PZU Group's financial results
in Q1 2018

16 May 2018

Major drivers of the PZU Group’s result

The most important events and drivers of the results in Q1 2018

Dyvidend

- PZU Management Board will recommend to the General Meeting a dividend payment in the amount of PLN 2.16 billion, i.e. PLN 2.50 per share (+PLN 1.10 in relation to the previous year).

Insurance

- Maintenance of the high profitability on the motor insurance portfolio despite the upswing in the pain and suffering provision.
- Improvement in the results of other property insurance despite suppressed profitability in agricultural insurance (above average number of claims related to the adverse consequences of ground frost).
- Profitability growth in the group and individually continued insurance segment (lower benefits).

Health

- Sustenance of the high rate of revenue growth.
- Extension of the product offer to include riders in individually continued insurance.
- Acquisition of another medical company, namely Centrum Medycznego św. Łukasza in Częstochowa.

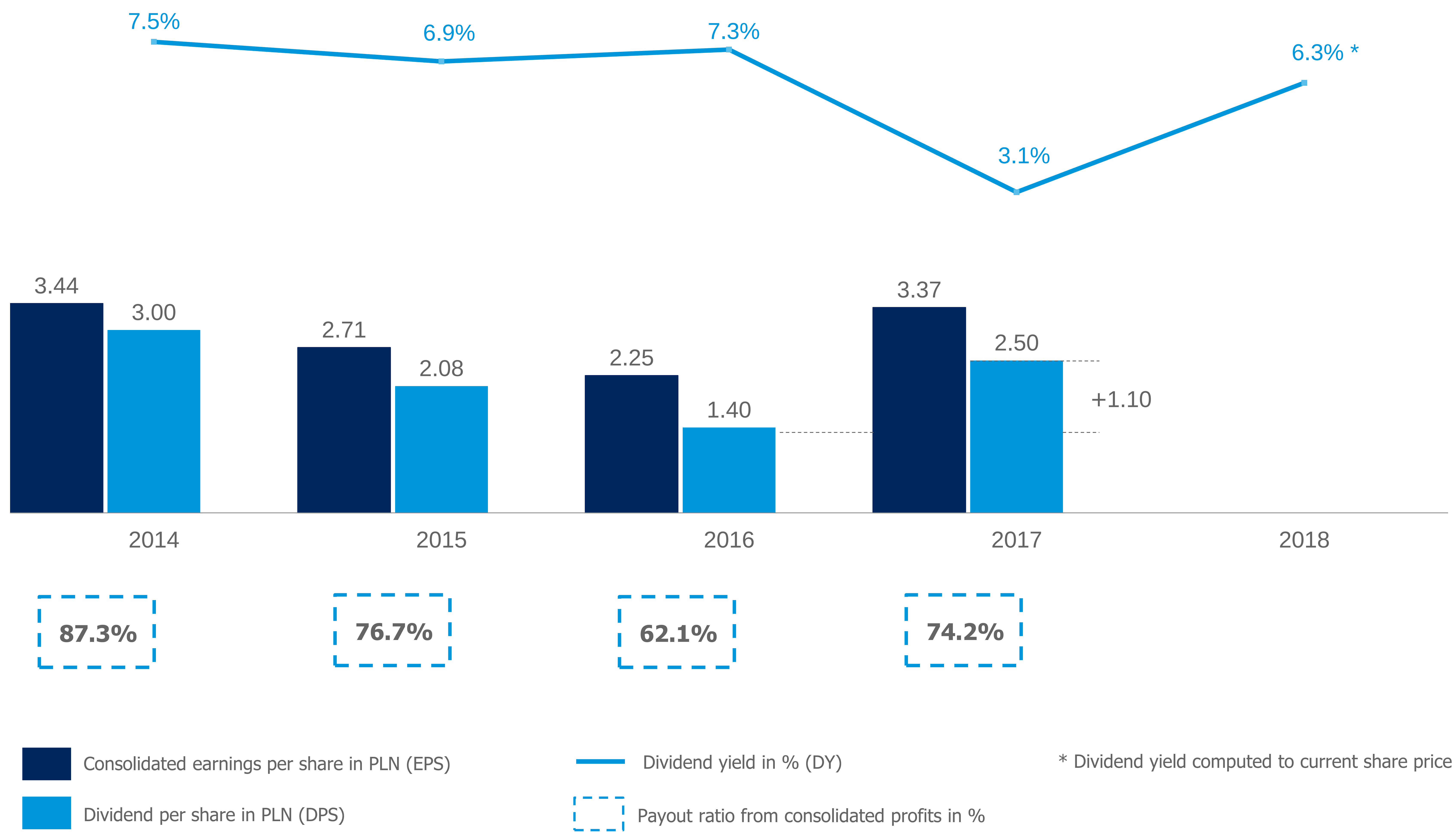
Investments

- Lower result on equity instruments caused by softer market conditions on the Warsaw Stock Exchange.
- Better performance of the portfolio of Polish treasury bonds marked to market.

Banks

- Increase in the operating result of the segment in the 1Q 2018 as compared to 1Q 2017 by PLN 676 million - the effect of starting the consolidation of Bank Pekao from June 2017 and the higher result of Alior Bank.
- Issuance of PFSA's approval for PZU PTE to take over the management of Pekao OFE.

Declaration of the payment of a dividend from the PZU's profits generated in 2017



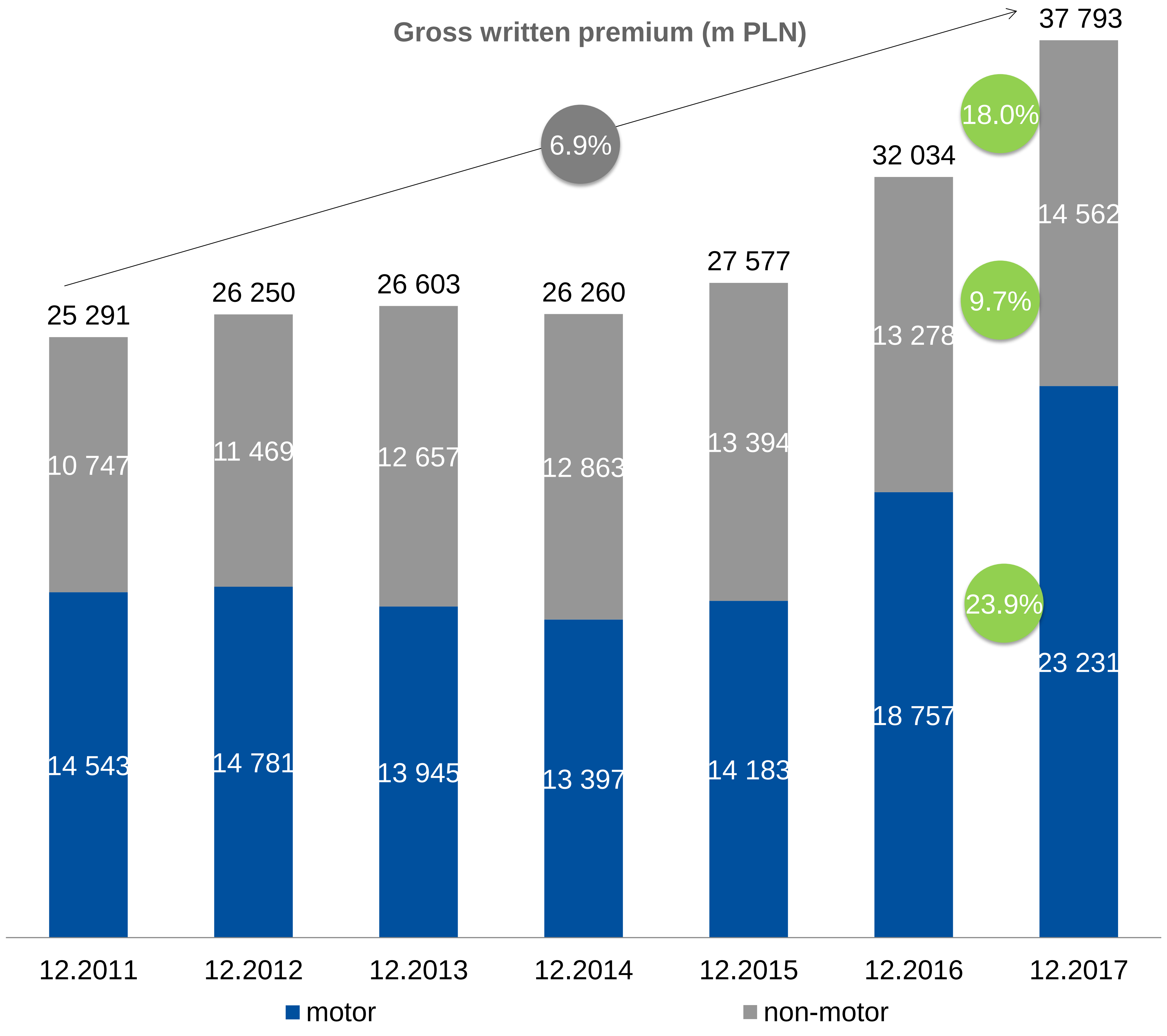
* Dividend yield computed to current share price - ca. PLN 40.00

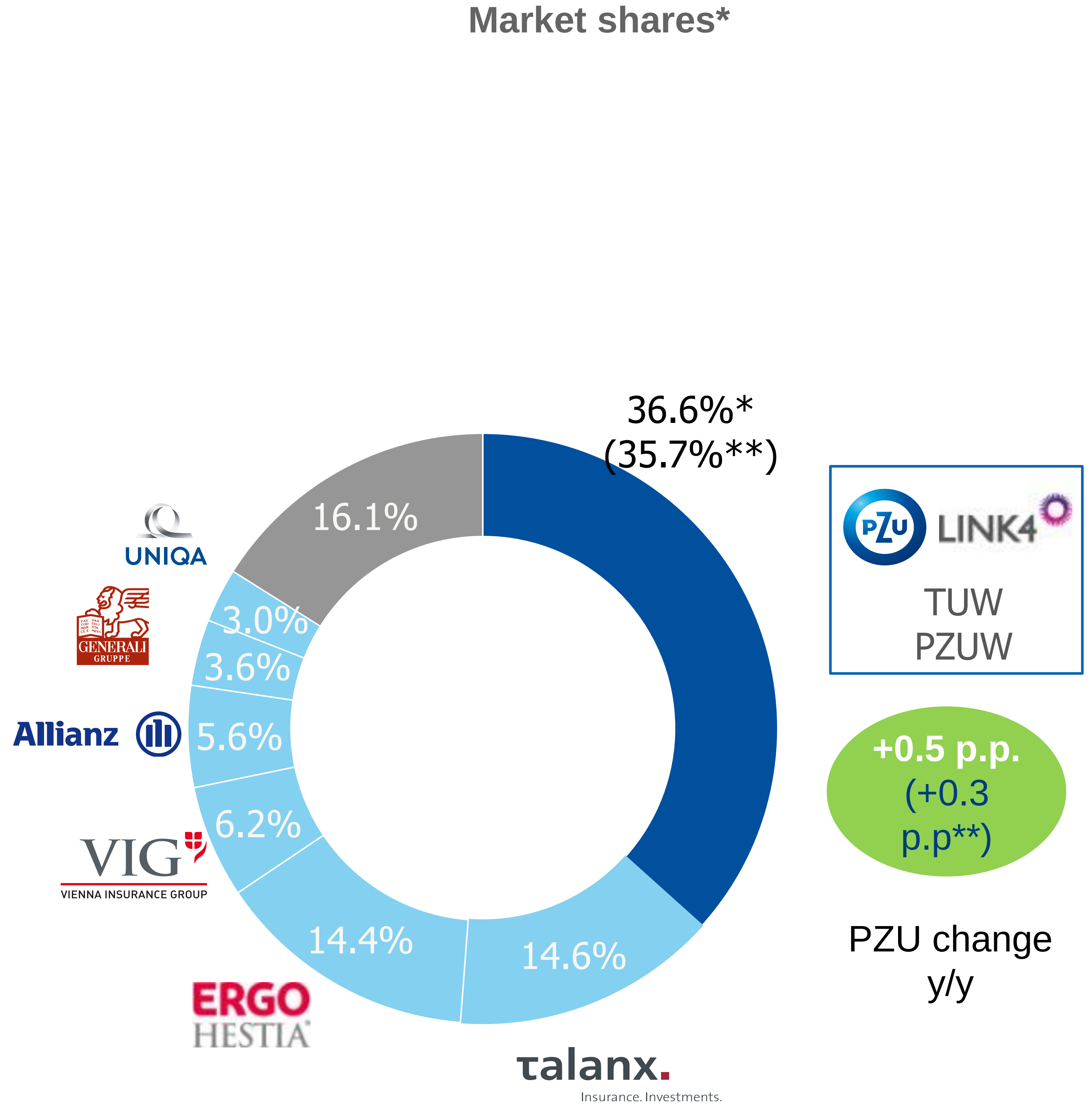
PZU Group's gross written premium

External gross written premium

Insurance segments (m PLN), local GAAP	03.2017	03.2018	Change y/y
TOTAL	5 768	5 831	1.1%
Total non-life insurance – Poland	3 279	3 338	1.8%
Mass insurance – Poland	2 653	2 711	2.2%
Motor TPL	1 123	1 145	2.0%
Motor own damage	644	652	1.2%
Other products	886	914	3.2%
Corporate insurance – Poland	626	627	0.2%
Motor TPL	167	193	15.6%
Motor own damage	203	209	3.0%
Other products	256	225	(12.1)%
Total life insurance – Poland	2 122	2 068	(2.5)%
Group and individually continued insurance – Poland	1 714	1 722	0.5%
Individual insurance – Poland	408	346	(15.2)%
Total non-life insurance – Ukraine and Baltic States	343	400	16.6%
Baltic States non-life insurance	301	360	19.6%
Ukraine non-life insurance	42	40	(4.8)%
Total life insurance – Ukraine and Baltic States	24	27	12.5%
Baltic States life insurance	14	15	7.1%
Ukraine life insurance	10	12	20.0%

Non-life insurance market in Poland





xx% - CAGR

x% - Change year-on-year

* According to the Polish FSA's quarterly report for the four quarters of 2017; the market and market shares including PZU's inward reinsurance from Link4 and TUW PZUW;

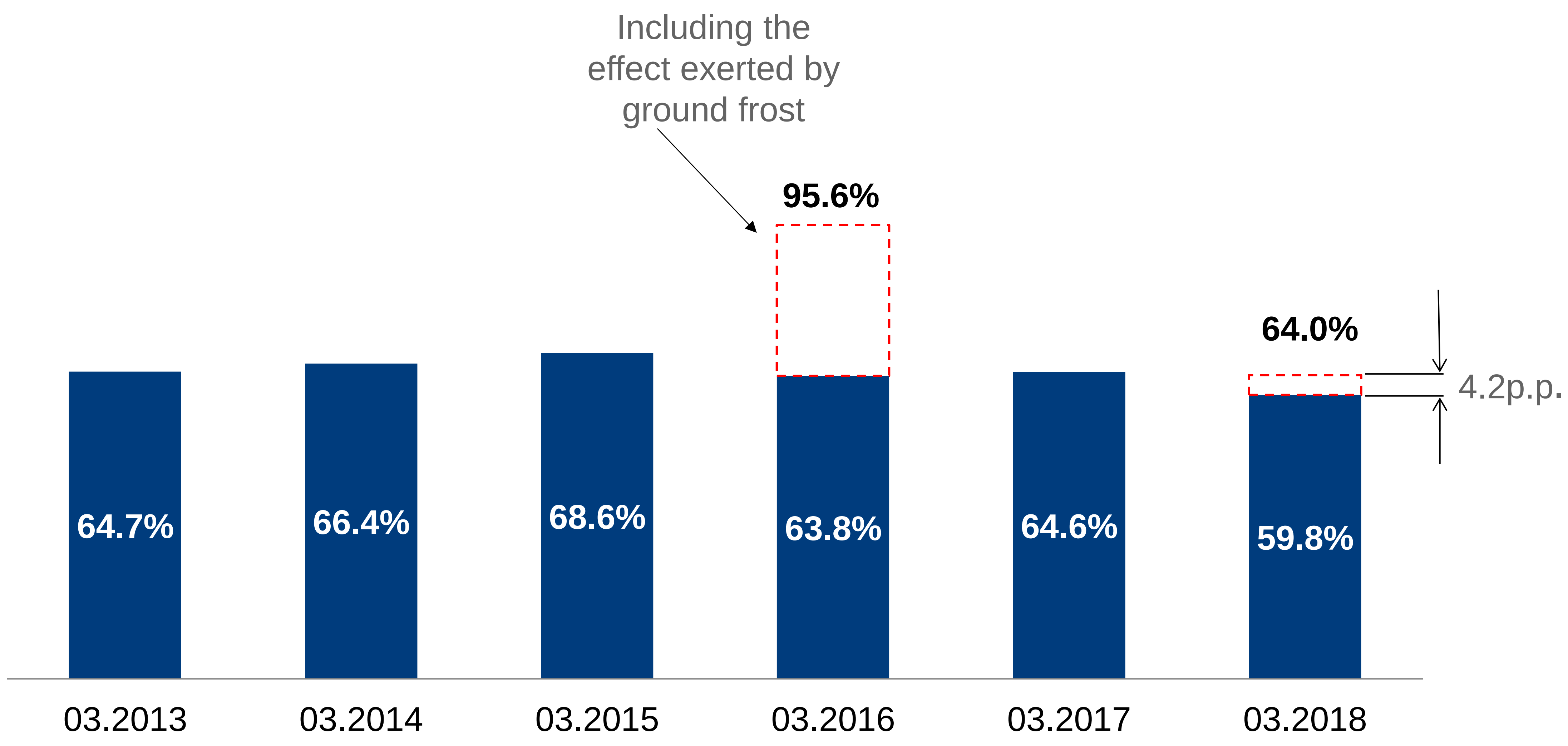
** PZU Group's market share in non-life insurance on direct business at the end of Q4 2017.

Non-life insurance market in Poland

- In the four quarters of 2017 the PZU Group had a 35.7% share in the non-life insurance market on direct business (growth of 0.3 p.p.) despite the material changes in the split of the non-life insurance market affecting the year-on-year comparability of premium levels (among others acquisitions triggering the imposition of the duty of reporting to the Polish regulatory authority (FSA) on entities that to date had operated on the Polish market in the form of branches).
- PZU Group's strong market position in motor insurance, including direct business with a market share of 38.4%.
- The PZU Group's technical result stated as a percentage of the overall market's technical result is 57.6% (the PZU Group's technical result is 1.197 m PLN while the overall market's technical result is 2.078 m PLN), thereby confirming this insurance portfolio's high profitability.

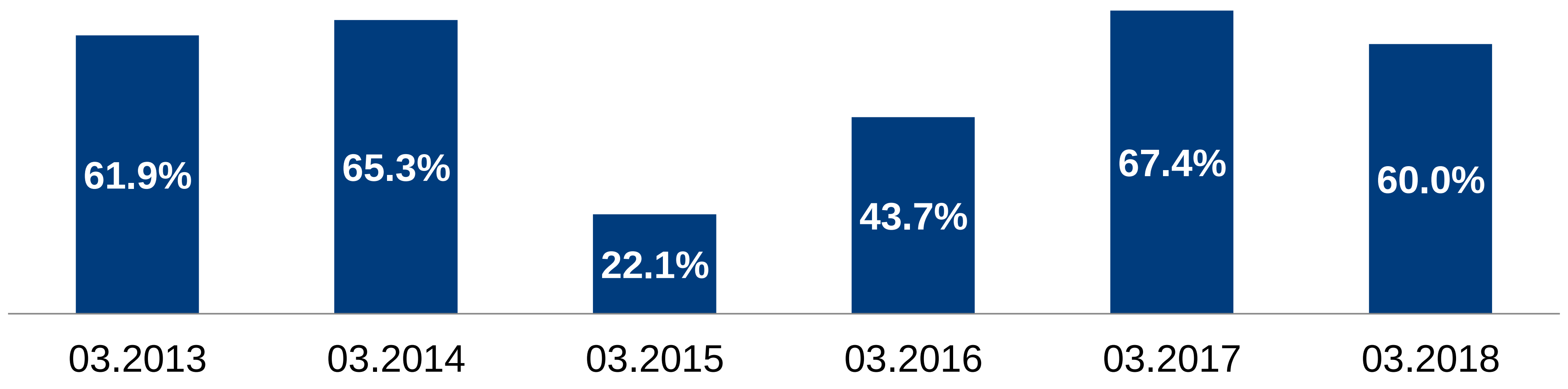
Stable profitability in other non-life insurance

Combined ratio (COR) in non-motor insurance – mass segment



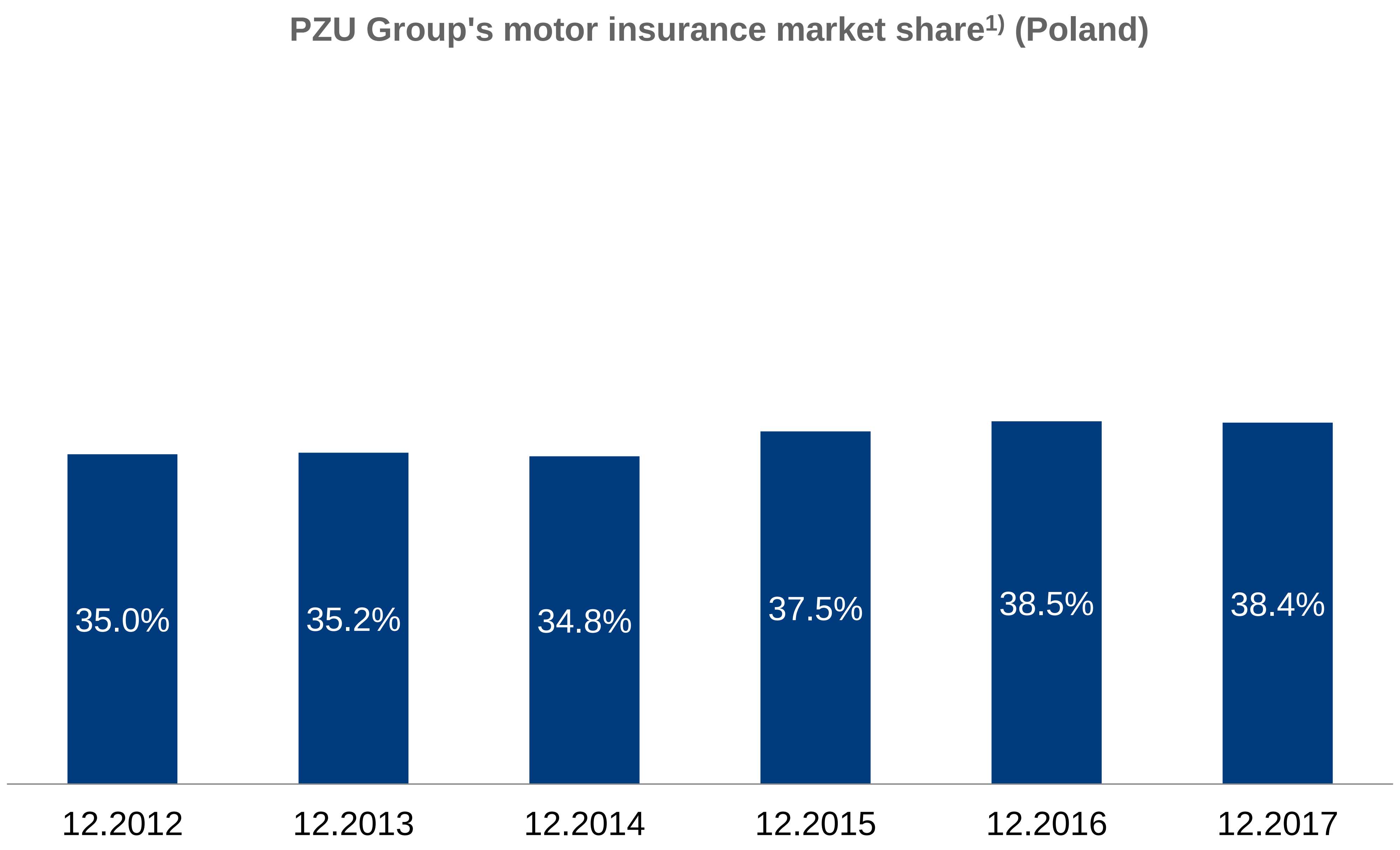
Following numerous crop losses (adverse consequences of ground frost) in 2016, high profitability in non-motor insurance was maintained, largely driven by the solid results on household insurance.

