



# PZU Group Financial Results

in 2Q21

Warsaw, 26 August 2021





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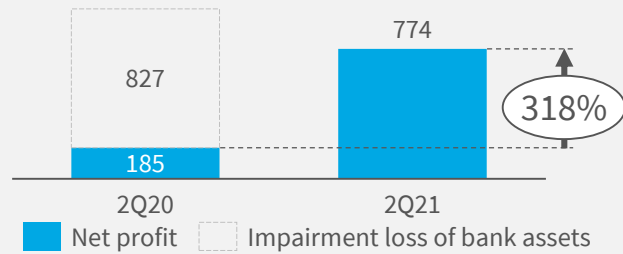
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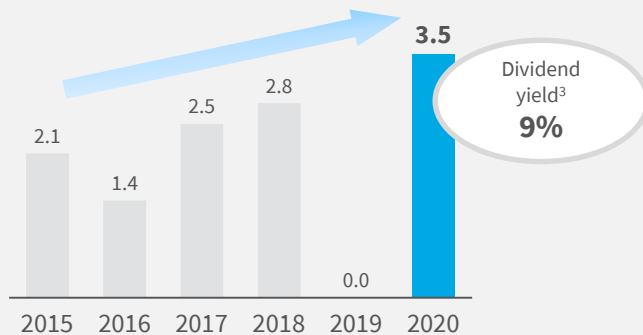
## 1. PZU Group's main accomplishments

# That was a solid six months. We keep our dividend promises

## Consolidated net profit<sup>1</sup>



## Dividend per share (PLN)



High profitability

**Net profit more than quadrupled y/y**  
ROE of **17.1%** in 2Q21 and **18.7%** in 1H21



Stability and security

High solvency ratios, capacity to generate a high recurring capital,  
**solvency ratio significantly above the strategic levels<sup>2</sup>**



Profit distribution

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



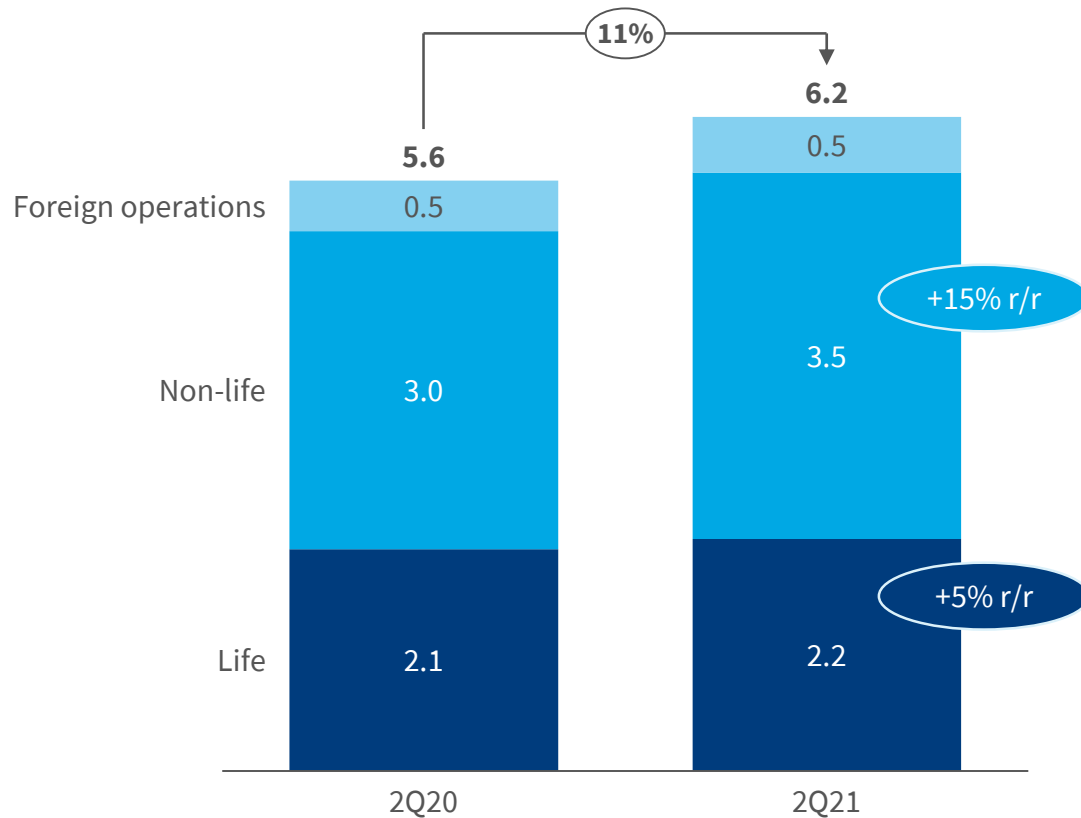
Diversified model

Business model diversification as the recipe for recurring results: **high profitability of non-life insurance**, excellent performance of the **investment portfolio** outpaces the adverse impact exerted by the pandemic

1. Net profit attributable to equity holders of the parent company  
2. 1Q21 data  
3. Dividend yield: dividend of 3.5 PLN per share approved by the OSM in reference to the closing price of 25 August 2021

# Record 1H sales, with quarterly sales up 11%

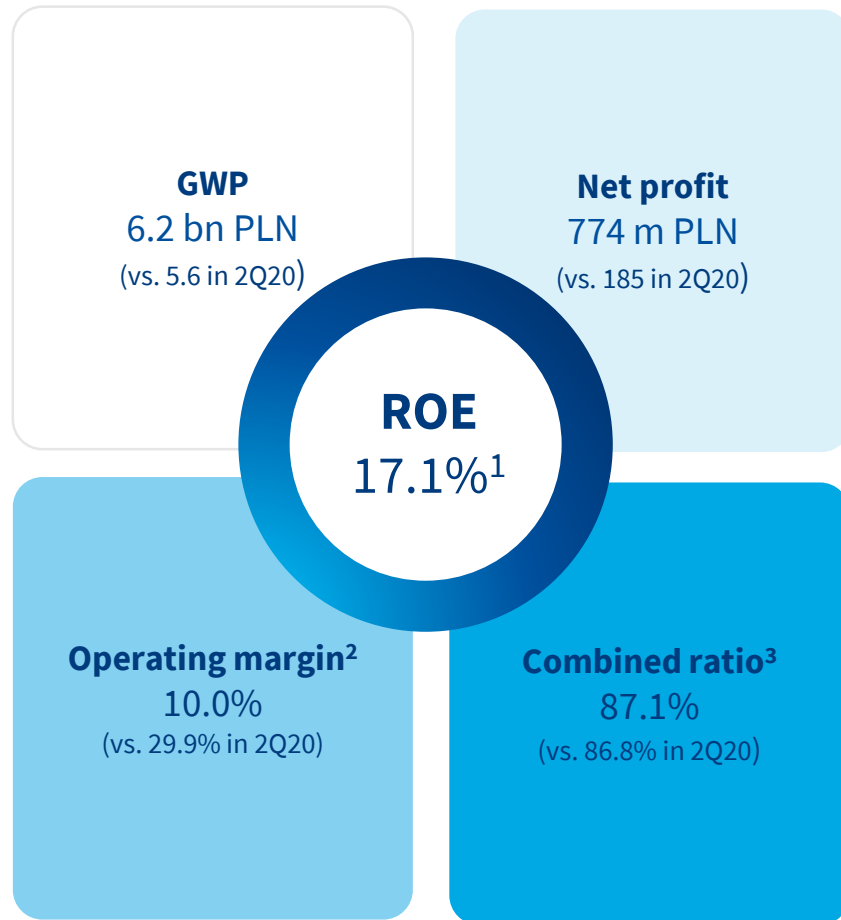
Gross written premium and its growth in 2Q21 (bn PLN)



- **Acceleration of the revenue growth rate**, premium up by 11% y/y in 2Q21 (1% in 1Q21)
- **Dynamic growth of premiums in non-life insurance** – premium up by 15% y/y in 2Q21. Strong demand for corporate insurance. Motor insurance under pressure from the market’s expanding competitiveness and falling prices
- **Protection products with premium growth of 34% y/y were the main driver of premium growth** in life insurance. Strong premium growth in investment products (+23.8% y/y)
- Intensive development of sales through the bancassurance channel: **doubling gross written premium y/y from cooperation with PZU Group’s banks**
- Ongoing dynamic growth in the demand for private medical services; **PZU Zdrowie’s revenue up 28.5%<sup>1</sup> y/y** in 1H21, which included a 39.3% y/y increase in revenues generated by centers
- Intensive development of the **investment pillar** - TFI PZU one of the leaders in the sales of funds in 1H21 and market share in ECS, funds continue to attract incoming investments with interest rates at record-breaking low levels
- Market share in ECS at 36%<sup>3</sup>, including the net asset value of 822.1 m PLN (>95 thousand companies acquired)

1. Data presented for the centers for the period from the beginning of the year regardless of the time of acquisition  
 2. By the number of companies

# High business profitability in 2Q21

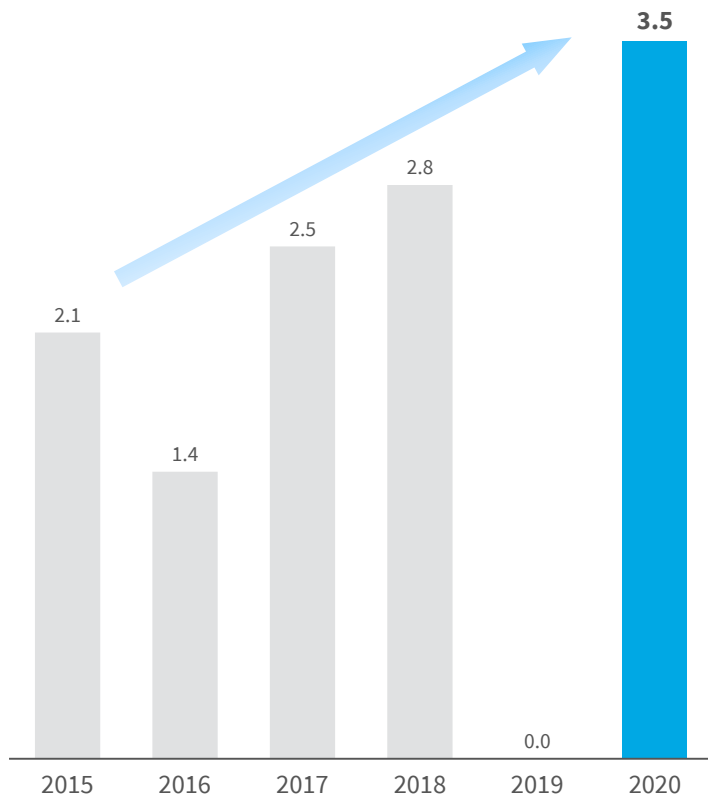


- Very high profitability maintained in non-life insurance – combined ratio of **87.1%** in 2Q21 (**86.8%** in 2Q20)
- **Return on the main portfolio: 4.7% in 2Q21 and 6.3% in 1H21** (5.1% in 2Q20), positive impact exerted by the results on the equity portfolio
- Operating margin in group and individually continued insurance in 2Q21 affected by the pandemic at **10.0%**; adjusted margin **26.1%**<sup>4</sup>
- **Costs under strict control;** despite pressure to raise wages and other costs related to the COVID-19 pandemic, the cost ratio<sup>5</sup> was 6.8% in 2Q21 (7.2% in 2Q20)
- **Return on equity of 17.1% in 2Q21 and 18.7% in 1H21** ; PZU among the insurers generating the highest ROE in Europe

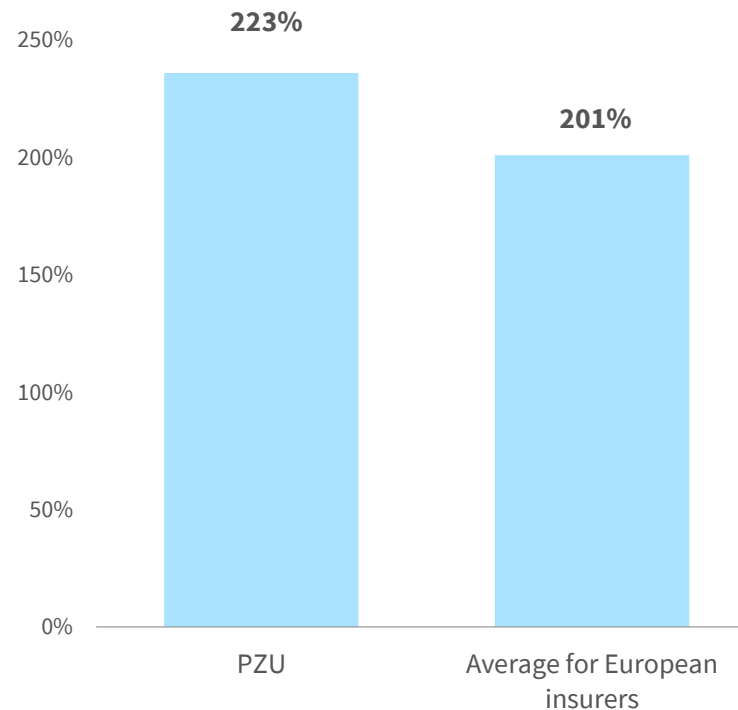
1. Annualized ratio, attributable to equity holders of the parent company  
2. Margin in 2Q20 and 2Q21 for the group and individually continued insurance segment  
3. Non-life insurance in the PZU Group (Poland)  
4. Margin adjusted to account for the deviation resulting mainly from the pandemic and the related excess mortality  
5. PZU and PZU Życie

# High level of safety in the conducted business makes it possible to disburse cumulative dividends for 2019-20 in line with the regulator's recommendation

**Dividend per share (PLN)**



**Solvency II for the PZU Group compared to the average of European insurers (1Q21)**



- The **dividend of 3.5 PLN per share** approved by the Ordinary Shareholder Meeting, translates into a **9% dividend yield**<sup>1</sup>
- Solvency II as at 31 March 2021 at very high levels on a European scale: **223%**<sup>2</sup> **for the Group**
- S&P Global Ratings rating at **A-** with a stable outlook.
- **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 of 3.5 PLN per share approved by the OSM in reference to the closing price of 25 August 2021

