



# PZU Group's Financial Results

in 4Q20 and 2020

Warsaw, 25 March 2021





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# 1. PZU Group's main accomplishments



## Stable business model and strong market position augment its resilience to the pandemic



Net profit, net of the pandemic's impact<sup>1</sup>, up 17% y/y. **ROE at 22.5%**<sup>1</sup>



Resilient business model: high profitability in life and non-life insurance, return on investments 3.7 p.p. above the risk-free rate. Solvency II 257%<sup>3</sup>



Higher **life insurance market share**. Better **renewal rate** in the motor insurance portfolio and cross-sell

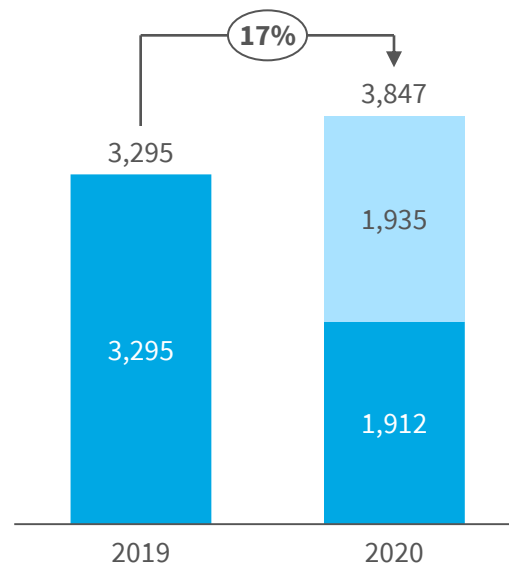


PZU Group's **lightning-quick and multifaceted** response to the COVID-19 pandemic; building value for all stakeholders



**Investments in digital transformation** support resilience to COVID-19: greater significance of remote sales, myPZU and remote health care

PZU Group's net profit<sup>2</sup>



■ Reported net profit  
■ COVID-19 impact

1. Net profit attributable to equity holders of the parent company adjusted for the COVID impact of 1,935 m PLN, equity adjusted for the COVID-19 impact of 1,935 m PLN and the dividend that was not paid on the 2019 profit
2. Net profit attributable to equity holders of the parent company
3. Data after 3Q20, unaudited

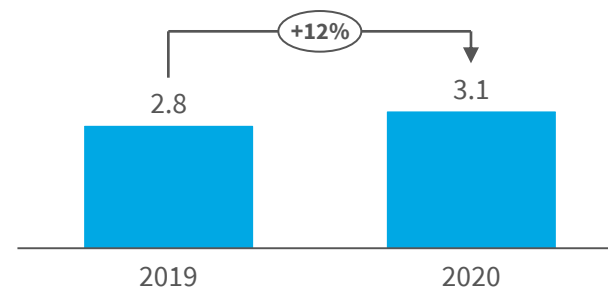


## High rate of growth of underwriting results in 2020

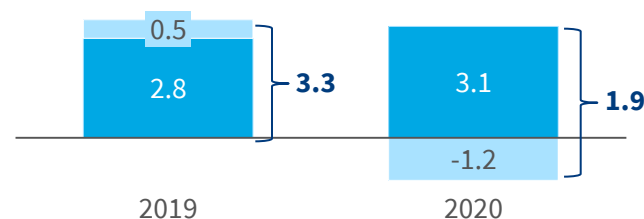
- Net profit, net of the bank's result, amounted to 3.1 bn PLN – up 12% y/y excluding the impact of the pandemic for insurance and investments – up 17% y/y
- Result on **core business** (insurance and investments) up **12% y/y** driven by business development and improved profitability in the core business:
  - **margin** in group and individually continued insurance of **19.7%**
  - **combined ratio** in non-life insurance of **88.4%**
  - return **on the main portfolio 3.7 p.p.** above the risk-free rate
- Net of the pandemic's impact estimated to be 1.9 bn PLN<sup>1</sup>, **result up 17% y/y**
- **ROE** net of the pandemic's impact<sup>1</sup> of **22.5%** (versus 21.2% in the previous year)
- Reported net result of **1.9 bn PLN**; below last year due to the COVID-19 pandemic's impact<sup>1</sup>, in particular, for impairment losses related to banking activities

1. Profit and equity adjusted for the impact of the COVID-19 pandemic, including impairment losses on goodwill and assets identified during the bank acquisition, capital adjusted additionally by 80% of the PZU Group's consolidated profit for 2019, which was not paid as dividends. Details on slide 18
2. Net profit attributable to equity holders of the parent company

PZU Group's net profit<sup>2</sup> net of the bank's result (bn PLN)



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

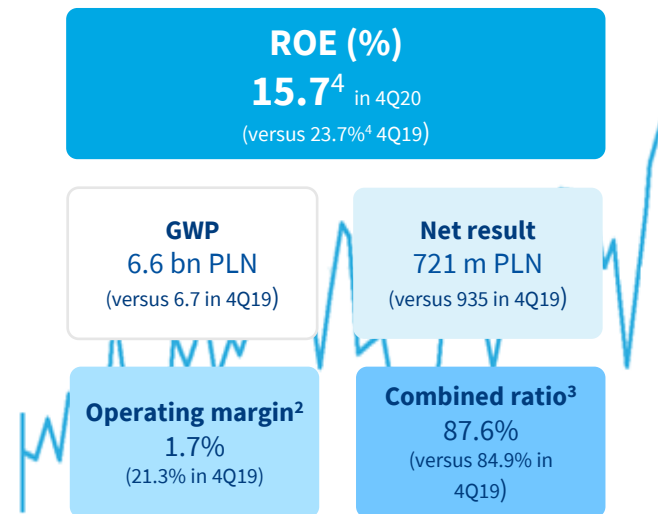


■ PZU Group net profit ex. banks ■ Banks



## High profitability of the core business in 4Q 2020

- High profitability in non-life insurance – combined ratio of **87.6%** in 4Q20 (**88.4%** in 2020) flat y/y but above the levels posited in the strategy
- High return on the main portfolio: **4.8 p.p. above the risk-free rate** in 4Q20 (**3.7 p.p. in 2020**) outpacing strategic ambitions despite the more demanding situation on the financial markets
- Operating margin in group and individually continued insurance at **1.7%** in 2020 (**19.7%** in 2020) - despite the pandemic's significant impact in 4Q20, consistent with the strategy for the full year
- **Costs under strict control**; despite pressure to raise wages and other costs related to the COVID-19 pandemic, the cost ratio was 7.4% in 4Q20 (7.0% in 2020)
- ROE of **15.7%** in 4Q20 and 10.9% in 2020 (22.5% net of the pandemic impact<sup>1</sup>); PZU among the insurers generating the highest ROE in Europe



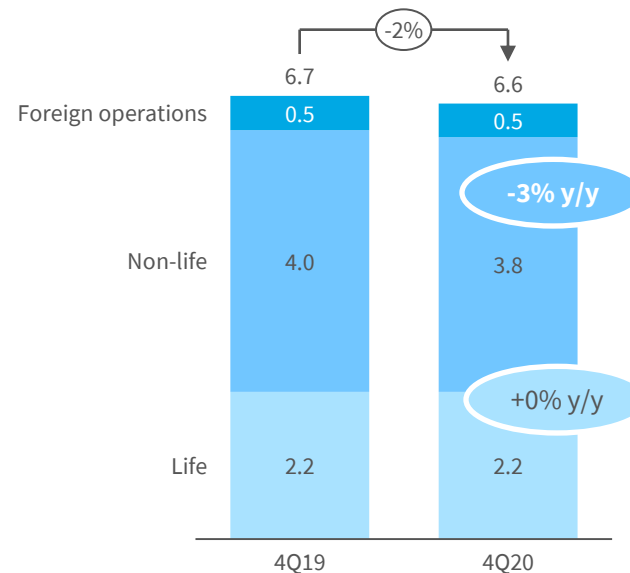
1. Net profit attributable to equity holders of the parent company adjusted for the COVID impact of 1,935 m PLN, equity adjusted for the COVID-19 impact of 1,935 m PLN and the dividend that was not paid on the 2019 profit, effects of the pandemic enumerated on slide 18
2. Margin in 4Q20 for the group and individually continued insurance segment net of the conversion effect
3. Non-life insurance in the PZU Group (Poland)
4. Annualized attributable to equity holders of the parent company



## Sales of 6.6 bn PLN, higher share of the life insurance market, limited demand for motor insurance

- Further improvement of the market position in life insurance; **PZU Życie's record-breaking life insurance market share in Poland (42.3%, up 2.4 p.p. y/y<sup>1</sup>)**
- Stable premium in **group and individually continued life insurance in 4Q20 y/y** in Poland despite the limitation of employee benefits
- Retention of the **leadership position** in **periodic** premium life insurance (market share of 45.6%)<sup>1</sup>
- **Record-breaking gross written premium on individual insurance in 4Q20 (474 m PLN), with life protection insurance as the driver (gross written premium up +35% y/y)**
- **Motor insurance** under pressure of slowing car sales on the market in Poland – strong demand for residential and SME insurance
- Continued dynamic growth in the demand for private medical services; PZU Zdrowie's revenue up **12%<sup>2</sup> y/y** in 2020
- Intensive development of the **investment pillar** - TFI PZU one of the leaders in the sales of funds and portfolios and growth of assets under management - nearly 1.3 bn PLN secured from clients as opposed to a lack of inflows seen on the market
- 390 m PLN in ECS assets at the end of 2020. Market share (measured by the number of contracts) 35%
- **Further strengthening of collaboration with banks** leading to significant growth of new sales of life protection insurance in bancassurance and the number of insureds

Amount and growth rate of GWP (bn PLN)



1. Data in 1-3Q20, source: own calculations based on KNF's Quarterly Bulletin. Rynek ubezpieczeń [Insurance Market] 3/2020

2. Data presented for the centers for the period from the beginning of the year regardless of the time of acquisition

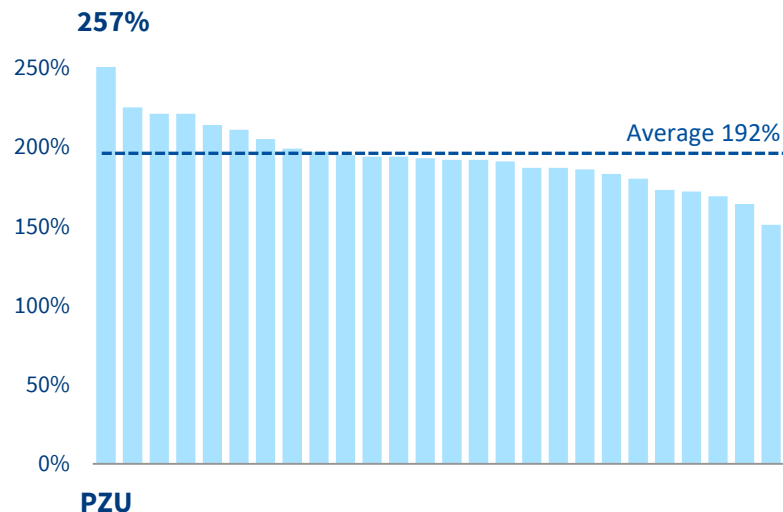


## Business stability: Solvency II at 257%; provisions in life insurance aligned to lower interest rates

- S&P rating of **A-** with a **stable** outlook with a capital strength rating of **AAA**  
Rating affirmed by S&P on 27 August 2020 The agency's analysts pointed out that **despite setting up impairments for its bank assets the PZU Group should generate comparable results in 2020 to international insurers, while also retaining a safe capital surplus above the requirements to hold a "AAA" capital strength rating under the S&P model**
- Retention of the 2019 profit leads to the Solvency II ratio growing to high levels as at 30 September 2020: **257%<sup>1</sup> at the Group level, 284% for PZU, 381% for PZU Życie**
- **Safe investment portfolio:** diversification of the investment portfolio, especially by augmenting the share of portfolios securing a high level of profitability faced with the low level of market interest rates, including in particular corporate debt with an investment-grade rating coupled with the simultaneous **limitation of risk on quoted shares due to gradual reduction in the portfolios**

