



PZU Group's Q1 2015 financial results

Warsaw, 13 May 2015

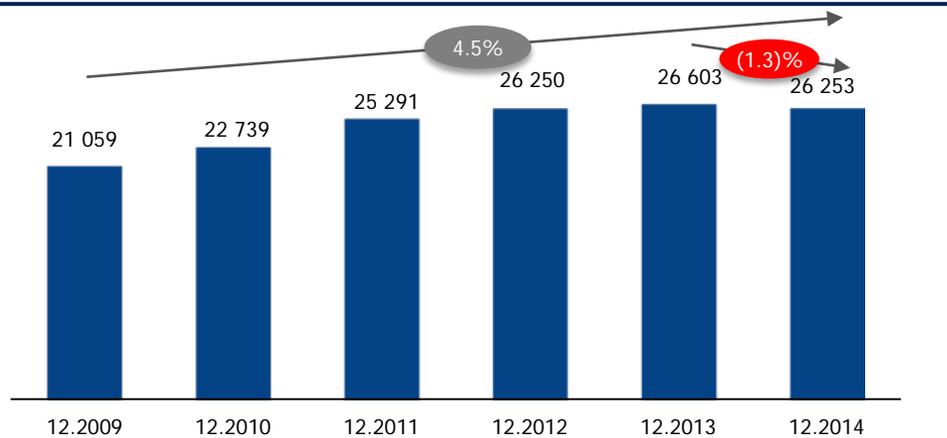


Agenda

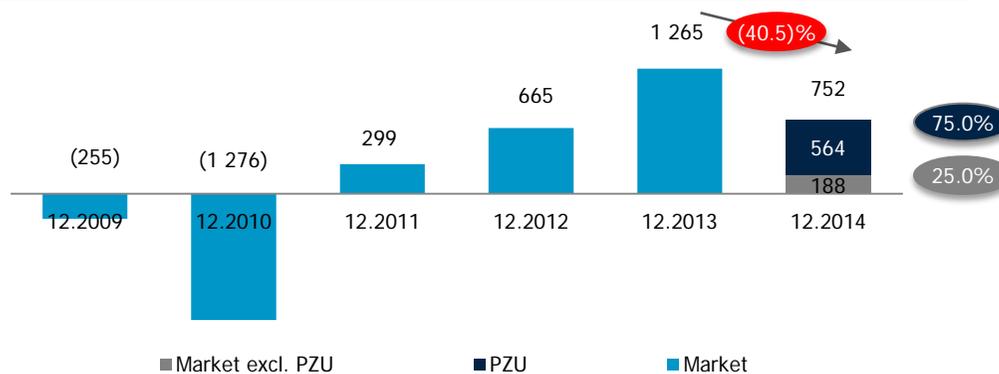
1. Polish insurance market in the four quarters of 2014
2. Operating results in Q1 2015
3. Shareholder value
4. Implementation of the PZU 3.0 strategy
5. Detailed financials

Non-life insurance market in Poland

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



Technical result (m PLN)



- Sales contraction following growth trend lasting until 2013 as the outcome of fierce price competition
- Clear upward trend in PZU's share in the non-life insurance market in 2014 yoy
- The PZU Group's share in the non-life insurance market is **33.1%** (of which PZU: **31.5%**, Link4: **1.6%**).
- PZU's technical result stated as a percentage of the market's technical result **-75.0%**, which with a **31.5%** market share measured by gross written premium confirms the high profitability of its insurance business.

xx%

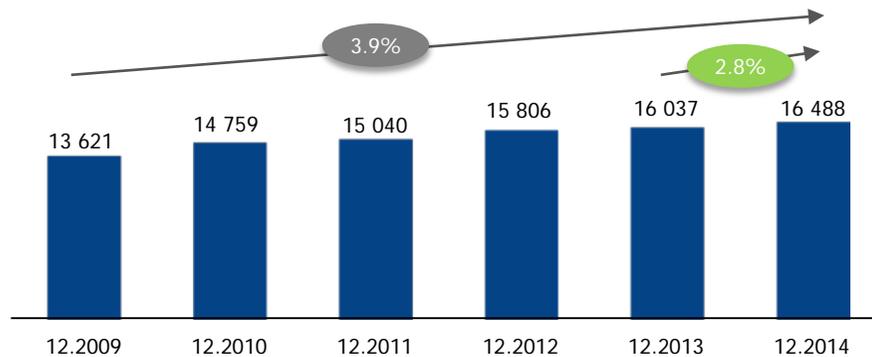
- Percentage change year on year

xx%

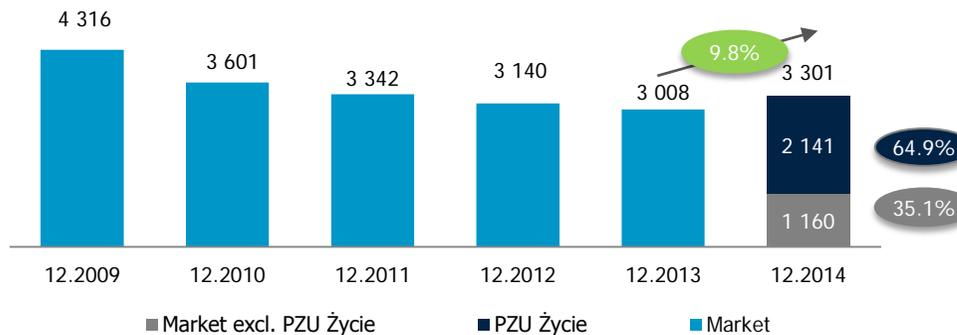
- CAGR

Life insurance market in Poland

Gross written premium on regular business (m PLN)



Life insurance technical result (m PLN)



xx%

- Percentage change year on year

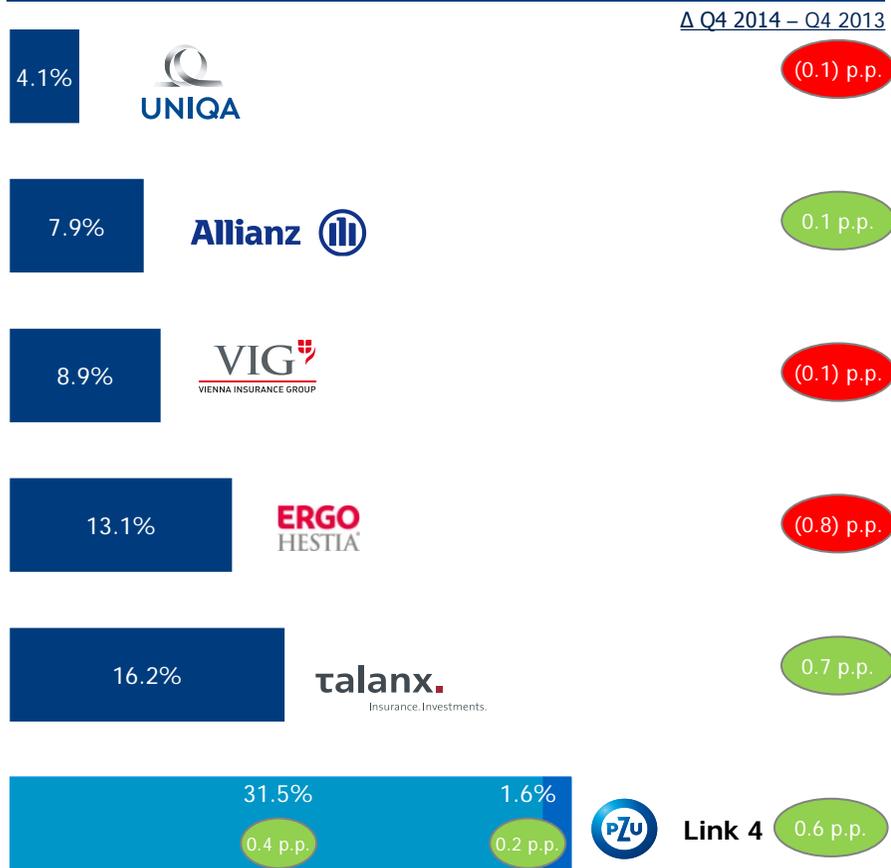
xx%

- CAGR

- PZU Życie’s regular premium market share stable at **42.8%** at the end of Q4 2014.
- Another year of decline in total gross written premium on the life insurance market - adverse impact exerted by regulatory changes on distribution in the bancassurance channel chiefly driven by single premium business.
- High profitability of PZU Życie’s technical result versus the overall market – the margin commanded by PZU Życie – **26.2%** versus other insurers – **5.8%**.
- The growth in the overall market’s technical result in 2014 achieved because PZU Życie’s results were higher - the total result of the other insurers diminished.

