PZU Group's
H1 2018 financial results

30 August 2018

PZU GROUP'S MAIN ACCOMPLISHMENTS

Business development

- Record-breaking gross written premium on a quarterly and six-month basis
- Increase of gross written premium in both segments of motor insurance
- Highest market share in periodic premium life insurance – 45.9%
- Numbers of contracts in PZU Zdrowie up 27% y/y

Financial results

- Stable combined ratio
- Operating margin in group and individually continued insurance at a strategic level
- High profitability of motor insurance despite the higher provisions for claims for pain and suffering
- The net profit attributable to holders of the parent company was 1,425 m PLN in H1 2018 (782 m PLN in Q2 2018)

Capital allocation

- Return on equity of 20.8% (22.3% in Q2 2018)
- Improved solvency despite the larger scale of operations; SII at 227%
- Dividend approved by the Shareholder Meeting - 2.5 PLN per share (DY of 6%)

GWP	Group's net result	Operating margin[1]	Combined ratio[2]	ROE[3]	Solvency II
11,881 m PLN	2,358 m PLN	20.2%	86.8%	20.8%	227%
(vs. 11,606 in H1 17)	(vs. 1,705 in H1 17)	(vs. 19.2% in H1 17)	(vs. 86.5% in H1 17)	(vs. 22.0% in H1 17)	(vs. 277% in Q1 17)

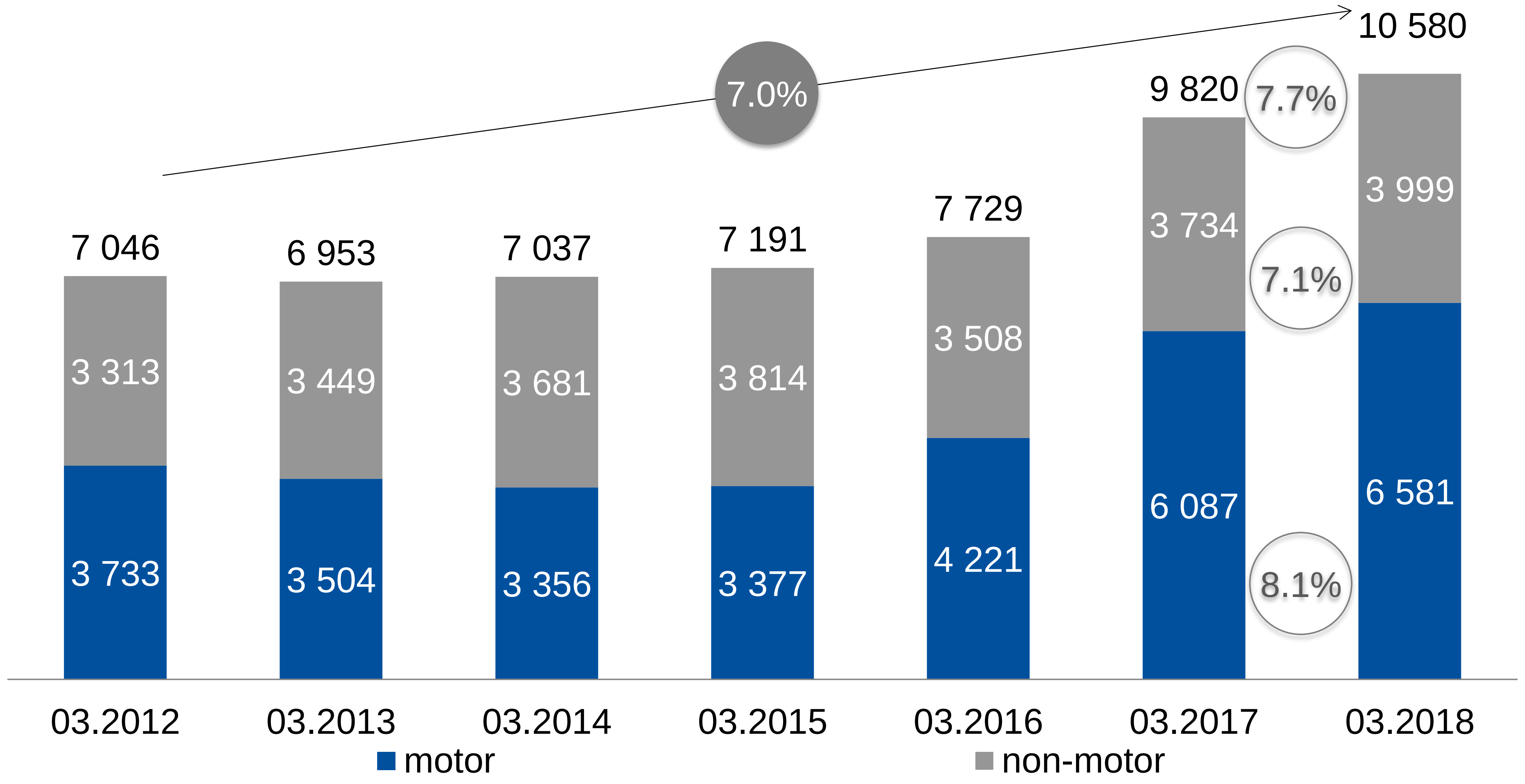
1) Margin for the group and individually continued insurance segment net of the conversion effect
2) Only for non-life insurance in Poland
3) Ratio computed using equity at the beginning and end of the reporting period. Computed for the parent company

PZU GROUP'S BUSINESS DEVELOPMENT

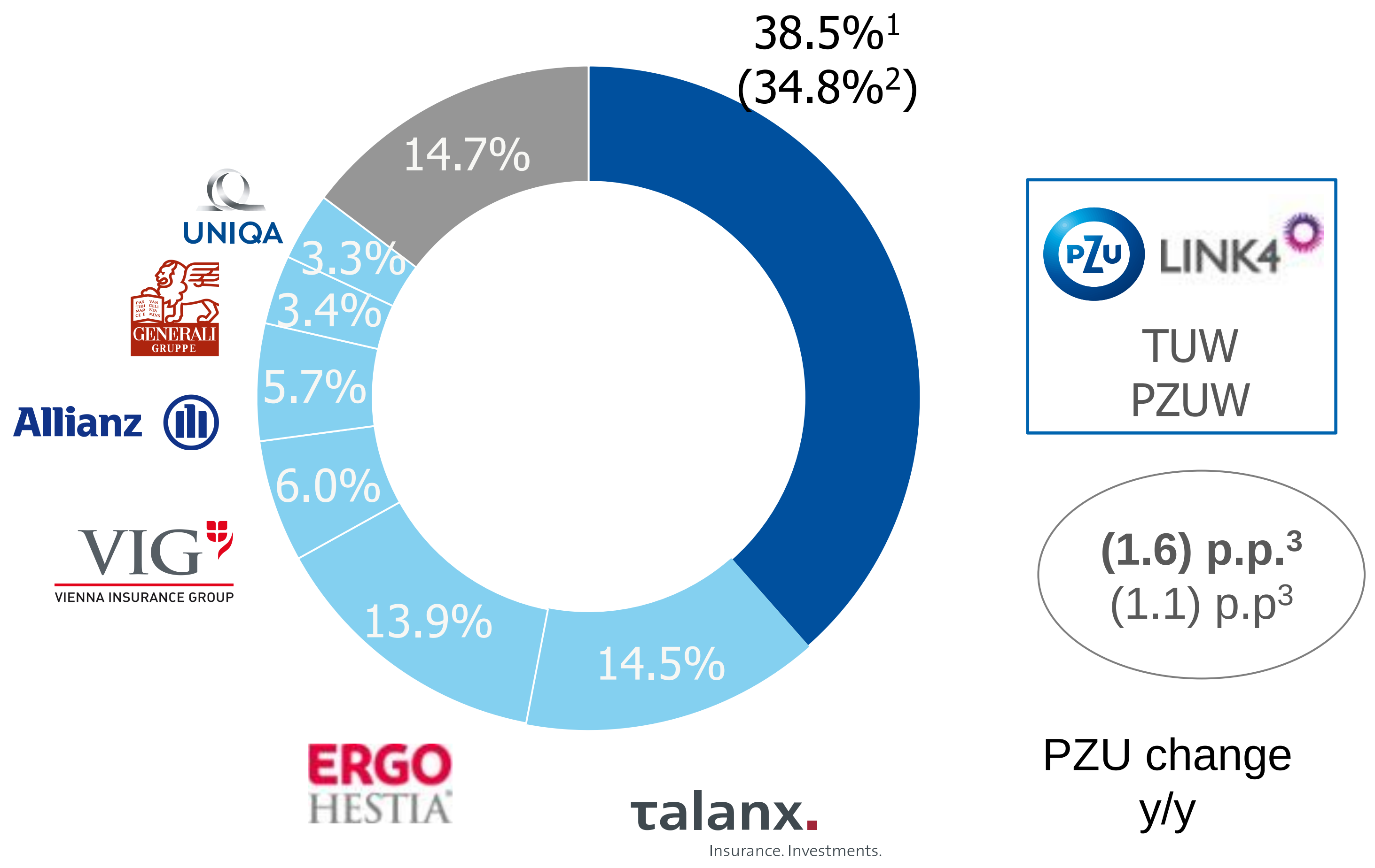

Assistance
Property & Casualty
Assistance
Life
Client
Health
Finances
Assistance
Assistance

Property (1): Non-life insurance market in Poland

Gross written premium (m PLN)



Market shares[1]



- PZU Group's share in the non-life insurance market (direct business) after Q1 2018 at 34.8% - in the corresponding period of 2017 execution of 15-month contract with a high unit value; including the renewed contract in June 2018, PZU Group's share at the level of 35.9%.
- PZU's limited sensitivity to signs of competitors pursuing an aggressive price policy making it possible for clients exhibiting price elasticity to be more active.
- Strong market position in motor insurance with a market share of 37.5%[2].
- Maintaining the PZU Group's high percentage of the overall market's technical result at 58.4%, thereby confirming this insurance portfolio's high profitability.

