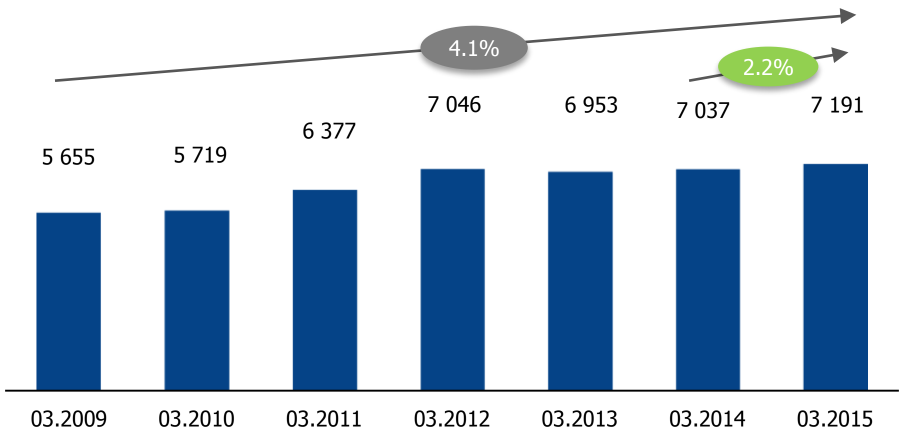
PZU Group's financial results in H1 2015

Warsaw, 26 August 2015

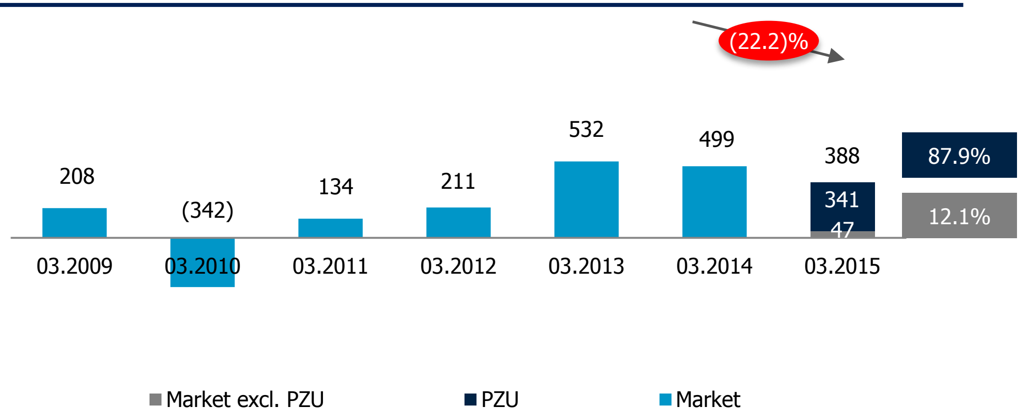
Agenda

Non-life insurance market in Poland

Gross written premium in non-life insurance (m PLN)



Non-life insurance technical result (m PLN)



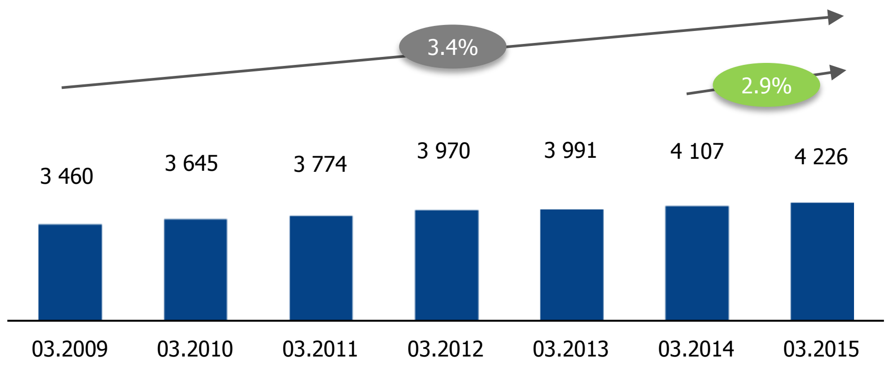
- Reversion to growth trend after slight deceleration in 2013.
- PZU Group's strong position in motor own damage insurance with a market share of **38.7%** and motor TPL with a market share of **36.6%**.
- PZU Group's share in the non-life insurance market in Q1 2015 is **32.8%** (of which PZU has **31.0%** and Link4 has **1.8%**).
- The PZU Group's technical result stated as a percentage of the market's technical result at a level of **87.9%**, which with a **32.8%** market share measured by gross written premium confirms the high profitability of its insurance business.

xx% - Percentage change year on year

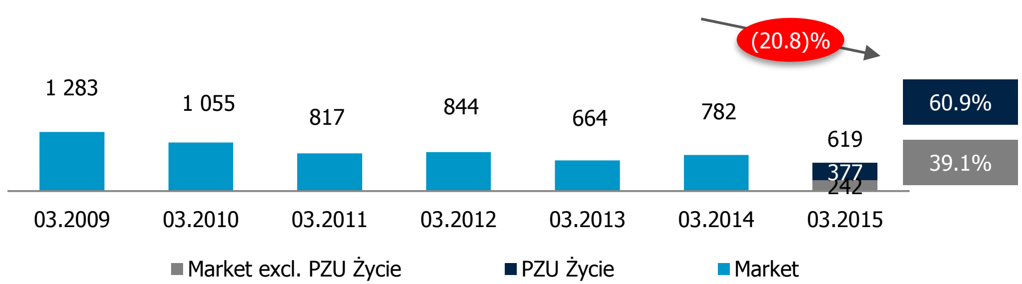
xx% - CAGR

Life insurance market in Poland

Gross written premium on regular business (m PLN)



Life insurance technical result (m PLN)



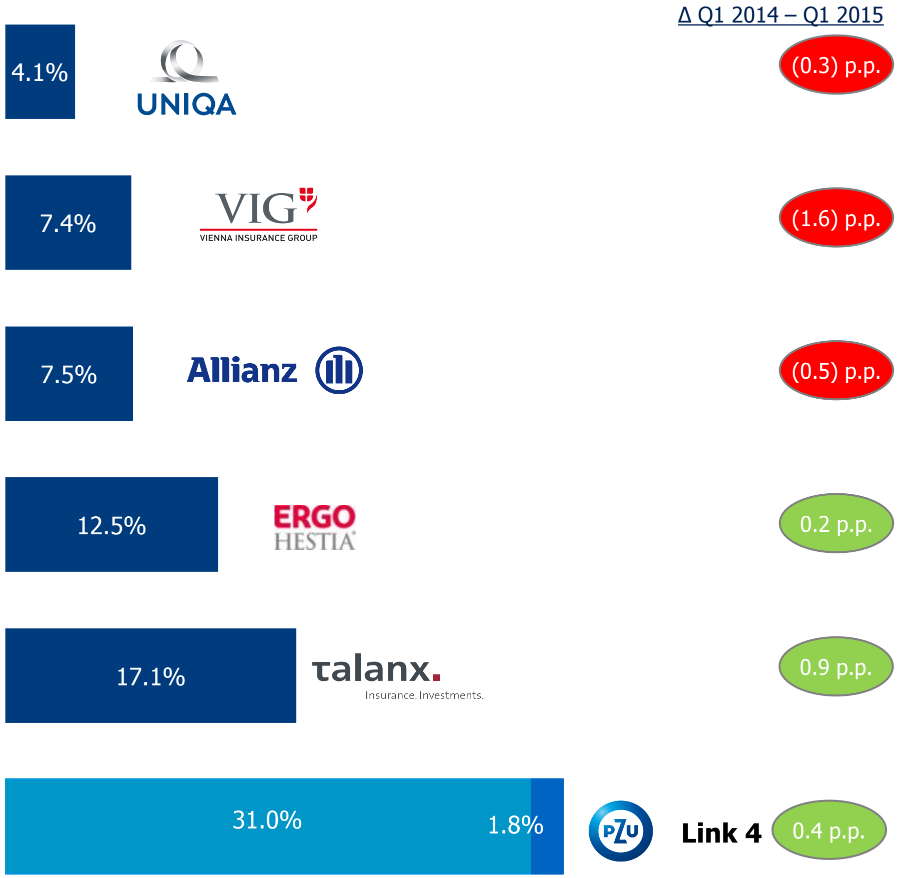
xx% - Percentage change year on year

xx% - CAGR

- PZU Życie's regular premium market share at a stable level of **42.7%** at the end of Q1 2015.
- Another year of growth in regular gross written premium on the life insurance market - growth rate yoy **2.9% -** the same for PZU Życie as for other insurance undertakings in total.
- At the same time, observed growth in single premium business - mainly unit-linked products sold in individual form.
- High profitability of PZU Życie's technical result versus the overall market – the margin commanded by PZU Życie – **18.5%** as opposed to other insurers – **4.7%**.
- The decline in the overall market's technical result in Q1 2015 being the effect of diminished profitability in all groups, especially unit-linked life insurance (Group III) besides PZU Życie, and the higher loss ratio in PZU Życie (Groups I and V).