2. Data as at 31 March 2021, calculated based on circular letter of Polish FSA to insurance companies dated 16.04.2021



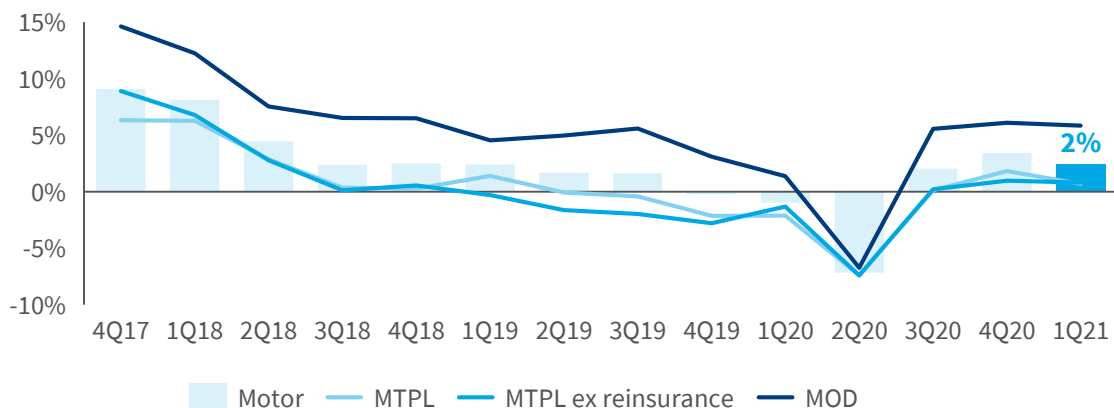
## 2. Business development



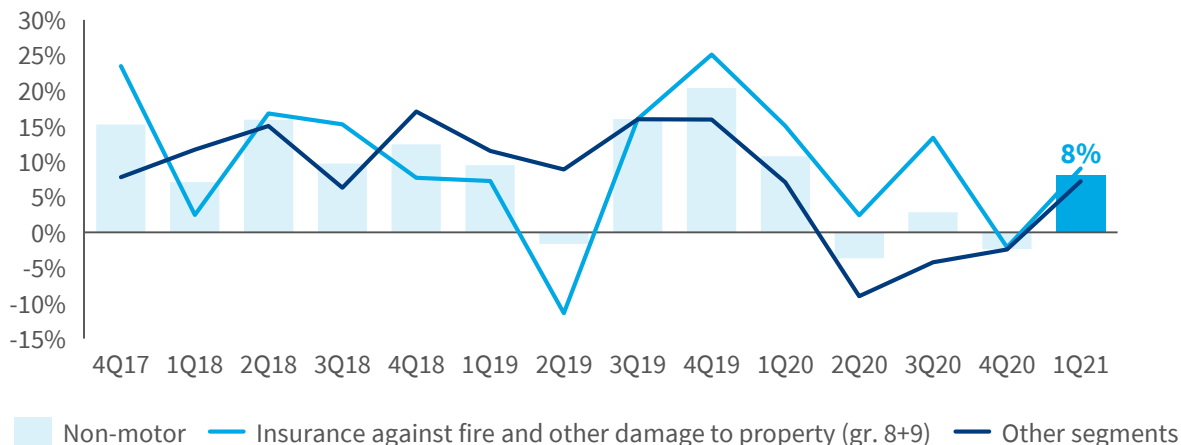


# Trends on the non-life insurance market in Poland

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

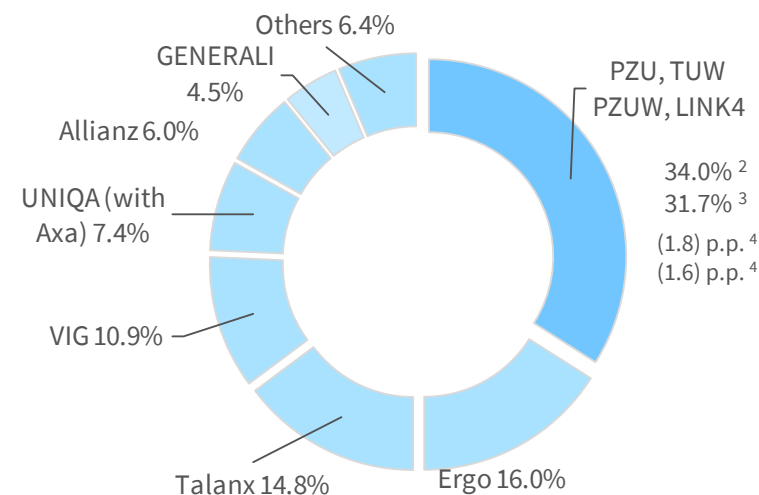


### Growth rate of the non-motor insurance market<sup>1</sup>, y/y



- **Sales growth in motor insurance in 1Q21 (+2.4% y/y)** coupled with sales growth in MOD of 5.8% and in motor TPL of 0.7%
- Rising number of policies in TPL (+2.0% y/y) in conjunction with a **decline of average prices (-1.1% y/y)**<sup>1</sup>
- **Recovery on the non-motor insurance market (+8.1% y/y)**. The largest contributors to this growth included property insurance (+9.0% y/y) and general TPL (+12.1% y/y)
- **The PZU Group's market share in non-life insurance** (direct business) in 1Q21 was 31.7%
- **PZU Group's high percentage of the market's technical result at 41.1%**<sup>1</sup>

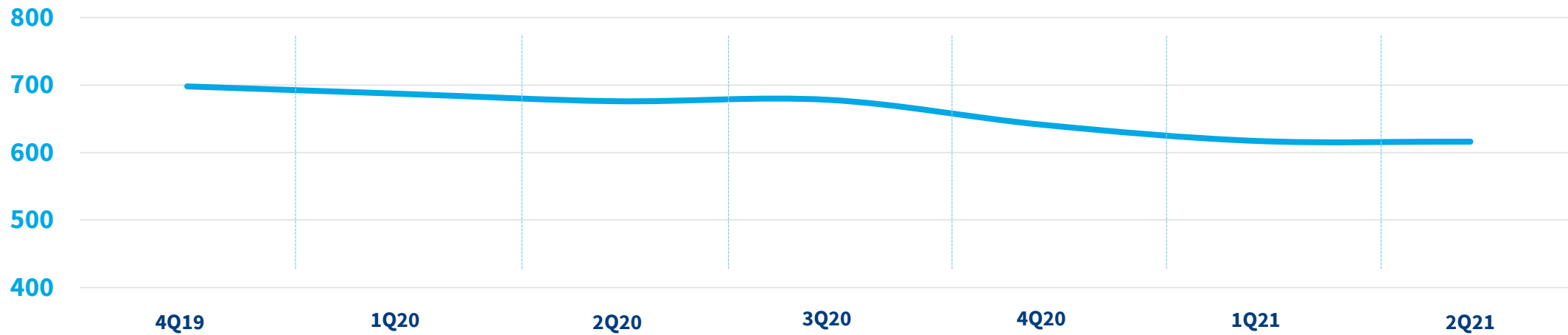
### Market shares<sup>2</sup>



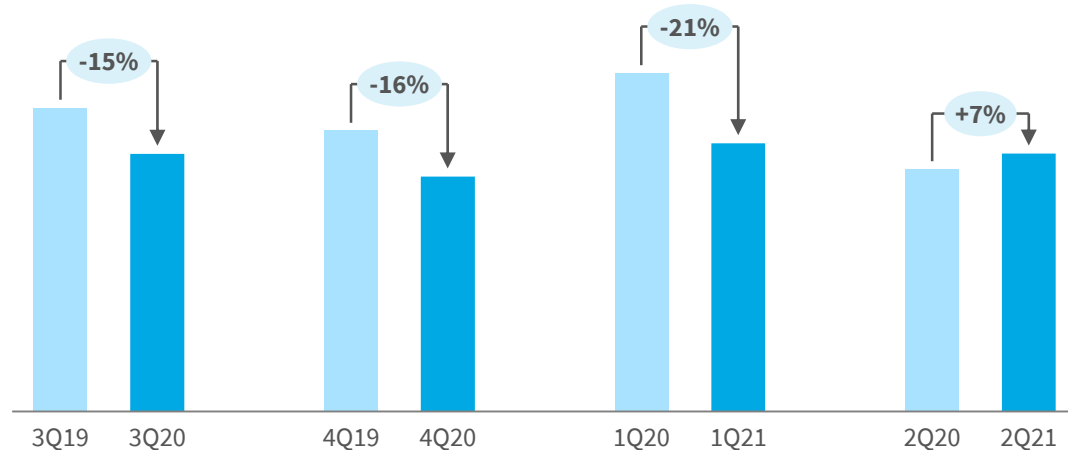
1. according to the Polish FSA's 1Q21 report  
 2. according to the Polish FSA's 1Q21 report; i.e. the market and market shares including PZU's inward reinsurance from LINK4 and TUV PZUW  
 3. PZU Group's market share in non-life insurance on direct business at the end of 1Q21  
 4. movement in market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

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

Change in the average market price for motor TPL



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

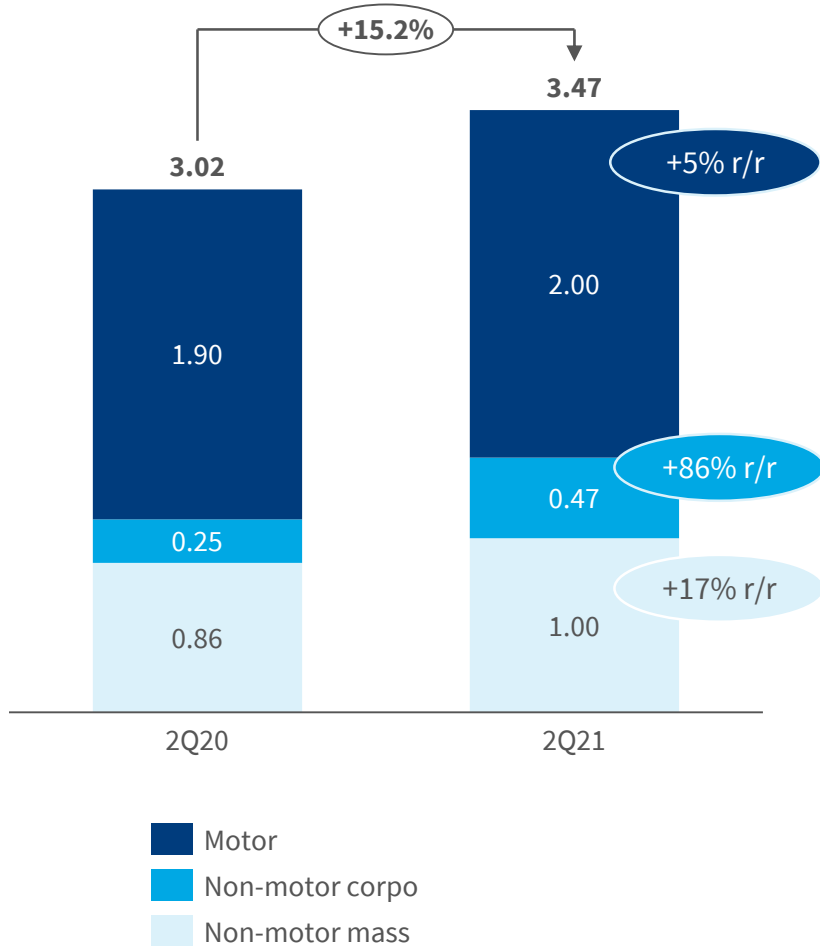


- **Increase in claims frequency in 2Q**, with a slow-down of the downward price trend from recent quarters.
- Frequency still **below the loss ratios from before the pandemic** justify the continuation of low prices (10% decline in frequencies in 2Q21 vs. 2Q19)
- **Market of low insurance prices**, inflation and the **rising euro exchange rate** translating into higher costs of claims paid, in the longer run (after returning to natural loss experience) **may impede** the ability to continue **doing profitable business**

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

# Non-life insurance

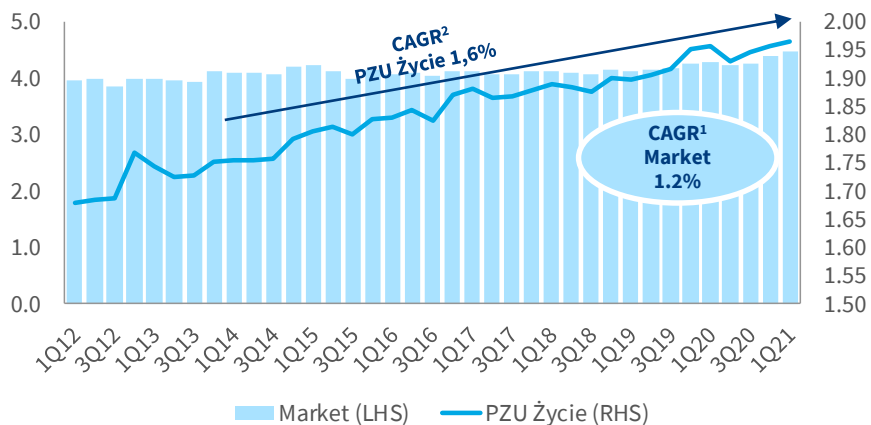
PZU Group's gross written premium in 2Q21, amount (bn PLN) and growth rate



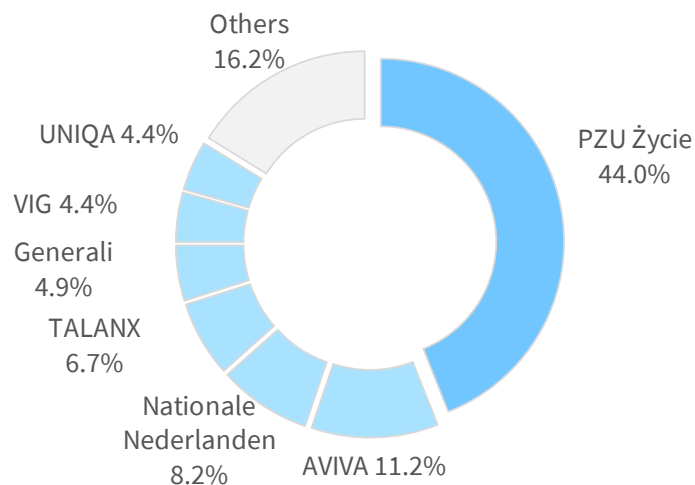
- **Growth** in the premium on **corporate non-motor** insurance of **86%**, mainly in insurance of other property damages, with a significant impact of a long-term contract renewal
- In **mass non-motor** insurance: growth mainly as a result of the growing sales of insurance **offered in cooperation with the Group's banks** for cash loans and mortgage loans, an increase in insurance premiums from small and medium enterprises, continuation of the growth in the **sales of residential insurance**, declines in ADD insurance
- 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 1Q21



### Life insurance market in 2Q21

- In 1Q, sales growth y/y in PZU Życie by 3.2% versus the 6.5% y/y growth of the overall market
- The market share held by PZU Życie was 40.6% (down 1.3 p.p.).

