PZU Group's financial results
in 2017

MAJOR DRIVERS OF THE PZU GROUP’S RESULT

The most important events and drivers of the results in Q4 2017

Insurance
- High profitability of the motor insurance portfolio.
- Enhanced results on other non-life insurance after a period of a high loss ratio (in Q3 losses caused by storms).

Health
- Continued high rate of revenue growth.
- Extension of the product offer to include riders in non-life insurance.
- Acquisition of more medical companies. i.e. Revimed and Trzebinia.

Investments
- The lower result on equity instruments linked to worse market conditions on the Warsaw Stock Exchange.
- High profitability of the corporate debt portfolio as result of securing high margin exposures.
- Growth in the measurement of interest-bearing instruments thanks to the declining bond yield.

Banks
- The completed transaction to acquire a 51% equity stake in Pekao IM (formerly Pioneer Pekao Investment Management) and commencement of consolidation of Pekao TFI (formerly Pioneer Pekao TFI) by of Bank Pekao.
- Result on the segment’s operating activity up by 9.6% in Q4 versus Q3 2017.

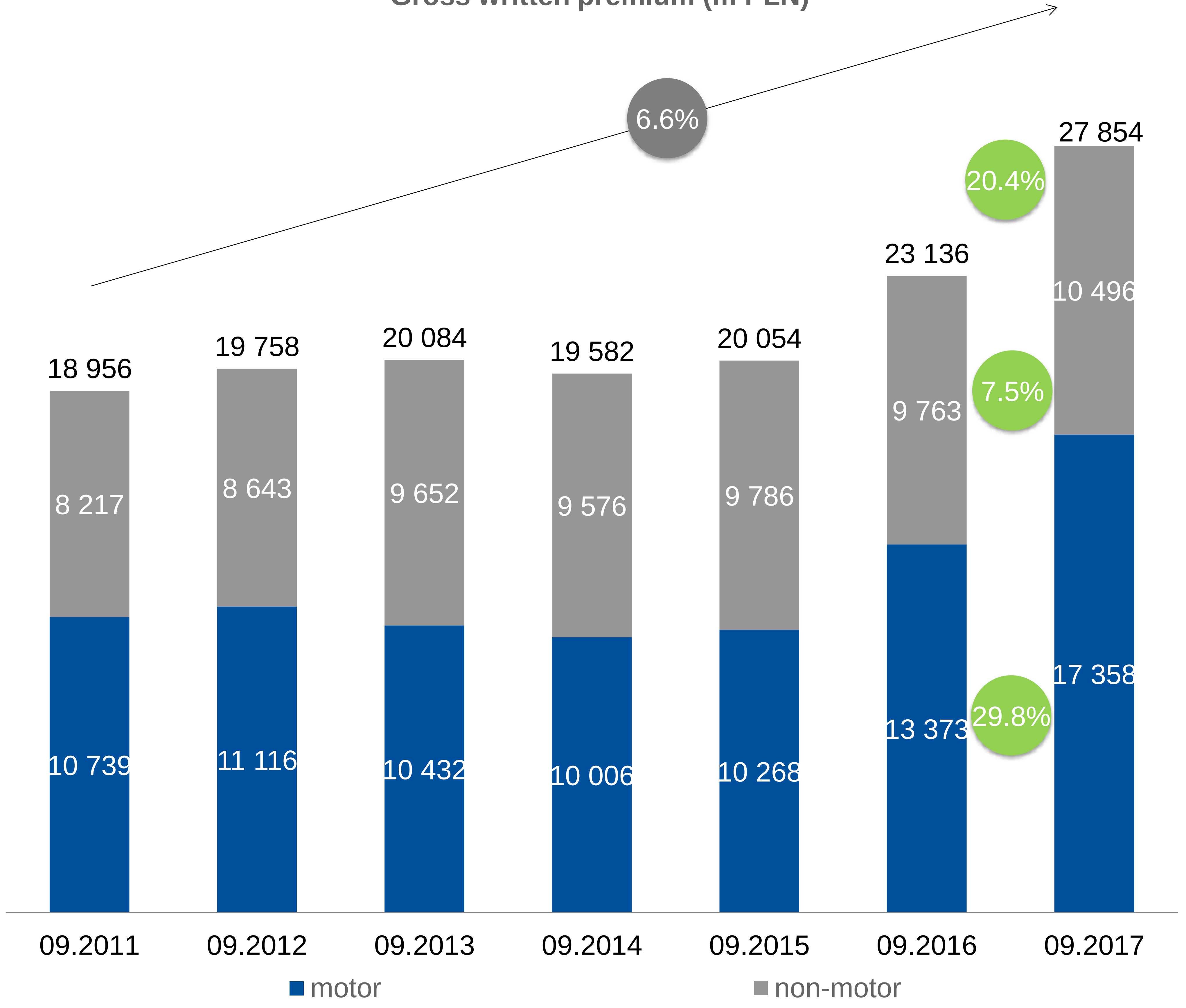
Gross written premium of the PZU Group

Externally written premium

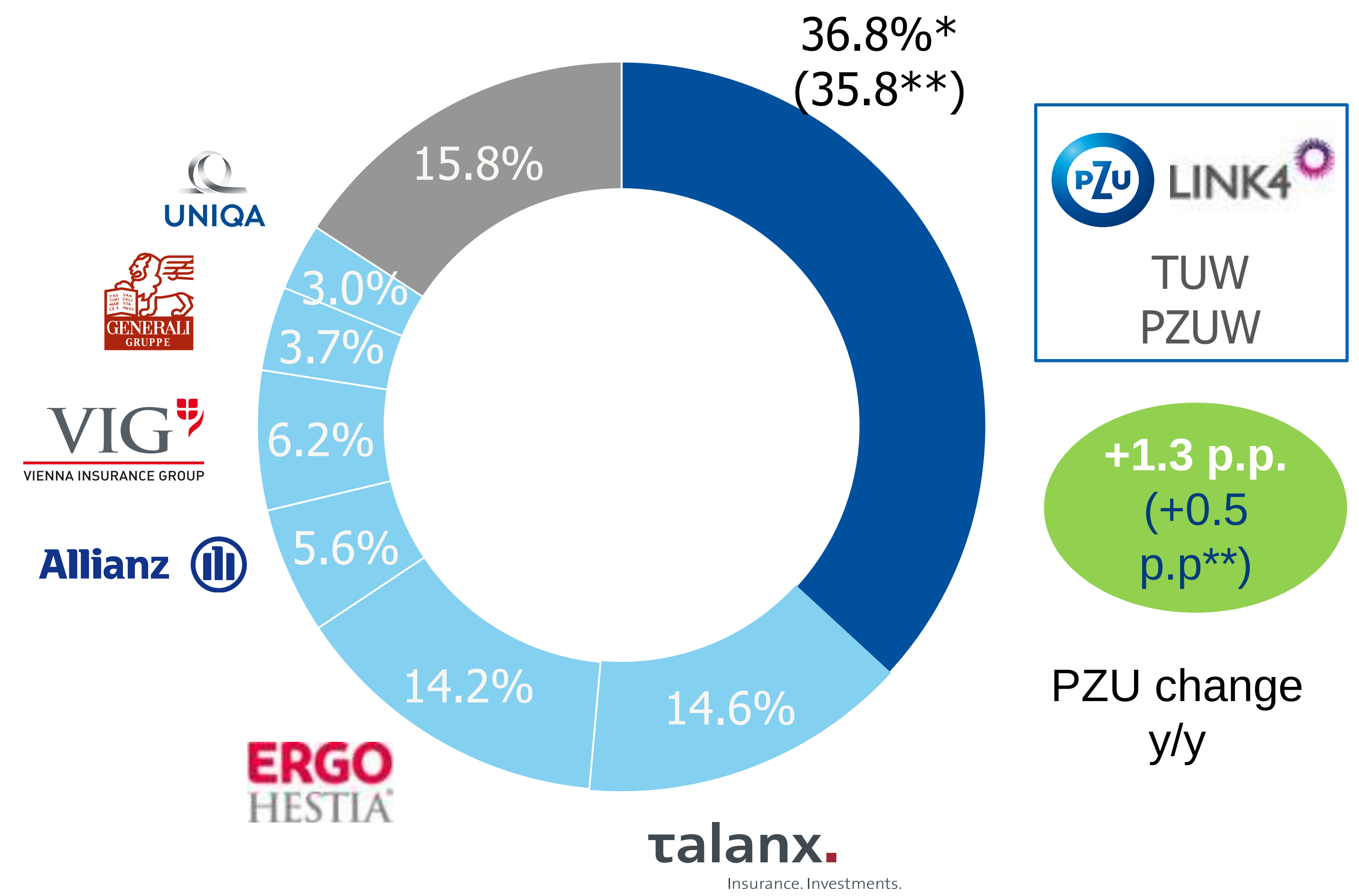
Insurance segments (m PLN), local GAAP	2016	2017	Change y/y
TOTAL	20 219	22 847	13.0%
Total non-life insurance – Poland	10 878	12 702	16.8%
Mass insurance – Poland	8 742	10 029	14.7%
Motor TPL	3 635	4 606	26.7%
Motor own damage	2 147	2 406	12.1%
Other products	2 960	3 017	1.9%
Corporate insurance – Poland	2 136	2 673	25.1%
Motor TPL	532	735	38.2%
Motor own damage	712	848	19.1%
Other products	892	1 090	22.2%
Total life insurance – Poland	7 949	8 519	7.2%
Group and individually continued insurance – Poland	6 775	6 855	1.2%
Individual insurance – Poland	1 174	1 664	41.7%
Total non-life insurance – Ukraine and Baltic States	1 305	1 527	17.0%
Baltic States non-life insurance	1 132	1 346	18.9%
Ukraine non-life insurance	173	181	4.6%
Total life insurance – Ukraine and Baltic States	88	100	13.6%
Baltic States life insurance	51	58	13.7%
Ukraine life insurance	37	42	13.5%

Non-life insurance market in Poland

Gross written premium (m PLN)



Market shares*



xx% - CAGR

x% - Change year-on-year

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

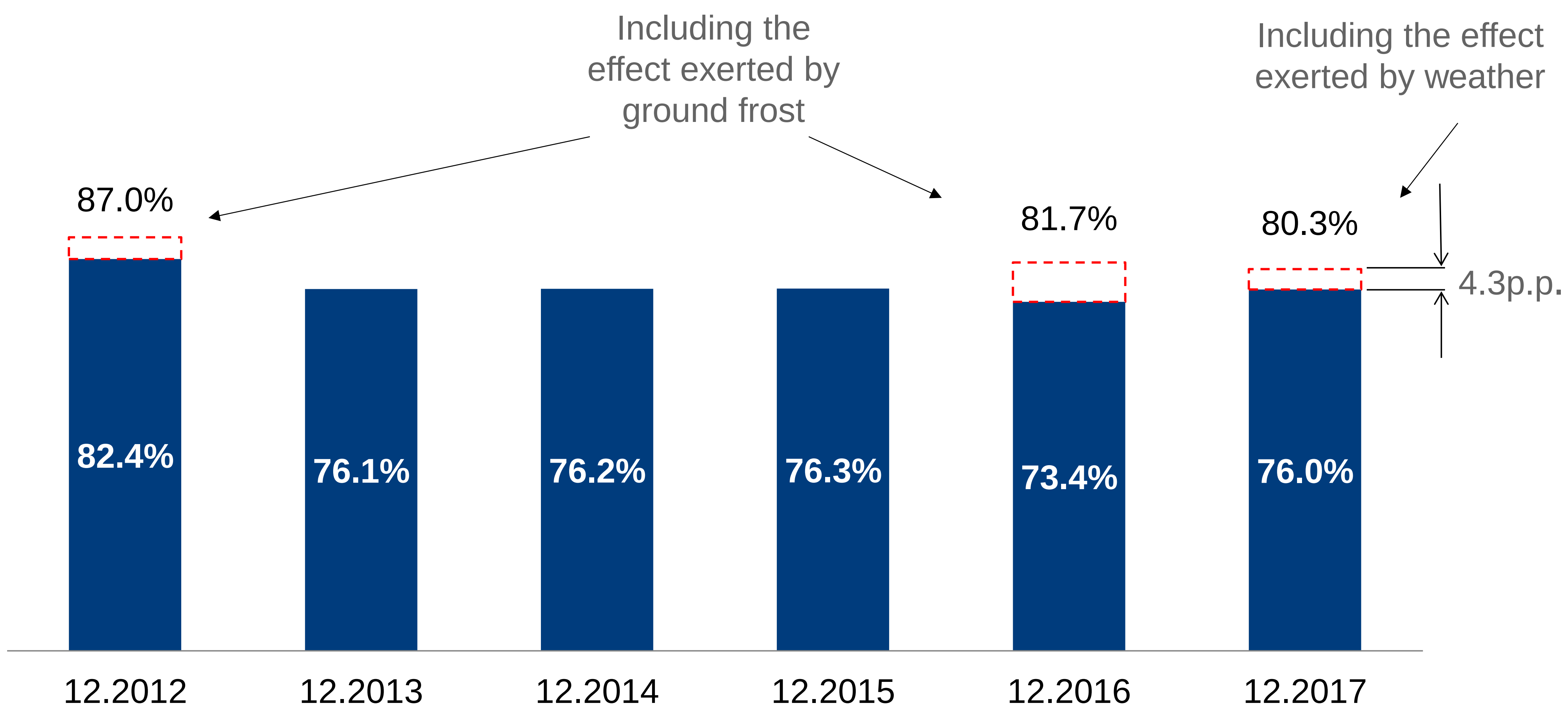
** PZU Group's market share in non-life insurance on direct business at the end of Q3 2017.

Non-life insurance market in Poland

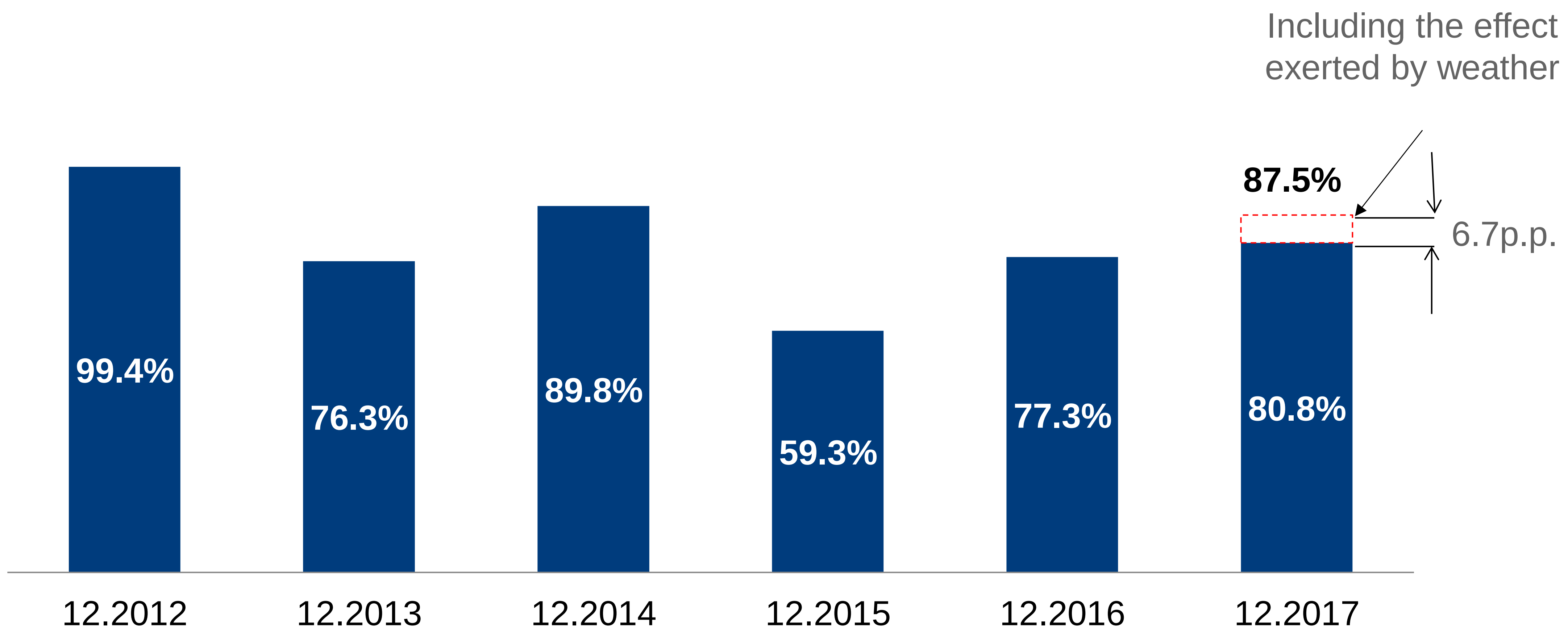
- After the first three quarters of 2017, the PZU Group had a 35.8% share in the non-life insurance market, thereby posting growth of 0.5 p.p. despite the material changes in the split of the non-life insurance market affecting the year-on-year comparability of premium levels (among others acquisitions resulting in the imposition on entities operating on the Polish market in the form of Branches of the obligation to report to the polish supervisory authority (PFSA)).
- PZU Group's strong market position in motor insurance, including direct business with a market share of 38.5%.
- The PZU Group's technical result stated as a percentage of the overall market's technical result is 56.6% (the PZU Group's technical result is 853 m PLN while the overall market's technical result is 1 507 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



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

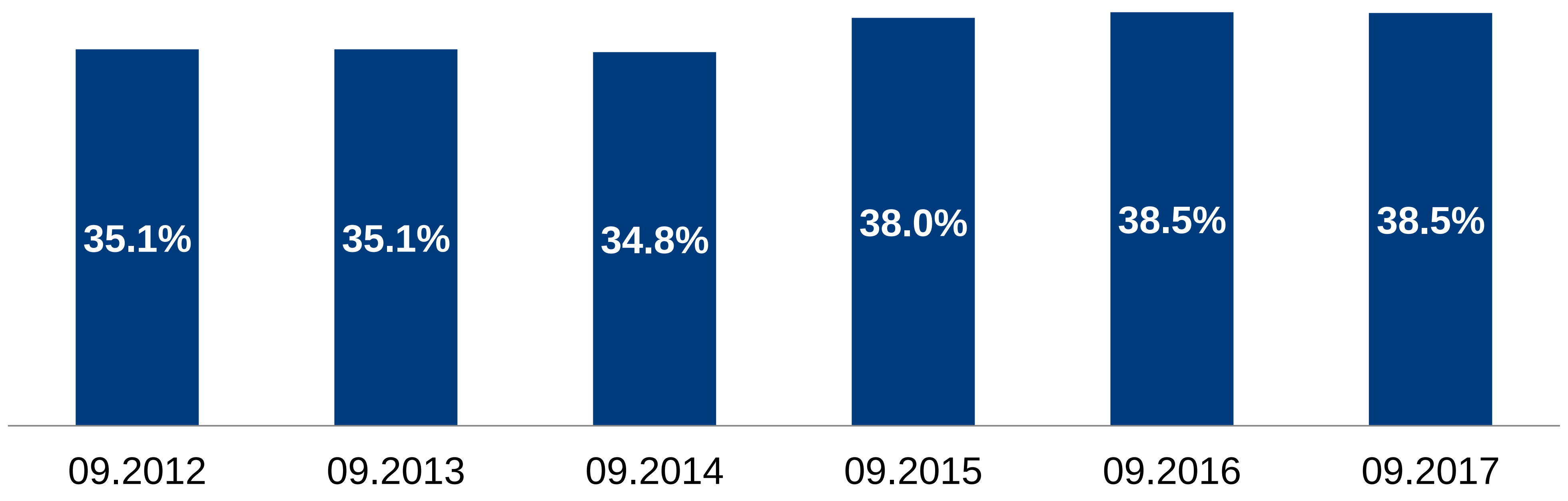


The combined ratio is down from 2016 (extensive losses caused by ground frost) despite the numerous losses precipitated by hurricanes (Hurricane Greg and Hurricane Xavier). The combined ratio has remained at its mean level for the last several years net of weather effects.

Despite the higher loss ratio (the effect of the occurrence of several events with a high unit value – property insurance and general TPL insurance) compared to the results in the last two years, the results of the corporate segment's non-motor insurance continue to be robust.

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

PZU Group's motor insurance market share[1] (Poland)



Number of motor TPL insurance policies in force (# m) [2]

12.2012	12.2013	12.2014	12.2015	12.2016	12.2017
7.6	7.5	7.9	8.1	8.9	9.1

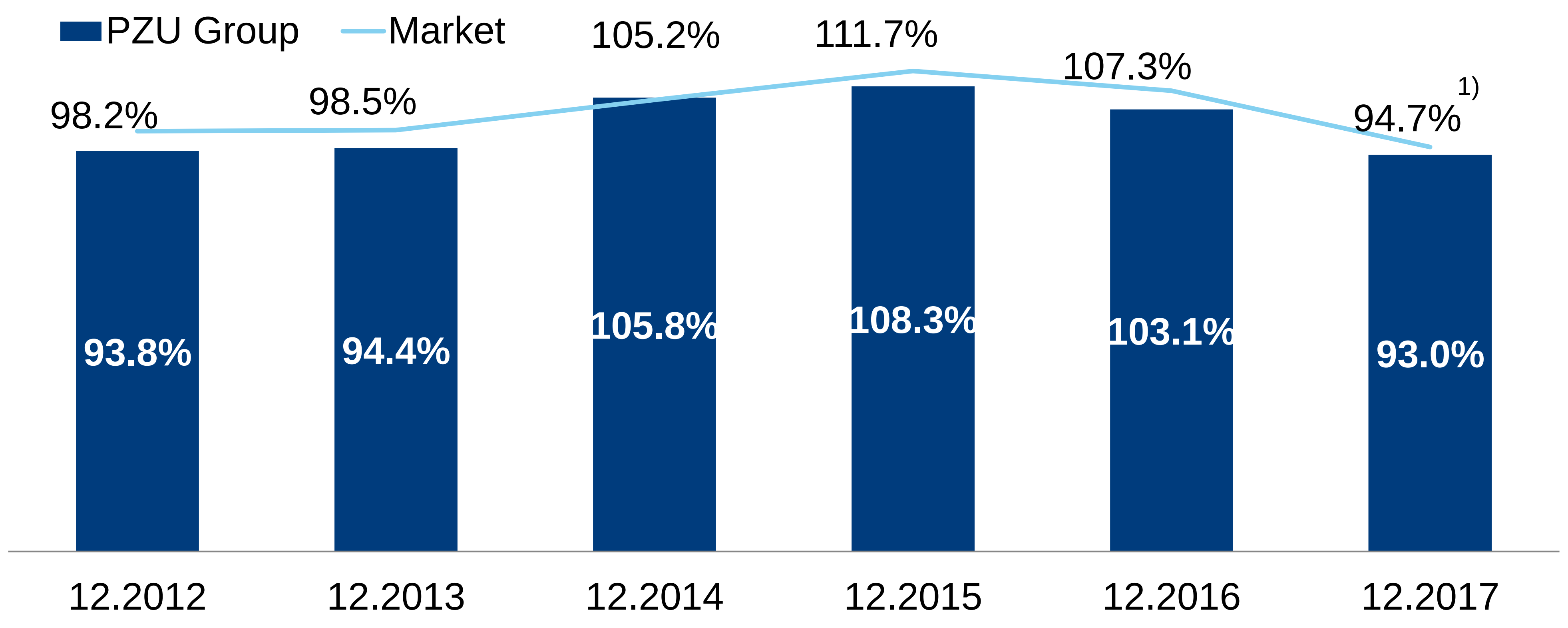
- After a period of fierce price competition translating into the overall market's deteriorating results, a return to portfolio profitability offering room for greater activity among competitors is observable, including slight movements in the average price.
- The competition's actions are heightened by the emergence of new players on the property insurance market.
- Material changes in the split of the non-life insurance market affecting the year-on-year comparability of premium levels (among others acquisitions resulting in the imposition on entities operating on the Polish market in the form of Branches of the obligation to report to the polish supervisory authority (PFSA)).

