Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group

Condensed Interim
Consolidated Financial Statements
for the 3 months ended
31 March 2024

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(in millions of PLN)

Financial highlights

1. Selected consolidated financial data of PZU Group

Data from the consolidated profit and loss account	m PLN 1 January – 31 March 2024	m PLN 1 January – 31 March 2023	m EUR 1 January – 31 March 2024	m EUR 1 January – 31 March 2023
Insurance service result	787	856	182	182
Fees and commissions result	912	909	211	193
Net investment result	7,184	6,721	1,663	1,430
Profit before tax	3,773	3,416	873	727
Net profit, including:	2,885	2,572	668	547
- profit attributable to the equity holders of the Parent Company	1,254	1,150	291	245
- profit attributable to holders of non-controlling interests	1,631	1,422	377	302
Basic and diluted weighted average number of common shares	863,343,165	863,390,463	863,343,165	863,390,463
Basic and diluted earnings per common share (in PLN/EUR)	1.45	1.33	0.34	0.28

Data from the consolidated statement of financial position	m PLN 31 March 2024	m PLN 31 December 2023	m EUR 31 March 2024	m EUR 31 December 2023
Assets	482,969	467,893	112,295	107,611
Share capital	86	86	20	20
Equity attributable to equity holders of the Parent	31,312	30,022	7,280	6,905
Non-controlling interests	31,943	30,457	7,427	7,005
Total equity	63,255	60,479	14,707	13,910
Basic and diluted number of common shares	863,378,570	863,381,846	863,378,570	863,381,846
Book value per common share (in PLN/EUR)	36.27	34.77	8.43	8.00

Data from the consolidated cash flow statement	m PLN 1 January – 31 March 2024	m PLN 1 January – 31 March 2023	m EUR 1 January – 31 March 2024	m EUR 1 January – 31 March 2023
Net cash flows from operating activities	5,364	17,780	1,241	3,783
Net cash flows from investing activities	(4,274)	(13,323)	(989)	(2,834)
Net cash flows from financing activities	1,073	322	248	69
Total net cash flows	2,163	4,779	501	1,017

2. Selected standalone financial data of PZU (PAS)

Data from the balance sheet	m PLN 31 March 2024	m PLN 31 December 2023	m EUR 31 March 2024	m EUR 31 December 2023
Assets	55,009	52,965	12,790	12,181
Share capital	86	86	20	20
Total equity	22,190	20,884	5,159	4,803
Basic and diluted number of common shares	863,523,000	863,523,000	863,523,000	863,523,000
Book value per common share (in PLN/EUR)	25.70	24.18	5.98	5.56

(in millions of PLN)

Data from the revenue account of non-life insurance and the general profit and loss account	**m PLN 1 January – 31 March 2024**	**m PLN 1 January – 31 March 2023**	**m EUR 1 January – 31 March 2024**	**m EUR 1 January – 31 March 2023**
Gross written premiums	4,904	4,443	1,135	945
Technical result of non-life insurance	375	268	87	57
Net profit or loss on investing activities[1)]	185	940	43	200
Net profit or loss	301	962	70	205
Basic and diluted weighted average number of common shares	863,523,000	863,523,000	863,523,000	863,523,000
Basic and diluted earnings per common share (in PLN/EUR)	0.35	1.11	0.08	0.24

[1)] Including the item "Share of the net profit (loss) of related parties accounted for using the equity method".

3. Selected standalone financial data of Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna (PAS)

Data from the balance sheet	**m PLN 31 March 2024**	**m PLN 31 December 2023**	**m EUR 31 March 2024**	**m EUR 31 December 2023**
Assets	30,305	29,545	7,046	6,795
Total equity	5,254	4,867	1,222	1,119

Data from the technical life insurance account and from the general profit and loss account	**m PLN 1 January – 31 March 2024**	**m PLN 1 January – 31 March 2023**	**m EUR 1 January – 31 March 2024**	**m EUR 1 January – 31 March 2023**
Gross written premiums	2,407	2,217	557	472
Technical life insurance result	502	445	116	95
Net investment result	451	531	104	113
Net profit	371	311	86	66

4. Summary of consolidated quarterly performance

The net profit of PZU Group for the 3-month period ended 31 March 2024 was PLN 2,885 million and was higher by 12.2% than the net profit for the corresponding period of the preceding year. The net profit attributable to the parent company's shareholders was PLN 1,254 million compared to PLN 1,150 million in 2023 (an increase by PLN 104 million).

The aROE attributable to the parent company (PZU) for the period from 1 January to 31 March 2024 was 17.1%, which constitutes an decrease by 1.7 percentage points in comparison to that for the corresponding period of the preceding year.

The following factors affected the PZU Group's operations in the 3-month period ended 31 March 2024, as compared to the corresponding period of the preceding year:

- higher performance in the banking business segment, in particular due to an increase in the interest income as a result of higher loan volumes consuming the negative impact of falling interest rates;
- higher profitability on the operating activities of the corporate non-life insurance business, mainly as a result of an improved y/y insurance service result (with rising sales of non-motor insurance and MOD);
- higher operating result in the group and individually continued life insurance segment, in particular as a result of the increase in the result from insurance services as well as the result from investments allocated to the segment;
- an increase in operating profit in the investment segment due to higher revenues from capital market instruments and higher income from the bond portfolio measured at fair value through profit or loss;
- lower profitability of mass non-life insurance business – deterioration in the result from insurance services mainly related to higher claims, with a simultaneous deterioration in the result from investments allocated to the segment.

(in millions of PLN)

Interim consolidated profit and loss account

Consolidated profit and loss account	Note	1 January – 31 March 2024	1 January – 31 March 2023 (restated) [1]
Insurance service result before reinsurance		1,178	(123)
Insurance revenue	10.1.2 10.1.4	7,012	6,399
Insurance service expenses	10.1.4	(5,834)	(6,522)
Net income or expenses from reinsurance contracts held		(391)	979
Reinsurance premium allocation	10.1.3	(425)	(365)
Amounts recoverable from reinsurers	10.1.5	34	1,344
Insurance service result		787	856
Insurance finance income or expenses		(484)	(477)
Financial income and expenses from reinsurance		45	13
Interest income calculated using the effective interest rate	10.2	6,953	6,568
Other net investment income	10.3	53	173
Result on derecognition of financial instruments and investments	10.4	406	171
Movement in allowances for expected credit losses and impairment losses on financial instruments	10.5	(206)	(351)
Net movement in fair value of assets and liabilities measured at fair value	10.6	(22)	160
Revenue from commissions and fees	10.7	1,345	1,285
Fee and commission expenses	10.8	(433)	(376)
Operating costs of banks	10.9	(1,651)	(1,498)
Interest expenses	10.10	(2,049)	(2,196)
Other operating income	10.11	462	409
Other operating expenses	10.12	(1,436)	(1,323)
Operating profit		**3,770**	**3,414**
Share of the net financial results of entities accounted for using the equity method		3	2
Profit before tax		**3,773**	**3,416**
Income tax	10.13	(888)	(844)
Net profit, including:		**2,885**	**2,572**
- profit attributable to the equity holders of the Parent Company		1,254	1,150
- profit attributable to holders of non-controlling interests		1,631	1,422
Weighted average basic and diluted number of common shares	10.14	863,343,165	863,390,463
Basic and diluted profit (loss) per common share (in PLN)	10.14	1.45	1.33

[1] Information on restatement of data for the period from 1 January to 31 March 2023 is presented in section 6.2.

(in millions of PLN)

Interim consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Note	1 January – 31 March 2024	1 January – 31 March 2023 (restated) [1)]
Net profit		2,885	2,572
Net other comprehensive income		(106)	929
Subject to subsequent transfer to profit or loss		(49)	984
Valuation of debt instruments		115	832
Reclassification of debt instruments valuation for the profit and loss account		5	6
Measurement of loan receivables from clients		(1)	(1)
Insurance finance income or expenses		160	(709)
Financial income and expenses from reinsurance		(16)	(13)
Foreign exchange translation differences		(24)	(6)
Cash flow hedging		(297)	1,104
Income tax	10.13	9	(229)
Not to be reclassified to profit or loss in the future		(57)	(55)
Valuation of equity instruments		(71)	(75)
Reclassification of real property from property, plant and equipment to investment property		-	7
Income tax	10.13	14	13
Total net comprehensive income		**2,779**	**3,501**
- comprehensive income attributable to equity holders of the Parent Company		1,291	1,082
- comprehensive income attributable to holders of non-controlling interest		1,488	2,419

[1)] Information on restatement of data for the period from 1 January to 31 March 2023 is presented in section 6.2.

(in millions of PLN)

Interim consolidated statement of financial position

Assets	Note	31 March 2024	31 December 2023	1 January 2023
Goodwill	10.15	2,795	2,801	2,808
Intangible assets	10.16	3,389	3,404	3,282
Deferred tax assets		2,246	2,207	3,103
Other assets	10.17	721	483	462
Property, plant and equipment	10.18	4,450	4,445	4,304
Investment property		3,097	3,098	3,021
Entities accounted for using the equity method	10.19	65	62	52
Insurance contract assets	10.1.4	110	111	68
Reinsurance contract assets	10.1.5	3,836	3,469	2,336
Assets pledged as collateral for liabilities	10.23	1,446	1,708	972
Assets held for sale	10.20	618	621	654
Loan receivables from clients	10.21	223,220	218,808	212,693
Financial derivatives	10.22	9,913	11,396	16,197
Investment financial assets	10.24	202,199	192,332	153,861
Measured at amortized cost		139,033	135,875	106,013
Measured at fair value through other comprehensive income		51,836	44,366	39,725
Measured at fair value through profit or loss		11,330	12,091	8,123
Current income tax receivables		152	19	305
Other receivables	10.25	4,890	5,227	9,108
Cash and cash equivalents		19,822	17,702	15,960
Total assets		**482,969**	**467,893**	**429,186**

(in millions of PLN)

Interim consolidated statement of financial position (continued)

Equity and liabilities	Note	31 March 2024	31 December 2023	1 January 2023
Equity				
Equity attributable to equity holders of the parent company		31,312	30,022	26,162
Share capital	10.29	86	86	86
Other capital		18,281	18,225	17,205
Retained earnings		12,945	11,711	8,871
Retained profit or loss		11,691	5,945	5,090
Net profit		1,254	5,766	3,781
Non-controlling interests		31,943	30,457	22,263
Total equity		**63,255**	**60,479**	**48,425**
Liabilities				
Insurance contract liabilities	10.1.4	43,213	42,328	37,518
Reinsurance contract liabilities	10.1.5	15	35	31
Subordinated liabilities	10.31	5,878	6,166	6,184
Liabilities on the issue of own debt securities	10.32	13,722	12,003	11,090
Liabilities to banks	10.33	6,567	7,047	7,720
Liabilities to clients under deposits	10.34	315,706	303,781	278,058
Financial derivatives	10.22	10,954	11,656	20,956
Current income tax liabilities		1,934	1,991	328
Other liabilities	10.35	15,954	16,980	14,301
Provisions	10.36	2,280	2,307	1,711
Deferred tax liabilities		3,462	3,088	2,831
Liabilities directly associated with assets classified as held for sale	10.20	29	32	33
Total liabilities		**419,714**	**407,414**	**380,761**
Total equity and liabilities		**482,969**	**467,893**	**429,186**

(in millions of PLN)

Interim consolidated statement of changes in equity

Consolidated statement of changes in equity	Equity attributable to equity holders of the parent company											Non-controlling interest	Total equity
	Share capital	Other capital								Retained earnings	Total		
		Treasury shares	Supplementary capital	Other reserve capital	Accumulated other comprehensive income								
					Revaluation reserve	Insurance finance income or expenses	Reinsurance finance income or expenses	Actuarial gains and losses related to provisions for employee benefits	Foreign exchange translation differences				
Note	10.29											2.4	
As at 1 January 2024	**86**	**(4)**	**15,804**	**2,218**	**(948)**	**1,258**	**(48)**	**(8)**	**(47)**	**11,711**	**30,022**	**30,457**	**60,479**
Total comprehensive income	**-**	**-**	**-**	**-**	**(59)**	**131**	**(13)**	**-**	**(22)**	**1,254**	**1,291**	**1,488**	**2,779**
Net profit (loss)	-	-	-	-	-	-	-	-	-	1,254	1,254	1,631	2,885
Net other comprehensive income	-	-	-	-	(59)	131	(13)	-	(22)	-	37	(143)	(106)
Transactions with the shareholders – distribution of financial result	**-**	**-**	**1**	**19**	**-**	**-**	**-**	**-**	**-**	**(20)**	**-**	**-**	**-**
Other changes	**-**	**-**	**23**	**-**	**(24)**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(2)**	**(3)**
Sales of equity instruments designated at fair value through other comprehensive income	-	-	24	-	(24)	-	-	-	-	-	-	-	-
Transactions with holders of non-controlling interests	-	-	(1)	-	-	-	-	-	-	-	(1)	(2)	(3)
As at 31 March 2024	**86**	**(4)**	**15,828**	**2,237**	**(1,031)**	**1,389**	**(61)**	**(8)**	**(69)**	**12,945**	**31,312**	**31,943**	**63,255**

(in millions of PLN)

Interim consolidated statement of changes in equity (continued)

Consolidated statement of changes in equity (restated)	**Equity attributable to equity holders of the parent company**											**Non-controlling interest**	**Total equity**
	Share capital	**Other capital**								**Retained earnings**	**Total**		
		Treasury shares	Supplemen-tary capital	Other reserve capital	Accumulated other comprehensive income								
					Revaluation reserve	Insurance finance income or expenses	Reinsurance finance income or expenses	Actuarial gains and losses related to provisions for employee benefits	Foreign exchange translation differences				
Note	10.29											2.4	
As at 1 January 2023	**86**	**(4)**	**15,315**	**1,721**	**(2,455)**	**2,622**	**(79)**	**(6)**	**91**	**8,871**	**26,162**	**22,263**	**48,425**
Total comprehensive income	**-**	**-**	**-**	**-**	**519**	**(572)**	**(9)**	**-**	**(6)**	**1,150**	**1,082**	**2,419**	**3,501**
Net profit (loss)	-	-	-	-	-	-	-	-	-	1,150	1,150	1,422	2,572
Net other comprehensive income	-	-	-	-	519	(572)	(9)	-	(6)	-	(68)	997	929
As at 31 March 2023	**86**	**(4)**	**15,315**	**1,721**	**(1,936)**	**2,050**	**(88)**	**(6)**	**85**	**10,021**	**27,244**	**24,682**	**51,926**

(in millions of PLN)

Interim consolidated cash flow statement

Consolidated cash flow statement	Note	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Profit before tax		3,773	3,416
Adjustments		1,591	14,364
Amortization of intangible assets and depreciation of property, plant and equipment		338	325
Acquisitions and redemptions of participation units and investment certificates of investment funds		38	1
Cash flow on investment contracts		84	2
Interest income and expenses		(1,937)	(1,344)
Net effect of movement in exchange rates		(23)	(139)
Realized gains/losses from investing activities and impairment losses		(175)	424
Net movement in fair value of assets and liabilities measured at fair value		22	(160)
Income tax paid		(724)	(519)
Movement in loan receivables from clients		(4,648)	(151)
Movement in liabilities under deposits		11,726	14,134
Movement in insurance contract assets and liabilities		943	2,143
Movement in reinsurance contract assets and liabilities		(341)	(1,428)
Movement in receivables		447	364
Movement in liabilities		(504)	(909)
Other adjustments		(3,655)	1,621
Net cash flows from operating activities		**5,364**	**17,780**
Cash flow from investing activities			
Proceeds		581,769	479,868
- proceeds from investment property		103	106
- sale of intangible assets and property, plant and equipment		28	15
- sale of ownership interests and shares		388	129
- realization of debt securities		418,888	336,301
- closing of buy-sell-back transactions		105,726	77,017
- closing of term deposits with credit institutions		42,815	53,453
- realization of other investments		13,266	12,507
- interest received		542	327
- dividends received		3	1
- increase in cash due to purchase of entities and change in the scope of consolidation		4	-
- other investment proceeds		6	12

(in millions of PLN)

Interim consolidated cash flow statement (continued)

Consolidated cash flow statement	Note	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Expenditures		(586,043)	(493,191)
- purchase of investment properties		(2)	(8)
- expenditures for the maintenance of investment property		(54)	(47)
- purchase of intangible assets and property, plant and equipment		(245)	(232)
- purchase of ownership interests and shares		(157)	(159)
- purchase of ownership interests and shares in subsidiaries		(48)	-
- purchase of debt securities		(426,952)	(350,068)
- opening of buy-sell-back transactions		(102,720)	(76,035)
- purchase of term deposits with credit institutions		(42,519)	(54,484)
- purchase of other investments		(13,336)	(12,152)
- other expenditures for investments		(10)	(6)
Net cash flows from investing activities		**(4,274)**	**(13,323)**
Cash flows from financing activities			
Proceeds		85,087	34,683
- proceeds from loans and borrowings	10.37	113	217
- proceeds on the issue of own debt securities	10.37	7,860	303
- opening of repurchase transactions	10.37	77,114	34,163
Expenditures		(84,014)	(34,361)
- repayment of loans and borrowings	10.37	(249)	(387)
- redemption of own debt securities	10.37	(6,344)	(2,494)
- closing of repurchase transactions	10.37	(77,208)	(31,265)
- interest on loans and borrowings	10.37	(3)	-
- interest on outstanding debt securities	10.37	(145)	(139)
- expenditures on leases	10.37	(65)	(76)
Net cash flows from financing activities		**1,073**	**322**
Total net cash flows		**2,163**	**4,779**
Cash and cash equivalents at the beginning of the period		17,702	15,960
Movement in cash due to foreign exchange differences		(43)	(30)
Cash and cash equivalents at the end of the period, including:		19,822	20,709
- restricted cash		9	86

Notes to the condensed interim consolidated financial statements

1. Introduction

Compliance statement

These condensed interim consolidated financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group ("condensed interim consolidated financial statements" and "PZU Group", respectively) have been prepared in line with requirements of International Accounting Standard 34 "Interim Financial Reporting", as endorsed by the Commission of European Union, and with requirements set forth in the Regulation on Current and Periodic Information.

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of PZU Group for 2023.

Parent company's quarterly standalone financial information

Pursuant to Article 62 para. 1 of the Regulation on Current and Periodic Information, quarterly standalone financial information of the PZU Group's parent company, i.e. PZU, forms part of these condensed interim consolidated financial statements.

According to Article 45 para. 1a of the Accounting Act, financial statements of issuers of securities admitted to trading on one of the regulated markets of the European Economic Area countries may be prepared in accordance with IFRS.

As the General Meeting of Shareholders of PZU has not made the decision referred to in Article 45 para. 1c of the Accounting Act in the matter of preparation of financial statements pursuant to IFRS, PZU's standalone statements are prepared in accordance with the Polish Accounting Standards (PAS) defined in the Accounting Act and in the implementing acts issued on the basis thereof, including:

- Regulation of the Minister of Finance on the special accounting principles for insurance and reinsurance undertakings of 12 April 2016;
- Regulation of the Minister of Finance on the detailed principles for recognition, valuation methods, scope of disclosure and presentation of financial instruments of 12 December 2001.

In matters not regulated by the Accounting Act or the implementing acts issued on the basis thereof, Polish Accounting Standards or IFRS are applied accordingly.

Period covered by the condensed interim consolidated financial statements

These condensed interim consolidated financial statements cover the period of 3 months from 1 January to 31 March 2024.

The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the parent company.

Functional and presentation currency

PZU's functional and presentation currency is the Polish zloty. Unless noted otherwise, all amounts presented in these consolidated financial statements are stated in millions of Polish zloty.

The functional currency of the companies domiciled in Lithuania, Latvia and Sweden is the euro, while for the companies domiciled in Ukraine it is the Ukrainian hryvnia, and for the company domiciled in the United Kingdom it is the British pound.

FX rates

Financial data of foreign subsidiaries are converted into Polish zloty as follows:

- assets and liabilities – at the average exchange rate set by the National Bank of Poland at the end of the reporting period;
- items of the profit and loss account and other comprehensive income – at the arithmetic mean of average exchange rates set by the National Bank of Poland as at the dates ending each month of the reporting period.

Due to the currency exchange restrictions in Ukraine and irregular quotations of the Ukrainian hryvnia by the NBP until 31 March 2023, PZU Group established an exchange rate for conversion of data of Ukrainian companies in accordance with the NBU Regulation (https://zakon.rada.gov.ua/laws/show/v0018500-22#n67), in keeping with which authorized institutions (banks) purchase and sell foreign currency, as commissioned by clients, in non-cash transactions:

- in USD – at the exchange rate which may not deviate by more than 1% from the official exchange rate announced by the NBU at the transaction date;
- in other foreign currencies – at the exchange rate which may not deviate by more than 1% from the rate determined on the basis of the official exchange rate of the hryvnia to the US dollar, in effect at the transaction date, as well as information on the current exchange rates of foreign currencies to the US dollar (or the US dollar to foreign currencies) on the international foreign exchange markets, which are obtained via trade information systems at the transaction date.

The official exchange rate of the Ukrainian hryvnia to American dollar adopted by the NBU was converted into Polish zloty at the USD/PLN exchange rate announced by the NBP. In accordance with this methodology, the Ukrainian hryvnia exchange rate set as of 31 March 2023 was 0.1174 PLN/UAH. The average exchange rate was established by applying the aforementioned method at the end of each month in the period from January to March 2023.

As of 4 April 2023, the NBP resumed regular quoting of the hryvnia exchange rate, so the exchange rate as at 31 December 2023 was determined on the basis of the NBP exchange rate.

Currency	1 January – 31 March 2024	1 January – 31 March 2023	31 March 2024	31 December 2023
Euro	4.3211	4.7005	4.3009	4.3480
British pound	5.0523	5.3467	5.0300	4.9997
Ukrainian hryvnia	0.1046	0.1193	0.1023	0.1037

Going concern assumption

These condensed interim consolidated financial statements have been drawn up under the assumption that PZU Group remains a going concern in the foreseeable future, i.e. in the period of at least 12 months after the end of the reporting period. As at the date of signing hereof, there are no facts or circumstances that would indicate that a threat exists to the PZU Group's capability of continuing its operations in a 12-month period following the end of the reporting period as a result of an intentional or compulsory discontinuation or a mayor curtailment of its current activities.

When making this assumption, the Management Board of PZU has taken into account in its assessment the impact of factors subject to uncertainty, including the macroeconomic situation and the armed conflict in Ukraine, which has been ongoing since 24 February 2022 (for additional information on this issue please see section 26.6).

Discontinued operations

In the 3-month period ended 31 March 2024, the PZU Group did not discontinue any significant type of the activities carried out.

Seasonal or cyclical business

The PZU Group's business is not of a significantly seasonal or cyclical nature.

Glossary

The most important terms, abbreviations and acronyms used in the condensed interim consolidated financial statements are explained below.

Names of companies

Balta – Apdrošināšanas akciju sabiedrība "BALTA".

Alior Bank – Alior Bank SA.

Alior Bank Group – Alior Bank with its subsidiaries listed in section 2.2.

Pekao Group – Pekao with its subsidiaries listed in section 2.2.

Idea Bank – Idea Bank SA.

LD – Akcinė bendrovė "Lietuvos draudimas".

Link4 – Link4 Towarzystwo Ubezpieczeń SA.

Pekao – Bank Pekao SA.

PG TUW – Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych.

PG TUWnŻ – Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie.

PZU, parent company – Powszechny Zakład Ubezpieczeń Spółka Akcyjna.

PZU Finance AB – PZU Finance AB (publ.) in likvidation.

PZU LT GD – Uždaroji akcinė bendrovė "PZU Lietuva gyvybės draudimas".

PZU Ukraina – PRJSC IC „PZU Ukraine".

PZU Ukraina Życie – PRJSC IC „PZU Ukraine Life Insurance".

PZU Życie – Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna.

TFI PZU – Towarzystwo Funduszy Inwestycyjnych PZU Spółka Akcyjna.

TUW PZUW – Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych.

Other definitions

BFG – Bank Guarantee Fund [Bankowy Fundusz Gwarancyjny].

CIRS – Cross-currency interest rate swap.

COR – Combined operating ratio, calculated for the non-life insurance sector. This is the ratio of insurance service expenses, including amounts recoverable from reinsurers to the net income on insurance activities; a decrease in the value of this indicator signifies an improvement in efficiency (Combined Operating Ratio).

CSM – contractual service margin.

EBC – European Central Bank.

Fed – Federal Reserve System.

GMM – general measurement model in accordance with IFRS 17.

CODM – Chief operating decision maker within the meaning of IFRS 8 – Operating segments.

IRS – Interest rate swap.

PZU's standalone financial statements for 2023 – annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2023, prepared in accordance with the PAS.

KNF – Polish Financial Supervision Authority.

KPO – National Recovery and Resilience Plan [Krajowy Plan Odbudowy I Zwiększenia Odporności].

LIC – Liability for incurred claims.

LRC – Liability for remaining coverage.

IFRS – International Financial Reporting Standards, as endorsed by the European Commission, published and in force as at 31 March 2024.

MRA – Modified retrospective approach.

NBP – National Bank of Poland.

NBU – National Bank of Ukraine.

PAA – premium allocation approach.

PAIH – Polish Investment and Trade Agency [Polska Agencja Inwestycji i Handlu].

POCI – Purchased or originated credit-impaired financial assets.

PSR – Accounting Act of 29 September 1994 and regulations issued thereunder.

ROE attributable to the parent company – return on equity calculated as the ratio of the annual net profit attributable to owners of the parent company to the arithmetic mean of consolidated equity, less the minority interest at the beginning and at the end of the reporting period; the higher the ratio, the better the efficiency (Return on Equity).

aROE– adjusted return on equity, calculated on the basis of equity, excluding cumulative other comprehensive income relating to finance income and expenses on insurance and reinsurance activities.

Regulation on Current and Periodic Information – Regulation of the Minister of Finance on Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent of 29 March 2018.

IASB – International Accounting Standards Board.

Consolidated financial statements – consolidated financial statements of the PZU Group prepared in accordance with IFRS for the year ended 31 December 2023.

CJEU – Court of Justice of the European Union.

KNF Office – Office of the Polish Financial Supervision Authority.

UOKiK – Office of Competition and Consumer Protection.

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

VFA – variable fee approach.

Financial leverage ratio – quotient of debt to the PZU Group's of debt and equity attributed to the equity holders of the parent company, less the balance of goodwill and intangible assets attributed to the equity holders of the parent company. Ratio calculated on the basis of the categories disclosed in the PZU Group's consolidated financial statements net of the banking sector.

Cost/Income ratio, C/I ratio (banking sector) – The quotient of administrative expenses and the sum of operating income, excluding: the BFG charge, the levy on other financial institutions and the net result on realization and impairment losses on investments; the lower the ratio, the better the efficiency (C/I Cost/Income).

PZU Ordinary Shareholder Meeting – Ordinary Shareholder Meeting of Powszechny Zakład Ubezpieczeń Spółka Akcyjna.

2. Information on PZU and PZU Group

2.1 Key information on PZU Group

Key information on the Group	
Name of the reporting entity	Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Legal form	Joint stock company [Spółka Akcyjna]
Registered office	Poland
Country of registration	Poland
Registration address of the entity's offices	Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw
Principal place of business	Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw, Poland
Core business	Non-life insurance (65.12 according to the Polish Classification of Business Activity and the Statistical Classification of Economic Activities in Europe)
National Court Register [Krajowy Rejestr Sądowy]	District Court of the Capital City of Warsaw, 13th Commercial Division of the National Court Register, Commercial Register – KRS 0000009831

(in millions of PLN)

2.2 PZU Group companies and associates

No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 March 2024	31 December 2023	
Consolidated insurance undertakings						
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	Non-life insurance. https://www.pzu.pl/grupa-pzu/spolki/pzu-sa
2	Powszechny Zakład Ubezpieczeń na Życie SA	Warsaw	18.12.1991	100.00%	100.00%	Life insurance. https://www.pzu.pl/pl/grupa-pzu/spolki/pzu-zycie
3	Link4 Towarzystwo Ubezpieczeń SA	Warsaw	15.09.2014	100.00%	100.00%	Non-life insurance. https://www.link4.pl/
4	Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych	Warsaw	20.11.2015	100.00%	100.00%	Non-life insurance. https://www.tuwpzuw.pl/
5	AB “Lietuvos draudimas”	Vilnius (Lithuania)	31.10.2014	100.00%	100.00%	Non-life insurance. http://www.ld.lt/
6	AAS “BALTA”	Riga, Latvia	30.06.2014	100.00%	100.00%	Non-life insurance. http://www.balta.lv/
7	PRJSC IC “PZU Ukraine”	Kiev (Ukraine)	1.07.2005	100.00%	100.00%	Non-life insurance. http://www.pzu.com.ua/
8	PRJSC IC “PZU Ukraine Life Insurance“	Kiev (Ukraine)	1.07.2005	100.00%	100.00%	Life insurance. http://www.pzu.com.ua/
9	UAB “PZU Lietuva gyvybes draudimas”	Vilnius (Lithuania)	8.04.2004	99.34%	99.34%	Life insurance. https://pzugd.lt/
10	Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych	Warsaw	25.01.2024	100.00%	n/a	Non-life insurance.
11	Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie	Warsaw	25.01.2024	100.00%	n/a	Life insurance.
Consolidated companies – Pekao Group						
12	Bank Pekao SA	Warsaw	7.06.2017	20.02%	20.02%	Banking services. https://www.pekao.com.pl/
13	Pekao Bank Hipoteczny SA	Warsaw	7.06.2017	20.02%	20.02%	Banking services. http://www.pekaobh.pl/
14	Pekao Leasing sp. z o.o.	Warsaw	7.06.2017	20.02%	20.02%	Lease services. http://www.pekaoleasing.com.pl/
15	Pekao Investment Banking SA	Warsaw	7.06.2017	20.02%	20.02%	Brokerage services. http://pekaoib.pl/
16	Pekao Faktoring sp. z o.o.	Lublin	7.06.2017	20.02%	20.02%	Factoring services. https://www.pekaofaktoring.pl/
17	Pekao Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	11.12.2017	20.02%	20.02%	Creation, representing and management of mutual funds. https://pekaotfi.pl/
18	Centrum Kart SA	Warsaw	7.06.2017	20.02%	20.02%	Auxiliary financial services. http://www.centrumkart.pl/
19	Pekao Financial Services sp. z o.o.	Warsaw	7.06.2017	46.81% 1)	46.81% 1)	Transfer agent. http://www.pekao-fs.com.pl/pl/
20	Pekao Direct sp. z o.o.	Kraków	7.06.2017	20.02%	20.02%	Call center services. https://www.pekaodirect.pl/

(in millions of PLN)

No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 March 2024	31 December 2023	
Consolidated companies – Pekao Group – continued						
21	Pekao Property SA in liquidation	Warsaw	7.06.2017	20.02%	20.02%	Development activity.
22	FPB – Media sp. z o.o. in bankruptcy	Warsaw	7.06.2017	20.02%	20.02%	No business conducted.
23	Pekao Fundusz Kapitałowy sp. z o.o. in liquidation	Warsaw	7.06.2017	20.02%	20.02%	Business consulting.
24	Pekao Investment Management SA	Warsaw	11.12.2017	20.02%	20.02%	Asset management. https://pekaotfi.pl/o-nas/pekao-investment-mangament
25	PeUF sp. z o.o.	Warsaw	20.07.2021	20.02%	20.02%	Auxiliary financial activities.
Consolidated companies – Alior Bank Group						
26	Alior Bank SA	Warsaw	18.12.2015	31.93%	31.93%	Banking services. https://www.aliorbank.pl/
27	Alior Services sp. z o.o.	Warsaw	18.12.2015	31.93%	31.93%	Other activity supporting financial services, excluding insurance and pension funds.
28	Alior Leasing sp. z o.o.	Warsaw	18.12.2015	31.93%	31.93%	Leasing services. https://www.aliorbank.pl/wlasna-dzialalnosc/alior-leasing.html
29	Meritum Services ICB SA	Gdańsk	18.12.2015	31.93%	31.93%	IT services.
30	Alior Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	18.12.2015	31.93%	31.93%	Asset management services and management of Alior SFIO subfunds. https://www.aliortfi.com/
31	AL Finance sp. z o.o.	Katowice	30.01.2017	31.93%	31.93%	Brokerage activity.
32	Corsham sp. z o.o.	Warsaw	4.02.2019	31.93%	31.93%	Business consulting.
33	RBL_VC sp. z o.o.	Warsaw	7.11.2019	31.93%	31.93%	Venture capital fund management activities.
34	RBL_VC sp. z o.o. ASI SKA	Warsaw	17.04.2020	31.93%	31.93%	Activity of trusts, funds and similar financial institutions.
35	Alior Leasing Individual sp. z o.o.	Warsaw	23.10.2023	31.93%	31.93%	Finance lease
Consolidated companies – PZU Zdrowie Group						
36	PZU Zdrowie SA	Warsaw	2.09.2011	100.00%	100.00%	Medical services. https://www.pzu.pl/pl/grupa-pzu/spolki/pzu-zdrowie
37	Centrum Medyczne Medica sp. z o.o.	Płock	9.05.2014	100.00%	100.00%	Medical services. https://www.plock.pzuzdrowie.pl/
38	Sanatorium Uzdrowiskowe "Krystynka" sp. z o.o.	Ciechocinek	9.05.2014	99.09%	99.09%	Hospital, physical therapy and spa services. http://www.sanatoriumkrystynka.pl/
39	Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o.	Jaworzno	1.12.2014	100.00%	100.00%	Medical services. https://www.jaworzno.pzuzdrowie.pl/
40	Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o.	Łaziska Górne	1.12.2014	57.00%	57.00%	Medical services. http://www.proelmed.pl/
41	Centrum Medyczne Gamma sp. z o.o.	Warsaw	8.09.2015	100.00%	100.00%	Medical services. http://www.cmgamma.pl/

(in millions of PLN)

No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 March 2024	31 December 2023	
Consolidated companies – PZU Zdrowie Group – continued						
42	Starówka sp. z o.o.	Warsaw	3.06.2019	100.00%	100.00%	Medical services. https://www.starowkanzoz.pl/
43	Tomma Diagnostyka Obrazowa SA	Poznań	9.12.2019	100.00%	100.00%	Medical services. https://tomma.com.pl/
44	Bonus-Diagnosta sp. z o.o.	Poznań	9.12.2019	100.00%	100.00%	Medical services.
45	Centrum Medyczne Nowa 5 sp. z o.o. [2)]	Gorzów Wlkp.	30.12.2022	100.00%	100.00%	Medical services. http://www.nowa5.pl/
46	Boramed Centrum Medyczne sp. z o.o.	Warsaw	31.05.2023	100.00%	100.00%	Medical services. https://www.boramed.pl/
Consolidated companies – other companies						
47	Powszechne Towarzystwo Emerytalne PZU SA	Warsaw	8.12.1998	100.00%	100.00%	Management of pension funds. https://www.pzu.pl/pl/grupa-pzu/spolki/pte-pzu
48	PZU Centrum Operacji SA	Warsaw	30.11.2001	100.00%	100.00%	Auxiliary activity associated with insurance and pension funds. https://www.pzu.pl/grupa-pzu/spolki/pzu-centrumoperacji
49	Towarzystwo Funduszy Inwestycyjnych PZU SA	Warsaw	30.04.1999	100.00%	100.00%	Creation, representing and management of mutual funds. https://www.pzu.pl/pl/grupa-pzu/spolki/tfi-pzu
50	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	Provision of assistance services. https://www.pzu.pl/grupa-pzu/spolki/pzu-pomoc
51	PZU Finance AB (publ.) in likvidation	Stockholm (Sweden)	2.06.2014	100.00%	100.00%	Financial services.
52	PZU Finanse Sp. z o.o.	Warsaw	8.11.2013	100.00%	100.00%	Financial and accounting services.
53	Tower Inwestycje Sp. z o.o.	Warsaw	27.08.1998	100.00%	100.00%	Development activity, operation and lease of properties. https://www.pzu.pl/pl/grupa-pzu/spolki/tower-inwestycje
54	Ogrodowa-Inwestycje sp. z o.o.	Warsaw	15.09.2004	100.00%	100.00%	Buying, operating, renting and selling real estate. http://www.ogrodowainwestycje.pl/
55	Arm Property sp. z o.o.	Kraków	26.11.2014	100.00%	100.00%	Purchase and sale of real estate.
56	Ipsilon sp. z o.o.	Warsaw	2.04.2009	100.00%	100.00%	Provision of assistance services and medical services.
57	PZU Corporate Member Limited	London (United Kingdom)	28.09.2017	100.00%	100.00%	Investment activity.