### Insurance with a periodic premium:

- PZU's key market share of periodic premium stayed high at 44.0% in 1Q21, also for protection contracts (class I of life insurance); its market share was 55.9%

### Single premium insurance:

- Higher single premium insurance sales (+64 m PLN y/y), translating into market share expansion in single premium life products – market share up 2.2 p.p. y/y
- Market share held by single premium products at its highest since 2008

### Group insurance:

- PZU Życie's premium in group insurance down 4 m PLN y/y in 2021, with the overall market growth of 1.8%

### Individual insurance:

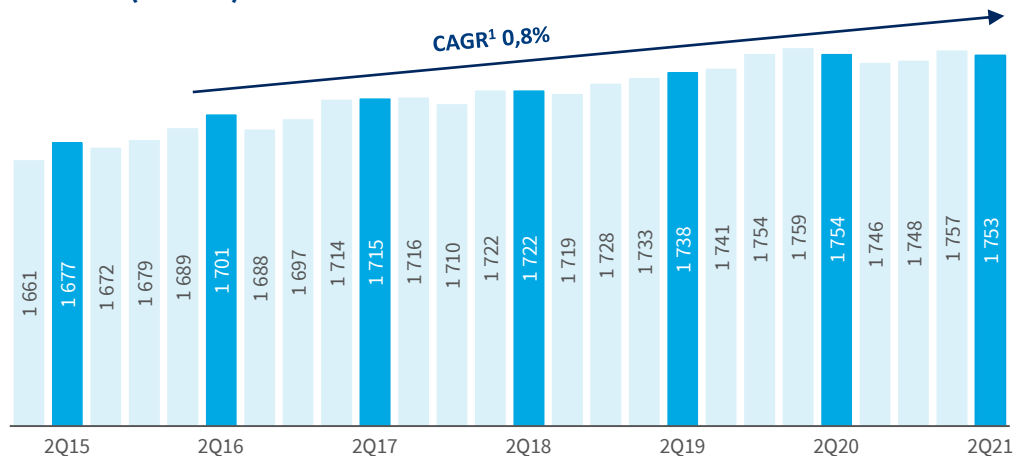
- In individual insurance PZU Życie was the premium growth leader (+74 m PLN y/y) in 1Q21. PZU's market share fell (-0.5 p.p y/y) in a growing market (+9.8% y/y)

The profitability of the technical result at PZU Życie in 1Q21 is higher than the average for the competition: 9.8% versus 9.3%; the share held by PZU Życie of the sector's overall technical result was nearly 42%

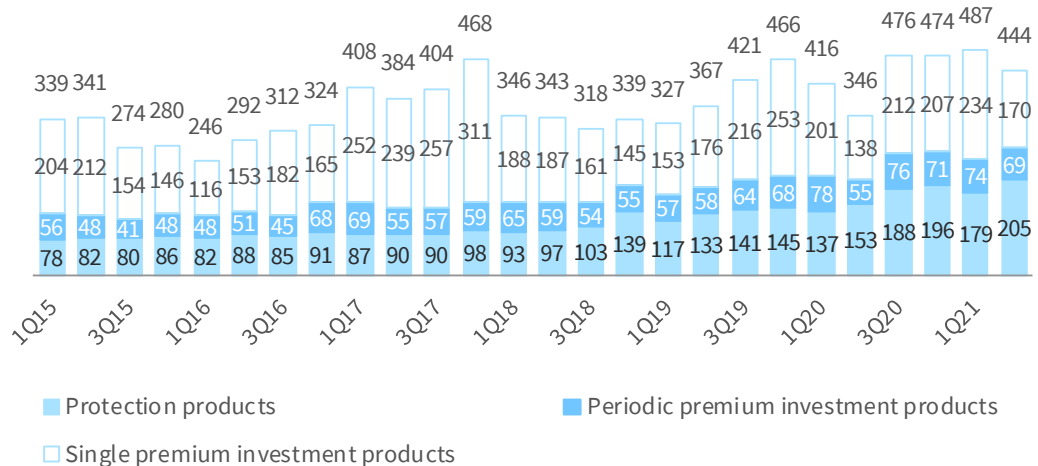
1. Market's periodic gross written premium, 1Q21 to 1Q14  
 2. PZU Życie's periodic gross written premium, 1Q21 to 1Q14

# 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)

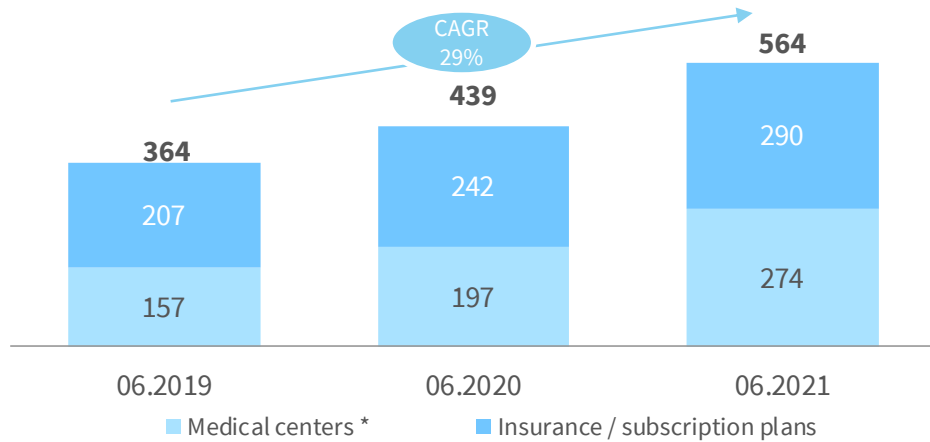


1. 2Q16 - 2Q21

- PZU Group's stable premium in **group and individually continued life insurance in 2Q21 y/y** in Poland despite the negative effects 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 2Q21, PZU Życie had **nearly 2.4 million health insurance contracts in force** in its portfolio.
- Steadily rising revenue generated by riders to continued insurance and by adding a **malignant neoplasm rider in** that insurance group in 2Q of this year
- **High level of sales of individual protection products in 2Q** driven by the development of **cooperation with Alior Bank** to offer single premium individual life insurance to clients taking out mortgage loans
- Lower level of single contributions in 2Q21 to **unit-linked** accounts in insurance offered jointly with banks

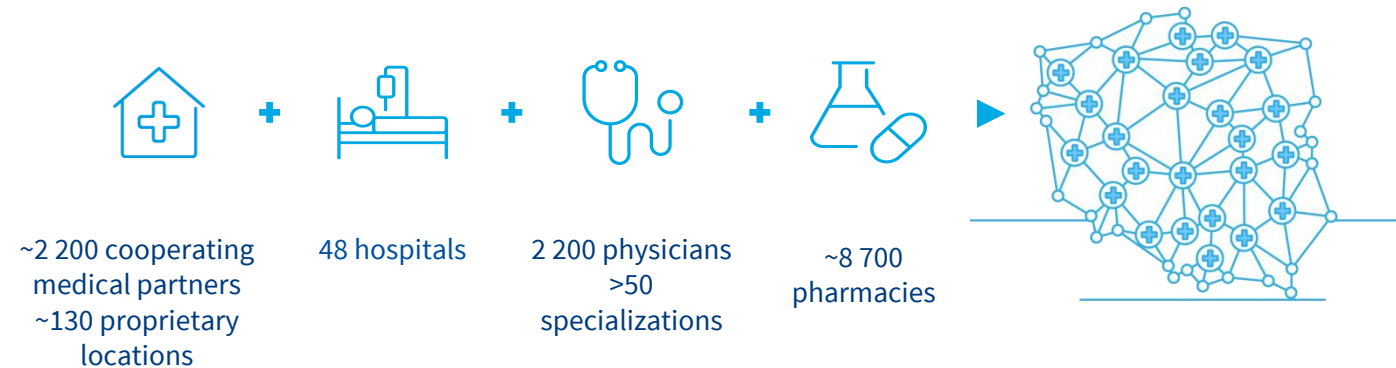
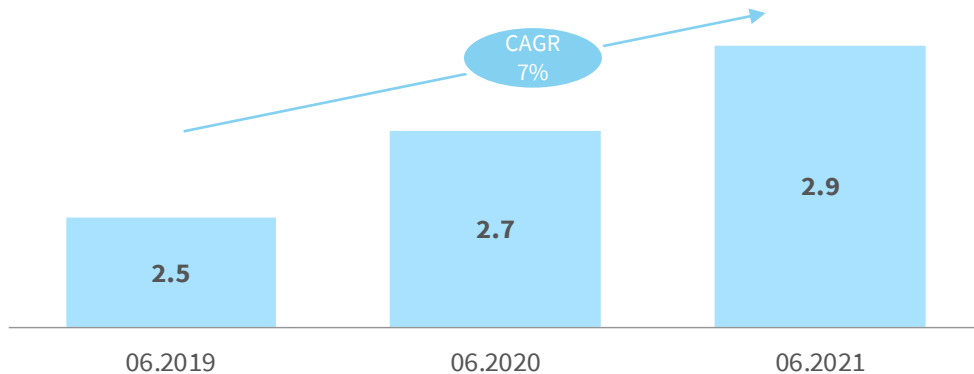
# Development of the scale of operations in health

## 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 agreements 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

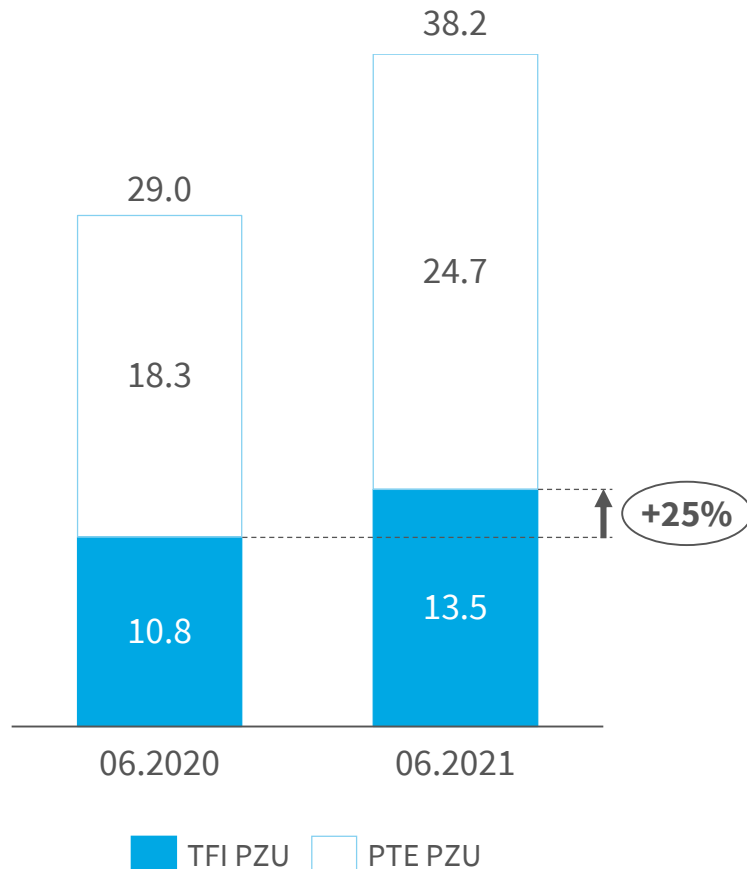
## Number of contracts at the end of the period (m)



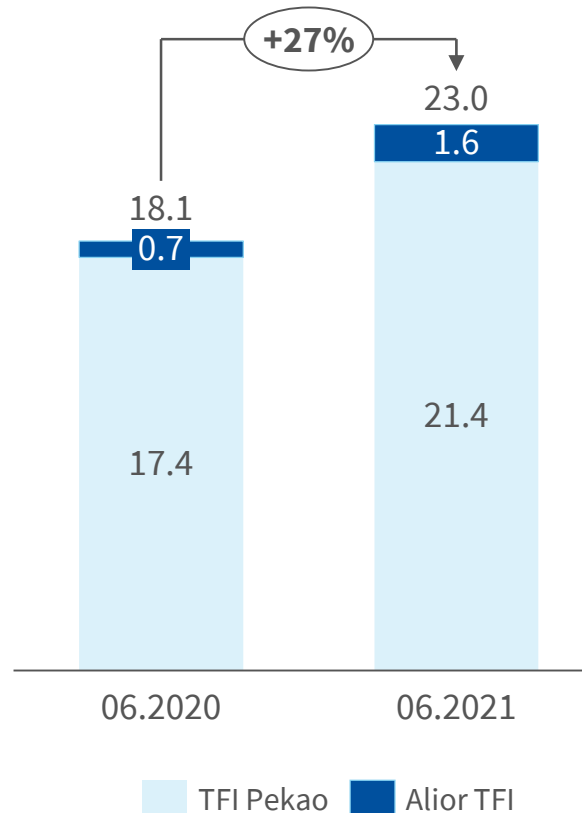
\* Data presented for the centers for the period from the beginning of the year regardless of the time of acquisition

# 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)**

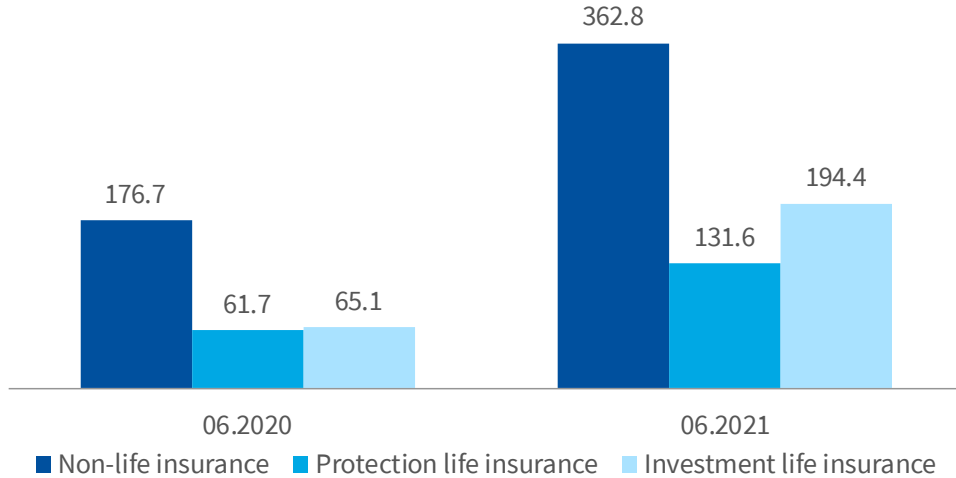


- Significant **increase in assets under management** – up 26% y/y to 36.5 bn PLN<sup>2</sup>
- **Increase in assets under management at TFI PZU of 25% y/y**, including a four-fold growth in Employee Capital Schemes (ECS)
- **PZU TFI among the leading fund management companies in terms of the inflow of funds and the leader among non-bank TFIs**
- **Net sales of TFI PZU at 1.1 bn PLN in 1H** (including 390.5 m PLN of net inflows under the ECS product)
- **Favorable mix of assets under management in TFI PZU** – percentage of assets linked to the third pension pillar (EPS and ECS) prevalent
- **TFI PZU's market share in ECS measured by the number of firms at 36%**, including the net asset value of 822.1 m PLN (>95 thousand companies acquired)
- Further **dynamic growth of the Employee Pension Scheme offering** (a 22% y/y increase in assets) resulting from co-payments of existing members and acquisition of new schemes

