



PZU Group's Financial Results

for 1Q20

Warsaw, 29 May 2020





Table of contents

1. PZU Group's main accomplishments

3

2. Business development

12

3. Financial results

19

4. Group's strategy execution in 2017 – 2020

31

5. Attachments

34



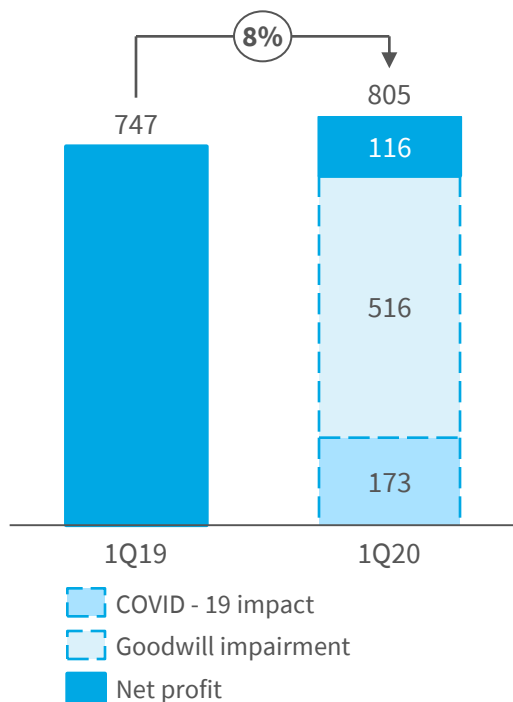


1. PZU Group's main accomplishments



Stable business model and strong market position augment its resistance to the pandemic

Comparable consolidated net profit of the PZU Group¹⁾



High premium in 1Q20, growth at the pre-pandemic level. **Improved portfolio renewal rate, sizeable market share in non-motor products**



Comparable net profit higher y/y despite turbulence on the capital markets. **Comparable¹ ROE of 19.5%**



Resilient business model; improved margin in life insurance, stable COR, return on investments 1.9 p.p. above the risk-free rate, Solvency II 245%



PZU Group's **lightning-quick and multifaceted** response to the COVID-19 pandemic; building value for all stakeholders



Investments in digital transformation support resilience to COVID-19: greater significance of remote sales, myPZU and remote health care

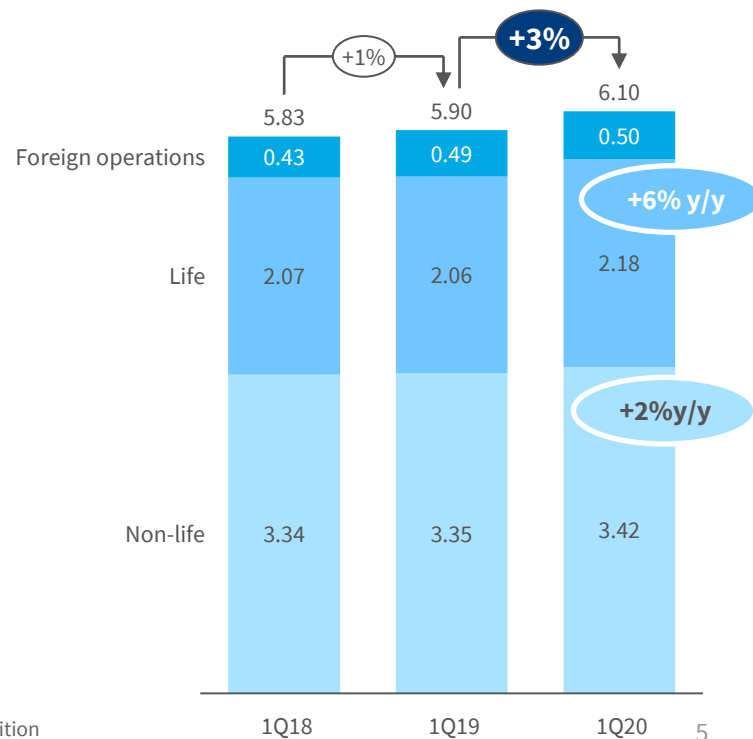
1) Excluding impact exerted by COVID-19 and the goodwill impairment, which were described on page 20



More than 6 bn PLN of premium in 1Q20 – high level of sales in first quarter

- **Pace of gross written premium (3.3% y/y)** higher than in 1Q19. Strong sales start in 2020, particularly the first two months of the quarter thereby forming a buffer to offset the premium slowdown in the final portion of the quarter
- **Life insurance premium up 6% y/y in 1Q20 on a shrinking market** in Poland versus the decline in 1Q19
- Rapid growth of gross written premium in **individual life insurance in Poland: 27% y/y** in 1Q20 – versus the decline of 5.5% y/y in 1Q19
- Dynamic growth of **non-motor insurance** sales: **12% y/y** in 1Q20, topped the levels in 1Q19 (+3% y/y) despite deteriorating market conditions thereby reflecting PZU's strong competitive position
- **Motor insurance** under pressure posed by the slowing car sales market in Poland – suppressed new sales, higher client loyalty manifested by the **higher portfolio renewal rate**
- PZU Zdrowie's revenue up **41% y/y** in 1Q20¹⁾
- TFI PZU – the **only TFI on the market to see a net inflow of assets** (while the overall market's outflows total nearly 19 bn PLN)
- **Further strengthening of cooperation with banks** leading to significant growth of new sales of life protection insurance in bancassurance and the number of insureds

Value and dynamics of gross written premium (bn PLN)

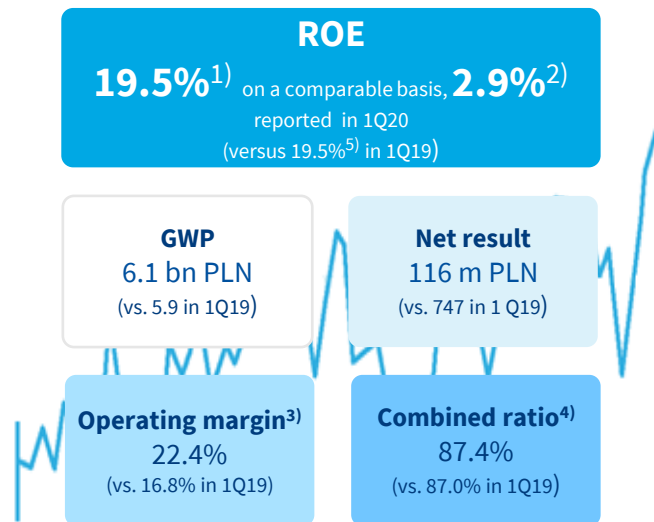


1) Data presented for the centres for the period from the beginning of the year regardless of the time of acquisition



Comparable net profit up 8% y/y

- Comparable **net result** excluding non-recurring events and the impact exerted by COVID-19 in 1Q20 **up 8% y/y**
- High profitability in the non-life segment in Poland maintained – low combined ratio: **87.4%** in 1Q20 versus 87% last year, at a much better level than posited in the strategy
- Operating margin in group and individual continuation insurance at a level unseen to-date in the first quarter (featuring the highest death rate in Poland) **22.4%** – above the strategic levels
- Robust return on the main portfolio: **1.9 p.p. above the risk-free rate**, at a level similar to the ones posited in the strategy despite turbulence on the financial markets
- Costs under strict control; despite pressure to raise wages the cost ratio was **7.0%** in 1Q20
- ROE of 19.5% net of non-recurring events and the impact exerted by COVID-19; PZU among the insurers generating the highest ROE in Europe



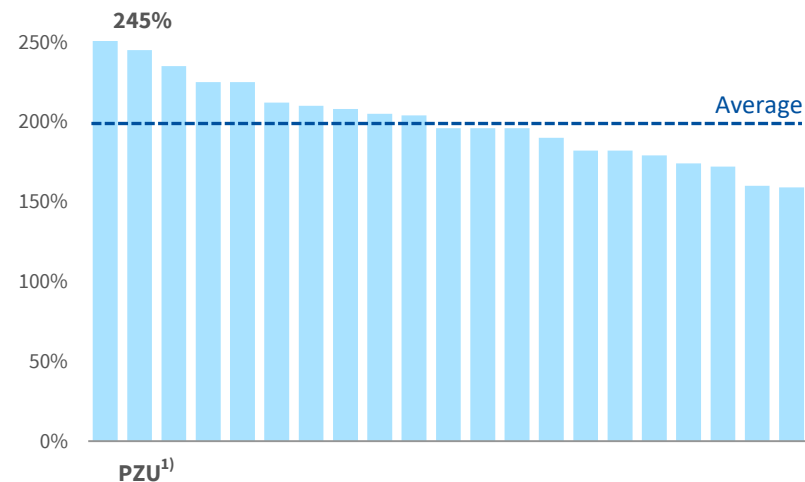
1) Annual equivalent for 1Q20, attributable to equity holders of the parent company, comparable
 2) Annual equivalent for 1Q20, attributable to equity holders of the parent company, reported
 3) Year to date margin for the group and individually continued insurance segment net of the conversion effect
 4) Non-life insurance in the PZU Group (Poland)
 5) Annual equivalent 1Q19, attributable to equity holders of the parent company, reported



Solvency II ratio of 245%¹⁾ – business safety

- Rating of **A-** with a **stable** outlook, with a capital strength rating of **AAA**
- The recommended retention of 2019 profit leads to the **SII** ratio growing to levels unseen in Europe: **245% at the Group level**, 267% for PZU, 463% for PZU Życie at the end of 2019
- **Debt stated as a percentage of the funding mix trended downward** - redemption of bonds with a nominal value of EUR 850 million in 2019
- **Diversification of the investment portfolio**, especially by increasing the share of portfolios securing higher level of profitability in a low interest rate environment, including in particular investment-grade corporate debt and limiting equity risk by gradual reduction of equity exposures

Solvency II ratio for insurers in Europe (1Q2020)



1) At yearend 2019



Multifaceted measures to respond to the COVID-19 pandemic – targeting all stakeholder groups

Health protection and employee safety

- Implementation of **remote work**
- Providing disinfectants to employees in case of limited ability to work remotely
- **Shortened working hours** in branches
- Psychological assistance offered by PZU Zdrowie to employees



Client service continuity

- “We operate remotely, but always near you” – an information campaign encouraging the **remote use of PZU’s services**: via the website service and the mojePZU mobile app, the form on the pzu.pl website and the hotline
- Providing the **necessary means to prevent the spread of the virus** during client service in branches - liquid disinfectants, masks, glass dividers
- Facilities for claims handling
- Assistance for clients in a difficult financial standing due to the pandemic – option to defer the deadline for remitting a premium, spreading payments over installments and premium waiver offered by PZU
- Support for **agents**
- Extending the magnitude of **remote medical services** in PZU Zdrowie (rendered by phone or video call)
- Option to **sign contracts by phone** to manage Employee Capital Schemes (ECS) with TFI PZU

Measures to help society

- **11 m PLN of financial aid** from PZU to hospitals and services countering the epidemic, including 6 m PLN for **hospitals to buy equipment, including respirators and bronchoscopes**; 2 m PLN to buy coronavirus **tests**; 1 m PLN to buy **protective gloves** for health care units; 2.3 m PLN to finance the lease of 200 **cars** to support medical services (this is also aid for the small and medium companies from which these cars are leased)
- Free telemedicine **assistance** offered by PZU Zdrowie **to all Poles** in connection with the coronavirus threat
- **Free psychological hotline** offered by PZU Zdrowie to all health service employees fighting coronavirus
- **Free legal assistance** - for persons running a sole proprietorship, among others, on how to utilize the aid offered by the government as part of the crisis shield and for employees in terms of labor law
- Support for the **#stayathome campaign** - educational materials, joint online training sessions, video clips and advice on health in the internet campaign and in social media
- 400 thousand PLN (200 thousand PLN collected by PZU Group employees and a matching amount given by Group companies) to finance the purchase of nearly two thousand **barrier tents** for infected persons.