1. Not subject to audit or review by the statutory auditor

Solvency II ratio for insurers in Europe (3Q20)





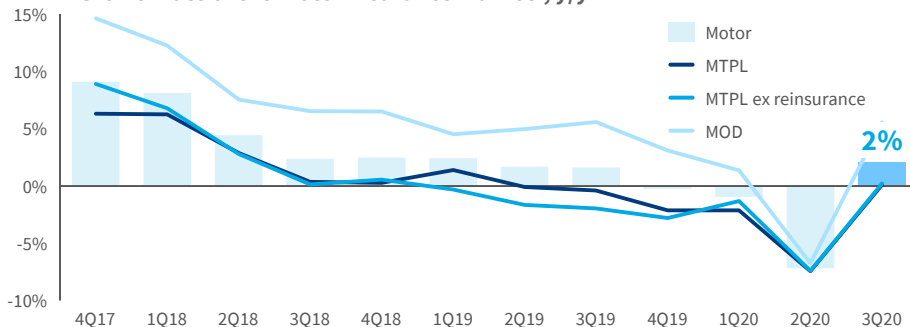


## **2. Business development**



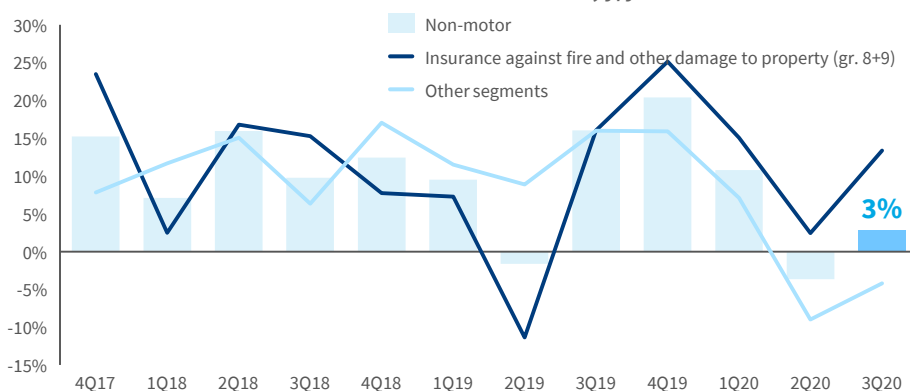
## Trends on the non-life insurance market in Poland

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

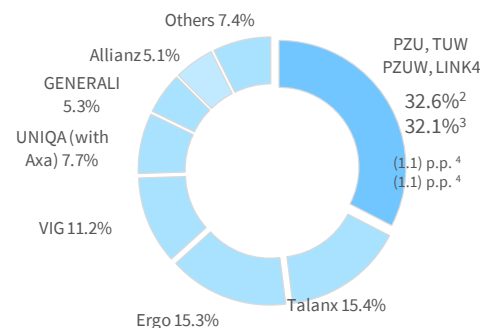


- **Slight sales growth in motor insurance in 3Q20 (+2% y/y)** coupled with sales growth in MOD of 5.5% and in motor TPL of 0.1%
- Flat sales of motor TPL as the outcome of the increase in the number of policies (+6.3% y/y) and the **significant decline of average prices (-5.7% y/y)**<sup>1</sup>
- **The non-motor insurance market has returned to the growth path (+2.9% y/y).** Divergent trends in the sales of property insurance (classes 8+9): growth of +13.4% y/y and accident (-5.7% y/y) and financial insurance (-17.7% r/r)
- **The PZU Group's market share in non-life insurance** (direct business) at the end of 3Q20 was 32.1%
- **PZU Group's high percentage of the market's technical result at 46%**<sup>1</sup>

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



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

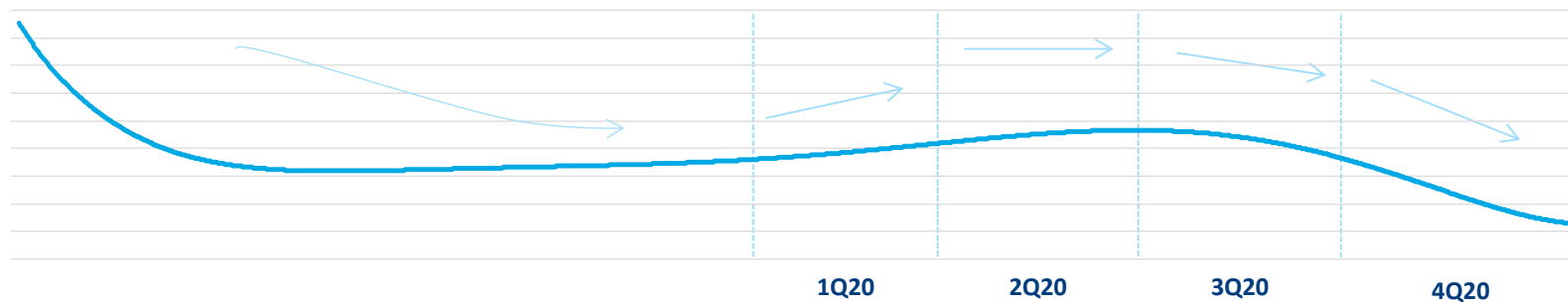


1. according to the Polish FSA's 3Q20 report;
2. according to the Polish FSA's 3Q20 report; the market and market shares including PZU's inward reinsurance from LINK4 and TUV PZUW
3. PZU Group's market share in non-life insurance on direct business in 3Q20 (1.1) p.p.<sup>4</sup>
4. movement in market share y/y on PZU's inward reinsurance from LINK4 and TUV PZUW and direct activity, respectively.

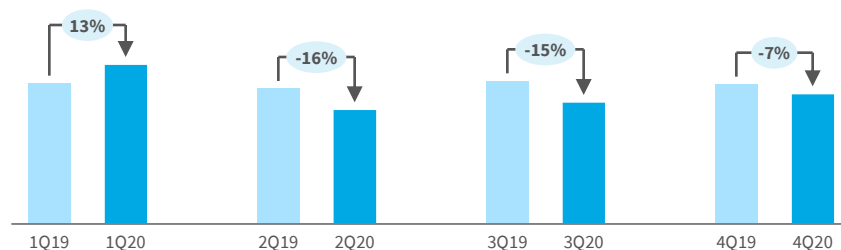


## Motor insurance – change in the average price and decline in claims frequency

### Change in the average market price for motor TPL\*



### Change in claims frequency in motor insurance\*

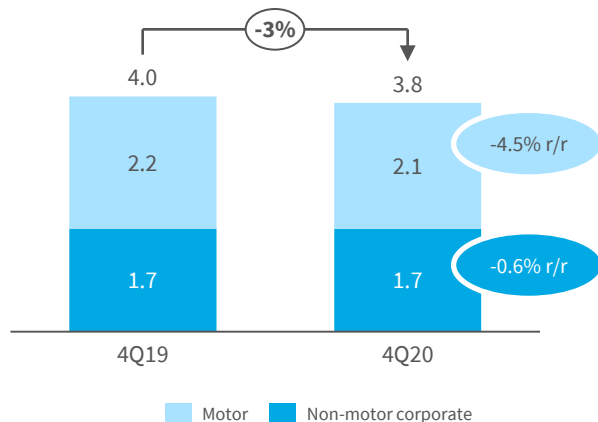


- **Decline in claims frequency** (leading to the portfolio's improved profitability) **inclines the market** to pursue an **active pricing policy** translating into the continued price decline in 4Q20
- **Market of falling prices** and inflation and the **rising euro exchange rate** translating into higher costs of claims paid, in the longer run (after returning to natural loss experience) **may impede** the ability to continue **doing profitable business**



## Non-life insurance

Gross written premium in 4Q 2020, value (bn PLN) and growth rate



- In **mass non-motor insurance**: double-digit growth in the sales of apartment insurance, ADD insurance for physicians, higher sales of insurance for SMEs, lower premium on agricultural and travel insurance
- Corporate** insurance: higher sales of construction and financial insurance, electronic equipment insurance, limited growth rate in connection with the execution of a long-term contract in 4Q19
- Premium on motor insurance **under pressure posed by lower prices** and lower activity on the new car market
- Especially in December, the increase in sale of mass non-motor insurance in main distribution channels (tied agents, multiagencies, branches)
- Facility to purchase and continue insurance on favorable terms and conditions** with the support of sales tools (premium payments in installments, deferral of the insurance cover term for a fleet and programs to activate and support the sales network using the myPZU service)



Rising cross-sell

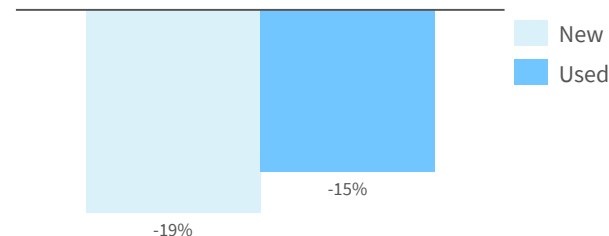


Higher upsales of non-motor products



Rising percentage of motor TPL policies including MOD products

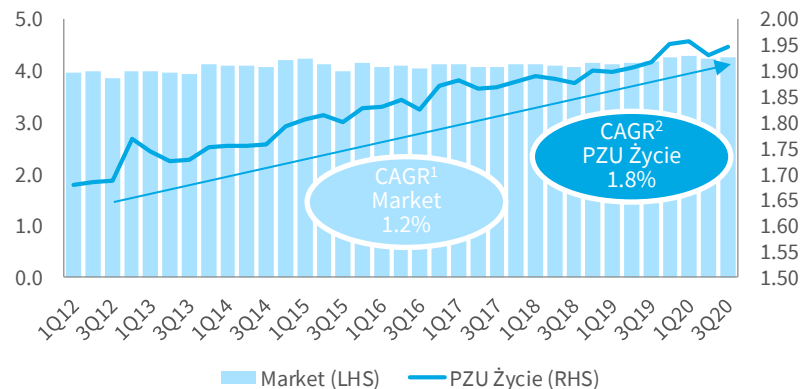
Change in the number of first registrations of vehicles in Poland in 2020 y/y<sup>1</sup>