[1] According to the Polish FSA's Q3 2017 report; the market and market shares on direct business; PZU jointly with TUW PZUW and Link4

[2] Link4 from Q4 2014; TUW PZUW from Q1 2016

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

Combined ratio (COR) in motor insurance

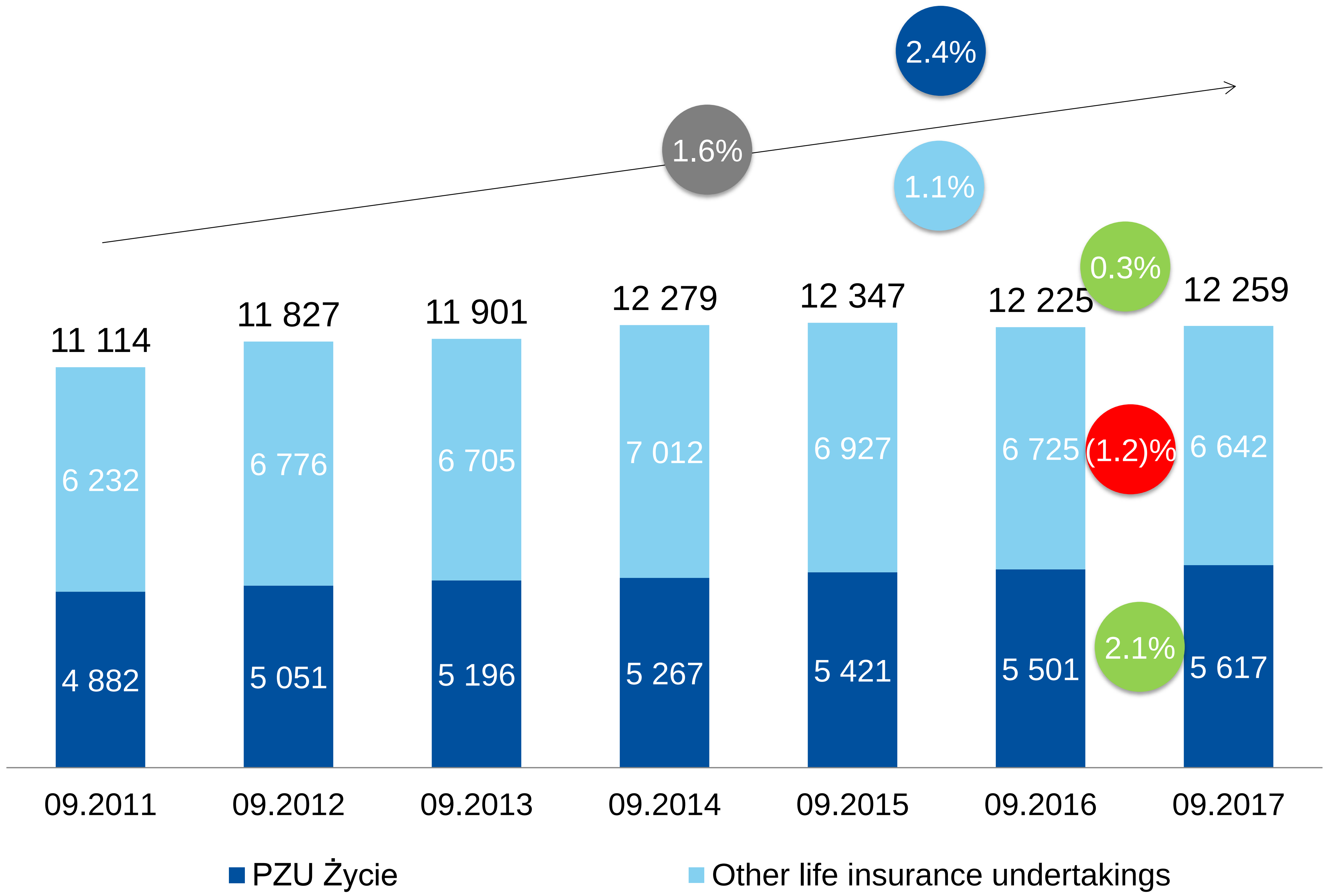


[1] According to the Polish FSA's Q3 2017 report

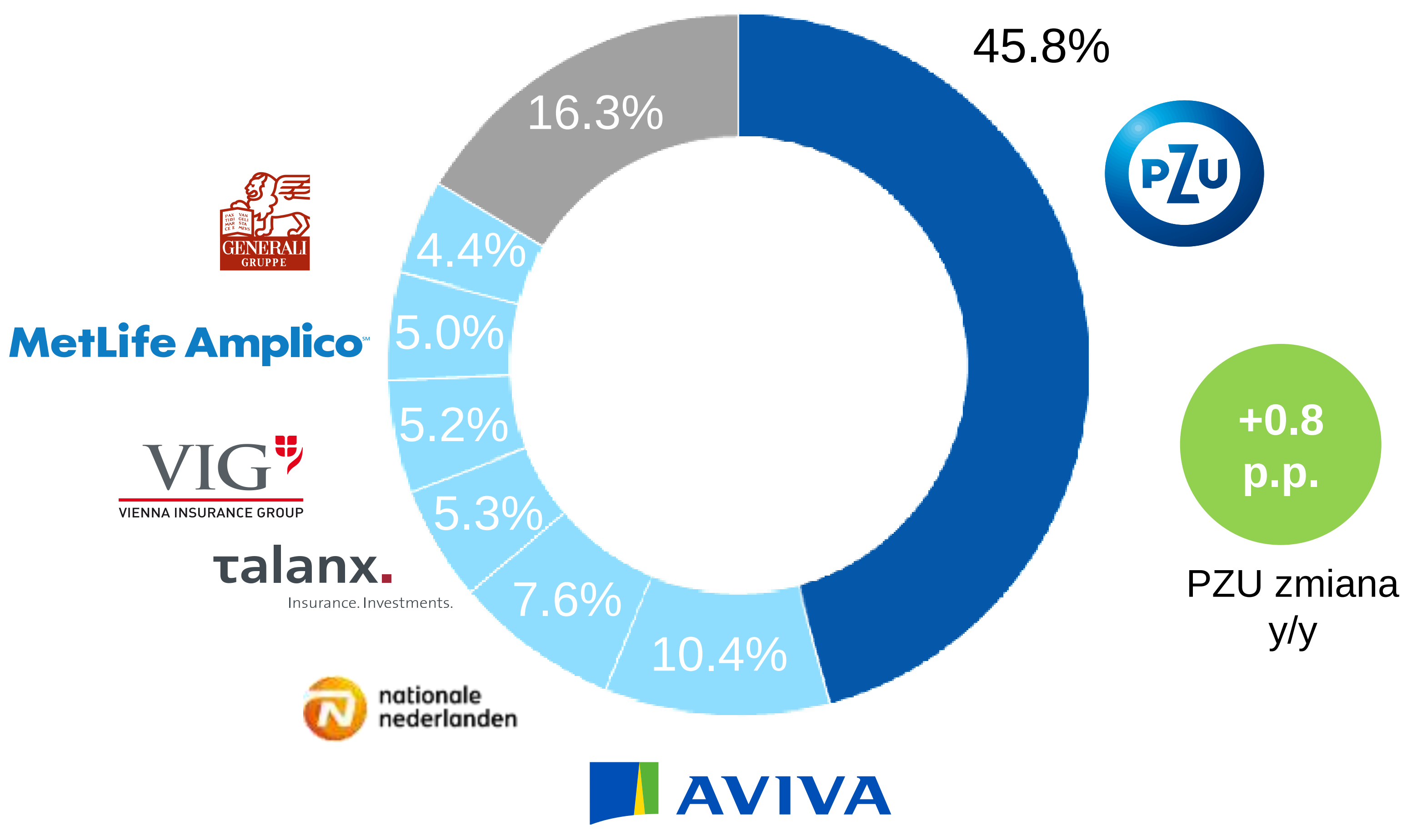
- Despite the heightened activity of competitors, price adequacy and capital requirements may to a large degree curb the appetite for introducing discounts to the average price, thereby curtailing the magnitude of this phenomenon.
- The rising average vehicle claim value, among others, a result of the Polish FSA's recommendations implemented since 2015 on the level of claim payments and the observed upward swing in the frequency of TPL motor claims. The continuous development of bodily injury claims and the related case law are noticeable.
- PZU is still better positioned than its competitors – its strong brand and size enable it to improve underwriting profitability (on motor business, too) while simultaneously having a high market share. In the first three quarters of 2017 PZU reported a high technical result in motor insurance, regaining its profitability from prior to 2014.
- 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

Periodic gross written premium (m PLN)



Market shares (periodic premium)



xx% - CAGR

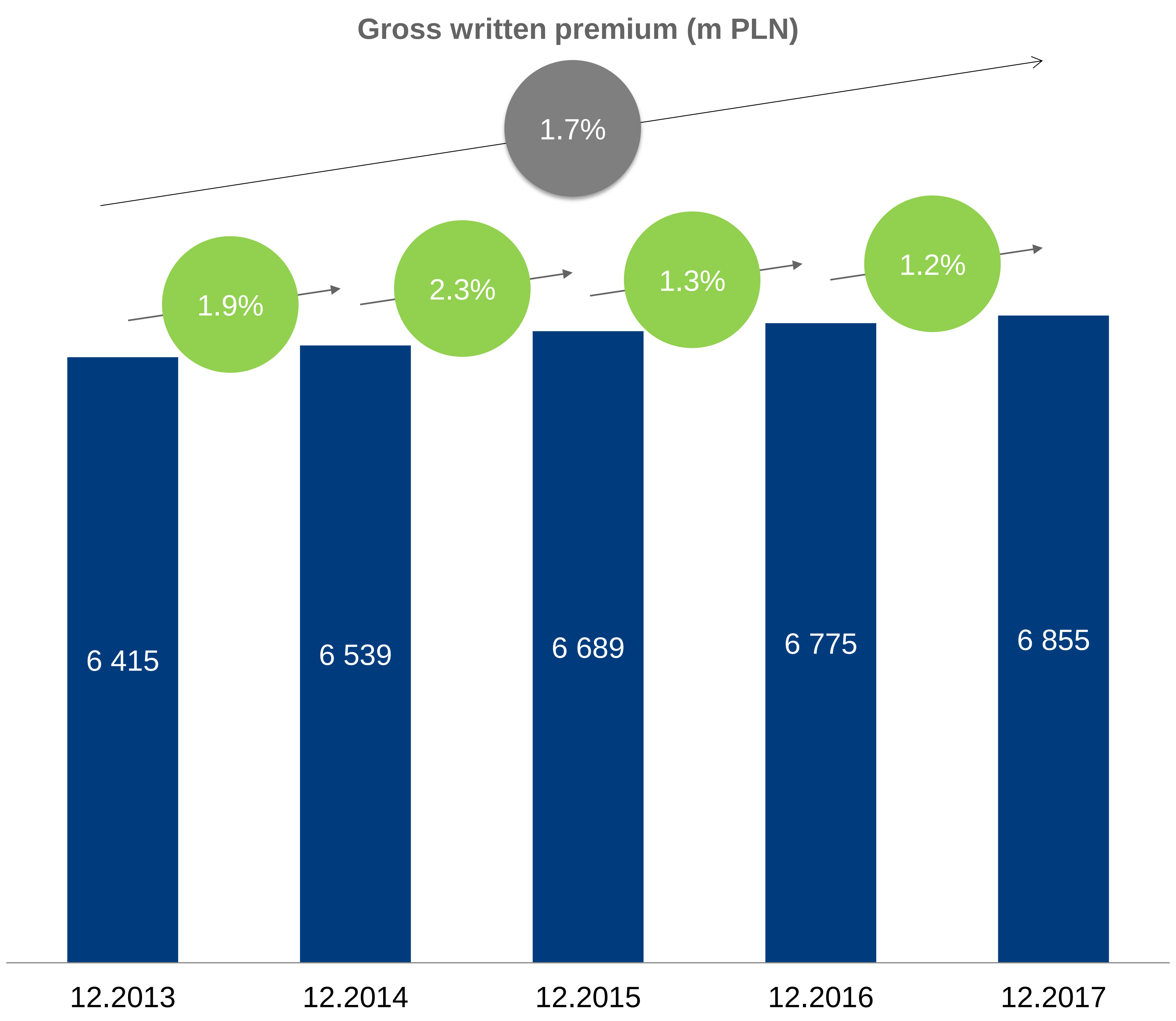
x% - Change year-on-year

x% CAGR of PZU Życie/Other life insurance undertakings

Life insurance market in Poland

- During the first 3 quarters of 2017, PZU Życie wrote 34.8% of the gross written premium of all life insurance undertakings, signifying further growth on top of last year's market share (+1.1 p.p.).
- The y/y decline in the periodic premium generated by the overall market net of PZU Życie was -1.2%, while in this same period PZU posted growth of 2.1%.
- This translated into material growth in PZU Życie's periodic premium market share to 45.8% (+0.8 p.p. y/y, its highest level since 2010).
- PZU Życie's market share of periodic premium for class I insurance (life insurance) was 65.7% when measured by gross written premium and 72.9% when measured by the number of policies in force, while for the same class of insurance concluded in group form, PZU Życie's market share was 68.3%.
- PZU Życie delivered 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 was 19.6%, while the margin generated by the other players was 9.8%.

Stable pace of growth in revenues from group and individually continued insurance



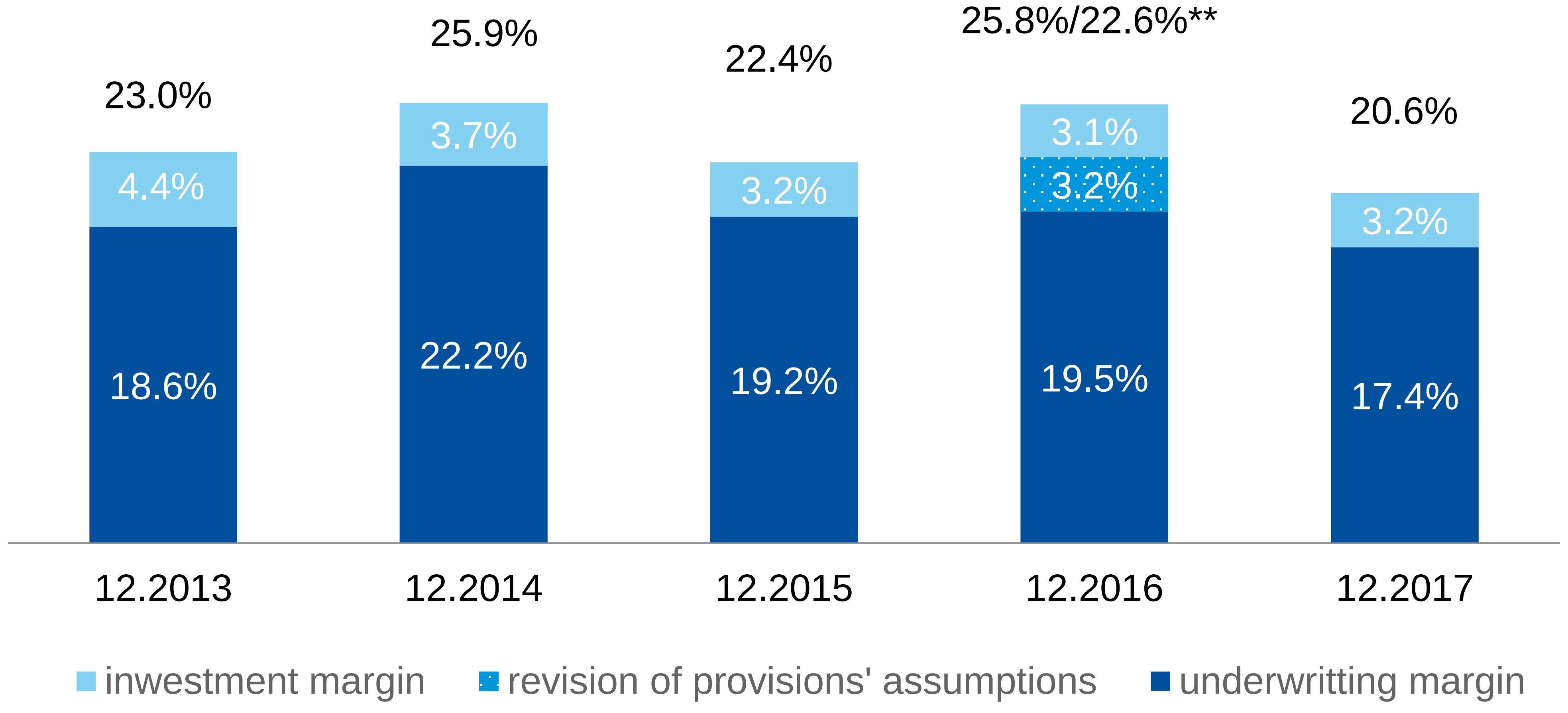
- Lessening the pressure on the premium growth rate making it possible to control the loss ratio.
- Rising share of health insurance premiums - new clients in outpatient insurance and sales of different options of the medicine product. PZU's portfolio consists of 1.5 million agreements in force of this type at the end of 2017.
- The marketing of new riders to group and continued insurance and modification of existing policy terms and conditions in previous periods exerted a positive impact on the growth rate of sales and profitability.
- Upsales of riders in individually continued products continue to be successful.

xx% - CAGR

x% - Change year-on-year

Profitability of group and individually continued insurance above the strategic objective

