



The impact of IFRS 17 implementation and changes in the macroeconomic environment on the indicators of the PZU Group Strategy for 2021–2024

Warsaw, 27 April 2023



8I40	57.230	0.57	+0.03▲	587.451	0.007%
4NA5	81.055	4.35	-2.09▼	158.037	1.561%
3V17	62.985	2.07	+1.17▲	916.538	5.032%
7BE3	37.278	1.14	+0.72▲	634.270	3.984%
5421	94.107	0.73	-0.51▼	538.014	2.416%
YT64	21.744	5.63	+3.16▲	692.360	0.657%
I897	13.361	1.82	-1.23▼	237.961	0.103%



Agenda

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Implementation of
the Strategy
for 2021–2024
at the end of 2022

PZU Group is on track to meet the objectives of the Strategy for 2021–2024

After two years of implementing the Strategy, **PZU Group is well on its way to achieving both its financial and operational objectives.** We note **improvement in most of the organization's key performance parameters**, which allows us to look optimistically at the overall implementation of the Strategy, while maintaining a secure solvency position.



Effective implementation of strategic initiatives

Implementation of the Strategy is consistently supported through **implementation of strategic initiatives**, which, despite the risks and threats arising from difficult macroeconomic conditions bring **intended effects and support financial indicators of the PZU Group.**



Development of business ecosystems and dedicated offerings

We have introduced more services to the PZU Group's ecosystem offerings, which provide access to comprehensive bundled solutions for both corporate and individual clients.



ESG strategy "Balanced Growth" as one of the pillars of PZU Group Strategy

The implementation of the PZU Group's Strategy is carried out with simultaneous concern for balanced growth, which is reflected in the assumptions and consistent implementation of the ESG Strategy, which results in obtaining positive market assessments, including ratings.



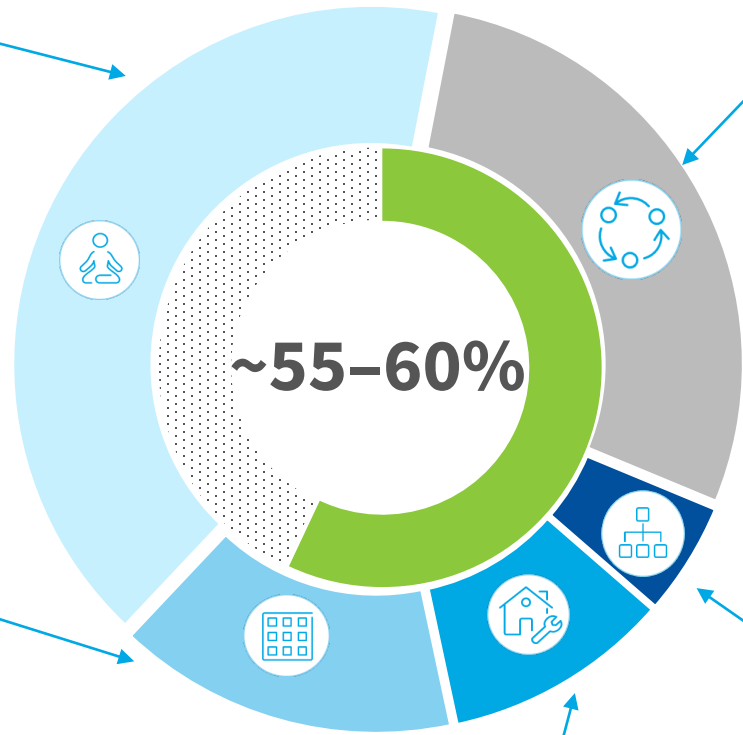
Full utilization of the PZU Group's potential

To implement the intended activities the **potential of the entire PZU Group is effectively used** – the subsidiaries have individual strategies that are closely linked to the Group's strategic objectives and which unlocks the full potential of the Group.

During the first period of the Strategy, we successfully implemented the set objectives

After two years since the announcement of the Strategy, we have already implemented **approx. 55–60%** of the strategic initiatives, which has a measurable impact **on the generated financial results of the PZU Group**.

Examples of projects implemented by the end of 2022



Distribution

- development of the **Tied Agent network** – we have implemented a new management model and diversified support for agents by adapting it to their needs through systematic development of managerial and sales competencies
- **multiagency** network managerial support – we have strengthened the management structures of the multiagency network
- **development of omni-channel solutions** and optimization of sales processes – we are constantly introducing activities to activate the model of hybrid sales paths, allowing to reach customers according to their preferences
- **integrated management information** – we have introduced tools to provide comprehensive management information and allow for regular monitoring and management of vendor activity

Support initiatives and activities

- PZU's relocation to **Generation Park Y, “the greenest” building** in Warsaw
- implementation of a modern **well-being program** addressed to employees
- activities under the slogan “Top Talents” – building employer brand awareness
- maintaining customer satisfaction and loyalty above competitor readings – **Net Promoter Score (NPS)**

Universal 360° offering

- **Endowment with single premium** – offered as “PZU Bezpieczny Zysk” (“PZU Safe Profit”) in Own Network, “Bezpieczne Jutro” (“Safe Tomorrow”) in Alior Bank and “Pewny Profit” (“Reliable Profit”) in Bank Pekao – individual life and endowment insurance with guaranteed profit; development of offerings taking advantage of macroeconomic situation (high interest rates)
- development of life insurance offerings – new group insurance **PZU Na Życie Plus**
- use of reference data on vehicles, owners and drivers from **CEPIK** databases in the process of selling PZU AUTO motor insurance
- modern forms of payment and premium billing – project **Subscriptions**
- new offerings for **communities, cooperatives and their residents**
- **Truck Assistance** product for owners of trucks, tractor-trailers and buses carrying out transportation services in Poland and Europe
- **iFlota** – a system for managing clients' vehicle fleets
- **RyzykoPro** – a comprehensive property damage prevention program

Business Ecosystems and Dedicated Offerings

- Ecosystem – drivers
- Ecosystem – benefits
- Ecosystem for Health
- Offerings for Seniors

Claims and benefits handling

- implementation of tools to handle claims without human intervention and **AI implementation** to support the claims assessment and handling processes
- process improvements that increase the cost effectiveness of the claims handling

In line with the Strategy objectives, we have proposed a wide range of products within the ecosystems

Ecosystem for drivers

We are implementing an ecosystem that responds to the diverse needs of clients in which the driver is at the center of attention. We provide comfort and security of use through universal access to services and the use of appropriate digital technologies.

PZU Group offers a range of services to support the driver, at every stage of car use. The goal of the Driver Ecosystem is to **shape new interactions with clients both inside and outside the PZU Group.**

Over the past two years, the following services have been added to the driver ecosystem

- Inspection of technical condition
- Support when buying or selling
- Repairs (including tire and glass service)
- Discount on partner services and legal advice
- Car rental
- Financing the purchase of a car
- Towing of the vehicle and organization of a replacement car



Approximately 800,000 AUTO Assistance policies sold annually – where an ecosystem service is the addition

All services are available in one place, through secure and user-friendly digital tools – the Non Stop Assistance Platform. The platform for drivers is available to anyone, even those without insurance.

The next stage of development is to make service reviews and an electronic service book available on the platform. In addition, **existing services will be gradually added to PZU insurance products.** Ultimately, the driver ecosystem is to be **integrated with mojePZU.**



Benefits Ecosystem

By developing the Benefits Ecosystem, the PZU Group is stepping into the role of providing the broadest benefits offerings in the market from a single entity.

The basic Benefits Ecosystem consists of the **PZU Benefits and PZU Sport platforms**, with the participation of PZU Group products and those of third-party partners. The goal of building the Benefits Ecosystem is **to create new interactions with clients** based on their everyday life activities such as physical activity, healthy lifestyle, sports, health, family, safety.



Successes after two years of the Strategy

- Dynamic market implementation of a multiproduct ecosystem on the foundation of the PZU Benefits platform and the PZU Sport subscription service
- Acquisition and customization of benefits platform technology to meet PZU's needs and requirements
- Market launch of PZU Sport subscriptions with functioning technologies, systems and processes and access to over 3,300 facilities (currently)

As part of the Benefits Ecosystem, clients receive:

- access to attractive offerings from more than 160 third-party partners
- access to more than 3,300 sports venues under the PZU Sport subscription
- a tool for digitizing HR tasks, handling employee requests, animating employee communities, and automating the flow of internal documents
- a tool for managing subscription benefits: medical care, sports passes, etc., which is a synergy with other areas of the PZU Group.