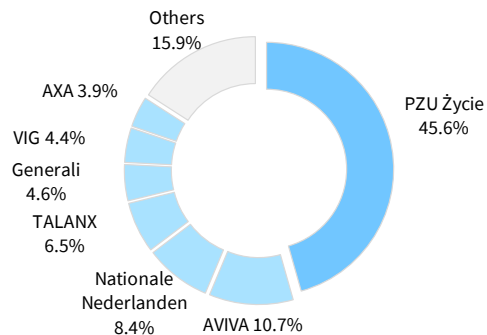


## Trends on the life insurance market

Periodic gross written premium, quarterly (bn PLN)



Market shares in periodic premium in 3Q20



### Life insurance market in 1-3Q20

- Sales growth y/y in PZU Życie of 2.7% versus the overall market's negative rate of growth in gross written premium (-3.2% y/y)
- Increase in the market share held by PZU Życie by 2.4 p.p. y/y to 42.3% in total gross written premium in 1-3Q20

### Periodic premium insurance:

- PZU's key market share of periodic premium at a high level of 45.6% in 3Q20, also for protection contracts (class I of life insurance); market share of 60%

### Single premium insurance:

- Higher single premium insurance sales (+56 m PLN y/y), translating into market share expansion in single premium life products – market share up 9 p.p. y/y
- Retention of the leadership position in 3Q measured by the absolute amount of gross written premium (684 m PLN) and the increase in gross written premium (+56 m PLN y/y)

### Group insurance:

- PZU Życie's premium in group insurance up 29 m PLN y/y in 3Q20, the Group has the third highest premium growth

### Individual insurance:

- Individual insurance continues to see PZU taking up market share in a shrinking market (31.1% in 3Q20, improvement of 3.4 p.p. y/y)

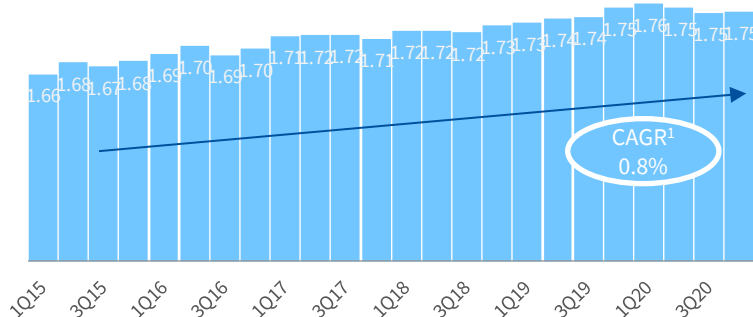
The profitability of the technical result at PZU Życie in 3Q20 is higher than the average for the competition – 23.3% versus 13.5%; the share held by PZU Życie of the sector's overall technical result was almost 56%

1) For the market, gross periodic premium 3Q20 to 3Q12  
2) For PZU Życie, gross periodic premium 3Q20 to 3Q12

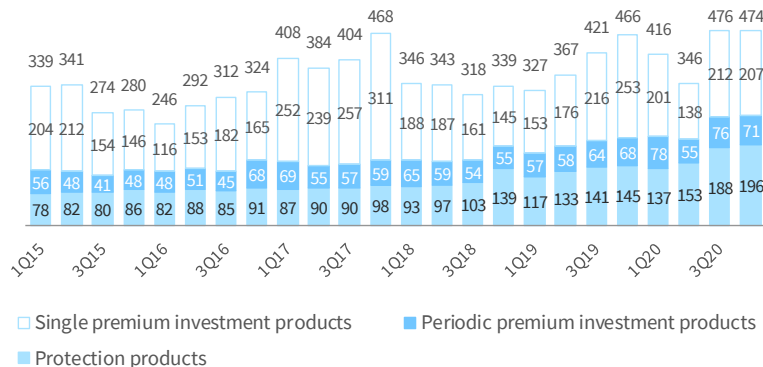


## Life insurance

PZU Życie's gross written premium on group and individually continued insurance (bn PLN)



PZU Życie's gross written premium on individual insurance (m PLN)



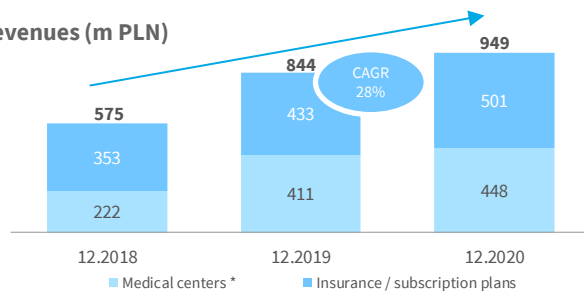
- PZU Group's stable premium in **group and individually continued life insurance in 4Q20 y/y** in Poland despite the limitation of employee benefits and higher attrition in work establishments
- **Expanding portfolio of health insurance**, which despite lower new sales (especially in 2Q and 3Q due to the pandemic) has posted record-breaking results measured by collected premium, especially for ambulatory contracts. At the end of December 2020 PZU Życie had **more than 2.2 million health in force contracts** in its portfolio in the insurance business
- Steadily rising revenue generated by riders to individual continuation, including the new accident **rider** to individual continuation launched last year
- **High level of sales of individual protection products in 4Q** driven by the development of **cooperation with Alior Bank** to offer single premium individual life insurance to clients taking out cash loans and mortgage loans
- Lower level of single contributions in 4Q20 to **unit-linked** accounts in insurance offered jointly with banks
- Lower level of contributions in structured products due to its withdrawal from sales at the end of 2019.

1) 4Q20 to 4Q15

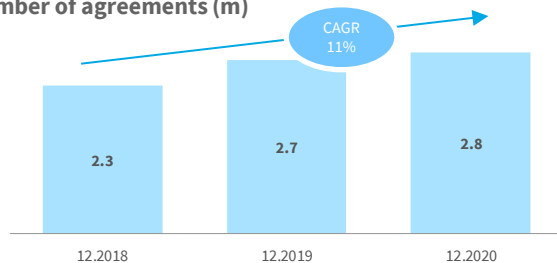


## Development of the scale of operations in health

Revenues (m PLN)



Number of agreements (m)



- High growth rate of revenue (mainly on **ambulatory** contracts and **riders to continued insurance**) despite the slowdown triggered by the pandemic in new sales in 2Q20
- **Steady increase in the number of health product agreements in 2020** driven by the sales of more health riders to protection products (offering among others access to specialist physicians, ambulatory rehabilitation, selected tests and procedures)
- **Dynamic construction of the subscription portfolio through PZU Zdrowie's own sales network**
- Further **development of own centers** in Warsaw, Poznań, Cracow and Wrocław and a second branch in Warsaw opened in March 2020



1

~2,200 cooperating  
medical partners  
~130 proprietary locations



2

48 hospitals



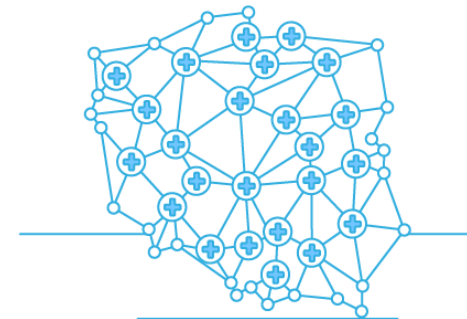
3

2,200 physicians  
>50 specializations



4

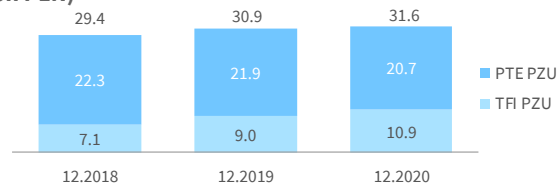
~8,700 pharmacies



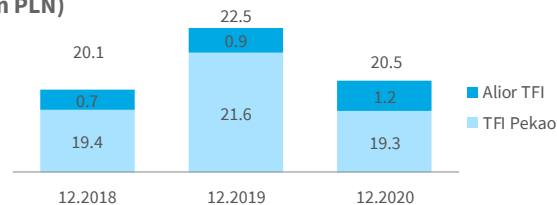


## Assets under management and development of cooperation with banks

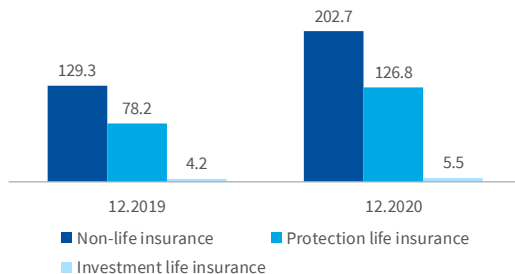
### Assets of third party clients of TFI and OFE PZU clients (bn PLN)



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



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



#### Asset management:

- TFI PZU is **one of the leaders in the sales of funds and growth of assets under management**
  - nearly **1.3 bn PLN** inflows from clients (including 336 m PLN in ECS assets)
  - while the **net balance of contributions and redemptions for the market in the full year of 2020 was around 0**
- TFI PZU continues to participate actively in offering and implementing **Employee Capital Schemes**. At the end of 2020 market share measured by the number of companies was 35% while the values of the assets obtained exceeded 390 m PLN. At the end of 2020 TFI PZU managed the assets of ECS for more than 35 thousand companies
- obtaining new assets as part of the channel dedicated to **managing the portfolios of institutional clients** – more than 150 m PLN of new sales in 2020
- **favorable mix of assets under management** – percentage of assets linked to the third pension pillar (EPS and ECS) prevalent
- **dip in the assets of PTE PZU** due to the unfavorable market conditions on the stock exchange and as an effect of the operation of the slide (retirement of participation units held by persons 10 years prior to reaching the age of retirement)

#### Bancassurance:

- in 4Q20 the bancassurance market share edged up another 0.8 p.p.
- performance of financial plans in 2020 by the PZU Group's banks at 114% (protection insurance)
- presence of the PZU Group's products in all of the major product lines of the PZU Group's banks
- work on implementing standalone products in the banks' offer
- implementing multichannel access for the Banks' clients

#### Assurbanking:

##### Bank Pekao:

- PZU is one of the largest external partners of Bank Pekao S.A. in the sales of transaction accounts (ROR) via the bank's Pekao360 app
- after completing the deployment of own branches (1H20) a pilot was launched in November 2020 in 6 of PZU's partner branches with a joint **insurance and banking offer in the Auto Plus Account Promotion**
- sum total of loans and client deposits secured by PZU for the Bank exceeded **687 m PLN at the end of 4Q20**

##### Alior Bank:

- **Development of the Cash Portal** – implementation of the program outside the PZU Group and work on extending the offer of products available on the Cash Portal, launch of the Cash portal for the SME segment

