Half-year Report **2024**

Management Board's report on the activity
of the PZU Group in 1H 2024

pzu.pl

We take care of what is
most important
in life.

INSURANCE | HEALTH | INVESTMENTS | BANKING

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PZU Group

#1

the largest insurance and banking group in Central and Eastern Europe[1]

22 million

clients

99%

the most recognizable brand in Poland[2]

A- / positive[3]

a stable business model based on strong foundations

PLN 44.5 billion

stock market capitalization[4]

STRONG BALANCE SHEET

solvency II above 200%[5]

1) By assets
2) Continuous brand monitoring, CAWI, N = 5,000, nat-rep 18-65, data for January-June 2024 percentage of respondents in the target group declaring familiarity with the brand by indicating it in a list of different insurance brands
3) S&P rating, 28 May 2024
4) 30 June 2024
5) 205%, data after 1Q 2024, un-audited

PZU Group

Percentage share of operating profit (adjusted for PZU's holdings in banks in 1H 2024)

54.0%

INSURANCE

investment and pension products

39.7%

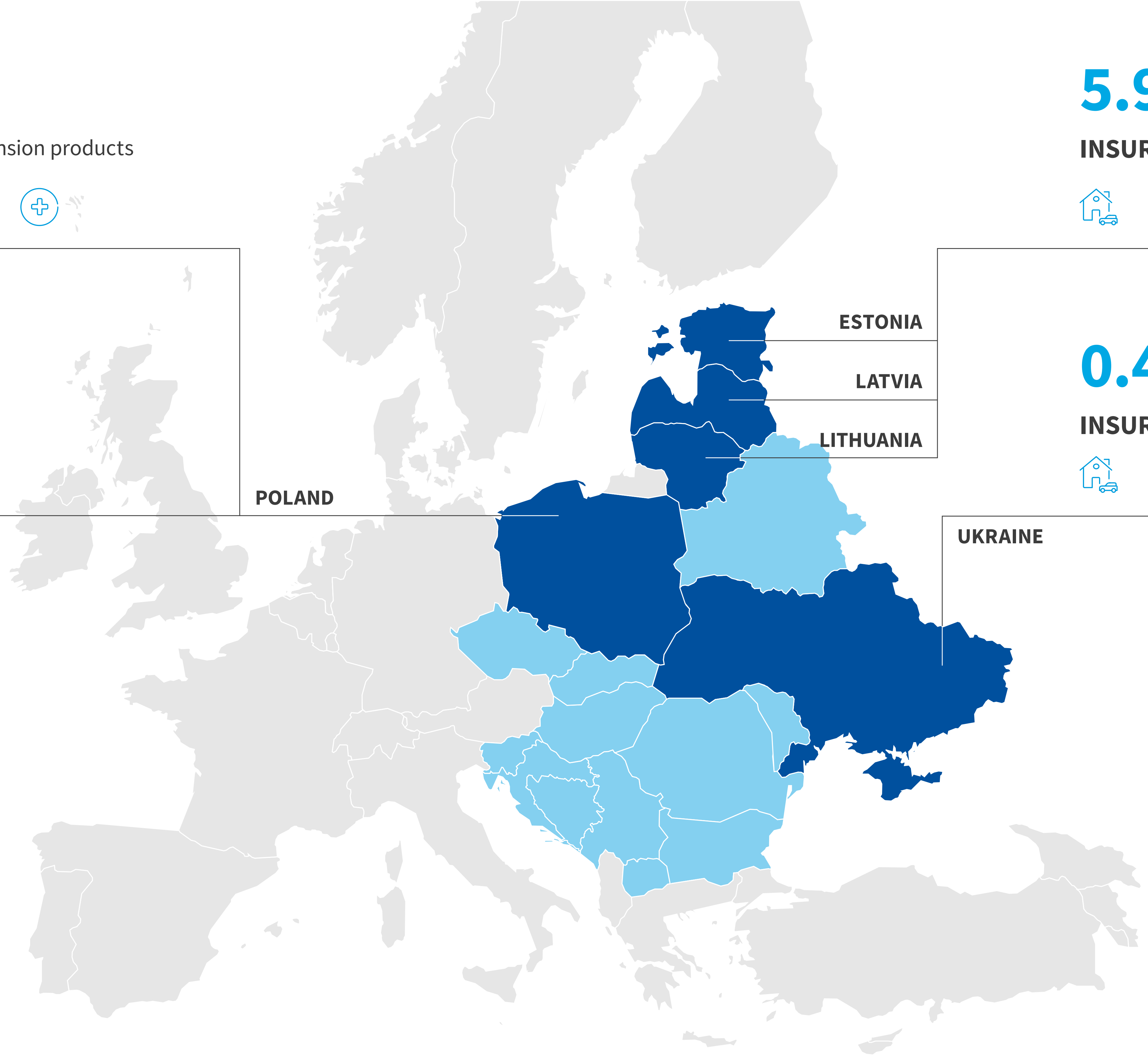
BANKING

5.9%

INSURANCE

0.4%

INSURANCE



KEY:

- Non-life insurance
- Life insurance
- Market position in terms of assets under management
- Market position in terms of assets
- Market position in terms of medical revenues

PZU Group

Market position of PZU Group companies

POLAND

PZU, LINK4, PZUW	#1	Non-life insurance, Life insurance
Bank Pekao	#2	Market position in terms of assets
Alior Bank	#8	Market position in terms of assets
TFI PZU	#3	Market position in terms of assets under management
OFE PZU	#3	Market position in terms of assets under management
Pekao TFI	#5	Market position in terms of assets under management
PZU Zdrowie	#3	Market position in terms of medical revenues

LITHUANIA

Lietuvos Draudimas	#1	Non-life insurance
	#6	Life insurance

LATVIA

Balta	#1	Non-life insurance

ESTONIA

PZU	#4	Non-life insurance

UKRAINE*

PZU	#10	Non-life insurance
	#4	Life insurance

*) as 31 December 2023

KEY:

- Non-life insurance
- Life insurance
- Market position in terms of assets under management
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- Market position in terms of medical revenues

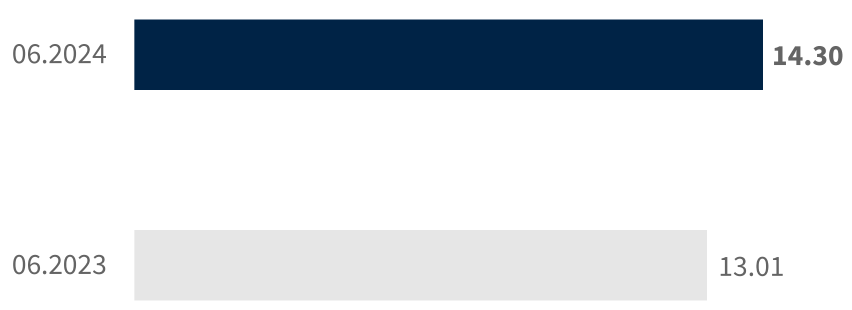
Summary of 1H 2024 results

The PZU Group's financial performance places it among the most profitable financial institutions in Poland.

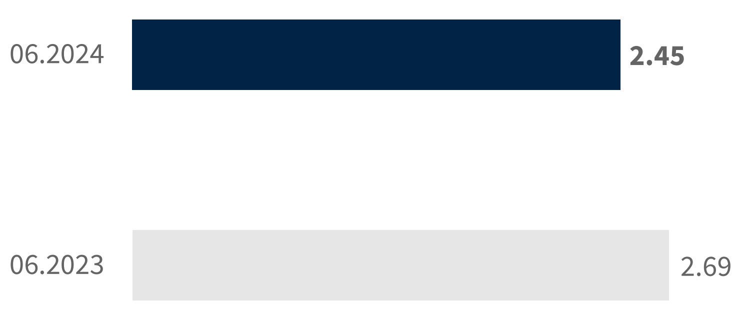
In 1H 2024, adjusted return on equity (aROE) was 17.4%. Net profit attributable to equity holders of the parent company reached PLN 2.446 billion vs. PLN 2.688 billion in 1H2023.

The PZU Group also reported an increase in insurance revenues by PLN 1,282 billion to PLN 14,295 billion.

Gross insurance revenue (PLN billion)



Net profit attributable to owners of the parent company (PLN billion)



aROE[1]

17.4%
1H 2024
-4.7 p.p.
vs. 1H 2023

Target 2024

15.5%

Solvency II

205%[2]
1Q 2024
-21.0 p.p.
vs. 1H 2023

Target 2024

≥200%

Dividend

PLN 4.34
DPS
2024

Target 2024

payout ratio
50%-100%

Climate neutrality

Target 2024

Achieve climate neutrality own activities (Scope 1 and 2)[3]

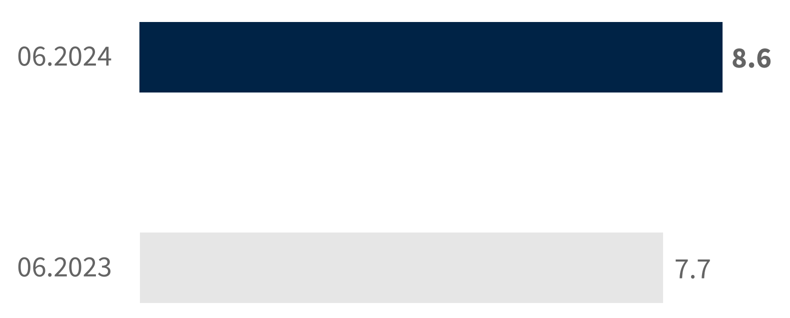
1) Adjusted return on equity, calculated on a capital basis excluding cumulative other comprehensive income relating to insurance and reinsurance financial income and expenses
2) Data not subject to audit or inspection by statutory auditor
3) Achieving climate neutrality by own activities (Scope 1 and 2) due to reducing emissions, purchasing green energy and compensating CO2 emissions

Summary of 1H 2024 results

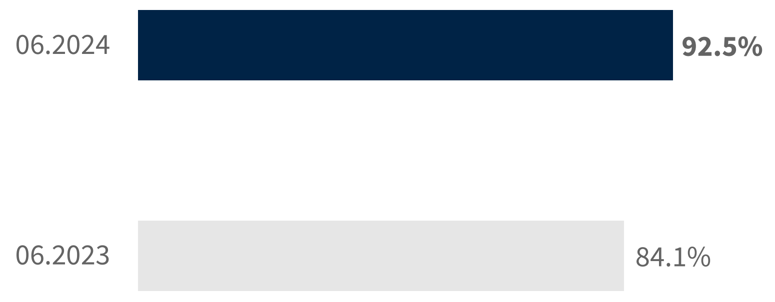
INSURANCE

Non-life insurance in Poland

Gross revenues from non-life insurance (PLN billion)

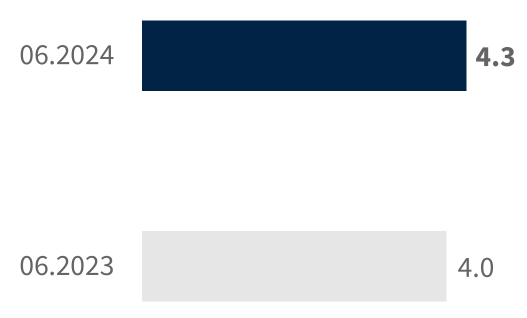


Combined Ratio (COR) (%)



Life insurance in Poland

Gross revenues from life insurance (PLN billion)

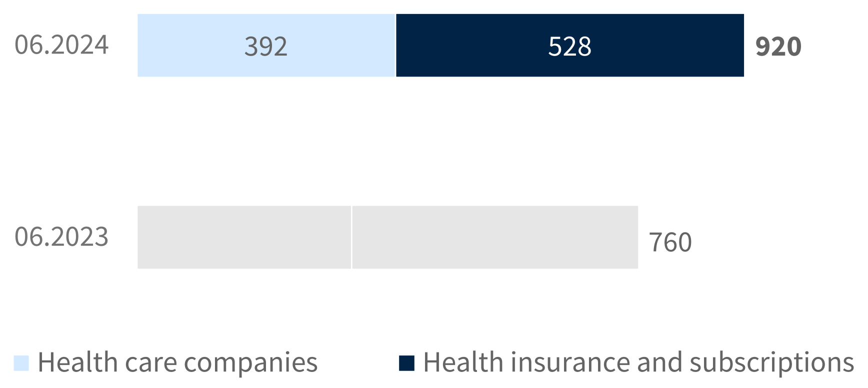


Operating margin on group insurance and IC*(%)

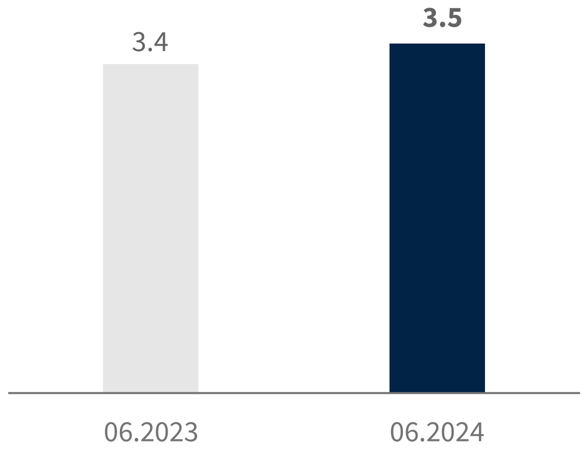
*) Individually Continued

HEALTH

Health pillar revenue (PLN million)



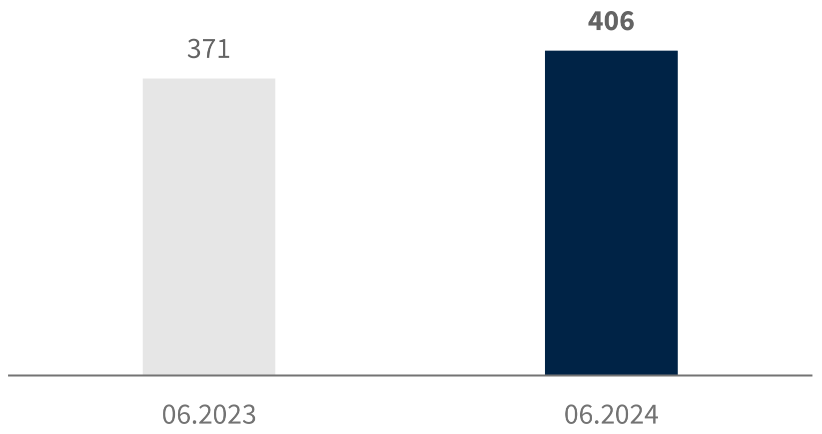
Number of contracts (million)



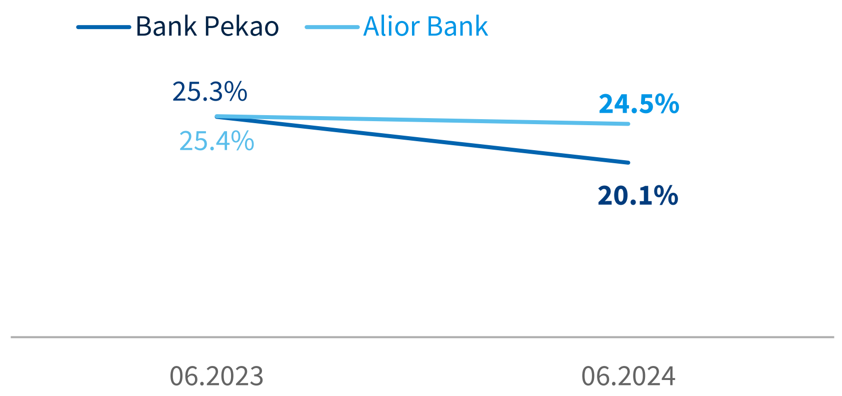
Summary of 1H 2024 results

BANKING

Banking assets in PZU Group (PLN billion)

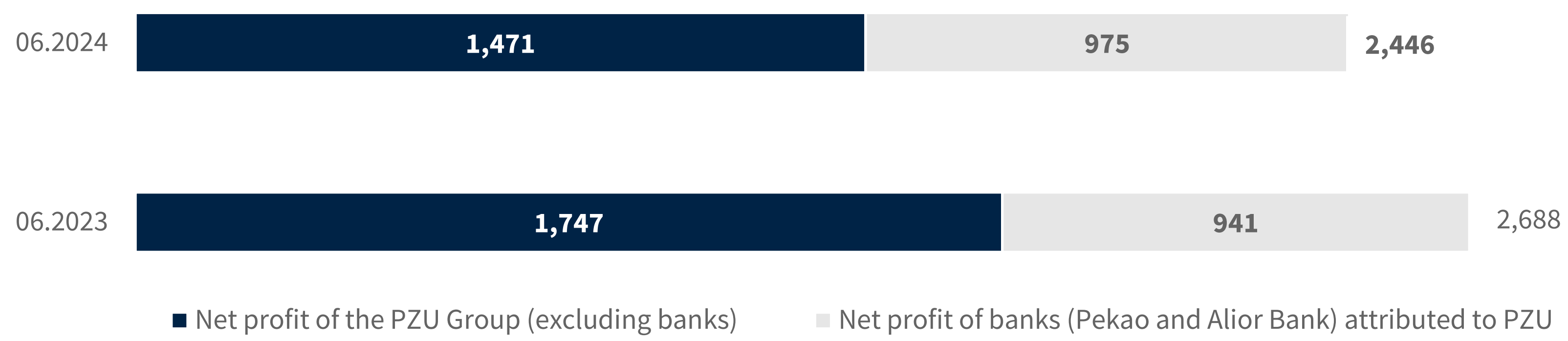


ROE (return on equity) of banks* (%)



*) based on reports and presentations of Bank Pekao and Alior Bank

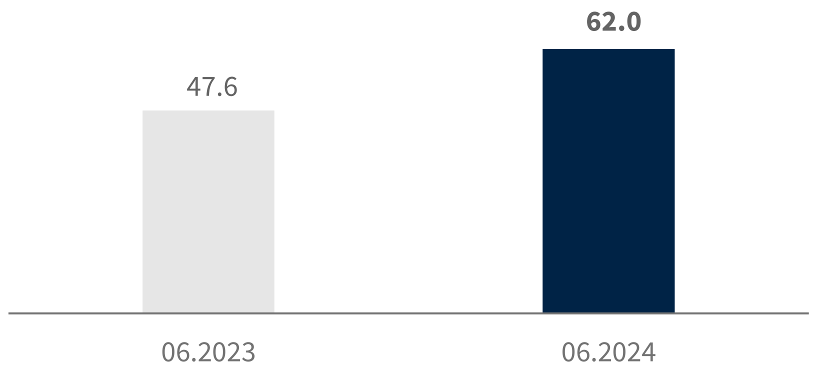
Contribution of banking activities to net profit attributable to the equity holders of the parent company* (PLN million)



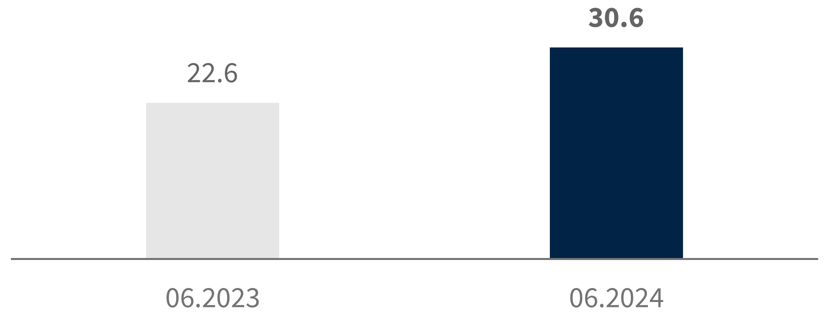
*) excluding consolidation exclusions

INWESTMENTS

Assets of external clients of TFI PZU and PTE PZU (PLN billion)



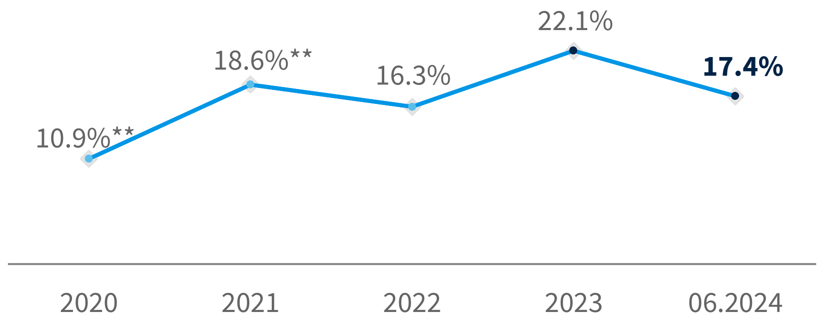
Assets of clients of TFI Pekao and TFI Alior (PLN billion)



Summary of 1H 2024 results

SELECTED INDICATORS

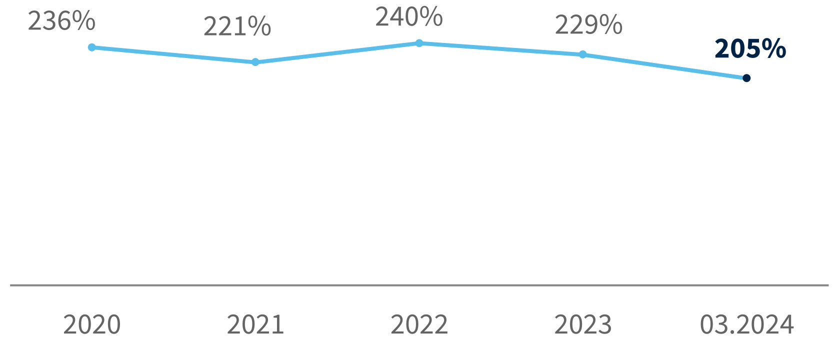
aROE (return on equity)* (%)



*) aROE – adjusted return on equity, calculated on a capital basis excluding cumulative other comprehensive income relating to insurance and reinsurance financial income and expenses; aROE attributable to equity holders of the parent company

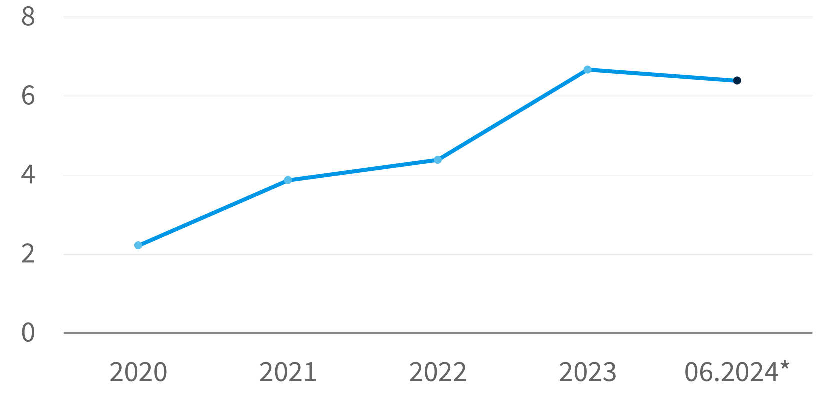
**) ROE – return on equity attributable to equity holders of the parent company

Solvency II* (%)



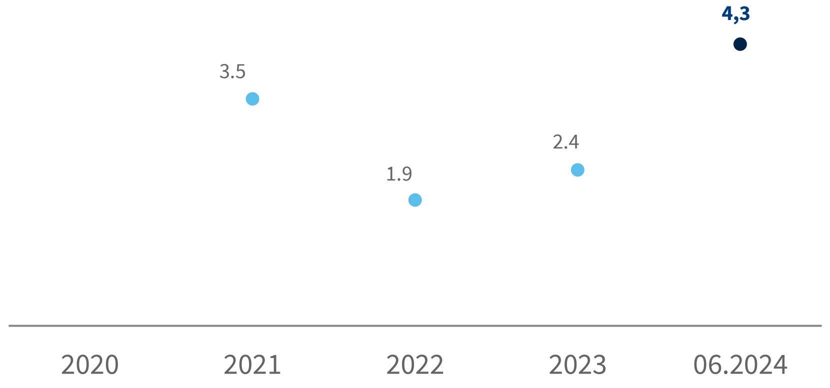
*) data for the first quarter of 2024 are not subject to audit or review by an auditor

EPS (earnings per share) (PLN)

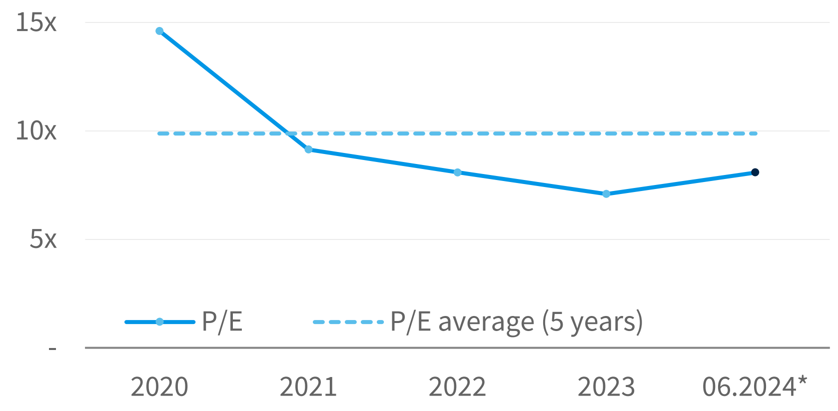


*) data according to IFRS 17 standard; cumulative for 12 months

DPS (dividend per share) (PLN))

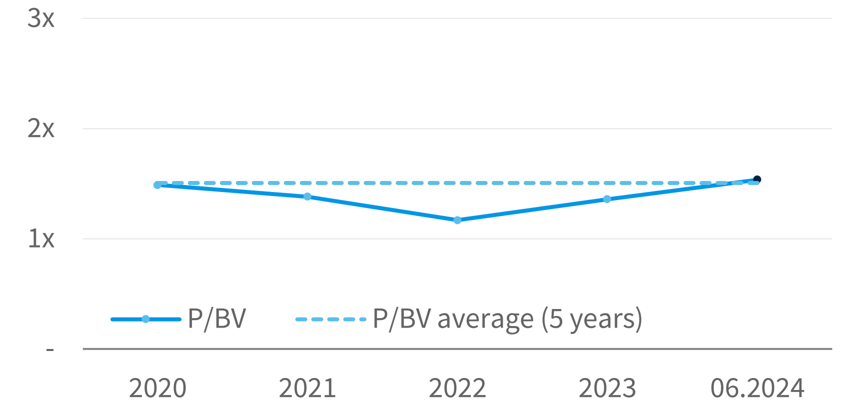


P/E (price to earnings per share)



*) data according to IFRS 17 standard; cumulative for 12 months

P/BV (price to book value per share)



Some of the indicators shown in the charts are Alternative Performance Measurements (APMs) within the meaning of the European Securities and Markets Authority (ESMA) Guideline No. 2015/1415. For definitions, basis of calculation and explanation of application, please refer to Chapter 9.2. Alternative Performance Measurements.

Summary of 1H 2024 results

Basic consolidated data of the PZU Capital Group for 1H 2022-2024 under IFRS 17 (in PLN million)

	1H 2022	1H 2023[3]	1H 2024
A) PZU Group excluding Alior Bank and Bank Pekao			
Gross insurance revenue	12,045	13,013	14,295
Net insurance revenue	11,508	12,289	13,397
Insurance service expenses (net)	(9,607)	(10,299)	(11,797)
Net insurance claims and benefit[1]	(6,761)	(7,095)	(8,106)
Expenses incurred in the period	(962)	(1,118)	(1,214)
Amortization of insurance acquisition cash flows	(1,894)	(2,131)	(2,331)
Amortization of loss component	574	517	532
Recognition of the loss component	(564)	(472)	(678)
Insurance service result	1,901	1,990	1,600
Net financial income[2]	232	570	570
Financial income and expenses from insurance	249	(873)	(838)
Result from investment activities – allocated to insurance segments	(17)	1,443	1,408
Net profit attributable to the equity holders of the parent company	1,426	1,747	1,471
B) Banks: Alior Bank and Bank Pekao			
Net profit attributable to the equity holders of the parent company	407	941	975
(A+B) Net profit attributable to the equity holders of the parent company	**1,833**	**2,688**	**2,446**

1) financial income and expenses from insurance and reinsurance, as well as investment result allocated to insurance business segments
2) excluding the investment component with the development of the claim reserves from previous years
3) Restated data. Restatement of comparative data resulting from the application of IFRS 17

Ratings

Credit rating and financial strength rating

A-

POSITIVE

On 28 May, 2024, S&P Global Ratings affirmed the PZU Group's rating at A-, while raising the rating outlook from stable to positive.

Among other things, the agency's analysts pointed to the PZU Group's strong operating performance in 2023 and the first quarter of 2024, as well as its solid capital position and significant capital buffers even under extreme stress test scenarios. The positive outlook indicates that the agency may consider raising the rating if the PZU Group continues to successfully pass hypothetical stress tests and its insurance and banking performance remains high and stable.

In its rationale for the change in outlook, the agency appreciated the PZU Group for its proven track record in implementing its strategy, including the ambitious goals set for the insurance and banking business. It also pointed to high net profit and return on capital in 2023, significantly better than the results of competitors at home and abroad, and continued strong performance in the first quarter of 2024.

S&P expects PZU Group to continue to outperform its competitors, generating annual profits of PLN 3.6-5.5 billion in 2024- 2026, translating into a return on capital in the 13-17% range.

The S&P report also highlighted PZU Group's strong capital position, despite regular payments of relatively high dividends. Analysts expect PZU Group to maintain significant capital buffers under the S&P model over the 2024-2026 period, despite capital market volatility affecting equity levels.

S&P Global

ESG ratings

Sustainable management of Environmental, Social and Governance (ESG) impacts, is not only part of PZU Group's strategy, but also transparent reporting and evaluation by agencies specializing in analyzing non-financial indicators. The results of ESG ratings are used by PZU's stakeholders, particularly investors, to make investment decisions. At PZU, on the other hand, the ratings are used to help identify areas where it can still improve or better communicate its operations. The following table shows how the rating agencies rated the management of ESG issues.

FTSE4Good	3.4	PZU is a constituent of FTSE4Good Index Series, created by the global index provider FTSE Russell, to measure the performance of companies demonstrating strong ESG practices. PZU achieved a score of **3.4** (on a scale of 0 to 5, with 5 being the highest rating). In the insurance sector, PZU ranked in the **42nd** percentile.
Moody's Analytics	42/100	In 2024, Moody's Analytics gave PZU an ESG score of 42/100. The score was 5 points higher than the previous one (37 points) and 5 points lower than the sector average (47).
MSCI ESG RATINGS BB	BB	In 2023, PZU was rated **BB** (on a scale of AAA to CCC) by MSCI ESG Ratings. MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers[1].
S&P Global	35/100	PZU received **35/100** points in the Sustainability Assessment – Corporate Sustainability Assessment (CSA) issued by S&P Global in 2023. PZU performed in the **49th** percentile in the INS insurance industry in the S&P Global Corporate Sustainability Assessment, meaning 49% of companies reached an equal or lower ESG Score.
Rated SUSTAINALYTICS	18.6	In July 2023, PZU received an ESG Risk Rating of **18.6** and was assessed by Morningstar Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors. In no event the rating shall be construed as investment advice or expert opinion as defined by the applicable legislation[2].
ISS ESG	C-	Institutional Shareholder Services (ISS), in its latest 2022 assessment, gave PZU a score of **C-** on a scale of D- to A+ (where A+ is the highest grade).
CDP	B	In the environmental rating conducted by CDP, PZU received a **B** grade (a scale of grades from the highest: A/A-, B/B-, C/C-, D/D) and thus recorded an increase from a C grade. PZU's rating is within the average rating in the financial services area and in Europe.

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Calendar of the most important events in 2024

FEBRUARY

- 15 February – Extraordinary Shareholder Meeting of PZU | appointment of new members of the Supervisory Board

MARCH

- 21 March – **Annual Report** for 2023

APRIL

- 12 April – Appointment of CEO and new members of PZU management board

MAY

- 23 May – **Quarterly Report for Q1** 2024
- 28 May – S&P Global Ratings upgraded PZU's rating outlook from stable to positive. PZU's financial strength rating and credit rating affirmed at A-

JUNE

- 18 June – Ordinary Shareholder Meeting of PZU

JULY

- 19 July – FSA approvals for the CEO of PZU and CEO of PZU Życie to hold their positions

AUGUST

- 29 August – **Half-Yearly Report** for H1 2024

SEPTEMBER

- 17 September – Dividend date

OCTOBER

- 8 October – **Dividend payment** | PLN 4.34 per share

NOVEMBER

- 21 November – **Quarterly Report for Q3** for 2024

1. PZU Group characteristics

1.1. Products and services

For more than 220 years, PZU has been growing its business, gaining experience and using its potential to protect what is most valuable – the life and well-being of its clients, their families, assets and companies. Every day, the Group develops to grow be able to provide the most personalized, comprehensive and flexible offer to its clients. The priority for the PZU Group and the measure of its success is to generate benefits for its shareholders and clients in a sustainable and responsible manner.

The Powszechny Zakład Ubezpieczeń Group is the largest financial group in Poland and Central and Eastern Europe. PZU heads up the group with its traditions dating back to 1803 when the first insurance company was established on Polish soil. PZU is a public company. The stock of PZU has been listed on the Warsaw Stock Exchange (WSE) since 2010. Since its stock exchange debut PZU has been part of WIG20, an index of the Warsaw Stock Exchange's largest companies. PZU is one of the most highly valued companies and heavily traded stocks on the Polish stock exchange. Since 2019, the shares of PZU have been also part of the WIG ESG (sustainability) index.

The main shareholder of PZU is the State Treasury, holding 34.19% of shares. Other PZU shares are held by investors from all across the world.

The PZU Group's consolidated assets total PLN 482 billion. The Group enjoys the trust of 22 million clients. It offers products and services to retail clients, small and medium enterprises and big business entities. Poland is the PZU Group's core market measured by its magnitude and client numbers. Nevertheless, the Group's subsidiaries play an important role on the markets in Lithuania, Latvia, Estonia and Ukraine. Insurance is the core business of the PZU Group. The Group's companies also offer investment, pension, banking and medical services products. They render assistance services to retail clients and businesses through strategic partnerships. Clients' trust is the fundation of the PZU Group companies' operations. PZU places clients in the center of attention and integrates all areas of activity around them. This allows it to offer increasingly personalized, flexible and comprehensive products and services matching the needs of clients at every stage of their private and professional lives and at the suitable place and time.

It is the strategic ambition of PZU to develop ecosystems which will deliver comprehensive solutions for both institutional and individual clients. Those ecosystems allow for new opportunities to build long-term client relationships, thanks among other things to new interactions in various areas of the client's life. The key elements contributing to the development of PZU's consistent technological edge in integrated customer service include digitalization, use of artificial intelligence (AI), Big Data and advanced analytics, as well as mobility and omni-channel approach. Technological transition is supported by cloud computing.

Among all insurers operating in Poland, PZU offers its clients the largest sales and service network. It includes:

408
branches,

7.4 thousand
tied agents and agencies,

3.8 thousand
multiagencies,

nearly **1 thousand**
insurance brokers

and remote distribution channels, including

PZU sales hotline at 600 600 601

and the online platform

mojePZU

When it comes to bancassurance and strategic partnerships, the PZU Group collaborates with:

12
banks,

23
strategic partners.

PZU Group customers in Poland have access to the distribution network of Bank Pekao:

485
own branches,

87
partner branches

and that of Alior Bank:

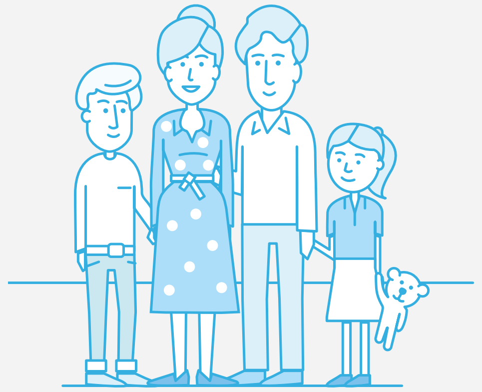
522
branches, including **158** traditional branches, **7** Private Banking branches, **13** Corporate Banking Centers, **9** Microenterprise Centers and **335** partner branches.

Both banks have professional call centers and mobile and Internet banking platforms.

In the Baltic Countries where the PZU Group is in the insurance business, its distribution network consists of **512** agents, **20** multiagencies and **428** brokers. PZU also cooperates with **5** banks and **9** strategic partners.

In Ukraine, insurance products are distributed through **202** agents and in collaboration with **19** multiagencies, **37** brokers and **13** banks.

Key PZU Group business areas



INSURANCE

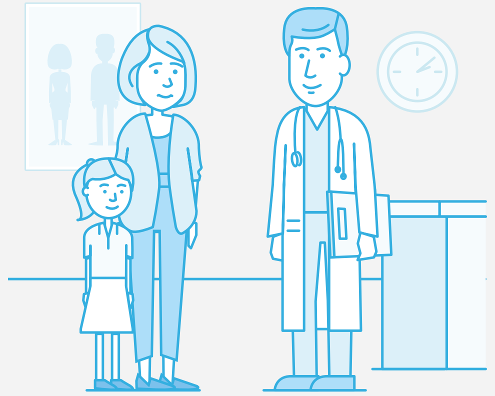
For many years the PZU Group has provided insurance cover in all of the most important areas of private, public and business life, thereby safeguarding its clients' lives, assets and health.

PZU (non-life insurance, including motor, residential and buildings, agricultural and third-party liability insurance) and PZU Życie (life insurance) are the leaders on Poland's insurance market. Since 2014, after the acquisition of LINK4, the Group has been offering insurance under two brands: the most recognizable, boasting a tradition of over 220 years, the PZU brand, and the much younger LINK4 brand, associated with direct sales channels. In 2015 the third brand, TUW PZUW, or Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych, a mutual insurer, was founded to sell and handle insurance products for companies in various industries, focusing on cooperation with large corporates, medical entities (hospitals and clinics) as well as for church institutions and local government units.

The PZU Group is also the leader in the insurance market in the Baltic Countries (Lithuania, Latvia, Estonia). It also conducts insurance activity in Ukraine.

Poland is the Group's core market, where it generates 90% of its revenue (measured by gross insurance revenue). The insurance activity in the Baltic Countries and in Ukraine generates 10% of its revenue.

HEALTH



Striving to satisfy the clients' needs better and more fully the PZU Group intensively grows the health insurance segment along with associated medical care services.

The health business deals with the following activities: (i) sales of health products in the form of insurance and sales of non-insurance products (occupational medicine, medical subscriptions, partnerships and prevention programs), (ii) construction and development of medical infrastructure in Poland to give clients the best accessibility to the health care services rendered.

The PZU Zdrowie network includes nearly 130 of its own, almost 2,400 partner branches and 898 samples-taking points. Its advantages include quick appointments, respecting referrals for tests from physicians from outside the PZU Zdrowie network, remote medical consultations which make it possible, in addition to obtaining medical advice or discussing test results, to receive a prescription or referral to tests. The offer is supplemented by prevention services.

CLIENT

INVESTMENTS

The PZU Group is one of the largest asset managers on the Polish market. It is also the market leader in employee pension schemes.

It offers a broad range of investment products: open-ended and closed-ended investment fund and pension products, such as open-ended pension funds, individual retirement accounts (IRA), individual retirement security accounts with the PZU Voluntary Pension Fund, employee pension schemes (EPS), or employee capital schemes (ECS).
TFI PZU also invests the PZU Group's own funds.

The PZU Group has three mutual fund management companies: PZU TFI, Pekao TFI and Alior TFI. It also has Powszechne Towarzystwo Emerytalne PZU managing the PZU Złota Jesień Open-end Pension Fund and the PZU Voluntary Pension Fund.

BANKING

The PZU Group's banking business comprises two groups of companies: Bank Pekao (a member since 2017) and Alior Bank (a member since 2015).

Bank Pekao, established in 1929, is a universal commercial bank offering a full range of banking services provided to individual and institutional clients. It is one of the largest financial institutions in Central and Eastern Europe, and the second largest bank in Poland.

Alior Bank is a universal deposit and credit bank. It was established in 2008 as a start-up. It combines the principles of traditional banking with innovative solutions, thanks to which it systematically strengthens its market position and sets out trends for the development of the Polish banking sector.

Tightening cooperation with banks has opened up enormous growth opportunities for the PZU Group, especially in terms of integrating and focusing its services on clients at every stage of their personal and professional development. Cooperation with the banking segment forms an additional plane for PZU to build lasting client relations. PZU Group's business within its banking model involves bancassurance and assurbanking.

1.2. Brand

PZU is the most recognizable brand in Poland. Aided brand awareness is at the level of 99%[1].

Even though it is mostly associated with insurance, PZU Group's brand architecture also covers a few independent brands. They differ in visual systems, target groups and corporate business models.

PZU Group's brand architecture (the „corporate umbrella" model)

Dominant corporate brand
PZU's corporate brand is dominant in the Group. It is used to identify the PZU Group, most of its companies operating on the Polish market (PZU, PZU Życie, PTE PZU, TFI PZU, PZU Pomoc, PZU Zdrowie, PZU Centrum Operacji), as well as some of the international companies – companies in Ukraine and the Lithuanian branch in Estonia and Lithuanian company PZU Lietuva Gyvybes Draudimas (PZU Lithuania Life).

insurance
investments
health

PZU Family brands
In the PZU Group's architecture, there is also a group of PZU Family brands. This family is formed by companies whose names do not reference the parent company brand, such as AAS BALTA and TUW PZUW. However, their logos look similar to the corporate brand.

insurance

Independent brands
The last level of brand architecture is the independent brands group. This category includes the brands within the PZU Group, the names and visualization of which differ from the corporate brand, such as Lietuvos Draudimas and LINK4. In 2020, the Cash brand joined the PZU Group's architecture. It denotes the employee financial benefits portal, which is managed by the company PZU Cash.

insurance
financial employee benefits

Independent brands – banking segment
The independent brands that joined the PZU Group in 2015 and 2017 are Alior and Pekao bank brands, respectively.

banks
investments

1) Permanent brand monitoring, CAWI, nat-rep 18-65, N=5,000, data for January-June 2024; Percentage of respondents from the target group declaring familiarity with the brand by indicating it in a list of different brands

1.3. Mission, vision, values

In March 2021, the PZU Group published its Strategy for 2021-2024 under the motto of #PZU Potential and Growth. According to the mission, **„We care about the most important things in life"**, PZU has the ambition to accompany its clients in successive stages of their lives, helping them make their key decisions. The underlying idea is to supply high quality insurance, financial and health products in the most efficient way in terms of price, distribution, adequacy and competitiveness.

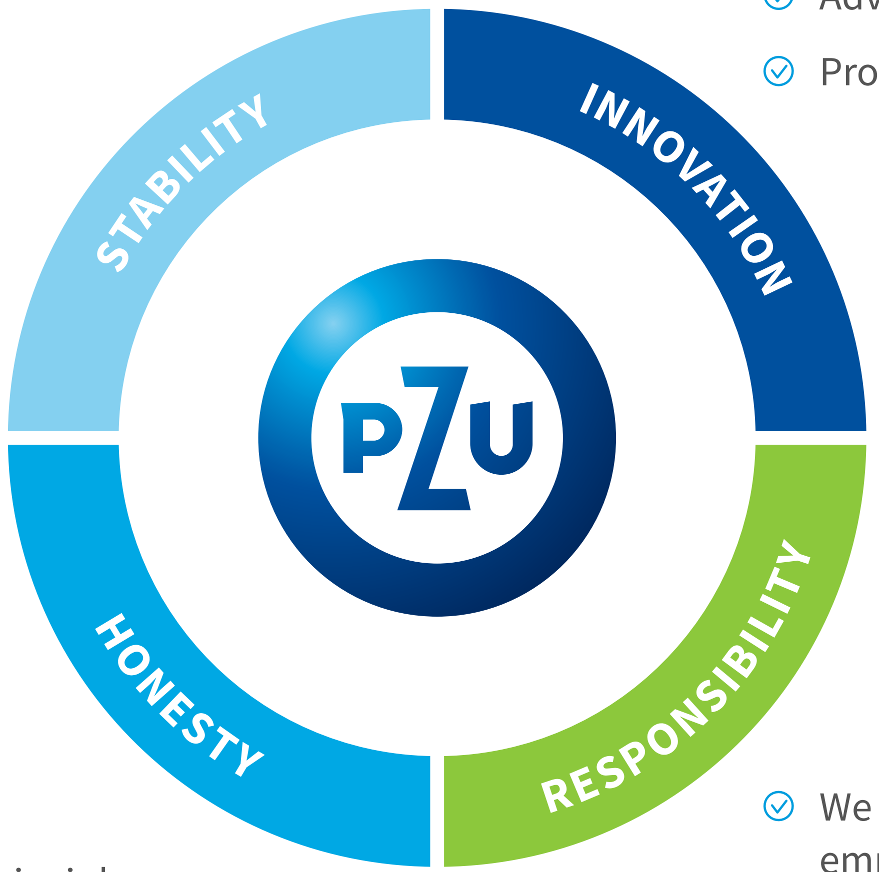
Modern product and service ecosystems

One of the tools supporting PZU's mission is building and developing modern and comprehensive product ecosystems. These are offers dedicated to enterprises (benefits) and drivers. Thanks to the benefits ecosystem, the employer may receive a comprehensive offer of company benefits for their employees. They receive, among others, access to PZU Group products and services, such as the PZU Sport sports and recreation subscription, the PZU CASH portal offering loans on favorable terms repaid directly from the remuneration, and the products and services of PZU Zdrowie. These benefits improve the living comfort of the employees, motivate them to be physically active and change their

Four core values of the PZU Group

- over 220 years of tradition
- Sound capital base, high Solvency II ratio
- Largest financial group in Central and Eastern Europe
- Strong brand

- Artificial intelligence and machine learning[1]
- Continuation of the process of digitalizing insurance, banking, investment and health products and services
- Advanced analytics
- Process optimization



- We keep our commitments
- We follow transparent business principles
- We are fair in our internal and external relations
- We cultivate a culture of ethics and compliance

- We respond to the needs of clients, employees and society
- We manage our environmental impact deliberately and responsibly
- We offer an inspiring place of work

1) Machine learning is a technology assuming that the program utilizes algorithms to "learn" on the basis of large data sets whereby it is capable of executing tasks without having

lifestyles. They allow PZU to build relations with clients that are based on daily life choices. The driver ecosystem involves assistance in car sales and purchase, control of the vehicle's technical condition, as well as assistance in mechanical repairs. PZU specialists offer expert knowledge, so that our clients may make the best decision if they are not experienced in vehicle maintenance. All services are available in one place, through secure and user-friendly digital tools.

Personalization of services

The PZU Group has a corporate Data Warehouse that is one of the largest in the Central and Eastern Europe. Its application, combined with an integrated approach to clients and cooperation among various distribution channels, allows the Group to create personalized product offerings. In addition to the standard insurance, health, banking or investment products, PZU also offers modern support and advisory services, helping clients manage their risks better. These activities also increase the number of client interactions. It is the client and client knowledge that are at the core of the Group's operating model. Further development of modern tools for all sales channels, implementation of advanced analytical environments and consolidation of analytical processes with banks will produce data that will best reflect client preferences and behaviors. This will ensure that the potential of the portfolio and knowledge about clients are fully utilized.

Health and wellbeing

The PZU Group places great emphasis on the health and wellbeing of employees and clients. Its goal is to build health awareness in Poland, with special emphasis on prevention measures. It is the prevention of illnesses, not their treatment, that is the priority for PZU. By developing its offering and network, PZU Zdrowie wants to revolutionize the approach to health care in Poland, and become the most comprehensive health advisor. It uses cutting-edge technology, telemedicine and the mojePZU application to facilitate access to specialist medical services and skilled physicians, thereby helping clients to take good care of their health, which is one of the most important values in life.

Sustainable future

The PZU Group operates on a large scale in Poland and in the Central and Eastern Europe and it is aware of its impact on the wellbeing of the society, business partners, investors, employees and the environment.

The PZU Group is committed to the development of a responsible organization, strongly emphasizing the ESG factors in its strategy (environment, social responsibility and governance). The priority for the Group is to provide benefits for clients and shareholders in a sustainable and responsible manner. The success of the PZU Group will be built based on contemporary business models widely incorporating ESG criteria, setting standards in this respect on the financial market.

This approach permits the making of decisions supporting sustainable development in the context of the products being offered, cooperation with business partners, care for the well-being of employees and local communities, and building value-based leadership.

The Group supports the development of low-carbon economy, is committed to just energy transition and encourages communities to adopt sustainable and safe lifestyles and builds a modern, responsibly-managed organization. Through these and many other initiatives, the PZU Group pursues the ambition of becoming a trusted partner for green transition, the best place to work on the markets where it conducts business and improve the quality of life for the entire society.

1.4. Milestones of PZU Group's growth

The PZU Group has been developing on the financial market for more than 220 years.

1803
establishment of the first insurance company on Polish soil

1927
Creation of the PZU brand – transformation of the Polish Mutual Insurance Directorate into a public company – Powszechny Zakład Ubezpieczeń Wzajemnych

1991
Transformation of PZU into a joint stock company wholly-owned by the State Treasury

Formation of PZU Życie

1998
Formation of **Powszechne Towarzystwo Emerytalne PZU** (PTE PZU) – management of pension funds and programs

1999
Creation of **Towarzystwa Funduszy Inwestycyjnych PZU** (TFI PZU) – management of mutual funds

2002
Launch of operations on the **Lithuanian** insurance market

2005
Launch of operations on **the Ukrainian** insurance market

2010
PZU's debut on the Warsaw Stock Exchange (WSE)

2012
Rebranding

2014
Signing of the contract to acquire: AAS Balta, AB Lietuvos Draudimas, COdan A/S and LINK4.

Launch of the **PZU Zdrowie** brand

2015
Agreement to acquire shares in **Alior Bank**

Establishment of **Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych** (TUW PZUW)

2017
Finalization of the acquisition of shares in **Bank Pekao**

2021
PZU Group's "Potential and Growth" strategy, which included ESG targets for the first time in PZU's history

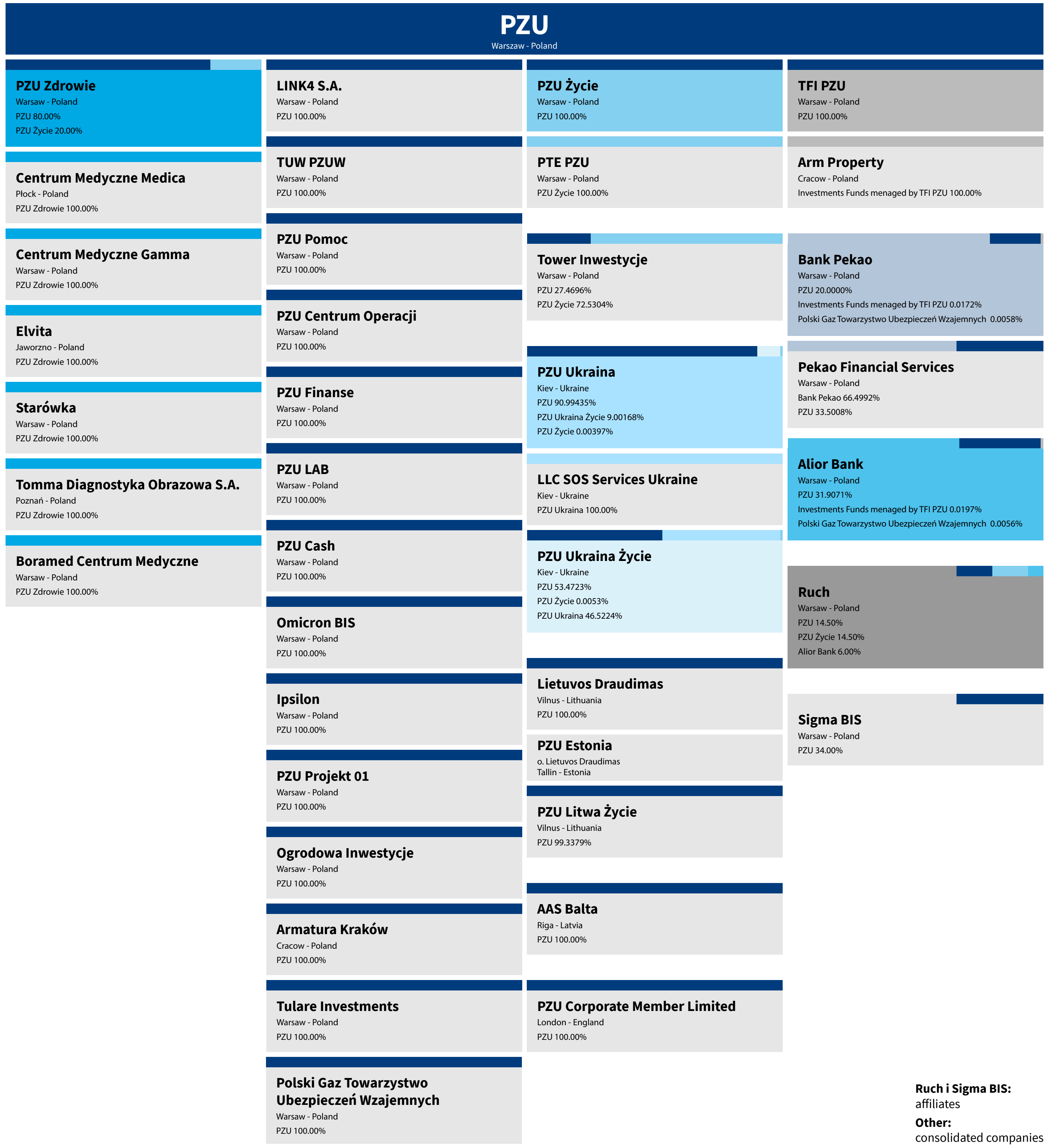
2023
One of the most profitable and safest financial groups in Europe in terms of capital

1.5. PZU Group’s structure

Structure of the PZU Group as of 30 June 2024

- The following branches operate within **PZU Zdrowie**:
  - CM FCM in Warsaw,
  - CM Tarnów,
  - CM Nasze Zdrowie in Warsaw,
  - CM in Opole,
  - CM Cordis in Poznań,
  - CM in Warsaw,
  - CM in Kraków,
  - CM in Poznań,
  - CM in Wrocław,
  - CM in Gdańsk,
  - CM in Kielce,
  - CM Warsaw Chmielna,
  - CM in Radom,
  - CM in Łódź,
  - CM in Częstochowa.
- The **PZU Zdrowie Group** includes: Medica Medical Center Group, Elvita Group, Tomma Group and Old Town, Gamma Medical Center and Boramed Medical Center.
- The **Centrum Medyczne Medica Group** consists of the following companies:
  - Centrum Medyczne Medica sp. z o.o.,
  - Sanatorium Uzdrowiskowe „Krystynka” sp. z o.o. with its registered office in Ciechocinek.
- The **Elvita Group** consists of the following companies:
  - Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o.,
  - Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o. with its registered office in Łaziska Górne;
- The **Tomma Group** is composed of the following companies:
  - Tomma Diagnostyka Obrazowa S.A.,
  - Bonus Diagnosta sp. z o.o.
- The **Alior Bank Group** includes, among others:
  - Alior Bank SA,
  - Alior Services sp. z o.o.,
  - Alior Leasing sp. z o.o. (which has:
    - 90% stake in Alior Leasing Individual sp. z o.o.(created on 29 August 2023)
    - 100% stake in AL Finance sp. z o.o. (until August 5, 2021 – Insurance Service Ltd.), which owns 10% of Alior Leasing Individual sp. z o.o.),

Structure of the PZU Group as of 30 June 2024



- Meritum Services ICB SA (On 8 December 2023, Absource sp. z o.o. merged with Meritum Services ICB SA. All assets of Absource sp. z o.o. were taken over by Meritum Services ICB S.A.),
- Alior TFI SA,
- CORSHAM sp. z o.o.,
- RBL_VC sp. z o.o.,
- RBL_VC sp. z o.o. ASI S.K.A.;

• The **Bank Pekao Group** includes, among others:

- Bank Pekao SA,
- Pekao Bank Hipoteczny SA,
- Pekao Leasing sp. z o.o. (which owns 100% of PEUF sp. z o.o.),
- Pekao Investment Banking SA,
- Pekao Faktoring sp. z o.o.,
- Centrum Kart SA, Pekao Financial Services sp. z o.o.,
- Pekao Direct sp. z o.o. (until 16 January 2020 – Direct Banking Center sp. z o.o.),
- Pekao Investment Management SA (which owns 100% of Pekao TFI SA),
- Krajowy Integrator Płatności SA (affiliate).