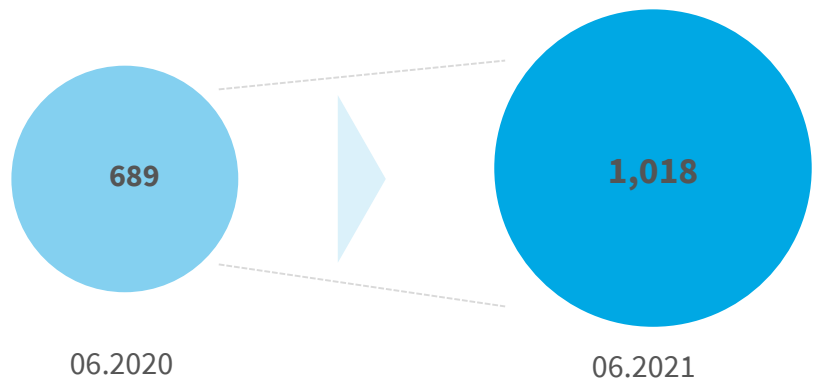
1. Assets managed by PTE PZU are not recognized as a objective in the new PZU Group's strategy for 2021-2024  
 2. According to the PZU Group strategy's new strategy in 2021-2024, third party assets under management in TFI PZU, Pekao TFI and Alior TFI

# 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:

- Doubling of insurance sales y/y by the PZU Group banks in 1Q21
- PZU Group's products are present in all of the major product lines of the PZU Group's banks
- Work on implementing standalone products in the banks' offer
- PZU Voyager insurance available for purchase by users of Alior Bank's web banking system
- Implementing 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
- By the end of 2Q, the Auto plus Account (ROR) promotion campaign was deployed in 111 Own Branches of PZU and 45 Partner Branches. Pilot sales of two banking products in the tied agent network: the account in the Auto plus Account promotional campaign and cash loan - 19 agents
- **Sum total of loans and client deposits secured by PZU for the bank exceeded 800 m PLN in June 2021**

#### Alior Bank:

- Development of the Cash Portal: implementation of two new products: Mini Cash (a small sum loan repaid from salary) and a consolidation loan, as well as the Cash Portal for the SME segment (the range among small and medium enterprises spans more than 3 thousand companies employing more than 200 thousand employees).
- Preparations under way to launch the consolidation loan.

- 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	2Q21	1Q21	2Q21	change y/y	change q/q
<b>PZU GROUP EXCL. ALIOR BANK AND BANK PEKAO</b>					
Gross written premium <sup>1</sup>	5,594	6,148	6,194	10.7%	0.7%
Net insurance claims and benefits paid	(4,010)	(3,926)	(4,144)	3.3%	5.6%
Net investment result (ex banking activities)	1,106	720	597	(46.0%)	(17.2%)
Administrative expenses <sup>1</sup>	(457)	(460)	(442)	(3.2%)	(3.8%)
Acquisition expenses <sup>1</sup>	(812)	(798)	(825)	1.6%	3.4%
Operating profit (loss)	1,438	1,052	771	(46.4%)	(26.7%)
<b>Net profit (loss) attributable to equity holders of the parent company</b>	<b>1,111</b>	<b>811</b>	<b>609</b>	<b>(45.2%)</b>	<b>(24.9%)</b>
<b>BANKS: ALIOR AND PEKAO</b>					
<b>Net profit (loss) attributable to equity holders of the parent company</b>	<b>(99)</b>	<b>86</b>	<b>165</b>	<b>x</b>	<b>91.8%</b>
Impairment of goodwill	(827)	0	0	x	x
<b>NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>185</b>	<b>897</b>	<b>774</b>	<b>318.4%</b>	<b>-13.7%</b>
<b>MAIN FINANCIAL RATIOS</b>					
ROE <sup>2</sup>	4.5%	18.8%	17.1%	12.6p.p.	(1.7)p.p.
Combined ratio <sup>3</sup>	86.8%	89.1%	87.1%	0.3p.p.	(2.0)p.p.
Margin <sup>4</sup>	29.9%	10.2%	10.0%	(19.9)p.p.	(0.2)p.p.
Administrative expense ratio of PZU, PZU Życie	7.2%	7.2%	6.8%	(0.4)p.p.	(0.4)p.p.
Acquisition expense ratio of PZU, PZU Życie	14.2%	14.2%	14.9%	0.7p.p.	0.7p.p.

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

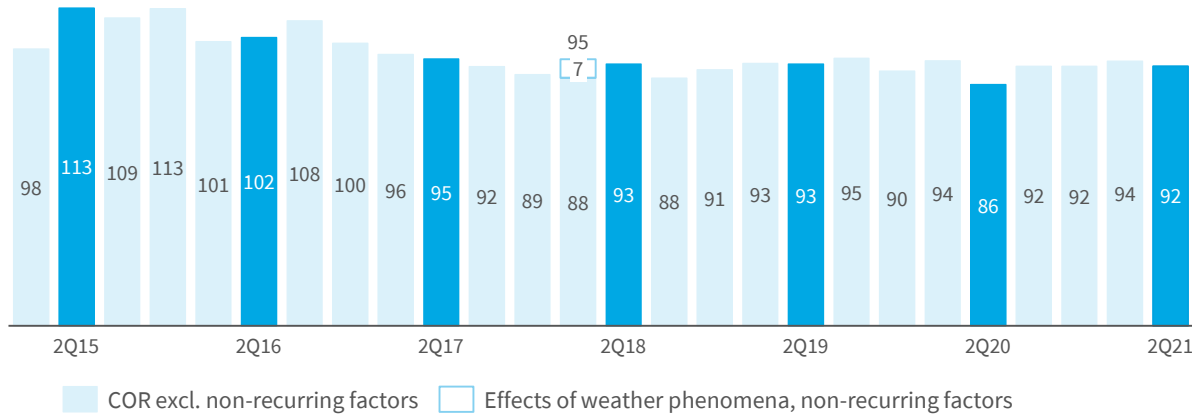
# Profitability by operating segments

## Insurance segments

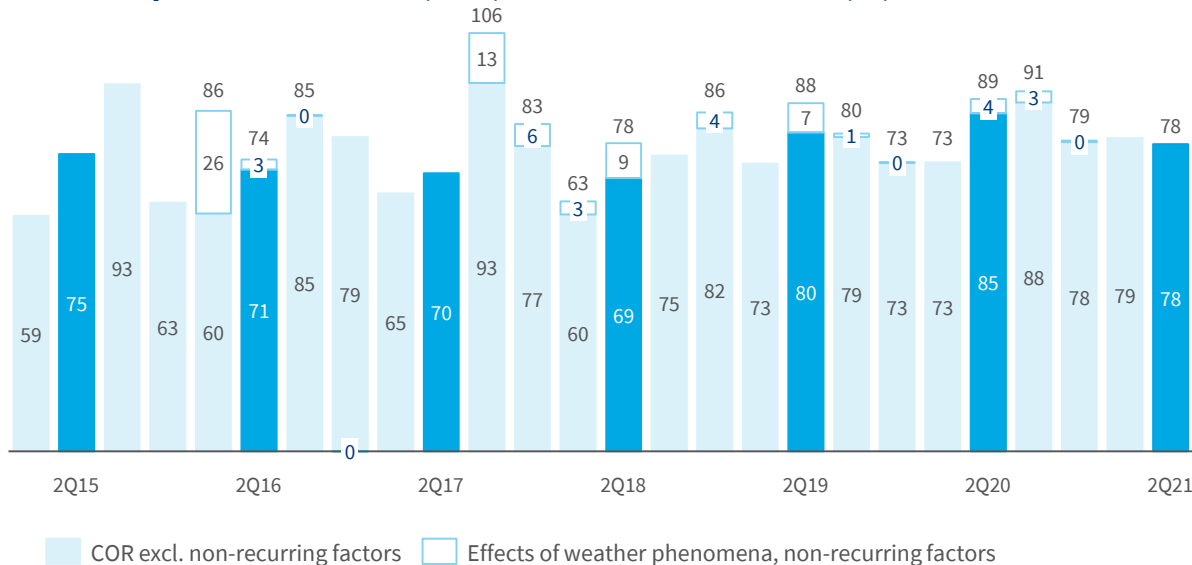
m PLN, local GAAP	Gross written premium			Insurance result / operating result			Combined ratio / Margin	
	2Q20	2Q21	Change y/y	2Q20	2Q21	Change y/y	2Q20	2Q21
Total non-life insurance – Poland	3,023	3,454	14.3%	476	427	(10.3%)	86.8%	87.1%
Mass insurance – Poland	2,470	2,655	7.5%	408	359	(12.0%)	86.0%	86.9%
Motor TPL	1,026	1,038	1.2%	175	81	(53.9%)	84.3%	92.9%
MOD	578	635	9.9%	93	59	(36.6%)	84.4%	90.5%
Other products	866	982	13.4%	87	190	119.7%	89.3%	76.9%
Impact of allocation to the investment segment	x	x	x	53	29	(45.0%)	x	x
Corporate insurance – Poland	553	799	44.5%	68	68	x	90.4%	87.8%
Motor TPL	153	152	(0.7%)	24	15	(40.0%)	90.5%	94.3%
MOD	147	179	21.8%	13	14	6.0%	93.5%	92.7%
Other products	253	468	85.0%	23	42	78.1%	87.7%	80.1%
Impact of allocation to the investment segment	x	x	x	7	(2)	x	x	x
Total life insurance – Poland	2,100	2,197	4.6%	573	204	(64.4%)	27.3%	9.3%
Group and individually continued insurance - Poland	1,754	1,753	(0.1%)	525	176	(66.5%)	29.9%	10.0%
Individual insurance – Poland	346	444	28.3%	48	28	(41.7%)	13.9%	6.3%
Conversion effect	x	x	x	2	(5)	x	x	x
Total non-life insurance – Ukraine and Baltic States	442	482	9.0%	83	70	(15.7%)	82.8%	86.4%
Baltic States	392	424	8.2%	65	61	(6.2%)	85.2%	86.8%
Ukraine	50	58	16.0%	18	9	(50.0%)	50.0%	81.3%
Total life insurance – Ukraine and Baltic States	35	44	25.7%	4	0	x	11.4%	0.0%
Lithuania	20	23	15.0%	0	(2)	x	0.0%	-8.7%
Ukraine	15	21	40.0%	4	2	(50.0%)	26.7%	9.5%
Banks	x	x	x	(946)	984	x	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

- the market is gradually revisiting the growth rate seen prior to the pandemic – this is visible on the new car sales and leasing market
- **high profitability** chiefly the outcome of the frequency of claims staying at low levels due to limited mobility
- ongoing price pressure on the market
- **rising euro exchange rate and inflation** are translating into significant growth of the average claims and benefits paid
- the consequences of the pandemic and economic slowdown, including the recession on the insurance market may be noticeable with a lag (most contracts are executed for a year), i.e. over the upcoming three or four quarters

## Non-motor insurance

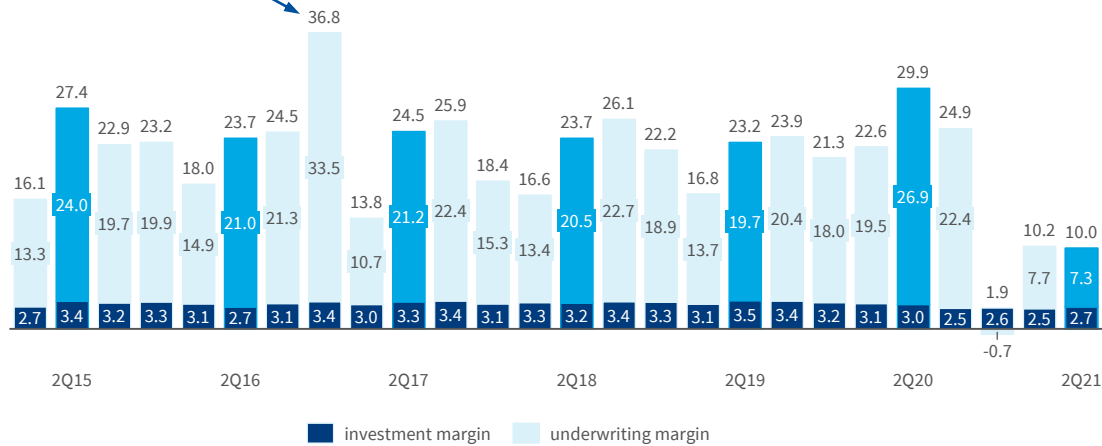
Profitability improvement both in corporate and mass insurance mainly due to:

- **decline in the loss ratio on the agricultural insurance portfolio** y/y - lower level of claims caused by weather events (torrential rain, hail)
- **lower loss ratio on the fire claims insurance portfolio**, guarantees and various financial losses, despite the occurrence of several large claims

