



# PZU Group's Financial Results

in 3Q21

Warsaw, 18 November 2021





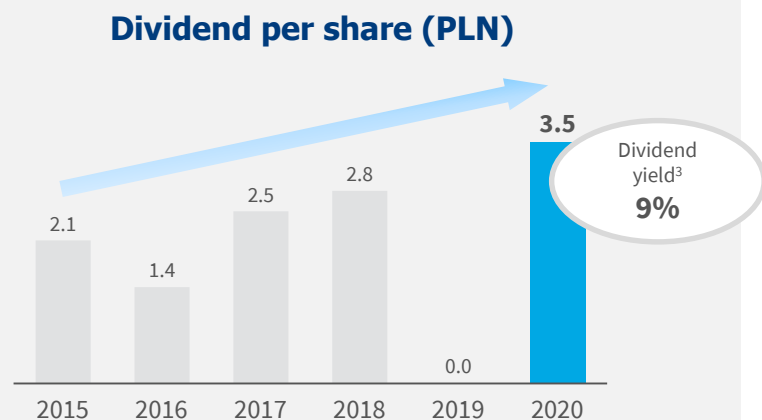
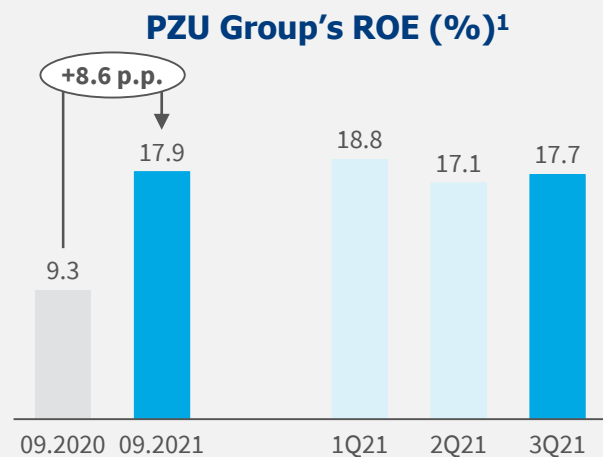
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## **1. PZU Group's main accomplishments**

# We deliver high returns on equity in volatile market conditions



High profitability

Return on equity of **17.7% in 3Q21** and **17.9% in the first three quarters of 2021**



Diversified model

Business model diversification as the recipe for recurring results: **high profitability of non-life insurance**, return to **high profitability of life insurance** following an intensive pandemic period



Stability and security

A- rating upheld, high solvency ratios, capacity to generate a high recurring capital generation, **solvency ratio substantially better than posited in the strategy following the dividend disbursement<sup>2</sup>**



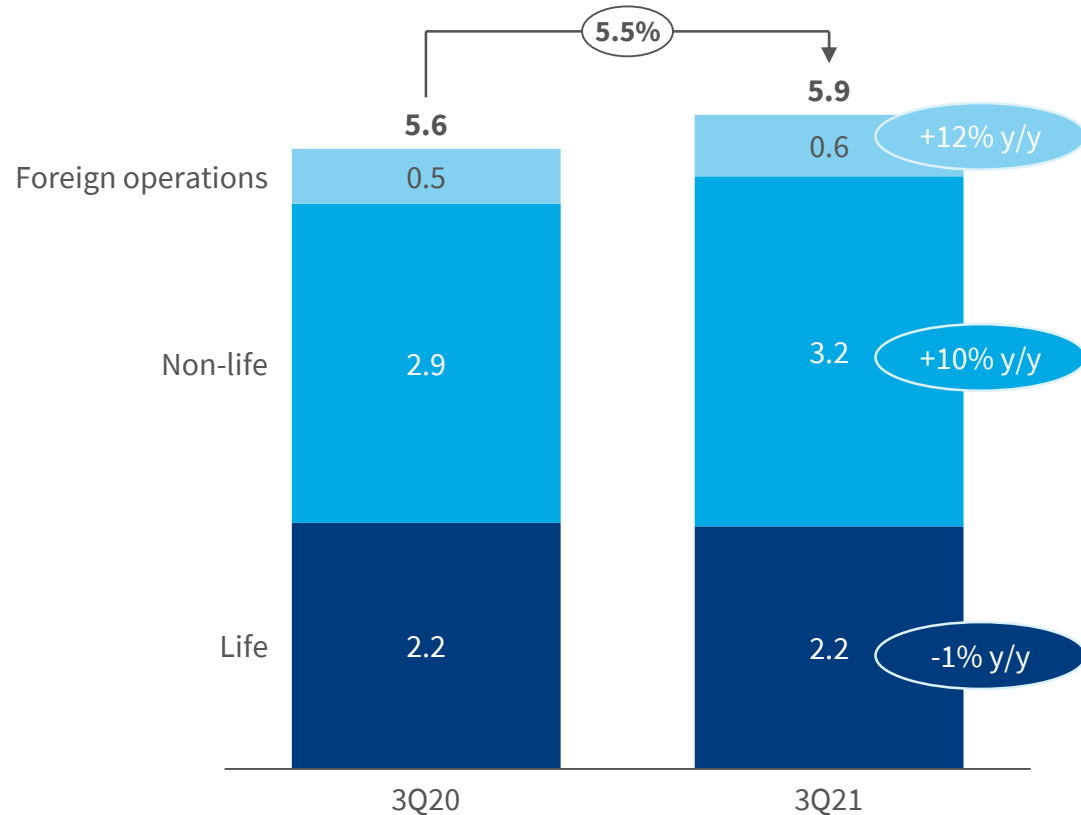
Profit distribution

Dividend paid of **3.5 PLN per share**, which translates into a **dividend yield of 9%<sup>3</sup>**

1. Net profit and equity attributable to equity holders of the parent company  
 2. 2Q21 data  
 3. Dividend yield: dividend per share of 3.5 PLN paid in reference to the closing share price on the day before the dividend cutoff date

# Record-breaking sales in the first 3 quarters exceeding 18 bn PLN

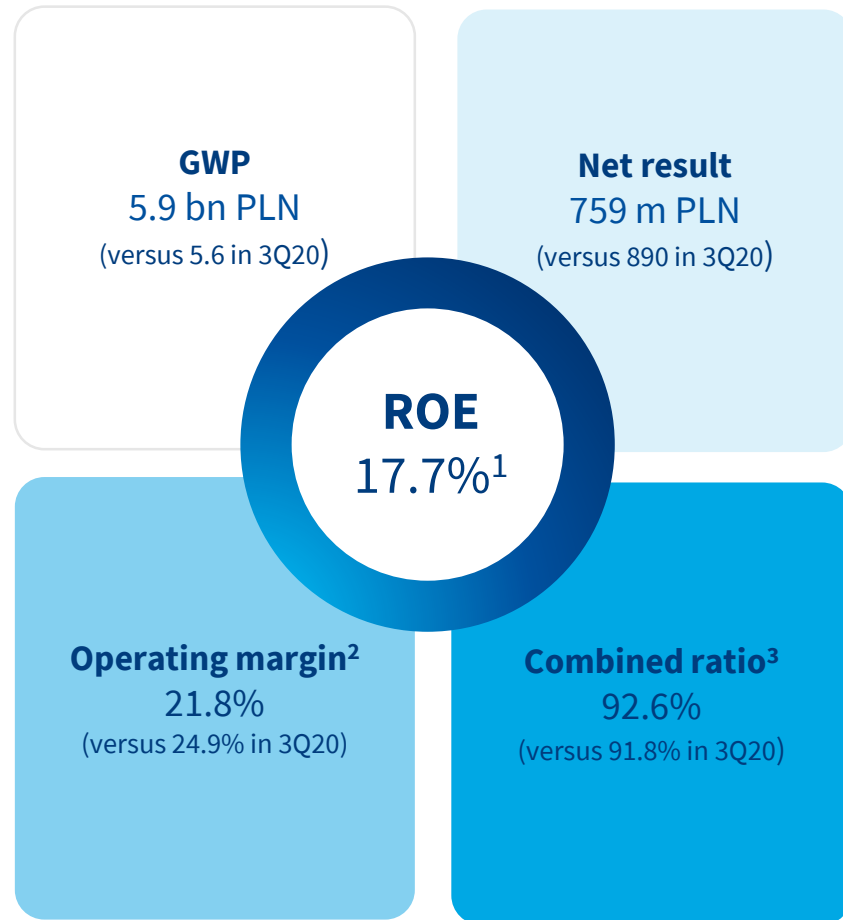
**Gross written premium and its growth in 3Q21 (bn PLN)**



- **Sustaining the pace of top line growth**, premium up 5.5% y/y in 3Q21
- **Dynamic premium growth in non-life insurance** – premium in 3Q21 up 10% y/y. **Strong demand for non-motor insurance** (+20% y/y). Gross written premium in motor insurance trended up 4% y/y despite higher competition on the market and falling prices
- **Individual protection products seeing 10% premium growth acting as the major driver of the premium change** in life insurance
- Intensive sales growth in the bancassurance channel: gross written premium **attracted in collaboration with the PZU Group’s banks more than doubled** y/y
- Continued dynamic **growth in the demand for private medical services; PZU Zdrowie’s revenue up 26.3%**<sup>1</sup> y/y in the first three quarters of 2021, with the revenue generated by health centers up 32.4% y/y
- **Intensive development of the investment pillar** – assets under management grew by 23% to PLN 37.5 bn at the end of 3Q21, with assets held by TFI PZU seeing growth of 26% y/y. TFI PZU the leader in terms of incoming assets among non-bank TFIs in 3Q21
- **Net Asset Value in Employee Capital Schemes (PPK) at 1.1 bn PLN** – assets quadrupled from a year ago and up 35% versus 2Q21

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

# High business profitability in 3Q21



- **Operating margin in group and individually continued insurance returns to high levels:** margin in 3Q21 of **21.8%** versus 10.1% in 1H21
- Robust profitability of non-life insurance – combined operating ratio of **92.6% in 3Q21 comparable with 3Q20** despite the substantially higher frequency of claims and claim-side inflation
- **Very strong investment result** in a low interest rate environment, the return on the portfolio exceeded the risk-free rate by **3.0 p.p. in 3Q21** and by **5.0 p.p. in the first three quarters of 2021**
- **Costs under strict control;** despite pressure to raise wages and other costs related to the COVID-19 pandemic, the cost ratio<sup>4</sup> was 6.7% in 3Q21 (versus 6.3% in 3Q20 and 7.0% in 1H21)
- **Return on equity<sup>1</sup> of 17.7% in 3Q21 and 17.9% year-to-date;** PZU consistently among the insurers generating the highest ROE in Europe

1. Annualized ratio, attributable to equity holders of the parent company

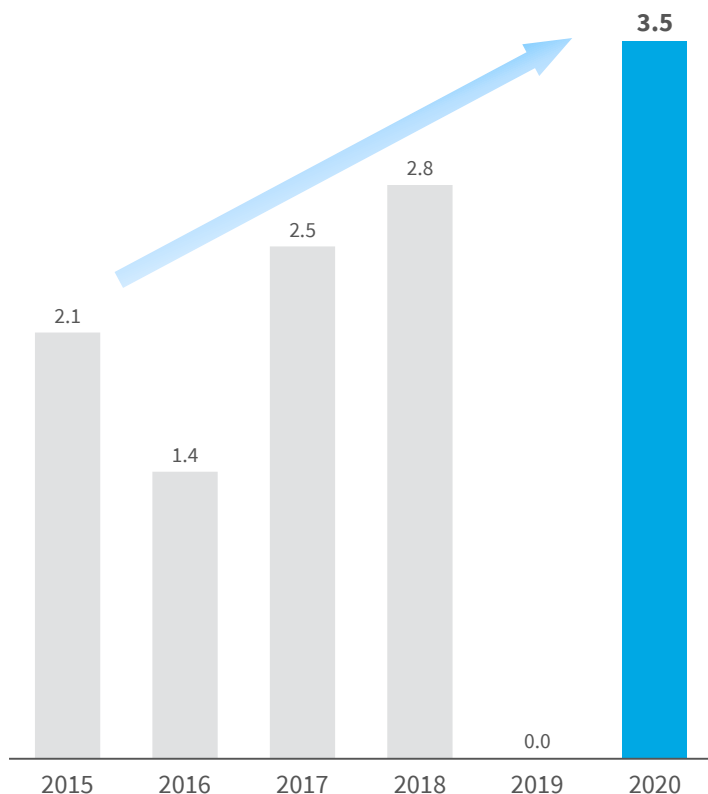
2. Margin in 3Q20 and 3Q21 for the group and individually continued insurance segment

3. Non-life insurance in the PZU Group (Poland)

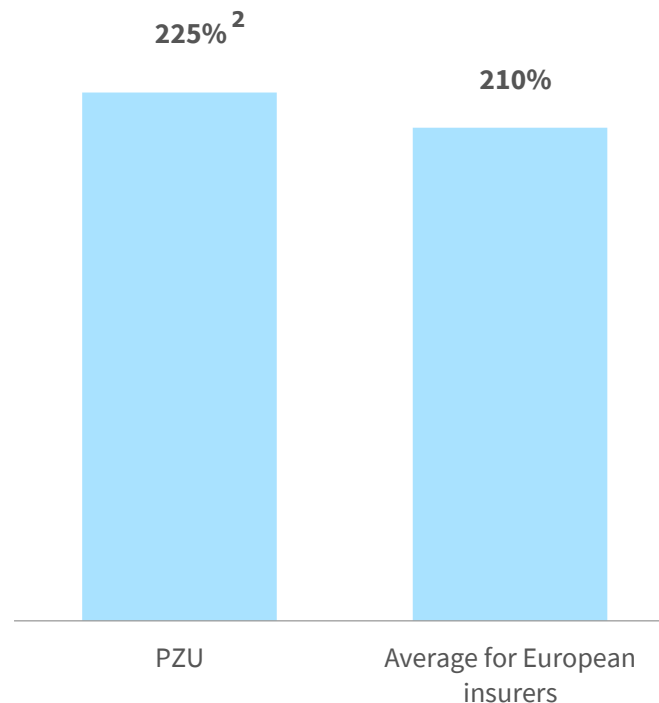
4. For PZU and PZU Życie

# High level of safety in the business conducted makes it possible to disburse hefty dividends. A- rating upheld.

## Dividend per share (PLN)



## The Solvency II ratio for the PZU Group compared to the average for European insurers<sup>3</sup>



- **Dividend paid of 3.5 PLN per share** translates into a **dividend yield of nearly 9%**
- Solvency II ratio as at 30 June 2021 at very high levels across Europe: **225%<sup>2</sup> at the Group level**
- S&P Global Ratings upheld the **A-** rating with a stable outlook in November 2021
- **Safe and diversified investment portfolio:** augmented share of portfolios securing a high level of profitability versus the low level of market interest rates, including corporate debt with an investment-grade rating

1. Dividend yield: dividend per share of 3.5 PLN paid in reference to the closing share price before dividend cutoff

2. Data as at 30 June 2021. Calculation based on the methods used to date. Does not incorporate the new rules set forth in the Polish FSA's circular to insurance undertakings dated 16 April 2021, based on which starting from 1Q21 the adjustment by the entire amount of the anticipated dividend from 2021 profit becomes the new element of solvency calculations of the company and the group in interim periods

