



PZU Group's Financial Results

in 2Q20

Warsaw, 10 September 2020



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1. PZU Group's main accomplishments



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



Resistant business model; improved profitability in life and non-life insurance, return on investments 4.5 p.p. above the risk-free rate. Solvency II 258%²



Higher net profit¹ y/y despite the turbulence related to the COVID-19 pandemic. **ROE¹ at 23.1%**



Higher **life insurance market share**. Improved **renewals** in the **motor** insurance portfolio

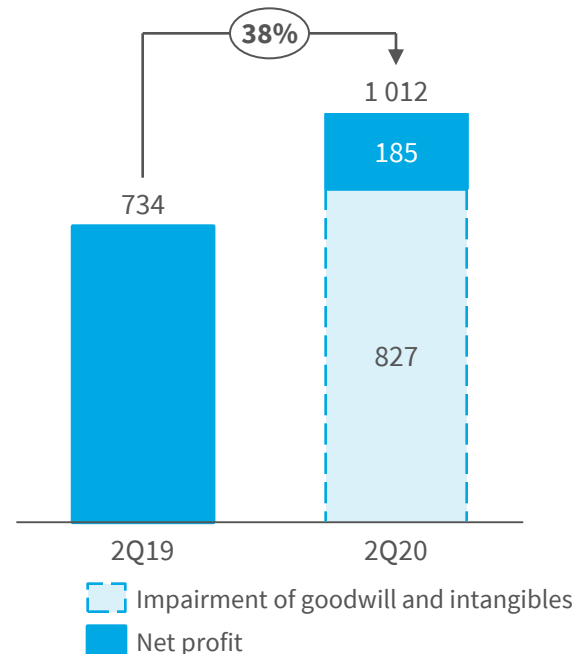


PZU Group's **lightning-quick and multifaceted** response to the COVID-19 pandemic; building value for all stakeholders



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

PZU Group's net profit¹



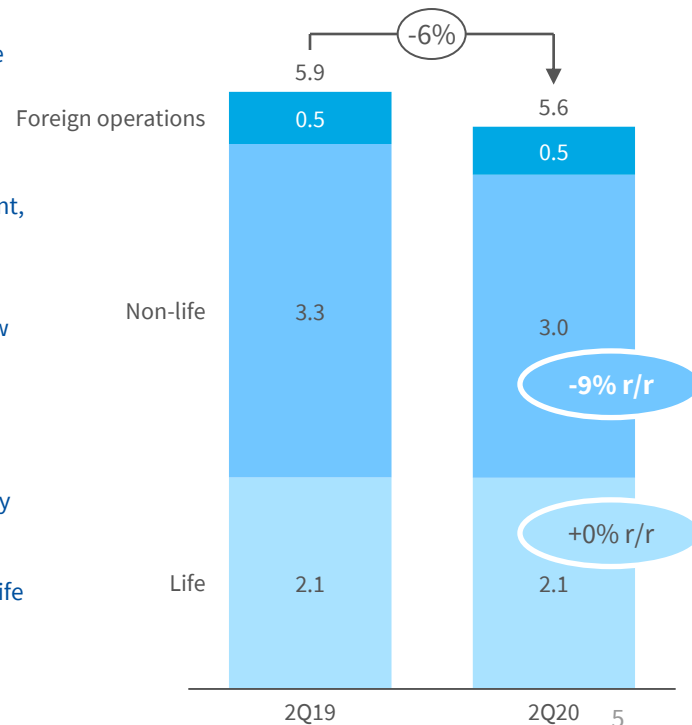
1. Net of the impact exerted by the impairment of goodwill and other intangible assets recognized at the time of acquiring banks
 2. Preliminary data, not audited or reviewed by a statutory auditor



Sales of 5.6 bn PLN, higher share of the life insurance market, limited demand for motor insurance

- Building market position; **PZU Życie's life insurance market share in Poland of 41.8%** is the highest it has been since 2009 and is **up 2.3 p.p. y/y**¹
- Stable premium in **group and individually continued life insurance in 2Q20 y/y** in Poland despite the limitation of employee benefits
- Maintaining the **leadership position in periodic premium life insurance** (market share of 45.6%)¹
- **Gross written premium on protection life insurance +15% y/y** in the individual insurance segment, chiefly in the **bancassurance** channel; sales of investment products faced headwinds due to turbulence on the financial markets and limitations caused by the lockdown in 2Q20
- **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**
- Continued dynamic growth in the demand for private medical services; PZU Zdrowie's revenue up **21%**²y/y in 1H20
- TFI PZU – **one of the leaders in the sales of funds** and growth of assets under management - nearly **0.5 bn PLN** net inflows versus more than 17 bn PLN net outflows on the overall market in 1H20
- **Further strengthening of collaboration 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)



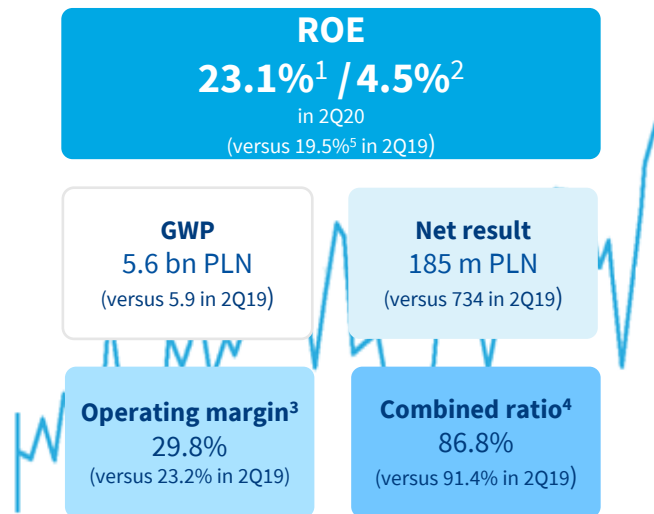
1. Data for 1Q20, source: KNF's Quarterly Bulletin. Rynek ubezpieczeń [Insurance Market] 1/2020

2. Data presented for the centers for the period from the beginning of the year regardless of the time of acquisition



Net profit net of impairments up 38% y/y

- **Net result** net of the impairment of goodwill and intangible assets in the banks in 2Q20 **up 38% y/y**
- **Profitability in the non-life segment** in Poland of **86.8%**; better y/y (by 4.6 p.p.), q/q (by 0.6 p.p.) and much better than the targets in the strategy. **Non-life insurance result in Poland up 33% y/y**
- Operating margin in group and individually continued insurance in 2Q20 at its highest level since 2Q 2011 coming in at **29.8%** on a quarterly basis and **26.1% ytd** – above strategic levels. Life insurance result in Poland +25% y/y in 2Q20
- High return on the main portfolio **4.5 p.p. above the risk-free rate** in 2Q20 and **3.2 p.p. ytd**, outpacing strategic ambitions despite turbulence on the financial markets
- Costs under strict control; despite pressure to raise wages and other costs related to the COVID-19 pandemic, the cost ratio was **7.2%** in 2Q20
- ROE of **23.1%** net of impairments¹; PZU among the insurers generating the highest ROEs in Europe



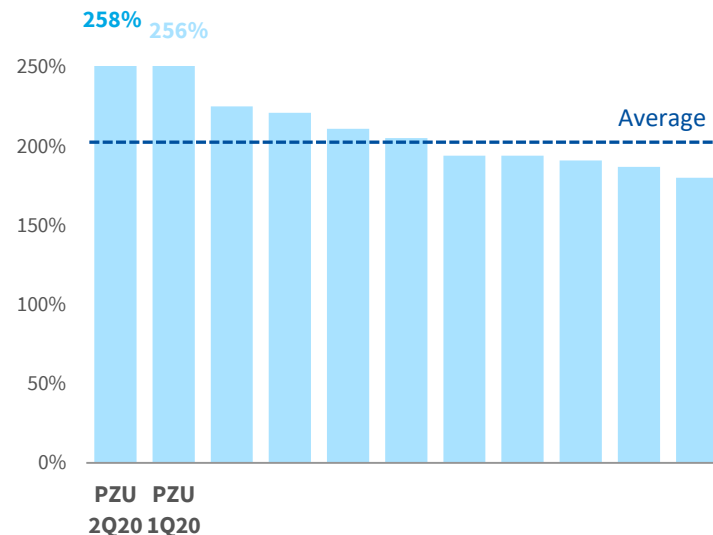
1. Annual equivalent in 2Q20, attributable to equity holders of the parent company, net of the impairment of goodwill and intangible assets
 2. Annual equivalent in 2Q20, attributable to equity holders of the parent company, reported
 3. Margin in 2Q20 for the group and individually continued insurance segment net of the conversion effect
 4. Non-life insurance in the PZU Group (Poland)
 5. Annual equivalent in 2Q19, attributable to equity holders of the parent company, reported



Operational safety: Solvency II at 258%; provisions in life insurance aligned to lower interest rates

- S&P rating of **A-** with a **stable** outlook with a capital strength rating of **AAA**. Rating affirmed by S&P on 27 August 2020. The agency’s analysts pointed out that **despite setting up impairments for its bank assets the PZU Group should generate comparable results in 2020 to international insurers, while also retaining a safe capital surplus above the requirements to hold a “AAA” capital strength rating under the S&P model**
- Retaining 2019 profit leads to the Solvency II ratio growing to levels unseen in Europe as at 31 March 2020: **256% at the Group level, 283% for PZU, 414% for PZU Życie as at 31 March 2020**
- Revising life insurance provisions – **adjusting the technical rate** to a level related to the expected rates of return **in the lower interest rate environment** and updating the assumptions for mortality and co-insureds – no material impact on the financial result
- Impairments of intangible assets, including goodwill and the revision of life insurance provisions **do not exert a material adverse impact on the Group’s solvency** PZU Group’s estimated solvency ratio stands at **258%¹ as at 30 June 2020**
- **Safe investment portfolio:** Diversification of the investment portfolio, especially by augmenting the share of portfolios securing a high level of profitability faced with the low level of market interest rates, including in particular corporate debt with an investment-grade rating coupled with the simultaneous **limitation of risk on quoted shares due to gradual reduction in the portfolios**

