

Acquisition of a 32.8% stake in Bank Pekao

Investor presentation
Warsaw, 8 December 2016



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Transaction overview

Transaction rationale

Financial impact

PZU Group post transaction

Transaction overview

Transaction highlights



Transaction overview	<ul style="list-style-type: none">• PZU Group and Polish Development Fund ("PFR") have agreed to acquire 32.8% of Bank Pekao S.A. from UniCredit Group: PZU Group is to acquire 20% and PFR is to acquire 12.8% (the "Transaction")• Total consideration for the 32.8% is PLN 10.6 billion (equivalent to PLN 123 per share)• Completion of the transaction is subject to the relevant regulatory approvals• Unique opportunity at attractive valuation: 3.3% discount to 6 month VWAP^(a) and at 1.3x 1H'2017 book value^(b)
Strategic rationale	<ul style="list-style-type: none">• Bank Pekao is a high-quality company with a leading position in an attractive sector with strong long term growth prospects• The acquisition is in line with PZU Group's strategy and will result in the enlarged PZU Group being a leader across all financial services in Poland• PFR is acting as a financial partner of PZU Group. Its objectives are to support the development strategy of PZU Group and the Polish financial sector and create value for all shareholders
Impact and financing	<ul style="list-style-type: none">• The transaction will be accretive to PZU Group's EPS and ROE (10-11% EPS accretion)• PZU Group's Solvency II coverage ratio will be reduced to c. 180%^(c) as a result of the transaction. To mitigate this impact PZU Group intends to issue a Tier 2 hybrid instrument and achieve a more optimal capital structure of the Group• PZU Group remains committed to maintaining a strong solvency position and an attractive dividend policy post transaction• PFR is financing the transaction using internal resources as well as externally raised financing

The acquisition represents a unique and attractive opportunity for PZU Group to become a leader in diversified financial services in Poland

PFR is a financial investor that supports the strategy of PZU Group and assumes above 10% return on investment in Bank Pekao

(a) Volume weighted average price; market data as of 7 December 2016
(b) Roll-forward based on 2016E consensus book value and 50% consensus net income for 2017
(c) Based on an indicative impact on 1H'2016 SCR and goodwill impact on 1H'2016 own funds

Key transaction terms



Structure	<ul style="list-style-type: none"> PZU Group will indirectly acquire 20% of Bank Pekao from UniCredit PFR will directly acquire 12.8% of Bank Pekao from UniCredit 				Other subsidiaries	<ul style="list-style-type: none"> In addition to the Transaction, UniCredit Group has also agreed to the transfer of its shareholdings in a number of Polish companies to Bank Pekao: Pioneer Pekao Investment Management S.A., Pekao Pioneer PTE S.A. and Dom Inwestycyjny Xelion sp. z o.o., for an aggregate maximum consideration of PLN 634m 														
Price	<ul style="list-style-type: none"> Price per share of PLN 123 PZU Group and PFR will have economic right to the dividend in relation to FY2016 results of Bank Pekao Consideration to be paid in cash 					CHF indemnity	<ul style="list-style-type: none"> Bank Pekao has a minor exposure to CHF mortgages amounting to 2.7% of its total assets PZU Group and PFR to be indemnified by UniCredit for the potential negative impact of any laws related to the CHF mortgages, subject to an agreed cap 													
<table border="1"> <thead> <tr> <th></th> <th>PZU Group</th> <th>PFR</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Price per share</td> <td colspan="3">PLN 123</td> </tr> <tr> <td>Stake acquired</td> <td>20%</td> <td>12.8%</td> <td>32.8%</td> </tr> <tr> <td>Consideration</td> <td>PLN 6.5bn</td> <td>PLN 4.1bn</td> <td>PLN 10.6bn</td> </tr> </tbody> </table>			PZU Group	PFR	Total		Price per share	PLN 123			Stake acquired	20%	12.8%	32.8%	Consideration	PLN 6.5bn	PLN 4.1bn	PLN 10.6bn	Other items	<ul style="list-style-type: none"> Completion of the transaction is subject to the antitrust clearance and PFSA consent Customary contractual protections for PZU Group and PFR in relation to Bank Pekao's business UniCredit and Bank Pekao to enter into a long term strategic cooperation agreement
	PZU Group	PFR	Total																	
Price per share	PLN 123																			
Stake acquired	20%	12.8%	32.8%																	
Consideration	PLN 6.5bn	PLN 4.1bn	PLN 10.6bn																	
UniCredit's remaining stake in Bank Pekao	<ul style="list-style-type: none"> UniCredit will remain a shareholder of the Bank and is planning to offer secured equity-linked certificates, mandatorily settled in ordinary shares of Bank Pekao The certificates will provide for disposal by UniCredit of its remaining 7.3% in Bank Pekao by 2019 The transaction will enable UniCredit to benefit from the potential future upside in the shares of Bank Pekao 																			

PZU Group and PFR partnership

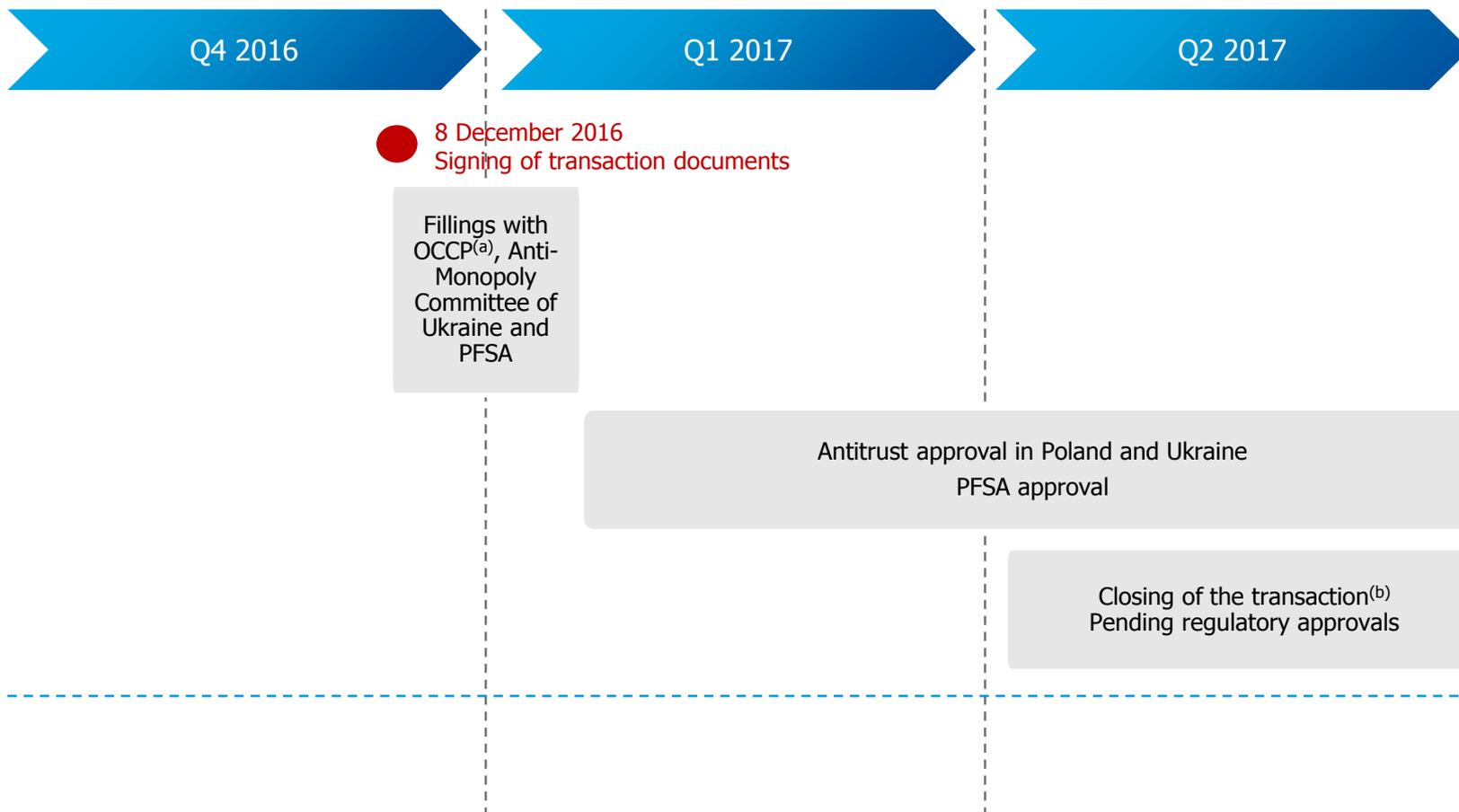


- PZU Group and PFR will own 32.8% of Bank Pekao. The parties do not currently envisage increasing the ownership in Bank Pekao
- PZU Group and PFR relationship will be governed by a shareholders' agreement ("SHA")
- PZU Group and PFR according to the SHA will vote jointly at Bank Pekao shareholders' meetings
- Bank Pekao is a strategic investment for PZU Group, which aims to consolidate Bank Pekao in the financial results of the Group
- PFR is acting as a financial partner of PZU Group, supporting the development strategy of PZU Group and the Polish financial sector
- PFR is a long term investor with focus on value creation, assuming market levels of return on investment