• The **Lietuvos Draudimas Group** includes:

- UAB „B10 biurai",
- UAB „B10 apartamentai".

• The **Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych Group** includes:

- Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych,
- Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie.

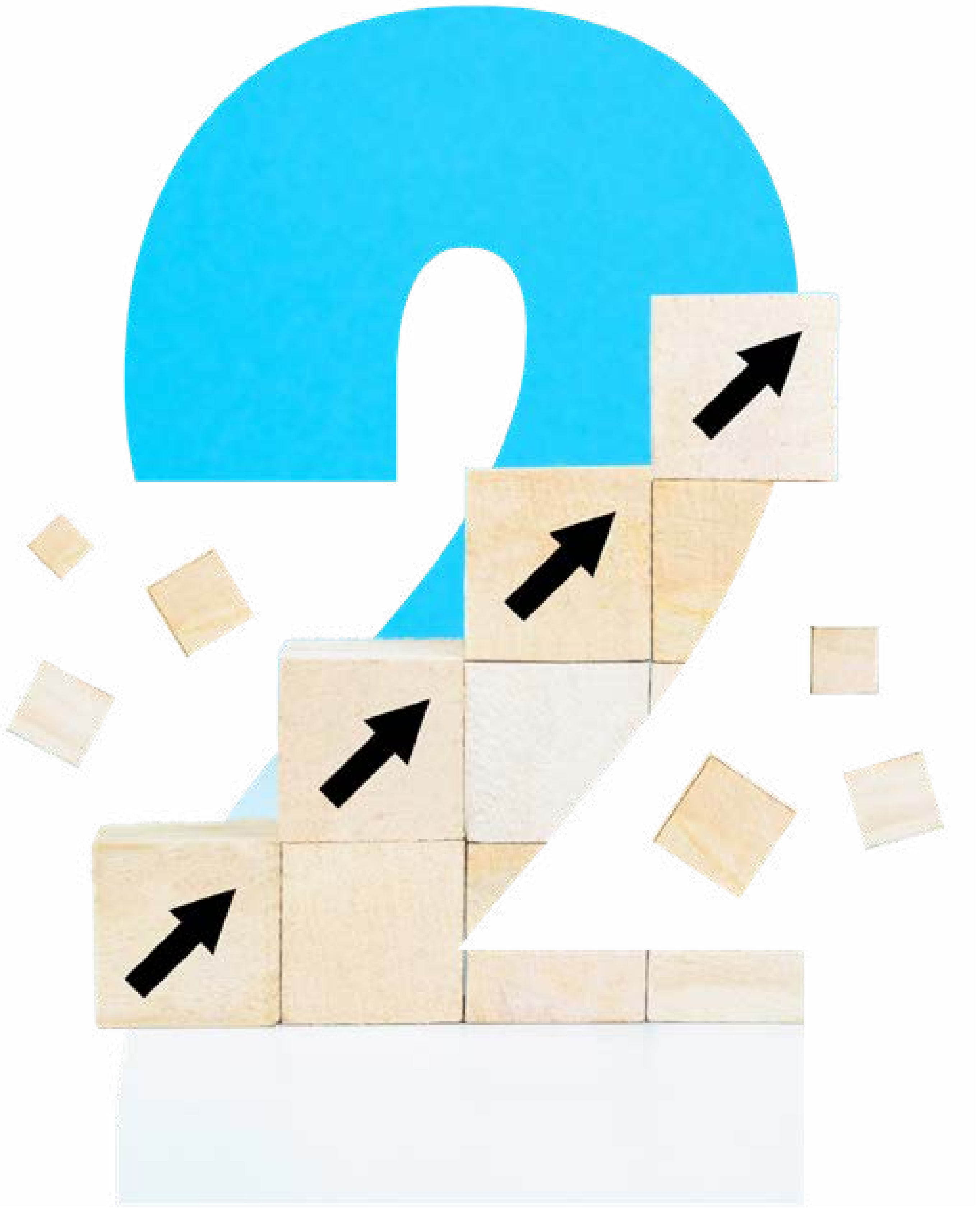
The structure chart does not include investment funds or companies in liquidation or under bankruptcy.

Changes in the structure of the PZU Group in 2023

The following changes transpired in the structure of the PZU Group in 2024 up to the date of signing of the financial statements:

- 4 January 2024, a new sub-fund of inPZU Pulse of Life was registered;
- 25 January 2024, a transaction was finalized for PZU to acquire 100% of the share capital of Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych, based in Warsaw, from Orlen Spółka Akcyjna. As Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie, based in Warsaw, is a 100% subsidiary of Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych, the consequence of acquiring the latter entity is that Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie will also enter the PZU Group;
- 30 April 2024, merger of PZU Zdrowie S.A. (the acquiring company) with CM Nowa 5 sp. z o.o., based in Gorzow Wielkopolski (the acquired company);
- 27 May, 2024, the liquidation process of AQ Joint Stock Company was completed;
- 31 July 2024, merger of PZU Zdrowie (the acquiring company) with Starowka sp. z o.o. (the acquired company) in accordance with Article 492 § 1 of the Commercial Companies Code. Pursuant to Article 494 § 1 of the Commercial Companies Code on the date of the merger, the acquiring company entered into the rights and obligations of the acquired company.

2. Business model



2.1. Operating activities

2.1.1. Insurance

PZU Group offers non-life insurance in Poland under three brands: PZU, the traditional and most well-known brand; LINK4, associated with the direct sales channel; and TUW PZUW, i.e., the mutual insurance company. Life insurance is sold in Poland under the PZU Życie brand. Outside of Poland, the PZU Group sells insurance products under the PZU brand (in Ukraine), as Lietuvos Draudimas (in Lithuania and Estonia) and as BALTA (in Latvia).

Major companies and areas of insurance business:

PZU
non-life insurance

PZU Życie
life insurance

LINK4

TUW PZUW

Foreign companies

PZU

As the PZU Group's parent company, PZU offers an extensive array of non-life insurance products, including motor, property, casualty, agricultural and third-party liability insurance. Motor insurance was the most important group of products in Q1 2024, just like in previous years.

Faced with changing market conditions, PZU realigned its offering in H1 2024 to the customers' needs and expectations by rolling out innovative solutions and new products.

PZU's activities in the **mass insurance segment**:

- made its **agricultural insurance** offering more attractive, including:
  a) introducing a new product to the AGRO offering – **PZU Gospodarstwo Rolne Plus**, which extends the cover to: agricultural buildings of individuals (in terms of: excess risks, gross negligence, assistance services), agricultural buildings of companies (engaged in agricultural activities), buildings under construction, structures, generators and technological equipment (against failure);
  b) introducing a modified version of **PZU Gospodarstwo Rolne – movable property** to the AGRO offering:
  – broader insurance object (concerning, among other things, property related to agritourism);
  – broader scope of basic risks (concerning wild animals damage, devastation, overvoltage, flooding, thawing of foodstuffs);
  – new additional risks (concerning thawing of foodstuffs, strangulation of pigs, strangulation of unborn piglets);
  – expanded definition of the place of insurance;
- **PZU Wojażer** – to the basic insurance coverage: medical expenses, assistance (all packages) and continuation of treatment after travel, inclusion of treatment risksrelated to an exacerbation or complication:
  a) of a chronic disease or illness that led to hospitalization during the 12 months prior to the conclusion of the insurance contract, or
  b) following a surgical procedure performed as part of one-day surgery within 30 days prior to the conclusion of the insurance contract, up to the full sum insured (SI) for medical expenses at no additional premium;
- expanded range of additional products in the line of motor insurance with the innovative **Auto Serwis** under the assistance insurance **PZU Pomoc w Drodze Super**. The customer receives financial support after a vehicle failure which covers the cost of labor (repair) of the vehicle at a PZU workshop. PZU is the first and only insurer on the Polish market to offer coverage on a massive scale for vehicle failures, both in terms of MOD and assistance. Auto Serwis is part of the PZU Group's strategy as another element of the **Driver Ecosystem**, aiming to provide comprehensive customer care in every aspect of car use.

Within **corporate insurance**, most changes which PZU focused on, involved making the offering more appealing for fleet customers and leasing companies, and continuously making cooperation with intermediaries more effective. Major new products included:

- preparing and incorporating of a new pricing model for small and medium-sized fleets (up to 70 vehicles). The model, which relies on data from the UFG and CEP databases, builds the price of fleet insurance based on the individual loss score of the fleet and the developed risk model. With this solution, the process of determining the price for small and medium-sized fleets for both corporate and SME customers is simplified and automated, so the offer can be presented swiftly, ensuring better adequacy of price to risk;
- incorporating the Moja Firma platform for PZU products, services and solutions for corporate customers. The first product added the platform is **CARGO transport property** insurance. Customers can use the platform to issue insurance policies on their own, using their previously concluded general contract;
- further development and popularization of the **Risk PRO** program.

In **financial insurance**, PZU supported the Polish economy by providing insurance guarantees and securing the performance of contracts in such key areas as energy, construction, science and innovation, with the impact of the geopolitical situation taken into account. There are also works on the cooperation with companies representing the defense industry.

In H1 2024, PZU continued its cooperation with leasing companies in the area of GAP financial loss insurance, with banks (including PZU Group banks) in the area of mortgage payment insurance, and in the area of insurance of receivables with existing customers. In order to mitigate emerging risks, PZU monitors potential threats on an ongoing basis and incorporates them into current operations as necessary.

PZU Życie

Within the PZU Group, PZU Życie operates on the Polish life insurance market.

The company offers an extensive range of life insurance products, which for management purposes are reported and analyzed broken down into the following four segments:

- group and individually continued insurance;
- individual insurance;
- investment insurance;
- investment contracts.

PZU Życie, as a popular and the largest insurer on the Polish market, continuously expands its offering by adding new products or modifying existing ones to protect its customers at each stage of their lives. The unique synergy of competences within the PZU Group (insurer, medical operator, investment manager) allows the company to comprehensively take care of life, health and savings of its customers, providing them with the broadest possible support in accordance with their expectations and needs.

The changes concern not only the product itself but also entail the modernization and simplification of the way in which insurance is offered and sold. The changes incorporate the new requirements introduced by the regulatory authority and the increasing legal protection of consumers.

Activities of PZU Życie **group, individually continued and health insurance** included:

- providing new service and sales functionalities that allow customers to modify their insurance much more easily, without having the need for contract renewals or filling out an accession declaration;
- introducing new ranges and further developing the **PZU Na Życie Plus** insurance offering (the launch is planned for Q3 2024).

PZU Życie's efforts in the area of **individual protection insurance and unit-linked insurance**:

- Launching sales of the new individual life insurance **PZU Pakiet na Życie i Zdrowie** in February 2024. It is a package insurance addressing the needs of all customer segments. The new solution stands out from the competition with its attractive coverage, the amount of benefits, and the option of lifetime protection and medical care offered. The insured can also take advantage of additional extensive support under the assistance services offered. The structure of the insurance provides the possibility of rapid modification of the offer including preparation of further packages based on the needs reported by the sales network;
- launching a new individual life and endowment insurance with bonuses **PZU Perspektywa na Przyszłość** in April 2024. This insurance combines two elements that are of particular importance to customers, i.e., financial security in case of death and capital building for the future. The capital can be further increased during the term of the contract thanks to the bonus mechanism that is unique on the Polish market. The insurance provides a guaranteed benefit in case of both death and living until the end of the insurance period. To match the type of bonus and the level of guarantee to their needs, the customer can choose one of two insurance variants – conservative or moderate;
- increasing (in January 2024) the minimum premiums in individual life insurance for **PZU Gwarantowane Jutro** and **PZU Wsparcie Najbliższych** products;
- **adapting** products and processes **to the requirements of the amended Recommendation U**, which took effect on 1 July 2024. By the end of June, changes were prepared and implemented in key insurance products distributed by PZU Group banks.

LINK4

LINK4 is among the most recognizable insurance companies in Poland, which **skilfully combines the strength of a corporation with the agility of a start-up**. In line with clearly defined values, such as customer, respect and mastery, LINK4 has for two decades been simplifying the world of insurance. **LINK4 remains among the leaders of direct insurance products**; it extends its business by cooperating with multiagencies, banks and strategic partners. The company offers an extensive array of non-life insurance products, including motor, property, casualty and TPL insurance. Given the changing market situation, LINK4 has zeroed in on the development of innovative solutions providing added value to both its customers and business partners. By using new technologies in internal processes and in relations with customers, the company continues to challenge the way of thinking about insurance. At the end of H1 2024, **LINK4 had 70 processes that were fully robotized and several applications supporting day-to-day tasks of its employees**. LINK4 continues the data-driven digital transformation by developing analytics and smart automation. There is currently more than a dozen operational machine learning models, which support the sales, claims handling and service processes.

Technological innovation and process automation bring regular efficiency gains and cost optimization, as well as opportunities for employee development. With the launch of the new website, LINK4 is effectively developing its online sales model, for instance, by reorganizing sales processes on the online calculator. Great emphasis is also placed on simplifying and shortening the offer calculation process. In addition, omni-channel solutions have been introduced, which customers can use to switch between online and telephone channels in the purchasing process, while retaining pre-configured elements of the offer. These solutions made way for the implementation of marketing automation technology, which, based on customer behavior, provides additional communication in the form of emails or text messages that encourage customers to easily close the purchase process. This way, the customer experience is seamless, regardless of the chosen contact channel.

In H1 2024, LINK4 focused on expanding further its current product offering, adapting it to the changing expectations of its customers and business partners. The most important activities linked to modifying its product offering were the following:

- introduction in February 2024 of a **new MOD variant** and a replacement car option for the duration of repairs; the change was intended, among other things, to prepare a better product offering tailored to the needs of each customer;
- developing new coverage in the **DOM product** by changing the ranges, limits and exclusions in individual risks.

TUW PZUW

Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych (TUW PZUW) has been a leader in the mutual insurance market since 2019 and one of the most dynamically growing insurance companies in Poland. It provides insurance cover that focuses on cooperation with large corporate entities, healthcare entities (hospitals and clinics), church entities (orders and dioceses) and local government units. Similarly to previous years and the year 2024, what distinguishes and is the market advantage of TUW PZUW is the care taken to minimize risk and extensive assistance in this respect. This brings tangible financial benefits to the mutual insured, who receive a portion of the premium back if the number and size of damages are small.

TUW PZUW provides expert support in risk analysis and conducts free security audits to mitigate potential risks. It actively engages in a number of initiatives with a broad social dimension, which was recognized in this year's edition of the prestigious "Responsible Business in Poland. Good Practices" report. This publication of the Responsible Business Forum honors the best projects in the field of sustainable development and social commitment. Authors of the report are of the opinion that such projects include TUW PZUW's free guide for patients – **Vademecum of Health**, the connected health campaign conducted on PKP Intercity trains, and the Hospital 360 project, which aims to increase the quality of healthcare and patient safety.

In cooperation with CBOS, TUW PZUW conducted **a pioneering survey among Poles to investigate their opinion on hospital health care**. The results of this survey were presented at the National Congress on Insurance Solutions for Healthcare Providers, which has become an important event in the medical and insurance community.

In addition, having the climate and sustainability in mind, the Mutual Insurance Company is eager to engage in and support individual and local projects. Such opportunities are possible thanks to the cooperation with the State Forests resulting in TUW PZUW being awarded the "**Certificate for Climate**".

In H1 2024, the most important activities linked to modifying its product offering were the following:

- modifying products in the area of strategic partnerships by adjusting the limits of liability and benefits related to the increase in prices of services, fuels and electricity carriers;
- supplementing the health insurance offering with a preventive occupational medicine package, which undoubtedly sets it apart from the competition.

Foreign companies

Lietuvos Draudimas – is the largest and the most experienced insurer, the leader of the Lithuanian insurance market and the largest insurance company in the Baltic Countries. Lietuvos Draudimas's ambition is to be the best insurance company in Lithuania. It prioritizes modernization and development. Since the beginning of 2024, it has consistently continued to support the pursuit of stable growth, applying the principles of sustainable and safe lifestyles to both business activity and organizational culture. A modern and responsible organization based on cooperation with partners supporting sustainable development has been strengthened.

Aside from business-as-usual activities and the improvement of existing products, the main activities including:

- active implementation of the „Power" project to integrate next-generation valuation methods. Advanced models will enable more accurate segmentation and risk selection at the customer level and also optimize underwriting processes;
- selecting a new technology solution for data warehousing and the Data Governance model, in order to strengthen and modernize the company's business analytics capabilities;

- initiating active management of car-related claims with a high probability of cash settlement:
  - introducing predictive modeling to increase detection of fraudulent cases;
  - optimizing the car repair network in Kowno through improved self-service control mechanisms;
  - similar pilots were also launched in Vilnius and Klaipeda.

In H1 2024, **PZU Litwa Życie** focused on developing new business options. The Sėkmės kelias (Path of Success) pilot project, launched in October last year, was continued. Its purpose is to develop an effective model for consultants and managers sales. Key components include training sessions, a system for recording, monitoring and compiling feedback from conversations with customers, setting appropriate operational goals, daily debriefing meetings and individual development meetings.

Work is underway to improve functionality in the self-service system. New services are being added, while existing services are being modernized.

AAS BALTA is a leader in the Latvian non-life insurance market. The company focuses on delivering value, building customer confidence and also adapting to emerging trends. In H1 2024, BALTA launched several customer experience campaigns and initiatives, and continued its work on raising awareness of caring for safety – the BALTA Safety Academy educational platform, which provides an opportunity to share valuable, industry-leading content on prevention and educate the public, was further developed. The „Crazy Safe Summer" campaign was once again launched, providing free summer accident insurance to more than 28,000 children in Latvia, including Ukrainian children. Keeping the company's commitment to promote a healthy and active lifestyle, BALTA has become an official sponsor of the 2024 Olympic Basketball Qualification Tournament and EuroBasket 2025.

Balta continues to improve its claims processes, including the online claims process. At present, the online process is available for nine products, and, depending on a given product, online claims range between 50% and 99% of all claims depending on the product.

Lietuvos Draudimas – branch in Estonia – in H1 2024, the company focused on product development and acquiring new customers. In April, in cooperation with SEB Bank, sales of a new travel product and a new purchase insurance bundled with a credit card for individuals were launched. In June 2024, in order to increase the functionality of the self-service portal, additional services were launched in the portal, enabling the purchase of additional insurance products. The process of buying further products is much faster and more convenient thanks to the availability of the existing customer data in the system. The company is prepared to sell compulsory medical insurance, however, changes in legislation are still required in this area.

PZU Ukraine – non-life insurance company operating in the Ukrainian market. In H1 2024, PZU Ukraine worked on structuring its product portfolio. The product offering was modified and analytical studies were carried out in order to use the results, among other things, in shaping tariffs. The main changes resulted from the need to help the company meet the requirements of the new Insurance Law and a number of NBU regulations. All insurance contract forms were updated taking into account the requirements of the legislation. Analyses of portfolios of individual products were carried out regularly, adjusting insurance tariffs to changing conditions.

Sales development continued in all distribution channels. Within corporate insurance, sales were mainly focused on health insurance. The area of voluntary health insurance was actively developed, with electronic medical cards implemented. New customers were acquired from among companies relocating from eastern to western regions of Ukraine. In Q2 2024, negotiations were conducted and cooperation with large car dealer groups was re-established – sales of new passenger cars increasing year-on-year by 16.3%. The Green Card insurance was introduced into a new sales channel – bancassurance.

PZU Ukraine Życie – life insurance company operating in the Ukrainian market. In H1 2024, PZU Ukraine Life continued to provide life insurance services, ensuring the conclusion of new insurance in all sales channels as well as the support and maintenance of the existing portfolio.

The Ukrainian Law on Insurance was amended and, consequently, in April 2024 the company received information from the NBU's State Register of Financial Institutions authorizing the sale of all classes of insurance referred to in the law. This means that all products offered by PZU Ukraine Life comply with the new legislation. Thus, the company's offering has not changed.

The company's policy on new business remains conservative. At present, PZU Ukraine continues to enter into new insurance agreements only in safe regions of Ukraine, i.e., in administrative regions of Ukraine not affected by any hostilities (in the west and center of Ukraine), and with restrictions on the sum insured, with the list of risks and special requirements due to the occupation and age of the insured.

In terms of insurance products, the main focus in H1 2024 was on the development and implementation of General Insurance Product Terms and Conditions for individual sales channels, and the preparation of documents to enter into insurance contracts: new templates for the insurance application and Certificate of Insurance for agent and broker sales channels.

A separate website was launched for PZU Ukraine Life, www.pzulife.com.ua. It contains all information required by law, including public information, about insurance products and also about insurance brokers.

2.1.2. Health care

Activity and product offering

PZU Zdrowie is one of the largest nationwide medical operators. The PZU Zdrowie medical network has almost as many as 130

own centers, including diagnostic imaging labs, and in addition 2,400 partner centers in over 600 cities in Poland. It has its own 24/7 medical hotline, myPZU patient portal and Telemedicine Center. It provides healthcare in the form of insurance and subscriptions for companies and individual customer. PZU Zdrowie medical centers are also available to patients who do not have PZU packages. The Health Area consists of the PZU Życie medical operator business and health insurance. It is an integral part of the PZU Group's business model and represents one of its most important areas of growth.

PZU Zdrowie's medical operator activities include:

- handling health products in the form of insurance (life and health insurance and non-life and other personal health insurance – products of PZU, PZU Życie and TUW PZUW);
- sales and service of non-insurance products (occupational medicine, group and individual medical subscriptions, partnerships and prevention programs);
- building its own medical infrastructure of a uniform standard (medical centers, diagnostic laboratories and its own Telemedicine Center) to ensure the best possible access to the services as provided and to meet revenue targets.

The medical care model is focused on keeping up the good health of customers, providing a broad range of prevention measures and screening tests and on promoting healthy lifestyles.

Development of health offerings (packages, subscriptions)

In H1 2024, PZU Zdrowie continued to develop its group and individual medical care offerings to pursue its strategy as a comprehensive medical operator. The main activities included:

- expanding the individual customer subscription offerings, introduced in late 2021, with new options – launching a configurator of medical packages for individual customers. Customers are free to personalize the scope of the product during purchase. Modules that they can modify for the number of available services: consultation, diagnostics, laboratory, home visits, rehabilitation, dentistry;
- offering 0% installment offers;
- implementing new preventive packages related to the management of pregnancy: preparation for pregnancy, management of pregnancy first trimester, management of pregnancy second and third trimester, post-pregnancy examinations;
- launching a new product – the Wellmobile platform. In one place, employees with different needs can find content of interest to them. It consists of seven thematic categories: health, nutrition, physical activity, relationships, mental well-being, development and relaxation.

myPZU in Health Project

In H1 2024, project work was continued with the aim to develop technological functionalities for patients and to build new lines of business. The development of the myPZU portal included:

- configurator of medical subscriptions for individual customers;
- automation of arranging laboratory tests in PZU Zdrowie facilities – mobile application;
- charging payments for discount laboratory services at PZU Zdrowie facilities;
- redesign of mojePZU desktop version screens – new desktop after logging in, support for shortcuts – most frequently used services.

Development of innovative solutions

PZU Zdrowie develops the culture of innovation among its employees and implements innovative solutions that deliver value to patients, physicians and the PZU Group. Areas of analysis include the use of advanced telemedicine systems, artificial intelligence, virtual reality, digital therapeutics, and voicebots. Particular attention should be given to the following activities:

- **The Upmedic technology was made commercially available** at PZU Diagnistyka Obrazowa (Tomma Diagnostic Imaging). The Upmedic solution is a smart text editor that supports the work of radiologists at selected PZU Zdrowie's facilities. With this tool, one can create medical records of the highest quality with just a few clicks of the mouse, and this reduces the time to describe imaging by up to 70%. They are presented in an easy-to-read format for both patient and physician. A few mouse clicks or dictation creates a correct, clearly formatted and ICD-10/ICD-9 compliant description. Upmedic has been recognized in international innovation accelerators, such as the Health Venture Lab General Electronics and the Roche Healthcare Lab, as the best medical data management solution. The innovation received a nomination in the Qorus Innovation in Insurance Awards in the Product & Service Innovation category, which recognizes the best and most innovative solutions in the insurance industry. Together with the startup Upmedic, PZU Zdrowie made it to the finals of the competition. As of 2024, the solution is available to doctors at PZU Diagnostyka Obrazowa (Tomma). Work is underway on the possibility of using the solution in other areas of operation of PZU Zdrowie.
- **Call Center Process Automation** – In H1 2024, together with Avanade and Microsoft, PZU Zdrowie began testing Microsoft Power Apps technology. The goal is to improve the existing CZUM capacity management process using artificial intelligence (AI).
- **Development of voicebot technology** – In H1 2024, PZU Zdrowie began work on improving the process of patient confirmation of appointments using voicebot technology. The goal of the pilot is to verify the potential for improving the quality of service delivery by increasing appointment availability for patients and eliminating missed appointments.
- **Design Thinking** – are methods of creating innovations based on the discovery and deep understanding of customer needs. In Q1 2024, the Innovation Projects Team conducted a creativity workshop for PZU Zdrowie employees. The goal was to promote a culture of

innovation and encourage all employees to seek and create innovative solutions.

- **AI in Health Coalition Membership** – within the framework of its activities, the Coalition aims to promote the use of artificial intelligence in the Polish health care system. Bringing together a group of experts and entities pursuing the ultimate objective of the well-being of patients, its ambition is to set directions for the development of the use of AI-based technologies in the sector. The Coalition aims to develop conditions that will enable the broadest possible use of solutions of this kind. At the same time, it highlights the significance of professional medical personnel, pointing to the supporting role of technology, which is to augment the treatment process rather than eliminate or diminish the role of a physician. In its activities, the Coalition gets involved in projects seeking to advance the digitization of the health care system, in cooperation with the Ministry of Health and the Office of the Prime Minister. PZU Zdrowie undertakes a range of activities, both nationwide and locally, with the aim of improving Poles' health.
- Participation in the following events:
  - **Healthcare Horizons during FinTech & InsurTech Digital Congress** dedicated to the areas of health and health-tech;
  - **AI & MEDTECH**, a forum dedicated to artificial intelligence and innovation in health;
  - **European Economic Congress** (EEC Startup Challenge 2024);
  - **Congress of Health Challenges**, debates on health care challenges in Poland.

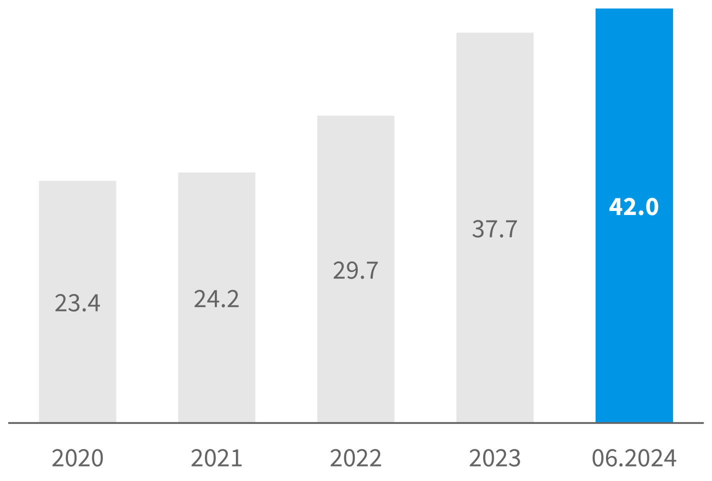
2.1.3. Investments

TFI PZU

Towarzystwo Funduszy Inwestycyjnych PZU (TFI PZU) operates on the investment fund market in the PZU Group. TFI PZU offers products and services for retail and institutional customers. It also operates investment and saving programs under the third pillar of the social security system:

- Individual Retirement Accounts (IRA) and Individual Retirement Security Accounts (IRSA);
- Employee Savings Plans (ESP);
- Employee Pension Schemes (EPS);
- Employee Capital Schemes (ECS);
- Group Pension Schemes (GPP) and the Higher Pension Package (HPP), within which IRAs and IRSAs are available, dedicated to employees of corporate customers serviced by TFI PZU.

Net assets of TFI PZU funds (in PLN billion)



Source: IZFiA

As at the end of H1 2024, TFI PZU had 67 funds and sub-funds in its portfolio, including nine ECS sub-funds.

At the end of H1 2024, TFI PZU managed investment funds with net assets of PLN 42.0 billion, an increase of 11.56% as compared to the end of 2023 and an 11.7% share of the investment all fund market. In the case of capital market funds, TFIs manage PLN 30.5 billion in assets, representing a 12.0% market share. Thus, within the investment fund management market, TFI PZU maintains the status of one of the three largest investment fund companies in Poland (in the reports of the Chamber of Fund and Asset Management, it was ranked third after IPOPEMA TFI and PKO TFI).

As part of its progressively expanding asset management service on behalf of customers (asset management service), TFI PZU managed nearly PLN 15.1 billion in assets as at the end of June 2024, including nearly PLN 0.84 billion for an external customer. The value of assets under management in investment funds and under the contract management service amounted to nearly PLN 52 billion, of which assets from an external customer amounted to PLN 30 billion.

The balance of sales in H1 2024 ranks TFI PZU third among all TFIs in the market and first among "non-bank" TFIs.

TFI PZU saw the largest asset growth in H1 2024 in PZU Sejf+ (+PLN 689 million) and PZU Obligace Krótkoterminowe (+PLN 285 million). In the defined date funds: ECS inPZU 2035 (+ PLN 188 million), ECS inPZU 2040 (+ PLN 178 million), ECS inPZU 2030 (+ PLN +153 million) and ECS inPZU 2045 (+ PLN +134 million).

Funds with the largest decrease in net assets in the first half of 2024 are: PZU FIZ Akord (PLN -19 million), PZU Medyczny (PLN -17 million), inPZU Puls Życia 2025 (PLN -4 million), PZU Obligacji Odpowiedzialnego Rozwoju (PLN -4 million) and PZU FIZ Akcji Focus (-PLN 2 million).

Changes in assets under management within the funds were driven predominantly by:

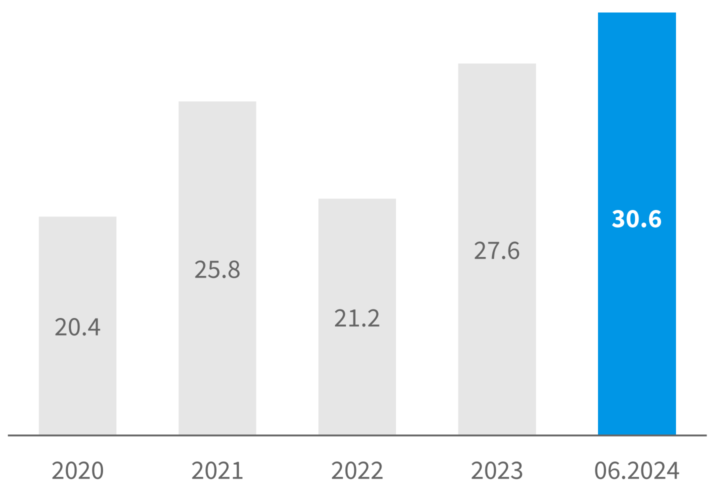
- the positive situation in debt and equity markets;
- active acquisition of assets through cooperation with distributors;
- development of the inPZU service and offering, and marketing support actions;
- systematic contributions as part of Employee Capital Schemes;
- annual subsidies to Employee Capital Schemes;
- systematic contributions as part of Employee Pension Schemes.

TFI PZU is also one of the market leaders in Employee Capital Schemes (ECS) and Employee Pension Schemes (EPS). This result is due to the extensive support that TFI PZU offers to employers in implementing and operating ECSs, the satisfactory investment performance of the ECS sub-funds.

The continued stabilization of the ECS and EPS portfolios in 2024 has strengthened the PZU Group's position in both areas in terms of asset value and number of participants. TFI PZU's ECS fund assets amounted to PLN 5.92 billion at the end of H1 2024, compared to PLN 4.60 billion at the end of 2023, an increase of 28% . In total, at the end of 2024, TFI PZU had 108,774 ECS management agreements in place, with 865,700 employees enrolled.

On the other hand, 199,355 employees participated in the 589 EPSs run by TFI PZU, which collectively accumulated savings worth PLN 8.92 billion at the end of June 2024.

Net assets of OFE PZU "Złota Jesień" (in PLN billion)



Source: KNF

PTE PZU

PTE PZU manages the following entities:

- open-ended pension fund PZU "Złota Jesień" (OFE PZU);
- DFE PZU voluntary pension fund.

OFE PZU is among the largest pension funds in Poland. At the end of June 2024, OFE PZU was the fourth largest pension fund, both in terms of the number of members, as well as in terms of net asset value:

- the fund had over 2.1 million members, or 14.9% of all participants in open-end pension funds;
- net assets amounted to more than PLN 30.6 billion, or 13.2% of the total assets of open-ended pension funds operating in Poland.

As at the end of June 2024, DFE PZU had 44.7 thousand IKZE and IKE accounts with assets worth PLN 867.9 million. Thus, the Fund kept the leading position in the voluntary pension fund segment offering IKZE and IKE.

2.1.4. Banking

Bank Pekao Group

Bank Pekao is a universal commercial bank offering a full range of banking services to individual and institutional customers operating chiefly in Poland. The Bank Pekao Group consists of financial institutions operating on the following markets: banking, asset management, brokerage services, transaction advisory, leasing and factoring. Since 2017, Bank Pekao has been part of the PZU Group.

On the Polish market, the Bank offers competitive products and services, high-level customer service and a developed distribution network. A broad product offering, innovative solutions and individual approach provide customers with comprehensive financial service. An integrated service model, in turn, guarantees the highest quality of products and services, as well as their alignment with the changing needs. The Bank systematically strengthens its market position in the strategic areas of business.

At the end of Q1 2024, Bank Pekao was the second largest bank in Poland (in terms of the value of its assets).

Bank Pekao aims to grow business in the most profitable market segments, i.e., consumer finance and micro-business. The goals of the Growth Pillar of Bank Pekao's strategy are to acquire more than 400,000 individual customers annually, increase its market share in cash loans, grow in investment products, and strengthen business synergies with the PZU Group resulting in increased sales of insurance products and a twofold increase in gross written premium by 2024.

In May 2024, Bank Pekao introduced the option to apply for suspension of mortgage repayment under the so-called statutory loan vacations in 2024, and implemented new solutions to support borrowers in financial distress in accordance with statutory changes.

Development of product portfolio

In 2024, as part of its consumer offering, Bank Pekao broke another record in account acquisitions by opening 307,300 accounts in H1 (140,600 in Q2), compared to 304,900 in the same period last year.

In the pursuit of the goal to rejuvenate the demographic structure of retail customers, the bank actively aims to acquire young customers. In Q1 2024, Bank Pekao opened 95,700 accounts for young people, which accounted for 31% of all accounts that year.

The high account sales were influenced by the attractive offering of Konta Przekorzystne with a high-interest Savings Account and activities encouraging parents to open their child's first account with Bank Pekao. Savings account holders can also take advantage of a new form of setting aside funds for specific purposes under the new piggy banks service. Customers can save on a regular basis by specifying their goal, the time and amount needed to achieve it. Relatives of the piggy bank holder can also make deposits directly into the piggy bank account and thus support them in achieving their savings goals. By the end of June 2024, customers had opened nearly 19,000 such accounts.

The number of new World Premium accounts opened in H1 2024, offered to customers who deposit funds above PLN 200,000 in Bank Pekao's savings products, reached more than 19,000, an increase of 25% compared to the same period in 2023.

Bank Pekao decided to extend a the special offer for Ukrainian citizens by the end of 2025, that is waving fees for account maintenance, card processing and ATM withdrawals, as well as for transfers to and from banks in Ukraine for transactions made by retail customers. In H1 2024, 17,500 accounts were opened for Ukrainian nationals.

As part of its strategic partnership with LOT Polish Airlines, Bank Pekao is giving customers the opportunity to collect airline miles for transactions made with the Credit Card with Bison and private banking credit cards in Europe's largest loyalty program, Miles & More. Customers can exchange their collected miles for airline tickets, upgrades or hotel stays, among other things.

The promotion of the Miles & More program was supported by an intensive marketing campaign, on the Internet and social media, as well as at Chopin Airport, including the marking of one PLL LOT plane with the colors and logo of Bank Pekao.

At the end of H1 2024, nearly 170,000 customers were already using the Credit Card with Bison. As of Q2, new customers can obtain a Credit Card with Bison by applying online.

The value of cash loans granted by Bank Pekao, measured by net volume, rose to PLN 3.1 billion, an increase of 24% compared to the same period in 2023. In Q2 2024, sales of cash loans rose to a net PLN 1.7 billion, up 25% quarter-on-quarter, while the gross value of signed contracts amounted to PLN 2.0 billion, up 29% compared to Q1 2024.

Bank Pekao continues to provide a loan offering for medical studies with a repayment guarantee from Bank Gospodarstwa Krajowego. The offer is available for current students and candidates who will be starting medical programs at Polish higher education institutions. By the end of Q2 2024, 3,100 loan agreements were entered into and PLN 183 million of term loan tranches were disbursed.

In Q1 2024, Bank Pekao entered into an agreement with Terg S.A. Capital Group (owner of the Media Expert brand store chain) for intermediation in offering installment credit in stationary and online stores.

At the end of H1 2024, PZU's balance sheet total was over PLN 6.6 billion and almost three times higher (+235% y/y) compared to H1 2023. The realized sales results helped achieve sales growth rates well above those of the banking sector as a whole.

Applications for the "2% Bezpieczny Kredyt" program submitted at the end of 2023 still supported sales results in Q1 2024, however, sales of standard housing loans (excluding the 2% program) already increased by 60% in Q1. In Q2 2024, sales of home loans totaled PLN 2.4 billion, up 83% compared to Q2 2023.

Bank Pekao continues to offer settlements to borrowers with active CHF housing loans. These loans are almost entirely in the bank's portfolio as a result of the merger of the part of BPH SA separated in 2007. The program has been met with great interest from customers. Bank Pekao prepared an offer for 80% of borrowers, half of whom accepted the settlement proposal.

In H1 2024, in the area of bancassurance, Bank Pekao implemented intensive promotional and sales support activities, which translated into high sales volumes and significantly exceeded budgeted plans.

The product offering of key insurance linked to banking products was modified: CPI for cash loan and mortgage. The new products offer broader coverage and higher sums insured.

In H1 2024, premiums written from protection insurance were 66% higher y/y, after taking investment products into account, the dynamics reached 16% y/y.

High sales growth was also observed in non-banking products, including real estate insurance (26% y/y increase in written premiums), travel insurance (2.5-fold y/y increase in the number of policies) and automobile insurance – 10x more motor policies were sold in H1 2024 than in the same period in 2023.

The share of the number of mortgages sold with insurance (for which insurance could be offered) remained stable at a high level of 90%, and in terms of the number of cash loans, it was 34%.

Pekao TFI

The Pekao Mutual Fund Management Company (Pekao TFI) is member of the Pekao Group. It is the oldest mutual fund management company in Poland. Pekao TFI provides customers with modern financial products and offers opportunities to invest in the largest capital markets on the globe. For many years it has been devising savings programs, including programs affording an opportunity to put aside more money for retirement under the third retirement pillar. Pekao TFI also offers portfolio management services and Employee Capital Schemes (ECSs). The company is in the ECS records and its offering is available also through the mojeppk.pl portal.

As at 30 June 2024, the net asset value of Pekao TFI's investment funds (including Employee Capital Schemes) totaled PLN 28.2 billion, up by PLN 6.8 billion or 31.8% compared to the end of June 2023.

Alior Bank Group

The Alior Bank Group is headed by Alior Bank. Alior is a universal deposit and credit bank, providing services to natural persons and legal persons, including domestic and foreign entities. The bank's core business comprises maintaining bank accounts, granting cash loans, issuing bank securities and purchase and sale of foreign currencies. The bank also conducts brokerage activity, provides financial advisory and intermediation services, arranges corporate bond issues and provides other financial services. Alior Bank has been a member of the PZU Group since 2015.

Alior Bank provides services predominantly to customers from Poland. In 2017, Alior Bank opened a foreign branch in Romania, offering retail banking products and services. The percentage of international customers in the overall number of the bank's customers is low.

At the end of Q1 2024, Alior Bank was the eighth largest bank in Poland in terms of the value of its assets.

In May 2024, Alior Bank offered borrowers the option to apply for suspension of mortgage repayment under the so-called statutory loan vacations in 2024.

Development of product portfolio

In H1 2024, the bank revised its cash loan price offerings, taking care of their profitability and competitiveness with the market. The loan with a fixed interest rate continued to be the most popular among customers. Consequently, adapting the offer to customers' expectations and needs, Alior Bank mainly offered products with a fixed interest rate. Customers also continued to have the option of choosing an offer with a variable interest rate.

In May 2024, Alior Bank launched a marketing campaign for its new „mi się" Loan offer. External communication channels such as television and social media and internal communication channels such as the bank's app, emails and text messages were used. The offer was very popular and attracted new customers. The „mi się" loan was available on Alior Online and Alior Mobile banking in a full, efficient remote process.

In parallel, the Bank continued its work on optimizing the existing and introducing new solutions for Alior Online and Alior Mobile. Sales of the „Cancellation" offer for those who did not complete the loan application process continued. An attractively priced „Birthday Loan" offer was available for customers in online channels.

Within the Alior Pay credit limit, a service is available to defer and reschedule debit transactions that have already been made within a personal account with Alior Bank. In March 2024, Alior Bank released a new functionality within the Alior Pay credit limit. With the „Top Up Account" option, customers can top up their Alior Bank savings and checking account for free with funds from their Alior Pay credit limit and use them for 30 days for free. If the entire amount is not repaid in a given period, it will be automatically spread into 11 interest-bearing installments. The minimum amount to be credited to the account is PLN 500, and the maximum is PLN 3,000 within the allocated credit limit of the Alior Pay service.

In order to increase sales of the Alior Pay service, the bank has launched various promotions based on customers' shopping and transaction behavior in H1 2024. As part of a promotion with the bank's business partner, the Mastercard payment organization, in January and May, customers who activated their Alior Pay credit limit could receive points in the Mastercard loyalty program. Since mid-March, customers who received an invitation from the bank to participate in the „Spring with Alior Pay" promotion and activated an Alior Pay limit received an electronic voucher to Biedronka worth PLN 100.

Alior Bank recorded a 14% increase in transaction volume on the accounts of customers who activated Alior Pay.

In terms of mortgages, H1 2024 ended with Alior Bank exceeding its sales growth targets for the period and almost doubling the level of sales compared to the same period in 2023.

With the end of the government's „Pierwsze Mieszkanie" (First Apartment) program, uncertainty about the future of the government's „Mieszkanie na Start" (Apartment to Start) program, and persistently high interest rates, Alior Bank relaunched its flagship special offer „Własne M w wielkim mieście" (Own your own House in a big city) by expanding it to more major urban centers.

Alior Bank's offer includes mortgages in both variable rate and periodically fixed rate variants with a term of five years. In the structure of sales in H1 2024, the share of the periodic fixed rate reached nearly 90%.

In March 2024, Alior Bank introduced a new iteration of the Mega Oszczędnościowe, with an attractive interest rate compared to the market for new holders of the Jakże Osobiste Account, which contributed to an increase in the acquisition of these accounts.

In addition, a higher interest rate on a savings account was available for customers with a Personal Account.

The offer of savings accounts with promotional interest rates was supplemented by:

- the „Family 800+" variant, intended for customers who have applied for a parental benefit through Alior Online or whose personal account at the Bank has been credited with a benefit from the „Family 800+" program;
- the „Bonus dla Młodych" (Bonus for the Young) variant, intended for holders of the Like-Minded Account who are at least 13 years old but under 18.

In H1 2024, the Bank offered term deposits with fixed rates in PLN, USD and EUR to retail customers. Customers could choose the optimal option of the savings period and open a deposit in a selected distribution channel (including Alior Online and Alior Mobile). Customers showed a interest, especially in deposits for new funds in PLN. Continuing efforts to digitize, a mobile deposit was offered, available exclusively on Alior Mobile for new users of the app.

Insurance from the PZU Group's offering continued to play a dominant role in bancassurance in H1 2024. Premiums written from life insurance linked to mortgages and cash loans remained at a stable, high level.

In H1 2024, the bank was preparing for the changes resulting from the amended Recommendation U. These changes were implemented on 1 July 2024. A significant challenge was the implementation of a project to change the IT system for insurance sales and service. With a system based on more modern technology, Alior Bank can more quickly implement the strategic directions of bancassurance development.

In the area of insurance investment products, in connection with the entry into force of the new Recommendations of the Polish Financial Supervision Authority for insurance companies regarding the assessment of the suitability of life insurance with an investment component, Alior Bank, together with PZU Życie, implemented changes in March 2024 in the process of conducting a survey of customer needs within the framework of individual life insurance with insurance capital funds „Multi Kapitał II". In addition, the „Multi Kapitał II" product has seen an upward trend in sales since the beginning of the year.

The bank's activities in the business segment focused on new advanced technologies, an efficient and fast lending process, and long-term relationships based on four strategic pillars: a self-service module, a native mobile application, a modern online banking service, and integrated ERP tools.

Alior TFI

Alior Towarzystwo Funduszy Inwestycyjnych or Alior TFI (formerly Money Makers) is part of the Alior Bank Group. The company was established in 2010 and its operations, originally as a brokerage house, focused on asset management services. Following a transformation, from July 2015, it has been operating as a Mutual Fund Management Company.

Alior Bank's cooperation with its subsidiary Alior TFI comprises primarily the company's core business, i.e. development and management of mutual funds and representing them vis-a-vis third parties.

As at 30 June 2024, the net asset value of Alior TFI's investment funds totaled PLN 2.3 billion, up by PLN 1.2 billion or almost 100% compared to the end of June 2023.

2.1.5. Other areas

Brief description of other PZU Group companies

PZU Pomoc

PZU Pomoc provides auxiliary services to PZU Group companies:

- managing the PZU repair network – at the end of 2024, the company cooperated with 853 repair shops;
- organizing motor assistance services for LINK4 and InterEurope (a company outside the PZU Group), and additionally, providing assistance services for SOS Ukraine;
- conducting salvage auctions and sales after loss and damage incidents;
- supporting technical claims handling in motor claims;
- handling assistance products for PZU and PZU Życie (among others, legal consulting, organization of assistance services);
- managing the loyalty program, PZU Pomoc w Życiu Club – at the end of 2024, over 2.2 million club members were able to take advantage of insurance discounts and products of cooperating companies (rebate programs offered by partners);
- managing PZU Sport in the form of sports and recreation subscriptions, the PZU Benefits platform, and operating a loyalty program for individual shareholders of PZU called Moje Akcje PZU.

PZU Cash

PZU Cash operates to provide financial products for employees of work establishments and members of cooperating institutions. The company is an intermediary for Alior Bank and Bank Pekao.

PZU LAB

PZU LAB is a company dealing with advisory services and assistance in implementation of all kinds of solutions improving the security of the strategic corporate customers of PZU and TUW PZUW.

The company cooperates with numerous academic centers and experienced experts (local and foreign). Constantly seeks new and effective technological solutions to enable mitigation of the risks that have the greatest impact on the insurance activity.

The PZU LAB team has developed methods for cooperation with the existing and prospective customers. First, the engineers identify critical installation sites, simulate critical events such as fire, flooding or explosion, and determine their consequences. Then the possible scenarios and the methods of minimizing the negative consequences are discussed. Ultimately, PZU LAB engineers implement innovative technological solutions in client companies that are to improve their safety.

PZU LAB has implemented Poland's first product certification system in property damage prevention.

The purpose of the certification system is to improve the effectiveness of products deployed to ensure the safety of enterprises and thus to reduce the instances of damage and the scope of losses to company assets. Certified products are marked with the patented "PZU LAB Approved" logo.

The company conducts intense safety-related educational and promotional activities. At the initiative of PZU LAB, the Maritime Industry Safety Forum, the Energy Industry Safety Forum and the Wood Industry Safety Forum are held annually. Moreover, a series of training courses entitled "Pyramid of competences" was launched for all participants in the insurance market, aiming to increase the level of knowledge in risk management among businesses.

This approach signifies an evolution in customer relations. PZU ceases to be only a seller of insurance and becomes a risk management advisor.

PZU Finanse

PZU Finanse sp. z o.o. is a service company established to keep accounting ledgers for subsidiaries of the PZU Group (excluding PZU and PZU Życie and PTE PZU).

PZU Centrum Operacji

PZU Centrum Operacji provides services supporting the operation of PZU Group companies. PZU Centrum Operacji SA's line of business is the provision of the following services: auxiliary services related to insurance and pension funds; constant intermediation in conclusion of insurance agreements, financial and investment agreements, and assistance agreements; Contact Center; Data Center; printing services; IT services; keeping the accounting records; human resources and payroll; brokerage in selling and redeeming investment fund participation units and titles, as well as investment advice with regard to such instruments.

Tower Inwestycje

The company's line of business is investment activity through the investment of free funds and development activity in the construction of commercial real estate.

The company conducted the office and retail project in a prestigious location in Wroclaw at ul. Oławska 35 (Plac Dominikański) in a venue occupied for the past several decades by an office building owned by PZU. This project is partially intended for the PZU Group's needs and partially for lease. The investment is intended partly for the PZU Group's needs and partly for rental. Currently, the Company is engaged in the business of leasing office and retail space in the building.

The Company's Management Board is conducting analyses to update its Institutional Leasing Strategy.

Ogrodowa-Inwestycje

The core business of the Company is the commercial rental of office and commercial space in the City Gate office building owned by the Company in Warsaw.

The company provides services on a long-term and short-term rental basis. Long-term rental services for office and service space are provided on an area of about 17,300 sq m.

In addition, on a separate area of almost 2,000 m^2, the services of the Ogrodowa 58 Business Center are realized in terms of commercial short-term rental of 191 modern workstations in 43 fully equipped offices.

The services of the Conference Center are provided on a designated area of nearly 800 sq m; the scope of the services includes commercial rental of professionally equipped conference and training rooms for the organization of conferences, business meetings, training courses and seminars.

PZU Corporate Member Limited

On 28 September 2017, PZU acquired shares in PZU Corporate Member Limited, entitling it to 100% of votes at the shareholder meeting. The company is a member of Lloyd's, a market for insurance companies, brokers and agents, bringing together nearly 100 syndicates. PZU Corporate Member is handled by Argenta Holdings Limited agency, which deals with the ongoing activities of syndicates, invests their funds and employs underwriters.

Armatura Kraków

Since October 1999, the PZU Group has held an equity stake in Armatura Kraków and since November 2020, PZU has been the sole shareholder.

The business of Armatura Kraków lies outside the domain of financial and insurance services. The group is a leading manufacturer in the sanitary and heating industry in Poland. It specializes in the manufacture of bathroom and kitchen taps, aluminum central heating radiators, shower cabins and screens, and a wide range of valves.

Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych

Polski Gaz TUW is an insurance company operating within the PZU Group. Polski Gaz TUW has been in operation since 2016. The company follows the principle of mutuality. Mutual insurance is conducted in the interest of community members, without being profit-oriented, as is the case with commercial insurers. It offers insurance coverage including property, liability and legal protection, among others.

Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie

Polski Gaz TUW na Życie is part of the PZU Group and a subsidiary of Polski Gaz TUW. The company's objective is to provide the best insurance solutions on a mutual basis.

2.2. Sales and distribution

The PZU Group has created the geographically biggest sales network in Poland. It provides customers with a comprehensive product offering through synergies within the PZU Group using a variety of distribution channels. As a result, customers enjoy easy and convenient access to financial products and services. The Group also ensures quality service by upskilling the sellers and providing them with modern tools, and by removing barriers.

2.2.1. Insurance products

PZU has the largest sales and service network. At the end, H1 2024, it included 408 branches across the country, with 188 in small communities, and tied agents, multiagencies, insurance brokers and remote distribution channels.

In H1 2024, the PZU Group's distribution network included:

- **tied agents** – in Poland, PZU's own agency network consisted of 7.4 thousand tied agents and agencies. Sales are conducted through the agency channel predominantly in the mass customer segment, particularly of motor and non-life insurance as well as individual insurance (life insurance). LINK4 worked with 695 partners directly. In the Baltic Countries the Group's agency network comprised over 512 agents, while in Ukraine there were 202 agents;
- **multiagencies** – on the Polish insurance market, the PZU Group cooperates with more than 3.8 thousand multiagencies. They perform sales operations targeted mainly at the mass market (insurance of all types is sold through this channel, especially motor insurance and non-life insurance) as well as individual life insurance. LINK4 cooperated with 63 aggregators, while in the Baltic Countries Group companies cooperated with 20 multiagencies and 19 in Ukraine;
- **insurance brokers** – in Poland, the Group, in particular PZU's Corporate Customer Division, cooperated with almost 1.0 thousand insurance brokers. In the Baltic Countries, where the brokerage channel is a major insurance distribution channel, the Group companies cooperated with 428 brokers and 37 in Ukraine;
- **bancassurance and strategic partnership programs** – in the insurance area in 2024, PZU cooperated with eight banks and ten strategic partners, PZU Życie with six banks, TUW PZUW with two banks and seseven strategic partners. LINK4 cooperated with six banks within various distribution models for mostly motor insurance and seven strategic partners. In the Baltic Countries, the cooperation included five banks and nine strategic partners, and in Ukraine – thirteen banks;
- **remote channel** – non-life insurance sales through this channel is conducted in particular by LINK4 and comprises cooperation with price comparison engines, a website and a call center. This channel also includes the PZU sales infoline and mojePZU portal.

Branches and agencies

The bulk of PZU's customers prefer direct service by the agent and in the agent's office. The network of standardized PZU branches is evenly distributed across Poland in carefully selected locations. PZU branches are the only distribution channel ensuring comprehensive sales and aftersales service of PZU Group's non-life, life and pension insurance and investment products in each outlet. The offering in PZU branches is targeted at individual customers as well as businesses from the small and medium-sized enterprise (SME) segment.

PZU continues to develop the professional agency sales network. Agent offices offer spacious and modern layouts and the quality of service appreciated by millions of customers. PZU is working on a new visualization standard for branches; the standard will combine modernity and functionality. Continuous work is conducted on professionalizing the network and improving the quality of customer service, through attractive training courses and workshops. Agents actively use modern CRM and remote service systems such as mojePZU. Most agents running offices offer advice regarding the customer property, life and health insurance. They provide customers with comprehensive service as part of the product offering of the entire PZU Group.

PZU supports agents by developing and promoting their online presence, as customers show great interest in seeking contact with an insurance consultant using this particular channel. The agentpzu.pl site is continuously developed together with agent websites in the agentpzu.pl domain. Support is also provided through management of Google business cards of the agency establishments and joint administration of agents' professional Facebook profiles.

In 2024, with the introduction of changes which separated resources for sales support and created teams to support agents, the PZU Group commenced the implementation of tools to support managers. The intention was to improve the daily work of managers and agents in line with the new model of cooperation in the sales network.

Agents operate within:

4 **Macroregions,**

20 **Sales Networks**

and a total of

209

Premium Agent Teams,
Key Agent Teams
and **Tied Agent Teams.**

H1 2024 brought even closer cooperation with companies within the PZU Group. Now, 1,104 Tied Agents can offer LINK4 motor insurance to customers. There were 968 Agents dedicated to working with Pekao Leasing and Alior Leasing. PZU also began to choose Agents to work with Pekao Bank. Agents will be able to offer customers to open savings and checking accounts.