Solvency II ratio for insurers in Europe (2Q20)





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

Employee health and safety

- **8.5 thousand PZU employees (roughly 80%) were able to work remotely.** Four of five employees found this type of work to be effective according to the survey in which more than 6 thousand employees participated
- **Click for development** - remote channels for professional and personal development - from the beginning of the pandemic several thousand employees have participated in various webinars and online workshops on coping with these new circumstances
- **PZU ALERT** - electronic bulletin providing all employees with information on the current situation in the company
- **#DobryStan (#WellBeing)** - a well-being initiative - implementation of a modern tool / app called Wellify for employees that comprehensively addresses issues related to well-being, or the right approach to relaxation, concentration and personal effectiveness
- **#Damy Radę (#We Can Do It)** - a series of information pills on how to deal with emotions during the pandemic, how to do remote work efficiently and even how to relax effectively
- **Recruiting from A to @** - remote recruiting calls using video conferencing tools

Care for clients

- “We operate remotely, but always near you” – an information campaign launched immediately after the outbreak of the pandemic encouraging the **remote use of PZU’s services**: via the website service and the myPZU 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)
- Implementing the option to **sign contracts by phone** to manage Employee Capital Schemes (ECS) with TFI PZU

Helping society

- **14.7 m PLN in financial assistance** from PZU to combat the pandemic, including 9 m PLN for hospitals and medical rescue services; 2.5 m PLN to transport samples and add equipment to diagnostic stations to test samples; 1 m PLN for the Border Guard and Voluntary Mountain Rescue Service (GOPR); 1 m PLN to buy protective gloves for health care units; 1 m PLN to supply Bands of Life and COVID-19 Bands
- We were one of the first companies to get involved in the fight against coronavirus by launching **telemedicine assistance for all Poles** at the beginning of March All callers could obtain free consultations from a PZU Zdrowie physician as well as professional medical information
- PZU Zdrowie also launched a **free-of-charge psychological hotline** for all health service employees
- **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** during the lockdown - educational materials in the form of a video, joint online training sessions, film clips and advice regarding health, audiobooks, a mini series on the adventures of the Fearless for children on Facebook, YouTube and Instagram
- **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 to care for clients' health and safety



#mojePZU

In June the number of user accounts on the mojePZU portal surpassed 1 million.

The services of mObywatel (mCitizen) and mojeID (myID) were launched in July as a simple way to convey and confirm data in myPZU.



Cash

The operation of the Cash portal was turned over to a dedicated company doing business as PZU Cash SA in June. The new version of the platform can be found at www.portalcash.pl. At the end of June PZU Cash completed its first implementation in an external company.



PZU GO

In the first half of June PZU rolled out the option for all interested clients to buy the PZU GO alarm system. PZU GO users have traveled more than 3,000,000 kilometers as of the end of August!



Remote notification of injuries

PZU was the first insurer in Poland to roll out a mechanism offering the client an amount for life benefits and personal claims at the stage of claim notification.



Band of life

When the COVID-19 pandemic broke out, PZU distributed nearly one thousand bands of life adapted for use in care for coronavirus-infected patients to infectious disease hospitals in a number of cities, including Elbląg, Grudziądz, Tychy, Ostróda and Kędzierzyn-Koźle.



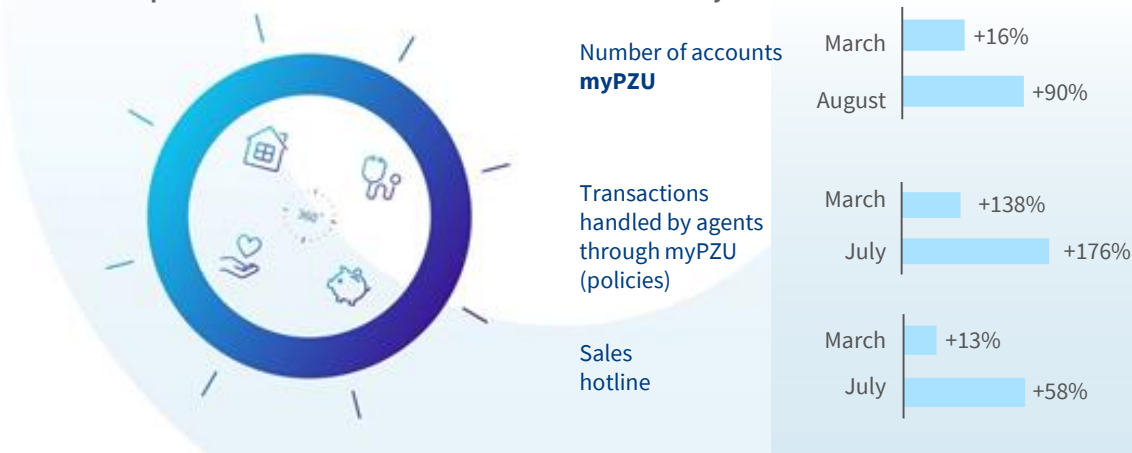
Check your car platform

Helps check announcements regarding car sales or checking a vehicle's technical state and Mobility Protection. A pilot began at the end of June and a platform dedicated to this program was launched: www.pomocnonstop.pl/sprawdzauto

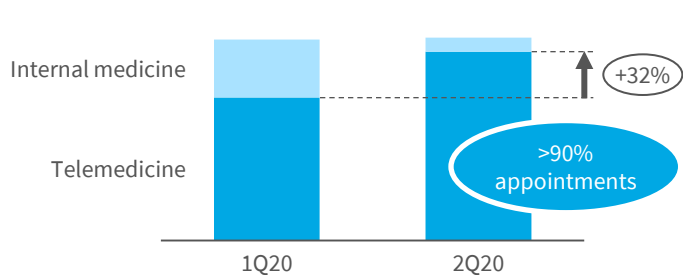


Altered operating model – we stay close to our clients while maintaining social distance

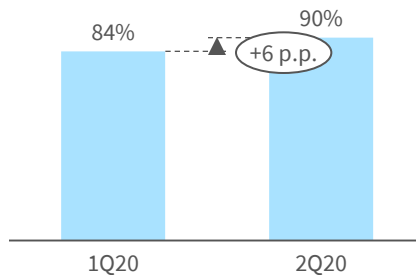
Performance parameters for remote sales channels versus February 2020



On-site 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 the bundle of protection PZU Advisor for SMEs to include cyber insurance and audits 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 garage 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

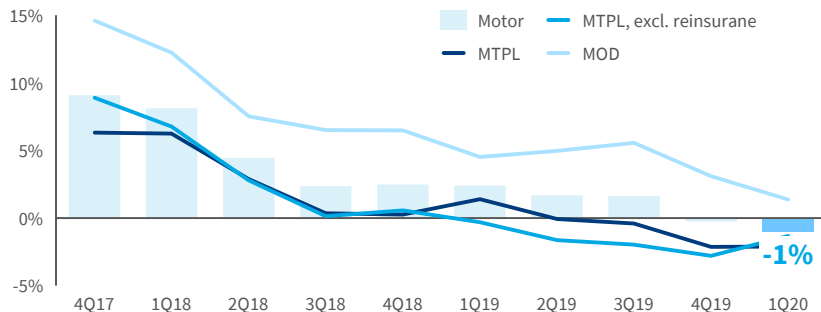


2. Business development



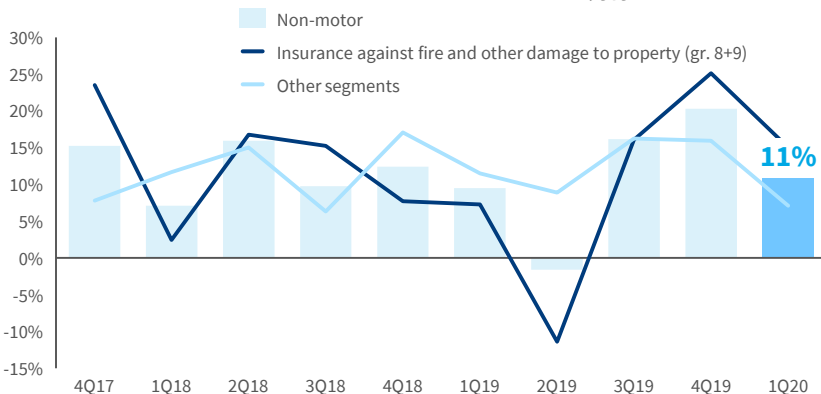
Trends on the non-life insurance market in Poland

Growth rate of the motor insurance market¹, y/y

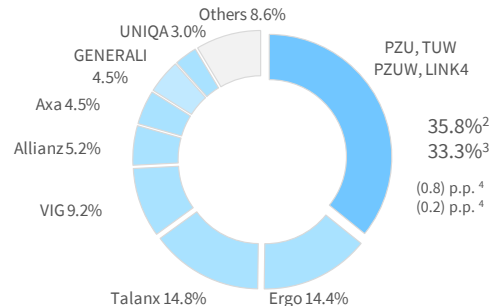


- **11% growth in the non-motor insurance market in 1Q20 (versus 12%⁵ for the PZU Group)**
- **More profound decline in the sales of motor insurance (-1% y/y)**; despite the smaller drop y/y in motor TPL insurance, the rate of growth in motor own damage insurance softened (+1.4% y/y in 1Q20 versus 3.1% in 4Q19)
- **PZU Group's market share in non-life insurance (direct business) in 1Q20 was 33.3%**
- PZU Group's high percentage of the overall market's technical result at **56%**¹