PZU maintains its leadership position in insurance in Poland

Non-life insurance market share



Capital Groups:

Allianz- Allianz, Euler Hermes

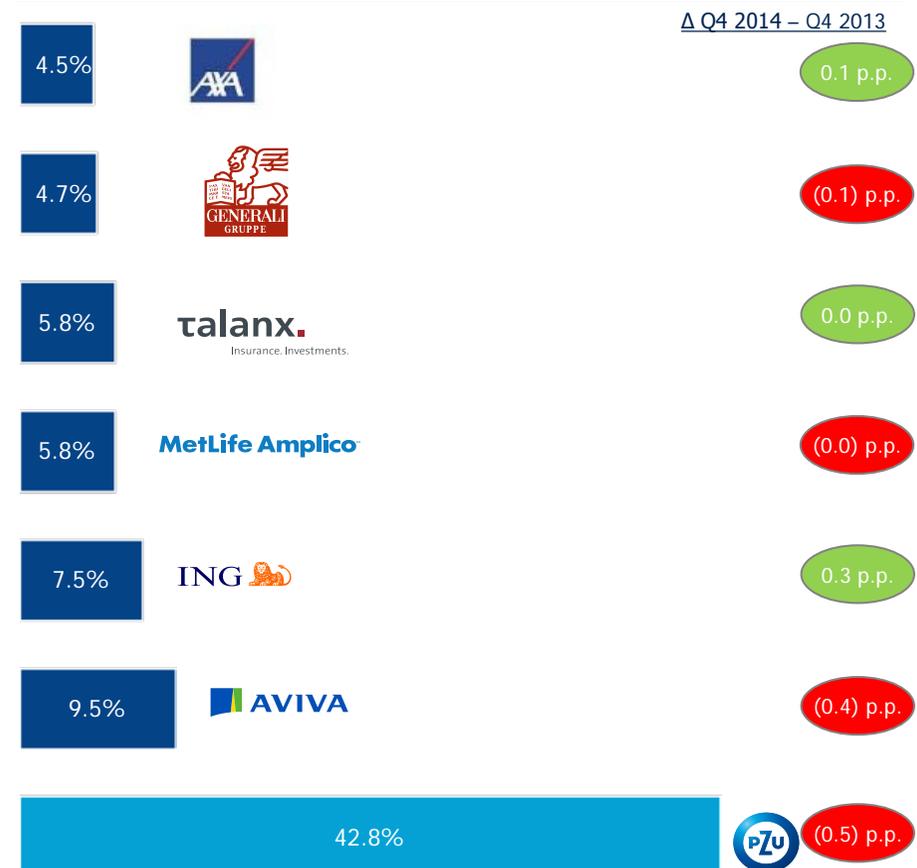
Ergo Hestia - Ergo Hestia, (MTU merger with Ergo Hestia on 31 Oct. 2014)

Talanx - Warta, Europa

VIG - Compensa, Benefia, Interrisk

graphs incorporate only the largest insurance undertakings

Life insurance market share (regular premium)



Capital Groups:

Talanx - Warta, Europa, Open Life

VIG - Compensa Życie, Benefia, Polisa Życie, Skandia Życie, Benefia (merger with Compensa Życie on 30 Sept. 2014)

Aviva - Aviva TUŃ, BZ WBK-Aviva TUŃ

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3. Shareholder value

4. Implementation of the PZU 3.0 Strategy

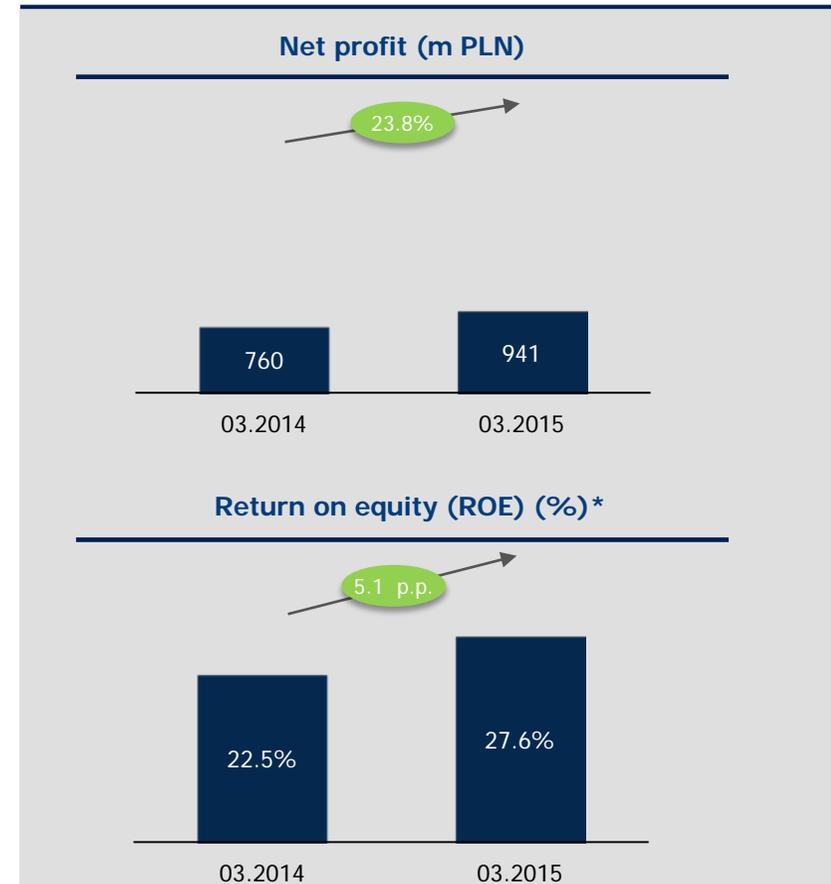
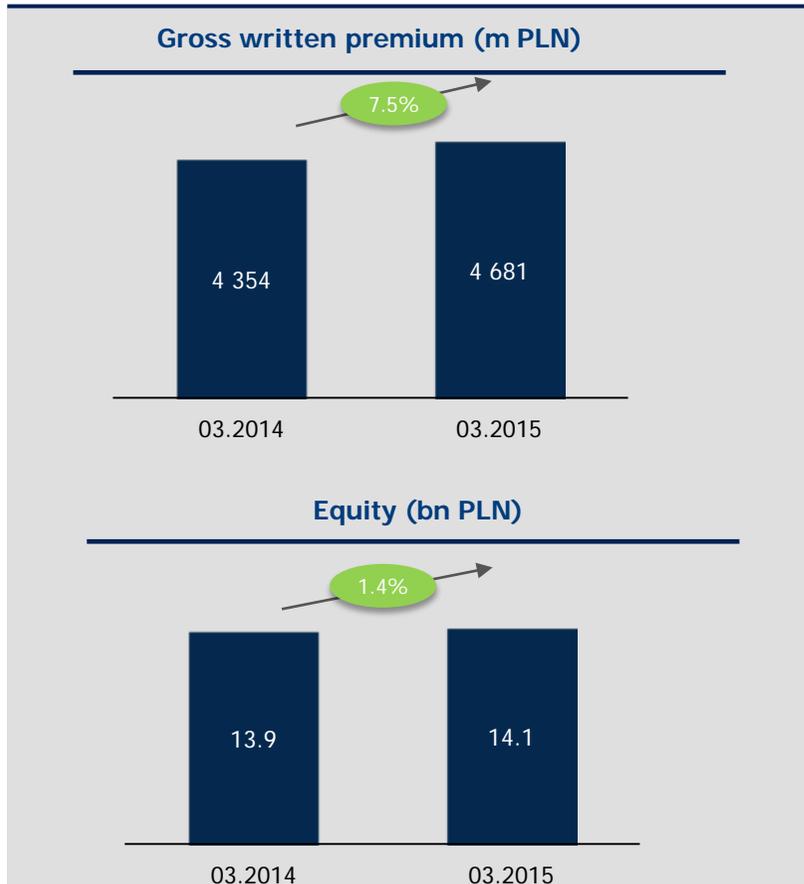
5. Detailed financials

High results on investment activity and implementation of 3.0 Strategy

<p>Non-life insurance</p>	<ul style="list-style-type: none"> • Persistently high profitability despite the higher loss ratio in the motor insurance portfolio: <ul style="list-style-type: none"> - lower level of claims and benefits in general TPL insurance and financial risks; - fierce price competition continues to be felt translating into lower portfolio profitability.
<p>Life insurance</p>	<ul style="list-style-type: none"> • Diminished profitability in the group and individually continued segment net of the effect of converting long-term insurance contracts into yearly renewable term contracts: <ul style="list-style-type: none"> - growth in the loss ratio in protection insurance as an effect of the significantly higher frequency of death-related events compared to 2014.
<p>Investments</p>	<ul style="list-style-type: none"> • Higher net investment result chiefly driven by the following: <ul style="list-style-type: none"> - higher valuation of equity instruments on the financial market (in Q1 2015 the WIG index rose by 5.2%, while in the comparable period of the last year merely by 2.1%); - better results generated on derivatives.
<p>Operations</p>	<ul style="list-style-type: none"> • 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.
<p>International operations</p>	<ul style="list-style-type: none"> • Integration of selected processes in the newly-acquired companies (Lietuvos Draudimas AB, AAS Balta) and the branch in Estonia (Codan Forsinkring A/S) with the Group's processes. • Separation of operations in the Latvian and Estonian branches from PZU Lithuania's operations in conjunction with the process of divesting this business.

ROE 27.6%

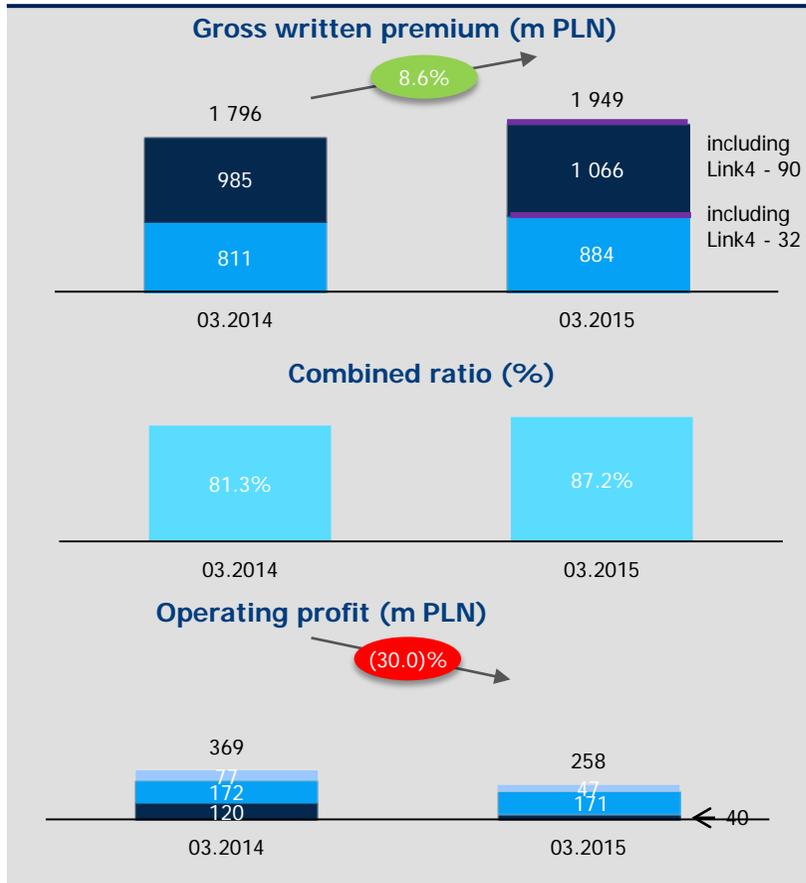
Review of the Group's 2014 financial results