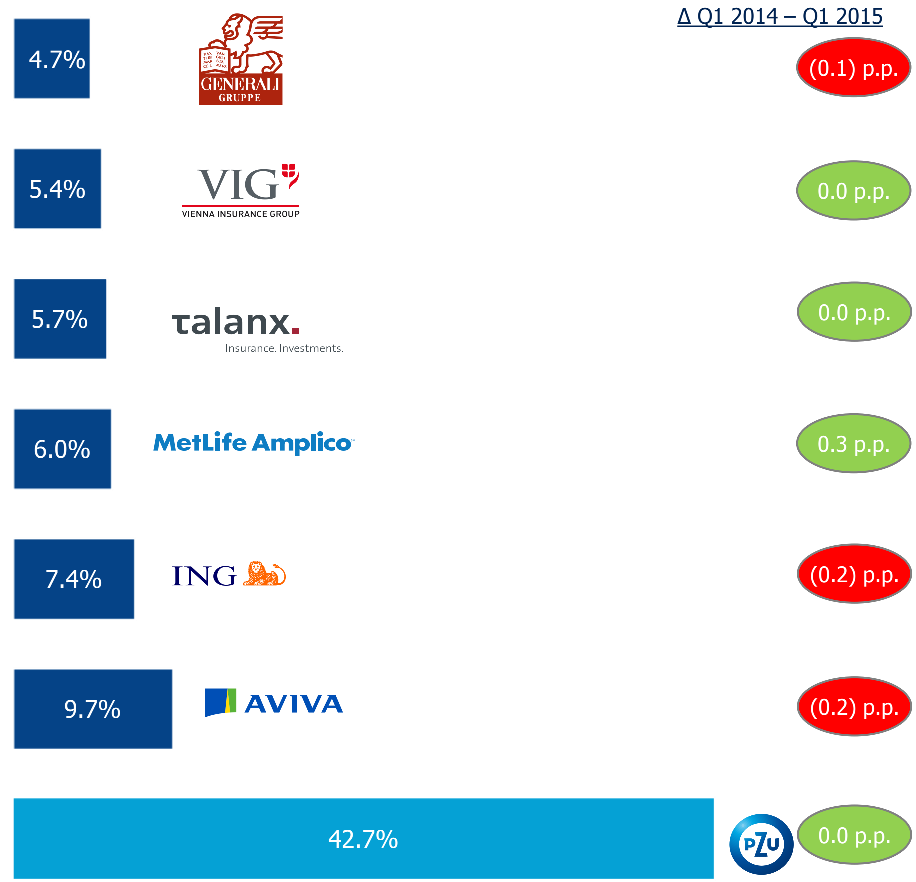
PZU maintains its leadership position in insurance in Poland

Market share non-life insurance



Groups:
Allianz- Alllianz, Euler Hermes
Ergo Hestia - Ergo Hestia, MTU (merger with Ergo Hestia on 31 Oct. 2014)
PZU – PZU, Link4 (as of 15 Sept. 2014)
Talanx - Warta, Europa
VIG - Compensa, Benefia, Interrisk

Market share life insurance (regular premium)



Groups:
Talanx - Warta, Europa, Open Life
VIG - Compensa Życie, Polisa Życie, Skandia Życie, Benefia (merger with Compensa Życie on 30 Sept. 2014)
Aviva - Aviva TUnŻ, BZ WBK-Aviva TUnŻ

graphs incorporate only the largest insurance undertakings

Agenda

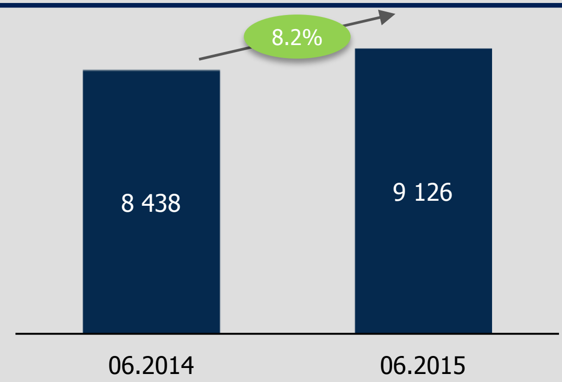
High profitability of insurance business despite persistent price pressure

Non-life insurance	• **Persistently high profitability** despite the higher loss ratio in the motor insurance portfolio: - lower level of claims and benefits in general TPL insurance, fire insurance and for other physical damages; - still noticable fierce price competition translating into persistently low average premium in motor insurance, thereby adversely affecting portfolio profitability.
Life insurance	• **Profitability growth** in Q2 2015 vs Q1 2015 in the group and individually continued segment (net of the effect of converting long-term insurance contracts into yearly renewable term contracts) - growth in the loss ratio in protection insurance portfolio in Q1 as an effect of the significantly higher mortality ratio confirmed by the statistics published by GUS.
Investments	• **Lower net investment result** chiefly driven by falling T-bond prices versus rising prices last year, partially offset by the following: - growth in the valuation of equity instruments on the financial markets (WIG index rose by 3.7% in H1 2015 while in the comparable period last year it edged up a mere 1.3%); - better performance of derivatives.
Operations	• Executing projects to implement the new philosophy of managing client relations – client focus and regaining competitive edge in product management while simultaneously truncating time-to-market.
International operations	• Integration of selected processes in the newly-acquired companies (Lietuvos Draudimas AB, AAS Balta) and the branch in Estonia (Codan Forsinkring A/S) with the Group's processes.

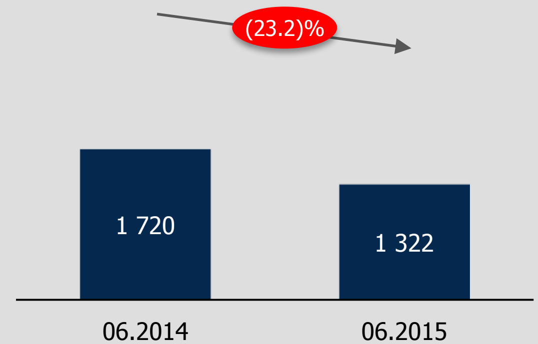
ROE 21.1%

Overview of the Group's financial results in H1 2015

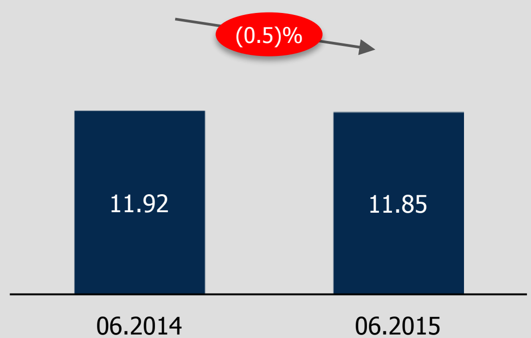
Gross written premium (m PLN)



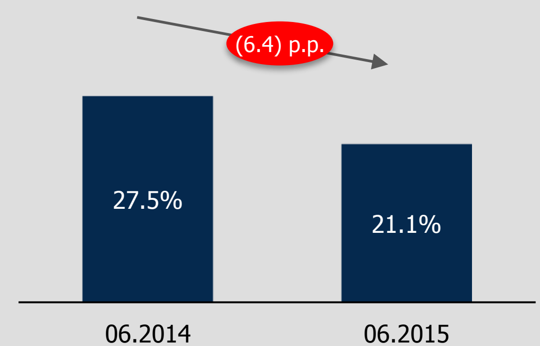
Net profit (m PLN)



Equity (bn PLN)



Return on equity (ROE) (%)*



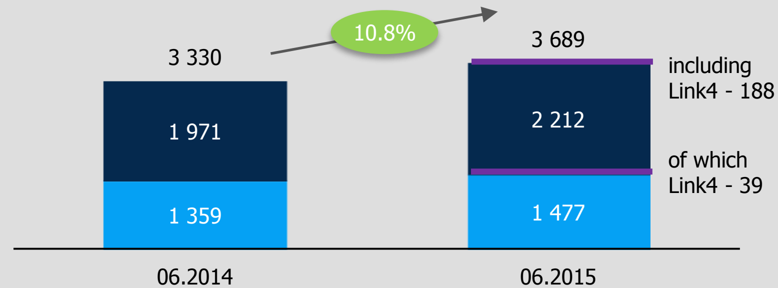
x% - change year on year

** Annualized ratio computed on the basis of equity at the beginning and end of the reporting period.*

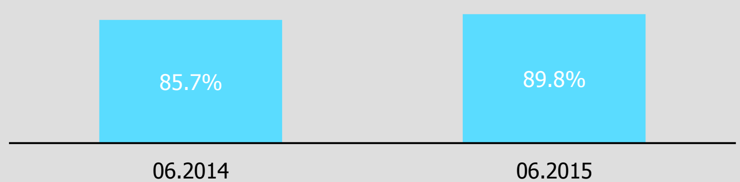
Non-life insurance
Lower profitability of motor insurance