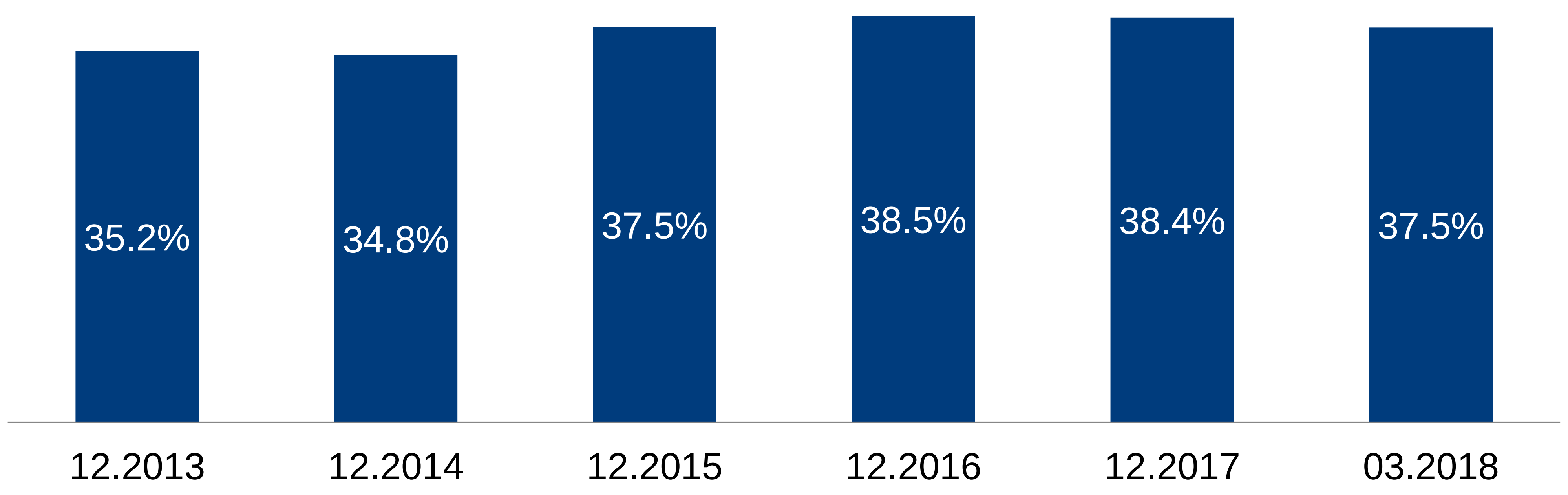
1) According to the Polish FSA's quarterly report for Q1 2018; the market and market shares including PZU's inward reinsurance from Link4 and TUW PZUW;
2) PZU Group's market share in non-life insurance on direct business in Q1 2018.
3) Change in share y / y in line with the Polish FSA's quarterly report for the Q1 2018; including the renewed long-term contract in June 2018; respectively, including PZU's inward reinsurance from Link4 and TUW PZUW as well as direct business

xx% - CAGR

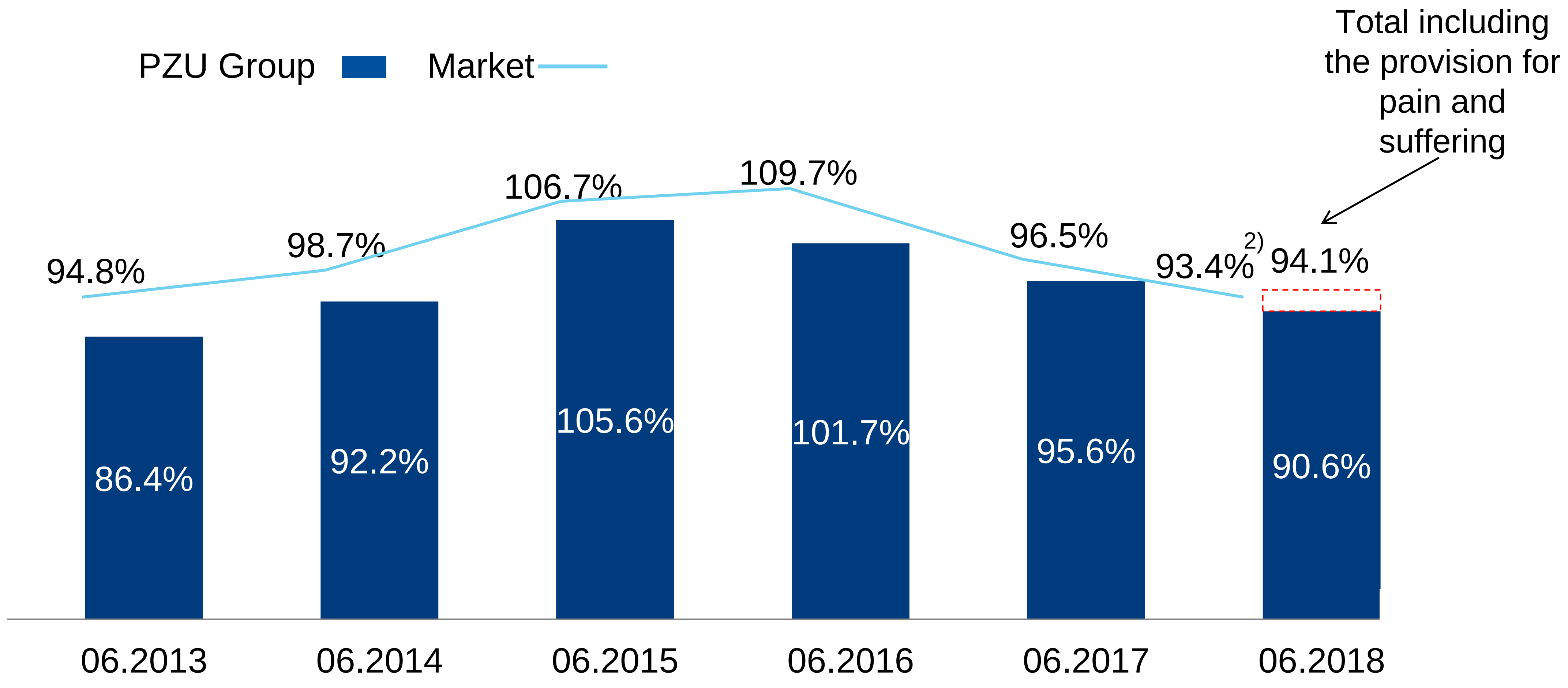
x% - Change year-on-year

Non-life insurance (2): Motor insurance

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



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

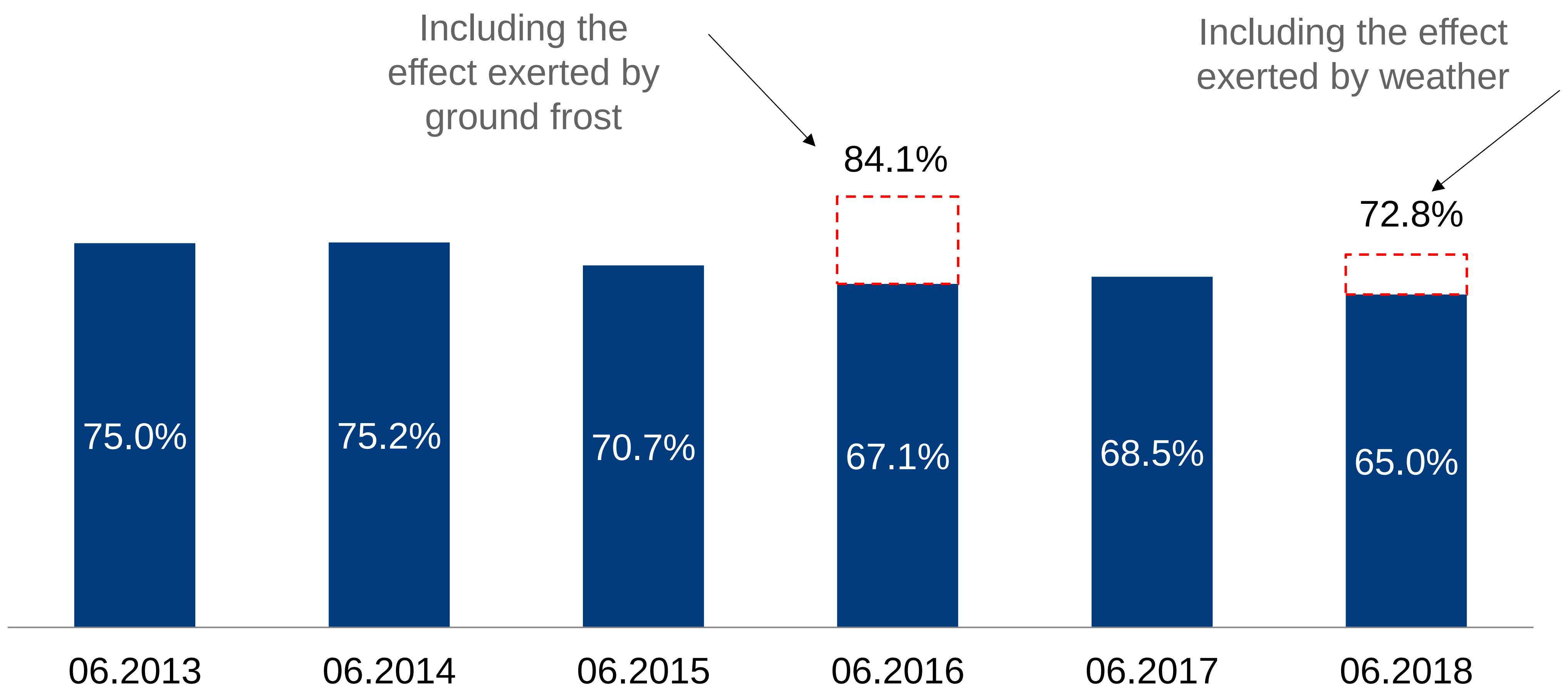


1) According to the Polish FSA's Q1 2018 report; the market and market shares on direct business; PZU jointly with TUW PZUW and Link4 (since 2015)
2) According to the Polish FSA's Q1 2018 report

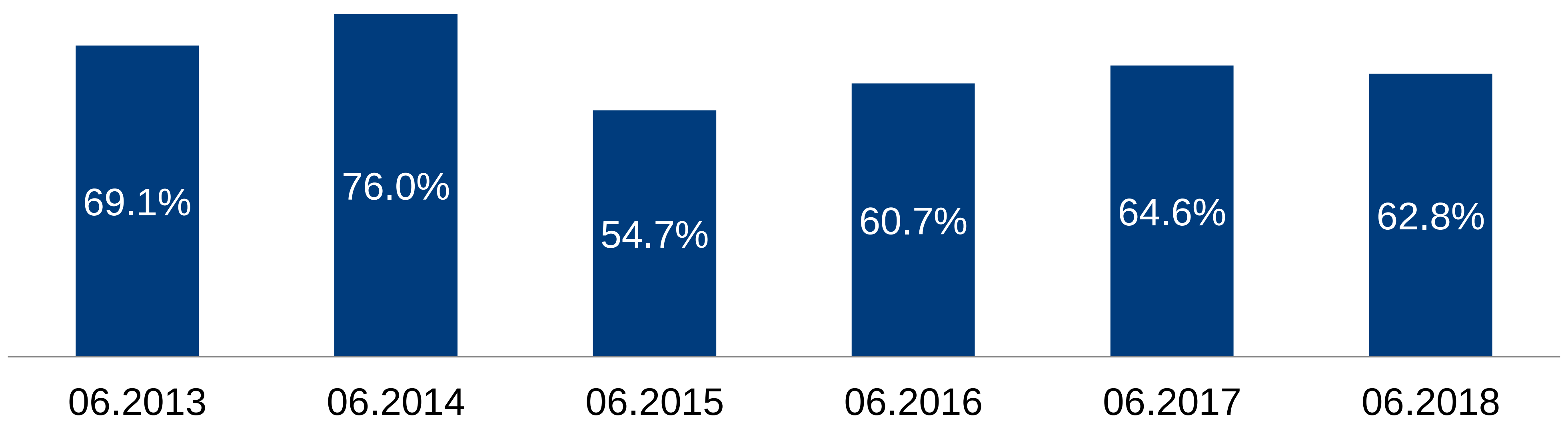
- Insurance market consolidation and the emergence of new players translating into the competition being highly active in aggressively acquiring clients.
- High profitability of motor insurance acts as an incentive to slash prices (to several percent in new business) despite the average claim growth being observed, competition for intermediaries and the search for new methods of reaching out to clients.
- At the same time, the justification to the Supreme Court judgment of 27 March 2018, limits the catalogue of claims against an insurance undertaking, expanding the space for activity among competitors when it comes to changes in the average price.
- Faced with the changes that are transpiring, PZU is placing great emphasis on constantly refining its offer, while investing in new technologies, including the deployment of innovative tariff solutions, thereby making it possible to customize the offer to client risk in real time.
- Further development of PZU corporate insurance (chiefly lease contracts) while selectively underwriting insurance risk.
- Higher sales in the SME segment coupled with maintaining the portfolio's high profitability.