- PZU Group and PFR believe Bank Pekao is well positioned to profitably capture the future growth potential of the Polish banking sector, which is expected to accelerate in the coming years
- PZU Group and PFR are committed to a stable ownership structure of Bank Pekao and are focused on the long-term value creation and strong income generation to shareholders
- PZU Group and PFR are supportive of current Bank Pekao's management team, which has an excellent track record as evidenced by the Bank Pekao's financial performance
- Key aspects of PZU Group and PFR's strategy towards Bank Pekao include:
 - No change to the safe risk profile of Bank Pekao
 - Continuation of the existing strategy and development of Bank Pekao in all key market segments
 - Investment in technology to enable continued growth and improve efficiency
 - Stable dividend policy
 - Continuity of professional corporate governance practices consistent with the status of a large publicly-listed company

Expected timetable



(a) Office of Competition and Consumer Protection (UOKiK)

(b) Closing of the transaction is expected to occur in two tranches. In the first tranche PZU Group and PFR will acquire 30% of Bank Pekao and in the second tranche, PFR will acquire c. 2.8% in Bank Pekao

Source: Company information

Transaction rationale

Acquisition in line with PZU Group's expansion plans in the Polish banking sector



Acquisition at attractive valuation

Polish banking sector is an industry with attractive growth, decreasing risk and stable profitability

Bank Pekao is a top quality franchise with an excellent track record of financial performance

Profitable deployment of PZU Group's excess capital and strong EPS and RoE accretion

Opportunity to distribute PZU Group's products through Bank Pekao and its subsidiaries

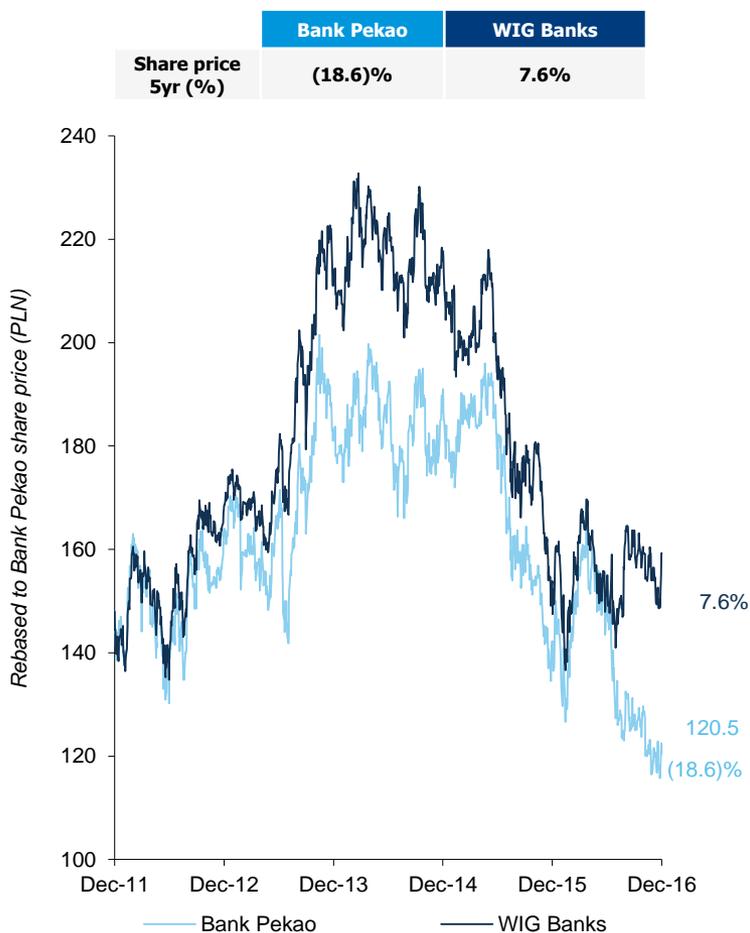
Creation of a leader in diversified financial services in Poland

Acquisition in line with PZU Group Strategy 2020 and achieves the target of building a banking group with at least PLN 140bn of assets and growing asset management business to PLN 50bn of third party AuM

Acquisition at attractive valuation levels



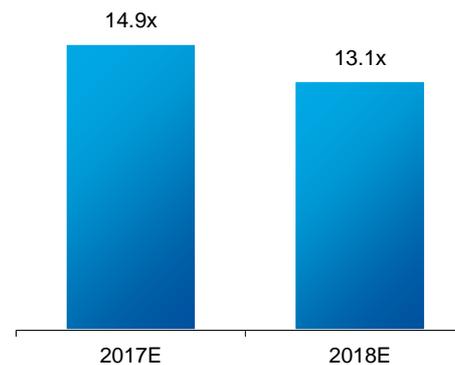
Development of Bank Pekao's share price



Transaction price

- Attractive acquisition price of PLN 123 per share:
 - 2.0% premium to Bank Pekao's share price of PLN 120.5 (as of 7 December 2016) and 3.3% discount to the 6 month VWAP of PLN 127.1
 - Discount of 2.4% to UniCredit's market placement on the 12th July 2016 at PLN 126 per share

Transaction Price / Earnings



Transaction Price / Book value

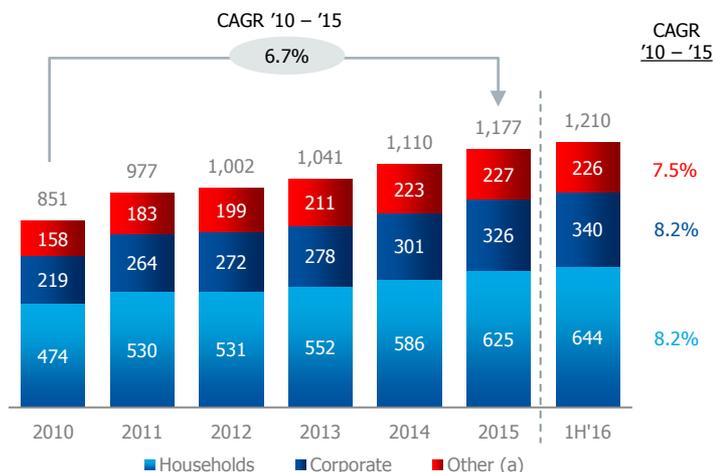


(a) Roll-forward based on 2016E consensus book value and 50% consensus net income for 2017
Source: Company data, Bloomberg broker consensus (30-November-2016)

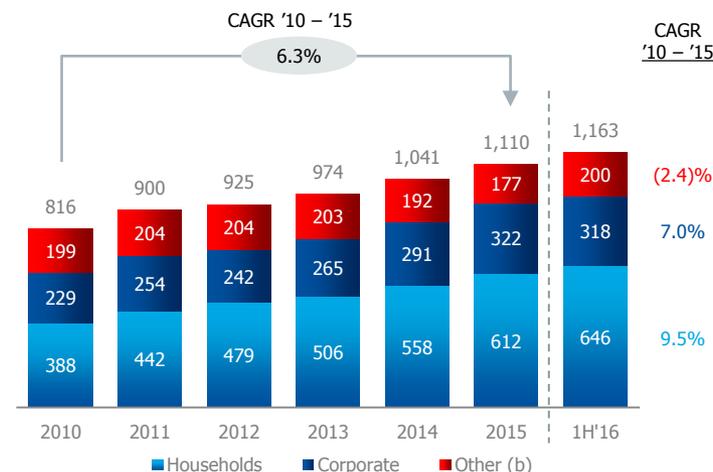
Banking sector with track record of steady volume growth and further growth potential