(in millions of PLN)

No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 March 2024	31 December 2023	
Consolidated companies – other companies – continued						
58	PZU LAB SA	Warsaw	13.09.2011	100.00%	100.00%	Consulting and training services, development of technology innovation to support technical and procedural security processes and risk management. https://www.pzu.pl/pl/grupa-pzu/spolki/pzu-lab
59	Omicron BIS SA	Warsaw	28.08.2014	100.00%	100.00%	No business conducted.
60	LLC SOS Services Ukraine	Kiev (Ukraine)	1.07.2005	100.00%	100.00%	Assistance services.
61	PZU CASH SA	Warsaw	15.09.2017	100.00%	100.00%	Other monetary intermediation. https://www.pzu.pl/grupa-pzu/spolki/pzu-cash-sa
62	Tulare Investments sp. z o.o.	Warsaw	15.09.2017	100.00%	100.00%	No business conducted.
63	PZU Projekt 01 SA	Warsaw	1.09.2020	100.00%	100.00%	No business conducted.
64	UAB "B10 biurai"	Vilnius (Lithuania)	14.03.2023	100.00%	100.00%	Property management.
65	UAB "B10 apartamentai"	Vilnius (Lithuania)	14.03.2023	100.00%	100.00%	Property management.
Consolidated companies – Armatura Group						
66	Armatura Kraków SA	Kraków	7.10.1999	100.00%	100.00%	Production and sale of radiators and sanitary fittings and administration and management of the group. https://www.kfa.pl/
67	AQ SA in liquidation	Kraków	15.01.2015	100.00%	100.00%	Production and sale of bathroom accessories and fittings.
68	Aquaform Ukraine TOW in liquidation	Zhytomyr (Ukraine)	15.01.2015	100.00%	100.00%	No business conducted.
Consolidated companies – mutual funds						
69	PZU SFIO Universum	Warsaw	15.12.2009	n/a	n/a	Investment of funds collected from fund members.
70	PZU FIZ Sektor Nieruchomości 2	Warsaw	21.11.2011	n/a	n/a	As above.
71	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	As above.
72	PZU FIZ Aktywów Niepublicznych BIS 2	Warsaw	19.11.2012	n/a	n/a	As above.
73	inPZU Inwestycji Ostrożnych	Warsaw	10.04.2018	n/a	n/a	As above.
74	inPZU Obligacje Polskie	Warsaw	10.04.2018	n/a	n/a	As above.
75	inPZU Akcje Polskie	Warsaw	10.05.2018	n/a	n/a	As above.
76	inPZU Akcje Rynków Rozwiniętych	Warsaw	10.05.2018	n/a	n/a	As above.
77	inPZU Obligacje Rynków Wschodzących	Warsaw	10.05.2018	n/a	n/a	As above.
78	inPZU Akcje Rynków Wschodzących	Warsaw	28.10.2019	n/a	n/a	As above.
79	inPZU Akcje Amerykańskie	Warsaw	28.10.2019	n/a	n/a	As above.

(in millions of PLN)

No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 March 2024	31 December 2023	
Consolidated companies – mutual funds – continued						
80	inPZU Akcje CEEplus	Warsaw	28.10.2019	n/a	n/a	As above.
81	PZU FIZ Legato	Warsaw	11.08.2021	n/a	n/a	As above.
82	inPZU Akcje Rynku Surowców	Warsaw	15.12.2021	n/a	n/a	As above.
83	inPZU Akcje Rynku Złota	Warsaw	15.12.2021	n/a	n/a	As above.
84	inPZU Akcje Sektora Zielonej Energii	Warsaw	15.12.2021	n/a	n/a	As above.
85	inPZU Akcje Sektora Informatycznego	Warsaw	15.12.2021	n/a	n/a	As above.
86	inPZU Akcje Sektora Nieruchomości	Warsaw	15.12.2021	n/a	n/a	As above.
87	inPZU Akcje Europejskie	Warsaw	15.12.2021	n/a	n/a	As above.
88	inPZU Obligacje Inflacyjne	Warsaw	15.12.2021	n/a	n/a	As above.
89	PZU Akcji Globalnych Trendów	Warsaw	12.04.2023	n/a	n/a	As above.
90	inPZU Akcje Sektora Biotechnologii	Warsaw	7.09.2023	n/a	n/a	As above.
91	inPZU Akcje Sektora Cyberbezpieczeństwa	Warsaw	7.09.2023	n/a	n/a	As above.
92	inPZU Sektora Technologii Kosmicznych	Warsaw	7.09.2023	n/a	n/a	As above.
93	inPZU Akcje Sektora Zrównoważonej Gospodarki Wodnej	Warsaw	7.09.2023	n/a	n/a	As above.
94	inPZU Zielone Obligacje	Warsaw	7.09.2023	n/a	n/a	As above.
95	inPZU Obligacje Korporacyjne High Yield	Warsaw	7.09.2023	n/a	n/a	As above.
96	inPZU Puls Życia 2070	Warsaw	4.01.2024	n/a	n/a	As above.
Consolidated companies – special purpose vehicles of PZU FIZ Sektor Nieruchomości 2						
97	PH 3 sp. z o.o.	Warsaw	28.01.2011	100.00%	100.00%	Real property management.
98	PH 3 sp. z o.o. SKA	Warsaw	28.01.2011	100.00%	100.00%	Real property management.
99	Portfel Alliance Silesia I BIS sp. z o.o.	Warsaw	29.03.2013	100.00%	100.00%	Real property management.
100	Portfel Alliance Silesia III sp. z o.o.	Warsaw	2.10.2012	100.00%	100.00%	Real property management.
101	Portfel Alliance Silesia IV sp. z o.o.	Warsaw	4.10.2012	100.00%	100.00%	Real property management.
102	Portfel Alliance Silesia V sp. z o.o.	Warsaw	8.10.2012	100.00%	100.00%	Real property management.
103	Portfel Alliance Silesia VII sp. z o.o.	Warsaw	4.10.2012	100.00%	100.00%	Real property management.
104	Portfel PB 1 sp. z o.o.	Warsaw	3.10.2012	100.00%	100.00%	Real property management.
105	Portfel PB 2 sp. z o.o.	Warsaw	8.10.2012	100.00%	100.00%	Real property management.
106	Portfel of PH 1 sp. z o.o.	Warsaw	2.10.2012	100.00%	100.00%	Real property management.

(in millions of PLN)

No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 March 2024	31 December 2023	
Consolidated companies – special purpose vehicles of PZU FIZ Sektor Nieruchomości 2						
107	Portfel PH 2 sp. z o.o.	Warsaw	8.10.2012	100.00%	100.00%	Real property management.
108	EBP 1 sp. z o. o.	Warsaw	28.09.2018	100.00%	100.00%	Real property management.
109	EBP 2 sp. z o. o.	Warsaw	11.07.2012	100.00%	100.00%	Real property management.
110	EBP 3 Sp. z o.o.	Warsaw	13.07.2012	100.00%	100.00%	Real property management.
111	Ogrody Lubicz sp. z o.o.	Kraków	25.07.2012	100.00%	100.00%	Real property management.
112	Portfel PM 1 sp. z o.o.	Warsaw	9.10.2012	100.00%	100.00%	Real property management.
113	3 PB 1 sp. z o.o.	Warsaw	22.03.2012	100.00%	100.00%	Real property management.
114	3 PB 1 sp. z o.o. SKA	Warsaw	22.03.2012	100.00%	100.00%	Real property management.
115	Portfel2 PH5 sp. z o.o.	Warsaw	28.11.2014	100.00%	100.00%	Real property management.
116	2 PB 1 sp. z o.o.	Warsaw	13.12.2011	100.00%	100.00%	Real property management.
117	2 PB1 sp. z o.o. SKA	Warsaw	13.12.2011	100.00%	100.00%	Real property management.
118	2 PB 2 sp. z o.o.	Warsaw	8.02.2012	100.00%	100.00%	Real property management.
119	2PB3 sp. z o.o.	Warsaw	12.07.2012	100.00%	100.00%	Real property management.
120	2PB4 sp. z o.o.	Warsaw	11.07.2012	100.00%	100.00%	Real property management.
121	2PB5 sp. z o.o.	Warsaw	25.07.2012	100.00%	100.00%	Real property management.
122	2 PM 1 sp. z o.o.	Warsaw	28.03.2014	100.00%	100.00%	Real property management.
123	2PM2 sp. z o.o.	Warsaw	4.12.2012	100.00%	100.00%	Real property management.
124	2 PM 3 sp. z o.o.	Warsaw	13.08.2014	100.00%	100.00%	Real property management.
125	2PM4 sp. z o.o.	Warsaw	7.11.2014	100.00%	100.00%	Real property management.
126	2 PM 5 sp. z o.o.	Warsaw	7.11.2014	100.00%	100.00%	Real property management.
Associates						
127	Sigma BIS SA	Warsaw	3.10.2019	34.00%	34.00%	Advertising activity.
128	RUCH SA	Warsaw	23.12.2020	30.92%	30.92%	Retail sale of newspapers and stationery in specialized stores. https://ruch.com.pl/
129	Krajowy Integrator Płatności SA [3)]	Poznań	31.03.2021	7.67%	7.67%	Other monetary intermediation. https://tpay.com/

[1)] PZU directly holds a 33.5% equity stake in Pekao Financial Services sp. z o.o. while Pekao holds 66.5%.
[2)] On 30 April 2024, the company merged with PZU Zdrowie SA. The transaction will not affect the PZU Group's consolidated financial statements.
[3)] Pekao's associate in which it holds a 38.33% stake. Consequently, the PZU Management Board recognizes that the PZU Group has significant influence over this company.

(in millions of PLN)

2.3 Changes in the scope of consolidation and structure of the PZU Group

The accounting policy concerning the settlement of acquisition transactions is presented in detail in the consolidated financial statements for 2023.

The changes in the scope of consolidation and in the PZU Group's structure that occurred in the 3-month period ended 31 March 2024 are presented in the following sections.

2.3.1. 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.

On 25 January 2024, upon fulfillment of the conditions precedent, the transaction was finalized and PG TUW and PG TUWnŻ became subsidiaries of PZU and were consolidated in the consolidated financial statements of the PZU Group.

The purpose of the transaction was to increase the PZU Group's written premiums, strengthen cooperation with the Seller's Group and increase the value of the PZU Group's assets under management accumulated by EPS participants.

Provisional accounting for the acquisition

The accounting for the acquisition of PG TUW and PG TUWnŻ was carried out on the basis of the data of these companies compiled as of 31 January 2024. There were no significant differences in accounting data between 25 January and 31 January 2024.

In the course of calculating goodwill, the book values of the assets and liabilities of PG TUW and PG TUWnŻ were updated to fair value and intangible assets not previously reported as assets were identified.

As at the date of publication of the condensed interim consolidated financial statements, the process of accounting for the acquisition had not been completed.

Provisional fair value of assets acquired and liabilities assumed at the time of obtaining control	31 January 2024
Intangible assets	8
Deferred tax assets	1
Property, plant and equipment	1
Insurance contract assets	8
Reinsurance contract assets	85
Investment financial assets	336
Measured at amortized cost	24
Measured at fair value through profit or loss	312
Cash and cash equivalents	4
Assets, total	**443**
Insurance contract liabilities	111
Reinsurance contract liabilities	23
Subordinated liabilities	28
Liabilities	223
Obligations, total	**385**
Fair value of net assets acquired	**58**

(in millions of PLN)

Calculation of goodwill	31 January 2024
Consideration transferred	47
Estimated purchase price adjustment	11
Fair value of net assets acquired	(58)
Goodwill	-

2.3.2. Changes to consolidation of mutual funds

On 4 January 2024, the newly-registered inPZU Puls Życia 2070 fund, which PZU Group controls, was consolidated.

2.4 Non-controlling interests

The table below presents subsidiaries with certain non-controlling interests (at present or in the past):

Name of the entity	31 March 2024	31 December 2023
Pekao [1)]	79.98%	79.98%
Alior Bank [2)]	68.07%	68.07%
Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o.	43.00%	43.00%
Sanatorium Uzdrowiskowe "Krystynka" sp. z o.o.	0.91%	0.91%
PZU LT GD	0.66%	0.66%

[1)] As a result, PZU also holds non-controlling interests in the Pekao's subsidiaries listed in the table in section 2.2.
[2)] As a result, PZU also holds non-controlling interests in the Alior Bank's subsidiaries listed in the table in section 2.2.

Carrying amount of non-controlling interests	31 March 2024	31 December 2023
Pekao Group	25,358	24,260
Alior Bank Group	6,584	6,194
Other	1	1
Total	**31,943**	**30,455**

Both Pekao and Alior Bank conduct operations primarily in the territory of Poland. The tables below present condensed financial information for the Pekao Group and the Alior Bank Group included in the consolidated financial statements (without consolidation eliminations). The data of the Pekao Group and the Alior Bank Group incorporate the effect of adjustments resulting from the measurement of assets and liabilities to fair value as at the date control was acquired and their subsequent amortization over time.

(in millions of PLN)

Assets	Pekao Group		Alior Bank Group	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023
Goodwill	693	693	-	-
Intangible assets	2,087	2,101	419	411
Deferred tax assets	1,195	1,105	961	1,018
Other assets	250	156	110	64
Property, plant and equipment	2,092	2,066	743	743
Entities accounted for using the equity method	56	54	-	-
Assets held for sale	29	33	-	-
Assets securing liabilities	1,360	1,648	16	47
Loan receivables from clients	161,361	158,502	61,402	59,850
Financial derivatives	9,294	10,122	476	663
Investment financial assets	119,251	111,427	23,524	23,358
Measured at amortized cost	102,546	94,926	3,455	7,790
Measured at fair value through other comprehensive income	14,756	14,830	19,943	15,472
Measured at fair value through profit or loss	1,949	1,671	126	96
Current income tax receivables	4	1	1	1
Other receivables	2,818	3,103	1,500	1,542
Cash and cash equivalents	16,916	14,715	2,056	2,259
Total assets	**317,406**	**305,726**	**91,208**	**89,956**

Equity and liabilities	Pekao Group		Alior Bank Group	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023
Equity				
Equity attributable to equity holders of the parent company	31,706	30,335	9,673	9,099
Share capital	263	263	1,306	1,306
Other capital	21,574	21,725	5,890	5,900
Retained earnings	9,869	8,347	2,477	1,893
Non-controlling interests	13	12	-	-
Total equity	**31,719**	**30,347**	**9,673**	**9,099**
Liabilities				
Subordinated liabilities	2,831	2,781	776	1,160
Liabilities on the issue of own debt securities	11,903	9,958	1,888	2,109
Liabilities to banks	6,298	6,759	269	288
Liabilities to clients under deposits	241,579	231,497	74,947	73,078
Derivatives	10,061	10,724	851	903
Current income tax liabilities	1,798	1,492	74	324
Other liabilities	9,342	10,267	2,426	2,674
Provisions	1,855	1,880	302	319
Deferred tax liabilities	20	21	2	2
Total liabilities	**285,687**	**275,379**	**81,535**	**80,857**
Total equity and liabilities	**317,406**	**305,726**	**91,208**	**89,956**

(in millions of PLN)

Consolidated profit and loss account for the period from 1 January to 31 March 2024	**PZU Group**	**Elimination of Pekao's data**	**Elimination of Alior Bank's data**	**Elimination of consolidation adjustments**	**PZU Group without Pekao and Alior Bank**
Insurance service result before reinsurance	1,178	-	-	-	1,178
Insurance revenue	7,012	-	-	-	7,012
Insurance service expenses	(5,834)	-	-	-	(5,834)
Net income or expenses from reinsurance contracts held	(391)	-	-	-	(391)
Reinsurance premium allocation	(425)	-	-	-	(425)
Amounts recoverable from reinsurers	34	-	-	-	34
Insurance service result	787	-	-	-	787
Insurance finance income or expenses	(484)	-	-	-	(484)
Financial income and expenses from reinsurance	45	-	-	-	45
Interest income calculated using the effective interest rate	6,953	(4,591)	(1,811)	61	612
Other net investment income	53	(44)	18	(2)	25
Result on derecognition of financial instruments and investments	406	(41)	11	-	376
Movement in allowances for expected credit losses and impairment losses on financial instruments	(206)	110	101	-	5
Net movement in fair value of assets and liabilities measured at fair value	(22)	(44)	(34)	-	(100)
Revenue from commissions and fees	1,345	(870)	(441)	41	75
Fee and commission expenses	(433)	206	232	(6)	(1)
Operating costs of banks	(1,651)	1,194	501	(44)	-
Interest expenses	(2,049)	1,461	541	(14)	(61)
Other operating income	462	(76)	(44)	15	357
Other operating expenses	(1,436)	705	150	(51)	(632)
Operating profit (loss)	**3,770**	**(1,990)**	**(776)**	-	**1,004**
Share of the net financial results of entities accounted for using the equity method	3	(2)	-	-	1
Profit (loss) before tax	**3,773**	**(1,992)**	**(776)**	-	**1,005**
Income tax	(888)	448	192	-	(248)
Net profit (loss)	**2,885**	**(1,544)**	**(584)**	-	**757**

(in millions of PLN)

Consolidated profit and loss account for the period from 1 January to 31 March 2023 (restated)	**PZU Group**	**Elimination of Pekao's data**	**Elimination of Alior Bank's data**	**Elimination of consolidation adjustments**	**PZU Group without Pekao and Alior Bank**
Insurance service result before reinsurance	(123)	-	-	-	(123)
Insurance revenue	6,399	-	-	-	6,399
Insurance service expenses	(6,522)	-	-	-	(6,522)
Net income or expenses from reinsurance contracts held	979	-	-	-	979
Reinsurance premium allocation	(365)	-	-	-	(365)
Amounts recoverable from reinsurers	1,344	-	-	-	1,344
Insurance service result	856	-	-	-	856
Insurance finance income or expenses	(477)	-	-	-	(477)
Financial income and expenses from reinsurance	13	-	-	-	13
Interest income calculated using the effective interest rate	6,568	(4,268)	(1,789)	45	556
Other net investment income	173	(83)	(64)	(3)	23
Result on derecognition of financial instruments and investments	171	23	(2)	-	192
Movement in allowances for expected credit losses and impairment losses on financial instruments	(351)	109	251	-	9
Net movement in fair value of assets and liabilities measured at fair value	160	(115)	48	-	93
Revenue from commissions and fees	1,285	(855)	(408)	37	59
Fee and commission expenses	(376)	172	206	(3)	(1)
Operating costs of banks	(1,498)	1,093	444	(39)	-
Interest expenses	(2,196)	1,472	682	(17)	(59)
Other operating income	409	(72)	(44)	3	296
Other operating expenses	(1,323)	596	158	(23)	(592)
Operating profit (loss)	**3,414**	**(1,928)**	**(518)**	-	**968**
Share of the net financial results of entities accounted for using the equity method	2	(1)	-	-	1
Profit (loss) before tax	**3,416**	**(1,929)**	**(518)**	-	**969**
Income tax	(844)	468	145	-	(231)
Net profit (loss)	**2,572**	**(1,461)**	**(373)**	-	**738**

Statement of comprehensive income	**Pekao Group**		**Alior Bank Group**	
	1 January – 31 March 2024	**1 January– 31 March 2023**	**1 January – 31 March 2024**	**1 January– 31 March 2023**
Net profit	1,544	1,461	584	373
Net other comprehensive income	(169)	928	(10)	373
Subject to subsequent transfer to profit or loss	(123)	885	(11)	370
Valuation of debt instruments	68	414	66	110
Reclassification of debt instruments valuation for the profit and loss account	(1)	5	(1)	-
Measurement of loan receivables from clients	(1)	(1)	-	-
Foreign exchange translation differences	-	-	(2)	-
Cash flow hedging	(218)	675	(76)	347
Income tax	29	(208)	2	(87)
Not to be reclassified to profit or loss in the future	(46)	43	1	3
Valuation of equity instruments	(57)	53	1	4
Income tax	11	(10)	-	(1)
Total net comprehensive income	**1,375**	**2,389**	**574**	**746**

(in millions of PLN)

Statement of Cash Flows	Pekao Group		Alior Bank Group	
	1 January – 31 March 2024	1 January – 31 March 2023	1 January – 31 March 2024	1 January – 31 March 2023
Net cash flows from operating activities	7,565	14,521	362	1,612
Net cash flows from investing activities	(7,015)	(12,164)	123	223
Net cash flows from financing activities	1,676	211	(677)	212
Total net cash flows	**2,226**	**2,568**	**(192)**	**2,047**

Dividend-related information	Pekao Group		Alior Bank Group	
	1 January – 31 March 2024	1 January – 31 March 2023	1 January – 31 March 2024	1 January – 31 March 2023
Date of ratifying the dividend	17 April 2024	-	26 April 2024	-
Record date	24 April 2024	-	10 May 2024	-
Dividend payment date	10 May 2024	-	24 May 2024	-
Dividend per share (PLN)	19.20	-	4.42	-
Dividend attributable to PZU Group	1,009	-	184	-
Dividend attributable to non-controlling interest	4,030	-	393	-

3. Shareholder structure

As at the date of submission of this interim report, PZU's shareholding structure, including shareholders holding at least 5% of votes at the General Meeting of PZU, was as follows:

No.	Shareholder's name	Number of shares and votes at the Shareholder Meeting	Percentage held in the share capital and in the total number of votes at the General Meeting of Shareholders
1	State Treasury	295,217,300	34.1875%
2	BlackRock, Inc.	43,205,852	5.0034%
3	Other shareholders	525,099,848	60.8091%
Total		**863,523,000**	**100%**

3.1 Indication of changes in the ownership structure of significant shareholdings in the issuer

As a result of the sale of PZU shares on 23 April 2024, the total shareholding of BlackRock, Inc. in the share capital and the total number of votes at the General Meeting of Shareholders of PZU is below 5% as of 25 April 2024. Before the transaction was settled, BlackRock, Inc. had held a total of 43,542,333 PZU shares, corresponding to 5.037% of the share capital and entitling to exercise 43,542,333 votes, that is 5.037% of the total number of votes at the General Meeting of Shareholders of PZU. After the transaction had been settled, BlackRock, Inc. held a total of 43,141,141 shares, corresponding to 4.991% of the share capital and entitling to exercise 43,141,141 votes, that is 4.991% of the total number of votes at the General Meeting of Shareholders of PZU.

As a result of the acquisition of PZU shares on 26 April 2024, the total shareholding of BlackRock, Inc. in the share capital and the total number of votes at the General Meeting of PZU is 5% as of 30 April 2024. Before the transaction was settled, BlackRock, Inc. had held a total of 43,152,066 PZU shares, corresponding to 4.992% of the share capital and entitling to exercise 43,152,066 votes, that is 4.992% of the total number of votes at the General Meeting of Shareholders of PZU. After the transaction had been settled, BlackRock, Inc. held 43,182,512 shares, corresponding to 5% of the share capital and entitling to exercise 43,182,512 votes, that is 5% of the total number of votes at the General Meeting of Shareholders of PZU.

As a result of the sale of PZU shares on 30 April 2024, the total shareholding of BlackRock, Inc. in the share capital and the total number of votes at the General Meeting of PZU is below 5% as of 2 May 2024. Before the transaction was settled, BlackRock, Inc. had held a total of 43,234,186 PZU shares, corresponding to 5.002% of the share capital and entitling to exercise 43,234,186 votes, that is 5.002% of the total number of votes at the General Meeting of Shareholders of PZU. After the transaction had been settled, BlackRock, Inc. held a total of 43,164,233 shares, corresponding to 4.998% of the share capital and entitling to exercise 43,164,233 votes, that is 4.998% of the total number of votes at the General Meeting of Shareholders of PZU.

As a result of the acquisition of PZU shares on 8 May 2024, the total shareholding of BlackRock, Inc. in the share capital and the total number of votes at the General Meeting of PZU is 5% as of 9 May 2024. Before the transaction was settled, BlackRock, Inc. had held a total of 43,075,685 PZU shares, corresponding to 4.981% of the share capital and entitling to exercise 43,075,685 votes, that is 4.981% of the total number of votes at the General Meeting of Shareholders of PZU. After the transaction had been settled, BlackRock, Inc. held 43,205,852 shares, corresponding to 5% of the share capital and entitling to exercise 43,205,852 votes, that is 5% of the total number of votes at the General Meeting of Shareholders of PZU.

3.2 Shares or rights to shares held by persons managing or supervising PZU

At the date of conveying this interim report and as at the date of conveying the annual report for 2023 (i.e. at 21 March 2024), PZU shares were held by:

- PZU Management Board Member Tomasz Kulik – 2,847 PZU shares;
- PZU Supervisory Board Member Adam Uszpolewicz – 5,150 shares.

Other members of the Management Board, Supervisory Board or the Directors of the Group did not hold PZU shares or rights to them either at the date of conveying this interim report or at the date of conveying the annual report for 2023.

4. Key management personnel – Management Board of the parent company and Directors of PZU Group

4.1 Management Board of the parent company

From 1 January 2024, the composition of the Management Board of PZU was as follows:

- Beata Kozłowska-Chyła – President of the Management Board of PZU;
- Ernest Bejda – Member of the Management Board of PZU;
- Małgorzata Kot – Member of the Management Board of PZU;
- Krzysztof Kozłowski – Member of the Management Board of PZU;
- Tomasz Kulik – Member of the Management Board of PZU;
- Piotr Nowak – Member of the PZU Management Board;
- Maciej Rapkiewicz – Member of the PZU Management Board;
- Małgorzata Sadurska – Member of the PZU Management Board.

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 (until the appointment 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, the PZU Supervisory Board appointed the following to the Management Board of PZU:

- Artur Olech, entrusting him with the position of the President of the PZU Management Board, pending approval from KNF;
- Bartosz Grześkowiak, entrusting him with the position of Member of the PZU Management Board;
- Elżbieta Häuser–Schöneich, entrusting her with the position of Member of the PZU Management Board;
- Jan Zimowicz, entrusting him with the position of Member of the PZU Management Board;

The resolutions came into force upon their adoption.

All the appointments took place on 12 April 2024 for a joint term of office, encompassing three full financial years 2023–2025.

On 25 April 2024, the PZU Supervisory Board passed a resolution to revoke the delegation of PZU Supervisory Board Member Michał Bernaczyk to temporarily perform the function of PZU Management Board Member, effective 15 May 2024.

From 16 May 2024 to the date of signing the condensed interim financial statements, the PZU Management Board consisted of the following persons:

- Artur Olech – Member of the PZU Management Board in charge of the work of the Management Board, pending the consent of the Polish Financial Supervision Authority (KNF);
- Bartosz Grześkowiak – Member of the PZU Management Board;
- Elżbieta Häuser–Schöneich - Member of the PZU Management Board;
- Tomasz Kulik – Member of the PZU Management Board;
- Maciej Rapkiewicz – Member of the PZU Management Board;
- Jan Zimowicz – Member of the PZU Management Board.

4.2 PZU Group Directors

From 1 January 2024, the following persons were PZU Group Directors:

- Aleksandra Agatowska (PZU);
- Ernest Bejda (PZU Życie);
- Andrzej Jaworski (PZU);
- Krzysztof Kozłowski (PZU Życie);
- Bartłomiej Litwińczuk (PZU);
- Dorota Macieja (PZU);
- Sylwia Matusiak (PZU);
- Piotr Nowak (PZU Życie);
- Małgorzata Sadurska (PZU Życie);
- Małgorzata Skibińska (PZU i PZU Życie);
- Dominik Witek (PZU).

On 23 February 2024, Ernest Bejda, Krzysztof Kozłowski, Piotr Nowak and Małgorzata Sadurska ceased to hold the position of the PZU Group Director in PZU Życie.

On 21 April 2024, Aleksandra Agatowska, Andrzej Jaworski, Bartłomiej Litwińczuk, Dorota Macieja, Sylwia Matusiak and Dominik Witek ceased to hold the position of PZU Group Director at PZU.

As of 22 April 2024, Jarosław Mastalerz and Iwona Wróbel were appointed as PZU Group Directors, while Bartosz Grześkowiak, Elżbieta Häuser-Schöneich and Jan Zimowicz were appointed as PZU Życie Directors.

As of 6 May 2024, Sławomir Bilik and Paweł Wajda were appointed as PZU Group Directors.

As of 16 May 2024, Paweł Wróbel was appointed as PZU and PZU Życie Group Director.

From 16 May 2024 until the date of signing the condensed interim consolidated financial statements, Directors of PZU Group were as follows:

- Bartosz Grześkowiak (PZU Życie);
- Elżbieta Häuser-Schöneich (PZU Życie);
- Jarosław Mastalerz (PZU);
- Małgorzata Skibińska (PZU i PZU Życie);
- Iwona Wróbel (PZU);
- Paweł Wróbel (PZU i PZU Życie);
- Jan Zimowicz (PZU Życie).

5. Parent Company's Supervisory Board

From 1 January 2024, the PZU Supervisory Board consisted of the following persons:

- Robert Jastrzębski – Chairman of the Supervisory Board;
- Paweł Górecki – Deputy Chairman of the Supervisory Board;
- Agata Górnicka – Secretary of the Supervisory Board;
- Marcin Chludziński – Member of the Supervisory Board;
- Marcin Kubicza – Member of the Supervisory Board;
- Krzysztof Opolski – Member of the Supervisory Board;
- Radosław Sierpiński – Member of the Supervisory Board;
- Józef Wierzbowski – Member of the Supervisory Board;
- Maciej Zaborowski – Member of the 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 Jonczyński, 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 Deputy Chair of the PZU Supervisory Board, and Anna Machnikowska – Secretary of the PZU Supervisory Board.

From 15 February 2024 until the date of signing the condensed interim consolidated financial statements, composition of the Supervisory Board of PZU was as follows:

- Marcin Kubicza – Chairman of the Supervisory Board (performing this function since 16 February 2024);
- Małgorzata Kurzynoga – Deputy Chair of the Supervisory Board (performing this function since 23 February 2024);
- Anna Machnikowska – Secretary of the Supervisory Board (performing this function since 23 February 2024);
- Michał Bernaczyk – Member of the PZU Supervisory Board (delegated to temporarily perform the function of the Member of the PZU Management Board from 23 February to 15 May 2024);
- Anita Elżanowska – Member of the PZU Supervisory Board (delegated to temporarily perform the function of the President of the PZU Management Board from 23 February to 11 April 2024);
- Filip Gorczyca – Member of the Supervisory Board;

(in millions of PLN)

- Michał Jonczyński – Member of the Supervisory Board;
- Andrzej Kaleta – Member of the Supervisory Board;
- Wojciech Olejniczak – Member of the Supervisory Board;
- Adam Uszpolewicz – Member of the Supervisory Board.

6. Key accounting policies, key estimates and judgments

Detailed accounting policies and critical estimates and judgments are presented in the consolidated financial statements of the PZU Group for 2023.

The accounting policies and calculation methods used in these condensed interim financial statements are the same as those used in the consolidated financial statements of the PZU Group for 2023.

6.1 Amendments to the applied IFRS

6.1.1. Standards, interpretations and amendments to standards effective from 1 January 2024

The following amendments to standards have been applied to the condensed interim consolidated financial statements.

Name of standard/interpretation	Approving regulation	Comment
Amendment to IFRS 16 – Leases	2023/2579	The amendment requires that when measuring lease liabilities arising from a leaseback, the seller (lessee) should not recognize any gain or loss related to the retained right of use. The change did not have any significant effect on the PZU Group's consolidated financial statements.
Amendment to IAS 1 – classifying liabilities as current and non-current	2023/2822	The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists and also that the intentions or expectations of an entity regarding the willingness to use the possibility of deferring a liability are not relevant for the classification. The amendments did not exert a material influence on the PZU Group's consolidated financial statements.

6.1.2. Standards, interpretations and amended standards not yet effective

The following changes have not yet been approved by the European Commission:

Name of standard/ interpretation	Date of issue by the IASB	Effective date (according to IASB)	Comment
Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments – Disclosures	25 May 2023	1 January 2024	The amendments relate to disclosure requirements (qualitative and quantitative) on supplier financing arrangements. Entities will be required to disclose information to assess how supplier arrangements affect the entity's liabilities and cash flows and to understand the impact of supplier arrangements on the entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to the entity. The amendment introduces disclosure requirements on: • the terms and conditions of the supplier finance arrangements; • for the arrangements, as at the beginning and end of the reporting period: – the carrying amounts of financial liabilities that are part of the arrangement and the associated line item presented; – the carrying amount of financial liabilities disclosed referred to above for which suppliers have already received payment from the finance providers; – the range of payment due dates of financial liabilities referred to above and comparable trade payables that are not part of a supplier finance arrangement; and • the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of the arrangement. Supplier financing arrangements are also added as an example under the liquidity risk disclosure requirements. The amendment will not have a significant impact on the consolidated financial statements of PZU Group.
Amendments to IAS 21 – The effects of changes in foreign exchange rates	16 August 2023	1 January 2025	The amendments relate to requirements to be applied by entities when the foreign currency is not exchangeable. The amendments include: • specify when a currency is exchangeable and when it is not; • specify how an entity determines the exchange rate to apply when a currency is not exchangeable; • require the disclosure of additional information when a currency is not exchangeable- evaluation how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. The amendment will not affect the PZU Group's consolidated statements to any significant extent.

(in millions of PLN)

Name of standard/ interpretation	Date of issue by the IASB	Effective date (according to IASB)	Comment
IFRS 18 – Presentation and disclosures in financial statements	9 April 2024	1 January 2027	IFRS 18 to replace IAS 1 – Presentation of Financial Statements The new standard aims to improve information on the financial performance of entities. The new requirements include, among others: • presentation of the profit and loss account, in particular the disclosure of specific totals and subtotals – all income and expenses will have to be classified into one of five categories – operating, investment, finance, income tax and discontinued operations. The presentation of the operating result, the result before financing and income tax and profit or loss will be compulsory; • the performance measures used by management, defining them as subtotals that the entity uses in external communications, outside the financial statements, presenting a management perspective on the performance of the entity. IFRS 18 will require disclosure of all of an entity's performance measures in a single note, including how the measure was calculated, its value in use and a reconciliation to the most comparable value, in accordance with IFRS 18; • guidelines on aggregation and disaggregation of financial information. Some of the requirements will remain unchanged from IAS 1. Some of the requirements will be transferred from IAS 1 to IAS 8. Modifications will also be made to IAS 7 and IAS 34. The application of the new standard will affect the disclosures presented in the PZU Group's consolidated financial statements. PZU Group is in the process of analyzing this impact.

PZU Group does not expect the introduction of the above standards and interpretations to have a significant impact on the accounting policies applied by PZU Group.

6.2 Adjustment of comparative data

In the consolidated financial statements of the PZU Group for 2023, the PZU Group:

- has decided to change the treatment of accounting estimates made in the condensed interim financial statements prepared throughout 2023 related to the implementation of IFRS 17;
- has made presentation amendments to the data presented in the condensed interim consolidated financial statements for Q1 2023:
  - in the consolidated profit and loss account – the presentation of fee and commission income and expenses, other operating income and expenses presented separately and a change in the presentation of interest income on derivative hedging instruments;
  - in the consolidated statement of comprehensive income – the presentation on a separate line of the reclassification of the valuation of debt financial instruments to the consolidated profit and loss account and the breakdown of income tax into the part subject to and not subject to transfer to the consolidated profit and loss account.

(in millions of PLN)

The tables present the impact of the changes on the interim consolidated profit and loss account and interim statement of comprehensive income for the period 1 January – 31 March 2023.