Mass segment

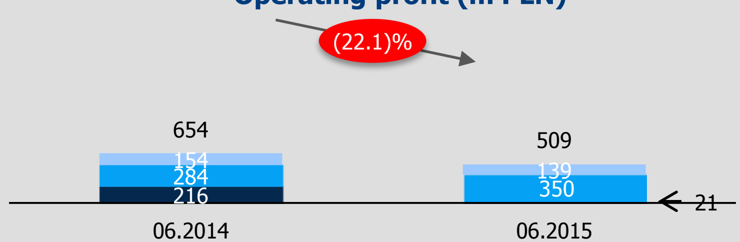
Gross written premium (m PLN)



Combined ratio (%)

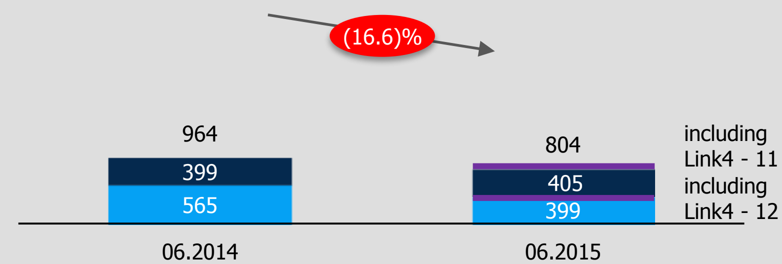


Operating profit (m PLN)

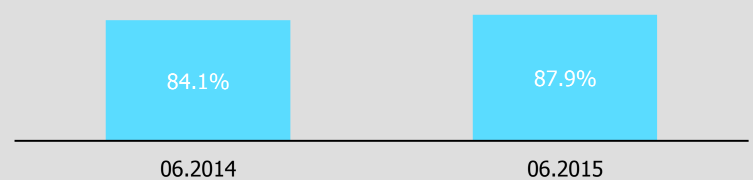


Corporate segment

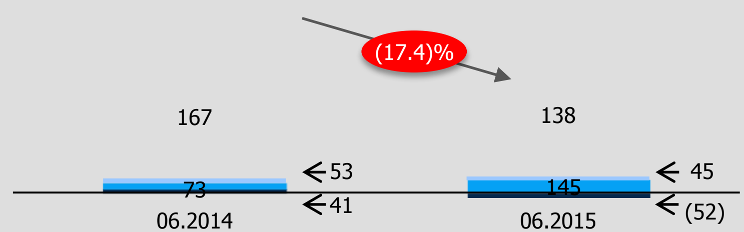
Gross written premium (m PLN)



Combined ratio (%)



Operating profit (m PLN)



Motor insurance

Non-motor insurance

Impact exerted by investment income allocated from Investments segment

Combined ratio computed jointly for motor and non-motor insurance

x% - change year on year

Summary - non-life insurance

Mass segment

Drivers of higher gross written premium yoy:

- gross written premium in motor insurance up 12.3%, both as a result of the acquisition of Link4 which has contributed to this segment's result from the time of its acquisition in 2014 and expanding motor insurance sales (2.7% yoy);
- upward movement in sales of natural catastrophe insurance (+6.9%), including mainly apartment insurance and accident insurance (+18.7%). This effect was partially offset by the decline in insurance premiums for various financial losses.

Operating profit lower primarily caused by the following:

- level of claims and benefits up in motor insurance (+15.8%, net of the Link4 effect of +6.4%), mainly as a result of average claim value growth and the higher growth rate in the number of reported claims;
- climbing insurance activity expenses, including:
  - acquisition expenses (total of indirect acquisition expenses and commissions from inward reinsurance);
  - rising percentage of commissions in gross written premium as a consequence of sales-related measures to enhance sales effectiveness (turning the automatic renewal portfolio over to agents);
  - administrative expenses ensuing from higher expenses related to implementing strategy 3.0.

Corporate segment

Drivers of lower gross written premium yoy:

- lower sales of fire, other property and other TPL insurance as an outcome of finalization of several big tenders in December 2014 and conclusion of insurance agreements for 2015 - this pertains mainly to insurance for medical entities (without an impact on the level of premium earned in 2014). This effect was partially offset by gross written premium being up in motor own damage insurance - expanding sales volume partially offset by diminishing average premium.

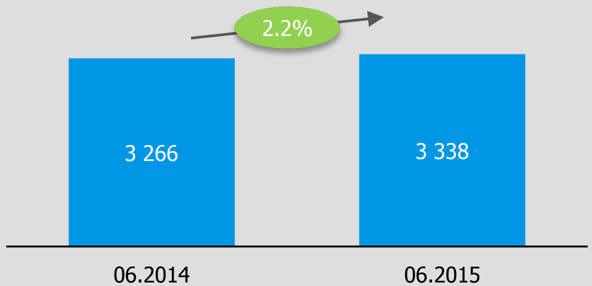
Operating profit down primarily caused by the following:

- higher level of claims and benefits in motor insurance as a result of the rising average payout and growing volume of reported claims. This effect was partially offset by the decline in claims provisions for previous years in other TPL and natural catastrophe insurance;
- higher insurance activity expenses, including:
  - elevated administrative expenses as an effect of measures related to pursuing strategy 3.0 to develop the PZU Group's key areas;
  - as a result of the increase in deferred expenses partially offset by falling acquisition expenses.

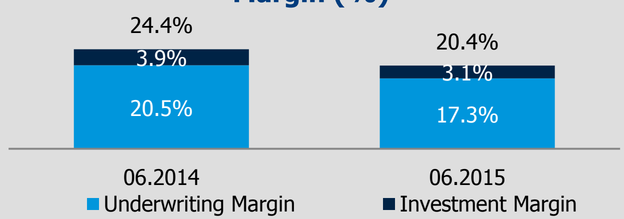
Life insurance
Decline in profitability

Group and continued insurance segment

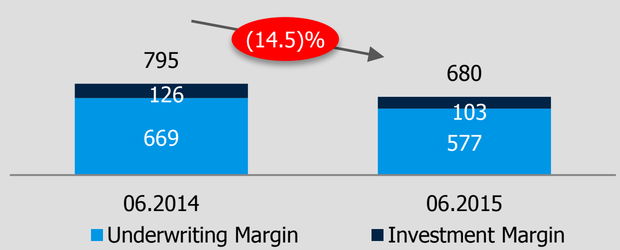
Gross written premium (m PLN)



Margin (%)[a]



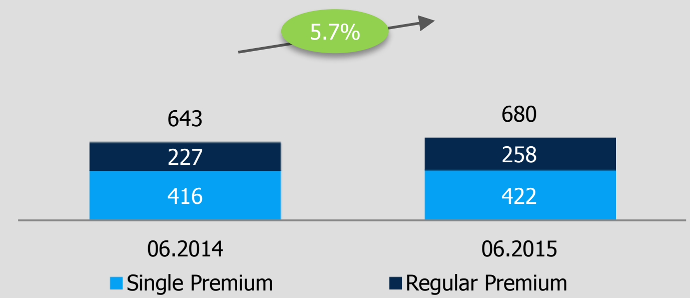
Operating profit (m PLN)[a]



(a) *Margin and operating profit net of the conversion effect*

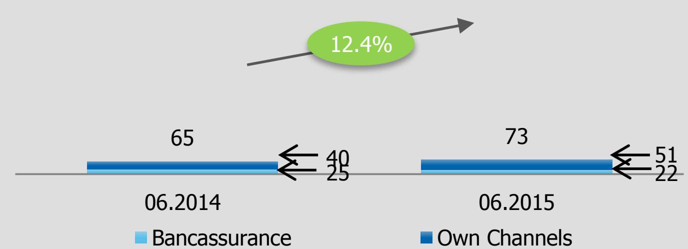
Individual insurance segment

Gross written premium (m PLN)



Margin (%)

Annual premium equivalent (m PLN)



x% *- change year on year*

Summary – life insurance

Group and continued

Drivers of higher gross written premium:

- growth in the number of insured in group protection products and rising average premiums;
- development of group health insurance, including various medicine insurance plans;
- upselling of riders and higher sums insured in individually continued products.

Operating profit down following:

- growth in the protection portfolio loss ratio due to the greater mortality rate (confirmed by Central Statistics Office [GUS] data on a similar effect for the entire population – mortality rate in Poland for the 6 consecutive months ending in May 2014 and 2015 was 0.502% and 0.518%, respectively);
- higher administrative expenses ensuing mostly from expenditures related to implementing strategy 3.0 to develop the PZU Group's key areas;
- diminished investment income, including income allocated according to transfer prices as a consequence of lower level of market interest rates on the basis of which the income of portfolios replicating insurance liabilities are calculated.

Individual

Drivers of higher gross written premium:

- higher average payments to IKE individual retirement accounts;
- rising sales of unit-linked products in cooperation with banks;
- record-breaking subscriptions for a structured product in the dedicated channel;
- high sales of protection products - result of the change to the commission system and making the offering more attractive by launching a new rider *Pomoc od Serca [Help from Heart].*

Positive impacts partially offset by retracting the regular premium savings product called *Plan na Życie [Plan for Life]* with a protection element from sale and the lack of sales of structured and deposit products in cooperation with banks this year.

