



PZU Group's Financial Results

in 3Q19

Warsaw, 14 November 2019



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1. PZU Group's main accomplishments





Business development



Record – breaking sales - gross written premium over 17 bn PLN in 9M19

- **Acceleration of the pace of growth of gross written premium** and earned premium in 3Q19 in comparison to the first half of the year
- Dynamic growth of **gross written premium on non-motor insurance: 21% y/y** in 3Q19 reflecting PZU's strong competitive position and robust economic conditions
- Incremental growth of gross written premium in **life insurance in Poland – the fastest rate since the outset of 2018** despite market conditions that are not conducive to unit-linked business
- Rapid growth of **gross written premium in individual life insurance** in Poland: **32% y/y** in 3Q19 – substantially stronger in comparison to the first half of the year
- Revenues of PZU Zdrowie up **38% y/y** in 3Q19 ¹⁾
- **Strong entry of PZU into diagnostic services:** acquisition of Tomma Diagnostyka Obrazowa - a network of 35 diagnostic centers throughout Poland - planned for 4Q19 ²⁾
- **New life insurance sales in the bancassurance channel have shot up 2.5 times** and **record-breaking contribution of banking activity** to the quarterly consolidated results (179 m PLN)



We are implementing **modern products tailored to client needs** – development of PZU GO, launch of rental insurance, growth of cyberrisk insurance and assets in passive funds on the inPZU platform.

We are expanding our collaboration 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.

We are developing our health business – launching the first telemedicine kiosk / mobile doctor's office (for PZU employees), opening new PZU Zdrowie clinics in Radom and Wrocław (X 2019) and acquisition of Tomma Diagnostyka Obrazowa (4Q19).

1) Data for the new acquired clinics presented for the period from the beginning of the year regardless of the moment of purchase

2) Preliminary agreement signed in October 2019

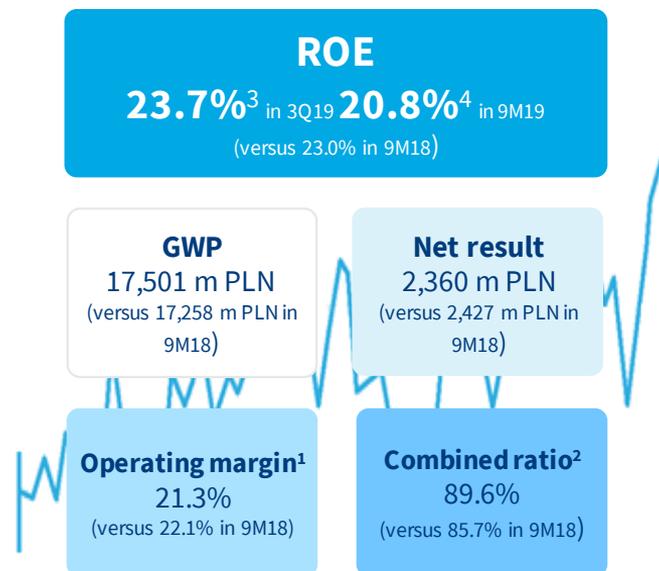


Financial results



Net profit (ex minorities) of 2.4 bn PLN in 9M19

- **Quarter with the highest net result in 2019 (879 m PLN** - significant improvement versus the average of 741 m PLN in 1H19)
- YTD result **2.4 bn PLN** - at a similar level y/y despite incomparable conditions versus last year (growing price pressure, costs of the Bank Guarantee Fund, legislative changes - i.a. CJEU, substantially worse weather)
- Combined ratio in the non-life segment in Poland at a low level of **89.6%** YTD and **90.2%** in 3Q19 – in both cases it is at a better level than posited in the strategy despite the higher loss ratios
- Operating margin in group and individually continued insurance **21.3%** in 2019 and **23.9%** in 3Q19 – above strategic levels
- Very robust investment performance surpassing our strategic ambitions - the yield on the main portfolio **2.3 p.p. above the risk-free rate** year to date and **2.3 p.p.** in 3Q19 while maintaining the portfolio's conservative structure
- Costs under strict control; despite pressure to raise wages the cost ratio was **6.2%** in 3Q19 and **6.5%** year to date – in line with the strategy
- ROE of **23.7%** in 3Q19 and **20.8%** year to date



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) 3Q19, annualized, for the parent company

4) 9M19, annualized, for the parent company



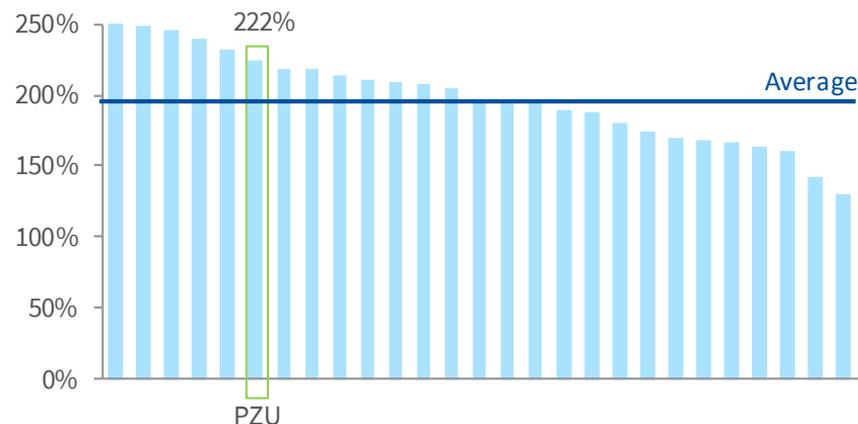
Capital



Solvency II ratio of 222% – business safety

- Affirmation of S&P's rating of **A-** and **positive** outlook, with a capital strength rating of **AAA**
- Dividend paid of **2.80 PLN** per share (75% of consolidated net profit, 89% of standalone profit, dividend yield of **7.0%**¹⁾)
- Solvency at a stable level; despite the expanding magnitude of business the SII ratio at the end of 2Q19 was **222%**²⁾
- Lower debt as a percentage of the funding mix - bond repayment with a nominal value of EUR 850 million during 3Q19
- Change in investment portfolio management strategy from short-term to long-term; more conservative portfolio composition; higher percentage of treasury bonds, greater diversification in corporate exposures, smaller percentage of MTM instruments

Solvency II ratio for European insurers



1) Closing price on 12 August 2019

2) Unaudited data



Digital transformation (1)



Digitalization of processes and better utilization of data



Artificial intelligence (AI) in motor claims handling - implementing AI will make it possible to shorten the duration of handling notifications. Algorithms automatically designate a specific car part, define the scope of damage and make the decision on repairing or replacing a given subassembly. Artificial intelligence only needs 30 seconds to analyze technical documentation. By employing this solution the decisions on what to do in 9 of 10 cases are handled automatically in claim handling. **At present, AI model implementation is underway to enhance the quality of photos of cars in the process of concluding MOD policies.**



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). Kickoff of work on building functionalities and models for PZU Dom insurance.



Moje.pzu.pl – implementing more functionalities – including a mobile app, link to the PZU Pomocni Club.

PZU Rental Apartment – platform for apartment renters and owners offering insurance covering the most frequently encountered risks, among others, rental protection or the assistance of specialists for minor repairs. Project completed under the Ready for Startups Program in which the PZU Group invites the most innovative businesses to cooperate with it.



Band of Life – pilot prevention campaign sponsored by PZU and the Ministry of Health in collaboration with the regional hospital in Siedlce. This medical band monitors basic life functions and alerts medical workers if a patient's life parameters are irregular and intervention is required. This is yet another technical innovation following PZU GO to provide assistance and rescue lives.

Dla Klienta!



“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: continuing 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



Enterprise Forum
Central & Eastern
Europe

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 won an award in the core insurance transformation category, while the AROS project received an award in the workforce transformation category. 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 FinTech 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.



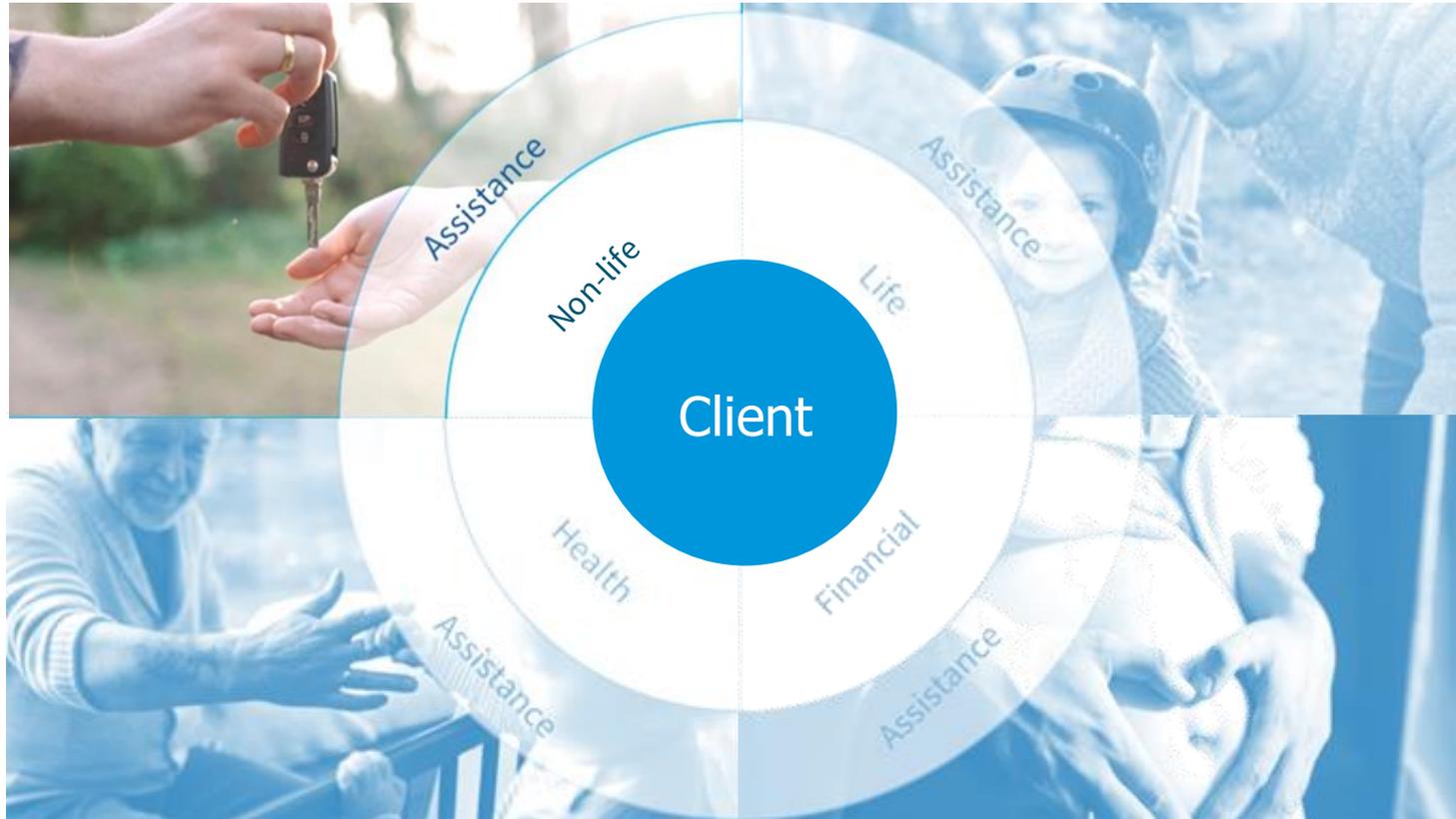
#mojePZU Project finalist in the Digital Excellence Awards 2019 competition.