Consolidated profit and loss account	1 January – 31 March 2023 (prior to restatement)	Movement arising from IFRS 17	Presentation changes	1 January – 31 March 2023 (restated)
Insurance service result before reinsurance	(125)	2	-	(123)
Insurance revenue	6,401	(2)	-	6,399
Insurance service expenses	(6,526)	4	-	(6,522)
Net income or expenses from reinsurance contracts held	979	-	-	979
Reinsurance premium allocation	(366)	1	-	(365)
Amounts recoverable from reinsurers	1,345	(1)	-	1,344
Insurance service result	854	2	-	856
Insurance finance income or expenses	(475)	(2)	-	(477)
Financial income and expenses from reinsurance	14	(1)	-	13
Interest income calculated using the effective interest rate	6,843	-	(275)	6,568
Other net investment income	(102)	-	275	173
Result on derecognition of financial instruments and investments	171	-	-	171
Movement in allowances for expected credit losses and impairment losses on financial instruments	(349)	(2)	-	(351)
Net movement in fair value of assets and liabilities measured at fair value	160	-	-	160
Revenue from commissions and fees	n/a	-	1,285	1,285
Fee and commission expenses	n/a	-	(376)	(376)
Fee and commission result	909	-	(909)	n/a
Operating costs of banks	(1,489)	(9)	-	(1,498)
Interest expenses	(2,196)	-	-	(2,196)
Other operating income	n/a	–	409	409
Other operating expenses	n/a	16	(1,339)	(1,323)
Other operating income and expenses	(930)	-	930	n/a
Operating profit	**3,410**	**4**	**-**	**3,414**
Share of the net financial results of entities accounted for using the equity method	2	-	-	2
Profit before tax	**3,412**	**4**	**-**	**3,416**
Income tax	(835)	(9)	-	(844)
Net profit, including:	**2,577**	**(5)**	**-**	**2,572**
- profit attributable to the equity holders of the Parent Company	1,155	(5)	-	1,150
- profit attributable to holders of non-controlling interests	1,422	-	-	1,422

(in millions of PLN)

Consolidated statement of comprehensive income	1 January – 31 March 2023 (prior to restatement)	Movement arising from IFRS 17	Presentation changes	1 January – 31 March 2023 (restated)
Net profit	2,577	(5)	-	2,572
Net other comprehensive income	n/a	19	910	929
Gross other comprehensive income	1,121	-	(1,121)	n/a
Subject to subsequent reclassification to profit or loss	1,189	19	(224)	984
Valuation of debt instruments	838	-	(6)	832
Reclassification of debt instruments valuation for the profit and loss account	n/a	-	6	6
Measurement of loan receivables from clients	(1)	-	-	(1)
Insurance finance income or expenses	(734)	25	-	(709)
Financial income and expenses from reinsurance	(12)	(1)	-	(13)
Foreign exchange translation differences	(6)	-	-	(6)
Cash flow hedging	1,104	-	-	1,104
Income tax	n/a	(5)	(224)	(229)
Not to be reclassified to profit or loss in the future	(68)	-	13	(55)
Valuation of equity instruments	(75)	-	-	(75)
Reclassification of real property from property, plant and equipment to investment property	7	-	-	7
Income tax	n/a	-	13	13
Tax recognized in other comprehensive income	(211)	-	211	n/a
Total net comprehensive income	**3,487**	**14**	**-**	**3,501**
- comprehensive income attributable to equity holders of the Parent Company	1,068	14	-	1,082
- comprehensive income attributable to holders of non-controlling interests	2,419	-	-	2,419

6.3 Use of estimates and assumptions

The PZU Group has evaluated the estimates and assumptions made that affect the value of its individual assets and liabilities, as well as income and expenses presented in the condensed interim financial statements. Given the uncertainty of further economic developments, in particular due to the ongoing armed conflict in Ukraine, the estimates made may change in the future. Uncertainties relate primarily to projections of macroeconomic assumptions, in particular those relating to key economic indicators (inflation, market interest rate levels, the level of the expected economic downturn, GDP, employment, housing prices, possible disruptions to capital markets), possible disruptions to activity resulting from decisions taken by state institutions, businesses and consumers, the effectiveness of aid programs designed to support businesses and consumers, and the development of mortality and other insurance risks.

6.3.1. Assets and liabilities under insurance and reinsurance contracts

Significant assumptions regarding the valuation of assets and liabilities under insurance and reinsurance contracts are presented in section 10.1.1.

6.3.2. Impairment and expected credit losses

In preparing the condensed interim consolidated financial statements, PZU Group took into account the economic conditions (such as market prices, interest rates or exchange rates) that existed as at the balance sheet date.

Information on changes in impairment losses is presented in section 10.26.

6.3.3. Goodwill

PZU Group did not recognize any goodwill impairment losses in the 3-month period ended 31 March 2024.

6.3.4. Provision for potential refunds of borrowing costs

On an ongoing basis, the PZU Group monitors the value of estimated prepayments of consumer loans and takes into account the most recent data on incoming complaints and reimbursement amounts when calculating the value of the provision for potential reimbursements of loan costs. Detailed information on this subject is presented in section 10.36.

6.3.5. Legal risk provision for foreign currency mortgage loans in Swiss francs

As at 31 March 2024, the PZU Group assessed the probability of an impact of a legal risk of Swiss franc foreign currency mortgages on future expected cash flows from credit exposures and the probability of cash outflows.

Given the inconsistent court jurisprudence and the relatively short period of historical data on lawsuits, estimating the provision involves taking into account expert assumptions and is subject to significant uncertainty.

For more information thereon please see section 10.36.

7. Major events that have a significant impact on the structure of items of the financial statements

In the 3-month period ended 31 March 2024, there were no events that resulted in any significant change to the structure of financial statement line items.

8. Corrections of errors from previous years

In the 3-month period from 1 January to 31 March 2024, no corrections of errors from previous years were made.

9. Significant events after the end of the reporting period

9.1 Amendment to the Act on Support to Home Loan Borrowers

On 12 April 2024, the Sejm passed the amended Act on Support to Home Loan Borrowers who have taken a home loan and are in financial distress as well as the Act on social funding for economic ventures and borrower assistance (the “Act”). On 18 April 2024, the Act was approved by the Senate and signed by the President on 6 May 2024.

The aim of the Act is to allow borrowers with PLN mortgages to use the facility to suspend loan repayments – twice between 1 June and 31 August 2024, and twice between 1 September and 31 December 2024. The client may suspend repayment of the loan in only one agreement concluded to meet their own housing needs, which meets the following conditions:

- it concerns a loan granted in PLN, excluding loans indexed or denominated to another currency;
- it was concluded before 1 July 2022;
- the value of the loan granted does not exceed PLN 1.2 million;
- the loan instalment exceeds 30 per cent of the household income, calculated as an average for the previous three months, or the borrower has at least three dependent children (as at the date of application).

Due to the entry into force of the Act, the PZU Group will recognize in the results of the second quarter of 2024 the cost related to the modification of PLN mortgage loan agreements granted to consumers. The PZU Group estimates that the decrease in gross financial result in this respect will amount to approximately PLN 630 million. This estimate will be periodically verified, in particular with respect to the assumed level of customer participation, and its update will be included in the current financial results of the PZU Group.

9.2 Bond issuance at Pekao

On 26 April 2024, Pekao issued 5-year senior non-preferred notes (“SNP bonds”) with the total nominal value of PLN 500 million. The SNP bonds have an option giving Pekao the right to redeem them early within 4 years or 4.5 years from the date of issue or in other cases indicated in the terms and conditions of issue (regulatory change of bond classification, change of bond taxation), subject to the approval of the BGF, if such approval is required, SNP bonds, in accordance with Art. 97A.1.2 of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and resolution, will be Pekao’s eligible liabilities. The bonds were listed on the ATS Catalyst market.

10. Notes to the condensed interim consolidated financial statements

10.1 Insurance and reinsurance contracts

10.1.1. Key assumptions

For the purposes of estimating future cash flows for the measurement of the liability for remaining coverage, the PZU Group applies the following key assumptions:

- loss ratios – assumptions are based on historical observations as well as the PZU Group's own assessment of expected claims patterns for new insurance contracts;
- mortality – assumptions are based on life tables published by the Central Statistical Office, which are adjusted to reflect historical observations on mortality in the PZU Group's insurance contracts portfolio, taking into account expert judgment;
- morbidity – assumptions are based on historical observations in the PZU Group's insurance contracts portfolio, taking into account expert judgment;
- lapse rates – assumptions are based on historical lapse levels in the PZU Group's insurance contracts portfolio, taking into account expert judgment;
- expenses – assumptions are based on the PZU Group’s own assessment of the level of future expenses adopted in the financial planning process for the following year. The projected level of future costs takes into account the development of the operations and cost inflation as a result of changes in the macroeconomic environment and the impact of inflation on individual areas of the PZU Group’s operations. Long-term assumptions are based on the National Bank of Poland’s inflation target.

For the purposes of estimating future cash flows for the measurement of the liability for incurred claims, PZU Group relies on historical data and standard actuarial methods for estimating the ultimate value of claims, such as the Chain-Ladder method or the Bornhuetter-Ferguson method. These methods assume that historical data are a good predictor of future expected claim development patterns. To assess the extent to which historical claim development patterns apply to the future, PZU Group uses a qualitative assessment that takes into account additional factors such as changes in the economic and legal environment, changes in the claims handling process, one-time events or changes in portfolio characteristics. Estimates are made at the level of homogeneous risk groups.

(in millions of PLN)

Cash flows for reported annuities are projected individually based on the current annuity amount, the expected annuity term and the expected growth rate. The annuity term is determined on the basis of the age and sex of the annuity recipient, based on mortality determined at 100% of the Polish Life Expectancy Tables 2019 ("PTTŻ 2019") and, in the case of temporary annuities, additionally on the basis of the end of the annuity payment. The annuity growth forecast is made on the basis of historical annuity increases.

Claims inflation was taken into account in the calculation, and a level similar to 2023 was assumed for 2024 – 7%, while for 2025 – 3.5%.

The calculation of the flows for potential compensation for harm to the next of kin of a victim who has suffered a severe and permanent injury was based on an estimate of the number of authorized persons and the average expected compensation.

Mortality assumptions for long-term products were made using the relative mortality method, based on the Polish Life Expectancy Tables 2018 ("PTTŻ 2018") and experience in the implementation of these tables. In other cases, mainly for short-term products, the assumption was set as the frequency of deaths per 1,000 insured persons, based on the PZU Group's current experience for these products, with the level of assumed mortality for the main group insurance portfolio being 83% of the average mortality determined on the Polish working-age population.

In the case of individually continued and traditional insurance, assumptions are set according to age and gender, taking other factors into account, and vary significantly depending on the product and the target customer group. Traditional insurance has a lower relative mortality rate – for whole life products the assumptions made are below 93% PTTŻ 2018 for ages up to 80 years. Above the age of 80 there is an interpolation to 100% PTTŻ 2018.

In the case of life and endowment insurance and dowry insurance, assumptions are made in the range of 34% – 57% PTTŻ 2018 for men and 48% – 71% PTTŻ 2018 for women.

Mortality rates for individually continued insurance range from 86% PTTŻ 2018 and do not exceed 100% PTTŻ 2018 for most of the insured.

Cash flow discounting

The table below shows the curves used to discount insurance contract cash flows for the main currencies. The "No premium" rows present the base curves for IFRS 17 portfolios in which no illiquidity premium has been added (applicable to group insurance, insurance with participation features, banking products and unit-linked products). The "Annuities" rows present curves used for the purposes of discounting the selected non-life annuities. In the line "IK" – curves used for the purposes of discounting selected individual life insurance products, in particular, the individually continued insurance contracts portfolio and term insurance.

Portfolio duration	31 March 2024					31 December 2023				
	1 year	5 years	10 years	20 years	40 years	1 year	5 years	10 years	20 years	40 years
No premium										
PLN	5.01%	5.19%	5.35%	5.02%	4.33%	4.95%	4.84%	5.10%	4.95%	4.36%
EUR	3.51%	2.55%	2.47%	2.42%	2.65%	3.36%	2.32%	2.39%	2.41%	2.71%
USD	5.04%	3.96%	3.81%	3.78%	3.38%	4.76%	3.50%	3.45%	3.46%	3.19%
GBP	4.87%	3.78%	3.64%	3.74%	3.47%	4.74%	3.36%	3.28%	3.43%	3.08%
NOK	4.43%	3.76%	3.57%	3.50%	3.43%	4.00%	3.31%	3.22%	3.27%	3.33%
Annuities										
PLN	5.31%	5.50%	5.65%	5.33%	4.63%	5.29%	5.18%	5.44%	5.28%	4.70%
EUR	3.55%	2.58%	2.50%	2.45%	2.69%	3.41%	2.38%	2.45%	2.46%	2.77%
IK										
PLN	5.21%	5.40%	5.55%	5.23%	4.53%	5.18%	5.07%	5.33%	5.17%	4.58%

(in millions of PLN)

Risk adjustment for non-financial risk

Confidence level for the risk adjustment was 79.6% as at 31 March 2024 (as at 31 December 2023: 79.6%).

10.1.2. Insurance revenue

Insurance revenue	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Contracts not measured under the PAA	2,142	2,010
Amounts relating to changes in liabilities for the remaining coverage	1,969	1,851
Expected incurred claims and other insurance service expenses	1,552	1,452
Release of the risk adjustment for non-financial risk for the period	43	41
Contractual service margin recognized in profit or loss for services provided	393	377
Other (including experience adjustments for premium receipts)	(19)	(19)
Recovery of insurance acquisition cash flows	173	159
Contracts measured under the PAA	4,870	4,389
Total insurance revenue	**7,012**	**6,399**

10.1.3. Reinsurance premium allocation

Allocation of premium for reinsurance contracts	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Contracts not measured under the PAA	-	-
Contracts measured under the PAA	(425)	(365)
Allocation of reinsurance premiums, total	**(425)**	**(365)**

(in millions of PLN)

10.1.4. Movement in insurance contract assets and liabilities

Movement in insurance contract assets and liabilities 1 January – 31 March 2024	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**24,890**	**538**	**795**	**14,841**	**1,153**	**42,217**
Assets	(129)	5	9	4	-	(111)
Liabilities	25,019	533	786	14,837	1,153	42,328
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(5,972)**	**78**	**1,913**	**3,131**	**(4)**	**(854)**
Insurance service result before reinsurance	(6,195)	74	1,906	3,049	(12)	(1,178)
Insurance revenue	(7,012)	-	-	-	-	(7,012)
Measured under the modified retrospective approach	(544)	-	-	-	-	(544)
Measured under the fair value	(10)	-	-	-	-	(10)
Other contracts	(6,458)	-	-	-	-	(6,458)
Insurance service expenses	1,139	74	1,596	3,037	(12)	5,834
Incurred claims and other insurance service expenses	-	(261)	1,596	3,037	(12)	4,360
Incurred in the period	-	(261)	1,660	3,046	118	4,563
Incurred in the past	-	-	(64)	(9)	(130)	(203)
Amortization of insurance acquisition cash flows	1,139	-	-	-	-	1,139
Losses and loss reversals on onerous contracts	-	335	-	-	-	335
investment component	(322)	-	310	12	-	-
Net finance expenses from insurance contracts	223	4	7	73	7	314
Effect of movements in exchange rates	-	-	-	9	1	10
Cash flows	**6,706**	**-**	**(1,897)**	**(3,148)**	**-**	**1,661**
Premiums received	7,931	-	-	-	-	7,931
Insurance service expenses paid, including investment components	-	-	(1,897)	(3,148)	-	(5,045)
Insurance acquisition cash flows	(1,225)	-	-	-	-	(1,225)
Other changes	92 [1)]	(2)	-	(9)	(2)	79
End of the period	**25,716**	**614**	**811**	**14,815**	**1,147**	**43,103**
Assets	(129)	7	8	4	-	(110)
Liabilities	25,845	607	803	14,811	1,147	43,213

[1)] This includes PLN 103 million due to the consolidation of the PG TUW.

Assets resulting from acquisition expenses are disclosed as a part of liabilities for remaining coverage.

(in millions of PLN)

Movement in insurance contract assets and liabilities 1 January – 31 March 2023 (restated)	**LRC**		**LIC**			**Total**
				Contracts under PAA		
	excluding the loss component	**loss component**	**Contracts not under PAA**	**estimated present value of future cash flows**	**risk adjustment for non-financial risk**	
Beginning of the period	**22,658**	**565**	**730**	**12,361**	**1,136**	**37,450**
Assets	(79)	4	3	4	-	(68)
Liabilities	22,737	561	727	12,357	1,136	37,518
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(4,989)**	**46**	**1,876**	**4,272**	**104**	**1,309**
Insurance service result before reinsurance	(5,687)	41	1,867	3,828	74	123
Insurance revenue	(6,399)	-	-	-	-	(6,399)
Measured under the modified retrospective approach	(563)	-	-	-	-	(563)
Measured under the fair value	(11)	-	-	-	-	(11)
Other contracts	(5,825)	-	-	-	-	(5,825)
Insurance service expenses	1,027	41	1,566	3,814	74	6,522
Incurred claims and other insurance service expenses	-	(268)	1,566	3,814	74	5,186
Incurred in the period	-	(268)	1,620	2,714	122	4,188
Incurred in the past	-	-	(54)	1,100	(48)	998
Amortization of insurance acquisition cash flows	1,027	-	-	-	-	1,027
Losses and loss reversals on onerous contracts	-	309	-	-	-	309
investment component	(315)	-	301	14	-	-
Net finance expenses from insurance contracts	699	5	9	448	30	1,191
Effect of movements in exchange rates	(1)	-	-	(4)	-	(5)
Cash flows	**6,147**	**-**	**(1,837)**	**(2,753)**	**-**	**1,557**
Premiums received	7,287	-	-	-	-	7,287
Insurance service expenses paid, including investment components	-	-	(1,837)	(2,753)	-	(4,590)
Insurance acquisition cash flows	(1,140)	-	-	-	-	(1,140)
Other changes	(9)	-	-	(5)	-	(14)
End of the period	**23,807**	**611**	**769**	**13,875**	**1,240**	**40,302**
Assets	(90)	6	5	4	-	(75)
Liabilities	23,897	605	764	13,871	1,240	40,377

(in millions of PLN)

Movement in insurance contract assets and liabilities – Non-PAA insurance contracts 1 January – 31 March 2024	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	CSM				Total
			Measurement under modified retrospective transition approach	Measurement under fair value retrospective transition approach	Other contracts	CSM, total	
Beginning of the period	**9,179**	**1,542**	**4,563**	**22**	**4,178**	**8,763**	**19,484**
Assets	(497)	84	28	-	285	313	(100)
Liabilities	9,676	1,458	4,535	22	3,893	8,450	19,584
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(191)**	**3**	**(31)**	**(2)**	**117**	**84**	**(104)**
Insurance service result before reinsurance	(332)	3	(82)	(2)	75	(9)	(338)
Changes that relate to future services	(304)	45	65	(1)	320	384	125
Contracts initially recognized in the period	(205)	38	-	-	311	311	144
Changes that adjust the CSM	(80)	8	65	(1)	9	73	1
Changes on onerous contracts	(19)	(1)	-	-	-	-	(20)
Changes that relate to current services	19	(25)	(147)	(1)	(245)	(393)	(399)
CSM recognized for services provided	-	-	(147)	(1)	(245)	(393)	(393)
Changes in risk adjustments for non-financial risks for the period	-	(25)	-	-	-	-	(25)
Experience adjustment for current service	19	-	-	-	-	-	19
Changes that relate to past services – changes for claims and other insurance service expenses	(47)	(17)	-	-	-	-	(64)
Net finance expenses from insurance contracts	141	-	51	-	42	93	234
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**304**	**-**	**-**	**-**	**-**	**-**	**304**
Premiums received	2,383	-	-	-	-	-	2,383
Insurance service expenses paid, including investment component	(1,897)	-	-	-	-	-	(1,897)
Insurance acquisition cash flows	(182)	-	-	-	-	-	(182)
Other changes	(3)	-	(1)	-	-	(1)	(4)
End of the period	**9,289**	**1,545**	**4,531**	**20**	**4,295**	**8,846**	**19,680**
Assets	(552)	91	28	-	336	364	(97)
Liabilities	9,841	1,454	4,503	20	3,959	8,482	19,777

(in millions of PLN)

Movement in insurance contract assets and liabilities – Non-PAA insurance contracts 1 January – 31 March 2023 (restated)	**Estimates of the present value of the future cash flows**	**Risk adjustment for non-financial risk**	**CSM**				**Total**
			Measurement under modified retrospective transition approach	**Measurement under fair value retrospective transition approach**	**Other contracts**	**CSM, total**	
Beginning of the period	**7,961**	**1,388**	**4,639**	**29**	**3,680**	**8,348**	**17,697**
Assets	(302)	47	26	-	172	198	(57)
Liabilities	8,263	1,341	4,613	29	3,508	8,150	17,754
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**113**	**67**	**89**	**-**	**161**	**250**	**430**
Insurance service result before reinsurance	(431)	(17)	38	-	128	166	(282)
Changes that relate to future services	(487)	23	188	1	354	543	79
Contracts initially recognized in the period	(245)	33	-	-	312	312	100
Changes that adjust the CSM	(218)	(11)	188	1	42	231	2
Changes on onerous contracts	(24)	1	-	-	-	-	(23)
Changes that relate to current services	92	(22)	(150)	(1)	(226)	(377)	(307)
CSM recognized for services provided	-	-	(150)	(1)	(226)	(377)	(377)
Changes in risk adjustments for non-financial risks for the period	-	(22)	-	-	-	-	(22)
Experience adjustment for current service	92	-	-	-	-	-	92
Changes that relate to past services – changes for claims and other insurance service expenses	(36)	(18)	-	-	-	-	(54)
Net finance expenses from insurance contracts	545	84	51	-	33	84	713
Effect of movements in exchange rates	(1)	-	-	-	-	-	(1)
Cash flows	**280**	**-**	**-**	**-**	**-**	**-**	**280**
Premiums received	2,277	-	-	-	-	-	2,277
Insurance service expenses paid, including investment component	(1,837)	-	-	-	-	-	(1,837)
Insurance acquisition cash flows	(160)	-	-	-	-	-	(160)
Other changes	(3)	-	(2)	-	-	(2)	(5)
End of the period	**8,351**	**1,455**	**4,726**	**29**	**3,841**	**8,596**	**18,402**
Assets	(347)	54	28	-	200	228	(65)
Liabilities	8,698	1,401	4,698	29	3,641	8,368	18,467

(in millions of PLN)

10.1.5. Movement in reinsurance contract assets and liabilities

Movement in reinsurance contract assets and liabilities 1 January – 31 March 2024	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss recovery component	loss recovery component	Contracts not under PAA	estimates of the present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**42**	**-**	**-**	**(3,288)**	**(188)**	**(3,434)**
Assets	(9)	-	-	(3,272)	(188)	(3,469)
Liabilities	51	-	-	(16)	-	35
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**427**	**-**	**-**	**(69)**	**4**	**362**
Net income or expenses from reinsurance contracts held	426	-	-	(41)	6	391
Reinsurance premium allocation	425	-	-	-	-	425
Amounts recoverable from reinsurers	-	-	-	(40)	6	(34)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(70)	(9)	(79)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	30	15	45
investment component	1	-	-	(1)	-	-
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	(11)	(1)	(12)
Effect of movements in exchange rates	1	-	-	(17)	(1)	(17)
Cash flows	**(760)**	**-**	**-**	**71**	**-**	**(689)**
Premiums paid	(760)	-	-	-	-	(760)
Claims recovered and expenses paid	-	-	-	71	-	71
Other changes	(60) [1]	-	-	-	-	(60)
End of the period	**(351)**	**-**	**-**	**(3,286)**	**(184)**	**(3,821)**
Assets	(367)	-	-	(3,285)	(184)	(3,836)
Liabilities	16	-	-	(1)	-	15

[1] Change in the composition of the Group – consolidation of the PG TUW.

(in millions of PLN)

Movement in reinsurance contract assets and liabilities **1 January – 31 March 2023** (restated)	**LRC**		**LIC**			**Total**
				Contracts under PAA		
	excluding the loss recovery component	**loss recovery component**	**Contracts not under PAA**	**estimates of the present value of the future cash flows**	**risk adjustment for non-financial risk**	
Beginning of the period	**(64)**	**-**	**-**	**(2,038)**	**(203)**	**(2,305)**
Assets	(122)	-	-	(2,013)	(201)	(2,336)
Liabilities	58	-	-	(25)	(2)	31
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**368**	**-**	**-**	**(1,266)**	**(81)**	**(979)**
Net income or expenses from reinsurance contracts held	367	-	-	(1,266)	(80)	(979)
Reinsurance premium allocation	365	-	-	-	-	365
Amounts recoverable from reinsurers	-	-	-	(1,264)	(80)	(1,344)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(91)	(24)	(115)
Changes for recoveries of incurred claims and other expenses incurred in the past		-	-	(1,173)	(56)	(1,229)
Investment component	2	-	-	(2)	-	-
Effect of changes in non-performance risk of reinsurers	-	-	-	2	-	2
Net finance income from reinsurance contracts	-	-	-	(4)	(1)	(5)
Effect of movements in exchange rates	1	-	-	2	-	3
Cash flows	**(507)**	**-**	**-**	**71**	**-**	**(436)**
Premiums paid	(507)	-	-	-	-	(507)
Claims recovered and expenses paid	-	-	-	71	-	71
Other changes	-	-	-	-	-	-
End of the period	**(203)**	**-**	**-**	**(3,233)**	**(284)**	**(3,720)**
Assets	(239)	-	-	(3,215)	(284)	(3,738)
Liabilities	36	-	-	(18)	-	18

(in millions of PLN)

10.1.6. Carrying amount of insurance and reinsurance contracts recognized in the period (without PAA)

Non-PAA insurance contracts	Contracts issued 1 January – 31 March 2024			Contracts issued 1 January – 31 March 2023 (restated)		
	profitable	onerous	total	profitable	onerous	total
Insurance contracts						
Present value of cash outflows	956	1,155	2,111	1,102	882	1,984
Present value of claims and insurance service expenses	845	1,070	1,915	977	815	1,792
Present value of insurance acquisition cash flows	111	85	196	125	67	192
Present value of cash inflows	(1,295)	(1,021)	(2,316)	(1,440)	(789)	(2,229)
Risk adjustment for non-financial risks	28	10	38	26	7	33
CSM	311	-	311	312	-	312
Losses recognized on initial recognition	-	(144)	(144)	-	(100)	(100)
Reinsurance contracts						
Present value of cash outflows	-	-	-	-	-	-
Present value of cash inflows	-	-	-	-	-	-
Risk adjustment for non-financial risks	-	-	-	-	-	-
CSM	-	-	-	-	-	-

In the period from 1 January to 31 March 2024 and in the period from 1 January to 31 March 2023, the PZU Group did not buy any insurance or reinsurance contracts, not measured under PAA.

10.2 Interest income calculated using the effective interest rate

Interest income calculated using the effective interest rate	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Loan receivables from clients	4,380	4,517
Debt securities measured at fair value through other comprehensive income	825	735
Debt securities measured at amortized cost	1,173	830
Buy-sell-back transactions	129	151
Term deposits with credit institutions	141	77
Loans	99	111
Receivables purchased	161	180
Hedge derivatives	(155)	(275)
Receivables	10	22
Cash and cash equivalents	190	220
Interest income calculated using the effective interest rate, total	**6,953**	**6,568**

(in millions of PLN)

10.3 Other net investment income

Other net investment income	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Dividend income, including:	4	2
Investment financial assets measured at fair value through profit or loss	4	2
Effect of movements in exchange rates	23	139
Income on investment property	83	86
Investment property maintenance expenses	(41)	(44)
Investment activity expenses	(16)	(10)
Total other net investment income	**53**	**173**

10.4 Result on derecognition of financial instruments and investments

Result on derecognition of financial instruments and investments	1 January – 31 March 2024	1 January – 31 March 2023
Investment financial assets	9	15
Debt instruments measured at fair value through other comprehensive income	(5)	(6)
Financial instruments measured at fair value through profit or loss	9	20
Equity instruments	4	7
Participation units and investment certificates	4	13
Debt instruments	1	-
Instruments measured at amortized cost	5	1
Loan receivables from clients measured at amortized cost	(14)	(7)
Derivatives	409	160
Short sale	3	5
Receivables	(1)	(2)
Result on derecognition of financial instruments and investments, total	**406**	**171**

10.5 Movement in allowances for expected credit losses and impairment losses on financial instruments

Movement in allowances for expected credit losses and impairment losses on financial instruments	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Investment financial assets	5	1
Debt instruments measured at fair value through other comprehensive income	3	1
Instruments measured at amortized cost	2	-
- debt instruments	(1)	(5)
- term deposits with credit institutions	1	1
- loans	2	4
Loan receivables from clients – measured at amortized cost	(249)	(439)
Guarantees and sureties given	41	92
Receivables	(2)	(2)
Cash and cash equivalents	(1)	(3)
Movement in allowances for expected credit losses and impairment losses on financial instruments, total	**(206)**	**(351)**

(in millions of PLN)

10.6 Net movement in fair value of assets and liabilities measured at fair value

Net movement in fair value of assets and liabilities measured at fair value	1 January – 31 March 2024	1 January – 31 March 2023
Investment financial instruments measured at fair value through profit or loss	299	162
Equity instruments	79	29
Debt securities	61	15
Participation units and investment certificates	159	118
Derivatives	(292)	21
Measurement of liabilities to members of consolidated mutual funds	(19)	(13)
Investment contracts for the client's account and risk (unit-linked)	(12)	(11)
Investment property	(12)	(4)
Loan receivables from clients	14	5
Net movement in fair value of assets and liabilities measured at fair value, total	**(22)**	**160**

10.7 Revenue from commissions and fees

Revenue from commissions and fees	1 January – 31 March 2024	1 January – 31 March 2023
Banking activity	1,180	1,154
Margin on foreign exchange transactions with clients	251	258
Brokerage fees	63	50
Fiduciary activity	19	18
Payment card and credit card services	392	366
Fees on account of insurance intermediacy activities	9	7
Credits and loans	128	129
Bank account-related services	100	103
Transfers	78	76
Cash operations	25	28
Receivables purchased	18	22
Guarantees, letters of credit, collections, promises	27	24
Commissions on leasing activity	27	26
Other commission	43	47
Revenue and payments received from funds and mutual fund management companies	123	96
Pension insurance	41	34
Other	1	1
Total revenue from commissions and fees	**1,345**	**1,285**

(in millions of PLN)

10.8 Fee and commission expenses

Fee and commission expenses	1 January – 31 March 2024	1 January – 31 March 2023
Costs of card and ATM transactions, including card issue costs	308	275
Commissions on acquisition of banking clients	26	24
Fees for the provision of ATMs	11	11
Costs of awards to banking clients	6	7
Costs of bank transfers and remittances	12	13
Additional services attached to banking products	7	6
Brokerage fees	8	7
Costs of administration of bank accounts	1	1
Costs of banknote operations	5	8
Fiduciary activity expenses	7	6
Other commission	42	18
Total fee and commission expenses	**433**	**376**

10.9 Operating costs of banks

Operating costs of banks	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Consumption of materials and energy	47	75
Third party services	279	263
Taxes and charges	17	16
Employee expenses	1,007	840
Depreciation of property, plant and equipment	124	130
Amortization of intangible assets	99	91
Other, including:	78	83
- advertising	44	45
- other	34	38
Total administrative expenses	**1,651**	**1,498**

10.10 Interest expenses

Interest expenses	1 January – 31 March 2024	1 January – 31 March 2023
Term deposits	972	1,003
Current deposits	441	486
Own debt securities issued	316	300
Hedge derivatives	122	245
Loans	12	16
Repurchase transactions	90	64
Bank loans contracted by PZU Group companies	58	53
Leases	17	11
Other	21	18
Total interest expenses	**2,049**	**2,196**

(in millions of PLN)

10.11 Other operating income

Other operating income	1 January – 31 March 2024	1 January – 31 March 2023
Revenues on the sales of products, merchandise and services by non-insurance companies	326	278
Revenues from direct claims handling on behalf of other insurance undertakings	39	38
Reversal of provisions	11	12
Reimbursement of the costs of pursuit of claims	13	14
Other	73	67
Other operating income, total	**462**	**409**

10.12 Other operating expenses

Other operating expenses	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Levy on financial institutions	389	371
Expenses of the core business of non-insurance and non-banking companies	344	328
Direct claims handling expenses on behalf of other insurance undertakings	43	40
Compulsory payments to banking market institutions	50	44
Bank Guarantee Fund	279	249
Expenditures for prevention activity	25	18
Establishment of provisions	134	85
Amortization of intangible assets purchased in company acquisition transactions	14	19
Recognition of impairment losses for non-financial assets	8	7
Donations	1	38
Costs of pursuit of claims	30	25
Unallocated costs in insurance activities	68	54
Other	51	45
Other operating expenses, total	**1,436**	**1,323**

10.13 Income tax

Total amount of current and deferred tax	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Recognized in the profit and loss account, including:	888	844
– current tax	529	493
– deferred tax	359	351
Recognized in other comprehensive income (deferred tax)	(23)	216
– current tax	5	-
- deferred tax	(28)	216
Total	**865**	**1,060**

(in millions of PLN)

Income tax on other comprehensive income items	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Gross other comprehensive income	(129)	1,145
Income tax	23	(216)
Valuation of debt instruments	(21)	(159)
Reclassification of debt instruments valuation for the profit and loss account	(1)	(1)
Insurance finance income or expenses	(29)	137
Reinsurance finance income or expenses	3	4
Cash flow hedging	57	(210)
Equity instruments measured at fair value through other comprehensive income	14	14
Reclassification of real property from property, plant and equipment to investment property	-	(1)
Net other comprehensive income	**(106)**	**929**

The PZU Group is comprised of units operating in different countries and subject to different tax regulations. Regulations on tax on goods and services, corporate income tax, personal income tax or social security contributions are subject to relatively frequent changes. The regulations applicable in the countries where the PZU Group operates also include many ambiguities, which result in different opinions on the legal interpretation of tax regulations both between public authorities and between public authorities and companies. Tax and other settlements (e.g. customs and foreign exchange settlements) may be controlled by authorities (in Poland for five years), which have the right to impose high penalties. Additional liabilities identified during such controls must be paid together with high interest. This generates tax risk, as a result of which amounts disclosed in the financial statements may change later after they are finally determined by tax authorities.

10.14 Earnings per share

Earnings per share	1 January – 31 March 2024	1 January – 31 March 2023 (restated)
Net profit attributable to the equity holders of the parent company	1,254	1,150
Weighted average basic and diluted number of common shares	863,343,165	863,390,463
Number of outstanding shares	863,523,000	863,523,000
Average weighted number of treasury shares (held by consolidated entities)	(179,835)	(132,537)
Basic and diluted earnings (losses) per common share (in PLN)	1.45	1.33

In 3 months ended respectively 31 March 2024 and 31 March 2023 there were no transactions or events resulting in the dilution of earnings per share.

10.15 Goodwill

Goodwill	31 March 2024	31 December 2023
Pekao [1)]	1,715	1,715
LD [2)]	474	480
Medical companies	341	341
Mass insurance segment in non-life insurance (Link4)	221	221
Balta	39	39
Other	5	5
Goodwill, total	**2,795**	**2,801**

[1)] Includes goodwill resulting from the purchase of Pekao Investment Management SA and the acquisition of Idea Bank.
[2)] Includes goodwill resulting from the purchase of a branch of LD in Estonia.

(in millions of PLN)

10.16 Intangible assets

Intangible assets by group	31 March 2024	31 December 2023
Software, licenses and similar assets	1,490	1,486
Trademarks	512	514
- Pekao	340	340
- other	172	174
Customer relations	261	267
- Pekao	207	219
- other	54	48
Intangible assets under development	816	926
Other intangible assets	310	211
Intangible assets, total	**3,389**	**3,404**

10.17 Other assets

Other assets	31 March 2024	31 December 2023
Deferred IT expenses	277	202
Accrued direct claims handling receivables	49	46
Costs settled over time	197	149
Inventories	39	37
Tax settlements on real properties, means of transport and land	47	-
Settlements of payments made to the Company Social Benefit Fund	65	-
Other assets	47	49
Total other assets	**721**	**483**

10.18 Property, plant and equipment

Property, plant and equipment by group	31 March 2024	31 December 2023
Equipment and machinery	683	684
Means of transport	243	221
Property, plant and equipment under construction	322	381
Real property	2,796	2,752
Other property, plant and equipment	406	407
Total property, plant and equipment	**4,450**	**4,445**

10.19 Entities accounted for using the equity method

Associates	31 March 2024	31 December 2023
Krajowy Integrator Płatności SA	56	54
Sigma BIS SA	9	8
RUCH SA	-	-
Associates, total	**65**	**62**

(in millions of PLN)

10.20 Assets and liabilities held for sale

Assets held for sale by classification before transfer	31 March 2024	31 December 2023
Groups held for sale	**281**	**277**
Assets	310	309
Investment property	287	287
Receivables	8	7
Cash and cash equivalents	15	15
Liabilities directly associated with assets classified as held for sale	29	32
Other liabilities	15	18
Deferred tax liabilities	14	14
Other assets held for sale	**308**	**312**
Property, plant and equipment	31	35
Investment property	277	277
Assets and groups of assets held for sale	**618**	**621**
Liabilities directly associated with assets classified as held for sale	**29**	**32**

The "Investment property" line item and the "Groups held for sale" section mainly include real properties held for sale by the investment fund of the real property sector.

