



# PZU Group's financial results for 2014

**Warsaw, 17 March 2015**



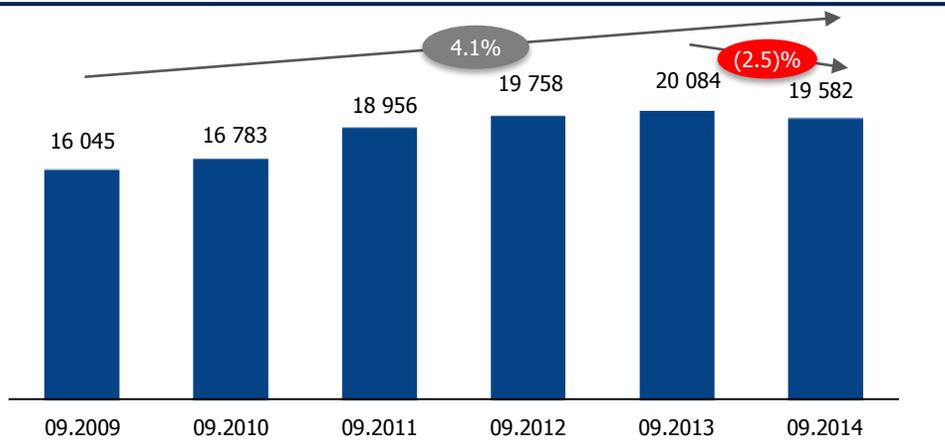
# Agenda

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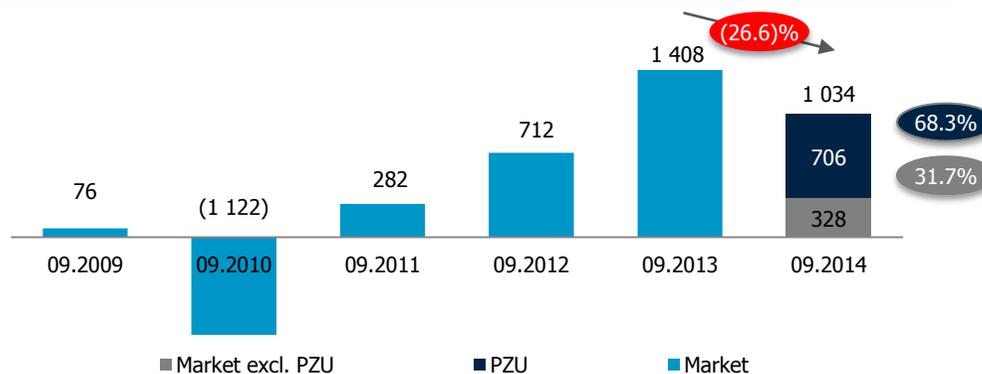
1. Insurance market in Poland in the first three quarters of 2014
2. Operating results for 2014
3. Shareholder value
4. Summary of PZU's strategy
5. Detailed financials

# Non-life insurance market in Poland

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



Technical result (m PLN)



- Sales down following growth trend lasting until 2013
- **Clear upward trend in PZU's share** in the non-life insurance market in the first three quarters of 2014 y/y.
- PZU Group's share of non-life insurance market is **33.0%** (with PZU having: **31.4%** and Link4: **1.6%**).
- PZU's technical result stated as a percentage of the market's technical result - **68.3%**, which with a **31.4%** market share measured by gross written premium confirms the high profitability of its insurance business.

xx%

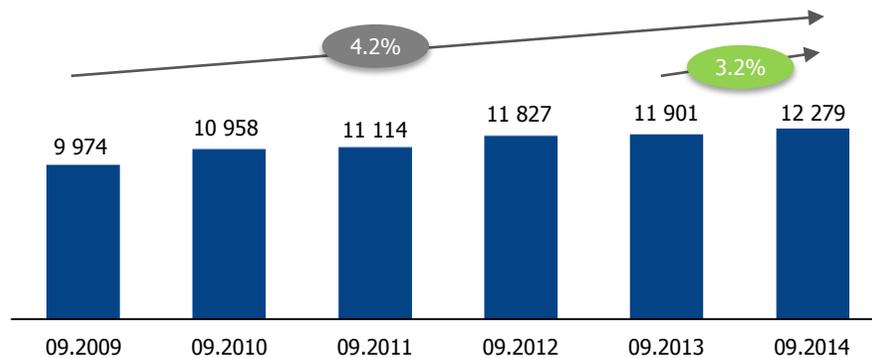
- Percentage change year on year

xx%

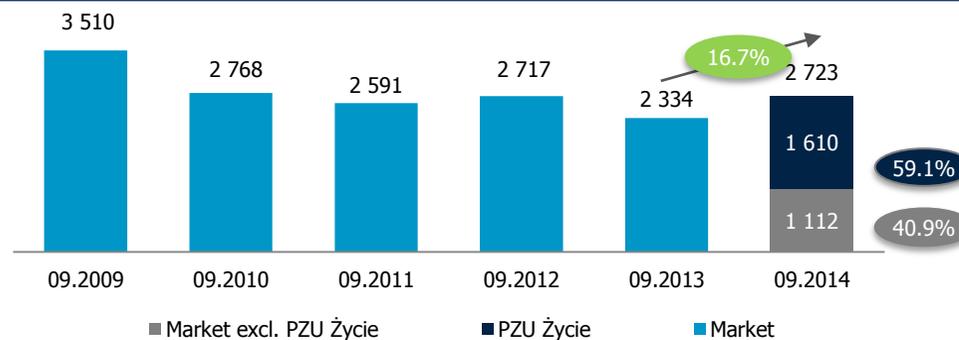
- CAGR

# 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

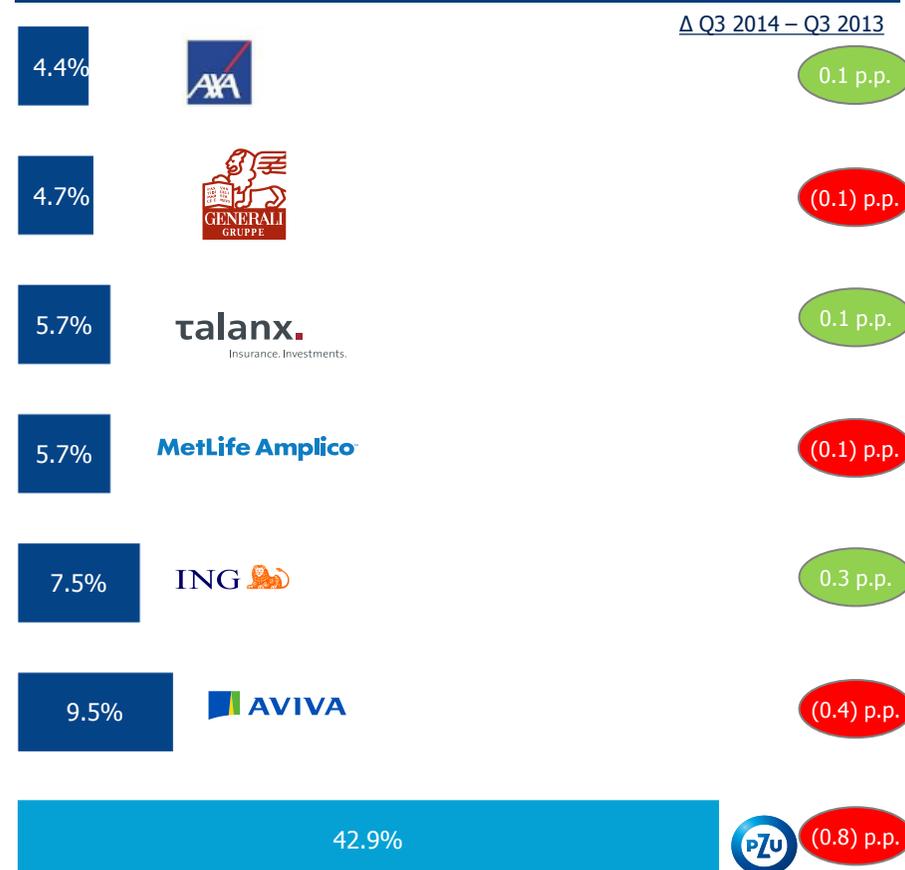
- Reversion to growth trend after slight deceleration in 2013.
- PZU Życie’s regular premium market share stable at **42.9%** at the end of Q3 2014.
- Adverse impact exerted by regulatory changes on distribution in bancassurance channel chiefly affects single premium business.
- High profitability of PZU Życie’s technical result versus the overall market – the margin commanded by PZU Życie – **26.1%** as opposed to other insurers – **7.4%**.
- Overall market’s technical result expansion in the first three quarters of 2014 achieved on PZU Życie’s improved performance - PZU Życie’s contribution to this growth exceeds **62%**.

# PZU maintains its leadership position in insurance in Poland

## Non-life insurance market share



## Life insurance (regular premium) market share



**Capital Groups:**

- Allianz - Allianz, Euler Hermes
- Ergo Hestia - Ergo Hestia, MTU
- Talanx - Warta, Europa (\*Warta and HDI merger in December 2013)
- VIG - Compensa, Benefia, Interrisk, (Interrisk and PZM merger as of 31 July 2012)

**Capital Groups:**

- Talanx - Warta, Europa, Open Life (\*Warta and HDI merger in December 2013)
- VIG - Compensa, Benefia, Polisa Życie
- Aviva - Aviva TUnŻ, BZ WBK-Aviva TUnŻ