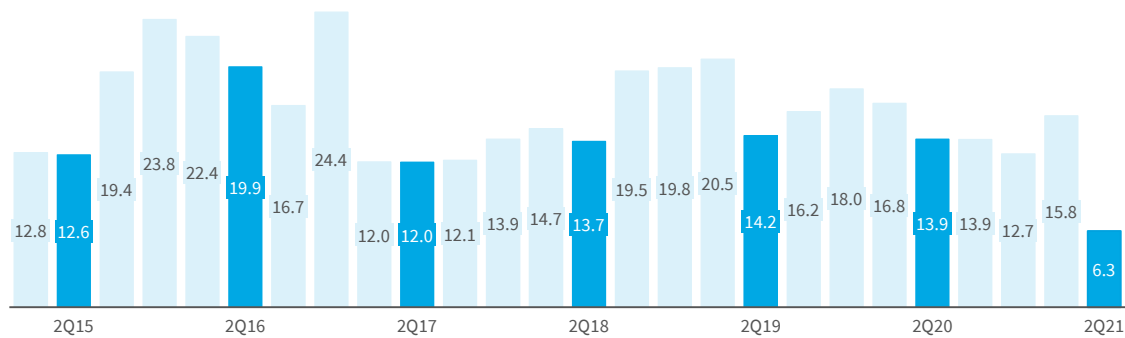
# Life insurance

## Margin in group and individually continued insurance<sup>1</sup> (%)

Updated assumptions to compute provisions



## Margin in individual insurance (%)



**Margin in group and individually continued insurance in 2Q down 19.9 p.p. y/y, at the level of 10.0%**

- **heightened mortality linked to the COVID-19 pandemic** in line with the climbing frequency of deaths observed in the overall population reported by the Central Statistics Office
- due to lower mortality forecasts in subsequent periods, **51 m PLN was derecognized from the provision for unexpired risk**. This provision was recognized at the end of last year to cover the possible shortfall of future premiums due to the higher expected mortality caused by the COVID-19 pandemic in 1H of this year
- **higher loss ratio of paramedical risks** (mainly hospital treatment and critical illnesses) and permanent dismemberment due to the higher number of reported benefits
- **lower amounts paid out on account of child birth claims**

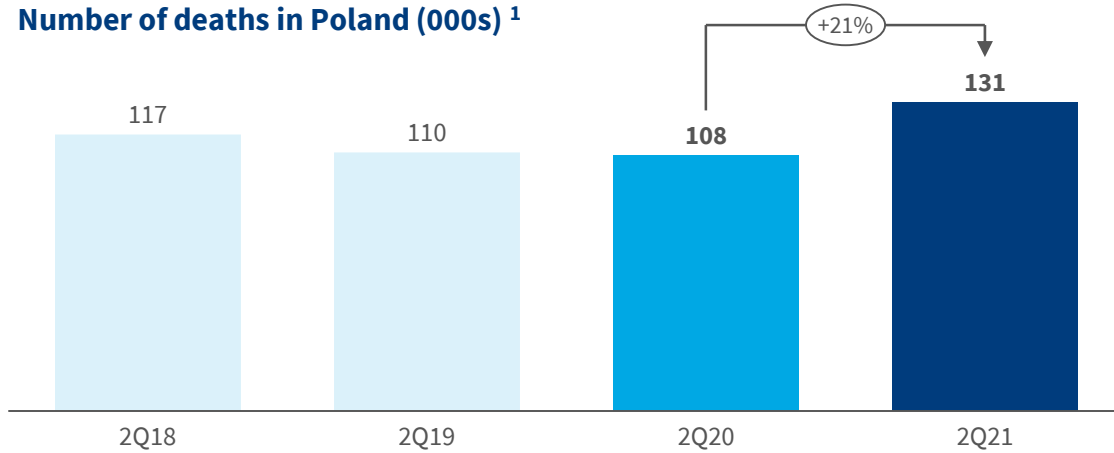
**In the individual insurance segment the margin in 2Q of 6.3%, down 7.6 p.p. y/y** was the outcome of the following:

- further **development of protection products in the banking channel** and of term products sold in the own network
- increased acquisition expenses in bank unit-linked insurance products
- **decrease in income from investments allocated** using transfer prices

1. Margin in group and individually continued insurance until 4Q19 net of the conversion effect, as of 1Q20 the conversion effect is no longer disregarded

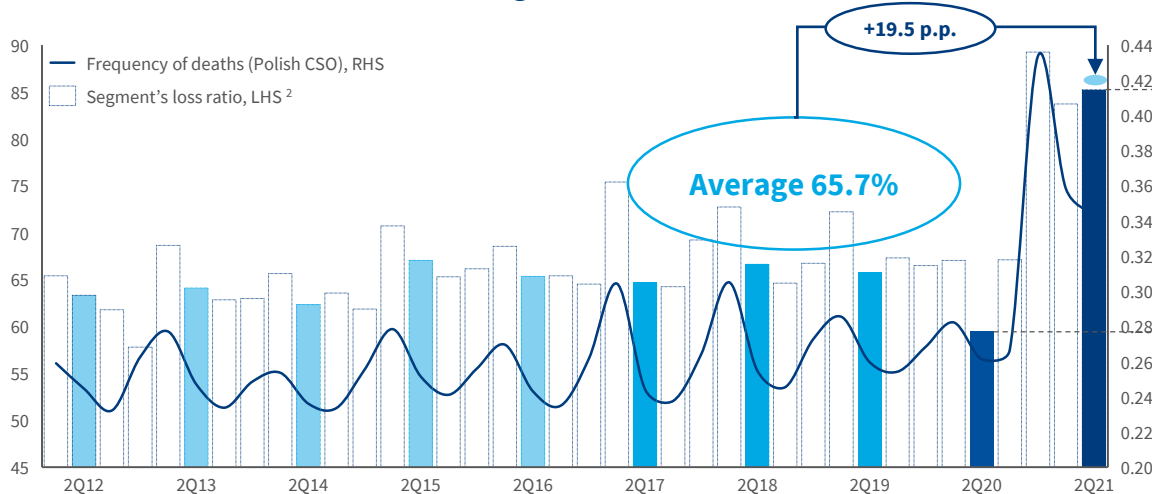
# Pandemic and the loss ratio in the group and individually continued segment in 2Q21

Number of deaths in Poland (000s) <sup>1</sup>

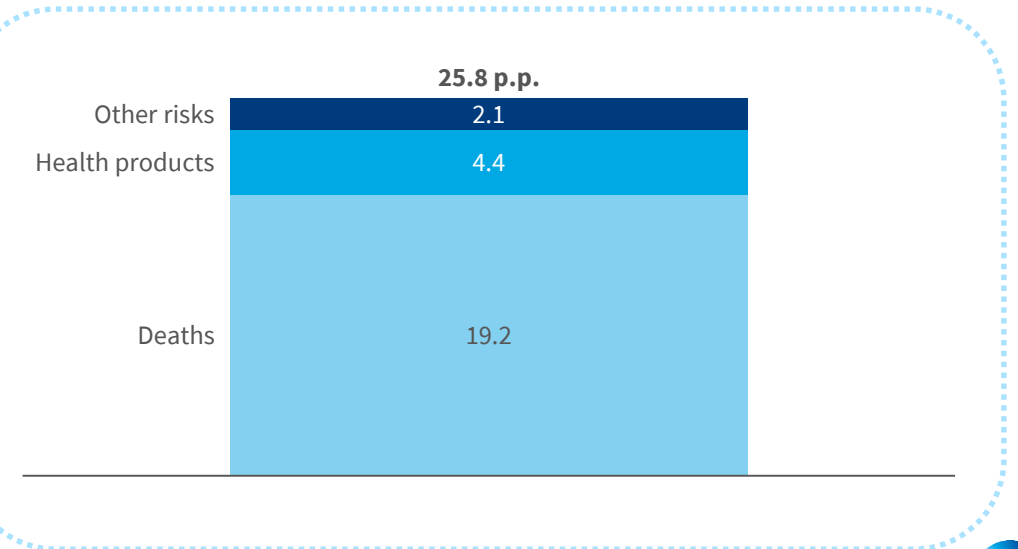


- Number of deaths in Poland in 2Q21 lower than in 1Q21 but still coming in at high levels
- Loss ratio in the group and individually continued insurance segment<sup>2</sup> **significantly higher y/y: +25.8%**, while the loss ratio in 2Q20 was very low as it incorporated the positive effects of the lockdown for the loss ratio seen in health products and other risks **Change in loss ratio vs. average for second quarters in 2017-2019 (before the pandemic) +19.5 p.p.** (the increase in the loss ratio taking into account the changes in mathematical provisions was **+14.4 p.p vs. the average for second quarters in 2017-2019**)
- The higher loss ratio in the segment in 2Q21 y/y was chiefly caused by the **higher frequency of deaths** in line with the increases observed for the entire population, higher usage of benefits in health products and higher loss ratio in paramedical riders and dismemberment riders included in group and individually continued insurance

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



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



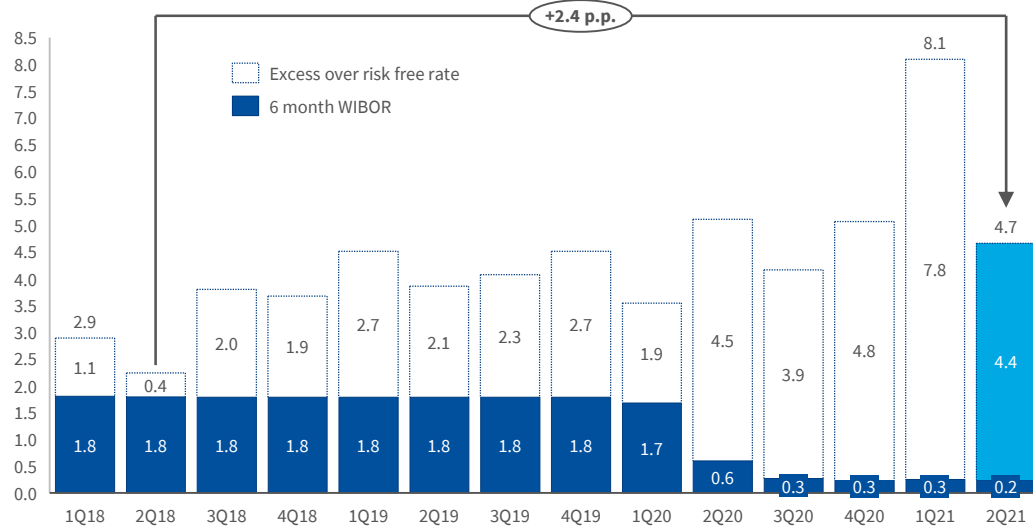
1. Second quarter of every year, in thousands, according to the Central Statistical Office's data (GUS)  
 2. Incorporates only protection products, benefits paid, the utilization of health products and the change in claims provisions

# Investment result

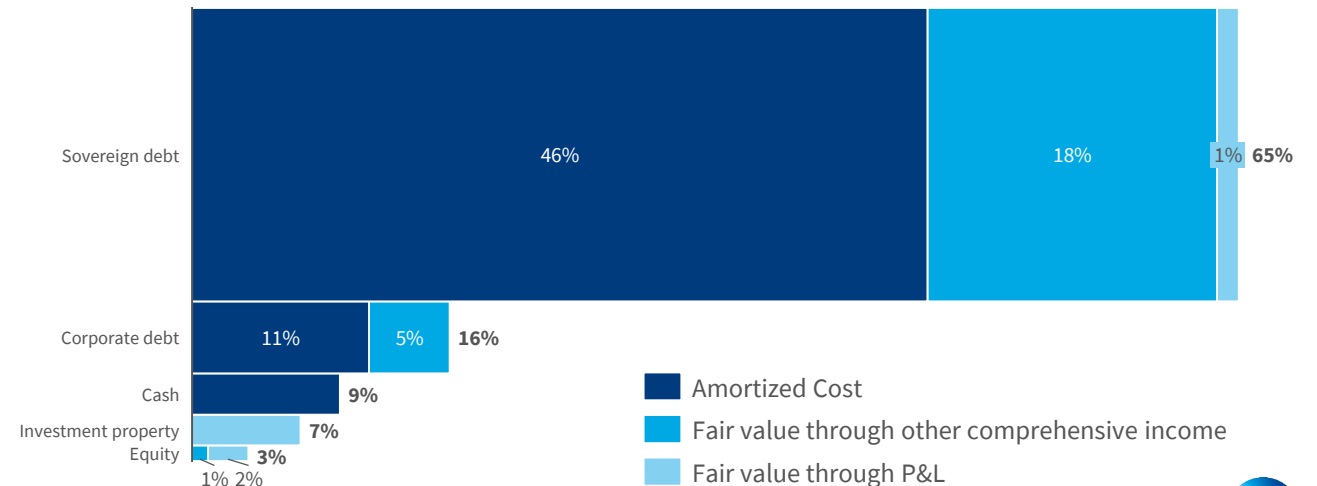
MSSF, m PLN	2Q20	1Q21	2Q21	change y/y	change q/q
<b>Net investment result</b>	<b>1,972</b>	<b>2,406</b>	<b>2,349</b>	19.1%	(2.4%)
Insurance and other activities	1,106	720	597	(46.0%)	(17.2%)
Main portfolio	<b>484</b>	<b>859</b>	<b>465</b>	(4.0%)	(45.9%)
Debt instruments - interest	317	321	323	1.8%	0.6%
Debt instruments - revaluation and execution	46	(5)	(25)	x	x
Equity instruments	11	519	131	x	(74.8%)
Real estate	109	24	37	(66.1%)	54.2%
-	-	-	-	x	x
Investment products	<b>493</b>	<b>(40)</b>	<b>155</b>	(68.7%)	x
Other	<b>128</b>	<b>(99)</b>	<b>(23)</b>	x	x
Banking activities	866	1,686	1,752	102.3%	4.0%

- **4.4 p.p. surplus profitability** in the main portfolio on FX on liabilities above the risk-free rate in 2Q21
- **Robust net interest income** – positive impact of interest income on the BGK and PFR bonds (containing a State Treasury guarantee) purchased in the portfolio measured at amortized cost, and inflation bonds, partly offset by reduction in income in the part of the portfolio linked to floating corporate bonds
- **Negative result on the measurement and realization of debt instruments, mainly due to the adverse impact of increases in market yields and the detrimental effect of foreign exchange differences on foreign currency portfolios**, whereas the exchange rate effect was partly offset at the level of the PZU Group’s overall net result by the change in the level of insurance liabilities covered by foreign currency assets
- **Higher measurement of the portfolio of equity instruments**, chiefly in the logistics sector and Private Equity funds
- Safe portfolio composition: debt instruments account for 81% of the portfolio, treasury debt accounts for 65% of the portfolio