10.21 Loan receivables from clients

Loan receivables from clients	31 March 2024	31 December 2023
Measured at amortized cost	222,841	218,476
Measured at fair value through other comprehensive income	82	82
Measured at fair value through profit or loss	297	250
Total loan receivables from clients	**223,220**	**218,808**

Loan receivables from clients	31 March 2024	31 December 2023
Retail segment	**118,178**	**114,692**
Operating loans	188	197
Consumer finance	25,260	25,116
Consumer finance loans	5,084	5,007
Overdrafts in credit card accounts	1,195	1,192
Loans for residential real estate	85,461	82,237
Other mortgage loans	619	618
Other receivables	371	325
Business segment	**105,042**	**104,116**
Operating loans	33,956	32,626
Investment loans	29,538	29,378
Receivables purchased (factoring)	8,863	9,874
Overdrafts in credit card accounts	100	98
Loans for residential real estate	53	42
Other mortgage loans	10,529	10,355
Finance lease	16,528	16,181
Other receivables	5,475	5,562
Total loan receivables from clients	**223,220**	**218,808**

(in millions of PLN)

10.22 Financial derivatives

Derivatives	31 March 2024		31 December 2023	
	Assets	Liabilities	Assets	Liabilities
Related to interest rates	**9,054**	**10,269**	**9,690**	**10,740**
Fair value hedging instruments – swap transactions	75	8	68	12
Cash flow hedging instruments – swap transactions	649	1,978	892	2,101
Instruments carried as held for trading, including:	8,330	8,283	8,730	8,627
- forward contracts	115	98	64	60
- SWAP transactions	8,160	8,127	8,616	8,515
- call options (purchase)	34	40	35	40
- put options (sale)	19	16	13	10
- cap floor options	2	2	2	2
Related to exchange rates	**594**	**436**	**1,416**	**647**
Cash flow hedging instruments – swap transactions	98	-	190	31
Instruments carried as held for trading, including:	496	436	1,226	616
- forward contracts	152	268	266	336
- SWAP transactions	329	128	947	244
- call options (purchase)	9	6	9	3
- put options (sale)	6	34	4	33
Related to prices of securities	**18**	**8**	**20**	**6**
- call options (purchase)	1	8	19	6
– forward contracts	17	-	1	-
Related to commodity prices	**247**	**241**	**270**	**263**
- forward contracts	4	3	4	4
- SWAP transactions	243	238	260	253
- call options (purchase)	-	-	6	6
Total	**9,913**	**10,954**	**11,396**	**11,656**

10.23 Assets pledged as collateral for liabilities

Assets pledged as collateral for liabilities	31 March 2024				31 December 2023			
	at amortized cost	at fair value through other comprehen-sive income	at fair value through profit or loss	Total	at amortized cost	at fair value through other comprehen-sive income	at fair value through profit or loss	Total
Debt securities	142	1,284	20	1,446	-	1,694	14	1,708
Government securities	142	1,284	20	1,446	-	1,694	14	1,708
Domestic	142	1,284	20	1,446	-	1,694	14	1,708
Fixed rate	142	1,268	9	1,419	-	1,647	-	1,647
Floating rate	-	16	11	27	-	47	14	61
Assets securing liabilities, total	**142**	**1,284**	**20**	**1,446**	**-**	**1,694**	**14**	**1,708**

(in millions of PLN)

10.24 Investment financial assets

Investment financial assets	31 March 2024				31 December 2023			
	at amortized cost	at fair value through other comprehen-sive income	at fair value through profit or loss	Total	at amortized cost	at fair value through other comprehen-sive income	at fair value through profit or loss	Total
Equity instruments	n/a	622	1,290	1,912	n/a	837	1,119	1,956
Participation units and investment certificates	n/a	n/a	5,119	5,119	n/a	n/a	4,996	4,996
Debt securities	127,921	51,214	4,921	184,056	121,574	43,529	5,976	171,079
Government securities	84,321	39,865	4,623	128,809	83,177	34,389	5,547	123,113
Domestic	75,253	32,601	4,251	112,105	73,044	27,049	3,864	103,957
Fixed rate	64,258	20,274	2,551	87,083	66,196	16,926	2,170	85,292
Floating rate	10,995	12,327	1,700	25,022	6,848	10,123	1,694	18,665
Foreign	9,068	7,264	372	16,704	10,133	7,340	1,683	19,156
Fixed rate	9,068	7,264	372	16,704	10,133	7,340	1,683	19,156
Other	43,600	11,349	298	55,247	38,397	9,140	429	47,966
Fixed rate	34,949	7,919	127	42,995	29,586	5,654	289	35,529
Floating rate	8,651	3,430	171	12,252	8,811	3,486	140	12,437
Other, including:	11,112	-	-	11,112	14,301	-	-	14,301
Buy-sell-back transactions	5,936	-	-	5,936	9,003	-	-	9,003
Term deposits with credit institutions	819	-	-	819	1,036	-	-	1,036
Loans	4,357	-	-	4,357	4,262	-	-	4,262
Investment financial assets, total	**139,033**	**51,836**	**11,330**	**202,199**	**135,875**	**44,366**	**12,091**	**192,332**

Equity instruments measured at fair value through other comprehensive income	31 March 2024	31 December 2023
Biuro Informacji Kredytowej SA	266	321
Grupa Azoty SA	160	178
PSP sp. z o.o.	116	116
Krajowa Izba Rozliczeniowa SA	25	29
Webuild SpA	15	12
Orlen SA [1)]	-	142
Other	40	39
Equity instruments measured at fair value through other comprehensive income, total	**622**	**837**

[1)] In 2024, the PZU Group sold the shares of Orlen SA with a fair value at the time of sale of PLN 144 million and a gross realized gain of PLN 29 million.

(in millions of PLN)

Exposure to debt securities issued by governments other than the Polish government

Carrying amount of debt securities issued by governments other than the Polish government	31 March 2024	31 December 2023
United States	5,277	4,240
France	4,081	4,763
Germany	2,330	4,032
Lithuania	861	832
Romania	540	483
Austria	503	1,177
The Netherlands	430	430
United Kingdom	279	3
Latvia	245	235
Hungary	217	117
Saudi Arabia	193	120
Indonesia	155	156
Mexico	146	92
Spain	123	529
Croatia	118	240
Columbia	116	119
Ukraine	102	99
Italy	100	113
Panama	88	89
Bulgaria	73	87
Serbia	63	63
Peru	54	55
Other	610 [1)]	1,082 [2)]
Total	**16,704**	**19,156**

[1)] The item “Other” comprises bonds issued by 44 countries towards which the balance sheet liability per country does not exceed PLN 50 million.
[2)] The item “Other” comprises bonds issued by 50 countries.

(in millions of PLN)

Exposure to debt securities issued by corporations, local authorities and the National Bank of Poland

Carrying amount of debt securities issued by corporations, local authorities and the National Bank of Poland	31 March 2024	31 December 2023
K. Financial and insurance activities, of which:	40,947	33,570
National Bank of Poland	29,580	20,451
Foreign banks	9,126	9,720
Companies from the WIG-Banks Index	894	886
O. Public administration and defense, compulsory social security, of which:	6,656	6,468
Domestic local governments	6,653	6,468
D. Electricity, gas, steam, hot water and air conditioning production and supply, of which:	1,643	1,650
Companies from the WIG-Energy Index	1,103	1,107
C. Manufacturing, of which:	1,300	1,331
Production and processing of crude oil refining products (including WIG-Fuels)	490	509
E. Water supply; sewerage, waste management and remediation activities	1,151	1,136
U. Extra-territorial organizations and teams	966	865
N. Administrative and support service activities	665	668
H. Transportation and storage	519	626
J. Information and communication	462	468
F. Construction	279	353
I. R. Accommodation and food service activities (including: WIG - hotels and restaurants), and arts, entertainment and recreation activities	185	264
L. Real property activities	183	180
B. Mining and quarrying	146	127
M. Professional, scientific and technical activity	132	248
G. Wholesale and retail trade services; repair services of motor vehicles and motorcycles	13	12
Total	**55,247**	**47,966**

10.25 Other receivables

Other receivables	31 March 2024	31 December 2023
Receivables on direct insurance	133	135
Receivables from sale of securities and security deposits [1)]	1,971	1,839
Receivables on account of payment card settlements	1,256	1,752
Trade receivables	562	602
Receivables from the state budget, other than corporate income tax receivables	100	107
Receivables from commissions on off-balance sheet products	236	234
Prevention settlements	36	52
Receivables from security and bid deposits	64	62
Interbank and interbranch receivables	4	18
Disputed settlements	45	26
Co-insurance receivables on co-insurer's share	45	37
Other	438	363
Other receivables, total	**4,890**	**5,227**

[1)] This line item presents receivables associated with executed but outstanding transactions on financial instruments.

As at 31 March 2024 and 31 December 2023, the fair value of receivables did not differ significantly from their carrying amount, primarily due to their short-term nature and the policy of recognizing impairment losses.

(in millions of PLN)

10.26 Expected credit losses and impairment of financial assets

Loan receivables from clients measured at amortized cost	1 January – 31 March 2024					1 January – 31 March 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	193,072	22,243	12,621	4,407	232,343	185,358	24,135	12,167	5,154	226,814
Recognition of instruments at the time of acquisition, creation, granting	28,111	-	-	262	28,373	23,609	-	-	52	23,661
Changes attributable to sale, exclusion or expiration of the instrument	(19,260)	(1,079)	(1,200)	(121)	(21,660)	(18,833)	(2,169)	(901)	(44)	(21,947)
Assets from the statement of financial position	-	-	(933)	(16)	(949)	-	-	(561)	(1)	(562)
Reclassification to stage 1	3,012	(2,915)	(97)	-	-	4,077	(3,858)	(219)	-	-
Reclassification to stage 2	(5,523)	5,720	(197)	-	-	(5,466)	5,632	(166)	-	-
Reclassification to stage 3	(380)	(763)	1,143	-	-	(750)	(890)	1,640	-	-
Other changes, including effect of movements in exchange rates	(2,213)	(208)	399	(314)	(2,336)	(1,656)	(131)	576	(434)	(1,645)
End of the period	**196,819**	**22,998**	**11,736**	**4,218**	**235,771**	**186,339**	**22,719**	**12,536**	**4,727**	**226,321**
Expected credit losses										
Beginning of the period	(1,341)	(1,600)	(7,536)	(3,390)	(13,867)	(1,618)	(2,043)	(7,310)	(3,588)	(14,559)
Establishment of allowances for newly acquired, created, granted instruments	(135)	-	-	(34)	(169)	(143)	-	-	(23)	(166)
Changes attributable to sale, exclusion or expiration of the instrument	51	29	112	8	200	45	27	69	1	142
Assets from the statement of financial position	-	-	933	16	949	-	-	561	1	562
Reclassification to stage 1	(177)	168	9	-	-	(197)	197	-	-	-
Reclassification to stage 2	89	(137)	48	-	-	111	(147)	36	-	-
Reclassification to stage 3	8	109	(117)	-	-	23	145	(168)	-	-
Other changes, including effect of movements in exchange rates	178	(258)	(270)	307	(43)	392	(201)	(508)	(35)	(352)
End of the period	**(1,327)**	**(1,689)**	**(6,821)**	**(3,093)**	**(12,930)**	**(1,387)**	**(2,022)**	**(7,320)**	**(3,644)**	**(14,373)**
Net carrying amount at the end of the period	**195,492**	**21,309**	**4,915**	**1,125**	**222,841**	**184,952**	**20,697**	**5,216**	**1,083**	**211,948**

Loan receivables from clients measured at fair value through other comprehensive income	1 January – 31 March 2024					1 January – 31 March 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Carrying amount										
Beginning of the period	82	-	-	-	82	254	-	-	-	254
Changes in the period	-	-	-	-	-	2	-	-	-	2
End of the period	**82**	**-**	**-**	**-**	**82**	**256**	**-**	**-**	**-**	**256**
Expected credit losses										
Beginning of the period	(1)	-	-	-	(1)	(4)	-	-	-	(4)
Changes in the period	-	-	-	-	-	1	-	-	-	1
End of the period	**(1)**	**-**	**-**	**-**	**(1)**	**(3)**	**-**	**-**	**-**	**(3)**

The allowance pertaining to loan receivables from clients measured at fair value through other comprehensive income is recognized in revaluation reserve and it does not lower the carrying amount of assets.

(in millions of PLN)

Debt investment financial assets measured at amortized cost	1 January – 31 March 2024					1 January – 31 March 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	121,184	479	-	96	121,759	91,515	236	24	63	91,838
Recognition of instruments at the time of acquisition, creation, granting	81,697	-	-	-	81,697	70,460	-	-	-	70,460
Changes attributable to sale, exclusion or expiration of the instrument	(75,853)	(24)	-	-	(75,877)	(57,593)	(11)	-	-	(57,604)
Reclassification to stage 1	3	(3)	-	-	-	-	-	-	-	-
Reclassification to stage 2	(21)	21	-	-	-	(23)	23	-	-	-
Other changes, including effect of movements in exchange rates	673	(3)	-	6	676	488	(5)	-	9	492
End of the period	**127,683**	**470**	**-**	**102**	**128,255**	**104,847**	**243**	**24**	**72**	**105,186**
Expected credit losses										
Beginning of the period	(89)	(25)	-	(71)	(185)	(87)	(28)	(24)	(53)	(192)
Establishment of allowances for newly acquired, created, granted instruments	(13)	-	-	-	(13)	(8)	-	-	-	(8)
Changes attributable to sale, exclusion or expiration of the instrument	3	1	-	-	4	2	-	-	-	2
Reclassification to stage 2	3	(3)	-	-	-	1	(1)	-	-	-
Other changes, including effect of movements in exchange rates	5	4	-	(7)	2	(2)	3	-	(8)	(7)
End of the period	**(91)**	**(23)**	**-**	**(78)**	**(192)**	**(94)**	**(26)**	**(24)**	**(61)**	**(205)**
Net carrying amount at the end of the period	**127,592**	**447**	**-**	**24**	**128,063**	**104,753**	**217**	**-**	**11**	**104,981**

The value of allowances for expected credit losses on buy-sell-back transactions is zero.

Debt investment financial assets measured at fair value through other comprehensive income	1 January – 31 March 2024					1 January – 31 March 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Carrying amount										
Beginning of the period	45,104	119	-	-	45,223	38,719	237	-	-	38,956
Recognition of instruments at the time of acquisition, creation, granting	347,848	-	-	-	347,848	279,587	-	-	-	279,587
Changes attributable to sale, exclusion or expiration of the instrument	(341,113)	(15)	-	-	(341,128)	(280,095)	(10)	-	-	(280,105)
Reclassification to stage 1	31	(31)	-	-	-	3	(3)	-	-	-
Reclassification to stage 2	(85)	85	-	-	-	-	-	-	-	-
Other changes, including effect of movements in exchange rates	556	(1)	-	-	555	1,067	(6)	-	-	1,061
End of the period	**52,341**	**157**	**-**	**-**	**52,498**	**39,281**	**218**	**-**	**-**	**39,499**
Expected credit losses										
Beginning of the period	(34)	(2)	-	-	(36)	(45)	(21)	-	-	(66)
Establishment of allowances for newly acquired, created, granted instruments	(13)	-	-	-	(13)	(2)	-	-	-	(2)
Changes attributable to sale, exclusion or expiration of the instrument	7	3	-	-	10	2	-	-	-	2
Reclassification to stage 2	1	(1)	-	-	-	-	-	-	-	-
Other changes, including effect of movements in exchange rates	6	-	-	-	6	1	-	-	-	1
End of the period	**(33)**	**-**	**-**	**-**	**(33)**	**(44)**	**(21)**	**-**	**-**	**(65)**

The allowance pertaining to debt investment financial assets measured at fair value through other comprehensive income is recognized in revaluation reserve and it does not lower the carrying amount of assets.

(in millions of PLN)

Term deposits with credit institutions	1 January – 31 March 2024					1 January – 31 March 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	836	151	67	-	1,054	2,814	140	136	-	3,090
Recognition of instruments at the time of acquisition, creation, granting	25,698	-	-	-	25,698	18,105	-	-	-	18,105
Changes attributable to sale, exclusion or expiration of the instrument	(25,841)	(117)	(8)	-	(25,966)	(17,007)	(104)	(2)	-	(17,113)
Reclassification to stage 2	(115)	115	-	-	-	(108)	108	-	-	-
Change in the composition of the Group	25	-	-	-	25	-	-	-	-	-
Other changes, including effect of movements in exchange rates	27	(2)	-	-	25	(2)	(4)	1	-	(5)
End of the period	**630**	**147**	**59**	**-**	**836**	**3,802**	**140**	**135**	**-**	**4,077**
Expected credit losses										
Beginning of the period	-	(11)	(7)	-	(18)	(1)	(11)	(10)	-	(22)
Establishment of allowances for newly acquired, created, granted instruments	(8)	-	-	-	(8)	(7)	-	-	-	(7)
Changes attributable to sale, exclusion or expiration of the instrument	-	6	-	-	6	-	5	-	-	5
Reclassification to stage 2	7	(7)	-	-	-	8	(8)	-	-	-
Other changes, including effect of movements in exchange rates	-	3	-	-	3	-	3	-	-	3
End of the period	(1)	(9)	(7)	-	(17)	**-**	**(11)**	**(10)**	**-**	**(21)**
Net carrying amount at the end of the period	**629**	**138**	**52**	**-**	**819**	**3,802**	**129**	**125**	**-**	**4,056**

Loans	1 January – 31 March 2024					1 January – 31 March 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	3,478	827	-	-	4,305	4,300	-	-	-	4,300
Recognition of instruments at the time of acquisition, creation, granting	174	15	-	-	189	622	-	-	-	622
Changes attributable to sale, exclusion or expiration of the instrument	(122)	-	-	-	(122)	(630)	-	-	-	(630)
Other changes	9	17	-	-	26	34	-	-	-	34
End of the period	**3,539**	**859**	**-**	**-**	**4,398**	**4,326**	**-**	**-**	**-**	**4,326**
Expected credit losses										
Beginning of the period	(13)	(30)	-	-	(43)	(31)	-	-	-	(31)
Establishment of allowances for newly acquired, created, granted instruments	(3)	-	-	-	(3)	(6)	-	-	-	(6)
Changes attributable to sale, exclusion or expiration of the instrument	2	-	-	-	2	7	-	-	-	7
Other changes	2	1	-	-	3	3	-	-	-	3
End of the period	**(12)**	**(29)**	**-**	**-**	**(41)**	**(27)**	**-**	**-**	**-**	**(27)**
Net carrying amount at the end of the period	**3,527**	**830**	**-**	**-**	**4,357**	**4,299**	**-**	**-**	**-**	**4,299**

(in millions of PLN)

Other receivables	1 January – 31 March 2024	1 January – 31 March 2023
Gross carrying amount		
Beginning of the period	5,635	9,515
Changes in the period	(343)	(1,985)
End of the period	**5,292**	**7,530**
Expected credit losses		
Beginning of the period	(408)	(407)
Changes in the period	6	(4)
End of the period	**(402)**	**(411)**
Net carrying amount at the end of the period	**4,890**	**7,119**

10.27 Fair value

10.27.1. Description of valuation techniques

10.27.1.1. Debt securities and borrowings

Fair values of debt securities are determined on the basis of quotations publicly available on an active market or valuations published by an authorized information service, and if there are no such quotations – using valuation models containing references to published price quotations of the underlying financial instruments, interest rates and stock exchange indices.

The PZU Group 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 fair value of loans and debt securities for which an active market does not exist is measured using the discounted cash flow method. For debt instruments based on a variable interest rate, the reference curve reflecting the level of risk-free rates for the discounting of future flows is developed on the basis of an appropriate swap curve for the respective currency. However, for instruments based on a fixed interest rate – based on the quotes of treasury bonds in the given currency. For unlisted loans and bonds, in addition to the individual spread quantifying the specific risk of a given debt instrument, a market sector spread published in news services is added to reflect the pricing of the risk for the relevant sector for the issuer's business sector and its rating.

10.27.1.2. Equity-based financial assets

Fair values of equity-based financial assets are determined on the basis of quotations publicly available on an active market or, if they are unavailable, based on the present value of future forecast profit or loss of companies or measurement models based on available market data.

10.27.1.3. Participation units and investment certificates of mutual funds

Fair values of participation units and investment certificates of mutual funds are measured using the value of the participation units and investment certificates published by the mutual fund management companies. Such valuation reflects the PZU Group's share in net assets of these funds.

10.27.1.4. 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 (IRSs) is measured using the discounted future cash flow method. Rates from OIS (overnight indexed swaps) curves taking into account the currency in which the margin for the instrument is denominated are used to discount cash flows.

The fair value of options is measured using the Black-Scholes model (plain vanilla options) or as the expected value of the option payoff function discounted as at the valuation date (Asian or basket options). The expected value of the payoff function is calculated using the Monte Carlo modeling method.

10.27.1.5. Loan receivables from clients

In order to determine a change in the fair value of loan receivables from clients (excluding current account overdraft), the margins earned on newly granted loans (in the month preceding the date as at which the consolidated financial statements are prepared) are compared with the margins in the whole loan portfolio. If the margins earned on newly granted loans are higher (lower) than the margins in the existing portfolio the fair value of the loan portfolio is lower (higher) than its carrying amount.

Loan receivables from clients are classified in full to level III of the fair value hierarchy due to the use of a valuation model with significant non-observable input data, i.e. current margins generated on newly granted loans.

10.27.1.6. Properties measured at fair value

Depending on the nature of the real property, its fair value is measured using the comparative method, the income method or the residual method.

The comparative method is used for measuring free land for development and certain smaller and less valuable buildings (such as residential units, garages, etc.). The comparative method assumes the determination of the fair value by reference to observable market prices, taking into account weighting coefficients. Weighting coefficients include, for instance, factors such as the passage of time and the trend of changes in market prices, the location, exposure, intended use in the zoning plan, accessibility for transportation purposes and access roads, surface, neighborhood (including the proximity to attractive objects), investment opportunities, physical conditions, form of exercising control, etc.

The income method assumes estimation of the fair value of the real property based on the discounted value of cash flows. The calculation takes into account such variables as the capitalization rate, the level of rents, the level of operating expenses, the provision for vacancy, losses resulting from rent free periods, rent arrears, etc. The values of the variables described above vary depending on the nature and the intended use of the measured real property (office space, retail space, logistics and warehousing space), its modernity and location (access roads, distance from an urban center, accessibility, exposure, etc.) as well as parameters specific to the relevant local market (such as capitalization rates, the level of rents, operating expenses, etc.).

The residual method is used to measure the market value if the real property is to be subjected to construction works. The fair value of such a real property is calculated as the difference in the value of the property after the construction works and the average value of the cost of these works, taking into account any gains earned in the market on similar properties.

Properties measured at fair value are appraised by licensed appraisers. The acceptance of each such measurement is additionally preceded by a review conducted by PZU Group companies' employees in order to eliminate any potential errors or inconsistencies. Any emerging doubts are clarified on an ongoing basis.

Investment property is measured in accordance with the following rules:

- real properties held by mutual funds controlled by PZU – measured every 6 months – on days ending each financial half-year and financial year;
- investment properties held by PZU Group companies – the most valuable items are measured in the event of ascertainment of a possible significant change in the value (usually on an annual basis). Regardless of the value, each investment property is measured not less frequently than once every 5 years;

- real properties held for sale – measured before the commencement of their active exposure to the market in accordance with the requirements of IFRS 5.

10.27.1.7. Liabilities on the issue of own debt securities and subordinated liabilities

The fair value of liabilities on the issue of own debt securities, including subordinated liabilities, is calculated as the present value of expected payments based on the current interest rate curves and the individual credit spread for the given issue. The individual spread is initially calibrated to the issue price and periodically recalibrated when transaction data is available.

10.27.1.8. Liabilities under deposits

Due to the fact that deposits are accepted under current operations on a daily basis, hence their terms are similar to the current market terms for identical transactions, and the time to maturity for such loans is short, it is deemed that for liabilities to clients with maturities up to 1 year the fair value does not significantly deviate from the carrying amount. For deposits over 1 year, fair value is calculated as the amount of future expected cash flows discounted as at the respective balance sheet date using the risk-free market rate plus a margin.

10.27.1.9. Other liabilities

Liabilities under investment contracts for the client's account and risk

Liabilities under investment contracts for the client's account and risk are measured at the fair value of assets covering the liabilities of the unit-linked fund associated with the relevant investment contract.

Liabilities to members of consolidated mutual funds

Liabilities to members in the consolidated mutual funds are measured at the fair value of assets of the relevant mutual fund (according to the share in the mutual fund's net assets).

Liabilities on borrowed securities

Liabilities from securities borrowed to make a short sale are measured at the fair value of borrowed securities.

10.27.2. Fair value hierarchy

On the basis of the input data for fair value measurement, the individual assets and liabilities for which fair value has been presented have been classified to the following levels:

- level I – assets and liabilities measured based on quoted prices (unadjusted) from active markets for identical assets and liabilities. This level includes:
  - liquid quoted debt securities;
  - shares and investment certificates quoted on exchanges;
  - derivatives quoted on exchanges;
  - liabilities on borrowed securities quoted on exchanges (short sale);
- level II – assets and liabilities whose measurement is based on input data other than quoted prices included within level I, which can be observed on the market, either directly (as prices) or indirectly (derived from prices). This level includes:

- quoted debt securities carried on the basis of the valuations published by an authorized information service;
- derivatives – among others FX Swap, FX Forward, IRS, CIRS, forward rate agreements ;
- participation units of mutual funds;
- investment properties or properties held for sale measured using the comparative method, for which there is a sufficient number of transactions of similar properties in the analyzed market, including free land for development and certain smaller and less valuable buildings (such as residential units, garages, etc.);
- liabilities to contributors of consolidated investment funds;
- investment contracts for the client's account and risk;

- level III – assets measured based on input data unobserved on the existing markets (unobservable input data). This level includes:
  - unquoted debt securities and non-liquid quoted debt securities (including non-treasury debt securities issued by other financial entities, local government and non-financial entities), measured using models based on discounted cash flows;
  - investment properties or properties held for sale measured using the income method or the residual method or the comparative method (if there is no adequate number of transactions of similar properties);
  - loan receivables from clients and liabilities to clients under deposits;
  - options embedded in certificates of deposit issued by PZU Group companies and options concluded in the interbank market to hedge embedded option positions.

In a situation in which the measurement of an asset or liability is based on input data classified in different levels of the fair value hierarchy, the measured asset is assigned to the lowest level from which the input data are taken, provided that they have a significant impact on the overall measurement.

The value of the measurement of components of assets or liabilities qualified in level III is affected to significant extent by unobservable input data.

Measured assets	Unobservable data	Description	Impact on measurement
Loan receivables from clients	Liquidity margin and current margin from the sale of the product group	Fair values are estimated using valuation techniques, with an assumption that when the loan is granted, the fair value is equal to the carrying amount. The fair value of loans without recognized impairment is equal to the sum of future expected cash flows discounted at the balance sheet date less expected credit loss. The cash flow discounting rate is the appropriate risk-free market rate plus the liquidity margin and current sales margin for the loan's product group. The margin is determined by product group and by maturity. For the purpose of estimating the fair value of foreign currency loans, the liquidity margin for PLN loans is used, adjusted by quotations of FX swap and basis-swap transactions. The fair value of loans with recognized impairment is equal to the sum of future expected salvage discounted using the effective interest rate, since the average expected recoveries fully reflect the credit risk component. For loans that do not have a repayment schedule (current account loans, overdrafts and credit cards), the fair value is assumed to be equal to the carrying amount.	Negative correlation
Liabilities to clients under deposits	Sales margin	Fair values are estimated using valuation techniques, with an assumption that when the deposit is accepted, the fair value is equal to the carrying amount. The fair value of term deposits is equal to the sum of future expected cash flows discounted at the balance sheet date. The cash flow discounting rate is the appropriate risk-free market rate plus the current sales margin. The margin is determined on the basis of deposits accepted in the last quarter, by product group and by maturity. For short-term deposits (current deposits, overnight deposits and savings accounts), the carrying amount is taken as fair value.	Negative correlation

Measured assets	Unobservable data	Description	Impact on measurement
Options embedded in certificates of deposit issued by PZU Group companies and options concluded in the interbank market to hedge embedded option positions.	Model parameters	Embedded instruments are plain vanilla options and exotic options for individual shares, indices, commodities and other market indicators, including interest rate indices and exchange rates and their baskets. All separated options are offset on an ongoing basis on the interbank market. Currency options are measured based on the Garman-Kohlhagen option pricing model (and in the case of barrier and Asian options based on the so-called extended Garman-Kohlhagen model). Exotic options embedded in deposit agreements and their offsets are measured using the Monte-Carlo technique, assuming a geometric Brownian motion model for risk factors.	
Non-liquid bonds and loans	Credit spreads	Spreads are observed on all bonds (their series) or loans of the same issuer or a similar issuer. These spreads are observed on the dates of issue of new bond series, dates of conclusion of new loan agreements and dates of market transactions on the receivables following from such bonds and loans.	Negative correlation
Investment property and property held for sale	Capitalization rate	Capitalization rate is determined through analysis of rates of return obtained in transactions for similar properties.	Negative correlation
	Construction costs	Construction costs are determined based on market construction costs less costs incurred as at the date of measurement.	Positive correlation
	Monthly rental rate per 1 m^2 of relevant space or per parking space	Rental rates are observed for similar properties of similar quality, in similar locations and with a similar size of leased space.	Positive correlation
Derivatives	Model parameters	Currency options are measured based on the Garman-Kohlhagen option pricing model (and in the case of barrier and Asian options based on the so-called extended Garman-Kohlhagen model). Exotic options embedded in deposit agreements and their offsets are measured using the Monte-Carlo technique, assuming a geometric Brownian motion model for risk factors.	
Own issues and subordinated loans	Issue spread above the market curve	If the historical spread of issues above the market curve is used, these issues are classified at level III of the fair value hierarchy.	Negative correlation
Equity instruments not quoted on an active market		Quotations of financial services, current value of future forecasted profit or loss of the company or measurement models based on available market data.	

(in millions of PLN)

10.27.3. Assets and liabilities measured at fair value

Assets and liabilities measured at fair value	31 March 2024				31 December 2023			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Investment financial assets and assets pledged as collateral for liabilities measured at fair value through other comprehensive income	33,253	13,978	5,889	53,120	28,974	11,686	5,400	46,060
Equity instruments	179	-	443	622	338	-	499	837
Debt securities	33,074	13,978	5,446	52,498	28,636	11,686	4,901	45,223
Investment financial assets and assets pledged as collateral for liabilities measured at fair value through profit or loss	5,462	5,501	387	11,350	4,846	6,891	368	12,105
Equity instruments	1,016	-	274	1,290	865	-	254	1,119
Participation units and investment certificates	300	4,807	12	5,119	246	4,750	-	4,996
Debt securities	4,146	694	101	4,941	3,735	2,141	114	5,990
Loan receivables from clients	-	-	379	379	-	-	332	332
Measured at fair value through other comprehensive income	-	-	82	82	-	-	82	82
Measured at fair value through profit or loss	-	-	297	297	-	-	250	250
Financial derivatives	-	9,898	15	9,913	-	11,377	19	11,396
Investment property	-	193	2,904	3,097	-	193	2,905	3,098
Liabilities								
Derivatives	-	10,948	6	10,954	-	11,653	3	11,656
Liabilities to members of consolidated mutual funds	-	542	-	542	-	485	-	485
Investment contracts for the client's account and risk (unit-linked)	-	530	-	530	-	294	-	294
Liabilities on borrowed securities (short sale)	784	-	-	784	813	-	-	813

(in millions of PLN)

Movement in assets and liabilities classified as level III of the fair value hierarchy in the period ended 31 March 2024	Investment financial assets and assets pledged as collateral for liabilities measured at fair value through other comprehensive income		Investment financial assets and assets pledged as collateral for liabilities measured at fair value through profit or loss			Derivatives – assets	Derivatives – liabilities	Loan receivables from clients measured at fair value		Investment property
	Equity	Debt	Equity	Investment certificates	Debt			through other comprehensive income	through profit or loss	
Beginning of the period	**499**	**4,901**	**254**	**-**	**114**	**19**	**3**	**82**	**250**	**2,905**
Purchase/opening of the position/granting	-	20	-	-	109	-	-	-	60	13
Reclassification from Level II [1)]	-	1,085	-	12	5	-	-	-	-	-
Reclassification from own properties	-	-	-	-	-	-	-	-	-	-
Profit or loss recognized in the profit and loss account:	-	41	17	-	2	3	3	1	9	(13)
- interest income calculated using the effective interest rate	-	43	-	-	2	-	-	1	9	-
- result on derecognition of financial instruments and investments	-	(2)	-	-	(1)	-	-	-	-	-
- net movement in fair value of assets and liabilities measured at fair value	-	-	17	-	1	3	3	-	-	(13)
Profits or losses recognized in other comprehensive income	(56)	25	-	-	-	-	-	(1)	-	-
Sales/settlements/repayments/conversions	-	(141)	-	-	(116)	(7)	-	-	(22)	-
Reclassification to Level II	-	(485)	-	-	(33)	-	-	-	-	-
Effect of movements in exchange rates	-	-	3	-	-	-	-	-	-	(1)
Change in the composition of the Group	-	-	-	-	20	-	-	-	-	-
End of the period	**443**	**5,446**	**274**	**12**	**101**	**15**	**6**	**82**	**297**	**2,904**

[1)] Information on the restatements is presented in section 10.27.6.

(in millions of PLN)

Movement in assets and liabilities classified as Level III of the fair value hierarchy, in the period ended 31 March 2023	Investment financial assets and assets pledged as collateral for liabilities measured at fair value through other comprehensive income		Investment financial assets and assets pledged as collateral for liabilities measured at fair value through profit or loss			Derivatives – assets	Derivatives – liabilities	Loan receivables from clients measured at fair value		Investment property
	Equity	Debt	Equity	Investment certificates	Debt			through other comprehensive income	through profit or loss	
Beginning of the period	**394**	**5,581**	**252**	**16**	**143**	**25**	**-**	**254**	**184**	**2,861**
Purchase/opening of the position/granting	-	114	-	-	425	-	-	-	32	9
Reclassification from Level II [1)]	-	1,093	-	-	32	-	-	-	-	-
Reclassification from own properties	-	-	-	-	-	-	-	-	-	132
Profit or loss recognized in the profit and loss account:	-	71	11	1	3	2	1	5	2	(5)
- interest income calculated using the effective interest rate	-	73	-	-	-	-	-	5	2	-
- result on derecognition of financial instruments and investments	-	(2)	-	-	-	-	-	-	-	-
- net movement in fair value of assets and liabilities measured at fair value	-	-	11	1	3	2	1	-	-	(5)
Profits or losses recognized in other comprehensive income	54	193	-	-	-	-	-	(1)	-	-
Sales/settlements/repayments/conversions	-	(69)	(21)	-	(433)	(4)	-	(2)	(13)	-
Reclassification to Level II	-	(1,515)	-	-	(121)	-	-	-	-	-
End of the period	**448**	**5,468**	**242**	**17**	**49**	**23**	**1**	**256**	**205**	**2,997**

[1)] Information on the restatements is presented in section 10.27.6.

(in millions of PLN)

10.27.4. Assets and liabilities not measured at fair value

Fair value of assets and liabilities for which it is only disclosed	31 March 2024					31 December 2023				
	Level I	Level II	Level III	Total fair value	Carrying amount	Level I	Level II	Level III	Total fair value	Carrying amount
Assets										
Loan receivables from clients measured at amortized cost	-	-	220,515	220,515	222,841	-	-	217,405	217,405	218,476
Investment financial assets and assets pledged as collateral for liabilities measured at amortized cost	55,569	57,122	23,496	136,187	139,175	52,172	58,016	22,950	133,138	135,875
Debt securities	55,569	54,560	14,802	124,931	128,063	52,172	52,270	14,256	118,698	121,574
Buy-sell-back transactions	-	2,392	3,544	5,936	5,936	-	5,384	3,619	9,003	9,003
Term deposits with credit institutions	-	170	660	830	819	-	362	685	1,047	1,036
Loans	-	-	4,490	4,490	4,357	-	-	4,390	4,390	4,262
Liabilities										
Liabilities to banks	-	811	5,768	6,579	6,567	-	874	6,171	7,045	7,047
Liabilities to clients under deposits	-	-	315,725	315,725	315,706	-	-	303,709	303,709	303,781
Liabilities on the issue of own securities [1)]	-	11,936	2,008	13,944	13,722	-	10,004	2,108	12,112	12,003
Subordinated liabilities [1)]	-	2,828	3,097	5,925	5,878	-	2,778	3,431	6,209	6,166
Liabilities on account of repurchase transactions	-	1,459	70	1,529	1,529	-	1,609	14	1,623	1,623

[1)] The liabilities classified to level II are those whose measurement was not affected by unobservable parameters. They are primarily liabilities on account of bonds issued by Pekao.

