PZU Group's Financial Results

in 2Q19

Warsaw, 29 August 2019

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1. PZU Group’s main accomplishments

Business development

Gross written premium of 12 bn PLN in 1H19 – stable business growth

- Gross written premium in non-life insurance in 2Q19: **3.3 bn PLN** – stable level y/y net of the long-term contract obtained in 2Q18
- Acceleration of the pace of growth in gross written premium on retail non-motor insurance to **6%** y/y in 2Q19 reflecting robust economic conditions and PZU's strong competitive position
- Growth in the periodic premium in life insurance outpacing the overall market
- Acceleration of gross written premium growth in individual protection insurance **+37%** y/y in 2Q19; despite unfavorable market conditions for unit-linked business, the overall life segment has produced positive gross written premium dynamics for the first time in six quarters
- Contracts to manage **Employee Capital Schemes (ECS)** with potential number of participants exceeding 100 thousand
- Numbers of contracts in PZU Zdrowie up **31%** y/y

We are implementing **modern products tailored to client needs** – implementation of PZU GO, dynamic growth in cyberrisk insurance, increase in passive funds on the inPZU platform

We are strengthening our cooperation with banks in the PZU Group – rollout of an innovative loan platform (CASH) developed jointly with Alior Bank enabling employers to introduce a new benefit in the form of fast and low-interest loans offered to their employees. The launch is slated for Q3 2019.

We are developing our health business – acquisition of 100% equity stakes in Falck CM, NZOZ Starówka and Alergo-Med Tarnów - the number of own medical centers has risen to nearly 100 while the number of cooperating medical partners across Poland has risen to 2,200.

Financial results

Net profit (ex minorities) of 1.5 bn PLN in 1H19

- The 1H19 result is up **5%** y/y even though the costs of the Bank Guarantee Fund in 2019 charged to the PZU Group's banks are materially higher
- The net result on non-banking business y/y rose to **622 m PLN** in 2Q19 despite unfavorable weather conditions in May and June
- The combined ratio in the non-life segment in Poland in 1H19 was low at **89.2%** while in 2Q19 it was **91.4%**, which was better than anticipated in the strategy, despite the accumulation of non-motor events
- Operating margin in group and individually continued insurance at the strategic level of **20%** in 1H19 and **23.2%** in 2Q19
- Very robust investment performance surpassing our strategic ambitions: the yield on the main portfolio **2.4 p.p. above the risk-free rate** in H1 and **2.2 p.p.** in 2Q19 while maintaining the portfolio's conservative composition
- ROE of **20.3%** in 1H19 and **23.9%** TTM

ROE[3]
20.3%
(versus 20.7% in 1H18)

GWP
11,839 m PLN
(versus 11,881 m PLN in 1H18)

Net result
1,481 m PLN
(versus 1,410 m PLN in 1H18)

Operating margin[1]
20.0%
(versus 20.2% in 1H18)

Combined ratio[2]
89.2%
(versus 86.8% in 1H18)

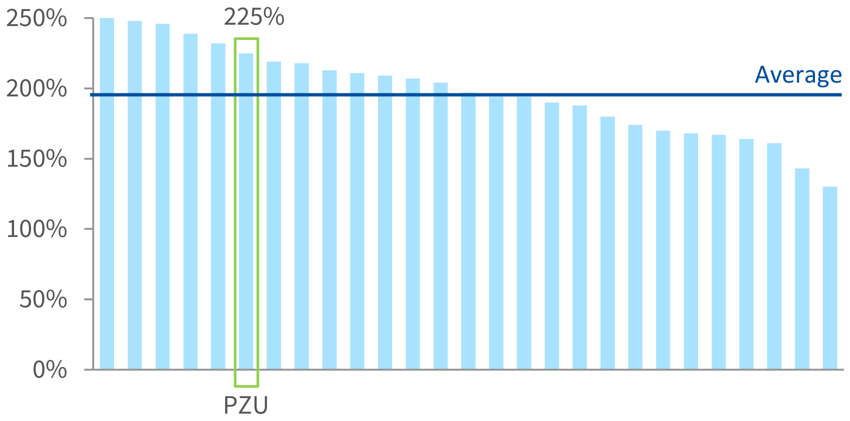
1) Year to date margin for the group and individually continued insurance segment net of the conversion effect
2) Non-life insurance in the PZU Group (Poland)
3) For 1H19, annualized. Computed excluding minority interest

Capital

Solvency II ratio of 225% – business safety

- S&P raised its rating outlook to **positive** while sustaining its rating of **A-** with a capital strength rating of **AAA**
- Dividend approved by the Shareholder Meeting of **2.80 PLN** per share (75% of consolidated net profit, 89% of standalone profit, dividend yield of **6.8%**)
- Solvency at a stable level; despite the expanding magnitude of business the SII ratio at the end of 1Q19 was **225%**[1] after incorporating the recommended dividend payout
- Decline of debt's share of the funding mix - repayment of bonds with a nominal value of 850 m EUR
- More conservative investment portfolio composition; higher percentage of treasury bonds, greater diversification in corporate exposures, smaller share of MTM instruments

Solvency II ratio for European insurers



1) Unaudited data

Digital transformation (1)

Digitalization of processes and better utilization of data

Artificial intelligence (AI) in claims handling - completion of the project's pilot phase. Artificial intelligence needs a mere 0.5 minutes to analyze technical documentation and selects 90% of the documentation that fulfills the requirements needed to preserve high quality of claims handling. Implementation will make it possible to streamline the process of checking technical documentation by 10 times and it will reduce the time needed to handle a notification.

Tariff-setting 3.0 – Radar Live system in motor insurance to offer clients custom pricing that matches, among others, their loss ratio (measured by sophisticated risk models).

For Clients!

Moje.pzu.pl – implementation of more functionalities in the portal.

"Ok, google" – implementation of a virtual advisor based on the Google system. Solution enabling users to talk about travel insurance. The assistant interviews clients and based on their individual parameters presents the most suitable travel insurance options.

inPZU – development of a platform to sell passive funds: launching access for institutional clients, doing the work needed to align the inPZU service to the employee portal for Employee Capital Scheme participants.

Digital transformation (2)

PZU Ready for Startups - innovation deployment in PZU

PZU Ready for Startups - cooperation program with startups to implement innovations in PZU.

PZU has an opportunity to implement innovative solutions by accessing the support provided in the form of funding from PARP during the sixth annual accelerator known as the MIT Enterprise Forum CEE. This round has four pilot programs: micro insurance (i.e. development of insurance products for single or straight forward risks and selling them online), advanced analytics using satellite photos, preparing a prototype of an integrator between the PZU CASH platform and the HR system as part of the platform used to provide simple and convenient financing, i.a. in the context of employee financing and open banking and an IT recruitment support solution.

The Efma & Accenture Insurance Awards 2019 recognized PZU for its moje.pzu.pl portal, which was awarded in the category core insurance transformation, while the AROS project received an award in the category workforce transformation. Efma is an international non-profit organization established in 1971 by banks and insurance companies. Its members number more than 3,300 and come from 130 countries. The most innovative projects and insurance initiatives from across the globe were analyzed during this competition.

PZU GO was recognized in the 6th annual FinTechn forum & 5 InsurTech Digital Congress as the most interesting innovation in the insurance industry and it received the following award: InsurTech Award in the FinTech & InsurTech Awards competition.

Employee Capital Schemes

By helping our corporate clients set up an Employee Capital Scheme...

… we offer:

- Full support to handle the **formalities**, filling out disclosure obligations, **education**
- Modern **e-Employee Capital Scheme service**
- User-friendly **inPZU.pl** service
- **300** corporate client advisors

… we ensure:

- **No** management **fees** for 12 months and the result achieved for 2 years
- Structured **process**, efficient **oversight**, **high performance** on managemed debt assets
- Extensive **experience** in managing pension products, leader on the **EPS** market

... and invite their participants to join the PZU ecosystem

Specialist exam in PZU Zdrowie

Insurance discounts:
- ✓ up to 20% on MOD
- ✓ up to 40% on home or apartment

Pomocni Club – discounts on purchases

Banking products:
- ✓ Jakże Osobiste free bank account in Alior Bank
- ✓ attractive conditions for the Mastercard OK! credit card

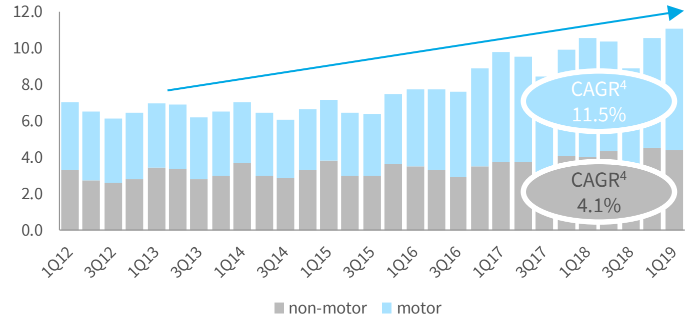
Companies employing **more than 100 thousand** people have already placed their trust in us

2. Business development


Client
Non-life
Life
Health
Financial
Assistance
Assistance
Assistance
Assistance