Digital transformation is helping counter COVID-19



#mojePZU

A modern self-service platform to report claims, book a doctor's visit, download a medical certificate or e-prescription, get access to one's own medical documentation, buy household or travel insurance and invest savings. This platform is accessible via the moje.pzu.pl website and the mobile app.

In April the number of transactions handled by agents on mojePZU climbed 455% while the number of accounts grew 31% versus February.

Telemedicine Office

Poland's first telemedicine office. Using the telemedicine apparatus including a video link a patient may consult his or her results with a physician. Patients have intuitive telemedicine equipment at their disposal: a digital stethoscope, an ECG, a camera to check the throat, ears and skin, a blood pressure monitor, a pulse oximeter and a thermometer. Patients receive immediate information concerning their state of health and further advice.

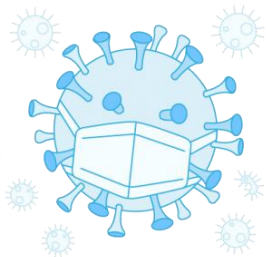
The number of telemedicine services provided by PZU Zdrowie after 15 March shot up 76% .

Band of life

Band of life is an electronic device worn on the wrist like a watch to take measurements of a patient's pulse, body temperature and saturation, namely blood oxygen saturation. It analyzes the results and immediately alarms medical personnel - using an audio signal and a message on the computer screen - if the patient's life parameters fall to critical levels.

Nearly one thousand such devices adapted for use in care for patients infected with coronavirus will be delivered to infectious disease hospitals.

Digital transformation – PZU Ready for Start-ups



RBL_START #COVID-19

More than 200 applications from startups in the dedicated challenge in the RBL accelerator for innovative solutions to counter the coronavirus pandemic and its repercussions. PZU and Alior Bank will offer the startup winners the cooperation and support of their experts in project execution as well as assistance in their dissemination.



Laboratorium Innowacji

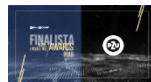
1,500-2,000 innovative ideas analyzed annually
12-15 pilot projects



Awards and distinctions



Efma & Accenture Insurance Awards 2019
workforce transformation
Robotic Process Automation
core insurance transformation
moje.pzu



Digital Excellence Awards for
mojePZU



PZU GO Innovation of the Year in 2019,
Golden Bell in the Mobility Trends
competition



Nomination for innovation of the year in 2020 for the **COVID-19 Band of Life** in the category entitled Connected Insurance & Ecosystems in the competition run by Efma & Accenture Insurance Awards

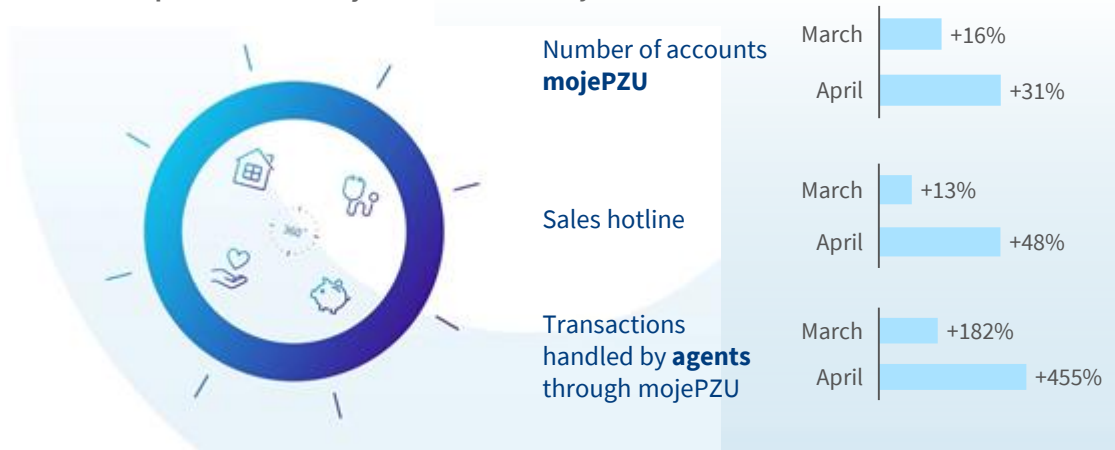


Celent Model Insurer in the category entitled Data, Analytics, and AI for the **implementation of artificial intelligence in motor claims handling**

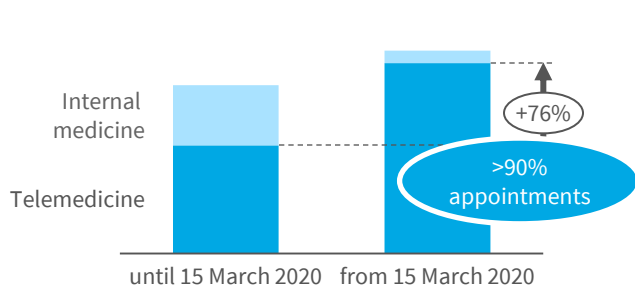


Altered operating model – we stay close to our clients while maintaining social distance

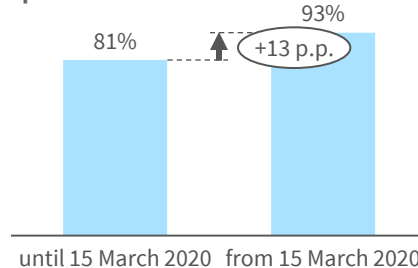
Performance parameters for mojePZU versus February 2020



Local internal medicine visits versus telemedicine visits



Percentage of cases handled during initial telephone contact



New products

- Extending policies to include cases involving COVID-19
- Extending of the PZU Adviser protection package for SME by cyberrisks insurance and audit of cybersecurity risks - enriching the offer to insure cybersecurity risks for the SME sector by running a pilot enabling small and medium enterprises to conduct a free-of-charge and automatic cybersecurity audit

Modifications to the method of entering into policies

- Remote process of selling policies
- Discontinuing physical inspections when entering into policies - option to send documents and photos by e-mail

Changes to claims handling and adjustment

- Door to Door in car repair – car towing service to a workshop selected by PZU, supervision of repair work, delivering the vehicle to the client
- Option to analyze photos of claims or medical documentation remotely when determining the amount of claims paid or health loss

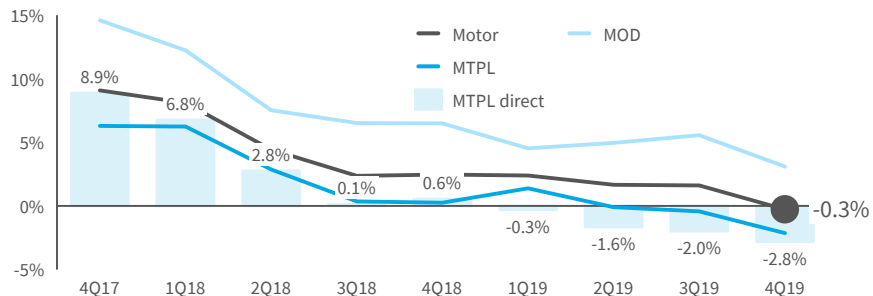


2. Business development



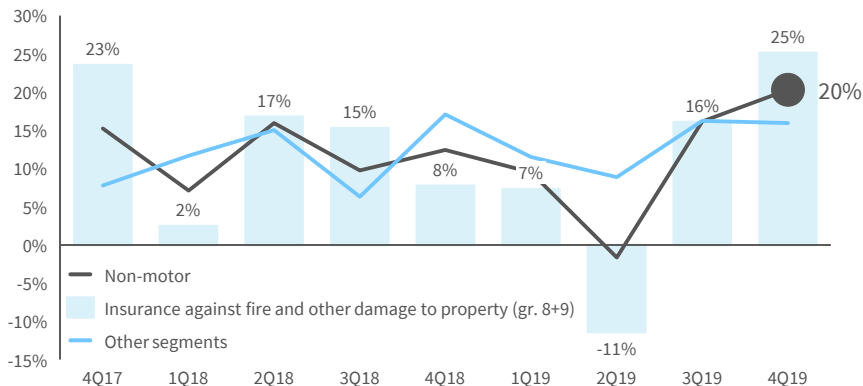
Trends on the non-life insurance market in Poland

Growth rate of the motor insurance market¹, y/y

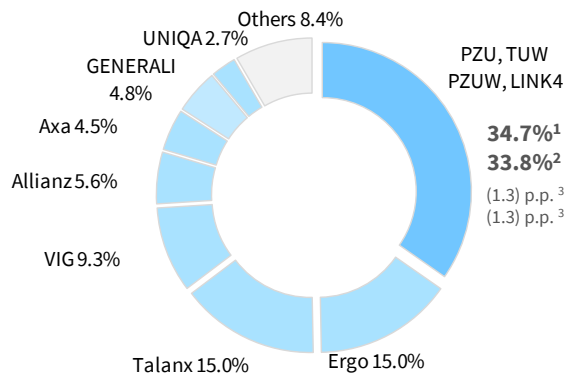


- **20% growth in the non-motor insurance market in 4Q19 (versus 30%⁵ for the PZU Group)**
- **Slowdown** in the growth rate of gross written premium **on the motor insurance market**, including the **first deterioration since 2015 in the motor TPL insurance sales result**
- **The PZU Group’s market share in non-life insurance** (direct business) at the end of 4Q19 was **33.8%**
- PZU Group’s high percentage of the overall market’s technical result at **49.4%¹**

Growth rate of the non-motor insurance market¹, y/y



Market shares²

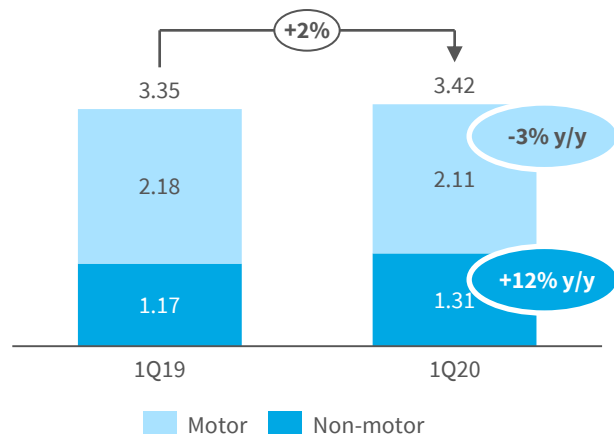


1. according to the Polish FSA’s 4Q19 report;
2. according to Polish FSA’s report for 4Q19; the market and market shares including PZU’s inward reinsurance from Link4 and TUV PZUW
3. PZU Group’s market share in non-life insurance on direct business in 4Q19 (1.3) p.p. ³
4. movement in market share y/y on PZU’s inward reinsurance from LINK4 and TUV PZUW and direct activity, respectively. (1.3) p.p. ³
5. External gross written premium