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



Market shares²

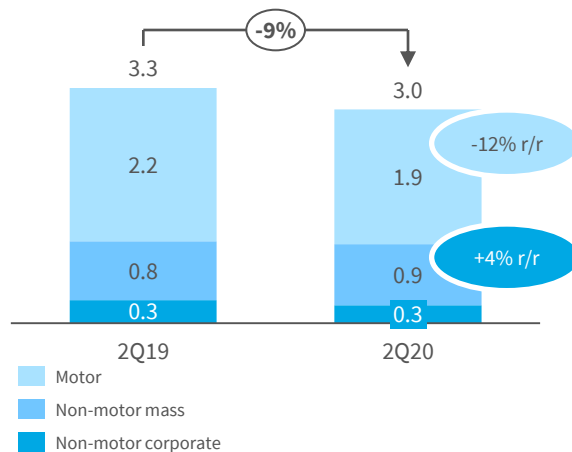


1. according to the Polish FSA's 1Q20 report;
2. according to Polish FSA's report for 1Q20; the market and market shares including PZU's inward reinsurance from LINK4 and TUV PZUW
3. PZU Group's market share in non-life insurance on direct business in 1Q20
4. movement in market share y/y on PZU's inward reinsurance from LINK4 and TUV PZUW and direct activity, respectively.
5. External gross written premium



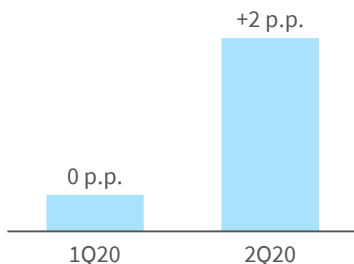
Non-life insurance

Gross written premium in 2Q20, value (PLN bn) and dynamics

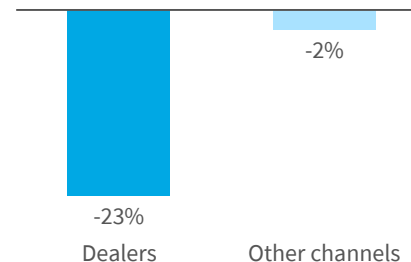


- Premium growth in **mass non-motor** insurance in 2Q20, chiefly due to the **dynamic sales of apartment insurance (+18% y/y)** and **covering physicians with ADD insurance**, partially offset by lower sales of travel and agricultural insurance
- Corporate** insurance – dynamic growth in the premium on **electronic equipment insurance** (heightened demand due to remote work) offset by the decline in other corporate insurance
- Premium on motor insurance in the final portion 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
- Higher **renewal rate** – lower client mobility, preservation of loyalty to PZU which enjoys 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 favorable terms and conditions** - prolongation, premium payments in installments, 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



Change of new sales of MTPL at PZU¹ (2Q20, r/r)

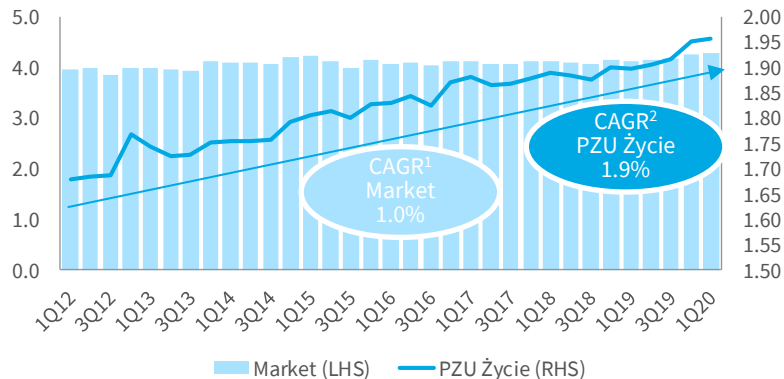


1. According to the date of commencement of liability, retail client, only PZU (net of Link4 and TUW PZUW)

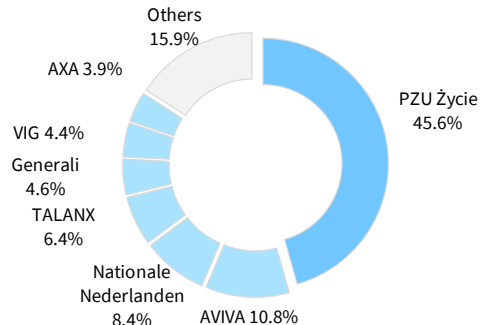


Trends on the life insurance market

Periodic gross written premium, quarterly (bn PLN)



Market shares in periodic premium in 1Q20



- 1) Market's periodic gross written premium 1Q20 to 1Q12
- 2) PZU Życie's periodic gross written premium 1Q20 to 1Q12
- 3) Class 3 - unit-linked life insurance

Life insurance market in 1Q20

- **Sales in PZU Życie up 5.5% y/y** versus the **overall market's negative rate of growth in gross written premium (-0.3% y/y)**
- **Increase in the market share held by PZU Życie by 2.3 p.p. y/y to 41.8%** in total gross written premium in 1Q20

Insurance with a periodic premium:

- **PZU's key market share of periodic premium stayed high at 45.6% in 1Q20**, also for protection contracts (class I of life insurance); its market share was **60%**³

Single premium insurance:

- Higher single premium insurance sales (+54 m PLN y/y), translating into market share expansion in single premium life products – **market share up 9 p.p. y/y**
- Advancing to the leadership position measured by the **absolute amount** of gross written premium (226 m PLN) **and the increase in written premium** (+54 m PLN y/y).

Group insurance:

- PZU Życie's premium in **group insurance up 20 m PLN y/y** in 1Q20 representing the highest incremental growth in sales in this category among all insurance classes

Individual insurance:

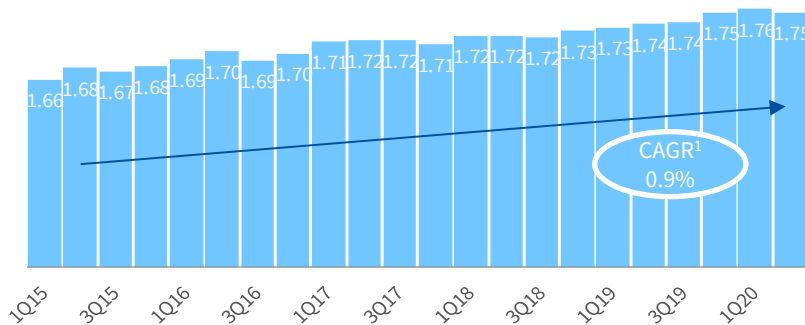
- **Individual** insurance continues to see PZU taking up market share in a shrinking market (**30.4% in 1Q20, improvement of 3.7 p.p. y/y**)
- PZU is the leader in APE **with growth of 15 m PLN y/y** in 1Q20 with the overall market growing by 15 m PLN

The **profitability of the technical result** at PZU Życie at the end of 1Q20 is higher than the average for the competition – 20.3% versus 11.8%; the share held by PZU Życie of the sector's overall technical result topped 50%

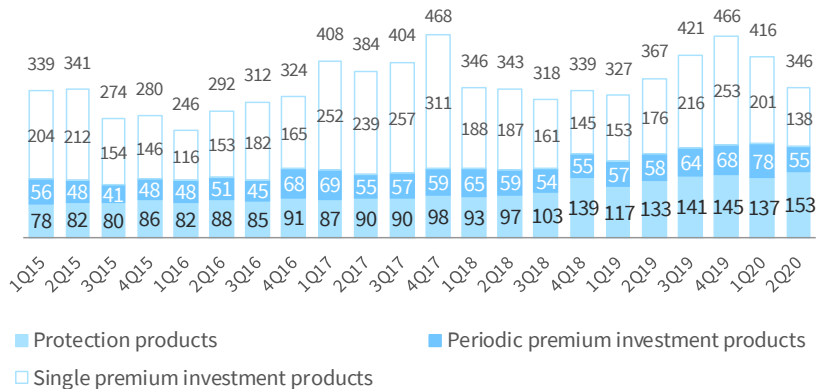


Life insurance

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



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

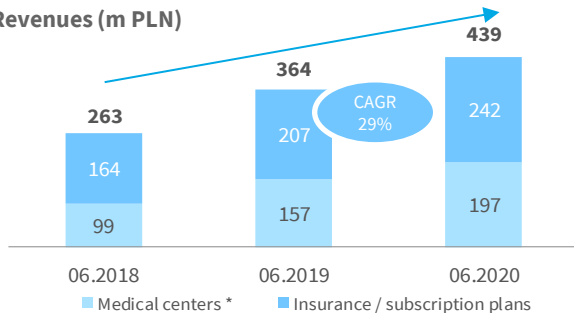


- Stable premium in **group and individually continued life insurance in 2Q20 y/y** in Poland despite the limitation of employee benefits
- Expanding portfolio of health insurance**, which despite lower new sales in the 2nd quarter due to the pandemic has posted record-breaking results measured by collected premium, especially for ambulatory contracts and the „PZU Uraz ortopedyczny” [PZU orthopedic injury] rider to continued insurance. At the end of June 2020, PZU Życie had **nearly 2.2 million health contracts in force** in its portfolio.
- Steadily rising revenue generated by the new accident **rider** in individual continuation launched last year and new products and riders in group protection insurance
- High level of sales of individual protection products** (153 m PLN) driven by the development of **cooperation with Alior Bank and Bank Pekao** to offer single premium individual life insurance to clients taking out cash loans
- Lower level of single contributions in 2Q20 to **unit-linked** accounts in insurance offered jointly with banks due to limited accessibility to branches, reduced client activity during the COVID-19 pandemic and falling financial markets contributing to this offer being less attractive