10.27.5. Changes in the method of measurement of fair value of financial instruments measured at fair value

During 3 months ended 31 March 2024 and in 2023 there were no changes in the method of measurement of fair value of financial instruments measured at fair value whose value would be important from the point of view of consolidated financial statements.

10.27.6. Reclassification between fair value hierarchy levels

If the method of measurement of assets or liabilities changes because of e.g. losing (or obtaining) access to quotations observed on an active market, such assets or liabilities are reclassified between levels I and II.

Assets or liabilities are reclassified between levels II and III (or accordingly between levels III and II) when:

- there is a change in the measurement model resulting from the application of new unobservable factors (or accordingly observable ones); or
- previously used factors that had a significant impact on the measurement are no longer observable (or accordingly become observable) on the active market.

Reclassifications between different levels of the fair value hierarchy are effected on the date ending each quarter according to the value as at that date.

(in millions of PLN)

During 3 months ended 31 March 2024 the following reclassifications of assets between fair value levels were made:

- Corporate and municipal bonds measured using market price information for comparable financial instruments, corporate bonds and capital market derivatives, for which the impact of estimated credit parameters did not significantly affect the valuation were reclassified from level III to level II;
- corporate and municipal bonds and for which the impact exerted by the estimated credit parameters on the measurement was significant were reclassified from level II to level III;
- government and corporate bonds with the value of PLN 90 million which were measured using market quotations were reclassified from level II to level I due to an increase in market activity;
- government and corporate bonds with the value of PLN 136 million were measured using market price information for comparable financial instruments were reclassified from level I to level II.

In the 3-month period ended on 31 March 2023, the following reclassifications of assets between fair value levels were made:

- Corporate bonds measured using market price information for comparable financial instruments and corporate and municipal bonds for which the impact of estimated credit parameters did not significantly affect the valuation were reclassified from level III to level II;
- corporate bonds for which the impact exerted by the estimated credit parameters on the measurement was significant were reclassified from level II to level III;
- government bonds with the value of PLN 4 million which were measured using market quotations were reclassified from level II to level I due to an increase in market activity;
- government and corporate bonds with the value of PLN 132 million were measured using market price information for comparable financial instruments were reclassified from level I to level II.

10.28 Reclassification of financial assets as a result of changes in the purpose or use of those assets

During 3 months ended 31 March 2024 the classification of financial assets was not changed as a result of changes in the purpose or use of those assets.

10.29 Share capital

Share capital is recognized at the amount stated in the parent company’s articles of association and registered in the National Court Register.

All the shares have been fully paid up.

As at 31 March 2024 and 31 December 2023

Series/ issue	Type of shares	Type of preference	Type of limitation on rights to shares	Number of shares	Value of series/issue at par value (PLN)	Capital coverage	Date of registration	Right to dividends (from the date)
A	bearer	none	none	604,463,200	60,446,320	cash	23.01.1997	27.12.1991
B	bearer	none	none	259,059,800	25,905,980	in-kind	31.03.1999	1.01.1999
Total number of shares				**863,523,000**				
Total share capital					**86,352,300**			

10.30 Distribution of the parent company’s profit

Information about the distribution of the parent company’s profit is presented in Section 22.

10.31 Subordinated liabilities

	Par value (in millions)	Currency	Interest rate	Issue date/Maturity date	Carrying amount 31 March 2024 (in PLN m)	Carrying amount 31 December 2023 (in PLN m)
Liabilities classified as PZU's own funds						
Subordinated bonds – PZU	2,250	PLN	WIBOR 6M + margin	30 June 2017/29 July 2027	2,272	2,328
Liabilities classified as Pekao's own funds						
A series bonds	1,250	PLN	WIBOR 6M + margin	30 October 2017/29 October 2027	1,287	1,266
B series bonds	550	PLN	WIBOR 6M + margin	15 October 2018/16 October 2028	568	558
C series bonds	200	PLN	WIBOR 6M + margin	15 October 2018/14 October 2033	207	203
D series bonds	350	PLN	WIBOR 6M + margin	4 June 2019/4 June 2031	359	352
D1 series bonds	400	PLN	WIBOR 6M + margin	4 December 2019/4 June 2031	410	402
Liabilities classified as Alior Bank's own funds						
K and K1 series bonds	600	PLN	WIBOR 6M + margin	20 October 2017/20 October 2025	622	610
P2A series bonds	150	PLN	WIBOR 6M + margin	14 December 2017/29 December 2025	153	150
F series bonds [1)]	322	PLN	WIBOR 6M + margin	26 September 2014/26 September 2024	-	226
P1B series bonds [1)]	70	PLN	WIBOR 6M + margin	29 April 2016/16 May 2024	-	71
Subordinated liabilities					**5,878**	**6,166**

[1)] Information on the early redemption of bonds is presented in section 20.

"Nominal value" is the nominal value of the whole issue. In turn, the carrying amount of subordinated liabilities corresponds to the value recognized in the consolidated statement of financial position. As a part of bonds issued by PZU Group companies was acquired or purchased by other entities, that part is eliminated from the consolidated financial statements. That is why the carrying amount of certain classes of bonds is smaller than the full nominal value of instruments issued by the Group.

10.32 Liabilities on the issue of own debt securities

Liabilities on the issue of own debt securities	31 March 2024	31 December 2023
Bonds	11,668	9,691
Certificates of deposit	1,017	1,257
Covered bonds	1,037	1,055
Liabilities on the issue of own debt securities, total	**13,722**	**12,003**

(in millions of PLN)

10.33 Liabilities to banks

Liabilities to banks	31 March 2024	31 December 2023
Current deposits	643	696
One-day deposits	319	314
Term deposits	278	292
Loans received	5,189	5,424
Other liabilities	138	321
Liabilities to banks, total	**6,567**	**7,047**

10.34 Liabilities to clients under deposits

Liabilities to clients under deposits	31 March 2024	31 December 2023
Current deposits	223,103	221,140
Term deposits	91,336	81,511
Other liabilities	1,267	1,130
Liabilities to clients under deposits, total	**315,706**	**303,781**

(in millions of PLN)

10.35 Other liabilities

Other liabilities	31 March 2024	31 December 2023
Liabilities measured at fair value	**1,856**	**1,592**
Liabilities on borrowed securities (short sale)	784	813
Investment contracts for the client's account and risk (unit-linked)	530	294
Liabilities to members of consolidated mutual funds	542	485
Accrued expenses	**1,629**	**1,485**
Accrued payroll expenses	946	822
Other	683	663
Deferred revenue	**376**	**344**
Other liabilities	**12,093**	**13,559**
Liabilities on account of repurchase transactions	1,529	1,623
Lease liabilities	1,686	1,594
Liabilities due under transactions on financial instruments	1,366	2,074
Liabilities to banks for payment documents cleared in interbank clearing systems	2,103	3,192
Liabilities on direct insurance	552	557
Liabilities on account of payment card settlements	1,275	1,275
Regulatory settlements	729	629
Liabilities for contributions to the Bank Guarantee Fund	1,017	738
Estimated non-insurance liabilities	120	154
Liabilities to employees	179	149
Estimated refunds of compensation in connection with banks' clients lapsing or withdrawing from insurance purchased during the sale of credit products	55	34
Trade liabilities	419	549
Liabilities on account of employee leaves	210	172
Liabilities to the state budget other than for income tax	165	150
Liabilities on account of donations	7	10
The PZU Group banks' liabilities for insurance of bank products offered to the bank's clients	11	27
Insurance Guarantee Fund	15	15
Liability for the refund of loan costs	16	16
Liabilities for direct claims handling	38	37
Co-insurance obligations on the part of the co-insurer	43	33
Investment contracts with guaranteed and fixed terms – measured at amortized cost	225	142
Other	333	422
Other liabilities, total	**15,954**	**16,980**

(in millions of PLN)

10.36 Provisions

Movement in provisions in the period ended 31 March 2024	Beginning of the period	Increase	Utilization	Reversal	Other changes	End of the period
Provisions for guarantees and sureties given	578	163	-	(204)	(1)	536
Provision for retirement severance pays	323	8	(4)	-	-	327
Provision for disputed claims and potential liabilities	140	10	(1)	(1)	-	148
Provision for potential refunds of borrowing costs	81	-	(7)	(5)	-	69
Provision for legal risk pertaining to mortgage loans in Swiss francs	947	116	(103)	(5)	(2)	953
Provisions for refunds to clients of increased mortgage loan margins before the mortgage is established	92	-	(2)	-	-	90
Provision for penalties imposed by the Office of Competition and Consumer Protection	51	-	-	-	-	51
Provision for restructuring costs	17	-	-	-	-	17
Provision for post-mortem benefits	28	-	-	-	-	28
Other	50	8	-	-	3	61
Total provisions	**2,307**	**305**	**(117)**	**(215)**	**-**	**2,280**

Movement in provisions in the period ended 31 March 2023	Beginning of the period	Increase	Utilization	Reversal	End of the period
Provisions for guarantees and sureties given	514	113	-	(205)	422
Provision for retirement severance pays	265	8	(3)	-	270
Provision for disputed claims and potential liabilities	88	5	(2)	(4)	87
Provision for potential refunds of borrowing costs	127	-	(18)	-	109
Provision for legal risk pertaining to mortgage loans in Swiss francs	479	73	(4)	(2)	546
Provisions for refunds to clients of increased mortgage loan margins before the mortgage is established	123	-	(6)	(2)	115
Provision for penalties imposed by the Office of Competition and Consumer Protection	39	-	-	-	39
Provision for restructuring costs	21	-	(1)	-	20
Provision for post-mortem benefits	25	-	-	-	25
Other	30	6	-	(4)	32
Total provisions	**1,711**	**205**	**(34)**	**(217)**	**1,665**

Provision for potential refunds of borrowing costs

The PZU Group monitors on an ongoing basis estimated amounts of consumer loan prepayments made before 11 September 2019, i.e. before the publication of the CJEU judgement in case C-383/18.

The amount of the provision represents the best possible estimate based on the historically observed trend of the amount of loan cost refunds resulting from incoming complaints and takes into account the scenario of possible evolution of the market practice or the position of the regulator.

The estimates require adoption of expert assumptions and involve uncertainty. For this reason the provision amount will be subject to updates in the next periods, depending on the trend regarding the amounts to be refunded.

Provision for legal risk pertaining to FX mortgage loans in Swiss francs

On 3 October 2019, CJEU issued a ruling regarding the effects of possible abusiveness of the provisions of an individual agreement on a CHF-indexed loan granted by one of the banks. CJEU interpreted the provisions of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts ("Directive 93/13") in the context of the Swiss franc-indexed loan agreement. CJEU specified the effects of declaring the possible abusiveness of the conversion clauses by the national court, without analyzing at all the possible abusiveness of the contractual provisions. CJEU did not rule that if the national court deems a clause abusive, then it should automatically declare the entire agreement invalid. An assessment in this respect is up to the national court, however the CJEU did not rule out the possibility of supplementing the gap resulting from the abusiveness of the conversion clauses using national supplementary provisions. However, subsequent CJEU rulings have ruled out the permissibility of supplementing the gap after eliminating the prohibited provision by national law, with the consequence that national courts find loan agreements unenforceable after removing the abusive provision (the conversion clause) and declare the agreement unenforceable, with the result that courts determine the invalidity of the loan agreement.

An important ruling on Swiss franc mortgages is the CJEU's September 8, 2022 judgment in the combined cases C-80/21 to C-82/21, in which the CJEU answered the requests for a preliminary ruling questions made by the Warsaw-Śródmieście District Court in Warsaw. The CJEU stated:

- a national court may not declare unfair not the entirety of a contract term, but only its element that make it unfair, if such removal would amount to a change of the content of the term that would affect its essence. This means that, in principle, the national court is limited to determining the unfairness of the entire contract term;
- if the national court determines that a contract term is unfair, which in a given case results in the possibility of continuing to maintain the validity of the entire contract despite the exclusion of the unfair terms, the national court may not replace these terms with a supplementary provision of national law. This means that in such a case the national court cannot apply the provisions of the Civil Code on converting installments using the average exchange rate of the National Bank of Poland;
- the national court, having found a contract term to be unfair, is not authorized to change the content of the term in order to maintain the validity of the contract, which cannot remain in force after the removal of the term, if the consumer in question has been informed of the consequences of the invalidity of the contract and has agreed to the consequences thereof. This means that if the consumer has agreed to the consequences of the invalidity of the contract (having been informed of them), the national court by a ruling cannot change the content of such a term, but must declare it invalid;
- the running of the 10-year statute of limitations for a consumer's claim for repayment of paid installments cannot begin from the time of delivery of each performance under the contract (repayment of each installment), even if the consumer was not able to assess the unfairness of the contract term on his own or did not become aware of the unfairness of the term, and without taking into account that the loan agreement provided for a much longer (30-year) repayment period. This means that the running of the 10-year statute of limitations for a consumer's claim for repayment of installments does not start from the date of repayment of each installment. In practice, it should be assumed that no consumer's claims for refund of paid instalments are time-barred.

On 15 June 2023, the CJEU announced its ruling in Case C-520/21, in which it resolved a preliminary question from the District Court for Warsaw-Śródmieście, stating in the operative part that in the context of declaring a mortgage loan contract invalid in its entirety on the grounds that it cannot continue to be in force after the unfair terms have been removed from it, Articles 6(1) and 7(1) of the Directive 93/13 must be interpreted as follows:

- these articles do not preclude the judicial interpretation of national law, according to which the consumer is entitled to demand compensation from the credit institution beyond the reimbursement of monthly installments and costs paid for the execution of this contract and beyond the payment of statutory default interest from the date of the demand for payment, provided that the objectives of the Directive 93/13 and the principle of proportionality are respected, and
- these articles preclude the judicial interpretation of national law, according to which a credit institution has the right to demand compensation from a consumer beyond the return of the principal paid for the performance of that contract and beyond the payment of statutory interest for late payment from the date of the demand for payment.

Given the judgement, banks cannot claim any compensation for the use of principal. In turn, as regards consumer claims against banks, the CJEU referred to the national law and pointed out that the referring court had to assess, in the light of all circumstances of the dispute, whether taking consumer claims into account is consistent with the proportionality rule. At the same time, the judgment does not literally address the admissibility of the bank's claim for judicial appreciation of the amount corresponding to the loan capital.

On 7 December 2023, CJEU delivered a judgment in Case C-140/22, from which it follows that the consumer's possibility of exercising their rights may not be made conditional on the consumer making a declaration before a court that they consent to an unfair term remaining effective, that they consent to the contract being invalidated, and a declaration that they are aware of the consequences of the invalidity of the contract, and banks, in settling the invalidity of the contract, may not retain interest on principal accrued during the contract performance, thus, the court states that bank may not seek compensation from the consumer going beyond reimbursement of the capital paid.

On 11 December 2023, issued an order in Case C-756/22, stating that Articles 6(1) and 7(1) of the Directive 93/13 shall be interpreted as meaning that, in the context of the annulment in its entirety of a mortgage loan agreement concluded with a consumer by a banking institution, on the ground that the agreement contains unfair terms without which it cannot continue to exist, those provisions preclude a judicial interpretation of a Member State's law according to which that institution has the right to request the consumer to reimburse sums other than the capital paid in respect of the performance of that agreement and the default interest at the statutory rate from the date on which notice is served. The above judicial decision may, in the future, result in banks being able to claim, from franc borrowers, only the reimbursement of the loan capital with the default interest at the statutory rate from the date on which notice is served, without the compensation for the use of loan capital or capital appreciation.

On 14 December 2023, CJEU delivered a judgment stating that Articles 6(1) and 7(1) of the Directive 93/13, read together with the principle of effectiveness, must be interpreted as meaning that they preclude the judicial interpretation of national law, according to which the limitation period for professional claims arising from the invalidity of a mortgage loan agreement does not begin to run until that agreement becomes definitively unenforceable, and that they preclude the judicial interpretation of national law, according to which an objection of retention raised by a trader will result in the consumer being unable to claim default interest. Further, CJEU ruled that a credit institution was not required to ascertain whether a consumer who was a party to a loan agreement was aware of the consequences of the agreement invalidity.

To sum up a series of December judicial decisions: with regard to the issue of compensation owed to banks over the capital paid, CJEU confirmed its position expressed in its judgment of 15 June 2023. The CJEU judgments regarding the start of the statute of limitations for banks' restitution claims do not result in any change in the PZU Group's approach to such cases. In view of the unclear case law of national courts, the PZU Group considers that the statute of limitations starts at the earliest possible date, which is when the borrower files a declaration containing a demand related to the allegation of invalidating the agreement. The above December decisions may change courts' approach to awarding default interest from banks with a date earlier than the date when a consumer files a declaration that they consent to the agreement being invalidated and to the consequences of this invalidity, and they may also unify the approach on the question of whether an objection of retention raised by a credit institution results in the suspension of interest accrual for the client, which, if such a practice is adopted in common courts, may be unfavorable to banks.

On 12 January 2024, the CJEU ruled that the provisions of the Directive shall be interpreted as meaning that they preclude a judicial interpretation of the law of a Member State under which a credit institution is entitled to demand from a consumer – in addition to reimbursement of the capital sums paid in performance of that contract and statutory default interest from the date of the demand for payment – compensation consisting in a judicial adjustment of the benefit paid. In its decision, the CJEU accepted that the institution of valorization is part of the concept of compensation.

As of 31 March 2024, there were 6,800 individual lawsuits pending against the PZU Group relating to foreign currency mortgage loans that were granted in previous years with the total litigation value of PLN 2,393 million (as of 31 December 2023: 5,900 cases with the litigation value of PLN 2,030 million). The main cause of the litigation specified by plaintiffs pertains to challenging the provisions of the loan agreement as regards the application by the PZU Group of the exchange rates and results in claims to declare the loan agreements partially or fully invalid.

During 3 months ended 31 March 2024, in cases instituted by borrowers, 479 court judgments against the PZU Group were issued, including 83 valid judgments, as well as 8 court judgments favorable for the PZU Group, including 0 final judgments (2023: 1,330 unfavorable court judgments, including 208 final judgments, and 41 favorable judgments, including 3 final judgments).

Since 2 October 2023, Pekao has been offering out-of-court settlements called "2% Safe Settlement". The program applies to borrowers who had an active Swiss-franc denominated mortgage loan agreement as at 31 March 2023, including those borrowers who are in litigation with Pekao.

(in millions of PLN)

As part of the settlement, a new debt balance is determined, expressed in PLN and calculated as the loan amount disbursed by Pekao, plus contractual interest calculated at a fixed interest rate of 2% per year, and minus all repayments made by the borrower up to the time of the settlement. The amount of debt remaining after the settlement bears interest at a fixed rate of 2% per year for the first 60 months, and thereafter as per Pekao's current offering. If the new debt balance turns out to be negative (i.e., there is an overpayment), Pekao reimburses the overpaid amount to the borrower.

Pekao has been sending settlement offers to the successive groups of borrowers covered by the program, starting with the oldest loans. As at 31 March 2024, over 8,000 borrowers responded to the settlement offer, with about 60% accepting Pekao's proposal. The program is scheduled to be completed by the end of 2024.

During 3 months ended 31 March 2024, the PZU Group did not make any significant changes in its assumptions and methodology of the calculation of provisions in comparison with those presented in the consolidated financial statements of the PZU Group for 2023.

The PZU Group does not expect a material impact of the Supreme Court ruling of 25 April 2024 on the level of provisions for legal risks. In particular, the methodology for calculating provisions already takes into account separate claims by the PZU Group and the borrower, and does not assume that any additional remuneration or valorization other than statutory interest will be awarded to either party to the dispute, and that the probability of the contract being invalidated if found abusive by a court is close to 100%.

The provisions are always estimated on the basis of expert assumptions and professional judgement.

New rulings and the possible sectoral solutions which will appear in the Polish market for mortgage loans may have impact on the amount of the provision established by the PZU Group and necessitate a change of individual assumptions adopted in the calculations. In connection with this uncertainty it is possible that the provision amount will change in the future.

The tables below present the amounts of the provisions for individual court cases in which the PZU Group is a party and a portfolio provision for the remaining FX mortgage loans which are exposed to legal risk associated with the nature of these agreements.

Consolidated statement of financial position line items	31 March 2024	31 December 2023
Impairment losses for loan receivables from clients	1,289	1,650
individual provision	709	672
portfolio provision	580	978
Other provisions	953	948
individual provision	684	604
portfolio provision	269	344
Total	**2,242**	**2,598**

Consolidated profit and loss account line items	1 January – 31 March 2024	1 January – 31 March 2023
Movement in allowances for expected credit losses and impairment losses on financial instruments	67	27
Other operating expenses	(111)	(73)
Other net investment income	91	26
Total	**46**	**(20)**

The decrease in the balance of the provision as of 31 March 2024, compared to the balance as at 31 December 2023, is mainly due to the use of the provision to cover costs related to settlements and court judgments.

Provision for refunds to clients of increased mortgage loan margins before the mortgage is established

The provision was established in connection with the entry into force of the Act of 5 August 2022 amending the Act on Mortgage Loan and Supervision of Mortgage Loan Intermediaries and Agents and the Act amending the Act on Personal Income Tax, the Act on Corporate Income Tax and Certain Other Acts.

Provisions for guarantees and sureties given

This item includes provisions recognized by banks for the potential loss of economic benefits resulting from off-balance sheet exposures (e.g. granted guarantees or credit exposures).

(in millions of PLN)

Provision for penalties imposed by the Office of Competition and Consumer Protection

Information regarding the creation of provision related to the proceedings of the President of UOKiK on irregularities in the complaint area at Pekao is presented in section 26.4.2.

The amount of 28 million pertains to a penalty returned by UOKiK to Pekao. Due to the potential risk of the outflow of resources in connection with this case, the PZU Group maintains a provision to cover this risk.

The amount of PLN 11 million pertains to the penalty imposed by the President of the Office of Competition and Consumer Protection as a result of the decision in which he deemed that s clause used by Pekao in annexes to agreements on the rules for setting foreign exchange rates is an impermissible contractual clause. Pekao appealed the decision of the UOKiK President to the Court of Competition and Consumer Protection and received a response from the UOKiK President, in which he requested that the appeal be dismissed in its entirety.

10.37 Notes to the consolidated cash flow statement

Movement in liabilities attributable to financial activities in the period ended 31 March 2024	Beginning of the period	Changes resulting from cash flows	Interest accruals and payments as well as settlements of discount and premium	Effect of movements in exchange rates	Other changes	End of the period
Loans received	5,424	(139)	3	(43)	(56)	5,189
Liabilities on the issue of debt securities	12,003	1,717	87	(62)	(23)	13,722
Bonds	9,691	1,976	70	(62)	(7)	11,668
Certificates of deposit	1,257	(243)	11	1	(9)	1,017
Covered bonds	1,055	(16)	6	(1)	(7)	1,037
Subordinated liabilities	6,166	(346)	63	-	(5)	5,878
Liabilities on account of repurchase transactions	1,623	(94)	35	-	(35)	1,529
Lease liabilities	1,594	(65)	10	-	147	1,686
Total	**26,810**	**1,073**	**198**	**(105)**	**28**	**28,004**

Movement in liabilities attributable to financial activities in the period ended 31 March 2023	Beginning of the period	Changes resulting from cash flows	Interest accruals and payments as well as settlements of discount and premium	Effect of movements in exchange rates	Other changes	End of the period
Loans received	5,271	(170)	3	(10)	-	5,094
Liabilities on the issue of debt securities	11,090	(2,277)	-	(1)	(14)	8,798
Bonds	3,488	615	(8)	(2)	-	4,093
Certificates of deposit	6,646	(2,826)	8	2	(6)	3,824
Covered bonds	956	(66)	-	(1)	(8)	881
Subordinated liabilities	6,184	(53)	75	-	-	6,206
Liabilities on account of repurchase transactions	931	2,898	19	-	(19)	3,829
Lease liabilities	1,296	(76)	26	-	64	1,310
Total	**24,772**	**322**	**123**	**(11)**	**31**	**25,237**

(in millions of PLN)

11. Financial assets pledged as collateral for liabilities and contingent liabilities

The table presents the carrying amount of collaterals by type of liabilities.

Financial assets pledged as collateral for liabilities and contingent liabilities	31 March 2024	31 December 2023
Carrying amount of financial assets pledged as collateral for liabilities	14,322	14,658
Repurchase transactions	1,430	1,662
Coverage of the Guaranteed Funds Protection Fund for the Bank Guarantee Fund	887	910
Coverage of liabilities to be paid to the guarantee fund at the Bank Guarantee Fund	416	414
Coverage of liabilities to be paid to the resolution fund (BFG)	756	748
Lombard and technical credit	8,353	8,424
Other loans	75	108
Issue of covered bonds	1,380	1,440
Coverage of the Settlement Guarantee Fund for the National Depository for Securities	55	53
Derivative transactions	944	872
Blockage of assets in connection with the agreement on the technical credit limit in the Clearing House	26	27
Carrying amount of financial assets pledged as collateral for contingent liabilities	-	-
Financial assets pledged as collateral for liabilities and contingent liabilities, total	**14,322**	**14,658**

12. Contingent assets and liabilities

Contingent assets and liabilities	31 March 2024	31 December 2023
Contingent assets, including:	5	5
- guarantees and sureties received	5	5
Contingent liabilities	82,774	80,673
- for renewable limits in settlement accounts and credit cards	5,315	5,137
- for loans in tranches	55,533	53,822
- guarantees and sureties given	9,599	9,313
- disputed insurance claims	1,182	1,505
- other disputed claims	391	391
- other, including:	10,754	10,505
- guaranteeing securities issues	2,126	2,185
- factoring	7,119	6,627
- intra-day limit	432	436
- letters of credit and commitment letters	921	1,192
- other	156	65

Granting of sureties or guarantees for loans or borrowings by PZU or its subsidiaries

In the 3-month period ended 31 March 2024, neither PZU nor its subsidiaries granted any surety for a loan or borrowing or any guarantee to any single entity or any subsidiary of such an entity, with regard to which the total amount of outstanding sureties or guarantees would be significant.

On 26 October 2023, PZU concluded with Alior Bank Annex No. 2 to the Mandate Agreement to Provide Unfunded Credit Protection from Time to Time, and concluded with the Counterparty Annex No. 2 to the Master Agreement to Provide Counter Guarantees from Time to Time. Additional information on this subject is presented in the consolidated financial statements for 2023.

13. Commentary to the condensed interim consolidated financial statements

In the 3-month period ended 31 March 2024, insurance revenue was PLN 7,012 million, as compared to PLN 6,399 million in the corresponding period of the preceding year – an increase by PLN 613 million, i.e.: +9.6% (+PLN 553 million after reinsurance premium allocation). The increase concerned primarily:

- revenues in the mass non-life insurance segment (+PLN 239 m y/y insurance revenues, +PLN 242 m y/y after reinsurance premium allocations), including an increase in the amortization of liabilities for remaining coverage (LRC) as a consequence of higher sales growth, mainly in MOD insurance (an increase in average premiums as a consequence of the growing value of vehicles and higher number of contracts associated with market upturn and increase in new car registrations) and non-motor insurance (including PZU Dom and PZU Firma housing insurance offered to small and medium-sized enterprises). The higher level of revenue from insurance contracts is also triggered by a higher y/y level of premiums allocated to recovery of insurance acquisition cash flows as a consequence of growing sales and a simultaneous increase in commission costs (among others, higher share of multi-agency channel in the portfolio);
- revenues in the corporate non-life insurance segment (+PLN 171 million y/y insurance revenues, +PLN 109 million y/y after reinsurance premium allocations), including an increase in amortization of liability for remaining coverage (LRC) as a consequence of higher non-motor insurance sales growth which was the effect of winning large contracts in the second half of 2023 and strong first quarter 2024 sales in the strategic customer area and MOD insurance (an increase in average premiums as a consequence of rising vehicle values), while revenues in the motor TPL insurance group declined;
- revenues in the group and individually continued life insurance segment (+PLN 107 million y/y insurance revenues) as a result of higher premiums needed to cover expected claims and benefits following high utilization of health insurance benefits, mainly outpatient and paramedical benefits, tied to continued realization of health debt after the two-year pandemic in an environment of high medical services inflation, as well as higher revenues to cover expected costs and rising acquisition costs;
- insurance products in the Baltic countries segment (+PLN 58 million y/y of policyholder revenue, +PLN 57 million y/y after reinsurance premium allocation) as a result of higher sales in non-life insurance segment, mainly due to an increase in sales of motor TPL and MOD insurance products (due to higher fees), health insurance due to an increase in the number of policies and property insurance due to an increase in the number of insurance products and average premiums;
- insurance revenue in the individual protective insurance segment (up PLN 29 million y/y) as a result of higher contractual service margin release in main product groups. The effect was strengthened by a higher level of premiums written to cover costs and expected claims and benefits.

Insurance service expenses decreased to PLN 5,834 million, i.e. by PLN 688 million, as compared to the corresponding period of the previous year. Expenses adjusted for the amounts recoverable from reinsurers increased by PLN 622 million, i.e. 12.0%, and this resulted from:

- in the mass non-life insurance segment, higher net liabilities for the current year's claims, costs including amortization of insurance acquisition cash flows (impact of growing share of multiagency channel in the portfolio), release of a lower net excess of prior years' claims reserves over the current projected value of payouts;
- in the corporate non-life insurance segment, higher y/y net liabilities for the current year's claims and amortization of acquisition expenses;
- higher claims and benefits with the development of the loss provision from previous years in the group and individually continued life insurance segment as a result of continued high utilization of health insurance benefits, and higher y/y creation of the loss component for group health insurance as a consequence of the slowdown in premium tariff-setting in an environment of high medical services inflation due to lower than expected propensity of customers to accept premium increases;
- higher net liabilities for the current year's claims in the Baltic countries segment as a result of the increase in the value of the portfolio, increase in administrative expenses attributable to the insurance business mainly due to higher personnel costs and higher amortization of acquisition costs;
- an increase in current period claims in the individual protective life insurance segment, including term insurance and bancassurance;

- higher administrative costs attributable to insurance activities in the segments of insurance business in Poland mainly due to an increase in personnel costs and real estate (rental services) and IT costs.

The finance revenue and expenses on the insurance activities in Q1 2024 were -PLN 484 million, as compared to -PLN 477 million in the corresponding period of 2023 (and together with the finance revenue and expenses on the reinsurance activities, respectively, -PLN 439 million in Q1 2024 and -PLN 464 million in the corresponding period of 2023). The decrease in costs was influenced in particular by the lower valuation of liabilities from investment insurance.

Investment income together with interest expense in the Q1 2024 and in Q1 2023 was, respectively, PLN 5,135 million and PLN 4,525 million. That increase was mainly driven by higher interest income on banking activities as a result of higher loan volumes offsetting the negative impact of falling interest rates.

Investment income also increased excluding banking activities[1)]. They were higher than in Q1 2023 mainly due to:

- an improvement in the result from the Private Equity portfolio due to the improvement in the technology market;
- an increase in the result from the bond portfolio measured at fair value through profit or loss;
- higher income from the Polish government bonds portfolio measured at fair value through other comprehensive income as a result of purchasing high-yield instruments for the portfolio;
- higher performance of equity instruments due to the rise in indices.

At the same time, the result on investment activity on the portfolio of assets covering investment insurance was lower than in the comparable period of the previous year, however, remaining without an impact on the total net result of the PZU Group as a result of a decrease in the valuation of liabilities under investment insurance.

In Q1 2024, the balance of other operating income and expenses was negative and stood at PLN 974 million, compared to the negative balance of PLN 914 million in the corresponding period of 2023. The operating revenues and expenses were affected by the following factors:

- higher fees to the Bank Guarantee Fund by PLN 30 million, the total burden on banks in Q1 2024 reached PLN 279 million;
- higher charge for the establishment of legal risk provision at Bank Pekao relating to foreign currency mortgage loans. Provisions for legal risk offset by the reversal of impairment losses resulting from the allowance for expected credit losses;
- levy on financial institutions – on the PZU Group's operations (including both the insurance activities and the banking activities) in Q1 2024 was PLN 389 million, as compared to PLN 371 million in the corresponding period of the preceding year;
- higher expenses related to preventive activities and lower donation costs.

The operating profit for Q1 2024 was PLN 3,770 million and was higher by PLN 356 million (+10.4%) compared to the result in the corresponding period of the previous year. This was caused in particular by the following factors:

- higher results in the banking operations segment (+PLN 323 million y/y), in particular due to an increase in the interest income as a result of higher loan volumes consuming the negative impact of falling interest rates. Increase was partially levelled by rising operating expenses of banks including mainly personnel costs and higher fees to the BGF;
- an increase in operating profit in the corporate non-life insurance segment (+PLN 72 million y/y), mainly as a result of a y/y improvement in profit from insurance services (with growing sales of non-motor insurance and MOD);
- higher operating profit in the group and individually continued life insurance segment (+PLN 66 million y/y), in particular as a result of an increase in the result from insurance services as well as the result from investments allocated to the segment;
- an increase in operating profit in the investment segment (+PLN 47 million y/y) due to higher income from capital market instruments, mainly as a result of a higher result from equity instruments – due to an increase in indices, as well as an improvement in the result from the Private Equity portfolio due to an improvement in the technology market, and a higher result from the portfolio of bonds measured at fair value through profit or loss;

[1)] Banking activity: data of Pekao and Alior Bank.

- lower profitability in the mass non-life insurance segment (-PLN 217 million y/y) – deterioration in the result from insurance services mainly related to higher claims, with a simultaneous deterioration in the result from investments allocated to the segment.

The net profit was higher by PLN 313 million (+12.2%) than that for Q1 2023 and amounted to PLN 2,885 million. The net profit attributable to the parent company's shareholders was PLN 1,254 million compared to PLN 1,150 million in the corresponding period in 2023 (an increase by 9.0%).

The consolidated equity according to IFRS at 31 March 2024 was PLN 63,255 million, as compared to PLN 51,926 million at 31 March 2023. The increase resulted from an increase in equity attributable to equity shareholders of the parent company and an increase in non-controlling interests. The return on equity (ROE[2)]) attributable to the parent company for the period from 1 January 2024 to 31 March 2024 was 16.4% and was lower by 0.8 p.p. than that for the previous year. The adjusted return on equity attributable to the parent company (aROE[3)]) for the period from 1 January 2024 to 31 March 2024 was 17.1% and was lower by 1.7 p.p. than a year ago. The consolidated equity increased by PLN 2,776 million, as compared to the consolidated equity at 31 December 2023. As compared to the yearend of the previous year, the non-controlling interests increased by PLN 1,486 million to PLN 31,943 million, and their change resulted from an increase in the valuation of debt instruments and a decrease in the valuation of cash flow hedging instruments measured at fair value through other comprehensive income, and the profit attributable to non-controlling shareholders of PLN 1,631 million (generated by Alior Bank and Bank Pekao). The equity attributable to equity holders of the parent company increased by PLN 1,290 million as compared to the yearend of the previous year as the effect of net income attributable to the parent company of PLN 1,254 million generated in Q1 2024 and the positive effect of a change in discount rates for the valuation of insurance liabilities. The above increases were partly offset by a decrease in the valuation of cash flow hedging instruments measured at fair value through other comprehensive income.

The total of equity and liabilities at 31 March 2024 was higher by PLN 15,076 than at 31 December 2023 and amounted to PLN 482,969 million. The increase concerned primarily: the increase in the liabilities towards clients from deposits (+PLN 11,925 million), liabilities arising from own debt securities (+PLN 1,719 million), and also liabilities from insurance contracts (+PLN 885 million).

The investment portfolio (investment financial assets, assets pledged as collateral for liabilities, investment properties and financial derivatives) at 31 March 2024 totaled PLN 216,655 million and was higher by PLN 8,121 million, as compared to the end of 2023. The increase in investments was mainly related to the banking activities including debt instruments at Alior Bank. The investment portfolio, excluding banks, increased due to inflow of premiums as a result of the growth in business, as well as the profit or loss on investments. At 31 March 2024 loan receivables from clients were PLN 223,220 million, as compared to PLN 218,808 million at 31 December 2023.

The largest liabilities at 31 March 2024 were liabilities to clients under deposits. The increase in their balance by PLN 11,925 million compared to the balance at the end of 2023 to PLN 315,706 million concerned mainly term deposits.

