Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group

Consolidated financial statements for the year ended 31 December 2024 prepared in accordance with International Financial Reporting Standards

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Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Consolidated profit and loss account

Consolidated profit and loss account	Note	1 January – 31 December 2024	1 January – 31 December 2023 (restated) [1)]
Insurance service result before reinsurance		4,307	4,122
Insurance revenue		29,423	26,868
Insurance service expenses		(25,116)	(22,746)
Net income or expenses from reinsurance contracts held		(792)	(103)
Reinsurance premium allocation		(1,882)	(1,514)
Amounts recoverable from reinsurers		1,090	1,411
Insurance service result	11	3,515	4,019
Financial income and expenses from insurance		(1,565)	(1,786)
Finance income or expenses from reinsurance		140	38
Interest income calculated using the effective interest rate, and equalized to them	13	28,367	27,549
Interest income calculated using the effective interest rate		27,097	26,348
Income of a nature similar to interest		1,270	1,201
Other net investment income	14	373	406
Result from derecognition of financial instruments and investments not measured at fair value through profit or loss	15	8	(47)
Result from allowances for expected credit losses	16	(1,486)	(1,285)
Net movement in fair value of assets and liabilities measured at fair value	17	946	1,502
Revenue from commissions and fees	18	5,165	5,528
Fee and commission expenses	19	(1,323)	(1,742)
PZU Group operating expenses not related to insurance services	20	(10,514)	(9,701)
Interest expenses	21	(8,243)	(8,890)
Legal risk costs of foreign currency mortgage loans		(729)	(369)
Other operating income	23	1,728	1,525
Other operating expenses	24	(685)	(612)
Operating profit		**15,697**	**16,135**
Share of the net financial results of entities accounted for using the equity method		8	10
Profit before tax		**15,705**	**16,145**
Income tax	25	(3,484)	(3,626)
Net profit, of which:		**12,221**	**12,519**
- profit attributable to the equity holders of the Parent Company		5,342	5,780
- profit (loss) attributable to holders of non-controlling interests		6,879	6,739
Weighted average basic and diluted number of common shares	26	863,358,403	863,378,107
Basic and diluted profit (loss) per common share (in PLN)	26	6.19	6.69

[1)] Information on the restatement of comparative data is presented in section 6.3.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Consolidated statement of other comprehensive income

Consolidated statement of other comprehensive income	Note	1 January – 31 December 2024	1 January – 31 December 2023 (restated) [1)]
Net profit		12,221	12,519
Net other comprehensive income		669	2,812
Subject to subsequent transfer to profit or loss		686	2,807
Valuation of debt instruments		155	2,064
Reclassification of debt instruments valuation for the profit and loss account		45	39
Measurement of loan receivables from clients		6	5
Financial income and expenses from insurance		495	(1,678)
Finance income or expenses from reinsurance		(16)	38
Foreign exchange translation differences		(38)	(137)
Cash flow hedging, including:		202	3,160
Gains and losses on fair value measurement of financial instruments hedging cash flows in the portion constituting an effective hedge		(907)	1,532
Gains and losses on cash flow hedging financial instruments reclassified to profit or loss		1,109	1,628
Income tax	25	(163)	(684)
Not subject to subsequent reclassification to profit or loss		(17)	5
Valuation of equity instruments		(82)	-
Reclassification of real property from property, plant and equipment to investment property		61	27
Actuarial gains and losses related to provisions for employee benefits		(2)	(27)
Income tax	25	6	5
Total comprehensive income		**12,890**	**15,331**
- comprehensive income attributable to equity holders of the Parent Company		5,828	5,946
- comprehensive income attributable to holders of non-controlling interests		7,062	9,385

[1)] Information on the restatement of comparative data is presented in section 6.3.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Consolidated statement of financial position

Assets	Note	31 December 2024	31 December 2023 (restated) [1)]	1 January 2023 (restated) [1)]
Goodwill	27	2,792	2,801	2,808
Intangible assets	28	3,745	3,404	3,282
Property, plant and equipment	29	4,256	4,445	4,304
Investment property	30	3,159	3,098	3,021
Entities accounted for using the equity method	31	69	62	52
Insurance contract assets	11	108	111	68
Reinsurance contract assets	11	4,042	3,469	2,336
Assets pledged as collateral for liabilities	34	1,404	1,708	972
Assets held for sale	48	595	621	654
Loan receivables from clients (including finance lease receivables)	32	232,166	218,874	212,725
Financial derivatives	33	5,384	11,396	16,197
Investment financial assets	35	222,315	192,332	153,861
Measured at amortized cost		158,550	135,875	106,013
Measured at fair value through other comprehensive income		53,131	44,366	39,725
Measured at fair value through profit or loss		10,634	12,091	8,123
Deferred tax assets	47	2,244	2,193	3,090
Current income tax receivables		6	19	305
Other receivables	36	5,258	5,227	9,108
Other assets	37	587	483	462
Cash and cash equivalents	39	15,127	17,702	15,960
Total assets		**503,257**	**467,945**	**429,205**

[1)] Information on the restatement of comparative data is presented in section 6.3.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Consolidated statement of financial position (cont.)

Equity and liabilities	Note	31 December 2024	31 December 2023 (restated) [1)]	1 January 2023 (restated) [1)]
Equity				
Equity attributable to equity holders of the parent company		32,111	30,037	26,163
Share capital	40.1	86	86	86
Other capital	40.3	22,076	18,225	17,205
Retained earnings		9,949	11,726	8,872
Retained profit		4,607	5,946	8,872
Net profit		5,342	5,780	n/a
Non-controlling interest	2.4	33,146	30,515	22,268
Total equity		**65,257**	**60,552**	**48,431**
Liabilities				
Insurance contract liabilities	11	43,642	42,328	37,518
Reinsurance contract liabilities	11	35	35	31
Subordinated liabilities	41	5,099	6,166	6,184
Liabilities on the issue of own debt securities	42	18,086	12,003	11,090
Liabilities to banks	43	6,895	7,047	7,720
Liabilities to clients under deposits	44	334,193	303,781	278,058
Financial derivatives	33	6,132	11,656	20,956
Current income tax liabilities		1,818	1,991	328
Other liabilities	45	15,946	16,980	14,301
Provisions	46	2,756	2,286	1,724
Deferred tax liabilities	47	3,374	3,088	2,831
Liabilities directly associated with assets classified as held for sale	48	24	32	33
Total liabilities		**438,000**	**407,393**	**380,774**
Total equity and liabilities		**503,257**	**467,945**	**429,205**

[1)] Information on the restatement of comparative data is presented in section 6.3.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Consolidated statement of changes in equity

Consolidated statement of changes in equity	Equity attributable to equity holders of the parent company											Non-controll-ing interest	Total equity
	Share capital	Other capital								Retained earnings	Total		
		Treasury shares	Supple mentary capital	Other reserve capital	Accumulated other comprehensive income								
					Revaluation reserve	Financial income and expenses from insurance	Finance income or expenses from reinsurance	Actuarial gains and losses related to provisions for employee benefits	Foreign exchange translation differences				
Note	40.1											2.4	
As at 1 January 2024	**86**	**(4)**	**15,804**	**2,218**	**(948)**	**1,258**	**(48)**	**(8)**	**(47)**	**11,726**	**30,037**	**30,515**	**60,552**
Total comprehensive income	**-**	**-**	**-**	**-**	**138**	**399**	**(13)**	**(1)**	**(37)**	**5,342**	**5,828**	**7,062**	**12,890**
Net profit (loss)	-	-	-	-	-	-	-	-	-	5,342	5,342	6,879	12,221
Net other comprehensive income	-	-	-	-	138	399	(13)	(1)	(37)	-	486	183	669
Transaction with the shareholders of the parent company	**-**	**-**	**1,665**	**1,705**	**-**	**-**	**-**	**-**	**-**	**(7,118)**	**(3,748)**	**(4,424)**	**(8,172)**
Distribution of financial result	-	-	2,519	1,705	-	-	-	-	-	(4,224)	-	(4,424)	(4,424)
PZU dividend	-	-	(854)	-	-	-	-	-	-	(2,894)	(3,748)	-	(3,748)
Other changes	**-**	**(3)**	**22**	**-**	**(24)**	**-**	**-**	**-**	**-**	**(1)**	**(6)**	**(7)**	**(13)**
Transactions on treasury shares	-	(3)	-	-	-	-	-	-	-	-	(3)	-	(3)
Sales of equity instruments designated at fair value through other comprehensive income	-	-	24	-	(24)	-	-	-	-	-	-	-	-
Transactions with holders of non-controlling interests	-	-	(2)	-	-	-	-	-	-	-	(2)	(7)	(9)
Other	-	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
As at 31 December 2024	**86**	**(7)**	**17,491**	**3,923**	**(834)**	**1,657**	**(61)**	**(9)**	**(84)**	**9,949**	**32,111**	**33,146**	**65,257**

Warsaw, 26 March 2025

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Consolidated statement of changes in equity (continued)

Consolidated statement of changes in equity (restated)	**Equity attributable to equity holders of the parent company**											**Non-controlling interest**	**Total equity**
	Share capital	**Other capital**								**Retained earnings**	**Total**		
		Treasury shares	Supplementary capital	Other reserve capital	Accumulated other comprehensive income								
					Revaluation reserve	Financial income and expenses from insurance	Finance income or expenses from reinsurance	Actuarial gains and losses related to provisions for employee benefits	Foreign exchange translation differences				
Note	40.1											2.4	
As at 1 January 2023 (before restatement)	**86**	**(4)**	**15,315**	**1,721**	**(2,455)**	**2,622**	**(79)**	**(6)**	**91**	**8,871**	**26,162**	**22,263**	**48,425**
Change in accounting principles (section 6.3.1)	-	-	-	-	-	-	-	-	-	1	1	5	6
As at 1 January 2023 (restated)	**86**	**(4)**	**15,315**	**1,721**	**(2,455)**	**2,622**	**(79)**	**(6)**	**91**	**8,872**	**26,163**	**22,268**	**48,431**
Total comprehensive income	**-**	**-**	**-**	**-**	**1,639**	**(1,364)**	**31**	**(2)**	**(138)**	**5,780**	**5,946**	**9,385**	**15,331**
Net profit (loss)	-	-	-	-	-	-	-	-	-	5,780	5,780	6,739	12,519
Net other comprehensive income	-	-	-	-	1,639	(1,364)	31	(2)	(138)	-	166	2,646	2,812
Transaction with the shareholders of the parent company	**-**	**-**	**357**	**497**	**-**	**-**	**-**	**-**	**-**	**(2,926)**	**(2,072)**	**(1,138)**	**(3,210)**
Distribution of financial result	-	-	1,653	497	-	-	-	-	-	(2,150)	-	(1,138)	(1,138)
PZU dividend	-	-	(1,296)	-	-	-	-	-	-	(776)	(2,072)	-	(2,072)
Other changes	**-**	**-**	**132**	**-**	**(132)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sales of equity instruments designated at fair value through other comprehensive income	-	-	130	-	(130)	-	-	-	-	-	-	-	-
Sale of revalued properties and other	-	-	2	-	(2)	-	-	-	-	-	-	-	-
As at 31 December 2023	**86**	**(4)**	**15,804**	**2,218**	**(948)**	**1,258**	**(48)**	**(8)**	**(47)**	**11,726**	**30,037**	**30,515**	**60,552**

Warsaw, 26 March 2025

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Consolidated cash flow statement

Consolidated cash flow statement	Note	1 January – 31 December 2024	1 January – 31 December 2023 (restated)
Profit before tax		15,705	16,145
Adjustments		(6,400)	(5,496)
Amortization of intangible assets and depreciation of property, plant and equipment		1,499	1,386
Net movement in fair value of assets and liabilities measured at fair value		(946)	(1,502)
Realized gains/losses from investing activities and result from allowances for expected credit losses		1,565	1,240
Net foreign exchange differences		(159)	(187)
Interest income and expenses		(8,359)	(6,433)
Movement		22,604	18,806
Change in loans receivable from clients (including finance lease receivables)		(14,673)	(7,323)
Movement in liabilities under deposits		30,297	24,769
Movement in insurance contract assets and liabilities		1,709	3,089
Movement in reinsurance contract assets and liabilities		(527)	(1,091)
Movement in receivables		(39)	(752)
Movement in liabilities		(443)	1,996
Movement in liabilities under investment contracts		477	155
Movement in participation units and investment certificates of investment funds		315	881
Other		5,488	(2,918)
Income tax paid		(3,568)	(1,206)
Net cash flows from operating activities		**28,341**	**28,249**
Cash flow from investing activities			
Inflows		2,222,230	2,105,489
- sale of investment property		-	2
- sale of intangible assets and property, plant and equipment		203	65
- sale of ownership interests and shares		780	1,393
- realization of debt securities		1,588,479	1,429,090
- closing of buy-sell-back transactions		447,092	453,727
- closing of term deposits with credit institutions		142,837	179,965
- realization of other investments		38,863	38,345
- interest received		3,890	2,639
- dividends received		64	180
- increase in cash due to consolidation of investment funds		4	2
- other investment proceeds		18	81

Warsaw, Wednesday, March 26, 2025

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Consolidated cash flow statement (continued)

Consolidated cash flow statement	Note	1 January – 31 December 2024	1 January – 31 December 2023 (restated)
Expenditures		(2,249,015)	(2,129,823)
- purchase of investment property		(8)	(43)
- purchase of intangible assets and property, plant and equipment		(1,390)	(1,296)
- purchase of ownership interests and shares		(775)	(880)
- purchase of ownership interests and shares in subsidiaries		(60)	(35)
- decrease in cash due to the sale of entities and change in the scope of consolidation		-	(12)
- purchase of debt securities		(1,619,038)	(1,456,990)
- opening of buy-sell-back transactions		(446,664)	(455,608)
- purchase of term deposits with credit institutions		(142,586)	(178,076)
- purchase of other investments		(38,458)	(36,859)
- other expenditures for investments		(36)	(24)
Net cash flows from investing activities		**(26,785)**	**(24,334)**
Cash flows from financing activities			
Inflows		287,272	189,940
- proceeds from loans and borrowings	53	1,226	1,728
- proceeds on the issue of own debt securities	53	37,118	5,387
- opening of repurchase transactions	53	248,928	182,825
Expenditures		(291,370)	(191,862)
– dividends paid to equity holders of the parent	40.2.1.1	(3,748)	(2,072)
- dividends to owners of non-controlling interests		(4,424)	(1,138)
- repayment of loans and borrowings	53	(1,091)	(1,372)
- redemption of own debt securities	53	(32,255)	(4,397)
- closure of repurchase transactions	53	(249,164)	(182,137)
- interest on loans and borrowings	53	(10)	(12)
- interest on outstanding debt securities	53	(393)	(436)
- expenditures on leases – capital part	53	(237)	(263)
- expenditures on leases – interest part	53	(48)	(35)
Net cash flows from financing activities		**(4,098)**	**(1,922)**
Total net cash flows		**(2,542)**	**1,993**
Cash and cash equivalents at the beginning of the period		17,702	15,960
Movement in cash due to foreign exchange differences		(33)	(251)
Cash and cash equivalents at the end of the period, including:	39	15,127	17,702
- restricted cash		9	21

Warsaw, Wednesday, March 26, 2025

The accompanying notes form an integral part of the consolidated financial statements.

Supplementary information and notes

1. Introduction

Compliance statement

These consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group ("consolidated financial statements" and "PZU Group", respectively) have been prepared in line with the International Financial Reporting Standards as endorsed by the European Commission ("IFRS"), published and in force as at 31 December 2024.

Period covered by the statements

These consolidated financial statements cover the period of 12 months, from 1 January to 31 December 2024, and include comparative figures for the period of 12 months, from 1 January to 31 December 2023.

Approval of the statements

These consolidated financial statements were signed and authorized for publication by the Management Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna on 26 March 2025 and will be subject to approval by the shareholder meeting of Powszechny Zakład Ubezpieczeń Spółka Akcyjna.

Functional and presentation currency

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

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

Going concern assumption

These consolidated financial statements have been drawn up under the assumption that the PZU Group remains a going concern in the foreseeable future, i.e. in the period of at least 12 months after the end of the reporting period. As at the date of signing these consolidated financial statements, there are no facts or circumstances that would indicate a threat to the ability of the PZU Group to continue its activity in the period of 12 months after the end of the reporting period as a result of an intentional or an induced discontinuation or a material curtailment of its hitherto activity.

Discontinued operations

Both in 2024 and in 2023, the PZU Group did not discontinue any material type of activity.

Glossary

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

Names of companies

Balta – AAS "BALTA".

Alior Bank – Alior Bank SA.

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

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

Idea Bank – Idea Bank SA.

LD – AB "Lietuvos draudimas".

Link4 – Link4 Towarzystwo Ubezpieczeń SA.

Pekao – Bank Pekao SA.

PG TUW – Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych in liquidation.

PG TUWnŻ – Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie in liquidation.

PFR – Polski Fundusz Rozwoju SA.

PIM – Pekao Investment Management SA.

PZU, Parent Company – Powszechny Zakład Ubezpieczeń Spółka Akcyjna.

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

PZU LT GD – UAB "PZU Lietuva gyvybes draudimas".

PZU CO – PZU Centrum Operacji SA.

PZU Ukraine – PRJSC IC "PZU Ukraine".

PZU Ukraine Life – PRJSC IC "PZU Ukraine Life Insurance".

PZU Życie – Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna.

TFI PZU – Towarzystwo Funduszy Inwestycyjnych PZU SA.

TUW PZUW – Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych.

Other definitions

BFG – Bank Guarantee Fund [Bankowy Fundusz Gwarancyjny].

CDI – core deposit intangible.

CGU – cash generating unit.

CSM – contractual service margin.

EBA – European Banking Authority.

ECL – expected credit loss.

Forbearance – tools used to restructure debt, most frequently taking the form of arrangements provided to the debtor by the creditor.

FRA – Full retrospective approach.

GMM – General measurement model, for measurement of insurance contracts according to IFRS 17.

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

WSE – Warsaw Stock Exchange;

IBOR – Interbank Offered Rate.

IRS – Interest rate swap.

PZU's standalone financial statements for 2024 – annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2024, prepared in accordance with PAS, signed by the PZU Management Board on 26 March 2025.

KNF – Polish Financial Supervision Authority.

Commercial Company Code – Act of 15 September 2000 entitled Commercial Company Code.

Baltic countries – Lithuania (LD, PZU LT GD), Latvia (Balta), Estonia (LD branch).

LGD – loss given default, expressed as a percentage of the total exposure in case of a counterparty's insolvency.

LIC – Liability for incurred claims.

LRC – Liability for remaining coverage.

MRA – Modified retrospective approach.

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

NBP – National Bank of Poland.

NBU – National Bank of Ukraine.

PAA – Premium allocation approach.

PD – probability of default of a counterparty over a specified time horizon.

POCI – Purchased or originated credit-impaired financial assets.

Tax Group – PZU Tax Group – on 10 November 2023, a Tax Group agreement was signed, covering 14 companies: PZU, PZU Życie, Link4, PZU CO, PZU Pomoc SA, Ogrodowa-Inwestycje sp. z o.o., PZU Zdrowie SA, Tulare Investments sp. z o.o., TFI PZU, Ipsilon sp. z o.o., PZU Finanse sp. z o.o., PZU LAB SA, Omicron Bis SA, PZU Projekt 01 SA. The Tax Group was established for a period of 3 years – from 1 January 2024 to 31 December 2026 – and the Head of the First Mazowiecki Tax Office issued a registration decision on 13 December 2023. PZU is the parent company representing the Tax Group. The Tax Group performs settlements with the Tax Office on a monthly basis. PZU pays advances for corporate income tax that are due from all the companies to the Tax Office, while the companies transfer the CIT advances related to their business activities to PZU.

PLET – Polish Life Expectancy Tables published annually by the Central Statistical Office of Poland.

Banking Law – the Act of 29 August 1997 entitled Banking Law.

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

IASB – International Accounting Standards Board.

BMR – Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

Capital Requirements Regulation, CRR – Regulation (EU) 2013/575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Consolidated financial statements – consolidated financial statements of the PZU Group prepared in accordance with IFRS for the year ended 31 December 2024.

SPPI test – solely payments of principal and interest test.

CJEU – Court of Justice of the European Union.

UKNF – Office of the Polish Financial Supervision Authority.

BFG Act – Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and resolution.

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

Crowdfunding Act – Act of 7 July 2022 on crowdfunding for economic ventures and assistance to borrowers.

Supplementary Oversight Act – Act of 15 April 2005 on supplementary oversight over credit institutions and insurance undertakings, reinsurance undertakings and investment firms comprising a financial conglomerate.

VaR – value at risk.

VFA – variable fee approach.

EBA Guidelines – guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the COVID-19 crisis" (EBA/GL/2020/02) of 2 April 2020 (as amended).

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

2. Composition of PZU Group

2.1 Key information on the PZU Group

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

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

2.2 PZU Group companies and associates

No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 December 2024	31 December 2023	
Consolidated insurance undertakings						
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	Non-life insurance. https://www.pzu.pl/grupa-pzu/spolki/pzu-sa
2	Powszechny Zakład Ubezpieczeń na Życie SA	Warsaw	18.12.1991	100.00%	100.00%	Life insurance. https://www.pzu.pl/pl/grupa-pzu/spolki/pzu-zycie
3	Link4 Towarzystwo Ubezpieczeń SA	Warsaw	15.09.2014	100.00%	100.00%	Non-life insurance. https://www.link4.pl/
4	Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych	Warsaw	20.11.2015	100.00%	100.00%	Non-life insurance. https://www.tuwpzuw.pl/
5	AB “Lietuvos draudimas”	Vilnius (Lithuania)	31.10.2014	100.00%	100.00%	Non-life insurance. http://www.ld.lt/
6	AAS “BALTA”	Riga (Latvia)	30.06.2014	100.00%	100.00%	Non-life insurance. http://www.balta.lv/
7	PRJSC IC “PZU Ukraine”	Kiev (Ukraine)	1.07.2005	100.00%	100.00%	Non-life insurance. http://www.pzu.com.ua/
8	PRJSC IC “PZU Ukraine Life Insurance“	Kiev (Ukraine)	1.07.2005	100.00%	100.00%	Life insurance. http://www.pzu.com.ua/
9	UAB “PZU Lietuva gyvybes draudimas” [1)]	Vilnius (Lithuania)	8.04.2004	99.34%	99.34%	Life insurance. https://pzugd.lt/
10	Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych in liquidation [2)]	Warsaw	25.01.2024	100.00%	n/a	Non-life insurance. https://www.link4.pl/
11	Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie in liquidation [2)]	Warsaw	25.01.2024	100.00%	n/a	Life insurance. https://polskigaztuw.pl/pgtuwnz_oferta/
Consolidated companies – Pekao Group						
12	Bank Pekao SA	Warsaw	7.06.2017	20.03%	20.02%	Banking services. https://www.pekao.com.pl/
13	Pekao Bank Hipoteczny SA	Warsaw	7.06.2017	20.03%	20.02%	Banking services. http://www.pekaobh.pl/
14	Pekao Leasing sp. z o.o.	Warsaw	7.06.2017	20.03%	20.02%	Lease services. http://www.pekaoleasing.com.pl/
15	Pekao Investment Banking SA	Warsaw	7.06.2017	20.03%	20.02%	Brokerage services. http://pekaoib.pl/
16	Pekao Faktoring sp. z o.o.	Lublin	7.06.2017	20.03%	20.02%	Factoring services. https://www.pekaofaktoring.pl/
17	Pekao Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	11.12.2017	20.03%	20.02%	Creation, representing and management of mutual funds. https://pekaotfi.pl/
18	Centrum Kart SA	Warsaw	7.06.2017	20.03%	20.02%	Auxiliary financial services. http://www.centrumkart.pl/
19	Pekao Financial Services sp. z o.o.	Warsaw	7.06.2017	46.82% [3)]	46.81% [3)]	Transfer agent. http://www.pekao-fs.com.pl/pl/

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No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 December 2024	31 December 2023	
Consolidated companies – Pekao Group – continued						
20	Pekao Direct sp. z o. o.	Kraków	7.06.2017	20.03%	20.02%	Call centre services. https://www.pekaodirect.pl/
21	Pekao Property SA in liquidation	Warsaw	7.06.2017	20.03%	20.02%	Development activities.
22	FPB – Media sp. z o.o. in bankruptcy	Warsaw	7.06.2017	20.03%	20.02%	No business conducted.
23	Pekao Fundusz Kapitałowy sp. z o.o. in liquidation	Warsaw	7.06.2017	20.03%	20.02%	Business consulting.
24	Pekao Investment Management SA	Warsaw	11.12.2017	20.03%	20.02%	Asset management. https://pekaotfi.pl/o-nas/pekao-investment-mangament
25	PeUF sp. z o.o.	Warsaw	20.07.2021	20.03%	20.02%	Auxiliary financial activities.
Consolidated companies – Alior Bank Group						
26	Alior Bank SA	Warsaw	18.12.2015	31.94%	31.93%	Banking services. https://www.aliorbank.pl/
27	Alior Services sp. z o.o.	Warsaw	18.12.2015	31.94%	31.93%	Other activity supporting financial services, excluding insurance and pension funds.
28	Alior Leasing sp. z o.o.	Warsaw	18.12.2015	31.94%	31.93%	Leasing services. https://www.aliorbank.pl/wlasna-dzialalnosc/alior-leasing.html
29	Meritum Services ICB SA	Gdańsk	18.12.2015	31.94%	31.93%	IT services.
30	Alior Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	18.12.2015	31.94%	31.93%	Asset management services and management of Alior SFIO subfunds. https://www.aliortfi.com/
31	AL Finance sp. z o.o.	Katowice	30.01.2017	31.94%	31.93%	Agency activities.
32	Corsham sp. z o.o.	Warsaw	4.02.2019	31.94%	31.93%	Business consulting.
33	RBL_VC sp. z o.o.	Warsaw	7.11.2019	31.94%	31.93%	Venture capital fund management activities.
34	RBL_VC sp. z o.o. ASI SKA	Warsaw	17.04.2020	31.94%	31.93%	Activity of trusts, funds and similar financial institutions.
35	Alior Leasing Individual sp. z o.o.	Warsaw	23.10.2023	31.94%	31.93%	Finance lease
Consolidated companies – PZU Zdrowie Group						
36	PZU Zdrowie SA [4)]	Warsaw	2.09.2011	100.00%	100.00%	Medical services. https://www.pzu.pl/pl/grupa-pzu/spolki/pzu-zdrowie
37	Centrum Medyczne Medica sp. z o.o.	Płock	9.05.2014	100.00%	100.00%	Medical services. https://www.plock.pzuzdrowie.pl/
38	Sanatorium Uzdrowiskowe "Krystynka" sp. z o.o.	Ciechocinek	9.05.2014	99.09%	99.09%	Hospital, physical therapy and spa services. http://www.sanatoriumkrystynka.pl/
39	Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA– Jaworzno III sp. z o.o.	Jaworzno	1.12.2014	100.00%	100.00%	Medical services. https://www.jaworzno.pzuzdrowie.pl/
40	Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o.	Łaziska Górne	1.12.2014	57.00%	57.00%	Medical services. http://www.proelmed.pl/

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No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 December 2024	31 December 2023	
Consolidated companies – PZU Zdrowie Group – continued						
41	Centrum Medyczne Gamma sp. z o.o.	Warsaw	8.09.2015	100.00%	100.00%	Medical services. http://www.cmgamma.pl/
42	Tomma Diagnostyka Obrazowa SA	Poznań	9.12.2019	100.00%	100.00%	Medical services. https://tomma.com.pl/
43	Bonus-Diagnosta sp. z o.o.	Poznań	9.12.2019	100.00%	100.00%	Medical services.
44	Boramed Centrum Medyczne sp. z o.o.	Warsaw	31.05.2023	100.00%	100.00%	Medical services. https://www.boramed.pl/
Consolidated companies – other companies						
45	Powszechne Towarzystwo Emerytalne PZU SA	Warsaw	8.12.1998	100.00%	100.00%	Management of pension funds. https://www.pzu.pl/pl/grupa-pzu/spolki/pte-pzu
46	PZU Centrum Operacji SA	Warsaw	30.11.2001	100.00%	100.00%	Auxiliary activity associated with insurance and pension funds. https://www.pzu.pl/grupa-pzu/spolki/pzu-centrumoperacji
47	Towarzystwo Funduszy Inwestycyjnych PZU SA	Warsaw	30.04.1999	100.00%	100.00%	Creation, representing and management of mutual funds. https://www.pzu.pl/pl/grupa-pzu/spolki/tfi-pzu
48	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	Provision of assistance services. https://www.pzu.pl/grupa-pzu/spolki/pzu-pomoc
49	PZU Finance AB (publ.) in likvidation	Stockholm (Sweden)	2.06.2014	100.00%	100.00%	Financial services.
50	PZU Finanse sp. z o.o.	Warsaw	8.11.2013	100.00%	100.00%	Financial and accounting services.
51	Tower Inwestycje sp. z o.o.	Warsaw	27.08.1998	100.00%	100.00%	Development activity, operation and lease of properties. https://www.pzu.pl/pl/grupa-pzu/spolki/tower-inwestycje
52	Ogrodowa-Inwestycje sp. z o.o.	Warsaw	15.09.2004	100.00%	100.00%	Buying, operating, renting and selling real estate. http://www.ogrodowainwestycje.pl/
53	Arm Property sp. z o.o.	Kraków	26.11.2014	100.00%	100.00%	Purchase and sale of real estate.
54	Ipsilon sp. z o.o.	Warsaw	2.04.2009	100.00%	100.00%	Provision of assistance services and medical services.
55	PZU Corporate Member Limited	London (United Kingdom)	28.09.2017	100.00%	100.00%	Investment activities.
56	PZU LAB SA	Warsaw	13.09.2011	100.00%	100.00%	Consulting and training services, development of technology innovation to support technical and procedural security processes and risk management. https://www.pzu.pl/pl/grupa-pzu/spolki/pzu-lab

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No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 December 2024	31 December 2023	
Consolidated companies – other companies – continued						
57	Omicron BIS SA	Warsaw	28.08.2014	100.00%	100.00%	No business conducted.
58	LLC SOS Services Ukraine	Kiev (Ukraine)	1.07.2005	100.00%	100.00%	Assistance services.
59	PZU CASH SA	Warsaw	15.09.2017	100.00%	100.00%	No business conducted.
60	Tulare Investments sp. z o.o.	Warsaw	15.09.2017	100.00%	100.00%	No business conducted.
61	PZU Projekt 01 SA	Warsaw	1.09.2020	100.00%	100.00%	No business conducted.
62	UAB "B10 biurai"	Vilnius (Lithuania)	14.03.2023	100.00%	100.00%	Property management.
63	UAB "B10 apartamentai"	Vilnius (Lithuania)	14.03.2023	100.00%	100.00%	Property management.
Consolidated companies – Armatura Group						
64	Armatura Kraków SA	Kraków	7.10.1999	100.00%	100.00%	Production and sale of radiators and sanitary fittings and administration and management of the group. https://www.kfa.pl/
65	Aquaform Ukraine TOW in liquidation	Zhytomyr (Ukraine)	15.01.2015	100.00%	100.00%	No business conducted.
Consolidated companies – mutual funds						
66	PZU SFIO Universum	Warsaw	15.12.2009	n/a	n/a	Investment of funds collected from fund members.
67	PZU FIZ Sektor Nieruchomości 2	Warsaw	21.11.2011	n/a	n/a	As above.
68	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	As above.
69	PZU FIZ Aktywów Niepublicznych BIS 2	Warsaw	19.11.2012	n/a	n/a	As above.
70	inPZU Inwestycji Ostrożnych Obligacje Krótkoterminowe (formerly inPZU Inwestycji Ostrożnych) [5)]	Warsaw	10.04.2018	n/a	n/a	As above.
71	inPZU Polskie Obligacje Skarbowe (formerly inPZU Obligacje Polskie) [5)]	Warsaw	10.04.2018	n/a	n/a	As above.
72	inPZU Akcje Polskie	Warsaw	10.05.2018	n/a	n/a	As above.
73	inPZU Akcje Rynków Rozwiniętych	Warsaw	10.05.2018	n/a	n/a	As above.
74	inPZU Obligacje Rynków Wschodzących	Warsaw	10.05.2018	n/a	n/a	As above.
75	inPZU Akcje Rynków Wschodzących	Warsaw	28.10.2019	n/a	n/a	As above.
76	inPZU Akcje Amerykańskie	Warsaw	28.10.2019	n/a	n/a	As above.
77	inPZU Akcje CEEplus	Warsaw	28.10.2019	n/a	n/a	As above.
78	PZU FIZ Legato Absolutnej Stopy Zwrotu (formerly PZU FIZ Legato) [5)]	Warsaw	11.08.2021	n/a	n/a	As above.

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No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 December 2024	31 December 2023	
Consolidated companies – mutual funds – continued						
79	inPZU Akcje Rynku Surowców	Warsaw	15.12.2021	n/a	n/a	Investment of funds collected from fund members.
80	inPZU Akcje Rynku Złota	Warsaw	15.12.2021	n/a	n/a	As above.
81	inPZU Akcje Sektora Zielonej Energii	Warsaw	15.12.2021	n/a	n/a	As above.
82	inPZU Akcje Sektora Informatycznego	Warsaw	15.12.2021	n/a	n/a	As above.
83	inPZU Akcje Sektora Nieruchomości	Warsaw	15.12.2021	n/a	n/a	As above.
84	inPZU Akcje Europejskie	Warsaw	15.12.2021	n/a	n/a	As above.
85	inPZU Obligacje Inflacyjne	Warsaw	15.12.2021	n/a	n/a	As above.
86	PZU Dłużny Korporacyjny (formerly PZU Akcji Globalnych Trendów) [5)]	Warsaw	12.04.2023	n/a	n/a	As above.
87	inPZU Akcje Sektora Biotechnologii	Warsaw	07.09.2023	n/a	n/a	As above.
88	inPZU Akcje Sektora Cyberbezpieczeństwa	Warsaw	07.09.2023	n/a	n/a	As above.
89	inPZU Sektora Technologii Kosmicznych	Warsaw	07.09.2023	n/a	n/a	As above.
90	inPZU Akcje Sektora Zrównoważonej Gospodarki Wodnej	Warsaw	07.09.2023	n/a	n/a	As above.
91	inPZU Zielone Obligacje	Warsaw	07.09.2023	n/a	n/a	As above.
92	inPZU Obligacje Korporacyjne High Yield	Warsaw	07.09.2023	n/a	n/a	As above.
93	inPZU Puls Życia 2070	Warsaw	04.01.2024	n/a	n/a	As above.
Consolidated companies – special purpose vehicles of PZU FIZ Sektor Nieruchomości 2						
94	PH 3 sp. z o.o.	Warsaw	28.01.2011	100.00%	100.00%	Real property management.
95	PH 3 sp. z o.o. SKA	Warsaw	28.01.2011	100.00%	100.00%	As above.
96	Portfel Alliance Silesia I BIS sp. z o.o.	Warsaw	29.03.2013	100.00%	100.00%	As above.
97	Portfel Alliance Silesia III sp. z o.o.	Warsaw	2.10.2012	100.00%	100.00%	As above.
98	Portfel Alliance Silesia IV sp. z o.o.	Warsaw	4.10.2012	100.00%	100.00%	As above.
99	Portfel Alliance Silesia V sp. z o.o.	Warsaw	8.10.2012	100.00%	100.00%	As above.
100	Portfel Alliance Silesia VII sp. z o.o.	Warsaw	4.10.2012	100.00%	100.00%	As above.
101	Portfel PB 1 sp. z o.o.	Warsaw	3.10.2012	100.00%	100.00%	As above.
102	Portfel PB 2 sp. z o.o.	Warsaw	8.10.2012	100.00%	100.00%	As above.
103	Portfel PH 1 sp. z o.o.	Warsaw	2.10.2012	100.00%	100.00%	As above.
104	Portfel PH 2 sp. z o.o.	Warsaw	8.10.2012	100.00%	100.00%	As above.

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No.	Name of the entity	Registered office	Date of obtaining control / significant influence	% of the share capital and % of votes held directly or indirectly by PZU		Line of business and website
				31 December 2024	31 December 2023	
Consolidated companies – special purpose vehicles of PZU FIZ Sektor Nieruchomości 2 – continuation						
105	EBP 1 sp. z o. o.	Warsaw	28.09.2018	100.00%	100.00%	Real property management.
106	EBP 2 sp. z o. o.	Warsaw	11.07.2012	100.00%	100.00%	As above.
107	EBP 3 Sp. z o.o.	Warsaw	13.07.2012	100.00%	100.00%	As above.
108	Ogrody Lubicz sp. z o.o.	Kraków	25.07.2012	100.00%	100.00%	As above.
109	Portfel PM 1 sp. z o.o.	Warsaw	9.10.2012	100.00%	100.00%	As above.
110	3 PB 1 sp. z o.o.	Warsaw	22.03.2012	100.00%	100.00%	As above.
111	3 PB 1 sp. z o.o. SKA	Warsaw	22.03.2012	100.00%	100.00%	As above.
112	Portfel2 PH5 sp. z o.o.	Warsaw	28.11.2014	100.00%	100.00%	As above.
113	2 PB 1 sp. z o.o.	Warsaw	13.12.2011	100.00%	100.00%	As above.
114	2 PB1 sp. z o.o. SKA	Warsaw	13.12.2011	100.00%	100.00%	As above.
115	2 PB 2 sp. z o.o.	Warsaw	8.02.2012	100.00%	100.00%	As above.
116	2PB3 sp. z o.o.	Warsaw	12.07.2012	100.00%	100.00%	As above.
117	2PB4 sp. z o.o.	Warsaw	11.07.2012	100.00%	100.00%	As above.
118	2PB5 sp. z o.o.	Warsaw	25.07.2012	100.00%	100.00%	As above.
119	2 PM 1 sp. z o.o.	Warsaw	28.03.2014	100.00%	100.00%	As above.
120	2PM2 sp. z o.o.	Warsaw	4.12.2012	100.00%	100.00%	As above.
121	2 PM 3 sp. z o.o.	Warsaw	13.08.2014	100.00%	100.00%	As above.
122	2PM4 sp. z o.o.	Warsaw	7.11.2014	100.00%	100.00%	As above.
123	2 PM 5 sp. z o.o.	Warsaw	7.11.2014	100.00%	100.00%	As above.
Associates						
124	Sigma BIS SA	Warsaw	3.10.2019	34.00%	34.00%	Advertising activities. https://sigma-media.pl/
125	RUCH SA	Warsaw	23.12.2020	30.92%	30.92%	Retail sale of newspapers and stationery in specialized stores. https://ruch.com.pl/
126	Krajowy Integrator Płatności SA [6]	Poznań	31.03.2021	7.68%	7.67%	Other monetary intermediation. https://tpay.com/

[1] As of 27 February 2025, PZU became the owner of 100% of the shares of UAB "PZU Lietuva gyvybes draudimas" entitling to 100% of the votes at the General Meeting of Shareholders.
[2] On 31 October 2024, the Extraordinary General Meetings of PG TUW and PG TUWnŻ passed resolutions to dissolve the societies and put them into liquidation.
[3] PZU directly holds a 33.5% equity stake in Pekao Financial Services sp. z o.o. while Pekao holds 66.5%.
[4] On 30 April 2024, the Centrum Medyczne Nowa 5 sp. z o.o. merged with PZU Zdrowie SA. On 31 July 2024, the Starówka sp. z o.o. merged with PZU Zdrowie SA. The transactions did not affect the PZU Group's consolidated financial statements.
[5] Change the name of the fund as of 30 December 2024.
[6] Pekao's associate in which it holds a 38.33% stake. Therefore, the Management Board of PZU believes that PZU Group has a significant influence on this company.

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

Detailed accounting rules applicable to the recognition of acquisition transactions are presented in section 6.5.

2.3.1. Purchase of PG TUW and PG TUWnŻ

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

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

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

Purchase price allocation

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

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

The tables below present the purchase price allocation of the acquisition of PG TUW and PG TUWnŻ.

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

Calculation of goodwill	31 January 2024
Transferred payment (cash)	47
Purchase price adjustment	11
Fair value of net assets acquired	(58)
Goodwill	-

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Financial data of acquired companies

The table below shows the financial data of the companies acquired in 2024 included in the consolidated profit and loss account. The data was prepared in accordance with IFRS and relates to the period when this company was under the control of the PZU Group.

Consolidated profit and loss account	31 January – 31 December 2024
Insurance service result before reinsurance	(12)
Insurance revenue	58
Insurance service expenses	(70)
Net income or expenses from reinsurance contracts held	9
Reinsurance premium allocation	(31)
Amounts recoverable from reinsurers	40
Insurance service result	(3)
Net movement in fair value of assets and liabilities measured at fair value	5
Interest expenses	(2)
Other operating expenses	(10)
Operating profit	**(10)**
Profit before tax	**(10)**
Income tax	(4)
Net profit, of which:	**(14)**
- profit attributable to the equity holders of the Parent Company	(14)

2.3.2. Mergers of companies

On 30 April 2024, the Centrum Medyczne Nowa 5 sp. z o.o. merged with PZU Zdrowie SA.

On 31 July 2024, the Starówka sp. z o.o. merged with PZU Zdrowie SA.

The transactions did not affect the PZU Group's consolidated financial statements.

2.3.3. Changes to consolidation of mutual funds

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

2.3.4. Liquidation of PZU Group company

On 27 May 2024, the District Court for Krakow – Śródmieście issued a decision on deletion of AQ Spółka Akcyjna in liquidation from the Register of Entrepreneurs of the National Court Register. The deletion did not affect the consolidated financial statements of the PZU Group.

2.4 Non-controlling interest

2.4.1. Accounting policy

Non-controlling interests constitute that part of capital in a subsidiary that is not directly or indirectly attributable to the parent company. As at the date of acquisition of control, non-controlling interests are measured at the at the non-controlling interest's proportionate share in the fair value of the subsidiary's identifiable net assets. As at the subsequent balance sheet dates, the value of non-controlling interests is updated by the value of comprehensive income attributable to non-controlling interests.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

2.4.2. Quantitative data

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

Name of the entity	31 December 2024	31 December 2023
Pekao [1)]	79.97%	79.98%
Alior Bank [2)]	68.06%	68.07%
Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o.	43.00%	43.00%
Sanatorium Uzdrowiskowe “Krystynka” sp. z o.o.	0.91%	0.91%
UAB PZU Lietuva Gyvybes Draudimas	0.66%	0.66%

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

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

Carrying amount of non-controlling interests	31 December 2024	31 December 2023 (restated)
Pekao Group	25,541	24,320
Alior Bank Group	7,604	6,194
Other	1	1
Total	**33,146**	**30,515**

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

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Assets	Pekao Group		Alior Bank Group	
	31 December 2024	31 December 2023 (restated)	31 December 2024	31 December 2023
Goodwill	693	693	-	-
Intangible assets	2,216	2,101	586	411
Deferred tax assets	1,321	1,091	831	1,018
Other assets	206	156	94	64
Property, plant and equipment	2,103	2,066	698	743
Entities accounted for using the equity method	59	54	-	-
Assets held for sale	26	33	-	-
Assets pledged as collateral for liabilities	1,345	1,648	18	47
Loan receivables from clients (including finance lease receivables)	169,720	158,568	61,996	59,850
Financial derivatives	4,670	10,122	489	663
Investment financial assets	136,480	111,427	24,916	23,358
Measured at amortized cost	121,819	94,926	3,684	7,790
Measured at fair value through other comprehensive income	13,317	14,830	21,204	15,472
Measured at fair value through profit or loss	1,344	1,671	28	96
Current income tax receivables	-	1	-	1
Other receivables	3,167	3,103	1,479	1,542
Cash and cash equivalents	12,269	14,715	2,123	2,259
Total assets	**334,275**	**305,778**	**93,230**	**89,956**

Equity and liabilities	Pekao Group		Alior Bank Group	
	31 December 2024	31 December 2023 (restated)	31 December 2024	31 December 2023
Equity				
Equity attributable to equity holders of the parent company	31,938	30,408	11,173	9,099
Share capital	263	263	1,306	1,306
Other capital	23,585	21,725	7,403	5,900
Retained earnings	8,090	8,420	2,464	1,893
Non-controlling interest	14	12	-	-
Total equity	**31,952**	**30,420**	**11,173**	**9,099**
Liabilities				
Subordinated liabilities	2,782	2,781	-	1,160
Liabilities on the issue of own debt securities	16,168	9,958	2,087	2,109
Liabilities to banks	6,736	6,759	160	288
Liabilities to clients under deposits	258,200	231,497	76,937	73,078
Derivatives	5,338	10,724	647	903
Current income tax liabilities	1,356	1,492	277	324
Other liabilities	9,415	10,267	1,610	2,674
Provisions	2,310	1,859	337	319
Deferred tax liabilities	18	21	2	2
Total liabilities	**302,323**	**275,358**	**82,057**	**80,857**
Total equity and liabilities	**334,275**	**305,778**	**93,230**	**89,956**

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Consolidated profit and loss account for the period from 1 January to 31 December 2024	**PZU Group**	**Elimination of Pekao's data**	**Elimination of Alior Bank's data**	**Elimination of consolidation adjustments**	**PZU Group without Pekao and Alior Bank**
Insurance service result before reinsurance	4,307	-	-	-	4,307
Insurance revenue	29,423	-	-	-	29,423
Insurance service expenses	(25,116)	-	-	-	(25,116)
Net income or expenses from reinsurance contracts held	(792)	-	-	-	(792)
Reinsurance premium allocation	(1,882)	-	-	-	(1,882)
Amounts recoverable from reinsurers	1,090	-	-	-	1,090
Insurance service result	3,515	-	-	-	3,515
Financial income and expenses from insurance	(1,565)	-	-	-	(1,565)
Finance income or expenses from reinsurance	140	-	-	-	140
Interest income calculated using the effective interest rate, and equalized to them	28,367	(18,886)	(7,183)	261	2,559
Other net investment income	373	(196)	58	(8)	227
Result from derecognition of financial instruments and investments not measured at fair value through profit or loss	8	(11)	(91)	-	(94)
Result from allowances for expected credit losses	(1,486)	890	470	-	(126)
Net movement in fair value of assets and liabilities measured at fair value	946	(320)	(114)	-	512
Revenue from commissions and fees	5,165	(3,731)	(1,296)	202	340
Fee and commission expenses	(1,323)	894	457	(28)	-
PZU Group operating expenses not related to insurance services	(10,514)	6,413	2,421	(424)	(2,104)
Interest expenses	(8,243)	6,081	1,996	(60)	(226)
Legal risk costs of foreign currency mortgage loans	(729)	669	60	-	-
Other operating income	1,728	(244)	(269)	70	1,285
Other operating expenses	(685)	269	149	(13)	(280)
Operating profit (loss)	**15,697**	**(8,172)**	**(3,342)**	**-**	**4,183**
Share of the net financial results of entities accounted for using the equity method	8	(7)	-	-	1
Profit (loss) before tax	**15,705**	**(8,179)**	**(3,342)**	**-**	**4,184**
Income tax	(3,484)	1,755	780	-	(949)
Net profit (loss)	**12,221**	**(6,424)**	**(2,562)**	**-**	**3,235**
- profit attributable to the equity holders of the Parent Company	5,342	(1,289)	(818)	-	3,235
- profit (loss) attributable to holders of non-controlling interests	6,879	(5,135)	(1,744)	-	-

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Consolidated profit and loss account for the period from 1 January to 31 December 2023	PZU Group	Elimination of Pekao's data	Elimination of Alior Bank's data	Elimination of consolidation adjustments	PZU Group without Pekao and Alior Bank
Insurance service result before reinsurance	4,122	-	-	-	4,122
Insurance revenue	26,868	-	-	-	26,868
Insurance service expenses	(22,746)	-	-	-	(22,746)
Net income or expenses from reinsurance contracts held	(103)	-	-	-	(103)
Reinsurance premium allocation	(1,514)	-	-	-	(1,514)
Amounts recoverable from reinsurers	1,411	-	-	-	1,411
Insurance service result	4,019	-	-	-	4,019
Financial income and expenses from insurance	(1,786)	-	-	-	(1,786)
Finance income or expenses from reinsurance	38	-	-	-	38
Interest income calculated using the effective interest rate, and equalized to them	27,549	(18,119)	(7,323)	228	2,335
Other net investment income	406	(303)	25	(5)	123
Result from derecognition of financial instruments and investments not measured at fair value through profit or loss	(47)	14	(15)	-	(48)
Result from allowances for expected credit losses	(1,285)	650	637	1	3
Net movement in fair value of assets and liabilities measured at fair value	1,502	(285)	(108)	1	1,110
Revenue from commissions and fees	5,528	(3,590)	(1,772)	160	326
Fee and commission expenses	(1,742)	817	940	(17)	(2)
PZU Group operating expenses not related to insurance services	(9,701)	5,751	2,252	(201)	(1,899)
Interest expenses	(8,890)	6,162	2,542	(63)	(249)
Legal risk costs of foreign currency mortgage loans	(369)	315	54	-	-
Other operating income	1,525	(253)	(155)	59	1,176
Other operating expenses	(612)	264	180	(163)	(331)
Operating profit (loss)	**16,135**	**(8,577)**	**(2,743)**	**-**	**4,815**
Share of the net financial results of entities accounted for using the equity method	10	(6)	-	-	4
Profit (loss) before tax	**16,145**	**(8,583)**	**(2,743)**	**-**	**4,819**
Income tax	(3,626)	1,908	684	-	(1,034)
Net profit (loss)	**12,519**	**(6,675)**	**(2,059)**	**-**	**3,785**
- profit attributable to the equity holders of the Parent Company	5,780	(1,338)	(657)	-	3,785
- profit (loss) attributable to holders of non-controlling interests	6,739	(5,337)	(1,402)	-	-

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Statement of comprehensive income	Pekao Group		Alior Bank Group	
	1 January– 31 December 2024	1 January – 31 December 2023	1 January– 31 December 2024	1 January – 31 December 2023
Net profit	6,424	6,675	2,562	2,059
Net other comprehensive income	151	2,413	92	1,050
Subject to subsequent transfer to profit or loss	202	2,372	75	1,029
Valuation of debt instruments	163	952	(34)	207
Measurement of loan receivables from clients	6	4	-	-
Foreign exchange translation differences	-	-	(2)	2
Cash flow hedging	80	1,972	129	1,063
Income tax	(47)	(556)	(18)	(243)
Not subject to subsequent reclassification to profit or loss	(51)	41	17	21
Valuation of equity instruments	(62)	80	21	26
Actuarial gains and losses related to provisions for employee benefits	(1)	(29)	-	-
Income tax	12	(10)	(4)	(5)
Total net comprehensive income	**6,575**	**9,088**	**2,654**	**3,109**

Statement of Cash Flows	Pekao Group		Alior Bank Group	
	1 January– 31 December 2024	1 January – 31 December 2023	1 January– 31 December 2024	1 January – 31 December 2023
Net cash flows from operating activities	26,783	30,340	3,463	4,848
Net cash flows from investing activities	(27,946)	(27,320)	(1,545)	(6,175)
Net cash flows from financing activities	746	(885)	(2,052)	1,152
Total net cash flows	**(417)**	**2,135**	**(134)**	**(175)**

Dividend-related information	Pekao		Alior Bank	
	1 January– 31 December 2024	1 January – 31 December 2023	1 January– 31 December 2024	1 January – 31 December 2023
Date of ratifying the dividend	17 April 2024	6 June 2023	26 April 2024	-
Record date	24 April 2024	4 July 2023	10 May 2024	-
Dividend payment date	10 May 2024	18 July 2023	24 May 2024	-
Dividend per share (PLN)	19.20	5.42	4.42	-
Dividend attributable to PZU Group	1,009	285	184	-
Dividend attributable to non-controlling interest	4,031	1,138	393	-

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

3. Shareholder structure

PZU's shareholder structure, taking into consideration the shareholders with at least 5% of the votes at the PZU Shareholder Meeting is as follows:

31 December 2024

No.	Shareholder's name	Number of shares and votes at the General Meeting of Shareholders	Percentage held in the share capital and in the total number of votes at the General Meeting of Shareholders
1	State Treasury	295,217,300	34.1875%
2	Other shareholders	568,305,700	65.8125%
Total		**863,523,000**	**100%**

31 December 2023

No.	Shareholder's name	Number of shares and votes at the General Meeting of Shareholders	Percentage held in the share capital and in the total number of votes at the General Meeting of Shareholders
1	State Treasury	295,217,300	34.1875%
2	BlackRock, Inc. [1)]	43,228,203	5.0060%
3	Other shareholders	525,077,497	60.8065%
Total		**863,523,000**	**100%**

[1)] Number of shares based on BlackRock, Inc. notice as of 13 December 2023.

The State Treasury, holding 34.1875% of PZU shares entitling it to 34.1875% of votes at the PZU General Meeting, controls PZU within the meaning of IFRS 10.

Information on the number of shares taken into account in the calculation of earnings per share is presented in section 26.

Transactions with material blocks of PZU shares

In the period from 23 April to 31 May 2024, BlackRock, Inc. transacted in PZU shares, causing them to exceed the threshold of 5% participation in the capital and votes at the PZU General Meeting.

As a result of the last sale of PZU shares on 31 May 2024, the total shareholding of BlackRock, Inc. in the share capital and the total number of votes at the General Meeting of Shareholders WZA PZU was below 4.97% as of 3 June 2024. Before the transaction was settled, BlackRock, Inc. had held a total of 43,230,375 PZU shares, corresponding to 5% of the share capital and entitling to exercise 43,230,375 votes that is 5% of the total number of votes at the General Meeting of Shareholders of PZU. After the transaction had been settled, BlackRock, Inc. held 42,997,365 PZU shares, corresponding to 4.97% of the share capital and entitling to exercise 42,997,365 votes, that is 4.97% of the total number of votes at the General Meeting of Shareholders of PZU.

4. Key management

Key management personnel, within the meaning of IAS 24, in the PZU Group are considered to be the Management Board of the parent company, Directors of the PZU Group and Members of the Management Boards of Pekao and Alior Bank.

The members of the Management Board of PZU and PZU Życie, including the Directors of the PZU Group, ensure a coherent and effective management model in PZU and PZU Życie, based on the functional division of responsibility for individual areas of the companies' operations. The Directors of the PZU Group generally oversee analogous areas in PZU and PZU Życie.

Members of the Management Boards of Pekao and Alior Bank are responsible for planning, managing and controlling processes that affect the balance sheet total and financial results of these banks. Due to the significant share of these values in the balance sheet total and consolidated financial result of the PZU Group, a decision was made to recognize Members of the Management Boards of Pekao and Alior Bank as key management personnel of the PZU Group.

4.1 Management Board of the Parent Company

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

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

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

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

- Anita Elżanowska – to temporarily perform the function of the President of the PZU Management Board (until the appointment of the President of the PZU Management Board);
- Michał Bernaczyk – to temporarily perform the function of the Member of the PZU Management Board;

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

On 27 March 2024, the PZU Supervisory Board appointed the following to the Management Board of PZU:

- Artur Olech, entrusting him with the KNF's with the position of the President of the PZU Management Board, pending approval from KNF (approval received in KNF decision of 18 July 2024);
- Bartosz Grześkowiak, entrusting him with the position of Member of the PZU Management Board;
- Elżbieta Häuser–Schöneich, entrusting her with the position of Member of the PZU Management Board;
- Jan Zimowicz, entrusting him with the position of Member of the PZU Management Board;

The resolutions came into force upon their adoption.

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

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

On 28 August 2024, the PZU Supervisory Board dismissed Maciej Rapkiewicz from the PZU Management Board. In addition, PZU's Supervisory Board appointed Tomasz Tarkowski to the PZU Management Board, entrusting him with the position of PZU Management Board Member. The appointment became effective as of 2 December 2024 for a joint term of office covering three full financial years 2023–2025. The resolution came into force upon its adoption. On 15 October 2024, PZU's Supervisory Board adopted a resolution amending the resolution on the appointment of Tomasz Tarkowski to PZU's Management Board – with regard to the timing of this appointment. According to the amended resolution, the appointment took effect on 4 November 2024.

Also on 28 August 2024, PZU's Supervisory Board passed a resolution to delegate PZU Supervisory Board member Wojciech Olejniczak to temporarily serve as a member of PZU's Management Board from 2 September 2024, for a period of three months. The resolution came into force upon its adoption.

On 28 November 2024, the PZU Supervisory Board passed a resolution to revoke the delegation of PZU Supervisory Board Member Wojciech Olejniczak to temporarily perform the function of PZU Management Board Member, effective 28 November 2024. The resolution came into force upon its adoption.

On 28 November 2024, the PZU Supervisory Board appointed Maciej Fedyna to PZU's Management Board, entrusting him with the functions of PZU Management Board member responsible for risk management, subject to approval by the Polish Financial Supervision Authority. The resolution came into force upon its adoption. This appointment took place on 16 December 2024 for a joint term of office spanning the three full financial years from 2023 to 2025.

On 27 January 2025, the PZU Supervisory Board dismissed Artur Olech, who served as President of the PZU Management Board, from the PZU Management Board.

On the same day, PZU's Supervisory Board passed a resolution to delegate a Member of the PZU Supervisory Board, Mr. Andrzej Klesyk, to temporarily perform the duties of the President of the Management Board of PZU, until the appointment of the President of the Management Board of PZU, but for a period not exceeding 3 months. The resolution came into force upon its adoption.

On 27 February 2025, the PZU Supervisory Board passed a resolution to appoint Andrzej Klesyk to the PZU Management Board, entrusting him with the position of President of the PZU Management Board, subject to approval by the Polish Financial Supervision Authority. Pending approval, the Supervisory Board entrusted Andrzej Klesyk with the duties of President of the Management Board to the extent permitted by applicable regulations. The resolution came into force upon its adoption. This appointment took place on 3 March 2025 for a joint term of office spanning the three full financial years from 2023 to 2025.

From 3 March 2025 to the date of signing the consolidated financial statements, the PZU Management Board consisted of the following persons:

- Andrzej Klesyk – Member of the Management Board in charge pending approval by the Polish Financial Supervision Authority;
- Maciej Fedyna – Member of the PZU Management Board;
- Bartosz Grześkowiak – Member of the PZU Management Board;
- Elżbieta Häuser–Schöneich - Member of the PZU Management Board;
- Tomasz Kulik – Member of the PZU Management Board;
- Tomasz Tarkowski – Member of the PZU Management Board;
- Jan Zimowicz – Member of the PZU Management Board.

4.2 PZU Group Directors

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

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

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

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

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

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

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

As of 16 September 2024, Małgorzata Skibińska ceased to hold the position of PZU Group Director at PZU Życie SA.

On 15 January 2025, Igor Radziewicz-Winnicki took over as Group Director at PZU and PZU Życie.

As of 31 January 2025, the position of Group Director at PZU was no longer held by Jarosław Mastalerz and Paweł Wajda.

On 19 February 2025 in PZU SA and on 21 February 2025 in PZU Życie SA, Paweł Wróbel was dismissed from his position as PZU Group Director, effective 30 April 2025.

On 28 February 2025, Sławomir Bilik ceased to hold the position of PZU Group Director at PZU. On the same day, Michał Kopyt was appointed Group Director at PZU, effective 1 March.

From 1 March 2025 to the date of signing the consolidated financial statements, the following persons were PZU Group Directors:

- Bartosz Grześkowiak (PZU Życie);
- Elżbieta Häuser-Schöneich (PZU Życie);
- Michał Kopyt (PZU);
- Igor Radziewicz-Winnicki (PZU and PZU Życie);
- Małgorzata Skibińska (PZU);
- Iwona Wróbel (PZU);
- Paweł Wróbel (PZU and PZU Życie);
- Jan Zimowicz (PZU Życie).

4.3 Pekao Management Board

On 31 December 2024, the composition of the Pekao Management Board was as follows: Cezary Stypułkowski, Marcin Gadomski, Robert Sochacki, Błażej Szczecki, Dagmara Wojnar, Marcin Zygmanowski.

4.4 Alior Bank Management Board

On 31 December 2024, the composition of the Alior Bank Management Board was as follows: Piotr Żabski, Artur Chołody, Marcin Ciszewski, Jacek Iljin, Wojciech Przybył, Zdzisław Wojtera.

5. Supervisory Board of the parent company

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

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

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

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

- dismissed the following persons from the PZU Supervisory Board: Robert Jastrzębski, Agata Górnicka, Radosław Sierpiński, Marcin Chludziński, Maciej Zaborowski, Krzysztof Opolski and Józef Wierzbowski;
- appointed the following persons to the PZU Supervisory Board: Michał Bernaczyk, Anita Elżanowska, Filip Gorczyca, Michał Jonczyński, Andrzej Kaleta, Małgorzata Kurzynoga, Anna Machnikowska, Wojciech Olejniczak and Adam Uszpolewicz.

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

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

On 10 January 2025, the Extraordinary Shareholder Meeting of PZU dismissed Wojciech Olejniczak from the PZU Supervisory Board.

On 21 January 2025, the Extraordinary Shareholder Meeting of PZU appointed Andrzej Klesyk as Member of the PZU Supervisory Board.

On 28 February 2025, Andrzej Klesyk tendered his resignation from the PZU Supervisory Board effective 2 March 2025 at the end of the day.

From 3 March 2025 to the date of signing the consolidated financial statements, the PZU Supervisory Board consisted of the following persons:

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

6. Significant accounting policies and significant estimates and judgments

The preparation of consolidated financial statements in compliance with IFRS requires the PZU Management Board to make professional judgments, estimates and assumptions that affect the adopted accounting policies and the presented values of assets, liabilities, revenues and costs.

The estimates and the related assumptions are based on historical experience and other factors which are deemed reasonable in the given circumstances, and their results provide the basis for professional judgment regarding the carrying amount of the assets and liabilities which does not follow directly from other sources.

In making judgments, estimates or assumptions, the PZU Management Board may, in significant matters, rely on the opinions of independent experts.

The actual value may differ from the estimated one. All judgments, estimates and related assumptions are revised on an ongoing basis. Their changes are recognized as described in section 6.1.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

The key accounting policies, estimates and judgments used for the preparation of the consolidated financial statements are described below and in the individual notes as specified in the table below.

Item of the profit and loss account	Note	Item of the statement of financial position	Note
Insurance service result	11	Assets and liabilities under insurance and reinsurance contracts	11
		Goodwill	27
Interest income calculated using the effective interest rate, and equalized to them	13	Intangible assets	28
Result from derecognition of financial instruments and investments not measured at fair value through profit or loss	15	Property, plant and equipment	29
Result from allowances for expected credit losses	38	Investment property	30
Revenue from commissions and fees	18	Assets pledged as collateral for liabilities	34
Fee and commission expenses	19	Entities accounted for using the equity method	31
PZU Group operating expenses not related to insurance services	20	Loan receivables from clients (including finance lease receivables)	32
Interest expenses	21	Financial derivatives	33
Income tax	25	Investment financial assets	35
		Cash and cash equivalents	39
		Assets and liabilities held for sale	48
		Equity attributable to equity holders of the parent company	40
		Non-controlling interest	2.4
		Subordinated liabilities	41
		Liabilities on the issue of own debt securities	42
		Liabilities to banks	43
		Liabilities to clients under deposits	44
		Other liabilities	45
		Provisions	46
		Deferred tax	47

6.1 Changes in accounting policies and estimates, errors from previous years

The accounting policies are changed only if the change:

- is required by an IFRS or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the PZU Group’s financial position, financial performance or cash flows.

Changes in accounting policies associated with the initial application of an IFRS are accounted for in accordance with the specific transitional provisions contained in that IFRS. If a change in accounting policies is made in connection with initial application of IFRS which do not contain specific transitional provisions pertaining to such a change or the change is made voluntarily, the entity introduces such a change retrospectively. A retrospective introduction of changes in accounting policies is made by adjusting, in the statement of financial position, of the opening balance of each affected component of equity for the earliest prior period presented and by disclosing other comparative data for each period as if the changed accounting policies had always been applied.

Any items of the financial statements presented based on an estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

The effect of a change in an accounting estimate is recognized prospectively, which means that the change is applied to transactions, other events and conditions from the date of the change in estimate (the change may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods).

An assumption is made that errors are corrected in the period in which they were committed (rather than discovered), hence any significant prior period errors are corrected retrospectively and the resulting differences are charged to equity.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

6.2 Amendments to the applied IFRS

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

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

Name of standard/interpretation	Approving regulation	Comment
Amendment to IFRS 16 – Leases	2023/2579	The amendment requires that when measuring lease liabilities arising from a leaseback, the seller (lessee) should not recognize any gain or loss related to the retained right of use. The change did not have any significant effect on the PZU Group's consolidated financial statements.
Amendment to IAS 1 - Classification of liabilities as current and non-current	2023/2822	The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists and also that the intentions or expectations of an entity regarding the willingness to use the possibility of deferring a liability are not relevant for the classification. The amendments did not exert a material influence on the PZU Group's consolidated financial statements.
Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments – Disclosures	2024/1317	The amendments relate to disclosure requirements (qualitative and quantitative) on supplier financing arrangements. Entities are required to disclose information to assess how supplier arrangements affect the entity's liabilities and cash flows and to understand the impact of supplier arrangements on the entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to the entity. The amendment introduces requirements to disclose, among other things, information on the terms of supplier financing agreements, the nature and effect of non-cash changes in the carrying value of financial liabilities that are part of the agreement, the carrying value of financial liabilities for which suppliers have already received payment from financing providers, and the timing of payment of financial liabilities that are not part of the supplier financing agreement. Supplier financing arrangements are also added as an example under the liquidity risk disclosure requirements. The change did not have any significant effect on the PZU Group's consolidated financial statements.

6.2.2. Standards and interpretations and amendments to standards issued, not yet effective

Approved by the regulation of the European Commission

Name of standard/ interpretation	Approving regulation	Effective date (according to IASB)	Comment
Amendments to IAS 21 – The effects of changes in foreign exchange rates	2024/2862	1 January 2025	The amendments relate to requirements to be applied by entities when the foreign currency is not exchangeable. The amendments include: • specify when a currency is exchangeable and when it is not; • specify how an entity determines the exchange rate to apply when a currency is not exchangeable; • require the disclosure of additional information when a currency is not exchangeable- evaluation how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. The amendment will not affect the PZU Group's consolidated statements to any significant extent.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Not approved by the European Commission

Name of standard/ interpretation	Date of issue by the IASB	Effective date (according to IASB)	Comment
IFRS 18 – Presentation and disclosures in financial statements	9 April 2024	1 January 2027	IFRS 18 to replace IAS 1 – Presentation of Financial Statements The new standard aims to improve information on the financial performance of entities. The new requirements include, among others: • presentation of the profit and loss account, in particular the disclosure of specific totals and subtotals – all income and expenses will have to be classified into one of five categories – operating, investment, finance, income tax and discontinued operations. The presentation of the operating result, the result before financing and income tax and profit or loss will be compulsory; • the performance measures used by management, defining them as subtotals that the entity uses in external communications, outside the financial statements, presenting a management perspective on the performance of the entity. IFRS 18 will require disclosure of all of an entity's performance measures in a single note, including how the measure was calculated, its value in use and a reconciliation to the most comparable value, in accordance with IFRS 18; • guidelines on aggregation and disaggregation of financial information. Some of the requirements will remain unchanged from IAS 1. Some of the requirements will be transferred from IAS 1 to IAS 8. Modifications will also be made to IAS 7 and IAS 34. The application of the new standard will affect the disclosures presented in the PZU Group's consolidated financial statements. PZU Group is in the process of analyzing this impact.
IFRS 19 – Subsidiaries not accountable to the public – Disclosures	9 May 2024	1 January 2027	The new IFRS 19 standard allows subsidiaries to limit the scope of disclosures when applying IFRS in their financial statements. This entitlement is available to entities: • which are not publicly accountable, i.e. do not hold shares or listed debt instruments and do not hold assets in a fiduciary capacity to a wide range of outsiders; • the parent company of which applies IFRS in its consolidated financial statements. The application of IFRS 19 is optional. The disclosure requirements in IFRS 19 are a reduced version of the disclosure requirements in other IFRSs. An authorized subsidiary applying IFRS 19 is required to apply the requirements of other IFRS accounting standards regarding recognition, measurement and presentation requirements. The new standard will not affect the PZU Group's consolidated statements.

Name of standard/ interpretation	Date of issue by the IASB	Effective date (according to IASB)	Comment
Amendments to IFRS 9 and IFRS 7 – changes in classification and measurement of financial instruments	30 May 2024 18 December 2024	01 January 2026	The amendments are in response to emerging concerns in the application of the standards and include, among others: • clarification of the timing of recognition and discontinuation of recognition of financial assets and liabilities, including a new exception for financial liabilities settled by electronic transfer – if certain criteria are met, the amendments allow an entity to cease recognizing a financial liability (or part thereof) that will be settled using an electronic payment system, before the payment settlement date. An entity that chooses this option will be obliged to apply the selected approach to all settlements made by the same electronic payment system; • clarifications and additional guidance clarifying whether financial assets meet the criteria of the principal and interest flow test (SPPI test) – the amendments cover three areas considered when performing the SPPI test: ○ contractual conditions that can change cash flows based on contingent events (e.g., a change in interest rates dependent on specific ESG criteria); ○ terms of non-recourse instruments (instruments in which the right of the instrument holder to receive cash flows is contractually limited to a specific asset) – the existence of such terms does not automatically exclude compliance with the SPPI test, but requires in-depth analysis; ○ contractually linked instruments – the issuer may prioritize payments using multiple contractually linked instruments, leading to concentration of credit risk (so-called "tranches"). The amendment indicates that a key element that distinguishes contractually linked agreements from other non-recourse instruments is the cascading payment structure, resulting in a disproportionate allocation of cash shortfalls between tranches. The amendment also points out that not all transactions with multiple debt instruments meet the criteria for transactions with multiple contractually related instruments, and points out examples. It further clarifies that reference to instruments in the underlying pool may include financial instruments outside the scope of IFRS 9; • new disclosures for instruments whose contractual terms change the distribution over time or the amount of contractual cash flows based on contingencies not directly related to changes in underlying costs and credit risk (e.g., instruments with features relating to the level of achievement of environmental, social and governance (ESG) goals); • amendment of disclosure requirements for equity instruments designated at fair value through other comprehensive income (among other things, the need for separate presentation of gain or loss on instruments held at period end and those for which recognition has been discontinued); • for environmentally dependent electricity contracts, often taking the form of power purchase agreements: ○ clarify the application of the “for personal use” requirements; ○ allow the use of hedge accounting if such contracts are used as hedging instruments; ○ introduce new disclosure requirements to enable investors to understand the impact of such agreements on an entity's financial results and cash flows. The PZU Group is in the process of evaluating the impact of the amendments to the standards on its consolidated financial statements.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Name of standard/ interpretation	Date of issue by the IASB	Effective date (according to IASB)	Comment
Annual updates – 11th edition	18 July 2024	1 January 2026	The updates include changes to 5 standards: • IFRS 1 – hedge accounting upon first-time adoption of IFRS – the amendment addresses a potential concern arising from inconsistent provisions between paragraph B6 of IFRS 1 and the hedge accounting requirements of IFRS 9. • IFRS 7: ○ gain or loss on discontinued recognition – the amendment addresses a potential ambiguity in paragraph B38 of IFRS 7, arising from an outdated reference to the paragraph, which was removed from the standard with the issuance of IFRS 13; ○ disclosure of deferred differences between fair value and transaction price – the amendment addresses inconsistencies between paragraph 28 of IFRS 7 and the accompanying implementation guidance, which arose when the implementation of IFRS 13 amended paragraph 28 but did not change the implementation guidance; ○ credit risk introduction and disclosures – the amendment addresses a potential concern by clarifying in paragraph IG1 that the guidance does not necessarily illustrate all the requirements of the referenced paragraphs of IFRS 7 and by simplifying some of the explanations; • IFRS 9: ○ discontinuation of recognition of lessee's lease obligations – the amendment addresses a potential ambiguity in the application of IFRS 9 requirements to recognize the expiration of a lessee's liability, which arises due to the fact that paragraph 2.1(b)(ii) of IFRS 9 contains a reference to paragraph 3.3.1, but does not contain a reference to paragraph 3.3.3 of IFRS 9; ○ transaction price – the amendment addresses a potential ambiguity arising from the reference in Appendix A to IFRS 9 to the definition of "transaction price" in IFRS 15, while the term "transaction price" is used in individual paragraphs of IFRS 9 with a meaning that is not necessarily consistent with the definition of the term in IFRS 15; • IFRS 10 – definition of “de facto agent” – the amendment addresses a potential concern arising from inconsistencies between paragraphs B73 and B74 related to an investor's determination of whether another party is acting on its behalf, by aligning the wording in both paragraphs. • IAS 7 – cost method – the amendment addresses a potential ambiguity in the application of paragraph 37 of IAS 7, which stems from the use of the term “cost method,” which is no longer used in IFRS. The PZU Group is in the process of evaluating the impact of the amendments to the standards on its consolidated financial statements.

6.3 Restatement of comparative data

6.3.1. Change in the determination and recognition of provision for legal risk of Swiss franc mortgages

Starting 1 January 2024, the PZU Group changed its accounting policy as regards recognizing the impact of legal risk arising from litigation related to Swiss franc mortgage loans, assuming that this risk is separate from credit risk. With regard to active loans (outstanding as of the balance sheet date), the impact of this legal risk was presented in accordance with the provisions of paragraph B.5.4.6 of IFRS 9 “Financial Instruments” as an adjustment to the gross carrying amount of the Swiss franc mortgage loan portfolio (instead of the previous recognition of this legal risk as an element of expected credit losses, which resulted in the presentation of this provision in “Result for expected credit losses” and in “Other operating expenses”). The PZU Group does not treat legal risk as a premise for the impairment of a credit exposure, as it did in the previous approach.

