

Welcome to the PZU Group conference call devoted to earnings, where we will present our 2024 and Q4 2024 results and the perspective of the new CEO, Andrzej Klesyk, on shareholder value creation. Mr. CEO the floor is yours.

Andrzej Klesyk

Good morning ladies and gentlemen. I am very pleased to meet with you for the first time, and yet meet you again. I am very pleased to meet those who joined on-line. I understand that some of the on-line attendees are English speakers. Unfortunately this conference will be in Polish, but questions can be in English and we will answer in Polish with simultaneous translation. Ladies and gentlemen, I am very happy to be here with Tomek Kulik, who has been my colleague for much, much, much longer than 15 years. So I am very, very happy that we are here together, and I must also admit that the 2024 results presented, these are not my results. I mean, these are results I can't take responsibility for. I am satisfied with them, as CEO, to some extent proud, but let me comment more in the second part of my speech. I would like to conclude by saying that I have been the new – old CEO here for a month. Exactly a month ago, I was appointed CEO of PZU S.A., so don't expect details from me either, in terms of certain kinds of solutions and questions. I will certainly come back to you, as I always do at regular meetings, and I will be as open and transparent as possible, both in terms of strategy and numbers. Anyway, Tomek will support and help me a lot with this. Today's presentation will focus on a couple of points related to the past, meaning year 2024, and I would like to tell you about the biggest plans that will determine my work for the next couple of months and the work of my Management Board. Normally, I would at least go through the so-called highlights of the results, but as I said, these are not mine. Once again, let me reiterate that I am satisfied with these results, and although I wish I could, I cannot take credit for these results in any way, so I give the floor to Tomek, who prepared these results and was one of the key people who provided them. Tomek.

Tomasz Kulik

Thank you very much. Dear all, as usually, let's begin with a brief summary. I assume many of these things are already clear. These results have been publicly available for a long time. I'll just briefly summarize the whole year, and then talk through the results of the various segments, what happened operationally, what we focused on, and so on and so forth, in order to perhaps spend more time than usually on how we want to and how we think about the future, and that will be this next chapter. To sum up, we will all remember year 2024 well. This year affected us quite negatively in terms of profitability. We discussed events in the second quarter – agricultural frosts, we discussed major events in the third quarter – flooding in southern Poland, which also took quite a heavy toll on the performance of our business. Despite this, we end up with insurance service revenues at the level of 29 billion 400, a year-on-year increase of 2 billion 600 and a net profitability of 5 billion 300, implying an adjusted ROE of 18%. I will point out that this is an excellent position, not only to think about very ambitious goals or allocating potential capital surplus to new business ideas, but it is also a very good entry base to think about dividends to be paid in 2025. At the level of the entire Group 234, at the level of the payer of this dividend 244. This is a very comfortable situation from this point of view. What rose especially was non-motor insurance, very strong double-digit increases depending on how you count them. More than 18, more than 15%, depending on whether it's written premiums or insurance revenues, 18% when it comes to revenues in the

health pillar, very strong asset growth in the management of external customers, so this makes us very happy and takes the pressure of the starting position when it comes to 2025. I have already mentioned that this year was difficult, let's not repeat it, but I'll point out now that profitability is very good, so normalized, and while it may not need to be normalized in life insurance, the margin in our core segment is over 25%. For those reasons we have already mentioned, non-life insurance should be normalized, with this blended ratio, adjusted for discontinuous events closes at less than 90%. The high performance and contribution of the investment portfolio were the ingredients that allowed us to achieve a high return on equity last year. On the balance sheet side, which is something we would like you to remember after this presentation, there is a safe, stable investment portfolio, a closed gap, asset-liability match, and effective ALM, adequate reinsurance protection, which protected us very well in terms of Q3 events, and a significant surplus above solvency targets, so that's something that's important for the next period. As I mentioned, let me click through these slides and start atypically with the results, because here I will try to include these operational topics when discussing the various segments. In terms of results, Q4 is a very good quarter. The fourth quarter is a significant improvement in profitability when it comes to non-life insurance and improved profitability in life insurance, but it is also a quarter in which we record high growth in insurance revenues. Given that we've been continuing to grow quite strongly for quite some time, I'd like to remind you that sales dynamics is responsible for this measure, that is, insurance revenues, not only in this quarter, but also in previous periods, even in 2023. That's the situation we're facing, so we're reporting revenues that increased year-on-year by almost 10%. Given that these revenues are increasingly shaped by the non-life, non-motor insurance portfolio, where the capacities of catastrophic risks are correspondingly higher, we try to protect them adequately and appropriately through reinsurance coverage, which passed, as we said, the test addressing Q3. On the other hand, it also costs money and costs us one percentage point of growth, therefore, having considered the cost of reinsurance, the net income growth is just under 9%. It is a very, very good situation that the share of costs and revenues this time behaves very positively, and while revenues are growing almost 10, after the share of reinsurer 9, the dynamics of costs is significantly lower. So, showing an increment of only 5% allows us to generate this above-average profitability. What made up our costs, what components were used to build them, and why are we ending Q4 this way? Above all, it is gratifying to see a decline in the share of compensation and benefits in revenues. We had a quarter which, in terms of non-life insurance, was marked by slightly lower claim frequencies, so this very positively affected the whole situation. On the other hand, we also had a quarter in which we learned about very positive stories with no need to create as large a loss component as in previous quarters. Why is this important? Because this acts as a litmus test of the quality of the portfolio that we have just assigned, and we are entering a new year, a new quarter with it. So that, by creating correspondingly less of this loss component, and let me remind you that in this new standard the loss component, meaning the portion over written premium, the portion of costs over written premium that we expect to incur by doing business with this or that product, sold in this or that distribution channel, we need to reflect on the lack of potential adequacy, adequacy of that premium in a given period, and recognize this shortfall right away in the result. Then, here we show you that this shortfall was clearly smaller, and we benefited from this both quarter-on-quarter and year-on-year. This is very, very good information. It is also rooted in the MTPL motor insurance portfolio. The other components in this part of costs, that is, the share of administrative costs, distribution costs in revenue, it changed, decreased. As a result, this made it all the more possible for us to build this value in Q4. Thus, we close the result from insurance services at 1 billion 222 million, which is a very significant increase over Q4 of last year, and of course over Q3, which was affected by these negative flood events. Adjusting the insurance result for net