Combined ratio (COR) in non-motor insurance – corporate segment



Gradual return to pre-2017 profitability when several, single high value claims were recorded (among others, claims from as far back as 2014 in which PZU is the co-insurer).

Enhanced performance in motor insurance coupled with stable market share (1/2)

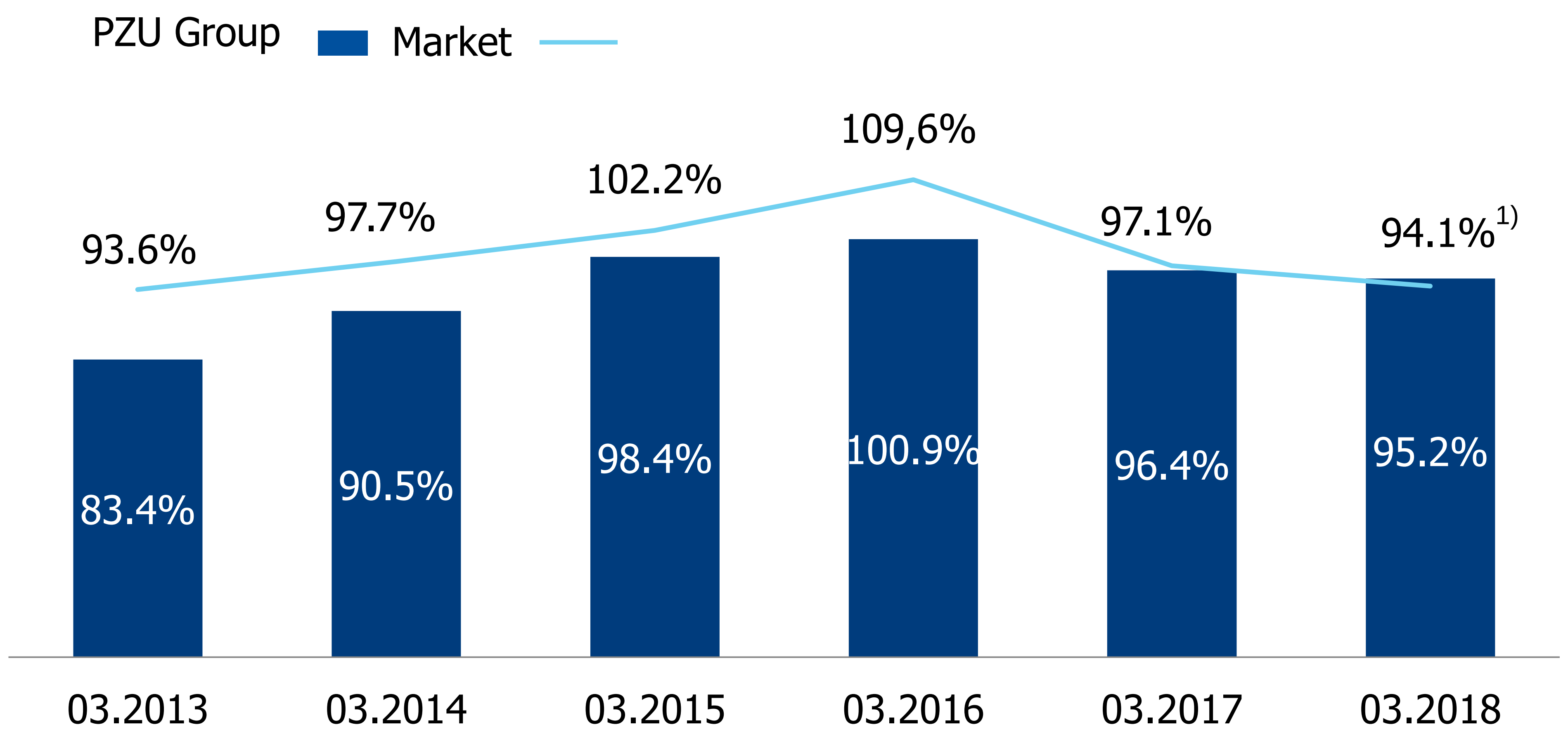


- After a period of fierce price competition translating into the overall market's deteriorating results, a return to portfolio profitability and initial efforts to make slight movements in the average price are visible.
- PZU made changes to its average premium in accordance with the PFSA recommendations to maintain price adequacy for the risk undertaken, which is especially visible in insurance for leases, fleets and in the dealer channel by discontinuing unprofitable contracts and thereby electing to experience a slight dip in its market share.
- Considering the most recent case law of the Supreme Court pertaining to pain and suffering caused by the permanent loss of health of a relative who is in a vegetative state, average claim inflation and capital requirements, expected further pressure to cut prices in motor insurance is limited.

[1]) According to the Polish FSA's Q4 2017 report; the market and market shares on direct business; PZU jointly with TUW PZUW and Link4 (since 2015).

Enhanced performance in motor insurance coupled with stable market share (2/2)

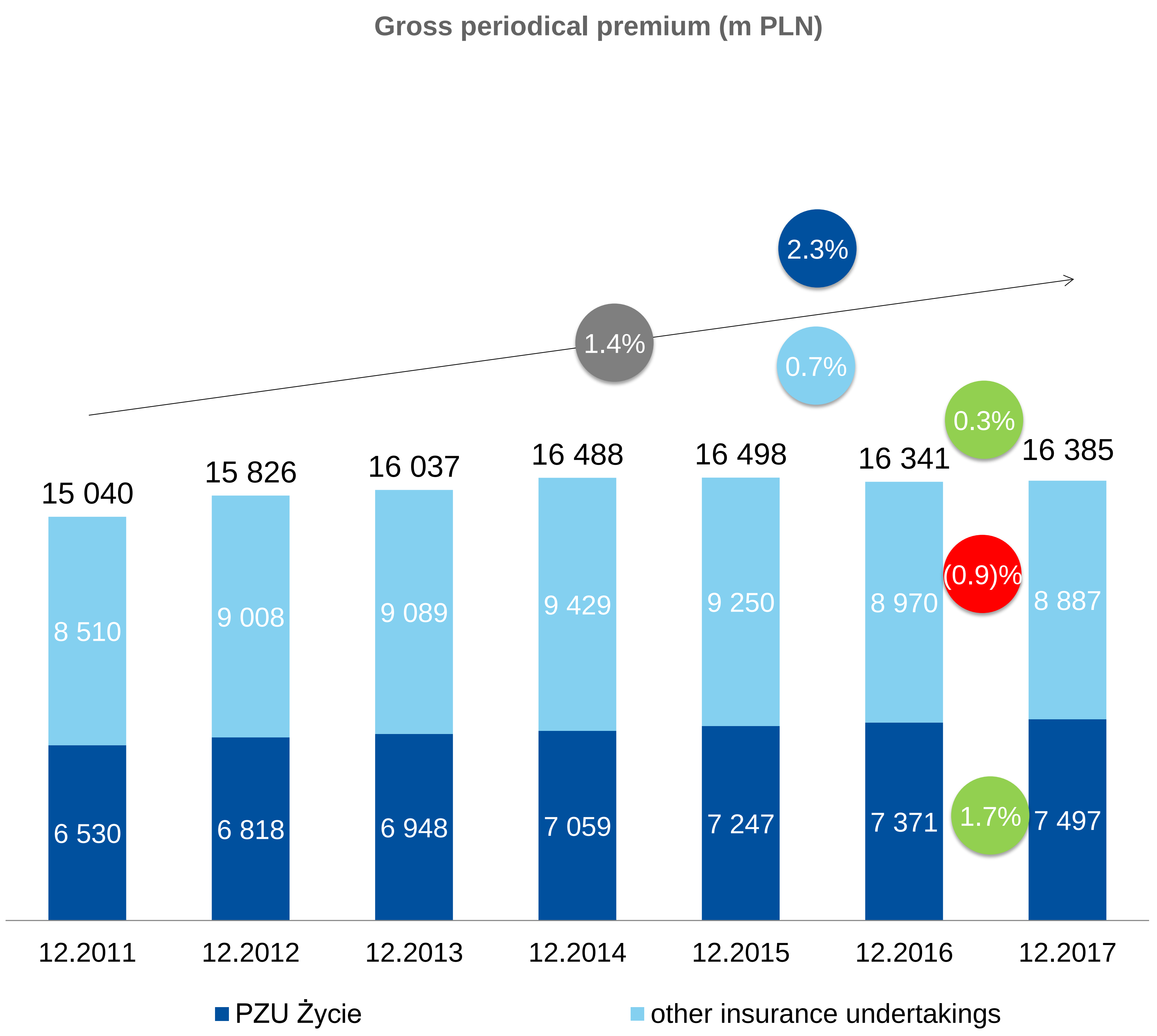
PZU Group's combined ratio (COR) in motor insurance (Poland)

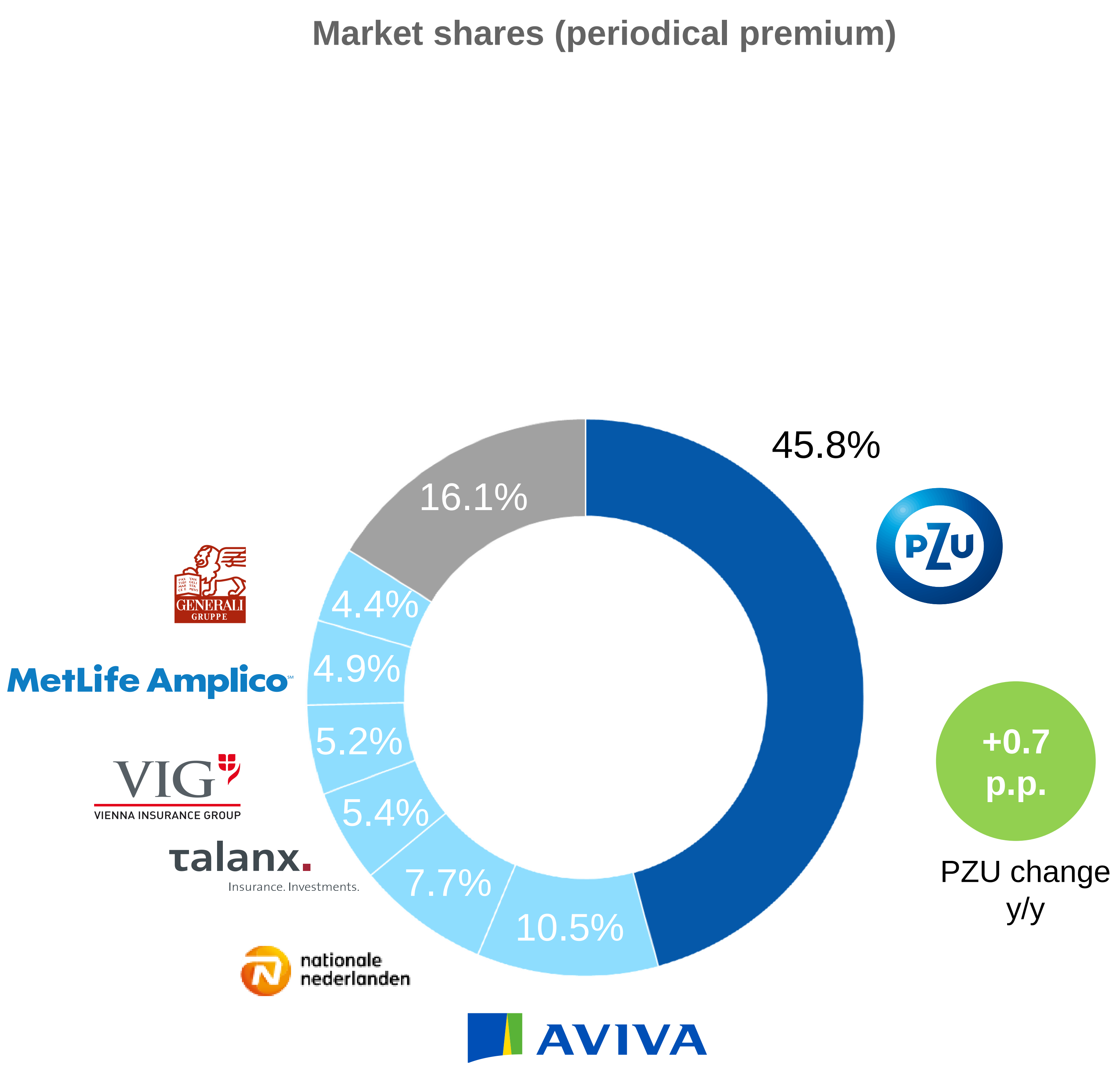


[1] According to the Polish FSA's Q4 2017 report

- The return to, and stabilization of, the portfolio's profitability creating room for greater activity among competitors to tweak the average price are being observed.
- At the same time, the Supreme Court's recent ruling (of 27 March 2018) opens up an entirely new catalogue of claims against insurance undertakings, enabling injured parties to claim pain and suffering from accident perpetrator for the pain caused by the permanent dismemberment of a relative in a vegetative state and requiring constant care and assistance.
- Despite the heightened activity of competitors, price adequacy and capital requirements exacerbated by the Supreme Court's resolutions may largely curb the appetite for introducing discounts to the average price, thereby curtailing the magnitude of this phenomenon.
- PZU is still better positioned than its competitors – its strong brand and size enable it to improve underwriting profitability (including motor business) while simultaneously having a high market share. In Q1 2018 PZU reported a high technical result in the motor insurance group.
- PZU's maintenance of cost discipline makes a positive contribution to its profitability – it has managed to maintain its operating expense ratio at a similar level in recent years despite evolution in distribution.

Life insurance market in Poland





xx% - CAGR

x% - Change year-on-year

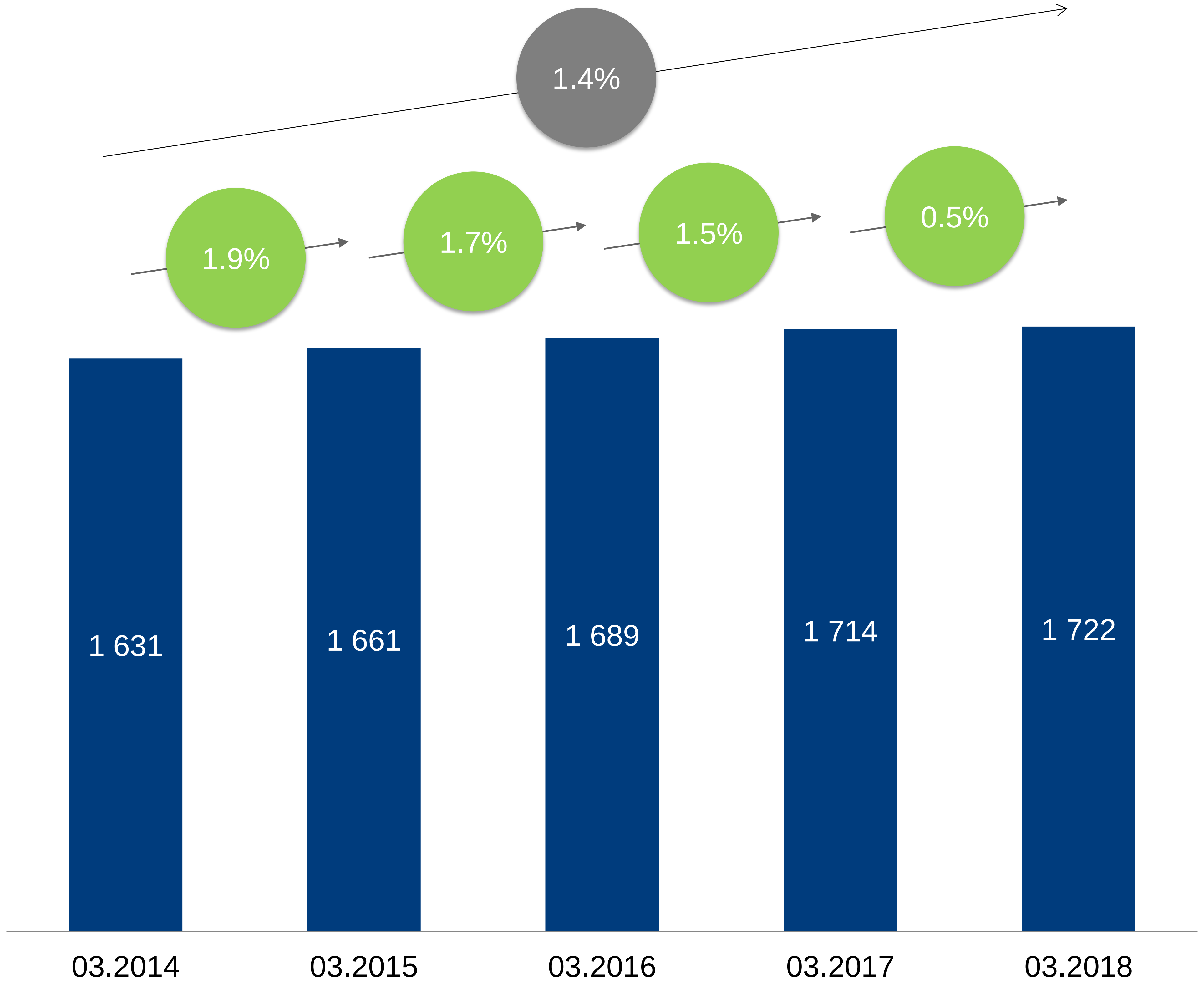
x% CAGR of PZU Życie/other insurance undertakings

Life insurance market in Poland

- PZU Życie's life insurance market share measured by the gross written premium in the four quarters of 2017 was 34.9% (up 1.2 p.p. y/y).
- The y/y decline in the periodic premium generated by the overall market net of PZU was -0.9%, while in this same period PZU Życie posted growth of 1.7%.
- This translated into material growth in PZU Życie's periodic premium market share to 45.8% (+0.7 p.p. y/y, its highest level since 2010).
- PZU Życie's market share of periodic premium for class I insurance (life insurance) was 65.4% when measured by gross written premium and 72.7% when measured by the number of policies in force, while for this same class of insurance concluded in group form, PZU Życie's market share was 68.1%.
- PZU Życie's result accounted for more than 50% of the technical result and of the net result generated by all the life insurance companies in Poland.
- PZU Życie generated a technical result profitability double the amount of its competitors on average – the margin generated by PZU Życie was 19.0%, while the margin generated by the other players was 8.9%.

Growth in revenues from group and individually continued insurance

Gross written premium (m PLN)



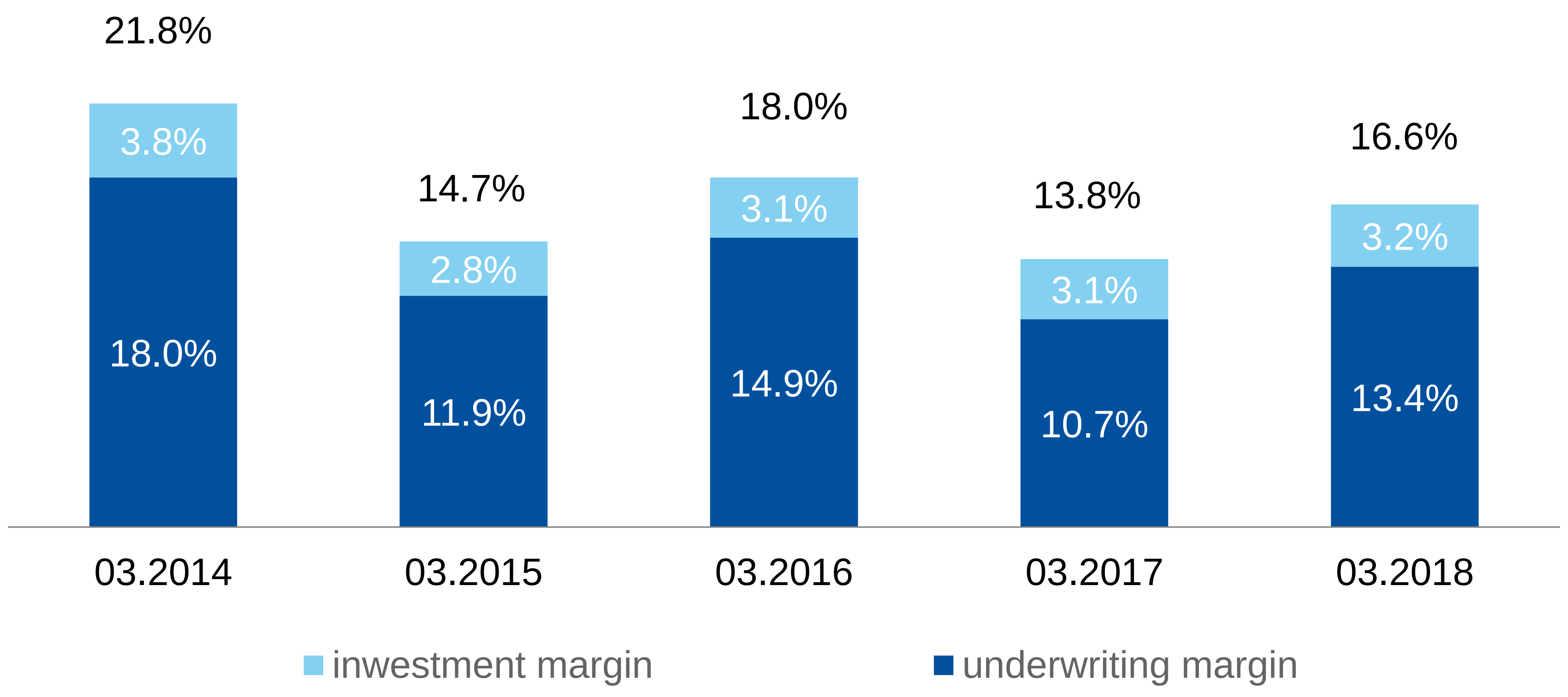
- Lessening the pressure on the premium growth rate making it possible to control the loss ratio.
- Rising share of health insurance premiums - new clients in outpatient insurance and sales of different options of the medicine product. At the end of March 2018, PZU Życie had approximately 1.5 million in force contracts of this type. A new rider to continued insurance was launched under the name “PZU Uraz ortopedyczny [PZU orthopedic injury]”.
- Upsales of riders in individually continued products continue to be successful.
- The revenues in group protection products faced pressure from higher lapses in groups (place of employment) due to the retirement age being statutorily reduced in Q4 2017.

xx% - CAGR

x% - Change year-on-year

Profitability of group and individually continued insurance increased year on year