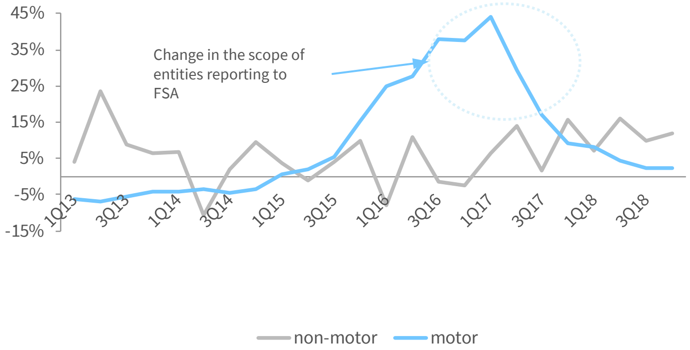
Non-life insurance (1): Non-life insurance market in Poland

Gross written premium (bn PLN)

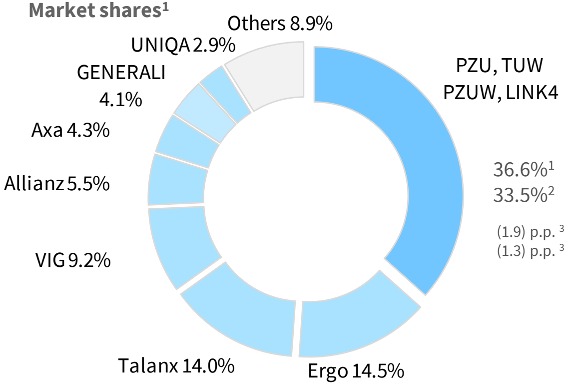


- Growth of the non-motor insurance market by 9.5% y/y in 1Q19. Rate of growth of premium in motor insurance was 2.4% in 1Q19
- The PZU Group's market share in non-life insurance (direct business) at the end of 1Q19 was 33.5%
- Persistently strong market position in motor insurance with a market share of 36.7% at the end of 1Q19[2]
- PZU Group's high percentage of the overall market's technical result at 53.2%[1]

Growth rate of the gross written premium y/y



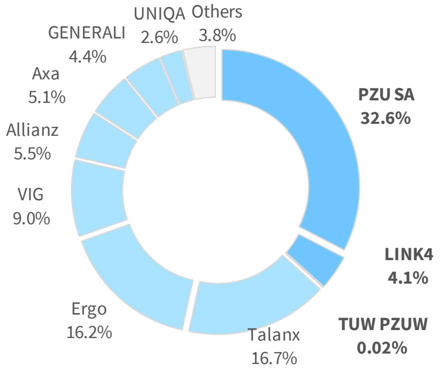
Market shares[1]



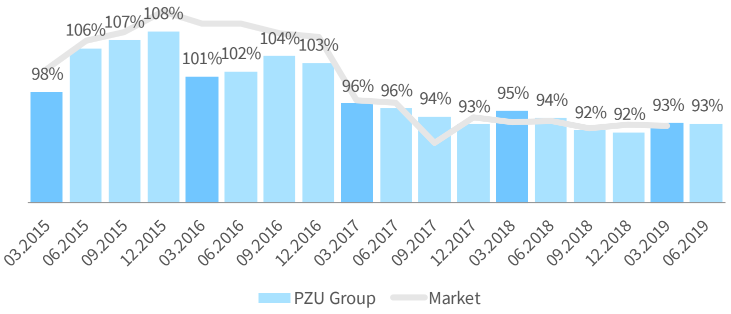
1. Based on the Polish FSA's 1Q19 report; the market and market shares including PZU's inward reinsurance from LINK4 and the TUW PZUW
2. PZU Group's market share in non-life insurance on direct business at the end of 1Q19
3. movement in market share y/y on PZU's inward reinsurance from LINK4 and TUW PZUW and direct activity, respectively.
4. calculated for the period from 1Q13 to 1Q19

Non-life insurance (2): Motor insurance

PZU Group's motor insurance market share[1] (Poland)



PZU Group's combined ratio (COR[2]) in motor insurance and the market[3] (Poland)

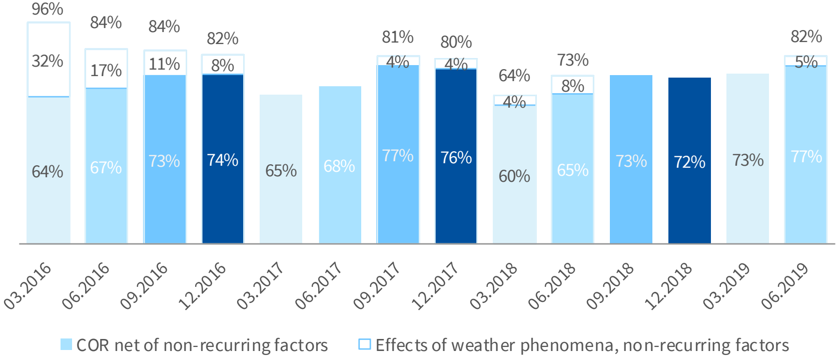


- The competitors' ongoing efforts to refine the average price for motor TPL and the **struggle to attract a new portfolio** prompt highly price sensitive clients to migrate
- Based on behavioral analysis of the most active competitors, 1H19 saw further erosion in the average **transaction prices** in motor TPL insurance coupled with ongoing growth in claims handling expenses and acquisition expenses in parallel
- **PZU maintains a high level of insurance profitability** (including on motor insurance) while concurrently maintaining a **high market share** despite the major shifts in the market's composition and the emergence of new players
- **Investments in new technologies**, deployment of innovative tariff solutions, including the start of submitting offers to leasing clients in quotation services to **match PZU's offering to the client's risk to the greatest degree possible**
- **Constant development of PZU's corporate insurance** coupled with selective underwriting (including the enhancement of the effectiveness of sales and service processes, new prevention solutions for fleet owners) translating into improved profitability in the motor insurance segment in the long run

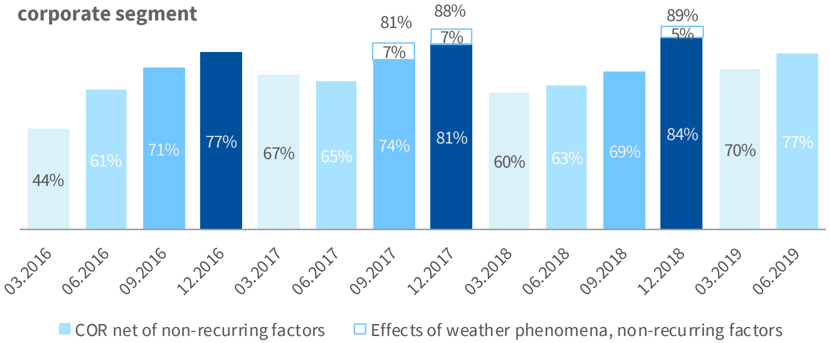
1) Based on the Polish FSA's 1Q19 report; share of the total gross written premium (direct business excluding intragroup transactions)
2) Year to date
3) Based on the Polish FSA's 1Q19 report

Non-life insurance (3): Non-motor insurance

Combined ratio (COR[1]) in PZU Group's non-motor insurance mass segment



Combined ratio (COR[1]) in PZU Group's non-motor insurance corporate segment



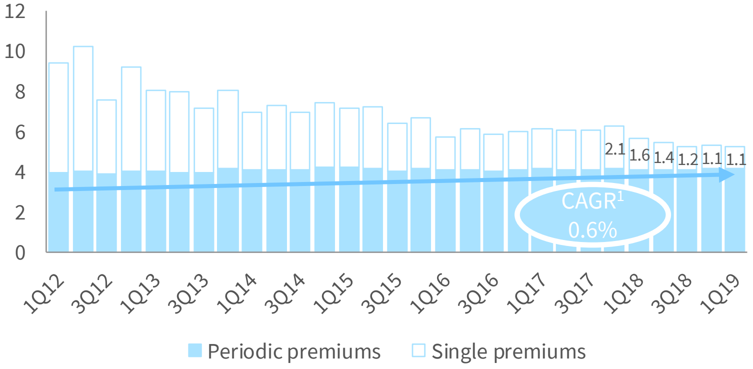
- **Mass segment:**
  - sustaining high profitability despite the occurrence of numerous claims caused by atmospheric phenomena
- **Corporate segment:**
  - low combined ratio consistent with expectations and the average level in recent quarters
  - notification of high value claims (also in TUW PZUW)

1) Year to date


Client
Non-life
Life
Health
Financial
Assistance
Assistance
Assistance
Assistance

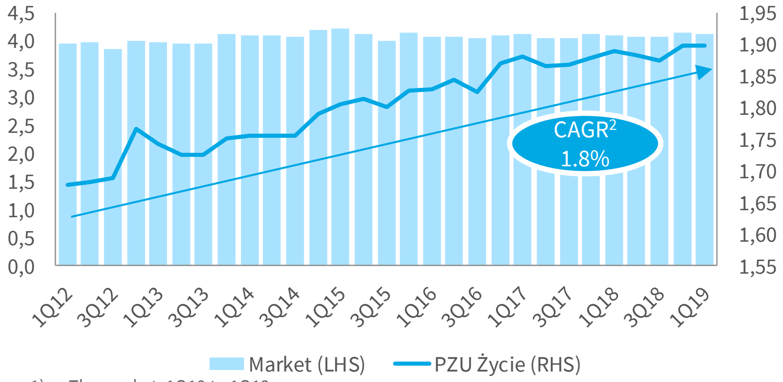
Life insurance (1): Life insurance market