#### Continuation of cost saving initiatives; total synergies up to the end of 2020 of **181 m PLN**

- Growth rate of insurance-based investment products curtailed by **regulatory uncertainty**, negative sentiment on capital markets and **lower client activity during the COVID-19 pandemic**



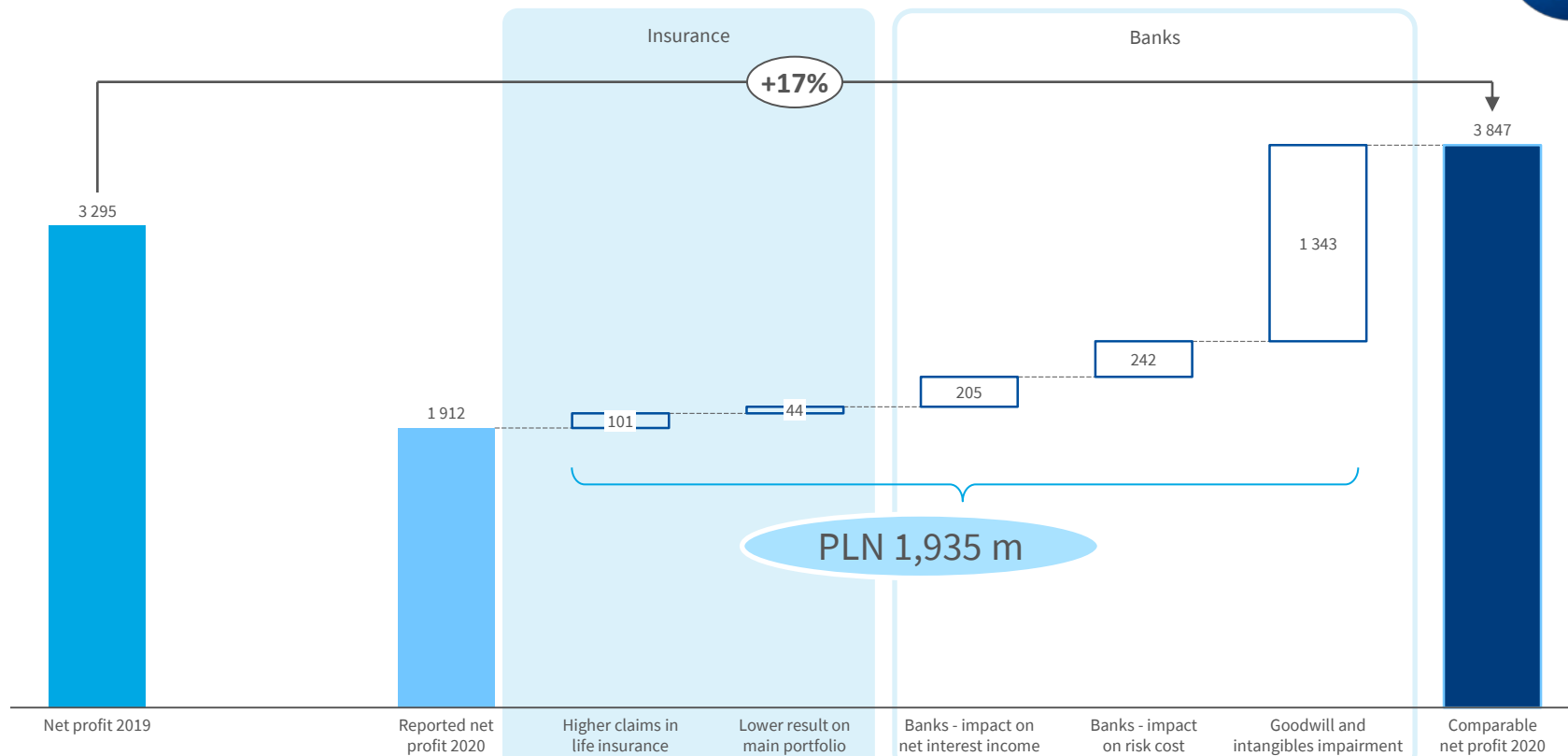


### **3. Financial results**



## Net profit evolution in 2020<sup>1</sup>

The impact exerted by events related to the COVID-19 pandemic on PZU's results was 1,935 m PLN.

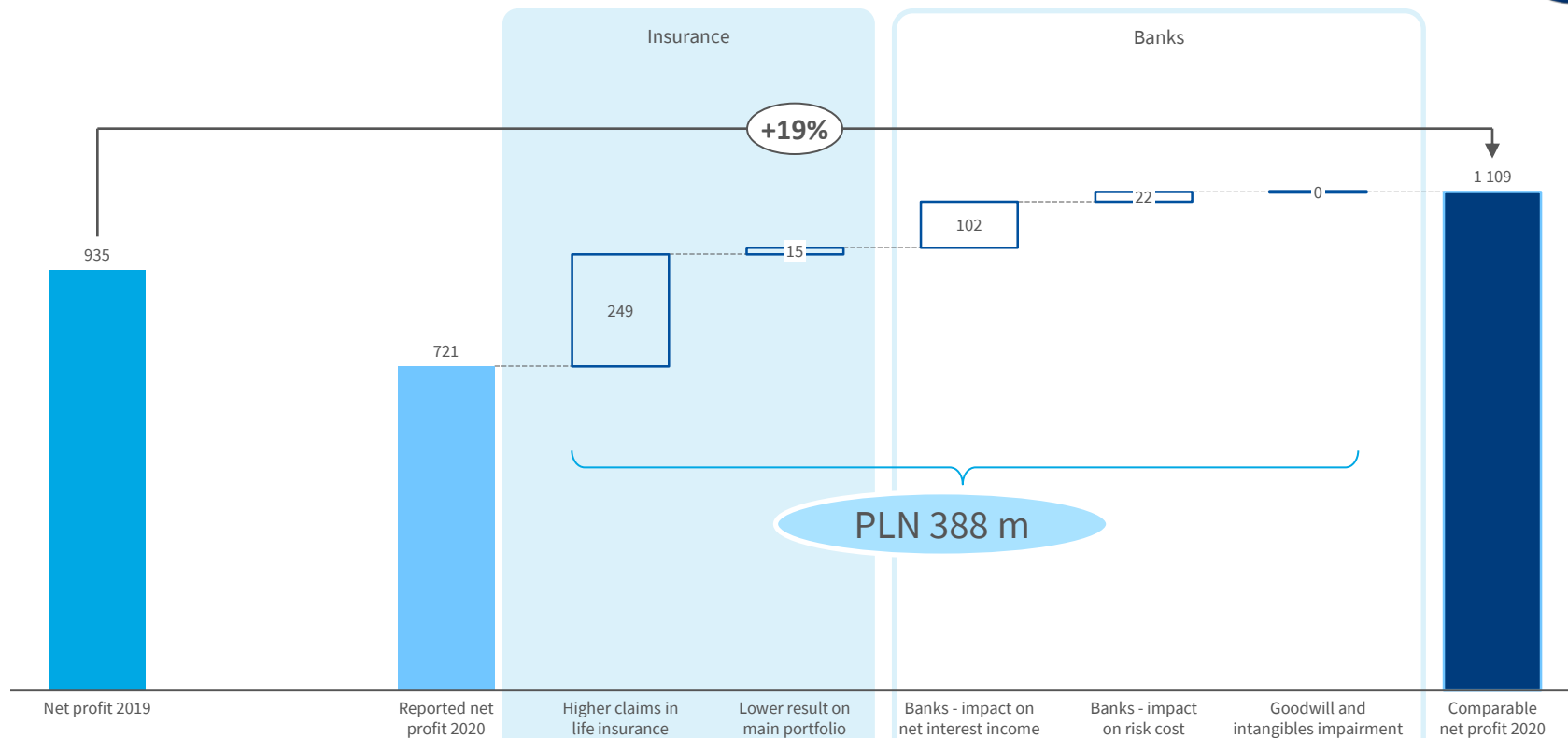


1. Net profit attributable to equity holders of the parent company



## Net profit evolution in 4Q2020<sup>1</sup>

The impact exerted by events related to the COVID-19 pandemic on the PZU Group's results was 388 m PLN in 4Q20.



1. Net profit attributable to equity holders of the parent company



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

m PLN	4Q19	3Q20	4Q20	change y/y	change q/q
<b>PZU GROUP EXCL. ALIOR BANK AND BANK PEKAO</b>					
Gross written premium <sup>1</sup>	6,690	5,600	6,575	(1.7%)	17.4%
Net insurance claims and benefits paid	(3,775)	(4,061)	(4,228)	12.0%	4.1%
Net investment result (ex banking activities)	558	484	729	30.7%	50.5%
Administrative expenses <sup>1</sup>	(501)	(411)	(486)	(3.1%)	18.2%
Acquisition expenses <sup>1</sup>	(883)	(819)	(851)	(3.6%)	3.9%
Operating profit (loss)	1,026	935	812	(20.8%)	(13.1%)
<b>Net profit (loss) attributable to equity holders of the parent company</b>	<b>793</b>	<b>785</b>	<b>633</b>	<b>(20.2%)</b>	<b>(19.4%)</b>
<b>BANKS: ALIOR AND PEKAO</b>					
<b>Net profit (loss) attributable to equity holders of the parent company</b>	<b>142</b>	<b>105</b>	<b>88</b>	<b>(38.3%)</b>	<b>(16.0%)</b>
<b>NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>935</b>	<b>890</b>	<b>721</b>	<b>(22.9%)</b>	<b>(19.0%)</b>
<b>NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY excluding impairment of goodwill and intangibles</b>	<b>935</b>	<b>890</b>	<b>721</b>	<b>(22.9%)</b>	<b>(19.0%)</b>
<b>MAIN FINANCIAL RATIOS</b>					
ROE <sup>2</sup>	23.7%	20.4%	15.7%	(8.0)p.p.	(4.7)p.p.
Combined ratio <sup>3</sup>	84.9%	91.8%	87.6%	2.7p.p.	(4.2)p.p.
Margin <sup>4</sup>	21.3%	24.7%	1.7%	(19.6)p.p.	(23.0)p.p.
Administrative expense ratio of PZU, PZU Życie	7.7%	6.3%	7.4%	(0.3)p.p.	1.1p.p.
Acquisition expense ratio of PZU, PZU Życie	14.6%	14.0%	15.1%	0.5p.p.	1.1p.p.

