

Powszechny Zakład Ubezpieczeń
Spółka Akcyjna
Group

Condensed Interim
Consolidated Financial Statements
for the 6 months ended
30 June 2023



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Interim consolidated profit and loss account

Consolidated profit and loss account	Note	1 April – 30 June 2023	1 January – 30 June 2023	1 April – 30 June 2022 (restated) ¹	1 January – 30 June 2022 (restated) ¹
Insurance service result before reinsurance		1,425	1,300	1,186	2,161
Insurance revenue	10.1.1 10.1.3	6,601	13,002	6,046	12,045
Insurance service expenses	10.1.3	(5,176)	(11,702)	(4,860)	(9,884)
Income or expenses from reinsurance contracts held		(304)	675	(144)	(260)
Allocation of reinsurance premiums	10.1.2	(360)	(726)	(289)	(537)
Amounts recoverable from reinsurers	10.1.4	57	1,402	145	277
Change in the risk of non-performance by the reinsurer		(1)	(1)	-	-
Insurance service result		1,121	1,975	1,042	1,901
Insurance finance income or expenses		(400)	(875)	273	231
Reinsurance finance income or expenses		(1)	13	8	18
Interest income calculated using the effective interest rate	10.2	6,958	13,526	4,822	8,482
Other net investment income	10.3	116	289	(184)	(262)
Result on derecognition of financial instruments and investments	10.4	196	367	(84)	(175)
Movement in allowances for expected credit losses and impairment losses on financial instruments	10.5	(448)	(797)	(859)	(1,234)
Net movement in fair value of assets and liabilities measured at fair value	10.6	159	319	(122)	(43)
Fee and commission result	10.7	945	1,854	967	1,886
Operating costs of banks	10.8	(1,606)	(3,095)	(1,427)	(2,693)
Interest expenses	10.9	(2,290)	(4,486)	(883)	(1,251)
Other operating income and expenses	10.10	(586)	(1,516)	(1,380)	(2,310)
Operating profit		4,164	7,574	2,173	4,550
Share of the net financial profit or loss of entities accounted for using the equity method		2	4	(6)	(17)
Profit before tax		4,166	7,578	2,167	4,533
Income tax	10.11	(907)	(1,742)	(682)	(1,312)
Net profit, of which:		3,259	5,836	1,485	3,221
- profit attributable to the equity holders of the Parent Company		1,545	2,700	949	1,833
- profit (loss) attributable to holders of non-controlling interests		1,714	3,136	536	1,388
Weighted average basic and diluted number of common shares	10.12	863,387,662	863,389,067	863,390,985	863,384,065
Basic and diluted profit (loss) per common share (in PLN)	10.12	1.79	3.13	1.10	2.12

¹ The restatement of the comparative data resulting from the first application of IFRS 17 is described in section 6.1, while the restatement of data resulting from the change of presentation of interest income from hedge derivatives – in section 6.2.

Interim consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Note	1 April – 30 June 2023	1 January – 30 June 2023	1 April – 30 June 2022 (restated) ¹	1 January – 30 June 2022 (restated) ¹
Net profit		3,259	5,836	1,485	3,221
Gross other comprehensive income		778	1,899	(1,087)	(1,598)
Subject to subsequent reclassification to profit or loss		783	1,972	(1,027)	(1,616)
Valuation of debt instruments		299	1,137	(1,080)	(2,444)
Measurement of loan receivables from clients		5	4	(4)	(5)
Insurance finance income or expenses		(335)	(1,069)	1,947	4,261
Reinsurance finance income or expenses		(7)	(19)	(51)	(117)
Foreign exchange translation differences		(85)	(91)	9	27
Cash flow hedging		906	2,010	(1,848)	(3,338)
Not subject to subsequent reclassification to profit or loss		(5)	(73)	(60)	18
Valuation of equity instruments		22	(53)	(77)	1
Reclassification of real property from property, plant and equipment to investment property		(1)	6	-	-
Actuarial gains and losses related to provisions for employee benefits		(26)	(26)	17	17
Tax recognised in other comprehensive income	10.11	(165)	(376)	211	310
Total net comprehensive income		3,872	7,359	609	1,933
- comprehensive income attributable to equity holders of the Parent Company		1,542	2,610	1,447	3,285
- comprehensive income attributable to holders of non-controlling interests		2,330	4,749	(838)	(1,352)

¹ The restatement of the comparative data resulting from the first application of IFRS17 is described in section 6.1.

Interim consolidated statement of financial position

Assets	Note	30 June 2023	31 December 2022 (restated) ¹⁾	1 January 2022 (restated) ¹⁾
Goodwill	10.13	2,814	2,808	2,778
Intangible assets	10.14	3,271	3,282	3,403
Deferred tax assets		2,628	3,098	3,077
Insurance contract assets	10.1.3	98	68	59
Reinsurance contract assets	10.1.4	3,593	2,327	1,539
Other assets	10.15	552	462	331
Property, plant and equipment	10.16	4,257	4,304	4,144
Investment property		3,095	3,021	2,773
Entities accounted for using the equity method	10.17	56	52	93
Assets pledged as collateral for liabilities	10.21	1,376	972	1,336
Assets held for sale	10.18	631	654	643
Loan receivables from clients	10.19	212,510	212,693	215,008
Financial derivatives	10.20	13,201	16,197	8,328
Investment financial assets	10.22	173,227	153,861	136,954
Measured at amortized cost		123,016	106,013	82,893
Measured at fair value through other comprehensive income		40,622	39,725	44,896
Measured at fair value through profit or loss		9,589	8,123	9,165
Receivables	10.23	6,068	9,419	6,782
Cash and cash equivalents		14,152	15,960	9,447
Total assets		441,529	429,178	396,695

¹⁾ The restatement of the comparative data resulting from the first application of IFRS17 is described in section 6.1.

Interim consolidated statement of financial position (continued)

Equity and liabilities	Note	30 June 2023	31 December 2022 (restated) ¹⁾	1 January 2022 (restated) ¹⁾
Equity				
Equity attributable to equity holders of the parent company		26,793	26,255	22,129
Share capital	10.27	86	86	86
Other capital		18,040	17,300	13,649
Retained earnings		8,667	8,869	8,394
Retained profit or loss		5,967	5,109	8,394
Net profit		2,700	3,760	-
Non-controlling interest		25,874	22,263	22,914
Total equity		52,667	48,518	45,043
Liabilities				
Insurance contract liabilities	10.1.3	40,753	37,428	40,566
Reinsurance contract liabilities	10.1.4	28	23	28
Subordinated liabilities	10.29	6,176	6,184	6,274
Liabilities on the issue of own debt securities	10.30	9,651	11,090	5,940
Liabilities to banks	10.31	6,795	7,720	7,470
Liabilities to clients under deposits	10.32	288,245	278,058	265,155
Financial derivatives	10.20	14,716	20,956	11,880
Other liabilities	10.33	17,480	14,625	11,153
Provisions	10.34	1,861	1,711	1,206
Deferred tax liability		3,128	2,832	1,952
Liabilities directly associated with assets classified as held for sale	10.18	29	33	28
Total liabilities		388,862	380,660	351,652
Total equity and liabilities		441,529	429,178	396,695

¹⁾ The restatement of the comparative data resulting from the first application of IFRS17 is described in section 6.1.

Interim consolidated statement of changes in equity

Consolidated statement of changes in equity	Equity attributable to equity holders of the parent company											Non-controlling interest	Total equity	
	Share capital	Other capital								Retained earnings				Total
		Treasury shares	Supplementary capital	Other reserve capital	Accumulated other comprehensive income					Retained profit or loss	Net profit			
					Revaluation reserve	Insurance finance income or expenses	Reinsurance finance income or expenses	Actuarial gains and losses related to provisions for employee benefits	Foreign exchange translation differences					
Note	10.27												2.4	
As at 1 January 2023	86	(4)	15,315	1,721	(2,455)	2,714	(76)	(6)	91	8,869	-	26,255	22,263	48,518
Total comprehensive income	-	-	-	-	887	(866)	(15)	(4)	(92)	-	2,700	2,610	4,749	7,359
Net profit (loss)	-	-	-	-	-	-	-	-	-	-	2,700	2,700	3,136	5,836
Other comprehensive income, net	-	-	-	-	887	(866)	(15)	(4)	(92)	-	-	(90)	1,613	1,523
Transaction with the shareholders of the parent company	-	-	355	475	-	-	-	-	-	(2,902)	-	(2,072)	(1,138)	(3,210)
Distribution of financial result	-	-	1,651	475	-	-	-	-	-	(2,126)	-	-	(1,138)	(1,138)
PZU dividend	-	-	(1,296)	-	-	-	-	-	-	(776)	-	(2,072)	-	(2,072)
Other changes:	-	-	46	-	(46)	-	-	-	-	-	-	-	-	-
Sales of equity instruments designated at fair value through other comprehensive income	-	-	44	-	(44)	-	-	-	-	-	-	-	-	-
Sale of revalued properties and other	-	-	2	-	(2)	-	-	-	-	-	-	-	-	-
As at 30 June 2023	86	(4)	15,716	2,196	(1,614)	1,848	(91)	(10)	(1)	5,967	2,700	26,793	25,874	52,667

Interim consolidated statement of changes in equity (continued)

Consolidated statement of changes in equity (restated)	Equity attributable to equity holders of the parent company											Non-controlling interest	Total equity	
	Share capital	Other capital							Retained earnings		Total			
		Treasury shares	Supplementary capital	Other reserve capital	Accumulated other comprehensive income				Retained profit or loss	Net profit				
					Revaluation reserve	Insurance finance income or expenses	Reinsurance finance income or expenses	Actuarial gains and losses related to provisions for employee benefits						Foreign exchange translation differences
Note	10.27												2.4	
As at 31 December 2021	86	(5)	14,816	600	(1,140)	-	-	3	69	2,651	-	17,080	22,914	39,994
Change in the accounting policy – application of IFRS 17	-	-	-	-	-	(716)	22	-	-	5,743	-	5,049	-	5,049
As at 1 January 2022	86	(5)	14,816	600	(1,140)	(716)	22	3	69	8,394	-	22,129	22,914	45,043
Total comprehensive income	-	-	-	-	(1,947)	3,464	(95)	3	27	-	1,833	3,285	(1,352)	1,933
Net profit (loss)	-	-	-	-	-	-	-	-	-	-	1,833	1,833	1,388	3,221
Other comprehensive income, net	-	-	-	-	(1,947)	3,464	(95)	3	27	-	-	1,452	(2,740)	(1,288)
Transaction with the shareholders of the parent company	-	-	353	1,117	-	-	-	-	-	(3,145)	-	(1,675)	(903)	(2,578)
Distribution of financial result	-	-	1,303	1,117	-	-	-	-	-	(2,420)	-	-	(903)	(903)
PZU dividend	-	-	(950)	-	-	-	-	-	-	(725)	-	(1,675)	-	(1,675)
Other changes, including:	-	1	10	-	(10)	-	-	-	-	-	-	1	-	1
Transactions in treasury shares	-	1	-	-	-	-	-	-	-	-	-	1	-	1
Sale of revalued properties and other	-	-	10	-	(10)	-	-	-	-	-	-	-	-	-
As at 30 June 2022	86	(4)	15,179	1,717	(3,097)	2,748	(73)	6	96	5,249	1,833	23,740	20,659	44,399

¹⁾ The restatement of the comparative data resulting from the first application of IFRS17 is described in section 6.1.

Interim consolidated cash flow statement

Consolidated cash flow statement	Note	1 January – 30 June 2023	1 January – 30 June 2022 (restated)
Profit before tax		7,578	4,533
Adjustments		10,830	(1,426)
Movement in loan receivables from clients		(606)	(3,608)
Movement in liabilities under deposits		9,871	2,920
Movement in the valuation of assets measured at fair value		(319)	43
Interest income and expenses		(2,897)	(1,578)
Realized gains/losses from investing activities and impairment losses		421	1,384
Net foreign exchange differences		(179)	364
Amortization of intangible assets and depreciation of property, plant and equipment		678	668
Movement in insurance contract assets and liabilities		2,226	(572)
Movement in reinsurance contract assets and liabilities		(1,280)	(224)
Movement in receivables		166	(221)
Movement in liabilities		(1,000)	2,181
Cash flows from investment contracts		10	3
Acquisitions and redemptions of participation units and investment certificates of investment funds		20	(35)
Income tax paid		(772)	(855)
Other adjustments		4,491	(1,896)
Net cash flows from operating activities		18,408	3,107
Cash flow from investing activities			
Proceeds		1,015,608	252,170
- sale of investment property		2	7
- proceeds from investment property		209	186
- sale of intangible assets and property, plant and equipment		36	60
- sale of ownership interests and shares		628	342
- realization of debt securities		700,708	59,696
- closing of reverse repo transaction		193,506	121,219
- closing of term deposits with credit institutions		97,025	50,672
- realization of other investments		22,060	18,847
- interest received		1,358	1,094
- dividends received		35	32
- increase in cash due to consolidation of investment funds		2	-
- other investment proceeds		39	15

Interim consolidated cash flow statement (continued)

Consolidated cash flow statement	Note	1 January – 30 June 2023	1 January – 30 June 2022 (restated)
Expenditures		(1,034,058)	(253,242)
- purchase of investment property		(9)	(69)
- expenditures for the maintenance of investment property		(121)	(87)
- purchase of intangible assets and property, plant and equipment		(515)	(356)
- purchase of ownership interests and shares		(332)	(342)
- purchase of ownership interests and shares in subsidiaries		(34)	(13)
- purchase of debt securities		(717,861)	(55,234)
- opening of reverse repo transactions		(194,235)	(122,034)
- purchase of term deposits with credit institutions		(100,007)	(55,763)
- purchase of other investments		(20,932)	(19,332)
- other expenditures for investments		(12)	(12)
Net cash flows from investing activities		(18,450)	(1,072)
Cash flows from financing activities			
Proceeds		69,770	115,923
- proceeds from loans and borrowings	10.35	226	635
- proceeds on the issue of own debt securities	10.35	1,480	9,261
- opening of repo transactions	10.35	68,064	106,027
Expenditures		(71,369)	(107,578)
- repayment of loans and borrowings	10.35	(601)	(544)
- redemption of own debt securities	10.35	(2,785)	(7,458)
- closing of repo transactions	10.35	(67,664)	(99,343)
- interest on loans and borrowings	10.35	-	(15)
- interest on outstanding debt securities	10.35	(172)	(66)
- expenditures on leases	10.35	(147)	(152)
Net cash flows from financing activities		(1,599)	8,345
Total net cash flows		(1,641)	10,380
Cash and cash equivalents at the beginning of the period		15,960	9,447
Movement in cash due to foreign exchange differences		(167)	141
Cash and cash equivalents at the end of the period, including:		14,152	19,968
- restricted cash		75	63

Notes to the condensed interim consolidated financial statements

1. Introduction

Compliance statement

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

The condensed interim consolidated financial statements for the 6 months ended 30 June 2023 were not audited, but they were only reviewed by the auditor.

Comparative data as at 31 December 2022 and 1 January 2022 come from the 2022 consolidated financial statements of the PZU Group and certain items were restated due to the implementation of IFRS 17, as described in section 6.1. The restatement was not audited by the auditor.

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of PZU Group for 2022.

Parent company’s quarterly standalone financial information

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

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

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

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

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

Period covered by the condensed interim consolidated financial statements

These condensed interim consolidated financial statements cover the period of 6 months from 1 January to 30 June 2023.

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

Functional and presentation currency

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

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

FX rates

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

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

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

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

The official exchange rate of the Ukrainian hryvnia to American dollar adopted by the NBU (which on 21 July 2022 was and continues to be 36.5686 UAH/USD) was converted into Polish zloty at the USD/PLN exchange rate announced by the NBP. In keeping with the aforementioned the PLN/UAH exchange rate was 0.1204 PLN/UAH on 31 December 2022. The average exchange rate was established by applying the aforementioned method at the end of each month in the period from January to March 2023.

As of 4 April 2023, the NBP resumed regular quoting of the hryvnia exchange rate, so the exchange rate as at 30 June 2023 was determined on the basis of the NBP exchange rate.

Currency	1 January – 30 June 2023	1 January – 30 June 2022	30 June 2023	31 December 2022
EUR	4.6130	4.6427	4.4503	4.6899
GBP	5.2795	5.4971	5.1796	5.2957
UAH	0.1164	0.1465	0.1117	0.1204

Going concern assumption

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

When making this assumption, the Management Board of PZU has taken into account in its assessment the impact of factors subject to uncertainty, including the macroeconomic situation and the armed conflict in Ukraine, which has been ongoing since 24 February 2022 (for additional information on this issue please see section 21.5).

Discontinued operations

In the 6-month period ended 30 June 2023, PZU Group did not discontinue any significant type of the activities carried out.

Seasonal or cyclical business

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

Glossary

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

Names of companies

Balta – Apdrošināšanas akciju sabiedrība “BALTA”.

Alior Bank – Alior Bank SA.

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

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

Idea Bank – Idea Bank SA.

LD – Akcinė bendrovė „Lietuvos draudimas”.

Link4 – Link4 Towarzystwo Ubezpieczeń SA.

Pekao – Bank Pekao SA.

PZU, parent company – Powszechny Zakład Ubezpieczeń Spółka Akcyjna.

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

PZU LT GD – Uždaroji akcinė bendrovė „PZU Lietuva gyvybės draudimas”.

PZU Ukraina – PRJSC IC „PZU Ukraine”.

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

PZU Życie – Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna.

TFI PZU – Towarzystwo Funduszy Inwestycyjnych PZU Spółka Akcyjna.

TUW PZUW – Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych.

Other terms

BFG – Bank Guarantee Fund [Bankowy Fundusz Gwarancyjny].

CIRS – Cross-currency interest rate swap.

CSM – contractual service margin.

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.

IRS – Interest rate swap.

PZU's standalone financial statements for 2022 – annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2022, prepared in accordance with PAS, signed by the Management Board of PZU on 29 March 2023.

KNF – Polish Financial Supervision Authority.

LIC – Liability for incurred claims.

LRC – Liability for remaining coverage.

IFRS – International Financial Reporting Standards endorsed by the European Commission, which have been published and entered into force as at 30 June 2023.

MRA – Modified retrospective approach.

NBP – National Bank of Poland.

NBU – National Bank of Ukraine.

PAA – Premium allocation approach.

POCI – Purchased or originated credit-impaired financial assets.

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

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

IASB – International Accounting Standards Board.

Consolidated financial statements – consolidated financial statements of PZU Group prepared in accordance with IFRS for the year ended 31 December 2022.

CJEU – Court of Justice of the European Union.

UKNF – Office of the Polish Financial Supervision Authority.

UOKiK – Office of Competition and Consumer Protection.

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.

VaR – value at risk.

VFA – variable fee approach.

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

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

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

2. Information on PZU and PZU Group

2.1 Key information on PZU Group

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

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
				30 June 2023	31 December 2022	
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%	Property insurance. http://www.balta.lv/
7	PRJSC IC "PZU Ukraine"	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	Property insurance. http://www.pzu.com.ua/
8	PRJSC IC "PZU Ukraine Life Insurance"	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	Life insurance. http://www.pzu.com.ua/
9	UAB "PZU Lietuva gyvybes draudimas"	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	Life insurance. https://pzugd.lt/
Consolidated companies – Pekao Group						
10	Bank Pekao SA	Warsaw	07.06.2017	20.02%	20.02%	Banking services. https://www.pekao.com.pl/
11	Pekao Bank Hipoteczny SA	Warsaw	07.06.2017	20.02%	20.02%	Banking services. http://www.pekaobh.pl/
12	Pekao Leasing sp. z o.o.	Warsaw	07.06.2017	20.02%	20.02%	Lease services. http://www.pekaoleasing.com.pl/
13	Pekao Investment Banking SA	Warsaw	07.06.2017	20.02%	20.02%	Brokerage services. http://pekaoib.pl/
14	Pekao Faktoring sp. z o.o.	Lublin	07.06.2017	20.02%	20.02%	Factoring services. https://www.pekaofaktoring.pl/
15	Pekao Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	11.12.2017	20.02%	20.02%	Creation, representing and management of mutual funds. https://pekaotfi.pl/
16	Centrum Kart SA	Warsaw	07.06.2017	20.02%	20.02%	Auxiliary financial services. http://www.centrumkart.pl/
17	Pekao Financial Services sp. z o.o.	Warsaw	07.06.2017	46.81% ¹⁾	46.81% ¹⁾	Transfer agent. http://www.pekao-fs.com.pl/pl/
18	Pekao Direct sp. z o.o.	Kraków	07.06.2017	20.02%	20.02%	Call centre services. https://www.pekaodirect.pl/
19	Pekao Property SA in liquidation	Warsaw	07.06.2017	20.02%	20.02%	Development activities.
20	FPB – Media sp. z o.o. in bankruptcy	Warsaw	07.06.2017	20.02%	20.02%	No business conducted.
21	Pekao Fundusz Kapitałowy sp. z o.o. in liquidation	Warsaw	07.06.2017	20.02%	20.02%	Business consulting.

