

# Powszechny Zakład Ubezpieczeń Spółka Akcyjna

Condensed interim  
standalone financial statements  
for the 6 months ended 30 June 2020



---

# Table of contents

---

<b>Introduction to the condensed interim standalone financial statements .....</b>	<b>4</b>
1. Introduction .....	4
2. Endorsed accounting standards (policies) .....	5
3. Changes in accounting policies .....	5
4. Changes to the method of preparing financial statements and the comparability of financial data .....	5
5. Corrections of errors from previous years .....	6
6. Significant events that have occurred after the balance sheet date and have not been taken into account in the condensed interim standalone financial statements .....	6
7. Significant events pertaining to previous years taken into account in the condensed interim standalone financial statements .....	6
8. Significant events pertaining to the 6-month period ended 30 June 2020 contributing to a material change in the composition of balance sheet items and the financial result .....	6
<b>Interim standalone financial statements .....</b>	<b>8</b>
1. Interim standalone balance sheet .....	8
2. Interim standalone statement of off-balance sheet line items .....	10
3. Interim standalone revenue account of non-life insurance .....	11
4. Interim standalone general profit and loss account .....	12
5. Interim standalone statement of changes in equity .....	14
6. Interim standalone cash flow statement .....	16
<b>Notes and explanations .....</b>	<b>18</b>
1. Intangible assets .....	18
2. Investments .....	18
3. Receivables .....	20
4. Other assets .....	22
5. Share capital .....	23
6. Subordinated liabilities .....	23
7. Technical provisions .....	24
8. Provisions for pension benefits and other compulsory employee benefits .....	25
9. Other provisions .....	26
10. Liabilities .....	27
11. Special-purpose funds .....	28
12. Accrued expenses .....	28
13. Movements in impairment losses .....	29
14. Non-life insurance premiums .....	31
15. Gross claims and benefits paid .....	32
16. Claims handling expenses .....	33
17. Acquisition expenses .....	34
18. Administrative expenses .....	34

---

19. Other operating income .....	34
20. Other operating expenses .....	35
21. Information on the changes in the economic situation and business conditions exerting a material effect on the fair value of financial assets and liabilities .....	35
22. Issues, redemption and repayments of debt securities and equities .....	36
23. Default or breach of material provisions of loan agreements.....	36
24. Granting of sureties or guarantees for loans or borrowings by PZU or its subsidiaries .....	37
25. Disputes.....	37
26. Related party transactions .....	40
27. Other information .....	42

---

# Introduction to the condensed interim standalone financial statements

---

## 1. Introduction

### Company highlights

Powszechny Zakład Ubezpieczeń Spółka Akcyjna (“PZU”, “Company”) has its registered office in Warsaw at Al. Jana Pawła II 24.

PZU has been entered in the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, under file number KRS 0000009831.

According to the Polish Classification of Business Activity and the Statistical Classification of Economic Activities in Europe, the core business of PZU consists of non-life insurance (65.12).

PZU is the parent company of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group (“PZU Group”) and it prepares consolidated financial statements.

### Period covered by the condensed interim standalone financial statements

The condensed interim standalone financial statements have been prepared for the 6-month period from 1 January to 30 June 2020.

### Going concern assumption

The condensed interim standalone financial statements have been prepared under the assumption that PZU remains a going concern in the foreseeable future, i.e. in the period of at least 12 months after the end of the reporting period.

As at the date of signing these condensed interim standalone financial statements, there are no facts or circumstances that would indicate a threat to the ability of PZU to continue its activity in the period of 12 months after the end of the reporting period as a result of an intentional or an induced discontinuation or a material curtailment of their hitherto activity.

Making this assumption, in its assessment, the PZU Management Board took into account the impact of factors subject to uncertainty, in particular the COVID-19 pandemic, on the macroeconomic situation, and its own activity.

### Unit for presentation purposes

Unless noted otherwise, all amounts in condensed interim standalone financial statements are stated in thousands of Polish zloty.

### Business combinations

Neither in the 6-month period from 1 January to 30 June 2020, nor in 2019 did any business combinations between PZU and other business units transpire.

---

## Discontinued operations

Neither in the 6-month period from 1 January to 30 June 2020, nor in 2019 did PZU discontinue the conduct of any type of operation.

## Seasonal or cyclical business

PZU's business is not subject to any significant seasonality or business cycles.

## 2. Endorsed accounting standards (policies)

According to Article 45 Section 1a of the Accounting Act (consolidated text in the Journal of Laws of 2019 Item 351 as amended, "Accounting Act"), the standalone financial statements of issuers of securities admitted into trading on one of the regulated markets of the European Economic Area states may be prepared in accordance with International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission ("IFRS").

As the PZU Shareholder Meeting has not made the decision referred to in Article 45 Section 1c of the Accounting Act in the matter of preparation of financial statements pursuant to IFRS, PZU's standalone financial statements have been prepared in accordance with the Polish Accounting Standards ("PAS") defined in the Accounting Act and in the executive regulations issued on its basis, among others:

- Finance Minister's Regulation of 12 April 2016 on the special accounting principles for insurance and reinsurance undertakings (Journal of Laws of 2016, Item 562);
- Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and presentation of financial instruments (consolidated text in Journal of Laws of 2017, Item 277).

Other major legal acts applicable to the standalone financial statements include the Insurance and Reinsurance Activity Act – meaning the Act of 11 September 2015 on Insurance and Reinsurance Activity (consolidated text in the Journal of Laws of 2020, Item 895, as amended, "Insurance Activity Act").

In matters not regulated by the Accounting Act and the executive acts issued on its basis, Polish Accounting Standards and/or IFRS are applied accordingly.

The condensed interim standalone financial statements comply with the Development and Finance Minister's Regulation of 29 March 2018 on Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (Journal of Laws of 2018, Item 757).

The detailed accounting standards (policies) have been presented in PZU SA's financial statements for 2019 prepared according to PAS and signed by the PZU Management Board on 11 March 2020 and on whose subject the statutory auditor issued that very same date its unqualified opinion and which were approved by PZU's Shareholder Meeting on 26 May 2020 ("PZU's 2019 standalone financial statements").

PZU's 2019 standalone financial statements are available on PZU's website at [www.pzu.pl](http://www.pzu.pl) in the "Investor Relations" tab.

## 3. Changes in accounting policies

During the 6-month period from 1 January to 30 June 2020, no changes were made to accounting policies.

## 4. Changes to the method of preparing financial statements and the comparability of financial data

The condensed interim standalone financial statements for the 6-month period from 1 January to 30 June 2020 have been prepared in accordance with the accounting principles applicable in 2020. These principles have not changed compared to the ones applied to the preparation of the financial statements in 2019.

## 5. Corrections of errors from previous years

During the 6-month period from 1 January to 30 June 2020, no corrections of errors were made from previous years.

## 6. Significant events that have occurred after the balance sheet date and have not been taken into account in the condensed interim standalone financial statements

No significant events occurred after the balance sheet date that should be taken into account in the interim financial statements.

## 7. Significant events pertaining to previous years taken into account in the condensed interim standalone financial statements

As of the date of conveying the condensed interim standalone financial statements, no significant events pertaining to previous years have occurred that should be taken into account in these financial statements.

## 8. Significant events pertaining to the 6-month period ended 30 June 2020 contributing to a material change in the composition of balance sheet items and the financial result

### 8.1 Distribution of net profit for the financial year 2019

On 26 May 2020, PZU's Ordinary Shareholder Meeting distributed net profit for the financial year 2019 totaling PLN 2,651,012 thousand by earmarking:

- PLN 2,643,739 thousand as supplementary capital;
- PLN 7,273 thousand to the Company Social Benefit Fund.

The profit distribution complies with the stance of the KNF expressed in its letter of 26 March 2020 and sent to insurance and reinsurance undertakings in which KNF indicates that having regard for the current situation involving the epidemic announced in Poland and its possible further adverse economic consequences as well as their expected adverse impact on the insurance sector, the regulatory authority expects that insurance undertakings retain the entirety of profit earned in previous years, notwithstanding the actions previously undertaken in this area. In addition, KNF has emphasized that it is advisable for undertakings not to take other actions without making arrangements with the regulatory authority, in particular, actions falling outside the scope of their ongoing business and operating activity that could lead to weakening their capital base.

### 8.2 Dividend from PZU Życie SA

On 22 May 2020, the PZU Życie Ordinary Shareholder Meeting adopted a resolution to distribute net profit for the financial year 2019 totaling PLN 1,334,127 thousand as follows:

- allocate PLN 1,330,976 thousand to a dividend;
- allocate PLN 3,151 thousand to the Company Social Benefit Fund.

The record date was set at 22 May 2020 and the dividend payout date was set for 28 October 2020.

The profit distribution involving disbursement of dividend required KNF's consent, which was granted on 15 April 2020.

### 8.3 COVID-19 pandemic

A description of the situation in the financial market and assessment of the adopted estimates and assumptions taking into account the impact of the COVID-19 pandemic on individual assets and liabilities is presented in item 21 of this report.

---

#### **8.4 Impairment losses on goodwill on acquisition of Alior Bank S.A and goodwill on acquisition of Bank Pekao S.A.**

Due to the fact that the valuation of Alior Bank S.A. (“Alior Bank”) and Bank Pekao S.A. (“Bank Pekao”) using the equity method comprises a goodwill element, and indications of impairment have been identified in connection with the COVID-19 pandemic, the Company carried out impairment tests for these assets as at 30 June 2020, based on Polish Accounting Standard no. 4 “Impairment of assets”. The tests are described in item 2.2.1 of Notes and explanations.

The tests resulted in recognizing, in H1 2020, impairment losses on the value of investments in related parties in the total amount of: PLN 1,103,000 thousand, PLN 744,973 thousand of which was recognized through profit or loss (PLN 694,158 thousand pertained to Alior Bank and PLN 50,815 thousand to Bank Pekao), and PLN 358,027 thousand was recognized in equity (PLN 34,842 of which pertained to Alior Bank and PLN 323,185 thousand to Bank Pekao).

The impairment losses on investments in related parties are recognized through profit or loss in the “Loss on revaluation of investments” line item.

# Interim standalone financial statements

## 1. Interim standalone balance sheet

Assets	Note	30 June 2020	31 December 2019
<b>I. Intangible assets, including:</b>	<b>1</b>	<b>299,475</b>	<b>316,213</b>
- goodwill		-	-
<b>II. Investments</b>	<b>2</b>	<b>36,609,068</b>	<b>36,659,625</b>
1. Real property	2.1	322,881	332,768
2. Investments in related parties, including:	2.2	15,315,192	16,480,547
- investments in related parties measured by the equity method		14,698,098	15,966,388
3. Other financial investments	2.3	20,970,995	19,846,310
4. Deposits with ceding enterprises		-	-
<b>III. Net assets for life insurance where the policyholder bears the investment risk</b>		<b>-</b>	<b>-</b>
<b>IV. Receivables</b>	<b>3</b>	<b>3,387,251</b>	<b>2,084,819</b>
1. Receivables on direct insurance	3.1	1,648,077	1,740,713
1.1. From related parties		2,980	2,581
1.2. From other entities		1,645,097	1,738,132
2. Reinsurance receivables	0	238,580	114,501
2.1. From related parties		190,028	84,424
2.2. From other entities		48,552	30,077
3. Other receivables	3.3	1,500,594	229,605
3.1. Receivables from the state budget		2,064	2,001
3.2. Other receivables		1,498,530	227,604
a) from related parties		1,382,127	101,075
b) from other entities		116,403	126,529
<b>V. Other assets</b>	<b>4</b>	<b>379,678</b>	<b>251,987</b>
1. Property, plant and equipment	4.1	113,339	125,846
2. Cash	4.2	266,339	126,141
3. Other assets		-	-
<b>VI. Prepayments and accruals</b>		<b>2,220,308</b>	<b>2,283,770</b>
1. Deferred tax assets		-	-
2. Deferred acquisition costs		1,433,752	1,344,569
3. Accrued interest and rents		-	-
4. Other prepayments and accruals	4.3	786,556	939,201
<b>VII. Unpaid share capital</b>		<b>-</b>	<b>-</b>
<b>VIII. Treasury stock</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>42,895,780</b>	<b>41,596,414</b>