Graphs incorporate only the largest insurance undertakings

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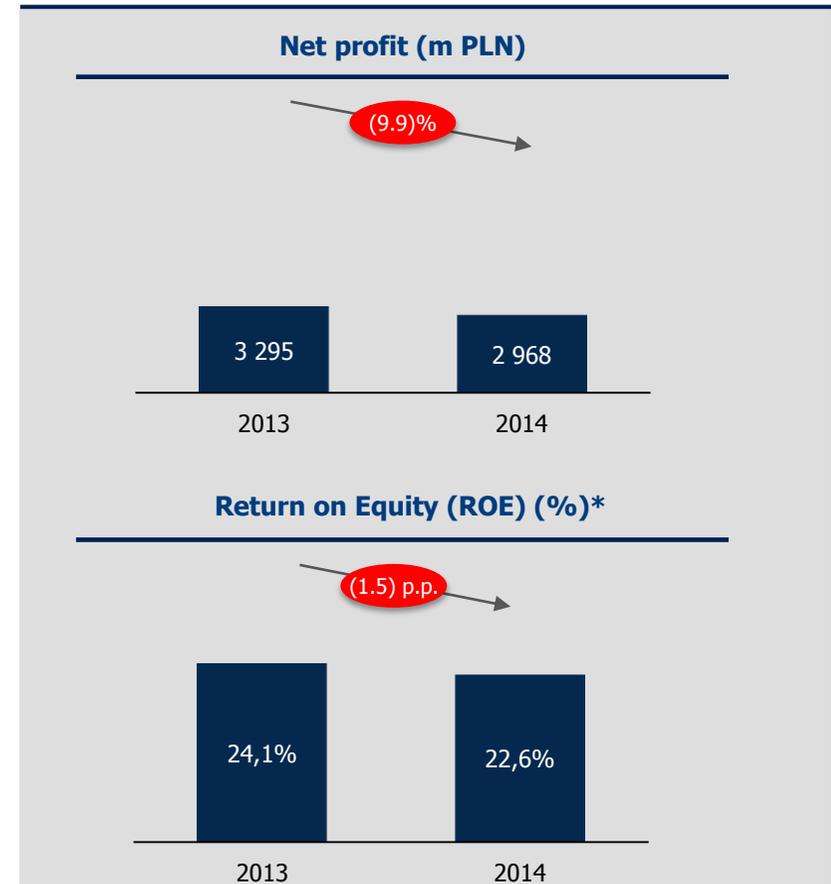
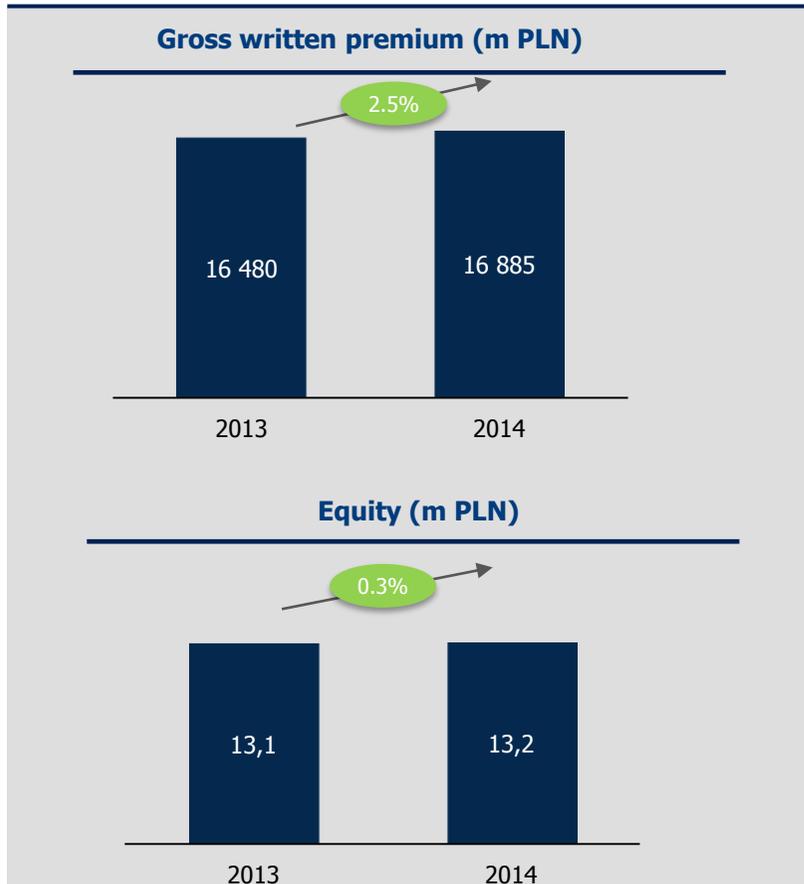
5. Detailed financials

# High profitability and cost discipline ensue from executing the strategy

<p>Non-life insurance</p>	<ul style="list-style-type: none"> <li>• <b>Persisting high profitability</b> despite the growth in claims provisions for events in previous years:             <ul style="list-style-type: none"> <li>- the claims frequency decline in motor insurance has decelerated (slight growth in mass insurance);</li> <li>- lower level of claims and benefits paid in household insurance and compulsory insurance of farm buildings;</li> <li>- visible fierce price competition leading to lower portfolio profitability.</li> </ul> </li> </ul>
<p>Life insurance</p>	<ul style="list-style-type: none"> <li>• <b>High profitability</b> in the group and individually continued segment net of the effect of conversion long-term insurance contracts into yearly renewable term contracts:             <ul style="list-style-type: none"> <li>- curtailing the loss ratio in protection insurance as an effect of the decline in the frequency of death-related events compared to 2013.</li> </ul> </li> </ul>
<p>Investments</p>	<ul style="list-style-type: none"> <li>• <b>Higher net investment result</b> y/y mainly driven by:             <ul style="list-style-type: none"> <li>- interest rates decline as opposed to growth seen in the middle and on the far end of the yield curve in 2013;</li> <li>- growth in the investment property valuation associated with commercializing property development projects;</li> <li>- increase in EUR-denominated assets accompanied by FX rate appreciation.</li> </ul> </li> </ul>
<p>Operations</p>	<ul style="list-style-type: none"> <li>• Optimizing claims handling processes and high operational efficiency</li> <li>• 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.</li> </ul>
<p>M&amp;A</p>	<ul style="list-style-type: none"> <li>• Completion of the transaction to acquire the leaders in the Baltic States (Lietuvos Draudimas AB, AAS Balta), Branch in Estonia (Codan Forsikring A/S) and continuation of the integration process.</li> <li>• Dual brand strategy planned following Link4 acquisition.</li> </ul>

ROE 22.6%

# Review of the Group's 2014 financial results



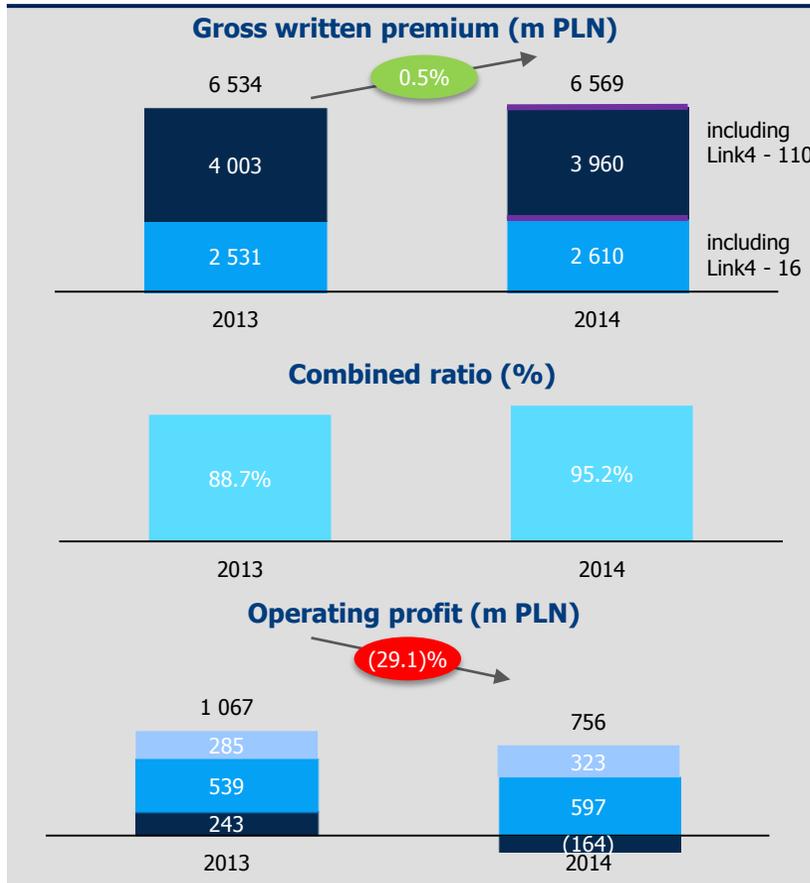
x% - change year on year

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

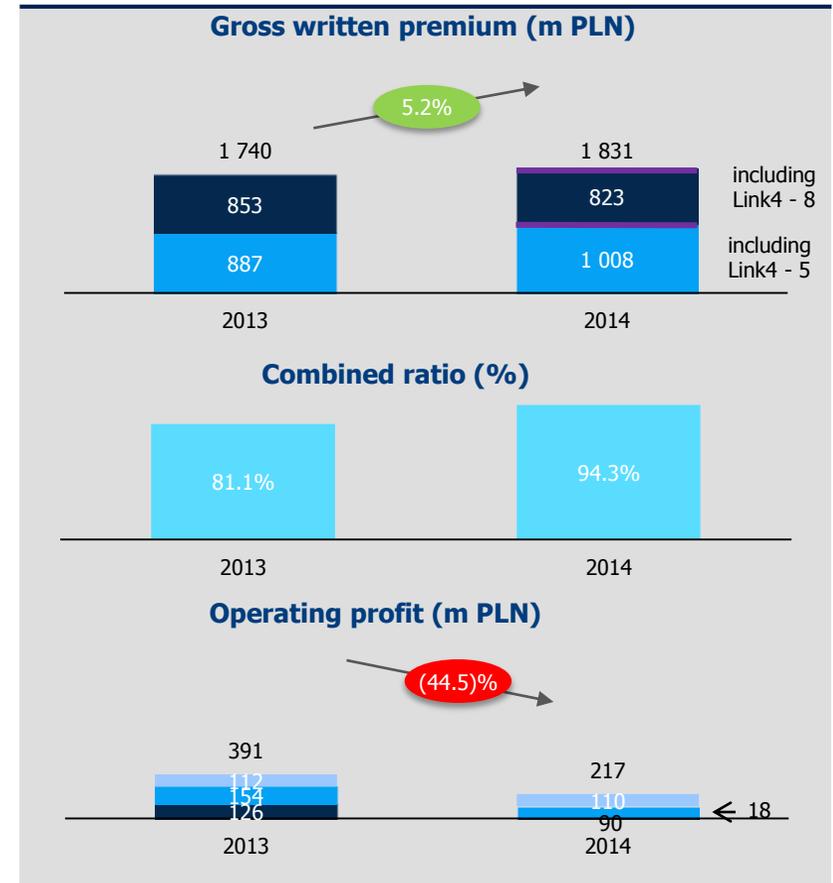
# Non-life insurance

## Lower profitability of motor insurance

### mass segment



### corporate segment



Motor insurance

Non-motor insurance

Impact of allocated investment income from the Investment segment

Combined ratio calculated jointly for motor and non-motor insurance

x% - change year on year

# Summary - non-life insurance

## mass segment

### Gross written premium y/y:

- motor insurance premium down caused by fierce price pressure exerted by the competition (1.1% decline);
- premium up in insurance against claims caused by forces of nature and other TPL - primarily household insurance as a result of upselling the main risk and TPL as a rider.