Margin (%)*

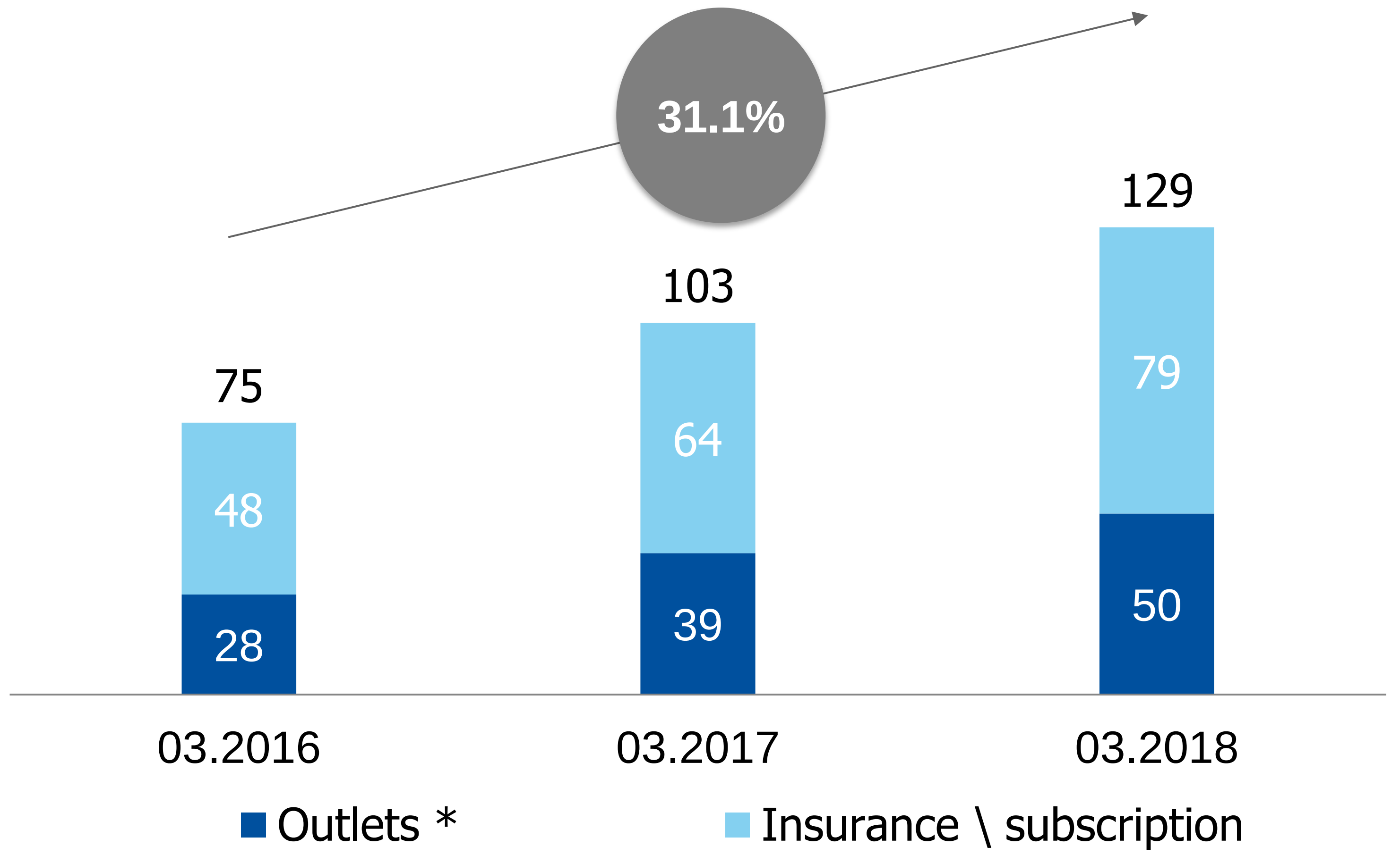


* Segment margin net of the conversion effect

- In the first quarter of each year, the lowest profitability is generated on a recurring basis when compared with the other quarters – seasonality of benefits (deaths and illnesses in the winter time) and the highest number of indexations of sums insured and premiums in continued insurance leading to higher technical provisions.
- The margin in the group and individually continued insurance segment rose year on year chiefly on account of improving the loss ratio in protection products also as an offshoot of the lower frequency of deaths in the period under analysis.
- The pressure caused by changes in the portfolio of insureds caused by the statutory change in the retirement age.
- New individual continuation's positive contribution to the segment's results by setting up lower mathematical reserves at the start of liability of these agreements.

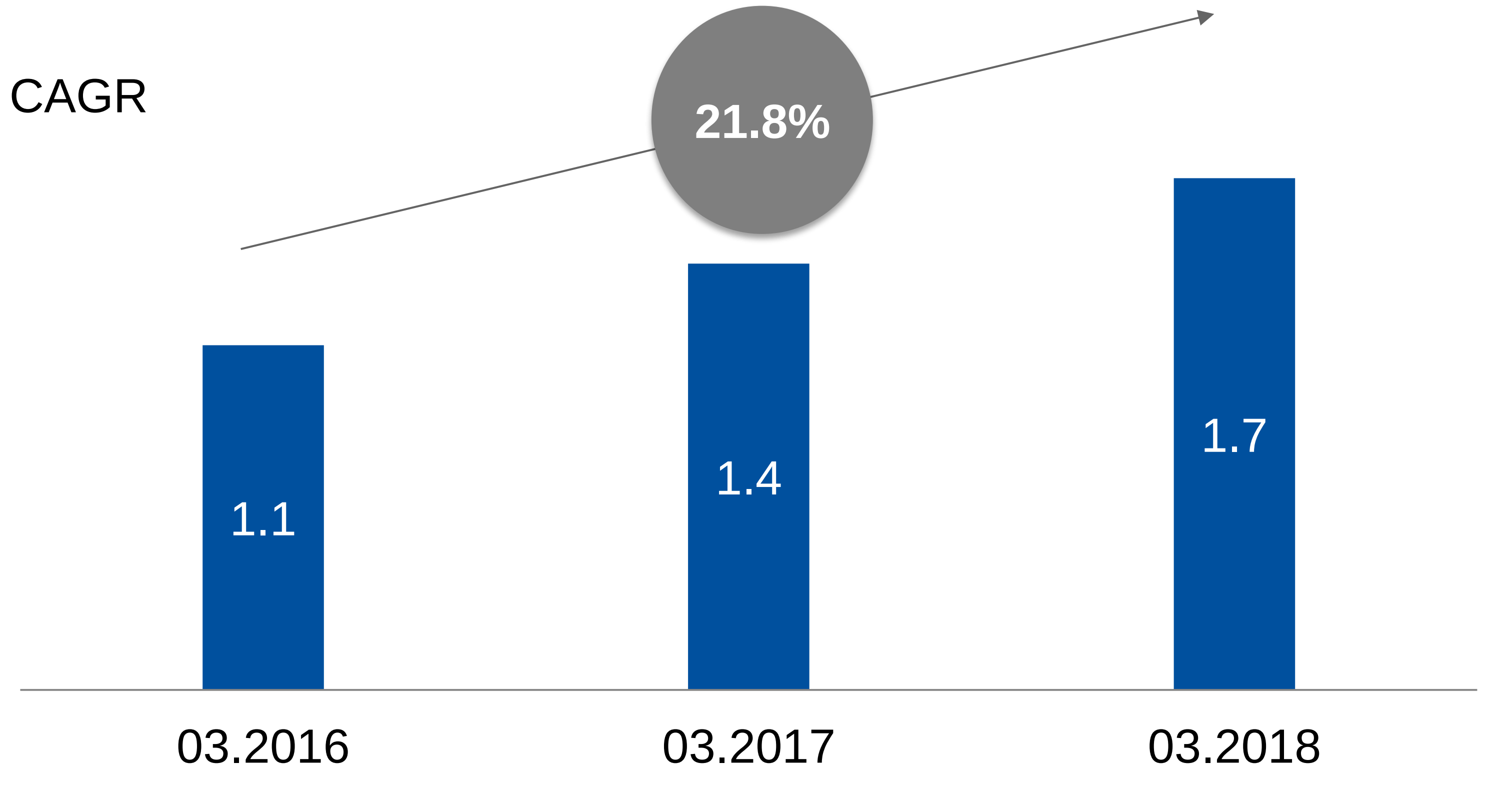
Health

Revenues (mPLN)



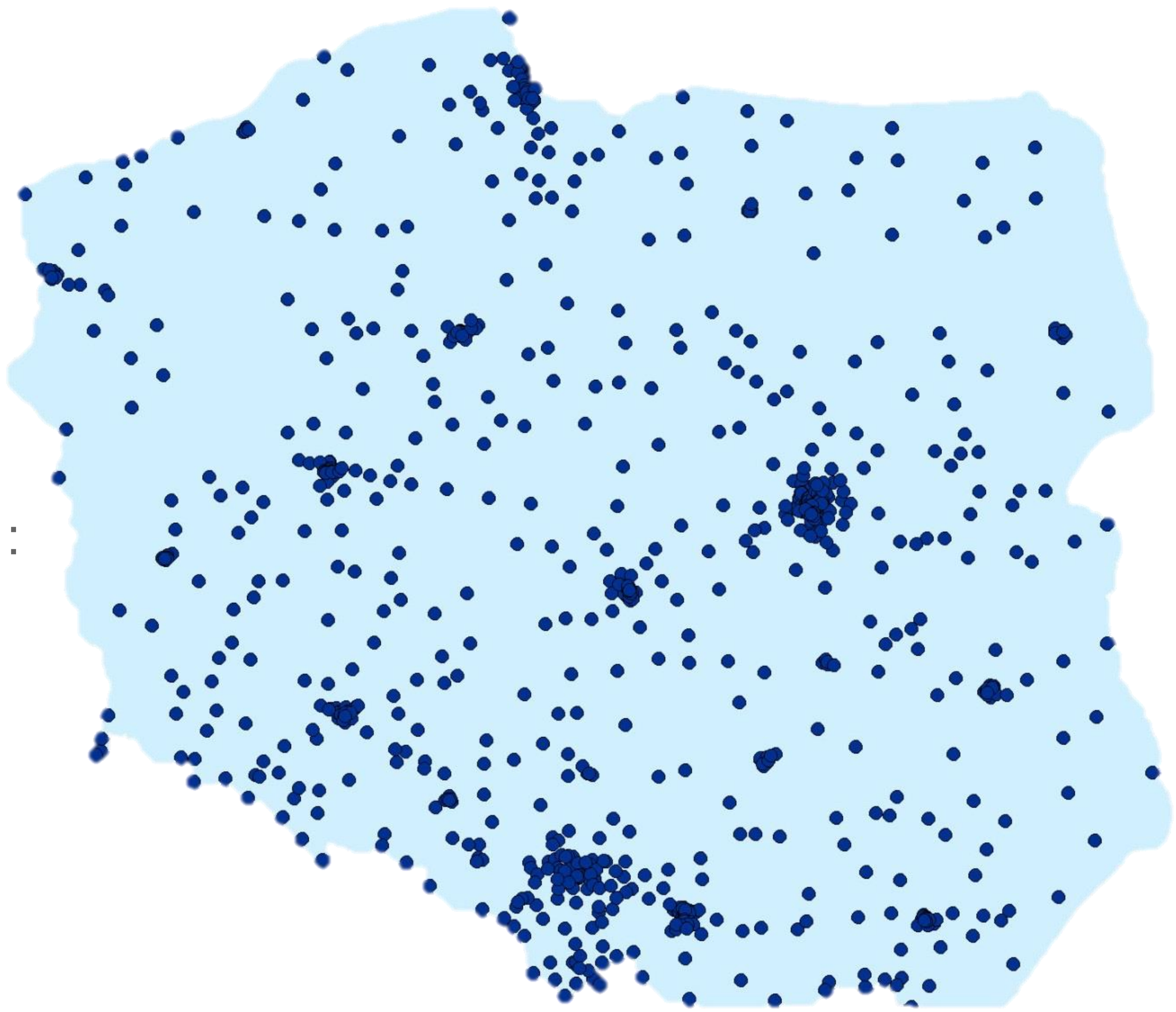
Number of agreements (m)**

xx% - CAGR



Cooperation with the follwoing :

- **1 200** physicians
- **50** hospitals across Poland
- **7 400** pharmacies



2000 locations

500 cities

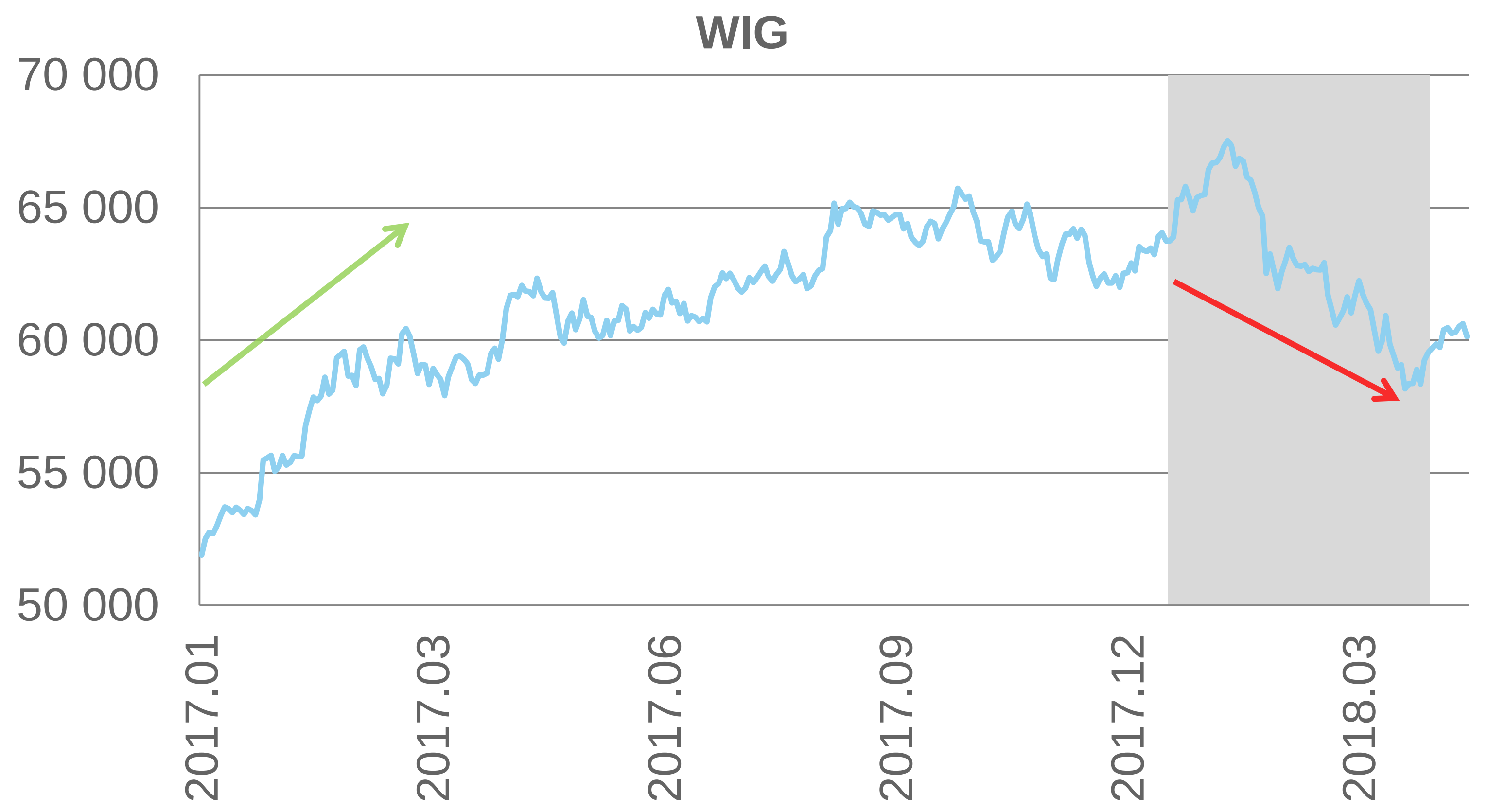
140 specializations

60 proprietary medical centers

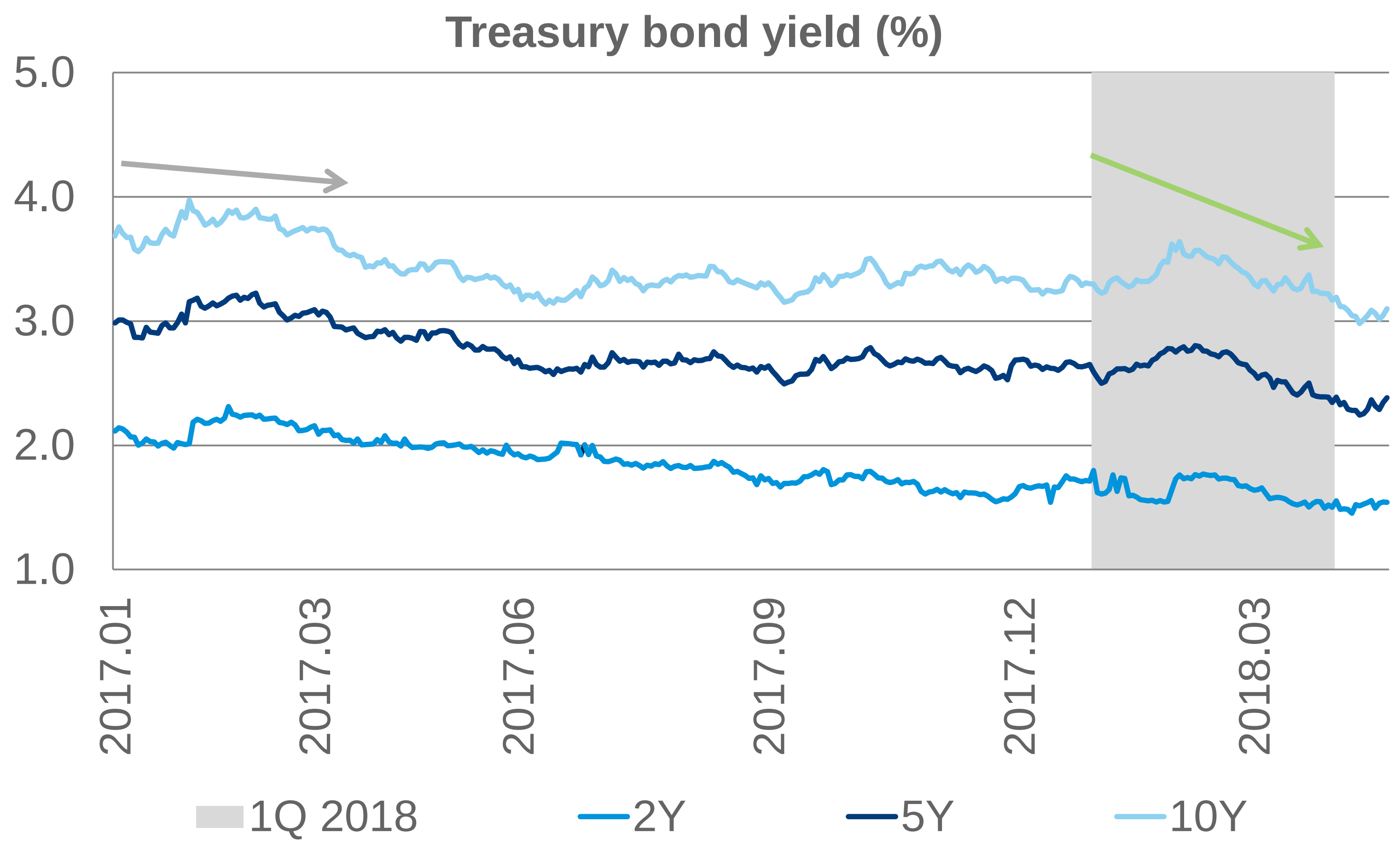
*data presented for the period from the beginning ot the year regardless of the time of aquisition; the revenues of medical centers – presented in managerial accounting in a corresponding manner to the other centers, i.e. including revenues from PZU Zdrowie

** insurance and non-insurance products in the PZU Group

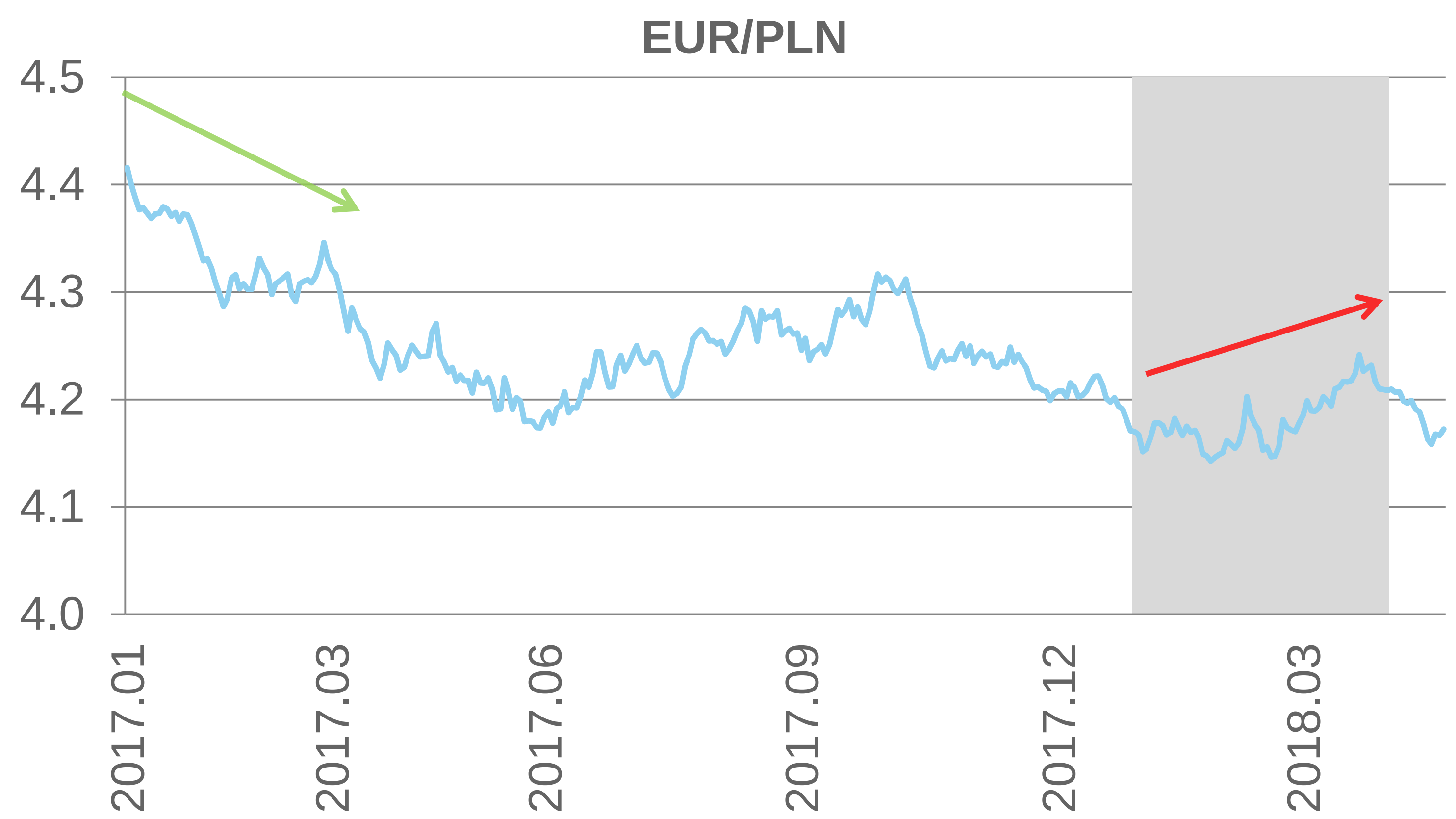
Squeezed results on equity portfolios offset by better results on Polish treasury bonds portfolio