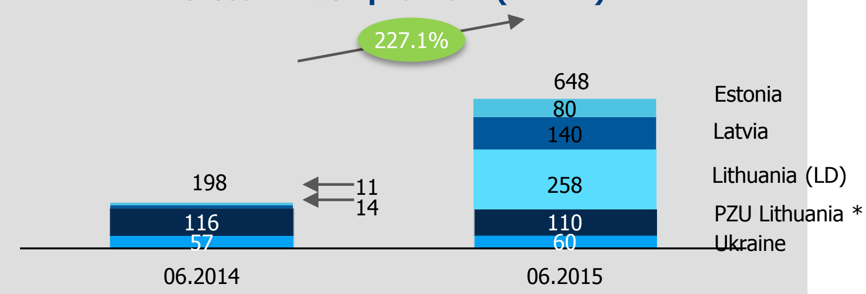
Sales channels:

- new sales in the bancassurance channel are down as a result of lack of single premium contracts in structured and deposit products;
- sales of protection products in the traditional channel are up from last year (+37.3%) following a change in priorities in the distribution channels, modifying the agency channel's compensation system, the record-breaking subscriptions for *Świat Zysków [World of Profits]* and the upswing in average payments to IKE individual retirement accounts.

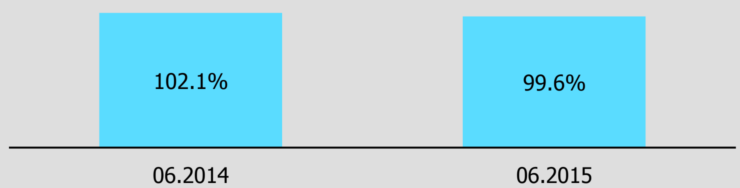
International business
Non-life insurance
Life insurance

Non-life insurance

Gross written premium (m PLN)



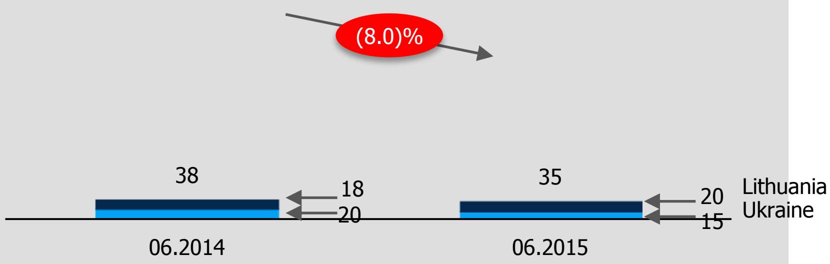
Combined ratio (%)



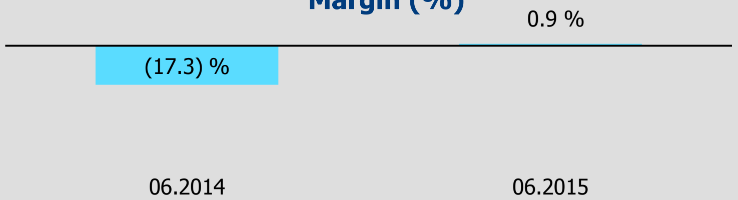
Operating profit (m PLN)

Life insurance

Gross written premium (m PLN)



Margin (%)



Operating profit (m PLN)

** PZU Lithuania net of the branches in Latvia and Estonia*

x% - change year on year

Summary – international business

Gross written premium

Non-life insurance

- Gross written premium has grown on the contribution made by the newly-acquired companies:
  - Lithuanian market leader Lietuvos Draudimas (in PZU Group since November 2014) +258.0 m PLN;
  - Latvian market leader AAS Balta (since July 2014) +139.9 m PLN;
  - Estonian branch Codan Forising (since November 2014) +79.9 m PLN.
- Increase in gross written premium in Ukraine by 2 m PLN due to the hrivna's depreciation (political and economic crisis), while the gross written premium stated in the functional currency has risen by 71.1%. Impact exerted by official growth in prices, in particular motor TPL and Green Card and greater trust in international insurers.

Life insurance

- Premium in Ukraine fell by 26.1% due to the hrivna's depreciation (premium up by 21.4% in the functional currency);
- Sales in Lithuania up by 12.1% in individual and group insurance.

Operating profit

Non-life insurance

- Combined ratio decline:
  - loss ratio (60.8%) - 4.4 p.p. higher yoy due to larger share of Baltic States segment;
  - administrative expense ratio lower (14.8% versus 16.2% in H1 2014) as a consequence of acquiring new companies in which this ratio was 14.0%;
  - acquisition expense ratio decreased by 5.5 p.p. as a result of acquiring new companies in which the acquisition expense ratios are lower than in the PZU Group companies to date (cost allocation model) coupled with a rising ratio in Ukraine driven by a change in the product mix.
- Higher operating result (by 9.3 m PLN) in non-life business thanks to the positive results generated by the newly-acquired companies accompanied by a simultaneous deterioration of results in Ukraine.

Life insurance

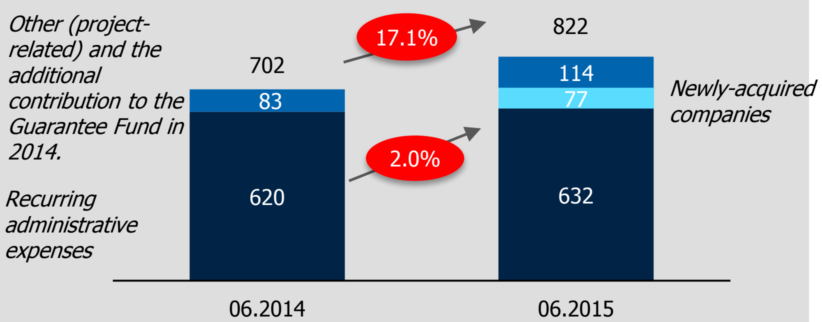
- Operating result in Ukraine increased by 9.1 m PLN.
- Lower company's gross result in Ukraine (by 2.6 m PLN), including the positive impact exerted by FX differences on the measurement of investments at the insurer's risk coupled with the growth in the insurance activity expense ratio.

Higher administrative expenses

Effect of faster implementation of PZU Strategy 3.0 and Group consolidation

m PLN

PZU Group's administrative expenses



Recurring administrative expense ratio*

The following factors contributed to the increase in administrative expenses year on year:

- inclusion of administrative expenses incurred by newly-acquired insurance companies in the PZU Group's results;
- upswing in expenses related to implementing strategy 3.0 to develop the PZU Group's key areas, i.e. the Retail and Corporate Client Area, PZU Zdowie, distribution and operational support;
- upward movement in recurring administrative expenses related to higher staff expenses and administrative expenses (moving support functions to new office space).

** Recurring administrative expense ratio: recurring administrative expenses / net earned premium – sum of insurance business segments in Poland*

Recurring administrative expenses | *Other (including strategy implementation costs)* | *Newly-acquired companies*

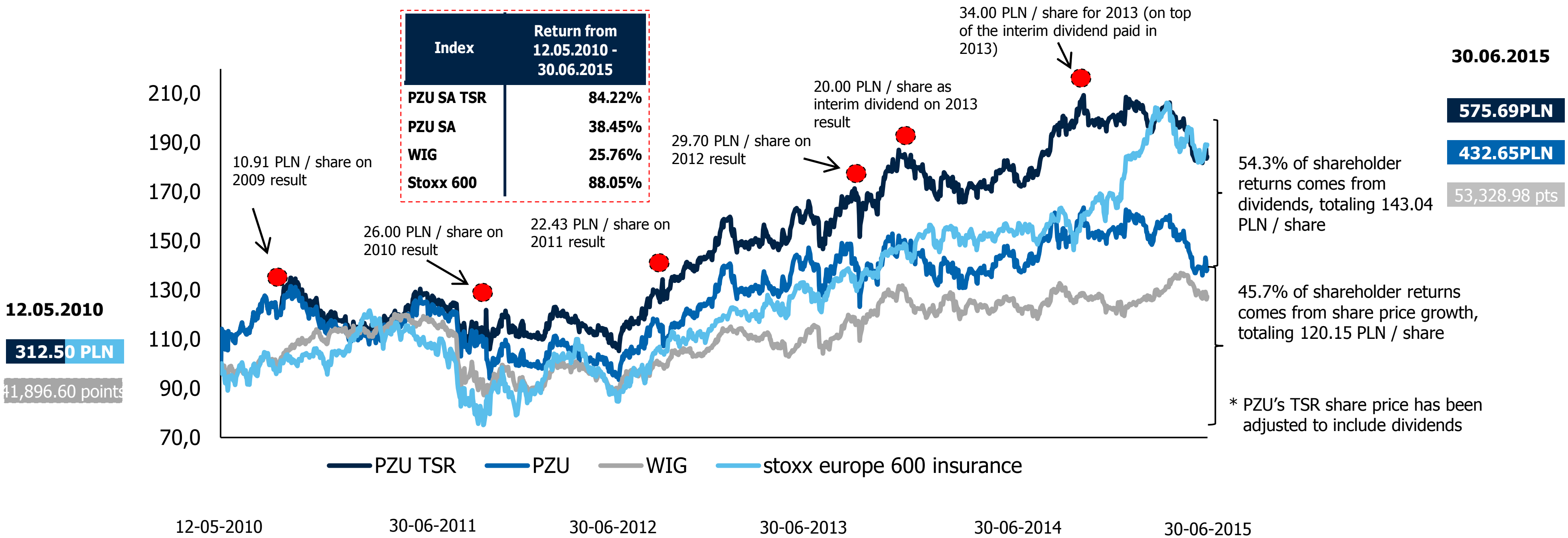
x% *- change year on year*

Agenda

1. Polish insurance market in Q1 2015
2. Operating results in H1 2015
3. Shareholder value
4. Implementation of the PZU 3.0 Strategy
5. Detailed financials