### Operating profit down primarily driven by the following:

- growth in the level of claims in motor TPL insurance largely caused by rising claims provisions for bodily injury claims, including claims for general damages by close family members for injury suffered from breach of a person's personal rights;
- recognition in last year's results of one-off income under the Green Card settlement with a reinsurer totaling 53.2 m PLN;
- higher insurance activity expenses, including:
  - acquisition expenses mostly as the outcome of changes to commission rates in bundled motor insurance;
  - administrative expenses as a consequence of executing projects to alter the philosophy of managing client relations.

## corporate segment

### Gross written premium y/y:

- sales growth in other TPL (+65.6 m PLN) as a result of acquiring several strategic clients and executing contracts for a period in excess of one year;
- positive rate of growth in sales of financial insurance mostly caused by extending several large guarantees;
- lower sales of motor insurance caused by fierce price competition.

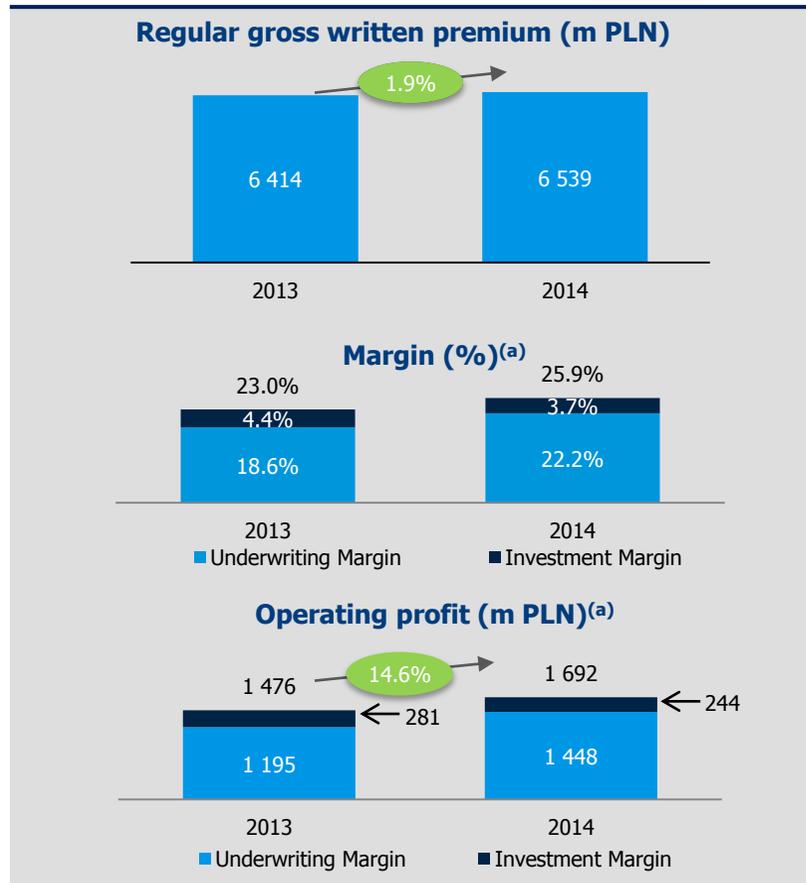
### Operating profit down primarily driven by the following:

- claims and benefits in non-life insurance up as an effect of several high unit value claims, especially in insurance of financial risks and of property damages and caused by calamities;
- higher insurance activity expenses, including:
  - administrative expenses as a consequence of executing projects to alter the philosophy of managing client relations and streamlining service processes that are supposed to contribute to the sales network producing a higher return in the long term.

# Life insurance

## Higher profitability

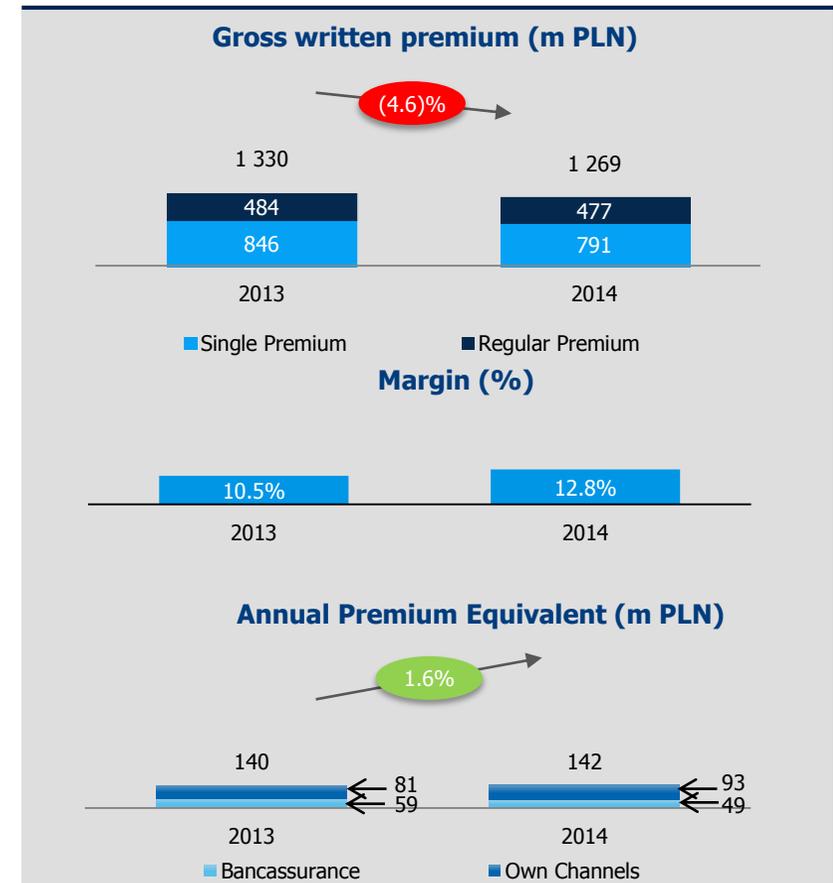
### Group and continued insurance segment



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

x% - change year on year

### Individual insurance segment



# Summary – life insurance

## Group and continued

### Drivers of higher gross written premium:

- expansion of the group protection insurance portfolio and increase of 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 up driven by the following:

- business development in protection products;
- curtailing the loss ratio in protection insurance as an effect of the decline in the frequency of death-related events compared to 2013 (confirmed by the Central Statistical Office's data showing a higher number of deaths in Poland, chiefly in January 2013);
- introducing a new individual continuation option entailing higher profitability.

## Individual

### Decline in gross written premium resulting from the following:

- structured product sales in co-operation with Bank Handlowy are lower than last year;
- regular premium savings product called Plan na Życie with a protection element retracted from sale;
- the level of IKE account payments (Individual Retirement Insurance) fell, especially in comparison with January 2013.

The adverse effects were partially offset by the increase in gross written premium on protection products in own sales channels (high new sales and launch of new rider called Pomoc od Serca - Heartfelt Assistance) and larger sales of the structured product called Świat Zysków (World of Profit).

### Sales channels:

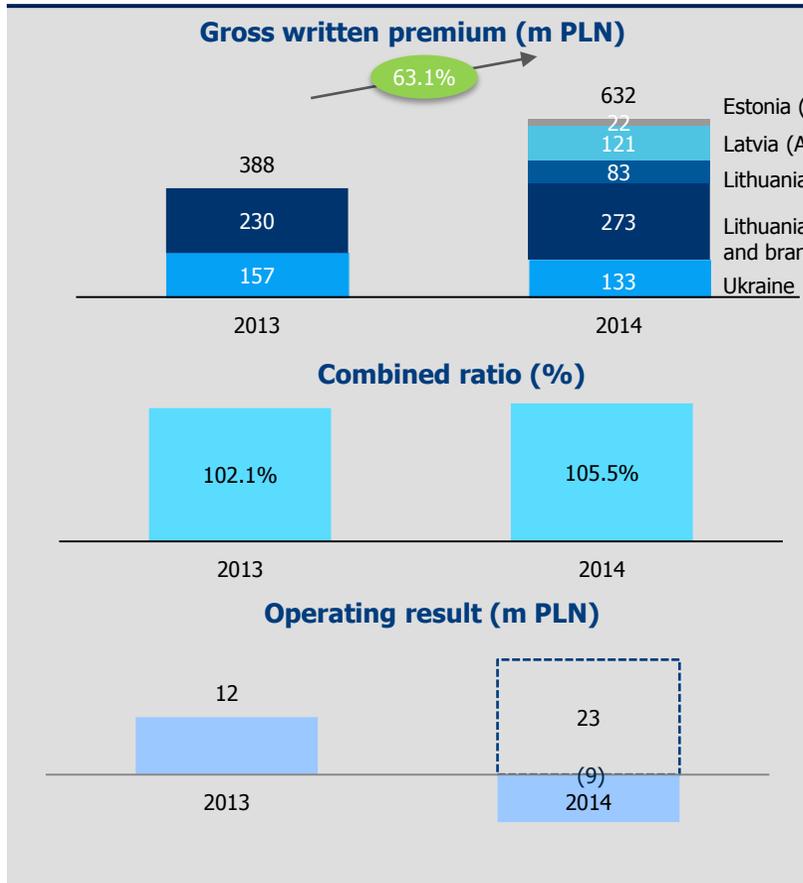
- new sales are down in the bancassurance channel as a result of the volume of single premium contracts acquired in structured products being considerably lower than one year ago;
- sales of protection products are up in the traditional channel compared to last year (+96%) as a result of the change in priorities in sales channels after retracting the "Plan na Życie" unit-linked product from the offering and modifying the remuneration system in the agency channel.

# International business

## Non-life insurance

### Life insurance

#### Non-life insurance



■ Combined ratio
   Operating result excluding one-offs (in the amount of 32 m PLN)

#### Life insurance



## Gross written premium

### Non-life insurance

- Gross written premium has grown including the contribution made by the newly-acquired companies:
  - Lithuanian market leader Lietuvos Draudimas since November 2014 + 83 m PLN;
  - Latvian market leader AAS Balta since July 2014 + 121 m PLN;
  - Latvian branch Codan Forising since November 2014 + 22 m PLN;
- PZU Lithuania's gross written premium surged upward (by 18.6%) thanks to the development of branches in Latvia and Estonia. Ultimately, the branches in Latvia and Estonia will become part of the companies AAS Balta and Lietuvos Draudimas. According to the agreement of February 2015 PZU Lithuania's business will be sold to Norwegian insurer Gjensidige Forsikring ASA.
- The fall in gross written premium in Ukraine by 24 m PLN due to the hryvna's depreciation (political and economic crisis), whereas gross written premium stated in the functional currency climbed by 24.7% (to the level of 503.9 m UAH). Impact exerted by official price growth, in particular motor TPL and Green Card.

### Life insurance

- Premium in Ukraine fell by 12.6% due to the hryvna's depreciation.
- Sales expanded by 28.7% in the functional currency.