Non-life insurance (3): Other property insurance

PZU Group's combined ratio (COR) in non-motor insurance (Poland) – mass segment



PZU Group's combined ratio (COR) in non-motor insurance (Poland) – corporate segment



- Maintaining the high profitability of non-motor insurance despite the occurrence of numerous losses in H1 2018 caused by ground frost and torrential rain and hail, which is offset to a large degree by the rock-solid performance of household insurance products.

- Improved profitability in comparison with last year's H1 in non-motor insurance – in the corresponding period of last year losses with a high unit value were at a higher level.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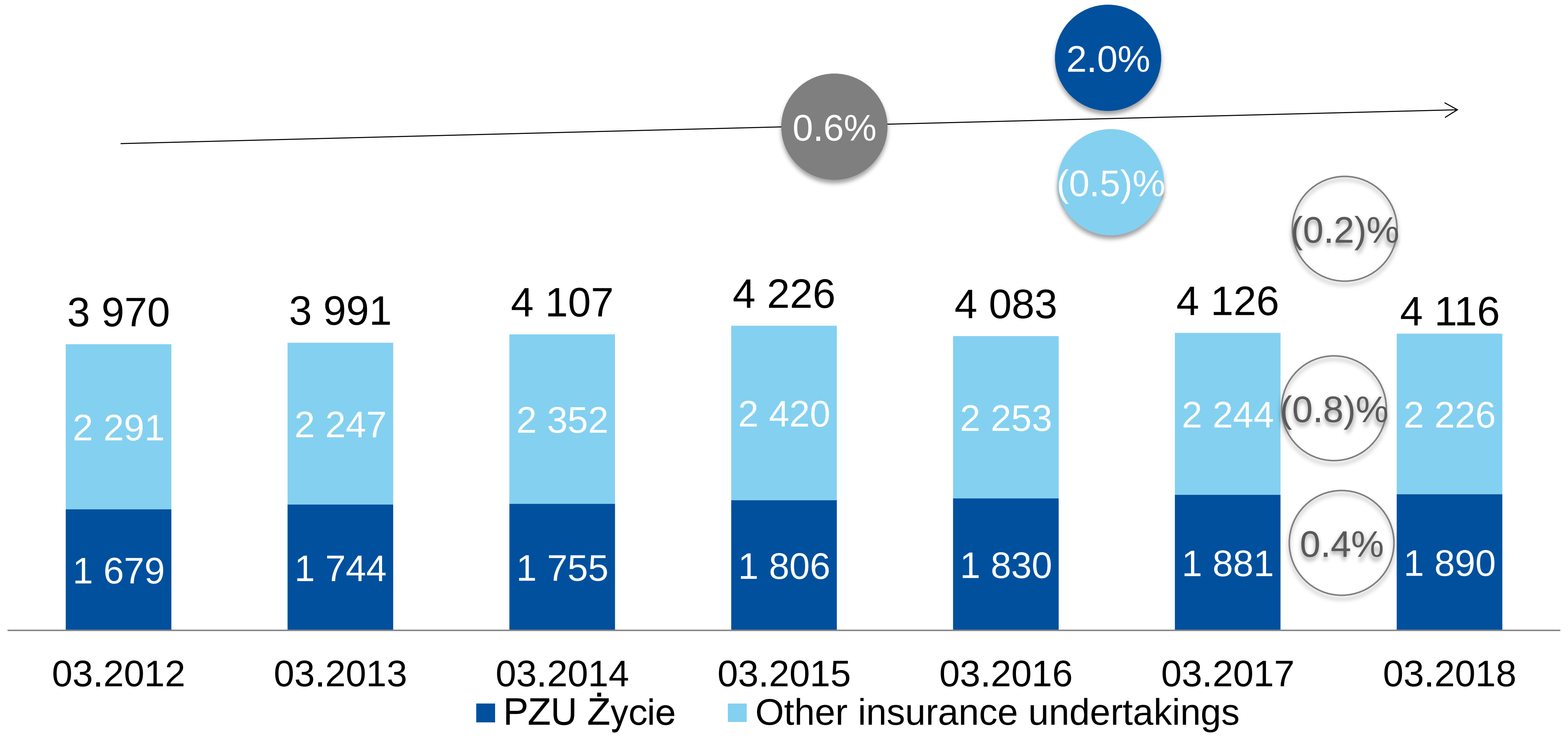
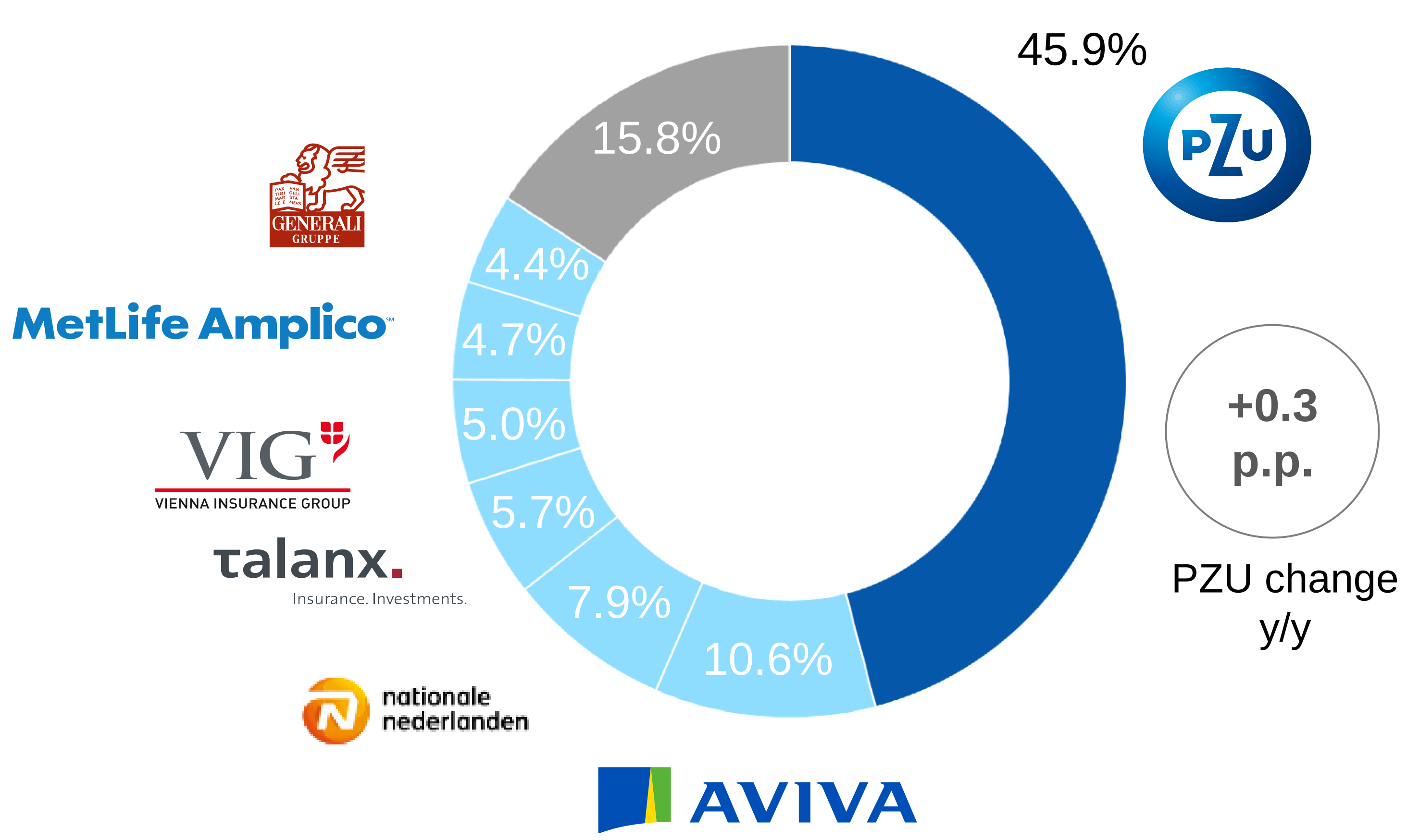
Life insurance (1): Life insurance market in Poland

Gross periodic premium (m PLN)



Market shares (periodic premium)



- PZU Życie has upheld growth in the recurring portion of its revenue versus the overall decline suffered by the market's other players.
- Continuation of growth in the market share of periodic premium to 45.9%, also for protection contracts (class I of life insurance) it came in at the 65.4% level.
- The market share held by PZU Życie measured by gross written premium was 36.7% (up 1.8 p.p. y/y).
- The profitability of the technical result at PZU Życie is higher than average for the competition – 17.0% versus 9.2%, thereby making it possible to generate more than 50% of the sector's technical result and net result.