Gross written premium, quarterly (bn PLN)



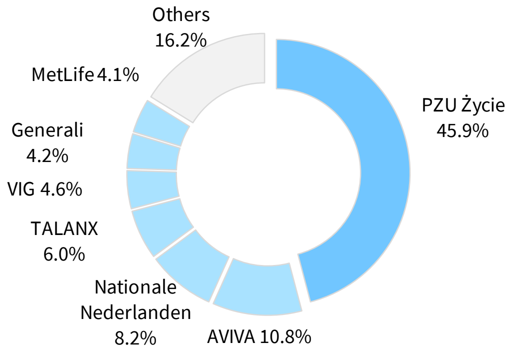
- The market periodic premium in life insurance **held steady at a stable level y/y of 4.1 bn PLN quarterly**, but single premium fell y/y by 0.5 bn PLN to 1.1 bn PLN quarterly
- **Higher periodic premium in PZU Życie** (+0.5% y/y) outpacing the growth rate of the gross written premium posted collectively by the other market players
- **Increase in the market share held by PZU Życie by 2.9 p.p. y/y to 39.6%** in total gross written premium in 1Q19
- **PZU's key market share of periodic premium stayed high at 45.9% in 1Q19**, for protection contracts (class I of life insurance) its market share was **62.2%**
- The **profitability of the technical result** at PZU Życie in 1Q19 is higher than the average for the competition – 16.5% versus 12.7%; the share held by PZU Życie of the sector's overall result (technical and net result) exceeds 46%

Gross periodic premium, quarterly (bn PLN)



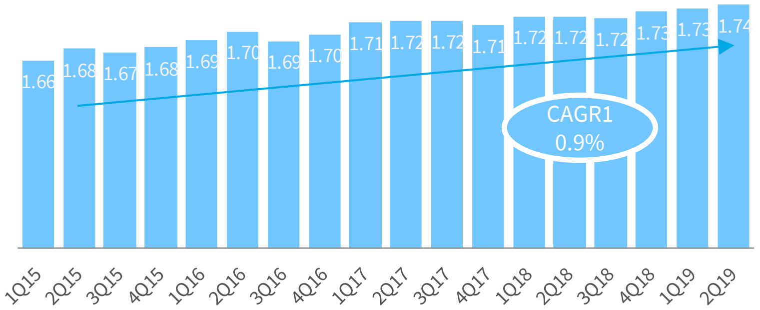
1) The market: 1Q19 to 1Q12
2) PZU Life: 1Q19 to 1Q12

Market shares in periodic premium in 1Q19

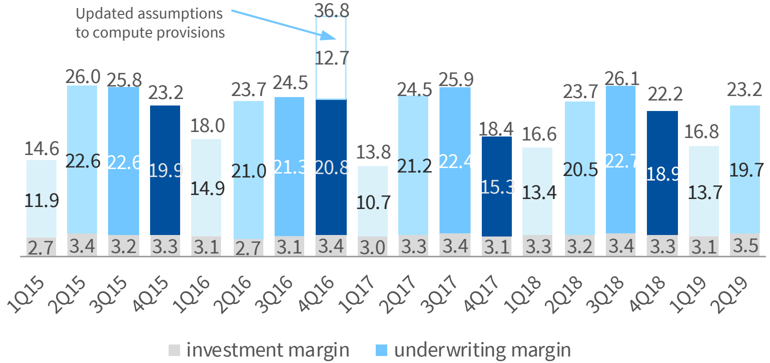


Life (2): Group and individually continued insurance

Gross written premium (bn PLN)



Margin (%)

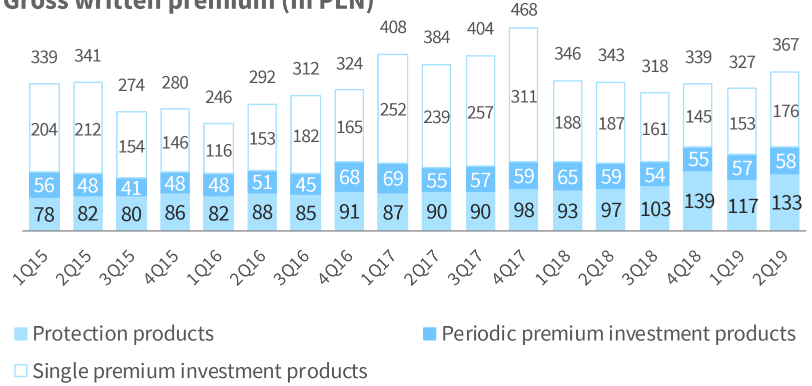


- **The expanding health insurance portfolio**, including a new rider to continued insurance launched under the name "PZU Uraz ortopedyczny [PZU orthopedic injury]" that has enjoyed a great reception from clients. At the end of 1H19, PZU Życie had more than 2 million health contracts in force in its portfolio
- Lessening the pressure on the premium growth rate making it possible to **control the loss ratio** of group protection products
- Margin in Q2 down 0.5 p.p. y/y due to the following:
  - higher operating expenses
  - posting the allowance allocated in 2Q of this year to the prevention fund for the entire 1H
  - establishing higher mathematical provisions in the individual continuation portfolio (lower attrition among insureds from the portfolio)
- Margin expanded 6.4 p.p. q/q as the frequency of deaths reverted to its standard level after the seasonal spike observed in Q1 and the lower increase in mathematical provisions in individual continuation (change in portfolio composition and the lower level of people joining the portfolio q/q)

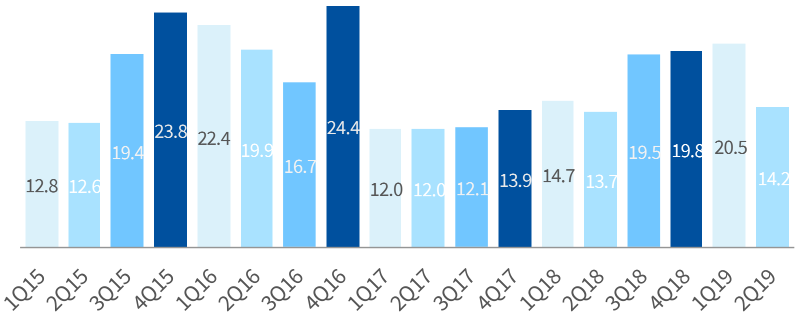
1) 2Q19 to 2Q15

Life (3): Individual insurance

Gross written premium (m PLN)



Margin (%)



- Constantly rising **periodic** premium level in **protection products**, also thanks to implementing new generations of these products
- Ongoing development of **cooperation** launched in 2H18 **with Alior Bank and Bank Pekao** to offer single premium individual life insurance to clients taking out cash loans
- Slight **growth** in 2Q of single contributions to **unit-linked** accounts in insurance offered jointly with banks
- Margin improvement in 2Q y/y of 0.5 p.p. simultanously coupled with deterioration q/q of 6.3 p.p. as a result of the following:
  - changes to the share of revenue held by the segment of protection products with a **substantially higher margin** than unit-linked investment products that generate a loss for the company at the time of sale (the commission paid to the seller is financed using future fees to be paid by the client)
  - decline in the level of administrative expenses.
  - the system of setting up and reversing technical provisions during the course of the year in one of the bank protection products further deteriorated the results q/q: they are established for the entire portfolio in April and over the subsequent 11 months they are gradually reversed


Client
Non-life
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Assistance
Assistance
Assistance

Health (1): Development of business size

1

~ 2,200 cooperating medical partners
~ 100 proprietary locations

2

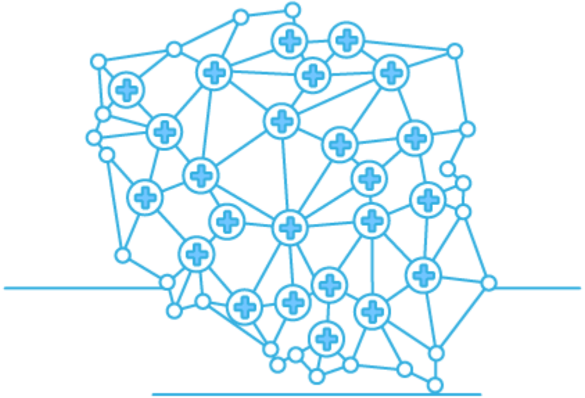
49
hospitals

3

1,900 physicians
>50 specializations

4

~ 8,000
pharmacies

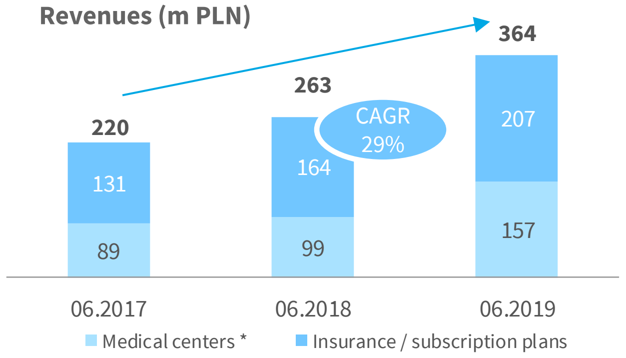


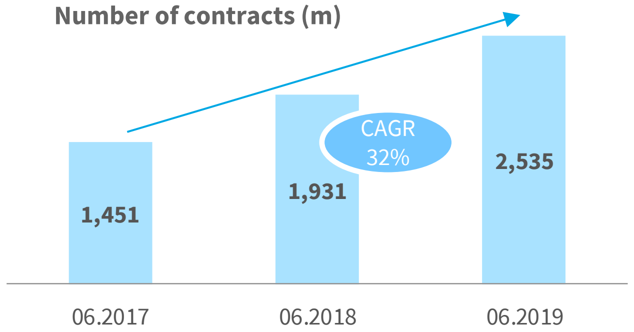
Flexible and comprehensive **offer** aligned to employee needs