## Operating results

### Non-life insurance

- Combined ratio growth:
  - loss ratio (61.1%) - up 6.4 p.p. due to higher provisions in PZU Lithuania;
  - the administrative expense ratio (18.7% versus 16.7% in 2013) has risen as a consequence of acquiring new companies in which additional expenses related to the change of owner were incurred;
  - the acquisition expense ratio has fallen by 5.0 p.p. as a consequence of acquiring new companies in which acquisition expense ratios are lower than in the PZU Group companies to date (cost allocation model).
- Lower operating result in non-life insurance chiefly as an outcome of non-recurring expenses related to integration processes (rebranding, new contracts concerning the maintenance of policy systems, IT costs) - roughly 32 m PLN

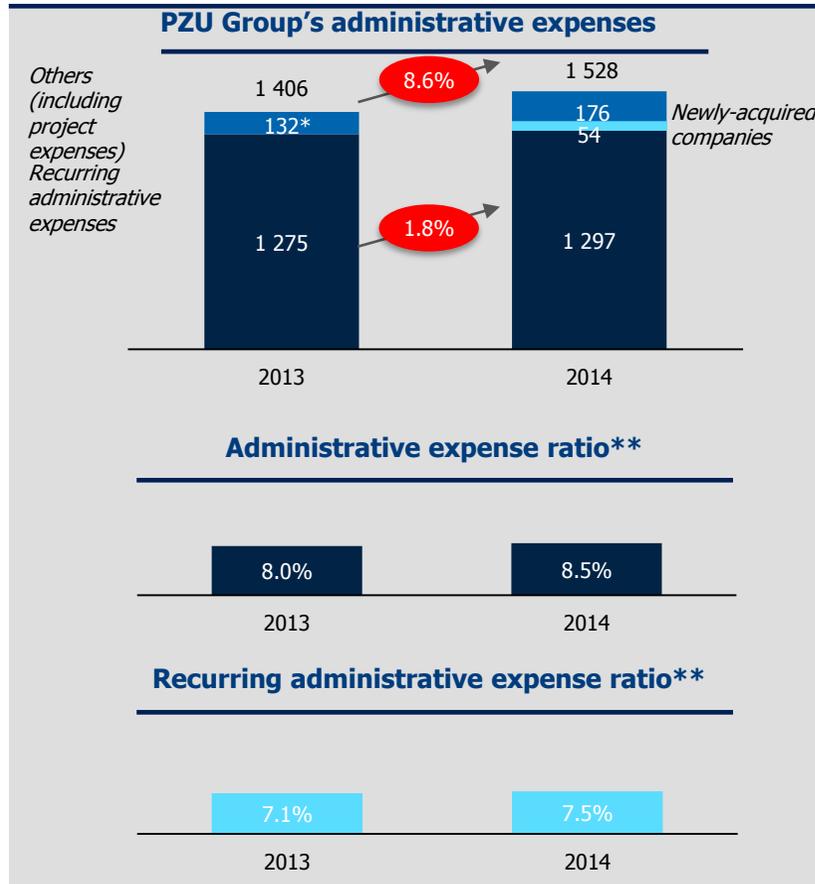
### Life insurance

- Operating result in Ukraine lower by 10 m PLN.
- PZU Ukraine gross result on similar level as in 2013 thanks to positive impact of FX differences on investment where the investment risk is born by the policyholder.
  - Level of FX differences as a result of investment products offered in USD.

# Higher administrative expenses

## Outcome of executing projects in previous years

m PLN



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

- business expansion by acquiring new companies (Link4 and companies in the Baltic States);
- project expenses to streamline and automate service processes (primarily the roll-out of the non-life insurance policy system) to alter the philosophy of managing client relations (client focus) and streamlining service processes that are supposed to contribute to the sales network producing a higher return in the long term;
- additional payroll and training costs in client service linked to the simultaneous maintenance of two systems in connection with rolling-out the new policy system;
- PTE PZU's compulsory additional payment of 19.5 m PLN to the Guarantee Fund in the National Securities Depository (statutory change to the required level from 0.1% to 0.3% of OFE's net asset value).

\* Does not include the charge to the company's social benefits fund in 2013. Making the approach applied in 2014 consistent since the foregoing expenses are not non-recurring

\*\* Administrative expense ratio: administrative expenses / net earned premium - sum of the insurance activity segments in Poland



Recurring administrative expenses



Others (including project expenses)



Newly-acquired companies

x%

- change year on year

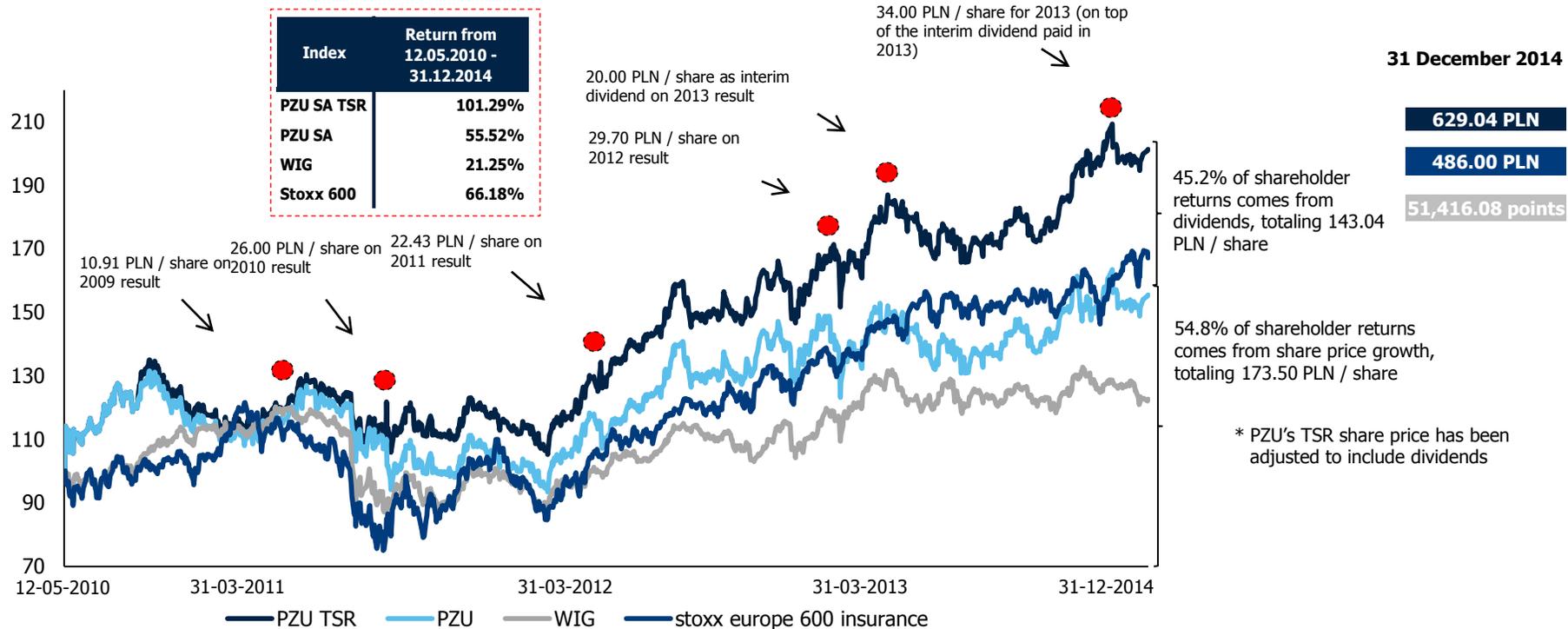
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# Managing TSR - high return on equity

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



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

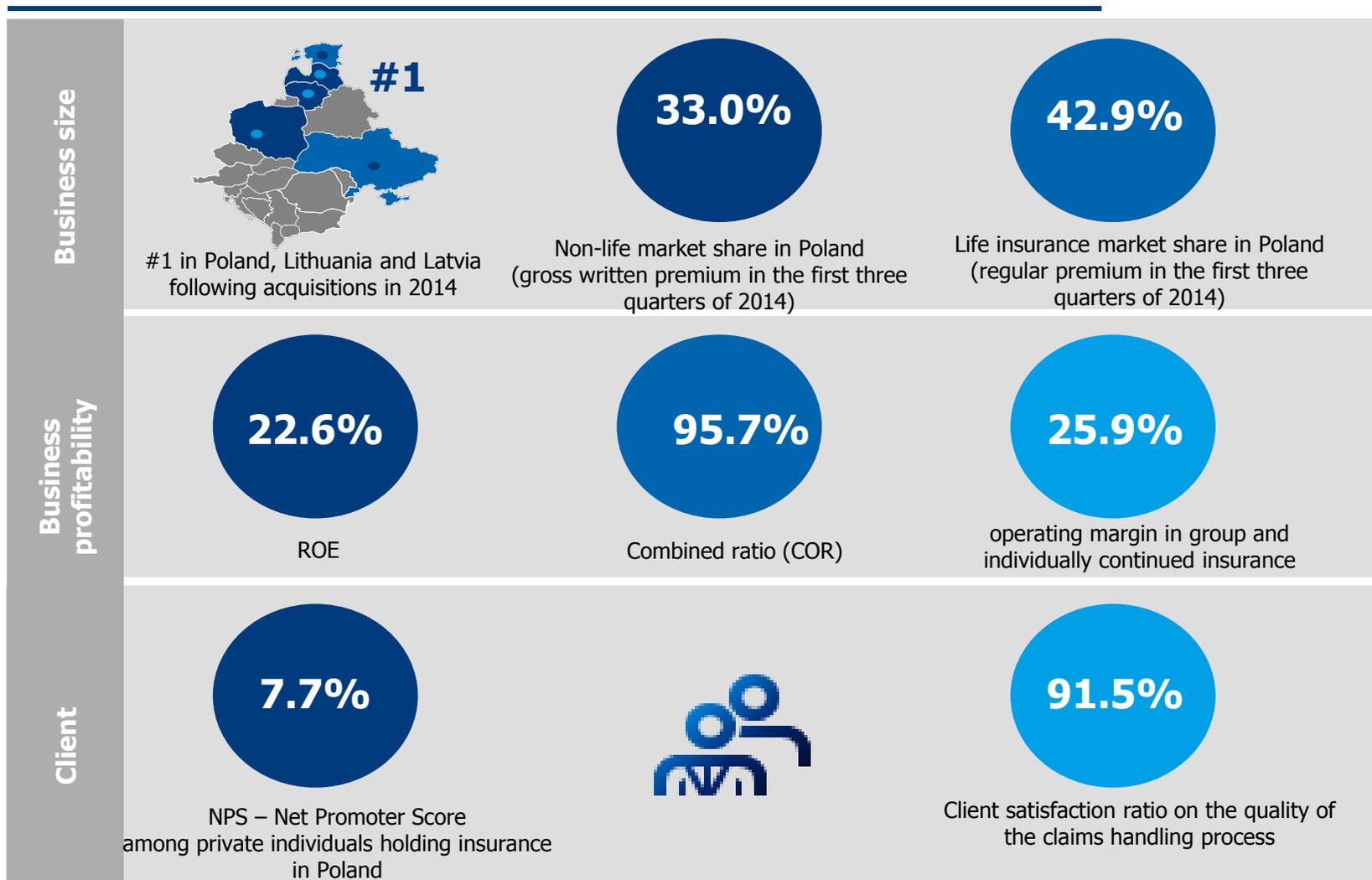
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# Execution of Strategy 2.0 in numbers

## Summary

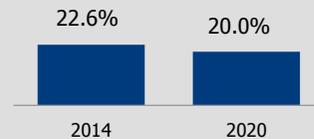


# Strategy 3.0 (2015 – 2020) – starting point

1

## Profitability

### Return on equity (ROE)

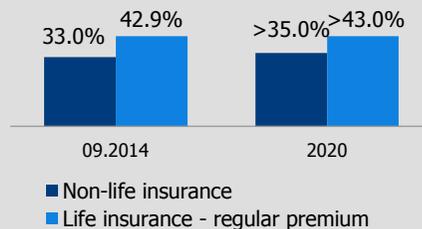


- The PZU Group will maintain a competitive rate of return on invested capital (**ROE**) in a low interest rate environment no lower than 20%.