Total loans (PLN bn)



Total deposits (PLN bn)



Loan penetration^(c) rates in Poland vs Eurozone (%GDP)



Deposit penetration^(c) rates in Poland vs Eurozone (%GDP)



(a) Includes loans to financial institutions and governments

(b) Includes deposits from financial institutions and governments

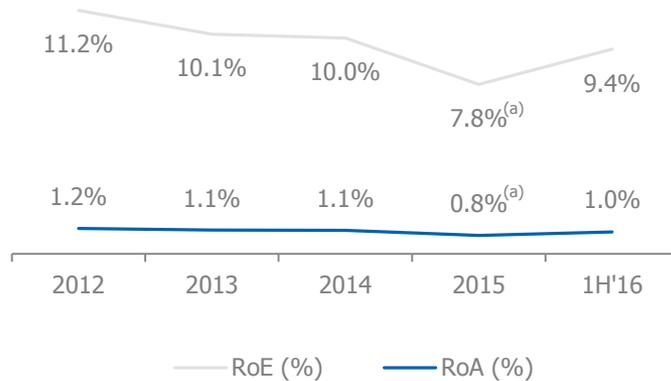
(c) Only includes loans and deposits of non-financial institutions and households. Does not include loans or deposits to financial institutions, governments, and other

Source: NBP, ECB

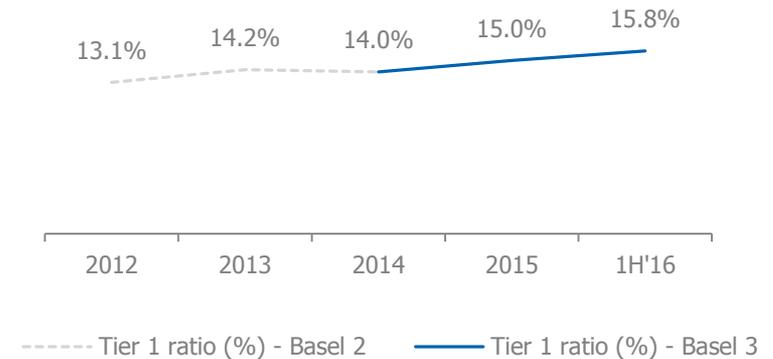
Efficient and highly profitable sector with high asset quality and capital adequacy



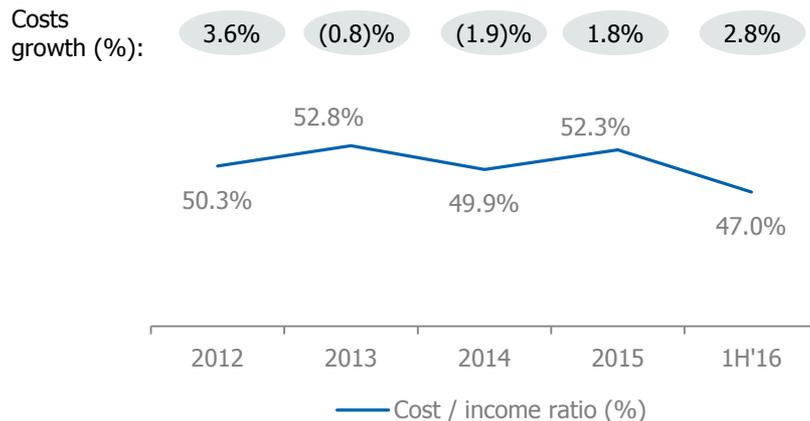
RoA and RoE



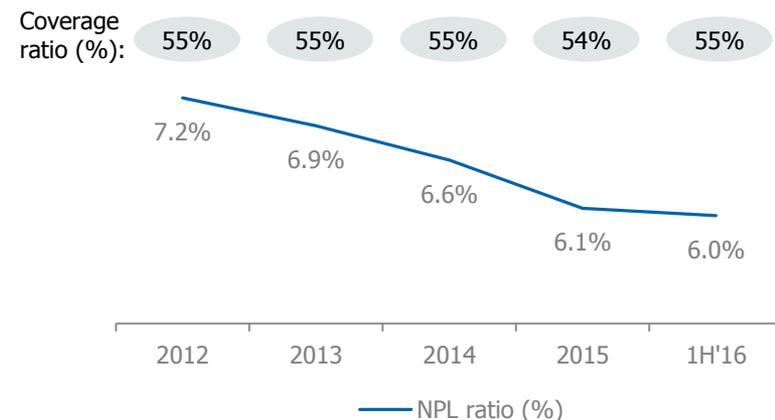
Tier 1 ratio



Cost / income ratio and costs growth^(b)



Asset quality



Note: Data represents whole Polish banking sector

(a) Decrease in 2015 attributable to deterioration of interest rate environment as well as increased regulatory costs. Excludes one-off sector-wide contribution to BFG fund following the bankruptcy of SK bank of PLN 2.0bn and contribution to mortgage borrower's support fund of PLN 0.6bn

(b) Costs exclude contributions to Bank Guarantee Fund and bank tax in all years. 1H'16 growth is in comparison to 1H'15

Source: NBP, KNF

Bank Pekao is a high-quality, top-performing business



Leading banking group in Poland	▶	# 2 by assets, more than 940 outlets, 5.4 million retail clients
Strong growth in core lending	▶	7.1% core corporate and 11.0% core retail loans growth ^(a)
Strong asset quality	▶	6.4% NPL ratio and a 74.3% coverage ratio with average cost of risk of 46bps since 2014
Efficient operations	▶	Cost / income ratio 47% ^(b) , reduction in operating expenses (excluding BGF) since 2014
High profitability	▶	Annualised 10.6% RoTE (9M2016), 15.1% ^(c) RoTE adjusted
Superior capital position	▶	CET1 ratio of 18.1%, the highest amongst peers ^(d)
Strong dividend capacity	▶	PLN 11bn of dividends with 82% payout ratio since 2011 and current expected dividend yield of 6.6% ^(e)

Note: All data as at 30-September-16

(a) Compound annual growth rate between 2014 and September-16

(b) Revenue adjusted for one-off items (by PLN 264m for gain on Visa Europe sale to Visa Inc. and by PLN 150m for gain on NPL sale, pre-tax), costs adjusted to exclude BGF and bank tax. Reported cost / income of 43% is calculated as operating cost (excl. contribution to Borrowers Guarantee Funds) to operating income