More than 200,000 logins to the PZU Benefits platform

We offer ecosystems with health offerings designed for seniors and drivers to increase client base

Ecosystem for Health

We are changing the healthcare market and creating an **Ecosystem for Health**. We provide individual clients with a **comprehensive range of health products**.

Customers are served by a network of PZU Health medical network, which at the end of 2022 consisted of nearly 130 own facilities, including diagnostic imaging labs, nearly 2,200 partner facilities in 600 cities in Poland. Clients are supported by the medical hotline, mojePZU patient portal and Telemedicine Center. At the same time, PZU Zdrowie is the medical operator for the PZU Group's preventive activities by operating, for example, the routes of the mobile health zone, in the "Healthy Life" project or the summer route "Road to Health"

Successes after two years of the Strategy

- We have implemented an offering for the individual client (individual, partner, family medical packages, for seniors and students)
- We have expanded the offering of preventive packages
- We launched an e-store (<https://zdrowie.pzu.pl/sklep>)
- We have enabled installment payments for medical services
- We are constantly developing new features on mojePZU
- We provide Patient File: online access to patient medical records from PZU Życie's own facilities



In 2022, more than **33%** of appointments made online through myPZU

The basis of the entire Ecosystem is online contact with the patient, including through **mojePZU portal**, where appointments can be made and medical records stored. For those who do not have an account with mojePZU, the **e-store is available**, where individual clients can purchase subscriptions, examination sets or single medical consultations.

The Ecosystem's aim is to provide full client care, we want to provide a comprehensive health service for our clients. If necessary, we will provide online referrals and prescriptions, serve diagnostic imaging and laboratory tests at our facilities. **The priority is to digitize and develop Self-Service processes.**



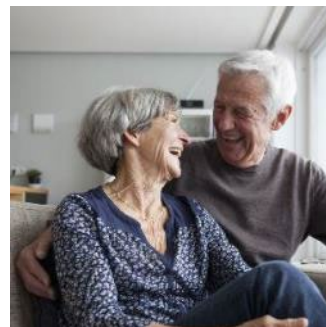
Offer for seniors

We believe that **the development of a range of services for Seniors** enabling them to benefit from a variety of services fulfilling the needs of securing life, health and property, as well as support in daily life, will allow us to consolidate our position as a leader, no longer just an insurance leader, in this ever-growing segment.

At PZU, we put the client first, which is why we systematically introduce solutions that put focus on the client in our organization.

Successes after two years of the strategy

- Our branches after an audit by the National Institute of Silver Economy received the OK Senior Certificate confirming that our service meets the real needs of Seniors
- We have raised the entry age to 65 in riders to individual life insurance, in the new PZU Support in Life and Health insurance we offered risk packages for Seniors (even up to age 69)
- We have introduced a new rider to Individual Continuation: hospital, heart attack, stroke or cancer insurance.



At PZU **guidelines for serving Seniors** are part of the training of all new employees and agents in PZU branches. No person starts serving clients without completing proper instruction.

The next stage of development is **creating a microsite for Seniors** on the pzu.pl website. Ultimately, in the developed offering of individual insurance, we are preparing dedicated **Seniors packages**. They address their insurance needs. We are also working on **revising the Individual Continuation offering**, which is a particularly important insurance for this group.



More than 21,000 IC riders concluded within 3 months of launch

We are developing an integrated approach to all distribution channels according to the plans adopted in the Strategy

We are expanding the omni-channel distribution model, addressing the challenges faced by each sales channel, with strong support from CRM

Tied agent

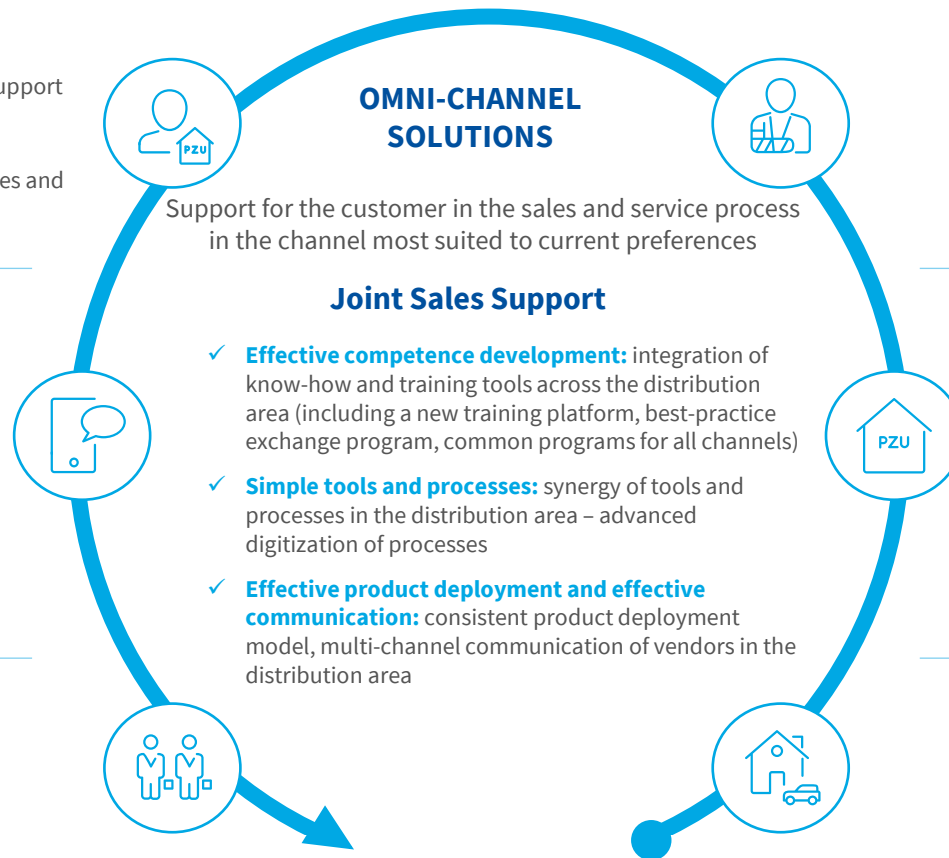
- **Completed so far :**
 - ✓ rebuilding the organizational structure of the Own Sales Department - separating sales functions from sales process support functions
 - ✓ providing support to Agents through other sales channels
- **Future plans:** further development of modern digital remote sales and client contact tools

Direct channels

- **Completed so far :**
 - ✓ alignment of competencies in non-life product channels
 - ✓ conducting a pilot of life insurance sales
 - ✓ strengthening the role of the channel in the resumption and retention processes of other channels
- **Further plans:** development of life insurance sales

Multiagency Channel

- **Completed so far:**
 - ✓ strengthening the structure of the multiagency sales network
 - ✓ increasing the number of products on the Everest sales path
- **Further plans:** continued implementation of processes to facilitate online sales



Group insurance

- **Completed so far:**
 - ✓ development of support services to build and maintain lasting client relations
 - ✓ implementation of a tool to monitor the effectiveness of the sales network
- **Further plans:** implementation of full digitalization of sales processes; development of broker portal

Branches

- **Completed so far:**
 - ✓ implementation of a sales tool that does not require a client visit to the branch
 - ✓ expanding the investment offerings
 - ✓ adapting the workflow to clients' preferences
- **Further plans:** consistent development of the network of Mobile Client Advisors

Dealer channel

- **Completed so far:**
 - ✓ streamlining the structure at the headquarters office and the model for field operations
- **Further plans:** further expanding the product portfolio and working on the portfolio to increase sales of non-life insurance

The success of the Group's Strategy is also a consequence of the implementation of coherent strategies of the subsidiaries...

There are a number of inter-company synergies within the PZU Group's strategic directions that enable effective implementation of initiatives. Subsidiaries have individual strategies that are closely aligned with the Group's strategic goals, making it possible to fully unlock the Group's potential.

More than PLN 1 billion in premiums at TUV PZUW

In 2022, TUV PZUW reached its strategic objective for annual written premiums two years in advance and is working on further challenges in this area.



Dynamic growth in Baltic markets

Gross written premiums in 2022 grew by more than 30% compared to 2020 supporting the Group's assumptions on the levels of written premiums achieved.

7 new inPZU funds

Thematic products are a novelty. They comprise i.a. RES, gold and real estate which contribute to the growth of assets under management.



Alior Pay launch

This is a credit limit where you can defer payments made by card, BLIK or transfer which makes the offering available in PZU Group even more attractive.



Increase in the number of health contracts

At the end of 2022, the number of health contracts across the PZU Group amounted to 3.2 million, an increase of 15% compared to 2020.