3. Average for 23 European insurers on the basis of the last available data



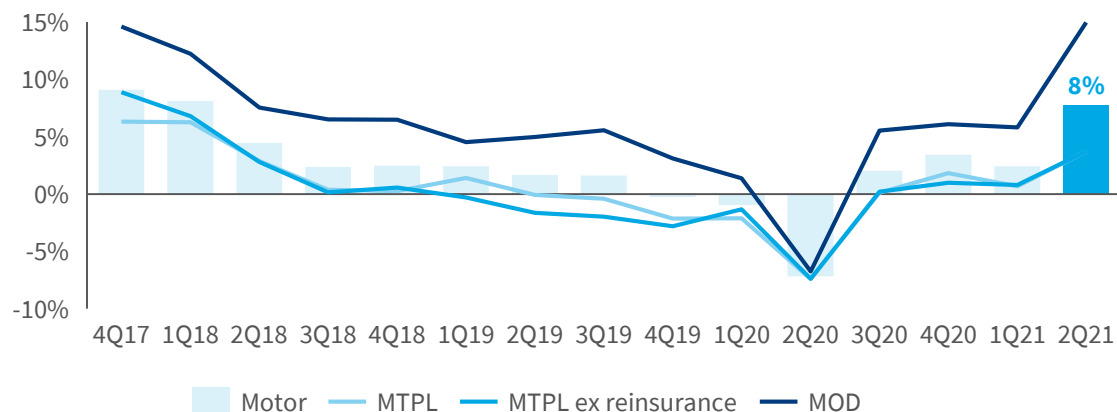
## 2. Business development





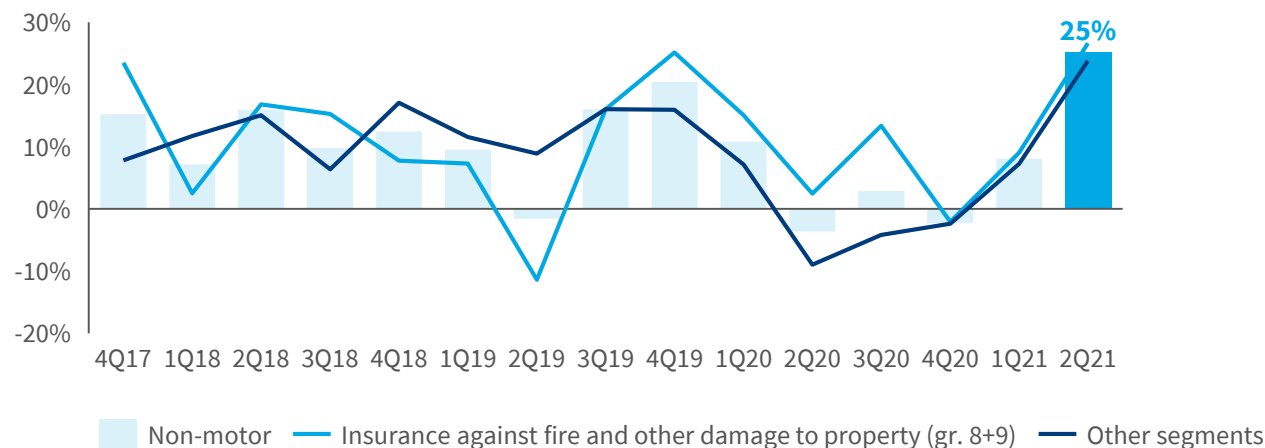
# Trends on the non-life insurance market in Poland

## Growth rate of the motor insurance market<sup>1</sup>, y/y

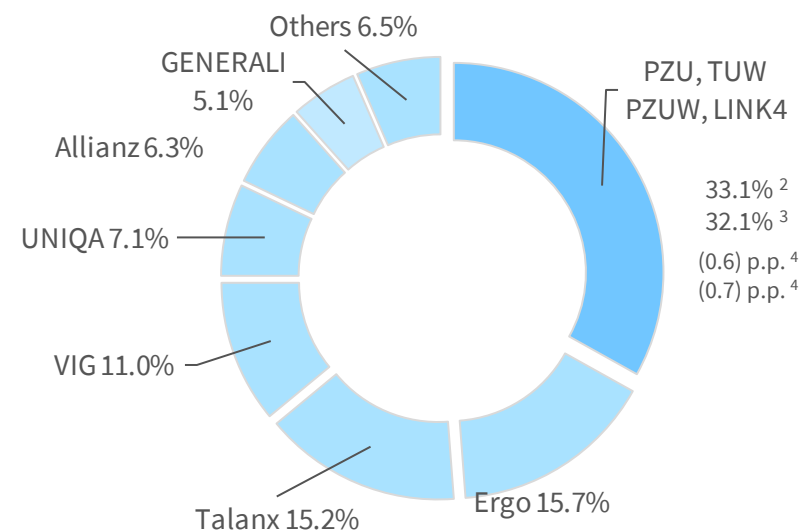


- **Sales growth in motor insurance in 2Q21 (+7.8% y/y)** coupled with sales in MOD up by 15.0% and in motor TPL up by 3.7%
- Rising number of policies in TPL (+5.2% y/y) in conjunction with a **decline of average prices (-1.4% y/y)**<sup>1</sup>
- **Ongoing rebound on the non-motor insurance market (+25.2% r/r)**. Largest contribution to growth in terms of value provided by property insurance (+26.6% y/y) and accident insurance (+35.2% y/y)
- **PZU Group's share of the non-life insurance market (direct activity) in 1H21 was 32.1%**
- **PZU Group's high percentage of the market's technical result at 43.0%**<sup>1</sup>

## Growth rate of the non-motor insurance market<sup>1</sup>, y/y



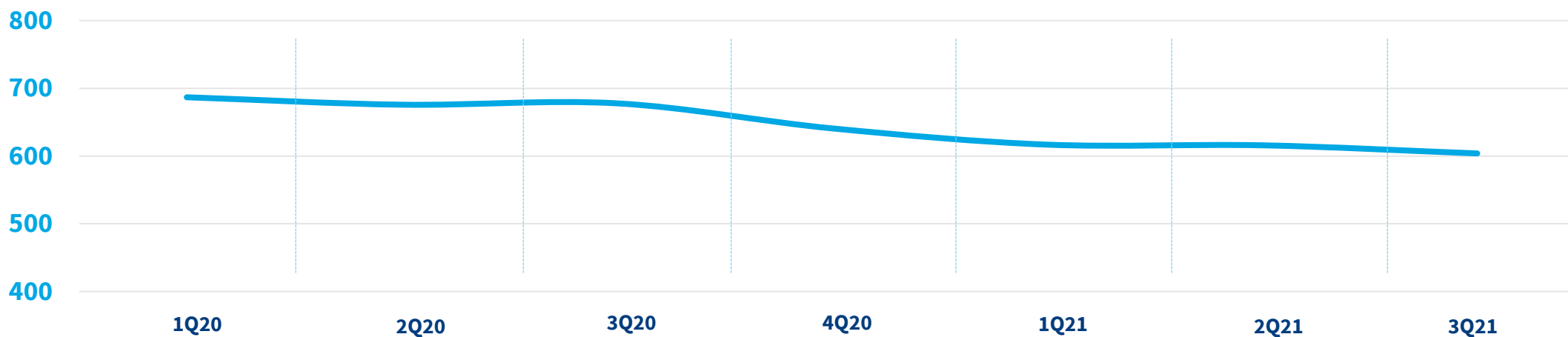
## Market shares<sup>2</sup>



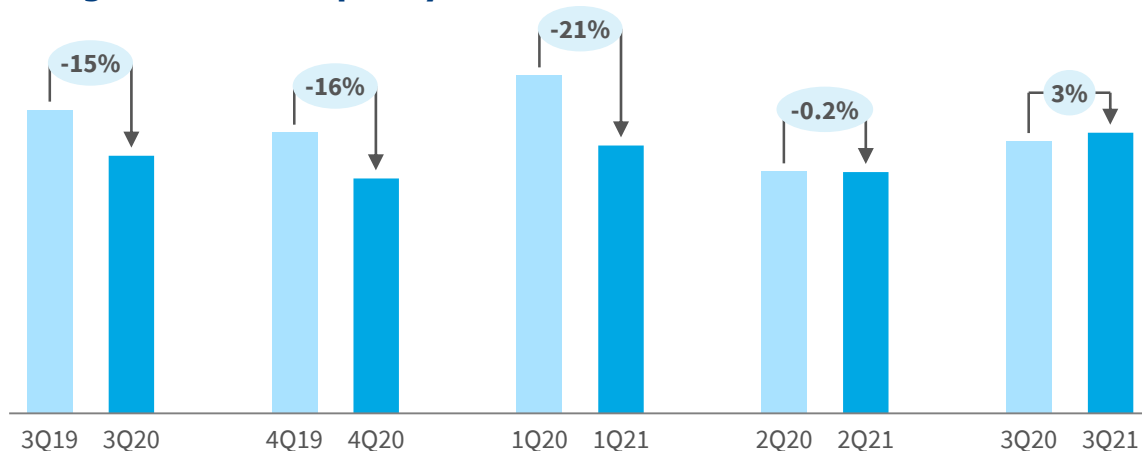
1. according to the Polish FSA's 2Q21 report  
 2. according to the Polish FSA's 2Q21 report; the market and market shares including PZU's inward reinsurance from LINK4 and TUV PZUW  
 3. PZU Group's market share in non-life insurance on direct business in 2Q21  
 4. movement in market share y/y on PZU's inward reinsurance from LINK4 and TUV PZUW and direct activity, respectively.

# Motor insurance – change in the average price and claims frequency

Change in the average market price for motor TPL



Change in claims frequency in motor insurance<sup>1</sup>

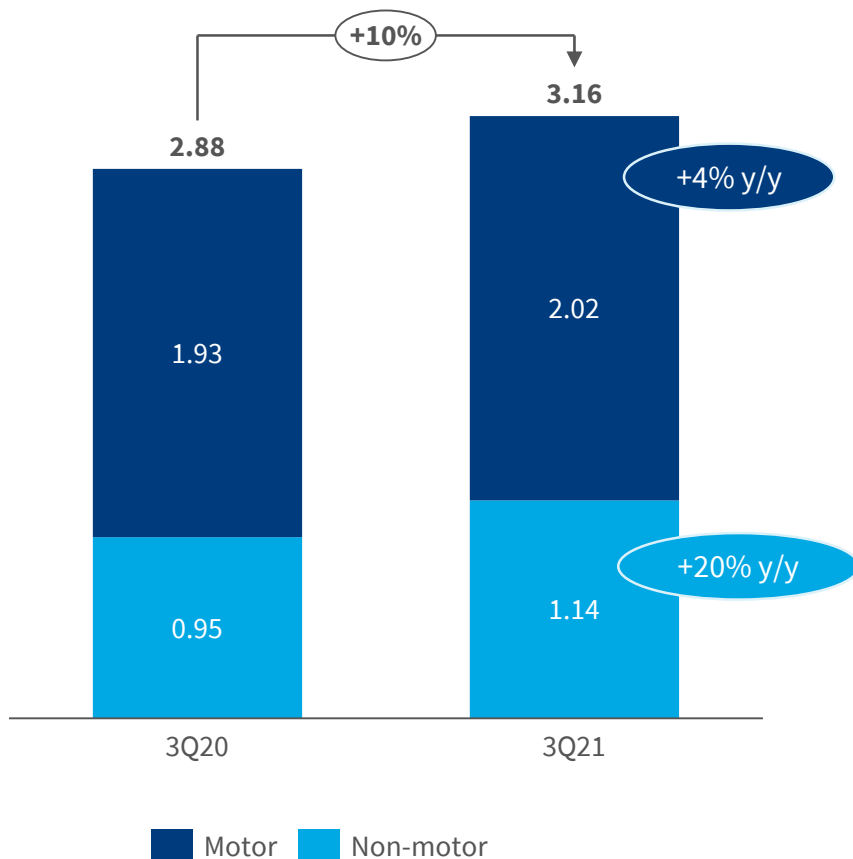


• **Gradual return to claims frequency** from prior to the pandemic **on a market with falling prices**, rising inflation and Euro exchange rate, in the longer run (after returning to normal claims experience) **will make it impossible to continue running a profitable business**. The initial symptom of this are the market's results in the first half of 2021 – the technical result shrank 22.3% y/y, with MOD plummeting by 44.2% y/y

1. data for 3Q19 – 2Q21 on the basis of the Polish FSA's Quarterly Bulletin, 3Q21/3Q20 growth rate based on estimated data

# Non-life insurance

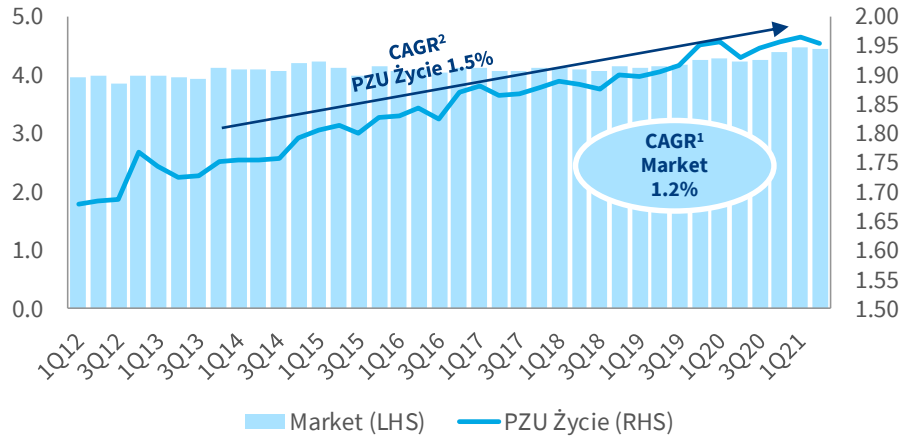
## Gross written premium of the PZU Group in 3Q21, value (bn PLN) and growth rate



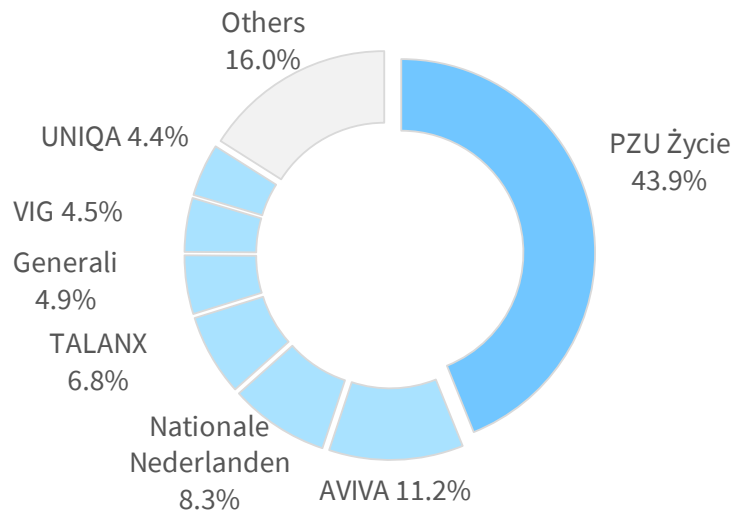
- Premium **growth** in **mass non-motor insurance of 19% y/y**, chiefly as a result of developing sales of insurance **offered in cooperation with the Group's banks** for cash loans and mortgage loans, bolstered by the growth in the sales of residential insurance and insurance for small and medium enterprises
- In **corporate non-motor insurance (+26% y/y)**: incremental growth mainly of the portfolio of natural catastrophe insurance, other property insurance and TPL
- Persistently **high level of competitiveness and price pressure**, visible especially in **motor** insurance

# Trends on the life insurance market

## Periodic gross written premium, quarterly (bn PLN)



## Market shares in periodic premium in 2Q21



### Life insurance market in 2021

- PZU Życie's market share at 40.4% of the overall life insurance market at the end of 2Q. Market growth of 9.0% y/y
- PZU Życie has the largest nominal sales growth in life insurance +167 m PLN y/y