The update of the accounting policy for Swiss franc mortgage loan contracts is primarily due to the need to better reflect the dynamic changes in the legal environment over the past few months, as a result of the materialization of the risk of not being able to recover full scheduled cash flows for this portfolio (not due to borrower credit risk, but due to the cancellation of the contract in its entirety). In light of the unfavorable line of jurisprudence for banks, the PZU Group is observing an increasing number of court proceedings and a significant share of unfavorable verdicts (in particular, regarding the cancellation of the loan agreement), which translates into the impossibility of recovering all contractual cash flows resulting from Swiss franc mortgage loan agreements.

In the opinion of the PZU Group, the change in the recognition of legal risk better reflects the nature of the risk of this portfolio and results in the fact that the information presented in the financial statements on Swiss franc mortgage loans better and more adequately reflect the economic nature of the risk of this portfolio. In addition, this change leads to greater comparability of the data presented by the PZU Group on the legal risk of Swiss franc mortgage loans with the market practice in this area.

The restatement of comparative data as of 31 December 2023 resulted in a decrease in the gross carrying value of Swiss franc mortgage loans by PLN 1,705 million and a simultaneous decrease in impairment losses on these exposures by PLN 1,778 million.

6.3.2. Changes in the presentation of selected components of credit receivables (without impact on the statement of financial position and financial result)

Based on the 2024 analysis, starting 1 January 2024, the PZU Group has changed its presentation of:

- receivables from clients for loans acquired from Idea Bank SA ("IB") and the guarantee received for this acquired portfolio, taking into account the specifics of the loan portfolio acquisition transaction and the integral nature of the guarantee. In previous periods, the PZU Group presented separately the expected credit losses of the portfolio acquired from IB (without including the guarantee received in their calculation) and, at the same time, separately recognized in the line item of loans and advances to customers the receivable resulting from this guarantee. As of 1 January 2024, the PZU Group presents expected credit losses on credit exposures acquired from IB net of settlements resulting from the guarantee held (the holding of the guarantee is included in the calculation of expected credit losses on these exposures); In the opinion of the PZU Group, this method of presenting the loan portfolio better reflects the economic nature of the acquired loan portfolio with the guarantee integral to it received in the IB acquisition process;
- interest accrued and recognized in the gross carrying amount of POCI exposures – until now, the PZU Group has recognized in the gross carrying amount of contractual interest, accordingly including such accrued interest in the calculation of expected credit losses in the statement of financial position. As of 1 January 2024, the PZU Group recognizes interest accrued on the gross carrying amount, adjusted by the original credit risk assessment of the exposure at the time of initial recognition. This change has no effect on the consolidated statement of financial position or the consolidated profit and loss account.

The PZU Group restated the comparative figures accordingly, which resulted in a decrease in the gross carrying value of loans and allowance for expected credit losses as of 31 December 2023 by PLN 1.5 billion, and had no impact on the statement of financial position and profit or loss.

6.3.3. Change in presentation of result on assets measured at fair value through profit or loss

The PZU Group decided to change the presentation of the result on assets measured at fair value through profit or loss, which will now be presented in a single line of the consolidated profit and loss account, "Net change in fair value of assets and liabilities measured at fair value," without transferring the realized portion to "Result on derecognition of financial instruments and investments." The PZU Group believes this presentation is more useful, as it allows the entire result on instruments measured at fair value through profit or loss to be presented on a single line in the consolidated profit and loss account.

6.3.4. Change in the presentation of operating expenses incurred by the PZU Group

The PZU Group decided to change the presentation of the operating expenses incurred by the PZU Group (except for the cost of insurance services, which under IFRS 17 is part of the result from insurance services). Costs are now presented in one line of the consolidated income statement, "PZU Group operating expenses not related to insurance activities." Until now, costs incurred by non-insurance PZU Group units were presented in several lines of the consolidated profit and loss account – "Other net investment income" presented costs of investment activities, "Costs of banking operations" – costs incurred by PZU Group banks, while in "Other operating expenses" – costs of entities not engaged in insurance or banking activities and certain costs related to mandatory fees to supervisory or industry institutions. The PZU Group believes that presenting expenses on a single line of the consolidated profit and loss account is more useful to users of the report.

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6.3.5. Presentation of gains and losses on valuation of cash flow hedging instruments

The PZU Group has changed the preparation of its consolidated statement of other comprehensive income with respect to gains and losses on valuation of cash flow hedging instruments. Previously, these values were presented in a single line "Cash flow hedging." In these consolidated financial statements, the PZU Group has added two new lines, in which it presents separately "Gains and losses on fair value measurement of cash flow hedging financial instruments in the portion that constitutes an effective hedge" and "Gains and losses on cash flow hedging financial instruments reclassified to financial result." According to the PZU Group, this presentation is more useful for users of the consolidated financial statements.

6.3.6. Effect of changes on the basic tables of the consolidated financial statements of the PZU Group

Consolidated profit and loss account	1 January – 31 December 2023 (before statement)	6.3.1	6.3.3	6.3.4	1 January – 31 December 2023 (restated)
Insurance service result before reinsurance	4,122	-	-	-	4,122
Insurance revenue	26,868	-	-	-	26,868
Insurance service expenses	(22,746)	-	-	-	(22,746)
Net income or expenses from reinsurance contracts held	(103)	-	-	-	(103)
Reinsurance premium allocation	(1,514)	-	-	-	(1,514)
Amounts recoverable from reinsurers	1,411	-	-	-	1,411
Insurance service result	4,019	-	-	-	4,019
Financial income and expenses from insurance	(1,786)	-	-	-	(1,786)
Finance income or expenses from reinsurance	38	-	-	-	38
Interest income calculated using the effective interest rate, and equalized to them	27,579	(30)	-	-	27,549
Other net investment income	406	-	-	-	406
Result from derecognition of financial instruments and investments not measured at fair value through profit or loss	592	-	(639)	-	(47)
Result from allowances for expected credit losses	(1,225)	(60)	-	-	(1,285)
Net movement in fair value of assets and liabilities measured at fair value	863	-	639	-	1,502
Revenue from commissions and fees	5,528	-	-	-	5,528
Fee and commission expenses	(1,742)	-	-	-	(1,742)
Operating costs of banks	(6,332)	-	-	6,332	n/a
PZU Group operating expenses not related to insurance services	n/a			(9,701)	(9,701)
Interest expenses	(8,890)	-	-	-	(8,890)
Legal risk costs of foreign currency mortgage loans	n/a	(369)	-	-	(369)
Other operating income	1,859	-	-	(334)	1,525
Other operating expenses	(4,842)	527	-	3,703	(612)
Operating profit	**16,067**	**68**	**-**	**-**	**16,135**
Share of the net financial results of entities accounted for using the equity method	10	-	-	-	10
Profit before tax	**16,077**	**68**	**-**	**-**	**16,145**
Income tax	(3,625)	(1)	-	-	(3,626)
Net profit, of which:	**12,452**	**67**	**-**	**-**	**12,519**
- profit attributable to the equity holders of the Parent Company	5,766	14	-	-	5,780
- profit attributable to holders of non-controlling interests	6,686	53	-	-	6,739

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Consolidated statement of comprehensive income	1 January – 31 December 2023 (before statement)	6.3.1	6.3.5	1 January – 31 December 2023 (restated)
Net profit	12,452	67	-	12,519
Net other comprehensive income	2,812	-	-	2,812
Subject to subsequent transfer to profit or loss	2,807	-	-	2,807
Cash flow hedging, including:	3,160	-	-	3,160
Gains and losses on fair value measurement of financial instruments hedging cash flows in the portion constituting an effective hedge	n/a	-	1,532	1,532
Gains and losses on cash flow hedging financial instruments reclassified to profit or loss	n/a	-	1,628	1,628
Not to be reclassified to profit or loss in the future	5	-	-	5
Total net comprehensive income	**15,264**	**67**	**-**	**15,331**
- comprehensive income attributable to equity holders of the Parent Company	5,932	14	-	5,946
- comprehensive income attributable to holders of non-controlling interests	9,332	53	-	9,385

Assets	31 December 2023 (before restatement)	6.3.1	31 December 2023 (restated)	1 January 2023 (before restatement)	6.3.1	1 January 2023 (restated)
Deferred tax assets	2,207	(14)	2,193	3,103	(13)	3,090
Loan receivables from clients (including finance lease receivables)	218,808	66	218,874	212,693	32	212,725
Total assets	**467,893**	**52**	**467,945**	**429,186**	**19**	**429,205**

Equity and liabilities	31 December 2023 (before restatement)	6.3.1	31 December 2023 (restated)	1 January 2023 (before restatement)	6.3.1	1 January 2023 (restated)
Equity						
Equity attributable to equity holders of the parent company	30,022	15	30,037	26,162	1	26,163
Retained earnings	11,711	15	11,726	8,871	1	8,872
Retained profit	5,945	1	5,946	8,871	1	8,872
Net profit	5,766	14	5,780	n/a	n/a	n/a
Non-controlling interest	30,457	58	30,515	22,263	5	22,268
Total equity	**60,479**	**73**	**60,552**	**48,425**	**6**	**48,431**
Liabilities						
Provisions	2,307	(21)	2,286	1,711	13	1,724
Total liabilities	**407,414**	**(21)**	**407,393**	**380,761**	**13**	**380,774**
Total equity and liabilities	**467,893**	**52**	**467,945**	**429,186**	**19**	**429,205**

6.4 Consolidation rules

These consolidated financial statements for the financial year ended on 31 December 2024 include financial data of the parent company and all its subsidiaries after elimination of intragroup transactions.

A subsidiary is an entity that is controlled by another entity. That means that the latter simultaneously has: power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

Consolidation involves the combination of similar items of assets, liabilities, equity, revenue, costs and cash flows of a parent company and its subsidiaries and then elimination of the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Also, assets and liabilities, revenue, costs and cash flows relating to intra-group transactions between PZU Group entities are eliminated in full.

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

Subsidiaries are consolidated from the date of obtaining control until the date cessation of control.

The rules applicable to translation of assets, liabilities and comprehensive income of foreign subsidiaries denominated in foreign currencies are presented in Section 6.6.

6.4.1. Judgments in exercising control

In order to determine whether PZU Group has rights that are sufficient to give it power, that is practical ability to direct the relevant activities unilaterally, the PZU Group analyzes among others:

- how many votes it holds at the shareholder meeting and whether it holds more votes than other investors (including potential voting rights and rights resulting from other contractual arrangements);
- how many entities would have to act together in order to outvote the PZU Group;
- distribution of votes at previous general meetings to analyze the activity or inactivity of other shareholders;
- if the key personnel of the entity or members of the investee's governing body are related parties of the PZU Group;
- capacity to appoint members of management and supervisory bodies of the entity;
- commitments, if any, to ensure that an investee continues to operate as designed;
- capacity to obligate the entity to perform or prevent it from performing significant transactions;
- other prerequisites.

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The analysis of prerequisites for exercising control over Pekao and Alior Bank is presented in the table below.

Criterion	Pekao	Alior Bank
Share in votes at the shareholder meeting	20.03%	31.94%
Shareholder agreements	On 23 January 2017, PZU and PFR (holding 12.8% of Pekao's share capital) signed a Shareholder Agreement to build Pekao's long-term value, implement a policy aimed at ensuring Pekao's development, financial stability and effective and prudent management. It defines the rules of cooperation between PZU and PFR, in particular pertaining to joint exercise of voting rights from the shares held and the implementation of a common long-term policy for Pekao's business. The Shareholder Agreement provides for the possibility of having real influence on Pekao's operating policies. On 1 June 2022, an addendum was signed extending the Shareholders' Agreement until 7 June 2025, with the possibility of further extension, and on 30 March 2023, an addendum was signed adding a new area of cooperation concerning requirements related to non-financial sustainability reporting. The Management Board of PZU does not have any information about any agreements that may have been concluded between Pekao's other shareholders.	The PZU Group has not entered into agreements with other shareholders of Alior Bank. The Management Board of PZU also does not have any information about any agreements that may have been concluded between Alior Bank's other shareholders.
Other shareholders	Only two shareholders hold a stake of more than 5%, accounting in total for 12% shares. The remaining shareholders are dispersed and a significant number of entities would have to take concerted action to outvote PZU at the shareholder meeting. The provisions of paragraphs B73 – B75 of IFRS 10 and ESMA's guidance indicate that votes held by entities under the control of the same entity as PZU should also be considered when analyzing voting rights held, even if there are no formal agreements on joint voting. Although there are no formal agreements with other Treasury-related parties, PZU accepts that such parties may be "de facto agents" within the meaning of IFRS 10.B73. General Meeting resolutions necessary for the day-to-day management of Pekao's important activities are adopted by a simple majority. A qualified majority is required only for special matters (such as amending the charter) that exceed the scope of the day-to-day management of the entity. An analysis of attendance at past general meetings shows that it did not exceed 75% of those eligible to vote, which demonstrates the passive attitude of some shareholders, so that at past general meetings, since the acquisition of Pekao, PZU has been able to vote on the draft resolutions it proposed.	Only two shareholders hold a stake of more than 5%, accounting in total for 24% shares. The remaining shareholders are dispersed and a significant number of entities would have to take concerted action to outvote PZU at the shareholder meeting. The provisions of paragraphs B73 – B75 of IFRS 10 and ESMA's guidance indicate that votes held by entities under the control of the same entity as PZU should also be considered when analyzing voting rights held, even if there are no formal agreements on joint voting. Although there are no formal agreements with other Treasury-related parties, PZU accepts that such parties may be "de facto agents" within the meaning of IFRS 10.B73. General Meeting resolutions necessary for the day-to-day management of Alior Bank's important activities are adopted by a simple majority. A qualified majority is required only for special matters (such as amending the charter) that exceed the scope of the day-to-day management of the entity. An analysis of attendance at past general meetings shows that it did not exceed 74% of those eligible to vote, which demonstrates the passive attitude of some shareholders, so that at past general meetings, since the acquisition of Alior Bank, PZU has been able to vote on the draft resolutions it proposed.

Criterion	Pekao	Alior Bank
PZU representatives in governing bodies	Supervisory Board members include persons fulfilling key management functions at PZU. All members of the Supervisory Board were proposed by PZU or PFR.	Supervisory Board members include persons fulfilling key management functions at PZU. Most of the Supervisory Board members were nominated by the PZU Group.

In the light of the above evidence, it has been determined that the PZU Group exercises control both over Pekao (since 7 June 2017) and over Alior Bank (since 18 December 2015) and over their subsidiaries and therefore they were consolidated. The above conclusion is based on a cyclical analysis of the audit, taking into account changing facts and circumstances, and contains significant judgment.

6.4.2. Rules of consolidation of mutual funds

The PZU Group has assumed that it exercises control over a mutual fund if the following conditions are jointly met:

- PZU Group companies jointly have the capacity to exercise their authority over the fund to influence the value of the return on investment, with the prerequisites for this capacity being, among others, control exercised over the mutual fund company and a significant share in the total number of votes at the meeting of investors or board of investors;
- the total exposure of PZU Group companies to variable returns from their involvement in a mutual fund is significant, which means that the total share of PZU Group companies in the fund's net assets equals or exceeds 20% (whereas the fund's assets that are net assets of unit-linked contracts are not used to determine this total share), for which the PZU Group does not bear the risk. If the involvement is less than 20% of the fund's net assets then the exposure to fluctuations in the fund's financial results, considered together with decision-making powers, imply that such a fund is not controlled by the Group.

PZU Group accepts that a fund will remain consolidated (or unconsolidated, as the case may be) for a period of two quarters following a quarter that closed for the first time with a decline (or increase, as the case may be) of the share in the fund's net assets below 20% (or above 20%, as the case may be) if this decline (or increase, as the case may be) resulted from deposits (or withdrawals, as the case may be) made by participants from outside the PZU Group.

In the course of its analysis, the PZU Group also takes into account the rights held by other entities, such as the rights and ability to convene a meeting of fund participants.

The mutual funds controlled by the PZU Group are consolidated. Their assets are presented in their full amount in the statement of financial position as financial assets by type and classified to the relevant portfolios, while the liability related to the fund's net assets owned by third-party investors is recognized in "Other liabilities". If control over a mutual fund is lost then its consolidation ceases and the fund's assets and liabilities, as well as liabilities to its participants, if any, are excluded from the consolidated statement of financial position. Instead, the participation units or the investment certificates corresponding to the fair value of shares held by PZU Group companies in the fund's net assets are presented.

6.5 Method of acquisition

Acquisitions of subsidiaries by the PZU Group are recognized by the acquisition method of accounting.

For each acquisition transaction, the acquirer is identified and the acquisition date is determined, which is the date on which the acquirer obtains control over the acquiree. As of the acquisition date, the acquirer recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

As at the date of acquisition, the identifiable assets acquired and the liabilities assumed are measured at fair value.

For each acquisition, any non-controlling interest in the acquiree are measured at the non-controlling interest's proportionate share in the fair value of the acquiree's identifiable net assets.

Determination of goodwill or a gain from a bargain purchase

Goodwill is measured and recognized as at the date of obtaining control as the surplus of:

- the consideration transferred measured at fair value as at the date of obtaining control;

- the amount of any non-controlling interest in the acquiree measured as described above;
- the acquisition-date fair value of the PZU Group's previously held equity interest in the acquiree;

over the obtaining control date net amount of the fair value of the identifiable assets acquired and the liabilities assumed.

If the net fair values of identifiable assets acquired and the liabilities assumed exceeds the fair value of payment received, increased by the value of all non-controlling interests in the acquiree and the fair value of the interest in the acquiree's equity and held before obtaining control, the gain from a bargain purchase is recognized in the consolidated profit and loss account. Before a gain from a bargain purchase is recognized, a reassessment is made whether all of the assets acquired and all of the liabilities assumed have been correctly identified and all additional assets or liabilities have been are recognized.

In the period of maximum 1 year from taking the control, PZU Group may retrospectively adjust the provisional fair values of assets and liabilities recognized as at the date of obtaining control to reflect new information obtained about facts and circumstances that existed as of the date of obtaining control and, if known, would have affected the measurement of these assets and liabilities. Such adjustments are charged directly to the recognized goodwill or gain from a bargain purchase.

Intangible assets

Intangible assets acquired in business combination transactions are recognized at fair value as at the date of obtaining control. The fair value of an intangible asset reflects expectations as to the probability that the entity achieves economic benefits from the asset in the future. The fair value of intangible assets is determined as follows:

- trademark – using the relief-from-royalty method, based on potential savings on the license fees that the company is not required to pay as the owner of the trademark (i.e. present value of future potential license fees). The market level of license fees is determined by analyzing license fee rates for using trademarks applied between unrelated parties in a comparable market segment. Then, hypothetical license payments are determined as the product of the assumed license fee rate and the amount of the estimated sales revenues. In order to calculate the net income from license, license payments should be reduced by the hypothetical amount of income tax. Then the calculated net cash flows are increased by the potential tax relief arising from the tax amortization benefit (TAB) of the trademark. Finally, the calculated cash flows are discounted using the discount rate reflecting, among others, risk typical for a given trademark;
- relations with clients – using the multiperiod excess earnings method (MEEM), based on the present value of future profits generated by each relation. Fair value is then determined based on discounted future cash flows resulting from the excess income generated by a company in possession of the relevant intangible asset over revenues generated by a company without such an asset. The relations are identified and subsequently their life expectancy is determined (by applying the applicable attrition ratio using the Weibull curve) and revenues and costs associated with each relation are projected. The identified and calculated CAC (contributory asset charge), including maintenance of capital ratios at levels required by supervisory authorities, fixed assets, organized workforce, trademark and other intangible assets, is applied to cash flows after tax. If there are any tax structures in place that allow an average market participant to amortize a relation then its measurement should include TAB;
- relations with customers holding savings and checking accounts (CDI, core deposit intangible) – as the present value of the difference between the cost of the CDI and the alternative borrowing costs (including interest and administrative expenses) that the bank would have to incur if it had no core deposit. The value of CDI is measured using the favorable source of funds method derived from the expense and income methods. In this method, the account retention ratio is projected (using the Weibull curve), the average initial balance and the number of accounts to be included in the measurement are estimated and the net balance of deposits is calculated (adjusted by the retention ratio and the unstable part of the deposit base). Then the cost of acquired deposits is calculated as reserve requirements, interest and administration expenses less net commission income from the accounts. Next, interest rate benchmarks are used to estimate the alternative borrowing cost. In the next step, the difference between the alternative borrowing costs and the cost of acquired deposits is calculated, which is discounted using the required rate of return. The measurement of CDI does not include any tax amortization benefit (TAB).

The discount rate used for the measurement of intangible assets reflects the time value of money and risks related to expected future cash flows. It is calculated on the basis of the expected return from the best investment alternative to the investment being measured. This rate sets the lowest return from the measured asset that is required by an investor in such a manner that the rate of return achieved by the investor is at least equal to the best available investment alternative. The return on the alternative investment must be comparable in terms of value, time and certainty.

The cost of equity (CE) is estimated as at the date of obtaining control in accordance with the Capital Asset Pricing Model (CAPM): CE = RF + ERP x β + SP + SR, where RF stands for risk-free rate, ERP – market risk premium, β – measure of systematical risk borne by the equity holders, including the operational and financial risks associated with the business, SP – small cap premium, SR – specific risk premiums.

Loans and advances to customers

The measurement of the loan portfolio to fair value was performed using the income method involving the discounting of future cash flows arising from the loan portfolio component being measured. For performing loans, fair value was estimated as the present value of cash flows defined as the sum of the contractual installments of principal and interest (in accordance with the contractual interest rates and outstanding principal), adjusted by prepayments where relevant. The following is used to discount cash flows:

- interest rate determined based on money market instruments and derivative transactions (standard curve) taking into account the term structure and currency of the loan;
- credit spread (credit spread curve) taking into account the term structure, broken down into the credit risk level of the client or the transaction;
- liquidity margin (liquidity curve) taking into account the term structure and currency of the loan;
- market margin, taking into account the cost of capital and profit margin, broken down into client segment, type and currency of the product.

For measurement purposes, the loan portfolio has been divided by currencies, product groups, risk level and client segments.

The standard curve was calculated on the basis of quotations for deposits for nodes up to 1 year and IRS transactions for nodes above 1 year.

The credit spread curve was calculated on the basis of estimated cumulative probability of default curves and expected average recovery rates for a given product group and client segment.

The liquidity curve for PLN was determined as the higher of zero or the difference between the PLN:BOND curve (zero-coupon curve based on Treasury bond prices) and the PLN:Std curve. For other currencies, the liquidity curve was increased by the cost of a swap converting PLN into the currency in question (calculated from FX Swap and Cross Currency Basis Swap quotations). When the cost was negative, the value of zero was assumed.

Market margin was calibrated for loans granted in the period of 3 months preceding the date of obtaining control, so that the fair value is equal to the gross carrying amount. If the market margin became negative following the calibration, it was assumed to be zero. For foreign currency mortgage loans, the margin was determined as the margin for PLN mortgage loans plus the difference in the average margin between mortgage loans granted in foreign currencies and the average margin of PLN mortgage loans.

For short-term working capital loans, the net carrying amount was taken as fair value.

Analyses have shown that the fair value of impaired loans did not differ materially from their carrying amount.

6.6 Measurement of transactions and balances denominated in foreign currencies and FX rates used

Transactions carried out in a currency other than Polish zloty are recognized at the exchange rate set by the National Bank of Poland (NBP) for the transaction date. At the end of the reporting period, cash items denominated in foreign currencies are translated using the average NBP exchange rate in effect on that date. Non-cash items measured at fair value and denominated in foreign currencies are measured using the average NBP exchange rate in effect on the date on which the fair value is determined. Gains and losses on currency conversion are recognized directly in the profit and loss account.

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

- assets and liabilities – at the average exchange rate set by the National Bank of Poland at the end of the reporting period;

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- items of the profit and loss account, other comprehensive income and cash flows – at the arithmetic mean of average exchange rates set by the National Bank of Poland as at the dates ending each month of the reporting period.

Translation differences, as referred to above, are recognized under “Foreign exchange translation differences” in equity.

In determining the average exchange rate of the Ukrainian hryvnia for the period from 1 January – 31 December 2023, the methodology described below was applied to the rates at the end of each month in the period January–March 2023.

Due to the currency exchange restrictions in Ukraine and irregular quotations of the Ukrainian hryvnia by the NBP, the PZU Group established an exchange rate for conversion of data of Ukrainian companies in accordance with the NBU Regulation, in keeping with which authorized institutions (banks) purchased and sold foreign currency, as commissioned by clients, in non-cash transactions:

- in U.S. dollars - at an exchange rate that may deviate by no more than 1% from the official National Bank of Ukraine rate in effect on the day of the transaction;
- in other foreign currencies - at the rate that may deviate by no more than 1% from the rate determined on the basis of the official exchange rate of the hryvnia to the U.S. dollar, in effect on the date of the transaction, as well as information on current exchange rates of foreign currencies to the U.S. dollar (or the U.S. dollar to foreign currencies) on international foreign exchange markets, which are received through trade information systems at the time of the transaction.

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

The following FX rates have been used for these consolidated financial statements:

FX rates used for translation of financial data of foreign related parties	1 January – 31 December 2024	1 January – 31 December 2023	31 December 2024	31 December 2023
EUR	4.3042	4.5284	4.2730	4.3480
GBP	5.0960	5.2080	5.1488	4.9997
UAH	0.0991	0.1137	0.0976	0.1037

6.7 Reform of interest rate benchmarks

On 1 January 2018, a new standard took effect in the European Union for the development of benchmarks, based on the BMR, defining the principles of operation and duties of benchmark administrators and entities making use of these benchmarks. The purpose of the new rules is to increase the credibility, transparency and reliability of benchmarks. As a result of the reform, the benchmarks were adjusted to the new rules (including WIBOR and EURIBOR) or ceased to exist (such as LIBOR) having been replaced with alternative indicators. The largest impact of the reform on the PZU Group stems from loans and advances to customers.

As at 31 December 2024, the IBOR reform affecting the currencies covered by the PZU Group’s exposure was largely completed. The table below presents the status of the transition to new benchmarks under the IBOR reform.

Currency	Benchmark before the reform	Benchmark after the reform	As at 31 December 2024
PLN	WIBOR (Warsaw Inter Bank Offered Rate)	POLSTR	currently in effect
CHF	CHF LIBOR	SARON, SARON compound	completed
USD	USD LIBOR	SOFR, Term SOFR	completed
GBP	GBP LIBOR	SONIA, Term SONIA	completed

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The subsequent tables present the PZU Group's exposure to individual unreformed IBOR benchmarks.

31 December 2024	WIBOR (Warsaw Inter Bank Offered Rate)
Assets (gross carrying amount)	195,931
Liabilities (gross carrying amount)	34,859
Off-balance sheet liabilities – granted (nominal value)	13,407
Off-balance sheet liabilities - granted (nominal value)	304,766
Derivatives – concluded under hedge accounting (nominal value)	50,483

31 December 2023	WIBOR (Warsaw Inter Bank Offered Rate)	USD LIBOR	GBP LIBOR
Assets (gross carrying amount)	181,186	1,098	390
Liabilities (gross carrying amount)	29,870	6	-
Off-balance sheet liabilities – granted (nominal value)	10,727	105	-
Off-balance sheet liabilities - granted (nominal value)	374,428	1,554	-
Derivatives – concluded under hedge accounting (nominal value)	46,785	-	-

6.7.1. WIBOR (Warsaw Inter Bank Offered Rate)

Starting in 2022, work is underway by the National Working Group ("NGR") to prepare a new indicator and a timetable for its implementation in such a way as to ensure the safety of the financial system.

Due to the fact that the reform of benchmarks consists of a great many interrelated elements, it was agreed that the process will be staggered, and the reform of indicators in Poland will be implemented in its entirety by the end of 2027.

In December 2024, the NGR Steering Committee ("NGR SC") decided on a target interest rate benchmark, replacing WIBOR and based on unsecured deposits of credit institutions and financial institutions (technical name of the indicator – WIRF). Thus, the NGR SC reviewed and modified its earlier decision to select the WIRON indicator. In January 2025, the NGR SC decided on a target name for the new indicator – POLSTR. In the next steps, the NGR SC will update the Roadmap for the reform of indicators in Poland and verify and update the NGR recommendations issued so far.

6.7.2. GBP LIBOR

As previously announced, the 1- and 6-month GBP LIBOR rates were published for the last time on 31 March 2023 using the synthetic method. Publishing the 3-month synthetic GBP LIBOR rate stopped at the end of March 2024.

6.7.3. USD LIBOR

In April 2023, FCA decided to oblige the ICE Benchmark Administration, an administrator of the LIBOR indices, to continue publishing the USD LIBOR rates for 1, 3 and 6 months, using a non-representative "synthetic" method. Publishing the synthetic USD LIBOR rates ended on 30 September 2024.

6.7.4. Impact of the IBOR reform on hedge accounting

As part of the established hedging relationships, the PZU Group identifies the following interest rate reference rates: WIBOR, EURIBOR. As of the date on which the consolidated financial statements were prepared, these benchmarks were quoted and the resulting flows were exchanged with business partners.

The PZU Group assessed that in the case of EURIBOR there is currently no uncertainty regarding the dates or amounts of cash flows resulting from the IBOR reform. The benchmark has been adjusted to the requirements of the BMR and is calculated by an administrator authorized by regulatory authority. The PZU Group does not expect it will be necessary to change the hedged risk for other benchmarks.

In the case of WIBOR, the PZU Group believes there is uncertainty about the timing and amount of cash flows for the new benchmark Such uncertainty may influence the assessments of the effectiveness of the relationship and high probability of the hedged position. For the needs of these assessments the PZU Group assumes that the interest rate benchmarks on which cash flows from the hedged position or hedging instrument will not change as a result of the WIBOR reform.

As regards hedging instruments, the PZU Group companies joined the ISDA Fallbacks Protocol and actively cooperate with their counterparties to implement the rules of conduct consistent with the ISDA methodology.

7. Segment reporting

7.1 Reportable segments

7.1.1. Key classification criterion

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

The key segment classification of PZU Group is based on such criteria as a nature of business activities, product groups, client groups and regulatory environment. Individual segments have been described in the table below.

Segment	Segment description	Aggregation criteria
Corporate insurance (non-life insurance)	Broad scope of non-life insurance products, TPL and motor insurance customized to a customer's needs entailing individual underwriting offered to large economic entities by PZU, TUW PZUW and PG TUW.	Aggregation by similarity of products offered, similar client groups to which they are offered, distribution channels and operation in the same regulatory environment.
Mass insurance (non-life insurance)	Broad scope of non-life, accident, TPL and motor insurance products offered to retail clients and entities in the small and medium-sized enterprise sector by PZU and Link4.	As above.

Group 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. PZU Życie's offer covers a wide range of protection and health insurance.	No aggregation.
Individual protective insurance products (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. PZU Życie's offer covers a wide range of protection and health insurance.	No aggregation.
Unit-linked life insurance	Unit-linked insurance, where there is significant insurance risk, and single premium-life and endowment insurance agreements with guaranteed sums assured (investment agreements that are not investment contracts).	No aggregation.
Investments	The segment includes investments of free funds, i.e. the surplus of the investment portfolio over the level allocated to pay insurance liabilities of PZU and PZU Życie and the operating result of TFI PZU.	The aggregation was effected because of the similar surplus-based nature of the revenues.
Banking activity	Broad range of banking products offered both to corporate and retail clients by the Pekao Group and the Alior Bank Group.	The aggregation was carried out due to the similarity of products and services offered by the companies and the identical regulatory environment of their operations.
Pension insurance	2nd pillar pension insurance.	No aggregation.
Baltic States	Non-life and life insurance products offered by LD and its branch in Estonia, Balta and PZU LT GD.	The aggregation was carried out due to similarity of products and services offered by the companies and similarity of the regulatory environment of their operations.
Ukraine	Non-life and life insurance products offered by PZU Ukraine and PZU Ukraine Life Insurance.	The aggregation was carried out due to the similarity of the regulatory environment of their operations.
Investment contracts	PZU Życie products that do not transfer any significant insurance risk within the meaning of IFRS 17 and that do not meet the definition of an insurance contract (i.e. some products with a guaranteed return and some unit-linked products).	No aggregation.
Other	Other products and services not classified into any of the above segments.	

7.1.2. Information relating to geographical areas

The PZU Group presents information on geographic areas, distinguishing the following geographic areas:

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

7.2 Measure of the segment's profit

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

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

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

7.3 Simplifications in the segmental note

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

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

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7.4 Quantitative data

1 January – 31 December 2024	Corporate insurance	Mass insurance	Group and individually continued insurance	Individual protective insurance	Life investment insurance	Baltic States	Ukraine	Investment contracts	Investments	Banking activities	Pension	Other	Total
Insurance service result before reinsurance	1,361	579	1,608	367	4	385	3	-	-	-	-	-	4,307
Insurance revenue	4,704	13,106	7,840	744	104	2,683	242	-	-	-	-	-	29,423
Amortization of liabilities for remaining coverage (PAA)	4,070	10,176	-	-	-	2,170	156	-	-	-	-	-	16,572
Expected claims and benefits (GMM, VFA)	-	-	5,168	149	13	11	1	-	-	-	-	-	5,342
Expected expenses (GMM, VFA)	-	-	918	105	1	8	4	-	-	-	-	-	1,036
Release of the contractual service margin (GMM, VFA)	-	-	1,267	295	45	14	9	-	-	-	-	-	1,630
Release of risk adjustment for non-financial risks (GMM, VFA)	-	-	131	21	18	2	6	-	-	-	-	-	178
Recovery of insurance acquisition cash flows	634	2,930	471	169	31	477	70	-	-	-	-	-	4,782
Other income	-	-	(115)	5	(4)	1	(4)	-	-	-	-	-	(117)
Insurance service expenses	(3,343)	(12,527)	(6,232)	(377)	(100)	(2,298)	(239)	-	-	-	-	-	(25,116)
Claims incurred in the period (without the investment component)	(2,377)	(8,687)	(4,990)	(129)	(6)	(1,658)	(124)	-	-	-	-	-	(17,971)
Expenses incurred in the period	(261)	(929)	(861)	(97)	(5)	(280)	(51)	-	-	-	-	-	(2,484)
Run-off of claim reserves from prior years	(79)	75	56	23	(15)	117	18	-	-	-	-	-	195
Amortization of the loss component	98	523	326	13	15	145	12	-	-	-	-	-	1,132
Recognition of the loss component	(90)	(579)	(292)	(18)	(58)	(145)	(24)	-	-	-	-	-	(1,206)
Amortization of insurance acquisition cash flows	(634)	(2,930)	(471)	(169)	(31)	(477)	(70)	-	-	-	-	-	(4,782)
Net income or expenses from reinsurance contracts held	(902)	168	-	-	-	(49)	(9)	-	-	-	-	-	(792)
Reinsurance premium allocation	(1,629)	(176)	-	-	-	(74)	(3)	-	-	-	-	-	(1,882)
Amounts recoverable from reinsurers, including:	727	344	-	-	-	25	(6)	-	-	-	-	-	1,090
Incurred claims	651	294	-	-	-	44	-	-	-	-	-	-	989
Incurred expenses	11	1	-	-	-	-	-	-	-	-	-	-	12
Run-off of claim reserves from prior years	65	49	-	-	-	(19)	(6)	-	-	-	-	-	89
Insurance service result	**459**	**747**	**1,608**	**367**	**4**	**336**	**(6)**	**-**	**-**	**-**	**-**	**-**	**3,515**

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1 January – 31 December 2024	Corporate insurance	Mass insurance	Group and individually continued insurance	Individual protective insurance	Life investment insurance	Baltic States	Ukraine	Investment contracts	Investments	Banking activities	Pension	Other	Total
Financial income and expenses from insurance	(204)	(335)	(522)	(107)	(335)	(41)	(21)	-	-	-	-	-	(1,565)
Finance income or expenses from reinsurance	128	11	-	-	-	1	-	-	-	-	-	-	140
Investment profit or loss [1]	366	753	888	119	328	86	51	12	395	25,221 [2] [3]	16	(27)	28,208
Revenue from commissions and fees	-	-	-	-	-	2	-	2	150	5,027 [4]	184	(200)	5,165
Fee and commission expenses	-	-	-	-	-	-	-	-	-	(1,351)	-	28	(1,323)
PZU Group operating expenses not related to insurance services	-	-	-	-	-	-	-	-	(146)	(8,785)	(38)	(1,545)	(10,514)
Interest expenses	-	-	-	-	-	-	-	-	(207)	(8,077)	-	41	(8,243)
Legal risk costs of foreign currency mortgage loans	-	-	-	-	-	-	-	-	-	(729)	-	-	(729)
Other operating income	-	-	-	-	-	-	-	-	37	395	1	1,295	1,728
Other operating expenses	-	-	-	-	-	-	-	-	(21)	(387)	-	(277)	(685)
Operating profit	**749**	**1,176**	**1,974**	**379**	**(3)**	**384**	**24**	**14**	**208**	**11,314**	**163**	**(685)**	**15,697**

[1] The sum of the following line items in the consolidated profit and loss account: "Interest income calculated using the effective interest rate and equalized to them", "Other net investment income", "Result on derecognition of financial instruments and investments not measured at fair value through profit or loss", "Result from allowances for expected credit losses" and "Net movement in fair value of assets and liabilities measured at fair value."

[2] Including: interest income calculated using the effective interest rate and equalized to them – PLN 25,913 million, other net investment income – PLN 138 million, result on derecognition of financial instruments and investments not measured at fair value through profit or loss – PLN 105 million, result from allowances for expected credit losses – PLN 1,367 million, net movement in fair value of assets and liabilities measured at fair value – PLN 432 million.

[3] Including revenue from other segments of PLN 215 million.

[4] Including revenue from other segments of PLN 200 million.

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1 January – 31 December 2023 (restated)	**Corporate insurance**	**Mass insurance**	**Group and individually continued insurance**	**Individual protective insurance**	**Life investment insurance**	**Baltic States**	**Ukraine**	**Investment contracts**	**Investments**	**Banking activities**	**Pension**	**Other**	**Total**
Insurance service result before reinsurance	560	1,659	1,269	293	30	287	24	-	-	-	-	-	4,122
Insurance revenue	4,101	11,966	7,362	637	93	2,489	220	-	-	-	-	-	26,868
Amortization of liabilities for remaining coverage (PAA)	3,513	9,278	-	-	-	2,001	138	-	-	-	-	-	14,930
Expected claims and benefits (GMM, VFA)	-	-	4,892	130	6	9	16	-	-	-	-	-	5,053
Expected expenses (GMM, VFA)	-	-	788	90	(30)	8	1	-	-	-	-	-	857
Release of the contractual service margin (GMM, VFA)	-	-	1,223	244	45	13	5	-	-	-	-	-	1,530
Release of risk adjustment for non-financial risks (GMM, VFA)	-	-	126	18	36	2	1	-	-	-	-	-	183
Recovery of insurance acquisition cash flows	588	2,688	434	154	39	455	58	-	-	-	-	-	4,416
Other income	-	-	(101)	1	(3)	1	1	-	-	-	-	-	(101)
Insurance service expenses	(3,541)	(10,307)	(6,093)	(344)	(63)	(2,202)	(196)	-	-	-	-	-	(22,746)
Claims incurred in the period (without the investment component)	(2,006)	(6,971)	(4,864)	(116)	(6)	(1,632)	(104)	-	-	-	-	-	(15,699)
Expenses incurred in the period	(217)	(876)	(842)	(90)	(5)	(255)	(43)	-	-	-	-	-	(2,328)
Run-off of claim reserves from prior years	(733)	186	34	25	(15)	143	13	-	-	-	-	-	(347)
Amortization of the loss component	113	442	292	8	9	142	1	-	-	-	-	-	1,007
Recognition of the loss component	(110)	(400)	(279)	(17)	(7)	(145)	(5)	-	-	-	-	-	(963)
Amortization of insurance acquisition cash flows	(588)	(2,688)	(434)	(154)	(39)	(455)	(58)	-	-	-	-	-	(4,416)
Net income or expenses from reinsurance contracts held	45	(108)	-	-	-	(33)	(7)	-	-	-	-	-	(103)
Reinsurance premium allocation	(1,301)	(146)	-	-	-	(65)	(2)	-	-	-	-	-	(1,514)
Amounts recoverable from reinsurers, including:	1,346	38	-	-	-	32	(5)	-	-	-	-	-	1,411
Incurred claims	423	13	-	-	-	55	1	-	-	-	-	-	492
Incurred expenses	10	1	-	-	-	-	-	-	-	-	-	-	11
Run-off of claim reserves from prior years	913	24	-	-	-	(23)	(6)	-	-	-	-	-	908
Insurance service result	**605**	**1,551**	**1,269**	**293**	**30**	**254**	**17**	**-**	**-**	**-**	**-**	**-**	**4,019**
Financial income and expenses from insurance	(108)	(263)	(509)	(102)	(761)	(25)	(18)	-	-	-	-	-	(1,786)
Finance income or expenses from reinsurance	35	5	-	-	-	(2)	-	-	-	-	-	-	38
Investment profit or loss [1]	332	745	852	115	765	57	50	2	522	24,714 [2] [3]	17	(46)	28,125

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1 January – 31 December 2023 (restated)	**Corporate insurance**	**Mass insurance**	**Group and individually continued insurance**	**Individual protective insurance**	**Life investment insurance**	**Baltic States**	**Ukraine**	**Investment contracts**	**Investments**	**Banking activities**	**Pension**	**Other**	**Total**
Revenue from commissions and fees	-	-	-	-	-	2	-	3	171	5,362 [4)]	147	(157)	5,528
Fee and commission expenses	-	-	-	-	-	-	-	-	-	(1,757)	-	15	(1,742)
PZU Group operating expenses not related to insurance services	-	-	-	-	-	-	-	-	(127)	(7,939)	(45)	(1,590)	(9,701)
Interest expenses	-	-	-	-	-	-	-	-	(231)	(8,704)	-	45	(8,890)
Legal risk costs of foreign currency mortgage loans	-	-	-	-	-	-	-	-	-	(369)	-	-	(369)
Other operating income	-	-	-	-	-	-	-	-	13	454	1	1,057	1,525
Other operating expenses	-	-	-	-	-	-	-	-	(9)	(497)	-	(106)	(612)
Operating profit	**864**	**2,038**	**1,612**	**306**	**34**	**286**	**49**	**5**	**339**	**11,264**	**120**	**(782)**	**16,135**

1) The sum of the following line items in the consolidated profit and loss account: “Interest income calculated using the effective interest rate and equalized to them”, “Other net investment income”, “Result on derecognition of financial instruments and investments not measured at fair value through profit or loss”, “Result from allowances for expected credit losses” and “Net movement in fair value of assets and liabilities measured at fair value”.

2) Including: interest income calculated using the effective interest rate and equalized to them – PLN 25,310 million, other net investment income – PLN 277 million, result on derecognition of financial instruments and investments not measured at fair value through profit or loss – PLN 74 million, result from allowances for expected credit losses – PLN 1,269 million, net movement in fair value of assets and liabilities measured at fair value – PLN 322 million.

3) Including revenue from other segments of PLN 175 million.

4) Including revenue from other segments of PLN 157 million.

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Geographic breakdown	1 January – 31 December 2024					1 January – 31 December 2023 (restated)				
	Poland	Baltic States	Ukraine	Not allocated	Consolidated value	Poland	Baltic States	Ukraine	Not allocated	Consolidat-ed value
Insurance revenue	26,498	2,683	242	-	29,423	24,159	2,489	220	-	26,868
Revenue from commissions and fees	5,163	2	-	-	5,165	5,526	2	-	-	5,528
Investment profit or loss [1)]	28,071	86	51	-	28,208	28,018	57	50	-	28,125

[1)] The sum of the following line items in the consolidated profit and loss account: “Interest income calculated using the effective interest rate and equalized to them”, “Other net investment income”, “Result on derecognition of financial instruments and investments not measured at fair value through profit or loss”, “Result from allowances for expected credit losses” and “Net movement in fair value of assets and liabilities measured at fair value”.

Geographic breakdown	31 December 2024					31 December 2023 (restated)				
	Poland	Baltic States	Ukraine [1)]	Not allocated	Consolidat-ed value	Poland	Baltic States	Ukraine [1)]	Not allocate-ed	Consolidat-ed value
Non-current assets other than financial assets [2)]	7,714	283	4	-	8,001	7,561	285	3	-	7,849
Deferred tax assets	2,239	3	2	-	2,244	2,190	1	2	-	2,193
Assets	500,290	3,831	373	(1,237)	503,257	465,316	3,498	366	(1,235)	467,945

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

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

7.5 Information on key customers

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

8. Risk management

8.1 Introduction

Risk management aims to build value for all PZU Group stakeholders by actively and deliberately managing the quantum of risk accepted. The essence of the process also involves preventing the acceptance of risk at a level that could pose a threat to the financial stability of the PZU Group, which is also a financial conglomerate.

Risk management in the PZU Group is based on risk analysis in all processes and units. Risk management is an integral part of the management system.

To ensure sectoral consistency and the execution of the strategic plans of individual companies as well as the business objectives of the entire PZU Group, the main elements of PZU Group’s risk management have been implemented. They include among others:

- systems of limits and limitations on the acceptable level of risk, including the level of risk appetite;
- processes involving identification, measurement and assessment, monitoring and control, reporting and management measures pertaining to individual risks and significant risk concentration;
- risk management organizational structure in which the management boards and supervisory boards of the entities and dedicated committees play a crucial role.

Entities from the financial sector are additionally obligated to apply the appropriate standards for a given sector. The adopted internal regulations specify among others:

- processes, methods and procedures facilitating risk measurement and management;

- split of duties in the risk management process;
- scope and conditions and the frequency of risk management reporting.

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

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

PZU exercises supervision over the PZU Group's risk management system on the basis of mutual cooperation agreements entered into with Group entities. PZU manages the PZU Group risk from an aggregated perspective and on the basis of the information provided thereunder. The agreements entered into and the scope of information to be provided take into consideration the specific legal nature of each entity, including limitations arising from banking secrecy rules.

In addition, PZU as the leading entity in the 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.

Additionally, the PZU Group has in place processes to ensure the effectiveness of risk management at the PZU Group level. The risk management rules applicable to the subsidiaries include a recommendation issued by PZU regarding the organization of the risk management system in those entities (both insurance and banking sector 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 entities 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 implementation of an adequate and effective risk management system. Due to the different scope of operations and other key risks involved, PZU Group banks apply their own dedicated risk management policies, which are in line with the PZU Group's general principles, but at the same time are tailored to the specific requirements and regulations of the banking sector.

Supervision over the risk management systems in the various financial sector unites is exercised by the supervisory boards to which PZU appoints its representatives.

8.2 Split of duties and tasks

The consistent split of duties and tasks in the PZU Group and in individual subsidiaries of the PZU Group's financial sector is based on four decision-making levels.

The first three are:

- The Supervisory Board, which supervises the risk management process and assesses its adequacy and effectiveness as part of its decision-making powers defined in each company's Articles of Association and the Supervisory Board bylaws;
- the Management Board, which organizes the risk management system and ensures that it is operational, by adopting strategies and policies and setting the risk appetite, defining the risk profile and tolerance for individual categories of risk;
- committees, which make decisions to mitigate individual risks to a level determined by the risk appetite. The committees adopt the procedures and methodologies for mitigating the individual risks and accept individual risk limits.

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

- the first line of defense – entails ongoing risk management at the entities' business unit and organizational unit level and decision-making as part of the risk management process, also within the framework of the prevailing limits;
- the second line of defense includes risk management by specialized cells responsible for risk identification, measurement, monitoring and reporting and controlling the limits;
- the third line of defense – entails internal audit that conducts independent audits of the elements of the risk management system as well as control activities embedded in the Group's operations.

In the risk management process in banks (Pekao and Alior Bank), an active role is played by Management Board, Supervisory Boards and special committees dealing with credit, financial and operating risk as well as asset and liability management.

The Supervisory Boards oversee the risk management process and set out a relevant strategy each year. The Management Boards are responsible, among others, for accepting policies and guidelines related to risk management and setting detailed limits for mitigating the banks' risks, as well as providing a proper mechanism to control them.

Special committees exercise ongoing control over the bank's risk management, which includes decisions about the accepted level of credit risk for single transactions, recommendations of portfolio limits for credit risk to the Management Board, supervision of liquidity risk level, market risk limits and the allowed level of operational risk. In addition, they monitor the risk appetite and capital adequacy levels.

8.3 Risk appetite, risk profile and risk tolerance

A process of determining the risk appetite and risk limits for each risk category consistent with the Group's process has been implemented in the PZU Group insurance entities. The Management Board of each entity determines the risk appetite, risk profile and risk tolerance reflecting its financial plans, business strategy and the objectives of the entire PZU Group.

Risk appetite is defined as the level of risk that a company is prepared to accept in pursuit of its business objectives. The measure of risk appetite is the level of potential financial losses, the decline in asset value or the growth in the amount of liabilities within one year. The level of risk appetite is defined as the minimum capital requirement coverage ratio. Risk appetite defines the maximum level of permissible risk while setting limits and restrictions for the various partial risks and the level above which remedial actions are taken to curtail further risk expansion.

The risk profile involves quantitative limits, which offer a more precise definition of the risk appetite.

Tolerance limits are additional limits introduced for the individual risks types to mitigate potential risk.

This approach ensures the adequacy and effectiveness of the risk management system in the PZU Group and prevents acceptance of risk levels that could jeopardize the financial stability of individual companies and the entire PZU Group. The determination of the appropriate level of risk in each entity is the responsibility of its Management Board. The risk unit reviews the size of the risk appetite at least once a year. All actions are coordinated at the PZU Group level.

Risk appetite is determined at least once a year in the PZU Group's banking sector entities. This process is carried out based on the applicable regulatory requirements and best practices. This process is tailored to both banks to reflect their business strategy and capital structure. Risk appetite in banking sector entities is a topic for consultation with the PZU Group's parent company and the subject matter of opinions issued by the PZU Group Risk Committee with a view to ensuring consistency between the activities carried out by the banks and the strategic plans and business objectives of the entire PZU Group as a whole while maintaining an acceptable level of risk at the Group level. The agreed upon level of risk appetite is also approved by the Supervisory Boards of the banking entities.

8.4 Risk identification, measurement, assessment, monitoring and reporting methods

Identification, measurement and assessment, monitoring and control, and undertaken management activities ensure ongoing adequacy and effectiveness of the risk management system. The risk management process in PZU Group consists of:

- risk identification – commences with a proposal to start developing an insurance product, buying a financial instrument, modifying an operating process, and also whenever some other event occurs that may potentially lead to the emergence of risk. The identification process continues until the expiration of liabilities, receivables or activities associated with the risk. Risk identification involves identification of actual and potential sources of risk, which are later analyzed in terms of significance;
- measurement and assessment of risk – conducted depending on the nature of the risk type and its significance level. Risk measurement is carried out by specialized units. Risk units in each entity 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 – including, among others, risk avoidance, risk transfer, risk mitigation, determination of risk appetite, acceptance of risk level, as well as the use of supporting tools, such as limits, reinsurance programs or regular review of internal regulations.

Two levels are distinguished in the risk management process:

- the PZU Group level – ensuring that the PZU Group attains its business objectives in a safe manner appropriate to fit the scale of the risk involved. The PZU Group provides support for the implementation of a risk management system, including the introduction of compatible mechanisms, standards and organization of an efficient operation of the internal control system (with particular emphasis on the compliance function), the risk management system (in particular in the reinsurance area) and the security management system in the PZU Group, and monitors their ongoing application. While carrying out their tasks in the risk management system, authorized PZU Group personnel cooperates with the Management Boards of subsidiaries and the management of such areas as finance, risk, actuary, reinsurance, investments and compliance on the basis of appropriate cooperation agreements. A risk concentration management system was implemented to ensure that entities in the financial conglomerate attain their business objectives in a manner ensuring financial stability at the level of both the entire conglomerate and individual entities. The system monitors appropriate risk concentration measures and their limits and threshold values. Risk measurement permits identification of the sources of concentration in individual risks at the level of both the financial conglomerate and individual regulated entities and supports an assessment of the impact of these concentrations on financial stability;
- the entity level – ensuring that the PZU Group entity attains its business objectives in a safe manner appropriate to the scale of the risk involved. Monitored at this level are the limits and risk categories specific to the company and, as part of the risk management system, mechanisms, standards and organization are implemented for the efficient operation of the internal control system (with particular emphasis on the compliance function), the risk management system (in particular in reinsurance area) and the security management system.

8.5 Risk profile

The main types of risk to which the PZU Group is exposed includes credit risk (in particular risk related to bank credit portfolio), actuarial risk, market risk (in particular interest rate risk, foreign exchange risk, and risk related to financial instruments and commodities), liquidity risk, concentration risk, operational risk, compliance risk and models risk.

In 2024, there was no materialization of risks that could materially adversely affect the operations of the PZU Group.

In September 2024, Central Europe, including Poland, experienced flooding caused by the Genoese low, which brought heavy rainfall. In Poland, the provinces of Lower Silesia, Opole and Silesia were most affected. Flood claims did not affect significantly PZU's safety parameters.

In 2024, inflation levels remained elevated, prompting the Monetary Policy Council to keep interest rates unchanged throughout the year. As a result, financing costs for PZU Group banks remained stable. Higher interest rates have not resulted in a deterioration in the credit quality of the PZU Group Banks' portfolios, but have had a positive impact on their financial performance.

Legal risks remained important in the banking sector in 2024. The increase in litigation related to CHF-denominated loans at PZU Group banks remained stable and in line with expectations. On the other hand, risks associated with other court settlements are identified, particularly those related to consumer credit (the so-called “free credit sanction”).

When managing the various risk types, the PZU Group identifies, measures and monitors risk concentration. To meet the regulatory obligations imposed on groups identified as financial conglomerates, a model to manage significant risk concentration in the PZU Financial Conglomerate was implemented by the PZU Group in 2020 in keeping with the requirements of the Supplementary Oversight Act. Regulated subsidiaries monitor and submit regular reports to the leading entity in the financial conglomerate (PZU) on the measures and data supporting identification of risk concentrations. In the case of identification of an excessive risk concentration, appropriate management actions are implemented on the level of the given entity or the whole financial conglomerate.

8.5.1. Credit risk and concentration risk

Credit risk is the risk of a loss or adverse change in the financial situation resulting from fluctuations in the trustworthiness and creditworthiness of issuers of securities, counterparties and all debtors, materializing through a counterparty's default on a liability or an increase in credit spread. This definition also includes credit risk in financial insurance.

Credit risk types in the PZU Group include:

- credit risk in banking activity – is the credit risk arising from activity conducted in the banking sector, associated mainly with the possibility that a debtor or borrower defaults on its obligations;
- credit risk in financial insurance – credit risk resulting from activity in the financial insurance sector, related mainly to the possibility that a PZU Group customer defaults on its obligations to a third party, or a debtor/borrower defaults on its obligations to a PZU Group customer; this threat may result from failure to complete an undertaking or adverse influence of the business environment;
- *credit spread* risk – the possibility of incurring a loss due to a change in the value of assets, liabilities and financial instruments resulting from a change in the level of credit spreads as compared to the term structure of interest rates of debt securities issued by the State Treasury or fluctuations of their volatility;
- counterparty default risk – the possibility of incurring a loss as a result of unexpected default of counterparties and debtors or deterioration of their credit rating.

concentration risk is the risk 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.

Exposure to credit risk in the PZU Group arises directly from banking, investment activities, activity in the financial insurance and guarantee segment and reinsurance and bancassurance operations. The PZU Group distinguishes the following kinds of credit risk exposure:

- risk of a customer's default against PZU Group under contracted loans (in banking activity);
- default risk arising from insurance receivables;
- risk of bankruptcy of an issuer of financial instruments in which PZU Group invests or which it trades, e.g. corporate bonds;
- counterparty default risk, e.g. reinsurance or OTC derivatives and bancassurance activity;
- risk of default of a PZU Group's customer against a third party, e.g. insurance of cash receivables, insurance guarantees.
- default risk arising from insurance receivables.

The maximum exposure to credit risk is equal to the carrying amount of financial assets recognized in the consolidated statement of financial position and the gross value of off-balance sheet liabilities.

8.5.1.1. Concentration risk arising out of lending activity

This section presents information related to lending activity of PZU Group's banks.

To prevent adverse events that could result from excessive concentration, both Pekao and Alior Bank mitigate the concentration risk by setting limits and applying concentration standards arising from both external and internal regulations. These include:

- rules of identifying the areas where concentration risk arises in credit activity;
- taking concentration into account when estimating internal capital;
- process of setting and updating limit levels;
- process of managing the limits and adopting the rules of conduct if the permitted limit level is exceeded;
- concentration risk monitoring process, including reporting;
- oversight over the concentration risk management process.

The process of setting and updating concentration limits takes the following into account:

- information on the level of credit risk of limited portfolio segments and their impact on realization of assumptions related to risk appetite in terms of credit portfolio quality and capital position;

- sensitivity of limited portfolio segments to changes in the macroeconomic environment assessed in regular stress tests;
- reliable economic and market information concerning each exposure concentration area, especially macroeconomic and industry ratios, information about economic trends, including the projection of the levels of interest rates, exchange rates, political risk analysis, ratings of governments and financial institutions;
- reliable information about economic situation of companies, industries, branches, economic sectors, general economic information including news about economic and political situation of countries, as well as other information needed to evaluate concentration risk;
- interactions between different kinds of risk, i.e. credit, market, liquidity and operational risk.

Risk analysis is performed, in individual and portfolio approach. Measures are undertaken to:

- minimize credit risk for an individual loan with the assumed level of return;
- reduce overall credit risk arising from a specific credit portfolio.

In order to minimize the risk level of a single exposure, the following is assessed every time when a loan or other credit product is granted:

- reliability and creditworthiness, including detailed analysis of the source of repayment;
- collateral, which entails review of the formal, legal and economic status, including loan to value adequacy.

In order to enhance control over the risk of individual exposures, clients are monitored regularly and appropriate measures are taken if increased risk is identified.

In order to minimize credit risk arising from a particular portfolio:

- concentration limits are set and tracked;
- early warning signals are monitored;
- credit portfolio is monitored regularly, especially material credit risk parameters;
- regular stress tests are carried out.

8.5.1.2. Credit risk in banking activity

Risk assessment in credit process

The provision of credit products is accomplished in accordance with loan granting methodologies appropriate for a given client segment and type of product. The internal rating process in both banks constitutes a significant part of assessing credit risk of both the client and the transaction. It is an important step in the credit decision-making process for new loans and for changes of lending terms, and in monitoring loan portfolio quality. Each bank has developed its own models used in the client creditworthiness assessment process, which must be completed before a credit decision is made. The models are based on external information and on internal data. Credit products are granted in the banks in accordance with the operating procedures, whose purpose is to set out the proper steps that must be taken in the credit process, identify the units responsible for those activities and the tools to be applied.

Credit decisions are made in accordance with the existing credit decision system (with decision-making powers at specific levels matching the risk level of a particular client and transaction).

In order to conduct regular assessment of accepted credit risk and to mitigate potential losses on credit exposures, the client's standing is monitored during the lending period by identifying early warning signals and by conducting regular individual reviews of credit exposures.

To minimize credit risk, security interests are established in line with the level of exposure to credit risk, considering recovery rate from a specific type of collateral. The establishment of a security interest does not waive the requirement to examine the client's creditworthiness.

Collateral is taken to secure repayment of the loan amount with due interest and costs if the borrower fails to settle its due debt within the dates stipulated in a loan agreement and restructuring activities are not successful. Accepted forms of collateral include: guarantees, sureties, account freezes, registered pledges, transfers of title, assignments of receivables, assignment of credit insurance, promissory notes, mortgages, powers of attorney to bank accounts and security deposits (as special forms of collateral). The assets constituting collateral are reviewed in the credit process in terms of their legal capacity to establish effective security interest and also the recoverable amount in a possible enforcement procedure.

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The financial effect of the established collateral for the portfolio of exposures measured individually with recognized impairment as at 31 December 2024 is PLN 2,229 million (as at 31 December 2023: PLN 1,420 million). This is an amount by which the level of the required impairment losses for this portfolio would be higher if no discounted cash flows obtained from collateral were taken into account in their estimation.

Scoring and credit rating

The rating scale differs by bank, customer segment and transaction type. The following tables present the quality of credit portfolios for exposures covered by internal rating models. Because of the different rating models employed by Pekao and Alior Bank, the data are presented for each of the banks separately.

Pekao

At Pekao, the rating scale used for internal rating models is based on the rating scale formula applicable to external ratings – the so-called Masterscale, as shown in the table below:

Description	Class
Investment classes	
High quality	AA, AA-
Robust repayment capacity	A+, A, A-
Adequate repayment capacity	BBB+, BBB, BBB-
Speculative classes	
Repayment likely, some degree of permanent uncertainty	BB+, BB, BB-
High risk of default	B+, B, B-
Very high risk	CCC
Default likely	CC, C

Retail customer portfolio (unimpaired) covered by the rating model – gross carrying amount	31 December 2024				31 December 2023 (restated)			
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total
Microentrepreneurs (Masterscale)	**3,496**	**415**	**-**	**3,911**	**2,869**	**326**	**-**	**3,195**
AA (0% <= PD <= 0.01000%)	6	1	-	7	14	2	-	16
AA– (0.01000% < PD <= 0.01700%)	1	-	-	1	9	-	-	9
A+ (0.01700% < PD <= 0.02890%)	7	-	-	7	22	-	-	22
A (0.02890% < PD <= 0.04913%)	21	-	-	21	31	1	-	32
A- (0.04913% < PD <= 0.08352%)	71	-	-	71	75	-	-	75
BBB+ (0.08352% < PD <= 0.14199%)	155	1	-	156	164	2	-	166
BBB (0.14199% < PD <= 0.24138%)	124	1	-	125	168	-	-	168
BBB- (0.24138% < PD <= 0.41034%)	207	3	-	210	258	2	-	260
BB+ (0.41034% < PD <= 0.69758%)	325	8	-	333	344	11	-	355
BB (0.69758% < PD <= 1.18588%)	463	22	-	485	346	26	-	372
BB- (1.18588% < PD <= 2.01599%)	750	52	-	802	414	36	-	450
B+ (2.01599% < PD <= 3.42719%)	706	60	-	766	317	57	-	374
B (3.42719% < PD <= 5.82622%)	345	73	-	418	437	51	-	488
B- (5.82622% < PD <= 9.90458%)	181	57	-	238	129	34	-	163
CCC (9.90458% < PD <= 16.83778%)	86	39	-	125	78	20	-	98
CC (16.83778% < PD <= 28.62423%)	27	32	-	59	42	21	-	63
C (28.62423% < PD <= 100%)	21	66	-	87	21	63	-	84

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Retail customer portfolio (unimpaired) covered by the rating model – gross carrying amount	31 December 2024				31 December 2023 (restated)			
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total
Mortgage-backed residential loans (Masterscale)	**60,142**	**5,448**	**-**	**65,590**	**56,648**	**3,922**	**-**	**60,570**
AA (0% <= PD <= 0.01000%)	837	3	-	840	896	2	-	898
AA– (0.01000% < PD <= 0.01700%)	1,640	10	-	1,650	1,128	4	-	1,132
A+ (0.01700% < PD <= 0.02890%)	3,072	17	-	3,089	2,338	8	-	2,346
A (0.02890% < PD <= 0.04913%)	6,527	36	-	6,563	4,212	15	-	4,227
A- (0.04913% < PD <= 0.08352%)	8,689	66	-	8,755	6,223	27	-	6,250
BBB+ (0.08352% < PD <= 0.14199%)	8,361	69	-	8,430	8,338	47	-	8,385
BBB (0.14199% < PD <= 0.24138%)	7,585	76	-	7,661	9,748	74	-	9,822
BBB- (0.24138% < PD <= 0.41034%)	9,215	141	-	9,356	9,181	112	-	9,293
BB+ (0.41034% < PD <= 0.69758%)	7,677	275	-	7,952	6,910	174	-	7,084
BB (0.69758% < PD <= 1.18588%)	4,179	495	-	4,674	4,380	293	-	4,673
BB- (1.18588% < PD <= 2.01599%)	1,639	1,189	-	2,828	1,985	569	-	2,554
B+ (2.01599% < PD <= 3.42719%)	469	1,410	-	1,879	697	712	-	1,409
B (3.42719% < PD <= 5.82622%)	151	818	-	969	271	547	-	818
B- (5.82622% < PD <= 9.90458%)	87	559	-	646	134	396	-	530
CCC (9.90458% < PD <= 16.83778%)	14	283	-	297	93	301	-	394
CC (16.83778% < PD <= 28.62423%)	-	1	-	1	56	190	-	246
C (28.62423% < PD <= 100%)	-	-	-	-	58	451	-	509
Cash (consumer) loans (Masterscale)	**10,823**	**1,420**	**-**	**12,243**	**9,550**	**1,524**	**-**	**11,074**
AA (0% <= PD <= 0.01000%)	13	-	-	13	23	-	-	23
AA– (0.01000% < PD <= 0.01700%)	19	1	-	20	32	-	-	32
A+ (0.01700% < PD <= 0.02890%)	43	1	-	44	64	1	-	65
A (0.02890% < PD <= 0.04913%)	96	2	-	98	127	2	-	129
A- (0.04913% < PD <= 0.08352%)	201	3	-	204	251	7	-	258
BBB+ (0.08352% < PD <= 0.14199%)	384	4	-	388	416	11	-	427
BBB (0.14199% < PD <= 0.24138%)	685	9	-	694	629	17	-	646
BBB- (0.24138% < PD <= 0.41034%)	1,177	21	-	1,198	949	34	-	983
BB+ (0.41034% < PD <= 0.69758%)	1,770	43	-	1,813	1,206	52	-	1,258
BB (0.69758% < PD <= 1.18588%)	1,886	63	-	1,949	1,370	84	-	1,454
BB- (1.18588% < PD <= 2.01599%)	1,561	81	-	1,642	1,497	135	-	1,632
B+ (2.01599% < PD <= 3.42719%)	1,277	143	-	1,420	1,286	176	-	1,462
B (3.42719% < PD <= 5.82622%)	932	191	-	1,123	906	191	-	1,097
B- (5.82622% < PD <= 9.90458%)	496	211	-	707	473	199	-	672
CCC (9.90458% < PD <= 16.83778%)	188	202	-	390	196	170	-	366
CC (16.83778% < PD <= 28.62423%)	80	214	-	294	80	138	-	218
C (28.62423% < PD <= 100%)	15	231	-	246	45	307	-	352

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Retail customer portfolio (unimpaired) covered by the rating model – gross carrying amount	31 December 2024				31 December 2023 (restated)			
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total
Credit cards and revolving limits (Masterscale)	**1,055**	**128**	**-**	**1,183**	**932**	**139**	**-**	**1,071**
AA (0% <= PD <= 0.01000%)	2	-	-	2	61	-	-	61
AA– (0.01000% < PD <= 0.01700%)	3	-	-	3	30	-	-	30
A+ (0.01700% < PD <= 0.02890%)	8	-	-	8	43	-	-	43
A (0.02890% < PD <= 0.04913%)	20	-	-	20	53	-	-	53
A- (0.04913% < PD <= 0.08352%)	36	-	-	36	71	-	-	71
BBB+ (0.08352% < PD <= 0.14199%)	69	-	-	69	91	-	-	91
BBB (0.14199% < PD <= 0.24138%)	114	-	-	114	100	-	-	100
BBB- (0.24138% < PD <= 0.41034%)	140	-	-	140	112	-	-	112
BB+ (0.41034% < PD <= 0.69758%)	148	-	-	148	118	1	-	119
BB (0.69758% < PD <= 1.18588%)	161	1	-	162	97	3	-	100
BB- (1.18588% < PD <= 2.01599%)	178	1	-	179	76	8	-	84
B+ (2.01599% < PD <= 3.42719%)	126	8	-	134	45	19	-	64
B (3.42719% < PD <= 5.82622%)	39	36	-	75	17	27	-	44
B- (5.82622% < PD <= 9.90458%)	8	36	-	44	8	24	-	32
CCC (9.90458% < PD <= 16.83778%)	3	27	-	30	6	18	-	24
CC (16.83778% < PD <= 28.62423%)	-	19	-	19	4	15	-	19
C (28.62423% < PD <= 100%)	-	-	-	-	-	24	-	24
Total retail customer segment	**75,516**	**7,411**	**-**	**82,927**	**69,999**	**5,911**	**-**	**75,910**

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Corporate segment portfolio (unimpaired) covered by the rating model – gross carrying amount	31 December 2024				31 December 2023 (restated)			
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total
Large enterprises (Masterscale)	**40,564**	**4,362**	**-**	**44,926**	**39,754**	**5,085**	**-**	**44,839**
AA (0% <= PD <= 0.01000%)	1	-	-	1	3	-	-	3
AA– (0.01000% < PD <= 0.01700%)	-	-	-	-	-	-	-	-
A+ (0.01700% < PD <= 0.02890%)	1	-	-	1	2	-	-	2
A (0.02890% < PD <= 0.04913%)	5	-	-	5	4	-	-	4
A- (0.04913% < PD <= 0.08352%)	142	-	-	142	170	-	-	170
BBB+ (0.08352% < PD <= 0.14199%)	479	-	-	479	114	-	-	114
BBB (0.14199% < PD <= 0.24138%)	981	30	-	1,011	1,458	10	-	1,468
BBB- (0.24138% < PD <= 0.41034%)	3,918	26	-	3,944	2,790	36	-	2,826
BB+ (0.41034% < PD <= 0.69758%)	5,998	152	-	6,150	7,013	249	-	7,262
BB (0.69758% < PD <= 1.18588%)	8,651	850	-	9,501	12,387	711	-	13,098
BB- (1.18588% < PD <= 2.01599%)	10,854	566	-	11,420	4,301	1,164	-	5,465
B+ (2.01599% < PD <= 3.42719%)	2,765	410	-	3,175	6,142	274	-	6,416
B (3.42719% < PD <= 5.82622%)	2,777	700	-	3,477	2,469	806	-	3,275
B- (5.82622% < PD <= 9.90458%)	1,016	944	-	1,960	1,328	781	-	2,109
CCC (9.90458% < PD <= 16.83778%)	215	671	-	886	270	1,012	-	1,282
CC (16.83778% < PD <= 28.62423%)	2,749	13	-	2,762	1,264	42	-	1,306
C (28.62423% < PD <= 100%)	12	-	-	12	39	-	-	39
Small and medium-sized enterprises (Masterscale)	**13,616**	**3,527**	**-**	**17,143**	**8,417**	**1,454**	**-**	**9,871**
AA (0% <= PD <= 0.01000%)	2	-	-	2	10	-	-	10
AA– (0.01000% < PD <= 0.01700%)	-	-	-	-	2	-	-	2
A+ (0.01700% < PD <= 0.02890%)	4	-	-	4	3	-	-	3
A (0.02890% < PD <= 0.04913%)	68	-	-	68	27	-	-	27
A- (0.04913% < PD <= 0.08352%)	142	-	-	142	58	-	-	58
BBB+ (0.08352% < PD <= 0.14199%)	231	2	-	233	143	-	-	143
BBB (0.14199% < PD <= 0.24138%)	650	6	-	656	290	4	-	294
BBB- (0.24138% < PD <= 0.41034%)	884	5	-	889	725	32	-	757
BB+ (0.41034% < PD <= 0.69758%)	2,273	208	-	2,481	936	54	-	990
BB (0.69758% < PD <= 1.18588%)	2,332	171	-	2,503	1,160	103	-	1,263
BB- (1.18588% < PD <= 2.01599%)	2,319	542	-	2,861	1,465	130	-	1,595
B+ (2.01599% < PD <= 3.42719%)	2,405	552	-	2,957	1,638	150	-	1,788
B (3.42719% < PD <= 5.82622%)	1,017	349	-	1,366	913	251	-	1,164
B- (5.82622% < PD <= 9.90458%)	828	711	-	1,539	670	327	-	997
CCC (9.90458% < PD <= 16.83778%)	263	820	-	1,083	208	244	-	452
CC (16.83778% < PD <= 28.62423%)	137	87	-	224	126	85	-	211
C (28.62423% < PD <= 100%)	61	74	-	135	43	74	-	117
Enterprises covered by the rating model of Pekao Bank Hipoteczny SA	**192**	**65**	**-**	**257**	**239**	**84**	**-**	**323**
Class 1	53	37	-	90	146	36	-	182
Class 2	137	7	-	144	92	5	-	97
Class 3	2	9	-	11	-	15	-	15
Class 4	-	-	-	-	1	9	-	10
Class 5	-	4	-	4	-	5	-	5
Class 6	-	1	-	1	-	5	-	5
Class 7	-	7	-	7	-	9	-	9
Total corporate segment	**54,372**	**7,954**	**-**	**62,326**	**48,410**	**6,623**	**-**	**55,033**

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Local government units (unimpaired) covered by the rating model – gross carrying amount		31 December 2024				31 December 2023			
		Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total
AA	(0% <= PD <= 0.01000%)	-	-	-	-	-	-	-	-
AA–	(0.01000% < PD <= 0.01700%)	-	-	-	-	-	-	-	-
A+	(0.01700% < PD <= 0.02890%)	-	-	-	-	-	-	-	-
A	(0.02890% < PD <= 0.04913%)	-	-	-	-	-	-	-	-
A-	(0.04913% < PD <= 0.08352%)	-	-	-	-	-	-	-	-
BBB+	(0.08352% < PD <= 0.14199%)	34	-	-	34	95	-	-	95
BBB	(0.14199% < PD <= 0.24138%)	58	-	-	58	38	-	-	38
BBB-	(0.24138% < PD <= 0.41034%)	32	-	-	32	168	-	-	168
BB+	(0.41034% < PD <= 0.69758%)	208	-	-	208	190	-	-	190
BB	(0.69758% < PD <= 1.18588%)	156	-	-	156	105	-	-	105
BB-	(1.18588% < PD <= 2.01599%)	440	-	-	440	19	-	-	19
B+	(2.01599% < PD <= 3.42719%)	41	-	-	41	-	-	-	-
B	(3.42719% < PD <= 5.82622%)	-	-	-	-	-	-	-	-
B-	(5.82622% < PD <= 9.90458%)	-	-	-	-	-	-	-	-
CCC	(9.90458% < PD <= 16.83778%)	-	-	-	-	-	-	-	-
CC	(16.83778% < PD <= 28.62423%)	-	-	-	-	-	-	-	-
C	(28.62423% < PD <= 100%)	-	-	-	-	-	-	-	-
Total local government units		**969**	**-**	**-**	**969**	**615**	**-**	**-**	**615**

Portfolio of specialized lending exposures within the meaning of the CRR – unimpaired – by supervisory classes – gross carrying amount	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total
High	295	40	-	335	341	-	-	341
Good	13,530	29	-	13,559	12,847	656	-	13,503
Satisfactory	322	906	-	1,228	434	573	-	1,007
Poor	-	-	-	-	-	-	-	-
Total	**14,147**	**975**	**-**	**15,122**	**13,622**	**1,229**	**-**	**14,851**

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Portfolio	31 December 2024			31 December 2023 (restated)		
	Gross carrying amount	Impairment allowance	Net carrying amount	Gross carrying amount	Impairment allowance	Net carrying amount
Exposures without recognized impairment	171,968	(1,667)	170,301	159,271	(1,693)	157,578
Portfolio covered by the rating model for the retail customer segment	82,927	(790)	82,137	75,910	(639)	75,271
Microentreprises	3,911	(36)	3,875	3,195	(30)	3,165
Retail clients	79,016	(754)	78,262	72,715	(609)	72,106
Mortgage-backed residential loans	65,590	(398)	65,192	60,570	(237)	60,333
Cash (consumer) loans	12,243	(311)	11,932	11,074	(322)	10,752
Credit cards and revolving limits	1,183	(45)	1,138	1,071	(50)	1,021
Portfolio covered by the rating model for the corporate segment	62,326	(511)	61,815	55,033	(551)	54,482
Large enterprises (Masterscale)	44,926	(292)	44,634	44,839	(428)	44,411
Small and medium-sized enterprises (Masterscale)	17,143	(218)	16,925	9,871	(121)	9,750
Corporate segment covered by the rating model of Pekao Bank Hipoteczny SA	257	(1)	256	323	(2)	321
Portfolio covered by the rating model for the local government unit segment (Masterscale)	969	(1)	968	615	-	615
Specialized lending exposures	15,122	(204)	14,918	14,851	(314)	14,537
Exposures not covered by the internal rating model	10,624	(161)	10,463	12,862	(189)	12,673
Exposures with recognized impairment	8,492	(4,320)	4,172	7,828	(4,553)	3,275
Total receivables from clients on account of impaired loans [1)]	**180,460**	**(5,987)**	**174,473**	**167,099**	**(6,246)**	**160,853**

[1)] Loan receivables from clients are measured at amortized cost or at fair value through other comprehensive income.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Nominal value of off-balance sheet exposures	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total
Portfolio covered by the rating model	57,396	3,987	-	61,383	49,712	3,440	-	53,152
AA (0% <= PD <= 0.01000%)	99	-	-	99	822	1	-	823
AA– (0.01000% < PD <= 0.01700%)	153	-	-	153	363	1	-	364
A+ (0.01700% < PD <= 0.02890%)	277	2	-	279	482	2	-	484
A (0.02890% < PD <= 0.04913%)	520	2	-	522	594	3	-	597
A- (0.04913% < PD <= 0.08352%)	1,526	1	-	1,527	1,266	3	-	1,269
BBB+ (0.08352% < PD <= 0.14199%)	2,946	59	-	3,005	1,976	13	-	1,989
BBB (0.14199% < PD <= 0.24138%)	5,324	506	-	5,830	5,680	140	-	5,820
BBB- (0.24138% < PD <= 0.41034%)	10,061	131	-	10,192	8,875	102	-	8,977
BB+ (0.41034% < PD <= 0.69758%)	9,981	321	-	10,302	9,515	307	-	9,822
BB (0.69758% < PD <= 1.18588%)	9,438	261	-	9,699	9,447	313	-	9,760
BB- (1.18588% < PD <= 2.01599%)	8,119	438	-	8,557	5,499	588	-	6,087
B+ (2.01599% < PD <= 3.42719%)	3,524	206	-	3,730	1,931	313	-	2,244
B (3.42719% < PD <= 5.82622%)	3,062	760	-	3,822	1,305	709	-	2,014
B- (5.82622% < PD <= 9.90458%)	769	415	-	1,184	714	412	-	1,126
CCC (9.90458% < PD <= 16.83778%)	98	855	-	953	144	495	-	639
CC (16.83778% < PD <= 28.62423%)	1,494	20	-	1,514	1,095	18	-	1,113
C (28.62423% < PD <= 100%)	5	10	-	15	4	20	-	24
Specialized lending exposures	3,616	501	-	4,117	5,649	364	-	6,013
High	40	293	-	333	328	-	-	328
Good	3,455	10	-	3,465	5,092	364	-	5,456
Satisfactory	121	198	-	319	229	-	-	229
Poor	-	-	-	-	-	-	-	-
Exposures not covered by the rating model	4,743	317	-	5,060	4,086	347	-	4,433
Exposures with recognized impairment	-	-	743	743	-	-	567	567
Total	**65,755**	**4,805**	**743**	**71,303**	**59,447**	**4,151**	**567**	**64,165**

The value of the write-down relating to off-balance sheet exposures amounted to PLN 477 million as of 31 December 2024 (as of 31 December 2023: PLN 503 million).