Q1 2017: +11.9%
Q1 2018: -8.4%

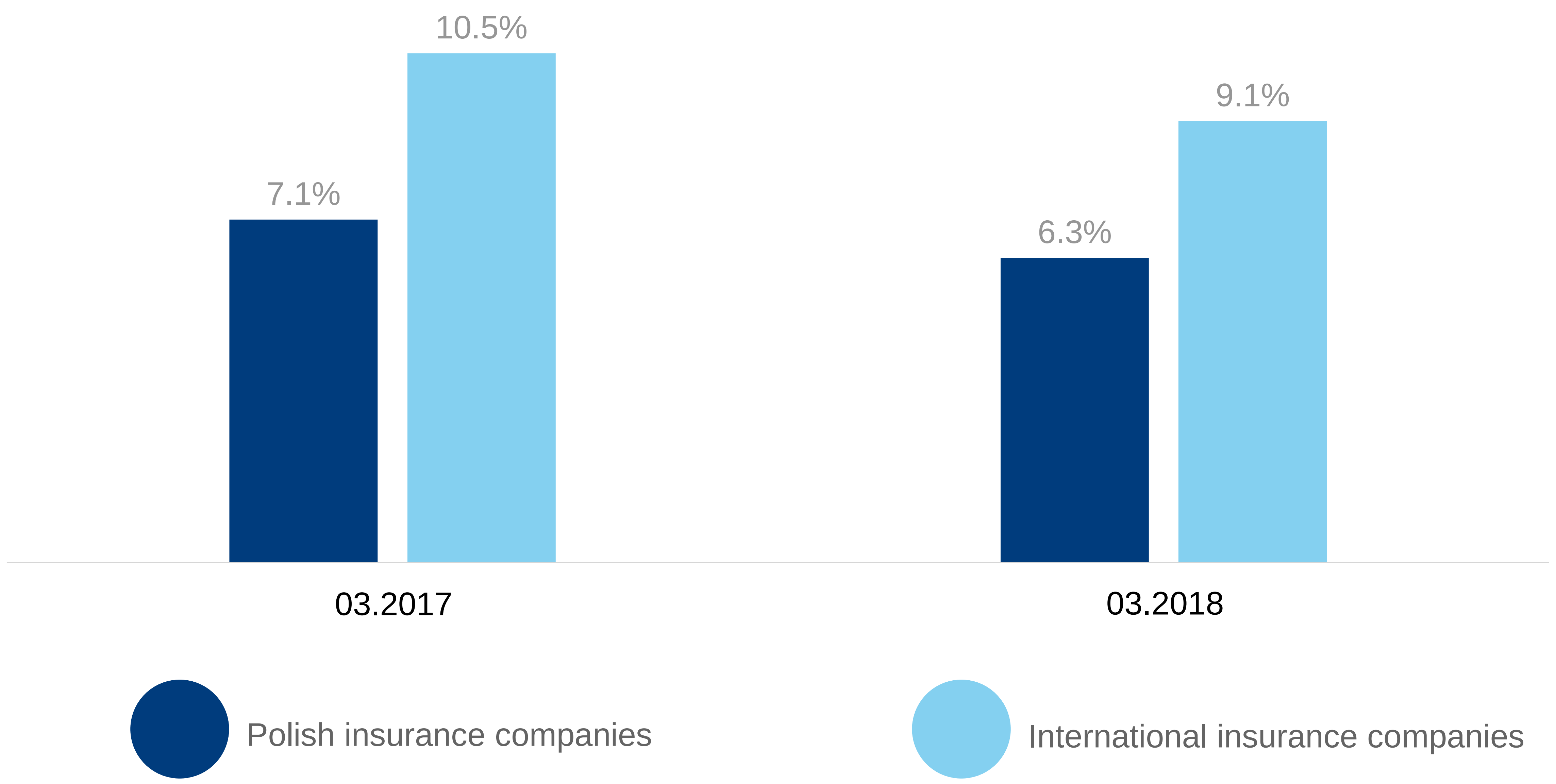


Q1 2017: -1 bps
Q1 2018: -19 bps



Q1 2017: -4.6%
Q1 2018: +0.9%

Further improvement in cost effectiveness

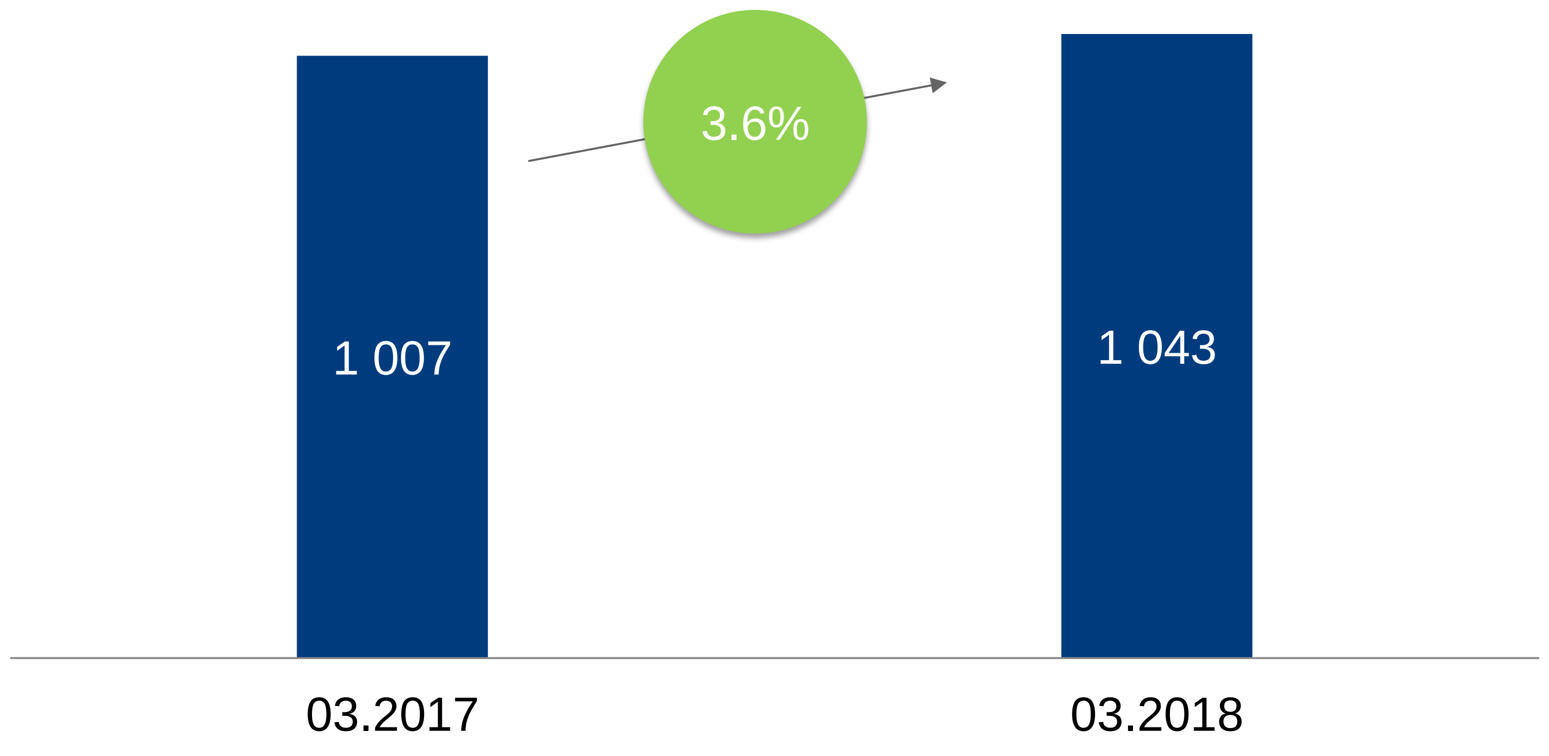


- The declining administrative expense ratio in Poland was driven mainly by maintaining cost discipline coupled with the growing magnitude of business.
- Improvement in the administrative expense ratio in international companies chiefly due to rapid sales growth coupled with simultaneously containing costs at a stable level.

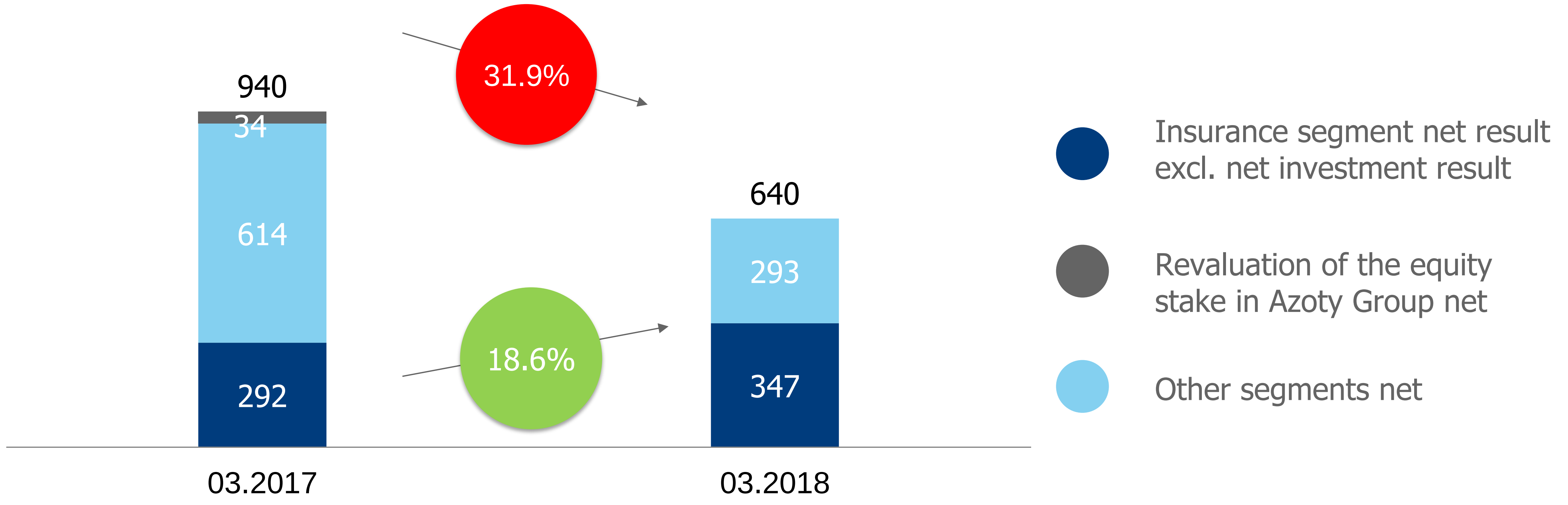
Administrative expense ratio calculated using the equation: administrative expenses in the insurance segments / net earned premium

PZU Group's net result

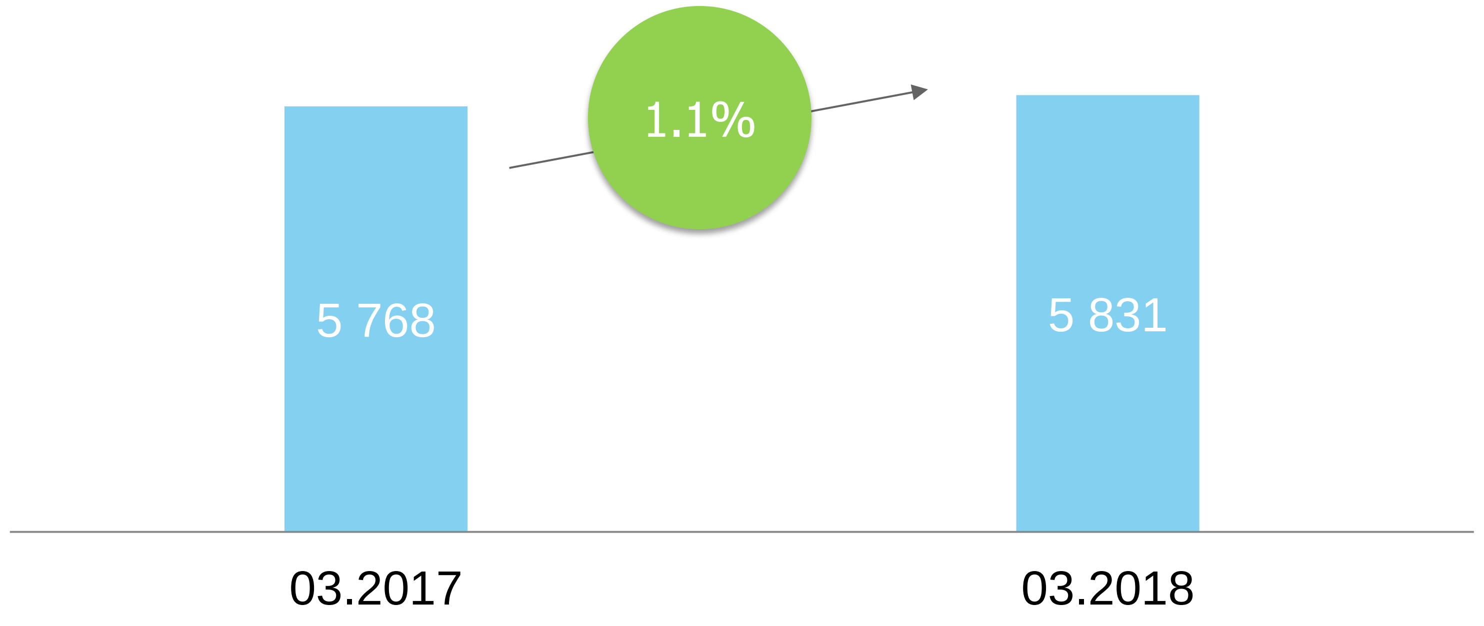
PZU Group's net profit (m PLN)



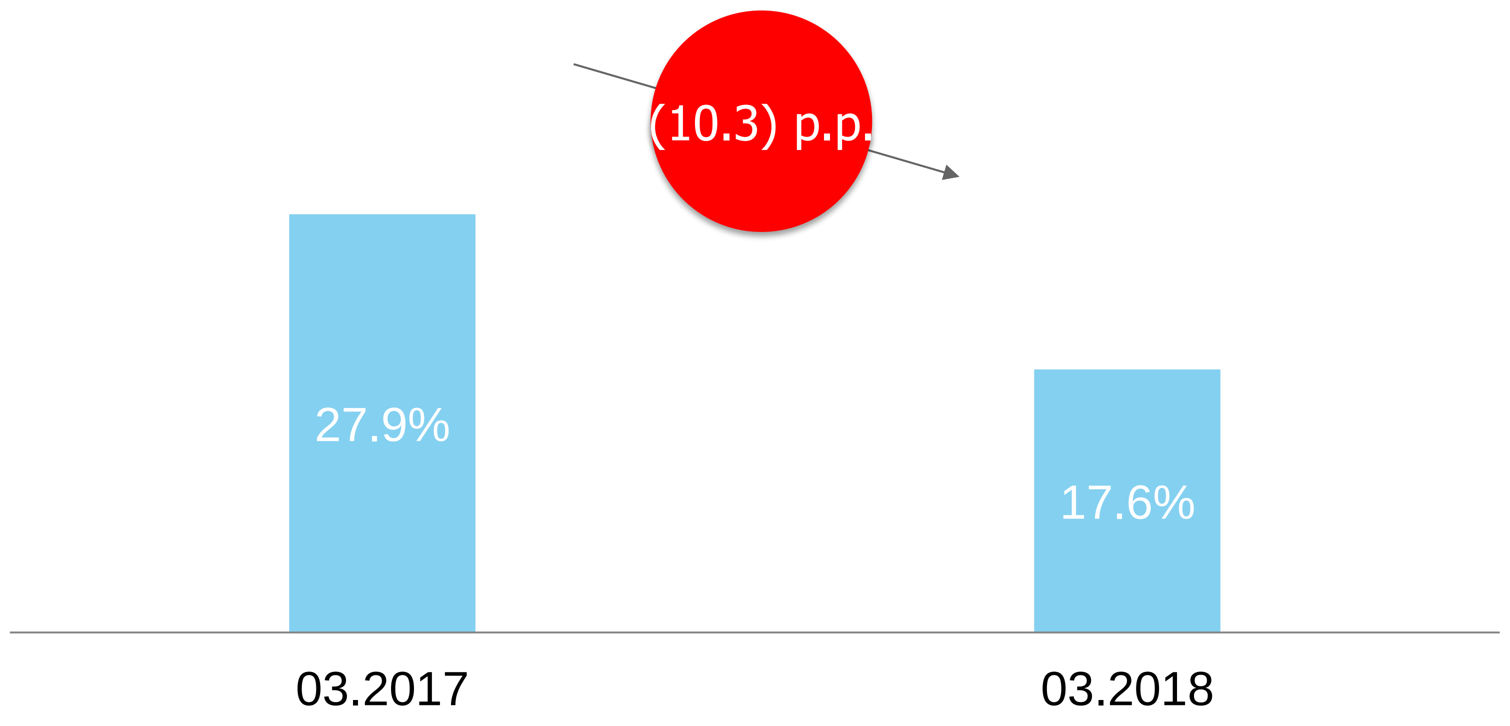
Net profit – parent company (m PLN)

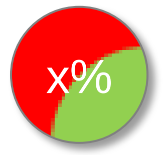


PZU Group's gross written premium (m PLN)



Return on equity (ROE) (%) *





- Change year-on-year

* Ratio computed using equity at the beginning and end of the reporting period.
Computed for the parent company

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

	03.2017	03.2018	Change YoY
PZU GROUP EXCLUDING ALIOR BANK AND PEKAO			
Gross written premium[1]	**5 768**	**5 831**	**1.1%**
Net insurance claims and benefits	(3 710)	(3 626)	(2.3)%
Net investment result - main portfolio[2]	671	301	(55,1)%
Net investment result - investment products	228	(72)	*x*
Net investment result - temporary FX on investment property valuation	112	(21)	*x*
Net investment result - other	(51)	(58)	12,9%
Administrative expenses	(400)	(379)	(5,3)%
Acquisition expenses	(694)	(755)	8.8%
Operating profit (loss)	**1 125**	**646**	**(42.6)%**
Net profit (loss)	911	513	(43,7)%
Acquisition expenses ratio in the insurance segments	*14,0%*	*14,2%*	0.2 p.p.
Administrative expenses ratio in the insurance segments	*7,3%*	*6,5%*	(0.8) p.p.
Net profit (loss)attributable to equity holders of the parent company	**911**	**513**	**(43.7)%**
BANKS: ALIOR BANK AND PEKAO			
Net profit (loss)attributable to equity holders of the parent company	**28**	**127**	**355.1%**
NET PROFIT (LOSS) ATTRIBUTABLE TO EQIUTY HOLDERS OF THE PARENT COMPANY	**940**	**640**	**(31.9)%**
PRINCIPAL FINANCIAL RATIOS			
ROE[3]	27,9%	17,6%	(10.3) p.p.
Combined Ratio[4]	87,0%	86,0%	(1.0) p.p.
Operating Profit Margin[5]	13,8%	16,6%	2.8 p.p.

1. Net of the elimination of consolidation adjustments
2. After factoring in interest expenses
3. Ratio computed using equity at the beginning and end of the reporting period. Computed for the parent company
4. Only for non-life insurance in the PZU Group
5. Margin for the group and individually continued insurance segment net of the conversion effect

Increase / decrease (positive impact) Increase / decrease (negative impact)

EXECUTION OF THE GROUP'S STRATEGY FOR 2017 – 2020

Execution of the key metrics of the Strategy for 2017-2020

ROE[1]	
03.2018	2020
17.6%	>22%

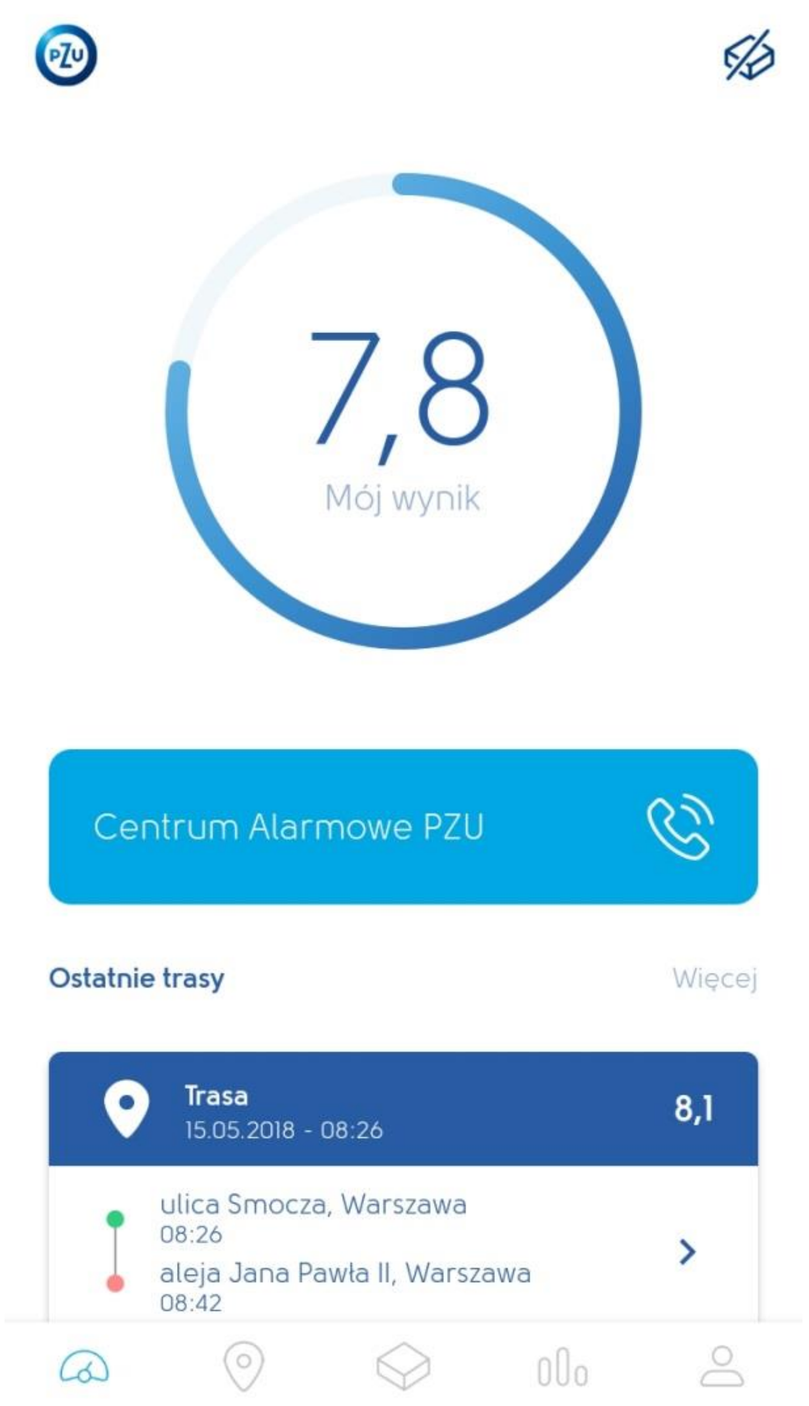
NON-LIFE INSURANCE		LIFE INSURANCE		INVESTMENTS		HEALTH		BANKING	
PZU Group's market share [2,3,4]		Number of clients in PZU Życie (m)		Assets under management for third party clients (bn PLN)		Revenues (m PLN)[9]		Assets (bn PLN)	
12.2017	2020	03.2018	2020	03.2018	2020	03.2018	2020	03.2018	2020
35.7%	38%	10.9	11.0	28.4/47.1 with PIM	65	481.9[12]	1 000	254	>300
Combined ratio [3]		Insurance margin in group and individual continuation		Net result on third party asset management (m PLN) [8]		EBITDA margin [10]		Net financial result attributed to the PZU Group (m PLN)	
03.2018	2020	03.2018	2020	03.2018	2020	03.2018	2020	03.2018	2020
85.3%	92%	16.6%	>20%	102.8[12]/185.4[12] with PIM	200	6.2%	12%	507[12]	>900
Administrative expense ratio [5]		Solvency II solvency ratio [6,7]		Surplus rate of return on its own portfolio above the RFR [11]					
03.2018	2020	12.2017	2020	03.2018	2020				
6.2%	6.5%	211%	>200%	0.0 p.p./ -0.3 p.p.	2.0 p.p.				

