Warsaw, 30 August 2018

Press Release

PZU Group: record-breaking sales and net profit of PLN 2.4 billion

This was a record-breaking quarter in terms of sales in the PZU Group's history. Gross written premium was PLN 6.1 billion. In the first half of the year the Group reported PLN 11.9 billion, which is also the best six-month result in history. Consolidated net profit in H1 2018 was PLN 2.4 billion. That signifies 38.3% growth versus H1 2017.

H1

- **Gross written premium climbed 2.4% y/y** to **PLN 11.9 billion** versus H1 2017.
- **Consolidated net profit shot up 38.3% y/y** to **PLN 2.4 billion** versus H1 2017.

Q2

- **The parent company's net profit improved 55.2%** to **PLN 782 million** versus Q2 2017.
- The **parent company's return on equity (ROE) improved** and came in at **22.3%**.
- **High profitability in non-life insurance** in the PZU Group - the combined ratio was **88.3%**.
- The **profitability of life insurance** in group and individually continued insurance policies improved: the operating profit of **23.7%** is aligned to the strategic objective.
- **Rigorous cost discipline**, administrative expense ratio in PZU SA and PZU Życie SA was **6.9%**.

Management Board's commentary concerning the condition of the PZU Group in H1 2018

Paweł Surówka, CEO of PZU SA

Q2 2018 shattered sales records. We generated gross written premium of PLN 6.1 billion, PZU's best result in history. The H1 result we posted was also record breaking as it brought in PLN 11.9 billion.

During the first six months of the year as a group we earned a consolidated net profit of PLN 2.4 billion. That is a 38% increase in comparison with H1 2017. In turn, the parent company's profit in Q2 was PLN 782 million. That signifies 55% growth in comparison with the corresponding period of 2017.

In subsequent quarters we will unwaveringly pursue our ambitious targets as set forth in the New PZU strategy. While developing our main business areas: insurance, banking, investments and health care services – we are supporting them by using modern technology such as artificial intelligence, telematics, mobile apps and Big Data.

Our actions are crucial in the process of building the PZU Group's long-term value, just as in the process of generating earnings in the form of dividends for our shareholders in subsequent years. Later this year we will distribute PLN 2.5 per share from our 2017 profit, signifying 78.6% growth versus last year.

Tomasz Kulik, the PZU Group's CFO

At the outset of 2018 we announced the New PZU strategy focused on modifying the PZU Group's operating model by harnessing the potential our insurance and banking businesses offer. We endorsed ROE at a level above 22% as a key metric in the execution of our strategy.

In H1 2018 it came in at 20.8%. The high return on equity (ROE) is a result achieved during a challenging period for the financial markets as the conditions on the WSE deteriorated substantially and the valuation of the equity part of our investment portfolio fell.

Such a good result was possible thanks, among other things to our effective tariff policy and the high profitability we generated in our major business lines. Tight cost discipline accompanied our sales growth. The administrative expense ratio in PZU SA and PZU Życie in H1 2018 fell 0.3 p.p. y/y to 6.5%.

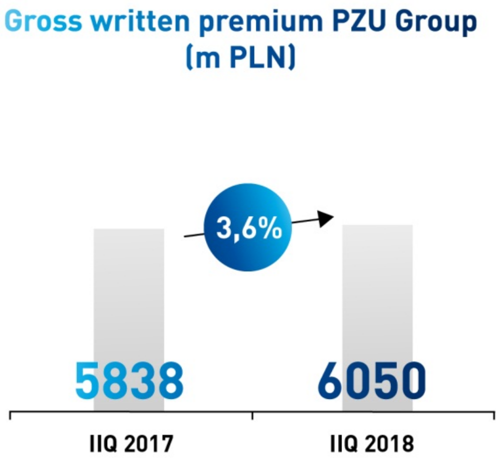
The PZU Group's capital position continues to be strong. Despite the high dividend from our 2017 earnings, we have rebuilt our SII solvency ratio by nearly 20 p.p. This was possible thanks to reducing the capital intensity of our business and thanks to the fact that we continue to deliver robust results that continue to bolster our capital base while facing fiercer competition on the market.