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

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Loan receivables from clients	31 December 2024			31 December 2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Retail segment	**37,081**	**2,637**	**39,718**	**35,018**	**2,740**	**37,758**
Consumer finance	**17,942**	**1,664**	**19,606**	**17,875**	**1,839**	**19,714**
PD < 0.18%	1,674	43	1,717	1,624	29	1,653
0.18% <= PD < 0.28%	1,033	22	1,055	868	22	890
0.28% <= PD < 0.44%	1,078	29	1,107	1,299	21	1,320
0.44% <= PD < 0.85%	2,277	76	2,353	1,716	40	1,756
0.85% <= PD < 1.33%	2,818	84	2,902	1,766	36	1,802
1.33% <= PD < 2.06%	2,656	93	2,749	3,392	115	3,507
2.06% <= PD < 3.94%	3,152	178	3,330	3,135	133	3,268
3.94% <= PD < 9.10%	1,971	274	2,245	2,898	241	3,139
PD => 9.1%	1,253	858	2,111	1,138	1,195	2,333
No scoring	30	7	37	39	7	46
Loans for real estate	**19,139**	**973**	**20,112**	**17,143**	**901**	**18,044**
PD < 0.18%	15,442	284	15,726	6,082	168	6,250
0.18% <= PD < 0.28%	1,214	67	1,281	5,554	205	5,759
0.28% <= PD < 0.44%	70	-	70	1,431	43	1,474
0.44% <= PD < 0.85%	523	45	568	2,057	84	2,141
0.85% <= PD < 1.33%	484	49	533	76	(1)	75
1.33% <= PD < 2.06%	218	16	234	422	32	454
2.06% <= PD < 3.94%	467	74	541	479	46	525
3.94% <= PD < 9.10%	592	308	900	265	42	307
PD => 9.1%	128	129	257	774	282	1,056
No scoring	1	1	2	3	-	3
Business segment	**16,505**	**4,997**	**21,502**	**16,537**	**4,928**	**21,465**
Receivables from financial leasing	**5,014**	**482**	**5,496**	**4,527**	**542**	**5,069**
PD < 0.44%	5	-	5	3	6	9
0.44% <= PD < 0.85%	-	-	-	1	-	1
0.85% <= PD < 1.33%	882	-	882	799	-	799
1.33% <= PD < 2.06%	56	-	56	-	-	-
2.06% <= PD < 3.94%	1,027	-	1,027	987	-	987
3.94% <= PD < 9.1%	2,979	-	2,979	2,615	-	2,615
PD => 9.1% and no rating	65	482	547	122	536	658
Other loans and borrowings	**11,491**	**4,515**	**16,006**	**12,010**	**4,386**	**16,396**
PD < 0.28%	575	-	575	689	18	707
0.28% <= PD < 0.44%	356	30	386	371	5	376
0.44% <= PD < 0.85%	796	41	837	1,503	126	1,629
0.85% <= PD < 1.33%	1,606	201	1,807	2,154	197	2,351
1.33% <= PD < 2.06%	1,935	490	2,425	1,182	388	1,570
2.06% <= PD < 3.94%	1,883	584	2,467	1,828	676	2,504
3.94% <= PD < 9.1%	2,400	1,660	4,060	2,486	1,456	3,942
PD => 9.1%	1,229	1,507	2,736	739	1,518	2,257
No rating	711	2	713	1,058	2	1,060
Total loan receivables from clients	**53,586**	**7,634**	**61,220**	**51,555**	**7,668**	**59,223**

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Past due loan receivables from clients	31 December 2024	31 December 2023
Stage 1 and Stage 2	**2,762**	**2,905**
Retail segment	**1,590**	**1,714**
Consumer finance	989	1,148
Loans for real estate	601	566
Business segment	**1,172**	**1,191**
Receivables from financial leasing	607	692
Other loans and borrowings	565	499
Stage 3	**2,909**	**4,077**
Retail segment	**957**	**1,496**
Consumer finance	739	1,237
Loans for real estate	218	259
Business segment	**1,952**	**2,581**
Receivables from financial leasing	271	362
Other loans and borrowings	1,681	2,219
POCI	**300**	**315**
Retail segment	**114**	**104**
Consumer finance	85	61
Loans for real estate	29	43
Business segment	**186**	**211**
Receivables from financial leasing	-	-
Other loans and borrowings	186	211
Total past due assets	**5,971**	**7,297**

Nominal value of outstanding off-balance sheet exposures	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total
PD < 0.28%	2,135	126	-	2,261	2,468	149	-	2,617
0.28% <= PD < 0.44%	835	129	-	964	931	21	-	952
0.44% <= PD < 0.85%	1,489	191	-	1,680	1,945	67	-	2,012
0.85% <= PD < 1.33%	2,398	161	-	2,559	1,684	173	-	1,857
1.33% <= PD < 2.06%	2,354	150	-	2,504	1,723	383	-	2,106
2.06% <= PD < 3.94%	1,204	343	-	1,547	1,261	243	-	1,504
3.94% <= PD < 9.10%	489	243	-	732	712	202	-	914
PD => 9.1%	118	173	-	291	67	179	-	246
No scoring	29	-	-	29	33	-	-	33
Total	**11,051**	**1,516**	**-**	**12,567**	**10,824**	**1,417**	**-**	**12,241**

8.5.1.3. Restructured exposures

A restructured exposure is an exposure whose terms of repayment have been changed during the life of the liability in respect of a debtor experiencing or is likely to experience financial difficulties. The change of contractual terms includes a variety of restructuring activities, such as:

- extending the lending period (in the form of an annex to the agreement) or signing a restructuring agreement (in the case of debt that is fully overdue), which results in reduction of the principal and interest installment;
- change of terms and conditions of the agreement allowing for lower interest or principal repayments;
- agreement subject to refinancing.

A restructured exposure that is classified as non-performing (either due to restructuring measures taken or prior to the taking of any restructuring measures) or that has been reclassified from performing to non-performing, including as a result of a restructured exposure being overdue by more than 30 days during the contingency period, is considered a non-performing restructured exposure (technically: forborne exposure).

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In the case of granting a loan moratorium period, the PZU Group applies an approach consistent with the regulatory guidance in this respect and does not classify such items automatically as forborne.

Loan receivables from clients	31 December 2024						31 December 2023					
	Stage 1	Stage 2	Stage 3		POCI	Total	Stage 1	Stage 2	Stage 3		POCI	Total
			Individu-al analysis	Group analysis					Individu-al analysis	Group analysis		
Measured at amortized cost												
Gross forborne exposures	89	1,907	1,078	988	929	4,991	85	1,848	1,716	1,113	876	5,638
Impairment loss	-	(113)	(472)	(513)	(197)	(1,295)	-	(107)	(791)	(553)	(393)	(1,844)
Net forborne exposures	89	1,794	606	475	732	3,696	85	1,741	925	560	483	3,794
Total	**89**	**1,794**	**606**	**475**	**732**	**3,696**	**85**	**1,741**	**925**	**560**	**483**	**3,794**

Movement in net carrying amount of forborne exposures	1 January – 31 December 2024	1 January – 31 December 2023
Opening balance	3,794	4,249
Value of exposures recognized in the period	1,477	1,387
Value of exposures excluded in the period	(1,445)	(1,487)
Movements in impairment losses	595	144
Other changes	(725)	(499)
Total net receivables	**3,696**	**3,794**

8.5.1.4. Credit risk arising out of investing activity

The management principles for credit risk arising from investing activity in the PZU Group are governed by a number of documents approved by supervisory boards, management boards and dedicated committees.

Credit risk exposures to respective counterparties and issuers are subject to restrictions based on exposure limits. The limits are established by dedicated committees, based on the analyses of risks associated with a given exposure and taking into account the financial standing of entities or groups of related entities and the impact of such exposures on the occurrence of concentration risk. Qualitative restrictions on exposures established by individual committees in accordance with their powers form an additional factor mitigating the credit risk and concentration risk identified in investment activities.

The limits refer to exposure limits to a single entity or a group of affiliated entities (this applies to both credit limits and concentration limits). The use of credit risk and concentration risk limits is subject to monitoring and reporting. If the limit is exceeded, appropriate actions, as defined in internal regulations, are taken.

Credit risk assessment of an entity is based on internal credit ratings (the approach to rating differs by type of entity). Ratings are based on quantitative and qualitative analysis and are one of the fundamental elements to the process of establishing commitment limits. The credit quality of counterparties and issuers is regularly monitored. One of the basic elements of monitoring is a regular update of internal ratings.

Risk units identify, measure and monitor exposure to credit risk and concentration risk related to investment activity, in particular they give opinions on requests to set exposure limits referred to individual committees.

Information on the credit quality of assets related to investing activity is presented in section 38.

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Exposure to credit risk

The following tables present the exposure of credit risk assets to credit risk (except for loans receivable from clients presented earlier) broken down by ratings granted by external rating agencies. Credit risk exposures arising from conditional transactions are presented as an exposure to the issuer of the underlying securities.

Credit risk assets as at 31 December 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities measured at amortized cost – carrying amount	143,206	356	-	22	143,584
– gross carrying amount	143,288	367	-	64	143,719
– from AAA to A	103,398	-	-	-	103,398
– from BBB to B	2,752	-	-	-	2,752
– no rating	37,138	367	-	64	37,569
– write-off for expected credit losses	(82)	(11)	-	(42)	(135)
Debt securities measured at fair value through other comprehensive income – carrying amount	53,383	156	-	-	53,539
– from AAA to A	45,103	-	-	-	45,103
– from BBB to B	3,878	142	-	-	4,020
– no rating	4,402	14	-	-	4,416
– write-off for expected credit losses [1)]	(28)	-	-	-	(28)
Debt securities measured at fair value through profit or loss – carrying amount	X	X	X	X	4,316
– from AAA to A	X	X	X	X	2,733
– from BBB to B	X	X	X	X	358
– no rating	X	X	X	X	62
– assets at the client's risk	X	X	X	X	1,163
Term deposits with credit institutions and buy-sell-back transactions – carrying amount	10,726	5	49	-	10,780
– gross carrying amount	10,734	6	56	-	10,796
– from AAA to A	2,475	-	-	-	2,475
– from BBB to B	398	-	-	-	398
– no rating	7,837	6	56	-	7,899
– assets at the client's risk	24	-	-	-	24
– write-off for expected credit losses	(8)	(1)	(7)	-	(16)
Loans – carrying amount	3,510	509	167	-	4,186
– gross carrying amount	3,520	512	328	-	4,360
– from BBB to B	262	-	-	-	262
– no rating	3,258	512	328	-	4,098
– write-off for expected credit losses	(10)	(3)	(161)	-	(174)
Derivatives	X	X	X	X	5,384
– from AAA to A	X	X	X	X	4,875
– from BBB to B	X	X	X	X	139
– no rating	X	X	X	X	370
– assets at the client's risk	X	X	X	X	-
Cash	X	X	X	X	15,127
– from AAA to A	X	X	X	X	1,910
– from BBB to B	X	X	X	X	467
– no rating	X	X	X	X	12,746
– assets at the client's risk	X	X	X	X	4
Total	**210,825**	**1,026**	**216**	**22**	**236,916**

[1)] The write-off is recognized in revaluation reserve and it does not lower the carrying amount of assets.

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Credit risk assets as at 31 December 2023 (restated)	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Debt securities measured at amortized cost – carrying amount	121,095	454	-	25	121,574
– gross carrying amount	121,184	479	-	53	121,716
– from AAA to A	84,213	-	-	-	84,213
– from BBB to B	2,302	283	-	-	2,585
– no rating	34,669	196	-	53	34,918
– write-off for expected credit losses	(89)	(25)	-	(28)	(142)
Debt securities measured at fair value through other comprehensive income – carrying amount	45,104	119	-	-	45,223
– from AAA to A	37,134	-	-	-	37,134
– from BBB to B	3,956	81	-	-	4,037
– no rating	4,014	38	-	-	4,052
– write-off for expected credit losses [1]	(34)	(2)	-	-	(36)
Debt securities measured at fair value through profit or loss – carrying amount	X	X	X	X	5,990
– from AAA to A	X	X	X	X	4,391
– from BBB to B	X	X	X	X	591
– no rating	X	X	X	X	8
– assets at the client's risk	X	X	X	X	1,000
Term deposits with credit institutions and buy-sell-back transactions – carrying amount	9,839	140	60	-	10,039
– gross carrying amount	9,839	151	67	-	10,057
– from AAA to A	4,010	-	-	-	4,010
– from BBB to B	450	-	-	-	450
– no rating	5,342	151	67	-	5,560
– assets at the client's risk	37	-	-	-	37
– write-off for expected credit losses	-	(11)	(7)	-	(18)
Loans – carrying amount	3,465	797	-	-	4,262
– gross carrying amount	3,478	827	-	-	4,305
– from BBB to B	366	-	-	-	366
– no rating	3,112	827	-	-	3,939
– write-off for expected credit losses	(13)	(30)	-	-	(43)
Derivatives	X	X	X	X	11,396
– from AAA to A	X	X	X	X	4,263
– from BBB to B	X	X	X	X	325
– no rating	X	X	X	X	6,797
– assets at the client's risk	X	X	X	X	11
Cash	X	X	X	X	17,702
– from AAA to A	X	X	X	X	3,181
– from BBB to B	X	X	X	X	503
– no rating	X	X	X	X	14,015
– assets at the client's risk	X	X	X	X	3
Total	**179,503**	**1,510**	**60**	**25**	**216,186**

[1] The write-off is recognized in revaluation reserve and it does not lower the carrying amount of assets.

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Off-balance sheet liabilities granted	1 January – 31 December 2024					1 January – 31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Par value										
Beginning of the period	72,350	5,653	756	18	78,777	74,161	4,684	695	16	79,556
Newly created/acquired off-balance sheet liabilities	29,839	-	-	1	29,840	27,337	335	23	1	27,696
Changes due to expiration of off-balance sheet liability	(17,765)	(1,544)	(320)	(9)	(19,638)	(22,752)	(1,325)	(369)	-	(24,446)
Reclassification to stage 1	1,497	(1,455)	(42)	-	-	1,745	(1,731)	(14)	-	-
Reclassification to stage 2	(4,282)	4,315	(33)	-	-	(3,781)	3,817	(36)	-	-
Reclassification to stage 3	(151)	(317)	468	-	-	(218)	(210)	428	-	-
Change in commitment	(2,965)	(332)	(4)	(1)	(3,302)	(3,397)	110	32	1	(3,254)
Other changes, including foreign exchange differences	(230)	(3)	2	-	(231)	(745)	(27)	(3)	-	(775)
End of the period	**78,293**	**6,317**	**827**	**9**	**85,446**	**72,350**	**5,653**	**756**	**18**	**78,777**
Allowance for off-balance sheet liabilities										
Beginning of the period	190	114	269	4	577	205	131	174	4	514
Newly created/acquired off-balance sheet liabilities	157	-	-	-	157	186	3	-	-	189
Changes due to expiration of off-balance sheet liability	(48)	(54)	(98)	-	(200)	(34)	(34)	(97)	-	(165)
Reclassification to stage 1	18	(16)	(2)	-	-	22	(20)	(2)	-	-
Reclassification to stage 2	(50)	52	(2)	-	-	(37)	41	(4)	-	-
Reclassification to stage 3	(56)	(59)	115	-	-	(86)	(20)	106	-	-
Change in commitment	(82)	102	(28)	-	(8)	(62)	16	98	(1)	51
Other changes, including foreign exchange differences	13	(9)	(8)	-	(4)	(4)	(3)	(6)	1	(12)
End of the period	**142**	**130**	**246**	**4**	**522**	**190**	**114**	**269**	**4**	**577**

8.5.1.5. Credit risk in insurance activity

The PZU Group enters into reinsurance contracts to mitigate actuarial risks arising from its insurance activity. Reinsurance is exposed to credit risk associated with the risk that a reinsurer default on its obligations.

The credit quality of reinsurers is assessed based on the rating assigned by leading rating agencies and the results of the reinsurers' internal financial strength model. A potential counterparty is subject to individual evaluation before entering into a reinsurance contract. Preference is given to counterparties with an external rating of no less than A-. In addition, a quarterly assessment of all counterparties is carried out as part of credit risk monitoring.

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The following tables present the credit risk of the reinsurers that cooperated with PZU Group companies.

Reinsurer	Reinsurance contract assets as at 31 December 2024	Best A.M.'s rating As at 31 December 2024 [1)]
Reinsurer 1	595	A+
Reinsurer 2	358	NR
Reinsurer 3	338	AA
Reinsurer 4	163	A+
Reinsurer 5	158	A+
Reinsurer 6	152	A+
Reinsurer 7	128	AA-
Reinsurer 8	128	AA+
Reinsurer 9	92	A++
Reinsurer 10	84	A+
Others, including: [2)]	1,846	
With investment-grade rating	1,487	BBB- or higher
With sub-investment grade rating or unrated	359	BB+ or lower, or no rating
Total	**4,042**	

[1)] In the absence of Best A.M.'s rating, a rating from Standard&Poor's has been included.
[2)] "Others" includes reinsurance contract assets if their carrying amounts are lower than those presented above.

Reinsurer	Reinsurance contract assets as at 31 December 2023	Best A.M.'s rating as at 31 December 2023 [1)]
Reinsurer 1	545	A+
Reinsurer 2	338	A+
Reinsurer 3	245	NR
Reinsurer 4	216	A+
Reinsurer 5	165	A
Reinsurer 6	161	A+
Reinsurer 7	120	A++
Reinsurer 8	113	A+
Reinsurer 9	107	A+
Reinsurer 10	100	A
Others, including: [2)]	1,359	
With investment-grade rating	1,169	BBB- or higher
With sub-investment grade rating or unrated	190	BB+ or lower, or no rating
Total	**3,469**	

[1)] In the absence of Best A.M.'s rating, a rating from Standard&Poor's has been included.
[2)] "Others" includes reinsurance contract assets if their carrying amounts are lower than those presented above.

Counterparty risk related to reinsurance is mitigated by the fact that the PZU Group cooperates with numerous reinsurers with reliable credit ratings.

8.5.1.6. Concentration risk

The following table presents the concentration of PZU Group's balance-sheet and off-balance-sheet exposures using the sections of the Polish Classification of Business Activity (PKD):

- exposure to financial investments such as equity instruments, debt securities, loans granted buy-sell-back transactions, bank accounts and term deposits;
- amounts of extended insurance guarantees;
- liability limits for insurance of receivables;
- value of loans (gross carrying amount and off-balance sheet exposure).

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Industry segment	31 December 2024	31 December 2023
O. Public administration and defense, compulsory social security	34.75%	31.80%
K. Financial and insurance activities	13.63%	14.30%
C. Manufacturing	13.06%	13.13%
G. Wholesale and retail trade services; repair services of motor vehicles and motorcycles	10.20%	10.14%
L. Real estate activities	4.91%	5.59%
F. Construction	4.23%	4.37%
M. Professional, scientific and technical activity	3.49%	4.86%
D. Electricity, gas, steam, hot water and air conditioning supply	3.37%	3.08%
H. Transportation and storage	3.20%	3.46%
J. Information and communication	2.27%	2.23%
B. Mining and quarrying	1.21%	1.15%
Other sectors	5.68%	5.89%
Total	**100.00%**	**100.00%**

8.5.2. Actuarial risk (non-life and life insurance)

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

	Non-life insurance	Life insurance
Longevity risk – the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.	X	X
Expense risk – the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts.	X	X
Lapse risk – the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders.	X	X
Catastrophe risk – the risk of loss, or of adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and technical provisioning assumptions related to extreme or irregular events.	X	X
Premium risk – risk of inadequate estimation of tariff rates and possible deviations of written premiums from the expected level, resulting from fluctuations in the timing, frequency and severity of insured events.	X	n/a
Provisioning risk – risk of inadequate estimation of the level of liability for incurred claims and the possibility of fluctuations of actual losses around their statistical average because of the stochastic nature of future claims payments.	X	n/a
Revision risk – the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the level, trend, or volatility of the revision rates applied to annuities, due to changes in the legal environment or health.	X	n/a
Mortality risk – the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.	n/a	X
Morbidity (disability) risk – the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates.	n/a	X

PZU Group manages its actuarial risk among others through:

- calculation and monitoring of adequacy of insurance contract liabilities;
- tariff strategy and monitoring of premium adequacy;
- *underwriting;*
- reinsurance.

Calculation and monitoring of the adequacy of estimates of future cash flows

PZU Group manages the risk of the adequacy of estimates of future cash flows by using appropriate estimation methodology and by controlling the processes involved in determining their amount. This policy is based on:

- a prudent approach to estimating future cash flows by including a non-financial risk adjustment;
- a continuity principle, which entails making no changes in the methodology for estimating future cash flows if no significant circumstances occur to justify such changes.

For non-life insurance, the adequacy of the level of estimates of future cash flows for incurred claims is evaluated once a month and in specific circumstances (when a payment is made or new information obtained from adjusters or lawyers) their amount is updated. The developments and payments in subsequent years are used to analyze the estimates of future cash flows for incurred claims. This analysis provides an assessment of precision of the current actuarial methods.

For life insurance products, the main sources of data used to estimate the expected frequency of claims include public statistical data (life expectancy tables) published by specialized statistical institutions and analysis of historical insurance portfolio data. Periodic statistical analysis of claim incidence are made at the level of product groups, individual insurance portfolios and properly defined homogeneous risk groups. These analyses form the basis for measuring relative incidence of events compared to publicly available statistical data. The use of appropriate statistical methods makes it possible to determine the significance of the determined statistics.

Estimation of future cash flows in the PZU Group is supervised by chief actuaries of individual units.

Tariff strategy and monitoring of premium adequacy

The objective of the tariff policy is to guarantee adequate level of premium (sufficient to cover current and future liabilities under in-force policies and expenditures). Along with developing a premium tariff or tariff changes, simulations are conducted with regard to the projected impact of the changes on the future results. Additionally, regular premium adequacy and portfolio profitability studies are carried out for each insurance type based on, among others, evaluation of the technical result on a product for a given financial year. The frequency and level of detail of analyses is adjusted to the materiality of the product and possible fluctuations of its result. If the insurance history is permanently unfavorable then measures are taken to restore the specified profitability level, which involve e.g. adjustment of the premium tariffs, change of the underwriting rules, modification of reinsurance contracts or change of the insured risk profile, through amendments to general terms of insurance.

Underwriting

The underwriting area functions regardless of the sales area, which means that the risk assessment and acceptance rules and the authority levels are defined in the area of underwriting. The process of selling insurance to corporate clients is preceded by a risk analysis and assessment carried out by the sales teams, within the powers they hold. For risks lying beyond the powers of the sales area, underwriting decisions are made by dedicated underwriting teams.

As part of the underwriting process for corporate clients, an engineering underwriting is performed by a specialized team of engineers. Engineering audits are conducted physically at the client's location.

In addition, the Corporate Client Division has an analytical team that participates in modeling insurance rates by adapting them to different types of clients (differentiating rates according to the type of business, the size of insurance sums and a number of additional variables specific to the client group).

Reinsurance

The purpose of the PZU Group’s reinsurance program in non-life insurance is to secure its core business by mitigating the risk of catastrophic events that may adversely affect the its financial position. This task is performed through obligatory reinsurance contracts supplemented by facultative reinsurance.

PZU Group limits its risk among others by way of:

- non-proportional excess of loss treaties, which protect the portfolios against catastrophic losses (e.g. flood, cyclone);
- non-proportional excess of loss treaties, which protect property, technical, marine, aviation, TPL (including MTPL) portfolios against the effects of large single losses;
- non-proportional excess of loss treaty, which protects the agricultural crops portfolio;
- a proportional treaty, which protects the financial insurance portfolio.

Optimization of the reinsurance program in terms of protection against catastrophic claims is based on the results of internal analyses and uses third-party models.

Claims handling process

The area of claims handling is important for actuarial risk management by controlling costs, optimizing process times and providing the data needed for accurate risk assessment. The PZU Group in the area of claims handling manages the process, paying special attention to the key aspects from the actuarial risk point of view:

- claims handling expenses;
- process time;
- operational risk management;
- data analysis and delivery;
- optimization of claims provisions.

In terms of claims and benefits handling, the PZU Group identifies the following risks:

- financial risks arising from incorrectly determined compensation;
- the risk of not complying with the timeliness of statutory information obligations and timely issuance of substantive decisions on claims;
- operational risks due to unavailability of systems and resources;
- operational risks associated with the occurrence of mass damage (e.g., associated with flooding);
- reputational risks due to erroneous claims handling, with the content of the correspondence.

The PZU Group manages risk in the area of claims and benefits handling by:

- using system safeguards to secure timeliness (system commands reminding of the deadline of 7, 14, 30 days and system safeguards for the proxy amounts of dedicated employees);
- providing dedicated training for the claims handling staff (refresher training and training on new topics);
- providing template responses to clients on relevant issues;
- preparing dedicated reports for timeliness and other quality indicators in claims handling;
- implementing an adequate organizational structure to effectively manage risk (division into handling units, teams dedicated to handling specific cases, implementation of a system of replacements in case of employee absence);
- implementing a system of periodic controls.

The area of claims handling is monitored in terms of:

- extortion risks in the area of claims settlement;
- legal risks as regards the trend in the number of new passive litigation cases relating to insurance, as well as the ratio of such cases to the number of new claims; legal risks may also materialize in the form of litigation cases (interest for delay, court and attorney fees, etc.) as a result of a dispute over the denial of payment or the amount of payment of compensation / benefits, and information on this is reported;
- claims handling effectiveness.

8.5.2.1. Claims development in non-life insurance

Motor insurance – motor own damage (autocasco) and MTPL – is the core component of the PZU Group's portfolio. Both types of insurance are generally concluded for one year, in which the loss must occur for the claim to be paid out. In the case of motor own damage, the time for reporting a loss is short and it is not the source of uncertainty. MTPL is a whole different situation – the period for reporting losses may be up to 30 years. The level of property losses is sensitive especially to the number of litigation claims reported and court rulings awarded in respective cases. In the case of TPL insurance contracts, new types of long-tail losses arise, which makes the process of estimating future cash flows for incurred claims much more complicated.

The following tables show how the estimates of undiscounted amounts of claims and benefits developed in non-life insurance (on a gross and net basis).

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Claims development in non-life insurance, gross (by reporting year)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Estimated gross undiscounted amounts of claims and benefits:								
- at the end of the claim year	5,250	9,251	8,641	9,291	10,783	11,084	13,174	
– calculated 1 year later	5,134	9,052	8,269	9,211	11,772	11,002	-	
– calculated 2 years later	5,138	9,071	8,248	9,113	11,795	-	-	
– calculated 3 years later	5,201	9,064	8,298	9,121	-	-	-	
– calculated 4 years later	5,193	9,162	8,394	-	-	-	-	
– calculated 5 years later	5,116	9,215	-	-	-	-	-	
– calculated 6 years later	5,143							
Total amount of claims and benefits paid	4,331	8,022	7,299	7,977	8,656	8,773	8,311	53,369
Liability for incurred claims, net of expenses that have occurred less than 6 years from the balance sheet date – undiscounted value of the best estimate	812	1,193	1,095	1,144	3,139	2,229	4,863	14,475
Other liability for incurred claims – undiscounted value of the best estimate								9,994
Liability for incurred claims – undiscounted value of the risk adjustment for non-financial risk								2,138
Discount effect								**(9,944)**
Carrying amount of liability for incurred claims								**16,663**

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Claims development in non-life insurance, on a net basis (by reporting year)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Estimated undiscounted amounts of claims and benefits:								
- at the end of the claim year	4,961	8,981	8,367	8,949	9,530	10,607	12,179	
– calculated 1 year later	4,810	8,652	7,995	8,810	9,532	10,550	-	
– calculated 2 years later	4,799	8,585	8,017	8,743	9,530	-	-	
– calculated 3 years later	4,833	8,592	8,029	8,642	-	-	-	
– calculated 4 years later	4,834	8,635	8,031	-	-	-	-	
– calculated 5 years later	4,761	8,609	-	-	-	-	-	
– calculated 6 years later	4,773							
Total amount of claims and benefits paid	3,996	7,732	7,115	7,642	8,052	8,703	8,139	51,379
Liability for incurred claims, net of expenses that have occurred less than 6 years from the balance sheet date – undiscounted value of the best estimate	777	877	916	1,000	1,478	1,847	4,040	10,935
Other liability for incurred claims – undiscounted value of the best estimate								9,242
Liability for incurred claims – undiscounted value of the risk adjustment for non-financial risk								1,853
Discount effect								**(9,175)**
Carrying amount of liability for incurred claims								**12,855**

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8.5.2.2. Risk concentration in non-life insurance

Within actuarial risk, the PZU Group identifies concentration risk with regard to possible losses caused by natural disasters, such as, in particular, floods and cyclones. The table below presents sums insured in the specified ranges, broken down by voivodeships (for operations conducted in Poland) and countries (for foreign operations). With regard to the exposure to the risk of floods and cyclones, the risk management system in the PZU Group allows to monitor it regularly and the reinsurance program in place reduces the potential for net catastrophic loss.

In September 2024, flooding occurred in the Lower Silesian, Opole, Silesian and Lubuskie provinces due to intense and prolonged rainfall. The value of damages is within the capacity of the reinsurance program, so the PZU Group's share of damages was limited to the contract's retainer. Damage from flood risk does not materially affect the financial stability and capital position of the PZU Group.

Exposure to catastrophic losses in non-life insurance	Sum insured (PLN million) 31 December 2024							Sum insured (PLN million) 31 December 2023						
	0-0.2	0.2–0.5	0.5–2	2 – 10	10–50	over 50	Sum	0-0.2	0.2–0.5	0.5–2	2 – 10	10–50	over 50	Sum
Dolnośląskie	0.6%	1.2%	2.1%	0.8%	0.5%	1.6%	**6.8%**	0.7%	1.4%	1.8%	0.7%	0.5%	1.2%	**6.3%**
Kujawsko-Pomorskie	0.4%	0.7%	0.9%	0.4%	0.3%	1.2%	**3.9%**	0.5%	0.8%	0.7%	0.4%	0.3%	1.0%	**3.7%**
Lubelskie	0.3%	0.6%	0.5%	0.2%	0.2%	0.9%	**2.7%**	0.4%	0.7%	0.4%	0.2%	0.1%	0.9%	**2.7%**
Lubuskie	0.2%	0.3%	0.4%	0.2%	0.1%	0.4%	**1.6%**	0.2%	0.3%	0.3%	0.2%	0.1%	0.3%	**1.4%**
Łódzkie	0.5%	1.0%	1.1%	0.4%	0.3%	1.6%	**4.9%**	0.5%	1.0%	1.0%	0.3%	0.3%	3.1%	**6.2%**
Małopolskie	0.5%	1.2%	1.8%	0.6%	0.5%	2.4%	**7.0%**	0.6%	1.4%	1.4%	0.5%	0.5%	1.4%	**5.8%**
Mazowieckie	1.4%	2.5%	4.0%	1.3%	1.4%	14.2%	**24.8%**	1.6%	3.0%	3.3%	1.1%	1.3%	12.9%	**23.2%**
Opolskie	0.2%	0.3%	0.5%	0.1%	0.1%	0.5%	**1.7%**	0.2%	0.4%	0.4%	0.1%	0.1%	0.8%	**2.0%**
Podkarpackie	0.3%	0.9%	0.7%	0.2%	0.2%	1.0%	**3.3%**	0.4%	0.9%	0.5%	0.2%	0.2%	0.9%	**3.1%**
Podlaskie	0.2%	0.4%	0.5%	0.2%	0.3%	0.6%	**2.2%**	0.3%	0.4%	0.4%	0.2%	0.2%	0.6%	**2.1%**
Pomorskie	0.4%	0.9%	1.5%	0.7%	0.8%	5.3%	**9.6%**	0.5%	1.0%	1.3%	0.6%	0.8%	5.4%	**9.6%**
Śląskie	0.8%	1.5%	2.0%	0.6%	0.4%	3.1%	**8.4%**	0.9%	1.6%	1.7%	0.6%	0.4%	2.6%	**7.8%**
Świętokrzyskie	0.2%	0.4%	0.3%	0.1%	0.1%	0.4%	**1.5%**	0.3%	0.5%	0.3%	0.1%	0.1%	0.4%	**1.7%**
Warmińsko-Mazurskie	0.2%	0.4%	0.5%	0.2%	0.1%	0.6%	**2.0%**	0.3%	0.5%	0.4%	0.2%	0.1%	0.4%	**1.9%**
Wielkopolskie	0.8%	1.6%	2.2%	0.8%	0.7%	2.4%	**8.5%**	0.9%	1.7%	1.9%	0.8%	0.7%	2.1%	**8.1%**
Zachodniopomor-skie	0.2%	0.5%	0.7%	0.4%	0.4%	1.8%	**4.0%**	0.3%	0.5%	0.6%	0.4%	0.4%	1.3%	**3.5%**
Lithuania and Estonia	0.3%	0.6%	1.2%	0.6%	0.8%	0.7%	**4.2%**	0.3%	1.8%	2.7%	0.5%	0.5%	1.4%	**7.2%**
Latvia	0.0%	0.4%	1.0%	0.5%	0.4%	0.6%	**2.9%**	0.1%	0.5%	1.1%	0.5%	0.5%	0.8%	**3.5%**
Ukraine	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Norway	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	**0.2%**
Total	**7.5%**	**15.4%**	**21.9%**	**8.3%**	**7.6%**	**39.3%**	**100.0%**	**9.0%**	**18.4%**	**20.2%**	**7.6%**	**7.1%**	**37.7%**	**100.0%**

8.5.2.3. Exposure to insurance risk – life insurance

The PZU Group has not disclosed information on the development of claims in life insurance, since uncertainty about the amount and timing of claims payments is typically resolved within one year.

Risk concentration is associated with the concentration of insurance contracts or sums insured. For traditional individual insurance products, where concentration risk is related to the possibility that an insurable event occurs or is related to the potential level of payouts arising from a single event, the risk is assessed on a case-by-case basis. The assessment includes medical risk and – in justified cases – also financial risk. Consequently, risk selection occurs (a person concluding an insurance agreement is evaluated) and the maximum acceptable risk level is defined.

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In group insurance, concentration risk is mitigated by the sheer size of the contract portfolio. This significantly reduces the level of disturbances caused by the random nature of insurance history. Additionally, the collective form of a contract, under which all the persons insured have the same sum insured and coverage is an important risk-mitigating factor. Therefore, some risks within the contract portfolio are not concentrated.

In the case of group insurance contracts in which insurance cover may be adjusted at the level of individual group contracts, a simplified underwriting process is used. It is based on information about the industry in which the work establishment operates, assuming appropriate ratios of the insured to employees in the work establishment. The insurance premiums used in such cases and appropriate mark-ups result from statistical analyses conducted by PZU Life on incidence of claims at the level of defined homogeneous risk groups, including relative frequency of events compared to public statistical data.

It should be noted that for most contracts, the claim amount is strictly defined in the insurance contract. Therefore, compared to typical non-life insurance contract, concentration risk is reduced, since single events with high claims payments are relatively rare.

8.5.2.4. Sensitivity analysis

The following tables show how contractual service margin, net profit and equity will change, as a result of changes in insurance risk factors. The analysis presents sensitivities both before and after risk mitigation by way of reinsurance and assumes that all other variables remain constant.

Sensitivity analysis of insurance risk 31 December 2024	Contractual service margin		Net profit		Equity	
	gross	net	gross	net	gross	net
Corporate insurance						
Claim amount – increase by 5%	n/a	n/a	(106)	(81)	(105)	(81)
Claim amount – decrease by 5%	n/a	n/a	105	80	105	80
Mortality for annuities – increase by 5%	n/a	n/a	6	6	5	5
Mortality for annuities – decrease by 5%	n/a	n/a	(5)	(5)	(5)	(5)
Mass insurance						
Claim amount – increase by 5%	n/a	n/a	(451)	(439)	(449)	(437)
Claim amount – decrease by 5%	n/a	n/a	433	421	432	420
Mortality for annuities – increase by 5%	n/a	n/a	47	46	40	40
Mortality for annuities – decrease by 5%	n/a	n/a	(49)	(49)	(43)	(43)
Group and individually continued insurance						
Mortality – increase by 5%	(422)	(422)	(64)	(64)	(46)	(46)
Mortality – decrease by 5%	443	443	65	65	44	44
Morbidity – increase by 5%	(76)	(76)	(35)	(35)	(30)	(30)
Morbidity – decrease by 5%	76	76	35	35	30	30
Expenses – increase by 10%	(255)	(255)	(45)	(45)	(19)	(19)
Expenses – decrease by 10%	255	255	45	45	19	19
Lapse rate – increase by 10%	11	11	12	12	4	4
Lapse rate – decrease by 10%	(10)	(10)	(12)	(12)	(4)	(4)

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Sensitivity analysis of insurance risk 31 December 2024	Contractual service margin		Net profit		Equity	
	gross	net	gross	net	gross	net
Individual insurance						
Mortality – increase by 5%	(22)	(22)	-	-	(1)	(1)
Mortality – decrease by 5%	23	23	-	-	-	-
Morbidity – increase by 5%	(4)	(4)	(1)	(1)	(1)	(1)
Morbidity – decrease by 5%	4	4	1	1	1	1
Expenses – increase by 10%	(46)	(46)	(8)	(8)	(5)	(5)
Expenses – decrease by 10%	47	47	8	8	5	5
Lapse rate – increase by 10%	(48)	(48)	(1)	(1)	(8)	(8)
Lapse rate – decrease by 10%	52	52	-	-	9	9
Investment insurance						
Mortality – increase by 5%	(3)	(3)	-	-	-	-
Mortality – decrease by 5%	3	3	-	-	-	-
Expenses – increase by 10%	(9)	(9)	(7)	(7)	(7)	(7)
Expenses – decrease by 10%	9	9	7	7	7	7
Lapse rate – increase by 10%	(18)	(18)	(3)	(3)	(3)	(3)
Lapse rate – decrease by 10%	20	20	3	3	3	3
Baltic States						
Claim amount – increase by 5%	n/a	n/a	(154)	(152)	(153)	(151)
Claim amount – decrease by 5%	n/a	n/a	107	105	106	104
Mortality – increase by 5%	(2)	(2)	-	-	-	-
Mortality – decrease by 5%	2	2	-	-	-	-
Morbidity – increase by 5%	(6)	(6)	(1)	(1)	-	-
Morbidity – decrease by 5%	6	6	-	-	-	-
Expenses – increase by 10%	(7)	(7)	(1)	(1)	-	-
Expenses – decrease by 10%	7	7	1	1	-	-
Lapse rate – increase by 10%	(10)	(10)	-	-	(1)	(1)
Lapse rate – decrease by 10%	11	11	-	-	1	1
Mortality for annuities – increase by 5%	n/a	n/a	1	1	1	1
Mortality for annuities – decrease by 5%	n/a	n/a	(1)	(1)	(1)	(1)
Ukraine						
Claim amount – increase by 5%	n/a	n/a	(5)	(5)	(5)	(5)
Claim amount – decrease by 5%	n/a	n/a	4	4	4	4
Mortality – increase by 5%	(1)	(1)	-	-	-	-
Mortality – decrease by 5%	1	1	-	-	-	-
Morbidity – increase by 5%	(1)	(1)	-	-	-	-
Morbidity – decrease by 5%	1	1	-	-	-	-
Expenses – increase by 10%	(1)	(1)	(1)	(1)	-	-
Expenses – decrease by 10%	1	1	1	1	-	-

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Sensitivity analysis of insurance risk 31 December 2023	**Contractual service margin**		**Net profit**		**Equity**	
	gross	**net**	**gross**	**net**	**gross**	**net**
Corporate insurance						
Claim amount – increase by 5%	n/a	n/a	(90)	(73)	(91)	(74)
Claim amount – decrease by 5%	n/a	n/a	89	72	90	73
Mortality for annuities – increase by 5%	n/a	n/a	5	5	5	5
Mortality for annuities – decrease by 5%	n/a	n/a	(5)	(5)	(4)	(4)
Mass insurance						
Claim amount – increase by 5%	n/a	n/a	(363)	(363)	(367)	(366)
Claim amount – decrease by 5%	n/a	n/a	351	351	354	354
Mortality for annuities – increase by 5%	n/a	n/a	47	46	41	41
Mortality for annuities – decrease by 5%	n/a	n/a	(49)	(49)	(43)	(43)
Group and individually continued insurance						
Mortality – increase by 5%	(420)	(420)	(65)	(65)	(53)	(53)
Mortality – decrease by 5%	437	437	65	65	52	52
Morbidity – increase by 5%	(81)	(81)	(37)	(37)	(33)	(33)
Morbidity – decrease by 5%	77	77	37	37	33	33
Expenses – increase by 10%	(231)	(231)	(42)	(42)	(25)	(25)
Expenses – decrease by 10%	227	227	42	42	25	25
Lapse rate – increase by 10%	10	10	12	12	6	6
Lapse rate – decrease by 10%	(13)	(13)	(13)	(13)	(6)	(6)
Individual insurance						
Mortality – increase by 5%	(19)	(19)	1	1	-	-
Mortality – decrease by 5%	19	19	(1)	(1)	(1)	(1)
Morbidity – increase by 5%	(4)	(4)	(1)	(1)	-	-
Morbidity – decrease by 5%	4	4	1	1	-	-
Expenses – increase by 10%	(47)	(47)	(8)	(8)	(5)	(5)
Expenses – decrease by 10%	47	47	8	8	5	5
Lapse rate – increase by 10%	(41)	(41)	(1)	(1)	(6)	(6)
Lapse rate – decrease by 10%	44	44	1	1	7	7
Investment insurance						
Mortality – increase by 5%	(2)	(2)	-	-	-	-
Mortality – decrease by 5%	2	2	-	-	-	-
Expenses – increase by 10%	(9)	(9)	(6)	(6)	(6)	(6)
Expenses – decrease by 10%	10	10	6	6	6	6
Lapse rate – increase by 10%	(20)	(20)	(4)	(4)	(4)	(4)
Lapse rate – decrease by 10%	22	22	5	5	5	5
Baltic States						
Claim amount – increase by 5%	n/a	n/a	(83)	(81)	(80)	(77)
Claim amount – decrease by 5%	n/a	n/a	74	72	71	70
Mortality – increase by 5%	(2)	(2)	-	-	-	-
Mortality – decrease by 5%	2	2	-	-	-	-
Morbidity – increase by 5%	(5)	(5)	-	-	-	-
Morbidity – decrease by 5%	5	5	1	1	-	-
Expenses – increase by 10%	(5)	(5)	-	-	-	-
Expenses – decrease by 10%	5	5	1	1	-	-
Lapse rate – increase by 10%	(8)	(8)	-	-	-	-
Lapse rate – decrease by 10%	9	9	-	-	1	1
Mortality for annuities – increase by 5%	n/a	n/a	1	1	1	1
Mortality for annuities – decrease by 5%	n/a	n/a	(1)	(1)	(1)	(1)

Sensitivity analysis of insurance risk 31 December 2023	Contractual service margin		Net profit		Equity	
	gross	net	gross	net	gross	net
Ukraine						
Claim amount – increase by 5%	n/a	n/a	(5)	(5)	(5)	(5)
Claim amount – decrease by 5%	n/a	n/a	5	5	5	5
Morbidity – increase by 5%	-	-	-	-	(2)	(2)
Morbidity – decrease by 5%	-	-	-	-	2	2
Expenses – increase by 10%	-	-	-	-	(1)	(1)
Expenses – decrease by 10%	-	-	-	-	1	1

Changes in insurance risk factors primarily affect:

- a contractual service margin – changes in cash flows not related to the loss component, other than those recognized as insurance finance income or expenses;
- a net financial result – changes in cash flows related to the loss component, changes in cash flows recognized as insurance and reinsurance finance income or expenses;
- equity – changes in cash flows recognized as insurance and reinsurance finance income or expenses recognized in other comprehensive income and changes affecting the net financial result.

8.5.3. Market risk

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

Market risk types in the PZU Group include:

- equity risk – the possibility of incurring loss as a result of changes in the values of assets, liabilities and financial instruments caused by changes in the level or in the volatility of market prices of equities;
- unquoted equity risk – the possibility of incurring loss as a result of changes in the valuation of unquoted shares;
- property risk – the possibility of incurring loss as a result of changes in the values of assets, liabilities and financial instruments caused by changes in the level or in the volatility of market prices of real estate;
- commodity risk – the possibility of incurring loss as a result of changes in the values of assets, liabilities and financial instruments caused by changes in the level or in the volatility of market prices of commodities;
- inflation risk – the possibility of incurring loss associated with the level of information, especially inflation of prices of goods and services as well as expectations as to the future inflation level, which affect the valuation of assets and liabilities;
- liquidity risk – the risk of being unable to realize investments and other assets without affecting their market prices in order to settle financial obligations when they fall due;
- interest rate risk – the possibility of incurring a loss as a result of changes in the value of financial instruments or other assets and a change in the present value of projected cash flows from liabilities, caused by changes in the term structure of market rates or in the volatility of risk-free market interest rates;
- basis risk – the possibility of incurring a loss as a result of changes in the value of financial instruments or assets and a change in the present value of projected cash flows from liabilities, caused by changes in the term structure of spreads between market interest rates and risk-free rates or in the volatility of such spreads, excluding credit spreads;
- foreign exchange risk – the possibility of incurring loss as a result of changes in the value of assets, liabilities and financial instruments, caused by changes in the level or in the volatility of currency exchange rates;
- credit spread risk – the possibility of incurring loss as a result of changes in the value of assets, liabilities and financial instruments, caused by changes in the level or in the volatility of credit spreads over the term structure of the interest rates on debt securities issued by the State Treasury;
- concentration risk – the possibility of incurring loss stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.

Concentration risk and credit spread risk are regarded as an integral part of market risk when measuring risk for the purposes of risk profile, risk tolerance, and market risk ratio reporting. The risk management process has, however, a different set of traits from the process of managing the other sub-categories of market risk and has been described in section 8.5.1.1 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 at Pekao and Alior Bank.

A number of documents approved by supervisory boards, management boards and dedicated committees govern investment activity in PZU Group companies.

Risk units take part in the risk identification process, measure, monitor and report on the risks. Market risk is measured with a standard formula in accordance with the rules defined by Solvency II Directive, with a number of other indicators relating to measures of sensitivity and exposure, and with Value at Risk (VaR), determined by the economic capital calculation of the market risk. In order to effectively manage market risk, risk limits are adopted in a form of a capital amount allocated to each market risk and limits for individual market risks.

In Pekao, the market risk management system forms the structural, organizational and methodological framework, which aims to maintain the balance sheet and off-balance sheet structure in line with the accepted strategic objectives. The market risk management process and the governing procedures include the separation into the banking and trading books.

In managing its trading book's market risk, Pekao strives to optimize the financial performance and ensure the highest possible quality of service of the bank's clients in respect to market-making, while remaining within the limits approved by the management board and the supervisory board.

When managing interest rate risk in its banking book, Pekao endeavors to secure the economic value of equity and to achieve its intended net interest income target within the accepted limits.

In Alior Bank, the exposure to market risk is restricted by the system of periodically updated limits covering all risk measures the level of which is monitored and reported by Alior Bank's organizational units that are independent of the business division. In Alior Bank, there are three types of limits that differ in respect to their functioning – basic, supplementary and stress-test limits. Market risk management focuses on limiting potential adverse changes in economic value of equity.

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Exposure to market risk

Carrying amount	Note	31 December 2024				31 December 2023 (restated)			
		Assets at Group's risk	including banks' assets	Assets at client's risk	Total	Assets at Group's risk	including banks' assets	Assets at client's risk	Total
Financial assets and cash exposed to interest rate risk		**467,094**	**413,107**	**1,191**	**468,285**	**432,309**	**381,222**	**1,045**	**433,354**
Fixed-income debt securities	34,35	160,455	118,587	1,077	161,532	140,691	102,960	933	141,624
Variable-income debt securities	34,35	39,821	35,528	86	39,907	31,096	26,012	67	31,163
Loan receivables from clients (including finance lease receivables)	32	232,166	232,166	-	232,166	218,874	218,874	-	218,874
Term deposits with credit institutions	35	1,009	601	24	1,033	993	454	43	1,036
Loans	35	4,186	-	-	4,186	4,262	-	-	4,262
Cash	39	15,123	14,392	4	15,127	17,700	16,973	2	17,702
Buy-sell-back transactions	35	9,747	7,271	-	9,747	9,003	6,286	-	9,003
Derivatives	33	4,587	4,562	-	4,587	9,690	9,663	-	9,690
Financial assets exposed to other price risk		**3,671**	**1,366**	**4,440**	**8,111**	**4,337**	**1,886**	**4,321**	**8,658**
Equity instruments	35	2,874	772	4,440	7,314	2,642	764	4,310	6,952
Derivatives	33	797	594	-	797	1,695	1,122	11	1,706
Total		**470,765**	**414,473**	**5,631**	**476,396**	**436,646**	**383,108**	**5,366**	**442,012**

The value of liabilities under insurance contracts exposed to interest rate risk amounted to PLN 36,174 million as at 31 December 2024 (as at 31 December 2023: PLN 35,574 million).

Assets at client's risk include deposits related to investment-grade life insurance contracts (*unit-linked* insurance, where there is significant insurance risk, and life and endowment contracts with single premiums with a guaranteed sum insured) and investment contracts. The risks associated with these assets are borne by the client, not the PZU Group.

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The following table presents financial assets of banks and at client's risk, by the item in which they are classified in the consolidated financial statements:

Financial assets of banks and financial assets at client's risk	Note	31 December 2024		31 December 2023 (restated)	
		Pekao and Alior Bank	Financial assets at client's risk	Pekao and Alior Bank	Financial assets at client's risk
Loan receivables from clients (including finance lease receivables)	32	**232,166**	**-**	**218,874**	**-**
Financial derivatives		**5,156**	**-**	**10,785**	**11**
Investment financial assets		**162,759**	**5,627**	**136,476**	**5,353**
Measured at amortized cost		125,504	24	102,716	43
Debt securities		117,632	-	95,976	-
Government securities		73,745	-	60,841	-
Domestic		63,433	-	50,947	-
Fixed rate		48,120	-	44,505	-
Floating rate		15,313	-	6,442	-
Foreign		10,312	-	9,894	-
Fixed rate		10,312	-	9,894	-
Other		43,887	-	35,135	-
Fixed rate		36,387	-	28,180	-
Floating rate		7,500	-	6,955	-
Buy-sell-back transactions		7,271	-	6,286	-
Term deposits with credit institutions		601	24	454	43
Measured at fair value through other comprehensive income		35,539	-	31,996	-
Equity instruments		467	-	508	-
Debt securities		35,072	-	31,488	-
Government securities		26,759	-	24,763	-
Domestic		23,059	-	20,514	-
Fixed rate		14,006	-	11,521	-
Floating rate		9,053	-	8,993	-
Foreign		3,700	-	4,249	-
Fixed rate		3,700	-	4,249	-
Other		8,313	-	6,725	-
Fixed rate		4,923	-	3,288	-
Floating rate		3,390	-	3,437	-
Measured at fair value through profit or loss		1,716	5,603	1,764	5,310
Equity instruments		305	444	246	405
Participation units and investment certificates		-	3,996	10	3,905
Debt securities		1,411	1,163	1,508	1,000
Government securities		1,335	1,099	1,180	971
Domestic		1,315	1,090	1,180	963
Fixed rate		1,066	1,058	1,093	922
Floating rate		249	32	87	41
Foreign		20	9	-	8
Fixed rate		20	9	-	8
Other		76	64	328	29
Fixed rate		53	10	230	3
Floating rate		23	54	98	26
Cash		**14,392**	**4**	**16,973**	**2**
Total financial assets of banks and financial assets at client's risk		**414,473**	**5,631**	**383,108**	**5,366**

In its investing activities, the PZU Group uses derivatives as a tool to mitigate risk (with or without hedge accounting) and to facilitate efficient management of the investment portfolio.

The PZU Group's exposure to derivatives is presented in section 33.

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

Carrying amount of debt securities issued by governments other than the Polish government	31 December 2024	31 December 2023
USA	6,988	4,240
France	5,052	4,763
Germany	1,166	4,032
Lithuania	995	832
Austria	726	1,177
United Kingdom	548	3
The Netherlands	426	430
Romania	363	483
Latvia	267	235
Belgium	216	216
Hungary	210	117
Saudi Arabia	197	120
Mexico	167	92
Columbia	118	119
Chile	118	38
Indonesia	114	156
Spain	111	529
Croatia	103	240
Italy	103	113
Ukraine	102	99
Panama	89	89
Brazil	78	49
Serbia	69	63
Oman	69	29
Other	588 [1)]	892 [2)]
Total	**18,983**	**19,156**

[1)] The item “Other” comprises bonds issued by 43 countries towards which the balance sheet liability per country does not exceed PLN 50 million.

[2)] The item “Other” comprises bonds issued by 48 countries.

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Exposure to debt securities issued by corporations and local government units

Carrying amount of debt securities issued by corporations, local government units and National Bank of Poland	31 December 2024	31 December 2023
K. Financial and insurance activities, of which:	45,446	33,570
National Bank of Poland	29,458	20,451
Foreign banks	11,647	9,720
Companies from the WIG-Banks Index	1,265	886
O. Public administration and defense, compulsory social security, of which:	6,501	6,468
Domestic local governments	6,501	6,468
E. Water supply; sewerage, waste management and remediation activities	1,487	1,136
D. Electricity, gas, steam, hot water and air conditioning production and supply, including:	1,424	1,650
Companies from the WIG-Energy Index	977	1,107
U. Extra-territorial organizations and teams	1,172	865
C. Manufacturing, including:	1,141	1,331
Production and processing of crude oil refining products (including WIG-Fuels)	494	509
J. Information and communication	471	468
H. Transportation and storage	456	626
B. Mining and quarrying	278	127
F. Construction	256	353
N. Administrative and support service activities	194	668
L. Real property activities	170	180
I. R. Accommodation and food service activities (including: WIG - hotels and restaurants), and arts, entertainment and recreation activities	164	264
M. Professional, scientific and technical activity	152	248
G. Wholesale and retail trade services; repair services of motor vehicles and motorcycles	11	12
Total	**59,323**	**47,966**

8.5.3.1. Interest rate risk

The following tables present the sensitivity test of the portfolio of financial instruments for which the PZU Group bears the risk (except for loan receivables from clients and deposit liabilities) and the portfolio of liabilities under insurance agreements.

Change in portfolio value caused by a +/-100 bp shift in the yield curve, by currency of the instrument	31 December 2024				31 December 2023			
	Net profit		Equity		Net profit		Equity	
	increase	decrease	increase	decrease	increase	decrease	increase	decrease
PLN	(51)	13	(580)	592	9	(53)	(387)	396
EUR	20	(42)	(151)	166	49	(67)	(65)	55
USD	(19)	10	(70)	83	19	(27)	(49)	47
GBP	6	(12)	(3)	4	9	(16)	(1)	1
Total	**(44)**	**(31)**	**(804)**	**845**	**86**	**(163)**	**(502)**	**499**

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Change in the value of assets and liabilities under insurance and reinsurance contracts as a result of a +/- 100 bps change in the yield curve, by currency	31 December 2024				31 December 2023			
	Net profit		Equity		Net profit		Equity	
	increase	decrease	increase	decrease	increase	decrease	increase	decrease
PLN	5	(7)	1,157	(1,452)	3	(4)	1,183	(1,481)
EUR	(1)	1	77	(91)	(1)	1	65	(77)
USD	-	-	(2)	2	-	(1)	(2)	2
GBP	-	-	8	(9)	-	-	5	(6)
other	(1)	-	3	(4)	-	-	3	(6)
Total	**3**	**(6)**	**1,243**	**(1,554)**	**2**	**(4)**	**1,254**	**(1,568)**

The table below presents the contractual level of sensitivity of net interest income (NII) to a 100 bp change in interest rates and sensitivity of the economic value of equity (EVE) of PZU Group's banks to a 200 bps change in interest rates. The measure (NII) is used for managing interest rate risk in order to reduce variations in net interest income. EVE is defined as the present value of future cash flows that will be generated by the entity's assets, less the present value of the future cash flows necessary to pay the entity's liabilities. Both analyses assume an immediate change in market rates. The interest rate on bank products changes according to the contractual provisions, whereas in the case of contractual NII sensitivity, for deposits from retail customers, the declines in interest rates are limited to the zero interest rate level, but not down to negative figures, while for EVE sensitivity the zero-based limitation of interest rate decreases applies to all liabilities. Also, in the case of EVE sensitivity for PLN-denominated current deposits, a model that ensures realistic revaluation is used.

Entity	Measure	31 December 2024		31 December 2023	
		decrease	increase	decrease	increase
Pekao Group	NII	-0.91%	-0.07%	-1.66%	0.34%
	EVE	3.41%	-7.67%	3.02%	-6.57%
Alior Bank Group	NII	-2.23%	0.11%	-6.14%	3.12%
	EVE	0.07%	-3.52%	-1.77%	0.53%

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8.5.3.2. Currency risk

Exposure to FX risk

Assets by currency	31 December 2024					31 December 2023 (restated)				
	PLN	EUR	USD	Other	Total	PLN	EUR	USD	Other	Total
Insurance contract assets	104	4	-	-	108	110	1	-	-	111
Reinsurance contract assets	2,293	394	1,417	12	4,116	1,277	410	1,761	21	3,469
Loan receivables from clients (including finance lease receivables)	190,409	38,867	1,878	1,012 [1]	232,166	179,137	36,249	2,284	1,204 [2]	218,874
Financial derivatives	4,340	971	73	-	5,384	9,853	1,320	223	-	11,396
Investment financial assets	187,264	19,823	15,189	1,443	223,719	159,999	22,403	10,814	824	194,040
Measured at amortized cost	139,043	10,139	8,850	518	158,550	118,066	12,470	5,111	228	135,875
Debt securities	125,593	8,921	8,721	349	143,584	105,739	11,001	4,743	91	121,574
Government securities	83,757	5,864	6,172	349	96,142	70,587	8,482	4,017	91	83,177
Other	41,836	3,057	2,549	-	47,442	35,152	2,519	726	-	38,397
Buy-sell-back transactions	9,747	-	-	-	9,747	8,576	427	-	-	9,003
Term deposits with credit institutions	519	302	43	169	1,033	520	98	281	137	1,036
Loans	3,184	916	86	-	4,186	3,231	944	87	-	4,262
Measured at fair value through other comprehensive income	40,244	8,514	4,563	827	54,148	33,911	7,430	4,199	520	46,060
Equity instruments	567	42	-	-	609	796	41	-	-	837
Debt securities	39,677	8,472	4,563	827	53,539	33,115	7,389	4,199	520	45,223
Government securities	30,681	7,119	3,989	290	42,079	26,563	6,030	3,490	-	36,083
Other	8,996	1,353	574	537	11,460	6,552	1,359	709	520	9,140
Measured at fair value through profit or loss	7,977	1,170	1,776	98	11,021	8,022	2,503	1,504	76	12,105
Equity instruments	734	40	605	92	1,471	600	30	423	66	1,119
Participation units and investment certificates	3,338	923	970	3	5,234	3,392	850	747	7	4,996
Debt securities	3,905	207	201	3	4,316	4,030	1,623	334	3	5,990
Government securities	3,628	118	146	3	3,895	3,863	1,470	225	3	5,561
Other	277	89	55	-	421	167	153	109	-	429
Current income tax receivables	6	-	-	-	6	18	1	-	-	19
Other receivables	4,009	1,167	68	14	5,258	4,254	899	64	10	5,227
Cash and cash equivalents	11,347	1,877	958	945 [3]	15,127	12,502	2,580	1,352	1,268 [4]	17,702
Total assets	**399,772**	**63,103**	**19,583**	**3,426**	**485,884**	**367,150**	**63,863**	**16,498**	**3,327**	**450,838**

[1] Of which PLN 572 million in British pounds, PLN 192 million in Norwegian kroner and PLN 157 million in Swiss francs.
[2] Of which PLN 527 million in British pounds, PLN 260 million in Swiss francs, PLN 207 million in Norwegian kroner and PLN 113 million in Romanian lei.
[3] Of which PLN 337 million in British pounds, PLN 191 million in Swiss francs and PLN 73 million in Japanese yen.
[4] Of which PLN 276 million in Japanese yen, PLN 272 million in British pounds and PLN 233 million in Swiss francs.

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Liabilities by currency	31 December 2024					31 December 2023				
	PLN	EUR	USD	Other	Total	PLN	EUR	USD	Other	Total
Insurance contract liabilities	38,103	3,453	1,452	708	43,716	36,757	3,184	1,800	587	42,328
Reinsurance contract liabilities	36	(1)	-	-	35	29	4	-	2	35
Subordinated liabilities	5,099	-	-	-	5,099	6,166	-	-	-	6,166
Liabilities on the issue of own debt securities	12,952	5,092	42	-	18,086	9,197	2,680	126	-	12,003
Liabilities to banks	2,730	4,066	82	17 [1)]	6,895	3,425	3,464	76	82 [2)]	7,047
Liabilities to clients under deposits	276,370	36,785	16,469	4,569 [3)]	334,193	247,164	35,842	16,081	4,694 [4)]	303,781
Financial derivatives	5,370	602	159	1	6,132	10,868	724	62	2	11,656
Current income tax liabilities	1,812	3	-	3	1,818	1,989	1	-	1	1,991
Other liabilities	13,282	2,409	186	69	15,946	13,160	3,514	244	62	16,980
Total liabilities by currency	**355,754**	**52,409**	**18,390**	**5,367**	**431,920**	**328,755**	**49,413**	**18,389**	**5,430**	**401,987**

[1)] Of which PLN 9 million in British pounds, PLN 7 million in Swiss francs.
[2)] Of which PLN 79 million in Swiss francs.
[3)] Of which PLN 1,859 million in British pounds, PLN 1,173 million in Swiss francs, PLN 413 million in Norwegian kroner, PLN 236 million in Canadian dollars, PLN 185 million in Swedish kronor and PLN 80 million in Australian dollars.
[4)] Of which PLN 1,916 million in British pounds, PLN 1,204 million in Swiss francs, PLN 385 million in Norwegian kroner, PLN 346 million in Canadian dollars, PLN 281 million in Swedish kronor and PLN 71 million in Australian dollars.

To manage its FX risk, the PZU Group uses also derivatives which allows it to take a selected market exposure in a more efficient manner than by using cash instruments.

Liabilities by currency	31 December 2024					31 December 2023				
	PLN	EUR	USD	Other	Total	PLN	EUR	USD	Other	Total
Contingent liabilities	70,867	12,997	2,887	112	86,863	66,094	11,800	2,606	173	80,673

The following table presents the sensitivity test of the portfolio of PZU Group's financial instruments (except for loan receivables from clients and deposit liabilities) in respect to financial instruments for which the PZU Group bears the risk.

Financial assets exposed to exchange risk include investment (deposit) financial assets of the PZU Group and derivative financial assets denominated in foreign currencies.

The following tables present a sensitivity analysis of foreign exchange risk for portfolios of financial instruments and of assets and liabilities under insurance and reinsurance contracts.

Volatility in interest rates primarily affects:

- net financial result – foreign exchange gains and losses under insurance and reinsurance contracts as well as financial instruments, recognized in the consolidated profit and loss account;
- equity – foreign exchange gains and losses, recognized in other comprehensive income and the consolidated profit and loss account.

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Sensitivity analysis of foreign exchange risk	31 December 2024				31 December 2023			
	Net profit		Equity		Net profit		Equity	
	increase	decrease	increase	decrease	increase	decrease	increase	decrease
EUR – change of 20%								
Assets and liabilities under insurance and reinsurance contracts	(122)	122	(583)	583	(105)	105	(534)	534
Financial instruments	(245)	251	726	(720)	110	(59)	757	(706)
GBP – change of 20%								
Assets and liabilities under insurance and reinsurance contracts	(62)	62	(58)	58	(43)	43	(40)	40
Financial instruments	(87)	87	47	(47)	(80)	80	4	(4)
USD – change of 20%								
Assets and liabilities under insurance and reinsurance contracts	(4)	4	(4)	4	(6)	6	(6)	6
Financial instruments	(338)	341	(16)	19	(255)	257	24	(22)
Other – change of 20%								
Assets and liabilities under insurance and reinsurance contracts	(11)	11	(66)	66	(4)	4	(62)	62
Financial instruments	92	(75)	92	(75)	61	(65)	61	(65)

8.5.3.3. Equity risk

Level of risk exposure

The value of the portfolio of equity financial instruments is presented in section 35.2.

Sensitivity analysis

The table below presents the sensitivity test of PZU Group's portfolio of quoted equity instruments for which the PZU Group bears the risk.

Impact of 20% change in valuation of quoted equity instruments	31 December 2024				31 December 2023			
	Net profit		Equity		Net profit		Equity	
	increase	decrease	increase	decrease	increase	decrease	increase	decrease
Equity instruments	152	(152)	176	(176)	105	(105)	163	(163)

8.5.4. Liquidity risk

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 aim of the liquidity risk management system is 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 are carried out by estimating 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 KNF.

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 perform analyses of 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.

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 in the banks belonging to the PZU Group.

In 2024, basic liquidity ratios at PZU Group banks remained stable at stable and high levels, reflecting a good liquidity situation and easy access to financing, particularly in the form of client deposits. Issues performed to meet MREL requirements also contributed to improving liquidity.

The impact of the current environment pandemic on the liquidity risk of the PZU Group's insurance segment in 2024 should be classified as low. This liquidity was maintained at a required 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.

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Risk exposure

Carrying amount of debt instruments, by maturity	31 December 2024							31 December 2023 (restated)						
	up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	over 5 years	Total	up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	over 5 years	Total
Loan receivables from clients (including finance lease receivables)	66,905	25,483	21,244	17,946	14,174	86,414	232,166	60,357	23,232	20,160	15,835	16,204	83,086	218,874
Investment (deposit) debt instruments	78,781	17,923	21,060	16,595	29,751	52,295	216,405	69,160	21,315	16,303	16,402	15,003	48,905	187,088
Measured at amortized cost	68,075	9,735	13,415	8,870	20,694	37,761	158,550	54,631	16,204	7,340	11,601	6,780	39,319	135,875
Debt securities	57,332	8,915	12,650	8,312	19,615	36,760	143,584	44,427	16,035	6,488	10,976	6,201	37,447	121,574
Government securities	25,863	6,177	11,167	7,599	15,740	29,596	96,142	22,419	12,030	4,040	9,602	5,465	29,621	83,177
Other	31,469	2,738	1,483	713	3,875	7,164	47,442	22,008	4,005	2,448	1,374	736	7,826	38,397
Buy-sell-back transactions	9,747	-	-	-	-	-	9,747	9,003	-	-	-	-	-	9,003
Term deposits with credit institutions	996	9	9	9	2	8	1,033	962	11	9	9	14	31	1,036
Loans	-	811	756	549	1,077	993	4,186	239	158	843	616	565	1,841	4,262
Measured at fair value through other comprehensive income	10,317	7,868	7,187	6,910	8,252	13,005	53,539	12,413	4,680	8,575	4,568	6,518	8,469	45,223
Government securities	4,029	6,634	5,745	6,122	7,739	11,810	42,079	8,411	3,746	7,340	4,010	5,782	6,794	36,083
Other	6,288	1,234	1,442	788	513	1,195	11,460	4,002	934	1,235	558	736	1,675	9,140
Measured at fair value through profit or loss	389	320	458	815	805	1,529	4,316	2,116	431	388	233	1,705	1,117	5,990
Government securities	315	277	436	788	765	1,314	3,895	1,796	406	363	216	1,695	1,085	5,561
Other	74	43	22	27	40	215	421	320	25	25	17	10	32	429
Total	**145,686**	**43,406**	**42,304**	**34,541**	**43,925**	**138,709**	**448,571**	**129,517**	**44,547**	**36,463**	**32,237**	**31,207**	**131,991**	**405,962**

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The following table presents future undiscounted cash flow from assets and liabilities.