### Insurance with a periodic premium:

- PZU's key market share of periodic premium stayed high at 43.9% at the end of 2Q21, also for protection contracts (class I of life insurance); its market share was 55.5%

### Single premium insurance:

- PZU had the second largest nominal sales growth +136 m PLN y/y, premium growth of 33.8% y/y versus 32.0% for the market
- Market share growth in single premium life products of 0.4 p.p. y/y

### Group insurance:

- Market growth rate of +2.4% measured by gross written premium. Excluding class 3 products, APE of +21% y/y, PZU has the second highest APE growth

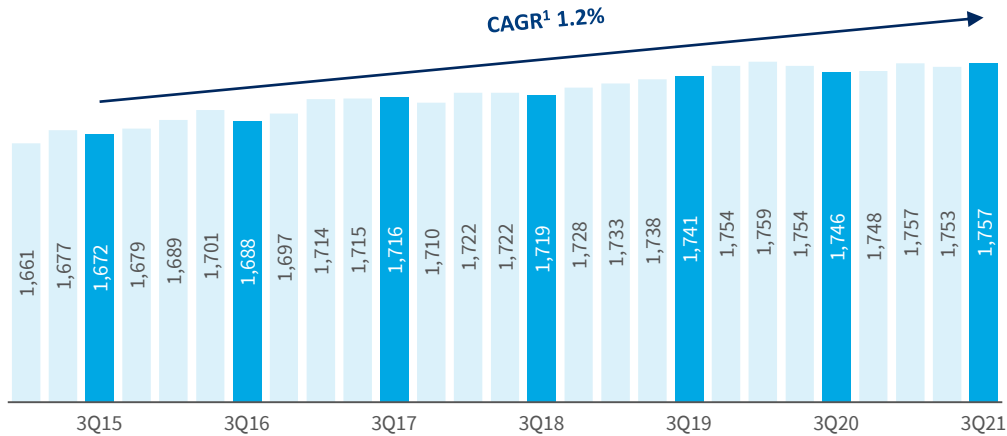
### Individual insurance:

- In individual insurance PZU Życie is one of the leaders in premium growth (+174 m PLN y/y at the end of 2Q21). Share of 29.6%

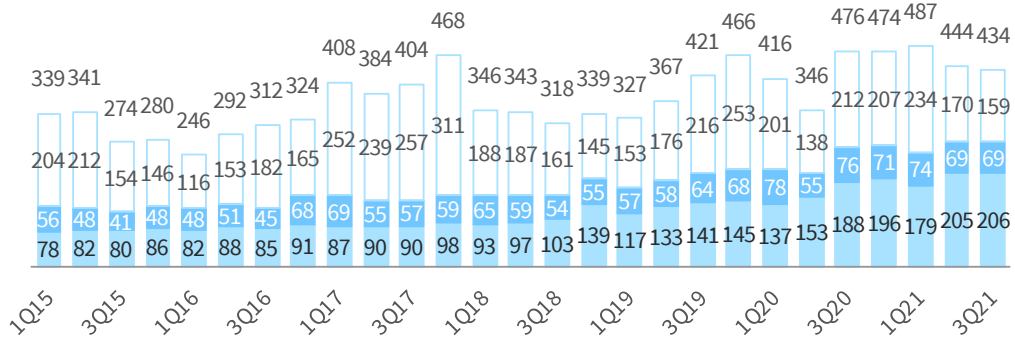
1. For the market, gross periodic premium in 2Q21 to 2Q14  
 2. For PZU Życie, gross periodic premium in 2Q21 to 2Q14

# Life insurance

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



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

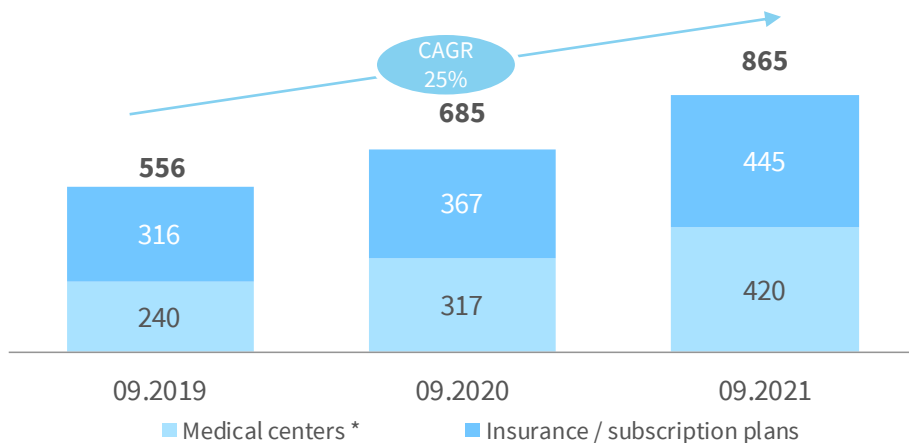


■ Protection products  
 ■ Periodic premium investment products  
 ■ Single premium investment products

- PZU Group's stable premium in **group and individually continued life insurance in 3Q21 y/y** in Poland despite the adverse consequences of the pandemic
- **Expanding portfolio of health insurance**, which has posted record-breaking results measured by collected premium, especially for ambulatory contracts. At the end of 3Q21 PZU Życie had a portfolio of **2.4 million active contracts in health insurance**
- Steadily rising revenue generated by riders to individual continuation, including the addition in 2Q of this year of the **malignant neoplasm rider** to this class of insurance
- **High level of sales of individual protection products in 3Q** driven by the development of **cooperation with Alior Bank** to offer single premium individual life insurance to clients taking out mortgage loans and cooperation with Bank Pekao in terms of cash loan insurance
- Lower level of single contributions to **unit-linked** products offered jointly with banks in 3Q21

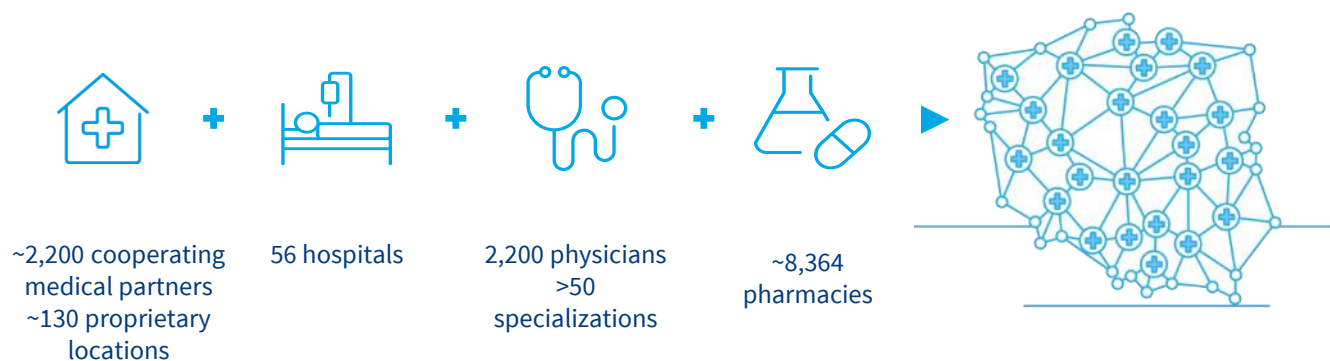
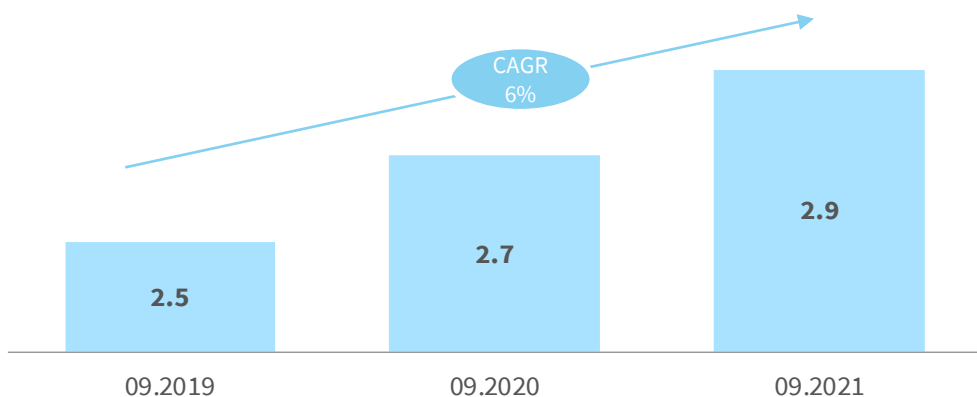
# Development of the scale of operations in health

## Revenues (m PLN)



- **High growth rate of revenue** (mainly on **ambulatory** contracts and **riders to continued insurance**)
- **Steady increase in the number of health product contracts in 2021** driven by the sales of more health riders to protection products (offering among others access to specialist physicians, ambulatory rehabilitation, selected tests and procedures)
- **Dynamic construction of the subscription portfolio through PZU Zdrowie’s own sales network**
- **Further growth in the revenue of medical centers** based on organic growth

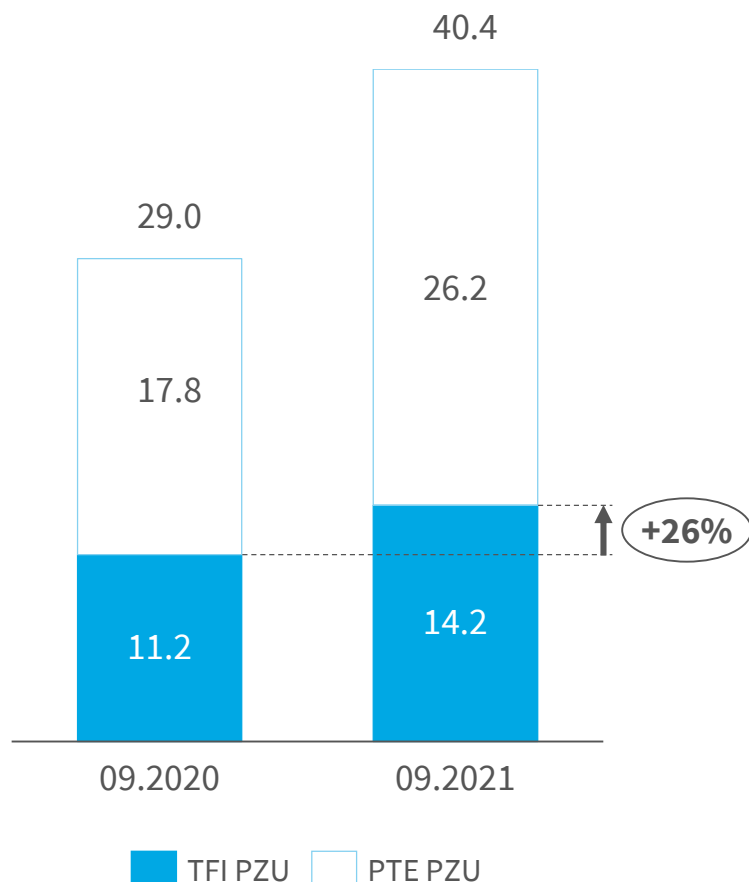
## Number of contracts at the end of the period (m)



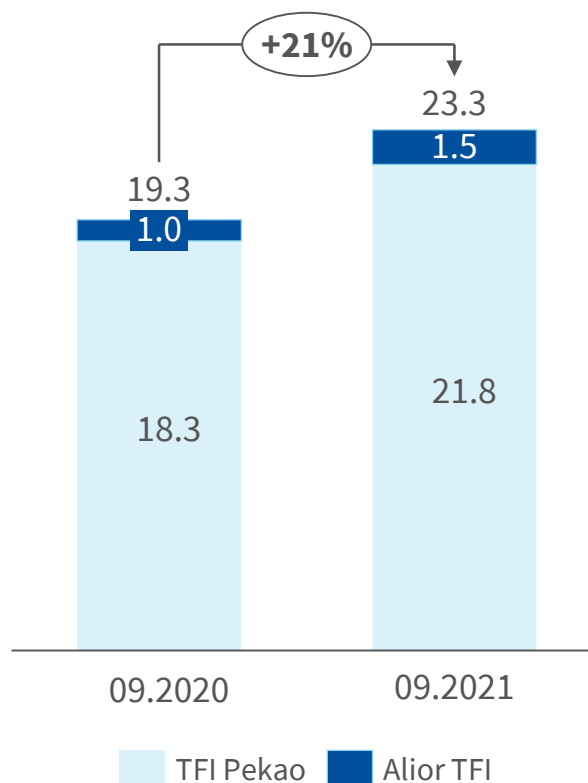
\* Data presented for the centers for the period from the beginning of the year regardless of the time of acquisition

# Assets under management

**Assets of third party clients of TFI and PTE PZU clients<sup>1</sup> (bn PLN)**



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

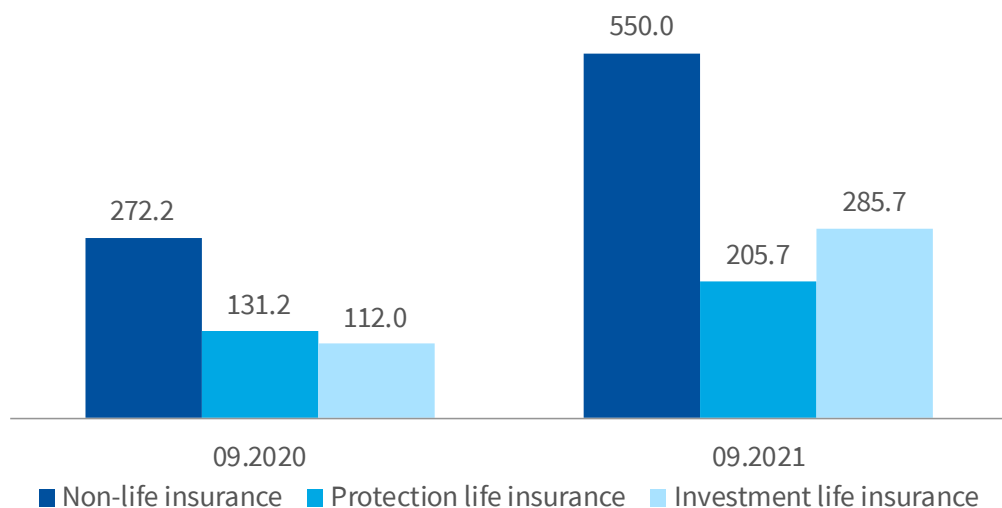


- Significant **increase in assets under management** – up 23% y/y to 37.5 bn PLN<sup>2</sup>
- **Increase in assets under management at TFI PZU of nearly 26% y/y**, including growth of more than four times in the assets held by Employee Capital Schemes (PPK)
- In 3Q21 PZU TFI among the top companies in terms of the fund inflows and **the leader among non-bank TFIs**
- **TFI PZU's net sales of 1.3 bn PLN at the end of 3Q21** (including 660 m PLN of net inflows under the PPK product)
- **Favorable mix of assets under management in TFI PZU** – percentage of assets linked to the third pension pillar (PPE and PPK) prevalent
- **TFI PZU's market share in PPK measured by the number of client companies at 36%**, assets under management of 1.1 bn PLN
- **On-going dynamic development of the Employee Pension Schemes offering** (assets up 19% y/y) stemming from additional contributions made by participants and sales of new schemes