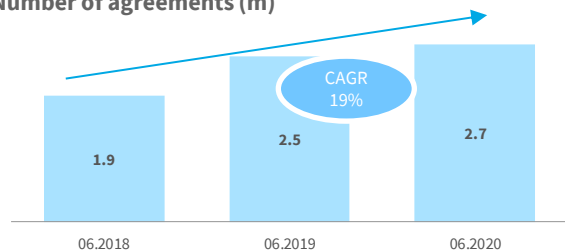


Development of the scale of operations in health

Revenues (m PLN)



Number of agreements (m)



1

~2,200 cooperating medical partners
~130 proprietary locations



2

48 hospitals



3

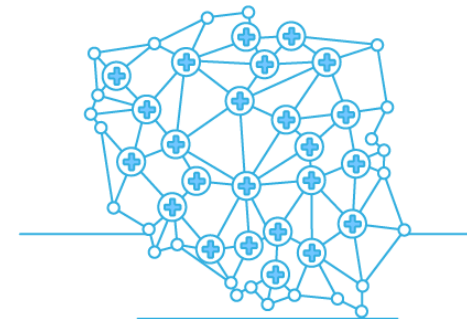
2,200 physicians
>50 specializations



4

~8,700 pharmacies

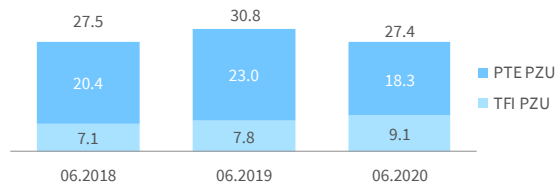
- High rate of revenue growth – **extension of the product portfolio and riders** (inter alia PZU Thinking about Life and Health and the new scopes of Medical Care S)
- Steady **increase in the number of health product agreements** in 2020 driven by the intensification of sales of more health riders to protection products (offering among others access to specialist physicians, ambulatory rehabilitation, selected tests and procedures)
- 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**



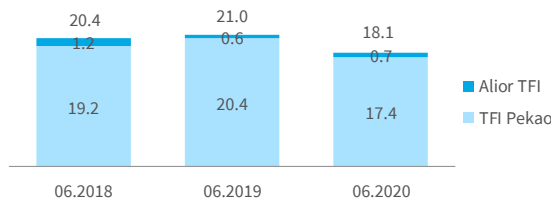


Assets under management and development of cooperation with banks

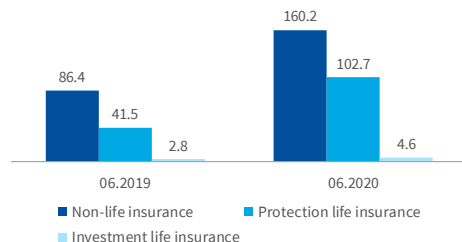
Assets of third party clients of TFI and OFE PZU clients (bn PLN)



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 **one of the leaders in the sales of funds and growth of assets under management** - nearly **0.5 bn PLN** net inflows versus **more than 17 bn PLN** of withdrawals on the overall market in **1H20**
- in PZU 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 2Q20 share of the bancassurance market edged up another 2.1 p.p.
- presence of the PZU Group's products in all of the major product lines of the PZU Group's banks
- work on developing standalone products in the banks' offer
- implementing multichannel access for the Banks' clients

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
- The process of deploying the **joint insurance and banking offer in the Auto Plus Promotion** in PZU's own branches was completed in 1H20, pilot preparations are currently in progress in partnership branches
- sum total of loans and client deposits secured by PZU for the Bank exceeded **560 m PLN at the end of 2Q20**

Alior Bank:

- **Development of the Cash Portal** – implementation of the program outside the PZU Group and work on extending the offer of products available 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, the negative sentiment on capital markets and lower client activity during the COVID-19 pandemic



3. Financial results



PZU Group's results

– contribution of activity to date and banking activity

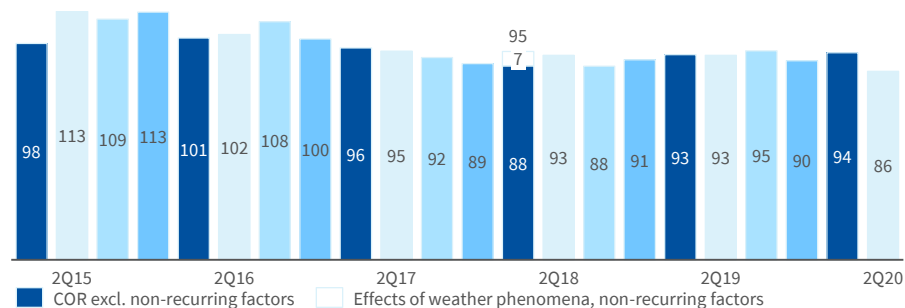
m PLN	2Q19	1Q20	2Q20	change y/y	change q/q
PZU GROUP EXCL. ALIOR BANK AND BANK PEKAO					
Gross written premium ¹	5 938	6 097	5 594	(5,8%)	(8,2%)
Net insurance claims and benefits paid	(3 971)	(3 281)	(4 010)	1,0%	22,2%
Net investment result (ex banking activities)	405	(276)	1 106	172,8%	x
Administrative expenses ¹	(426)	(448)	(457)	7,4%	2,0%
Acquisition expenses ¹	(823)	(835)	(812)	(1,3%)	(2,8%)
Operating profit (loss)	795	758	1 438	80,9%	89,8%
Net profit (loss) attributable to equity holders of the parent company	622	577	1 111	78,6%	92,4%
Impairment of goodwill and intangibles	-	(516)	(827)	x	60,3%
BANKS: ALIOR AND PEKAO					
Net profit (loss) attributable to equity holders of the parent company	112	55	(99)	x	x
NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	734	116	185	(74,8%)	59,5%
NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY excluding impairment of goodwill and intangibles	734	632	1 012	37,9%	60,1%
MAIN FINANCIAL RATIOS					
ROE ²	19,5%	2,9%	4,5%	(15,0)p.p.	1,6p.p.
ROE excluding impairment of goodwill and intangibles	n.a.	15,4%	23,1%	n.a.	7,7p.p.
Combined ratio ³	91,4%	87,4%	86,8%	(4,6)p.p.	(0,6)p.p.
Margin ⁴	23,2%	22,4%	29,8%	6,6p.p.	7,4p.p.
Administrative expense ratio of PZU, PZU Życie	6,6%	7,0%	7,2%	0,6p.p.	0,2p.p.
Acquisition expense ratio of PZU, PZU Życie	14,1%	14,3%	14,2%	0,1p.p.	(0,1)p.p.

1. PZU Group net of data from Bank 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

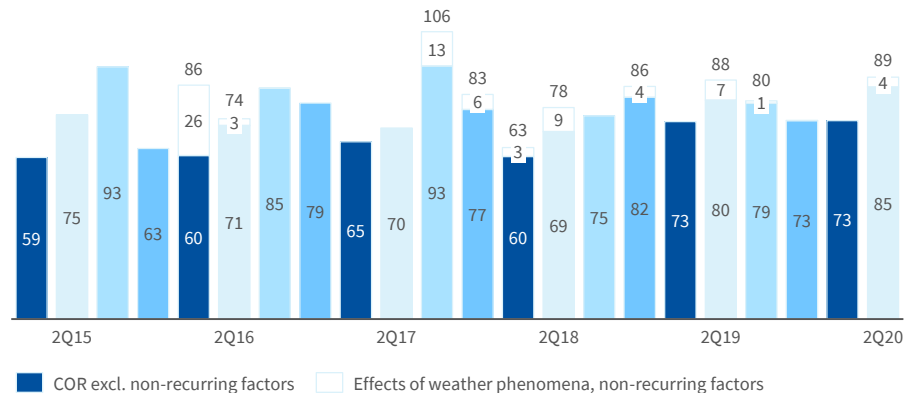
Non-life insurance



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



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



Key trends

- **deceleration in the sales of new vehicles** (new registrations down in the first half of the year by more than 35% y/y) and the **collapse of the lease market** (according to the Polish Leasing Association financing was down 24% y/y in 1H) translating into a lower growth rate in gross written premium
- visible significant **decline in claims frequency** translating into **improved profitability** in the **motor insurance** portfolio due to reduced levels of domestic and international traffic
- **higher cost of claims and benefits paid due to the PLN's depreciation against the EUR** (consequence of concern on the market evinced by COVID19) – especially noticeable in FX claims
- **maintaining high profitability in the non-motor insurance portfolio** despite the higher number of claims caused by atmospheric phenomena, including spring ground frost and torrential rain and hail

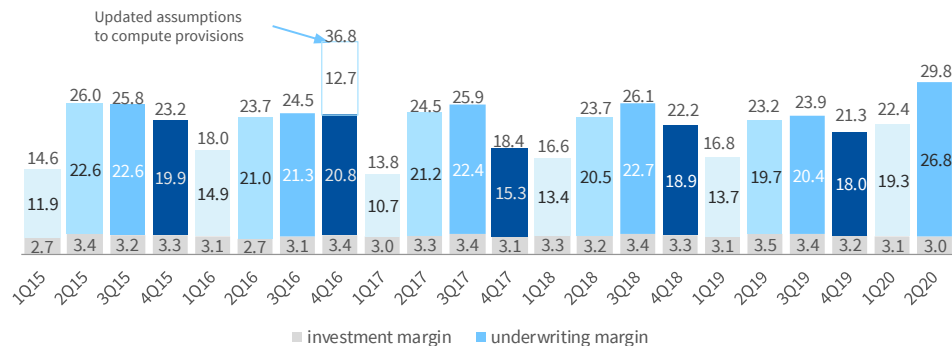
Activities

- investments in new technologies (simplifying processes related to claims handling and buying insurance through the **myPZU** service)
- Further **improvement of the offer including the client's long-term value (CLTV)** using the support offered by sales tools to expand and align the offer on a constant basis to the client's expectations and 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, thereby enhancing portfolio profitability