Managing TSR - high return on equity

Growth rate of PZU's share price adjusted for dividends paid out from its first listing compared to selected indices 12 May 2010 = 100*



Index	Return from 12.05.2010 - 30.06.2015
PZU SA TSR	84.22%
PZU SA	38.45%
WIG	25.76%
Stoxx 600	88.05%

- Under the 2013 dividend on **15 January 2015** shareholders received the final tranche of **17 PLN per share,** with the record date being 17 September 2014
- According to the PZU Shareholder Meeting, shareholders will receive a dividend from the 2014 profit of **30 PLN per share,** with the ex-dividend date being 30 September 2015. The dividend payment date has been set for **21 October 2015**.

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Strategy 3.0 execution in numbers

insurance activity

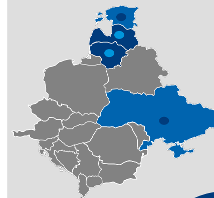
#1 in Poland

32.8%

non-life market share in Poland
(gross written premium in Q1 2015)

42.7%

life market share in Poland
(regular premium in Q1 2015)



#1 in Lithuania and Latvia
following acquisitions in 2014

30.3%

non-life market share
in Lithuania (LD)
(gross written premium
in H1 2015)

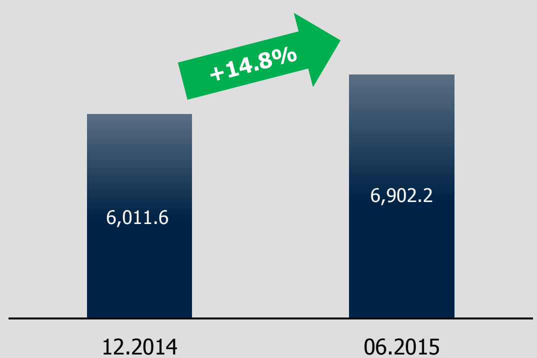
25.3%

non-life market share
in Latvia
(gross written premium
in H1 2015)

21.1%
ROE
(in H1 2015)

non-insurance activity

TFI PZU's third party client assets



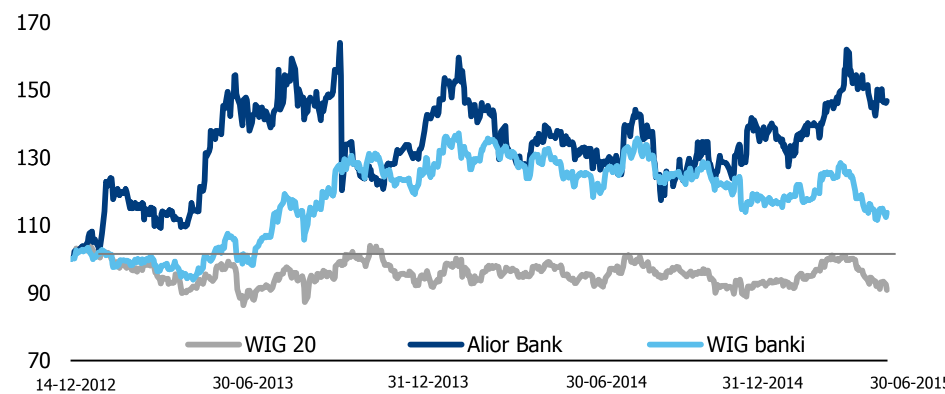
PZU's footprint on the health market:

- expansion of gross written premium in group and continued health insurance by 49.4% compared to a similar period in 2014;
- steady enlargement in the range of services offered in health;
- acquisition of new clients (including subscriptions);
- acquisition of new medical outlets (Rezo-Medica which performs magnetic resonance imaging and Centrum Medyczne Gamma, a modern hospital specializing in orthopedic care).

Purchase of shares in Alior Bank

- PZU signed a preliminary share purchase agreement on 30 May 2015 for a 25.25% stake in **Alior Bank** for a price of 89.25 PLN per share;
- these shares will be acquired in 3 tranches. The execution of the various tranches will take place after the elapse of 70 days from the completion of the previous tranche;
- to close the transaction the conditions precedent must be fulfilled (including no objection from KNF, consent from the Ukrainian Anti-Trust Office).

Alior Bank's share price dynamics (%)



ALIOR BANK

2008	**12.4%**	**7th** place	**28.3** bn PLN	**29.8** bn PLN
Bank established	ROE in 2014 (10.3% on average in Poland)	in mobile banking in Poland in terms of the number of active users in Q2 2015.	loan balance at the end of Q2 2015	balance of deposits obtained from client at the end of Q2 2015


PZU
Detailed financials
PZU

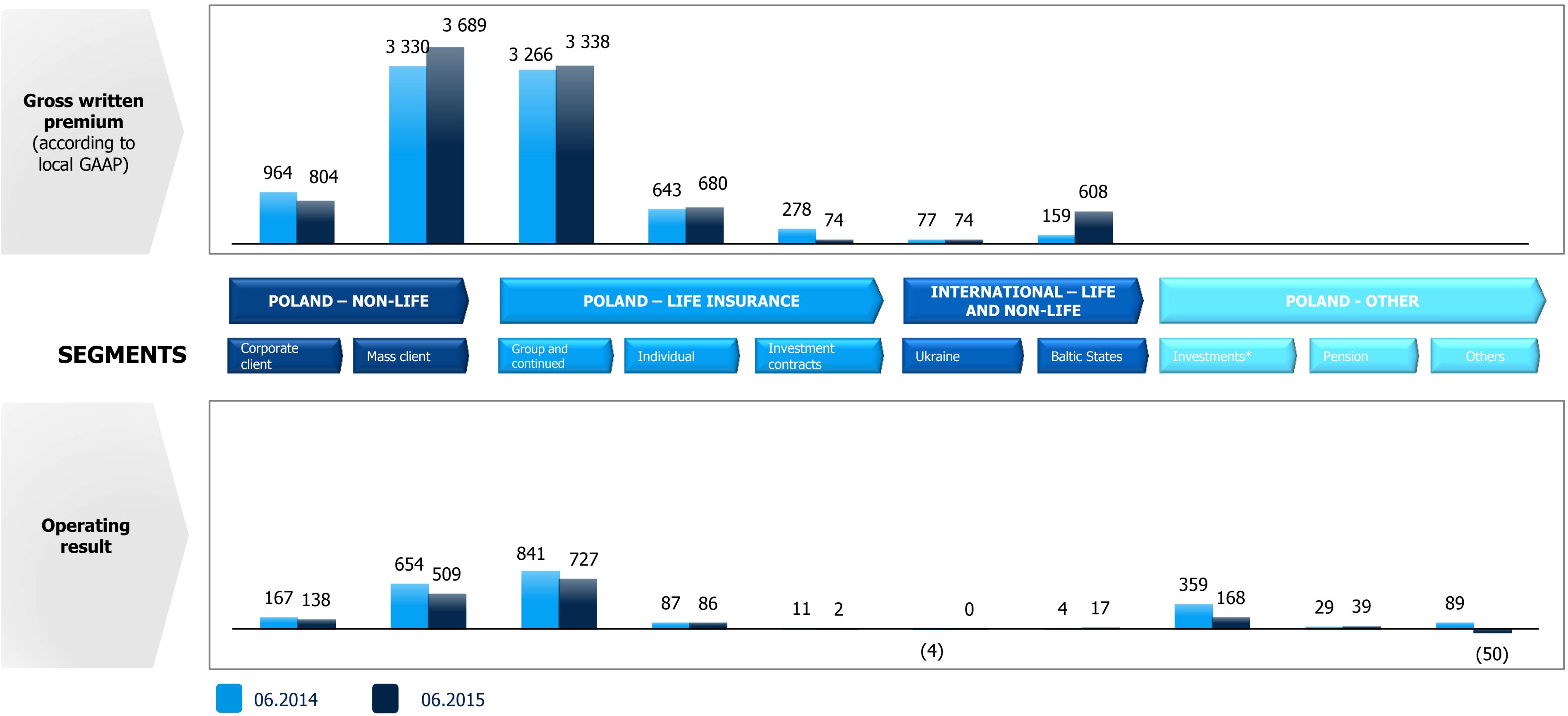
PZU Group's key financial highlights

m PLN, IFRS	H1 2014	H1 2015	*Change YoY*	Q2 2015	Q1 2015	*Change Q1 2015 over Q2 2014*
Profit and Loss Statement						
Gross Written Premium	8 438	9 126	*8.2%*	4 446	4 681	*(5.0)%*
Premium Earned	8 033	8 744	*8.9%*	4 437	4 307	*3.0%*
Net investment Result	1 370	1 058	*(22.8)%*	107	951	*(88.8)%*
Operating Profit	2 236	1 637	*(26.8)%*	543	1 094	*(50.4)%*
Net Profit	1 720	1 322	*(23.2)%*	380	941	*(59.6)%*
Balance Sheet						
Equity	11 917	11 853	*(0.5)%*	11 853	14 084	*(15.8)%*
Total Assets	63 822	66 080	*3.5%*	66 080	71 742	*(7.9)%*
Principal Financial Ratios						
ROE*	27,5%	21,1%	*(6.4) p.p.*	11.7%	27.6%	*(15.9) p.p.*
Combined Ratio**	86,1%	90,7%	*4.6 p.p.*	95.5%	85.7%	*9.9 p.p.*