Motor insurance products of PZU SA and LINK4 at Bank Pekao

By leveraging the potential of the Group's banks, products were made available in branches or remotely through the PeoPay mobile application and Pekao24 online service.

LINK4's digital transformation

By using new technologies, we have implemented more than a dozen machine learning models to support sales, claims handling and service processes.



...and measurable results related to the implementation of the ESG Strategy



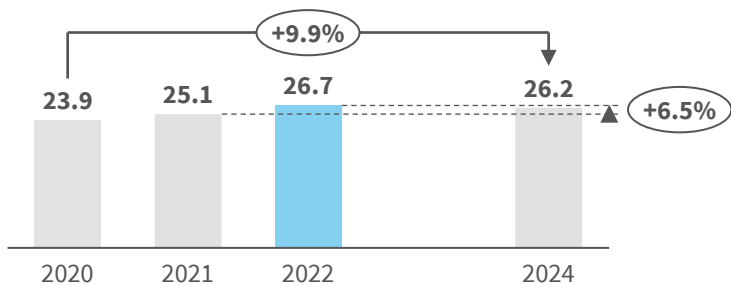
We monitor our **progress** on the road to sustainability. Among other things, PZU's actions were recognized **in the 16th edition of the Responsible Companies Ranking**, where we **received 94 points out of 100**, thanks to which we took 3rd place in the general and industry classification.

The **ratings** achieved in **ESG ratings** are also a measurable **result** |

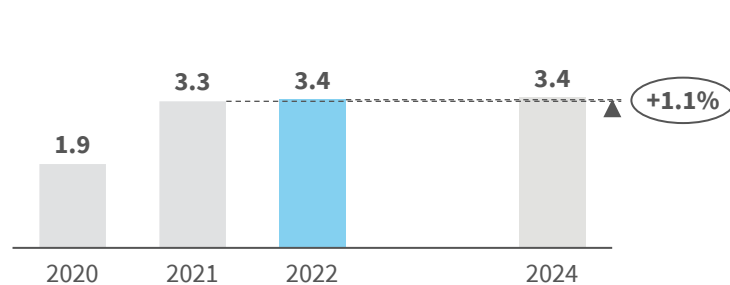
1) Climate neutrality of PZU SA and PZU Życie SA in the scope 1 and scope 2 emissions area
 2) PZU SA and PZU Życie SA, location-based method.

We have largely met the strategic objectives for 2021–2024

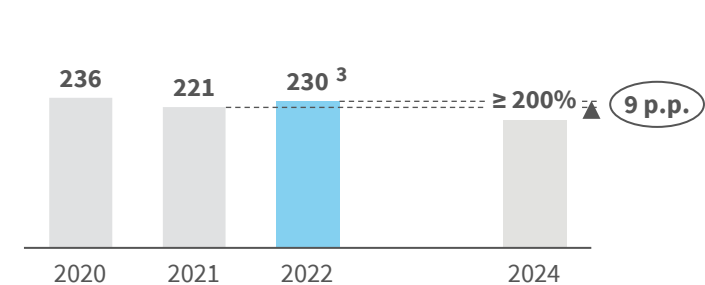
PZU gross written premiums¹ (PLN bn) 



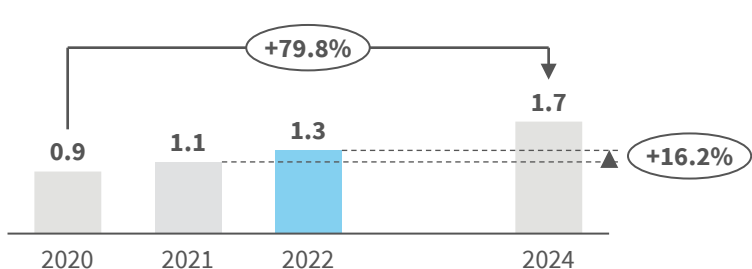
PZU Group net profit² (PLN bn) 



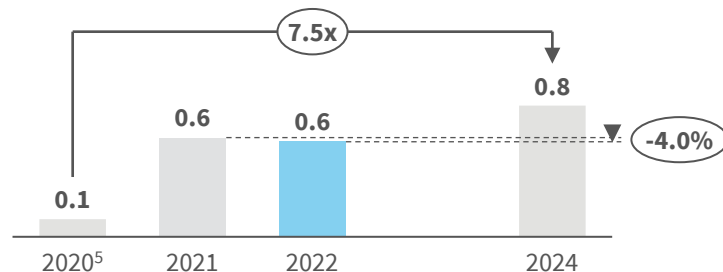
Solvency II ratio (%) 



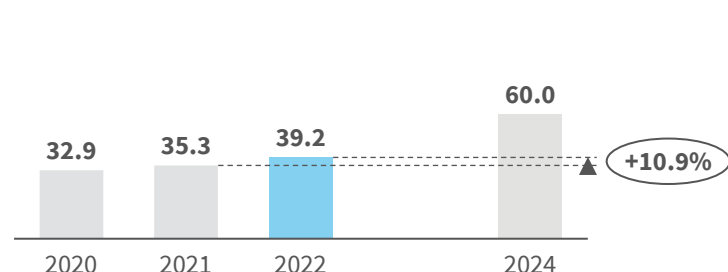
Health Pillar Revenue (PLN bn)



Banks' contribution to PZU Group's net results² (PLN bn)



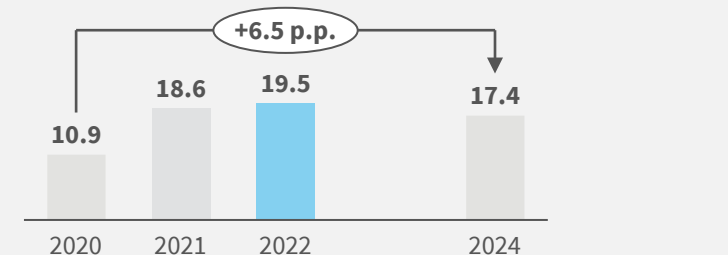
Assets under management⁴ (PLN bn)



Return on equity (ROE)



Implementation in line with strategic ambitions until 2024



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

3. Q3 data. It does not take into account the new rules included in the KNF circular letter to insurance companies dated 16.04.2021
4. External client assets under management of TFI PZU, Pekao TFI and Alior TFI

5. Excluding goodwill impairment on acquisition of Bank Pekao and Alior Bank



Consistent implementation of assumptions and the economic environment allow ambitious plans for the next years of implementation of the Strategy until 2024

We are continuing with planned activities..

Examples of projects planned for implementation by the end of 2024

Distribution

- **Development of Dealer channel offerings** – we will increase the attractiveness of product offerings to customers at dealerships
- **Sales support** – we constantly emphasize the development of modern digital tools to support sales and post-sales processes
- Development of remote channels – further development of, among other things, the **mojePZU portal** through implementation of solutions supporting communication and remote service

Support initiatives

- **Achieving climate neutrality** by reducing energy consumption and increasing the use of RES, reducing the use of other resources in day-to-day operations: water, paper, fuels, in implementing the ESG Strategy “Balanced Growth”
- Systematic building of good relations and concern for the well-being of PZU employees
- Continued consistent **attention to service quality and customer satisfaction** customers as measured by the NPS indicator

Claims and benefits handling

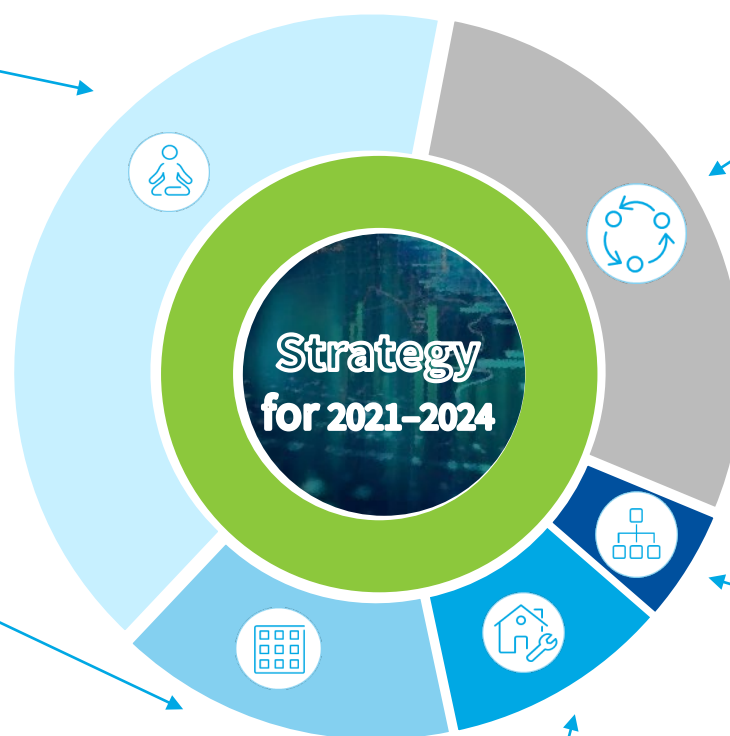
- **Changing the paths for handling motor vehicle claims means** shorter time and lower handling and settlement costs
- New handling paths in property and agricultural damage to improve client satisfaction and claims handling costs