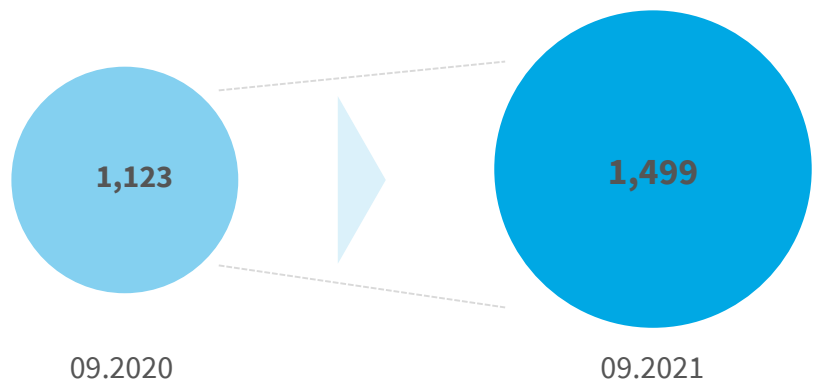
1. Assets managed by PTE PZU are not recognized as a KPI in the new PZU Group's strategy for 2021-2024  
 2. According to the PZU Group strategy's new strategy in 2021-2024, third party assets under management in TFI PZU, Pekao TFI and Alior TFI

# Development of cooperation with banks

## Gross written premium attracted in collaboration with Bank Pekao and Alior Bank (m PLN)



## Gross written premium attracted in collaboration with banks (m PLN)



### Bancassurance:

- Observed on-going dynamic growth of insurance sales y/y by PZU Group banks
- PZU Group's products present in all of the major product lines of the PZU Group banks
- Continuation of the work on developing standalone products for the banks' offerings
- Multichannel access to PZU's products for the banks' clients

### Assurbanking:

#### • Bank Pekao:

- PZU is **one of the largest external partners** of Bank Pekao in the sales of transaction accounts (ROR) via the bank's Pekao360 app
- 113 of PZU's Own Branches and 58 Partner Branches participated in the Auto plus Account (bank account) promotion as at the end of 3Q. Sales pilot for two banking products in the Tied Agent network, namely the bank account in the Auto plus Account promotion and a cash loan - 25 Agents and OFWCA
- **At the end of August of this year, the sum total of loans and client deposits secured by PZU for the bank exceeded 860 m PLN**

#### • Alior Bank

##### Development of the Cash Portal:

- **Expansion of reach** to 60 thousand employees of large companies and 200 thousand employees in the SME sector
- **Mini Cash pilot in the PZU Group** (loan of small amounts, repaid from salary)
- **Consolidation loan** deployment
- Growth rate of insurance-based investment products curtailed by 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  | 3Q20       | 2Q21       | 3Q21       | change y/y     | change q/q    |
|--|------------|------------|------------|----------------|---------------|
| <b>PZU GROUP EXCL. ALIOR BANK AND BANK PEKAO</b>                       |            |            |            |                |               |
| Gross written premium <sup>1</sup>                                     | 5,600      | 6,194      | 5,908      | 5.5%           | (4.6%)        |
| Net earned premium   | 5,865      | 5,831      | 5,855      | (0.2%)         | 0.4%          |
| Net insurance claims and benefits paid                                 | (4,061)    | (4,144)    | (3,894)    | (4.1%)         | (6.0%)        |
| Net investment result (ex banking activities)                          | 484        | 597        | 275        | (43.2%)        | (53.9%)       |
| Administrative expenses <sup>1</sup>                                   | (411)      | (442)      | (429)      | 4.6%           | (2.9%)        |
| Acquisition expenses <sup>1</sup>                                      | (819)      | (825)      | (875)      | 6.8%           | 6.1%          |
| Operating profit (loss)  | 935        | 771        | 777        | (16.8%)        | 0.8%          |
| Net profit (loss) attributable to equity holders of the parent company | 785        | 609        | 582        | (25.8%)        | (4.4%)        |
| <b>BANKS: ALIOR AND PEKAO</b>  |            |            |            |                |               |
| Net profit (loss) attributable to equity holders of the parent company | 105        | 165        | 177        | 68.6%          | 7.0%          |
| <b>NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b> | <b>890</b> | <b>774</b> | <b>759</b> | <b>(14.7%)</b> | <b>(1.9%)</b> |
| <b>MAIN FINANCIAL RATIOS (%)</b>                                       |            |            |            |                |               |
| ROE <sup>2</sup>   | 20.4       | 17.1       | 17.7       | (2.7)p.p.      | 0.6p.p.       |
| Combined ratio <sup>3</sup>  | 91.8       | 87.1       | 92.6       | 0.8p.p.        | 5.5p.p.       |
| Margin <sup>4</sup>  | 24.9       | 10.0       | 21.8       | (3.1)p.p.      | 11.8p.p.      |
| Administrative expense ratio of PZU, PZU Życie                         | 6.3        | 6.8        | 6.7        | 0.3p.p.        | (0.1)p.p.     |
| Acquisition expense ratio of PZU, PZU Życie                            | 14.0       | 14.9       | 15.6       | 1.7p.p.        | 0.7p.p.       |

1. PZU Group net of the data for 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

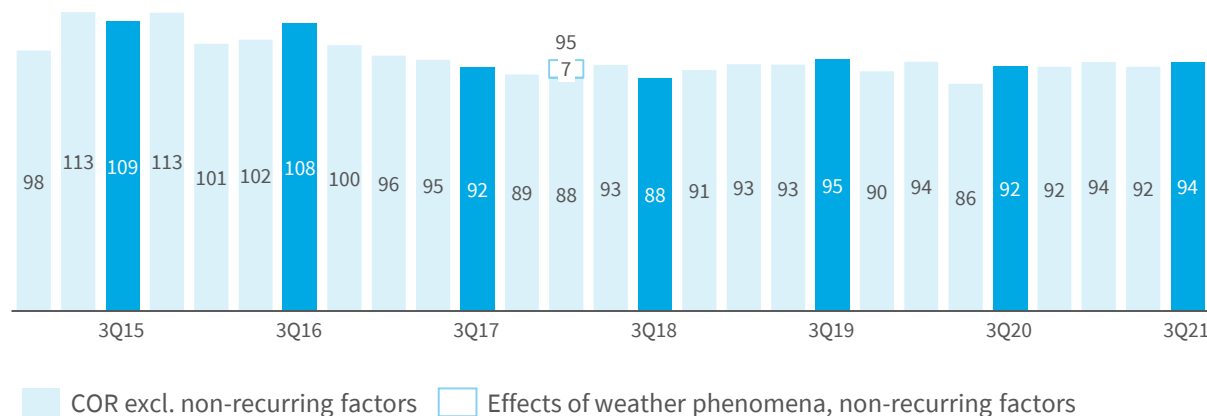
# Profitability by operating segments

## Insurance segments

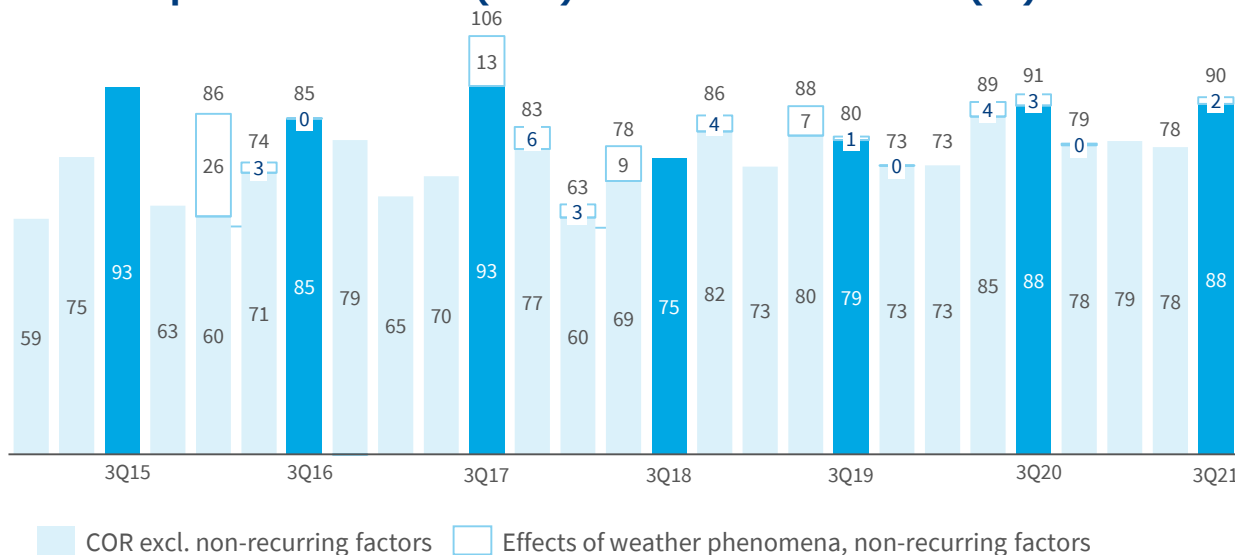
|  | Gross written premium |       |            | Insurance result / operating result |       |            | Combined ratio / Margin |       |
|--|-----------------------|-------|------------|-------------------------------------|-------|------------|-------------------------|-------|
|  | 3Q20                  | 3Q21  | Change y/y | 3Q20                                | 3Q21  | Change y/y | 3Q20                    | 3Q21  |
| <b>m PLN, local GAAP</b>                             |                       |       |            |                                     |       |            |                         |       |
| Total non-life insurance – Poland                    | 2,891                 | 3,179 | 10.0%      | 411                                 | 341   | (17.0%)    | 91.8%                   | 92.6% |
| Mass insurance – Poland                              | 2,370                 | 2,573 | 8.6%       | 366                                 | 234   | (36.1%)    | 89.9%                   | 93.5% |
| Motor TPL  | 1,039                 | 1,056 | 1.6%       | 79                                  | 67    | (16.0%)    | 92.5%                   | 94.2% |
| MOD  | 599                   | 649   | 8.3%       | 57                                  | 39    | (31.6%)    | 91.3%                   | 93.8% |
| Other products                                       | 732                   | 868   | 18.6%      | 125                                 | 65    | (47.8%)    | 85.9%                   | 92.5% |
| Impact of allocation to the investment segment       | x                     | x     | x          | 105                                 | 63    | (39.7%)    | x                       | x     |
| Corporate insurance – Poland                         | 521                   | 606   | 16.3%      | 45                                  | 107   | 137.8%     | 99.8%                   | 88.5% |
| Motor TPL  | 147                   | 148   | 0.7%       | 15                                  | 10    | (32.3%)    | 95.6%                   | 95.2% |
| MOD  | 148                   | 165   | 11.5%      | 22                                  | 16    | (28.4%)    | 90.4%                   | 91.7% |
| Other products                                       | 226                   | 293   | 29.6%      | (15)                                | 56    | x          | 111.2%                  | 81.9% |
| Impact of allocation to the investment segment       | x                     | x     | x          | 24                                  | 25    | 5.2%       | x                       | x     |
| Total life insurance – Poland                        | 2,222                 | 2,191 | (1.4%)     | 501                                 | 459   | (8.4%)     | 22.5%                   | 20.9% |
| Group and individually continued insurance - Poland  | 1,746                 | 1,757 | 0.6%       | 435                                 | 383   | (12.0%)    | 24.9%                   | 21.8% |
| Individual insurance – Poland                        | 476                   | 434   | (8.8%)     | 66                                  | 76    | 15.2%      | 13.9%                   | 17.5% |
| Total non-life insurance – Ukraine and Baltic States | 455                   | 508   | 11.6%      | 47                                  | 48    | 2.1%       | 90.6%                   | 91.2% |
| Baltic States  | 397                   | 432   | 8.8%       | 41                                  | 41    | x          | 90.5%                   | 91.3% |
| Ukraine  | 58                    | 76    | 31.0%      | 6                                   | 7     | 16.7%      | 92.6%                   | 90.0% |
| Total life insurance – Ukraine and Baltic States     | 40                    | 46    | 15.0%      | 5                                   | 6     | 20.0%      | 12.5%                   | 13.0% |
| Lithuania  | 20                    | 22    | 10.0%      | 2                                   | 2     | x          | 10.0%                   | 9.1%  |
| Ukraine  | 20                    | 24    | 20.0%      | 3                                   | 4     | 33.3%      | 15.0%                   | 16.7% |
| Banks  | x                     | x     | x          | 666                                 | 1,062 | 59.5%      | x                       | x     |

# Non-life insurance

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



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



## Motor insurance

- Following the slowdown due to the economic crisis triggered by the COVID-19 pandemic, the market is consistently revisiting the growth rate seen prior to the pandemic: revival on the lease market and sales growth of new cars while the growth rate is simultaneously slowing down in recent months due to the inavailability of semi-conductors
- Despite the portfolio's declining profitability (falling technical result on the market's direct activity in the first half of 2021 by 22.3% y/y), the downward price trend continues to be observed
- Rising Euro exchange rate and inflation translating into higher costs of claims and benefits, signifying further erosion of profitability (especially painful to smaller players)
- The consequences of the pandemic may be felt with some lag time (i.e. during subsequent quarters)

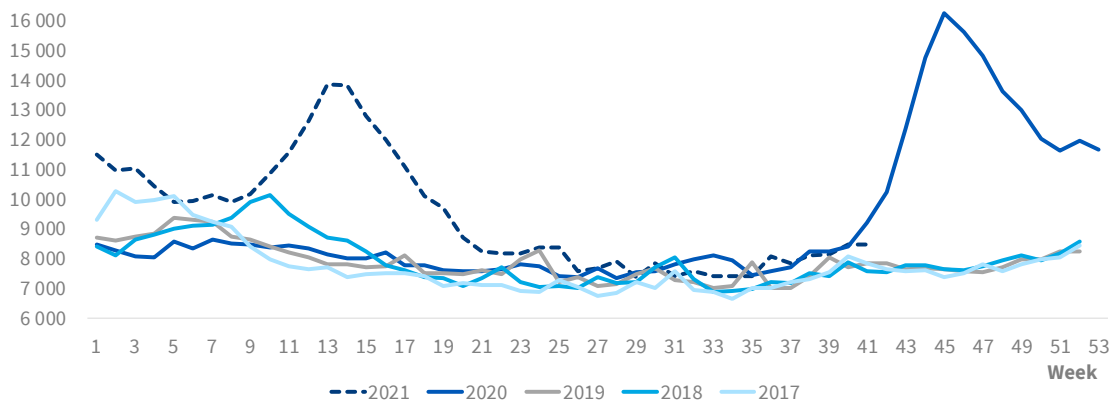
## Non-motor insurance

- Declining profitability in mass insurance partially offset by improvement in the corporate segment
- Higher loss ratio in residential and assistance insurance
- Lower loss ratio in the portfolio of fire insurance, guarantees and general TPL despite the occurrence of several large losses
- Higher insurance expenses (also as a consequence of the shift in the sales channel mix)