CYBERSEC Forum – PZU was the strategic partner of the 5th annual European Cybersecurity Forum. CYBERSEC's goal is to devise practical solutions strengthening the security of NATO and supporting the development of the EU economy. During this year's discussion Paweł Surówka, PZU's CEO emphasized that in the context of Poland's cyberdefense it is necessary to employ a comprehensive approach and for sectors to cooperate with one another in the process of establishing standards and smoothly sharing risk-related information.



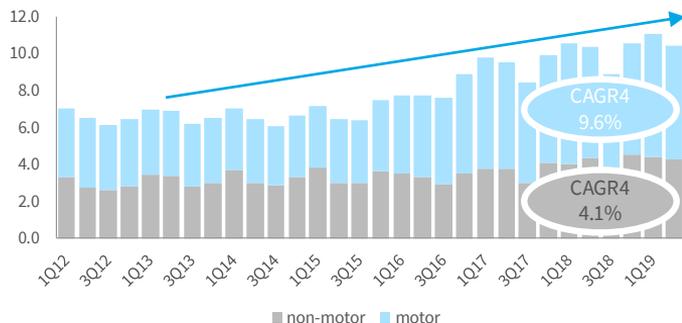
2. Business development





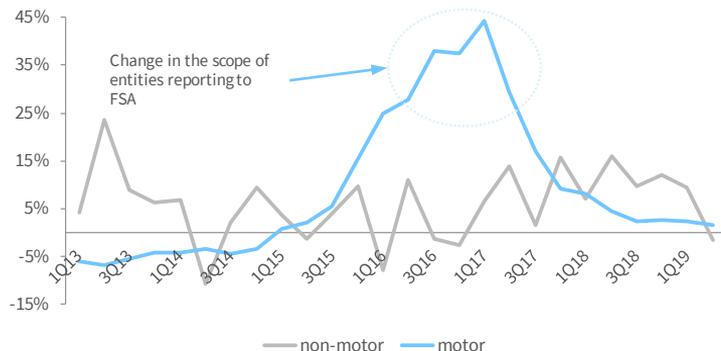
Non-life insurance (1): Non-life insurance market in Poland

Gross written premium (bn PLN)

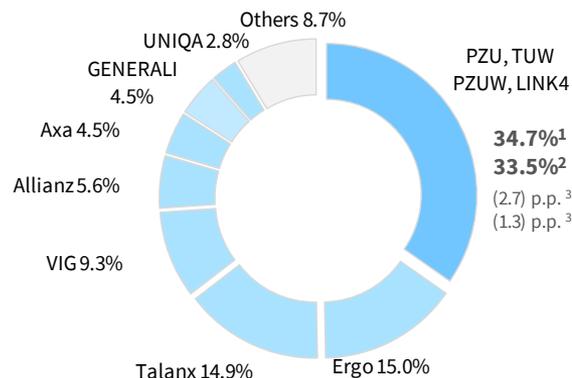


- Growth of **the non-motor insurance market** by **3.7%** y/y in 1H19
- Rate of growth of premium in **motor insurance** was **2.1%** y/y in 1H19
- Second quarter of decline y/y in gross written premium in motor TPL insurance (direct activity)
- **The PZU Group's market share in non-life insurance** (direct business) at the end of 2Q19 was **33.5%**
- Persistently strong market position **in motor insurance** with a market share of **36.2%** at the end of 2Q19²
- **PZU Group's high percentage of the overall market's technical result** at **47.2%**¹

Growth rate of the gross written premium y/y



Market shares¹

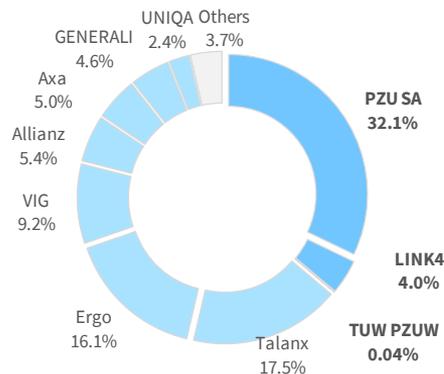


1. based on the Polish FSA's 2Q19 report; the market and market shares including PZU's inward reinsurance from LINK4 and TUV PZUW
2. PZU Group's market share in non-life insurance on direct business at the end of 2Q19
3. movement in market share y/y on PZU's inward reinsurance from LINK4 and TUV PZUW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



Non-life insurance (2): Motor insurance

PZU Group's motor insurance market share¹ (Poland)



PZU Group's combined ratio (COR²) in motor insurance and the market³ (Poland)



- **Slowdown** in the growth rate of gross written premium **on the motor insurance market**, including the **first deterioration since 2015 in the motor TPL insurance sales result**
- The **aggressive pricing policy** observed **among smaller players has triggered** highly price sensitive **customers to migrate, thereby leading to value depreciation**
- Based on behavioral analysis of competitors, **3Q19 saw gradual stabilization in the average transaction prices** in motor TPL insurance, which coupled with higher claims handling expenses and acquisition expenses signifies new business submerging **below the breakeven point**
- **Further consolidation of third-party distribution networks** has been observed, including Unilink's acquisition of Consultia, thereby **contributing** to a significant degree to **higher acquisition expenses** among **firms that do not have their own structures, exacerbating the decline in profitability** in this product line
- **Regulator's role in upholding profitability and price adequacy** – approach to collaboration between insurance undertakings and the regulator to devise a new reporting standard to be able to identify more quickly a shortfall in price adequacy in new sales
- **PZU has maintained a high level of underwriting profitability** (incl. motor business) **while simultaneously having a high market share** thanks to its strong brand, its own effective channels of distribution and the scale of its operations
- PZU has continued to **optimize value through portfolio diversification** and shifting its focus to develop other non-life products

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

2) Year to date

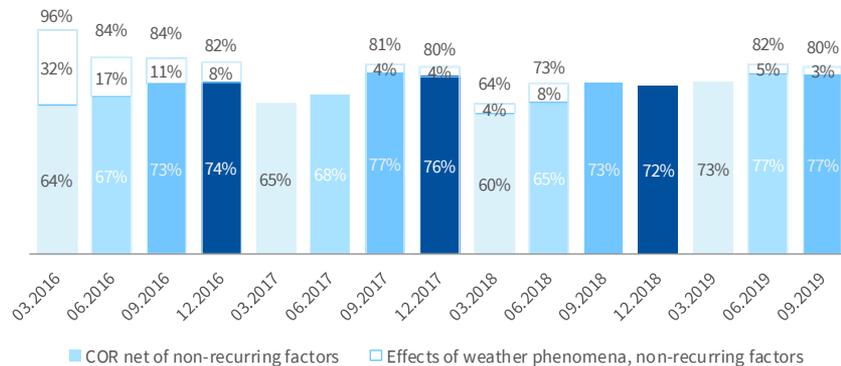
3) Based on the Polish FSA's 2Q19 report



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

Combined ratio (COR¹) in PZU Group's non-motor insurance

mass segment

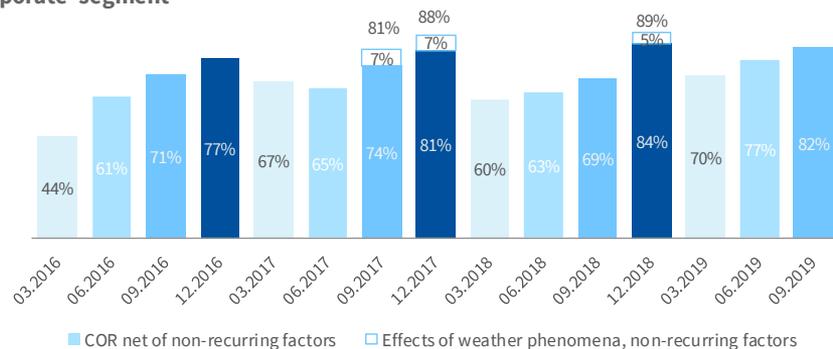


- **Mass segment:**

- sustaining high profitability despite the occurrence of numerous claims caused by atmospheric phenomena