The year 2024 saw the beginning of recruitment and onboarding for Agents under the new model, thus continuing the actions started in 2023. Vendors wishing to cooperate with PZU can receive full support– additional remuneration for sales during the first 12 months of induction, and a customer base. In addition to standard classroom training, Agents can expand their knowledge through webinars and e-learning. As at 30 June 2024, the agency network had 4,316 Tied Agents and 3,365 OFWCAs (Natural Persons Performing Agency Activities).

Tied Agents cooperate with PZU in two models: as field agents and office agents, and they meet strict customer service standards. The year 2024 marked yet another time that PZU was awarded the title of the “Best Insurer in Poland”, which evaluated the category of the Best Service at the Facility. There were 1,359 tied agent offices on 30 June 2024. Improvement of the professionalism and quality of customer service in the agent’s offices, and increasing their physical presence in the field are the priorities of the network development. This takes form of training in service quality standards, substantive support for the sales teams, and even financial support from PZU.

PZU Życie Tied Agent network

In 2024, PZU Życie continued the development of the PZU Życie Tied Agent network, improving customer service standards and implementing new products. These activities are primarily aimed at high quality and availability of products and services to the customer.

In H1 2024, the MDRT.PZU Club continued its operations. It is a mentoring program aimed at supporting salespeople in achieving sales goals that enable them to join the Million Dollar Round Table (MDRT), an organization of the top 1% of the world’s best financial agents and advisors. The program includes development activities to improve participants’ sales skills and competence in organizing and managing their own work. The Mystery Shopper program was also continued, with the aim to implement targeted development and management activities based on detailed information on compliance with sales and customer service standards.

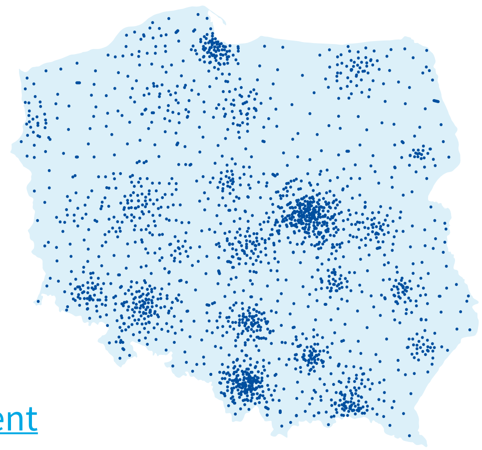
There was work underway on an electronic application to support the referral conversation during a sales meeting and to ensure that the referrer is comfortable with providing the agent or advisor with contacts to third parties. This will result in the use of an electronic process for communicating with the referral before direct contact is made, obtaining confirmed consent from the referrer for the referral, and a secure and GDPR-compliant process for processing and archiving personal data.

The number of **PZU tied agent offices** nationwide as of 30 June 2024, was

1,359

AGENT

See more



Find branch and agent

PZU sales hotline

Customers interested in buying or renewing insurance remotely can contact PZU via an infoline. In H1 2024, sales infoline consultants handled nearly 1.3 m calls.

Key initiatives of the Remote Sales Office

The Remote Sales Office focuses on developing sales while maintaining high quality and the highest possible standards of customer service. To this end, infoline salespeople improve their competencies, also in terms of current customer preferences and market trends. In the past six months, all members of the team participated in, among other things, a training course to increase their awareness of and responsibility for implementing ESG-related guidelines.

Their high competences are proven by the awards received.

The high quality of service was also recognized in the nationwide ranking of financial institutions – Institution of the Year, in which PZU received first place in the Best Service in Remote Channels category.

In H1 2024, the range of life products available through the remote channel expanded to include PZU Perspektywa na Przyszłość and PZU Pakiet na Życie i Zdrowie. As a result, the solutions offered by Direct Sales consultants have become even more tailored to the needs of our customers.

The activities and initiatives carried out in the Remote Sales Office are reflected in the results of the customer satisfaction survey. In H1 2024, 95% of customers highly rate the knowledge and competence of infoline consultants. A similar percentage of customers positively rated their commitment and willingness to help when talking about insurance purchase. In turn, overall satisfaction with the purchasing process is expressed by as many as 97% of customers.

mojePZU (myPZU)

PZU Group is listening to customers' needs and observing market trends to further develop the service and sales channel launched in 2018. mojePZU combines the conveniences of a modern, intuitive solution with the valuable assets that have been the hallmarks of PZU for many years. mojePZU is the most extensive platform on the Polish insurance market, available on the computer and as the mojePZU mobile app.

The number of users is growing steadily - at the end of June 2024, more than 4.4 million customers used myPZU, of which 61% used the app to do so.

mojePZU is a space for developing and maintaining customer relations in the digital world, offering numerous functionalities and strengthening the omni-channel solution. Customers can, among other things, buy new products, renew an existing policy, view details of an offer received from a vendor, see details of their policies, report a claim and check its status, or complete numerous service processes.

Medical services are very popular. They include picking up an e-prescription, arranging tests and doctor's appointments. In addition, users can invest their savings and use the PZU sports and recreation package in the application.

mojePZU is constantly being developed and supplemented with new functionalities and services. Automation of service processes translates into saving customers' time, and digitalization of correspondence means less paper consumption.

The online payment module has been expanded – payments in mojePZU are convenient thanks to numerous payment methods and secure, which isparticularly important in the face of growing cyber threats.

The mojePZU mobile application is being developed with a focus on **ease of use**, with consideration of optimal paths that enable customers to quickly and easily use of the available functions.

Customer loyalty processes are supported by appreciation of their trust within the framework of the **PZU Pomocni Club loyalty program**.

In March 2024, mojePZU was won the 9th edition of the Institution of the Year competition, in the category „Best remote travel policy process”.

Cooperation with banks in the area of distribution

Distribution of insurance via the banking channel is an important element of the PZU Group's business model. Cooperation with the banking segment forms an additional plane for PZU to build lasting customer relations at every stage of their personal and professional development.

PZU's bancassurance and assurbanking business is based on cooperation with the PZU Group banks: Alior Bank (in PZU Group since 2015) and Bank Pekao (in PZU Group since 2017), as well as in distribution of bancassurance insurance products through banks outside the Group. At the end of June 2024, more than 7,700 banking advisors (4,500 in Bank Pekao and 3.2 thousand in Alior Bank) were enrolled in the Register of Insurance Agents.

The overriding objective of the cooperation is to reach the largest number of customers using multiple distribution channels and provide insurance cover to bank customers. In the PZU Group Strategy for 2021–2024, the cooperation with banks and other non-financial partners is one of the Group's priorities. By actively cooperating with Bank Pekao and Alior Bank, PZU continues the implementation of a comprehensive offering using the banks' distribution networks. This cooperation has allowed PZU to steadily expand the offering and scale of its sales of insurance products linked to bank products, including insurance coverage for cash and mortgage loans.

Bancassurance

Within bancassurance, cooperation with Bank Pekao and Alior Bank covers the sales of the following products:

a) with Bank Pekao:

- non-life and life insurance with mortgage loans, cash loans, personal bank accounts (RORs) and credit cards;
- investment products;
- travel insurance;
- motor insurance;

b) with Alior Bank:

- non-life and life insurance for cash and mortgage borrowers;
- travel insurance;
- ADD insurance with health package.

In 1H 2024, PZU Życie continued its cooperation with Bank Pekao and Alior Bank in selling unit-linked and single premium endowment (SPE) products. Through VeloBank S.A., the distribution of the PZU Bepieczne Jutro (PZU Stable Tomorrow) insurance type to the bank's customers continued.

Thanks to the cooperation with these banks, the high level of sales of SPE products, which take advantage of the potential of high interest rates, continued in H1 2024, and a material increase in sales of unit-linked investment products was observed.

On 1 April 2024 Recommendations of the Polish Financial Supervision Authority (UKNF) for insurance companies on assessing the suitability of life insurance with an investment component took effect, and the distribution processes of unit-linked products has been adapted to the new requirements.

PZU Życie offers individual life insurance for those who took out a housing or mortgage loan from Bank Pekao. PZU Życie solutions may be used by both those who want to take out a loan or mortgage, as well as those who are already repaying it. Insurance is purchased for four years, and the premium is paid monthly. Bank customers may extend cover for another four years after the insurance period. In the event of death, PZU Życie may repay the housing loan in full or in part at Bank Pekao, and any excess benefit payable will be paid to persons additionally insured, e.g., the close relatives of the insured. What is important, in this situation, persons additionally insured receive excess benefits without testament proceedings or inheritance and donations tax.

Bank Pekao also offers PZU motor insurance. Bank customers who are car owners, depending on their needs, may at any branch of the bank in Poland purchase a TPL insurance and selected voluntary insurance products: MOD, ADD, Windshields, PZU AUTO Assistance, PZU Health Assistance. PZU has prepared an offer for drivers with an option to adjust cover to individual need. In 2024, efforts to support PZU's motor insurance sales were intensified, resulting in a significant increase in sales growth.

In H1 2024, active work was underway to adapt products and processes to the requirements of the amended Recommendation U, the provisions of which come into force on July 1, 2024. By the end of June, changes were prepared and implemented in key insurance products distributed by banks.

Assurbanking

PZU is one of the largest Bank Pekao's external partners acquiring new customers for the Bank in the sales of personal bank accounts (RORs) via the bank's Pekao360 app.

PZU steadily increased the scale of sales and expanded the banking product sales network to include more PZU branches. It also continued sales of end-to-end individual and corporate accounts in the remote and on-site channels and acquiring loan leads. The year 2023 saw the implementation of the pilot sales of a cash loan to the bank's existing customers at the PZU Call Center, and technological work was completed on adapting Bank Pekao's sales application for PZU Tied Agents, with aim of starting to sell banking products in this distribution channel in 2024. PZU and Pekao service desks were integrated, allowing for the transfer of requests concerning the Bank's applications.

In H1 2024, a group of Agents was invited to cooperate with Pekao Bank in selling banking products. An implementation and training schedule was prepared for Q3 2024.

In Q2 2024, 25 new PZU Branches were also added. In total, as of 30 June 2024, the PZU Group's sales network included 240 Branches offering banking products.

Strategic partnerships

The PZU Group strives to create an ecosystem in which the overriding objective is to manage customer relations skillfully by offering customer solutions in all venues accessible to them. This contributes to intensifying activities in strategic partnerships with companies operating on the Polish market, among others, telecommunication operators, power utilities, retail chains and airlines, regarding joint offering of non-life and life insurance to the customers of such institutions.

Within the framework of its strategic partnerships, PZU offers a number of insurance contracts to the business partners' customers, including:

- electronic equipment insurance and phone insurance;
- assistance insurance guaranteeing services of professionals, e.g. electrician, plumber and brown goods/white goods servicing staff, who provide help in the case of a failure in the household;
- insurance of photovoltaic installations;
- travel insurance.

In H1 2024, PZU cooperated with 11 strategic partners. Those are leaders in their respective industries and they have customer bases offering the possibility of extending the PZU's offering with additional innovative products geared towards those customers. For example, PZU cooperates with power sector companies to offer assistance services – assistance of an electrician, a plumber, or health assistant. PZU's insurance offering is also present on the e-commerce market through cooperation with PLL LOT, iSpot and Cortland.

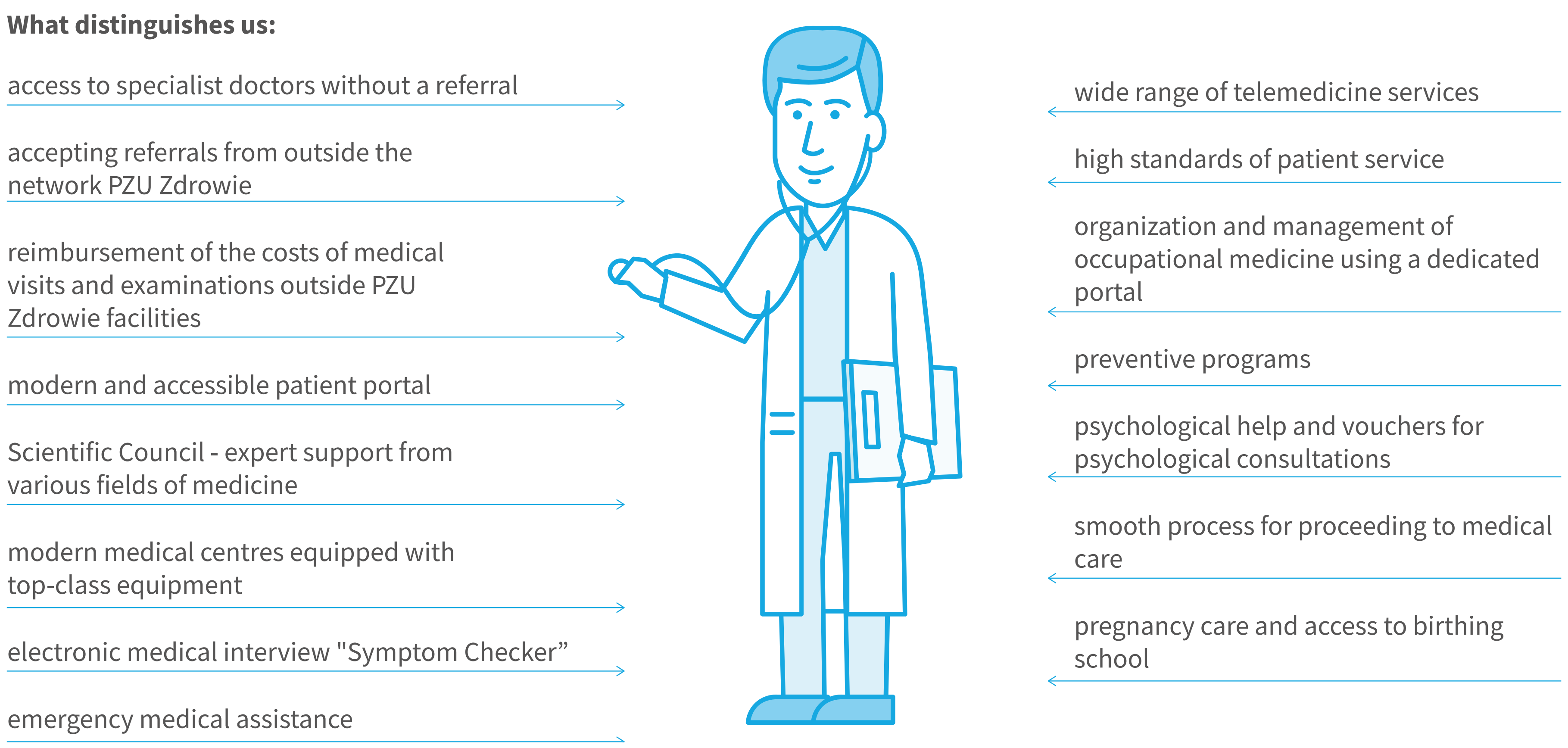
2.2.2. Health products

Health products – in the form of life & health and property insurance as well as non-insurance products – are distributed through all sales channels of the PZU Group, including the corporate and agency network of PZU and PZU Życie and the sales network of PZU Zdrowie. The COVID-19 pandemic also contributed to an increase in sales through the digital channel of the mojePZU website where customers may choose from the new offering of prevention packages and individual medical subscriptions as well as individual medical consultations delivered both in the form of teleconsultations and stationary appointments.

In H1 2024, the subscription group offer was expanded to include new dental packages, providing a wide range of dental treatment:

- optimal packages, which include basic, multispecialty and comprehensive packages;
- packages addressing specific needs of employees, which include diagnostic-preventive and diagnostic-pain packages.

Amenities for patients receiving medical care from PZU Zdrowie



Health products distribution network

	Corporate insurance	Mass insurance	Individual insurance	Non-insurance products
Corporate sales	✓	✓		
Tied agents	✓	✓	✓	
Multiagencies/Brokers /Dealers	✓	✓	✓	
Branch	✓	✓	✓	
Direct (mailing)				✓
Strategic partners		✓		✓
PZU Zdrowie's employees (corporate network and branches)				✓

Contact channels

A patient can make a doctor's appointment or an appointment for any other medical service provided by PZU Zdrowie through:

mobile app / self-service website
mojePZU
with access to the calendar of appointments of each center

PZU Zdrowie's 24-hour medical hotline
801 405 905 or **22 505 15 48**

directly
at the branch

Development of the scale of PZU operations

>2,400
cooperating medical partners

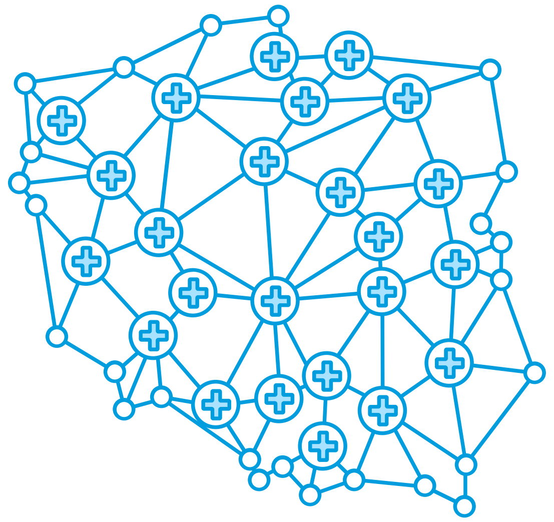
+

~4,900
medical personnel

+

~9,200
cooperating pharmacies*

>



See more

[Medical centers and physicians]

*) Pharmacies providing medicinal insurance for PZU Życie

2.2.3. Investment products

TFI PZU acquires assets for management within the framework of the following four business models:

- the first one of these, the most important one, is based on obtaining funds through strengthening the company's market position in the pension market within the framework of EPSs and ECSs, whose assets almost comprise PLN 15 billion;
- the second model involves cooperation with external entities, such as banks, brokerage houses, insurers and independent financial advisors (IFAs) that distribute TFI PZU funds to retail and institutional customers. As at the end of June 2024, TFI PZU was working with 19 institutions in this channel;
- the third model is based on the use of own and partner networks related to PZU – a network of PZU insurance branches, PZU Group member banks (Bank Pekao and Alior Bank) and TFI TFI's own sales network.
- the fourth and youngest distribution model is the online inPZU platform launched in 2018 along with the launch of the first umbrella of passive funds in Poland (inPZU SFIO). The platform also offers individual pension products IKE and IZKE based on passive funds and lifecycle funds, and from November 2023 also actively managed funds (PZU FIO Parasolowy and PZU FIO Ochrona Majątku).

inPZU

The online platform, inPZU.pl, launched in 2018, enables customers to independently invest in the first fully proprietary passive funds and actively managed funds in Poland, and IKE and IKZE products. The platform is available 24/7, both in the desktop version and on any mobile device, and since 2020 also an English language version has been available. Identity is checked through video-verification or authentication methods available within the Electronic National Node (mObywatel and eDowód). On the inPZU website, users may compare funds, define their investment objectives and personalize them. inPZU also enables users to search for funds and ready-made model portfolios as well as pay for their orders online. The platform is available to both individual and institutional customers. This is an attractive tool both for advanced investors and persons who are just starting to invest their savings.

In H1 2024, functionalities were launched to improve security: the option of two-factor login using a text message code, and the requirements for the service's password policy were strengthened. In the first quarter of the year, the ability to identify and assign sales processes to specific sales or promotional campaigns using special codes was implemented, and the process of identifying those eligible for IKE and IKZE products was optimized and shifted 100% online. In the sales area, the lifecycle fund offering was supplemented with the inPZU Puls Żyvia 2070 fund, defining cyclical payments within the payment module was facilitated for customers, and a 25th anniversary lottery was launched for TFI PZU for allocated portfolios, IKE and IKZE, and to encourage participants of group pension products to use the service: ECS, EPS, PWE and GPE.

At the end of June 2024, there were over

230 thous. active users of **inPZU.pl**

Call Center

TFI PZU provides a dedicated infoline to serve customers, participants, TFI PZU fund distributors and Employers. The infoline is available Monday through Friday on business days, and the number of calls received on the infoline in H1 2024 reached over 81 k calls.

The **Transfer Agent** also operates an infoline dedicated to serving distributors and employers.

The scope of information provided by the consultant on the infoline depends on the caller's level of identification. Customers can receive public information about the Funds or the rules of participation in the Funds. Information related to the handling of a register of a specific Participant can be provided after they are identified by a Consultant (the Consultant authorizes the Participant during the call by verifying the selected sets of data recorded in the Participant's register). Participants who are fully verified in the IVR system, and in the next step, by a consultant can place orders and instructions by phone in selected products. Participants in this service have a wide range of financial orders and non-financial instructions at their disposal.

PTE PZU

Payments to OFE PZU originate from pension insurance contributions transferred by the Social Insurance Institution (ZUS) in accordance with the decision made by the insured, under the second pillar of the pension system.

Customer acquisition for individual pension security accounts by DFE PZU is carried out through the following distribution channels:

- PZU Życie;
- Bank Pekao;
- external distributors;
- the Internet.

An extensive distribution network allows the customer to choose a preferred form of contract and for the offering to reach the customer of these sales networks.

In March 2024, a new product was launched: an individual retirement account with DFE PZU (IKE with DFE PZU). This product is sold online and through external distributors.

With this online tool, customers may easily open IKZE and IKE without the need to send any documents. Contracts can be concluded at pzu.pl, at mojepzu.pl and in an online account for customers with IKZE or IKE.

In H1 2024 DFE PZU's IKZE sales show that online activities, Bank Pekao branches and external distributors have the greatest potential.

In 2024, educational activities were carried out; their goal was to communicate contribution limits on IKZE and IKE accounts, information on the possibility of taking advantage of the tax credit in the case of IKZE, and building awareness of pension security and retirement saving.

2.2.4. Banking products

Bank Pekao

Distribution channels

Customers of Bank Pekao can use a broad network of branches and ATMs, which provides convenient access throughout Poland, as well as a professional call center and a competitive Internet banking and mobile banking platform for individual and corporate customers, and for small and micro businesses.

As at 30 June 2024, the bank had 572 own branches and 1,297 own ATMs.

Online and mobile banking

One of Bank Pekao's key strategic aspirations is to achieve a digitization rate of nearly 100%. The PeoPay banking application is becoming the main channel of contact with customers. The bank plans to develop advanced data analytics and modern sales support tools to personalize its offerings and improve service quality. The goal and measure of success in this area will be a leap in customer satisfaction rankings.

In H1 2024, the bank reached 3.3 million active mobile banking customers, thus meeting the target planned for the end of 2024. The number of mobile banking users was 11% higher than a year prior and 27% higher than two years prior.

In H1 2024, Bank Pekao added numerous new solutions and options to its online banking Pekao24, PeoPay and PeoPay Kids, for instance:

- handling PESEL number restriction,
- information on the customer's insurance,
- new editions of educational games in the PeoPay KIDS app,
- two-factor login to the Pekao24 service using the PeoPay app,
- option to apply for support benefits for people with disabilities,
- facilitating opening a business with an account from within PeoPay,
- providing loan products for the business segment customer,
- improvements in additional services such as: geolocation when paying for parking, public transportation tickets before logging in,
- piggybank account, which supports saving for a selected purpose,
- BLIK transfer request in PeoPay,
- option to personalize the application for Private Banking customers,
- new and more functional chat with hotline employees and presentation of customer advisor data,
- option to order a duplicate credit card,
- new tab in the „Your Products" menu with products arranged in categories,
- Miles & More program registration.

Alior Bank

Distribution network

At the end of June 2024, Alior Bank had 522 outlets (158 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centers , 9 Microentreprises and 335 partner centers). The bank's products were also offered in the chain of 10 mortgage centers and a network of roughly 3 thousand intermediaries. The Bank also conducts its business through a Branch in Romania, where customer service is provided through remote channels.

By the end of June 2024, Alior Bank upgraded its 91 branches to the new format. The role of the new branches is primarily to digitize customers and branch processes, provide convenience and privacy for customers, and improve bankers' convenience. The distinguishing features of these branches include their innovative design and the use of modern technologies.

Alior Bank also uses distribution channels based on a modern IT platform incorporating: online banking, mobile banking, call centers and the DRONN technology. Online channels make it possible to enter into agreements for: savings and checking accounts, currency accounts, savings accounts, deposits, debit cards and brokerage accounts. These channels are also used to accept applications for credit products: cash loans, credit cards, overdraft limits and mortgage loans. Via Internet, the bank also offers installment loans in an on-line process and offers services of a currency exchange office.

Online and mobile banking

As part of the bank's „Bank for Everyday, Bank for the Future" strategy, in H1 2024 Alior Bank focused on optimizing existing and introducing new solutions in Alior Online and Alior Mobile. Further new functions and changes were implemented in both online and mobile banking regarding the appearance of the application and product handling.

As expected by users of the Alior Mobile application, further possibilities of its personalization were added, including the ability to choose the products shown on the start screen, including a new module „Don't forget", which is designed to remind of the repayment of an installment of a loan, credit card or the upcoming deadline of standing orders. The option to create shortcuts in the app to the most frequently used functions has been expanded to include more services, including the „Highways" and „Tickets and Parking" functions.

In H1 2024, a new functionality within the Alior Pay credit limit, „Top up your account", was made available to customers. It allows customers to credit their Alior Bank savings and checking account with an amount from PLN 500 up to the available balance of the Alior Pay limit.

As of 1 June 2024, for security reasons, Alior Bank has been obliged to verify whether the PESEL of the person who wants to sign a credit agreement or bank account is in the register of restricted PESEL numbers. If the PESEL is restricted, customers are not allowed to enter into a deposit/credit agreement or withdraw cash above the amount specified by law. This obligation is set forth in the Law of 7 July 2023, amending certain laws to reduce some of the consequences of identity theft, and the Law of 24 September 2010 on the population register.

3. External environment

3.1. The most important economic trends in Poland and abroad

3.1.1. Situation in the world economy

The end-June-2024 data confirm that the so-called „soft landing" scenario for the US economy has come true. The annualized GDP growth accelerated to 2.8% q/q in Q2 from 1.4% in Q1 2024, well above market expectations. There is a gradual recovery of activity in the eurozone-GDP in Q1 and Q2 2024 grew by 0.3% q/q there Also the German economy, which is key to Poland because of its trade ties, is also showing improvement, with GDP rising by 0.2% q/q in Q1 2024 after falling 0.5% q/q in Q4 2023. However, the results of China are worse than expected. China's GDP growth rate in Q2 2024 slowed to 4.7% y/y, compared to 5.3% y/y in Q1 2024.

At the same time, inflationary pressures eased significantly. In June 2024, inflation amounted to 3.0% y/y in the US and 2.5% y/y in the eurozone.

The labor market remained strong, especially in the eurozone, where the unemployment rate in June 2024 stood at 6.5%, one of the lowest levels on record. The American labor market is showing some signs of a gradual cooling of the market. The unemployment rate, which is still at a historically relatively low level, has been rising recently. In June 2024 it reached 4.1%, the highest number since November 2021. At the same time, the Sahm Rule recession indicator, which shows the increase in the three-month moving average of the unemployment rate from its lowest level of the previous 12 months, was 0.43 p.p. in June, close to the 0.50 p.p. cutoff.

3.1.2. Trends in the Polish economy

GDP and production

In Q1 2024, Poland's **GDP** grew in real terms by 2.0% y/y. The main driver of this growth was household consumption, which increased by 4.6% y/y. It increased the GDP growth by 2.7 p.p. This was facilitated by reduced inflation and rising incomes in real terms. The significant wage raise in the public strengthened the government consumption which rose 10.9% y/y, adding 1.9 p.p. to GDP growth. However, the area of investment deteriorated, burdened by the relatively slow ramp-up of projects under the new EU financial perspective and the KPO. Gross fixed asset expenditure fell by 1.8% y/y in Q1 2024 decreasing the GDP growth by 0.2 p.p. Adjustments of inventory were also still significant, subtracting 2.8 p.p. from GDP growth.

According to the CSO's first quick estimate, the rate of of real GDP growth accelerated in the second quarter of 2024 year to 3.2% y/y. We do not yet know the details of the structure of of the growth, but available data on economic activity for the second quarter of 2024 indicate that, similar to the in the first quarter of this year. - it will be based primarily on consumption

The industrial production sold grew in H1 2024 by 0.1% y/y. This result was driven by declines in output in mining, increases in output in electricity, gas, steam and hot water generation and supply, water supply, sewage and waste management and remediation, and stabilization in manufacturing output. Weak foreign demand, among other factors, bear down on this sector, even though June 2024 showed some potential improvement in this regard due to the first y/y increase in new export orders in more than a year.

In the first half of 2024, **construction and assembly output** was 8.7% lower than a year ago. Declines in production were recorded in all categories, most notably among specialty construction contractors. Despite worse production result, the number of housing units under construction has been increasing on an annual basis since April 2024, which may indicate an imminent improvement in housing construction. An opportunity for increased demand in the construction sector is also provided by the expected intensification of EU funding projects.

Labor market and consumption

Labor demand remains moderate. After H1 2024, **average employment** in the business sector was 0.4% lower than in the same period in the previous year. By June, the number of full-time positions at companies was reduced by 31,000 compared to the level of employment in January 2024. Weaker labor demand was also evident in noticeably lower recruitment activity in companies. This was, on the one hand, the effect of the pandemic support for companies expiring, and on the other hand, some companies may have been forced to optimize their business cost structure after the recent increases in energy, transport and wage prices.

In contrast, the weaker market has not affected **unemployment**. At the end of June 2024, there were 762,000 unemployed in the registers of labor offices, which translated into a registered unemployment rate of 4.9%. It was the lowest level of this indicator since August 1990. In turn, the deseasonalized unemployment rate published by Eurostat, calculated with a methodology harmonized for EU countries, was 3.0% in June 2024, with the average for the European Union at 6.0%. Only Czech Republic (2.7%) boasted a lower rate than Poland.

Double-digit wage growth also continues. **The average gross monthly salary** in the business sector in H1 2024 was PLN 8,122.78. Compared to the same period last year, it increased nominally by 11.7% and in real terms by 8.7%.

The increase in the purchasing power of household income promoted the recovery of consumption. After H1 2024, **retail sales** at constant prices were 4.9% higher than a year ago. However, consumers continued taking cautious purchasing decisions and were likely to rebuild savings. Demand for durable goods, including furniture and household appliances and electronics, continued to weaken. Sales of textiles, clothing and footwear also declined significantly. Sales of motor vehicles were best.

Inflation, monetary policy and interest rates

In H1 2024, consumer prices rose by an average of 2.7% y/y, with the inflation rate declining from 3.8% in January to 2.0% in March, and then rising slightly to reach 2.6% in June 2024, following the reinstatement of the 5% VAT rate on food as of April. Overall, the inflation rate was 2.5% in Q2 2024, with commodity prices rising by 1.2% y/y and consumer services prices rising by 6.2% y/y during the period.

Following the September and October 2023 falls, the Monetary Policy Council maintains the **benchmark interest rate** at 5.75%.

Public finance

After H1 2024, the **state budget deficit** amounted to PLN 69.9 billion, which accounted for 38.0% of the planned maximum deficit of PLN 184 billion. State budget revenues amounted to PLN 303.9 billion (44.5% of planned revenues for 2024). The key threats to the budget are the relatively weak realization of VAT revenues (only 45.3% of the plan compared to historical average of 48.8%), and low, for the first half of the year, progress in terms of realization of revenues of state budgetary units.

The deficit in the government and local government sector, which at the end of 2023 was 5.1% of GDP, with expenditure rising by 3.1 pp. GDP y/y (mainly due to higher investment and subsidy spending) and revenue by 1.5 pp. GDP y/y. The Finance Ministry forecast that the deficit will remain at 5.1% of GDP in 2024, and decline in subsequent years to 3.3% of GDP in 2027. With the deficit exceeding the reference threshold of 3% of GDP, the European Commission proposed, and the Council of the European Union initiated, an excessive deficit procedure regarding Poland. In July 2024, in addition to Poland, the procedure was also applied to: Belgium, France, Italy, Hungary, Malta and Slovakia.

Treasury debt at the end of H1 2024, according to estimates from the Ministry of Finance, amounted to PLN 1,475 billion, of which foreign currency debt amounted to PLN 347.4 billion – about 23.6% of total SP debt. After Q1 2024, the Treasury debt as a percentage of GDP amounted to 38.1% (nominally: PLN 1,311 billion). The structure of the Treasury debt by resident in 2024 remains stable: non-residents, Polish commercial banks and the domestic non-bank sector have a share of 30-33%. The average maturity of debt has grown dynamically since November 2023 (up 0.8 year in the November-May period), especially for foreign debt (up 2.4 years to 10.3 years – the highest ever). The average maturity of domestic debt in recent months has been around 4.05-4.25 years. The ATR and duration ratios for total Treasury debt remain at relatively high levels (4.4 and 3.6 years, respectively, in May). Treasury debt service costs have nearly doubled as a share of GDP in 2022-23 (from 0.94% of GDP in Q1 2022 to 1.81% of GDP in Q4 2023). However, since the beginning of 2024, the average implied interest rate on Treasury debt (understood as the ratio of debt service costs to SP debt) has begun to decline (4.28% in June). The annual level of debt service expenses has also stabilized (PLN 63.2 billion in June). As a result, debt service costs in the first quarter of 2024 fell slightly and amounted to 1.76% of GDP.

The debt of the government and local government after Q1 2024 amounted to PLN 1,772 billion (51.4% of GDP), while in Q2 2024 Treasury debt increased by PLN 25.6 billion, and BGK flow fund debt increased by PLN 9 billion, which allows us to assume, taking into account the consolidation of SP debt, that government debt after the first half of 2024 will exceed PLN 1.8 trillion. The Finance Ministry forecast that in 2024 debt in the government and local government sector will reach 53.4% of GDP, while in subsequent years it will grow to 61.3% of GDP in 2027.

3.1.3. External environment in the Baltic Countries and Ukraine

Lithuania

With the economic growth resuming, household consumption and high levels of investment have revived Lithuania's economy, which had been stagnant for more than two years. Figures of the State Data Agency of Lithuania show that GDP in Q1 2024 decreased by 2.9% y/y. Compared to Q4 2023, GDP decreased by 0.8%. Economic growth was driven by positive net exports and household consumption, which recovered in late 2023 and strengthened in early 2024.

In March 2024, annual inflation, March 2024 to March 2023, declined to 0.2%, the lowest since December 2020. Inflation was mainly influenced by higher prices of pharmaceuticals, food services, automobiles, tobacco products, maintenance and repair of personal transportation equipment, medical services, as well as decreases in the prices of electricity, solid fuels and thermal energy. Over the year, prices of consumer goods fell by 2.4% and prices of consumer services rose by 6.2%.

Stronger purchasing power, low inflation and improved consumer expectations stimulated consumption at the beginning of the year. Household consumer spending in January-March 2024 was 2.5% higher than a year prior. Although household funds are growing, the pace is much slower than last year, and, due to the stronger purchasing power of the population, the ability to purchase more desirable goods and services is increasing, even if part of the income is spent on savings.

The labor market situation remained relatively good in Q1 2024. While the unemployment rate rose to 8.2%, the number of employed increased by 2.8%, and the number of workers employed in the Lithuanian economy grew by 3.3%. Employment growth was mainly driven by the private sector, especially in administration and services, manufacturing, information and communications, and accommodation and food activities.

Wage growth slowed slightly in Q1 2024, but still remains quite dynamic. Average gross monthly wages increased by 10.3%. In the public sector, wages grew faster than in the private sector, by 12.7% and 9.3%, respectively. The dynamic growth in wages is influenced by the minimum wage, which rose 10.0% to reach EUR 924 per month.

Latvia

Figures from the Central Statistical Bureau of Latvia show that in Q1 2024, GDP increased by 0.1% compared to the Q1 2023, increasing by 0.9% compared to the preceding quarter (according to seasonally and calendar-adjusted data at constant prices). The change was driven by a decline in manufacturing sectors, while service sectors maintained levels from the prior year. Growth in plant production had the largest positive impact on overall economic development.

The Annual inflation at the end of June 2024 was 1.4%. Compared to June 2023, the average level of consumer prices was most influenced by increases in the prices of goods and services related to transportation (0.7 p.p.), alcoholic beverages and tobacco products (0.5 p.p.), food and non-alcoholic beverages (0.4 p.p.), health care (0.3 p.p.), and a decrease in the prices of housing (1.6 p.p.). Over the year, prices in the food and non-alcoholic beverages group increased by 1.5%. The largest impact on the average price level in this group came from increases in the prices of potatoes (29.0%), bread (6.9%) and olive oil (37.2%). The average price level of housing-related goods and services fell by 8.4%. The largest y/y declines were recorded in the prices of thermal energy (16.8%) and electricity (19.4%). A decrease was recorded in the prices of solid fuels (11.1%) and natural gas (7.6%), while service charges in multifamily buildings increased (7.6%), as did the prices of garbage collection (13.4%), apartment rents (5.8%), water supply (6.3%), apartment maintenance and repair services (5.5%) and sewage disposal (4.2%). Compared to May, the average level of consumer prices fell by 0.1%.

There was a significant increase in wages in Q1 2024. The average gross monthly salary in Q1 2024 was 11.8% higher than in the same period last year. As of 1 January 2024, the national minimum wage increased from 620 to 700 euros, i.e., by 12.9%.

Estimates from Latvia's Central Bureau of Statistics show that in June 2024 the real unemployment rate was 6.5%, decreasing by 0.1 p.p. in a month. In contrast, it remained unchanged over the year.

Estonia

FFigures of Statistics Estonia show that GDP following Q1 2024 was 2.4% lower than in the previous quarter. The Estonian economy is showing some signs of recovery compared to the previous year. However, compared to Q4 2023, trends did not change significantly.

In 2024, agriculture, forestry and fishing had the largest positive impact on GDP. Real estate, and public administration and defense also had some positive impact, but to a lesser degree. Activities with the largest negative impact were energy supply and manufacturing. Professional, scientific and technical activities and trade also had a strong negative impact on the economy. Transportation, construction, and information and communications slightly hampered economic growth.

Private consumption increased slightly in Q4 of last year, but declined again in Q1 2024 (by 1.4%). Significant growth was recorded in only two categories of expenditure – education, and restaurants and hotels. Spending on clothing and footwear, alcoholic beverages and tobacco, equipment and transportation all declined significantly.

Investments showed growth for the third consecutive quarter, rising by 11.1%. This mainly resulted from business investment in other buildings and structures (up 41%) and machinery and equipment (up 21.9%). The largest negative impact concerned household investment in housing (down 9.2%).

Foreign has been decreasing for a year and a half. In Q1 2024, exports fell by 7.8%. Net exports remained positive as imports fell by 6.7%. In merchandise trade, both exports and imports fell by about 10%, driven mainly by trade in electricity and timber production. In terms of services, exports fell by 2.2%, while imports increased by 2.2%. Exports of services were affected by maritime and rail transportation. Imports of services were boosted by increased purchases of construction services.

In June 2024, the consumer price index rose by 0.4% compared to May and 2.5% compared to June 2023. Goods were 1.7% and services 3.8% more expensive than in June last year. Compared to the same period last year, the consumer price index was mainly affected by changes in prices related to housing, including 8.8% cheaper thermal energy on the one hand, and on the other hand by prices related to transportation, where passenger road transportation was 18.8% more expensive and vehicle maintenance and repair was 6.7% more expensive. Among food products, the largest increases concerned the prices of olive oil (up 45.3%), chocolate (up 18.3%), cocoa (up 17.7%) and juices and syrups (up 16.6%).

The unemployment rate in Q1 2024 was 7.8%, 2.5 p.p. higher than a year prior, and higher than the peak levels during the COVID-19 pandemic. The number of unemployed increased, on the one hand, due to a reduction in employment, and on the other hand, an increase in participation in the labor market by previously inactive people (e.g., retirees, students, housewives). The average gross monthly salary in Q1 was 8.8% higher than in the same quarter previous year The largest increase in average wages was recorded in the Health care and social assistance (by 16.7%) and in agriculture, forestry and fishing (up 13.7%).

Ukraine

The war instigated by Russia on 24 February 2022 against Ukraine made most risks for both the people and the business materialize. Increased intensity of hostilities and shelling of infrastructure, electricity shortages, rising production costs due to high fuel prices and higher logistics costs, weak investment demand, elevated exchange rate expectations, a significant shortage of qualified personnel, as well as uncertainty about the further course of hostilities and conditions for mobilization of workers, have hampered economic activity and contributed to the deterioration of the situation in all business sectors.

According to the Ministry of Economy of Ukraine, GDP growth for H1 2024 is estimated at 4.1% y/y. The slowdown in growth at the end of H1 was caused by power outages due to a shortage of electricity, while growth was supported by a high rate of exports of mining and metallurgical industry products and an early start to the harvesting of winter crops.

From the beginning of 2024, inflation declined to 4.2% y/y, due, on the one hand, to further increases in labor costs and the effects of the blockade of the western borders; on the other hand, inflationary pressures were mitigated by improved inflation expectations and the effect of the pass-through of lower commodity prices to the prices of processed foods and some services. The stronger decline in raw food prices is mainly due to temporary factors, the effects of which are likely to expire in H2 2024. These include the effects of last year's large harvest, this year's mild winter and the transportation blockade of the western borders. In particular, the reduction in exports has contributed to an increase in the supply of some food products on the domestic market. In addition, fuel prices rose more slowly than expected, both because of a more restrained rise in global oil prices and because the warm winter led to lower energy demand.

For more than two years since the beginning of the Russian invasion, the Ukrainian labor market has virtually returned to pre-war rates, but has taken on some wartime characteristics. Despite labor shortages resulting from migration and mobilization, the unemployment rate is estimated at 18.2%. According to UN figures as at Thursday, March 14, 2024, more than 6 million people have left Ukraine and remain abroad since the start of the war. This figure also includes those who were forced to leave or were deported to Russia.

Since the beginning of the war, S&P Global Ratings has revised Ukraine's long-term foreign currency credit ratings several times, and as at 8 March 2024 downgraded Ukraine's long-term foreign currency sovereign rating to „CC" from „CCC" with a negative outlook. Ukraine's sovereign credit rating in local currency (CCC+/C) and short-term sovereign rating in foreign currency (C) remained unchanged. On 8 December 2023, Fitch affirmed Ukraine's long-term foreign and local currency sovereign ratings at „CC/CCC-" and short-term foreign and local currency sovereign ratings at „C/C."

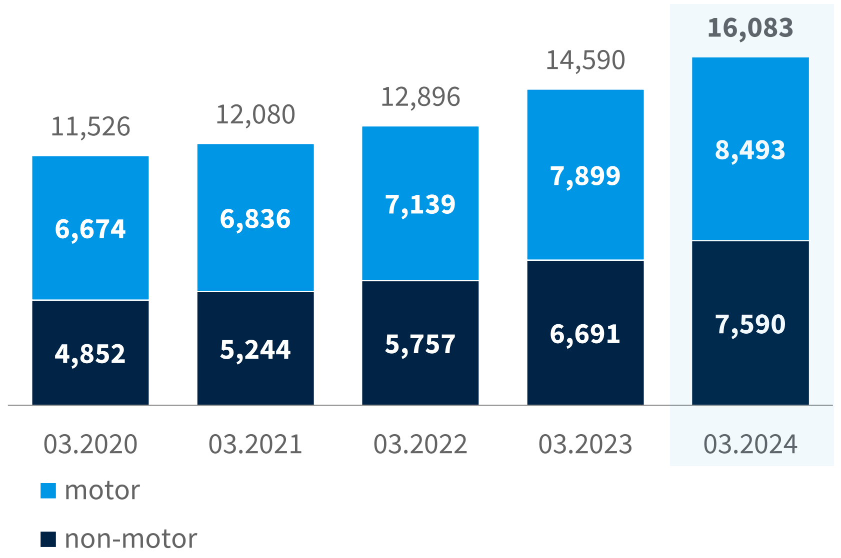
3.2. The insurance markets in which PZU Group companies operate

Non-life insurance market in Poland

Measured by gross written premium in Q1 2024, the non-life insurance market in Poland grew by a total of PLN 1.5 billion (10.2%) in comparison to the corresponding period of the previous year.

Total written premium on direct business grew by PLN 1.3 billion (10.3% y/y), and on indirect business – by PLN 0.2 billion (9.9% y/y).

Gross written premium of non-life insurers in Poland (in PLN million)



Source: The Quarterly Bulletin of the Polish Financial Supervision Authority (www.knf.gov.pl). Rynek ubezpieczeń [Insurance market] 1/2024, Rynek ubezpieczeń 1/2023, Rynek ubezpieczeń 1/2022, Rynek ubezpieczeń 1/2021, Rynek ubezpieczeń 1/2020

The market growth was attributable to the increase in gross written premium in non-motor insurance (by PLN 0.9 billion, +13.4% y/y), and motor insurance (by PLN 0.6 billion, +7.5% y/y).

In **non-motor insurance**, the biggest contributor to the higher level of gross written premiums was an increase in sales of insurance against fire and other damage to property (by PLN 0.5 billion, +14.4% year-on-year, of which PLN 0.1 billion related to indirect business). Sales increases were also seen in general third-party liability insurance (up PLN 135 million, +12.3% y/y), and assistance benefits (up PLN 106 million, +20.0% y/y). Sales declined in insurance of credit and financial guarantees (by PLN 31 million, -8.6% y/y) and legal protection (by PLN 7 million, -27.6% y/y).

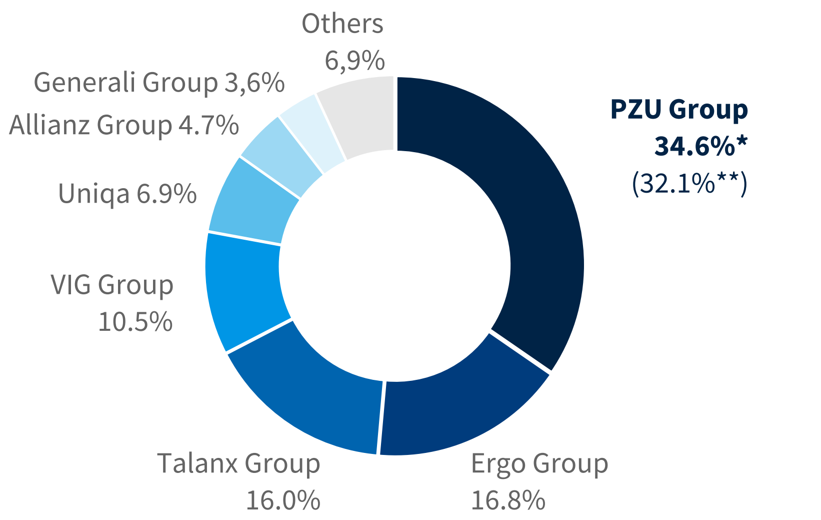
It was mostly the dynamic rise in **MOD insurance** (PLN 335 billion, +10.5% y/y) that drove the higher written premium in motor insurance. MTPL insurance remains the largest insurance group, generating PLN 5.0 billion in premiums written after Q1 2024, accounting for 30.9% of the non-life insurance market. The increase in gross written premiums from MTPL insurance amounted to PLN 259 billion y/y (5.5% y/y) in this period.

After Q1 2024, the overall non-life insurance market generated a net result of PLN 862 million, which is PLN 666 million less in comparison with the corresponding period of 2023 (fall by 44%).

After Q1 2024, the technical result of the non-life insurance market increased by PLN 58 million, i.e., 8.8% y/y. There is a noticeable trend of a large decrease in the profitability in MTPL insurance (technical result down PLN 109 million to PLN -100 million). A significant decrease in the technical result was also recorded in assistance insurance (by PLN 28 million to PLN 26 million). These drops were offset primarily by an improvement in the technical result in insurance against fire and other damage to property (up PLN 96 million) as well as insurance against other financial risks (up PLN 59 million).

After Q1 2024, the PZU Group had a 34.6% share in the non-life insurance market, measured by the gross written premium (32.1% on direct business) compared with 34.1% in the corresponding period of 2023 (31.9% from direct business), meaning an increase of 0.5 pp. (a 0.2 pp increase from direct business).

Non-life insurers – percentage of gross written premium after Q1 2024 (in %)



*) According to the KNF report after Q1 2024; i.e. market and market shares taking into account PZU's active reinsurance towards LINK4 and TUW PZUW

**) PZU Group's market share in non-life insurance on direct business

Groups: **Grupa PZU** – PZU, LINK4, TUW PZUW, PG TUW; **Talanx** – Warta, Europa; **VIG** – Compensa, InterRisk, Wiener, TUW TUW; **Allianz** – Allianz, Euler Hermes, Santander Allianz TU S.A.;

Source: KNF's Quarterly Bulletin. Rynek ubezpieczeń [Insurance Market] 1/2024

Non-life insurance – Gross written premium vs technical result (in PLN million)

Gross written premium vs technical result	1 January – 31 March 2023			1 January – 31 March 2024		
	PZU*	Market	Market excl. PZU	PZU**	Market	Market excl. PZU
Written premium	4,982	14,590	9,608	5,571	16,083	10,511
Technical result	285	654	368	356	711	355

*) incl. LINK4 and TUW PZUW

**) incl. LINK4, TUW PZUW and PG TUW

Source: The Quarterly Bulletin of the Polish Financial Supervision Authority (www.knf.gov.pl) Rynek ubezpieczeń 1/2024, PZU figures

After Q1 2024, the PZU Group's technical result (PZU together with LINK4 and TUW PZUW) stated as a percentage of the overall market's technical result was 50.1% (the PZU Group's technical result was PLN 356 million while the overall market's technical result was PLN 711 million).

The total value of the investments made by non-life insurers at the end of Q1 2024 (net of the investments made by subordinated entities) was PLN 84,034 million, up 2.3% compared to the end of 2023.

Non-life insurers estimated their net technical provisions at an aggregate amount of PLN 73,823 million, signifying a 3.0% growth compared to the end of 2023.

Life insurance market in Poland

In Q1 2024, the life insurance market in Poland, measured by gross written premium, was estimated at PLN 5,861 million, meaning that it has grown over the most recent five years, on average, by 2.3% per annum, as a consequence of the considerably dynamic growth over last two years. The premiums collected in Q1 2024 were by 6.0% higher than those in the corresponding period of 2023, driven by an increase in both periodic and single premiums. In products of both payment types, the premium for protection insurance has increased in accident and illness insurance (class V).

In Q1 2024, the market recorded a decline in **single-premium life insurance** written (class I) by PLN 99 million, i.e., 16.2% y/y.

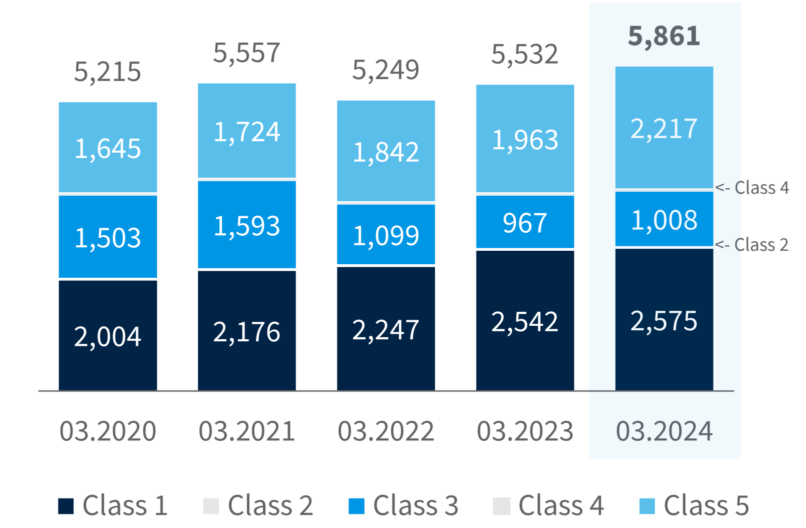
In Q1 2024, after a period of significant slowdown in sales of investment-type products, there was an increase in premiums, including single-premium insurance (+PLN 60 million, +83.7% y/y). The reasons for the earlier downward cycle should be attributed to changes in the capital market situation and the legal and macroeconomic environment (reduced sales as a result of guidelines from the supervisory authority, including on the level of fees paid by customers of products with insurance capital funds (ICFs) and EU directives regulating the market for these products and their distribution).

As a result of these market changes, **periodic premium products** that constitute PZU Życie's competitive edge on the market became more important. During I quarter of 2024, premium from these products was 6.5% higher compared to the same period in 2023, with a cumulative average growth rate of 4.3% for the last five years. Despite the declining periodic premium in unit-linked life insurance (by PLN 19 million y/y), the premium on protection products in classes I and V increased (in total by PLN 329 million y/y) in both group and individually purchased insurance.

At the same time, market concentration measured by the periodic gross written premium remained high. During the last year, the list of the five largest market players has not changed, and their combined market share was 81.0%.

After Q1 2024, life insurers generated a total net result of PLN 794 million, up by PLN 72 million, 10.0% y/y. This was primarily the effect of the technical result being higher than in the corresponding period of 2023.

Gross written premium of non-life insurers in Poland
(in PLN million)



Source: KNF's Quarterly Bulletin. Rynek ubezpieczeń [Insurance market] 1/2024, Rynek ubezpieczeń 1/2023, Rynek ubezpieczeń [Insurance market] 1/2024, Rynek ubezpieczeń 1/2023, Rynek ubezpieczeń 1/2022, Rynek ubezpieczeń 1/2021, Rynek ubezpieczeń 1/2020

The technical result of insurance companies in this period amounted to PLN 1,013 million, i.e., was PLN 59 million higher (6.2% y/y) than in the corresponding period of 2023. In consequence, the result increased mainly in class I life insurance by PLN 82 million y/y (the impact of decreased claims and benefits) and in accident insurance (class V, an increase of PLN 6 million y/y). The remaining insurance classes saw a y/y decrease in technical result, including a PLN 24 million y/y decrease in unit-linked life insurance (class III).

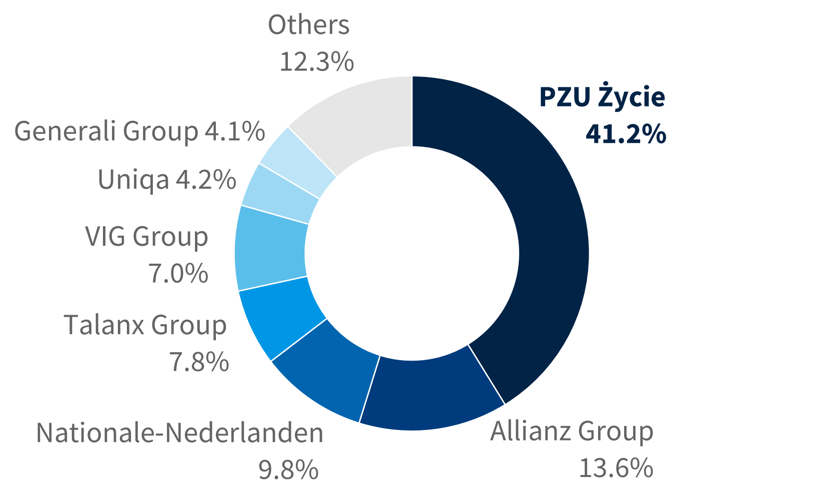
The total value of the investments made by life insurance companies at the end of Q1 2024 was PLN 44,516 million, signifying an 1.6% increase compared to the end of 2023. The net asset value of life insurance in which policyholders bear the investment risk increased by 0.2% to PLN 40,394 million.

After Q1 2024, PZU Życie accounted for 41.2% of the gross written premium of all life insurers on the market, signifying an increase versus the last year's market share (by 1.0 pp), mostly as a consequence of the growing share of PZU Życie in the single premium market (12.0 pp).

At the same time, PZU Życie continued to be the leader in the periodic premium segment. After Q1 2024, it generated 41.7% of these types of premiums, signifying a small decrease (by 0.6 pp) in the market share in this segment as compared to the previous year. PZU Życie's gross written premium growth in this segment was 104.6% y/y.