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
				30 June 2023	31 December 2022	
Consolidated companies – Pekao Group – continued						
22	Pekao Investment Management SA	Warsaw	11.12.2017	20.02%	20.02%	Asset management. https://pekaotfi.pl/o-nas/pekao-investment-mangament
23	PeUF sp. z o.o.	Warsaw	20.07.2021	20.02%	20.02%	Auxiliary financial activities.
Consolidated companies – Alior Bank Group						
24	Alior Bank SA	Warsaw	18.12.2015	31.93%	31.93%	Banking services. https://www.aliorbank.pl/
25	Alior Services sp. z o.o.	Warsaw	18.12.2015	31.93%	31.93%	Other activity supporting financial services, excluding insurance and pension funds.
26	Alior Leasing sp. z o.o.	Warsaw	18.12.2015	31.93%	31.93%	Lease services. https://www.aliorbank.pl/wlasna-dzialalnosc/alior-leasing.html
27	Meritum Services ICB SA	Gdańsk	18.12.2015	31.93%	31.93%	IT services.
28	Alior Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	18.12.2015	31.93%	31.93%	Asset management services and management of Alior SFIO subfunds. https://www.aliortfi.com/
29	Absource sp. z o.o.	Kraków	04.05.2016	31.93%	31.93%	Service activity in the area of IT.
30	AL Finance sp. z o.o.	Katowice	30.01.2017	31.93%	31.93%	Brokerage activities.
31	Corsham sp. z o.o.	Warsaw	04.02.2019	31.93%	31.93%	Business consulting.
32	RBL_VC sp. z o.o.	Warsaw	07.11.2019	31.93%	31.93%	Venture capital fund management activities.
33	RBL_VC sp. z o.o. ASI SKA	Warsaw	17.04.2020	31.93%	31.93%	Activity of trusts, funds and similar financial entities.
Consolidated companies – PZU Zdrowie Group						
34	PZU Zdrowie SA	Warsaw	02.09.2011	100.00%	100.00%	Medical services. https://www.pzu.pl/pl/grupa-pzu/spolki/pzu-zdrowie
35	Centrum Medyczne Medica sp. z o.o.	Płock	09.05.2014	100.00%	100.00%	Medical services. https://www.plock.pzuzdrowie.pl/
36	Sanatorium Uzdrowskie “Krystynka” sp. z o.o.	Ciechocinek	09.05.2014	99.09%	99.09%	Hospital, physical therapy and spa services. http://www.sanatoriumkrystynka.pl/
37	Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o.	Jaworzno	01.12.2014	100.00%	100.00%	Medical services. https://www.jaworzno.pzuzdrowie.pl/
38	Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o.	Łaziska Górne	01.12.2014	57.00%	57.00%	Medical services. http://www.proelmed.pl/
39	Centrum Medyczne Gamma sp. z o.o.	Warsaw	08.09.2015	100.00%	100.00%	Medical services. http://www.cmgamma.pl/
40	Centrum Medyczne św. Łukasza sp. z o.o.	Częstochowa	09.01.2018	100.00%	100.00%	Medical services https://www.czestochowa.pzuzdrowie.pl/
41	Starówka sp. z o.o.	Warsaw	03.06.2019	100.00%	100.00%	Medical services. https://www.starowkanzoz.pl/

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
				30 June 2023	31 December 2022	
Consolidated companies – PZU Zdrowie Group – continued						
42	Tomma Diagnostyka Obrazowa SA	Poznań	09.12.2019	100.00%	100.00%	Medical services. https://tomma.com.pl/
43	Bonus-Diagnosta sp. z o.o.	Poznań	09.12.2019	100.00%	100.00%	Medical services.
44	Centrum Medyczne Nowa 5 sp. z o.o.	Gorzów Wlkp.	30.12.2022	100.00%	100.00%	Medical services. http://www.nowa5.pl/
45	Boramed Centrum Medyczne sp. z o.o.	Warsaw	31.05.2023	100.00%	n/a	Medical services. https://www.boramed.pl/
Consolidated companies – other companies						
46	Powszechnie Towarzystwo Emerytalne PZU SA	Warsaw	08.12.1998	100.00%	100.00%	Management of pension funds. https://www.pzu.pl/pl/grupa-pzu/spolki/pte-pzu
47	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
48	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
49	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	Provision of assistance services. https://www.pzu.pl/grupa-pzu/spolki/pzu-pomoc
50	PZU Finance AB (publ.) in liquidation	Stockholm (Sweden)	02.06.2014	100.00%	100.00%	Financial services.
51	PZU Finanse sp. z o.o.	Warsaw	08.11.2013	100.00%	100.00%	Financial and accounting services.
52	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
53	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/
54	Arm Property sp. z o.o.	Kraków	26.11.2014	100.00%	100.00%	Purchase and sale of real estate.
55	Ipsilon sp. z o.o.	Warsaw	02.04.2009	100.00%	100.00%	Provision of assistance services and medical services.
56	PZU Corporate Member Limited	London (United Kingdom)	28.09.2017	100.00%	100.00%	Investment activities.
57	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

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
				30 June 2023	31 December 2022	
Consolidated companies – other companies – continued						
58	Omicron BIS SA	Warsaw	28.08.2014	100.00%	100.00%	No business conducted.
59	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	Assistance services.
60	PZU CASH SA	Warsaw	15.09.2017	100.00%	100.00%	Other monetary intermediation. https://www.pzu.pl/grupa-pzu/spolki/pzu-cash-sa
61	Tulare Investments sp. z o.o.	Warsaw	15.09.2017	100.00%	100.00%	No business conducted.
62	PZU Projekt 01 SA	Warsaw	01.09.2020	100.00%	100.00%	No business conducted.
63	UAB "B10 biurai"	Vilnius	14.03.2023	100.00%	n/a	Property management.
64	UAB "B10 apartamentai"	Vilnius	14.03.2023	100.00%	n/a	Property management.
Consolidated companies – Armatura Group						
65	Armatura Kraków SA	Kraków	07.10.1999	100.00%	100.00%	Production and sale of radiators and sanitary fittings and administration and management of the group. https://www.kfa.pl/
66	AQ SA in liquidation	Kraków	15.01.2015	100.00%	100.00%	Production and sale of bathroom accessories and fittings.
67	Aquaform Ukraine TOW	Zhytomyr (Ukraine)	15.01.2015	100.00%	100.00%	No business conducted.
Consolidated companies – mutual funds						
68	PZU SFIO Universum	Warsaw	15.12.2009	n/a	n/a	Investment of funds collected from fund members.
69	PZU FIZ Sektora Nieruchomości 2 ²⁾	Warsaw	21.11.2011	n/a	n/a	As above.
70	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	As above.
71	PZU FIZ Aktywów Niepublicznych BIS 2	Warsaw	19.11.2012	n/a	n/a	As above.
72	inPZU Inwestycji Ostrożnych	Warsaw	10.04.2018	n/a	n/a	As above.
73	inPZU Obligacje Polskie	Warsaw	10.04.2018	n/a	n/a	As above.
74	inPZU Akcje Polskie	Warsaw	10.05.2018	n/a	n/a	As above.
75	inPZU Akcje Rynków Rozwiniętych	Warsaw	10.05.2018	n/a	n/a	As above.
76	inPZU Obligacje Rynków Rozwiniętych	Warsaw	10.05.2018	n/a	n/a	As above.
77	inPZU Obligacje Rynków Wschodzących	Warsaw	10.05.2018	n/a	n/a	As above.
78	inPZU Akcje Rynków Wschodzących	Warsaw	28.10.2019	n/a	n/a	As above.
79	inPZU Akcje Amerykańskie	Warsaw	28.10.2019	n/a	n/a	As above.

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
				30 June 2023	31 December 2022	
Consolidated companies – mutual funds – continued						
80	inPZU Akcje CEEplus	Warsaw	28.10.2019	n/a	n/a	As above.
81	inPZU Puls Życia 2030	Warsaw	22.10.2020	n/a	n/a	As above.
82	inPZU Puls Życia 2040	Warsaw	22.10.2020	n/a	n/a	As above.
83	inPZU Puls Życia 2060	Warsaw	22.10.2020	n/a	n/a	As above.
84	PZU FIZ Legato	Warsaw	11.08.2021	n/a	n/a	As above.
85	inPZU Akcje Rynku Surowców	Warsaw	15.12.2021	n/a	n/a	As above.
86	inPZU Akcje Rynku Złota	Warsaw	15.12.2021	n/a	n/a	As above.
87	inPZU Akcje Sektora Zielonej Energii	Warsaw	15.12.2021	n/a	n/a	As above.
88	inPZU Akcje Sektora Informatycznego	Warsaw	15.12.2021	n/a	n/a	As above.
89	inPZU Akcje Sektora Nieruchomości	Warsaw	15.12.2021	n/a	n/a	As above.
90	inPZU Akcje Europejskie	Warsaw	15.12.2021	n/a	n/a	As above.
91	inPZU Obligacje Inflacyjne	Warsaw	15.12.2021	n/a	n/a	As above.
92	PZU Akcji Globalnych Trendów	Warsaw	12.04.2023	n/a	n/a	As above.
Associates						
93	Sigma BIS SA	Warsaw	03.10.2019	34.00%	34.00%	Advertising activities.
94	RUCH SA	Warsaw	23.12.2020	30.92%	30.92%	Retail sale of newspapers and stationery in specialised stores. https://ruch.com.pl/
95	Krajowy Integrator Płatności SA ³⁾	Poznań	31.03.2021	7.67%	7.67%	Other monetary intermediation. https://tpay.com/

¹⁾ PZU holds directly a 33.5% equity stake in Pekao Financial Services sp. z o.o., while Pekao holds 66.5%.

²⁾ Fundusz PZU FIZ Sektora Nieruchomości 2 conducts its investment activities through 30 (consolidated) subsidiaries established under commercial law.

³⁾ 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.

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

The accounting policy concerning the settlement of acquisition transactions is presented in detail in the consolidated financial statements for 2022.

The changes in the scope of consolidation and in the PZU Group's structure that occurred in the 6-month period ended 30 June 2023 are presented in the following sections.

2.3.1. Acquisition of Boramed Centrum Medyczne sp. z o.o.

On 31 May 2023, PZU Zdrowie SA acquired 370,000 shares in the share capital of Boramed Centrum Medyczne sp. z o.o. representing 100% of the shares in Boramed Centrum Medyczne sp. z o.o. and entitling the holder a total of 100% of the votes at the shareholders' meeting for PLN 35 million and a deferred payment of PLN 2 million. Deferred payment is subject to the terms and conditions set out in the acquisition agreement.

Boramed Centrum Medyczne sp. z o.o. has been consolidated since 31 May 2023.

Provisional accounting for the acquisition

The purchase price of shares of Boramed Centrum Medyczne sp. z o.o. was allocated on the basis of the company's book data of 31 May 2023 on the assumption that there were no material differences between the fair value and carrying amount of the acquired assets and liabilities.

As at the date of signing the condensed interim consolidated financial statements, the process of accounting for the acquisition of shares had not been completed. A credible and reliable calculation of the fair value of acquired assets and liabilities requires a large amount of data to be collected and processed in order to make correct calculations. Consequently, this process could not be completed between the date of obtaining control and the date of signing the consolidated financial statements.

Under IFRS 3, the process of accounting for the acquisition should be completed one year from the date of the transaction and such final accounting will be included in the PZU Group's consolidated financial statements for the year ended 31 December 2023.

The tables below present the provisional accounting for the acquisition.

Value of net assets acquired	Provisional accounting
Assets	9
Property, plant and equipment	7
Receivables	1
Cash and cash equivalents	1
Liabilities	7
Financial liabilities	6
Other liabilities	1
Value of net assets acquired	2

Calculation of goodwill	Provisional accounting
Consideration transferred	35
Deferred payment	2
Net value of identifiable assets	(2)
Goodwill	35

Goodwill will not be deductible from taxable income.

2.3.2. Changes to consolidation of mutual funds

On 12 April 2023, the subfund PZU Akcji Globalnych Trendów was consolidated as a result of gaining control of the fund.

On 30 June 2023, the consolidation of inPZU Puls Życia 2025 and inPZU Puls Życia 2050 subfunds was discontinued due to the loss of control of the funds.

2.4 Non-controlling interest

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

Name of the entity	30 June 2023	31 December 2022
Pekao ¹⁾	79.98%	79.98%
Alior Bank ²⁾	68.07%	68.07%
Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o.	43.00%	43.00%
Sanatorium Uzdrowskowie "Krystynka" sp. z o.o.	0.91%	0.91%
PZU LT GD	0.66%	0.66%

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

²⁾ 1) 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	30 June 2023	31 December 2022
Pekao Group	20,753	18,184
Alior Bank Group	5,120	4,078
Other	1	1
Total	25,874	22,263

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

Assets	Pekao Group		Alior Bank Group	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Goodwill	693	693	-	-
Intangible assets	2,017	2,009	387	390
Deferred tax assets	1,313	1,572	1,225	1,458
Other assets	173	111	89	48
Property, plant and equipment	1,881	1,706	713	744
Entities accounted for using the equity method	50	48	-	-
Assets held for sale	13	14	-	2
Assets pledged as collateral for liabilities	1,218	930	47	41
Loan receivables from clients	154,764	155,174	57,327	57,095
Financial derivatives	12,243	15,369	574	544
Investment financial assets	99,816	84,829	18,020	17,162
Measured at amortized cost	83,866	67,167	5,356	7,195
Measured at fair value through other comprehensive income	14,402	16,594	12,534	9,896
Measured at fair value through profit or loss	1,548	1,068	130	71
Receivables	3,447	5,976	2,060	2,663
Cash and cash equivalents	10,285	12,681	2,922	2,551
Total assets	287,913	281,112	83,364	82,698

Equity and liabilities	Pekao Group		Alior Bank Group	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Equity				
Equity attributable to equity holders of the parent company	25,948	22,736	7,522	5,991
Share capital	263	263	1,306	1,306
Other capital	20,779	18,828	5,493	4,229
Retained earnings	4,906	3,645	723	456
Non-controlling interest	11	12	-	-
Total equity	25,959	22,748	7,522	5,991
Liabilities				
Subordinated liabilities	2,786	2,789	1,163	1,164
Liabilities on the issue of own debt securities	8,166	10,338	1,537	752
Liabilities to banks	6,565	7,450	230	270
Liabilities to clients under deposits	219,651	208,696	69,169	70,025
Derivatives	13,332	18,698	1,291	1,935
Other liabilities	9,908	9,023	2,210	2,274
Provisions	1,524	1,347	240	285
Deferred tax liability	22	23	2	2
Total liabilities	261,954	258,364	75,842	76,707
Total equity and liabilities	287,913	281,112	83,364	82,698

Consolidated profit and loss account for the period from 1 January to 30 June 2023	PZU Group	Pekao data eliminated	Alior Bank data eliminated	Elimination of consolidation adjustments	PZU Group without Pekao and Alior Bank
Insurance service result before reinsurance	1,300	-	-	(3)	1,297
Insurance revenue	13,002	-	-	-	13,002
Insurance service expenses	(11,702)	-	-	(3)	(11,705)
Income or expenses from reinsurance contracts held	675	-	-	-	675
Allocation of reinsurance premiums	(726)	-	-	-	(726)
Amounts recoverable from reinsurers	1,402	-	-	-	1,402
Change in the risk of non-performance by the reinsurer	(1)	-	-	-	(1)
Insurance service result	1,975	-	-	(3)	1,972
Insurance finance income or expenses	(875)	-	-	-	(875)
Reinsurance finance income or expenses	13	-	-	-	13
Interest income calculated using the effective interest rate	13,526	(8,874)	(3,604)	101	1,149
Other net investment income	289	(205)	(48)	(3)	33
Result on derecognition of financial instruments and investments	367	9	(14)	-	362
Movement in allowances for expected credit losses and impairment losses on financial instruments	(797)	403	412	-	18
Net movement in fair value of assets and liabilities measured at fair value	319	(174)	22	-	167
Fee and commission result	1,854	(1,392)	(413)	72	121
Operating costs of banks	(3,095)	2,281	905	(91)	-
Interest expenses	(4,486)	3,063	1,334	(32)	(121)
Other operating income and expenses	(1,516)	803	200	(40)	(553)
Operating profit (loss)	7,574	(4,086)	(1,206)	4	2,286
Share of the net financial profit or loss of entities accounted for using the equity method	4	(3)	-	-	1
Profit (loss) before tax	7,578	(4,089)	(1,206)	4	2,287
Income tax	(1,742)	922	319	(1)	(502)
Net profit (loss)	5,836	(3,167)	(887)	3	1,785

Consolidated profit and loss account for the period from 1 January to 30 June 2022 (restated)	PZU Group	Pekao data eliminated	Alior Bank data eliminated	Elimination of consolidation adjustments	PZU Group without Pekao and Alior Bank
Insurance service result before reinsurance	2,161	-	-	-	2,161
Insurance revenue	12,045	-	-	-	12,045
Insurance service expenses	(9,884)	-	-	-	(9,884)
Income or expenses from reinsurance contracts held	(260)	-	-	-	(260)
Allocation of reinsurance premiums	(537)	-	-	-	(537)
Amounts recoverable from reinsurers	277	-	-	-	277
Insurance service result	1,901	-	-	-	1,901
Insurance finance income or expenses	231	-	-	-	231
Reinsurance finance income or expenses	18	-	-	-	18
Interest income calculated using the effective interest rate	8,482	(5,361)	(2,392)	84	813
Other net investment income	(262)	(47)	399	(4)	86
Result on derecognition of financial instruments and investments	(175)	8	(9)	-	(176)
Movement in allowances for expected credit losses and impairment losses on financial instruments	(1,234)	656	474	-	(104)
Net movement in fair value of assets and liabilities measured at fair value	(43)	(1)	(411)	-	(455)
Fee and commission result	1,886	(1,416)	(401)	68	137
Operating costs of banks	(2,693)	2,036	790	(133)	-
Interest expenses	(1,251)	676	515	(13)	(73)
Other operating income and expenses	(2,310)	1,427	439	(2)	(446)
Operating profit (loss)	4,550	(2,022)	(596)	-	1,932
Share of the net financial profit or loss of entities accounted for using the equity method	(17)	(2)	-	-	(19)
Profit (loss) before tax	4,533	(2,024)	(596)	-	1,913
Income tax	(1,312)	631	194	-	(487)
Net profit (loss)	3,221	(1,393)	(402)	-	1,426

Statement of comprehensive income	Pekao Group		Alior Bank Group	
	1 January – 30 June 2023	1 January – 30 June 2022	1 January – 30 June 2023	1 January – 30 June 2022
Net profit	3,167	1,393	887	402
Gross other comprehensive income	1,811	(3,196)	795	(1,216)
Subject to subsequent reclassification to profit or loss	1,791	(3,130)	785	(1,222)
Valuation of debt instruments	587	(914)	126	(221)
Measurement of loan receivables from clients	4	(5)	-	-
Foreign exchange translation differences	-	-	1	-
Cash flow hedging	1,200	(2,211)	658	(1,001)
Not subject to subsequent reclassification to profit or loss	20	(66)	10	6
Valuation of equity instruments	47	(83)	10	6
Actuarial gains and losses related to provisions for employee benefits	(27)	17	-	-
Tax recognised in other comprehensive income	(344)	607	(151)	232
Total net comprehensive income	4,634	(1,196)	1,531	(582)

Cash flow statement	Pekao Group		Alior Bank Group	
	1 January – 30 June 2023	1 January – 30 June 2022	1 January – 30 June 2023	1 January – 30 June 2022
Net cash flows from operating activities	15,028	4,212	623	(1,724)
Net cash flows from investing activities	(15,146)	(2,375)	(865)	1,126
Net cash flows from financing activities	(2,207)	7,204	689	1,661
Total net cash flows	(2,325)	9,041	447	1,063

Dividend-related information	Pekao Group		Alior Bank Group	
	1 January – 30 June 2023	1 January – 30 June 2022	1 January – 30 June 2023	1 January – 30 June 2022
Date of ratifying the dividend	6 June 2023	15 June 2022	-	-
Record date	4 July 2023	25 July 2022	-	-
Dividend payment date	18 July 2023	4 August 2022	-	-
Dividend per share (PLN)	5.42	4.30	-	-
Dividend attributable to PZU Group	285	226	-	-
Dividend attributable to non-controlling interest	1,138	903	-	-

3. Shareholding structure

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

No.	Shareholder's name	Number of shares and votes at the 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	Funds managed by Nationale Nederlanden Powszechne Towarzystwo Emerytalne Spółka Akcyjna ¹⁾	43,680,074	5.0584%
3	Allianz Polska Otwarty Fundusz Emerytalny and Allianz Polska Dobrowolny Fundusz Emerytalny ¹⁾	45,742,250	5.2972%
4	Other shareholders	478,883,376	55.4569%
Total		863,523,000	100%

¹⁾ Number of shares held by the funds at the Annual General Meeting of PZU held on 7 June 2023.

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

On 5 January 2023, PZU was notified by Powszechne Towarzystwo Emerytalne Allianz Polska SA of an increase in the shareholding and in the general number of votes of PZU over 5% held jointly by the funds managed by Powszechne Towarzystwo Emerytalne Allianz Polska SA, i.e. by Allianz Polska Otwarty Fundusz Emerytalny, Allianz Polska Dobrowolny Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny, which held in total 48,183,212 PZU shares, corresponding to 5.5798% of the share capital and entitling to 5.5798% of shares at the General Meeting of Shareholders of PZU.

On 17 May 2023, PZU was notified by Powszechne Towarzystwo Emerytalne Allianz Polska SA that on 12 May 2023 as a result of liquidation of Drugi Allianz Polska Otwarty Fundusz Emerytalny and of transfer of its assets to Allianz Polska Otwarty Fundusz Emerytalny, Allianz Polska Otwarty Fundusz Emerytalny held 45,736,958 PZU shares, corresponding to 5.2966% of the share capital and entitling to 5.2966 votes at the General Meeting of Shareholders.

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

4.1 Management Board of the parent company

From 1 January 2023, the composition of the Management Board of PZU was as follows:

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

Until the date of signing the condensed interim financial statements, the composition of the Management Board had not changed.

4.2 Directors of PZU Group

From 1 January 2023, Directors of PZU Group were as follows:

- Aleksandra Agatowska (PZU);
- Andrzej Jaworski (PZU);
- Krzysztof Kozłowski (PZU Życie);
- Bartłomiej Litwińczuk (PZU);
- Dorota Macieja (PZU);
- Sylwia Matusiak (PZU);
- Piotr Nowak (PZU Życie);
- Małgorzata Sadurska (PZU Życie).

On 1 February 2023, Małgorzata Skibińska was appointed to the position of PZU Group Director at PZU and PZU Życie.

On 6 June 2023, Dominik Witek and Ernest Bejda were appointed PZU Group Director, respectively at PZU and PZU Życie.

From 6 June 2023 until the date of signing the condensed interim consolidated financial statements, Directors of PZU Group were as follows:

- 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).

5. Supervisory Board of the parent company

From 1 January 2023 to the date of conveying the condensed interim financial statements, the composition of the Supervisory Board of PZU was as follows:

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

On 7 June 2023, the Annual General Meeting of PZU appointed the Supervisory Board of PZU for a new term of office in the following composition:

- Marcin Chludziński – Member of the Supervisory Board;
- Agata Górnicka – Member of the Supervisory Board;
- Robert Jastrzębski – Member of the Supervisory Board;
- Marcin Kubicza – Member of the Supervisory Board;
- Elżbieta Mączyńska-Ziemacka – 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.

At the same time, as of the date of the Annual General Meeting of PZU, i.e. 7 June 2023, the mandates of two former members of the Supervisory Board of PZU – Piotr Wachowiak and Robert Śnitko – expired.

On 5 June 2023, a shareholder of PZU, the State Treasury, exercising the right provided for in § 20(7) of PZU's Articles of Association, appointed Paweł Górecki to the Supervisory Board of PZU.

On 15 June 2023, Robert Jastrzębski was elected Chairman of the Supervisory Board of PZU and Paweł Górecki was appointed Deputy Chairman of the Supervisory Board of PZU.

From 15 June 2023 until the date of signing the condensed interim consolidated financial statements, composition of the Supervisory Board of PZU was as follows:

- Robert Jastrzębski – Chairman of the Supervisory Board;
- Paweł Górecki – Deputy Chairman of the Supervisory Board;
- Marcin Chludziński – Member of the Supervisory Board;
- Agata Górnicka – Member of the Supervisory Board;
- Marcin Kubicza – Member of the Supervisory Board;
- Elżbieta Mączyńska-Ziemacka – 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.

The accounting policies, key estimates and judgements are presented in detail in the consolidated financial statements of PZU Group for 2022, except for issues relating to the implementation of IFRS 17, which are described in section 6.1.

6. Key accounting policies, key estimates and judgments

The accounting policies, key estimates and judgements are presented in detail in the consolidated financial statements of PZU Group for 2022, except for issues relating to the implementation of IFRS 17, which are described in section 6.1.

6.1 Implementation of IFRS 17

On 18 May 2017, the IASB issued IFRS 17 Insurance Contracts, which replaced the current IFRS 4 – Insurance Contracts, applicable until the end of 2022.

The aim of the new standard is to introduce completely new, uniform principles for the measurement of insurance contracts, ensuring greater comparability of statements between different insurers, as well as providing a number of new disclosures for the use of recipients of financial statements.

IFRS 17 introduces new principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation feature.

According to the new standard:

- embedded derivatives, distinct investment components and the promise to transfer to a policyholder distinct goods or services other than insurance contract services are separated from the host insurance or reinsurance contracts and accounted for applying other relevant standards;
- the insurance and reinsurance contracts are divided into groups for which entity applies the recognition and measurement requirements of IFRS 17;
- the measurement method of a group of contracts in accordance with IFRS 17 is based on estimates of the present value of future fulfilment cash flows related to future and past service allocated to the group and on the contractual service margin (CSM) representing unearned profit;
- the profit from a group of insurance contracts is recognized in each period in which the insurance service is provided. If a group of contracts is expected to be onerous, the loss is recognized immediately in the full amount in the profit or loss.

For the presentation in the statement of financial position, portfolios of insurance contracts and portfolios of reinsurance contracts are aggregated and the following portfolios are presented separately:

- insurance contracts issued that are assets;
- reinsurance contracts held that are assets;
- insurance contracts issued that are liabilities;
- reinsurance contracts held that are liabilities.

The structure of presentation in the consolidated profit and loss account and in the consolidated statement of comprehensive income has changed significantly. In particular, written premiums, claims and expenses incurred in the period and change in insurance contract liabilities were reported under IFRS 4.

In accordance with IFRS 17, the entity presents separately the following items:

- insurance revenue;
- insurance service expenses;
- income or expenses from reinsurance contracts held;
- insurance finance income or expenses.

