificates in collective investment undertakings	The fair value of participation units and investment certificates of mutual funds is measured using the alternative measurement method described in section D.4.
Derivatives	For derivatives quoted on an active market, the fair value is considered to be the closing price as at the balance sheet date. The fair value of derivatives not quoted on an active market, including forward contracts and interest rate swaps (IRS) is measured using the alternative measurement method described in section D.4.
Deposits other than cash equivalents	The fair value of deposits is measured using the alternative measurement method described in section D.4. The difference between values according to PAS and measurement for solvency purposes follows from different methods of valuation. According to PAS, the aforementioned instruments are valued at adjusted cost including permanent impairment losses, while for the purposes of the economic balance sheet they are valued at fair value.
Receivables from insurance and from insurance intermediaries	The fair value has been measured using the alternative measurement method described in section D.4. Insurance and intermediary receivables include receivables from policyholders for past due premiums (including inward reinsurance), receivables from insurance intermediaries and other insurance receivables that are not included in technical provisions. Due and future premium installments are taken into consideration when defining the best estimate as cash flows – inflows.
Other receivables (trade receivables other than those from insurance activity) and amounts due and payable from reinsurance agreements for liabilities resulting from insurance	The fair value has been measured using the alternative measurement method described in section D.4.
Cash	Measurement at nominal value, increased, in justified cases, by the accrued interest.
Subordinated units other than participation units in mutual funds	The difference between values according to PAS and measurement for solvency purposes follows from different methods of valuation. According to PAS, subordinated entities are measured using the equity method, while for the purposes of the economic balance sheet they are measured at fair value or the adjusted equity method.
Amounts due and payable from reinsurance agreements for liabilities	According to PAS – the provisions are established in compliance with the Finance Minister's Regulation of 12 April 2016 on the special accounting principles for insurance and reinsurance undertakings pursuant to the individual or actuarial method on the basis of historical data. For the purposes of the economic balance sheet, the technical provisions are determined by discounting the future cash flow linked to the liabilities under executed insurance contracts and reinsurance treaties – the best estimate and the risk margin, while the reinsurers' share is treated as the best estimate of discounted future cash flows resulting from settlements with the reinsurers, which is presented in the line item entitled: Amounts due and payable from reinsurance agreements for liabilities resulting from insurance.

Assessment criteria for an active market

The basic method of valuing assets and liabilities is at quoted market prices in active markets for the same assets or liabilities.

When the application of the basic method is not possible, assets and liabilities are valued using market prices quoted in active markets for similar assets and liabilities, with adjustments to reflect existing differences due to factors specific to the asset or liability.

Whether a financial instrument is quoted on an active market is determined prior to the moment of establishing the carrying amount of the instrument on the day ending the calendar year on the basis of the data regarding the quantity and volume of trades in a given instrument in the last month of the year. The analysis is done on the set of data downloaded from the Bloomberg system containing information regarding the trades transacted in this period. These rules are not applicable to instruments admitted for trading on the Treasury Bond Spot market, with respect to which it is recognized that they are listed on an active market on account of the criterion specified below.

A given instrument is considered to be quoted on an active market if:

- the available data regarding the quantity and volume of trades originating from at least one of the markets referred to in the previous paragraph make it possible to asset that, on average, on the last day of the last month of the year at least five trades were transacted on this instrument or the total volume of trades transacted in this period was higher than 1% of the quantity of instruments admitted for trading on the market or
- the regulations prevailing on one of the markets referred to in the following paragraph impose on designated players thereof the requirement of presenting quotations on whose basis the fixing price is determined by the organizer of that market on every day of the last month of the year.

An analysis of the activity of markets is based on information coming from the markets on which the Company could execute transactions of selling the instrument in regular circumstances. In particular, these include the following markets:

- the markets on which the Company has executed transactions, or
- dedicated markets for trading debt securities, or
- the biggest markets among the markets of a given country, or
- global markets earmarked for institutional clients.

The correctness of information regarding the transacted trades is checked in the framework of analyzing market activity by comparing the test file prepared using data coming from the Bloomberg system with the data presented on the official website of a given market. The following criteria are taken into consideration when preparing the test file:

- ability to source data - the historical data from the official website of a given market must be sourced free of charge,
- diversification of the types of issuers of financial instrument – a test set must include data (if possible) about at least two treasury instruments and two corporate ones;
- diversification of the markets from which the data originate - the test file must contain data (if possible) regarding at least three markets.

Changes to the bases used for recognition, measurement or estimates in the reporting period

In the reporting period, there were no material changes to the principles of recognition, measurement or estimates with regard to measurement of assets.

D.2. Technical provisions

The values of technical provisions broken down by lines of business are included in form QRT S.12.01.02, constituting Attachment 6 to this report, and form S.17.01.02, constituting Attachment 7 to this report. The most important business lines at PZU are: line 4 – third party liability insurance of motor vehicles, line 5 – other insurance of motor vehicles and line 34 – annuities from insurance contracts other than life insurance contracts and connected with insurance liabilities other than health insurance liabilities.

Information on non-life insurance claims and benefits in the format of development triangles is included in form QRT S.19.01.21 constituting Attachment 8 to this report.

Technical provisions consist of the best estimate and the risk margin, in compliance with Article 225 of the Insurance Activity Act. The best estimate takes into consideration all the future proceeds and expenditures required to settle insurance liabilities and is determined on the basis of historical data, including possible adjustments referring to the future. The best estimate is determined by discounting forecast cash flows with the risk-free rate.

The main assumption made for defining the best estimate is the adequacy of historical experience for the purposes of anticipating the future. The table below presents the grounds, methods and major assumptions used when measuring assets for solvency purposes for the most significant lines of business.

Line of business	Description of the grounds, methods and major assumptions used for measurement
4 and 5	Cash flows are determined for claims provisions on the basis of claims triangles while using standard actuarial methods such as the Chain Ladder. Cash flows from the provision for unearned premiums are determined based on the provision for unearned premiums according to PAS, adjusted for the forecast lapse rate and the anticipated claims cost ratio. The cash flows also include outstanding premium receivables, adjusted in accordance with historical receivable collection indicators.
34	Cash flows are determined individually for each annuity recipient based on his/her demographic features, the up-to-date annuity amount and selected features that are significant from the perspective of forecasting the annuity increase. Annuity increase is forecast based on historical data, using the GLM and GAMLSS models. For calculations, life expectancy tables from Statistics Poland (GUS) are taken.

All the cash flows are discounted with the risk-free rate published by the EIOPA.

The uncertainty of the best estimate follows for the most part from the fact that the forecast flows may diverge, perhaps significantly, from the historical trends. Some of the divergences may be random in nature (e.g. the occurrence of large claims), while other may result from changes to the (business, economic, legal, etc.) environment or changes to the procedures of handling the Company’s liabilities. Additional uncertainty is connected with a long term of performing third party liability insurance liabilities, especially provisions for annuities, which depend to a significant extent on the applied discount rate. When it comes to estimating the general damages for dismemberment, the uncertainty attached to this estimate is relatively high because of the absence of historical data for such claims. The uncertainty refers in particular to the degree of permanent dismemberment of the injured party, the group of entitled persons and the very amount of general damages.

PZU does not apply any material simplifications to calculate best estimates.

The risk margin is calculated in accordance with the assumptions set forth in Article 38 of the delegated regulation. The Company uses simplifications in its risk margin calculations. Simplifications are used to approximate the value of some elements of the future capital requirements using the identified risk carriers.

Description of material differences between measurement for solvency purposes and measurement according to PAS

The grounds, methods and assumptions applied to the measurement of technical provisions for the solvency purposes according to SII do not differ to a material extent from the grounds, methods and assumptions applied to the measurement of these provisions for the purposes of financial statements according to PAS. In turn, the differences in the amounts of technical provisions result from different measurement rules for specific items of provisions according to SII and PAS. What contributes to these differences is, among others, the fact that SII values are best estimates, while PAS values are calculated based on the application of safety markups (e.g. the stochastic method in the motor TPL insurance). The table below is a summary of the most important differences in the rules of measuring provisions for solvency purposes according to SII and for the purposes of financial statements according to PAS.

Line of business	Technical provisions according to SII	Technical provisions according to PAS
1-28	• Provision for unearned premiums reduced by the future profit • Future discounted value premiums are included • Overheads are included • Salvage and subrogation from damage incurred shown in full • Risk margin	• Provision for unearned premiums reduced by the future profit • Future premiums at an undiscounted value are not included • Overheads are not included • Salvage and subrogation from damage incurred calculated with limits, presented as liabilities • No open risk margin
34	• Variable discount rate • Variable growth rate • Risk margin	• Fixed discount rate • Fixed growth rate • No dedicated risk margin

The table below presents net best estimate and risk margin for key business lines and the net value of provisions calculated for the purposes of the financial statements (as at 31 December 2023, amounts in PLN 000s):

No. of business line according to the SII system	Name of business line according to the SII system	Amount of technical provisions according to the SII system		Amount of technical provisions according to PAS
		Best estimate	Risk margin	
4 and 16	Motor vehicle third party liability insurance	6,452,865	432,593	9,549,429
5 and 17	Other insurance for vehicles	1,770,851	64,189	3,374,167
34	Annuities from insurance contracts other than life insurance contracts and connected with insurance liabilities other than health insurance liabilities	3,569,614	139,943	5,018,985

Matching adjustment, volatility adjustment, transitional risk-free interest rate term structure, transitional deductions

As at 31 December 2023, the PZU did not apply the matching adjustment referred to in Article 227 of the Insurance Activity Act, the volatility adjustment mentioned in Article 229 of the Insurance Activity Act, transitional risk-free interest rate term structure mentioned in Article 496 of the Insurance Activity Act or the transitional deduction mentioned in Article 497 of the Insurance Activity Act.

The amounts due under reinsurance treaties and from special-purpose vehicles (special-purpose entities).