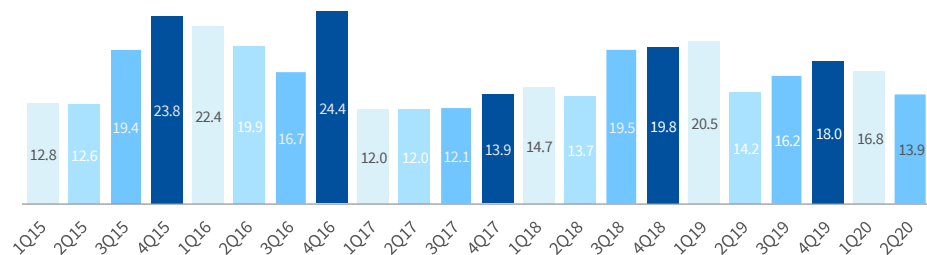
Life insurance

Margin in group and individually continued insurance (%)



- The **margin in 2Q20 up 6.6 p.p. y/y** to 29.8%, 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 up slightly y/y** but it continues to follow the frequency of deaths in Poland and similarly to previous years, the seasonal decline in the frequency of deaths is visible in the summer period

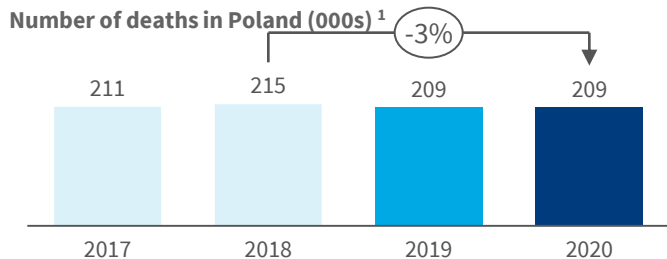
Margin in individual insurance (%)



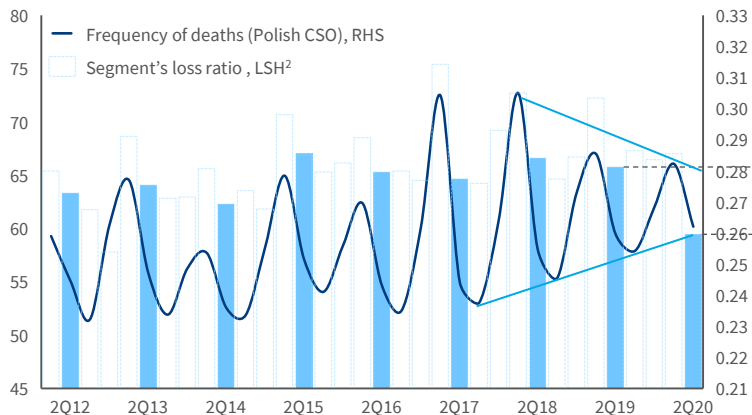
- The higher sales of lower margin products with a single premium in cooperation with banks and the decline in the segment's result contributed to the **margin falling by 0.3 p.p. y/y**
- **Segment's result down y/y 4 m PLN to 48 m PLN (-7.7%)** as the outcome of developing the portfolio of bank protection products, lower income on allocated investments and higher operating expenses



Pandemic and the loss ratio in the group and IC segment in 2Q20

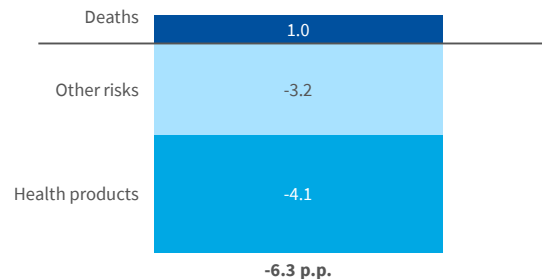


The frequency of deaths in Poland and the loss ratio of the group and individually continued insurance segment



- **The number of deaths in Poland in 1H20 is comparable y/y**, albeit 3% below 2018
- The quarterly loss ratio of the group and individually continued insurance segment ordinarily follows the frequency of deaths in Poland
- **The loss ratio of the group and individually continued insurance segment² at a very low level of 59%** (the segment's average loss ratio in all of the second quarters from 2012 is 64%)
- The dip in the loss ratio in the segment in 2Q20 y/y was precipitated by the **lower loss ratio on health products** and **other risks included in group and individually continued insurance** coupled with a slightly higher loss ratio related to deaths

Impact exerted by the various risks on the change to the segment's loss ratio y/y

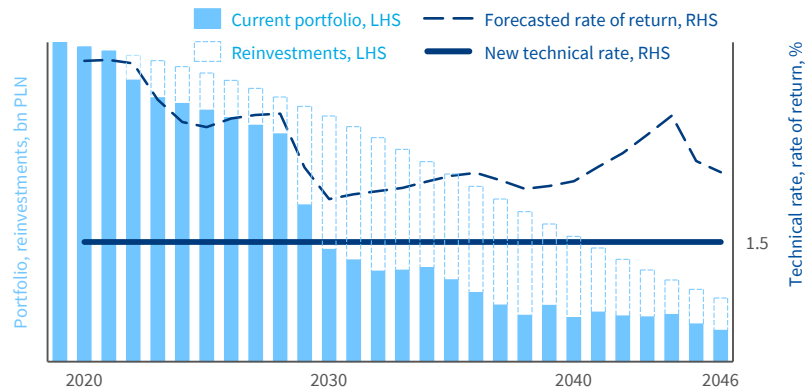


1. First half of every year, in thousands, according to the Central Statistical Office's data (GUS)
 2. Incorporates only protection products, benefits paid, the utilization of health products and the change in claims provisions



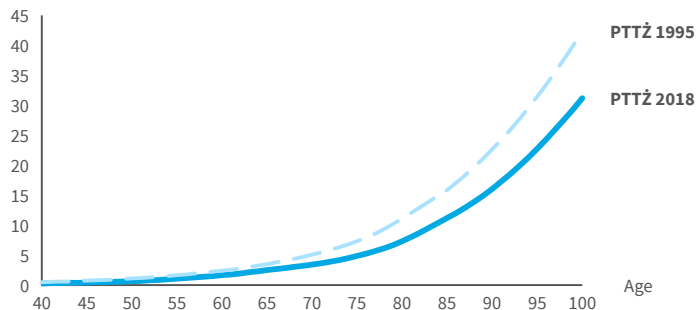
Aligning technical rates to lower market interest rates; review of technical provisions in life insurance

Portfolio to secure provisions and forecast of yields

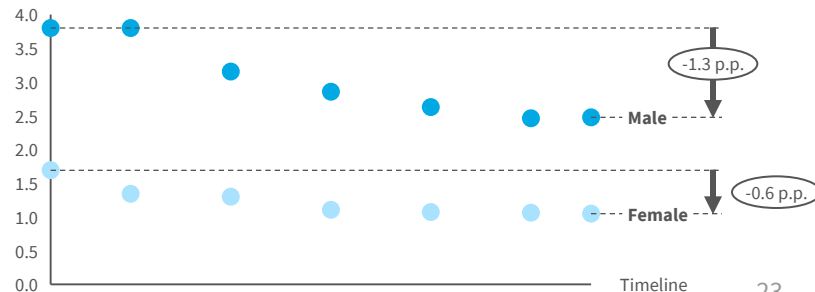


- To match the assumptions to market circumstances better some key assumptions have been modified to determine technical provisions. The modified assumptions are as follows:
 - **Technical rate** – reduced to 1.5% - below the level for the yields projected in subsequent years
 - Application of the **new Mortality Tables for Poland** from 2018
 - The new assumptions based on current trends concerning the probability of **having co-insureds** and benefits for **permanent health loss**
 - Application of the **individual method for group insurance**
- The total impact exerted by the result of the review of provisions conducted in 2Q20 was 6 m PLN**

Probability of death of males in Poland by age according to the mortality tables in 1995 and 2018 (%)¹



Probability of death of a person aged 65 in Poland according to the mortality tables in 1991 - 2018 (%)¹



1. According to the Central Statistical Office's data (GUS)



Profitability by operating segments

(1H20)

Insurance segments	Gross written premium			Insurance result / operating result			Combined ratio / Margin	
	1H19	1H20	Change y/y	1H19	1H20	Change y/y	1H19	1H20
m PLN, local GAAP								
Total non-life insurance – Poland	6,684	6,458	(3.4%)	832	1,003	20.6%	89.2%	87.1%
Mass insurance – Poland	5,273	5,232	(0.8%)	646	829	28.3%	89.6%	86.4%
Motor TPL	2,222	2,114	(4.9%)	171	218	27.5%	93.4%	90.5%
MOD	1,298	1,243	(4.2%)	86	151	74.8%	92.7%	87.3%
Other products	1,753	1,875	7.0%	268	296	10.3%	81.5%	80.3%
Impact of allocation to the investment segment	x	x	x	121	164	36.3%	x	x
Corporate insurance – Poland	1,411	1,226	(13.1%)	186	174	(6.5%)	87.9%	90.2%
Motor TPL	406	334	(17.7%)	28	33	16.8%	92.7%	93.8%
MOD	425	326	(23.3%)	27	36	33.2%	93.2%	91.5%
Other products	580	566	(2.4%)	94	62	(33.7%)	76.8%	85.3%
Impact of allocation to the investment segment	x	x	x	37	43	16.2%	x	x
Total life insurance – Poland	4,165	4,275	2.6%	822	1,041	26.6%	19.7%	24.4%
Group and individually continued insurance - Poland*	3,471	3,513	1.2%	694	917	32.2%	20.0%	26.1%
Individual insurance – Poland	694	762	9.8%	119	118	(0.8%)	17.1%	15.5%
Conversion effect	x	x	x	9	6	(34.9%)	x	x
Total non-life insurance – Ukraine and Baltic States	939	902	(3.9%)	111	134	20.7%	88.6%	85.9%
Baltic States	821	796	(3.0%)	95	103	8.4%	89.0%	87.3%
Ukraine	118	106	(10.2%)	16	31	93.8%	83.9%	69.7%
Total life insurance – Ukraine and Baltic States	66	77	16.7%	4	8	100.0%	6.1%	10.4%
Lithuania	35	39	11.4%	0	(1)	0.0%	-	(2.6%)
Ukraine	31	38	22.6%	4	9	125.0%	12.9%	23.7%
Banks	x	x	x	1,451	(1,007)	x	x	x