The most significant part of the operating profit for the PZU Group's insurance activities is the insurance service result. According to IFRS 17, the insurance service result comprises:

- the amount of insurance revenue reflecting the consideration to which the PZU Group is entitled in exchange for services provided in the period; and

- insurance service expenses which include incurred claims, amortization of insurance acquisition cash flows, changes relating to the past service and losses on groups of onerous contracts.

The accounting policies and estimates applied for the purposes of measuring insurance contracts and reinsurance contracts, as well as the approach adapted to the preparation of disclosures are presented in detail in section 6.1.2.

6.1.1. Transition date

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

Due to the need to prepare comparative data, 1 January 2022 is considered as the date of transition to the new standard.

At the transition date, PZU Group:

- derecognised any existing balances from the statement of financial position that would not exist had IFRS 17 always applied. These included technical reserves, certain deferred acquisition costs of insurance contracts, insurance receivables and payables, provisions for fees attributable to the existing insurance contracts which, in accordance with IFRS 17, are included in the measurement of insurance contracts;
- identified, recognized and measured each group of insurance contracts in accordance with one of the three methods described below;
- recognized all the resulting net differences in the consolidated equity.

The standard 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 the standard had been applied from the beginning for those contracts;
- modified retrospective approach (MRA) – a method that allows for simplifications to be applied to the FRA if its full application is impracticable;
- 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
2019 or later	<ul style="list-style-type: none"> Full retrospective approach for contracts other than unit-linked Fair value approach for unit-linked contracts
2015-2018	<ul style="list-style-type: none"> Full retrospective approach for individually continued insurance contracts Fair value approach for unit-linked contracts Modified retrospective approach for other contracts
2014 and earlier	<ul style="list-style-type: none"> Modified retrospective approach for individually continued insurance contracts and for traditional insurance contracts Fair value approach for unit-linked contracts as well as annuities and endowment insurance contracts (JUŻ)

6.1.1.1. Full retrospective approach

In accordance with IFRS 17 paragraph C3, the PZU Group has applied the full retrospective approach unless it was impracticable. The PZU Group has determined that the application of the standard is impracticable within the meaning of paragraph 5 of the International Accounting Standard 8, i.e., the application of the requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy or to make a retrospective restatement of data if:

- the effects of the retrospective approach are not determinable;

- the retrospective application or retrospective restatement of data requires assumptions about what management's intent would have been in that period; or
- The retrospective application or retrospective restatement of data requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:
 - provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognized, measured or disclosed; and
 - would have been available when the financial statements for that prior period were authorized for issue.

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.

6.1.1.2. Simplifications

Where the application of the full retrospective approach is considered as impracticable, PZU Group applies either the modified retrospective approach or the fair value approach, and a decision thereon is made individually for each group of contracts. Factors such as the availability of historical data and materiality are taken into account in the selection.

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: <ul style="list-style-type: none"> • 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 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.
Disaggregation of insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income	For some groups of contracts for which the PZU Group used the modified retrospective approach or the fair value approach, PZU's cumulative amount of finance income or expenses from insurance recognised in other comprehensive income at the transition date was determined as zero.

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.

The modified retrospective approach is applied by the PZU Group solely for the groups of contracts without direct participation features. For groups of contracts with direct participation features, for which the full retrospective approach is impracticable, the PZU Group applies the fair value approach.

If 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 as at the transition date was applied by the PZU Group for:

- pension and traditional insurance products issued before 1993, for which no reasonable or supportable information is available without incurring undue costs or making extra efforts which would make it feasible for the calculations to be made in accordance with the modified retrospective approach;
- unit-linked products for which the application of the MRA or FRA would result in excessive costs being incurred or efforts being made, which would be disproportionate to the extent of potential distortion of reported data which is considered insignificant.

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 a group of insurance contracts at that date and the fulfilment cash flows measured 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;
- determining of whether insurance contracts meet the definition of an insurance contract with direct participation features;

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

PZU Group applied the income approach to measure the fair value of insurance contracts at the transition date.

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).

6.1.1.3. Cash flow discounting

For the purposes of determining the discount rate curves for the measurement of liabilities for periods from 31 December 2015, PZU Group uses the risk-free discount rates published by EIOPA, 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.

6.1.1.4. Impact of the application of IFRS 17 on the consolidated statement of financial position as at 1 January 2022

Assets at 1 January 2022	IFRS 4	Reclassifications	Differences in measurement of insurance and reinsurance contract assets and liabilities	CSM	RA	IFRS 17	
Goodwill	2,778	-	-	-	-	2,778	Goodwill
Intangible assets	3,403	-	-	-	-	3,403	Intangible assets
Deferred tax assets	3,058	-	19	-	-	3,077	Deferred tax assets
Other assets	633	(234)	(68)	-	-	331	Other assets
	n/a	-	246	(187)	-	59	Insurance contract assets
	n/a	1,535	(172)	-	176	1,539	Reinsurance contract assets
Deferred acquisition costs	1,573	(1,573)	-	-	-	n/a	
Reinsurers' share in technical provisions	2,540	(2,540)	-	-	-	n/a	
Property, plant and equipment	4,144	-	-	-	-	4,144	Property, plant and equipment
Investment property	2,773	-	-	-	-	2,773	Investment property
Entities accounted for using the equity method	93	-	-	-	-	93	Entities accounted for using the equity method
Assets pledged as collateral for liabilities	1,336	-	-	-	-	1,336	Assets pledged as collateral for liabilities
Assets held for sale	643	-	-	-	-	643	Assets held for sale
Loan receivables from clients	215,008	-	-	-	-	215,008	Loan receivables from clients
Financial derivatives	8,328	-	-	-	-	8,328	Financial derivatives
Investment financial assets	136,954	-	-	-	-	136,954	Investment financial assets
Measured at amortized cost	82,893	-	-	-	-	82,893	Measured at amortized cost
Measured at fair value through other comprehensive income	44,896	-	-	-	-	44,896	Measured at fair value through other comprehensive income
Measured at fair value through profit or loss	9,165	-	-	-	-	9,165	Measured at fair value through profit or loss
Receivables	9,418	(2,636)	-	-	-	6,782	Receivables
Cash and cash equivalents	9,447	-	-	-	-	9,447	Cash and cash equivalents
Total assets	402,129	(5,448)	25	(187)	176	396,695	Total assets

Equity and liabilities at 1 January 2022	IFRS 4	Reclassifications	Differences in measurement of insurance and reinsurance contract assets and liabilities	CSM	RA	IFRS 17	
Equity							Equity
Equity attributable to equity holders of the parent company	17,080	-	13,851	(7,778)	(1,024)	22,129	Equity attributable to equity holders of the parent company
Share capital	86	-	-	-	-	86	Share capital
Other capital	14,343	-	(694)	-	-	13,649	Other capital
Retained earnings	2,651	-	14,545	(7,778)	(1,024)	8,394	Retained earnings
Non-controlling interest	22,914	-	-	-	-	22,914	Non-controlling interest
Total equity	39,994	-	13,851	(7,778)	(1,024)	45,043	Total equity
Liabilities							Liabilities
	n/a	46,862	(15,090)	7,591	1,203	40,566	Insurance contract liabilities
	n/a	16	15	-	(3)	28	Reinsurance contract liabilities
Technical provisions	50,173	(50,173)	-	-	-	n/a	
Subordinated liabilities	6,274	-	-	-	-	6,274	Subordinated liabilities
Liabilities on the issue of own debt securities	5,940	-	-	-	-	5,940	Liabilities on the issue of own debt securities
Liabilities to banks	7,470	-	-	-	-	7,470	Liabilities to banks
Liabilities to clients under deposits	265,155	-	-	-	-	265,155	Liabilities to clients under deposits
Financial derivatives	11,880	-	-	-	-	11,880	Financial derivatives
Other liabilities	13,203	(2,125)	75	-	-	11,153	Other liabilities
Provisions	1,206	-	-	-	-	1,206	Provisions
Deferred tax liability	806	(28)	1,174	-	-	1,952	Deferred tax liability
Liabilities directly associated with assets classified as held for sale	28	-	-	-	-	28	Liabilities related to assets classified as held for sale
Total liabilities	362,135	(5,448)	(13,826)	7,591	1,200	351,652	Total liabilities
Total equity and liabilities	402,129	(5,448)	25	(187)	176	396,695	Total equity and liabilities

The following columns of the table reflecting the impact of the application of IFRS 17 on the consolidated statement of financial position as at 1 January 2022 include respectively:

- “Reclassification”, i.e. balances measured in accordance with IFRS 4 carried from items that were recognised in the consolidated statement of financial position prepared in accordance with IFRS 4 to new items required under IFRS 17, i.e. “Assets under insurance contracts”, “Assets under reinsurance contracts”, “Liabilities under insurance contracts”, “Liabilities under reinsurance contracts”. Change in the total amount of equity and liabilities resulted from the fact that a part of balances (e.g. deferred acquisition expenses, prepayments or insurance receivables) were carried from assets to liabilities. The reclassifications do not influence the consolidated equity of the PZU Group;
- “Differences in measurement of insurance and reinsurance contract assets and liabilities” presents the effect of changed measurement of individual assets and liabilities as a result of the application of IFRS 17. The greatest part of the difference results from the application of the best estimate liability applying discounting based on current interest rates with regard to the approach applied to measure technical provisions in accordance with IFRS 4 - the difference in the valuation of assets and liabilities as at 1 January 2022 contributed to the growth of consolidated equity of the PZU Group by PLN 13,851 million;
- “Recognition of CSM” presents the value of future profits from insurance contracts in accordance with GMM and VFA methods recognised as at 1 January 2022. The recognition of CSM reduced consolidated equity of the PZU Group by PLN 7,778 million;
- “Recognition of RA” presents the adjustment due to non-financial risks resulting from the uncertainty of cash flows. The recognition of RA as at 1 January 2022 contributed to a decrease in consolidated equity of the PZU Group by PLN 1,024 million.

The impact of IFRS 17 on the PZU Group's consolidated equity as at 1 January 2022 was PLN 5,049 million. This resulted, in particular, from a change in the approach to the measurement of liabilities under insurance and reinsurance contracts in accordance with requirements of IFRS 17. The new standard allows for a part of the difference in the measurement of liabilities to be recognized as a reduction in the cumulative other comprehensive income by PLN 694 million. This is a result of declines in historical interest rates. The discount rates determined at the initial recognition (the so-called *locked-in* rates, which are rates from the period when the policy was issued or the period were the loss incurred) were mostly higher than the risk-free rates as at 1 January 2022.

As at 31 December 2022, the impact of the application of IFRS 17 on the equity in comparison to that at 1 January 2022 increased due to a significant increase in the risk-free interest rates in 2022.

6.1.2. Insurance contracts and reinsurance contracts

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.

Accounting policy	Decision made by PZU Group	Justification
Method for determining discount rate curves	In default approach curves determined in a bottom-up approach. However, if justified, PZU Group allows for a top-down approach to be applied.	Approach adopted for consistency with Solvency II discounting methodology
Recognition of finance income or expenses	For products other than unit-linked products, financial income and expenses are divided between profit or loss and other comprehensive income. For unit-linked products, finance income and expenses are fully recognized in profit or loss.	Decision made in order to reduce the volatility of the profit or loss and to keep the approach applied to the measurement of liabilities as consistent as possible with the approach applied to measurement of assets.
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 6.1.2.1, in order to best reflect uncertainties of measurement associated with non-financial risks.

Accounting policy	Decision made by PZU Group	Justification
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.
Impact of accounting estimates made in the interim financial statements	PZU Group decided to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements and in the annual reporting period (the so-called year-to-date reporting).	Consistency with the reporting according to IFRS 4 and with the reporting according to other accounting standards.

6.1.2.1. Identification and aggregation of insurance contracts

In order to identify insurance contracts and inward reinsurance contracts that are within the scope of IFRS 17, PZU Group verifies whether, under a given contract, the entity 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.

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 permitted. Insurance contracts are grouped at initial recognition and in accordance with IFRS 17 the PZU Group does not reassess the groups in subsequent periods, unless certain conditions for derecognition as set forth in IFRS 17 related to the modification of the insurance contract, resulting in the recognition of a new contract, are met. Insurance contracts are aggregated into groups of insurance contracts, taking into consideration the following three dimensions:

- portfolio – groups of contracts subject to similar risks and managed together;
- profitability – contracts 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;
 - the group of remaining contracts in the portfolio;
- cohorts – contracts issued within a period of no longer than one year.

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

- portfolio:
 - based on the risk characteristics of individual insurance contracts and based on existing insurance portfolio management processes;
- profitability:
 - for life insurance – at the level of an individual contract through the measurement of the insurance contract concerned;
 - for non-life insurance – all the contracts are treated as profitable unless there are facts or circumstances that indicate that they are not profitable. Profitability is assessed at the level of the IFRS 17 portfolio, but 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 groups.

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 analysed 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.

6.1.2.2. Contract boundary

The measurement of an insurance contract covers solely the cash flows that are 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 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 particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks (individual policyholder assessment); or
 - 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 the PZU Group, the approach to the contract boundary is largely consistent with the indicated end of the contract in the insurance contract as a legal document. The exemption is the contract boundary for 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.

6.1.2.3. 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 derecognises the original contract and recognises the modified contract as a new contract. The conditions for contract modification as a result of which the PZU Group derecognises 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 must 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 derecognised within the group;
- the contractual service margin for the group is adjusted by changes in the value of cash flows described in Section 1 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 recognised in the profit or loss of a given period is based on the adjusted number of coverage units.

6.1.2.4. 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 (RA), 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 (CSM) representing unearned profit; CSM is sensitive to changes in estimates of cash flows, resulting from changed non-economic assumptions. CSM cannot be negative – any losses on the contracts are recognized immediately 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 (LRC) is analogous with the unearned premium reserve mechanism under IFRS 4 (without a separate presentation of RA or CSM), whereas the liability for incurred claims (LIC) 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 for each contract in the group of contracts is one year or less.

Group of insurance contracts may be measured with the PAA method even if they do not meet the above criteria, provided that the impact on the consolidated financial statements of the PZU Group will be deemed immaterial.

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, PZU Group does not make any adjustment to reflect the time value of money and the impact of financial risk

- 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 used solely to measure selected products, after eligibility criteria are assessed, at initial recognition. 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 the PZU Group, the majority of non-life insurance and reinsurance contracts meet the criteria for applying the simplified premium allocation approach (PAA). Life insurance contracts are measured using the general model (GMM), and insurance contracts with direct participation features are measured by the PZU Group using VFA method.

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 section above 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 6.1.2.5; and
- the contractual service margin representing unearned profit.

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

- premiums received at the date of initial recognition;
- minus any insurance acquisition cash flows as at that date, unless the entity allows and decides to recognize these payments as expenses; 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 re-measured using the fulfilment cash flows related to the future coverage period, i.e., it comprises the present value of the best estimate of the cash flows required to meet 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.

In line with the premium allocation approach, as 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;
- plus any adjustment to a financing component, if applied;
- 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.

In the light of the foregoing, the PZU Group recognizes income and expenses for 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 set for non-onerous contracts at initial recognition and reflects unearned profit. It is then released as profit throughout the whole lifetime of a contract (group of contracts).

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 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 asset or liability previously recognized for cash flows related 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.

As at the end of the reporting period, the carrying amount of the contractual service margin for a group of insurance contracts without direct participation features, measured in line with the general measurement model, equals the carrying amount as at the beginning of the reporting period adjusted for:

- 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 fulfilment 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 fulfilment 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.

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 in the amount equal to that 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 at initial and subsequent measurement.

Subsequent measurement

At each reporting period, the liability for incurred claims occurred is measured at the value of fulfilment cash flows related to the claims incurred. This means that it includes the present value of the expected future cash flows required to settle the liability for claims incurred and the expenses for each insured event, together with a risk adjustment for non-financial risks.

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.

Subsequent to the initial recognition, the 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 fulfilment 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.

For the purpose of its computations, the PZU Group has decided to recognize the values on a compound basis from the beginning of the year to the reporting date (Year To Date – YTD). Because of this, the “previous reporting period” referred to in the points hereinabove is, in every case, the end of December of the preceding year.

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 a contract (where payments are not within the contract boundary but are part of fulfilment 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.

Previously recognized impairment loss is reversed in the subsequent reporting period to the extent that the impairment has improved or no longer exists. In its IFRS 17 reporting, as at 30 June 2023, 31 December 2022 as well as at 1 January 2022, the PZU Group has recognized no assets relating to groups of insurance contracts expected to arise from renewals.

6.1.2.5. 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;
- incorporate 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.

Reinsurance contracts are modeled applying the same principles as for 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, 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;
- expense assumptions – assumptions are based on the PZU Group's own assessment of future expenses, taking into account the expenses inflation.

Insurance finance income or expenses

PZU Group presents finance income or expenses from 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 finance income or expenses from insurance and reinsurance, 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.

Discounting cash flows

The PZU Group uses discount rate curves determined under the bottom-up approach (IFRS 17 paragraph 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 groups of contracts with initial recognition after the transition date (i.e., after 1 January 2022), the PZU Group applies the EIOPA methodology to establish the underlying risk-free curve. The approach to discount rate curves used for the cohorts recognized before the transition date is described in section 6.1.1. In specific cases, a top-down approach may be applied, in which the yield curve is adjusted for any factors that are not relevant to the insurance contracts. A top-down approach may only be applied if a clearly identifiable reference portfolio exists.

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 and J insurance products, bancassurance 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	30 June 2023					31 December 2022					1 January 2022				
	1 year	5 years	10 years	20 years	40 years	1 year	5 years	10 years	20 years	40 years	1 year	5 years	10 years	20 years	40 years
No premium															
PLN	5.94%	5.50%	5.61%	5.28%	4.54%	6.40%	6.74%	6.65%	6.01%	4.94%	2.66%	3.73%	3.57%	3.50%	3.52%
EUR	3.98%	3.13%	2.88%	2.66%	2.83%	3.18%	3.13%	3.09%	2.76%	2.85%	(0.59%)	(0.08%)	0.21%	0.46%	1.62%
USD	5.38%	3.88%	3.52%	3.38%	3.03%	5.07%	3.95%	3.75%	3.63%	2.82%	0.44%	1.28%	1.50%	1.67%	1.36%
GBP	6.06%	5.03%	4.25%	3.88%	3.34%	4.46%	4.06%	3.71%	3.53%	3.31%	0.78%	1.20%	1.11%	1.05%	0.75%
NOK	4.87%	4.10%	3.72%	3.54%	3.47%	3.46%	3.15%	3.20%	3.29%	3.36%	1.14%	1.78%	1.81%	2.23%	2.80%
Annuities															
PLN	6.27%	5.83%	5.94%	5.61%	4.87%	6.81%	7.15%	7.05%	6.42%	5.35%	2.83%	3.91%	3.75%	3.68%	3.69%
EUR	4.01%	3.16%	2.91%	2.69%	2.86%	3.23%	3.18%	3.14%	2.82%	2.90%	(0.57%)	(0.07%)	0.22%	0.47%	1.64%
IK															
PLN	6.16%	5.72%	5.83%	5.50%	4.76%	6.67%	7.01%	6.92%	6.28%	5.21%	2.77%	3.85%	3.69%	3.62%	3.63%

Risk adjustment for non-financial risk

In measuring insurance contracts, the PZU Group applied risk adjustment for non-financial risk (e.g. insurance risk, lapse risk, expense risk). The risk adjustment for non-financial risk is compensation for the uncertainty about the amount and timing of cash flows arising from the 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.

The PZU Group estimates the adjustment using the methods available, including the value-at-risk method (VaR) 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 levels for non-financial risk adjustment were 79% at 31 March 2023 and 31 December 2022, and 80% at 1 January 2022.

Coverage units

Contractual service margin, recognized in profit or loss for a given 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, the PZU Group identifies coverage units based on the product characteristics, considering for each contract the quantity of the benefits provided and expected coverage period. For each product segment, the PZU Group establishes coverage units in line with the following table:

Type of insurance	Basis for calculating 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 main contract and riders (also includes the value of the fund)
Other insurance	Total sum insured under the main contract and riders

6.1.2.6. Consolidated profit and loss account and consolidated statement of other comprehensive income

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

- the insurance service result, including:
 - insurance revenue - the amount of remuneration to which the entity expects to be entitled in return for services provided in the period;
 - 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.

6.1.2.7. 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 measured accordingly.

For outward reinsurance contracts, PZU Group applies the same identification, classification, measurement and presentation principles as for insurance contracts with the following key exceptions:

- Reinsurance contracts held are divided into three profitability groups:

- contracts with a net gain at initial recognition (i.e. a net inflow);
- contracts with a net cost of purchasing reinsurance (i.e. a net outflow) with no significant possibility of a net gain arising subsequent to initial recognition;
- 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;
- Cash flows are within the contract boundary if they arise from substantive rights and obligations existing during the reporting period in which the entity:
 - is compelled to pay amounts to the reinsurer; or
 - has a substantive right to receive services from the reinsurer;
- The following models are applied to measure reinsurance contracts held:
 - general measurement model (GMM);
 - premium allocation approach (PAA);
- Outward reinsurance contracts are measured separately from the underlying insurance contracts to which they relate. 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 issuer 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;
- Requirements for determining the contractual service margin at initial recognition are modified in relation to reinsurance contracts held to reflect the fact that there is no unearned profit in such groups of contracts, but instead a net cost or net gain on purchasing the reinsurance. Therefore, at initial recognition:
 - the PZU Group recognizes net cost or net gain on purchasing the group of reinsurance contracts held as a contractual service margin, measured at an amount equal to the sum of the fulfilment cash flows, the amount recognized at that date of any asset or liability previously recognized for cash flows related to the group of reinsurance contracts held, and any cash flows arising at that date; unless
 - the net cost of purchasing reinsurance coverage relates to events that occurred before the purchase of the group of reinsurance contracts held, in which case such a cost is immediately recognized in profit or loss as an expense.

Furthermore, if losses from onerous insurance contracts are recognized at initial recognition, the PZU Group recognizes gain on reinsurance contracts held to the extent in which the reinsurance contracts held have been entered into before or at the same time as underlying contracts. If an entity may establish a loss-recovery component at initial recognition, the income related to it adjusts the initial contractual service margin;
- 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:
 - Net 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.