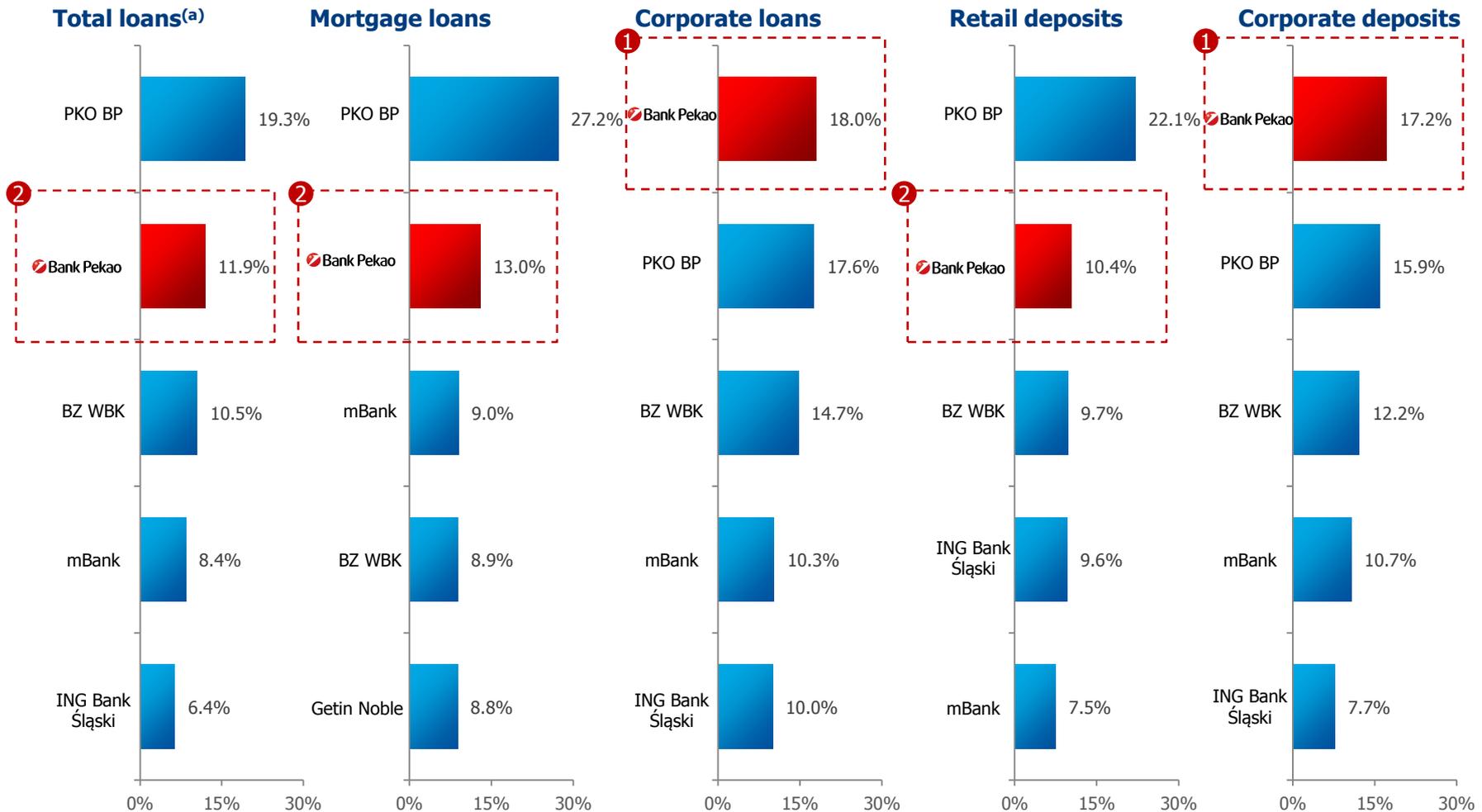
(c) Return on average tangible equity, excluding bank levy and excluding excess capital above threshold of 14.5% CET1 ratio

(d) Peer group includes PKO BP, BZ WBK, mBank, ING Slaski and Citi Handlowy

(e) Based on an acquisition price of PLN 123 per share and 2016E consensus dividend

Source: Financial statements of Bank Pekao, KNF

Bank Pekao: leading banking group in Poland



(a) Excluding loans to government entities and financial sector
 Note: Ranking as of FY2015
 Source: Company data, NBP

UniCredit's shareholdings in Polish subsidiaries



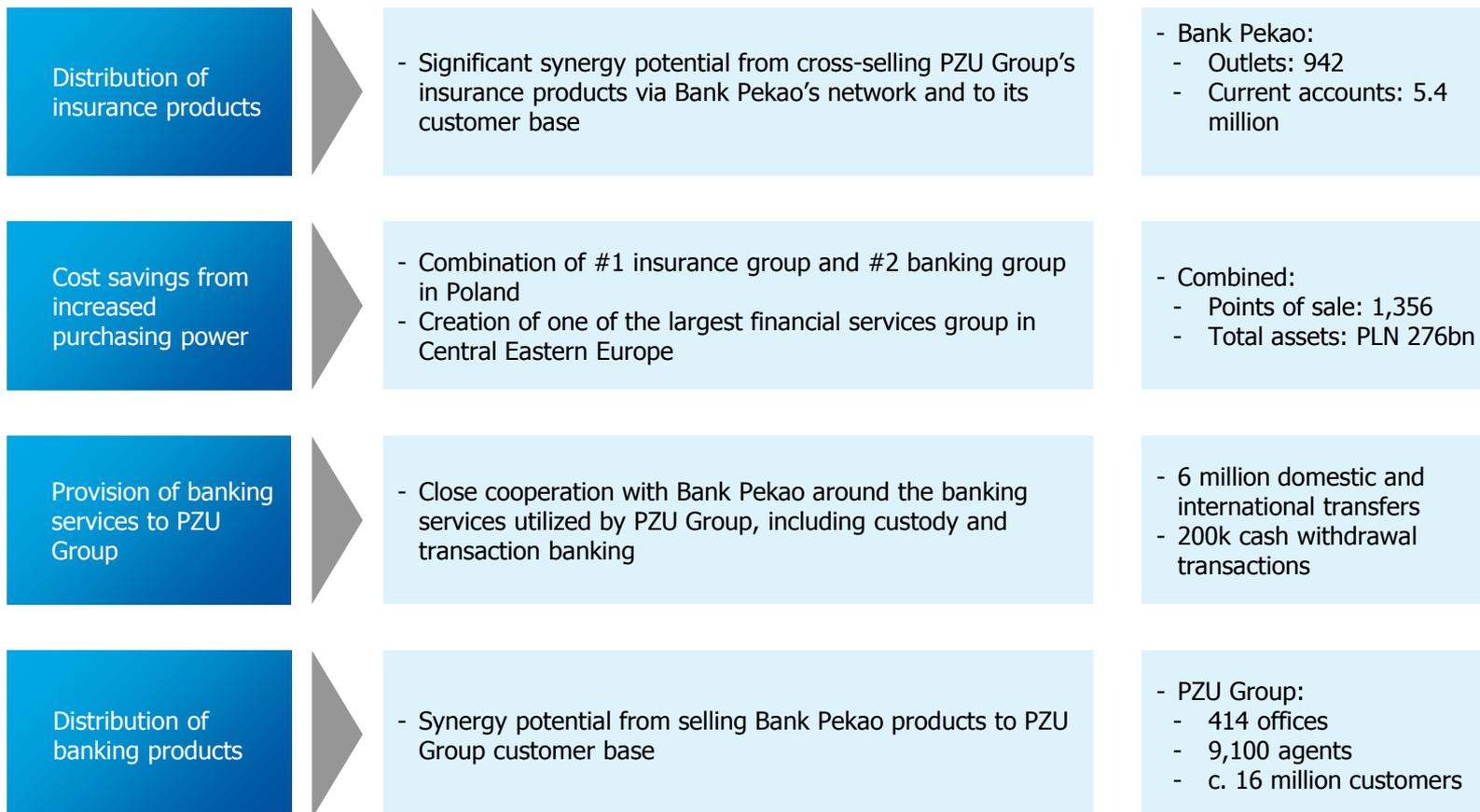
Subsidiaries	Ownership structure	Key financials
Pioneer Pekao Investment Management S.A. ("PPIM")	<p>PGAM 51% Bank Pekao 49%</p>	<p><u>FY2015</u></p> <ul style="list-style-type: none"> AUM: PLN 18.0bn^(a) EBITDA: PLN 109m Net income: PLN 91m <p><u>9M-16</u></p> <ul style="list-style-type: none"> AUM: PLN 18.4bn^(a) EBITDA: PLN 70m Net income: PLN 58m
Pekao Pioneer PTE S.A. ("PTE")	<p>PGAM 35% Bank Pekao 65%</p>	<p><u>FY2015</u></p> <ul style="list-style-type: none"> AUM: PLN 2.0bn EBITDA: PLN 3m Net income: PLN 3m Members: 348k
Dom Inwestycyjny Xelion sp. z o.o. ("Xelion")	<p>UniCredit 50% Bank Pekao 50%</p>	<p><u>FY2015</u></p> <ul style="list-style-type: none"> Brokerage accounts: 2.3k EBITDA: PLN 6m Net income: PLN 4m

Price
<ul style="list-style-type: none"> Total agreed maximum price of PLN 634m for UniCredit's shareholdings in PPIM, PTE and Xelion ("Subsidiaries") The buyer will have an economic right to the FY2016 dividend of the Subsidiaries

Transaction structure
<ul style="list-style-type: none"> PZU Group and PFR expect that Subsidiaries will be acquired by Bank Pekao before transaction completion If Subsidiaries are not acquired by Bank Pekao before transaction completion, PZU Group and UniCredit agreed on a mechanism of potential transfer of the ownership of the Subsidiaries to PZU Group