Equity and liabilities	Note	30 June 2020	31 December 2019
<b>I. Equity</b>		<b>15,936,232</b>	<b>14,956,862</b>
1. Share capital	5	86,352	86,352
2. Supplementary capital		8,458,025	5,814,241
3. Revaluation reserve		6,221,431	6,405,257
4. Other reserve capital		-	-
5. Retained earnings (losses)		-	-
6. Net profit (loss)		1,170,424	2,651,012
7. Charges to net profit during the financial year (negative figure)		-	-
<b>II. Subordinated liabilities</b>	<b>6</b>	<b>2,279,023</b>	<b>2,279,173</b>
<b>III. Technical provisions</b>	<b>7</b>	<b>23,571,888</b>	<b>23,114,021</b>
<b>IV. Reinsurers' share in technical provisions (negative figure)</b>		<b>(1,489,911)</b>	<b>(1,541,000)</b>
<b>V. Estimated salvage and subrogation (negative figure)</b>		<b>(77,476)</b>	<b>(107,764)</b>
1. Gross estimated salvage and subrogation		(80,537)	(110,822)
2. Reinsurers' share in estimated salvage and subrogation		3,061	3,058
<b>VI. Other provisions</b>		<b>630,815</b>	<b>562,642</b>
1. Provisions for pension benefits and other compulsory employee benefits	8	65,270	45,681
2. Deferred tax liability		544,203	439,661
3. Other provisions	9	21,342	77,300
<b>VII. Liabilities for reinsurers' deposits</b>		<b>-</b>	<b>-</b>
<b>VIII. Other liabilities and special-purpose funds</b>	<b>10</b>	<b>1,175,017</b>	<b>1,028,124</b>
1. Liabilities on direct insurance	10.1	384,874	420,799
1.1. To related parties		5,377	13,937
1.2. To other entities		379,497	406,862
2. Reinsurance liabilities	10.2	258,677	78,341
2.1. To related parties		13,218	10,724
2.2. To other entities		245,459	67,617
3. Liabilities on the issue of own debt securities and drawn loans		-	-
4. Liabilities to credit institutions		12	12
5. Other liabilities	10.3	415,396	429,031
5.1. Liabilities to the state budget		47,588	74,570
5.2. Other liabilities		367,808	354,461
a) to related parties		133,925	122,608
b) to other entities		233,883	231,853
6. Special-purpose funds	11	116,058	99,941
<b>IX. Prepayments and accruals</b>	<b>12</b>	<b>870,192</b>	<b>1,304,356</b>
1. Accrued expenses		791,614	1,241,848
2. Negative goodwill		-	-
3. Deferred income		78,578	62,508
<b>Total equity and liabilities</b>		<b>42,895,780</b>	<b>41,596,414</b>

Book value	15,936,232	14,956,862
Number of shares	863,523,000	863,523,000
Book value per share (PLN)	18.45	17.32
Diluted number of shares	863,523,000	863,523,000
Diluted book value per share (PLN)	18.45	17.32

## 2. Interim standalone statement of off-balance sheet line items

Off-balance sheet items	30 June 2020	31 December 2019
<b>1. Contingent receivables, including:</b>	<b>4,211,260</b>	<b>4,256,977</b>
1.1. Guarantees and sureties received	2,686	2,957
1.2. Other <sup>1)</sup>	4,208,574	4,254,020
<b>2. Contingent liabilities, including:</b>	<b>1,072,976</b>	<b>1,149,099</b>
2.1. Guarantees and sureties given	5,094	6,052
2.2. Accepted and endorsed bills of exchange	-	-
2.3. Assets subject to the obligation of resale	-	-
2.4. Other liabilities secured on assets or income	-	-
<b>3. Reinsurance collateral instituted in favor of the insurance undertaking</b>	<b>-</b>	<b>-</b>
<b>4. Reinsurance collateral instituted by the insurance undertaking in favor of ceding companies</b>	<b>-</b>	<b>-</b>
<b>5. Third party assets not recognized in assets</b>	<b>122,329</b>	<b>122,054</b>
<b>6. Other off-balance sheet line items</b>	<b>-</b>	<b>-</b>
<b>Total off-balance sheet line items</b>	<b>5,406,565</b>	<b>5,528,130</b>

<sup>1)</sup> This item includes: security received in the form of a transfer of the debtor's assets, a mortgage on the debtor's assets, other contingent receivables, etc.

### 3. Interim standalone revenue account of non-life insurance

Technical account of non-life insurance	Note	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
<b>I. Premium income (1-2-3+4)</b>	<b>14</b>	<b>3,032,627</b>	<b>6,040,434</b>	<b>3,087,093</b>	<b>6,077,118</b>
1. Gross written premium		2,706,077	6,463,362	2,982,692	6,711,655
2. Reinsurers' share in gross written premium		80,930	194,810	85,502	149,603
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross		(518,493)	73,407	(260,084)	353,662
4. Reinsurers' share in the movement in provision for unearned premiums		(111,013)	(154,711)	(70,181)	(131,272)
<b>II. Net investment income (including costs) transferred from the general profit and loss account</b>		<b>61,441</b>	<b>126,882</b>	<b>67,974</b>	<b>129,900</b>
<b>III. Other net technical income</b>		<b>15,972</b>	<b>69,165</b>	<b>39,418</b>	<b>95,136</b>
<b>IV. Claims and benefits (1+2)</b>		<b>1,853,203</b>	<b>3,701,301</b>	<b>2,067,096</b>	<b>3,938,809</b>
1. Net claims and benefits paid		1,592,199	3,389,955	1,918,803	3,642,367
1.1. Gross claims and benefits paid	15	1,637,034	3,538,248	2,080,685	3,824,435
1.2. Reinsurers' share in claims and benefits paid		44,835	148,293	161,882	182,068
2. Movement in provision for outstanding claims and benefits, net of reinsurance		261,004	311,346	148,293	296,442
2.1. Movement in provision for outstanding claims and benefits, gross		287,910	414,963	(9,353)	273,528
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits		26,906	103,617	(157,646)	(22,914)
<b>V. Movement in other technical provisions, net of reinsurance</b>		-	-	-	-
1. Movement in other technical provisions, gross		-	-	-	-
2. Reinsurers' share in the movement in other technical provisions		-	-	-	-
<b>VI. Net bonuses and discounts including movement in provisions</b>		<b>(251)</b>	<b>(35)</b>	<b>92</b>	<b>155</b>
<b>VII. Insurance activity expenses</b>		<b>790,901</b>	<b>1,575,595</b>	<b>765,672</b>	<b>1,521,291</b>
1. Acquisition expenses, including:	17	611,020	1,220,157	608,812	1,209,842
- movement in deferred acquisition costs		70,483	(89,183)	62,178	(95,011)
2. Administrative expenses	18	190,560	372,401	165,459	330,618
3. Reinsurance commissions and profit participation		10,679	16,963	8,599	19,169
<b>VIII. Other net technical charges</b>		<b>69,801</b>	<b>193,473</b>	<b>90,553</b>	<b>212,833</b>
<b>IX. Movement in equalization provision</b>		-	-	-	-
<b>X. Technical result of non-life insurance</b>		<b>396,386</b>	<b>766,147</b>	<b>271,072</b>	<b>629,066</b>

#### 4. Interim standalone general profit and loss account

General profit and loss account	Note	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
<b>I. Technical result of non-life insurance or life insurance</b>		<b>396,386</b>	<b>766,147</b>	<b>271,072</b>	<b>629,066</b>
<b>II. Investment income</b>		<b>1,500,863</b>	<b>1,667,831</b>	<b>1,672,741</b>	<b>1,833,827</b>
1. Investment income on real estate		1,315	2,788	1,392	2,870
2. Investment income from related parties		1,374,705	1,379,051	1,413,731	1,418,236
2.1. On ownership interests or shares		1,376,738	1,376,738	1,411,599	1,412,814
2.2. On borrowings and debt securities		(2,292)	1,701	1,658	4,841
2.3. On other investments		259	612	474	581
3. Other financial investment income		112,764	265,756	130,104	212,456
3.1. On ownership interests, shares, other variable income securities, participation units and investment certificates in mutual funds		2,783	6,731	2,673	5,415
3.2. On debt securities and other fixed income securities		106,863	212,809	134,841	203,097
3.3. On term deposits with credit institutions		(33)	3,523	(17,456)	(15,697)
3.4. On other investments		3,151	42,693	10,046	19,641
4. Gain on revaluation of investments		-	-	-	-
5. Gain on realization of investments		12,079	20,236	127,514	200,265
<b>III. Unrealized investment gains</b>		<b>(86,647)</b>	<b>162,474</b>	<b>(45,621)</b>	<b>80,597</b>
<b>IV. Net investment income after including costs transferred from the technical life insurance account</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>V. Investment activity expenses</b>		<b>400,700</b>	<b>843,099</b>	<b>144,728</b>	<b>206,126</b>
1. Real estate maintenance expenses		765	1,702	865	1,841
2. Other investment activity expenses		7,634	19,703	12,479	23,438
3. Loss on revaluation of investments <sup>1)</sup>		324,815	744,973	-	-
4. Loss on realization of investments		67,486	76,721	131,384	180,847
<b>VI. Unrealized investment losses</b>		<b>(156,318)</b>	<b>101,855</b>	<b>(15,822)</b>	<b>81,006</b>
<b>VII. Net investment income after including costs transferred to the Revenue account of non-life insurance</b>		<b>61,441</b>	<b>126,882</b>	<b>67,974</b>	<b>129,900</b>
<b>VIII. Other operating income</b>	19	<b>91,840</b>	<b>159,830</b>	<b>92,454</b>	<b>156,012</b>
<b>IX. Other operating expenses</b>	20	<b>113,432</b>	<b>259,944</b>	<b>155,341</b>	<b>320,874</b>
<b>X. Operating profit (loss)</b>		<b>1,483,187</b>	<b>1,424,502</b>	<b>1,638,425</b>	<b>1,961,596</b>
<b>XI. Extraordinary gains</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XII. Extraordinary losses</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII. Share of the net profit (loss) of related parties measured by the equity method</b>		<b>(107,583)</b>	<b>(79,053)</b>	<b>18,187</b>	<b>19,057</b>
<b>XIV. Profit (loss) before tax</b>		<b>1,375,604</b>	<b>1,345,449</b>	<b>1,656,612</b>	<b>1,980,653</b>
<b>XV. Income tax</b>		<b>95,007</b>	<b>175,025</b>	<b>66,543</b>	<b>153,753</b>
a) current part		110,867	115,845	72,215	64,450
b) deferred part		(15,860)	59,180	(5,672)	89,303
<b>XVI. Other compulsory reductions in profit (increases in losses)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. Net profit (loss)</b>		<b>1,280,597</b>	<b>1,170,424</b>	<b>1,590,069</b>	<b>1,826,900</b>

<sup>1)</sup> The figure in line item "Loss on revaluation of investments" for H1 2020 is attributable fully to the impairment losses on the shares in related parties which are presented in item 8.4 of the Introduction to this report.

	<b>1 April – 30 June 2020</b>	<b>1 January – 30 June 2020</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2019</b>
Net profit (loss) (annualized) <sup>1)</sup>	5,150,533	2,353,710	6,377,749	3,684,080
Weighted average number of common shares	863,523,000	863,523,000	863,523,000	863,523,000
Earnings (loss) per common share (PLN)	1.48	1.36	1.84	2.12
Weighted average diluted number of common shares	863,523,000	863,523,000	863,523,000	863,523,000
Diluted earnings (loss) per common share (PLN)	1.48	1.36	1.84	2.12

<sup>1)</sup> Calculation based on the number of calendar days in the period.