investment income, where on the one hand we have a reversal of the discount, and on the other hand we recognize investment income on portfolios whose main feature or function is to hedge our technical and insurance liabilities, we end the quarter with net income attributable to owners of the parent at a level significantly higher to something that has been such a high water mark so far in terms of our Q4 results, that is, the Q4 result of 2023. Adjusting that for a fairly stable contribution from the banking segment we end up at 1.681 billion above Q4, even more so above Q3. I would like to point out at this point that the return on equity, measured by this adjusted ratio at 22.5%, came down to 56%, so both year-on-year and quarter-on-quarter, this is very, very good news. Declining share of both administrative and acquisition costs in revenues allows us to rely on the mixed ratio in non-life insurance at 86.1%. This is an improvement over last year, Q4, and a very, very high margin when it comes to our core business in life insurance, which is group and individually continued insurance. As for a recap of what happened in each segment, we traditionally start with the mass segment in non-life insurance. Our increases mainly pertained to two types of products. First of all, PZU Dom – non-motor insurance, but also PZU Firma. With PZU Dom, we managed to modernize and refresh our offerings and at the same time reach out to customers to encourage them to raise their insurance amounts in order to be protected against all those very unpleasant stories exposed by the flood, i.e., the insurance gap, a situation in which our customers were insured but inadequately to the value of the insured property, a tragedy for those people. These are the kind of events that build awareness, and these are the kind of events that should be used in a very positive way to close the gap. By refreshing our offerings, by better communicating the issue through our agents, we mainly manage to do this, and as a result, in some ways we have also been able to sell products to small and medium-sized enterprises. Dynamics in this area is more than 16%. The second such product group was MOD. Here, the price caused the increase, and growing saturation of the portfolio with this risk, so in total we have insurance revenues 12% higher year-on-year. On the MTPL side, flat, I'll say right away, it's not that the market is growing, we're standing, because that's how we failed. This is because our goal was mainly to regain profitability in this product, and here I can say as much as I told you about it in Q2, Q3, that this will be our main problem we want to address. Similarly, I can tell you now, we have delivered, colloquially speaking, therefore we are also reporting MTPL for motor vehicle owners in the green where the profitability measured by the blended index in the mass segment is at 97%. This is an improvement over last year of 120 basis points. In terms of costs, there were much smaller increases and increases that, on the one hand, resulted from lower growth rates in both administrative and distribution costs, but precisely, or more importantly even, from the option to release some of the loss component from previous periods and not building it up on an ongoing basis when it comes to this fourth-quarter cohort. As a result, this alone positively impacted the segment's results to PLN 80 million, allowing us to report a very high operating result and improved profitability in all product groups. When it comes to the motor insurance market, the way we see it and what implications its development has for us. First of all, this graphic also shows further increases and dynamics of the average price. The price in MTPL is growing 8, just under 9%, these price increases cannot close the gap when it comes to rising costs, because today the cost of the average claim is growing at a slightly higher rate, which puts quite a bit of pressure all the time in terms of profitability of this product. The situation of MOD is quite different, slightly lower dynamics, in terms of average price, at such a level of 3-4%. Considering how profitable this product is, quite high yields can be generated all the time, and the increasing saturation of this product in the portfolio is all the more pleasing. I'll just remind you that in the bulk product, the yield on this risk measured in the blended store is at 85.9 percentage points. As for the market, it is growing. It is growing at a faster rate than the average price, which means that the scale is increasing all the time, both on in MTPL and MOD. PZU has been the leader for a long