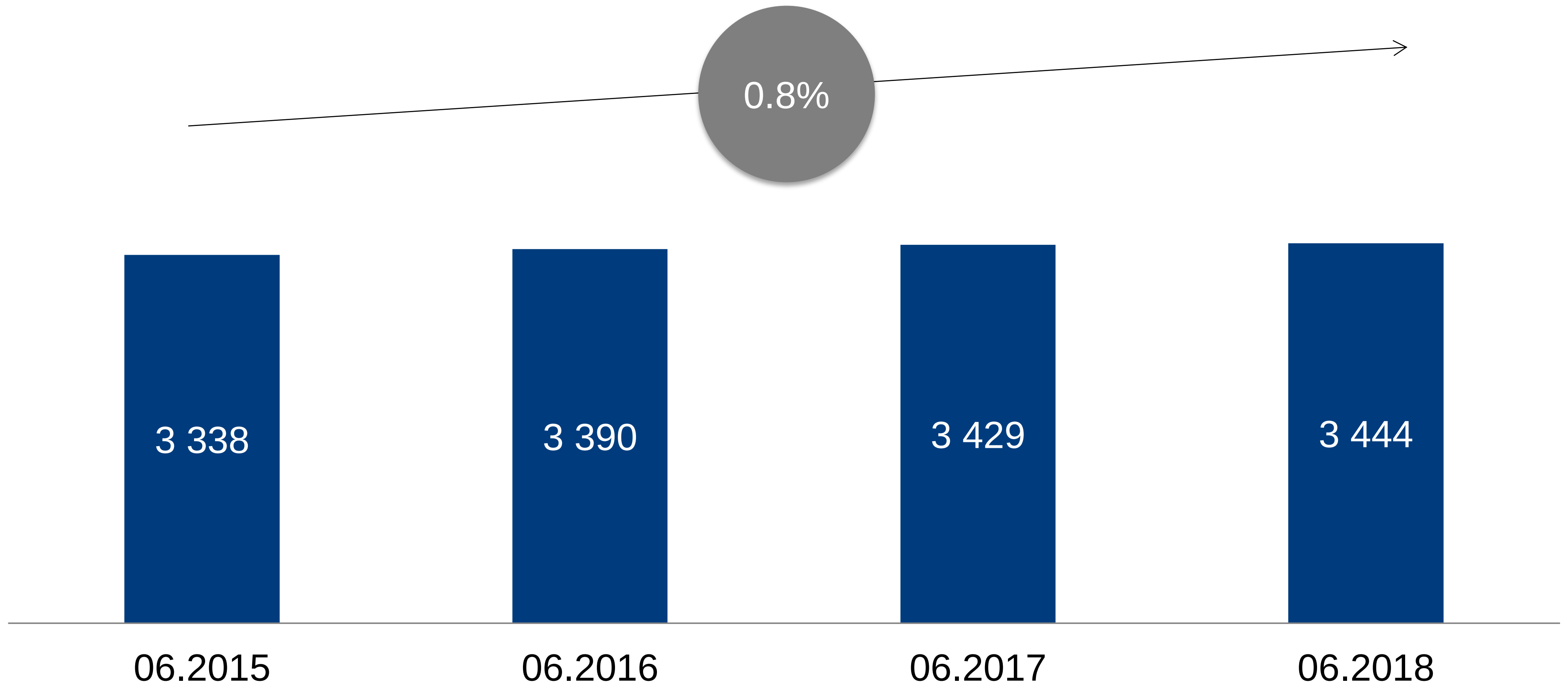
xx% - CAGR

x% - Change year-on-year

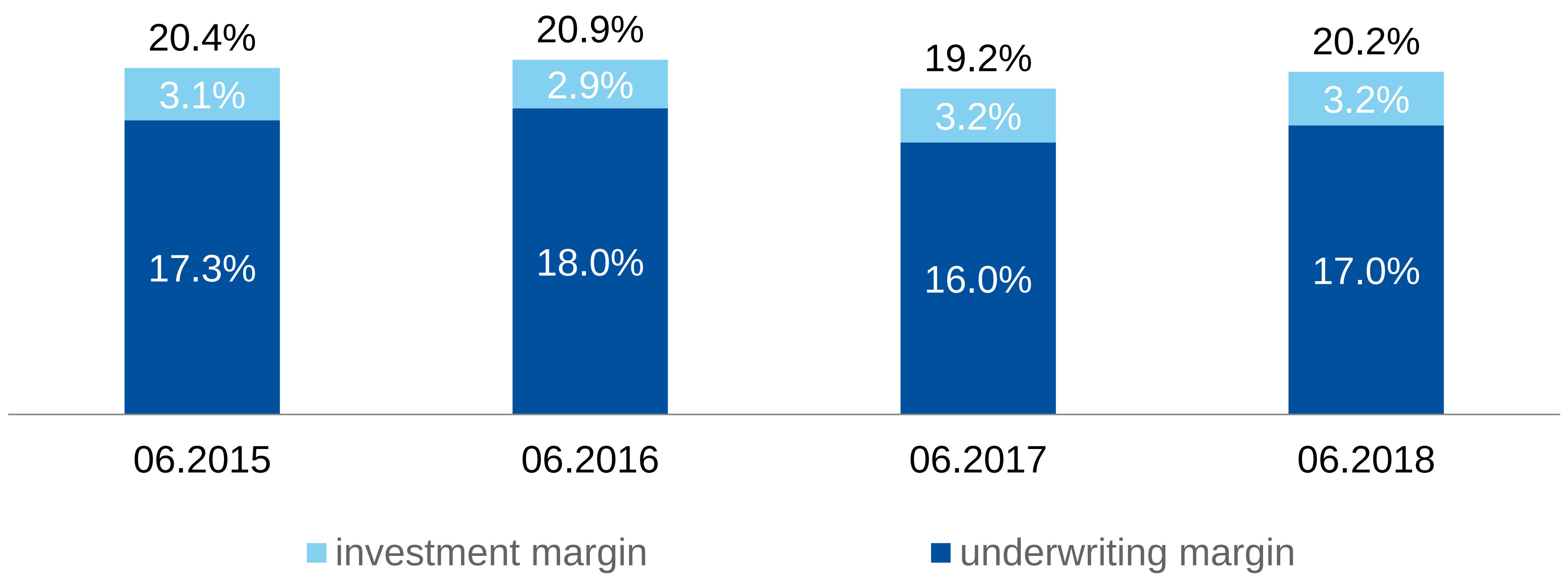
x% CAGR of PZU Życie/other insurance undertakings

Life (2): Group and individually continued

Gross written premium (m PLN)



Margin (%)*

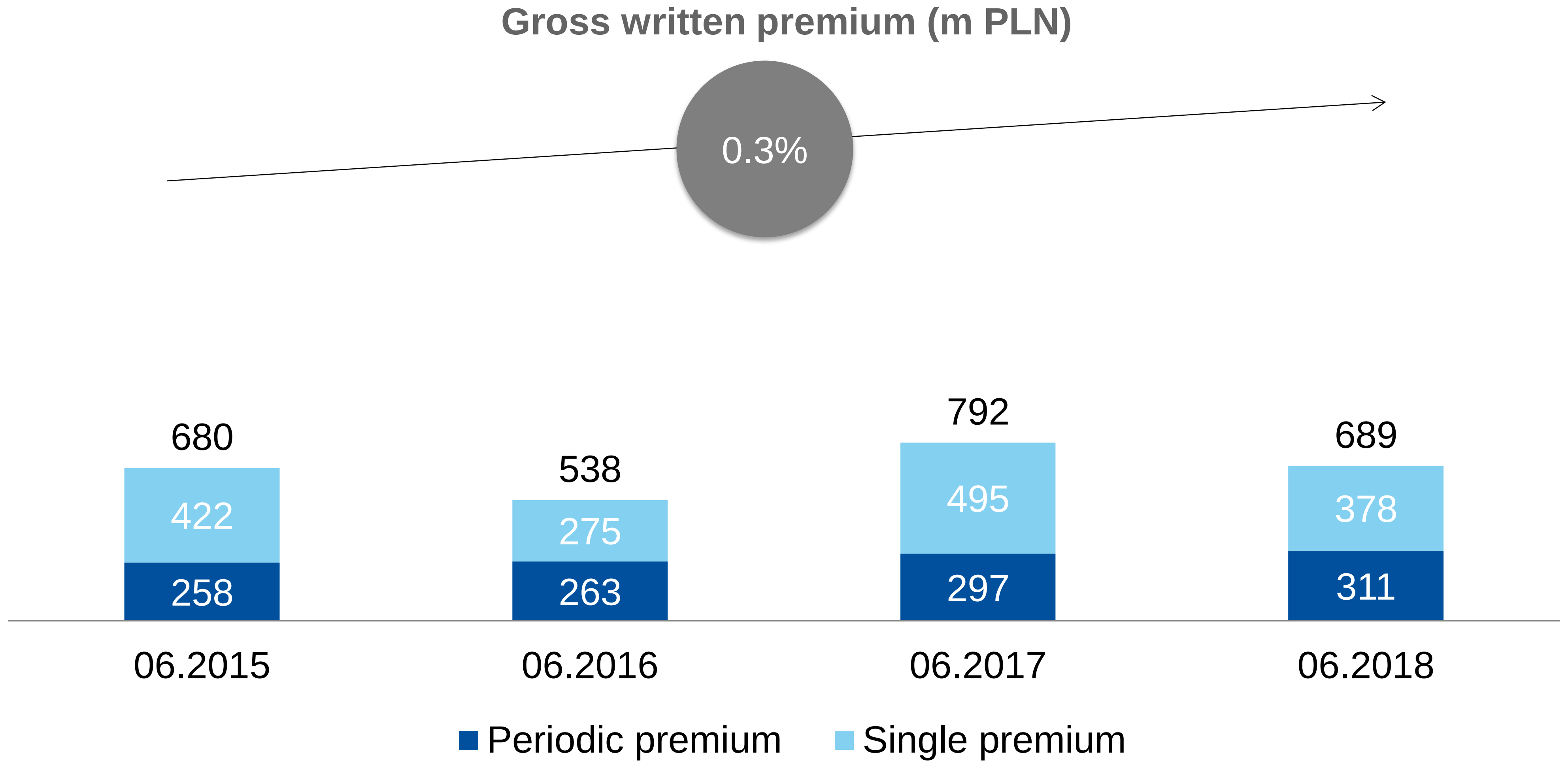


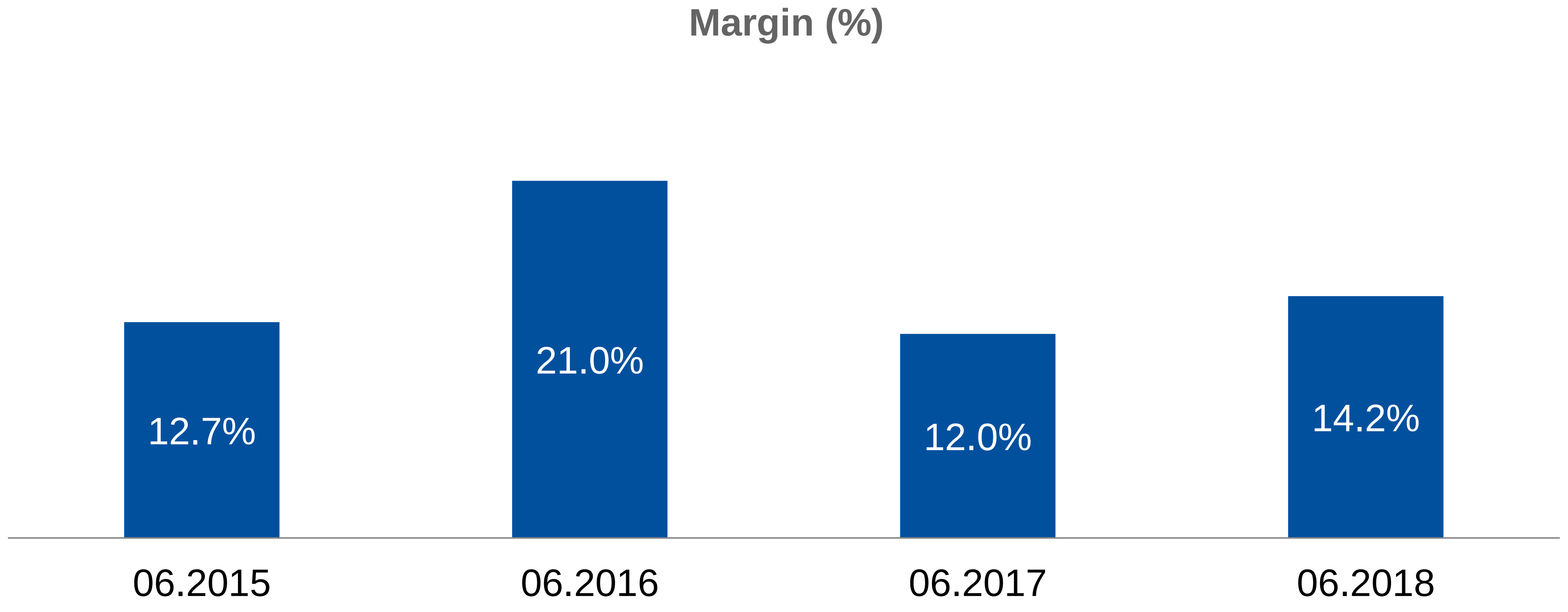
* Segment margin net of the conversion effect