Margin (%)*

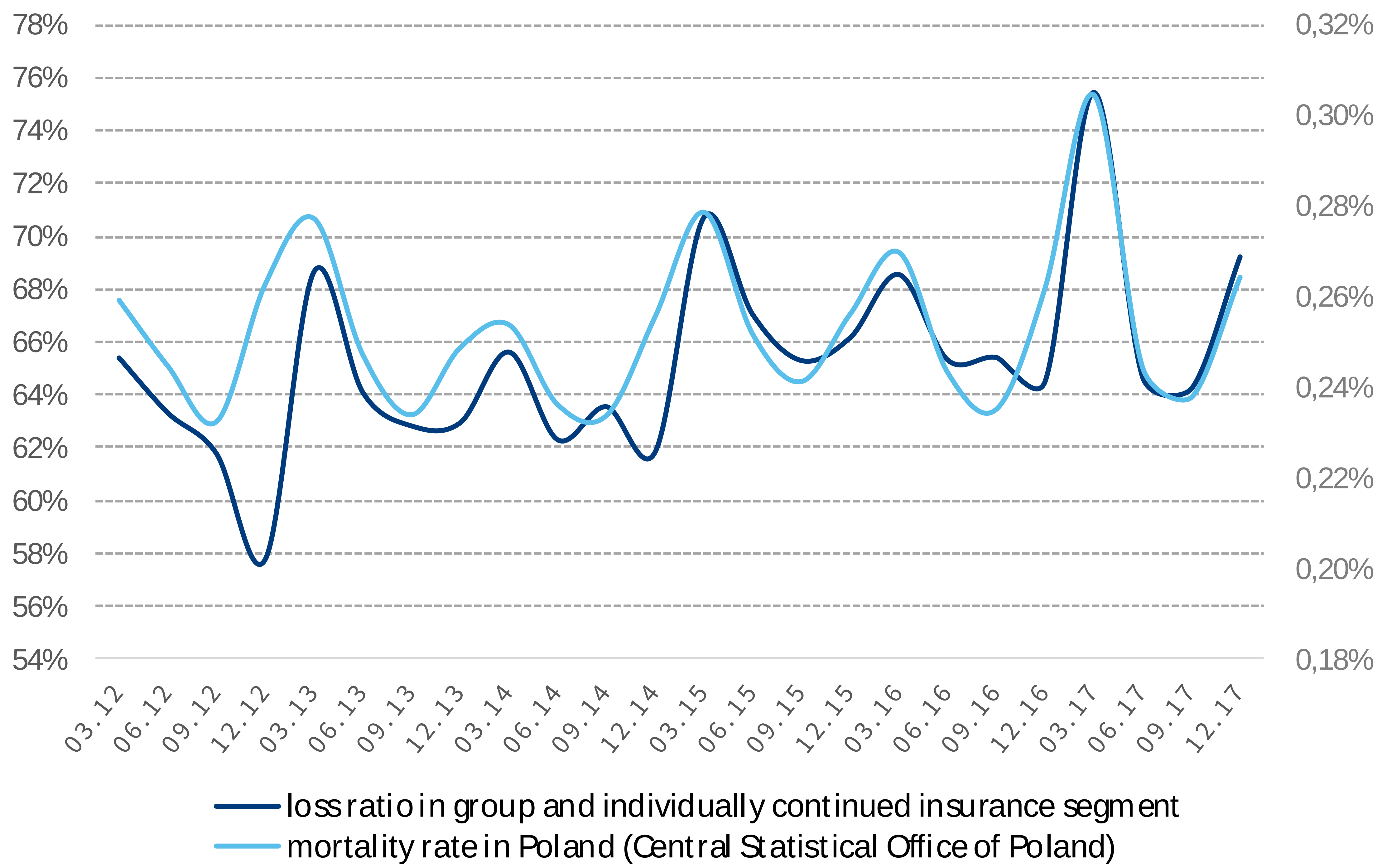


* Segment margin net of the conversion effect

** Segment margin net of the conversion effect and non-recurring factors

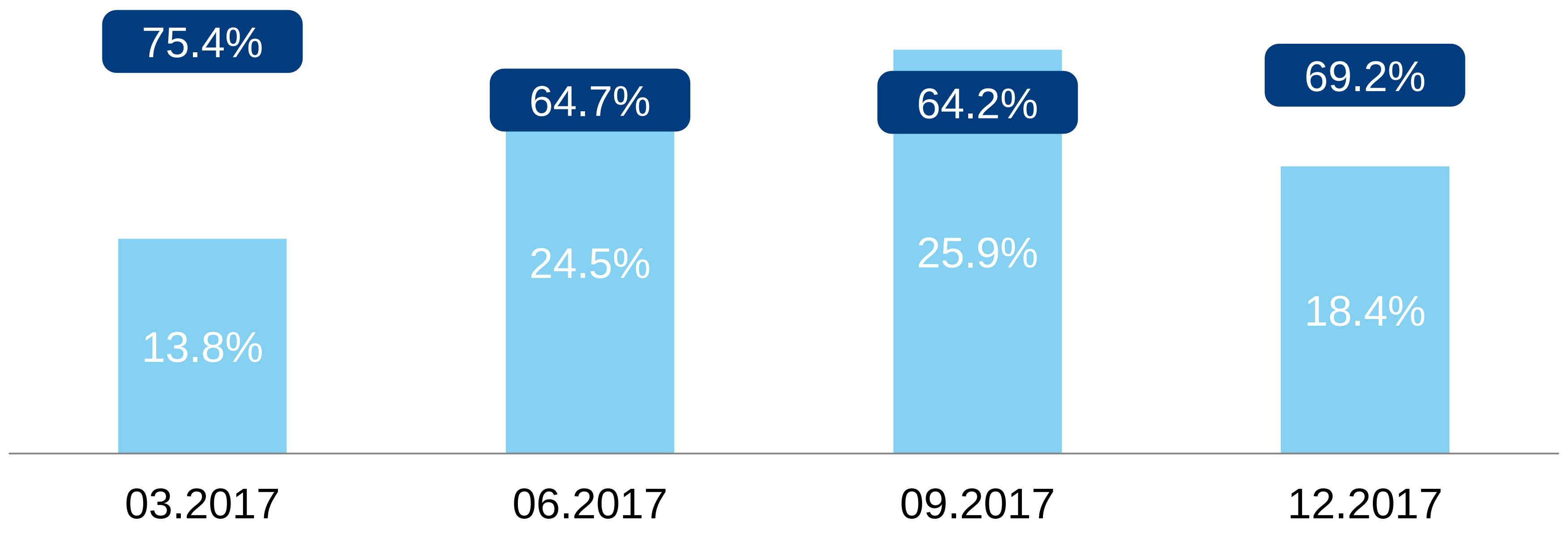
- Margin in the group and individually continued insurance segment above the strategic objective of 20% despite the pressure caused by the loss ratio and changes in the portfolio of insureds caused by the statutory change in the retirement age.
- New individual continuation’s positive contribution to the segment’s results by setting up lower mathematical reserves at the start of liability of these agreements.
- The absence in 2017 of the non-recurring factor from the end of 2016, the update of the assumptions regarding expected future payments on account of permanent health impairment used in the calculation of provisions in individual continuation (216 m PLN, 3.2% margin).

Profitability of the group and individually continued insurance segment vs the loss ratio in protection products

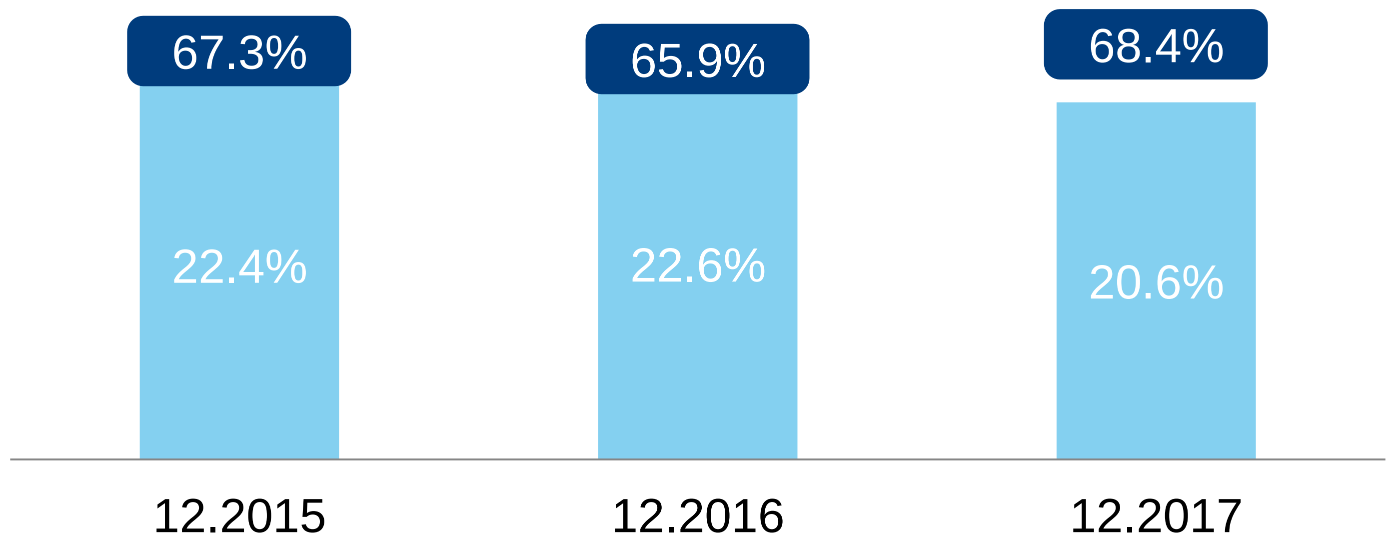


- Mortality's quarterly seasonality in Poland (upswing in winter months and downturn in summer months) and its overall upward trend (aging of the general public) were visible.
- This trend pertaining to changes in the quarterly loss ratio of protection products in the group and individually continued segment followed mortality frequency in Poland as the principal source of these changes.
- The Company took measures to counteract the rising loss ratio in its portfolio of protection products such as limiting the modification of group agreements leading to a deterioration in their profitability, introducing new individual continuation and modifying the terms and conditions of insurance riders.
- In Q4 2017 deterioration versus Q2 and Q3 of the same year in the loss ratio parameters on protection agreements. This effect was additionally strengthened by recognizing additional IBNR provisions at the end of the year related to the high frequency of deaths.

Margin / loss ratio quarters of 2017 (%)



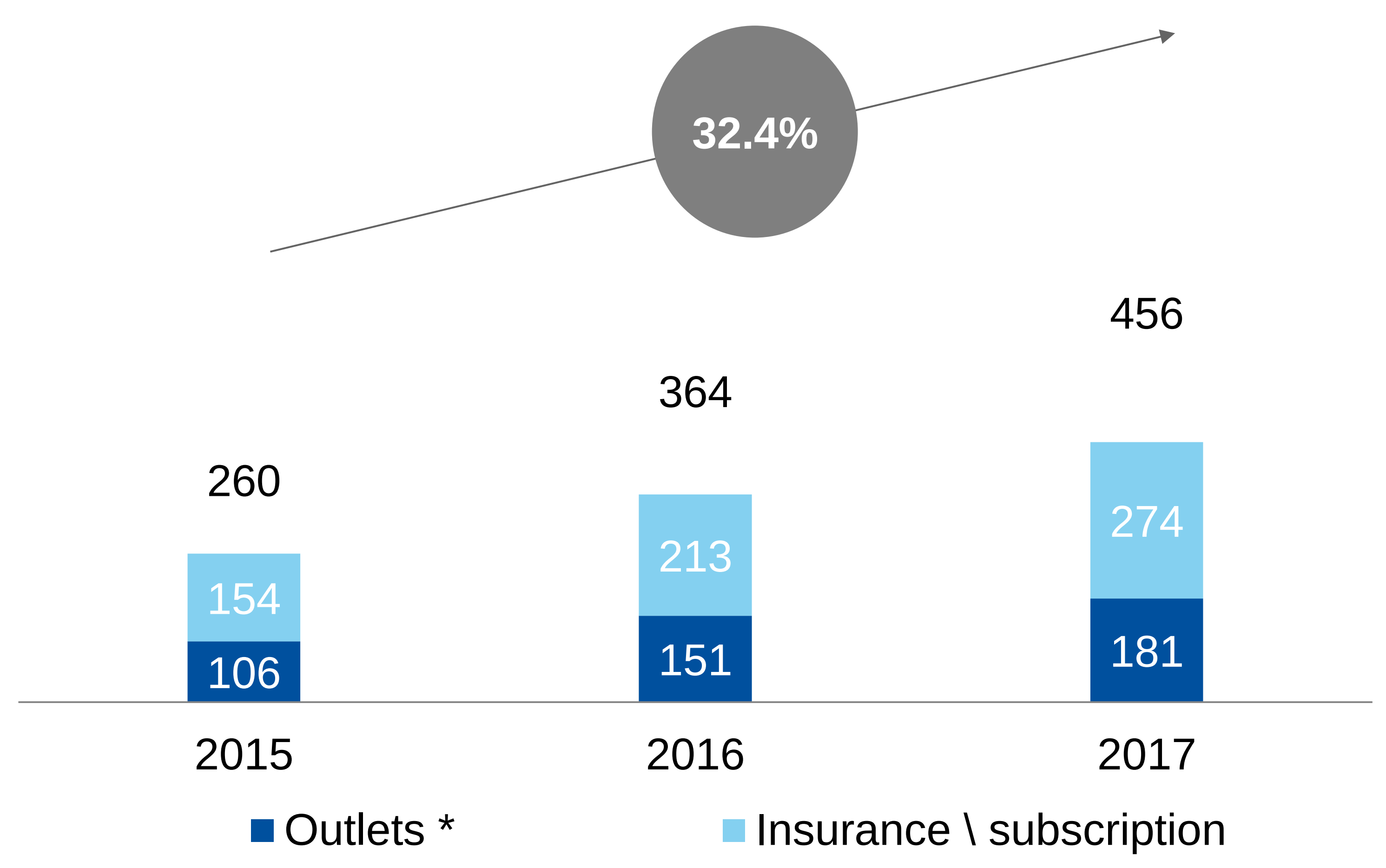
Margin* / loss ratio year-to-date (%)



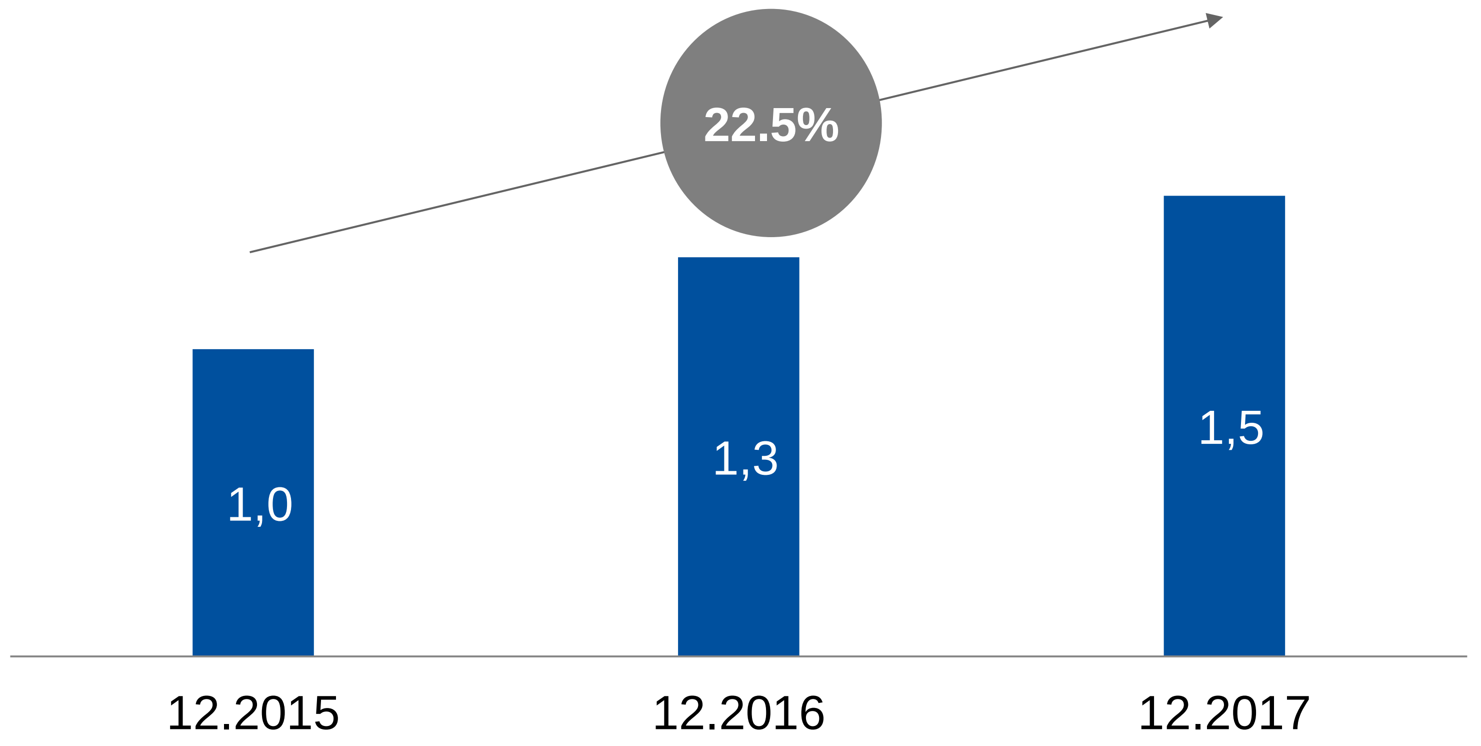
* Net of the non-recurring factor in 2016 of verifying the assumptions in the provisions for continued products (3.2 p.p. impact on profitability)

Health

Revenues (m PLN)



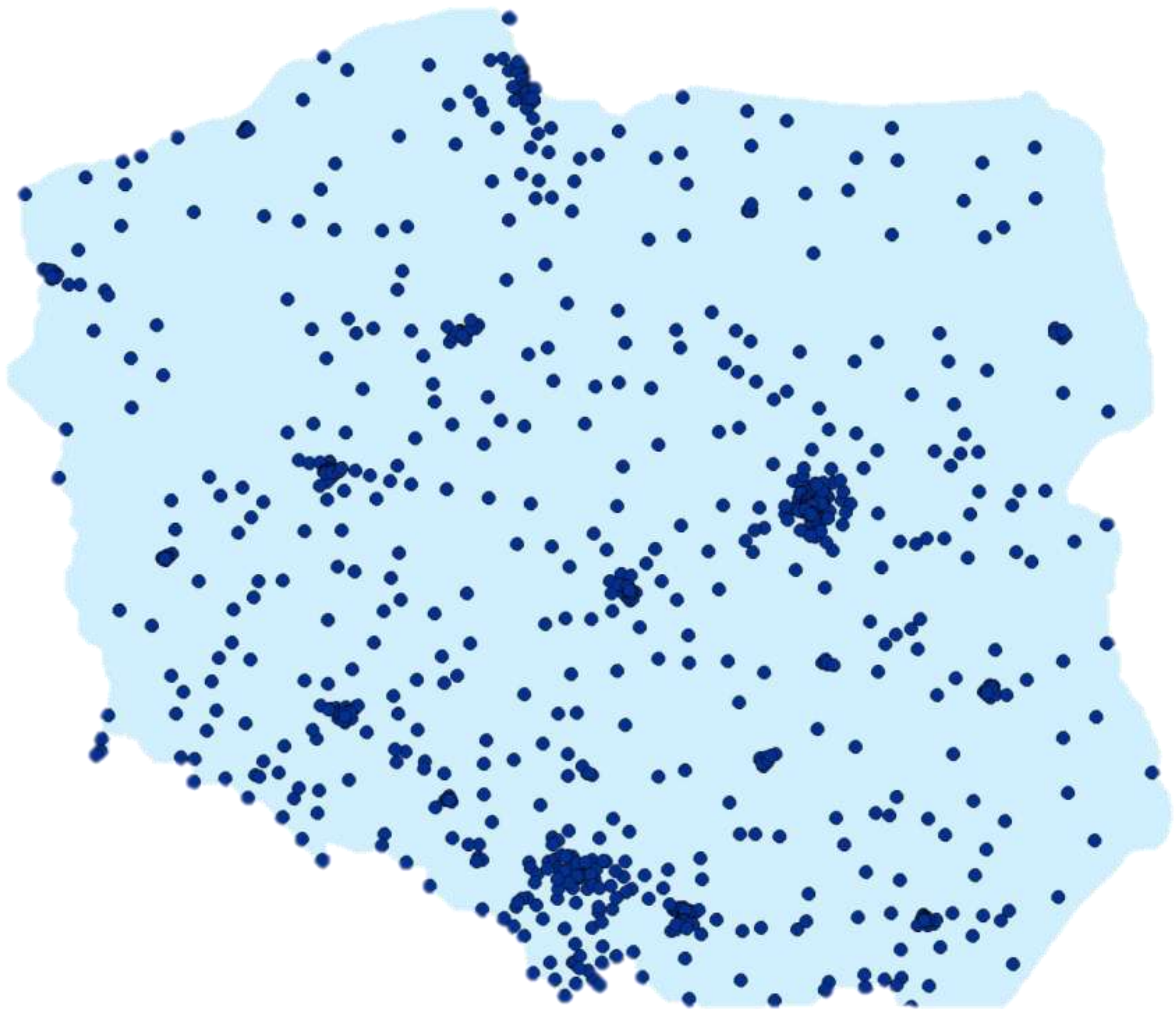
Number of agreements (m)



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

Cooperation with:

- **1 200** physicians
- **50** hospitals throughout Poland
- **7 000** pharmacies