time in recent months, and we have been trying to pull this market upward. However, what I can say is that we are unfortunately seeing signals that this competitive game is getting tougher again, so this could lead to a very difficult situation in 2025, especially for smaller players. The good news is that there are no increases when it comes to frequencies at 93-95%, the frequency of the previous year, so this is the space to generate profitability. Unfortunately, the blot on the landscape here is that we are also seeing the return of personal injury, annuities and judgments, or indexation from previous years, even from a century ago. Therefore, this is a challenge that we, the market, will certainly face in the next quarters. As for the corporate segment, another quarter in a row of double-digit growth, this time 11.5%, and similar to the mass segment, realized respectively in non-motor insurance at almost 15% in MOD, 9% flat in MTPL, for the same reasons I said earlier, so I won't repeat myself. As for the cost of services or insurance, the situation is rather special. From a cost perspective: administrative costs, distribution costs. Their share in revenue is declining. These are not dramatic declines, but still worth noting. On the other hand, what you can see at the same time in this graphic is the compensation situation, which is growing quite rapidly year-on-year. First of all, we are talking about the base year, 2023, in which, as you may recall, positive run-off majorly impacted the result of the Q4 of last year. This year, on the other hand, we had several events with a higher unit value, which disturbs such direct comparability between the two quarters. The combined effect of these two events is about PLN 90-95 million, which translated into a decrease in operating profit in this segment. Moving on to group and individually continued insurance, here are increases. Q4 is the quarter with the strongest growth this year. Previous quarters at 5-6%, this time almost 8%. It may not be a gigantic percentage increase, but it is quite large in absolute terms, because we are talking about a gigantic portfolio. So we end up with insurance revenues of 2 billion 22 million. What I would like to draw your attention to in this regard is, first of all, quite strong growth when it comes to CSM. 11.5% in revenue year-on-year in terms of the change and an increase in the premium for compensation and benefit coverage, mainly expected due to higher utilization of health benefits. All of this results in a revenue structure shaped this way. The cost situation is quite peculiar, as we show a year-on-year decline. It is caused again by several parameters. The first is primarily, as in the previous segments, a lower share of costs in revenues, lower administrative costs, lower amortization of the loss component, which is, as in the case of non-life insurance, a very positive signal and such a litmus test of what the quality of the portfolio looks like. In contrast, one event with, one might say, a discontinuous nature, is a lower total creation of loss components. Here the difference is 48, just under 50 million, as the loss component is created as a consequence of changes in actuarial assumptions. Let me explain what this is all about. Once a year, also during the planning process, we check how the environment in which we offer our products is shaping up, how the key parameters are shaping up: mortality, morbidity. And in this context, we try to align our modeling with what we believe this future will look like. As we've been a bit more skeptical so far in terms of positive news we expected. In fact, we've talked about it many times, the return of this post-covid wave, this covid debt, i.e., elevated mortality rates. It didn't happen. This, too, as you can see from the variance of compensation and benefits on revenue in costs. This shaped costs of the business quite strongly this quarter. We end with an operating result of 603 million. A very strong increment, however, an increment that on the one hand is caused by these variances, and on the other hand by the very change in forward updating assumptions that affects the year-on-year comparability of these figures. Regarding the distribution of mortality on the portfolio, I think this is the first time that we show such a graphic. I would like to draw your attention to the change in the mix of benefits, that is, of deaths or the number of deaths to the number of benefits, resulting from those deaths. As you can see, this ratio is 1 to several, historically it was 1 to 6, 1 to 5, 1 to 4.5, now we are below 4. This, of course, with the mortality rate unchanged, is very important,

translates into profitability, because the number of benefits goes down when the death rate in the population is unchanged, and it's a result of what add-ons and product structure our clients choose, whether in the process of initial acquisition for the portfolio or reselling add-ons. On the individual protection insurance side, on the revenue side. Dynamic growth of 16.3% encompassing corresponding CSMA depreciation, whether characterized by increments of more than 23%. Contributions to cover cost of benefits, 17% dynamics in revenue, increases also, of course, somewhat smaller in terms of costs in revenue. Costs, on the other hand, are rising, the dynamics of which is higher than the dynamics of revenues, and this is the result of, we can say, three types of events. The first is the creation of a loss component. Here, unfortunately, we have provisions for litigation and provisions for contentious matters associated with the so-called old portfolio and to be tied up. It's 9.4 million which has just influenced the need to create this component in costs. Higher realization of benefit compensation in the banking channel and higher amortization of acquisition costs. These two events, or these two sets of events, one describing revenues and the other describing costs, translated into growing operating results. Operating result growth in this segment of 15% compared to Q4 2023. Growing sales, growing margins, resale, that is, working on the portfolio, all of this translates into building and growing CSMA, which will be released in the following years, in the following quarters, so a very good starting situation in terms of Q4 and its closing, that is, we say we create more value than we consume, and we will be the beneficiaries of this in the future. This is still very positive information. As for the investment result, primarily an investment portfolio, we have good news despite the fact that not all asset classes reacted equally well this quarter. We also note the structure of the portfolio, which has changed over the past 12 months. Corporate debt is already nearly 20% of the total. The next riskier classes, i.e., real estate strategies or equity instruments account for another more than 11% in the structure of this portfolio. So, we are also changing the nature and the risk profile of this portfolio. What happened in Q4 alone? First and foremost, higher interest income, higher valuation income on debt instruments, a slight shortness of breath on the real estate portfolio, and an adjustment of valuation in the office segment. Here, we have two exposures. One is Wrocław, the other is Gdańsk, where we will have to consider, perhaps, changing the operating model and profile of these properties. But we are confident that the negative news from this portfolio is behind us for now. Deteriorated impact on other items mainly constitutes temporary differences on the valuation of real property, i.e., the so-called technical adjustment resulting from the unsynchronization of rates between the date of valuation, valuation survey, the date and rate of closing the balance sheet. With high level of solvency, we are a reporting quarter in the past. Here is the information for Q3. Also, next week, we will publish Q4 solo for two companies on 2 April. On the other hand, at the Q3 level, we can say as much. We are growing both in terms of increases in our own funds, so we can confirm that we are monetizing the business we are creating. Operating cash flow plus investment result grows by a total of PLN 1 billion this quarter. They are adjusted, as you know, for dividend projections. As a result, we have net increase in shareholders' funds at 300 million, adjusted for the increase in SCR, mainly in terms of catastrophic risks in property insurance and higher bank capital requirements. Briefly, to recap the strategy, that is, the summary of this period, which ended on 31 December 2024. As you can see, this strategy was implemented despite the gigantic uncertainty that accompanied the creation of this strategy. I will remind you that we published it in the midst of COVID, and it was difficult to predict where reality would take us. This makes it all the more gratifying that we can report completion in virtually every dimension, because it shows a certain predictability and responsibility for words, just as in the case of MTPL in the mass segment. And all this allows us to close this rather difficult chapter and open a new chapter, and the CEO will discuss this chapter more broadly. The floor is yours. Thank you very much.