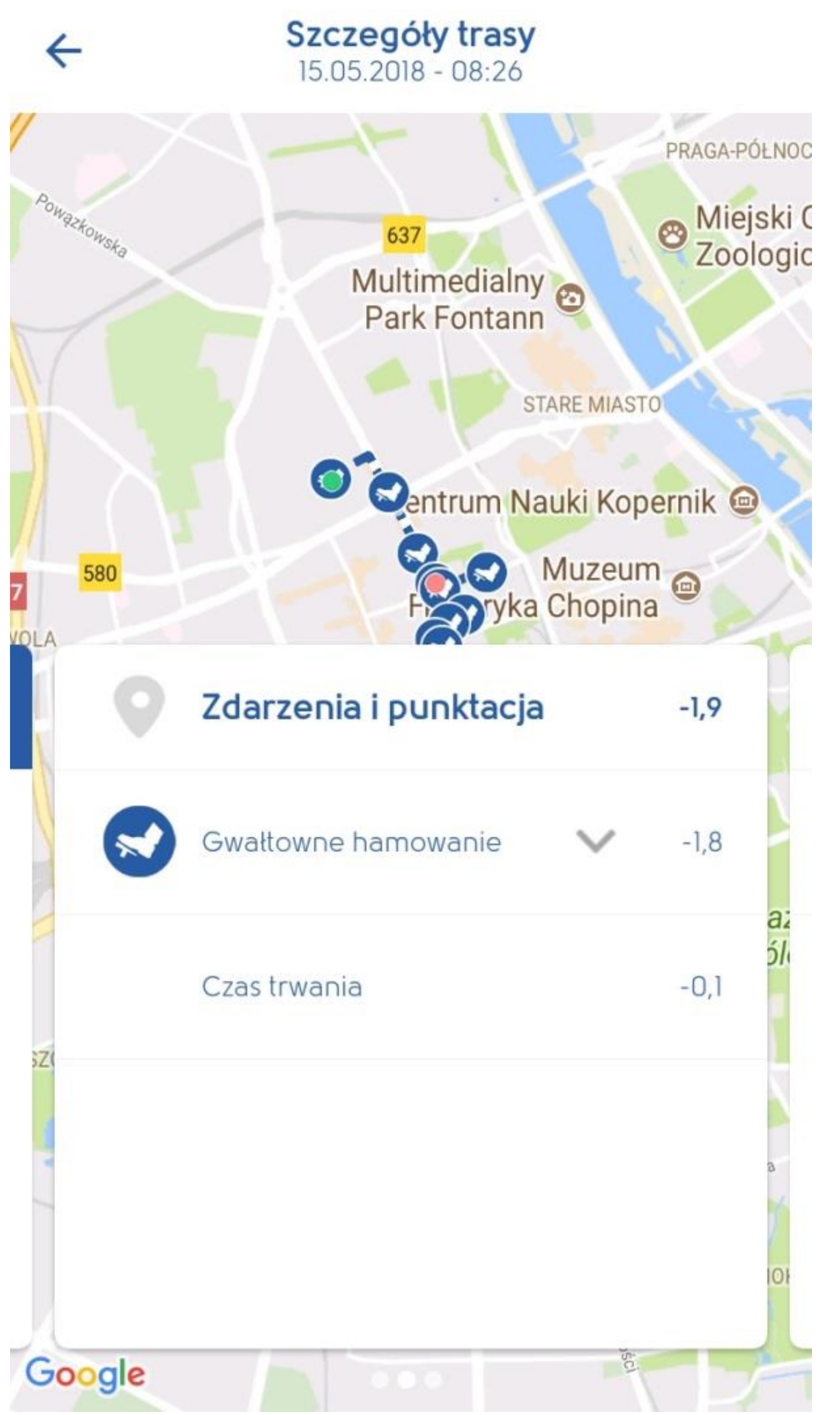
1. ROE attributable to the parent company
2. Direct business
3. PZU jointly with TUW PZUW and Link4
4. Data at the end of Q4 2017
5. Administrative expenses in PZU and PZU Życie
6. Own funds after subtracting anticipated dividends and asset taxes
7. Data at the end of Q42017, unaudited data
8. PZU Inwestycje consolidated net result / PZU Inwestycje net result including 100% Pekao Investment Management result
9. Annualized revenues of proprietary centers and other medical centers including revenues from PZU Zdrowie
10. Net of non-recurring costs; profitability computed using the sum of revenues generated by medical centers and earned premium
11. Economic result of investment activity excluding/including the foreign exchange differences on own debt securities
12. 12 month rolling

Executing the Strategy of Innovation (1/3)

The PZU GO pilot was launched:

- Nearly 100 employees and selected clients are testing the device – they are checking whether the hardware and software operate correctly in every situation and distinguish an accident from some other road-related events.
- This summer PZU will add an even larger number of clients to the test group, while in the fall it plans to launch commercial distribution.





Work was continued on the moje.pzu.pl Self Service platform.

- As of March clients have the ability to enroll in the PZU JA PLUS insurance. This is the first life insurance policy available online. The PZU JA PLUS insurance policy is available through the konto.pzu.pl portal to logged clients and through moje.pzu.pl to clients who are not logged in. An internet marketing campaign to promote this product was kicked off in April.
- PZU posted nearly 40% growth in gross written premium during the first 4 months of this year y/y in sales to new clients via the www channel.

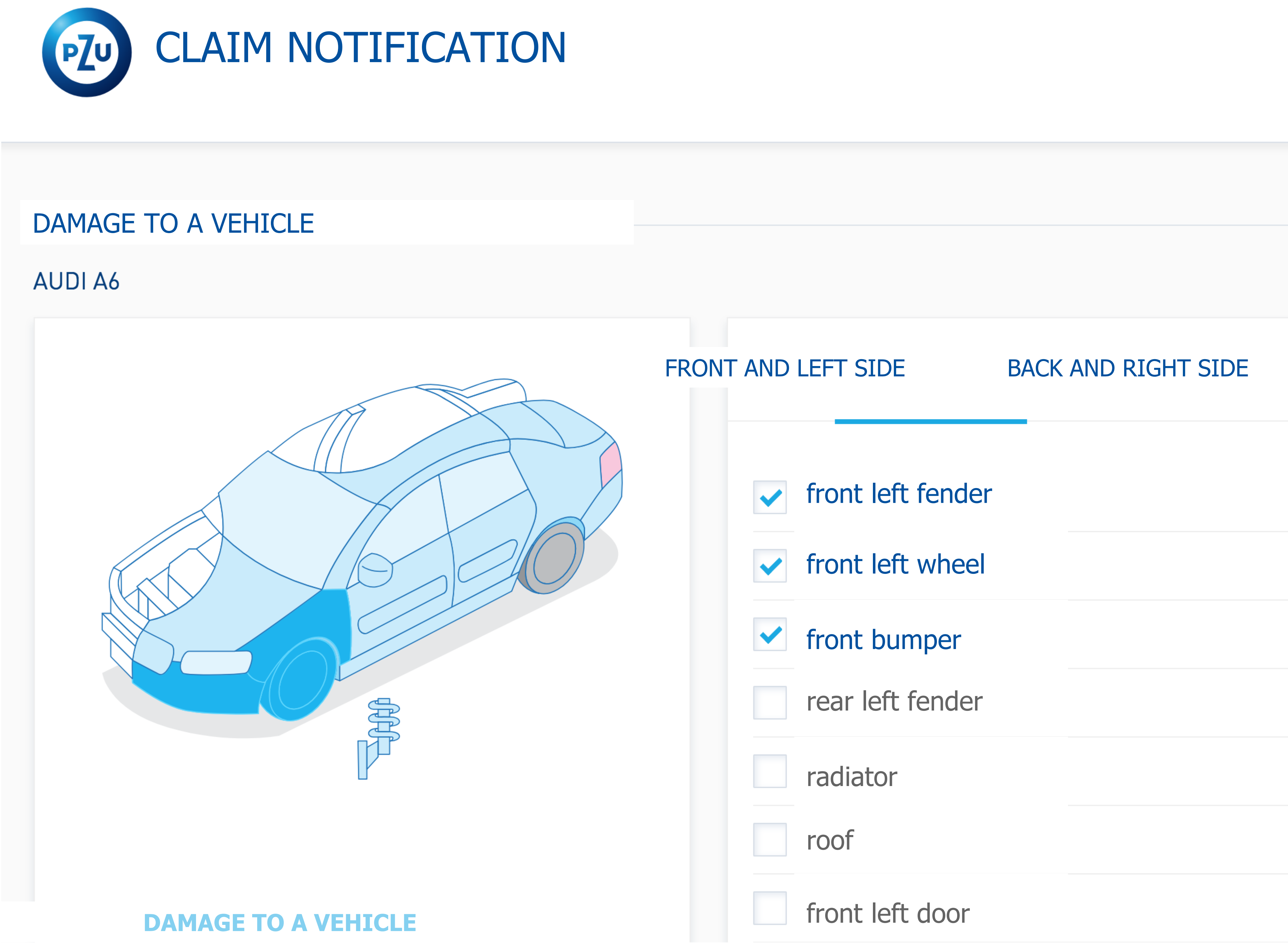
Executing the Strategy of Innovation (2/3)

The following were launched as solutions used to support channel sales:

- mobile application for agents – allowing to downloading pictures to AutoCasco policies directly through agent's smartphone.
- new sales front-end – for PZU DOM [PZU House] minimum data requirement, which shortens time to receive a product offer by 50%.

The zgloszenie.pzu.pl service was launched.

- as of 27 March of this year clients have access to the new service that makes it possible to report a motor and property claim at a record-breaking fast pace and assess its value.
- clients do not have to open an account, they are just asked about the data required to register their notification.



Executing the Strategy of Innovation (3/3)

- The Future Makers Challenge has begun, a combination of an innovation and educational program targeting high school and university students organized by Innovatika.

  From April to June the program participants will work on special solutions for the business challenges identified by PZU, among others – devising a method of communication with clients. The proposed solution may rely on the utilization of a selfie on the basis of which information can be obtained related to things like age, among others.

- The new PZU SFIO Impuls fund has been registered.

Its subfunds aim to track yields of market benchmarks (referred to as Index Trackers). The portfolio composition is selected using highly specialized statistical tools customized to money markets, debt and equity markets in Poland and abroad (including developed and developing markets). Seed capital has been provided by PZU Group, distribution for third party will start in Autumn 2018.

Cooperation in the PZU Group between Pekao and Alior Bank and other PZU Group companies

- Sale of non-life insurance in Pekao to PEX loans in on line was launched.
- 99% of Pekao employees were prepared for sale in property insurance and 40% in life insurance (registration of the PFSA). Intensive implementation works of further insurance products are in progress, which will be available at the turn of the second and third quarter of 2018.
- Insurance programs were launched for the banks’ employees and special offers on bank products for the employees of PZU Group companies.
- Cost synergies are under analysis and execution - the target to achieve by 2020 is 100 m PLN in savings. Value of synergies already achieved – 27 m PLN.

- Approval of the Polish Financial Supervision Authority to take over the management of Pekao Otwarty Fundusz Emerytalny by PTE PZU. In addition, the consent was also granted to take over the management of the Pekao Voluntary Pension Fund.
- Signing a contract for the transfer of the operating activity of a transfer agent - in the field of investment funds from PZU Centrum Operacji to Pekao Financial Services.

Strategic partnerships and other material agreements

- Extension of cooperation with Allegro to include bicycle insurance (TPL and MOD) and tire insurance (in assistance) - rapid sales process combined with payment.

- PZU Group companies have joined the circle of partners of the Large Family Card whose holders will have access to insurance on preferential terms, inter alia:
  - PZU Dom and PZU Wojażer (10% discount), PZU Ja Plus life insurance (30%) (offer to be available as of 14 July 2018),
  - doctor consultations in PZU Zdrowie’s proprietary medical centers and in the medical centers of PZU Zdrowie’s subsidiaries (20% discount);

  Bank Pekao also joined the circle of partners offering benefits to the holders of the Large Family Card. As of 1 June it will provide its holders with a comprehensive promotion.

Developing health offering – products for PZU SA and Link4

- Up to the end of March of this year more than 100 thousand policies have been sold to provide, among others, doctor consultations, diagnostic tests and rehabilitation in the event of an accident, sudden illness during international travel, bodily injury or health disorder arising in connection with the movement of the vehicle, an accident or sudden illness requiring hospitalization for at least 3 days.

RECAP OF FINANCIAL RESULTS BY SEGMENT

Profitability by operating segments

Insurance Business Segments	Gross Written Premium			Insurance Result/ Operating Profit			Combined Ratio / Operating profit ratio*	
m PLN, local GAAP	Q1 2017	Q1 2018	*Change YoY*	Q1 2017	Q1 2018	*Change YoY*	Q1 2017	Q1 2018
Total Non-Life - Poland	**3 283**	**3 355**	***2.2%***	**446**	**525**	***17.7%***	**86.1%**	**85.3%**
Mass Insurance - Poland	**2 653**	**2 729**	***2.9%***	**395**	**385**	***(2.5)%***	**84.9%**	**86.5%**
Motor TPL Insurance	1 123	1 156	*2.9%*	124	25	*(79.8)%*	90.1%	98.2%
Motor Own Damage	644	652	*1.2%*	(5)	44	*x*	102.8%	92.1%
Other products	886	921	*3.9%*	241	240	*(0.2)%*	64.6%	64.0%
Impact of investment segment allocation	x	x	*x*	35	76	*119.6%*	x	x
Corporate Insurance - Poland	**630**	**626**	***(0.6)%***	**51**	**140**	***174.5%***	**91.8%**	**80.1%**
Motor TPL Insurance	168	194	*15.5%*	(5)	7	*x*	103.7%	92.9%
Motor Own Damage	205	211	*2.9%*	(0)	21	*x*	105.7%	89.3%
Other products	257	221	*(14.0)%*	49	89	*80.6%*	67.4%	60.0%
Impact of investment segment allocation	x	x	*x*	7	23	*219.7%*	x	x
Total Life - Poland	**2 122**	**2 068**	***(2.5)%***	**304**	**341**	***12.2%***	**14.3%**	**16.5%**
Group and Continued - Poland**	**1 714**	**1 722**	***0.5%***	**236**	**286**	***21.2%***	**13.8%**	**16.6%**
Individual - Poland	**408**	**346**	***(15.2)%***	**49**	**51**	***4.1%***	**12.0%**	**14.7%**
Conversion effect	x	x	*x*	19	4	*(78.9)%*	x	x
Total Non-Life - Ukraine & Baltica	**343**	**400**	***16.6%***	**22**	**31**	***40.9%***	**94.5%**	**92.5%**
Baltic states Non-life	**301**	**360**	***19.6%***	**17**	**29**	***70.6%***	**95.2%**	**92.3%**
Ukraine Non-life	**42**	**40**	***(4.8)%***	**5**	**2**	***(60.0)%***	**84.2%**	**95.2%**
Total - Life - Ukraine & Baltica	**24**	**27**	***12.5%***	**1**	**1**	***x***	**4.2%**	**3.7%**
Lithuania Life	**14**	**15**	***7.1%***	**0**	**0**	***x***	**(0.0)%**	**0.0%**
Ukraine Life	**10**	**12**	***20.0%***	**1**	**1**	***x***	**10.0%**	**8.3%**
Total - banks	**-**	**-**	***x***	**118**	**794**	***x***	**x**	**x**

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

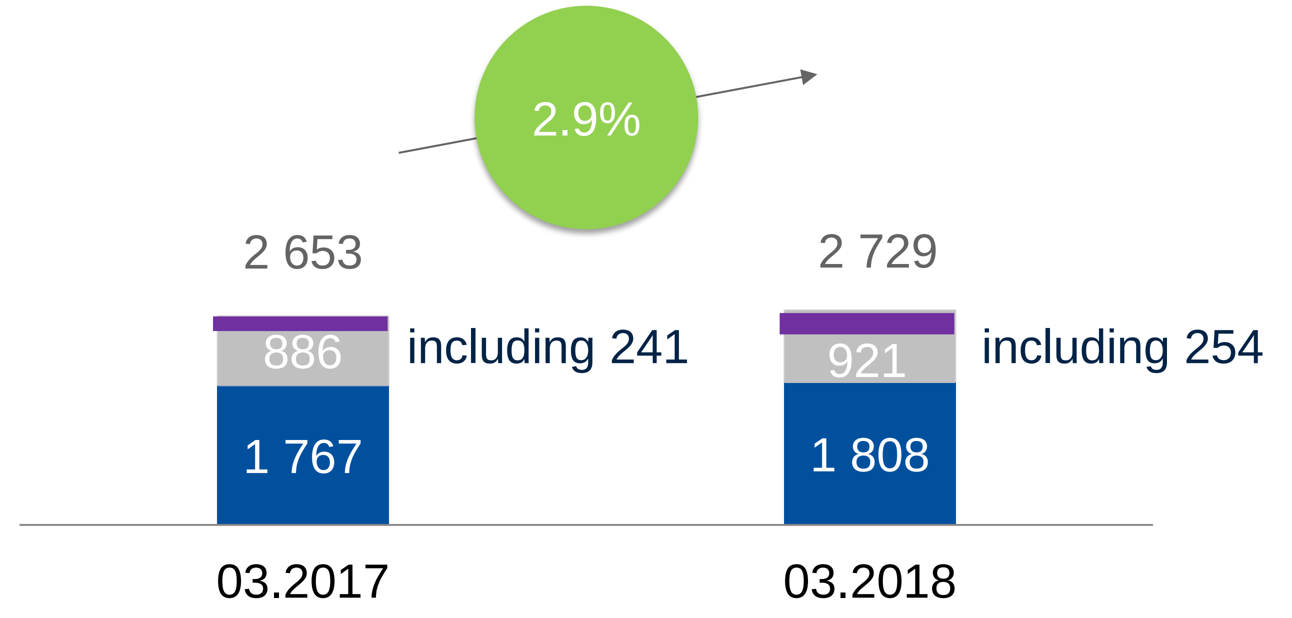
** Insurance result and margin net of the conversion effect;

Non-life insurance

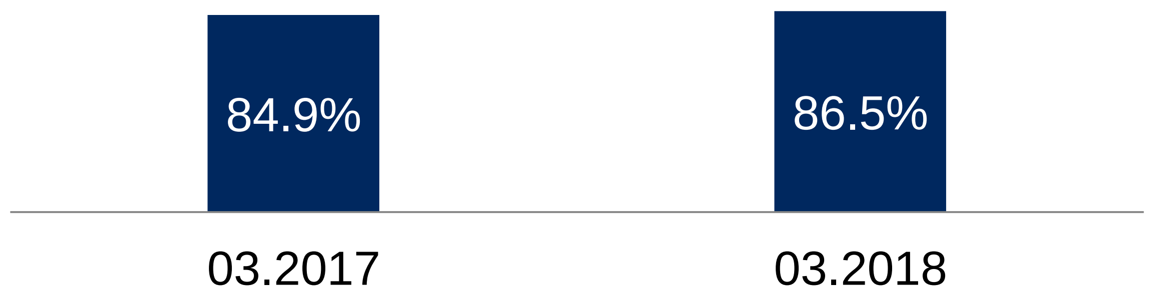
Motor insurance sales growth

Mass segment

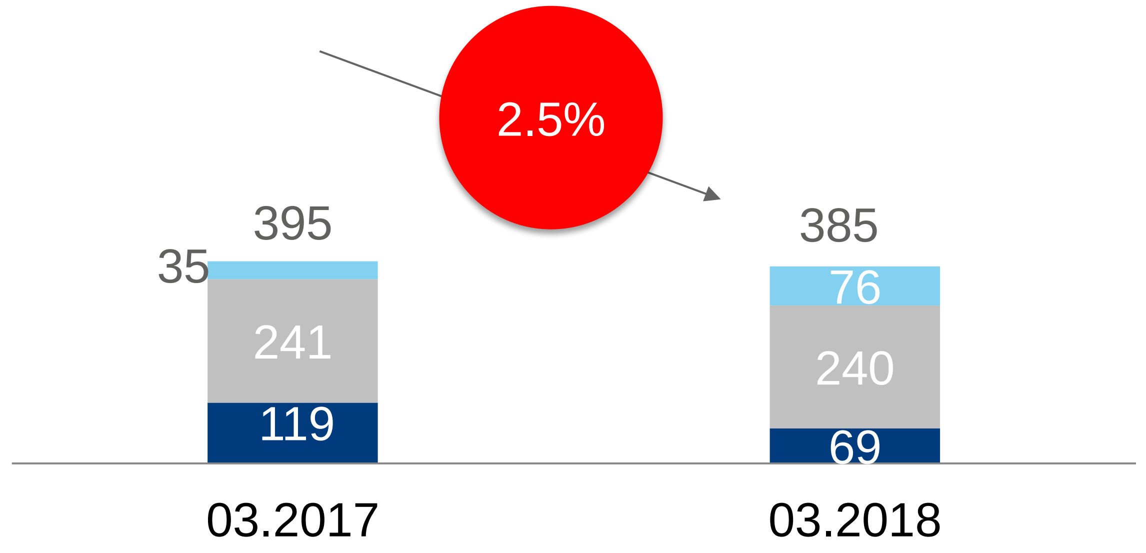
Gross written premium (m PLN)



Combined ratio (%)

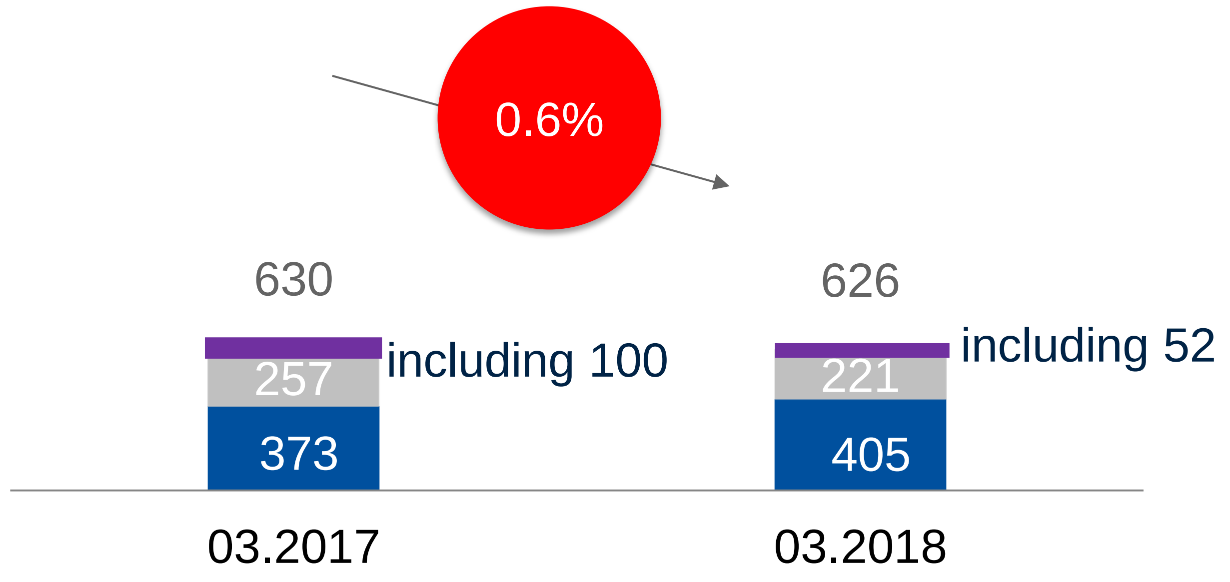


Insurance result (m PLN)