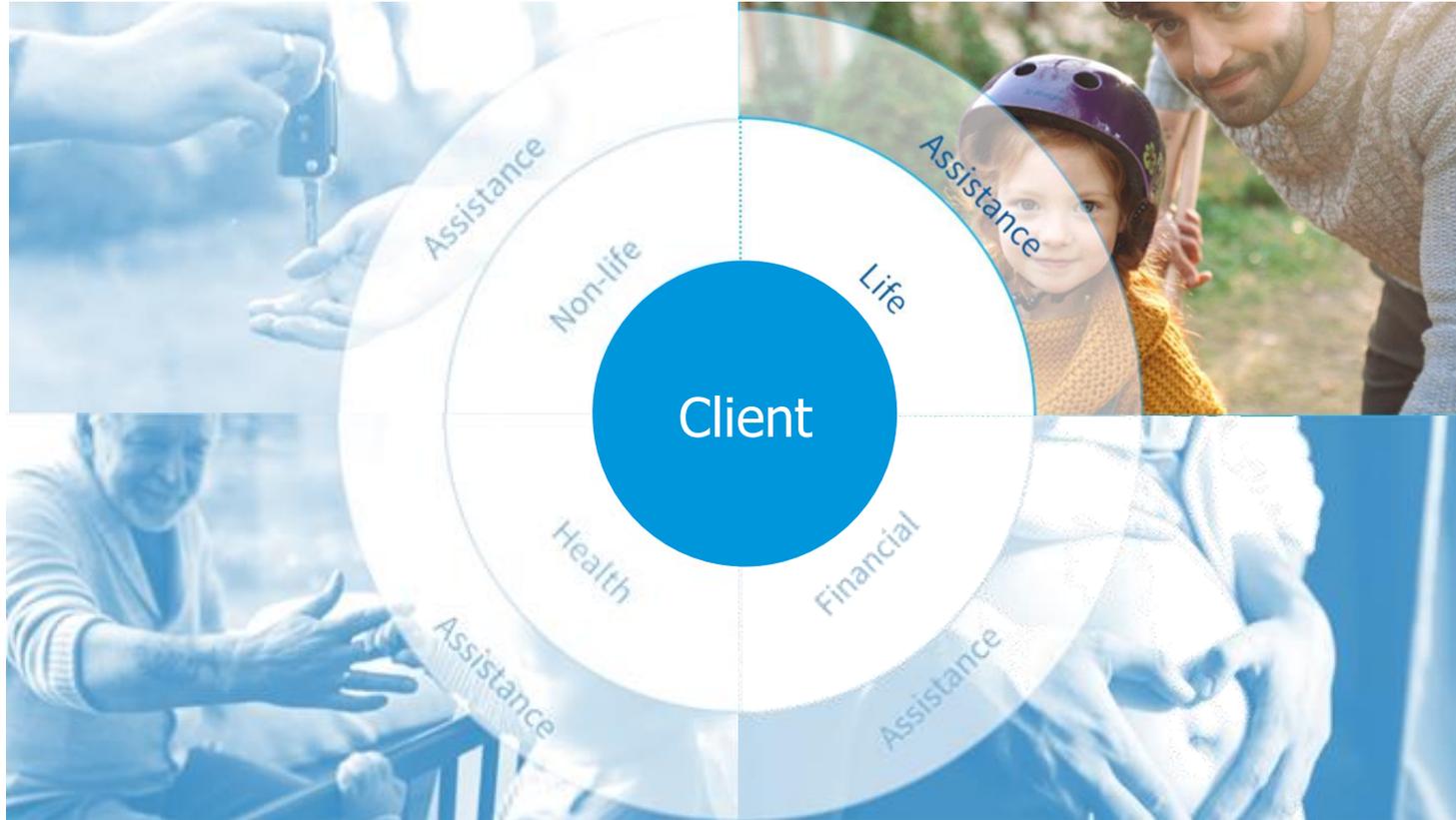
Combined ratio (COR¹) in PZU Group's non-motor insurance

corporate segment



- **Corporate segment:**

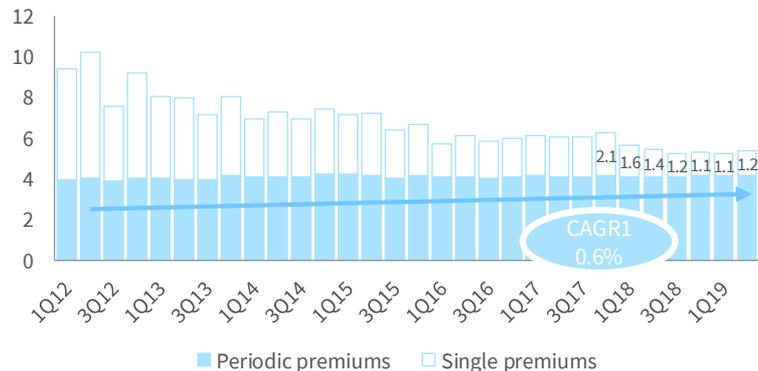
- low combined ratio in line with our targets,
- higher number of claims with a higher unit value on average
- **crafting innovative tariff-setting solutions** based on the portfolio's claim history in a given industry translating into its **offer being better fitted to client risk**



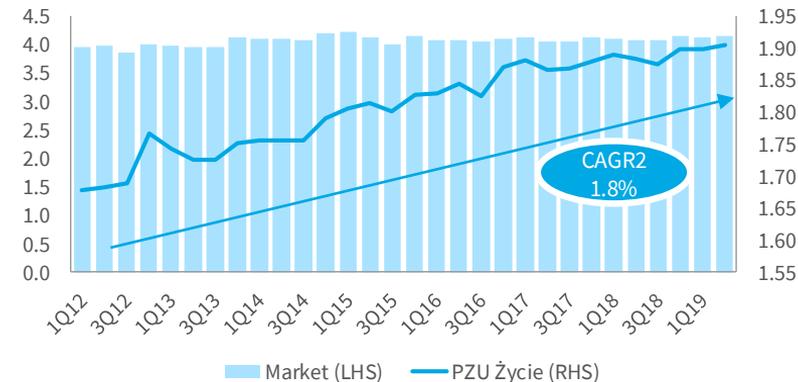


Life insurance (1): Life insurance market

Gross written premium, quarterly (bn PLN)

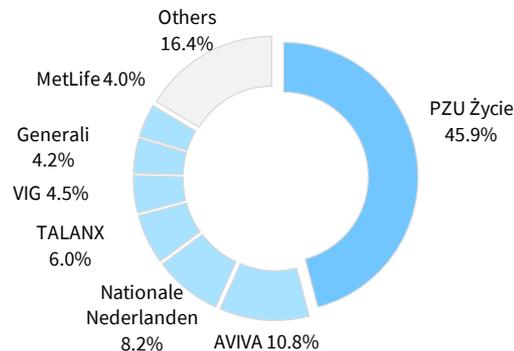


Gross periodic premium, quarterly (bn PLN)



- The market periodic premium in life insurance **held steady at a stable level y/y of 4.2 bn PLN quarterly**, but single premium fell y/y by 0.2 bn PLN to 1.2 bn PLN quarterly
- **Long-term growth in periodic premium in PZU Życie** outpacing the growth rate of the gross written premium posted collectively by other market players (CAGR 2Q19 versus 2Q 2012 of 1.8% versus 0.3%, respectively)
- **Increase in the market share held by PZU Życie by 2.2 p.p. y/y to 39.5%** in total gross written premium at the end of 2Q19
- **PZU’s key market share of periodic premium stayed high at 45.9% at the end of 2Q19**, also for protection contracts (class I of life insurance) its market share was **62.2%**
- The **profitability of the technical result** at PZU Życie at the end of 2Q19 is higher than the average for the competition – 19.5% versus 13.1%; the share held by PZU Życie of the sector’s overall result is 50%

Market shares in periodic premium in 1H19

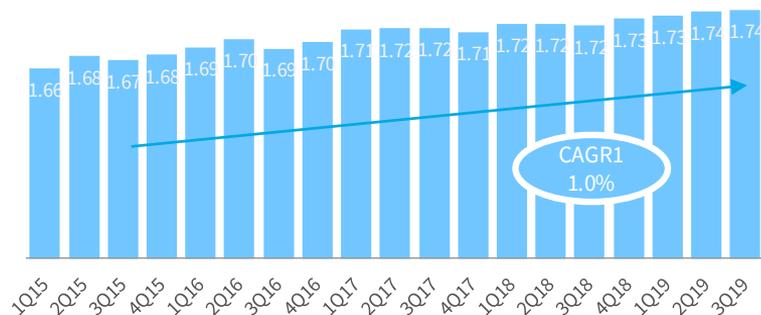


1) The market, gross periodic premium, 2Q19 to 2Q12
 2) PZU Life, gross periodic premium, Q19 to 2Q12

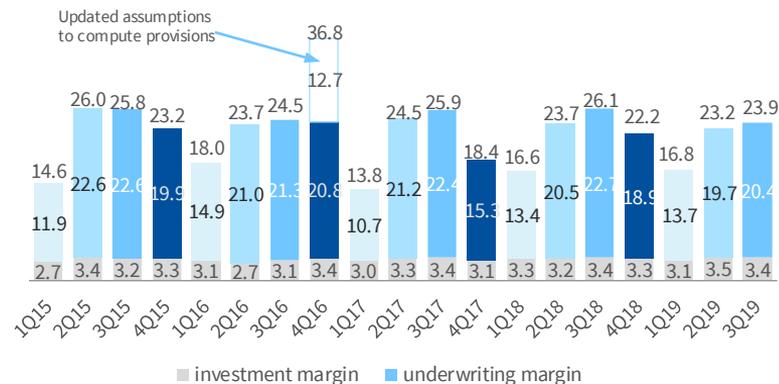


Life (2): Group and individually continued insurance

Gross written premium (bn PLN)



Margin (%)