Universal 360° offering

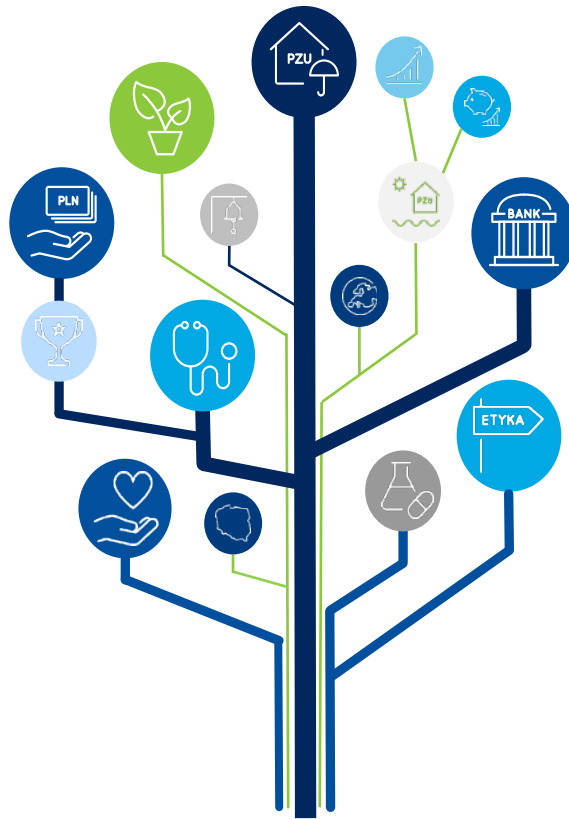
- Consistent **development of the life insurance offerings** (further improvement of the group offerings – new ranges of additional protection, streamlining of processes, modification of the Individual continuation offering)
- **Systematic adjustment of the offering of property products** to changing client preferences (PZU DOM reconstruction, further optimization of the sales process under the CEPiK project, new additions to PZU Auto)
- Further development of a range of non-insurance products, including in cooperation with banks
- Building and launching self-service for corporate clients – Cargo insurance platform, refreshing product offering for corporate client, implementing electronic billing and filing of documentation

Business ecosystems and offerings

- Increasing the attractiveness of the offerings of individual ecosystems and improving their distribution process
- Systematic enrichment of the offerings for seniors with more elements taking into account the needs and preferences of this group of clients



...to achieve all business objectives while maintaining the existing capital model



STABLE DIVIDEND
AND GROWING
WRITTEN PREMIUM
AND REVENUE

LEVERAGING THE
POTENTIAL OF PZU
GROUP

INNOVATIVE
FINANCIAL GROUP

SUSTAINABLE
GROWTH

- 1 We will achieve **further growth in each of the markets** in which we operate
- 2 We will ensure **an increase in written premiums** from insurance business
- 3 **We will significantly increase revenues from our health business**
- 4 We will **lead the asset management market, achieving high returns** from both our own portfolio and investment and savings products
- 5 We will use **the potential of PZU Group banks**
- 6 We will maintain **cost effectiveness** of our operations after COVID-19
- 7 Our ambition is to **strengthen the PZU Group's potential to generate high levels of net profit**
- 8 We will provide **high business profitability**
- 9 We will provide **a predictable and attractive model for generating value** for Shareholders and a **secure solvency ratio**
- 10 We will generate **benefits from the potential and scale of** Central and Eastern Europe's largest insurance and banking group
- 11 We will provide clients with **a comprehensive offering of products** through synergies within the PZU Group **using a variety of distribution channels**
- 12 **We will revolutionize the approach to healthcare**, becoming the most comprehensive medical advisor to our clients
- 13 We will use **new technologies in all areas of operations**
- 14 We focus on **sustainable** development – we will be an active participant in the green energy transition

We assume a stable path for the implementation of the Strategy until the end of 2024 and achieve more ambitious results than originally assumed



Achieving our goals



Despite the challenging macroeconomic and geopolitical environment, **work to date to implement the PZU Group's Strategy is yielding the anticipated results.** This allows us to look with optimism at the second half of its implementation horizon

A consistent rolling strategy model



We will align our activities **to the macro environment and new challenges.** We will ensure that the Strategy is up-to-date and aligned with market requirements

Further effective use of the group's potential



The implementation of the objectives will involve **entities within the PZU Group** on the basis of their individual strategies (consistent with the PZU Group Strategy for 2021–2024)



The progress made to date in implementing established business activities, as well as the transition to the new IFRS 17 financial reporting standard, is prompting a recalibration of strategic KPIs



Introduction of IFRS 17 and changes in the PZU Group's environment and their impact on the economic situation of the PZU Group

IFRS 17 was introduced to improve the quality and enhance the usability and comparability of the financial data presented

1 Consistency and comparability	Same accounting policies for all insurers, consistent with reporting standards of other market players (referring to the general financial reporting standard – IFRS 15 “Revenue from Contracts with Customers”)
2 Clarity	<ul style="list-style-type: none">• Wider information requirements, especially in relation to the sources of profit• Separate presentation of insurance business from investment business• Greater transparency of reinsurance business – result on indirect business presented separately; result on direct business presented separately from outward reinsurance
3 Transparency	<ul style="list-style-type: none">• Disclosure of value of future profits for long-term products
4 Market valuation of the balance sheet	<ul style="list-style-type: none">• New standard implies possibility of simultaneous implementation of IFRS 17 together with IFRS 9 (Financial Instruments) to ensure consistent valuation of assets and liabilities – market valuation• For Polish insurance companies, the necessity of simultaneous ensuring of compliance with local accounting standards



IFRS 17 makes significant changes to the existing IFRS 4 standard

1 Valuation methods - cash flow instead of accrual

5 Valuation and discounting of provisions

9 Effects of economic changes (discount rates) recognized in comprehensive income (other than P&L)

2 Aggregation of insurance contracts to IFRS 17 portfolios

6 Risk adjustment for non-financial risk

10 Onerous contracts at initial recognition are recognized at the total expected loss in the profit and loss of the reporting period

3 Segmentation - more extensive reporting by operating segments

7 New approach to expenses of the insurance activities

4 3 methods of valuation: general model, premium allocation approach, variable fee approach

8 New structure of the financial statements



IFRS 17 does not affect the potential to create value and pay dividends



The IFRS 17 standard affects the presentation of data, while it does not affect the ability to generate financial flows.

IFRS 17 – no impact on:

- **strategy** – in the product and distribution area
- **allocating capital to strategic initiatives** – maintaining existing key business initiatives
- **cash flows** – maintaining high capacity to generate value and capital, no impact on cash flows
- **payment of dividends** – maintaining a dividend policy that is attractive to shareholders

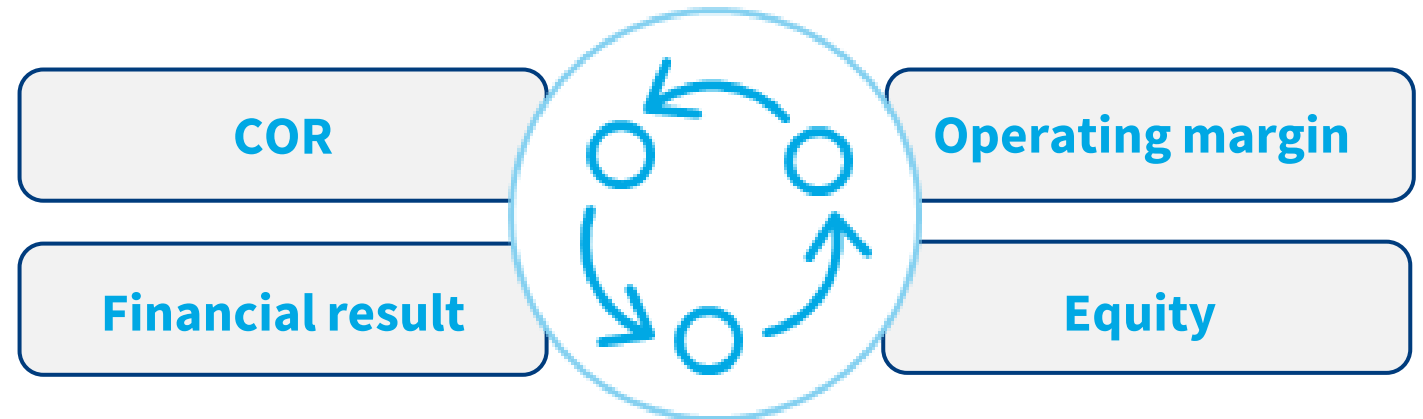
IFRS 17 changes the presentation of insurance events ..