PZU Życie's share in just the life insurance segment (class I) for periodic premiums after Q1 2024 was 48.8%

Life insurers – percentage of gross written premium after Q1 2024 (%)



Groups: PZU Życie – PZU Życie + PG TUWnŻ; **Talanx** – Warta, Europa, Open Life; **VIG** – Compensa, Vienna Life, Aegon; **Grupa Allianz** – Santander Allianz TU na ŻYCIE, Aviva TUnŻ, TU Allianz Życie Polska;

Source: KNF's Quarterly Bulletin. Rynek ubezpieczeń [Insurance Market] 1/2024

Life insurance – Gross written premium vs technical result (in PLN million)

Life insurance – Gross written premium vs technical result	1 January – 31 March 2023			1 January – 31 March 2024		
	PZU Życie	Market	Market excl. PZU Życie	PZU Życie	Market	Market excl. PZU Życie
Written premium	2,217	5,531	3,314	2,414	5,861	3,447
Technical result	445	953	509	502	1,013	511
Profitability	20.1%	17.2%	15.3%	20.8%	17.3%	14.8%

Source: The Polish Financial Supervision Authority (www.knf.gov.pl). Quarterly Bulletin. Rynek ubezpieczeń 1/2024, PZU Życie figures

when measured by gross written premium, and 51.5% when measured by the number of contracts in effect. PZU Życie's market share in terms of the method of entering into a contract in the life insurance segment was 58.1% for contracts executed in group form and 42.6% for individual contracts (measured by gross written premium).

PZU Życie's technical result represented close to 49.5% (+2.8 pp y/y) of the result earned by all life insurance companies. This evidences the high profitability these products enjoy. PZU Życie's technical result margin on gross written premium was higher than the overall margin generated by other companies offering life insurance (20.8% versus 14.8%).

Insurance markets in the Baltic Countries and Ukraine

Lithuania

The Bank of Lithuania has stated that in the five months of 2024 the gross written premium in non-life insurance amounted to EUR 505 million, up 14.2% in relation to May 2023. Motor insurance remained the most significant insurance class on the market (51.1% of all gross premiums written in non-life insurance). Market growth occurred mostly in MTPL insurance which constitutes over one-fourth of the non-life insurance market (28.4%). Within motor insurance, gross written premium on MTPL insurance grew by 7.7% y/y, whereas sales of MOD - by 14.5% y/y. Significant growth was also observed in property and health insurance (21.7% y/y and 21.0% y/y, respectively).

As at the end of May 2024, there were 11 companies operating in the non-life insurance sector, including 7 branches of insurance companies registered in other EU member states. The combined market share of top 4 players in the non-life insurance market totaled 80.5%.

The PZU Group has been present in Lithuania since 2002. As of November 2014, it has been conducting its activity on the non-life insurance market as Lietuvos Draudimas, which, as of May 2015, is also the owner of the PZU branch in Estonia.

Lietuvos Draudimas is the leader of the non-life insurance market in Lithuania. At the end of May 2024, its market share was 29.2%.

In H1 2024, Lietuvos Draudimas recorded an increase in gross written premium by 14.3% y/y to EUR 178 million. The biggest growth was achieved in non life insurance (up by EUR 8 million), MOD motor insurance (up EUR 5 million), and MTPL motor insurance (up EUR 3 million).

Gross premiums written by Lithuanian life insurance companies in at the end of May 2024 amounted to EUR 150 million, up 4.7% relative to 2023. Sales of single premium insurance rose by 13.3% y/y, regular premium insurance by 4.4% year-on-year.

In the life insurance structure, unit-linked insurance represented the largest share at 80.0% of the market value. Traditional life insurance accounted for 9.1% of written premium. New sales in the annualized premium decreased by 25.6%. The growth of new sales was negatively affected by the tense geopolitical situation, high inflation and tighter monetary policy.

As at the end of June 2024, seven companies operated on the Lithuanian life insurance market.

The said market was highly concentrated – in March 2024, the share held by the three largest life insurance companies in total gross written premium was 62.7%.

The largest life insurance company in Lithuania in terms of total gross written premiums was Compensa (23.3% market share), followed by Swedbank (20.8% market share) and Allianz (18.6% market share).

PZU Group's life insurance operations in Lithuania are conducted through UAB PZU Lietuva Gyvybės Draudimas (PZU Lithuania Life). After May 2024, the gross written premium posted by PZU Lithuania Life was EUR 11 million, up 15.7% compared to previous year. This corresponds to a market share of 7.3%.

Latvia

According to the figures from the Bank of Latvia, as at the end of March 2024, gross premiums written from non-life and other personal insurance amounted to 176 million euros. This is EUR 21 million (13.6%) more than in Q1 2023.

The largest increase, by EUR 9 million (+19.5%), took place in health insurance. There was also a significant increase in MOD insurance (by EUR 4 million, or 12.0%), non-life insurance (by EUR 3 million, or 10.4%) and MTPL insurance (by EUR 2 million, i.e., 8.6%).

Motor insurance, the most significant group, accounted for 38.3% of the entire non-life and other personal insurance market in terms of gross written premium. TPL and MOD insurance accounted for 17.2% and 21.0%, respectively, of the gross written premium. Health insurance (32.8% of gross written premium) and non-life insurance (17.2% of gross written premium) also had an important position in the product mix.

As at the end of March 2024, there were 10 insurance companies operating on the Latvian non-life insurance market; the top four insurers held 78.0% of the market.

In June 2014, the PZU Group was joined in Latvia by AAS BALTA, which in May 2015 took over the PZU Lithuania branch operating in the Latvian market since 2012.

AAS BALTA is the largest insurer by written premium in Latvia. At the end of March 2024, the share of AAS Balta in the non-life insurance market was 29.3%.

At the end of March 2024, the gross premium written by AAS BALTA reached EUR 52 million, up 11.1% (EUR 5 million) relative to Q1 2023. The greatest growth was observed in non life, MOD and health insurance.

Estonia

At the end of May 2024, gross written premium in non-life and other personal insurance amounted to EUR 254 million, up 9.8% in relation to May 2023.

Market growth was supported mainly through MOD insurance (+EUR 6 million, or +8.6% y/y) and MTPL insurance (+EUR 4 million, or +7.3% y/y). Dynamic growth was also enjoyed in mass non-life insurance (+EUR 5 million, i.e., +14.2% y/y) and health insurance (+EUR 2 million, i.e., + 28.2% y/y).

The sales structure of non-life and other personal insurance was dominated by motor insurance, which accounted for 54.4% of gross written premium (of which MOD insurance accounted for 31.6%), with property insurance accounting for 25.0% of gross written premium.

At the end of May 2024, there were 14 companies operating in the non-life insurance sector, among which the top four held a combined market share of 65.8%. November 2023 saw a new non-life company, Balcia Insurance SE, Branch in Estonia, enter the market.

Since May 2015, the PZU Group's operations in Estonia have been conducted by the Lietuvos Draudimas branch, established through the merger of a branch of PZU's Lithuanian subsidiary and the Estonia branch, which had operated under the Codan brand.

The PZU Group's share in the Estonian non-life insurance market reached 14.4% at the end of May 2024, and the accumulated gross written premium was EUR 37 million, up 2.6% (i.e., EUR 1 million) relative to May 2023. Greatest growth was observed in MTPL and MOD insurance, as well as non-life insurance.

Ukraine

The National Bank of Ukraine (NBU) has taken over the supervision of the insurance market in Ukraine as of the end of June 2021. NBU made supervision more efficient by monitoring compliance with applicable regulations and applying appropriate measures against the violators.

Past March 2022, NBU has regulated the activities of parties to non-banking financial services during martial law, and among other things extended the deadlines of enforcement. In relation to Russia's aggression in Ukraine, NBU made more specific the manner in which certain normative and legal acts should be implemented to relieve market players of that burden, and also implemented a series of restrictions to minimize new risks arising due to the war. In mid-February 2023, the NBU eased restrictions for insurers on payments under foreign reinsurance contracts, expanding the ability to provide insurance benefits under reinsurance contracts with non-resident reinsurers.

After Q4 2023, the Ukrainian insurance market, measured by gross written premium, grew by 18.7% up to UAH 47 billion. The premium accumulated in non-life insurance was UAH 42 billion, signifying 20.4% growth compared to the same period in 2023.

In 2023, motor insurance, particularly Green Card insurance, had a significant impact on sales dynamics, due to the fact that people traveling abroad were taking out policies en masse. The negative rate in some types of insurance is related to the outbreak of hostilities began by Russia within the Ukrainian territory. The largest decline in 2023, compared to the same period of 2022, was recorded in agricultural and accident insurance.

As at the end of 2023, insurance companies offering life insurance collected gross written premium of UAH 5 billion, signifying 6.4% y/y.

The Ukrainian insurance market in the non-life and other personal insurance segments is fragmented. At the end of 2023, it was composed of 89 insurers. Despite the large number of insurers, the top 10 non-life insurers generated 64.4% of gross written premium.

On the Ukrainian market, the PZU Group operates the insurance business via two companies: PrJSC IC PZU Ukraine (PZU Ukraine) in non-life and other personal insurance, and PrJSC IC PZU Ukraine Life (PZU Ukraine Life) in life insurance. In addition, LLC SOS Services Ukraine offers assistance services.

In H1 2024, gross written premium collected by PZU Ukraine amounted to UAH 1,067 million, or 43.4% more than in the corresponding period of the previous year. The increase in sales was recorded primarily in motor insurance, in particular MTPL and Green Card insurance. In H1 2024, gross written premium collected by PZU Ukraine Life was UAH 187 million, up 1.0% from H1 2023.

During 2023, PZU Ukraine attracted 4.5% of the gross written premium on the Ukrainian non-life insurance sector, and its market share went up by 0.8 pp versus the previous year. This ranked the company tenth on the non-life insurance market. PZU Ukraine Life ranked fourth in the life insurance market with an 7.8% market share (down 0.4 pp relative to the previous year).

3.3. The health care market in Poland

The Polish health market is a dynamically developing and prospective business area. Its most important segments include fee-for-service (FFS), medical subscriptions, health insurance, and drug and non-drug expenses[1].

Experts from PMR, dealing with market research and analyses in Central and Eastern Europe, expect that in 2024-2029[2]:

- the growth rate of private health insurance will reach the average annual level of approx. 12.8% for supplementary health insurance and approx. 8.3% for subscriptions;
- the average growth rate of the fee for service market will be 7.3% per year.

In addition, the following is expected:

- further intensive development of telemedicine and service opportunities through remote channels;
- increasing number of persons outside working age and greater need to provide care to senior citizens;
- increasing public awareness of prevention and periodic examinations;
- persistently high inflation of medical services, in particular due to wage pressures from medical staff.
- reducing the materiality of the COVID -19 pandemic factor and its impact on the health market.

According to PMR, the private health care offered under fee-for-service products will be worth, at the end of 2024, PLN 29.4 billion (increase by 11.7% y/y). The value of medical subscriptions will reach PLN 8.2 billion (up 15.5%), while the value of private health insurance will be over PLN 2 billion (up 20.7% y/y). Spending on drugs and non-drugs will amount to PLN 47.9 billion.

As of mid-2023, the National Health Fund increased valuations of services in specialized outpatient care. This has a positive effect on medical centers offering healthcare services under public financing. According to PMR, medical inflation will be an important factor affecting the value of the private healthcare care market. The trend of growing prices, visible since 2022, will be maintained in the coming years and its pace will be even higher. The above aspects will be particularly important for the prices of outpatient care and physician services. The healthcare services market (fee for service, subscriptions, insurance) is sensitive to marked increases in the price of electricity and materials and raw materials, which raise operating costs. In 2023, the growth rate for remunerations in private health care was as high as 14.0% y/y, which was mainly due to remuneration claims of white staff including nurses, physical therapists, physiotherapists, hygienists and dental assistants. The forecast for 2024 presumes a growth of 9.3% y/y.

The projected total value of the private health care market will increase by over 6.8% to PLN 101.3 billion in 2025, of which the value of the market excluding medicine and non-medicine expenses will be about PLN 43.5 billion.

Health insurance

The number of supplemental health insurance holders is growing every year. The vast majority of people holding these products are group policyholders, although there has been an increase in interest in individual policies since the outbreak of the pandemic. At the end of 2023, there were 4.8 million people in Poland with health insurance, up nearly 14% y/y. In the course of this period, Poles spent nearly PLN 1.7 billion on private policies, up nearly 33.1% y/y (according to PIU figures). However, this represented only 2.0% of the total Polish insurance market.

PZU Życie (operating in the health area) is the leader of the health insurance market in Poland and remains among the largest companies in the overall private health care market, where the main competitors are the LUX MED Group and Medicover. In terms of the value of revenue within the Health Pillar, the PZU Group ranks third.

1) The „medicine and non-medicine expenses" category includes: (1) patient spending on medicines (reimbursed, non-reimbursed Rx and OTC), dietary supplements and other products in pharmacies, and (2) patient spending on OTC medicines and dietary supplements outside of pharmacies (in convenience stores, including grocery stores, gas stations, drugstores, herbalists, herbal and medical stores, specialized supplement stores, sporting goods stores and others), including online sales in e-stores (including e-pharmacies) and sales platforms.
2) PMR report, "Private healthcare market in Poland 2024 – market analysis and development forecasts for 2024-2029"

3.4. The banking market in Poland

In H1 2024, the sector's performance remained high due to the persistently high interest rates – despite two cuts by the Monetary Policy Council (in H2 2023), the reference rate remained high at 5.75% at the end of June 2024.

At the end of May 2024, there were 29 commercial banks, 491 cooperative banks and 33 branches of credit institutions operating in Poland. The banking network comprised a total of 4,906 branches, 2,325 offices, agencies and other customer service outlets and 2,689 representative offices. Therefore, the banking network comprised a total of 9,920 outlets, i.e. 267 fewer than in the same period of the previous year.

Headcount in the banking sector at the end of May 2024 rose to 146,000 people and had 2,296 (2%) more people than at end of 2023.

At the end of May 2024, the banking sector generated a net profit of PLN 17.4 billion, compared to PLN 17.0 billion in the corresponding period of the previous year, up PLN 0.4 billion. What had the largest impact on the higher net result was interest income (up by 4.2 billion y/y), mainly due to a drop in interest expenses. At the same time, net income was negatively impacted by a 2.1 billion y/y increase in bank operating expenses.

Net interest margin rose to 3.74%, compared to 3.37% at the end of May 2023.

At the end of May 2024 the return on equity (ROE)[1] of the banking sector was 11.69%, representing an increase by 2.95 pp y/y. In turn, at the end of May 2024, the return on assets (ROA)[2] amounted to 0.95%, representing is an increase by 0.41 pp compared to May 2023. The smaller scale of write-offs caused the R/I ratio[3] (the ratio of the banking sector's provisions and write-offs to operating income) to drop to 14.49% at the end of May 2024 (-3.51 pp y/y). The increase in the y/y operating income, with costs kept under control despite increases, reduced the C/I ratio[4] in the whole sector from 50.96% at the end of May 2023 to 47.53% at the end of May 2024.

At the end of May 2024, the asset value of the banking sector was PLN 3,102 billion, up 8.8% from May 2023.

1) ROA and ROE indicator –the relation of the sum of the financial result of 12 consecutive months to, respectively, average assets and average capital in the same period of 13 consecutive months. ROE relates to the aggregate commercial and cooperative banking sector (without branches of credit institutions), ROA relates to the entire banking sector.
2) ROA and ROE indicator –the relation of the sum of the financial result of 12 consecutive months to, respectively, average assets and average capital in the same period of 13 consecutive months. ROE relates to the aggregate commercial and cooperative banking sector (without branches of credit institutions), ROA relates to the entire banking sector.
3) R/I ratio – relation of write-offs and provisions (provisions+impairment or reversal of impairment) to revenue (total net operating income) – rolling average from 12 months.
4) C/I ratio – relation of costs (costs of an operation+depreciation of fixed assets and intangible assets) to revenue (total net operating income) – rolling average from 12 months.

In May 2024, the value of credits in the non-financial sector amounted to PLN 1.115 billion, a slight decrease of 0.4% compared to May 2023. Business loans declined by PLN 6.7 billion (1.7% y/y) to the level of PLN 397 billion. An increase by PLN 11.2 billion (1.6 y/y) to PLN 710 billion was noticeable in household loans.

At the end of May 2024, deposits of the non-financial sector totaled PLN 1,845 billion, an increase of 7.9% compared to May 2023. In the structure of deposits, household deposits recorded the highest growth, of PLN 120 billion (10.1% y/y), and amounted to PLN 1,302 billion at the end of May 2024. Corporate deposits rose by PLN 11 billion y/y (2.2% y/y), and amounted to PLN 501 billion at the end of May 2024.

The banking sector's own funds for capital ratios, calculated in accordance with the regulations laid down in the CRR Regulation, were at PLN 245 billion at the end of March 2024, up 7% from the end of March 2023.

In 2024, the sector's capital situation remained stable. The banking sector's total capital ratio at the end of March 2024 was 20.95%, while the Tier I capital ratio at the end of this period was 19.39%.

3.5. Financial markets in Poland and around the world

3.5.1. Global and local equity and bond markets

H1 2024 was marked by a rebound in stock markets, the start of rate cuts, moderate bond discounts and stabilizing exchange rates.

In H1 2024, investors intended to discount rate cuts in the world's major economies, after 2022-2023 had pushed them to levels not seen in at least a decade. In the case of the eurozone, the expected scenario of money cost cutting realized in June, while in the US it was pushed back. Consequently, for much of H1 2024, yields in the underlying markets remained high, only to fall at the end of it. Most stock markets saw increases. Poland was among those countries whose stock indexes rose for almost the entire six months. In most markets, increases were fueled by expectations of rate cuts, after prices of basic commodities began to return to reasonable levels in 2023. In currency markets, the dollar strengthened against the euro, as did the zloty against the single currency. Meanwhile, most currencies of developing countries were losing value.

Interest rates

Banks of developed countries – FED, ECB, BoJ, PBC

The American central bank (the Federal Reserve System, Fed), whose rate increases eventually raised the interest rate to 5.5% in 2023, closed H1 2024 with the cost of money at the same level. This was justified with concerns about inflation remaining elevated in the face of a still-good labor market. It wasn't until June 2024 that there were the first signs from the Fed announcing reductions. The European Central Bank (ECB) raised interest rates to 4.5% in 2023, and kept them at that level until early June 2024. The ECB's argument for keeping rates high was concerns about wage growth, which could threaten disinflation. In June, the Governing Council cut interest rates by 25 bps. This was justified by, among other things, a strong decline in eurozone inflation compared to its October 2022 peak and the stabilization of inflation forecasts around the ECB's target over the horizon of the end of next year. Among central banks of the major economies, the People's Bank of China (PBC) kept the rate (Bank Prime Loan Rates) at 3.45% in H1 2023, after cutting it by 20 bps, in the face of falling inflation in China. The Bank of Japan (BoJ) acted differently, raising the rate from -0.1% to a range of 0-0.1%, in the face of Japan's persistently elevated y/y inflation rate for several quarters.

Banks of emerging markets

In H1 2024, central banks of South American developing countries continued (Brazil, Argentina, Chile) or started (Mexico) a cycle of reductions. In Asia, rate hikes continued (Indonesia) or interest rates were kept at elevated levels (Korea, Thailand).

National Bank of Poland

In Poland, after cuts in H2 2023, NBP rates did not change in H1 2024 (5.75%), despite a decline in annual inflation dynamics near the target (from 2.0% y/y in March, to 2.6% in June) and a drastic decline in measures of core inflation. The justification for keeping rates at elevated levels was the risk of increased y/y inflation rate after the withdrawal of anti-inflationary shields. Other countries in the region were rapidly cutting rates in the face of falling inflation.

Bond markets

Underlying markets

Yield curves in the underlying markets of Europe and the USA moved upward until April (USD) or May (EUR) 2024, to accentuate the end of the half-year with declines. As a result, on the basis of six months, the U.S. Treasury bond yield curve moved to 4.71% from 4.23% for 2Y, to 4.33% from 3.84% for 5Y, and to 4.36% from 3.83% for 10Y.

For the German curve, the movements in 2Y were to 2.82% from 2.38%, for 5Y to 2.46% from 1.93%, and for 10Y to 2.50% from 2.02%. The yield curve rises, which were comparable in both markets, occurred despite expectations for vastly different macro scenarios on both sides of the ocean. In the USA, there were expectations for a cooling of annual inflation dynamics from elevated levels and a slowdown in the growth rate of economic activity. In Germany, the annual inflation dynamics were expected to come down quickly and the economy to rebound. Japan's curve followed the USA and German curves, with rate hikes in the background. The 2Y segment moved to 0.37% at the end of H1 2024, from 0.04% at the end of 2023, 5Y to 0.59%, from 0.19%, and 10Y to 1.09, from 0.62% (Macrobond data).

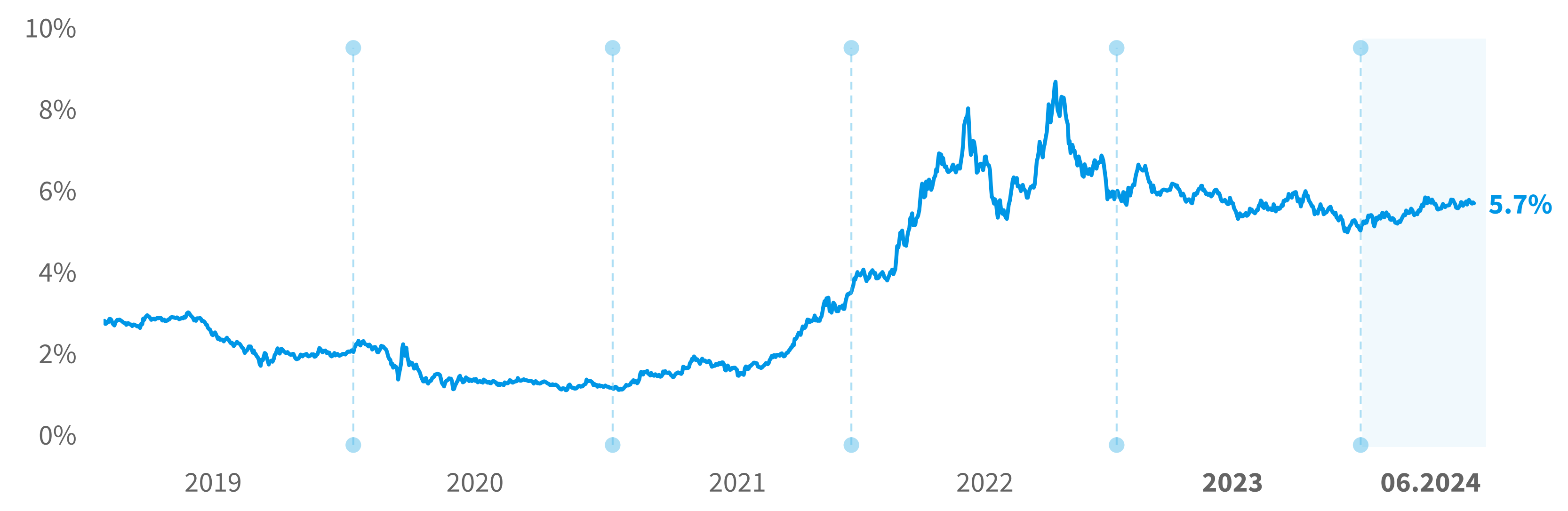
Emerging markets

Developing country debt markets saw bond valuations fall in H1 2024, before prices stabilized in a narrow range in Q2. The JP Morgan Emerging Markets Bonds ETF index, which represents them, fell 0.7% between late 2023 and mid-2024. The greatest volatility in the index occurred in January and February, as well as in April, when hawkish rhetoric and surprises of higher inflation in the USA pushed up American 10-year bond yields (Macrobond data).

Poland

Through H1 2024, yields on Treasury securities rose after the end of 2023 was marked by yield declines (following rate cuts by the NBP). Only papers in the segment of below four years joined the downward movement evident in the underlying markets in late June. The sources of the discount can be traced to the behavior of global markets and the intensifying narrative from the NBP that rate cuts in Poland will not come soon. The MPC justified this stance through concerns about the growth of annual inflation dynamics after the withdrawal of anti-inflationary shields and uncertainty about the scale of stimulation of the economy by fiscal policy. Yield increases were not hampered by the main measure of inflation locating within the inflation target and falling measures of core inflation y/y . Consequently, between the end of 2023 and mid-2024 in the 2Y segment, the domestic curve rose to 5.13%, from 5.12%, in the 5Y segment to 5.55%, from 5.02%, and in the 10Y segment to 5.74%, from 5.20% (BondSpot data). In the background were sizable issuances and a decline in foreign investors' holdings of PLN debt, with stable demand from domestic banks at the short end of the curve.

Profitability of Polish sovereign (10-year) bonds



Stock markets

Developed countries

Investor sentiment was improving until May 2024 in the major underlying markets. In May, the clear upward trend stopped, the exception being the S&P500 index overseas. Ultimately, on a six-month basis, this translated into a 14.5% recovery in the S&P 500 index, a 1.7% decline in the DAX index and an 18.7% rise in the TOPIX index. This was a consequence of successive positive surprises about the state of the US economy and negative surprises about the German economy. The iShares MSCI ACWI Dollar Index ETF of the global equity market overall rose 10.4% over H1 2024. The increases were driven by stock market gains in the US, parts of South America (Chile, Argentina), or Asia (Turkey, Japan, India) (Macrobond data).

Emerging countries

In H1 2024, emerging market equity indices rose, as did the underlying markets. For H1 2024, the iShares MSCI EM ETF index, in U.S. dollar terms, reflecting the overall emerging markets, rose 6.9%. Here, Turkey, India and Malaysia stood out positively, benefiting from improving growth prospects, following the inflationary shock of 2022-2023. On the other side of the scale were Brazil (-19.4%) and Mexico, Indonesia and Thailand (declines of around 15%) (Macrobond data).

Poland

H1 2024 continued 2023 increases for the WIG and WIG20. A more pronounced deceleration took place in late May and early June. Hopes among investors were raised by expectations of a return to strong demand growth in response to public sector wage hikes, an increase in the minimum wage and the intensifying effects of real wage growth due to declining inflation. As a result, the WIG20 appreciated by 9.3% in H1 2024, the WIG by 12.9%, and the MWIG40 by 12.7% (WSE data). The strong performance of the banking sector and the deceleration of lending continued, following the jump associated with completed housing programs.

Foreign exchange markets

Underlying markets

In H1 2024, the EUR/USD exchange rate dropped to 1.0705 from 1.1050 of the end of 2023 (LSEG data). The changes resulted from expected faster rate cuts in the Eurozone than in the US, and better economic performance of the USA vs. eurozone countries. In the background, there were surprising Europarliamentary election results in some EU countries. The yen weakened against the U.S. dollar in the face of the BoJ's very mild response to continued elevated inflation. As a result, USD/JPY moved to 160.88 at the end of H1 2024, from 140.92 at the end of 2023 (Fed data).

Emerging markets

In H1 2024, the South African rand (+0.2%) gained slightly against the dollar, while the Indian rupee (-0.2%) remained relatively stable, a derivative of keeping rates high with slightly elevated inflation under control. On the other side of the scale was the Brazilian real (-12.7%), touched by concerns over fiscal policy, and the Argentine peso (-11.3%), losing due to persistent hyperinflation. The currencies of the Central and Eastern European region also weakened. The Hungarian forint to the euro fell 3.7%, with rapid rate cuts in the background. The Czech koruna, whose economy is linked to the troubled German one, and where rates fell more slowly than in Hungary, depreciated by 0.8% (Macrobond data).

Poland

In H1 2024, the EUR/PLN exchange rate went down to 4.3130 from 4.3480, whereas USD/PLN – from 3.9350 to 4.0320. Supporting the appreciation of the zloty was a good macroeconomic outlook for Poland and expected interest rate cuts in the core markets, with suggestions from the NBP to keep rates at the current level until the end of 2025. The CHF/PLN exchange rate moved to 4.4813 from 4.6828 during this period (NBP data).

3.5.2. Polish investment and pension fund market

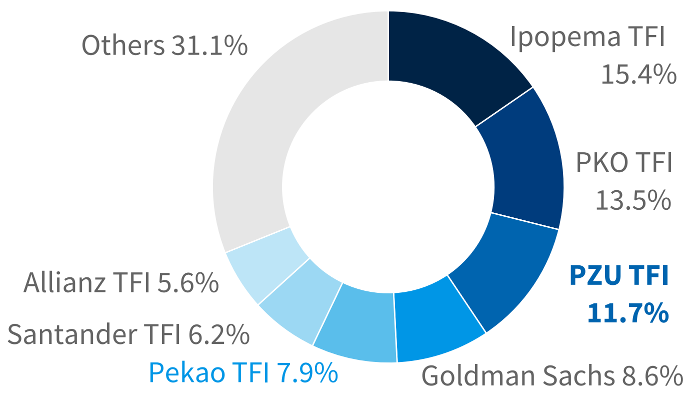
Investment fund market

As at the end of H1 2024, assets under management of domestic investment funds were above PLN 358 billion (again, at the highest level in history), compared to 320 billion at the end of 2023, representing an increase by almost 12% (+ PLN +37.9 billion).

The increase in assets under management was mainly driven by two factors: inflows of new funds and positive management performance.

In H1 2024, investors experienced very good conditions in most asset classes, which was reflected in fund performance. According to Analysys Online data, almost all mutual fund groups generated positive returns (except for the group of global universal debt securities). The highest rates of return were achieved by funds from the group of shares of Polish small and medium-sized companies +15.6%. In second place were ex aequo funds of the following segments: universal Polish shares and raw materials market – precious metals with a result of +12.9%. During this period, customers paid more than PLN 22 billion into mutual funds.

Investment fund companies (TFI) – share in TFI assets as at 30.06.2024 (in %)



Source: IZFiA

Employee Capital Schemes

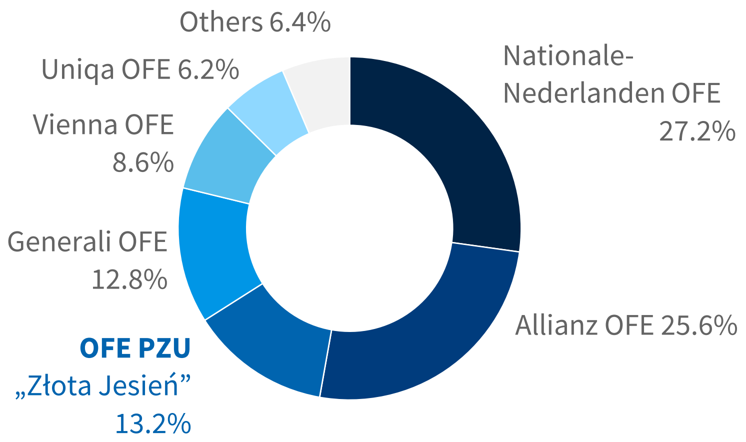
The net asset market value of the target date funds operated by TFIs under the Employee Capital Schemes totaled over **PLN 27.5 billion** at the end of H1 2024, compared to close to **PLN 21.8 billion** at the end of 2023, an increase of 26.1%.

In 2024, further contributions from employees (2-4% of gross remuneration), employers (1.5-4% of employee gross remuneration), as well as welcome (PLN 250) and annual (PLN 240) surcharges from the state, were regularly paid for the ECS. The main driver of asset growth in H1 2024 was the annual surcharge on PPKs. The number of PPK savers increased to more than **3.5 million people**. This translated into an increase in participation to **48%**.

Pension funds market

At the end of H1 2024, the net assets of open-ended pension funds amounted to more than PLN 232 billion, an increase of **12%** compared to the end of 2023. The higher value of trade in goods was the result of mostly the good situation in the capital markets.

Open-ended pension funds – share in net assets as at 30.06.2024 (in %)



Source: KNF, monthly data on the OFE market, data for June 2024

3.5.3. Main factors affecting PZU share prices

PZU made its début on the Warsaw Stock Exchange (WSE) on 12 May 2010. Since its flotation, it has been included in its most important index, namely WIG20[1], calculated on the basis of the portfolio value of the 20 largest and most heavily traded companies on WSE's main market. PZU also belongs to the following Polish indices: WIG, WIG30, WIG-Poland, WIGdiv, WIG20 TR, WIG.MS-FIN, CEEplus and WIG ESG (sustainable development index) and the following international indices: MSCI Poland (emerging markets), Stoxx Europe 600 (developed markets) and FTSE Russel midcap index (developed markets).

Warsaw Stock Exchange indices

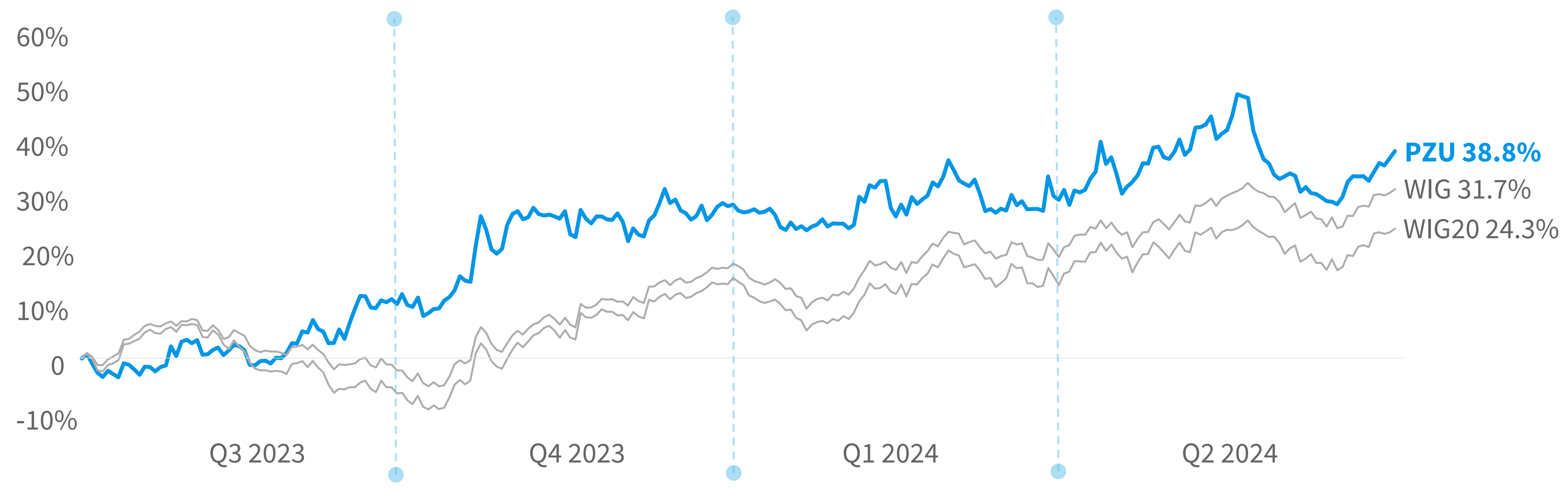
In H1 2024, the Polish blue chip index (WIG20) oscillated within a broad band between 2,168 and 2,593 points. The variance between these figures was 425 points and was slightly lower (by 12 points) than in H1 2023. The WIG20 index ended H1 2024 at 2,561 points, up 24.3% y/y and 9.3% year-on-year in 2023, while the WIG similarly recorded 31.7% and 12.9% growth. Here, PZU shares performed very well, recording 38.8%[2] y/y growth in 12-month terms and 9.0% in 6-month terms.

1) WIG20 is a price-based index, which means that its calculations only include prices of the transactions carried out based on the index, and dividend income is not included.
2) Dividend-adjusted value

PZU's share price

PZU shares in H1 2024 followed the major indexes of the Polish stock market, staying in an upward trend that has continued since Q4 2022. At the close of the last session in H1 2024, one PZU share was priced at PLN 51.5. The highest closing price level was PLN 55.50, reached on Thursday, 16 May 2024, which implied capitalizations of nearly PLN 48 billion. The rising stock valuation was supported both by the global and local improvement in sentiment for stock markets and the Group's very good fundamental situation, from the point of view of the high profitability of the core insurance business and the banking segment. PZU's share price rose by 9.0% in H1 2024.

PZU share price[3] versus WIG20 and WIG



Source: https://infostrefa.com/

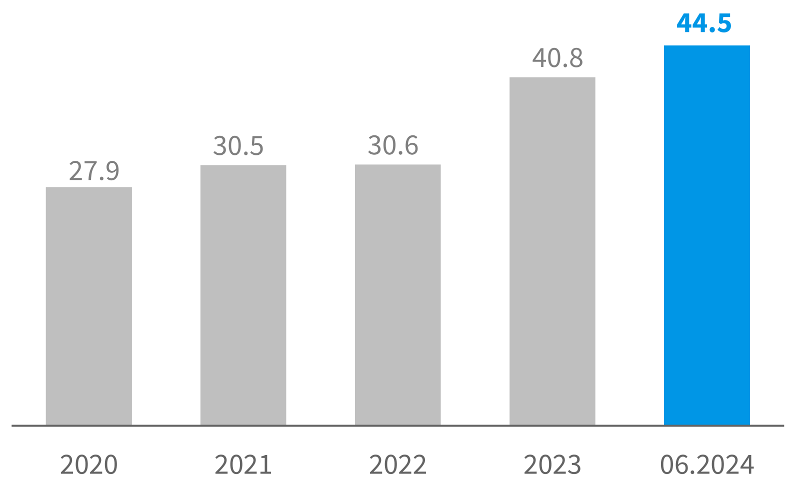
3) Dividend-adjusted value

Capitalization

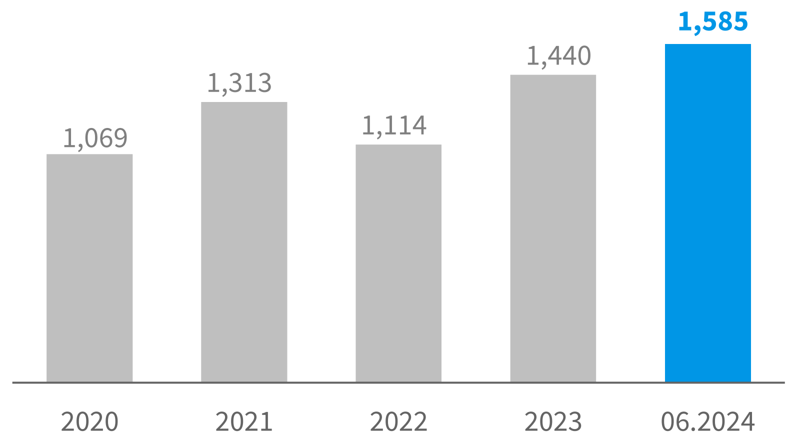
PZU's stock market value (capitalization) at the end of H1 2024 was PLN 44.5 billion (an increase of 3.7 billion with respect to the end of 2023), which meant the 4th position in terms of market valuation among domestic companies listed on the WSE. The share of PZU shares in the turnover of the entire main market was 6% (eight among domestic companies listed on the WSE).

After adding the value of dividends per share (paid since the IPO in 2010) to the valuation of PZU shares, the theoretical stock market valuation at the end of June 2024 would be PLN 73.8 billion (with a price per share of PLN 85.46).

Capitalization of PZU in PLN bn



Capitalization of WSE in PLN bn (domestic and international companies)



Theoretical capitalization of PZU (after adjustment for dividends paid)

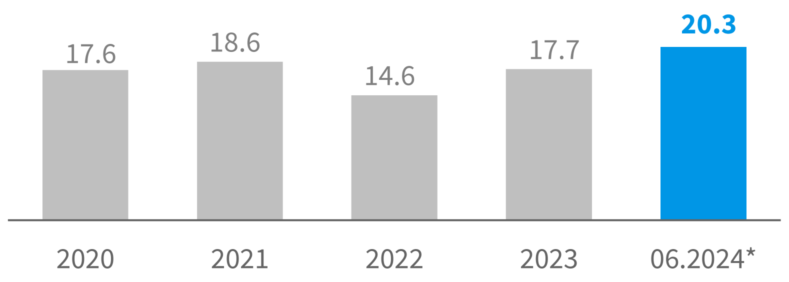
	2020	2021	2022	2023	06.2024
Theoretical price at the last session of the year (PLN)	58.44	64.93	66.94	81.19	**85.46**
Theoretical capitalization at the end of the period (PLN billion)	50.5	56.1	57.8	70.1	**73.8**

Source: www.infostrefa.com

Liquidity

The average daily spread of PZU's shares was 6 bps compared to the average spread of 11 bps for the 20 most liquid companies. Average turnover value per session PLN 81.2 million. The value of turnover in the first half of 2024 (rolling 12 months) amounted to PLN 20.3 billion.

PZU share turnover (in PLN billions)



Source: www.infostrefa.com

*) rolling 12 months

PZU's shares-related statistics

Statistics*	2020	2021	2022	2023	H1 2024
Maximum price (PLN)	41.80	41.65	37.82	48.90	55.50
Minimum price (PLN)	20.55	29.27	23.16	31.63	38.01
Theoretical price at the last session of the year (PLN)	32.36	35.35	35.42	47.27	51.54
Average price per session (PLN)	30.06	35.86	30.97	40.13	46.05
Turnover value (PLN m)	17,588	18,565	14,645	17,692	20,296
Average turnover value per session (PLN m)	69.8	73.9	58.3	70.8	81.2
Number of transactions (items)	1,523,449	1,353,198	1,285,691	1,438,730	1,604,112
Average number of transactions per session	6,045	5,391	5,122	5,755	6,416
Turnover (items)	595,296,291	517,939,229	472,866,103	436,702,363	437,842,892
Average turnover per session (items)	2,362,287	2,063,503	1,883,929	1,746,809	1,751,372

Source: www.infostrefa.com

*) calculations based on the PZU Group figures (in line with IFRS); share price and book value as at end year; net profit for 12 months; number of PZU's shares; 863,523,000

Ratios

PZU's shares*	2020	2021	2022 **	2023	H1 2024
C/WK (P/BV) Market share price / book value per share	1.5x	1.8x	1.2x	1.4x	**1.5x**
WKNA (PLN) BVPS (PLN) Book value per share	21.7	19.8	30.3	34.8	**33.5**
C/Z (P/E) Market share price / net return per share	14.6x	9.2x	8.1x	7.1x	**8.1**
ZNA (PLN) EPS (PLN) Net profit (loss) / number of sharesi	2.2	3.9	4.4	6.7	**6.4**

*) calculations based on the PZU Group figures (in line with IFRS); share price and book value as at end year; net profit for 12 months; number of PZU's shares; 863,523,000

**) data – restatement of comparative data resulting from the application of IFRS 17

3.6. Regulations pertaining to the insurance market and the financial markets in Poland

H1 2024 regulatory changes with most significance for the PZU Group

The European Parliament adopted a revision of the **Solvency II** directive on 23 April 2024. The changes to the Solvency II rules will free up cash that insurance companies have had to hold in reserve, allowing the sector to channel more funds into the economic recovery and the European Green Deal in particular. Currently, the cost-of-capital ratio, which determines the level of reserves, is assumed to be 6%, while the update will lower this ratio to 4.75%. The update will also simplify supervision and, on the other hand, strengthen the supervisors' position on systemic risk. At the initiative of the Parliament, supervisors will also be required to better cooperate with each other when insurers operate in other member states. The update also includes new provisions that will require insurance companies to better account for sustainability risks and report more information on these risks so that policyholders can understand a company's green credentials. The expected effective date of the changes is no earlier than the second half of 2026.

The Law on the **Protection of Whistleblowers** of 14 June 2024, was promulgated in the Official Gazette (Polish: Dziennik Ustaw) on 24 June 2024. The Law enters into force on 25 September 2024, i.e., three months after its promulgation (except for the provisions on external reporting, which will enter into force six months after the date of promulgation of the Law). The Law provides for the amount a whistleblower is to receive from their employer in the event of retaliation for reporting a violation – at least the average monthly salary in the national economy, plus compensation. The scope of notifications covered by the Law includes, among others:

- public procurement;
- financial services, products and markets;
- AML/CFT regulations;
- consumer protection, and privacy and data protection.

The law also provides for a one-month time limit for the issuance of a whistleblower protection certificate, an expansion of free legal advice to whistleblowers, and protection for the whistleblower from the moment violations are reported. The sanction of invalidity of provisions of employment contracts and other acts covered by labor law and civil law acts to the extent that they directly or indirectly exclude or limit the right to make a report is also presented. In addition, entities operating in the financial sector (among others, insurance companies) will be required to establish internal channels for reporting violations regardless of whether they belong to the public or private sector and regardless of the number of employees. Moreover, under the so-called external reporting, a whistleblower will be able to report violations to the Ombudsman or the administrative body with jurisdiction over the case.

As of 1 October 2024, every non-public entity entered in the business register will be required to have an electronic service address listed in the electronic address database. Such an obligation is provided for in the **Law of 18 November 2020 on electronic service** and the Communication of the Minister of Digitization of 29 May 2023.

As of 1 January 2024, the large companies, previously subject to the NFRD (Non-Financial Reporting Directive), are subject to **Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on CSRD (Corporate Sustainability Reporting)**. They will submit their first reports in 2025 (data covering the 2024 fiscal year). The CSRD extends reporting requirements onto additional companies and increases the scope of the information disclosed, which must comply with EU reporting standards. According to the requirements, operators are to provide investors with information on sustainability that should be taken into account in the investment process. ESRSs primarily increase the scope of reporting, as well as regulate how one should select information to be disclosed in the report. What is key, is the so-called double materiality assessment. It requires companies to extensively analyze their operations and value chain to identify material points through which the organization has the greatest impact on the environment or social issues. For insurance companies, NFRD and CSRD disclosures are a source of information on how sustainable the company's operations are, which may influence one's decision when one is electing to buy its securities.

Legislative work on the implementation of the CSRD into Polish law is underway. The proposed changes are to be implemented through the adoption of the Law on Amendments to the Law on Accounting, the Law on Certified Public Accountants, Audit Firms and Public Supervision and Certain Other Laws.

Selected rulings of the Supreme Court issued in H1 2024 which may impact insurance activity

- On **2 February 2024**, in the case number **I CSK 576/23**, the Supreme Court issued a decision refusing to accept a cassation appeal regarding an MOD loss. Here, the insurer had refused to pay out due to an exclusion for damage caused by improper loading. The Supreme Court pointed out that the lack of a precise definition in the T&C does not automatically mean that there is a basis for interpretation in favor of the insured. The Supreme Court also pointed out that a claimant seeking compensation under an insurance contract is required to prove the event whose consequences were covered (insurance accident), and an insurer disputing its liability under an insurance contract must prove the occurrence of such circumstances that, in light of the contract, relieve it of its obligation to provide benefit to the insured;
- On **26 March 2024**, in the case number **II NSNc 304/23**, the Supreme Court, in a judgment, dismissed the Ombudsman's complaint regarding a benefit for a grandchild after the death of the grandparent caring for him, who was killed in 1999 in a traffic accident caused by another driver. The Supreme Court cited, among other things, a resolution of 22 October 2019, which stated that a loved one of an injured person who suffered a severe and permanent disorder of health as a result of a tort is not entitled to monetary compensation under Article 448 of the Civil Code. It was the opinion of the Supreme Court that the resolution (with respect to the legal status applicable in the case) determined the absence of a personal good in the form of family ties and the consequent lack of grounds for claiming compensation in the case of violation of such ties under Article 448 of the Civil Code by those closest to the directly injured party;
- On **8 May 2024**, in the case number **III CZP 142/22**, the Supreme Court of Justice, composed of seven judges, issued a resolution in connection with the Financial Ombudsman's motion regarding the practice of insurance companies to prevent car owners from having their cars repaired at a workshop other than the one indicated by the insurer after the damage, i.e. a traffic accident, has occurred. The resolution was aimed at resolving existing discrepancies in the interpretation of the law in case law regarding the permissibility of applying discounts and rebates applied by insurance companies' partner networks in determining compensation under MTPL. The court stated that if the injured party has already incurred the costs of repairing the vehicle or has undertaken to incur them, the amount of compensation from motor vehicle liability insurance should correspond to these costs, unless they are obviously unreasonable under the circumstances. It further pointed out that the amount of compensation does not depend on discounts and rebates available to the injured party from entities cooperating with the insurer. However, if the injured party has not yet incurred the cost of repairing the vehicle or committed to incur it, the amount of compensation under MTPL should correspond to the average cost of repair in the local market, taking into account discounts and rebates possible to the injured party, unless the use of such discounts and rebates is opposed by his legitimate interest. The Supreme Court noted the impossibility of automatism when it comes to discounts and rebates, and that liquidation proceedings presuppose an individual approach to each case.

3.7. Factors, including threats and risks that may affect the PZU Group's operations and results in the second half of 2024 and in the medium term

Due to the scope of the PZU Group's II insurance sector in Poland, the Baltic Countries and Ukraine, mutual and pension funds sector, health business, banking), the main factors that will shape the environment in which the Group operates and that may have a direct or indirect impact on the development and results of the PZU Group in the short term (up to one year), and the medium term (from one to five years), 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.

3.7.1. Macroeconomic and geopolitical factors

The growth rate, level and structure of the key macroeconomic factors in Poland and abroad (GDP, inflation, interest rates) translate into the growth rate of business in all sectors in which the PZU Group operates and their profitability. They determine, directly or indirectly, albeit with a certain time lag, the gross written **premium growth rate** and insurance revenue in non-life insurance, as well as changes in **demand for credit and 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 shape the fund management fee results and key measures that affect the performance of the banking sector (net interest margin and costs of risk).

In particular, **inflation** is a factor that strongly affects the insurance business. It raises amounts claimed, costs of claims handling, and costs of business. It also generates a problem for clients related to the depreciation of insurance benefits in long-term products, significantly reduces the real value of life policies and erodes the guaranteed sum in third-party liability insurance (e.g. D&O policies). Inflation and high costs may bring about the risk of underinsurance, present when the declared value of assets (such as movable and immovable property and content thereof) and risks are lower than in reality. When underinsurance arises, the insurer may accordingly diminish the sum they are obliged to pay, accounting for the ratio between the insurance value and the real value of the assets lost. As a consequence, the compensation paid out might not be enough to cover the real costs of restoring the assets insured. This is a particularly significant risk for corporate insurance, which may hinder the restoration of business and cause liquidity and stability problems for enterprises.

GDP growth also translates into individual consumption and domestic demand, and therefore also into spending by households and the corporate sector on the purchase of insurance policies, the sale of loans and related insurance for borrowers. Here, inflation has the inverse effect, affecting real household income, among other things. A slowdown in economic growth generally leads to a deceleration in the growth rate for gross written premiums in non-life insurance, a decline in the demand for life insurance as well as subscriptions and health insurance, particularly within the framework of perks offered by companies. Poorer financial standing of companies and households may result in an increase in credit risk (in particular in the banking segment) and higher loss ratio on the financial insurance portfolio, weakening of the growth rate of new mortgage loans and a weaker growth rate of consumer loans. In addition, rising unemployment and lower employment may also lead to an increase in extortion and insurance crimes.

The economic environment, in particular the actions of the Monetary Policy Council with respect to **interest rates** and the reserve requirement, play a key role in the functioning of the banking sector. A very low interest rate environment has a negative effect on the sector's performance (by affecting the banks' net interest income), which could be felt particularly in 2021. An increase in market interest rates, on the one hand, contributes to financial stability, as it promotes improvements in the profitability and financial position of banks and insurers, but on the other hand, it carries risks to financial stability, as it may contribute to a deterioration in the quality of banks' loan portfolios. Higher yields on bonds measured at arm's length in portfolios of banks and insurers involve a reduction in their nominal value. The effect for insurance companies of this matter depends on the difference between the duration of assets and equity and liabilities. Furthermore, administrative solutions aimed at lowering the cost of rising interest rates for households (such as so-called credit holidays) limit the profit of the banking sector.

The economic situation in H2 2024 will be largely shaped by geopolitical factors. In particular, the prolonged Russia-Ukraine armed conflict, as well as Israel's war with Hamas and the related tensions in the Red Sea region, remain a threat. These factors can generate price shocks in the food, gas, oil and commodities markets that are difficult to predict, affect the climate for investment through increased uncertainty, and increase transportation costs, i.a., by raising insurance rates on logistics routes linking Europe and Asia, and altered freight routes. 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 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. It is also worth noting that 2024 is an election year in as many as 70 countries, and as many as 4.2 billion people, or more than half of the world's population, will be up to vote. The U.S. presidential election, held on 5 November 2024, will certainly be of particular importance. The electoral process, as well as the results of these elections, may strongly affect financial markets, and the decisions of the newly elected authorities may change previous political priorities, which may also have important implications for economic processes around the world. All these factors may significantly affect the situation on the Polish stock market, the exchange rate of the zloty or the yields of Polish securities.

Data for the Polish economy

	2020	2021	2022	2023	2024*
Real GDP growth in % (y/y)	(2.0)	6.9	5.6	0.2	3.3
Household sector consumption growth in % (y/y)	(3.6)	6.2	5.4	(1.0)	4.2
Growth in gross fixed capital formation in % (y/y)	(2.3)	1.2	2.7	13.1	1.0
Consumer price growth in % (y/y, annual average)	3.4	5.1	14.4	11.4	3.8
Nominal wage growth in the national economy in % (y/y)	6.2	8.7	12.0	12.5	12.9
Unemployment rate in % (end of period)	6.8	5.8	5.2	5.1	5.2
NBP base rate in % (end of period)	0.10	1.75	6.75	5.75	5.75

*) Estimate of the PZU Department of Macroeconomic Analyses of 12 July 2024

Source: Statistics Poland/PZU Department of Macroeconomic Analyses

However, the key macroeconomic risks in H2 2024 lie concern inflation. Although current inflation forecasts indicate that it will gradually decline in 2024, but it may still be above inflation targets in many countries. 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 decisions in the area of fiscal and regulatory policy (withdrawal of protective measures in terms of electricity and gas prices). Slower inflation deceleration in Poland may also be caused by persistently elevated wage pressures.

What will be another significant risk is the weakening of economic activity in the external environment. Despite the fading effects of supply shocks caused by the war in Ukraine, tighter financing conditions and further monetary policy efforts could negatively impact GDP dynamics in our economic environment 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 and its financing sectors from other countries as well (including Germany, the UK, the U.S.). Weaker GDP growth rate in our trading partners may in effect mean slower GDP growth than expected in Poland.

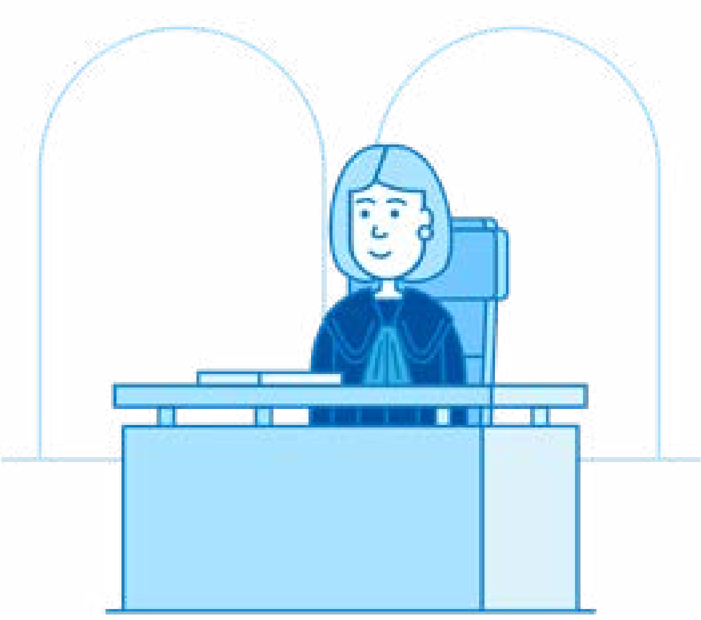
3.7.2. Legal and regulatory factors

The PZU Group's activity and operations are subject to the impact of both national regulations and European legislation.