## Return on the main portfolio with FX on liabilities

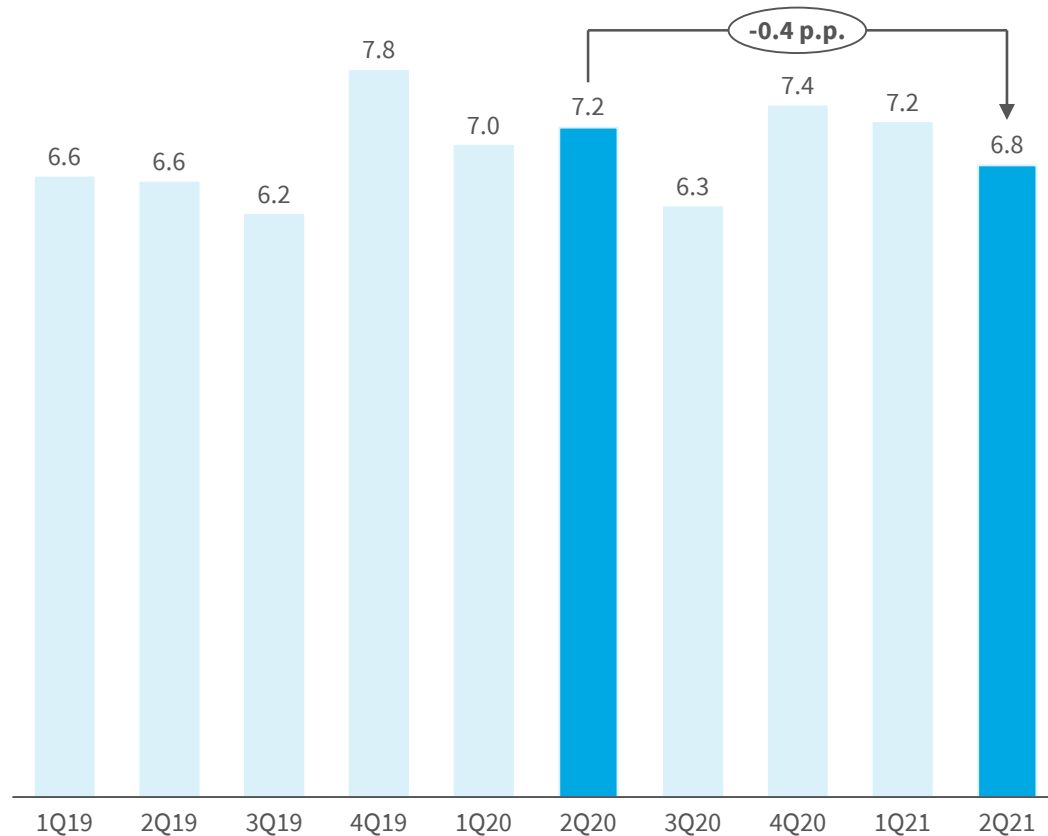


## Main portfolio composition by asset classes and the methods of their measurement



# Cost effectiveness

**Administrative expense ratio (%)**



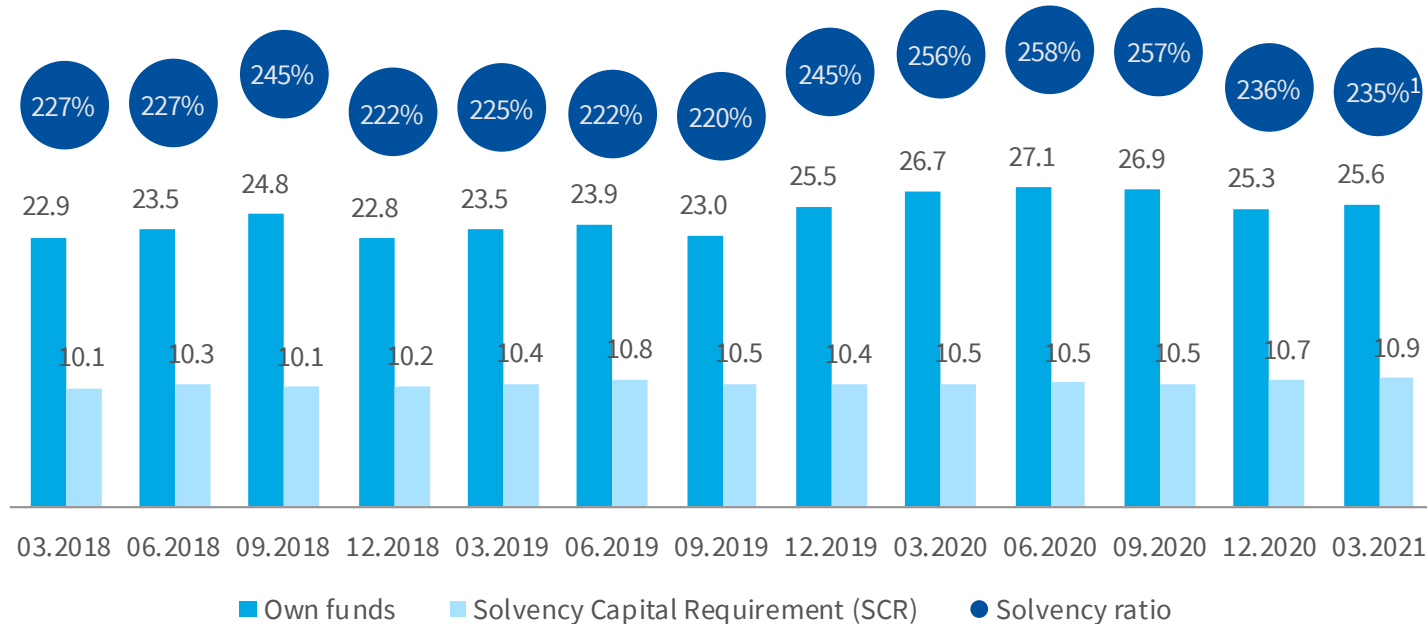
Administrative expense ratio calculated using the equation:  
 administrative expenses in PZU and PZU Życie in the quarter / net earned premium in PZU and PZU Życie in the quarter

- The movement in the administrative expense ratio in **2Q21 versus 2Q20** was the outcome of the following:
  - higher utilization of holiday time, including holiday time from past years, by employees
  - expiration of the aid package for the sales area, and lower costs of providing protection and prevention measures related to the COVID-19 pandemic.
  - higher net earned premium in PZU Życie
  - rising personnel costs as a result of wage pressure
  - strengthening marketing campaigns
  - maintenance of cost discipline in other areas
- The change in the level of the administrative expense ratio in **2Q21 versus 1Q21** was the outcome of the following:
  - higher utilization of holiday time, including holiday time from past years, by employees
  - higher net earned premium in PZU
  - higher real estate maintenance expenses due to renovations
  - strengthening marketing campaigns
  - higher costs of consulting services related to the strategy and regulatory projects



# Group's high level of solvency

## Solvency II ratio, 31 March 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.

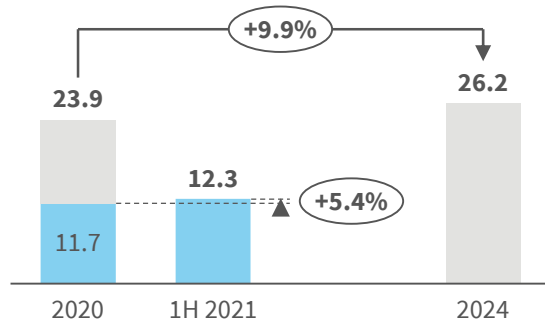
- **Increase in own funds of 0.3 bn PLN** in 1Q21. Major reasons:
  - accounting for the anticipated dividends: - PZU reduced its own funds by 80% of 1Q21 net profit, i.e. 0.7 bn PLN<sup>1</sup>
  - decline in technical provisions and higher reinsurance assets (+1.0 bn PLN)
  - operating and investing cash flows (+0.3 bn PLN).
- **SCR growth** in 1Q21 by **+0.2 bn PLN**. Major growth drivers q/q:
  - increased market equity risk, counterparty insolvency risk and non-life insurance risk
  - reduced risk of life insurance



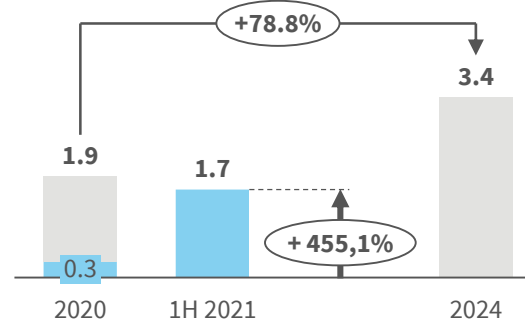
## 4. Strategy

# Strategic objectives in 2021-2024 and execution after H1 2021

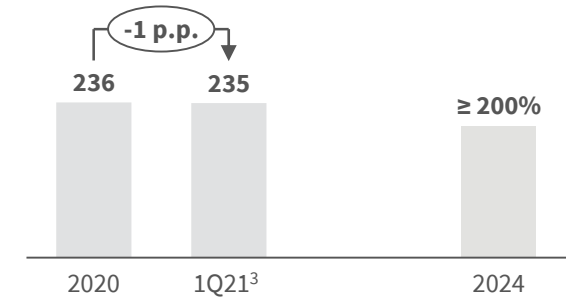
Gross written premium<sup>1</sup> (bn PLN)



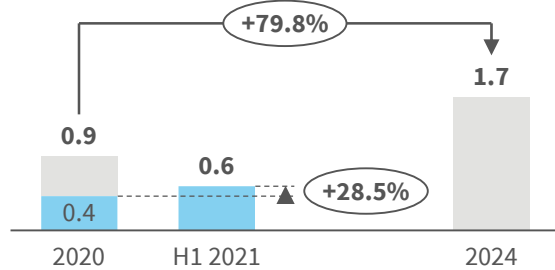
PZU Group's net profit<sup>2</sup> (bn PLN)



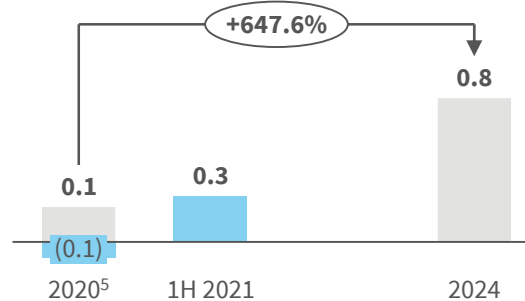
Solvency II ratio (%)



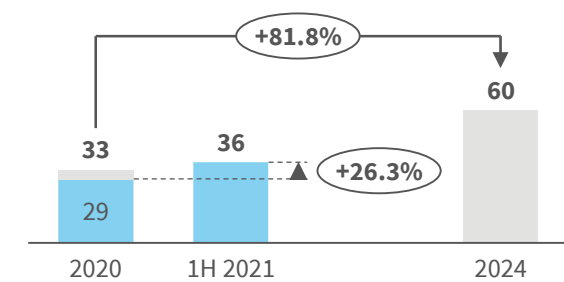
PZU Zdrowie's revenues (bn PLN)



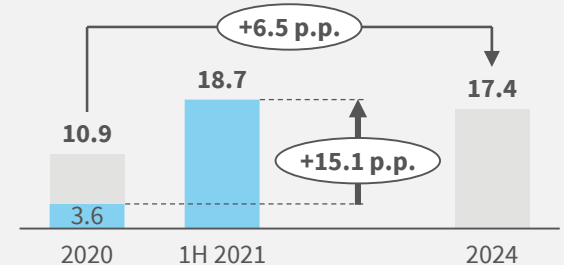
Banks' contribution to PZU Group's net result<sup>2</sup> (bn PLN)



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



## Return on Equity (ROE)



■ 1H data

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

3. Preliminary data - not audited or reviewed by a statutory auditor, calculation based on 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.  
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

# 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**

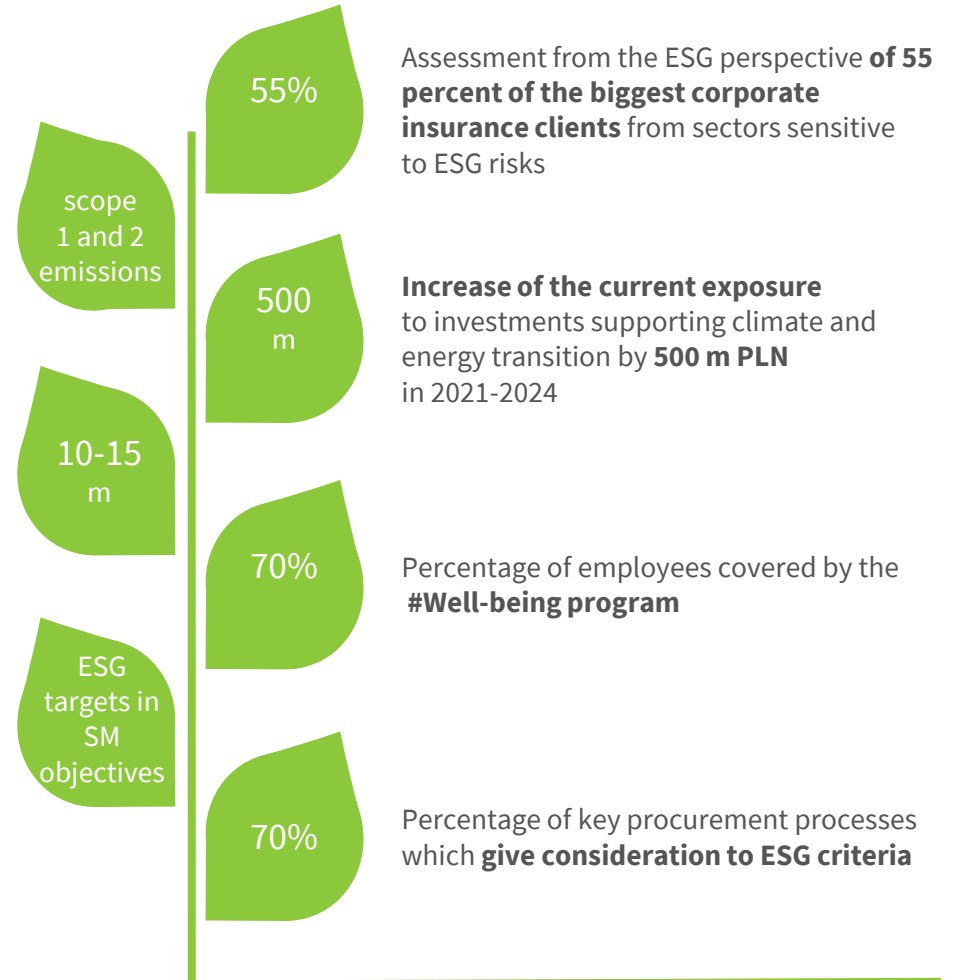
We want to encourage our clients and **local communities to lead a sustainable and safe lifestyle**