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



## Profitability by operating segments (4Q20)

### Insurance segments

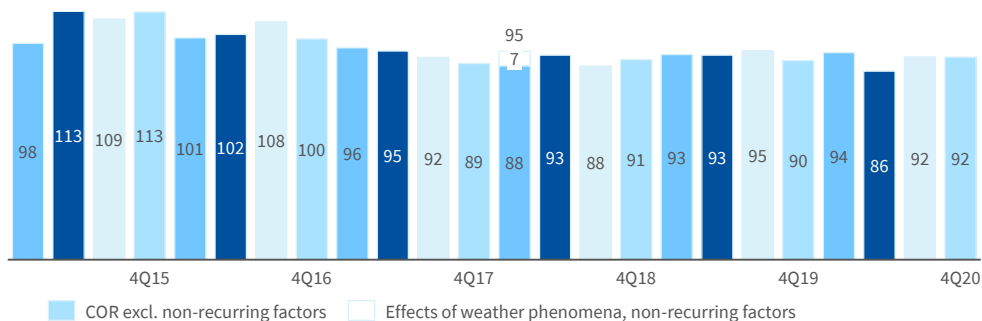
	Gross written premium			Insurance result / operating result			Combined ratio / Margin	
	4Q19	4Q20	Change y/y	4Q19	4Q20	Change y/y	4Q19	4Q20
<b>m PLN, local GAAP</b>								
Total non-life insurance – Poland	4,054	3,921	(3.3%)	473	570	20.5%	84.9%	87.6%
Mass insurance – Poland	2,738	2,642	(3.5%)	380	476	25.3%	85.0%	86.6%
Motor TPL	1,118	1,073	(4.0%)	78	21	(73.4%)	91.7%	96.1%
MOD	678	676	(0.3%)	52	91	74.7%	90.1%	84.8%
Other products	942	893	(5.2%)	211	305	44.8%	71.4%	75.4%
Impact of allocation to the investment segment	x	x	x	39	59	50.9%	x	x
Corporate insurance – Poland	1,316	1,279	(2.8%)	93	94	1.1%	84.7%	92.0%
Motor TPL	231	197	(14.7%)	16	2	(84.0%)	89.1%	98.9%
MOD	225	197	(12.4%)	23	10	(56.9%)	86.7%	88.2%
Other products	860	885	2.9%	42	56	33.7%	78.8%	89.7%
Impact of allocation to the investment segment	x	x	x	12	25	106.0%	x	x
Total life insurance – Poland	2,220	2,222	0.1%	459	93	(79.7%)	20.7%	4.2%
Group and individually continued insurance - Poland*	1,754	1,748	(0.3%)	373	30	(92.0%)	21.3%	1.7%
Individual insurance – Poland	466	474	1.7%	84	60	(28.6%)	18.0%	12.7%
Conversion effect	x	x	x	2	3	50.0%	x	x
Total non-life insurance – Ukraine and Baltic States	475	470	(1.1%)	49	77	57.1%	90.6%	83.7%
Baltic States	411	420	2.2%	51	75	47.1%	87.9%	82.5%
Ukraine	64	50	(21.9%)	(2)	2	x	118.4%	82.5%
Total life insurance – Ukraine and Baltic States	43	41	(4.7%)	6	3	(50.0%)	14.0%	7.3%
Lithuania	19	22	15.8%	1	0	(100.0%)	5.3%	0.0%
Ukraine	24	19	(20.8%)	5	3	(40.0%)	20.8%	15.8%
Banks	x	x	x	988	535	(45.9%)	x	x

\* Net of the conversion effect

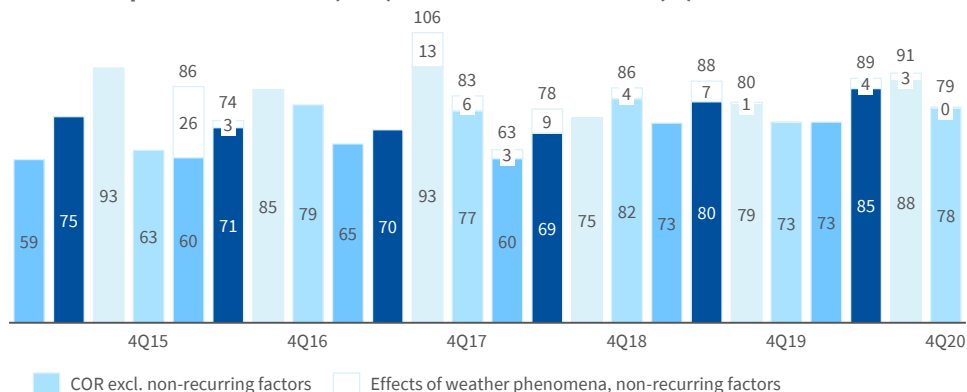
## Non-life insurance



PZU Group's combined ratio (COR) in motor insurance (%)



PZU Group's combined ratio (COR) in non-motor insurance (%)



### Motor insurance

- **deceleration in the sales of new vehicles** (new registrations<sup>1</sup> down in 2020 by 23% y/y), **slowdown on the lease market** with a slight rebound in 3Q and 4Q20 (according to the Polish Leasing Association financing in 2020 was down 10.1% y/y) and fiercer **price competition in motor TPL** translating into a lower growth rate in gross written premium
- visible **significant decline in claims frequency** translating into **high profitability** in the **motor insurance** portfolio due to reduced levels of domestic and international traffic
- **higher cost of claims and benefits paid due to the PLN's depreciation against the EUR** (consequence of concern on the market evinced by the protracted COVID-19 pandemic) – especially noticeable in FX claims

### Non-motor insurance

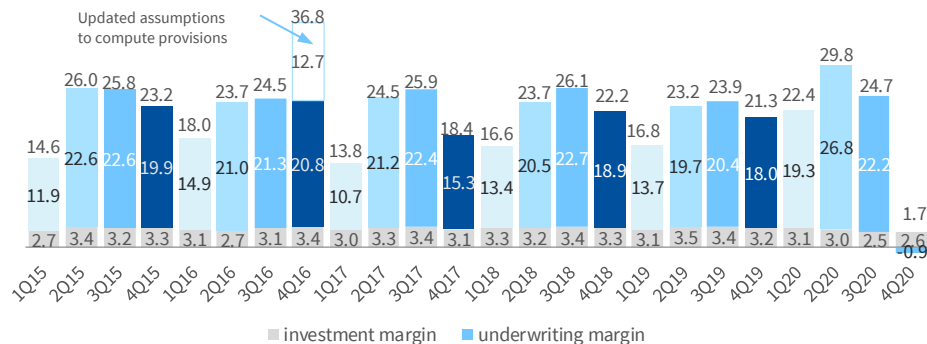
- **maintaining high profitability in the portfolio** despite the higher number of claims caused by atmospheric phenomena (June-July 2020), such as ground frost and torrential rain and hail, especially noticeable in crops and orchards and the occurrence of several high value claims in the corporate segment

1. only applies to new passenger cars

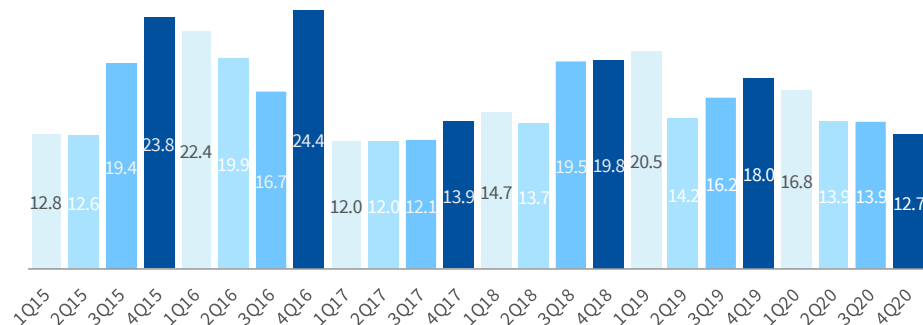
## Life insurance



### Margin in group and individually continued insurance (%)



### Margin in individual insurance (%)



### Margin in group and individually continued insurance in 4Q down 19.5 p.p. y/y, at the level of 1.7 percent

- the major driver contributing to the slump in the margin y/y was the **heightened mortality linked to the COVID-19 pandemic** in line with the climbing frequency of deaths observed in the overall population reported by the Central Statistics Office
- to cover the possible shortfall of future premiums that may ensue from heightened mortality caused by the COVID-19 pandemic a **provision for unexpired risk** of PLN 51 million **was established**.
- at the same time a **lower loss ratio of paramedical risks** (mainly hospital treatment, surgical operations and critical illnesses) and permanent dismemberment is still being observed due to the lower number of reported benefits

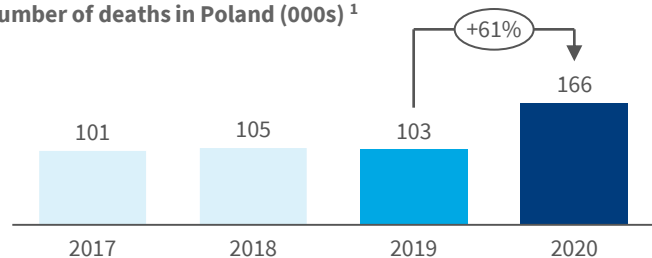
In the individual insurance segment the **margin in 4Q was 12.7%, down 5.4 p.p. y/y** was the outcome of the following:

- further development of protection products in the banking channel and of term products sold in the own network
- decrease in income from investments allocated** using transfer prices



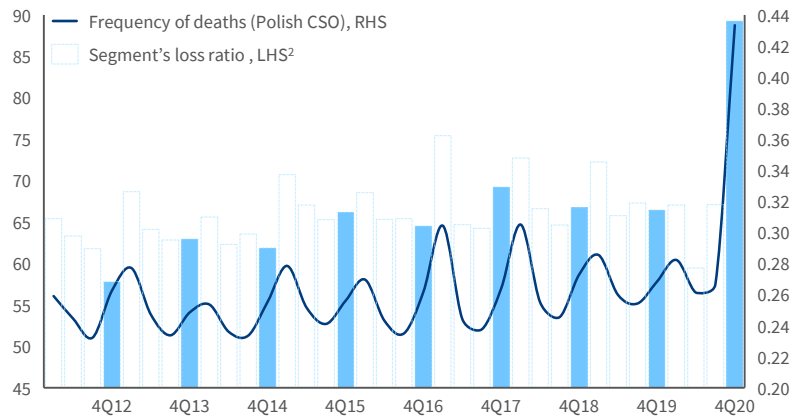
## Pandemic and the loss ratio in the group and IC segment in 4Q 2020

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

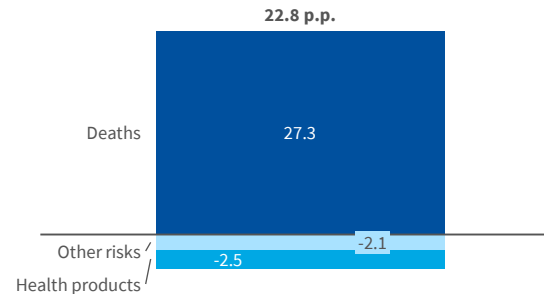


- Number of deaths in Poland in 4Q20 **at record high levels**
- Loss ratio in the group and individually continued insurance segment<sup>2</sup> **significantly higher y/y: +22.8 p.p.**
- The higher loss ratio in the segment in 4Q20 y/y was chiefly caused by the **higher frequency of deaths** in line with the increases observed for the entire population coupled with the lower loss ratio on **health products and other risks** included in group and individually continued insurance