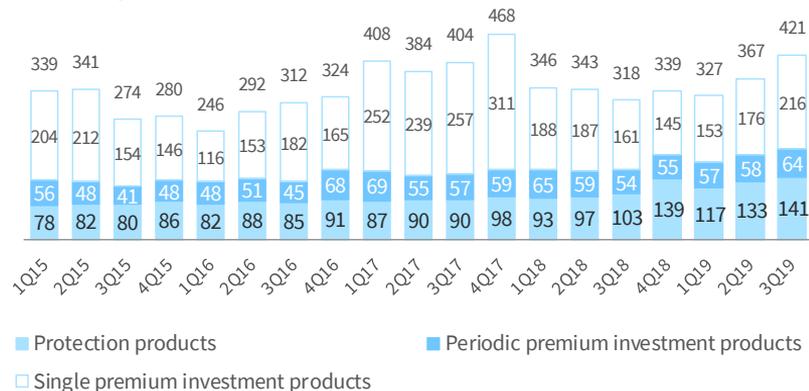


- **The expanding health insurance portfolio**, including a new rider to continued insurance launched under the name “PZU Uraz ortopedyczny [PZU orthopedic injury]” that has enjoyed a great reception from clients. At the end of September 2019, **PZU Życie had more than 2 million health contracts** in force in its portfolio
- Limiting the pressure on the premium growth rate making it possible to **control the loss ratio** of group protection products
- Margin in 3Q down 2.2 p.p. y/y due to the following:
 - higher loss ratio on some protection risks (critical illnesses, hospital treatment, deaths)
 - higher operating expenses
- Margin expansion of 0.7 p.p. q/q on account of the following:
 - lower operating expenses and lower cost of the contribution to the prevention fund (the contribution for a six-month period was concentrated in 2Q)
 - limited growth in mathematical provisions in individual continuation

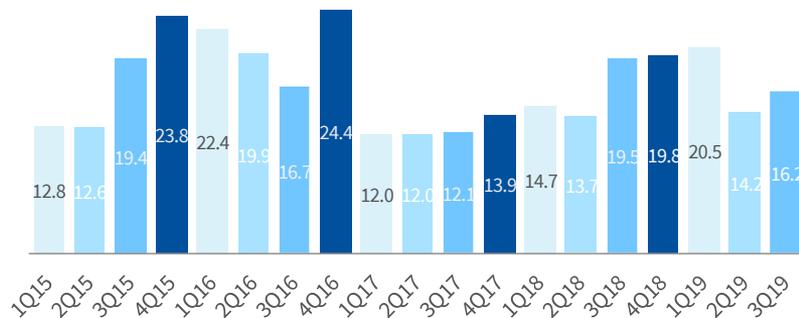


Life (3): Individual insurance

Gross written premium (m PLN)



Margin (%)



- **Record-breaking sales of individual protection products** (141 m PLN).
- Constantly rising **periodic premium** level in **protection products**, also thanks to changes in distribution network.
- 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
- Further **growth** in 3Q19 of single contributions to **unit-linked** accounts in insurance offered jointly with banks despite the challenging situation on this product market
- **Sales of single investment products at their highest level in seven quarters**, thereby contributing to the segment generating a lower level of profitability due to product structure and higher acquisition expenses
- The system of setting up and reversing technical provisions during the course of the year in one of the bank protection products was **one of the most important factors behind the improvement of the margin q/q by 2.0 p.p.** – they are established for the entire portfolio in April and over the subsequent 11 months they are fully reversed
- **Margin in 3Q19 down from last year** - higher operating expenses and lower return from TFI on the management fees charged on assets accumulated in unit-linked products

Employee Capital Schemes



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

... we offer:



Full support to handle **formalities**, filling 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

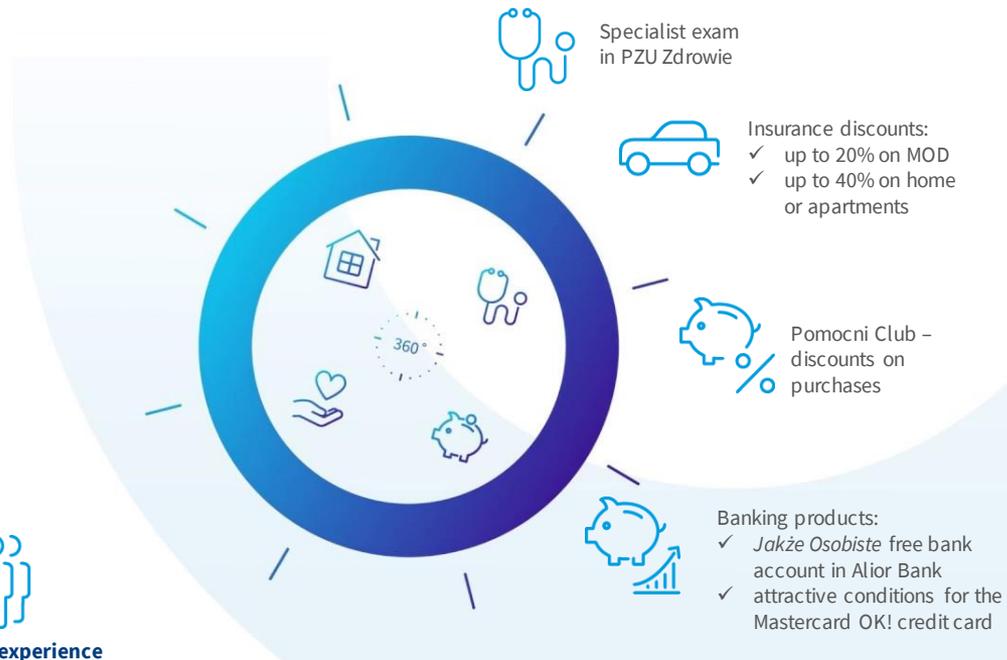


Structured **process**, efficient **oversight**, **high performance** on management debt assets



Extensive **experience** in managing pension products, leader on the **EPS** market

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



Companies employing **more than half million** people have already placed their trust in us



Health (1): PZU Zdrowie's next acquisition*: Tomma Diagnostyka Obrazowa



Nationwide footprint: 35 centers operating in 28 cities:

- MRI: 28 locations
- Computed tomography: 15 locations
- X-ray: 11 locations
- Ultrasound: 3 locations



PZU's offer even more attractive to clients:

Shortening the time to gain access to tests and obtain a diagnosis

High level of profitability:

the EBITDA margin is substantially higher than the average in the outpatient business



Ongoing vertical integration:

- diagnostics are another important part of the medical care offered to PZU clients
- significant extension of the possibilities of performing tests in PZU Zdrowie's own centers

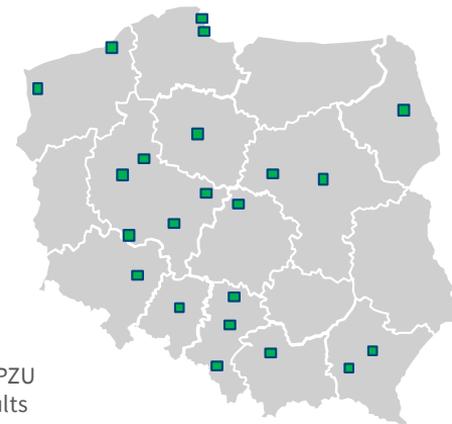
Expected rapid growth in revenue and diversified revenue mix:

cooperation with commercial centers, hospitals, National Health Service



Financial impact:

- significant contribution to PZU Zdrowie's revenue and results
- expected synergies and higher effectiveness



Market worth more than
5 bn PLN



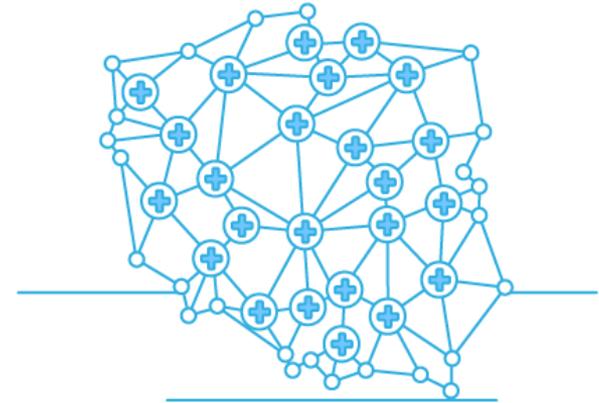
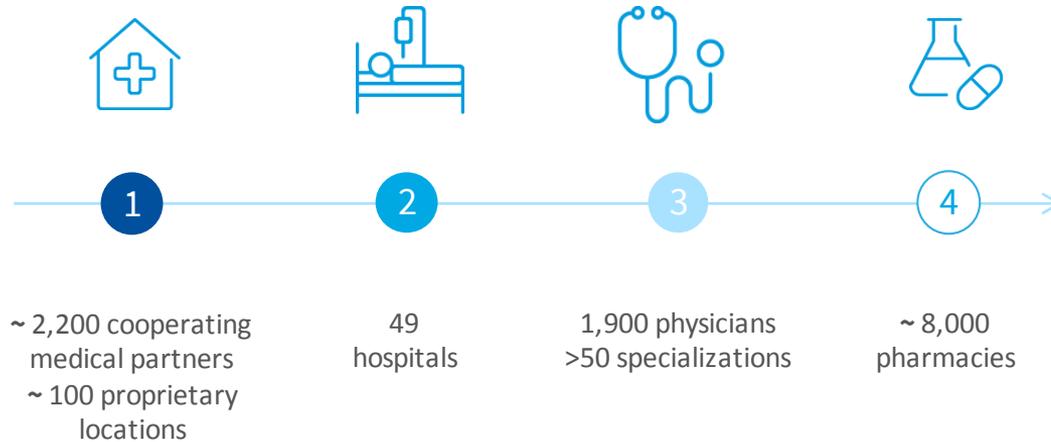
Expected **greater interest** in
access to diagnostic tests



Conducive legal regulations – released
limits on computed tomography and MRIs
in the National Health Service