6.1.3. Other standards and interpretations and amendments to standards effective from 1 January 2023

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

Name of standard/interpretation	Endorsement Regulation	Comment
Amendments to IAS 1 - Presentation of Financial Statements	2022/357	<p>Under the amendments, an entity is required to disclose significant, rather than material (as before), accounting policies. The amendment provides examples of how to identify significant accounting policies and clarifies that an accounting policy may be material by its nature even if the figures are immaterial. An accounting policy is material if the users of the financial statements need it to understand other relevant information in the financial statements. Disclosure of immaterial accounting policies must not obscure material accounting policies.</p> <p>The amendment did not have a significant impact on the consolidated statements of PZU Group.</p>
Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	2022/357	<p>Amendments to IAS 8 include:</p> <ul style="list-style-type: none"> • replacing the definition of change in estimates with the definition of estimates. According to the new definition, estimated values are "monetary amounts in the financial statements that are subject to measurement uncertainty"; • clarification that a change in an estimate resulting from new information or new developments does not constitute the correction of an error. In addition, the effects of a change in the inputs or the valuation technique used to determine the estimate are changes in estimates, unless they result from the correction of prior period errors; • an explanation that a change in estimate can affect only the profit or loss of the current period or the profit or loss of both the current and future periods. The effect of a change relating to the current period is recognized as income or expense for the current period. The effect, if any, on future periods is recognized as income or expense in future periods. <p>The amendment did not have a significant impact on the consolidated statements of PZU Group.</p>
Amendment to IAS 12 - Income taxes	2022/1392	<p>Under the amendment, the exemption set out in IAS 12.15(b) for the initial recognition of deferred tax assets or liabilities will not apply to transactions in which both taxable and deductible temporary differences arise, resulting in the need to recognize a deferred tax asset and liability at the same time (e.g. in the case of leasing transactions).</p> <p>The amendment applies to transactions that occur on or after the date that begins the earliest comparative period presented in the financial statements.</p> <p>The amendment did not have a significant impact on the consolidated statements of PZU Group.</p>

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

Name of standard/interpretation	Date of issue by the IASB	Effective date (according to IASB)	Comment
Amendment to IAS 1 - Classification of liabilities as current and non-current	23 January 2020	1 January 2024	<p>The amendment clarifies that conditions existing at the end of the reporting period are taken into account when determining the right to defer a liability, and that the classification does not depend on an entity's intention or expectation to exercise the option to defer a liability.</p> <p>The amendments will not have a significant impact on the consolidated financial statements of PZU Group.</p>
Amendments to IFRS 16 - Leases	22 September 2022	1 January 2024	<p>The amendment requires that when measuring lease liabilities arising from a sale-leaseback, the seller (lessee) should not recognize any gain or loss associated with the retained right of use.</p> <p>The amendment will not have a significant impact on the consolidated financial statements of PZU Group.</p>
Amendments to IAS 12 - Income taxes	23 May 2023	1 January 2023	<p>The amendment addresses the potential impact of implementing the model rules of the global minimum tax (top-up tax). In December 2021, the Organization for Economic Cooperation and Development published Pillar Two model rules to ensure that large, multinational companies will be subject to a minimum tax rate of 15%.</p> <p>The amendment to IAS 12 introduces:</p> <ul style="list-style-type: none"> an exception that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the global minimum income taxes. An entity has to disclose that it has applied the exception. a disclosure requirement that an entity has to disclose separately its current tax expense (income) related to the global minimum tax; a disclosure requirement that state that in periods in which the global minimum tax legislation is enacted or substantively enacted, but not yet in effect, an entity discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to the global minimum tax. the requirement that an entity applies the exception and the requirement to disclose that it has applied the exception immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023. <p>The amendment will not have a significant impact on the consolidated financial statements of PZU Group.</p>
Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments – Disclosures	25 May 2023	1 January 2024	<p>The amendments relate to disclosure requirements (qualitative and quantitative) on supplier financing arrangements. Entities will be required to disclose information to assess how supplier arrangements affect the entity's liabilities and cash flows and to understand the impact of supplier arrangements on the entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to the entity.</p> <p>The amendment introduces disclosure requirements on:</p> <ul style="list-style-type: none"> the terms and conditions of the supplier finance arrangements; for the arrangements, as at the beginning and end of the reporting period: <ul style="list-style-type: none"> the carrying amounts of financial liabilities that are part of the arrangement and the associated line item presented the carrying amount of financial liabilities disclosed referred to above for which suppliers have already received payment from the finance providers; the range of payment due dates of financial liabilities referred to above and comparable trade payables that are not part of a supplier finance arrangement; and the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of the arrangement. <p>Supplier financing arrangements are also added as an example under the</p>

Name of standard/interpretation	Date of issue by the IASB	Effective date (according to IASB)	Comment
Amendments to IAS 21 – The effects of changes in foreign exchange rates	16 August 2023	1 January 2025	<p>liquidity risk disclosure requirements.</p> <p>The amendment will not have a significant impact on the consolidated financial statements of PZU Group.</p> <p>The amendments relate to requirements to be applied by entities when the foreign currency is not exchangeable.</p> <p>The amendment i.e.:</p> <ul style="list-style-type: none"> 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. <p>PZU Group has not yet estimated the potential impact on the consolidated financial statements of PZU Group.</p>

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

6.2 Change in the presentation of interest income on derivative hedging instruments

To better reflect the economic sense of hedging transactions and make the profit and loss account of the PZU Group in 2023 more transparent, interest income from hedging instruments was carried from “Other net revenue from investments” to “Interest income calculated using the effective interest rate”. In order to ensure the comparability of the data, the reclassification of comparative data was performed, as described below.

Consolidated profit and loss account	1 April - 30 June 2022 (restated)	Reclassification	1 April - 30 June 2022 (prior to restatement)	1 January - 30 June 2022 (restated)	Reclassification	1 January - 30 June 2022 (prior to restatement)
Interest income calculated using the effective interest rate	4,822	(32)	4,854	8,482	48	8,434
Other net investment income	(184)	32	(216)	(262)	(48)	(214)
Operating profit	2,173	-	2,173	4,550	-	4,550

6.3 Use of estimates and assumptions

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

6.3.1. Assets and liabilities under insurance and reinsurance contracts

Significant assumptions regarding the measurement of assets and liabilities under insurance and reinsurance contracts are presented in section 6.1.2.5.

6.3.2. Impairment and expected credit losses

6.3.2.1. Loan receivables from clients

In relation to risk:

- related to the armed conflict in Ukraine, its potential consequences for the situation of businesses and consumer sentiment;
- a larger-than-expected increase in interest rates, which may translate into an increase in the burden for some customers;
- a greater-than-expected economic slowdown due to increasing cost pressures on businesses

PZU Group identifies an increased credit risk, which is taken into account in the estimation of impairment losses. Information on changes in impairment losses is presented in section 10.24.

6.3.2.2. Investment financial assets and receivables

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

Information on changes in impairment losses is detailed in sections 10.5 and 10.24.

6.3.3. Goodwill

As at 30 June 2023, PZU Group has analysed the evidence of impairment and concluded that there was no need to carry out impairment tests. PZU Group did not recognize any goodwill impairment losses in the 6-month period ended 30 June 2023.

6.3.4. Provision for potential reimbursements of loan costs

On an ongoing basis, the PZU Group monitors the value of estimated prepayments of consumer loans and takes into account the most recent data on incoming complaints and reimbursement amounts when calculating the value of the provision for potential reimbursements of loan costs. Detailed information on this subject is presented in section 10.34.

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

As at 30 June 2023, PZU Group assessed the probability of an impact of a legal risk of Swiss franc foreign currency mortgages on future expected cash flows from credit exposures and the probability of cash outflows.

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

For more information thereon please see section 10.34.

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

The implementation of IFRS 17 has had a significant impact on the structure of items of the condensed interim consolidated financial statements. Information about the application of IFRS 17 is presented in detail in section 6.1.

8. Correction of errors from previous years

In the 6-month period from 1 January to 30 June 2023, no corrections of errors from previous years were made.

9. Significant events after the end of the reporting period

On 28 July 2023, Pekao issued:

- series SN2 senior non-preferred notes ("Series SN2 SNP Bonds") with the total nominal value of PLN 350 million,
- series SP1 senior preferred notes ("Series SP1 SNP Bonds") with the total nominal value of PLN 750 million,

Series SN2 SNP Bonds and series SP1 SP Bonds will constitute eligible liabilities of Pekao within the meaning of Article 97a (1) pt. 2) of the BGF Act. The series SN2 SNP Bonds and series SP1 SP Bonds were offered in public offering on the basis of exception to prepare prospectus under 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 in connection with a public offering of securities or their admission to trading on a regulated market and repealing Directive 2003/71/EC (the "Prospectus Regulation") by addressing the offer to qualified investors only within the meaning of the Article 2 point e of the Prospectus Regulation.

The main terms of issue of the series SN2 SNP Bonds are presented in the table.

Terms of issue	Series SN2 SNP Bonds	Series SP1 SP Bonds
Type of bonds	bearer bonds registered on the deposit maintained by the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.)	bearer bonds registered on the deposit maintained by the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.)
Total number of bonds issued	700	1,500
Nominal value of one bond	PLN 500,000	PLN 500,000
The total nominal value of bonds issued	PLN 350 million	PLN 750 million
Interest rate	fixed, at 7.5% p.a. for the first 3 years, afterwards: floating based on 6M WIBOR + margin of 2.19%	floating based on 6M WIBOR + margin of 1.35%
Format of issue	bonds with a maturity of 4 years, with an option giving Pekao the right to early redemption of the bonds within 3 years from the date of issue or in other cases indicated in the terms and conditions of the bond issue (regulatory change of bond classification, change of bond taxation), subject to the approval of the BGF, if such approval is required,	bonds with a maturity of 2 years, with an option giving Pekao the right to early redemption of the bonds within 1 year from the date of issue or in other cases indicated in the terms and conditions of the bond issue (regulatory change of bond classification, change of bond taxation), subject to the approval of the BGF, if such approval is required,
Maturity date	28 July 2027, subject to the possibility of their early redemption on the terms described in article 77 and 78a of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;	28 July 2025, subject to the possibility of their early redemption on the terms described in article 77 and 78a of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;
Trading	bonds will be introduced to the alternative trading system Catalyst operated by the Warsaw Stock Exchange S.A. (Giełda Papierów Wartościowych w Warszawie S.A.)	bonds will be introduced to the alternative trading system Catalyst operated by the Warsaw Stock Exchange S.A. (Giełda Papierów Wartościowych w Warszawie S.A.)

Terms of issue	Series SN2 SNP Bonds	Series SP1 SP Bonds
Purpose of the issue	the purpose of the issue, within the meaning of Article 32(1) of the Act of 15 January 2015 on bonds, has not been specified	the purpose of the issue, within the meaning of Article 32(1) of the Act of 15 January 2015 on bonds, has not been specified

10. Notes to the condensed interim consolidated financial statements

10.1 Insurance and reinsurance contracts

10.1.1. Insurance revenue

Insurance revenue	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022	1 January - 30 June 2022
Contracts not measured under the PAA	2,016	4,025	1,913	4,017
Amounts relating to changes in liabilities for the remaining coverage	1,845	3,695	1,757	3,696
Expected incurred claims and other insurance service expenses	1,475	2,952	1,452	3,071
Release of the risk adjustment for non-financial risk for the period	39	80	39	84
Contractual service margin recognized in profit or loss for services provided	361	716	305	599
Other (including experience adjustments for premium receipts)	(30)	(53)	(39)	(58)
Recovery of insurance acquisition cash flows	171	330	156	321
Contracts measured under the PAA	4,585	8,977	4,133	8,028
Total insurance revenue	6,601	13,002	6,046	12,045

10.1.2. Allocation of reinsurance premiums

Allocation of reinsurance premiums	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022	1 January - 30 June 2022
Contracts not measured under the PAA	-	-	-	-
Contracts measured under the PAA	(360)	(726)	(289)	(537)
Allocation of reinsurance premiums, total	(360)	(726)	(289)	(537)

10.1.3. Movement in insurance contract assets and liabilities

Movement in insurance contract assets and liabilities 1 January – 30 June 2023	LRC		Contracts not under PAA	LIC Contracts under PAA		Total
	excluding the loss component	loss component		estimated present value of future cash flows	risk adjustment for non-financial risk	
Beginning of the period	22 481	642	737	12,373	1,127	37,360
Assets	(73)	-	2	3	-	(68)
Liabilities	22,554	642	735	12,370	1,127	37,428
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	(10,344)	(40)	3,597	7,385	46	644
Insurance service result before reinsurance	(11,484)	(52)	3,588	6,659	(11)	(1,300)
Insurance revenue	(13,002)	-	-	-	-	(13,002)
Measured under the modified retrospective approach	(2,372)	-	-	-	-	(2,372)
Measured under the fair value	(57)	-	-	-	-	(57)
Other contracts	(10,573)	-	-	-	-	(10,573)
Insurance service expenses	2,132	(52)	3,003	6,630	(11)	11,702
Incurred claims and other insurance service expenses	-	(623)	3,003	6,630	(11)	8,999
Incurred in the period	-	(623)	3,004	5,487	197	8,065
Incurred in the past	-	-	(1)	1,143	(208)	934
Amortization of insurance acquisition cash flows	2,132	-	-	-	-	2,132
Losses and loss reversals on onerous contracts	-	571	-	-	-	571
Investment component	(614)	-	585	29	-	-
Net finance expenses from insurance contracts	1,142	12	9	772	60	1,995
Effect of movements in exchange rates	(2)	-	-	(46)	(3)	(51)
Cash flows	11,826	-	(3,583)	(5,482)	-	2,761
Premiums received	14,099	-	-	-	-	14,099
Insurance service expenses paid, including investment components	-	-	(3,583)	(5,482)	-	(9,065)
Insurance acquisition cash flows	(2,273)	-	-	-	-	(2,273)
Other changes	(57)	(3)	(3)	(44)	(3)	(110)
End of the period	23,906	599	748	14,232	1,170	40,655
Assets	(109)	4	4	3	-	(98)
Liabilities	24,015	595	744	14,229	1,170	40,753

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

Movement in insurance contract assets and liabilities 1 January – 30 June 2022	LRC		LIC			Total
	excluding the loss component	loss component	Contracts not under PAA	Contracts under PAA estimated present value of future cash flows	risk adjustment for non-financial risks	
Beginning of the period	24,983	578	700	13,043	1,203	40,507
Assets	(86)	6	18	3	-	(59)
Liabilities	25,069	572	682	13,040	1,203	40,566
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	(13,569)	(6)	3,872	3,308	(258)	(6,653)
Insurance service result before reinsurance	(10,980)	(10)	3,877	5,079	(127)	(2,161)
Insurance revenue	(12,045)	-	-	-	-	(12,045)
Measured under the modified retrospective approach	(2,294)	-	-	-	-	(2,294)
Measured under the fair value	(60)	-	-	-	-	(60)
Other contracts	(9,691)	-	-	-	-	(9,691)
Insurance service expenses	1,894	(10)	3,067	5,060	(127)	9,884
Incurred claims and other insurance service expenses	-	(574)	3,067	5,060	(127)	7,426
Incurred in the period	-	(574)	3,067	5,216	209	7,918
Incurred in the past	-	-	-	(156)	(336)	(492)
Amortization of insurance acquisition cash flows	1,894	-	-	-	-	1,894
Losses and loss reversals on onerous contracts	-	564	-	-	-	564
Investment component	(829)	-	810	19	-	-
Net finance expenses from insurance contracts	(2,592)	4	(5)	(1,787)	(133)	(4,513)
Effect of movements in exchange rates	3	-	-	16	2	21
Cash flows	10,665	-	(3,827)	(5,069)	-	1,769
Premiums received	12,672	-	-	-	-	12,672
Insurance service expenses paid, including investment components	-	-	(3,827)	(5,069)	-	(8,896)
Insurance acquisition cash flows	(2,007)	-	-	-	-	(2,007)
Other changes	28	2	(2)	22	1	51
End of the period	22,107	574	743	11,304	946	35,674
Assets	(73)	2	3	2	-	(66)
Liabilities	22,180	572	740	11,302	946	35,740

Movement in insurance contract assets and liabilities Non PAA specifics	1 January – 30 June 2023						Total
	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	Measurement under modified retrospective transition approach	CSM		CSM, total	
				Measurement under fair value retrospective transition approach	Other contracts		
Beginning of the period	8,054	1,373	4,428	77	3,657	8,162	17,589
Assets	(300)	46	25	-	172	197	(57)
Liabilities	8,354	1,327	4,403	77	3,485	7,965	17,646
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	1	116	54	13	299	366	483
Insurance service result before reinsurance	(854)	(24)	(48)	13	230	195	(683)
Changes that relate to future services	(759)	56	241	20	650	911	208
Contracts initially recognized in the period	(413)	67	-	-	590	590	244
Changes that adjust the CSM	(301)	(12)	241	20	60	321	8
Changes on onerous contracts	(45)	1	-	-	-	-	(44)
Changes that relate to current services	(98)	(80)	(289)	(7)	(420)	(716)	(894)
CSM recognized for services provided	-	-	(289)	(7)	(420)	(716)	(716)
Changes in risk adjustments for non-financial risks for the period	-	(80)	-	-	-	-	(80)
Experience adjustment for current service	(98)	-	-	-	-	-	(98)
Changes that relate to past services – changes for claims and other insurance service expenses	3	-	-	-	-	-	3
Net finance expenses from insurance contracts	855	140	102	-	69	171	1 166
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	641	-	-	-	-	-	641
Premiums received	4,577	-	-	-	-	-	4,577
Insurance service expenses paid, including investment component	(3,583)	-	-	-	-	-	(3,583)
Insurance acquisition cash flows	(353)	-	-	-	-	-	(353)
Other changes	(13)	(3)	(5)	-	(2)	(7)	(23)
End of the period	8,683	1,486	4,477	90	3,954	8,521	18,690
Assets	(411)	64	28	-	232	260	(87)
Liabilities	9,094	1,422	4,449	90	3,722	8,261	18,777

Movement in insurance contract assets and liabilities Non-PAA insurance contracts	1 January – 30 June 2022						Total
	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	Measurement under modified retrospective transition approach	CSM		CSM, total	
				Measurement under fair value retrospective transition approach	Other contracts		
Beginning of the period	11,159	1,605	4,545	113	3,120	7,778	20,542
Assets	(299)	59	25	-	162	187	(53)
Liabilities	11,458	1,546	4,520	113	2,958	7,591	20,595
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	(2,903)	(312)	(178)	(53)	218	(13)	(3,228)
Insurance service result before reinsurance	(479)	(3)	(282)	(53)	182	(153)	(635)
Changes that relate to future services	(280)	85	2	(49)	493	446	251
Contracts initially recognized in the period	(320)	72	-	-	515	515	267
Changes that adjust the CSM	66	13	2	(49)	(22)	(69)	10
Changes on onerous contracts	(26)	-	-	-	-	-	(26)
Changes that relate to current services	(199)	(88)	(284)	(4)	(311)	(599)	(886)
CSM recognized for services provided	-	-	(284)	(4)	(311)	(599)	(599)
Changes in risk adjustments for non-financial risks for the period	-	(88)	-	-	-	-	(88)
Experience adjustment for current service	(199)	-	-	-	-	-	(199)
Changes that relate to past services – changes for claims and other insurance service expenses	-	-	-	-	-	-	-
Net finance expenses from insurance contracts	(2,424)	(309)	104	-	36	140	(2,593)
Effect of movements in exchange rates	-	-	-	-	-	-	-
Cash flows	18	-	-	-	-	-	18
Premiums received	4,189	-	-	-	-	-	4,189
Insurance service expenses paid, including investment component	(3,827)	-	-	-	-	-	(3,827)
Insurance acquisition cash flows	(344)	-	-	-	-	-	(344)
Other changes	16	1	2	-	1	3	20
End of the period	8,290	1,294	4,369	60	3,339	7,768	17,352
Assets	(347)	64	24	-	202	226	(57)
Liabilities	8,637	1,230	4,345	60	3,137	7,542	17,409

10.1.4. Movement in reinsurance contract assets and liabilities

Movement in reinsurance contract assets and liabilities 1 January – 30 June 2023	LRC		Contracts not under PAA	LIC Contracts under PAA		Total
	excluding the loss recovery component	loss recovery component		estimates of the present value of the future cash flows	risk adjustment for non-financial risks	
Beginning of the period	(68)	-	-	(2,035)	(201)	(2,304)
Assets	(116)	-	-	(2,011)	(200)	(2,327)
Liabilities	48	-	-	(24)	(1)	23
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	733	-	-	(1,322)	(80)	(669)
Net expenses from reinsurance contracts held	729	-	-	(1,324)	(80)	(675)
Allocation of reinsurance premiums	726	-	-	-	-	726
Amounts recoverable from reinsurers	-	-	-	(1,322)	(80)	(1,402)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(120)	(23)	(143)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	(1,202)	(57)	(1,259)
Reinsurance investment component	3	-	-	(3)	-	-
Effect of changes in non-performance risk of reinsurers	-	-	-	1	-	1
Net finance income from reinsurance contracts	-	-	-	(14)	(2)	(16)
Effect of movements in exchange rates	4	-	-	16	2	22
Cash flows	(721)	-	-	127	-	(594)
Premiums paid	(721)	-	-	-	-	(721)
Claims recovered and expenses paid	-	-	-	127	-	127
Other changes	(1)	-	-	3	-	2
End of the period	(57)	-	-	(3,227)	(281)	(3,565)
Assets	(110)	-	-	(3,203)	(280)	(3,593)
Liabilities	53	-	-	(24)	(1)	28

Movement in reinsurance contract assets and liabilities 1 January – 30 June 2022	LRC		Contracts not under PAA	LIC Contracts under PAA		Total
	excluding the loss recovery component	loss recovery component		estimates of the present value of the future cash flows	risk adjustment for non-financial risks	
Beginning of the period	(48)	-	-	(1,284)	(179)	(1,511)
Assets	(98)	-	-	(1,265)	(176)	(1,539)
Liabilities	50	-	-	(19)	(3)	28
Changes in the consolidated profit or loss or in the consolidated other comprehensive income	536	-	-	(155)	(22)	359
Net expenses from reinsurance contracts held	539	-	-	(249)	(30)	260
Allocation of reinsurance premiums	537	-	-	-	-	537
Amounts recoverable from reinsurers	-	-	-	(247)	(30)	(277)
Recoveries of incurred claims and other expenses incurred in the period	-	-	-	(243)	(51)	(294)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	-	(4)	21	17
Reinsurance investment component	2	-	-	(2)	-	-
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	97	8	105
Effect of movements in exchange rates	(3)	-	-	(3)	-	(6)
Cash flows	(650)	-	-	161	-	(489)
Premiums paid	(650)	-	-	-	-	(650)
Claims recovered and expenses paid	-	-	-	161	-	161
Other changes	(1)	-	-	20	4	23
End of the period	(163)	-	-	(1,258)	(197)	(1,618)
Assets	(229)	-	-	(1,238)	(195)	(1,662)
Liabilities	66	-	-	(20)	(2)	44

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

Non-PAA insurance contracts	Contracts issued 1 January – 30 June 2023			Contracts issued 1 January – 30 June 2022		
	profitable	onerous	total	profitable	onerous	total
Insurance contracts						
Present value of cash outflows	2,006	1,833	3,839	1,564	1,910	3,474
Present value of claims and insurance service expenses	1,745	1,685	3,430	1,345	1,773	3,118
Present value of insurance acquisition cash flows	261	148	409	219	137	356
Present value of cash inflows	(2,646)	(1,606)	(4,252)	(2,131)	(1,663)	(3,794)
Risk adjustment for non-financial risks	50	17	67	52	20	72
CSM	590	-	590	515	-	515
Losses recognized on initial recognition	-	(244)	(244)	-	(267)	(267)
Reinsurance contracts						
Present value of cash outflows	-	-	-	-	-	-
Present value of cash inflows	-	-	-	-	-	-
Risk adjustment for non-financial risks	-	-	-	-	-	-
CSM	-	-	-	-	-	-

Insurance contracts	Contracts issued 1 April – 30 June 2023			Contracts issued 1 April – 30 June 2022		
	profitable	onerous	total	profitable	onerous	total
Insurance contracts						
Present value of cash outflows	980	831	1,811	730	756	1,486
Present value of claims and insurance service expenses	842	761	1,603	613	699	1,312
Present value of insurance acquisition cash flows	138	70	208	117	57	174
Present value of cash inflows	(1,310)	(724)	(2,034)	(1,019)	(654)	(1,673)
Risk adjustment for non-financial risks	26	9	35	25	7	32
CSM	304	-	304	264	-	264
Losses recognized on initial recognition	-	(116)	(116)	-	(109)	(109)
Reinsurance contracts						
Present value of cash outflows	-	-	-	-	-	-
Present value of cash inflows	-	-	-	-	-	-
Risk adjustment for non-financial risks	-	-	-	-	-	-
CSM	-	-	-	-	-	-

In the period from 1 January to 30 June 2023 and in the period from 1 January to 30 June 2022, the PZU Group did not buy any insurance or reinsurance contracts.