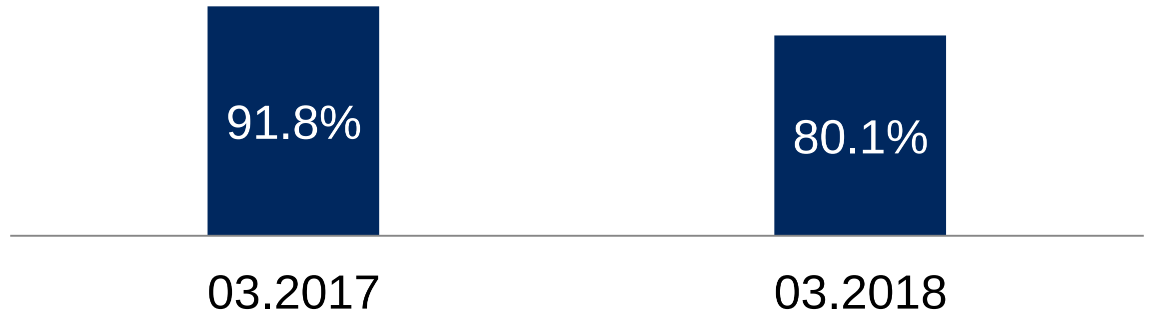


Corporate segment

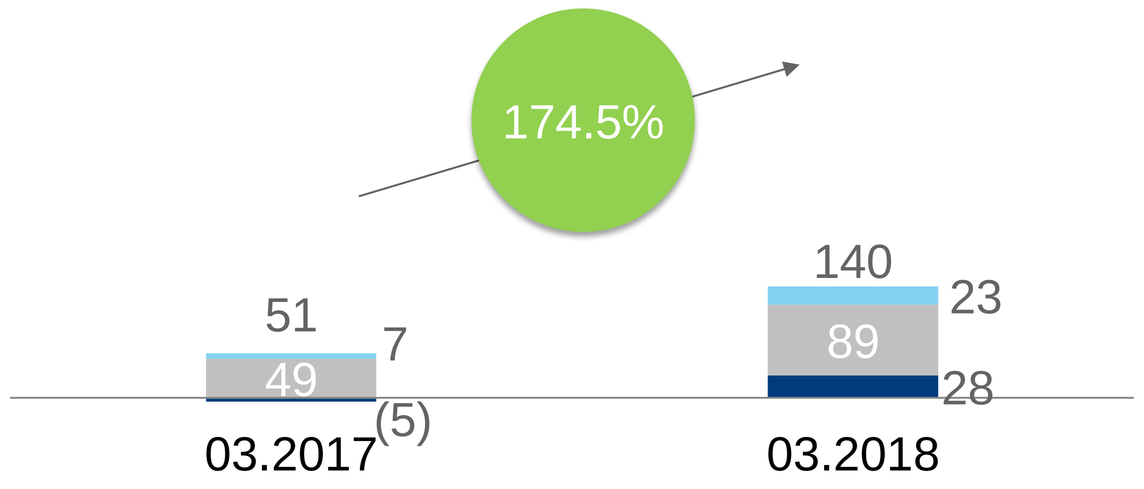
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)



Motor insurance

Non-motor insurance

Impact exerted by investment income allocated from the Investment segment

Combined ratio computed in total for motor and non-motor insurance

Link4 + TUW PZUW

Change year-on-year

Recap – non-life insurance

Mass segment

Higher gross written premium y/y as the outcome of the following:

- an increase in gross written premium in motor insurance (+2.3% y/y) as the outcome of the higher average premium with a simultaneous decline in the number of insurance products;
- an increase in premium from insurance against fire and other damage to property (+3.3% y/y), including in apartment insurance and agricultural insurance (mainly pertaining to subsidized crops) even though the market is highly competitive – this resulted from the fact that sales in the spring campaign were launched earlier than in the previous year;
- higher written premium in the other TPL insurance group (+6.1% y/y) and accident and other (4.2% y/y), mainly illness insurance and TPL insurance.

Diminished insurance result as the outcome of the following:

- incremental growth in net earned premium (+12.3%) – result of development in the insurance portfolio;
- higher loss ratio in the insurance group:
  - motor TPL insurance, as a result of remeasurement of the provision for claims regarding pain and suffering caused by the vegetative state of a relative injured in an accident (Supreme Court ruling). Net of the impact exerted by the movement in the pain and suffering provision, high profitability was maintained in motor TPL insurance and motor MOD insurance;
  - other damage to property, chiefly including subsidized crop insurance as an effect of the occurrence of an above-average number of losses caused by the forces of nature, mainly the negative effects of ground frost.
- higher insurance activity expenses as the outcome of growing acquisition expenses (effect of the burgeoning portfolio and the shift in the product mix) and falling administrative expenses in project-related activity and current operations, among others IT and marketing expenses.

Recap – non-life insurance

Corporate segment

Higher gross written premium y/y as the outcome of the following:

- higher premiums in motor insurance (+8.6% y/y) offered through leasing companies and in fleet insurance (chiefly TPL insurance) as a consequence of the higher average premium and the lower number of insurance policies;
- development of the assistance and accident insurance portfolio following from the extension of cooperation between TUW PZUW and its strategic partners;
- higher sales in the other TPL insurance group (+9.5% y/y) as a result of signing of several high-value contracts and the higher premium from the insurance of medical entities in TUW PZUW;
- decline in the sales of insurance against fire and other damage to property (-31.7% y/y) – acquisition of a long-term contract with a mining sector company in the same period of 2017.

Insurance result up as the outcome of the following:

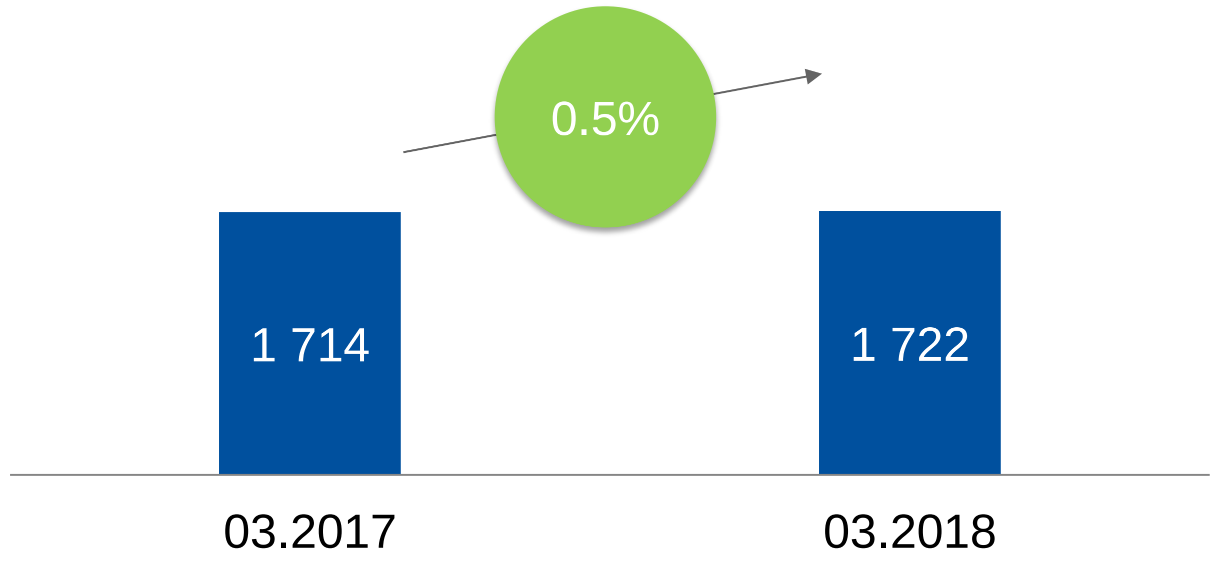
- incremental growth in net earned premium (+25.4%) – result of development in the insurance portfolio;
- lower loss ratio in the insurance portfolio:
  - motor insurance, as a result of the net earned premium growth being much higher than the growth in claims and benefits, despite the observed increase in average payout and remeasurement of the pain and suffering provision for general damages;
  - insurance against fire and other damage to property, due to a much lower level of single high value claims;
- higher insurance activity expenses as a consequence of the following:
  - rising acquisition expenses - due to development in the insurance portfolio;
  - lower administrative expenses chiefly as a result of the lower costs of project activity and current activity achieved by maintaining cost discipline.

Life insurance

Higher profitability

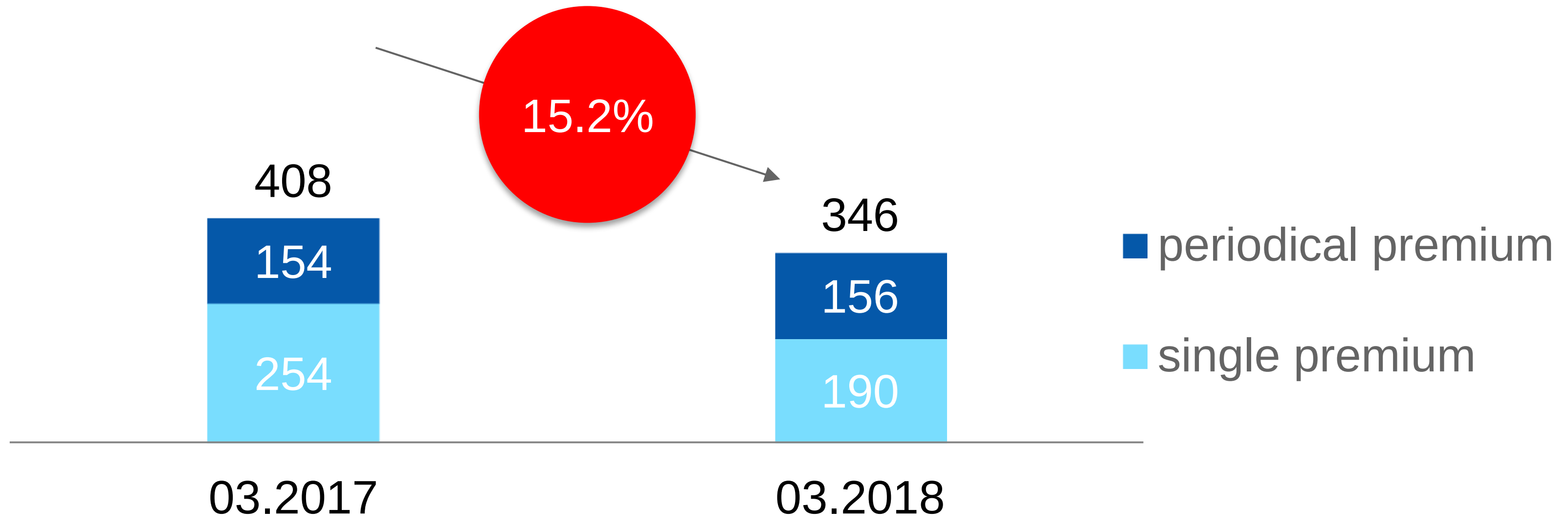
Group and continued insurance segment

Gross written premium (m PLN)

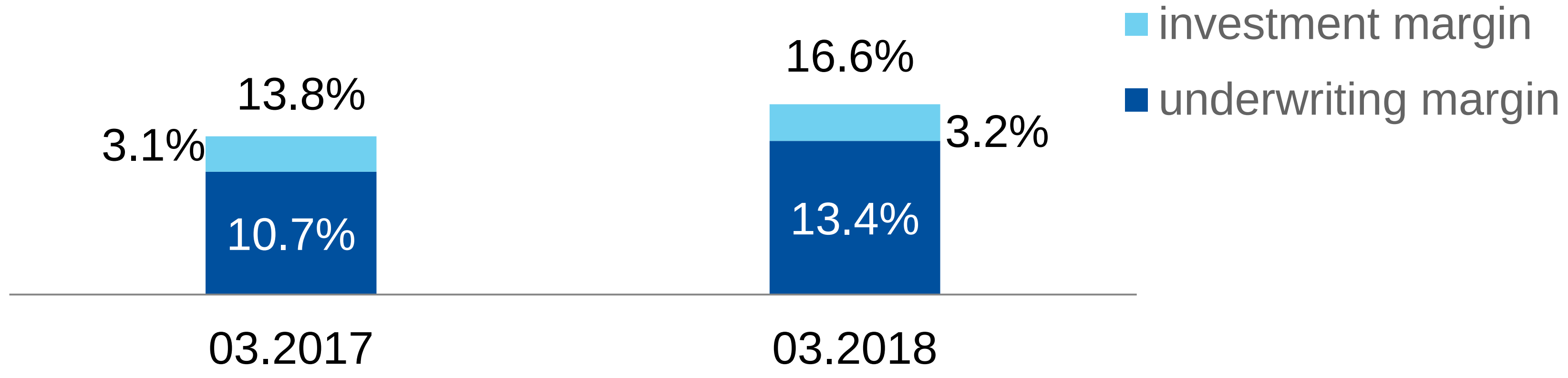


Individual insurance segment

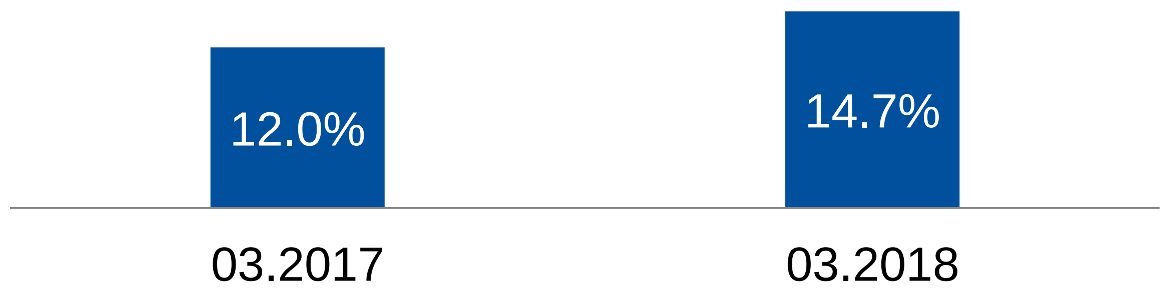
Gross written premium (m PLN)



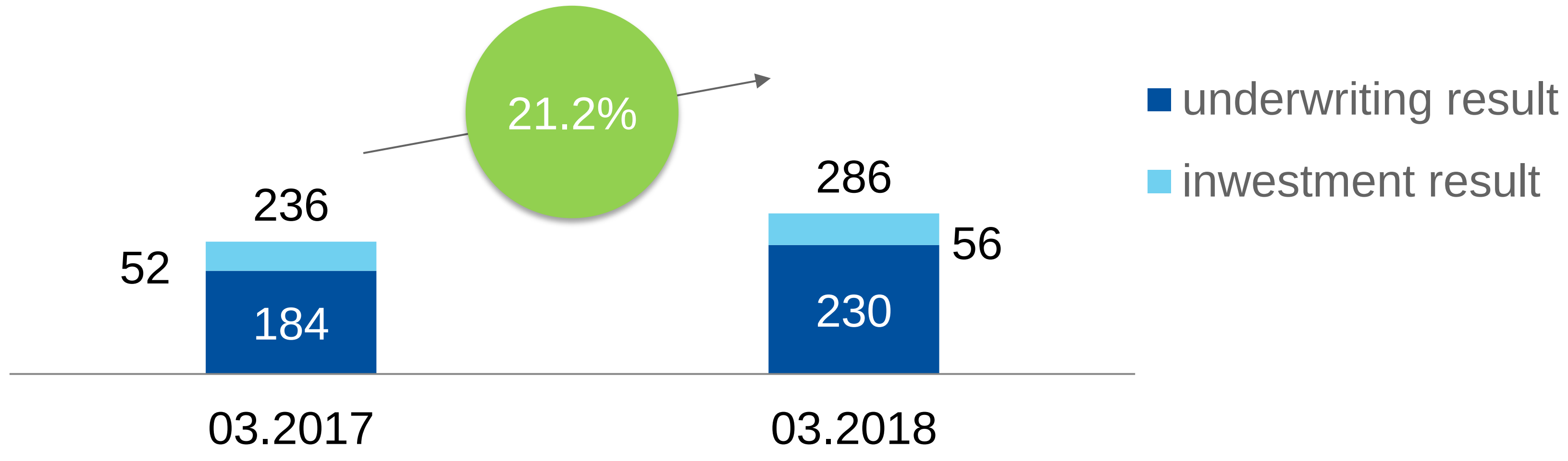
Margin (%)*



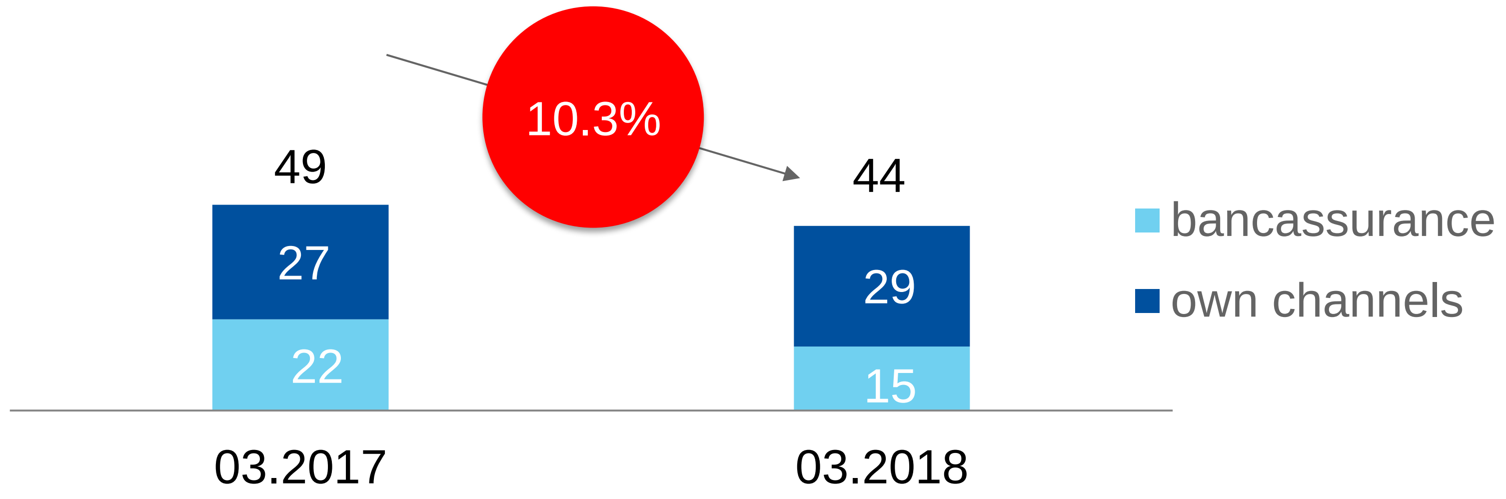
Margin (%)



Insurance result* (m PLN)



Annual premium equivalent (m PLN)



x% - Change year-on-year

* Segment margin and insurance result net of the conversion effect

Recap – life insurance

Group and continued insurance segment

Drivers of higher gross written premium:

- acquisition of more contracts in group health insurance products; PZU Życie had 1.5 million in force agreements in these types of products in its portfolio;
- upholding the policy of up-selling riders while concurrently indexing premiums in the underlying main contracts in individually continued products;
- at the same time, the revenues in group protection products faced pressure from higher lapses in groups (work establishments) due to the retirement age being statutorily reduced in Q4 2017.

Drivers of the growth y/y in the insurance result:

- lower loss ratio on protection products than last year due to the lower number of deaths and consequently the benefits paid for that reason;
- new individual continuation’s positive contribution to the segment’s results by setting up lower mathematical provisions at the start of liability of these agreements;
- cost discipline.

Recap – life insurance

Individual insurance segment

Gross written premium down ensuing from the following:

- lower contributions to the unit-linked insurance accounts in the unit-linked products offered jointly with Bank Millennium.

At the same time, positive factors were at work such as:

- ongoing sales growth in Alior Bank of the unit-linked product launched at the outset of 2017;
- constantly rising level of premiums on protection products in endowments and term insurance – the volume of sales is greater than the number of instances of reaching the endowment age, surrenders, lapses and deaths in the existing portfolio.

Growth in the segment's margin was the result of the following:

- the upward movement in the percentage of revenues accounted for by the protection products segment with a substantially higher generated margin;
- the rising compensation generated by management fees in unit-linked products.

Sales channels:

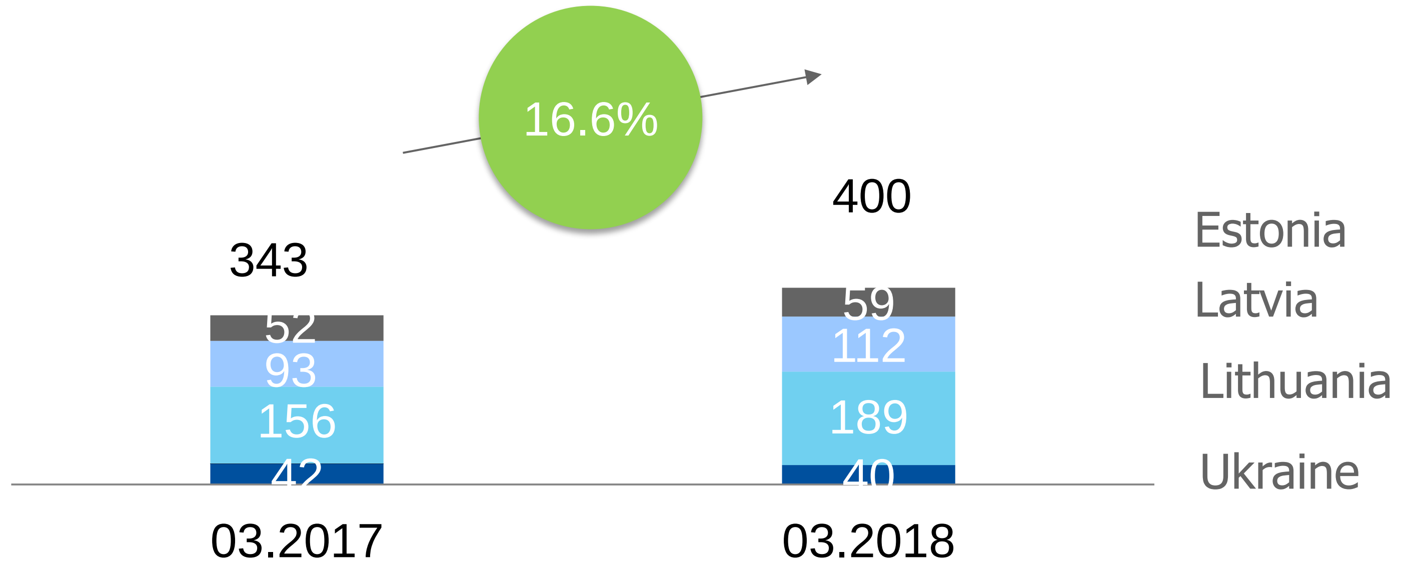
- maintenance of a high level of sales in proprietary channels. The double digit growth rate year on year in the sales of protection products deserves special emphasis;
- decrease in the bancassurance channel precipitated by the lower level of payments to new accounts in unit-linked products in Bank Millennium only partially offset by the sales of a similar product offered jointly with Alior Bank.