The amounts due under reinsurance treaties are determined on the basis of the gross best estimate and assignment indicators for technical provisions according to PAS. The amount due and payable on account of reinsurance also includes future cash flows of premiums and reinsurance commissions measured according to PAS. The amounts due and payable from reinsurers are adjusted for the probability of the reinsurer's bankruptcy. Reinsurance treaties are executed with companies with a sufficiently high rating (in most cases, at least A-). PZU does not execute agreements with special purpose vehicles (special purposes entities) which would result in receivables on that account.

Changes to assumptions adopted for calculating technical provisions as compared to the previous reporting period

With regard to economic assumptions, in 2023, the risk-free rates applied for discounting cash flows were changed. If the rates from the end of 2022 were adopted, this would lead to the best estimate of annuities as at 31 December 2023 being lower by PLN 465,579 thousand and to the best estimate for other business lines being lower by PLN 385,527 thousand. In the 2023 report, the best estimate included estimated salvage and subrogation, resulting in a decrease in the best estimate by PLN 163,104 thousand. No other material changes were made to non-economic assumptions.

D.3. Other liabilities

PZU measures liabilities for solvency purposes at fair value and the table below presents the grounds, methods and major assumptions used when measuring liabilities and the differences to valuation for statutory reporting purposes.

Liabilities	Description of the grounds, methods and major assumptions used in the valuation for solvency purposes and differences to the valuation for statutory reporting purposes
Other provisions (other than technical provisions) and pension benefit liabilities payable to employees	The fair value of other provisions and pension benefit liabilities payable to employees are measured using the alternative measurement method described in section D.4.
Deferred tax liabilities	The amount of provisions for deferred income tax liabilities is calculated using the balance sheet method, as a positive temporary difference between the amounts of balance sheet items recognized and measured in accordance with the rules set forth in the Insurance Activity Act and the delegated regulation and the amounts of balance sheet items according to the valuation for tax purposes taking into account the CIT rates, which are expected to apply when the liability is realized in accordance with the provisions of Polish tax law enacted by the end of the reporting period. In the economic balance sheet, deferred tax liabilities and assets are presented after compensation (on a net basis).
Derivatives	They are measured based on the derivatives measurement method described in section **Błąd! Nie można odnaleźć źródła odwołania.**. Negative measurement is presented as liability.
Subordinated liabilities	Fair value is measured using the alternative measurement method described in section D.4. The difference between values according to PAS and measurement for solvency purposes follows from different methods of measuring subordinated liabilities valued according to PAS at an adjusted purchase price, which for the purposes of economic balance sheet are presented at fair value but without adjusting own credit spread from the date of the emergence of the liability.
Financial liabilities other than liabilities to credit institutions	The fair value of financial liabilities, including lease liabilities are measured using the alternative measurement method described in section D.4.
Insurance liabilities and liabilities to insurance intermediaries and other liabilities (trade, other than those from insurance activity, not recognized in other items)	Fair value is measured using the alternative measurement method described in section D.4. Insurance and intermediary liabilities show liabilities to policyholders (including inward reinsurance), insurance companies and other entities related to insurance business that are not included in technical provisions. The Other liabilities item includes: accrued payroll expenses and bonuses for employees, prepayments to business partners, other deferred revenue, as well as the negative value of shares in subordinated entities calculated using the adjusted equity method described in section D.1.

Sources of the deferred tax liability

PZU sets off deferred tax assets and liabilities in its economic balance sheet and consequently for the purposes of calculation of the value of own funds. The following table presents the sources of setting off negative and positive taxable temporary differences as at 31 December 2023.

There are no deductible temporary differences for which the Company would not recognize deferred tax assets and whose settlement deadline would expire.

The decisive part of the temporary differences follows from overestimating medium- and long-term financial assets and technical provisions.

Sources of the deferred tax liability	Amount of the deferred tax liability (PLN thousand)
Financial instruments	554,593
Deferred acquisition expenses	(96,535)
Depreciation of property, plant and equipment and amortization of intangible assets	(49,434)
Valuation of properties	133,967
Technical provisions	1,574,281
Other differences	(309,658)
Total deferred tax liability	**1,807,215**

The nature of duties, expected schedule of outflow of economic benefits, uncertainty and the manner of taking into consideration of the risk of measurement deviation

Subordinated liabilities

On 30 June 2017, PZU issued subordinated bonds with a total nominal value of PLN 2,250,000 thousand. The redemption date for the bonds is 29 July 2027.

Parameters of outstanding bonds:

Parameter	Value
Total nominal value of the bonds	PLN 2,250,000 thousand
Nominal value and issue price of one bond	PLN 100,000
Final maturity	29 July 2027
Interest rate	WIBOR 6M + 1.80% margin
Interest payment days	29 January and 29 July each year, from 29 January 2018 until 29 July 2027
Security	None

The bonds are not in the form of documents and are registered in the securities depository maintained by Krajowy Depozyt Papierów Wartościowych SA [National Depository for Securities] and listed in alternative trading systems run by BondSpot SA and the Warsaw Stock Exchange. The carrying amount of subordinated bonds as at 31 December 2023 was PLN 2,327,793 thousand, and their fair value was PLN 2,350,706 thousand.

The risk measure is taken into consideration in the model for measuring fair value. For the above items, the basis point value (BPV) is calculated which is a measure of sensitivity to a change of interest rates. The BPV measures how much the value of an asset/a liability will change when the interest rate changes by 1 basis point.

Changes to the bases used for recognition, measurement or estimates in the reporting period

During the reporting period, there were no significant changes to the principles of recognition and measurement of liabilities other than technical provisions.

D.4. Alternative measurement methods

The assets and liabilities to which alternative measurement methods apply along with the justification for applying such methods are presented in the following table.

Assets and liabilities measured using the alternative method	Description of the alternative measurement method along with the justification for its application
Real property	Due to the absence of an active market, real properties are valued by licensed property appraisers in accordance with generally applicable provisions of law and applicable professional standards, in most cases using the comparative method or the income method. Licensed property appraisers are required to collect and prepare all documentation necessary to perform the valuation. The acceptance of each completed valuation is additionally subjected to the assessment of compliance with the order by employees of the Real Estate Department to eliminate any potential typographical or accounting errors. The right-of-use assets are measured in compliance with MSSF16, i.e. using the cost less depreciation charges and impairment losses or at fair value (in the case of assets being investment properties). Right-of-use assets are depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life or the end of the lease period.
Debt securities, loans	The fair value of listed bonds for which an active market does not exist is measured based on valuations published by an authorized information service and, if there are none, using the discounted cash flow method. Discount rates are determined on the basis of the risk-free curve shifted in parallel by the individual credit spread. It is calculated on a calibration date, which is the date of the most recent issue or market transaction or each day of the averaging period of the spreads calculated from the most recent market transaction data. For loans and non-listed bonds, the fair value is determined using the discounted cash flow method. Discount rates are determined based on the risk-free curve, the quoted sector spread for issuers with similar ratings and operating in similar industries, and the individual credit spread determined on the date of the agreement or modification thereof. For fixed-rate debt instruments, the risk-free curve is the discount curve built from government instruments in the currency in question, and for floating-rate debt instruments, the curve built from derivatives for the currency and the corresponding tenor.
Derivatives	The fair value of derivatives not quoted on an active market, including forward contracts and IRS (interest rate swap) contracts is measured using the discounted future cash flow method. For the discounting of cash flows, interest rates are used from the yield curves assigned to the relevant type of financial instrument and currency, shaped on the basis of available market data. The fair value of options is measured as the expected value of the option disbursement function discounted as at the valuation date. The expected value of the payoff function is calculated using the Monte Carlo modeling method.

Assets and liabilities measured using the alternative method	Description of the alternative measurement method along with the justification for its application
Deposits	Due to the absence of an active market, the fair value of deposits is measured as the value of discounted cash flows resulting from the terms of executed deposit agreements. For discounting, a base curve is used adjusted for the credit spread quantifying the credit risk of counterparty banks with which long-term deposit agreements have been entered into in the relevant period. For each currency of the deposits, an appropriate discount curve is used. For a given currency of the deposit, discount curves are used specific to the counterparty bank in which the deposit has been made. For short-term deposits, the interest rate corresponds to: WIBOR 6M, EURIB or USD SOFR depending on the currency.
Participation units and investment certificates in collective investment undertakings	Due to the absence of an active market, the Company measures participation units and investment certificates using prices published by mutual fund companies determined on the basis of net asset value of the funds measured in accordance with the accounting principle for funds. As at the date of preparation of the SFCR, the prices published by mutual fund companies were verified with the audited financial statements of the funds. The valuation of participation units issued by subsidiary funds is subject to adjustment in cases where the fund's assets are not presented at fair value in the fund's financial statements and the difference between the fair value and the valuation amount in the fund's financial statements is significant.
Receivables on insurance and from insurance intermediaries, other receivables (trade receivables other than those from insurance activity).	Due to the absence of an active market, PZU measures its receivables on insurance and from insurance intermediaries and other receivables using the discounted cash flow method. The valuation of these receivables is based on historical analysis of the receivables payment ratio, while the projected cash flows are discounted using the current market discount rate announced by EIOPA. Due to the higher rate of collecting receivables in the first several months of debt recovery, the discount effect is insignificant for the calculation of fair value.
Pension benefit liabilities payable to employees and other provisions (other than technical provisions) measured using actuarial methods	Due to the absence of an active market, the fair value of other provisions is calculated as the expected present value of anticipated cash flows in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The value of the provision for unused vacation time is recognized in accordance with IAS 19 on an accrual basis. The costs of retirement severance pay and post-mortem benefits estimated using actuarial methods are recognized on an accrual basis in accordance with IAS 19 by applying the forecast specific entitlements method. Provisions for retirement severance pay and post-mortem benefits are estimated using actuarial methods by applying appropriate actuarial techniques and assumptions (discount rates, mortality rate, anticipated wage growth rate, employee turnover rate and disability rate).
Subordinated liabilities	The fair value of subordinated liabilities is determined using the discounted cash flow method. Such liabilities are measured based on credit spread in relation to a risk-free curve, calculated in such a way that the instrument price at the issue date resulting from the model equals the issue price. In accordance with the measurement rules for liabilities in the SII system, the own credit spread calculated in the above manner is not subsequently changed.
Insurance liabilities and liabilities to insurance intermediaries, other liabilities	Due to the absence of an active market, PZU measures its insurance liabilities and liabilities to insurance intermediaries and other liabilities using the discounted cash flow method. The valuation of these liabilities is based on a historical analysis of the liabilities payment ratio, and the projected cash flows are discounted using the current market discount rate. Owing to their short expected payment date, their nominal value is a reasonable approximation of fair value.
Financial liabilities other than liabilities to credit institutions	Lease liabilities are measured in compliance with IFRS 16. On initial recognition at the present value of the outstanding lease payments, including fixed lease payments less any applicable lease incentives, variable lease payments that depend on an index or rate, the amounts that the lessee expects to pay within the guaranteed residual value, the exercise price of the call option, if likely to be exercised, and penalties for terminating the lease if the option is available. In subsequent periods these liabilities are measured at amortized cost.