Service accessibility, convenient contact channels, online service

Excellent **location** and client convenience

Health (2): Development of business size





- Growing number of **products per client** – according to the strategic objectives, in addition to PZU Życie and PZU Zdrowie products, the products offered by PZU SA, LINK4 and TUW are also being sold
- Steady **increase in the number of health product agreements** in 2019 driven by the intensification of sales of more health riders to protection products and non-life insurance (offering among others access to specialist physicians, ambulatory rehabilitation, selected tests and procedures)
- High rate of revenue growth – **extension of the product portfolio**
- Further **development of three proprietary centers** in Warsaw, Poznań and Cracow, work is in progress to set up more branches
- Acquisition of a new company doing business as **Alergo-med** in Tarnów in January 2019 and the acquisition of **Falck Centra Medyczne** and **NZOZ Starówka** in June 2019 greatly ratcheted up the number of own medical centers to nearly 100 and extended the offering to include individual products such as packages for women, senior citizens and children
- Revenue growth **in own centers**

* Data presented for the period from the beginning of the year regardless of the time of acquisition; the revenues of Branches – presented in managerial accounting in a corresponding manner to the other proprietary centers, i.e. including revenues from PZU Zdrowie and the PZU Group


Client
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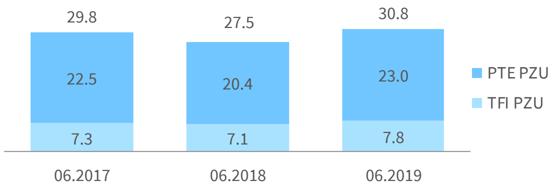
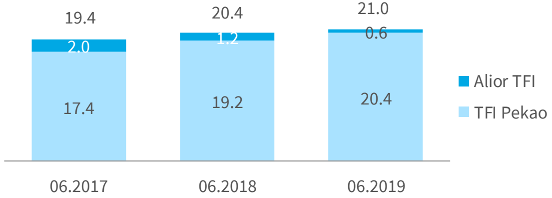
Assistance
Assistance

Finance: Assets under management and development of cooperation with banks

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



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



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

- **PTE PZU asset growth** by acquiring the asset management of Pekao OFE in 2018 and the good rates on return on funds despite the adverse impact exerted by the slide mechanism
- **TFI PZU asset growth** was driven by the following:
  - Net inflows of funds in the PZU Group's bank channel and other third party distributors (mainly ING Bank and Millennium Bank) due to the higher allocation of contributions to TFI PZU Funds
  - high sales of new EPS programs as an attractive non-salary benefit for our partners' employees
  - generation of attractive rates of return on the assets under management (Polonez and the Active Debt Fund led TFI in their peer groups)
- Dynamic growth in client numbers in **PZU and PZU Życie** and gross written premium in protection insurance, investment insurance and non-life insurance attracted in cooperation with banks
  - Rollout of the option to buy **CPI PEX** insurance in Bank Pekao's offer (loan repayment insurance and life insurance for borrowers) offered when applying for a PEX loan in the branch channel (after initial rollout in the on-line channel)
  - Adding real estate insurance to Alior Bank's offer for **mortgage loan SME borrowers**
  - Ongoing training for employees of both banking networks. At the end of June, 7.2 thousand Pekao employees and 5.1 thousand Alior Bank employees had obtained a **license from the Polish FSA to sell PZU's insurance**
- In **assurbanking**: Pekao account sales support by the PZU contact center
- Continuation of cost savings initiatives – the scale of savings in newly negotiated contracts for 2019 has exceeded 80 m PLN
- Growth rate of insurance-based investment products curtailed by regulatory uncertainty: systemic review of how market products are construed and the regulator's suggested recommendation / instructions for the market

3. Financial results

Gross written premium of the PZU Group

Insurance segments **m PLN, local GAAP**	**2Q18**	**1Q19**	**2Q19**	**Change y/y**	**Change q/q**
External gross written premium	**6,050**	**5,901**	**5,938**	*(1.9%)*	*0.6%*
Total non-life insurance – Poland	3,509	3,353	3,316	*(5.5%)*	*(1.1%)*
Mass insurance – Poland	2,616	2,683	2,581	*(1.3%)*	*(3.8%)*
Motor TPL	1,207	1,102	1,118	*(7.4%)*	*1.5%*
MOD	626	663	635	*1.4%*	*(4.2%)*
Other products	783	918	828	*5.7%*	*(9.8%)*
Corporate insurance – Poland	893	670	735	*(17.7%)*	*9.7%*
Motor TPL	192	205	201	*4.7%*	*(2.0%)*
MOD	213	214	209	*(1.9%)*	*(2.3%)*
Other products	488	251	325	*(33.4%)*	*29.5%*
Total life insurance – Poland	2,065	2,060	2,105	*1.9%*	*2.2%*
Group and individually continued insurance - Poland	1,722	1,733	1,738	*0.9%*	*0.3%*
Individual insurance – Poland	343	327	367	*7.0%*	*12.2%*
Premium on protection products	97	117	133	*37.1%*	*13.7%*
Premium on periodic investment products	59	57	58	*(1.7%)*	*1.8%*
Premium on single investment products	187	153	176	*(5.9%)*	*15.0%*
Total non-life insurance – Ukraine and Baltic States	444	454	485	*9.2%*	*6.8%*
Baltic States	396	399	422	*6.6%*	*5.8%*
Ukraine	48	55	63	*31.3%*	*14.5%*
Total life insurance – Ukraine and Baltic States	30	33	33	*10.0%*	*0.0%*
Lithuania	16	17	18	*12.5%*	*5.9%*
Ukraine	14	16	15	*7.1%*	*(6.3%)*

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

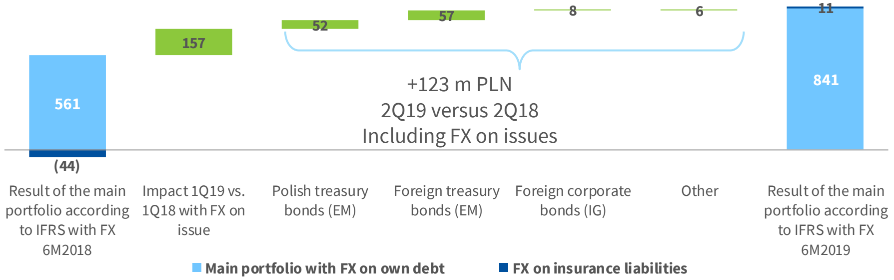
m PLN	2Q18	1Q19	2Q19	change y/y	change q/q
PZU GROUP NET OF ALIOR BANK AND PEKAO					
Gross written premium[1]	6,050	5,901	5,938	*(1.9%)*	*0.6%*
Net insurance claims and benefits paid	(3,719)	(3,958)	(3,971)	*6.8%*	*0.3%*
Net investment result (ex banking activities)	318	627	405	*27.5%*	*(35.3%)*
Administrative expenses[1]	(433)	(406)	(426)	*(1.7%)*	*4.7%*
Acquisition expenses[1]	(768)	(793)	(823)	*7.2%*	*3.8%*
Operating profit (loss)	812	869	795	*(2.2%)*	*(8.5%)*
Net profit (loss) attributable to equity holders of the parent company	619	666	622	*0.5%*	*(6.5%)*
BANKS: ALIOR AND PEKAO					
Net profit (loss) attributable to equity holders of the parent company	164	81	112	*(31.6%)*	*37.5%*
Banking Gruarantee Fund charges	11	118	8	*(31.8%)*	*(93.4%)*
Net profit of banks excluding BGF charges	176	199	120	*(32.0%)*	*(39.8%)*
NET RESULT ATTRIBUTABLE TO THE PARENT COMPANY	783	747	734	*(6.3%)*	*(1.7%)*
MAIN FINANCIAL RATIOS					
ROE[2]	22.5%	19.5%	19.5%	*(3.0)p.p.*	*0.0p.p.*
Combined ratio[3]	88.3%	87.5%	90.8%	*2.5p.p.*	*3.3p.p.*
Margin[4]	23.7%	16.8%	23.2%	*(0.5)p.p.*	*6.4p.p.*
Administrative expense ratio of PZU, PZU Życie	6.9%	6.6%	6.6%	*(0.3)p.p.*	*0.0p.p.*
Acquisition expense ratio of PZU, PZU Życie	13.3%	14.1%	14.1%	*0.8p.p.*	*0.0p.p.*

1. PZU Group excluding financial data of Pekao and Alior Bank
2. Ratio computed for 1H19, annualized, calculated excluding minority interest
3. Only for non-life insurance in the PZU Group
4. Margin for the group and individually continued insurance segment net of the conversion effect