The application of the financial reporting standard changes the approach to the presentation of data in the financial statements from both a structural (reporting items) and financial (valuation) perspective.

This will translate into:

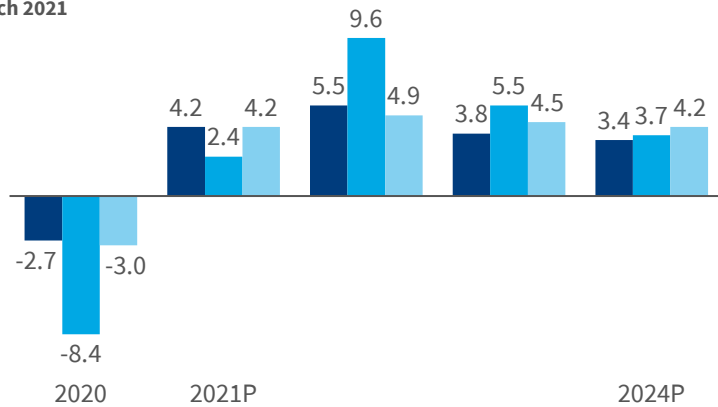
- different distribution over time of results from long-term insurance contracts
- adjustment of capital and dividend policy with unchanged dividend profile of PZU Group
- the need to recalibrate the existing benchmarks for the strategic Key Performance Indicators



... while taking into account changes in the macroeconomic environment...

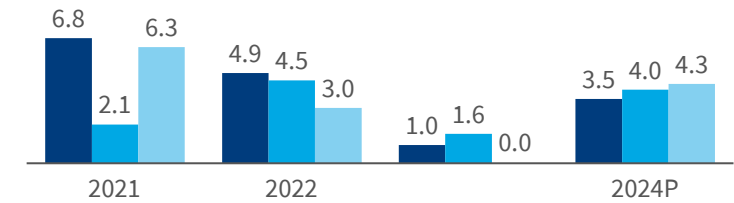
Economic growth

March 2021



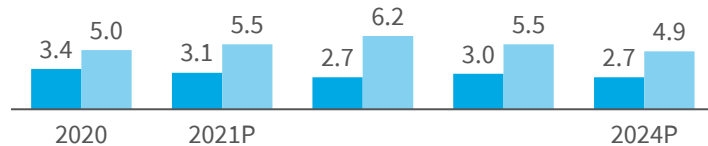
- GDP (real change)
- Investment in fixed assets (real change %)
- Individual consumption (real change %)

March 2023



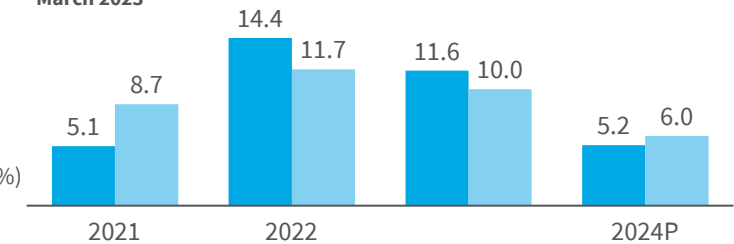
Inflation and remuneration

March 2021



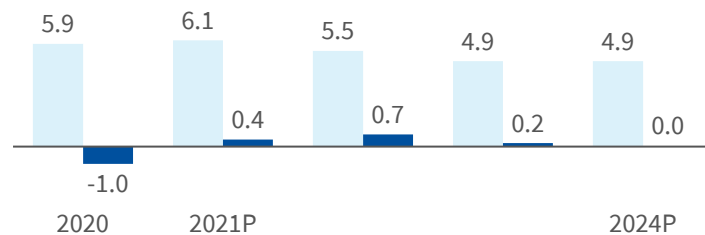
- CPI inflation - on average per annum (%)
- Nominal remuneration - change on average per annum (%)

March 2023



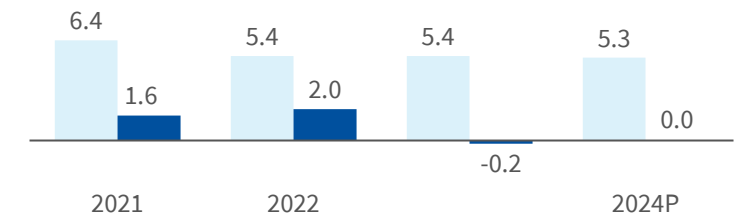
Labor market

March 2021



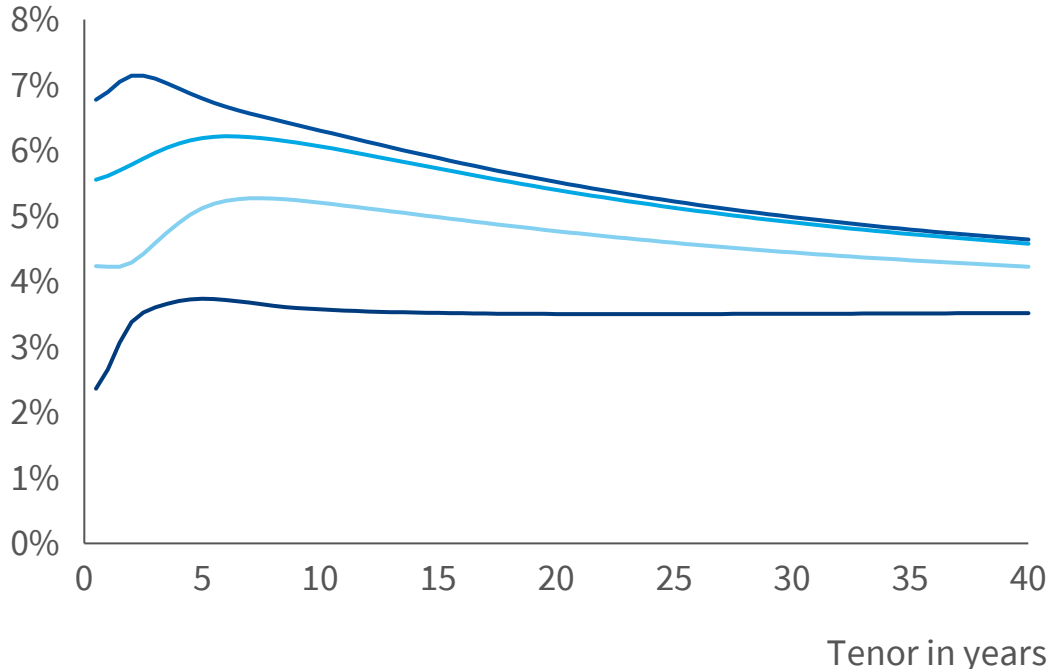
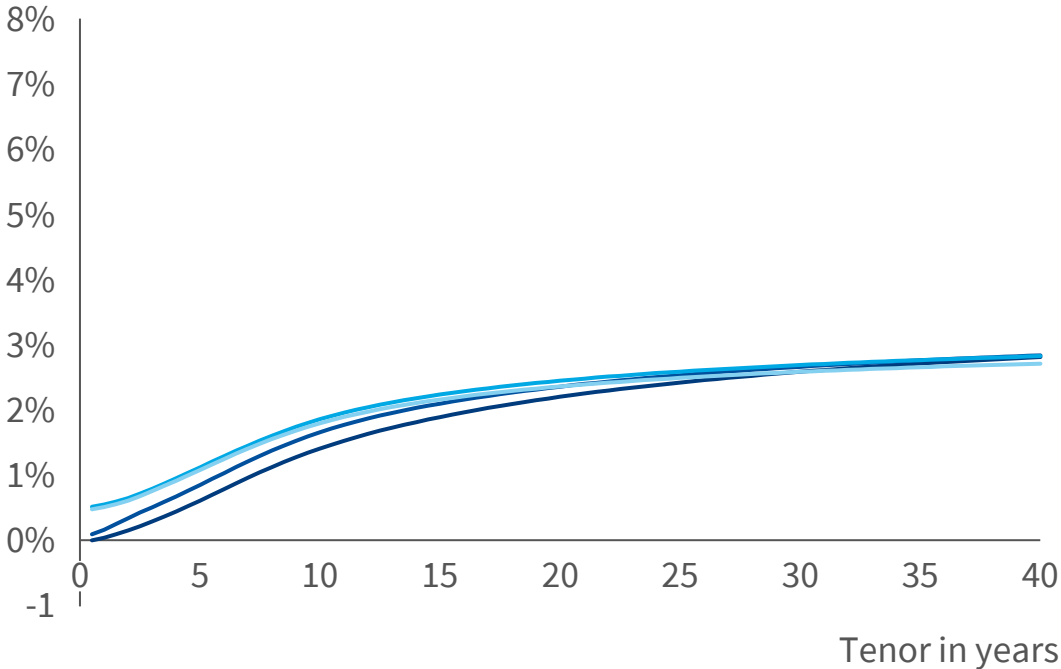
- Unemployment - on average per annum (%)
- Employment - change on average per annum (%)