Non-life insurance

Lower profitability of motor insurance

Mass segment



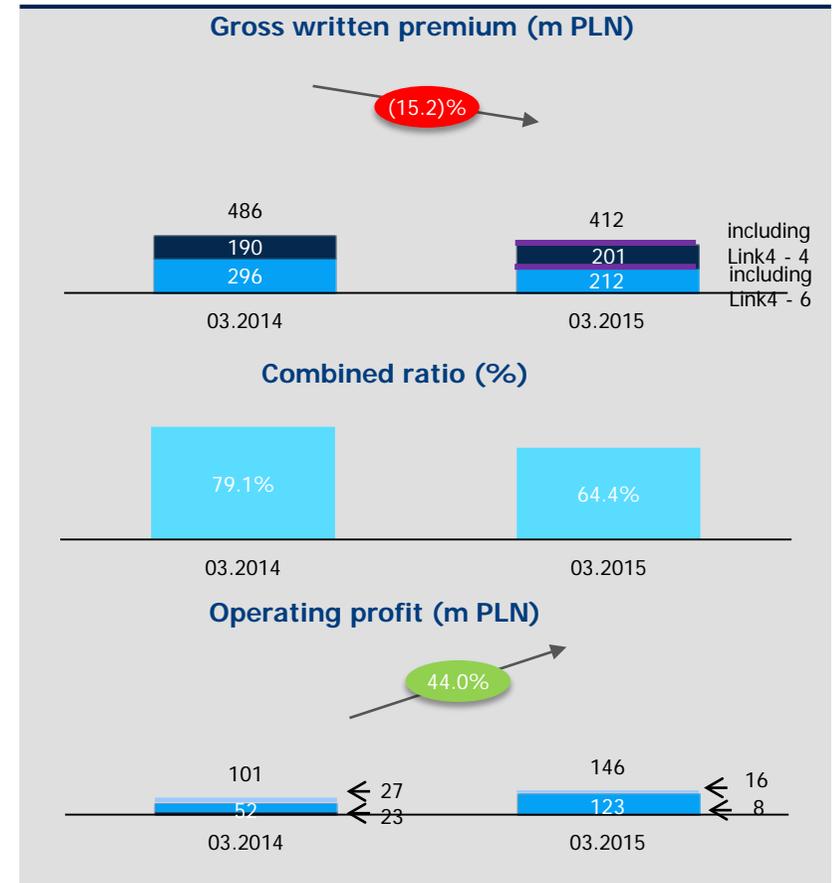
Motor insurance

Non-motor insurance

Impact of allocated investment income from the Investment segment

Combined ratio computed jointly for motor and non-motor insurance

Corporate segment



Summary - non-life insurance

Mass segment

Gross written premium yoy:

- Higher gross written premium in motor insurance, mainly as a result of the acquisition of Link4 which has contributed to the segment's result from the time of its acquisition in 2014. Net of this change, the sales of motor business diminished slightly to PLN 975.7 m PLN (-0.9% compared to Q1 2014);
- sales of insurance against claims caused by forces of nature and other TPL insurance were on the rise, chiefly household insurance on products such as: PZU DOM and other TPL for counselors-in-law;

Operating profit down primarily driven by the following:

- level of claims up in motor insurance (+11.8%, net of Link4 +2.9%), mainly as a result of average claim value growth;
- higher insurance activity expenses, including:
 - acquisition expenses, chiefly higher commissions as an offshoot of changing commission rates in the broker channel and indirect acquisition expenses (competitions, override commissions) linked to the sales-related measures taken in the multi-agency sales channel;
 - administrative expenses as a consequence of strategy implementation costs being up to develop PZU's key areas.

Corporate segment

Gross written premium yoy:

- climbing sales of motor insurance, mainly MOD as a result of the significant increase in the number of insurance policies partially offset by the declining average premium. Despite recorded sales expansion, strong price pressure is still felt;
- lower sales of fire, other property and other TPL insurance as an outcome of the finalization of several big tenders in December 2014 and conclusion of insurance agreements regarding 2015 - mainly pertains to insurance for medical entities (no impact on the level of premium earned in 2014).

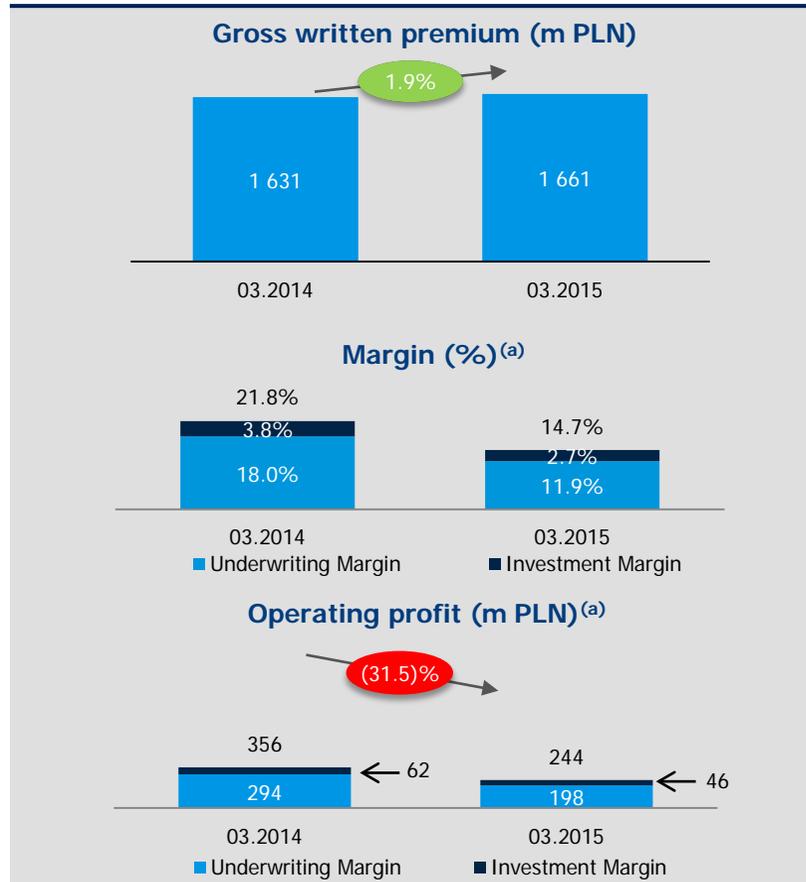
Operating profit up following:

- declining claims and benefits in general third party liability insurance and financial risks as a result of the lower level of provisions for claims from previous years;
- lower insurance activity expenses, including:
 - acquisition expenses down as an offshoot of higher deferred expenses over time (increase in the share of long-term policies) partially offset by rising indirect expenses – associated with introducing a new sales network management model;
 - administrative expenses up as a result of strategy implementation costs being up to develop PZU's key areas.

Life insurance

Lower profitability

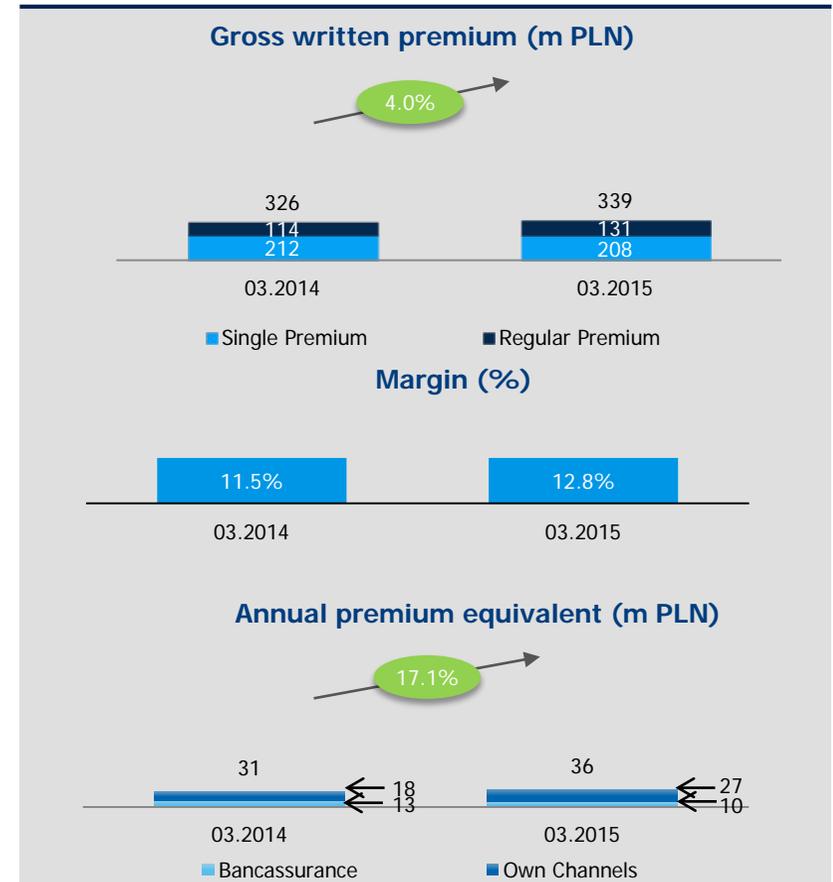
Group and continued insurance segment



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

Operating profit down following:

- protection portfolio loss ratio up due to the significantly greater frequency of deaths (confirmed by Central Statistics Office [GUS] data on a similar effect in the entire population – the frequency of deaths in Poland for the 3 consecutive months ending in February 2014 and 2015 was 0.254% and 0.274%, respectively);
- administrative expenses up mostly ensuing from strategy implementation-related expenses.