(a) Pro-forma consolidated AUM of Pioneer Pekao TFI and AUM of private portfolios under Pioneer Pekao Investment Management
 Source: Company data

Value creation from potential synergies



Source: Company data

Potential insurance cross-selling opportunities



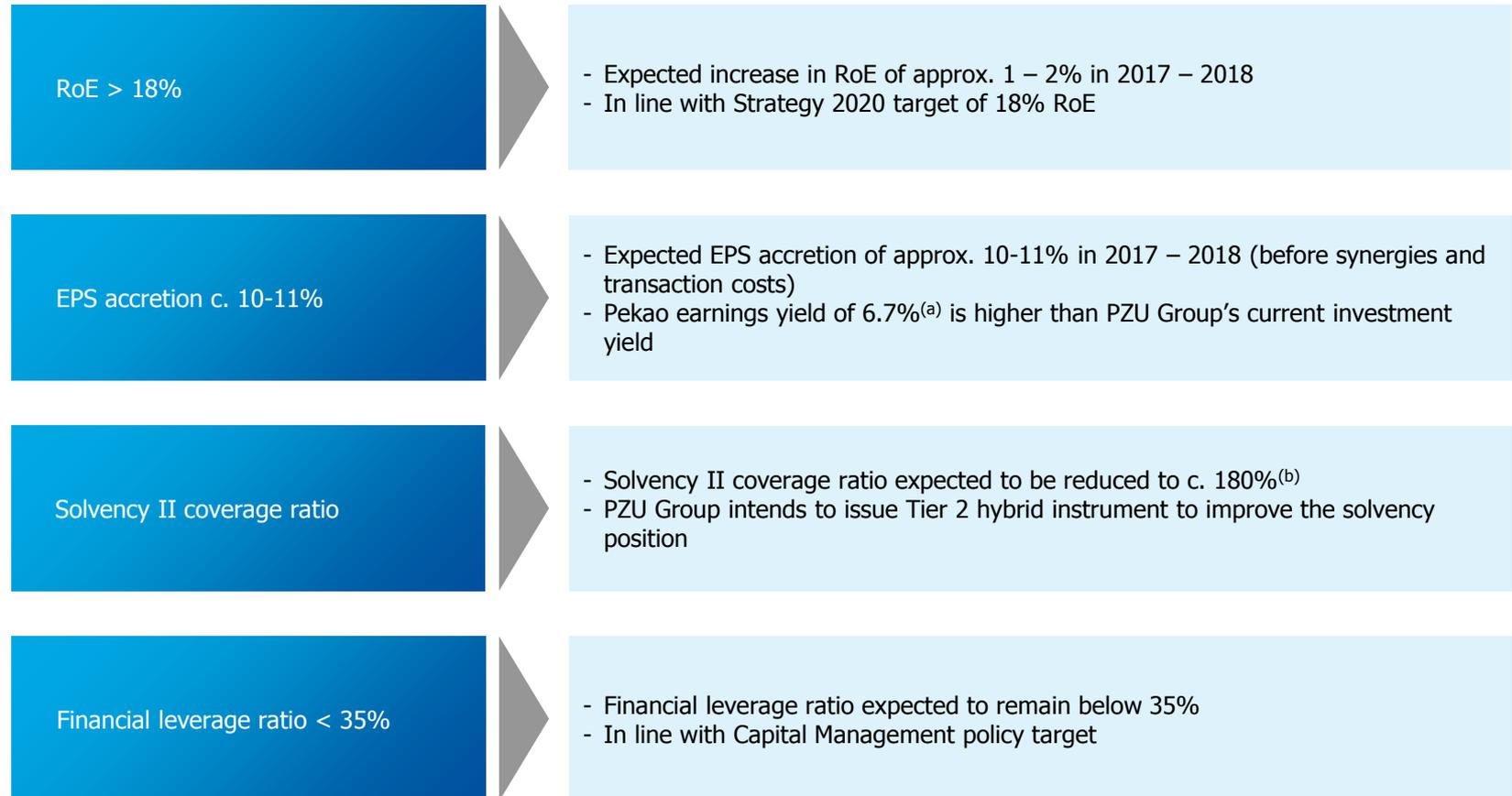
- Bank Pekao's network and customer base represents a significant opportunity for cross-selling PZU Group's insurance products
- Bank Pekao to benefit from PZU Group's strong insurance expertise in the Polish market
- Insurance products linked to Pekao's mortgage and consumer loans:
 - Life insurance and property insurance
- Standalone insurance products:
 - Savings and investment products
 - Vehicle, property, travel, assistance and accident insurance
- Additional opportunities in SME segment

Pekao customer base (#)	9M 2016
Outlets	942
Current accounts ('000)	5,435
Mortgage loan accounts ('000)	324
Consumer loan accounts ('000)	574
Clients with internet banking ('000)	3,089
Clients with mobile banking ('000)	1,367

Source: Company information

Financial impact

Comfortable solvency level with expected EPS accretion as a result of the transaction



Note: Stated financial metrics are for PZU Group, assuming full consolidation of Bank Pekao in PZU Group financial accounts

(a) Calculated as 2017E consensus net profit per share by PLN 123 per share purchase price

(b) Based on an indicative impact on 1H'2016 SCR and goodwill impact on 1H'2016 own funds

Source: Company data, Bloomberg (30-November-2016)

The transaction is expected to be 10-11% EPS accretive for PZU Group (illustrative)



<i>(PLN bn)</i>	2017E ^(a)	2018E	2019E
PZU Group net income (consensus) ^(a)	2.35	2.57	2.93
PZU Group share of Bank Pekao's net income (consensus) ^(a)	0.43	0.49	0.53
Financing adjustments (post tax) ^(b)	(0.18)	(0.21)	(0.23)
Pro-forma net income (pre-synergies)	2.61	2.86	3.23
<i>Accretion (pre-synergies)</i>	<i>10.9%</i>	<i>10.9%</i>	<i>10.1%</i>
<i>Δ RoE (pre-synergies) vs current consensus</i>	<i>+2.0%</i>	<i>+1.6%</i>	<i>+1.0%</i>

Note: Stated financial metrics are for PZU Group, assuming full consolidation of Bank Pekao in PZU Group financial statements. Calculation is illustrative and based on a number of assumptions. Excluding transaction costs

(a) Based on Bloomberg consensus (30-November-2016). Assumes Bank Pekao's net income in 2017E is consolidated in PZU Group's financials from 1-Jan-2017

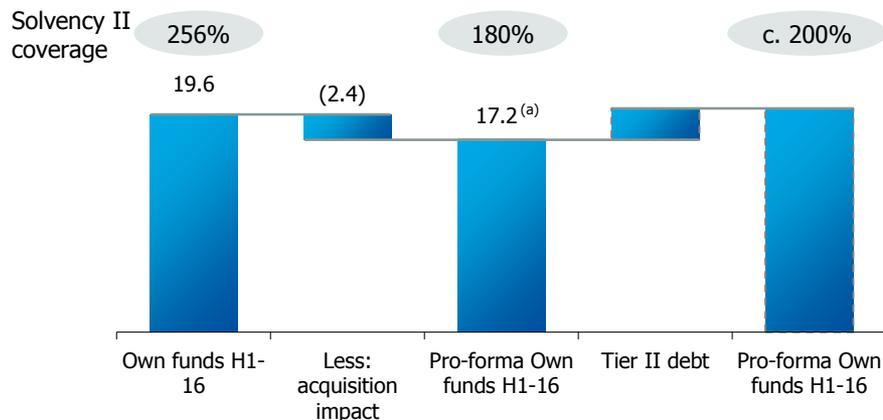
(b) Includes interest foregone from investments sold and additional interest expense from Tier 2 issuance. Excludes impact of potential PPA adjustments

Source: Company data, Bloomberg (30-November-2016)