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



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



1) Fourth quarter of every year, in thousands, according to the Central Statistical Office's data (GUS)

2) Incorporates only protection products, benefits paid, the utilization of health products and the change in claims provisions

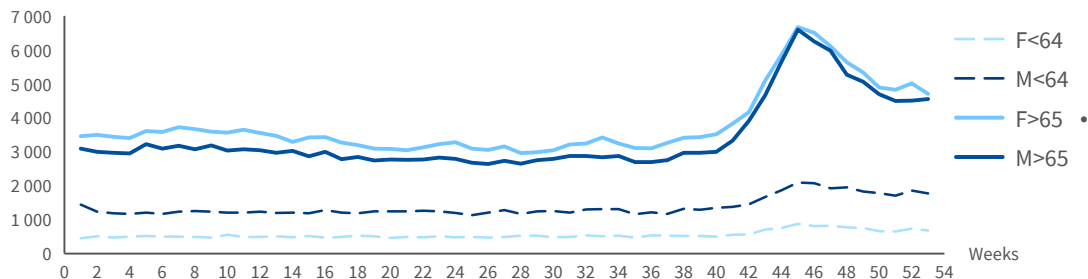




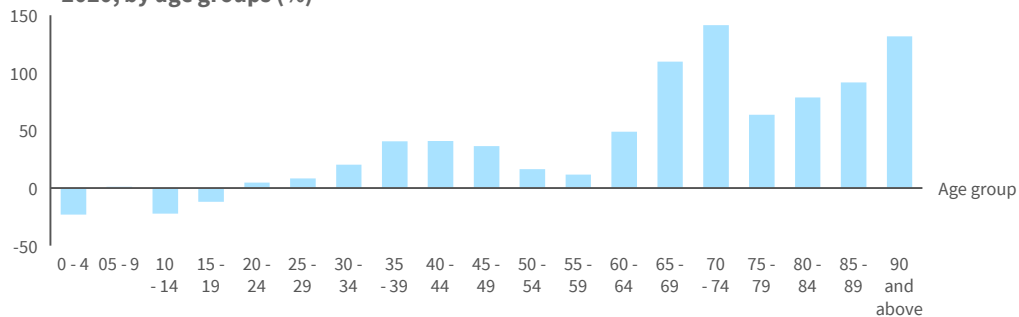
## Impact of pandemic on life business results

The increase in mortality in the population was uneven in different age groups; 84% of the increase in deaths occurred in people over 65 years of age; deviations from long-term averages are also the most pronounced in people over 65 years of age

Number of deaths by sex and age groups



Deviation from 10-year averages of the number of deaths in weeks 44-52 of 2020, by age groups (%)



- The COVID-19 pandemic's significant adverse impact in life insurance **did not appear until 4Q20**, previously there was a positive effect stemming from lower loss ratio on paramedical risks and permanent dismemberment
- **Increase in benefits paid for the insured's death** from the 42nd week overlaps with the data regarding the frequency of deaths for the overall population presented by the Central Statistical Office
- Pandemic's impact on the PZU Group's result in 2020 attributable to equity holders of the parent company **has been estimated to be 101 m PLN** and incorporates the following:
  - **higher loss ratio on deaths** partially offset by lower benefits paid for paramedical risks and permanent dismemberment
  - **establishment of an additional provision for unexpired risks** to cover the possible shortfall of future premiums

## Investment performance

MSSF, m PLN	4Q19	3Q20	4Q20	change y/y	change q/q
<b>Net investment result</b>	<b>2,416</b>	<b>1,926</b>	<b>2,083</b>	(13.8%)	8.2%
Insurance and other activities	558	484	729	30.7%	50.5%
Main portfolio	<b>439</b>	<b>434</b>	<b>550</b>	25.4%	26.8%
Debt instruments - interest	343	314	301	(12.2%)	(4.1%)
Debt instruments - revaluation and execution	(23)	31	62	x	100.0%
Equity instruments	-	57	143	x	150.9%
Real estate	118	32	44	(62.7%)	37.5%
	-	-	-	x	x
Investment products	<b>106</b>	<b>112</b>	<b>246</b>	133.2%	120.8%
Other	<b>13</b>	<b>(61)</b>	<b>(68)</b>	x	x
Banking activities	1,858	1,442	1,354	(27.1%)	(6.1%)

- **4.8 p.p. surplus profitability** in the main portfolio on FX on liabilities above the risk-free rate in 4Q20

- **Robust net interest income** – reduction in income in the part of the portfolio linked to floating corporate bonds

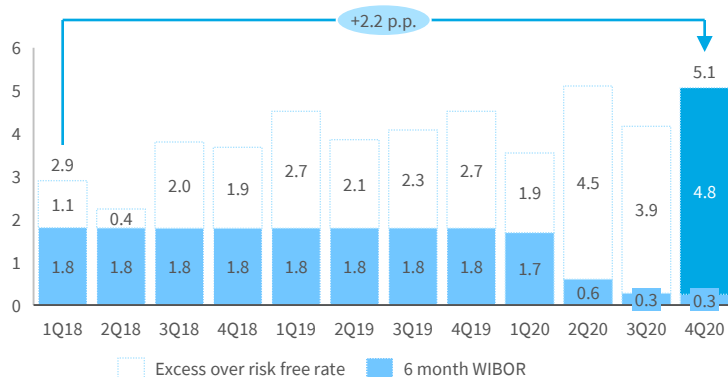
- **Higher result on the measurement and realization of debt instruments due to the decline in market rates, recognition of fees for the prepayment of loan liabilities and the positive impact of assets measured in EUR** offset at the level of the PZU Group's total result by the assessment of the negative foreign exchange differences on insurance obligations covered by FX portfolios

- **Higher measurement of the portfolio of equity instruments**, chiefly in the logistics sector and Private Equity funds

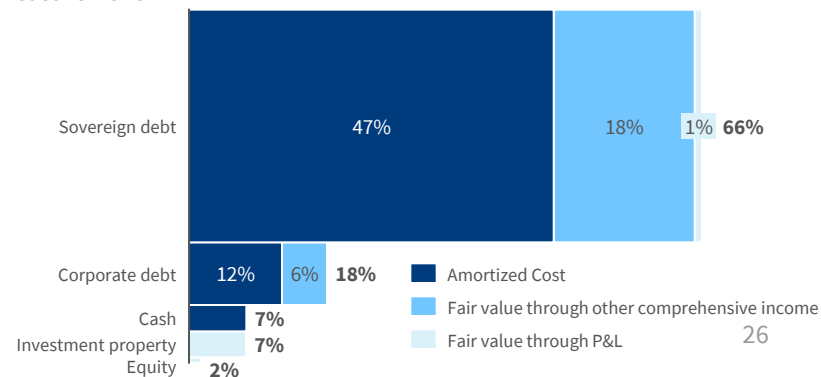
- Safe portfolio composition: debt instruments account for **84% of the portfolio**, **treasury bonds account for 66% of the portfolio**



### Return on the main portfolio



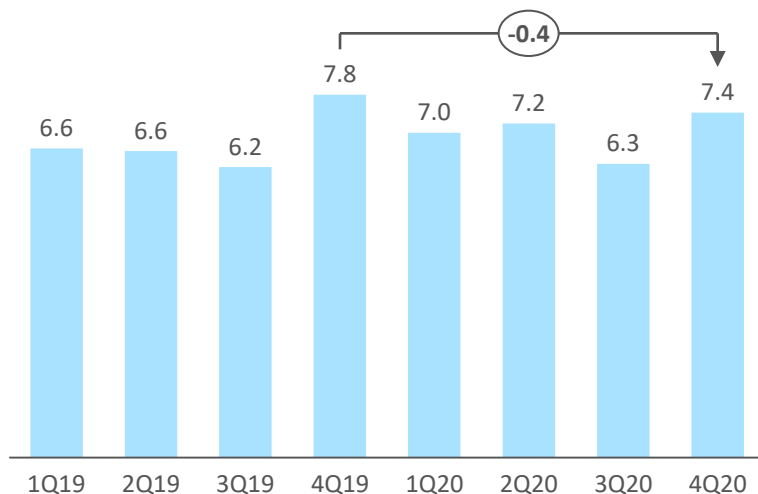
### Main portfolio composition by asset classes and the methods of their measurement





## Cost effectiveness

### Administrative expense ratio



- Change in the administrative expense ratio in **4Q20 versus 4Q19** due to the following:
  - lower provisions related to special awards and employees taking holiday leave
  - optimizing real estate maintenance expenses was possible despite higher energy prices and payroll (minimum wage hike)
  - reduced intensity of IT project-related activities
  - strengthening marketing campaigns
- The change in the administrative expense ratio in **4Q20 versus 3Q20** was due to the following:
  - higher provisions related to employees taking holiday leave partially offset by lower provisions for special awards
  - strengthening marketing campaigns
  - higher intervention spend associated with the COVID-19 pandemic
  - higher spend on training activities in 4Q

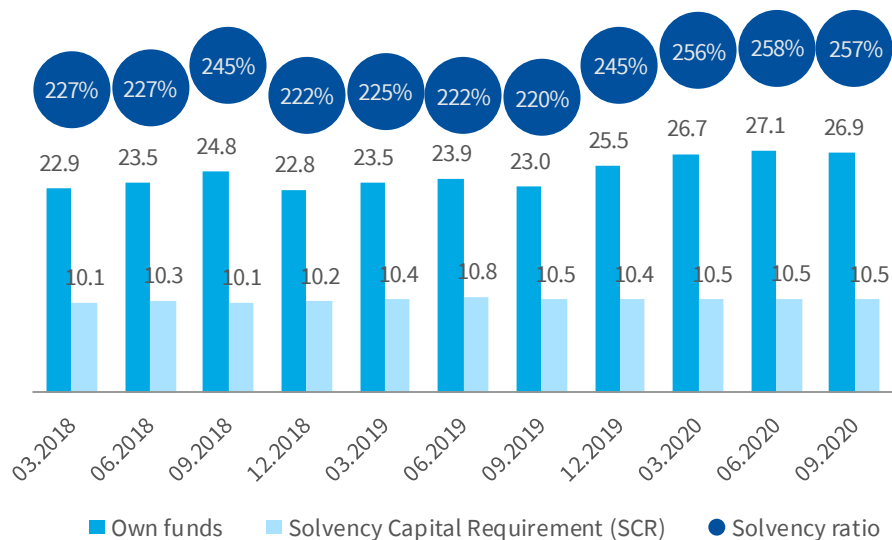
Administrative expense ratio calculated using the equation:

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



### Solvency II ratio, 30 September 2020



- **Decline in own funds of 0.2 bn PLN** in 3Q20. Major reasons:
  - current flow on insurance and investment activity (+0.7 bn PLN)
  - recognition of the provisional dividend (1.2 bn PLN) due to better financial results under IFRS in 3Q20 (-0.9 bn PLN q/q)
  - Increase in own funds in Pekao, PTE and TFI.
- **SCR stabilization** in 3Q20 (-0.04 bn PLN +0.06 bn PLN YTD).
  - growth in property insurance (+0.02 bn PLN) in connection with greater exposure to catastrophic risks
  - decline in Pekao's risk-weighted assets (RWA) (-0.05 bn PLN).
- **High quality of the PZU Group's own funds** - share of **Tier 1** capital is **88%**
- Standalone solvency ratio:
  - PZU: 284% (289% at the end of 2Q20)
  - PZU Życie: 381% (392% at the end of 2Q 2020)

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

Annual data based on the audited standalone and consolidated solvency and financial condition reports (SFCR) available on the following website <https://www.pzu.pl/relacje-inwestorskie>. Other unaudited data.