Individual

Gross written premium expansion resulting from the following:

- record-breaking subscription of a structured product in the dedicated channel;
- higher average payments to IKE individual retirement accounts;
- robust sales of protection products - result of changing the commission system and making the offering more attractive by launching a new rider “Pomoc od Serca” [heartfelt assistance].

Positive impacts partially offset by retracting the regular premium savings product called “Plan na Życie” with a protection element from sale and the lack of sales of structured and deposit products in cooperation with banks.

Sales channels:

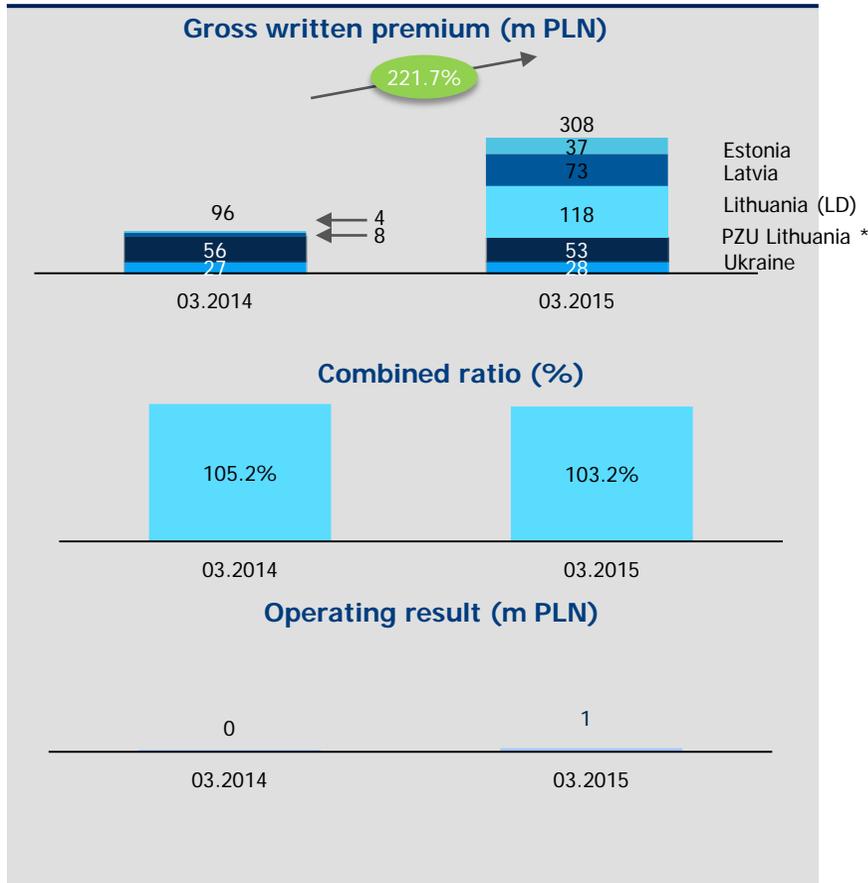
- new sales are down in the bancassurance channel as a result of the volume of single premium contracts acquired in structured products being considerably lower than one year ago;
- sales of protection products in the traditional channel up from last year (+69%) following a change in priorities in the sales channels after retracting the “Plan na Życie” unit-linked product from the offering and modifying the agency channel's compensation system.

International business

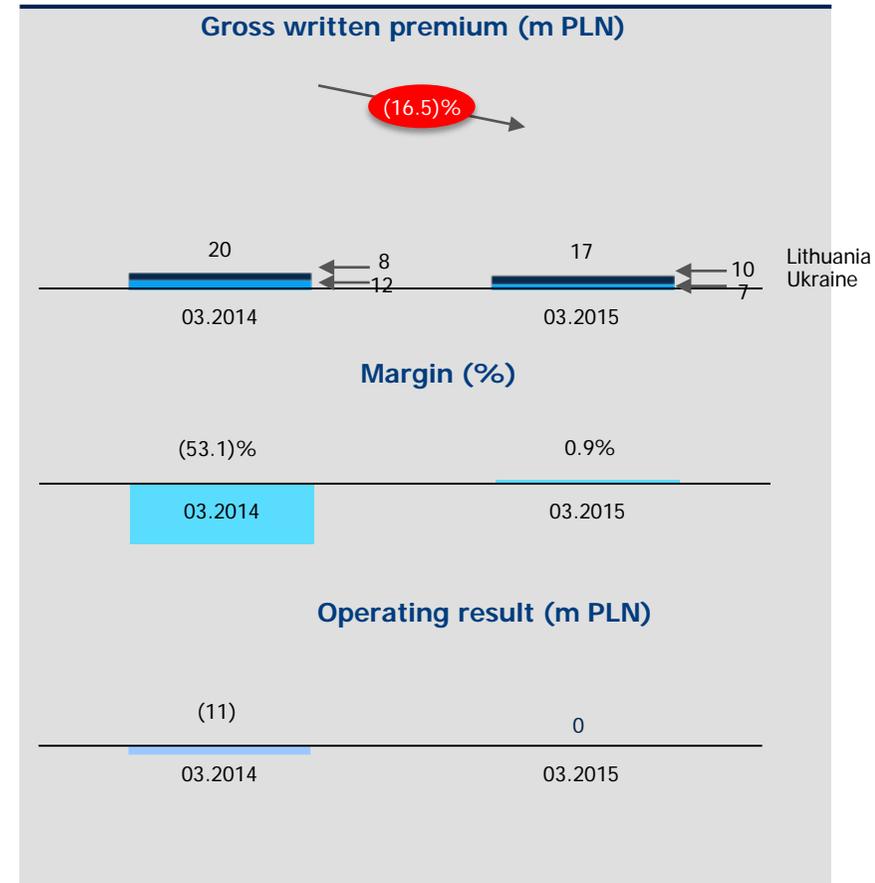
Non-life insurance

Life insurance

Non-life insurance



Life insurance



* PZU Lithuania net of the branches in Latvia and Estonia

Gross written premium

Non-life insurance

- Gross written premium has grown on the contribution made by the newly-acquired companies:
 - Lithuanian market leader Lietuvos Draudimas (as of November 2014) + 118 m PLN;
 - Latvian market leader AAS Balta (as of July 2014) + 72 m PLN;
 - Estonian branch Codan Forising (as of November 2014) + 37 m PLN;
- Increase in gross written premium in Ukraine by a mere 1 m PLN due to the hryvna's depreciation (political and economic crisis), while the gross written premium stated in the functional currency has risen by 85.8% (to the level of 165.6 m UAH). Impact exerted by official growth in prices, in particular motor TPL and Green Card.

Life insurance

- Premium in Ukraine fell by 39.9% due to the hryvna's depreciation (premium up by 8.9% in the functional currency);
- Gross written premium in Lithuania surged up by 16.4% in individual and group insurance.

Operating results

Non-life insurance

- Combined ratio decline:
 - loss ratio (61.1%) - up 0.7 p.p. due to the Baltic states segment accounting for a higher share;
 - administrative expense ratio down (13.9% versus 15.1% in Q1 2014) as a consequence of acquiring new companies in which the ratio was 13.2%;
 - acquisition expense ratio down by 1.2 p.p. as a result of acquiring new companies in which the acquisition expense ratios are lower than in the PZU Group companies to date (cost allocation model) coupled with a climbing ratio in Ukraine driven by a change in the product mix.
- Operating result slightly up (by 0.3 m PLN) in non-life business thanks to the positive results generated by PZU Lithuania coupled with the simultaneous deterioration of results in Ukraine.

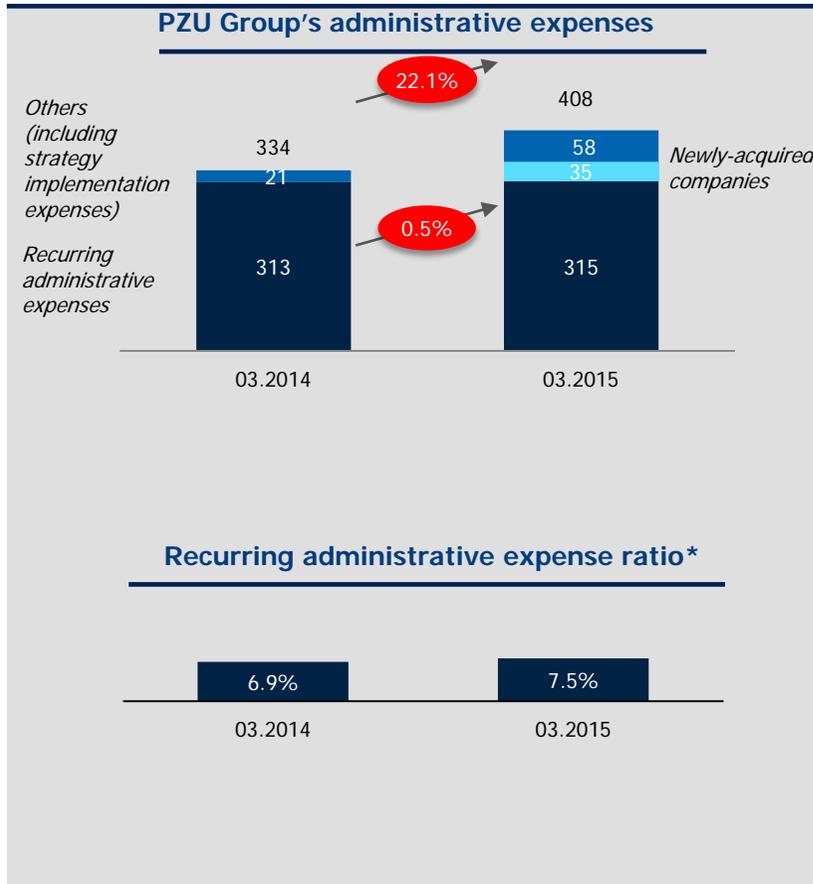
Life insurance

- Operating results up by 11 m PLN in Ukraine.
- The company's gross result in Ukraine is down (by 1.5 m PLN), including the positive impact exerted by FX differences on the measurement of investments at the insurer's risk coupled with the growth in the insurance activity expense ratio.