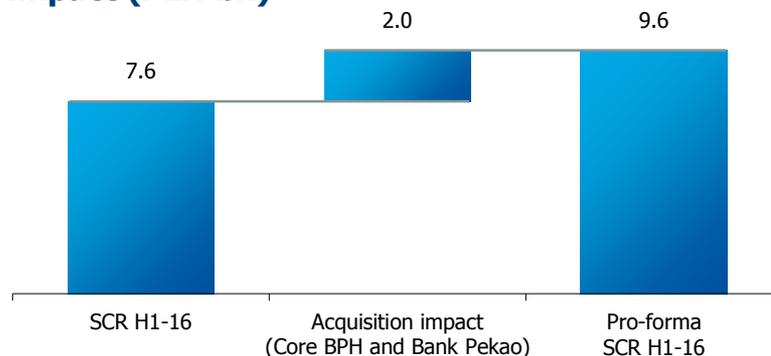
Transaction to be financed from available cash and liquid assets



Illustrative Own funds impact (PLN bn)



Illustrative (Core BPH and Bank Pekao) SCR impact (PLN bn)



Note: Data for PZU Group

SCR: Solvency Capital Requirement

(a) Total consolidated liquid assets denominated in PLN as of 3Q-2016

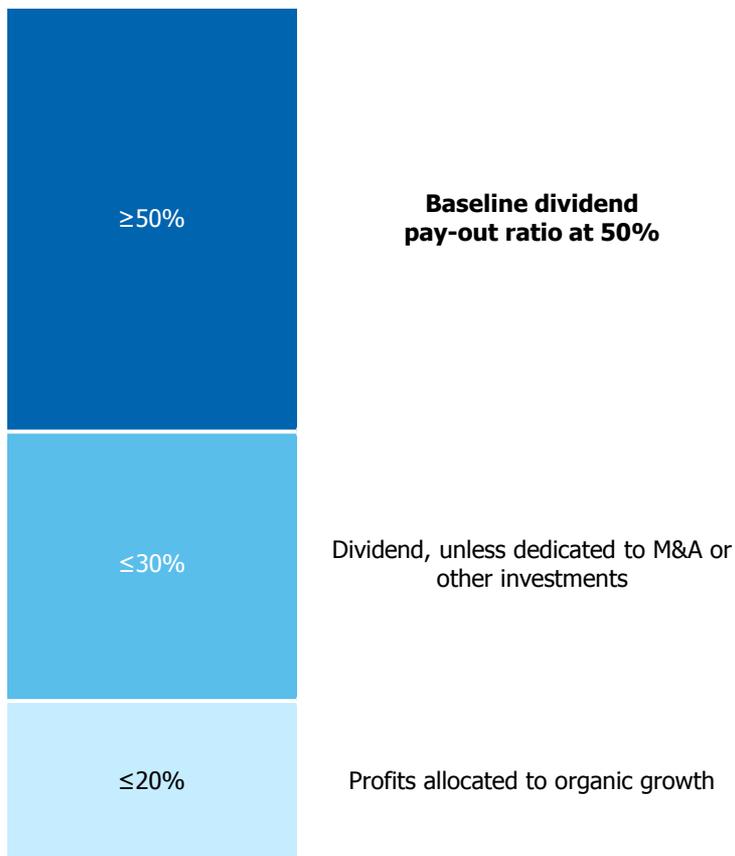
Source: Company data

- The acquisition is expected to be financed via a combination of PZU Group's own cash and disposal of liquid assets. PZU Group's consolidated cash and other liquid assets as of 3Q2016 stood at PLN 19.7bn^(a)
- To mitigate Solvency II coverage reduction, PZU Group is considering issuance of a Tier 2 hybrid instrument, with equity credit according to rating agency S&P
 - As a result, Solvency II coverage is expected to remain close to PZU Group's target and in line with Capital Management policy
 - Financial leverage ratio is to remain below target 35%

Dividend policy to remain unchanged



Dividend pay-out ratio as per PZU Group's dividend policy



• PZU Group expects no changes to the current dividend policy as a result of the transaction

Source: Company data

PZU Group post transaction

PZU Group: largest financial services group in Poland



Operating metrics (latest available)	PZU Group	Bank Pekao
Customers ^(a) (million)	c. 16	5.4
Points of sale ^(b)	414	942
Employees (thousand)	16.8	18.0

Financial metrics (9M2016) (PLN bn)	PZU Group	Bank Pekao
Net income ^(c)	1.3	1.8
Total assets	112.9	163.3
Customer liabilities ^(d)	80.9	126.5
Assets under management ^(e)	25.3	20.5

(a) Bank Pekao number of customers defined as number of PLN current accounts as of 30-September-2016

(b) Bank Pekao points of sale defined as outlets as of 30-September-2016; PZU Group points of sales defined as branches

(c) Net income attributable to shareholders as of 9M'2016

(d) Bank Pekao customer liabilities defined as amounts due to customers (excluding repo transactions) as of 30-September-2016; PZU Group customer liabilities defined as technical provisions plus financial liabilities (including only investment contracts for client's account and risk, liabilities to members of consolidated mutual funds and amounts payable to clients) as of 30-September-2016

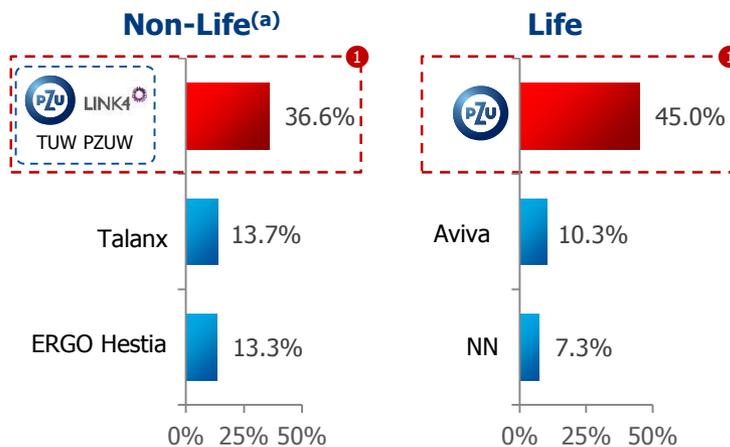
(e) Bank Pekao AuM defined as AuM of Pioneer Pekao Investment Management as of September-2016 including also AuM of Pekao Pioneer Universal Pension Company as of FY2015; PZU Group AuM defined as assets of third party clients under management as of 30-September-2016

Source: Company data, financial statements of Bank Pekao

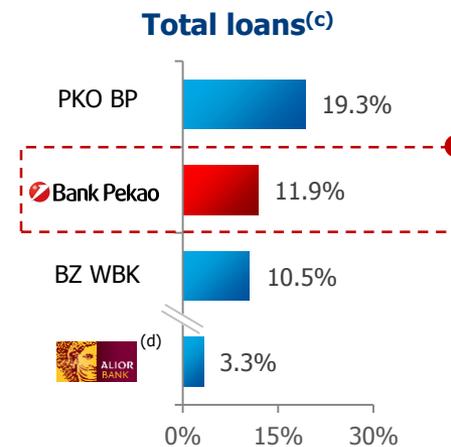
PZU Group: leading position in banking, insurance and asset management



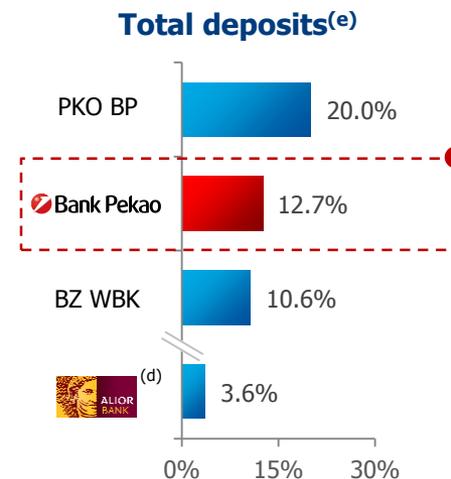
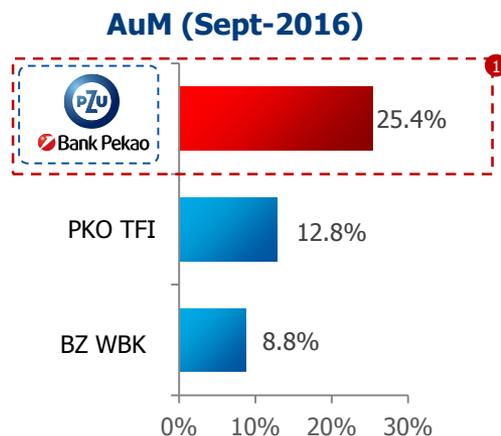
Insurance ranking (H1 2016)