- Lessening the pressure on the premium growth rate making it possible to control the loss ratio of protection products.
- The expanding health insurance portfolio, including a new rider to continued insurance launched under the name “PZU Uraz ortopedyczny [PZU orthopedic injury]” that has enjoyed a great reception from clients. At the end of June 2018, PZU Życie had more than 1.6 million health contracts in force in its portfolio.
- Lower than last year increase in mathematical provisions in continued products as a result of the previous changes in indexation principles and the share of “old” and “new” continuation both among the persons joining and remaining in the insureds portfolio.
- Improvement this year in the loss ratio in the protection products portfolio.

xx% - CAGR x% - Change year-on-year

Life (3): Individual





- Lower contributions to the unit-linked accounts in insurance offered jointly with Bank Millennium.
- The constantly-rising level of the periodic premium in protection products.
- Margin improvement due to the following:
  - upswing in the percentage of revenues accounted for by the protection products segment with a substantially higher generated margin;
  - stable profitability of the protection part and
  - incremental earnings driven by the management fee charged on assets accumulated in unit-linked products and
  - lower acquisition expenses in the bank channel.

xx% - CAGR

x% - Change year-on-year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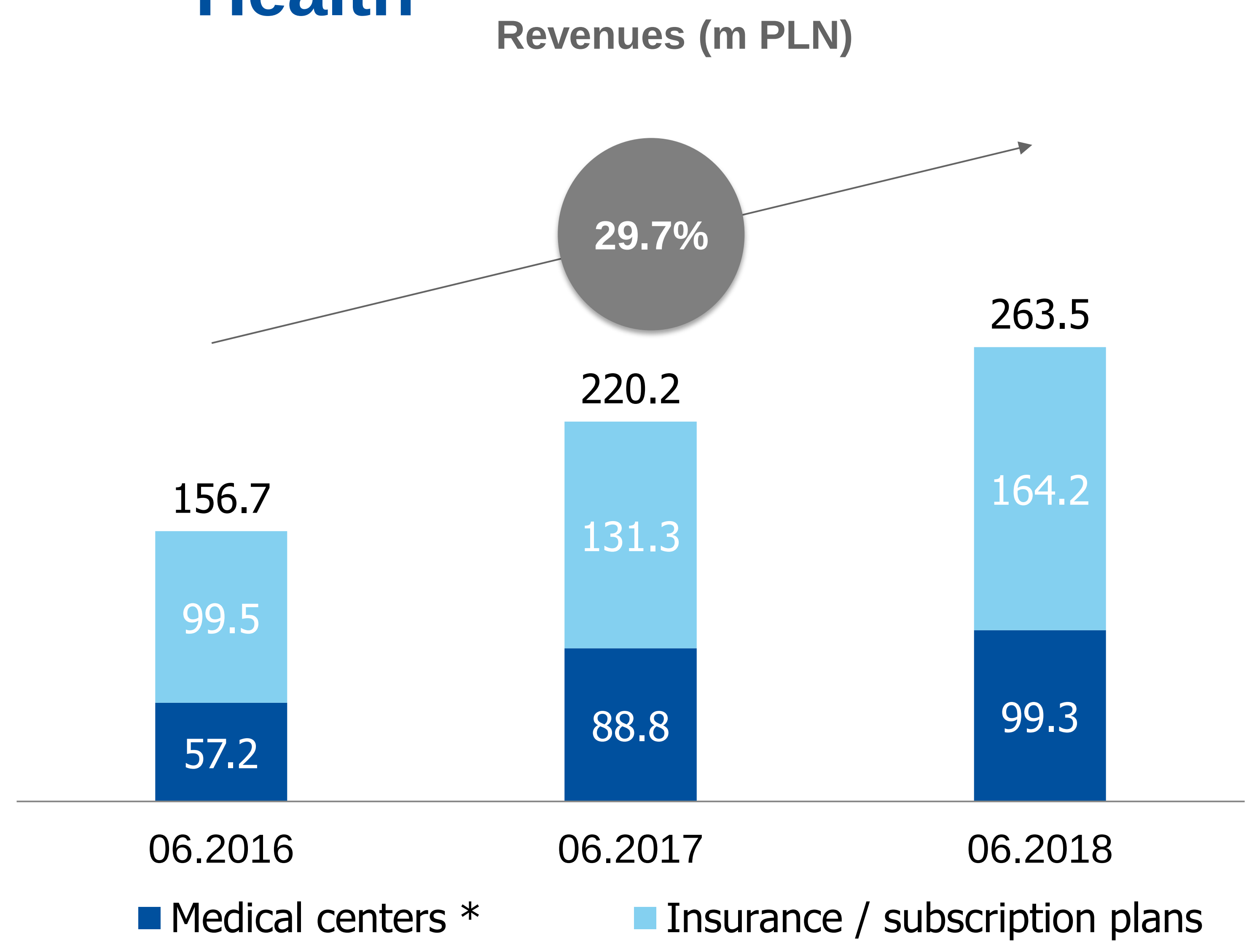
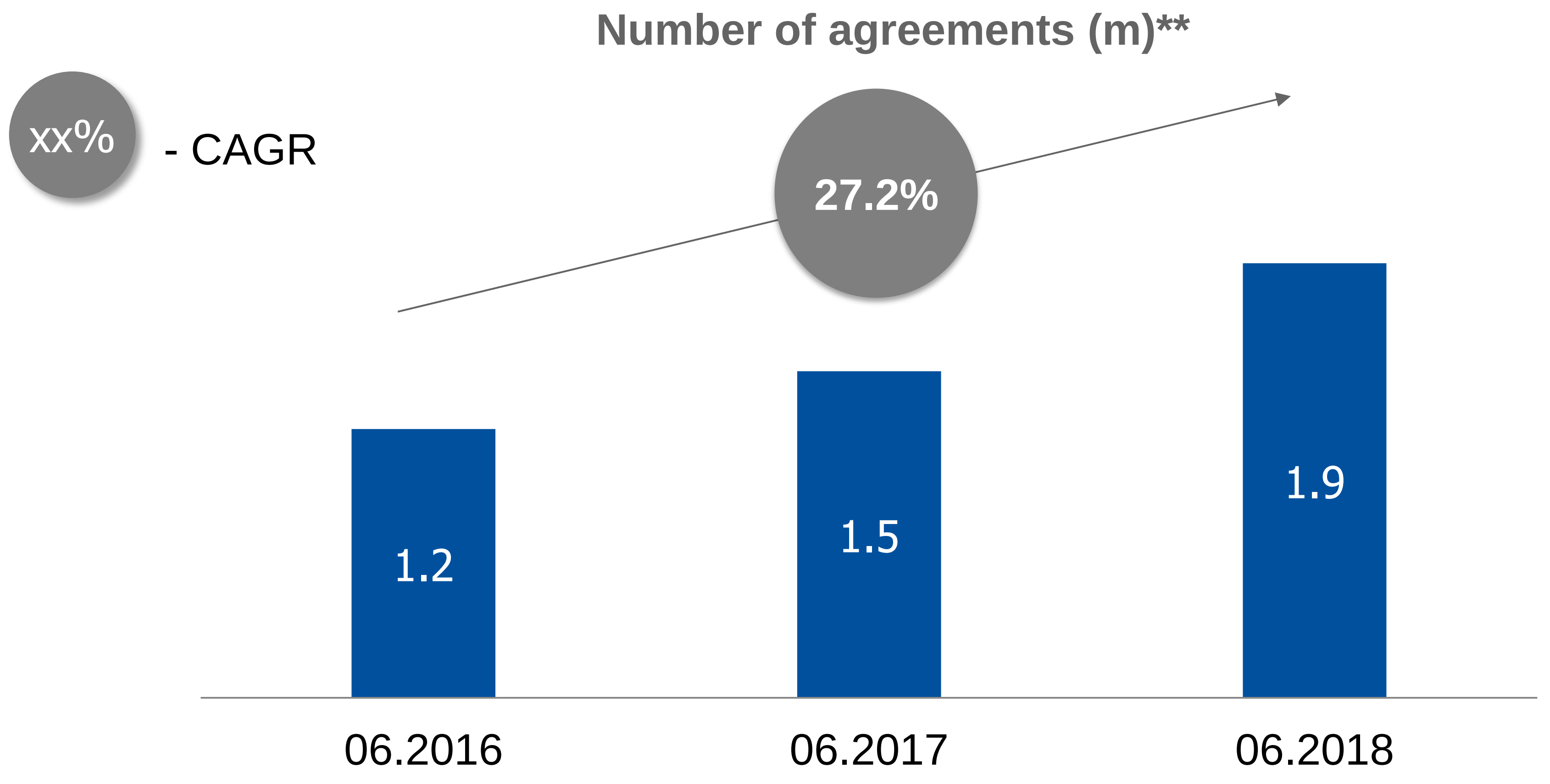
Health