Insurance

From the point of view of the insurance business, legal regulations and case law affecting premiums, claims paid and other costs, distribution and coverage are particularly important. In 2024, the insurance industry will face increasing regulatory challenges, especially in the context of implementing Recommendation U, the properly implementing tools in the area of analyzing the clients' needs and requirements, and product distribution guidelines. This will mean having to adapt practices to the new regulations and may involve necessary investment in advanced IT systems.

The new Recommendation U on good bancassurance practices was issued on 27 June 2023 by the Polish Financial Supervision Authority. It applies to insurance companies that cooperate with banks, cooperative credit and savings unions, and branches of credit institutions in the field of bancassurance. It introduces new provisions concerning, among other things, ensuring that insurance products offered within the framework of bancassurance, including credit payment insurance (CPI products), provide adequate value for the customer, ensuring a certain way insurance products are offered under bancassurance, and establishing the relationship of the bank with the insurance financier, who is obliged under the contract concluded with the bank to cover the bank's insurance coverage. In addition, remuneration for the distribution of products should be determined with account taken of the interests of the customer and the cost of insurance coverage. As a result, the introduction of the new Recommendation U may result in having to adapt the agreements governing the rules of cooperation between credit institutions and insurance companies and to adapt the insurance products offered within the framework of bancassurance.



The purpose of the Recommendations of the Polish Financial Supervision Authority is to protect the client's interests, and ensure higher quality and transparency of the process of distributing investment-linked life insurance for insurance companies pertaining to the assessment of the suitability of investment-linked life insurance. They come into effect on 1 April 2024. These recommendations will replace the Recommendations for insurance companies on product adequacy testing of 22 March 2016. The new Recommendations take into account the new requirements and obligations issued since then in the area of insurance distribution.

In motor insurance, what will be most significant, is the continued implementation into national legislation of the changes resulting from Directive (EU) 2021/2118 of the European Parliament and of the Council of 24 November 2021. Work in this area began in late 2022, when the first draft amendments to the Act on Compulsory Insurance, the Insurance Indemnity Fund and the Polish Motor Insurers' Bureau were presented. Among other things, the bill provided for a definition of vehicle movement, an increase in the minimum sums guaranteed in MTPL insurance, regulation on the issuance and use of insurance certificates, as well as rules governing the operation of an insolvency fund. In 2024, minimum guarantee amounts are higher in motor third-party liability insurance and farmers' third-party liability insurance in the event of personal injury and property damage.

H2 2024 will also be important in terms of developing a market standard for interpreting the provisions of the Regulation of the European Parliament on digital operational resilience for the financial sector (DORA) and the European Commission Regulation on a framework for Financial Data Access (FIDA). Insurers face a number of challenges to adapt procedures and contracts to the extent required by these regulations[1].

Another instrument was the regulation establishing harmonized rules on artificial intelligence (the Artificial Intelligence Act, AI Act). On July 12, 2024, the Artificial Intelligence Regulation was published in the Official Journal of the European Commission. It defines an artificial intelligence (AI) system. It follows that an AI system is software created using one or more of the techniques and modalities specified in Annex I to the regulation that can, for a given set of human-defined purposes, generate results (outputs), such as content, predictions, recommendations or decisions. The regulation is intended to ensure the security of AI systems placed on or used in the EU market and to facilitate investment and innovation in the field of AI. AI systems operating in PZU will have to pass security requirements depending on the level of risk specified in the regulation.

1) **Dividend-adjusted value The Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector (the Digital Operational Resilience Act, DORA)** came into force on 16 January 2023. The objective of the new provisions is to increase information security of financial operators such as banks, as well as insurance and investment companies. The entities subject to DORA have until 17 January 2025 to adapt to the new requirements

On 28 June 2023, the European Commission published a draft **of the Financial Data Aces Framework (FIDA**). The introduction of the proposed solutions, while raising a number of questions, is expected to bring potential benefits for EU citizens related to the exchange of financial data. FIDA is intended to give clients control to decide how their financial data will be used and by who.

Investments and retirement

The EU Regulation on PEPP (Pan-European Person Pension Products) came into effect on 22 March 2023. The PEPP bill, as for individual retirement accounts (IKE) provides for a unit-linked life insurance contract as an insured form of PEPP, while assuming the option of using various risk mitigation methods specified in the PEPP Regulation, such as the pooling and smoothing mechanism, or, as in the case of PPK, life cycle funds.

Retirement savings products are also the subject of the Act of 7 July 2023 on the Central Pension Information Office, which came into effect on October 5, 2023. The act is intended to provide one–stop access to information on all pension products you own: Social Security (ZUS), Farmers' Social Insurance Fund (KRUS), individual retirement accounts (IKE), individual retirement security accounts (IKZE), employee pension schemes (PPE), employee capital schemes (PPK), open pension funds (OFE) and their status. It is also intended to allow the simulation of future pension benefits, facilitating the decision to save for the future of retirement, and to allow certain actions to be performed on pension product funds and accounts.

On 24 May 2023, the European Commission published its Retail Investment Strategy. The draft provides for the amendment to regulations on the distribution of investment products of both the capital market under MIFID II and the insurance market under IDD. While the amendments are supposed to increase retail customers' interest in investing in the capital market by raising the level of confidence in it, the draft raises major concerns for the Polish insurance market. A number of solutions proposed in the draft RIS may in practice make it impossible to offer insurance savings and investment products, rendering it impossible to pay commissions when distributing such products and limiting of costs in insurance-based investment product (IBIP) only to pan-European benchmarks developed by EIOPA. Consequently, this will reduce the competitiveness of Polish insurers offering such products. The year 2024 will undoubtedly be another year of consultations to work out a compromise between consumer protection and market growth opportunities.

Banking

What significantly contributes to the banking sector's profit are the government programs to support borrowers, including the so-called "credit holidays" and "2% safe loan." The total cost of the credit holidays included in the banks' earnings and/or equity amounted to PLN 14 billion as at the end of 2023. Credit holidays were extended in 2024. They provide an opportunity to postpone mortgage installments and apply only to those loans for which contracts were signed before 1 July 2022, and the loans were granted in PLN. The law extending the credit vacations came into effect on 15 May 2024. It provides that credit vacations will be available from 1 June to 31 August for two months and from 1 September to 31 December for two months. The solution is available for those whose loan does not exceed PLN 1.2 million and who incur loan-related expenses of more than 30% of their income or who support at least three children. The Polish Bank Association estimated the cost to the banking sector of extending the credit vacation for 2024 at PLN 3.7 billion, assuming that a comparable number of borrowers will benefit from it as last year.

The "2% safe loan", under the 2023 formula, has been discontinued as at the beginning of 2024, and is expected to be replaced by another proposal for the borrowers. Work is currently underway on a government bill on 0% credit. It is intended to be submitted to the Sejm in the fall of 2024.

Risk management and sustainable finance

Regulatory burdens of financial institutions related to the growing awareness in sustainable financing, climate change and environment protection are higher thanks to the European regulations.

In 2024, the increased activity of the EU legislators in the field of sustainable finance can be expected to continue. Shifting to a sustainable economy and redirecting financial flows toward investments that support the fight against climate change remains a priority for the European Union.

Many financial institutions already incorporate ESG objectives into management objectives, on par with purely financial objectives. Insurers and banks are more and more often assessed under such criteria as the extent to which their actions mitigate climate change, promote diversity among their employees and management, support an inclusive organizational culture, and increase transparency of decisions and management structures.

We may expect that certain amendments will be introduced in 2024 to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation, SFDR). It will undoubtedly be necessary to harmonize the materiality assessment rules between the SFDR and the Corporate Sustainability Reporting Directive (Corporate Sustainability Reporting Directive, CSRD). Another important issue is the division of green financial products into light green under Article 8 and dark green under Article 9 SFDR.

On December 13, 2023, the European Council and the European Parliament reached a preliminary agreement on amendments to Solvency II. The most important areas of that revision were amendments to the calculation of technical provisions in the areas of risk margin, cost of capital rate (down from 6% to 4.75%), extrapolation, volatility adjustment and interest rate risk. The purpose of the amendment was to simplify the provisions and make the more adjusted to the risks that insurance companies bear. The changes will allow insurers to free up some of the funds that previously had to be held in reserve. This will make it possible to invest them, particularly in the European Green Deal. The revision will introduce new regulations that will force insurance companies to take greater account of and better communicate sustainability risks. This will facilitate the policyholders' understanding of the environmental aspects of the insurance companies' operations. The adoption of the agreement means that work now begins on the technical level, and only after this is completed, will final regulations be available.

A major change has been proposed in the approach to recognizing capital requirements of banking sector entities by including so-called capital buffers. The changes are directed to harmonize insurance regulations and regulations for financial conglomerates. The draft of the new regulations tightens capital requirements in the PZU Group.

3.7.3. Market factors specific to the sectors in which the PZU Group operates

Non-life insurance in Poland

- Higher growth of new car sales, mainly in the dealership channel and financed by leasing companies, may result in higher sales of motor insurance;
- The greater number of cars and traffic may cause an increase in how often claims are made, and consequently an increase in the claims ratio, which will have a negative impact on the outcome of MTPL and MOD insurance;
- With strong price competition in motor insurance and deteriorating technical result in MTPL and MOD, insurers' pricing strategies could affect market share levels in 2024;
- The development of non-motor insurance offerings by, among other things, providing customers with value beyond just insurance coverage will result in the

further development of strategic partnerships between insurers and companies with large customer bases, as well as the creation of customer service ecosystems;

- The increase in sums insured (due to inflation and the risk of underinsurance) for corporate as well as individual customers, so that these sums are updated and adjusted to the real value of the property insured might result in an increase in insurance premiums and claims payments that will ensure the full restoration of damaged or lost property;
- The growth of the construction industry – including the increase in infrastructure and energy transition– related investments – in conjunction with the expected inflow of funds from the European Union's National Recovery Plan and Cohesion Fund will generate increased interest in contract guarantees and construction and assembly insurance;
- The increase in the use of technology and artificial intelligence will result in the rapid growth of the cyber-insurance market, with insurers focusing on offering comprehensive solutions that combine financial protection with prevention and incident response services;
- More intense and increasingly more unpredictable chance events, such as sudden floods, hail, torrential rains, hurricanes, tornadoes, droughts, and spring frosts, are contributing to increasing claims ratios in the non-life insurance sector;
- Climate change which result in, among other things, a greater range of crop species is grown by agricultural producers, which has a positive impact on crop rotation and biodiversity and may influence the development of subsidized agricultural insurance offerings;
- Changes in trends and behavior of customers looking for personalized offerings and a fast, electronic way to conclude contracts and avail themselves of insurance service are forcing the need to adapt quickly to new expectations in order to maintain a competitive edge;
- Better use of data due to technological developments and the use of artificial intelligence will allow the creation of more precise offerings and a better adjustment of price to risk, consequently, building a competitive edge.

Life insurance market in Poland

- Price pressure in group insurance and the competition for client ownership (and client data) cuts the insurer's margins, reduces the scope (quality) of the product and fostering entry and exit obstacles for clients to overcome with independent intermediaries;
- An increase in mortality due to an aging population, an outbreak of epidemics / pandemics (similar to COVID-19), or infectious diseases, will contribute to an increase in claims and a reduction of the insurance portfolio (a decrease in the number of people insured);
- Demographic changes and the aging society as well as the ensuing changes in the current mortality and fertility levels motor the development of the offering for senior citizens;
- Increased insurance awareness (including after the COVID-19 pandemic), changes in client trends and behavior toward personalized life insurance offerings may result in the development of individual insurance, while limiting the potential for the development of group insurance in its current formula;
- Better use of data due to technological developments and the use of artificial intelligence will allow the creation of more precise offerings and a better adjustment of price to risk, consequently, building a competitive edge.

Insurance in the Baltic Countries and Ukraine

- Geopolitical tensions, particularly the ongoing Russia-Ukraine, which has a direct impact on the possibility of conducting insurance operations in Ukraine and on their results;
- More intense and increasingly more unpredictable chance events, such as sudden floods, hail, torrential rains, hurricanes, tornadoes, droughts, and spring frosts, are contributing to increasing claims ratios in the non-life insurance sector;
- Changes in trends and behaviors of clients seeking customized proposals as well as an electronic, swift conclusion of agreements and handling of insurance, force insurers to adapt to these new expectations rapidly;
- Increase in insurance fraud cases as a result of the more difficult situation in numerous industries causing growing unemployment.

Health

- High demand for specialist physicians outstripping supply may slow the growth of health care facilities, as well as reduce the margins they achieve;
- Inflationary pressures from affiliate networks and salary pressures exerted by doctors and other personnel serving patients in medical centers may directly affect the financial performance of PZU Zdrowie;
- Wage pressure combined with an increase in demand for medical services may result in limited ability of providing these services in selected medical centers – medical personnel may prefer/accept only facilities that meet higher employee compensation expectations;
- Changes in trends and expectations of clients, causing greater personalization of the offerings, may bring about the need to change processes and systems, which in turn may affect the bottom-line results achieved;
- Decrease in fertility rates, increase in mortality and morbidity rates, as well as the so-called "health debt" being the consequence of the fact that during the pandemic treatments for certain conditions (e.g., cardiovascular and oncology) were delayed, may translate into greater loss ratio in health products (e.g. in subscription plans or in health insurance);
- The constant pressure on price in group insurance limits the ability to sell new health products that are add-ons to group insurance;
- High competition in the health care services market in terms of both price and scope of the services affects the results;

- High saturation of the market in larger cities and also staff shortages and lack of customer potential in smaller towns may slow down the development of the health offering;
- Potential modification of the valuation of outpatient specialist care services by the National Health Fund may cause significant changes in the financial results generated by medical centers;
- Stronger and/or more aggressive policy geared at the development of the network of own facilities by competitors may significantly affect the possibility of acquiring patients or the competitive position of PZU Życie medical operators in the long term;
- Social and economic consequences related to business restrictions due to the possible emergence of new epidemics or the return of the COVID-19 pandemic could result in restrictions on the operation of medical facilities, which could significantly affect their performance.

Investment funds and Employee Capital Schemes

The performance of investment funds and Employee Capital Schemes will be affected by:

- climate in the financial markets, which is influenced, among other things, by the geopolitical and macroeconomic situation, the actions of foreign central banks and the NBP;
- performance of listed companies, which are indirectly linked to the situation of continued elevated inflation, which will affect the economy;
- clients' propensity to allocate savings in investment and long-term solutions.

Pension funds

- The climate on the capital market (in particular on the Warsaw Stock Exchange, which is affected by the geopolitical and macroeconomic situation) will affect the value of the funds' assets, and the level of fees collected by pension fund companies for management;
- Work on enhancing the performance of the third pillar of the pension scheme, thus making it more attractive, and the influencing the public consciousness of the need for additional saving for future retirement, may affect the amount of new funds flowing into pension funds;
- Work on changes to the tax laws on capital gains tax may affect the propensity to save for retirement - the scale of the impact will depend on the changes that will be introduced.

Banking

- The rate of economic growth in H2 2024, especially personal consumption, which is an important factor in the demand for banking products and the level of risk costs;
- The direction and pace of changes in interest rates, which can significantly translate into the level of net interest margins of banks and, consequently, the results achieved by due to the high sensitivity of the banking sector's results to this parameter;
- The direction and rate of change of interest rates will significantly affect the level of interest margins of banks and, as a result, the amount of results achieved by banks, due to the high sensitivity of the banking sector's result to this parameter;
- The tax and regulatory environment, including in particular, the existence of a tax on certain financial institutions, high requirements in terms of equity capital, the burden on the BFG, costs of further adjustments to numerous regulatory solutions regulatory solutions (including MIFID II, RODO, PSD II, MREL, among others), as well as changes regarding the introduction of the Long-Term Funding, an increase in the countercyclical buffer countercyclical buffer, reform of Regulation No. 575/2013 and Directive 2013/36/EU (the so-called CRR 3 and CRD 6), introduction of new regulatory indicators SOT-NII and SOT-EVE will affect banks' performance;
- The institutional environment, especially foreign currency mortgages, as well as potential rulings by the Court of Justice of the European Union, the Supreme Court or other state institutions in this regard, might increase the burden on the banking sector;
- The government's #naStart housing program consisting of subsidies for loans financing the purchase of the first property by households may have a positive impact on mortgage sales;
- Reform of the reference index, i.e., replacing WIBOR index by WIRON may affect the cost of loans - after the vacations, the government will submit another (third) version of the bill on this issue;
- The inflow of EU funds from the National Recovery Plan, especially in the view of a predicted slowdown of inflows in 2024-2025, from the Union's budget perspective 2021-2027, can provide a significant boost to the economy, positively influencing investment dynamics and demand for business loans;
- The development of banking service offerings by unregulated, which will affect the competitiveness of banking products.

4. Strategy and perspective

4.1. Strategic ambitions by 2024

The PZU Group's existing 2021-2024 "Potential and Growth" strategy is based on focusing on customer needs, personalization and flexibility of offerings, and embedding these requirements in specially created ecosystems. Its achievement involves the implementation of a modern business model with observance of the principles of sustainable development and environmental care. It also assumes an improved quality of life for employees and customers and a commitment to the development of local communities.

PZU Group's strategy for 2021-2024 was built on the basis of **4 fundamental goals:**

- **stable dividend and growth in premiums written and revenues**
- **utilization of PZU Group's potential**
- **innovation**
- **sustainable growth**

Up-to-date strategic metrics by 2024

>28	**Gross insurance revenue of the PZU Capital Group** (PLN bn)
4.3	**PZU Group net profit**[1] (PLN bn)
15.5	**Adjusted return on equity**[2] (aROE %)
1.7	**Health Pillar Revenue** (PLN bn)
1.0	**Banks' contribution to PZU Group's net results** (PLN bn)
60	**Assets under management**[3] (PLN bn)
≥200	**Solvency II ratio** (%)

1) Net profit attributable to the equity holders of the parent company
2) Calculated based on equity excluding other comprehensive income from insurance business (being the impact of changes in the macroeconomic environment on the PZU Group's capital), which provides greater stability to the indicator
3) External client assets under management of TFI PZU, Pekao TFI and Alior TFI

Area 1 – Stable dividend and growing gross written premium and revenue

- **Maintaining growth in key business areas:**

  Insurance – maintaining leadership position; gross insurance revenue higher than PLN 28 billion;

  Health – the fastest-growing company on the health care market; PZU Zdrowie increased its revenues to PLN 1.7 billion, i.e. by 80%;

  Investments – increased assets under management to PLN 60 billion, i.e., by 82%;

  Banks – Alior Bank and Bank Pekao increased their contribution to the Group's financial results to PLN 1.0 billion;

- **Maintaining cost discipline** – maintaining cost efficiency based on cost discipline, digitization, digitalization, and remote and hybrid work. The goal is to reduce the administrative expense ratio by 0.1 p.p. in 2024;
- **Strengthening the potential to generate high net profit** – achieving the highest net profit of PLN 4.3 billion at the end of 2024 since going public on the WSE;
- **Ensuring high business profitability** – maintaining and improving high business profitability. Achieving an adjusted return on equity (attributable to owners of the parent company) – aROE of 15.5%. It is an indicator calculated on an equity basis excluding other comprehensive income from insurance business (being the result of the impact of changes in the macroeconomic environment on the PZU Group's capital);
- **Maintaining an attractive dividend policy** – generating above-average earnings and paying out 50% to 100% of consolidated annual profits.

Area 2 –Leveraging the PZU Group's potential

- **Effective use of databases and knowledge of clients** – harmonizing access to information sources and channels, rolling out analytical tools for machine learning and artificial intelligence, and incorporating them in our business processes;
- **Development of business cooperation with banks and strategic partners** – achieving PLN 3 billion cumulative premiums written in cooperation with Pekao Bank and Alior Bank, by reaching customers with a comprehensive and unique offer of combined insurance and banking products. It plans to broaden the PZU Cash offer, strengthen the insurance position on the energy market and develop cooperation with Strategic partners operating on the e-commerce market;
- **Using all distribution channels** – reaching customers through a variety of distribution channels specifically tailored to their needs and preferences. Clients will receive access to a broad range of modern products, including life and non-life insurance as well as health, investment and banking products customized to their evolving needs at every stage of their life;
- **New approach to health care in Poland** – building health awareness and preventing the occurrence of diseases. Offering the highest quality personalized medical care services;

- **Technological changes in the claims handling process** – introduction of a modern claims and benefits handling process using new technologies to automate and accelerate processes and reduce costs.

Area 3 – Innovative financial group

Use of state-of-the-art technologies in all areas of operations:

- **Digitalization and streamlining of processes** – we continue to implement solutions for clients that are simple, intuitive and universal;
- **Use of AI, Big Data and advanced analytics** – implementation of new technologies should lead to improved operating efficiency and profitability of business, among others through automation and streamlining of decision-making processes;
- **Mobility and omnichannel approach** – utilization of new digital distributions channels to supplement the traditional ones; development of service ecosystems based on modern digital platforms;
- **Cloud computing** – support for technological transformation, including greater efficiency of the infrastructure;
- **Cybersecurity** – protection of our IT networks; introduction of tools for estimating cybersecurity risk in the financial sector.

Area 4 – Sustainable growth

Active participation in safe and responsible transition processes:

- **Expanding the offer** to include green products;
- **Support for social initiatives** aimed at, among others, environmental protection as well as promotion of safety and a sustainable lifestyle;
- **Transparent operations** based on clearly defined ESG criteria as a priority for the PZU Group.

A new **PZU Group strategy for 2025-2027** is currently under development, with a planned completion target of 4Q 2024.

Long-term assumptions – made in defining ambitions

The PZU Group's strategic ambitions until 2024 were based on predictions of both global and local social and economic changes. The most important of them are the new trends after the COVID-19 pandemic, climate change, and changing demographics.

As a result of the COVID-19 pandemic, digitization and the use of advanced technologies have greatly accelerated and new trends have emerged that will shape client preferences and needs in the future. The PZU Group sees these changes as an opportunity to grow faster and strengthen its competitive edge. As data analysis tools, machine learning, artificial intelligence, chatbots, virtual assistants, data mining are developed and the possibilities of integrating sales channels (omnichannel approach) emerge, the PZU Group will be able to strengthen its relationships with clients by offering personalized products in the most accessible way possible.

Climate and environmental issues are also becoming increasingly important in business operations. Climate change, on the one hand, will intensify chance events, namely the occurrence or absence of catastrophic events, such as floods, droughts, heat waves, torrential rains, hail, cyclones or whirlwinds. This will have a direct impact on the amount of claims paid out by PZU, the cost of reinsurance protection, and the level of capital requirements. On the other hand, growing climate awareness opens up opportunities for the PZU Group to develop its product offering in new areas of the insurance and investment business.

The trends related to demographic changes are also important. As the population continues to decline, coupled with the simultaneous aging of the population, the demand for health care and long-term care to senior citizens increases. The PZU Group wants to respond to these challenges by introducing products and services that will genuinely enhance the well-being of people aged 60+.

At the same time, due to the armed conflict in Ukraine and the consequences in the economic and social sphere, there are further challenges and potential risks and among them, for example: rising inflation translating into a decrease in insurance profitability, and indirectly into a decrease in sales by weakening the condition of households and businesses. Simultaneously, the expected increase in TPL prices is not taking place, which could affect sales plans. An increase in interest rates, in turn, results in higher bank profitability, but also in a decline in interest in loans, which could make it difficult for banks to achieve their contribution targets in the long term. Clearly, hostilities translate into the conduct of business of Ukrainian companies belonging to the PZU Group, and therefore the risk of losing business and not achieving the assumed market position.

4.2. Implementation of the strategy in the first half of 2024

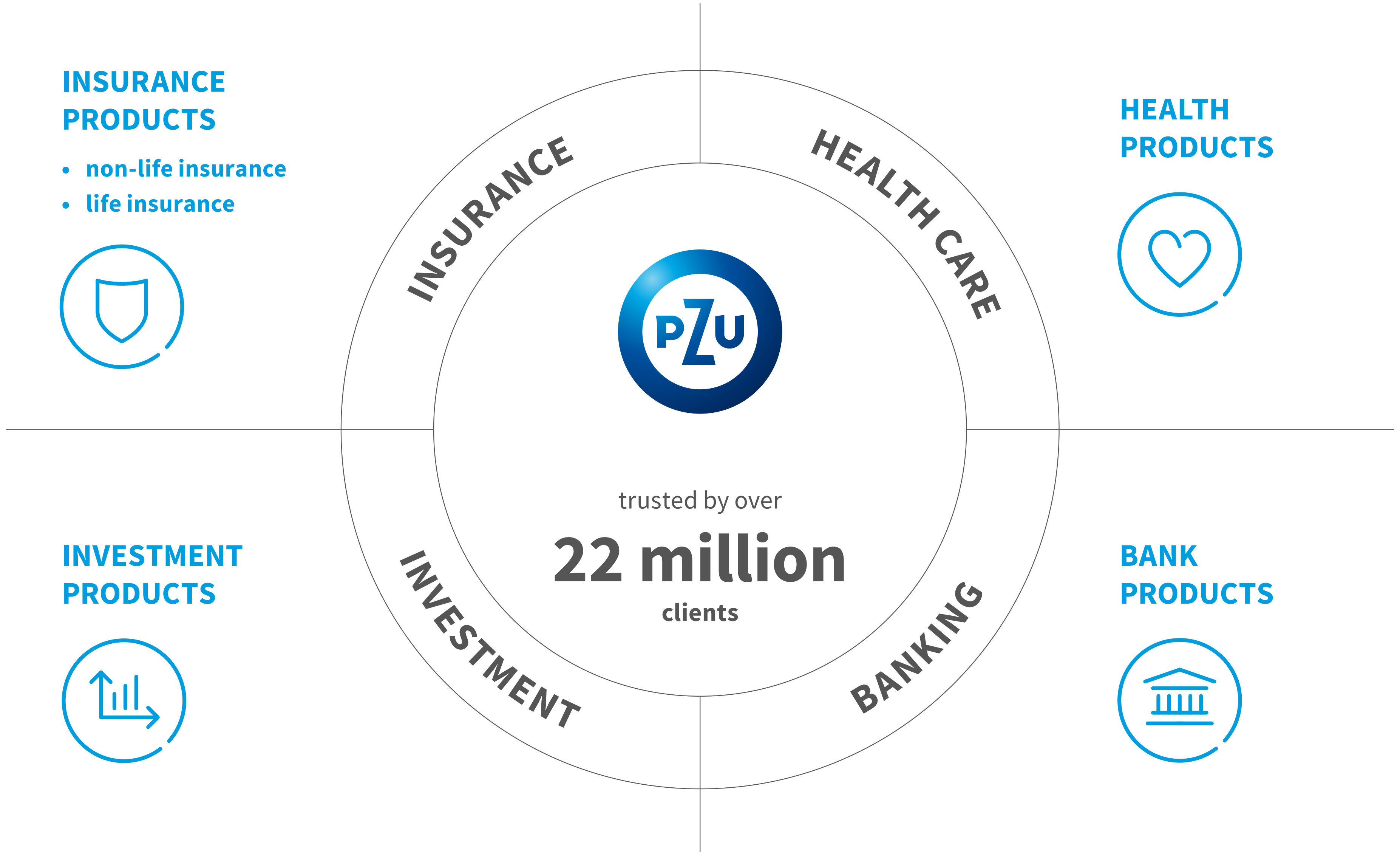
Building the most comprehensive offer on the market

In the first half of 2024, PZU introduced the Life and Health Package, new package life insurance of a protective nature offered to individual clients, which allows them to choose from a range of risks within ready-made packages tailored to meet different client needs. The client can extend the coverage with daily access to comprehensive medical care under PZU Zdrowie. Lifetime coverage is provided in selected packages. Insurance called „Perspective for the Future" was introduced in 1Q2024, combining financial security in case of death and regular capital building for the future. The amount of benefit paid at the end of the contract period is guaranteed and can increase in subsequent years thanks to a bonus mechanism that is unique on the Polish market The insurance allows you to easily extend your coverage, with up to a dozen additional contracts that provide financial support in the event of illness, accident, disability, etc., for example – for the insured as well as for the spouse/ partner and children

From 2023, the #inPZU family of funds expanded to include 6 new index strategies operating in forward-looking market segments: inPZU Zielone Obligacje – the first fund created from scratch to comply with Article 9 of the SFDR, inPZU Obligacje Korporacyjne High Yield, inPZU Akcje Sektora Zrównoważonej Gospodarki Wodnej, inPZU Akcje Sektora Biotechnologii, inPZU Akcje Sektora Technologii Kosmicznych, inPZU Akcje Sektora Cyberbezpieczeństwa. Moreover, TFI PZU has launched two more funds that are part of the sustainable investment trend: PZU Akcje Odpowiedzialnego Rozwoju, PZU Obligacje Odpowiedzialnego Rozwoju.

Business support services

The PZU Group expanded its offering for businesses to include support services – risk management assistance through advisory services and implementation of advanced tools and providing an IT system for fleet management (insurance administration, fleet risk management, advisory services, ongoing legal support for Polish international fleets). PZU offers PZU iFlota, a state-of-the-art system that combines fleet management, insurance management and safety management and addresses the needs of fleet managers. The primary function of PZU iFlota is fleet management with records of vehicles, drivers and various costs, as well as handling fuel cards and maintenance services, among other things. Furthermore, PZU iFlota also has the



option of insurance management, i.e. access to data on current policies and TPL and MOD claims, for the client and for the insurance intermediary, and reporting claims through the app. The third module is a preventive system aimed at improving fleet safety. The history and analyzes of claims allow the fleet manager to obtain information on prevention activities that need to be undertaken to decrease the number and severity of claims. A new tool has been introduced as part of the overall system, the PZU iFlota EV, whose task is the electrification of Polish fleets. In cooperation with VivaDrive, PZU is facing the changing reality and facilitating the introduction of electric cars into Polish businesses. The iFlota EV system provides comprehensive and expert assistance in reducing carbon emissions in the fleet. iFlota is able to guide a corporate client (insured with PZU) step by step through the process of introducing EVs into the company and introduce the topic of EV management. If the customer decides that electric cars are a good solution for them, iFlota (available on PZU's website) will offer calculations that indicate how many of the company's fleet vehicles can be replaced with electric cars. The calculations will also present the savings that are possible to generate with this type of investment, as well as what is the most important – the reduction of CO2 emissions in the company.

PZU's proprietary program and cooperation with Agro Smart Lab provide a new solution offering the Farm Smart system. This is a pioneering cooperation between the insurance sector and an entity that supports smart agriculture. The PZU iAgro platform, based on this system, makes it possible to take advantage of a precise monitoring and signaling system for disease infections and pests. The solution is also characterized by the first CO2 savings calculator integrated with a precision farming system. The system allows you to determine when and how many protective treatments to apply. A procedure carried out too late, or a wrongly identified pathogen, may decrease the quality of the crops. The system is based on the use of modern, self-contained measuring stations. They measure many parameters, for example, air and substrate humidity, precipitation, and leaf wetting time through an "artificial leaf" sensor. The stations are accompanied by pest traps equipped with computer vision systems (AI and Computer Vision algorithms). Each day, they send photos of the pests they have caught to the system, which are tagged and counted by an algorithm. The tool brings together more than 70 mathematical disease models developed by researchers from around the world.

Business ecosystems

Benefits Ecosystem

The goal of building the Benefits Ecosystem is to create new interactions with clients based on their everyday life activities such as physical activity, healthy lifestyle, sports, health, family, safety. The ecosystem consists of a set of advanced digital tools targeted at both employers and individual clients. As part of the Benefits Ecosystem, clients receive:

- access to attractive offerings from third-party partners;
- access to 3500 sports venues under the PZU Sport subscription;
- a tool for digitizing HR tasks, handling employee requests, animating employee communities, and automating the flow of internal documents;
- a tool for managing subscription benefits: medical care, sports passes, etc., which is a synergy with other areas of the PZU Group.

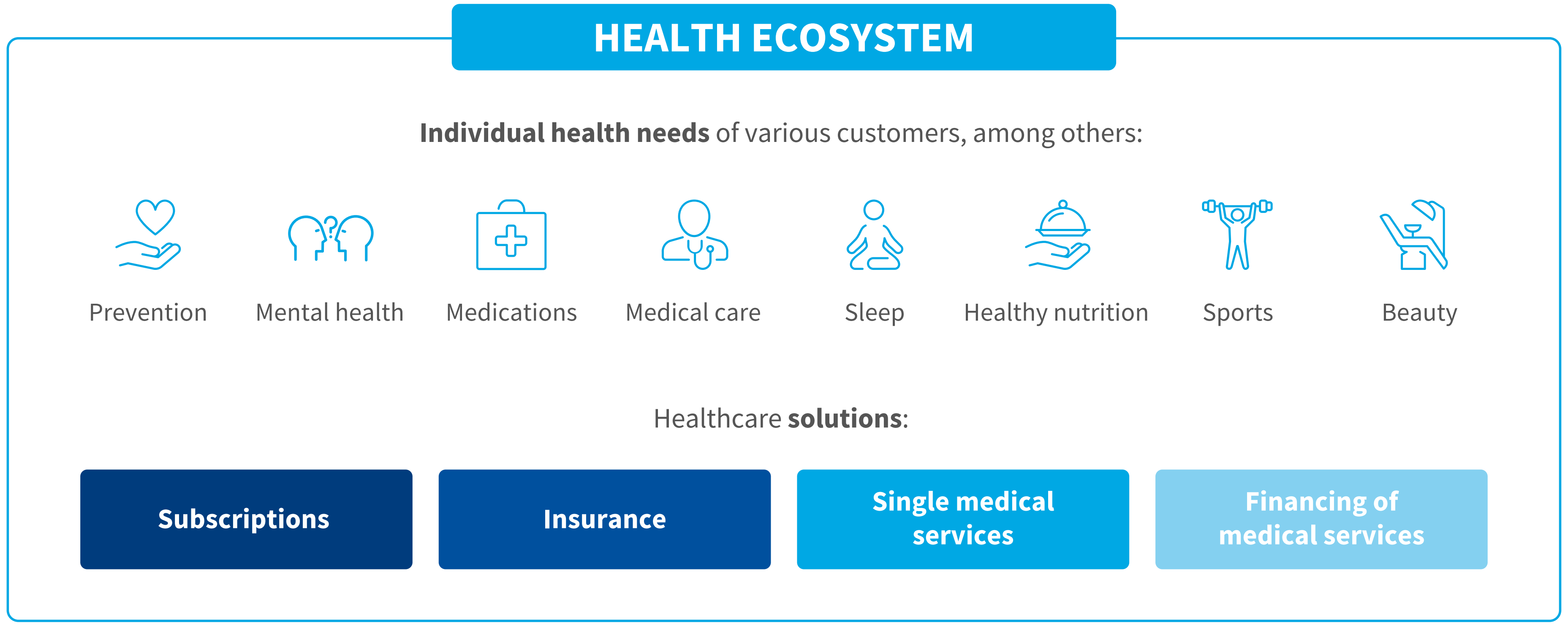
Driver Ecosystem

It is an extensive ecosystem that provides in-depth assistance, including support for buying or selling a car, vehicle health checks, possible repairs and legal assistance, discounts on services from Group partners, arranging a replacement car, among other things. All services are available in one place, through secure and user-friendly digital tools – **the Non Stop Assistance Platform**. The platform for drivers is available to anyone, even those without insurance. In the first half of 2024, the Driver Ecosystem enriched PZU Auto's product offering with a mechanical repair service - Autoservice. This is a new service in PZU Help on the Road insurance in the Super variant, thanks to which the customer gains assistance in the event of a breakdown (up to 2 times during the insurance period), towing of the vehicle to a workshop, coverage of labor costs when repairing the car up to PLN 2,000, a replacement vehicle and many other services.

Ecosystem for Health

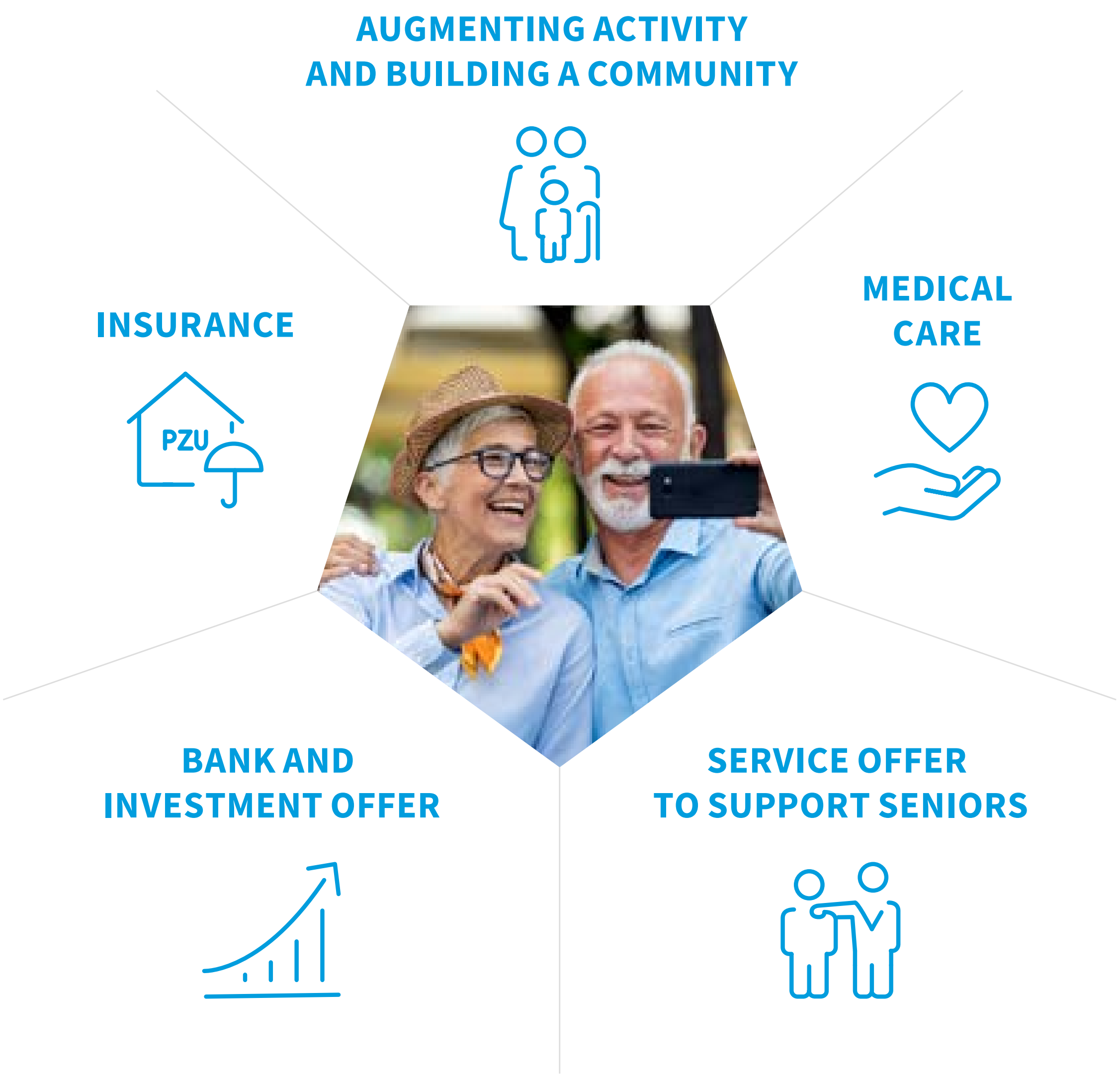
In the health area, the PZU Group offers services relating to healthy nutrition and physical activity, preventive medical testing and full medical care – in the form of insurance, subscriptions or for fee services. The system will include teleconsultations and remote patient monitoring and household treatment while at the same time giving all of the interested parties rapid direct access to physicians in PZU Zdrowie's proprietary outlet network that is constantly growing and undergoing integration.

In June 2024, PZU Zdrowie opened the first center of its own in the district of Białołęka in Warsaw. Patients there can avail themselves of a wide range of specialized medical consultations and examinations for adults and children. The center specializes in gynecology and provides patients with comprehensive medical and diagnostic care for planning and managing pregnancies. PZU Zdrowie is planning to open more medical centers in the second half of 2024.



 # Offer for seniors

In response to the challenges of demographic change, a dedicated offer for seniors has been introduced. The offer will ultimately include the following: insurance corresponding to their expectations in terms of scope and sales and service channels, medical services with special emphasis placed on remote care at home and treatment in health spas, special safe bank and investment products and also a package of services to support seniors in their day-to-day life and community activities: ranging from assistance in traveling to see a physician, delivering medicines, organizing physical therapy, to household repairs or participation in sports classes and courses. The offerings for seniors is, among other things, the "67+ Medical Package" to help adults take care of their health and take precautions in case it may deteriorate. Additionally, a new rider to Individual Continuation was introduced: hospital, heart attack, stroke or cancer insurance.



At the beginning of the year, PZU Zdrowie, in cooperation with the National Institute of Silver Economy, hosted a series of free webinars on the health of mature people. The goal of the Winter Senior Academy was to promote health prevention among senior citizens. Thematic meetings about dietetics, physiotherapy and cardiology, were led by PZU Zdrowie experts.

Introducing an integrated approach to all distribution channels

Development of hybrid service paths in the service and sales process. Digitalization of sales and post-sales processes will ensure an increase of their efficiency and create a new channel for the activation of agents.

Implementing new technologies in the claims and benefits handling process

PZU was the first insurer in Poland to offer its clients innovative tools based on artificial intelligence (AI) to handle motor claims. The AI assistant prepares the initial repair cost estimate based on photos uploaded by the client via the app, which greatly enhances the claim estimation process. In 2023, PZU established a GPT Lab team to analyze and test generative artificial intelligence (GAI) in the company's operations. GAI, represented by ChatGPT, enables the creation of contextual responses to questions and requests.

The PZU Group keeps improving its claims and benefits handling procedures. Adapting to clients' new expectations will help ensure agile and friendly service processes. Access to an extensive vehicle repair network, an efficient service process and a quick disbursement of indemnification or benefits solidify the PZU Group's position as the most reliable insurer on the market. Clients may use the mojePZU portal to, for example, purchase a policy, check their current insurance cover, report a claim and check its status, make a doctor's appointment. mojePZU is continuously developed and supplemented with new functionalities and services, for instance, in sales of insurance products and renewals, handling claims and benefits, and in areas of health and investment.

In 2024, the mojePZU portal was used by more than

4.4 mln

users

Modern agent

Activating the potential of branches

Cooperation with multiagencies and dealer channel

OMNICHANNEL

- We will develop the ability to seamlessly change channels in the sales and service process
- We will provide a personalized offer

Development of digital channel

New sources of value in the corporate segment

Affinity, Bancassurance

TECHNOLOGY IN CLAIM HANDLING

Recognition of damage on the basis of photos

Utilizing artificial intelligence makes it possible to better control and audit traffic damage and speeds up the payout of the amounts claimed.

Automatic data reading from documents

This system processes unstructured documents into a digital format, then it finds the data on the basis of a learned AI model.

AI in the agent application

This solution enhances the quality of insurance documentation already at the stage of its collection thereby reducing the cost of verification.

Using robots to search for a service provider

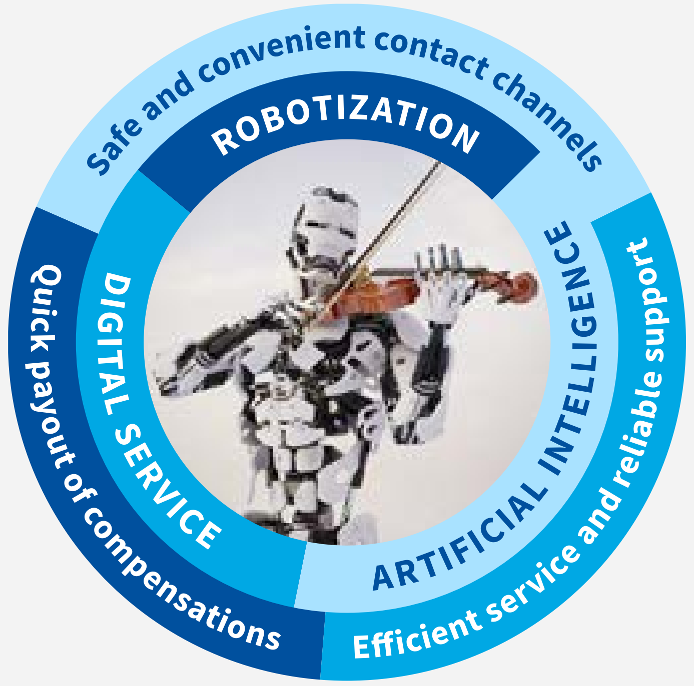
On the basis of a client's location data the robot will find the road assistance unit that is the closest and may fill the order the fastest. It checks its availability and transmits information regarding the client's location.

Anonymizing photos

The model supports the process of preparing photos to put post-accident vehicles up for auction, thereby reducing the work done on manually handling photos.

Automatic segregation and classification of e-mails

Utilizing artificial intelligence in the process of segregating PZU's incoming e-mail correspondence will increase the speed and efficiency of service and reduce costs.



Leveraging the potential of PZU Group companies

LINK4 – will generate a growth in the gross written premium of over 22% (up to PLN 1.3 billion) until 2024 thanks to, among others, further consistent digital transition. Analytics will be a source of growth and savings in marketing processes, sales, claims handling and better client management across all channels (omnichannel approach). This will also translate into an increase in LINK4's share in the TPL market to over 6 percent and, as a consequence, an increase in the property insurance market share to approx. 3%.

LINK4's gross written premium in the first half of 2024 amounted to

PLN 0.6 billion

TUW PZUW – will increase gross written premiums by about 62% to PLN 1 billion by 2024. The assumed increases will be achieved thanks to, among others, operating and cost efficiencies. New products will also be introduced, among others in the cybersecurity area.

TUW PZUW is responding to the challenges of the future. It adopted the first Data Strategy for 2023–2024. The "More Knowledge" strategy sets directions and goals for activities in the areas of management and data analytics and will be implemented in accordance with the mission "We turn data into shared benefits." It is intended to offer even better services to customers and support the implementation of TUW PZUW's business strategy.

As part of business development and building at scale, a conditional agreement was signed on 4 September 2023 to acquire from Orlen SA all of the shares in Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych and Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie. On 12 January 2024, the Polish Financial Supervision Authority did not object to the shares covered by the agreement.

TUW PZUW's gross written premium in the first half of 2024 amounted to

PLN 0.7 billion

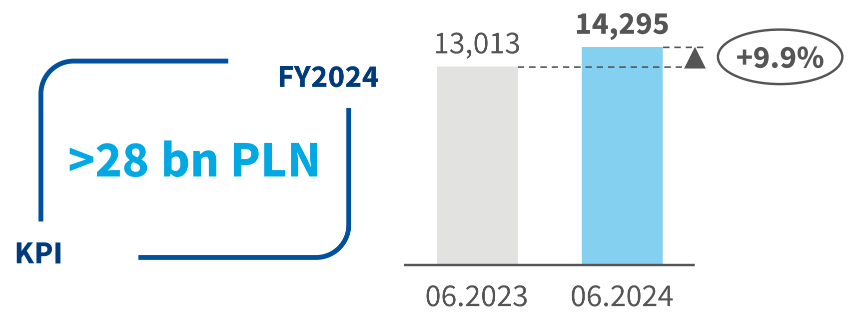
Foreign markets – the strategic objective is to maintain 8% of the PZU Group's overall premium in the form of the gross written premium on international markets.

The share of revenue from the Baltics and Ukraine in PZU Group revenue in the first half of 2024 amounted to

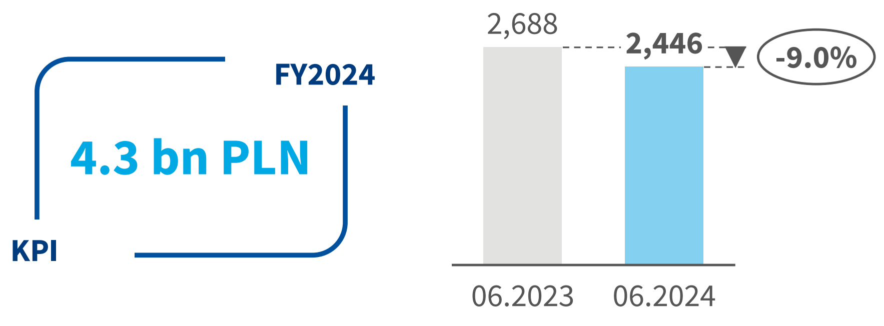
10.0%

Main strategic metrics

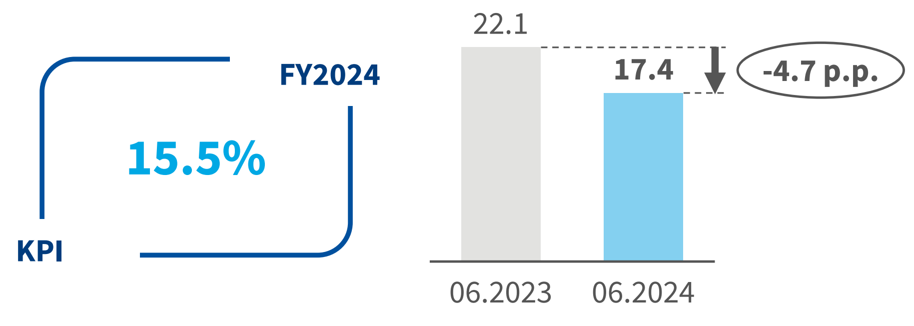
Gross insurance revenue of PZU Group[1] (PLN bn)



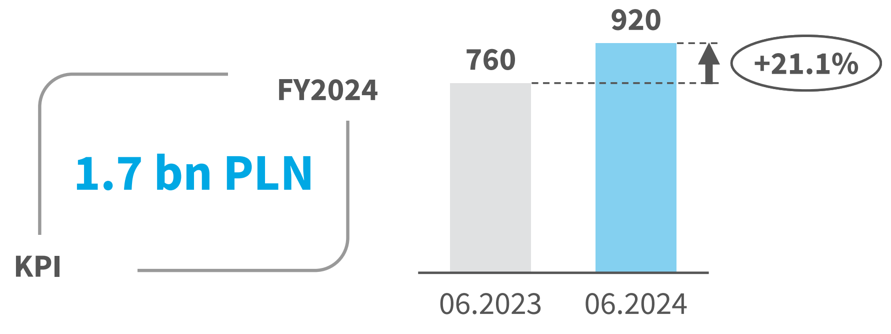
PZU Group net profit[2] (PLN bn)



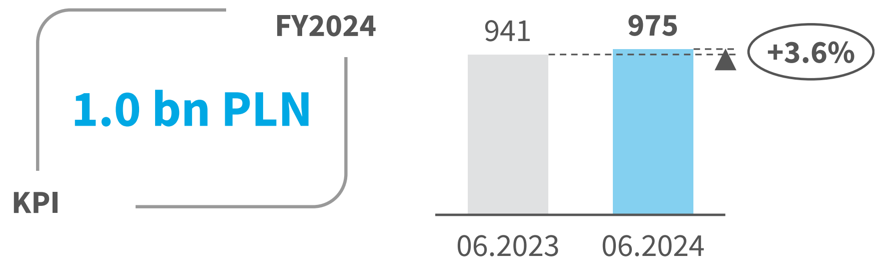
aROE[3] **(%)**



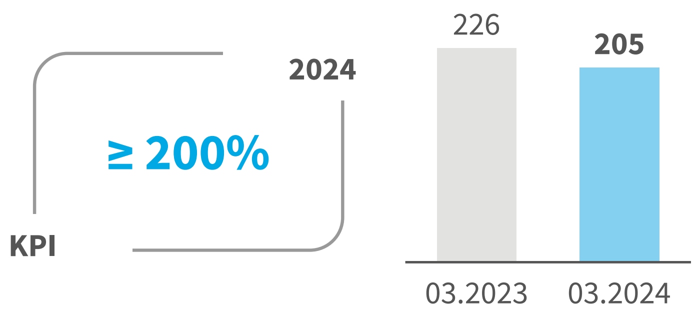
Health Pillar Revenue (PLN bn)



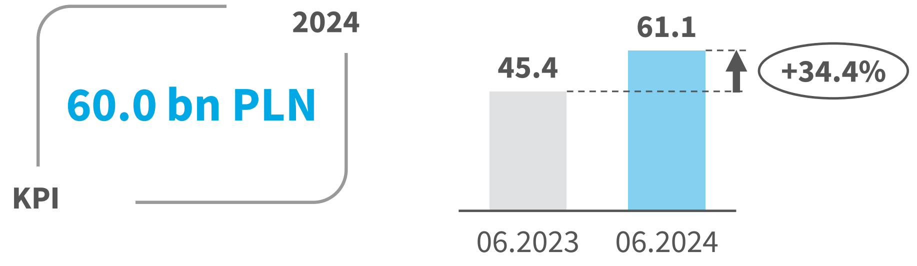
Banks' contribution to PZU Group's net results[2] (PLN bn)



Solvency II ratio[4] (%)



Assets under management[5] (PLN bn)



1) Gross insurance revenue of the PZU Capital Group
2) Net profit attributable to shareholders of the parent company
3) Adjusted return on equity (aROE %) calculated on a capital basis excluding other comprehensive income from insurance operations (showing the impact in the macroeconomic environment on PZU Group's capital)
4) Data unaudited
5) External client assets under management of TFI PZU, Pekao TFI and Alior TFI

04.27.2023 – Presentation „The impact of the implementation of IFRS 17 and changes in the macroeconomic environment on the measures of the PZU Group Strategy 2021-2024
https://www.pzu.pl/_fileserwer/item/1545909

4.3. ESG ambitions for 2030-2050

The UN Agenda for Sustainable Development and its Sustainable Development Goals are the world's largest corporate effort. They set the basis for companies' sustainable development strategies and actions. PZU is also taking steps to implement Agenda 2030.

UN Agenda 2030

PZU has defined Sustainable Development Goals that it can have the best impact on, and included them in the fundamental assumptions of its ESG Strategy. PZU's contribution to the selected goals is evident in daily business practice. Product offerings that support the climate and energy transition are in line with the tasks of Goal 7, Goal 9 and Goal 15. Prevention health and safety activities are PZU's contribution to improving the quality of life of local communities and fulfilling the tasks of Goal 3 and Goal 11. A large impact was also identified by PZU in labor issues such as the terms and conditions of employment offered or gender equality (Goal 5, Goal 8) and in supplier relations through the development of sustainable supply chain practices (Goal 8, Goal 12).

ESG "Balanced Growth" strategy for 2021-2024 sets not only medium-term goals related to business support but also long-term ambitions until 2050, which will allow the PZU Group to carry out sustainable business across the value chain.

According to the current strategy, by 2024, it is planned to:

- achieve climate neutrality in scope 1 and 2, through reduction of energy consumption, use of RES and emission offsets (implementation/support of reduction projects leads to processes that contribute to the reduction of greenhouse gas emissions);
- reduce of other resources in day-to-day operations: water, paper, fuels.

By 2030, it is planned to:

- limit the carbon footprint of more companies in the PZU Group;
- start reducing emissions throughout the chain of PZU Group's cooperating entities.

Between 2040 and 2050, the Group's ambition is to achieve climate neutrality of suppliers and business partners, and ultimately also of insurance clients and investments. In 2024, it is planned to begin work on new strategic directions that will more sincerely address today's challenges of sustainable development.

For detailed information on ESG activities, please see the 2023 PZU Annual Report.

	#Responsible organization	#Trusted Partner in green transformation	#Better quality of life
	We are creating a modern organization managed in a responsible manner	**We support the development of a low-carbon economy, nurturing a sustainable transformation**	**We encourage local communities to conduct sustainable and safe lifestyles**
Our ambitions	An employer committed to responsible leadershipand shaping the right attitudes among employees Trusted business partner promoting the idea of sustainable development	PZU Group developing insurance offerings to support the climate-energy transition Responsible investor supporting safe and sustainable transition Green organization operating on the basis of sustainable decision-making and governance processes	Responsible partner to support safety in local communities A reliable guide to a sustainable lifestyle
Objectives of sustainable development			

2024

By 2024 we plan to use **fully green electricity** (on the basis of certificates of origin from renewable energy sources from suppliers with whom we have direct contracts) and **offset emissions from own sources and heating energy** (scope 1 and 2).