Liquidity risk	31 December 2024								31 December 2023 (restated)							
	up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	5–10 years	over 10 years	Total	up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	5–10 years	over 10 years	Total
Assets	**212,143**	**49,004**	**43,317**	**34,508**	**39,828**	**73,629**	**78,687**	**531,116**	**197,419**	**45,486**	**41,121**	**31,287**	**29,637**	**70,141**	**72,653**	**487,744**
Cash and cash equivalents	15,127	-	-	-	-	-	-	15,127	17,702	-	-	-	-	-	-	17,702
Receivables	2,942	1,212	1	-	-	821	282	5,258	3,375	825	5	3	-	955	83	5,246
Loan receivables from clients (including finance lease receivables)	62,643	34,406	29,255	22,415	18,644	43,880	53,986	265,229	61,452	32,636	27,561	20,737	18,255	42,178	50,236	253,055
Debt securities	120,244	12,237	12,987	11,410	19,966	28,004	24,202	229,050	104,249	11,522	12,402	9,590	10,717	25,323	22,071	195,874
Loans	418	1,149	1,074	683	1,203	916	217	5,660	558	501	1,153	957	665	1,657	263	5,754
Buy-sell-back transactions	9,747	-	-	-	-	-	-	9,747	9,048	-	-	-	-	-	-	9,048
Term deposits with credit institutions	1,022	-	-	-	15	8	-	1,045	1,035	2	-	-	-	28	-	1,065
Liabilities	**(185,984)**	**(19,389)**	**(20,424)**	**(11,932)**	**(8,710)**	**(31,606)**	**(143,861)**	**(421,906)**	**(164,488)**	**(20,329)**	**(13,057)**	**(16,412)**	**(8,090)**	**(27,346)**	**(139,083)**	**(388,805)**
Insurance contract liabilities	(13,921)	(2,975)	(1,998)	(1,212)	(1,044)	(4,252)	(23,139)	(48,541)	(12,385)	(2,999)	(1,974)	(1,150)	(875)	(3,833)	(23,434)	(46,650)
Reinsurance contract liabilities	1,158	1,206	516	233	124	168	650	4,055	1,084	1,221	580	241	130	165	551	3,972
Lease liabilities	(274)	(256)	(217)	(234)	(185)	(457)	(681)	(2,304)	(205)	(244)	(206)	(183)	(226)	(649)	(591)	(2,304)
Other liabilities	(172,947)	(17,364)	(18,725)	(10,719)	(7,605)	(27,065)	(120,691)	(375,116)	(152,982)	(18,307)	(11,457)	(15,320)	(7,119)	(23,029)	(115,609)	(343,823)
Gap	**26,159**	**29,615**	**22,893**	**22,576**	**31,118**	**42,023**	**(65,174)**	**109,210**	**32,931**	**25,157**	**28,064**	**14,875**	**21,547**	**42,795**	**(66,430)**	**98,939**

The following table presents future undiscounted cash flows from banks' off-balance sheet liabilities (by contractual terms).

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Off-balance sheet liabilities granted	31 December 2024						31 December 2023					
	up to 1 month	1 -3 months	3 months to 1 year	1–5 years	over 5 years	Total	up to 1 month	1 -3 months	3 months to 1 year	1–5 years	over 5 years	Total
Financing	73,833	-	-	-	-	73,833	66,760	-	-	-	-	66,760
Guarantees	11,802	-	-	-	-	11,802	11,541	-	-	-	-	11,541
Total	**85,635**	**-**	**-**	**-**	**-**	**85,635**	**78,301**	**-**	**-**	**-**	**-**	**78,301**

The following table presents future undiscounted cash flows from derivative financial instruments in gross amounts.

Financial derivatives	31 December 2024								31 December 2023							
	up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	5–10 years	over 10 years	Total	up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	5–10 years	over 10 years	Total
Inflows	46,885	1,083	210	275	4,623	234	-	53,310	52,676	601	1,081	210	4,299	281	-	59,148
Outflows	(46,890)	(1,068)	(200)	(273)	(4,726)	(243)	-	(53,400)	(51,912)	(582)	(1,061)	(203)	(4,410)	(284)	-	(58,452)

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Insurance contract liabilities payable on demand	31 December 2024		31 December 2023	
	value payable on demand	carrying amount	value payable on demand	carrying amount
Individual insurance	1,944	1,826	1,910	1,855
Investment insurance	5,848	5,911	5,846	5,849
Baltic States	406	339	376	300
Ukraine	163	151	145	147
Total	**8,361**	**8,227**	**8,277**	**8,151**

8.5.5. Risks related to climate change

Risks related to sustainable development, particularly climate change, are managed within the individual risk categories indicated in the consolidated financial statements. Furthermore, selected ESG risks are subject to separate assessment within the framework of the risk analysis process and the key risk identification process. The main risks in this area are transformation risks and physical risks.[1]

ESG risk management is an integral part of the overall risk management process. Individual ESG risks are classified into major risk categories. Issues concerning the social and corporate governance areas at PZU Group are primarily operational and compliance risks. For environmental issues, it’s also business, credit, market and actuarial risks. The main risks in this area are transformation risks and physical risks. 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 and long-term risks.

The PZU Group conducts regular stress tests and sensitivity analyses under its annual analysis of own risk and solvency assessment (ORSA) and stress tests consistent with the requirements of the regulatory authority. Under ORSA, the sensitivity analyses for PZU cover stress scenarios affecting assets and liabilities. The stress tests selected for execution as part of this assessment cover the major areas of activity and the Group’s risk profile. They correspond to the assessment of the most important risks; in particular, the short-term impact of extreme weather-related phenomena (catastrophic losses) and the impact of the growth of the loss ratio on the PZU Group’s capital condition are regularly analyzed.

To supplement the processes governing the management of respective risk categories, PZU, as parent company, cyclically conducts identification and analysis of risks, as well as identification of key risks. All risks identified in this process are assessed as to their frequency and scale of materialization (accounting for the financial aspect and reputation). In particular, risks related to climate change are subject to risk in terms of physical risks and transition risks. This process facilitates risk analysis in the medium-term and identification and assessment of emerging risks. This analysis is updated at least once a year.

When analyzing the impact that climate has on PZU Group’s operations, in the context of growth, results and capital situation, we have identified risks, accounting for the guidelines of the Task Force on Climate-Related Financial Disclosures (TCFD) and European Commission and conducted a climate change scenario analysis.

The scenario structure proposed by NGFS (The Network of Central Banks and Supervisors for Greening the Financial System) was used as a starting point for the analysis conducted at the Group. The scenarios are structured according to the degree of attainment of the climate goals and the transition pattern. In turn, in its document, the European Insurance and Occupational Pensions Authority (EIOPA) assigned two long-term scenarios of temperature increase (above and below 2 degrees Celsius) to the four global pictures defined by the NGFS.

As part of the scenario analysis of climate risks the PZU Group studied:

- the “Greenhouse effect” scenario in which physical risks play the main role, which in a simplified approach involve the assumption of a zero impact exerted by transition risks;

[1] According to the European Commission guidance for non-financial reporting, transition risks refer to the transition of the economy to a low-carbon and climate-resilient future. 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 "Unorganized" scenario in which the transition risks play the main role, which in a simplified approach involve the assumption of a zero impact exerted by physical risks.

The following assumptions and risk factors have been taken into account:

Greenhouse effect scenario	Unorganized scenario
Extreme catastrophic events: • floods, where the value of loss 1 to 200 years is set out in line with the standard formula used to determine the capital solvency requirement; • forest fires in suburban areas and croplands – maximum loss on deductible in respect of a single event. Short-term horizon: payouts due to catastrophic risks in line with the current reinsurance program, lower equity. Long-term horizon: higher reinsurance prices and legitimate portions, higher SCR due to higher net best-estimate liabilities (net BEL). Higher mortality, in particular in cities, due to extreme weather events and higher temperatures in the cities compared to surrounding areas Short-term horizon: payouts due to higher claims ratio in first year, lower equity. Long-term horizon: higher mortality rates used to determine BEL, lower equity and change in (SCR).	• Higher credit risk due to reinsurance of part of the portfolio at lower-rated reinsurers. • Revaluation of shares and corporate bonds in selected sectors; • Regulatory risk related to the readjustment of standard formula parameters used to set the capital solvency requirement. The transition risks are expected to materialize in the short-term or medium-term horizon.

Scenario assumptions: the transition risks will materialize in the short-term or medium-term horizon.

Should the scenarios assumed materialize, the solvency of the PZU Group will not be under a threat. The regulatory requirements and the assumptions concerning the internal limit system are satisfied in both scenarios.

Sensitivity of PZU Group's solvency ratio:

- greenhouse effect scenario: -37 p.p.
- unorganized scenario: -8 p.p.

Classifying the occurrence of extreme flooding and hurricane as a physical risk is the most severe factor. This is a long-term risk associated with temperatures rising more than 2°C. Annual renewals of contracts, analysis of current data and forecasts coupled with the selection of the appropriate reinsurance program make it possible to reduce considerably the possible impact this risk can exert on the Group.

The probability that the risk related to the global economy transition into a low-carbon one (transition risk) will materialize is much higher than the probability that the most extreme physical risk related to the climate change will materialize. The most severe transition risk is the regulatory risk associated with a change in the parameters used to calculate the sub-module for the natural catastrophe risk.

8.5.6. Operational risk

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

Operational risk management has the purpose of optimizing the level of operational risk and operating efficiency in the PZU Group's operations, leading to a reduction of losses and costs arising from such risks and ensuring adequate and effective control mechanisms. Information on operational risk levels is regularly reported to relevant internal authorities.

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 possible occurrence of operational risk incidents.

Monitoring and control of operational risk is performed mainly through 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 the level of operational risk, the effects of monitoring and control to various decision-making levels. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

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

- 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.

PZU has a business continuity plan in place, which sets out a framework for dealing with an event that could disrupt or interrupt the business continuity of the critical areas identified therein, and management structures to ensure oversight of the plan.

As part of the crisis staff's operation, ongoing monitoring is being carried out for two emergencies:

- announced on 28 January 2022, the emergency situation related to the attack of the armed forces of the Russian Federation on Ukraine, which includes ongoing monitoring of the current situation in terms of business continuity of companies and security of financial assets of the PZU Group;
- announced on 22 February 2022, an emergency situation related to the heightened risk of cyber-attacks, which included additional security measures in the areas of cyber threats and physical security, and a commitment for PZU Group companies to promptly report anomalies in these areas.

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 current nationwide implementation of the second alert level CRP (BRAVO-CRP), an elevated state of readiness of the physical and cyber security areas has been maintained continuously since February 2022.

8.5.7. Compliance risk

Compliance risk is the risk that PZU Group entities, or persons related to them, fail to comply with or violate laws, internal regulations and standards of conduct, including ethical standards, adopted in the PZU Group, which in particular result or may result in PZU Group entities or persons acting on their behalf incurring legal sanctions, financial losses, loss of reputation or credibility.

The PZU Group's compliance risk management process includes its systemic and ongoing management.

System management consists, in particular, in creating consistent and uniform solutions for the ongoing management of compliance risk, monitoring compliance risk, making recommendations for taking actions to mitigate the risk and eliminate instances of non-compliance.

Ongoing compliance risk management entails: identifying, assessing, monitoring, and reporting.

8.5.8. 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 – taking place through regular identification of the models used in the areas covered by the process and assessment of their materiality;
- risk measurement - which is based on the results of independent model validations and monitoring;
- risk monitoring – involving ongoing analysis of deviations from the adopted points of reference regarding the model risk (including verification of how recommendations are implemented, verification that the level of model risk is acceptable from the point of view of the Model Risk Management Policy);
- risk reporting – involving communicating the process results on the appropriate management level, in particular results of risk monitoring, validation and measurement;
- management actions – aiming to mitigate the model risk level (active – e.g. recommendations resulting from completed validations – and passive – e.g. 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 banks have defined standards for the model risk management process, including the rules for developing models and evaluating the quality of their operation and have ensured appropriate corporate governance solutions.

9. Equity management

On 2 December 2024, the PZU Supervisory Board adopted a resolution to approve the PZU Group's Capital and Dividend Policy for 2021–2027 ("Policy").

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

- manage capital effectively by optimizing the use of capital from the PZU Group's perspective;
- maximize the rate of return on equity for the parent company's shareholders, in particular, by maintaining the level of security and retaining capital resources for strategic growth objectives through the organic growth and acquisitions;
- ensure sufficient financial means to cover the PZU Group's liabilities towards its clients.

The capital management policy rests on the following principles:

- manage the PZU Group's capital (including excess capital) at the level of PZU;
- sustain target solvency ratios at the level of 200% for the PZU Group, PZU SA and PZU Życie SA (according to Solvency II) in the period up to the effective date of the Solvency II amendments and at 180% for the PZU Group and 200% for PZU and PZU Life Życie in the period after the Solvency II amendments come into effect;
- The PZU Group's financial leverage ratio shall not be higher than 25%;
- ensure funds for growth and acquisitions;
- maintain the financial conglomerate's surplus own funds above the pertinent requirements for solvency;
- PZU will not issue any new shares for the duration of this Policy.

It is assumed that certain temporary deviations in the actual solvency ratio may occur from time to time above or below the target level.

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

- The PZU Group endeavors to manage capital effectively and maximize the rate of return on equity for PZU's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions;
- the dividend amount proposed by the PZU Management Board paid for the financial year is determined on the basis of the PZU Group's consolidated financial result attributable to equity holders of the parent company, where:
  - not more than 20% will increase retained earnings (supplementary capital) for purposes of organic development and innovations, and implementation of development initiatives;
  - no less than 50% is subject to payment as an annual dividend;

– the remaining part will be paid in the form of annual dividend or will increase retained earnings (supplementary capital) if significant expenditures are incurred in connection with execution of the PZU Group Strategy, including in particular, mergers and acquisitions.

subject to the following:

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

External capital requirements

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

Pursuant to Article 412(1) of the Insurance Activity Act, the PZU Group is obligated to prepare and disclose an annual solvency and financial condition report at the group level drafted in accordance with the principles of Solvency II. The 2023 report published on 25 April 2024 is available online at https://www.pzu.pl/relacje-inwestorskie/raporty?queries%5Byear%5D=2023. Pursuant to Article 290(1) of the Insurance Activity Act, a solvency and financial condition report of an insurance undertaking is audited by an audit firm.

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

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

Notwithstanding the above, PZU Group units that were required by the relevant regulations to meet the relevant capital requirements, in accordance with the relevant sector regulations, met these requirements, both during 2024 and 2023.

10. Fair value

10.1 Description of valuation techniques

10.1.1. Debt securities and loans

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

The PZU Group conducts an internal review of the valuations published by the authorized information service comparing them to the valuations available from other sources based on data which can be observed on the market.

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

10.1.2. Equity-based financial assets

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

10.1.3. Participation units and investment certificates of mutual funds

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

10.1.4. Derivatives

For derivatives quoted on an active market, the fair value is considered to be the closing price as at the balance sheet date.

The fair value of derivatives not quoted on an active market, including forward contracts and interest rate swaps (IRSs) is measured using the discounted future cash flow method. Rates from OIS (overnight indexed swaps) curves taking into account the currency in which the margin for the instrument is denominated are used to discount cash flows.

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

10.1.5. Loan receivables from clients (including finance lease receivables)

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

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

10.1.6. Properties measured at fair value

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

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

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

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

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

Investment property is measured in accordance with the following rules:

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

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

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

10.1.8. Liabilities under deposits

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

10.1.9. Other liabilities

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

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

10.1.9.2. Liabilities to contributors of consolidated investment funds

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

10.1.9.3. Liabilities on borrowed securities

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

10.2 Fair value hierarchy

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

- level I – assets and liabilities measured based on quoted prices (unadjusted) from active markets for identical assets and liabilities. This level includes:
  - liquid listed quoted securities;
  - shares and investment certificates quoted on exchanges;
  - derivatives quoted on exchanges;
  - liabilities on borrowed securities quoted on exchanges (short sale).
- level II – assets and liabilities whose measurement is based on input data other than quoted prices included within level I, which can be observed on the market, either directly (as prices) or indirectly (derived from prices). This level includes:
  - quoted debt securities carried on the basis of the valuations published by an authorized information service;
  - derivatives – e.g. FX Swap, FX Forward, IRS, CIRS, forward rate agreements;
  - participation units and investment certificates of mutual funds;
  - liabilities to contributors of consolidated investment funds;
  - investment contracts for the client's account and risk.
- level III – assets measured based on input data unobserved on the existing markets (unobservable input data). This level includes:
  - unquoted debt securities and non-liquid quoted (for which no spread calibration is possible due to the lack of an active market) debt securities (including non-treasury debt securities issued by other financial entities, local government and non-financial entities), measured using models based on discounted cash flows;
  - investment properties or properties held for sale measured using the income method or the residual method or the comparative method;
  - loan receivables from clients and liabilities to clients under deposits;
  - options embedded in certificates of deposit issued by PZU Group companies and options concluded in the interbank market to hedge embedded option positions.

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

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

Measured assets	Unobservable data	Description	Impact on measurement
Loan receivables from clients (including finance lease receivables)	Liquidity margin and current margin from the sale of the product group	Fair values are estimated using valuation techniques, with an assumption that when the loan is granted, the fair value is equal to the carrying amount. The fair value of loans without recognized impairment is equal to the sum of future expected cash flows discounted at the balance sheet date less expected credit loss. The cash flow discounting rate is the appropriate risk-free market rate plus the liquidity margin and current sales margin for the loan's product group. The margin is determined by product group and by maturity. For the purpose of estimating the fair value of foreign currency loans, the liquidity margin for PLN loans is used, adjusted by quotations of FX swap and basis-swap transactions. The fair value of loans with recognized impairment is equal to the sum of future expected salvage discounted using the effective interest rate, since the average expected recoveries fully reflect the credit risk component.	Negative correlation

Measured assets	Unobservable data	Description	Impact on measurement
		For loans that do not have a repayment schedule (current account loans, overdrafts and credit cards), the fair value is assumed to be equal to the carrying amount.	
Liabilities to clients under deposits	Sales margin	Fair values are estimated using valuation techniques, with an assumption that when the deposit is accepted, the fair value is equal to the carrying amount. The fair value of term deposits is equal to the sum of future expected cash flows discounted at the balance sheet date. The cash flow discounting rate is the appropriate risk-free market rate plus the current sales margin. The margin is determined on the basis of deposits accepted in the last quarter, by product group and by maturity. For short-term deposits (current deposits, overnight deposits and savings accounts), the carrying amount is taken as fair value.	Negative correlation
Options embedded in certificates of deposit issued by PZU Group companies and options concluded in the interbank market to hedge embedded option positions.	Model parameters	Embedded instruments are plain vanilla options and exotic options for individual shares, indices, commodities and other market indicators, including interest rate indices and exchange rates and their baskets. All separated options are offset on an ongoing basis on the interbank market. Currency options are measured based on the Garman-Kohlhagen option pricing model (and in the case of barrier and Asian options based on the so-called extended Garman-Kohlhagen model). Exotic options embedded in deposit agreements and their offsets are measured using the Monte-Carlo technique, assuming a geometric Brownian motion model for risk factors.	
Non-liquid bonds and loans	Credit spreads	Spreads are observed on all bonds (their series) or loans of the same issuer or a similar issuer. These spreads are observed on the dates of issue of new bond series, dates of conclusion of new loan agreements and dates of market transactions on the receivables following from such bonds and loans.	Negative correlation
Investment property and property held for sale	Capitalization rate	Capitalization rate is determined through analysis of rates of return obtained in transactions for similar properties.	Negative correlation
	Construction costs	Construction costs are determined based on market construction costs less costs incurred as at the date of measurement.	Positive correlation
	Monthly rental rate per 1 m^2 of relevant space or per parking space	Rental rates are observed for similar properties of similar quality, in similar locations and with a similar size of leased space.	Positive correlation
Derivatives	Model parameters	Currency options are measured based on the Garman-Kohlhagen option pricing model (and in the case of barrier and Asian options based on the so-called extended Garman-Kohlhagen model). Exotic options embedded in deposit agreements and their offsets are measured using the Monte-Carlo technique, assuming a geometric Brownian motion model for risk factors.	
Own issues and subordinated loans	Issue spread above the market curve	If the historical spread of issues above the market curve is used, these issues are classified at level III of the fair value hierarchy.	Negative correlation
Equity instruments not quoted on an active market		Quotations of financial services, current value of future forecasted profit or loss of the company or measurement models based on available market data.	

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10.2.1. Assets and liabilities measured at fair value

Assets and liabilities measured at fair value	31 December 2024				31 December 2023			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Investment financial assets measured at fair value through other comprehensive income	32,911	15,853	5,384	54,148	28,974	11,686	5,400	46,060
Equity instruments	148	-	461	609	338	-	499	837
Debt securities	32,763	15,853	4,923	53,539	28,636	11,686	4,901	45,223
Investment financial assets measured at fair value through profit or loss	4,872	5,735	414	11,021	4,846	6,891	368	12,105
Equity instruments	1,155	-	316	1,471	865	-	254	1,119
Participation units and investment certificates	331	4,891	12	5,234	246	4,750	-	4,996
Debt securities	3,386	844	86	4,316	3,735	2,141	114	5,990
Loan receivables from clients (including finance lease receivables)	-	-	607	607	-	-	332	332
Measured at fair value through other comprehensive income	-	-	247	247	-	-	82	82
Measured at fair value through profit or loss	-	-	360	360	-	-	250	250
Financial derivatives	-	5,383	1	5,384	-	11,377	19	11,396
Investment property	-	-	3,159	3,159	-	193	2,905	3,098
Liabilities								
Derivatives	-	6,132	-	6,132	-	11,653	3	11,656
Liabilities to contributors of consolidated investment funds	-	845	-	845	-	485	-	485
Investment contracts for the client's account and risk (unit-linked)	-	554	-	554	-	294	-	294
Liabilities on borrowed securities (short sale)	1,399	-	-	1,399	813	-	-	813

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Movement in assets and liabilities classified as level III of the fair value hierarchy in the year ended 31 December 2024	Investment financial assets measured at fair value through other comprehensive income		Investment financial assets measured at fair value through profit or loss			Derivatives – assets	Derivatives – liabilities	Loan receivables from clients measured at fair value		Investment property
	Equity	Debt	Equity	Investment certificates	Debt			through other comprehensive income	through profit or loss	
Beginning of the period	**499**	**4,901**	**254**	**-**	**114**	**19**	**3**	**82**	**250**	**2,905**
Purchase/opening of the position/granting	-	1,530	-	-	1,165	-	-	185	126	22
Reclassification from level II [1]	-	1,957	-	12	102	1	-	-	-	193
Reclassification from own properties	-	-	-	-	-	-	-	-	-	105
Reclassifications from assets held for sale to investment property	-	-	-	-	-	-	-	-	-	-
Profit or loss recognized in the profit and loss account:	-	105	64	-	2	2	-	17	19	(120)
- Interest income calculated using the effective interest rate, and equalized to them	-	99	-	-	3	3	1	17	19	-
- result from derecognition of financial instruments and investments not measured at fair value through profit or loss	-	6	5	-	-	(1)	(1)	-	-	-
- net movement in fair value of assets and liabilities measured at fair value	-	-	59	-	(1)	-	-	-	-	(120)
Profit or loss recognized in other comprehensive income	(37)	62	-	-	-	-	-	4	-	61
Sales/settlements/repayments/conversions	-	(2,257)	(13)	-	(1,258)	(20)	(2)	(41)	(35)	-
Reclassification to assets held for sale or own properties	-	-	-	-	-	-	-	-	-	(7)
Reclassification to level II [1]	-	(1,374)	-	-	(59)	(1)	(1)	-	-	-
Foreign exchange differences	(1)	(1)	11	-	-	-	-	-	-	-
Change in the composition of the Group	-	-	-	-	20	-	-	-	-	-
End of the period	**461**	**4,923**	**316**	**12**	**86**	**1**	**-**	**247**	**360**	**3,159**

[1] Information on reclassifications is presented in section 10.3.

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Movement in assets and liabilities classified as level III of the fair value hierarchy in the year ended 31 December 2023	Investment financial assets measured at fair value through other comprehensive income		Investment financial assets measured at fair value through profit or loss			Derivatives – assets	Derivatives – liabilities	Loan receivables from clients measured at fair value		Investment property
	Equity	Debt	Equity	Investment certificates	Debt			through other comprehen-sive income	through profit or loss	
Beginning of the period	**394**	**5,581**	**252**	**16**	**143**	**25**	**-**	**254**	**184**	**2,861**
Purchase/opening of the position/granting	-	750	-	-	751	2	2	-	90	46
Reclassification from level II [1]	-	1,412	-	-	87	3	-	-	-	26
Reclassification from own properties	-	-	-	-	-	-	-	-	-	173
Reclassifications from assets held for sale to investment property	-	-	-	-	-	-	-	-	-	20
Profit or loss recognized in the profit and loss account:	-	275	26	-	8	5	1	17	11	(219)
- Interest income calculated using the effective interest rate, and equalized to them	-	213	-	-	1	(1)	-	12	11	-
- result from derecognition of financial instruments and investments not measured at fair value through profit or loss	-	62	-	-	3	-	-	5	-	-
- net movement in fair value of assets and liabilities measured at fair value	-	-	26	-	4	6	1	-	-	(219)
Profit or loss recognized in other comprehensive income	107	332	-	-	-	-	-	7	-	-
Sales/settlements/repayments/conversions	-	(1,460)	(21)	(16)	(820)	(16)	-	(196)	(35)	-
Reclassification to assets held for sale or own properties	-	-	-	-	-	-	-	-	-	-
Reclassification to level II [1]	-	(1,986)	-	-	(55)	-	-	-	-	-
Foreign exchange differences	(2)	(3)	(3)	-	-	-	-	-	-	(2)
End of the period	**499**	**4,901**	**254**	**-**	**114**	**19**	**3**	**82**	**250**	**2,905**

[1] Information on the restatements is presented in section 10.3.

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

Both in 2024 and in 2023, no changes were made in the fair value measurement method for financial instruments measured at fair value that would be of material significance for the consolidated financial statements.

10.2.1.2. Sensitivity analysis of fair value of assets classified as level III

Loan receivables from clients (including finance lease receivables)

Loan receivables from clients	Fair value as at 31 December 2024	Measurement technique	Unobservable parameter	Scenario	Impact on fair value as at 31 December 2024	
					positive scenario	negative scenario
Loans and borrowings valued through profit or loss	360	Discounted cash flow model	Credit spread	+50 bp / -50 bp	17	(16)
Loans and borrowings valued through other comprehensive income	247	Discounted cash flow model	Credit spread	+50 bp / -50 bp	2	(2)

Loan receivables from clients	Fair value as at 31 December 2023	Measurement technique	Unobservable parameter	Scenario	Impact on fair value as at 31 December 2023	
					positive scenario	negative scenario
Loans and borrowings valued through profit or loss	250	Discounted cash flow model	Credit spread	+50 bp / -50 bp	10	(9)
Loans and borrowings valued through other comprehensive income	82	Discounted cash flow model	Credit spread	+50 bp / -50 bp	1	(1)

Investment financial assets – debt instruments

Impacts of unobservable factors on the fair value of financial instruments are presented in subsequent tables.

Debt securities	Fair value as at 31 December 2024	Measurement technique	Unobservable parameter	Scenario	Impact on fair value as at 31 December 2024	
					positive scenario	negative scenario
Corporate and municipal debt securities	4,765	Discounted cash flow model	Credit spread	+50 bp / -50 bp	57	(64)
Treasury debt securities	244	Discounted cash flow model	Spread to the reference bond	+40 bp / -40 bp	5	(5)

Debt securities	Fair value as at 31 December 2023	Measurement technique	Unobservable parameter	Scenario	Impact on fair value as at 31 December 2023	
					positive scenario	negative scenario
Corporate and municipal debt securities	4,700	Discounted cash flow model	Credit spread	+50 bp / -50 bp	93	(100)
Treasury debt securities	315	Discounted cash flow model	Spread to the reference bond	+40 bp / -40 bp	6	(6)

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Investment financial assets – equity instruments

Impacts of unobservable factors on the fair value of equity-based financial assets are presented in subsequent tables.

Equity-based financial assets	Fair value as at 31 December 2024	Parameter	Scenario	Impact on fair value as at 31 December 2024	
				positive scenario	negative scenario
VISA series C	41	Conversion discount	10% / -10%	5	(25)
VISA series A	243	Conversion discount	10% / -10%	-	(4)
Biuro Informacji Kredytowej SA	263	Discount rate	1% / -1%	31	(25)
PSP SA	137	Risk-free rate	Risk premium +/- 25 bp; Financial forecasts +/- 10%	3	(3)

Equity-based financial assets	Fair value as at 31 December 2023	Parameter	Scenario	Impact on fair value as at 31 December 2023	
				positive scenario	negative scenario
VISA series C	66	Conversion discount	10% / -10%	8	(8)
VISA series A	163	Conversion discount	10% / -10%	-	(16)
Biuro Informacji Kredytowej SA	321	Discount rate	1% / -1%	52	(39)
PSP SA	116	Risk-free rate	Risk premium +/- 25 bp; Financial forecasts +/- 10%	16	(16)

Financial derivatives

Impacts of unobservable factors on the fair value of financial derivatives are presented in subsequent tables.

Equity-based financial assets	Fair value as at 31 December 2024	Parameter	Scenario	Impact on fair value as at 31 December 2024	
				positive scenario	negative scenario
Foreign exchange derivatives	1	Probability of default	20% / -20%	-	-

Equity-based financial assets	Fair value as at 31 December 2023	Parameter	Scenario	Impact on fair value as at 31 December 2023	
				positive scenario	negative scenario
Foreign exchange derivatives	3	Probability of default	20% / -20%	-	(2)
Options, including exotic options	13	Prices of options embedded in structured products are sourced from the market	Volatility of underlying instrument prices, correlations of underlying instrument prices	-	-

Investment property

The table on the next page presents the key parameters used in measuring the largest investment properties (including those presented as held for sale).

All real properties classified as level III fair value were measured by the income approach using the investment method and the straight capitalization technique or using a mixed approach. This valuation uses non-observable inputs such as:

- capitalization rate – determined through analysis of rates of return obtained in transactions for similar properties;

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- monthly rental rate per 1 m^2 of relevant space or per parking space.

Properties classified as level III	Type of space	31 December 2024 Carrying amount	31 December 2024 Rental fees included in the measurement	31 December 2024 Capitalization rates included in the measurement	31 December 2023 Carrying amount	31 December 2023 Rental fees included in the measurement	31 December 2023 Capitalization rates included in the measurement
Investment property							
office	Office Parking lot	1,291	13.60 – 15.00 EUR 40.00 – 95.00 EUR	7.12% – 8.54%	985	12.50 – 14.50 EUR 40.00 – 100.00 EUR	6.50% – 7.75%
warehouse	Office Warehouse	1,555	10.50 – 12.50 EUR 4.30 – 4.90 EUR	6.07% – 6.50%	1,617	9.50 – 11.50 EUR 4.00 – 4.50 EUR	5.75% – 6.50%
commercial	Commercial	111	depending on size of leased space	8.01% – 10.34%	193	depending on size of leased space	6.50% – 7.75%
other		202			110		
Total		**3,159**			**2,905**		
Investment property held for sale							
warehouse	Office Warehouse	523	10.00 – 10.50 EUR 4.00 – 4.30 EUR	6.23% – 7.61%	555	9.50 – 10.00 EUR 4.00 EUR	6.25%–6.75%
other		18			6		
Total		**541**			**561**		

Real property	Fair value as at 31 December 2024	Unobservable parameter	Scenario	Impact on fair value as at 31 December 2024 – positive scenario	Impact on fair value as at 31 December 2024 – negative scenario
Investment property	3,159	Capitalization rate	-0.25 p.p. / +0.25 p.p.	102	(94)
		Monthly rent rate	+5% / -5%	110	(110)
Investment property held for sale	541	Capitalization rate	-0.25 p.p. / +0.25 p.p.	22	(21)
		Monthly rent rate	+5% / -5%	25	(25)

Real property	Fair value as at 31 December 2023	Unobservable parameter	Scenario	Impact on fair value as at 31 December 2023 – positive scenario	Impact on fair value as at 31 December 2023 – negative scenario
Investment property	2,905	Capitalization rate	-0.25 p.p. / +0.25 p.p.	111	(102)
		Monthly rent rate	+5% / -5%	107	(107)
Investment property held for sale	561	Capitalization rate	-0.25 p.p. / +0.25 p.p.	25	(23)
		Monthly rent rate	+5% / -5%	24	(24)

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10.2.2. Assets and liabilities not measured at fair value

Fair value of assets and liabilities for which it is only disclosed	31 December 2024					31 December 2023 (restated)				
	Level I	Level II	Level III	Total fair value	Carrying amount	Level I	Level II	Level III	Total fair value	Carrying amount
Assets										
Loan receivables from clients measured at amortized cost	-	46	232,116	232,162	231,559	-	83	218,941	219,024	218,542
Business segment	-	8	110,598	110,606	109,659	-	14	105,681	105,695	103,994
Retail segment – real estate loans	-	-	88,176	88,176	89,018	-	-	81,739	81,739	82,510
Retail segment – other	-	38	33,342	33,380	32,882	-	69	31,521	31,590	32,038
Investment financial assets measured at amortized cost	67,115	67,228	21,017	155,360	158,550	52,172	58,016	22,950	133,138	135,875
Debt securities	67,111	60,094	13,075	140,280	143,584	52,172	52,270	14,256	118,698	121,574
Buy-sell-back transactions	-	6,716	3,031	9,747	9,747	-	5,384	3,619	9,003	9,003
Term deposits with credit institutions	4	418	627	1,049	1,033	-	362	685	1,047	1,036
Loans	-	-	4,284	4,284	4,186	-	-	4,390	4,390	4,262
Cash	5,631	9,468	-	15,099	15,127	5,173	12,428	13	17,614	17,702
Liabilities										
Liabilities to banks	-	1,284	5,555	6,839	6,895	-	874	6,171	7,045	7,047
Liabilities to clients under deposits	-	369	333,748	334,117	334,193	-	-	303,709	303,709	303,781
Liabilities on the issue of own debt securities [1)]	-	16,222	2,087	18,309	18,086	-	10,004	2,108	12,112	12,003
Subordinated liabilities [1)]	-	2,781	2,362	5,143	5,099	-	2,778	3,431	6,209	6,166
Liabilities on account of repurchase transactions	-	1,346	41	1,387	1,387	-	1,609	14	1,623	1,623

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

10.3 Reclassification between fair value hierarchy levels

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

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

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

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

In 2024, the following transfers of assets between fair value levels were made:

- corporate bonds which were measured using market price information for comparable financial instruments, as well as corporate and municipal bonds for which the impact of estimated credit parameters did not significantly affect the measurement, as well as capital market derivatives for which the estimated volatility did not significantly affect the valuation were reclassified from level III to level II;
- financial assets and liabilities for which the impact of the estimated unobservable factor significantly affected the measurement: corporate and municipal bonds (credit parameters), treasury debt securities, foreign exchange derivatives (probability of default) were reclassified from level III to level II;
- debt securities with the value of PLN 116 million which were measured using market price information for comparable financial instruments were reclassified from level II to level I.

In 2023, the following transfers of assets between fair value levels were made:

- corporate bonds which were measured using market price information for comparable financial instruments, as well as corporate and municipal bonds for which the impact of estimated credit parameters did not significantly affect the measurement, as well as capital market derivatives for which the estimated volatility did not significantly affect the valuation were reclassified from level III to level II;
- financial assets and liabilities for which the impact of the estimated unobservable factor significantly affected the measurement: corporate and municipal bonds (credit parameters), treasury debt securities, foreign exchange derivatives (probability of default) were reclassified from level III to level II;
- government bonds with the value of PLN 55 million which were measured using market quotations were reclassified from level II to level I due to an increase in market activity;
- debt securities with the value of PLN 137 million which were measured using market price information for comparable financial instruments were reclassified from level II to level I.

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11. Insurance and reinsurance contracts

11.1 Accounting policies and significant estimates

The table below presents information on the key decisions made by PZU Group with regard to the accounting policy applied for the measurement purposes in accordance with IFRS 17.

Assumptions as made	Decision made by PZU Group	Justification
Method for determining discount rate curves	Curves determined with the bottom-up approach.	Approach adopted for consistency with Solvency II discounting methodology
Risk adjustment for non-financial risk	Depending on a nature of the risk concerned, a risk adjustment for non-financial risks is determined using the VaR method or the cost-of-capital method.	Decision on the valuation method made taking into account the characteristics of a risk profile of the portfolio concerned, as referred to in section 11.1.1, in order to best reflect uncertainties of measurement associated with non-financial risks.
Contract grouping	For life insurance products, PZU Group decided to divide contracts into groups that contain contracts concluded within a year ("annual cohorts"). For non-life insurance products, PZU Group decided to divide contracts into groups that contain contracts concluded within a quarter ("quarterly cohorts").	PZU Group considered that, for long-term life insurance contracts, the introduction of a period shorter than one year would lead to excessive complexity (storage of greater quantities of data), which would not be commensurate with the benefits obtained. However, for non-life insurance products, which are mostly short-term, the division into quarterly cohorts allows for the profitability to be assessed in a more accurate manner in situations in which tariffs change during the year.

11.1.1. Identification and aggregation of insurance contracts

In order to identify insurance contracts, including inward reinsurance contracts that are within the scope of IFRS 17, PZU Group verifies whether, under a given contract, the PZU Group accepts a significant insurance risk from the policyholder and undertakes to compensate the policyholder for an adverse effect defined as an uncertain future insured event.

The assessment whether a contract transfers considerable insurance risk requires analysis of the cash flows related to a product in various scenarios and estimating the probability of such scenarios. Such an assessment includes an element of subjective judgment, which has significant influence on the accounting principles applied. According to the assumptions adopted by the PZU Group, a significant insurance risk is present when

- the average sum at risk over the term of the insurance contract, corresponding to the percentage of technical provisions created on the basis of local accounting standards, is equal to or higher than 10% for structured insurance, life insurance and non-participating life insurance;
- the sum at risk (for mortality risk and accidental death risk) exceeds 10% of the fund value in the first years of the contract – in the case of unit-linked products.

Based on this criterion, concluded contracts are recognized either according to IFRS 17 or according to IFRS 9.

IFRS 17 does not provide specific guidance on combining contracts subject to measurement under different standards. Guided by the provisions of IAS 8, that is, analyzing similar issues described in the standards and the provisions of the conceptual assumptions, the PZU Group assessed that insurance, credit or leasing contracts do not meet the criteria for combining contracts and should be recognized and measured separately, in accordance with the relevant standards.

Classification of non-life insurance contracts

Analysis has shown that all non-life insurance contracts transfer considerable insurance risk and accordingly they are governed by the requirements of IFRS 17.

The PZU Group applies IFRS 17 to financial guarantees offered by the PZU Group's insurance companies.

Classification of life insurance contracts

Analysis has shown that PZU Group's offer contains products that do not transfer significant insurance risk (including certain products with guaranteed rate of return and some unit-linked products) and thus do not meet the definition of an insurance contract pursuant to IFRS 17. Therefore, these products have been classified in the consolidated financial statements as investment contracts measured in accordance with IFRS 9 at amortized cost or fair value (depending on the structure of each product).

Investment contracts include, among others: Pewny Zysk individual life and endowment insurance (recognized at amortized cost), unit-linked PZU IKZE insurance and Program Inwestycyjny Prestige [Prestige Investment Program] (recognized at fair value).

Both insurance contracts and investment contracts may include discretionary participation features (DPF). They entitle the insured to receive an additional benefit or a bonus in addition to the guaranteed claim. Such a benefit constitutes a significant portion of the total contractual claim; its amount or term are contractual and they depend on the insurer's discretion, whereas their occurrence depends on:

- history of the specified set or type of contracts;
- whether or not profit is realized on specified assets;
- whether the insurer, a fund or another entity related to the agreement makes profit or incurs loss.

All insurance contracts with discretionary participation features, unilaterally specified by the insurance company, are measured in accordance with IFRS 17.

In addition, no life insurance contracts were identified that included an investment component (requiring separation) or a component for services other than those covered by the insurance contract.

Aggregation of insurance contracts

For the measurement of liabilities, insurance contracts are aggregated into groups of insurance contracts. The purpose of this aggregation is to ensure that profits are recognized over time in proportion to the insurance services provided, and that losses are recognized immediately when the entity assesses that the concluded contract is onerous. Offsetting profits and losses between the identified groups of insurance contracts is not allowed. Insurance contracts are grouped on initial recognition and in accordance with IFRS 17 the PZU Group does not reassess the groups in subsequent periods, unless there are grounds for derecognition as set forth in IFRS 17 , related to the modification of the insurance contract, causing a new contract to be recognized. Insurance contracts are aggregated into groups of insurance contracts, taking into consideration the following three levels:

- portfolio – contracts with similar risk characterization, managed jointly;
- cohort – contracts issued no more than one year apart;
- profitability – contracts, if any, belonging to the same profitability group – one of the three defined by IFRS 17:
  - the group of contracts that are onerous at the initial recognition;
  - the group of contracts that at the initial recognition have no significant possibility of becoming onerous subsequently;
  - a group of the remaining contracts in the portfolio.

In PZU Group, portfolios are divided into groups of insurance contracts, taking into account the aforementioned dimensions as follows:

- portfolio:
  - based on the risk characterization of individual insurance contracts and based on existing insurance portfolio management processes;
- profitability:

  - for life insurance – at the level of a single contract by measuring the given insurance contract, that is by determining whether the expected current value of future inflows under this contract, less the expected value of future outflows within the limits of the contract, and taking into account the adjustment for non-financial risk, is a positive value or not. If this value is negative, such a contract is considered to be an onerous contract;
  - for non-life insurance – all contracts are treated as contracts for which there is no significant probability at initial recognition that they will later become onerous contracts, unless there are facts or circumstances that indicate that the contracts are onerous at initial recognition. Profitability is assessed at the level of the IFRS 17 portfolio based on the analysis of the combined ratio for a given portfolio, taking into account the adjustment for non-financial risk and any other significant business information that may affect product profitability. The assessment may be moved to the level of the cohort for the given quarter or year;
- cohorts:
  - the decision has been made to group life insurance into annual cohorts and non-life insurance into quarterly cohorts, which allows a more accurate allocation of insurance contracts to profitability for the purposes of measuring liabilities.

Insurance contracts may include one or more components subject to another IFRS if these were separate contracts. Such components may be as follows:

- embedded derivative instruments whose economic characteristics and risks are not strictly connected with economic characteristics and risks of the underlying contract and whose terms and conditions do not meet the definition of an insurance contract or a reinsurance contract as an independent instrument;
- separated investment components which are not related, to a large extent, to insurance components and with regard to which contracts of equivalent terms and conditions are sold or could be sold separately in the same market or in the same jurisdiction by entities selling insurance contracts or other entities;
- commitments to transfer separated goods or services other than services incorporated in the insurance contract to the insured.

The PZU Group analyzed whether its products include insurance contracts that constitute one or more of the above components. As a result of that analysis, the PZU Group decided that it does not offer any products whose components constitute separate contracts subject to another IFRS.

The non-separated investment component cannot be separated from the insurance contract and is recognized in accordance with IFRS 17. However, it is excluded from insurance revenue and insurance service expenses. It represents the value that must be returned to the insured in any possible scenario (i.e., regardless of whether an insured event occurs) and is identified when the benefit occurs.

The PZU Group identifies the following cases where there is a non-separated investment component:

- premium for no claims and low claims ratio (non-life insurance contracts);
- scale commission and reinsurer's profit share (reinsurance contracts);
- the value of unit-linked insurance contracts (life insurance contracts);
- the surrender value (life insurance contracts).

11.1.2. Contract boundary

The measurement of an insurance contract only includes cash flows that fall within the contract boundary. The contract boundary distinguishes future cash flows that relate to existing insurance contracts from those that relate to future insurance contracts that have not been issued yet.

The PZU Group sets that the insurance contract boundary start at date of initial recognition of contract. Insurance contract is issued from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group becomes due;
- for a group of onerous contracts, when the group becomes onerous.

The PZU Group sets the contract boundary when the PZU Group cannot compel the policyholder to pay the premiums or when the PZU Group has no longer a substantive obligation to provide the policyholder with insurance contract services. The substantive obligation to provide services expires when:

- it is feasible in practice to reassess the risk for an individual insured and, consequently, a price or level of benefits can be established that fully reflects that risk (assessment at the level of an individual insured); or
- both of the following criteria are met:
  - the entity has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio (portfolio assessment); and
  - the pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

In PZU Group, the approach to the contract boundary, except for a few exceptions, is consistent with the definition of the end of the contract provided for in the insurance contract as a legal document. The exceptions are contract boundaries applied in life insurance riders. From a legal perspective, riders are mostly yearly renewable contracts. For the purpose of measurement in accordance with IFRS 17, riders are recognized and measured along with the main contract, unless it has been assessed that they constitute a separate insurance contract and should therefore be separated from the main contract. Contracts comprising additional risks linked with the main contract are modelled with account taken of renewals, and contract boundaries of riders are in line with the boundary of the main contract. In the case of unit-linked products with regular premiums, for an IFRS 17 measurement, the contract boundary occurs when the PZU Group no longer has a substantive obligation to provide the policyholder with insurance contract services, which in practice means including all forecast future cash flows in the measurement.

11.1.3. Modification of the insurance contract

A modification of the insurance contract changes the original terms and conditions of the contract on the basis of an agreement between the parties or as a result of amendments in legal regulations. It differs from an amendment resulting from any party to the contract exercising its rights that come within the original terms and conditions of the contract.

If terms and conditions of the insurance contract are modified and at least one of the following conditions is met, then the PZU Group derecognizes the original contract and recognizes the modified contract as a new contract. The conditions for contract modification as a result of which the PZU Group derecognizes the contract are as follows:

- the contract is no longer subject to IFRS 17;
- the different components must be separated from the host insurance contract;
- the modified contract has substantially different contract boundary;
- the modified contract would be included in a different group of contracts at initial recognition;
- the modified contract meets the definition of an insurance contract with direct participation features, while the original contract no longer meets that definition, or vice versa;
- the contract no longer meets eligibility criteria for the application of PAA, while the original contract met those criteria.

In case of contract derecognition within the group of contracts, the PZU Group applies the following requirements:

- cash flows from contract allocated to the group, are adjusted in order to eliminate the present value of future cash flows and risk adjustment for non-financial risk related to rights and obligations that are derecognized within the group;
- the contractual service margin for the group is adjusted by changes in the value of cash flows described above; and
- the number of coverage units with regard to expected remaining services stipulated by the contract is adjusted in order to reflect derecognized coverage units within in the group and the contractual service margin recognized in the profit or loss of a given period is based on the adjusted number of coverage units.

11.1.4. Measurement methods

In accordance with IFRS 17, insurance contracts are measured according to the following rules:

- GMM – general measurement model;

  The whole insurance contract liability is computed as a sum of:

  - fulfilment cash flows, which comprise: (1) estimates of future cash flows within the contract boundary; (2) an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; (3) a risk adjustment for non-financial risk, which reflects the compensation for bearing the uncertainty , about the amount and timing of the cash flows that arise from non-financial risk; and
  - the contractual service margin representing an unearned profit. The contractual service margin is sensitive to changes in cash flow estimates triggered by changes in non-economic assumptions. The contractual service margin cannot be a negative value – losses on contracts are recognized directly in profit or loss;

- PAA – premium allocation approach:

  The premium allocation approach is a simplified approach, where the measurement of the liability for remaining coverage is in line with the insurance risk distribution over time (without a separate presentation of risk adjustment for non-financial risk or contractual service margin), while the liability for incurred claims is measured in the same manner as for the general measurement model. PAA is applied for contracts which meet relevant eligibility criteria at initial recognition, allowing the application of the simplifications referred to in paragraphs 53 or 69 IFRS 17:

  - the entity reasonably expects that this simplification produces a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the GMM method;
  - the coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

  In line with the PZU Group's policy, under the PAA approach, insurance acquisition cash flows are included in the liability for the remaining coverage (LRC) and are therefore amortized over the entire coverage period.

  For the PAA method, the PZU Group does not make an adjustment to reflect the time value of money and the impact of financial risk due to the expectation that the payment made or received for future cash flows will occur within a period of no more than one year from the date of the insurance loss;

- VFA – variable fee approach:

  The liability measurement method used for IFRS 17 reporting of insurance contracts with direct participation features, is analogous to GMM, with the difference being that changes in the CSM in subsequent periods also include the impact of changing economic assumptions, and not just operating assumptions. The variable fee approach is only used to measure selected products, following the assessment of the eligibility criteria at the initial recognition of a group of contracts. The PZU Group applies VFA to unit-linked products which meet the eligibility criteria (the PZU Group assesses all its unit-linked products to meet the VFA eligibility criteria).

In PZU Group, the majority of non-life insurance and outward reinsurance contracts meet the criteria for applying the simplified premium allocation approach (PAA). Life insurance contracts are measured using a general model, i.e. the GMM, and to contracts with direct participation features PZU Group applies the VFA model.

Valuation of insurance contracts at the date of transition to IFRS 17

PZU applied IFRS 17 Insurance Contracts for the first time to the consolidated financial statements for the period starting on 1 January 2023.

Due to the need to prepare comparative data, 1 January 2022 is assumed as the date of transition to IFRS 17.

IFRS 17 allows the use of three methods for the purpose of measuring financial items at the transition date:

- full retrospective approach (FRA) – a method whereby an entity measures groups of insurance contracts as if IFRS 17 had been applied from the beginning for those contracts;
- modified retrospective approach (MRA) – a method that allows the entity to apply simplifications to the FRA method if its full application is impracticable;

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- fair value approach – a method that is permitted if the FRA method is impracticable and if the entity has decided not to use the MRA method.

PZU Group applied all the three methods depending on the availability of historical data. The full retrospective approach was applied to all the groups of non-life insurance contracts, except for liabilities arising from claims incurred before 1993, to which the fair value approach was applied. Approaches applied to the groups of life insurance contracts are presented in the table below:

Contract recognition date	Approach
2021 or later	• Full retrospective approach for all contracts
2019 – 2020	• Modified retrospective approach for unit-linked contracts • Full retrospective approach for other contracts
2016 – 2018	• Full retrospective approach for individually continued insurance contracts • Modified retrospective approach for other contracts
2015 and earlier	• Fair value approach for annuities and endowment insurance contracts (JUŻ) • Modified retrospective approach for other contracts

Full retrospective approach

In accordance with IFRS 17 paragraph C3, the PZU Group has applied the full retrospective approach unless it was impracticable.

For those parts of the business for which the application of the full retrospective approach was impracticable (e.g. data were not collected at the required resolution, there were changes in IT systems preventing the preparation of the relevant data and there were profound changes in actuarial models making the retrospective application impracticable), the PZU Group applied simplifications as permitted by the standard.

Simplified approaches

In cases where the application of the full retrospective approach has been assessed as impracticable, the PZU Group used the modified retrospective approach or the fair value approach, and the choice of approach is made individually for each group of contracts. The selection took into account factors such as the availability of historical data and the materiality of the impact on the consolidated financial statements.

For some groups of contracts for which the PZU Group used the modified retrospective approach or the fair value approach, cumulative amount of finance income or expenses from insurance recognized in other comprehensive income at the transition date was determined as zero.

The following table presents simplifications which are allowed by the standard and which are applied by PZU Group:

Simplification	Approach adopted
Evaluation of the groups of contracts on the basis of information available at the transition date, instead of at the contract inception date	To the extent that the PZU Group did not have reasonable and documented information that would allow the full retrospective approach to be applied, decisions were made regarding the following issues, using reasonable and documented information available at the date of transition to the new standard instead of information available at the time of initial recognition: • the method of identifying groups of insurance contracts; • the assessment of whether an insurance contract corresponds to the definition of an insurance contract with direct participation features.
Failure to comply with the provisions of paragraph 22 of IFRS 17 to divide groups into those that do not include contracts issued more than one year apart.	For some groups of contracts for which the PZU Group used the modified retrospective approach or the fair value approach, contracts concluded at intervals of more than one year were included within the groups.
Use of historical cash flows in order to determine contractual service margins	To the extent that the PZU Group did not have reasonable and documented information to apply the full retrospective approach, future cash flows at the date of initial recognition of the group of insurance contracts were estimated as the amount of future cash flows at the date of transition (or at an earlier date if the future cash flows at the earlier date could be determined retrospectively), adjusted for cash flows known to have occurred between the date of initial recognition of the group of insurance contracts and the date of transition (or an earlier date).

Simplified calculation of a risk adjustment for non-financial risk at the date of initial recognition of a group of insurance contracts	For groups of contracts for which the modified retrospective approach was used, to the extent that the PZU Group did not have reasonable and documented information to apply the full retrospective approach, the non-financial risk adjustment at the date of initial recognition of the group of insurance contracts (or later) was determined by adjusting the non-financial risk adjustment at the transition date by the expected release from risk prior to the transition date. The expected release from risk was determined by reference to the risk released for similar insurance contracts concluded by the PZU Group at the transition date.

Modified retrospective approach

Where the application of the full retrospective approach is impracticable, IFRS 17 allows the application of modifications to such an approach – the so-called modified retrospective approach – to achieve the closest outcome to retrospective application possible. Modifications allowed by the standard cover assessments of insurance contracts or groups of insurance contracts that would have been made at the date of inception or initial recognition, estimates related to the contractual service margin or loss component, and estimates of insurance finance income or expenses.

In the cases provided for in IFRS 17 and where the PZU Group has deemed the modified retrospective approach to be reasonable, the PZU Group has applied the following modifications to the full retrospective approach:

- the use of historical cash flows and reliable estimates of historical cash flows to estimate future cash flows and contractual service margin or loss component as at the initial recognition of a group of contracts or group of insurance contracts without direct participation features
- estimated risk adjustment for non-financial risk as at the date of initial recognition of a group of insurance contracts and its release before the transition date based on information available as at the transition date. Information used for such estimates include the calibrated risk adjustment for non-financial risk as at the transition date, estimated cash flows at the date of initial recognition of the group of insurance contracts and historical data available as at the transition date
- aggregation of groups of contracts issued more than one year apart.

In its estimations using the modified retrospective approach, the PZU Group did not apply the modifications allowed by IFRS 17 relating to the measurement of discount rates.

When applying the modified retrospective approach, PZU Group used reasonable and supportable information, making the maximum use of the data available, without any undue cost or effort, which PZU Group would have used if the full retrospective approach had been applied.

Fair value approach

The fair value approach in the transition period was applied by the PZU Group for annuity and traditional products entered into before 1993 for which there are no reasonable and supportable information available without undue cost or effort that would allow computations in line with the modified retrospective approach.

With respect to contracts where the fair value approach has been applied, the PZU Group determined CSM as at the transition date as the difference between the fair value of the liability for remaining coverage and cash flows in respect of liabilities measured as at that date. In determining fair value, the PZU Group applied the requirements of IFRS 13 “Fair Value Measurement,” except for the requirement that the fair value of a financial liability with a demand feature (e.g. a demand deposit) cannot be less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The PZU Group has aggregated contracts issued more than one year apart into one group of insurance contracts in line with the fair value approach as at the transition date, because it did not have reasonable and supportable information allowing for disaggregation into groups of contracts issued within one year.

When applying the fair value approach, PZU Group used reasonable and supportable information available as the transition date for the purposes of:

- identifying groups of insurance contracts;
- identifying discretionary cash flows for insurance contracts without direct participation features.

To measure the fair value of insurance contracts at the transition date as required by IFRS 13, PZU Group applied the income approach using cash flow discounting. In principle, this approach is consistent with the approach to measuring cash flows from the performance of contracts, in accordance with the guidance of IFRS 17. The differences lie in the approach to the measurement of the risk adjustment for non-financial risk - by taking into account a higher cost of capital (applicable in PZU Group and determined by the Capital Asset Pricing Model (CAPM) in the income approach).

Liability for remaining coverage without loss component

Measurement at the initial recognition

Liability for remaining coverage (LRC) is a liability that corresponds to an entity's obligation to:

- investigate and pay valid claims under existing insurance contracts for insurance events that have not yet occurred (i.e. the obligation in respect of the unexpired portion of the insurance coverage); and
- pay amounts under existing insurance contracts that are not included in the aforementioned point and that relate to:
  - the insurance contract services not yet provided (i.e., the obligations that relate to future provision of insurance contract services); or
  - any investment components or other amounts that are not related to the provision of insurance contract services and that have not been transferred to the liability for incurred claims.

At initial recognition, the total insurance contract liability comprises the liability for remaining coverage. Moreover, the carrying amount is equal to zero for non-onerous contracts.

In with the general measurement model, as well as within the variable fee approach, the liability for remaining coverage at initial recognition is measured as:

- the fulfilment cash flows described in section 11.1.5; and increased by
- the contractual service margin representing unearned profit.

The premium allocation approach does not take into account the contractual service margin, the risk adjustment for non-financial risks and the adjustment reflecting the time value of money. The liability for remaining coverage at the initial recognition is measured as:

- premiums received at the date of initial recognition;
- minus any insurance acquisition cash flows; and
- plus or minus any amount arising from the derecognition as at that date of:
  - any assets in respect of the insurance contract acquisition cash flows paid out prior to the initial recognition of the group of insurance contracts; and
  - any other assets or liabilities previously recognized in respect of cash flows relating to the group of contracts.

Subsequent measurement

Subsequent to initial recognition, as at the end of each reporting period, the LRC, excluding the CSM, is reassessed using the fulfilment cash flows related to the subsequent coverage period, i.e., it covers the best estimate present value of the cash flows required to fulfil the liability together with a risk adjustment for non-financial risk (RA).

According to the general measurement model and variable fee approach, as at the end of the reporting period, the liability for remaining coverage excluding CSM is estimated as:

- liability for remaining coverage at the beginning of the reporting period, which is equal to the value of this liability at the end of the previous reporting period;
- plus/minus estimated expected amounts related to the payments of premiums, claims and expenses which are to be incurred in the reporting period, as estimated as at the previous reporting date;
- plus/minus changes in estimates resulting from changes in assumptions relating to future services;

- plus/minus interest accreted on the present carrying amount of future cash flows and risk adjustment for non-financial risk within the reporting period, using a discount rate applied at initial recognition (so-called locked-in rate)
- plus/minus the remaining interest accreted using current discount rates.

Under the premium allocation approach, at the end of the reporting period, the liability for remaining coverage is measured as:

- the carrying amount of this liability at the beginning of the period;
- plus the premiums received in the period;
- minus insurance acquisition cash flows;
- plus any amounts relating to the amortization of insurance acquisition cash flows recognized as an expense in the reporting period;
- minus the amount recognized as insurance revenue for services provided in that period; and
- minus any investment component paid or transferred to the liability for incurred claims.

Accordingly, PZU Group recognizes income and expense relating the following changes in the carrying amount of the liability for remaining coverage:

- insurance revenue – for the reduction in the liability for remaining coverage because of services provided in the period;
- insurance service expenses — for losses on groups of onerous contracts, and reversals of such losses;
- insurance finance income or expenses — for the effect of the time value of money and the effect of financial risk.

Contractual service margin

Measurement at the initial recognition

The contractual service margin is determined for non-onerous contracts at the initial recognition and reflects unearned profits. An amount of the contractual service margin for a group of insurance contracts is recognized in profit or loss in each period to reflect the insurance contract services provided under the group of insurance contracts in that period.

Contractual service margin may be defined as expected cash inflows minus expected cash outflows within the contract boundary, with risk adjustment for non-financial risk and time value of money.

Contractual service margin is not recognized under the premium allocation approach. Under the general measurement model and variable fee approach, at initial recognition, the PZU Group measures contractual service margin of a group of contracts at an amount that results in no income or expenses arising from:

- the initial recognition of an amount for the fulfilment cash flows;
- any cash flows arising from the contracts in the group at that date;
- the derecognition at the date of initial recognition of:
  - any asset for insurance acquisition cash flows;
  - any other assets or liabilities previously recognized in respect of cash flows relating to the group of contracts.

As a rule, contractual service margin may not be used to recognize losses over time. Loss identified on recognition of a group of contracts is recognized in the profit and loss account at an amount corresponding to the excess expected future outflows over the expected future inflows accounting for non-financial risk (through risk adjustment for non-financial risk). This approach is opposite to the manner in which expected profit from insurance business is recognized over time, proportionally to the insurance service provided.

Subsequent measurement

Contractual service margin as at the end of the reporting period reflects the profit in the group of insurance contracts that has not yet been recognized in profit or loss because it relates to future service to be provided under the contracts in the group.

At the end of each reporting period, the carrying value of the contractual service margin for the group of insurance contracts without direct participation features, measured in accordance with the general measurement model, corresponds to the carrying value at the beginning of the reporting period adjusted by:

- the effect of any new contracts added to the group;
- interest accreted on the carrying amount of the contractual service margin during the reporting period, measured at the discount rates at initial recognition (so-called locked-in rates);
- changes in fulfilment cash flows relating to future services, except to the extent that:
  - such increases in the fulfillment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or
  - such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage;
- the effect of any currency exchange differences on the contractual service margin; and
- the amount recognized as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

At the end of each reporting period, the carrying amount of the contractual service margin for a group of insurance contracts with direct participation features, measured in line with the variable fee approach, equals the carrying amount as at the start of the reporting period adjusted for:

- the effect of any new contracts added to the group;
- the change in the amount of the entity's share of the fair value of the underlying items;
- the changes in fulfillment cash flows relating to future service;
- the effect of any currency exchange differences on the contractual service margin; and
- the amount recognized as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

Changes in fulfilment cash flows related to future services that adjust the contractual service margin for the group of insurance contracts that do not include direct participation features are as follows:

- experience adjustments (i.e., differences in actual vs. expected amounts) arising from premiums received in the period that relate to future service, and related cash flows such as insurance acquisition cash flows and premium-based taxes, measured at the discount rates specified at initial recognition;
- changes in estimates of the present value of the future cash flows in the liability for remaining coverage, except those not related to future service, measured at the discount rates specified at initial recognition;
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, increased by an investment component resulting from claims incurred but not paid, measured at the discount rates specified at initial recognition; and
- changes in the risk adjustment for non-financial risk that relate to future service.

Loss component

Measurement at the initial recognition

The loss component is part of the liability for remaining coverage (LRC) and represents losses from the group of onerous contracts. Initial loss is separated in profit or loss, and adjusted in subsequent periods for further losses, reversal of losses, and their release over time, so that the loss component for a group of contracts is nil until the end of the coverage period of a group of contracts.

The loss component is established regardless of the measurement model applied (i.e., it is set for the general measurement model, variable fee approach, and the premium allocation approach).

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows (with risk adjustment for non-financial risk and the time value of money) allocated to the contract, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow, recognized in profit or loss.

For the purpose of the premium allocation approach, if at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the entity establishes a loss component which can be expressed as the difference between the carrying amount of the liability for remaining coverage calculated in line with PAA and the fulfilment cash flows that relate to remaining coverage of the group estimated in line with the general model.

Subsequent measurement

Under the general measurement model and variable fee approach, an insurance contract or group of insurance contracts becomes onerous (or more onerous) on subsequent measurement if unfavorable changes relating to future service arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk exceed the carrying amount of the contractual service margin. In this case, the PZU Group recognizes the loss in profit or loss at the amount equal to the said excess.

If on subsequent measurement, there are favorable changes relating to future service, the PZU Group recognizes profit (reversal of losses) in profit or loss to the maximum amount of the loss component. Should favorable changes exceed the value of the loss component, the PZU Group recognizes profit equal to the recognized loss component, whereas the excess is recognized as contractual service margin.

In the case of premium allocation approach, loss component in subsequent measurement is measured using the same calculation method as at initial recognition and may be reversed to zero.

Liability for incurred claims

Measurement at the initial recognition

Liability for incurred claims (LIC) corresponds to the entity's obligation to:

- investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and
- pay amounts other than specified in the point above and which relate to:
  - insurance contract services which have already been provided; or
  - any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the liability for remaining coverage.

In all valuation models, at the initial recognition of a group of contracts, the liability for incurred claims is usually zero, as no insured events have yet occurred.

The liability for incurred claims has to be established (separately for each type of insured event) once a single insured event of a contract occurred, comprising the expected claims payout for this single event, for which claims have not been fully paid yet.

Liability for incurred claims comprises cash flows related to the past service as at the reporting date. The measurement of this liability is based on the same requirements concerning (1) estimates of the future cash flows; (2) discount rates; and (3) risk adjustment for non-financial risk, which also apply to the liability for remaining coverage on initial and subsequent measurement.

Subsequent measurement

For each reporting period, liability for incurred claims is measured as fulfillment cash flows related to incurred claims. This means that it covers the present value of expected estimates of future cash flows required to settle the liability for incurred claims and expenses for each insured event, along with risk adjustment for non-financial risk.

For all the measurement methods, as at the end of the reporting period, the liability for incurred claims is estimated as:

- liability for incurred claims as at the beginning of the reporting period, equal to the liability as at the end of the previous reporting period;
- plus/minus expected cash flows related to past service;
- plus the increase related to claims and expenses incurred in the period but not yet paid;
- plus/minus interest accreted on the best estimate of present value of liabilities and risk adjustment for non-financial risk in the reporting period using the discount rate applied at initial recognition (so-called locked-in rate);
- plus/minus the remaining interest accreted using current discount rates.

After initial recognition, an entity recognizes income and expenses for the following changes in the carrying amount of the liability for incurred claims:

- insurance service expenses — for the increase in the liability because of claims and expenses incurred in the period, excluding any investment components;
- insurance service expenses — for any subsequent changes in fulfillment cash flows relating to incurred claims and incurred expenses; and
- insurance finance income or expenses — for the effect of the time value of money and the effect of financial risk.

Insurance finance income or expenses

To reduce the volatility of the financial result and to keep the approach in measuring financial assets and liabilities under insurance and reinsurance contracts as consistent as possible, PZU Group presents finance income and expenses under insurance and reinsurance in the consolidated profit and loss account or in other comprehensive income (for portfolios of contracts without direct participation features). In order to determine the value of insurance and reinsurance finance income or expenses, PZU Group uses:

- for groups of insurance contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to policyholders – discount rates determined at the date of initial recognition of a group of contracts;
- for groups of insurance contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders, discount rates that allocate the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate.

Assets in relation to cash flows from the acquisition of insurance contracts

Prepayments understood as acquisition expenses paid before their due date and initial recognition of an contract (where payments are not within the contract boundary but are part of fulfillment cash flows following the initial recognition of a contract) are not recognized under the liability for remaining coverage (LRC) until the initial recognition of the contract; however, they are treated as part of the insurance contract assets or liabilities as assets for insurance acquisition cash flows.

If facts and circumstances indicate that an asset may have been impaired in relation to the cash flows from the acquisition of insurance contracts, then at the end of each reporting period PZU Group:

- recognizes an impairment loss so that the carrying amount of each asset does not exceed the expected net cash inflows for that group of insurance contracts (group level impairment testing); and
- if the asset relates to the groups expected to arise from the renewal of insurance contracts in the group (additional impairment test), recognizes an impairment loss to the extent that:
  - insurance acquisition cash flows exceed the net cash inflow for the expected renewals;
  - the excess has not already been recognized as an impairment loss.

A previously recognized impairment loss is reversed in a subsequent reporting period to the extent to which the impairment has improved or no longer exists. In its IFRS 17 reporting, both as at 31 December 2024 and as at 31 December 2023, the PZU Group has recognized no asset relating to groups expected to arise from renewals of insurance contracts in a group.

11.1.5. Significant judgements and estimation processes

Cash flows from the performance of insurance contracts

In estimating future cash flows, PZU Group considers all reasonable and documented information that is available without undue cost and effort. This information includes both historical internal and external data concerning claims and other measurement elements, updated to reflect current expectations of future events.

Estimates of future cash flows include all cash flows expected to arise from the fulfilment of the rights and obligations under the insurance contract. Estimates of future cash flows:

- are within the contract boundary;
- account for all information available about the amount, timing and uncertainty of those future cash flows;
- are explicit – the entity estimates the risk adjustment for non-financial risk separately from the other estimates; the entity also estimates the cash flows separately from the adjustment for the time value of money and financial risk, unless the most appropriate measurement technique combines these estimates;
- reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices for those variables;
- are up to date.

Cash flows within the boundary of an insurance contract are those directly related to the fulfillment of rights and obligations under the contract, including cash flows in respect of which the PZU Group may, at its discretion, determine the amount or timing. The cash flows within the boundary include:

- premiums;
- payments to (or on behalf of) the insured, including claims that have already been reported but have not yet been paid (i.e. reported claims), incurred claims for events that have occurred but for which claims have not been reported and all future claims for which the PZU Group has a substantive obligation;
- payments to (or on behalf of) a policyholder that vary depending on returns on underlying items;
- payments to (or on behalf of) the insured resulting from derivatives, for example, options and guarantees embedded in the contract, to the extent that those options and guarantees are not separated from the insurance contract;
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- claims handling expenses;
- costs the PZU Group will incur in providing contractual benefits paid in kind;
- policy administration and maintenance costs;
- transaction-based taxes that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis;
- payments by the PZU Group in a fiduciary capacity to meet tax obligations incurred by the insured, and related receipts;
- potential cash inflows from recoveries (such as salvage and subrogation) on future claims covered by existing insurance contracts and, to the extent that they do not qualify for recognition as separate assets, potential cash inflows from recoveries on past claims;
- costs the PZU Group will incur
  - performing investment activity, to the extent the PZU Group performs that activity to enhance benefits from insurance coverage for the insured;
  - providing investment-return service to the insured of insurance contracts without direct participation features, or
  - providing investment-related service to policyholders of insurance contracts with direct participation features.
- allocation of fixed and variable indirect costs directly related to the performance of insurance contracts;
- any other costs specifically chargeable to the policyholder under the terms of the contract.

Reinsurance contracts are modeled on the same basis as insurance contracts. However, taking into account the features of reinsurance contracts, at initial recognition (and similarly as at every subsequent reporting date), expected future cash flows include estimates of future cash flows from underlying insurance contracts expected to be issued in the future by the reinsured entity within the reinsurance contracts' boundaries.

Key assumptions

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

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

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

Cash flows for reported annuities are projected individually based on the current annuity amount, the expected annuity term and the expected growth rate. The annuity term is determined on the basis of the age and sex of the annuity recipient, based on mortality determined at 100% of the Polish Life Expectancy Tables 2023 ("PTTŻ 2023") and, in the case of temporary annuities, additionally on the basis of the end of the annuity payment. The annuity growth forecast is made on the basis of historical annuity increases.

The calculation takes into account damage inflation in 2025 increased by 1 p.p. over the multi-year average.

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

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

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

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

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Mortality rates for individually continued insurance range from 85% PTTŻ 2018 and do not exceed 100% PTTŻ 2018 for most of the insured.

Division of indirect costs into directly and indirectly attributable to the insurance contracts

The PZU Group regularly analyses whether indirect costs are directly attributable to the insurance contracts under the ABC (activity based costing) process. Based on this process, a division is made in quarterly intervals between costs directly attributable to the contracts and costs not attributable to the contracts.

Costs classified as not attributable to the contracts are excluded from the calculation of liabilities for remaining coverage and liabilities for incurred claims, which means that they are recognized in the result as they are incurred, in accordance with the provisions of other standards, usually as “other operating expenses.”

The allocation of costs directly attributable to the insurance contracts to IFRS 17 portfolios is based on the ABC model, which allocates prepayments and accruals to the product level. The data is then aggregated to the IFRS 17 portfolio level.

As a next step, for non-life insurance, PZU Group applies the following allocation keys to be used for allocating costs actually incurred to the cohort level:

- indirect claims handling costs – the value of claims paid during a given quarter;
- salvage recovery costs – the value of salvage paid during a given quarter;
- indirect acquisition expenses – premiums written during a given quarter;
- administrative expenses are allocated to cohorts that began during a given quarter.

For the life insurance business, the PZU Group uses an alternative cost allocation key, i.e. divides costs into cohorts in proportion to the number of policies active in each cohort. Acquisition costs are allocated to the cohort beginning in a given quarter.

Cash flow discounting

The PZU Group uses discount rate curves determined under the bottom-up approach (IFRS 17:B80), which assumes that discount curves will be determined as liquid risk-free rate curves adjusted for the illiquidity premium resulting from the difference in the liquidity characteristics of the rates observed in the market and the liquidity characteristics of the insurance contracts.

For the purposes of determining the discount rate curves for the measurement of liabilities for periods from 31 December 2015, the PZU Group uses the EIOPA methodology to determine the basic risk-free curve, and for earlier periods, i.e. years prior to the implementation of Solvency II Directive, PZU Group determined historical discount rate curves based on the bond market data and on the evaluation of availability of illiquid assets in the market. In addition, for periods prior to 2015, the discount rate curves have been adjusted (lowered) by a credit risk adjustment of 10 basis points, consistent with the EIOPA methodology. In applying discount rates, the assessment of liquidity of liabilities of a given product was also taken into account. The illiquidity premium was determined on the basis of market data and liquidity characteristics of individual groups of insurance contracts.

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

Portfolio duration	31 December 2024					31 December 2023				
	1 year	5 years	10 years	20 years	40 years	1 year	5 years	10 years	20 years	40 years
No premium										
PLN	4.97%	5.50%	5.78%	5.35%	4.51%	4.95%	4.84%	5.10%	4.95%	4.36%
EUR	2.24%	2.14%	2.27%	2.26%	2.56%	3.36%	2.32%	2.39%	2.41%	2.71%
USD	4.18%	4.02%	4.07%	4.10%	3.66%	4.76%	3.50%	3.45%	3.46%	3.19%

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GBP	4.46%	4.04%	4.07%	4.30%	3.99%	4.74%	3.36%	3.28%	3.43%	3.08%
NOK	4.30%	3.99%	3.93%	3.81%	3.62%	4.00%	3.31%	3.22%	3.27%	3.33%
Annuities										
PLN	5.18%	5.70%	5.99%	5.56%	4.72%	5.29%	5.18%	5.44%	5.28%	4.70%
EUR	2.27%	2.18%	2.30%	2.30%	2.60%	3.41%	2.38%	2.45%	2.46%	2.77%
IK										
PLN	5.11%	5.63%	5.92%	5.49%	4.65%	5.18%	5.07%	5.33%	5.17%	4.58%

Risk adjustment for non-financial risk

PZU Group includes risk adjustment for non-financial risks (e.g. underwriting risk, surrender risk and expense risk) in the measurement of insurance contracts. The risk adjustment for non-financial risk is compensation for the uncertainty about the amount and timing of cash flows from groups of insurance contracts. Due to different risk characteristics, the risk adjustment concerning cash flows related to the future coverage period (accounted for in the liability for remaining coverage) and past coverage period (accounted for in the liability for incurred claims) is estimated separately.