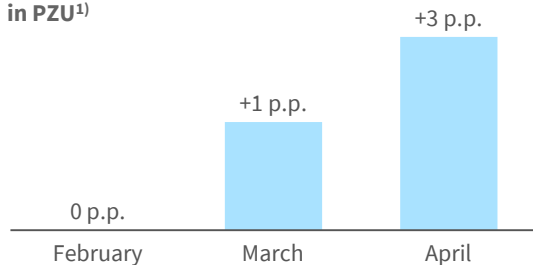
Non-life insurance

Gross written premium in 1Q20, value (bn PLN) and growth rate

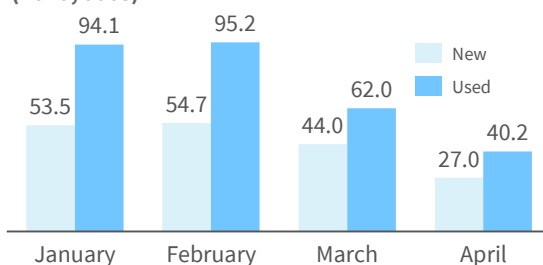


- Significant growth of the premium on non-motor insurance in 1Q20; **+12% y/y; high growth rate of sales in TUW PZUW and PZU** in the non-motor insurance segment
- **Increasing sales of agricultural and household insurance (gross written premium +5.6% y/y)**
- Premium on motor insurance in the final part of the quarter under pressure from the **suspended activity on the new car market due to the pandemic**. Lower new sales of cars in Poland translates mainly into the negative sales growth rate in the dealer and leasing channel
- Increased renewal rate in the mass segment – lower client mobility, preservation of loyalty to PZU which is enjoying a high level of trust in this period of uncertainty concerning the future
- Fall in sales precipitated by the significant reduction in traffic coupled with stable conversion
- **Facility to purchase and continue insurance on favourable terms and conditions** - prolongation, premium payments in instalments, deferral of the insurance cover term for a fleet and programs to activate and support the sales network

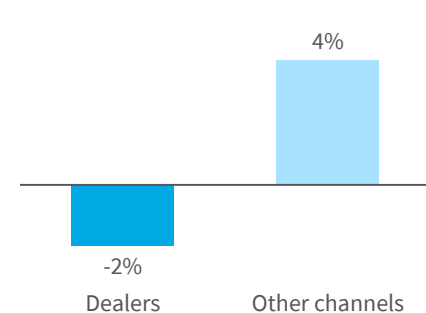
Movement in the renewal rate of the TPL portfolio y/y in PZU¹⁾



Number of first registrations of cars in Poland (2020, 000s)²⁾



Movement in new sales of TPL¹⁾ in PZU (1Q20, y/y)

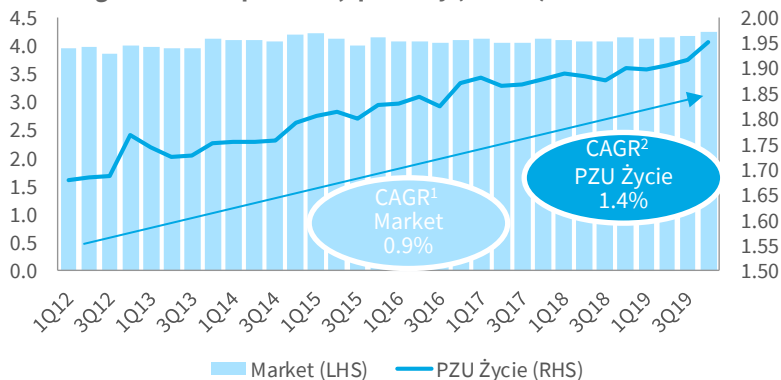


1) By the inception date of insurance cover, retail customer
2) Source: SAMAR, including the truck, special and tractor category

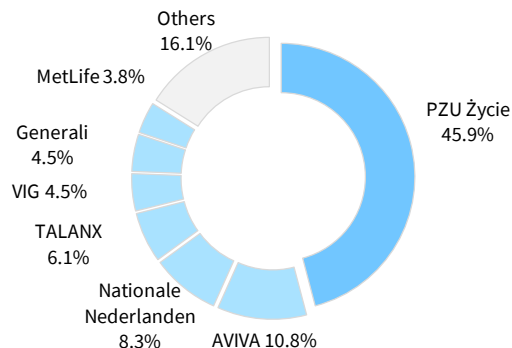


Trends on the life insurance market

Periodic gross written premium, quarterly (bn PLN)



Market shares in periodic premium in 2019



Life insurance market

- **Higher y/y sales in PZU Życie** year to date of **4%** versus the **overall market's decline in gross written premium (-2.0% y/y)**
- **Increase in the market share held by PZU Życie by 2.2 p.p. y/y to 40.4%** in total gross written premium in 2019

Insurance with a periodic premium:

- **PZU's key market share of periodic premium stayed high at 45.9% in 2019**, also for protection contracts (class I of life insurance); its market share was **62.1%**

Group insurance:

- PZU Życie's premium in **group insurance up 52 m PLN y/y** in 2019 representing the highest growth in sales in this category among all insurance classes
- **PZU is the leader in APE growth (+24 m PLN y/y)** in employee group insurance with a periodic premium in 2019, net of the products in Class 3³

Individual insurance:

- **Individual** insurance continues to see PZU taking up market share in a shrinking market (**28.4% in 2019, improvement of 3.2 p.p. y/y**)
- PZU is the leader in APE **with growth of 42 m PLN y/y** in 2019 with the overall market growing by 67 m PLN
- Individual insurance with a periodic premium – PZU is growing more y/y than the market (+25% versus +17%)

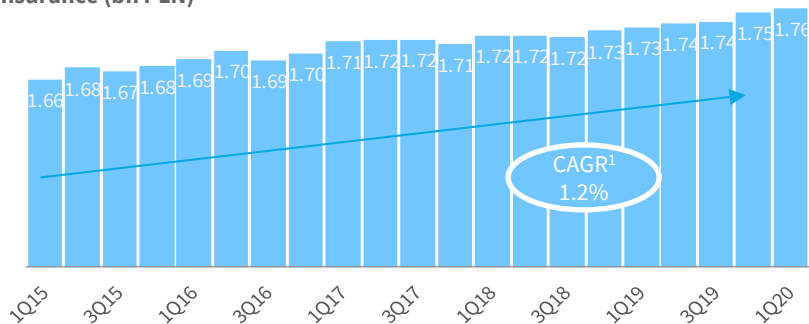
The **profitability of the technical result** at PZU Życie at the end of 4Q 2019 is higher than the average for the competition – 20.3% versus 12.3%; the share held by PZU Życie of the sector's overall technical result topped 50%

1) Market's periodic gross written premium 4Q19 to 4Q12
 2) PZU Życie's periodic gross written premium 4Q19 to 4Q12
 3) Class 3 - unit-linked life insurance

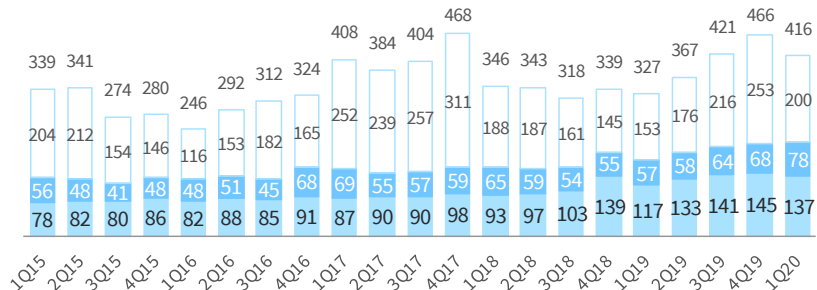


Life insurance

PZU Życie's gross written premium on group and individually continued insurance (bn PLN)



PZU Życie's gross written premium on individual insurance (m PLN)



- **The expanding health insurance portfolio**, including the current quarter's record-breaking sales of a rider called "PZU Uraz ortopedyczny [PZU orthopedic injury]". At the end of March 2020, PZU Życie had more than **2.1 million health contracts in force** in its portfolio
- Steadily rising sales of the new accident rider in individual continuation launched last year
- The first quarter of every year usually features a higher than average level of contributions to Employee Pension Schemes
- Lessening the pressure on the premium growth rate making it possible to **control the loss ratio** of group protection products

- High level in 1Q20 of single contributions to **unit-linked** accounts in insurance offered jointly with banks despite the challenging situation on the market
- **High sales of individual protection products** (137 m PLN)
- Ongoing development of **cooperation** launched in the latter half of 2018 **with Alior Bank and Bank Pekao** to offer single premium individual life insurance to clients taking out cash loans
- Record-breaking level of quarterly contributions to individual retirement accounts (IKE) (50 m PLN)

■ Protection products

■ Periodic premium investment products

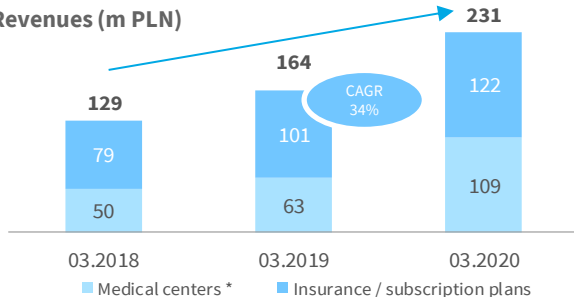
□ Single premium investment products

1) 1Q20 to 1Q15

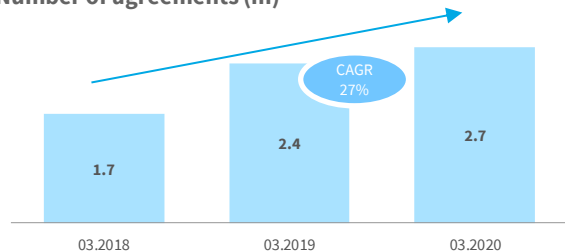


Development of the scale of operations in health

Revenues (m PLN)



Number of agreements (m)



1

~2,200 cooperating medical partners
~130 proprietary locations



2

49 hospitals



3

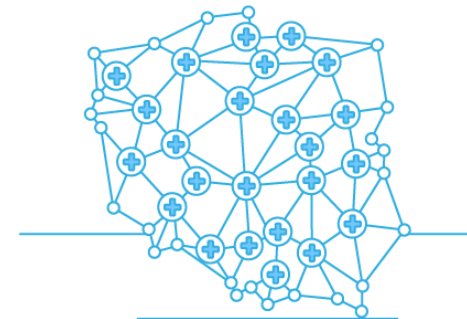
2,200 physicians
>50 specializations



4

~8,000 pharmacies

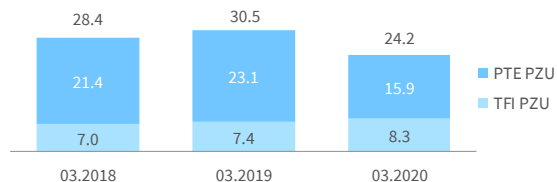
- High rate of revenue growth – **extension of the product portfolio and riders** (inter alia PZU Thinking about Life and Health and the new scopes of Medical Care S, as well as riders for children)
- Steady **increase in the number of health product agreements** in 2020 driven by the intensification of sales of more health riders to protection products and non-life insurance (offering among others access to specialist physicians, ambulatory rehabilitation, selected tests and procedures)
- Growing number of **products per client** – according to the strategic objectives, in addition to PZU Życie and PZU Zdrowie health products, similar health products are also being offered by PZU SA, LINK 4 and TUW
- Gradual construction of the **subscription portfolio** through PZU Zdrowie's own sales network
- Further **development of four own centers** in Warsaw, Poznań, Cracow and Wrocław and **opening of a second branch** in Warsaw (March 2020)
- Revenue growth **in own centers**



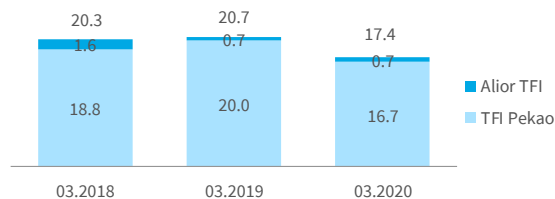


Assets under management and development of cooperation with banks

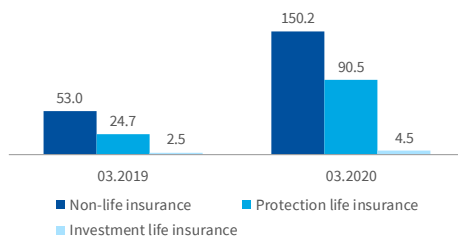
Assets of third party clients of TFI and OFE PZU clients (bn PLN)



Assets of third party clients of TFI of the PZU Group's banks (bn PLN)



Number of insurance clients attracted in collaboration with Bank Pekao and Alior Bank (thousands)



Asset management:

- **TFI PZU is the only TFI on the market to post net inflows into its funds** while the **outflows on the overall market totaled nearly 19 bn PLN**
- **inPZU passive funds net inflows in every month from their launch** (October 2018)
- continued sales of **new EPS programs as an attractive non-salary benefit** for our partners' employees; sometimes employers choose them as the most favorable solution for their employees
- **favorable mix of assets under management** – percentage of assets linked to the third pension pillar (EPS and ECS) prevalent
- **dip in the assets of PTE PZU** due to the unfavorable market conditions on the stock exchange and as an effect of the operation of the slide (retirement of participation units held by persons 10 years prior to reaching the age of retirement)

Bancassurance:

- in February 2020 year to date the value of the premiums collected since January 2018 in various areas of cooperation with Group banks surpassed 1 bn PLN
- In 1Q20 PZU's share of the bancassurance market edged up another 5.5 p.p.
- presence of the PZU Group's products in all of the major product lines of the PZU Group's banks (life insurance on **cash loans**, household insurance for **mortgage loans**).