The liabilities from insurance contracts at the end of Q1 2024 were PLN 43,213 million and constituted 8.9% of the total equity and liabilities. Compared to the liabilities as at 31 December 2023, they increased by PLN 885 million.

[2)] Annual ratio used as Alternative Performance Measures (APM) within the meaning of the ESMA's Guidelines on Alternative Performance Measures (ESMA 2015/1415).

[3)] aROE – adjusted return on equity, calculated on a capital basis excluding accumulated other comprehensive income relating to insurance and reinsurance financial income and expenses. Annual ratio used as Alternative Performance Measurement (APM) within the meaning of ESMA's Alternative Performance Measurement Guidelines (ESMA 2015/1415).

14. Equity management

On 25 March 2021 the PZU Supervisory Board adopted a resolution to approve the PZU Group's Capital and Dividend Policy for 2021-2024 ("Policy").

In accordance with the Policy, the PZU Group endeavors to do the following:

- manage capital effectively by optimizing the usage of capital from the PZU Group's perspective;
- 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 the organic growth and acquisitions;
- ensure sufficient financial means to cover the PZU Group's liabilities towards its clients.

The capital management policy is based on the following principles:

- manage the PZU Group's capital (including excess capital) at the level of PZU;
- sustain target solvency ratios at the level of 200% for the PZU Group, PZU SA and PZU Życie SA (according to Solvency II);
- maintain the PZU Group's financial leverage ratio at a level no higher than 25%;
- ensure funds for growth and acquisitions;
- maintain the financial conglomerate's surplus own funds above the pertinent requirements for solvency;
- 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.

The PZU and PZU Group's dividend policy rests on the following principles:

- The PZU Group endeavors to manage capital effectively and maximize the rate of return on equity for PZU's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions;
- the dividend amount proposed by the PZU Management Board paid for the financial year is determined on the basis of the PZU Group's consolidated financial result attributable to equity holders of 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 significant expenditures are incurred in connection with execution of the PZU Group Strategy, including in particular, mergers and acquisitions;

subject to the items below:

- according to the PZU Management Board's plans and risk and solvency self-assessment of the parent company, the own funds of the parent company and the PZU Group following the declaration of payment or payment of a dividend will remain at a level that will ensure fulfillment of the conditions specified in the capital policy;
- when determining the dividend the regulatory authority's recommendations concerning dividends will be taken into consideration.

External capital requirements

According to the Insurance Activity Act, the calculation of the capital requirement is based on market, actuarial (insurance), counterparty insolvency, catastrophic and operational risks. Assets, liabilities and as a consequence own funds covering the capital requirement are measured at fair value. The capital requirement is calculated in accordance with the standard formula at the level of the entire PZU Group.

Pursuant to Article 412(1) of the Insurance Activity Act, the PZU Group is obligated to prepare and disclose an annual solvency and financial condition report at the group level drafted in accordance with the principles of Solvency II. The 2023 report published on 25 April 2024 is available online at https://www.pzu.pl/relacje-inwestorskie/raporty?queries%5Byear%5D=2023. Pursuant to

Article 290 sec. 1 of the Insurance Activity Act, a solvency and financial condition report of an insurance undertaking shall be audited by an audit firm.

Irrespective of the foregoing, some PZU Group companies are required to comply with their own capital requirements imposed by the relevant legal regulations.

The PZU Group's solvency ratio as at 31 December 2023, published in the PZU Group's 2023 solvency and financial condition report, was 229%.

The maintained levels of solvency ratio comply with those assumed in the capital and dividend policy of the PZU Group.

15. Segment reporting

15.1 Reportable segments

15.1.1. Key classification criterion

Operating segments are components of an entity for which separate financial information is available and is subject to regular assessment by CODM (in practice this is the PZU Management Board), related to allocating resources and assessing operating results.

The main dividing line between segments in the PZU Group is based on the criteria of the nature of business, product groups, client groups and the regulatory environment. The characteristics of individual segments is provided in the table below.

Segment	Accounting standards	Segment description	Aggregation criteria
Corporate insurance (non-life insurance)	IFRS	Broad scope of non-life insurance products, TPL and motor insurance customized to a customer's needs entailing individual underwriting offered to large economic entities by PZU, TUW PZUW and PG TUW.	Aggregation by similarity of products offered, similar client groups to which they are offered, distribution channels and operation in the same regulatory environment.
Mass insurance (non-life insurance)	IFRS	Broad scope of non-life, accident, TPL and motor insurance products offered to retail clients and entities in the small and medium-sized enterprise sector by PZU and Link4.	As above.
Group insurance and individually continued insurance (life insurance)	IFRS	Group insurance products offered by PZU Życie to groups of employees and other formal groups (e.g. trade unions), under which persons with a legal relationship with the policyholder (e.g. employer, trade union) accede to the insurance product granted and individually continued insurance products under which the policyholder acquires the right to individual continuation during the group phase. PZU Życie's offer covers a wide range of protection, investment (non-investment contracts) and health insurance.	No aggregation.
Individual protective insurance products (life insurance)	IFRS	Insurance offered by PZU Życie to individual clients under which the insurance contract applies to a specific insured and this insured is subject to individual underwriting. PZU Życie's offer covers a wide range of protection and health insurance.	No aggregation.
Unit-linked life insurance	IFRS	Unit-linked insurance, where there is significant insurance risk, and single premium-life and endowment insurance agreements with guaranteed sums assured (investment agreements that are not investment contracts).	No aggregation.
Investments	IFRS	The segment includes investments of free funds, i.e. the surplus of the investment portfolio over the level allocated to pay insurance liabilities of PZU and PZU Życie and the operating result of TFI PZU.	The aggregation was effected because of the similar surplus-based nature of the revenues.

Segment	Accounting standards	Segment description	Aggregation criteria
Banking activity	IFRS	Broad range of banking products offered both to corporate and individual clients by the Pekao Group and the Alior Bank Group.	The aggregation was carried out due to the similarity of products and services offered by the companies and the identical regulatory environment of their operations.
Pension insurance	IFRS	2nd pillar pension insurance	No aggregation.
Baltic Countries	IFRS	Non-life and life insurance products offered by LD and its branch in Estonia, Balta and PZU LT GD.	The aggregation was carried out due to similarity of products and services offered by the companies and similarity of the regulatory environment of their operations.
Ukraine	IFRS	Non-life and life insurance products offered by PZU Ukraine and PZU Ukraine Life Insurance.	The aggregation was carried out due to similarity of the regulatory environment of their operations.
Investment contracts	IFRS	PZU Życie products that do not transfer any significant insurance risk within the meaning of IFRS 17 and that do not meet the definition of an insurance contract (i.e. some products with a guaranteed return and some unit-linked products).	No aggregation.
Other	IFRS	Other products and services not classified into any of the above segments.	

15.1.2. Information relating to geographical areas

The PZU Group applies additional segmentation by geographic location, according to which the following geographic areas were identified:

- Poland;
- Baltic countries (covering Lithuania – LD, PZU LT GD, Latvia – Balta and Estonia – LD branch);
- Ukraine.

15.2 Measure of the segment's profit

The PZU Group's fundamental measure of the segment's profit is IFRS-based profit from operating activities.

For all segments, with the exception of banking operations, the segment's result is reduced by intragroup transactions.

When reviewing the performance of PZU Group banks (Pekao and Alior Bank), CODM makes analyzes and decisions based on the consolidated result of the Pekao Group and Alior Bank Group. For this reason, the result of the "Banking Activity" segment is determined as the sum of the unadjusted consolidated results of the Pekao Group and Alior Bank Group. Intragroup transactions included in the results of the Pekao Group and Alior Bank Group, as well as adjustments due to the purchase price allocation, are reported under the "Other" segment.

15.3 Simplifications in the segmental note

The segmental note has applied certain simplifications permitted by IFRS 8 "Operating segments":

- withdrawing from presenting data related to the allocation of all assets and liabilities to various segments – resulting from not preparing and not presenting such tables to the PZU Management Board. The main information delivered to the PZU Management Board consists of data regarding the results of given segments and managerial decisions are made on this basis, including decisions on resource allocation. The analysis of the segmental allocation of assets and liabilities is limited to a large extent to monitoring the fulfillment of the regulatory requirements;
- presenting the net result on investments as a single amount as the difference between the realized and unrealized revenues and the costs of investments – stemming from the internal assessment of the segmental results based on such a combined measure of investment results;
- not allocating other revenues and costs to the segment called „investments" besides realized and unrealized revenues and costs of investments – stemming from the method of analyzing this segment's data and the impracticality of such an allocation.

15.4 Quantitative data

(in millions of PLN)

41 January – 31 March 2024	**Corporate insurance**	**Mass insurance**	**Group and individually continued insurance**	**Individual protective insurance**	**Life invest-ment insurance**	**Baltic Countries**	**Ukraine**	**Investment contracts**	**Invest-ments**	**Banking activities**	**Pension**	**Other**	**Total**
Insurance service result before reinsurance	515	236	244	83	9	86	5	-	-	-	-	-	1,178
Insurance revenue	1,131	3,054	1,922	179	24	644	58	-	-	-	-	-	7,012
Amortization of liabilities for remaining coverage (PAA)	982	2,360	-	-	-	520	42	-	-	-	-	-	3,904
Expected claims and benefits (GMM, VFA)	-	-	1,263	34	-	3	4	-	-	-	-	-	1,304
Expected expenses (GMM, VFA)	-	-	223	25	(2)	2	-	-	-	-	-	-	248
Release of the contractual service margin (GMM, VFA)	-	-	308	68	12	4	1	-	-	-	-	-	393
Release of risk adjustment for non-financial risks (GMM, VFA)	-	-	32	5	5	1	-	-	-	-	-	-	43
Recovery of insurance acquisition cash flows	149	694	114	43	10	115	14	-	-	-	-	-	1,139
Other revenue	–	–	(18)	4	(1)	(1)	(3)	-	-	-	-	-	(19)
Insurance service expenses	(616)	(2,818)	(1,678)	(96)	(15)	(558)	(53)	-	-	-	-	-	(5,834)
Claims incurred in the period (without the investment component)	(469)	(1,886)	(1,368)	(43)	(1)	(415)	(32)	-	-	-	-	-	(4,214)
Expenses incurred in the period	(61)	(233)	(214)	(23)	(1)	(67)	(11)	-	-	-	-	-	(610)
Run-off of claim reserves from prior years	55	44	59	13	(8)	36	4	-	-	-	-	-	203
Amortization of loss component	27	108	82	3	4	35	2	-	-	-	-	-	261
Recognition of the loss component	(19)	(157)	(123)	(3)	1	(32)	(2)	-	-	-	-	-	(335)
Amortization of insurance acquisition cash flows	(149)	(694)	(114)	(43)	(10)	(115)	(14)	-	-	-	-	-	(1,139)
Net income or expenses from reinsurance contracts held	(341)	(35)	-	-	-	(15)	-	-	-	-	-	-	(391)
Reinsurance premium allocation	(375)	(33)	-	-	-	(17)	-	-	-	-	-	-	(425)
Amounts recoverable from reinsurers, including:	34	(2)	-	-	-	2	-	-	-	-	-	-	34
Incurred claims	73	1	-	-	-	6	-	-	-	-	-	-	80
Incurred expenses	(1)	-	-	-	-	-	-	-	-	-	-	-	(1)
Run-off of claim reserves from prior years	(38)	(3)	-	-	-	(4)	-	-	-	-	-	-	(45)
Insurance service result	**174**	**201**	**244**	**83**	**9**	**71**	**5**	**-**	**-**	**-**	**-**	**-**	**787**
Insurance finance income or expenses	(67)	(87)	(128)	(25)	(156)	(15)	(6)	-	**-**	**-**	**-**	**-**	(484)

(in millions of PLN)

41 January – 31 March 2024	Corporate insurance	Mass insurance	Group and individually continued insurance	Individual protective insurance	Life invest-ment insurance	Baltic Countries	Ukraine	Investment contracts	Invest-ments	Banking activities	Pension	Other	Total
Financial income and expenses from reinsurance	42	2	-	-	-	1	-	-	-	-	-	-	45
Investment income	89	176	227	29	161	24	14	-	180	6,269	3	12	7,184
Fees and commissions result	-	-	-	-	-	-	-	1	32	874	41	(36)	912
Operating costs of banks	-	-	-	-	-	-	-	-	-	(1,693)	-	42	(1,651)
Interest expenses	-	-	-	-	-	-	-	-	(58)	(2,001)	-	10	(2,049)
Other operating income and expenses	-	-	-	-	-	-	-	-	(35)	(725)	(10)	(204)	(974)
Operating profit	**238**	**292**	**343**	**87**	**14**	**81**	**13**	**1**	**119**	**2,724**	**34**	**(176)**	**3,770**

(in millions of PLN)

1 January – 31 March 2023 (restated)	**Corporate insurance**	**Mass insurance**	**Group and individually continued insurance**	**Individual protective insurance**	**Life invest-ment insurance**	**Baltic Countries**	**Ukraine**	**Investment contracts**	**Invest-ments**	**Banking activities**	**Pension**	**Other**	**Total**
Insurance service result before reinsurance	(915)	424	200	70	5	79	14	-	-	-	-	-	(123)
Insurance revenue	960	2,815	1,815	150	24	586	49	-	-	-	-	-	6,399
Amortization of liabilities for remaining coverage (PAA)	819	2,203	-	-	-	469	30	-	-	-	-	-	3,521
Expected claims and benefits (GMM, VFA)	-	-	1,201	32	1	2	4	-	-	-	-	-	1,240
Expected expenses (GMM, VFA)	-	-	191	21	(2)	2	-	-	-	-	-	-	212
Release of the contractual service margin (GMM, VFA)	-	-	303	59	10	3	2	-	-	-	-	-	377
Release of risk adjustment for non-financial risks (GMM, VFA)	-	-	31	4	5	1	-	-	-	-	-	-	41
Recovery of insurance acquisition cash flows	141	612	106	37	11	109	11	-	-	-	-	-	1,027
Other revenue	–	–	(17)	(3)	(1)	-	2	-	-	-	-	-	(19)
Insurance service expenses	(1,875)	(2,391)	(1,615)	(80)	(19)	(507)	(35)	-	-	-	-	-	(6,522)
Claims incurred in the period (without the investment component)	(446)	(1,643)	(1,350)	(38)	-	(393)	(21)	-	-	-	-	-	(3,891)
Expenses incurred in the period	(52)	(218)	(200)	(21)	(2)	(62)	(10)	-	-	-	-	-	(565)
Run-off of claim reserves from prior years	(1,221)	112	46	16	(9)	51	7	-	-	-	-	-	(998)
Amortization of loss component	26	126	73	1	2	40	-	-	-	-	-	-	268
Recognition of the loss component	(41)	(156)	(78)	(1)	1	(34)	-	-	-	-	-	-	(309)
Amortization of insurance acquisition cash flows	(141)	(612)	(106)	(37)	(11)	(109)	(11)	-	-	-	-	-	(1,027)
Net income or expenses from reinsurance contracts held	1,023	(35)	-	-	-	(9)	-	-	-	-	-	-	979
Reinsurance premium allocation	(313)	(36)	-	-	-	(16)	-	-	-	-	-	-	(365)
Amounts recoverable from reinsurers, including:	1,336	1	-	-	-	7	-	-	-	-	-	-	1,344
Incurred claims	87	5	-	-	-	11	-	-	-	-	-	-	103
Incurred expenses	11	1	-	-	-	-	-	-	-	-	-	-	12
Run-off of claim reserves from prior years	1,238	(5)	-	-	-	(4)	-	-	-	-	-	-	1,229
Insurance service result	**108**	**389**	**200**	**70**	**5**	**70**	**14**	**-**	**-**	**-**	**-**	**-**	**856**
Insurance finance income or expenses	(36)	(80)	(122)	(23)	(205)	(7)	(4)	-	-	-	-	-	(477)

(in millions of PLN)

1 January – 31 March 2023 (restated)	Corporate insurance	Mass insurance	Group and individually continued insurance	Individual protective insurance	Life invest-ment insurance	Baltic Countries	Ukraine	Investment contracts	Invest-ments	Banking activities	Pension	Other	Total
Financial income and expenses from reinsurance	11	3	-	-	-	-	(1)	-	-	-	-	-	13
Investment income	83	197	199	28	212	12	13	-	129	5,850	4	(6)	6,721
Fees and commissions result	-	-	-	-	-	-	-	1	23	884	34	(33)	909
Operating costs of banks	-	-	-	-	-	-	-	-	-	(1,534)	-	36	(1,498)
Interest expenses	-	-	-	-	-	-	-	-	(55)	(2,154)	-	13	(2,196)
Other operating income and expenses	-	-	-	-	-	-	-	-	(25)	(645)	(6)	(238)	(914)
Operating profit	**166**	**509**	**277**	**75**	**12**	**75**	**22**	**1**	**72**	**2,401**	**32**	**(228)**	**3,414**

(in millions of PLN)

Geographic breakdown	1 January – 31 March 2024					1 January – 31 March 2023 (restated)				
	Poland	Baltic Countries	Ukraine	Unallocated	Consolidated value	Poland	Baltic Countries	Ukraine	Unallocated	Consolidated value
Insurance revenue	6,310	644	58	-	7,012	5,764	586	49	-	6,399
Fees and commissions result	912	-	-	-	912	909	-	-	-	909
Investment profit or loss [1]	7,146	24	14	-	7,184	6,696	12	13	-	6,721

[1] The sum of the following line items in the consolidated profit and loss account: "Interest income calculated using the effective interest rate", "Other net investment income", "Result on derecognition of financial instruments and investments", "Movement in allowances for expected credit losses and impairment losses on financial instruments" and "Net movement in fair value of assets and liabilities measured at fair value".

Geographic breakdown	31 March 2024					31 December 2023				
	Poland	Baltic Countries	Ukraine [1]	Unallocated	Consolidated value	Poland	Baltic Countries	Ukraine [1]	Unallocated	Consolidated value
Non-current assets other than financial assets [2]	7,554	283	2	-	7,839	7,561	285	3	-	7,849
Deferred tax assets	2,245	1	-	-	2,246	2,204	1	2	-	2,207
Assets	480,253	3,587	366	(1,237)	482,969	465,264	3,498	366	(1,235)	467,893

[1] Assets of companies based in Ukraine, adjusted for mutual interests between them.

[2] The sum of the following items of the consolidated statement of financial position: "Intangible assets" and "Property, plant and equipment".

15.5 Information on key customers

Due to the nature of operations undertaken by PZU Group companies, there are no customers that would provide 10% or more of total revenues of the PZU Group (defined as revenues from insurance contracts).

16. Note on reporting by segment

16.1 Corporate insurance – non-life insurance

The operating profit in the corporate insurance segment in Q1 2024 was PLN 238 million, meaning it was up by PLN 72 million or 43.4% compared to the corresponding period in 2023. The improvement in operating result was mainly due to an increase in net insurance services profit (+66 million y/y, having considered the reinsurers' share) and an improvement in investment profit (+6 million y/y).

During the first three months of 2024, revenues from insurance products in the corporate insurance segment increased as compared to the corresponding period of 2023 by PLN 171 million, i.e.: +17.8 y/y (+PLN 109 million y/y after reinsurance premium allocation). The increase resulted from an increase in the amortization of liabilities (LRC) as a consequence of a higher non-motor insurance sales growth and MOD insurance, while revenues in the motor TPL insurance group declined. The increase in amortization of liabilities in non-motor insurance is a result of concluding large contracts in the second half of 2023, including the renewal in November 2023 of a contract with an oil company with a premium of more than PLN 500 million (a y/y increase in premium of more than PLN 100 million) and the conclusion of a contract with a client from the energy generation industry with a premium of more than PLN 200 million. The effect was reinforced by strong sales in Q1 2024 in the strategic customer area. In MOD insurance, this is mainly the impact of the increase in average premiums resulting from higher sums insured (increasing value of vehicles) and better matching of the offer to the client's risk profile.

The revenues also include higher y/y premium to recovery of insurance acquisition cash flows (+PLN 8 million), resulting from portfolio growth.

Insurance service expenses adjusted by amounts recoverable from reinsurers increased by PLN 43 million y/y (+8.0% y/y) which together with an increase in the net revenues from insurance products by 16,8% y/y resulted in improvement in profitability as measured by the combined ratio (COR) by 6.3 percentage point. An increase in the net insurance service expenses is a product of:

- Higher net liabilities (y/y) for the current year's claims and higher expenses, including acquisition expenses and administrative expenses attributable to the insurance activities. The increase in administrative expenses results primarily from higher IT and personnel costs and in real estate costs (including rental services);
- positive impact (+PLN 23 million y/y) of the change in the value of the loss component on the result from insurance services in both motor and non-motor insurance.

The PLN 6 million (+7.2% y/y) increase in net investment income compared to the comparable period last year was mainly due to an increase in the required balance of assets to cover liabilities.

Insurance financial income and expenses (after reinsurance allocation) were unchanged y/y at -PLN 25 million.

In Q1 2024, the segment recorded PLN 515 million in gross profit from insurance services (excluding the reinsurer's share), an increase of PLN 1,430 million y/y. In the corresponding period of 2023, an increase in the provision to the prior years' loss of nearly PLN 1 billion was recognized (a claim by a customer from the fuel industry), but due to the high level of reinsurance (more than 98%) this did not have any significant impact on the net insurance service result, which amounted to PLN 108 million, lower than the result achieved in Q1 2024 by PLN 66 million.

16.2 Mass insurance – non-life insurance

The operating profit in the mass insurance segment in Q1 2024 was PLN 292 million, down by PLN 217 million or 42.6% compared to Q1 2023. The lower profit was the result of a deterioration in both net insurance service result (-PLN 188 million) and investment result (-PLN 21 million).

During the first three months of 2024, gross revenues from insurance products in the mass insurance segment increased as compared to Q1 2023 by PLN 239 million, i.e.: +8.5% y/y (+PLN 242 million y/y after reinsurance premium allocation). The increase resulted from an increase in the amortization of liabilities (LRC) as a consequence of a higher sales, mainly, of MOD insurance products and non-motor insurance products. In MOD insurance, this is mainly due to the impact of high premium dynamics in the second half of 2023 and the first months of 2024 (an increase in average premiums as a consequence of the rising value of vehicles and thus insurance sums). The effect was compounded by a higher number of insurance contracts – including higher vehicle availability than a year ago (new car registrations up 12.7% y/y). The increase in LRC depreciation in non-motor insurance is mainly a consequence of the development of PZU Dom household insurance (which was connected to refreshing of the offer and the higher propensity of customers to raise sums insured) and PZU Firma offered to small and medium-sized businesses. The higher level of revenue is also triggered by a higher level of premiums allocated to recovery of insurance acquisition cash flows compared to Q1 2023 (+13,4% y/y) as a cumulative effect of increasing sales with a simultaneous increase in commission costs – including higher share of multi-agency channel in the portfolio.

Insurance service expenses adjusted by amounts recoverable from reinsurers increased by PLN 430 million y/y (+18.0% y/y) , which together with an increase in the net insurance contract revenue by 8,7% y/y resulted in a deterioration of the profitability measured by the combined ratio (COR) increasing by 7.3 percentage point. An increase in the net insurance service expenses is a product of:

- higher liabilities (y/y) for the current year's claims and business expenses, including acquisition expenses (mainly due to growing share of multi-agency channel in the portfolio) and administrative expenses attributable to the insurance activities. The increase in administrative expenses results primarily from higher personnel costs and in real estate costs (including rental services) and IT costs;
- recognition of a loss component, including on the inward reinsurance portfolio with PZU Group companies as a consequence of increased claims inflation in an amount that does not exceed the amortization from the opening balance sheet;
- release of a lower y/y net excess of prior years' claims reserves over the current projected value of payouts.

The decrease of PLN 21 million (-10.7% y/y) in the investment income compared to the comparable period last year was, in particular, due to the loss on the sale of foreign government bonds, last year's gains on the valuation of inflation bonds, as well as the negative impact of exchange rate differences. At the level of the PZU Group's overall net result, this currency effect was offset by the changed level of insurance liabilities covered by foreign currency assets.

The insurance finance income and expenses net were -PLN 85 million, which translates into an increase in expenses by PLN 8 million y/y triggered mainly by fluctuations in interest rates.

16.3 Group and individually continued insurance – life insurance

In the first three months of 2024, the Group and Individual Continuing Insurance segment achieved PLN 343 million in operating profit, an increase of PLN 66 million, or 23.8%, compared to the same period last year.

In Q1 2024, the group and individually continued insurance segments saw an increase in revenue from insurance contracts compared to the corresponding period of 2023 by PLN 107 million, i.e.: +5.9% y/y . The higher level of revenues is the product of:

- a higher premium required to cover expected claims and benefits (+PLN 62 million y/y) following a high utilization of health insurance benefits, mainly outpatient and paramedical services (the effect of continued health debt realization after the two-year pandemic in an environment of high medical services inflation);
- higher revenues to cover expected costs and rising acquisition costs (total +PLN 40 million y/y) – the impact of higher fixed costs (including personnel and IT) and the increasing share of remuneration for intermediaries;
- an increase of PLN 5 million y/y in the contractual service margin allocated to Q1 2024 mainly on the portfolio of individually continued insurance as a consequence of higher upselling of additional risks and voluntary indexation of premiums (impact of high inflation).

Insurance service expenses adjusted by amounts recoverable from reinsurers increased by PLN 63 million y/y (+3.9% y/y) which together with an increase in the net revenues from insurance contracts by 5.9% y/y resulted in the profitability measured by the ratio of insurance service result to revenues from insurance contracts increasing by 1.7 percentage points. An increase in the net insurance service expenses is a product of:

- higher claims and benefits with the run-off of claim reserves from prior years as a result of continued high utilization of health insurance benefits;
- an increase in administrative costs (+PLN 14 million y/y) as a consequence of higher personnel costs and real estate (rental services) and IT costs (development of the IT area and indexation of costs related to product support);
- changes in the value of the loss component with a negative impact on the result of -PLN 41 million (vs. negative impact of -PLN 5 million in corresponding period of the previous year)) is mainly a consequence of the higher creation of the loss component to the old portfolio of group insurance with low premiums, for which most renewals occur in Q1 of the year, and group health insurance as a consequence of the slowdown in premium tariff-setting in an environment of high medical services inflation (lower than expected propensity of customers to accept premium increases).

The PLN 28 million (+14.1% y/y) increase in net investment income compared to the comparable period last year was, in particular, due to an increase in the required level of assets to cover liabilities, as well as higher performance of listed stocks due to the increase in indices.

The insurance finance income and expenses were -PLN 128 million, which translates into an increase in expenses by PLN 6 million y/y triggered mainly by fluctuations in interest rates.

The increase y/y in the operating profit in the group and individually continued insurance segment by PLN 66 million (+23.8% y/y) was caused by both higher result from insurance services (+PLN 44 million y/y) and investment result (+PLN 28 million y/y) allocated to the segment. The effect was slightly offset by increased finance expenses from insurance.

16.4 Individual protective insurance products – life insurance

In Q1 2024, the individual insurance segment posted an operating profit of PLN 87 million, up PLN 12 million, or 16.0%, compared to the corresponding period last year. This was mainly due to an improvement in the result from insurance service (+PLN 13 million y/y) and an even level of the result from investments allocated to the segment (+PLN 1 million y/y).

During the first three months of 2024, revenues from insurance contracts in the individual protective insurance segment increased as compared to the first three months of 2023 by PLN 29 million, i.e.: +19.3% y/y . Within revenues, there was a higher y/y release of service margin in the main product groups, including individual life and endowment (Type J) insurance and bancassurance. In addition, level of premiums allocated to recovery of insurance acquisition cash flows and expected costs grew by PLN 10 million y/y. The higher level of insurance revenue is also the result of an increase in other income (+7 million y/y) – cancellations of bancassurance contracts in 2024 were lower than expected as a result of lower interest rates and higher than expected interest in the “Bezpieczny Kredyt 2%” [“Secure Loan 2%”] program).

Insurance service expenses adjusted by amounts recoverable from reinsurers increased by PLN 16 million (+20.0% y/y) which together with an increase in the revenues from insurance contracts by 19.3% y/y resulted in the profitability measured by the ratio of insurance result to revenues from insurance contracts decreasing by 0.3 percentage points. An increase in the net insurance service expenses is a product of:

- higher administrative costs as a consequence of, among others, increases in personnel and real estate costs and IT costs;
- an increase in current period claims in term insurance and bancassurance.

The level of investment income was slightly higher than in the comparable period last year (-PLN 3 million, or +3.6% y/y) in particular as a result of the increase in the required level of assets to cover liabilities.

The insurance finance income and expenses were -PLN 25 million, which means an increase in expenses by PLN 2 million y/y.

16.5 Life investment insurance

In Q1 2024, the investment life insurance segment achieved an operating profit of PLN 14 million, a significant increase over the corresponding period last year. The y/y change is the result of an increase in sales of unit-linked life insurance with an insurance capital fund and endowment insurance with a guaranteed sum assured and higher fees charged to customers.

Investment result dropped by PLN 51 million (-24.1% y/y), in particular in PPE products and the Multi-currency Investment Program. The Decrease in the investment income has no effect on the PZU Group’s total net profit, as it is offset by the change in the level of finance expenses from insurance.

16.6 Baltic Countries

As part of the Baltic operations, PZU Group offers non-life insurance and life insurance products. Non-life insurance is provided by: LD – leader of the Lithuanian market, Balta – leader in Latvia and the LD branch in Estonia. Life insurance is sold by PZU LT GD in Lithuania.

The Lithuanian non-life insurance market share measured by the gross written premium at the end of February 2024 was 28.5%, while the life insurance market share was 6.7%. The PZU Group’s share in the Estonian non-life insurance market reached 14.1%. However, at the end of 2023, the share in the Latvian non-life insurance market was 28.7%.

In the Baltic Countries segment, PZU Group generated operating profit of PLN 81 million in Q1 2024 compared with PLN 75 million at Q1 last year.

In Q1 2024, insurance contract revenues increased by PLN 58 million, i.e. +9,9% y/y (in functional currency up 19.2% y/y), including allocated reinsurance premiums by PLN 57 million, compared to the corresponding period of 2023. Within revenues, there was an increase in the amortization of LRC as a consequence of a higher sales. Sales higher by PLN 28 million, i.e. (+13.4% y/y in functional currency), were generated in the non-life insurance segment chiefly as a result of a growth in sales of motor TPL and MOD insurance (by 10.2% y/y in the functional currency) due to an increase of rates in the region and non-life insurance (up 20.6% y/y in the functional currency) due to, among other things, an increase in the number of policies and average premiums, and health insurance (up 11.7% in functional currency) as a result of an increase in the number of policies. In life insurance, sales increased by 1.3% y/y (+10.2% y/y in functional currency). The higher level of revenue from insurance contracts is mainly triggered by a higher y/y level of premiums allocated to recovery of insurance acquisition cash flows as a consequence of growing sales.

Insurance service expenses adjusted by amounts due from reinsurers increased by PLN 56 million y/y (+11.2%). Non-life insurance business saw an increase of PLN 55 million (+11.1% y/y), which, with a 10.0% y/y increase in net insurance contract revenues, represents a 0.9 p.p. decrease in profitability measured by the combined ratio (COR).

An increase in the net insurance service expenses of the segment is a product of:

- higher by PLN 27 million y/y net compensation and benefits liabilities due to the increase in the value of the portfolio;
- the release of a PLN 15 million lower y/y net excess of prior years' claims reserves over the current projected value of payouts;
- change of a loss component with an effect on the insurance service result PLN 3 million y/y as a product of the recognition of a new loss component lower by PLN 2 million as compared to the corresponding period of the preceding year, and of changes in assumptions for active cohorts from the preceding years having an effect on the profit in the amount of -PLN 5 million y/y;
- a 8.1% y/y increase in administrative expenses, mainly due to higher personnel costs. At the same time, the segment's ratio of administrative expenses calculated to net insurance revenues decreased by 0.2 p.p. to 10.7%;
- PLN 6 million higher amortization of acquisition cash flow. The acquisition expense ratio was 18.3%, and was lower by 0.8 p.p. y/y decrease.

The insurance finance income and expenses net were -PLN 14 million, which translates into an increase in expenses by PLN 7 million y/y triggered mainly by fluctuations in interest rates.

The increase in investment income compared to the comparable period last year was due in particular to an increase in income from floating rate instruments, dividends and rental income.

16.7 Ukraine

As part of its operations in Ukraine, the PZU Group offers non-life insurance and life insurance products through the following companies: PZU Ukraina and PZU Ukraina Życie.

As a result of the outbreak of the war, operational activities since 24 February 2022, have been carried out by both companies on a very limited basis. In the areas affected by hostilities, all outlets are closed. Clients can buy selected groups of insurance remotely. Products available for sale include compulsory insurance: Green Card and motor TPL, as well as some voluntary insurance: motor MOD, non-life, health and travel. In the case of life insurance, there are sales of short-term products with limited risk.

The share in the Ukrainian non-life insurance market measured by the gross written premium stood at 4.5% at the end of 2023, while the share in the life insurance market was 7.8%.

The Ukraine segment closed the first quarter 2024 with an operating profit of PLN 13 million, compared to a PLN 22 million profit at the end of March of the previous year.

In Q1 2024, there was an increase in insurance contract revenues by PLN 9 million, or -18.4% y/y (in the functional currency by +35.0% y/y), compared to the corresponding period last year. Y/y sales increased by PLN 13 million, or +25.9%, with an increase in functional currency of UAH 177 million, or 43.6% y/y. Non-life and other personal insurance sales declined by PLN 13 million, or +35.8%, with a 54.9% y/y increase in the functional currency, mainly as a result of increases in sales of Green Card insurance (by 78.5% y/y), motor TPL and MOD insurance (in total by 55.4% y/y) and health insurance (in total by 63.2% y/y). Sales of life insurance products decreased by PLN 0.7 million, i.e. by 6.2% y/y, and there was an increase in the functional currency by 7.0% y/y.

The cost of insurance services increased by PLN 18 million y/y (i.e. +51.4%). The y/y change concerns the non-life and other personal insurance business and, with an increase in the net revenues from insurance contracts by 36.8% y/y, represents a 14.1 p.p. decline in profitability as measured by the combined ratio (COR).

An increase in the net insurance service expenses of the segment is a product of:

- higher by PLN 11 million y/y net compensation and benefits liabilities due to the increase in the value of the portfolio;
- the release of a PLN 3 million lower y/y net excess of prior years' claims reserves over the current projected value of payouts;

- a 10.0% y/y increase in administrative expenses, mainly due to higher personnel costs, with the ratio of segment administrative expenses calculated to net insurance revenues falling by 1.4 p.p. to 19.0%;
- PLN 3 million higher amortization of acquisition cash flow. The acquisition expense ratio rose by 1.7 p.p. to 24.1%.

The net finance income and expenses on insurance were -PLN 6 million which means an increase in expenses by PLN 1 million y/y.

The result from investments stood at PLN 14 million, up by PLN 1 million y/y.

16.8 Investment contracts

The segment includes PZU Życie products that do not transfer any significant insurance risk within the meaning of IFRS 17 and that do not meet the definition of an insurance contract, including some products with a guaranteed return and unit-linked. These products are recognized in accordance with the requirements of IFRS 9.

Maintaining operating profit at an even level of PLN 1 million is the result of profit from the sale of products with guaranteed sums insured (including, introduced in mid-2023, the PZU Stabilne Jutro product) partially reduced by the impact of cancellations in the portfolio of unit-linked products that are investment contracts.

16.9 Investments

The segment includes investments of free funds, i.e. the surplus of the investment portfolio over the level allocated to pay insurance liabilities of PZU and PZU Życie and the operating result of TFI PZU. In Q1 2024, the profit in the investment segment increased, as compared to the corresponding period of 2023, by PLN 51 million (+39.5% y/y), which was triggered by:

- an improvement in the result from the Private Equity portfolio due to the improvement in the technology market;
- an increase in the result from the bond portfolio measured at fair value through profit or loss;
- higher performance of equity instruments due to the rise in indices.

Operating result in the investment segment amounted to PLN 119 million in Q1 2024, up by PLN 47 million y/y, particularly due to a higher result from investments in free funds.

16.10 Banking activity

The banking activity segment consists of the capital groups of Bank Pekao and Alior Bank.
After Q1 2024, the banking activity segment generated PLN 2,724 million in operating profit (without amortization of intangible assets acquired as part of the transactions to take over the banks), which signifies an increase by PLN 323 million as compared to the corresponding period of 2023. The higher profit was mainly related to higher interest income resulting higher volumes of loans offsetting the negative impact of falling interest rates.