## 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 <sup>2,3</sup>		Number of clients in PZU Życie <sup>5</sup>		Assets under management for third party clients (bn PLN)		Revenues (m PLN) <sup>8</sup>		Assets (bn PLN)	
09.2020	2020	12.2020	2020	12.2020	2020	12.2020	2020	12.2020	2020
32.1%	38%	10.3	11.0	31.6/ 52.1 <sup>7</sup>	65	949	1,000	312	>300
Combined ratio <sup>3</sup>		Insurance margin in group and individual continuation		Net result on third party asset management (m PLN)		EBITDA margin <sup>9</sup>		Net financial result attributed to the PZU Group (m PLN)	
12.2020	2020	12.2020	2020	12.2020	2020	12.2020	2020	12.2020	2020
88.4%	92%	19.7%	>20%	75/ 178 <sup>7,11</sup>	200	11.8%	12%	149 <sup>11</sup>	>900
Administrative expense ratio <sup>4</sup>		Solvency II solvency ratio		Surplus yield on the main portfolio above the RFR <sup>10</sup>					
12.2020	2020	09.2020	2020	12.2020	2020				
7.0%	6.5%	257% <sup>12</sup>	>200% <sup>6</sup>	3.7 p.p.	2.0 p.p.				

ROE<sup>1</sup>

<b>12.2020</b>	<b>2020</b>
<b>10.9 / 17.9 / 22.5</b>	<b>&gt;22%</b>

1. ROE attributable to the parent company reported / net of impairment losses for goodwill / net of the COVID impact
2. Direct business
3. PZU jointly with TUW PZUW and LINK4
4. Administrative expenses in PZU and PZU Życie
5. Including clients acquired through cooperation with banks
6. Own funds after subtracting anticipated dividends and asset taxes
7. Including assets under management / performance of fund management companies owned by the PZU Group's banks

8. Annualized revenues of proprietary centers and branches (except for FCM – in operation since 02/2019) 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 the FX rate and the annual average level of WIBOR6M
11. Net of the impairment loss for goodwill and intangible assets
12. Preliminary data, not subject to audit or review by the statutory auditor



## 5. Attachments



## Gross written premium of the PZU Group

Insurance segments m PLN, local GAAP	4Q19	3Q20	4Q20	Change y/y	Change q/q
<b>External gross written premium</b>	<b>6,690</b>	<b>5,600</b>	<b>6,575</b>	(1.7%)	17.4%
Total non-life insurance – Poland	3,952	2,883	3,843	(2.8%)	33.3%
Mass insurance – Poland	2,683	2,367	2,613	(2.6%)	10.4%
Motor TPL	1,092	1,039	1,056	(3.3%)	1.6%
MOD	673	599	671	(0.3%)	12.0%
Other products	918	729	886	(3.5%)	21.5%
Corporate insurance – Poland	1,269	516	1,230	(3.1%)	138.4%
Motor TPL	230	147	197	(14.3%)	34.0%
MOD	224	148	196	(12.5%)	32.4%
Other products	815	221	837	2.7%	278.7%
Total life insurance – Poland	2,220	2,222	2,222	0.1%	x
Group and individually continued insurance - Poland	1,754	1,746	1,748	(0.3%)	0.1%
Individual insurance – Poland	466	476	474	1.7%	(0.4%)
Premium on protection products	145	188	196	35.2%	4.3%
Premium on periodic investment products	68	76	71	4.4%	(6.6%)
Premium on single investment products	253	212	207	(18.2%)	(2.4%)
Total non-life insurance – Ukraine and Baltic States	475	455	470	(1.1%)	3.3%
Baltic States	411	397	420	2.2%	5.8%
Ukraine	64	58	50	(21.9%)	(13.8%)
Total life insurance – Ukraine and Baltic States	43	40	41	(4.7%)	2.5%
Lithuania	19	20	22	15.8%	10.0%
Ukraine	24	20	19	(20.8%)	(5.0%)





## Profitability by operating segments

(2020)

Insurance segments	Gross written premium			Insurance result / operating result			Combined ratio / Margin	
	2019	2020	Change y/y	2019	2020	Change y/y	2019	2020
<b>m PLN, local GAAP</b>								
Total non-life insurance – Poland	13,719	13,270	(3.3%)	1,776	1,984	11.7%	88.4%	88.4%
Mass insurance – Poland	10,403	10,244	(1.5%)	1,449	1,671	15.3%	88.1%	87.4%
Motor TPL	4,412	4,226	(4.2%)	335	318	(4.9%)	93.3%	92.4%
MOD	2,579	2,518	(2.4%)	191	299	56.1%	91.9%	87.7%
Other products	3,412	3,500	2.6%	677	726	7.2%	78.0%	80.6%
Impact of allocation to the investment segment	x	x	x	246	328	33.4%	x	x
Corporate insurance – Poland	3,316	3,026	(8.7%)	327	313	(4.3%)	89.5%	93.1%
Motor TPL	816	678	(16.9%)	34	50	45.5%	95.0%	95.5%
MOD	830	671	(19.2%)	63	68	6.9%	91.9%	90.4%
Other products	1,670	1,677	0.4%	156	103	(33.5%)	81.2%	93.3%
Impact of allocation to the investment segment	x	x	x	74	92	24.7%	x	x
Total life insurance – Poland	8,547	8,719	2.0%	1,768	1,635	(7.5%)	20.7%	18.8%
Group and individually continued insurance - Poland*	6,966	7,007	0.6%	1,483	1,379	(7.0%)	21.3%	19.7%
Individual insurance – Poland	1,581	1,712	8.3%	271	244	(10.0%)	17.1%	14.3%
Conversion effect	x	x	x	14	12	(14.3%)	x	x
Total non-life insurance – Ukraine and Baltic States	1,897	1,827	(3.7%)	210	258	22.9%	89.5%	86.5%
Baltic States	1,641	1,613	(1.7%)	184	219	19.0%	89.3%	86.9%
Ukraine	256	214	(16.4%)	26	39	50.0%	92.3%	82.0%
Total life insurance – Ukraine and Baltic States	151	158	4.6%	14	16	14.3%	9.3%	10.1%
Lithuania	72	81	12.5%	1	1	x	1.4%	1.2%
Ukraine	79	77	(2.5%)	13	15	15.4%	16.5%	19.5%
Banks	x	x	x	3,498	194	(94.5%)	x	x

\* Net of the conversion effect

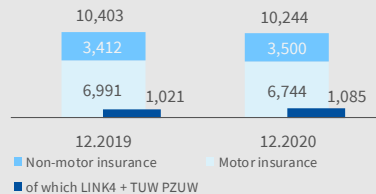


## Non-life insurance

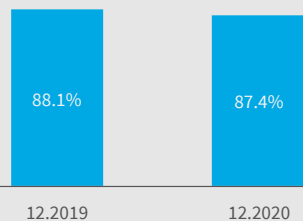
Motor insurance is being affected by softer market conditions on the car market in Poland

### Mass segment

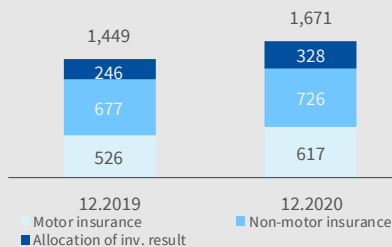
Gross written premium (m PLN)



Combined ratio (%)

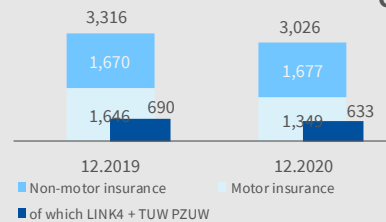


Insurance result (m PLN)

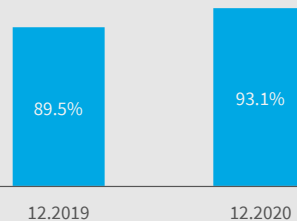


### Corporate segment

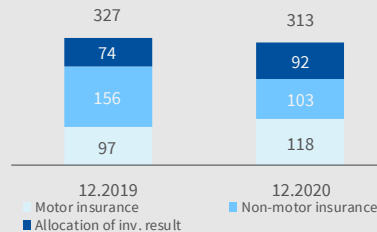
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)



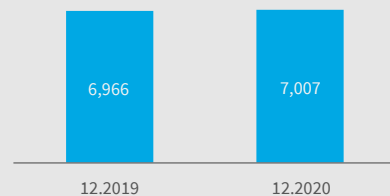


## Life insurance

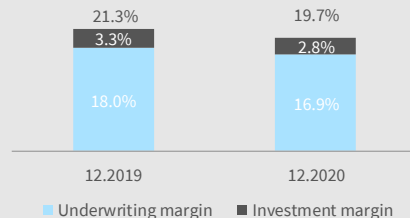
High rate of premium growth on protection products. Profitability in the group and individually continued insurance segment at a very high level

### Group and individually continued insurance

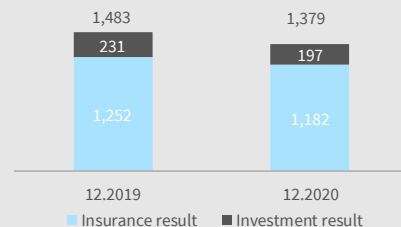
Gross written premium (m PLN)



Margin (%)\*

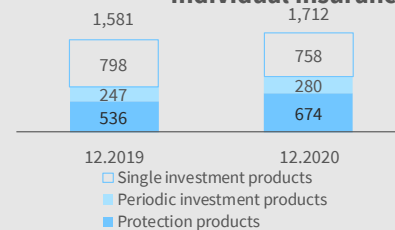


Insurance result (m PLN)\*

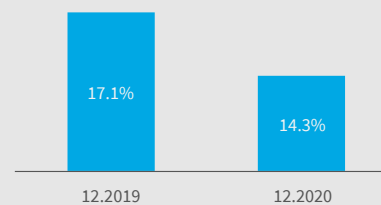


### Individual insurance

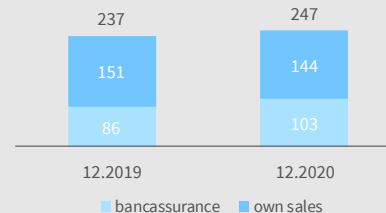
Gross written premium (m PLN)



Margin (%)



Annual premium equivalent (m PLN)