2030

By 2030 we plan to additionally reduce CO2 emissions through further reduction of the carbon footprint in scope 1 (systematic expansion of the fleet of hybrid and electric vehicles) and maintain full climate neutrality in operating activities (scope 1 and 2).

2040

We strive to ensure that **by 2040 the activity of our key partners and subcontractors** is carbon neutral.

2050

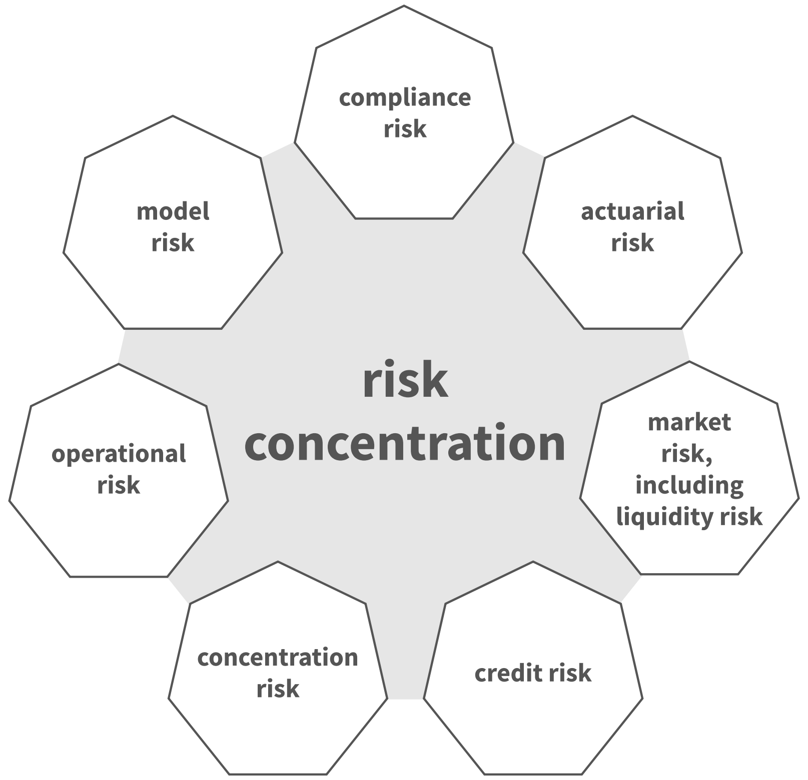
We strive to ensure that by **2050 the activities of all insurance clients and investments are carbon neutral**, in accordance with the European undertakings and the Polish carbon neutrality plan.

5. Risk management

5.1. PZU Group's risk profile

The major risks to which the PZU Group is exposed include the following: actuarial risk, market (including liquidity) risk, credit risk, concentration risk, operational risk, model risk and compliance risk.

Major risks in the PZU Group



The major risks associated with the operation of Alior Bank and Bank Pekao include the following risks: credit risk (including the risk of loan portfolio concentration), operational risk and market risk (involving interest rate risk, FX risk, commodity price risk and financial instrument price risk) and liquidity risk.

The overall risk of the banking sector entities, taking into account PZU's shares in both banks, accounts for approximately 30% of the PZU Group's total risk (Q1 2024), while the largest contribution is in credit risk.

In H1 2024, starting in March, the level of inflation was increasing, which contributed to the cautious approach to the monetary policy conducted by the Monetary Policy Council. However, this situation did not translate into increasing the cost of financing in the reporting period, which was reflected in the continued good repayment and quality of the loan portfolios of PZU Group banks.

High interest rates have not so far resulted in a deterioration in the credit quality of the PZU Group Banks' portfolios, but have had a positive impact on their financial performance. Although the sale of the mortgage loan included in the PZU Group banks' offering under the First Home – 2% Safe Mortgage program, finished at the end of 2023, the sales performance in H1 2024 remained strong in the mortgage loan segment due to increased customer demand.

Given the hostilities taking place in Ukraine, monthly monitoring of related risks continued in H1 2024.

In H1 2024, initiatives were continued for the identification, measurement, assessment and monitoring of the risks associated with sustainable development, in particular with the climate change. The main risks in this area are transition risks and physical risks, which are managed as part of individual risk categories specified below in this Report.

In accordance with the European Commission's Sustainability Reporting Guidelines, transformation risks refer to the transition to a low carbon and climate resilient economy. Physical risk on the other hand entails financial losses stemming from the physical consequences of climate change and encompasses acute (e.g. storms, fires) and long-term risk (rising sea level).

The process of managing individual risk categories takes into account the requirements of sustainable development, also at the level of the PZU Group's subsidiaries, while respecting the provisions of generally applicable laws and those defined in separate internal regulations of the PZU Group, including the ESG Strategy, which is an integral part of the PZU Group Strategy.

Actuarial risk

This is the likelihood of a loss or an adverse change in the value of liabilities under the existing insurance contracts and insurance guarantee agreements, due to inadequate assumptions regarding premium pricing and creating technical provisions.

Risk identification commences with a proposal to develop an insurance product and continues until the expiry of the related liabilities. The identification of actuarial risk is performed, among others, as follows:

- analyzing the general terms and conditions of insurance with respect to the risk being undertaken and compliance with the generally binding legal regulations;
- analyzing the general / specific terms and conditions of insurance or other model agreements with respect to the actuarial risk being undertaken on their basis;
- recognizing the potential risks related to a given product to measure and monitor them at a later time;
- analyzing the impact exerted by the introduction of new insurance products on capital requirements and risk margin computed using the standard formula;
- verifying and validating modifications to insurance products;
- assessing actuarial risk through the prism of similar existing insurance products;
- monitoring of existing products;
- analyzing the policy of underwriting (assessment of the risk accepted for insurance), tariffs, technical provisions

and reinsurance and the claims and benefits handling process.

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

The measurement of actuarial risk is performed using:

- an analysis of selected ratios;
- the scenario method – an analysis of impairment arising from an assumed change in risk factors;
- the factor method – a simplified version of the scenario method, reduced to one scenario per risk factor;
- statistical data;
- exposure and sensitivity measures;
- application of the expertise of the Company's employees.

The monitoring and control of actuarial risk includes a risk level analysis by means of a set of reports on selected ratios.

Reporting aims to ensure effective communication regarding actuarial risk and supports management of actuarial risk at various decision-making levels – from an employee to the supervisory board. The frequency of each report and the scope of information provided therein are tailored to the needs at each decision-making level.

The management actions contemplated in the actuarial risk management process are performed by doing the following:

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

Moreover, mitigation of the actuarial risk inherent in current operations is supported by:

- defining the scopes of liability in the general / specific terms and conditions of insurance or other model agreements;
- co-insurance and reinsurance;
- application of an adequate tariff policy;
- application of the appropriate methodology for calculating technical provisions;
- application of an appropriate procedure to assess underwriting risk;
- application of a correct claims or benefits handling procedure;
- sales decisions and plans;
- prevention.

Reinsurance

Reinsurance protection in the PZU Group secures insurance activity, limiting the consequences of the occurrence of catastrophic phenomena that could adversely affect the financial standing of insurance undertakings. This task is performed through obligatory reinsurance contracts supplemented by facultative reinsurance.

Reinsurance treaties in PZU

PZU consciously and adequately protects the Company's financial result against the results of materialization of natural risks, e.g. severe storms, floods, droughts or fires, associated with, among others, the climate change. For this purpose, the PZU Group runs, among others, periodic analyzes of the non-life insurance portfolio for its exposure to natural disasters. The portfolio is divided into zones with specific degrees of exposure to the risk of floods and cyclones has been introduced. The values of prospective losses are assigned to each one of the zones under analysis. They correspond to the severity of a given phenomenon and, consequently, its specific probability level. On this basis, as part of the annual reinsurance cover program design process, the distribution of the level of possible catastrophic loss is estimated.

PZU uses reinsurance treaties to limit its risk related to catastrophic losses among others through a catastrophic non-proportional excess of loss treaty and a non-proportional excess of loss treaty for crop insurance. The risk related to the consequences of large single losses, in turn, is mitigated under non-proportional reinsurance treaties to protect its portfolios of property, technical, marine, air, third party liability and third party liability motor insurance.

PZU's risk is also mitigated by proportional and non-proportional reinsurance of the financial insurance portfolio (e.g. guarantees, commercial credit) and proportionate reinsurance of cybernetic risks.

PZU's reinsurance partners have high S&P ratings. That evidences the reinsurer's robust financial position and affords the Company security.

PZU's inward reinsurance business involves the PZU Group's other insurance companies. As a result of the exposure to protect Baltic companies, LINK4 and TUW PZUW, PZU continues to generate a high gross written premium by virtue thereof.

In addition, PZU generates gross written premium on inward reinsurance on domestic business through facultative and obligatory reinsurance.

Reinsurance treaties in PZU Życie

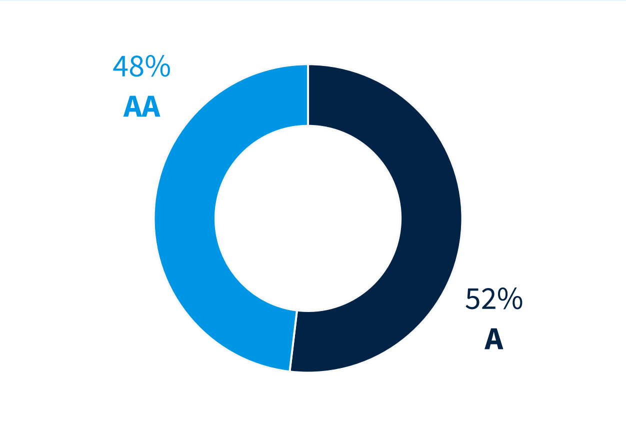
The outward reinsurance treaty entered into by PZU Życie protects the company's entire portfolio against the accumulation of risk and individual policies with higher sums insured.

Reinsurance partners have high S&P ratings. That evidences the reinsurer's robust financial position and affords the Company security.

Reinsurance treaties in the PZU Group's international companies, LINK4 and TUW PZUW

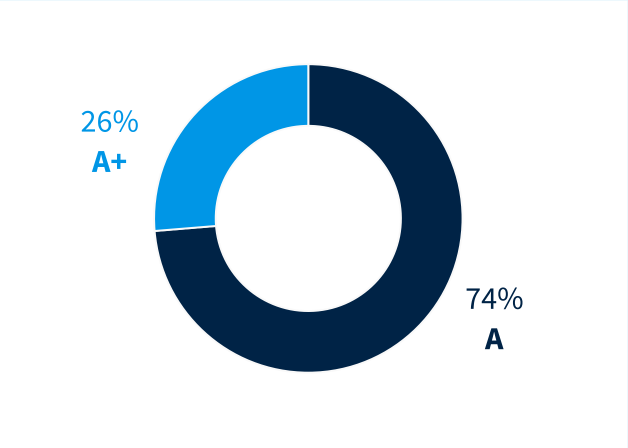
The PZU Group's other insurance companies, i.e., Lietuvos Draudimas, Lietuvos Draudimas Branch in Estonia, AAS BALTA, PZU Ukraine, LINK4 and TUW PZUW have reinsurance cover aligned to the profile of their operations and their financial standing. Every material insurance portfolio is secured with the appropriate obligatory treaty. Reinsurance cover is provided for the most part by PZU, which transfers a portion of the accepted risk outside the Group.

Reinsurance premium under PZU's obligatory treaties according to the S&P/AM Best rating



Main reinsurers in 2024: Munich Re, Hannover Re, Swiss Re, Gen Re, VIG Re.

Reinsurance premium under PZU Życie's obligatory treaties according to the S&P rating



Main reinsurers in 2024: QBE, DEVK, Mapfre, VIG Re.

Market risk, including liquidity risk

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

The risk management process for the credit spread and concentration risk has a different set of traits from the process of managing the other sub-categories of market risk and has been described in a subsequent section (Credit risk and concentration risk) along with the process for managing counterparty insolvency risk.

The market risk in the PZU Group originates from three major sources:

- operations associated with asset and liability matching (ALM portfolio);
- operations associated with active allocation, i.e., designating the optimum medium-term asset structure (non-ALM portfolios);
- banking activity, which generates, in particular, interest rate risk.

Numerous documents approved by supervisory boards, management boards and relevant committees govern investment activity in the PZU Group entities.

Market risk identification consists in the identification of actual and potential sources of this type of risk. For assets, the identification of risk begins with the decision to commence transactions in a given type of financial instrument. Units that make a decision to start entering into such transactions draw up a description of the instrument containing, in particular, a description of the risk factors. They convey this description to the unit responsible for risk that identifies and assesses market risk on that basis.

The identification of market risk associated with insurance liabilities commences with the process of developing an insurance product. It involves identification of the relationship between the cash flows generated by that product and the relevant market risk factors. The identified market risks are subject to assessment using the criterion of materiality, specifying whether the materialization of risk entail a loss capable of affecting the financial condition of a particular PZU Group entity.

Market risk is measured using the following risk measures:

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

In the case of banking entities suitable measures are employed in accordance with the regulations applicable to this sector and best market practices.

Market risk measurement is divided into stages, in particular:

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

The risk measurement is performed:

- daily – for exposure and sensitivity measures of the instruments in systems used by particular PZU Group companies;
- monthly – when using the value at risk model for market risk or a standard formula value at risk);
- quarterly – based on the standard formula.

Monitoring and control of market risk involves an analysis of the level of risk and of the utilization of the designated limits.

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

Management actions in respect of market risk involve in particular:

- execution of transactions serving the purpose of mitigation of market risk, i.e. selling a financial instrument, closing a position on a derivative, purchasing a derivative to hedge a position;
- diversification of the assets portfolio, in particular with respect to market risk categories, maturities of instruments, concentration of exposure in one entity, geographical concentration;
- setting market risk restrictions and limits.

The application of limits is the primary management tool to maintain a risk position within the acceptable level of risk tolerance. The structure of limits for the various categories of market risk and also for the various organizational units is established by appointed committees in such a manner that the limits are consistent with risk tolerance as agreed by the management boards of the PZU Group subsidiaries. Banking sector entities are in this respect subject to additional requirements in the form of sector regulations.

Financial liquidity risk means the possibility of losing the capacity to settle, on an ongoing basis, the PZU Group's liabilities to its clients or business partners. The liquidity risk management system aims to maintain the capacity of fulfilling the entity's liabilities on an ongoing basis. Liquidity risk is managed separately for the insurance part and the bancassurance part.

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

- shortage of liquid cash to satisfy current needs;
- lack of liquidity of financial instruments held;
- the structural mismatch between the maturity of assets and liabilities.

Risk assessment and measurement involve estimation of the shortage of cash to pay for liabilities. The risk estimate and measurement is carried out from the following perspectives:

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

The banks in the PZU Group employ the liquidity risk management metrics stemming from sector regulations, including Recommendation P issued by the Polish Financial Supervision Authority.

To manage the liquidity of the banks in the PZU Group, liquidity ratios are used for different periods ranging from 7 days, to a month, to 12 months and to above 12 months.

Within management of liquidity risk, banks in the PZU Group also analyze the maturity profile over a longer term, depending to a large extent on the adopted assumptions about development of future cash flows connected with items of assets and equity and liabilities. The assumptions take into consideration:

- stability of equity and liabilities with indefinite maturities (e.g. current accounts, cancellations and renewals of deposits, level of their concentration);
- possibility of shortening the maturity period for specific items of assets (e.g. mortgage loans with an early repayment option);
- possibility of selling items of assets (liquidity portfolio).

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

In H1 2024, PZU Group banks achieved stabilization of liquidity ratios. This was due to balance sheet optimization and maintaining deposit rates without significant changes, which consequently stabilized the inflow of new funds.

As at the of H1 2024, liquidity ratios of both banks remain at high and safe levels.

The current conditions did not have a material impact on liquidity risk of PZU Group's insurance business in H1 2024. This liquidity was maintained at a safe level, and there were no grounds to take extraordinary management actions in terms of liquidity risk. As part of routine management actions regarding liquidity risk, the

PZU Group constantly monitored the level of available liquid funds and the current utilization of liquidity limits.

Liquidity risk reporting involves communicating the level of financial liquidity to various decision-making levels. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

The following measures aim to reduce financial liquidity risk:

- maintaining cash in a separate liquidity portfolio at a level consistent with the limits for the portfolio value;
- maintaining sufficient cash in a foreign currency in portfolios of investments earmarked for satisfying insurance liabilities denominated in the given foreign currency;
- provisions of the Agreement on managing portfolios of financial instruments entered into between TFI PZU and PZU regarding limitation of the time for withdrawing cash from the portfolios managed by TFI PZU to at most 3 days after a request for cash is filed;
- the possibility of performing sell-buy-back transactions on treasury securities, including those held until maturity;
- centralization of management of portfolios/funds by TFI PZU;
- limits of liquidity ratios and measures in the banks belonging to the PZU Group.

Credit risk and concentration risk

Credit risk is understood as the risk of a loss or an adverse change in the financial situation resulting from fluctuations in the reliability and creditworthiness of issuers of securities, counterparties and all debtors. It materializes in the form of a counterparty's default on a liability or an increase in credit spread.

The following risk categories are distinguished in terms of credit risk:

- credit spread risk;
- counterparty default risk;
- credit risk in financial insurance.

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

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

Risk assessment consists of estimating the probability of risk materialization and the potential impact exerted by risk materialization on a given entity's financial standing.

The measurement of credit risk is performed using:

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

Concentration risk for a single entity is calculated using the standard formula.

A measure of total concentration risk is the sum of concentration risks for all entities treated separately. In the case of related parties, concentration risk is calculated for all related parties jointly.

In the case of banking entities suitable measures are employed in accordance with the regulations applicable to this sector and best market practices. Credit risk is measured using a set of loan portfolio quality metrics.

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

The monitoring pertains to:

- credit exposure in investment portfolios;
- credit risk exposures in financial insurance;
- exposures to reinsurance;
- exposure limits and risk tolerance limits;
- credit exposures in the processes in effect in banking entities.

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

Management actions in respect of credit risk and concentration risk involve in particular:

- setting limits to curtail exposure to a single entity, group of entities, sectors or countries;
- diversification of the portfolio of assets and financial insurance, especially with regard to the group of related parties, country and sector;
- acceptance of collateral;
- execution of transactions to mitigate credit risk, i.e. selling a financial instrument, closing a derivative, purchasing a hedging derivative, restructuring a debt;
- reinsurance of the financial insurance portfolio.

The structure of credit risk limits and concentration risk limits for various issuers is established by appointed committees in such a manner that the limits are consistent with the adopted risk tolerance determined by the management boards of the respective subsidiaries and in such a manner that they make it possible to minimize the risk of ‘infection’ between concentrated exposures.

In banking activity the provision of credit products is accomplished in accordance with loan granting methodologies appropriate for a given client segment and type of product. The assessment of a client’s creditworthiness preceding a credit decision is performed using tools devised to support the credit process, including a scoring or rating system, external information and the internal databases of a given PZU Group bank. Credit products are granted in accordance with the binding operational procedures stating the relevant actions performed in the lending process, the units responsible for that and the tools used.

To minimize credit risk, adequate collateral is established in line with the credit risk incurred. The establishment of a security interest does not waive the requirement to examine the client’s creditworthiness.

High interest rates in H1 2024 resulted in persistently high loan installments, especially for loans made before 2022. However, this did not materially deteriorate the quality of credit portfolios of PZU Group banks. Potential problems of borrowers were mitigated by the public-assistance tools, which were implemented once again, primarily payment moratoria, or so-called credit vacations.

Operational risk

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

Operational risk is identified in particular by:

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

Operational risk is assessed and measured by:

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

Monitoring and control of operational risk is supported mainly by an established system of operational risk indicators and limits enabling assessment of changes in the level of operational risk over time and assessment of factors that affect the level of this risk in the business.

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

Management actions involving reactions to any identified and assessed operational risks involve primarily:

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

In 2022, PZU and PZU Życie established the Crisis Management Team in the light of the attack by the armed forces of the Russian Federation on Ukraine. The announced Crisis Situation means that there is ongoing monitoring of the current political and market situation, and adequate measures are introduced to ensure, in particular:

- safety of employees;
- business continuity of the companies and security of financial assets of the PZU Group;
- additional safety measures in terms of cybersecurity and physical safety.

The task unit of the Crisis Management Team continuously monitors the situation of Ukrainian companies, also in terms of reaching the assumptions of the “Crisis Situation Management Plan”, as prepared by Ukrainian companies.

Additional cybersafety measures were introduced to mitigate risk with increasing probability of materialization. Anomalies in terms of cyber threats, extending to subsidiaries, are under continuous 24/7 monitoring.

Due to the nationwide implementation of CRP Alert Level 2, BRAVO-CRP (the CRP Alert Level 3, CHARLIE-CRP, was in effect until 29 February 2024) and Alert Level 2, BRAVO, a heightened state of readiness of the physical and cyber security areas has been maintained continuously since February 2022.

Model risk

Model risk, classified by the PZU Group as significant, is defined as the risk of incurring financial losses, incorrectly estimating data reported to the regulatory authority, taking incorrect decision or losing reputation as a result of errors in the development, implementation or application of models.

The formal identification and assessment process for this risk was implemented in PZU and PZU Życie to ensure high-quality practices for model risk assessment.

The model risk management process involves:

- risk identification, which takes place through regular identification of the models used in the areas covered by the process; (identified models are assessed for materiality);
- risk measurement, which is based on the results of independent model validations and monitoring;
- risk monitoring, which involves ongoing analysis of deviations from the adopted points of reference regarding the model risk (including verification of how recommendations are implemented, verification that the level of model risk is acceptable from the point of view of internal regulations);
- risk reporting, which involves communicating the process results on the appropriate management level, in particular results of risk monitoring, validation and measurement;
- management actions, which aim to mitigate the model risk level; they can be active (e.g. recommendations resulting from completed validations) and passive (developing model and model risk management standards).

In the entities from the banking sector, given the high significance of model risk, the management of this risk has already been implemented in the course of adaptation to the requirements of Recommendation W issued by the KNF. Both PZU Group banks have defined standards for the model risk management process, including the rules for developing models and evaluating the quality of their operation, ensuring at the same time appropriate corporate governance solutions.

Compliance risk

The compliance risk understood as the risk tthat PZU, PZU Życie (herinafter „PZU"), other PZU Group companies or related parties may infringe on the law, internal regulations and adopted standards of conduct, including ethical standards, which in particular results or may result in:

- incurring legal sanctions by the Company or persons acting on its behalf;
- incurring financial loss;
- or loss of reputation or credibility.

Compliance risk also includes the risk that the operations performed by the PZU Group will be out of line with the changing legal environment (both in the area of the so called "hard law" and "soft law").

This risk may materialize as a result of delayed implementation or absence of clear and unambiguous laws. This may cause irregularities in business and, as a result, lead to higher costs (for instance, administrative penalties, other financial penalties) and a heightened level of loss of reputation risk. Due to the broad spectrum of the PZUGroup's business, reputation risk is also affected by the risk of litigation that is predominantly inherent in the Group's insurance entities and banks.

PZU and PZU Życie has consistent and uniform solutions for ongoing compliance risk management and monitoring.

Identification, assessment, reporting and analysis of compliance risk are carried out at appropriate levels of risk management at the Company, in accordance with the competencies under the regulations adopted at PZU and PZU Życie.

The compliance risk at PZU and PZU Życie level is analyzed taking into account the cyclical risk self-assessment prepared by the unitary organizational structures as part of the ongoing risk management in the supervised areas. The results of the self-assessment are subject to systematization on the basis of compliance risk awareness arising from activities undertaken by the PZU's compliance function.

These include analyses of the legal situation and legislative changes, supervisory recommendations, results of compliance analyses, findings from investigations of notifications, and participation in implementation projects for new regulations.

Conclusions from systemic risk analyses are one of the factors taken into account in planning in PZU and PZU Życie compliance activities and analyses, and the subject of reporting.

Periodically, sets of reports on the compliance risk management system in PZU and PZU Życie are addressed to Members of the Management Board and the Supervisory Board.

In H1 2024, the PZU's compliance area has been involved in working to ensure that PZU and PZU Życie meets the requirements imposed by a number of legal acts, among which the following can be mentioned:

- revision of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) and the Directive establishing a framework for the recovery and resolution of insurance and reinsurance companies (IRRD);
- draft of the regulation of the European Commission establishing harmonized legislation on artificial intelligence (the Artificial Intelligence Act "AI Act");
- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU (CSRD);
- Regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014 and (EU) No 909/2014 ("DORA");
- draft Act Amending the Mandatory Insurance, Insurance Guarantee Fund and Polish Motor Insurers' Bureau Act and the Insurance and Reinsurance Activity Act;
- Regulation on harmonized rules on fair access to and use of data (Data Act);
- Retail Investment Package adopted by the European Commission (functioning as Retail Investment Strategy: "RIS");
- Act of 26 May 2023 on the mCitizen application;
- European Commission's legislative package on the Financial Data Access (FIDA) framework;

- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, entered into force;
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088;
- Commission Delegated Regulation (EU) 2021/1257 of 21 April 2021 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products;
- Commission Delegated Regulation (EU) 2021/1256 of 21 April 2021 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings;
- Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 with regard to regulatory technical standards specifying the presentation of information in relation to sustainability indicators;
- Directive of the European Parliament and of the Council on corporate sustainability due diligence and amending Directive (EU) 2019/1937 (CSDD);
- Whistleblower Protection Act of 14 June 2024;
- Recommendations of the Polish Financial Supervision Authority for assessing the suitability of an investment-linked product;
- Recommendations of the Polish Financial Supervision Authority on good practices in the bancassurance market (Recommendation U), in particular in terms of ensuring that the product offering complies with the recommendation requirements concerning the value of a product for a customer;
- Stance of the Polish Financial Supervision Authority Office on certain aspects of the use of outsourcing by insurance and reinsurance companies.

PZU makes efforts aimed at ensuring adequate and uniform standards of compliance solutions in all subsidiaries of the PZU Group and monitors compliance risk throughout the entire Group. In 2023 the compliance systems of PZU Group entities were aligned with the standards set by PZU and appropriate to their business profile and scale.

Compliance units of each PZU Group entity are responsible for providing the PZU Compliance Department with full information on compliance risks. They are required to assess and measure compliance risk, undertake and implement appropriate remedial actions, which reduce the likelihood of realization of this risk.

The most significant powers of PZU's Compliance Department in the area of compliance risk in the PZU Group are as follows:

- monitoring observance of the standards of conduct, including ethical standards, in consideration of the best practices adopted in the PZU Group;
- ensuring coordination and uniform solutions in deploying the compliance function and managing compliance risk in the PZU Group;
- initiating and recommending changes in systemic solutions and analyzed processes in place at PZU Group companies ensuing from compliance analyses;
- assessing compliance risk at the level of the PZU Group and execute the compliance function in the PZU Group;
- consulting and exchanging information with subsidiaries of the PZU Group in order to ensure consistency in the process of compliance risk identification and assessment;
- preparing reports and management information regarding the efficiency and adequacy of the compliance function in the PZU Group, and submitting them to the Management Board and the Supervisory Board of PZU;
- providing substantive support and advisory for the PZU Group entities in performing the compliance function tasks;
- consulting and cooperating with PZU Group entities in order to ensure uniform solutions in deploying the compliance function in the PZU Group, fulfilling reporting obligations arising from the Supplementary Supervision Act and adopting a consistent approach of the PZU Group's regulated entities to the preparation of responses to inquiries sent by the Polish Financial Supervision Authority systemically to regulated entities;
- preparing, developing and promoting common training and information standards in the PZU Group;
- providing analysis and ongoing monitoring of the application of "Chinese wall" rules – in connection with the additional investor commitments made by PZU on 21 April 2017 (as part of the proceedings following the notification on the intent to purchase Bank Pekao's shares).

In H1 2024, PZU's Compliance Department took a number of steps to further align the compliance function with the changing regulatory environment, taking into account the PZU Group's current needs, including those related to the PZU Group's status as a financial conglomerate and maintaining processes that ensure adequate and efficient operation of the PZU Group.

Risk concentration

When managing the various categories of risk, the PZU Group identifies, measures and monitors risk concentration. Compliance with the regulatory obligations imposed on groups identified as financial conglomerates is supported by the model introduced in 2020 to manage significant risk concentration in the PZU Financial Conglomerate in keeping with the requirements of the Supplementary Supervision Act.

Supplementary supervision protects the financial stability of lending institutions, insurance undertakings, reinsurance undertakings and investment firms being members of financial conglomerates. The supervision is exercised, among others, through measuring the risk concentration level in the financial conglomerate as a whole, also from the perspective of regulated entities being its members.

The implementation of this model served the purpose of defining the risk concentration management principles and supporting the units involved in the process, in particular through:

- defining the roles and responsibilities of individual participants of the significant risk concentration management process;
- introducing consistent risk definitions;
- introducing the principles of identifying, measuring and assessing risk;
- determining the risk profile of exposures identified as material concentration;
- defining the risk limits and threshold values;
- defining the principles of monitoring significant risk concentrations;
- introducing the principles of reporting and management decision-making.

Regulated subsidiaries monitor and submit regular reports to the leading entity in the PZU Financial Conglomerate on the measures and data required to identify risk concentrations. In the case of identification of an excessive risk concentration, management actions are implemented on the level of the given entity or the whole financial conglomerate.

Risk concentration is measured and monitored, in particular, in the following dimensions:

- concentration per counterparty or group of counterparties;
- concentration per currency;
- concentration per sector of economy;
- concentration per country;
- concentration per asset type.

In addition, stress tests are conducted that involve the combined materialization of various risks.

5.2. Risk management system

The objective of the PZU Group's risk management system is to ensure early identification and adequate management of material risks associated with the activities of the PZU Group and its individual entities. Risk management is one of the key internal processes in the PZU Group. The risk management system in place in PZU is based on three lines of defense. Its framework reflects the standards prevailing in the insurance sector and the guidelines laid down in regulatory regulations.

The ESG risk management processes are part of a broader risk management process in the Group. The ESG risks were also identified at the stage of development of the ESG Strategy entitled "Balanced Growth." They were addressed in strategic commitments, key performance indicators and strategic initiatives. Moreover, selected ESG risks are taken into account in the investment decision-making process and in selected corporate client risk assessment processes, which enable the insurer to evaluate the premium.

The risk management system in the PZU Group

PZU exercises supervision over the PZU Group's risk management system by the power of cooperation agreements entered into with other Group entities and the information provided thereunder. It manages risk at the PZU Group level on an aggregate basis, especially in terms of capital requirements. The cooperation agreements signed with the PZU Group subsidiaries enable the collection and processing of information necessary for appropriate and effective management of risk at the PZU Group level. They also guarantee that the various risks generated by the individual PZU Group entities are assessed and are based on the same standards, taking into account the requirements and restrictions arising from the applicable law. The main elements of the PZU Group's risk management system have been implemented to ensure sectoral consistency and the execution of the various entities' strategic plans and the overall PZU Group's business objectives.

The Risk Management Strategy in the PZU Group is the basis of operation of the risk management system in the PZU Group. The Group has introduced risk management rules for the affiliates identified in the strategy. The rules constitute a recommendation issued by PZU regarding the organization of the risk management system in subsidiaries. Additionally, guidelines regulating the various risk management processes in the PZU Group entities are also issued from time to time. The management boards of PZU Group companies from the financial sector are responsible for fulfilling their own duties in accordance with the generally applicable provisions of national and international law. In particular, they are responsible for the implementation of an adequate and effective risk management system.

Subsidiaries from outside of the financial sector introduce the risk management rules including the allocation of roles and responsibilities and the catalog of risks associated with the relevant activity.

The determination of the appropriate level of risk in each company is the management board's responsibility, whereas a review of the risk management system, especially the risk appetite level, is conducted once a year by the unit responsible for risk, with all actions being coordinated at the PZU Group level.

Internal Control System

Effective risk management is supported by the Internal Control System implemented in PZU, which offers solutions for three levels::

- **1st level -** includes risk management by business process owners in the course of operations;
- **2nd level** - includes risk management by specialized cells responsible for risk identification, measurement, monitoring and reporting and controlling the limits;
- **3rd level** - includes internal audit which conducts independent audits of the individual elements of the risk management system, as well as of control procedures.

The risk management process consists of the following stages:

Identification

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

Measurement and assessment of risk

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

Risk monitoring and control

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

Reporting

Allows for effective communication on risk and supports risk management on various decision-making levels.

Management actions

They include, among others, risk avoidance, risk transfer, risk mitigation, acceptance of risk level, as well as implementation of supporting tools, such as limits, reinsurance programs or regular review of internal regulations.

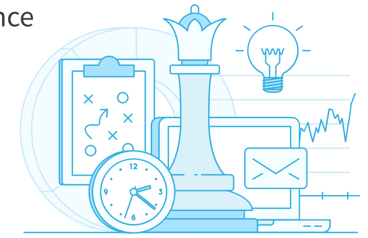
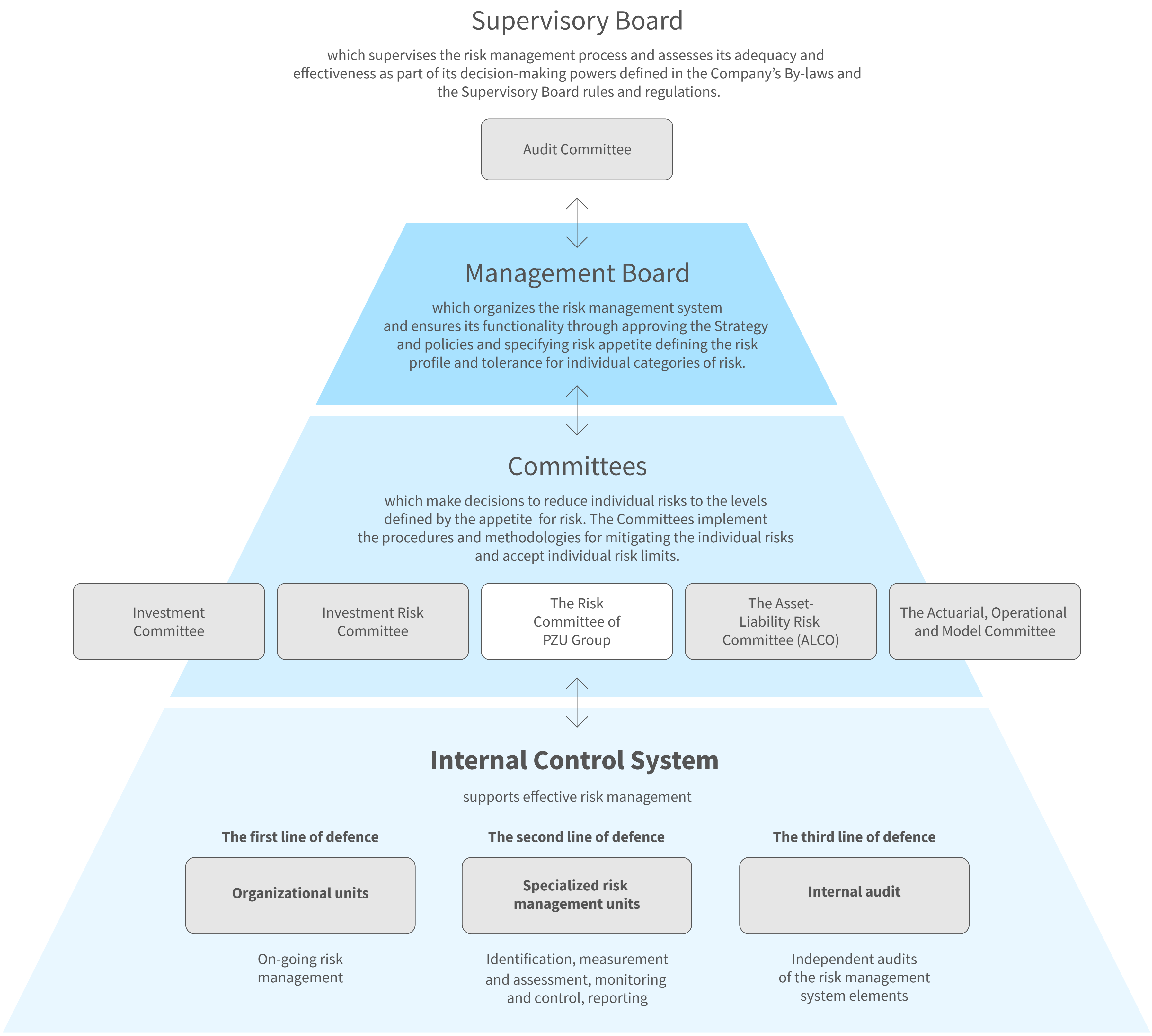


Chart of the organizational structure for the risk management system



Risk appetite

Risk appetite is defined in the PZU Group Risk Management Strategy as the minimum value of the PZU Group's solvency ratio on a consolidated basis and PZU on a standalone basis.

In addition, PZU as the leading entity in the PZU Group Financial Conglomerate manages risk concentration at the level of the overall conglomerate. The leading entity has established the risk concentration management standards, in particular through introduction of rules for identification, measurement and assessment, monitoring and reporting of significant risk concentration and making managerial decisions.

Once a year, the internal audit unit prepares an annual activity report, which includes, in particular, an evaluation of the internal control system and the risk management system. The procedure for preparing the report and its scope are governed by separate internal regulations. For the purposes of report, the risk unit prepares information as to the adequacy and effectiveness of the risk management system.

In 2024, initiatives were continued to improve the identification, measurement, assessment and monitoring of the risks associated with sustainable development, in particular with climate changes. The main risks in this area are transition risks and physical risks, which are managed as part of individual risk categories specified below in this Report. Furthermore, selected ESG risks are subject to separate assessment within the framework of the risk analysis process and the key risk identification process.

The management process for various risk categories comprises requirements of sustainable development, and the same applies at the level of each PZU Group subsidiary, in compliance with prevailing provisions of law and individually defined PZU Group internal policies, including the ESG Strategy which constitutes an integral part of the PZU Group Strategy.

Risk management – subsidiaries

The consistent split of powers and tasks in the PZU Group and in its various financial sector subsidiaries covers four decision-making levels: Supervisory Board, Management Board, Committees and various operating units within the three lines of defense.

1. Supervision over the risk management systems in the various financial sector entities is exercised by supervisory boards. PZU designates its representatives to the supervisory boards of its subsidiaries, including in particular the Alior Bank Group and the Pekao Bank Group.
2. The management boards of PZU Group entities are responsible for executing their own duties in accordance with the generally applicable provisions of national and international law. In particular, they are responsible for implementation of an adequate and effective risk management system. The Management Board organizes the risk management system and ensures that it is operational by adopting strategies and policies, setting the level of risk appetite, defining the risk profile as well as tolerance levels for the individual categories of risk.
3. Committees decide about limiting the levels of individual risks to fit the risk appetite framework they have defined, adopt procedures and methodologies for mitigating the individual risks and accept the limits for individual risk types. Selected members of the Management Boards sit in the Committees.
4. The fourth decision-making level pertains to operational measures in the various business units divided into three lines of defense.

6. Performance and dividend

6.1. Key factors affecting the financial results achieved

In H1 2024, net profit attributable to the shareholders of the PZU Group's parent company was PLN 2,446 million, compared to PLN 2,688 million in h1 2023 (down 9.0%). Net profit reached PLN 5,636 million, i.e. PLN 4.7% less than in the same period of 2023, and profit before tax stood at PLN 7,324 million, compared to PLN 7,673 million the year before.

Operating profit in H1 2024 was PLN 7,319 million, down PLN 4.6% compared to the result in H1 2023.

Key contributors to the change in operating profit included in particular:

- lower result in the mass non-life insurance segment (PLN -564 million) – deterioration in the result from insurance services (with the growing sale of MTPL and MOD as well as non-motor insurance), mainly related to higher claims, including higher liabilities of the current year, and recognition of a loss component as a consequence of increased claims inflation in an amount exceeding the amortization from the opening balance sheet;
- lower results in the banking segment (PLN -49 million), in particular due to the recognition of the provision for legal risk costs of currency mortgage loans at the level of PLN 270 million compared to PLN 48 million in H1 2023, and due to rising operating expenses of banks, including mainly HR costs. The negative effect was partially offset by higher interest income resulting from rising loan volumes at Bank Pekao (despite the recognition of "credit holidays" costs in H1 2024), and at Alior Bank – by a significant decrease in interest expense due to a reduction in the borrowing costs;
- a decrease in operating profit in the investment segment (PLN -28 million), mainly caused by lower earnings from the commercial real estate portfolio due to last year's higher income from swap points on currency hedging instruments as well as due to the negative impact of portfolio valuation measurement, particularly in the office segment;
- higher operating profit in the group and individually continued life insurance segment (PLN +142 million), in particular as a result of an increase in the result from insurance services as well as the higher result from investments allocated to the segment;
- better performance of the Baltic business (PLN +35 million) due to the improved investment result and higher revenues from insurance contracts triggered by higher sales of non-life insurance, partially offset by higher liabilities on claims in the current year and a higher level of amortization of acquisition expenses and administration costs;
- better performance on the operating activities of the individual protective life insurance products segment (PLN +22 million), primarily, as a result of improved performance on insurance services;
- an increase in operating profit in the pension insurance segment (PLN +15 million), mainly due to higher management fees resulting from higher average net assets of the funds, arising out of good capital market situation;
- an increase in operating profit in the corporate non-life insurance segment (PLN +2 million), as a result of better performance on investments (particularly due to an increase in the required balance of assets to cover liabilities and the purchase of high-yield Polish sovereign bonds for the portfolio) partially offset by a decline in earnings from insurance services.

In the individual operating result items, the PZU Group posted:

- insurance revenue growth of 9.9% – to PLN 14,295 million, (PLN +1,108 million after reinsurance premium allocation), including an increase in the amortization of liabilities for remaining coverage (LRC) as a consequence of higher sales of mainly non-motor insurance in both non-life insurance segments (securing large contracts in H2 2023) and MOD (an increase in average premiums resulting from the growing value of vehicles, and thus sums insured), and to a lesser extent – MPTL (in the mass non-life insurance segment). Higher revenues were recorded in the group and individual continued insurance segment as a result of higher premiums needed to cover expected claims and benefits (+142 million PLN y/y) following higher expected utilization of health insurance benefits (+99.5 million PLN y/y), to the level of observed loss ratio and in the Baltics segment due to increased sales of non-life insurance. The increase in the level of insurance contract revenue is also triggered by a higher y/y level of premiums allocated to acquisition expenses as a consequence of growing sales;

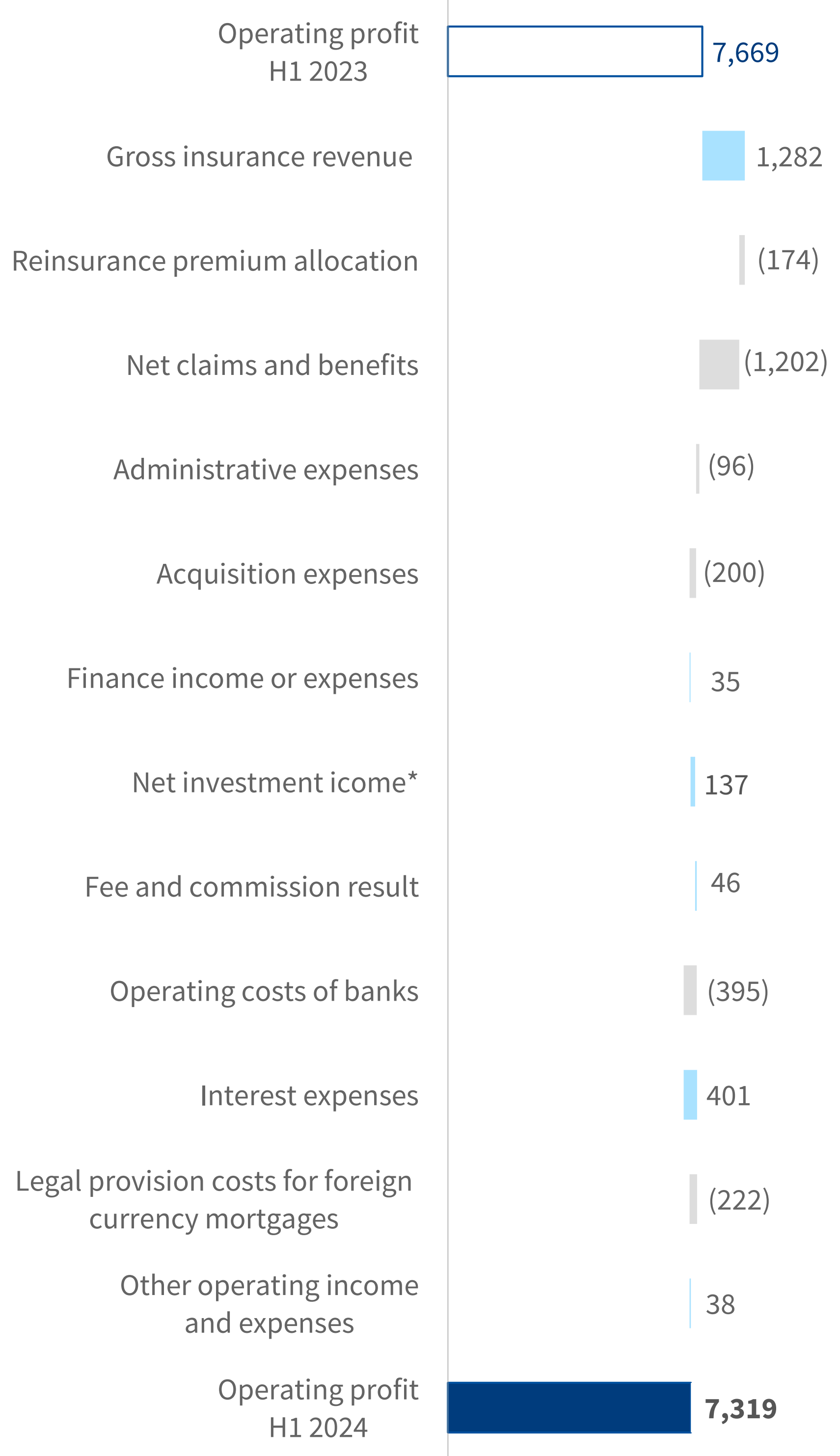
- the higher level of insurance service expenses, which amounted to PLN 11,945 million, i.e. 2.1% more than in H1 2023. Expenses adjusted for the amounts recoverable from reinsurers increased by PLN 1,498 million, and this resulted from
  - higher liabilities of the current year, including in particular in the mass non-life insurance segment, and to a lesser degree, in the group and individually continued life insurance segments, as well as in the Baltic companies;
  - in the corresponding period of 2023, the release of the provision without payment in the contract guarantee in the amount of PLN 60.3 million;
  - amortization of acquisition cash flow (impact of change in the sales distribution channels);
  - recognition of a loss component in the mass non-life insurance segment as a consequence of increased claims inflation in an amount exceeding the amortization from the opening balance sheet;
  - higher administrative costs attributable to insurance activities in the segments of insurance business in Poland due to an increase IT and HR costs and own costs (as a result of the increase in minimum and average wages);
- 1.0% higher investment income, without interest expenses, and 5.8% higher income with interest expenses[1] (increase from PLN 9,251 million to PLN 9,789 million). The growth pertained to investment income from banking activities and was related, in particular, to an increase in interest income of both banks, including due to higher loan volumes and stable net interest margins at Bank Pekao, despite the recognition of “credit holidays” costs of PLN 234 million. At Alior Bank, the increase in interest income is a consequence of a significant decrease in interest expense due to a reduction in the borrowing costs, partially offset by creating a provision for “credit holidays” costs in the amount of PLN 86 million and of a relatively smaller decrease in interest income caused by a reduction in interest rates. At the same time, a decline in investment income was posted in investment activity, net of banking activity[2]. This income was lower than in the comparable period of 2023, mainly because of a decrease in results on investment activities on the asset portfolio covering investment products and because of lower results from the real estate portfolio due to last year’s higher income from swap points on currency hedging instruments as well as due to the negative impact of portfolio valuation measurement, particularly in the office segment. The impact of the above factors was partially offset by higher results of the following portfolios:
  - Private Equity due to improvement in the technology market, which is an important part of the portfolio, and due to the fact that a significant number of portfolio funds entered a strong growth phase;
  - sovereign bonds measured at fair value through other comprehensive income as a result of purchasing high-yield Polish sovereign bonds for the portfolio;

  Worse performance on the asset portfolio covering investment products did not affect the PZU Group’s total net profit, as it was offset by the insurance finance income or expenses;
- an increase in net fees and commissions result to PLN 1,851 million compared to PLN 1,805 million in H1 2023, mainly related to an increase in revenues from management of mutual funds due to the rising level of assets under management;
- movement in the negative balance of other operating income and expenses – to PLN 1,362 million, compared with PLN 1,400 million in H1 2023. It was mainly related to lower unallocated costs in insurance activities and donation costs. In addition, there was a PLN 30 million higher charge for payments to the Bank Guarantee Fund in H1 2024, while the charge for the tax on financial institutions increased in total from PLN 741 million in H1 2023 to PLN 779 million in H1 2024 (this is the result of an increase in taxable assets, not the tax rate).

1) including: 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, net movement in fair value of assets and liabilities measured at fair value, and interest expenses

2) banking activity: data of Bank Pekao and Alior Bank

Operating result of the PZU Group in H1 2024
(PLN million)



*) excluding interest expense

Basic amounts of the consolidated profit and loss account	1 January – 30 June 2023* PLN million	1 January – 30 June 2024 PLN million
Insurance service result before reinsurance	1,309	2,350
Insurance revenue	13,013	14,295
Insurance service expenses	(11,704)	(11,945)
Net income or expenses from reinsurance contracts held	681	(750)
Reinsurance premium allocation	(724)	(898)
Amounts recoverable from reinsurers	1,405	148
Insurance service result	1,990	1,600
Insurance finance income or expenses	(883)	(928)
Financial income and expenses from reinsurance	10	90
Fees and commissions result	1,805	1,851
Net investment result**	13,737	13,874
Operating costs of banks	(3,056)	(3,451)
Legal risk costs of foreign currency mortgage loans	(48)	(270)
Interest expenses	(4,486)	(4,085)
Other operating income and expenses	(1,400)	(1,362)
Operating profit (loss)	7,669	7,319
Share of the net financial results of entities measured by the equity method	4	5
Profit (loss) before tax	7,673	7,324
Income tax	(1,757)	(1,688)
Net profit (loss)	5,916	5,636
Net profit (loss) attributable to the equity holders of the parent company	2,688	2,446

*) restated data

**) including: 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

6.2. PZU Group's income and costs

Insurance revenue

In H1 2024, the insurance revenue of PZU Group reached PLN 14,295 million, i.e. 9.9% more (PLN 1,282 million) than in H1 2023. The change in the level of insurance revenues was driven predominantly by:

- an increase of PLN 537 million (+9.3% y/y, to PLN 6,308 million) in insurance revenues in the mass non-life segment and an increase of PLN 531 million after reinsurance premium allocation, including an increase in the amortization of liabilities for remaining coverage (LRC) as a consequence of higher sales of non-motor insurance and MOD (an increase in average premiums resulting from the growing value of vehicles and an increase in the number of contracts), and to a lesser extent – higher sales of MTPL. The higher level of insurance contract revenue is also triggered by a higher y/y level of premiums allocated to acquisition expenses as a consequence of growing sales and a simultaneous increase in commission costs, resulting from changes in the sales distribution channels;
- an increase of PLN 344 million (+17.6% y/y, to PLN 2,298 million) in insurance revenues in the corporate non-life insurance segment – including amortization of liabilities for remaining coverage (LRC) (PLN +322 million), mainly as a result of higher sales growth in non-motor insurance (the result of securing large contracts in H2 2023) and in MOD (an increase in average premiums and in the number of contracts). After reinsurance premium allocations, revenues increased by PLN 179 million. The higher level of insurance revenue was also triggered by a higher y/y level of premiums allocated to cover acquisition expenses as a consequence of growing sales;
- higher revenues in the group and individually continued life insurance segment (PLN +216 million y/y) as a result of higher premiums needed to cover expected claims and benefits following high utilization of health insurance benefits (PLN +99.5 million PLN y/y) to the level of observed loss ratio and higher revenues to cover expected costs and rising acquisition expenses;
- higher insurance revenues in the Baltic countries segment (gross revenue growth of PLN 111 million y/y, revenue growth after reinsurance premium allocation of PLN 108 million) as a result of higher sales in non-life insurance segment;
- higher insurance revenues in the individual protective insurance segment (up PLN 51 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 allocated to cover costs and expected claims and benefits.

PZU Group insurance revenues in H1 2024 (in PLN million)

14,295

Fees and commissions result

In H1 2024, fees and commissions result amounted to PLN 1,851 million, and was by PLN 46 million, i.e. 2.5%, higher than in the same period of 2023. The revenues included primarily:

- net revenues from fees and commissions in the banking activities of PLN 1,508 million, down PLN 28 million, or -1.8%, as compared to last year; mainly due to a decrease in revenues from margin on foreign exchange transactions with clients;
- pension insurance revenues – at PLN 85 million, up PLN 16 million, or 23.2%, compared to the same period of the previous year, mainly due to an increase in fund management fees resulting from higher average net assets of the funds, arising out of good capital market situation;
- revenues and fees received from funds and mutual fund management companies of PLN 256 million, up PLN 58 million, or 29.3%, as compared to H1 2023, including an increase in management revenues as a result of achieving higher level of assets under management.

Commissions and fees result in H1 2024 (PLN million)

1,851

Net investment result and interest expenses

In H1 2024, net investment result including interest expense excluding Bank Pekao and Alior Bank amounted to PLN 1,461 million, down by PLN 82 million from the comparable period of the previous year. The lower level of result on investment activities excluding banking activities related in particular to a PLN 115 million decrease in the results generated on the asset portfolio that constitute investment insurance coverage, which has no impact on the PZU Group's total net result, as it is offset by insurance finance income or expenses. At the same time, there was an increase in performance excluding banking activities and the asset portfolio for investment insurance coverage, which was due to improved performance primarily in the following portfolios:

- Private Equity due to improvement in the technology market, which is an important part of the portfolio, and due to the fact that a significant number of portfolio funds entered a strong growth phase;
- sovereign bonds measured at fair value through other comprehensive income as a result of purchasing high-yield Polish sovereign bonds for the portfolio.

The above increases were partially offset by lower earnings from the valuation of the real estate portfolioand a decrease in comparison with the first half of 2023 of revenues from swap points on currency hedging instruments.

Result on other operating income and expenses

In H1 2024, the balance of other operating income and expenses was negative and stood at PLN 1,362 million, compared to the also negative balance of PLN 1,400 million in the same period of 2023. The balance change was caused by the following factors:

- costs not allocated to insurance activities lower by PLN 17 million;
- level of donations lower by PLN 35 million;
- higher fees to the Bank Guarantee Fund by PLN 30 million, the total burden on banks in H1 2024 rose to PLN 279 million;
- higher charge of the levy on financial institutions, which in the case of the PZU Group (insurance and banking activities considered jointly) increased from PLN 741 million in H1 2023 to PLN 779 million in the same period of 2024.