International business

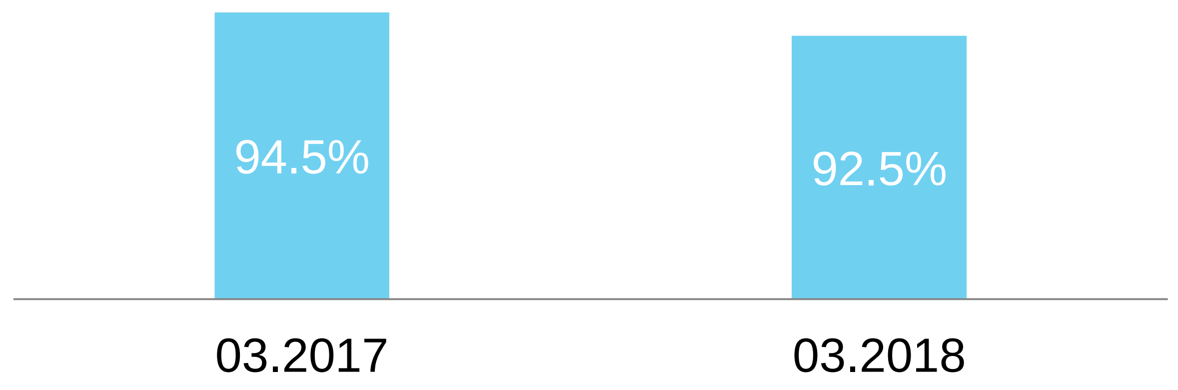
Higher sales in the Baltic States segmen

Non-life insurance

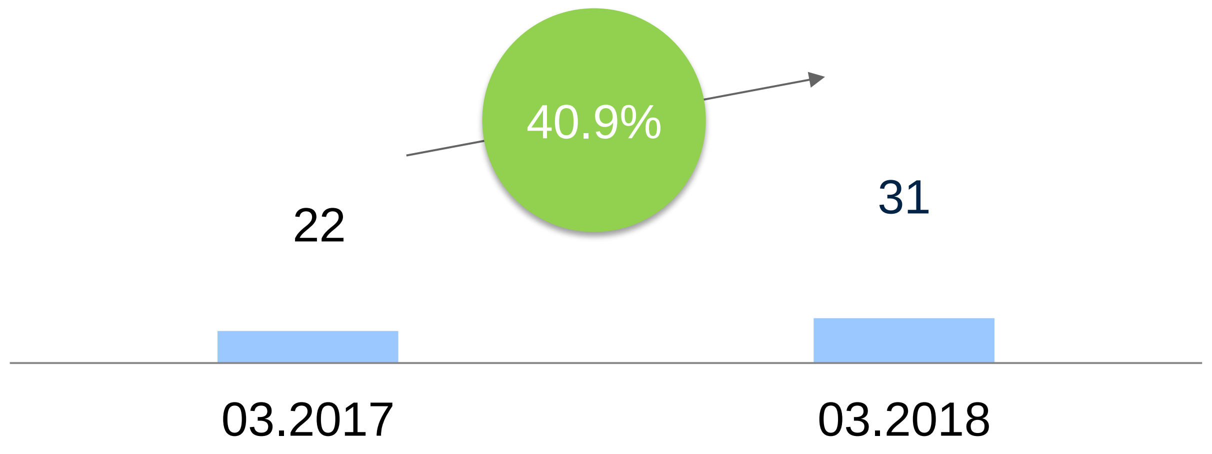
Gross written premium (m PLN)



Combined ratio (%)

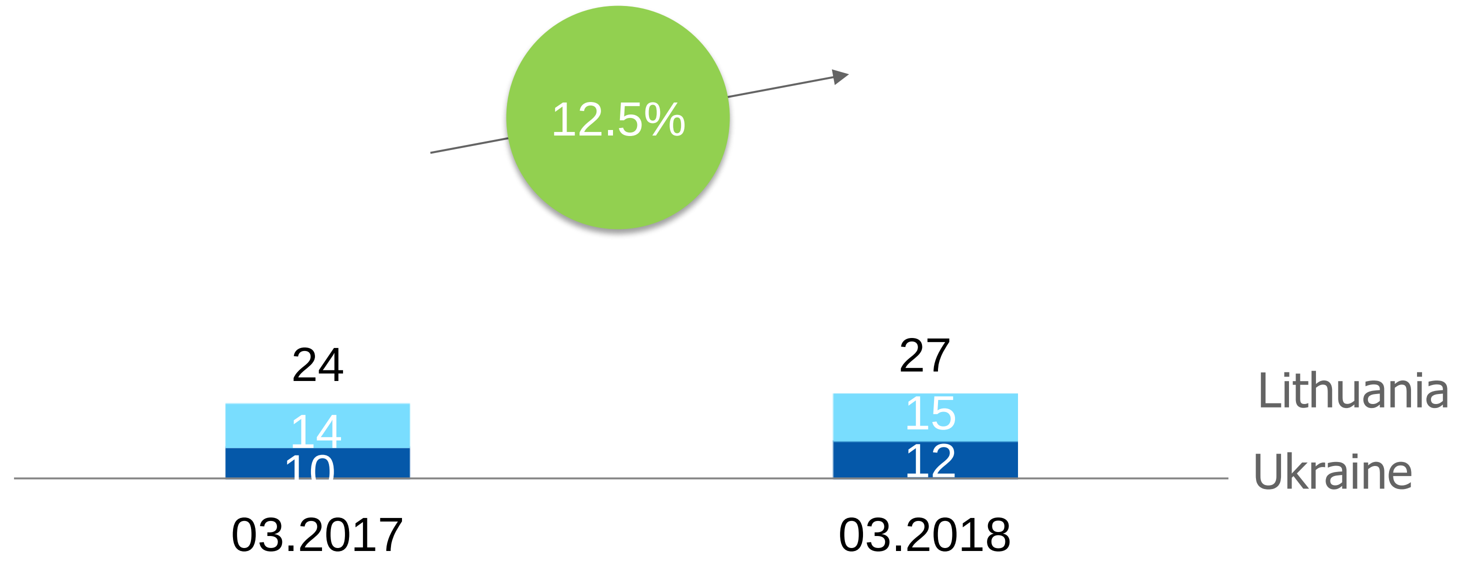


Insurance result (m PLN)



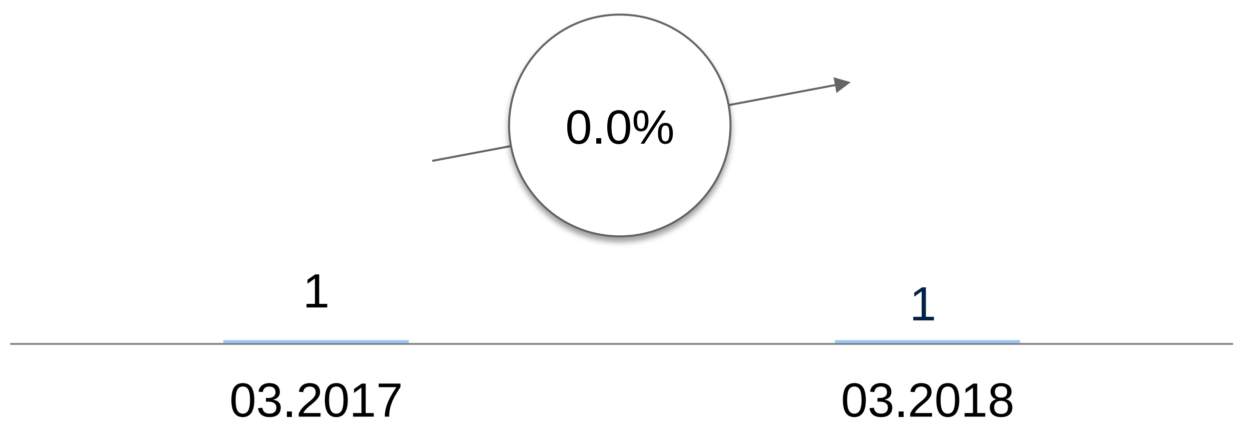
Life insurance

Gross written premium (m PLN)



Margin (%)

Insurance result (m PLN)



x% - Zmiana rok do roku

Recap – international business

Gross written premium

Non-life insurance:

- Gross written premium growth in the Baltic companies mostly in motor insurance, precipitated chiefly by selling more to new clients in the region and the incremental growth in gross written premium on health insurance in Latvia where sales efforts gained momentum and the sales of property insurance rose in Lithuania:
  - Lithuanian market leader Lietuvos Draudimas: 189 m PLN (last year: 156 m PLN);
  - AAS Balta in Latvia: 112 m PLN (last year: 93 m PLN);
  - Estonian branch of PZU Insurance: 59 m PLN (last year: 52 m PLN).
- Sales in Ukraine down 2 m PLN (though growth of 12.6% was posted in the functional currency).

Life insurance:

- Gross written premium in Lithuania up on endowment insurance sales to retail clients.
- Gross written premium in Ukraine up 2 m PLN (up 45.2% in the functional currency).

Recap – international business

Insurance results

Non-life insurance:

- Combined ratio decline as a result of the following:
  - maintenance of the loss ratio at the corresponding level as last year. Higher loss ratio in Ukraine caused by the upswing in the value and frequency of motor claims offset by the decline in this ratio in the Baltic States thanks to the falling frequency of mass claims;
  - dip in the acquisition expense ratio as the portfolio mix evolves in the Baltic States – the percentage of motor insurance with lower costs has risen;
  - cutting the administrative expense ratio was possible chiefly due to maintaining cost discipline coupled with the growth in the magnitude of business.
- Growth in the insurance result (up 9 m PLN) in non-life insurance propelled by higher sales and as a result of the positive results generated by the companies in the Baltic States segment.

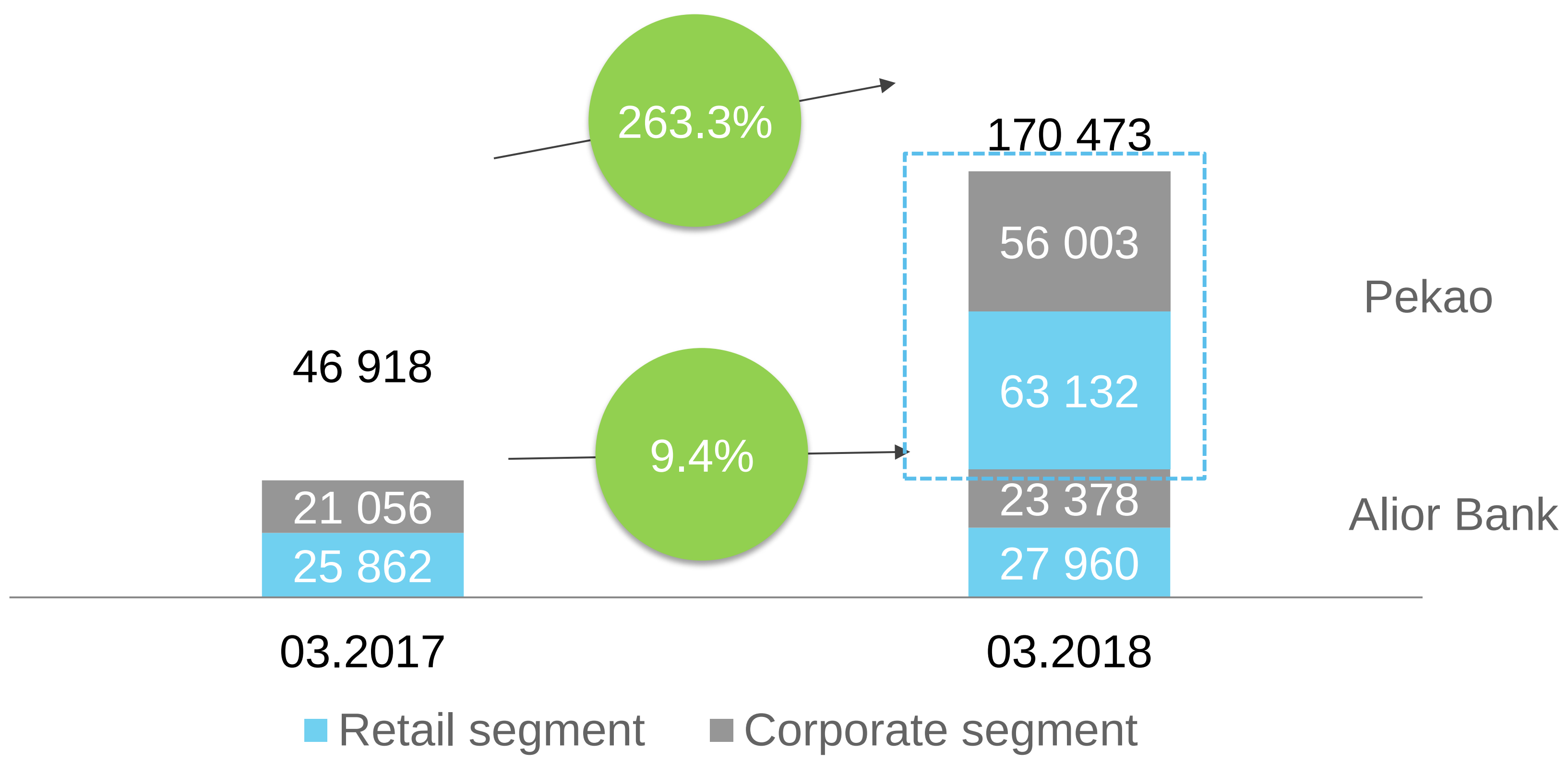
Life insurance:

- In each one of the segments maintenance of the insurance result at the corresponding level as last year.

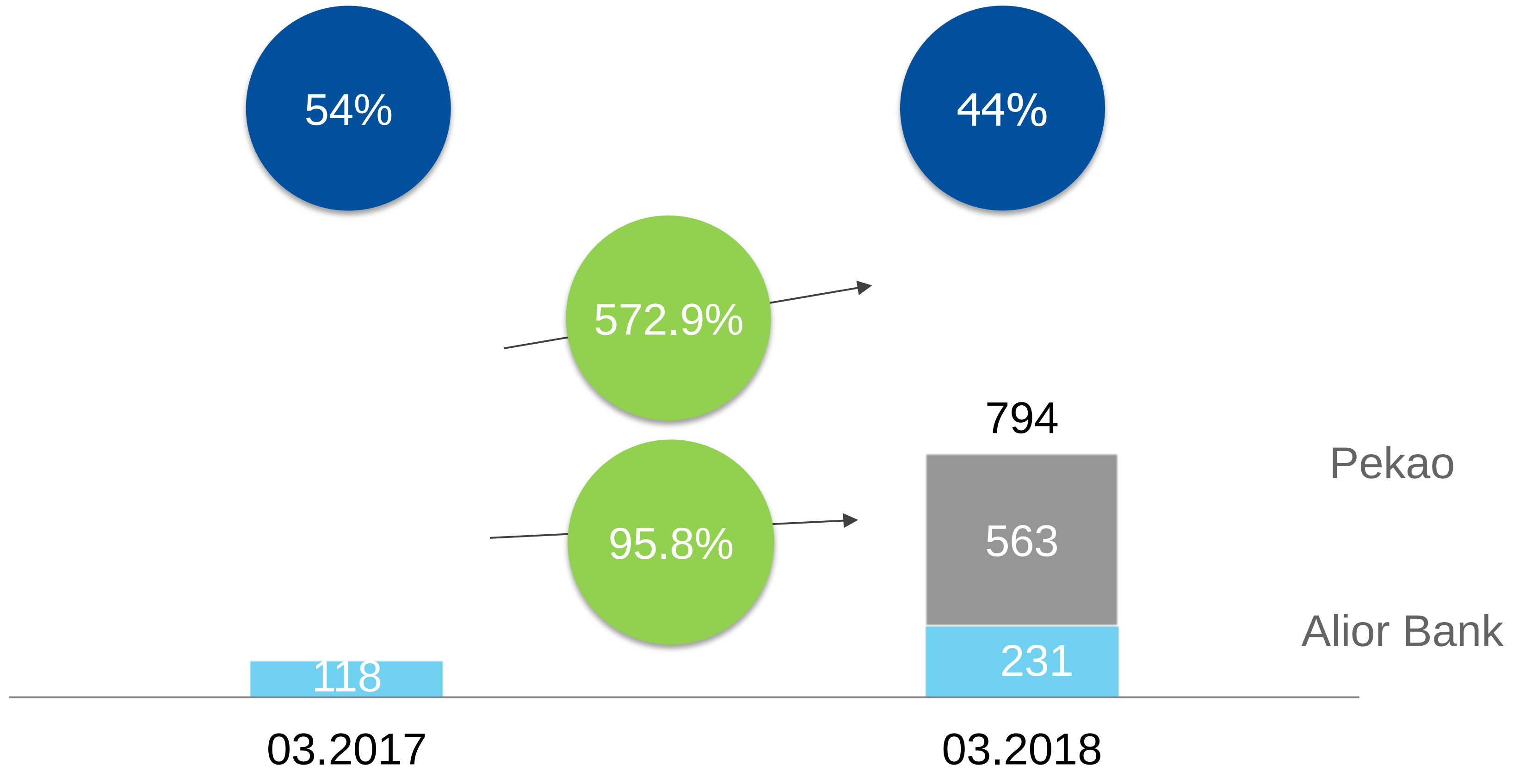
Banking activity

Positive growth rate in loan receivables

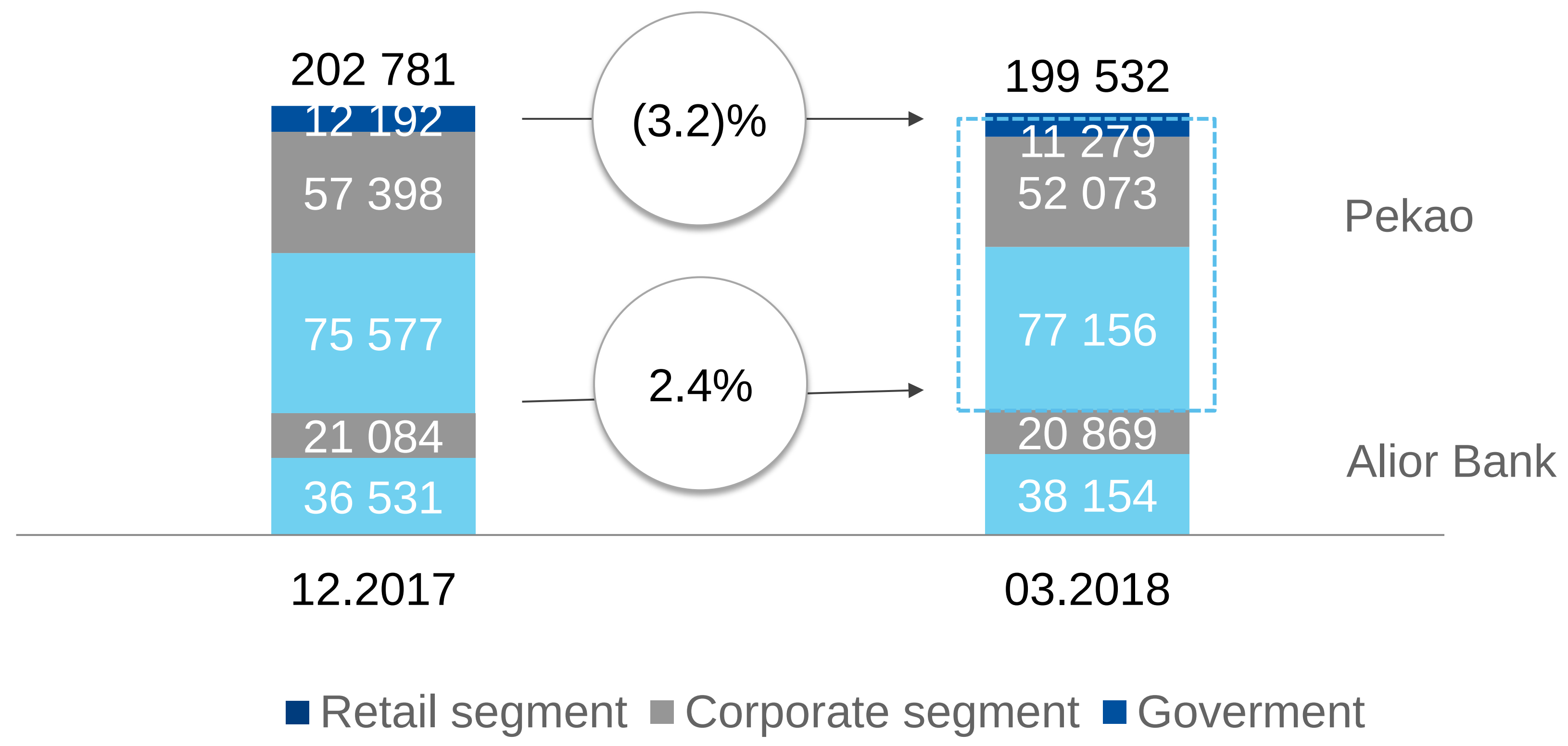
Loan portfolio by segment (m PLN)



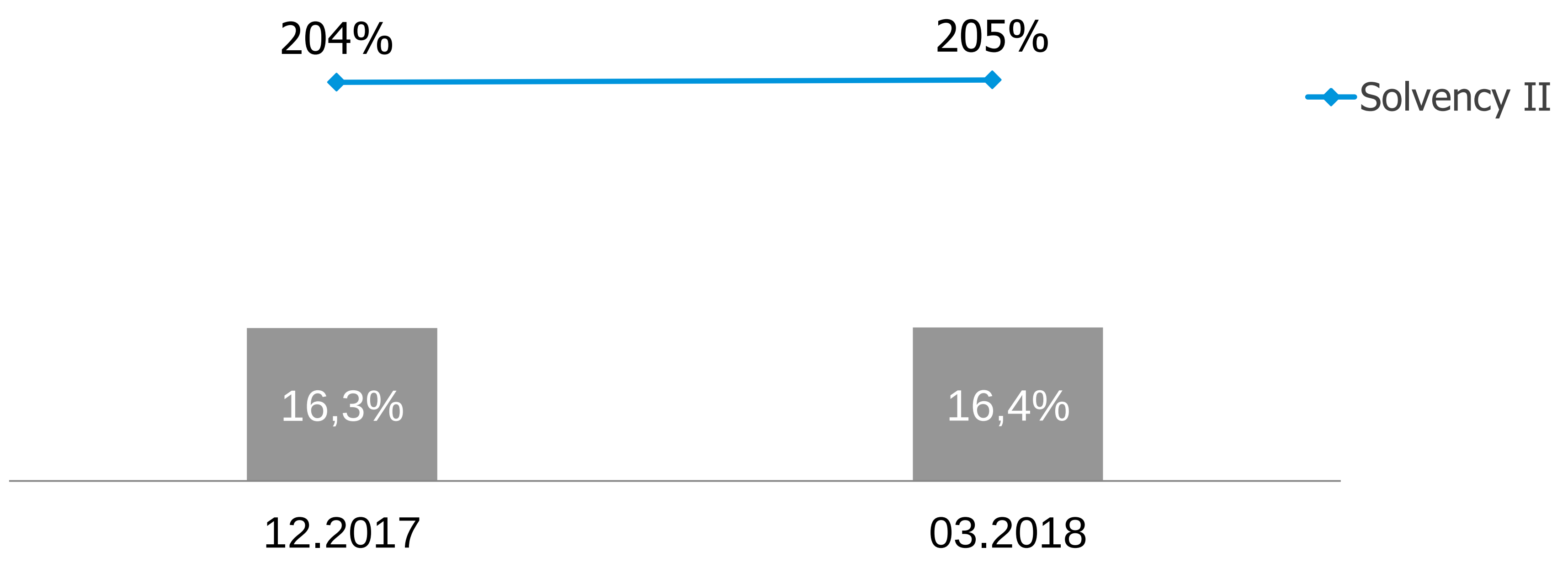
Operating profit (m PLN) and the Cost/Income ratio*