2000 locations

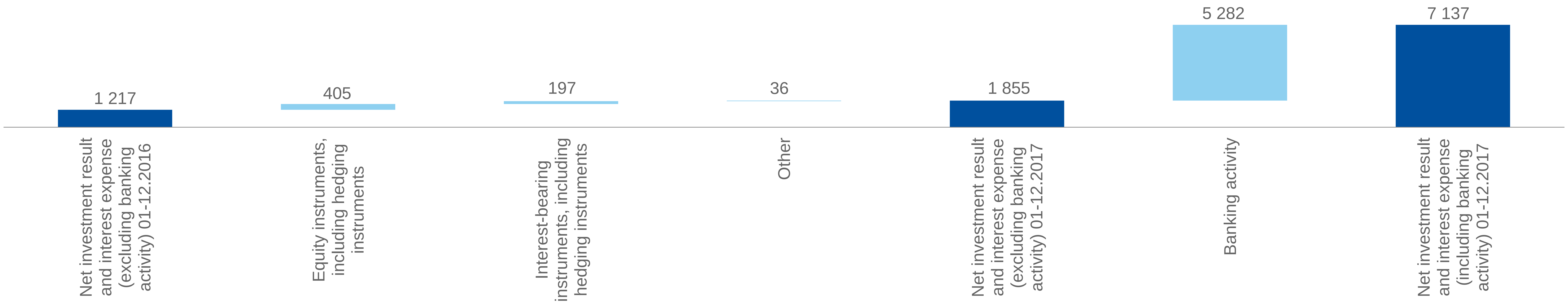
500 cities

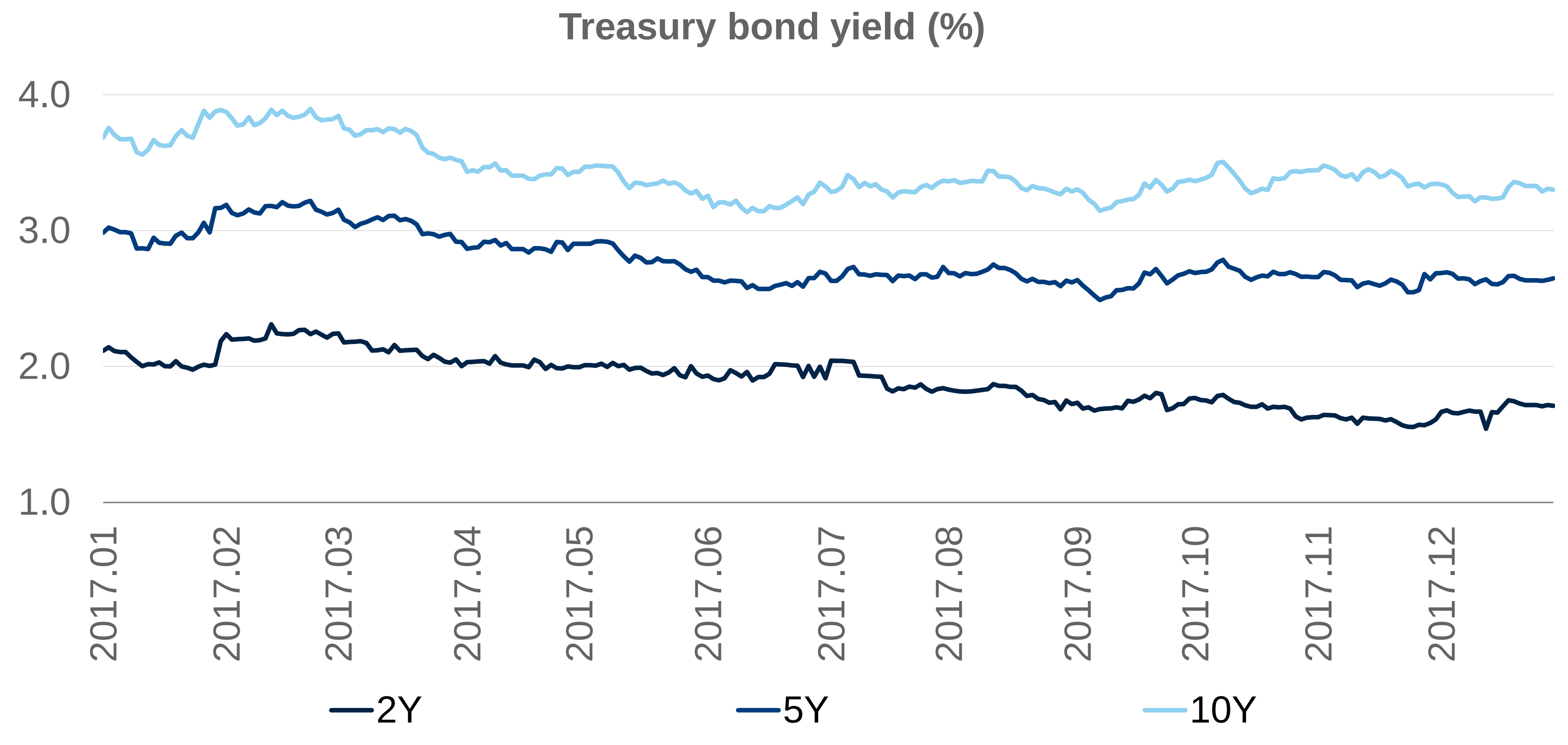
140 specializations

60 proprietary medical centers

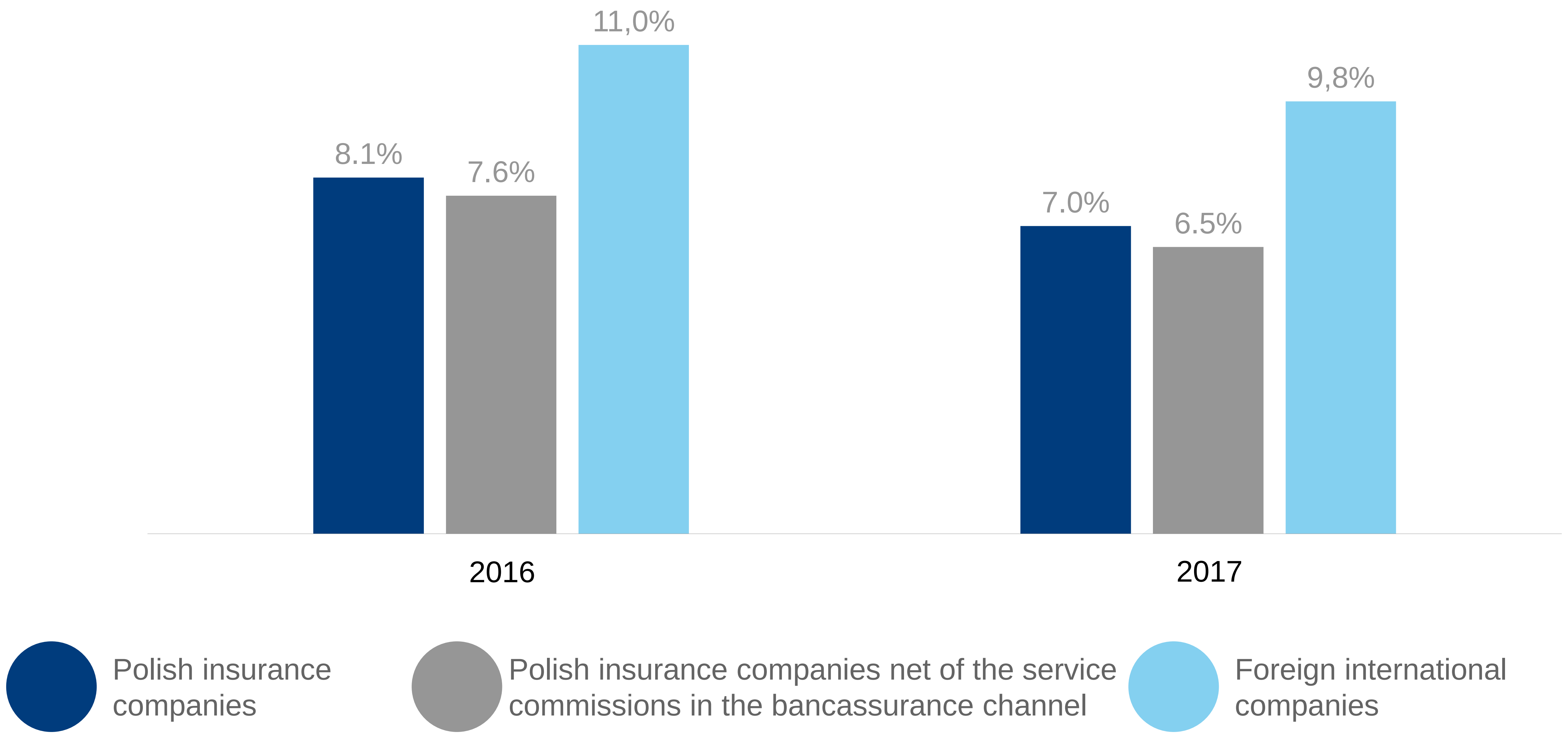
xx% - CAGR

Better results on equity portfolios and securing high-margin corporate exposures (m PLN)





Further improvement in cost effectiveness

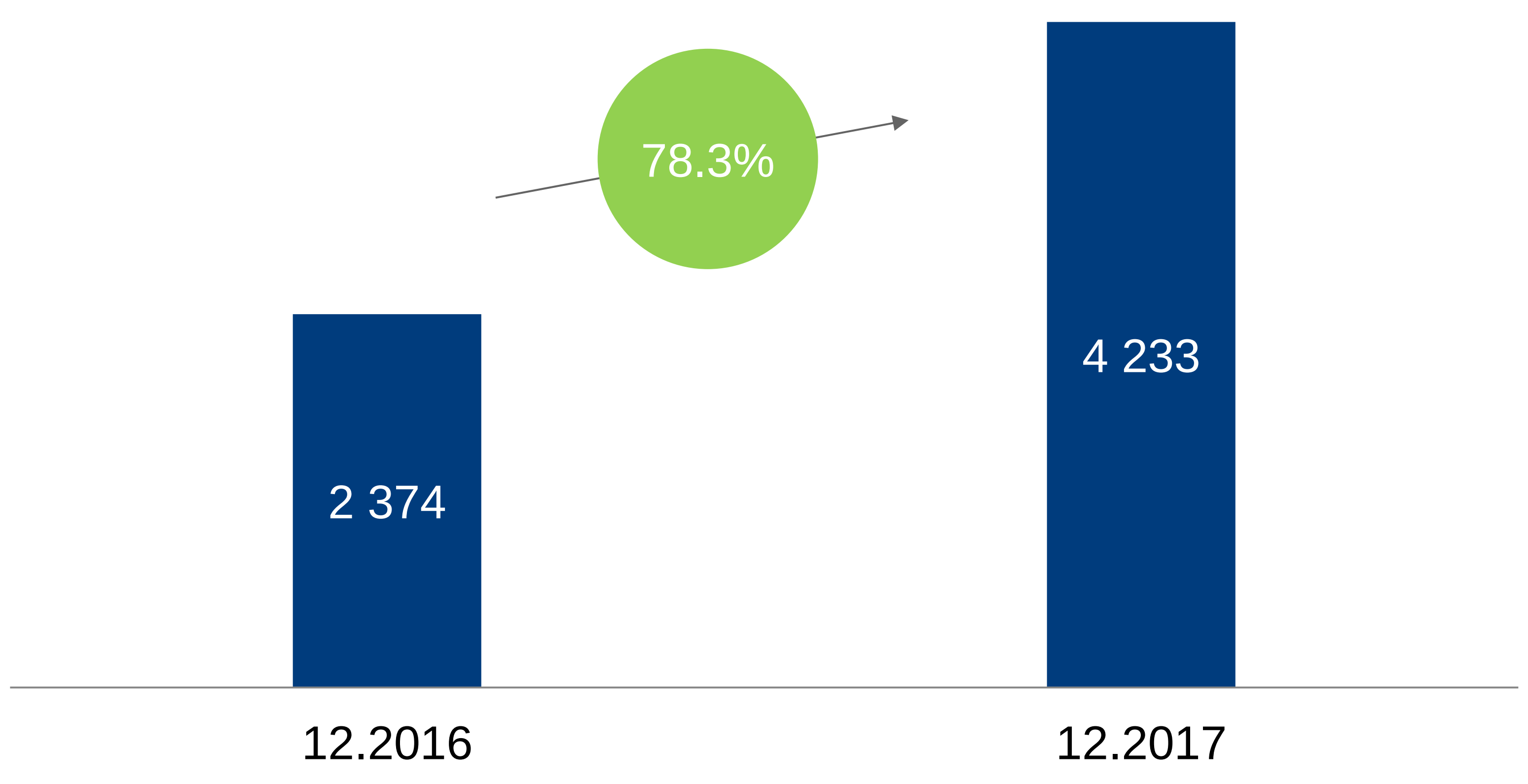


- The declining administrative expense ratio in Poland was driven mainly by maintaining cost discipline coupled with the rapidly grow magnitude of business.
- The impact exerted by the change in fee settlements for performing administrative tasks in bancassurance agreements on the administrative expense ratio. Since Q2 2016 these expenses are carried in administrative expenses.
- At the same time. the improving administrative expense ratio in foreign companies was chiefly driven by maintaining cost discipline, in IT among others.

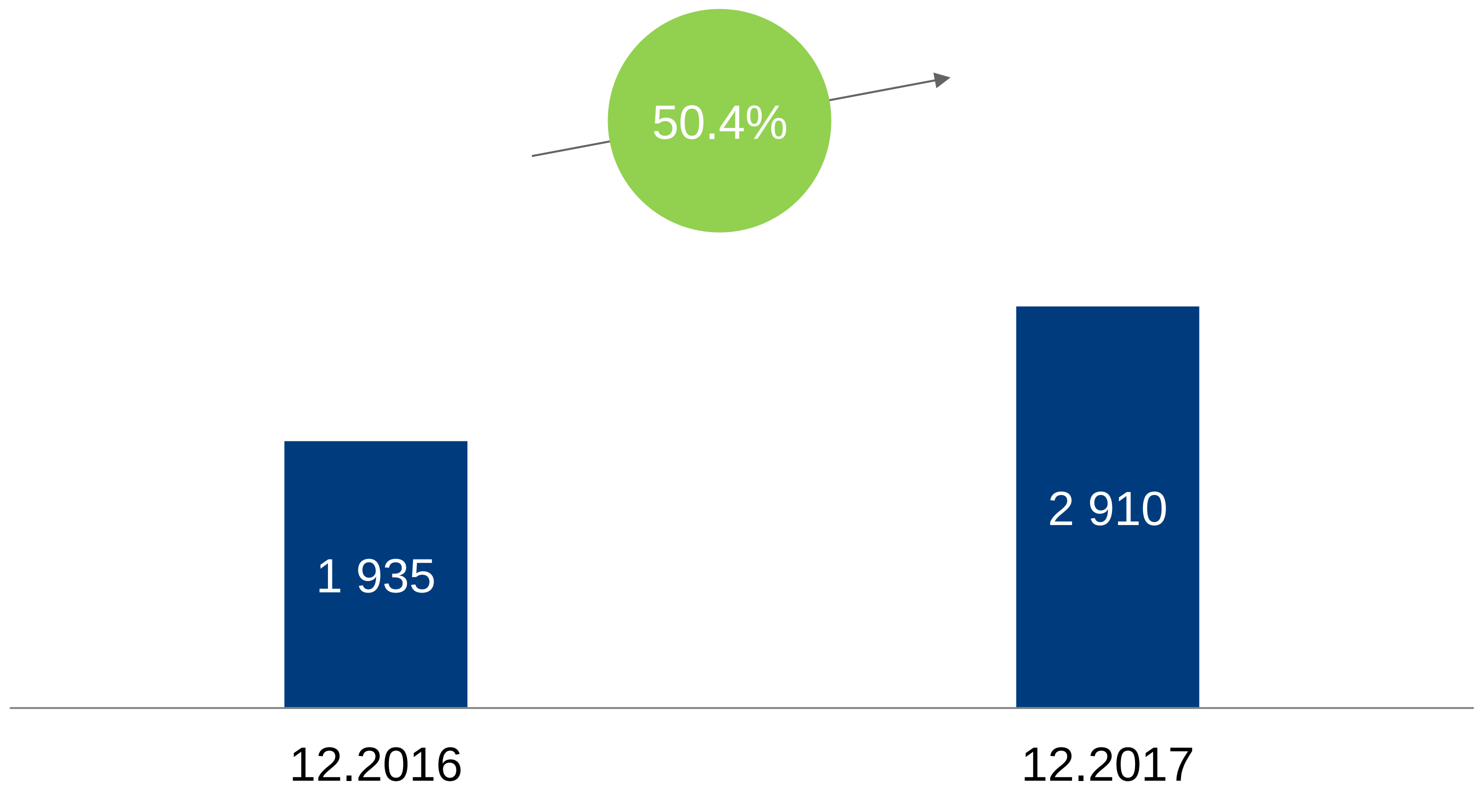
Administrative expense ratio calculated using the equation: administrative expenses in the insurance segments / net earned premium

Record-breaking net result of the PZU Group

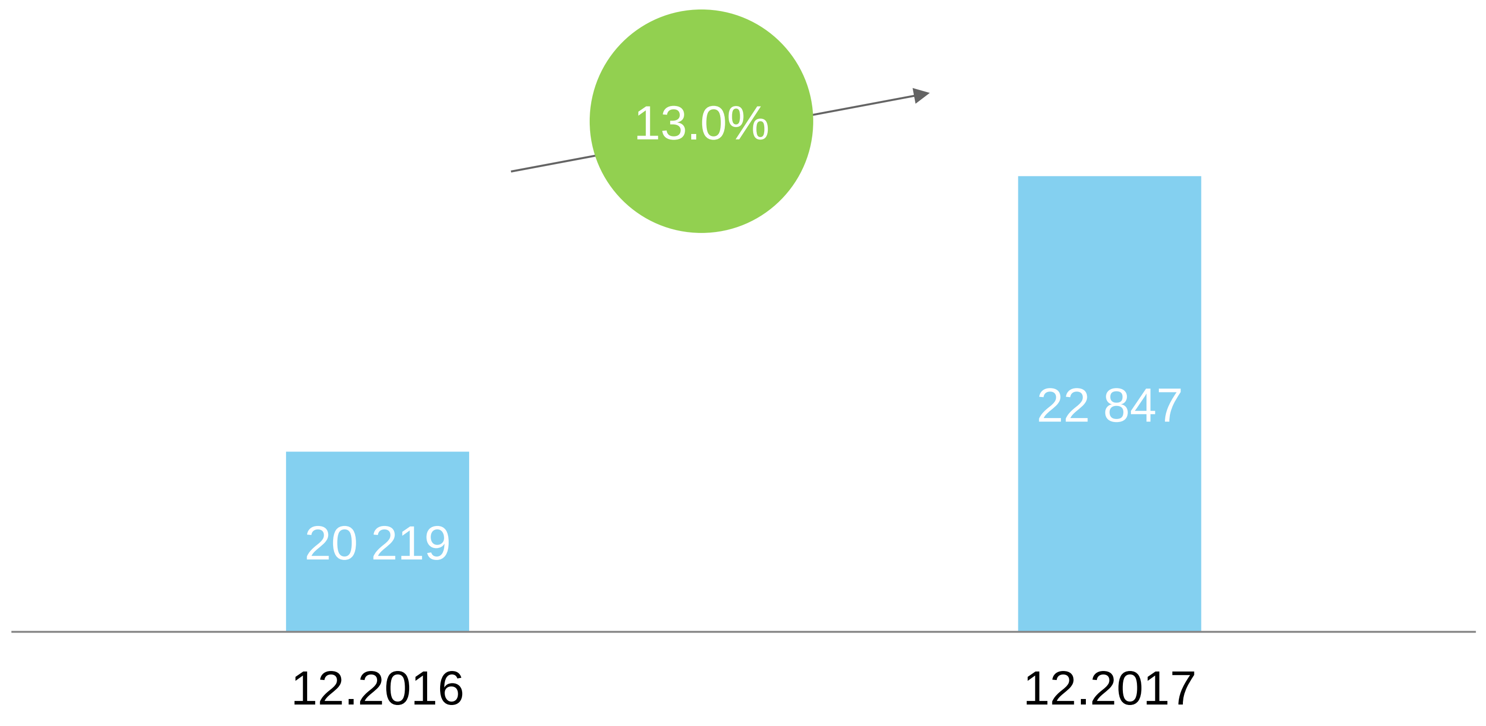
PZU Group's net profit (m PLN)



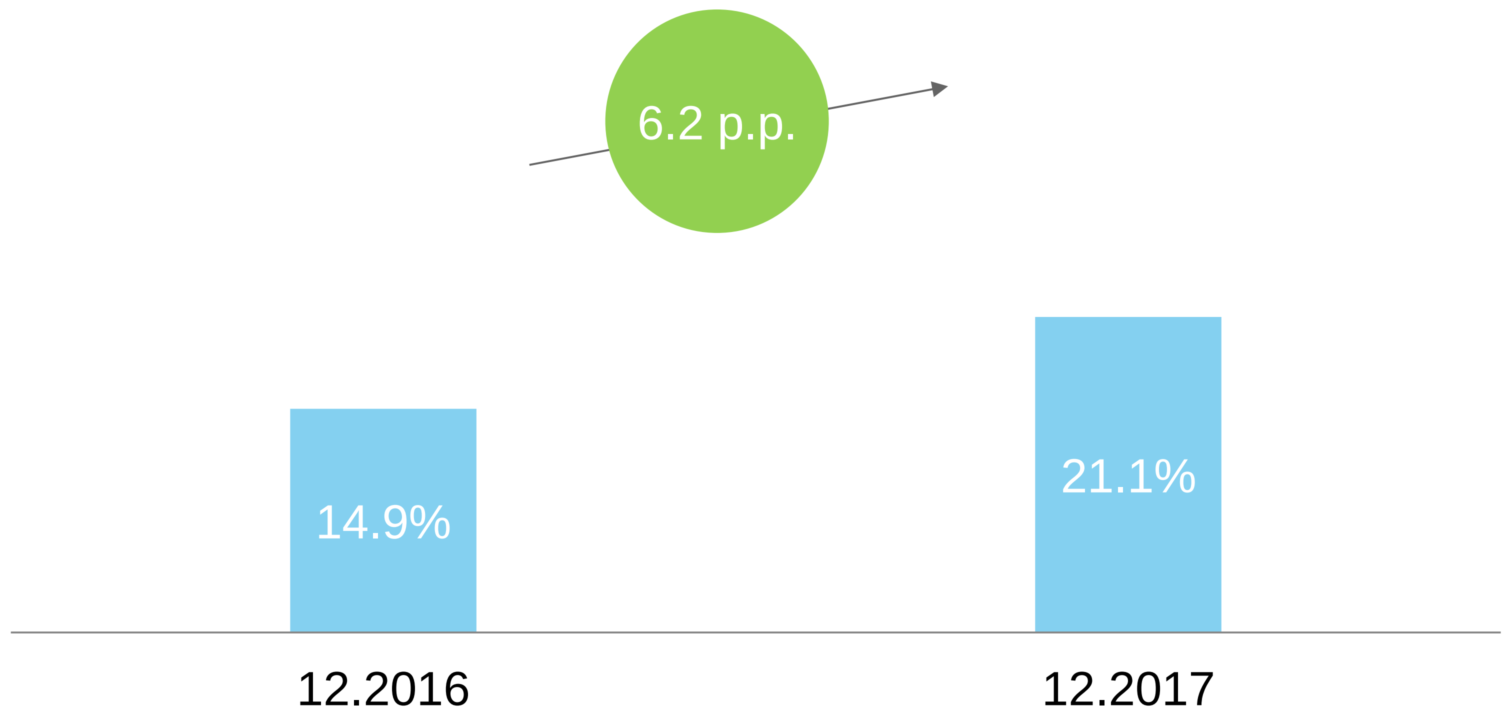
Net profit – parent company (m PLN)



PZU Group's gross written premium (m PLN)



Return on equity (ROE) (%) *



x% - 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

	2016	2017	Change YoY
PZU GROUP EXCLUDING ALIOR BANK AND PEKAO			
Gross written premium[1]	**20 219**	**22 847**	**13.0%**
Net insurance claims and benefits	(12 732)	(14 941)	17.3%
Net investment result[2]	1 217	1 855	52.4%
Administrative expenses	(1 644)	(1 647)	0.2%
Acquisition expenses	(2 613)	(2 916)	11.6%
Operating profit (loss)	**2 287**	**3 198**	**39.9%**
Net profit (loss)	1 754	2 502	42.7%
Acquisition expenses ratio in the insurance segments	*14.3%*	*14.0%*	*(0.3) p.p.*
Administrative expenses ratio in the insurance segments	*8.3%*	*7.2%*	*(1.1) p.p.*
Net profit (loss)attributable to equity holders of the parent company	**1 754**	**2 502**	**42.7%**
BANKS: ALIOR BANK AND PEKAO			
Net profit (loss)attributable to equity holders of the parent company	**181**	**408**	**125.0%**
NET PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	**1 935**	**2 910**	**50.4%**
PRINCIPAL FINANCIAL RATIOS			
ROE[3]	14.9%	21.1%	*6.2 p.p.*
Combined Ratio[4]	94.9%	89.6%	*(5.3) p.p.*
Operating Profit Margin[5]	25.8%/ 22.6%[6]	20.6%	*(5.2) p.p./ (2.0) p.p.* [6]

1. Excluding consolidation adjustments.
2. Including 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 excluding conversion effect.
6. Margin for the group and individually continued insurance segment excluding conversion effect and one-offs.

growth / decrease (positive effect) growth / decrease (negative effect)

Normalized operating profit

	m PLN, IFRS	2016	2017	Zmiana y/y
	OPERATING PROFIT	**2 991**	**5 510**	***84.2%***
	including:			
1	Damage caused by atmospheric phenomena	-	(170)	
2	Gain on acquisition of the spun-off part of Bank BPH	465	-	
3	Restructuring reserve in Alor Bank	(268)	-	
4	Agricultural Insurance	(237)	-	
5	Update of assumptions concerning future payments applied in the calculation of reserves	216	-	
6	Conversion effect	40	35	
	OPERATING PROFIT EXCL. ONE-OFFS	**2 775**	**5 645**	***103.4%***
7	Tax on financial institutions	(395)	(822)	
8	Alior Bank contribution	835	1 010	
9	Pekao bank contribution	-	1 814	
10	Revaluation of the equity stake in Azoty Group, revaluation of assets in the Armatura	(308)	(9)	
	NORMALIZED OPERATING PROFIT	**2 643**	**3 651**	***38.1%***

1. Higher level of losses caused by weather phenomena (storms) than the average for the last 3 years
2. The net value of identifiable assets and liabilities measured at fair value on the date of acquisition exceeds the sum of the remitted payment (value according to the final settlement).
3. The restructuring provision designated for payments of severance pay and the costs of restructuring the branch network of the spun-off portion of BPH and Alior Bank.
4. Above average claims in agricultural insurance in the previous 3 years.
5. Updating the assumptions on the expected future payments for permanent dismemberment used to calculate provisions for this risk in PZU Życie.
6. Impact exerted by conversion of long-term policies into yearly renewable term agreements in type P group insurance.
7. Implementation of the levy on assets of financial institutions as of 1 February 2016.
8. Operating result of the consolidated Alior Bank plus adjustments by virtue of PZU's acquisition net of the levy on assets of financial institutions recognized above
9. Operating result of the consolidated Bank Pekao plus adjustments by virtue of PZU's acquisition net of the levy on assets of financial institutions recognized above.
10. Impact exerted by the movement in the valuation of the Azoty investment portfolio. revaluation of the Armatura Group's assets.