## 5. Interim standalone statement of changes in equity

Statement of changes in equity	1 January – 30 June 2020	1 January – 31 December 2019	1 January – 30 June 2019
<b>I. Equity at the beginning of the period (Opening Balance)</b>	<b>14,956,862</b>	<b>13,924,661</b>	<b>13,924,661</b>
a) changes in the accepted accounting policies	-	-	-
<b>I.a. Equity at the beginning of the period (Opening Balance), after adjustments to ensure comparability</b>	<b>14,956,862</b>	<b>13,924,661</b>	<b>13,924,661</b>
<b>1. Share capital at the beginning of the period</b>	<b>86,352</b>	<b>86,352</b>	<b>86,352</b>
1.1. Change in share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
<b>1.2. Share capital at the end of the period</b>	<b>86,352</b>	<b>86,352</b>	<b>86,352</b>
<b>2. Supplementary capital at the beginning of the period</b>	<b>5,814,241</b>	<b>5,507,572</b>	<b>5,507,572</b>
2.1. Change in supplementary capital	2,643,784	306,669	306,669
a) additions (by virtue of):	2,643,784	306,669	306,669
- distribution of profit (above the statutory minimum)	2,643,739	306,374	306,374
- from revaluation reserve – by disposals of fixed assets	45	295	295
b) decreases	-	-	-
<b>2.2. Supplementary capital at the end of the period</b>	<b>8,458,025</b>	<b>5,814,241</b>	<b>5,814,241</b>
<b>3. Revaluation reserve at the beginning of the period</b>	<b>6,405,257</b>	<b>5,599,176</b>	<b>5,599,176</b>
- changes in the accepted accounting principles (policy)	-	-	-
<b>3.a. Revaluation reserve at the beginning of the period, after adjustments to ensure comparability</b>	<b>6,405,257</b>	<b>5,599,176</b>	<b>5,599,176</b>
3.1. Change in the revaluation reserve	(183,826)	806,081	(143,997)
a) additions (by virtue of):	568,511	968,880	591,783
- valuation of financial investments	481,484	940,809	591,783
- additions by virtue of disposal of available for sale instruments	16,175	3,486	-
- additions by virtue of hedge accounting	70,852	24,585	-
b) reductions (by virtue of)	752,337	162,799	735,780
- valuation of financial investments	736 862 <sup>1)</sup>	101,479	735,485
- reductions by virtue of the disposal of instruments available for sale	10,379	32,311	-
- sale of fixed assets	45	295	295
- reductions by virtue of hedge accounting	5,051	28,714	-
<b>3.2. Revaluation reserve at the end of the period</b>	<b>6,221,431</b>	<b>6,405,257</b>	<b>5,455,179</b>
<b>4. Other reserve capital at the beginning of the period</b>	-	-	-
4.1. Change in other reserve capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
<b>4.2. Other reserve capital at the end of the period</b>	-	-	-
<b>5. Retained earnings (losses) at the beginning of the period</b>	<b>2,651,012</b>	<b>2,731,561</b>	<b>2,731,561</b>
<b>5.1. Retained earnings at the beginning of the period</b>	<b>2,651,012</b>	<b>2,731,561</b>	<b>2,731,561</b>
a) changes in the accepted accounting policies	-	-	-
<b>5.2. Retained earnings at the beginning of the period, after adjustments to ensure comparability</b>	<b>2,651,012</b>	<b>2,731,561</b>	<b>2,731,561</b>
a) increases	-	-	-
b) decreases	2,651,012	2,731,561	2,731,561
- transfers to supplementary capital	2,643,739	306,374	306,374
- disbursement of dividends	-	2,417,864	2,417,864
- transfers/charges to the Company Social Benefit Fund	7,273	7,323	7,323
<b>5.3. Retained earnings at the end of the period</b>	-	-	-
<b>5.4. Retained losses at the beginning of the period</b>	-	-	-
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
<b>5.5. Retained losses at the beginning of the period, after adjustments to ensure comparability</b>	-	-	-
a) increases	-	-	-

Statement of changes in equity	1 January – 30 June 2020	1 January – 31 December 2019	1 January – 30 June 2019
b) decreases	-	-	-
<b>5.6. Retained losses at the end of the period</b>	-	-	-
<b>5.7. Retained earnings (losses) at the end of the period</b>	-	-	-
<b>6. Net result</b>	<b>1,170,424</b>	<b>2,651,012</b>	<b>1,826,900</b>
a) net profit	1,170,424	2,651,012	1,826,900
b) net loss	-	-	-
c) charges to profit	-	-	-
<b>II. Equity at the end of the period (Closing Balance)</b>	<b>15,936,232</b>	<b>14,956,862</b>	<b>13,182,672</b>
<b>III. Equity after taking into account the proposed distribution of profits (coverage of losses)</b>	<b>15,936,232</b>	<b>14,956,862</b>	<b>13,182,672</b>

<sup>1)</sup> PLN 358,027 thousand of which is attributable to impairment losses on shares in related parties (PLN 34,842 thousand in Alior Bank and PLN 323,185 thousand in Bank Pekao).

## 6. Interim standalone cash flow statement

Cash flow statement	1 January – 30 June 2020	1 January – 31 December 2019	1 January – 30 June 2019
<b>A. Cash flow on operating activity</b>			
<b>I. Proceeds</b>	<b>7,518,241</b>	<b>14,438,482</b>	<b>7,299,909</b>
<b>1. Proceeds on direct activity and inward reinsurance</b>	<b>6,841,685</b>	<b>13,233,994</b>	<b>6,690,331</b>
1.1. Proceeds on gross premiums	6,629,529	13,070,733	6,609,992
1.2. Proceeds on subrogation, salvage and claim refunds	194,599	136,701	60,307
1.3. Other proceeds on direct activity	17,557	26,560	20,032
<b>2. Proceeds from outward reinsurance</b>	<b>190,184</b>	<b>382,164</b>	<b>235,224</b>
2.1. Payments received from reinsurers for their share of claims paid	147,015	282,277	189,276
2.2. Proceeds on reinsurance commissions and profit participation	42,556	83,247	43,508
2.3. Other proceeds from outward reinsurance	613	16,640	2,440
<b>3. Proceeds on other operating activity</b>	<b>486,372</b>	<b>822,324</b>	<b>374,354</b>
3.1. Proceeds for acting as an emergency adjuster	220,066	360,547	164,340
3.2. Disposal of intangible assets and property, plant and equipment other than investments	1,175	7,425	3,053
3.3. Other proceeds	265,131	454,352	206,961
<b>II. Expenditures</b>	<b>6,751,113</b>	<b>13,317,836</b>	<b>6,558,849</b>
<b>1. Expenditures on direct activity and inward reinsurance</b>	<b>5,441,888</b>	<b>11,141,626</b>	<b>5,662,090</b>
1.1. Gross premium refunds	116,087	272,824	142,852
1.2. Gross claims and benefits paid	3,279,568	6,971,858	3,481,471
1.3. Acquisition expenditures	919,864	1,705,833	876,282
1.4. Administrative expenditures	764,586	1,450,393	742,049
1.5. Expenditures for claims handling and pursuit of subrogation	139,048	322,824	167,365
1.6. Commissions paid and profit-sharing on inward reinsurance	133,453	272,868	161,667
1.7. Other expenditures on direct activity and inward reinsurance	89,282	145,026	90,404
<b>2. Expenditures on outward reinsurance</b>	<b>470,251</b>	<b>576,286</b>	<b>287,556</b>
2.1. Premiums paid for reinsurance	470,081	576,003	287,405
2.2. Other expenditures on outward reinsurance	170	283	151
<b>3. Expenditures on other operating activity</b>	<b>838,974</b>	<b>1,599,924</b>	<b>609,203</b>
3.1. Expenditures for acting as an emergency adjuster	128,153	175,692	74,891
3.2. Purchase of intangible assets and property, plant and equipment other than investments	37,348	107,156	49,655
3.3. Other operating expenditures	673,473	1,317,076	484,657
<b>III. Net cash flows on operating activity (I-II)</b>	<b>767,128</b>	<b>1,120,646</b>	<b>741,060</b>
<b>B. Cash flow on investing activity</b>			
<b>I. Proceeds</b>	<b>63,453,284</b>	<b>213,107,377</b>	<b>163,555,237</b>
1. Sale of real estate	8,407	16,806	10,807
2. Sale of ownership interests and shares in related parties	-	7,739	7,695
3. Sale of ownership interests and shares in other entities and participation units and investment certificates in mutual funds	745	239,999	237,297
4. Realization of debt securities issued by related parties and amortization of the loans granted to these parties	-	10,000	-
5. Realization of debt securities issued by other entities	828,416	8,661,781	7,862,785
6. Liquidation of term deposits with credit institutions	22,473,904	144,819,006	122,865,355
7. Realization of other investments	39,813,015	57,088,308	32,205,347
8. Proceeds from real estate	3,548	7,025	3,494
9. Interest received	272,874	484,673	275,875
10. Dividends received	45,952	1,759,995	79,928
11. Other investment proceeds	6,423	12,045	6,654
<b>II. Expenditures</b>	<b>64,047,453</b>	<b>209,011,004</b>	<b>161,422,026</b>
1. Purchase of real estate	1,067	3,079	1,061
2. Purchase of ownership interests and shares in related parties	4,200	1,046	26



Cash flow statement	1 January – 30 June 2020	1 January – 31 December 2019	1 January – 30 June 2019
3. Purchase of ownership interests and shares in other entities, participation units and investment certificates in mutual funds	32,359	126,089	98,464
4. Purchase of debt securities issued by related parties and extension of loans to these parties	47,245	109,018	77,414
5. Purchase of debt securities issued by other entities	1,486,175	8,141,405	7,720,470
6. Purchase of term deposits with credit institutions	22,533,200	144,084,939	122,198,437
7. Purchase of other investments	39,902,338	56,460,378	31,278,792
8. Expenditures to maintain real estate	24,437	54,837	27,187
9. Other expenditures for investments	16,432	30,213	20,175
<b>III. Net cash flows from investing activities (I-II)</b>	<b>(594,169)</b>	<b>4,096,373</b>	<b>2,133,211</b>
<b>C. Cash flow on financing activity</b>			
<b>I. Proceeds</b>	<b>146,665</b>	<b>24,964,616</b>	<b>23,303,870</b>
1. Net proceeds from issuing shares and additional capital contributions	-	-	-
2. Loans, borrowings and issues of debt securities	146,665	24,964,616	23,303,870
3. Other financial proceeds	-	-	-
<b>II. Expenditures</b>	<b>187,543</b>	<b>31,261,040</b>	<b>27,141,860</b>
1. Dividends	153	2,417,864	-
2. Other expenditures for distribution of profits besides disbursement of dividends	-	-	-
3. Purchase of treasury stock	-	-	-
4. Amortization of loans and borrowings and redemption of own debt securities	146,671	28,710,674	27,049,419
5. Interest on loans and borrowings and issued debt securities	40,719	132,502	92,441
6. Other financial expenditures	-	-	-
<b>III. Net cash flows from financing activities (I-II)</b>	<b>(40,878)</b>	<b>(6,296,424)</b>	<b>(3,837,990)</b>
<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>132,081</b>	<b>(1,079,405)</b>	<b>(963,719)</b>
<b>E. Balance sheet change in cash, including:</b>	<b>140,198</b>	<b>(1,095,394)</b>	<b>(980,277)</b>
- movement in cash due to foreign exchange differences	8,117	(15,989)	(16,558)
<b>F. Cash at the beginning of the period</b>	<b>126,141</b>	<b>1,221,535</b>	<b>1,221,535</b>
<b>G. Cash at the end of the period (F+/-E), including:</b>	<b>266,339</b>	<b>126,141</b>	<b>241,258</b>
- restricted cash	52,873	28,512	54,320

# Notes and explanations

## 1. Intangible assets

Intangible assets	30 June 2020	31 December 2019
a) costs of completed development works	-	-
b) goodwill	-	-
c) acquired concessions, patents, licenses and similar values, including:	274,406	268,790
- computer software	270,982	267,159
d) other intangible assets	40	52
e) advance payments for intangible assets	25,029	47,371
<b>Total intangible assets</b>	<b>299,475</b>	<b>316,213</b>

## 2. Investments

### 2.1 Investments in real property

Investments in real property	30 June 2020	31 December 2019
a) own land	17,292	17,936
b) perpetual usufruct right to land	256	55
c) buildings and structures	301,782	310,832
d) cooperative ownership right to a unit	3,161	3,390
e) non-current assets under construction	390	555
f) advance payments for non-current assets under construction	-	-
<b>Total investments in real property</b>	<b>322,881</b>	<b>332,768</b>

### 2.2 Investments in related parties

Investments in related parties	30 June 2020	31 December 2019
a) shares in subsidiaries	14,698,098	15,965,517
b) shares in co-subsidiaries	-	-
c) shares in associates	-	871
d) loans granted to subsidiaries	511,904	462,088
e) loans granted to co-subsidiaries	-	-
f) loans granted to associates	-	-
g) debt securities of subsidiaries	-	-
h) debt securities of co-subsidiaries	-	-
i) debt securities of associates	-	-
j) other investments (by type), of which:	105,190	52,071
- term deposits	104,859	51,386
<b>Total investments in related parties</b>	<b>15,315,192</b>	<b>16,480,547</b>

Investments in related parties – goodwill	30 June 2020	31 December 2019
- Bank Pekao	1,112,545	1,530,483
- Alior Bank	37,267	792,077
- Lietuvos Draudimas AB	285,504	286,821
- Link 4	135,286	142,666
- AAS Balta	58,835	59,218
<b>Investments in related parties – goodwill, total</b>	<b>1,629,437</b>	<b>2,811,265</b>

### 2.2.1. Testing for impairment of shares in related parties and recognizing impairment losses on goodwill

In connection with the COVID-19 pandemic, an in-depth analysis of indications of impairment on shares in related parties with a goodwill element (Alior Bank and Bank Pekao) has been carried out. The analysis covered, among others: execution of ongoing financial plans, sales and profitability change rates, adjustments to financial plans taking into account the deterioration of prospects for the activity and changed cost of capital.