Health (2): Development of business size



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



Service accessibility, convenient contact channels, online service

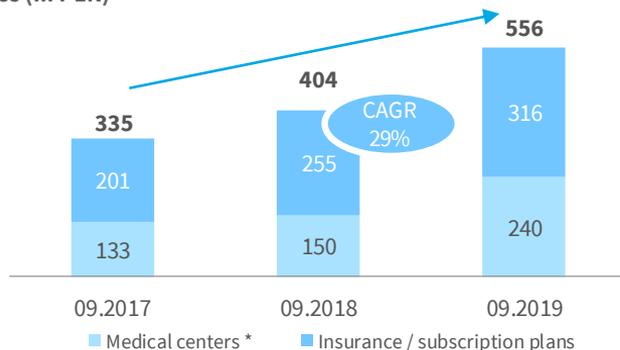


Excellent **location** and client convenience

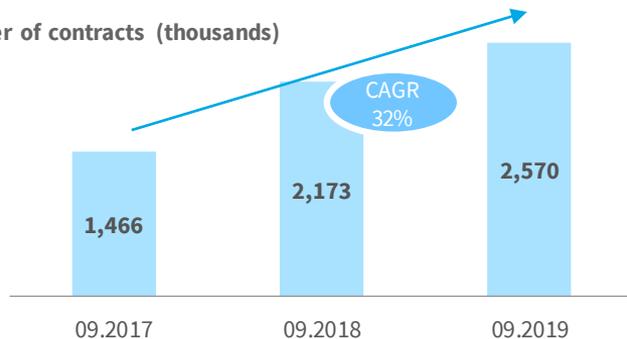


Health (2): Development of business size

Revenues (m PLN)



Number of contracts (thousands)



- 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 T UW 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 and opening branches in Radom and Wrocław (Oct. 2019)
- 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**

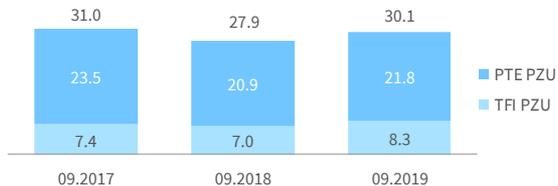
* Data presented for the period from the beginning of the year regardless of the time of aquisition (except for Falck Centra Medyczne – this company has been in operation since February 2019, and thus results are presented year to date from that date); the revenues of Branches – presented in managerial accounting in a corresponding manner to the other proprietary centers, i.e. including revenues from PZU Zdrowie and the PZU Group (including intragroup revenue for the first 9 months of 2019 of 18.6 m PLN)



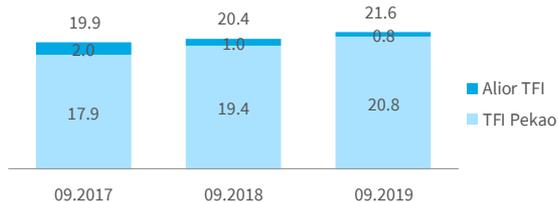
Finance: Assets under management and development of cooperation with banks



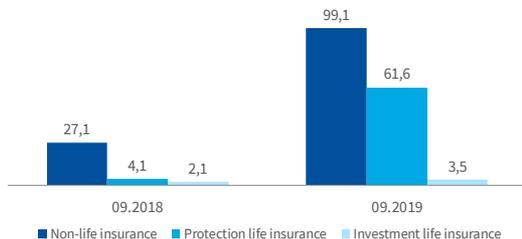
Assets of third party clients of TFI and OFE PZU clients (bn PLN)



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)



- **TFI PZU asset growth** was driven by the following:
 - positive balance of incoming funds in the PZU Group's bank channel and other third party distributors (mainly ING Bank and Bank Millennium) 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, since the outset of the year **more than 130 newly-acquired EPS contracts**, sometimes employers choose them as a more favorable solution for their employees
 - generation of attractive yields on the assets under management (Polonez and the Active Debt Fund led TFI with the highest yields in their peer groups)
- **PTE PZU asset growth** by acquiring the asset management of Pekao OFE in 2018 and the good yields on assets despite the adverse impact exerted by the slide mechanism
- **In bancassurance:** 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**
 - adding to Bank Pekao's offer the option to buy job loss and ADD insurance offered as a rider to Pekao SA's mortgage loan
 - adding travel insurance to the offer in Alior Bank's internet money exchange platform
- **In assurbanking:**
 - Bank Pekao: Pekao account sales through the PZU contact center
 - Alior Bank: launch of the CASH loan platform
- Continuation of cost savings initiatives; total annualized synergies have topped **100 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

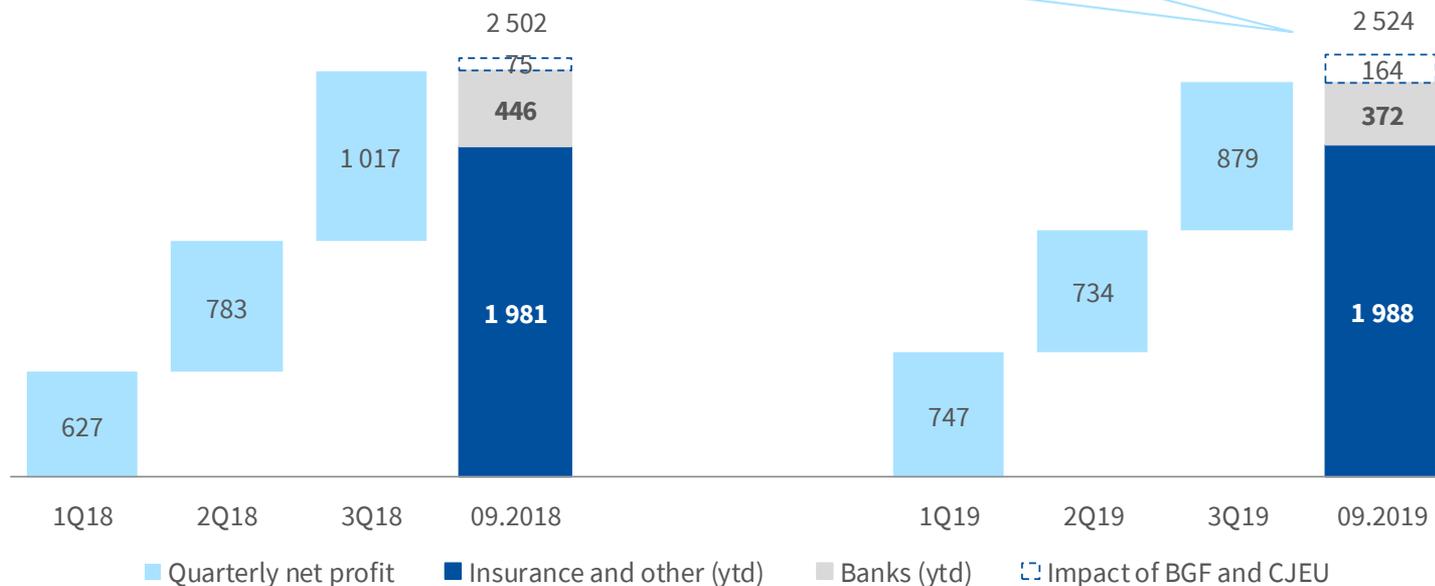
Insurance segments m PLN, local GAAP	3Q18	2Q19	3Q19	Change y/y	Change q/q
External gross written premium	5,377	5,938	5,662	5.3%	(4.6%)
Total non-life insurance – Poland	2,881	3,316	2,975	3.3%	(10.3%)
Mass insurance – Poland	2,349	2,581	2,385	1.5%	(7.6%)
Motor TPL	1,129	1,118	1,071	(5.1%)	(4.2%)
MOD	589	635	602	2.2%	(5.2%)
Other products	631	828	712	12.8%	(14.0%)
Corporate insurance – Poland	532	735	590	10.9%	(19.7%)
Motor TPL	187	201	178	(4.8%)	(11.4%)
MOD	194	209	180	(7.2%)	(13.9%)
Other products	151	325	232	53.6%	(28.6%)
Total life insurance – Poland	2,037	2,105	2,162	6.1%	2.7%
Group and individually continued insurance - Poland	1,719	1,738	1,741	1.3%	0.2%
Individual insurance – Poland	318	367	421	32.4%	14.7%
Premium on protection products	103	133	141	36.9%	6.0%
Premium on periodic investment products	54	58	64	18.5%	10.3%
Premium on single investment products	161	176	216	34.2%	22.7%
Total non-life insurance – Ukraine and Baltic States	429	485	483	12.6%	(0.4%)
Baltic States	374	422	409	9.4%	(3.1%)
Ukraine	55	63	74	34.5%	17.5%
Total life insurance – Ukraine and Baltic States	30	33	42	40.0%	27.3%
Lithuania	16	18	18	12.5%	0.0%
Ukraine	14	15	24	71.4%	60.0%



PZU Group's net result

Net operating profit net of banks is up y/y despite growing price pressure and the higher loss ratio

PZU Group's net result adjusted for the impact exerted by regulatory changes (Bank Guarantee Fund and CJEU) is up y/y





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

m PLN	3Q18 ⁵	2Q19	3Q19	change y/y	change q/q
PZU GROUP NET OF ALIOR BANK AND PEKAO					
Gross written premium ¹	5,377	5,938	5,662	5.3%	(4.6%)
Net insurance claims and benefits paid	(3,639)	(3,971)	(3,991)	9.7%	0.5%
Net investment result (ex banking activities)	372	405	406	9.2%	0.2%
Administrative expenses ¹	(380)	(426)	(406)	6.9%	(4.6%)
Acquisition expenses ¹	(781)	(823)	(864)	10.6%	5.0%
Operating profit (loss)	1,075	795	917	(14.7%)	15.4%
Net profit (loss) attributable to equity holders of the parent company	848	622	700	(17.5%)	12.5%
BANKS: ALIOR AND PEKAO					
Net profit (loss) attributable to equity holders of the parent company	169	112	179	6.0%	59.8%
NET RESULT ATTRIBUTABLE TO THE PARENT COMPANY	1,017	734	879	(13.6%)	19.8%
MAIN FINANCIAL RATIOS					
ROE ²	29.8%	19.5%	23.7%	(6.1)p.p.	4.2p.p.
Combined ratio ³	83.7%	91.4%	90.2%	6.5p.p.	(1.2)p.p.
Margin ⁴	26.1%	23.2%	23.9%	(2.2)p.p.	0.7p.p.
Administrative expense ratio of PZU, PZU Życie	6.0%	6.6%	6.2%	0.2p.p.	(0.4)p.p.
Acquisition expense ratio of PZU, PZU Życie	13.6%	14.1%	14.2%	0.6p.p.	0.1p.p.