Assurbanking:

Bank Pekao:

- PZU is one of the largest external partners of Bank Pekao S.A. in the sales of transaction accounts (ROR) via the bank's Pekao360 app,
- 4Q19 - the sales pilot was launched, joint insurance and banking offer (own branches and call center),
- sum total of loans and client deposits secured by PZU for the Bank exceeded 500 m PLN at the end of 1Q20

Alior Bank:

- Development of the **Cash Portal** – implementation of the program outside the PZU Group and work on preparing a new product available solely on the Cash Portal.

- Continuation of cost savings initiatives; total annualized synergies have topped 170 m PLN (more than 100 m PLN in savings planned up to 2020)
- Growth rate of insurance-based investment products curtailed by regulatory uncertainty and the negative sentiment on capital markets

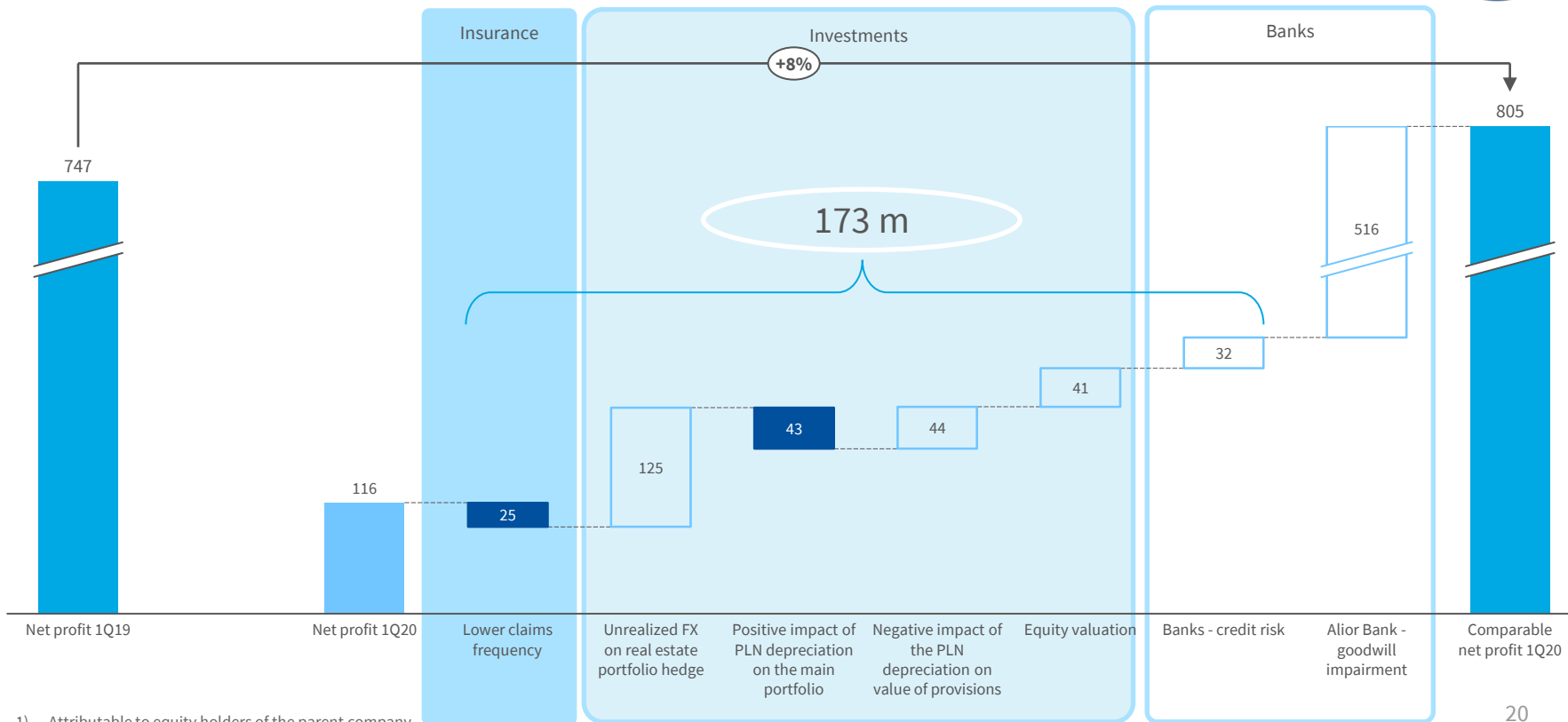


3. Financial results



Evolution of the net result¹⁾

The impact exerted by events related to the COVID-19 pandemic on PZU's results was 173 m PLN. In addition, the PZU Group recognized a goodwill impairment for Alior Bank



1) Attributable to equity holders of the parent company



PZU Group's results – contribution of activity to date and banking activity

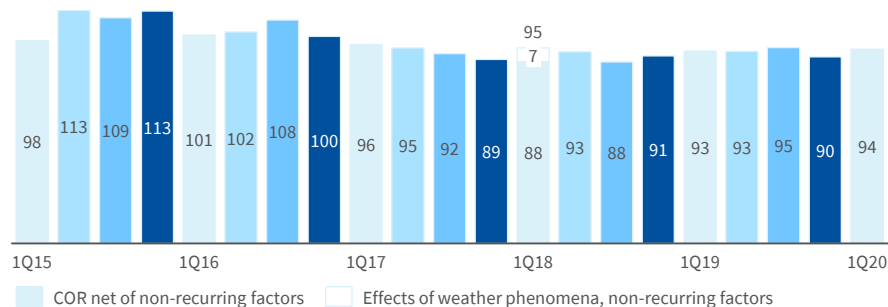
m PLN	1Q19	4Q19	1Q20	change y/y	change q/q
PZU GROUP EXCL. ALIOR BANK AND PEKAO					
Gross written premium ¹	5,901	6,690	6,097	3.3%	(8.9%)
Net insurance claims and benefits paid	(3,958)	(3,775)	(3,281)	(17.1%)	(13.1%)
Net investment result (ex banking activities)	627	558	(276)	x	x
Administrative expenses ¹	(406)	(501)	(448)	10.3%	(10.6%)
Acquisition expenses ¹	(793)	(883)	(835)	5.3%	(5.4%)
Operating profit (loss)	869	1,026	758	(12.8%)	(26.1%)
Net profit (loss) attributable to equity holders of the parent company	666	793	577	(13.3%)	(27.2%)
Goodwill impairment (Alior Bank)	-	-	(516)	x	x
BANKS: ALIOR AND PEKAO					
Net profit (loss) attributable to equity holders of the parent company	81	142	55	(32.5%)	(61.4%)
NET RESULT ATTRIBUTABLE TO THE PARENT COMPANY	747	935	116	(84.5%)	(87.6%)
MAIN FINANCIAL RATIOS					
ROE ²	19.5%	23.7%	2.9%	(16.6)p.p.	(20.9)p.p.
ROE excluding COVID-19 impact and goodwill impairment	n.a.	n.a.	19.5%	n.a.	n.a.
Combined ratio ³	87.0%	84.9%	87.4%	0.4p.p.	2.5p.p.
Margin ⁴	16.8%	21.3%	22.4%	5.6p.p.	1.1p.p.
Administrative expense ratio of PZU, PZU Życie	6.6%	7.7%	7.0%	0.4p.p.	(0.7)p.p.
Acquisition expense ratio of PZU, PZU Życie	14.1%	14.6%	14.3%	0.2p.p.	(0.3)p.p.

1. PZU Group excluding data from Pekao and Alior Bank
2. Annualized ratio, attributable to equity holders of the parent company
3. Only for non-life insurance in the PZU Group in Poland
4. Margin for the group and individually continued insurance segment net of the conversion effect

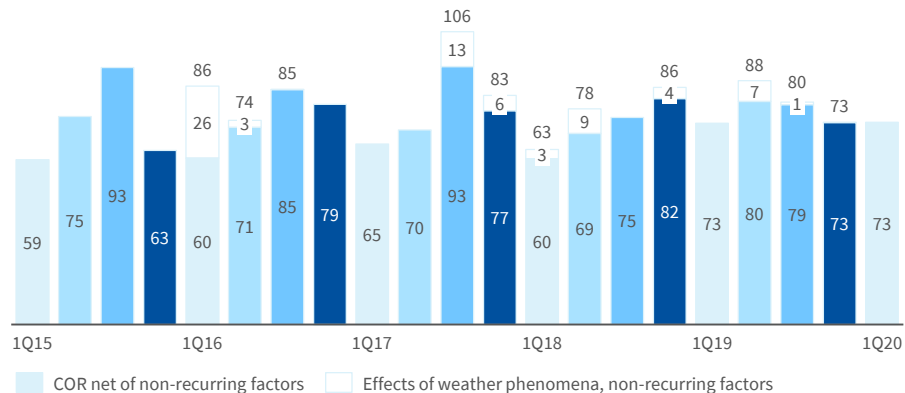


Non-life insurance

PZU Group's combined ratio (COR) in motor insurance (%)



PZU Group's combined ratio (COR) in non-motor insurance (%)



Key trends

- **higher interest in remote sales channels** and fewer offers due to limitations associated with accessibility of Branches and Agents
- **lower frequency of motor claims** due to the dip in domestic and international road traffic resulting from the restrictions imposed during the pandemic
- **increase in the average claim value due to the PLN's depreciation against the EUR** (consequence of concern on the market evinced by COVID-19) – especially noticeable in foreign currency claims
- **higher profitability y/y in the portfolio of agricultural insurance and non-life insurance** in the mass segment due to the lower number of claims caused by atmospheric events, including fires and gusty wind
- **high profitability of non-life corporate insurance**, including the higher y/y level of provisions for insuring medical entities