Andrzej Klesyk

Ladies and gentlemen, I was wondering how to phrase the fact that I'm the new CEO, but at the same time I'm the old CEO, so let me focus on very broad figures or trends, which I would like you to see presented in a way that is friendly to you and the market as a whole. Let me put it this that normally I would... I am a man who is very fond of figures, and you can count on the fact that next time we will also present these figures together with Tomek, and comment together. So, today, only relying on very broad numbers, as I have been here only for 30 days. The first things to say is very obvious. Uniqueness of PZU. Let me emphasize again – uniqueness. As I would check in the old days insurance companies for myself, those that are composites, there is no such company in Europe and there is no such company in the world with such a large market share in non-life and in life at the same time and is in the TOP 3 in terms of asset management and in the TOP 3 when it comes to health services. There are no such companies. In addition, there is no such company that still has two banks. So, it is indeed a unique position. And this predestines us to do unique things. And one such thing you have probably already heard about from the announcement, but I would like to tell you about it today as well. The second thing I wanted to comment on this slide is that I am very happy about the results presented by Tomek. But for me, the glass is half empty. I am very pleased that we enabled, let me put it differently, that the company was able to report a positive trend in terms of profitability in motor insurance. On the other hand, I am very saddened by the dynamics. I am pleased that we increased revenues in the health sector. But we are very far from the benchmark. And so on and so forth. So, for now, I can see a giant that should wake up. And now, yes, I am stating the obvious. Look, customers. We have 22 million people who are our customers of the Group. We actually have 70% of the adult population that is somehow connected to the Group. The thing that fortunately hasn't changed, the perception, not even perception but rather brand awareness, that still very many people go to Warta to buy PZU. We are an insurance icon and we have to work very hard on this. The second unique thing we have are relationships. Like a platform for building relationships. We have more than 400 branches, we have more than 9,000 exclusive agents working just for us. Most of them have, maybe not cubbyholes, but just some kind of on-site location, that is, there is no place in Poland without PZU logo. Not even a bank can afford it. We are really present everywhere, I suspect that we can only be surpassed by the number of churches in Poland. The third thing is value. Really, if we look at the position of one, two, three in each sector, first or the second one, whether in health, insurance, sorry, whether in investment or in TEF, we are in the top three. This is a gigantic advantage but also a liability. We have to think much more broadly than anyone else. Of course, we have experience, we have 11,000 people, and so on and so forth. I realized that just between the two of us, that is, we have more than a quarter of a century of experience in PZU. This is a little scary, but at the same time it shows how much you can know about a company, what you can know about the inner life of the company. And so, something which for you and me, I hope, is an obsession. I have three obsessions. I don't know how to... that's what I wanted to say in English somehow, because obsession in Polish has a bit of a pejorative meaning, whereas I'm crazy about three things. Shareholder Value, Customer and Transparency, and Corporate Governance. While I have no intention of giving you a lecture on shareholder value, I would like to share my first thoughts about it. I, for one, believe that we are gigantically undervalued, and I'll tell you why right away. Look, we can argue or discuss the methodology, but if I would sit down at my desk, do computer research, it would turn out that if I value the life that we have 100%, value the assets that we have 100%, value the banks after the share, of course, the market and the other type of PZU Zdrowie, the type of foreign companies, the type of some supporting companies, even the famous Armatura Kraków a

little bit, the real estate that we have in some strange companies. This adds up as, with a fat finger, please do not get attached to the fact that we are undervalued in relation to the current, today's valuation. By the way, I would like to say that for the first time we have reached 50 billion market caps in history. And, it's been going on like this plus or minus for a few days, so we're very happy about that. On the other hand, this red block makes me very sad. We can discuss whether it is 5, 10, 20, or maybe 30%. This makes me very sad as the CEO. And, I understand that today you will not grill me about this red block, but I suspect that in a while you will come and grill me about this. I am certain of this. So, if I think about that from an investor's point of view, we are most likely getting a discount. We have a discount to what I think we should be. And I'll come back to that. How I came up with the causes and I would like to have some dialog with you on this topic as well. Let me show you some other figures that also made me sad. Look, ROE, these are old numbers. I, for one, would not like to discuss here whether it is 17% or, as the CEO said, 18%. It doesn't matter. Let's say this is the so-called ballpark. If we have ROE of 18%, which is more than Talanx, but the price, or evaluation to profit, now is probably around 8%, but that's not much either. If I look at the price – book value, well, here, I did it a few days ago, and it shows that we need to coordinate better with CEO Kulik, because he gets nervous, as I showed this slide, because it says now 1.5743. Already above 1.6. Oh, 1.6, that's right. It doesn't matter. Ladies and gentlemen, I see that there is a gigantic potential and a gigantic discount to what we should have. 15 years ago, or about 12 years ago at the best time, PZU's price to book value was 3.2. Now it's 1.6. A company boss joining PZU doesn't like it. So, the glass for me is half empty.