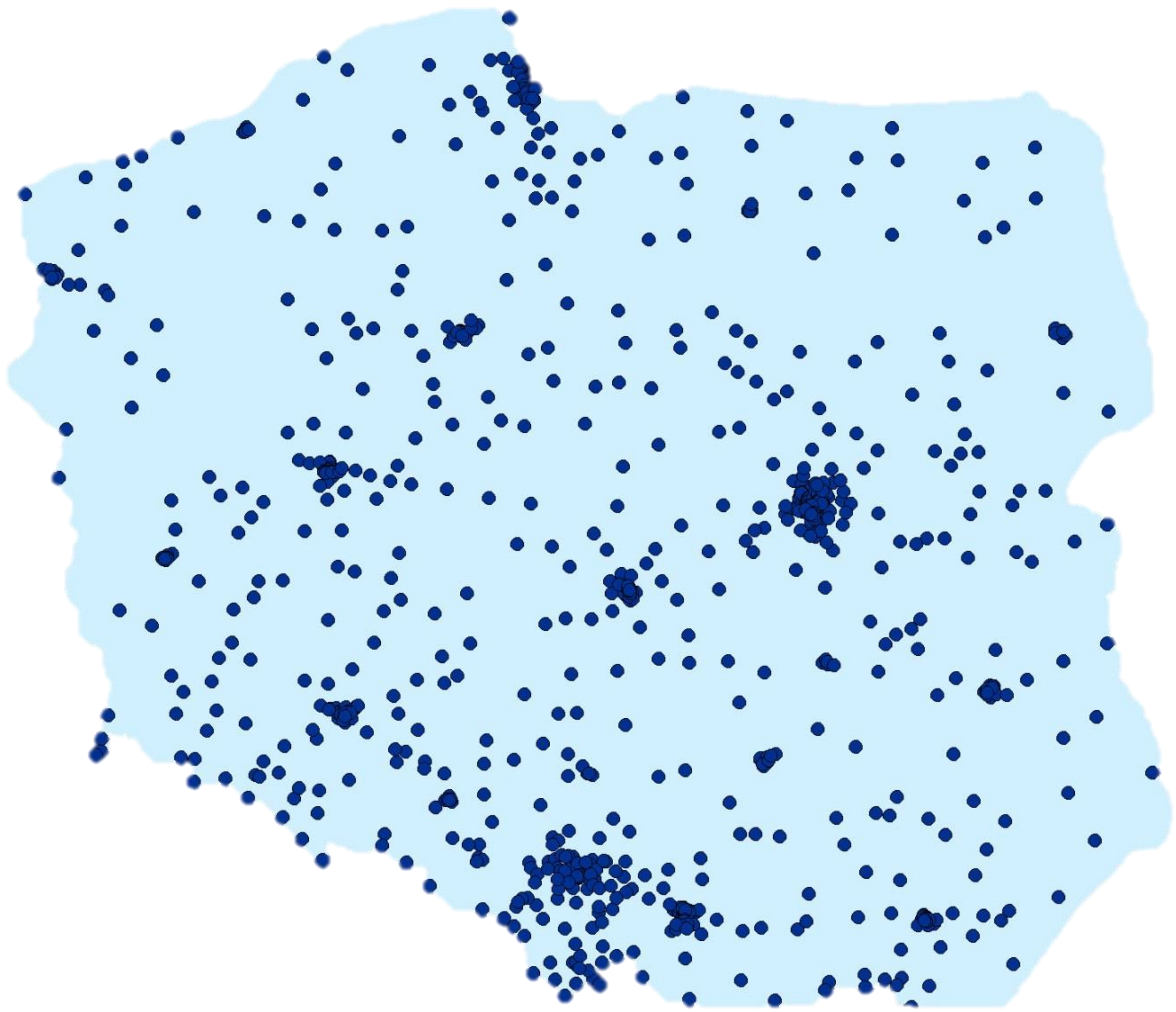


Cooperation with the following:

1,200 physicians

50 hospitals across Poland

7,562 pharmacies



2055 branches

500 cities

140 specializations

60 Proprietary medical centers

* 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 and the PZU Group

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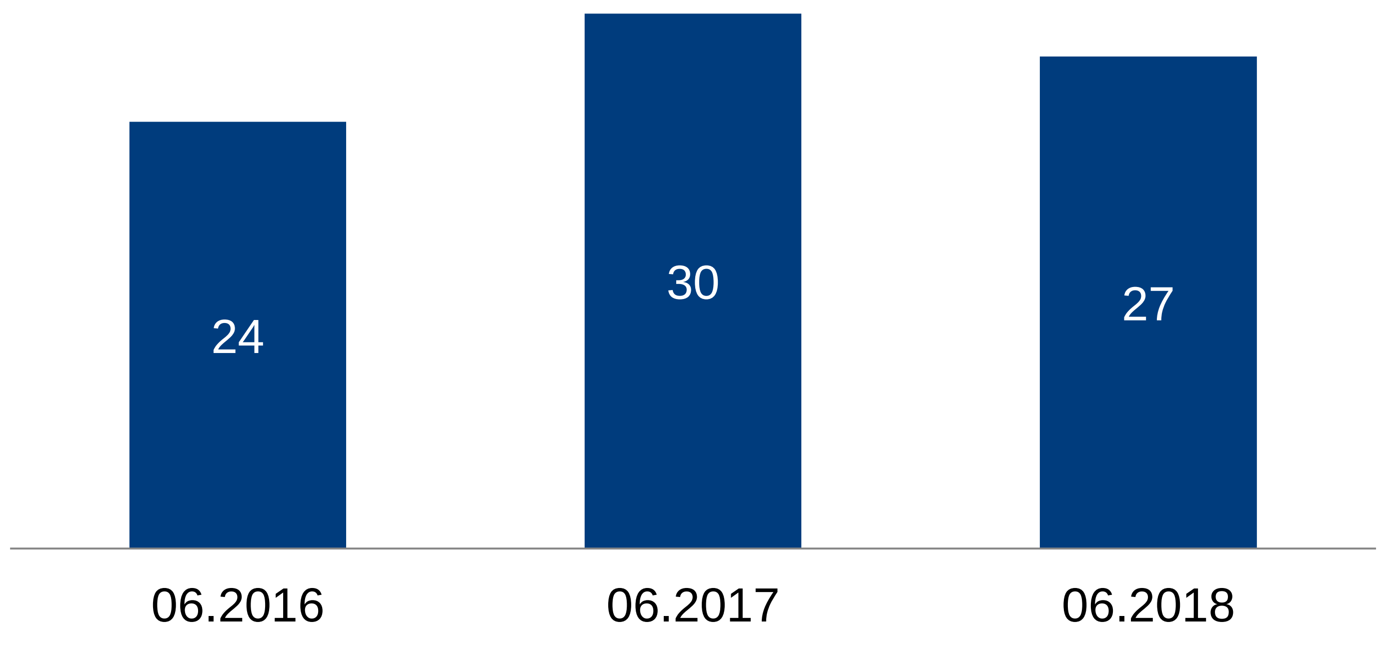
Assistance

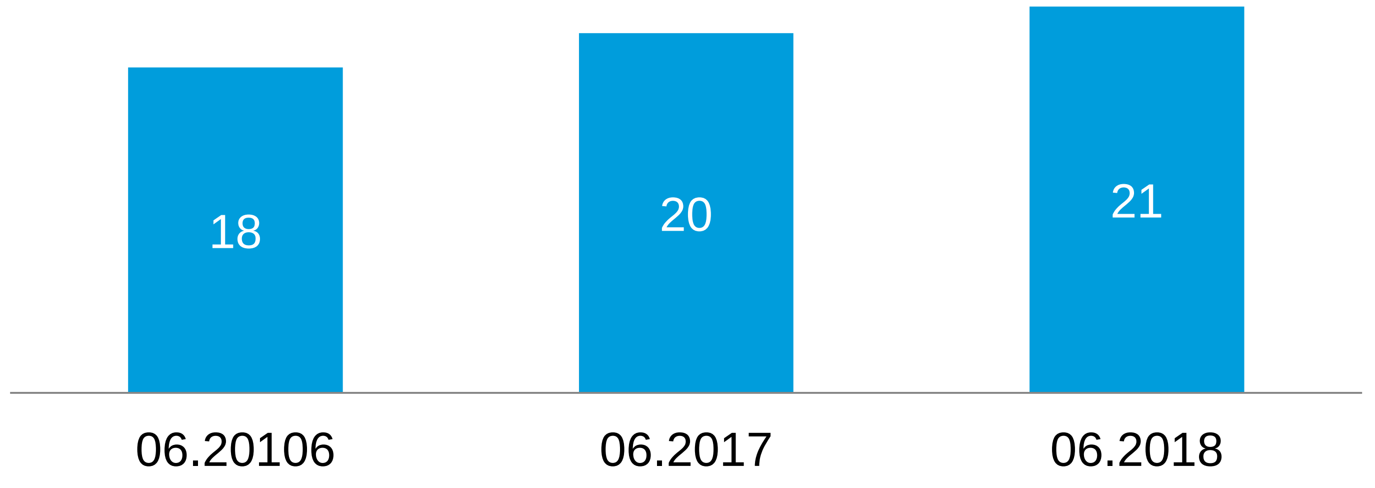
Finance (1) Assets under management

Assets of third party clients of TFI PZU and OFE PZU clients (bn PLN)

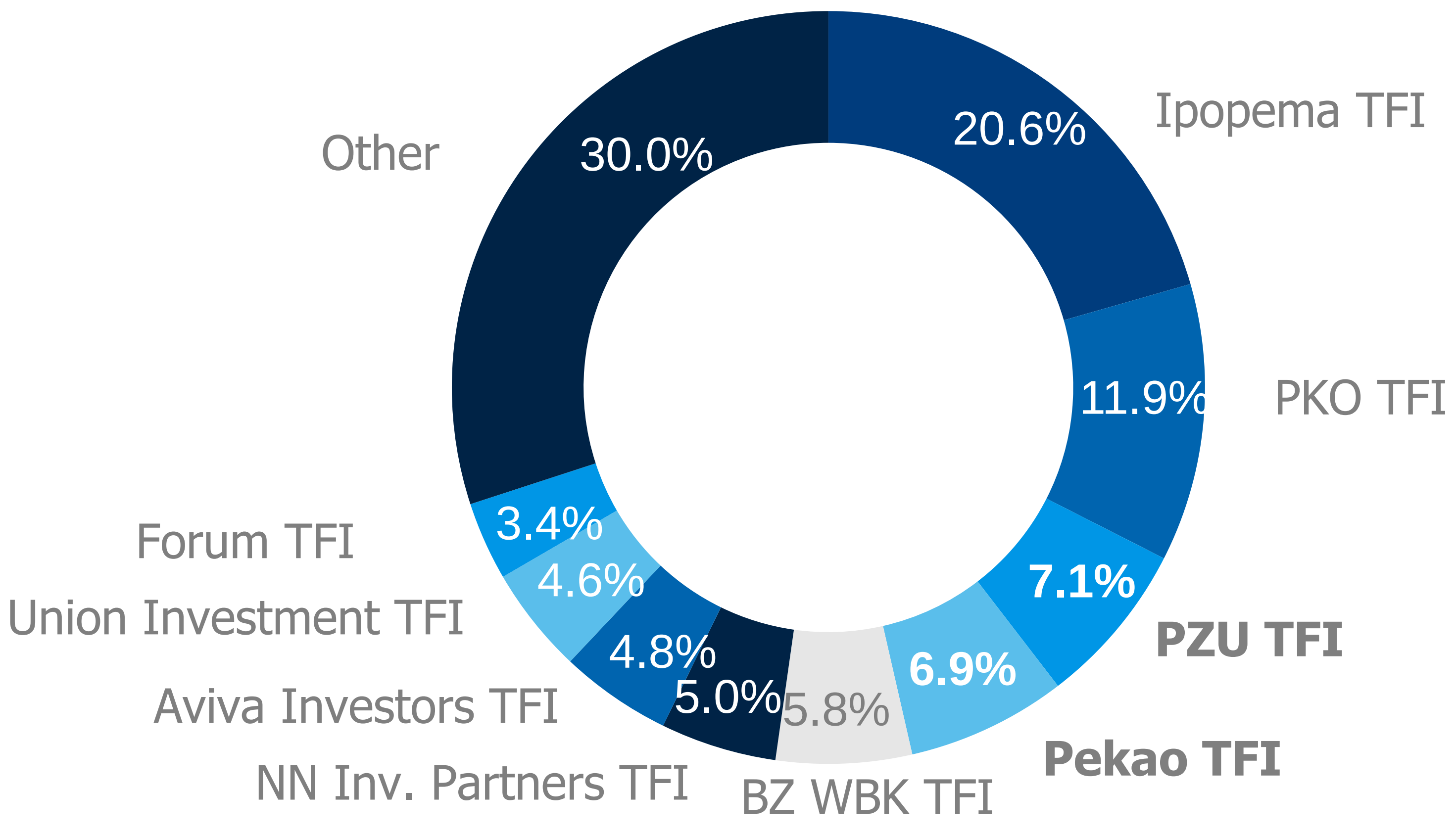


- Receipt of the Polish FSA's consent for PTE PZU to take over the management of Pekao OFE and DFE.
- An agreement was signed to transfer the operating activity of the transfer agent pertaining to mutual and pension funds from PZU Centrum Operacji to PFS.
- Sejf+: alternative to a term deposit in a bank. As of August, it is offered jointly with PZU branches as a hybrid product containing insurance against the loss of capital.
- A significant qualitative change in the asset management market ...