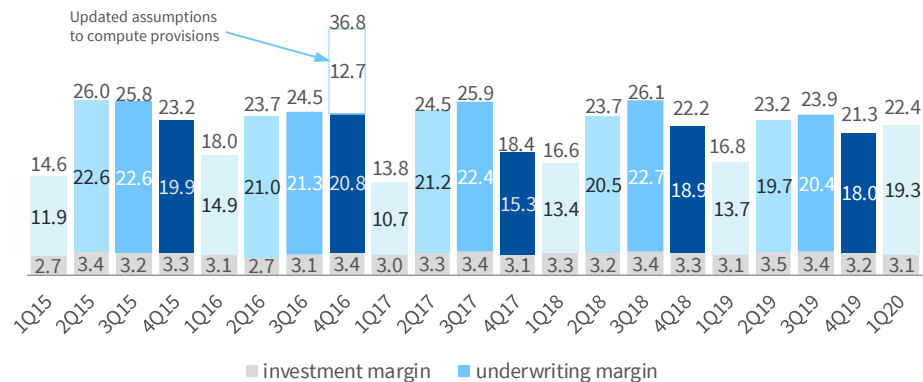
Activities

- Further **improvement of the offer including the client's long-term value (CLTV)** using the support offered by sales tools (prolongations, premium payments in installments and programs to activate the sales network and portfolio succession) to align the offer to the client's expectations and risk to the greatest extent possible
- **consistent implementation of innovative tariff-setting solutions** in corporate insurance based on the portfolio's claim history in a given industry translating into its offer being better fitted to client risk
- implementation of additional initiatives in the mass segment **in tariff setting and sales tools (Tariff setting 3.0)** translating into price being better aligned to risk and price elasticity and improved portfolio profitability

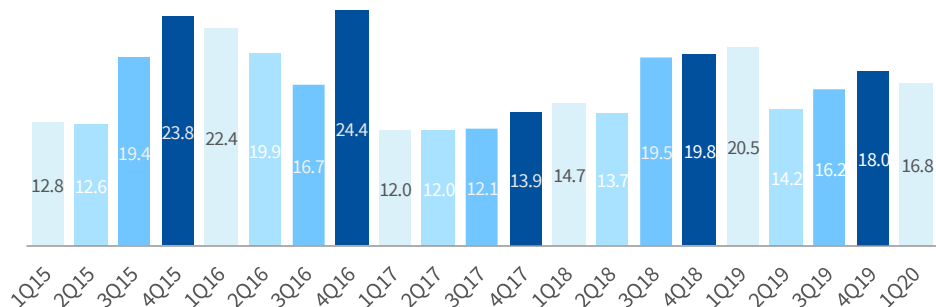
Life insurance



Margin in group and individually continued insurance (%)



Margin in individual insurance (%)

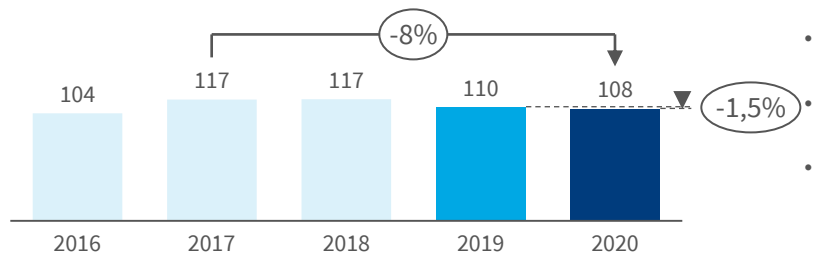


- The **margin in 1Q up 5.6 p.p. y/y** to 22.4%, chiefly due to the lower loss ratio
- The **lower loss ratio of paramedical risks**, mainly hospital treatment, surgical operations, critical illnesses and permanent dismemberment contributed to the trend concerning changes in the loss ratio of protection products in the group and individually continued segment on account of the lower number of reported benefits
- The **loss ratio of death risks down y/y** but it continues to follow the frequency of deaths in Poland and similarly to previous years, the seasonal growth in the frequency of deaths is visible in the first quarter
- The higher sales of lower margin products with a single premium in cooperation with banks, investment and protection products alike, contributed to the **margin falling by 3.7 p.p. y/y**
- **Segmental result up y/y 3 m PLN to 70 m PLN (+4.5%)** as the outcome of developing the portfolio of bank products partially offset by higher operating expenses and lower income on allocated investments



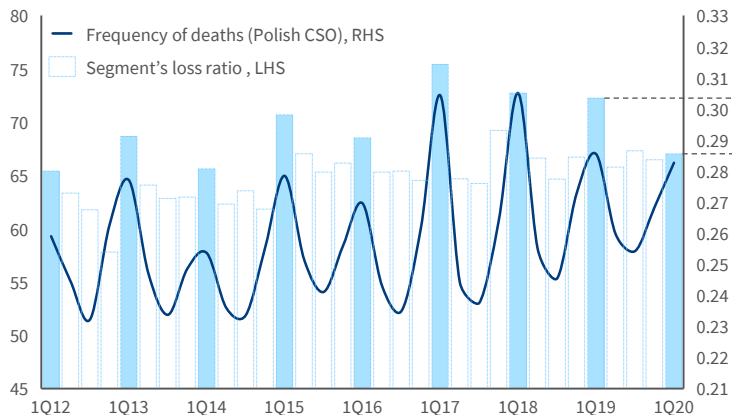
Pandemic and the loss ratio in the GRIC segment in 1Q20

Number of deaths in Poland¹

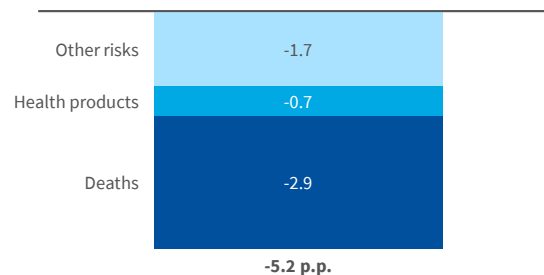


- **Number of deaths in Poland in 1Q20 down y/y (-1.5%);** this decline was visible especially during the first two months of the quarter
- The quarterly loss ratio of the group and individually continued insurance segment usually follows the frequency of deaths in Poland
- **The loss ratio of the group and individually continued insurance segment² at a very low level of 67%** (the segment's average loss ratio in all of the first quarters from 2012 is 70%)
- **The dip in the loss ratio in the segment in 1Q20 y/y** was largely precipitated by the **lower frequency of deaths** and also by **other risks** in group and individually continued insurance

The frequency of deaths in Poland and the loss ratio of the group and individually continued insurance segment



Impact of different risk categories on the segment's loss ratio change y/y



1) 1st quarter each year, in thousands, according to the Central Statistical Office data
 2) Includes only paid benefits, utilization of health products and changes in claims provisions



Profitability by operating segments

Insurance segments	Gross written premium			Insurance result / operating result			Combined ratio / Margin	
	1Q19	1Q20	Change y/y	1Q19	1Q20	Change y/y	1Q19	1Q20
m PLN, local GAAP								
Total non-life insurance – Poland	3,358	3,435	2.3%	475	527	10.9%	87.0%	87.4%
Mass insurance – Poland	2,687	2,762	2.8%	390	421	7.9%	86.9%	86.8%
Motor TPL	1,104	1,088	(1.4%)	95	43	(55.0%)	93.0%	96.7%
MOD	663	665	0.3%	50	58	16.2%	91.8%	90.3%
Other products	920	1,009	9.7%	180	209	16.0%	73.4%	70.5%
Impact of allocation to the investment segment	x	x	x	65	111	71.7%	x	x
Corporate insurance – Poland	671	673	0.3%	85	106	24.7%	87.7%	90.0%
Motor TPL	205	181	(11.7%)	(2)	8	x	99.4%	97.0%
MOD	215	179	(16.7%)	15	23	55.5%	92.7%	89.5%
Other products	251	313	24.7%	53	39	(27.0%)	69.8%	83.0%
Impact of allocation to the investment segment	x	x	x	19	36	93.4%	x	x
Total life insurance – Poland	2,060	2,175	5.6%	363	468	28.9%	17.6%	21.5%
Group and individually continued insurance - Poland*	1,733	1,759	1.5%	291	394	35.4%	16.8%	22.4%
Individual insurance – Poland	327	416	27.2%	67	70	4.5%	20.5%	16.8%
Conversion effect	x	x	x	5	4	(20.0%)	x	x
Total non-life insurance – Ukraine and Baltic States	454	460	1.3%	44	52	18.2%	91.2%	88.8%
Baltic States	399	404	1.3%	41	39	(4.9%)	90.2%	89.0%
Ukraine	55	56	1.8%	3	13	333.3%	103.6%	86.1%
Total life insurance – Ukraine and Baltic States	33	42	27.3%	3	3	x	9.1%	7.1%
Lithuania	17	19	11.8%	1	(2)	0.0%	5.9%	-5.3%
Ukraine	16	23	43.8%	2	5	150.0%	12.5%	21.7%
Banks	x	x	x	621	(61)	x	x	x

* Net of the conversion effect

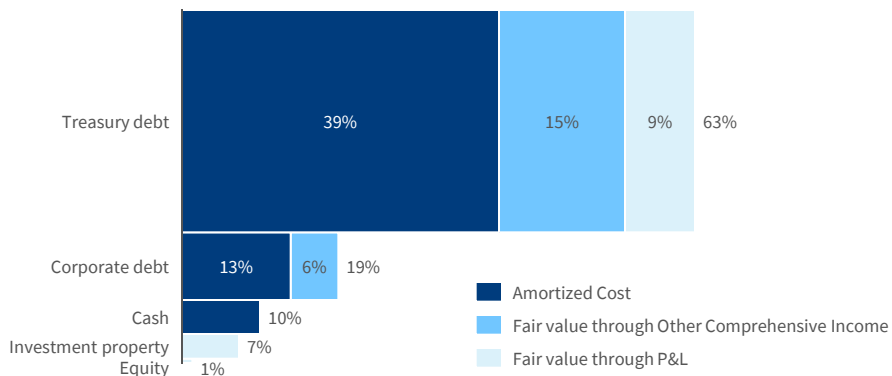


Investment activity – gradual rebalancing of the portfolio prior to the COVID-19 crisis

Preparation for slowdown - selected initiatives in 2019 and 2020

- **Evolution in the philosophy of portfolio management** to a more long-term approach and opening OCI portfolios to curtail the volatility of the result
- Significantly **reduced equity exposure**
- **Reduction of the riskiest international exposures** in treasury bonds and corporate bonds alike
- **Enhancing portfolio liquidity** – temporary suspension of planned international investments
- Open FX position in the portfolio **limited to the amount of the technical provisions**

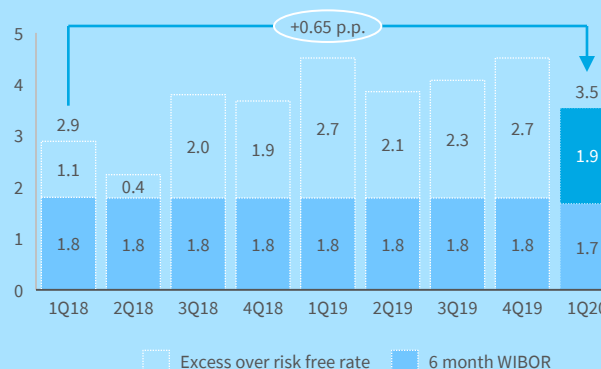
Main portfolio composition by asset classes and the methods of their measurement



Effects

- Gradual improvement in the rate of return on the main portfolio and stabilization at the level of **1.9 p.p. above the risk-free rate in a quarter of substantial turbulence on the financial markets**
- Safe portfolio composition: debt instruments account for **82% of the portfolio, treasury bonds account for 63% of the portfolio**
- **Balanced FX position**
- **High quality of corporate exposures**