PZU Group estimates the adjustment using available methods, including the Value at Risk (VaR) method and techniques based on the cost of capital method.

At the entity's level, the risk adjustment is established as a simple sum of risk adjustments for all groups of contracts in the portfolio, not accounting for any correlations between the groups. Finally, that value serves to establish the confidence level which takes into account the correlations and diversification effects between homogeneous risk groups. The parameters for risk adjustment are selected so that the final value of the risk adjustment for non-financial risk corresponds to a confidence level from the interval 75% - 85% determined by the PZU Group as the confidence level expected for the purpose of determining non-financial risk in IFRS 17 financial reporting.

Confidence level for the final determined risk adjustment was 79.4% as at 31 December 2024 (as at 31 December 2023: 79.6%).

Coverage units

Contractual service margin, recognized in profit or loss for a period, is determined by the PZU Group in line with the requirements of IFRS 17 based on coverage units. For each group of insurance contracts, PZU Group identifies the coverage units provided based on the characteristics of the product, considering for each contract the quantity of the benefits provided and expected coverage period. For groups of contracts providing insurance cover and providing an investment-related service, the PZU Group does not apply relative weights and adds up the unweighted coverage units resulting from both types of services.

For each product segment, PZU Group identifies the coverage units in accordance with the table below:

Type of insurance	Basis of computing coverage units
Group and continuing insurance	Total sum insured under the main contract and riders
Traditional insurance	In addition to the annuity insurances, the total sum insured from the main contract and riders. Annual benefit for annuity insurance
Unit-linked insurance	Total sum insured under the host contract and riders (fund covered)
Other insurance	Total sum insured under the main contract and riders

11.1.6. Presentation of insurance contracts in the consolidated profit and loss account or in the consolidated statement of other comprehensive income

The PZU Group's consolidated profit and loss account and consolidated statement of other comprehensive income separately present:

- the insurance service result, including:
  - insurance revenue – the consideration to which the entity expects to be entitled in exchange for services provided in the period and which is comprised of:
    - expected claims and benefits, and expected costs;

    - release of the contractual service margin in the portion attributable to a given period;
    - release of adjustment for non-financial risk;
    - amortization of liabilities for remaining coverage (PAA);
  - insurance service expenses:
    - incurred claims (excluding investment components) and other incurred insurance service expenses;
    - amortization of insurance acquisition cash flows;
    - changes that relate to past service, i.e., changes in fulfilment cash flows relating to the liability for incurred claims; and
    - losses on groups of onerous contracts, and reversals of such losses;
- insurance financial income or expenses:
  - the effect of the time value of money;
  - the effect of financial risks.

Under IFRS 17, PZU Group has the right to decide whether to present the total insurance finance income or expenses in the profit or loss account or decide to disaggregate them and present them separately in the profit or loss account and in the other comprehensive income for each IFRS 17 portfolio. PZU Group has exercised the option of disaggregation for all IFRS 17 portfolios other than those with direct participation features (in the case of PZU Group, these are unit-linked products).

11.1.7. Reinsurance contracts

A reinsurance contract is defined as an insurance contract issued by one entity (the reinsurer) to compensate another entity (the holder) for claims arising from one or more insurance contracts issued by that other entity (underlying contracts).

All reinsurance contracts issued by the PZU Group transfer significant insurance risk onto the reinsurer; therefore, they are considered reinsurance contracts held within the meaning of IFRS 17, and IFRS 17 is applied for their measurement.

The PZU Group identifies, classifies, measures and presents reinsurance contracts held using the same principles as for insurance contracts, with the key exceptions.

Aggregation of reinsurance contracts held

Reinsurance contracts held are divided into two profitability groups:

- contracts with a net gain at initial recognition (i.e. a net inflow);
- other contracts for which there is a net cost of purchasing reinsurance with a significant possibility of a net gain arising subsequent to initial recognition.

Contract boundary

Initial recognition of reinsurance contracts held is defined as follows:

- if the reinsurance contract held provides proportionate coverage, at the beginning of the coverage period of the group of reinsurance contracts held or the date of initial recognition of any of the underlying insurance contracts, whichever is the later; and
- in all other cases – from the beginning of the coverage period of the group of reinsurance contracts held.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the entity:

- is obliged to pay amounts to the reinsurer; or
- has a material right to avail itself of the reinsurer’s services.

Measurement methods

All reinsurance contracts at PZU Group meet the eligibility criterion for the application of the simplified premium allocation approach.

Asset for remaining coverage

Reinsurance contracts held are measured separately from their underlying insurance contracts. The entity uses consistent assumptions to measure the estimates of the present value of the future cash flows for the group of reinsurance contracts held and the estimates of the present value of underlying insurance contracts. In addition to using consistent assumptions, the PZU Group applies the following modifications to calculate the estimates of the present value of cash flows for reinsurance contracts held, compared to underlying insurance contracts:

- the estimates of the present value of the future cash flows for the group of reinsurance contracts held include the effect of any risk of non-performance by the reinsurer of the reinsurance contract, including the effects of collateral and losses from disputes;
- estimated risk adjustment for non-financial risk is determined so that it represents the amount of risk being transferred by the holder to the reinsurer.

For the purpose of the premium allocation approach, the asset for remaining coverage at the initial recognition is equal to the amount of premiums paid less the amount of commissions received.

If a loss recovery component is tied up at the initial recognition for reinsurance contracts held measured using the premium allocation approach, the corresponding amount adjusts the asset for remaining coverage.

The measurement of the asset for remaining coverage as of subsequent reporting dates for the premium allocation approach for reinsurance contracts held is in accordance with the rules for insurance contracts entered into and constitutes the sum of the following:

- asset for remaining coverage at the beginning of the period;
- plus premiums paid;
- less commissions received;
- less changes in the financing component;
- less amortization of the asset for remaining coverage;
- investment component.

Loss recovery component

When the premium allocation approach is applied to a group of reinsurance contracts held, if the PZU Group recognizes a loss at the initial recognition of the onerous group of underlying insurance contracts, it adjusts the carrying amount of the asset for remaining coverage.

The above-mentioned adjustment applies if, and only if, the reinsurance contract is entered into before or at the same time as the onerous underlying insurance contracts are recognized.

The adjustment of the asset for remaining coverage and the resulting revenue referred to above are determined by multiplying the loss recognized on the underlying insurance contracts by the expected percentage of claims related to the underlying insurance contracts recovered from the group's reinsurance contracts held (recovery ratio).

The PZU Group creates a loss recovery component for the group of reinsurance contracts held in an amount equal to the above adjustment.

Measurement for subsequent reporting dates of the loss recovery component involves three stages:

- adding the underlying onerous insurance contracts to the group;

- changes in assumptions (so-called unlocking) for the loss recovery component corresponding to the change in assumptions (unlocking) for the loss component for the underlying groups of insurance contracts;
- release of the loss recovery component corresponding to the release of the loss component for the underlying groups of insurance contracts.

Under no circumstances can the carrying amount of the loss recovery component exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the PZU Group expects to recover from the group of reinsurance contracts held.

The PZU Group calculates changes in assumptions (unlocking) for the loss recovery component by multiplying the changes in assumptions (unlocking) for the loss component for the underlying insurance contracts by the corresponding recovery ratio.

The PZU Group takes into account the following limitations when calculating the release of the loss recovery component:

- the loss recovery component shall not be negative;
- the loss recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that PZU Group expects to recover from the group of reinsurance contracts held.

If the underlying groups of insurance contracts are measured using the premium allocation approach, the calculation of the release of the loss recovery component is similar to that of the loss component.

Presentation

In respect of reinsurance contracts held, the PZU Group's consolidated statement of financial position, consolidated profit and loss account, and consolidated comprehensive income statement separately present:

- Income or expenses on reinsurance contracts held:
  - allocation of reinsurance premiums – the consideration to which the reinsurer expects to be entitled in exchange for services provided in the period;
  - amounts recoverable from reinsurers: recoveries of claims incurred in the current period, excluding any investment component; recoveries of expenses incurred in the current period; changes related to past service; loss recovery component and changes in assumptions (so-called unlocking) of the loss recovery component;
- Reinsurance financial income or expenses:
  - the effect of the time value of money;
  - the effect of financial risks.

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11.2 Insurance revenue

1 January – 31 December 2024	Corporate insurance	Mass insurance	Group and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Total
Contracts not measured under the PAA	-	-	7,840	744	104	46	27	8,761
Amounts relating to changes in liabilities for the remaining coverage	-	-	7,369	575	73	36	16	8,069
Expected incurred claims and other insurance service expenses	-	-	6,086	254	14	19	5	6,378
Release of the risk adjustment for non-financial risk for the period	-	-	131	21	18	2	6	178
Contractual service margin recognized in profit or loss for services provided	-	-	1,267	295	45	14	9	1,630
Other (including experience adjustments for premium)	-	-	(115)	5	(4)	1	(4)	(117)
Recovery of insurance acquisition cash flows	-	-	471	169	31	10	11	692
Contracts measured under the PAA	4,704	13,106	-	-	-	2,637	215	20,662
Total insurance revenue	**4,704**	**13,106**	**7,840**	**744**	**104**	**2,683**	**242**	**29,423**

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1 January – 31 December 2023	Corporate insurance	Mass insurance	Group and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Total
Contracts not measured under the PAA	-	-	7,362	637	93	43	36	8,171
Amounts relating to changes in liabilities for the remaining coverage	-	-	6,928	483	54	33	24	7,522
Expected incurred claims and other insurance service expenses	-	-	5,680	220	(24)	17	17	5,910
Release of the risk adjustment for non-financial risk for the period	-	-	126	18	36	2	1	183
Contractual service margin recognized in profit or loss for services provided	-	-	1,223	244	45	13	5	1,530
Other (including experience adjustments for premium)	-	-	(101)	1	(3)	1	1	(101)
Recovery of insurance acquisition cash flows	-	-	434	154	39	10	12	649
Contracts measured under the PAA	4,101	11,966	-	-	-	2,446	184	18,697
Total insurance revenue	**4,101**	**11,966**	**7,362**	**637**	**93**	**2,489**	**220**	**26,868**

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11.3 Reinsurance premium allocation

Reinsurance premium allocation	1 January – 31 December 2024	1 January – 31 December 2023
Contracts not measured under the PAA	-	-
Contracts measured under the PAA	(1,882)	(1,514)
Allocation of reinsurance premiums, total	**(1,882)**	**(1,514)**

11.4 Assets and liabilities under insurance contracts

Assets and liabilities under insurance contracts	31 December 2024	31 December 2023
Short-term	16,066	15,266
Insurance contract assets	(60)	(51)
Insurance contract liabilities	16,126	15,317
Long-term	27,468	26,951
Insurance contract assets	(48)	(60)
Insurance contract liabilities	27,516	27,011
Total assets and liabilities under insurance contracts	**43,534**	**42,217**

Assets and liabilities under insurance contracts 31 December 2024	Assets	including prepayments	Liabilities	including prepayments
Non-life insurance – premium allocation approach	(11)	-	24,122	(2)
Corporate insurance	(10)	-	7,454	(2)
Mass insurance	-	-	14,878	-
Baltic States	(1)	-	1,653	-
Ukraine	-	-	137	-
Life insurance	(97)	-	19,520	-
General model	(97)	-	14,480	-
Group and individually continued insurance	-	-	10,580	-
Individual insurance	(94)	-	2,518	-
Investment insurance	-	-	1,054	-
Baltic States	(3)	-	163	-
Ukraine	-	-	165	-
Variable fee approach	-	-	5,040	-
Investment insurance	-	-	4,862	-
Baltic States	-	-	178	-
Total	**(108)**	**-**	**43,642**	**(2)**

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Assets and liabilities under insurance contracts 31 December 2023	Assets	including prepayments	Liabilities	including prepayments
Non-life insurance – premium allocation approach	(11)	-	22,744	(1)
Corporate insurance	(10)	-	6,951	(1)
Mass insurance	-	-	14,041	-
Baltic States	(1)	-	1,613	-
Ukraine	-	-	139	-
Life insurance	(100)	-	19,584	-
General model	(100)	-	14,672	-
Group and individually continued insurance	-	-	10,771	-
Individual insurance	(99)	-	2,506	-
Investment insurance	-	-	1,078	-
Baltic States	(1)	-	160	-
Ukraine	-	-	157	-
Variable fee approach	-	-	4,912	-
Investment insurance	-	-	4,772	-
Baltic States	-	-	140	-
Total	**(111)**	**-**	**42,328**	**(1)**

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11.4.1. Movement in insurance contract assets and liabilities

11.4.1.1. Analysis by remaining coverage period and incurred claims

Movement in insurance contract assets and liabilities 1 January – 31 December 2024	Acquisition cash flow assets	LRC		LIC			Total
					Contracts under PAA		
		excluding the loss component	loss compo-nent	Non-PAA contracts	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**-**	**24,890**	**538**	**795**	**14,841**	**1,153**	**42,217**
Assets	-	(129)	5	9	4	-	(111)
Liabilities	-	25,019	533	786	14,837	1,153	42,328
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**-**	**(25,661)**	**99**	**7,696**	**14,516**	**113**	**(3,237)**
Insurance service result before reinsurance	-	(26,314)	74	7,687	14,163	83	(4,307)
Insurance revenue	-	(29,423)	-	-	-	-	(29,423)
Measured under the modified retrospective approach	-	(2,200)	-	-	-	-	(2,200)
Measured under the fair value	-	(38)	-	-	-	-	(38)
Other contracts	-	(27,185)	-	-	-	-	(27,185)
Insurance service expenses	-	4,782	74	6,058	14,119	83	25,116
Incurred claims and other insurance service expenses	-	-	(1,132)	6,058	14,119	83	19,128
Incurred in the period	-	-	(1,132)	6,121	13,962	372	19,323
Incurred in the past	-	-	-	(63)	157	(289)	(195)
Amortization of insurance acquisition cash flows	-	4,782	-	-	-	-	4,782
Losses and loss reversals on onerous contracts	-	-	1,206	-	-	-	1,206
investment component	-	(1,673)	-	1,629	44	-	-
Net finance expenses from insurance contracts	-	653	25	8	321	30	1,037
Effect of movements in exchange rates	-	-	-	1	32	-	33
Cash flows	**(5)**	**26,101**	**-**	**(7,654)**	**(13,940)**	**-**	**4,502**
Premiums received	-	31,018	-	-	-	-	31,018
Insurance service expenses paid, including investment components	-	-	-	(7,654)	(13,940)	-	(21,594)
Insurance acquisition cash flows	(5)	(4,917)	-	-	-	-	(4,922)
Other changes	3	71 [1)]	(2)	-	(19)	(1)	52
End of the period	**(2)**	**25,401**	**635**	**837**	**15,398**	**1,265**	**43,534**
Assets	-	(124)	1	8	7	-	(108)
Liabilities	(2)	25,525	634	829	15,391	1,265	43,642

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

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Movement in insurance contract assets and liabilities 1 January – 31 December 2023	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**22,658**	**565**	**730**	**12,361**	**1,136**	**37,450**
Assets	(79)	4	3	4	-	(68)
Liabilities	22,737	561	727	12,357	1,136	37,518
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(21,726)**	**(21)**	**7,178**	**13,889**	**22**	**(658)**
Insurance service result before reinsurance	(23,760)	(44)	7,163	12,605	(86)	(4,122)
Insurance revenue	(26,868)	-	-	-	-	(26,868)
Measured under the modified retrospective approach	(2,243)	-	-	-	-	(2,243)
Measured under the fair value	(43)	-	-	-	-	(43)
Other contracts	(24,582)	-	-	-	-	(24,582)
Insurance service expenses	4,416	(44)	5,915	12,545	(86)	22,746
Incurred claims and other insurance service expenses	-	(1,007)	5,915	12,545	(86)	17,367
Incurred in the period	-	(1,007)	5,960	11,727	340	17,020
Incurred in the past	-	-	(45)	818	(426)	347
Amortization of insurance acquisition cash flows	4,416	-	-	-	-	4,416
Losses and loss reversals on onerous contracts	-	963	-	-	-	963
investment component	(1,308)	-	1,248	60	-	-
Net finance expenses from insurance contracts	2,037	23	15	1,341	113	3,529
Effect of movements in exchange rates	(3)	-	-	(57)	(5)	(65)
Cash flows	**24,057**	**-**	**(7,112)**	**(11,333)**	**-**	**5,612**
Premiums received	28,617	-	-	-	-	28,617
Insurance service expenses paid, including investment components	-	-	(7,112)	(11,333)	-	(18,445)
Insurance acquisition cash flows	(4,560)	-	-	-	-	(4,560)
Other changes	(99)	(6)	(1)	(76)	(5)	(187)
End of the period	**24,890**	**538**	**795**	**14,841**	**1,153**	**42,217**
Assets	(129)	5	9	4	-	(111)
Liabilities	25,019	533	786	14,837	1,153	42,328

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Corporate insurance

Movement in insurance contract assets and liabilities Corporate insurance 1 January – 31 December 2024	Acquisition cash flow assets	LRC		Non-PAA contracts	LIC Contracts under PAA		Total
		excluding the loss component	loss component		estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**-**	**1,292**	**60**	**-**	**5,146**	**443**	**6,941**
Assets	-	(14)	-	-	4	-	(10)
Liabilities	-	1,306	60	-	5,142	443	6,951
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**-**	**(4,077)**	**(8)**	**-**	**2,789**	**104**	**(1,192)**
Insurance service result before reinsurance	-	(4,077)	(8)	-	2,633	91	(1,361)
Insurance revenue	-	(4,704)	-	-	-	-	(4,704)
Measured under the modified retrospective approach	-	-	-	-	-	-	-
Measured under the fair value	-	-	-	-	-	-	-
Other contracts	-	(4,704)	-	-	-	-	(4,704)
Insurance service expenses	-	634	(8)	-	2,626	91	3,343
Incurred claims and other insurance service expenses	-	-	(98)	-	2,626	91	2,619
Incurred in the period	-	-	(98)	-	2,474	164	2,540
Incurred in the past	-	-	-	-	152	(73)	79
Amortization of insurance acquisition cash flows	-	634	-	-	-	-	634
Losses and loss reversals on onerous contracts	-	-	90	-	-	-	90
investment component	-	(7)	-	-	7	-	-
Net finance expenses from insurance contracts	-	-	-	-	116	12	128
Effect of movements in exchange rates	-	-	-	-	40	1	41
Cash flows	**(5)**	**4,197**	**-**	**-**	**(2,600)**	**-**	**1,592**
Premiums received	-	4,877	-	-	-	-	4,877
Insurance service expenses paid, including investment components	-	-	-	-	(2,600)	-	(2,600)
Insurance acquisition cash flows	(5)	(680)	-	-	-	-	(685)
Other changes	3	100 [1)]	-	-	-	-	103
End of the period	**(2)**	**1,512**	**52**	**-**	**5,335**	**547**	**7,444**
Assets	-	(17)	-	-	7	-	(10)
Liabilities	(2)	1,529	52	-	5,328	547	7,454

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

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in insurance contract assets and liabilities Corporate insurance 1 January – 31 December 2023	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**1,124**	**63**	**-**	**3,755**	**501**	**5,443**
Assets	(14)	-	-	3	-	(11)
Liabilities	1,138	63	-	3,752	501	5,454
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(3,519)**	**(3)**	**-**	**3,291**	**(58)**	**(289)**
Insurance service result before reinsurance	(3,518)	(3)	-	3,046	(85)	(560)
Insurance revenue	(4,101)	-	-	-	-	(4,101)
Measured under the modified retrospective approach	-	-	-	-	-	-
Measured under the fair value	-	-	-	-	-	-
Other contracts	(4,101)	-	-	-	-	(4,101)
Insurance service expenses	588	(3)	-	3,041	(85)	3,541
Incurred claims and other insurance service expenses	-	(113)	-	3,041	(85)	2,843
Incurred in the period	-	(113)	-	2,070	153	2,110
Incurred in the past	-	-	-	971	(238)	733
Amortization of insurance acquisition cash flows	588	-	-	-	-	588
Losses and loss reversals on onerous contracts	-	110	-	-	-	110
investment component	(5)	-	-	5	-	-
Net finance expenses from insurance contracts	1	-	-	265	29	295
Effect of movements in exchange rates	(2)	-	-	(20)	(2)	(24)
Cash flows	**3,687**	**-**	**-**	**(1,900)**	**-**	**1,787**
Premiums received	4,297	-	-	-	-	4,297
Insurance service expenses paid, including investment components	-	-	-	(1,900)	-	(1,900)
Insurance acquisition cash flows	(610)	-	-	-	-	(610)
Other changes	-	-	-	-	-	-
End of the period	**1,292**	**60**	**-**	**5,146**	**443**	**6,941**
Assets	(14)	-	-	4	-	(10)
Liabilities	1,306	60	-	5,142	443	6,951

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Mass insurance

Movement in insurance contract assets and liabilities Mass insurance 1 January – 31 December 2024	**LRC**		**LIC**			**Total**
				Contracts under PAA		
	excluding the loss component	**loss component**	**Contracts not under PAA**	**estimated present value of the future cash flows**	**risk adjustment for non-financial risk**	
Beginning of the period	**4,447**	**191**	**-**	**8,756**	**647**	**14,041**
Assets	-	-	-	-	-	-
Liabilities	4,447	191	-	8,756	647	14,041
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(10,176)**	**56**	**-**	**9,723**	**6**	**(391)**
Insurance service result before reinsurance	(10,176)	56	-	9,551	(10)	(579)
Insurance revenue	(13,106)	-	-	-	-	(13,106)
Measured under the modified retrospective approach	-	-	-	-	-	-
Measured under the fair value	-	-	-	-	-	-
Other contracts	(13,106)	-	-	-	-	(13,106)
Insurance service expenses	2,930	56	-	9,551	(10)	12,527
Incurred claims and other insurance service expenses	-	(523)	-	9,551	(10)	9,018
Incurred in the period	-	(523)	-	9,441	175	9,093
Incurred in the past	-	-	-	110	(185)	(75)
Amortization of insurance acquisition cash flows	2,930	-	-	-	-	2,930
Losses and loss reversals on onerous contracts	-	579	-	-	-	579
investment component	-	-	-	-	-	-
Net finance expenses from insurance contracts	-	-	-	181	17	198
Effect of movements in exchange rates	-	-	-	(9)	(1)	(10)
Cash flows	**10,621**	**-**	**-**	**(9,393)**	**-**	**1,228**
Premiums received	13,573	-	-	-	-	13,573
Insurance service expenses paid, including investment components	-	-	-	(9,393)	-	(9,393)
Insurance acquisition cash flows	(2,952)	-	-	-	-	(2,952)
Other changes	-	-	-	-	-	-
End of the period	**4,892**	**247**	**-**	**9,086**	**653**	**14,878**
Assets	-	-	-	-	-	-
Liabilities	4,892	247	-	9,086	653	14,878

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in insurance contract assets and liabilities Mass insurance 1 January – 31 December 2023	LRC		Contracts not under PAA	LIC		Total
				Contracts under PAA		
	excluding the loss component	loss component		estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**4,151**	**233**	-	**7,717**	**576**	**12,677**
Assets	-	-	-	-	-	-
Liabilities	4,151	233	-	7,717	576	12,677
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(9,278)**	**(42)**	-	**8,668**	**71**	**(581)**
Insurance service result before reinsurance	(9,278)	(42)	-	7,668	(7)	(1,659)
Insurance revenue	(11,966)	-	-	-	-	(11,966)
Measured under the modified retrospective approach	-	-	-	-	-	-
Measured under the fair value	-	-	-	-	-	-
Other contracts	(11,966)	-	-	-	-	(11,966)
Insurance service expenses	2,688	(42)	-	7,668	(7)	10,307
Incurred claims and other insurance service expenses	-	(442)	-	7,668	(7)	7,219
Incurred in the period	-	(442)	-	7,694	153	7,405
Incurred in the past	-	-	-	(26)	(160)	(186)
Amortization of insurance acquisition cash flows	2,688	-	-	-	-	2,688
Losses and loss reversals on onerous contracts	-	400	-	-	-	400
investment component	-	-	-	-	-	-
Net finance expenses from insurance contracts	-	-	-	1,040	81	1,121
Effect of movements in exchange rates	-	-	-	(40)	(3)	(43)
Cash flows	**9,574**	-	-	**(7,629)**	-	**1,945**
Premiums received	12,324	-	-	-	-	12,324
Insurance service expenses paid, including investment components	-	-	-	(7,629)	-	(7,629)
Insurance acquisition cash flows	(2,750)	-	-	-	-	(2,750)
Other changes	-	-	-	-	-	-
End of the period	**4,447**	**191**	-	**8,756**	**647**	**14,041**
Assets	-	-	-	-	-	-
Liabilities	4,447	191	-	8,756	647	14,041

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Group and individually continued insurance

Movement in insurance contract assets and liabilities Group and individually continued insurance 1 January – 31 December 2024	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**9,901**	**168**	**702**	**-**	**-**	**10,771**
Assets	-	-	-	-	-	-
Liabilities	9,901	168	702	-	-	10,771
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(7,102)**	**(12)**	**5,803**	**-**	**-**	**(1,311)**
Insurance service result before reinsurance	(7,369)	(34)	5,795	-	-	(1,608)
Insurance revenue	(7,840)	-	-	-	-	(7,840)
Measured under the modified retrospective approach	(1,961)	-	-	-	-	(1,961)
Measured under the fair value	-	-	-	-	-	-
Other contracts	(5,879)	-	-	-	-	(5,879)
Insurance service expenses	471	(34)	5,795	-	-	6,232
Incurred claims and other insurance service expenses	-	(326)	5,795	-	-	5,469
Incurred in the period	-	(326)	5,851	-	-	5,525
Incurred in the past	-	-	(56)	-	-	(56)
Amortization of insurance acquisition cash flows	471	-	-	-	-	471
Losses and loss reversals on onerous contracts	-	292	-	-	-	292
investment component	-	-	-	-	-	
Net finance expenses from insurance contracts	267	22	8	-	-	297
Effect of movements in exchange rates	-	-	-	-	-	-
Cash flows	**6,906**	**-**	**(5,786)**	**-**	**-**	**1,120**
Premiums received	7,411	-	-	-	-	7,411
Insurance service expenses paid, including investment components	-	-	(5,786)	-	-	(5,786)
Insurance acquisition cash flows	(505)	-	-	-	-	(505)
Other changes	-	-	-	-	-	-
End of the period	**9,705**	**156**	**719**	**-**	**-**	**10,580**
Assets	-	-	-	-	-	-
Liabilities	9,705	156	719	-	-	10,580

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in insurance contract assets and liabilities Group and individually continued insurance 1 January – 31 December 2023	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**9,022**	**159**	**647**	**-**	**-**	**9,828**
Assets	(5)	4	1	-	-	-
Liabilities	9,027	155	646	-	-	9,828
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(5,855)**	**9**	**5,684**	**-**	**-**	**(162)**
Insurance service result before reinsurance	(6,928)	(13)	5,672	-	-	(1,269)
Insurance revenue	(7,362)	-	-	-	-	(7,362)
Measured under the modified retrospective approach	(1,971)	-	-	-	-	(1,971)
Measured under the fair value	-	-	-	-	-	-
Other contracts	(5,391)	-	-	-	-	(5,391)
Insurance service expenses	434	(13)	5,672	-	-	6,093
Incurred claims and other insurance service expenses	-	(292)	5,672	-	-	5,380
Incurred in the period	-	(292)	5,706	-	-	5,414
Incurred in the past	-	-	(34)	-	-	(34)
Amortization of insurance acquisition cash flows	434	-	-	-	-	434
Losses and loss reversals on onerous contracts	-	279	-	-	-	279
investment component	-	-	-	-	-	-
Net finance expenses from insurance contracts	1,073	22	12	-	-	1,107
Effect of movements in exchange rates	-	-	-	-	-	-
Cash flows	**6,734**	**-**	**(5,629)**	**-**	**-**	**1,105**
Premiums received	7,198	-	-	-	-	7,198
Insurance service expenses paid, including investment components	-	-	(5,629)	-	-	(5,629)
Insurance acquisition cash flows	(464)	-	-	-	-	(464)
Other changes	-	-	-	-	-	-
End of the period	**9,901**	**168**	**702**	**-**	**-**	**10,771**
Assets	-	-	-	-	-	-
Liabilities	9,901	168	702	-	-	10,771

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Individual insurance

Movement in insurance contract assets and liabilities Individual insurance 1 January – 31 December 2024	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**2,323**	**16**	**68**	**-**	**-**	**2,407**
Assets	(113)	5	9	-	-	(99)
Liabilities	2,436	11	59	-	-	2,506
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(824)**	**7**	**488**	**-**	**-**	**(329)**
Insurance service result before reinsurance	(860)	5	488	-	-	(367)
Insurance revenue	(744)	-	-	-	-	(744)
Measured under the modified retrospective approach	(126)	-	-	-	-	(126)
Measured under the fair value	(32)	-	-	-	-	(32)
Other contracts	(586)	-	-	-	-	(586)
Insurance service expenses	169	5	203	-	-	377
Incurred claims and other insurance service expenses	-	(13)	203	-	-	190
Incurred in the period	-	(13)	226	-	-	213
Incurred in the past	-	-	(23)	-	-	(23)
Amortization of insurance acquisition cash flows	169	-	-	-	-	169
Losses and loss reversals on onerous contracts	-	18	-	-	-	18
investment component	(285)	-	285	-	-	-
Net finance expenses from insurance contracts	36	2	-	-	-	38
Effect of movements in exchange rates	-	-	-	-	-	-
Cash flows	**833**	**-**	**(487)**	**-**	**-**	**346**
Premiums received	1,042	-	-	-	-	1,042
Insurance service expenses paid, including investment components	-	-	(487)	-	-	(487)
Insurance acquisition cash flows	(209)	-	-	-	-	(209)
Other changes	-	-	-	-	-	-
End of the period	**2,332**	**23**	**69**	**-**	**-**	**2,424**
Assets	(103)	1	8	-	-	(94)
Liabilities	2,435	22	61	-	-	2,518

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in insurance contract assets and liabilities Individual insurance 1 January – 31 December 2023	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**2,233**	**6**	**62**	**-**	**-**	**2,301**
Assets	(59)	-	2	-	-	(57)
Liabilities	2,292	6	60	-	-	2,358
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(597)**	**10**	**478**	**-**	**-**	**(109)**
Insurance service result before reinsurance	(778)	9	476	-	-	(293)
Insurance revenue	(637)	-	-	-	-	(637)
Measured under the modified retrospective approach	(138)	-	-	-	-	(138)
Measured under the fair value	(36)	-	-	-	-	(36)
Other contracts	(463)	-	-	-	-	(463)
Insurance service expenses	154	9	181	-	-	344
Incurred claims and other insurance service expenses	-	(8)	181	-	-	173
Incurred in the period	-	(8)	206	-	-	198
Incurred in the past	-	-	(25)	-	-	(25)
Amortization of insurance acquisition cash flows	154	-	-	-	-	154
Losses and loss reversals on onerous contracts	-	17	-	-	-	17
investment component	(295)	-	295	-	-	-
Net finance expenses from insurance contracts	181	1	2	-	-	184
Effect of movements in exchange rates	-	-	-	-	-	-
Cash flows	**687**	**-**	**(472)**	**-**	**-**	**215**
Premiums received	872	-	-	-	-	872
Insurance service expenses paid, including investment components	-	-	(472)	-	-	(472)
Insurance acquisition cash flows	(185)	-	-	-	-	(185)
Other changes	-	-	-	-	-	-
End of the period	**2,323**	**16**	**68**	**-**	**-**	**2,407**
Assets	(113)	5	9	-	-	(99)
Liabilities	2,436	11	59	-	-	2,506

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Investment insurance

Movement in insurance contract assets and liabilities Investment insurance 1 January – 31 December 2024	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**5,807**	**31**	**12**	**-**	**-**	**5,850**
Assets	-	-	-	-	-	-
Liabilities	5,807	31	12	-	-	5,850
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(1,059)**	**43**	**1,329**	**-**	**-**	**313**
Insurance service result before reinsurance	(1,376)	43	1,329	-	-	(4)
Insurance revenue	(104)	-	-	-	-	(104)
Measured under the modified retrospective approach	(67)	-	-	-	-	(67)
Measured under the fair value	-	-	-	-	-	-
Other contracts	(37)	-	-	-	-	(37)
Insurance service expenses	31	43	26	-	-	100
Incurred claims and other insurance service expenses	-	(15)	26	-	-	11
Incurred in the period	-	(15)	11	-	-	(4)
Incurred in the past	-	-	15	-	-	15
Amortization of insurance acquisition cash flows	31	-	-	-	-	31
Losses and loss reversals on onerous contracts	-	58	-	-	-	58
investment component	(1,303)	-	1,303	-	-	-
Net finance expenses from insurance contracts	317	-	-	-	-	317
Effect of movements in exchange rates	-	-	-	-	-	-
Cash flows	**1,060**	**-**	**(1,307)**	**-**	**-**	**(247)**
Premiums received	1,067	-	-	-	-	1,067
Insurance service expenses paid, including investment components	-	-	(1,307)	-	-	(1,307)
Insurance acquisition cash flows	(7)	-	-	-	-	(7)
Other changes	-	-	-	-	-	-
End of the period	**5,808**	**74**	**34**	**-**	**-**	**5,916**
Assets	-	-	-	-	-	-
Liabilities	5,808	74	34	-	-	5,916

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in insurance contract assets and liabilities Investment insurance 1 January – 31 December 2023	**LRC**		**LIC**			**Total**
				Contracts under PAA		
	excluding the loss component	**loss component**	**Contracts not under PAA**	**estimated present value of the future cash flows**	**risk adjustment for non-financial risk**	
Beginning of the period	**5,062**	**33**	**8**	**-**	**-**	**5,103**
Assets	-	-	-	-	-	-
Liabilities	5,062	33	8	-	-	5,103
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(196)**	**(2)**	**946**	**-**	**-**	**748**
Insurance service result before reinsurance	(974)	(2)	946	-	-	(30)
Insurance revenue	(93)	-	-	-	-	(93)
Measured under the modified retrospective approach	(67)	-	-	-	-	(67)
Measured under the fair value	-	-	-	-	-	-
Other contracts	(26)	-	-	-	-	(26)
Insurance service expenses	39	(2)	26	-	-	63
Incurred claims and other insurance service expenses	-	(9)	26	-	-	17
Incurred in the period	-	(9)	11	-	-	2
Incurred in the past	-	-	15	-	-	15
Amortization of insurance acquisition cash flows	39	-	-	-	-	39
Losses and loss reversals on onerous contracts	-	7	-	-	-	7
investment component	(920)	-	920	-	-	-
Net finance expenses from insurance contracts	778	-	-	-	-	778
Effect of movements in exchange rates	-	-	-	-	-	-
Cash flows	**941**	**-**	**(942)**	**-**	**-**	**(1)**
Premiums received	947	-	-	-	-	947
Insurance service expenses paid, including investment components	-	-	(942)	-	-	(942)
Insurance acquisition cash flows	(6)	-	-	-	-	(6)
Other changes	-	-	-	-	-	-
End of the period	**5,807**	**31**	**12**	**-**	**-**	**5,850**
Assets	-	-	-	-	-	-
Liabilities	5,807	31	12	-	-	5,850

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Baltic States

Movement in insurance contract assets and liabilities Baltic States 1 January – 31 December 2024	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**913**	**67**	**6**	**870**	**55**	**1,911**
Assets	(2)	-	-	-	-	(2)
Liabilities	915	67	6	870	55	1,913
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(2,242)**	**-**	**60**	**1,850**	**4**	**(328)**
Insurance service result before reinsurance	(2,278)	-	60	1,830	3	(385)
Insurance revenue	(2,683)	-	-	-	-	(2,683)
Measured under the modified retrospective approach	(30)	-	-	-	-	(30)
Measured under the fair value	(6)	-	-	-	-	(6)
Other contracts	(2,647)	-	-	-	-	(2,647)
Insurance service expenses	477	-	25	1,793	3	2,298
Incurred claims and other insurance service expenses	-	(145)	25	1,793	3	1,676
Incurred in the period	-	(145)	25	1,883	30	1,793
Incurred in the past	-	-	-	(90)	(27)	(117)
Amortization of insurance acquisition cash flows	477	-	-	-	-	477
Losses and loss reversals on onerous contracts	-	145	-	-	-	145
investment component	(72)	-	35	37	-	-
Net finance expenses from insurance contracts	36	-	-	20	1	57
Effect of movements in exchange rates	-	-	-	-	-	-
Cash flows	**2,293**	**-**	**(60)**	**(1,793)**	**-**	**440**
Premiums received	2,788	-	-	-	-	2,788
Insurance service expenses paid, including investment components	-	-	(60)	(1,793)	-	(1,853)
Insurance acquisition cash flows	(495)	-	-	-	-	(495)
Other changes	(16)	(1)	-	(15)	(1)	(33)
End of the period	**948**	**66**	**6**	**912**	**58**	**1,990**
Assets	(4)	-	-	-	-	(4)
Liabilities	952	66	6	912	58	1,994

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in insurance contract assets and liabilities Baltic States 1 January – 31 December 2023	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**829**	**69**	**5**	**816**	**51**	**1,770**
Assets	(1)	-	-	1	-	-
Liabilities	830	69	5	815	51	1,770
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(2,089)**	**3**	**56**	**1,802**	**8**	**(220)**
Insurance service result before reinsurance	(2,122)	3	56	1,770	6	(287)
Insurance revenue	(2,489)	-	-	-	-	(2,489)
Measured under the modified retrospective approach	(31)	-	-	-	-	(31)
Measured under the fair value	(7)	-	-	-	-	(7)
Other contracts	(2,451)	-	-	-	-	(2,451)
Insurance service expenses	455	3	23	1,715	6	2,202
Incurred claims and other insurance service expenses	-	(142)	23	1,715	6	1,602
Incurred in the period	-	(142)	24	1,832	31	1,745
Incurred in the past	-	-	(1)	(117)	(25)	(143)
Amortization of insurance acquisition cash flows	455	-	-	-	-	455
Losses and loss reversals on onerous contracts	-	145	-	-	-	145
investment component	(88)	-	33	55	-	-
Net finance expenses from insurance contracts	33	-	-	31	2	66
Effect of movements in exchange rates	-	-	-	1	-	1
Cash flows	2,239	-	(55)	(1,683)	-	501
Premiums received	2,717	-	-	-	-	2,717
Insurance service expenses paid, including investment components	-	-	(55)	(1,683)	-	(1,738)
Insurance acquisition cash flows	(478)	-	-	-	-	(478)
Other changes	(66)	(5)	-	(65)	(4)	(140)
End of the period	**913**	**67**	**6**	**870**	**55**	**1,911**
Assets	(2)	-	-	-	-	(2)
Liabilities	915	67	6	870	55	1,913

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Ukraine

Movement in insurance contract assets and liabilities Ukraine 1 January – 31 December 2024	**LRC**		**LIC**			**Total**
				Contracts under PAA		
	excluding the loss component	**loss component**	**Contracts not under PAA**	**estimated present value of the future cash flows**	**risk adjustment for non-financial risk**	
Beginning of the period	**207**	**5**	**7**	**69**	**8**	**296**
Assets	-	-	-	-	-	-
Liabilities	207	5	7	69	8	296
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(181)**	**13**	**16**	**154**	**(1)**	**1**
Insurance service result before reinsurance	(178)	12	15	149	(1)	(3)
Insurance revenue	(242)	-	-	-	-	(242)
Measured under the modified retrospective approach	(16)	-	-	-	-	(16)
Measured under the fair value	-	-	-	-	-	-
Other contracts	(226)	-	-	-	-	(226)
Insurance service expenses	70	12	9	149	(1)	239
Incurred claims and other insurance service expenses	-	(12)	9	149	(1)	145
Incurred in the period	-	(12)	8	164	3	163
Incurred in the past	-	-	1	(15)	(4)	(18)
Amortization of insurance acquisition cash flows	70	-	-	-	-	70
Losses and loss reversals on onerous contracts	-	24	-	-	-	24
investment component	(6)	-	6	-	-	-
Net finance expenses from insurance contracts	(3)	1	-	4	-	2
Effect of movements in exchange rates	-	-	1	1	-	2
Cash flows	**191**	**-**	**(14)**	**(154)**	**-**	**23**
Premiums received	260	-	-	-	-	260
Insurance service expenses paid, including investment components	-	-	(14)	(154)	-	(168)
Insurance acquisition cash flows	(69)	-	-	-	-	(69)
Other changes	(13)	(1)	-	(4)	-	(18)
End of the period	**204**	**17**	**9**	**65**	**7**	**302**
Assets	-	-	-	-	-	-
Liabilities	204	17	9	65	7	302

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in insurance contract assets and liabilities Ukraine 1 January – 31 December 2023	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss component	loss component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**237**	**2**	**8**	**73**	**8**	**328**
Assets	-	-	-	-	-	-
Liabilities	237	2	8	73	8	328
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(192)**	**4**	**14**	**128**	**1**	**(45)**
Insurance service result before reinsurance	(162)	4	13	121	-	(24)
Insurance revenue	(220)	-	-	-	-	(220)
Measured under the modified retrospective approach	(36)	-	-	-	-	(36)
Measured under the fair value	-	-	-	-	-	-
Other contracts	(184)	-	-	-	-	(184)
Insurance service expenses	58	4	13	121	-	196
Incurred claims and other insurance service expenses	-	(1)	13	121	-	133
Incurred in the period	-	(1)	13	131	3	146
Incurred in the past	-	-	-	(10)	(3)	(13)
Amortization of insurance acquisition cash flows	58	-	-	-	-	58
Losses and loss reversals on onerous contracts	-	5	-	-	-	5
investment component	-	-	-	-	-	-
Net finance expenses from insurance contracts	(29)	-	1	5	1	(22)
Effect of movements in exchange rates	(1)	-	-	2	-	1
Cash flows	**195**	**-**	**(14)**	**(121)**	**-**	**60**
Premiums received	262	-	-	-	-	262
Insurance service expenses paid, including investment components	-	-	(14)	(121)	-	(135)
Insurance acquisition cash flows	(67)	-	-	-	-	(67)
Other changes	(33)	(1)	(1)	(11)	(1)	(47)
End of the period	**207**	**5**	**7**	**69**	**8**	**296**
Assets	-	-	-	-	-	-
Liabilities	207	5	7	69	8	296

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

11.4.1.2. Analysis by measured component – non-PAA contracts

Movement in insurance contract assets and liabilities Non-PAA insurance contracts 1 January – 31 December 2024	Estimated present value of the future cash flows	Risk adjustment for non-financial risk	CSM				Total
			Measurement under modified retrospective transition approach	Measurement under fair value retrospective transition approach	Other contracts	CSM, total	
Beginning of the period	**9,179**	**1,542**	**4,563**	**22**	**4,178**	**8,763**	**19,484**
Assets	(497)	84	28	-	285	313	(100)
Liabilities	9,676	1,458	4,535	22	3,893	8,450	19,584
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(1,664)**	**38**	**(246)**	**-**	**571**	**325**	**(1,301)**
Insurance service result before reinsurance	(1,932)	26	(450)	-	368	(82)	(1,988)
Changes that relate to future services	(1,375)	205	141	2	1,405	1,548	378
Contracts initially recognized in the period	(1,039)	150	-	-	1,291	1,291	402
Changes that adjust the CSM	(266)	32	136	2	112	250	16
Changes on onerous contracts	(70)	23	5	-	2	7	(40)
Changes that relate to current services	(518)	(154)	(591)	(2)	(1,037)	(1,630)	(2,302)
CSM recognized for services provided	-	-	(591)	(2)	(1,037)	(1,630)	(1,630)
Changes in risk adjustments for non-financial risks for the period	-	(154)	-	-	-	-	(154)
Experience adjustment for current service	(518)	-	-	-	-	-	(518)
Changes that relate to past services – changes for claims and other insurance service expenses	(39)	(25)	-	-	-	-	(64)
Net finance expenses from insurance contracts	267	12	204	-	203	407	686
Effect of movements in exchange rates	1	-	-	-	-	-	1
Cash flows	**1,256**	**-**	**-**	**-**	**-**	**-**	**1,256**
Premiums received	9,657	-	-	-	-	-	9,657
Insurance service expenses paid, including investment component	(7,654)	-	-	-	-	-	(7,654)
Insurance acquisition cash flows	(747)	-	-	-	-	-	(747)
Other changes	(9)	(3)	(3)	-	(1)	(4)	(16)
End of the period	**8,762**	**1,577**	**4,314**	**22**	**4,748**	**9,084**	**19,423**
Assets	(635)	108	25	-	405	430	(97)
Liabilities	9,397	1,469	4,289	22	4,343	8,654	19,520

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Movement in insurance contract assets and liabilities Non-PAA insurance contracts 1 January – 31 December 2023	Estimated present value of the future cash flows	Risk adjustment for non-financial risk	CSM				Total
			Measurement under modified retrospective transition approach	Measurement under fair value retrospective transition approach	Other contracts	CSM, total	
Beginning of the period	**7,961**	**1,388**	**4,639**	**29**	**3,680**	**8,348**	**17,697**
Assets	(302)	47	26	-	172	198	(57)
Liabilities	8,263	1,341	4,613	29	3,508	8,150	17,754
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(128)**	**160**	**(62)**	**(6)**	**500**	**432**	**464**
Insurance service result before reinsurance	(1,596)	(70)	(271)	(6)	333	56	(1,610)
Changes that relate to future services	(1,376)	98	323	(4)	1,267	1,586	308
Contracts initially recognized in the period	(1,058)	134	-	-	1,260	1,260	336
Changes that adjust the CSM	(266)	(43)	319	(4)	4	319	10
Changes on onerous contracts	(52)	7	4	-	3	7	(38)
Changes that relate to current services	(200)	(142)	(594)	(2)	(934)	(1,530)	(1,872)
CSM recognized for services provided	-	-	(594)	(2)	(934)	(1,530)	(1,530)
Changes in risk adjustments for non-financial risks for the period	-	(142)	-	-	-	-	(142)
Experience adjustment for current service	(200)	-	-	-	-	-	(200)
Changes that relate to past services – changes for claims and other insurance service expenses	(20)	(26)	-	-	-	-	(46)
Net finance expenses from insurance contracts	1,468	230	209	-	167	376	2,074
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**1,371**	**-**	**-**	**-**	**-**	**-**	**1,371**
Premiums received	9,164	-	-	-	-	-	9,164
Insurance service expenses paid, including investment component	(7,112)	-	-	-	-	-	(7,112)
Insurance acquisition cash flows	(681)	-	-	-	-	-	(681)
Other changes	(25)	(6)	(14)	(1)	(2)	(17)	(48)
End of the period	**9,179**	**1,542**	**4,563**	**22**	**4,178**	**8,763**	**19,484**
Assets	(497)	84	28	-	285	313	(100)
Liabilities	9,676	1,458	4,535	22	3,893	8,450	19,584

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Group and individually continued insurance

Movement in insurance contract assets and liabilities Non-PAA insurance contracts Group and individually continued insurance 1 January – 31 December 2024	Estimated present value of the future cash flows	Risk adjustment for non-financial risk	CSM				Total
			Measurement under modified retrospective transition approach	Measurement under fair value retrospective transition approach	Other contracts	CSM, total	
Beginning of the period	**2,348**	**1,123**	**3,913**	**-**	**3,387**	**7,300**	**10,771**
Assets	-	-	-	-	-	-	-
Liabilities	2,348	1,123	3,913	-	3,387	7,300	10,771
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(1,445)**	**(34)**	**(161)**	**-**	**329**	**168**	**(1,311)**
Insurance service result before reinsurance	(1,381)	(47)	(348)	-	168	(180)	(1,608)
Changes that relate to future services	(888)	94	149	-	938	1,087	293
Contracts initially recognized in the period	(556)	88	-	-	852	852	384
Changes that adjust the CSM	(237)	9	144	-	84	228	-
Changes on onerous contracts	(95)	(3)	5	-	2	7	(91)
Changes that relate to current services	(459)	(120)	(497)	-	(770)	(1,267)	(1,846)
CSM recognized for services provided	-	-	(497)	-	(770)	(1,267)	(1,267)
Changes in risk adjustments for non-financial risks for the period	-	(120)	-	-	-	-	(120)
Experience adjustment for current service	(459)	-	-	-	-	-	(459)
Changes that relate to past services – changes for claims and other insurance service expenses	(34)	(21)	-	-	-	-	(55)
Net finance expenses from insurance contracts	(64)	13	187	-	161	348	297
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**1,120**	**-**	**-**	**-**	**-**	**-**	**1,120**
Premiums received	7,411	-	-	-	-	-	7,411
Insurance service expenses paid, including investment component	(5,786)	-	-	-	-	-	(5,786)
Insurance acquisition cash flows	(505)	-	-	-	-	-	(505)
Other changes	-	-	-	-	-	-	-
End of the period	**2,023**	**1,089**	**3,752**	**-**	**3,716**	**7,468**	**10,580**
Assets	-	-	-	-	-	-	-
Liabilities	2,023	1,089	3,752	-	3,716	7,468	10,580

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in insurance contract assets and liabilities Non-PAA insurance contracts Group and individually continued insurance 1 January – 31 December 2023	Estimated present value of the future cash flows	Risk adjustment for non-financial risk	CSM				Total
			Measurement under modified retrospective transition approach	Measurement under fair value retrospective transition approach	Other contracts	CSM, total	
Beginning of the period	**1,760**	**1,014**	**3,973**	**-**	**3,081**	**7,054**	**9,828**
Assets	-	-	-	-	-	-	-
Liabilities	1,760	1,014	3,973	-	3,081	7,054	9,828
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(517)**	**109**	**(60)**	**-**	**306**	**246**	**(162)**
Insurance service result before reinsurance	(1,106)	(80)	(250)	-	167	(83)	(1,269)
Changes that relate to future services	(911)	50	248	-	892	1,140	279
Contracts initially recognized in the period	(698)	82	-	-	940	940	324
Changes that adjust the CSM	(168)	(32)	248	-	(48)	200	-
Changes on onerous contracts	(45)	-	-	-	-	-	(45)
Changes that relate to current services	(181)	(109)	(498)	-	(725)	(1,223)	(1,513)
CSM recognized for services provided	-	-	(498)	-	(725)	(1,223)	(1,223)
Changes in risk adjustments for non-financial risks for the period	-	(109)	-	-	-	-	(109)
Experience adjustment for current service	(181)	-	-	-	-	-	(181)
Changes that relate to past services – changes for claims and other insurance service expenses	(14)	(21)	-	-	-	-	(35)
Net finance expenses from insurance contracts	589	189	190	-	139	329	1,107
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**1,105**	**-**	**-**	**-**	**-**	**-**	**1,105**
Premiums received	7,198	-	-	-	-	-	7,198
Insurance service expenses paid, including investment component	(5,629)	-	-	-	-	-	(5,629)
Insurance acquisition cash flows	(464)	-	-	-	-	-	(464)
Other changes	-	-	-	-	-	-	-
End of the period	**2,348**	**1,123**	**3,913**	**-**	**3,387**	**7,300**	**10,771**
Assets	-	-	-	-	-	-	-
Liabilities	2,348	1,123	3,913	-	3,387	7,300	10,771

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Individual insurance

Movement in insurance contract assets and liabilities Non-PAA insurance contracts Individual insurance 1 January – 31 December 2024	**Estimated present value of the future cash flows**	**Risk adjustment for non-financial risk**	**CSM**				**Total**
			Measurement under modified retrospective transition approach	**Measurement under fair value retrospective transition approach**	**Other contracts**	**CSM, total**	
Beginning of the period	**1,155**	**220**	**332**	**3**	**697**	**1,032**	**2,407**
Assets	(494)	84	28	-	283	311	(99)
Liabilities	1,649	136	304	3	414	721	2,506
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(544)**	**45**	**(42)**	**1**	**211**	**170**	**(329)**
Insurance service result before reinsurance	(528)	46	(57)	1	171	115	(367)
Changes that relate to future services	(460)	67	(7)	1	416	410	17
Contracts initially recognized in the period	(418)	43	-	-	387	387	12
Changes that adjust the CSM	(42)	20	(7)	1	29	23	1
Changes on onerous contracts	-	4	-	-	-	-	4
Changes that relate to current services	(49)	(17)	(50)	-	(245)	(295)	(361)
CSM recognized for services provided	-	-	(50)	-	(245)	(295)	(295)
Changes in risk adjustments for non-financial risks for the period	-	(17)	-	-	-	-	(17)
Experience adjustment for current service	(49)	-	-	-	-	-	(49)
Changes that relate to past services – changes for claims and other insurance service expenses	(19)	(4)	-	-	-	-	(23)
Net finance expenses from insurance contracts	(16)	(1)	15	-	40	55	38
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**346**	**-**	**-**	**-**	**-**	**-**	**346**
Premiums received	1,042	-	-	-	-	-	1,042
Insurance service expenses paid, including investment component	(487)	-	-	-	-	-	(487)
Insurance acquisition cash flows	(209)	-	-	-	-	-	(209)
Other changes	-	-	-	-	-	-	-
End of the period	**957**	**265**	**290**	**4**	**908**	**1,202**	**2,424**
Assets	(627)	107	25	-	401	426	(94)
Liabilities	1,584	158	265	4	507	776	2,518

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in insurance contract assets and liabilities Non-PAA insurance contracts Individual insurance 1 January – 31 December 2023	Estimated present value of the future cash flows	Risk adjustment for non-financial risk	CSM				Total
			Measurement under modified retrospective transition approach	Measurement under fair value retrospective transition approach	Other contracts	CSM, total	
Beginning of the period	**1,228**	**181**	**347**	**9**	**536**	**892**	**2,301**
Assets	(301)	47	25	-	172	197	(57)
Liabilities	1,529	134	322	9	364	695	2,358
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(288)**	**39**	**(15)**	**(6)**	**161**	**140**	**(109)**
Insurance service result before reinsurance	(393)	1	(30)	(6)	135	99	(293)
Changes that relate to future services	(347)	21	26	(6)	323	343	17
Contracts initially recognized in the period	(304)	39	-	-	272	272	7
Changes that adjust the CSM	(47)	(17)	26	(6)	51	71	7
Changes on onerous contracts	4	(1)	-	-	-	-	3
Changes that relate to current services	(26)	(15)	(56)	-	(188)	(244)	(285)
CSM recognized for services provided	-	-	(56)	-	(188)	(244)	(244)
Changes in risk adjustments for non-financial risks for the period	-	(15)	-	-	-	-	(15)
Experience adjustment for current service	(26)	-	-	-	-	-	(26)
Changes that relate to past services – changes for claims and other insurance service expenses	(20)	(5)	-	-	-	-	(25)
Net finance expenses from insurance contracts	105	38	15	-	26	41	184
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**215**	**-**	**-**	**-**	**-**	**-**	**215**
Premiums received	872	-	-	-	-	-	872
Insurance service expenses paid, including investment component	(472)	-	-	-	-	-	(472)
Insurance acquisition cash flows	(185)	-	-	-	-	-	(185)
Other changes	-	-	-	-	-	-	-
End of the period	**1,155**	**220**	**332**	**3**	**697**	**1,032**	**2,407**
Assets	(494)	84	28	-	283	311	(99)
Liabilities	1,649	136	304	3	414	721	2,506

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Investment insurance

Movement in insurance contract assets and liabilities **Non-PAA insurance contracts** **Investment insurance** **1 January – 31 December 2024**	**Estimated present value of the future cash flows**	**Risk adjustment for non-financial risk**	**CSM**				**Total**
			Measurement under modified retrospective transition approach	**Measurement under fair value retrospective transition approach**	**Other contracts**	**CSM, total**	
Beginning of the period	**5,473**	**134**	**185**	**-**	**58**	**243**	**5,850**
Assets	-	-	-	-	-	-	-
Liabilities	5,473	134	185	-	58	243	5,850
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**320**	**21**	**(33)**	**-**	**5**	**(28)**	**313**
Insurance service result before reinsurance	5	21	(33)	-	3	(30)	(4)
Changes that relate to future services	7	36	(6)	-	21	15	58
Contracts initially recognized in the period	(32)	12	-	-	23	23	3
Changes that adjust the CSM	16	3	(6)	-	(2)	(8)	11
Changes on onerous contracts	23	21	-	-	-	-	44
Changes that relate to current services	(16)	(15)	(27)	-	(18)	(45)	(76)
CSM recognized for services provided	-	-	(27)	-	(18)	(45)	(45)
Changes in risk adjustments for non-financial risks for the period	-	(15)	-	-	-	-	(15)
Experience adjustment for current service	(16)	-	-	-	-	-	(16)
Changes that relate to past services – changes for claims and other insurance service expenses	14	-	-	-	-	-	14
Net finance expenses from insurance contracts	315	-	-	-	2	2	317
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**(247)**	**-**	**-**	**-**	**-**	**-**	**(247)**
Premiums received	1,067	-	-	-	-	-	1,067
Insurance service expenses paid, including investment component	(1,307)	-	-	-	-	-	(1,307)
Insurance acquisition cash flows	(7)	-	-	-	-	-	(7)
Other changes	-	-	-	-	-	-	-
End of the period	**5,546**	**155**	**152**	**-**	**63**	**215**	**5,916**
Assets	-	-	-	-	-	-	-
Liabilities	5,546	155	152	-	63	215	5,916

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in insurance contract assets and liabilities Non-PAA insurance contracts Investment insurance 1 January – 31 December 2023	Estimated present value of the future cash flows	Risk adjustment for non-financial risk	CSM				Total
			Measurement under modified retrospective transition approach	Measurement under fair value retrospective transition approach	Other contracts	CSM, total	
Beginning of the period	**4,753**	**131**	**178**	**-**	**41**	**219**	**5,103**
Assets	-	-	-	-	-	-	-
Liabilities	4,753	131	178	-	41	219	5,103
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**721**	**3**	**7**	**-**	**17**	**24**	**748**
Insurance service result before reinsurance	(54)	3	6	-	15	21	(30)
Changes that relate to future services	(76)	18	33	-	33	66	8
Contracts initially recognized in the period	(35)	8	-	-	31	31	4
Changes that adjust the CSM	(29)	2	29	-	-	29	2
Changes on onerous contracts	(12)	8	4	-	2	6	2
Changes that relate to current services	7	(15)	(27)	-	(18)	(45)	(53)
CSM recognized for services provided	-	-	(27)	-	(18)	(45)	(45)
Changes in risk adjustments for non-financial risks for the period	-	(15)	-	-	-	-	(15)
Experience adjustment for current service	7	-	-	-	-	-	7
Changes that relate to past services – changes for claims and other insurance service expenses	15	-	-	-	-	-	15
Net finance expenses from insurance contracts	775	-	1	-	2	3	778
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Premiums received	947	-	-	-	-	-	947
Insurance service expenses paid, including investment component	(942)	-	-	-	-	-	(942)
Insurance acquisition cash flows	(6)	-	-	-	-	-	(6)
Other changes	-	-	-	-	-	-	-
End of the period	**5,473**	**134**	**185**	**-**	**58**	**243**	**5,850**
Assets	-	-	-	-	-	-	-
Liabilities	5,473	134	185	-	58	243	5,850

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Baltic States

Movement in insurance contract assets and liabilities Non-PAA insurance contracts Baltic States 1 January – 31 December 2024	Estimated present value of the future cash flows	Risk adjustment for non-financial risk	CSM				Total
			Measurement under modified retrospective transition approach	Measurement under fair value retrospective transition approach	Other contracts	CSM, total	
Beginning of the period	**97**	**53**	**96**	**19**	**34**	**149**	**299**
Assets	(3)	-	-	-	2	2	(1)
Liabilities	100	53	96	19	32	147	300
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(2)**	**1**	**1**	**(1)**	**26**	**26**	**25**
Insurance service result before reinsurance	(37)	-	1	(1)	26	26	(11)
Changes that relate to future services	(42)	2	10	1	29	40	-
Contracts initially recognized in the period	(35)	7	-	-	28	28	-
Changes that adjust the CSM	(7)	(5)	10	1	1	12	-
Changes on onerous contracts	-	-	-	-	-	-	-
Changes that relate to current services	5	(2)	(9)	(2)	(3)	(14)	(11)
CSM recognized for services provided	-	-	(9)	(2)	(3)	(14)	(14)
Changes in risk adjustments for non-financial risks for the period	-	(2)	-	-	-	-	(2)
Experience adjustment for current service	5	-	-	-	-	-	5
Changes that relate to past services – changes for claims and other insurance service expenses	-	-	-	-	-	-	-
Net finance expenses from insurance contracts	35	1	-	-	-	-	36
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**20**	**-**	**-**	**-**	**-**	**-**	**20**
Premiums received	99	-	-	-	-	-	99
Insurance service expenses paid, including investment component	(60)	-	-	-	-	-	(60)
Insurance acquisition cash flows	(19)	-	-	-	-	-	(19)
Other changes	(2)	(2)	(1)	-	(1)	(2)	(6)
End of the period	**113**	**52**	**96**	**18**	**59**	**173**	**338**
Assets	(8)	1	-	-	4	4	(3)
Liabilities	121	51	96	18	55	169	341

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Movement in insurance contract assets and liabilities **Non-PAA insurance contracts** **Baltic States** **1 January – 31 December 2023**	**Estimated present value of the future cash flows**	**Risk adjustment for non-financial risk**	**CSM**				**Total**
			Measurement under modified retrospective transition approach	**Measurement under fair value retrospective transition approach**	**Other contracts**	**CSM, total**	
Beginning of the period	**80**	**46**	**100**	**20**	**20**	**140**	**266**
Assets	(1)	-	1	-	-	1	-
Liabilities	81	46	99	20	20	139	266
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(7)**	**10**	**4**	**-**	**16**	**20**	**23**
Insurance service result before reinsurance	(39)	9	4	-	16	20	(10)
Changes that relate to future services	(43)	11	13	2	18	33	1
Contracts initially recognized in the period	(21)	5	-	-	16	16	-
Changes that adjust the CSM	(21)	6	13	2	1	16	1
Changes on onerous contracts	(1)	-	-	-	1	1	-
Changes that relate to current services	5	(2)	(9)	(2)	(2)	(13)	(10)
CSM recognized for services provided	-	-	(9)	(2)	(2)	(13)	(13)
Changes in risk adjustments for non-financial risks for the period	-	(2)	-	-	-	-	(2)
Experience adjustment for current service	5	-	-	-	-	-	5
Changes that relate to past services – changes for claims and other insurance service expenses	(1)	-	-	-	-	-	(1)
Net finance expenses from insurance contracts	32	1	-	-	-	-	33
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**31**	**-**	**-**	**-**	**-**	**-**	**31**
Premiums received	100	-	-	-	-	-	100
Insurance service expenses paid, including investment component	(55)	-	-	-	-	-	(55)
Insurance acquisition cash flows	(14)	-	-	-	-	-	(14)
Other changes	(7)	(3)	(8)	(1)	(2)	(11)	(21)
End of the period	**97**	**53**	**96**	**19**	**34**	**149**	**299**
Assets	(3)	-	-	-	2	2	(1)
Liabilities	100	53	96	19	32	147	300

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Ukraine

Movement in insurance contract assets and liabilities Non-PAA insurance contracts Ukraine 1 January – 31 December 2024	**Estimated present value of the future cash flows**	**Risk adjustment for non-financial risk**	**CSM**				**Total**
			Measurement under modified retrospective transition approach	**Measurement under fair value retrospective transition approach**	**Other contracts**	**CSM, total**	
Beginning of the period	**106**	**12**	**37**	**-**	**2**	**39**	**157**
Assets	-	-	-	-	-	-	-
Liabilities	106	12	37	-	2	39	157
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**7**	**5**	**(11)**	**-**	**-**	**(11)**	**1**
Insurance service result before reinsurance	9	6	(13)	-	-	(13)	2
Changes that relate to future services	8	6	(5)	-	1	(4)	10
Contracts initially recognized in the period	2	-	-	-	1	1	3
Changes that adjust the CSM	4	5	(5)	-	-	(5)	4
Changes on onerous contracts	2	1	-	-	-	-	3
Changes that relate to current services	1	-	(8)	-	(1)	(9)	(8)
CSM recognized for services provided	-	-	(8)	-	(1)	(9)	(9)
Changes in risk adjustments for non-financial risks for the period	-	-	-	-	-	-	-
Experience adjustment for current service	1	-	-	-	-	-	1
Changes that relate to past services – changes for claims and other insurance service expenses	-	-	-	-	-	-	-
Net finance expenses from insurance contracts	(3)	(1)	2	-	-	2	(2)
Effect of movements in exchange rates	1	-	-	-	-	-	1
Cash flows	**17**	**-**	**-**	**-**	**-**	**-**	**17**
Premiums received	38	-	-	-	-	-	38
Insurance service expenses paid, including investment component	(14)	-	-	-	-	-	(14)
Insurance acquisition cash flows	(7)	-	-	-	-	-	(7)
Other changes	(7)	(1)	(2)	-	-	(2)	(10)
End of the period	**123**	**16**	**24**	**-**	**2**	**26**	**165**
Assets	-	-	-	-	-	-	-
Liabilities	123	16	24	-	2	26	165

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Movement in insurance contract assets and liabilities Non-PAA insurance contracts Ukraine 1 January – 31 December 2023	Estimated present value of the future cash flows	Risk adjustment for non-financial risk	CSM				Total
			Measurement under modified retrospective transition approach	Measurement under fair value retrospective transition approach	Other contracts	CSM, total	
Beginning of the period	**140**	**16**	**41**	**-**	**2**	**43**	**199**
Assets	-	-	-	-	-	-	-
Liabilities	140	16	41	-	2	43	199
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**(37)**	**(1)**	**2**	**-**	**-**	**2**	**(36)**
Insurance service result before reinsurance	(4)	(3)	(1)	-	-	(1)	(8)
Changes that relate to future services	1	(2)	3	-	1	4	3
Contracts initially recognized in the period	-	-	-	-	1	1	1
Changes that adjust the CSM	(1)	(2)	3	-	-	3	-
Changes on onerous contracts	2	-	-	-	-	-	2
Changes that relate to current services	(5)	(1)	(4)	-	(1)	(5)	(11)
CSM recognized for services provided	-	-	(4)	-	(1)	(5)	(5)
Changes in risk adjustments for non-financial risks for the period	-	(1)	-	-	-	-	(1)
Experience adjustment for current service	(5)	-	-	-	-	-	(5)
Changes that relate to past services – changes for claims and other insurance service expenses	-	-	-	-	-	-	-
Net finance expenses from insurance contracts	(33)	2	3	-	-	3	(28)
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	**21**	**-**	**-**	**-**	**-**	**-**	**21**
Premiums received	47	-	-	-	-	-	47
Insurance service expenses paid, including investment component	(14)	-	-	-	-	-	(14)
Insurance acquisition cash flows	(12)	-	-	-	-	-	(12)
Other changes	(18)	(3)	(6)	-	-	(6)	(27)
End of the period	**106**	**12**	**37**	**-**	**2**	**39**	**157**
Assets	-	-	-	-	-	-	-
Liabilities	106	12	37	-	2	39	157

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11.5 Reinsurance contract assets and liabilities

Assets and liabilities under reinsurance contracts	31 December 2024	31 December 2023
Short-term	(2,040)	(1,822)
Reinsurance contract assets	(1,970)	(1,757)
Reinsurance contract liabilities	(70)	(65)
Long-term	(1,967)	(1,612)
Reinsurance contract assets	(2,072)	(1,712)
Reinsurance contract liabilities	105	100
Total assets and liabilities under reinsurance contracts	**(4,007)**	**(3,434)**

Assets and liabilities under reinsurance contracts 31 December 2024	Assets	including prepayments	Liabilities	including prepayments
Non-life insurance – premium allocation approach	(4,042)	-	35	-
Corporate insurance	(3,405)	-	20	-
Mass insurance	(517)	-	10	-
Baltic States	(103)	-	5	-
Ukraine	(17)	-	-	-
Total	**(4,042)**	**-**	**35**	**-**

Assets and liabilities under reinsurance contracts 31 December 2023	Assets	including prepayments	Liabilities	including prepayments
Non-life insurance – premium allocation approach	(3,469)	-	35	-
Corporate insurance	(2,924)	-	13	-
Mass insurance	(398)	-	12	-
Baltic States	(121)	-	7	-
Ukraine	(26)	-	3	-
Total	**(3,469)**	**-**	**35**	**-**

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11.5.1. Analysis by remaining coverage period and incurred claims

Movement in reinsurance contract assets and liabilities 1 January – 31 December 2024	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss recovery component	loss recovery component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**42**	**-**	**-**	**(3,288)**	**(188)**	**(3,434)**
Assets	(9)	-	-	(3,272)	(188)	(3,469)
Liabilities	51	-	-	(16)	-	35
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**1,888**	**-**	**-**	**(1,178)**	**(42)**	**668**
Net income or expenses from reinsurance contracts held	1,888	-	-	(1,058)	(38)	792
Reinsurance premium allocation	1,882	-	-	-	-	1,882
Amounts recoverable from reinsurers	-	-	-	(1,052)	(38)	(1,090)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(939)	(62)	(1,001)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	(113)	24	(89)
investment component	6	-	-	(6)	-	-
Change in the risk of non-performance risk by the reinsurer	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	(71)	(3)	(74)
Effect of movements in exchange rates	-	-	-	(49)	(1)	(50)
Cash flows	**(2,068)**	**-**	**-**	**888**	**-**	**(1,180)**
Premiums paid	(2,068)	-	-	-	-	(2,068)
Claims recovered and expenses paid	-	-	-	888	-	888
Other changes	(61)	-	-	-	-	(61)
End of the period	**(199)**	**-**	**-**	**(3,578)**	**(230)**	**(4,007)**
Assets	(254)	-	-	(3,559)	(229)	(4,042)
Liabilities	55	-	-	(19)	(1)	35

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Movement in reinsurance contract assets and liabilities **1 January – 31 December 2023**	**LRC**		**LIC**			**Total**
				Contracts under PAA		
	excluding the loss recovery component	**loss recovery component**	**Contracts not under PAA**	**estimated present value of the future cash flows**	**risk adjustment for non-financial risk**	
Beginning of the period	**(64)**	**-**	**-**	**(2,038)**	**(203)**	**(2,305)**
Assets	(122)	-	-	(2,013)	(201)	(2,336)
Liabilities	58	-	-	(25)	(2)	31
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**1,524**	**-**	**-**	**(1,513)**	**16**	**27**
Net income or expenses from reinsurance contracts held	1,519	-	-	(1,439)	23	103
Reinsurance premium allocation	1,514	-	-	-	-	1,514
Amounts recoverable from reinsurers	-	-	-	(1,434)	23	(1,411)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(454)	(49)	(503)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	(980)	72	(908)
investment component	5	-	-	(5)	-	-
Change in the risk of non-performance risk by the reinsurer	-	-	-	1	-	1
Net finance income from reinsurance contracts	-	-	-	(98)	(9)	(107)
Effect of movements in exchange rates	5	-	-	23	2	30
Cash flows	**(1,416)**	**-**	**-**	**259**	**-**	**(1,157)**
Premiums paid	(1,416)	-	-	-	-	(1,416)
Claims recovered and expenses paid	-	-	-	259	-	259
Other changes	(2)	-	-	4	(1)	1
End of the period	**42**	**-**	**-**	**(3,288)**	**(188)**	**(3,434)**
Assets	(9)	-	-	(3,272)	(188)	(3,469)
Liabilities	51	-	-	(16)	-	35

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Corporate insurance

Movement in reinsurance contract assets and liabilities Corporate insurance 1 January – 31 December 2024	**LRC**		**LIC**			**Total**
				Contracts under PAA		
	excluding the loss recovery component	**loss recovery component**	**Contracts not under PAA**	**estimated present value of the future cash flows**	**risk adjustment for non-financial risk**	
Beginning of the period	**72**	**-**	**-**	**(2,834)**	**(149)**	**(2,911)**
Assets	51	-	-	(2,826)	(149)	(2,924)
Liabilities	21	-	-	(8)	-	13
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**1,632**	**-**	**-**	**(813)**	**(43)**	**776**
Net income or expenses from reinsurance contracts held	1,632	-	-	(691)	(39)	902
Reinsurance premium allocation	1,629	-	-	-	-	1,629
Amounts recoverable from reinsurers	-	-	-	(688)	(39)	(727)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(613)	(49)	(662)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	(75)	10	(65)
investment component	3	-	-	(3)	-	-
Change in the risk of non-performance risk by the reinsurer	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	(71)	(3)	(74)
Effect of movements in exchange rates	-	-	-	(51)	(1)	(52)
Cash flows	**(1,824)**	**-**	**-**	**634**	**-**	**(1,190)**
Premiums paid	(1,824)	-	-	-	-	(1,824)
Claims recovered and expenses paid	-	-	-	634	-	634
Other changes	(60)	-	-	-	-	(60)
End of the period	**(180)**	**-**	**-**	**(3,013)**	**(192)**	**(3,385)**
Assets	(216)	-	-	(2,998)	(191)	(3,405)
Liabilities	36	-	-	(15)	(1)	20

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Movement in reinsurance contract assets and liabilities Corporate insurance 1 January – 31 December 2023	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss recovery component	loss recovery component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**(60)**	**-**	**-**	**(1,637)**	**(156)**	**(1,853)**
Assets	(71)	-	-	(1,635)	(155)	(1,861)
Liabilities	11	-	-	(2)	(1)	8
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**1,310**	**-**	**-**	**(1,400)**	**7**	**(83)**
Net income or expenses from reinsurance contracts held	1,305	-	-	(1,361)	11	(45)
Reinsurance premium allocation	1,301	-	-	-	-	1,301
Amounts recoverable from reinsurers	-	-	-	(1,357)	11	(1,346)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(394)	(39)	(433)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	(963)	50	(913)
investment component	4	-	-	(4)	-	-
Change in the risk of non-performance risk by the reinsurer	-	-	-	1	-	1
Net finance income from reinsurance contracts	-	-	-	(55)	(5)	(60)
Effect of movements in exchange rates	5	-	-	15	1	21
Cash flows	**(1,178)**	**-**	**-**	**203**	**-**	**(975)**
Premiums paid	(1,178)	-	-	-	-	(1,178)
Claims recovered and expenses paid	-	-	-	203	-	203
Other changes	-	-	-	-	-	-
End of the period	**72**	**-**	**-**	**(2,834)**	**(149)**	**(2,911)**
Assets	51	-	-	(2,826)	(149)	(2,924)
Liabilities	21	-	-	(8)	-	13

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Mass insurance

Movement in reinsurance contract assets and liabilities Mass insurance 1 January – 31 December 2024	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss recovery component	loss recovery component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**(39)**	**-**	**-**	**(325)**	**(22)**	**(386)**
Assets	(59)	-	-	(317)	(22)	(398)
Liabilities	20	-	-	(8)	-	12
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**176**	**-**	**-**	**(334)**	**(6)**	**(164)**
Net income or expenses from reinsurance contracts held	176	-	-	(338)	(6)	(168)
Reinsurance premium allocation	176	-	-	-	-	176
Amounts recoverable from reinsurers	-	-	-	(338)	(6)	(344)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(286)	(9)	(295)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	(52)	3	(49)
investment component	-	-	-	-	-	-
Change in the risk of non-performance risk by the reinsurer	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	2	-	2
Effect of movements in exchange rates	-	-	-	2	-	2
Cash flows	**(168)**	**-**	**-**	**211**	**-**	**43**
Premiums paid	(168)	-	-	-	-	(168)
Claims recovered and expenses paid	-	-	-	211	-	211
Other changes	-	-	-	-	-	-
End of the period	**(31)**	**-**	**-**	**(448)**	**(28)**	**(507)**
Assets	(42)	-	-	(447)	(28)	(517)
Liabilities	11	-	-	(1)	-	10

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Movement in reinsurance contract assets and liabilities Mass insurance 1 January – 31 December 2023	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss recovery component	loss recovery component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**(29)**	**-**	**-**	**(272)**	**(19)**	**(320)**
Assets	(50)	-	-	(264)	(18)	(332)
Liabilities	21	-	-	(8)	(1)	12
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**146**	**-**	**-**	**(71)**	**(3)**	**72**
Net income or expenses from reinsurance contracts held	146	-	-	(38)	-	108
Reinsurance premium allocation	146	-	-	-	-	146
Amounts recoverable from reinsurers	-	-	-	(38)	-	(38)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(13)	(1)	(14)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	(25)	1	(24)
investment component	-	-	-	-	-	-
Change in the risk of non-performance risk by the reinsurer	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	(39)	(3)	(42)
Effect of movements in exchange rates	-	-	-	6	-	6
Cash flows	**(156)**	**-**	**-**	**18**	**-**	**(138)**
Premiums paid	(156)	-	-	-	-	(156)
Claims recovered and expenses paid	-	-	-	18	-	18
Other changes	-	-	-	-	-	-
End of the period	**(39)**	**-**	**-**	**(325)**	**(22)**	**(386)**
Assets	(59)	-	-	(317)	(22)	(398)
Liabilities	20	-	-	(8)	-	12

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Baltic States

Movement in reinsurance contract assets and liabilities Baltic States 1 January – 31 December 2024	LRC		LIC			Total
				Contracts under PAA		
	excluding the loss recovery component	loss recovery component	Contracts not under PAA	estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**9**	**-**	**-**	**(108)**	**(15)**	**(114)**
Assets	(1)	-	-	(105)	(15)	(121)
Liabilities	10	-	-	(3)	-	7
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**77**	**-**	**-**	**(35)**	**6**	**48**
Net income or expenses from reinsurance contracts held	77	-	-	(34)	6	49
Reinsurance premium allocation	74	-	-	-	-	74
Amounts recoverable from reinsurers	-	-	-	(31)	6	(25)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(40)	(4)	(44)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	9	10	19
investment component	3	-	-	(3)	-	-
Change in the risk of non-performance risk by the reinsurer	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	(1)	-	(1)
Effect of movements in exchange rates	-	-	-	-	-	-
Cash flows	(73)	-	-	42	-	(31)
Premiums paid	(73)	-	-	-	-	(73)
Claims recovered and expenses paid	-	-	-	42	-	42
Other changes	(1)	-	-	-	-	(1)
End of the period	**12**	**-**	**-**	**(101)**	**(9)**	**(98)**
Assets	4	-	-	(98)	(9)	(103)
Liabilities	8	-	-	(3)	-	5

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in reinsurance contract assets and liabilities **Baltic States** **1 January – 31 December 2023**	**LRC**		**LIC**			**Total**
				Contracts under PAA		
	excluding the loss recovery component	**loss recovery component**	**Contracts not under PAA**	**estimated present value of the future cash flows**	**risk adjustment for non-financial risk**	
Beginning of the period	**16**	**-**	**-**	**(93)**	**(25)**	**(102)**
Assets	(2)	-	-	(79)	(25)	(106)
Liabilities	18	-	-	(14)	-	4
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**66**	**-**	**-**	**(43)**	**10**	**33**
Net income or expenses from reinsurance contracts held	66	-	-	(43)	10	33
Reinsurance premium allocation	65	-	-	-	-	65
Amounts recoverable from reinsurers	-	-	-	(42)	10	(32)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(46)	(9)	(55)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	4	19	23
investment component	1	-	-	(1)	-	-
Change in the risk of non-performance risk by the reinsurer	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	(2)	(1)	(3)
Effect of movements in exchange rates	-	-	-	2	1	3
Cash flows	**(72)**	**-**	**-**	**26**	**-**	**(46)**
Premiums paid	(72)					(72)
Claims recovered and expenses paid	-	-	-	26	-	26
Other changes	(1)	-	-	2	-	1
End of the period	**9**	**-**	**-**	**(108)**	**(15)**	**(114)**
Assets	(1)	-	-	(105)	(15)	(121)
Liabilities	10	-	-	(3)	-	7

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Ukraine

Movement in reinsurance contract assets and liabilities Ukraine 1 January – 31 December 2024	LRC		LIC			Total
	excluding the loss recovery component	loss recovery component	Contracts not under PAA	Contracts under PAA		
				estimated present value of the future cash flows	risk adjustment for non-financial risk	
Beginning of the period	**-**	**-**	**-**	**(21)**	**(2)**	**(23)**
Assets	-	-	-	(24)	(2)	(26)
Liabilities	-	-	-	3	-	3
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**3**	**-**	**-**	**4**	**1**	**8**
Net income or expenses from reinsurance contracts held	3	-	-	5	1	9
Reinsurance premium allocation	3	-	-	-	-	3
Amounts recoverable from reinsurers	-	-	-	5	1	6
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	-	-	-
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	5	1	6
investment component	-	-	-	-	-	-
Change in the risk of non-performance risk by the reinsurer	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	(1)	-	(1)
Effect of movements in exchange rates	-	-	-	-	-	-
Cash flows	**(3)**	**-**	**-**	**1**	**-**	**(2)**
Premiums paid	(3)	-	-	-	-	(3)
Claims recovered and expenses paid	-	-	-	1	-	1
Other changes	-	-	-	-	-	-
End of the period	**-**	**-**	**-**	**(16)**	**(1)**	**(17)**
Assets	-	-	-	(16)	(1)	(17)
Liabilities	-	-	-	-	-	-

Movement in reinsurance contract assets and liabilities Ukraine 1 January – 31 December 2023	**LRC**		**LIC**			**Total**
				Contracts under PAA		
	excluding the loss recovery component	**loss recovery component**	**Contracts not under PAA**	**estimated present value of the future cash flows**	**risk adjustment for non-financial risk**	
Beginning of the period	**9**	**-**	**-**	**(36)**	**(3)**	**(30)**
Assets	1	-	-	(35)	(3)	(37)
Liabilities	8	-	-	(1)	-	7
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	**2**	**-**	**-**	**1**	**2**	**5**
Net income or expenses from reinsurance contracts held	2	-	-	3	2	7
Reinsurance premium allocation	2	-	-	-	-	2
Amounts recoverable from reinsurers	-	-	-	3	2	5
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(1)	-	(1)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	4	2	6
investment component	-	-	-	-	-	-
Change in the risk of non-performance risk by the reinsurer	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	(2)	-	(2)
Effect of movements in exchange rates	-	-	-	-	-	-
Cash flows	**(10)**	**-**	**-**	**12**	**-**	**2**
Premiums paid	(10)	-	-	-	-	(10)
Claims recovered and expenses paid	-	-	-	12	-	12
Other changes	(1)	-	-	2	(1)	-
End of the period	**-**	**-**	**-**	**(21)**	**(2)**	**(23)**
Assets	-	-	-	(24)	(2)	(26)
Liabilities	-	-	-	3	-	3

11.5.2. Analysis by measured component – non-PAA contracts

All reinsurance contracts at PZU Group meet the eligibility criterion for the application of the simplified premium allocation approach.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

11.6 Deferred assets and liabilities under insurance contracts – acquisition cash flows

Deferred assets and liabilities under insurance contracts – acquisition cash flows	1 January – 31 December 2024	1 January – 31 December 2023
Beginning of the period	(1)	(1)
Assets	-	-
Liabilities	(1)	(1)
Movement in the period	(1)	-
Values recognized in the period	(5)	(4)
Values removed and recognized in the measurement of insurance contracts	4	4
End of the period	(2)	(1)
Assets	-	-
Liabilities	(2)	(1)

The entire balance of deferred insurance contract assets and liabilities relates to corporate insurance and is short-term in nature.