Assumptions and assessments on important sources of uncertainty of estimating fair value

The following coefficients are applied to measure uncertainty in measurement of financial instruments:

- BPV – this coefficient indicates what the change will be in the value of the instrument if the discount and projection curve is shifted by 1 b.p. for bonds, loans, deposits and structured securities;
- sensitivity to a change in credit spread – this coefficient indicates what the change will be in the value of the instrument if the credit spread is shifted by 1 b.p. for bonds, loans, deposits and structured securities;
- delta – this coefficient indicates the percentage change in the value of an option if the price of the underlying asset changes by 1%.
- PZU regularly compares the measurement adequacy by calibrating the spread (if possible) applied in the valuation with available market prices and comparing the model-based valuation with a valuation based on the adjusted purchase price for bonds, loans, deposits and structured securities.

Uncertainty in measurement of assets and liabilities other than technical provisions, except for financial instruments, is assessed mainly through:

- price volatility;
- standards of technical wear and tear;
- cash flow volatility;
- volatility of the economic environment;
- volatility of market interest rates.

The Company regularly verifies the adequacy of measurements, in particular by comparing them with other models or historical results performed on actual transactions.

D.5. Additional information

The Company does not have any material intangible assets or material lease agreements.

As at 31 December 2023, employee benefit liabilities did not constitute a material class of liabilities and as such, they have not been described in detail.

E. Capital management

E.1. Own funds

Own funds management

Objectives of capital management

As the parent company of the PZU Group PZU endeavors to manage capital effectively and maximize the rate of return on equity for the parent company's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions.

The capital management policy rests on the following principles:

- the PZU Group's capital management (including excess capital) is conducted at the level of PZU as the parent company;
- sustain target solvency ratios at the level of 200% for the PZU Group, PZU and PZU Życie;
- maintain the PZU Group's financial leverage ratio at a level no higher than 0.25;
- ensure funds for growth and acquisitions in the coming years;
- PZU will not issue any new shares for the duration of this Policy;
- it is assumed that certain temporary deviations in the actual solvency ratio above or below the target level may occasionally occur.

Dividend

The dividend amount proposed by the PZU Management Board to be distributed by the Company for a given financial year is determined on the basis of the PZU Group's consolidated financial result attributable to the parent company, where:

- not more than 20% will increase retained earnings (supplementary capital) for purposes of organic development and innovations, and implementation of development initiatives;
- no less than 50% is subject to payment as an annual dividend;
- the remaining part will be paid in the form of annual dividend or will increase retained earnings (supplementary capital) if in the given year significant expenditures are incurred in connection with execution of the PZU Group Strategy, including in particular, mergers and acquisitions;
- according to the Management Board's plans and own risk and solvency assessment, own funds of PZU and the PZU Group following the declaration or payment of a dividend will remain at a level that will ensure fulfillment of the conditions specified in the Policy;
- when determining the dividend, KNF's recommendations concerning dividends are taken into consideration.

Monitoring of capital levels

In order to monitor and maintain capital at a level adequate to the assumed risks and to fulfill the capital requirements on a continuous basis, a capital limit system has been introduced. It contains an early warning system which involves thresholds at which proper corrective measures should be implemented to prevent the exceeding of the final limit.

The early warning system is based on the accepted risk appetite level. Management actions are subject to the current and anticipated coverage level of the solvency capital requirement for PZU:

- Green zone (over 160%);
- Yellow zone (120% to 160%);
- Red zone (below 120%);
- Final limit (below 100%).

Corrective actions

Management actions aiming at increasing the level of own funds include in particular the following:

- increasing subordinated liabilities;
- discontinuing or temporarily suspending the surrender of instruments classified to own funds if the terms and conditions of the issue or the agreement provide for such possibility;
- retaining part or the entire profit through decreasing the amounts of dividends paid out;
- co-payments as part of supplementary own funds;
- capital increase.

Management actions in the area of risk profile include in particular the following:

- risk avoidance – not getting involved or stopping to get involved in the activities which increase exposure to risk;
- risk transfer – transfer of part of exposure to risk onto a third party;
- risk mitigation – reduction of likelihood of materialization of the risk or reduction of its impact;
- acceptance of the risk level – acceptance of risk retention if other management actions are not available or the cost of their implementation is too high as compared to benefits to be obtained;
- deployment of tools supporting other management actions, including in particular the following: limits, reinsurance programs, regular review of policies of accepting the risk for insurance (underwriting).

The magnitude of corrective measures undertaken depends on the current and anticipated capital position as well as the timing of performance of the solvency assessment. If the analysis is conducted on the planning stage, the implemented corrective measures could be milder (e.g. making changes to the business plan) than if the analysis were to be conducted on the monitoring stage – in such case, it may be necessary to take immediate actions. The selection of corrective measures is also influenced by the following factors: issues related to reputation risk, possibility of practical application of the given corrective measure, time necessary for implementation of the given corrective measure, quality of own funds in case of increasing the capital for covering the risk, impact on the PZU Group's activity (e.g. profitability, market share).

Decisions with regard to application of the above-described methods shall be made by the Company's Management Board.

Capital adequacy reporting

The Company's Supervisory Board and Management Board receive reports on the current level of solvency in PZU and the PZU Group (at least once a quarter or on an ongoing basis if any of the capital thresholds have been exceeded).

Capital plans

Capital planning takes place within the framework of own risk and solvency assessment which is performed on at least an annual basis. It forms an integral part of the business strategy and is taken into consideration in the strategic decision-making process.

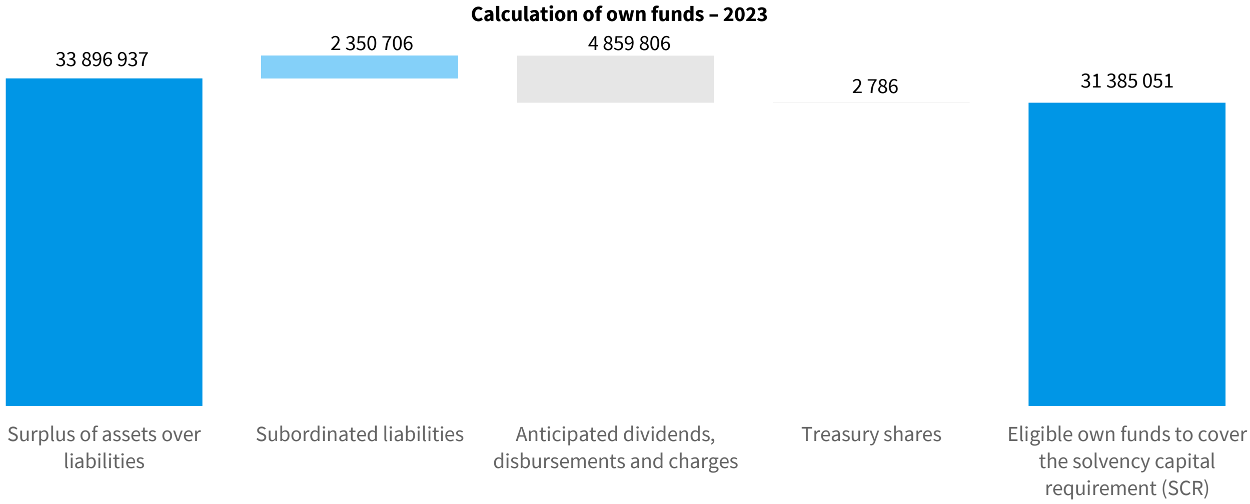
The period of planning the capital position spans the time horizon of the current PZU Group Strategy but no less than 3 years.

In 2023, no significant changes took place in the management of own funds.

Structure, value and quality of own funds

PZU's own funds were calculated on the basis of the surplus of assets over liabilities derived from the economic balance sheet prepared according to SII principles.

The structure of PZU's own funds is shown in the chart below.



Detailed information on own funds is included in the QRT S.23.01.01 form forming Attachment 9 to the report. Its summary and a comparison with the data as at 31 December 2022 is presented below:

Category	Value (PLN 000s, %)		Change 2023/2022	
	2023	2022	(PLN 000)	%
Eligible own funds to cover the solvency capital requirement (SCR), including:	**31,385,051**	**25,127,350**	**6,257,701**	**25%**
basic own funds included in category 1	29,034,345	22,777,958	6,256,387	27%
basic own funds included in category 2	2,350,706	2,349,392	1,314	0%
Reconciliation provision	28,409,854	22,153,467	6,256,387	28%
Other items of basic own funds	624,491	624,491	-	0%

Basic own funds included in category 1, in accordance with the Insurance Activity Act, qualify as all eligible own funds to cover the solvency capital requirement, except for subordinated liabilities that meet the criteria for being considered basic own funds included in category 2.