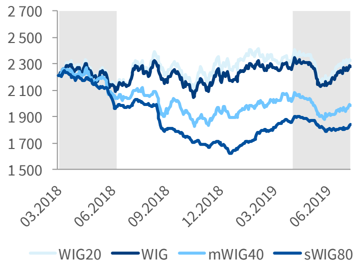
Investment performance

MSSF, mln zł	2Q18	1Q19	2Q19	change y/y	change q/q
Net investment result	**2,095**	**2,496**	**2,084**	*(0.5%)*	*(16.5%)*
Insurance and other activities	318	627	405	*27.4%*	*(35.4%)*
Main portfolio	**260**	**458**	**383**	*47.6%*	*(16.4%)*
Debt instruments - interest	343	355	347	*1.4%*	*(2.1%)*
Debt instruments - revaluation and execution	(81)	0	22	*x*	*x*
Equity instruments	8	66	(12)	*x*	*x*
Real estate	57	33	30	*(47.0%)*	*(7.9%)*
FX on debt net of hedging	(67)	5	(4)	*x*	*x*
Investment products	**5**	**178**	**96**	*x*	*(45.8%)*
Other	**54**	**(9)**	**(74)**	*x*	*x*
Banking activities	1,777	1,869	1,679	*(5.5%)*	*(10.2%)*

- 2.4 p.p. surplus profitability in the main portfolio with FX above the risk-free rate in 1H19
- Stable interest income
- Steady construction of the other comprehensive income debt portfolio – lowering volatility of the results and dependence on market conditions
- Real estate – exposure to the yield on real estate and valuation after the completion of property development projects – hedged FX exposure
- EUR debt financing repaid – July 2019

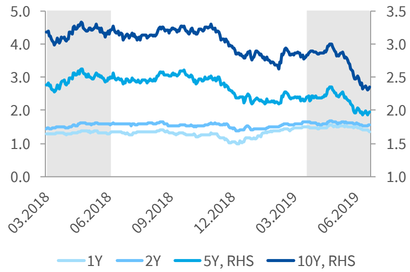


WIG and other Warsaw Stock Exchange indices



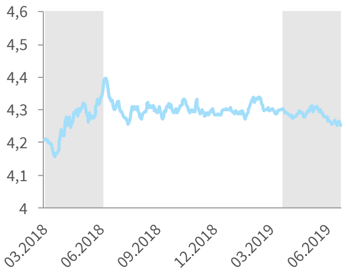
Change in WIG:
2Q19: 0.9%
2Q18: -4.2%

Bond yield



2Q19: -23 bps
2Q18: +12 bps

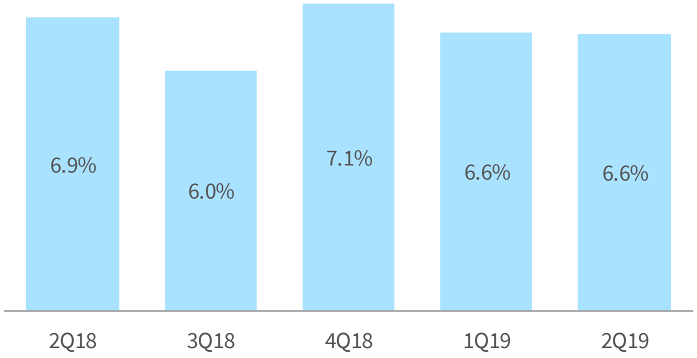
EURPLN



2Q19: -1.1%
2Q18: +3.6%

Cost effectiveness

Administrative expense ratio

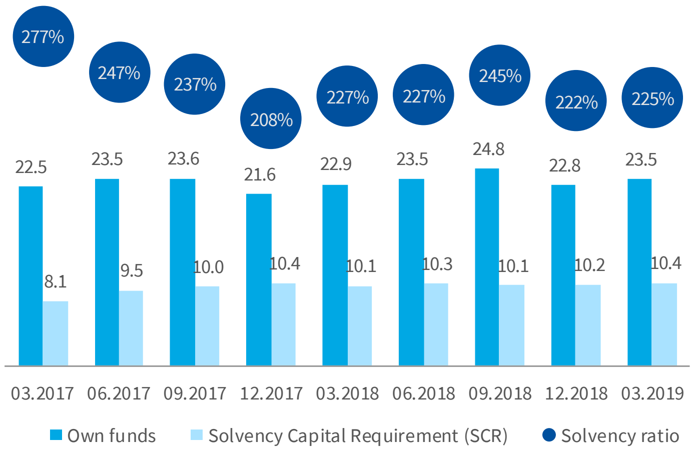


- The improvement in the administrative expense ratio in **2Q19 versus 2Q 18** was the outcome of the following:
  - optimization of service-related costs
  - optimization of processes ensuing from the implementation of Robotic Process Automation (RPA)
  - higher personnel costs in 2018 stemming from the establishment of a provision for special awards in 1H
- Stable level of administrative expenses in **2Q19 versus 1Q19**. The more significant changes to the level of costs pertained to the following:
  - slower growth in the provision for unused holidays in 2Q
  - higher spend for training efforts in 2Q
  - intensification in 2Q of sales support costs, especially meetings with clients
  - higher marketing spending in 2Q
  - lower project-related expenses in 2Q than in 1Q

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

Group's high level of solvency

PZU Group's Solvency II data, 31 March 2019 (bn PLN)



- In 1Q19 upswing in own funds of 0.8 bn PLN. Major reasons:
  - current flows on insurance and investment activity (+1.2 bn PLN) offset by BEL up 0.3 bn PLN (net of the effect of the change in interest rates)
  - decrease of the shares in credit institutions (0.1 bn PLN)
- In 1Q19 SCR growth of 0.2 bn PLN due to the following:
  - higher market risk in connection with greater exposure to foreign corporate bonds and the implementation of IFRS 16 Leases
  - higher counterparty default risk.
- High quality of the PZU Group's own funds - share of Tier 1 capital is 87%.
- Standalone solvency ratio:
  - PZU: 244% (240% at the end of 2018)
  - PZU Życie: 458% (449% at the end of 2018)

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

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

4. Strategy execution

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

Non-life insurance		Life insurance		Investments		Health		Banks	
PZU Group's market share [2,3]		Number of clients in PZU[5] Życie		Assets under management for third party clients (bn PLN)		Revenues (m PLN)[8,11]		Assets (bn PLN)	
03.2019	2020	06.2019	2020	06.2019	2020	06.2019	2020	06.2019	2020
33.5%	38%	10.8	11.0	30.8 / 51.2[7]	65	675.8	1.000	274	>300
Combined ratio[3]		Insurance margin in group and individual continuation		Net result on third party asset management (m PLN)[11]		EBITDA margin[9]		Net financial result attributed to the PZU Group (m PLN)[11]	
06.2019	2020	06.2019	2020	06.2019	2020	06.2019	2020	06.2019	2020
89.2%	92%	20.0%	>20%	87 / 197[7]	200	10.1%	12%	576	>900
Administrative expense ratio[4]		Solvency II solvency ratio		Surplus yield on the main portfolio above the RFR [10]					
06.2019	2020	03.2019	2020	06.2019	2020				
6.6%	6.5%	225%[6]	>200%[6]	2.4 p.p.	2.0 p.p.				

ROE[1]	06.2019	2020
	20.3%	**>22%**

1. ROE attributable to the parent company
2. Direct business
3. PZU jointly with TUW PZUW and LINK4
4. Administrative expenses in PZU and PZU Życie
5. Including the clients acquired in cooperation with banks
6. Own funds after subtracting anticipated dividends and asset taxes
7. Including assets under management of banks' TFIs / including result on asset management generated by banks' TFIs
8. Annualized revenues of proprietary centers and branches including revenues from PZU Zdrowie and the PZU Group
9. Net of non-recurring costs; profitability computed using the sum of revenues generated by branches and earned premium
10. Difference between the annual rate of return computed using the IFRS result on the main portfolio including FX and the annual average level of WIBOR6M
11. Last 12 months

PZU Group Standard - Green PZU

- Adoption of “PZU Group Standard - Green PZU” by PZU and PZU Zycie
- Appointing the Management Board Representative for Environment Protection
- PZU direct environmental footprint:
  - ✓ water consumption
  - ✓ energy consumption
  - ✓ paper consumption
  - ✓ waste generation
  - ✓ air pollution emissions

PZU ecological plan for 2018-2020:

- curtailing the consumption of utilities
- limiting the production of documents
- conducting pro-ecological activities in the car fleet management policy
- rational waste management
- installing air conditioning with an ecological cooling agent
- preference to environmental and social aspects when choosing space for rent
- running educational campaigns among employees in the area of pro-environmental behaviors