EXECUTION OF THE GROUP’S STRATEGY FOR 2017-2020

Key metrics of the Strategy for 2017-2020

	2017	2020
ROE[1]	21.1%	>22%

Segment	Metric	2017	2020
NON-LIFE INSURANCE	PZU Group's market share[2,3,4]	35.8%	38%
NON-LIFE INSURANCE	Combined ratio[3]	89.3%	92%
NON-LIFE INSURANCE	Administrative expense ratio [5]	6.8%	6.5%
LIFE INSURANCE	Number of clients in PZU Życie (m)	11.0	11.0
LIFE INSURANCE	Insurance margin in group and individual continuation	20.6%	>20%
LIFE INSURANCE	Solvency II solvency ratio[6,7] (09.2017 / 2020)	237%	>200%
INVESTMENTS	Assets under management for third party clients (bn PLN)	30.6	65
INVESTMENTS	Net result on third party asset management (m PLN) [8]	95	200
INVESTMENTS	Surplus yield on its own portfolio above the RFR[11]	1.9 p.p.	2.0 p.p.
HEALTH	Revenues (m PLN)[9]	456	1 000
HEALTH	EBITDA margin [10]	8.2%	12%
BANKING	Assets (bn PLN)	255	>300
BANKING	Net financial result attributed to the PZU Group (m PLN)	408	>900

1.ROE attributable to the parent company
2.Direct business
3.PZU jointly with TUW PZUW and Link4
4.Data at the end of Q3 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 Q3 2017
8.PZU Investments' consolidated net result
9.Annualized revenues of proprietary centers and branches including revenues from PZU Zdrowie
10.Net of non-recurring costs; profitability computed using the sum of revenues generated by branches and earned premium
11.Economic result on investment activity including FX on own debt

Cooperation in the PZU Group between Pekao and Alior Bank and other PZU Group companies (1/2)

Bancassurance

- A strategic objective to be achieved by 2020 has been set – 1 bn PLN of premium on the insurance offered in cooperation with the banks in the PZU Group.
- The possibility of purchasing insurance via Pekao24 and the mobile service was made available. The offer spans My PZU: PZU Dom, PZU Wojażer, PZU Auto.
- Insurance for the cash loan offered on-line (PEX Online).
- Insurance on cards for SME clients was implemented.
- Approximately 8 thousand employees of the Pekao and Alior banks were trained and certified. Ultimately, there will be approximately 10 thousand persons each engaged in agency work in PZU and PZU Życie.
- Multikapitał (Investment life insurance) is being sold by Alior Bank.

Assurbanking

- A concept for cooperation has been crafted and the level of aspirations has been specified up to 2020 – 1 million PZU Group clients.
- At the beginning of October 2017, PZU and Bank Pekao opened a joint branch at the Marriott Hotel in the center of Warsaw.
- An outsourcing agreement was signed (bank intermediation) including sales support and sales of the account called Konto Przekorzystne [Super Advantageous Account] plus a cash-back promotion on PZU's TPL.
- A marketing agreement making it possible to launch a joint advertising campaign was signed (joint leaflets, advertising, web promotion).

Cooperation in the PZU Group between Pekao and Alior Bank and other PZU Group companies (2/2)

- On 23 October 2017. Bank Pekao and Alior Bank signed a letter of intent to commence preliminary talks on potential cooperation strategies that might be developed to increase their value for shareholders and clients.
- The Polish Investment Forum was organized in New York on 20-21 November 2017. Forum prepared by PZU, Bank Pekao and J.P. Morgan. The purpose: support the international expansion of Polish companies.
- Agreements to insure the banks' property were concluded.
- Insurance programs were launched for the banks' employees and discounts on bank products for the employees of PZU i PZU Życie.
- Synergies are being analyzed and achieved – savings on purchases from large suppliers. The target to achieve by 2020 is 100 m PLN in savings.

Execution of the innovation strategy concerning client service

Work was continued on the Self Service platform moje.pzu.pl. The purpose of the Platform is to provide clients with online access products and services offered by all Group companies (purchase of insurance products, medical services, investment products or savings products) and their subsequent use (reporting claims, setting up a medical appointment, checking the valuation of mutual fund units or other products, paying premiums).

Efma

Prize Insurance Innovation of the Month awarded by the international organization EFMA for the Migam Project – enabling the provision of comprehensive remote services to deaf and hearing-impaired clients).

In January 2018 when the PZU Group's Strategy 2017-2020 was announced, the PZU GO service was presented – an innovative telematic solution designed to improve driver safety. A mobile application combined with a small beacon device will automatically call for assistance in the event of a collision or accident.

Execution of the innovation strategy concerning claims administration

Among the Group's clients, the NPS (Net Promoter Score) ratio was 8%. Among LINK4 clients, the NPS ratio was 3% and was higher by 3 p.p. than competitors on the direct market *

Launch of a new version of the web-based application "Self-Service Claims" whereby it will be possible to conduct an inspection and calculate the claim to be paid quickly and simply. The entire process takes 5 minutes on average, while the person holding the record received the claim payment a mere 54 minutes after registration in PZU's system.

Using Video Inspection it will be possible to conduct a remote inspection without going into the field. After proposing this form of inspection to a client, the pertinent PZU employee will send an sms link to the client's handset to establish a video link during which the PZU employee in question will see online everything the client shows using his or her handset, and at any moment during this connection the PZU employee will be able to shoot a photo using the client's handset.

Utilization of 3D software technology (the processing of two-dimensional photos into a 3D spatial model) to create claims documentation. The results have shown that especially in damages caused in hardly accessible places or large-scale damages PZU may improve the safety of employees and obtain a detailed 3D model of the damage site. In 2018, this technology will be used for the first time in specific claims cases.

How does the self service of claims handling work?

1. Report the damage at number **801 102 102** or via the website **zgloszenie.pzu.pl**

2. Provide details of the damage, telephone number and e-mail address

3. Our employee will send you a **text message** or **mail with a link to the application**

4. Go to the application, follow the instructions on the screen

*Research carried out monthly by GFK Polonia on behalf of PZU. The data presented is the cumulative result of monthly measurements from January to December 2017

Selected awards and distinctions conferred on PZU in 2017

Institution of the Year (quality of service in branch offices and remote channels)

National Treasure

Polish Compass for PZU Zdrowie (propagating health)

Capital market leader 2017

Top BRAND (position in the media)

The Best Annual Report (distinction for the annual report offering the highest user value)

Trustworthy Brand

[HR – best quality]

[Ethical company]

[Mediation friendly finance institution]

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-Q4 2016	Q1-Q4 2017	*Change YoY*	Q1-Q4 2016	Q1-Q4 2017	*Change YoY*	Q1-Q4 2016	Q1-Q4 2017
Total Non-Life - Poland	**11 007**	**12 806**	***16.3%***	**888**	**1 518**	***70.9%***	**95.0%**	**89.3%**
Mass Insurance - Poland	**8 833**	**10 068**	***14.0%***	**659**	**1 327**	***101.4%***	**95.4%**	**88.6%**
Motor TPL Insurance	3 649	4 616	*26.5%*	(135)	396	*x*	105.7%	91.4%
Motor Own Damage	2 164	2 422	*11.9%*	7	118	*x*	99.2%	94.5%
Other products	3 019	3 030	*0.3%*	493	565	*14.7%*	81.7%	80.3%
Impact of investment segment allocation	x	x	*x*	294	247	*(16.1)%*	x	x
Corporate Insurance - Poland	**2 174**	**2 738**	***25.9%***	**229**	**191**	***(16.6)%***	**93.1%**	**92.7%**
Motor TPL Insurance	527	749	*42.1%*	(44)	1	*x*	110.6%	97.8%
Motor Own Damage	710	866	*22.0%*	30	54	*76.3%*	96.7%	92.9%
Other products	937	1 123	*19.9%*	151	72	*(52.1)%*	77.4%	87.5%
Impact of investment segment allocation	x	x	*x*	92	64	*(30.3)%*	x	x
Total Life - Poland	**7 949**	**8 519**	***7.2%***	**2 029**	**1 659**	***(18.2)%***	**25.5%**	**19.5%**
Group and Continued - Poland**	**6 775**	**6 855**	***1.2%***	**1 745**	**1 415**	***(18.9)%***	**25.8%**	**20.6%**
Individual - Poland	**1 174**	**1 664**	***41.7%***	**244**	**209**	***(14.3)%***	**20.8%**	**12.6%**
Conversion effect	x	x	*x*	40	35	*(12.5)%*	x	x
Total Non-Life - Ukraine & Baltica	**1 305**	**1 527**	***17.0%***	**82**	**114**	***39.0%***	**94.8%**	**92.6%**
Baltic states Non-life	**1 132**	**1 346**	***18.9%***	**72**	**107**	***48.6%***	**94.5%**	**92.0%**
Ukraine Non-life	**173**	**181**	***4.6%***	**10**	**7**	***(30.0)%***	**98.6%**	**101.2%**
Total - Life - Ukraine & Baltica	**88**	**100**	***13.6%***	**5**	**6**	***20.0%***	**5.7%**	**6.0%**
Lithuania Life	**51**	**58**	***13.7%***	**0**	**2**	***x***	**0.0%**	**3.4%**
Ukraine Life	**37**	**42**	***13.5%***	**5**	**4**	***(20.0)%***	**13.5%**	**9.5%**
Total - banks	**-**	**-**	**x**	**648**	**2 487**	**283.8%**	**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.

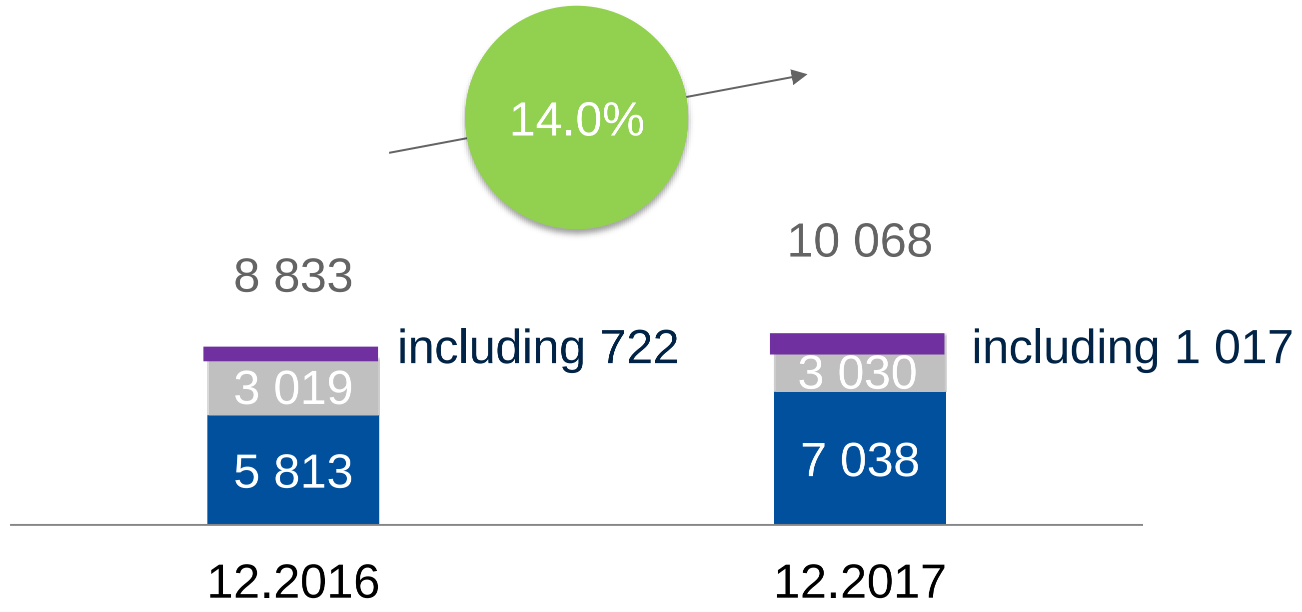
** Insurance result and margin net of conversion effects.

Non-life insurance

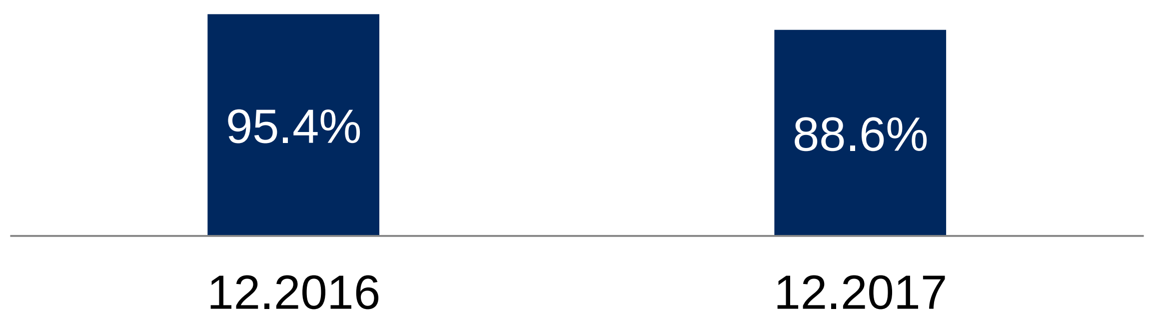
Motor insurance sales growth

Mass segment

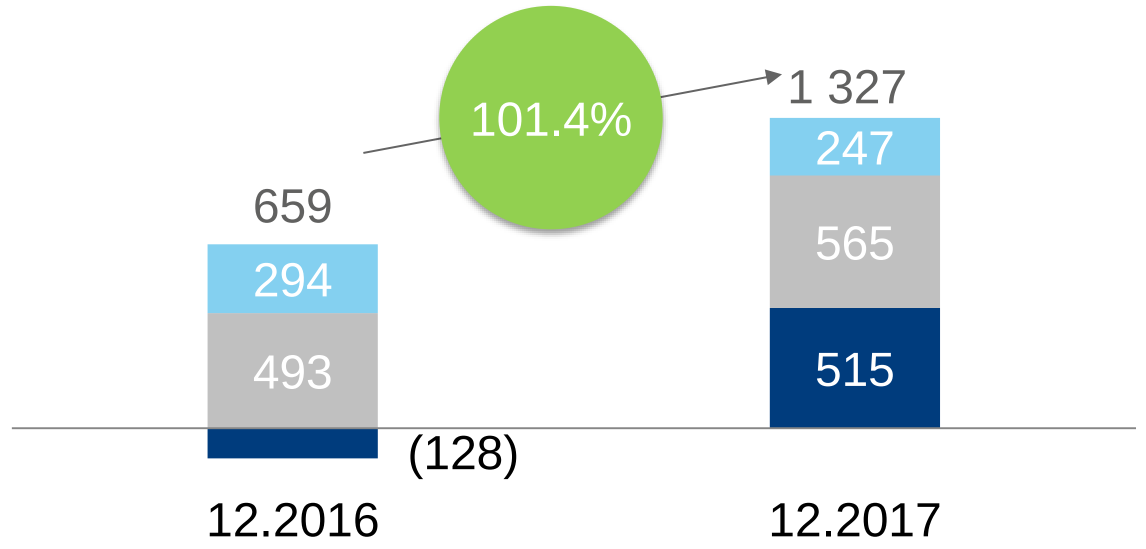
Gross written premium (m PLN)



Combined ratio (%)

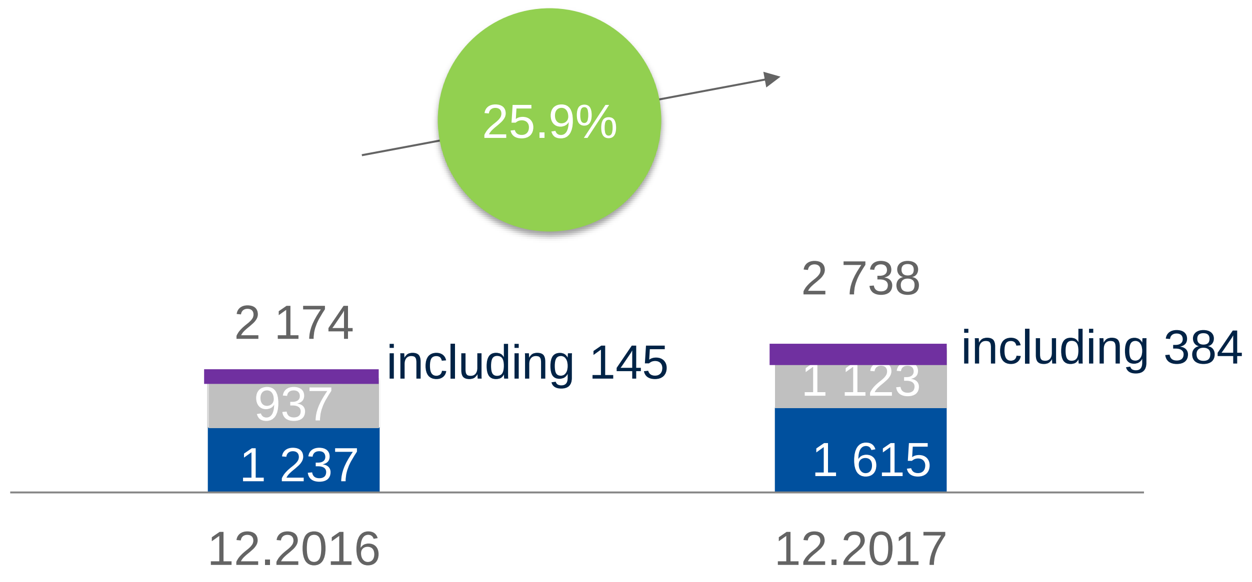


Insurance result (m PLN)

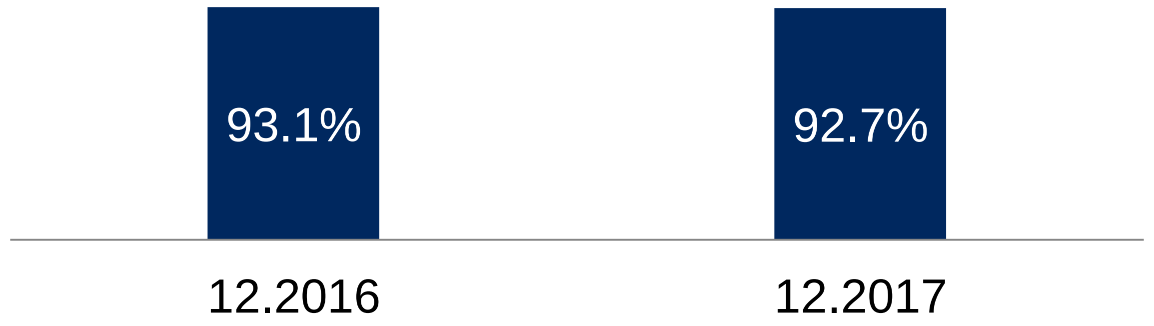


Corporate segment

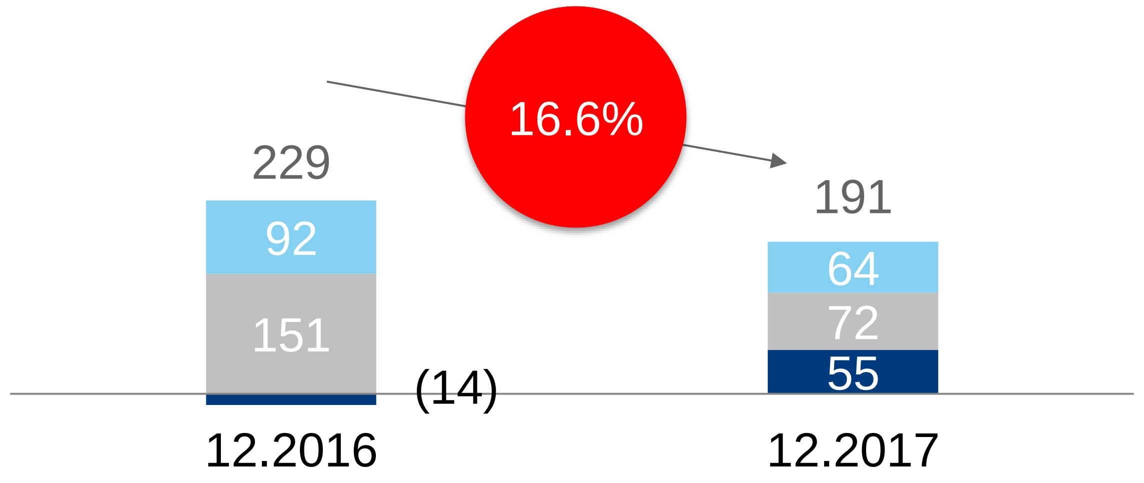
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)



- Motor insurance
- Non-motor insurance
- Impact exerted by investment income allocated from the Investment segment
- Combined ratio calculated jointly 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:

- rising motor insurance sales (+21.1%) as an effect of the gradually introduced in 2016 increases in the average premium on the coattails of price hikes forming a response to deteriorating results of the whole market in Poland in recent years;
- higher premium from insurance against fire and other damage to property (+14.3% of gross written premium y/y), including PZU DOM household insurance and agricultural insurance despite the extensive competition on the market (chiefly subsidized crop insurance),
- lower premium in the group of accident and other insurance, in particular various financial risks.