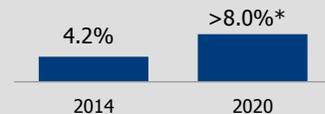
2

## Insurance activity

### PZU Group's share of the insurance market in Poland



### Premium on international business stated as a percentage of the Group's premium



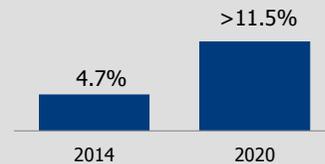
- in **Poland** the Group will increase its insurance market share by doing the following, among others:
  - new **client** segmentation;
  - dual brand strategy – **PZU and Link4**;
  - new extended **product offering**.
- in the **Baltic States and Ukraine** the Group:
  - will expand the scale of operations by developing its business preceded by acquisitions of insurance companies;
  - will monitor CEE markets to identify attractive acquisition targets;
  - will sell PZU Lithuania to Norwegian insurer Gjensidige Forsikring ASA according to the conditional sale agreement of February 2015. The final stage of the process of acquiring **Lietuvos Draudimas**, the Lithuanian non-life insurer (**30.9%** market share at yearend 2014) will transpire.

\* Incorporates the effect of selling PZU Lithuania

# Strategy 3.0 (2015 – 2020)

## 3 PZU Investments

TFI PZU's percentage of assets in the mutual fund market (net of privately-held assets)

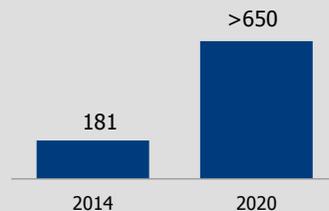


In 2020 with regards to **asset management** the Group plans to achieve the following:

- rapid growth in clients' asset value along with the leading position in third party asset management in Central and Eastern Europe;
- building the company's image as a supplier of unique products with above average financial performance (i.e. better than the median of the competitor's performance), possessing exceptional skills in investing and managing a considerable investment portfolio for its own account;
- an increase in the contribution from third party asset management in the PZU Group's financial result.

## 4 PZU Health

PZU Health's revenues (m PLN)



- **PZU Health [PZU Zdrowie]** will roll-out a nationwide network of proprietary standardized branches in connection with a network of partnership services.
- At the same time, the PZU Group is considering investments in a hospital network and possibly in care facilities.
- From 2015 to 2020 the PZU Group will designate 800 m PLN to develop its health business, of which 450 m PLN for acquisitions.

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# PZU Group's key financial highlights

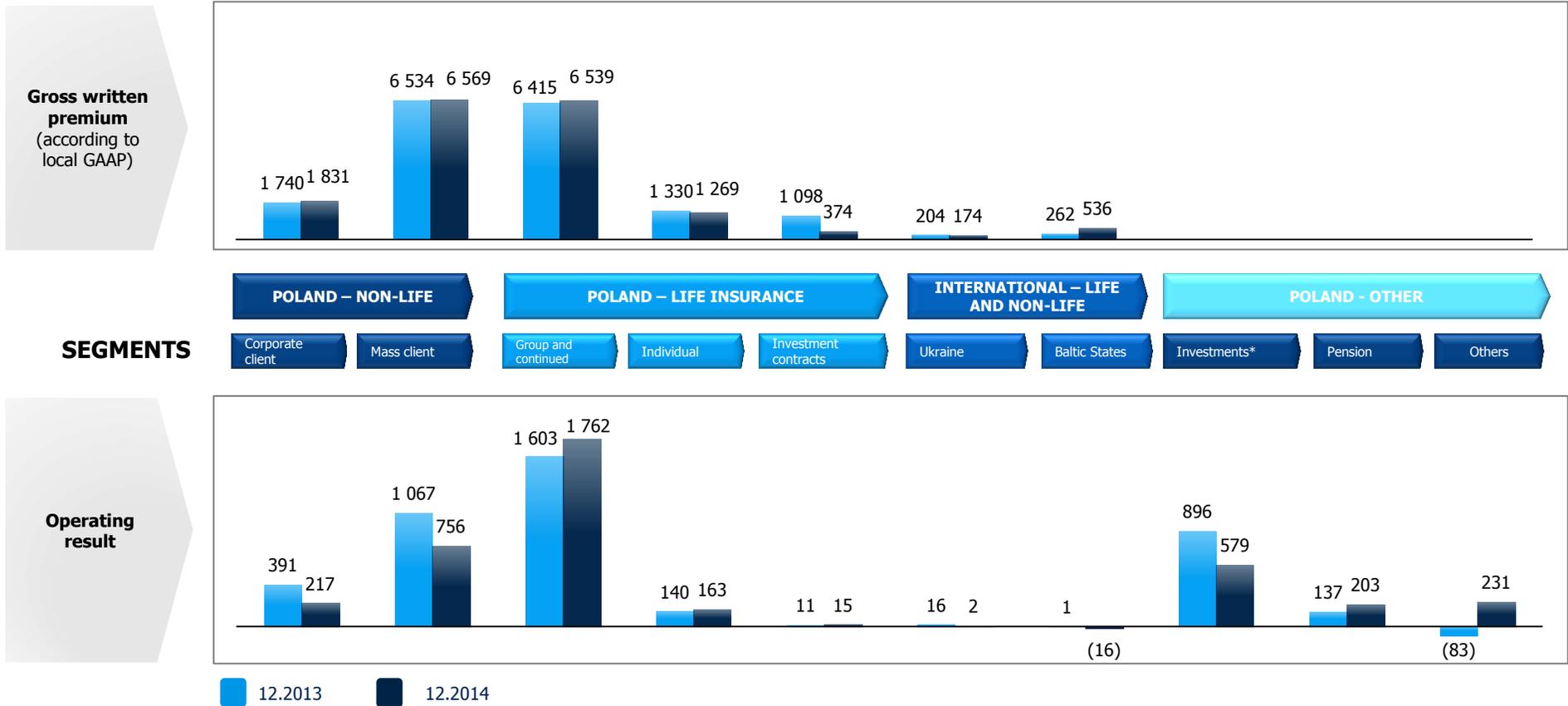
m PLN, IFRS	2013	2014	Change YoY	Q4 2013	Q4 2014	Change Q4 2014 over Q4 2013	Q3 2014	Change Q4 2014 over Q3 2014
<b>Profit and Loss Statement</b>								
Gross Written Premium	16 480	16 885	2.5%	4 077	4 476	9.8%	3 971	12.7%
Premium Earned	16 249	16 429	1.1%	4 009	4 286	6.9%	4 110	4.3%
Investment Result	2 515	2 734	8.7%	654	570	(12.8)%	805	(29.2)%
Operating Profit	4 181	3 913	(6.4)%	679	563	(17.0)%	1 114	(49.4)%
Financial Cost	(62)	(220)	x	(14)	(91)	x	(69)	x
Net Profit	3 295	2 968	(9.9)%	528	404	(23.6)%	843	(52.1)%
<b>Balance Sheet</b>								
Equity	13 128	13 168	0.3%	13 128	13 168	0.3%	12 779	3.0%
Total Assets	62 787	67 573	7.6%	62 787	67 573	7.6%	67 717	(0.2)%
<b>Principal Financial Ratios</b>								
ROE*	24.1%	22.6%	(1.5) p.p.	16.4%	12.5%	(3.9) p.p.	27.3%	(14.9) p.p.
Combined Ratio**	87.8%	95.7%	7.9 p.p.	103.8%	111.9%	8.1 p.p.	96.5%	15.4 p.p.

\* Annualized ratio calculated based on the equity at the beginning and at the end of the reporting period.

\*\* Only for non-life insurance.