And, now let me say that not with all of you, but I asked one of the investment banks to talk to some analysts and investors and they told me four things. Corporate governance. Some of these things, in terms of corporate governance, are influenced by me, some are not. Openly speaking, after all, we know how it works. The second thing we have a gigantic influence on is the efficiency of capital management. And, we will talk about it in a moment. The third thing is the structure of the Group and the assets in the Group. And, the last thing we also have a big influence on is performance, or business performance, what the business delivers across lines. Here, the CEO talked about several lines that we are very happy about. For example, we have dynamics in health that are very nice, we have dynamics in employee capital plans that are very nice, but there the profitability is lacking. In contrast, profitability improved in the motor insurance, but the dynamics are lacking. We need to be more predictable, and we need to really use those four things I talked about at the very beginning. So, that is the first thing. Shareholder value. The second thing is Customers. And, here are just two simple examples. The first thing is, look, we have 22 million Customers. Only a quarter of them have the product of another entity in the group. So, the glass is not half empty. The glass is 3/4 empty. Assuming, just assuming under a fat finger, that we are able to resell, or do coverage, not even with 16 million, but let it be even 20%. This is a huge potential. And, this is a really huge potential. The other thing that's not on this slide, and I'm obsessed with, is the quality of the relationship and customer service. And, here I wanted to say something that I always say to my fellow Management Board members and employees. The customer does not care, from my perspective, about our internal organization. When they come to PZU, to a branch or to an agent, it's PZU. And there they have to be able to arrange all kinds of things there, and at the same time get a quote on all the products we have in the PZU palette. And, the customer has to leave satisfied. We have an NPS above the market. Great, I'm happy about that. But, in some areas we have regressed a bit from what it used to be. It's not because we've gone backwards so literally, it's because the competition caught with and then overtook us. These are improbable tales, but 15 years ago we were the best company when it came to claims settlement. Now, we have to fight for the entity. We need to change that. We have to change every aspect of it. That is the customer. And now this. I know I'm opening a Pandora's box in here, or a Pandora out of this

box, and so on and so forth. Ladies and gentlemen, we want to change the structure of this Group to a holding structure. And, let me explain what I mean. The holding structure would help us a lot, not only in reporting for you, because I'll tell you frankly that Tomek and I should send you here every year some baskets of, I don't know, anything candy for going through such a complicated way of reporting, because we ourselves sometimes cry over it, so that's the first thing. The second thing, which is much more important from our point of view, is capital management. And let me put it this way, without proper capital management and proper capital thinking, we will not create shareholder value. Hence the idea of a holding company, which is not only an idea, but we are already starting a kind of process, which I will tell you about. The second thing is the reorganization of bank assets. This is an offshoot of the holding company discussion. I know and realize that some promises were made by the company about the future of banking assets. But I wanted to tell you that this was within the current structure, not the holding structure, which dramatically changes the strategic possibilities or strategic options. I'll get to that in a moment. I hope it will be clear enough for us to get along. Once again, the numbers you will see in a moment are broad numbers. Don't get attached... it might be 15% this way or 20% that way, well maybe not, no exaggeration, but a couple of percent this way or that way, but that's not the point, we're not talking about actuarials this time. We are talking about something very, very strategic. Well, ladies and gentlemen, the current structure. Of course, you realize that we have a company on the left that a) is listed on the stock exchange, b) conducts insurance business, and c) also performs supervisory functions over institutions that, on balance sheet, are larger than PZU. So, we have three functions in one structure that are gigantically heavy from a management standpoint. The idea we want to introduce is a holding entity, listed on the Stock Exchange, which we are tentatively calling PZU Holdco. We know how to carry this out and for your information,, of course the devil is in the detail, but we want the continuation of the listing to be identical and the economic value to be identical. The second point. The holding company will not have an insurance license, nor will it have a banking license. It will be a mixed holding entity. Help me out, because this is such a long definition.

Tomasz Kulik

It will be a financial holding company of mixed activities.

Andrzej Klesyk

Oh that's right, it's very simple. The third thing that is important is that with this, we will be able to structure the Group in such a way that we can not only help you, but above all help ourselves. That is, we will have insurance entities, licensed, we will have TFIs, or asset management entities. Here, do not get attached, whether they will be directly under the holding company or under the insurance company, because this decision will be primarily ours, jointly with Tomek, because of the capital, how to manage the capital. But most importantly, companies that are not necessarily licensed, for example PZU Zdrowie, will be separate, but the most important thing is that there will be a banking leg, that is, banks will be in a separate basket as it were. And yes, you could say, the CEO went crazy, drew some boxes, and now it's different. It's not just a play on boxes, it's a play on capital. Here, on the right, you can see that he will reduce corporate governance, transparency, efficiency, etc. But here we are talking about capital. And let me show you things that I'm sure you've already figured out on your own. I will talk about it, because some of you have written analytical reports. By the way, thank you very much, because this is very stimulating. Now, it's like this. How do I see it? If now the capital in the Group's current structure, we have a capital surplus



from under a fat finger of 6.1 billion. More or less. If we do nothing, assuming *ceteris paribus*, we do nothing. We have Solvency 2 coming in, changes, especially when it comes to the capital charge in relation to bank assets, it raises our capital ratio automatically, which we will need to have a capital adequacy ratio in insurance. Doing nothing, not changing the structure of assets, not changing the structure of liabilities, out of nowhere PZU will lose a capital surplus of more or less 5.5 billion. Yes? Out of nowhere. Waking up