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**

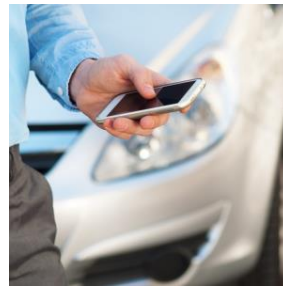


- We will remind clients of important dates
- We will made the **history of repairs** available



- 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

**Hotline accessible 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



# PZU Group's gross written premium

Insurance segments m PLN, local GAAP	2Q21	1Q21	2Q21	Change y/y	Change q/q
<b>External gross written premium</b>	<b>5,594</b>	<b>6,148</b>	<b>6,194</b>	<b>10.7%</b>	<b>0.7%</b>
<b>Total non-life insurance – Poland</b>	<b>3,015</b>	<b>3,374</b>	<b>3,472</b>	<b>15.2%</b>	<b>2.9%</b>
Mass insurance – Poland	2,465	2,707	2,677	8.6%	(1.1%)
Motor TPL	1,026	1,049	1,039	1.3%	(1.0%)
MOD	578	675	635	9.9%	(5.9%)
Other products	861	983	1,003	16.5%	2.0%
Corporate insurance – Poland	550	667	795	44.5%	19.2%
Motor TPL	152	162	151	(0.7%)	(6.8%)
MOD	147	170	178	21.1%	4.7%
Other products	251	335	466	85.7%	39.1%
<b>Total life insurance – Poland</b>	<b>2,100</b>	<b>2,244</b>	<b>2,197</b>	<b>4.6%</b>	<b>(2.1%)</b>
Group and individually continued insurance - Poland	1,754	1,757	1,753	(0.1%)	(0.2%)
Individual insurance – Poland	346	487	444	28.3%	(8.8%)
Premium on protection products	153	179	205	34.0%	14.5%
Premium on periodic investment products	55	74	69	25.5%	(6.8%)
Premium on single investment products	138	234	170	23.2%	(27.4%)
<b>Total non-life insurance – Ukraine and Baltic States</b>	<b>442</b>	<b>488</b>	<b>482</b>	<b>9.0%</b>	<b>(1.2%)</b>
Baltic States	392	441	424	8.2%	(3.9%)
Ukraine	50	47	58	16.0%	23.4%
<b>Total life insurance – Ukraine and Baltic States</b>	<b>35</b>	<b>41</b>	<b>44</b>	<b>25.7%</b>	<b>7.3%</b>
Lithuania	20	21	23	15.0%	9.5%
Ukraine	15	20	21	40.0%	5.0%



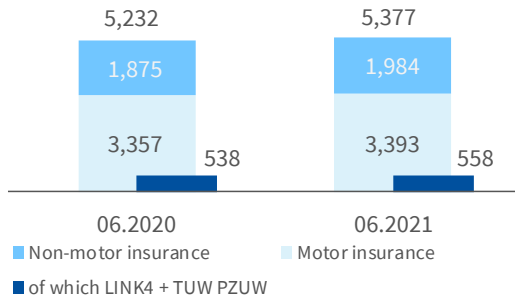


# Non-life insurance

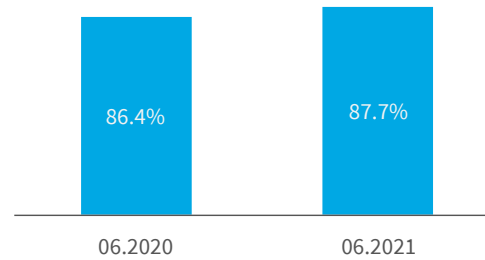
## Motor insurance under the price pressure in Poland

### Mass segment

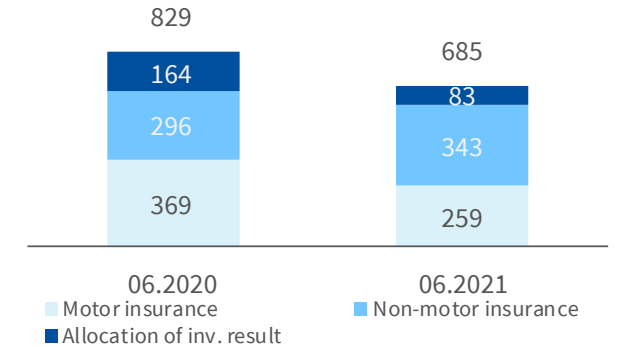
Gross written premium (m PLN)



Combined ratio (%)

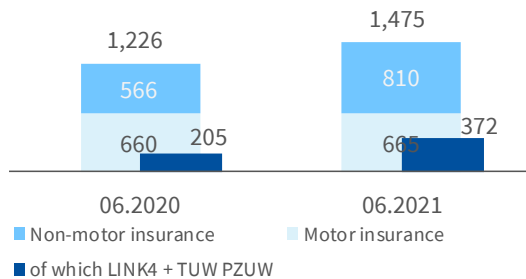


Insurance result (m PLN)

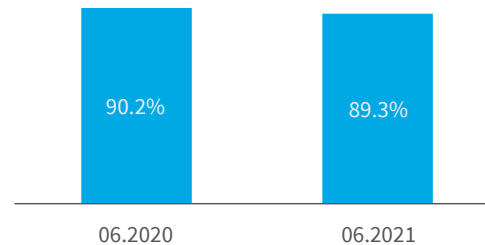


### Corporate segment

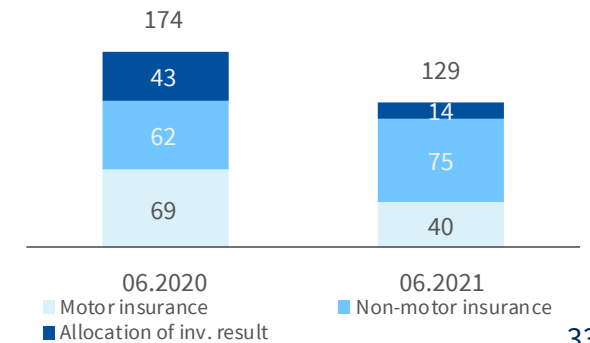
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)

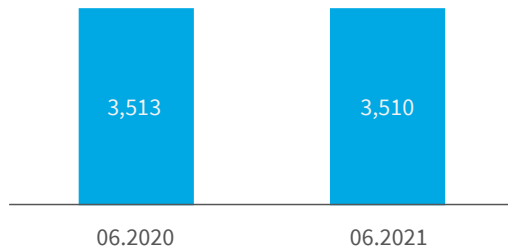


# Life insurance

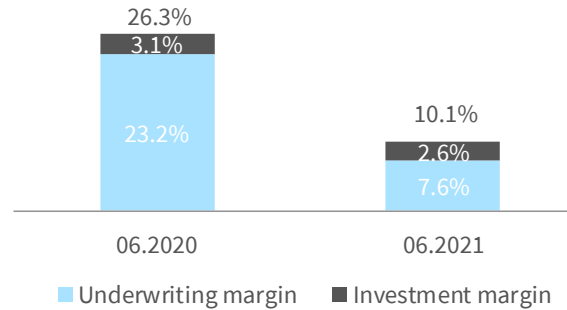
High rate of premium growth on protection products and single premium investment products. Profitability in the group and individually continued insurance segment affected by the COVID-19 pandemic

## Group and individually continued insurance

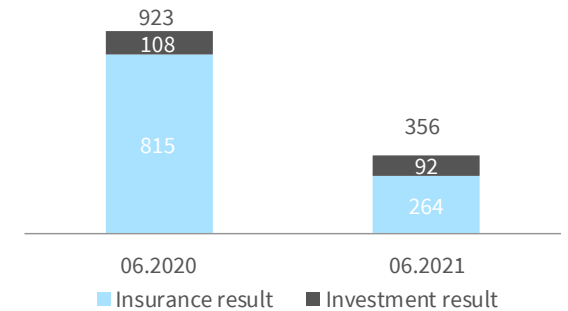
Gross written premium (m PLN)



Margin (%)

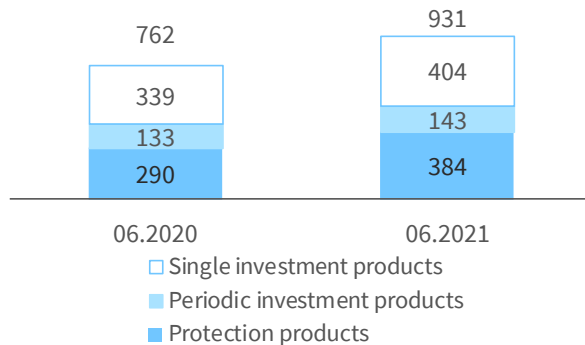


Insurance result (m PLN)

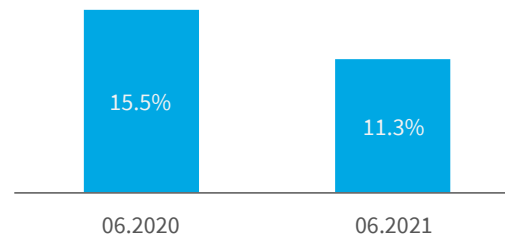


## Individual insurance

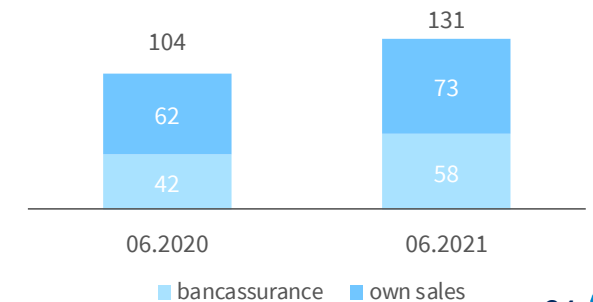
Gross written premium (m PLN)



Margin (%)



Annual premium equivalent (m PLN)

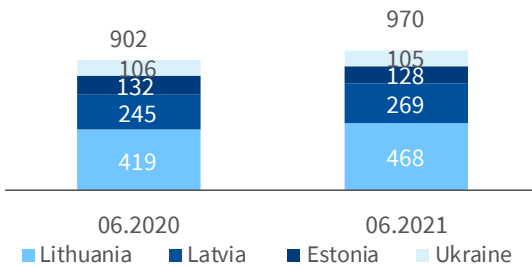


# Foreign operations

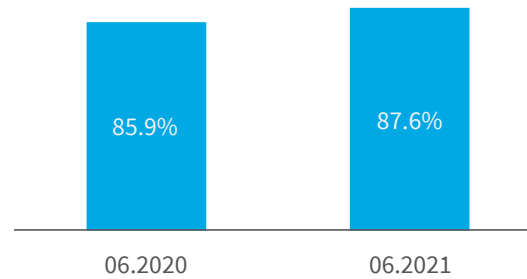
Strong price competition in motor insurance

## Non-life insurance

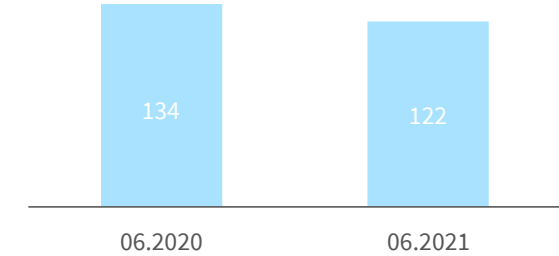
Gross written premium (m PLN)



Combined ratio (%)

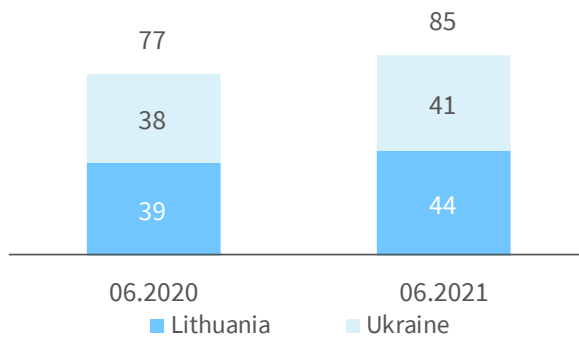


Insurance result (m PLN)

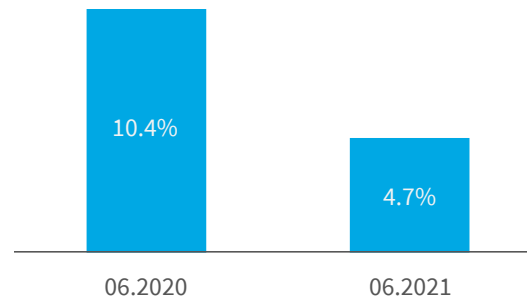


## Life insurance

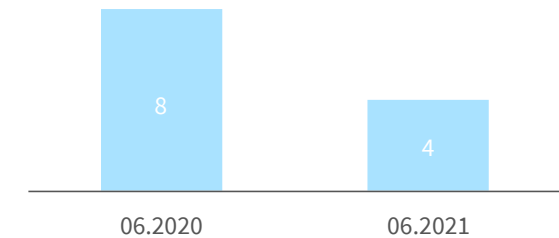
Gross written premium (m PLN)



Margin (%)



Insurance result (m PLN)

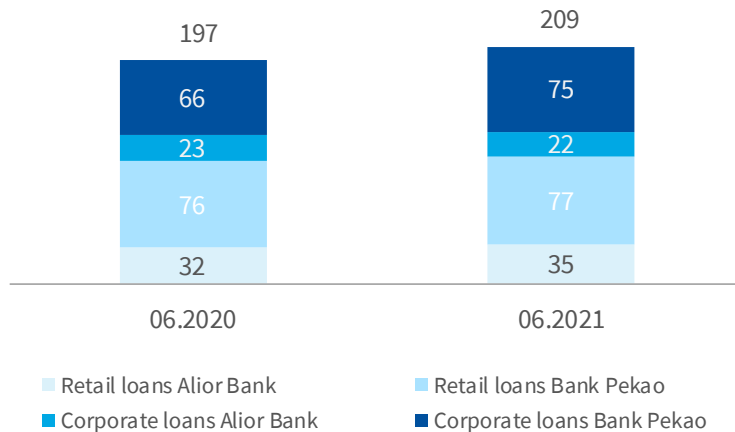


# Banking

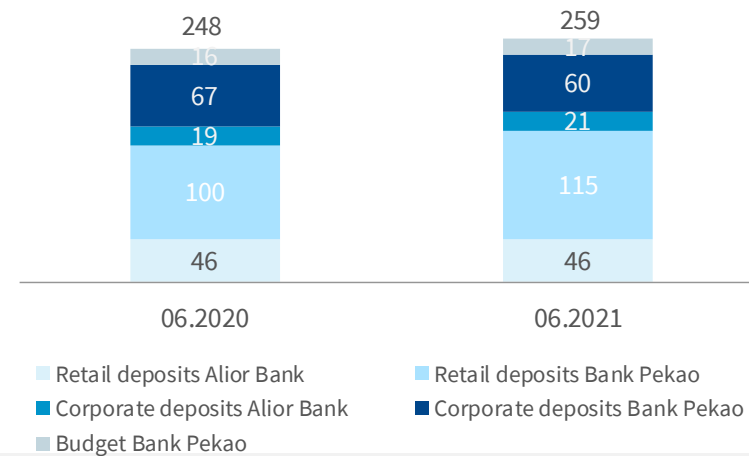
Significant growth in the banks' operating result