In connection with a series of interest rate cuts by NBP and increase of credit risk in banking activity, a conclusion has been drawn that there are indications of impairment of Bank Pekao and Alior Bank, as a result of which tests for impairment of the shares in these entities have been carried out as at 30 June 2020.

The test carried out as at 30 June 2020 for Bank Pekao has shown that an impairment has occurred and, consequently, an impairment loss on goodwill on acquisition of Bank Pekao in the amount of PLN 374,000 thousand has been recognized.

The test carried out for Alior Bank has shown shortages which have resulted in the necessity to recognize, in H1 2020, an impairment loss on goodwill in the amount of PLN 729,000 thousand (increasing the loss recognized in Q1 in the amount of PLN 455,000 thousand by additional PLN 274,000 thousand).

These impairment losses result from the significant deterioration of the business conditions for the banking sector, attributable to, among others, interest rate cuts by the Monetary Policy Council and increased credit risk and additional allowance for expected credit losses associated with the economic slowdown.

The recoverable amount was determined on the basis of value in use using the discounted cash flow method. For the needs of the test, financial projections for 2020-2026 were used. Extension of the projections to a period exceeding 5 years made it possible to fully reflect the impact of the assumed macroeconomic changes on the situation of the banks. Considering the uncertainty pertaining to the duration of the pandemic and its impact on the economy, the value in use was estimated for a number of scenarios, which reflected different future levels of interest rates, costs of risk and operating expenses, including the costs of refund of commissions in connection with the CJEU judgment of 11 September 2019 and the terms of dividend disbursement. The value in use was estimated as the average value weighted by the probability of the scenarios. Due to the high uncertainty, the estimates may be subject to significant changes in the future, as we gather knowledge regarding further development of the situation. The value in use was determined using a discount rate of 8.7% and a 3.5% growth rate after the projection period.

### 2.3 Other financial investments

Other financial investments	30 June 2020	31 December 2019
a) shares and other variable income securities	3,223	379
b) participation units and investment certificates in mutual funds	7,352,701	7,180,054
c) debt securities and other fixed income securities	12,463,152	11,603,181
d) participation in investments pools	-	-
e) mortgage-backed loans, including:	-	-
- additionally backed with policies	-	-
f) other loans, including:	994,981	923,690
- for insureds for whom a policy is the main collateral	-	-
- for insureds who do not hold policies as collateral	-	-
g) term deposits with credit institutions	98,520	89,598
h) other investments	58,418	49,408
<b>Other financial investments, total</b>	<b>20,970,995</b>	<b>19,846,310</b>

<b>Other financial investments in financial instruments</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
a) issued by the State Treasury or international organizations in which the Republic of Poland is a member	8,843,520	8,078,223
b) guaranteed by the State Treasury or international organizations in which the Republic of Poland is a member	848,085	657,940
c) issued by NBP	-	-
d) guaranteed by NBP	-	-
e) issued by a local government or an association of such local governments or the capital city of Warsaw	10,185	10,519
e) guaranteed by a local government or an association of such local governments or the capital city of Warsaw	-	-
g) other	11,269,205	11,099,628
<b>Other financial investments in financial instruments, total</b>	<b>20,970,995</b>	<b>19,846,310</b>

<b>Other financial investments by portfolio classification</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
a) financial assets held for trading	611,481	341,897
b) loans granted and own receivables	1,220,814	1,140,624
c) financial assets held to maturity	4,967,588	4,505,650
d) financial assets available for sale	14,171,112	13,858,139
<b>Other financial investments, total</b>	<b>20,970,995</b>	<b>19,846,310</b>

## 2.4 Other information on investments

### 2.4.1. Change in the fair value measurement methodology for financial instruments measured at fair value

In the 6-month period ended 30 June 2020 PZU did not make any changes in the fair value measurement method for financial instruments measured at fair value.

### 2.4.2. Changes in classification of financial assets resulting from the change of purpose or use of such assets

In the 6-month period ended 30 June 2020, PZU did not make any change to the classification of financial assets resulting from a change in the purpose or use of such assets.

## 3. Receivables

### 3.1 Receivables on direct insurance

<b>Receivables on direct insurance</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
a) receivables from policyholders	1,453,789	1,622,103
b) receivables from insurance intermediaries	84,162	95,561
c) other receivables	110,126	23,049
<b>Receivables on direct insurance (net), total</b>	<b>1,648,077</b>	<b>1,740,713</b>
d) impairment losses	660,609	647,941
<b>Receivables on direct insurance (gross), total</b>	<b>2,308,686</b>	<b>2,388,654</b>

### 3.2 Reinsurance receivables

Reinsurance receivables	30 June 2020	31 December 2019
a) current receivables in inward reinsurance	193,662	86,948
b) current receivables in outward reinsurance	15,853	11,960
c) current receivables from retrocessionaires	29,065	15,593
d) receivables by virtue of the reinsurance commission spread over time	-	-
e) receivables for reinsurers' share in paid claims	-	-
<b>Receivables on reinsurance (net), total</b>	<b>238,580</b>	<b>114,501</b>
f) impairment losses	2,572	2,389
<b>Receivables on reinsurance (gross), total</b>	<b>241,152</b>	<b>116,890</b>

### 3.3 Other receivables

Other receivables	30 June 2020	31 December 2019
a) receivables from the state budget	2,064	2,001
b) settlements for guarantees and letters of credit	-	-
c) other receivables, including:	1,498,530	227,604
- receivables by virtue of dividends	1,331,020	-
- receivables from outstanding investment transactions and security deposits	14,248	7,506
- settlements of the Company Social Benefit Fund	56,080	58,017
- receivables from direct claims handling on behalf of other insurance undertakings	17,797	26,816
- receivables on account of settlements within the Tax Group	22,929	10,926
- receivables for acting as an emergency adjuster	36,474	95,675
- prevention settlements	8,802	15,229
- bailiff seizures	3,119	3,464
- receivables due to shortages and damages	3,532	3,019
- prepayments for suppliers	685	2,001
- security deposits withheld	1,480	1,916
<b>Other receivables (net), total</b>	<b>1,500,594</b>	<b>229,605</b>
d) impairment losses	15,214	15,501
<b>Other receivables (gross), total</b>	<b>1,515,808</b>	<b>245,106</b>

## 4. Other assets

### 4.1 Property, plant and equipment

Property, plant and equipment	30 June 2020	31 December 2019
a) plant and machinery	42,498	43,117
b) means of transport	57,346	63,520
c) other fixed assets	9,506	10,385
d) fixed assets under construction	3,500	8,403
e) advances for fixed assets under construction	-	-
f) inventories	-	-
g) salvage after damages	489	421
<b>Total property, plant and equipment</b>	<b>113,339</b>	<b>125,846</b>

### 4.2 Cash

Cash	30 June 2020	31 December 2019
a) cash on hand and on bank accounts	266,339	126,141
b) other cash	-	-
<b>Total cash</b>	<b>266,339</b>	<b>126,141</b>

### 4.3 Other prepaid expenses and accrued income

Other prepayments and accruals	30 June 2020	31 December 2019
a) reinsurance accruals <sup>1)</sup>	680,798	836,877
b) accrued direct claims handling receivables	40,630	56,158
c) deferred IT expenses	26,678	32,273
d) settlement of the contribution made to the Prevention Fund	9,950	-
e) costs of the allowance to the Company Social Benefit Fund	6,589	-
f) other	21,911	13,893
<b>Other prepayments and accruals, total</b>	<b>786,556</b>	<b>939,201</b>

<sup>1)</sup> "Reinsurance accruals" include mainly gross accrued premium on inward reinsurance in the amount of PLN 632,786 thousand (PLN 776,545 thousand as at 31 December 2019).

## 5. Share capital

As at 30 June 2020:

Series/ issue	Par value per share	Type of shares	Type of preference attached to shares	Type of limitation on rights to shares	Number of shares	Par value of the series/issue (PLN)	Capital coverage	Date of registration	Right to dividends (from)
A	PLN 0.1	bearer	none	none	604,463,200	60,446,320	cash	23.01.1997	27.12.1991
B	PLN 0.1	bearer	none	none	259,059,800	25,905,980	in-kind contribution	31.03.1999	01.01.1999
<b>Total</b>					<b>863,523,000</b>	<b>86,352,300</b>			

## 6. Subordinated liabilities

On 30 June 2017, PZU issued subordinated bonds with a total nominal value of PLN 2,250,000 thousand. 29 July 2027 is the bond redemption date with a call option on 29 July 2022. Parameters of outstanding bonds:

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

The bonds are not in the form of documents and are registered in the securities depository maintained by Krajowy Depozyt Papierów Wartościowych SA [National Depository for Securities] and listed in alternative trading systems run by BondSpot SA and the Warsaw Stock Exchange. The carrying amount of the subordinated bonds at 30 June 2020 was PLN 2,279,023 thousand, while their fair value was PLN 2,263,671 thousand. On 31 December 2019 these figures were PLN 2,279,173 thousand and PLN 2,361,546 thousand, respectively.

## 7. Technical provisions

Technical provisions	30 June 2020	31 December 2019
a) provision for unearned premiums:	7,162,608	6,934,492
- gross provisions	7,683,706	7,610,300
- reinsurers' share	521,098	675,808
b) provision for unexpired risk:	-	-
- gross provisions	-	-
- reinsurers' share	-	-
c) life insurance provisions:	-	-
- gross provisions	-	-
- reinsurers' share	-	-
d) provision for outstanding claims and benefits:	14,163,128	13,882,070
- gross provisions	15,131,794	14,747,115
- reinsurers' share	968,666	865,045
e) provisions for bonuses and discounts for insureds:	1,645	1,863
- gross provisions	1,792	2,010
- reinsurers' share	147	147
f) equalization provision	754,596	754,596
g) provisions for reimbursement of premiums to members	-	-
h) other technical provisions specified in the articles of association	-	-
- gross provisions	-	-
- reinsurers' share	-	-
i) life insurance provisions for where the policyholder bears the investment risk	-	-
- gross provisions	-	-
- reinsurers' share	-	-
<b>Total technical provisions</b>	<b>22,081,977</b>	<b>21,573,021</b>

### 7.1 Provision for the capitalized value of annuities

On 28 September 2019, the Act of 19 July 2019 on Special Rights of Injured Persons with an Exhausted Indemnity Determined on the basis of Applicable Regulations for Damage Suffered before 1 January 2006 came into force. The Act defines the special rights granted to injured persons in the event of damage arising in the territory of the Republic of Poland in situations where the indemnity has been exhausted. The injured person will be entitled to a claim for the payment of an annuity from the IIF, limited to the indemnity amount set as at the date of submission of the claim in a situation where the insurance undertaking was not required to pay an annuity on the basis of a court ruling setting a different amount of indemnity than that specified in the insurance contract. The claim for the payment of an annuity will apply to periods following the date of the Act's entry into force.

After the establishment, between the insurance companies and the IIF, of the terms and conditions for the transfer of annuities covered by the Act to the IIF and the development of pertinent internal procedures for this process, it will be possible to determine what changes need to be made, if any, in the method of calculation of technical provisions.