Insurance service expenses (PZU Group)

Insurance service expenses were PLN 11,945 million, i.e. increased by PLN 241 million, i.e. by 2.1%, as compared to H1 2023. Expenses adjusted for the amounts recoverable from reinsurers increased by PLN 1,498 million, and this resulted from:

- in the mass non-life insurance segment – higher liabilities of the current year and expenses, including amortization of acquisition expenses (impact of growing share of the multiagency channel in the portfolio), and recognition of a loss component as a consequence of frequency of events and increased claims inflation in an amount exceeding the amortization from the opening balance sheet;
- in corporate non-life insurance segment – release of a lower net excess of prior years' claims reserves over the current projected value (in the same period of 2023, the impact of the release of the reserve without the payment in the contract guarantee in the amount of PLN 60.3 million), higher liabilities for the current year's claims, and higher amortization of acquisition expenses;

Insurance segments (PLN million)	Insurance revenue	
	1 January - 30 June 2023	1 January- 30 June 2024
TOTAL	13,013	14,295
Total Non-life insurance – Poland	7,725	8,606
Mass insurance – Poland	5,771	6,308
MTPL insurance	2,106	2,211
MOD	1,590	1,781
Other products	2,075	2,316
Corporate insurance – Poland	1,954	2,298
MTPL insurance	323	315
MOD	445	488
Other products	1,186	1,495
Total life insurance – Poland	3,994	4,263
Group and individually continued insurance – Poland	3,634	3,850
Individual insurance – Poland	311	362
Investment insurance – Poland	49	51
Total Non-life insurance – Ukraine and the Baltic Countries	1,252	1,389
Ukraine – non-life insurance	79	105
Baltic Countries – non-life insurance	1,172	1,284
Toral life insurance – Ukraine and Baltic Countries	42	38
Ukraine – life insurance	20	16
Baltic Countries – life insurance	22	22

- higher claims and benefits of the current period 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;
- higher liabilities for the current year's claims in the Baltic countries segment as a result of the increase in the value of the portfolio, administrative expenses attributable to the insurance business and amortization of acquisition expenses;
- higher liabilities for current year claims, costs including amortization of acquisition expenses in the individual protection life insurance segment;
- higher administrative costs attributable to insurance activities in the segments of insurance business in Poland due to an increase in HR costs and real estate (rental services) and IT costs.

Financial income and expenses from PZU Group insurance

Insurance finance income or expenses in H1 2024 were PLN -928 million, as compared to PLN -883 million in the corresponding period of 2023 (including the financial revenues and expenses on the reinsurance activities, respectively, PLN -838 million and PLN -873 million). The decrease in costs was influenced in particular by the lower valuation of liabilities from investment insurance.

Operating costs of banks

The banks' operating costs amounted to PLN 3,451 million in H1 2024 against PLN 3,056 million in the same period of 2023, an increase of PLN 395 million y/y. The increase in costs was caused, in particular, by higher HR costs (indexation of salaries) at both banks and higher costs for IT and marketing services at Alior Bank.

Legal risk costs of foreign currency mortgage loans

Legal risk costs of foreign currency mortgage loans increased in H1 2024 to PLN 270 million compared to PLN 48 million in the same period of 2023, which, among other things, was caused by the creation of additional provisions resulting from the updated parameters of the provision calculation for these loans (the probability of losing court cases and the distribution of possible judgments) and reflecting the current state of judgments in the amount of PLN 243 million at Bank Pekao and PLN 28 million at Alior Bank.

Drivers and atypical events affecting the results

In H1 2024 PZU Group's result was burdened by non-recurring effects related to banking activities including:

- legal risk costs of foreign currency mortgage loans at Bank Pekao in the amount of PLN 243 million;
- costs related to the modification of agreements for PLN mortgage loans granted to consumers due to their suspension of loan repayments (the so-called credit holidays), in the amount of PLN 234 million at Bank Pekao and PLN 86 million at Alior Bank.

In the same period last year, the PZU Group's result was burdened by legal risk costs of foreign currency mortgage loans at Bank Pekao in the amount of PLN 45 million.

6.3. PZU Group's asset and liability structure

As at 30 June 2024, the PZU Group's total assets were PLN 482,272 million, up PLN 14,327 million compared to the end of 2023.

Assets

Loan receivables from clients constituted 46.8% of the Group's assets (similarly to the end of 2023). Their balance reached PLN 225,637 million. Compared to the end of 2023, it increased by PLN 6,763 million chiefly due to an increase in mortgage loans for retail clients.

44.7% of assets (versus 44,6% at the end of 2023) were investments: financial assets, investment property, derivatives and financial assets pledged as collateral for liabilities. They totaled PLN 215,336 million, and were up by PLN 6,802 million as compared to the end of last year. The increase in investments was mainly related to the banking activities including debt instruments at Bank Pekao. 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.

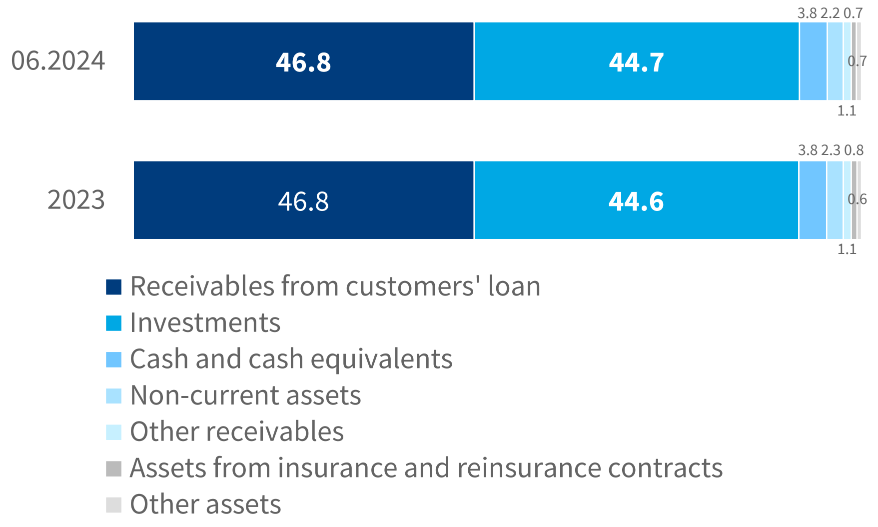
2.2% of assets (versus 2.3% at the end of 2023) were non-current assets in the form of intangible assets, goodwill and property, plant and equipment. They amounted to PLN 10,532 million, and were by PLN 118 million lower as compared to the end of 2023. The decrease was in property, plant and equipment, and in goodwill.

3.8% of assets as at 30 June 2024 and the end of 2023 were cash and cash equivalents. Their value was PLN 18,443 million, and was PLN 741 million higher than at the end of 2023. This was mainly determined by an increase in the cash balance in bank accounts at Bank Pekao.

1.1% of assets (versus 1.1% at the end of 2023) represented the PZU Group's receivables, including receivables under the current income tax. They amounted to PLN 5,181 million, and were by PLN 65 million lower as compared to the end of 2023. The decrease was primarily due to lower receivables on account of payment card settlements.

0.1% of assets as at 30 June 2024 and the end of 2023 were the assets held for sale. At the end of June 2024, their balance fell by PLN 36 million, to PLN 585 million.

Structure of PZU Group assets (in %)



This concerned mainly the properties held for sale by real estate sector mutual funds since the expected investment horizon has been reached.

Equity and liabilities

At of 30 June 2024, the PZU Group's consolidated equity reached PLN 58,188 million, which was down PLN 2,364 million compared to the end of 2023.

The value of the non-controlling interests decreased by PLN 1,294 million to PLN 29,221 million. This was the result of earmarking PLN 5,039 million for dividends by Bank Pekao and PLN 577 million – by Alior Bank (including PLN 4,424 million for minority shareholders) and the profit attributable to non-controlling owners of PLN 3,190 million (generated by Alior Bank and Bank Pekao).

Equity attributable to the parent company's shareholders dropped by PLN 1,070 million to PLN 28,967 million. This results from the distribution of PZU's profit for 2023 in the amount of PLN 3,983 million, plus PLN 854 million transferred from the supplementary capital created from net profit generated in the year ending on 31 December 2022, allocated for disbursement of dividends of PLN 3,748 million. This was partially offset by the net profit attributable to the owners of the parent company of PLN 2,446 million in H1 2024.

65.8% of the Group's equity and liabilities as of 30 June 2024 were liabilities to clients under deposits. They amounted to PLN 317,318 million, and were by PLN 13,537 million higher as compared to the end of 2023. This was influenced mainly by an increase in current and time deposits at Bank Pekao and Alior Bank.

As of 30 June 2024, the PZU Group had liabilities arising from own debt securities totaling PLN 15,299 million, including:

- PLN 13,500 million on bonds issued by Bank Pekao and Alior Bank;
- PLN 766 million on certificates of deposit issued by Alior Bank;

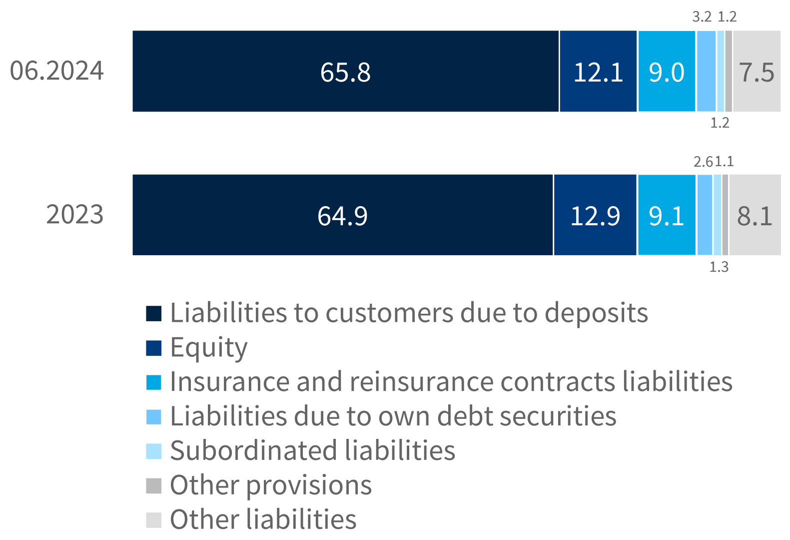
- PLN 1,033 million on covered bonds issued by Bank Pekao.

At of 30 June 2024, the PZU Group's subordinated liabilities reached PLN 5,863 million, which was down PLN 303 million compared to 2023.

At the end of June 2024, net insurance contract liabilities amounted to PLN 43,408 million and accounted for 9.0% of total equity and liabilities. Compared to the liabilities as at 31 December 2023, they increased by PLN 1,045 million.

4.0% of equity and liabilities at the end of June 2024 was other liabilities in the amount of PLN 19,305 million. They were PLN 2,325 million higher than at the end of 2023. The change in the balance was driven primarily by liabilities to PZU shareholders for dividends.

Structure of PZU Group's equity and liabilities (in %)



Cash flow statement

As of 30 June 2024, net cash flow was PLN 758 million, up by PLN 2,399 million compared to the previous year. This increase was recorded in particular in net cash flows from investment activity.

Material off-balance sheet line items

The value of contingent liabilities as of 30 June 2024 was PLN 83,228 million, that is PLN 2,555 million more than at the end of 2023. The balance consisted primarily of the following items:

- PLN 5,437 million in contingent liabilities for renewable limits in settlement accounts and credit cards;
- PLN 55,293 million in liabilities from loans in tranches;
- PLN 9,669 million in liabilities in the form of awarded guarantees and sureties;
- PLN 6,956 million in factoring liabilities.

6.4. Contribution made by the market segments to the consolidated result

The following industry segments were identified in order to facilitate management of the PZU Group:

- corporate insurance (non-life insurance) – a broad scope of non-life insurance offered by PZU, TUW PZUW and Polski Gaz TUW, TPL and motor insurance products customized to a client's needs entailing individual underwriting;
- mass insurance (non-life insurance) – property, accident, TPL and motor insurance products offered to individual clients and entities in the small and medium enterprise sector by PZU and LINK4;
- group and individually continued insurance (life insurance) – 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;
- individual protection insurance (life insurance) – 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;
- life investment insurance – unit-linked insurance with significant insurance risk (investment agreements that are not investment contracts;
- 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;
- pension insurance – the segment includes income and expenses of PZU OFE pension funds;
- banking – a broad range of banking products offered to corporate and retail clients by Bank Pekao and Alior Bank;
- Baltic Countries – non-life insurance and life insurance products provided in the territories of Lithuania, Latvia and Estonia;
- Ukraine – non-life insurance and life insurance products provided in the territory of Ukraine;
- investment contracts – include PZU Życie products that do not transfer material insurance risk and do not satisfy the definition of insurance contract; these are some of the products with a guaranteed rate of return and in unit-linked form;
- other – consolidated companies that are not classified in any of the enumerated segments.

Corporate insurance

The operating profit in the corporate insurance segment in H1 2024 was PLN 487 million, meaning it was up by PLN 2 million or 0.4%% compared to the corresponding period in 2023. The improvement in the operating profit resulted from better performance on investments (PLN +22 million y/y) and deteriorated performance on insurance services (PLN -18 million y/y, after reinsurers' share).

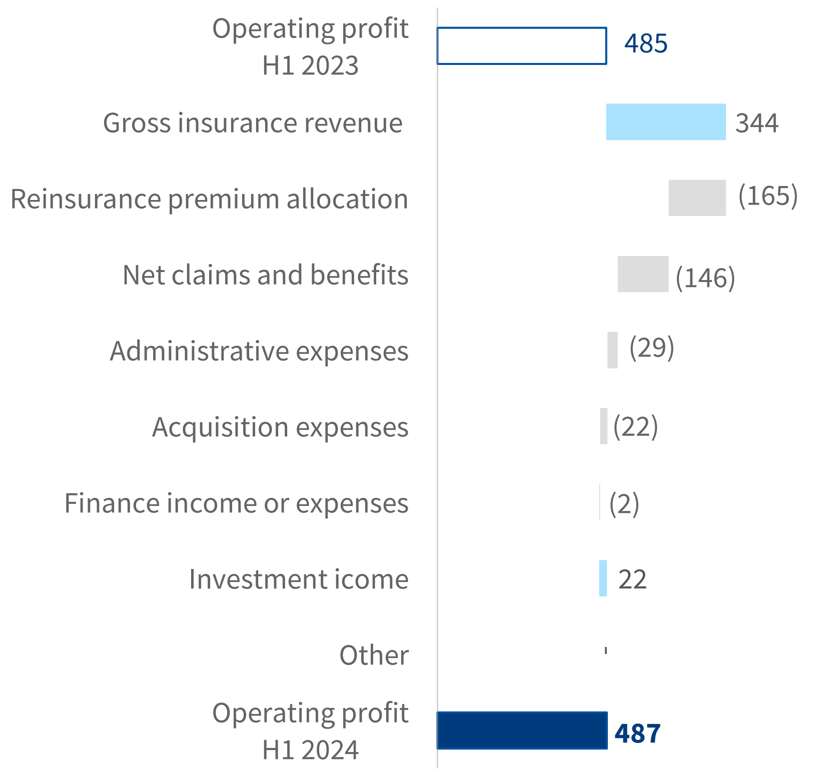
The profit was driven mainly by:

- **increase in revenues from insurance contracts** compared to the corresponding period of 2023 by PLN 344 million, i.e.: +17.6 y/y (PLN +179 million y/y after reinsurance premium allocation). The increase in reveues resulted from an increase in the amortization of liabilities (LRC) as a consequence of a higher sales, mainly in non-motor insurance products an MOD, at the same time as revenue declined in the MTPL group. The increase in amortization of liabilities in non-motor insurance is a result of securing 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 power generation customer with a premium of more than PLN 200 million. The effect was reinforced by strong sales in H1 2024 in strategic client area. In MOD, 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, as well as the increase in the number of contracts. The higher level of insurance contract revenues was also triggered by a higher y/y level of premiums allocated to cover acquisition expenses (PLN +22 million), which resulted from the portfolio development.
- **higer level of insurance service expenses**, adjusted by amounts recoverable from reinsurers, increased by PLN 197 million y/y (+20.3% y/y), which together with an increase in the net revenues from insurance products by 13.4% y/y, means deterioration of the profitability measured by the combined ratio (COR) which was increased by 4.4 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 HR costs, and own costs (as a consequence of the increase in minimum and average wages);

- the release of a lower y/y net excess of prior years' claims reserves over the current value of payouts – in the same period of 2023, the impact of the release of the reserve without the payment in the contract guarantee in the amount of PLN 60.3 million;
- positive impact (PLN +9 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;

Result on insurance of the corporate insurance segment
(in PLN million)



- **an increase** of PLN 22 million (+13.5% y/y) in the **investment income** compared to the comparable period of the previous year was, in particular, due to an increase in the required level of assets to cover liabilities and the purchase of high-yield Polish sovereign bonds for the portfolio, as well as a positive impact of exchange rate differences, partially offset by lower interest rates. 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.
- insurance **finance income or expenses** (after reinsurance allocation) slightly decreased (PLN -2 million y/y) and amounted to PLN -41 million.

In H1 2024, the segment recorded PLN 1,023 million in gross profit from insurance services (excluding the reinsurer's share), an increase of PLN 1,402 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 a significant impact on the net insurance service result, which amounted to PLN 343 million, lower than the result achieved in Q1 2024 by PLN 18 million.

Mass insurance

The operating profit in the mass insurance segment in H1 2024 was PLN 437 million, down by PLN 564 million or 56.3% compared to H1 2023. The lower profit was the result of a deterioration in net insurance service result (PLN -524 million), as well as insurance income and expenses, with better performance on investments (PLN +9 million).

The profit was driven mainly by:

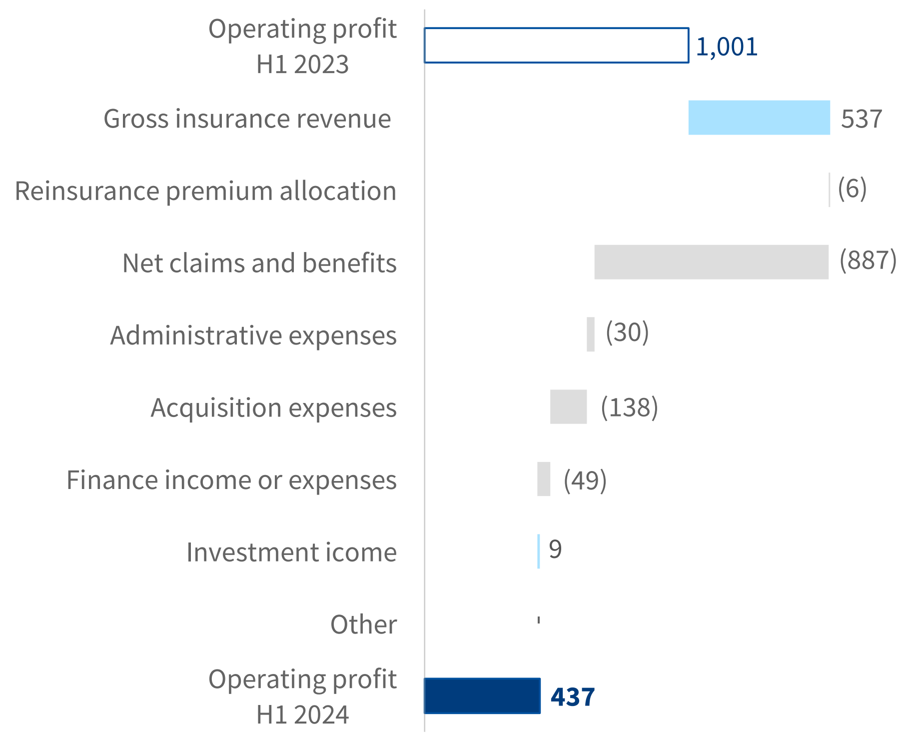
- **an increase in gross revenues from insurance contracts** as compared to H1 2023 by PLN 537 million, i.e.: +9.3% y/y (PLN +531 million y/y after reinsurance premium allocation). The increase resulted from an increase in the amortization of liabilities (LRC) as a consequence of higher sales both of MTPL & MOD and of non-motor insurance. 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, which was linked to higher vehicle availability than a year ago and a 16.0% y/y increase in new car registrations. The increase in LRC depreciation in non-motor insurance is mainly a consequence of the development of PZU Dom housing insurance, and the subsequent impact of refreshing the offer and the higher clients' propensity to raise sums insured, as well as the development of PZU Firma offered to small and medium-sized enterprises. The higher level of revenue is also triggered by a higher level of premiums allocated to cover acquisition expenses compared to H1 2023 (+10.7% y/y) as a cumulative effect of increasing sales with a simultaneous increase in commission costs, caused, among other things, by higher share of the multi-agency and broker channels in the portfolio;
- **the higher level of insurance service expenses**, adjusted by amounts recoverable from reinsurers, increased by PLN 1,055 million y/y (+21.3% y/y), which together with an increase in the net revenues from insurance contracts by 9,3% y/y, means deterioration of the profitability measured by the combined ratio (COR) which was increased by 9.5 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 the growing share of the multi-agency channel in the portfolio) and administrative expenses attributable to the insurance activities. The increase in administrative expenses results primarily from higher IT and HR costs, and own costs (as a consequence of the increase in minimum and average wages);
  - recognition of a loss component, including on the inward reinsurance portfolio with PZU Group companies as a consequence of increased claims inflation and frequency of events exceeding 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;
- **an increase** of PLN 9 million (+2.5% y/y) **in the investment income** compared to the comparable period of the previous year was, in particular, due to an increase in the required level of assets to cover liabilities and the purchase of high-yield Polish sovereign bonds for the portfolio, as well as a positive impact of exchange rate differences, partially offset

by lower interest rates. 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;

- **insurance finance income or expenses** net were PLN -172 million, which translates into an increase in expenses by PLN 49 million y/y triggered mainly by the negative impact of exchange rate differences offset by an increase in the valuation measurement of assets covering foreign currency liabilities.

In H1 2024, the segment recorded PLN 263 million in gross profit from insurance services (excluding the reinsurer's share), a decrease of PLN 531 million y/y. **The net insurance service result** amounted to PLN 235 million, down from the result achieved in 1Q 2024 by PLN 524 million.

Result on insurance of the mass insurance segment
(in PLN million)



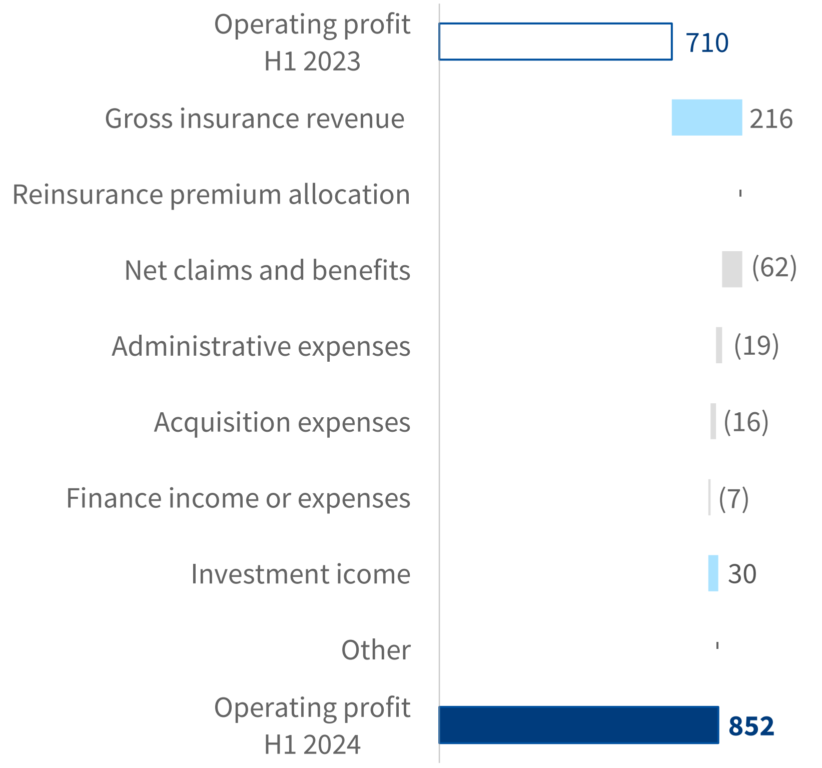
Group and individually continued insurance

In H1 2024, the group insurance and individually continued insurance segment achieved PLN 852 million in operating profit, an increase of PLN 142 million, or 20.0%, compared to the same period last year.

The profit was driven mainly by:

- **higher level of revenues from insurance contracts** compared to the corresponding period of 2023 by PLN 216 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 +142 million y/y) following a high expected 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) as well as higher claims and benefits in other group insurance;
  - higher revenues to cover expected costs and rising acquisition expenses (total PLN +84 million y/y) – the impact of higher fixed costs (including HR and IT) and the increasing share of remuneration for intermediaries;
  - a decrease in contractual margin release (PLN -6 million y/y) resulting from an increase in release on the individually continued insurance (PLN +10 million y/y) and the group insurance portfolio (PLN +8 million y/y), and lower release on the health insurance portfolio (PLN -23 million y/y);
- **an increase in insurance service expenses** by PLN 97 million y/y (+3.1% y/y) which together with an increase in the net revenues from insurance contracts by 5.9% y/y resulted in the improvement of the profitability measured by the ratio of insurance service result to revenues from insurance contracts increasing by 2.2 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 expenses (PLN +19 million y/y) as a consequence of higher HR costs (impact of salary increases) 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 -27 million (which means a deterioration of PLN 27 million y/y) is mainly a consequence of the higher creation of the loss component to the old portfolio of group insurance with low premiums and group health insurance as a result of the slowdown in premium tariff-setting in an environment of high medical services inflation;
- **an increase** of PLN 30 million (+7.3% y/y) **in the investment income** compared to the comparable period of the previous year was, in particular, due to an increase in the required level of assets to cover liabilities and the purchase of high-yield Polish sovereign bonds for the portfolio;

Result on insurance of the group and individually continued insurance segment (in PLN million)



- **insurance finance income or expenses** were PLN -256 million, which translates into an increase in expenses by PLN 7 million y/y triggered mainly by fluctuations in interest rates.

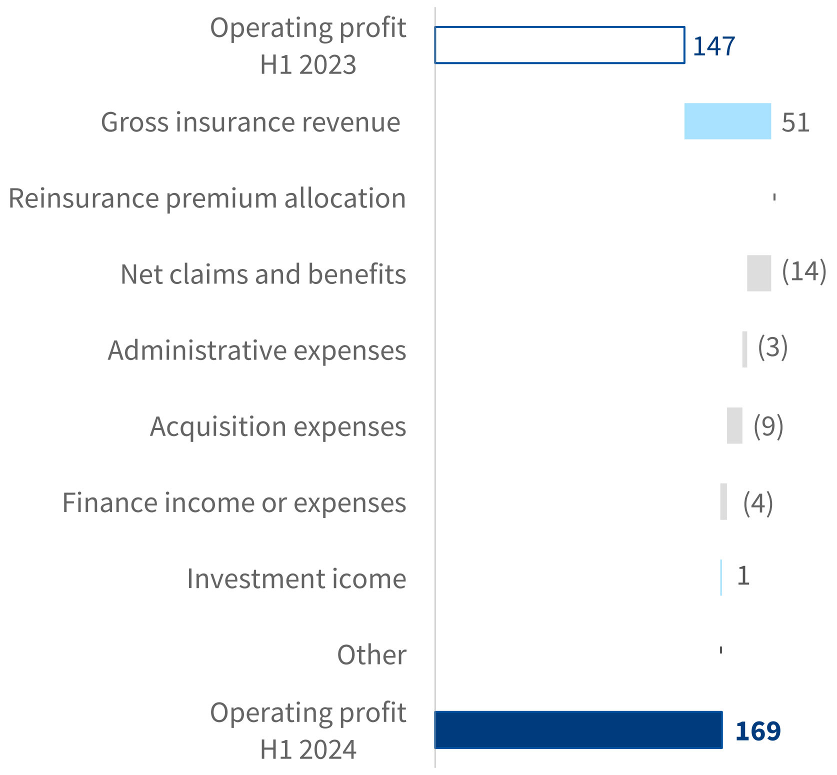
Individual insurance

In H1 2024, the individual insurance segment posted an operating profit of PLN 169 million, up PLN 22 million, or 15.0%, compared to the corresponding period last year. This was mainly due to a change in the insurance service result (PLN +25 million y/y), with an even level of the investment income allocated to the segment (PLN +1 million y/y). The effect was slightly offset by increased finance expenses from insurance.

The profit was driven mainly by:

- **an increase in insurance contract revenue** compared to six months of 2023 by PLN 51 million, i.e.: +16.4% y/y. The following factors were recorded concerning revenues:
  - higher level of release of contractual service margin by PLN 18 million y/y in the main product groups, including bancassurance (a consequence of the increased sales of the mortgage insurance for “Bezpieczny Kredyt 2%” [2% Safe Mortgage]) and individual life and endowment (Type J);
  - an increase in premiums allocated to cover acqusition expenses, expected costs, as well as expected claims and benefits, by a total of PLN 23 million y/y;
  - higher level of other income (+9 million y/y) – lower-than-expected cancellations of bancassurance contracts in 2024 (impact of lower interest rates and higher-than-expected interest in the “Bezpieczny Kredyt 2%” [“2% Safe Mortgage”] program);
- **the increase in insurance service expenses** (adjusted by amounts recoverable from reinsurers) by PLN 26 million y/y (+15.0% y/y) which together with an increase in the net revenues from insurance contracts by 16.4% y/y resulted in the improvement of the profitability measured by the ratio of insurance service result to revenues from insurance contracts increasing by 0.6 percentage points. An increase in the net insurance service expenses is a product of:

Result on insurance of the individual insurance segment (in PLN million)

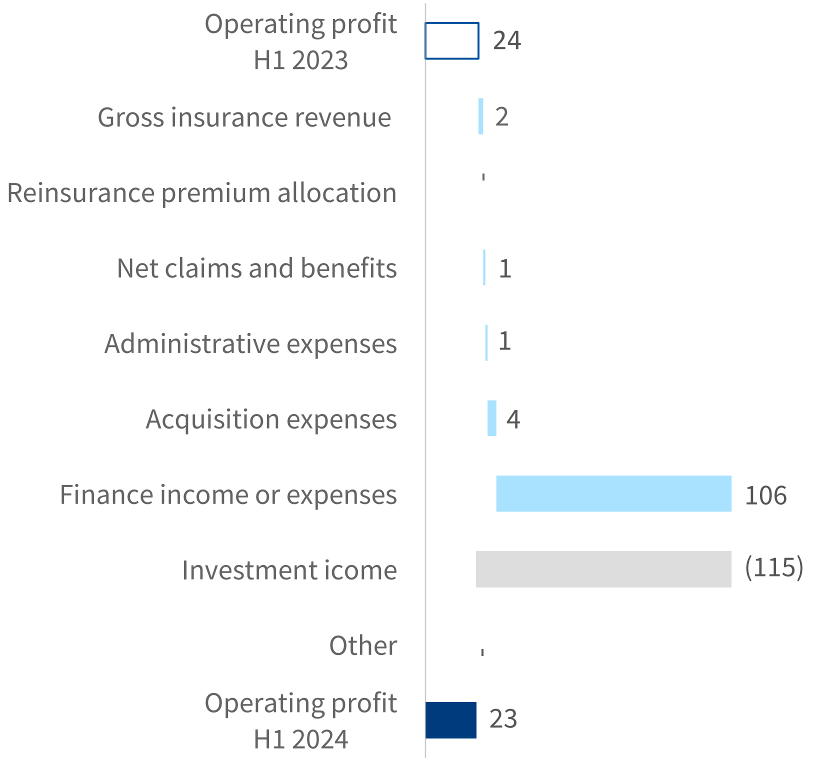


  - higher administrative expenses as a consequence of, among other things, increased HR costs, as well as IT and own costs (higher payroll as a result of the increase in minimum and average wages);
  - increase in claims ratio for the current period, mainly in term insurance;
- **the level of investment income** was slightly higher than in the comparable period last year (PLN +1 million, or +1.8% y/y) and as a result of the increase in the required level of assets to cover liabilities;
- **insurance finance income or expenses** were PLN -52 million, which means an increase in expenses by PLN 4 million y/y.

Life investment insurance

In H1 2024, the investment life insurance segment achieved an operating profit of PLN 23 million, a slight decrease compared to the corresponding period last year (PLN -1 million). The investment result was lower than in the comparable period last year by PLN 115 million (-29.1%), which was due, in particular, to lower investment results in PPE and IKE products. However, the decrease in the investment income had no effect on the PZU Group’s total net profit, as it is offset by insurance finance income and expenses – a y/y decrease in insurance financial expenses of PLN 106 million.

Result on insurance of the life investment insurance segment (in PLN million)

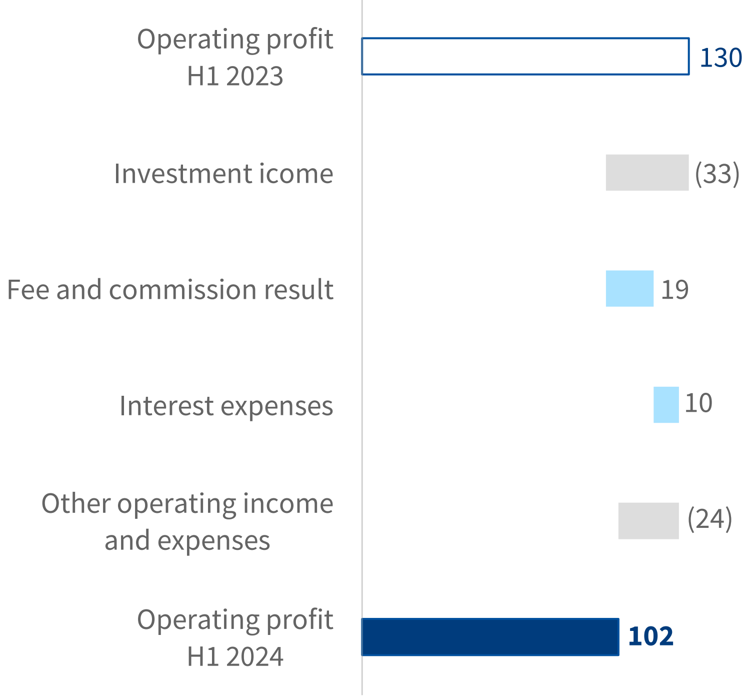


Investments

Operating result in the investment segment was lower by PLN 28 million (-21.5%), particularly due to a decrease in the result on the investment activities, which was caused by the following:

- lower earnings from the commercial real estate portfolio due to last year’s higher income from swap points on currency hedging instruments as well as due to the negative impact of portfolio valuation measurement, particularly in the office segment;
- reduced income from the liquidity portfolio due to a lower average asset balance and a lower level of money market rates;

Result on insurance of the investments segment (in PLN million)



- higher profit from Private Equity due to improvement in the technology market, which is an important part of the portfolio, and due to the fact that a significant number of portfolio funds entered a strong growth phase.

The decrease in investment profit was accompanied by lower interest expenses (by PLN 10 million y/y) as a result of lower interest rate level in the Polish money market.

Banking segment / banking activity

The operating profit in the banking segment (without amortization of intangible assets acquired as part of the bank acquisition transactions), composed of the Pekao Bank and Alior Bank groups, amounted to PLN 5,315 million in H1 2024 and was lower by PLN 49 million (PLN -1%) than the year before.

Pekao Bank's contribution to the PZU Group's operating profit in the banking segment (net of the amortization of intangible assets acquired as part of the acquisition transaction) was PLN 3,755 million (PLN -422 million y/y), while Alior Bank's contribution was PLN 1,560 million (PLN +374 million y/y).

The performance of Bank Pekao deteriorated mainly due to higher legal risk costs of foreign currency mortgage loans, higher operating expenses, and the recognition of costs associated with the modification of contracts for PLN mortgage loans granted to consumers due to their suspension of loan repayments (so-called "credit holidays").

The performance of Alior Bank improved due to the better quality of the loan portfolio translating into a decrease in allowances for expected credit losses, an increase in the loan portfolio, and a reduced burden on the bank's interest income from the costs of hedging interest rate risk.

The key element of the segment's income is the investment income, which amounted to PLN 12,211 million in H1 2024 (+1.4% y/y). Investment income consists of: interest income, dividend income, trading result and result on impairment losses. In 2024, the segment income at Bank Pekao was positively impacted mainly by higher loan volumes and stable net interest margin levels, despite the recognition of "credit holidays" of PLN 234 million (an increase in costs of PLN 313 million y/y due to a one-time income in H1 2023, i.e., the release of a provision of PLN 80 million). At Alior Bank, the increase in interest income is a consequence of a significant decrease in interest expense due to a reduction in the borrowing costs, which outweighs the impacts of creating a provision for "credit holidays" costs in the amount of PLN 86 million (cost increase by PLN 75 million y/y) and of a relatively smaller decrease in interest income caused by a reduction in interest rates.

The total portfolio of loan receivables in both banks increased by PLN 13 billion (6.1% y/y) at the end of H1 2024 compared to the same period in 2023. This is largely the result of an increase in mortgage receivables from clients in Q1 2024, arising mainly from the applications submitted back in Q4 2023 as part of the newly-launched government's "Bezpieczny Kredyt 2%" ["2% Safe Mortgage"] program.

The value of allowances for expected credit losses and impairment losses on financial instruments totaled PLN 416 million, and was higher y/y by 56 million. The value of allowances for expected credit losses and impairment losses on financial instruments totaled PLN 177 million at Alior Bank, and was lower y/y by PLN 232 million.

Pekao Bank's profitability achieved at the end of H1 2024, as measured by the net interest margin ratio, is 4.0%, a decrease of 0.2 p.p. from the value achieved in the corresponding period of 2023. The value of Alior Bank's net interest margin at the end of H1 2023 is 5.9%, up 0.03 p.p. compared to the corresponding period of 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 1,775 million and was by 1,1% higher than in the corresponding period of the preceding year. The main reason for the improved commission income lied in higher commissions from mutual funds and brokerage activities at Bank Pekao, as a result of improved sentiment in the capital markets.

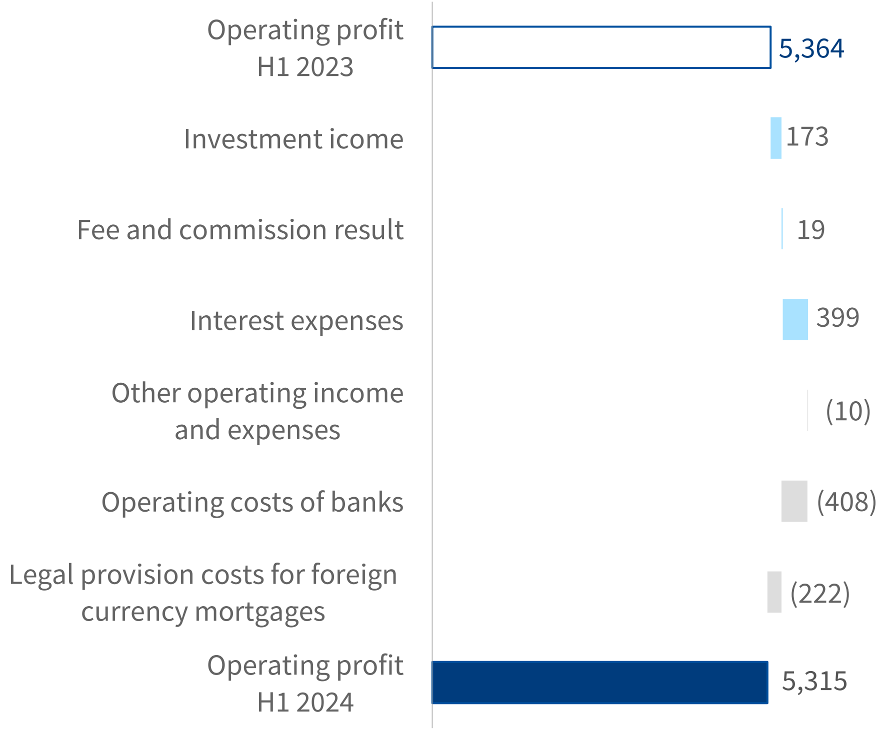
The total operating expenses were PLN 3,539 million and consisted of the Pekao operating expenses amounting to PLN 2,525 million and of the Alior Bank operating expenses of PLN 1,014 million. The 13.0% y/y increase in costs was caused, in particular, by higher HR costs (indexation of salaries) at both banks and higher costs for IT and marketing services at Alior Bank.

Following the analysis of the legal environment and market practice, and in agreement with the auditor, Bank Pekao changed the presentation of legal risk costs of foreign currency loan receivables in the report H1 2024 – the previous presentation in income and allowances for expected credit losses was changed to presentation in a new line of the profit and loss account "Legal provision costs for foreign currency mortgage loans" so as to ensure that the legal risk costs of the CHF portfolio are distinguished as a specific risk of this portfolio.

As such, the PZU Group has separated the item "Legal risk costs of foreign currency mortgage loans."

The aforementioned costs in H1 2024 were determined at Bank Pekao at PLN 243 million (up PLN 198 million y/y). The additional provisions result from the updated parameters of the provision calculation for these loans (the probability of losing court cases and the distribution of possible judgments) and reflect the current state of judgments At Alior Bank, legal provision costs for foreign currency mortgages amounted to PLN 28 million (up PLN 25 million y/y).

Result from operating activities of the banking segment
(in PLN million)



In addition, other contributors to the operating result included other operating income and expenses, where the main components are the levy on other financial institutions (PLN 587 million) and the BFG fees (PLN 279 million) The negative result of other income and expenses decreased by PLN 10 million y/y.

The Cost/Income ratio was 36% for both banks (36% for Bank Pekao and 36% for Alior Bank), or 5 p.p. less than the year before.

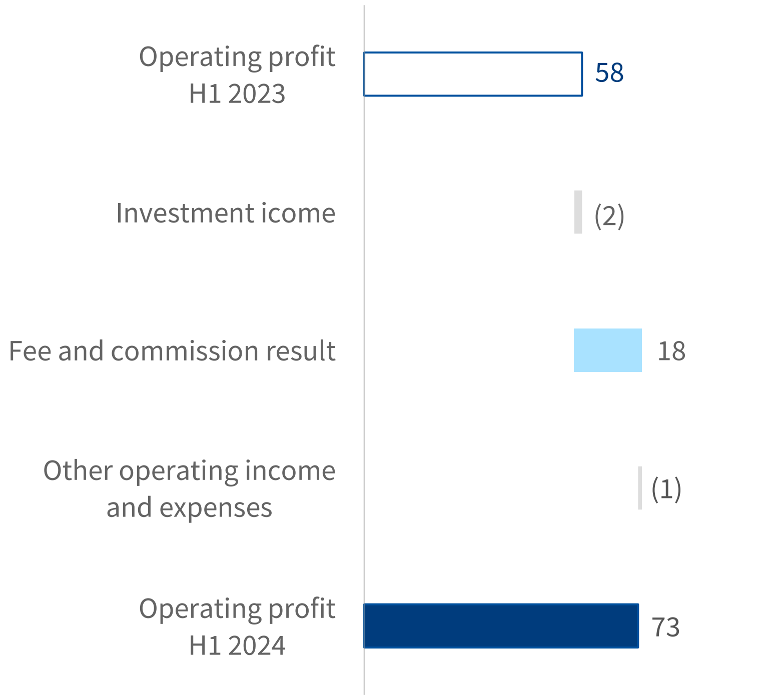
Pension insurance

The operating profit in the pension insurance segment amounted to PLN 73 million in H1 2024, up by PLN 15 million (+25.9%) compared to the corresponding period in 2023.

Factors contributing to the operating result and its movement:

- an increase in net fees and commissions by PLN 18 million, mainly in management fees resulting from higher average net assets of the funds, arising out of good capital market situation;
- the investment result decrease by PLN 2 million to the level of PLN 7 million, attributable to the lower level of market interest rates.

Result from operating activities of the pension insurance segment (in PLN million)



Baltic Countries

The operating result in the Baltic Countries after H1 2024 was PLN 189 million, an increase by PLN 35 million, or 22.7%, compared to H1 2023.

Compared to last year, there was an increase of PLN 111 million, or +9.3%, in insurance contract revenue, including allocated reinsurance premiums of PLN 108 million. Within revenues, there was an increase in the amortization of LRC as a consequence of a higher sales. Sales higher by PLN 57 million were generated in the non-life insurance segment chiefly as a result of a considerable growth in sales of non-life insurance (by 18.1% in the functional currency) due to an increase in the number of MOD and MTPL contracts (by 7.0% in the functional currency) caused by, among other things, higher rates and higher number of contracts, as well as health insurance contracts (by 12.4% in the functional currency) caused by the higher number of policies. In life insurance, sales climbed PLN 6 million. The higher level of insurance contract revenue is also triggered by a higher y/y level of premiums allocated to cover acquisition expenses as a consequence of growing sales.

Insurance service expenses adjusted by amounts due from reinsurers increased by PLN 89 million y/y (+8.7%). Non-life insurance business saw an increase of PLN 90 million, which, with a 9.5% y/y increase in net insurance contract revenues, represents a 0.4 p.p. improvement in profitability measured by the combined ratio (COR).

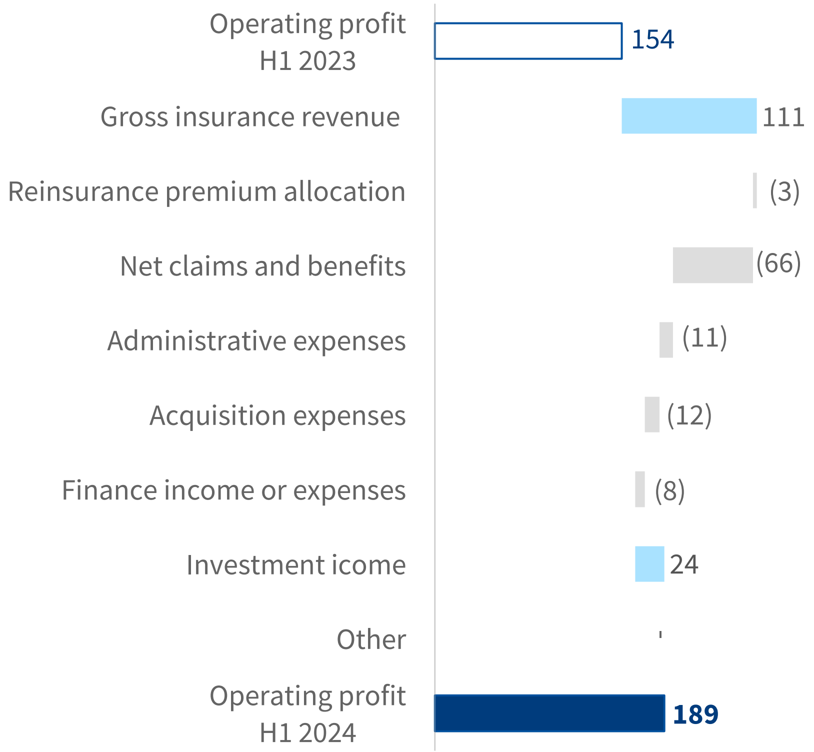
An increase in the net insurance service expenses of the segment is a product of:

- higher y/y claims and benefits liabilities due to the increase in the value of the portfolio;
- release of a 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 7 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 -4 million y/y;
- a 8.7% y/y increase in administrative expenses, mainly due to higher HR costs. The segment's ratio of administrative expenses calculated to net insurance service revenue was at the same level of 10.9%;
- PLN 12 million higher amortization of acquisition cash flow. The acquisition expense ratio was 18.3% following a 0.7 p.p. y/y decrease.

The insurance finance income and expenses net were PLN -25 million, which translates into an increase in expenses by PLN 8 million y/y triggered mainly by fluctuations in interest rates.

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

Result on insurance of the Baltic Countries segment (in PLN million)

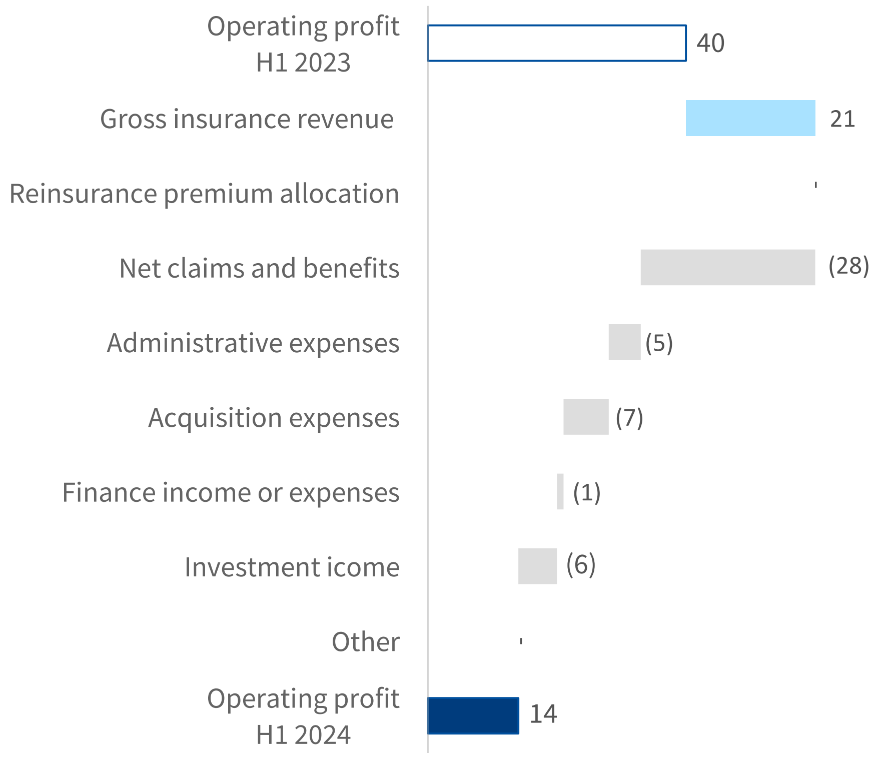


Ukraine

The Ukraine segment ended H1 2024 with an operating profit of PLN 14 million against PLN 40 million in the previous year. The results of both periods were affected by the analysis of the recoverability of assets held, carried out, among other things, as a result of the country's downgrade.

In the period from January to June 2024, there was an increase in insurance contract revenue compared to the corresponding period in the previous year by PLN 21 million, i.e. +21.2% y/y (in functional currency, an increase of UAH 326 million, i.e. +38.2% y/y); similarly with the inclusion of allocated reinsurance premiums – an increase of PLN 21 million. Revenues included an increase in amortization of LRC and an increase in the value of the portion of premiums allocated to recovery of insurance acquisition cash flows as a result of higher sales. The segment recorded a y/y increase in sales of PLN 20 million, or 18.4% (up 34.9% in functional currency). In non-life insurance, sales growth in functional currency amounted to UAH 323 million, or 43.4%, mainly as a result of higher premiums from MTPL (up 66.5%), Green Card (up 46.3%), and health insurance (up 53.3%). In life insurance, sales increased by UAH 2 million, i.e. 1.0% y/y.

Result on insurance of the Ukraine segment
(in PLN million)



Insurance service expenses adjusted by amounts due from reinsurers increased by PLN 40 million y/y, or +52.6% (in functional currency by +72.1%).

An increase in the net insurance service expenses of the segment results from:

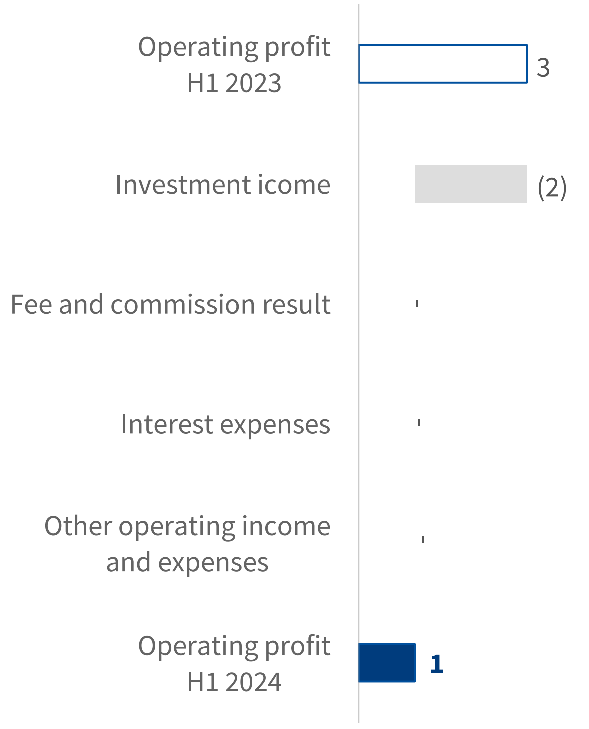
- higher y/y claims and benefits liabilities;
- release of a lower y/y net excess of prior years' claims reserves over the current projected value of payouts;
- change of a loss component with an effect on the insurance service result PLN -3 million y/y as a result of the recognition of a new loss component amounting to PLN 6 million and of changes in assumptions for active cohorts from the preceding years having an effect on the profit in the amount of PLN +3 million y/y;
- a 26.3% y/y increase in administrative expenses, mainly due to higher HR and IT costs. The segment's ratio of administrative expenses calculated to net insurance revenues increased by 0.8 p.p. as compared to the previous year and stood at 20.0%;
- a PLN 7 million, or 26.9%, higher y/y amortization of insurance acquisition cash flows (in functional currency, up UAH 110 million, or 50.2% y/y). The acquisition expense ratio rose by 1.2 p.p. to 27.5%.

The result from investments stood at PLN 20 million, down by PLN 6 million y/y.

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.

Profit from operating activities of the investment contracts segment (in PLN million)



The slight decrease in operating profit of PLN 2 million y/y results from the impact of cancellations in the portfolio of unit-linked products that are investment contracts, plus the profit on new sales of products with guaranteed sums insured.

Alternative Performance Measures

Selected Alternative Performance Measures (APM) within the meaning of European Securities and Markets Authority Guidelines (ESMA) no. 2015/1415 are presented below.

The profitability and operational efficiency indicators presented herein, constituting standard measures applied generally in financial analysis, provide, in the opinion of the Management Board, significant additional information about the PZU Group's financial performance. Their usefulness was analyzed in terms of information, delivered to the investors, regarding the Group's financial standing and financial performance.

Profitability indicators

To facilitate the analysis of PZU Group's profitability, such indicators were selected that best describe this profitability in the opinion of the Management Board.

The return on equity (ROE), adjusted return on equity (aROE), and the return on assets (ROA) indicate the degree to which the Company is capable of generating profit when using its resources, i.e. equity or assets. They belong to the most frequently applied indicators in the analysis of profitability of companies and groups regardless of the sector in which they operate.

Basic performance indicators of the PZU Group	1 January - 30 June 2023	1 January - 30 June 2024
Adjusted Return on Equity (aROE) – attributable to the parent company's shareholders *(annualized net profit / average shareholders' equity excluding accumulated other comprehensive income relating to financial income and expenses from insurance and reinsurance) x 100%*	22.1%	17.4%
Return on equity (ROE) – attributable to the parent company's shareholders *(annualized net profit / average shareholders' equity) x 100%*	20.3%	16.6%
Return on equity (ROE) – consolidated *(annualized net profit / average shareholders' equity) x 100%*	23.4%	19.0%
Return on assets (ROA) (annualized net profit / average assets) x 100%	2.7%	2.4%

	Operational efficiency ratios	1 January - 30 June 2023	1 January - 30 June 2024
1.	**Administrative expense ratio of insurance segments** *(administrative expenses / net insurance revenue) x 100%*	9.1%	9.1%
2.	**Combined ratio in non-life insurance** *(net insurance service expenses / net insurance revenue) x 100%*	84.6%	91.0%
3.	**Operating profit margin in life insurance** *(operating profit / net insurance revenue) x 100%*	22.4%	24.6%
4.	**Cost/income ratio – banking activity**	30.9%	36.1%

Return on equity (ROE) is a measure of profitability. It permits an assessment of the degree to which the company multiplies the funds entrusted to it by the owners (investors). This is a ratio of the generated profit to the held equity, i.e. financial resources at the Group's disposal for an indefinite term which were contributed to the enterprise by its owners. In the case of the PZU Group, the value of net profit and equity differ considerably depending on whether they are provided excluding or including the profit/equity of minority shareholders. In this respect, both return on equity (ROE) – attributable to equity holders of the parent, and return on equity (ROE) – consolidated, without excluding profit and equity attributable to non-controlling shareholders, are presented. In addition, the PZU Group presents an adjusted return on equity (aROE), calculated on an equity basis excluding accumulated other comprehensive income relating to insurance and reinsurance financial income and expenses (which are the effects of changes in the macroeconomic environment on the PZU Group's capital), which provides greater stability to the indicator.