** Annualized ratio computed on the basis of equity at the beginning and end of the reporting period.*
*** Only for non-life insurance.*

Operating segment results

m PLN



** Investment income in the Investments segment – external operations*

Profitability by insurance activity segment

Insurance Business Segments	Gross Written Premium			Operating Profit			Combined Ratio / Operating profit ratio*	
m PLN, local GAAP	**H1 2014**	**H1 2015**	*Change YoY*	**H1 2014**	**H1 2015**	*Change YoY*	**H1 2014**	**H1 2015**
Total Non-Life - Poland	**4 294**	**4 493**	***4.6%***	**821**	**648**	***(21,1)%***	**85.4%**	**89.4%**
Mass Insurance - Poland	**3 330**	**3 689**	***10.8%***	**654**	**509**	***(22,1)%***	**85.7%**	**89.8%**
Motor TPL Insurance	1 172	1 340	*14.4%*	151	6	*(95.8)%*	93.4%	104.4%
Motor Own Damage	799	872	*9.2%*	64	14	*(77.8)%*	91.0%	98.1%
Other products	1 359	1 477	*8.7%*	284	350	*23.4%*	75.1%	70.7%
Impact of investment segment allocation	x	x	*x*	154	139	*(10.0)%*	x	x
Corporate Insurance - Poland	**964**	**804**	***(16.6)%***	**167**	**138**	***(17.4)%***	**84.1%**	**87.9%**
Motor TPL Insurance	172	165	*(4.0)%*	7	(64)	*x*	98.1%	138.9%
Motor Own Damage	227	240	*5.8%*	34	13	*(63.7)%*	85.4%	95.1%
Other products	565	399	*(29.4)%*	73	145	*99.9%*	76.0%	54.7%
Impact of investment segment allocation	x	x	*x*	53	45	*(16.4)%*	x	x
Total Life - Poland	**3 909**	**4 018**	***2.8%***	**927**	**814**	***(12,3)%***	**23.7%**	**20.2%**
Group and Continued ** - Poland	**3 266**	**3 338**	***2.2%***	**795**	**680**	***(14.5)%***	**24.4%**	**20.4%**
Individual - Poland	**643**	**680**	***5.7%***	**87**	**86**	***(0.7)%***	**13.5%**	**12.7%**
Conversion effect	x	x	*x*	45	47	*4.8%*	x	x
Total Non-Life - Ukraine & Baltica	**198**	**648**	***227.1%***	**7**	**16**	***128.8%***	**102.1%**	**99.6%**
Ukraine Non-life	**57**	**60**	***4.1%***	**3**	**(1)**	***x***	**104.2%**	**110.9%**
Baltic states Non-life	**141**	**588**	***317.8%***	**4**	**18**	***366.6%***	**101.2%**	**98.8%**
Total - Life - Ukraine & Baltica	**38**	**35**	***(8.0)%***	**(7)**	**0**	***x***	**(17.3)%**	**0.9%**
Ukraine Life	**20**	**15**	***(26.1)%***	**(7)**	**1**	***x***	**(35.3)%**	**8.3%**
Lithuania Life	**18**	**20**	***12.1%***	**0**	**(1)**	***x***	**2.8%**	**(4.5)%**

* *Combined ratio (computed on net earned premium) presented for non-life insurance, operating profit margin (computed on gross written premium) presented for life insurance.*

** *Operating profit and operating profit margin net of conversion effects.*

Normalized operating profit

YTD, m PLN

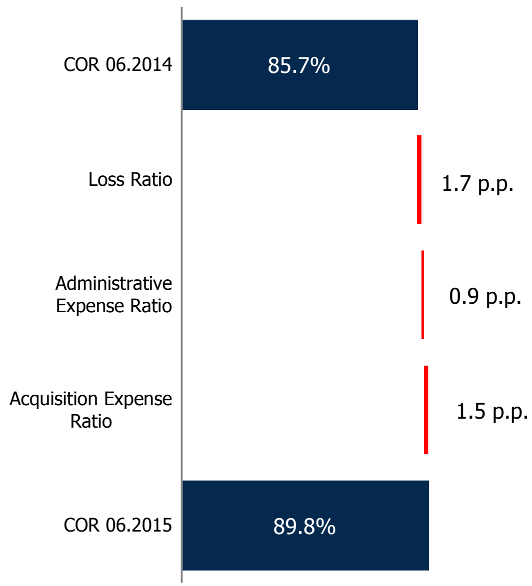
m PLN, IFRS	06.2014	06.2015
Operating Profit (according to financial statements)	**2 235.7**	**1 637.0**
including:		
1 Conversion effect	45.2	47.4
2 Additional contribution to the Guarantee Fund	(20.9)	-

1 Impact exerted by conversion of long-term policies into yearly renewable term agreements in type P group insurance.

2 In 2014 the additional contribution to the Guarantee Fund in conjunction with the statutory increase in the required level of funds from 0.1% to 0.3% of the net asset value ("NAV") in open-end pension funds (OFE).

Profitability of the mass segment (non-life insurance)

Profitability of the mass segment Combined ratio (COR - %)



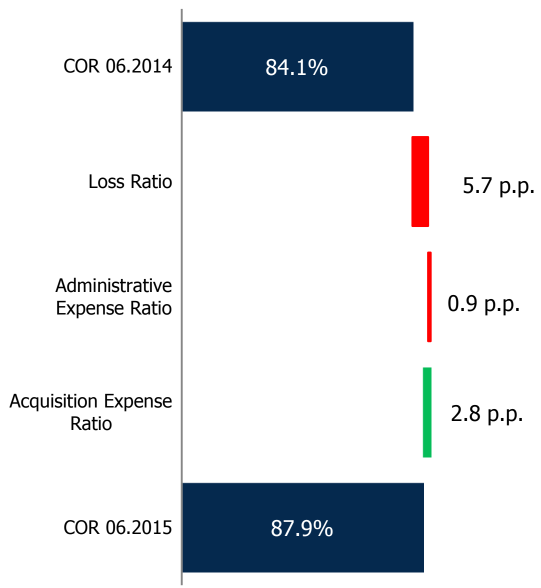
- Drivers of loss ratio change:
  - level of claims and benefits up in motor insurance (+15.8%, net of the Link4 effect of +6.4%), largely as a result of the rising average claim value and the higher growth rate in the number of reported claims;
  - value of claims and benefits on natural catastrophe claims down (ground frosts, torrential rains) in the group of agricultural, fire and other physical damage insurance;
- Administrative expense ratio up as an offshoot of rising costs related to implementing strategy 3.0 to develop the PZU Group's key areas, i.e. the Retail Client Area, distribution and organizational support.
- Acquisition expense ratio climbing as a consequence of the following:
  - upswing in direct and indirect acquisition expenses as an effect of the sales-related measures to activate the sales network;
  - increase in commissions from inward reinsurance.

In addition, the following factors affected the comparability of results:

- acquisition of Link4 which has contributed to the segment's result from the time of its acquisition, i.e. 15 September 2014 and led to various elements of the operating result surpassing the levels recorded in H1 2014.