Insurance result up as the outcome of the following:

- incremental growth in net earned premium (+21.4%) – result of higher sales;
- lower loss ratio in the insurance group:
  - other damage to property, mostly for subsidized crop insurance – in the corresponding period of 2016 there were many losses caused by frost and winter-kill;
  - motor insurance, in particular TPL insurance, following the changes introduced in the tariff. This effect was partially offset by the observed growth in the average claim;
- decrease in the profitability of insurance against damage caused by the forces of nature and general third party liability insurance, which was largely a consequence of the losses caused by the August and December 2017 hurricanes.
- higher insurance activity expenses as the outcome of growing acquisition expenses (effect of the expanding portfolio) and falling administrative expenses in project-related activity and current operations.

Recap – non-life insurance

Corporate segment

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

- higher premiums from motor insurance, both fleet-based and offered to leasing companies, as a result of an increase in the average premium and the number of agreements signed;
- sales growth in fire insurance and other property claims (+21.9% y/y) and other TPL insurance (+11.1% y/y) as the offshoot of signing several high unit value agreements, including enrollment of two large entities from the coal and power industries in TUW PZUW;
- development of the assistance and accident insurance portfolio as a result of expanding cooperation with strategic partners.

Diminished insurance result as the outcome of the following:

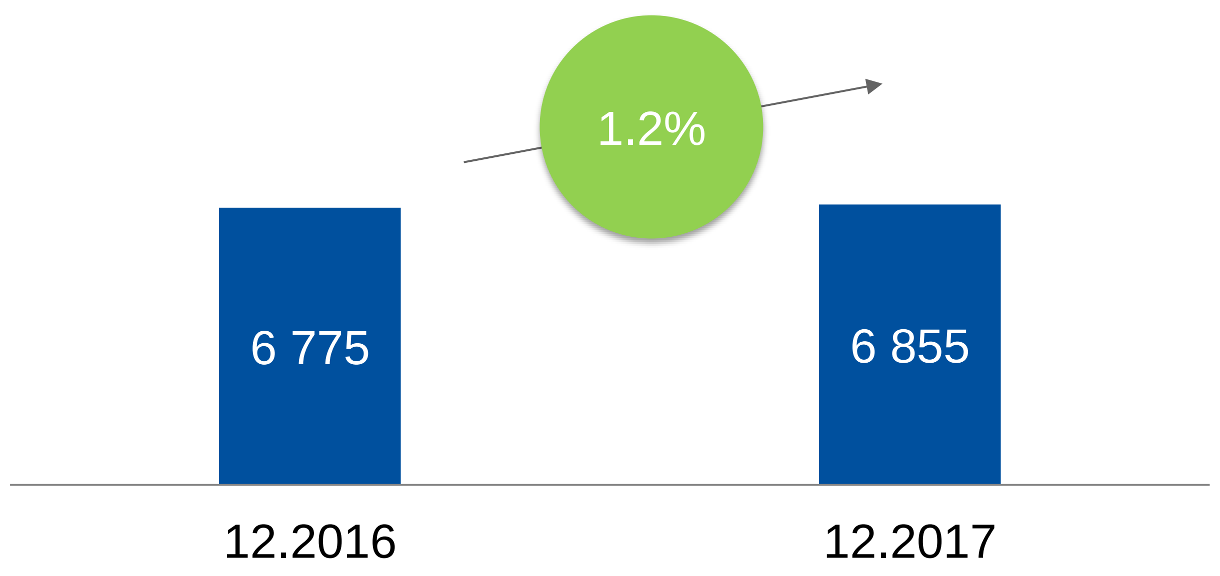
- incremental growth in net earned premium (+22.2%) – result of higher sales;
- higher level of claims and benefits in insurance caused by elements and TPL attributable largely to numerous damages caused by the forces of nature in August (Hurricane Xavier) and December (Hurricane Greg) and the reporting of several large claims. Effect partly offset by the improved profitability of the motor insurance portfolio;
- higher insurance activity expenses as a consequence of the following:
  - rising acquisition expenses - due to higher sales;
  - higher administrative expenses (coupled with the simultaneous decline in the administrative expense ratio) mainly in IT and third party services, which was related to implementing products dedicated to corporate clients to be administered and sold in the Everest system. This effect was partially offset by lower project-related expenses.

Life insurance

High profitability on rising sales

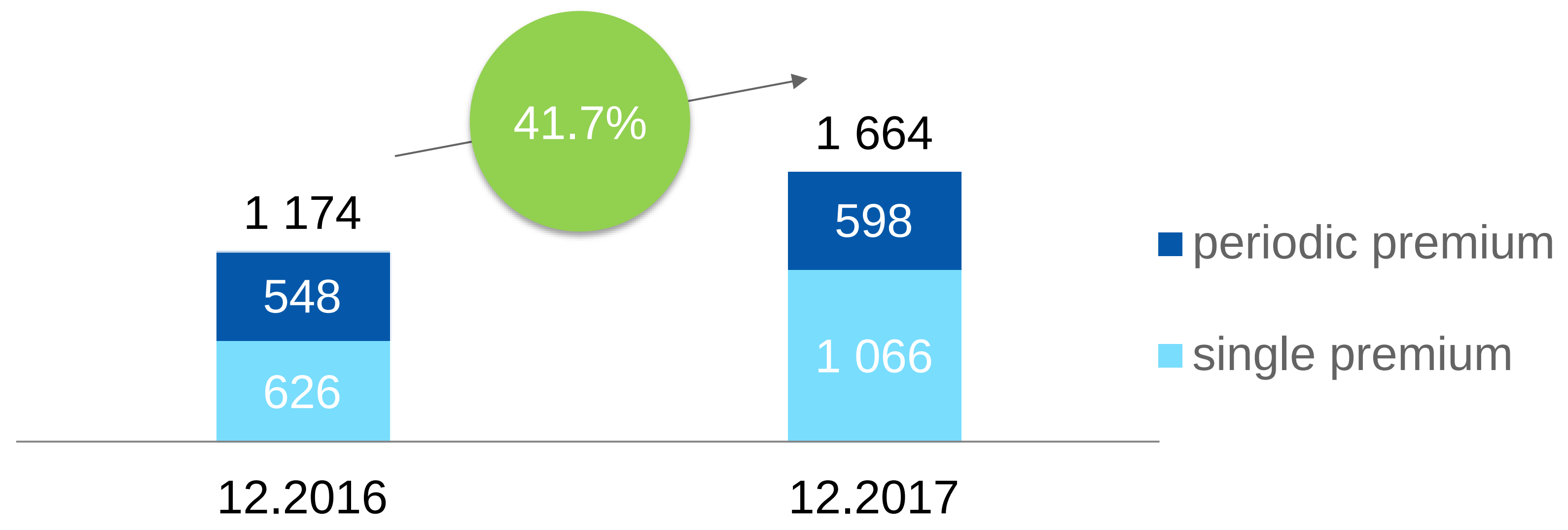
Group and continued insurance segment

Gross written premium (m PLN)

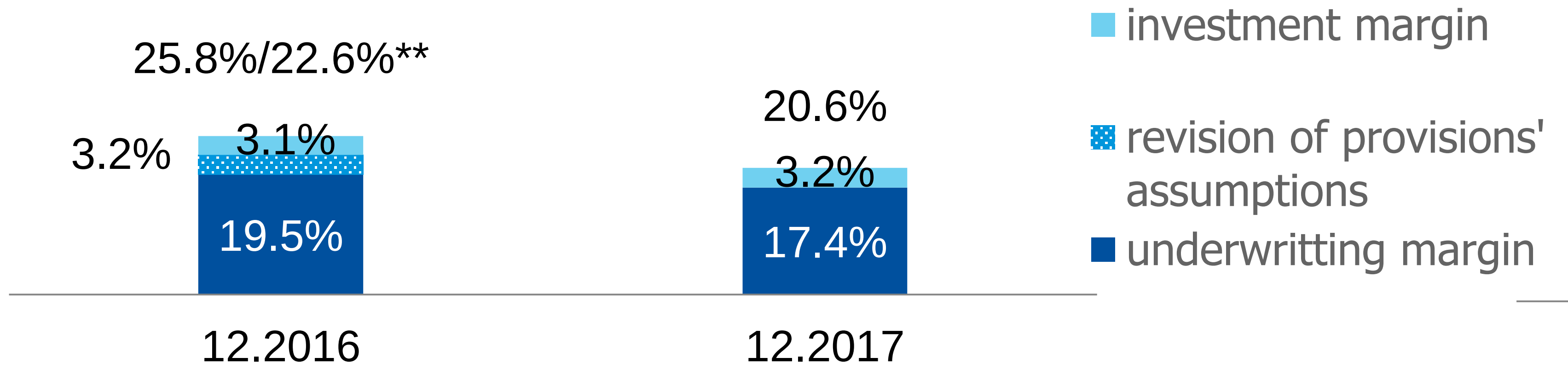


Individual insurance segment

Gross written premium (m PLN)

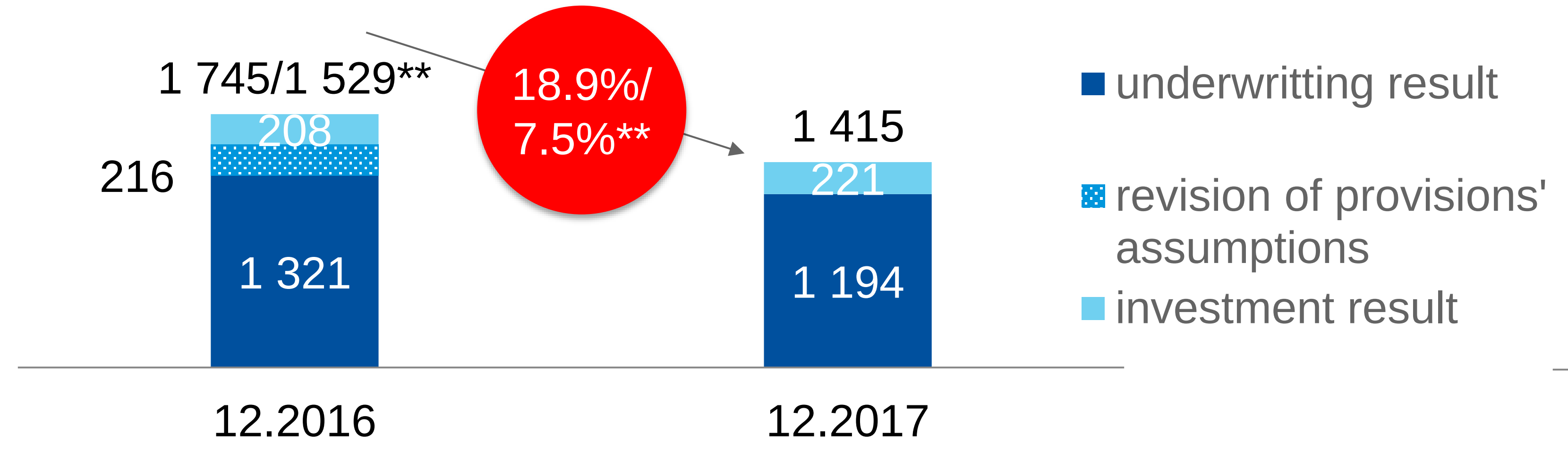


Margin (%)*

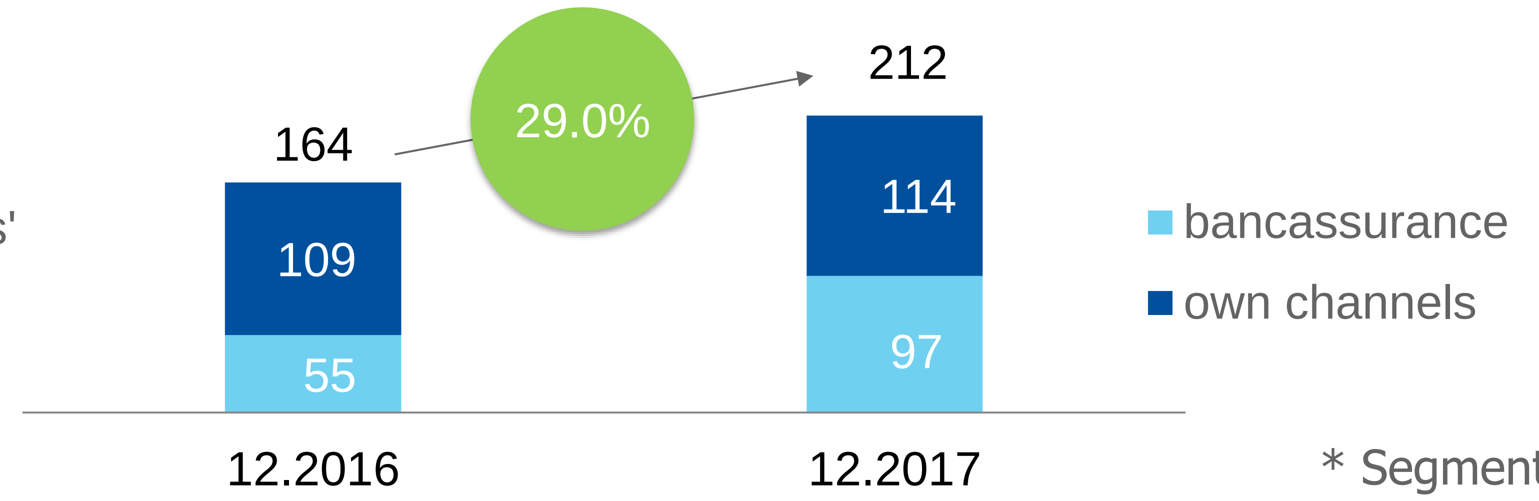


Margin (%)

Insurance result* (m PLN)



Annual premium equivalent (m PLN)



x% - Change year-on-year

* Segment margin and insurance result net of the conversion effect

** Segment margin and insurance result net of the conversion effect and non-recurring factors

Recap – life insurance

Group and continued insurance segment

Drivers of higher gross written premium:

- acquisition of premium in group health insurance products; PZU has 1.5 million agreements in force in these types of products in its portfolio;
- growth in group protection insurance - higher average premium and number of riders taken out by insureds;
- upholding the policy of up-selling riders while concurrently indexing premiums in the underlying main contracts in continued products.

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

- higher loss ratio in Q1 on protection products than last year due to the higher number of deaths and consequently the benefits paid for that reason. This was justified by the higher number of deaths in the overall population of Poland at the outset of this year as the data published by the Central Statistical Office depict;
- the absence in 2017 of the non-recurring factor from the end of 2016, the update of the assumptions regarding expected future payments on account of permanent health impairment used in the calculation of provisions in individual continuation (216 m PLN, 3.2% margin);
- changes in the portfolio of insureds caused by the statutory change to 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;
- cost discipline and the lower charge to the prevention fund.

Recap – life insurance

Individual insurance segment

Gross written premium's upward movement resulted from the following:

- higher contributions to the unit-linked insurance accounts offered jointly with Bank Millennium;
- sales launch of a new unit-linked product with Alior Bank at the outset of 2017;
- higher contributions to the unit-linked insurance accounts offered by PZU Branches, especially IKE individual retirement accounts and the Goal for the Future products;

The decline in the margin generated by the segment was the result of the following:

- unit-linked products featuring a significantly lower margin compared to protection products have grown their share of the revenues generated in the current period;

Sales channels:

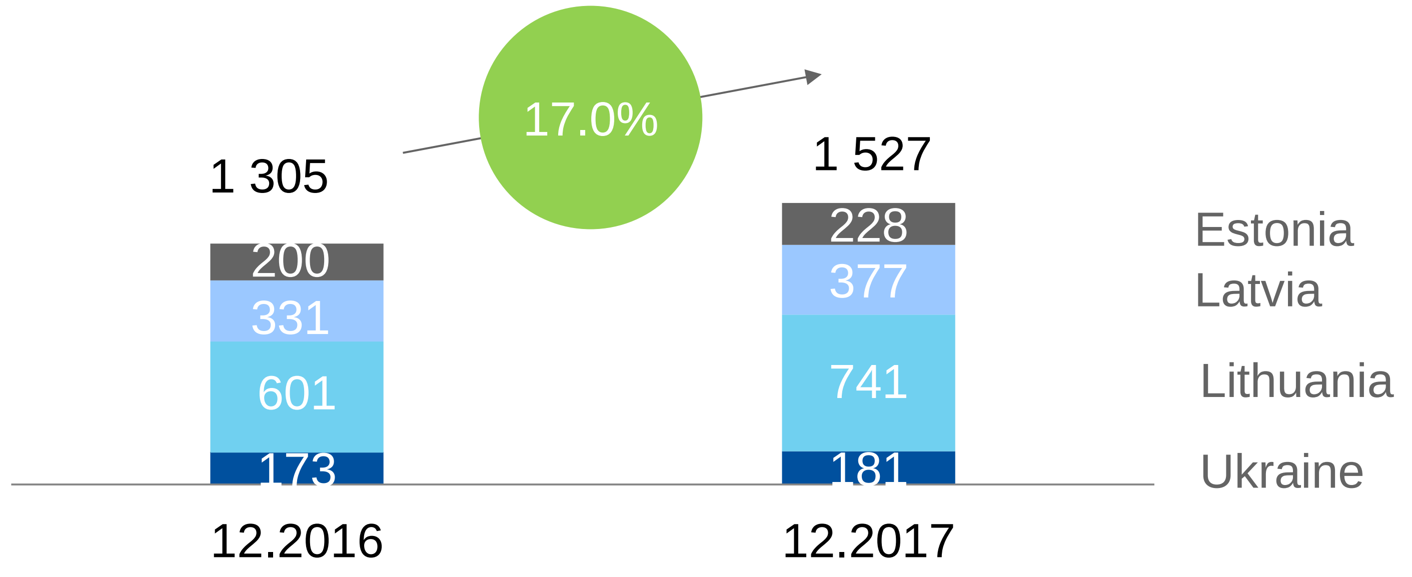
- the significant growth in the bancassurance channel driven by robust sales of new unit-linked product agreements in Bank Millennium and this year's product launch with Alior Bank;
- increase in the traditional channel as a result of high sales of the unit-linked product called Cel na Przyszłość [Goal for the Future] and significant growth of protection products in the 4th quarter of 2017.

International business

Higher sales in non-life insurance

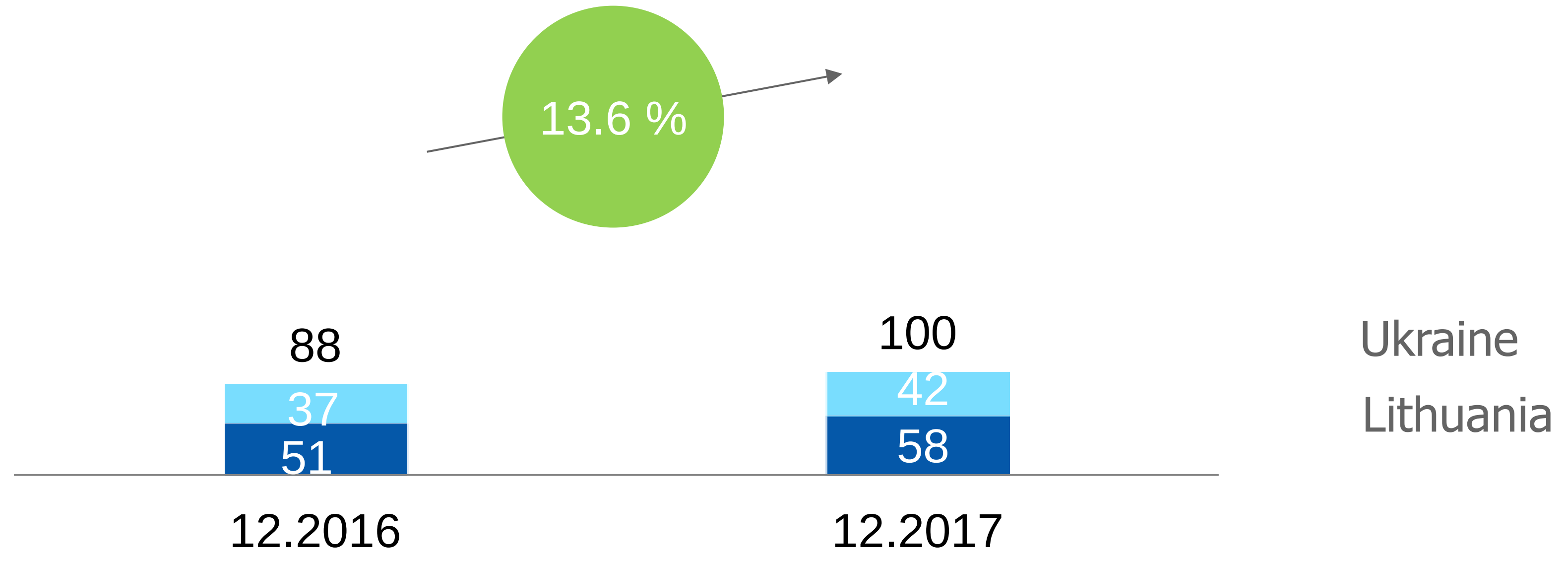
non-life insurance

Gross written premium (m PLN)

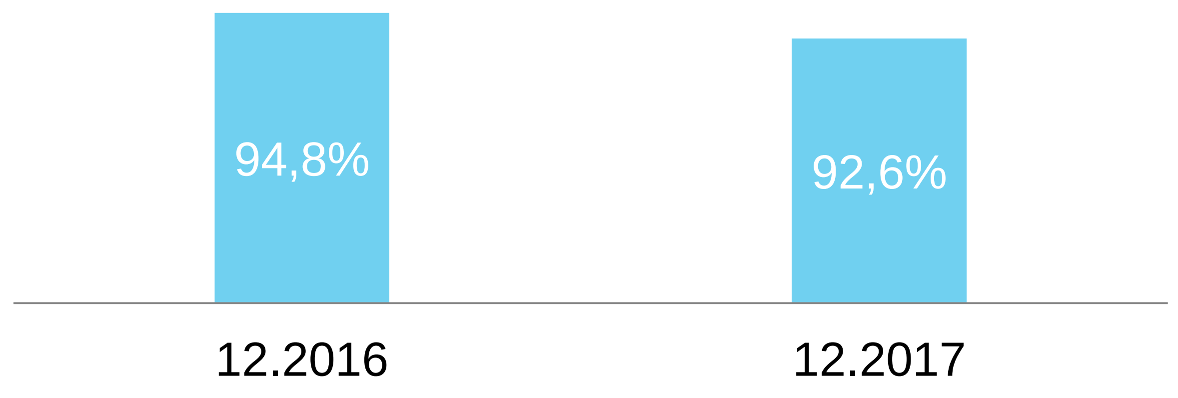


life insurance

Gross written premium (m PLN)