## Volumes

### Loans (bn PLN)

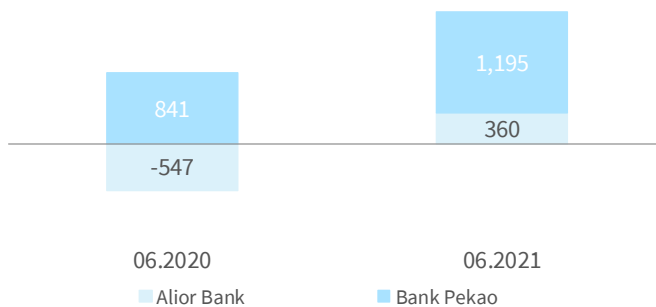


### Deposits (bn PLN)<sup>1</sup>

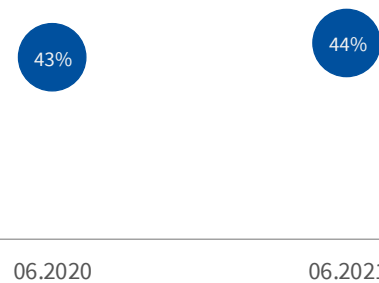


## Results / ratios

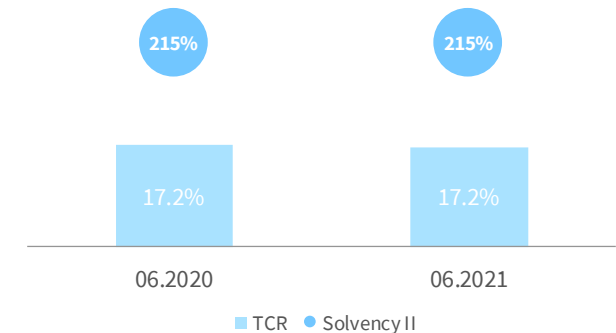
### Operating result<sup>1</sup> (m PLN)



### Cost / Income<sup>2</sup> (%)



### Capital adequacy<sup>3</sup>

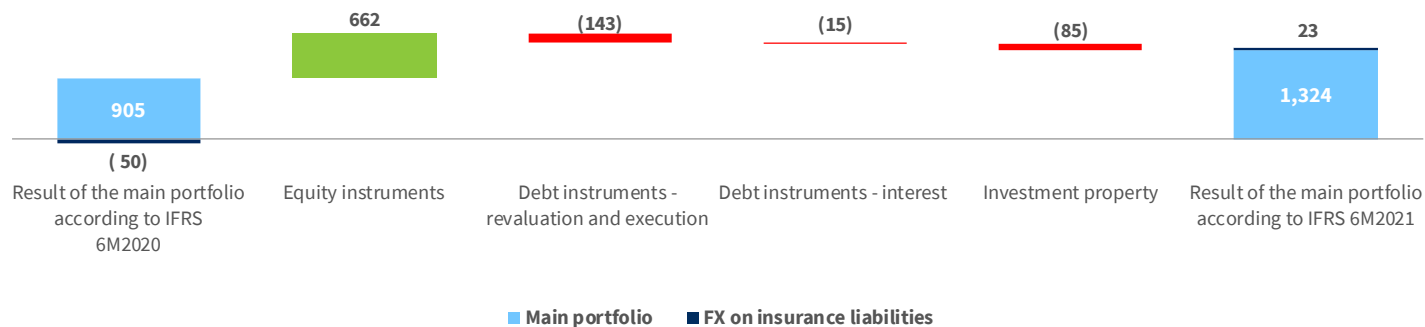


1. Data in accordance with Bank Pekao and Alior Bank's financial statements  
 2. Data in accordance with PZU's financial statements, net of the impairment for goodwill and intangible assets  
 3. Data jointly for Bank Pekao and Alior Bank pro rata to the equity stakes held

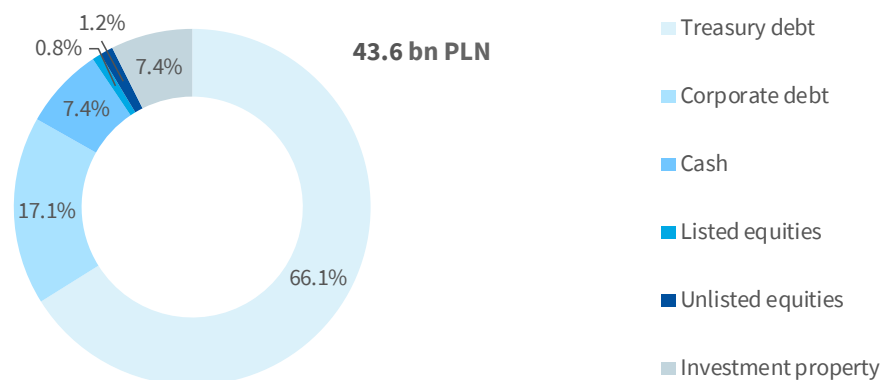
# Investments

## Quarterly results and portfolio composition

### Net investment result (m PLN)

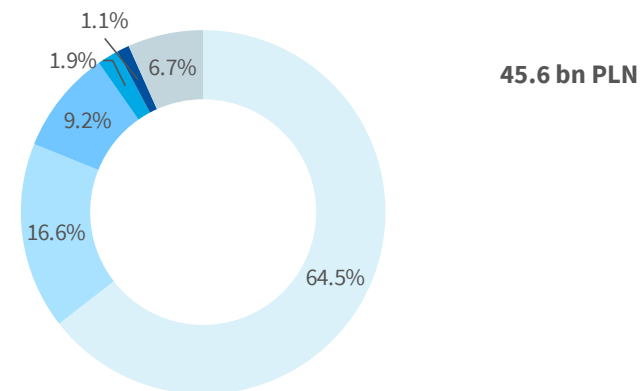


### December 2020 main portfolio investment composition



Investment products 6.4 bn PLN

### June 2021 main portfolio investment composition

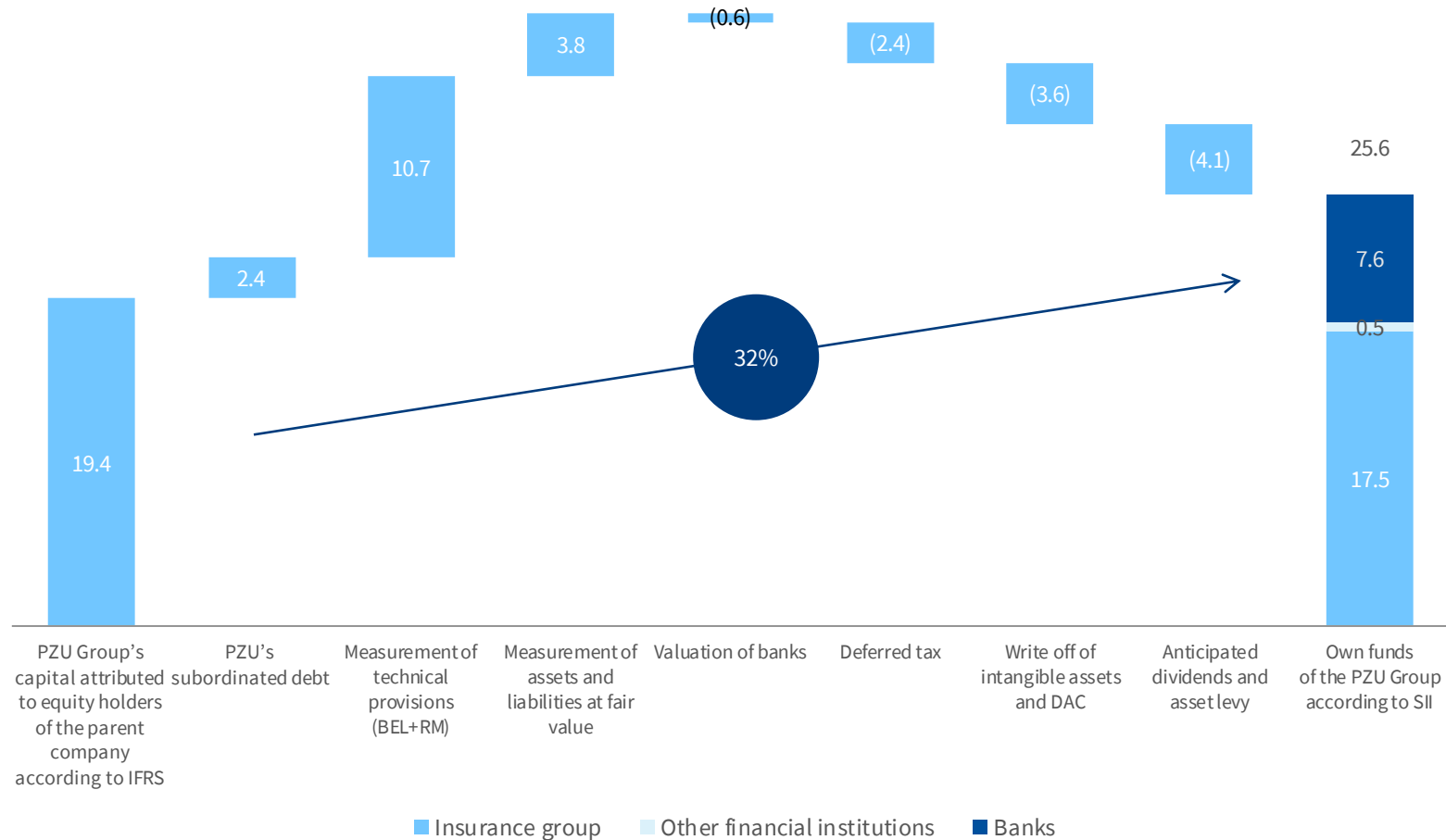


Investment products 6.6 bn PLN

# Own funds

PZU Group's data in Solvency II as at 31 March 2021 (bn PLN, unaudited data)

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



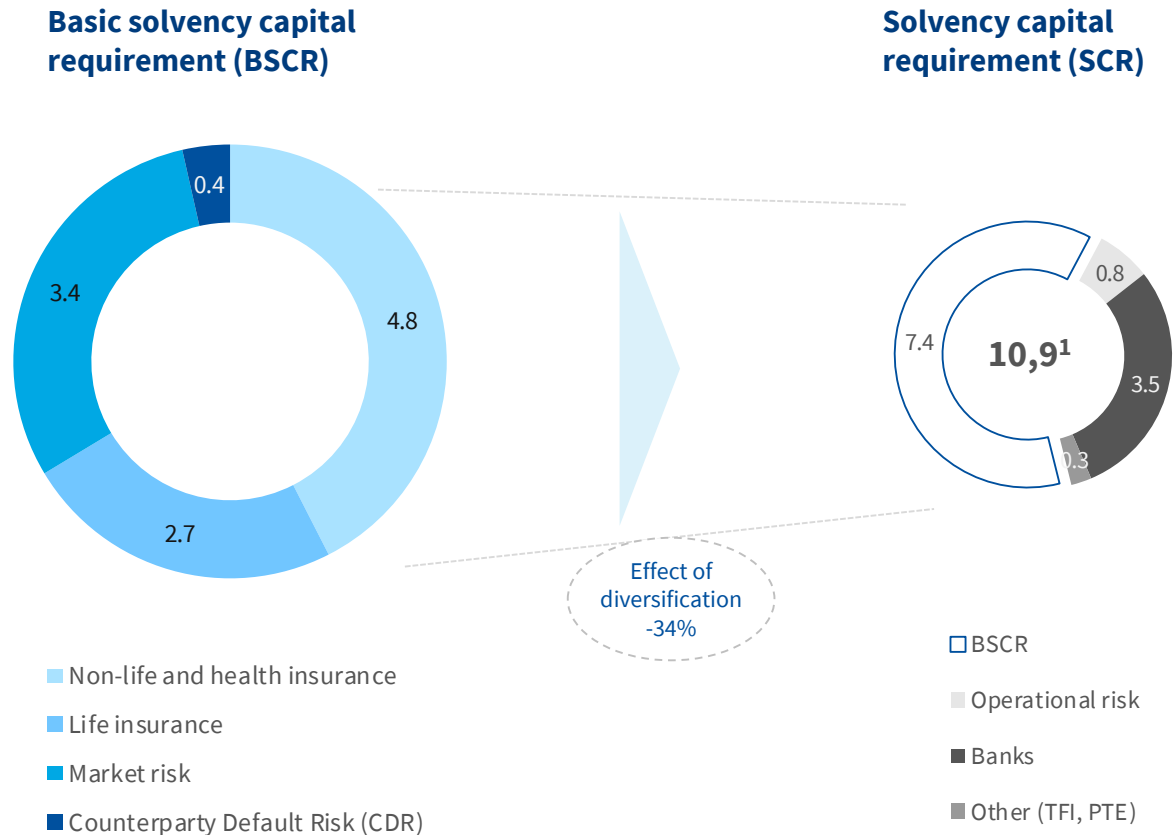
Own funds according to SII minus:

- dividend amount for the previous year (if not included in liabilities)
- the dividend in the amount of 80% of net profit for 1Q21<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 based on 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

# Solvency capital requirement (SCR)

PZU Group's data in Solvency II as at 31 March 2021 (bn PLN, unaudited data)



Solvency requirement moved up in 1Q21 by 0.2 bn PLN. The main reasons for the movement in SCR:

- increased catastrophic risk in non-life insurance caused by the higher exposure to the risk of flooding (+0.11 bn PLN<sup>2</sup>) and higher premiums and provisions
- decrease in the life insurance requirement triggered by updating the mortality assumptions and the assumed costs of handling insurance contracts (-0.09 bn PLN<sup>2</sup>).
- increase in counterparty insolvency risk in connection with the increase in the balance of receivables and cash (+0.08 bn PLN<sup>2</sup>)
- increase in market risk as an outcome of higher equity risk (higher symmetric adjustment after the upward drive of capital markets) lower requirements on account of the interest rate and currency through better matching of positions (+0.05 bn PLN<sup>2</sup>)

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

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# Thank you

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