Higher administrative expenses

Outcome of executing projects

m PLN



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

- rising administrative costs related to implementing the strategy to develop the PZU Group's key areas, i.e. Retail and Corporate Client Area, PZU Health, distribution and operational support;
- inclusion of administrative expenses incurred by newly-acquired insurance companies in the PZU Group's results.

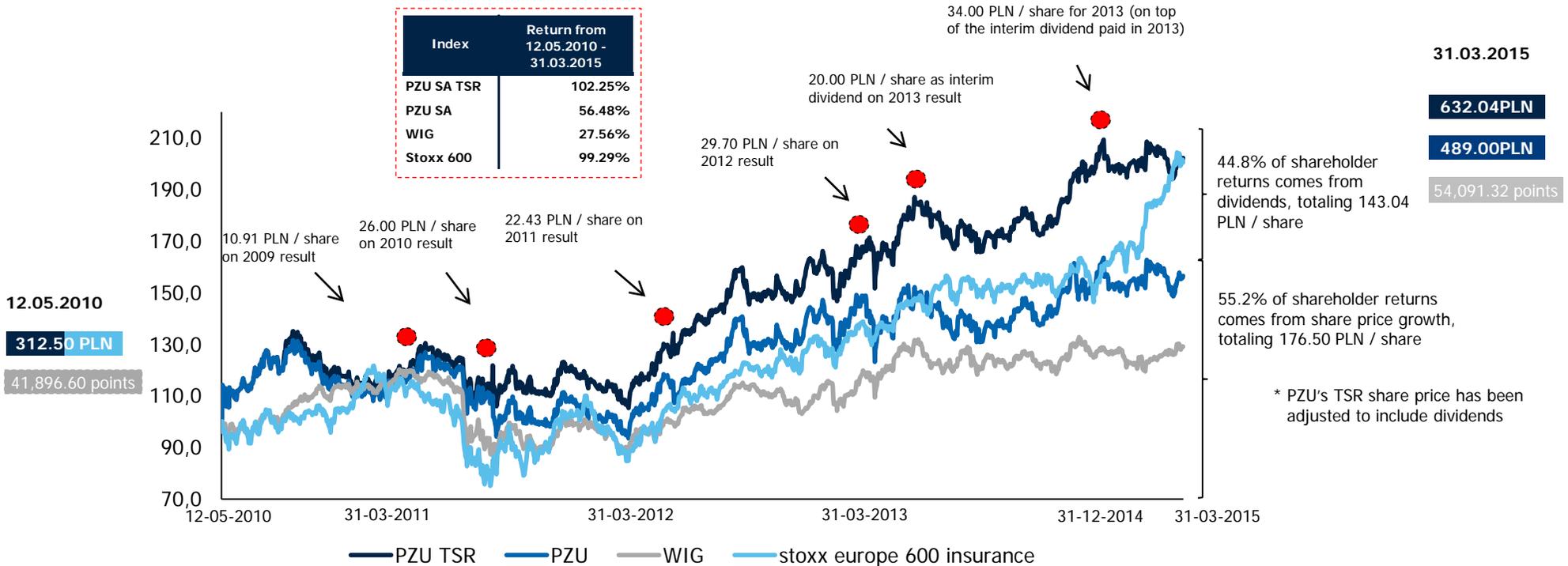
* Recurring administrative expense ratio: recurring administrative expenses / net earned premium – sum of insurance business segments in Poland

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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*

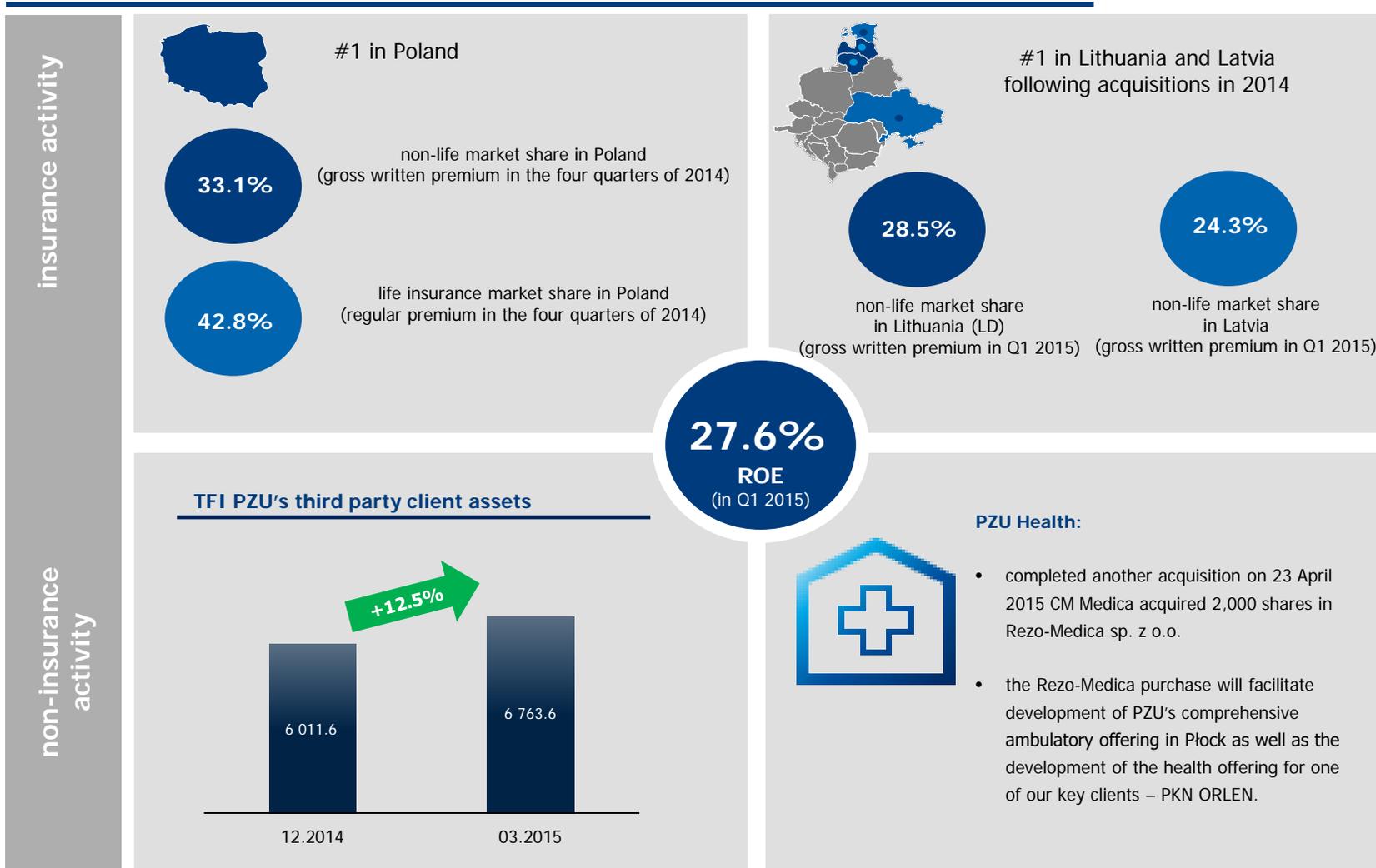


- Under the 2013 dividend on **15 January 2015** shareholders received the final tranche of **17 PLN per share**, with the record date being 17 September 2014.
- According to motion of PZU Management Board shareholders shall receive dividend from 2014 net result of **30 PLN per share**.

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Strategy 3.0 execution in numbers



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PZU Group's key financial highlights

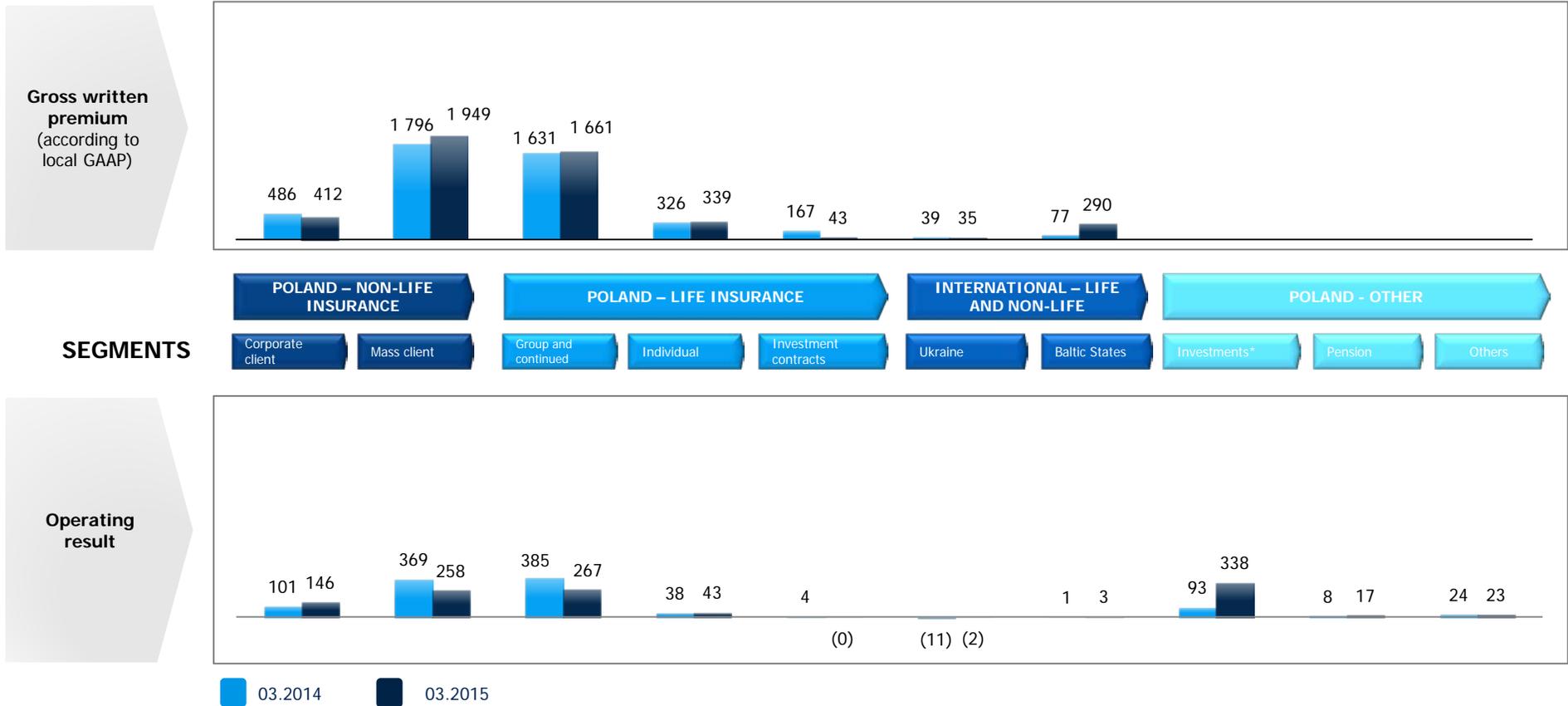
m PLN, IFRS	Q1 2014	Q1 2015	Change YoY	Q4 2014	Change Q1 2015 over Q4 2014
Profit and Loss Statement					
Gross Written Premium	4 354	4 681	7.5%	4 476	4.6%
Premium Earned	3 990	4 307	8.0%	4 286	0.5%
Investment Result	543	951	75.3%	570	66.8%
Operating Profit	1 012	1 094	8.1%	563	94.2%
Net Profit	760	941	23.8%	404	133.1%
Balance Sheet					
Equity	13 888	14 084	1.4%	13 168	7.0%
Total Assets	65 045	71 742	10.3%	67 573	6.2%
Principal Financial Ratios					
ROE*	22.5%	27.6%	5.1 p.p.	12.5%	15.2 p.p.
Combined Ratio**	81.8%	85.6%	3.8 p.p.	111.9%	(26.3) p.p.