# Segment results

m PLN



\* Investment income in the Investments segment – external operations and consolidation adjustments in the investment area

# Profitability by insurance segment

Insurance Business Segments	Gross Written Premium			Operating Profit			Combined Ratio / Operating profit ratio*	
	2013	2014	Change YoY	2013	2014	Change YoY	2013	2014
<b>Total Non-Life - Poland</b>	<b>8 274</b>	<b>8 401</b>	<b>1.5%</b>	<b>1 459</b>	<b>974</b>	<b>(33.3)%</b>	<b>87.3%</b>	<b>95.0%</b>
<b>Mass Insurance - Poland</b>	<b>6 534</b>	<b>6 569</b>	<b>0.5%</b>	<b>1 067</b>	<b>756</b>	<b>(29.1)%</b>	<b>88.7%</b>	<b>95.2%</b>
Motor TPL Insurance	2 453	2 381	(2.9)%	95	(260)	x	101.1%	116.5%
Motor Own Damage	1 549	1 579	1.9%	148	96	(35.2)%	88.9%	92.9%
Other products	2 531	2 610	3.1%	539	597	10.8%	76.1%	76.2%
Impact of investment segment allocation	x	x	x	285	323	13.2%	x	x
<b>Corporate Insurance - Poland</b>	<b>1 740</b>	<b>1 831</b>	<b>5.2%</b>	<b>391</b>	<b>217</b>	<b>(44.5)%</b>	<b>81.1%</b>	<b>94.3%</b>
Motor TPL Insurance	374	358	(4.3)%	0	(45)	x	100.1%	114.0%
Motor Own Damage	479	466	(2.8)%	126	63	(50.2)%	74.2%	86.1%
Other products	887	1 008	13.6%	154	90	(41.8)%	76.3%	89.8%
Impact of investment segment allocation	x	x	x	112	110	(1.9)%	x	x
<b>Total Life - Poland</b>	<b>7 745</b>	<b>7 808</b>	<b>0.8%</b>	<b>1 743</b>	<b>1 925</b>	<b>10.4%</b>	<b>22.5%</b>	<b>24.6%</b>
<b>Group and Continued ** - Poland</b>	<b>6 415</b>	<b>6 539</b>	<b>1.9%</b>	<b>1 476</b>	<b>1 692</b>	<b>14.6%</b>	<b>23.0%</b>	<b>25.9%</b>
<b>Individual - Poland</b>	<b>1 330</b>	<b>1 269</b>	<b>(4.6)%</b>	<b>140</b>	<b>163</b>	<b>16.4%</b>	<b>10.5%</b>	<b>12.8%</b>
Conversion effect (local GAAP)	x	x	x	127	70	(45.0)%	x	x
<b>Total Non-Life - Ukraine &amp; Baltica</b>	<b>388</b>	<b>632</b>	<b>63.1%</b>	<b>12</b>	<b>(9)</b>	<b>x</b>	<b>102.1%</b>	<b>105.5%</b>
<b>Ukraine Non-life</b>	<b>157</b>	<b>133</b>	<b>(15.4)%</b>	<b>10</b>	<b>7</b>	<b>(34.3)%</b>	<b>102.5%</b>	<b>102.5%</b>
<b>Baltica Non-life</b>	<b>230</b>	<b>499</b>	<b>116.7%</b>	<b>1</b>	<b>(16)</b>	<b>x</b>	<b>101.8%</b>	<b>106.2%</b>
<b>Total - Life - Ukraine &amp; Baltica</b>	<b>78</b>	<b>78</b>	<b>(0.7)%</b>	<b>5</b>	<b>(4)</b>	<b>x</b>	<b>6.5%</b>	<b>(5.7)%</b>
<b>Ukraine Life</b>	<b>47</b>	<b>41</b>	<b>(12.6)%</b>	<b>5</b>	<b>(5)</b>	<b>x</b>	<b>11.2%</b>	<b>(11.1)%</b>
<b>Lithuania Life</b>	<b>32</b>	<b>37</b>	<b>16.8%</b>	<b>(0)</b>	<b>0</b>	<b>x</b>	<b>(0.4)%</b>	<b>0.2%</b>

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

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

# Normalized operating profit

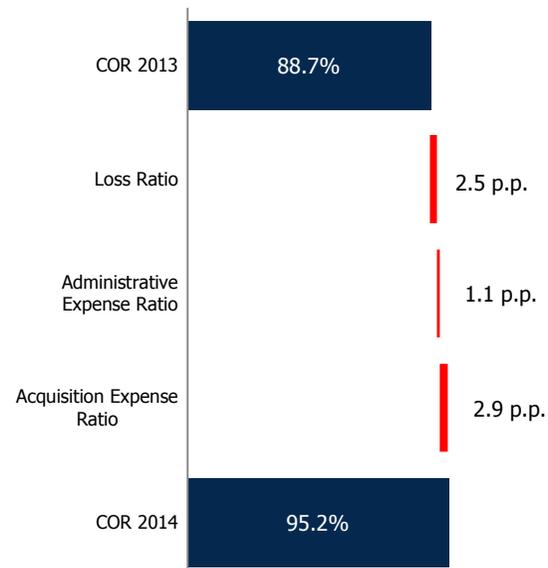
YTD, m PLN

m PLN, IFRS	2013	2014
<b>Operating Profit (according to financial statements)</b>	<b>4 180.8</b>	<b>3 913.1</b>
<i>including:</i>		
1 Conversion effect	127.1	69.9
2 Reinsurance agreement	53.2	-
3 Consolidating investment funds	172.7	-
4 Change to PTE's result as a result of the OFE reform	-	13.5

- 1 Impact exerted by conversion of long-term contracts into renewable yearly term contracts according to IFRS.
- 2 Income under the Greed Card product settlement with the reinsurer - reversal of the adjustment to the estimates reducing the 2011 results.
- 3 Commencement of consolidating mutual funds - chiefly real estate.
- 4 An estimate of the change to PTE's gross result under the pension fund reform (+110 m PLN caused by non-recurring events such as the liquidation of the Guarantee Fund and roughly -96.5 m PLN due to lower revenues on pension contributions and asset management fees compared to 2013 as a recurring effect in subsequent years).

# Profitability of the mass insurance segment (non-life insurance)

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



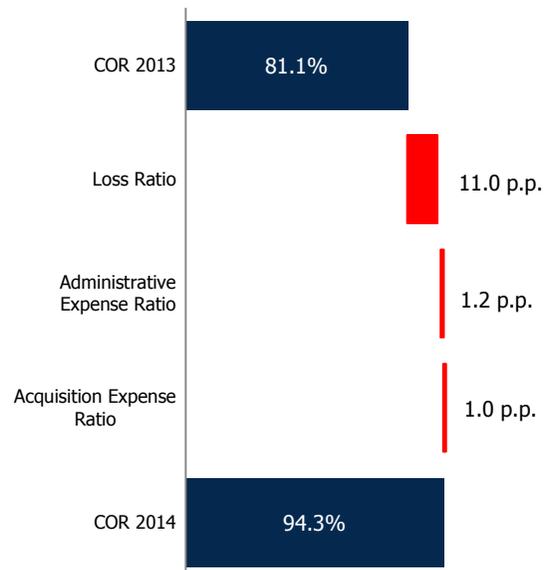
- Loss ratio growth due to the following:
  - level of claims and benefits up in motor insurance largely caused by higher claims provisions for bodily injury claims, including claims concerning pain and suffering for the damages incurred before 3rd August 2008 pursuant to art. 448 of the Polish Civil Code;
  - level of claims and benefits rose as a result of the occurrence of claims caused by the forces of nature (mostly ground frost) in compulsory subsidized crop insurance.
- Administrative expense ratio has climbed mostly ensuing from the following higher expenses: IT, payroll and training - a consequence of executing projects to alter the philosophy of managing client relations.
- Acquisition expense ratio increase due to the following:
  - level of direct acquisition expenses up as a result of the changes made to commission rates in motor insurance packages.

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

- recognition in the 2013 results of a one-off gross profit on the execution of a settlement with a reinsurer for 53.2 m PLN, of which 73.3 m PLN was carried in the line item reinsurance commissions;
- acquisition of Link4 which contributed to the segment's result from the time of the acquisition and led to various elements of the operating result surpassing the levels recorded in 2013. Impact exerted on operating profit: - 14.5 m PLN.

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

## Profitability of the corporate insurance segment Combined ratio (COR - %)



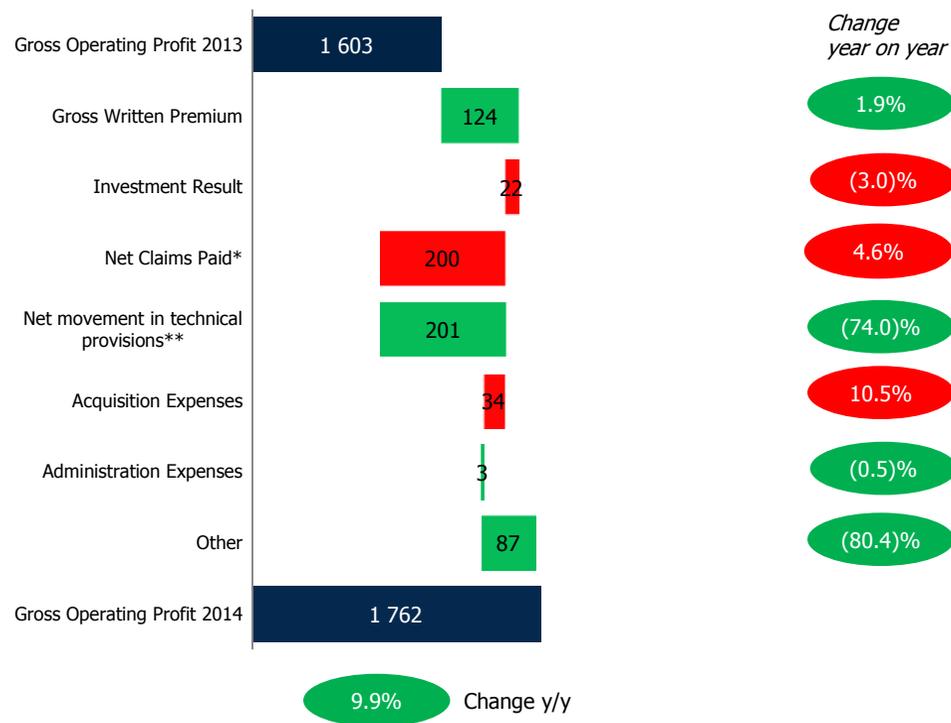
- Loss ratio growth due to the following:
  - lower earned premium (decline of 6.0%) - effect of contracts with a term of coverage exceeding 12 months - coupled with simultaneous growth in claims and benefits of 12.9%, signifying deterioration in the loss ratio by 11.0 p.p.
  - claims and benefits in property insurance and general third party liability insurance up as a result of several high unit value claims occurring (especially in insurance of financial risks and of physical damages and caused by calamities).
- Administrative expense ratio growth as a consequence of executing projects to alter the philosophy of managing client relations and streamlining key service processes that are supposed to contribute to the sales network producing a higher return in the long term.
- Acquisition expense ratio up due to the decline in premium earned accompanied by the simultaneous increase in acquisition expenses, including: commissions on inward reinsurance and indirect acquisition expenses.

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

- acquisition of Link4 which contributed to the segment's result from the time of the acquisition and led to various elements of the operating result surpassing the levels recorded in 2013. Impact on operating profit: - 2.4 m PLN.

# Group and continued insurance segment (life insurance)

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



- Gross written premium up by 1.9% y/y 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.
- Lower investment income mainly due to the fall in income allocated in respect to transfer prices as a result of a lower level of market interest rates.
- Net insurance claims and benefits have risen following the asset transfer from PZU's employee pension program policy to the employee pension program administered by TFI PZU.
- The incremental growth in mathematical provisions is smaller y/y following the asset transfer from PZU's employee pension program policy to TFI PZU and the decrease in provisions in continued insurance in connection with the decision to reduce the indexation rate on sums insured in this portfolio.
- Higher acquisition expenses in group protection insurance (including bancassurance) caused by expansion in the contract portfolio and amendments to the conditions of the agreement with the bank.
- Segment's administrative expenses held at last year's level.
- Improved result in the item other revenues and expenses as a consequence of lack of a charge for the prevention fund in 2014 (eliminated at the level of the consolidated results) and lower expenses related to PZU Życie financing the premium.