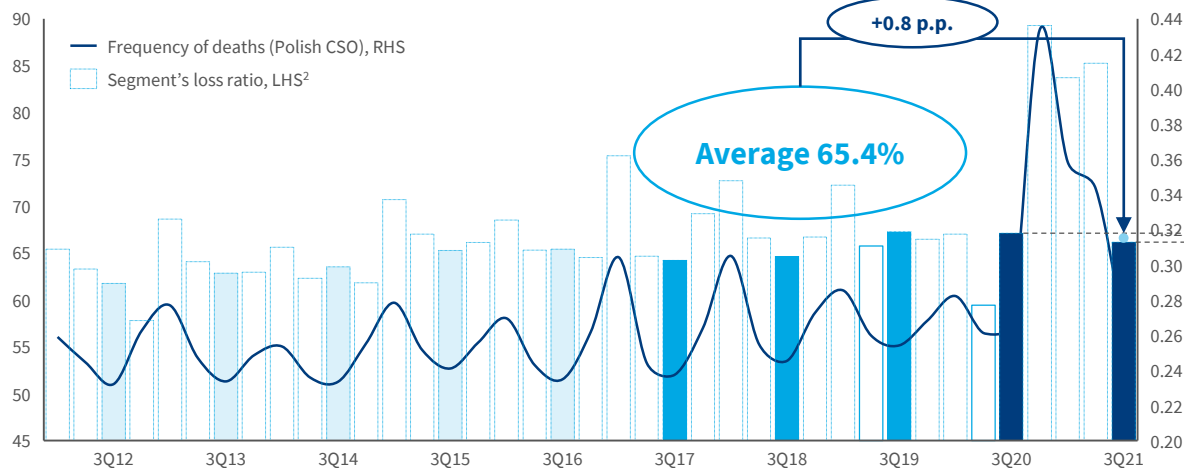
# Pandemic and the loss ratio in the group and individually continued segment in 3Q21

## Number of deaths in Poland weekly (2017 - 2021)<sup>1</sup>

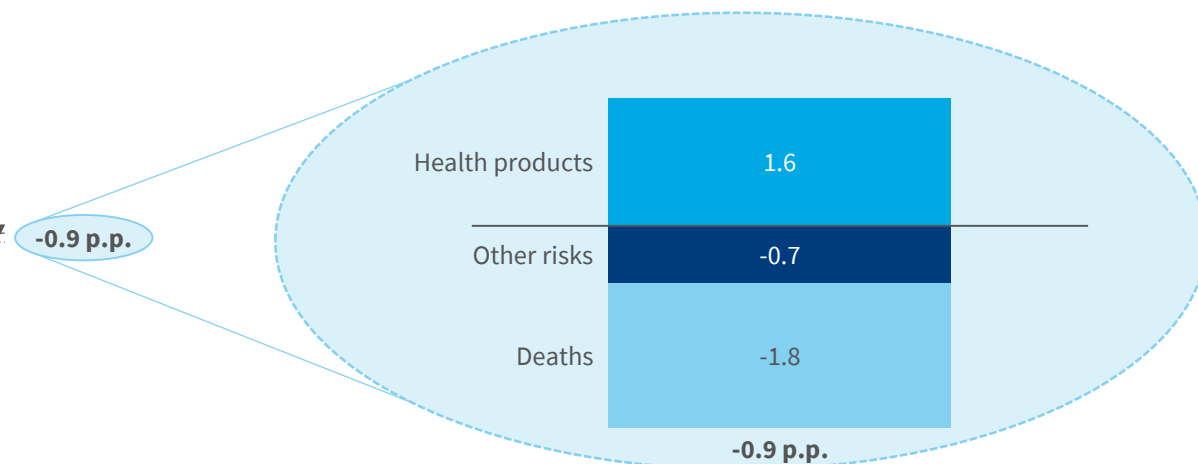


- The number of deaths in Poland in 3Q21 is comparable with 3Q20 and **considerably lower than in the previous three quarters**
- The loss ratio of the group and individually continued insurance segment<sup>2</sup> is **down y/y by 0.9 p.p.** Loss ratio at a comparable level to the typical average for the first three quarters prior to the pandemic: **+0.8 p.p. versus the average for the first three quarters in 2017-2019**
- The lower frequency of deaths (-1.8 p.p.) and other risks contributed to the decline in the loss ratio in 3Q21. The higher utilization of health products and the higher loss ratio in paramedical riders raised the loss ratio y/y

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



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



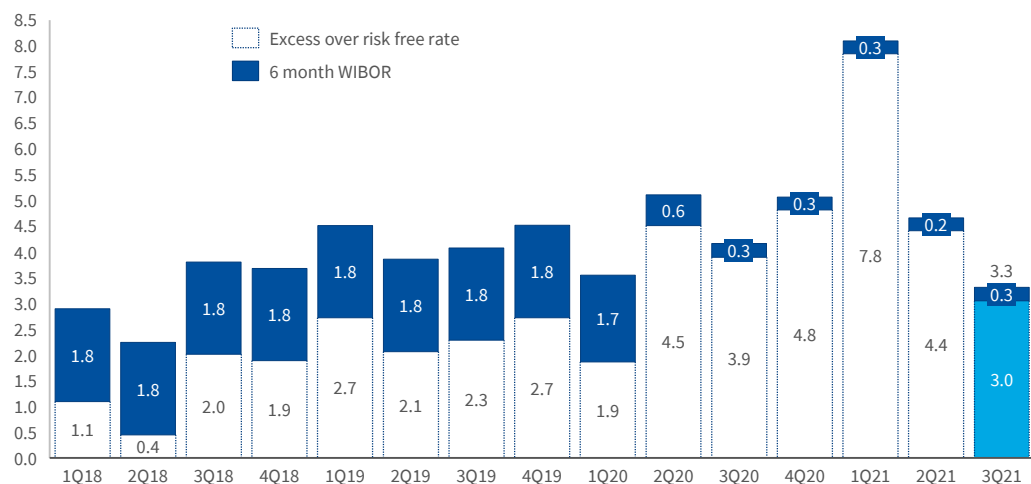
1. According to the Central Statistical Office's data (GUS)  
 2. Incorporates only protection products, benefits paid, the utilization of health products and the change in claims provisions

# Investment result

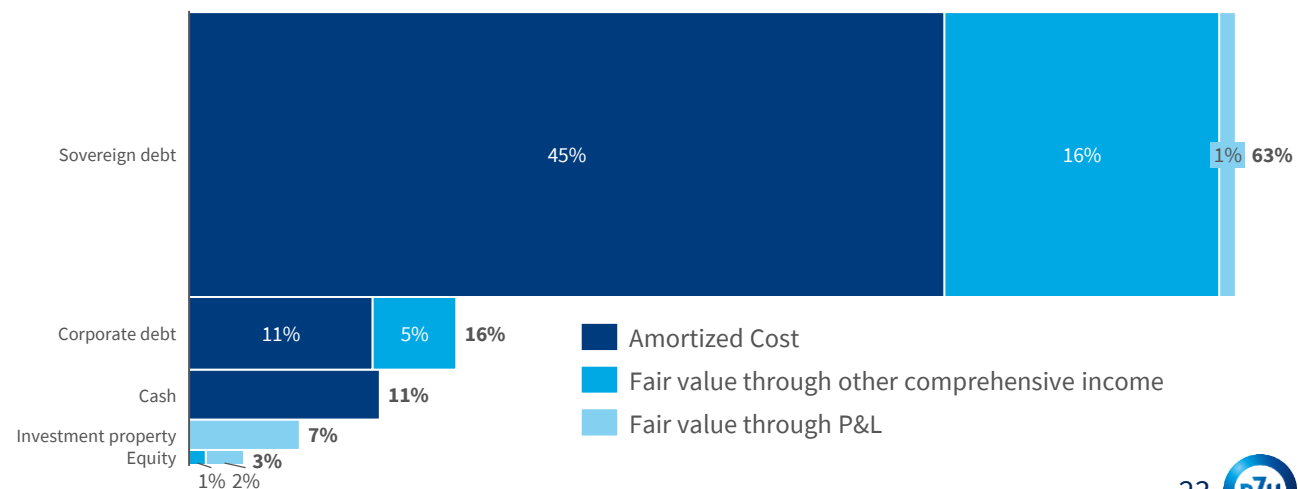
| MSSF, m PLN                                  | 3Q20         | 2Q21         | 3Q21         | change y/y | change q/q |
|--|--------------|--------------|--------------|------------|------------|
| <b>Net investment result</b>                 | <b>1,926</b> | <b>2,349</b> | <b>2,035</b> | 5.7%       | (13.4%)    |
| Insurance and other activities               | 484          | 597          | 275          | (43.2%)    | (53.9%)    |
| Main portfolio                               | <b>434</b>   | <b>465</b>   | <b>392</b>   | (9.8%)     | (15.8%)    |
| Debt instruments - interest                  | 314          | 323          | 305          | (2.9%)     | (5.6%)     |
| Debt instruments - revaluation and execution | 31           | (25)         | 18           | (41.1%)    | x          |
| Equity instruments                           | 57           | 131          | 48           | (15.4%)    | (63.4%)    |
| Real estate                                  | 32           | 37           | 20           | (37.7%)    | (45.9%)    |
| Investment products                          | <b>112</b>   | <b>155</b>   | <b>(19)</b>  | x          | x          |
| Other  | <b>(61)</b>  | <b>(23)</b>  | <b>(98)</b>  | x          | x          |
| Banking activities                           | 1,442        | 1,752        | 1,760        | 22.1%      | 0.4%       |

- **Safe portfolio composition:** debt instruments account for 79% of the portfolio, treasury debt accounts for 63% of the portfolio
- **3.0 p.p. surplus profitability** in the main portfolio on FX on liabilities above the risk-free rate in 3Q21
- **Lower net interest income due to maturing portfolio** – in previous periods this factor was amortized by the high level of commissions on pre-payments in BIS portfolios that are replaced by transactions with a thinner margin
- **Lower result on valuation and realization of debt instruments y/y**, in particular due to rising yields versus yield decreases in the comparable period; **higher result versus the previous quarter** due to the EUR exchange rate growth versus the decline in the second quarter of 2021
- **Lower result of the portfolio of equity instruments**, chiefly in the logistics sector **partly offset by the higher measurement of Private Equity funds** due to better conditions on the technological market where portfolio funds primarily invest
- **Decline in the real estate portfolio's result**, chiefly due to recognizing costs incurred in connection with property development projects, the margin settlement is planned at year end

## Return on the main portfolio with FX on liabilities

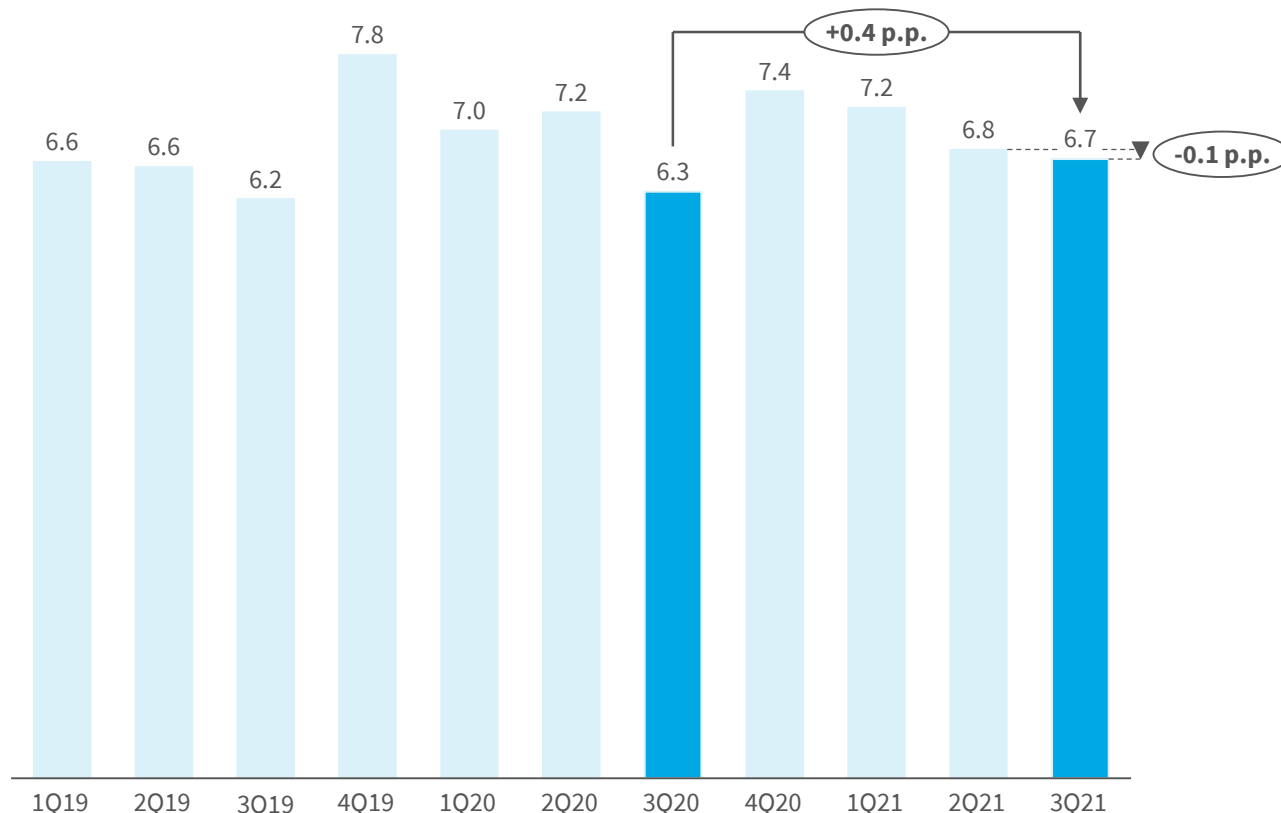


## Main portfolio composition by asset classes and valuation methods



# Cost effectiveness

## Administrative expense ratio (%)



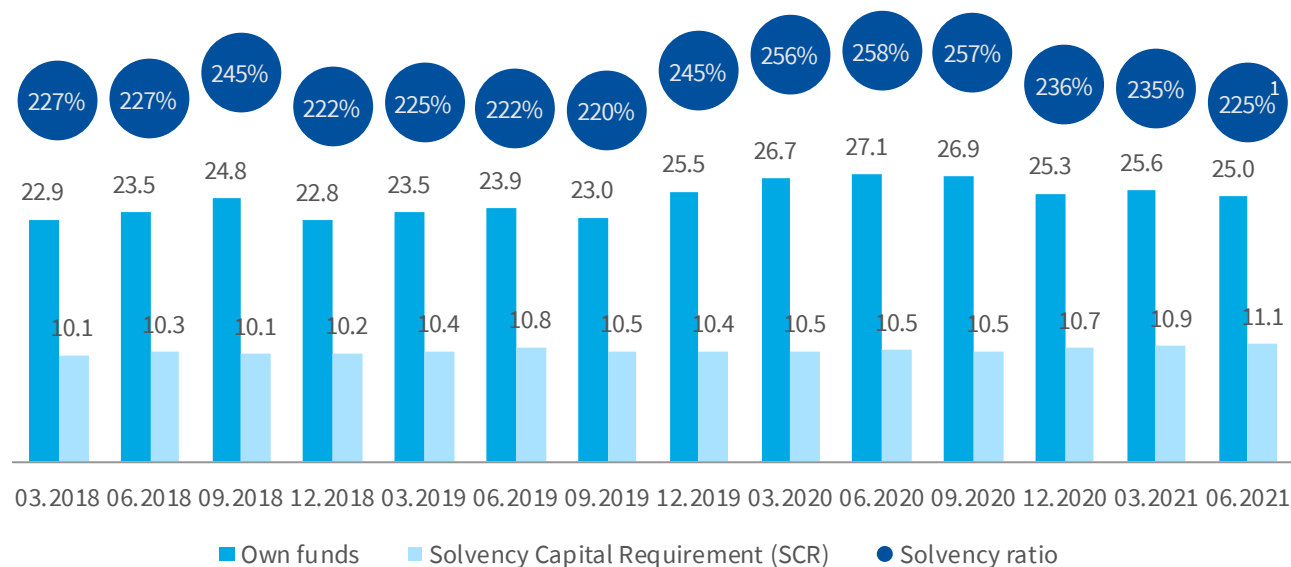
Administrative expense ratio calculated using the equation:  
 administrative expenses in PZU and PZU Życie in the quarter / net earned premium in PZU and PZU Życie in the quarter

- The change in the administrative expense ratio in **3Q21 versus 3Q20** was the outcome of the following:
  - rising personnel costs as a result of wage pressure and the establishment of higher employee holiday provisions
  - rising real estate maintenance expenses due to the indexation of the prices of leases and utilities
  - expiration of the assistance package for the sales area and lower costs of providing protection and prevention measures related to the COVID-19 pandemic
  - lower demand for advisory services
  - maintenance of cost discipline in other areas
- The change in the level of the administrative expense ratio in **3Q21 versus 2Q21** is the outcome of the following:
  - higher utilization of holiday leave by employees (including overdue leave)
  - lower demand for advisory services
  - lower spend for advertising, mainly TV advertising during the summer vacation period
  - strengthening sponsoring activities



# Group's high level of solvency

## Solvency II ratio, 30 June 2021



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

1. Calculation based on the methods used to date. Does not take into account rules set out in the circular letter of Polish FSA to insurance companies, dated 16.04.2021, based on which starting from 1Q21 the adjustment by the entire amount of the anticipated dividend from 2021 profit becomes the new element of solvency calculations of the company and the group in interim periods.