5. Attachments

Profitability by operating segments

Insurance segments	Gross written premium			Insurance result / operating result			Combined ratio / Margin	
m PLN, local GAAP	**1H18**	**1H19**	**Change y/y**	**1H18**	**1H19**	**Change y/y**	**1H18**	**1H19**
Total non-life insurance – Poland	6,871	6,684	*(2.7%)*	1,035	832	*(19.6%)*	86.8%	89.2%
Mass insurance – Poland	5,350	5,273	*(1.4%)*	818	646	*(21.0%)*	86.9%	89.6%
Motor TPL	2,366	2,222	*(6.1%)*	136	171	*25.8%*	94.8%	93.4%
MOD	1,277	1,298	*1.6%*	120	86	*(28.2%)*	89.7%	92.7%
Other products	1,707	1,753	*2.7%*	393	268	*(31.8%)*	72.8%	81.5%
Impact of allocation to the investment segment	x	x	*x*	169	121	*(28.6%)*	x	x
Corporate insurance – Poland	1,521	1,411	*(7.3%)*	217	186	*(14.3%)*	86.4%	87.9%
Motor TPL	386	406	*5.1%*	(34)	28	*x*	107.9%	92.7%
MOD	423	425	*0.5%*	36	27	*(25.0%)*	90.5%	93.2%
Other products	712	580	*(18.6%)*	163	94	*(42.3%)*	62.8%	76.8%
Impact of allocation to the investment segment	x	x	*x*	52	37	*(28.8%)*	x	x
Total life insurance – Poland	4,133	4,165	*0.8%*	802	822	*2.5%*	19.4%	19.7%
Group and individually continued insurance - Poland*	3,444	3,471	*0.8%*	694	694	*x*	20.2%	20.0%
Individual insurance – Poland	689	694	*0.7%*	98	119	*21.4%*	14.2%	17.1%
Conversion effect	x	x	*x*	10	9	*(10.0%)*	x	x
Total non-life insurance – Ukraine and Baltic States	844	939	*11.3%*	77	111	*44.2%*	90.5%	88.5%
Baltic States	756	821	*8.6%*	71	95	*33.8%*	90.4%	88.9%
Ukraine	88	118	*34.1%*	6	16	*166.7%*	90.9%	83.9%
Total life insurance – Ukraine and Baltic States	57	66	*15.8%*	2	4	*100.0%*	3.5%	6.1%
Lithuania	31	35	*12.9%*	(1)	0	*x*	(3.2%)	0.0%
Ukraine	26	31	*19.2%*	3	4	*33.3%*	11.5%	12.9%
Banks	x	x	*x*	1,768	1,451	*(17.9%)*	x	x

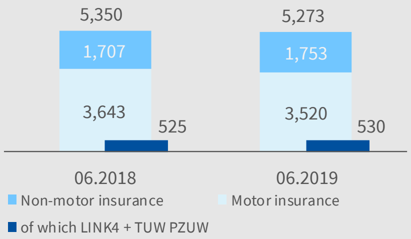
* Excluding conversion effect

Non-life insurance

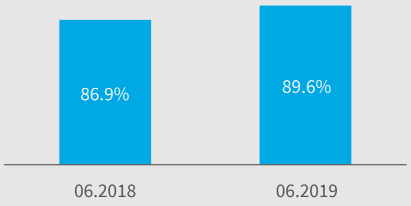
Higher sales of motor insurance in the corporate segment

Mass segment

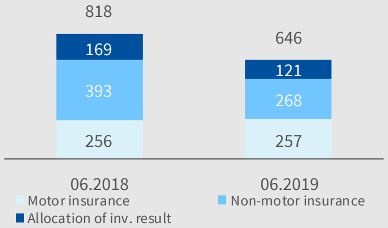
Gross written premium (m PLN)



Combined ratio (%)

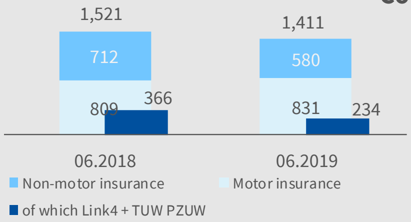


Insurance result (m PLN)

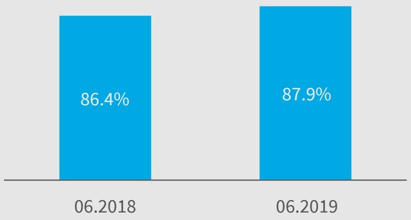


Corporate segment

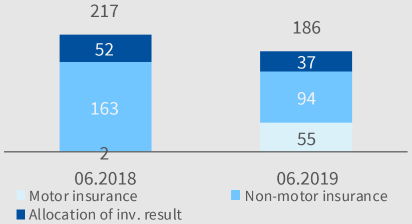
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)



Recap – non-life insurance

Mass segment

Lower gross written premium y/y due to the following:

- decline of gross written premium in motor insurance as the outcome of lower motor TPL sales (lower number of insurance contracts triggered by the heightened price-related activity pursued by competitors) and higher gross written premium in motor own damage
- lower sales of agricultural insurance, especially insurance for buildings on farms and subsidized crop insurance accompanied by growth in gross written premium on financial risk insurance

Insurance result down as the outcome of the following:

- incremental growth in net earned premium (+2.1% y/y)
- movement in the loss ratio, including:
  - increase in the loss ratio in non-motor insurance, chiefly in insurance against fire and other damage to property as a result of above-average number of losses caused by atmospheric phenomena
  - decrease in the loss ratio in motor TPL insurance - in the corresponding period of 2018 the provision for claims for pain and suffering related to being in a vegetative state was remeasured, which partially offset the uptick in the loss ratio in motor own damage
- change in insurance activity expenses, including:
  - higher acquisition expense ratio as a result of the change in the product and sales channel mix (multi agent and car dealer channels with a higher share while the sales of motor TPL insurance featuring lower commission rates have seen a lower pace of growth)
  - growth in the administrative expense ratio as the outcome of higher staff costs triggered by wage pressure on the market while observing cost discipline in other non-staff related areas of business activity

Recap – non-life insurance

Corporate segment

Lower gross written premium y/y was the outcome of the following:

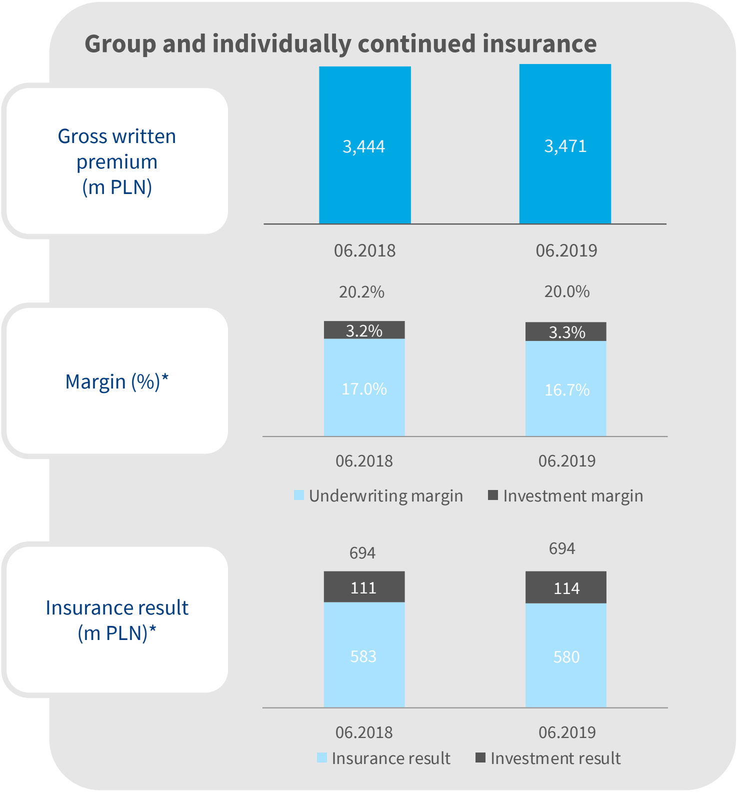
- lower sales of insurance against fire and other damage to property, 1H18 GWP included a single high-value long-term agreement
- growth in motor insurance sales offered to leasing companies and in fleet insurance – as the result of the still visible higher demand for cars at the end of 2018 being a consequence of changes in lease taxation as of 2019
- development of the insurance portfolio containing financial risks, in particular the insurance of GAP financial losses
- higher sales of other liability insurance, especially the higher premium from insurance of hospitals and strategic partnerships in TUW PZUW

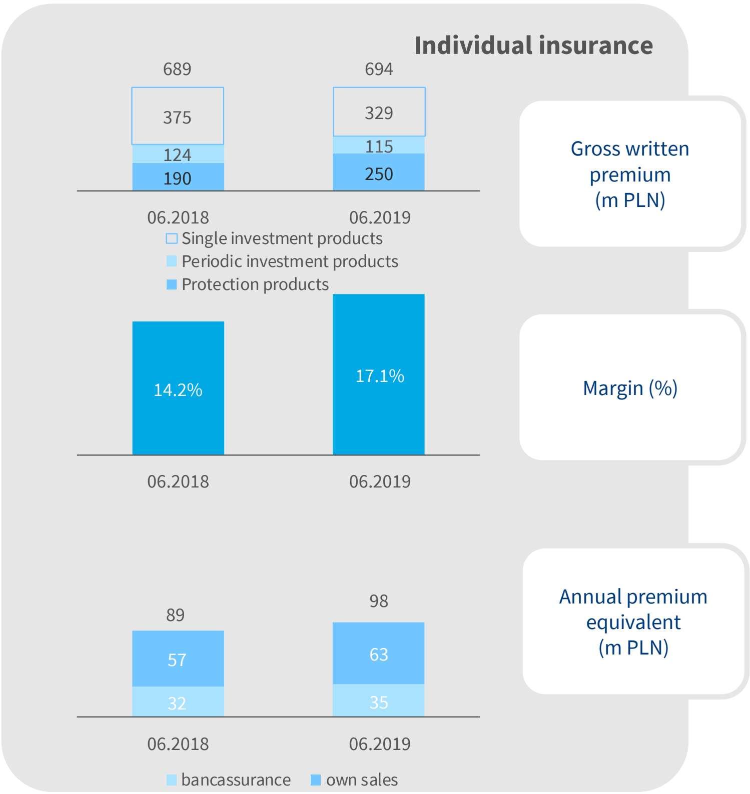
Insurance result fell on account of the following:

- incremental growth in net earned premium (+5.0% y/y)
- higher loss ratio in the insurance portfolio as the outcome of the following:
  - higher loss ratio in insurance against fire and other damage to property as a result of single high value claims
  - increase in the average disbursement in motor own damage insurance
  - decrease in the loss ratio in the motor TPL portfolio (in 2018 the provision for claims for pain and suffering relative injured in an accident being in a vegetative state was remeasured) as well as in general TPL insurance and assistance insurance
- changes to the level of insurance activity expenses, including the rising acquisition expense ratio (higher direct expenses as a result of changes in the sales channel mix)

Life insurance

Maintaining the profitability of group and individually continued insurance, higher margin in individual insurance





* Segment margin and insurance results net of conversion effect

Recap – life insurance

Group and individually continued insurance

Drivers of higher gross written premium y/y:

- acquiring more health insurance contracts, including a new rider to continued insurance launched under the name “PZU Uraz ortopedyczny [PZU orthopedic injury]” that has enjoyed a great reception from clients; PZU Życie already has more than 2 million health insurance contracts in force
- sustaining the policy of upselling riders while simultaneously indexing premiums on the underlying contracts in individually continued products; in addition to the aforementioned rider, at the end of 2018 PZU Życie introduced another insurance product for a myocardial infarction or a stroke; in July 2019 another rider called “PZU Na Wypadek” was launched
- at the same time, the revenues in group protection products faced pressure during the last year and a half from higher lapses in groups (work establishments) due to the retirement age being statutorily reduced in 4Q 2017, while the lower amount of pressure exerted on the growth rate of the average premium made it possible to control the loss ratio in group protection products

Drivers of the growth y/y in the insurance result:

- constantly expanding insurance portfolio, chiefly health
- death-related and childbirth benefits down from a year ago as confirmed in the overall population according to the data published by the Central Statistical Office (GUS)

Recap – life insurance

Individual insurance segment

Higher gross written premium y/y was the result of the following:

- constantly rising periodic premium level in protection products, also thanks to implementing new generations of these products
- ongoing development of cooperation launched in the latter half of 2018 with Alior Bank and Bank Pekao to offer single premium individual life insurance to clients taking out cash loans

Segment's margin growth y/y was the result of the following:

- changes to the share of revenue held by the segment of protection products with a substantially higher margin than unit-linked investment products that generate a loss for the company at the time of sale (the commission paid to the seller is financed using future fees to be paid by the client)
- decline in the level of administrative expenses.
- intensive development of cooperation with the PZU Group's banks

Sales channels:

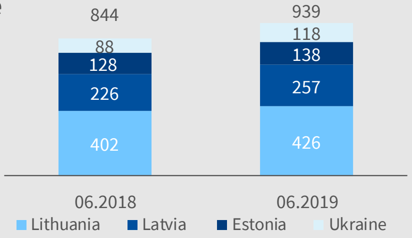
- maintenance of a high level of sales in proprietary channels. The more than 20% growth rate year on year in the sales of protection products after marketing a new generation deserves special emphasis, which was simultaneously partially offset by lower contributions to the IKE and IKZE voluntary retirement savings programs
- the rising sales of protection products in the bancassurance channel, especially in cooperation with Alior Bank and Bank Pekao were partially offset, just like in own channels, by the lower level of contributions to new accounts in unit-linked products

International business

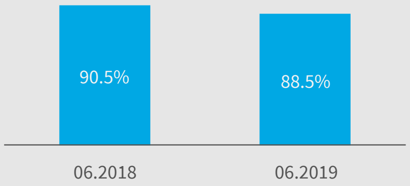
Business growth, improved profitability

Non-life insurance

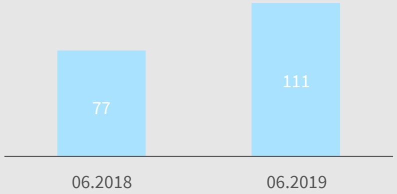
Gross written premium (m PLN)



Combined ratio (%)

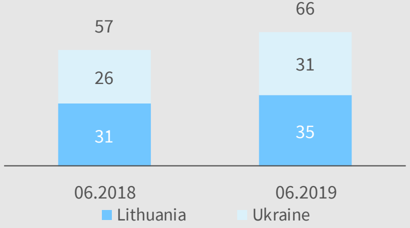


Insurance result (m PLN)

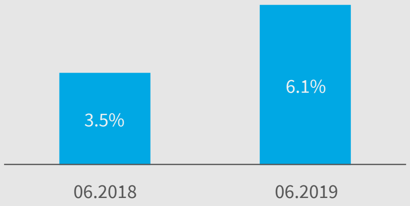


Life insurance

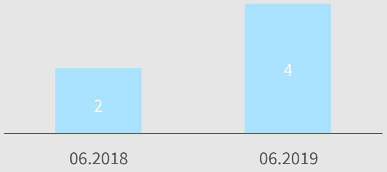
Gross written premium (m PLN)



Margin (%)



Insurance result (m PLN)



Recap – international business

Gross written premium

Non-life insurance:

- The growth in gross written premium in the Baltic companies was possible chiefly by maintaining in H1 the upward trend of rates in motor insurance premiums in the region and thanks to higher sales of property insurance in Latvia, and health insurance, too in Latvia and Lithuania alike:
  - Lithuanian market leader Lietuvos Draudimas: 426 m PLN (last year: 402 m PLN)
  - AAS Balta in Latvia: 257 m PLN (last year: 226 m PLN)
  - Estonian branch of PZU Insurance: 138 m PLN (last year: 128 m PLN).
- Sales growth in Ukraine of 30 m PLN (118 m PLN, last year 88 m PLN) generated mostly by accident insurance (compulsory when applying for a tourist visa)

Life insurance:

- Gross written premium in Lithuania (up 4 m PLN) on endowment insurance sales to retail clients
- Gross written premium in Ukraine up 5 m PLN (31 m PLN, last year 26 m PLN)

Recap – international business

Insurance results

Non-life insurance:

- Combined ratio decline as a result of the following:
  - reducing the loss ratio – decline in the Baltic States due to the lower frequency of claims in motor insurance, in Ukraine due to the falling balance of technical provisions
  - maintaining the acquisition expense ratio at the level of H1 of last year due to dropping the commission rate in the Baltic States segment, in the Ukraine segment the ratio is up versus the corresponding period of the previous year
  - cutting the administrative expense ratio was possible chiefly due to maintaining cost discipline coupled with the growth in the magnitude of business
- Growth in the insurance result (up 34 m PLN) in non-life insurance propelled by higher sales and due to the positive results generated by companies in both segments

Life insurance:

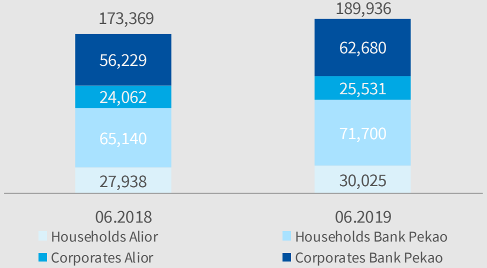
- Improved result in the Ukraine segment (up 1 m PLN), chiefly due to higher sales coupled with simultaneous growth in the Baltic States segment (also up 1 m PLN)

Banking activity

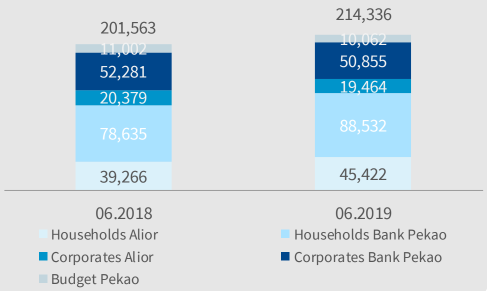
Stable results excluding BFG fees

Volumes

Loans
(m PLN)

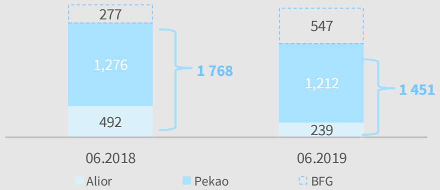


Liabilities
(m PLN)[3]

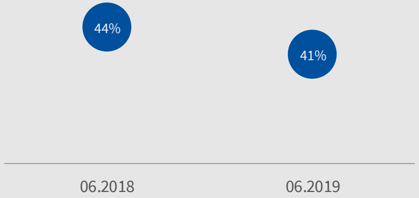


Profitability and ratios

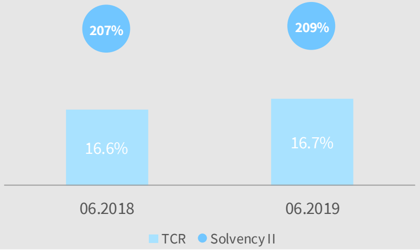
Operating profit[1]
(m PLN)