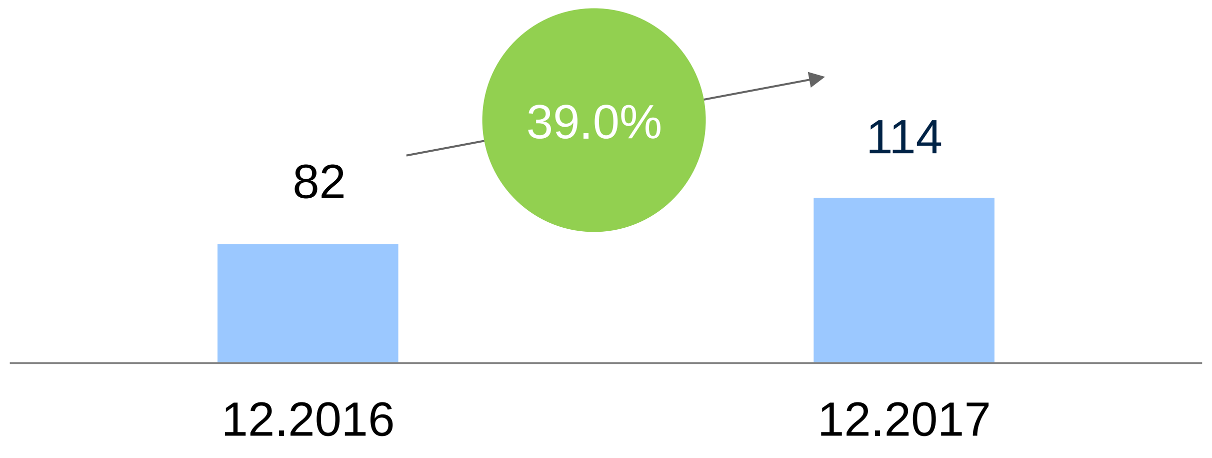


Combined ratio (%)

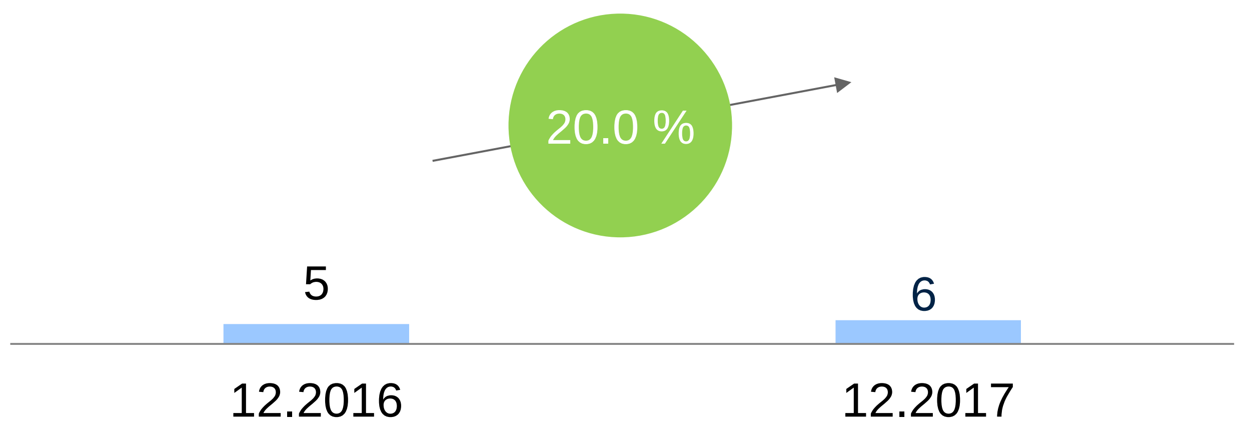


Margin (%)

Insurance result (m PLN)



Insurance result (m PLN)



x% - Change year-on-year

Recap – international business

Gross written premium

Non-life insurance:

- Gross written premium growth in the Baltic companies precipitated chiefly by the introduction of higher rates for motor insurance in the region, and growing property insurance sales in Lithuania and Latvia where the entities stepped up their sales and the significant growth in premium on health insurance in Latvia:
  - Lithuanian market leader Lietuvos Draudimas: 741 m PLN (last year: 601 m PLN);
  - AAS Balta in Latvia: 377 m PLN (last year: 331 m PLN);
  - Estonian branch of PZU Insurance: 228 m PLN (last year: 200 m PLN).
- Sales in Ukraine up 8 m PLN.

Life insurance:

- Gross written premium in Lithuania up on more intensive cooperation with Lietuvos Draudimas and endowment insurance sales.
- Gross written premium in Ukraine up 5 m PLN (up 25.2% in the functional currency).

Recap – international business

Insurance results

Non-life insurance:

- Combined ratio decline as a result of the following:
  - decline in the loss ratio by 0.6 p.p. caused by lowering the frequency of claims in the Baltic States, partially offset by higher large value and catastrophic losses in the Baltic States and Ukraine;
  - 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, notably in IT.
- Growth in the insurance result (up 32 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. Result generated in Ukraine down 30.0% in comparison with last year.

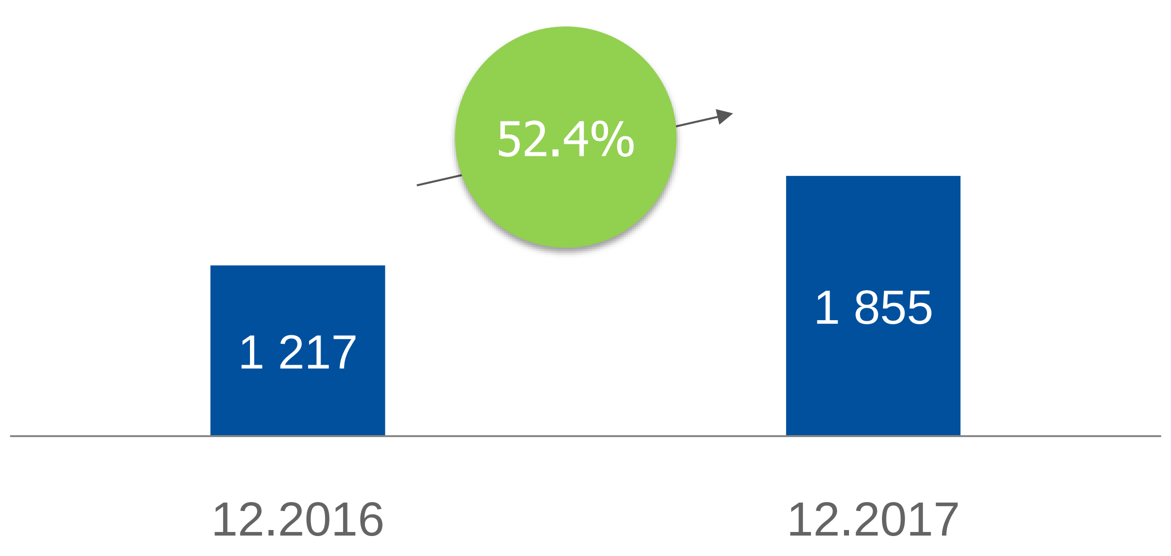
Life insurance:

- The insurance result rose (1 m PLN) chiefly in Lithuania due to sales growth. Result generated in Ukraine down 1 m PLN in comparison with last year.

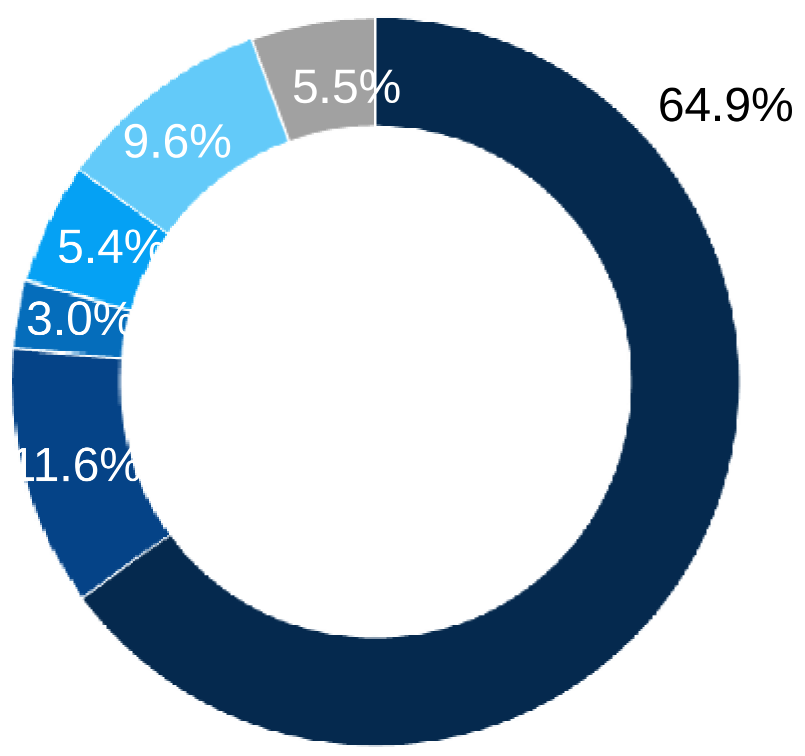
Investments

Better results on equity portfolios and securing high-margin corporate exposures

Net investment result *

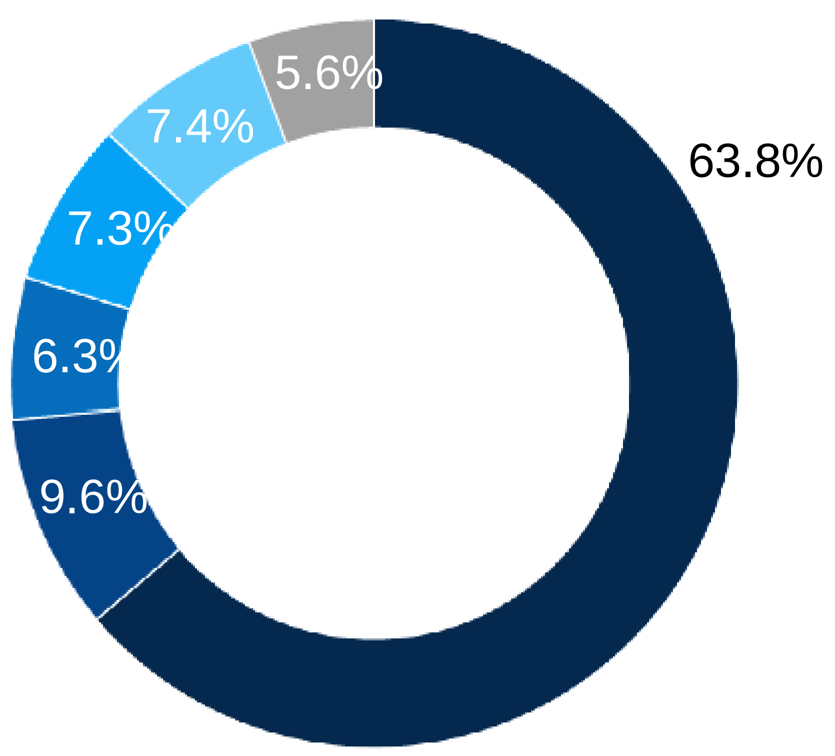


December 2017 Investment portfolio composition**



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

December 2016 Investment portfolio composition**



Total:
50.5 bn PLN
of which investment products
5.8 bn PLN

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

x% Change year-on-year

* 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:

the net investment result after factoring in interest expenses and precluding the impact exerted by banking activity in 2017 was up PLN 638 million primarily due to the following:

- higher result on listed equity instruments in particular due to improved market conditions on the Warsaw Stock Exchange – the WIG index went up 23.2% in 2017 compared to 11.4% the year before, including a better performance of the stake in the Azoty Group;
- better performance on interest-bearing financial instruments driven chiefly by the following:
  - better performance of non-treasury debt market instruments due to the acquisition of high-margin exposures for the portfolio;
  - decreases in the yields on Polish treasury bonds;
  - purchase of high-yield treasury bonds on the primary market for PLN 2 billion for the held-to-maturity bond portfolio;
  - positive impact exerted by the foreign exchange differences on own debt securities in conjunction with the appreciation of the PLN versus EUR following depreciation in the comparable period, partially offset by weaker performance of investments denominated in EUR.

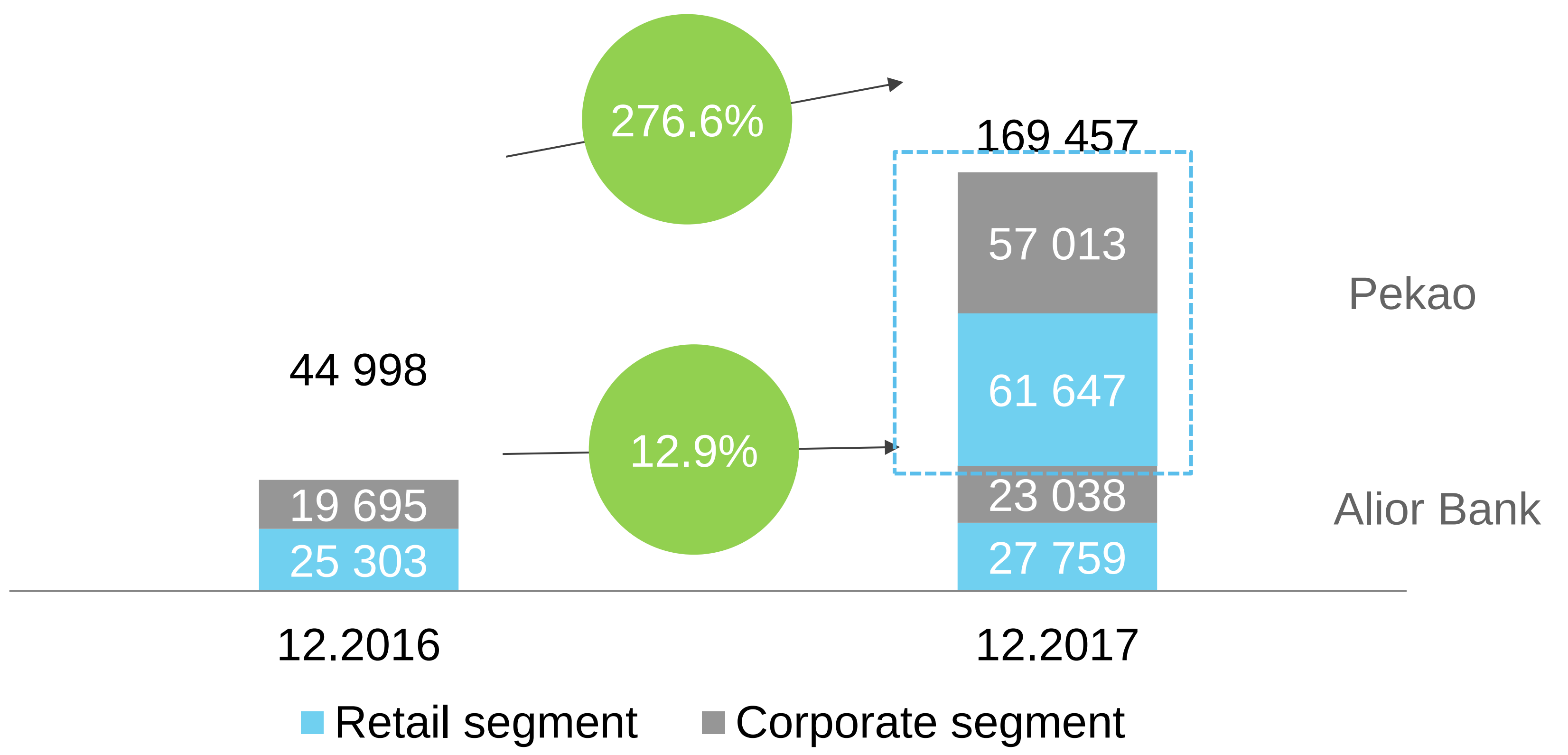
Classification of financial assets according to IFRS9 – from 1 January 2018

According to IFRS9 the stake in Azoty Group classified as valued at fair value through other comprehensive income, what should decrease the volatility of PZU Group results.

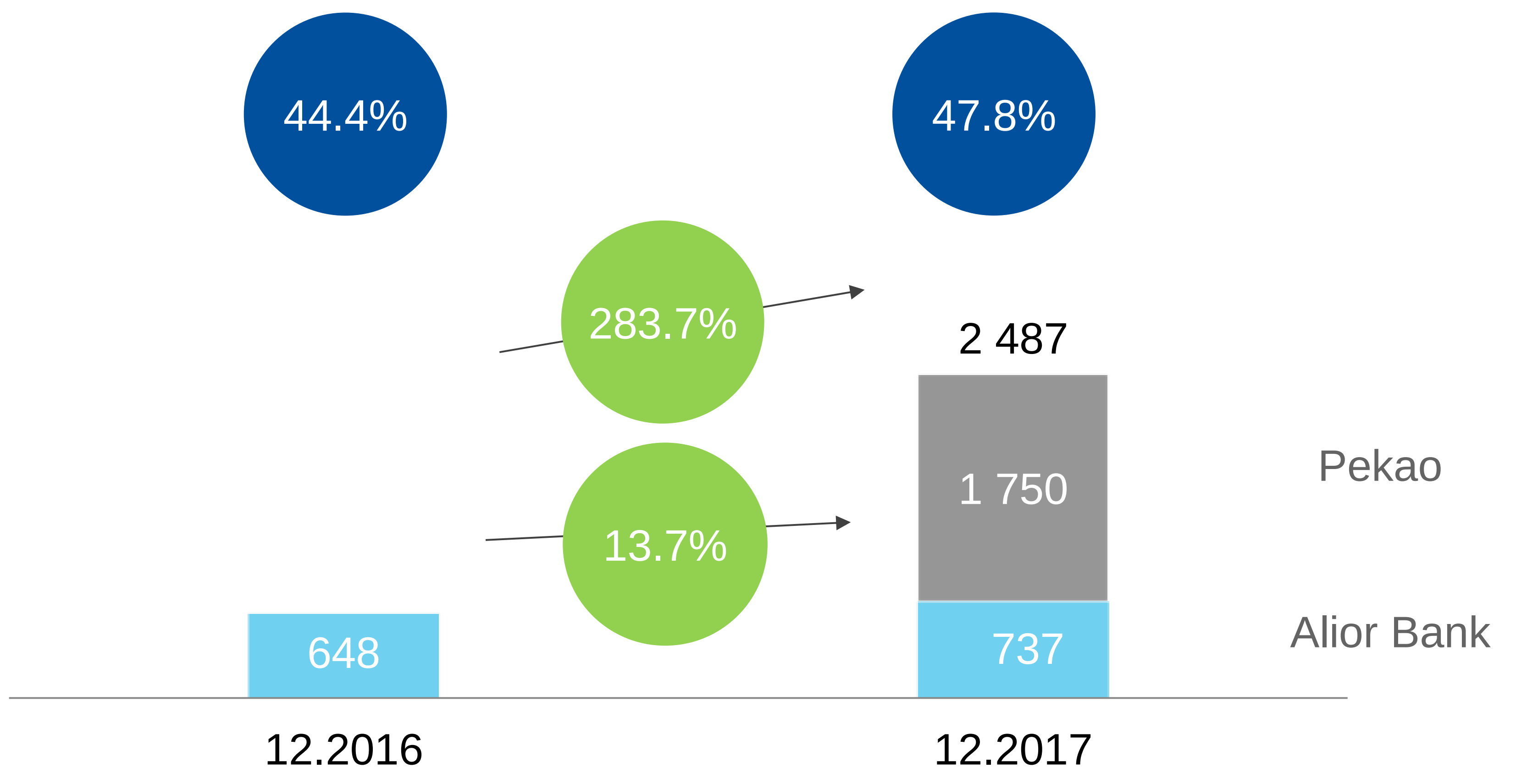
Banking activity

Positive growth rate in loan receivables

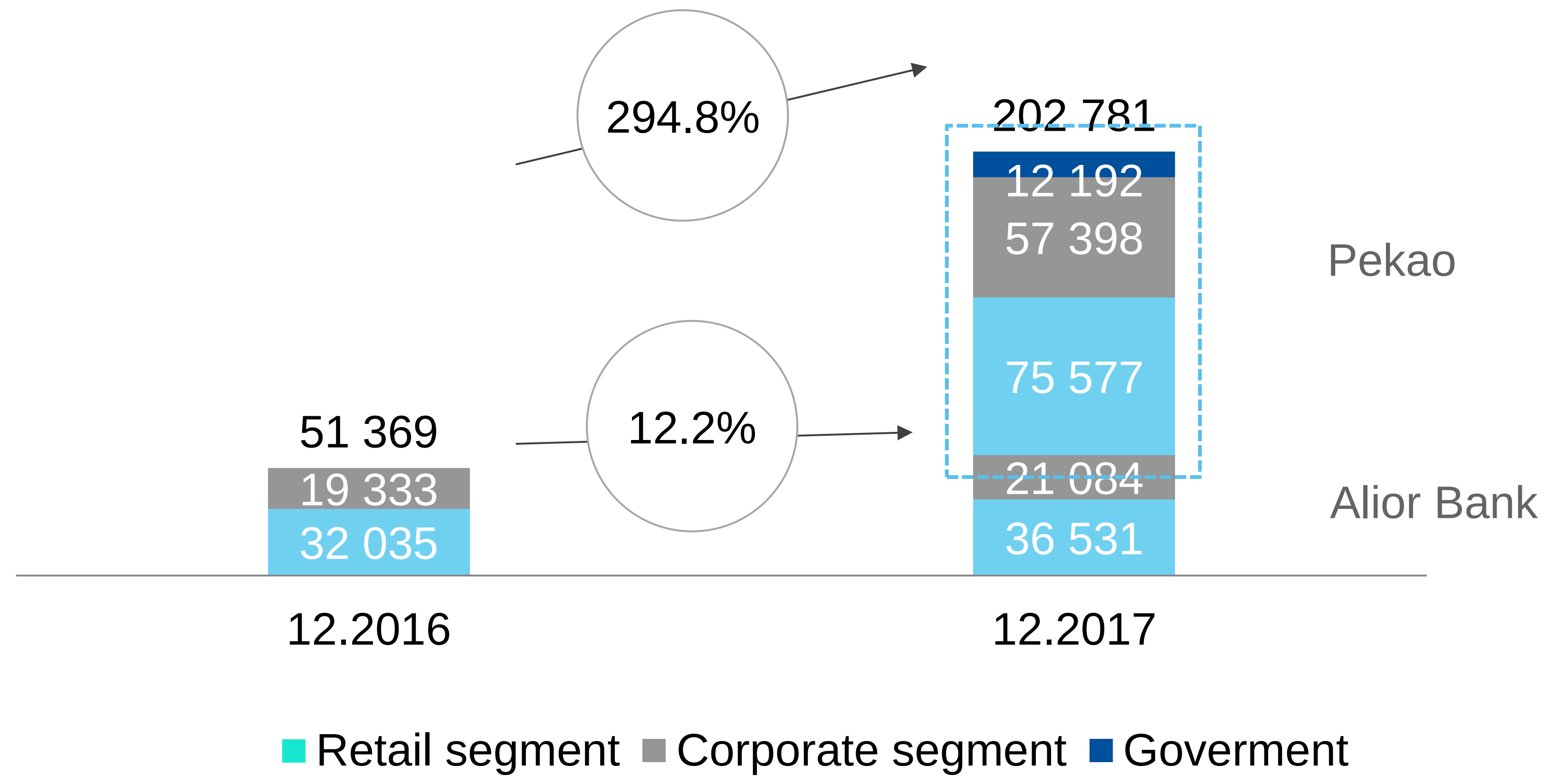
Loan portfolio by segment (m PLN)