Banking ranking (FY2015)



Asset Management^(b)



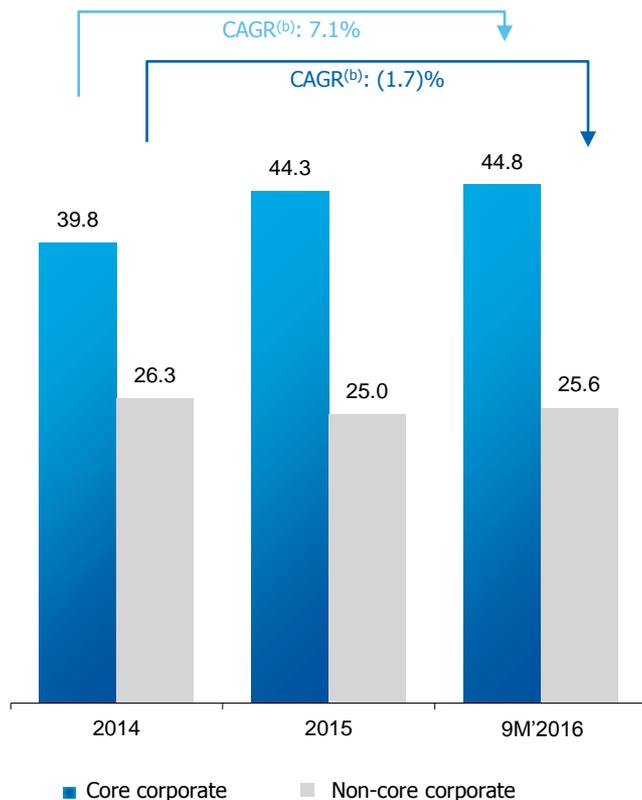
(a) Market shares including PZU Group's inward reinsurance of Link4 and the TUW mutual
 (b) Capital Market Funds only
 (c) Excluding loans to government institutions and financial sector. Data as of 31-Dec-2015
 (d) Including Bank BPH
 (e) Includes corporate and retail deposits. Data as of 31-Dec-2015
 Source: Company data, NBP, Polish FSA report, IZFI/A

Appendix

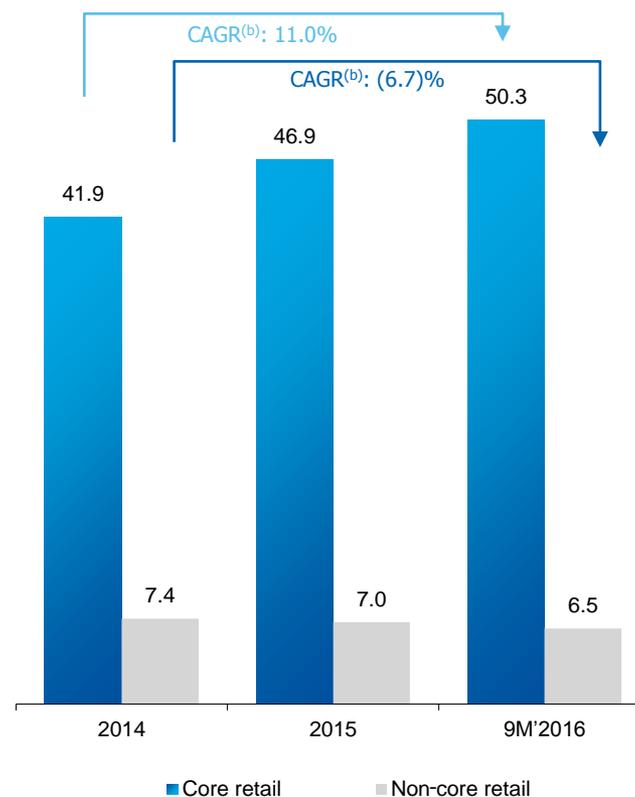
Bank Pekao: strong growth in core lending



Corporate loans^(a) (PLN bn)



Retail loans (PLN bn)



Note: Core and non-core classification as reported by Bank Pekao

(a) Excluding repos

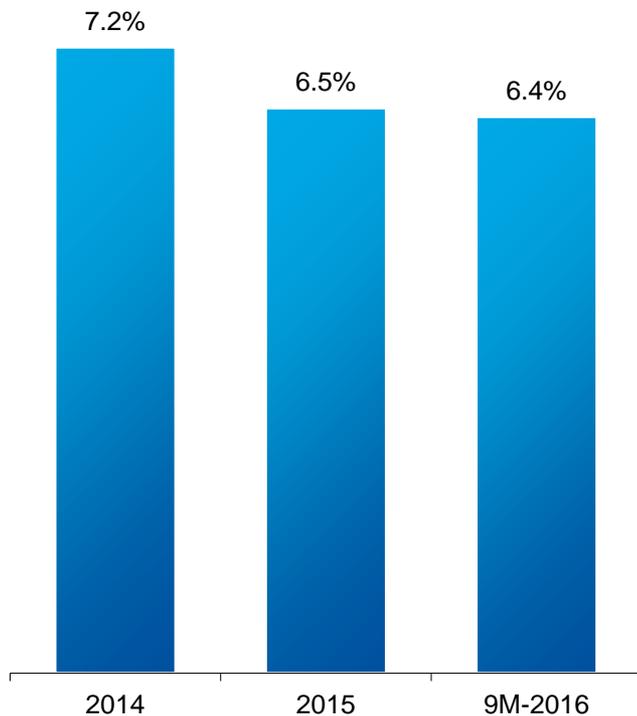
(b) 2014-9M'2016 CAGR

Source: Financial statements of Bank Pekao

Bank Pekao: strong asset quality

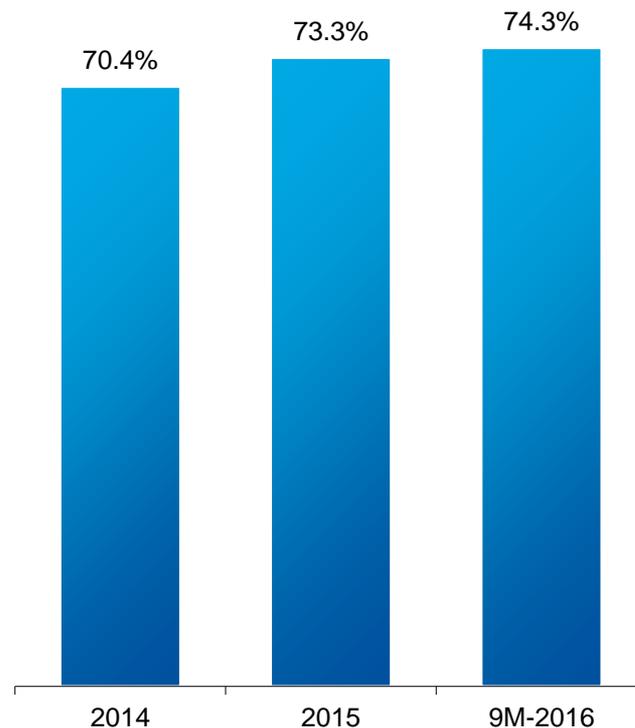


Gross NPL ratio (%)



NPL coverage ratio (%)