\* Segment margin and insurance result net of the conversion effect

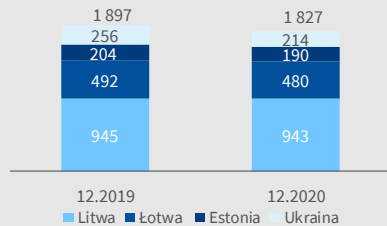


## International operations

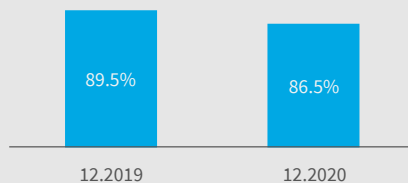
Enhanced profitability in the life and non-life segments

### Non-life insurance

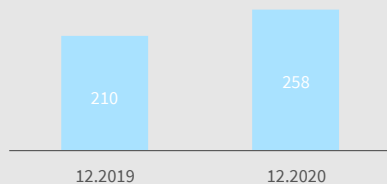
Gross written premium (m PLN)



Combined ratio (%)

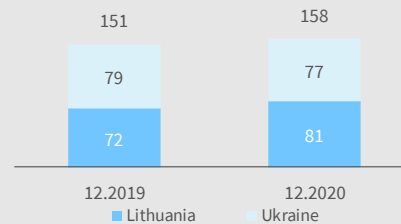


Insurance result (m PLN)

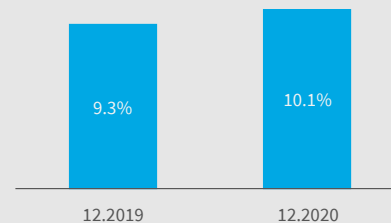


### Life insurance

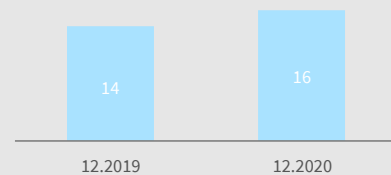
Gross written premium (m PLN)



Margin (%)



Insurance result (m PLN)

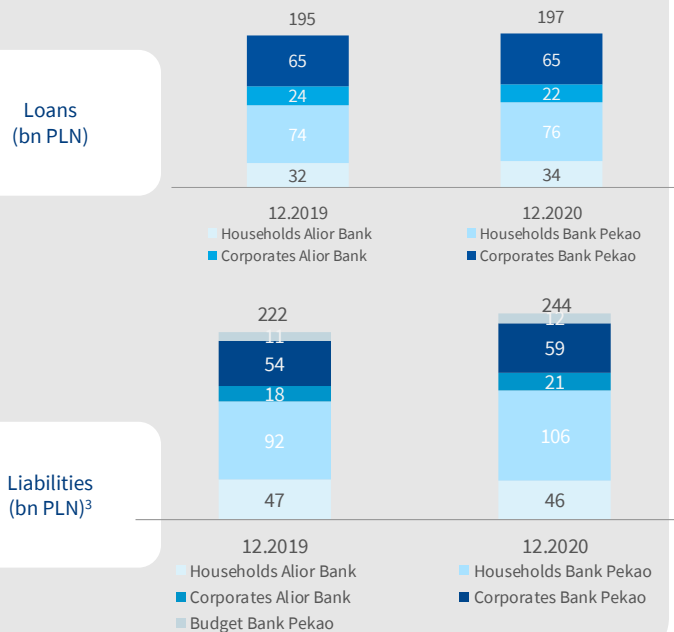




## Banking activity

Result on banking activity is down due to the occurrence of the COVID-19 pandemic

### Volumes



### Results / ratios



1) Data in accordance with PZU's financial statements, net of the impairment for goodwill and intangible assets

2) Data jointly for Bank Pekao and Alior Bank pro rata to the equity stakes held

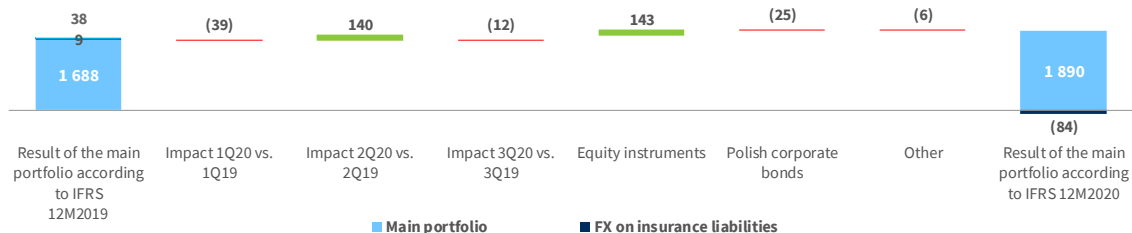
3) Data in accordance with Bank Pekao and Alior Bank's financial statements



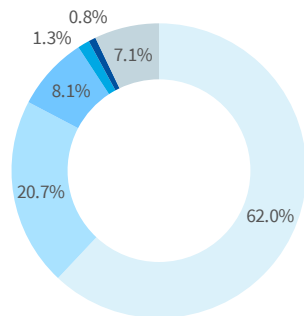
# Investments

## Quarterly results and portfolio composition

### Net investment result (m PLN)



### December 2019 main portfolio investment composition

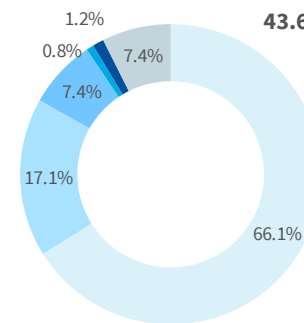


39.7 bn PLN

- Treasury debt
- Corporate debt
- Cash
- Listed equities
- Unlisted equities
- Real estate

investment products 6.2 bn PLN

### December 2020 main portfolio investment composition



43.6 bn PLN

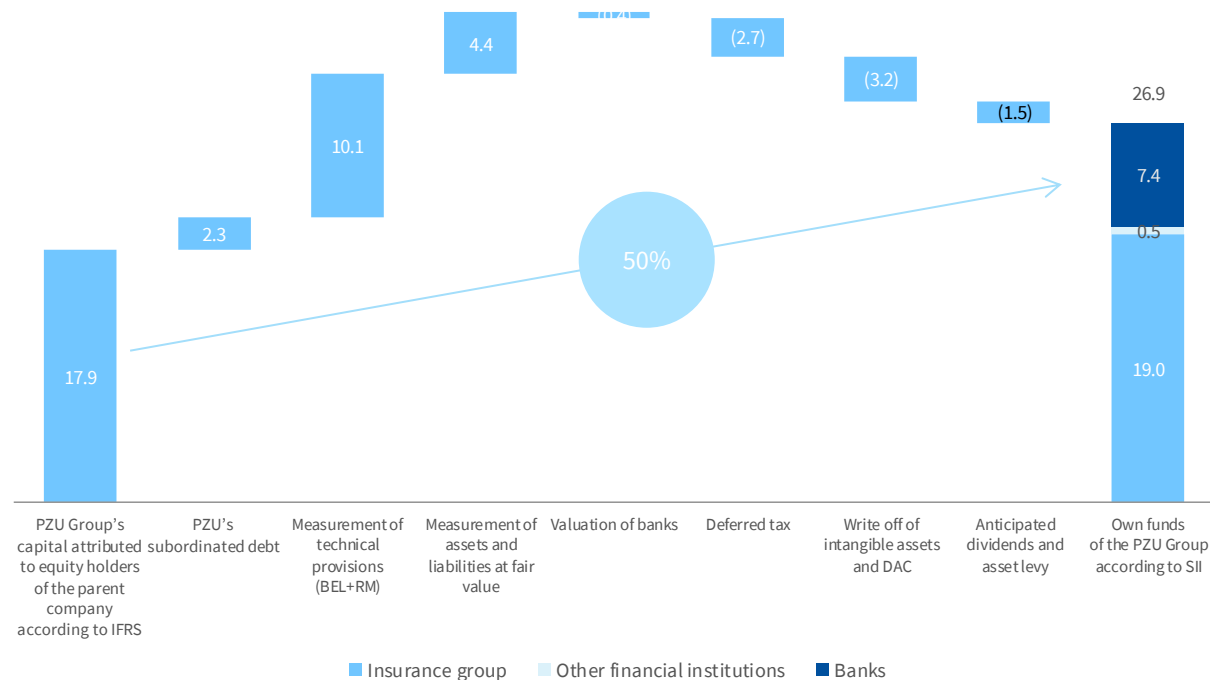
investment products 6.4 bn PLN



## Own funds

PZU Group's data in Solvency II as at 30 September 2020 (bn PLN)

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



Own funds according to SII calculated on the basis of net assets disclosed in the economic balance sheet of the Group and Tier 2 and Tier 3 capitals (e.g. subordinated liabilities).

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.

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 (Bank 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:
  - 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)

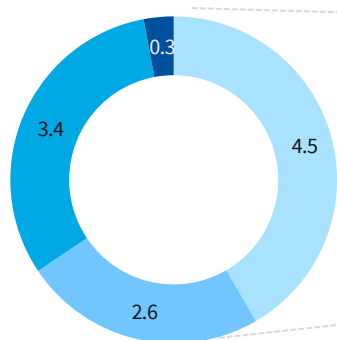
\* The exception pertains to intangible assets and deferred acquisition costs whose value for the purposes of SII is zero



## Solvency capital requirement (SCR)

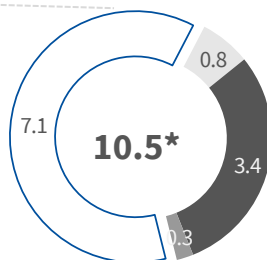
PZU Group's data in Solvency II as at 30 September 2020 (bn PLN, unaudited data)

### Basic solvency capital requirement (BSCR)



- Non-life and health insurance
- Life insurance
- Market risk
- Counterparty Default Risk (CDR)

### Solvency capital requirement (SCR)



- BSCR
- Operational risk
- Banks
- Other (TFI, PTE)

Effect of diversification  
-34%

Solvency requirement down in 3Q20 by 0.04 bn PLN. The main reasons for the movement in SCR:

- Market risk without change due to the following:
  - higher spread risk due to higher exposure to foreign bonds (0.05 bn PLN\*\*) and higher concentration risk in connection with the higher balance of deposits in the Group's banks
  - decline in the FX risk requirement by 0.14 bn PLN\*\* due to more effective hedging
  - no changes to interest rate risk.
- growth in non-life insurance risk requirements due to higher planned premiums in indirect activity and greater exposure to risks of cyclones and flooding (+0.02 bn PLN\*\*).
- decline in the banking sector's requirements following regulatory amendments to the temporary regulations concerning IFRS9, requirements for SMEs and exposures to EU central governments, Polish aid programs (BGK de minimis guarantees).

\* 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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## Disclaimer



This Presentation has been prepared by PZU SA (“PZU”) and is purely informational in nature. Its purpose is to present selected data concerning the PZU Group (“PZU Group”), including its growth prospects.

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# Thank you

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