Profitability of the corporate insurance segment (non-life insurance)

Profitability
corporate insurance
Combined ratio (COR - %)



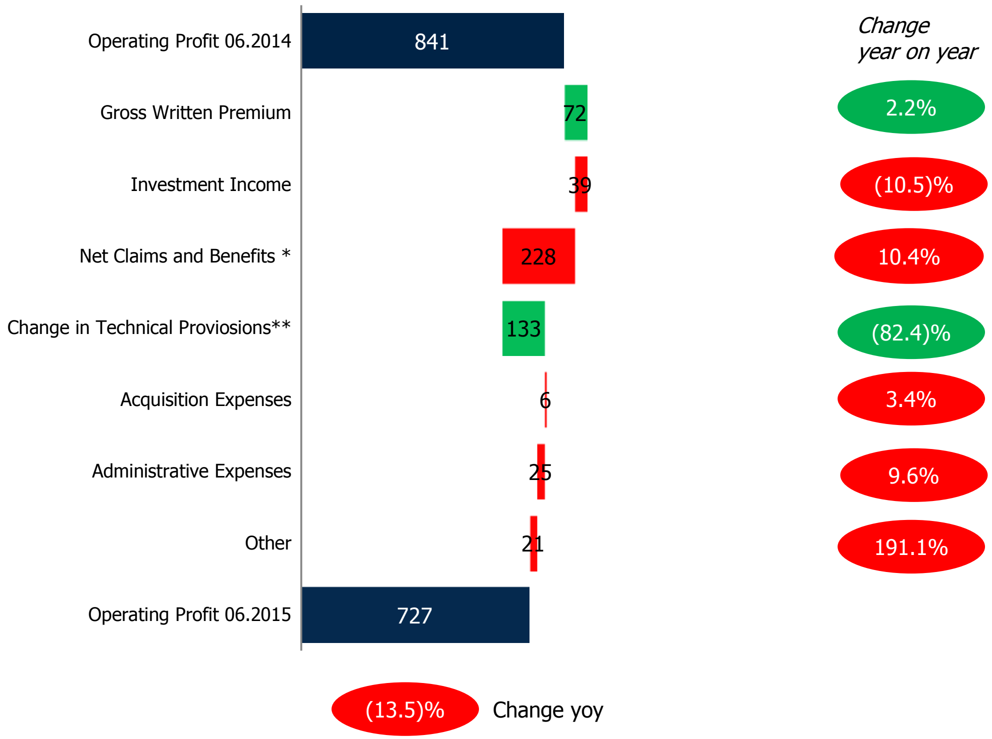
- Drivers of loss ratio change:
  - higher level of claims and benefits in motor insurance as a result of the rising average payout, the growing number of reported claims and the ongoing erosion in rates due to persistent price pressure;
  - declining value of claims and benefits in general third party liability insurance as a result of the lower level of provisions for claims from previous years.
- The administrative expense ratio increase as a consequence of higher strategy implementation costs to alter the philosophy of client relations management and to develop the PZU Group's key areas.
- The acquisition expense ratio lower due to the increase in deferred expenses partially offset by higher commissions on inward reinsurance and indirect acquisition expenses.

In addition, the following factors affected the comparability of results:

- acquisition of Link4 which has contributed to the segment's result from the time of its acquisition, i.e. 15 September 2014 and led to various elements of the operating result surpassing the levels recorded in H1 2014.

Group and continued insurance segment (life insurance)

Fundamental components of operating profit in the group and continued insurance segment (m PLN)



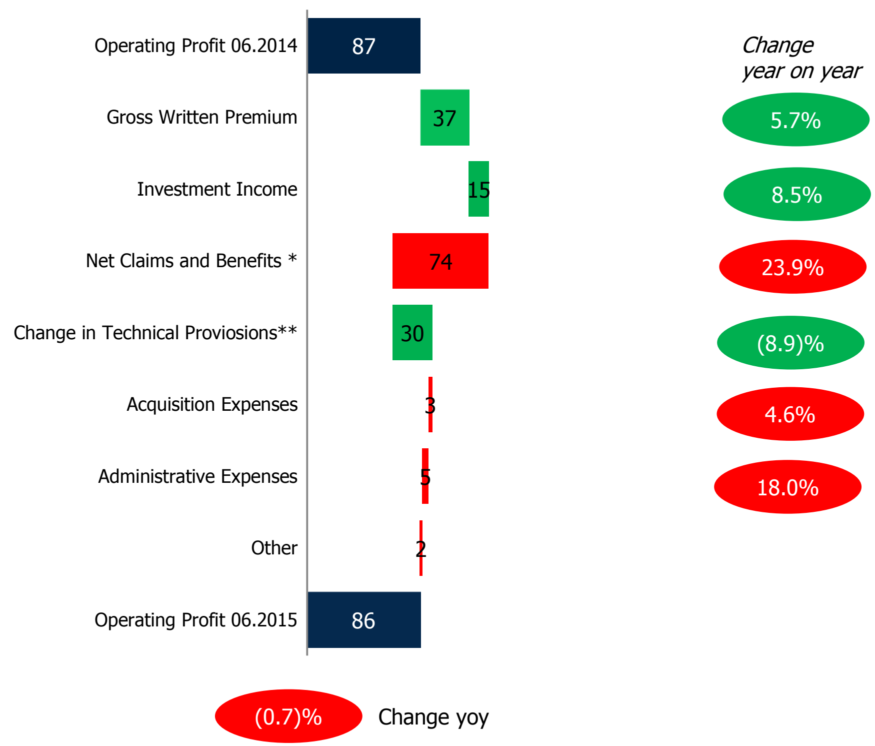
* Net claims and benefits including movement in claims provisions

** Mathematical and other provisions, including the conversion effect

- Gross written premium up by 2.2% yoy mostly due to incremental growth in the portfolio of risks in protection and health insurance (including riders to continued insurance) and the higher average premium.
- Investment income diminished due to lower investment income in unit-linked products than a year ago and a decline in income allocated according to transfer prices.
- Growth in the net value of insurance claims and benefits as a consequence of the marked growth in the mortality rate in relation to the year before (confirmed by Polish CSO data for the whole population - the mortality rate in Poland for the 6 consecutive months ended in May 2012, 2013, 2014 and 2015 amounted to 0.513%, 0.543%, 0.502% and 0.518%, respectively - significant annual volatility is visible).
- The lower yoy incremental growth in mathematical provisions in individually continued products - the increase in the mortality rate and the higher percentage among persons entering the portfolio of the product post modification facilitating the creation of lower initial technical provisions. In addition, within the framework of annually setting the rules for possible indexation of clients' sums insured in continued insurance PZU Życie modified these rules as of the outset of 2016. This has exerted a positive impact on the level of technical provisions in this portfolio.
- Acquisition expenses up due to high sales of riders in continued insurance (compensation for intermediaries, cost of mailing offers to clients), and in group protection business (including health) as a result of the growing product portfolio and further growth in the share held by the brokerage and agency channels.
- The level of administrative expenses up following rising expenditures related to implementing strategy 3.0 to develop the PZU Group's key areas.
- The result in the line item other income and expenses fell due to the charge to the prevention fund (this cost was not incurred last year, eliminated at the consolidated result level) and higher costs related to PZU Życie financing premium (higher sales of riders to individually continued insurance on promotional terms).

Individual insurance segment (life insurance)

Fundamental components of operating profit in the individual insurance segment (m PLN)



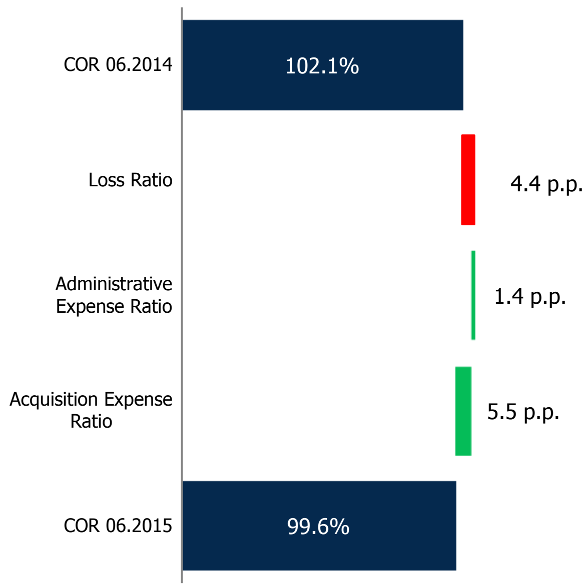
* Net claims and benefits including movement in claims provisions

** Mathematical and other provisions

- Gross written premium climbed 5.7% yoy primarily as an effect of higher average contributions to IKE individual retirement accounts, rising sales of unit-linked products in cooperation with banks, record-breaking subscriptions for a structured product in the dedicated network and robust sales of protection products - an effect of the changes made to the commission system and making the offer more attractive.
- Investment income expansion mostly in investment products.
- Net insurance benefits up as the effect of a higher level of disbursements on account of reaching the endowment age in structured products in the bancassurance channel (subsequent product tranches maturing) and more surrenders in the *Plan na Życie* regular premium savings product with a protection element after canceling early account surrender fees.
- Diminished incremental growth in technical provisions as a result of offsetting the effects described above, mainly reaching the endowment age in structured products by movement in provisions.
- Upswing in acquisition expenses yoy resulting primarily from changes in the offering and compensation systems (including the bancassurance channel) and from sales network focus - the decline resulting from retraction of the *Plan na Życie* regular premium savings product from the offering was offset by higher sales of protection products.
- Administrative expenses up as an effect of expenditures associated with strategy implementation, including the agency network's greater commitment to augmenting the quality of service for individual products and increasing marketing expenditures in this segment.