CoR^(a) (bps) 51 44 43

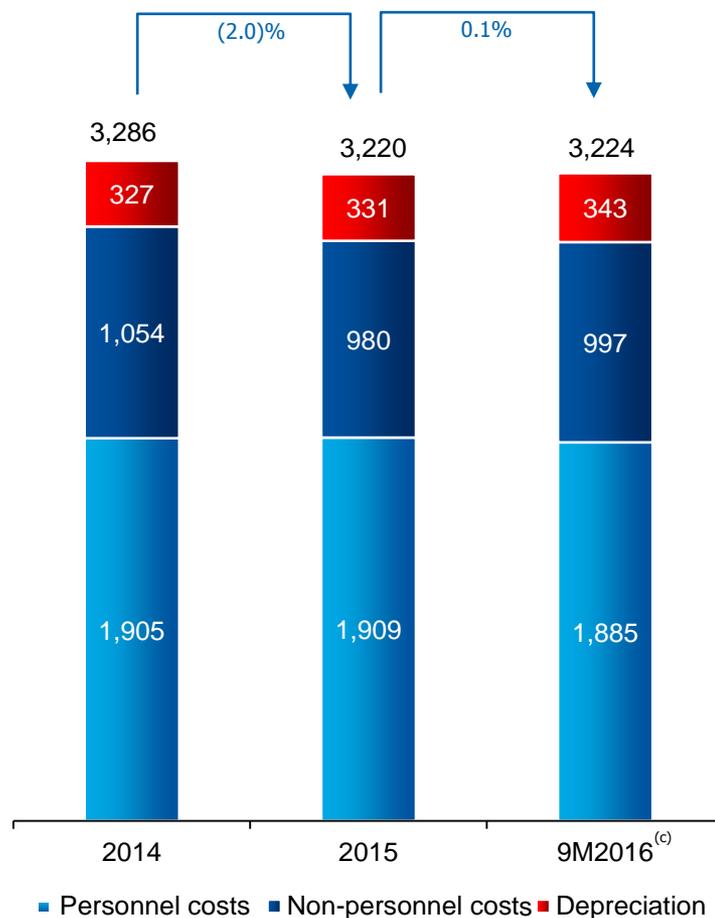


(a) Calculated as annualised LLPs over average total net loans
Source: Financial statements of Bank Pekao

Bank Pekao: efficient operations

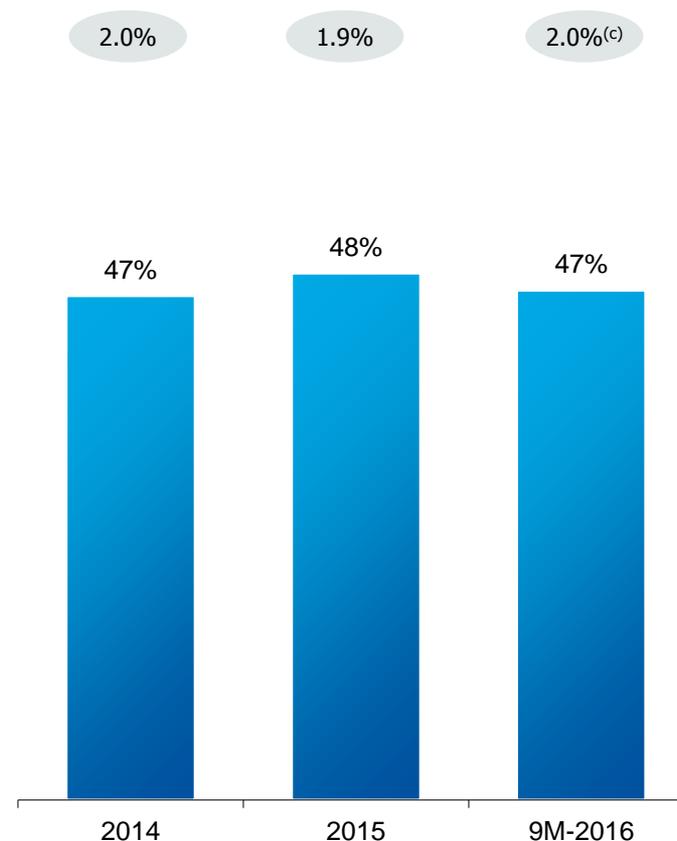


Operating expenses (PLN m)^(a)



Cost / income ratio^(b)

Cost / total assets^(a)



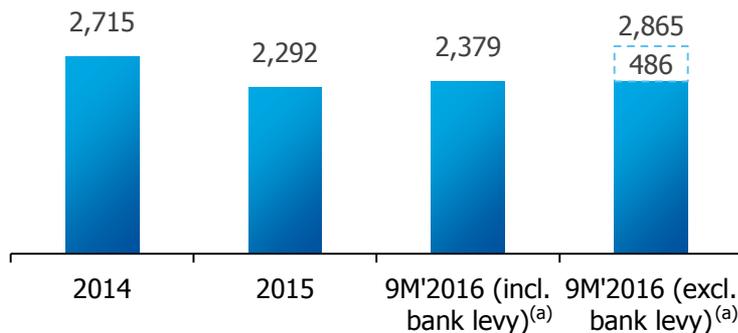
(a) Operating expenses excluding banking tax, one-offs and BFG
 (b) Calculated as operating expenses (excl. bank tax, one-off and BFG) over total revenues. Operating expenses adjusted in 2015 by PLN 261m cost for SK Bank bankruptcy and additional contribution to BFG. Total revenues adjusted by PLN 244m and PLN 230m gain from disposal of government bonds in 2014 and 2015 respectively and in 2016 by PLN 264m for Visa transaction and by PLN 150m for gain on disposal of loans (pre-tax)
 (c) Annualised

Source: Financial statements of Bank Pekao

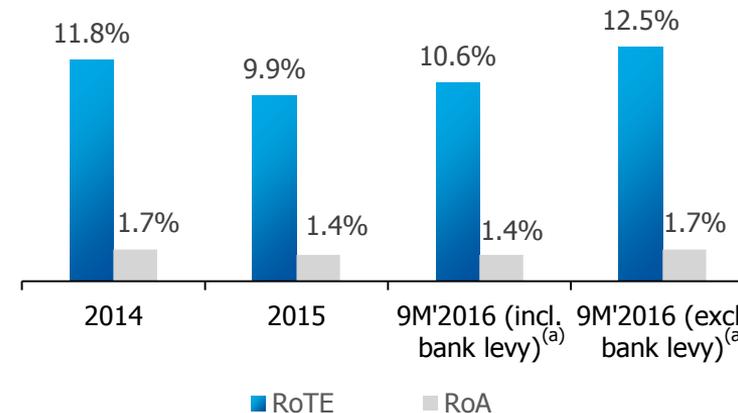
Bank Pekao: strong profitability and dividend capacity



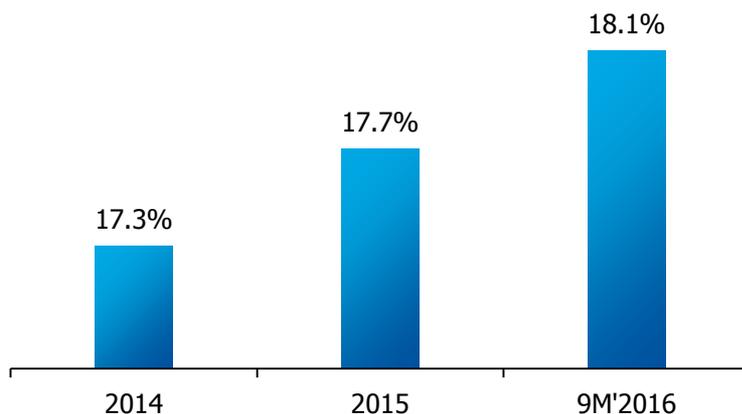
Net income (PLN m)



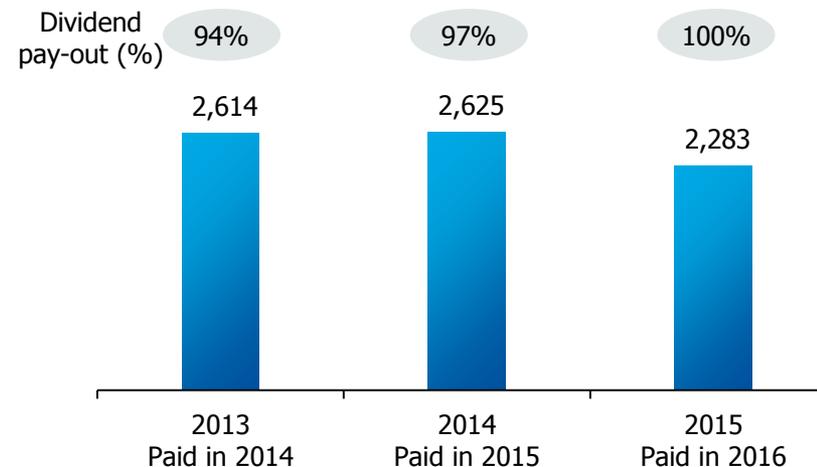
Return on assets and tangible equity (%)



CET1 ratio (%)



Dividends paid (PLN m) and dividend pay-out (%)



(a) Annualised
Source: Financial statements of Bank Pekao