In the first quarter of 2024, Pekao contributed PLN 1,955 million to the operating profit (without amortization of intangible assets acquired as part of the acquisition transaction) in the “Banking activities” segment, while the Alior Bank’s contribution was PLN 769 million.

The key element of the segment’s income is the investment result for Q1 2024, which was PLN Results 6,269 million, i.e. increased by PLN 419 million, i.e. by 7.2%. Investment income consists of interest income , dividend revenue, the trading result and the result from impairment losses for expected credit losses.

At the end of Q1 2024, the loan receivables portfolio at the two banks combined decreased by PLN 10.8 billion (5.1%) compared to the corresponding period in 2023, mainly due to an increase in receivables from mortgage loans (up by PLN 9.2 billion).

After Q1 2024, the cost of allowances for expected credit losses and impairment losses on financial instruments at Pekao totaled PLN 111 million and was higher y/y by PLN 6 million and PLN 101 million at Alior Bank and was lower y/y by PLN 149 million.

Pekao’s profitability after Q1 2024, as measured by the net interest margin ratio, is 4.17, an increase of 0.02 p.p. over the value after Q1 2023. The value of Alior Bank’s net interest margin after Q1 2024 is 5.96%, up 0.15 p.p. compared to the corresponding period in 2023. The difference in the level of the indicators results in particular from the structure of the loan receivables portfolio.

The fee and commission result in the banking activity segment was PLN 874 million and was by 1.1% lower than in the corresponding period of the preceding year.

The total operating expenses were PLN 1,693 million and consisted of the Pekao operating expenses amounting to PLN 1,192 million and of the Alior Bank operating expenses of PLN 501 million. The 10.4% y/y increase in costs is mainly due to an increase in employee expenses.

In addition, other contributors to the operating result with a negative balance of 725 million included other operating income and expenses, where the main components are the BFG fees (PLN 279 million) and the levy on other financial institutions (PLN 294 million). The negative balance of other operating income and expenses was higher by PLN 80 million compared to Q1 2023, due to higher segment charges to the BGF (by PLN 30 million y/y) and due to higher costs related to legal risk on foreign currency mortgages (by PLN 38 million y/y) at Pekao, offset by the release of allowances in the result for expected credit losses. The cost/income ratio stood at 33% for both banks. This ratio was 32% for Pekao and 34% for Alior Bank.

16.11 Pension insurance

The operating profit in the pension insurance segment amounted to PLN 34 million in Q1 2024, or 6.3% more than in the corresponding period in 2023.

Factors affecting the operating result and its movement included:

- an increase in net fee and commission income by PLN 7 million to PLN 41 million, mainly in management fees resulting from higher average net asset value of the funds;
- an increase in the negative balance of other operating income and expenses from the level of -PLN 6 million to -PLN 10 million, mainly due to higher costs of fund operations – a PLN 4 million surcharge on the Insurance Guarantee Fund of the National Depository for Securities (“KDPW”).

17. Impact of non-recurring events on operating results

In the first quarters of 2023 and 2024, no non-recurring events occurred that would have an impact on the operating profit of PZU Group.

18. Information on changes in economic circumstances and business conditions which have a material impact on the fair value of financial assets and liabilities

18.1 Macroeconomic environment

18.1.1. Gross domestic product

According to the latest Statistics Poland (Główny Urząd Statystyczny – GUS) data, there was a slowdown in GDP growth to 0.2% in 2023, compared to 5.6% in 2022 and 6.9% in 2021.

The slowdown was primarily driven by a strong inventory adjustment, which subtracted as much as 5.2 p.p. from GDP growth. Such an adjustment on the part of this economic category was expected after a period of significant changes in inventories from 2021–2022, which were the result of heightened uncertainty in the face of the war in Ukraine, as well as rising prices and supply chain disruptions that have been occurring since the pandemic.

Also, weaker consumer demand was responsible for the slowdown as it was affected by the high cost of servicing loans and high inflation reducing household incomes in real terms. Consumption in the household sector fell by 1% last year. It subtracted 0.5 p.p. from last year’s GDP.

Last year's GDP growth, however, was positively affected by net exports, which added 3.3 percentage points. 2% lower imports and 3.4% higher exports contributed to this outcome.

At the same time, a solid performance was recorded by investment, which grew by as much as 13.1% over 2022 and added a total of 2.1 p.p. to GDP growth in 2023. This was the highest investment growth rate since 2007. This was fostered, among other things, by the end of the settlement period of the EU financial perspective 2024–2020, as well as by the increased demand for housing following the introduction of the "Bezpieczny Kredyt 2%" program. As a result, the national economy's investment rate (the ratio of gross fixed capital formation to gross domestic product at current prices) rose to 17.8% in 2023, up from 16.4% in 2022.

Despite the significant slowdown in the Polish economy evident last year, quarterly data points to a slow recovery in economic activity in the second half of this year. Indeed, after a 0.4% decrease in GDP in the first quarter and a 0.6% decrease in the second quarter, the third quarter saw GDP growth of 0.5% y/y, accelerating to 1.0% y/y in the next quarter of 2023. The available activity data for the first quarter of this year is in line with this trend – according to the first estimate of the GUS, GDP increased by 1.9% y/y in this period. Published data indicate that the main driving force was consumption – retail sales increased in the first three months of this year (in cumulative terms) by 5% y/y, while industrial production decreased by 0.7% y/y, and construction and assembly production – by as much as 10.8% y/y.

18.1.2. Labor market and consumption

The rate of wage growth in the enterprise sector remained at double-digit levels throughout 2023 (13.3% in the first, 12.2% in the second, 10.8% in the third and 11.5% y/y in the fourth quarter of the last year), but it was only in the second half of the year that nominal wage dynamics began to exceed price dynamics, allowing average wages to rise in real terms (by 1.1% in the third and by 4.7% in the fourth quarter). Overall, for the entire year of 2023, average wages in companies increased by 11.9% in nominal terms, and by just 0.5% in real terms. High wage growth continued into early 2024. Average wages in the enterprise sector in first quarter exceeded PLN 8,000 and rose by 12.5% y/y in nominal terms. At the same time, owing to reduced price pressures, the rate of real wage growth reached almost 10% y/y in February and March this year, and was the fastest in 25 years.

Average paid employment in the enterprise sector increased by 0.3% in 2023, but there were declines of 0.1-0.2% y/y at the end of the year. Overall, average paid employment in Q4 of the last year was 0.3% lower than a year ago (following increases of 0.9%, 0.5% and 0.1% y/y in Q1, Q2 and Q3 of the last year respectively). Labor demand also remained low at the beginning of 2024. Average paid employment in the enterprise sector in the first quarter of the current year was 0.2% lower than a year ago. While the changes in average paid employment itself remain moderate, weaker labor demand is more evident in the marked y/y declines in the number of job vacancies published. On the one hand, the effects of the pandemic support for companies have already expired, and on the other hand, some companies may have to optimize their business cost structure after the recent increases in energy, transport and wage prices.

In contrast, the weaker economy has not significantly affected unemployment. The number of registered unemployed people and the registered unemployment rate were, at the end of 2023, below the 2022 level. At the end of December 2023, there were about 788,000 unemployed people in the registers of labor offices (24,000 fewer than in December 2022), which translated into an unemployment rate of 5.1% (0.1 p.p. lower than a year ago). Data from March 2024 does not change this picture. Although the registered unemployment rate rose to 5.3%, but this was in line with seasonal patterns. At the same time, it was also the lowest level for the month of March since 1990. In turn, the seasonally adjusted unemployment rate published by Eurostat, calculated with a methodology harmonized for EU countries, was 2.9% in March 2024, with the average for the European Union at 6.0%. Thereby, Poland moved to the top of the ranking of EU countries with the lowest unemployment rate. It took this place ex aequo with the Czech Republic.

Consumer sentiment has been steadily improving in 2023 and early 2024, although pessimists still had the upper hand. In Q1 and Q2 2023, a decline in consumer wages' purchasing power in real terms and a high base contributed to a decline in retail sales (-3.5% in Q1 and -7.3% in Q2 of the last year). Consumers mainly reduced demand for durable goods. Despite the slowing inflation, retail sales did not recover significantly in the second half of the last year (they did increase by 1.4% in Q3, but fell again by 0.5% in the final quarter of the last year), and ended the year with a total decline of 4.1%. However, such a recovery came with the start of 2024 – after the first three months, retail sales were already 5% higher than in the corresponding period of the previous year.

18.1.3. Inflation, monetary policy, interest rates

In 2023, consumer prices rose by an average of 11.4%. In February last year, inflation reached 18.4% y/y, the highest level since December 1996, more than 25 years ago. In the following months, we saw a process of disinflation, which was made possible, among other things, by the stabilization of prices after the shock in the commodity markets, especially energy markets, but which was also influenced by the government's protective measures, i.e. VAT cuts on food and an electricity and gas price freeze. This brought year-end inflation to just 6.2% y/y. Data from Q1 of this year indicate that the strong trend of disinflation has been maintained during this period. Indeed, in March inflation fell to 2.0% y/y. The last time we saw inflation this low was in March 2019.

Declining, though nonetheless high inflation, clearly above the target of the National Bank of Poland (NBP, 2.5% +/- 1 p.p.), was accompanied by the maintenance by the Monetary Policy Council (MPC) of interest rates at 6.75% for most of the 2023. MPC had reached this level as a result of a fairly dynamic tightening of the monetary policy, which curbed lending activity, especially in the mortgage loan market. Rates were cut by 75 bps last September and then by a further 25 bps in October. Since then, they have remained at 5.75%.

18.1.4. Public finance

According to the fiscal notification, the deficit in the government and local government sector in 2023 stood at 5.1% of GDP, after being at 3.4% of GDP in 2022 and 1.8% in 2021. Government debt, on the other hand, increased to 49.6% GDP in 2023 from 49.2% of GDP in 2022.

The state budget deficit amounted to PLN 85.6 billion in 2023. The Budget Act for 2023 assumed a maximum state deficit of PLN 68 billion, and after its July amendment, PLN 92 billion. The result was influenced, among others, by the continuation of the anti-inflation protective measures with increased levels of military spending.

According to the Multiannual State Financial Plan for 2024-2027, the deficit this year will remain at the level of 5.1% of GDP, while the debt will increase to 53.4% of GDP.

18.1.5. Situation on the financial markets

In financial markets, Q1 2024 was dominated by gains in U.S. bond yields, in response to good U.S. data, hopes for a rebound in China and improving economic readings in Europe. To an extent, the markets have also been affected by events in the Middle East, where rising tensions between the Arab World and Israel have raised concerns about the stability of oil supplies, pushing oil prices upwards and shifting the transport of some goods out of the Suez Canal, generating additional costs for European economies. Despite this, the ECB has gradually moved towards signaling the first rate cuts, while the Fed has not significantly amended its communication, suggesting room for cuts in 2024 and noting that the detailed calendar will be determined by incoming data.

18.1.5.1. Bond market

Over the first three months of 2024, domestic bonds followed the underlying markets. As a result, the yield curve on treasuries rose in the 2-year bond segment to 5.16%, from 5.06%, the 5-year to 5.34%, from 5.07%, the 10-year to 5.44%, from 5.25%. The spread of domestic 10-year treasuries against their German counterparts narrowed to 315 bps, from 322 bps. (Refinitiv Eikon data). Yield increases have not been a uniform process, and we saw record yields in the last decade of March. Yields rallied despite sharply declining y/y inflation, driven by the behavior of underlying markets, sizable domestic debt issuance, rising oil prices and suggestions that the NBP would maintain rates at current levels until the end of this year.

18.1.5.2. Equity market

In Q1 2024, there was a positive surprise concerning data from the US, combined with hopes of a rebound in the Eurozone pushed European and US indices upwards. The indices on the Warsaw Stock Exchange (WSE) also followed in the footsteps of the underlying markets, in their case also supported by an improvement in the outlook for the Polish economy, linked, among other things, to hopes for rapid disbursements of KPO funds. As a result, on a quarterly basis, the WIG index gained 5.5% and the WIG20 gained 4.0% from the beginning of the year to the end of the quarter (WSE data).[4)]

18.1.5.3. Currency market

From the end of December 2023 to the end of March 2024, the EUR exchange rate, expressed in PLN, decreased to 4.3009, from 4.3480 (NBP data[5)]), as a consequence of improved stock market sentiment and the markets' expectation of an inflow of KPO funds. In the case of the USD exchange rate, expressed in PLN, it rose to 3.9886, from 3.9350, which was the result of a significant strengthening of the dollar against the euro, EURUSD moved to 1.0783, from 1.1050. Such a significant strengthening of the dollar appears to be the markets' response to relatively better US data and increased tension in the Middle East, of which the US currency is usually the beneficiary.

18.2 Risk factors which may affect the financial results in the subsequent quarters

Due to the scope of the PZU Group's business (insurance sector in Poland, the Baltic Countries and Ukraine, mutual and pension funds sector, banking), the main factors that will shape the environment in which the Group operates and that may have a direct impact on the development and results of the Group in the medium term, in particular in 2024, may be divided into the following three categories:

- macroeconomic and geopolitical factors;
- legal and regulatory factors;
- market factors, specific to individual sectors or businesses in which PZU Group operates.

Macroeconomic and geopolitical factors

The growth rate, level and structure of the key macroeconomic factors in Poland and abroad (GDP, inflation and interest rates) translate both into the growth rate of business in all sectors in which the PZU Group operates and into the profitability. They determine, directly or indirectly, albeit with a certain time lag, the dynamics of non-life insurance sales, as well as changes in demand for credit, accumulation of deposits and inflow of assets into funds. Moreover, they influence the claims ratio in non-life insurance and the investment result. They also determine the fund management results and key measures affecting the performance of the banking sector (net interest margin and costs of risk).

The unfinished Russia and Ukraine armed conflict remains a threat. The main risks associated with it are price shocks in the food, gas and oil markets. Despite fears of a deterioration of the investment climate in Poland, so far the war across our eastern border has had no such effect. According to the Statistics Poland (GUS), capital expenditures of non-financial enterprises employing 50+ people increased by 10.2% y/y in 2023, while total investment in the economy increased by 13.1%. Investment by companies is supported by, among other things, accelerating the energy transformation. What is more, the declared value of foreign investments finalized by PAIH in 2023 rose to a record EUR 7.4 billion, and Poland ranks high in global rankings of business services or IT services competitiveness. What the further course of the conflict will be, however, may affect the situation on the Polish stock market, the exchange rate of the zloty or the yields of Polish securities.

Tensions in the Middle East are another major geopolitical risk. Above all, it could raise concerns about access to energy resources extracted in this part of the globe (oil and gas) and consequently raise their prices. It may also cause price increases in the transportation of the aforementioned raw materials and other goods transported through the Suez Canal, as a result of increased

[4)] GPW Main Market – GPW Statistics

[5)] Historic average exchange rates – table A (CSV, XLS) | National Bank of Poland – Internet Information Service (nbp.pl) insurance rates on Europe-Asia logistics routes lying in this zone. Finally, there may also be an increase in the cost of financing in dollars in response to the risk of increased U.S. financial involvement in the next – after Ukraine – conflict. An additional risk is the possibility of a worsening migration crisis.

Geopolitical risks are also associated with the intensification of the rivalry between the U.S. and China, and more broadly with the fragmentation of economic cooperation and the ongoing erosion of multilateralism. This is guided, among other things, by the desire to ensure security of supply by increasing the resilience of supply chains, reducing their vulnerability to geopolitical tensions. Fragmentation, however, could lead to higher prices and greater price differentiation between regions. This is especially true for the prices of critical raw materials.

A key consequence is a possible slowdown in the rate of disinflation. In addition to geopolitical factors, the further path of disinflation in the world will be influenced by the course of the green transition (and so-called "greenflation"). In Poland, the further development of the price index will also be strongly influenced by administrative decisions as well as continued wage pressure.

A weaker rebound in activity in the external environment and slower-than-expected GDP growth in Poland are possible. Despite the fading effects of supply shocks caused by the war in Ukraine, tighter financing conditions and further monetary policy responses may continue to negatively impact GDP dynamics next year. There is also some risk in the real estate sector, which is going through a serious crisis in China, and there are worrying signals from this industry from other countries as well (including Germany, the UK).

Legal and regulatory factors

An additional risk factor is the emergence of further regulations or financial burdens on insurance companies, banks, including for the insurance business:

- the impact of the changes proposed by the European Commission as part of the RIS (Retail Investment Strategy) package, which specifically affect the distribution of investment-grade life insurance contracts (Group 3 and Group 1 products);
- EU DORA regulations – the need to enhance security in the digital financial sector.

In addition to the economic environment, particularly the Monetary Policy Council's policies regarding interest rates, the fiscal and regulatory environment, including, in particular, the tax on certain financial institutions, the high own capital requirements, the BFG charges, the costs of further adjustments to a plethora of regulatory solutions (including MIFID II, GDPR, PSD II, MREL), are of critical importance for the banking sector. In addition, the issue of foreign currency mortgage loans remains among the risk factors, as well as potential rulings by the Court of Justice of the European Union, the Supreme Court or other state institutions in this regard, and so-called "moratorium periods" and mortgage loans offered at an interest rate of 2%. The burden of the "moratorium periods" was observed in Q3 2022, and this factor will remain present in 2023 as well. Details of the Amending Act to the Act on Support to Home Loan Borrowers are presented at 9.1.

Market factors

In addition to chance events such as sudden floods, hail, torrential rain, hurricanes, cyclones, droughts, spring ground frosts, which due to the ongoing climate change are becoming more and more unpredictable and contribute to increasing claims ratio in the property insurance sector, the following hazards also exist:

- increase in the prices of spare parts affecting claims handling expenses due to the depreciation of the Polish zloty against the euro and problems in global supply chains (the impact of sanctions against Russia and military action in Ukraine) translating into a lack of availability of components for the production of cars and limited availability of spare parts;
- uncertainty as to the growth of new car sales, mainly in the dealership channel and financed by leasing companies, which may result in lower sales of motor insurance;
- reduced demand for voluntary insurance due to a higher inflation rate, higher unemployment and a decline in employment;
- slower economic growth in Poland – the more challenging financial standing of companies may result in elevated credit risk, a higher claims ratio on the financial insurance portfolio and deceleration in the pace of gross written premium growth;

- changes in trends and behavior of client seeking customized proposals and an electronic, swift conclusion of agreements and handling insurance, forcing insurers to adapt to these new expectations rapidly;
- increase of insurance fraud as a result of the more difficult situation in numerous industries, increasing unemployment and lower employment rates;
- the aging of the population and its impact on the development of new market segments (e.g., changes in consumer preferences);
- the impact of digitization on changing and improving sales and service processes in the insurance sector;
- demographic changes and the aging society and the ensuing changes in the mortality and fertility levels;
- constant price pressure in group insurance and the battle for client ownership (and client data), thereby cutting the insurer's margins, reducing the quality of the product and fostering entry and exit obstacles for clients to overcome with independent intermediaries;
- the demand for specialized doctors exceeding the supply, which may slow down growth and affect margins (in health insurance).

The risk of continued high inflation and interest rates may, in turn, cause:

- an increase in the value of future compensation from policies issued on an ongoing basis;
- increased risk of deterioration of banks' loan portfolio (rise in interest rates);
- the long-term impact of inflation on, among other things, the economic and financial situation of customers, including purchasing capacity (possible deceleration of sales growth, rising operating costs), as well as the loss of value of sums insured in portfolio policies (there is a significant need to index sums insured);
- an increase in bond yields and their consequent repricing in the insurer's portfolio.

19. Management Board's position on previously published forecasts

PZU did not publish standalone or consolidated forecasts.

20. Issues, redemptions and repayments of debt securities and equity securities

During 3 months ended 31 March 2024 PZU did not issue, redeem or repay any debt or equity securities.

On 10 January 2024, Alior Bank adopted resolutions on the early redemption of its own bonds: series P1B issued on 29 April 2016 and series F issued on 26 September 2014 whose final redemption date was 16 May 2024 and 26 September 2024, respectively. The bonds were redeemed early on 30 January 2024.

21. Payment default or violation of material regulations of the loan agreement

During 3 months ended 31 March 2023 neither PZU nor PZU subsidiaries failed to repay any loans or borrowings or violated any material regulations of loan agreements without remedy actions taken till the end of the reporting period.

22. Distribution of the parent company's profit and dividends

Only the profit recognized in the individual financial statements of the parent company prepared in accordance with the PAS is subject to distribution.

On 13 May 2024 the PZU Management Board applied to the General Meeting for the distribution of PZU's net profit of PLN 3,893 million for the year ended 31 December 2023 increased by PLN 854 million transferred from the supplementary capital established of net profit for the year ended 31 December 2022, i.e PLN 4,837 million in total, and suggested that the profit should be distributed as follows:

- PLN 3,748 million (i.e. PLN 2.40 per share) as dividends;
- PLN 1,080 million to the supplementary capital;
- PLN 9 million to the Social Benefit Fund.

The Management Board also requested that the record date should be 17 September 2024 and the dividend should be paid on 8 October 2024.

The PZU Management Board's request will be submitted to the PZU Supervisory Board for assessment. The final decision on the distribution of PZU's net profit for the year ended 31 December 2023 will be made by the PZU Annual General Meeting.

The suggested 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 2024 issued on 14 December 2023.

23. Disputes

The PZU Group entities participate in a number of litigations, arbitration disputes and administrative proceedings. Typical litigations involving the PZU Group companies include disputes pertaining to concluded insurance contracts, foreign currency loan agreements, disputes concerning labor relationships and disputes relating to contractual obligations. Typical administrative proceedings involving the PZU Group companies include proceedings related to the possession of real properties. Such proceedings and litigation are usually of a typical and repetitive nature and usually no particular case is of material importance to the PZU Group.

The majority of disputes involving the PZU Group companies concerned four companies: PZU, PZU Życie, Pekao and Alior Bank.

Estimates of the provision amounts for individual cases take into account all information available on the date of signing the consolidated financial statements, however their value may change in the future. The insurance company takes disputed claims into account in the process of establishing technical provisions for known losses, considering the probability of an unfavorable outcome of the dispute and estimating the probable awarded amount.

As at 31 March 2024, the total value of disputes in all 249,830 cases (31 December 2023: 243,153 cases) pending before courts, arbitration bodies and public administration authorities in which PZU Group entities take part, was PLN 14,601 million (as at 31 December 2023: PLN 12,461 million). This amount included PLN 10,094 million (as at 31 December 2023: PLN 8,055 million) relates to liabilities, and PLN 4,507 million (as at 31 December 2023: PLN 4,406 million) to receivables of PZU Group companies.

During 3 months ended 31 March 2024 and till the date of the abridged mid-year consolidated financial statements, PZU Group companies were no parties to any pending proceedings before courts, competent arbitration authorities or public authority authorities concerning liabilities or receivables of PZU or PZU's direct or indirect subsidiaries whose unit value would be material, except for issues described above.

23.1 Resolutions of the Ordinary Shareholder Meeting of PZU to distribute the profit earned in the financial year 2006

On 30 July 2007, an action was brought by Manchester Securities Corporation ("MSC") with its registered office in New York against PZU to repeal Resolution No. 8/2007 adopted by the Company's Annual General Meeting on 30 June 2007 to distribute PZU's profit for the financial year 2006 as contradicting good practices and aimed at harming the plaintiff as a shareholder of PZU.

The challenged resolution of the Ordinary Shareholder Meeting of PZU distributed the 2006 net profit of PLN 3,281 million as follows:

- PLN 3,261 million was transferred to supplementary capital;
- PLN 20 million was transferred to the Social Benefit Fund.

In its judgment of 22 January 2010, the Regional Court in Warsaw repealed the aforementioned resolution adopted by PZU's Annual General Meeting in its entirety. PZU has used all the available appeal measures, including a cassation appeal to the Supreme Court which, on 27 March 2013, dismissed the cassation appeal. The judgment is final and non-appealable.

PZU believes that repealing the aforementioned resolution of the PZU's Ordinary Shareholder Meeting will not give rise to shareholders' claim for a dividend payout by PZU.

As the judgment repealing resolution no. 8/2007 became final, on 30 May 2012, Ordinary Shareholder Meeting of PZU adopted a resolution to distribute the profit for the financial year 2006 in a manner that reflects the distribution of profit in the repealed resolution no. 8/2007. MSC filed an objection against the resolution of 30 May 2012 and the objection was recorded in the minutes.

On 20 August 2012, a copy of a statement of claim filed by MSC with the Regional Court in Warsaw was delivered to PZU. In the statement of claim, the Manchester Securities Corporation demanded that the resolution on the distribution of profit for the financial year 2006 adopted on 30 May 2012 by the PZU Annual Meeting be repealed. According to the plaintiff, the value of the litigation is PLN 5 million. PZU then submitted a statement of defense requesting to dismiss the statement of claim in its entirety.

On 17 December 2013, the Regional Court passed a judgment in which it accepted the claim in its entirety and awarded the costs of proceedings from PZU to MSC. On 4 March 2014, PZU filed an appeal against the above judgment, contesting it in its entirety. On 11 February 2015, the Appellate Court in Warsaw handed down a judgment that changed the judgment of the Regional Court of 17 December 2013 in its entirety, dismissed MSC's claim and charged MSC with the court expenses. The Appellate Court's judgment is final. MSC challenged the Appellate Court's judgment in its entirety in a cassation appeal of 9 June 2015. PZU filed its reply to the cassation appeal. By decision of 19 April 2016, the Supreme Court refused to review MSC's cassation appeal. According to the provisions of the Code of Civil Procedure, the Supreme Court's ruling is final non-appealable and ends the proceedings in the case.

In the meantime on 16 December 2014, MSC summoned PZU to pay PLN 265 million as compensation in connection with repealing Resolution No. 8/2007 adopted by the PZU Ordinary Shareholder Meeting on 30 June 2007 to distribute PZU's profit for the financial year 2006. PZU refused to effect the performance on account of its groundlessness.

On 23 September 2015, a copy of the statement of claim with attachments was delivered to PZU in the case launched by MSC against PZU for payment of PLN 169 million with statutory interest from 2 January 2015 to the date of payment and the costs of the trial. The lawsuit includes a claim for damages for depriving MSC and J.P. Morgan (MSC acquired the claim from J.P.. Morgan), as minority shareholders of PZU, a share in the profit for the 2006 financial year, following the adoption of Resolution No. 8/2007 by the PZU Ordinary Shareholder Meeting on 30 June 2007. The case is pending before the Regional Court in Warsaw. On 18 December 2015, PZU's attorney submitted a statement of defense, requesting to dismiss the claim it in its entirety. On 1 April 2016, MSC filed a pleading in which it responded to PZU's assertions, allegations and petitions and raised new arguments in the case. On 30 June 2016, PZU filed a response to MSC's most recent pleading along with requests for evidence. In its decision of 21 July 2016, the Court referred the case to a mediation procedure, to which PZU did not agree. In subsequent court sessions, evidentiary hearings have taken place. On 6 April 2022, the Regional Court in Warsaw issued a decision admitting evidence in the form of an opinion of a scientific institute to determine the amount of the damage sustained by MSC and J.P Morgan, in the form of loss of profit, as a result of the adoption of Resolution No. 8/2007 by the PZU Ordinary Shareholder Meeting on 30 June 2007, excluding from distribution the profit for the 2006 financial year and the non-payment of this profit in 2007.

The Management Board of PZU believes that MSC's claims are groundless. As a result, as at 31 March 2024, no changes were made to the presentation of PZU's equity that could potentially stem from the repeal of the resolution 8/2007 adopted by PZU's Annual General Meeting on distribution of profit for the financial year 2006, including the line items "Supplementary capital" and "Retained earnings (losses)", and the funds in the Company Social Benefit Fund were not adjusted.

Other demands for payment pertaining to the distribution of PZU's profit for the 2006 financial year

On 13 November 2018 the Regional Court in Warsaw served a copy of the statement of claim lodged by Wspólna Reprezentacja SA in restructuring, which pertained to a claim against PZU for payment of PLN 34 million with statutory interest from 1 October 2015 to the payment date with court expenses. The claim comprises a claim for payment of damages for depriving the shareholders of their share of profits for the 2006 financial year. The plaintiff claims that the claims for damages were transferred by the shareholders to the plaintiff based on mandate agreements together with a fiduciary transfer of receivables and the claim pursued by the statement of claim is the total damage caused to the shareholders. PZU does not accept the claims as unjustified and submitted its statement of defense, requesting the claim to be dismissed it in its entirety. PZU did not consent to mediation. In subsequent court sessions, evidentiary hearings have taken place.

23.2 Notification of PZU's claim to the bankruptcy estate of companies of the PBG Group

PZU is a creditor of PBG SA ("PBG") and Hydrobudowa Polska SA ("Hydrobudowa"), both companies with registered offices in Wysogotowo near Poznań, on account of insurance guarantees (contractual guarantees) issued and paid out.

In 2012, bankruptcy proceedings were initiated against PBG and Hydrobudowa. On 21 September 2012, PZU joined the proceedings by notifying its claims to the bankruptcy estate of the two companies.

PBG and Hydrobudowa belong to the same group in which PBG is the parent company. The two companies provided sureties for each other's liabilities. As a consequence, all claims submitted against the bankruptcy estate of Hydrobudowa in the amount of PLN 101 million were concurrently submitted against the bankruptcy estate of PBG.

PBG's bankruptcy proceedings ended on 20 July 2016 with a final decision of the Bankruptcy Court.

The first list of claims presented by Hydrobudowa's trustee in bankruptcy to the judge commissioner contained PZU SA's claims in the amount of PLN 16 million and the fourth supplementary list of claims contained PZU SA's claims in the amount of PLN 16 million. Accordingly, the total value of claims pursued by PZU on this account was PLN 32 million. In respect of claims for the amount of over PLN 66 million, on 24 October 2018 PZU filed an objection to the judge commissioner against the refusal to accept the submitted claim. With the decision of 23 January 2020 the Court accepted PZU's objection and increased PZU's claim on the fourth supplementary list of claims to PLN 83 million. On 8 September 2022, the trustee in bankruptcy requested a statement regarding the possible disposal of the reported claim and an indication of the amount of repayments to satisfy it. PZU provided the relevant statement. The consequence of the above was an amendment to the fourth supplementary list of claims, based on a court order of 4 September 2023, reducing PZU's claim to PLN 70 million.

According to the partial distribution plan as announced on 23 November 2023, PZU is to receive 4% of the claims, that is the amount of about PLN 3.4 million. Several creditors (other than PZU) have submitted objections to the distribution plan, which are being considered by the court. The distribution plan has not been implemented yet, and by the date of signing the consolidated financial statements PZU has not received the above amount.

23.3 Class action against Alior Bank

23.3.1. Class action

Alior Bank is a defendant in one class action case (suit was filed on 5 March 2018) brought by an individual representing a group of 320 natural and legal persons and 4 individual cases to rule Alior Bank's liability for a loss caused by the improper performance of Alior Bank's disclosure obligations to clients and improper performance of agreements to provide services of accepting and forwarding purchase or sale orders of investment certificates of mutual funds managed previously by Fincrea TFI SA and currently by Raiffeisen Bank International AG (Spółka Akcyjna) Branch in Poland (Funds). On 8 March 2023 the Regional Court in Warsaw decided to define the composition of the group. This decision was not final as at the date of signing the consolidated financial statements. The value of the subject matter of the extended lawsuit is around PLN 104 million.

(in millions of PLN)

The lawsuits were filed to establish liability (not for payment, i.e. damages), so the PZU Group does not expect any cash outflow from these proceedings other than litigation costs, which it estimates at PLN 600,000.

23.3.2. Other lawsuits

Alior Bank is also a defendant in 167 cases brought by purchasers of the Funds' investment certificates for payment (damages). The total value of the subject matter of litigation in these cases is PLN 56 million.

According to the PZU Group, each payment case requires an individual approach. The final value of the investment certificates will be determined upon completion of the liquidation. After analysis and selection of cases, those were singled out in which certain risk factors justify the establishment of a provision. Its calculation also took into account an expected increase in the scale of lawsuits. The total value of the provision as at 31 March 2024 was PLN 83 million (as at 31 December 2023: PLN 82 million).

24. Evaluation of the PZU Group companies' standing by rating agencies

Issuer rating

Since 2004, PZU and PZU Życie have been subject to regular reviews by the rating agency of S&P Global Ratings (S&P). The rating assigned to PZU and PZU Życie results from an analysis of financial data, competitive position, management and corporate strategy of both companies as well as the sovereign rating. It also includes a ratings outlook, or an assessment of the Company's future position in the event that specific circumstances occur.

Current rating

A- / Stable

Last affirmation and outlook

On 1 March 2024, the rating agency of S&P Global Ratings (S&P) affirmed the financial strength and credit ratings of PZU at A- with a stable outlook.

Last change and outlook

On 6 April 2020, S&P changed the PZU outlook from positive to stable. The PZU rating remained at A-.

The table below depicts the most recent change to the S&P rating outlook for PZU and PZU Życie.

Company name	Rating and outlook	Last change	Previous rating and outlook	Date of change
PZU				
Financial strength rating	A- /Stable/	6 April 2020	A- /Positive/	14 June 2019
Credit reliability rating	A- /Stable/	6 April 2020	A- /Positive/	14 June 2019
PZU Życie				
Financial strength rating	A- /Stable/	6 April 2020	A- /Positive/	14 June 2019
Credit reliability rating	A- /Stable/	6 April 2020	A- /Positive/	14 June 2019

(in millions of PLN)

Poland's rating

Poland	Rating and outlook	Last change	Previous rating and outlook	Date of change
Credit reliability rating (long-term, local currency)	A /stable/	12 October 2018	A– /positive/	13 April 2018
Credit reliability rating (long-term, foreign currency)	A- /stable/	Friday, October 12, 2018	BBB+ /positive/	Friday, April 13, 2018
Credit reliability rating (short-term, local currency)	A-1	Friday, October 12, 2018	A-2	Friday, April 13, 2018
Credit reliability rating (short-term, foreign currency)	A-2	Friday, April 13, 2018	A-2	Friday, April 13, 2018

Source: S&P Global Ratings

25. Related party transactions

25.1 Related party transactions concluded by PZU or subsidiaries on non-arm's length conditions

During 3 months ended 31 March 2024 neither PZU nor PZU's subsidiaries made any transactions with related parties which were of material significance individually or collectively and were executed on terms other than on an arm's length basis.

25.2 Other related party transactions

Balances and turnovers resulting from commercial transactions between the PZU Group and related parties	1 January – 31 March 2024		1 January – 31 December 2023	
	Key management	Other related parties [1]	Key management	Other related parties [1]
Insurance revenue	-	-	-	-
Other income	-	-	-	-
Expenses	-	2	-	5

Balances and turnovers resulting from commercial transactions between the PZU Group and related parties	31 March 2024		31 December 2023	
	Key management	Other related parties [1]	Key management	Other related parties [1]
Loan receivables from clients	1	-	1	-
Receivables	-	1	-	1
Liabilities under deposits	1	57	4	42
Other liabilities	-	2	-	6
Contingent assets	-	-	-	-
Contingent liabilities	-	2	-	2

[1] Associates accounted for using the equity method.

At the stage of acquisition of the shares in Alior Bank and Pekao, respectively, PZU filed with KNF the Representations on Liabilities referred to in Article 25h(3) of the Banking Law, according to which, acting as a strategic investor, it should ensure, without limitation, that:

- the banks will be managed in such a way as to maintain at all times liquidity, own funds and solvency ratios on a stable level as required by the law, guaranteeing the Banks' ability to satisfy their liabilities;
- appropriate capital support without undue delay in the event of a decline or threat of decline of capital adequacy ratios or liquidity of the Banks below the level required by the law and regulations and recommendations of Polish banking regulatory

authorities. Each support for the Banks, however, requires PZU's analysis aimed to maintain the trust to PZU, through maintaining, even in a crisis situation, a high level of solvency of PZU and the PZU Group as a whole;

- as part of the powers vested in PZU as a shareholder, all decisions pertaining to dividend payout and reinvestment of the Banks' profits will take into account the Banks' development needs and stability and safety of the funds deposited in the Banks by their clients. In particular, in a situation when the Banks' liquidity or capital position required by law or recommendations of competent banking regulatory authorities for the banking sector in Poland are at threat, no dividend will be paid out, and retained earnings will be allocated for increasing the Banks' own funds.