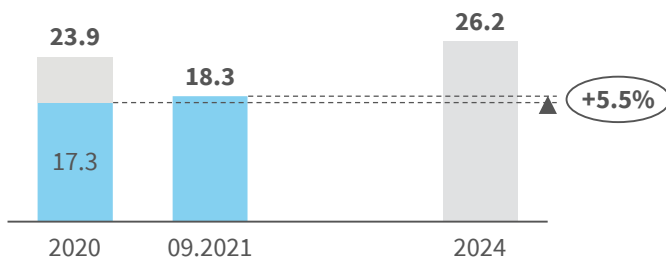
- In 2Q21 **own funds edged down by 0.6 bn PLN.** Major causes:
  - higher recognition of the 0.6 bn PLN adjustment of own funds to include the anticipated dividend - PZU reduced its own funds by 80% of the profit in 1H21, i.e. by 1.3 bn PLN<sup>1</sup>
  - increase in technical provisions and investments (-0.1 bn PLN)
  - operating cash flow (+0.2 bn PLN)
- **SCR growth in 2Q21 of +0.2 bn PLN.** The main growth drivers q/q:
  - increase in the risk of non-life, life and health insurance
  - higher capital requirement related to other sectors (except for Alior Bank)
  - market and counterparty insolvency risk at a similar level



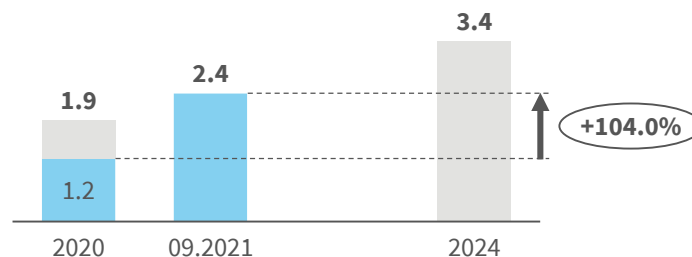
## 4. Strategy

# Strategic objectives in 2021-2024 and their execution

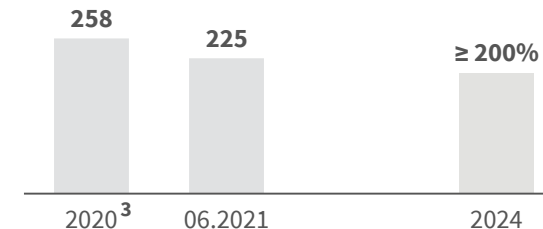
PZU's gross written premium<sup>1</sup> (bn PLN)



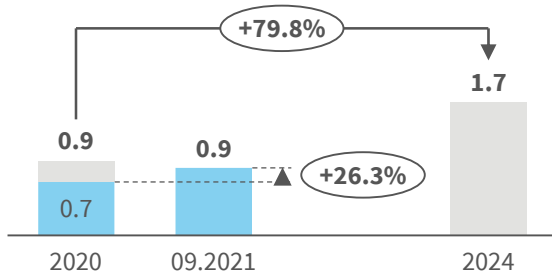
PZU's net profit<sup>2</sup> (bn PLN)



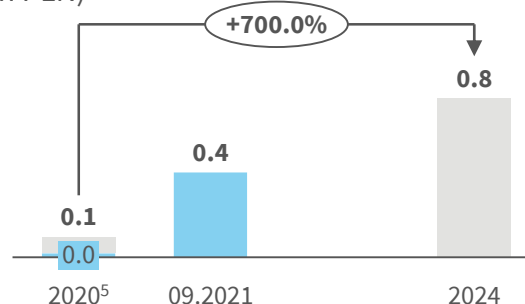
Solvency II ratio (%)



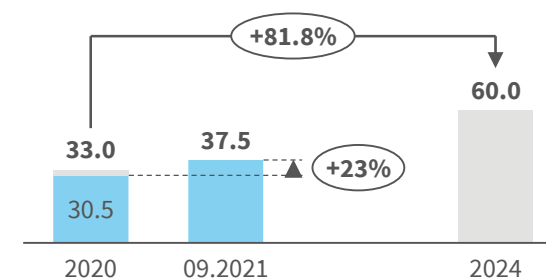
PZU Zdrowie's revenues (bn PLN)



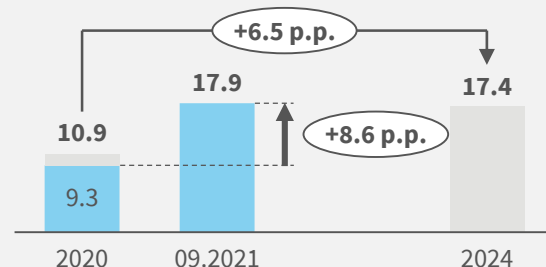
Banks' contribution to PZU Group's net result<sup>2</sup> (bn PLN)



Assets under management<sup>4</sup> (bn PLN)



## return on equity (ROE)



■ 1-3Q

1. PZU Group's gross written premium  
2. Net profit attributable to equity holders of the parent company

3. Preliminary data - not subject to audit or review by a statutory auditor, calculation according to the current methodology. It does not incorporate the new rules set forth in the Polish FSA's circular to insurance undertakings dated 16 April 2021  
4. Third party assets under management TFI PZU, Pekao TFI and Alior TFI

5. Net of the impairment loss for goodwill on the acquisition of Bank Pekao and Alior Bank

# PZU is taking an active role in energy transition through its innovative products

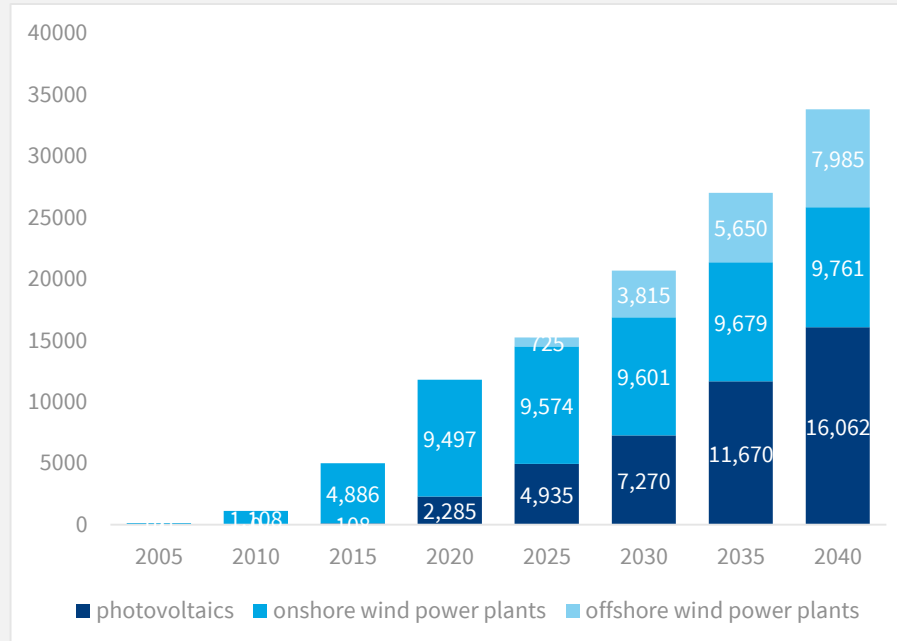
Our response to the evolving circumstances in the power sector takes the form of two new Eco Products: PZU Wind Power and PZU Solar Power. They are offered to corporate clients whose operations are related to generating electricity from renewable energy sources (RES). They provide insurance for an entire wind power plant or PV installation including power storage units, auxiliary infrastructure and cabling. Moreover, they protect clients against third party liability and loss of profit caused by material claims.



## Situation on the Polish energy market

- Forecasts regarding the generation of electricity contemplate constant growth in the percentage of total production generated by PV and wind farms
- In 2020 coal's share of Poland's energy mix slipped below 70% for the first time in history (65%)
- Energy coming from RES already constitutes roughly 17.7% of the capacity generated in Poland, with nearly 90% of that energy generated by the sun and wind

## Net achievable power of electricity generation sources (MW)

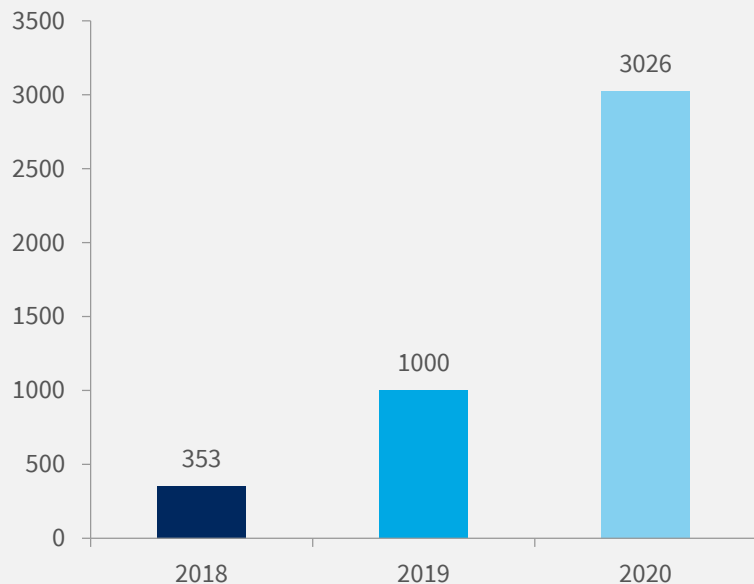


Source: Poland's Energy Policy until 2040 – attachment 2, part 1

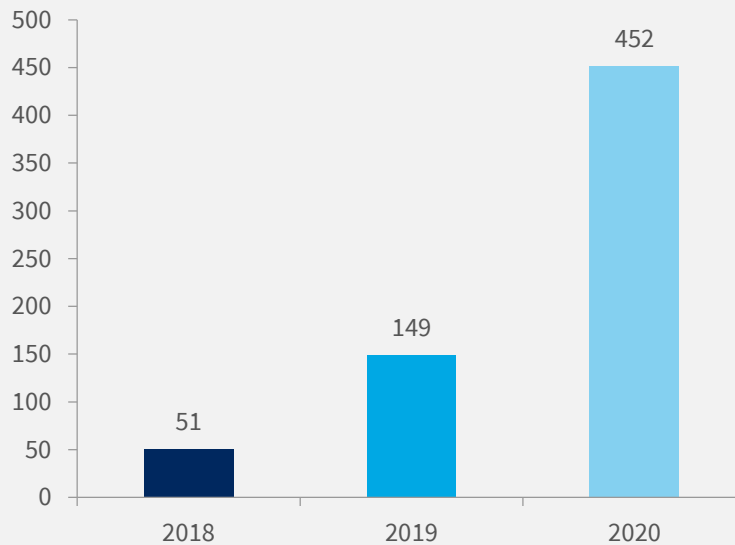
# The Eko Energia policy addresses the needs of the rapidly growing RES market

The PZU Eko Energia policy is another product offered by PZU to individual clients (and to SMEs and farms) who use PV cells, solar collectors or heat pumps to generate energy for their own consumption. It protects PV installations from all risks, including loss, damage, devastation and the risk of interruption or reduced performance in electricity generation

**Capacity installed in RES micro installations (MW)**



**Number of prosumer microinstallations (000s)**



## Energy generation from micro installations up three times

The PV market is one of the fastest growing segments in the renewable energy source industry in Poland

The Energy Regulatory Office's report points to the electricity generated from RES in micro installations tripling in 2020 (compared to the previous year)

Most competitive insurers offer insurance for RES equipment only as part of real estate insurance. The product offered by PZU fills the gap on the market.

Marketing the PZU Eko Energia insurance product is part of PZU pursuing its ESG strategy

Source: Energy Regulatory Office

# Key ESG metrics of the Strategy for 2021-2024

We set the objective of **supporting the development of low-emission economy, caring for sustainable transformation**

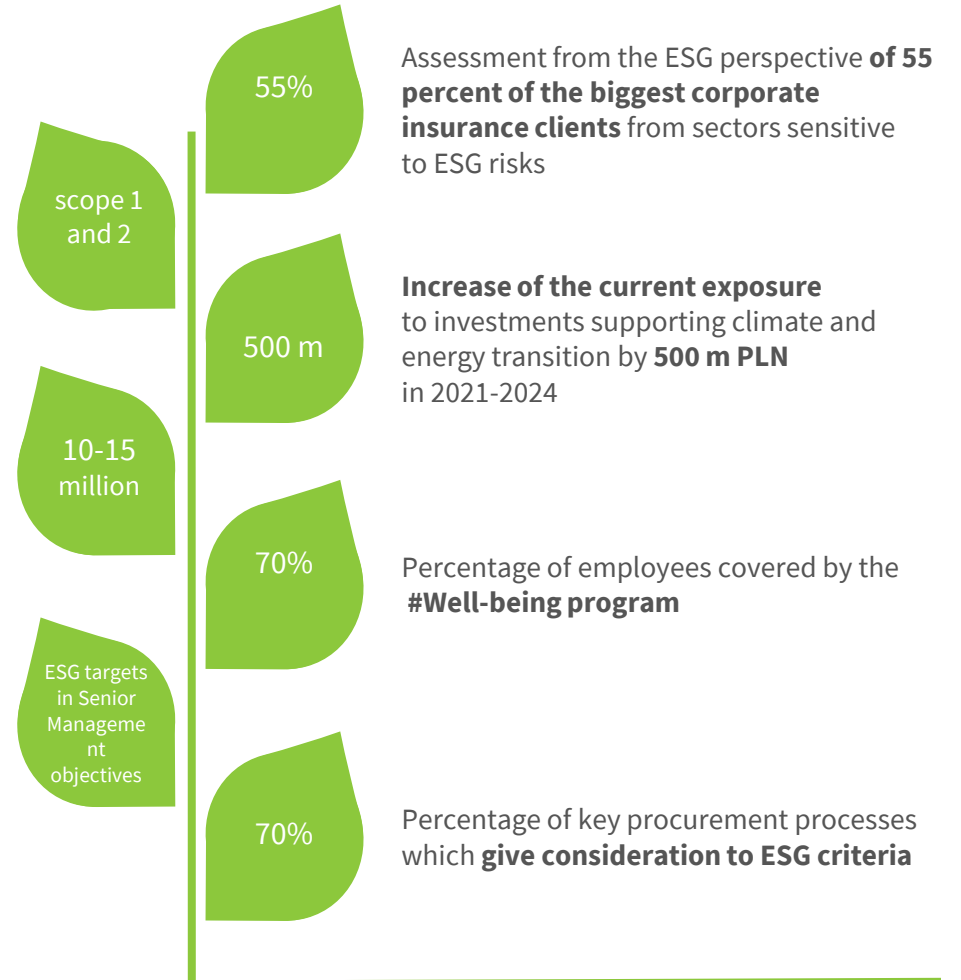
We want to encourage our clients and **local communities to lead a sustainable and safe lifestyle**

We will take care of **responsible management giving consideration to ESG factors**

**Reaching climate neutrality of own operations** thanks to reduction of emissions, purchase of green energy and compensation of CO2 emissions

**Number of recipients of social activities** in the area of safety and sustainable lifestyle during the year

Giving consideration to **ESG targets** in the Company's strategic objectives **and handing them over for execution by Senior Management**



# We will develop business ecosystems for new and current clients (1/2).

## ECOSYSTEM BENEFITS

### Convenient space to manage benefits unrelated to salary



- Set of advanced digital tools facilitating employers' comprehensive management of benefits

### Extensive offering of the PZU Group's benefits



- Many benefits in one venue – ranging from cafeterias and sport cards to insurance and financial products and all the way to health products
- Contact with a single supplier of multiple services for employees: time savings, unifying processes, convenience and lower administrative expenses



### Building a community



- An ecosystem offers new opportunities to build relations with clients in daily life

### New to the market and attractive products



- PZU Sport – sport and recreation subscription
- CASH – loans with attractive terms involving direct salary-based repayment
- Combined sport, recreation and medical packages and other packaged solutions involving insurance, physical activity and health blended with the services of external partners

**Institutional** clients obtain a comprehensive offering consisting of various types of benefits unrelated to salary for their employees

**Individual** clients have accessible services and tools enhancing their comfort in life, activity, lifestyle, etc.

# We will develop business ecosystems for new and current clients (2/2).

## ECOSYSTEM FOR DRIVERS

We will prepare an ecosystem addressing clients' various needs...