## 8. Provisions for pension benefits and other compulsory employee benefits

Provisions for pension benefits and other compulsory employee benefits	30 June 2020	31 December 2019
a) provisions for pension benefits	11,786	11,586
b) other compulsory employee benefits (by type):	53,484	34,095
- provisions for holidays	42,152	23,248
- provisions for post-mortem benefits	11,332	10,847
<b>Provisions for pension benefits and other compulsory employee benefits, total</b>	<b>65,270</b>	<b>45,681</b>

### 8.1 Movement in provisions for pension benefits and other compulsory employee benefits

Movement in provisions for pension benefits and other compulsory employee benefits	1 January – 30 June 2020	1 January – 30 June 2019
<b>a) provisions at the beginning of the period (by type)</b>	<b>45,681</b>	<b>42,039</b>
- provisions for pension benefits	11,586	10,310
- provisions for holidays	23,248	22,111
- provisions for post-mortem benefits	10,847	9,618
b) additions (by virtue of)	20,148	13,465
- provisions for pension benefits	269	55
- provisions for holidays	19,383	12,958
- provisions for post-mortem benefits	496	452
c) utilization (by type)	559	610
- provisions for pension benefits	69	-
- provisions for holidays	479	581
- provisions for post-mortem benefits	11	29
d) reversal (by type)	-	-
- provisions for pension benefits	-	-
- provisions for holidays	-	-
- provisions for post-mortem benefits	-	-
<b>e) provisions at the end of the period (by type)</b>	<b>65,270</b>	<b>54,894</b>
- provisions for pension benefits	11,786	10,365
- provisions for holidays	42,152	34,488
- provisions for post-mortem benefits	11,332	10,041

## 9. Other provisions

Other provisions	30 June 2020	31 December 2019
a) provision for the cash penalty imposed by the Office of Competition and Consumer Protection <sup>1)</sup>	-	56,605
b) provisions for reinsurance settlements	6,522	7,009
c) provision for restructuring expenses	6,168	6,272
d) provision for other administrative proceedings	48	420
e) provision for disputed claims and potential liabilities on account of concluded insurance contracts	808	795
f) other provisions	7,796	6,199
<b>Total other provisions</b>	<b>21,342</b>	<b>77,300</b>

<sup>1)</sup> Movement in the item described in section 25.2.

### 9.1 Movement in other provisions

Movement in other provisions	1 January – 30 June 2020	1 January – 30 June 2019
<b>a) balance at the beginning of the period (by type)</b>	<b>77,300</b>	<b>82,354</b>
- provision for restructuring expenses	6,272	6,715
- provisions for reinsurance settlements	7,009	7,822
- provision for the penalty imposed by the Office of Competition and Consumer Protection	56,605	56,605
- other provisions	7,414	11,212
b) additions (by virtue of)	2,621	10,014
- provision for restructuring expenses	-	-
- provisions for reinsurance settlements	656	9,029
- provision for the penalty imposed by the Office of Competition and Consumer Protection	-	-
- other provisions	1,965	985
c) utilization (by type)	533	1,311
- provision for restructuring expenses	-	293
- provisions for reinsurance settlements	-	-
- provision for the penalty imposed by the Office of Competition and Consumer Protection	-	-
- other provisions	533	1,018
d) reversal (by type)	58,046	8,645
- provision for restructuring expenses	104	-
- provisions for reinsurance settlements	1,143	8,262
- provision for the penalty imposed by the Office of Competition and Consumer Protection	56,605	-
- other provisions	194	383
<b>e) balance at the end of the period (by type)</b>	<b>21,342</b>	<b>82,412</b>
- provision for restructuring expenses	6,168	6,422
- provisions for reinsurance settlements	6,522	8,589
- provision for the penalty imposed by the Office of Competition and Consumer Protection	-	56,605
- other provisions	8,652	10,796

## 10. Liabilities

### 10.1 Liabilities on direct insurance

Liabilities on direct insurance	30 June 2020	31 December 2019
a) liabilities to policyholders	80,973	76,184
b) liabilities to insurance intermediaries	144,178	179,360
c) other insurance liabilities	159,723	165,255
<b>Liabilities on direct insurance, total</b>	<b>384,874</b>	<b>420,799</b>

### 10.2 Reinsurance liabilities

Reinsurance liabilities, total	30 June 2020	31 December 2019
a) current accounts in inward reinsurance	13,935	10,957
b) current accounts in outward reinsurance	97,757	19,551
c) retrocession liabilities	146,985	47,833
d) liabilities for reinsurance premiums spread over time	-	-
<b>Reinsurance liabilities, total</b>	<b>258,677</b>	<b>78,341</b>

### 10.3 Other liabilities

Other liabilities	30 June 2020	31 December 2019
<b>a) liabilities to the state budget, including:</b>	<b>47,588</b>	<b>74,570</b>
- corporate income tax	21,381	44,095
- liabilities for the tax referred to in the Act of 15 January 2016 on the tax on some financial institutions (consolidated text: Journal of Laws of 2017, Item 1410, "Tax on some financial institutions")	15,458	14,933
- VAT	5,500	4,454
- personal income tax	5,224	11,055
- other	25	33
<b>b) other liabilities, including:</b>	<b>367,808</b>	<b>354,461</b>
- costs of co-funding a subsidiary	84,980	78,944
- liabilities for outstanding investment transactions and margins	63,872	51,362
- measurement of derivatives - liabilities held for trading	48,841	10,352
- security deposits withheld	36,035	35,408
- estimated non-insurance liabilities	24,272	60,632
- settlements for direct claims handling	22,716	29,306
- liabilities on account of donations	20,673	23,225
- ZUS contributions and benefits	16,369	14,084
- liability to the Insurance Guarantee Fund	12,451	14,615
- liabilities for the Tax Group's settlements	3,140	7,070
- liabilities for building the Central Records of Vehicles and Drivers (CEPiK)	2,737	3,500
- dividend-related settlements with shareholders	2,667	2,667
- liabilities on account of trial-related representation	1,745	2,021
- other	27,310	21,275
<b>Other liabilities, total</b>	<b>415,396</b>	<b>429,031</b>

## 11. Special-purpose funds

<b>Special-purpose funds</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
a) Prevention Fund	28,283	22,812
b) Company Social Benefit Fund	87,775	77,129
<b>Special-purpose funds, total</b>	<b>116,058</b>	<b>99,941</b>

## 12. Accrued expenses

<b>Prepayments and accruals</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>a) accrued expenses, including:</b>	<b>791,614</b>	<b>1,241,848</b>
- non-current	25,585	23,203
- current (by type)	766,029	1,218,645
- accrued reinsurance income and expenses	346,282	727,684
- accrued expenses of direct insurance commissions	294,631	322,700
- accrued payroll expenses	86,386	103,467
- accrued employee bonuses	24,337	46,778
- other postings	14,393	18,016
<b>b) negative goodwill</b>	-	-
<b>c) deferred income, including:</b>	<b>78,578</b>	<b>62,508</b>
- deferred reinsurance commissions	77,279	61,758
- investment income	1,092	391
- perpetual usufruct right to land obtained gratuitously	205	-
- other	2	359
<b>Total accruals and deferred income</b>	<b>870,192</b>	<b>1,304,356</b>



### 13. Movements in impairment losses

Item Assets	Impairment losses as at 1 January 2020, including in reference to the following:		Ones established, including in reference to the following:		Reversals, including in reference to the following:		Utilizations, including in reference to the following:		Impairment losses as at 30 June 2020, including in reference to the following:	
	financial result	equity	financial result	equity	financial result	equity	financial result	equity	financial result	equity
<b>I. Intangible assets</b>	<b>1,209</b>	-	-	-	(402)	-	-	-	807	-
<b>II. Investments</b>	<b>146,197</b>	<b>2,349</b>	<b>744,973</b>	<b>358,027</b>	-	-	-	-	<b>891,170</b>	<b>360,376</b>
1. Real property	129,686	2,349	-	-	-	-	-	-	129,686	2,349
2. Investments in related parties	3,962	-	744,973	358,027	-	-	-	-	748,935	358,027
3. Other financial investments	12,549	-	-	-	-	-	-	-	12,549	-
a) shares and other variable income securities	12,500	-	-	-	-	-	-	-	12,500	-
b) participation units and investment certificates in mutual funds	49	-	-	-	-	-	-	-	49	-
c) debt securities and other fixed income securities	-	-	-	-	-	-	-	-	-	-
d) participation in investments pools	-	-	-	-	-	-	-	-	-	-
e) mortgage-backed loans	-	-	-	-	-	-	-	-	-	-
f) other loans	-	-	-	-	-	-	-	-	-	-
g) term deposits with credit institutions	-	-	-	-	-	-	-	-	-	-
h) other investments (by type)	-	-	-	-	-	-	-	-	-	-
4. Deposits with ceding enterprises	-	-	-	-	-	-	-	-	-	-
<b>III. Net assets for life insurance where the policyholder bears the investment risk</b>	-	-	-	-	-	-	-	-	-	-
<b>IV. Receivables</b>	<b>665,831</b>	-	<b>24,443</b>	-	<b>(11,743)</b>	-	<b>(136)</b>	-	<b>678,395</b>	-
1. Receivables on direct insurance	647,941	-	21,785	-	(9,117)	-	-	-	660,609	-
2. Reinsurance receivables	2,389	-	2,607	-	(2,350)	-	(74)	-	2,572	-
3. Other receivables	15,501	-	51	-	(276)	-	(62)	-	15,214	-
3.1. Receivables from the state budget	-	-	-	-	-	-	-	-	-	-
3.2. Other receivables	15,501	-	51	-	(276)	-	(62)	-	15,214	-
<b>V. Other assets</b>	-	-	-	-	-	-	-	-	-	-
1. Property, plant and equipment	-	-	-	-	-	-	-	-	-	-
2. Other assets	-	-	-	-	-	-	-	-	-	-
<b>VI. Prepayments and accruals</b>	<b>117</b>	-	<b>27</b>	-	-	-	-	-	<b>144</b>	-
1. Deferred tax assets	-	-	-	-	-	-	-	-	-	-
2. Deferred acquisition costs	-	-	-	-	-	-	-	-	-	-
3. Accrued interest and rents	-	-	-	-	-	-	-	-	-	-
4. Other prepayments and accruals	117	-	27	-	-	-	-	-	144	-



Item Assets	Impairment losses as at 1 January 2019, including in reference to the following:		Ones established, including in reference to the following:		Reversals, including in reference to the following:		Utilizations, including in reference to the following:		Impairment losses as at 30 June 2019, including in reference to the following:	
	financial result	equity	financial result	equity	financial result	equity	financial result	equity	financial result	equity
<b>I. Intangible assets</b>	<b>1,611</b>	-	-	-	(402)	-	-	-	<b>1,209</b>	-
<b>II. Investments</b>	<b>159,103</b>	<b>2,349</b>	-	-	-	-	(10,063)	-	<b>149,040</b>	<b>2,349</b>
1. Real property	134,595	2,349	-	-	-	-	(2,218)	-	132,377	2,349
2. Investments in related parties	7,821	-	-	-	-	-	(3,962)	-	3,859	-
3. Other financial investments	16,687	-	-	-	-	-	(3,883)	-	12,804	-
a) shares and other variable income securities	12,500	-	-	-	-	-	-	-	12,500	-
b) participation units and investment certificates in mutual funds	4,187	-	-	-	-	-	(3,883)	-	304	-
c) debt securities and other fixed income securities	-	-	-	-	-	-	-	-	-	-
d) participation in investments pools	-	-	-	-	-	-	-	-	-	-
e) mortgage-backed loans	-	-	-	-	-	-	-	-	-	-
f) other loans	-	-	-	-	-	-	-	-	-	-
g) term deposits with credit institutions	-	-	-	-	-	-	-	-	-	-
h) other investments (by type)	-	-	-	-	-	-	-	-	-	-
4. Deposits with ceding enterprises	-	-	-	-	-	-	-	-	-	-
<b>III. Net assets for life insurance where the policyholder bears the investment risk</b>	-	-	-	-	-	-	-	-	-	-
<b>IV. Receivables</b>	<b>643,043</b>	-	<b>60,821</b>	-	<b>(66,399)</b>	-	<b>(1,096)</b>	-	<b>636,369</b>	-
1. Receivables on direct insurance	620,660	-	55,627	-	(61,615)	-	(839)	-	613,833	-
2. Reinsurance receivables	5,450	-	844	-	(382)	-	(140)	-	5,772	-
3. Other receivables	16,933	-	4,350	-	(4,402)	-	(117)	-	16,764	-
3.1. Receivables from the state budget	-	-	-	-	-	-	-	-	-	-
3.2. Other receivables	16,933	-	4,350	-	(4,402)	-	(117)	-	16,764	-
<b>V. Other assets</b>	-	-	-	-	-	-	-	-	-	-
1. Property, plant and equipment	-	-	-	-	-	-	-	-	-	-
2. Other assets	-	-	-	-	-	-	-	-	-	-
<b>VI. Prepayments and accruals</b>	<b>316</b>	-	<b>74</b>	-	<b>(316)</b>	-	-	-	<b>74</b>	-
1. Deferred tax assets	-	-	-	-	-	-	-	-	-	-
2. Deferred acquisition costs	-	-	-	-	-	-	-	-	-	-
3. Accrued interest and rents	-	-	-	-	-	-	-	-	-	-
4. Other prepayments and accruals	316	-	74	-	(316)	-	-	-	74	-