on 1 January 2027, the CEO and I will look each other in the eye and say to ourselves, damn, 5.5 billion flew away and we don't have that as a capital surplus. What does this mean from your point of view and mine? Assuming that such a capital surplus will be, say, 600 million, that means a much more conservative approach to insurance. We will most likely have to assign more premium then. A much more conservative approach to investment, including in development, and virtually no acquisition opportunities. None. So I've been scratching my head for the last couple of weeks, and here I also have to thank Tomek and the team, a very tiny team that thought about what to do in order to have a capital surplus. Hence, the idea of a holding company. It's not because we found it would be cooler to draw it differently. The idea of a post-transition holding company, that's the middle one, we're talking about between 2.5 to PLN 3.5 billion of capital surplus, even after Solvency 2. And, the last thing is to introduce an internal model not for everything, only for those business lines that we are able to introduce this internal model. This should give us an additional between 1 and 2 billion. We are not in a position to confirm until we finish the analyses. So, back through the holding company, solely through this holding company structure, we go back to that capital surplus that we would almost have, that we have at the moment. I got through. Ladies and gentlemen, this is a big deal. I wanted to emphasize that, as I said at the beginning, I talked about uniqueness, this is unique. As far as I know, no one in Europe has done it yet, no one in Poland, of course. Multi-stakeholder cooperation will be required. We think we can count on a positive attitude from many stakeholders, including shareholders, as this will be a shareholder decision. And we want to prepare a very precise plan over the next few months on how to do this. But, clock is ticking, because 2027 is fast approaching and we want to get it done much, much earlier than 31 December 2026. And that's the first thing. Second thing – bank. Once again, I wanted to emphasize that the analyses that were conducted by the previous Management Board and Supervisory Board did not take into account this new paradigm that could be created by the holding company. So, going into the new paradigm, we have much more strategic freedom. What does it mean? Scenario one, or maintaining the status quo, is what I have already showed you on the previous slide. Then we would have, here we joked with the CEO, 600 million, which is enough for cotton balls. At this scale of business development. And we would indeed be very, very tightly constrained. Scenario two. What was discussed

and what was presented by CEO Olech and CEO Stypułkowski that there will be an idea that Alior will be bought by PEKAO S.A. and you will get the details from what I remember for 6 months. It seems that this idea in a nonholding regime, so to speak, would result in a similar reduction in the ratio, or thereabouts, of capital surplus in the Group, but worse, it would result in the need for PEKAO S.A. to increase its capital by several billion zlotys. Here we are in discussions, I can admit it, with CEO Stypułkowski, and we have a very good relationship, because we know that if PEKAO S.A. had to raise the capital, then by definition PZU would have to participate in some way, which in turn would lower our capital. So, we now want to consider other possibilities in this holding structure, ones that would create the most value for shareholders. We want to come back to you with this at the latest, at the very beginning of Q3 or around Q3. On the other hand, once again I would like to emphasize that the most important thing for us now is holding. If the holding company confirms again with the supervisor, with the regulator, with the owner, with the Ministry of Finance, with the shareholders and there with the state administration, because there are still

some things that would have to be done, then we will know what our playing field is in the banking sector. And, ladies and gentlemen, that's pretty much it. I understand that you may have very many questions, I know. But, if I can answer any question, if we can answer together, we are ready. And, please remember that I have been here for a month and the holding has been discussed for several weeks. Thanks very much and wish us luck.

Magdalena Komaracka

Thank you very much. Feel free to ask questions. We have some questions asked in the chat, but maybe someone in the room has some questions for you.

Kamil Stolacki

Before this, Kamil Stolacki, Santander Bank. Before we get to the most interesting part, I would like to ask about these trends in core results, and congratulations in general on the results too, especially in this group part, and these last three quarters seem to me to be record-breaking. Only, at least as I look at the figures, mainly this result has moved from a level of 400 million plus, to 500, even now 600, due to the fact that these actual compensation costs are clearly lower than what was assumed before. This difference between expected loss xxx claims and actual claims is positive at the level of 100 million, more or less quarterly. Well, and the question is whether this result from this Q4, or from these Q3 or Q2, is sustainable for subsequent quarters, but are we going back towards the results that were before? This is one basic question, and the second is, in this MTPL mass loss over already? Was there something one-off in this Q4 and is there a risk that we are back to losses in the coming quarters?

Tomasz Kulik

Well, then I'll start with the first question. As for the mechanics of this standard itself, you can try to think of it this way. When assigning another customer to the portfolio, when selling another insurance, we should think of it like this: this is the price for this insurance, and this price should cover all the costs associated with running this insurance. If it covers it, and we have something left over, there is what is called this contract margin. It is to be recognized in proportion to the time of service. Whether it is longer or shorter is a secondary issue. Therefore, the standard says this much – look at your structure of the individual elements that you have to cover the premium with, that is, look at the structure of all the costs that you have to cover with the premium, sorry, and show it. Therefore, in such a super, super, super precise match, this situation should be that the expected and actual is the same, which is not feasible, as we all know, for many different reasons. So, there is a difference between this reality that we see and with it we enter the next year, in the case of life insurance a year, and the one that is realized. Now, we are in a situation where it has been quite difficult in recent times to predict what will the further distribution of these mortality events look like? What will this schedule look like? Do we have a situation where there was a large accumulation of events and this will later be a loan of several years? And if so, how long will this loan last? Because there was an accumulation, therefore there is a kind of, I don't know what to call it, thaw? Or is it going to be that there was an accumulation, there is a return right back to the previous situation, or is it going to be that there was an accumulation, there is a short thaw, and then there is what is probably already called in the literature covid debt, that is, people were afraid to visit clinics, hospitals, etc., because these were places that were particularly prone to infection for obvious reasons, and so we avoided, whether this was rational