10.2 Interest income calculated using the effective interest rate

Interest income calculated using the effective interest rate	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022 (restated)	1 January - 30 June 2022 (restated)
Loan receivables from clients	4,668	9,185	3,538	6,184
Debt securities measured at fair value through other comprehensive income	774	1,509	271	503
Debt securities measured at amortized cost	972	1,801	545	1,009
Buy-sell-back transactions	161	312	86	125
Term deposits with credit institutions	89	167	26	43
Loans	122	233	60	96
Receivables purchased	186	366	145	234
Hedging derivatives	(259)	(534)	(32)	48
Receivables	20	42	23	30
Cash and cash equivalents	225	445	160	210
Interest income carried at an effective interest rate, total	6,958	13,526	4,822	8,482

10.3 Other net investment income

Other net investment income	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022 (restated)	1 January - 30 June 2022 (restated)
Dividend income, including:	40	42	34	36
Investment financial assets measured at fair value through profit or loss	11	13	7	9
Investment financial assets measured at fair value through profit or loss	29	29	27	27
Foreign exchange differences	40	179	(251)	(364)
Income on investment property	90	176	79	151
Investment property maintenance expenses	(43)	(87)	(34)	(62)
Investment activity expenses	(22)	(28)	(7)	(14)
Other	11	7	(5)	(9)
Total other net investment income	116	289	(184)	(262)

10.4 Result on derecognition of financial instruments and investments

Result on derecognition of financial instruments and investments	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022 (restated)	1 January - 30 June 2022 (restated)
Investment financial assets	52	67	(73)	(103)
Debt instruments measured at fair value through other comprehensive income	9	3	(4)	(11)
Financial instruments measured at fair value through profit or loss	42	62	(70)	(95)
Equity instruments	12	19	(11)	(10)
Participation units and investment certificates	8	21	(28)	(49)
Debt instruments	22	22	(31)	(36)
Instruments measured at amortized cost	1	2	1	3
Loan receivables from clients measured at amortized cost	15	8	(3)	(13)
Derivatives	140	300	(7)	(63)
Short selling	(12)	(7)	(1)	4
Receivables	1	(1)	-	-
Result on derecognition of financial instruments and investments, total	196	367	(84)	(175)

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

Movement in allowances for expected credit losses and impairment losses on financial instruments	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022 (restated)	1 January - 30 June 2022 (restated)
Investment financial assets	20	21	(54)	(58)
Debt instruments measured at fair value through other comprehensive income	13	14	(3)	-
Instruments measured at amortized cost	7	7	(51)	(58)
- debt instruments	3	(2)	(23)	(25)
- term deposits with credit institutions	1	2	(25)	(28)
- loans	3	7	(3)	(5)
Loan receivables from clients	(361)	(800)	(740)	(1,114)
Measured at amortized cost	(364)	(803)	(739)	(1,114)
Measured at fair value through other comprehensive income	3	3	(1)	-
Guarantees and sureties granted	(110)	(18)	(13)	(5)
Receivables	(2)	(2)	(46)	(50)
Cash and cash equivalents	5	2	(6)	(7)
Movement in allowances for expected credit losses and impairment losses on financial instruments, total	(448)	(797)	(859)	(1,234)

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

Net movement in fair value of assets and liabilities measured at fair value	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022 (restated)	1 January - 30 June 2022 (restated)
Investment financial instruments measured at fair value through profit or loss	(32)	130	(341)	(456)
Equity instruments	65	94	(113)	(131)
Debt securities	(143)	(128)	103	104
Participation units and investment certificates	46	164	(331)	(429)
Derivatives	385	406	109	282
Measurement of liabilities to members of consolidated mutual funds	(17)	(30)	33	52
Investment contracts on the client's account and risk (unit-linked)	(15)	(26)	26	43
Investment property	(164)	(168)	48	32
Loan receivables from clients	2	7	3	4
Net movement in fair value of assets and liabilities measured at fair value, total	159	319	(122)	(43)

10.7 Fee and commission result

Fee and commission result	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022	1 January - 30 June 2022
Income from commissions and fees	1,363	2,648	1,326	2,549
Banking services	1,225	2,379	1,185	2,275
Margin on foreign exchange transactions with clients	287	545	276	525
Brokerage commissions	50	100	44	100
Custody services	18	36	20	40
Operation of payment and credit cards	400	766	356	655
Remuneration for insurance sales agents	11	18	5	13
Loans and borrowings	148	277	129	237
Operation of bank accounts	89	192	129	271
Transfers	77	153	78	152
Cash operations	27	55	31	59
Receivables purchased	25	47	20	39
Guarantees, letters of credit, documentary collection, stand-by arrangements	23	47	26	49
Commissions from lease activities	26	52	22	46
Other commissions	44	91	49	89
Revenue and fees from funds and investment funds	102	198	89	181
Pension insurance	35	69	51	91
Other	1	2	1	2
Cost of commissions and fees	(418)	(794)	(359)	(663)
Cost of card and ATM transactions, including cost of cards issued	(318)	(593)	(268)	(486)
Commissions for acquisition of bank clients	(23)	(47)	(22)	(41)
Commissions for provision of ATMs	(12)	(23)	(12)	(22)
Cost of awards for bank clients	(6)	(13)	(5)	(9)
Costs of transfers and remittances	(12)	(25)	(12)	(24)
Services added to bank products	(5)	(11)	(5)	(11)
Brokerage commissions	(8)	(15)	(8)	(14)
Cost of operation of bank accounts	(2)	(3)	(2)	(3)
Cost of banknote operations	(5)	(13)	(4)	(13)
Cost of custody activities	(7)	(13)	(7)	(14)
Other commissions	(20)	(38)	(14)	(26)
Fee and commission result, total	945	1,854	967	1,886

10.8 Operating costs of banks

Operating costs of banks	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022	1 January - 30 June 2022
Material and power consumption	44	119	24	57
Outsourcing	278	541	346	553
Taxes and charges	16	32	16	31
Employee costs	955	1,786	763	1,484
Depreciation of property, plant and equipment	132	262	127	255
Amortization of intangible assets	93	184	75	184
Other, including:	88	171	76	129
- advertising	50	95	44	70
- other	38	76	32	59
Operating costs of banks, total	1,606	3,095	1,427	2,693

10.9 Interest expenses

Interest expenses	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022	1 January - 30 June 2022
Term deposits	1,052	2,055	190	237
Overnight deposits	501	987	199	294
Own debt securities issued	287	587	167	254
Hedging derivatives	222	467	167	231
Borrowings	13	29	25	33
Reverse transactions	126	190	87	127
Bank loans taken by PZU Group companies	52	105	24	38
Lease	15	26	15	22
Other	22	40	9	15
Interest expenses, total	2,290	4,486	883	1,251

10.10 Other operating income and expenses

Other operating income and expenses	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022 (restated)	1 January - 30 June 2022 (restated)
Other operating income	408	817	379	738
Sales of products, goods and services by non-insurance companies	274	552	262	513
Revenue from direct claims handling on behalf of other insurance undertakings	39	77	39	79
Reversal of provisions	28	40	10	12
Refund of the cost of pursuing claims	14	28	14	25
Other	53	120	54	109
Other operating expenses	(994)	(2,333)	(1,759)	(3,048)
Tax from financial institutions	(370)	(741)	(361)	(709)
Costs of core activity of companies that do not carry out insurance or banking activities	(305)	(633)	(286)	(563)
Costs of direct claims handling on behalf of other insurance undertakings	(40)	(81)	(41)	(83)
Mandatory fees to insurance and banking market institutions	(4)	(52)	(4)	(45)
Bank Guarantee Fund	-	(249)	(57)	(421)
Cost of fees for the bank protection system	-	-	(636)	(636)
Expenses related to preventive activities	(14)	(32)	(8)	(19)
Provisions established	(127)	(212)	(147)	(176)
Amortization of intangible assets acquired under business acquisitions	(20)	(39)	(24)	(49)
Allowances established for non-financial assets	(9)	(16)	(68)	(104)
Donations	-	(38)	(7)	(35)
Cost of pursuing claims	(27)	(52)	(18)	(42)
Unallocated costs in insurance activities	(58)	(74)	(27)	(33)
Other	(20)	(114)	(75)	(133)
Other operating income and expenses, total	(586)	(1,516)	(1,380)	(2,310)

10.11 Income tax

Total current and deferred tax	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022 (restated)	1 January - 30 June 2022 (restated)
Recognized through profit or loss, including:	(907)	(1,742)	(682)	(1,312)
- current tax	(849)	(1,342)	(513)	(546)
- deferred tax	(58)	(400)	(169)	(766)
Recognized in other comprehensive income (deferred tax)	(165)	(376)	211	310
Total	(1,072)	(2,118)	(471)	(1,002)

Income tax related to components of other comprehensive income	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022 (restated)	1 January - 30 June 2022 (restated)
Other comprehensive income, gross	778	1,899	(1,087)	(1,598)
Income tax	(165)	(376)	211	310
Debt instruments	(54)	(214)	199	453
Financial income and expenses from insurance	60	203	(362)	(797)
Financial income and expenses from reinsurance	1	4	10	22
Cash flow hedges	(172)	(382)	351	634
Equity instruments measured at fair value through other comprehensive income	(4)	10	15	-
Actuarial gains and losses related to provisions for employee benefits	5	5	(3)	(3)
Reclassification of real properties from property, plant and equipment to investment assets	-	(1)	-	-
Loan receivables from clients	(1)	(1)	1	1
Other comprehensive income, net	613	1,523	(876)	(1,288)

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

10.12 Earnings per share

Earnings per share	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022 (restated)	1 January - 30 June 2022 (restated)
Net earnings attributable to owners of the parent company	1,545	2,700	949	1,833
Basic and diluted weighted average number of ordinary shares	863,387,662	863,389,067	863,390,985	863,384,065
Number of issued shares	863,523,000	863,523,000	863,523,000	863,523,000
Weighted average number of treasury shares (held by entities subject to consolidation)	(135,338)	(133,933)	(132,015)	(138,935)
Basic and diluted earnings (loss) per ordinary share (in PLN)	1.79	3.13	1.10	2.12

In 6 months ended respectively 30 June 2023 and 30 June 2022, there were no transactions or events resulting in the dilution of earnings per share.

10.13 Goodwill

Goodwill	30 June 2023	31 December 2022
Pekao ¹⁾	1,715	1,715
LD ²⁾	491	518
Medical companies	342	307
Mass insurance segment in non-life insurance (Link4)	221	221
Balta	40	42
Other	5	5
Goodwill, total	2,814	2,808

¹⁾ Includes goodwill resulting from the purchase of Pekao Investment Management SA and the acquisition of Idea Bank.

²⁾ Includes goodwill resulting from the purchase of a branch of LD in Estonia.

10.14 Intangible assets

Intangible assets by group	30 June 2023	31 December 2022
Software, licenses and similar assets	1,533	1,556
Trademarks	517	523
- Pekao	340	340
- other	177	183
Customer relations	308	347
- Pekao	250	282
- other	58	65
Intangible assets under development	844	832
Other intangible assets	69	24
Intangible assets, total	3,271	3,282

10.15 Other assets

Other assets	30 June 2023	31 December 2022 (restated)
Deferred IT costs	209	205
Accrued direct claims handling receivables	42	47
Costs to be settled over time	147	117
Inventories	42	56
Tax settlements on real properties, means of transport and land	38	-
Settlements of payments made to the Company Social Benefit Fund	25	-
Other assets	49	37
Other assets, total	552	462

10.16 Property, plant and equipment

Property, plant and equipment by group	30 June 2023	31 December 2022
Equipment and machinery	633	629
Means of transport	221	222
Property, plant and equipment under construction	385	405
Real properties	2,652	2,675
Other	366	373
Property, plant and equipment, total	4,257	4,304

10.17 Entities accounted for using the equity method

Associates	30 June 2023	31 December 2022
Krajowy Integrator Płatności SA	50	48
Sigma BIS SA	6	4
RUCH SA	-	-
Associates, total	56	52

10.18 Assets and liabilities held for sale

Assets held for sale based on classification before transfer	30 June 2023	31 December 2022
Groups held for sale	295	302
Assets	324	335
Investment property	297	316
Receivables	4	4
Other assets	2	-
Cash and cash equivalents	21	15
Liabilities directly associated with assets held for sale	29	33
Other liabilities	14	15
Deferred income tax liability	15	18
Other assets held for sale	307	319
Property, plant and equipment	15	18
Investment property	292	301
Assets and groups of assets held for sale	631	654
Liabilities directly associated with assets held for sale	29	33

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

10.19 Loan receivables from clients

Loan receivables from clients	30 June 2023	31 December 2022
Measured at amortized cost	212,201	212,255
Measured at fair value through other comprehensive income	110	254
Measured at fair value through profit or loss	199	184
Loan receivables from clients, total	212,510	212,693

Loan receivables from clients	30 June 2023	31 December 2022
Retail segment	107,264	108,537
Operating loans	191	191
Consumer loans	24,946	24,809
Consumer finance loans	4,051	4,292
Loans to purchase securities	14	14
Overdrafts in credit card accounts	1,139	1,123
Loans for residential real estate	76,027	77,220
Other mortgage loans	602	647
Car loans	2	2
Other receivables	292	239
Business segment	105,246	104,156
Operating loans	34,676	35,005
Car loans	1	1
Investment loans	30,380	30,107
Receivables purchased (factoring)	8,891	8,224
Overdrafts in credit card accounts	100	109
Loans for residential real estate	50	59
Other mortgage loans	10,140	9,872
Finance leases	15,335	14,935
Other receivables	5,673	5,844
Loan receivables from clients, total	212,510	212,693

10.20 Financial derivatives

Derivatives	30 June 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
Related to interest rates	11,264	13,558	14,426	19,625
Fair value hedging instruments - swap transactions	113	-	125	5
Cash flow hedging instruments - swap transactions	559	3,113	285	5,168
Instruments carried as held for trading, including:	10,592	10,445	14,016	14,452
- forward contracts	42	42	45	36
- swap transactions	10,462	10,307	13,870	14,303
- call options (purchase)	71	81	83	97
- put options (sale)	14	11	15	13
- cap floor options	3	4	3	3
Related to exchange rates	1,571	850	1,300	896
Cash flow hedging instruments - swap transactions	106	26	48	1
Instruments carried as held for trading, including:	1,465	824	1,252	895
- forward contracts	580	353	544	322
- swap transactions	863	430	652	529
- call options (purchase)	8	3	28	5
- put options (sale)	14	38	28	39
Related to prices of securities	26	4	26	3
- call options (purchase)	26	4	26	2
- forward contracts	-	-	-	1
Related to commodity prices	340	304	445	432
- forward contracts	2	2	5	3
- swap transactions	322	286	440	429
- call options (purchase)	16	16	-	-
Total	13,201	14,716	16,197	20,956

10.21 Assets pledged as collateral for liabilities

Assets pledged as collateral for liabilities	30 June 2023				31 December 2022			
	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	-	1,136	240	1,376	41	879	52	972
Government securities	-	1,136	240	1,376	41	879	52	972
Domestic	-	1,136	240	1,376	41	879	52	972
Fixed rate	-	1,090	233	1,323	41	791	51	883
Floating rate	-	46	7	53	-	88	1	89
Assets pledged as collateral for liabilities, total	-	1,136	240	1,376	41	879	52	972

10.22 Investment financial assets

Investment financial assets	30 June 2023				31 December 2022			
	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	1,267	952	2,219	n/a	1,648	830	2,478
Participation units and investment certificates	n/a	n/a	4,899	4,899	n/a	n/a	4,876	4,876
Debt securities	105,026	39,355	3,738	148,119	91,605	38,077	2,417	132,099
Government securities	76,154	30,835	3,612	110,601	68,590	26,683	2,160	97,433
Domestic	68,203	25,512	2,682	96,397	62,918	23,973	2,023	88,914
Fixed rate	62,048	15,433	2,066	79,547	58,616	14,984	1,630	75,230
Floating rate	6,155	10,079	616	16,850	4,302	8,989	393	13,684
Foreign	7,951	5,323	930	14,204	5,672	2,710	137	8,519
Fixed rate	7,951	5,323	930	14,204	5,672	2,710	137	8,519
Other	28,872	8,520	126	37,518	23,015	11,394	257	34,666
Fixed rate	21,904	4,981	21	26,906	16,418	7,334	63	23,815
Floating rate	6,968	3,539	105	10,612	6,597	4,060	194	10,851
Other, including:	17,990	-	-	17,990	14,408	-	-	14,408
Buy-sell-back transactions	7,836	-	-	7,836	7,071	-	-	7,071
Term deposits with credit institutions	6,018	-	-	6,018	3,068	-	-	3,068
Borrowings	4,136	-	-	4,136	4,269	-	-	4,269
Investment financial assets, total	123,016	40,622	9,589	173,227	106,013	39,725	8,123	153,861

Equity instruments measured at fair value through other comprehensive income	30 June 2023	31 December 2022
Orlen SA	578	910
Biuro Informacji Kredytowej SA	309	270
Grupa Azoty SA	189	284
PSP sp. z o.o.	88	79
Polimex-Mostostal SA	40	49
Krajowa Izba Rozliczeniowa SA	21	15
Webuild SpA	12	10
Other	30	31
Equity instruments measured at fair value through other comprehensive income, total	1,267	1,648

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	30 June 2023	31 December 2022
France	3,948	1,864
USA	3,480	1,226
Germany	2,358	2,557
Lithuania	701	717
Spain	553	142
Belgium	533	-
Austria	265	3
Latvia	231	180
Romania	229	209
Hungary	222	-
Indonesia	157	176
Hungary	128	128
Italy	113	114
Colombia	101	76
Ukraine	96	78
Croatia	95	75
Bulgaria	84	78
Mexico	76	78
Saudi Arabia	73	48
Panama	73	66
Peru	57	64
Other	631 ¹⁾	640 ²⁾
Total	14,204	8,519

¹⁾ The line item "Other" includes bonds issued by 50 countries with respect to which the balance sheet exposure does not exceed the equivalent of PLN 50 million.

²⁾ The line item "Other" includes bonds issued by 51 countries.

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

Carrying amount of debt securities issued by corporations, local government units and the National Bank of Poland	30 June 2023	31 December 2022
K. Financial and insurance activities, including:	25,135	22,256
Foreign banks	8,423	5,864
National Bank of Poland	15,062	14,594
Companies from the WIG-banks Index	582	562
O. Public administration and defence, compulsory social security, including:	5,436	5,313
Domestic local governments	5,434	5,309
D. Electricity, gas, steam, hot water and air conditioning production and supply, including:	1,704	1,914
Companies from the WIG-Energy Index	1,156	1,308
C. Manufacturing, including:	1,392	1,676
Production and processing of crude oil refining products (including WIG-Fuels)	554	707
E. Water supply; sewerage, waste management and remediation activities	680	584
H. Transportation and storage	622	679
U. Extra-territorial organisations and teams	403	-
N. Administrative and support service activities	614	620
J. Information and communication	374	365
F. Construction	356	373
I. R. Accommodation and food service activities (including: WIG - hotels and restaurants), and arts, entertainment and recreation activities	280	298
M. Professional, scientific and technical activity	210	187
L. Real estate activities	177	185
B. Mining and quarrying	126	192
G. Wholesale and retail trade services; repair services of motor vehicles and motorcycles	9	24
Total	37,518	34,666

10.23 Receivables

Receivables	30 June 2023	31 December 2022 (restated)
Receivables from direct insurance	147	141
Receivables from sale of securities and security deposits ¹⁾	3,477	6,401
Receivables on account of payment card settlements	938	1,358
Trade receivables	521	507
Receivables from the state budget, other than corporate income tax receivables	182	118
Receivables from commissions on off-balance sheet products	149	165
Prevention settlements	36	52
Receivables from direct claims handling on behalf of other insurance undertakings	10	16
Receivables on account of Corporate Income Tax	80	305
Receivables from security and bid deposits	57	64
Interbank and interbranch receivables	98	14
Other	373	278
Receivables, total	6,068	9,419

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

As at 30 June 2023 and 31 December 2022, 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.

10.24 Expected credit losses and impairment of financial assets

Loan receivables from clients measured at amortized cost	1 January – 30 June 2023					1 January – 30 June 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	185,358	24,135	12,167	5,154	226,814	182,578	28,470	11,239	5,307	227,594
Recognition of instruments at the time of acquisition, creation, granting	37,433	-	-	97	37,530	35,386	-	-	18	35,404
Change attributable to modification of cash flows concerning the instrument	(1)	-	-	-	(1)	(2)	(1)	-	-	(3)
Changes attributable to valuation, sale, exclusion or expiration of the instrument (excluding reclassification)	(31,949)	(3,569)	(1,412)	(753)	(37,683)	(28,402)	(1,498)	(1,649)	(236)	(31,785)
Assets excluded from the statement of financial position	-	-	(957)	(32)	(989)	-	-	(1,093)	(7)	(1,100)
Reclassification to stage 1	5,813	(5,504)	(309)	-	-	9,587	(9,325)	(262)	-	-
Reclassification to stage 2	(7,996)	8,224	(228)	-	-	(9,589)	9,987	(398)	-	-
Reclassification to stage 3	(1,212)	(1,722)	2,934	-	-	(2,255)	(1,380)	3,635	-	-
Other changes, including foreign exchange differences	237	23	408	241	909	104	13	183	193	493
End of the period	187,683	21,587	12,603	4,707	226,580	187,407	26,266	11,655	5,275	230,603
Expected credit losses										
Beginning of the period	(1,618)	(2,043)	(7,310)	(3,588)	(14,559)	(1,067)	(1,798)	(6,321)	(3,806)	(12,992)
Establishment of allowances for newly acquired, created, granted instruments	(326)	-	-	(53)	(379)	(235)	-	-	(3)	(238)
Changes attributable to valuation, credit risk level, sale, exclusion or expiration of the instrument (excluding reclassification)	600	(213)	(1,085)	210	(488)	437	(615)	(797)	51	(924)
Assets excluded from the statement of financial position	-	-	957	32	989	-	-	1,093	7	1,100
Reclassification to stage 1	(269)	269	-	-	-	(461)	348	113	-	-
Reclassification to stage 2	133	(193)	60	-	-	109	(286)	177	-	-
Reclassification to stage 3	61	282	(343)	-	-	41	203	(244)	-	-
Other changes, including foreign exchange differences	25	56	262	(285)	58	(6)	33	(352)	(256)	(581)
End of the period	(1,394)	(1,842)	(7,459)	(3,684)	(14,379)	(1,182)	(2,115)	(6,331)	(4,007)	(13,635)
Net carrying amount at the end of the period	186,289	19,745	5,144	1,023	212,201	186,225	24,151	5,324	1,268	216,968

Loan receivables from clients measured at fair value through other comprehensive income	1 January – 30 June 2023					1 January – 30 June 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Carrying amount										
Beginning of the period	254	-	-	-	254	115	131	-	-	246
Recognition of instruments at the time of acquisition, creation, granting	-	-	-	-	-	150	-	-	-	150
Change in measurement	(3)	-	-	-	(3)	2	2	-	-	4
Changes attributable to sale, exclusion or expiration of the instrument (excluding reclassification)	(146)	-	-	-	(146)	(3)	(3)	-	-	(6)
Other changes	5	-	-	-	5	(4)	1	-	-	(3)
End of the period	110	-	-	-	110	260	131	-	-	391
Expected credit losses										
Beginning of the period	(4)	-	-	-	(4)	(2)	(2)	-	-	(4)
Establishment of allowances for newly acquired, created, granted instruments	-	-	-	-	-	(2)	-	-	-	(2)
Changes attributable to valuation or credit risk level (excluding reclassification)	1	-	-	-	1	1	1	-	-	2
Changes attributable to sale, exclusion or expiration of the instrument	2	-	-	-	2	-	-	-	-	-
End of the period	(1)	-	-	-	(1)	(3)	(1)	-	-	(4)

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.