## 14. Non-life insurance premiums

### 14.1 Gross written premium in non-life insurance

Gross written premium	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) in direct insurance	2,647,165	5,701,550	2,905,755	5,914,740
b) in indirect insurance	58,912	761,812	76,937	796,915
<b>Total gross written premiums</b>	<b>2,706,077</b>	<b>6,463,362</b>	<b>2,982,692</b>	<b>6,711,655</b>

Gross written premium in direct insurance	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) accident and sickness insurance (groups 1 and 2)	154,467	299,443	98,507	196,947
b) motor third party liability insurance (group 10)	981,694	2,053,325	1,119,727	2,231,078
c) other motor insurance (group 3)	675,902	1,470,555	798,898	1,629,779
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	15,976	43,124	14,411	27,286
e) insurance against fire and other property damage (groups 8 and 9)	531,661	1,187,254	560,102	1,168,110
f) TPL insurance (groups 11, 12, 13)	162,757	369,205	168,216	373,530
g) loans and guarantees (groups 14, 15)	15,467	29,285	16,680	30,613
h) assistance (group 18)	81,807	183,198	101,740	201,156
i) legal protection (group 17)	3,179	6,155	2,844	5,618
j) other (group 16)	24,255	60,006	24,630	50,623
<b>Gross written premium in direct insurance (by accounting classes), total</b>	<b>2,647,165</b>	<b>5,701,550</b>	<b>2,905,755</b>	<b>5,914,740</b>

Gross written premium in indirect insurance	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) accident and sickness insurance (groups 1 and 2)	1,746	5,395	2,401	4,671
b) motor third party liability insurance (group 10)	(780)	667,616	(4,235)	684,983
c) other motor insurance (group 3)	6	307	(31)	1,115
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	2,883	5,455	2,700	4,928
e) insurance against fire and other property damage (groups 8 and 9)	39,234	60,867	70,828	94,412
f) TPL insurance (groups 11, 12, 13)	14,364	18,247	9,577	10,280
g) loans and guarantees (groups 14, 15)	392	535	102	712
h) assistance (group 18)	(5)	2	(53)	(137)
i) legal protection (group 17)	-	-	-	-
j) other (group 16)	1,072	3,388	(4,352)	(4,049)
<b>Gross written premium in indirect insurance (by accounting classes), total</b>	<b>58,912</b>	<b>761,812</b>	<b>76,937</b>	<b>796,915</b>

## 14.2 Gross earned premium in non-life insurance

Gross earned premium in direct insurance	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) accident and sickness insurance (groups 1 and 2)	112,555	212,797	101,288	196,189
b) motor third party liability insurance (group 10)	1,080,431	2,178,782	1,146,705	2,289,812
c) other motor insurance (group 3)	780,937	1,579,686	807,991	1,602,784
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	14,372	29,009	12,458	22,923
e) insurance against fire and other property damage (groups 8 and 9)	591,398	1,103,901	559,773	1,043,013
f) TPL insurance (groups 11, 12, 13)	175,158	351,049	173,705	342,826
g) loans and guarantees (groups 14, 15)	20,226	36,025	18,213	32,906
h) assistance (group 18)	90,391	191,160	98,192	192,681
i) legal protection (group 17)	2,711	5,361	2,495	4,888
j) other (group 16)	25,043	51,106	22,502	44,495
<b>Total gross earned premium in direct non-life insurance</b>	<b>2,893,222</b>	<b>5,738,876</b>	<b>2,943,322</b>	<b>5,772,517</b>

Gross earned premium in indirect insurance	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) accident and sickness insurance (groups 1 and 2)	2,421	9,267	2,319	4,337
b) motor third party liability insurance (group 10)	170,463	343,985	173,573	347,177
c) other motor insurance (group 3)	1,948	4,728	4,969	10,805
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	4,922	7,445	2,902	5,172
e) insurance against fire and other property damage (groups 8 and 9)	96,794	184,218	87,141	165,395
f) TPL insurance (groups 11, 12, 13)	15,359	30,894	12,616	16,723
g) loans and guarantees (groups 14, 15)	2,070	3,064	1,131	2,515
h) assistance (group 18)	261	758	972	1,984
i) legal protection (group 17)	-	-	-	-
j) other (group 16)	37,110	66,720	13,831	31,368
<b>Total gross earned premium in indirect non-life insurance</b>	<b>331,348</b>	<b>651,079</b>	<b>299,454</b>	<b>585,476</b>

## 15. Gross claims and benefits paid

Gross claims and benefits paid	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) on direct insurance, including:	1,499,496	3,191,165	1,773,325	3,408,627
- claims handling expenses	154,834	338,490	187,831	360,426
b) on indirect insurance, including:	137,538	347,083	307,360	415,808
- claims handling expenses	6,743	16,135	6,771	13,757
<b>Total gross claims and benefits paid</b>	<b>1,637,034</b>	<b>3,538,248</b>	<b>2,080,685</b>	<b>3,824,435</b>



<b>Gross claims and benefits paid in direct insurance</b>	<b>1 April – 30 June 2020</b>	<b>1 January – 30 June 2020</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2019</b>
a) accident and sickness insurance (groups 1 and 2)	19,948	44,267	26,462	52,235
b) motor third party liability insurance (group 10)	618,737	1,434,513	780,857	1,559,037
c) other motor insurance (group 3)	433,152	966,577	512,062	1,041,044
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	2,803	7,087	4,644	7,318
e) insurance against fire and other property damage (groups 8 and 9)	295,811	452,302	308,682	467,623
f) TPL insurance (groups 11, 12, 13)	75,442	158,245	79,333	167,680
g) loans and guarantees (groups 14, 15)	15,357	39,521	13,593	16,227
h) assistance (group 18)	35,226	82,314	44,270	90,692
i) legal protection (group 17)	1,263	2,566	511	1,182
j) other (group 16)	1,758	3,773	2,912	5,589
<b>Gross written gross claims and benefits paid in direct insurance (by accounting classes), total</b>	<b>1,499,497</b>	<b>3,191,165</b>	<b>1,773,326</b>	<b>3,408,627</b>

<b>Gross claims and benefits paid in indirect insurance</b>	<b>1 April – 30 June 2020</b>	<b>1 January – 30 June 2020</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2019</b>
a) accident and sickness insurance (groups 1 and 2)	488	5,003	6	3,631
b) motor third party liability insurance (group 10)	89,801	189,519	88,575	174,243
c) other motor insurance (group 3)	732	2,859	4,025	7,197
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	906	1,373	33	100
e) insurance against fire and other property damage (groups 8 and 9)	28,130	126,074	211,217	222,262
f) TPL insurance (groups 11, 12, 13)	3,896	7,401	2,761	6,873
g) loans and guarantees (groups 14, 15)	169	244	176	273
h) assistance (group 18)	334	921	397	842
i) legal protection (group 17)	-	-	-	-
j) other (group 16)	13,081	13,689	169	387
<b>Gross written gross claims and benefits paid in indirect insurance (by accounting classes), total</b>	<b>137,537</b>	<b>347,083</b>	<b>307,359</b>	<b>415,808</b>

## 16. Claims handling expenses

<b>Claims handling expenses in direct insurance</b>	<b>1 April – 30 June 2020</b>	<b>1 January – 30 June 2020</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2019</b>
a) accident and sickness insurance (groups 1 and 2)	3,331	7,547	4,774	9,938
b) motor third party liability insurance (group 10)	74,118	173,588	100,154	194,504
c) other motor insurance (group 3)	32,590	65,250	32,466	59,367
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	169	322	316	495
e) insurance against fire and other property damage (groups 8 and 9)	25,198	46,775	24,106	44,976
f) TPL insurance (groups 11, 12, 13)	11,841	28,220	15,696	33,569
g) loans and guarantees (groups 14, 15)	378	1,118	4,270	4,523
h) assistance (group 18)	5,907	12,891	5,505	11,990
i) legal protection (group 17)	1,094	2,236	245	631
j) other (group 16)	208	543	299	433
<b>Claims handling expenses in direct insurance (by accounting classes), total</b>	<b>154,834</b>	<b>338,490</b>	<b>187,831</b>	<b>360,426</b>

Claims handling expenses in indirect insurance	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) accident and sickness insurance (groups 1 and 2)	(4)	486	-	268
b) motor third party liability insurance (group 10)	5,752	12,340	5,651	11,186
c) other motor insurance (group 3)	72	240	144	267
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	3	81	3	31
e) insurance against fire and other property damage (groups 8 and 9)	377	1,808	380	649
f) TPL insurance (groups 11, 12, 13)	398	855	497	1,109
g) loans and guarantees (groups 14, 15)	-	-	-	-
h) assistance (group 18)	84	230	95	200
i) legal protection (group 17)	-	-	-	-
j) other (group 16)	61	95	1	47
<b>Claims handling expenses in direct insurance (by accounting classes), total</b>	<b>6,743</b>	<b>16,135</b>	<b>6,771</b>	<b>13,757</b>

## 17. Acquisition expenses

Acquisition expenses	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) consumption of materials and energy	2,520	6,091	3,411	6,996
b) third party services	16,813	32,712	18,948	37,918
c) salaries and insurance and other benefits	76,195	153,585	84,838	166,932
d) commissions	433,127	1,092,996	425,144	1,062,896
e) depreciation and amortization	8,056	15,960	11,774	23,307
f) other	3,826	7,996	2,519	6,804
g) movement in deferred acquisition costs	70,483	(89,183)	62,178	(95,011)
<b>Acquisition expenses, total</b>	<b>611,020</b>	<b>1,220,157</b>	<b>608,812</b>	<b>1,209,842</b>

## 18. Administrative expenses

Administrative expenses	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) consumption of materials and energy	3,837	8,031	3,698	7,755
b) third party services	37,780	69,255	33,390	65,083
c) taxes and charges	3,610	7,988	2,844	4,169
d) salaries	91,292	179,915	74,000	153,443
e) insurance and other benefits	22,178	46,291	20,918	42,339
f) depreciation and amortization	12,672	24,809	11,917	23,715
g) other	19,191	36,112	18,692	34,114
<b>Administrative expenses, total</b>	<b>190,560</b>	<b>372,401</b>	<b>165,459</b>	<b>330,618</b>

## 19. Other operating income

Other operating income	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) financial income	302	751	267	748
b) income for acting as an emergency adjuster	2,498	6,156	2,969	6,171
b) income for direct claims handling	31,089	78,740	48,522	97,636
d) other operating income, including:	57,951	74,183	40,696	51,457
- foreign exchange gains	(1,861)	10,824	33,781	40,781
- re-invoicing of expenses	693	1,583	492	1,241
- claims paid received	698	1,924	664	1,243
- income on the reversal of impairment losses and provisions for future expenses	56,800	56,948	13	13
- other	1,621	2,904	5,746	8,179
<b>Other operating income, total</b>	<b>91,840</b>	<b>159,830</b>	<b>92,454</b>	<b>156,012</b>

## 20. Other operating expenses

Other operating expenses	1 April – 30 June 2020	1 January – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2019
a) financial expenses	20,505	40,929	35,706	74,071
b) expenses for acting as an emergency adjuster	183	351	170	280
c) expenses of direct claims handling	34,720	85,242	52,199	104,083
d) tax on some financial institutions	46,601	93,085	48,012	97,211
e) other operating expenses, including:	11,423	40,337	19,254	45,229
- foreign exchange losses	2,492	15,587	11,322	20,311
- donations	1,028	11,987	310	11,324
- costs of establishing provisions for probable losses	554	650	143	319
- cost of sold fixed assets and investments in progress	159	1,373	748	1,872
- costs subject to being invoiced	693	1,583	491	1,242
- costs of downsizing	-	-	13	13
- other	6,497	9,157	6,227	10,148
<b>Other operating expenses, total</b>	<b>113,432</b>	<b>259,944</b>	<b>155,341</b>	<b>320,874</b>

## 21. Information on the changes in the economic situation and business conditions exerting a material effect on the fair value of financial assets and liabilities

PZU's operations were affected by the COVID-19 pandemic which reached Poland in March 2020 and resulted in an economic downturn in Poland and its environment. The demand and supply shock associated directly with the decline in business activity in a number of industries increased the level of uncertainty among enterprises and households, thereby deteriorating the conditions for business development at PZU.