Own funds include a reconciliation provision, which is calculated based on a surplus of assets over liabilities from the economic balance sheet. To calculate the reconciliation provision, the surplus is reduced by anticipated dividends, disbursements and charges (e.g., anticipated financial institution tax for the next 12 months), treasury shares and other items of basic own funds. The value of the reconciliation provision and its components with changes in 2023 and 2022 are shown in the tables below:

2023	Own funds							Total
	Share capital	Share premium account associated with share capital	Reconciliation provision				Subordinated liabilities	
			Surplus of assets over liabilities	Anticipated dividends, disbursements and charges	Other items of basic own funds	Treasury shares		
As at 1 January 2023	**86,352**	**538,139**	**25,103,080**	**(2,322,998)**	**(624,491)**	**(2,124)**	**2,349,392**	**25,127,350**
Disbursement of dividends	-	-	(2,072,456)	2,106,996	-	-		34,540
Anticipated dividend to be paid	-	-	-	(4,611,213)	-	-		(4,611,213)
Updated tax on assets	-	-	-	(30,676)	-	-		(30,676)
Net financial result	-	-	3,983,187	-	-	-		3,983,187
Change in supplementary capital by sale and liquidation of fixed assets	-	-	268	-	-	-		268
Change in the revaluation reserve	-	-	3,155,794	-	-	-		3,155,794
Change in the valuation of deferred acquisition expenses and intangible assets	-	-	(116,451)	-	-	-		(116,451)
Change in the valuation of investments	-	-	4,571,953	-	-	-		4,571,953
Change in the valuation of technical provisions	-	-	(651,597)	-	-	-		(651,597)
Deferred tax	-	-	(64,111)	-	-	-		(64,111)
Other	-	-	(12,730)	(1,915)	-	(662)	1,314	(13,993)
As at 31 December 2023	**86,352**	**538,139**	**33,896,937**	**(4,859,806)**	**(624,491)**	**(2,786)**	**2,350,706**	**31,385,051**

2022	Own funds							
			Reconciliation provision					
	Share capital	Share premium account associated with share capital	Surplus of assets over liabilities	Anticipated dividends, disbursements and charges	Other items of basic own funds	Treasury shares	Subordinated liabilities	Total
As at 1 January 2022	**86,352**	**538,139**	**26,056,882**	**(2,170,816)**	**(624,491)**	**(5,782)**	**2,324,187**	**26,204,471**
Disbursement of dividends	-	-	(1,675,235)	1,960,197	-	-	-	284,962
Anticipated dividend to be paid	-	-	-	(2,106,996)	-	-	-	(2,106,996)
Updated tax on assets	-	-	-	(5,663)	-	-	-	(5,663)
Net financial result	-	-	1,636,774	-	-	-	-	1,636,774
Change in supplementary capital by sale and liquidation of fixed assets	-	-	1,140	-	-	-	-	1,140
Change in the revaluation reserve	-	-	92,077	-	-	-	-	92,077
Change in the valuation of deferred acquisition expenses and intangible assets	-	-	(124,551)	-	-	-	-	(124,551)
Change in the valuation of investments	-	-	(3,007,920)	-	-	-	-	(3,007,920)
Change in the valuation of technical provisions	-	-	2,628,237	-	-	-	-	2,628,237
Deferred tax	-	-	(209,743)	-	-	-	-	(209,743)
Other	-	-	(294,581)	280	-	3,658	25,205	(265,438)
As at 31 December 2022	**86,352**	**538,139**	**25,103,080**	**(2,322,998)**	**(624,491)**	**(2,124)**	**2,349,392**	**25,127,350**

Distribution of the 2023 profit

PZU satisfies the criteria specified in the document entitled "KNF's stance on the dividend policy in 2024" of 14 December 2023, hence it may pay out the dividend in the maximum amount of 100% of the profit generated in 2022 (while taking into account the dividends paid so far from the 2022 profit) and a maximum of 100% of the profit generated in 2023.

As at the date of this report, the PZU Management Board has not adopted a resolution on the distribution of the 2023 profit.

The following table compares the impact on dividend payout for 2023:

- assumed in this report in the calculation of SII's own funds according to the PZU capital management policy at the maximum available amount (80% of the PZU Group's consolidated net profit attributable to PZU shareholders for 2023, limited by the amount of PZU's standalone net profit for 2023 and the as yet unpaid portion of PZU's net profit for 2022);
- dividends for 2023 in the intermediate variant, which assumes the payment of all of PZU's standalone net profit for 2023, not increased by the unpaid portion of PZU's net profit for 2022;
- of the dividend for 2023 in the alternative version, which, according to the PZU capital management policy, is the minimum value of dividend (minimum 50% of the PZU Group's consolidated net profit attributable to PZU shareholders for 2023), after the dividend per share amount is rounded up to full grosz.

In accordance with the capital management policy adopted by PZU, no less than 50% of the PZU Group's consolidated net profit attributable to PZU shareholders should be allocated to distribution in the form of an annual dividend, no more than 20% may be retained for the purposes of organic growth, while the remaining 30% may be distributed as part of the annual dividend or be allocated to retained earnings.

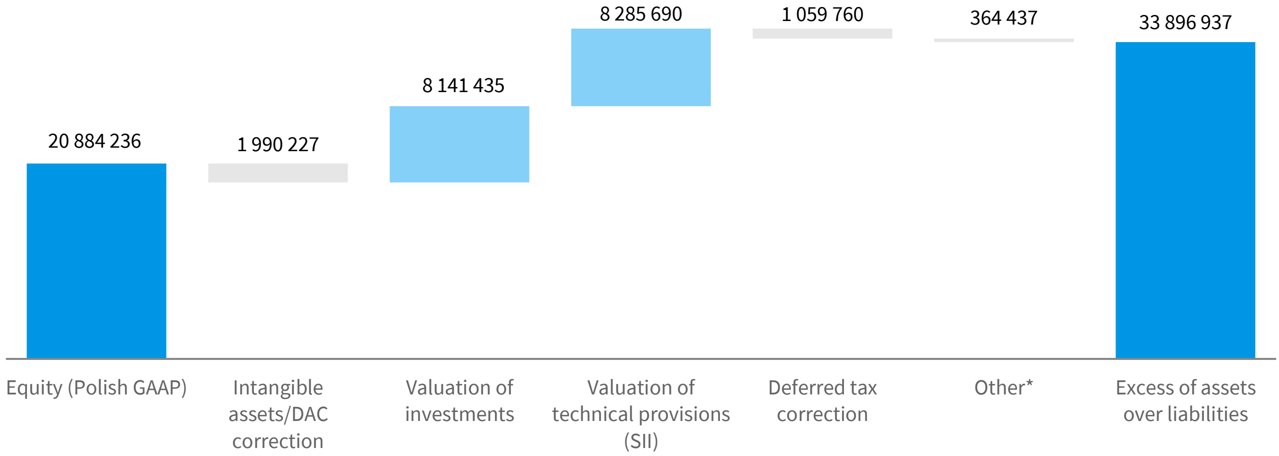
	PZU – distribution of the 2023 result (assumed in own funds in this report)	**PZU – distribution of the 2023 result** (intermediate variant)	**PZU – distribution of the 2023 result** (alternative version)
Assumed dividend level / decreases of SII own funds and the distribution base	**79.97% for 2023 PZU Group's consolidated net profit attributable to PZU shareholders (IFRS)**	**68.89% for 2023 PZU Group's consolidated net profit attributable to PZU shareholders (IFRS)**	**50.02% for 2023 PZU Group's consolidated net profit attributable to PZU shareholders (IFRS)**
PZU Group's consolidated result attributable to the holders of the parent company for 2023	5,766,000	5,766,000	5,766,000
Amount distributed from PZU's standalone result for 2022	853,612	-	-
Amount distributed from PZU's standalone result for 2023	3,757,601	3,972,206	2,884,167
Dividend	**4,611,213**	**3,972,206**	**2,884,167**
Dividend per share (PLN)	**5.34**	**4.60**	**3.34**
Charge for the Company Social Benefit Fund	8,616	8,616	8,616
Eligible own funds to cover the solvency capital requirement (SCR)	**31,385,051**	**32,024,058**	**33,112,097**
Coverage of solvency capital requirement (SCR) with eligible own funds	**238%**	**243%**	**251%**

For the purpose of distributing the result assumed in own funds in the SFCR report, it has been assumed that the as yet unpaid 2022 profit is paid first, followed by the 2023 profit (FIFO method).

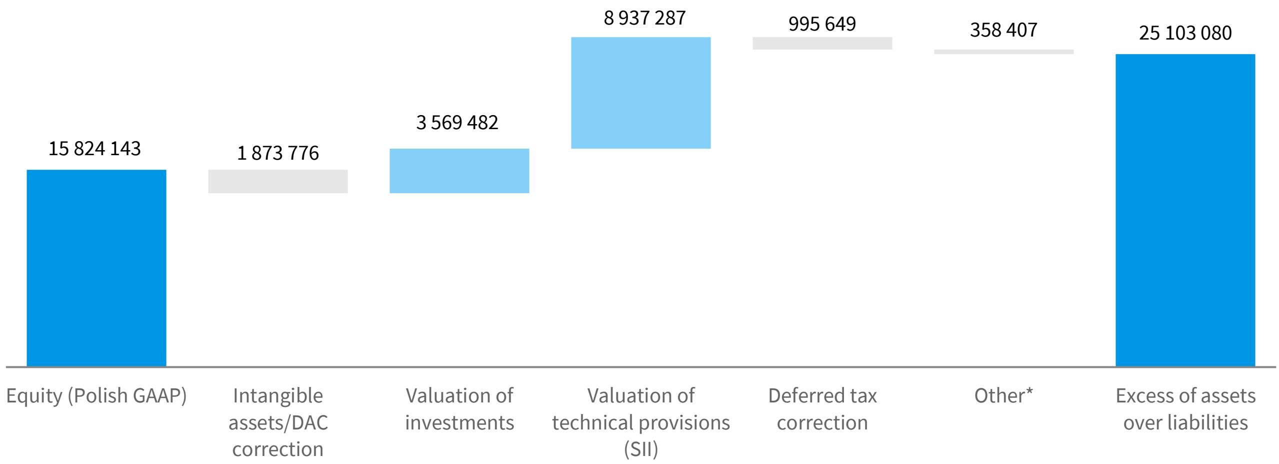
Differences between the equity presented in PZU's financial statements and the surplus of assets over liabilities calculated for solvency purposes

The graphs below present differences between the equity presented in PZU's financial statements and the surplus of assets over liabilities calculated for solvency purposes for 2023 and 2022.