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

** Only for non-life insurance.

Segment results

m PLN



Operating result

* 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*	
	Q1 2014	Q1 2015	Change YoY	Q1 2014	Q1 2015	Change YoY	Q1 2014	Q1 2015
Total Non-Life - Poland	2 282	2 362	3.5%	470	404	(14.1)%	80.9%	83.2%
Mass Insurance - Poland	1 796	1 949	8.6%	369	258	(30.0)%	81.3%	87.2%
Motor TPL Insurance	586	630	7.4%	83	37	(55.9)%	91.2%	98.5%
Motor Own Damage	399	436	9.4%	37	4	(90.3)%	89.4%	98.9%
Other products	811	884	9.0%	172	171	(0.5)%	66.4%	68.6%
Impact of investment segment allocation	x	x	x	77	47	(38.7)%	x	x
Corporate Insurance - Poland	486	412	(15.2)%	101	146	44.0%	79.1%	64.4%
Motor TPL Insurance	82	82	0.3%	1	(9)	x	102.4%	112.6%
Motor Own Damage	109	119	9.3%	22	17	(23.3)%	81.2%	85.1%
Other products	296	212	(28.5)%	52	123	137.9%	65.3%	22.1%
Impact of investment segment allocation	x	x	x	27	16	(42.5)%	x	x
Total Life - Poland	1 956	2 000	2.2%	423	311	(26.5)%	21.6%	15.5%
Group and Continued ** - Poland	1 631	1 661	1.9%	356	244	(31.5)%	21.8%	14.7%
Individual - Poland	326	339	4.0%	38	43	15.4%	11.5%	12.8%
Conversion effect	x	x	x	29	23	(19.8)%	x	x
Total Non-Life - Ukraine & Baltica	96	308	221.7%	0	1	65.7%	105.2%	103.2%
Ukraine Non-life	27	28	2.5%	0	(2)	x	109.3%	115.1%
Baltic states Non-life	68	280	309.8%	0	3	x	103.3%	102.5%
Total - Life - Ukraine & Baltica	20	17	(16.5)%	(11)	0	x	(53.1)%	0.9%
Ukraine Life	12	7	(39.9)%	(11)	(0)	x	(92.0)%	(4.8)%
Lithuania Life	8	10	16.4%	0	0	x	1.7%	5.1%

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

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

Normalized operating profit

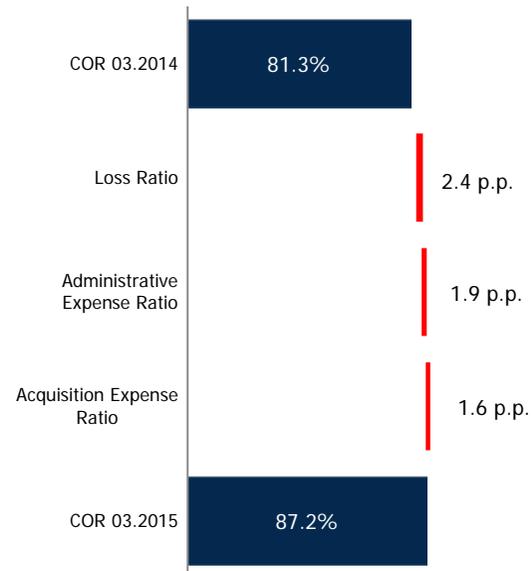
YTD, m PLN

m PLN, IFRS	03.2014	03.2015
Operating Profit (according to financial statements)	1 011.7	1 094.0
<i>including:</i>		
1 Conversion effect	29.2	23.4

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

Profitability of the mass segment (non-life insurance)

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



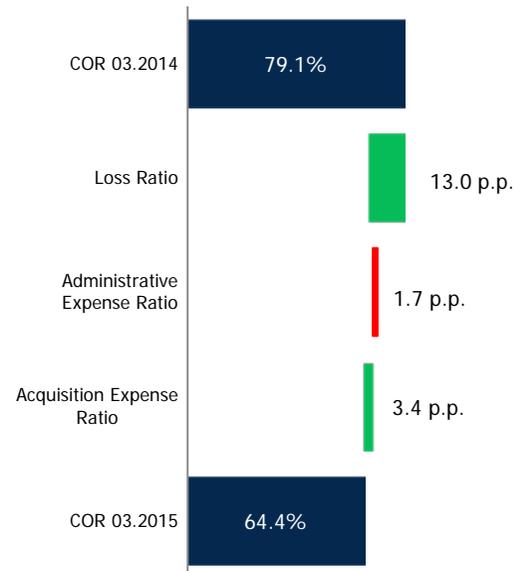
- Loss ratio growth driven by the following:
 - claims and benefits in motor insurance up (+11.8%, net of Link4 +2.9%), mainly as a result of average claim value growth;
 - claims and benefits in third party liability insurance down, including a decline in the annuity provision.
- Administrative expense ratio up as an offshoot of rising costs related to implementing the strategy to develop the PZU Group's key areas.
- Acquisition expense ratio climbing as an effect of the following:
 - direct acquisition expenses rising as a consequence of changing commission rates in the broker channel;
 - higher indirect acquisition expenses (competitions, override commissions) - sales-related measures being taken in the multi-agency sales channel.

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

- acquisition of Link4 which has contributed to the segment's result from the time of its acquisition and led to various elements of the operating result surpassing the levels recorded in Q1 2014. Impact on operating profit: -10.2 m PLN.

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

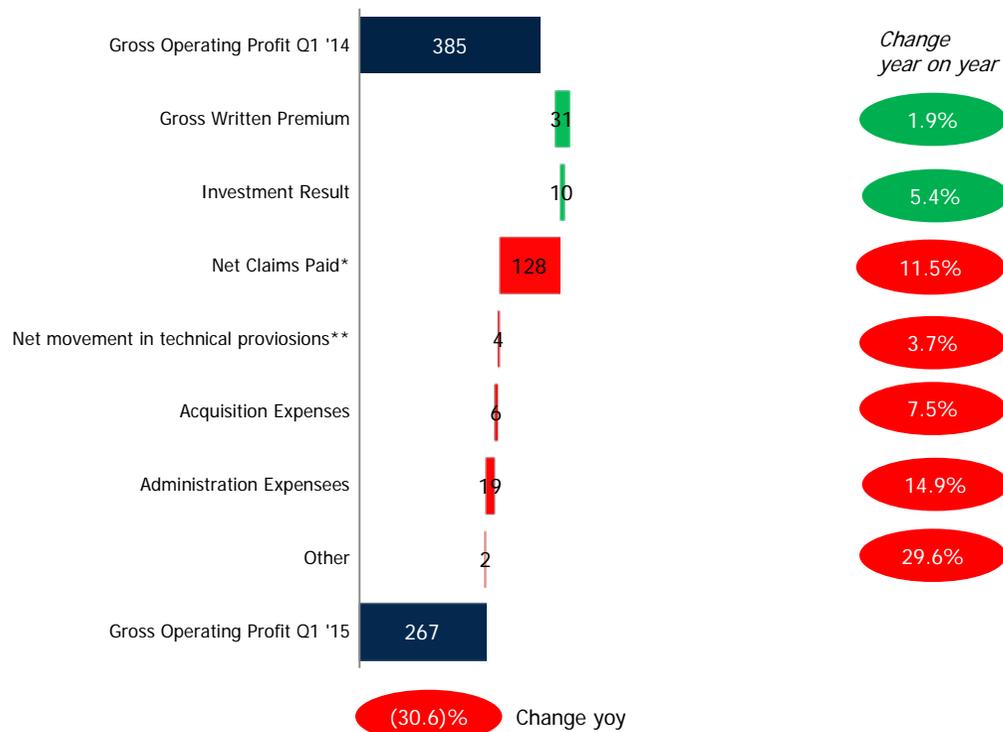
Profitability corporate insurance Combined ratio (COR - %)



- Loss ratio contraction due to the following:
 - declining claims and benefits in insurance against claims caused by forces of nature (fewer high unit value claims) and in general third party liability insurance and financial risks (lower level of provisions for claims from previous years);
 - offset by higher claims and benefits in motor insurance, mainly as a result of the rising average claim value and ongoing erosion of rates on account of persisting price pressure.
 - Administrative expense ratio up as a consequence of higher strategy implementation costs to develop the PZU Group's key areas
 - Acquisition expense ratio down due to greater deferred acquisition expenses (higher share of long-term policies) partially offset by the higher level of indirect acquisition expenses.
- In addition, the following factors affected the comparability of results:
- acquisition of Link4 which has contributed to the segment's result from the time of its acquisition and led to various elements of the operating result surpassing the levels recorded in Q1 2014.