- We will help **buy and sell** a car
- We will provide support **in financing purchases**
- We will provide **insurance products**



- We will check the vehicle's state of repair
- **We will organize its repair**
- We will provide legal support



- We will organize road assistance and a replacement vehicle
- We will propose a **repair workshop**



- We will remind clients of important dates
- We will made the **history of repairs** available



- We will prepare a **loyalty program**
- We will offer **additional discounts** on our partners' services

...in which the driver is at the center of attention. We provide comfort and safety of use to...



... **widespread access to services** and the usage of the relevant digital technologies.



**Services accessible in a single venue without leaving home, 100% online**



**The ecosystem will be accessible for everyone**, even if he or she does not have insurance



**Information hotline available 24 hours a day, 7 days a week**



**Jointly with our clients** we will develop our services and constantly improve their quality



We will furnish **safe and user-friendly** digital tools

**Not every driver is an expert in vehicle maintenance** and that is why we want to provide support to him or her and act as a partner to care about comfort and safety





## 5. Attachments



# Gross written premium of the PZU Group

| Insurance segments<br>m PLN, local GAAP                     | 3Q20         | 2Q21         | 3Q21         | Change y/y    | Change q/q    |
|---|--------------|--------------|--------------|---------------|---------------|
| <b>External gross written premium</b>                       | <b>5,600</b> | <b>6,194</b> | <b>5,908</b> | <b>5.5%</b>   | <b>(4.6%)</b> |
| <b>Total non-life insurance – Poland</b>                    | <b>2,883</b> | <b>3,472</b> | <b>3,161</b> | <b>9.6%</b>   | <b>(9.0%)</b> |
| Mass insurance – Poland                                     | 2,367        | 2,677        | 2,569        | 8.5%          | (4.0%)        |
| Motor TPL   | 1,039        | 1,039        | 1,056        | 1.6%          | 1.6%          |
| MOD   | 599          | 635          | 649          | 8.3%          | 2.2%          |
| Other products  | 729          | 1,003        | 864          | 18.5%         | (13.9%)       |
| Corporate insurance – Poland                                | 516          | 795          | 592          | 14.7%         | (25.5%)       |
| Motor TPL   | 147          | 151          | 148          | 0.7%          | (2.0%)        |
| MOD   | 148          | 178          | 165          | 11.5%         | (7.3%)        |
| Other products  | 221          | 466          | 279          | 26.2%         | (40.1%)       |
| <b>Total life insurance – Poland</b>                        | <b>2,222</b> | <b>2,197</b> | <b>2,191</b> | <b>(1.4%)</b> | <b>(0.3%)</b> |
| Group and individually continued insurance - Poland         | 1,746        | 1,753        | 1,757        | 0.6%          | 0.2%          |
| Individual insurance – Poland                               | 476          | 444          | 434          | (8.8%)        | (2.3%)        |
| Premium on protection products                              | 188          | 205          | 206          | 9.6%          | 0.5%          |
| Premium on periodic investment products                     | 76           | 69           | 69           | (9.2%)        | x             |
| Premium on single investment products                       | 212          | 170          | 159          | (25.0%)       | (6.5%)        |
| <b>Total non-life insurance – Ukraine and Baltic States</b> | <b>455</b>   | <b>482</b>   | <b>508</b>   | <b>11.6%</b>  | <b>5.4%</b>   |
| Baltic States   | 397          | 424          | 432          | 8.8%          | 1.9%          |
| Ukraine   | 58           | 58           | 76           | 31.0%         | 31.0%         |
| <b>Total life insurance – Ukraine and Baltic States</b>     | <b>40</b>    | <b>44</b>    | <b>46</b>    | <b>15.0%</b>  | <b>4.5%</b>   |
| Lithuania   | 20           | 23           | 22           | 10.0%         | -4.3%         |
| Ukraine   | 20           | 21           | 24           | 20.0%         | 14.3%         |

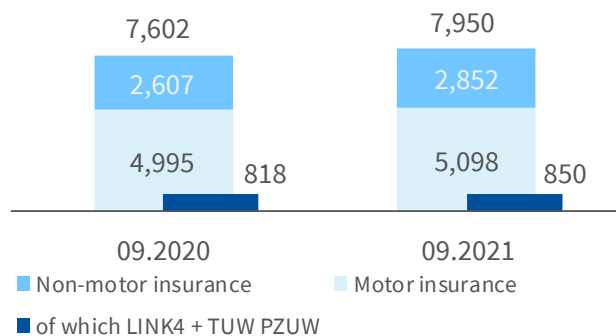


# Non-life insurance

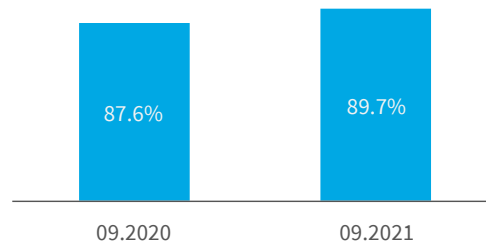
High growth rate of non-motor insurance. Motor insurance under pressure from lower prices in Poland

## Mass segment

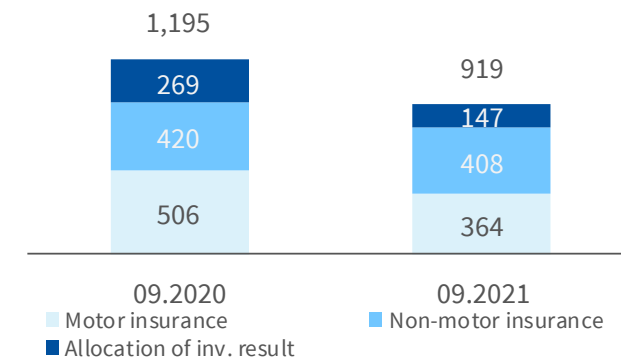
Gross written premium (m PLN)



Combined ratio (%)

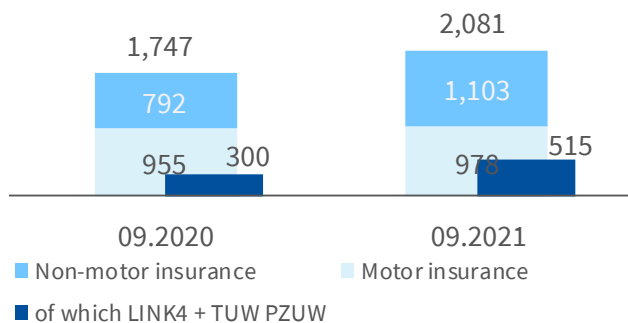


Insurance result (m PLN)

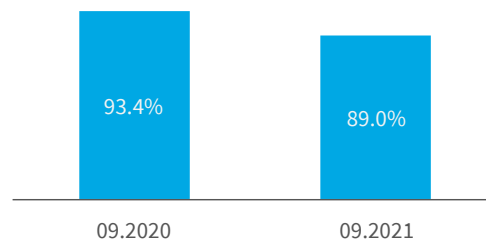


## Corporate segment

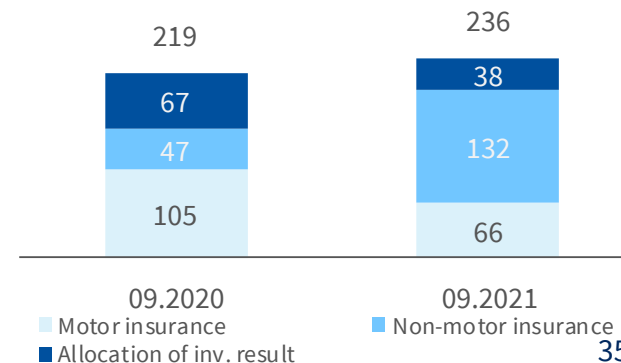
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)

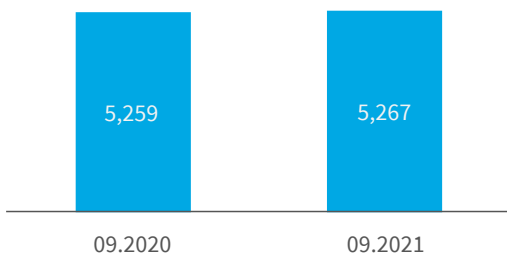


# Life insurance

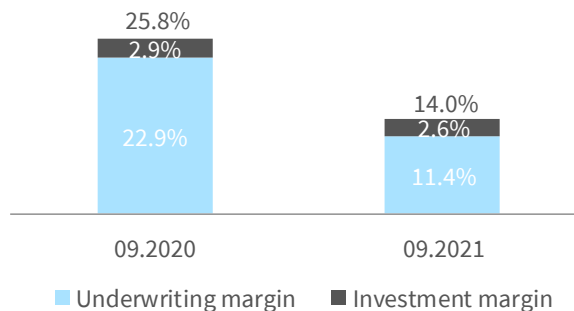
High growth rate of premium on individual protection products. Profitability in the group and individually continued insurance segment affected by the COVID-19 pandemic

## Group and individually continued insurance

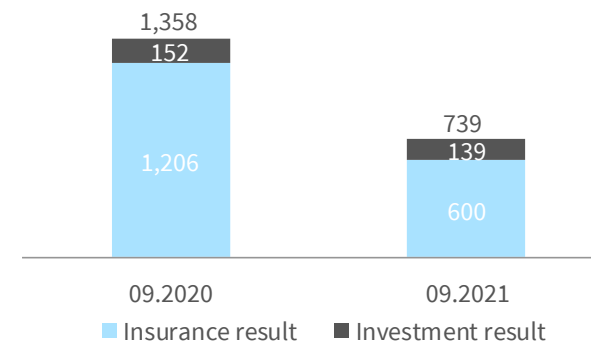
Gross written premium (m PLN)



Margin (%)

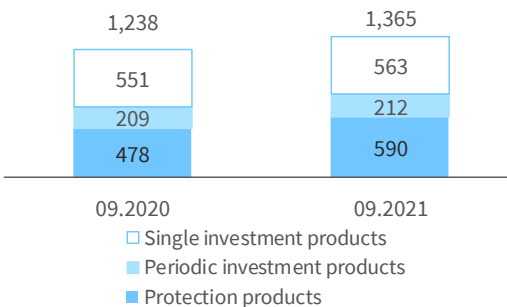


Insurance result (m PLN)

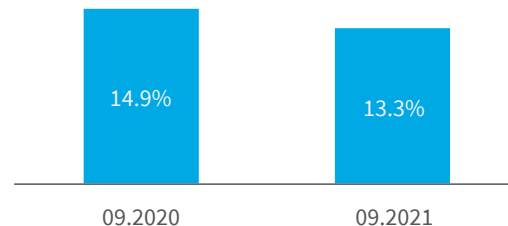


## Individual insurance

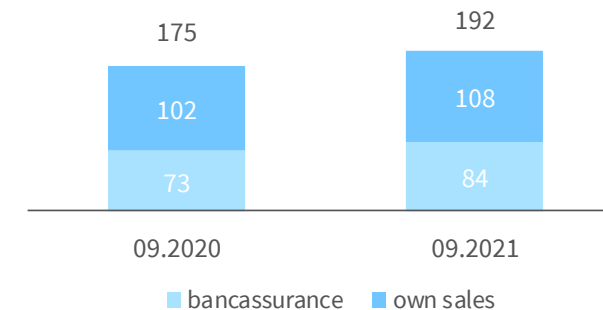
Gross written premium (m PLN)



Margin (%)



Annual premium equivalent (m PLN)

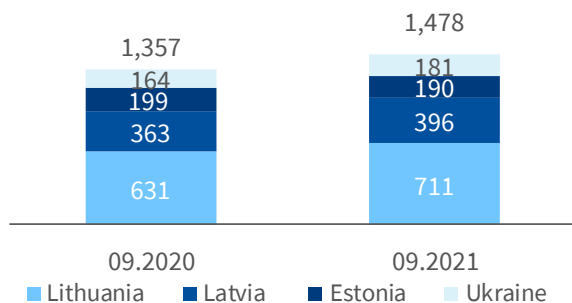


# Foreign operations

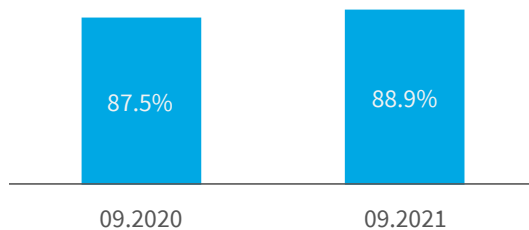
Fierce price competition in motor insurance

## Non-life insurance

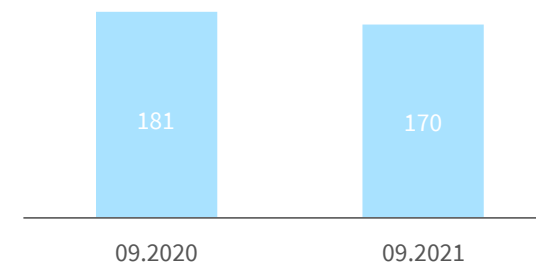
Gross written premium (m PLN)



Combined ratio (%)