Reconciliation of equity between PAS and Solvency II principles – 2023



Reconciliation of equity between PAS and Solvency II principles – 2022



* "Other" includes the elimination of expenses amortized over time, Company Social Benefit Fund and revaluation of lease liabilities (IFRS16).

The differences presented in the charts above are due to the different rules for valuing assets and liabilities for solvency rules vs. according to the PAS. A description of the individual differences is presented in section Dof this report. The Intangible Asset/DAC adjustment pertains to intangible assets and deferred acquisition costs that are carried with a value of 0 under the SII system.

Deferred taxes

As at 31 December 2023, PZU recorded, after a set-off (on a net basis) a provision for deferred tax liability of PLN 1,807,215 thousand. Consequently, PZU did not record an amount corresponding to the value of net deferred tax assets in Category 3 of own funds.

The details of the source of the deferred tax liability are presented in item D.3.

The value of the deferred tax asset and liability is calculated using the balance sheet method, as a difference between the values assigned to economic balance sheet items recognized and measured in accordance with the methodology set forth in Solvency II and the values assigned to economic balance sheet items recognized and measured for tax purposes taking into account the CIT rates which are expected to apply when the asset is realized in accordance with the provisions of Polish tax law enacted before the end of the reporting period.

The Company does not recognize deferred tax for temporary differences resulting from measurement of subordinated entities.

A deferred tax asset is recognized only in situations where it is probable that future taxable profit will be available for use against the deferred tax asset. The future earnings assumed in the financial plans will allow the entire tax asset to be realized in future years.

E.2. Solvency capital requirement and minimum capital requirement

The amounts of PZU's solvency capital requirement at the end of the reporting period along with the amount of the solvency capital requirement broken down into risk modules are presented in form QRT S.25.01.21 constituting Appendix 10 to the report. Quantitative data on the minimum capital requirement are presented in form QRT S.28.01.01 constituting Appendix 11 to the report.

PZU applies a standard formula to calculate its SCR. The solvency capital requirement is calculated in accordance with the applicable provisions of the SII system based on the going concern assumption. This computation encompasses the business activity which is currently being conducted as well as new activity which is expected to be launched within the next 12 months.

The minimum capital requirement for PZU was set as 25% of the solvency capital requirement, according to one of the conditions set forth in the Insurance Activity Act.

The basic categories of own funds, capital requirements and solvency ratios are presented in the table below:

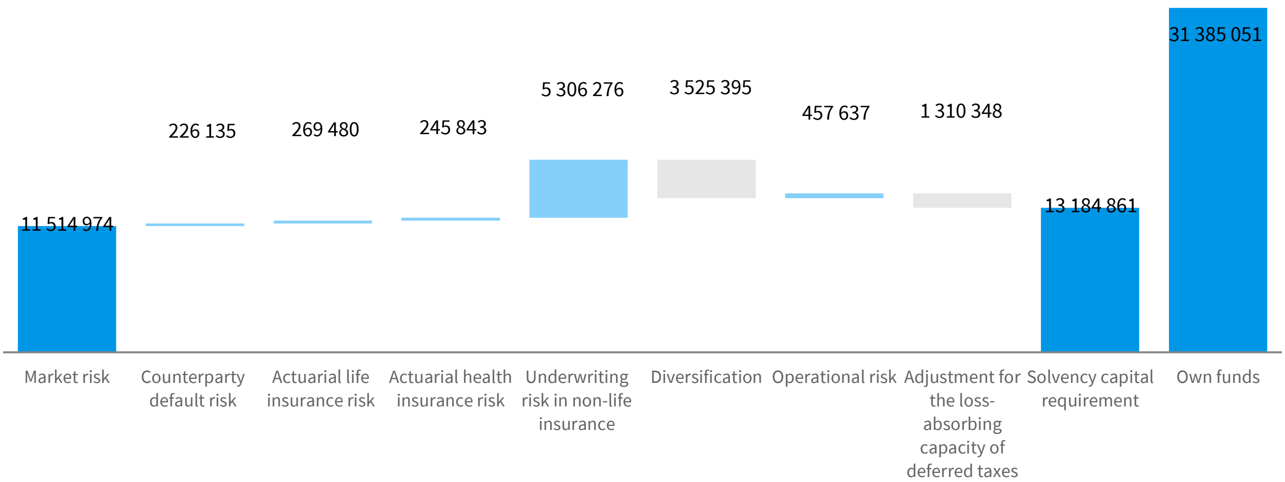
Category	As at 31 December 2023 (PLN 000s, %)	As at 31 December 2022 (PLN 000s, %)
Eligible own funds to cover the solvency capital requirement (SCR)	31,385,051	25,127,350
Amount of eligible own funds to cover the minimum capital requirement (MCR)	29,693,583	23,248,867
Solvency capital requirement (SCR)	13,184,756	9,418,185
Minimum capital requirement (MCR)	3,296,189	2,354,546
Coverage ratio of the solvency capital requirement (SCR) with eligible own funds	238%	267%
Coverage ratio of the minimum capital requirement (MCR) with eligible own funds	901%	987%

The change in the MCR is the direct consequence of the observed increase in the SCR.

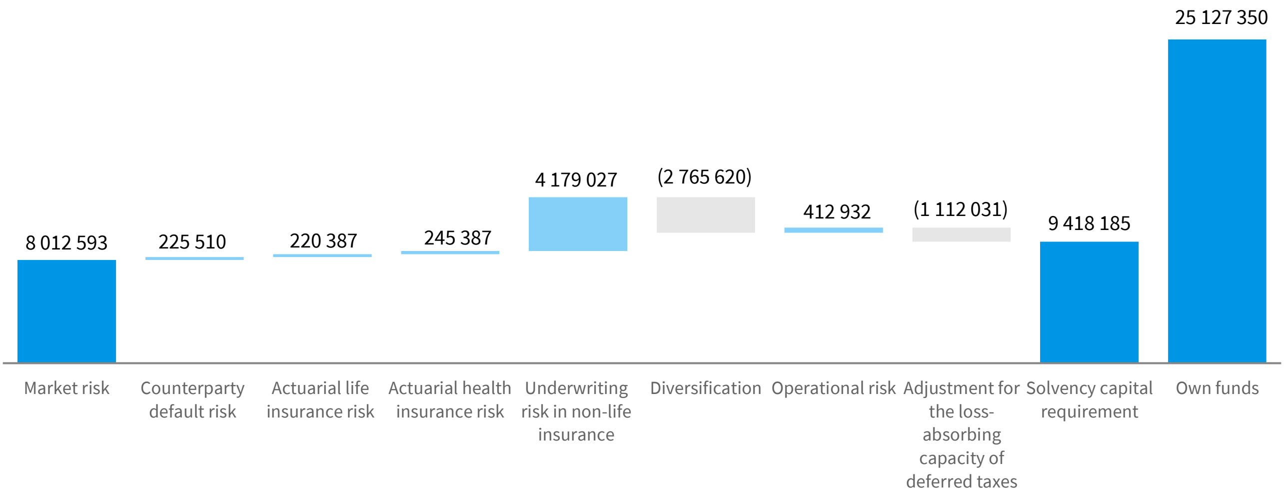
The increase in SCR is mainly due to an increase in market risk (the dominant factor was an increase in concentration risk). The more precise reasons for the SCR changes for this risk are described in detail in section C. of the report. In 2023, no significant changes occurred in the method of calculation of the capital requirements.

The components of PZU's SCR are described in section C of the SFCR report, and the chart below shows the values of the various modules of the capital requirement, along with a comparison to the value of the eligible own funds to cover the SCR.

SCR coverage with own funds – 2023



SCR coverage with own funds – 2022



Loss-absorbing capacity of deferred taxes

The amount by which the solvency capital requirement was adjusted on account of the loss-absorbing capacity of deferred taxes as at the end of the reporting period was PLN (1,310,348) thousand, compared to PLN (1,112,031) thousand as at 31 December 2022.

PZU allocates the losses on account of the shock subject to the basic solvency capital requirement in line with the contribution of the modules and sub-modules of the standard formula to the basic solvency capital requirement. In the reporting period, it was assumed that 50% of the losses on account of operational risk meet the criteria of tax deductible expenses.

E.3. Use of the duration-based equity price risk sub-module to calculate the solvency capital requirement

This section is not applicable to PZU.

E.4. Differences between the standard formula and the applied internal model

This section is not applicable to PZU.

E.5. Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

During 2023 and as at 31 December 2022, there were no inconsistencies with the solvency capital requirement or the minimum capital requirement.