Group and continued insurance segment (life insurance)

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



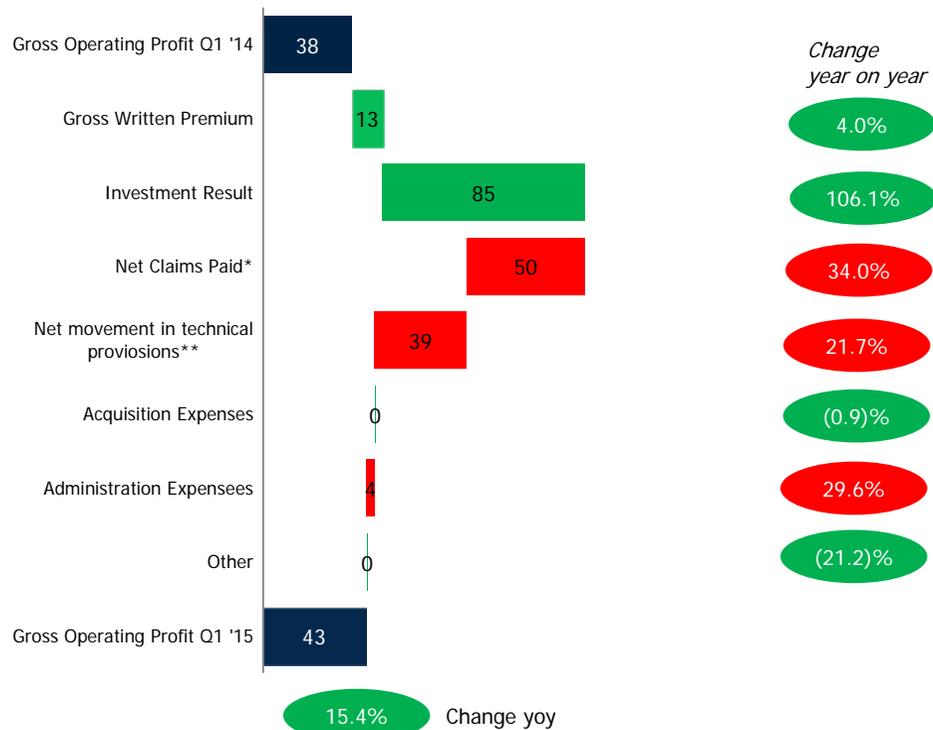
* Net claims and benefits paid including movement in claims provisions

** Mathematical and other provisions, including the conversion effect

- Gross written premium up by 1.9% yoy mostly due to incremental growth in the portfolio of risks in protection and health insurance (including riders to continued insurance) and the higher average premium.
- Higher investment income mainly due to better results on unit-linked products.
- Net insurance claims and benefits rose due to the strong increase in the frequency of deaths compared to last year (confirmed by Central Statistics Office [GUS] data reporting a similar effect in the entire population – the frequency of deaths in Poland for the 3 consecutive months ending in February 2014 and 2015 was 0.254% and 0.274%, respectively).
- Greater incremental growth in the mathematical provisions yoy stemming from better investment performance in unit-linked products and the lower pace of conversion in type P group insurance.
- Acquisition expenses up in group protection business driven by the growing protection product portfolio, including high new sales of agreements and upselling riders and further growth in the share held by the brokerage and agency channels in the portfolio.
- The level of administrative expenses is up following rising expenditures related to strategy implementation.
- The result in the line item other income and expenses fell due to higher costs of the insurance undertaking financing premiums (higher sales of riders to individually continued insurance on promotional terms).

Individual insurance segment (life insurance)

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



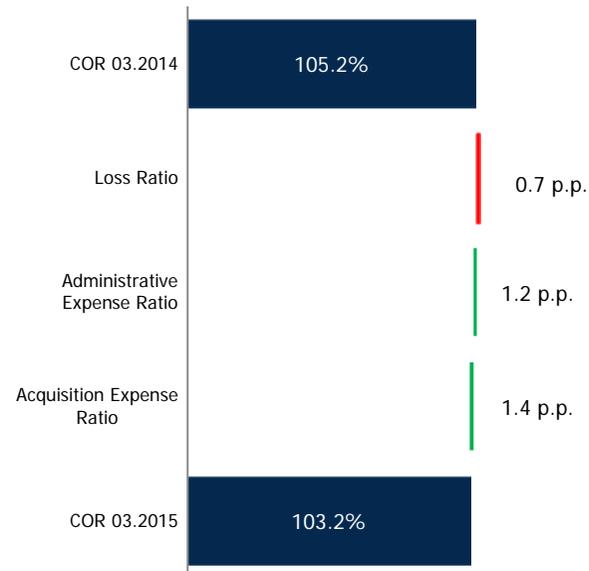
* Net claims and benefits paid including movement in claims provisions

** Mathematical and other provisions

- Gross written premium climbed 4.0% yoy primarily as an effect of rising sales of structured products in our own network, higher average contributions to IKE individual retirement accounts and robust sales of protection products.
- Higher investment income mostly driven by investment products.
- Net insurance benefits up as the effect of a higher level of disbursements on account of reaching the endowment age in structured products, both in the bancassurance channel and in the proprietary channel (subsequent product tranches maturing) and increase of surrenders in the Plan na Życie regular premium savings product with a protection element after canceling surrender fees.
- Faster incremental growth of provisions following investment income expansion in investment products.
- Slight movement in acquisition expenses yoy resulting primarily from changes in the offering and sales network focus - the decline resulting from retraction of the Plan na Życie regular premium savings product and suppressed sales in the bancassurance channel offset by higher acquisition expenses driven by sales of protection products.
- Administrative expenses up as an effect of expenditures associated with strategy implementation, including the agency network's greater commitment to augmenting the quality of service for individual products and increasing marketing expenditures among others in connection with launching a new rider called "Pomoc od Serca" [heartfelt assistance].

Profitability of international companies (non-life insurance)

Profitability of international companies Combined ratio (COR - %)



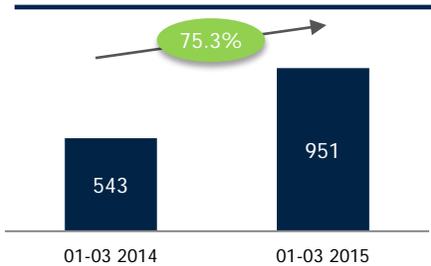
- Loss ratio growth due to the higher loss ratio in the newly-acquired Baltic companies.
- Administrative expense ratio down driven mostly by lower expenses in the newly-acquired companies and declining expenses in Ukraine.
- Lower acquisition expense ratio as a result of lower expenses in the newly-acquired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

Investments

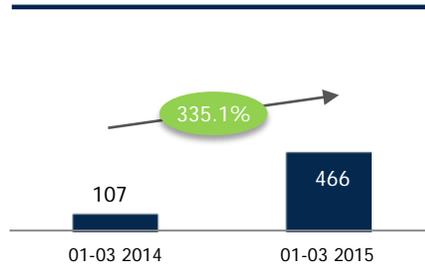
Great results achieved on equities and derivatives

m PLN

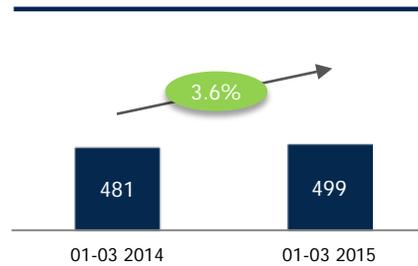
Net investment result



Equities and derivatives*



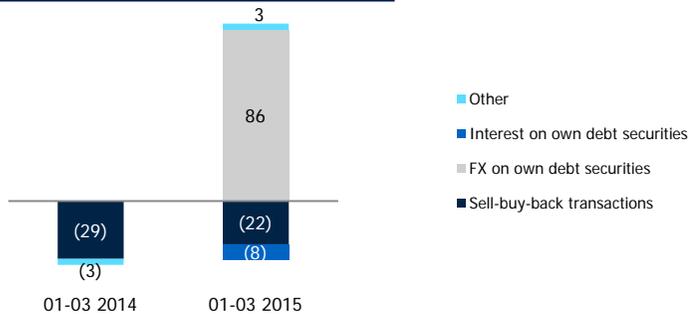
Interest-bearing financial assets*



- Net investment result chiefly driven by the following:

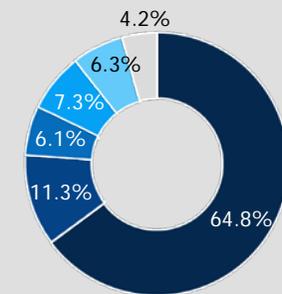
- higher valuation of equity instruments on the financial market (in Q1 2015 the WIG index rose by 5.2%, while in the comparable period of the last year merely by 2.1%);
- better results generated on derivatives.

Financial expenses



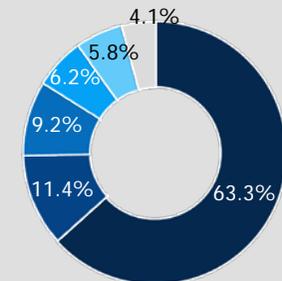
- In Q1 2015, the result of the line *Financial expenses* was positive and amounted to 60.0 m PLN (-32.2 m PLN in the comparable period of the last year) due to recognition of foreign exchange gains on own debt securities denominated in EUR.