Debt investment financial assets measured at amortized cost	1 January – 30 June 2023					1 January – 30 June 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	91,515	236	24	63	91,838	73,897	354	35	39	74,325
Recognition of instruments at the time of acquisition, creation, granting	146,353	-	-	-	146,353	3,983	-	-	-	3,983
Change in measurement	(156)	-	-	-	(156)	576	-	1	-	577
Changes attributable to sale, exclusion or expiration of the instrument (excluding reclassification)	(133,375)	(20)	-	-	(133,395)	(3,929)	(37)	-	-	(3,966)
Reclassification to stage 1	-	-	-	-	-	244	(244)	-	-	-
Reclassification to stage 2	(93)	93	-	-	-	(213)	213	-	-	-
Other changes, including foreign exchange differences	586	(8)	-	17	595	371	6	-	6	383
End of the period	104,830	301	24	80	105,235	74,929	292	36	45	75,302
Expected credit losses										
Beginning of the period	(87)	(28)	(24)	(53)	(192)	(69)	(8)	(35)	(30)	(142)
Establishment of allowances for newly acquired, created, granted instruments	(14)	-	-	-	(14)	(7)	-	-	-	(7)
Changes attributable to valuation or credit risk level (excluding reclassification)	1	6	-	-	7	(24)	5	-	-	(19)
Changes attributable to sale, exclusion or expiration of the instrument	4	1	-	-	5	1	-	-	-	1
Reclassification to stage 1	-	-	-	-	-	(1)	1	-	-	-
Reclassification to stage 2	5	(5)	-	-	-	32	(32)	-	-	-
Other changes, including foreign exchange differences	-	1	-	(16)	(15)	(1)	(1)	(1)	8	5
End of the period	(91)	(25)	(24)	(69)	(209)	(69)	(35)	(36)	(22)	(162)
Net carrying amount at the end of the period	104,739	276	-	11	105,026	74,860	257	-	23	75,140

As at 30 June 2023 and 30 June 2022 allowances for expected credit losses in relation to reverse repo transactions amounted zero.

Debt investment financial assets measured at fair value through other comprehensive income	1 January – 30 June 2023					1 January – 30 June 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Carrying amount										
Beginning of the period	38,719	237	-	-	38,956	44,788	251	-	-	45,039
Recognition of instruments at the time of acquisition, creation, granting	569,824	-	-	-	569,824	50,959	-	-	-	50,959
Change in measurement	967	(19)	-	-	948	(1,784)	(17)	-	-	(1,801)
Changes attributable to sale, exclusion or expiration of the instrument (excluding reclassification)	(569,342)	(43)	-	-	(569,385)	(56,833)	(21)	-	-	(56,854)
Reclassification to stage 1	8	(8)	-	-	-	26	(26)	-	-	-
Reclassification to stage 2	(29)	29	-	-	-	(168)	168	-	-	-
Other changes, including foreign exchange differences	148	-	-	-	148	440	1	-	-	441
End of the period	40,295	196	-	-	40,491	37,428	356	-	-	37,784
Expected credit losses										
Beginning of the period	(45)	(21)	-	-	(66)	(54)	(26)	-	-	(80)
Establishment of allowances for newly acquired, created, granted instruments	(3)	-	-	-	(3)	(1)	-	-	-	(1)
Changes attributable to valuation or credit risk level (excluding reclassification)	7	6	-	-	13	-	(1)	-	-	(1)
Changes attributable to sale, exclusion or expiration of the instrument	4	-	-	-	4	2	-	-	-	2
Reclassification to stage 2	1	(1)	-	-	-	10	(10)	-	-	-
End of the period	(36)	(16)	-	-	(52)	(43)	(37)	-	-	(80)

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.

Term deposits with credit institutions	1 January – 30 June 2023					1 January – 30 June 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	2,814	140	136	-	3,090	1,385	-	-	-	1,385
Recognition of instruments at the time of acquisition, creation, granting	75,279	-	-	-	75,279	19,900	-	-	-	19,900
Change in measurement	(9)	-	(4)	-	(13)	6	-	-	-	6
Changes attributable to sale, exclusion, expiration or modification of cash flows related to the instrument (excluding reclassification)	(72,120)	(128)	(43)	-	(72,291)	(14,861)	-	-	-	(14,861)
Reclassification to stage 2	(132)	132	-	-	-	(177)	177	-	-	-
Reclassification to stage 3	-	-	-	-	-	(143)	-	143	-	-
Other changes, including foreign exchange differences	(18)	(10)	(1)	-	(29)	11	8	-	-	19
End of the period	5,814	134	88	-	6,036	6,121	185	143	-	6,449
Expected credit losses										
Beginning of the period	(1)	(11)	(10)	-	(22)	(1)	-	-	-	(1)
Establishment of allowances for newly acquired, created, granted instruments	(8)	-	-	-	(8)	5	-	-	-	5
Changes attributable to valuation or credit risk level (excluding reclassification)	-	1	-	-	1	(32)	-	(1)	-	(33)
Changes attributable to sale, exclusion or expiration of the instrument	-	9	-	-	9	-	-	-	-	-
Reclassification to stage 2	8	(8)	-	-	-	27	(27)	-	-	-
Reclassification to stage 3	-	-	-	-	-	1	-	(1)	-	-
Other changes, including foreign exchange differences	-	1	1	-	2	-	(1)	-	-	(1)
End of the period	(1)	(8)	(9)	-	(18)	-	(28)	(2)	-	(30)
Net carrying amount at the end of the period	5,813	126	79	-	6,018	6,121	157	141	-	6,419

Borrowings	1 January – 30 June 2023					1 January – 30 June 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount										
Beginning of the period	4,300	-	-	-	4,300	3,522	75	-	-	3,597
Recognition of instruments at the time of acquisition, creation, granting	1,292	-	-	-	1,292	578	-	-	-	578
Change in measurement	5	-	-	-	5	21	2	-	-	23
Changes attributable to sale, exclusion or expiration of the instrument (excluding reclassification)	(1,437)	-	-	-	(1,437)	(78)	(4)	-	-	(82)
Reclassification to stage 2	(101)	101	-	-	-	-	-	-	-	-
End of the period	4,059	101	-	-	4,160	4,043	73	-	-	4,116
Expected credit losses										
Beginning of the period	(31)	-	-	-	(31)	(5)	(6)	-	-	(11)
Establishment of allowances for newly acquired, created, granted instruments	(8)	-	-	-	(8)	(2)	-	-	-	(2)
Changes attributable to valuation or credit risk level (excluding reclassification)	7	(1)	-	-	6	(4)	1	-	-	(3)
Changes attributable to sale, exclusion or expiration of the instrument	9	-	-	-	9	-	-	-	-	-
Other changes	-	-	-	-	-	1	-	-	-	1
End of the period	(23)	(1)	-	-	(24)	(10)	(5)	-	-	(15)
Net carrying amount at the end of the period	4,036	100	-	-	4,136	4,033	68	-	-	4,101

Receivables	1 January – 30 June 2023	1 January – 30 June 2022 (restated)
Gross carrying amount		
Beginning of the period		9,859
Changes in the period		(3,360)
End of the period		6,499
Expected credit losses		
Beginning of the period		(440)
Changes in the period		9
End of the period		(431)
Net carrying amount at the end of the period		6,068

10.25 Fair value

10.25.1. Description of valuation techniques

10.25.1.1. Debt securities and borrowings

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

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

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

10.25.1.2. 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 forecasted profit or loss of companies or measurement models based on available market data.

10.25.1.3. 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.

10.25.1.4. 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.

10.25.1.5. Loan receivables from clients

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

10.25.1.6. 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, neighbourhood (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 centre, accessibility, exposure, etc.) as well as parameters specific to the relevant local market (such as capitalization rates, the level of rents, operating expenses, etc.).

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

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

Investment property is measured in accordance with the following rules:

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

10.25.1.7. 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.

10.25.1.8. 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.

10.25.1.9. Other liabilities

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

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

Liabilities to 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).

Liabilities from borrowed securities

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

10.25.2. 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, including, without limitation, FX Swap, FX Forward, IRS, CIRS, forward rate agreement;
 - participation units of mutual funds;
 - investment properties or properties held for sale measured using the comparative method, for which there is a sufficient number of transactions of similar properties in the analysed market, including free land for development and certain smaller and less valuable buildings (such as residential units, garages, etc.);
 - liabilities to contributors of consolidated investment funds;
 - investment contracts for the client's account and risk;
- level III – assets measured based on input data unobserved on the existing markets (unobservable input data). This level includes:
 - unquoted debt securities and non-liquid quoted debt securities (including non-treasury debt securities issued by other financial entities, local government and non-financial entities), measured using models based on discounted cash flows;
 - investment properties or properties held for sale measured using the income method or the residual method or the comparative method (if there is no adequate number of transactions of similar properties);
 - loan receivables from clients and liabilities to clients under deposits;

- options embedded in certificates of deposit issued by PZU Group companies and options concluded in the interbank market to hedge embedded option positions.

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

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

Measured assets	Unobservable data	Description	Impact on measurement
Loan receivables from clients	Liquidity margin and current margin from the sale of the product group	Fair values are estimated using valuation techniques, with an assumption that when the loan is granted, the fair value is equal to the carrying amount. The fair value of loans without recognized impairment is equal to the sum of future expected cash flows discounted at the balance sheet date less expected credit loss. The cash flow discount rate is the appropriate risk-free market rate plus the liquidity margin and current sales margin for the loan's product group. The margin is determined by product group and by maturity. For the purpose of estimating the fair value of foreign currency loans, the liquidity margin for PLN loans is used, adjusted by quotations of FX swap and basis-swap transactions. The fair value of loans with recognized impairment is equal to the sum of future expected salvage discounted using the effective interest rate, since the average expected recoveries fully reflect the credit risk component. For loans that do not have a repayment schedule (current account loans, overdrafts and credit cards), the fair value is assumed to be equal to the carrying amount.	Negative correlation
Liabilities to customers 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 discount 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 borrowings	Credit spreads	Spreads are observed on all bonds (their series) or borrowings 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 borrowing agreements and dates of market transactions on the receivables following from such bonds and borrowings.	Negative correlation
Investment property and property held for sale	Capitalisation 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

Measured assets	Unobservable data	Description	Impact on measurement
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.	

10.25.3. Assets and liabilities measured at fair value

Assets and liabilities measured at fair value	30 June 2023				31 December 2022			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Investment financial assets and assets pledged as collateral for liabilities measured at fair value through other comprehensive income	26,141	9,572	6,045	41,758	23,429	11,200	5,975	40,604
Equity instruments	817	-	450	1,267	1,254	-	394	1,648
Debt securities	25,324	9,572	5,595	40,491	22,175	11,200	5,581	38,956
Investment financial assets and assets pledged as collateral for liabilities measured at fair value through profit or loss	3,755	5,794	280	9,829	2,813	4,951	411	8,175
Equity instruments	711	-	241	952	578	-	252	830
Participation units and investment certificates	232	4,651	16	4,899	215	4,645	16	4,876
Debt securities	2,812	1,143	23	3,978	2,020	306	143	2,469
Loan receivables from clients	-	-	309	309	-	-	438	438
Measured at fair value through other comprehensive income	-	-	110	110	-	-	254	254
Measured at fair value through profit or loss	-	-	199	199	-	-	184	184
Derivative financial instruments	-	13,176	25	13,201	-	16,172	25	16,197
Investment property	-	215	2,880	3,095	-	160	2,861	3,021
Liabilities								
Derivatives	-	14,713	3	14,716	-	20,956	-	20,956
Liabilities to contributors of consolidated investment funds	-	360	-	360	-	305	-	305
Investment contracts on the client's account and risk (unit-linked)	-	263	-	263	-	238	-	238
Liabilities from borrowed securities (short sale)	637	-	-	637	875	-	-	875

Movement in assets and liabilities classified as level III of the fair value hierarchy in the period ended 30 June 2023	Investment financial assets and assets pledged as collateral for liabilities measured at fair value through other comprehensive income		Investment financial assets and assets pledged as collateral for liabilities measured at fair value through profit or loss			Derivatives - assets	Derivatives - liabilities	Loan receivables from clients measured at fair value		Investment property
	Equity	Debt	Equity	Investment certificates	Debt			through other comprehensive income	through profit or loss	
Beginning of the period	394	5,581	252	16	143	25	-	254	184	2,861
Purchase/opening of the position/granting	-	371	-	-	521	-	1	-	36	18
Reclassification from level II ¹⁾	-	1,374	-	-	17	-	-	-	-	-
Reclassification from own properties	-	-	-	-	-	-	-	-	-	146
Profit or loss recognized in the profit and loss account	-	166	10	-	7	4	2	11	(1)	(145)
- interest income calculated using the effective interest rate	-	118	-	-	-	-	-	7	(1)	-
- result on derecognition of financial instruments and investments	-	13	-	-	2	-	-	4	-	-
- net movement in fair value of assets and liabilities measured at fair value	-	35	10	-	5	4	2	-	-	(145)
Profit or loss recognized in other comprehensive income	56	169	-	-	-	-	-	6	-	-
Sales/settlements/repayments/conversions	-	(713)	(21)	-	(625)	(4)	-	(161)	(20)	-
Reclassification to level II ¹⁾	-	(1,353)	-	-	(40)	-	-	-	-	-
End of the period	450	5,595	241	16	23	25	3	110	199	2,880

¹⁾ Information on reclassifications is presented in section 10.25.6.

Movement in assets and liabilities classified as level III of the fair value hierarchy in the period ended 30 June 2022	Investment financial assets and assets pledged as collateral for liabilities measured at fair value through other comprehensive income		Investment financial assets and assets pledged as collateral for liabilities measured at fair value through profit or loss			Derivatives - assets	Derivatives - liabilities	Loan receivables from clients measured at fair value		Investment property
	Equity	Debt	Equity	Investment certificates	Debt			through other comprehensive income	through profit or loss	
Beginning of the period	471	5,601	259	21	166	54	20	246	160	2,607
Purchase/opening of the position/granting	-	49	-	-	835	-	-	151	-	112
Reclassification from level II ¹⁾	-	1,964	-	-	22	-	-	-	-	7
Reclassification from own properties	-	-	-	-	-	-	-	-	-	8
Reclassification from assets held for sale	-	-	-	-	-	-	-	-	-	23
Profit or loss recognized in the profit and loss account	-	10	3	-	(2)	(12)	(10)	7	2	13
- interest income calculated using the effective interest rate	-	59	-	-	-	(2)	-	7	2	-
- result on derecognition of financial instruments and investments	-	1	-	-	-	-	-	-	-	-
- net movement in fair value of assets and liabilities measured at fair value	-	(50)	3	-	(2)	(10)	(10)	-	-	13
Profit or loss recognized in other comprehensive income	(71)	(238)	-	-	-	-	-	(5)	-	-
Sales/settlements/repayments/conversions	-	(464)	-	-	(867)	(13)	(9)	(8)	(19)	-
Reclassification to assets held for sale or own properties	-	-	-	-	-	-	-	-	-	(1)
Reclassification to level II ¹⁾	-	(1,502)	-	-	(90)	(1)	-	-	-	-
Foreign exchange differences	-	-	(2)	-	-	-	-	-	-	-
End of the period	400	5,420	260	21	64	28	1	391	143	2,769

¹⁾ Information on reclassifications is presented in section 10.25.6.

10.25.4. Assets and liabilities not measured at fair value

Fair value of assets and liabilities for which it is only disclosed	30 June 2023					31 December 2022				
	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	-	-	211,490	211,490	212,201	-	-	212,467	212,467	212,255
Investment financial assets and assets pledged as collateral for liabilities measured at amortized cost	45,020	48,912	23,817	117,749	123,016	40,218	36,396	20,448	97,062	106,054
Debt securities	45,020	40,056	14,568	99,644	105,026	40,218	32,226	10,170	82,614	91,646
Buy-sell-back transactions	-	3,566	4,270	7,836	7,836	-	2,277	4,794	7,071	7,071
Term deposits with credit institutions	-	5,290	736	6,026	6,018	-	1,893	1,187	3,080	3,068
Borrowings	-	-	4,243	4,243	4,136	-	-	4,297	4,297	4,269
Liabilities										
Liabilities to banks	-	927	5,883	6,810	6,795	-	1,637	6,117	7,754	7,720
Liabilities to clients under deposits	-	-	288,309	288,309	288,245	-	-	278,277	278,277	278,058
Liabilities on the issue of own securities ¹⁾	-	8,169	1,651	9,820	9,651	-	10,315	821	11,136	11,090
Subordinated liabilities ¹⁾	-	2,783	3,400	6,183	6,176	-	2,788	3,331	6,119	6,184
Liabilities on account of repurchase transactions	-	1,219	112	1,331	1,331	-	930	1	931	931

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

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

During 6 months ended 30 June 2023 and in 2022 there were no changes in the method of measurement of fair value of financial instruments measured at fair value whose value would be important from the point of view of consolidated financial statements.

10.25.6. Reclassification between fair value hierarchy levels

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

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

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

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

During 6 months ended 30 June 2023 the following reclassifications 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 valuation, and capital market derivatives for which the estimated volatility did not significantly affect the valuation were reclassified from level III to level II;

- corporate bonds for which the impact exerted by the estimated credit parameters on the measurement was significant were reclassified from level II to level III;
- government bonds measured using market quotations were reclassified from level II to level I due to an increase in market activity.

During 6 months ended 30 June 2022 the following reclassifications of assets between fair value levels were made:

- corporate, municipal and State Treasury 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 valuation were reclassified from level III to level II;
- corporate and municipal bonds and derivatives of the FX and interest rate market for which the impact exerted by the estimated credit parameters on the measurement was significant were reclassified from level II to level III;
- government bonds measured using market quotations were reclassified from level II to level I due to an increase in market activity.

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

During 6 months ended 30 June 2023 the classification of financial assets was not changed as a result of changes in the purpose or use of those assets.

10.27 Share capital

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

All shares were fully paid up.

As at 30 June 2023 and 31 December 2022

Series / issue	Type of shares	Type of preference	Type of limitation on rights of shares	Number of shares	Value of series/issue at par value (in 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			

10.28 Distribution of the parent company's profit

Information about the distribution of the parent company's profit is presented in Section 18.

10.29 Subordinated liabilities

	Nominal value	Currency	Interest rate	Issue date/Maturity date	Carrying amount 30 June 2023	Carrying amount 31 December 2022
Liabilities classified as PZU's own funds						
Subordinated bonds - PZU	2,250	PLN	WIBOR 6M + margin	30 June 2017 / 29 July 2027	2,329	2,333
Liabilities classified as Bank Pekao's own funds						
A series bonds	1,250	PLN	WIBOR 6M + margin	30 October 2017 / 29 October 2027	1,268	1,270
B series bonds	550	PLN	WIBOR 6M + margin	15 October 2018 / 16 October 2028	560	560
C series bonds	200	PLN	WIBOR 6M + margin	15 October 2018 / 14 October 2033	204	204
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	403	403
Liabilities classified as Alior Bank's own funds						
F series bonds	322	PLN	WIBOR 6M + margin	26 September 2014 / 26 September 2024	228	229
K and K1 series bonds	600	PLN	WIBOR 6M + margin	20 October 2017 / 20 October 2025	611	612
P1B series bonds	70	PLN	WIBOR 6M + margin	29 April 2016 / 16 May 2024	71	71
P2A series bonds	150	PLN	WIBOR 6M + margin	14 December 2017 / 29 December 2025	150	150
Subordinated liabilities					6,176	6,184

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

10.30 Liabilities on the issue of own debt securities

Liabilities on the issue of own debt securities	30 June 2023	31 December 2022
Bonds	7,188	3,488
Certificates of deposit	1,553	6,646
Covered bonds	910	956
Liabilities on the issue of own debt securities, total	9,651	11,090

10.31 Liabilities to banks

Liabilities to banks	30 June 2023	31 December 2022
Current deposits	1,131	855
One-day deposits	278	868
Term deposits	423	508
Loans received	4,766	5,271
Other liabilities	197	218
Liabilities to banks, total	6,795	7,720

10.32 Liabilities to clients under deposits

Liabilities to clients under deposits	30 June 2023	31 December 2022
Current deposits	210,659	206,298
Term deposits	76,564	70,655
Other liabilities	1,022	1,105
Liabilities to clients under deposits, total	288,245	278,058

10.33 Other liabilities

Other liabilities	30 June 2023	31 December 2022 (restated)
Liabilities measured at fair value	1,260	1,418
Liabilities on borrowed securities (short sale)	637	875
Investment contracts for the client's account and risk (unit-linked)	263	238
Liabilities to contributors of consolidated investment funds	360	305
Accrued expenses	1,220	1,261
Accrued payroll expenses	662	726
Other	558	535
Deferred income	323	346
Other liabilities	14,677	11,600
Liabilities on account of repurchase transactions	1,331	931
Lease liabilities	1,502	1,296
Liabilities under transactions on financial instruments	2,080	2,283
Liabilities to banks for payment documents cleared in interbank clearing systems	1,761	2,331
Liabilities on direct insurance	545	470
Liabilities on account of payment card settlements	515	923
Regulatory settlements	434	573
Liabilities for contributions to the Bank Guarantee Fund	987	738
Estimated non-insurance liabilities	96	162
Liabilities to employees	90	116
Estimated refunds of compensation in connection with banks' clients lapsing or withdrawing from insurance purchased during the sale of credit products	35	27
Trade liabilities	403	486
Current income tax liabilities	673	328
Liabilities on account of employee leaves	228	162
Liabilities to the state budget other than for income tax	154	153
Liabilities on account of donations	9	13
The PZU Group banks' liabilities for insurance of bank products offered to the bank's clients	26	14
Insurance Guarantee Fund	14	14
Liability for the refund of loan costs	80	132
Liabilities for direct claims handling	35	32
Liabilities on account of dividends to minority shareholders of subsidiaries	3,213	-
Other	466	416
Other liabilities, total	17,480	14,625

10.34 Provisions

Movement in provisions in the period ended 30 June 2023	Beginning of the period	Increase	Utilization	Reversal	Other changes	End of the period
Provision for guarantees and sureties given	514	295	-	(277)	(5)	527
Provision for retirement severance pays	265	49	(11)	(1)	-	302
Provision for disputed claims and potential liabilities	88	34	(15)	(15)	-	92
Provision for potential refunds of borrowing costs	127	-	(24)	-	-	103
Provision for legal risk pertaining to mortgage loans in Swiss francs	479	147	(9)	(13)	(2)	602
Provisions for refunds to clients of increased mortgage loan margins before the mortgage is established	123	-	(12)	(6)	-	105
Provision for penalties imposed by the Office of Competition and Consumer Protection	39	-	-	-	-	39
Provision for restructuring costs	21	-	(3)	-	-	18
Provision for post-mortem benefits	25	1	-	-	-	26
Other	30	23	-	(6)	-	47
Total provisions	1,711	549	(74)	(318)	(7)	1,861

Movement in provisions in the period ended 30 June 2022	Beginning of the period	Increase	Utilization	Reversal	Other changes	End of the period
Provision for guarantees and sureties given	496	251	-	(246)	5	506
Provision for retirement severance pays	267	15	(28)	-	(15)	239
Provision for disputed claims and potential liabilities	69	12	(7)	(9)	1	66
Provision for potential refunds of borrowing costs	120	34	(25)	-	-	129
Provision for legal risk pertaining to mortgage loans in Swiss francs	132	114	(4)	(2)	-	240
Provision for penalties imposed by the Office of Competition and Consumer Protection	39	-	-	-	-	39
Provision for restructuring costs	28	-	(4)	-	-	24
Provision for post-mortem benefits	25	1	-	-	(2)	24
Other	30	10	(9)	(1)	-	30
Total provisions	1,206	437	(77)	(258)	(11)	1,297

Provision for potential refunds of borrowing costs

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

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

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

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

On 3 October 2019, the CJEU issued a ruling regarding the effects of possible abusiveness of the provisions of an individual agreement on a CHF-indexed loan granted by one of the banks. The CJEU interpreted the provisions of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts in the context of the Swiss franc-indexed loan agreement. The CJEU specified the effects of declaring the possible abusiveness of the conversion clauses by the national court, without analyzing at all the possible abusiveness of the contractual provisions. The CJEU did not rule that if the national court deems a

clause abusive, then it should automatically declare the entire agreement invalid. An assessment in this respect is up to the national court, however the CJEU did not rule out the possibility of supplementing the gap resulting from the abusiveness of the conversion clauses using national supplementary provisions.