March 2023



...by the impact of changes in interest rate levels

 March 2021  April 2023



— 2021 — 2022 — 2023 — 2024

Source: PZU's own forecasts based on EIOPA methodology for determining risk-free rates



Continued implementation of strategic objectives – changes in valuation of liabilities and presentation of results after implementation of IFRS 17

Non-life insurance

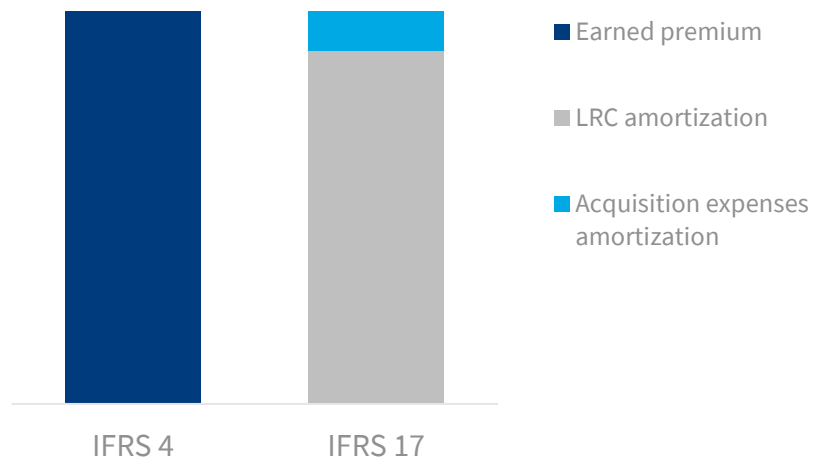
Summary of key changes

- Non-life insurance valued primarily based on the premium allocation approach (PAA), which ensures **comparability of insurance revenue to earned premiums under IFRS 4**
- Conservative **valuation of incurred claims reserves under IFRS 4 replaced by valuation based on best estimate of cash flows** with risk adjustment for non-financial risk (Risk Adjustment)
- Claims reserves recognized at present value (taking into account the effect of the time value of money). **Changes in discount rates** affecting provisions **recognized directly in equity**

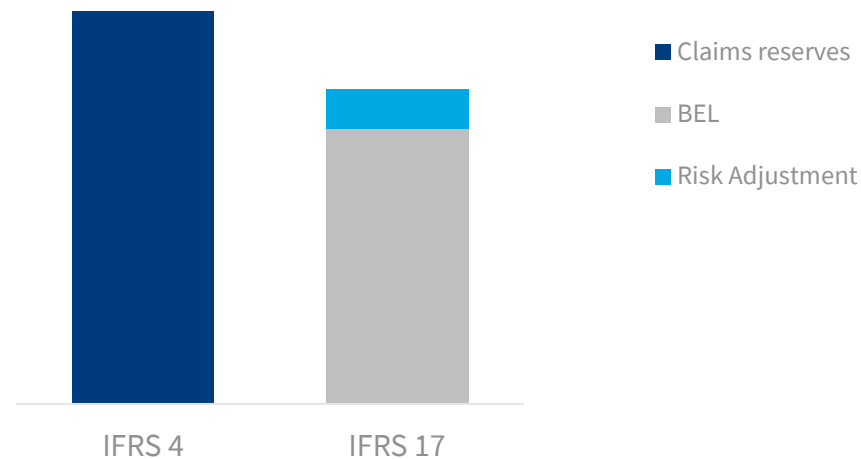
Key KPIs

- **Gross written premium (GWP)** is replaced by a new measure – **insurance revenue**. GWP will not be reported directly in the profit and loss account, but will remain an observed financial measure
- **Combined ratio (COR)** will remain a key KPI; however, the calculation method has been adapted to the new measures introduced by IFRS 17. New COR will be calculated as a ratio of insurance service expenses divided by insurance revenue (both items net of reinsurers share)

Comparison of insurance revenue under IFRS 4 and IFRS 17



Comparison of claims reserves under IFRS 4 and IFRS 17



Life insurance

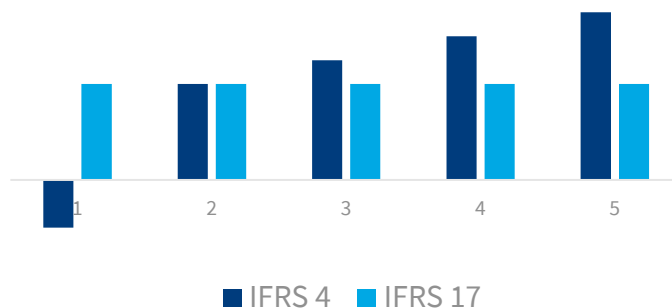
Summary of key changes

- The conservative mathematical provision is replaced by the liability of remaining coverage (LRC) which is the sum of three components: present value of cash flows, risk adjustment and contractual service margin (CSM) representing future earnings
- Life insurance contracts valued mainly using the general measurement model (GMM), for which the main source of the result in the period is the release of the CSM, which leads to more **stable scheme of profit distribution** over time
- Unlike IFRS 4, in which any changes in actuarial assumptions were directly recognized in the result for the period, under IFRS 17, the impact of **assumption changes** is recognized through changes in CSM amounts and **amortized over the life of the contract**
- For the GMM model, **the effect of a change in interest rates** on liabilities **is recognized directly in equity** through the change in other comprehensive income (OCI) and **does not affect the result of the period**
- **Profit presented in a more transparent way.** The insurance service result will be presented separately from the financial result. Insurance revenue presented excluding the so-called non-distinct investment component

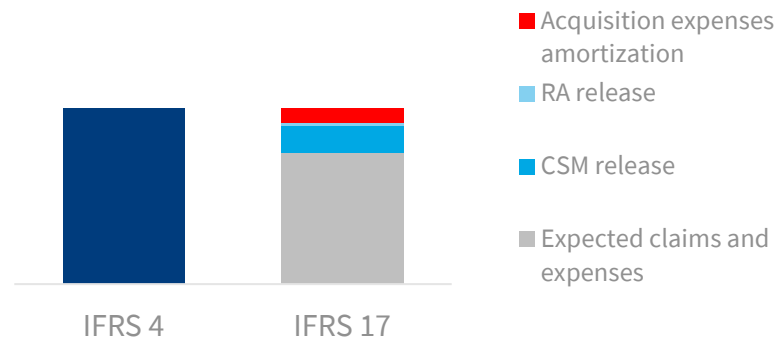
Key KPIs

- **Gross written premium (GWP)** is being replaced by a new measure – **insurance revenue**. GWP will not be reported directly in the profit and loss account, but will remain a monitored financial measure
- **CSM** can be used in many new KPIs to measure profit levels in the future
- **Insurance margin** will remain a key KPI, but the calculation method has been adapted to the new measures introduced by IFRS 17. The margin will be calculated as the ratio of insurance result including the allocated investment activities result to insurance revenue

Recognition of insurance service result over time under IFRS 4 and IFRS 17 (example)



Insurance revenue under IFRS 4 and IFRS 17



Health Pillar

In the consolidated financial statements, **PZU Health Pillar's revenue** consists of activities carried out under:

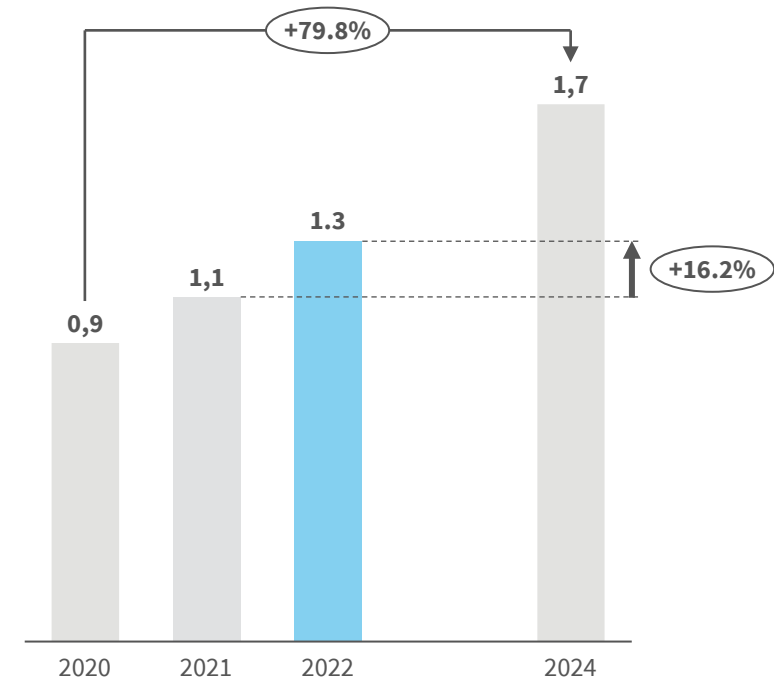
- **insurance business activities**, carried out mainly at PZU Życie in the form of group supplemental protection insurance, **valued in accordance with IFRS 17** – insurance contracts
- **non-insurance business activities** (recorded as other income), which consists of PZU Health's operations in the form of:
 - medical subscriptions
 - occupational medicine
 - services performed in accordance with contracts with the National Health Fund
 - other services implemented on a “*fee for service*” basis

measured in accordance with IFRS 15 – revenue from contracts with clients

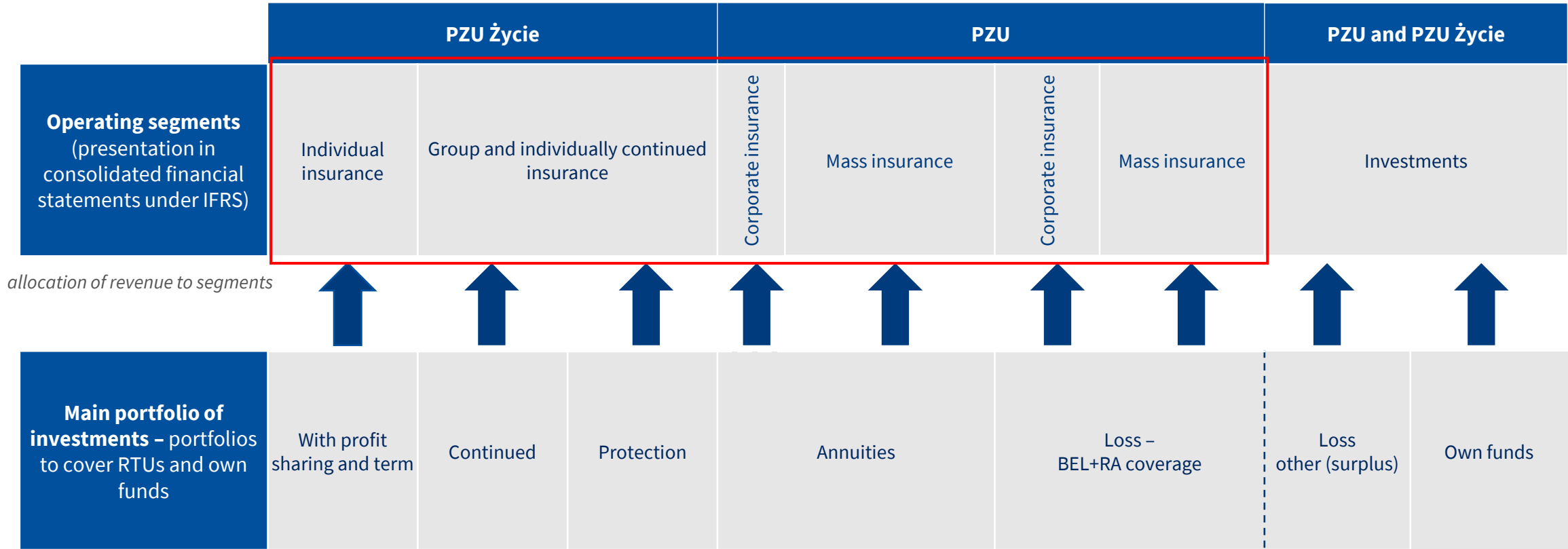
The introduction of the new standard **does not affect the revision of the strategic objective** in the PZU Health Pillar.

For the insurance business, achievement of the strategic objective will continue to be measured by gross written premiums.

Health Pillar Revenue (PLN bn)



Investment activities (main portfolio)



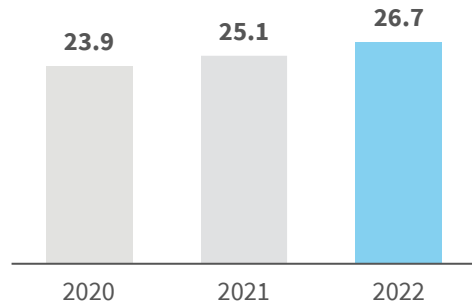
Reallocation of investment income – allocation based on **actual** investment income (on an IFRS basis) of individual investment portfolios, according to the purpose and **valuation reflecting a specific investment strategy**

Investment income **modeled according to risk appetite**, separately by:

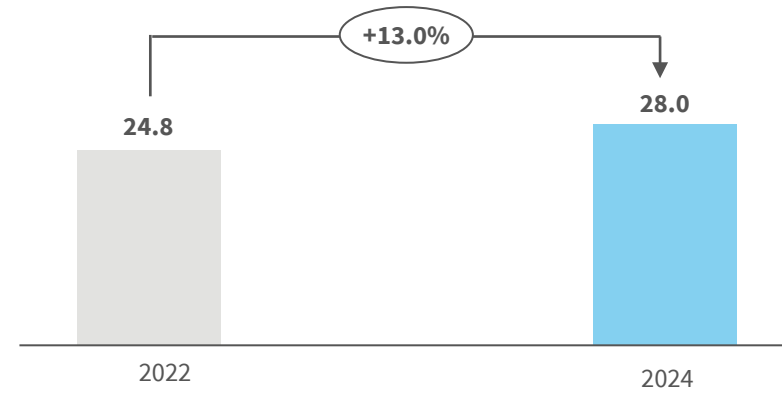
- **portfolio to cover technical provisions** (containing assets with lower valuation volatility and higher liquidity) – need to meet local technical rate requirements (PAS)
- **surplus portfolio** – managed according to assumptions for specific investment strategies in line with strategic asset allocation

Insurance revenue

PZU gross written premium IFRS 4 (PLN bn)



Gross insurance revenue IFRS 17 (PLN bn)



- Although GWP will not be disclosed in the consolidated statements under IFRS 17, the PZU Group will monitor this indicator for reasons of comparability to the market and comparability to historical data
- At the same time, insurance revenue will be a new measure to monitor business volumes
- PZU Group forecasts further insurance revenue growth of 13.0% in remaining strategy horizon
- The difference between gross written premium and gross insurance service revenue results from the following several factors:

Non-life insurance

- recognition in insurance service revenue of liabilities arising from the remaining coverage period, analogous to the gross earned premium under IFRS 4
- part of premiums related to the recovery of acquisition expenses
- commission from inward reinsurance, which reduces gross revenue under IFRS 17
- write-offs from unpaid premiums and interest from overdue premium payments included in gross revenue under IFRS 17
- bonuses and rebates as well as reinsurance sliding scale (NDIC) are reducing gross revenue under IFRS 17

Life insurance:

Insurance revenue under IFRS 17 includes:

- expected claims, benefits and expenses
- contractual service margin (CSM) release in the amount of total contract profit attributable to the period
- release of risk adjustment for non-financial risk
- part of premiums related to the recovery of acquisition expenses unlike written premiums, insurance revenue under IFRS 17 does not include expected surrender values for endowment products or expected benefits from insurance event up to the fund value for Unit-Linked products (NDIC)

The effect of implementing IFRS 17 on the balance sheet

The effect of implementing IFRS 17 on consolidated equity of the PZU Group as at 1 January 2022