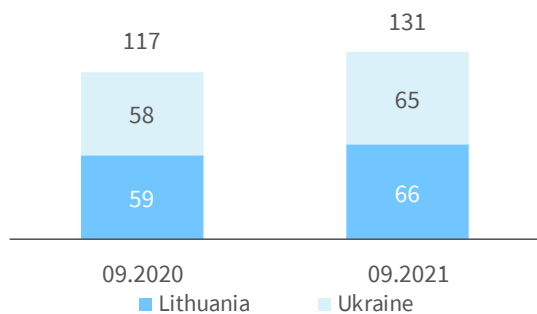


Insurance result (m PLN)

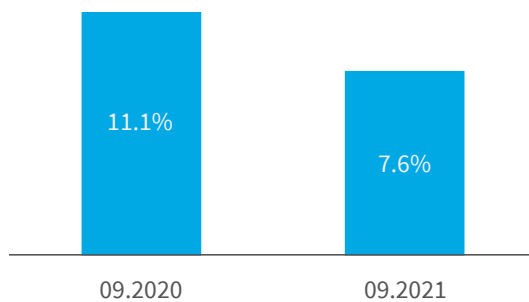


## Life insurance

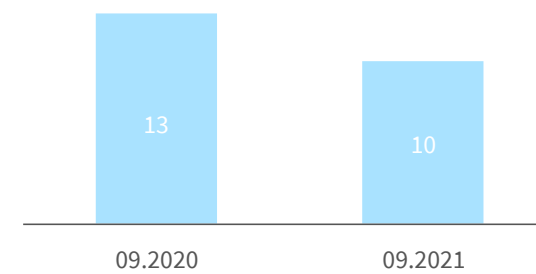
Gross written premium (m PLN)



Margin (%)



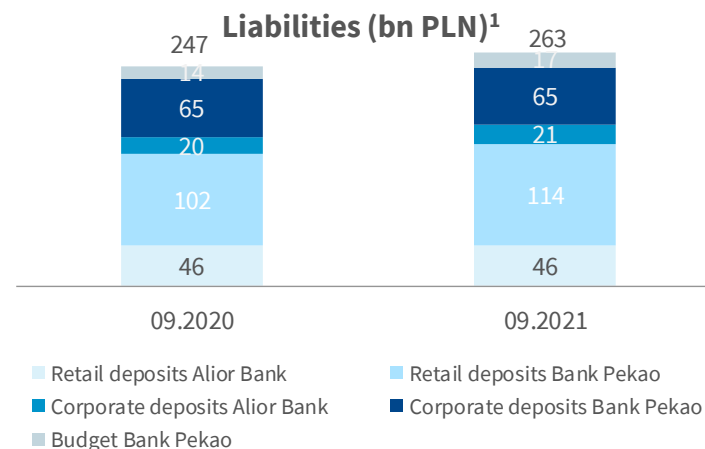
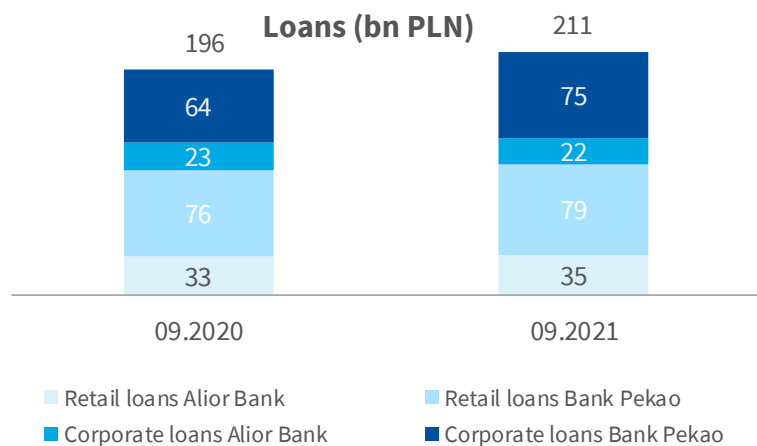
Insurance result (m PLN)



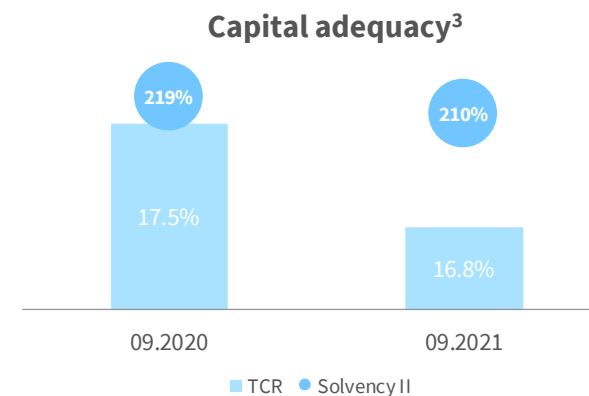
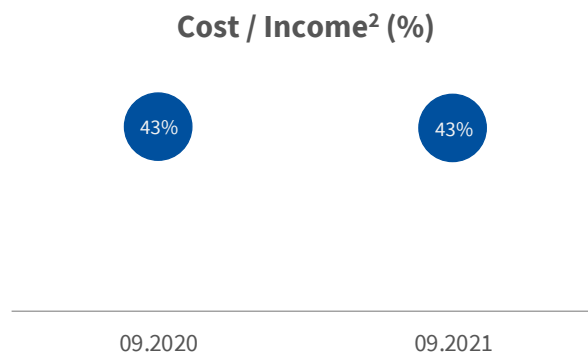
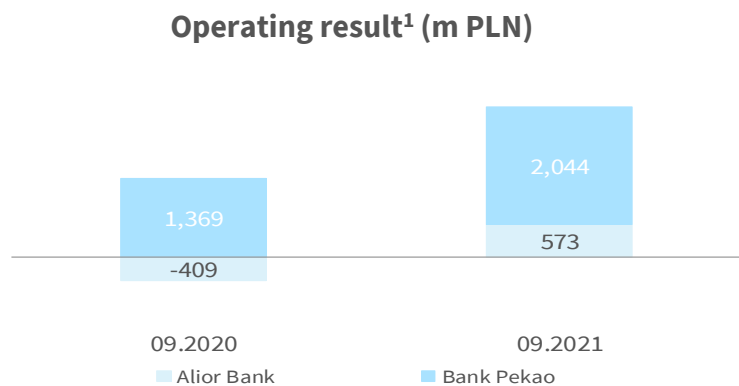
# Banking activity

Rebounding growth in the banks' operating result

## Volumes



## Results / ratios

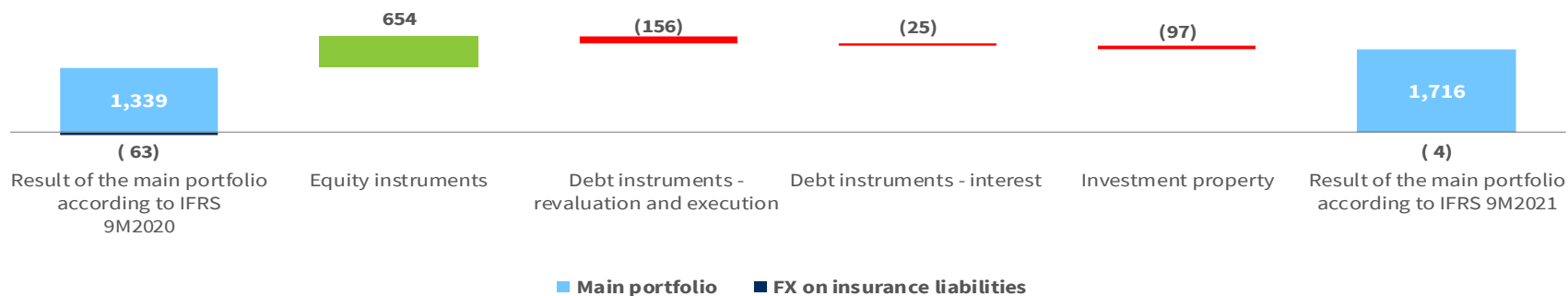


1. Data in accordance with Bank Pekao and Alior Bank's financial statements  
 2. Data in accordance with PZU's financial statements, net of the impairment for goodwill and intangible assets  
 3. Data jointly for Bank Pekao and Alior Bank pro rata to the equity stakes held

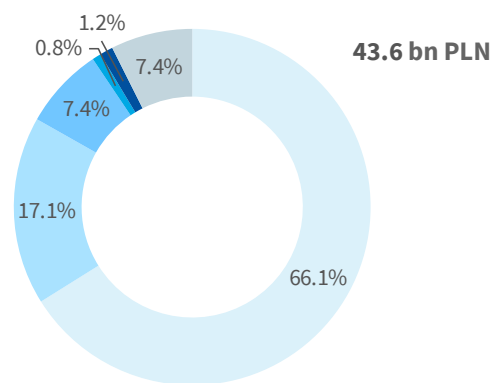
# Investments

## Quarterly results and portfolio composition

### Net investment result (m PLN)

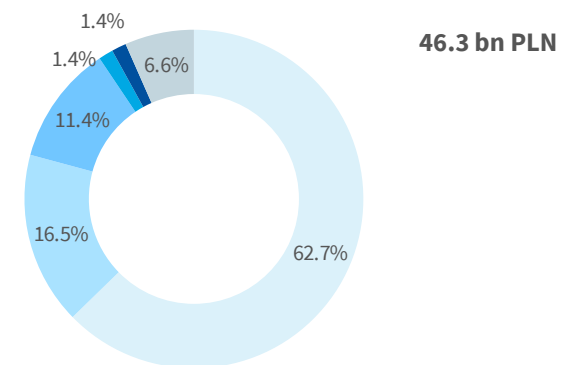


### December 2020 main portfolio investment composition



investment products 6.4 bn PLN

### September 2021 main portfolio investment composition

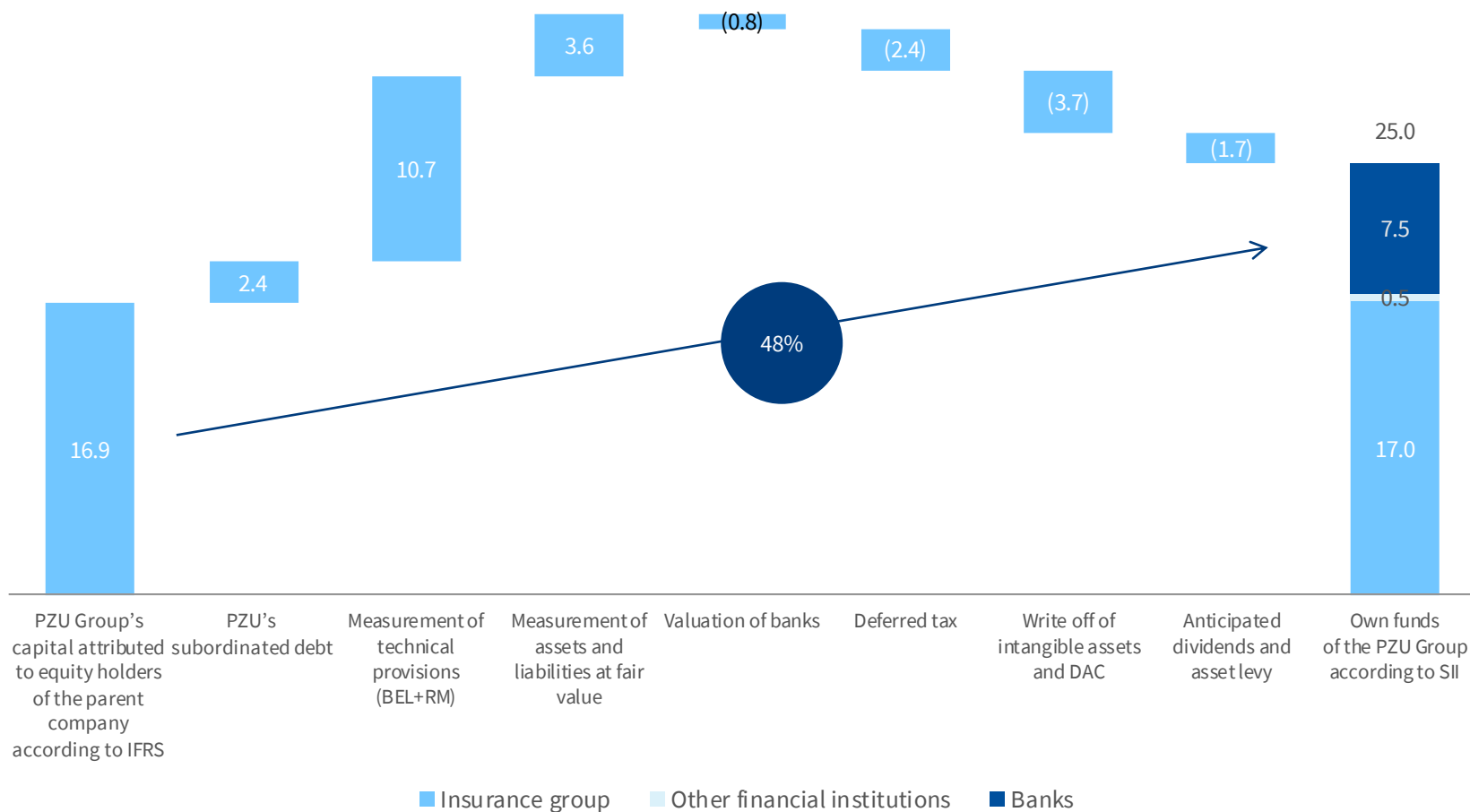


investment products 6.6 bn PLN

# Own funds

PZU Group's data in Solvency II as at 30 June 2021 (bn PLN, unaudited data)

## Comparison of own funds and consolidated equity according to IFRS



Own funds according to SII minus:

- dividend for the previous year (if not included in liabilities)
- dividend at 80% of the net profit earned in the current year<sup>2</sup>
- 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)

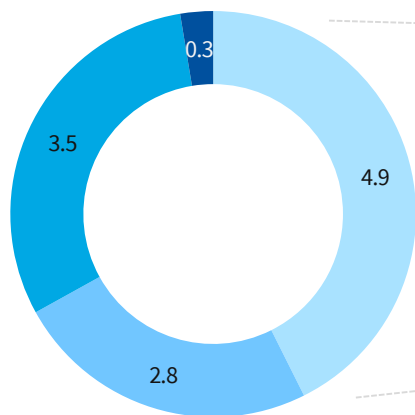
1. The exception pertains to intangible assets and deferred acquisition costs whose value for the purposes of SII is zero  
 2. Calculation according to current methodology. It does not incorporate the new rules set forth in the Polish FSA's circular to insurance undertakings dated 16 April 2021.



# Solvency capital requirement (SCR)

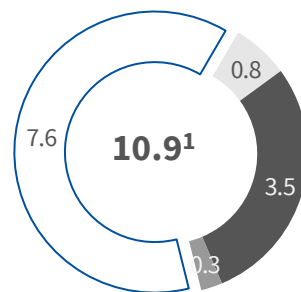
PZU Group's data in Solvency II as at 30 June 2021 (bn PLN, unaudited data)

## 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 2Q21 by 0.2 bn PLN  
The main reasons for the movement in SCR:

- higher catastrophic risk in non-life insurance triggered by greater exposure to flood risk (+0.1 bn PLN<sup>2</sup>)
- higher life insurance requirement caused by modifying lapse rate assumptions and the decline in the mortality risk (+0.1 bn PLN<sup>2</sup>)
- market risk holding steady as the outcome of higher equity price risk (greater symmetric adjustment as prices have climbed on capital markets), the credit spread (higher exposure) and lower requirements for interest rate risk (shift in the yield curve), real estate risk (sale of assets) and FX risk (better matched position)

1. 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).  
2. 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.

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# Thank you

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