The CJEU ruling provides general guidance for Polish ordinary courts. The ultimate resolutions made by Polish courts will be based on EU regulations interpreted in accordance with the CJEU judgment, taking into consideration the national laws and analysis of the individual circumstances of each case. The line of rulings in cases involving mortgage loans in Swiss francs has formed in an unfavourable way, resulting in judgments by the courts establishing the invalidity of loan agreements and ordering borrowers to repay the benefits they have fulfilled. So far, there has been no resolution of the full panel of the Civil Chamber of the Supreme Court addressing the issues covered by the request of the First President of the Supreme Court, in particular the following aspects:

- can abusive provisions regarding the method of determining the exchange rate of the currency in a indexed or denominated loan agreement be replaced by the provisions of civil or common law;
- if it is impossible to determine a binding exchange rate of a foreign currency in a denominated loan agreement, can the agreement bind the parties to the remaining extent;
- if it is impossible to determine a binding exchange rate of a foreign currency in a loan agreement, can the agreement bind the parties to the remaining extent;
- if a loan agreement is invalidated will the theory of balance or the theory of two conditions apply;
- what is the moment determining the start of the statute of limitations period if the bank makes a claim against the borrower for refund of the disbursed loan;
- is it possible for banks and borrowers to receive remuneration for the use of funds.

In the opinion of the PZU Group, the Supreme Court's ruling on the above issues may have a significant impact on the further development of the line of judicial rulings in the context of the last three issues, as the remaining issues have been prejudged by preliminary rulings issued by the CJEU. It should also be noted that it is uncertain if and when the Civil Chamber in its full composition will adopt a resolution on the aforementioned legal questions.

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

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

On 15 June 2023 the CJEU issued a ruling in case C-520/21, in which it responded to the prejudicial question of the District Court for Warsaw Śródmieście. The 1st Civil Division applied to the CJEU for a prejudicial ruling concerning the CJEU's position on the question, whether, where a loan agreement concluded by a bank and a client is invalid from the outset due to the inclusion in it

of unfair contractual terms, the parties, in addition to the return of the money paid in performance of the agreement (the bank – the loan principal, the client – the instalments, fees, commissions and insurance premiums) and statutory interest for delay from the time of the demand for payment, may also claim any other benefits.

In the above opinion, the Advocate General of the CJEU concluded that Articles 6(1) and 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts should be interpreted as follows:

- if a loan agreement concluded by a client and a bank is deemed to be invalid from the outset due to the inclusion in it of unfair contractual terms, the client, in addition to the return of the money paid on the basis of the agreement and the payment of statutory interest for delay from the time of the demand for payment, may, following such recognition, also demand additional benefits from the bank. In doing so, it is up to the national court to determine, in light of national law, whether clients have the right to assert such claims and, if so, to rule on their merits; and
- if a loan agreement concluded by a client and a bank is deemed to be invalid from the outset due to the inclusion in it of unfair contractual terms, the bank, in addition to the return of the money paid on the basis of the agreement and the payment of statutory interest for delay from the time of the demand for payment, may, following such recognition, also demand additional benefits from the banks.

The CJEU ruling of 15 June 2023 is fully consistent with the opinion of the General Spokesman of the CJEU in case C-520/21, issued on 16 February 2023 on the basis of Art. 252 of the Treaty on Functioning of the European Union. 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. The PZU Group is not aware of any consumer claims of that type, including their legal basis, scope or character.

As at 30 June 2023, there were 4,202 court cases pending against the PZU Group with regard to FX mortgage loans which were granted in previous years and amounted to PLN 1,440 million in total (31 December 2022: 2,989 cases of PLN 998 million in total). The major reason for disputes pointed out by applicants is to question the conditions of loan agreements in terms of foreign exchange rates applied by the PZU Group and results in claims for the partial or complete invalidation of such loan agreements.

During 6 months ended 30 June 2023, in cases instituted by borrowers, 589 court judgements against the PZU Group were issued, including 90 valid judgements, as well as 19 court judgements favourable for the PZU Group, including 2 valid judgements (2022: 580 court judgements against the PZU Group were issued, including 97 valid judgements, and 24 court judgements favourable for the PZU Group, including 5 valid judgements).

In 1H 2023 the PZU Group did not make any significant changes in its assumptions and methodology of the calculation of provisions in comparison with those presented in the consolidated financial statements of the PZU Group for 2022.

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

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

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

Consolidated statement of financial position line items	30 June 2023	31 December 2022
Impairment losses for loan receivables from clients	1,795	1,824
individual provision	453	394
portfolio provision	1,342	1,430
Other provisions	601	479
individual provision	280	182
portfolio provision	321	297
Total	2,396	2,303

Impact of movement in provision on items of the consolidated profit and loss account	1 April - 30 June 2023	1 January - 30 June 2023	1 April - 30 June 2022	1 January - 30 June 2022
Movement in allowances for expected credit losses and impairment losses on financial instruments	(70)	(43)	(300)	(331)
Other net investment income	(159)	(133)	(107)	(114)
Other operating expenses	140	67	(407)	(445)
Total	(89)	(109)	(300)	(331)

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

PLN 28 million is the amount of a penalty refunded by the Office of Competition and Consumer Protection 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.

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

10.35 Notes to the consolidated cash flow statement

Movement in liabilities attributable to financial activities in the period ended 30 June 2023	Beginning of the period	Changes resulting from cash flows	Interest accruals and payments as well as settlements of discount and premium	Foreign exchange differences	Other changes	End of the period
Loans received	5,271	(375)	5	(144)	9	4,766
Liabilities on the issue of debt securities	11,090	(1,318)	(10)	(83)	(28)	9,651
Bonds	3,488	3,794	(27)	(70)	3	7,188
Certificates of deposit	6,646	(5,098)	17	(9)	(3)	1,553
Covered bonds	956	(14)	-	(4)	(28)	910
Subordinated liabilities	6,184	(159)	151	-	-	6,176
Liabilities on account of repurchase transactions	931	400	44	-	(44)	1,331
Lease liabilities	1,296	(147)	20	(1)	334	1,502
Total	24,772	(1,599)	210	(228)	271	23,426

Movement in liabilities attributable to financial activities in the period ended 30 June 2022	Beginning of the period	Changes resulting from cash flows	Interest accruals and payments as well as settlements of discount and premium	Foreign exchange differences	Other changes	End of the period
Loans received	4,658	76	1	26	6	4,767
Liabilities on the issue of debt securities	5,940	1,960	1	15	24	7,940
Bonds	4,154	(460)	6	15	5	3,720
Certificates of deposit	695	2,571	(5)	(1)	15	3,275
Covered bonds	1,091	(151)	-	1	4	945
Subordinated liabilities	6,274	(223)	85	(1)	-	6,135
Liabilities on account of repurchase transactions	1,207	6,684	132	-	(36)	7,987
Lease liabilities	992	(152)	182	1	273	1,296
Total	19,071	8,345	401	41	267	28,125

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

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

Financial assets pledged as collateral for liabilities and contingent liabilities	30 June 2023	31 December 2022
Carrying amount of financial assets pledged as collateral for liabilities	12,592	13,267
Repurchase transactions	1,329	931
Coverage of the Guaranteed Funds Protection Fund for the Bank Guarantee Fund	951	962
Coverage of liabilities to be paid to the guarantee fund at the Bank Guarantee Fund	418	415
Coverage of liabilities to be paid to the resolution fund (BFG)	734	739
Lombard and technical credit	6,529	6,483
Other loans	247	317
Issue of covered bonds	962	1,262
Coverage of the Settlement Guarantee Fund for the National Depository for Securities	32	36
Derivative transactions	1,364	2,094
Blockage of assets in connection with the agreement on the technical credit limit in the Clearing House	26	28
Carrying amount of financial assets pledged as collateral for contingent liabilities	-	-
Financial assets pledged as collateral for liabilities and contingent liabilities, total	12,592	13,267

12. Contingent assets and liabilities

Contingent assets and liabilities	30 June 2023	31 December 2022
Contingent assets, including:	4	6
- guarantees and sureties received	4	6
Contingent liabilities	74,613	80,676
- for renewable limits in settlement accounts and credit cards	4,989	4,829
- for loans in tranches	47,442	53,634
- guarantees and sureties given	8,768	8,521
- disputed insurance claims	940	933
- other disputed claims	391	187
- other, including:	12,083	12,572
- guaranteeing securities issues	3,315	4,158
- factoring	7,089	7,192
- intra-day limit	436	449
- letters of credit and commitment letters	1,059	688
- other	184	85

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

In the 3-month period ended 6 months ended 30 June 2023 and in 2022, neither PZU nor its subsidiaries granted any sureties for loans or borrowings or any guarantees, jointly to a single entity or its subsidiary, if the total amount of the outstanding sureties or guarantees would be significant.

13. Equity management

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

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

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

The capital management policy is based on the following principles:

- manage the PZU Group's capital (including excess capital) at the level of PZU;
- maintain target solvency ratios at the level of 200% for the PZU Group, PZU SA and PZU Życie SA (according to Solvency II);
- maintain the PZU Group's financial leverage ratio at a level no higher than 25%;
- ensure funds for growth and acquisitions;
- maintain the financial conglomerate's surplus own funds above the pertinent requirements for solvency;
- PZU will not issue any new shares for the duration of this Policy.

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

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

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

- the dividend amount proposed by the parent company's Management Board which PZU pays for the respective financial year is determined on the basis of the PZU Group's consolidated financial result attributable to equity holders of the parent company, where:
 - not more than 20% will increase retained earnings (supplementary capital) for purposes of organic development and innovations, and implementation of development initiatives;
 - no less than 50% is subject to payment as an annual dividend;
 - the remaining part will be paid in the form of annual dividend or will increase retained earnings (supplementary capital) if significant expenditures are incurred in connection with execution of the PZU Group Strategy, including in particular, mergers and acquisitions;

subject to the items below:

- according to the PZU Management Board's plans and risk and solvency self-assessment of the parent company, the own funds of the parent company and the PZU Group following the declaration of payment or payment of a dividend will remain at a level that will ensure 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 sec. 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 2022 report published on 11 May 2023 is available online at <https://www.pzu.pl/relacje-inwestorskie/raporty?queries%5Byear%5D=2022>. 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.

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

The PZU Group's solvency ratio as at 31 December 2022, published in the PZU Group's 2021 solvency and financial condition report, was 240%.

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

14. Segment reporting

14.1 Reportable segments

14.1.1. Key classification criterion

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

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

Segment	Accounting Standards	Segment description	Aggregation criteria
Corporate insurance (non-life insurance)	IFRS	Broad scope of property insurance products, TPL and motor insurance customized to a customer's needs entailing individual underwriting offered to large economic entities by PZU, Link4, TUW PZUW.	Aggregation by similarity of products offered, similar client groups to which they are offered, distribution channels and operation in the same regulatory environment.
Mass insurance (non-life insurance)	IFRS	Broad scope of property, accident, TPL and motor insurance products offered to retail clients and entities in the small and medium-sized enterprise sector by PZU and Link4.	As above.
Group insurance and individually continued insurance (life insurance)	IFRS	Group insurance addressed by PZU Życie to groups of employees and other formal groups (e.g. trade unions), under which persons under a legal relationship with the policyholder (e.g. employer, trade union) enrol in the insurance and individually continued insurance in which the policyholder acquired the right to individual continuation during the group phase. PZU Życie's offer covers a wide range of protection, investment (non-investment contracts) and health insurance.	No aggregation.
Individual insurance (life insurance)	IFRS	Insurance offered by PZU Życie to retail clients under which the insurance contract applies to a specific insured and this insured is subject to individual underwriting. PZU Życie's offer covers a wide range of protection and health insurance.	No aggregation.
Unit-linked life insurance	IFRS	Unit-linked insurance with significant insurance risk (investment agreements that are not investment contracts).	No aggregation.
Investments	IFRS	The segment includes investments of free funds, i.e. the surplus of the investment portfolio over the level allocated to pay insurance liabilities of PZU and PZU Życie.	The aggregation was effected because of the similar surplus-based nature of the revenue.
Banking activity	IFRS	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	IFRS	2nd pillar pension insurance.	No aggregation.
Baltic States	IFRS	Non-life and life insurance products offered by LD and its branch in Estonia, Balta and PZU LT GD.	The aggregation was carried out due to the similarity of products and services offered by the companies and the similarity of the regulatory environment of their operations.
Ukraine	IFRS	Non-life and life insurance products offered by PZU Ukraine and PZU Ukraine Life Insurance.	The aggregation was carried out due to the similarity of the regulatory environment of their operations.
Investment contracts	IFRS	PZU Życie products that do not transfer significant insurance risk within the meaning of IFRS 4 and that do not meet the definition of an insurance contract (i.e. some products with a guaranteed rate of return and some unit-linked products).	No aggregation.
Other	IFRS	Other products and services not classified into any of the above segments.	

14.1.2. Description of differences in the basis for segment separation and the basis for the measurement of profit or loss of a segment in comparison with the previous annual consolidated financial statements

The PZU Group changed the basis for the measurement of profit or loss of certain segments in comparison with the previous annual consolidated financial statements.

In the case of segments of corporate insurance (non-life insurance), mass insurance (non-life insurance), group and individually continued insurance (life insurance), individual protection insurance (life insurance), investments and investment contracts, the profit or loss of segments was measured in accordance with the Polish Accounting Standard till the end of 2022. Starting from consolidated financial statements for periods started 1 January 2023, the profit or loss of those segments is measured in accordance with the IFRS. In particular for insurance segments, the profit or loss on insurance services is measured in accordance with IFRS 17.

In addition, in accordance with IFRS 17, in the segments of group and individually continued insurance and individual insurance, a new segment of life insurance of investment character was separated and disclosed.

Data for comparative periods were restated accordingly to recognise the results of segments in accordance with the new structure and method of measurement of profit and loss.

14.1.3. Information relating to geographical areas

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

- Poland;
- Baltic States;
- Ukraine.

14.2 Measure of the segment's profit

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

14.3 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 fulfilment 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;
- not allocating other revenue and costs to the segment called „investments” besides realized and unrealized revenue and costs of investments – stemming from the method of analysing this segment's data and the impracticality of such an allocation.

14.4 Quantitative data

1 April – 30 June 2023	Corporate insurance	Mass insurance	Group insurance and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Investment contracts	Investments	Banking activity	Pension insurance	Other	Total
Insurance service result before reinsurance	535	383	348	51	13	88	7	-	-	-	-	-	1,425
Insurance revenue	995	2,956	1,820	164	10	606	50	-	-	-	-	-	6,601
Amortization of liabilities for remaining coverage (PAA)	846	2,291	-	-	-	488	29	-	-	-	-	-	3,654
Expected claims and benefits (GMM, VFA)	-	-	1,178	35	(1)	2	9	-	-	-	-	-	1,223
Expected expenses(GMM, VFA)	-	-	228	23	(1)	2	-	-	-	-	-	-	252
Release of the contractual service margin (GMM, VFA)	-	-	306	44	7	4	-	-	-	-	-	-	361
Release of risk adjustment for non-financial risks (GMM, VFA)	-	-	30	5	4	-	-	-	-	-	-	-	39
Recovery of insurance acquisition cash flows	149	665	109	55	2	110	12	-	-	-	-	-	1,102
Other income	-	-	(31)	2	(1)	-	-	-	-	-	-	-	(30)
Insurance service expenses	(460)	(2,573)	(1,472)	(113)	3	(518)	(43)	-	-	-	-	-	(5,176)
Claims incurred in the period (without the investment component)	(414)	(1,742)	(1,161)	(26)	-	(371)	(22)	-	-	-	-	-	(3,736)
Expenses incurred in the period	(51)	(207)	(208)	(22)	(1)	(64)	(9)	-	-	-	-	-	(562)
Run-off of claim reserves from prior years	131	(27)	-	-	-	29	-	-	-	-	-	-	133
Amortization of loss component	50	126	94	3	5	37	-	-	-	-	-	-	315
Recognition of the loss component	(27)	(58)	(88)	(13)	1	(39)	-	-	-	-	-	-	(224)
Amortization of insurance acquisition cash flows	(149)	(665)	(109)	(55)	(2)	(110)	(12)	-	-	-	-	-	(1,102)

1 April – 30 June 2023	Corporate insurance	Mass insurance	Group insurance and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Investment contracts	Investments	Banking activity	Pension insurance	Other	Total
Net expenses from reinsurance contracts held	(296)	(1)	-	-	-	(3)	(4)	-	-	-	-	-	(304)
Allocation of reinsurance premiums	(319)	(36)	-	-	-	(5)	-	-	-	-	-	-	(360)
Amounts recoverable from reinsurers, including:	24	35	-	-	-	2	(4)	-	-	-	-	-	57
Incurred claims	26	3	-	-	-	2	(4)	-	-	-	-	-	27
Incurred expenses	(1)	-	-	-	-	-	-	-	-	-	-	-	(1)
Run-off of claim reserves from prior years	(1)	32	-	-	-	-	-	-	-	-	-	-	31
Insurance service result	(1)	-	-	-	-	-	-	-	-	-	-	-	(1)
Net expenses from reinsurance contracts held	239	382	348	51	13	85	3	-	-	-	-	-	1,121
Insurance finance income or expenses	(17)	(43)	(126)	(23)	(183)	(8)	-	-	-	-	-	-	(400)
Reinsurance finance income or expenses	2	(3)	-	-	-	-	-	-	-	-	-	-	(1)
Investment income	80	168	212	29	183	14	11	2	124	6,148	5	5	6,981
Fee and commission result	-	-	-	-	-	1	-	-	25	921	34	(36)	945
Operating costs of banks	-	-	-	-	-	-	-	-	-	(1,646)	-	40	(1,606)
Interest expenses	-	-	-	-	-	-	-	-	(59)	(2,243)	-	12	(2,290)
Other operating income and expenses	-	-	-	-	-	-	-	-	(32)	(358)	(13)	(183)	(586)
Operating profit	304	504	434	57	13	92	14	2	58	2,822	26	(162)	4,164

1 January – 30 June 2023	Corporate insurance	Mass insurance	Group insurance and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Investment contracts	Investments	Banking activity	Pension insurance	Other	Total
Insurance service result before reinsurance	(360)	786	551	118	13	173	19	-	-	-	-	-	1,300
Insurance revenue	1,955	5,770	3,643	319	20	1,192	103	-	-	-	-	-	13,002
Amortization of liabilities for remaining coverage (PAA)	1,666	4,479	-	-	-	965	65	-	-	-	-	-	7,175
Expected claims and benefits (GMM, VFA)	-	-	2,367	70	-	5	17	-	-	-	-	-	2,459
Expected expenses(GMM, VFA)	-	-	447	44	(2)	4	-	-	-	-	-	-	493
Release of the contractual service margin (GMM, VFA)	-	-	600	97	12	7	-	-	-	-	-	-	716
Release of risk adjustment for non-financial risks (GMM, VFA)	-	-	61	9	9	1	-	-	-	-	-	-	80
Recovery of insurance acquisition cash flows	289	1,291	218	100	3	210	21	-	-	-	-	-	2,132
Other income	-	-	(50)	(1)	(2)	-	-	-	-	-	-	-	(53)
Insurance service expenses	(2,315)	(4,984)	(3,092)	(201)	(7)	(1,019)	(84)	-	-	-	-	-	(11,702)
Claims incurred in the period (without the investment component)	(860)	(3,384)	(2,463)	(47)	(7)	(754)	(47)	-	-	-	-	-	(7,562)
Expenses incurred in the period	(104)	(426)	(408)	(43)	(3)	(126)	(16)	-	-	-	-	-	(1,126)
Run-off of claim reserves from prior years	(1,085)	78	-	-	-	73	-	-	-	-	-	-	(934)
Amortization of loss component	91	256	187	5	8	76	-	-	-	-	-	-	623
Recognition of the loss component	(68)	(217)	(190)	(16)	(2)	(78)	-	-	-	-	-	-	(571)
Amortization of insurance acquisition cash flows	(289)	(1,291)	(218)	(100)	(3)	(210)	(21)	-	-	-	-	-	(2,132)

1 January – 30 June 2023	Corporate insurance	Mass insurance	Group insurance and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Investment contracts	Investments	Banking activity	Pension insurance	Other	Total
Net expenses from reinsurance contracts held	724	(41)	-	-	-	(6)	(2)	-	-	-	-	-	675
Allocation of reinsurance premiums	(638)	(76)	-	-	-	(12)	-	-	-	-	-	-	(726)
Amounts recoverable from reinsurers, including:	1,363	35	-	-	-	6	(2)	-	-	-	-	-	1,402
Incurred claims	119	8	-	-	-	6	(2)	-	-	-	-	-	131
Incurred expenses	11	1	-	-	-	-	-	-	-	-	-	-	12
Run-off of claim reserves from prior years	1,233	26	-	-	-	-	-	-	-	-	-	-	1,259
Insurance service result	(1)	-	-	-	-	-	-	-	-	-	-	-	(1)
Net expenses from reinsurance contracts held	364	745	551	118	13	167	17	-	-	-	-	-	1,975
Insurance finance income or expenses	(53)	(123)	(249)	(45)	(388)	(17)	-	-	-	-	-	-	(875)
Reinsurance finance income or expenses	13	-	-	-	-	-	-	-	-	-	-	-	13
Investment income	163	365	411	57	395	26	26	2	253	11,998	9	(1)	13,704
Fee and commission result	-	-	-	-	-	1	-	1	48	1,805	68	(69)	1,854
Operating costs of banks	-	-	-	-	-	-	-	-	-	(3,180)	-	85	(3,095)
Interest expenses	-	-	-	-	-	-	-	-	(114)	(4,397)	-	25	(4,486)
Other operating income and expenses	-	-	-	-	-	-	-	-	(57)	(986)	(19)	(454)	(1,516)
Operating profit	487	987	713	130	20.	177	43	3	130	5,240	58	(414)	7,574

1 April – 30 June 2022	Corporate insurance	Mass insurance	Group insurance and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Investment contracts	Investments	Banking activity	Pension insurance	Other	Total
Insurance service result before reinsurance	304	446	279	42	6	70	39	-	-	-	-	-	1,186
Insurance revenue	841	2,743	1,747	133	11	496	75	-	-	-	-	-	6,046
Amortization of liabilities for remaining coverage (PAA)	716	2,148	-	-	-	395	54	-	-	-	-	-	3,313
Expected claims and benefits (GMM, VFA)	-	-	1,163	40	-	2	12	-	-	-	-	-	1,217
Expected expenses(GMM, VFA)	-	-	210	24	(1)	2	-	-	-	-	-	-	235
Release of the contractual service margin (GMM, VFA)	-	-	261	33	6	5	-	-	-	-	-	-	305
Release of risk adjustment for non-financial risks (GMM, VFA)	-	-	32	4	3	-	-	-	-	-	-	-	39
Recovery of insurance acquisition cash flows	125	595	104	49	2	92	9	-	-	-	-	-	976
Other income	-	-	(23)	(17)	1	-	-	-	-	-	-	-	(39)
Insurance service expenses	(537)	(2,297)	(1,468)	(91)	(5)	(426)	(36)	-	-	-	-	-	(4,860)
Claims incurred in the period (without the investment component)	(475)	(1,600)	(1,195)	(25)	(3)	(307)	(20)	-	-	-	-	-	(3,625)
Expenses incurred in the period	(36)	(188)	(184)	(19)	2	(53)	(7)	-	-	-	-	-	(485)
Run-off of claim reserves from prior years	95	86	-	-	-	29	-	-	-	-	-	-	210
Amortization of loss component	31	79	110	3	1	55	-	-	-	-	-	-	279
Recognition of the loss component	(27)	(79)	(95)	(1)	(3)	(58)	-	-	-	-	-	-	(263)
Amortization of insurance acquisition cash flows	(125)	(595)	(104)	(49)	(2)	(92)	(9)	-	-	-	-	-	(976)