Cost / Income[1]
(%)



Capital adequacy[2]

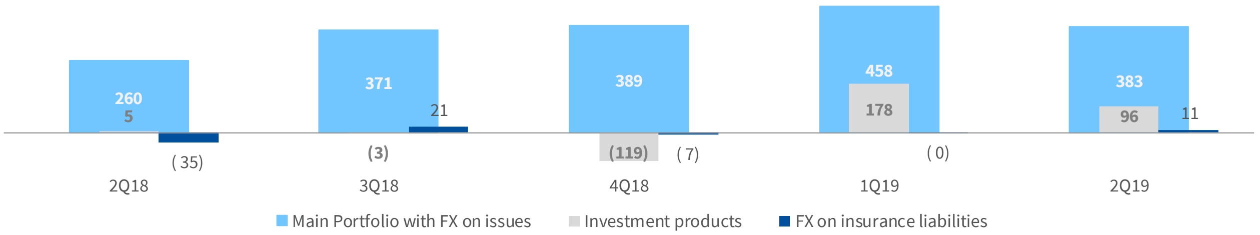


1) Data in accordance with PZU's financial statements
2) Data jointly for Pekao and Alior Bank pro rata to the equity stakes held
3) Data in accordance with Pekao and Alior Bank's financial statements

Investments

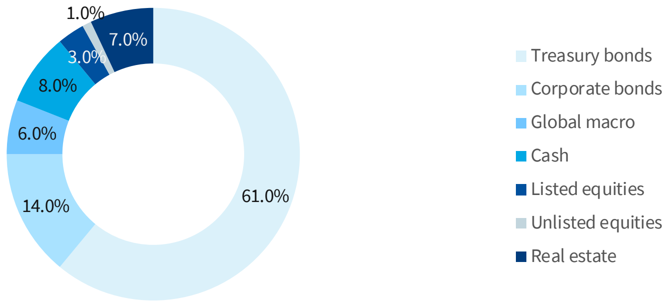
Drop in the valuation of equity portfolios while the result on debt portfolios stabilized

Net investment result (m PLN)



December 2018 main portfolio investment composition

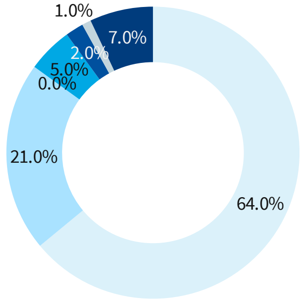
41.9 bn PLN



investment products 5.9 bn PLN

June 2019 main portfolio investment composition

40.2 bn PLN



investment products 6.0 bn PLN

Recap – investments

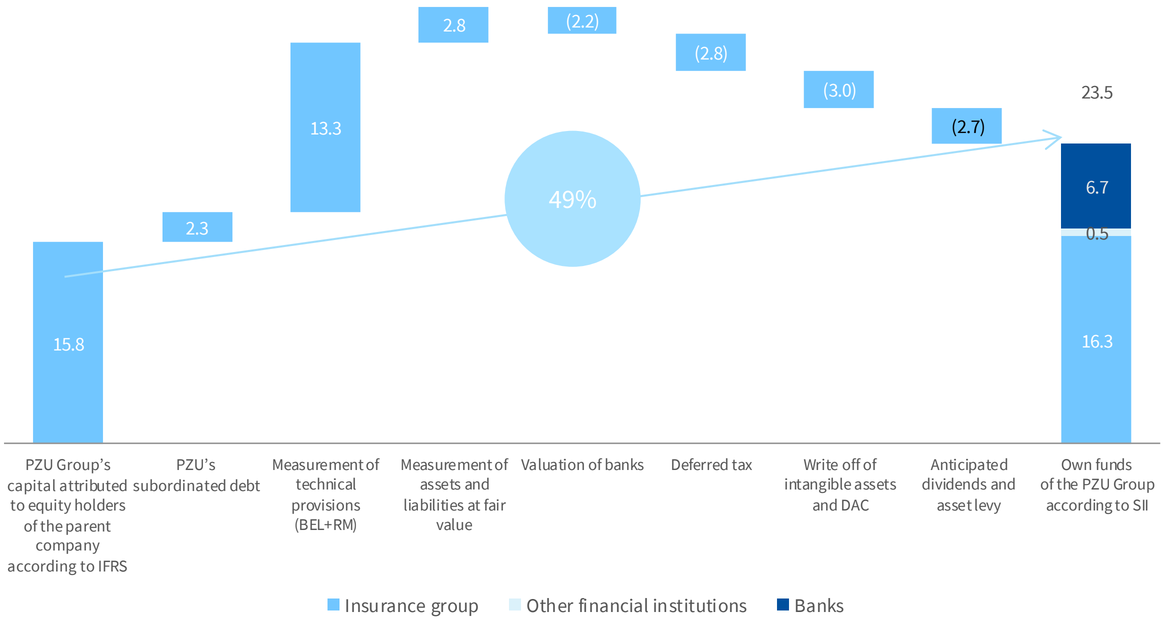
- Improvement in the main portfolio's investment result under IFRS while giving consideration to the FX impact on liabilities versus 2Q 2018 is principally the effect of better performance in the portfolio consisting of Polish and foreign treasury bonds due to the better situation on the bond market and also stabilization of income in the foreign treasury bonds portfolios (EM), chiefly by altering the management strategy from being short-term to long-term and setting up a FVOCI portfolio.

  Additionally, the establishment of an investment grade high yield foreign corporate bonds portfolio contributed to higher performance.
- The lower performance versus 1Q19 was chiefly due to the softer equity market.
- The fall in the level of assets in the main portfolio is related to designating funds to repay issues of own debt securities issued in EUR.
- The increase in the percentage of non-treasury debt market instruments is the result of the consistently implemented investment policy to ensure greater diversification of the investment portfolio and curtailment of volatility in results.

Group's own funds

PZU Group's data under Solvency II / 31 March 2019 (bn PLN)

Comparison of own funds and consolidated own funds according to IFRS



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

** The adjustment for anticipated dividends determined based on the Management Board's recommendation regarding the distribution of the result.

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

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

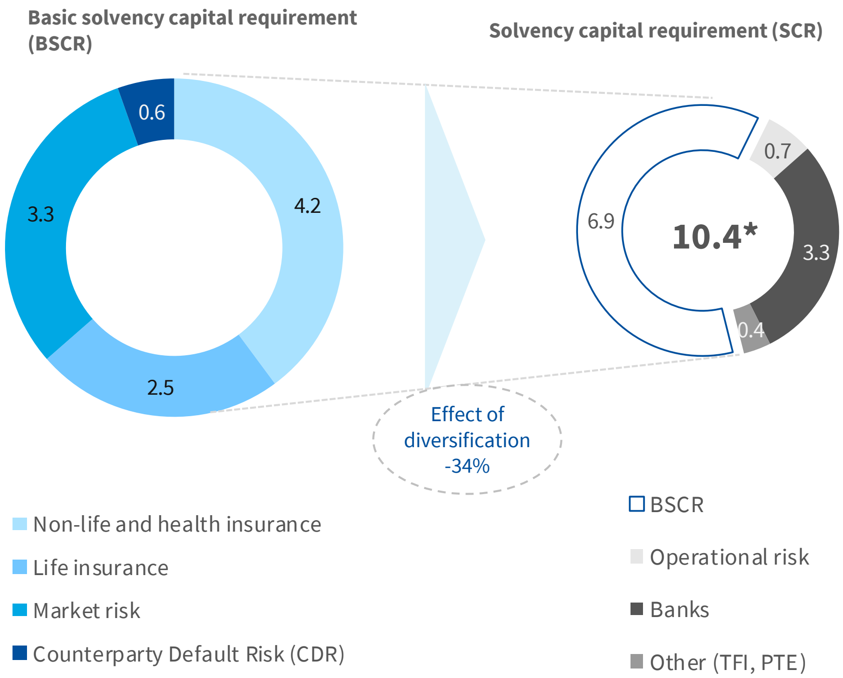
No consolidation of given credit institutions (Pekao, Alior Bank) and financial institutions (TFI, PTE).

According to SII regulations:

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

SCR up following the acquisition of Pekao

PZU Group's data under Solvency II / 1Q19 (bn PLN, unaudited data)



Solvency requirement moved up in 1Q19 by 0.2 bn PLN
The main reasons for the movement in SCR:

- the market risk requirement has been raised by 0.16 bn PLN in connection with implementing IFRS 16 Leases (higher valuation of real estate) and higher exposure to foreign corporate bonds (higher spread risk, but also the decline in FX risk thanks to better matching of the FX position and reducing the interest rate gap)
- increase in the requirement for a counterparty's default risk by 0.1 bn PLN** in connection with the growth in the balance of settlements for transactions concerning financial instruments
- slight increase in the risk of non-life and life insurance (in total +0.07 bn PLN)**

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

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As the presentation of amounts in the consolidated financial statements has been modified to state millions of PLN instead of thousands of PLN, which has been the case to date, some amounts and ratios in this presentation may differ from the figures stated in the presentation of the PZU Group’s financial results last year on account of the necessity to round them.

Thank you

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