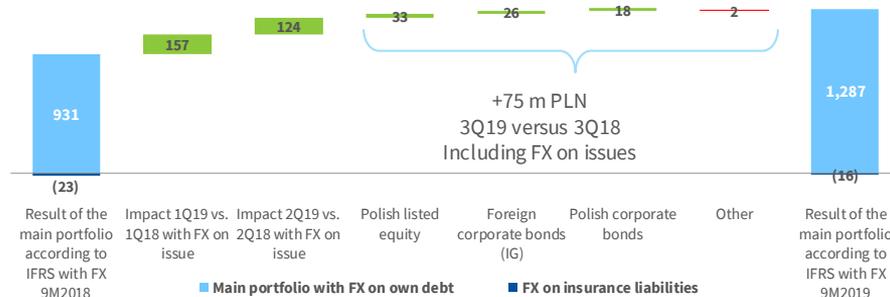
1. PZU Group excluding financial data of Pekao and Alior Bank
2. Ratio computed for 9M19, annualized, calculated excluding minority interest
3. Only for non-life insurance in the PZU Group in Poland
4. Margin for the group and individually continued insurance segment net of the conversion effect
5. Restated data



Investment performance

MSSF, mln zł	3Q18	2Q19	3Q19	change y/y	change q/q
Net investment result	2,095	2,084	2,215	5.7%	6.3%
Insurance and other activities	372	405	406	9.2%	0.3%
Main portfolio	371	383	446	20.3%	16.4%
Debt instruments - interest	337	354	360	6.9%	1.8%
Debt instruments - revaluation and execution	2	16	43	2060.5%	x
Equity instruments	(19)	(12)	20	x	x
Real estate	39	30	22	(44.7%)	(28.4%)
FX on debt net of hedging	12	(4)	1	(87.7%)	x
Investment products	(3)	96	46	x	(52.2%)
Other	4	(74)	(86)	x	x
Banking activities	1,723	1,679	1,809	5.0%	7.7%

- **2.3 p.p. surplus return on the main portfolio** incl. FX above the risk-free rate in 3Q19 and year to date
- **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



Bond yield



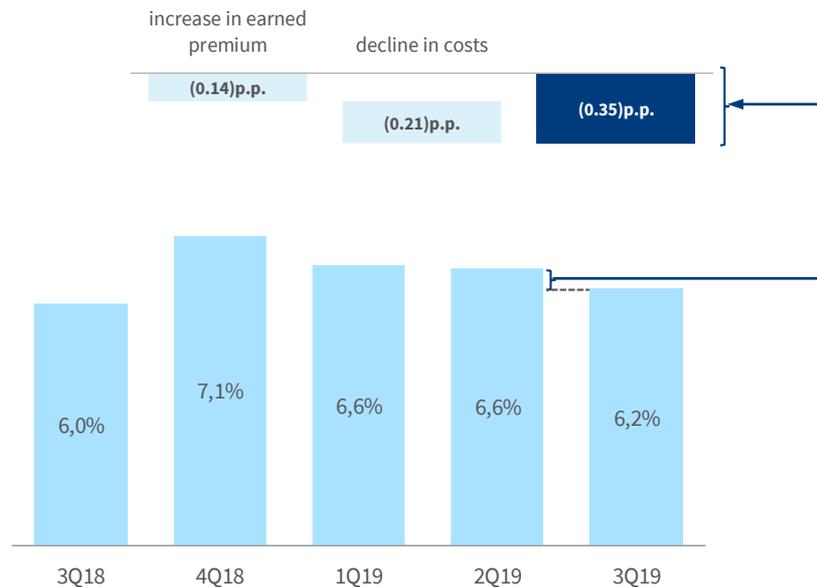
EURPLN





Cost effectiveness

Administrative expense ratio



- The higher administrative expense ratio in **3Q19 versus 3Q18** was due to the following:
 - higher personnel costs as a result of market wage pressure (wage hikes for the lowest earners)
 - higher depreciation in IT as the result of innovative projects to optimize the PZU Group's processes
- Improvement in the level of administrative expenses in **3Q19 versus 2Q19**. The more significant changes to the level of costs pertained to the following:
 - reduced provision for unused holidays in 3Q following the holiday season
 - lower project-related expenses in 3Q than in 2Q

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, 30 June 2019 (bn PLN)



- In 2Q19 **upswing in own funds** of 0.4 bn PLN. Major drivers:
 - current flow on insurance and investment activity (+1.3 bn PLN) offset by BEL up 1.1 bn PLN
 - increase in banks' own funds (0.1 bn PLN)
- In 2Q19 **SCR growth** of 0.4 bn PLN due to the following:
 - higher counterparty default risk
 - higher market risk in connection with greater exposure to foreign corporate bonds
- High quality of the PZU Group's own funds** - share of **Tier 1** capital is **87%**.
- Standalone solvency ratio:
 - PZU: 247% (244% at the end of 1Q19)
 - PZU Życie: 472% (458% at the end of 1Q19)

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)	
06.2019	2020	09.2019	2020	09.2019	2020	09.2019	2020	09.2019	2020
33.5%	38%	10.7	11.0	30.1 / 51.5 ⁷	65	727.4	1.000	276	>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	
09.2019	2020	09.2019	2020	09.2019	2020	09.2019	2020	09.2019	2020
89.6%	92%	21.3%	>20%	91 / 213 ⁷	200	11%	12%	580	>900
Administrative expense ratio ⁴		Solvency II solvency ratio		Surplus yield on the main portfolio above the RFR ¹⁰					
09.2019	2020	06.2019	2020	09.2019	2020				
6.5%	6.5%	222%	>200% ⁶	2.3 p.p.	2.0 p.p.				

ROE1

	09.2019	2020
	20.8%	>22%

1. ROE attributable to the parent company
 2. Direct business
 3. PZU jointly with TUW PZU 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

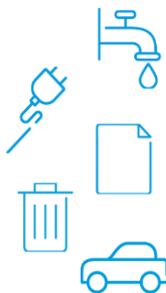
7. Including assets under management of banks' TFIs / including result on asset management generated by banks' TFIs
 8. Annualized revenues of proprietary centers and branches including revenues from PZU Zdrowie and the PZU Group
 9. Net of non-recurring costs; profitability computed using the sum of 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 WBOR6M
 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 for environmental and social aspects when choosing space for rent
- running educational campaigns among employees in environmentally-friendly behavior



5. Attachments



Profitability by operating segments

Insurance segments	Gross written premium			Insurance result / operating result			Combined ratio / Margin	
	1-3Q18	1-3Q19	Change y/y	1-3Q18	1-3Q19	Change y/y	1-3Q18	1-3Q19
m PLN, local GAAP								
Total non-life insurance – Poland	9,756	9,665	(0.9%)	1,634	1,303	(20.3%)	85.7%	89.6%
Mass insurance – Poland	7,702	7,665	(0.5%)	1,309	1,069	(18.3%)	85.5%	89.2%
Motor TPL	3,495	3,294	(5.8%)	254	257	1.3%	93.3%	93.9%
MOD	1,867	1,901	1.8%	223	139	(37.7%)	87.2%	92.5%
Other products	2,340	2,470	5.6%	611	466	(23.7%)	72.9%	80.1%
Impact of allocation to the investment segment	x	x	x	221	207	(6.4%)	x	x
Corporate insurance – Poland	2,054	2,000	(2.6%)	325	234	(28.0%)	86.5%	91.2%
Motor TPL	573	585	2.1%	(20)	19	x	102.5%	97.0%
MOD	618	605	(2.1%)	61	40	(34.1%)	89.6%	93.7%
Other products	863	810	(6.2%)	215	113	(47.2%)	68.6%	82.1%
Impact of allocation to the investment segment	x	x	x	69	62	(10.9%)	x	x
Total life insurance – Poland	6,170	6,327	2.5%	1,315	1,309	(0.5%)	21.3%	20.7%
Group and individually continued insurance - Poland*	5,163	5,212	0.9%	1,142	1,110	(2.8%)	22.1%	21.3%
Individual insurance – Poland	1,007	1,115	10.7%	160	187	16.9%	15.9%	16.8%
Conversion effect	x	x	x	13	12	(7.7%)	x	x
Total non-life insurance – Ukraine and Baltic States	1,273	1,422	11.7%	126	161	27.8%	90.0%	89.2%
Baltic States	1,130	1,230	8.8%	109	133	22.0%	90.3%	89.7%
Ukraine	143	192	34.3%	17	28	64.7%	84.7%	83.5%
Total life insurance – Ukraine and Baltic States	87	108	24.1%	3	8	166.7%	3.4%	7.4%
Lithuania	47	53	12.8%	0	0	0.0%	0.0%	0.0%
Ukraine	40	55	37.5%	3	8	166.7%	7.5%	14.5%
Banks	x	x	x	2,807	2,510	(10.6%)	x	x

* Excluding conversion effect

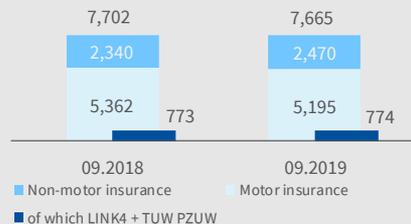


Non-life insurance

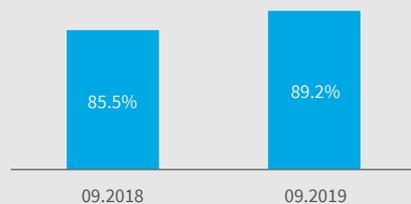
Higher sales of motor insurance in the corporate segment

Mass segment

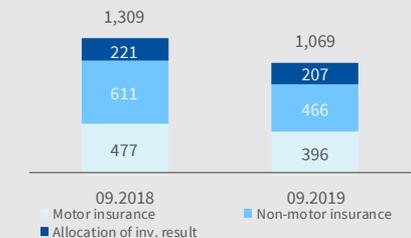
Gross written premium (m PLN)



Combined ratio (%)