Attachments

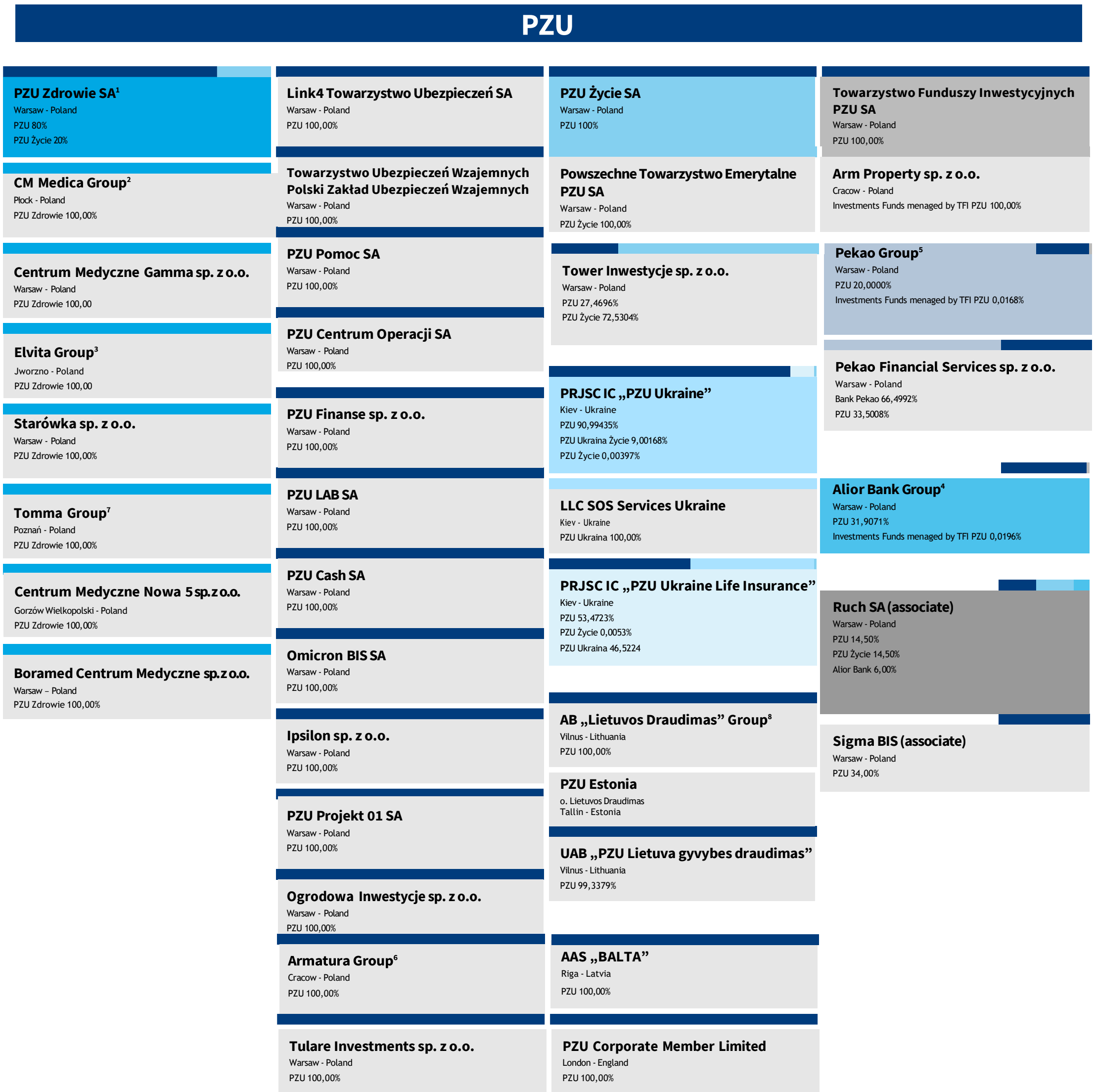
1. Structure of the PZU Group
2. Simplified organizational structure chart
3. Form S.02.01.02
4. Form S.04.05.01
5. Form S.05.01.02
6. Form S.12.01.02
7. Form S.17.01.02
8. Form S.19.01.21
9. Form S.23.01.01
10. Form S.25.01.21
11. Form S.28.01.01

Signatures of the PZU Management Board Members:

First name and surname	**Position / Title**	
Anita Elżanowska	Member of the Supervisory Board delegated to temporarily perform the function of the President of the PZU Management Board	.... (signature)
Michał Bernaczyk	Member of the Supervisory Board delegated to temporarily perform the function of the Member of the PZU Management Board	.... (signature)
Tomasz Kulik	Member of the PZU Management Board	.... (signature)
Maciej Rapkiewicz	Member of the PZU Management Board	.... (signature)

Warsaw, 4 April 2024

Structure of the PZU Group as of 31 December 2023



1) The following branches operate within **PZU Zdrowie**:
- CM FCM in Warsaw,
- CM Tarnów,
- CM Nasze Zdrowie in Warsaw,
- CM Medicus in Opole,
- CM Cordis in Poznań,
- CM in Warsaw,
- CM in Kraków,
- CM in Poznań,
- CM in Wrocław,
- CM Gdańsk Abrahama,
- CM Artimed in Kielce,
- CM Warsaw Chmielna,
- CM in Radom,
- CM in Łódź,
- CM in Częstochowa

The PZU Zdrowie Group includes: Centrum Medyczne Medica Group, Elvita Group, Tomma Group, Starówka sp. z o.o., Centrum Medyczne Nowa 5 sp. z o.o., Centrum Medyczne Gamma oraz Boramed Centrum Medyczne sp. z o.o.

2) The **CM Medica Group** consists of the following companies:
   - Centrum Medyczne Medica sp. z o.o.,
   - Sanatorium Uzdrowiskowe „Krystynka” sp. z o.o. with its registered office in Ciechocinek
3) The **Elvita Group** consists of the following companies:
   - Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o.,
   - Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o. with its registered office in Łaziska Górne
4) The **Alior Bank Group** includes:
   - Alior Bank S.A.,
   - Alior Services sp. z o.o.,
   - Alior Leasing sp. z o.o. (which holds:
     - 90% of shares in Alior Leasing Individual sp. z o.o. (created on 29 August 2023)
     - 100% of shares in AL Finance sp. z o.o. (until 5 August 2021 – Serwis Ubezpieczeniowy sp. z o.o), which owns 10% shares in Alior Leasing Individual sp. z o.o.),
   - Meritum Services ICB SA (on 8 December 2023, Absource sp. z o.o. merged with Meritum Services ICB SA. All assets of Absource sp .z o.o. were taken over by Meritum Services ICB S.A.),
   - Alior Towarzystwo Funduszy Inwestycyjnych SA,
   - Corsham sp. z o.o.,
   - RBL_VC sp. z o.o.,
   - RBL_VC sp. z o.o. ASI S.K.A.
5) The **Bank Pekao Group** is composed of the following companies:
   - Bank Pekao SA,
   - Pekao Bank Hipoteczny SA,
   - Pekao Leasing sp. z o.o. (which holds 100% of shares in PeUF sp. z o.o.),
   - Pekao Investment Banking SA,
   - Pekao Faktoring sp. z o.o.,
   - Centrum Kart SA,
   - Pekao Financial Services sp. z o.o.,
   - Pekao Direct sp. z o.o. (until 16 January 2020 – Centrum Bankowości Bezpośredniej sp. z o.o.),
   - Pekao Property SA w likwidacji,
   - FPB – Media sp. z o.o. w upadłości,
   - Pekao Fundusz Kapitałowy sp. z o.o. w likwidacji,
   - Pekao Investment Management SA (which holds 100% of shares in Pekao Towarzystwo Funduszy Inwestycyjnych SA),
   - Krajowy Integrator Płatności SA (associate in PZU Group)
6) The **Armatura Group** is composed of the following companies:
   - Armatura Kraków SA,
   - AQ SA w likwidacji (until 15 July 2022 – Aquaform SA, on 1 January 2023, the Company's liquidation process was opened),
   - Aquaform Ukraine TOW w likwidacji;
7) The **Tomma Group** is composed of the following companies:
   - Tomma Diagnostyka Obrazowa S.A.,
   - Bonus Diagnosta sp. z o.o.
8) The **AB “Lietuvos Draudimas” Group** is composed of following companies:
   - AB “Lietuvos Draudimas”,
   - UAB “B10 apartamentai”,
   - UAB “B10 biurai”.

The structure chart does not include:

- investment funds: PZU SFIO Universum, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Aktywów Niepublicznych BIS 1, PZU FIZ Aktywów Niepublicznych BIS 2, inPZU Inwestycji Ostrożnych, inPZU Obligacje Polskie, inPZU Akcje Polskie, inPZU Akcji Rynków Rozwiniętych, inPZU Obligacji Rynków Wschodzących; inPZU Akcje Rynków Wschodzących; inPZU Akcje Amerykańskie; inPZU Akcje CEE plus, PZU FIZ Legato, inPZU Akcje Rynku Surowców, inPZU Akcje Rynku Złota, inPZU Akcje Sektora Zielonej Energii, inPZU Akcje Sektora Informatycznego, inPZU Akcje Sektora Nieruchomości, inPZU Akcje Europejskie, inPZU Obligacje Inflacyjne, PZU Akcji Globalnych Trendów, inPZU Akcje Sektora Biotechnologii, inPZU Akcje Sektora Cyberbezpieczeństwa, inPZU Sektora Technologii Kosmicznych, inPZU Sektora Zrównoważonej Gospodarki Wodnej, inPZU Zielone Obligacje, inPZU Obligacje Korporacyjne High Yield;

- subsidiary companies established under commercial law as special purpose controlled by the fund PZU FIZ Sektora Nieruchomości 2, which included 30 companies at 31 December 2023;
- company in liquidation: PZU Finance AB (publ.) in likvidation.

POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA
organizational structure

President of the Board

Members of the Board

- internal audit
- compliance
- PZU Group strategy
- strategic analyzes
- corporate communication
- client communication
- customer experience management
- legal consulting
- reinsurance
- real estate
- sustainable development

HR Department:
- HR management
- HR operations

Marketing, Sponsoring and Prevention Department:
- marketing
- sponsorship
- prevention

Health Insurance Department:
- health insurance development and quality management
- medical services and standards management
- analysis

- direct sales
- retail distribution strategy
- sales support
- sales analyzes

Group Network Department:
- branch network management

Own Sales Department:
- own sales and sales network management

Multiagency and Brokerage Sales Department:
- multiagency and brokerage sales and sales network management

Dealer Programs Department:
- dealer programs

- risk management

- actuarial

Financial Department:
- planning and controlling
- tax policy
- accounting
- accounting operations
- debt collection
- insurance accounting
- internal operations
- information management
- CRM

Product Department:
- management of mass products and insurance programs
- health insurance management
- strategic management of the product offer
- actuarial tariff
- underwriting

Corporate Client Department:
- corporate sales management
- risk analysis, underwriting and risk assessment
- corporate product management
- financial risk insurance
- corporate business strategy and development
- corporate business service

Cooperation with Banks and Strategic Partners Department:
- assurbanking
- bancassurance and strategic partnership programs

- corporate security
- AML in the PZU Group
- purchase
- process analysis and efficiency

Claims and Benefits Service and Remote Channels Department:
- claims and benefits service
- assistance
- remote customer service

Insurance Operations Department:
- insurance operations

Digital Processes, Services and Platforms Development Department:
- processes digitalization
- development of digital services and platforms
- after-sales customer service

Investment Department:
- treasury
- assets allocation
- long-term and portfolio investments
- real estate investments
- macroeconomic analyzes

IT Department:
- design and efficiency of IT
- development of IT systems
- management of IT systems and services
- innovations

- corporate management
- PZU Group corporate governance
- administration

Business Development Department:
- project management
- PZU Group business development

Name of the entity — **Powszechny Zakład Ubezpieczeń Spółka Akcyjna**
31-12-2023

S.02.01.02
Balance sheet (in PLN thousand)

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	827 910
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	51 774 924
Property (other than for own use)	R0080	190 323
Holdings in related undertakings, including participations	R0090	35 479 440
Equities	R0100	141 813
Equities - listed	R0110	141 791
Equities - unlisted	R0120	22
Bonds	R0130	14 686 293
Government Bonds	R0140	12 263 648
Corporate Bonds	R0150	2 422 645
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	852 064
Derivatives	R0190	166 026
Deposits other than cash equivalents	R0200	258 965
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	2 477 903
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	2 477 903
Reinsurance recoverables from:	R0270	1 959 714
Non-life and health similar to non-life	R0280	1 801 848
Non-life excluding health	R0290	1 771 215
Health similar to non-life	R0300	30 633
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	157 866
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	157 866
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	434 318
Reinsurance receivables	R0370	37 721
Receivables (trade, not insurance)	R0380	103 146
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	148 023
Any other assets, not elsewhere shown	R0420	125 221
Total assets	R0500	**57 888 880**
Liabilities		
Technical provisions – non-life	R0510	13 910 543
Technical provisions – non-life (excluding health)	R0520	13 705 612
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	12 902 974
Risk margin	R0550	802 638
Technical provisions - health (similar to non-life)	R0560	204 931
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	202 852
Risk margin	R0590	2 079
Technical provisions - life (excluding index-linked and unit-linked)	R0600	3 867 402
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	3 867 402
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	3 727 480
Risk margin	R0680	139 922
Technical provisions – index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	54 806
Pension benefit obligations	R0760	11 528
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	1 807 214
Derivatives	R0790	32 848
Debts owed to credit institutions	R0800	145 944
Financial liabilities other than debts owed to credit institutions	R0810	360 240
Insurance & intermediaries payables	R0820	489 478
Reinsurance payables	R0830	261
Payables (trade, not insurance)	R0840	417 524
Subordinated liabilities	R0850	2 350 705
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	2 350 705
Any other liabilities, not elsewhere shown	R0880	543 450
Total liabilities	R0900	**23 991 943**
Excess of assets over liabilities	R1000	**33 896 937**

31-12-2023
Annual data and information for supervision purposes - insurance companies **31-12-2023**

Gross written premium regarding to home country represent over 90% of total gross written premium and form S.04.05.21 is not disclosed.

Name of the entity | **Powszechny Zakład Ubezpieczeń Spółka Akcyjna**
31-12-2023

S.05.01.02
Premiums, claims and expenses by line of business (`)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	-	563 958	-	4 285 242	4 132 898	147 061	3 301 442	888 490	74 290	15 349	596 568	299 021	-	-	-	-	14 304 319
Gross - Proportional reinsurance accepted	R0120	-	8 917	-	596 121	46 425	11 287	419 080	84 119	13 344	-	(10)	64 045	-	-	-	-	1 243 328
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-	-	-	-	-	-	338	49 620	1 371	55 645	106 974
Reinsurers' share	R0140	-	73 469	-	25 078	18 246	59 517	754 034	66 003	41 861	-	1 729	230 266	316	29 251	611	24 499	1 324 880
Net	R0200	-	499 406	-	4 856 285	4 161 077	98 831	2 966 488	906 606	45 773	15 349	594 829	132 800	22	20 369	760	31 146	14 329 741
Premiums earned																		
Gross - Direct Business	R0210	-	564 292	-	4 200 262	3 916 376	146 254	3 202 169	858 020	65 666	14 945	550 041	333 367	-	-	-	-	13 851 392
Gross - Proportional reinsurance accepted	R0220	-	2 895	-	670 853	48 590	13 350	396 986	81 231	12 723	-	-	63 977	-	-	-	-	1 290 605
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-	-	-	-	-	-	313	51 243	1 311	59 704	112 571
Reinsurers' share	R0240	-	42 267	-	30 211	18 626	63 733	823 760	65 670	41 601	-	2 115	259 488	316	29 978	835	28 963	1 407 563
Net	R0300	-	524 920	-	4 840 904	3 946 340	95 871	2 775 395	873 581	36 788	14 945	547 926	137 856	(3)	21 265	476	30 741	13 847 005
Claims incurred																		
Gross - Direct Business	R0310	-	115 434	-	2 349 198	2 203 083	49 411	1 287 356	432 704	(64 403)	2 431	282 183	600 893	-	-	-	-	7 258 290
Gross - Proportional reinsurance accepted	R0320	-	2 217	-	496 665	28 925	1 005	256 473	18 441	1 342	-	-	(3 454)	-	-	-	-	801 614
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-	-	-	-	-	-	72	268	101	50 528	50 969
Reinsurers' share	R0340	-	347	-	(19 722)	2 126	3 227	510 513	67 669	(9 370)	-	223	570 400	72	(2 669)	8	35 258	1 158 082
Net	R0400	-	117 304	-	2 865 585	2 229 882	47 189	1 033 316	383 476	(53 691)	2 431	281 960	27 039	-	2 937	93	15 270	6 952 791
Expenses incurred	R0550	-	244 281	-	1 760 043	1 258 977	56 180	1 148 058	444 753	19 948	10 957	210 182	83 808	9	15 111	220	6 168	5 258 695
Balance - other technical expenses/income	R1200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(104 452)
Total expenses	R1300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5 154 243

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1420	-	-	-	-	-	-	-	-	-
Net	R1500	-	-	-	-	-	-	-	-	-
Premiums earned										
Gross	R1510	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1520	-	-	-	-	-	-	-	-	-
Net	R1600	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross	R1610	-	-	-	-	-	508 267	-	52 506	560 773
Reinsurers' share	R1620	-	-	-	-	-	20 177	-	8 484	28 661
Net	R1700	-	-	-	-	-	488 090	-	44 022	532 112
Expenses incurred	R1900	-	-	-	-	-	21 384	-	2 880	24 264
Balance - other technical expenses/income	R2500	-	-	-	-	-	-	-	-	-
Total expenses	R2600	-	-	-	-	-	-	-	-	24 264

Name of the entity		Powszechny Zakład Ubezpieczeń Spółka Akcyjna 31-12-2023															
S.12.01.02																	
Life and Health SLT Technical Provisions (in PLN thousand)																	
		Insurance with profit participation	**Index-linked and unit-linked insurance**			**Other life insurance**			**Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations**	**Accepted reinsurance**	**Total (Life other than health insurance, incl. Unit-Linked)**	**Health insurance (direct business)**			**Annuities stemming from non-life insurance contracts and relating to health insurance obligations**	**Health reinsurance (reinsurance accepted)**	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	**Contracts with options or guarantees**		**Contracts without options and guarantees**	**Contracts with options or guarantees**					**Contracts without options and guarantees**	**Contracts with options or guarantees**			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-	-			-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM																	
Best Estimate				-													
Gross Best Estimate	R0030	-	-	-	-	-	-	-	3 566 416	161 064	3 727 480	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	-	-	-	-	-	-	122 425	35 441	157 866	-	-	-	-	-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	-	-	-	-	-	-	-	3 443 991	125 623	3 569 615	-	-	-	-	-	-
Risk Margin	R0100	-	-	-	-	-	-	-	132 758	7 164	139 922	-	-	-	-	-	-
Technical provisions - total	R0200	-	-	-	-	-	-	-	3 699 174	168 228	3 867 402	-	-	-	-	-	-

Name of the entity **Powszechny Zakład Ubezpieczeń Spółka Akcyjna**
31-12-2023

S.17.01.02
Non-life Technical Provisions (in PLN thousand)

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060	-	127 532	-	1 687 858	1 224 890	(51 296)	(18 623)	49 017	90 293	1 049	142 493	(110 083)	(246)	(14 384)	(1 108)	(46 077)	3 081 315
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	30 726	-	(19 068)	(11 406)	(79 352)	(590 084)	(34 549)	26 437	-	(797)	(221 325)	(241)	(12 129)	(508)	(23 167)	(935 463)
Net Best Estimate of Premium Provisions	R0150	-	96 806	-	1 706 926	1 236 296	28 056	571 461	83 566	63 856	1 049	143 290	111 242	(5)	(2 255)	(600)	(22 910)	4 016 778
Claims provisions																		
Gross	R0160	-	75 453	-	4 985 123	535 896	53 049	1 348 271	1 353 018	6 417	5 932	60 562	1 404 408	114	85 242	337	110 688	10 024 510
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	37	-	239 186	1 341	4 511	816 578	227 484	6 409	-	12	1 316 090	111	68 436	45	57 072	2 737 312
Net Best Estimate of Claims Provisions	R0250	-	75 416	-	4 745 937	534 555	48 538	531 693	1 125 534	8	5 932	60 550	88 318	3	16 806	292	53 616	7 287 198
Total Best estimate — gross	R0260	-	**202 985**	-	**6 672 981**	**1 760 786**	**1 753**	**1 329 648**	**1 402 035**	**96 710**	**6 981**	**203 055**	**1 294 325**	**(132)**	**70 858**	**(771)**	**64 611**	**13 105 825**
Total Best estimate — net	R0270	-	172 222	-	6 452 863	1 770 851	76 594	1 103 154	1 209 100	63 864	6 981	203 840	199 560	(2)	14 551	(308)	30 706	11 303 976
Risk margin	R0280	-	2 079	-	432 433	64 023	8 548	169 496	87 647	5 069	312	5 393	19 736	-	5 029	88	4 864	804 717
Technical provisions — total																		
Technical provisions — total	R0320	-	205 064	-	7 105 414	1 824 809	10 301	1 499 144	1 489 682	101 779	7 293	208 448	1 314 061	(132)	75 887	(683)	69 475	13 910 542
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	-	30 763	-	220 118	(10 065)	(74 841)	226 494	192 935	32 846	-	(785)	1 094 765	(130)	56 307	(463)	33 905	1 801 849
Technical provisions minus recoverables from reinsurance/SPV and Finite Re — total	R0340	-	174 301	-	6 885 296	1 834 874	85 142	1 272 650	1 296 747	68 933	7 293	209 233	219 296	(2)	19 580	(220)	35 570	12 108 693

Name of the entity Powszechny Zakład Ubezpieczeń Spółka Akcyjna
31-12-2023

S.19.01.21

Non-life insurance claims (in PLN thousand)

Total Non-Life Business

Accident year / Underwriting year	Z0020	1

Gross Claims Paid (non-cumulative) - Development year (absolute amount).