Profitability of international companies (non-life insurance)

Profitability of international companies
Combined ratio (COR - %)



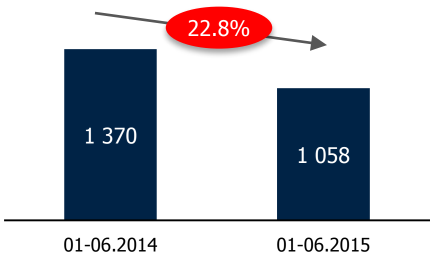
- Loss ratio growth due to the higher loss ratio in the newly-acquired Baltic companies.
- Administrative expense ratio down driven mostly by lower expenses in the newly-acquired companies and declining expenses in Ukraine.
- Lower acquisition expense ratio as a result of lower expenses in the newly-acquired companies coupled with rising expenses in Ukraine.

Investments

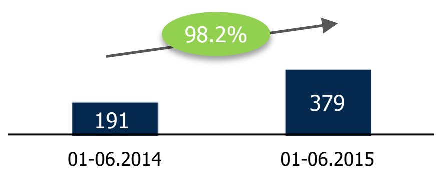
Poorer performance in debt instruments partially offset by more robust performance in equities and derivatives

m PLN

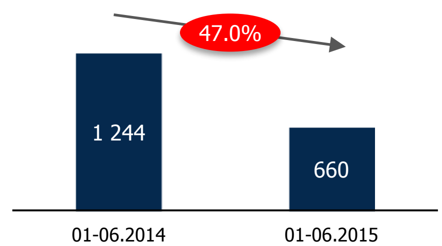
Net investment result*



Equity instruments and derivatives**



Interest-bearing financial assets**



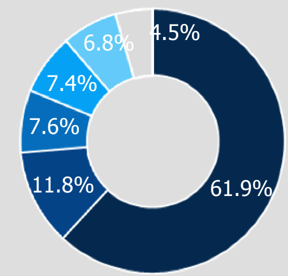
- Lower net investment result chiefly driven by falling T-bond prices partially offset by:
  - growth in the valuation of equity instruments on the financial markets (WIG index rose by 3.7% in H1 2015 while in the comparable period last year it edged up a mere 1.3%);
  - better performance of derivatives.

Borrowing costs*

- Lower expenses in H1 2015 (18.0 m PLN versus 59.8 m PLN in the same period of the previous year) as a result of recognition of positive FX differences on own debt securities denominated in EUR.

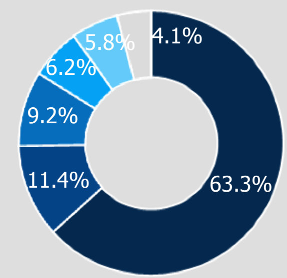
June 2015 investment composition***

Total:
53.2 bn PLN



Dec. 2014 investment composition***

Total:
54.0 bn PLN



- Debt market instruments - treasury
- Debt market instruments - non-treasury
- Money market instruments
- Equity instruments - listed
- Equity instruments - unlisted
- Investment property

* *Net investment result does not include borrowing costs chiefly related to sell-buy-back transactions and the issue of own debt securities.*

** *The graphs depict the classes of investments that contributed to the net investment result to the largest degree.*

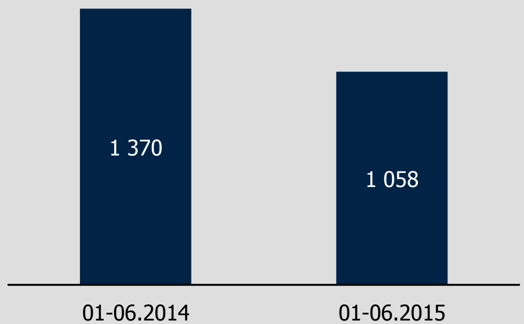
*** *The investment portfolio consists of financial assets (including investment products), investment property and financial liabilities (negative valuation of derivatives and obligations under sell-buy-back transactions). Derivatives linked to interest rates, foreign currencies and equity prices, are presented respectively in the categories: Debt market instruments - treasury, money market instruments as well as listed and unlisted equity instruments.*

Investments

Poorer performance in debt instruments partially offset by more robust performance in equities and derivatives

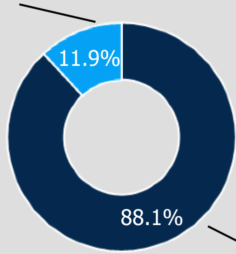
m PLN

Net investment result



06.2015

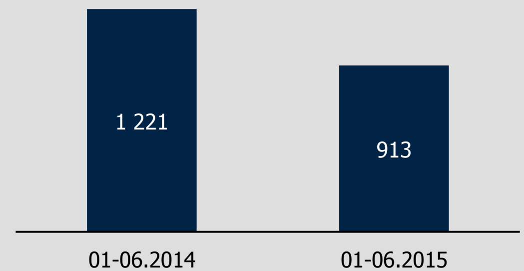
Investment products*
6.3 bn PLN



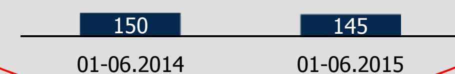
Financial assets in the main portfolio:
46.9 bn PLN

Total: 53.2 bn PLN

Net investment result on the PZU Group's main portfolio



Net investment result in investment products*



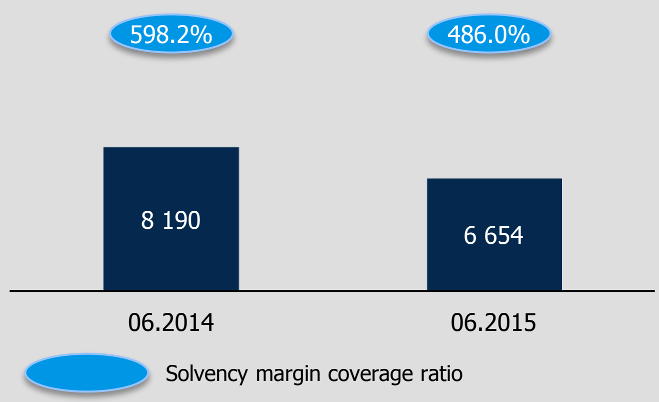
No impact on the PZU Group's net result

** Unit-linked products, structured products and short-term endowments.*

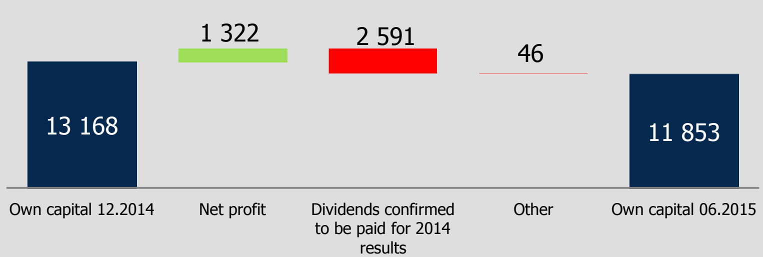
Robust capitalization and high solvency ratios

YTD *m PLN*

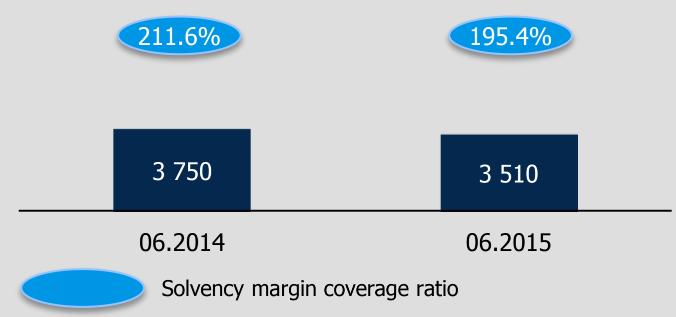
PZU's own funds and solvency margin coverage ratio (m PLN, Polish GAAP)



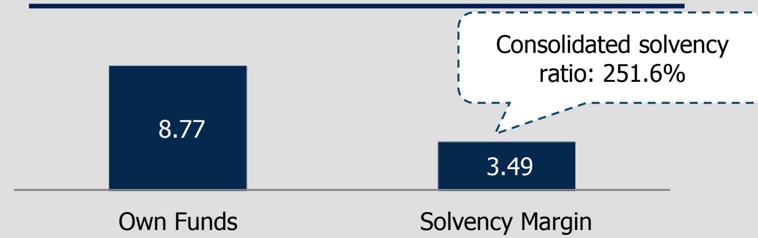
PZU Group's equity (m PLN, IFRS)



PZU Życie's own funds and solvency margin coverage ratio (m PLN, Polish GAAP)



PZU Group's own funds in H1 2015 (bn PLN, IFRS)



Questions and answers

<u>Contact data:</u>

PZU
Al. Jana Pawła II 24
00-133 Warsaw, Poland

<u>Planning and Controlling Department</u>

Piotr Wiśniewski – Manager of the Investor Relations Team
Tel.: (+48 22) 582 26 23

ir@pzu.pl
www.pzu.pl/ir

<u>Spokesman</u>

Michał Witkowski,
tel.: (+48 22) 582 58 07
rzecznik@pzu.pl

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