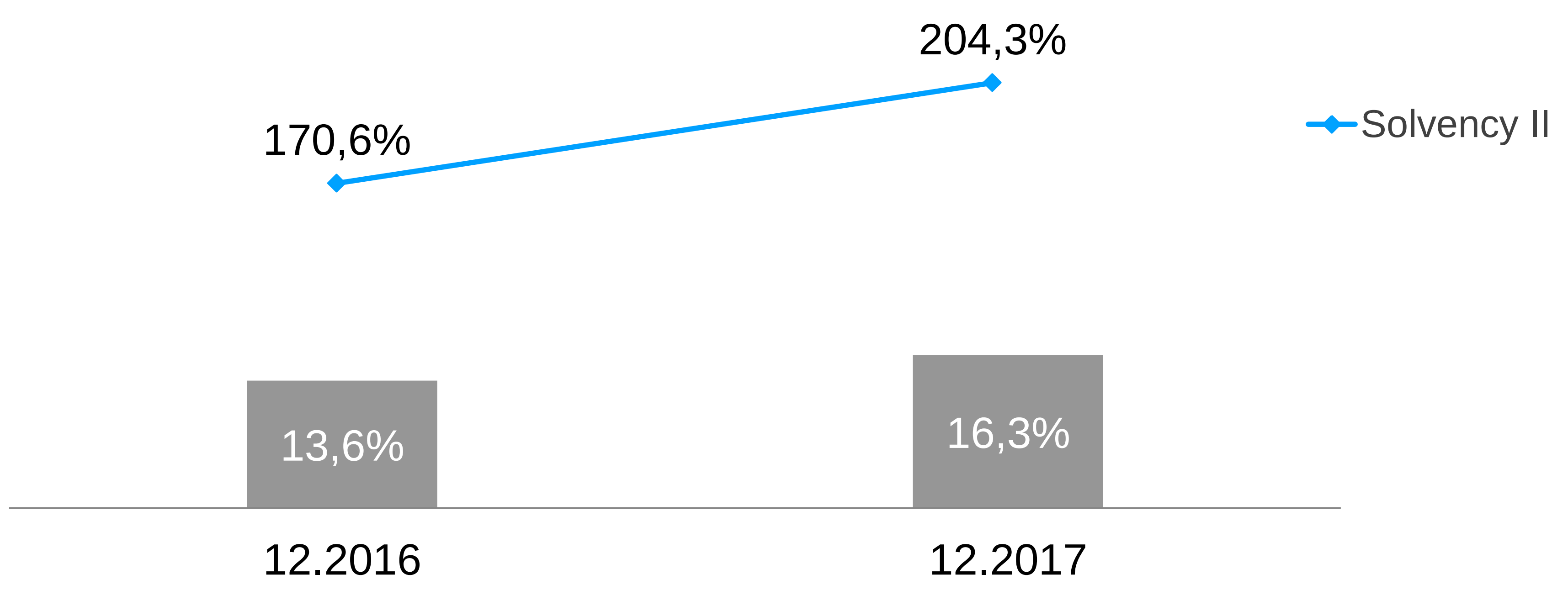
Operating profit (m PLN) and the Cost/Income ratio*



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



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



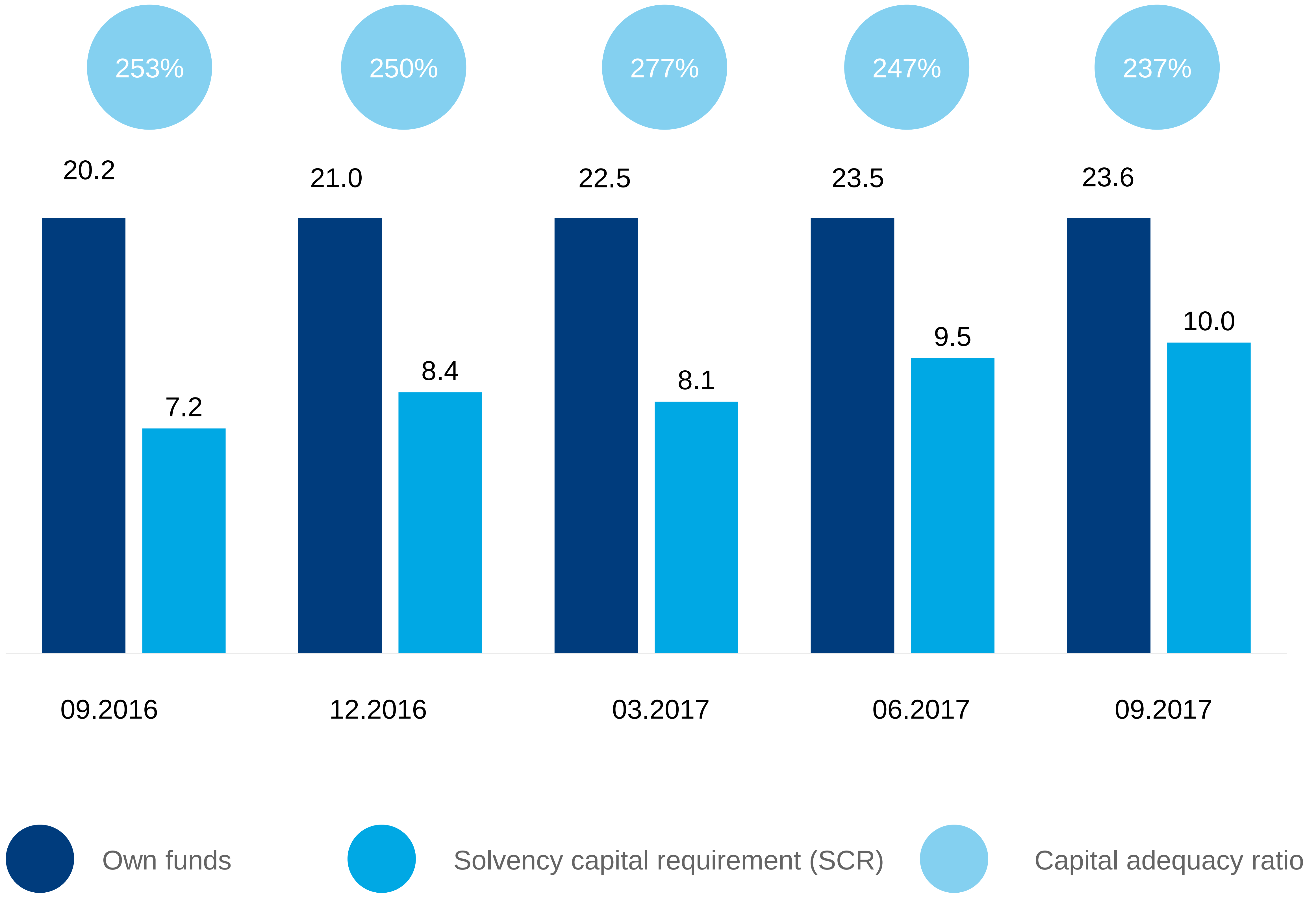
x% - Change year-on-year x% Cost/Income

* 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's and Alior Bank's financial statements

GROUP FIGURES AS AT 30 SEPTEMBER 2017 ACCORDING TO SOLVENCY II

High level of group solvency

PZU Group's data under Solvency II / 30 September 2017 (bn PLN)



- Own funds down 2.1 bn PLN and the Group's solvency capital requirement up by roughly 2.0 bn PLN as a consequence of purchasing Pekao.
- Impact exerted by Pekao's acquisition offset to a large degree by the following:
  - issuance of subordinated debt totaling 2.25 bn PLN,
  - underwriting and investment income,
  - optimizing exposure to mutual funds and the change in the reinsurance program.
- High quality of the PZU Group's own funds - share of Tier 1 capital is 90%.
- Standalone solvency ratio:
  - PZU – 320%,
  - PZU Życie – 491%.

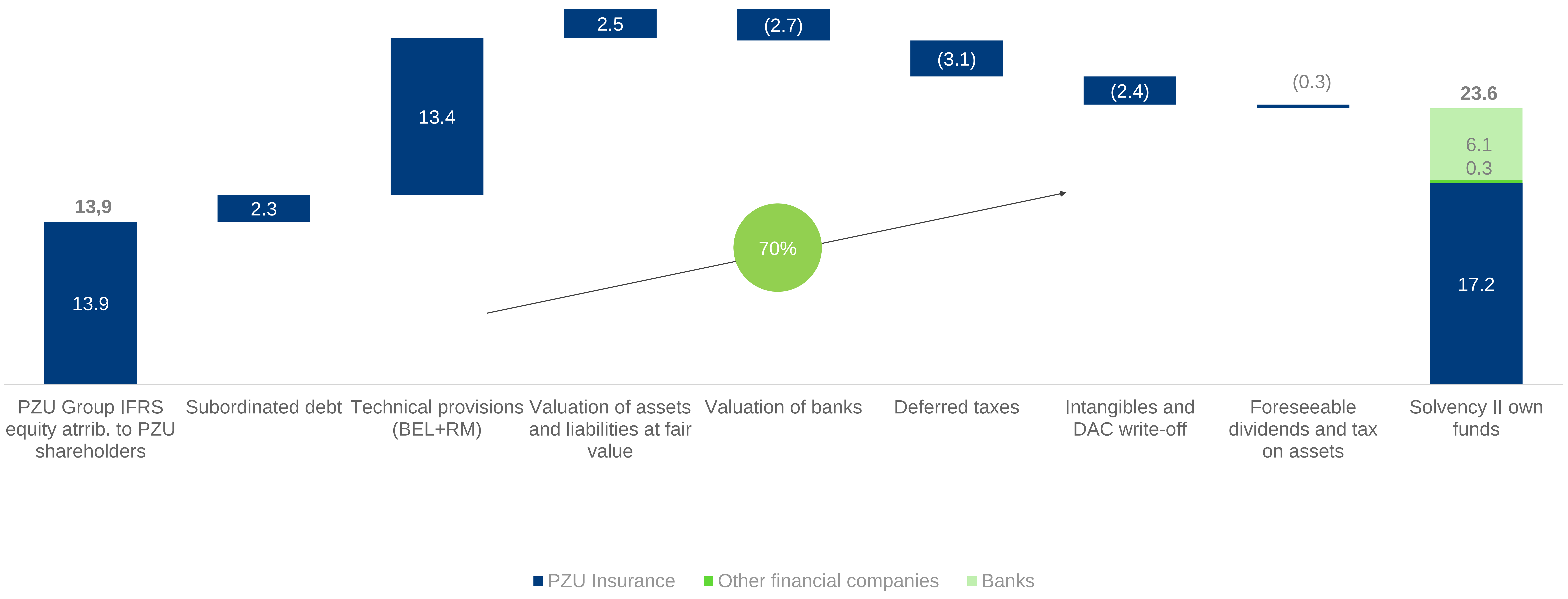
Solvency ratio calculated using the formula:
Own funds / solvency requirement.

Quartely data unaudited

Group own funds

Solvency II data as at 30 September 2017 (bn PLN, unaudited data)

Reconciliation of own funds and consolidated equity according to IFRS



x% - Change year-on-year

Group own funds

Solvency II data as at 30 September 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:

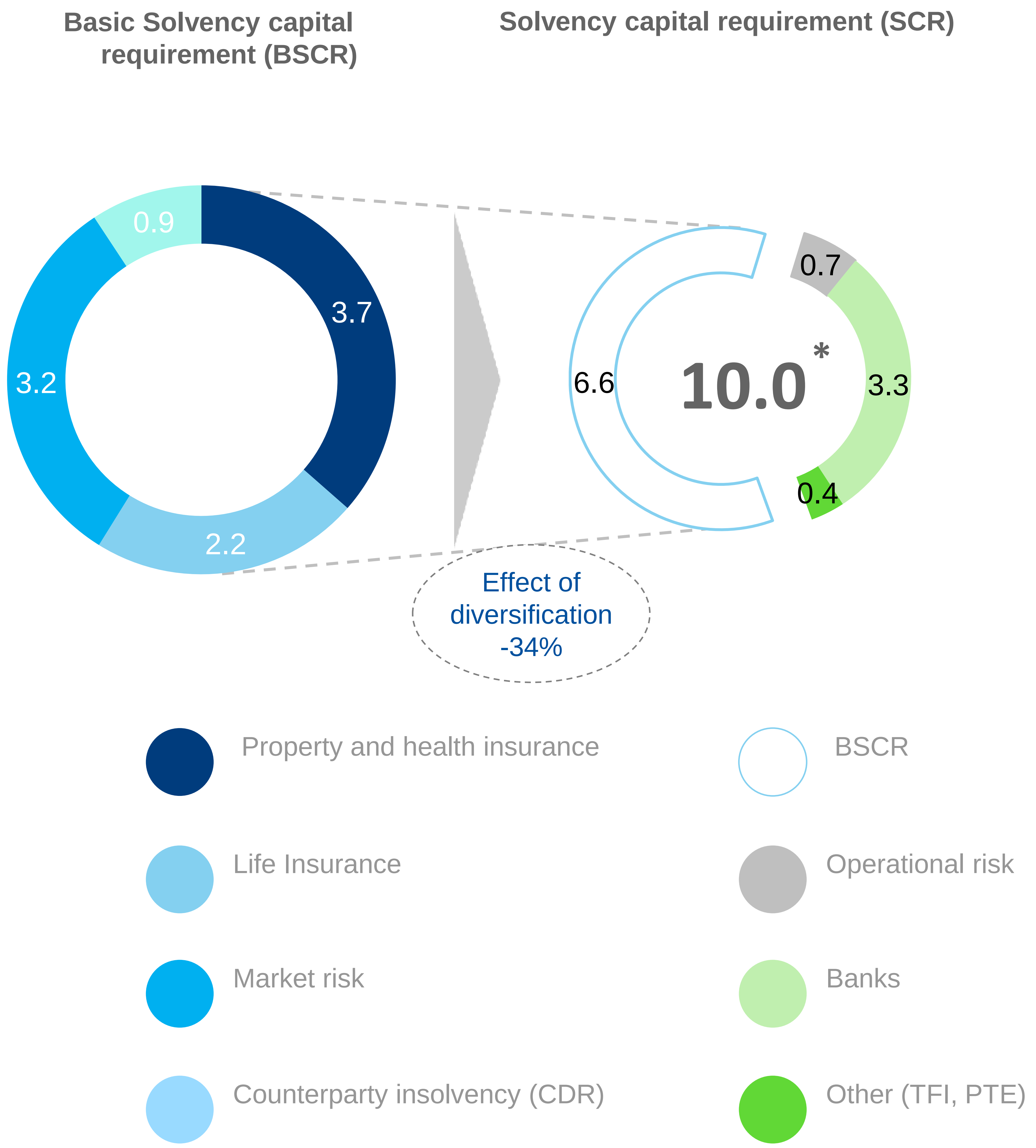
- technical provisions measured using the expected discounted cash flow (best estimate liability, BEL) adjusted for the risk margin;
- shares in entities belonging to other financial sectors (Pekao, Alior Bank, TFI, PTE) measured using the group's percentage of the regulatory capital of these entities 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

Group's data under Solvency II / 30 September 2017 (bn PLN, unaudited data)

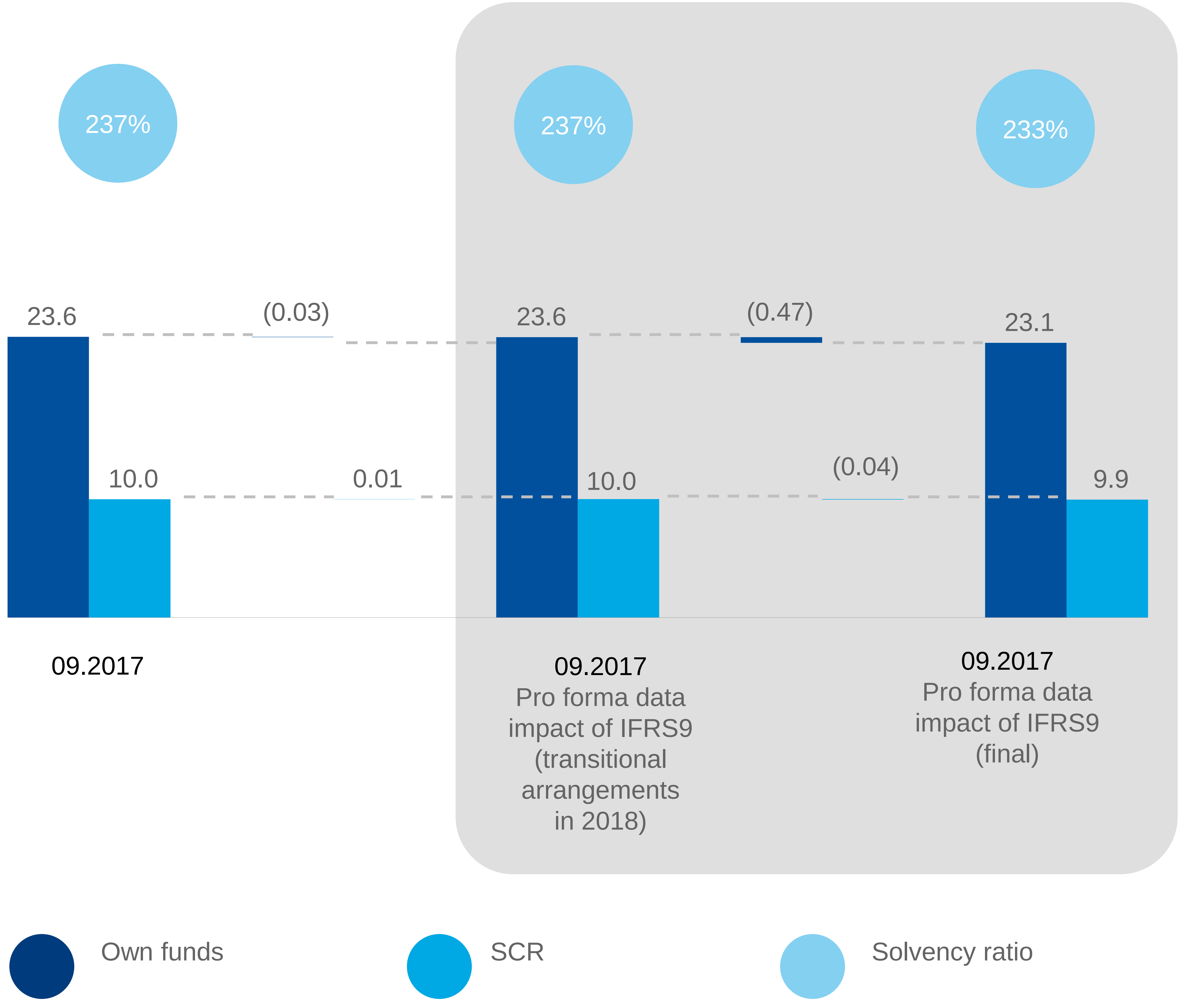


- Solvency requirement growth over the first 9 months of 2017 by 1.5 bn PLN, i.e. 18%. Main reasons for the movement in SCR:
  - incorporation of PZU's share in Pekao's capital requirement (2.0 bn PLN) – risk without diversification effects;
  - decline in market risk SCR totaling 1.2 bn PLN** associated 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 in the real estate portfolio;
  - decrease in the non-life insurance risk by 0.2 bn PLN** - ensuing from deeper reinsurance of catastrophic risks; despite the higher risk charge on premiums and provisions driven by higher sales;
  - dip in tax adjustment benefits totaling 0.4 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).
** Prior to the effects of diversification.

Impact of IFRS 9 on solvency

Group's data under Solvency II / 30 September 2017 (bn PLN, unaudited data)



- No direct impact of the introduction of IFRS9 on asset and liability valuation under SII due to fair value accounting.
- Exception: valuation of investments in entities from other sectors (Pekao, Alior Bank, TFI, PTE) made under the sectors' regulations.
- Indirect decrease of PZU Group's solvency resulting from IFRS9 implementation impact on banks' capital adequacy.
- IFRS9 impact on Alior Bank's and Pekao's capital accounted for using an amortization schedule in accordance with EU Regulation 2017/2395 (transitional arrangements)
- Estimated decrease of PZU Group's solvency ratio resulting from the introduction of IFRS9 by the banks:
  - approx. 0.5 pp. – in 2018
  - approx. 3.9 pp. – after 2018 (totalling approx. 4.4 pp.).
- No change of PZU standalone solvency ratio (banking investments valued at market values).

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