Return on assets (ROA) reflects their capability of generating profit. This indicator specifies the amount of net profit attributable to a unit of financing sources engaged in company's assets.

Return on equity attributable to equity holders of the parent company (PZU) for H1 2024 was 16.6% and the aROE ratio was 17.4%. At the same time, they were 3.7 p.p. and 4.7 p.p. lower, respectively, than those obtained in the same period last year, which was mainly due to the lower insurance service result, with the higher level of average equity.

Return on assets (ROA) of the PZU Group for H1 2024 was 2.4%, thus 0.3 p.p. lower than in the corresponding period of 2023. This was, in particular, due to lower performance in insurance services and a decline in earnings in the banking segment burdened by non-recurring events including:

- legal risk costs of foreign currency mortgage loans at Bank Pekao in the amount of PLN 243 million;
- costs related to the modification of agreements for PLN mortgage loans granted to consumers due to their suspension of loan repayments (the so-called credit holidays), in the gross amount of PLN 234 million at Pekao Bank and PLN 86 million at Alior Bank.

Operational efficiency ratios

To facilitate the analysis of PZU Group's performance, such indicators were selected that best describe performance in the case of insurance companies and those pursuing banking activity in the opinion of the Management Board. Some indicators refer the costs of pursuit of insurance activity to revenue, hence reflect which portion of the revenue was allocated to costs and which portion – to margin. For the banking activity, the Cost/Income (C/I) ratio was selected as the relation which best reflects the performance of this area of the activity in the opinion of the Management Board. All indicators are widely applied by other companies from the corresponding sectors and by investors and serve an analysis of efficiency and profitability of these companies.

One of the fundamental measures of operational efficiency and performance of an insurance company is COR (Combined Ratio) calculated, due to its specific nature, for the non-life insurance sector (Section II). 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.

The combined ratio (for non-life insurance) of the PZU Group's has been maintained at a level ensuring high profitability of business.

In H1 2024, it stood at 91.0% and was 6.4 p.p. higher than in the corresponding period of 2023, due to, among other things, lower profitability in the mass non-life insurance segment – an increase in the claims ratio with higher costs of insurance business.

Another important indicator is the life insurance profit margin – the profitability of life insurance segments calculated as the ratio of operating profit/loss to net insurance revenues. In H1 2024, the indicator reached 24.6%, and its increase by 2.2 p.p. in comparison to the corresponding period of 2023 was correlated with an increase in the insurance service result in the group and individually continued life insurance segment.

As regards banking activities, efficiency is measured by the cost to income ratio, thus the quotient of administrative expenses and the sum of operating income, excluding: the BFG charge, the levy on other financial institutions and the movements in allowances for expected credit losses and impairment losses on financial instruments. In H1 2024, the cost to income ratio in the PZU Group's banking business reached 36.1%, and was higher than in H1 2023 by 5.1 p.p. This was due to the rate of growth in costs surpassing that in income. The growth in costs was particularly linked to HR costs at both banks.

6.5. Capital management and dividend

6.5.1. Capital and Dividend Policy

On 25 March 2021, the PZU Supervisory Board adopted a resolution to approve the PZU Group's Capital and Dividend Policy for 2021–2024. The adopted Policy is a continuation of the principles set forth in the PZU Group's Capital and Dividend Policy for 2016–2020.

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

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

The capital management policy rests on the following principles:

1) manage the PZU Group's capital (including excess capital) at the level of PZU;
2) The target solvency ratios shall not exceed the level of 200% for PZU Group, PZU and PZU Życie (according to Solvency II);
3) The PZU Group's financial leverage ratio shall not be higher than 25%;
4) ensure funds for growth and acquisitions;
5) maintain the financial conglomerate's surplus own funds above the pertinent requirements for solvency;
6) PZU will not issue any new shares for the duration of this Policy.

Under this Policy, 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 is based on the following principles:

1) The PZU Group endeavors to manage capital effectively and maximize the rate of return on equity for the parent company's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions;
2) the dividend amount proposed by the parent company's Management Board which PZU pays for the respective financial year is determined on the basis of the PZU Group's consolidated financial result attributable to equity holders of the parent company, where:

a) no more than 20% shall be allocated to the retained earnings (supplementary capital) for objectives relating to organic growth and innovations, as well as implementation of growth initiative;

b) no more than 50% is distributed in the form of the annual dividend;

c) 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;

- with the reservation that:

3) according to the 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 of the PZU Group and PZU (items 2 to 5);
4) when determining the dividend the regulatory authority's recommendations concerning dividends will be taken into consideration.

6.5.2. Solvency ratio

Solvency ratios for the PZU Group, PZU and PZU Życie are calculated in compliance with Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

In Bank Pekao and Alior Bank, the capital adequacy ratio and the Tier 1 ratio were computed on the basis of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms

(CRR) and also the various types of risk identified in the Internal Capital Adequacy Assessment Process (ICAAP).

As at the closing of Q1 2024, the estimated solvency ratio for the PZU Group (calculated in line with the standard Solvency II formula) was

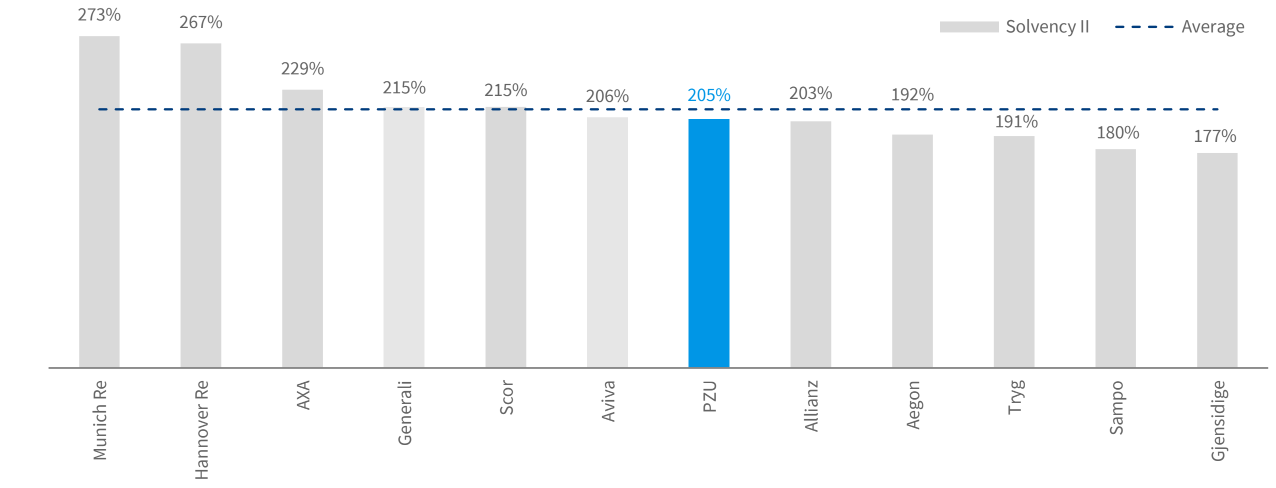
205%

In its stance on the dividend policy for insurance companies in 2024, the Polish Financial Supervision Authority (KNF) **authorized the payment of up to 100% of the profit earned in 2022** (including dividends paid to date from 2022 profit) and **100% of the profit earned in 2023.**

Solvency ratio	2023	1Q 2024*
SCR		
PZU Group	229%	205%
PZU	238%	209%
PZU Życie	360%	311%
MCR		
PZU Group	359%	291%
PZU	901%	792%
PZU Życie	800%	690%
CRR	**2023**	**H1 2024**
PZU Group – total solvency ratio	17.5%	16.6%
Tier 1	15.2%	15.1%
Alior Bank Group – total solvency ratio	17.8%	17.5%
Tier 1	17.2%	17.1%

*) 1Q 2024 was neither audited nor reviewed by the Statutory Auditor

The Solvency II ratio for the PZU Group compared to European insurers



Source and data: data after Q1 2024; PZU data (unaudited)

6.5.3. Disbursement of dividends

On 18 June 2024, the Ordinary Shareholder Meeting of PZU passed a resolution on the distribution of net profit PZU for the year ended 31 December 2023 increased by the amount transferred from the supplementary capital created from the net profit for the year ended 31 December 2022, in which it decided to allocate PLN 3,747,689,820.00, i.e. PLN 4.34 per share, for the disbursement of dividends.

The number of shares covered by the dividends is 863,523,000.

17 September 2024 is set as the date according to which the list of shareholders entitled to the payment of dividends is determined.

The dividend payout date was set for 8 October 2024.

PZU profit and dividend	2020	2021	2022	2023	H1 2024
Consolidated profit attributable to the parent company (PLN million)	1,912	3,336	3,781	5,780*	2,446
PZU's unconsolidated profit (PLN million)	1,919	2,028	1,637	3,983	3,534
Dividend paid for the year (PLN million)	3,022	1,675	2,072	3,748	-
Dividend per share for the year (PLN)	3.50	1.94	2.40	4.34	-
Dividend per share according to the year in which the right was established (PLN)	***	3.50	1.94	2.40	4.34
(a) Change in share price y/y	(19.2)%	9.2%	0.2%	33.5%	9.0%
(b) Annual dividend ratio (%)**	***	10.8%	5.5%	6.8%	9.2%
(a+b) TSR Total Shareholders Return	(19.2)%	20.1%	5.7%	40.2%	18.2%

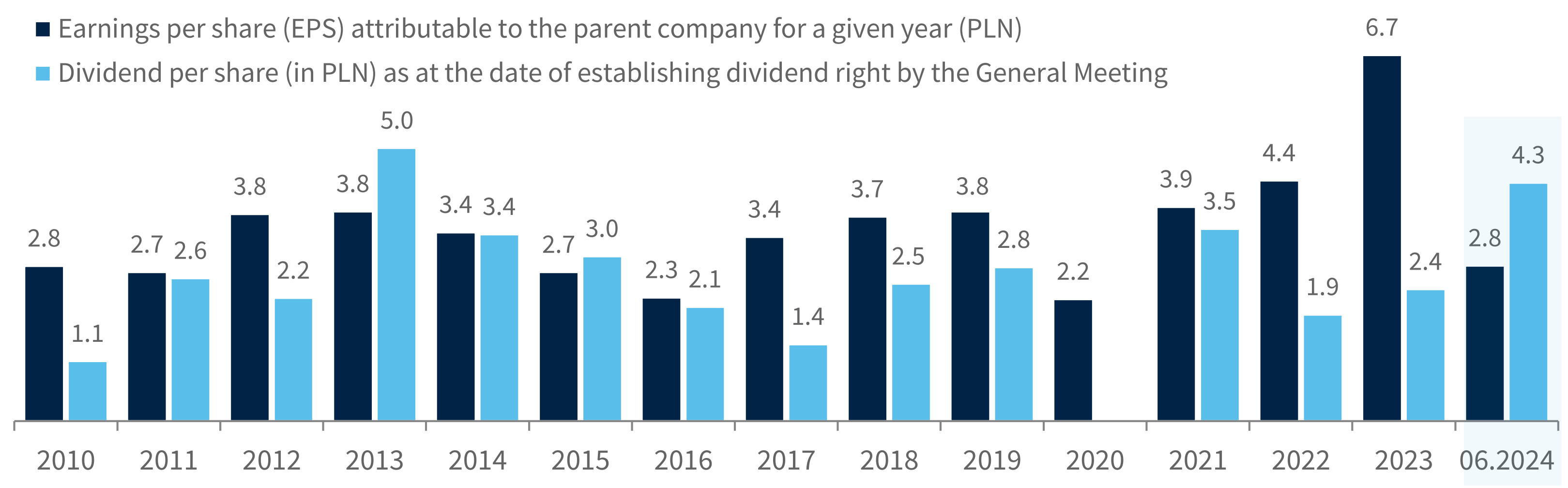
*) 2023 data restated

**) ratio calculated as dividend (according to the year in which the right was established) compared to share price as at the end of the previous reporting year

***) in 2020, the Ordinary Shareholder Meeting of PZU did not allocate profit to pay out the dividend (following the recommendation of the KNF of 26 March 2020); in 2021, the OSM of PZU resolved on the distribution of the profit generated in 2020 increased by the amount transferred from the supplementary capital created from net profit generated in the ear ending on 31 December 2019

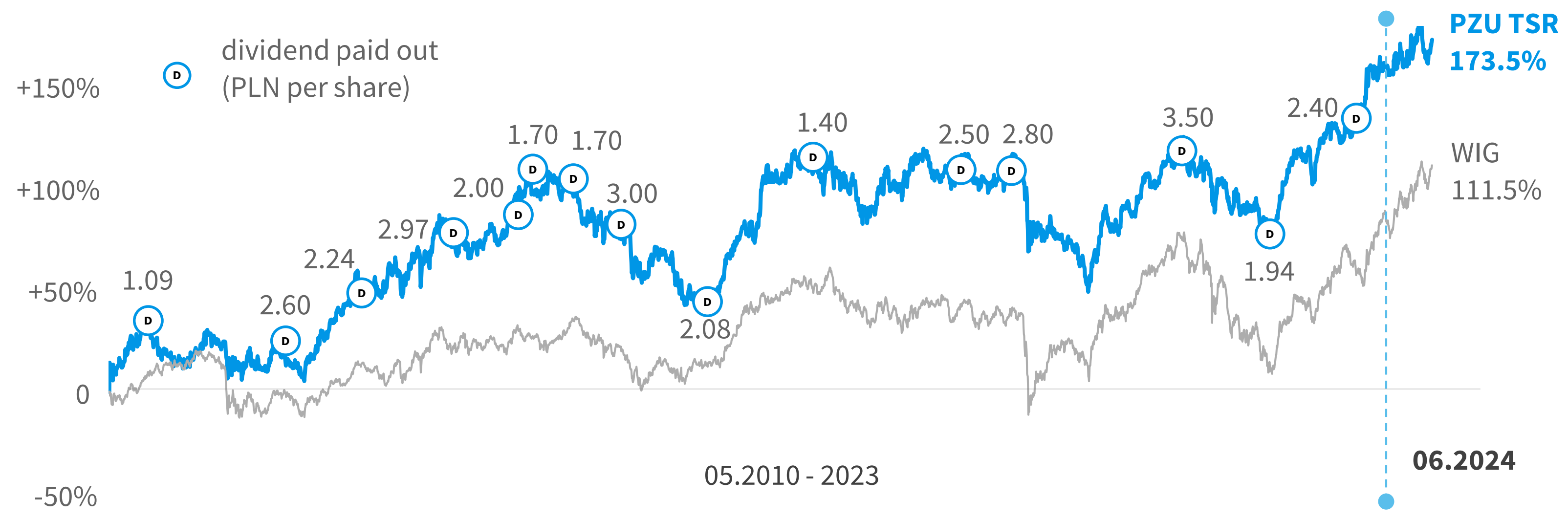
Source: PZU figures

PZU's profit and dividend since IPO on WSE



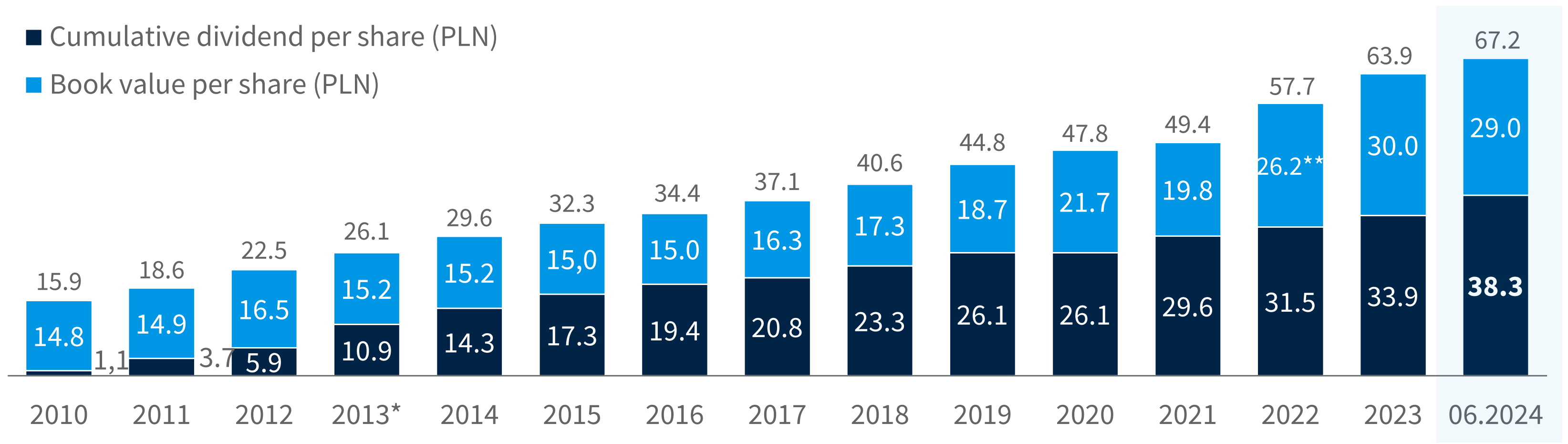
Source: PZU figures

Total shareholder return (TSR) of PZU against the WIG index



Source: PZU figures

Book value per share and cumulative gross dividend per share of PZU in PLN



*) in 2013 there was a dividend payment from surplus capitals (PLN 2 per share)

Source: PZU figures

6.6. Financial rating

PZU

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 rating outlook, or an assessment of the Company's future position in the event that specific circumstances occur.

Recent rating/outlook changes: On 28 May 2024, the rating agency of S&P Global Ratings (S&P) raised the rating outlook of PZU from "stable" to "positive". The financial strength and credit ratings of PZU have remained at A- since 21 January 2016.

PZU Rating

	Current		Previous	
Company name	Rating and outlook	Last change	Rating and outlook	Update date
PZU				
Financial strength rating	A- /positive/	28 May 2024	A- /stable/	6 April 2020
Credit rating	A- /positive/	28 May 2024	A- /stable/	6 April 2020
PZU Życie				
Financial strength rating	A- /positive/	28 May 2024	A- /stable/	6 April 2020
Credit rating	A- /positive/	28 May 2024	A- /stable/	6 April 2020
TUW PZUW				
Financial strength rating	A- /positive/	28 May 2024	A- /stable/	6 April 2020

Poland's rating

	Current		Previous	
Country	Rating and outlook	Last change	Rating and outlook	Update date
Poland				
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/**	12 October 2018	**BBB+ /positive/**	13 April 2018
Credit reliability rating (short-term, local currency)	A-1	12 October 2018	A-2	13 April 2018
Credit reliability rating (short-term, foreign currency)	A-2	13 April 2018	A-2	13 April 2018

Source: S&P Global Ratings

Poland's rating

On 10 May 2024, the S&P rating agency decided to affirm the rating at A- and A-2 for long- and short-term liabilities in foreign currencies, respectively, and at A and A-1 for long- and short-term liabilities in the domestic currency, respectively.

The rating outlook remained stable.

FITCH RATINGS	PEKAO BANK	POLAND
Long-term issuer's rating (IDR)	BBB	A-
Short-term issuer's rating (IDR)	F2	F1
Viability rating	bbb	-
Government subsidy rating	No subsidy	-
Outlook	Stable	Stable
Domestic long-term rating	AA-(pol)	
Domestic short-term rating	F1+(pol)	-

S&P GLOBAL RATINGS	PEKAO BANK	POLAND
Long-term rating in foreign currencies	BBB+	A-
Long-term rating in domestic currency	BBB+	A
Short-term rating in foreign currencies	A-2	A-2
Short-term rating in domestic currency	A-2	A-1
Stand-alone rating	bbb+	-
Outlook	Positive	Stable

S&P GLOBAL RATINGS (COUNTERPARTY'S RATING IN THE CASE OF FORCED RESTRUCTURING)	PEKAO BANK	POLAND
Long-term rating of liabilities in foreign currencies	A-	-
Short-term rating of liabilities in foreign currencies	A-2	-
Long-term rating of liabilities in domestic currency	A-	-
Short-term rating of liabilities in domestic currency	A-2	-

Pekao Bank

Bank Pekao cooperates with three leading rating agencies: Fitch Ratings (Fitch), S&P Global Ratings (S&P) and Moody's Investors Service (Moody's). The first two agencies prepare the rating at the Bank's request on the basis of concluded contracts; however, the Bank does not have a contract Moody's and their rating is based on publicly available information and review meetings.

Fitch

On 17 July 2024, Fitch Ratings affirmed the existing ratings and the stable rating outlook for the Bank.

As per the justification provided by Fitch, Bank Pekao's ratings reflect its strong competitive position as Poland's second-largest bank, its proven business model, and adequate risk-weighted regulatory capital ratios. Fitch also notes appropriate short-term profitability perspectives, stable deposit-based financing, and solid liquidity. Pekao's asset quality, which is lower than that of other banks, remains a rating weakness.

S&P Global Ratings

S&P Ratings did not revise ratings in 2024.

Moody's

On 10 April 2024, Moody's announced that it maintained the Bank's ratings at the previous level and the Bank's stable rating outlook.

As per the justification provided by Moody's, the maintenance of the Bank's BCA rating at baa2 reflects the Bank's improved profitability (which according to Moody's will decline in 2024 but remain strong) and solid capitalization with a significant buffer against regulatory requirements. This rating is also confirmed by BCA Bank's stable funding profile, mainly with domestic deposits, and large liquidity buffers.

MOODY'S INVESTORS SERVICE	BANK PEKAO	POLAND
Long-term rating of deposits in foreign currencies	A2	A2
Short-term rating of deposits	Prime-1	Prime-1
Baseline Credit Assessment	baa2	-
Long-term counterparty credit risk rating	A2(cr)	-
Short-term counterparty credit risk rating	Prime-1(cr)	-
Outlook	Stable	Stable
Long-term counterparty risk rating	A2	-
Short-term Counterparty Risk Rating	Prime-1	-

Alior Bank

In H1 2024, the rating agency **Fitch Ratings** did not update the Bank's rating and outlook. The last report was published on 14 November 2023, in which the agency affirmed the ID's long-term rating at BB and announced that the outlook had been changed to positive from stable.

On 17 May 2024, **S&P Global Rating** announced that it had raised Alior Bank's rating outlook from stable to positive, and affirmed its long-term and short-term rating at the existing levels of BB+ and B, respectively. In its rationale for the decision to raise the outlook, the agency noted that this was primarily related to the improvement of the structure of the Bank's loan portfolio, tightening of lending standards, and active reduction of the share of non-performing loans. The agency also emphasized Alior Bank's high capacity to generate capital on its own, which will support possibility of distributing profits to shareholders and facilitate further growth of lending.

FITCH RATINGS	ALIOR BANK	POLAND
Long-term issuer's rating (IDR)	BB	A-
Short-term issuer's rating (IDR)	B	F1
Viability rating	bb	-
Government subsidy rating	ns	-

S&P GLOBAL RATINGS	ALIOR BANK	POLAND
Long-term rating in foreign currencies	BB+	A-
Long-term rating in domestic currency	BB+	A
Short-term rating in foreign currencies	B	A-2
Short-term rating in domestic currency	B	A-1
Stand-alone rating	bb	-
Outlook	Stable	Stable

7. Corporate governance

7.1. The auditing firm conducting the financial statements

On 24 August 2022, the Supervisory Board passed a resolution on the selection of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. (PwC) as the audit firm to conduct audits of the annual and reviews of the interim individual and consolidated financial statements and audits of the annual individual and consolidated reports on the solvency and financial condition of PZU and the PZU Group for the five fiscal years 2024–2028, with an option to extend the contract for two more fiscal years 2029–2030.

In 2024, the audit firm auditing the financial statements render permitted non-audit services to PZU, which was approved, following an assessment of the company's independence, by the Audit Committee. PZU's additional cooperation with KPMG Audyt covers, without limitation, audits of solvency and financial standing reports required by the Solvency II Directive.

Main assumptions underlying the policy for selecting the audit firm

The following are among the main assumptions underlying PZU's policy for selecting the audit firm:

- ensuring that the process of selecting the audit firm is done correctly and determining the responsibility and the duties of the participants in this process;
- analyzing when selecting the audit firm the recommendations given by the Audit Committee;
- giving consideration to the rule of rotating the audit firm and the key statutory auditor in the embraced time horizon.

The main objectives of the policy for the provision of permitted non-audit services by the audit firm conducting the statutory audit, its related entities and by a member of the audit firm's network were as follows:

- ensuring correctness in the process of procuring permitted services;
- determining the responsibility and the duties of the participants in this process;
- defining the catalog of permitted services;
- establishing the procedure for procuring permitted services.

7.2. Shareholders and the issuer's securities

PZU's shares

PZU's share capital is divided into 863,523,000 ordinary shares with a nominal value of PLN 0.10 each giving the right to 863,523,000 votes at the Shareholder Meeting.

Significant equity stakes in PZU

As at 30 June 2024, the PZU shareholder holding significant equity stake (at least 5%) is the following:

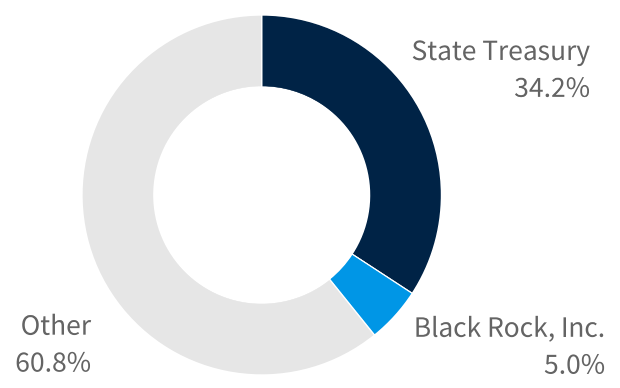
- The State Treasury of the Republic of Poland that holds 295,217,300 shares constituting 34.19% of PZU's share capital and giving it the right to 295,217,300 votes at the Shareholder Meeting;

Changes in 2024 in the structure of shareholders holding significant equity stakes in PZU (at least 5%), following the publication of the annual report for 2023, i.e. after 21 March 2024:

- On 25 April 2024, PZU was notified by BlackRock, Inc. that as a result of the sale of PZU's 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 ("PZU GSH") was below 5% as of 25 April 2024. According to this notification, before the transaction was settled, BlackRock, Inc. had held a total of 43,542,333 PZU shares, corresponding to 5.037% of the Company share capital and entitling to exercise 43,542,333 votes, that is 5.037% of the total number of votes at PZU GSH. After the transaction had been settled, BlackRock, Inc. held 43,141,141 PZU's shares, representing 4.991% of the Company's share capital, which gave the right to exercise 43,141,141 votes attached to PZU's shares representing 4.991% of the total number of votes at PZU GSH;
- On 30 April 2024, PZU was notified by BlackRock, Inc. that as a result of the acquisition of PZU's shares on 26 April 2024, the total shareholding of BlackRock, Inc. in the share capital and the total number of votes at PZU GSH was 5% as of 30 April 2024. According to this notification, before the transaction was settled, BlackRock, Inc. had held a total of 43,152,066 PZU shares, corresponding to 4.992% of the Company share capital and entitling to exercise 43,152,066 votes, that is 4.992% of the total number of votes at PZU GSH. After the transaction had been settled, BlackRock, Inc. held 43,182,512 PZU's shares, representing 5% of the Company's share capital, which gave the right to exercise 43,182,512 votes attached to PZU's shares representing 5% of the total number of votes at PZU GSH;
- On 2 May 2024, PZU was notified by BlackRock, Inc. that as a result of the sale of PZU's shares on 30 April 2024, the total shareholding of BlackRock, Inc. in the share capital and the total number of votes at PZU GSH was below 5% as of 2 May 2024. According to this notification, before the transaction was settled, BlackRock, Inc. had held a total of 43,234,186 PZU shares, corresponding to 5.002% of the Company share capital and entitling to exercise 43,234,186 votes, that is 5.002% of the total number of votes at PZU GSH. After the transaction had been settled, BlackRock, Inc. held 43,164,233 PZU's shares, representing 4.998% of the Company's share capital, which gave the right to exercise 43,164,233 votes attached to PZU's shares representing 4.998% of the total number of votes at PZU GSH;
- On 9 May 2024, PZU was notified by BlackRock, Inc. that as a result of the acquisition of PZU's shares on 8 May 2024, the total shareholding of BlackRock, Inc. in the share capital and the total number of votes at PZU GSH was 5% as of 9 May 2024. According to this notification, before the transaction was settled, BlackRock, Inc. had held a total of 43,075,685 PZU shares, corresponding to 4.981% of the Company share capital and entitling to exercise 43,075,685 votes, that is 4.981% of the total number of votes at PZU GSH. After the transaction had been settled, BlackRock, Inc. held 43,205,852 PZU's shares, representing 5% of the Company's share capital, which gave the right to exercise 43,205,852 votes attached to PZU's shares representing 5% of the total number of votes at PZU GSH;
- On 3 June 2024, PZU was notified by BlackRock, Inc. that as a result of the sale of PZU's shares on 31 May 2024, the total shareholding of BlackRock, Inc. in the share capital and the total number of votes at PZU GSH was 4.97% as of 3 June 2024. According to this notification, before the transaction was settled, BlackRock, Inc. had held a total of 43,230,375 PZU shares, corresponding to 5% of the Company share capital and entitling to exercise 43,230,375 votes, that is 5% of the total number of votes at PZU GSH. After the transaction had been settled, BlackRock, Inc. held 42,997,365 PZU's shares, representing 4.97% of the Company's share capital, which gave the right to exercise 42,997,365 votes attached to PZU's shares representing 4.97% of the total number of votes at PZU GSH.

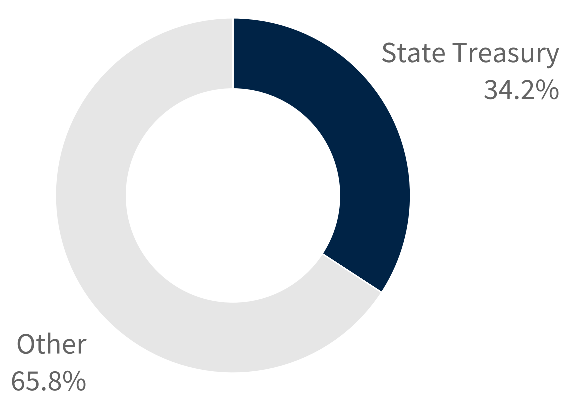
	Number of shares and votes at the Shareholder Meeting		Shares in the share capital and in the total number of votes at the Shareholder Meeting	
Shareholders holding significant equity stakes	31 December 2023	30 June 2024	31 December 2023	30 June 2024
State Treasury	295,217,300	295,217,300	34.19%	34.19%
BlackRock, Inc.	43,228,203		5.00%	
Others	525,077,497	568,305,700	60.81%	65.81%
Total	**863,523,000**	**863,523,000**	**100.00%**	**100.00%**

PZU shareholding structure as at December 31, 2023



Source: Current report 27/2023

PZU shareholding structure as at June 30, 2024



Source: Current report 25/2024

Entitlements and restrictions on PZU shares

All PZU shares are ordinary shares with no preferential rights attached to them, in particular no special control rights. Each share carries the right to one vote at the Shareholder Meeting and the same right to dividends.

However, PZU's Articles of Association limit voting rights on PZU shares in certain cases. The shareholders' voting rights is limited in such a manner that no shareholder may exercise more than 10% of the total number of votes in existence in PZU at its Shareholder Meeting on the date of holding a Shareholder Meeting subject to the reservation that for the purposes of determining the obligations of the buyers of significant equity stakes contemplated by the Act on Public Offerings and the Insurance and Reinsurance Activity Act, such limitation of voting rights shall be deemed not to exist. The restriction on voting rights does not apply to the following:

- shareholders who on the date of adopting the Shareholder Meeting resolution implementing this limitation were entitled to shares representing more than 10% of the total number of votes (i.e. the State Treasury);
- shareholders acting with the shareholders specified in the item above pursuant to executed agreements pertaining to jointly exercising the voting rights attached to shares.

For the purpose of limiting voting rights, the votes of shareholders among whom there is a parent or subsidiary relationship are totaled in accordance with the rules described in the Articles of Association. The aforementioned restrictions on shareholders' voting rights will expire as soon as the State Treasury's stake in PZU's share capital falls below 5%.

The PZU Management Board does not have information about executed agreements as a result of which changes may transpire in the future in the equity stakes held by its shareholders and bondholders to date.

PZU did not issue, redeem or repay any debt or equity securities and did not issue any securities that would provide its shareholders with special control rights.

In 2013–2024, PZU did not have any employee stock programs in place.

Limitations on transferring the title to the issuer's securities

The PZU Articles of Association contain no provisions restricting the transfer of the title to the issuer's securities (either shares or bonds). Nor are there any other known limitations arising from documents other than the Articles of Association that would be applicable in this context, except for limitations resulting from generally applicable laws in precisely defined situations, in particular:

- limitations resulting from the provisions of the Act of 29 July 2005 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies (Journal of Laws of 2022, item 2554, as amended), namely:

a) from Article 75(4) – shares encumbered with a pledge, until the date of its expiration, may not be traded, except in a situation where the acquisition of such shares takes place in the performance of an agreement on the establishment of financial security within the meaning of the Act of 2 April 2004 on Certain Forms of Financial Security,

b) from Article 88a – temporary limitations on the direct or indirect acquisition of or subscription for shares in a public company by an entity required to perform the obligations specified in Article 73(1) of the Act or Article 74(2) and (5) of the Act, which in the company in question exceeded the threshold of the total number of votes specified in these regulations – until the date of fulfillment of such obligations;

- limitations arising from Article 362 of the Commercial Company Code, regarding the prohibition of the acquisition of treasury shares by the issuer, except for the cases specified therein and limitations on the acquisition of the parent company's treasury shares by a subsidiary company or a subsidiary cooperative and persons acting on their behalf;
- limitations pertaining to the closed period referred to in Article 19 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (MAR) and insider dealing within the meaning of the provisions of MAR;
- possible objection by the regulatory authority, in the form of a decision, to the acquisition of or subscription for shares or rights attaching to shares in a domestic insurance undertaking in a quantity ensuring the achievement or exceeding of, as the case may be, one-tenth, one-fifth, one-third, one-second of the total number of votes at the Shareholder Meeting or of a stake in share capital – in accordance with Article 90(1) of the Act of 11 September 2015 on Insurance and Reinsurance Activity (Journal of Laws of 2023, items 656, 614, 825, 1723, 1843, 1941), if:

  a) the entity submitting the notification referred to in Article 82(1) failed to remove the deficiencies in its notification or in the documents or information attached to the notification within the prescribed time limit,

  b) the entity submitting the notification referred to in Article 82(1) failed to provide additional information or documents required by the regulatory authority within the prescribed time limit,

  c) it is justified by the need of prudent and stable management of the domestic insurance undertaking due to a possible impact of the entity submitting the notification referred to in Article 82(1) on the domestic insurance undertaking or due to the assessment of the financial standing of the entity submitting the notification;

- possible setting of a time limit for the acquisition of or subscription for shares or rights attaching to shares, by the regulatory authority, in accordance with Article 90(4) and (5) of the Act referred to in item 4, in a decision declaring the absence of grounds for filing an objection;
- possible issuance by the regulatory authority, in accordance with Article 98(5) of the Act referred to in item 4, of a decision requiring the disposal of shares within the prescribed time limit in the event that the authority issues a decision prohibiting the exercise of voting rights attaching to shares in a domestic insurance company for the reasons specified in Article 98(1) of this Act;
- prohibition to sell shares or rights attaching to shares held by the State Treasury under Article 13(1)(27) of the Act of 16 December 2016 on Rules for Managing State Property (Journal of Laws of 2023, item 973, 1859); with the exclusion referred to in Article13(2)(1) of this Act.

Shares or rights to shares held by members of management or supervisory bodies and PZU Group Directors

As at the date of submission of this Management Board's report on the Company's activity for 1H2024, PZU shares were held by Tomasz Kulik and Adam Uszpolewicz. Since the date of conveying the 1Q2024 report (i.e. 23 May 2024), ownership of PZU shares or entitlements to them by members of the Management Board, Supervisory Board or Directors of the PZU Group has not changed. The table below provides the summary of PZU shares held by persons managing or supervising PZU (together with an indication of changes in such holding) as at the date of submission of the consolidated financial statements for 1Q2024 and as at the date of submission of this report for 1H 2024 (i.e. 29 August 2024).

	23 May 2024	29 August 2024	Change
Tomasz Kulik - Management Board Member	2,847	2,847	n/a
Adam Uszpolewicz - Supervisory Board Member	5,150	5,150	n/a

PZU's bonds

As at 30 June 2024, PZU held subordinated bonds (ISIN PLPZU0000037) worth PLN 2.25 billion, bearing interest at WIBOR6M +180 bps., issued on 30 June 2017. The maturity date for these bonds is 29 July 2027, or 10 years after issue with an early redemption option 5 years after the issue date. The bonds are listed on the Catalyst ASO WSE/Bondspot.

In 1H 2022, the PZU Management Board analyzed options of new issued of subordinated bonds of up to PLN 3 billion and early redemption of this bond series of PLN 2.25 billion. Due to unfavorable market conditions, on 31 May 2022, the PZU Management Board announced its decision to quit any such further works (current report no. 11/2022). Thus, the bonds will remain to be redeemed on 29 July 2027.

7.3. Calendar of PZU's reports published in 2024

Calendar of PZU's reports published in 2024

Report	PZU	Bank Pekao	Alior Bank
annual for 2023	21 March	22 February	28 February
quarterly for Q1 2024	23 May	30 April	25 April
half-yearly for H1 2024	29 August	8 August	2 August
quarterly for Q3 2024	21 November	7 November	24 October

RI PZU CONTACT

Magdalena Komaracka, CFA
Management for Consolidation and Investor Relations

IR website:
https://www.pzu.pl/en/investor-relations
Contact:
https://www.pzu.pl/en/investor-relations/kontakt-dla-inwestorow

irpzu@pzu.pl

8. Other statements

8. Other statements

Representation by the Parent Company's Management Board on the preparation of standalone and consolidated financial statements and the activity report

To the best knowledge of the PZU Management Board, the PZU Group and PZU's interim consolidated financial statements and PZU's interim standalone financial statements for 6 months ended 30 June 2024 and comparative data have been prepared in line with the prevailing accounting principles, and honestly, accurately and clearly reflect the PZU Group's and the PZU's assets and financial position as well as their financial result. To the best knowledge of the PZU Management Board, the report on the activities of the PZU Group and PZU contains a true picture of the development, achievements and situation of the PZU Group and PZU, including a description of basic threats and risks.

Information about significant agreements executed between shareholders

The PZU Management Board does not have any information about agreements executed until the date of this Report on the activity of the PZU Group and PZU among shareholders as a result of which changes may transpire in the future in the percentages of shares held by its shareholders to date.

Information about significant executed agreements

No agreements significant to the Issuer's business were entered into in 1H 2024.

Related party transactions on terms other than an arm's length basis

In 1H 2024, neither PZU nor its subsidiaries executed any transaction with their related parties which were of material significance individually or collectively and were executed on non-arm's length conditions.

Purchase of treasury shares in the financial year

As at 31 December 2023, consolidated funds held 145,397 PZU shares.

PZU did not hold any treasury shares as at 30 June 2024.

Granted and received guarantees and sureties

In 1H 2024, neither PZU nor its subsidiaries granted any sureties for a loan or borrowing or guarantees to any single entity or any subsidiary of such an entity where the total amount of outstanding sureties or guarantees would be significant.

Information on off-balance sheet items as of 30 June 2024 is included in Chapter 6.3 PZU Group's asset and liability structure.

Rules of preparation

The Rules of preparing the annual consolidated financial statements have been described in the PZU Group's consolidated financial statements.

Assessment of the management of financial resources, including the capacity to satisfy the assumed liabilities and specification of possible threats and actions taken or to be taken by the Issuer to counter these threats Assessment of the performance of investment-related intentions

The PZU Group and PZU are in very good financial standing and satisfy all the safety criteria imposed by the legal regulations and the Polish Financial Supervision Authority. PZU's "A-" rating by S&P and stable rating outlook confirm that PZU has a strong business position, with a high level of own equity, including for the performance of investment-related intentions.

Financial forecasts

PZU has not published any forecasts of its financial results.

Disputes

For the six months ended 30 June 2024 and by the date of signing the interim consolidated financial statements, the PZU Group companies were not involved in any proceedings conducted before a court, an arbitration body or a public administration authority which concerned any liabilities or receivables of PZU or any of its direct or indirect subsidiaries the unit value of which would be material, save for the issues described in the PZU Group's consolidated financial statements for 6 months ended 30 June 2024.

As at 30 June 2024, the total value of disputes in all 247,826 cases (31 December 2023: 243,153) pending before courts, arbitration bodies and public administration authorities in which PZU Group entities take part, was PLN 16,258 million (31 December 2023: PLN 12,461 million). Of that amount, PLN 11,722 million (31 December 2023: PLN 8,055 million) relates to liabilities, and PLN 4,536 million (as at 31 December 2023: PLN 4,406 million) to receivables of PZU Group companies.

This Report on the Activity of the PZU Group for 1H 2024 has 128 consecutively numbered pages.

Signatures of PZU Management Board Members

Artur Olech – CEO

Bartosz Grześkowiak – Member of the PZU Management Board

Maciej Rapkiewicz – Member of the PZU Management Board

Tomasz Kulik – Member of the PZU Management Board

Elżbieta Häuser-Schöneich – Member of the PZU Management Board

Jan Zimowicz – Member of the PZU Management Board

Warsaw, 28 August 2024

9. Appendices

9.1. Glossary of terms

insurance agent – commercial undertaking conducting agency activity pursuant to an agreement executed with an insurance undertaking. The activity of agents focuses on acquiring customers, entering into insurance contracts, participating in the administration and performance of insurance agreements and organizing and supervising agency activity.

assurbanking – distribution of banking products by insurance companies.

bancassurance – distribution of insurance products by banks.

BEL – value of the best estimate liability under insurance contracts, the amount required to ensure payment of services and benefits to insureds according to best estimates, i.e., when everything happens according to predictions (best estimate assumptions).

insurance broker – entity holding a permit to conduct brokerage activity. Performs activities on behalf or in favor of an entity seeking insurance cover.

coverage units – coverage units of insurance services used to determine contractual service margin (CSM) amortization schemes.

cross-selling – sales strategy for selling an insurance product in combination with a complementary insurance product or an insurer's partner's product, e.g. a bank's product. Bancassurance products such as credit insurance may serve as an example.

CSM– contractual service margin, a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognize as it provides insurance contract services. Changes in actuarial assumptions recognized over time are passed through the CSM.

P/BV (Price to Book Value) – indicator specifying the ratio of the market price to the book value per share.

P/E (Price to Earnings) – indicator specifying the ratio of the company's market price (per share) to earnings per share.

DPS (Dividend Per Share) – market multiple specifying the dividend per share.

DY (Dividend Yield) – market multiple specifying the ratio of the dividend per share to the market share price.

EPS (Earnings Per Share) – market multiple specifying earnings per share.

GMM– General Measurement Model, the default model of IFRS 17, in which insurance liabilities are calculated as the sum of discounted estimated future cash flows (BEL), non-financial risk adjustments and CSM.

IDD – Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (Insurance Distribution Directive).

IPO (Initial Public Offering) – public offering of specific securities performed for the first time. One of the most important elements of an initial public offering is the preparation of a prospectus and the proceeding before the institution supervising admission to be traded publicly.

Civil Code – Act of 23 April 1964 entitled Civil Code.

Commercial Company Code – Act of 15 September 2000 entitled Commercial Company Code.

initial recognition (IR)– the date of first recognition of an insurance contract.

non-distinct investment component (NDIC) – represents the portion of the benefit payable to the insured that will always be paid to the insured regardless of whether an insured event occurs.

PAA – Premium Allocation Approach, a simplified approach, where the measurement of the liability for remaining insurance cover is analogous with the unearned premiums mechanism according to IFRS 4 (without a separate presentation of risk adjustment for non-financial risk or contractual service margin), whereas liabilities for paid claims are measured in the same manner as for the general measurement model. The PAA method is applied to short-term contracts that meet the relevant eligibility criteria at initial recognition.

ECSs – Employee Capital Schemes defined by the provisions of the Act of 4 October 2018 on Employee Capital Schemes.

PRIIP – Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No. 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products.

gross insurance revenue – this is the remuneration expected to be received by the entity in exchange for insurance services provided during the period. In the GMM or VFA model, it includes the contractual service margin solution (CSM) in the amount of the contract profit attributable to the period, the release of the adjustment for non-financial risks during the period, the compensation, benefits and expenses expected during the period, and the portion of the premium associated with the recovery of acquisition costs, and the PAA simplified model includes the amortization of liabilities for remaining coverage.

Insurance Finance Income or Expenses (IFIE) – the effect of time value of money and financial risks and their changes recognized partly in the profit and loss account and partly in other comprehensive income.

gross written premium – the amounts of gross written premiums (net of the reinsurer's share) due by virtue of the insurance contracts executed in the reporting period, notwithstanding the term of liability stemming from these agreements.

net earned premium – the gross written premium in a given period giving consideration to the settlement of revenues (premiums) over time through movement in the provisions for unearned premiums and the reinsurers' share.

adjustment for non-financial risk – compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.

reinsurance – transfer to some other insurance undertaking – the reinsurer – of all or part of the insured risk or class of risks along with the pertinent portion of the premiums. As a result of reinsurance, a secondary split of risks transpires to minimize the risks to the insurance market.

outward reinsurance – reinsurance activity whereby the insurer (cedent) transfers a portion of the concluded insurance to a reinsurer or reinsurers in the form of a reinsurance agreement.

inward reinsurance – reinsurance activity whereby a reinsurer or reinsurers accept a portion of insurance or a class of insurance transferred by a cedent.

technical provisions (PSR)– provisions that should ensure full coverage of current and future liabilities that may result from executed insurance contracts. The following, in particular, are included in technical provisions: provision for unearned premiums, provision for life insurance, provision for outstanding claims and benefits, provision for unexpired risks, provision for investment risk borne by policyholders and provision for bonuses and discounts for insureds.

RODO – Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

CRR – Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation).

Regulation on Current and Periodic Information – Finance Minister's Regulation of 29 March 2018 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 (Journal of Laws of 2018, item 757).

credit scoring – method for assessing the credibility of an entity (usually a natural person or a business) applying for a bank loan. The result of credit scoring is ordinarily presented in the form of a score – the higher the number of points, the greater the credibility of a prospective borrower.

sell-side – part of the financial sector involved in creating, promoting and selling equities, bonds, foreign currencies and other financial instruments; it includes investment bankers who act as intermediaries between securities issuers and investors as well as market makers who provide liquidity on the market. Sell-side analysts release research reports with investment recommendations and daily comments for the buy side, i.e. for asset managers.

Locked-in interest rates – interest rates at initial recognition.

spread – the difference between the purchase and sale price of a financial instrument.

risk-free rate – rate of return on financial instruments with zero risk. In PZU the risk-free rate is based on the yield curves for treasuries and it is the basis for determining transfer prices in settlements between operating segments.

sum insured – amount in cash for which an insured object is insured. In non-life insurance the sum insured ordinarily constitutes the upper limit of the insurer's liability.

Transition– date of transition to valuation in accordance with IFRS 17 standard, i.e. 1 January 2022.

TSR (Total Shareholder Return) – measure specifying the total rate of return obtained by shareholders by virtue of holding shares in a given company during an annual period. This measure expresses the sum total of profit stemming from the movement in the share price of a given company and the dividends paid during the time when an investor holds its shares in relation to its share value at the beginning of a given year. It is expressed as a percentage on an annualized basis.

Unit-linked – Unit-linked insurance fund, a separate fund consisting of assets constituting a provision consisting of insurance premiums invested in the manner specified in the insurance agreement, a constituent part of unit-linked life insurance also referred to as an investment policy.

UoA (Unit of Account) – a unit of account, the lowest level at which valuation under IFRS 17 is conducted, only at this level compensation of profit and loss of insurance contracts is allowed.

Act on Statutory Auditors – Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, Item 1089, as amended).

UOKiK – Office of Competition and Consumer Protection, the Polish anti-trust authority, acting to ensure the development of competition, protect businesses exposed to monopolistic practices and protect consumer interests, www.uokik.gov.pl.

Insurance Activity Act – Act of 11 September 2015 on Insurance and Reinsurance Activity (Journal of Laws of 2015, item 1844), with most regulations in force as of 1 January 2016. This Act introduced Solvency II requirements to the Polish legal system.

release of non-financial risk adjustment (RA) presented in profit or loss – compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks as the entity fulfils insurance contracts.

release of the contractual service margin (CSM) – contractual service margin release presented in profit or loss – contractual service margin (CSM) is released in the current period based on the proportion of the total insurance service provided in the period.

UX (User Experience) – area related to the experiences of users of the respective tool (or, more broadly, of a process, or interacting with the brand in general). It is associated directly with web usability, which is an empirical field of knowledge dealing with the design and testing of tools (in this case: online tools) in consideration of the needs and preferences of target users. In the context of websites, it involves broadly construed usefulness and effectiveness in attaining specific goals.

VFA – Variable Fee Approach, – method based on the building block approach, applied for contracts with direct participating features, where changes in economic assumptions passes through CSM over the life of contract, method applied e.g. for Unit-Linked contracts.

WIBOR6M – reference interest rate for a loan for 6 months on the Polish interbank market.

Solvency II – solvency system for European insurance undertakings taking the risk profile into account. These requirements have been in force since 1 January 2016.

prudent person principle – principle expressed in article 129 of the Solvency II Directive of the European Parliament and of the Council on the Taking-up and Pursuit of the Business of Insurance and Reinsurance that imposes on insurance undertakings and reinsurance undertakings the requirement of investing assets in the policyholders' best interest, properly matching investments to liabilities and duly incorporating the various types of financial risk, such as liquidity risk and concentration risk.

liability (or asset) for insurance contracts – replaces in IFRS 17 the existing technical provisions and other balance sheet contributions related to the valuation of insurance contracts. It consists of the Liability for Remaining Coverage and Liability for Incurred Claims).

9.2. Alternative Performance Measures

Selected Alternative Performance Measures (APM) within the meaning of European Securities and Markets Authority Guidelines (ESMA) no. 2015/1415 are presented below.

The profitability and operational efficiency indicators presented herein, constituting standard measures applied generally in financial analysis, provide, in the opinion of the Management Board, significant additional information about the PZU Group's financial performance. Their usefulness was analyzed in terms of information, delivered to the investors, regarding the Group's financial standing and financial performance.

aROE – adjusted return on equity, calculated on a capital basis excluding cumulative other comprehensive income relating to insurance and reinsurance financial income and expenses.

Assets of external clients of TFI PZU and PTE PZU (PLN billion) – assets of external clients accumulated in the PZU "Złota Jesień" Open-End Pension Fund and the PZU Voluntary Pension Fund as well as all assets accumulated and managed by TFI PZU, other than those constituting own funds of PZU Group companies. Compared to the values reported before 2021, PPE products sold past PZU Życie as UFK and managed by TFI PZU as asset management were also included. An increase in this indicator means that the inflows of assets into the funds are greater than the outflows from the funds and/or that the funds generated positive rates of return on assets under management.

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).

Net interest margin (NIM) – the difference between a bank's net interest income earned on income-generating assets and interest expenses incurred on liabilities. It is the ratio of a bank's earnings generated on interest to average assets net of matured interest on at-risk receivables; an increase in the value of this indicator signifies an improvement in efficiency (NIM).

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

Operating margin in group and individually continued insurance – profitability of the segment of group and individually continued insurance, calculated as the ratio of profit/loss on operating activity to net insurance revenues; an increase in the value of this indicator signifies an improvement in efficiency.

Revenue of the Health Pillar / Area – gross written premium from health insurance (property and life insurance) and revenue from medical care subscription, occupational medicine, services under a contract with the National health Fund and fee-for-service products carried out in medical centers of PZU Zdrowie (in branches and subsidiaries of PZU Zdrowie), excluding intragroup transactions.

Number of contracts of the Health Pillar / Area – the number of contracts of clients of health products of the PZU Group (PZU Życie, PZU, PZU Zdrowie, TUW PZUW, LINK4), i.e. the number of contracts of clients having: group or individual health insurance, subscription for medical services or occupational medicine services. For group contracts, the client is either the insured or the beneficiary.

ROA (Return on Assets) – return on assets, calculated as the ratio of the annual net profit to the arithmetic mean of total assets at the beginning and end of the reporting period; an increase in the value of this indicator signifies an improvement in efficiency, i.e. a greater ability of the assets to generate profits (Return on Assets).

ROE (Return on Equity) attributable to equity holders of the parent – 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 minus minority interest at the beginning and end of the reporting period; an increase in the value of this indicator signifies an improvement in efficiency and the ability to multiply funds entrusted by the owners (investors) (Return on Equity).

Consolidated ROE (Return on Equity) – return on equity calculated as the ratio of the annual net profit to the arithmetic mean of consolidated equity at the beginning and end of the reporting period; an increase in the value of this indicator signifies an improvement in efficiency and the ability to multiply funds entrusted by the owners (Return on Equity).

Administrative expense ratio – the quotient of net administrative expenses and to net insurance revenues; the ratio determines the percentage of administrative expenses to net insurance revenues and a decrease in the value of the ratio indicates an improvement in efficiency.

Cost/Income ratio, C/I ratio (banking sector) – the quotient of administrative expenses and the sum of operating income, excluding: costs of legal risk of mortgages in foreign currencies, 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 Group's solvency ratio – the level of coverage of the solvency capital requirement with the PZU Group's own funds within the meaning of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as amended and supplemented with related documents; an increase in the value of this indicator signifies an increase in the capital surplus.

This Activity Statements contain forward-looking statements concerning the strategic operations. Such forward-looking statements are exposed to both known and unknown types of risks, involve uncertainties and are subject to other significant factors which may cause that the actual results, operations, or achievements of PZU Group considerably differ from future results, operations, or achievements expressed or implied in the forwards-looking statements. The statements are based on a number of assumptions concerning the current and future business strategy of PZU Group and the external environment in which the Group will operate in the future. PZU expressly waives any and all obligations or commitments concerning distribution of any updates or adjustments to any of the assumptions contained in these Management Board's report on the activity of the PZU Group and PZU, which shall aim to reflect the changes in PZU expectations or changes in events, conditions, or circumstances on which a given assumption has been made, unless provisions of the law provided otherwise. PZU stipulates that the forwardlooking statements do not constitute a guarantee as to the future results, and the company's actual financial standing, business strategy, management plans and objectives concerning the future operations may considerably differ from those presented or implied in such statements contained in these Management Board's report on the activity of the PZU Group and PZU. Moreover, even if the PZU Group's financial standing, business strategy, management plans and objectives concerning the future operations comply with the forward-looking statements contained in these Management Board's report on the activity of the PZU Group and PZU, such results or events may not be treated as a guideline as to the results or events in the subsequent periods.

PZU does not undertake to publish any updates, changes, or adjustments to information, data or statements contained in these Management Board's report on the activity of the PZU Group and PZU if the strategic operations or plans of PZU shall change, or in the case of facts or events that shall affect such operations or plans of PZU, unless such an obligation to inform resulted from applicable provisions of the law.

PZU Group is not liable for the effects of decisions made following the reading of the Management Board's report on the activity of the PZU Group and PZU.

At the same time, these Management Board's report on the activity of the PZU Group and PZU may not be treated as a part of a call or an offer to purchase securities or make an investment. The Management Board's report on the activity of the PZU Group and PZU does not constitute also an offer or a call to effect any other transactions concerning securities.