In connection with the lockdown of the Polish economy, the loss ratio in motor own damage and motor TPL insurance declined due to the lower frequency of claims (which resulted from a lower volume of domestic and international traffic) with an increase in the average claim (fewer minor claims, interrupted supply chains and shortages of spare parts, appreciation of the euro, longer use of replacement vehicles). As a result, the COVID-19 pandemic, despite numerous negative economic effects, did not cause in H1 2020 negative impact on the loss ratio in PZU's non-life insurance. Despite the currently observed gradual return to the loss ratio from the period preceding the lockdown of the economy, it is difficult to predict how the trends in question will affect the level of competition and the pricing policies of insurance companies in H2 2020.

On the other hand, some lines of business were immediately struck by the COVID-19 pandemic. First of all, travel insurance was particularly exposed to the unfavorable effects of the lockdown – at the initial stage of the pandemic, insurers recorded a deterioration in the loss ratio of this type of insurance, whereas following the imposition of travel restrictions, sales of insurance in this product group were frozen. In the medium term, unfavorable trends related to the increase in the loss ratio may be expected to appear in the area of insurance guarantees, job loss insurance and low own contribution insurance for mortgage loans.

Also, changes may occur in clients' awareness, expectations and habits. Furthermore, the lockdown of the economy, forcing the transition to distance work, undoubtedly accelerated the processes of digitization and the use of advanced technologies in the insurance sector. Remote forms of work, sales, inspection and claims handling became popular quite rapidly. The situation caused by isolation and, currently, adhering to the principles of social distancing in the return to the "new normal" may also accelerate the transfer of clients from traditional to remote channels. Changes in clients' habits, which would normally take several years, may in the current circumstances occur much faster.

At the same time, it is expected that changes in the insurance sector will continue, as they were observed even before the COVID-19 pandemic, related to the emergence of new entrants and trends associated with the development of new technologies.

As regards the non-life insurance portfolio, the following are some of the specific risks that have been identified:

- possible slowdown in economic growth, which may result in elevated credit risk, a higher loss ratio on the financial insurance portfolio and deceleration in the pace of insurance premium growth;
- increase in the prices of spare parts affecting claims handling expenses due to the depreciation of the Polish zloty against the euro;

- possible slowdown in the growth rate of gross written premium, mostly as a consequence of the motor insurance portfolio's profitability generated in recent years, and thereby an active pricing policy applied by competitors and rivalry to attract clients;
- possible adverse trends related to the increase in the loss ratio may be expected to appear in the area of insurance guarantees, job loss insurance and low own contribution insurance for mortgage loans;
- reduced demand for voluntary insurance (due to an increase in the rate of unemployment and a decline in employment).

In the investment area:

- lower interest rates will translate into the portfolio performance, because the return on a significant portion of debt assets directly depends on the level of interest rates (corporate bonds and loans, certain treasury bonds);
- in the longer term, as debt exposures acquired in the past with higher interest rates mature, the risk of reinvestment will increase;
- volatility in financial markets will have a limited impact on PZU's results, because the Company, in anticipation of a deterioration in the financial markets, has prepared its portfolio for a slowdown ahead of time by significantly reducing its exposure to the most volatile assets;

The situation surrounding the spread of COVID-19 has been developing rapidly and its impact on PZU's financial standing is currently difficult to estimate. PZU keeps monitoring on an ongoing basis how the changing environment affects all identified risks.

An analysis of the risks resulting from the impact of the COVID-19 pandemic on PZU's activity has been carried out. These include, among others, lapses, lower insurance sales, higher bankruptcy rate, risk of loss of job, or material changes in the loss ratios. As regards non-life insurance, these risks may pertain to the largest extent to commercial credit insurance, financial guarantees, job loss or loss of profit insurance, or motor insurance. As a result of the analysis PZU has not introduced any major changes to the approach and, as a consequence, in the level of technical provisions in non-life insurance.

The Management Board has carried out tests for impairment of shares in related parties, described in item 2.2.1 of Notes and explanations.

In addition, the Management Board has carried out an analysis of the impact of COVID-19 on the assumptions made for the calculation of impairment losses on insurance receivables (such as the age structure depending on the past due period, uncollectibility ratios). As a result of the analysis, it has been concluded that the COVID-19 pandemic did not have significant negative impact on these ratios and the impairment losses on insurance receivables remain adequate.

Finally, the PZU Management Board has evaluated PZU's ability to continue as a going concern, taking into account a number of factors, including: high solvency, potential impact of COVID-19 on PZU's operating activity, including additional costs to be incurred, the planning of business continuity of both PZU and its business partners, the structure of offered products and related risks, assessment of the liquidity and stability of funding, potential impairment of financial and non-financial assets, etc.

Based on its analysis, the PZU Management Board confirms its finding that there are no known material uncertainties arising from events or circumstances that might call into question PZU's ability to continue as a going concern during a period of at least 12 months following 30 June 2020.

## 22. Issues, redemption and repayments of debt securities and equities

In the 6-month period ended 30 June 2020, PZU did not materially issue, redeem or repay any debt securities or equity securities.

## 23. Default or breach of material provisions of loan agreements

During the 6-month period ended 30 June 2020, in PZU there were no instances of default on loans and borrowings or breaches of any material provisions of agreements on loans and borrowings in respect of which no corrective measures were taken until the end of the reporting period.

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

In the 6-month period from 1 January to 30 June 2020, PZU did not grant any sureties for a loan or borrowing or any guarantees - jointly to any single entity or subsidiary of such an entity - where the total amount of outstanding sureties or guarantees would constitute the equivalent value of at least 10% of PZU's equity.

## 25. Disputes

PZU participates in numerous court and arbitration disputes and administrative proceedings. Typical litigation involving PZU includes disputes pertaining to concluded insurance contracts, disputes concerning employment relationships and disputes relating to contractual obligations. Typical administrative proceedings involving PZU include proceedings related to the possession of property. Such proceedings and litigation are of a typical and repetitive nature and usually no particular case is of material importance to PZU.

Additionally, PZU is a party to proceedings conducted before the President of the Office of Competition and Consumer Protection.

PZU takes disputed claims into account in the process of establishing technical provisions for known losses, considering the probability of an unfavorable outcome of the dispute and estimating the probable awarded amount.

As at 30 June 2020, the total value of all the 164,990 cases pending before courts, competent bodies for arbitral proceedings or public administration authorities involving PZU was PLN 3,509,296 thousand. PLN 3,022,503 thousand of that amount pertains to liabilities and PLN 486,793 thousand to PZU's accounts receivable.

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

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

The challenged resolution of the Ordinary Shareholder Meeting of PZU distributed the 2006 net profit of PLN 3,280,883 thousand as follows:

- PLN 3,260,883 thousand to supplementary capital;
- PLN 20,000 thousand to the Company Social Benefit Fund.

In its judgment of 22 January 2010, the Regional Court in Warsaw repealed the aforementioned resolution adopted by PZU's Ordinary Shareholder 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 not subject to further appeal.

According to PZU, repealing the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting will not cause the shareholders to obtain a claim for PZU to pay a dividend.

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

On 20 August 2012, a copy of a statement of claim filed by MSC with the Regional Court in Warsaw was delivered to PZU. In the statement of claim, the Manchester Securities Corporation demanded that the resolution on the distribution of profit for the financial year 2006 adopted on 30 May 2012 by the PZU Ordinary Shareholder Meeting be repealed. According to the plaintiff, the value of the litigation is PLN 5,054 thousand. PZU then submitted a statement of defense requesting to dismiss the statement of claim in its entirety.

On 17 December 2013, the Regional Court passed a judgment in which it accepted the claim in its entirety and awarded the costs of proceedings from PZU to MSC. On 4 March 2014, PZU filed an appeal against the above judgment, contesting it in its entirety.

On 11 February 2015, the Appellate Court in Warsaw handed down a judgment that changed the judgment of the Regional Court of 17 December 2013 in its entirety, dismissed MSC's claim and charged MSC with the court expenses. The Appellate Court's judgment is final and non-appealable. 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 264,865 thousand as compensation in connection with repealing resolution no. 8/2007 adopted by the PZU Ordinary Shareholder Meeting on 30 June 2007 to distribute PZU's profit for the 2006 financial year. PZU refused to effect the performance on account of its groundlessness.

On 23 September 2015, a copy of the statement of claim with enclosures was delivered to PZU in the case launched by MSC against PZU for payment of PLN 169,328 thousand with statutory interest from 2 January 2015 to the date of payment. The statement of claim includes a demand to pay compensation for depriving MSC and J.P. Morgan (MSC acquired the claim from J.P. Morgan) as minority shareholders of PZU of their share in profits for the financial year 2006 in connection with the adoption of resolution no. 8/2007 on 30 June 2007 by the PZU Ordinary Shareholder Meeting. The case is pending before the Regional Court in Warsaw. On 18 December 2015, PZU's attorney submitted a statement of defense, requesting that the claim be dismissed 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.

The Management Board of PZU believes that MSC's claims are groundless. As a result, as at 30 June 2020, no changes were made to the presentation of PZU's equity that could potentially stem from the repeal of resolution no. 8/2007 adopted by the PZU Ordinary Shareholder Meeting on the distribution of profit for the 2006 financial year, including the line items "Supplementary capital" and "Retained earnings (losses)", and the funds in the Company Social Benefit Fund were not adjusted.

#### **25.1.1. 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 34,117 thousand with statutory interest from 1 October 2015 to the payment date with court expenses. The claim comprises a claim for payment of damages for depriving the shareholders of their share of profits for the 2006 financial year. The plaintiff claims that the claims for damages were transferred by the shareholders to the plaintiff based on mandate agreements together with a fiduciary transfer of receivables and the claim pursued by the statement of claim is the total damage caused to the shareholders. PZU does not accept the claims as unjustified and submitted its statement of defense, requesting the claim to be dismissed in its entirety. PZU did not consent to mediation. In subsequent court sessions, evidentiary hearings have taken place.

#### **25.2 Proceedings conducted by the President of the Office of Competition and Consumer Protection against PZU**

On 30 December 2011, the President of the Office of Competition and Consumer Protection ("UOKiK") issued a decision to impose a fine of PLN 56,605 thousand on PZU for its use of a practice restricting competition and violating the prohibition prescribed in Article 6 Section 1 Item 3 of the Act on Competition and Consumer Protection by the execution, by PZU and Maximus Broker Sp. z o.o. with its registered office in Toruń ("Maximus Broker"), of an agreement restricting competition in the domestic market for sales of group accident insurance for children, youths and staff of educational institutions consisting of dividing the sales market by entity and transferring PZU's clients from the Kujawsko-Pomorskie voivodship to Maximus Broker for the provision of services in exchange for their recommending PZU as the insurer of choice and at the same time prohibited PZU from the use of this alleged practice.

The PZU Management Board did not agree with the determination of facts and the legal argumentation in the decision, because not all the evidence was taken into account when making the decision and an erroneous legal qualification was made.

On 18 January 2012 PZU submitted an appeal against the aforementioned decision (as a result of which it did not become final). In its appeal, PZU indicated the following, among other issues:

- no agreement (other than a brokerage agreement) was entered into between PZU and Maximus Broker;
- the President of the Office of Competition and Consumer Protection misunderstands the principles of execution of insurance agreements involving a broker;
- the majority of insurance agreements involving Maximus Broker were entered into with insurance companies other than PZU;
- PZU and Maximus Broker cannot and could not in the past conduct competitive activity in the markets in which they operate.

On 27 March 2015, the Regional Court in Warsaw issued a judgment in which it repealed the decision of the UOKiK President of 30 December 2011. By judgment of 6 December 2016, following an appeal of the UOKiK President, the Appellate Court in Warsaw repealed the judgment issued by the Regional Court in Warsaw and referred the case for re-examination. On 31 July 2017, the Regional Court in Warsaw issued a judgment in which it repealed the decision of the UOKiK President of 30 December 2011. On 4 October 2017, the UOKiK President filed an appeal with the Appellate Court in Warsaw. The Appellate Court in Warsaw, by its judgment of 23 January 2019, dismissed the appeal put forward by the UOKiK President. The judgment is final. The UOKiK President has filed a cassation appeal with the Supreme Court against the final judgment, to which PZU has given its reply. The Supreme Court accepted the cassation appeal filed by the President of UOKiK for examination. On 10 June 2020, the Supreme Court dismissed the cassation appeal filed by the President of UOKiK, which finally closes the case.