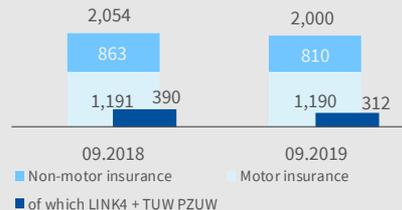


Insurance result (m PLN)

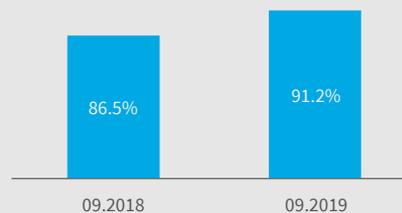


Corporate segment

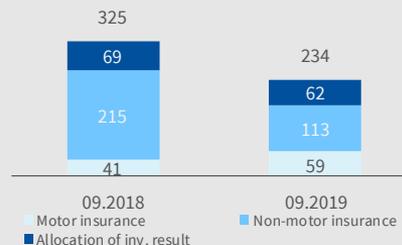
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)





Recap – non-life insurance

Mass segment

Lower gross written premium/y as a result of the following:

- lower gross written premium in motor insurance (-3.1% y/y) as the outcome of the 5.8% y/y decline in motor TPL sales (lower number of insurance contracts coupled with a slight decline in the average premium) and increase in gross written premium in motor own damage (+1.8%)
- growth in the premium for insurance against fire and other damage to property, chiefly in household insurance and small and medium-sized enterprise insurance coupled with a lower level of sales of farm buildings agriculture insurance
- higher sales of financial risk and assistance insurance

Insurance result down as the outcome of the following:

- incremental growth in net earned premium (+1.4% y/y)
- movement in the loss ratio, including:
 - increase in the loss ratio in insurance against fire and other damage to property as a result of above-average number of losses caused by atmospheric phenomena
 - deterioration in the loss ratio in motor insurance, driven by the combined effect of an increase in the loss ratio in the motor own damage portfolio and a decrease in the loss ratio in TPL insurance (in the corresponding period of last year the remeasurement of the provision for claims for pain and suffering due to being in a vegetative state)
- 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 was the outcome of the following:

- lower premium in insurance against fire and other damage to property – in the corresponding period of 2018 a single, high-value long-term contract was signed
- decrease in sales of MOD insurance (-2.1% y/y) as a result of a decrease in the average premium and a lower number of policies (in insurance offered to leasing companies). This effect was offset by an increase in written premium on motor TPL insurance, mainly in fleet insurance
- further development of the insurance portfolio containing various financial risks, in particular GAP financial loss insurance
- increase in sales in the general third party liability insurance portfolio as a result of signing several high value contracts and the development of the insurance portfolio for medical entities and strategic partnerships in TUW PZUW

Insurance result fell on account of the following:

- incremental growth in net earned premium (+5.3% y/y)
- higher loss ratio in the insurance portfolio as the outcome of the following:
 - higher loss ratio in the portfolio of insurance against fire and other damage to property due to damage caused by torrential rain and gusty wind (particularly noticeable in construction and assembly insurance) and the occurrence of several high -value claims
 - increase in the average disbursement in motor own damage insurance
 - decrease in the loss ratio in the motor TPL group – in the corresponding period of 2018 the provision for claims for pain and suffering
 - lower loss ratio in general TPL insurance and assistance
- changes to the level of insurance activity expenses, including the rising acquisition expense ratio (higher direct expenses as a consequence of portfolio development and evolution in the sales channel mix).



Life insurance

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

Group and individually continued insurance

Gross written premium (m PLN)



09.2018 22.1% 09.2019 21.3%

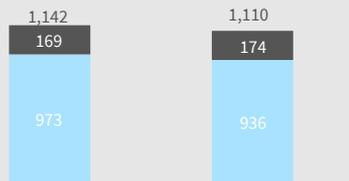
Margin (%)*



09.2018 09.2019

■ Underwriting margin ■ Investment margin

Insurance result (m PLN)*

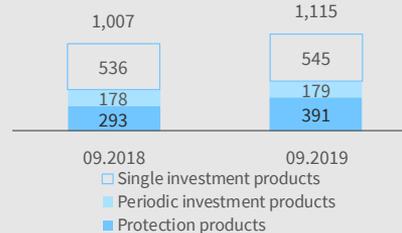


09.2018 09.2019

■ Insurance result ■ Investment result

Individual insurance

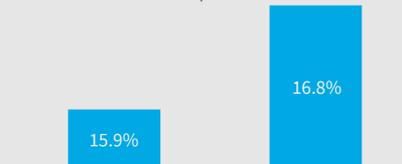
Gross written premium (m PLN)



09.2018 09.2019

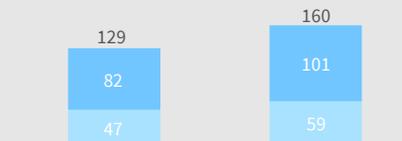
■ Single investment products
■ Periodic investment products
■ Protection products

Margin (%)



09.2018 09.2019

Annual premium equivalent (m PLN)



09.2018 09.2019

■ bancassurance ■ own sales

* 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
- upholding the policy of up-selling riders while concurrently indexing premiums in the underlying main contracts in individually continued products; in addition, at the end of 2018 PZU Życie introduced another insurance product for myocardial infarctions and strokes, providing for financial support in the event of the occurrence of such events. In turn, in 3Q19, another insurance product called “PZU Accident Insurance” was introduced, this time protecting the policyholder against permanent bodily injury or bone fractures in the form of cash benefits and access to medical services
- pressure exerted by higher lapses in groups (work establishments) due to the retirement age being statutorily reduced in 4Q 2017 on the income generated by group protection products during the last year and a half; while reducing the 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 decline y/y in the insurance result:

- operating expenses growing at a faster rate than the rate of increase in revenues
- growth in the loss ratio on some risks in the group protection portfolio (illnesses, hospital treatment, deaths)



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)
- growing portfolio of high-margin protection insurance in own channels and changes to the annuity product
- intensive development of cooperation with the PZU Group's banks
- falling acquisition expenses for unit-linked products
- lower administrative expenses in the expanding portfolio of in-force contracts

Sales channels:

- **maintenance of a high level of sales in proprietary channels;** more than 25% growth y/y in the sales of protection products following tweaking of the agency sales network (new distribution model, agent acquisition and retention in the network, training, etc.), making it possible to reach the highest level of quarterly sales in history in this line of business. At the same time, the level of sales of investment products was higher than in recent quarters
- **rising sales of protection products in the bancassurance channel,** especially in collaboration with banks: Alior Bank and Bank Pekao, which contributed to delivering a record-breaking level of sales in this line; similarly to our own channel, this was a robust quarter in terms of unit-linked product sales despite the challenges on the market stemming from the restrictions imposed by the regulatory authority

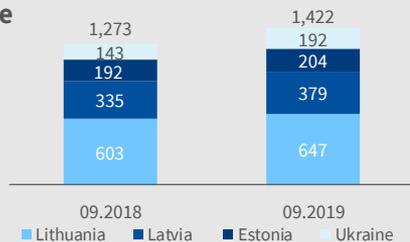


International business

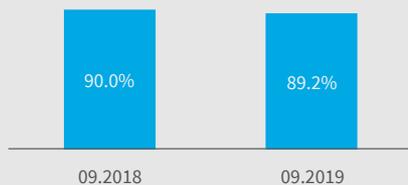
Business growth, improved profitability

Non-life insurance

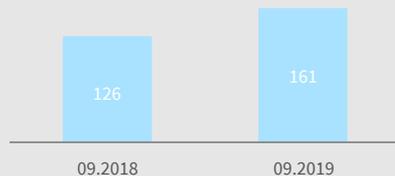
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)

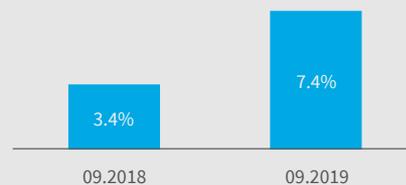


Life insurance

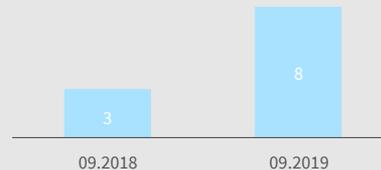
Gross written premium (m PLN)



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 the fast rate of growth in motor insurance premiums in the region and thanks to higher sales of property insurance in Latvia, and health insurance in Latvia and Lithuania alike:
 - Lithuanian market leader Lietuvos Draudimas: 647 m PLN (last year: 603 m PLN)
 - AAS Balta in Latvia: 379 m PLN (last year: 335 m PLN)
 - Estonian branch of PZU Insurance: 204 m PLN (last year: 192 m PLN).
- Sales growth in Ukraine of 49 m PLN (192 m PLN, last year 143 m PLN) generated mostly by accident insurance (compulsory when applying for a tourist visa)

Life insurance:

- Gross written premium in Lithuania (up 6 m PLN) on endowment insurance sales to retail clients
- Gross written premium in Ukraine up 15 m PLN (55 m PLN, last year 40 m PLN)



Recap – international business

Insurance results

Non-life insurance:

- Combined ratio decline as a result of the following:
 - reducing the loss ratio – slight increase in the Baltic States offset by its decline in Ukraine due to the falling balance of technical provisions
 - growth in the acquisition expense ratio as a consequence of commission charges in Ukraine
 - 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 35 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 5 m PLN), chiefly due to higher sales and higher investment income

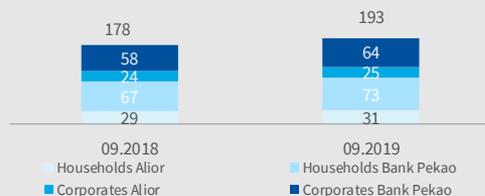


Banking activity

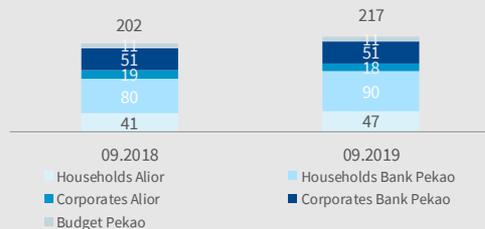
Stable results excluding BFG fees

Volumes

Loans
(bn PLN)