03.2015 Investment composition**



Total:
54.3 bn PLN

12.2014 Investment composition**



Total:
54.0 bn PLN

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

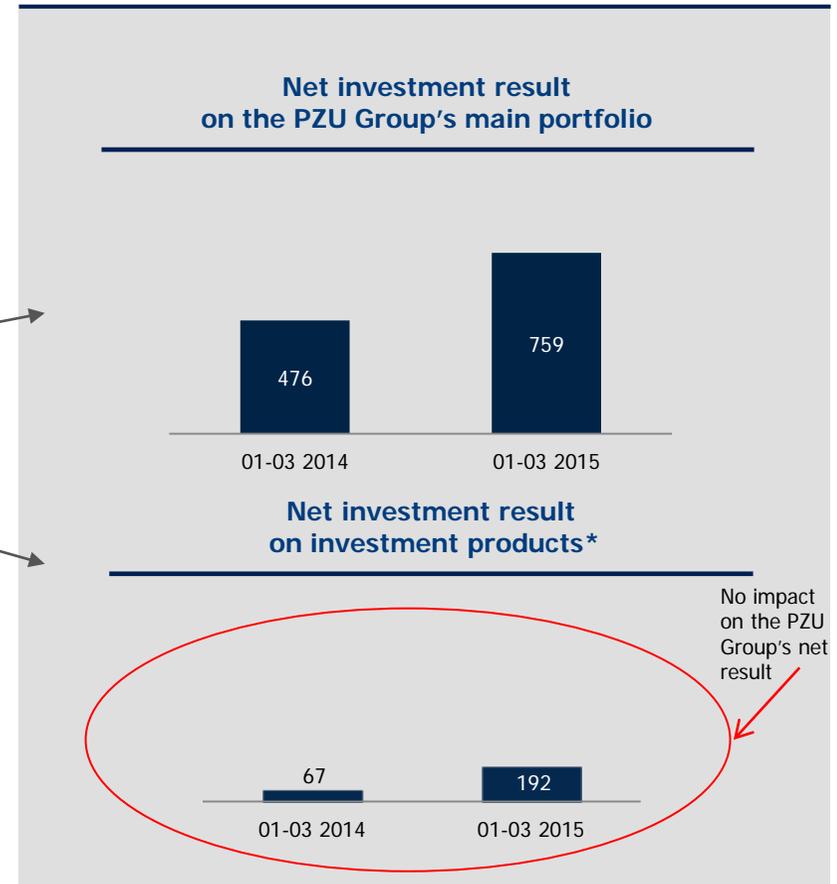
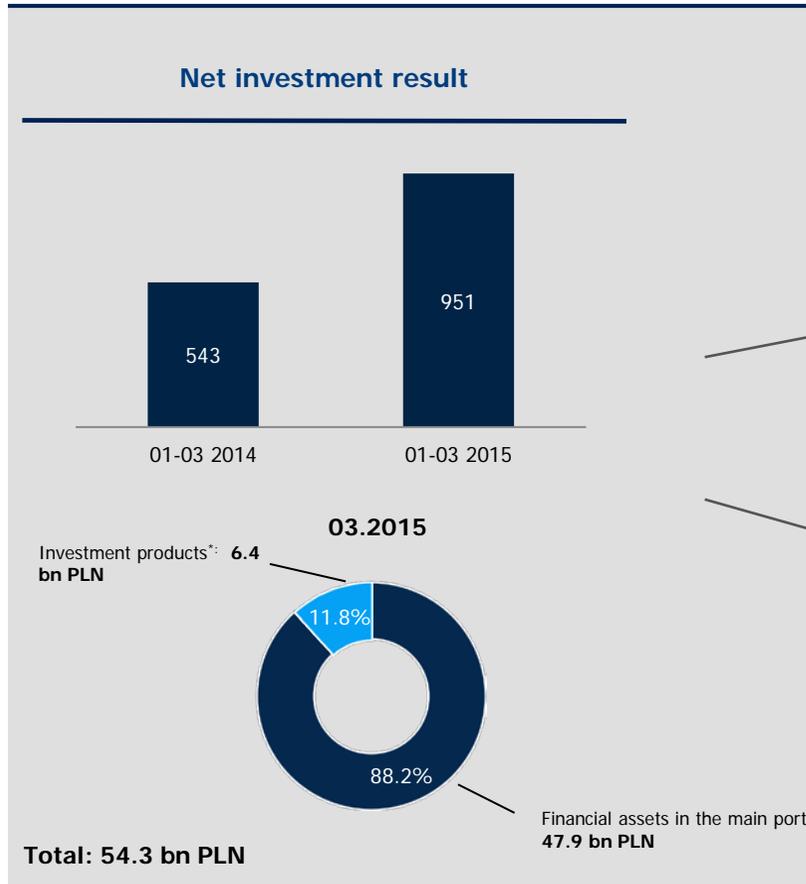
* The graphs depict the classes of investments that contributed to the largest degree to the net investment result.

** The investment portfolio consists of financial assets (including investment products), investment properties and financial liabilities (negative valuation of derivatives and repo liabilities). Derivatives linked to interest rates, foreign currencies and equity prices are presented respectively under: Debt securities - treasury, money market instruments and listed and unlisted equity instruments.

Investments

Great results achieved on equities and derivatives

m PLN

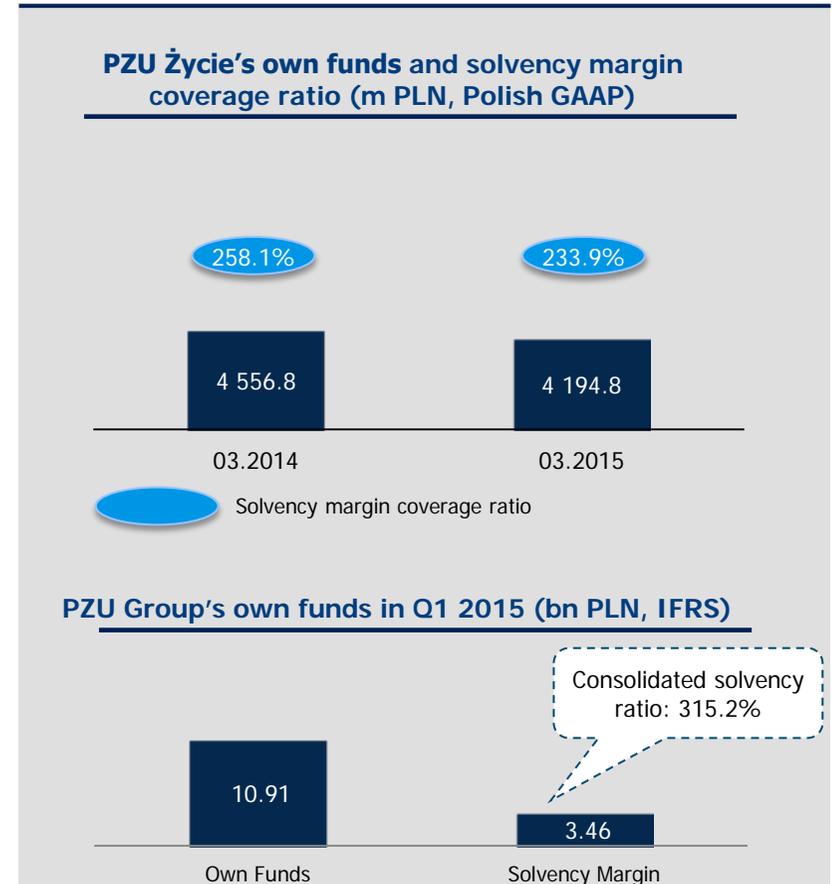
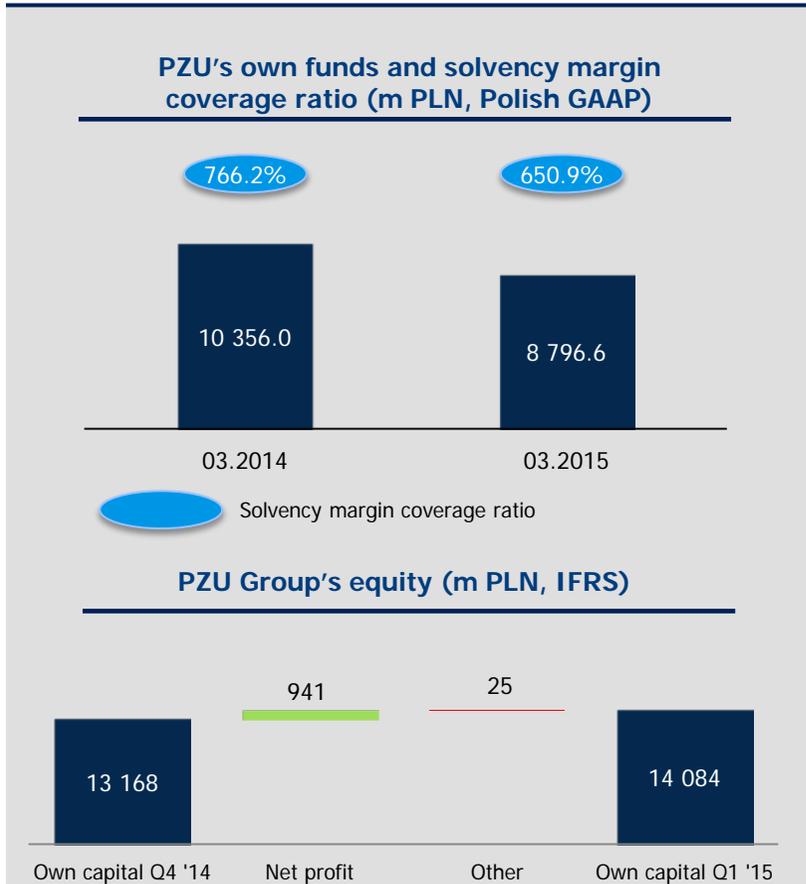


* Unit-linked products, structured products and term deposits in the form of insurance products

Robust capitalization and high solvency ratios

YTD

m PLN



Questions and answers



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