Return on the main portfolio

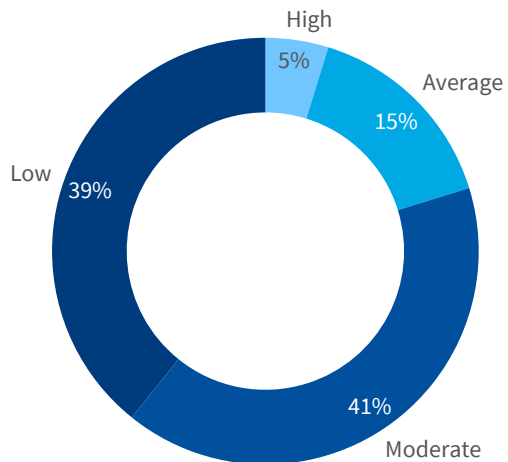




Investment activity – selected key issues

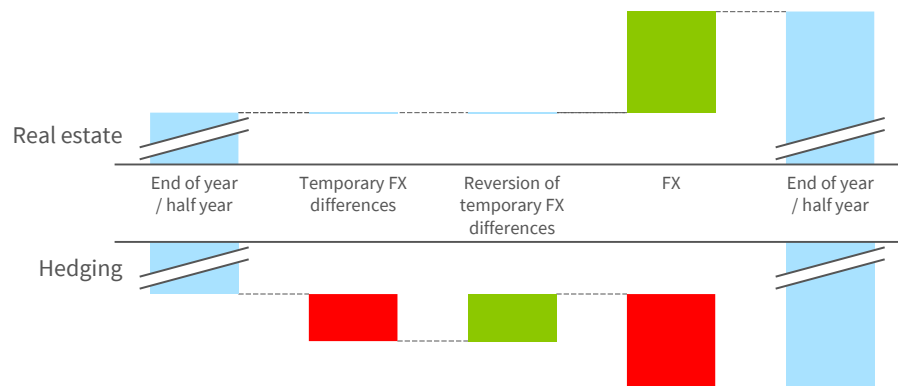
Corporate portfolio

- International exposures – classified solely as **Investment Grade** with a low level of risk
- **Defensive portfolio**; percentage of industries with a low and moderate level of risk – 80% (in particular, information and communication, finance and insurance activity)



Real property

- **Well-diversified portfolio**, limited risk associated with the industries at the greatest risk to COVID
- Properties valued in EUR **fully hedged using derivatives** – the **movement in their measurement stems solely from the actual movement in their value net of the FX impact** on an annual and semi-annual basis
- **Temporary foreign exchange differences follow from the temporary mismatch** between the measurement of the underlying instrument (real estate – twice a year) and the hedge (four times a year) – are equal to 0 on an annual basis



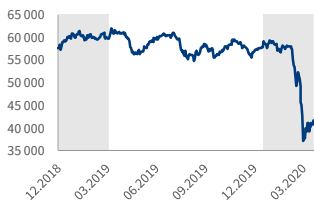


Investment performance

MSSF, m PLN	1Q19	4Q19	1Q20	change y/y	change q/q
Net investment result	2,496	2,416	1,371	(45.1%)	(43.3%)
Insurance and other activities	627	558	(276)	x	x
Main portfolio	458	439	421	(8.1%)	(4.0%)
Debt instruments - interest	354	343	341	(3.7%)	(0.5%)
Debt instruments - revaluation and execution	2	(23)	77	x	x
Equity instruments	66	-	(24)	x	x
Real estate	33	118	26	(20.2%)	(77.9%)
FX on debt net of hedging	3	-	-	(100.0%)	x
-	-	-	-	x	x
Investment products	178	106	(470)	x	x
Other	(9)	13	(227)	x	x
Banking activities	1,869	1,858	1,647	(11.9%)	(11.4%)

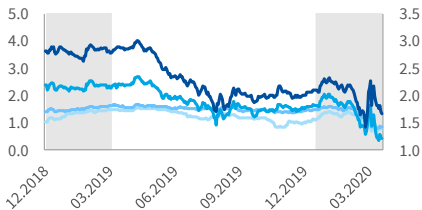
- **1.9 p.p. surplus profitability** in the main portfolio including FX above the risk-free rate in 1Q20
- **Stable interest income – building new corporate debt portfolios**
- Increase in the valuation of the portfolio of **Polish fixed-coupon treasury bonds** measured through profit or loss, realization of profit on the sale of a portion of the portfolio measured through OCI and the positive impact exerted by portfolios measured in EUR offset at the level of the PZU Group’s total result by the contribution of the negative foreign exchange differences on insurance obligations covered by the FX portfolios
- **Limited impact of equity markets declines** due to the COVID-19 pandemic on the return on the main portfolio
- Lower value of assets due to **EUR debt financing repaid** – July 2019

WIG



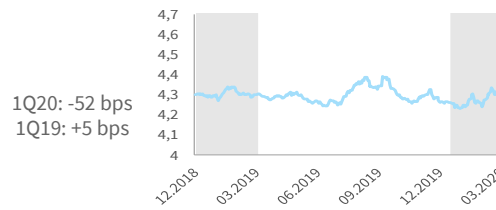
Change in WIG:
1Q20: -28.0%
1Q19: +3.4%

Bond yield



— 1Y — 2Y — 5Y, RHS — 10Y, RHS

EURPLN



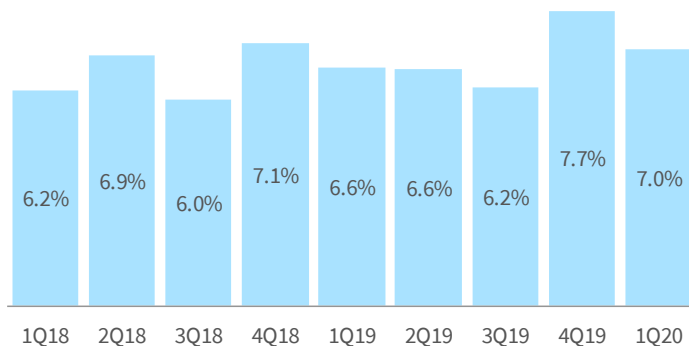
1Q20: -52 bps
1Q19: +5 bps

1Q20: +6.9%
1Q19: +0.0%



Cost effectiveness

Administrative expense ratio



Administrative expense ratio calculated using the equation:

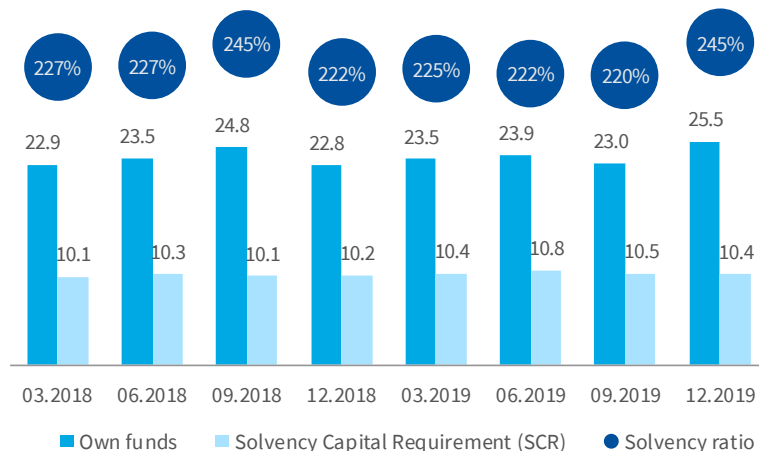
administrative expenses in PZU and PZU Życie in the quarter / net earned premium in PZU and PZU Życie in the quarter

- The movement in the administrative expense ratio in **1Q20 versus 1Q19** was the outcome of the following:
 - rising personnel costs as a result of wage pressure
 - project-related work in information systems – higher costs of depreciation and costs of license fees
 - higher costs related to the service of life products
 - maintenance of cost discipline in other areas
- The change in the administrative expense ratio in **1Q20 versus 4Q19** was due to the following:
 - lower intensity of marketing efforts, including sponsored activities
 - lower depreciation of IT systems
 - lower maintenance expenses of real estate due to the lower number of renovations conducted
 - higher provision for unused holidays



Group's high level of solvency

Solvency ratio, 31 December 2019



Solvency ratio calculated using the equation:
Own funds / solvency requirement.

Annual data based on the audited standalone and consolidated solvency and financial condition reports (SFCR) available on the following website <https://www.pzu.pl/relacje-inwestorskie/informacje-finansowe>. Other unaudited data.

- **Increase of own funds in 4Q19 by 2.5 bn PLN.**
Major reasons:
 - retraction of the adjustment to own funds for the expected dividends for the 2019 profit in connection with the stance taken by the chairman of the Polish FSA on 26 March 2020 (+1.9 bn PLN)
 - current flow on insurance and investment activity (+0.9 bn PLN)
 - impact exerted by interest rates on the measurement of financial assets and BEL (-0.2 bn PLN)
- **Decrease of SCR in 4Q19 by 0.1 bn PLN** due to the decline in market risk by 0.2 m PLN.
- **Changes in 2019** - increase of own funds by 2.7 bn PLN mainly due to retained earnings and stabilization of capital requirements (+0.2 bn PLN):
 - credit spread risk up 0.2 bn PLN* due to higher corporate exposures
 - banking sector requirement up 0.1 bn PLN due to business development
 - insurance requirements up by a total of 0.2 bn PLN* chiefly related to methodological changes
- **High quality of the PZU Group's own funds** - share of **Tier 1** capital is **87%**.
- Standalone solvency ratio:
 - PZU: 267% (240% at the end of 3Q19)
 - PZU Życie: 463% (435% at the end of 3Q19)

* Prior to the effects of diversification.



4. Strategy execution



Execution of the key metrics of the strategy for 2017-2020

Non-life insurance		Life insurance		Investments		Health		Banks	
PZU Group's market share ^{2,3}		Number of clients in PZU Życie ⁵		Assets under management for third party clients (bn PLN)		Revenues (m PLN) ⁸		Assets (bn PLN)	
12.2019	2020	03.2020	2020	03.2020	2020	03.2020	2020	03.2020	2020
33.8%	38%	10.5	11.0	24/ 42 ⁷	65	912	1,000	294	>300
Combined ratio ³		Insurance margin in group and individual continuation		Net result on third party asset management (m PLN)		EBITDA margin ⁹		Net financial result attributed to the PZU Group (m PLN)	
03.2020	2020	03.2020	2020	03.2020	2020	03.2020	2020	03.2020	2020
87.4%	92%	22.4%	>20%	107/ 232 ^{7,11}	200	8.9%	12%	488 ¹¹	>900
Administrative expense ratio ⁴		Solvency II solvency ratio		Surplus yield on the main portfolio above the RFR ¹⁰					
03.2020	2020	12.2019	2020	03.2020	2020				
7.0%	6.5%	245%	>200% ⁶	1.9 p.p.	2.0 p.p.				