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

Non-PAA insurance contracts	Contracts issued 1 January – 31 December 2024			Contracts issued 1 January – 31 December 2023		
	profitable	onerous	total	profitable	onerous	total
Insurance contracts						
Present value of cash outflows	4,187	3,293	7,480	3,940	2,904	6,844
Present value of claims and insurance service expenses	3,707	3,036	6,743	3,470	2,665	6,135
Present value of insurance acquisition cash flows	480	257	737	470	239	709
Present value of cash inflows	(5,598)	(2,921)	(8,519)	(5,307)	(2,595)	(7,902)
Risk adjustment for non-financial risk	120	30	150	107	27	134
CSM	1,291	-	1,291	1,260	-	1,260
Losses recognized on initial recognition	-	(402)	(402)	-	(336)	(336)
Reinsurance contracts						
Present value of cash outflows	-	-	-	-	-	-
Present value of cash inflows	-	-	-	-	-	-
Risk adjustment for non-financial risk	-	-	-	-	-	-
CSM	-	-	-	-	-	-

In both 2024 and 2023, the PZU Group did not acquire insurance contracts or reinsurance contracts that would not be valued using the PAA method.

Both in 2024 and in 2023, the PZU Group had no reinsurance contracts that were not measured using the PAA method.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

11.7.1. Group and individually continued insurance

Non-PAA insurance contracts Group and individually continued insurance	Contracts issued 1 January – 31 December 2024			Contracts issued 1 January – 31 December 2023		
	profitable	onerous	total	profitable	onerous	total
Insurance contracts						
Present value of cash outflows	2,450	3,089	5,539	2,507	2,703	5,210
Present value of claims and insurance service expenses	2,213	2,858	5,071	2,244	2,493	4,737
Present value of insurance acquisition cash flows	237	231	468	263	210	473
Present value of cash inflows	(3,365)	(2,730)	(6,095)	(3,507)	(2,401)	(5,908)
Risk adjustment for non-financial risk	63	25	88	60	22	82
CSM	852	-	852	940	-	940
Losses recognized on initial recognition	-	(384)	(384)	-	(324)	(324)

11.7.2. Individual insurance

Non-PAA insurance contracts Individual insurance	Contracts issued 1 January – 31 December 2024			Contracts issued 1 January – 31 December 2023		
	profitable	onerous	total	profitable	onerous	total
Insurance contracts						
Present value of cash outflows	870	79	949	636	98	734
Present value of claims and insurance service expenses	649	62	711	447	83	530
Present value of insurance acquisition cash flows	221	17	238	189	15	204
Present value of cash inflows	(1,298)	(69)	(1,367)	(944)	(94)	(1,038)
Risk adjustment for non-financial risk	41	2	43	36	3	39
CSM	387	-	387	272	-	272
Losses recognized on initial recognition	-	(12)	(12)	-	(7)	(7)

11.7.3. Investment insurance

Non-PAA insurance contracts Investment insurance	Contracts issued 1 January – 31 December 2024			Contracts issued 1 January – 31 December 2023		
	profitable	onerous	total	profitable	onerous	total
Insurance contracts						
Present value of cash outflows	692	111	803	678	82	760
Present value of claims and insurance service expenses	685	108	793	672	78	750
Present value of insurance acquisition cash flows	7	3	10	6	4	10
Present value of cash inflows	(724)	(111)	(835)	(715)	(80)	(795)
Risk adjustment for non-financial risk	9	3	12	6	2	8
CSM	23	-	23	31	-	31
Losses recognized on initial recognition	-	(3)	(3)	-	(4)	(4)

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

11.7.4. Baltic States

Non-PAA insurance contracts Baltic States	Contracts issued 1 January – 31 December 2024			Contracts issued 1 January – 31 December 2023		
	profitable	onerous	total	profitable	onerous	total
Insurance contracts						
Present value of cash outflows	168	5	173	116	3	119
Present value of claims and insurance service expenses	155	4	159	105	3	108
Present value of insurance acquisition cash flows	13	1	14	11	-	11
Present value of cash inflows	(203)	(5)	(208)	(137)	(3)	(140)
Risk adjustment for non-financial risk	7	-	7	5	-	5
CSM	28	-	28	16	-	16
Losses recognized on initial recognition	-	-	-	-	-	-

11.7.5. Ukraine

Non-PAA insurance contracts Ukraine	Contracts issued 1 January – 31 December 2024			Contracts issued 1 January – 31 December 2023		
	profitable	onerous	total	profitable	onerous	total
Insurance contracts						
Present value of cash outflows	7	9	16	3	18	21
Present value of claims and insurance service expenses	5	4	9	2	8	10
Present value of insurance acquisition cash flows	2	5	7	1	10	11
Present value of cash inflows	(8)	(6)	(14)	(4)	(17)	(21)
Risk adjustment for non-financial risk	-	-	-	-	-	-
CSM	1	-	1	1	-	1
Losses recognized on initial recognition	-	(3)	(3)	-	(1)	(1)

11.8 Contractual service margin

Expected contractual service margin release by period 31 December 2024	under 1 year	1 – 2 years of age	2 – 3 years of age	3 – 4 years of age	4 – 5 years of age	5 – 10 years of age	over 10 years	Total
Insurance contracts	1,308	966	829	725	635	2,184	2,437	9,084
- group and individually continued insurance	989	729	650	586	530	1,870	2,114	7,468
- individual insurance	259	190	142	108	78	222	203	1,202
- investment insurance	42	31	22	17	14	43	46	215
- Baltic States	15	14	13	12	11	42	66	173
- Ukraine	3	2	2	2	2	7	8	26
Reinsurance contracts	-	-	-	-	-	-	-	-

Expected contractual service margin release by period 31 December 2023	under 1 year	1 – 2 years of age	2 – 3 years of age	3 – 4 years of age	4 – 5 years of age	5 – 10 years of age	over 10 years	Total
Insurance contracts	1,227	908	786	688	612	2,122	2,420	8,763
- group and individually continued insurance	954	702	631	568	514	1,826	2,105	7,300
- individual insurance	212	159	119	90	71	200	181	1,032
- investment insurance	43	31	21	17	14	49	68	243
- Baltic States	13	12	11	10	10	37	56	149
- Ukraine	5	4	4	3	3	10	10	39
Reinsurance contracts	-	-	-	-	-	-	-	-

12. Result on investment activity

The following tables present the result from investment activities in the insurance segments. Full information on the investment result of the PZU Group is presented in the following notes: 13 – 17.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

1 January – 31 December 2024	Corporate insurance	Mass insurance	Group and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Total
Investment income	366	753	888	119	328	86	51	2,591
Financial income and expenses from insurance	(169)	(188)	(297)	(38)	(317)	(57)	(4)	(1,070)
Movement in fair value of assets covering contracts with direct participation features	-	-	-	-	(263)	(29)	-	(292)
Interest accreted	(159)	(345)	(522)	(107)	(72)	(12)	(18)	(1,235)
Result on interest rate change and other financial assumptions	32	147	225	67	18	(16)	5	478
Result on the measurement of estimate changes according to current interest rates and release of contractual service margin and loss component in the period	-	-	-	2	-	-	11	13
Net foreign exchange differences	(42)	10	-	-	-	-	(2)	(34)
Recognized in:								
- consolidated profit and loss account	(204)	(335)	(522)	(107)	(335)	(41)	(21)	(1,565)
- other comprehensive income	35	147	225	69	18	(16)	17	495
Finance income or expenses from reinsurance	**126**	**(4)**	**-**	**-**	**-**	**1**	**1**	**124**
Interest accreted	74	13	-	-	-	1	1	89
Result on interest rate change and other financial assumptions	-	(15)	-	-	-	-	-	(15)
Net foreign exchange differences	52	(2)	-	-	-	-	-	50
Change in the risk of non-performance risk by the reinsurer	-	-	-	-	-	-	-	-
Recognized in:								
- consolidated profit and loss account	128	11	-	-	-	1	-	140
- other comprehensive income	(2)	(15)	-	-	-	-	1	(16)
Finance income or expenses, in total	**(43)**	**(192)**	**(297)**	**(38)**	**(317)**	**(56)**	**(3)**	**(946)**
- recognized in consolidated profit and loss account	(76)	(324)	(522)	(107)	(335)	(40)	(21)	(1,425)
- recognized in other comprehensive income	33	132	225	69	18	(16)	18	479

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

1 January – 31 December 2023	Corporate insurance	Mass insurance	Group and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Total
Investment income	332	745	852	115	765	57	50	2,916
Financial income and expenses from insurance	**(271)**	**(1,078)**	**(1,107)**	**(184)**	**(778)**	**(67)**	**21**	**(3,464)**
Movement in fair value of assets covering contracts with direct participation features	-	-	-	-	(705)	(21)	-	(726)
Interest accreted	(132)	(306)	(509)	(102)	(56)	(3)	(17)	(1,125)
Result on interest rate change and other financial assumptions	(163)	(815)	(598)	(81)	(17)	(42)	39	(1,677)
Result on the measurement of estimate changes according to current interest rates and release of contractual service margin and loss component in the period	-	-	-	(1)	-	-	-	(1)
Net foreign exchange differences	24	43	-	-	-	(1)	(1)	65
Recognized in:								
- consolidated profit and loss account	(108)	(263)	(509)	(102)	(761)	(25)	(18)	(1,786)
- other comprehensive income	(163)	(815)	(598)	(82)	(17)	(42)	39	(1,678)
Finance income or expenses from reinsurance	**38**	**36**	**-**	**-**	**-**	**-**	**2**	**76**
Interest accreted	56	11	-	-	-	1	-	68
Result on interest rate change and other financial assumptions	4	31	-	-	-	2	2	39
Net foreign exchange differences	(21)	(6)	-	-	-	(3)	-	(30)
Change in the risk of non-performance risk by the reinsurer	(1)	-	-	-	-	-	-	(1)
Recognized in:								
- consolidated profit and loss account	35	5	-	-	-	(2)	-	38
- other comprehensive income	3	31	-	-	-	2	2	38
Finance income or expenses, in total	**(233)**	**(1,042)**	**(1,107)**	**(184)**	**(778)**	**(67)**	**23**	**(3,388)**
- recognized in consolidated profit and loss account	(73)	(258)	(509)	(102)	(761)	(27)	(18)	(1,748)
- recognized in other comprehensive income	(160)	(784)	(598)	(82)	(17)	(40)	41	(1,640)

13. Interest income calculated using the effective interest rate, and equalized to them

13.1 Accounting policy

Interest income is recognized on an accrual basis based on the effective interest rate.

Interest income comprises interest on financial instruments measured at amortized cost and at fair value through other comprehensive income.

The effective interest rate is the rate that discounts estimated future cash flows to the gross carrying amount of the financial asset.

Interest income is calculated on the gross carrying amount, except for credit-impaired assets and purchased or originated credit-impaired (POCI) financial assets. For such assets, interest income is calculated on the gross carrying amount less allowances for expected credit losses.

Interest income calculated using the effective interest rate also includes income and expenses from fees and commissions directly related to the creation of financial assets with specific repayment schedules. These include commissions for granting credit, for changing the terms of a loan agreement, changing the form of financing, restructuring a loan, or commissions for brokering loans and borrowings.

13.2 Estimates and assumptions

On 12 April 2024, the Sejm passed the amended Act on Amending the Act on Support to Home Loan Borrowers In a Difficult Financial Situation and the Act on Crowdfunding for Business Ventures and Borrowers Assistance (the "Act"). On 18 April 2024, the Act was approved by the Senate and signed by the President on 6 May 2024.

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

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

The final cost associated with the modification of gold mortgage contracts granted to consumers included in the consolidated income statement for 2024 was PLN 215.5 million.

The PZU Group did not identify an increase in credit risk when clients take advantage of the suspension of loan repayments.

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13.3 Quantitative data

Interest income calculated using the effective interest rate, and equalized to them	1 January – 31 December 2024	1 January – 31 December 2023 (restated)
Loan receivables from clients	16,185	17,110
Debt securities measured at fair value through other comprehensive income	3,413	3,037
Debt securities measured at amortized cost	4,966	3,973
Buy-sell-back transactions	681	640
Term deposits with credit institutions	644	380
Loans	389	446
Receivables purchased	639	753
Hedge derivatives	(604)	(915)
Receivables	33	68
Cash and cash equivalents	751	856
Income of a nature similar to interest	1,270	1,201
Interest income calculated using the effective interest rate, and equalized to them, total	**28,367**	**27,549**

14. Other net investment income

14.1 Accounting policy

Dividends are recognized as income when the right to dividend is acquired.

14.2 Quantitative data

Other net investment income	1 January – 31 December 2024	1 January – 31 December 2023
Dividend income, including:	68	95
Investment financial assets measured at fair value through profit or loss	38	30
Investment financial assets measured at fair value through other comprehensive income	30	65
Foreign exchange differences	159	187
Income on investment property	134	111
Other	12	13
Other net investment income, total	**373**	**406**

15. Result from derecognition of financial instruments and investments not measured at fair value through profit or loss

15.1 Accounting policy

The result on derecognition of financial instruments and investments contains gains and losses arising from the sale of financial instruments not measured at fair value through profit or loss and investment property.

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15.2 Quantitative data

Result from derecognition of financial instruments and investments not measured at fair value through profit or loss	1 January – 31 December 2024	1 January – 31 December 2023 (restated)
Investment financial assets	(25)	(20)
Debt instruments measured at fair value through other comprehensive income	(45)	(39)
Instruments measured at amortized cost	20	19
Loan receivables from clients measured at amortized cost (including finance lease receivables)	34	(18)
Short selling	-	(7)
Receivables	(1)	(2)
Result from derecognition of financial instruments and investments not measured at fair value through profit or loss, total	**8**	**(47)**

16. Result from allowances for expected credit losses

16.1 Accounting policy

Impairment losses contain the balance of impairment losses recognized and reversed in accordance with the rules described in section 38.1.

16.2 Quantitative data

Result from allowances for expected credit losses	1 January – 31 December 2024	1 January – 31 December 2023 (restated)
Investment financial assets	(103)	5
Debt instruments measured at fair value through other comprehensive income	8	18
Instruments measured at amortized cost	(111)	(13)
- debt instruments	19	(2)
- term deposits with credit institutions	1	1
- loans	(131)	(12)
Loan receivables from clients (including finance lease receivables)	(1,417)	(1,207)
Measured at amortized cost	(1,415)	(1,210)
Measured at fair value through other comprehensive income	(2)	3
Guarantees and sureties given	51	(74)
Receivables	(20)	(11)
Cash and cash equivalents	3	-
Other	-	2
Total result from allowances for expected credit losses	**(1,486)**	**(1,285)**

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17. Net movement in fair value of assets and liabilities measured at fair value

17.1 Accounting policy

Information on the method used to determine fair value of assets and liabilities is presented in section 10.

17.2 Quantitative data

Net movement in fair value of assets and liabilities measured at fair value	1 January – 31 December 2024	1 January – 31 December 2023
Investment financial instruments measured at fair value through profit or loss	764	556
Equity instruments	150	232
Debt securities	252	(101)
Participation units and investment certificates	362	425
Derivatives	365	1,298
Measurement of liabilities to members of consolidated mutual funds	(42)	(55)
Investment contracts for the client's account and risk (unit-linked)	(20)	(50)
Investment property	(151)	(275) [1]
Loan receivables from clients	30	28
Net movement in fair value of assets and liabilities measured at fair value, total	**946**	**1,502**

[1] The decrease in the fair value of investment properties is primarily due to the decline in the euro exchange rate against the zloty between 31 December 2022 and 31 December 2023.

18. Revenue from commissions and fees

18.1 Accounting policy

The fees and commissions not settled according to the effective interest rate are recognized to reflect the transfer of the promised services to the client in the amount reflecting the fee to which the PZU Group is entitled in return for such services.

Commission income is settled by the straight-line method when they are charged in advance for a non-recurring activity or when they pertain to granted loans with undetermined schedules of future cash flows for which the effective interest rate cannot be determined. Such commissions include commissions received on current account overdrafts, revolving loans, guarantees and lines of credit (for example, commissions for granting, increasing or extending a limit).

Other fees and commissions for financial services not related directly with the creation of a financial asset are recognized based on a five-step revenue recognition model (identification of the contract with the client, indication of individual obligations included in the contract, determination of the price, allocation of the price to individual elements of the contract, recognition of revenue upon fulfillment of conditions for individual elements of the contract).

Revenue for cash management services, brokerage services, investment advisory services, financial planning, investment banking services and asset management services and margins earned on FX transactions with clients are recognized once in the profit and loss account when the service is provided.

Revenue from management of open-end pension funds and revenue and fees received from funds and mutual fund companies are recognized at the time of the performance.

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18.2 Quantitative data

Revenue from commissions and fees	1 January – 31 December 2024	1 January – 31 December 2023
Banking activity	4,371	4,879
Margin on foreign exchange transactions with clients	1,018	1,074
Brokerage fees	227	219
Fiduciary activity	80	74
Payment card and credit card services	1,174	1,627
Fees on account of insurance intermediacy activities	32	36
Loans and borrowings	562	562
Bank account-related services	371	382
Transfers	318	309
Cash operations	113	112
Receivables purchased	78	88
Guarantees, letters of credit, collections, promises	112	105
Commissions on leasing activity	102	105
Other commission	184	186
Revenue and payments received from funds and mutual fund management companies	606	498
Pension insurance	184	147
Other	4	4
Total revenue from commissions and fees	**5,165**	**5,528**

19. Fee and commission expenses

Fee and commission expenses	1 January – 31 December 2024	1 January – 31 December 2023
Costs of card and ATM transactions, including card issue costs	788	1,231
Commissions on acquisition of banking clients	115	106
Fees for the provision of ATMs	47	48
Costs of awards to banking clients	27	24
Costs of bank transfers and remittances	50	48
Additional services attached to banking products	27	21
Brokerage fees	30	32
Costs of administration of bank accounts	7	6
Costs of banknote operations	1	24
Fiduciary activity expenses	30	26
Other commission	201	176
Total fee and commission expenses	**1,323**	**1,742**

20. PZU Group operating expenses not related to insurance services

20.1 Accounting policy

The PZU Group's operating expenses include, among other things, employee costs, property, plant and equipment, depreciation, taxes and fees incurred by Group entities, excluding costs attributable to insurance contracts under IFRS 17, which are included in “Insurance service expenses” under that standard.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

20.2 Quantitative data

PZU Group operating expenses not related to insurance services	1 January – 31 December 2024	1 January – 31 December 2023
Consumption of materials and energy	284	346
Third party services	1,207	1,189
Taxes and charges, including:	1,674	1,618
– levy on financial institutions	1,566	1,496
Employee expenses	5,393	4,646
Depreciation of property, plant and equipment	616	633
Amortization of intangible assets, including	525	478
- amortization of intangible assets purchased in company acquisition transactions	59	80
Other, including:	815	791
– advertising	284	295
- compulsory payments to banking market institutions	56	47
- fees to the Bank Guarantee Fund	279	249
- other	196	200
Total PZU Group operating expenses not related to insurance services	**10,514**	**9,701**

21. Interest expenses

21.1 Accounting policy

Interest expenses are recognized in the profit and loss account using the effective interest rate.

21.2 Quantitative data

Interest expenses	1 January – 31 December 2024	1 January – 31 December 2023
Term deposits	3,827	4,188
Current deposits	1,863	1,897
Own debt securities issued	1,381	1,215
Hedge derivatives	456	819
Loans	48	50
Repurchase transaction	294	355
Bank loans contracted by PZU Group companies	232	218
Leases	74	61
Other	68	87
Total interest expenses	**8,243**	**8,890**

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22. Employee expenses

Employee expenses	1 January – 31 December 2024	1 January – 31 December 2023
Payroll	6,404	5,808
Defined contribution plans, including:	1,182	1,065
– charges on salary	1,037	934
– 3rd pillar pension insurance, including costs of EPS or ECS contributions incurred in the period	145	131
Other	353	218
Total employee expenses	**7,939**	**7,091**

Employee costs are included in insurance service expenses, costs of operations of the PZU Group not related to insurance services of the consolidated profit and loss account.

23. Other operating income

23.1 Accounting policy

Revenues from sales of products, goods and services by non-insurance companies are recognized to reflect the transaction of transferring the promised goods or services to the client in an amount reflecting the value of the consideration that the PZU Group receives in exchange for these goods or services. For this purpose, a five-step model is used, which under IFRS 15 includes the following steps:

- identification of client contracts;
- identification of contractual performance obligations;
- determining the transaction price;
- the allocation of the transaction price to contractual performance obligations;
- recognition of revenue when the entity fulfills its obligations.

Revenue includes only amounts received or receivable equal to the transaction prices that accrue to the Company upon fulfillment (or in the process of fulfillment) of the performance obligation to transfer the promised good (i.e., asset) to the client. The Company recognizes revenue when the performance obligation is fulfilled by transferring the promised good to the client.

Revenues on the sales of products, merchandise and services by non-insurance are allocated to the “Other” segment.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

23.2 Quantitative data

Other operating income	1 January – 31 December 2024	1 January – 31 December 2023 (restated)
Revenues on the sales of products, merchandise and services by non-insurance companies, including:	1,198	1,058
Sales of medical services	974	858
Sales of products and goods	149	147
Other	75	53
Gain from sale of property, plant and equipment	130	20
- release of impairment losses on non-financial assets	118	11
Reversal of provisions	81	171
Other	201	265
Other operating income, total	**1,728**	**1,525**

24. Other operating expenses

Other operating expenses	1 January – 31 December 2024	1 January – 31 December 2023 (restated)
Expenditures for prevention activity	74	69
Establishment of provisions	195	273
Recognition of impairment losses for non-financial assets	27	37
Loss from sale of property, plant and equipment	33	4
Costs of pursuit of claims	87	62
Other	269	167
Other operating expenses, total	**685**	**612**

25. Income tax

25.1 Accounting policy

Income tax shown in the profit and loss account includes the current and deferred parts.

The deferred part is the difference between the balance of deferred tax liabilities and assets at the end and at the beginning of the reporting period with a reservation that changes in deferred tax liabilities and assets related to operations charged to equity are also charged to equity.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

25.2 Quantitative data

Income tax	**1 January – 31 December 2024**	**1 January – 31 December 2023** (restated)
Profit before tax (consolidated)	15,705	16,145
CIT rate (or range of CIT rates) for the country of the parent company's seat (%)	19%	19%
Income tax which would be calculated as the product of gross accounting profit of the entities and the CIT rate in the country of the parent company's seat	2,984	3,068
Differences between the income tax calculated above and the income tax shown in the profit and loss account:	500	558
– levy on financial institutions	297	284
- recognition/reversal of provisions for loan receivables from clients (including finance lease receivables) not recognized as a cost of revenue	138	82
– measurement of financial assets	(24)	29
– recognition/reversal of provisions for other receivables, not classified as tax-deductible expenses	9	14
– recognition/reversal of other provisions and impairment losses for assets, not classified as tax-deductible expenses	28	33
– fee payable to BFG	53	47
- legal risk costs of foreign currency mortgage loans	78	70
- tax credit not recognized in the profit and loss account	(95)	-
– differences due to different tax rates	(20)	(11)
– dividends	1	(6)
– other tax increases, waivers, exemptions, deductions and reductions	35	16
Income tax shown in the profit and loss account	**3,484**	**3,626**

Total amount of current and deferred tax	**1 January – 31 December 2024**	**1 January – 31 December 2023** (restated)
Recognized through profit or loss, including:	**3,484**	**3,626**
- current tax	3,403	3,125
tax relating to the period in question	3,416	3,112
adjustments relating to prior periods recognized in the current period	(13)	13
– deferred tax	81	501
Recognized in other comprehensive income, including:	**157**	**679**
- current tax	5	30
tax relating to the period in question	5	30
– deferred tax	152	649

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Income tax on other comprehensive income items	1 January – 31 December 2024	1 January – 31 December 2023 (restated)
Other comprehensive income, gross	826	3,491
Income tax	(157)	(679)
Valuation of debt instruments	(23)	(383)
Reclassification of debt instruments valuation for the profit and loss account	(7)	(7)
Financial income and expenses from insurance	(96)	314
Finance income or expenses from reinsurance	3	(7)
Valuation of loan receivables from clients (including finance lease receivables)	(1)	(1)
Cash flow hedging, including:	(39)	(600)
Gains and losses on fair value measurement of financial instruments hedging cash flows in the portion constituting an effective hedge	172	(291)
Gains and losses on cash flow hedging financial instruments reclassified to profit or loss	(211)	(309)
Valuation of equity instruments	16	-
Reclassification of real property from property, plant and equipment to investment property	(10)	(1)
Actuarial gains and losses related to provisions for employee benefits	-	6
Net other comprehensive income	**669**	**2,812**

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

In 2024, in connection with its portfolio of loans granted in or denominated to the Swiss franc, the PZU Group recognized a deferred tax asset in the amount of PLN 103 million, which results

from the expected future effects of cancellations of these contracts as a result of pending court cases.

Compensatory tax

The PZU Group's annual consolidated revenue exceeded EUR 750 million in at least 2 of the 4 financial years preceding the year under review, and as a result, PZU, as the parent company, falls under the subjective scope of Article 4 of the Act of 6 November 2024 on Compensatory Taxation of Component Units of International and Domestic Groups (“Pillar 2”), and as of 1 January 2025, is a taxpayer of the national compensatory tax referred to in Article 24(1)(a) of Pillar 2. The PZU Group is in the process of analyzing the possibility of using the so-called CBCR temporary safe harbor to defer the obligation to calculate the national compensatory tax.

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26. Earnings per share

26.1 Accounting policy

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of PZU by the weighted average number of common shares outstanding during the period.

The weighted average number of common shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period, weighted by the ratio reflecting the period (in days) to the total number of shares in the period.

26.2 Quantitative data

Earnings per share	1 January – 31 December 2024	1 January – 31 December 2023 (restated)
Net earnings attributable to owners of the parent company	5,342	5,780
Weighted average basic and diluted number of common shares	863,358,403	863,378,107
Number of issued shares	863,523,000	863,523,000
Average weighted number of treasury shares (held by consolidated entities)	(164,597)	(144,893)
Basic and diluted earnings (loss) per ordinary share (in PLN)	6.19	6.69

In the 2024 and in 2023, there were no transactions or events resulting in the dilution of earnings per share.

27. Goodwill

27.1 Accounting policy

Goodwill, whose initial value has been determined in a manner described in section 6.5 is not amortized, but at the end of each financial year and any time there are any indications of impairment, it is tested for impairment. The goodwill impairment test involves assessing the recoverable amount of the individual cash-generating units to which goodwill has been allocated and comparing it with their carrying amount (including the allocated goodwill). If the recoverable amount is lower than the impairment loss applies first to the goodwill allocated to the cash-generating unit. The cash-generating unit, for which the test is performed may not be larger than an operating segment.

27.2 Quantitative data

Goodwill	31 December 2024	31 December 2023
Pekao [1)] (Banking Operations segment)	1,715	1,715
LD [2)] (Baltic countries segment)	472	480
Medical companies (Other segment)	341	341
Link4 (Mass insurance in non-life insurance segment)	221	221
Balta (Baltic countries segment)	38	39
Other	5	5
Goodwill, total	**2,792**	**2,801**

[1)] Includes goodwill on acquisition of PIM and Idea Bank.
[2)] Includes goodwill on the acquisition of the LD branch in Estonia.

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Movement in goodwill	1 January – 31 December 2024	1 January – 31 December 2023
Gross goodwill at the beginning of the period	4,116	4,124
– acquisition of medical companies	-	34
– foreign exchange differences	(9)	(42)
Gross goodwill at the end of the period	4,107	4,116
Impairment losses at the beginning of the period	(1,315)	(1,316)
– foreign exchange differences	-	1
Impairment losses – at the end of the period	(1,315)	(1,315)
Net goodwill at the end of the period	**2,792**	**2,801**

27.3 Testing for impairment

Impairment tests for goodwill were performed as at 31 December 2024 for all the CGUs, to which goodwill was allocated.

The goodwill impairment test involves a comparison of carrying amounts (including the allocated goodwill) and recoverable amounts of the CGUs to which goodwill has been allocated. An impairment loss for a CGU should be recognized in the profit and loss account if CGU's recoverable amount is less than its carrying amount.

Cash-generating units (CGUs)

Goodwill is allocated to the individual companies (constituting CGUs for the purposes of the impairment test) and is monitored at this level. Goodwill allocated to medical companies that have been transformed into branches of PZU Życie is monitored in aggregate. During the final purchase price allocation, the goodwill arising from the acquisition of Link4 was fully allocated to the mass insurance segment in non-life insurance, which – due to the scale of integration of Link4's business with PZU under the 'two brands' strategy that assumed synergies resulting from the management of the mass client portfolio and sale of additional insurance products – is the smallest CGU to which goodwill can be allocated. Goodwill on the acquisition of PIM and Idea Bank was fully allocated to Pekao, since that was the lowest level at which goodwill is monitored at the Group level.

Carrying amount

The carrying amount comprises CGU net assets, including intangible assets such as trademarks and client relations, which were identified in connection with the acquisition of CGU and goodwill. For the entities, in which non-controlling interests exist, the carrying amount for the purposes of the test is increased by the portion of goodwill allocated to non-controlling interests (it is not presented in the consolidated statement of financial position).

For the purposes of the test, the net carrying amount of the mass insurance segment was determined on the basis of allocation of the PZU Group's net assets. The assets were allocated in the proportion corresponding to the ratio of the hypothetical solvency capital requirement, which may be allocated to the mass insurance segment, to the total solvency capital requirement. The Euler method was used to allocate the solvency capital requirement. This method allocates to a segment the risk measures, which are based on Solvency II regulations and take into account diversification effects.

Recoverable amount

The recoverable amount is the higher of the fair value less costs of disposal or the value in use. As at 31 December 2024, the recoverable amount was estimated on the basis of value in use.

The recoverable amount of individual CGUs was determined based on value in use of the entities, using the discounted cash flow method based on the most current financial projections, for a period, which are presented in the table below.

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CGU financial projections take into account the product offering and market growth prospects, balance sheet structure and available capital surpluses, to-date results and expected macroeconomic parameters, such as the interest rate levels and economic growth.

The discount rates used for testing of the insurance companies were set at the cost of equity level. For medical companies, the weighted average cost of capital (WACC) was used. The cost of equity was set in accordance with the CAPM model. Also, size premiums were applied in justified cases. Risk-free rates were determined based on the yield of 10-year government bonds offered by the country where the CGU is domiciled and the betas were based on measures of similar listed entities. Market premiums were 5.25% (in 2023: 5%).

For regulated entities (banks and insurance companies, financial institutions), the projected cash flows incorporate the requirement to maintain an adequate level of own funds (economic capital). Cash flows of the mass insurance segment were calculated based on the amount of hypothetical dividends that the segment could have paid if it had operated as a separate insurance company. The amount of dividends depends on the projected technical results of that segment, net of income tax and levy on financial institutions and capital surpluses allocated to that segment as at the balance sheet date and in subsequent periods. The growth ratios after the projection period were determined while taking into account the long-term growth prospects for the market on which the entity conducts its business. Growth rates do not exceed the long-term GDP growth forecasts of the country in nominal terms.

Cash generating unit	31 December 2024			31 December 2023		
	Discount rate	Growth rate after the projection period	Timeframe of financial projections	Discount rate	Growth rate after the projection period	Timeframe of financial projections
Pekao	11.1%	3.5%	3 years	10.3%	3.5%	3 years
LD	7.7%	3.0%	3 years	8.4%	3.0%	3 years
Mass insurance segment	10.5%	2.5%	3 years	10.1%	2.5%	3 years
Balta	7.6%	3.0%	3 years	8.5%	3.0%	3 years
Medical companies	8.4%	2.0%–3.0%	3 years	8.2%	2.0%–3.0%	3 years

Sensitivity analysis

Estimation of the recoverable amount is a complex process that requires the parent company's Management Board to make professional judgments and apply complicated and subjective assumptions. Relatively small changes in significant assumptions may have a significant impact on the results of the recoverable amount measurement. The significant assumptions in the process of estimation of the recoverable amount are: growth rates during the residual period, discount rates, expected profitability level, future capital requirements and minimum level of solvency as a condition for the disbursement of dividends by regulated entities.

The next table presents the surplus of recoverable amounts over carrying amounts and the maximum discount rates and minimum marginal growth rates after the projection period, at which the carrying amounts and recoverable amounts of the individual CGUs. The surplus amount was stated as PZU's share.

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Cash generating unit	31 December 2024			31 December 2023		
	Surplus (PLN million)	Marginal value of the discount rate	Marginal value of the growth rate after the projection period	Surplus (PLN million)	Marginal value of the discount rate	Marginal value of the growth rate after the projection period
Pekao	2,541	14.0%	(0,2%)	1,767	12.2%	0.7%
LD	1,321	12.2%	(2,7%)	1,217	13.4%	(3,4%)
Balta	1,055	18.5%	(14,1%)	593	16.7%	(8,9%)
Mass insurance segment	6,339 [1]	18.6%	n/a [2]	5,674 [1]	18.0%	n/a [2]
Medical companies	700	10.2%–25.6%	(37%)–0.7%	715	9.4%–21.9%	(19.6%)–0.9%

[1] Surplus of the recoverable amount of the mass insurance segment over its carrying amount, including the Link4 acquisition goodwill allocation allocated to that segment.
[2] The amount of discounted cash flows in the projection period is higher than the carrying amount attributed to the mass insurance segment and therefore no marginal growth rate was presented after the projection period.

28. Intangible assets

28.1 Accounting policy

Intangible assets are recognized if they are identifiable, controlled and it is likely that future economic benefits will be achieved, which can be ascribed to a specific assets and the purchase price or production cost of the asset can be measured reliably.

Intangible assets are measured at purchase prices or production costs less amortization charges and impairment losses.

The method used to measure the fair value of an intangible asset acquired in a business combination is presented in section 6.5.

Intangible assets include in particular: computer software, economic copyrights, licenses and concessions, as well as assets acquired in business combinations: trademarks, customer relations (including core deposit intangibles), relations with brokers, future profit from the purchased portfolio of insurance contracts, etc.

Intangible assets are amortized over their estimated economic life:

- assets other than intangible assets acquired in a business combination – using a straight-line method for the period of two to five years. In justified cases, after a case-by-case analysis, a different amortization rate may be used corresponding to the expected useful life of the intangible asset. Since a decision was made that the planned useful life of the Platforma Everest product system in PZU would be 10 years, the annual amortization rate of 10% was adopted for the system;
- intangible assets acquired in a business combination (except for the acquired trademarks) – for the period of one to fifteen years, based on the value of profits generated in the respective years;
- trademarks acquired in a business combination, as intangible assets with a useful period determined as indefinite are not amortized, but at the end of each financial year and any time there are any indications of impairment, they are tested for impairment.

Impairment

At the end of the reporting period, assets are reviewed to determine whether there are any indications of impairment. If such indications are identified or, in the case of trademarks, at each yearend date, the asset is tested for impairment in order to determine its recoverable amount.

Impairment loss on an intangible asset is deemed to have occurred if the expected economic benefits associated with an intangible asset or a property, plant and equipment item decrease as a result of technological changes, decommissioning, withdrawal from use or occurrence of other indications that the usefulness of the asset is reduced.

Where necessary, an impairment loss is recognized reducing the portfolio value to its recoverable amount. In the situation when an asset does not generate cash flows that would be largely independent from cash flows generated by other assets, the analysis is carried out for the smallest identifiable group of assets generating independent cash flows, to which the asset belongs. The possible impairment losses are recognized as cost in the consolidated profit and loss account under “Other operating expenses”.

If there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased then the recoverable amount of such an asset is estimated. The impairment loss recognized in previous periods is reversed to the recoverable amount that does not exceed its carrying amount that would have been determined (net of amortization) had the impairment loss not previously been recognized. Reversal of an impairment loss is recognized as revenue in the in the consolidated profit and loss account under “Other operating income”.

Impairment tests for trademarks were performed as at 31 December 2024. As a result of the tests, no need has been found to recognize impairment losses. The value in use of trademarks was determined on the basis of the value of discounted cash flows from potential license fees. License fees were set at 0.35%-0.4% and 0.4%–0.8% of the banks' retail and corporate segment revenues, and 1% of insurance revenues. The discount rates were established based on the cost of capital plus specific premiums:
2 p.p. – for Pekao and 0.7–1.0 p.p. – for insurance companies. Due to increased profitability and Alior Bank's improved long-term prospects, impairment charges on Alior Bank's trademark and client relationships were reversed in the total amount of PLN 115 million. The effects of the reversal of write-downs were recognized in other operating income.

The growth rates after the forecast period of the respective CGUs were assumed at the same level as in goodwill impairment tests, as described in section 27.3.

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28.2 Quantitative data

Movement in intangible assets (by type groups) in the year ended 31 December 2024	Software, licenses and similar assets	Trademarks	Client relations	Intangible assets under development	Other intangible assets	Total intangible assets
Gross value at the beginning of the period	4,376	614	1,990	949	327	8,256
Changes:	372	(2)	3	(17)	353	709
– purchases and in-house production	20	-	-	875	1	896
– change in composition of the group	-	-	8	-	-	8
– transfers	545	-	-	(898)	353	-
– sale and liquidation	(193)	-	-	(1)	(1)	(195)
– foreign exchange differences and other	-	(2)	(5)	7	-	-
Gross value at the end of the period	**4,748**	**612**	**1,993**	**932**	**680**	**8,965**
Accumulated amortization at the beginning of the period	(2,828)	-	(1,662)	-	(104)	(4,594)
Changes:	(357)	-	(54)	-	(89)	(500)
– amortization for the period	(545)	-	(60)	-	(91)	(696)
– sale and liquidation	168	-	-	-	1	169
– foreign exchange differences and other	20	-	6	-	1	27
Accumulated amortization at the end of the period	**(3,185)**	**-**	**(1,716)**	**-**	**(193)**	**(5,094)**
Impairment losses at the beginning of the period	(62)	(100)	(61)	(23)	(12)	(258)
Changes charged to other operating expenses	(4)	-	-	-	-	(4)
Changes charged to other operating income	-	100	15	-	-	115
Other changes	21	-	-	-	-	21
Impairment losses – at the end of the period	**(45)**	**-**	**(46)**	**(23)**	**(12)**	**(126)**
Net value of intangible assets at the end of the period	**1,518**	**612**	**231**	**909**	**475**	**3,745**

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Movement in intangible assets (by type groups) in the year ended 31 December 2023	Software, licenses and similar assets	Trademarks	Client relations	Intangible assets under development	Other intangible assets	Total intangible assets
Gross value at the beginning of the period	3,974	623	2,013	852	110	7,572
Changes:	402	(9)	(23)	97	217	684
– purchases and in-house production	24	-	-	753	7	784
– change in composition of the group	-	-	-	-	-	-
– transfers	441	-	-	(657)	216	-
– sale and liquidation	(61)	-	-	(3)	(3)	(67)
– foreign exchange differences and other	(2)	(9)	(23)	4	(3)	(33)
Gross value at the end of the period	**4,376**	**614**	**1,990**	**949**	**327**	**8,256**
Accumulated amortization at the beginning of the period	(2,362)	-	(1,605)	-	(86)	(4,053)
Changes:	(466)	-	(57)	-	(18)	(541)
– amortization for the period	(529)	-	(80)	-	(25)	(634)
– sale and liquidation	58	-	-	-	3	61
– foreign exchange differences and other	5	-	23	-	4	32
Accumulated amortization at the end of the period	**(2,828)**	**-**	**(1,662)**	**-**	**(104)**	**(4,594)**
Impairment losses at the beginning of the period	(56)	(100)	(61)	(20)	-	(237)
Changes charged to other operating expenses	(6)	-	-	(3)	(12)	(21)
Impairment loss – at the end of the period	**(62)**	**(100)**	**(61)**	**(23)**	**(12)**	**(258)**
Net value of intangible assets at the end of the period	**1,486**	**514**	**267**	**926**	**211**	**3,404**

Amortization of intangible assets by place of recognition in consolidated profit and loss account	1 January – 31 December 2024	1 January – 31 December 2023
Expenses under insurance contracts	157	143
PZU Group operating expenses not related to insurance services[1)]	536	488
Investment activity expenses	3	3
Total amortization	**696**	**634**

[1)] Including the amortization of intangible assets purchased in company acquisition transactions in the amount of PLN 59 million (in 2023: PLN 80 million).

Trademarks	31 December 2024	31 December 2023
Pekao	340	340
Alior Bank	100	-
LD	83	84
Balta	37	38
Link4	50	50
Other	2	2
Trademarks, total	**612**	**514**

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

29. Property, plant and equipment

29.1 Accounting policy

Property, plant and equipment components are measured at purchase price or production cost less accumulated depreciation and impairment losses.

All property, plant and equipment, and their important components, with the exception of land and property, plant and equipment under construction, are depreciated using the straight-line method, starting from the moment of their availability for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the intended manner.

Annual depreciation rates for material assets are presented below:

Asset category	Rate
Cooperative ownership rights to apartments, cooperative rights to commercial premises	2.5%
Buildings and structures	1.5% – 10%
Machinery and technical equipment	10% – 40%
Means of transport	14% – 33%
IT hardware	14.3% – 40%
Other non-current assets	7% – 20%

Assets held under a lease contract are depreciated over their useful life, provided that there is rational certainty that they would be purchased or ownership transferred. Otherwise, they are depreciated for a period no longer than the term of the lease.

The principles for recognizing impairment losses are the same as those applicable to intangible assets that are described in section 28.1.

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29.2 Quantitative data

Movement in property, plant and equipment (by type groups) in the year ended 31 December 2024	Equipment and machinery	Means of transport	Property, plant and equipment under construction	Real estate	Other property, plant and equipment	Total property, plant and equipment
Gross value at the beginning of the period	1,708	368	381	4,525	716	7,698
Changes:	18	30	10	(14)	32	76
– purchases and in-house production	22	36	422	7	21	508
– increase in right-of-use assets	30	27	-	287	-	344
– change in composition of the group	-	-	-	-	-	-
– sale and liquidation	(206)	(35)	-	(63)	(104)	(408)
– decrease in right-of-use assets (termination of agreements, sales)	-	(11)	-	(77)	-	(88)
– transfers to categories held for sale under IFRS 5	-	-	-	(77)	-	(77)
– transfers to and from the investment property category	-	-	-	(173)	-	(173)
– transfers	173	12	(372)	66	121	-
– foreign exchange differences and other	(1)	1	(40)	16	(6)	(30)
Gross value at the end of the period	**1,726**	**398**	**391**	**4,511**	**748**	**7,774**
Accumulated amortization at the beginning of the period	(1,005)	(147)	-	(1,673)	(298)	(3,123)
Changes:	(27)	(17)	-	(208)	6	(246)
– amortization for the period	(220)	(21)	-	(125)	(101)	(467)
– amortization of right-of-use assets	(6)	(18)	-	(312)	-	(336)
– sale and liquidation	200	19	-	39	102	360
- sale, liquidation and other movement in right-of-use assets	-	6	-	72	-	78
– transfers to categories held for sale under IFRS 5	-	-	-	50	-	50
– transfers to the investment property	-	-	-	68	-	68
– foreign exchange differences and other	(1)	(3)	-	-	5	1
Accumulated amortization at the end of the period	**(1,032)**	**(164)**	**-**	**(1,881)**	**(292)**	**(3,369)**
Impairment losses at the beginning of the period	(19)	-	-	(100)	(11)	(130)
Changes charged to other operating expenses	-	-	(8)	(12)	-	(20)
Changes charged to other operating income	-	-	-	-	-	-
Transfers to the investment property category	-	-	-	-	-	-
Other changes	1	-	(4)	3	1	1
Impairment losses – at the end of the period	**(18)**	**-**	**(12)**	**(109)**	**(10)**	**(149)**
Net value of property, plant and equipment – at the end of the period	**676**	**234**	**379**	**2,521**	**446**	**4,256**
– including net value of right-of-use assets	40	85	-	1,379	-	1,504

The value of right-of-use assets is presented in section 49.

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Movement in property, plant and equipment (by type groups) in the year ended 31 December 2023	Plant and machinery	Means of transport	Property, plant and equipment under construction	Real estate	Other property, plant and equipment	Total property, plant and equipment
Gross value at the beginning of the period	1,604	353	405	4,817	656	7,835
Changes:	104	15	(24)	(292)	60	(137)
– purchases and in-house production	20	24	478	12	35	569
– increase in right-of-use assets	27	21	-	605	-	653
– change in composition of the group	1	-	-	6	-	7
– sale and liquidation	(177)	(26)	-	(83)	(73)	(359)
– decrease in right-of-use assets (termination of agreements, sales)	(12)	(19)	-	(282)	(3)	(316)
– transfers to categories held for sale under IFRS 5	-	-	-	(96)	-	(96)
– transfers to and from the investment property category	-	-	(24)	(547)	-	(571)
– transfers	246	15	(463)	100	102	-
– foreign exchange differences and other	(1)	-	(15)	(7)	(1)	(24)
Gross value at the end of the period	**1,708**	**368**	**381**	**4,525**	**716**	**7,698**
Accumulated amortization at the beginning of the period	(957)	(128)	-	(1,983)	(271)	(3,339)
Changes:	(48)	(19)	-	310	(27)	216
– amortization for the period	(219)	(28)	-	(97)	(95)	(439)
– amortization of right-of-use assets	(1)	(18)	-	(293)	(1)	(313)
– sale and liquidation	172	11	-	34	68	285
- sale, liquidation and other movement in right-of-use assets	-	20	-	310	1	331
– transfers to categories held for sale under IFRS 5	-	-	-	71	-	71
– transfers to the investment property	-	-	-	283	-	283
– foreign exchange differences and other	-	(4)	-	2	-	(2)
Accumulated amortization at the end of the period	**(1,005)**	**(147)**	**-**	**(1,673)**	**(298)**	**(3,123)**
Impairment losses at the beginning of the period	(18)	(3)	-	(159)	(12)	(192)
Changes charged to other operating expenses	(3)	-	-	(11)	(2)	(16)
Changes charged to other operating income	-	2	-	9	1	12
Transfers to the investment property category	-	-	-	61	-	61
Other changes	2	1	-	-	2	5
Impairment losses – at the end of the period	**(19)**	**-**	**-**	**(100)**	**(11)**	**(130)**
Net value of property, plant and equipment – at the end of the period	**684**	**221**	**381**	**2,752**	**407**	**4,445**
– including net value of right-of-use assets	16	81	-	1,410	-	1,507

30. Investment property

30.1 Accounting policy

Investment property is held to earn rental income or obtain benefits from increases in value, or both. Investment property is not used in operating activities.

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Investment property is initially recognized at purchase price or production cost, plus transaction costs. After initial recognition it is measured at fair value, in accordance with the rules described in section 10.1.6. Gains and losses resulting from the change of fair value of investment property are recognized in the consolidated profit and loss account under "Net movement in fair value of assets and liabilities measured at fair value" item in the period in which they occurred.

If owner-occupied property becomes investment property, depreciation is charged up to the date of reclassification and impairment losses, if any, are recognized and then:

- if the carrying amount determined as at that date is higher than the fair value, the difference is recognized in the consolidated profit and loss account under "Other operating expenses";
- if the existing carrying amount is lower than the fair value then the difference is first recognized in the consolidated profit and loss account under "Other operating income" as a reversal of the impairment loss (up to the amount of the impairment loss previously recognized, whereby the amount recognized in the consolidated profit and loss account may not exceed the amount of the impairment loss that would have been determined after deducting the accumulated depreciation had no impairment loss been recognized), and the remaining part of the difference – in other comprehensive income under "Reclassification of real property from property, plant and equipment to investment property".

On subsequent disposal of the investment property, revaluation reserve may be transferred to supplementary capital.

30.2 Estimates and assumptions

The impact of the factors having a significant impact on the investment property valuations is presented in section 10.2.1.2.

30.3 Quantitative data

Movement in investment property	1 January – 31 December 2024	1 January – 31 December 2023
Net carrying amount at the beginning of the period	3,098	3,021
Additions	127	273
– purchase	22	46
- transfer from property intended for personal use	105	212
- transfer from property intended for personal use – right-of-use assets	-	15
Reductions for transfers to held for sale categories under IFRS 5	(7)	-
Gain (loss) on remeasurement to fair value	(59)	(194)
– through profit or loss	(120)	(220)
– through other comprehensive income	61	26
Foreign exchange differences	-	(2)
Net carrying amount at the end of the period, including	**3,159**	**3,098**
– buildings and structures	2,770	2,733
– own land	253	228
– perpetual usufruct right to land and cooperative ownership right to premises	136	137

The item "Perpetual usufruct of land" contains the right to use land for up to 99 years. This right may be traded.

As of both 31 December 2024 and 31 December 2023, the fair value of investment properties resulted from valuations conducted by independent appraisers.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

31. Entities accounted for using the equity method

31.1 Accounting policy

Associates are entities on which significant influence is exerted, or the power to participate in the financial and operating policy decisions of the investee but is not control or joint control.

A joint venture is a contractual arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Associates and joint ventures are measured by the equity method, in which on initial recognition the investment is recognized at purchase price. The goodwill resulting from a surplus of the purchase price over the fair value of identifiable assets and liabilities of the associate is recognized in the carrying amount of the investment. In the next periods the carrying amount is adjusted to recognize the investor's share in the associate's or joint venture's gains or losses and impairment losses, if any. The share of the PZU Group in the financial result of the associates and joint ventures is recognized in the consolidated profit and loss account under "Share of the net profit of entities measured by the equity method", while share in movement in other comprehensive income under other comprehensive income. Distributions received from an associate or joint venture reduce the carrying amount of the investment.

31.2 Quantitative data

Associates	31 December 2024	31 December 2023
Krajowy Integrator Płatności SA	59	54
Sigma BIS SA	10	8
RUCH	-	-
Associates, total	**69**	**62**

Information on interests held in the capital and votes of the respective associates is presented in section 2.2. There are no restrictions (e.g. resulting from any findings regarding borrowings, regulatory requirements or agreements) as to the ability of transferring funds by the associates in the form of cash dividends.

32. Loan receivables from clients (including finance lease receivables)

32.1 Accounting policy

Loan receivables from clients are measured at the end of the reporting period as follows:

- at fair value through profit or loss – assets that do not pass the SPPI test because of the contractual financial leverage element that increases volatility of cash flows (this applies among others to student loans, loans with subsidies from the Agency for Restructuring and Modernization of Agriculture and some corporate exposures);
- at fair value through other comprehensive income – assets that satisfy the SPPI test and classified in a business model whose objective is achieved by both collecting contractual cash flows and selling the asset;
- at amortized cost – for other assets that satisfy the SPPI test and are held to obtain contractual cash flows.

Information on the SPPI test is presented in section 35.1.1.

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Interest on loan receivables from clients measured at amortized cost or at fair value through other comprehensive income, accrued using the effective interest rate, are recognized in the profit and loss account, in the item: "Interest income calculated using the effective interest rate and equalized to them."

The change in the fair value of loan receivables from clients is recognized:

- for those measured at fair value through other comprehensive income – in revaluation reserve;
- for those measured at fair value through profit or loss – in the profit and loss account in the "Net movement in fair value of assets and liabilities measured at fair value" item.

Modification of financial assets

If the terms of the financial asset contract are modified, a comparison is made between the value of the modified flows discounted at the original effective interest rate and the present value of the flows before the modification. If the identified difference is material then the original financial asset is removed from the statement of financial position and the modified financial asset is recognized at its fair value.

The result as at the date of determining the effects of a material modification is presented in the consolidated profit and loss account under "Result on derecognition of financial instruments and investments not measured at fair value through profit or loss."

Otherwise, the modification does not result in removing the financial asset from the statement of financial position, and only the new gross carrying amount is calculated and the result from the modification is recognized in the consolidated profit and loss account in the "Interest income calculated using the effective interest rate" line item.

The assessment whether the modification of financial assets is material or immaterial is conditional upon satisfaction of certain qualitative and quantitative criteria.

The following criteria are used to assess the materiality of modifications:

- qualitative – change of currency (unless it results from existing contractual provisions or requirements of the applicable legal regulations), change (replacement) of debtor (except for addition/resignation of a joint debtor or inheritance of a loan), consolidation of several exposures into a single one under an annex or an arrangement/restructuring agreement;
- quantitative – among others % thresholds of margin change, increase of the financing amount and changes in the residual financing period (for revolving products).

Occurrence of at least one of these criteria results in a material modification.

32.2 Quantitative data

Loan receivables from clients (including finance lease receivables)	31 December 2024	31 December 2023 (restated)
Measured at amortized cost	231,559	218,542
Measured at fair value through other comprehensive income	247	82
Measured at fair value through profit or loss	360	250
Total loan receivables from clients (including finance lease receivables)	**232,166**	**218,874**

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Loan receivables from clients (including finance lease receivables)	31 December 2024	31 December 2023 (restated)
Retail segment	122,214	114,551
Loans for real estate	88,932	82,473
Other	33,282	32,078
Business segment	109,952	104,323
Total loan receivables from clients (including finance lease receivables)	**232,166**	**218,874**

33. Financial derivatives

33.1 Accounting policy

Derivatives include financial instruments held for trading as well as financial instruments constituting a hedge of fair value or cash flows.

Derivative financial instruments held for trading are recognized at fair value on the transaction date and subsequently measured at fair value in accordance with the rules described in section 10.1.4.

Derivatives are recognized as financial assets if their fair value is positive or as financial liabilities if it is negative.

Changes of fair value of derivatives that are not hedges are recognized under "Net movement in fair value of assets and liabilities at fair value".

The PZU Group took advantage of the option available in IFRS 9 and continues to apply hedge accounting in accordance with IAS 39 as approved by the regulation of the European Commission.

Hedge accounting recognizes is used to recognize the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. Hedge accounting is applied if the following conditions are fulfilled:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows, consistently with the originally documented risk management strategy for that particular hedging relationship;
- in the case of cash flows it is highly probable that a hedged transaction occurs that is exposed to changes in cash flows affecting the profit and loss account;
- the effectiveness of the hedge can be reliably measured, i.e. the cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The PZU Group ceases to apply hedge accounting if the hedging instrument expires or is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the hedging strategy), if the hedge no longer meets the hedge accounting criteria or the hedging designation is revoked.

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33.2 Types of hedging strategies

33.2.1. Fair value hedges

Changes in the fair value measurement of financial instruments designated as hedged items are recognized, in the part related to the hedged risk, in the profit and loss account. The remaining part of changes in the carrying amount are recognized in accordance with the general rules applicable to a given class of financial instruments.

Changes in the fair value measurement of derivatives designated as hedges in hedge accounting are recognized in full in profit or loss, in the same line item where the effect of changes in the measurement of the hedged item are recognized. When the hedged instrument is a debt financial instrument measured at fair value through other comprehensive income, the result from the valuation of this hedged instrument (from the moment the hedging relationship is established) is recognized in the income statement.

Adjustment for hedged risk on the hedged interest item is amortized to profit and loss no later than at the moment when hedge accounting is discontinued.

The main identified potential sources of inefficiencies in fair value hedges include:

- impact of counterparty credit risk and own credit risk on the fair value of hedging transactions which is not reflected in the fair value of the hedged item;
- differences between the maturities of IRS transactions and the maturities of debt securities;
- differences in the level of interest coupons generated by the hedged item and hedging instruments.

Fair value hedge of fixed-coupon debt securities denominated in PLN and EUR

Pekao hedges some of its interest rate risk associated with a change in the fair value of the hedged item caused by volatility of market interest rates through IRS transactions. This is the way to hedge the interest rate risk component arising from changes in the fair value of the hedged item caused only by volatility of forward rates (WIBOR, EURIBOR). The hedged risk component was responsible in the past for a significant part of the changes in the fair value of the hedged item.

The table presents nominal values and interest rate of hedging instruments :

	Curren-cy	31 December 2024 Maturity					31 December 2023 Maturity				
		Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total	Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total
Par value	PLN	-	-	-	-	-	-	-	200	-	200
Average interest rate of the fixed-rate part		-	-	-	-	-	-	-	5.8	-	5.8
Par value	EUR	-	-	491	139	630	204	-	500	141	845
Average interest rate of the fixed-rate part		-	-	3.5	4.4	3.7	4.8	-	4.0	4.6	4.3
Total		**-**	**-**	**491**	**139**	**630**	**204**	**-**	**700**	**141**	**1,045**

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Impact of the hedge relationship on the statement of financial position and the financial result	31 December 2024 Hedges of securities measured at amortized cost	31 December 2024 Hedges of securities measured at fair value	31 December 2024 Total	31 December 2023 Hedges of securities measured at amortized cost	31 December 2023 Hedges of securities measured at fair value	31 December 2023 Total
Hedging instruments						
Par value	-	630	630	200	845	1,045
Carrying amount – assets	-	29	29	9	45	54
Carrying amount – liabilities	-	-	-	-	1	1
Change in the fair value of the hedging instrument, on the basis of which hedge inefficiency is estimated	(1)	(14)	(15)	(13)	(33)	(46)
Hedge inefficiency amount recognized in the profit and loss account	-	1	1	-	-	-
Hedged items						
Carrying amount – assets	-	615	615	191	823	1,014
Accumulated adjustment to fair value of the hedged item included in the carrying amount of the hedged item recognized in the statement of financial position – assets	-	(24)	(24)	(9)	(36)	(45)
Change in value of the hedged item used as the basis for estimating hedge inefficiency	1	15	16	13	33	46
Accumulated adjustment to fair value of a hedged item remaining in the statement of financial position, for those hedged items for which the balance sheet item is no longer adjusted to fair value	-	-	-	-	-	-

Fair value hedge of fixed-coupon debt securities denominated in EUR and USD

Alior Bank hedges the risk of changes in the fair value through other comprehensive income of purchased fixed-rate debt securities measured at fair value through other comprehensive income on account of changes in the interest rate swap curve. As part of this strategy Alior Bank establishes hedging relationships in which the fixed-coupon debt securities denominated in the given currency are the hedged instrument and IRS in the same currency are the hedging instrument. Under this strategy Alior Bank hedges the risk following from changes in the interest rate swap curve (risk of volatility of market swap interest rates) excluding other effects changing the valuation (including asset swap spread).

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The table presents nominal values and interest rate of hedging instruments:

	Currency	31 December 2024 Maturity					31 December 2023 Maturity				
		Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total	Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total
Par value	EUR	-	43	100	931	1,074	-	-	145	261	406
Average interest rate of the fixed-rate part	EUR	-	0.7	0.7	2.5	2.3	-	-	0.7	2.9	2.1
Par value	USD	-	-	-	103	103	-	-	-	-	-
Average interest rate of the fixed-rate part	USD	-	-	-	3.8	3.8	-	-	-	-	-
Total		**-**	**43**	**100**	**1,034**	**1,177**	**-**	**-**	**145**	**261**	**406**

Impact of the hedge relationship on the statement of financial position and the financial result	31 December 2024	31 December 2023
Hedging instruments		
Par value	1,177	406
Carrying amount – assets	18	14
Carrying amount – liabilities	5	11
Change in the fair value of the hedging instrument, on the basis of which hedge inefficiency is estimated	5	(17)
Hedge inefficiency amount recognized in the profit and loss account	7	1
Hedged items		
Carrying amount – assets	1,101	405
Accumulated adjustment to fair value of the hedged item included in the carrying amount of the hedged item recognized in the statement of financial position – assets	-	-
Change in value of the hedged item used as the basis for estimating hedge inefficiency	2	18
Accumulated adjustment to fair value of a hedged item remaining in the statement of financial position, for those hedged items for which the balance sheet item is no longer adjusted to fair value	-	-

Fair value hedges for deposits

Alior Bank hedges the risk of changes in the fair value of deposits (current accounts, savings accounts without a specified revaluation date) for risks arising from changes in the interest rate curve (market interest rate volatility risk), excluding other effects changing the valuation (for example, asset swap spread). As part of this strategy, Alior Bank creates hedging relationships in which an IRS/OIS float to fixed transaction is a hedging instrument (interest rate swap / overnight rate-indexed swap) float to fixed. The replication profile of the interest rate revaluation date, determined according to the methodology used to realign the measurement of interest rate risk, is applied to determine the hedged deposits. The fair value of modeled deposits is subject to changes due to volatility in the market forward interest rate curve.

The table presents nominal values and interest rate of hedging instruments:

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	Currency	31 December 2024 Maturity					31 December 2023 Maturity				
		Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total	Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total
Par value	PLN	-	1,210	25	1,196	2,431	-	-	25	-	25
Average interest rate of the fixed-rate part	PLN	-	5.5	4.2	4.3	4.9	-	-	4.2	-	4.2
Par value	EUR	-	342	1,837	-	2,179	-	-	-	-	-
Average interest rate of the fixed-rate part	EUR	-	2.7	2.2	-	2.3	-	-	-	-	-
Nominal value	USD	-	1,025	923	-	1,948	-	-	-	-	-
Average interest rate of the fixed-rate part	USD	-	3.9	4.1	-	4.0	-	-	-	-	-
Total		**-**	**2,577**	**2,785**	**1,196**	**6,558**	**-**	**-**	**25**	**-**	**25**

Impact of the hedge relationship on the statement of financial position and the financial result	31 December 2024	31 December 2023
Hedging instruments		
Nominal value	6,558	25
Carrying amount – assets	18	-
Carrying amount – liabilities	51	-
Change in the fair value of the hedging instrument, on the basis of which hedge inefficiency is estimated	(42)	-
Hedge inefficiency amount recognized in the profit and loss account	11	-
Hedged items		
Carrying amount – liabilities	6,558	25
Accumulated adjustment to fair value of the hedged item included in the carrying amount of the hedged item recognized in the statement of financial position – liabilities	(53)	-
Change in value of the hedged item used as the basis for estimating hedge inefficiency	53	-
Accumulated adjustment to fair value of a hedged item remaining in the statement of financial position, for those hedged items for which the balance sheet item is no longer adjusted to fair value	-	-

33.2.2. Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable planned transaction and could affect profit or loss.

The result of measurement of the effective part of cash flow hedges is recognized in other comprehensive income. Ineffective part of the hedging is presented through profit or loss – in the profit and loss account in the "Net movement in fair value of assets and liabilities measured at fair value" item.

Where the interest rate risk and currency risk are hedged in credit and deposit portfolios, the approach to managing these portfolios allows new transactions to be added to the hedge relationship or transactions to be removed following repayment or transfer to non-performing items. As a result, the exposure of these portfolios to interest rate risk and currency risk changes constantly. Since the age structure of the portfolios changes frequently, the hedged items are designated dynamically and the hedging items are allowed to adjust to these changes.

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In cash flow hedge relationships, the main identified potential sources of inefficiencies include:

- the impact of counterparty credit risk and own credit risk on the fair value of hedging instruments, i.e. IRSs, basis swaps and FX swaps, which is not reflected in the fair value of the hedged item;
- differences between the frequencies of restatement of hedging instruments and hedged loans and deposits.

33.2.2.1. Hedging of the portfolio of loan receivables from clients and variable-interest securities denominated in PLN and EUR

Pekao hedges its interest rate risks associated with the volatility of market reference rates (WIBOR, EURIBOR) generated by the portfolio of loan receivables from clients and variable-interest securities denominated in PLN and EUR, by using IRSs.