* Net of the conversion effect

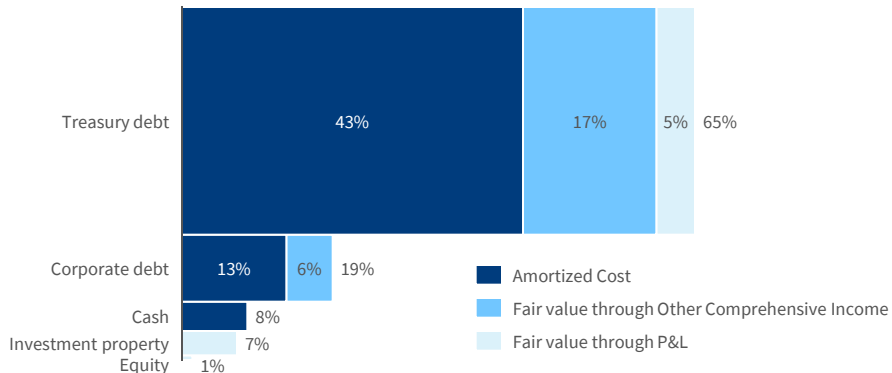


Investment activity – gradual reconstruction of the portfolio prior to the COVID-19 crisis

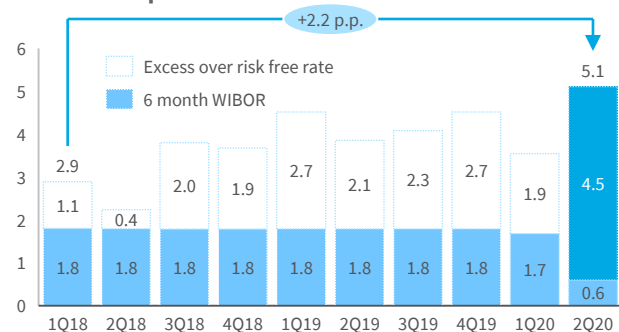
Preparation for slowdown - selected initiatives in 2019 and 2020

- **Evolution in the philosophy of portfolio management** to a more long-term approach and opening OCI portfolios to curtail the volatility of the result
- Safe portfolio composition: debt instruments account for **84% of the portfolio, treasury bonds account for 65% of the portfolio**; Significant **curtailment of equity exposure and reduction of the riskiest foreign exposures** in treasury bonds and corporate bonds alike
- **Enhancing portfolio liquidity** – temporary suspension of planned international investments
- Open FX position in the portfolio **capped by the technical provisions**
- Expansion of the **portfolio of Polish treasury bonds** to match the asset portfolio to insurance liabilities better

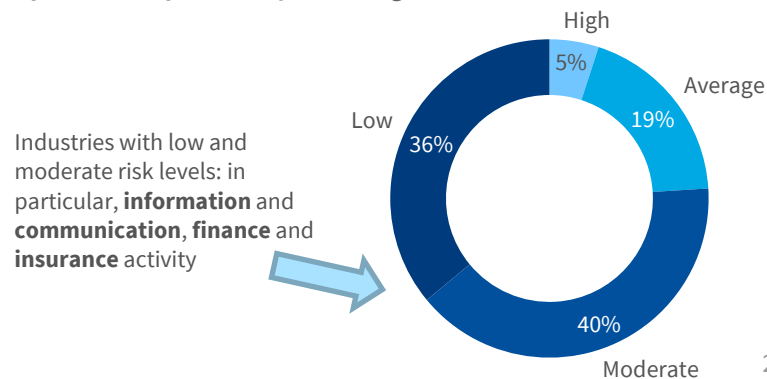
Main portfolio composition by asset classes and the methods of their measurement



Return on the main portfolio



Corporate bond portfolio by risk categories



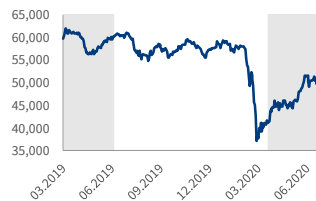


Investment performance

MSSF, m PLN	2Q19	1Q20	2Q20	change y/y	change q/q
Net investment result	2,055	1,371	1,972	(4.0%)	43.8%
Insurance and other activities	405	(276)	1,106	172.8%	x
Main portfolio	383	421	484	26.4%	15.1%
Debt instruments - interest	354	341	318	(10.1%)	(6.7%)
Debt instruments - revaluation and execution	16	77	46	185.8%	(40.3%)
Equity instruments	(12)	(24)	11	x	x
Real estate	30	26	109	261.2%	319.2%
FX on debt net of hedging	(4)	-	-	x	x
-	-	-	-	x	x
Investment products	96	(470)	493	412.7%	x
Other	(74)	(227)	128	x	x
Banking activities	1,650	1,647	866	(47.5%)	(47.4%)

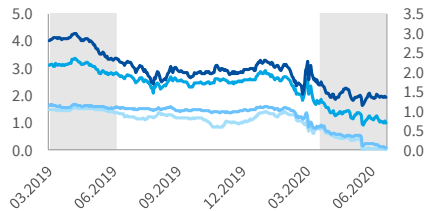
- **4.5 p.p. surplus profitability** in the main portfolio with FX on liabilities above the risk-free rate in 2Q20
- **Robust net interest income** – slight reduction in income in the part of the portfolio linked to floating corporate bonds
- **Increase in the measurement of the portfolio of Polish fixed-coupon treasury bonds measured through profit or loss**, negative impact exerted by portfolios measured in EUR offset at the level of the PZU Group's total result by the contribution of the positive foreign exchange differences on insurance obligations covered by the FX portfolios
- **Increase in the measurement of the investment property portfolio** as an effect of the settlement of property development profits in the industrial property sector in the second quarter among others

WIG



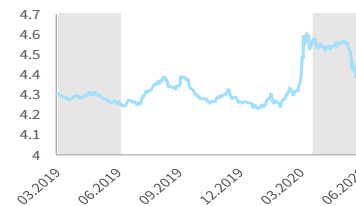
Change in WIG:
2Q20: +19.1%
2Q19: +0.9%

Bond yield



— 1Y — 2Y — 5Y, RHS — 10Y, RHS

EURPLN

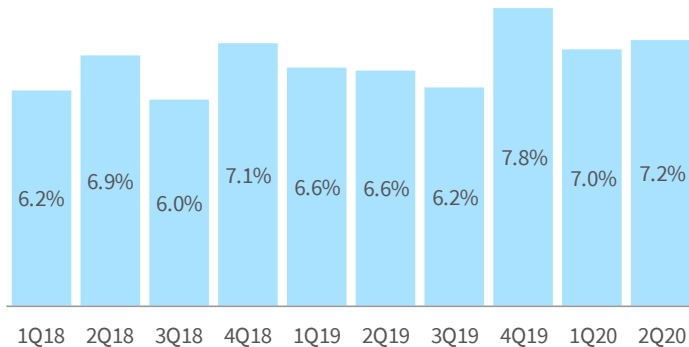


2Q20: -1.9%
Q2 2019: -1.1%



Cost effectiveness

Administrative expense ratio



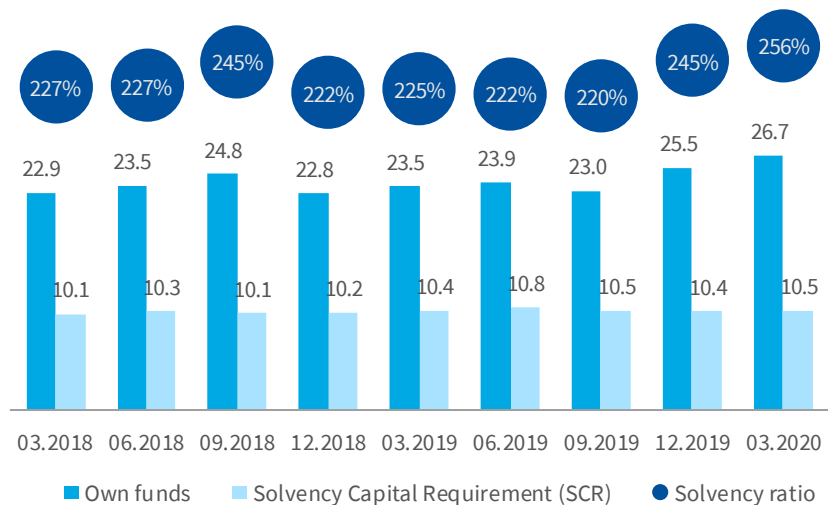
Administrative expense ratio calculated using the equation:
 administrative expenses in PZU and PZU Życie in the quarter / net earned premium in PZU and PZU Życie in the quarter