or not, I cannot answer that question. But, due to the fact that we avoided for 2 years, there was quite a lot of negligence when it came to health, especially for people who had histories that dragged on, that is, had chronic illnesses that required constant care and medical support. And, we have dealt with such incidents as well. These were all kinds of diabetes, which later resulted in amputations and so on. We all know very well, these were tragedies for many people. The problem is that it's super difficult to model this if you're talking about one scenario, and at the end of the day you have to say this is the scenario, or this is a hundred scenarios, which multiplied by probabilities gives such an amalgam. And that's it. So, we trying in the best way possible, and here I can reveal the kitchen, we are not happy if we miss. Why aren't we happy if we miss? Because if we say that the premium for coverage is greater than we will realize, then at the same time we are not creating a CSM that we can recognize later in time, we are only the beneficiary of this revaluation here and now. Therefore, this is a short-term bonus, if I may say so, a bonus due to lack of relevance, well, that's it. This is absolutely not a desirable situation. Little can I say in this way that those people who try to model these events, they are rewarded from the accuracy. That is to say, I can put it this way, already revealing how the variable elements of remuneration are created for those who deal with this product part. The better they hit, the higher the variable component of their salary. Therefore, these people really have their economic interest tied up in keeping this variance as small as possible. Well, and despite this, you can say yes, in this super turbulent and changing reality, we are not always able to hit the mark. This is what happened this year, and we are therefore the short-term beneficiary of a situation in which we recognized a surplus, called a variance, which will not be CSM in future periods, and therefore, already answering the question directly, 30% is not sustainable. Therefore, we should clean it up with all these stories and probably say that such a sustainable result, or margin, however we want to look at it, is probably 22, 23, not 29%. This is the first part of this answer. The second concerns MOD.

Andrzej Kleszyk

Maybe I will handle it. I'm very sorry, because this is a bit about the future. Ladies and gentlemen, the discussions I have with my colleagues on the Management Board are that we will not fight for market share if we do not have a profitable business. There are companies that are able to fight for market share and are more profitable when it comes to motor MOD than we are. And, we need to change that. To really start fighting, we will really have to verify profitability by channels and by customer segments. And this is the job of the Management Board members who are responsible for the segment, that is, going back to your question directly, I can't imagine that we would have to report MOD losses to you if, for example, the whole market is in the green.

Kamil Stolacki

Ok, thank you.

Tomasz Kulik

MOD. I can say that in Q4, I have the impression, but this is not yet confirmed by statistics, this is yet to be published by the KNF Board, that the situation is that we are in the green and we do not know about the rest. Some have boasted in this aspect, but let's see how the market was, however, this year it generated losses totaling more than 300 million after three quarters. What

happened in Q4? Prices rose in Q4. I may go back to that, because I think it was in the part related to business development that we clicked through and not here, in Q4, we had a situation where MOD prices were rising, it was like 8-9%, it was growing in scale, many companies were happy about it. On the other hand, costs, the average cost of damages, grew faster. What was positive about this

Q4 is that in terms of motor insurance frequencies, they were at 93-95% of the previous year, or what we have written into the profitability of the product, as an assumed parameter. Therefore, we can say yes, this price benefited from this situation in terms of frequency. Also, considering again the mechanics of the standard, how this standard works, because it works very differently than this PSR, or this previous standard four. It says this much – if you find that you are operating at a premium inadequacy, write down this value here and now, this loss, for the whole period ahead. The previous standard said this much – you don't have to do this at all, and you will recognize this loss *pro rata* in each subsequent stage: month, quarter, whatever. So here this immersion happens much faster, but at the moment when this immersion is not there, the ascent is also correspondingly faster, you can say in this way. Therefore, thinking about our profitability, today with MOD we break even. And what particularly worries me is the coming to a higher share of personnel costs, annuities and indexation awards of those annuities from previous years, especially from such years of the beginning of this century and the end of that century. Well, and to put it completely bluntly, this is not in the price. So, depending how this situation develops, we may have to subsidize the provision for these specific events in 2025. On the other hand, excluding this element, you can say, such underlying profit is zero plus now.

Magdalena Komaracka

Perhaps, one more question about motor insurance from Autonomous Research. What is our outlook on prices in the longer term? Increasing market competitiveness was mentioned. Is there anything more you can say about this?

Tomasz Kulik

We often face such a simple, I don't know, allegation, statement that if PZU raised prices, everyone would follow PZU and so on and live happily ever after. And, this is not true, because we have been, I can say, a leader for a long time in terms of trying to create a profitable situation within this product, where especially the smaller players would not be under such pressure, more capital pressure already. On the other hand, yes, it did tighten up somewhere in the middle of the first quarter, at the end of February. To what extent is this again a short-term fluctuation around the cycle or around the trend, which is drawn in blue on this slide. For now, it is difficult to say, while it disturbs certain things, so I can say this much. We will continue to work primarily on profitability. Here, the CEO has already made it quite clear that he is interested in profitability, but also in participating in how new value is created in the market. So, we will have to start thinking at least two-dimensionally. What does this mean? For now, it's hard to make a prediction. Each month brings new information and new facts, and new surprises, and also positive things. So, I can't say, I can only say that the beginning of this year is not bad from the point of view of value, while how it will continue to develop, we will talk about it soon, because in May we see the results of the first quarter.

Magdalena Komaracka

One more question from Autonomus regarding the holding company. With the introduction of the holding structure, will you have the opportunity to invest in many different sectors? Will you maintain a focus on the financial sector and health? Do you plan to diversify into other sectors, such as defense or energy?

Andrzej Klesyk

Ladies and gentlemen, I joke that at this point PZU is an insurance-banking-fixture group. Tomek has to consolidate Armatura Krakow, which is scary. There are several other companies out there. So a holding structure, not even, not only a holding structure, but in general I would like to clean up our balance sheet from direct, equity involvement in various strange companies. That is, I can't imagine PZU becoming an insurance-banking-energy-AI group at the moment. There is no such option. At least, as long as I am CEO here. On the other hand, what Tomek talked about with investments. From the point of view of the PZU Group and the balance sheet, especially in liabilities, we have to try to find the most interesting solutions on the active side. I am able to imagine that PZU can be very heavily involved in financing, not on the capital side, but in financing some energy investments that will give us an adequate return, with a high degree of security, or safety, because by definition, a company like PZU, with assets like PZU, and if we pull off even the so-called third party money, then we have to look for interesting investments, but it is not an investment, I will stress again, it is not an investment that we want to build an insurance-banking-armature-and-beauty group with Tomek. There is no such thing. So, we won't be sharpening teeth either.