Assets under management in TFI Pekao and OFE Pekao (bn PLN)

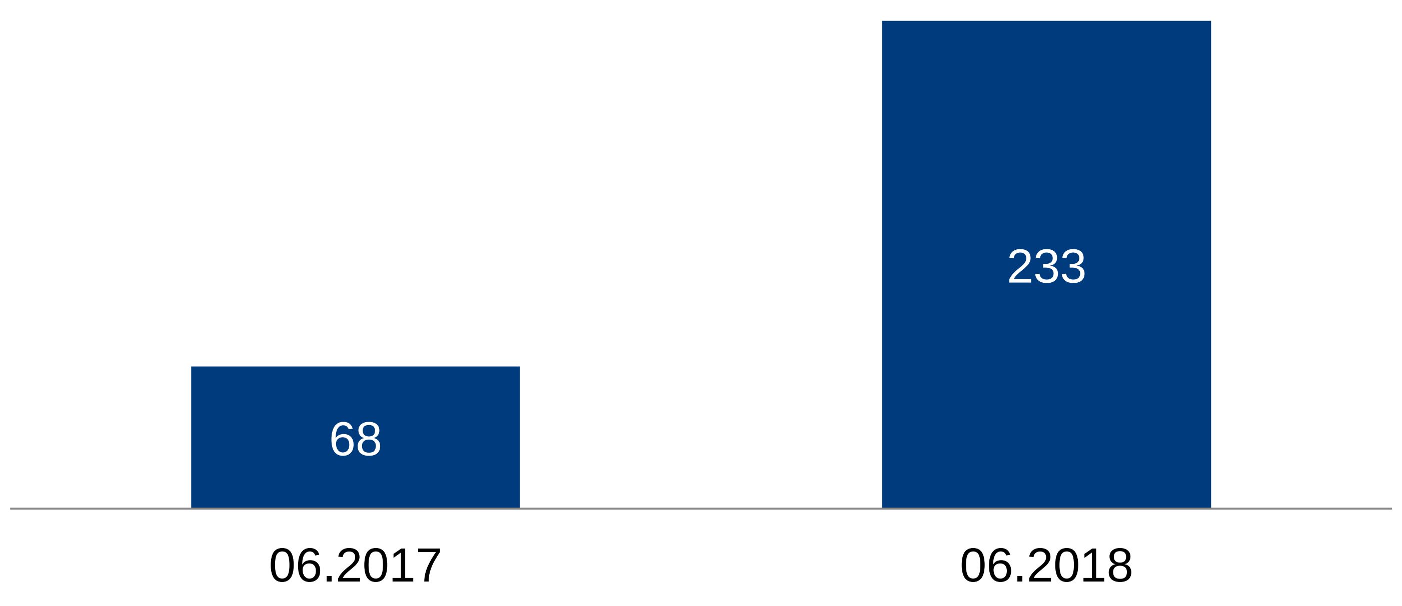


Mutual fund companies – % of assets as at 30 June 2018



Finance (2) Development of cooperation with banks

Multikapitał assets (m PLN)



- Sales launch of property insurance in conjunction with the PEX loans offered by Bank Pekao in its online channel
- Tourist insurance (Wojażer) and home insurance (PZU Dom) have been deployed for bank borrowers (Pekao and Alior Bank).
- Link4 property insurance roll-out in Alior Bank's offer.
- Multikapitał (Investment life insurance) is offered for sale (Alior Bank).
- Almost 50 thousand Peako and Alior Bank clients benefited from PZU non-life insurance offer.
- A pilot has been launched in 3 branches in which PZU employees actively offer Przekorzystne Konto (Mega Beneficial Account). The disbursement of benefits to PZU clients in Pekao's Branches (auto-disbursement) was also deployed.
- Insurance programs were launched for the banks' employees and special offers on bank products for the employees of PZU Group companies.
- Cost synergies - Target to achieve by 2020 – 100 m PLN in savings, synergies already achieved – 30 m PLN.

FINANCIAL RESULTS

PZU Group's gross written premium

External gross written premium

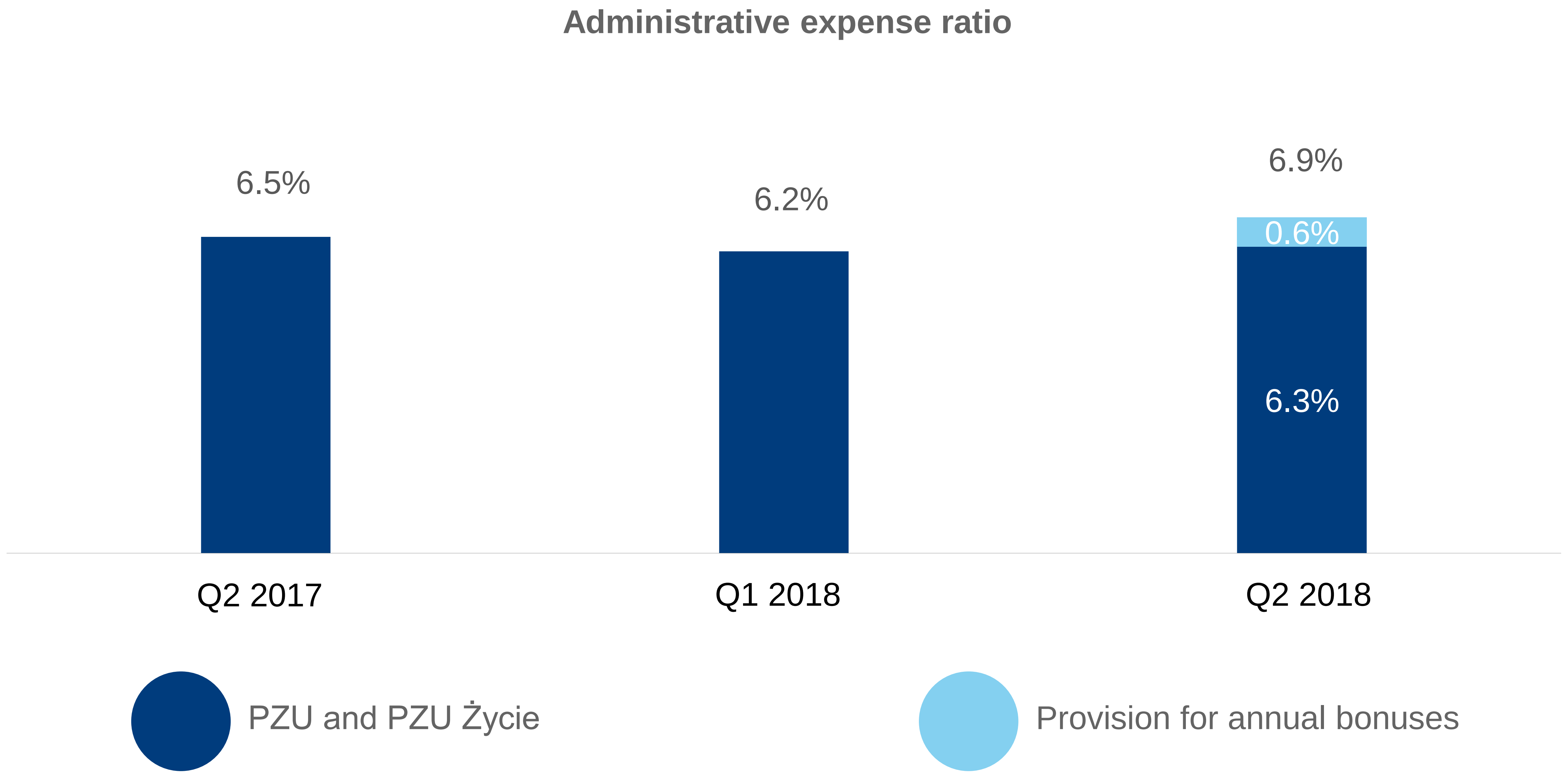
Insurance segments (m PLN), local GAAP	Q2 2017	Q1 2018	Q2 2018	Change y/y	Change q/q
TOTAL	**5 838**	**5 831**	**6 050**	**3.6%**	**3.8%**
Total non-life insurance – Poland	3 317	3 338	3 509	5.8%	5.1%
Mass insurance – Poland	**2 564**	**2 711**	**2 616**	**2.0%**	**(3.5)%**
Motor TPL	1 227	1 145	1 207	(1.6)%	5.4%
Motor own damage	596	652	626	5.0%	(4.0)%
Other products	741	914	783	5.7%	(14.3)%
Corporate insurance – Poland	**753**	**627**	**893**	**18.6%**	**42.4%**
Motor TPL	175	193	192	9.7%	(0.5)%
Motor own damage	216	209	213	(1.4)%	1.9%
Other products	362	225	488	34.8%	116.9%
Total life insurance – Poland	2 099	2 068	2 064	(1.7)%	(0.2)%
Group and individually continued insurance – Poland	**1 715**	**1 722**	**1 722**	**0.4%**	**x**
Individual insurance – Poland	**384**	**346**	**343**	**(10.7)%**	**(0,9)%**
Periodical premium	143	156	155	8.4%	(0.6)%
Single premium	241	190	188	(22.0)%	(1.1)%
Total non-life insurance – Baltic States and Ukraine	399	400	444	11.3%	11.0%
Baltic States non-life insurance	**345**	**360**	**396**	**15.0%**	**10.1%**
Ukraine non-life insurance	**54**	**40**	**48**	**(12.2)%**	**19.1%**
Total life insurance – Baltic States and Ukraine	23	27	30	29.8%	10.2%
Baltic States life insurance	**14**	**15**	**16**	**17.3%**	**7.5%**
Ukraine life insurance	**9**	**12**	**14**	**48.6%**	**13.6%**