1 April – 30 June 2022	Corporate insurance	Mass insurance	Group insurance and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Investment contracts	Investments	Banking activity	Pension insurance	Other	Total
Net expenses from reinsurance contracts held	(121)	(28)	-	-	-	20	(15)	-	-	-	-	-	(144)
Allocation of reinsurance premiums	(231)	(37)	-	-	-	(5)	(16)	-	-	-	-	-	(289)
Amounts recoverable from reinsurers, including:	110	9	-	-	-	25	1	-	-	-	-	-	145
Incurred claims	140	3	-	-	-	2	1	-	-	-	-	-	146
Incurred expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Run-off of claim reserves from prior years	(30)	6	-	-	-	23	-	-	-	-	-	-	(1)
Insurance service result	-	-	-	-	-	-	-	-	-	-	-	-	-
Net expenses from reinsurance contracts held	183	418	279	42	6	90	24	-	-	-	-	-	1,042
Insurance finance income or expenses	(19)	(60)	(112)	(21)	470	15	-	-	-	-	-	-	273
Reinsurance finance income or expenses	4	4	-	-	-	-	-	-	-	-	-	-	8
Investment income	49	174	159	28	(476)	(14)	(79)	2	128	3,598	3	1	3,573
Fee and commission result	-	-	-	-	-	1	-	-	20	927	50	(31)	967
Operating costs of banks	-	-	-	-	-	-	-	-	-	(1,476)	-	49	(1,427)
Interest expenses	-	-	-	-	-	-	-	-	(40)	(848)	-	5	(883)
Other operating income and expenses	-	-	-	-	-	-	-	-	(22)	(1,140)	(6)	(212)	(1,380)
Operating profit	217	536	326	49	-	92	(55)	2	86	1,061	47	(188)	2,173

1 January – 30 June 2022	Corporate insurance	Mass insurance	Group insurance and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Investment contracts	Investments	Banking activity	Pension insurance	Other	Total
Insurance service result before reinsurance	506	873	526	95	8	98	55	-	-	-	-	-	2,161
Insurance revenue	1,651	5,321	3,672	278	17	963	143	-	-	-	-	-	12,045
Amortization of liabilities for remaining coverage (PAA)	1,409	4,179	-	-	-	769	98	-	-	-	-	-	6,455
Expected claims and benefits (GMM, VFA)	-	-	2,504	74	-	5	23	-	-	-	-	-	2,606
Expected expenses(GMM, VFA)	-	-	416	47	(2)	4	-	-	-	-	-	-	465
Release of the contractual service margin (GMM, VFA)	-	-	518	66	9	6	-	-	-	-	-	-	599
Release of risk adjustment for non-financial risks (GMM, VFA)	-	-	68	8	7	1	-	-	-	-	-	-	84
Recovery of insurance acquisition cash flows	242	1,142	206	102	2	178	22	-	-	-	-	-	1,894
Other income	-	-	(40)	(19)	1	-	-	-	-	-	-	-	(58)
Insurance service expenses	(1,145)	(4,448)	(3,146)	(183)	(9)	(865)	(88)	-	-	-	-	-	(9,884)
Claims incurred in the period (without the investment component)	(1,003)	(3,196)	(2,589)	(45)	(11)	(634)	(49)	-	-	-	-	-	(7,527)
Expenses incurred in the period	(74)	(381)	(356)	(37)	6	(106)	(17)	-	-	-	-	-	(965)
Run-off of claim reserves from prior years	175	258	-	-	-	59	-	-	-	-	-	-	492
Amortization of loss component	58	157	240	13	2	104	-	-	-	-	-	-	574
Recognition of the loss component	(59)	(144)	(235)	(12)	(4)	(110)	-	-	-	-	-	-	(564)
Amortization of insurance acquisition cash flows	(242)	(1,142)	(206)	(102)	(2)	(178)	(22)	-	-	-	-	-	(1,894)

1 January – 30 June 2022	Corporate insurance	Mass insurance	Group insurance and individually continued insurance	Individual insurance	Investment insurance	Baltic States	Ukraine	Investment contracts	Investments	Banking activity	Pension insurance	Other	Total
Net expenses from reinsurance contracts held	(206)	(39)	-	-	-	(5)	(10)	-	-	-	-	-	(260)
Allocation of reinsurance premiums	(444)	(69)	-	-	-	(9)	(15)	-	-	-	-	-	(537)
Amounts recoverable from reinsurers, including:	238	30	-	-	-	4	5	-	-	-	-	-	277
Incurred claims	271	10	-	-	-	5	5	-	-	-	-	-	291
Incurred expenses	3	-	-	-	-	-	-	-	-	-	-	-	3
Run-off of claim reserves from prior years	(36)	20	-	-	-	(1)	-	-	-	-	-	-	(17)
Insurance service result	-	-	-	-	-	-	-	-	-	-	-	-	-
Net expenses from reinsurance contracts held	300	834	526	95	8	93	45	-	-	-	-	-	1,901
Insurance finance income or expenses	(40)	(126)	(221)	(82)	676	24	-	-	-	-	-	-	231
Reinsurance finance income or expenses	11	7	-	-	-	-	-	-	-	-	-	-	18
Investment income	87	321	293	58	(677)	(21)	(78)	2	175	6,597	4	7	6,768
Fee and commission result	-	-	-	-	-	1	-	1	41	1,817	91	(65)	1,886
Operating costs of banks	-	-	-	-	-	-	-	-	-	(2,815)	-	122	(2,693)
Interest expenses	-	-	-	-	-	-	-	-	(67)	(1,191)	-	7	(1,251)
Other operating income and expenses	-	-	-	-	-	-	-	-	(43)	(1,831)	(11)	(425)	(2,310)
Operating profit	358	1,036	598	71	7	97	(33)	3	106	2,577	84	(354)	4,550

Geographic breakdown	1 January – 30 June 2023					1 January – 30 June 2022				
	Poland	Baltic States	Ukraine	Unallo- cated	Consoli- dated value	Poland	Baltic States	Ukraine	Unallo- cated	Consoli- dated value
Insurance revenue	11,707	1,192	103	-	13,002	10,939	963	143	-	12,045
Fee and commission result	1,853	1	-	-	1,854	1,885	1	-	-	1,886
Investment profit or loss ¹⁾	13,652	26	26	-	13,704	6,867	(21)	(78)	-	6,768

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

Geographic breakdown	30 June 2023					31 December 2022				
	Poland	Baltic States	Ukraine ¹⁾	Unallo- cated	Consoli- dated value	Poland	Baltic States	Ukraine ¹⁾	Unallo- cated	Consoli- dated value
Non-current assets, other than financial assets ²⁾	7,202	323	3	-	7,528	7,264	319	3	-	7,586
Deferred income tax assets	2,622	6	-	-	2,628	3,092	6	-	-	3,098
Assets	439,173	3,224	364	(1,232)	441,529	426,846	3,208	356	(1,232)	429,178

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

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

14.5 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 revenue of the PZU Group.

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

As estimated by the Central Statistical Office, GDP in Q1 2023 dropped by 0.3% y/y.

The aggregated GDP growth was affected by public consumption, which dropped by 0.5% y/y in real terms, investments (+5.5% y/y) and net export (export +3.2%, import -4.6% y/y).

In 1H 2023, an unemployment rate oscillated between historic minimum levels (a seasonal drop from 5.5% in January to 5.0% in June). The number of job offers decreased and the growth of employment slowed on a year-to-year basis (to 0.2% y/y in June from 1.1% y/y in January). In that environment, we observed drops in the nominal y/y growth of wages to 11.9% in June from 13.5% in January. Those changes were neutralised by the reduction of y/y inflation, which contributed to the growth of real wages at enterprises by 0.4% y/y in June, given the relatively high drop of wages (-3.0%) in January 2023.

In the first half of 2023, average y/y inflation was 15.0%, but it systematically decreased from 16.6% in January and 18.4% in February to 11.5% in June. While the yearly growth of prices decreased, interest rates stabilised at 6.75%.

In 2022, general government deficit increased from 1.8 to 3.7% of GDP, and general government debt decreased from 53.6 to 49.1% of GDP. General government debt in Poland (calculated in accordance with the EU methodology) was 48.1% of GDP after Q1 2023, i.e. by 1.0 p.p. below the relation of the end of the previous year.

16. Issue, redemption and repayment of debt and equity securities

During 6 months ended 30 June 2023 PZU did not issue, redeem or repay any debt or equity securities.

16.1 Alior Bank

On 26 June 2023 Alior Bank issued bonds. Liabilities resulting from those bonds constitute Alior Bank's eligible liabilities within the meaning of Art. 97a.1.2 of the BGF Act.

Basic parameters of the issue are as follows:

- nominal value of bonds: PLN 400 million;
- par value of one bond: PLN 400,000;
- bonds are not secured;
- variable interest rate: WIBOR 6M + 3.1% margin;
- bonds have been listed in the primary market under Catalyst since 30 June 2023.

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

During 6 months ended 30 June 2023 neither PZU nor PZU subsidiaries failed to repay any loans or borrowings or violated any material regulations of loan agreements without remedy actions taken till the end of the reporting period.

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

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

On 4 May 2023 the PZU Management Board applied to the General Meeting for the distribution of PZU's net profit of PLN 1,637 million for the year ended 31 December 2022 increased by PLN 1,296 million transferred from the supplementary capital established of net profit for the year ended 31 December 2021, i.e. PLN 2,933 million in total, and suggested that the profit should be distributed as follows:

- PLN 2 072 million (i.e. PLN 2.40 per share) as dividends;
- PLN 854 million to the supplementary capital;
- PLN 7 million to the Social Benefit Fund.

The Management Board also requested that the record date should be 7 September 2023 and the dividend should be paid on 28 September 2023.

On 10 May 2023 the Management Board's request was positively assessed by the Supervisory Board.

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

19. Disputes

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

The majority of disputes involving the PZU Group companies concerned four companies: PZU, PZU Życie, Pekao and Alior Bank. Estimates of the provision amounts for individual cases take into account all information available on the date of signing the consolidated financial statements, however their value may change in the future. The insurance company takes disputed claims into account in the process of establishing technical provisions for known losses, considering the probability of an unfavourable outcome of the dispute and estimating the probable awarded amount.

As at 30 June 2023, the total value of disputes in all 249,987 cases (31 December 2022: 265,937) pending before courts, arbitration bodies and public administration authorities in which PZU Group entities take part, was PLN 10,279 million (31 December 2022: PLN 9,033 million). Of that amount, PLN 6,496 million (31 December 2022: PLN 5,586 million) relates to liabilities and PLN 3,783 million (31 December 2022: PLN 3,447 million) to receivables of PZU Group companies.

During 6 months ended 30 June 2023 and till the date of the abridged mid-year consolidated financial statements, PZU Group companies were no parties to any pending proceedings before courts, competent arbitration authorities or public authority authorities concerning liabilities or receivables of PZU or PZU's direct or indirect subsidiaries whose unit value would be material, except for issues described above.

19.1 Resolutions of the Annual Meeting of PZU on the distribution of profit earned in the financial year 2006

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

The challenged resolution of the 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 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 Annual General 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, Annual 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 defence 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 effect the performance on account of its groundlessness.

On 23 September 2015, a copy of the statement of claim with attachments was delivered to PZU in the case launched by MSC against PZU for payment of PLN 169 million with statutory interest from 2 January 2015 to the date of payment and the costs of the trial. The lawsuit includes a claim for damages for depriving MSC and J.P. Morgan (MSC acquired the claim from J.P. Morgan), as minority shareholders of PZU, a share in the profit for the 2006 financial year, following the adoption of Resolution No. 8/2007 by the PZU Annual General Meeting on 30 June 2007. The case is pending before the Regional Court in Warsaw. On 18 December 2015, PZU's attorney submitted a statement of defence, requesting to dismiss the claim 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 Annual General 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 30 June 2022, no changes were made to the presentation of PZU's equity that could potentially stem from the repeal of the resolution 8/2007 adopted by PZU's Annual General Meeting on distribution of profit for the financial year 2006, including the line items "Supplementary capital" and "Retained earnings (losses)", and the funds in the Company Social Benefit Fund were not adjusted.

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

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

19.2 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 final list of claims submitted against the bankruptcy estate of Hydrobudowa has not been determined yet. Bankruptcy proceedings against Hydrobudowa are pending and the determination of the final list of claims is

merely an initial step in these proceedings that precedes the drafting of the distribution plan (after the liquidation of the bankruptcy estate).

19.3 Lawsuits against Alior Bank

19.3.1. Class action

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

19.3.2. Other lawsuits

Alior Bank is also a defendant in 132 cases brought by purchasers of the Funds' investment certificates for payment (damages). The total value of disputes in those cases is PLN 45 million.

In the PZU Group's opinion, each payment case requires an individual approach. The final value of the investment certificates will be determined upon completion of the liquidation. After analysis and selection of cases, those were singled out in which certain risk factors justify the establishment of a provision. Its calculation also took into account a possible increase in the scale of lawsuits. The total value of the provision as of 30 June 2023 was PLN 43 million.

19.4 Proceedings conducted by the Polish Financial Supervision Authority to impose a fine on Alior Bank

On 6 August 2019, the PFSA issued a decision pursuant to Article 167 sec. 2 item 1 in conjunction with Article 167(1)(1) of the Act on Trading in Financial Instruments imposing a fine of PLN 10 million on Alior Bank (Alior Bank has paid the fine). The proceedings concerned the operation of Alior Bank and its Brokerage House in terms of the distribution of investment certificates of funds previously managed by Fincrea TFI SA and currently by Raiffeisen Bank International AG (Spółka Akcyjna), Poland Branch. Having re-examined the case (at Alior Bank's request), on 3 December 2019, the PFSA upheld the original decision, which Alior Bank challenged on 3 January 2020 with the Voivodship Administrative Court in Warsaw. On 17 June 2020, the Voivodship Administrative Court in Warsaw issued a judgment repealing the 3 December 2019 decision of the Polish Financial Supervision Authority, which upheld the earlier 6 August 2019 decision of the Polish Financial Supervision Authority, and discontinued the proceedings conducted by the PFSA in the case. The PFSA lodged a cassation appeal to the Supreme Court of Administration. As at the date of the abridged mid-year consolidated financial statements, the Supreme Court of Administration did not review the appeal.

20. Related party transactions

20.1 Transactions made by PZU or PZU's subsidiaries with related parties otherwise than on an arm's length basis

During 6 months ended 30 June 2023 neither PZU nor PZU's subsidiaries made any transactions with related parties which were of material significance individually or collectively and were executed on terms other than on an arm's length basis.

20.2 Other related party transactions

Balances and turnovers resulting from commercial transactions between the PZU Group and related parties	1 January – 30 June 2023		1 January – 30 June 2022	
	Key management	Other related parties ¹⁾	Key management	Other related parties ¹⁾
Insurance revenue	-	-	-	1
Other revenue	-	-	-	-
Costs	-	19	-	13

¹⁾ Associates accounted for using the equity method.

Balances and turnovers resulting from commercial transactions between the PZU Group and related parties	30 June 2023		31 December 2022	
	Key management	Other related parties ¹⁾	Key management	Other related parties ¹⁾
Investment financial assets	-	-	-	-
Loan receivables from clients	2	-	-	-
Receivables	-	1	-	1
Liabilities under deposits	4	51	4	41
Other liabilities	-	3	-	4
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 the PFSA 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, among others, 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.

21. Other information

21.1 Inspections by the Office of the Polish Financial Supervision Authority (PFSA)

21.1.1. PZU

In the period from 11 January to 10 March 2022, the PFSA inspected PZU's business activities and assets in terms of the solvency capital requirement. On 4 April 2022 PZU received an inspection report. On 15 April 2022 PZU submitted its reservations, additional explanations and documents concerning the inspection report. On 8 June 2022 PZU received 2 post-inspection recommendations, which were implemented starting from statements prepared as at 31 December 2022, which PZU communicated on 6 February 2023.

In the period from 12 June to 10 August 2023, the PFSA carried out an inspection of claim handling procedures at PZU. PZU is awaiting the post-inspection report.

21.1.2. PZU Życie

In the period from 22 August to 21 October 2022, the PFSA inspected the compliance of PZU Życie's activities with legal regulations in terms of the use of services provided by insurance agents and agents offering supplementary insurance. On 22 December 2022 PZU Życie submitted its comments on the PFSA's inspection report of 13 December 2022. Having received the PFSA's response of 4 January 2023, PZU Życie provided further explanations on 22 January, 22 and 23 February 2023. On 20 March 2023 PZU Życie received a recommendation concerning its supervision over agent activities related to the identification of customer needs and requirements. The recommendation is to be implemented by 31 December 2023.

In the period from 10 January to 10 March 2023 the PFSA inspected the preparation of financial statements for solvency purposes and the measurement of assets and liabilities for solvency purposes by PZU Życie. On 4 May 2023 PZU Życie received an inspection report and submitted its related comments on 17 May 2023.

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

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

At the same time, on 27 August 2020, PZU Finance AB filed its tax return during the disclosure procedure for 2019, where it presented the above situation and calculated its tax liabilities on the assumption that foreign exchange gains and losses resulting from the repayment of bonds constituted its deductible expenses. On 22 December 2020 PZU Finance AB received the tax office's tax decision confirming that the tax had been calculated correctly. The decision was not binding and final. Given duties for the purpose of which the company was established, on 4 May 2021 the Meeting of Shareholders decided to start liquidation procedures in relation to PZU Finance AB. On 23 June 2021 PZU Finance AB received a preliminary, and on 21 December 2021 a binding negative, decision concerning the correction of its tax obligations for 2019 from the tax office. Therefore as at 31 December 2021 the PZU Group recognised 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.

21.3 Proceedings instituted by the Office of Competition and Consumer Protection (UOKiK) against Alior Bank

On 27 September 2019 the UOKiK President decided to initiate proceedings against Alior Bank in order to recognise regulations of a contract form as impermissible (Ref. No. RPZ.611.4.2019.PG). That included 11 (modification) clauses incorporated by Alior Bank into contract forms based on which Alior Bank unilaterally amended its contracts 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. Further talks concerning the adjustment of the modification clauses to the UOKiK President's expectations would only be possible with the UOKiK President's prior consent.

As at 30 June 2023 the PZU Group did not identify any premises for the establishment of provisions for the above case.

UOKiK conducts explanatory procedures (Ref. No. RWR.405.4.2021.ET) in order to initially identify whether actions taken by Alior Bank after unauthorised payment transactions, as referred to in the Payment Services Act of 19 January 2011, had been reported by consumers can constitute the basis for initiating proceedings concerning practices that violate collective consumer interests or proceedings aimed at recognising the contract forms as impermissible. The proceedings are conducted with regard to the case and not against any entity. Alior Bank is not a party to the proceedings. It only delivered documentation and information requested by UOKiK. Till the date of the consolidated financial statements, Alior Bank did not receive any correspondence from UOKiK where UOKiK would make reservations against Alior Bank in connection with its practices. In its communications UOKiK reported that the proceedings concerning practices that violated collective consumer interests had been initiated against 9 other banks, whose practices had been verified during explanatory proceedings similar to those conducted in relation to Alior Bank. As Alior Bank applies a practice similar to the one questioned in the case of 9 other banks, it is likely to receive a decision on the institution of proceedings concerning practices that violate collective consumer interests, as well. At present, it is not possible to estimate the consequences of potential proceedings for Alior Bank, including in particular how UOKiK would expect Alior Bank to remove the consequences of the violation and whether Alior Bank would be charged for a cash penalty. Such estimations could only be made based on the justification of the decision on the initiation of the proceedings. In addition, UOKiK's charges raise doubts in the whole banking sector as to the compliance of those charges with European law. The Payment Services Act, which UOKiK refers to in the context of the charges, does not reflect the directive implemented therein to the full extent. As a result of that, the Polish Banks Association made may filings with UOKiK and the Ministry of Finance suggested that the regulations should be adjusted to the directive in the amended Payment Services Act. In the opinion of Alior Bank, the amounts requested to date could be recovered in court if UOKiK's decision is negative. For the remaining amount, Alior Bank maintained a provision of PLN 2 million as at 30 June 2023.

21.4 Issues concerning 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. Based on legal opinions, the PZU Group assesses the probability that the dismissed members of the Management Board of Alior Leasing will receive benefits resulting from the management programme through court proceedings as less than 50%. Therefore as at 30 June 2023 the PZU Group did not establish any provisions for that purpose.

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.

Not to weaken its status and position in the court, if the proceedings are initiated, the PZU Group does not disclose any further information concerning the above third party claims.

21.5 Conflict in Ukraine

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

As at 30 June 2023, 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 PLN 43 million (31 December 2022: PLN 25 million).

Assets (excluding mutual shares between PZU Ukraina and PZU Ukraina Życie) of those companies which were subject to consolidation amounted PLN 364 million (31 December 2022: PLN 357 million), including, without limitation:

- investment financial assets of PLN 222 million (31 December 2022: PLN 207 million), including PLN 96 million (31 December 2022: PLN 78 million) of instruments issued by the government of Ukraine and PLN 126 million (31 December 2022: PLN 129 million) of term deposits);
- assets under reinsurance contracts of PLN 40 million) (31 December 2022: PLN 42 million), including PLN 31 million (31 December 2022: PLN 31 million) of PZU's share.

Liabilities of the companies amounted PLN 321 million (31 December 2022: PLN 332 million), including liabilities under insurance contracts of PLN 311 million (31 December 2022: PLN 322 million).

Due to the martial law, which has been in force in the whole territory of Ukraine since 24 February 2022 (extended till 15 November 2023) and active military actions in the eastern and southern regions, as well as air attacks all over the country, Ukrainian companies of the PZU Group operate under war restrictions and legal conditions stemming from so called "war regulations".

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

On 14 February 2023 the NBU's resolution of 10 February 2023 came into force. On the basis of that resolution insurers can pay international reinsurance liabilities (except mandatory motor liability insurance) provided that they are prior verified and recorded in the list of insurers authorised to make reinsurance operations with foreign reinsurers. On the basis of the NBU's decision, since 13 March 2023 PZU Ukraina has been recorded in the list of authorised insurers, which confirms that the position of the company is stable.

As at the date of the mid-year consolidated financial statements, the going concern assumption for Ukrainian companies of the PZU Group is uncertain (there is a risk that the companies will lose all of their operating capacities) due to, among others:

- long-lasting military actions and their escalation;
- continued shootings of civil and military facilities, including critical infrastructure, with long-range weapons, resulting in civilian casualties and disturbances in energy, heating or water supplies;
- the lack of access to key systems as a result of, among others, the destruction of the physical infrastructure of companies;
- the Ukrainian banking system stopping the operation of all internal cash transfers;
- the unavailability of staff.

The PZU Group monitors geopolitical risks resulting from the war in Ukraine and reviews future scenarios on an ongoing basis. Given the situation in Ukraine, the measurement of assets and liabilities (in particular assets and liabilities under insurance and reinsurance contracts) of Ukrainian companies is subject to a number of assumptions and is highly uncertain.

Signatures of members of PZU Management Board:

First name and surname	Function	
Beata Kozłowska – Chyła	President of PZU Management Board(signature)
Tomasz Kulik	Member of PZU Management Board(signature)
Ernest Bejda	Member of PZU Management Board(signature)
Małgorzata Kot	Member of PZU Management Board(signature)
Krzysztof Kozłowski	Member of PZU Management Board(signature)
Piotr Nowak	Member of PZU Management Board(signature)
Maciej Rapkiewicz	Member of PZU Management Board(signature)
Małgorzata Sadurska	Member of PZU Management Board(signature)

Person responsible for the preparation of the consolidated financial statements:

Katarzyna Łubkowska Head of the Accounting Bureau (signature)

Warsaw, 30 August 2023