ROE¹

03.2020	2020
2.9% / 19.5%	>22%

1. ROE attributable to the holders of the parent company reported / comparable
 2. Direct business
 3. PZU jointly with TUW PZUW and LINK4
 4. Administrative expenses in PZU and PZU Życie
 5. Including clients acquired through cooperation with banks
 6. Own funds after subtracting anticipated dividends and asset taxes

7. Including assets under management / performance of fund management companies owned by the PZU Group's banks
 8. Annualized revenues of proprietary centers and branches (except for FCM – in operation since 02/2019) including revenues from PZU Zdrowie and the PZU Group
 9. Net of non-recurring costs; profitability computed using the sum of revenues generated by branches and earned premium
 10. Difference between the annual rate of return computed using the IFRS result on the main portfolio including the FX rate on proprietary bond issues and the annual average level of WIBOR6M
 11. 12 month moving average



COVID-19 – monitoring factors that may potentially affect the Group’s business

Insurance

Revenue / business development

- Reduced demand for **new and imported cars**, deceleration of new sales of non-life insurance, especially motor business
- Higher levels of **renewals in the current portfolio**
- The higher **unemployment level** was not noticeable in 1Q20 but its increase may limit gross written premium in group insurance; continued insurance may possibly be more stable
- The occurrence of the pandemic may contribute to **greater insurance awareness**

Insurance activity expenses

- Mobility restrictions reduce the **frequency of motor claims**
- **The higher EUR exchange rate may exacerbate claims inflation**
- The freezing of the economy and economic slowdown may contribute to a higher loss ratio in **contractual guarantees and financial insurance**
- **Risk involving business interruption**, however potential claims only related to a specific loss to property (e.g. fire); relatively low exposure to travel insurance
- Additional costs of suspending / **modifying business processes**
- **Compensatory actions** for employees and agents

Investments

- In 1Q20 **stable investment result** in the main portfolio
- Turbulence on the financial markets (equities, bonds) and stabilization of interest rates at low levels may be **unfavourable for the investment result**
- Temporary foreign exchange losses on instruments to hedge the real estate portfolio in 1Q20
- Higher impairments for receivables due to the deteriorating financial condition of clients

Banks

Revenue / business development

- Limited demand for loans, decline in the sales of mutual funds, fewer transactions executed by clients
- Adverse impact exerted by the reduction in interest rates on banks' net interest income (recognized in the PZU Group's investment result)
- Enhancing the level of cross sell of insurance with credit products

Operating expenses and risks

- Additional provisions for unpaid loans due to COVID-19 estimated by Bank Pekao
- Accelerated restructuring activities (headcount and optimization of the branch network in Bank Pekao)

Investments

- Goodwill impairment on the acquisition of Alior Bank recognized in 1Q20



5. Attachments



Gross written premium of the PZU Group

Insurance segments m PLN, local GAAP	1Q19	4Q19	1Q20	Change y/y	Change q/q
External gross written premium	5,901	6,690	6,097	3.3%	(8.9%)
Total non-life insurance – Poland	3,353	3,952	3,421	2.0%	(13.4%)
Mass insurance – Poland	2,683	2,683	2,755	2.7%	2.7%
Motor TPL	1,102	1,092	1,084	(1.6%)	(0.7%)
MOD	663	673	665	0.3%	(1.2%)
Other products	918	918	1,006	9.6%	9.6%
Corporate insurance – Poland	670	1,269	666	(0.6%)	(47.5%)
Motor TPL	205	230	181	(11.7%)	(21.3%)
MOD	214	224	178	(16.8%)	(20.5%)
Other products	251	815	307	22.3%	(62.3%)
Total life insurance – Poland	2,060	2,220	2,175	5.6%	(2.0%)
Group and individually continued insurance - Poland	1,733	1,754	1,759	1.5%	0.3%
Individual insurance – Poland	327	466	416	27.2%	(10.7%)
Premium on protection products	117	145	137	17.1%	(5.5%)
Premium on periodic investment products	57	68	78	36.8%	14.7%
Premium on single investment products	153	253	201	31.4%	(20.6%)
Total non-life insurance – Ukraine and Baltic States	454	475	460	1.3%	(3.2%)
Baltic States	399	411	404	1.3%	(1.7%)
Ukraine	55	64	56	1.8%	(12.5%)
Total life insurance – Ukraine and Baltic States	33	43	42	27.3%	(2.3%)
Lithuania	17	19	19	11.8%	0.0%
Ukraine	16	24	23	43.8%	(4.2%)

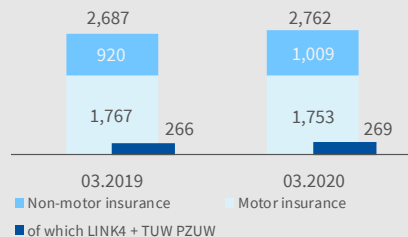


Non-life insurance

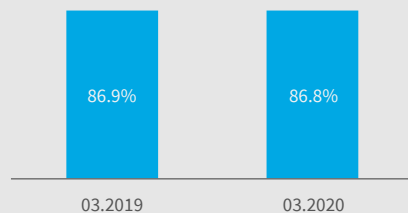
Non-motor insurance is driving premium growth; motor insurance is being affected by softer market conditions on the car market in Poland

Mass segment

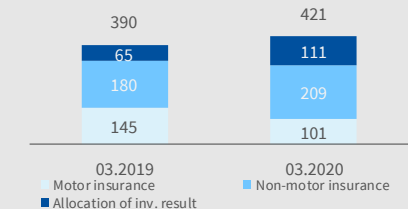
Gross written premium (m PLN)



Combined ratio (%)

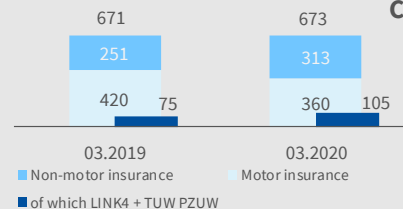


Insurance result (m PLN)

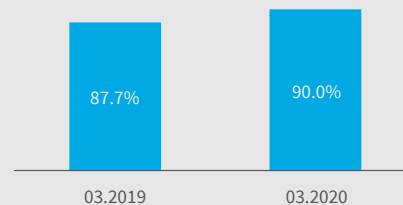


Corporate segment

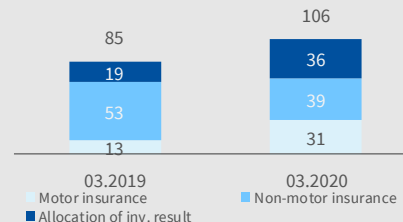
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)



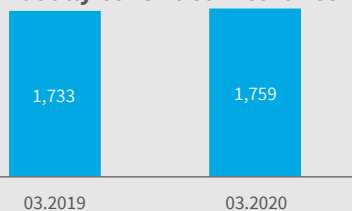


Life insurance

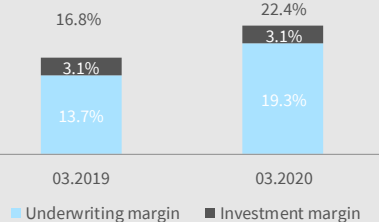
High rate of premium growth. Profitability in the group and individually continued insurance segment at a level unseen in the first quarter

Group and individually continued insurance

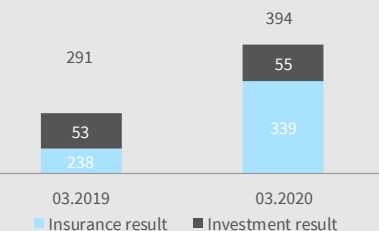
Gross written premium (m PLN)



Margin (%)*

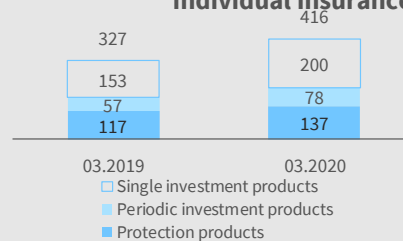


Insurance result (m PLN)*

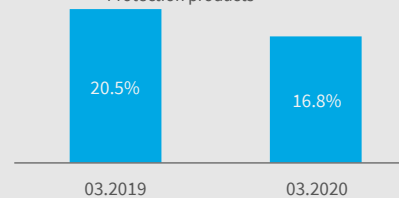


Individual insurance

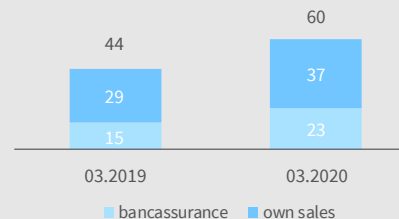
Gross written premium (m PLN)



Margin (%)



Annual premium equivalent (m PLN)



* Segment margin and insurance result net of the conversion effect

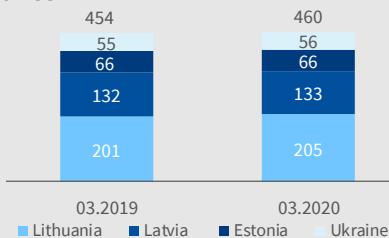


International operations

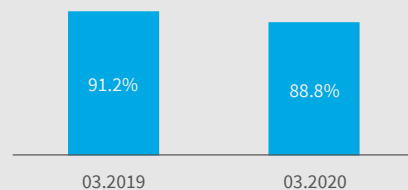
Enhanced profitability of non-life insurance

Non-life insurance

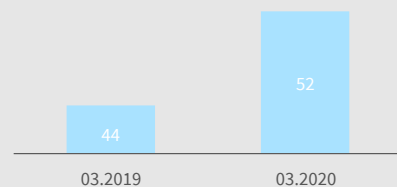
Gross written premium (m PLN)



Combined ratio (%)

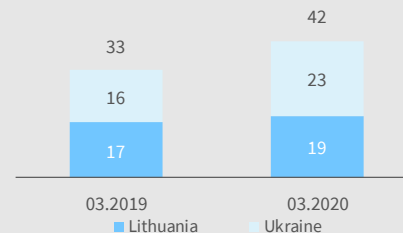


Insurance result (m PLN)

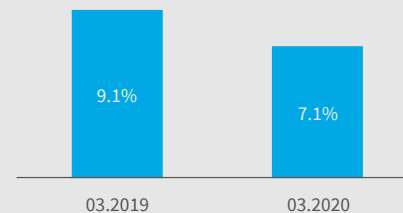


Life insurance

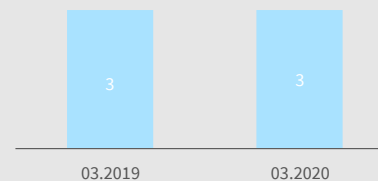
Gross written premium (m PLN)



Margin (%)