Consequently, PZU derecognized the provision for the above penalty, recognizing a revenue in the amount of PLN 56,605 thousand.

### **25.3 Notification of PZU's claim to the bankruptcy estate of companies of the PBG Group**

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

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

PBG and Hydrobudowa belong to the same group in which PBG is the parent company. The two companies provided sureties for each other's liabilities. As a consequence, all claims submitted against the bankruptcy estate of Hydrobudowa in the amount of PLN 100,996 thousand were concurrently submitted against the bankruptcy estate of PBG.

On 8 October 2015, the Bankruptcy Court announced a decision in which it approved the composition with PBG's creditors and on 20 July 2016 it issued a decision to close the bankruptcy proceedings. The decision is final.

Following the execution of the composition and reduction of claims to 20.93% of the reported figures, PZU received 206,139 PBG's bonds with the nominal value of PLN 20,614 thousand and 24,241,560 PBG shares with the nominal value of PLN 24,242 thousand. The carrying amount of the PBG shares as at 30 June 2020 was PLN 2,667 thousand (PLN 364 thousand as at 31 December 2019). Bonds – on 30 June 2020 and 31 December 2019, they were recognized in off-balance sheet records only and the carrying amount of the bonds was zero.

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 16,198 thousand and the fourth supplementary list of claims contained PZU SA's claims in the amount of PLN 15,944 thousand. Accordingly, the total value of claims pursued by PZU on this account is PLN 32,142 thousand. In respect of claims for the amount of PLN 66,699 thousand, 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 82,643 thousand. 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).



## 25.4 Miscellaneous

### 25.4.1. Inspections by the KNF Office

on 27 July 2020, KNF started an inspection of PZU's operations and assets in the claims handling area. The inspection is expected to end 60 days from the start, i.e. on 24 September 2020.

The PZU Management Board is of the opinion that the results of the audit do not exert any impact on the standalone financial statements.

## 26. Related party transactions

In the period of 6 months ended 30 June 2020, PZU did not execute any transaction with its related parties which would have been of material significance individually or collectively and executed on non-arm's length conditions, except for the ones described below.

Pursuant to the master agreement signed on 7 August 2013 by and between PZU and PZU Życie, cash loans are extended between these companies for a specified period no longer than 12 months. The sum total of the loans extended by each party cannot surpass PLN 1 billion. The purpose of this agreement is to provide a tool to manage liquidity in the PZU Group. These loans are not granted on an arm's length basis - no interest is accrued on the extended loan's principal, while for granting a loan the lender is entitled to a commission of PLN 100 for each concluded loan agreement - however, since both companies belong to the Tax Group, these agreements are neutral from a tax perspective. In the 6-month period ended 30 June 2020, no loans were extended between the companies.

### 26.1 Transactions with members of the PZU Management Board and the PZU Supervisory Board

As at 30 June 2020 there were no outstanding advances or loans taken out by members of the PZU Management Board or members of the PZU Supervisory Board.

In the 6-month period from 1 January to 30 June 2020 there were no transactions between PZU and members of the PZU Management Board, members of the PZU Supervisory Board and persons living together with them, spouses, blood relatives or persons related by marriage up to the second degree, adoptees or adoptive persons and persons to whom they were care givers or for whom they were guardians or other persons with whom members of the PZU Management Board or the PZU Supervisory Board are personally related, other than following from the concluded non-life insurance contracts entered into on an arm's length basis.

In the 6-month period from 1 January to 30 June 2020 there were no material transactions between PZU and units in which members of the PZU Management Board or the PZU Supervisory Board, persons living together with them, spouses, blood relatives or persons related by marriage up to the second degree, adoptees or adoptive persons and persons to whom they were care givers or for whom they were guardians directly or indirectly hold at least 20% of the votes at the shareholder meeting, other than following from the concluded non-life insurance contracts entered into on an arm's length basis.

### 26.2 Transactions with subsidiaries

Transactions with subsidiaries	1 January - 30 June 2020	1 January - 31 December 2019	1 January - 30 June 2019
<b>1. Gross written premium on direct and inward reinsurance, including:</b>	<b>764,668</b>	<b>1,139,950</b>	<b>804,802</b>
- from Link4	663,919	649,298	682,725
- from TUW PZUW	84,221	381,505	109,248
- from PrJSC IC PZU Ukraine	6,491	44,240	3,049
- from AAS Balta	326	16,203	673
- from Lietuvos Draudimas AB	3,684	32,628	2,266
- from Bank Pekao	2,007	5,026	2,557



Transactions with subsidiaries	1 January – 30 June 2020	1 January – 31 December 2019	1 January – 30 June 2019
- from PZU Zdrowie	2	2	2
- from PZU Życie	787	1,094	824
- from PZU Pomoc	1,263	4,179	2,411
- from Alior Bank	1,500	5,222	693
<b>2. Dividend revenue, including:</b>	<b>1,376,738</b>	<b>1,759,274</b>	<b>1,412,813</b>
- from PZU Życie	1,330,976	1,331,807	1,331,807
- from Bank Pekao	-	346,460	-
- from Lietuvos Draudimas AB	-	36,493	36,493
- from TFI PZU	37,379	41,977	41,977
- from Pekao Financial Services sp. z o.o.	1,469	1,215	1,215
- from PZU CO	5,483	-	-
- from Tower Inwestycje	1,431	1,321	1,321
<b>3. Other income, including:</b>	<b>17,271</b>	<b>74,072</b>	<b>54,301</b>
- foreign exchange differences on loans from PZU Finance AB	-	37,950	37,950
- refund of part of the management fee for financial assets from TFI PZU	6,549	10,608	5,191
- rents in buildings leased to PZU Group companies	1,146	1,759	1,940
- foreign exchange differences on loans extended to PZU Group entities	(76)	652	(330)
- re-invoicing of costs from subsidiaries	1,365	2,024	898
- income for acting as an emergency adjuster	3,859	7,175	3,519
<b>4. Gross claims and benefits paid, including:</b>	<b>333,332</b>	<b>603,021</b>	<b>364,992</b>
- to Link4	174,596	323,146	160,512
- to PZU Pomoc SA	43	50	11
- to PrJSC IC PZU Ukraine	19,974	23,903	13,132
- to AAS Balta	282	161,592	148,329
- to Lietuvos Draudimas AB	1,598	1,058	425
- to TUW PZUW	135,997	92,357	42,126
<b>5. Other expenses, including:</b>	<b>233,359</b>	<b>412,002</b>	<b>175,710</b>
- foreign exchange differences on loans from PZU Finance AB	-	381	381
- reinsurance commissions for Link4	80,945	171,786	87,263
- costs of co-funding a subsidiary	84,980	78,944	-
- interest expenses on loans from PZU Finance AB	-	29,744	29,744
- IT services rendered by PZU CO	22,784	43,532	19,976
- reinsurance commissions to PrJSC IC PZU Ukraine	3,454	8,042	4,312
- lease of space from Ogrodowa Inwestycje	2,483	4,511	2,119
- other services rendered by PZU CO	872	2,330	1,166
- profit sharing on inward reinsurance for Link4	9,319	16,292	5,353
- profit sharing on inward reinsurance for PrJSC IC PZU Ukraine	3,481	2,373	875
- profit sharing on inward reinsurance for TUW PZUW	3,099	5,899	2,131
- reinsurance commissions for TUW PZUW	15,026	36,780	16,284

Transactions with subsidiaries	30 June 2020	31 December 2019	30 June 2019
<b>1. Receivables, including:</b>	<b>1,575,769</b>	<b>188,080</b>	<b>1,488,997</b>
- Corporate income tax receivable - Tax Group	22,929	10,926	13,169
- receivable related to the dividend from PZU Życie	1,330,976	-	1,331,807
- receivable related to the dividend from Tower Inwestycje	-	-	1,321
- receivables on inward reinsurance - premium from TUW PZUW	187,446	82,778	116,925
- other receivables from TUW PZUW	24,204	82,119	15,367
- other receivables from Link4	3,361	5,405	4,876
- insurance premium receivables from Alior Bank	151	343	80
- receivables on inward reinsurance - premium from PZU Ukraine	2,362	1,226	2,351
- insurance premium receivables from Bank Pekao	858	1,208	336

<b>2. Liabilities, including:</b>	<b>152,519</b>	<b>147,268</b>	<b>42,015</b>
- costs of co-funding a subsidiary (PZU Finance AB)	84,980	78,944	-
- other liabilities to PZU Zdrowie	30,941	19,810	3,524
- Corporate income tax liability - Tax Group	3,140	7,070	3,158
- inward reinsurance liabilities - to TUW PZUW	11,809	8,193	14,042
- inward reinsurance liabilities - to PZU Ukraine	1,408	2,531	3,573
- other liabilities to PZU CO	9,479	9,641	4,278
- liabilities to Bank Pekao	2,302	8,643	2,245
- other liabilities to TFI PZU	2,131	4,532	2,931
- other liabilities to PZU Pomoc	2,436	2,612	1,315
<b>3. Contingent receivables (off-balance sheet) for the guarantee for Alior Bank</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
<b>4. Contingent (off-balance sheet) liability for a subsidiary (PZU Finance AB)</b>	<b>-</b>	<b>-</b>	<b>78,135</b>

At the stage of acquisition of the shares of Alior Bank and Bank Pekao, respectively, PZU filed with KNF the Representations on liabilities referred to in Article 25h sec. 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.

## 27. Other information

### 27.1 Lease agreement for the building of PZU's new Head Office

On 4 February 2020 the PZU Management Board adopted a resolution to select an offer in the proceeding to lease headquarters for the PZU Head Office and sign a letter of intent with Bitra Enterprise 1 sp. z o.o., a company belonging to the Skanska Group. According to the resolution in question, the PZU Management Board accepted a scenario on how to proceed in the selection of headquarters for the PZU Head Office involving the conclusion of a lease agreement for office and storage space and parking spaces with Bitra Enterprise 1 sp. z o.o., with its registered office at Al. Solidarności 173, 00-877 Warsaw ("Lessor") and approved the selection of building "Y"; it is under construction in the Generation Park complex situated at Rondo Daszyńskiego 4 in Warsaw ("Building") as the new headquarters of the PZU Head Office.

On 30 June 2020, the PZU Management Board adopted a resolution on the execution of a lease agreement for the PZU Head Office with the Lessor. On the same date, an agreement was signed to lease office space, commercial and service space, storage space and parking spaces in the Building ("Lease Agreement"). The lease agreement contains clauses contemplating contractual penalties regarding the Lessor's liability for delays in handing over the leased facility, hindrances and impediments to usage of the leased area and violations of the non-compete clause.

The total estimated gross value of the Lease Agreement to lease the Building over the 10 years of its duration is approximately PLN 787 million, while the gross incremental costs related to relocation are approximately PLN 65 million. The amounts stated above may vary as a result of specific arrangements concerning the final layout, the final scope of adaptation work, the costs of fit-out and the date of translating some of the costs and financial incentives between EUR and PLN. The total value of the Lease Agreement as at 30 June 2020 should not change by more than 5% of the specified amount.

The following have signed PZU's condensed interim standalone financial statements for the 6 months ended 30 June 2020:

<b>Name</b>	<b>Position</b>	
Beata Kozłowska-Chyła	Acting President of the PZU Management Board	..... (signature)
Tomasz Kulik	Member of the PZU Management Board	..... (signature)
Ernest Bejda	Member of the PZU Management Board	..... (signature)
Adam Brzozowski	Member of the PZU Management Board	..... (signature)
Marcin Eckert	Member of the PZU Management Board	..... (signature)
Elżbieta Häuser-Schöneich	Member of the PZU Management Board	..... (signature)
Maciej Rapkiewicz	Member of the PZU Management Board	..... (signature)
Małgorzata Sadurska	Member of the PZU Management Board	..... (signature)
<b>Person responsible for keeping the accounting ledgers</b>		
Katarzyna Łubkowska	Director Accounting Department	..... (signature)
<b>PZU's Chief Actuary</b>		
Paweł Chadysz	Director of Insurance Risk	..... (signature)

Warsaw, 9 September 2020