\* Net claims and benefits paid including movement in claims provisions

\*\* Mathematical and other provisions, including the conversion effect

# Individual life insurance segment (life insurance)

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



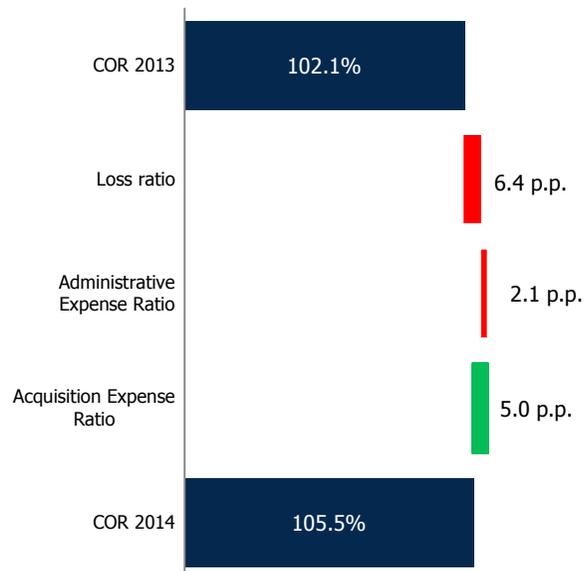
- Gross written premium fell by 4.6% y/y primarily as the effect of suppressed sales of investment products in the bacassurance channel.
- An increase in investment income mainly from investment-based products.
- Rising net benefits as a consequence of the growth in payments related to reaching the endowment age in structured products (maturity of more product tranches) and higher surrenders in unit-linked banking products (expansion of portfolio size year on year).
- Suppressed incremental growth in provisions ensuing from limiting the sales of banking structured products and the higher level of payouts linked to reaching the endowment age in these types of policies.
- Change in acquisition expenses y/y stemming above all from modifying the remuneration system for the agency network (commissions), which contributed to a significant increase in the volume of sales of protection products.
- Segment's administrative expenses at last year's level.
- Results are up in the item other revenues and expenses due to lack of a charge to the prevention fund this year (eliminated at the level of the consolidated result).

\* Net claims and benefits paid including movement in claims provisions

\*\* Mathematical and other provisions

# Profitability of international companies (non-life insurance)

## Profitability of international companies Combined ratio (COR - %)



- Increase in the loss ratio due to the higher level of claims provisions in Lithuania.
- Rising administrative expense ratio mostly ensuing from higher expenses in the newly-acquired companies and the higher expenses in the Lithuanian branches.
- Lower acquisition expense ratio as a result of lower expenses in the newly-acquired companies.

# Investments

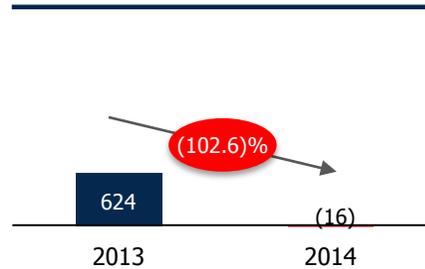
Positive results of debt portfolios offset by lower results in equity portfolios

m PLN

## Net investment result



## Equity instruments and derivatives\*

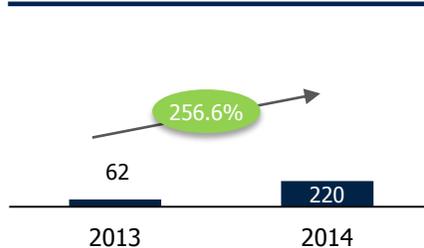


## Interest-bearing financial assets\*



- An increase in the net investment result mainly as a result of the following:
  - interest rate decline as opposed to growth seen in the middle and on the far end of the yield curve last year;
  - growth in the investment property valuation mostly associated with commercializing new property development projects;
  - increase in EUR-denominated assets i.a. prompted by the issue of own debt securities along with the FX rate appreciation.

## Financial expenses

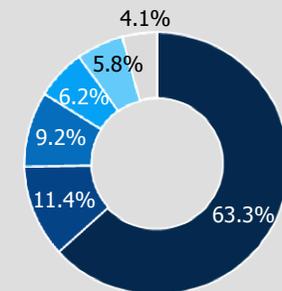


- Higher financial expenses are mainly driven by the EUR exchange rate appreciation accompanied by a higher level of liabilities denominated in EUR following the issue of own debt securities for a total of 500 m EUR in July 2014 and the greater extent of sell-buy-back utilization.

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

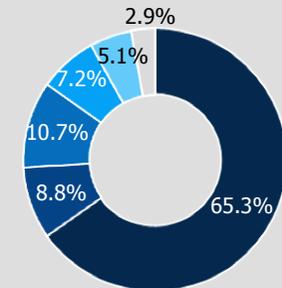
\*\* The investment portfolio consists of financial assets (including investment products), investment properties and financial liabilities (negative valuation of derivatives and obligations under sell-buy-back transactions). Derivatives linked to interest rates, foreign currencies and equity prices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

## 12.2014 investment composition\*\*



Total:  
54.0 bn PLN

## 12.2013 investment composition\*\*



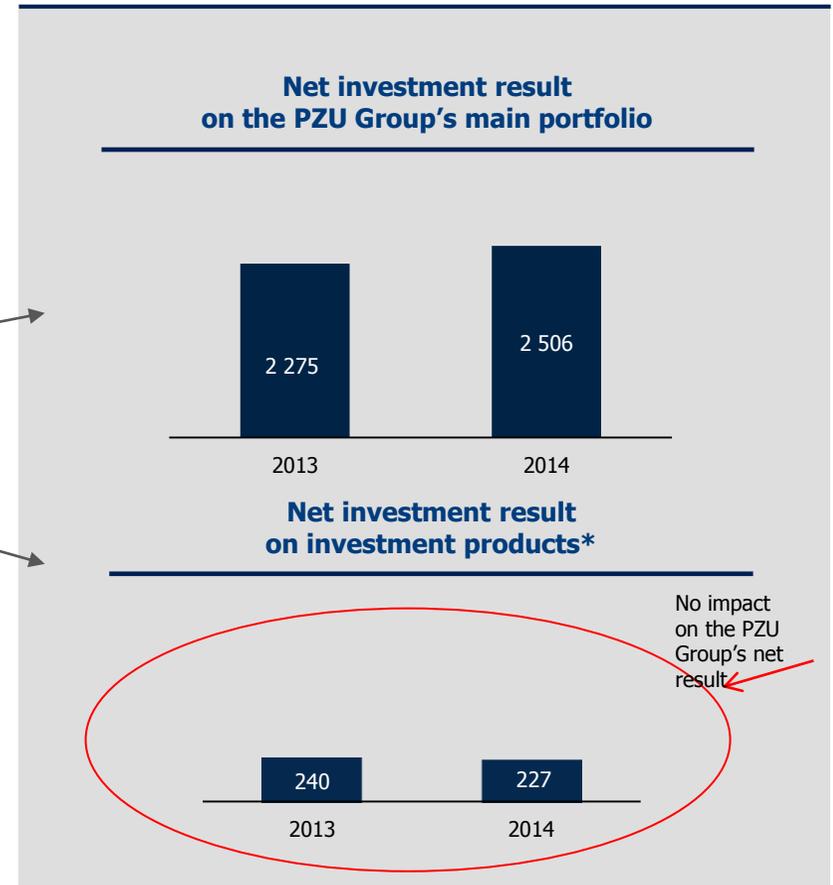
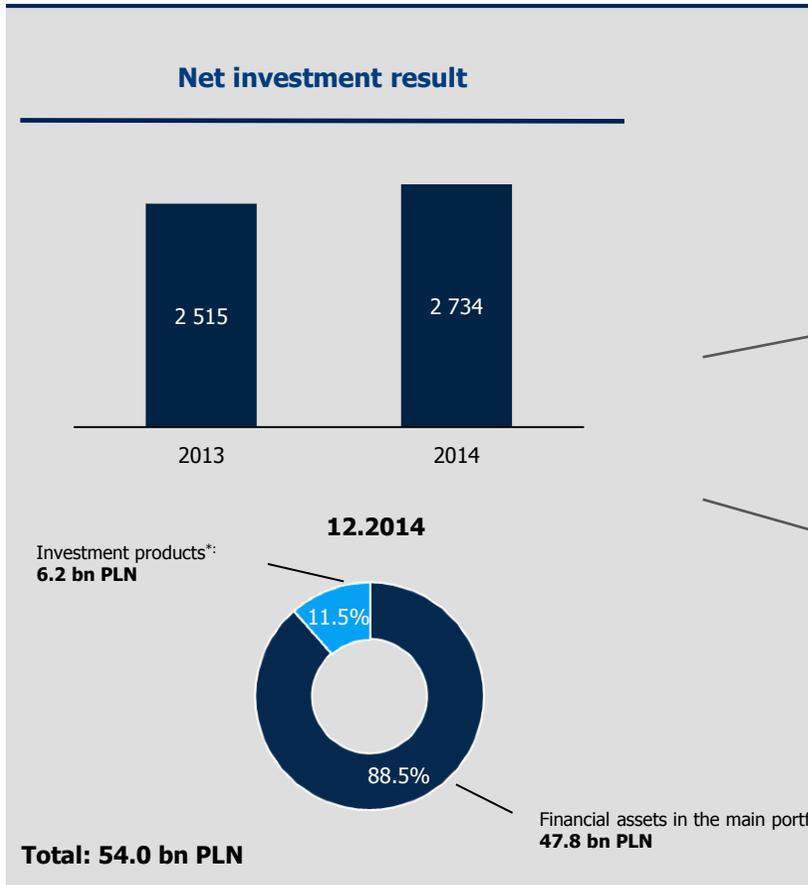
Total:  
51.2 bn PLN