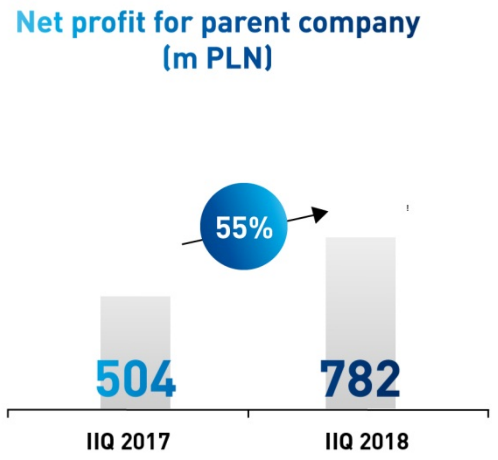
Roman Pałac, CEO of PZU Życie

The high margin in group and individually continued insurance contributed to the high level of ROE. Following a seasonally soft Q1 2018, our operating profit margin reached its strategic level of 20.2% in H1. Our market share has also expanded. According to the most recent data available, at the end of Q1 2018 PZU's market share in the periodic premium life insurance market was 45.9%, a record-shattering level in the history of PZU Życie. We have expanded by 0.4% year on year, while our competition has posted negative growth of -0.8% y/y.

One of the main contributing factors to this growth was the rapid development of the health insurance portfolio where the number of contracts at the end of H1 2018 was 1.6 million. Actions taken in the area of customer experience, i.e. where clients interface with PZU made a particular *contribution to this growth. Within the scope of the initiatives we have taken we implemented, for instance, solutions making it possible to book a doctor's appointment by the internet.*

Financial highlights - Q2 2018





Recap of the PZU Group's performance in H1 2018

The following factors in particular exerted a positive impact on the PZU Group's financial results in H1 2018:

- the growth in gross written premium in motor insurance, the conclusion of several high-value contracts and higher sales in international companies;
- higher profitability in the corporate insurance segment due to rising earned premium and an increasing loss ratio in motor insurance, while administrative expenses remained flat and the acquisition expense ratio improved;
- higher profitability of the mass insurance segment driven mainly by the improved profitability of the motor insurance portfolio;
- increased profitability in group and individually continued insurance as a result of improvement in the loss ratio in protection products and changes in the mix of individually continued products;
- better performance in the banking segment at Alior Bank in connection with the high sales level of credit products supported by the good business climate and a low interest rate environment.

The lower result on listed equities, in particular due to softer conditions on the Warsaw Stock Exchange adversely exerted this period's results.

The incorporation of Bank Pekao in the PZU Group's structure in June 2017 materially affected the comparability of results year on year. Pekao contributed PLN 1,277 million to the banking segment's operating result in H1 2018, compared to PLN 227 million in H1 2017. Pekao's contribution in Q2 2018 alone was PLN 714 million compared to PLN 227 million in the corresponding period of 2017.

Premiums

In H1 2018 the PZU Group collected gross written premium of PLN 11,881 million, i.e. 2.4% more than in the corresponding period of the previous year. Growth materialized mainly in motor insurance and as a consequence of concluding several high-value contracts. After considering the reinsurers' share and movement in the provision for unearned premiums, the net earned premium was PLN 11,054 million and was 6.8% higher than in the corresponding period of last year. In Q2 alone gross written premium climbed 3.6% y/y to PLN 6,050 million, while net earned premium moved up 6.1% y/y to PLN 5,596 million.

Claims and benefits

Net claims and benefits in H1 2018 (including the movement in technical provisions) reached PLN 7,345 million, meaning they were 1.8% higher than in the corresponding period of the previous year.

In turn, the increase in net claims and benefits (mainly in the class of motor insurance in the corporate client segment and the mass segment) was affected by the Q1 remeasurement of the provision for claims for general damages for the pain caused by the vegetative state of a relative injured in an accident. The higher claims paid in agricultural insurance are also the outcome of the higher number of claims in agricultural insurance (in the mass client segment) caused by ground frost and torrential rain and hail (Q2 2018).

Net claims and benefits in just Q2 2018 totaled PLN 3,719 million, meaning they were 6.1% higher than in the corresponding period of the previous year.

Administrative and acquisition expenses

In H1 2018, acquisition expenses went up PLN 107 million compared to the corresponding period of the previous year. This increase was driven in particular by an increase in direct acquisition expenses in the mass and corporate client segments that ensued from the burgeoning portfolio and the change in the product mix. In Q2 2018 alone, acquisition expenses went up PLN 50 million compared to the corresponding period of the previous year.

The PZU Group's administrative expenses in H1 2018 were PLN 3,342 million compared to PLN 2,036 million in the corresponding period of 2017. The upward movement in H1 costs of PLN 1,306 million stemmed mainly from commencing the consolidation of Pekao (administrative expenses of the banking segment rose PLN 1,304 million).

In just Q2 2018 administrative expenses totaled PLN 1,727 million compared to PLN 1,174 million in the corresponding period of 2017. The administrative expenses of the banking segment accounted for roughly PLN 500 million of that figure in connection with commencing Pekao's consolidation.

Investment activity

In H1 2018 the net investment result[1], including interest expenses, was PLN 4,264 million, compared to PLN 2,607 million in the corresponding period of 2017 (up by 63.6%). Such a significantly higher result was driven mostly by the commencement of Bank Pekao's consolidation in June 2017. In Q2 2018 the net investment result, including interest expenses was PLN 2,270 million versus PLN 1,105 million in the corresponding period of 2017 (up by 105.4%).