26. Other information

26.1 Inspections by the KNF Office

26.1.1. PZU

In the period from 12 June to 10 August 2023, the PFSA carried out an inspection of claim handling procedures at PZU. On 1 December 2023, PZU received an inspection report and submitted its related comments on 15 December 2023. On 3 January 2024, PZU received KNF's response to these objections, and on 12 January 2024, PZU provided additional clarifications to the report. On 2 February 2024, KNF issued 8 post-inspection recommendations with the implementation deadline of 31 March 2024. On 8 April 2024, PZU informed the KNF of the manner in which 4 recommendations had been implemented, while for the remaining 4, the implementation deadline (with the KNF's consent) was extended to 30 June 2024.

Between 11 March and 19 April 2024, KNF carried out an inspection at PZU. The inspection concerned compliance with selected requirements for the management of areas involving information technology and ICT environment security. By the date of signing the condensed interim consolidated financial statements, PZU had not received the inspection report.

26.1.2. PZU Życie

In the period from 22 August to 21 October 2022, KNF inspected PZU Życie's compliance with the law in terms of the use of insurance agents and agents offering supplementary insurance. On 22 December 2022, PZU Życie submitted comments on the KNF's protocol after the 13 December 2022 inspection. Following the KNF's 4 January 2023 response, PZU Życie provided additional clarification on 20 January, 22 and 23 February 2023. On 20 March 2023, PZU Życie received a recommendation on PZU Życie's supervision of agent activities in the process of determining client needs and requirements. The deadline for implementing the recommendation was 31 December 2023. At PZU Życie's request, KNF agreed to postpone the implementation of the recommendation until 30 June 2024.

26.2 KNF's investigation into insurance distribution by Alior Bank

On 6 July 2021, the KNF initiated administrative proceedings on applying to Alior Bank of the sanction measure stipulated in the wording of Article 84(1)-(2) of the Act of 15 December 2017 on insurance distribution, in connection with the identification of irregularities evidencing a breach by Alior Bank of Article 7(1), in conjunction with Article 4(6) of that Act, i.e. with regard to the determination of customer requirements and needs in the process of offering insurance contracts in the period from 1 October 2018 to 26 October 2021. Alior Bank has taken a number of measures concerning the area of Alior Bank's operations as an insurance distributor, aimed at rectifying the irregularities questioned by the KNF, and has implemented solutions to prevent future violations in this area. In addition, Alior Bank asked the KNF to apply the administrative institution of Article 189f §1(1) of the Code of Administrative Procedure in this case (issuing a decision to waive the penalty and giving instructions to Alior Bank). On 1 March 2024, Alior Bank filed an application for a composition agreement comprising a waiver of the imposition of sanctions or, alternatively, a reduction of the potential monetary penalty by 90%, i.e. Alior Bank applied to the KNF for a decision referred to in Article 18k(1) of the Act of 21 July 2006 on financial market supervision. On 22 March 2024, the KNF issued a ruling on the possibility of concluding an arrangement on the terms of extraordinary leniency and set a deadline of three months for concluding this arrangement. Currently, Alior Bank remains in dialog to work out the terms of the aforementioned arrangement.

Alior Bank is unable to reliably estimate the value of the contingent liability due to the impossibility of estimating potential effects of the violation and the amount of the potential fine that may be imposed by the KNF. Should the KNF issue a decision imposing a fine on Alior Bank, it is difficult to determine the likely amount due to the lack of practice in this area. Pursuant to Article 84(1) of the Act of 15 December 2017 on insurance distribution, the KNF may impose a fine not exceeding:

- PLN 21,827,500, or
- 5% of the annual net revenue from the sale of goods and services and from financial operations, as shown in the latest financial statements for the financial year, approved by the insurance distributor's approval authority, or
- twice the amount of the benefits gained or losses avoided as a result of the infringement, where these can be determined.

As at 31 March 2024, the PZU Group has not identified reasons to establish provisions for the above case.

26.3 Tax liability in Sweden

In 2014-2015 PZU Finance AB, a subsidiary of PZU, issued 5-year bonds of a nominal amount of EUR 850 million, which matured in July 2019. Inflows from the issue were transferred to PZU in the form of two borrowings of EUR 850 million in total. Payment due dates and amounts of the borrowings were adjusted to payments related to the bonds. PZU repaid the borrowings to PZU Finance AB on 28 June 2019.

In 2018, due to doubts concerning the taxation of foreign exchange gains and losses under the Swedish Conversion Act (2000:46) if a reporting currency is euro, PZU Finance AB applied for an individual interpretation to the Swedish Council for Tax Interpretation (Skatterättsnämnden). On 13 March 2019 PZU Finance AB received the interpretation, based on which foreign exchange gains and losses resulting from the repayment of the borrowing are subject, while foreign exchange gains and losses resulting from the repayment of bonds, are not subject to taxation. In the opinion of the PZU Group, the Council's interpretation means that a different approach would be applied in the territory of Sweden in relation to companies reporting in euro than to companies reporting in Swedish crowns, which would be contrary to the assumptions of the above act and Art. 63 of the Treaty on the Functioning of the European Union (TFEU) concerning a need to ensure free capital flow in the EU or Art. 49 and 54 of the TFEU concerning the freedom of establishment).

On 3 April 2019 PZU Finance AB challenged the individual tax interpretation of the Swedish Council for Tax Interpretation before the Supreme Administrative Court (Högsta förvaltningsdomstolen). On 4 May 2020 the Supreme Administrative Court rejected the request of PZU Finance AB and annulled the individual interpretation as not providing for a sufficient basis for the individual tax interpretation, which meant that the interpretation should not have been issued.

At the same time, on 27 August 2020, PZU Finance AB filed its tax return during the disclosure procedure for 2019, where it presented the above situation and calculated its tax liabilities on the assumption that foreign exchange gains and losses resulting from the repayment of bonds constituted its deductible expenses. On 22 December 2020 PZU Finance AB received the tax office's tax decision confirming that the tax had been calculated correctly. The decision was not binding and final. Given duties for the purpose of which the company was established, on 4 May 2021 the Meeting of Shareholders decided to start liquidation procedures in relation to PZU Finance AB. On 23 June 2021 PZU Finance AB received a preliminary, and on 21 December 2021 a binding negative, decision concerning the correction of its tax obligations for 2019 from the tax office. Accordingly, the PZU Group recognized, as at 31 December 2021, a current income tax liability of PLN 72 million (SEK 159 million). On 21 January 2022, PZU made a payment of SEK 159 million (SEK 155 million of the base amount and SEK 4 million of interest due) directly to the Swedish tax authority.

On 10 November 2022 PZU Finance AB appealed against the tax decision and filed its lawsuit concerning the determination of tax for 2019 with the Administrative Court in Stockholm. The court proceedings are ongoing.

26.4 UOKiK proceedings

26.4.1. Alior Bank

On 27 September 2019, the President of the Office of Competition and Consumer Protection (UOKiK) issued a decision to initiate proceedings against Alior Bank for recognizing the provisions of a contract template as abusive (ref. no. RPZ.611.4.2019.PG) pertaining to 11 clauses (the so-called modification clauses) included in the contract templates used by Alior Bank on the basis of which Alior Bank made unilateral changes to the contracts concluded with consumers. The UOKiK President challenged the wording of the provisions in question as, among other things, vague and not allowing consumers to verify the occurrence of the prerequisites for the change being made. Alior Bank exchanged correspondence concerning that case with the UOKiK President and presented a schedule based on which pending consequences of the violation would be removed from contracts entered into with customers. In a letter dated 20 March 2024, Alior Bank presented the UOKiK with a proposal for new content of the modification clauses. In a letter of 22 April 2024, the President of the Office of Competition and Consumer Protection (UOKiK) decided to extend the deadline for completing the proceedings until 31 August 2024.

As at 31 March 2024, the PZU Group did not identify any reasons to create provisions for the above case as the PZU Group believes that a cash outflow on this account is unlikely. Further, the PZU Group is unable to reliably estimate the value of the contingent liability due to the impossibility of estimating potential effects of the violation and the amount of the potential fine that may be imposed by the UOKiK. The maximum amount of a fine is 10% of Alior Bank's turnover achieved in the fiscal year preceding the year in which the fine was imposed.

On 13 February 2024, the UOKiK initiated proceedings (signature: RWR.610.3.2024.KŚ) for practices that violate the collective interests of consumers and involve:

- failure to – after the client has reported the transaction as unauthorized – reimburse the amount of the unauthorized payment transaction or restore the debited payment account to the state it would have been in had the unauthorized payment transaction not taken place, in the manner and within the time limit as specified in Article 46(1) of the Payment Services Act, despite the absence of reasons authorizing Alior Bank not perform the above actions;
- providing a consumer who is an Alior Bank's client with conditional reimbursement of the amount of the payment transaction reported by the consumer as unauthorized, only for the time of Alior Bank's consideration of the complaint, and then, if Alior Bank finds in the complaint procedure that the transaction was authorized by the consumer or that the consumer is responsible for the unauthorized payment transaction, withdrawing the conditional reimbursement and taking that amount from the consumer's savings and checking account or credit card account, except in situations where there was a simultaneous reimbursement of that amount to the consumer under chargeback or withdrawal of the compliant by the consumer;
- providing consumers – in responses to their reports of unauthorized payment transactions – with information that the transaction was authorized correctly when this was determined only after the payment service provider had verified the correct use of the payment instrument with individual credentials, with the manner of providing such information suggesting that Alior Bank's demonstration of correct authentication excludes Alior Bank's obligation to reimburse the amount of the unauthorized transaction, which may mislead consumers regarding Alior Bank's obligations under Article 46(1) of the Payment Services Act and regarding apportionment of the burden of proving that the payment transaction was authorized;
- providing consumers – in responses to their reports of unauthorized payment transactions – with information that the transaction was authenticated correctly by the user and that Alior Bank bears no responsibility for that transaction as it was made as a result of the consumer's violation of the terms of the agreement with Alior Bank, which may mislead consumers regarding Alior Bank's obligations under Article 46(1) of the Payment Services Act and regarding apportionment of the burden of proof to the extent that Alior Bank should prove that the consumer led to the transaction in question by the intentional or grossly negligent violation of one or more obligations referred to in Article 42 of the Payment Service Act;
- providing consumers – in responses to their reports of unauthorized payment transactions – with information that card transactions reported after 120 days from the transaction date may not be considered unauthorized payment transactions and that no more than 15 transactions may be complaint about;

which, in the opinion of the President of UOKiK, may go against the collective interests of consumers, and consequently, constitute practices that violate the collective interests of consumers, as referred to in the Competition and Consumer Protection Act.

Currently, proceedings for practices that violate the collective interests of consumers are ongoing for 15 banks, whose practices were verified in investigations similar to the one conducted against Alior Bank. UOKiKs allegations raise questions throughout the banking sector about their compliance with European law. The provisions of the Payment Services Act cited by UOKiK in the context of these allegations do not fully reflect the Directive they implement. This has resulted in numerous appeals to UOKiK from the Polish Bank Association. On 29 March 2024, Alior Bank responded by letter to UOKiK President's allegations.

As at 31 March 2024, the value of complaints about unauthorized transactions is approximately PLN 48 million (as at 31 December 2023: PLN 43 million). The maximum amount of a fine is 10% of Alior Bank's turnover achieved in the fiscal year preceding the year in which the fine was imposed.

As at 31 March 2024, Alior Bank did not identify any reasons to create provisions for this case.

26.4.2. Pekao

Proceedings of the President of UOKiK on irregularities in the complaint area at Pekao

Through its letter dated 10 November 2023, the President of UOKiK initiated proceedings against Pekao for using practices that violate the collective interests of consumers and involve:

- failure to respond to consumer complaints without undue delay, no later than within 30 days, and in particularly complex cases – within 60 days;
- failure to specify – in the information provided to the client making the complaint – the reason for the delay that prevents considering the complaint and responding without undue delay, no later than within 30 days, and to specify the circumstances that need to be determined for the case to be considered.

In December 2023, Pekao submitted a request to the President of UOKiK for a so-called commitment decision. Pekao is waiting for the decision of the President of the UOKiK on this matter. As at 31 March 2024, the PZU Group maintains a provision of PLN 12 million for the implementation of the commitment proposed to the President of UOKiK by Pekao.

Investigation of the President of UOKiK into unauthorized payment transactions

On 8 February 2024, the President of UOKiK initiated proceedings against Pekao for practices that violate collective consumer interests with regard to unauthorized payment transactions. The charges are as follows:

- failure to reimburse the unauthorized payment transaction to the client within the time limit of d+1, despite the absence of grounds for such refusal;
- misleading consumers about the bank's obligations and apportionment of the burden of proving that the payment transaction was authorized;

As at 31 March 2024, the PZU Group has not identified reasons to establish provisions on this account.

26.5 Cases involving Alior Leasing sp. z o.o.

In December 2021 Alior Bank and Alior Leasing sp. z o.o. received from the former members of the Alior Leasing sp. z o.o. management board summons to an ad hoc arbitration court. On 1 March 2024, Alior Bank received a partial judgment dismissing the claims under the management program in full. The partial judgment ends the proceedings on the merits. As at 31 March 2024, the PZU Group had no provision on this account.

Alior Leasing sp. z o.o. has identified the risk of possible claims against Alior Leasing sp. z o.o. filed by third parties, which may result from actions of some employees and associates of Alior Leasing sp. z o.o. As at the date of signing the consolidated financial statements, no claims have been filed on this account. In the opinion of the PZU Group, there are no reasons for establishing a provision for that purpose.

The PZU Group will not disclose any further information regarding the possible third party claims mentioned above, to avoid the weakening of its status and position in the potential proceedings.

26.6 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 PZU Group's operations, business continuity, financial position and going concern.

As at 31 March 2024, total net assets (assets deducted by liabilities and adjusted by mutual shares between PZU Ukraina and PZU Ukraina Życie) of three companies operating in Ukraine (PZU Ukraina, PZU Ukraina Życie and LLC SOS Services Ukraine) amounted to PLN 51 million (as of 31 December 2023: PLN 46 million).

The assets (net of the shares held mutually between PZU Ukraina and PZU Ukraina Życie) of these companies subject to consolidation totaled PLN 366 million (as of 31 December 2023: PLN 365 million), including, among others:

- investment financial assets – PLN 240 million (as of 31 December 2023: PLN 239 million), including PLN 101 million (31 December 2023: PLN 99 million) – instruments issued by the Ukrainian government, and PLN 139 million (as of 31 December 2023: PLN 140 million) – term deposits;
- assets under reinsurance contracts of PLN 34 million) (31 December 2023: PLN 36 million), of which PLN 25 million (as of 31 December 2023: PLN 26 million) accounted for PZU's share.

The companies' liabilities totaled PLN 315 million (31 December 2023: PLN 320 million), including liabilities under insurance contracts of PLN 294 million (31 December 2023: PLN 296 million).

Due to the martial law, which has been in force in the whole territory of Ukraine since 24 February 2022 (extended till 11 August 2024) and active military actions in the eastern and southern regions, as well as air attacks all over the country, Ukrainian companies of the PZU Group operate under war restrictions and legal conditions stemming from so called "war regulations".

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 a number of acts regulating insurance activities and containing 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.

On 8 March 2024, rating agency S&P Global Ratings downgraded Ukraine's long-term foreign currency sovereign rating to CC from CCC, affirmed the short-term rating at C and maintained the negative outlook.

As at the date of signing the condensed interim consolidated financial statements, the going concern assumption for Ukrainian companies of the PZU Group is uncertain (there is a risk that the companies will lose all of their operating capacities) due to, 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;
- unavailability of employees.

The PZU Group analyzes the developments on an ongoing basis and examines forward-looking scenarios for the run of events. Due to the situation in Ukraine, the valuation of assets and liabilities (especially technical provisions) of Ukrainian companies requires a number of assumptions be made and is subject to significant uncertainty.

(in thousands of PLN)

PZU's quarterly standalone financial information (in compliance with PAS)

1. Interim balance sheet

ASSETS	31 March 2024	31 December 2023	31 March 2023
I. Intangible assets, including:	307,942	313,546	303,373
- goodwill	-	-	-
II. Investments	48,153,484	46,628,179	42,452,318
1. Real property	276,910	279,741	279,853
2. Investments in related parties, including:	19,052,472	18,127,279	15,837,476
- investments in related parties accounted for using the equity method	18,495,218	17,577,487	15,375,728
3. Other financial investments	28,824,102	28,221,159	26,334,989
4. Deposits with ceding enterprises	-	-	-
III. Net assets of a life insurance company if the investment risk is borne by the policyholder	-	-	-
IV. Receivables	2,848,244	2,953,735	2,725,894
1. Receivables on direct insurance	2,212,555	2,490,182	1,789,801
1.1. From subordinated entities	2,988	3,065	2,909
1.2. From other entities	2,209,567	2,487,117	1,786,892
2. Reinsurance receivables	282,568	273,553	367,427
2.1. From subordinated entities	250,651	219,215	312,754
2.2. From other entities	31,917	54,338	54,673
3. Other receivables	353,121	190,000	568,666
3.1. Receivables from the state budget	146,150	13,937	196,577
3.2. Other receivables	206,971	176,063	372,089
a) from subordinated entities	57,150	14,960	35,752
b) from other entities	149,821	161,103	336,337
V. Other assets	277,422	293,361	308,780
1. Property, plant and equipment	126,500	133,304	128,609
2. Cash	150,922	160,057	180,171
3. Other assets	-	-	-
VI. Prepayments and accruals	3,421,650	2,776,071	3,144,192
1. Deferred tax assets	-	-	-
2. Deferred acquisition costs	2,067,368	1,893,946	1,967,066
3. Accrued interest and rents	-	-	-
4. Other prepayments and accruals	1,354,282	882,125	1,177,126
VII. Unpaid share capital	-	-	-
VIII. Treasury shares	-	-	-
Total assets	**55,008,742**	**52,964,892**	**48,934,557**

(in thousands of PLN)

Interim balance sheet (continued)

EQUITY AND LIABILITIES	31 March 2024	31 December 2023	31 March 2023
I. Equity	22,190,014	20,884,235	17,585,961
1. Share capital	86,352	86,352	86,352
2. Supplementary capital	7,252,581	7,252,581	7,694,696
3. Revaluation reserve	10,567,366	9,562,115	7,206,180
4. Other reserve capital	-	-	-
5. Retained earnings (losses)	3,983,187	-	1,636,774
6. Net profit (loss)	300,528	3,983,187	961,959
7. Charges to net profit during the financial year (negative figure)	-	-	-
II. Subordinated liabilities	2,276,453	2,327,793	2,279,507
III. Technical provisions	31,026,062	30,066,723	29,724,184
IV. Reinsurers' share in technical provisions (negative figure)	(4,878,782)	(4,920,201)	(4,596,568)
V. Estimated salvage and subrogation (negative figure)	(101,378)	(113,127)	(92,588)
1. Gross estimated salvage and subrogation	(103,408)	(115,101)	(96,704)
2. Reinsurers' share in estimated salvage and subrogation	2,030	1,974	4,116
VI. Other provisions	1,125,152	817,867	915,277
1. Provisions for pension benefits and other compulsory employee benefits	63,228	49,839	54,795
2. Deferred tax liabilities	1,040,109	747,455	841,921
3. Other provisions	21,815	20,573	18,561
VII. Liabilities for reinsurers' deposits	-	-	-
VIII. Other liabilities and special-purpose funds	1,800,065	1,536,929	1,767,129
1. Liabilities on direct insurance	473,477	456,396	433,871
1.1. To subordinated entities	10,782	13,668	7,348
1.2. To other entities	462,695	442,728	426,523
2. Reinsurance liabilities	760,166	335,222	604,662
2.1. To subordinated entities	25,847	116,958	27,703
2.2. To other entities	734,319	218,264	576,959
3. Liabilities on the issue of own debt securities and drawn loans	-	-	-
4. Liabilities to credit institutions	50,110	-	-
5. Other liabilities	378,038	635,376	595,375
5.1. Liabilities to the state budget	34,104	151,375	32,314
5.2. Other liabilities	343,934	484,001	563,061
a) to related entities	72,996	81,317	80,777
b) to other entities	270,938	402,684	482,284
6. Special-purpose funds	138,274	109,935	133,221
IX. Prepayments and accruals	1,571,156	2,364,673	1,351,655
1. Accrued expenses	1,296,787	2,092,328	1,096,821
2. Negative goodwill	-	-	-
3. Prepayments	274,369	272,345	254,834
Total equity and liabilities	**55,008,742**	**52,964,892**	**48,934,557**

(in thousands of PLN)

Interim balance sheet (continued)

	31 March 2024	31 December 2023	31 March 2023
Carrying amount	22,190,014	20,884,235	17,585,961
Number of shares	863,523,000	863,523,000	863,523,000
Book value per share (in PLN)	25.70	24.18	20.37
Diluted number of shares	863,523,000	863,523,000	863,523,000
Diluted book value per share (in PLN)	25.70	24.18	20.37

2. Interim statement of off-balance sheet line items

Off-balance sheet line items	31 March 2024	31 December 2023	31 March 2023
1. Contingent receivables, including:	3,059,131	3,075,488	2,912,335
1.1. Guarantees and sureties received	2,320	2,194	2,525
1.2. Other [1]	3,056,811	3,073,294	2,909,810
2. Contingent liabilities, including:	1,792,781	2,055,451	1,300 906
2.1. Guarantees and sureties given	6,122	7,446	6,089
2.2. Accepted and endorsed bills of exchange	-	-	-
2.3. Assets subject to the obligation of resale	-	-	-
2.4. Other liabilities secured on assets or income	-	-	-
3. Reinsurance collateral instituted in favor of the insurance company	-	-	-
4. Reinsurance collateral instituted by the insurance company in favor of ceding companies	-	-	-
5. Third party assets not recognized in assets	152,882	156,361	231,060
6. Other off-balance sheet line items	-	-	-
Total off-balance sheet line items	**5,004,794**	**5,287,300**	**4,444 301**

[1] This item includes chiefly: security received in the form of a transfer of the debtor's assets, a mortgage on the debtor's assets, other contingent receivables, etc.

(in thousands of PLN)

3. Interim revenue account of non-life insurance

Revenue account of non-life insurance	1 January – 31 March 2024	1 January – 31 March 2023
I. Premiums (1-2-3+4)	3,560,144	3,250,726
1. Gross written premium	4,903,762	4,442,851
2. Reinsurers' share in gross written premium	277,843	131,166
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	947,807	853,745
4. Reinsurers' share in the movement in provision for unearned premiums	(117,968)	(207,214)
II. Net investment income (including costs) transferred from the general profit and loss account	58,852	63,157
III. Other net technical income	46,464	60,155
IV. Claims and benefits (1+2)	2,151,393	2,020,250
1. Net claims and benefits paid	2,205,469	1,852,817
1.1. Gross claims and benefits paid	2,217,901	1,919,338
1.2. Reinsurers' share in claims and benefits paid	12,432	66,521
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(54,076)	167,433
2.1. Movement in provision for outstanding claims and benefits, gross	20,497	1,315,088
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	74,573	1,147,655
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts with the movement in provisions	1,226	(2,405)
VII. Insurance activity expenses	1,029,441	976,489
1. Acquisition expenses, including:	830,815	792,574
- movement in capitalized acquisition costs	(173,422)	(210,355)
2. Administrative expenses	235,888	214,785
3. Reinsurance commissions and profit participation	37,262	30,870
VIII. Other net technical charges	107,976	111,969
IX. Movement in loss ratio (risk) equalization provisions	-	-
X. Technical result of non-life insurance	**375,424**	**267,735**

(in thousands of PLN)

4. Interim general profit and loss account

General profit and loss account	1 January – 31 March 2024	1 January – 31 March 2023
I. Technical result of non-life insurance or life insurance	375,424	267,735
II. Investment income	254,740	193,623
1. Investment income on real property	1,303	1,059
2. Investment income from related parties	7,508	5,182
2.1. On ownership interests or shares	-	-
2.2. On borrowings and debt securities	7,194	5,356
2.3. On other investments	314	(174)
3. Other financial investment income	200,188	173,602
3.1. On ownership interests, shares, other variable income securities, participation units and investment certificates in mutual funds	220	244
3.2. On debt securities and other fixed income securities	167,492	137,435
3.3. On term deposits with credit institutions	109	2,768
3.4. On other investments	32,367	33,155
4. Gain on revaluation of investments	-	-
5. Gain on realization of investments	45,741	13,780
III. Unrealized investment gains	76,183	87,532
IV. Net investment income after including costs transferred from the technical life insurance account	-	-
V.Investment activity expenses	53,871	21,170
1. Real property maintenance expenses	4,231	4,488
2. Other investment activity expenses	10,466	8,185
3. Loss on revaluation of investments	-	-
4. Loss on realization of investments	39,174	8,497
VI. Unrealized investment losses	54,344	58,867
VII. Net investment income after including costs transferred to the revenue account of non-life insurance	58,852	63,157
VIII. Other operating income	58,248	63,422
IX. Other operating expenses	158,533	172,253
X. Operating profit (loss)	438,995	296,865
XI. Extraordinary gains	-	-
XII. Extraordinary losses	-	-
XIII. Share of the net profit (loss) of related parties measured by the equity method	(37,819)	738,674
XIV. Profit (loss) before tax	401,176	1,035,539
XV. Income tax	100,648	73,580
a) current part	(168,078)	(148,233)
b) deferred part	268,726	221,813
XVI. Other compulsory reductions in profit (increases in losses)	-	-
XVII. Net profit (loss)	**300,528**	**961,959**

(in thousands of PLN)

	1 January – 31 March 2024	1 January – 31 March 2023
Net profit (loss) (annualized) [1)]	1,208,717	3,901,278
Weighted average number of ordinary shares	863,523,000	863,523,000
Profit (loss) per ordinary share (PLN)	0.35	1.11
Weighted average diluted number of ordinary shares	863,523,000	863,523,000
Diluted earnings (losses) per ordinary share (PLN)	0.35	1.11

[1)] Calculation based on the number of calendar days in the period.

5. Interim statement of changes in equity

Statement of changes in equity	1 January – 31 March 2024	1 January – 31 December 2023	1 January – 31 March 2023
I. Equity at the beginning of the period (opening balance)	20,884,235	15,824,143	15,824,143
a) changes in the accepted accounting policies	-	-	-
I.a. Equity at the beginning of the period (opening balance), after adjustments to ensure comparability	20,884,235	15,824,143	15,824,143
1. Share capital at the beginning of the period	86,352	86,352	86,352
1.1. Change in share capital	-	-	-
a) increases	-	-	-
b) reductions	-	-	-
1.2. Share capital at the end of the period	86,352	86,352	86,352
2. Supplementary capital at the beginning of the period	7,252,581	7,694,696	7,694,696
2.1. Change in supplementary capital	-	(442,115)	-
a) increases(by virtue of):	-	853,880	-
- distribution of profit (above the statutorily required amount)	-	853,612	-
- from revaluation reserve – by sale and liquidation of fixed assets	-	268	-
b) reductions	-	1,295,995	-
2.2. Supplementary capital at the end of the period	7,252,581	7,252,581	7,694,696
3. Revaluation reserve at the beginning of the period	9,562,115	6,406,321	6,406,321
- changes in the accepted accounting principles (policy)	-	-	-

(in thousands of PLN)

Interim statement of changes in equity (continued)

Statement of changes in equity	1 January – 31 March 2024	1 January – 31 December 2023	1 January – 31 March 2023
3.a. Revaluation reserve at the beginning of the period (Opening Balance), after adjustments to ensure comparability	9,562,115	6,406,321	6,406,321
3.1. Change in the revaluation reserve	1,005,251	3,155,794	799,859
a) increases (by virtue of):	1,119,025	3,381,366	930,832
– valuation measurement of investments in subordinate entities	907,459	2,159,850	516,907
– valuation measurement of financial instruments qualified to the portfolio of available-for-sale financial assets	201,017	1,079,797	360,212
– valuation measurement of financial instruments held for hedge accounting purposes	5,573	102,630	53,705
- disposal of available for sale instruments	4,976	39,089	8
b) reductions (by virtue of)	113,774	225,572	130,973
– valuation measurement of investments in subordinate entities	1,037	837	112
– valuation measurement of financial instruments qualified to the portfolio of available-for-sale financial assets	99,260	117,901	130,718
– valuation measurement of financial instruments held for hedge accounting purposes	-	-	-
- disposal of instruments held for sale	13,477	106,567	143
- disposal of fixed assets	-	267	-
3.2. Revaluation reserve at the end of the period	10,567,366	9,562,115	7,206,180
4. Other reserve capital at the beginning of the period	-	-	-
4.1. Change in other reserve capital	-	-	-
a) increases	-	-	-
b) reductions	-	-	-
4.2. Other reserve capital at the end of the period	-	-	-
5. Retained earnings (losses) at the beginning of the period	3,983,187	1,636,774	1,636,774
5.1. Retained earnings at the beginning of the period	3,983,187	1,636,774	1,636,774
a) changes in the accepted accounting policies	-	-	-
5.2. Retained earnings at the beginning of the period, after adjustments to ensure comparability	3,983,187	1,636,774	1,636,774
a) increases	-	1,295,995	-
b) reductions	-	2,932,769	-
- transfers to supplementary capital	-	853,612	-
- disbursement of dividends	-	2,072,456	-
- transfers/charges to the Company Social Benefit Fund	-	6,701	-
5.3. Retained earnings at the end of the period	3,983,187	-	1,636,774
5.4. Retained losses at the beginning of the period	-	-	-
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
5.5. Retained losses at the beginning of the period, after adjustments to ensure comparability	-	-	-
a) increases	-	-	-
b) reductions	-	-	-
5.6. Retained losses at the end of the period	-	-	-
5.7. Retained earnings (losses) at the end of the period	3,983,187	-	1,636,774

(in thousands of PLN)

Interim statement of changes in equity (continued)

Statement of changes in equity	1 January – 31 March 2024	1 January – 31 December 2023	1 January – 31 March 2023
6. Net result	300,528	3,983,187	961,959
a) net profit	300,528	3,983,187	961,959
b) net loss	-	-	-
c) charges to profit	-	-	-
II. Equity at the end of the period (closing balance)	**22,190,014**	**20,884,235**	**17,585,961**

(in thousands of PLN)

6. Interim cash flow statement

Cash flow statement	1 January – 31 March 2024	1 January – 31 December 2023	1 January – 31 March 2023
A.Cash flows from operating activities			
I. Proceeds	5,146,819	17,605,883	4,586,345
1. Proceeds on direct activity and inward reinsurance	4,877,647	16,623,503	4,355,123
1.1. Proceeds on gross premiums	4,820,200	16,293,702	4,249,366
1.2. Proceeds on subrogation, salvage and claim refunds	41,265	244,336	87,601
1.3. Other proceeds on direct activity	16,182	85,465	18,156
2. Proceeds from outward reinsurance	97,487	383,485	99,523
2.1. Payments received from reinsurers for their share of claims paid	56,863	199,111	59,528
2.2. Proceeds on reinsurance commissions and profit participation	40,115	183,607	39,995
2.3. Other proceeds from outward reinsurance	509	767	-
3. Proceeds from other operating activity	171,685	598,895	131,699
3.1. Proceeds for acting as an emergency adjuster	109,134	294,506	70,832
3.2. Disposal of intangible assets and property, plant and equipment other than investments	72	1,914	9
3.3. Other proceeds	62,479	302,475	60,858
II. Expenditures	4,688,945	15,896,795	3,931,814
1. Expenditures on direct activity and inward reinsurance	3,592,041	13,065,205	3,090,572
1.1. Gross premium refunds	96,234	784,822	120,433
1.2. Gross claims and benefits paid	2,115,477	7,371,848	1,762,436
1.3. Acquisition expenditures	687,685	2,380,209	596,040
1.4. Administrative expenditures	463,380	1,798,046	387,351
1.5. Expenditures for claims handling and pursuit of subrogation	77,335	287,861	71,518
1.6. Commissions paid and profit-sharing on inward reinsurance	93,112	238,418	100,114
1.7. Other expenditures on direct activity and inward reinsurance	58,818	204,001	52,680
2. Expenditures on outward reinsurance	676,724	1,332,674	460,643
2.1. Premiums paid for reinsurance	671,361	1,300,524	454,912
2.2. Other expenditures on outward reinsurance	5,363	32,150	5,731
3. Expenditures on other operating activity	420,180	1,498,916	380,599
3.1. Expenditures for acting as an emergency adjuster	72,112	137,743	32,375
3.2. Purchase of intangible assets and property, plant and equipment other than investments	35,013	110,303	35,841
3.3. Other operating expenditures	313,055	1,250,870	312,383
III. Net cash flows from operating activities (I-II)	**457,874**	**1,709,088**	**654,531**

(in thousands of PLN)

Interim cash flow statement (continued)

Cash flow statement	1 January – 31 March 2024	1 January – 31 December 2023	1 January – 31 March 2023
B.Cash flows from investing activity			
I. Proceeds	45,338,536	186,370,061	36,464,003
1. Sale of real property	-	1,494	-
2. Sale of ownership interests and shares in related parties	-	-	-
3. Sale of ownership interests and shares in other entities and participation units and investment certificates in mutual funds	165,853	831,090	699
4. Realization of debt securities issued by related parties and amortization of the loans granted to these parties	-	-	-
5. Realization of debt securities issued by other entities	1,138,998	1,656,740	343,436
6. Liquidation of term deposits with credit institutions	11,315,083	28,092,714	6,825,534
7. Realization of other investments	32,608,171	153,781,293	29,213,352
8. Proceeds from real property	167	728	221
9. Interest received	108,856	701,080	80,761
10. Dividends received	-	1,302,972	-
11. Other investment proceeds	1,408	1,950	-
II. Expenditures	45,758,180	185,776,109	36,970,608
1. Purchase of real property	-	43	16
2. Purchase of ownership interests and shares in subordinated entities	47,967	26,789	-
3. Purchase of ownership interests and shares in other entities, participation units and investment certificates in mutual funds	19,877	207,036	20,237
4. Purchase of debt securities issued by related parties and extension of loans to these parties	28,115	-	-
5. Purchase of debt securities issued by other entities	2,713,523	3,541,271	973,770
6. Purchase of term deposits with credit institutions	11,286,287	28,185,709	6,801,397
7. Purchase of other investments	31,650,466	153,782,571	29,167,206
8. Expenditures to maintain real property	3,525	10,491	2,945
9. Other expenditures for investments	8,420	22,199	5,037
III. Net cash flows from investing activities (I-II)	**(419,644)**	**593,952**	**(506,605)**

(in thousands of PLN)

Interim cash flow statement (continued)

Cash flow statement	1 January – 31 March 2024	1 January – 31 December 2023	1 January – 31 March 2023
C.Cash flows from financing activities			
I. Proceeds	84,306	200,891	48,757
1. Net proceeds from issuing shares and additional capital contributions	-	-	-
2. Loans, borrowings and issues of debt securities	84,306	200,891	48,757
3. Other financial proceeds	-	-	-
II. Expenditures	129,871	2,474,660	151,873
1. Dividends	-	2,072,456	1
2. Other expenditures for distribution of profits besides disbursement of dividends	-	-	-
3. Purchase of treasury shares	-	-	-
4. Amortization of loans and borrowings and redemption of own debt securities	34,141	200,997	48,766
5. Interest on loans and borrowings and issued debt securities	95,730	201,207	103,106
6. Other financial expenditures	-	-	-
III. Net cash flows from financing activities (I-II)	**(45,565)**	**(2,273,769)**	**(103,116)**
D. Total net cash flows (A.III+/-B.III+/-C.III)	**(7,335)**	**29,271**	**44,810**
E. Balance sheet change in cash, including:	(9,135)	29,337	49,451
- movement in cash due to foreign exchange differences	(1,800)	66	4,641
F. Cash at the beginning of the period	160,057	130,720	130,720
G. Cash at the end of the period (F+/-E), including:	150,922	160,057	180,171
- restricted cash	58,002	20,398	67,237

7. Introduction

This quarterly standalone financial information on PZU has been prepared in accordance with PAS for the reasons described in the Introduction and supplemented with the definition of PAS.

8. Key accounting principles (accounting policy)

Detailed accounting principles (policy) are presented in the standalone financial statements of PZU for 2023.

9. Changes in accounting policies

In the 3-month period ended 31 March 2024, no changes were made to the accounting principles (policy).

Signatures of the PZU Management Board Members:

First name and last name	Position / Title	
Artur Olech	Member of the PZU Management Board in charge of the work of the Management Board, pending the consent of the Polish Financial Supervision Authority (KNF)	.... (signature)
Bartosz Grześkowiak	Member of the PZU Management Board	.... (signature)
Elżbieta Häuser-Schöneich	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)
Jan Zimowicz	Member of the PZU Management Board	.... (signature)

Person responsible for drawing up the condensed interim consolidated financial statements:

Katarzyna Łubkowska	Director of the Accounting Department	.... (signature)

Warsaw, May 20, 2024