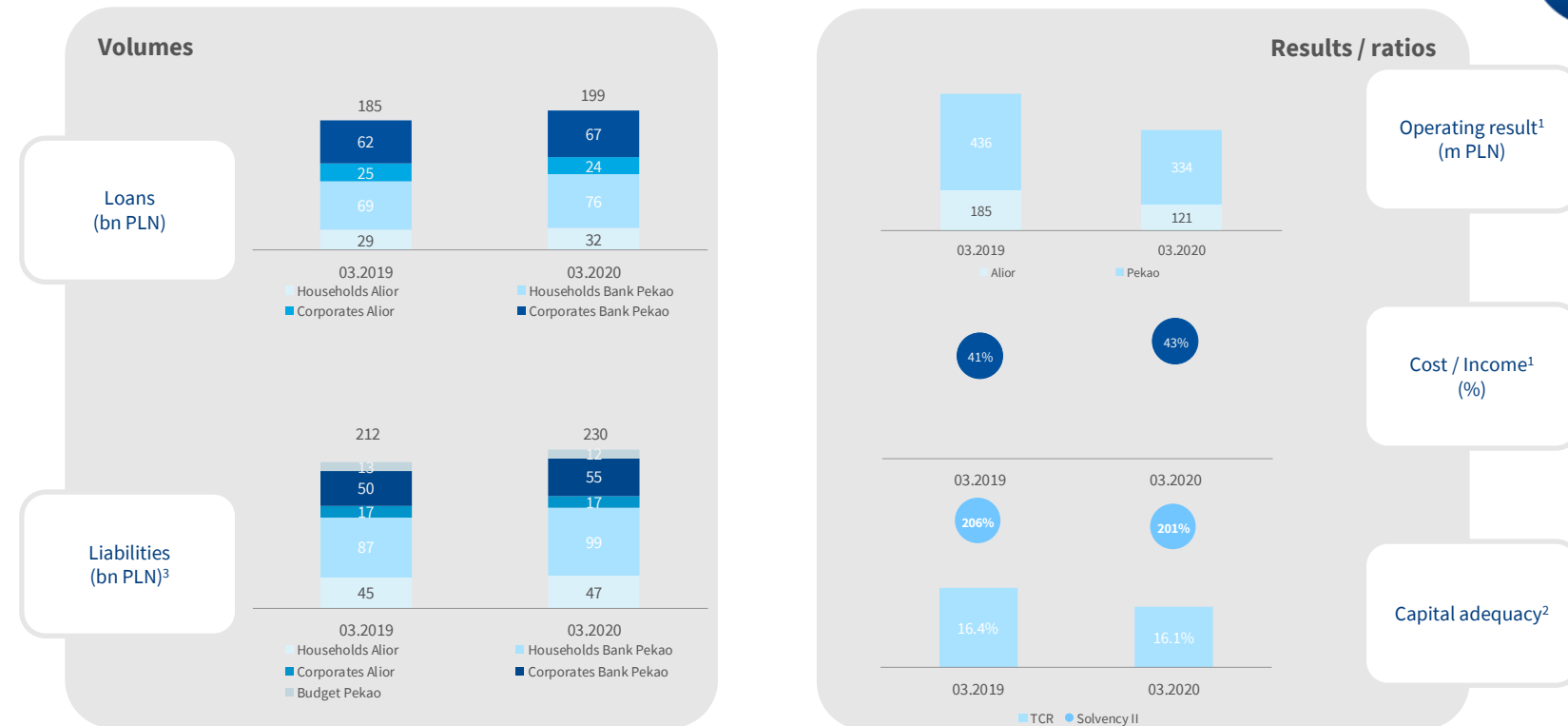
Insurance result (m PLN)





Banking activity

Result on banking activity is down due to the incremental costs of risk related to COVID-19



1) Data in accordance with PZU's financial statements, excluding goodwill impairment in 1Q20

2) Data jointly for Pekao and Alior Bank pro rata to the equity stakes held

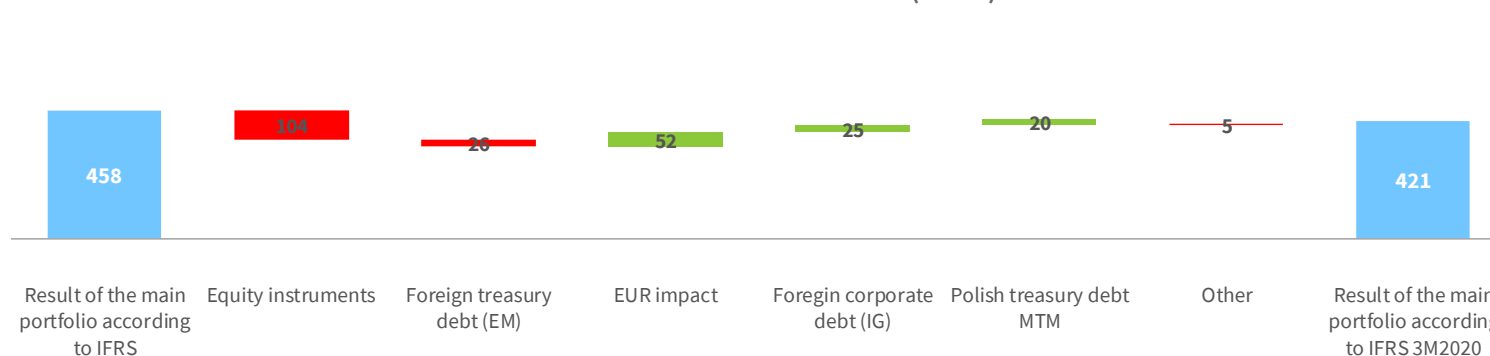
3) Data in accordance with Pekao and Alior Bank's financial statements



Investments

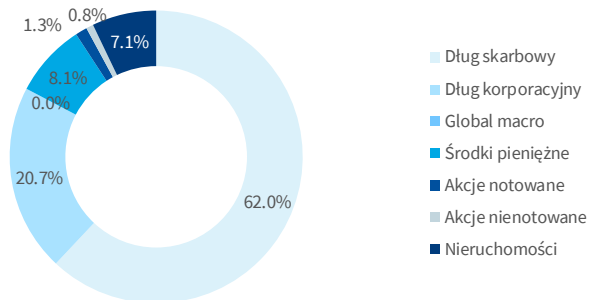
Quarterly results and portfolio composition

Net investment result (m PLN)



December 2019 main portfolio investment composition

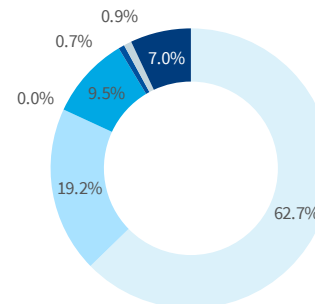
39.7 bn PLN



investment products 6.2 bn PLN

March 2020 main portfolio investment composition

40.5 bn PLN



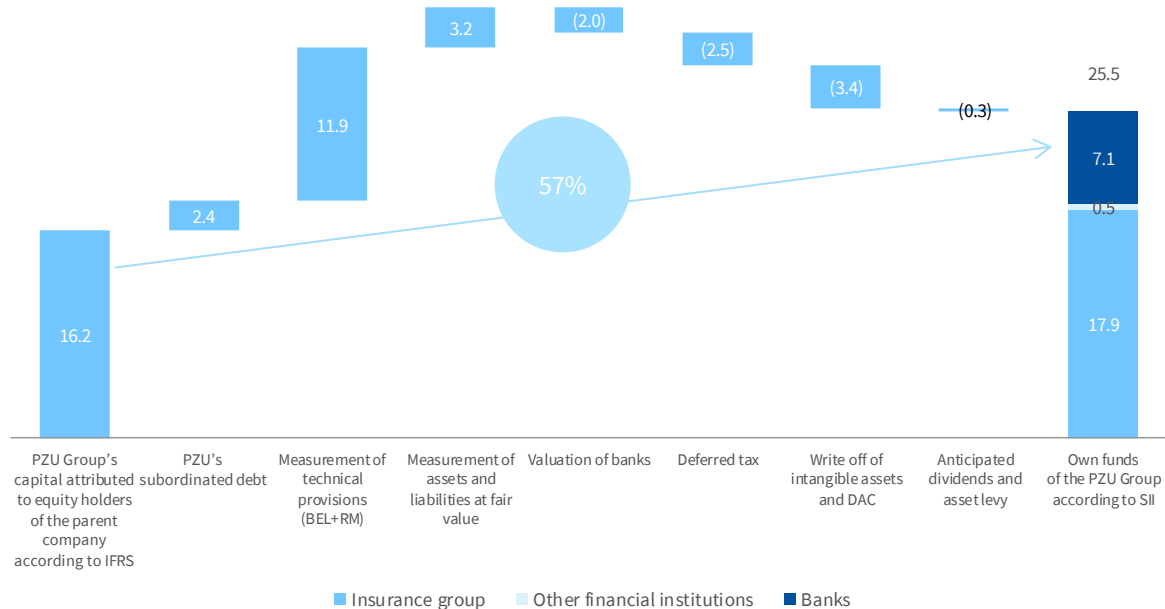
investment products 5.7 bn PLN



Own funds

PZU Group's data in Solvency II at the end of 2019 (bn PLN)

Comparison of own funds and consolidated equity according to IFRS



Own funds according to SII calculated using the net assets carried in the Group's economic balance sheet.

For the purpose of SII, the consolidated data of the insurance entities and entities rendering auxiliary activity such as mutual funds, PZU Zdrowie, PZU Pomoc and Centrum Operacji.

No consolidation of given credit institutions (Pekao, Alior Bank) and financial institutions (TFI, PTE).

According to SII regulations:

- technical provisions measured using the expected discounted cash flow (best estimate liability, BEL) adjusted for the risk margin
- shares in entities belonging to other financial sectors (Pekao, Alior Bank, TFI, PTE) measured using the group's percentage of the regulatory capital of these entities prescribed according to a given sector's regulations
- other assets and liabilities measured at fair value*
- deferred tax is calculated on the temporary differences between the valuation of assets and liabilities according to SII and IFRS. Similarly to IAS 12, absence of deferred tax on differences pertaining to related parties (e.g. banks)
- own funds according to SII minus:
 - amount of anticipated dividends
 - the forecasts of the asset levy to be paid by insurance undertakings in the 12 months after the balance sheet date (according to the letter from the Polish FSA)

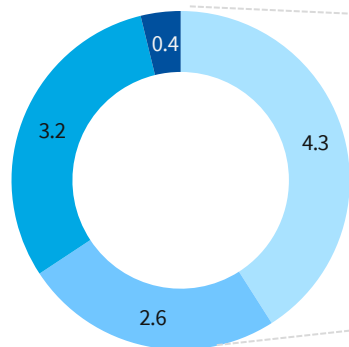
* Intangible assets and deferred acquisition costs whose value for the purposes of SII is zero are an exception.



Solvency capital requirement (SCR)

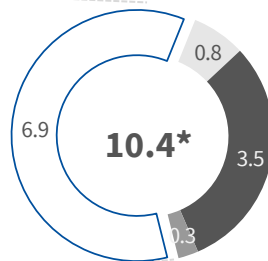
PZU Group's data in Solvency II at the end of 2019 (bn PLN, audited data)

Basic solvency capital requirement (BSCR)



- Non-life and health insurance
- Life insurance
- Market risk
- Counterparty Default Risk (CDR)

Solvency capital requirement (SCR)



- BSCR
- Operational risk
- Banks
- Other (TFI, PTE)

Effect of diversification
-34%

Solvency requirement down in 4Q19 by 0.1 bn PLN.

The main reasons for the movement in SCR:

- decrease in market risk of 0.2 bn PLN**
 - transfer of the risk of assets subject to lease contracts according to IFRS 16 from the equity risk module to a less capital-intensive module for real estate price risk
 - lower corporate exposures (decline in the requirement for credit spread of 0.07 bn PLN**);
 - higher return on instruments to hedge FX positions as a result of the decline in spreads
- growth in insurance risk requirements due to changes of methodology (+0.1 bn PLN**).

* Difference between SCR and the total of the following: BSCR, operational risk, the requirement of the banking sector and other financial institutions ensues from a tax adjustment (LAC DT).

** Prior to the effects of diversification.

Disclaimer



This Presentation has been prepared by PZU SA (“PZU”) and is purely informational in nature. Its purpose is to present selected data concerning the PZU Group (“PZU Group”), including its growth prospects.

PZU does not undertake to publish any updates, changes or adjustments to information, data or statements set forth in this PZU Presentation in the event of modifying PZU’s strategy or intentions or the occurrence of facts or events that will exert an impact on PZU’s strategy or intentions unless such a reporting duty stems from the prevailing legal regulations.


The PZU Group is not liable for the consequences of decisions made after reading this Presentation.

At the same time, this Presentation cannot be treated as part of an invitation or an offer to acquire securities or to make an investment. Nor does it constitute an offer or an invitation to execute other securities-related transactions.



Contact for investors

Contact: Magdalena Komaracka, CFA  +48 22 582 22 93

 mkomaracka@pzu.pl

www.pzu.pl/ir

Contact: Piotr Wiśniewski  +48 22 582 26 23

 pwisniewski@pzu.pl

www.pzu.pl/ir