After the contribution of banking activity is netted out, the net investment result after factoring in interest expenses in H1 2018 was PLN 468 million and was PLN 619 million lower than in the previous year. The lower result on listed equities (in particular due to the deteriorated market conditions on the Warsaw Stock Exchange) especially contributed to this decline, as did the investment income in the portfolio of assets to cover investment products, which was down PLN 327 million y/y (this does not affect the PZU Group's overall net result). After netting out the impact exerted by banking operations, the net investment result including interest expenses in Q2 2018 shot up by more than 200% year on year to PLN 319 million versus PLN 106 million in the corresponding period of 2017.

[1] The net investment result includes net investment income, net result on realization of financial instruments and investments, movement in allowances for expected credit losses and impairment losses on financial instruments and net movement in fair value of assets and liabilities measured at fair value.

Profit

The PZU Group's consolidated net profit in H1 was PLN 2,358 million meaning it was 38.3% higher than the net result in the corresponding period of the previous year. In Q2 2018 net profit totaled PLN 1,304 million versus PLN 718 million in the corresponding period of 2017 (up by 81.6%).

The net profit attributable to parent company shareholders was PLN 1,425 million compared to PLN 1,438 million in H1 2017. In Q2 2018 net profit attributable to the parent company's shareholders was PLN 782 million versus PLN 504 million in the corresponding period of 2017 (up by 55.2%).

Equity

At the end of H1 2018, consolidated equity hit PLN 34,612 million, down from the end of 2017 (7.8% drop). The decline in consolidated equity affected in particular non-controlling interests, which fell by PLN 1,629 million reaching PLN 21,332 million driven by the designation of PLN 2,074 million for a dividend payment by Pekao, where PLN 1,659 million of that was the dividend attributable to non-controlling interests, and the effect of the application of IFRS 9. Equity attributable to the parent company's shareholders fell by PLN 1,319 million compared to the previous year – as an effect of the distribution of the 2017 profit by PZU, including the allocation of PLN 2,159 million as a dividend and the effect of the application of IFRS 9.

ROE

In H1 2018 the return on equity attributable to the parent company was 20.8%. ROE was 1.2 p.p. lower than in the corresponding period of the previous year.

In just Q2 2018 the return on equity attributable to the parent company was 22.3% compared to 14.9%, signifying growth of 7.4 p.p. in comparison with the corresponding period of the previous year.

Solvency according to Solvency II

As at the end of Q1 2018, the solvency ratio (calculated according to the standard Solvency II equation) was 227%, a level above the average solvency ratio reported by insurance groups in Europe.

PZU Group's financial highlights

	H1 results (in PLN m)		**H1 2018**	**H1 2017**
1.	Gross written premiums		11,881	11,606
2.	Net insurance claims and benefits and movement in technical provisions		-7,345	-7,214
3.	Net investment result (after including interest expenses)		4,264	2,607
3a.		Net investment income	5,594	3,282
3b.		Net result on realization of financial instruments and investments	99	238
3c.		Movement in allowances for expected credit losses and impairment losses on financial instruments	(838)	(539)
3d.		Net movement in fair value of assets and liabilities measured at fair value	401	46
3e.		Interest expenses	-992	-420
5.	Net profit, including:		2,358	1,705
5a.		profit attributable to equity holders of the Parent Company	1,425	1,438
5b.		profit attributable to holders of non-controlling interests	933	267
6.	Equity		34,612	35,097
7.	Investment financial assets and investment property		105,910	92,894
8.	Total assets		321,811	295,967

	Quarterly data (in PLN m)		**Q2 2018**	**Q2 2017**
1.	Gross written premiums		6,050	5838
2.	Net insurance claims and benefits and movement in technical provisions		-3,719	-3,504
3.	Net investment result (after including interest expenses)		2,270	1,105
3a.		Net investment income	2,663	1,916
3b.		Net result on realization of financial instruments and investments	33	228
3c.		Movement in allowances for expected credit losses and impairment losses on financial instruments	-403	-316
3d.		Net movement in fair value of assets and liabilities measured at fair value	476	-473
3e.		Interest expenses	-499	-250
5.	Net profit, including:		1,304	718
5a.		profit attributable to equity holders of the Parent Company	782	504
5b.		profit attributable to holders of non-controlling interests	522	214
6.	Equity		34,612	35,097
7.	Investment financial assets and investment property		105,910	92,894
8.	Total assets		321,811	295,967

Additional information:
PZU Press Office
tel. (022) 582 58 07
e-mail: rzecznik@pzu.pl