PLN m	IFRS 4	IFRS 17 impact	IFRS 17
Total equity	39 994	5 115	45 109
Equity attributable to equity holders of the Parent	17 080	5 115	22 195
Other funds, incl. accumulated other comprehensive income	14 429	(770)	13 659
Accumulated, non-allocated result	2 651	5 885	8 536
Non-controlling interest	22 914	-	22 914

Valuation of provisions and assets in accordance with PAS

- Measurement of technical provisions under PAS is based on technical rate and is not directly impacted by current interest rates
- Investment policy of PZU Group is aligned with the PAS valuation; sovereign bonds held to maturity and measured at amortized cost (AC) account for 44% of entire investment portfolio

Estimated impact as at 1 January 2022

- **The impact of implementing IFRS 17 on equity is +PLN 5.1 bn**, mainly due to a different measurement approach to liabilities from insurance and reinsurance contracts
- Part of the measurement difference reduces accumulated other comprehensive income (-PLN 0.8 bn). Locked – in rates (discount rates used at the initial recognition, i.e. the rates from the period when the policy was issued or the period were the loss incurred) were mostly higher than the risk-free rates as at 1 January 2022

Estimated impact as at 31 December 2022

- The expected impact of IFRS 17 implementation on consolidated equity as at December 2022 is larger by further **PLN 3.5 – 4.0 bn more** than as at 1 January 2022, mainly due to a significant increase in risk-free interest rates in 2022

Asymmetry in the valuation of provisions and portions of assets under IFRS 17

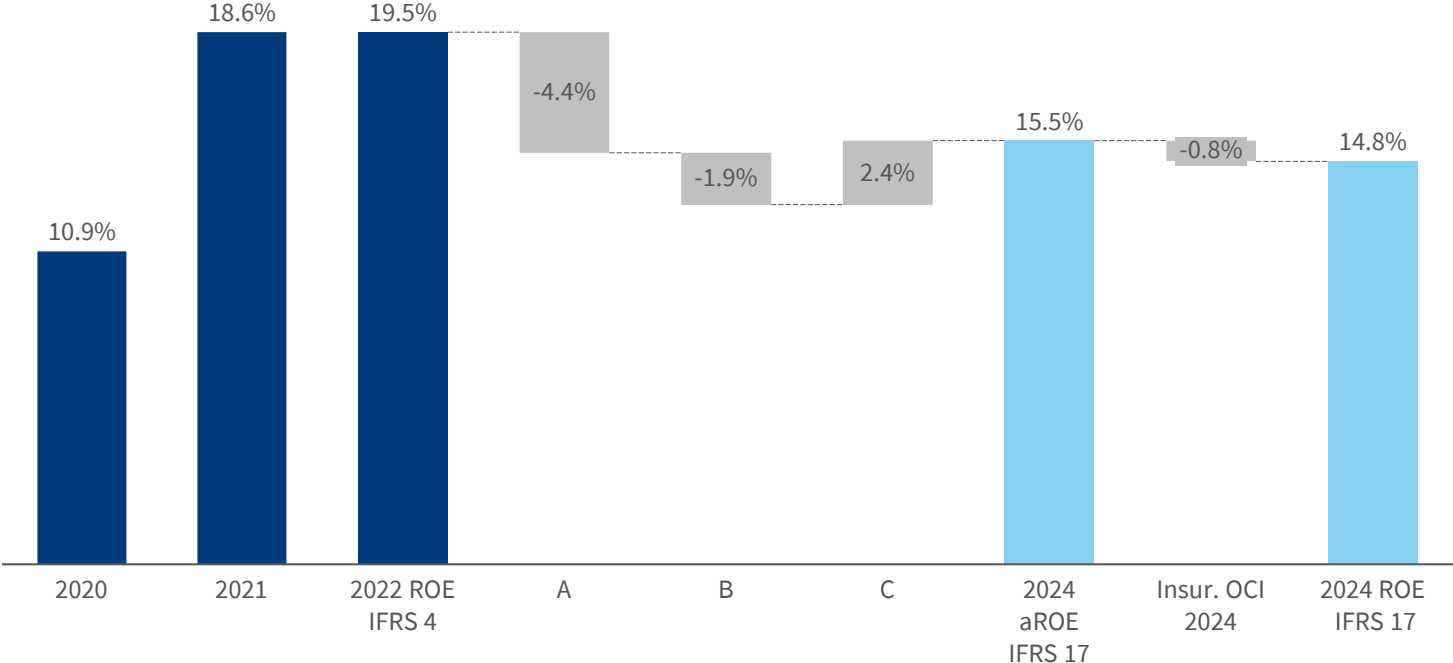
- In the consolidated financial statements, from 1 January 2023 based on IFRS 17, technical provisions will be measured based on current risk-free rates
- A significant portion of assets will remain at amortized cost
- This may cause volatility in the amount of equity



Recalibration of key indicators of the Strategy

Key implications of IFRS 17 implementation and changes in the macro environment between 2020 and 2024

Return on equity (ROE) and aROE¹



Key implications of IFRS 17 implementation and changes in the macroeconomic environment for ROE

- A. ROE decrease by 4.4 p.p. due to higher IFRS 17 equity resulting from the difference in provision valuation between IFRS 4 and IFRS 17
- B. Decrease by 1.9 p.p. due to other equity changes in the 2024 outlook, including the effect of a significant increase in interest rates reducing provisions under IFRS 17. This is recognized directly in equity through change in other comprehensive income. The decrease in reserves is not offset by changes in the value of assets, which are valued (consistent with the PAS) using the amortized cost method
- C. ROE increase by 2.4 p.p. determined by business growth and increased profitability mainly in non-life insurance and declining claims ratio in life insurance due to the recovery from the COVID-19 pandemic, among other factors

Expected **increase in aROE** in the following years determined by anticipated growth in the non-life insurance segment with stable equity levels excluding OCI in the insurance business

¹aROE, adjusted return on equity, calculated on an equity basis excluding other comprehensive income from insurance business (which are the effects of changes in the macroeconomic environment on the PZU Group's capital), which provides greater stability to the indicator

Recalibration of key indicators of the Strategy – implications for the PZU Group resulting from the implementation of IFRS 17 and changes in the macro environment

>28

Gross insurance revenue
(PLN bn)

- **Changes in KPIs**
- Written premium (GWP) is replaced by a new measure – insurance revenue. Written premium will not be reported directly in the profit and loss account. GWP will remain a monitored financial measure



4.3

PZU Group net profit (PLN bn)

- Net profit attributable to the equity holders of the parent company
- **KPI will remain unchanged**
- No impact of the change in the Standard on the shape of the indicator, the value changes



15.5

Adjusted return on equity (aROE %)

- **New indicator**
- Calculated based on equity excluding other comprehensive income from insurance business (being the impact of changes in the macroeconomic environment on the PZU Group's capital), which provides greater stability to the indicator



1.7

Health Pillar Revenue (PLN bn)

- **KPI will remain unchanged**
- No impact of changes in the Standard



1.0

Banks' contribution to PZU Group's net results (PLN bn)

- **KPI will remain unchanged**
- No impact of changes in the Standard on the shape of the indicator, the value changes as a consequence of changes in strategy in the banking segment



60

Assets under management (PLN bn)

- **KPI will remain unchanged**
- No impact of changes in the Standard



≥200

Solvency II ratio (%)

- **KPI will remain unchanged**
- No impact of changes in the Standard



We will keep the Capital and Dividend Policy unchanged

We are maintaining our Capital and Dividend Policy

- PZU plans to maintain dividend policy attractive to shareholders
- PZU also does not expect changes in the level of dividends as the stand-alone reporting of PZU and PZU Życie remains unchanged, that is based on the Polish Accounting Standards

With the reservation that:

- 1) According to the Management Board's plans and risk and solvency self-assessment of the parent company, the own funds of the parent company and the PZU Group following the declaration of payment or payment of a dividend will remain at a level that will ensure fulfillment of the conditions specified in the capital policy
- 2) When determining the dividend the regulatory authority's recommendations concerning dividends will be taken into consideration

Dividend policy in 2021-2024



	2011	2012	2013	2014	2015	2016	2017	2018	2019*	2020*	2021
Consolidated net profit attributable to the equity holders of the parent company (PLN m)	2 344	3 255	3 293	2 968	2 343	1 935	2 895	3 213	3 295	1 912	3 336
Dividend payout (for a given year)	1 937	2 565	4 663	2 591	1 796	1 209	2 159	2 418	-	3 022	1 675
Dividend payout ratio based on the net profit attributable to the holders of the parent company	83%	79%	142%	87%	77%	62%	75%	75%	0%	158%	50%

* According to the KNF guidelines, no dividend disbursement in 2019, cumulative disbursement in 2020

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