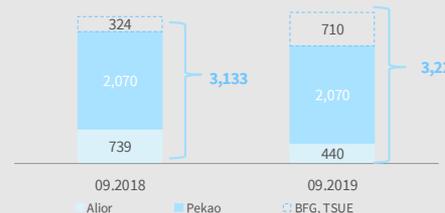


Liabilities
(bn PLN)³

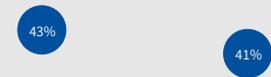


Profitability and ratios

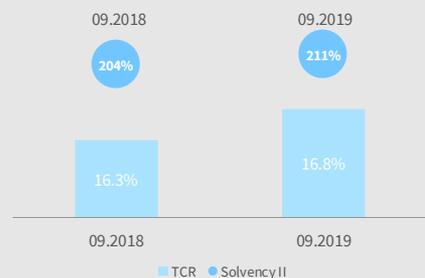
Operating profit¹
(m PLN)



Cost / Income¹
(%)



Capital adequacy²



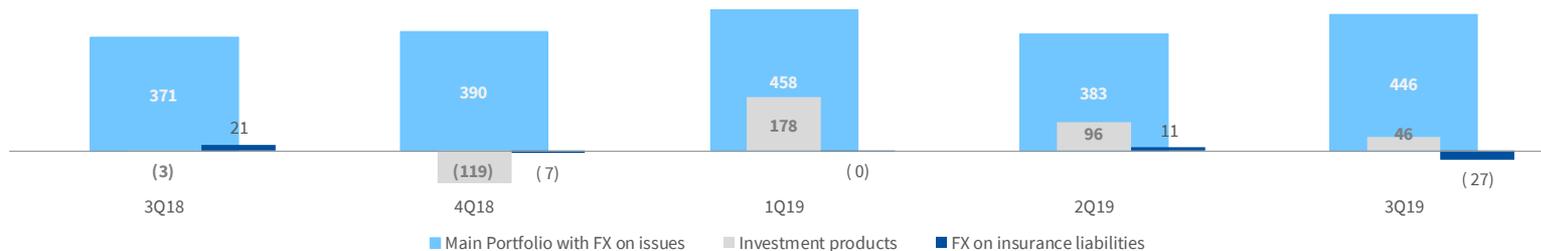
1) Data in accordance with PZU's financial statements
 2) Data jointly for Pekao and Alior Bank pro rata to the equity stakes held
 3) Data in accordance with Pekao and Alior Bank's financial statements



Investments

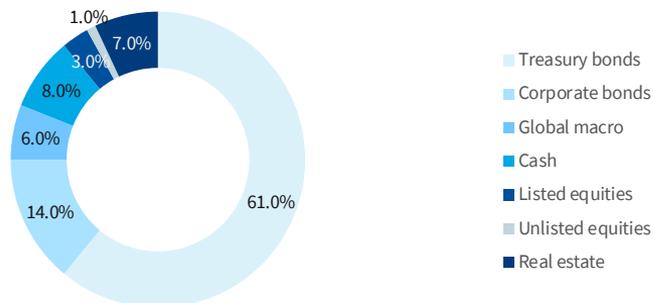
Quarterly results and portfolio structure

Net investment result (m PLN)



December 2018 main portfolio investment composition

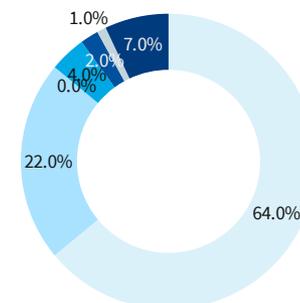
41.9 bn PLN



investment products 5.9 bn PLN

September 2019 main portfolio investment composition

39.1 bn PLN



investment products 6.1 bn PLN



Recap – investments

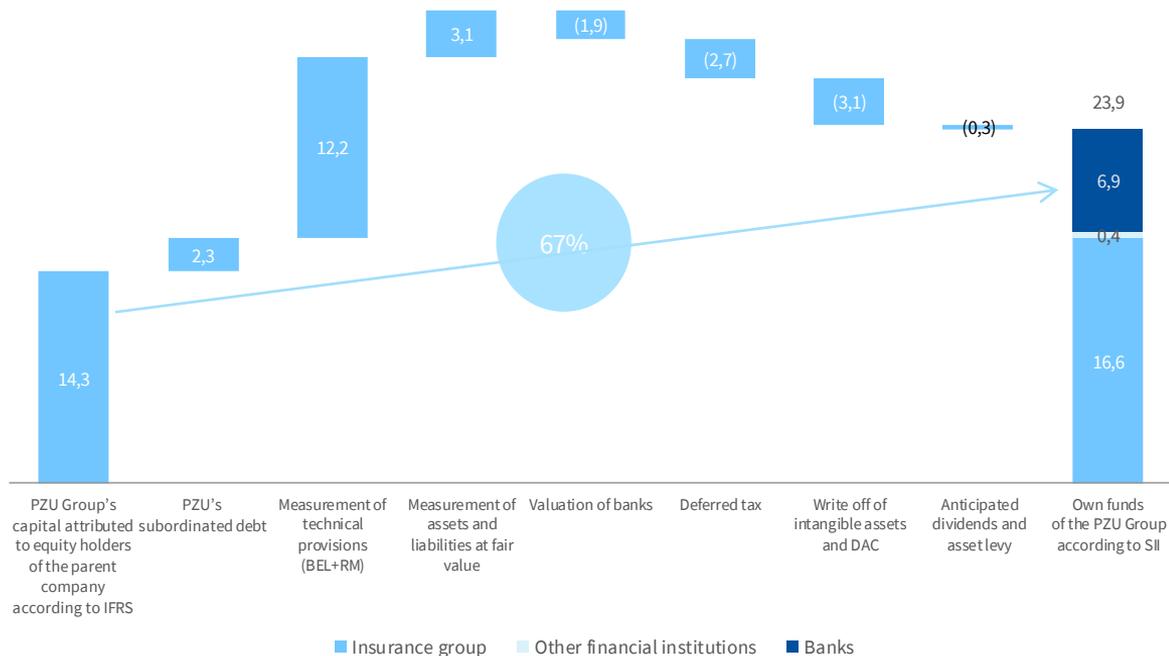
- The improvement in the main portfolio's investment result under IFRS while giving consideration to the FX impact versus 3Q18 is principally the effect of better performance delivered by the portfolio of Polish equities and corporate debt. Additionally, the establishment of an investment grade high yield foreign corporate bonds portfolio contributed to higher performance.
- Higher performance versus 2Q19 is mainly the outcome of better performance delivered by the portfolio of Polish listed equities and the enlargement of the portfolio of investment grade international corporate bonds.
- The fall in the level of assets in the main portfolio is related to the amortization of its own issues of debt securities issued in EUR and the dividend disbursement offset in part by the inflow of premium and the upswing in the measurement of assets.
- 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 / 30 June 2019 (bn PLN)

Comparison of own funds and consolidated own funds according to IFRS



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

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

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

According to SII regulations:

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

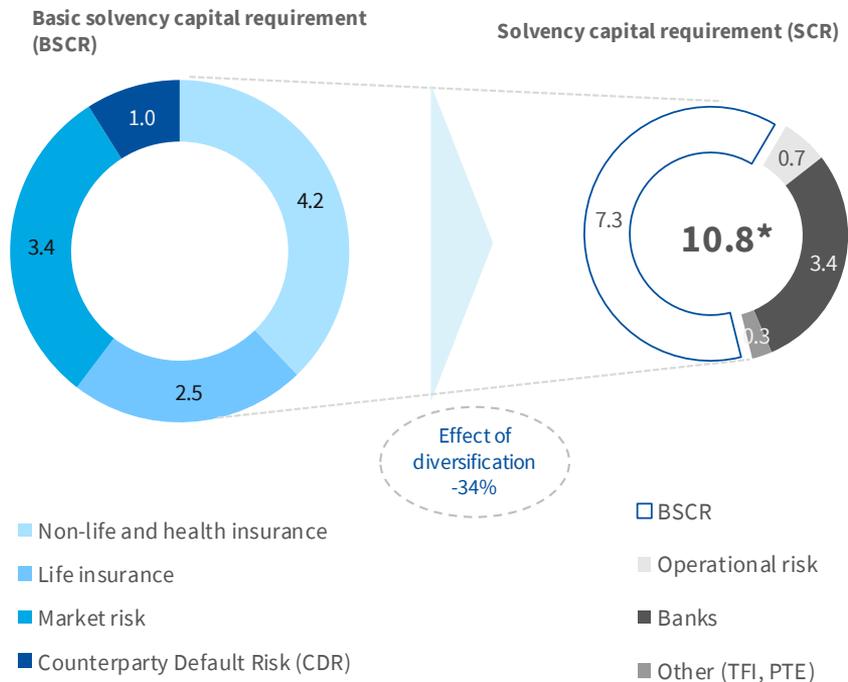
* Intangible assets and deferred acquisition costs whose value for the purposes of SII is zero are an exception.

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



SCR up following the acquisition of Pekao

PZU Group's data under Solvency II / 2Q19 (bn PLN, unaudited data)



Solvency requirement moved up in 2Q19 by 0.3 bn PLN.

The main reasons for the movement in SCR:

- requirement for counterparty default risk up by 0.46 bn PLN** - resulting from the high balance of cash at the time of amortization of senior bonds (this is a non-recurring change)
- growth in the market risk requirement of 0.17 bn PLN caused by:
 - greater exposure to foreign corporate bonds (higher spread and FX risk)
 - growth in the interest rate risk mismatch (lower balance of treasury bonds, decline in risk-free rates)
 - greater exposure to non-consolidated mutual funds and the decline in market concentration risk to PZU Group entities
- insurance risk requirements did not undergo any material changes

* 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

Contact: Magdalena Komaracka, CFA

 +48 22 582 22 93

 mkomaracka@pzu.pl

www.pzu.pl/ir

Contact: Piotr Wisniewski

 +48 22 582 26 23

 pwisniewski@pzu.pl

www.pzu.pl/ir