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

# Investments

Positive results of debt portfolios offset by lower results in equity portfolios

m PLN

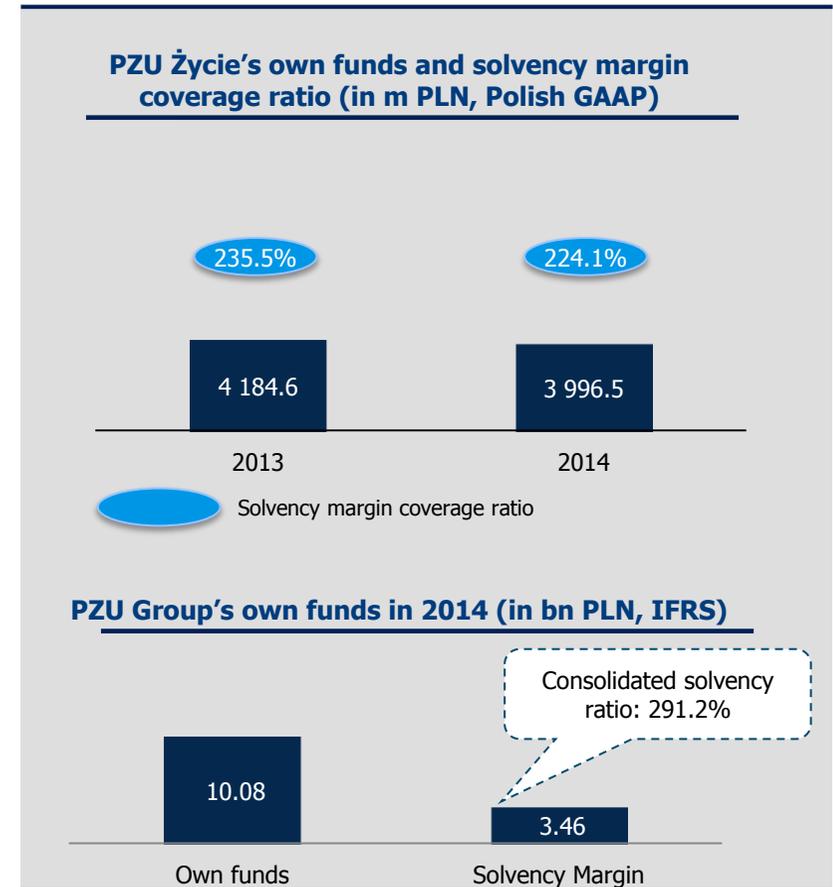
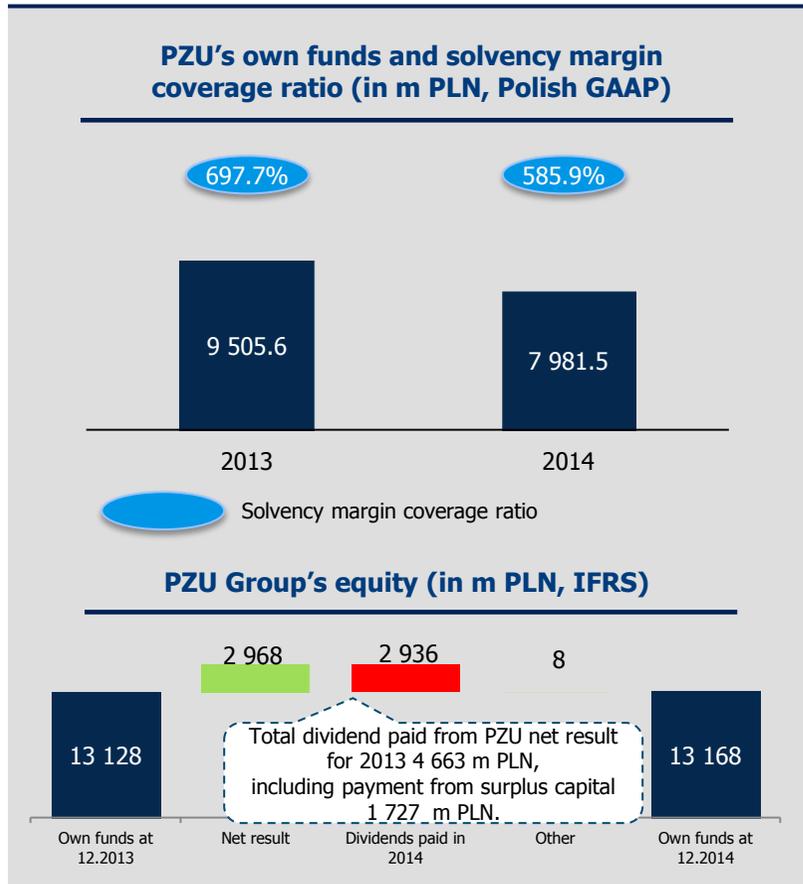


\* Unit-linked products, structured products and short-term endowments.

# Robust capitalization and high solvency ratios

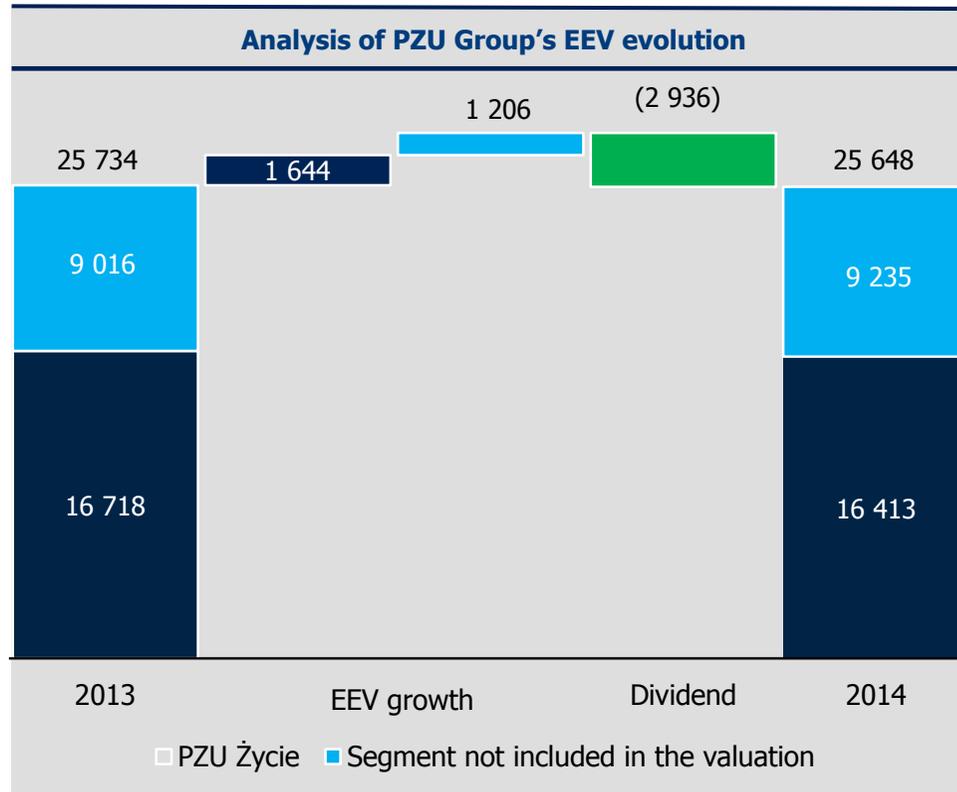
YTD

m PLN



# PZU Group's EEV decline caused by dividend payout

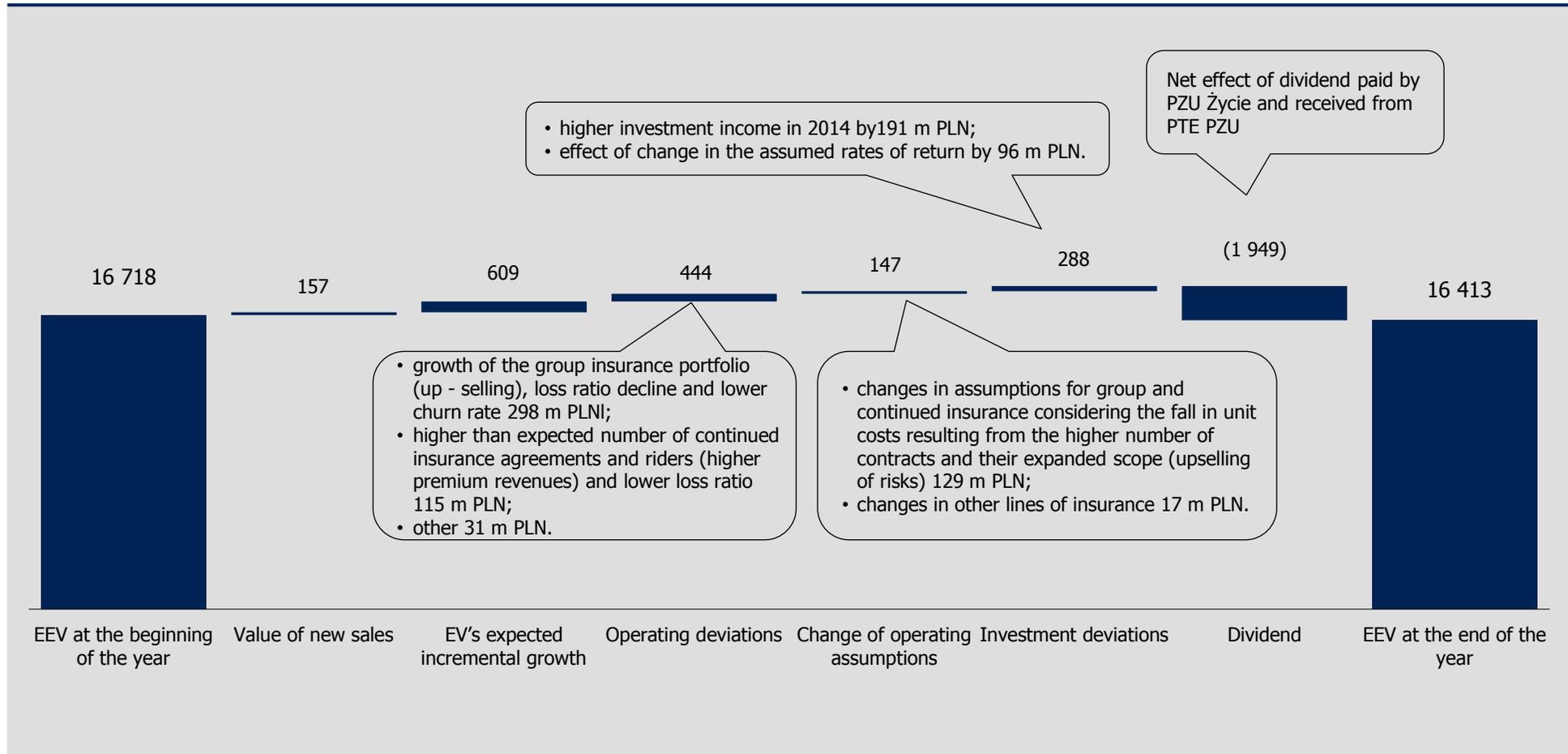
m PLN



- EEV growth for the PZU Życie segment of 1 644 m PLN consisting of the following:
  - value of new business 157 m PLN;
  - change of assumptions 147 m PLN;
  - other operating incremental growth 1 052 m PLN;
  - positive investment incremental growth 288 m PLN.
- growth in segment not captured in the valuation 1 206 m PLN;
- dividend payout 2 936 m PLN.

# PZU Group's EEV decline caused by dividend payout

m PLN



# Questions and answers

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