Year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100	-	-	-	-	-	-	-	-	-	-	91 047
N-9	R0160	2 591 302	673 671	152 472	89 515	58 320	39 055	29 590	23 190	17 626	10 657	
N-8	R0170	2 919 700	1 017 734	223 722	151 952	72 140	42 135	45 378	52 911	16 188		
N-7	R0180	3 592 983	1 096 442	274 002	141 320	96 679	61 603	48 672	33 255	-		
N-6	R0190	3 986 207	1 328 256	237 529	210 606	126 274	92 072	84 563	-	-		
N-5	R0200	3 889 747	1 390 498	244 965	145 148	128 652	89 686	-	-	-		
N-4	R0210	4 369 702	1 252 677	224 608	139 457	116 459	-	-	-	-		
N-3	R0220	4 155 844	944 676	217 512	125 825	-	-	-	-	-		
N-2	R0230	4 245 004	1 220 019	290 289	-	-	-	-	-	-		
N-1	R0240	4 431 648	1 378 122	-	-	-	-	-	-	-		
N	R0250	4 758 391	-	-	-	-	-	-	-	-		

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	91 047	91 047
	R0160	10 657	3 685 398
	R0170	16 188	4 541 861
	R0180	33 255	5 344 955
	R0190	84 563	6 065 507
	R0200	89 686	5 888 696
	R0210	116 459	6 102 903
	R0220	125 825	5 443 857
	R0230	290 289	5 755 312
	R0240	1 378 122	5 809 771
	R0250	4 758 391	4 758 391
Total	R0260	6 994 481	53 487 698

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative).

Year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100	-	-	-	-	-	-	-	-	-	-	1 068 955
N-9	R0160	-	-	541 494	453 243	339 838	282 636	229 704	177 130	146 393	130 297	-
N-8	R0170	-	1 026 543	747 257	531 360	438 283	367 362	295 286	257 227	219 213	-	-
N-7	R0180	2 437 367	1 266 109	891 694	648 547	527 160	422 716	353 874	293 342	-	-	-
N-6	R0190	2 917 105	1 524 866	1 102 902	852 402	707 318	604 370	433 018	-	-	-	-
N-5	R0200	3 148 250	1 461 866	1 043 465	831 463	656 413	447 499	-	-	-	-	-
N-4	R0210	3 167 657	1 586 858	1 225 357	962 288	805 091	-	-	-	-	-	-
N-3	R0220	2 851 118	1 384 621	992 645	787 748	-	-	-	-	-	-	-
N-2	R0230	3 208 147	1 682 998	1 109 032	-	-	-	-	-	-	-	-
N-1	R0240	4 313 597	3 398 574	-	-	-	-	-	-	-	-	-
N	R0250	3 730 775	-	-	-	-	-	-	-	-	-	-

		Year end (discounted data)
		C0360
	R0100	752 609
	R0160	87 448
	R0170	163 150
	R0180	224 440
	R0190	337 668
	R0200	337 638
	R0210	638 004
	R0220	602 566
	R0230	857 418
	R0240	2 954 765
	R0250	3 068 805
Total	R0260	10 024 510

Name of the entity — **Powszechny Zakład Ubezpieczeń Spółka Akcyjna**
31-12-2023

S.23.01.01
Own funds (in PLN thousand)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	86 352	86 352	-	-	-
Share premium account related to ordinary share capital	R0030	538 139	538 139	-	-	-
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-	-	-	-
Subordinated mutual member accounts	R0050	-	-	-	-	-
Surplus funds	R0070	-	-	-	-	-
Preference shares	R0090	-	-	-	-	-
Share premium account related to preference shares	R0110	-	-	-	-	-
Reconciliation reserve	R0130	28 409 854	28 409 854	-	-	-
Subordinated liabilities	R0140	2 350 706	-	-	2 350 706	-
An amount equal to the value of net deferred tax assets	R0160	-	-	-	-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-	-	-	-	-
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	-
Total basic own funds after deductions	R0290	31 385 051	29 034 345	-	2 350 706	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-	-	-	-	-
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-	-	-	-	-
Unpaid and uncalled preference shares callable on demand	R0320	-	-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-	-	-	-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-	-	-	-	-
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-	-	-	-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-	-	-	-	-
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-	-	-	-	-
Other ancillary own funds	R0390	-	-	-	-	-
Total ancillary own funds	R0400	-	-	-	-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	31 385 051	29 034 345	-	2 350 706	-
Total available own funds to meet the MCR	R0510	31 385 051	29 034 345	-	2 350 706	-
Total eligible own funds to meet the SCR	R0540	31 385 051	29 034 345	-	2 350 706	-
Total eligible own funds to meet the MCR	R0550	29 693 583	29 034 345	-	659 238	-
SCR	R0580	13 184 756	-	-	-	-
MCR	R0600	3 296 189	-	-	-	-
Ratio of Eligible own funds to SCR	R0620	238,04%	0,00%	0,00%	0,00%	0,00%
Ratio of Eligible own funds to MCR	R0640	900,85%	0,00%	0,00%	0,00%	0,00%

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	33 896 937
Own shares (held directly and indirectly)	R0710	2 786
Foreseeable dividends, distributions and charges	R0720	4 859 806
Other basic own fund items	R0730	624 491
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	28 409 854
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	885 799
Total Expected profits included in future premiums (EPIFP)	R0790	885 799

Name of the entity — **Powszechny Zakład Ubezpieczeń Spółka Akcyjna**
31-12-2023

S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula (in PLN thousand)

Basic Solvency Capital Requirement		**Gross solvency capital requirement**	**USP**	**Simplifications**
		C0110	C0090	C0120
Market risk	R0010	11 515 128	-	-
Counterparty default risk	R0020	226 137	-	-
Life underwriting risk	R0030	269 480	-	-
Health underwriting risk	R0040	245 843	-	-
Non-life underwriting risk	R0050	5 306 276	-	-
Diversification	R0060	(3 525 395)	-	-
Intangible asset risk	R0070	-	-	-
Basic Solvency Capital Requirement	R0100	14 037 469	-	-

Calculation of Solvency Capital Requirement		**Value**
		C0100
Operational risk	R0130	457 637
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	(1 310 348)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	13 184 756
Capital add-on already set	R0210	-
of which, capital add-ons already set - Article 37 (1) Type a	R0211	
of which, capital add-ons already set - Article 37 (1) Type b	R0212	
of which, capital add-ons already set - Article 37 (1) Type c	R0213	
of which, capital add-ons already set - Article 37 (1) Type d	R0214	
Solvency capital requirement	R0220	13 184 756
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

Approach to tax rate		**Yes/No**
		C0109
Approach based on average tax rate	R0590	No

Calculation of loss absorbing capacity of deferred taxes		**LAC DT**
		C0130
LAC DT	R0640	(1 310 348)
LAC DT justified by reversion of deferred tax liabilities	R0650	(705 822)
LAC DT justified by reference to probable future taxable economic profit	R0660	(604 526)
LAC DT justified by carry back, current year	R0670	-
LAC DT justified by carry back, future years	R0680	-
Maximum LAC DT	R0690	(1 310 348)

Name of the entity Powszechny Zakład Ubezpieczeń Spółka Akcyjna
31-12-2023

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (in PLN thousand)

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	2 298 874

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	-	-
Income protection insurance and proportional reinsurance	R0030	172 221	490 618
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	6 452 864	4 955 975
Other motor insurance and proportional reinsurance	R0060	1 770 851	4 196 471
Marine, aviation and transport insurance and proportional reinsurance	R0070	76 595	113 578
Fire and other damage to property insurance and proportional reinsurance	R0080	1 103 154	2 949 593
General liability insurance and proportional reinsurance	R0090	1 209 100	925 785
Credit and suretyship insurance and proportional reinsurance	R0100	63 865	40 755
Legal expenses insurance and proportional reinsurance	R0110	6 981	15 588
Assistance and proportional reinsurance	R0120	203 841	604 140
Miscellaneous financial loss insurance and proportional reinsurance	R0130	199 558	135 536
Non-proportional health reinsurance	R0140	-	(2)
Non-proportional casualty reinsurance	R0150	14 551	19 509
Non-proportional marine, aviation and transport reinsurance	R0160	-	579
Non-proportional property reinsurance	R0170	30 705	37 276

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	74 962

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	-	-
Obligations with profit participation - future discretionary benefits	R0220	-	-
Index-linked and unit-linked insurance obligations	R0230	-	-
Other life (re)insurance and health (re)insurance obligations	R0240	3 569 614	-
Total capital at risk for all life (re)insurance obligations	R0250	-	-

Overall MCR calculation		
		C0070
Linear MCR	R0300	2 373 836
SCR	R0310	13 184 756
MCR cap	R0320	5 933 140
MCR floor	R0330	3 296 189
Combined MCR	R0340	3 296 189
Absolute floor of the MCR	R0350	17 790
		C0070
Minimum Capital Requirement	R0400	3 296 189