	Currency	31 December 2024 Maturity					31 December 2023 Maturity				
		Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total	Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total
Nominal value	PLN	872	2,470	13,906	9,149	26,397	784	5,665	16,658	4,928	28,035
Average interest rate of the fixed-rate part	PLN	2.1	1.9	3.2	4.6	3.5	1.0	2.1	2.9	4.3	2.9
Nominal value	EUR	-	-	3,418	-	3,418	-	-	2,174	-	2,174
Average interest rate of the fixed-rate part	EUR	-	-	2.8	-	2.8	-	-	3.1	-	3.1
Total		**872**	**2,470**	**17,324**	**9,149**	**29,815**	**784**	**5,665**	**18,832**	**4,928**	**30,209**

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Impact of the hedge relationship on the statement of financial position and the financial result	31 December 2024	31 December 2023
Hedging instruments		
Nominal value	29,815	30,209
Carrying amount – assets	374	547
Carrying amount – liabilities	1,003	1,357
Change in the fair value of the hedging instrument, on the basis of which hedge inefficiency is estimated	36	2,024
Profit or loss arising out of net position hedge, captured in a separate line item of other comprehensive income	33	2,021
Hedge inefficiency amount recognized in the profit and loss account	3	4
Hedged items		
Amount equal to the change in the fair value of a hypothetical derivative representing the hedged item, which forms the basis for estimating hedge inefficiency in the period	(30)	(2,021)
Balance of the hedge accounting capital item for relations, for which hedge accounting will be continued after the end of the reporting period	(705)	(738)
Balance remaining in the hedge accounting capital item for those relations, to which hedge accounting is no longer applied	-	-

33.2.2.2. Hedging of the deposit portfolio denominated in PLN

Pekao hedges its interest rate risk associated with the volatility of market reference rate (WIBOR) generated by the portfolios of deposits denominated in the Polish zloty, which are economically equivalent to a long-term liability with variable interest rate, by using IRSs.

	Currency	31 December 2024 Maturity					31 December 2023 Maturity				
		Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total	Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total
Nominal value	PLN	-	28	5,577	100	5,705	-	20	1,767	140	1,927
Average interest rate of the fixed-rate part		-	5.8	5.8	5.9	5.8	-	5.6	6.6	6.4	6.5

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Impact of the hedge relationship on the statement of financial position and the financial result	31 December 2024	31 December 2023
Hedging instruments		
Nominal value	5,705	1,927
Carrying amount – assets	42	14
Carrying amount – liabilities	70	40
Change in the fair value of the hedging instrument, on the basis of which hedge inefficiency is estimated	54	(46)
Profit or loss arising out of net position hedge, captured in a separate line item of other comprehensive income	54	(46)
Hedge inefficiency amount recognized in the profit and loss account	-	-
Amount transferred from cash flow hedge accounting capital to the profit and loss account as reclassification adjustment	-	-
Hedged items		
Amount equal to the change in the fair value of a hypothetical derivative representing the hedged item, which forms the basis for estimating hedge inefficiency in the period	(54)	46
Balance of the hedge accounting capital item for relations, for which hedge accounting will be continued after the end of the reporting period	34	(20)
Balance remaining in the hedge accounting capital item for those relations, to which hedge accounting is no longer applied	-	-

33.2.2.3. Hedging for the portfolio of loans and lease receivables with variable interest rates in EUR and the portfolio of deposits in Polish zloty

Pekao hedged its exposure to interest rate risk associated with the volatility of market reference rates (WIBOR, EURIBOR) and its exposure to currency risk generated by loan portfolios and lease receivables with a variable interest rate denominated in EUR and deposits in Polish zloty, which economically constituted a long-term liability with a variable interest rate, using currency interest rate swaps (basis swaps). The discontinuation of hedge accounting under this relationship had no effect on the profit and loss account.

Impact of the hedge relationship on the statement of financial position and the financial result	31 December 2024	31 December 2023
Hedging instruments		
Nominal value	-	-
Carrying amount – assets	-	-
Carrying amount – liabilities	-	-
Change in the fair value of the hedging instrument, on the basis of which hedge inefficiency is estimated	-	4
Profit or loss arising out of net position hedge, captured in a separate line item of other comprehensive income	-	6
Hedge inefficiency amount recognized in the profit and loss account	-	-
Amount transferred from cash flow hedge accounting capital to the profit and loss account as reclassification adjustment	-	-
Hedged items		
Amount equal to the change in the fair value of a hypothetical derivative representing the hedged item, which forms the basis for estimating hedge inefficiency in the period	-	(4)
Balance of the hedge accounting capital item for relations, for which hedge accounting will be continued after the end of the reporting period	-	-
Balance remaining in the hedge accounting capital item for those relations, to which hedge accounting is no longer applied	(13)	(17)

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33.2.2.4. Hedging of a portfolio in EUR and current and term deposits in USD

Pekao hedges exposure to foreign exchange risk generated by its portfolios of euro-denominated loans and USD-denominated current and time deposits, which economically correspond to long-term floating-rate liabilities, with currency swaps (FX Swaps).

	Currency	31 December 2024 Maturity					31 December 2023 Maturity				
		Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total	Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total
Nominal value	EUR/ PLN	-	-	-	-	-	1,457	1,282	-	-	2,739
Average rate		-	-	-	-	-	4.7	4.6	-	-	4.7
Nominal value	EUR/ USD	214	-	-	-	214	1,304	556	-	-	1,860
Average rate		1.1	-	-	-	1.1	1.1	1.1	-	-	1.1
Total		**214**	**-**	**-**	**-**	**214**	**2,761**	**1,838**	**-**	**-**	**4,599**

Impact of the hedge relationship on the statement of financial position and the financial result	31 December 2024	31 December 2023
Hedging instruments		
Nominal value	214	4,599
Carrying amount – assets	3	190
Carrying amount – liabilities	-	31
Change in the fair value of the hedging instrument, on the basis of which hedge inefficiency is estimated	(82)	12
Profit or loss arising out of net position hedge, captured in a separate line item of other comprehensive income	(7)	10
Hedge inefficiency amount recognized in the profit and loss account	-	-
Amount transferred from cash flow hedge accounting capital to the profit and loss account as reclassification adjustment	-	-
Hedged items		
Amount equal to the change in the fair value of a hypothetical derivative representing the hedged item, which forms the basis for estimating hedge inefficiency in the period	82	(12)
Balance of the hedge accounting capital item for relations, for which hedge accounting will be continued after the end of the reporting period	-	7
Balance remaining in the hedge accounting capital item for those relations, to which hedge accounting is no longer applied	-	-

33.2.2.5. Hedging of a portfolio of variable interest rate loans and subordinated bonds

Alior Bank hedges its interest rate risk associated with the volatility of market reference rates generated by the portfolio of loans and subordinated bonds denominated in the same currency, by using IRSs.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

	Currency	31 December 2024 Maturity Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total	31 December 2023 Maturity Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total
Nominal value	PLN	75	4,485	10,395	995	15,950	975	3,890	13,077	-	17,942
Average interest rate of the fixed-rate part	PLN	6.2	3.7	3.5	4.9	3.7	2.9	2.6	3.2	-	3.1
Nominal value	EUR	-	150	662	-	812	74	265	174	-	513
Average interest rate of the fixed-rate part	EUR	-	3.6	2.2	-	2.5	(0.5)	(0.3)	(0.3)	-	(0.3)
Total		**75**	**4,635**	**11,057**	**995**	**16,762**	**1,049**	**4,155**	**13,251**	**-**	**18,455**

Impact of the hedge relationship on the statement of financial position and the financial result	31 December 2024	31 December 2023
Hedging instruments		
Nominal value	16,762	18,455
Carrying amount – assets	239	322
Carrying amount – liabilities	394	672
Change in the fair value of the hedging instrument, on the basis of which hedge inefficiency is estimated	(219)	(394)
Profit or loss arising out of net position hedge, captured in a separate line item of other comprehensive income	(301)	250
Hedge inefficiency amount recognized in the profit and loss account	3	6
Amount transferred from cash flow hedge accounting capital to the profit and loss account as reclassification adjustment	430	812
Hedged items		
Amount equal to the change in the fair value of a hypothetical derivative representing the hedged item, which forms the basis for estimating hedge inefficiency in the period	234	397
Balance of the hedge accounting capital item for relations, for which hedge accounting will be continued after the end of the reporting period	(285)	(414)
Balance remaining in the hedge accounting capital item for those relations, to which hedge accounting is no longer applied	-	-

33.2.2.6. Hedging of a portfolio of fixed-rate bonds denominated in EUR, USD or GBP

PZU hedges foreign currency cash flows generated by the portfolios of fixed-rate bonds denominated in EUR, USD or GBP using cross-currency interest rate swaps (CIRS). This way it hedges the foreign exchange risk component associated with the volatility of exchange rates.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

	Currency	31 December 2024 Maturity					31 December 2023 Maturity				
		Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total	Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total
Nominal value	EUR/	117	123	554	-	794	96	96	804	65	1,061
Average rate	PLN	4.3	4.3	4.3	-	4.3	4.3	4.3	4.3	4.4	4.3
Nominal value	USD /	41	156	88	-	285	-	-	391	-	391
Average rate	PLN	3.7	3.8	3.8	-	3.8	-	-	3.8	-	3.8
Nominal value	GBP /	-	41	338	-	379	-	-	358	15	373
Average rate	PLN	-	4.8	5.0	-	5.0	-	-	5.0	5.0	5.0
Total		**158**	**320**	**980**	**-**	**1,458**	**96**	**96**	**1,553**	**80**	**1,825**

Impact of the hedge relationship on the statement of financial position and the financial result	31 December 2024	31 December 2023
Hedging instruments		
Nominal value	1,458	1,825
Carrying amount – assets	7	9
Carrying amount – liabilities	42	32
Change in the fair value of the hedging instrument, on the basis of which hedge inefficiency is estimated	(12)	296
Profit or loss arising out of net position hedge, captured in a separate line item of other comprehensive income	(9)	122
Hedge inefficiency amount recognized in the profit and loss account	-	(1)
Amount transferred from cash flow hedge accounting capital to the profit and loss account as reclassification adjustment	(3)	174
Hedged items		
Amount equal to the change in the fair value of a hypothetical derivative representing the hedged item, which forms the basis for estimating hedge inefficiency in the period	13	(297)
Balance of the hedge accounting capital item for relations, for which hedge accounting will be continued after the end of the reporting period	(14)	(5)
Balance remaining in the hedge accounting capital item for those relations, to which hedge accounting is no longer applied	5	5

33.2.2.7. Movement in the revaluation reserve and non-controlling interests resulting from the measurement of the hedging derivatives in hedge accounting

Revaluation reserve and non-controlling interests resulting from the measurement of the hedging derivatives in hedge accounting	31 December 2024	31 December 2023
Beginning of the period	(1,182)	(4,367)
Profits or losses resulting from hedging – recognized in other comprehensive income	(905)	1,557
Interest rate risk	(922)	1,057
Interest rate risk and currency risk	17	500
Amounts transferred from other comprehensive income to the profit and loss account during the reporting period	1,109	1,628
Interest rate risk	1,138	1,981
Interest rate risk and currency risk	(29)	(353)
End of the period	**(978)**	**(1,182)**

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33.3 Quantitative data

Derivatives as at 31 December 2024	Base amount by maturities					Assets	Liabilities
	Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total		
Related to interest rates	**61,726**	**108,540**	**201,420**	**31,840**	**403,526**	**4,587**	**5,477**
Fair value hedging instruments – swap transactions	-	2,620	3,376	2,369	8,365	65	56
Cash flow hedging instruments – swap transactions	1,105	7,453	34,938	10,244	53,740	662	1,509
Instruments carried as held for trading, including:	60,621	98,467	163,106	19,227	341,421	3,860	3,912
- forward contracts	51,015	70,463	6,440	-	127,918	88	85
- swap transactions	9,459	27,485	152,294	18,972	208,210	3,744	3,800
- call options (purchase)	24	376	3,764	255	4,419	21	21
- put options (sale)	-	-	424	-	424	6	5
- cap floor options	123	143	184	-	450	1	1
Related to exchange rates	**40,529**	**12,062**	**3,042**	**125**	**55,758**	**538**	**427**
Cash flow hedging instruments – swap transactions	214	-	-	-	214	3	-
Instruments carried as held for trading, including:	40,315	12,062	3,042	125	55,544	535	427
- forward contracts	7,289	3,771	1,313	-	12,373	80	184
- swap transactions	29,253	5,448	251	125	35,077	413	192
- call options (purchase)	2,085	1,138	794	-	4,017	26	14
- put options (sale)	1,688	1,705	684	-	4,077	16	37
Related to prices of securities	**43**	**-**	**-**	**-**	**43**	**-**	**1**
- forward contracts	43	-	-	-	43	-	1
Related to commodity prices	**2,017**	**3,735**	**1,437**	**-**	**7,189**	**259**	**227**
- forward contracts	433	153	-	-	586	7	6
- swap transactions	1,584	2,732	1,437	-	5,753	236	204
- call options (purchase)	-	351	-	-	351	7	8
- put options (sale)	-	499	-	-	499	9	9
Total	**104,315**	**124,337**	**205,899**	**31,965**	**466,516**	**5,384**	**6,132**

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Derivatives as at 31 December 2023	Base amount by maturities					Assets	Liabilities
	Up to 3 months	Over 3 months up to 1 year	Over 1 year to 5 years	Over 5 years	Total		
Related to interest rates	**60,659**	**132,137**	**230,918**	**42,022**	**465,736**	**9,690**	**10,740**
Fair value hedging instruments – swap transactions	204	-	870	402	1,476	68	12
Cash flow hedging instruments – swap transactions	1,929	9,936	35,403	5,148	52,416	892	2,101
Instruments carried as held for trading, including:	58,526	122,201	194,645	36,472	411,844	8,730	8,627
- forward contracts	39,528	62,020	2,191	-	103,739	64	60
- swap transactions	18,508	59,285	189,732	34,097	301,622	8,616	8,515
- call options (purchase)	403	684	2,531	282	3,900	35	40
- put options (sale)	-	-	55	2,093	2,148	13	10
- cap floor options	87	212	136	-	435	2	2
Related to exchange rates	**43,272**	**9,519**	**2,050**	**-**	**54,841**	**1,416**	**647**
Cash flow hedging instruments – swap transactions	2,761	1,838	-	-	4,599	190	31
Instruments carried as held for trading, including:	40,511	7,681	2,050	-	50,242	1,226	616
- forward contracts	8,150	3,869	1,372	-	13,391	266	336
- swap transactions	31,377	2,666	287	-	34,330	947	244
- call options (purchase)	650	670	217	-	1,537	9	3
- put options (sale)	334	476	174	-	984	4	33
Related to prices of securities	**575**	**1,544**	**186**	**-**	**2,305**	**20**	**6**
- call options (purchase)	516	1,544	186	-	2,246	19	6
- forward contracts	59	-	-	-	59	1	-
Related to commodity prices	**2,731**	**1,478**	**116**	**-**	**4,325**	**270**	**263**
- forward contracts	176	21	-	-	197	4	4
- swap transactions	2,480	1,457	116	-	4,053	260	253
- call options (purchase)	75	-	-	-	75	6	6
Total	**107,237**	**144,678**	**233,270**	**42,022**	**527,207**	**11,396**	**11,656**

34. Assets pledged as collateral for liabilities

34.1 Accounting policy

Accounting policies for assets pledged as collateral for liabilities are the same as those applicable to investment financial assets and are described in section 35.1.

These assets are pledged as collateral for concluded repurchase transactions and the loan taken by Alior Bank from the European Investment Bank. Accordingly, Alior Bank has pledged securities to secure repayment of this obligation.

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34.2 Quantitative data

Assets pledged as collateral for liabilities	31 December 2024				31 December 2023			
	at amortized cost	at fair value through other comprehensive income	at fair value through profit or loss	Total	at amortized cost	at fair value through other comprehensive income	at fair value through profit or loss	Total
Debt securities	-	1,017	387	1,404	-	1,694	14	1,708
Government securities	-	1,017	387	1404	-	1,694	14	1,708
Domestic	-	1,017	387	1404	-	1,694	14	1,708
Fixed rate	-	999	351	1350	-	1,647	-	1,647
Floating rate	-	18	36	54	-	47	14	61
Assets pledged as collateral for liabilities, total	**-**	**1,017**	**387**	**1,404**	**-**	**1,694**	**14**	**1,708**

35. Investment financial assets

35.1 Accounting policy

35.1.1. Recognition and classification

Financial assets are recognized in the statement of financial position at the moment when a PZU Group company becomes a party to a binding contract, under which it assumes risk and becomes a beneficiary of the benefits associated with the financial instrument. In the case of transactions concluded on an organized market, the purchase or sale of financial assets are recognized in the books on the date of the transaction.

The instrument is classified at the time of recognition of the instrument for the first time. The classification may only be changed in rare cases when the business model changes. The classification of financial assets depends on:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

According to IFRS 9 financial assets are classified for valuation at:

- amortized cost;
- fair value through profit or loss;
- fair value through other comprehensive income.

Assets securing liabilities in respect of which the recipient has the right to sell these assets or exchange them for another security are presented in a separate line item in the statement of financial position.

Business models

Financial assets are managed in accordance with business models applied to enable the provision of information for management purposes. When analyzing business models, the PZU Group takes the following into account:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

Description of business models	Assets held in order to collect contractual cash flows	Assets held in order to collect contractual cash flows and cash flows from selling assets	Other financial assets
Risks under management	Long-term interest rate risk, credit risk.	Long-term interest rate risk, credit risk, long-term liquidity.	Short-term interest rate risk, currency risk, risk of changing prices of equities, indices, commodities and short-term liquidity management.
Terms and conditions of the sale of assets in the model	• transactions are rare • the value of assets sold compared to the total value of assets in the model is insignificant • the maturity of assets sold is close, while revenues are approximating the values of contractual cash flows remaining to be received if the assets was kept in the portfolio till initial maturity • deterioration of credit quality	The permitted level of sales is higher than in the model of assets held to collect contractual cash flows, but much lower than for assets held for trading.	No restrictions on sales.

Financial assets held for trading and those that are held in a model managed at fair value have been classified as measured at fair value through profit or loss.

SPPI test

An SPPI test is performed to assess whether the contractual cash flows represent only principal and interest payments. The principal amount is defined as the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The SPPI test examines whether a financial asset contains contractual terms that could change the timing or amounts of contractual cash flows so that the condition of obtaining solely payments of principal and interest would not be met. In making its evaluation, the PZU Group takes the following into account:

- conditional events that could change the amounts and timing of cash flows;
- factors modifying the interest rate;
- terms of prepayment and extension;
- terms limiting the right to obtain cash flows;
- factors that modify the time value of money, including periodic resets of the interest rate.

The SPPI test is carried out for financial assets classified into a business model whose objective is achieved by collecting contractual cash flows or a business model whose objective is achieved by both collecting contractual cash flows and selling.

The SPPI test is carried out:

- collectively – for homogeneous groups of standard products;

- on the single contract level – for non-standard products;
- on the ISIN code level – for debt securities.

If a financial asset contains terms causing modification of the value of money over time, the so-called verification benchmark test is carried out to determine the difference between undiscounted cash flows following from the contract and the undiscounted cash flows which would occur if the value of money over time was not modified (cash flow benchmark level). If the difference is material then the instrument does not pass the SPPI test and is measured at fair value through profit or loss.

35.1.2. Principles of measurement

Financial assets measured at amortized cost

A financial asset is classified as financial asset measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by holding financial assets in order to collect contractual cash flows;
- it passes the SPPI test – the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost include, among others:

- payment transferred for debt securities purchased under a contract under which the seller retained substantially all the risks and rewards of ownership of the securities (*buy-sell-back* and *reverse repo* transactions);
- debt securities;
- term deposits with credit institutions;
- loans granted.

Upon first recognition, financial assets measured at amortized cost are recognized at fair value plus transaction costs which can be allocated directly to the purchase of issue of such assets.

The results of the measurement at amortized cost are recognized in the profit and loss account in the “Interest income calculated using the effective interest rate” item.

Financial assets measured at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- it passes the SPPI test – the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest on debt instruments accrued using the effective interest rate are recognized in the profit and loss account in the “Interest income calculated using the effective interest rate” line item.

The rules of measurement to fair value are described in section 10.1. The effects of changes in the fair value are recognized in other comprehensive income until exclusion of the asset from the statement of financial position, when the cumulative effects of the measurement are moved to the profit and loss account, to the “Result on derecognition of financial instruments and investments not measured at fair value through profit or loss” item.

The allowances for expected credit losses is recognized in other comprehensive income and on the other side in the profit and loss account in the "Movement in allowances for expected credit losses and impairment losses on financial instruments" item. The value of the recognized allowance does not reduce the carrying amount of the asset.

This category of financial assets also includes equity instruments, for which an irrevocable designation has been made to be measured at fair value, with subsequent changes in fair value recognized in other comprehensive income. The decision on such classification is made individually for each instrument. The portfolio of equity instruments carried at fair value through other comprehensive income includes assets considered material from the perspective of the PZU Group. If such assets are sold, the result on sales is transferred to supplementary capital.

Financial assets at fair value through profit or loss

This category includes other financial instruments that do not meet the conditions for being classified as financial assets measured at amortized cost or fair value through other comprehensive income. This pertains in particular to:

- financial assets designated for measurement at fair value through profit or loss;
- participation units that are not equity instruments and to which the SPPI condition does not apply, which solely payment of principal and interest;
- financial assets that have not passed the SPPI test – for which contractual terms result in cash flows not being solely payments of principal and interest;
- financial assets held within a business model other than the one whose objective is to hold financial assets in order to collect contractual cash flows or both to collect contractual cash flows and to sell financial assets;
- equity instruments that were not irrevocably designated as at fair value through other comprehensive income.

The rules of measurement to fair value are described in section 10.1. The effect of the change in measurement of financial instruments at fair value, including related interest income and changes in liabilities under investment contracts for the client's account and risk are recognized under "Net movement in fair value of assets and liabilities measured at fair value" in the period to which they relate.

35.1.3. Derecognition from statement of financial position

Financial assets are derecognized from the consolidated statement of financial position when the contractual rights to receive cash flows of the asset expire or are transferred to another entity. The transfer also occurs if the contractual rights to receive the cash flows of the financial asset are retained, but a contractual obligation to transfer such cash flows to a non-PZU Group entity is accepted.

When a financial asset is transferred, the extent to which it retains the risks and rewards of ownership of the asset is evaluated.

- if substantially all the risks and rewards of ownership of the financial asset are transferred, the financial asset should be derecognized from the consolidated statement of financial position;
- if substantially all the risks and rewards of ownership of the financial asset are retained, the financial assets should continue to be recognized in the consolidated statement of financial position;
- if substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained, the entity determines whether it has retained control of the financial asset.

If control is retained then the financial asset is recognized in the consolidated statement of financial position up to the amount arising from permanent exposure; if there is no control then the financial asset is derecognized from the consolidated statement of financial position.

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35.2 Quantitative data

Investment financial assets	31 December 2024				31 December 2023			
	at amortized cost	at fair value through other comprehensive income	at fair value through profit or loss	Total	at amortized cost	at fair value through other comprehensive income	at fair value through profit or loss	Total
Equity instruments	n/a	609	1,471	2,080	n/a	837	1,119	1,956
Participation units and investment certificates	n/a	n/a	5,234	5,234	n/a	n/a	4,996	4,996
Debt securities	143,584	52,522	3,929	200,035	121,574	43,529	5,976	171,079
Government securities	96,142	41,062	3,508	140,712	83,177	34,389	5,547	123,113
Domestic	85,590	32,862	3,277	121,729	73,044	27,049	3,864	103,957
Fixed rate	70,180	22,929	2,071	95,180	66,196	16,926	2,170	85,292
Floating rate	15,410	9,933	1,206	26,549	6,848	10,123	1,694	18,665
Foreign	10,552	8,200	231	18,983	10,133	7,340	1,683	19,156
Fixed rate	10,552	8,200	231	18,983	10,133	7,340	1,683	19,156
Other	47,442	11,460	421	59,323	38,397	9,140	429	47,966
Fixed rate	37,898	7,996	125	46,019	29,586	5,654	289	35,529
Floating rate	9,544	3,464	296	13,304	8,811	3,486	140	12,437
Other, including:	14,966	-	-	14,966	14,301	-	-	14,301
Buy-sell-back transactions	9,747	-	-	9,747	9,003	-	-	9,003
Term deposits with credit institutions	1,033	-	-	1,033	1,036	-	-	1,036
Loans	4,186	-	-	4,186	4,262	-	-	4,262
Investment financial assets, total	**158,550**	**53,131**	**10,634**	**222,315**	**135,875**	**44,366**	**12,091**	**192,332**

Equity instruments measured at fair value through other comprehensive income	31 December 2024		31 December 2023	
	Fair value	Dividends recognized in the period	Fair value	Dividends recognized in the period
Biuro Informacji Kredytowej SA	263	2	321	26
PSP SA	137	-	116	-
Grupa Azoty SA	135	-	178	-
Krajowa Izba Rozliczeniowa SA	27	27	29	2
Webuild SpA	19	-	12	-
Orlen SA [1)]	-	-	142	37
Other	28	1	39	-
Equity instruments measured at fair value through other comprehensive income, total	**609**	**30**	**837**	**65**

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

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36. Other receivables

Othe receivables – carrying amount	31 December 2024	31 December 2023
Receivables from insurance intermediaries	104	127
Receivables from sale of securities and security deposits [1)]	1,912	1,839
Receivables on account of payment card settlements	1,529	1,752
Trade receivables	668	602
Receivables from the state budget, other than corporate income tax receivables	74	107
Receivables from commissions on off-balance sheet products	310	234
Prevention settlements	44	52
Receivables from security and bid deposits	70	62
Interbank and interbranch receivables	6	18
Disputed settlements	50	26
Co-insurance receivables on co-insurer's share	47	37
Other	444	371
Other receivables, total	**5,258**	**5,227**

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

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

Other receivables – by contractual maturity	31 December 2024	31 December 2023
Up to 1 year [1)]	5,226	5,004
1 to 5 years	5	86
Over 5 years	27	137
Total other receivables – by contractual maturity	**5,258**	**5,227**

[1)] Including past due receivables.

37. Other assets

Other assets	31 December 2024	31 December 2023 (restated)
IT costs settled over time	282	202
Accrued direct claims handling receivables	51	46
Costs settled over time	161	149
Inventories	52	37
Other assets	41	49
Total other assets	**587**	**483**

Other assets	31 December 2024	31 December 2023 (restated)
Short-term	570	466
Long-term	17	17
Total other assets	**587**	**483**

38. Expected credit losses and impairment of financial assets

38.1 Accounting policies and significant estimates

An assessment is performed at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence of impairment arising from loss events that occurred after the initial recognition of financial assets and causing a decrease in expected future cash flows then appropriate impairment losses are recognized against costs of the current period.

Objective evidence of impairment includes information about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider (forbearance);
- it becoming probable that the borrower will enter liquidation, bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or
  - adverse changes in the economic condition in a specific industry, region, etc. contributing to the deterioration of the debtors' capacity for repayment;
- adverse changes in the technology, market, economic, legal or other environment in which the issuer of an equity instrument operates indicating that costs of investment in that equity instrument may not be recovered.

In the case of assets which are not measured at fair value through profit or loss, the PZU Group recognizes the expected credit loss – ECL. This applies to:

- loan receivables from clients (including finance lease receivables);
- loans;
- debt securities;
- buy-sell-back transactions;
- term deposits with credit institutions;
- other receivables;
- lending commitments and issued financial guarantees.

For debt assets measured at amortized cost and at fair value through other comprehensive income, impairment is measured as:

- Lifetime ECL – expected credit losses that result from all possible default events over the expected life of a financial instrument;
- 12-month ECL – the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The PZU Group measures allowances for expected credit losses at an amount equal to lifetime ECL, except for the following instruments, for which 12-month ECL is recognized instead:

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- financial instruments for which credit risk has not increased significantly since initial recognition;
- debt securities that have low credit risk at the reporting date. Low credit risk debt securities are those securities that have been assigned an external investment-grade rating and
- exposures to banks and the NBP.

The charge is calculated in three categories:

- stage 1 – portfolio with low credit risk – 12-month ECL is recognized;
- stage 2 – portfolio in which a significant increase of credit risk occurs – lifetime ECL is recognized;
- stage 3 – impaired portfolio – lifetime ECL is recognized.

The method of calculation of the allowance for expected credit losses also impacts the method of recognizing interest income – for stages 1 and 2 interest income is determined on the basis of gross exposures, and in stage 3 on the net exposure basis.

The PZU Group recognizes the cumulative changes in lifetime ECL since initial recognition as a loss allowance for ECL from purchased or granted credit-impaired financial assets (POCI).

Changes in the value of allowances for expected credit losses is recognized in the consolidated profit and loss account in the "Result from allowances for expected credit losses" item.

The ECL classification and estimation effected by the PZU Group in terms of loan receivables from clients is in compliance with the requirements of:

- IFRS 9 Financial Instruments;
- Recommendation R of the Polish Financial Supervision Authority on the principles of credit exposure classification, estimation and recognition of expected credit losses and credit risk management, issued in April 2021;
- Article 178 of the CRR, guidelines EBA/GL/2016/07 on the application of the definition of default and the Regulation of the Minister of Finance, Investments and Development of 3 October 2019 on the materiality level of overdue credit obligations and EU Regulation No. 2021/451, Annex V – in accordance with which the definition of default is used at the level of:
  - distinct credit instruments – in the case of retail exposures (including the infection in the case of arrears material for the whole relationship);
  - debtor – for commercial exposures.

Rules for estimating expected credit losses

The process of estimating expected credit losses requires the use of significant estimates and judgments, including assumptions about macroeconomic forecasts and possible scenarios for how these forecasts will evolve in the future, and rules for identifying significant increases in credit risk.

Determination of impairment losses in compliance with IFRS 9 requires the formulation of forecasts of the evolution of the key credit risk parameters.

For the calculation of allowances, the PZU Group takes into account various scenarios for the assessment of the portfolio quality, reflecting the current and expected changes in the economic situation and the uncertainty factors.

The PZU Group calculates its expected credit losses in accordance with various scenarios for the future macroeconomic situation.

Estimated movement in the impairment of loan receivables from clients due to a change in PD or LGD affecting the portfolio by +/– 10%	31 December 2024		31 December 2023	
	-10%	+10%	-10%	+10%
Stage 1	222	(255)	292	(313)
Stage 2	303	(298)	270	(245)

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Due to the peculiarities of individual banks and their portfolios, the synchronization of scenarios used is not applied in the calculation of write-downs.

Pekao

For Pekao portfolio exposures, expected credit losses are determined taking into account three scenarios for the macroeconomic situation – baseline (with a probability of realization of 60%), positive (assuming favorable changes in the quality of the portfolio in subsequent years relative to the baseline scenario, with a probability of realization of 5%) and negative (assuming unfavorable changes in the situation in subsequent years relative to the baseline scenario, with a probability of realization of 35%). In 2023, the distribution of scenarios was respectively: 45% for the baseline scenario, 5% for the positive scenario and 50% for the negative scenario. The increase in the probability of the baseline scenario reflects the stabilization of the economic situation and positive macroeconomic forecasts.

The table below shows projections of the 12-month PD used in the calculation of write-downs in the baseline scenario for Pekao's portfolio. For the retail portfolio, these parameters are weighted by gross carrying value capped at PLN 2 million at the loan level for cash loans and mortgages and at the client level for SME (small and medium-sized enterprise) loans. For the non-retail portfolio, parameters are weighted by exposure limited to PLN 20 million at the client level.

Portfolio	31 December 2024		31 December 2023	
	historical median	baseline PD forecast	historical median	baseline PD forecast
Cash loans	3.3%	3.9%	3.7%	4.3%
Mortgage loans	0.5%	1.0%	0.5%	0.7%
SME loans	3.7%	4.5%	3.6%	5.4%
Other business loans	1.6%	2.9%	1.7%	4.1%

The PD parameters adopted above assume GDP growth of 2.9%, average annual inflation of around 3.6% and year-end WIBOR 3M of 5.9%.

PD parameters for the positive and negative scenarios are shown below:

Portfolio	31 December 2024		31 December 2023	
	positive scenario	negative scenario	positive scenario	negative scenario
Cash loans	2.3%	6.2%	2.5%	7.0%
Mortgage loans	0.6%	1.6%	0.5%	1.1%
SME loans	3.1%	5.2%	3.7%	5.9%
Other business loans	1.2%	4.2%	2.0%	5.0%

The table presents the difference in expected credit losses for non-impaired exposures between calculations for individual macroeconomic scenarios and weighted probabilities for all scenarios combined.

Changing the probability of scenarios	31 December 2024	31 December 2023
Baseline scenario	(209)	(233)
Positive scenario	(844)	(891)
Negative scenario	495	310

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Alior Bank

For Alior Bank portfolio exposures, expected credit losses are determined taking into account three scenarios for the macroeconomic situation – baseline (with a probability of realization of 50%), positive (assuming favorable changes in the quality of the portfolio in subsequent years relative to the baseline scenario, with a probability of realization of 25%) and negative (assuming unfavorable changes in the situation in subsequent years relative to the baseline scenario, with a probability of realization of 25%).

The baseline scenario assumes GDP growth of 3.7%, average annual inflation of 4.5% and a year-end NBP base rate of 5.0%.

For the regular portfolio, the PD level used in the calculation of expected credit losses was 2.5% as of 31 December 2024 (as of 31 December 2023: 2.89%).

The sensitivity of expected loss estimates for the credit exposure portfolio, when stress scenarios are assumed with 100% probability, is presented below.

Changing the probability of scenarios	positive scenario	negative scenario
Difference in share of stage 2 in regular portfolio	-0.20 p.p.	+0.27 p.p.
Impact on expected losses due to:		
PD	(64)	117
LGD for regular portfolio	(5)	4
LAG for default portfolio	(9)	9

Key statutory client support tools available due to the macroeconomic situation, among others, include the Borrower Support Fund, moratoria available to clients who have lost their source of income, payment moratoria for PLN mortgage portfolios and moratoria for clients affected by floods. Exposures covered by the Borrower Support Fund or moratoria for clients who have lost their source of income are classified into forbearance and, consequently, into stage 2 (unless they meet the grounds for impairment that would result in classification into stage 3).

Mortgage exposures subject to payment moratoria and exposures subject to moratoria resulting from the effects of flooding are subject to general classification rules, where the fact of using moratoria does not meet the conditions of a concession offered due to deteriorated financial situation, as it is not a criterion for using the concession.

38.1.1. Calculation of PD and LGD parameters

PZU Group uses the PD and LGD parameters to estimate allowances for expected credit losses.

For issuers and exposures that are externally rated, PDs is assigned on the basis of the average market default rate for the rating classes concerned. First, the internal rating of an entity/issue is determined in accordance with the internal rating methodology. The tables published by external rating agencies are used to estimate average PD.

The Moody's RiskCalc model or internal rating models and methodologies are used for issuers of corporate bonds and corporate loans, for which no external rating is available. The expected default frequency (EDF) parameter is used to estimate PD in the case of the RiskCalc model, and in other cases estimates based on internal methodologies and models. When estimating lifetime PD for exposures with maturity above 5 years (in the RiskCalc model, the forward EDF curve refers to a 5-year period), it is assumed that in subsequent years PD is constant and corresponds to the value determined by the model for the 5th year.

For loan receivables from clients PD is estimated based on internal models depending on the segment group, individual credit quality of the customer, and the exposure lifecycle phase.

For issuers of corporate bonds and corporate loans, 12-month LGD is determined based on the Moody's RiskCalc model (LGD module). When estimating lifetime LGD for exposures with a maturity above 5 years, it is assumed that in subsequent years LGD is constant and corresponds to the value determined by the module for the 5th year.

If a credit rating agency has allocated a separate recovery rate to the instrument concerned then this parameter is used. For a given RR (*recovery rate*) parameter, the formula: LGD = 1-RR is applied.

Where the RiskCalc model cannot be used to estimate LGD levels and where the instrument does not have an LGD awarded by an external rating agency, then the average RR should be used, based on market data (properly differentiating the corporate and sovereign debt classes) supplied by external rating agencies using the following formula: LGD = 1-RR. When lifetime LGD must be estimated, the value of this parameter is assumed to be constant. The degree of subordination of debt is taken into account when selecting data for LGD.

38.1.2. Change in credit risk since initial recognition

At each reporting date, the PZU Group shall assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the PZU Group should use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Group compares the PD for the financial instrument as at the reporting date with the PD as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort.

If a financial instrument is determined to have low credit risk (i.e. has an external investment-grade rating) both at initial recognition and as at the reporting date, it is assumed that the credit risk associated with this instrument has not increased significantly. This pertains in particular to treasury bonds:

The PZU Group assesses whether the credit risk of financial instruments has increased significantly by comparing the PD parameter for the rest of its lifetime on the reporting date with the PD parameter for the rest of its lifetime estimated at the time of initial recognition.

The PZU Group regularly monitors the effectiveness of the criteria used to identify a significant increase in credit risk, in order to confirm that:

- the criteria allow for identification of a significant increase in credit risk before the impairment of the exposure occurs;
- the average time between identifying a significant increase in credit risk and impairment is reasonable;
- there is no unreasonable volatility of allowances for expected credit losses resulting from transfers between 12-month ECL and lifetime ECL.

In the case of loan receivables from clients, the identification of a significant credit risk growth is based on an analysis of qualitative (such as the occurrence of a 30-day past due period, customer's classification in the watch list, forbearance) and quantitative premises.

38.1.3. Identified impaired financial assets (stage 3)

The PZU Group classifies financial assets to stage 3 when the premises for impairment losses such as, among others, delay in payment of more than 90 days, are satisfied with simultaneous satisfaction of the unpaid amount materiality threshold, exposure being included in the restructuring process or occurrence of another qualitative premise of impairment losses.

38.1.4. Financial assets impaired due to credit risk (POCI)

Acquired or granted financial assets impaired due to credit risk (POCI) is assets with impairment losses determined at the time of the initial recognition. The POCI classification does not change over the life of the instrument until derecognition.

POCI assets arise from:

- acquisition of a contract satisfying the definition of POCI (e.g. on acquisition of an entity or purchase of a portfolio);
- conclusion of a POCI contract on the initial granting (e.g. granting of a loan to a client in a poor financial condition);
- modification of a contract (e.g. in the course of restructuring) resulting in excluding an asset from the statement of financial position and recognizing a new asset satisfying the definition of POCI.

As at the initial recognition, POCI assets are recognized at the fair value, without recognizing allowances for expected credit losses.

38.1.5. Receivables from policyholders

For policyholders’ receivables that do not have a significant financing component, an aggregate assessment of the impairment is carried out and impairment losses are estimated.

Receivables are grouped by similar credit risk characteristics. For receivables before maturity, the value of the receivable that is likely to become due is determined based on a historical analysis of the percentage of the ratio of receivables that are not paid before maturity. The amount of write-off for expected credit losses is determined on the basis of the uncollectibility ratio for matured receivables with the shortest past due period.

For matured receivables, an age structure is prepared, depending on the past due period. For this group, the value of the allowance for expected credit losses is calculated in separate ranges of past due periods, based on the uncollectibility ratios determined through historical analysis.

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38.2 Quantitative data

Loan receivables from clients (including finance lease receivables) measured at amortized cost Business segment	1 January – 31 December 2024					1 January – 31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	87,617	13,295	6,963	2,657	110,532	85,074	15,518	7,020	3,783	111,395
Recognition of instruments at the time of acquisition, creation, granting	41,772	-	-	398	42,170	42,991	-	-	156	43,147
Change attributable to modification of cash flows concerning the given instrument	(2)	-	-	-	(2)	(2)	-	-	-	(2)
Changes attributable to sale, exclusion or expiration of the instrument	(28,492)	(3,008)	(2,377)	(261)	(34,138)	(31,126)	(4,844)	(1,972)	(207)	(38,149)
Assets from the statement of financial position	-	-	(1,438)	(48)	(1,486)	-	(1)	(1,372)	(12)	(1,385)
Reclassification to stage 1	2,215	(2,117)	(98)	-	-	4,145	(3,945)	(200)	-	-
Reclassification to stage 2	(9,240)	9,406	(166)	-	-	(8,494)	8,688	(194)	-	-
Reclassification to stage 3	(1,619)	(2,422)	4,041	-	-	(1,785)	(1,121)	2,906	-	-
Other changes, including foreign exchange differences	(1,125)	(517)	838	(849)	(1,653)	(3,186)	(1,000)	775	(1,063)	(4,474)
End of the period	**91,126**	**14,637**	**7,763**	**1,897**	**115,423**	**87,617**	**13,295**	**6,963**	**2,657**	**110,532**
Expected credit losses										
Beginning of the period	(732)	(650)	(3,282)	(1,874)	(6,538)	(901)	(695)	(3,290)	(2,660)	(7,546)
Establishment of allowances for newly acquired, created, granted instruments	(396)	(3)	(108)	(44)	(551)	(415)	-	-	(116)	(531)
Changes attributable to sale, exclusion or expiration of the instrument (excluding reclassification)	83	51	367	23	524	124	90	334	13	561
Assets from the statement of financial position	-	-	1,438	48	1,486	-	1	1,372	12	1,385
Reclassification to stage 1	(81)	76	5	-	-	(129)	120	9	-	-
Reclassification to stage 2	181	(232)	51	-	-	149	(181)	32	-	-
Reclassification to stage 3	123	289	(412)	-	-	69	133	(202)	-	-
Other changes, including foreign exchange differences	203	(140)	(1,533)	785	(685)	371	(118)	(1,537)	877	(407)
End of the period	**(619)**	**(609)**	**(3,474)**	**(1,062)**	**(5,764)**	**(732)**	**(650)**	**(3,282)**	**(1,874)**	**(6,538)**
Net carrying amount at the end of the period	**90,507**	**14,028**	**4,289**	**835**	**109,659**	**86,885**	**12,645**	**3,681**	**783**	**103,994**

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Loan receivables from clients measured at amortized cost Retail segment – real estate loans	1 January – 31 December 2024					1 January – 31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	74,910	7,410	1,099	256	83,675	72,980	4,354	588	331	78,253
Recognition of instruments at the time of acquisition, creation, granting	15,730	-	-	80	15,810	12,605	-	-	29	12,634
Change attributable to modification of cash flows concerning the given instrument	(1)	-	-	-	(1)	-	-	-	-	-
Changes attributable to sale, exclusion or expiration of the instrument	(7,966)	(1,125)	(290)	(19)	(9,400)	(7,218)	(740)	(324)	(9)	(8,291)
Assets from the statement of financial position	-	(1)	(108)	-	(109)	-	(1)	(107)	-	(108)
Reclassification to stage 1	2,132	(2,101)	(31)	-	-	869	(813)	(56)	-	-
Reclassification to stage 2	(3,747)	3,865	(118)	-	-	(2,826)	2,937	(111)	-	-
Reclassification to stage 3	(96)	(209)	305	-	-	(174)	(522)	696	-	-
Other changes, including foreign exchange differences	1,238	(1,216)	132	(16)	138	(1,326)	2,195	413	(95)	1,187
End of the period	**82,200**	**6,623**	**989**	**301**	**90,113**	**74,910**	**7,410**	**1,099**	**256**	**83,675**
Expected credit losses										
Beginning of the period	(55)	(480)	(523)	(107)	(1,165)	(80)	(257)	(332)	(144)	(813)
Establishment of allowances for newly acquired, created, granted instruments	(38)	-	-	2	(36)	(17)	-	-	(5)	(22)
Changes attributable to sale, exclusion or expiration of the instrument (excluding reclassification)	7	9	93	5	114	7	12	48	-	67
Assets from the statement of financial position	-	1	108	-	109	-	1	107	-	108
Reclassification to stage 1	(137)	132	5	-	-	(98)	88	10	-	-
Reclassification to stage 2	5	(50)	45	-	-	7	(47)	40	-	-
Reclassification to stage 3	2	28	(30)	-	-	2	44	(46)	-	-
Other changes, including foreign exchange differences	170	(116)	(185)	14	(117)	124	(321)	(350)	42	(505)
End of the period	**(46)**	**(476)**	**(487)**	**(86)**	**(1,095)**	**(55)**	**(480)**	**(523)**	**(107)**	**(1,165)**
Net carrying amount at the end of the period	**82,154**	**6,147**	**502**	**215**	**89,018**	**74,855**	**6,930**	**576**	**149**	**82,510**

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Loan receivables from clients (including finance lease receivables) measured at amortized cost Retail segment – other loans	1 January – 31 December 2024					1 January – 31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	28,495	3,657	2,364	346	34,862	27,120	4,071	2,575	386	34,152
Recognition of instruments at the time of acquisition, creation, granting	15,260	-	-	20	15,280	13,758	-	-	31	13,789
Changes attributable to sale, exclusion or expiration of the instrument	(9,360)	(860)	(592)	(34)	(10,846)	(7,871)	(890)	(686)	(17)	(9,464)
Assets from the statement of financial position	-	(1)	(666)	(4)	(671)	-	-	(571)	(3)	(574)
Reclassification to stage 1	736	(710)	(26)	-	-	711	(668)	(43)	-	-
Reclassification to stage 2	(1,646)	1,765	(119)	-	-	(1,704)	1,849	(145)	-	-
Reclassification to stage 3	(396)	(360)	756	-	-	(537)	(566)	1,103	-	-
Other changes, including foreign exchange differences	(3,261)	(214)	115	(42)	(3,402)	(2,982)	(139)	131	(51)	(3,041)
End of the period	**29,828**	**3,277**	**1,832**	**286**	**35,223**	**28,495**	**3,657**	**2,364**	**346**	**34,862**
Expected credit losses										
Beginning of the period	(437)	(599)	(1,543)	(245)	(2,824)	(539)	(725)	(1,742)	(148)	(3,154)
Establishment of allowances for newly acquired, created, granted instruments	(301)	-	-	(12)	(313)	(360)	-	-	(40)	(400)
Changes attributable to sale, exclusion or expiration of the instrument (excluding reclassification)	103	84	268	9	464	93	122	350	3	568
Assets from the statement of financial position	-	1	666	4	671	-	-	571	3	574
Reclassification to stage 1	(166)	155	11	-	-	(160)	147	13	-	-
Reclassification to stage 2	69	(124)	55	-	-	127	(190)	63	-	-
Reclassification to stage 3	54	109	(163)	-	-	66	185	(251)	-	-
Other changes, including foreign exchange differences	259	(86)	(547)	35	(339)	336	(138)	(547)	(63)	(412)
End of the period	**(419)**	**(460)**	**(1,253)**	**(209)**	**(2,341)**	**(437)**	**(599)**	**(1,543)**	**(245)**	**(2,824)**
Net carrying amount at the end of the period	**29,409**	**2,817**	**579**	**77**	**32,882**	**28,058**	**3,058**	**821**	**101**	**32,038**

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Loan receivables from clients measured at fair value through other comprehensive income	1 January – 31 December 2024					1 January – 31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Carrying amount										
Beginning of the period	82	-	-	-	82	254	-	-	-	254
Recognition of instruments at the time of acquisition, creation, granting	162	-	-	-	162	-	-	-	-	-
Changes attributable to sale, exclusion or expiration of the instrument	-	-	-	-	-	(175)	-	-	-	(175)
Other changes, including foreign exchange differences	3	-	-	-	3	3	-	-	-	3
End of the period	**247**	**-**	**-**	**-**	**247**	**82**	**-**	**-**	**-**	**82**
Expected credit losses										
Beginning of the period	(1)	-	-	-	(1)	(4)	-	-	-	(4)
Establishment of allowances for newly acquired, created, granted instruments	(2)	-	-	-	(2)	-	-	-	-	-
Changes attributable to sale, exclusion or expiration of the instrument	-	-	-	-	-	2	-	-	-	2
Other changes, including foreign exchange differences	-	-	-	-	-	1	-	-	-	1
End of the period	**(3)**	**-**	**-**	**-**	**(3)**	**(1)**	**-**	**-**	**-**	**(1)**

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

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Debt investment financial assets measured at amortized cost	**1 January – 31 December 2024**					**1 January – 31 December 2023 (restated)**				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount										
Beginning of the period	121,184	479	-	53	121,716	91,515	236	24	45	91,820
Recognition of instruments at the time of acquisition, creation, granting	352,753	-	-	-	352,753	305,544	-	-	-	305,544
Change attributable to modification of cash flows concerning the given instrument	4	-	-	-	4	-	-	-	-	-
Changes attributable to sale, exclusion or expiration of the instrument	(333,177)	(131)	-	-	(333,308)	(277,071)	(37)	-	-	(277,108)
Assets from the statement of financial position	-	-	-	-	-	-	-	(24)	-	(24)
Reclassification to stage 1	125	(125)	-	-	-	-	-	-	-	-
Reclassification to stage 2	(154)	154	-	-	-	(300)	300	-	-	-
Other changes, including foreign exchange differences	2,553	(10)	-	11	2,554	1,496	(20)	-	8	1,484
End of the period	**143,288**	**367**	**-**	**64**	**143,719**	**121,184**	**479**	**-**	**53**	**121,716**
Expected credit losses										
Beginning of the period	(89)	(25)	-	(28)	(142)	(87)	(28)	(24)	(35)	(174)
Establishment of allowances for newly acquired, created, granted instruments	(35)	-	-	-	(35)	(28)	-	-	-	(28)
Changes attributable to sale, exclusion or expiration of the instrument	9	5	-	-	14	8	3	-	-	11
Assets from the statement of financial position	-	-	-	-	-	-	-	24	-	24
Reclassification to stage 1	(6)	6	-	-	-	-	-	-	-	-
Reclassification to stage 2	13	(13)	-	-	-	9	(9)	-	-	-
Other changes, including foreign exchange differences	26	16	-	(14)	28	9	9	-	7	25
End of the period	**(82)**	**(11)**	**-**	**(42)**	**(135)**	**(89)**	**(25)**	**-**	**(28)**	**(142)**
Net carrying amount at the end of the period	**143,206**	**356**	**-**	**22**	**143,584**	**121,095**	**454**	**-**	**25**	**121,574**

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Debt investment financial assets measured at fair value through other comprehensive income	1 January – 31 December 2024					1 January – 31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Carrying amount										
Beginning of the period	45,104	119	-	-	45,223	38,719	237	-	-	38,956
Recognition of instruments at the time of acquisition, creation, granting	1,267,166	-	-	-	1,267,166	1,149,900	-	-	-	1,149,900
Changes attributable to sale, exclusion or expiration of the instrument	(1,260,125)	(25)	-	-	(1,260,150)	(1,145,600)	(103)	-	-	(1,145,703)
Reclassification to stage 1	32	(32)	-	-	-	48	(48)	-	-	-
Reclassification to stage 2	(94)	94	-	-	-	(46)	46	-	-	-
Other changes, including foreign exchange differences	1,300	-	-	-	1,300	2,083	(13)	-	-	2,070
End of the period	**53,383**	**156**	**-**	**-**	**53,539**	**45,104**	**119**	**-**	**-**	**45,223**
Expected credit losses										
Beginning of the period	(34)	(2)	-	-	(36)	(45)	(21)	-	-	(66)
Establishment of allowances for newly acquired, created, granted instruments	(10)	-	-	-	(10)	(11)	-	-	-	(11)
Changes attributable to sale, exclusion or expiration of the instrument	7	3	-	-	10	7	12	-	-	19
Reclassification to stage 2	1	(1)	-	-	-	1	(1)	-	-	-
Other changes, including foreign exchange differences	8	-	-	-	8	14	8	-	-	22
End of the period	**(28)**	**-**	**-**	**-**	**(28)**	**(34)**	**(2)**	**-**	**-**	**(36)**

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

As at 31 December 2024 and 31 December 2023 allowances for expected credit losses in relation to buy-sell-back transactions amounted zero.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Term deposits with credit institutions	1 January – 31 December 2024					1 January – 31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	836	151	67	-	1,054	2,814	140	136	-	3,090
Recognition of instruments at the time of acquisition, creation, granting	78,671	-	-	-	78,671	127,277	-	-	-	127,277
Changes attributable to sale, exclusion or expiration of the instrument	(78,796)	(282)	(9)	-	(79,087)	(128,175)	(132)	(61)	-	(128,368)
Reclassification to stage 2	(144)	144	-	-	-	(165)	165	-	-	-
Change in the composition of the Group	25	-	-	-	25	-	-	(5)	-	(5)
Other changes, including foreign exchange differences	395	(7)	(2)	-	386	(915)	(22)	(3)	-	(940)
End of the period	**987**	**6**	**56**	**-**	**1,049**	**836**	**151**	**67**	**-**	**1,054**
Expected credit losses										
Beginning of the period	-	(11)	(7)	-	(18)	(1)	(11)	(10)	-	(22)
Establishment of allowances for newly acquired, created, granted instruments	(25)	-	-	-	(25)	(11)	-	-	-	(11)
Changes attributable to sale, exclusion or expiration of the instrument	-	19	-	-	19	1	10	-	-	11
Reclassification to stage 2	16	(16)	-	-	-	11	(11)	-	-	-
Other changes, including foreign exchange differences	1	7	-	-	8	-	1	3	-	4
End of the period	**(8)**	**(1)**	**(7)**	**-**	**(16)**	**-**	**(11)**	**(7)**	**-**	**(18)**
Net carrying amount at the end of the period	**979**	**5**	**49**	**-**	**1,033**	**836**	**140**	**60**	**-**	**1,036**

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Loans	1 January – 31 December 2024					1 January – 31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	3,478	827	-	-	4,305	4,300	-	-	-	4,300
Recognition of instruments at the time of acquisition, creation, granting	1,222	15	-	-	1,237	1,829	41	-	-	1,870
Changes attributable to sale, exclusion or expiration of the instrument	(1,233)	(13)	(2)	-	(1,248)	(1,730)	(136)	-	-	(1,866)
Reclassification to stage 2	-	-	-	-	-	(931)	931	-	-	-
Reclassification to stage 3	-	(326)	326	-	-	-	-	-	-	-
Other changes, including foreign exchange differences	53	9	4	-	66	10	(9)	-	-	1
End of the period	**3,520**	**512**	**328**	**-**	**4,360**	**3,478**	**827**	**-**	**-**	**4,305**
Expected credit losses										
Beginning of the period	(13)	(30)	-	-	(43)	(31)	-	-	-	(31)
Establishment of allowances for newly acquired, created, granted instruments	(7)	-	-	-	(7)	(14)	-	-	-	(14)
Changes attributable to sale, exclusion or expiration of the instrument	7	-	-	-	7	11	2	-	-	13
Reclassification to stage 2	-	-	-	-	-	28	(28)	-	-	-
Reclassification to stage 3	-	92	(92)	-	-	-	-	-	-	-
Other changes, including foreign exchange differences	3	(65)	(69)	-	(131)	(7)	(4)	-	-	(11)
End of the period	**(10)**	**(3)**	**(161)**	**-**	**(174)**	**(13)**	**(30)**	**-**	**-**	**(43)**
Net carrying amount at the end of the period	**3,510**	**509**	**167**	**-**	**4,186**	**3,465**	**797**	**-**	**-**	**4,262**

Other receivables	1 January – 31 December 2024	1 January – 31 December 2023
Gross carrying amount		
Beginning of the period	5,635	9,515
Changes in the period	26	(3,880)
End of the period	**5,661**	**5,635**
Expected credit losses		
Beginning of the period	(408)	(407)
Changes in the period	5	(1)
End of the period	**(403)**	**(408)**
Net carrying amount at the end of the period	**5,258**	**5,227**

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

39. Cash and cash equivalents

39.1 Accounting policy

Cash and cash equivalents include cash at hand and cash in current accounts in banks, including on the NBP account.

Cash is recognized at nominal value.

39.2 Restricted cash

The consolidated cash flow statement carries the cash of insurance companies' Preventive Funds and VAT split-payments as restricted cash. Pursuant to the Polish regulations and the internal regulations of the PZU Group companies that are based on them, this cash may be spent only for specific purposes as part of preventive activities or VAT split-payments.

39.3 Quantitative data

Cash and cash equivalents in the statement of financial position and cash flow statement	31 December 2024	31 December 2023
Balances with the central bank [1)]	8,970	9,119
Cash at bank	1,256	4,128
Cash at hand	4,900	4,449
Other	1	6
Total cash and cash equivalents in the statement of financial position and cash flow statement	**15,127**	**17,702**

[1)] This amount pertains to the required reserve that Pekao and Alior Bank maintain on their current accounts with the National Bank of Poland, at levels consistent with decisions of the Monetary Policy Council.

40. Equity attributable to equity holders of the parent company

40.1 Share capital

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

The nominal value of one share is PLN 0.10. All the shares have been fully paid up.

As at 31 December 2024 and 31 December 2023

Series/issue	Type of shares	Type of preference	Type of limitation in the rights to shares	Number of shares	Value of series/issue at nominal value (PLN)	Capital coverage	Date of registration	Right to dividend (from the date)
A	bearer	none	none	604,463,200	60,446,320	cash	23.01.1997	27.12.1991
B	bearer	none	none	259,059,800	25,905,980	in-kind	31.03.1999	01.01.1999
Total number of shares				**863,523,000**				
Total share capital					**86,352,300**			

The structure of PZU's shareholders and information on transactions with material blocks of PZU shares are presented in section 3.

40.2 Distribution of the parent company's profit

Only the profit captured in the 2024 standalone financial statements of PZU is subject to distribution.

40.2.1.1. Distribution of the 2023 profit

On 18 June 2024, the PZU Ordinary Shareholder Meeting distributed PZU's net profit for the year ended 31 December 2023 in the amount of PLN 3,983 million, increased by PLN 854 million moved from supplementary capital created from the net profit for the year ended 31 December 2022, i.e. in total PLN 4,837 million, by allocating:

- PLN 3,748 million (i.e. PLN 4.34 per share) to disbursement of dividends;
- PLN 1,080 million to the supplementary capital;
- PLN 9 million to the Company Social Benefit Fund.

The record date was set for 17 September 2024 and the dividend payout date was set for 8 October 2024.

The profit distribution is consistent with the PZU Group's Capital and Dividend Policy for 2021–2024, as adopted on 24 March 2021, and takes into account the recommendations contained in the Polish Financial Supervision Authority's (KNF) stance on the dividend policy in 2024 issued on 14 December 2023.

40.2.1.2. Distribution of the 2024 profit

As at the date of signing these consolidated financial statements, the PZU Management Board has not adopted a resolution in the matter of the proposed distribution of the 2024 profit.

40.3 Other capital

40.3.1. Accounting policy

Treasury shares purchased and retained by consolidated PZU Group entities are shown at purchase price.

The "Supplementary capital" item includes:

- the effect of distribution of profit, in accordance with the legal regulations in effect in the country of the company's domicile (in Poland under the Commercial Company Code) and the articles of association of PZU Group companies;
- the capital created upon the sale of investment property previously transferred from own property, according to the rules described in section 30;
- the difference between the change in value of non-controlling interest and fair value of payment in transactions with non-controlling interests.

Results of the following are posted in the "Revaluation reserve" item:

- revaluation of financial assets classified as assets measured at fair value through other comprehensive income;
- revaluation of property to its fair value on the date when it is classified from own property to investment property;
- measurement of hedging instruments, in respect to the part constituting effective cash flow hedge;

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after taking into account the corresponding change in deferred tax assets or liabilities.

The items “Finance income and expenses under insurance contracts” and “Finance income and expenses under reinsurance contracts” include finance income and expenses under insurance contracts and reinsurance contracts, which were excluded from the financial result, and which result from differences between current discount rates and discount rates determined at the date of initial recognition of the group of contracts.

The item “Actuarial gains and losses related to provisions for employee benefits” includes amounts resulting from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments – demographic (e.g. mortality, employee turnover) and financial (e.g. discount rate or projected salary growth rate).

“Foreign exchange translation differences” include differences resulting from translation of financial data of foreign entities using exchange rates, in accordance with the rules described in section 6.6.

40.3.2. Quantitative data

Other capital	31 December 2024	31 December 2023
Treasury shares	(7)	(4)
Supplementary capital	17,491	15,804
Share premium account	538	538
Distribution of results of PZU Group companies	16,731	15,066
Other	222	200
Other reserve capital	3,923	2,218
Revaluation reserve	(834)	(948)
Valuation of debt instruments measured at fair value through other comprehensive income	(459)	(543)
Valuation of equity instruments measured at fair value through other comprehensive income	(308)	(247)
Reclassification of real property from property, plant and equipment to investment property	133	82
Cash flow hedging	(200)	(240)
Finance income and expenses under insurance contracts	1,657	1,258
Finance income and expenses under reinsurance contracts	(61)	(48)
Actuarial gains and losses related to provisions for employee benefits	(9)	(8)
Foreign exchange translation differences	(84)	(47)
LD	(4)	20
Balta	(2)	6
PZU Ukraine	(53)	(53)
PZU Ukraine Life	(22)	(18)
Other	(3)	(2)
Total other capital	**22,076**	**18,225**

41. Subordinated liabilities

41.1 Accounting policy

Subordinated liabilities are recognized in the statement of financial position when the PZU Group company becomes a party to a binding contract in which it assumes the risk associated with the financial instrument.

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In the next periods subordinated liabilities are measured at amortized cost.

Subordinated liabilities (or parts thereof) are excluded from the consolidated statement of financial position when the obligation specified in the contract is discharged or canceled or expires.

PKO subordinated liabilities were designated, after obtaining approval from the Polish Financial Supervision Authority (KNF), for an increase in Pekao's supplementary funds pursuant to Article 127(2)(2) of the Banking Law and Article 63 of the CRR.

PZU subordinated liabilities are classified as own funds (category 2) for the purpose of covering the solvency capital requirement. This debt can be repaid only after all other obligations, including obligations under insurance and reinsurance contracts, have been paid.

41.2 Quantitative data

	Nominal value	Currency	Interest rate	Issue date/Maturity date	Carrying amount 31 December 2024	Carrying amount 31 December 2023
Liabilities classified as PZU's own funds						
Subordinated bonds – PZU	2,250	PLN	WIBOR 6M + margin	30 June 2017 / 29 July 2027	2,317	2,328
Liabilities classified as Pekao's own funds						
A series bonds	1,250	PLN	WIBOR 6M + margin	30 October 2017 / 29 October 2027	1,266	1,266
B series bonds	550	PLN	WIBOR 6M + margin	15 October 2018 / 16 October 2028	559	558
C series bonds	200	PLN	WIBOR 6M + margin	15 October 2018 / 14 October 2033	203	203
D series bonds	350	PLN	WIBOR 6M + margin	4 June 2019 / 4 June 2031	352	352
D1 series bonds	400	PLN	WIBOR 6M + margin	4 December 2019 / 4 June 2031	402	402
Liabilities classified as Alior Bank's own funds						
F series bonds	322	PLN	WIBOR 6M + margin	26 September 2014/ 26 September 2024	-	226
K and K1 series bonds	600	PLN	WIBOR 6M + margin	20 October 2017 / 20 October 2025	-	610
P1B series bonds	70	PLN	WIBOR 6M + margin	29 April 2016 / 16 May 2024	-	71
P2A series bonds	150	PLN	WIBOR 6M + margin	14 December 2017 / 29 December 2025	-	150
Subordinated liabilities					**5,099**	**6,166**

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

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Subordinated liabilities by maturity	31 December 2024	31 December 2023
Up to 1 year	-	297
1 to 5 years	4,141	4,912
Over 5 years	958	957
Total subordinated liabilities by maturity	**5,099**	**6,166**

Bonds redemption at Alior Bank

In 2024, Alior Bank early redeemed the following series of bonds:

	Nominal value	Currency	Original redemption date	Actual redemption date
F series bonds	322	PLN	26 September 2024	30 January 2024
K and K1 series bonds	600	PLN	20 October 2025	21 October 2024
P1B series bonds	70	PLN	16 May 2024	30 January 2024
P2A series bonds	150	PLN	29 December 2025	30 December 2024

42. Liabilities on the issue of own securities

42.1 Accounting policy

Subordinated liabilities are recognized in the statement of financial position when the PZU Group company becomes a party to a binding contract in which it assumes the risk associated with the financial instrument.

In the next periods they are measured at amortized cost.

Liabilities on the issue of own debt securities (or parts thereof) are excluded from the consolidated statement of financial position when the obligation specified in the contract is discharged or canceled or expires.

42.2 Quantitative data

Liabilities on the issue of own debt securities	31 December 2024	31 December 2023
Bonds	16,362	9,691
Certificates of deposit	278	1,257
Covered bonds	1,446	1,055
Liabilities on the issue of own debt securities, total	**18,086**	**12,003**

Liabilities on the issue of own debt securities by maturity	31 December 2024	31 December 2023
Up to 1 year	8,688	6,260
1 to 5 years	6,931	5,743
Over 5 years	2,467	-
Liabilities on the issue of own debt securities by maturity, total	**18,086**	**12,003**

In accordance with the requirements of Article 35 (1b) of the Bond Act of 15 January 2015, the following table presents information on the forecast development of the PZU Group's financial liabilities as of 31 December 2024, and the Group's financial liabilities arising from the consolidated financial statements as of that date.

The following disclosure was not subject to audit work by the audit firm.

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	31 December 2024 forecast	31 December 2024 realization
Financial liabilities	367,081	365,931
Total equity and liabilities	506,872	503,257
Percentage of liabilities from loans and borrowings, issuance of debt securities and leases in total capital and liabilities	4.8%	4.9%
Liabilities from loans and borrowings, issuance of debt securities and leases	**24,359**	**24,834**

42.3 Bond issues and redemptions at Pekao

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

On 18 June 2024, Pekao's Management Board passed a resolution to exercise its right to early redemption of senior bonds issued by Pekao on 28 June 2023 with a nominal value of PLN 750 million. The early redemption took place on 28 July 2024, and was conducted through and in accordance with KDPW regulations.

On 30 July 2024, Pekao issued 2.5-year senior preferred notes (“SP bonds”) with the total nominal value of PLN 600 million. The SP bonds have an option giving Pekao the right to redeem them early within 1.5 or 2 years from the date of issue, subject to approval by the BGF. The SP bonds, in accordance with Article 97a (1) (2) of the BFG Act, are eligible obligations of Pekao. The SP bonds were listed on the ATS Catalyst market.

On 24 September 2024, Pekao, issued a six-year Senior Non-Preferred Eurobond (EMTN Program) under the Medium-Term Eurobonds Program. On the same day, the bonds were admitted to trading on the regulated market on the Luxembourg Stock Exchange. As of 18 October 2024, the bonds have also been admitted to trading on the regulated market of the Warsaw Stock Exchange.

The total number of bonds issued was 5,000, with a total nominal value of PLN 500 million. The coupon for five years from the date of issuance is fixed at 4.0% per annum, payable annually. In the sixth year, the coupon is variable, based on EURIBOR 3M plus a margin of 1.8%, payable every three months. The redemption date for the Eurobonds is 24 September 2030. Pekao has an early call option on 24 September 2029. The nominal value of one Eurobond is EUR 100 thousand. The indicated series of the issued Eurobond tranche received a BBB rating from Standard and Poor’s Global Ratings Europe Limited, a rating agency. The Eurobonds are governed by English law, subject to the status of Eurobonds, the set-off prohibition and the clause on recognition of the decision of the forced restructuring authority regarding redemption or conversion of the instrument, which are governed by Polish law.

42.4 Bonds issues at Alior Bank

The table below presents information on bonds issued by Alior Bank in 2024

Issue	Nominal value	Currency	Interest rate	Issue date/Maturity date	Maturity date
O series bonds	550	PLN	WIBOR 6M + margin	27 June 2024	9 June 2028
P series bonds	400	PLN	WIBOR 6M + margin	14 November 2024	14 April 2028

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43. Liabilities to banks

43.1 Accounting policy

Liabilities to banks are recognized in the statement of financial position when the PZU Group company becomes a party to a binding contract in which it assumes the risk associated with the financial instrument.

In the next periods they are measured at amortized cost.

Liabilities to banks (or parts thereof) are excluded from the consolidated statement of financial position when the obligation specified in the contract is discharged or canceled or expires.

43.2 Quantitative data

Liabilities to banks	31 December 2024	31 December 2023
Current deposits	609	696
One-day deposits	511	314
Term deposits	149	292
Loans received	5,500	5,424
Other liabilities	126	321
Liabilities to banks, total	**6,895**	**7,047**

Liabilities to banks by maturity	31 December 2024	31 December 2023
Up to 1 year	3,216	2,526
1 to 5 years	3,455	4,088
Over 5 years	224	433
Liabilities to banks by maturity, total	**6,895**	**7,047**

44. Liabilities to clients under deposits

44.1 Accounting policy

Liabilities to clients under deposits are recognized in the statement of financial position when the PZU Group company becomes a party to a binding contract in which it assumes the risk associated with the financial instrument.

In the next periods they are measured at amortized cost.

Liabilities to clients under deposits (or parts thereof) are excluded from the consolidated statement of financial position when the obligation specified in the contract is discharged or canceled or expires.

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44.2 Quantitative data

Liabilities to clients under deposits	31 December 2024	31 December 2023
Current deposits	240,247	221,140
Term deposits	92,734	81,511
Other liabilities	1,212	1,130
Liabilities to clients under deposits, total	**334,193**	**303,781**

Liabilities to clients under deposits by maturity	31 December 2024	31 December 2023
Up to 1 year	333,100	293,668
1 to 5 years	1,037	3,672
Over 5 years	56	6,441
Liabilities to clients under deposits by maturity, total	**334,193**	**303,781**

45. Other liabilities

45.1 Accounting policy

Financial liabilities are recognized in the statement of financial position of financial position at the moment when a PZU Group company becomes a party to a binding contract, under which it assumes the risks associated with the financial instrument. In the case of transactions concluded on an organized market, the purchase or sale of financial liabilities are recognized in the books on the date of the transaction.

A financial liability (or part thereof) is excluded from the consolidated statement of financial position when the obligation specified in the contract is discharged or canceled or expires.

Financial liabilities measured at fair value through profit or loss included in particular:

- liabilities on borrowed securities (short sale);
- investment contracts for the client's account and risk (unit-linked);
- liabilities to members of consolidated mutual funds.

Financial liabilities measured at amortized cost included in particular liabilities on account of repurchase transactions.

Trade liabilities are recognized at the required payment amount due to their short-term nature.

Accrued expenses resulting from benefits provided for PZU Group companies by external business partners or from an obligation to provide benefits whose value can be estimated, despite the fact that the date when the liability is created is not yet known, is measured at the amount of estimated future cash flows.

The costs of holiday leaves is recognized on the accrual basis using the liability method. The liability on account of employee vacation time is determined based on the difference between the actual amount of vacation time used by employees and the amount that would have been used if the vacation time had been taken pro rata to the elapse of time in the period when the employees are entitled to their vacation time.

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45.2 Quantitative data

Other liabilities	31 December 2024	31 December 2023
Liabilities measured at fair value	**2,798**	**1,592**
Liabilities on borrowed securities (short sale)	1,399	813
Investment contracts for the client's account and risk (unit-linked)	554	294
Liabilities to contributors of consolidated investment funds	845	485
Accrued expenses	**1,727**	**1,485**
Accrued payroll expenses	971	822
Other	756	663
Deferred revenue	**386**	**344**
Other liabilities	**11,035**	**13,559**
Liabilities on account of repurchase transactions	1,387	1,623
Lease liabilities	1,658	1,594
Liabilities due under transactions on financial instruments	1,316	2,074
Liabilities to banks for payment documents cleared in interbank clearing systems	1,356	3,192
Liabilities to insurance intermediaries	279	244
Liabilities for overpayments not allocated to policies	131	119
Liabilities on account of payment card settlements	1,146	1,275
Regulatory settlements	555	629
Liabilities for contributions to the Bank Guarantee Fund	822	738
Liabilities to employees	175	149
Estimated refunds of compensation in connection with banks' clients lapsing or withdrawing from insurance purchased during the sale of credit products	22	34
Trade liabilities	714	703
Liabilities on account of employee leaves	174	172
Liabilities to the state budget other than for income tax	162	150
Liabilities on account of donations	7	10
The PZU Group banks' liabilities for insurance of bank products offered to the bank's clients	14	27
Insurance Guarantee Fund	16	15
Liability for the refund of loan costs	15	16
Liabilities for direct claims handling	39	37
Co-insurance obligations on the part of the co-insurer	52	33
Investment contracts with guaranteed and fixed terms – measured at amortized cost	608	142
Other	387	583
Other liabilities, total	**15,946**	**16,980**

As at 31 December 2024 and 31 December 2023, the fair value of other liabilities did not differ significantly from their carrying amount, primarily due to the fact that more than 87% were short-term liabilities.

Other liabilities by maturity	31 December 2024	31 December 2023
Up to 1 year	13,955	11,548
1 to 5 years	1,177	4,446
Over 5 years	814	986
Total other liabilities by maturity	**15,946**	**16,980**

46. Provisions

46.1 Accounting policy

A provision is a liability of uncertain timing or amount. A provision is recognized on the basis of a current obligation arising from past events, the settlement of which will result in an outflow of resources embodying economic benefits. A provision amount is determined based on a reliable estimation of this outflow at the balance sheet date.

Provisions for guarantees and sureties are determined as a difference between the expected value of a balance sheet exposure arising from an off-balance sheet liability and the present value of expected future cash flows obtained from the balance sheet exposure resulting from the liability granted.

The provision for restructuring costs is recognized only if, in addition to the general criteria for recognizing provisions, also the specific criteria pertaining to provisions for restructuring costs are satisfied. These include holding a detailed, formal restructuring plan and evoking a justified expectation of the parties to which the plan pertains that restructuring actions will be taken (through commencement of implementation of the plan or announcement of its key elements).

In connection with the accepted accounting and the fact that PZU Group companies have not separated assets of defined benefit plans, the carrying amount of provisions for defined benefit plans is equal to the carrying amount of their corresponding liabilities.

Defined benefit plans include the costs of retirement severance pays and post-mortem benefits. The costs of defined benefit plans estimated using actuarial methods are recognized on an accrual basis by applying the forecast specific entitlements method.

Defined contribution plans include the costs of contributions constituting statutory charges on employee salaries incurred by the employer. They include part of the contributions for retirement and disability pension insurance, Labor Fund, Guaranteed Employee Benefit Fund and the charge for the Company Social Benefit Fund. The costs of defined contribution plans are charged to the profit and loss account in the period to which they pertain.

Actuarial gains and losses are recognized in full in the period in which they occurred, in the line item “Actuarial gains and losses related to provisions for employee benefits” in other comprehensive income. More information is presented in section 40.3.1.

46.2 Estimates and assumptions

Provisions for disputes are determined on a case-by-case basis, taking into account the probability of an outflow of resources embodying economic benefits to meet the obligation. An outflow of resources is regarded as probable if the event is more likely than not to occur, i.e. the probability that the event will occur is greater than the probability that it will not.