Liabilities to clients (deposit base) by segment (m PLN)***



Total capital ratio (TCR) and according to Solvency II**



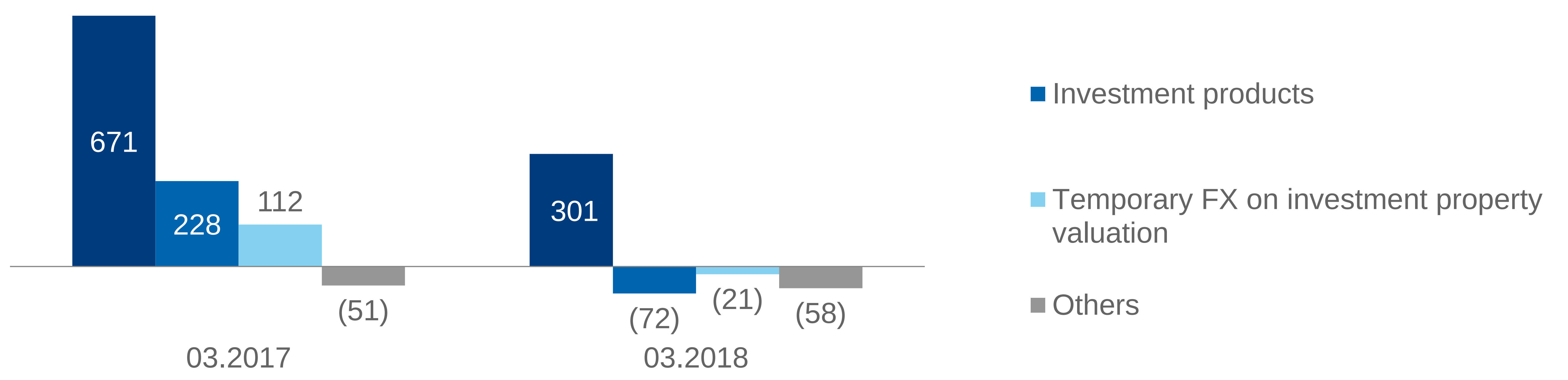
x% - Change year-on-year x% Cost/Income

* Data in accordance with PZU's financial statements (administrative expenses net of restructuring)
** Data jointly for Pekao and Alior Bank pro rata to the equity stakes held
***Data in accordance with Pekao and Alior Bank's financial statements

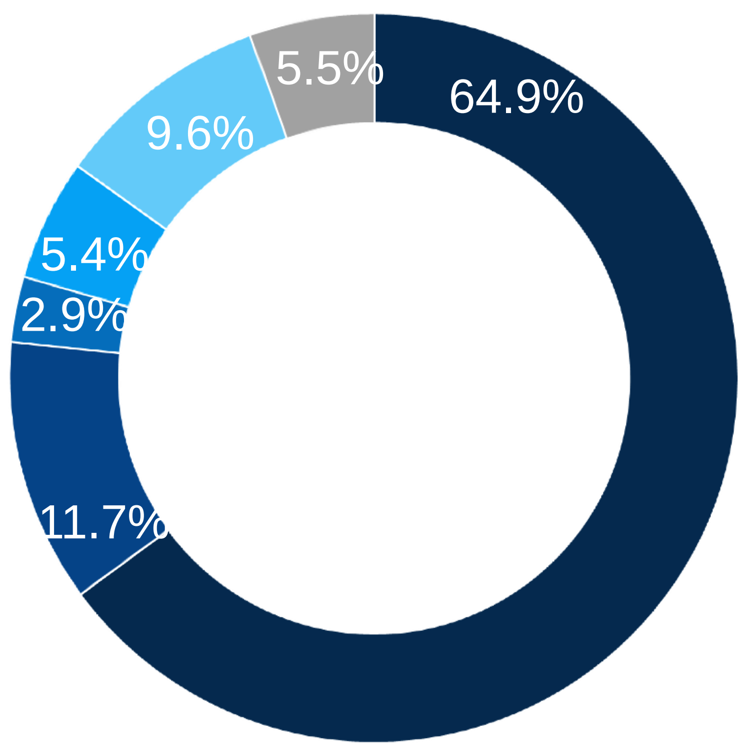
Investments

Squeezed results on equity portfolios offset by better results on Polish treasury bonds portfolio

Net investment result* (m PLN)

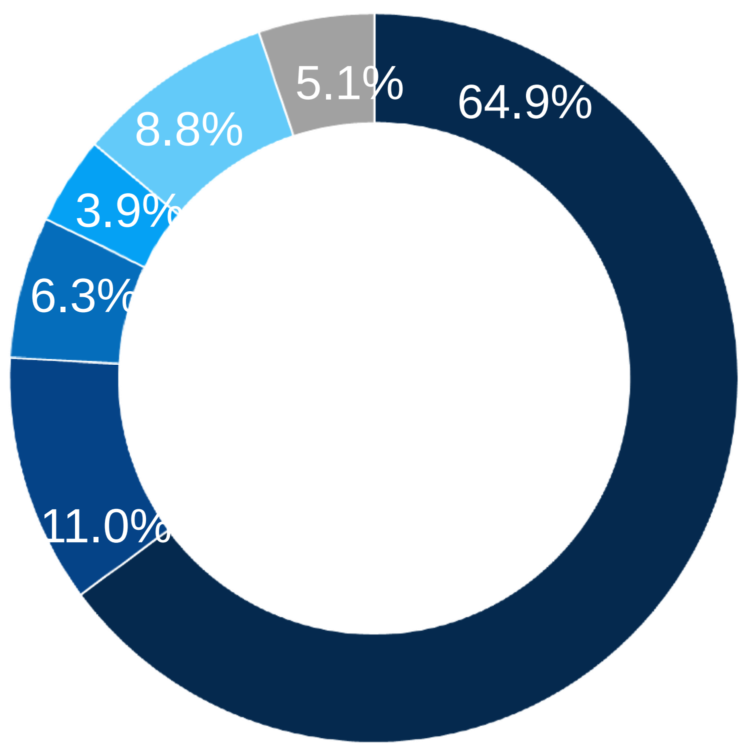


December 2017 Investment portfolio composition**



Total:
46.2 bn PLN
of which investment products
6.3 bn PLN

March 2018 Investment portfolio composition**



Total:
49.8 bn PLN
of which investment products
6.2 bn PLN

* Incorporating interest expenses but net of the impact exerted by banking operations.

** The investment portfolio presented net of banking activity includes financial assets (including investment products net of loan receivables from clients), investment property (including the portion presented in the class of assets held for sale), the negative measurement of derivatives and liabilities under sell-buy-back transactions.

Recap – investments

Net investment result:

after factoring in interest expenses and precluding the impact exerted by banking activity in Q1 2018 was down PLN 810 million primarily due to the following:

- softer performance on listed equities, driven in particular by the deterioration of market conditions on the WSE – the WIG index fell by 8.4% in Q1 2018 compared to 11.9% growth in the corresponding period of the previous year;
- negative impact exerted by the foreign exchange differences on own debt securities in conjunction with the depreciation of the PLN versus EUR following appreciation in the comparable period, partially offset by stronger performance of investments denominated in EUR;
- investment income in the portfolio of assets to cover investment products down PLN 300 million y/y, even though it does not affect the PZU Group's overall net result.

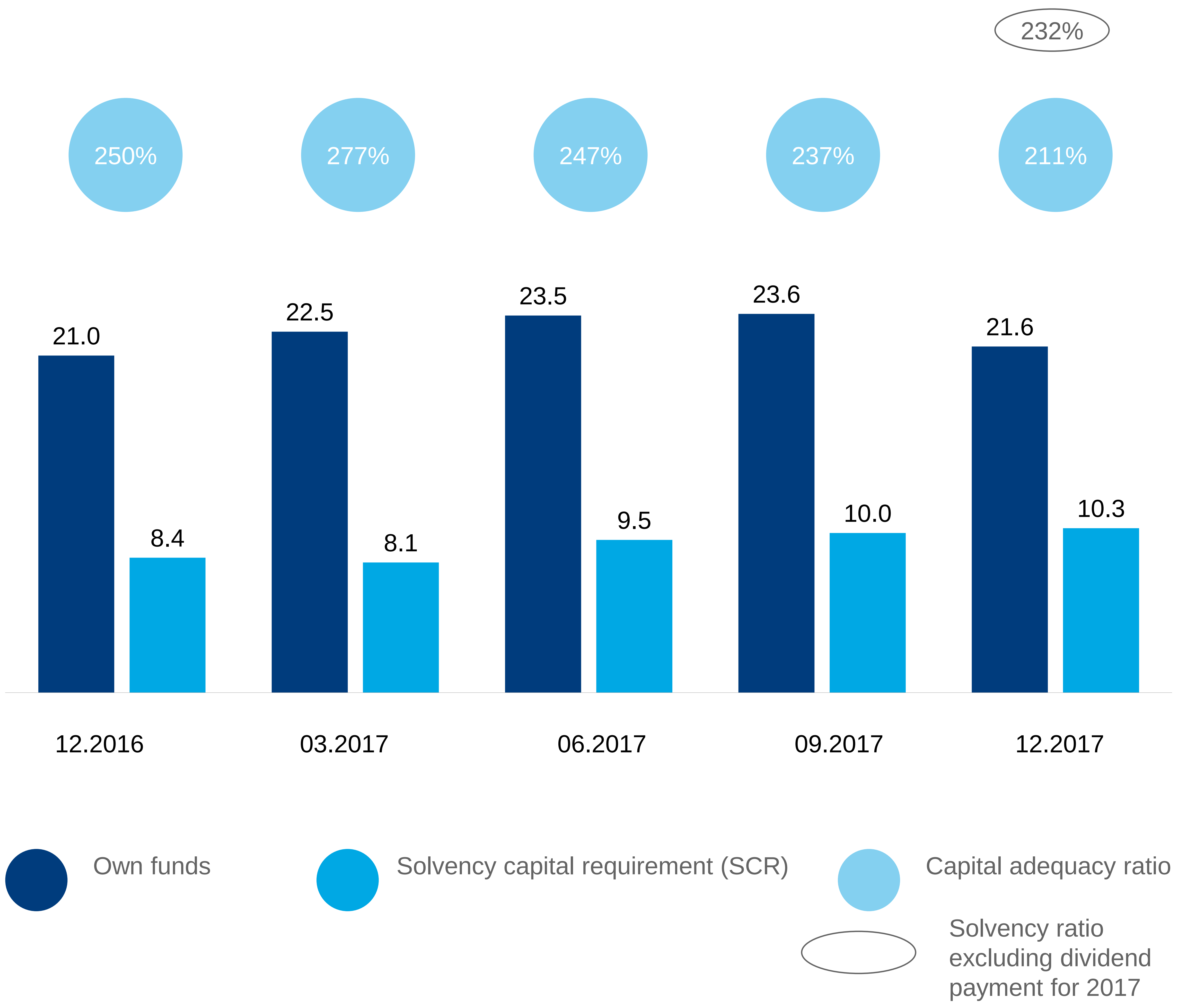
The effect exerted by the foregoing factors was partially offset by better performance on interest-bearing financial instruments driven chiefly by the following:

- higher valuation of Polish treasury bonds (tapering of the yield);
- gains on foreign exchange differences in the FX portfolios (held chiefly to secure the financial liabilities by virtue of the issue of own debt securities).

GROUP FIGURES AS AT 30 DECEMBER 2017 ACCORDING TO SOLVENCY II

High level of group solvency

Preliminary PZU Group's data under Solvency II / 31 December 2017 (bn PLN)



- Decrease of own funds during Q4 2017 by 2.0 bn PLN resulting from:
  - foreseeable dividends charges (2.2 bn PLN);
  - negative impact of Polish government bond interest rate curve flattening (risk-free rates) on valuation of financial assets and technical provisions;
  - Increase of technical provisions related to compensation for pain brought about by vegetative condition of family members injured in accidents;
  - earned quarterly income.
- increase of SCR by 0.3 bn PLN during Q4 2017 as a result of higher currency exposure (after hedging investment property valued in EUR) as well as changes in natural catastrophe reinsurance in PZU;
- High quality of the PZU Group's own funds – share of Tier 1 capital is 85%.
- Standalone solvency ratio:
  - PZU - 280%,
  - PZU Życie – 437%.

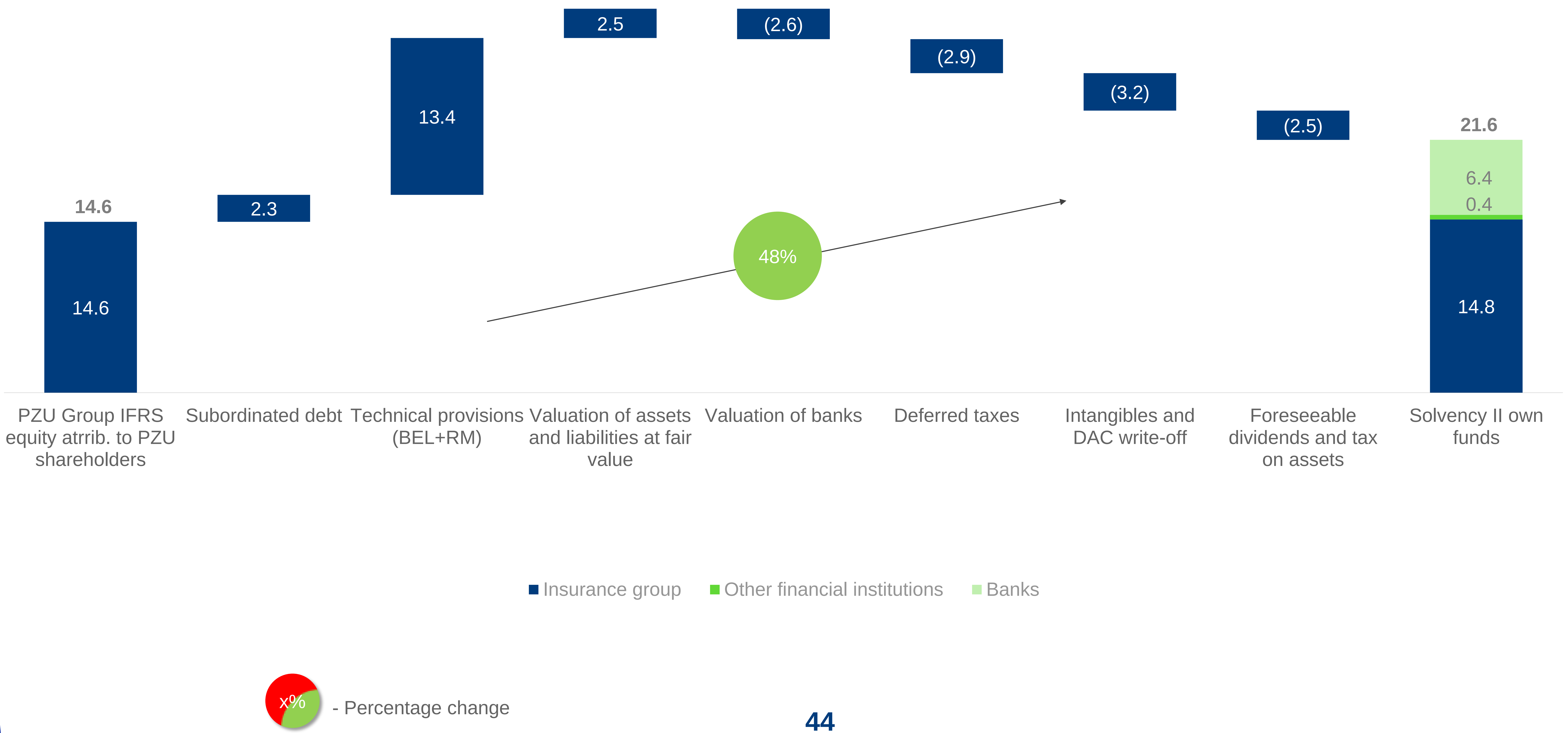
Solvency ratio calculated using the formula:
Own funds / solvency requirement.

Standalone solvency based on audited solvency and financial condition reports (SFCR) available on https://www.pzu.pl/relacje-inwestorskie/informacje-finansowe.
Other data unaudited.

Group own funds

Preliminary PZU Group's data under Solvency II / 31 December 2017 (bn PLN, unaudited)

Reconciliation of own funds and consolidated equity according to IFRS



Group own funds

Solvency II data as at 31 December 2017

Own funds according to SII calculated using the net assets carried in the Group's economic balance sheet. For the purpose of SII, the consolidated data of the insurance entities and entities rendering auxiliary activity such as mutual funds, PZU Zdrowie, PZU Pomoc and Centrum Operacji.

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

According to SII regulations:

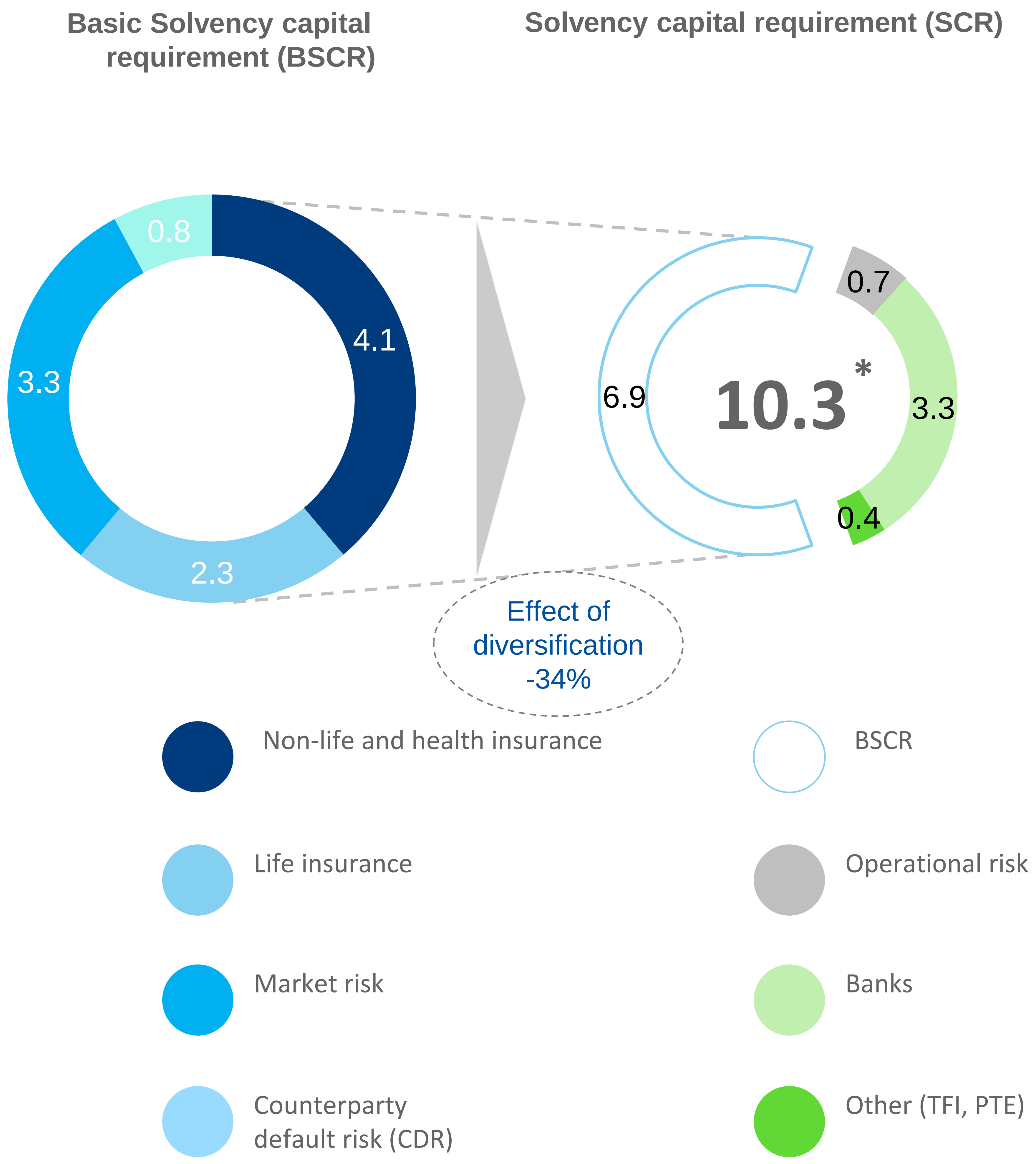
- technical provisions measured using the expected discounted cash flow (best estimate liability, BEL) adjusted for the risk margin;
- shares in entities belonging to other financial sectors (Pekao, Alior Bank, TFI, PTE) measured using the group's percentage of the regulatory capital of these entities prescribed according to a given sector's regulations;
- other assets and liabilities measured at fair value*;
- deferred tax is calculated on the temporary differences between the valuation of assets and liabilities according to SII and IFRS. Similarly to IAS 12, no deferred tax calculated with regard to differences pertaining to subordinated entities (e.g. banks).
- own funds according to SII minus:
  - the amount of anticipated dividends**;
  - the forecasts of the amount of tax on assets expected to be paid by insurance undertakings over the 12 months after the balance sheet date (according to the letter from the Polish FSA).

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

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

Higher SCR following the Pekao acquisition

Preliminary PZU Group's data under Solvency II / 31 December 2017 (bn PLN, unaudited)



Solvency capital requirement growth during 2017 by 1.9 bn PLN, i.e. 22%. Main reasons for the movement in SCR:

- incorporation of PZU's share in Pekao's capital requirement (1.9 bn PLN) – risk without diversification effects;
- decline in market risk SCR totalling 1.1 bn PLN** associated with the sale of assets for the acquisition of Bank Pekao, optimization of exposure to mutual funds whose capital charges are high since the look-through approach cannot be applied and curtailment of FX risk hedging on y-o-y basis in the real estate portfolio;
- increase of non-life insurance risk by 0.2 bn PLN as a result of higher premium and provision risk (higher sales) and risk mitigation effect of natural catastrophe reinsurance;
- dip in tax adjustment benefits totalling 0.3 bn PLN precipitated by the lower basis for calculating the tax adjustment (lower basic solvency capital requirement [BSCR] and the lack of deferred taxes in reference to the investment in Pekao).

* 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).
** before diversification effects .

Piotr Wiśniewski – IRO
tel.(+48 22) 582 26 23
ir@pzu.pl
www.pzu.pl/ir

PZU
Al. Jana Pawła II 24
00-133 Warsaw, Poland
www.pzu.pl
https://twitter.com/GrupaPZU

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.

PZU does not undertake to publish any updates, changes or adjustments to information, data or statements set forth in this PZU Presentation in the event of modifying PZU’s strategy or intentions or the occurrence of facts or events that will exert an impact on PZU’s strategy or intentions unless such a reporting duty stems from the prevailing legal regulations.

The PZU Group is not liable for the consequences of decisions made after reading this Presentation.

At the same time, this Presentation cannot be treated as part of an invitation or an offer to acquire securities or to make an investment. Nor does it constitute an offer or an invitation to execute other securities-related transactions.

As the presentation of amounts in the consolidated financial statements has been modified to state millions of PLN instead of thousands of PLN, which as been the case to date, some amounts and ratios in this presentation may differ from the figures stated in the presentation of the PZU Group’s financial results last year on account of the necessity to round them.