Magdalena Komaracka

Are there any questions from the attendees? I have a few more questions from the Internet.

Kamil Stolacki

If I can, one last thing about this holding company. The question is, is there a scenario on the table in which PZU sells its shares in PEKAO S.A. and Alior? And, I'm asking in the context of two things, that we know the story of, say, AXA, Nationale Nederlanden, Sampo, and also the CEO said about this, this obsession with shareholder value and transparency. Well, in fact, this kind of insurance focus scenario is the one that other insurance companies have chosen. Well, and it gives just that value for scenarios potentially and transparency. The question is whether such a scenario is even as one of the many considered, or is there simply no such scenario and there must be insurance and banking?

Andrzej Klesyk

Ladies and gentlemen, one of the things we have to realize is that if we have, for example, a bank, abstract one or another, suppose we have a banking sector where we have return on equity, suppose 18. Even let them pay for example 50% dividends. It is out of nowhere that we have about 9, say 10% return on our invested capital. Well, ok. Theoretically speaking, take and sell, then find me a reasonably stable investment in Poland that will give me 10%. So this is a kind of dilemma that we will have to discuss. And once again, I would like to come back to you in a few months, if how we have it, as the teenagers used to tell us, decried, and an additional thing that we can probably admit here with Tomek. We also have to consider whether to increase or minimally

reduce our exposure to banks due also to consolidation, which also has quite an impact on capital and how we manage capital. Now we are consolidating the banks and we have to convince the auditor that we have full control over these banks. In the future, it doesn't have to be like that at all, but once again it's too early, it would be speculation, especially since for us the priority is holding, and only then will we count the numbers. As you can see, Tomek counts to the fourth decimal place, so then it will no longer be on the coarse digits.

Magdalena Komaracka

Are there any more questions from attendees? Then, I have a few more questions from the Internet. The first concerns non-motor insurance. From Trigon. And the question is – what was the reason for such a low mixed ratio in non-motor insurance in the mass segment, probably the lowest ever, how does this quarter project into the future?

Tomasz Kulik

As for the mass segment and profitability, I can answer the question this way. It's a kind of balance between growth, we're going beyond motor insurance, between growth and profitability. And now what we have been trying to answer for ourselves over the last few months is how, also realizing what our role is, to work with clients while at the same time acquiring new customers, but closing that insurance gap we have been talking about. I told you that we have modernized a product in which each additional zloty of insurance, in terms of fixed elements, is cheaper than the previous one. Therefore, the rate is degressive. In order to actually increase and participation and such real coverage and protection for our customers. This translates into profitability realized on these products, as a similar philosophy can be said from the point of view of small, medium-sized ones when it comes to property insurance. What is certainly to be done, because this is not a representative value, is to improve this profitability in some channels, third-party channels, so you probably know what the conversation is about, where unfortunately this product, which our competitors are also making money on in the same channels, we didn't succeed in Q4. So, we recorded a loss on these products in the multi channel. And that calls for swift action. This has already happened, so to speak, we have responded and there is a significant improvement. So it's an accumulation of product changes, pricing approach philosophy and digressive rate, plus especially losses in the multi channel when it comes to mass assets. The issue has been addressed, closed in Q1, we will not show it.

Magdalena Komaracka

Question about life insurance. It has already been said about changing actuarial assumptions. The question, on the other hand, is that a higher margin in group insurance in Q4 than in Q3 is highly unusual. What is the reason for this? And another question, has the seasonality of mortality disappeared?

Tomasz Kulik

No, the seasonality of mortality has not disappeared. These are a few of the answers that altogether translate into such a picture. This is the seasonality of the number of deaths, below is the seasonality of benefits. What you can see on this graphic is the seasonality of the number of benefits, this is the dark blue dashed one, as far as 2024 is concerned in connection with this, while

the mortality rate as you can see on this slide or the graphic above has gone up, the number of benefits has not followed suit. And this is something we experienced on such a scale in such a way for the first time, so it has clearly translated into this situation. On the other hand, the already-discussed lack of matching and the change in actuarial assumptions, which takes place each time in the fourth quarter, and again because we are talking about annual cohorts, therefore the impact of this change for all in quotation marks open cohorts lands in the result of a given quarter. It was also with this effect that we had to deal with. The sum of the three translated into a result that in Q4 and a margin that in Q4 was higher than that in Q3.

Magdalena Komaracka

One last question about costs. What was the reason for PZU's very low other operating expenses in Q4?

Tomasz Kulik

They resulted, I will only remind you, that the other costs consist of the so-called NON-ATT costs plus the costs of service companies. And here we can talk primarily about improved situation of subsidiaries, so the improvement of the situation, in terms of health, the improvement of the situation in the other companies, revenues versus costs, which is shown in this line and this is the answer.

Magdalena Komaracka

Thank you, we have no more questions.

Andrzej Klesyk

Ladies and gentlemen, once again we thank you for your attendance, once again we thank you for coming, especially to those who came to the factory, to us, and we would like to declare that as usual, I mean as usual, as in the old days we said we would prove, we will prove, and we want to be very open with you if you have any questions, here our Investor Relations Department is and has to be very responsive, and we will also be – the CEO and perhaps with members of the Management Board – to come to meet with you every quarter. And, also if you need any additional information, please contact me. I wish you good luck, wish you good health and see you in May. Thanks.