- The movement in the administrative expense ratio in **2Q20 versus 2Q19** was the outcome of the following:
 - rising personnel costs as a result of wage pressure and the establishment of higher employee holiday provisions due to COVID-19 pandemic
 - aid package for the sales network due to COVID-19 pandemic
 - project-related work in information systems – higher costs of depreciation and higher costs of license fees
 - higher costs related to the service of life products
 - maintenance of cost discipline in other areas
- The change in the level of the administrative expense ratio in **2Q20 versus 1Q20** was the outcome of the following:
 - higher costs related to the aid package for the sales network due to COVID-19 pandemic
 - higher real estate maintenance expenses due to renovations and upkeep and furnishing network branches partially offset by lower costs of electricity
 - lower costs of license fees and other IT services partially offset by higher costs of technical assistance and depreciation of systems
 - slower pace of growth in the provision for unused holidays



Group's high level of solvency

Solvency II ratio, 31 March 2020



- In 1Q20 **own funds up 1.3 bn PLN**. Major reasons:
 - current flow on insurance and investment activity (+1.0 bn PLN)
 - impact exerted by interest rates on the measurement of financial assets and BEL (+0.2 bn PLN)
- In 1Q20 **SCR growth of 0.1 bn PLN** due to greater market risk and non-life insurance risk (+0.2 bn PLN*) and the higher tax adjustment
- **High quality of the PZU Group's own funds** - share of **Tier 1** capital is **88%**
- Standalone solvency ratio:
 - PZU: 283% (267% at the end of 2019)
 - PZU Życie: 414% (463% at the end of 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>. Other unaudited data.



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)	
03.2020	2020	06.2020	2020	06.2020	2020	06.2020	2020	06.2020	2020
33.3%	38%	10.4	11.0	27.4/ 45.67	65	920	1,000	313	>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)	
06.2020	2020	06.2020	2020	06.2020	2020	06.2020	2020	06.2020	2020
87.1%	92%	26.1%	>20%	92.3/ 210 ^{7,11}	200	12.5%	12%	279 ¹¹	>900
Administrative expense ratio ⁴		Solvency II solvency ratio		Surplus yield on the main portfolio above the RFR ¹⁰					
06.2020	2020	06.2020	2020	06.2020	2020				
7.1%	6.5%	258% ¹²	>200% ⁶	3.2 p.p.	2.0 p.p.				

ROE¹

06.2020	2020
3.6% / 19.1%	>22%

1. ROE attributable to the parent company reported / net of the impairment for goodwill and intangible assets
 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 with FX on liabilities over the annual average level of WIBOR6M
 11. 12 month moving average, excluding impairment of goodwill and other intangibles
 12. Preliminary data, not audited or reviewed by a statutory auditor

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



Insurance

Revenue / business development

- Demand down for **new and imported cars**, deceleration of new sales of property insurance, especially motor business
- Higher levels of **renewals in the current portfolio**
- The higher **unemployment level** was not noticeable in 2Q20 but its increase may limit gross written premium in group insurance
- The occurrence of the pandemic may contribute to **greater insurance awareness**

Insurance activity expenses

- Limitations on movement 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** linked solely to specific non-life losses (e.g. fire); relatively low exposure to tourist insurance
- Additional costs of suspending / **modifying business processes**
- **Compensatory actions** for employees and agents

Investments

- In 2Q20 **robust investment result** in the main portfolio
- Tumult on the financial markets (equities, bonds) and stabilization of interest rates at low levels may be **unfavorable for the investment result**
- 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 and Alior Bank
- Accelerated restructuring activities (headcount and optimization of the branch network in Bank Pekao)

Investments

- Goodwill impairment on the acquisition of Alior Bank and Bank Pekao
- Impairment of intangible assets identified during the acquisition of Alior Bank



5. Attachments



Gross written premium of the PZU Group

Insurance segments m PLN, local GAAP	2Q19	1Q20	2Q20	Change y/y	Change q/q
External gross written premium	5,938	6,097	5,594	(5.8%)	(8.2%)
Total non-life insurance – Poland	3,316	3,421	3,015	(9.1%)	(11.9%)
Mass insurance – Poland	2,581	2,755	2,465	(4.5%)	(10.5%)
Motor TPL	1,118	1,084	1,026	(8.2%)	(5.4%)
MOD	635	665	578	(9.0%)	(13.1%)
Other products	828	1,006	861	4.0%	(14.4%)
Corporate insurance – Poland	735	666	550	(25.2%)	(17.4%)
Motor TPL	201	181	152	(24.4%)	(16.0%)
MOD	209	178	147	(29.7%)	(17.4%)
Other products	325	307	251	(22.8%)	(18.2%)
Total life insurance – Poland	2,105	2,175	2,100	(0.2%)	(3.4%)
Group and individually continued insurance - Poland	1,738	1,759	1,754	0.9%	(0.3%)
Individual insurance – Poland	367	416	346	(5.7%)	(16.8%)
Premium on protection products	133	137	153	15.0%	11.7%
Premium on periodic investment products	58	78	55	(5.2%)	(29.5%)
Premium on single investment products	176	201	138	(21.6%)	(31.3%)
Total non-life insurance – Ukraine and Baltic States	485	460	442	(8.9%)	(3.9%)
Baltic States	422	404	392	(7.1%)	(3.0%)
Ukraine	63	56	50	(20.6%)	(10.7%)
Total life insurance – Ukraine and Baltic States	33	42	35	6.1%	(16.7%)
Lithuania	18	19	20	11.1%	5.3%
Ukraine	15	23	15	x	(34.8%)

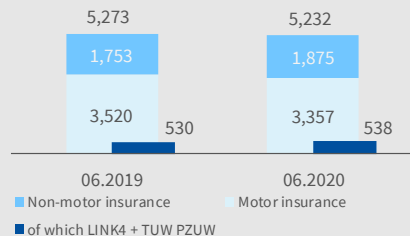


Non-life insurance

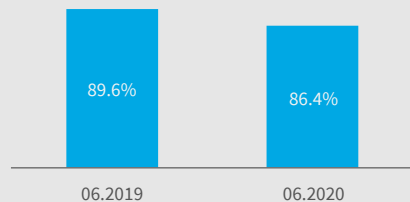
Motor insurance is being affected by softer market conditions on the car market in Poland

Mass segment

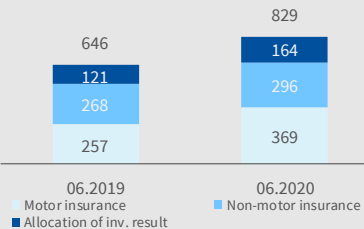
Gross written premium (m PLN)



Combined ratio (%)

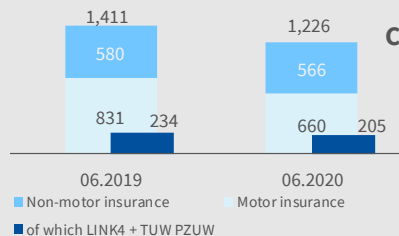


Insurance result (m PLN)

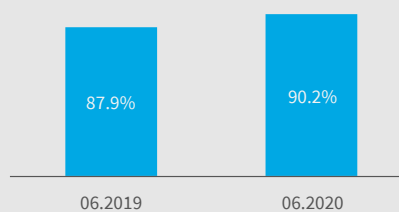


Corporate segment

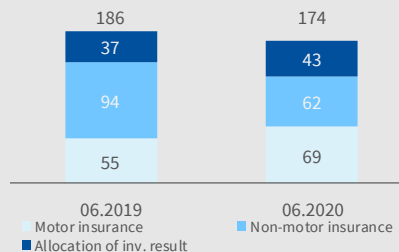
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)



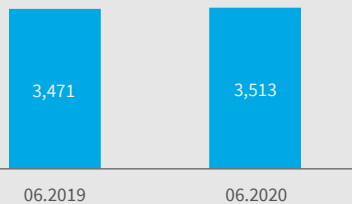


Life insurance

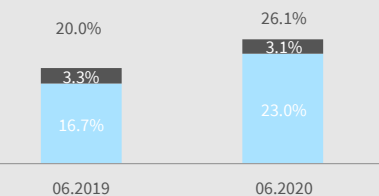
High rate of premium growth. Profitability in the group and individually continued insurance segment at a level unseen in the first half of the year

Group and individually continued insurance

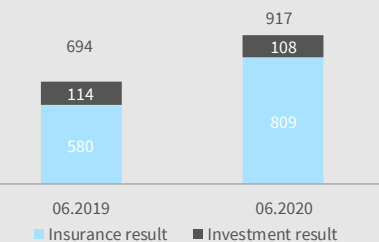
Gross written premium (m PLN)



Margin (%)*

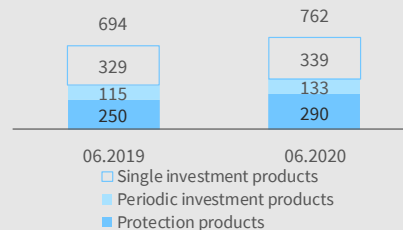


Insurance result (m PLN)*

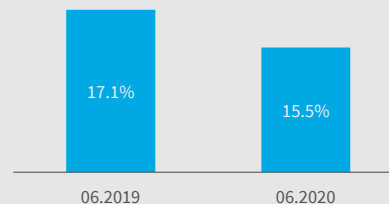


Individual insurance

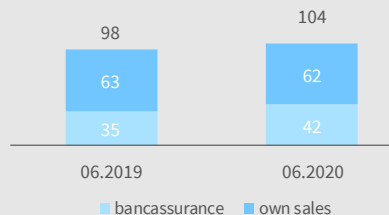
Gross written premium (m PLN)



Margin (%)



Annual premium equivalent (m PLN)