Detailed descriptions and provision amounts are presented in section 54.

The provisions for retirement severance pays and post-mortem benefits are estimated with actuarial methods using appropriate actuarial techniques and assumptions – discount rates, consistent with the zero-coupon Treasury bond yield curve, mortality rate adopted at the level specified in the PLET, expected salary increase rate in individual PZU Group companies, employee turnover rate (diversified in terms of, among others, the employee’s age, years in service and gender) and the disability rate (disability pensions) adopted as an appropriate percentage of the mortality rate.

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46.3 Quantitative data

Provisions	31 December 2024	31 December 2023 (restated)
Short-term	501	522
Long-term	2,255	1,764
Total provisions	**2,756**	**2,286**

Movement in provisions in the period ended 31 December 2024	Beginning of the period	Increase	Utilization	Reversal	Other changes	End of the period
Provisions for guarantees and sureties given	578	468	-	(519)	(5)	522
Provision for retirement severance pays	323	58	(22)	(9)	-	350
Provision for disputed claims and potential liabilities	140	109	(19)	(26)	-	204
Provision for potential refunds of borrowing costs	81	8	(25)	(5)	-	59
Provision for legal risk pertaining to mortgage loans in Swiss francs	926	688	(248)	(3)	3	1,366
Provisions for refunds to clients of increased mortgage loan margins before the mortgage is established	92	-	(5)	(40)	10	57
Provision for penalties imposed by the Office of Competition and Consumer Protection	51	62	-	-	-	113
Provision for restructuring costs	17	5	(7)	(9)	-	6
Provision for post-mortem benefits	28	2	(1)	-	-	29
Other	50	13	(15)	-	2	50
Total provisions	**2,286**	**1,413**	**(342)**	**(611)**	**10**	**2,756**

Movement in provisions in the period ended 31 December 2023 (restated)	Beginning of the period	Increase	Utilization	Reversal	Other changes	End of the period
Provisions for guarantees and sureties given	514	568	-	(494)	(10)	578
Provision for retirement severance pays	265	83	(24)	(1)	-	323
Provision for disputed claims and potential liabilities	88	99	(22)	(25)	-	140
Provision for potential refunds of borrowing costs	127	-	(44)	(2)	-	81
Provision for legal risk pertaining to mortgage loans in Swiss francs	492	611	(60)	(117)	-	926
Provisions for refunds to clients of increased mortgage loan margins before the mortgage is established	123	-	(12)	(19)	-	92
Provision for penalties imposed by the Office of Competition and Consumer Protection	39	12	-	-	-	51
Provision for restructuring costs	21	-	(4)	-	-	17
Provision for post-mortem benefits	25	3	-	-	-	28
Other	30	27	-	(7)	-	50
Total provisions	**1,724**	**1,403**	**(166)**	**(665)**	**(10)**	**2,286**

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Provision for potential reimbursements of loan costs

On 11 September 2019, the CJEU judgment in case C-383/18 was published. In its ruling, the CJEU stated that Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC should be interpreted as meaning that the consumer's right to reduce the total cost of credit in the event of an early repayment includes all costs that have been imposed on the consumer.

Based on the legal interpretations in its possession, for the settlement of credit costs with borrowers the PZU Group applied the linear formula whereby a pro rata approach is adopted based on the period between the actual loan repayment date and the repayment date specified in the loan agreement and requires that any non-recurring cost be broken down on a pro rata basis across all payment periods.

In the case of early repayments of consumer and mortgage loans made before the date of the CJEU judgment, the PZU Group estimates the amount of expected disbursements pursuant to IAS 37 and recognizes a provision for this purpose which is charged to other operating expenses.

In 2024, PLN 25 million of the provision was utilized and its amount as at 31 December 2024 was PLN 59 million (as at 31 December 2023: PLN 81 million). Its value is the best possible estimate based on the historically observed trend of the amount of loan cost refunds arising from reported complaints and takes into account the scenario of a possible evolution of market practice or the regulator's views. The estimates require adoption of expert assumptions and involve uncertainty. For this reason the provision amount will be subject to updates in the next periods, depending on the trend regarding the amounts to be refunded.

Significant assumptions applied for the estimation of the provision include the change in the rate of decline in the refunded amounts.

Impact of the change in the rate of decline in the amounts of refunds on the value of the provision	31 December 2024	31 December 2023
+10%	(4)	(2)
-10%	4	2

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

The line of rulings on loans denominated in Swiss francs, which took shape between 2019 and 2024, is generally unfavorable to banks. This includes rulings by Polish common courts, the Supreme Court ("SN") and the CJEU.

The case law declaring conversion clauses illegal (the denomination mechanism) should currently be considered settled. In 2019, the CJEU issued a ruling (C-260/18) on a loan indexed to the Swiss franc by one of the banks. The CJEU interpreted the provisions of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in contracts. The CJEU pointed out the consequences of a national court's recognition of the abusiveness of conversion clauses, without prejudice to the fact that if a national court establishes the abusiveness of such clauses, the court's recognition of the invalidity of the entire contract should automatically follow. Subsequent CJEU rulings, however, have ruled out the permissibility of closing the loophole once the prohibited provision has been eliminated by national law.

In its rulings, the Supreme Court ruled that the determination of exchange rates based on rates from the bank's table is clearly contrary to the good morals and grossly violates the interests of the consumer (Supreme Court judgment of 11 December 2019, V CSK 382/18.). The judicature has also ruled out the application of the balance theory to the settlement of the parties' mutual claims after the invalidity of a loan indexed or denominated to the Swiss franc.

On 15 June 2023, the CJEU announced its ruling in Case C-520/21, in which it resolved a preliminary question from the District Court for Warsaw-Śródmieście, stating in the operative part that in the context of declaring a mortgage loan contract invalid in its entirety on the grounds that it cannot continue to be in force after the unfair terms have been removed from it. Given the judgement, banks cannot claim any compensation for the use of principal. In turn, as regards consumer claims against banks, the CJEU referred to the national law and pointed out that the referring court had to assess, in the light of all circumstances of the dispute, whether taking consumer claims into account is consistent with the proportionality rule.

On 7 December 2023, the CJEU issued judgment C-140/22, stating that a consumer's ability to exercise his or her rights cannot be made conditional on the consumer making a statement to the court that he or she agrees to uphold an unfair contractual term, agrees to the invalidity of the contract and declares that he or she is aware of the consequences of the invalidity of the contract. The CJEU ruled that in settling the invalidity of the contract, banks cannot retain the right to capital interest accrued in the course of performing the contract, thus stating that banks cannot demand compensation from the consumer beyond the return of the capital paid.

On 11 December 2023, the CJEU issued decision C-756/22, in which it ruled that if a national court declares a credit agreement to be invalid in its entirety, the bank has no right to demand from the consumer the return of amounts other than the principal paid in performance of that agreement and statutory default interest from the time the bank is called upon to pay.

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

On April 25 2024, the Supreme Court adopted a resolution (ref. III CZP 25/22), in which it reaffirmed its previous position on the issue of the validity of the two-condition theory and the impossibility of filling in the gap by law in the contract created after the removal of abusive clauses. In addition, the Supreme Court stated that the statute of limitations for a claim for repayment of amounts paid on account of a loan begins from the day following the day on which the borrower challenged the validity of the loan agreement, and if the agreement is declared invalid, there is no legal basis for either party to claim interest or other consideration for the use of its funds during the period from the time the undue consideration was provided until the time it fell into default as to the repayment of that consideration.

The rationale of the resolution confirms all the unfavorable theses for banks that have been put forward in previous court rulings.

On 19 June 2024, the Supreme Court adopted a resolution (ref. III CZP 31/23, in which it ruled that the right of retention does not apply to a party that can set off its claim against the other party's claim. The Supreme Court's resolution eliminates the applicability of the retention law.

As of 31 December 2024, there were 9,000 individual lawsuits pending against the PZU Group relating to foreign currency mortgage loans that were granted in previous years with the total litigation value of PLN 3,260 million (as of 31 December 2023: 5,900 cases with the litigation value of PLN 2,030 million). The main cause of the litigation specified by plaintiffs pertains to challenging the provisions of the loan agreement as regards the application by the PZU Group of the exchange rates and results in claims to declare the loan agreements partially or fully invalid.

In 2024, in cases instituted by borrowers, 2,486 court judgments against the PZU Group were issued, including 533 valid judgments, as well as 52 court judgments favorable for the PZU Group, including 5 final judgments (2023: 1,330 unfavorable court judgments, including 208 final judgments, and 41 favorable judgments, including 3 final judgments).

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

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

More than 95% of borrowers have already received a settlement offer. By the end of 2024, Pekao had reached more than 7,000 settlements.

As of 1 January 2024, the PZU Group has changed its accounting policy for recognizing the impact of legal risk arising from litigation related to Swiss franc mortgage loans and, with respect to active loans (outstanding as of the balance sheet date), presents the impact of this legal risk in accordance with the provisions of paragraph B5.4.6 of IFRS 9 – as an adjustment to the gross carrying amount of the Swiss franc mortgage loan portfolio.

For loans active as of the balance sheet date, the estimated impact of legal risk is recognized as an adjustment to the gross carrying amount of these loans. When the estimated loss from legal risk is higher than the gross carrying amount of the loan, the amount of the excess is presented similarly to the provision determined for repaid loans, i.e. in accordance with IAS 37.

The portion of the provision relating to additional costs associated with the possible loss of litigation (i.e., late interest and attorney's fees), as not arising directly from the loan agreement, is recognized and recognized in accordance with IAS 37 regardless of whether the estimate relates to an active loan agreement or a repaid loan.

The calculation of the provision as of 31 December 2024 was based on an estimate of the expected loss resulting from the possible materialization of legal risks of Swiss franc mortgage loans. The estimate performed includes the following key elements, for which possible changes in the assumptions and methodology for calculating the provision were indicated compared to what was presented in the 2023 consolidated financial statements of the PZU Group:

- litigation forecast – PZU Group updated the forecast based on 2024 data. In particular, the entire forecast of future lawsuits relates to denominated loans , active or fully repaid in the last 10 years;

  The PZU Group estimates that in total, i.e. counting the lawsuits that have been and will be filed by borrowers against the PZU Group, about 55% (vs. 41% at the end of 2023) of the total amount of such loans granted, amounting to about CHF 1.6 billion, may be subject to litigation (including about 85% for active contracts and about 30% for repaid ones), and the phenomenon of an influx of lawsuits may remain significant until the end of 2028;
- the probability of losing a court case – the probability of declaring contractual provisions abusive was estimated at 99% (against 95% at the end of 2023);
- financial impact of litigation – PZU Group assumes that if the court finds the contractual provisions abusive, the settlement of the litigation will be the cancellation of the loan agreement;

  Relative to the approach at the end of 2023, this means abandoning consideration of other possible outcomes (currency conversion of a CHF loan agreement, replacing the bank's exchange rate table with the NBP's average rate, and dismissing the lawsuit). In addition, the additional costs associated with the settlement of litigation, incurred for the entire portfolio covered by the reserve calculation: default interest and attorney fees are recognized;
- inclusion of Pekao's settlement program – if a settlement is reached, Pekao no longer expects a lawsuit on the contract in question, which is included in the forecast of future lawsuits. Otherwise, the probability and distribution of litigation decisions are the same as described above.

The process of determining the level of impact of legal risks requires expert assumptions in each case, based on professional judgement.

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

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

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Cumulative legal risk costs of foreign currency mortgage loans	31 December 2024	31 December 2023
Loans receivable from clients (adjustment to reduce carrying value of mortgage loans)	1,326	1,849
Other provisions	1,366	926
Total	**2,692**	**2,775**

The increase in legal risk costs is mainly due to an updated forecast of the future influx of litigation cases and the cost of settlements.

The following table presents a forecast of the impact of a change in the parameters taken into account in calculating the provision:

Parameter	31 December 2024	31 December 2023
Forecast of lawsuit volume on active portfolio		
+1 p.p.	24	35
-1 p.p.	(24)	(35)
Forecast of the volume of lawsuits on the repaid portfolio		
+1 p.p.	17	20
-1 p.p.	(17)	(20)
Average length of litigation		
+1 month	7	7
-1 month	(5)	(5)

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

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

Provision for guarantees and sureties given

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

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

The amount of PLN 64 million relates to a provision related to the proceedings of the President of UOKiK in the case of irregularities in the area of complaints in Pekao (additional information on this case is presented in section 57.5.2).

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

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

The amount of PLN 10 million relates to a provision set up by Alior Bank in connection with proceedings to declare the provisions of a model contract to be illegal. Additional information on this issue is presented in item 57.5.1.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

47. Deferred tax

47.1 Accounting policy

The level of deferred tax liabilities and assets is determined using the balance sheet method using the corporate income tax rates which are expected to be in effect when the asset or liability is realized, in accordance with the provisions of tax law in the countries of domicile of the individual PZU Group companies issued by the end of the reporting period.

For all of the consolidated companies participating in the Tax Group, deferred tax assets and liabilities are offset on the assumption that the Tax Group contract will be prolonged for subsequent periods, and therefore the period in which the reversal of temporary differences is expected is not analyzed for the purposes of this offsetting.

47.2 Estimates and assumptions

PZU Group companies have estimated their future taxable income in terms of the possibility to realize deductible temporary differences arising from tax losses incurred by these companies. As a result of these estimates, no deferred tax assets relating to unused tax loss were recognized.

47.3 Quantitative data

47.3.1. Deferred tax assets

Value of the unrecognized deferred tax assets resulting from the negative temporary differences and the tax loss according to legally permissible realization term	31 December 2024		31 December 2023	
	Negative temporary differences / tax loss	Deferred tax assets	Negative temporary differences / tax loss	Deferred tax assets
Negative temporary differences	186	31	98	17
1 to 5 years	12	2	-	-
Term unlimited by law	174	29	98	17
Unused tax losses	161	25	243	39
Up to 1 year	12	1	3	-
1 to 5 years	149	24	34	6
Over 5 years	-	-	203	32
Term unlimited by law	-	-	3	1
Total	**347**	**56**	**341**	**56**

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Movement in deferred tax assets in the year ended 31 December 2024	**Beginning of the period**	**Changes recognized in profit or loss**	**Changes recognized in other comprehen-sive income**	**Other changes**	**End of the period**
Loan receivables from clients	1,109	(43)	(1)	-	1,065
Assets and liabilities under insurance contracts	17	19	(1)	(3)	32
Assets and liabilities under reinsurance contracts	40	(5)	-	-	35
Bank commissions collected in advance	366	55	-	-	421
Liabilities to clients under deposits	181	(21)	-	-	160
Intangible assets – trademarks and client relations	(208)	(44)	-	13	(239)
Financial instruments	(197)	124	(60)	(1)	(134)
Real property	(17)	5	-	(1)	(13)
Provisions for employee benefits	58	6	-	(2)	62
Provisions for bonuses	108	41	-	(3)	146
Other provisions and liabilities	725	(19)	-	(3)	703
Tax losses to be used in subsequent years	6	(3)	-	(1)	2
Tax allowance for activities conducted in a special economic zone	5	(1)	-	-	4
Total deferred tax assets	**2,193**	**114**	**(62)**	**(1)**	**2,244**

Movement in deferred tax assets in the year ended 31 December 2023 (restated)	**Beginning of the period**	**Changes recognized in profit or loss**	**Changes recognized in other comprehen-sive income**	**Other changes**	**End of the period**
Loan receivables from clients	1,421	(311)	(1)	-	1,109
Assets and liabilities under insurance contracts	15	(8)	10	-	17
Assets and liabilities under reinsurance contracts	8	33	(1)	-	40
Bank commissions collected in advance	434	(68)	-	-	366
Liabilities to clients under deposits	138	43	-	-	181
Intangible assets – trademarks and client relations	(205)	(4)	-	1	(208)
Financial instruments	465	178	(839)	(1)	(197)
Real property	(22)	5	-	-	(17)
Provisions for employee benefits	52	-	6	-	58
Provisions for bonuses	92	16	-	-	108
Other provisions and liabilities	685	41	-	(1)	725
Tax losses to be used in subsequent years	3	3	-	-	6
Tax allowance for activities conducted in a special economic zone	4	1	-	-	5
Total deferred tax assets	**3,090**	**(71)**	**(825)**	**(1)**	**2,193**

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47.3.2. Deferred tax liabilities

Movement in deferred tax liabilities in the year ended 31 December 2024	Beginning of the period	Changes recognized in profit or loss	Changes recognized in other comprehen-sive income	Other changes	End of the period
Financial instruments	948	133	(12)	1	1,070
Assets and liabilities under insurance contracts	2,342	30	95	(3)	2,464
Assets and liabilities under reinsurance contracts	(343)	23	(3)	-	(323)
Loan receivables from clients (including finance lease receivables)	99	-	-	-	99
Real property	148	(23)	10	3	138
Intangible assets – trademarks and customer relations	39	(4)	-	14	49
Provisions for employee benefits	(18)	-	-	(2)	(20)
Provision for bonuses	(54)	(2)	-	(3)	(59)
Liabilities due but not paid to natural persons (under mandate, agency contracts, etc.)	(96)	(5)	-	-	(101)
Other provisions and liabilities	(114)	3	-	(6)	(117)
Prevention fund	14	1	-	-	15
Tax losses to be used in subsequent years	(12)	3	-	(1)	(10)
Other differences	135	36	-	(2)	169
Total deferred tax liabilities	**3,088**	**195**	**90**	**1**	**3,374**

Movement in deferred tax liabilities in the year ended 31 December 2023	Beginning of the period	Changes recognized in profit or loss	Changes recognized in other comprehen-sive income	Other changes	End of the period
Financial instruments	325	503	121	(1)	948
Assets and liabilities under insurance contracts	2,614	32	(304)	-	2,342
Assets and liabilities under reinsurance contracts	(306)	(43)	6	-	(343)
Loan receivables from clients (including finance lease receivables)	97	2	-	-	99
Real property	188	(46)	1	5	148
Intangible assets – trademarks and customer relations	44	(5)	-	-	39
Provisions for employee benefits	(14)	(4)	-	-	(18)
Provision for bonuses	(50)	(4)	-	-	(54)
Liabilities due but not paid to natural persons (under mandate, agency contracts, etc.)	(83)	(13)	-	-	(96)
Other provisions and liabilities	(115)	1	-	-	(114)
Prevention fund	15	(1)	-	-	14
Tax losses to be used in subsequent years	(10)	(2)	-	-	(12)
Other differences	126	10	-	(1)	135
Total deferred tax liabilities	**2,831**	**430**	**(176)**	**3**	**3,088**

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48. Assets and liabilities held for sale

48.1 Accounting policy

Assets and liabilities or disposal groups are classified as held for sale if there is a plan to sell them and an active program of finding a buyer is in place.

Assets and liabilities held for sale or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

48.2 Quantitative data

Assets held for sale by classification before transfer	31 December 2024	31 December 2023
Groups held for sale	**275**	**277**
Assets	299	309
Investment property	272	287
Receivables	5	7
Cash and cash equivalents	22	15
Liabilities directly associated with assets classified as held for sale	24	32
Other liabilities	14	18
Deferred tax liabilities	10	14
Other assets held for sale	**296**	**312**
Property, plant and equipment	27	35
Investment property	269	277
Assets and groups of assets held for sale	**595**	**621**
Liabilities directly associated with assets classified as held for sale	**24**	**32**

The “Investment property” line item and the “Groups held for sale” section presented mainly the properties held by real estate sector mutual funds as held for sale, since the expected investment horizon has been reached.

Data took into account in the measurement of investment properties presented as held for sale are presented in section 10.2.1.2.

49. Leases

49.1 Accounting policy

PZU Group companies are parties to lease contracts both as lessors and as lessees.

An agreement is a lease or comprises a lease if it transfers the right to control the use of an identified asset for the given period in return for a fee.

49.1.1. PZU Group as the lessee

On the date when the leased asset is available for use, the PZU Group recognizes the right-of-use asset and the lease liability.

Pursuant to item 4 of IFRS 16, the PZU Group does not apply this standard to intangible assets.

The lease period is an irrevocable period of use of an asset, determined taking into consideration:

- the options of extending or shortening, if they are in principle certain;
- material investments in the leased item undertaken during the term of the agreement which are expected to bring significant economic benefits for the PZU Group company, on the basis of which decisions will be taken on extending or terminating the agreement;
- the costs associated with termination of the lease, such as costs of negotiation, costs of relocation, costs of search for different premises/property adequate to the company's business needs, termination penalty and costs associated with adaptation of the subject matter of the agreement being returned to a specific condition;
- the significance of the asset for the activity of the PZU Group company, considering the specialization of the asset, its location and availability of relevant alternative solutions;
- conditions associated with exercising the option (i.e. if the option can be exercised when one or more conditions have been satisfied) and the probability of fulfillment of such conditions.

Assessing the probability of exercise of the aforementioned options, the company takes into account all material facts and circumstances which constitute an economic incentive to exercise the option to extend the lease and or not to exercise the option to terminate the lease.

The PZU Group determines the lease period for agreements for an indefinite term taking into account the economic factors, the existing practice and the available information which may be helpful in determining the period of use of the asset. To determine the lease period, the PZU Group uses professional judgment. In particular, for the perpetual usufruct right to land, the lease period is determined as the time remaining from the date of implementation of IFRS 16 or from the date of purchase of the perpetual usufruct right to land (of acquired after 1 January 2019) until the date of expiry of such right.

On initial recognition:

- the lease liability is measured at the present value of the outstanding lease payments, including fixed lease payments less any applicable lease incentives, variable lease payments that depend on an index or rate, the amounts that the lessee expects to pay within the guaranteed residual value, the exercise price of the call option, if likely to be exercised, and penalties for terminating the lease if the option is available;
- right-of-use assets are measured at cost, which includes the initial lease liability amount, any lease payments paid on or before the commencement date, less any lease incentives received, all initial costs incurred by the lessee, and an estimate of the costs to be incurred in disassembling and removing the asset, renovating the site where it was located, if the lease contract so requires.

The PZU Group recognizes assets and liabilities in respect of lease at a net amount. The VAT amount is recognized in expenses of the current period.

Lease payments are discounted using the interest rate implicit in the lease, if it can be easily determined, or the lessee's marginal interest rate.

The lessee's marginal interest rate is determined on the basis of current valuations of financial instruments issued by PZU Group and other PZU Group entities, coming from an active market. If there are no such instruments, or there is no active market, the marginal interest rate is determined on the basis of valuations of the financial instruments issued by other entities with similar business profiles and credit risk level. For all contracts ending on the same date and with a fixed amount of monthly payments (this group includes most lease contracts in the PZU Group) a fixed contract discount rate has been calculated.

In subsequent periods:

- the right-of-use asset is measured using the cost less depreciation and impairment model or at fair value (in the case of assets being investment properties);
- the liability is measured at amortized cost.

Right-of-use assets are depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life or the end of the lease period.

Right-of-use assets are recognized jointly with property, plant and equipment or investment property, respectively, while lease liabilities as financial liabilities.

Changes in lease payments (resulting from, among others, changes in the index, rate, lease period) are taken into account, updating the valuation of lease liabilities and an appropriate adjustment of the right-of-use assets. The lease period is updated in the case of:

- occurrence of a significant event or significant change in the circumstances which the PZU Group controls and as a result of which it is possible to assume with sufficient certainty that the PZU Group will exercise an option which has not been previously taken into consideration in the determination regarding the lease period, or that it will not exercise an option which has been previously taken into consideration in such determinations;
- change of the irrevocable period of lease or new determination of the lease period in the case of amendment of the agreement, if such change has not been recognized as a separate lease.

Short-term lease and low-value asset lease

The PZU Group does not recognize right-of-use assets for short-term leases and for leases for which the underlying asset has a low value. Low value assets were deemed to be assets with a value equal to or lower than PLN 20 thousand. In such a case the PZU Group recognizes lease payments as a cost in the consolidated profit and loss account during the lease period.

49.1.2. PZU Group as the lessor

On the date of commencement of the lease, the PZU Group classifies the given lease agreement as:

- finance lease – if substantially all of the risks and benefits following from the holding of the underlying asset are transferred or as
- operating lease – if the above conditions are not satisfied.

Classifying the given lease agreement, the PZU Group takes into account, among others, the fact whether the lease period constitutes a larger part of the economic useful life of the asset.

Finance lease

On the lease commencement date, the PZU Group recognizes the receivable in the amount of the net lease investment, i.e. the current value of minimum lease payments and unguaranteed residual value, if any, ascribed to the PZU Group. During the lease period the PZU Group recognizes income similar to interest on the lease receivables.

Operating leases

Operating lease contracts apply mainly to properties.

Operating lease payments are recognized in the profit and loss account as revenue on a straight-line basis over the term of the lease.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

49.2 Quantitative data

49.2.1. PZU Group as the lessor

49.2.1.1. Finance lease

Leasing investments	31 December 2024	31 December 2023
Undiscounted lease payments	19,970	18,742
Up to 1 year	7,364	6,736
From 1 year to 2 years	5,288	4,730
From 2 to 3 years	3,731	3,422
From 3 to 4 years	2,083	1,953
From 4 to 5 years	1,090	972
Over 5 years	414	929
Unrealized financial income	(2,415)	(2,310)
Discounted unguaranteed residual values	-	-
Net lease investments	**17,555**	**16,432**

49.2.1.2. Operating leases

Operating leases generally include investment property lease contracts. The following table presents future minimum lease payments under non-cancellable operating leases (undiscounted amounts).

Future minimum receivables under lease payments	31 December 2024	31 December 2023
Up to 1 year	211	226
From 1 year to 2 years	176	179
From 2 to 3 years	135	158
From 3 to 4 years	78	109
From 4 to 5 years	51	61
Over 5 years	59	88
Total future minimum receivables under lease payments	**710**	**821**

49.2.2. PZU Group as the lessee

Right-of-use assets carried as property, plant and equipment	31 December 2024	31 December 2023
Means of transport	85	81
Other property, plant and equipment and machinery	40	16
Real property	1,379	1,410
Total right-of-use assets	**1,504**	**1,507**

Movement in right-of-use assets used for own needs is presented together with the movement in property, plant and equipment in section 29.2.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Lease-related costs	1 January – 31 December 2024	1 January – 31 December 2023
Depreciation of right-of-use assets	336	313
Means of transport	18	18
Other property, plant and equipment	6	2
Real property	312	293
Interest on lease liabilities	74	61
Short-term lease-related costs	1	1
Low-value asset lease-related costs	2	1
Costs of variable lease payments not carried in valuation of lease liabilities	-	-

50. Assets securing receivables, liabilities and contingent liabilities

Financial assets pledged as collateral for liabilities and contingent liabilities	31 December 2024	31 December 2023
Carrying amount of financial assets pledged as collateral for liabilities	12,584	14,658
Repurchase transaction	1,387	1,662
Coverage of the Guaranteed Funds Protection Fund for the Bank Guarantee Fund	881	910
Coverage of liabilities to be paid to the guarantee fund at the Bank Guarantee Fund	408	414
Coverage of liabilities to be paid to the resolution fund (BFG)	769	748
Lombard and technical credit	6,516	8,424
Other loans	67	108
Issue of covered bonds	1,758	1,440
Coverage of the Settlement Guarantee Fund for the National Depository for Securities	44	53
Derivative transactions	726	872
Blockage of assets in connection with the agreement on the technical credit limit in the Clearing House – Derivative transactions	28	27
Carrying amount of financial assets pledged as collateral for contingent liabilities	-	-
Financial assets pledged as collateral for liabilities and contingent liabilities, total	**12,584**	**14,658**

51. Contingent assets and liabilities

Contingent assets and liabilities	31 December 2024	31 December 2023
Contingent assets, including:	4	5
- guarantees and sureties received	4	5
Contingent liabilities	86,863	80,673
- for renewable limits in settlement accounts and credit cards	5,614	5,137
- for loans in tranches	57,043	53,822
- guarantees and sureties given	10,359	9,313
- disputed insurance claims	1,011	1,505
- other disputed claims	406	391
- other, including:	12,430	10,505
- guaranteeing securities issues	1,401	2,185
- factoring	9,352	6,627
- intra-day limit	440	436
- letters of credit and commitment letters	1,086	1,192
- other	151	65

52. Offsetting financial assets and financial liabilities

52.1 Accounting policy

The offsetting agreements entered into by the Group include:

- International Swaps and Derivatives Association (ISDA) Master Agreements and other master agreements pertaining to derivatives;
- Global Master Repurchase Agreement (GMRA) pertaining to securities purchase/sale and repurchase transactions.

The offsetting agreements entered into by the PZU Group do not satisfy the offsetting criteria in the statement of financial position. For the provisions of such agreements provide for the right to offset the recognized amounts which is exercisable only in the case of occurrence of a specific event (breach of the agreement).

The PZU Group received and submitted collateral in the form of margins and liquid securities for transactions on derivatives.

These collaterals are established on standard industry terms. Collaterals in the form of margin follow from, e.g. the Credit Support Annex (CSA) – constituting an annex to ISDA master agreements.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

52.2 Quantitative data

The disclosures in the tables below apply to financial assets and liabilities that are subject to enforceable netting master agreements or similar agreements, irrespective of whether they are set off in the statement of financial position.

Financial assets and liabilities subject to offset, if any	31 December 2024	31 December 2023
Financial assets		
Financial derivatives		
Carrying amount of the items from the statement of financial position	5,384	11,396
Carrying amount of the items not subject to offset, if any	119	256
Net carrying amount – subject to offset, if any	5,265	11,140
Potential offset amounts	5,173	10,742
– financial instruments (includes received collateral on securities)	4,592	9,695
– received cash collateral	581	1,047
Net value	92	398
Buy-sell-back transactions		
Carrying amount of the items from the statement of financial position	9,747	9,003
Carrying amount of the items not subject to offset, if any	4,073	1,960
Net carrying amount – subject to offset, if any	5,674	7,043
Potential offset amounts	4,171	3,284
– financial instruments (includes received collateral on securities)	4,166	3,271
– received cash collateral	5	13
Net value	1,503	3,759
Financial liabilities		
Financial derivatives		
Carrying amount of the items from the statement of financial position	6,132	11,656
Carrying amount of the items not subject to offset, if any	190	191
Net carrying amount – subject to offset, if any	5,942	11,465
Potential offset amounts	5,330	10,619
– financial instruments (includes received collateral on securities)	4,588	9,685
- submitted cash collateral	742	934
Net value	612	846
Repurchase transaction		
Carrying amount of the items from the statement of financial position	1,387	1,623
Carrying amount of the items not subject to offset, if any	1,000	1,610
Net carrying amount – subject to offset, if any	387	13
Potential offset amounts	387	13
– financial instruments (includes received collateral on securities)	387	13
– received cash collateral	-	-
Net value	-	-

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

53. Notes to the consolidated cash flow statement

Movement in liabilities attributable to financial activities in the period ended 31 December 2024	**Beginning of the period**	**Changes resulting from cash flows**	**Interest accruals and settlements of discount and premium**	**Foreign exchange differences**	**Change in the composition of the Group**	**Other changes**	**End of the period**
Loans received	5,424	125	10	(59)	-	-	5,500
Liabilities on the issue of debt securities	12,003	5,762	385	(23)	(3)	(38)	18,086
Bonds	9,691	6,339	357	(22)	(3)	-	16,362
Certificates of deposit	1,257	(980)	28	1	-	(28)	278
Covered bonds	1,055	403	-	(2)	-	(10)	1,446
Subordinated liabilities	6,166	(1,292)	230	-	(5)	-	5,099
Liabilities on account of repurchase transactions	1,623	(236)	-	-	-	-	1,387
Lease liabilities	1,594	(285)	4	1	1	343	1,658
Total	**26,810**	**4,074**	**629**	**(81)**	**(7)**	**305**	**31,730**

Movement in liabilities attributable to financial activities in the period ended 31 December 2023	**Beginning of the period**	**Changes resulting from cash flows**	**Interest accruals and settlements of discount and premium**	**Foreign exchange differences**	**Change in the composition of the Group**	**Other changes**	**End of the period**
Loans received	5,271	344	12	(214)	-	11	5,424
Liabilities on the issue of debt securities	11,090	868	328	(254)	-	(29)	12,003
Bonds	3,488	6,182	255	(229)	-	(5)	9,691
Certificates of deposit	6,646	(5,338)	(27)	(19)	-	(5)	1,257
Covered bonds	956	24	100	(6)	-	(19)	1,055
Subordinated liabilities	6,184	(314)	296	-	-	-	6,166
Liabilities on account of repurchase transactions	931	688	109	-	-	(105)	1,623
Lease liabilities	1,296	(298)	12	(2)	7	579	1,594
Total	**24,772**	**1,288**	**757**	**(470)**	**7**	**456**	**26,810**

Interest received and paid	**31 December 2024**	**31 December 2023**
Interest received	30,542	27,565
operating activities	26,652	24,926
investment activities	3,890	2,639
Interest paid	(8,720)	(9,135)
operating activities	(8,269)	(8,652)
financing activities	(451)	(483)

54. Disputes

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

The majority of disputes involving the PZU Group companies are carried out with participation of the following four companies: PZU, PZU Życie, Pekao and Alior Bank.

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

As at 31 December 2024, the total value of disputes in all 246,667 cases (31 December 2023: 243,153 cases) pending before courts, arbitration bodies and public administration authorities in which PZU Group entities take part, was PLN 17,088 million (as at 31 December 2023: PLN 12,461 million). This amount included PLN 12,346 million (as at 31 December 2023: PLN 8,055 million) relates to liabilities, and PLN 4,742 million (as at 31 December 2023: PLN 4,406 million) to receivables of PZU Group companies.

In 2024 and by the date of signing the 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 sections below.

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

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

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

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

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

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

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

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

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

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

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

On 6 April 2022, the Regional Court in Warsaw issued a decision admitting evidence in the form of an opinion of a scientific institute to determine the amount of the damage sustained by MSC and J.P Morgan, in the form of loss of profit, as a result of the adoption of Resolution No. 8/2007 by the PZU Ordinary Shareholder Meeting on 30 June 2007, excluding from distribution the profit for the 2006 financial year and the non-payment of this profit in 2007.

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

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

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

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

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

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

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

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

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

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

54.3 Court proceedings on the free credit sanction

On 13 February 2025, the CJEU issued a ruling on aspects of the application of free credit sanctions. The CJEU has left a wide margin of discretion to national courts hearing individual cases.

As of 31 December 2024, there were 3,394 lawsuits pending against the PZU Group with a total litigation value of PLN 134 million.

The PZU Group disputes the validity of the claims raised in these cases and will monitor the development of CJEU case law and national courts on matters of free credit sanctions and analyze the impact of these rulings on the PZU Group's position in pending litigation.

54.4 Lawsuits against Alior Bank

54.4.1. Class action

Alior Bank is a defendant in one class action case (suit was filed on 5 March 2018) brought by an individual representing a group of 320 natural and legal persons and 3 individual cases to rule Alior Bank's liability for a loss caused by the improper performance of Alior Bank's disclosure obligations to clients and improper performance of agreements to provide services of accepting and forwarding purchase or sale orders of investment certificates of mutual funds managed previously by Fincrea TFI SA and currently by Raiffeisen Bank International AG (Spółka Akcyjna) Branch in Poland (Funds). On 8 March 2023 the

Regional Court in Warsaw decided to define the composition of the group. This decision was not final as at the date of signing the consolidated financial statements. The value of the subject matter of the extended lawsuit is around PLN 104 million.

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

54.4.2. Other lawsuits

Alior Bank is also a defendant in 170 cases brought by purchasers of the Funds' investment certificates for payment (damages). The total value of disputes in those cases is PLN 57 million.

In the PZU Group's opinion, each payment case requires an individual approach. After analysis and selection of cases, those were singled out in which certain risk factors justify the establishment of a provision. Its calculation also took into account an expected increase in the scale of lawsuits. The total value of the provision as at 31 December 2024 was PLN 72 million (as at 31 December 2023: PLN 82 million).

55. Related party transactions

55.1 Key management

The following tables show the salaries of PZU's key management personnel.

Compensation and other short-term employee benefits paid by PZU	1 January – 31 December 2024 (PLN 000s)				1 January – 31 December 2023 (PLN 000s)			
		including part of variable compensation for 2020–2022	including remuneration for non-competition	including severance pay		including part of variable compensation for 2019–2022	including remuneration for non-competition	including severance pay
Management Board	**18,306**	**3,118**	**4,428**	**2,378**	**17,413**	**7,761**	**-**	**-**
Artur Olech	1,006	-	-	-	n/a	n/a	n/a	n/a
Maciej Fedyna	58	-	-	-	n/a	n/a	n/a	n/a
Bartosz Grześkowiak	972	-	-	-	n/a	n/a	n/a	n/a
Elżbieta Häuser-Schöneich	1,058	86	-	-	154	154	-	-
Tomasz Kulik	1,738	398	-	-	2,211	1,010	-	-
Tomasz Tarkowski	214	-	-	-	n/a	n/a	n/a	n/a
Jan Zimowicz	972	-	-	-	n/a	n/a	n/a	n/a
Michał Bernaczyk	303	-	-	-	n/a	n/a	n/a	n/a
Anita Elżanowska	189	-	-	-	n/a	n/a	n/a	n/a
Wojciech Olejniczak	332	-	-	-	n/a	n/a	n/a	n/a
Beata Kozłowska-Chyła	1,632	387	699	350	2,148	905	-	-
Ernest Bejda	1,560	356	676	338	2,059	858	-	-
Małgorzata Kot	1,516	312	676	338	2,015	814	-	-
Krzysztof Kozłowski	1,401	197	676	338	1,900	698	-	-
Piotr Nowak	1,301	97	676	338	1,640	438	-	-
Maciej Rapkiewicz	1,963	398	349	338	2,211	1,010	-	-
Małgorzata Sadurska	1,602	398	676	338	2,211	1,010	-	-
Aleksandra Agatowska	16	16	-	-	38	38	-	-
Adam Brzozowski	86	86	-	-	154	154	-	-

Compensation and other short-term employee benefits paid by PZU	**1 January – 31 December 2024** (PLN 000s)				**1 January – 31 December 2023** (PLN 000s)			
		including part of variable compensation for 2020–2022	including remuneration for non-competition	including severance pay		including part of variable compensation for 2019–2022	including remuneration for non-competition	including severance pay
Marcin Eckert	181	181	-	-	268	268	-	-
Roger Hodgkiss	n/a	n/a	-	-	40	40	-	-
Paweł Surówka	25	25	-	-	140	140	-	-
Krzysztof Szypuła	181	181	-	-	224	224	-	-
High-level managers (PZU Group Directors)	**6,188**	**-**	**1,195**	**680**	**5,654**	**1,716**	**216**	**108**
Sławomir Bilik	354	-	-	-	n/a	n/a	n/a	n/a
Jarosław Mastalerz	387	-	-	-	n/a	n/a	n/a	n/a
Małgorzata Skibińska	676 [1]	-	-	-	495 [2]	-	-	-
Paweł Wajda	354	-	-	-	n/a	n/a	n/a	n/a
Iwona Wróbel	508 [3]	-	-	-	n/a	n/a	n/a	n/a
Paweł Wróbel	233 [4]	-	-	-	n/a	n/a	n/a	n/a
Aleksandra Agatowska	648	-	194	140	896	399	-	-
Andrzej Jaworski	626	-	189	135	665	185	-	-
Bartłomiej Litwińczuk	626	-	180	135	884	404	-	-
Dorota Macieja	626	-	180	135	884	404	-	-
Sylwia Matusiak	626	-	182	135	750 [5]	-	-	-
Dominik Witek	524 [6]	-	270	-	432 [7]	-	-	-
Małgorzata Kot	-	-	-	-	20	20	-	-
Krzysztof Szypuła	-	-	-	-	559	235	216	108
Roman Pałac	-	-	-	-	56	56	-	-
Tomasz Karusewicz	n/a	n/a	-	-	13	13	-	-

[1] Including the annual bonus awarded in the aggregate amount for the role as Managing Director for Product Development and Maintenance until 31 January 2023, and for the role as Group Director.

[2] Including fixed compensation and annual bonus for the position of Managing Director for Product Development and Maintenance held until 31 January 2023.

[3] Including base compensation, sick pay, awards, bonuses and vacation pay for serving as Strategic Project Director until 21 April 2024.

[4] Including compensation for the role as Managing Director of Marketing, Communications and Social Engagement from 18 April to 14 May 2024.

[5] Including annual bonus, compensation for holiday leave and special award for the position of Managing Director for Marketing, Sponsorship and Prevention held in 2022.

[6] Including annual bonus for the position of Director of the Office of Medical Services held until 6 June 2023.

[7] Including fixed compensation, annual bonus and compensation for holiday leave for the position of Director of the Office of Medical Services held until 6 June 2023.

In 2024, PZU Management Board Members were paid part of the benefits for 2020-2022 under the variable compensation system. The payout of the remaining part of the bonus for 2020-2024 may be made in subsequent periods. For these benefits, the PZU Group has a liability with the total amount of PLN 32,784 thousand as at 31 December 2024 (including the employer's burdens, as at 31 December 2023: PLN 23,971 thousand).

Compensation and other short-term employee benefits paid by other PZU Group entities	1 January – 31 December 2024 (PLN 000s)			1 January – 31 December 2023 (PLN 000s)			
		including remunera-tion for non-competition	including severance pay		including part of variable compensa-tion for 2019-2022	including remunera-tion for non-competition	including severance pay
Management Board, of which:	**-**	**-**	**-**	**27**	**27**	**-**	**-**
Małgorzata Kot	-	-	-	27	27	-	-
High-level managers (PZU Group Directors), including:	**7,986**	**2,444**	**1,022**	**7,927**	**2,523**	**325**	**162**
Sławomir Bilik	530	-	-	n/a	n/a	n/a	n/a
Jarosław Mastalerz	580	-	-	n/a	n/a	n/a	n/a
Małgorzata Skibińska	467 [1)]	-	-	495 [2)]	-	-	-
Paweł Wajda	530	-	-	n/a	n/a	n/a	n/a
Iwona Wróbel	684 [3)]	-	-	n/a	n/a	n/a	n/a
Paweł Wróbel	228 [4)]	-	-	n/a	n/a	n/a	n/a
Aleksandra Agatowska	881	419	210	1,338	593	-	-
Andrzej Jaworski	851	405	203	998	277	-	-
Bartłomiej Litwińczuk	851	405	203	1,320	599	-	-
Dorota Macieja	851	405	203	1,320	599	-	-
Sylwia Matusiak	851	405	203	841 [5)]	-	-	-
Dominik Witek	682 [6)]	405	-	673 [7)]	-	-	-
Krzysztof Szypuła	-	-	-	839	352	325	162
Roman Pałac	-	-	-	83	83	-	-
Tomasz Karusewicz	n/a	n/a	n/a	20	20	-	-

1) Including the annual bonus awarded in the aggregate amount for the role as Managing Director for Product Development and Maintenance until 31 January 2023, and for the role as Group Director.

2) Including fixed compensation and annual bonus for the position of Managing Director for Product Development and Maintenance held until 31 January 2023.

3) Including base compensation, sick pay, awards, bonuses and vacation pay for serving as Strategic Project Director until 21 April 2024.

4) Including compensation for the role as Managing Director of Marketing, Communications and Social Engagement from 18 April to 14 May 2024.

5) Including annual bonus, compensation for holiday leave for the position of Managing Director for Marketing, Sponsorship and Prevention held in 2022.

6) Including annual bonus for the position of Director of the Office of Medical Services held until 6 June 2023.

7) Including fixed compensation, annual bonus and compensation for holiday leave for the position of Director of the Office of Medical Services held until 6 June 2023.

Total estimated value of non-cash benefits granted by PZU and PZU's subsidiaries	1 January – 31 December 2024 (PLN 000s)	1 January – 31 December 2023 (PLN 000s)
Management Board	**1,383**	**2,043**
Artur Olech	89	n/a
Maciej Fedyna	-	n/a
Bartosz Grześkowiak	86	n/a
Elżbieta Häuser-Schöneich	95	n/a
Tomasz Kulik	173	238
Tomasz Tarkowski	10	n/a
Jan Zimowicz	86	n/a
Michał Bernaczyk	13	n/a
Anita Elżanowska	-	n/a
Wojciech Olejniczak	-	n/a
Beata Kozłowska-Chyła	135	276
Ernest Bejda	44	233
Małgorzata Kot	37	270
Krzysztof Kozłowski	47	233
Piotr Nowak	403	231
Maciej Rapkiewicz	125	243
Małgorzata Sadurska	40	319
High-level managers (PZU Group Directors)	**1,120**	**1,549**
Sławomir Bilik	79	n/a
Jarosław Mastalerz	85	n/a
Małgorzata Skibińska	121	105
Paweł Wajda	77	n/a
Iwona Wróbel	100	n/a
Paweł Wróbel	50	n/a
Aleksandra Agatowska	151	322
Andrzej Jaworski	124	233
Bartłomiej Litwińczuk	70	281
Dorota Macieja	65	219
Sylwia Matusiak	78	195
Dominik Witek	120	135
Krzysztof Szypuła	-	59 [1)]

[1)] The benefits financed by PZU on the basis of the termination of the Management Services Provision Agreement.

Pekao Management Board compensation costs	1 January – 31 December 2024 (PLN 000s)	1 January – 31 December 2023 (PLN 000s)
Short-term employee benefits	12,706	15,697
Post-employment benefits	4,416	-
Long-term benefits	4,786	680
Termination benefits	2,377	-
Pekao share-based payments	11,265	7,974
Total	**35,550**	**24,351**

Alior Bank Management Board compensation costs – constituting the cost of the period (due or paid)	1 January – 31 December 2024 (PLN 000s)	1 January – 31 December 2023 (PLN 000s)
Short-term employee benefits	9,761	11,712
Long-term employee benefits	5,148	7,543
Post-employment benefits	4,529	361
Benefits for cessation of office	2,715	-
Total	**22,153**	**19,616**

55.2 PZU Supervisory Board

The tables show the remuneration of PZU Supervisory Board members.

Remunerations and other short-term employee benefits paid to the Supervisory Board by PZU and PZU subsidiaries	1 January – 31 December 2024 (PLN 000s)	1 January – 31 December 2023 (PLN 000s)
Marcin Kubicza	282	142
Małgorzata Kurzynoga	244	n/a
Anna Machnikowska	242	n/a
Michał Bernaczyk	167	n/a
Anita Elżanowska	190	n/a
Filip Gorczyca	225	n/a
Michał Jonczynski	225	n/a
Andrzej Kaleta	244	n/a
Adam Uszpolewicz	244	n/a
Wojciech Olejniczak	162	n/a
Robert Jastrzębski	36	252
Paweł Górecki	34	250
Agata Górnicka	35	236
Marcin Chludziński	33	230
Krzysztof Opolski	35	250
Radosław Sierpiński	33	245 [1)]
Józef Wierzbowski	33	230
Maciej Zaborowski	33	230
Elżbieta Mączyńska-Ziemacka	n/a	161
Robert Śnitko	n/a	109
Piotr Wachowiak	n/a	100
Total	**2,497**	**2,435**

[1)] Including PLN 15 thousand for serving as a member of the Scientific Council at PZU Zdrowie SA.

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

In 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.

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

55.4 Transactions with State Treasury and State Treasury's related parties

The PZU Group's transactions with the State Treasury and State Treasury's related entities were primarily related to non-life insurance, treasury securities operations and banking services. Such transactions are concluded and settled on terms and conditions available to customers, who are not related parties. In terms of disclosure of transactions with related entities, the PZU Group applies the exemption resulting from the provisions of IAS 24 item 25.

By decision of the KNF, the PZU Group was identified as a financial conglomerate within the meaning of the Act of 15 April 2005 on supplementary oversight over credit institutions and insurance undertakings, reinsurance undertakings and investment firms comprising a financial conglomerate.

Also by the decision of the KNF, PZU, as the leading entity in the financial conglomerate, was obliged to periodically submit reports to the supervisory authority on significant risk concentration in the financial conglomerate, whereby the supervisory authority considered concentration exceeding 4.5% of the financial conglomerate's own funds to be significant in the area of the counterparty. In order to fulfil the reporting obligation, the PZU Group obtains information from regulated entities of the financial conglomerate, in particular from Pekao and Alior Bank. The information analysed by PZU for the purposes of preparing the report on significant risk concentration was used to prepare the following disclosure regarding transactions with entities related to the State Treasury in the scope of gross credit exposure and off-balance sheet liabilities granted in banking activities.

The value of State Treasury or Treasury-guaranteed bonds held by PZU Group units was PLN 123,133 million as of 31 December 2024 (as of 31 December 2023: PLN 106,665 million).

The value of liabilities (less receivables) to the State Treasury under corporate income tax amounted to PLN 1,806 million as of 3a December 2024 (as of 31 December 2023: PLN 1,972 million).

The balance of cash in accounts with the National Bank of Poland amounted to PLN 8,970 million as of 31 December 2024 (as of 31 December 2023: PLN 9,119 million).

The tables below present information on balances resulting from the largest transactions with Treasury-related parties. The exposure is presented to the extent reportable under financial conglomerate concentration risk.

Information on balances resulting from the most significant transactions with Treasury-related parties	Receivables from loans, borrowings and debt financial instruments 31 December 2024
Client 1	1,866
Client 2	1,262
Client 3	1,156
Client 4	1,151
Client 5	934
Client 6	538
Client 7	254
Client 8	229
Client 9	203
Client 10	58

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Information on balances resulting from the most significant transactions with Treasury-related parties	Receivables from loans, borrowings and debt financial instruments 31 December 2023
Client 1	2,189
Client 2	1,267
Client 3	1,006
Client 4	991
Client 5	877
Client 6	598
Client 7	553
Client 8	525
Client 9	301
Client 10	296

Information on balances resulting from the most significant transactions with Treasury-related parties	Off-balance sheet liabilities granted 31 December 2024
Client 1	2,762
Client 2	2,489
Client 3	1,866
Client 4	1,366
Client 5	1,151
Client 6	848
Client 7	205
Client 8	189
Client 9	125
Client 10	101

Information on balances resulting from the most significant transactions with Treasury-related parties	Off-balance sheet liabilities granted 31 December 2023
Client 1	9,045
Client 2	2,537
Client 3	1,396
Client 4	1,180
Client 5	555
Client 6	280
Client 7	253
Client 8	222
Client 9	220
Client 10	150

Consolidated financial statements in accordance with IFRS for the year ended 31 December 2024 (in millions of PLN)

Value of premiums from the most significant insurance contracts concluded with Treasury-related parties	Premium 1 January – 31 December 2024
Client 1	659
Client 2	203
Client 3	123
Client 4	103
Client 5	96
Client 6	80
Client 7	55
Client 8	51
Client 9	50
Client 10	48

Value of premiums from the most significant insurance contracts concluded with Treasury-related parties	Premium 1 January – 31 December 2023
Client 1	145
Client 2	108
Client 3	106
Client 4	102
Client 5	82
Client 6	72
Client 7	34
Client 8	33
Client 9	29
Client 10	24

55.5 Other related party transactions

Balances and turnovers resulting from commercial transactions between the PZU Group and related parties	1 January – 31 December 2024		1 January – 31 December 2023	
	Key management	Other related parties [1)]	Key management	Other related parties [1)]
Insurance revenue	-	-	-	-
Other revenue	-	2	-	1
Costs	-	43	-	57

Balances and turnovers resulting from commercial transactions between the PZU Group and related parties	31 December 2024		31 December 2023	
	Key management	Other related parties [1)]	Key management	Other related parties [1)]
Loan receivables from clients (including finance lease receivables)	-	-	3	-
Other receivables	-	1	-	1
Liabilities under deposits	2	39	15	42
Other liabilities	-	7	-	6
Contingent assets	-	-	-	-
Contingent liabilities	-	2	-	2

1) Associates accounted for using the equity method.

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

- The Banks will be managed in such a way as to maintain at all times liquidity, own funds and solvency ratios on a stable level as required by the law, guaranteeing the Banks' ability to satisfy their liabilities;
- appropriate capital support without undue delay in the event of a decline or threat of decline of capital adequacy ratios or liquidity of the Banks below the level required by the law and regulations and recommendations of Polish banking regulatory authorities. Each support for the Banks, however, requires PZU's analysis aimed to maintain the trust to PZU, through maintaining, even in a crisis situation, a high level of solvency of PZU and the PZU Group as a whole;
- as part of the powers vested in PZU as a shareholder, all decisions pertaining to dividend payout and reinvestment of the Banks' profits will take into account the Banks' development needs and stability and safety of the funds deposited in the Banks by their clients. In particular, in a situation when the Banks' liquidity or capital position required by law or recommendations of competent banking regulatory authorities for the banking sector in Poland are at threat, no dividend will be paid out, and retained earnings will be allocated for increasing the Banks' own funds.

56. Headcount

The following table presents average headcount (in FTEs) in PZU Group companies.

Item	1 January – 31 December 2024	1 January – 31 December 2023
Management Boards (number of persons at the end of the reporting period)	130	151
Management	3,693	3,682
Other employees	35,381	34,905
Total	**39,204**	**38,738**

57. Other information

57.1 Audit fee payable to the audit firm auditing the financial statements

The next table presents the amounts owed to the PZU Group's audit firm:

- PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. ("PWC") and network companies – in 2024;
- KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k. - "KPMG Audyt" and companies in the KPMG network – in 2023;

for the audit of financial statements of consolidated PZU Group entities, paid or payable for the period, plus VAT.

Item	1 January – 31 December 2024 (PLN 000s)	1 January – 31 December 2023 (PLN 000s)
Audit of financial statements	15,259	12,582
Other assurance services	10,150	8,720
Total	**25,409**	**21,302**

The auditor for the audit of the PZU Group's 2023 consolidated financial statements was KPMG Audyt, with its registered office in Warsaw, ul. Inflancka 4A, 00-189 Warsaw, registered by the National Chamber of Statutory Auditors on the list of audit firms under number 3546.

On 24 August 2022, the Supervisory Board of PZU passed a resolution on the selection of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. (“PwC”), with its registered office in Warsaw, ul. Polna 11, 00-633 registered by the National Chamber of Statutory Auditors on the list of audit firms under number 144, as the audit firm to conduct audits and reviews of financial statements and audits of reports on the solvency and financial condition of PZU and the PZU Group for the five fiscal years, ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028, respectively, with an option to extend the contract for two more years, ending on 31 December 2029 and 31 December 2030.

On 15 December 2023, PZU signed a contract with PwC to carry out the above work.

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

In 2024 and in 2023, 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, with the exception of the question described below.

On 19 August 2024, PZU guaranteed the repayment of a loan taken out by Pekao Leasing Sp. z o.o. with the European Investment Bank. On the same day, Pekao issued a guarantee to PZU, providing protection for PZU in the event that Pekao Leasing sp. z o.o. fails to pay all or part of its obligations under the loan agreement with the European Investment Bank. The maximum amount of both guarantees is PLN 737 million. The warranty is valid until 31 July 2030.

On 26 October 2023, PZU concluded with Alior Bank Annex No. 2 to the Mandate Agreement to Provide Unfunded Credit Protection from Time to Time, and concluded with the Counterparty Annex No. 2 to the Master Agreement to Provide Counter Guarantees from Time to Time.

Annex no. 2 to the Mandate Agreement to Provide Unfunded Credit Protection from Time to Time

Annex no. 2 to the Mandate Agreement to Provide Unfunded Credit Protection from Time to Time defines the rules for PZU to issue insurance guarantees for unfunded credit protection within an exposure limit under instructions from, and in favor of, Alior Bank.

The maximum exposure limit for the guarantees issued pursuant to Annex no. 2 to the Mandate Agreement to Provide Unfunded Credit Protection from Time to Time is PLN 4,000 million. The limit is in force for a period of 3 years and is a revolving limit, meaning that the expiry of a guarantee makes the “freed up” amount available within the limit minus any possible disbursements under a guarantee.

The fee for extending the guarantee will depend, among other things, on portfolio amortization. In addition, a counter-guarantee premium may be included in the remuneration, the issuance of which PZU may instruct the Counterparty to issue.

At present, it is not possible to state the amount of the fee for a guarantee since it will depend on the amount of the guaranteed sum and the quality of the portfolio collateralizing the guarantee. The issuance of every guarantee will be preceded by an application from Alior Bank and an evaluation and valuation of the portfolio presented for that guarantee.

Details of individual guarantees issued by PZU under Annex No. 2 to the Mandate Agreement to Provide Unfunded Credit Protection from Time to Time will be made public separately by PZU.

Alior Bank will present a declaration of voluntary submission to enforcement in the form of a notary deed to collateralize the payment of the fee for a guarantee under the executed Annex no. 2 to the Mandate Agreement to Provide Unfunded Credit Protection from Time to Time.

The maximum term of the guarantees issued under Annex no. 2 to the Mandate Agreement to Provide Unfunded Credit Protection from Time to Time is 5 years. Alior Bank’s share of the due and payable receivables by virtue of the accounts receivable is 10%.

Annex no. 2 to the Mandate Agreement to Provide Unfunded Credit Protection from Time to Time contemplates contractual penalties that may be due to PZU from Alior Bank if Alior Bank breaches certain obligations stemming from Annex no. 2 to the Agreement. The total maximum amount of contractual penalties cannot exceed PLN 3 million. Annex no. 2 to the Agreement does not rule out the possibility of pursuing damages exceeding the sum total of the contractual penalties.

Annex no. 2 to the Master Agreement to Provide Counter Guarantees from Time to Time.

Annex no. 2 to the Master Agreement to Provide Counter Guarantees from Time to Time defines the rules for the Counterparty to provide counter guarantees under instructions from PZU issued in favor of Alior Bank. The available counter guarantee limit is PLN 3,200 million. The available limit will be reduced each time when each counter guarantee is extended, by the guaranteed amount specified in the counter-guarantee; the available counter-guarantee limit is renewable, which means that the limit is renewed when a counter-guarantee expires.

57.3 Inspections by the Office of the Polish Financial Supervision Authority

57.3.1. PZU

In the period from 12 June to 10 August 2023, the PFSA carried out an inspection of claim handling procedures at PZU. On 1 December 2023, PZU received an inspection report and submitted its related comments on 15 December 2023. On 3 January 2024, PZU received KNF's response to these objections, and on 12 January 2024, PZU provided additional clarifications to the report. On 2 February 2024, KNF issued 8 post-inspection recommendations with the implementation deadline of 31 March 2024. On 8 April 2024, PZU informed the KNF of the manner in which 4 recommendations had been implemented, while for the remaining 4, the implementation deadline (with the KNF's consent) was extended to 30 June 2024 (for 3 recommendations) and 31 August 2024 (for 1 recommendation). On 4 July 2024, PZU informed the regulatory authority of how it had implemented 3 recommendations, and on 5 September 2024, it implemented the last recommendation. PZU had additional correspondence with KNF on how to implement the recommendations. Arrangements with the KNF regarding the implementation of the next recommendation are ongoing.

In the period 11 March – 19 April 2024, KNF inspected PZU's compliance with selected requirements for the management of areas involving information technology and ICT environment security. On 4 July 2024, KNF issued 25 recommendations, which were implemented by the deadline.

In the period 1 July – 29 August 2024, KNF inspected PZU's operations and assets in terms of valuing technical provisions for solvency purposes. On 19 November 2023, PZU received an inspection report, to which it raised objections. Until the date of signing the consolidated financial statements, KNF did not issue inspection recommendations.

During the period from 13 January to 13 March 2025, KNF conducted an audit of reporting for accounting purposes, for statistical purposes and for solvency purposes. Until the date of signing the consolidated financial statements, PZY did not receive an inspection report.

57.3.2. PZU Życie

In the period from 22 August to 21 October 2022, KNF inspected PZU Życie's compliance with the law in terms of the use of insurance agents and agents offering supplementary insurance. On 22 December 2022, PZU Życie submitted comments on the KNF's protocol after the 13 December 2022 inspection. Following the KNF's 4 January 2023 response, PZU Życie provided additional clarification on 20 January, 22 and 23 February 2023. On 20 March 2023, PZU Życie received a recommendation regarding PZU Życie's supervision of the agent's activities regarding the process of determining the customer's needs and requirements. The deadline for implementing the recommendation was 31 December 2023. At PZU Życie's request, KNF agreed to postpone the implementation of the recommendation until 30 June 2024. On 25 June 2024, PZU Życie informed the regulatory authority of the implementation of the recommendation.

57.3.3. KNF's investigation into insurance distribution by Alior Bank

On 6 July 2021, the KNF initiated administrative proceedings on applying to Alior Bank of the sanction measure stipulated in the wording of Article 84(1)-(2) of the Act of 15 December 2017 on insurance distribution, in connection with the identification of irregularities evidencing a breach by Alior Bank of Article 7(1), in conjunction with Article 4(6) of that Act, i.e. with regard to the determination of customer requirements and needs in the process of offering insurance contracts in the period from 1 October 2018 to 26 October 2021. Alior Bank has taken a number of measures concerning the area of Alior Bank's operations as an insurance distributor, aimed at rectifying the irregularities questioned by the KNF, and has implemented solutions to prevent future violations in this area. In addition, Alior Bank asked the KNF to apply the administrative institution of Article 189f §1(1) of the Code of Administrative Procedure in this case (issuing a decision to waive the penalty and giving instructions to Alior Bank). On 1 March 2024, Alior Bank filed an application for a composition agreement comprising a waiver of the imposition of sanctions or, alternatively, a reduction of the potential monetary penalty by 90%, i.e. Alior Bank applied to the KNF for a decision referred to in Article 18k(1) of the Act of 21 July 2006 on financial market supervision. On 22 March 2024, the KNF issued a ruling on the possibility of concluding an arrangement on the terms of extraordinary leniency and set a deadline of three months for concluding this arrangement. On 3 April 2024, the law firm representing Alior Bank sent a letter on behalf of Alior Bank initiating a dialogue with KNF on the terms of the arrangement.

On 2 August 2024, Alior Bank received the KNF's decision to enter into an arrangement on the terms of extraordinary leniency. The draft agreement on the terms of extraordinary leniency calls for a fine of PLN 300,000 to be imposed on Alior Bank and a 14-day deadline for accepting the agreement. On 13 August 2024, Alior Bank's Management Board accepted the terms of the arrangement presented by KNF.

57.4 Tax liabilities in Sweden

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

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

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

At the same time, on 27 August 2020, PZU Finance AB filed its tax return during the disclosure procedure for 2019, where it presented the above situation and calculated its tax liabilities on the assumption that foreign exchange gains and losses resulting from the repayment of bonds constituted its deductible expenses. On 22 December 2020 PZU Finance AB received the tax office's tax decision confirming that the tax had been calculated correctly. The decision was not binding and final. Given duties for the purpose of which the company was established, on 4 May 2021 the Meeting of Shareholders decided to start liquidation procedures in relation to PZU Finance AB. On 23 June 2021 PZU Finance AB received a preliminary, and on 21 December 2021 a binding negative, decision concerning the correction of its tax obligations for 2019 from the tax office. Therefore as at 31 December 2021 the PZU Group recognized its current income tax liabilities of PLN 72 million (SEK 159 million). On 21 January 2022 PZU paid SEK 159 million (SEK 155 million of the principal amount + SEK 4 million of interest) directly to the tax office in Sweden. On 10 November 2022 PZU Finance AB appealed against the tax decision and filed its lawsuit concerning the determination of tax for 2019 with the Administrative Court in Stockholm. On 19 June 2024, the Stockholm Administrative Court rejected PZU Finance AB's lawsuit regarding the reassessment of the tax for 2019, and on 17 December 2024, PZU Finance AB received an order dismissing the application for a preliminary question to the CJEU. On 18 December 2024, PZU Finance AB received an opinion from the Swedish Tax Authority upholding the Authority's previous findings and decisions.

57.5 UOKiK proceedings

57.5.1. Alior Bank

On 27 September 2019, the President of the Office of Competition and Consumer Protection (UOKiK) issued a decision to initiate proceedings against Alior Bank for recognizing the provisions of a contract template as abusive (ref. no. RPZ.611.4.2019.PG) pertaining to 11 clauses (the so-called modification clauses) included in the contract templates used by Alior Bank on the basis of which Alior Bank made unilateral changes to the contracts concluded with consumers. The UOKiK President questioned those regulations and claimed that they were, among others, imprecise and made it impossible for consumers to verify the premises for an amendment. Alior Bank exchanged correspondence concerning that case with the UOKiK President and presented a schedule based on which pending consequences of the violation would be removed from contracts entered into with customers. In a letter dated 20 March 2024, Alior Bank presented the UOKiK with a proposal for new content of the modification clauses. By letter dated 1 July 2024, Alior Bank, at the request of the President of UOKiK, updated the facts of the case. In a letter dated 27 January 2025, the President of UOKiK decided to extend the deadline for completion of the proceedings until 30 June 2025.

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

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

- failure to – after the client has reported the transaction as unauthorized – reimburse the amount of the unauthorized payment transaction or restore the debited payment account to the state it would have been in had the unauthorized payment transaction not taken place, in the manner and within the time limit as specified in Article 46(1) of the Payment Services Act, despite the absence of reasons authorizing Alior Bank not perform the above actions;
- providing a consumer who is an Alior Bank's client with conditional reimbursement of the amount of the payment transaction reported by the consumer as unauthorized, only for the time of Alior Bank's consideration of the complaint, and then, if Alior Bank finds in the complaint procedure that the transaction was authorized by the consumer or that the consumer is responsible for the unauthorized payment transaction, withdrawing the conditional reimbursement and

taking that amount from the consumer's savings and checking account or credit card account, except in situations where there was a simultaneous reimbursement of that amount to the consumer under chargeback or withdrawal of the compliant by the consumer;

- providing consumers – in responses to their reports of unauthorized payment transactions – with information that the transaction was authorized correctly when this was determined only after the payment service provider had verified the correct use of the payment instrument with individual credentials, with the manner of providing such information suggesting that Alior Bank's demonstration of correct authentication excludes Alior Bank's obligation to reimburse the amount of the unauthorized transaction, which may mislead consumers regarding Alior Bank's obligations under Article 46(1) of the Payment Services Act and regarding apportionment of the burden of proving that the payment transaction was authorized;
- providing consumers – in responses to their reports of unauthorized payment transactions – with information that the transaction was authenticated correctly by the user and that Alior Bank bears no responsibility for that transaction as it was made as a result of the consumer's violation of the terms of the agreement with Alior Bank, which may mislead consumers regarding Alior Bank's obligations under Article 46(1) of the Payment Services Act and regarding apportionment of the burden of proof to the extent that Alior Bank should prove that the consumer led to the transaction in question by the intentional or grossly negligent violation of one or more obligations referred to in Article 42 of the Payment Service Act;
- providing consumers – in responses to their reports of unauthorized payment transactions – with information that card transactions reported after 120 days from the transaction date may not be considered unauthorized payment transactions and that no more than 15 transactions may be complaint about;

which, in the opinion of the President of UOKiK, may go against the collective interests of consumers, and consequently, constitute practices that violate the collective interests of consumers, as referred to in the Competition and Consumer Protection Act. The maximum amount of a fine for it is 10% of Alior Bank's turnover achieved in the year preceding the year in which the fine was imposed. As at 31 December 2024, the PZU Group has not recognized a provision on this account.

Currently, proceedings for practices that violate the collective interests of consumers are ongoing for 15 banks, whose practices were verified in investigations similar to the one conducted against Alior Bank. On 29 March 2024, Alior Bank responded by letter to UOKiK President's allegations. Alior Bank submitted a preliminary proposal for a commitment to take certain actions to end the alleged Alior Bank violation and remedy its consequences.

As of 31 December 2024, the value of complaints from unauthorized transactions that were rejected by Alior Bank, contrary to the position of UOKiK, is approximately PLN 50 million (as of 31 December 2023: PLN 43 million).

In Alior Bank's opinion, the complaints that have been rejected so far, if they have to be recognized in performance of a possible obligation in the proceedings of the Chairman of the UOKiK President, can then be partially recovered through the courts.

Accordingly, Alior Bank has set up a provision of PLN 10 million for this purpose as of 31 December 2024.

57.5.2. Pekao

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

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

- failure to respond to consumer complaints without undue delay, no later than within 30 days, and in particularly complex cases – within 60 days;

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

In December 2023, Pekao submitted a request to the President of UOKiK for a so-called commitment decision. As at 31 December 2024, the PZU Group maintains a provision of PLN 64 million for the implementation of the commitment proposed to the President of UOKiK by Pekao.

Investigation of the President of UOKiK into unauthorized payment transactions

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

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

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

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

In December 2021, Alior Bank and Alior Leasing sp. z o.o. received summons to the *ad hoc* arbitration court from former members of the Management Board of Alior Leasing sp. z o.o. On 1 March 2024, Alior Bank received a partial judgment dismissing the claims under the management program in full. The partial judgment ends the proceedings on the merits.

The final judgment, ordering Alior Bank and Alior Leasing sp. z o.o. to reimburse the plaintiffs, came on 29 April 2024. On 10 June 2024, Alior Bank and Alior Leasing sp. z o.o. received information from the Court of Appeals in Warsaw that a complaint for revocation of an arbitration court verdict, filed by former members of the Alior Leasing sp. z o.o.'s Management Board, had been registered.

Alior Leasing sp. z o.o. identified the risk of third party claims likely to be made against Alior Leasing sp. z o.o. as a result of actions taken by certain of its employees and partners. As at the date of the consolidated financial statements, no claims were reported. In the opinion of the PZU Group, there are no reasons for establishing a provision for that purpose.

57.7 Conflict in Ukraine

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

As at 31 December 2024, total net assets (assets deducted by liabilities and adjusted by mutual shares between PZU Ukraina and PZU Ukraina Życie) of three companies operating in Ukraine (PZU Ukraina, PZU Ukraina Życie and LLC SOS Services Ukraine) amounted to PLN 57 million (as of 31 December 2023: PLN 46 million).

The assets (net of the shares held mutually between PZU Ukraina and PZU Ukraina Życie) of these companies subject to consolidation totaled PLN 435 million (as of 31 December 2023: PLN 365 million), and liabilities – 378 million (of 31 December 2023: PLN 320 million).

Due to the martial law in force on the territory of the whole of Ukraine as of 24 February 2022 (now extended until 9 May 2025), Ukrainian companies in the PZU Group are working with war restrictions and legal considerations arising from the so-called "war regulations."

A new Ukrainian law – "On Insurance" – came into force on 1 January 2024. The law changed requirements for licensing insurers, assessing their solvency and liquidity, corporate governance and risk management, termination of the insurer's business, and insurance portfolio transfer. In addition, in the last days of 2023, NBU adopted and published a number of acts regulating insurance activities and containing implementing regulations related to the "On Insurance" law coming into force. Insurance companies had until 1 July 2024 to comply with most of the new requirements.

Both companies adjusted their operations to the new requirements by the indicated deadline, in particular meeting the new minimum share capital requirement (min. UAH 48 million).

In 2024, rating agencies made changes to Ukraine's rating:

- as of 2 August 2024 according to Standard and Poor's Global Ratings, Ukraine's long-term and short-term foreign currency sovereign ratings are at SD/SD (partial default), respectively;
- as of 13 August 2024, according to the Fitch rating agency, the issuer's long-term default rating is RD (limited default).

As of the date of signing the consolidated financial statements, the valuation of the assets and liabilities of the Ukrainian companies of the PZU Group requires a number of assumptions and is subject to significant uncertainty, as is the statement about the ability to maintain business continuity (materialization of the risk of full loss of operational capacity), due to the persistence of hostilities and the resulting consequences.

The PZU Group monitors geopolitical risks resulting from the war in Ukraine and reviews future scenarios on an ongoing basis.

57.8 Subsequent events

No material events were identified after the end of the reporting period that require disclosure in the consolidated financial statements, except as described below.

Pekao Managemet Board on 4 March 2025 passed a resolution on the early redemption of the series SN1 senior non-preference bonds issued on 3 April 2023 (SNP Series SN1 Bonds). The early redemption will take place on 3 April 2025 and will cover all issued SNP Series SN1 Bonds (1,500 units with a total nominal value of PLN 750 million).

On 19 march 2025, Pekao Management Board passed a resolution about the issuance by Pekao of subordinated capital bonds E series, as referred to in Article 27a(1)(b) of the Bond Act of 15 January 2015, with a total nominal value PLN 750 million (1,500 bonds with a nominal value of PLN 0.5 million each).

The bonds will be offered based on the exception to the obligation to prepare a prospectus provided for in Article 1(4)(a) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/WE by offering them only to qualified investors within the meaning of Article 2(e) of that Regulation.

After obtaining the consent of the KNF, the bonds will be classified as Tier II instruments. The interest rate on the bonds will be variable, based on the WIBOR 6M reference rate increased by a margin of 1.85%. The issue date will be 4 April 2025, and the redemption date will be 4 April 2035, subject to the possibility of their earlier redemption, provided that the conditions for such redemption are met, including in particular the conditions specified in Articles 77 and 78 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 amending Regulation (EU) No 648/2012. The bonds will be introduced to the alternative trading system Catalyst operated by the Warsaw Stock Exchange.

Signatures of the Management Board Members of PZU:

First name and last name	Position / Title	
Andrzej Klesyk	Member of the PZU Management Board directing the work of the PZU Management Board pending approval of the Polish Financial Supervision Authority	signed with a qualified electronic signature
Maciej Fedyna	Member of the PZU Management Board	signed with a qualified electronic signature
Bartosz Grześkowiak	Member of the PZU Management Board	signed with a qualified electronic signature
Elżbieta Häuser-Schöneich	Member of the PZU Management Board	signed with a qualified electronic signature
Tomasz Kulik	Member of the PZU Management Board	signed with a qualified electronic signature
Tomasz Tarkowski	Member of the PZU Management Board	signed with a qualified electronic signature
Jan Zimowicz	Member of the PZU Management Board	signed with a qualified electronic signature

Person responsible for drawing up the consolidated financial statements:

Katarzyna Łubkowska	Head of the Accounting Department	signed with a qualified electronic signature

Warsaw, 26 March 2025