* Segment margin and insurance result net of the conversion effect

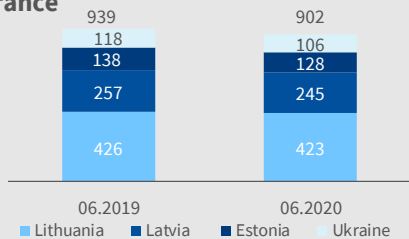


International operations

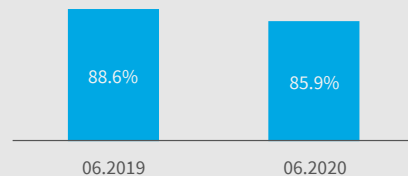
Enhanced profitability in the property segment

Non-life insurance

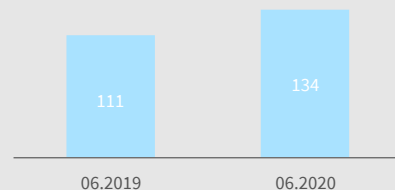
Gross written premium (m PLN)



Combined ratio (%)

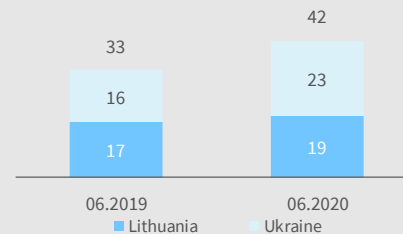


Insurance result (m PLN)

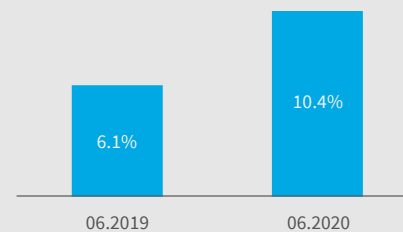


Life insurance

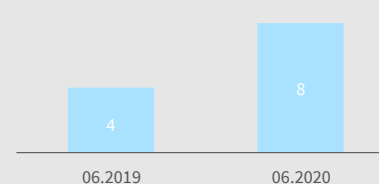
Gross written premium (m PLN)



Margin (%)



Insurance result (m PLN)



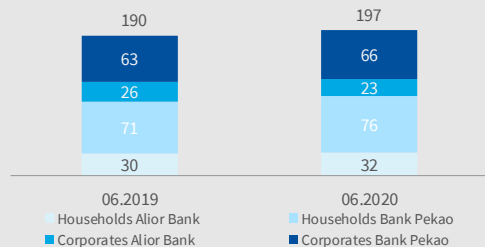


Banking activity

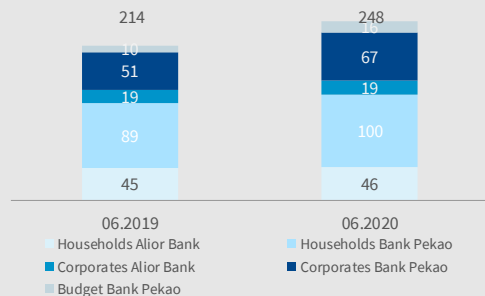
Result on banking activity is down due to the occurrence of the COVID-19 pandemic

Volumes

Loans
(bn PLN)

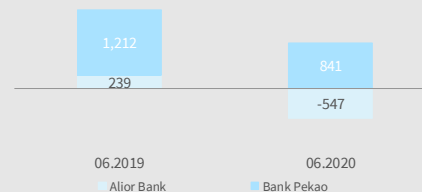


Liabilities
(bn PLN)³

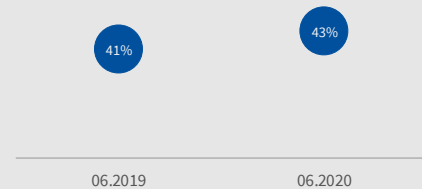


Results / ratios

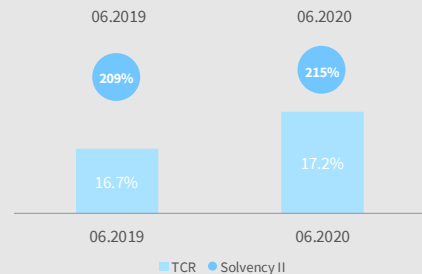
Operating result¹
(m PLN)



Cost / Income¹
(%)



Capital adequacy²



1) Data in accordance with PZU's financial statements, net of the impairment for goodwill and intangible assets

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

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



Investments

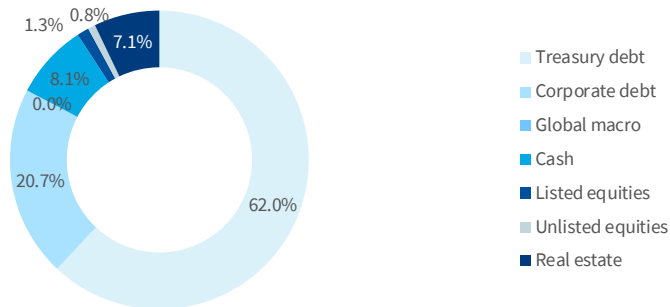
Quarterly results and portfolio composition

Net investment result (m PLN)



December 2019 main portfolio investment composition

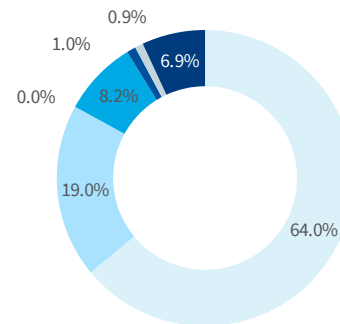
39.7 bn PLN



investment products 6.2 bn PLN

June 2020 main portfolio investment composition

41.8 bn PLN



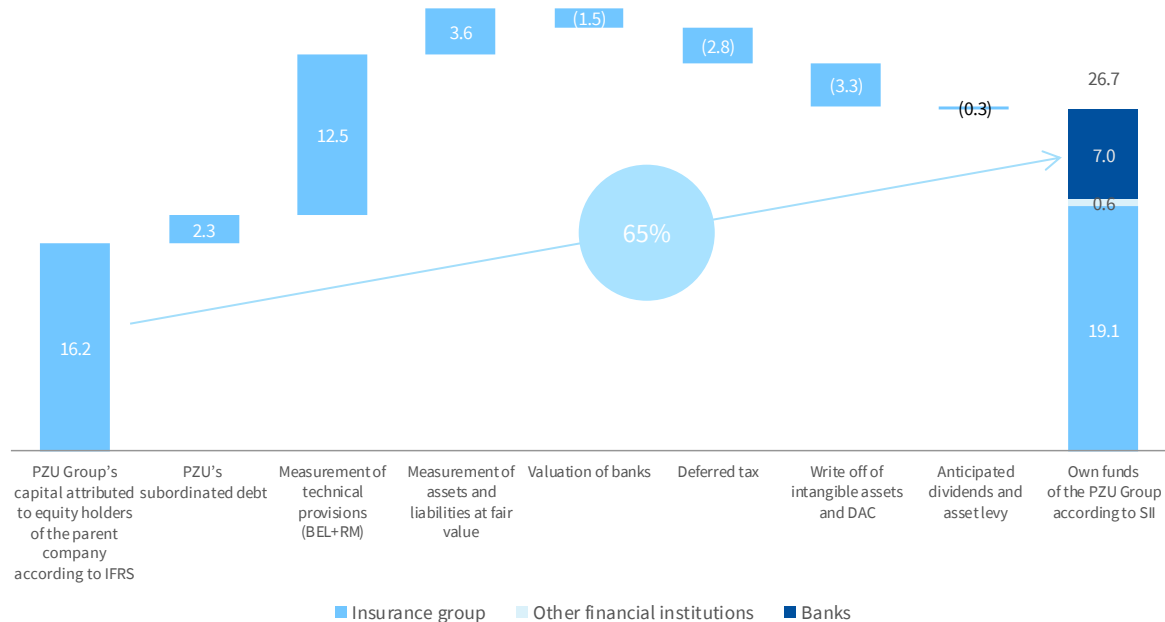
investment products 6.1 bn PLN



Own funds

PZU Group's data in Solvency II as at 31 March 2020 (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:
 - the 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)

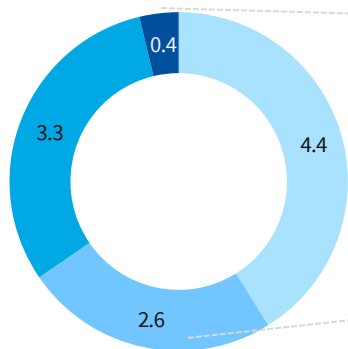
* The exception pertains to intangible assets and deferred acquisition costs whose value for the purposes of SII is zero



Solvency capital requirement (SCR)

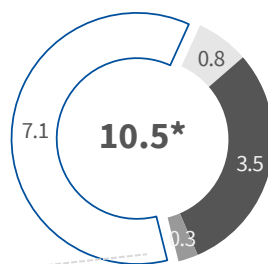
PZU Group's data in Solvency II as at 31 March 2020 (bn PLN, unaudited data)

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 moved up in 1Q20 by 0.1 bn PLN. The main reasons for the movement in SCR:

- increase in market risk of 0.1 bn PLN**
 - higher mismatch of interest rate risk due to the truncation of the bond portfolio's duration (+0.2 bn PLN**)
 - higher FX risk of 0.3 bn PLN** due to the reduced return on hedges;
 - decrease in the spread risk of 0.06 bn PLN** – amortization of some of the bonds;
 - decline in the equity risk requirement by 0.2 bn PLN** due to lower exposures precipitated by falling prices.
- growth in non-life insurance risk requirements due to higher exposures and changes of methodology (+0.1 bn PLN**).
- higher adjustment for deferred taxes caused by the dropoff of the share prices for the banks at the standalone level (+0.16 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

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