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

	Q2 2017	Q1 2018	Q2 2018	Change YoY	Change q/q
PZU GROUP EXCLUDING ALIOR BANK AND PEKAO					
Gross written premium[1]	**5 838**	**5 831**	**6 050**	***3.6%***	***3.8%***
Net insurance claims and benefits	(3 504)	(3 626)	(3 719)	*6.1%*	*2.6%*
Net investment result - main portfolio	226	333	390	*72.5%*	*17.1%*
FX on own debt	(6)	(32)	(130)	*x*	*306.5%*
Net investment result - investment products	31	(72)	5	*(85.3)%*	*x*
Net investment result - temporary FX on investment property valuation	(112)	(21)	21	*x*	*x*
Net investment result - other	(34)	(57)	33	*x*	*x*
Administrative expenses[1]	(402)	(379)	(433)	*7.8%*	*14.0%*
Acquisition expenses[1]	(718)	(751)	(768)	*7.0%*	*2.3%*
Operating profit (loss)	**560**	**647**	**811**	***44.9%***	***25.5%***
Net profit (loss)	437	513	620	*41.7%*	*20.8%*
Net profit (loss) attributable to equity holders of the parent company	**437**	**513**	**620**	***41.7%***	***20.8%***
BANKS: ALIOR BANK AND PEKAO					
Net profit (loss) attributable to equity holders of the parent company	**67**	**130**	**162**	***143.6%***	***24.9%***
NET PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	**504**	**643**	**782**	***55.2%***	***21.6%***
PRINCIPAL FINANCIAL RATIOS					
ROE[2]	14.9%	17.8%	22.3%	*7.4 p.p.*	*4.5 p.p.*
Combined Ratio[3]	87.5%	86.0%	88.3%	*0.8 p.p.*	*2.3 p.p.*
Operating Profit Margin[4]	24.5%	16.6%	23.7%	*(0.8) p.p.*	*7.1 p.p.*
Administrative expenses ratio PZU, PZU Życie	6.5%	6.2%	6.9%	*0.4 p.p.*	*0.7 p.p.*
Acquisition expenses ratio PZU, PZU Życie	13.1%	13.8%	13.3%	*0.2 p.p.*	*(0.5) p.p.*

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

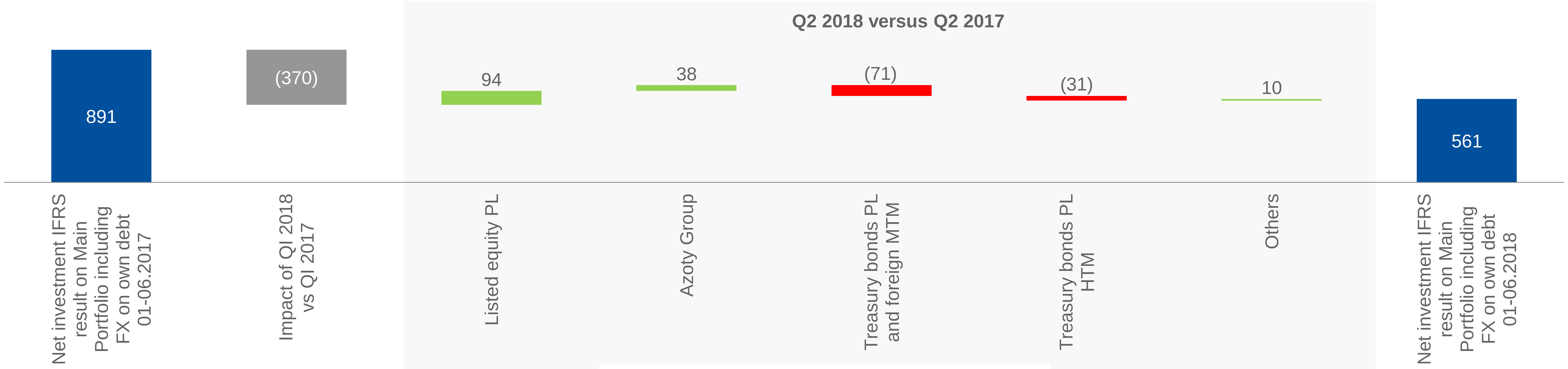
Further improvement in cost effectiveness

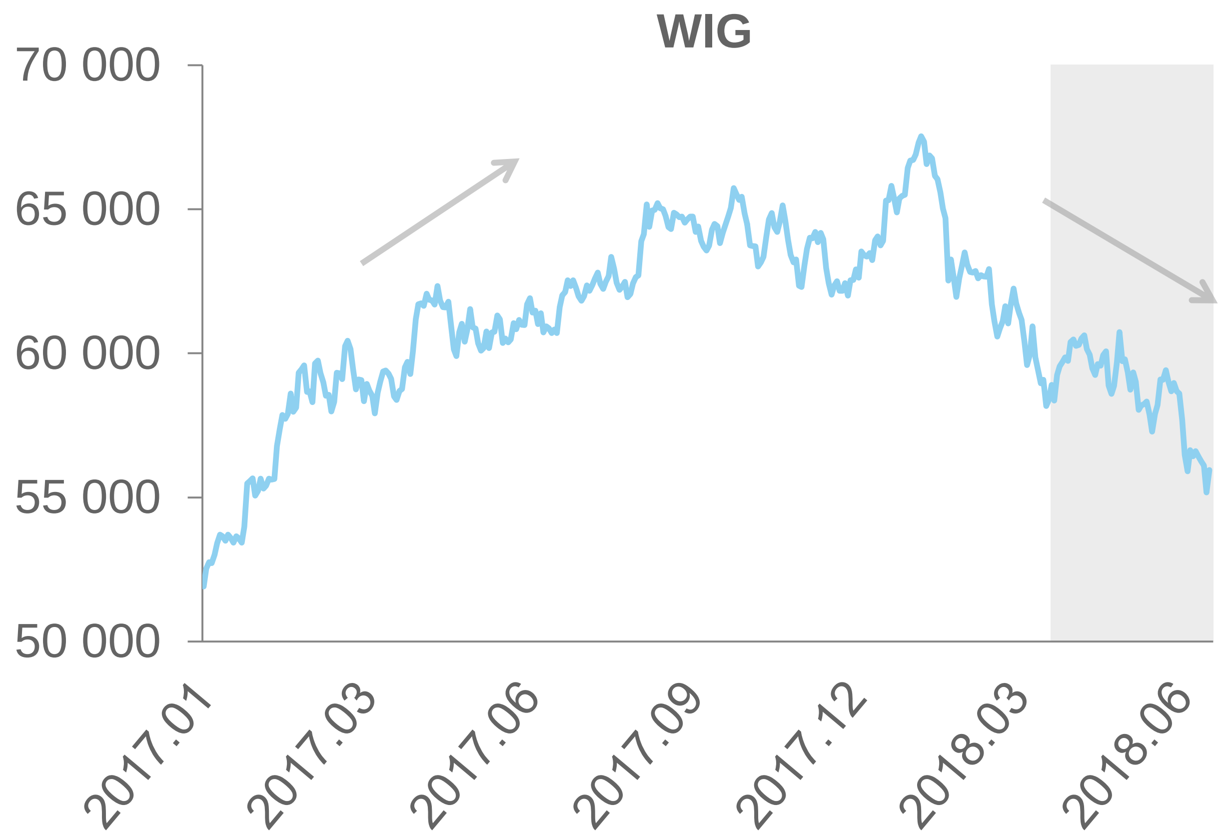


Administrative expense ratio calculated using the equation: administrative expenses in PZU and PZU Życie / net earned premium in PZU and PZU Życie

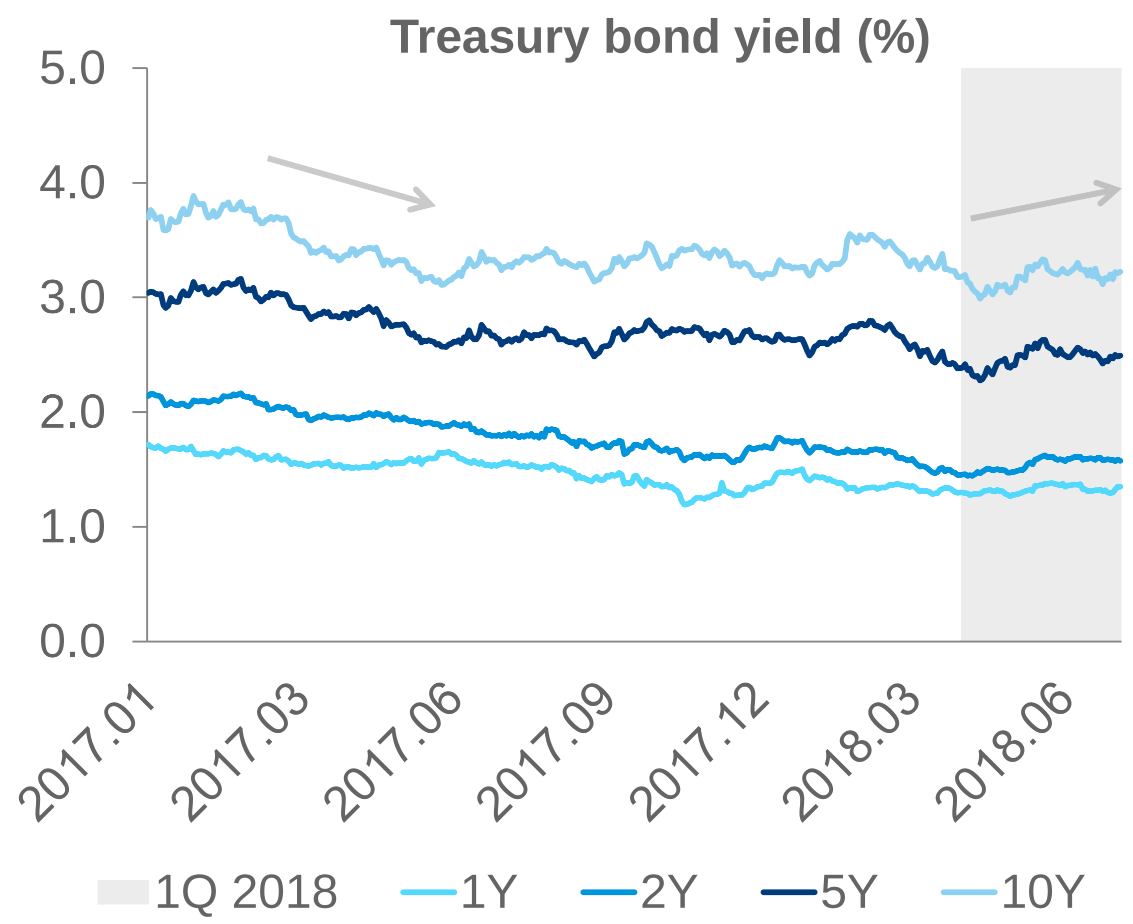
- The growth in the administrative expense ratio in Q2 2018 stems from establishing a provision for the annual performance bonus, which is part of the incentive system for PZU employees (in 2017 it was recognized in Q4 costs).
- The decline in costs in Q2 versus the corresponding period of 2017 (net of the impact exerted by the provision for bonuses) is chiefly due to the optimization of PZU's operating expenses, which will be achievable thanks to the following:
  - replacing the old Insurer policy administration system with the modern Everest system;
  - digitizing and automating more business processes, which allow more efficient use of human capital and keeping employee costs under control (despite inflation and wage pressure on the market).

Better results in Q2 on listed equities portfolios partially offset by the lower result on bonds

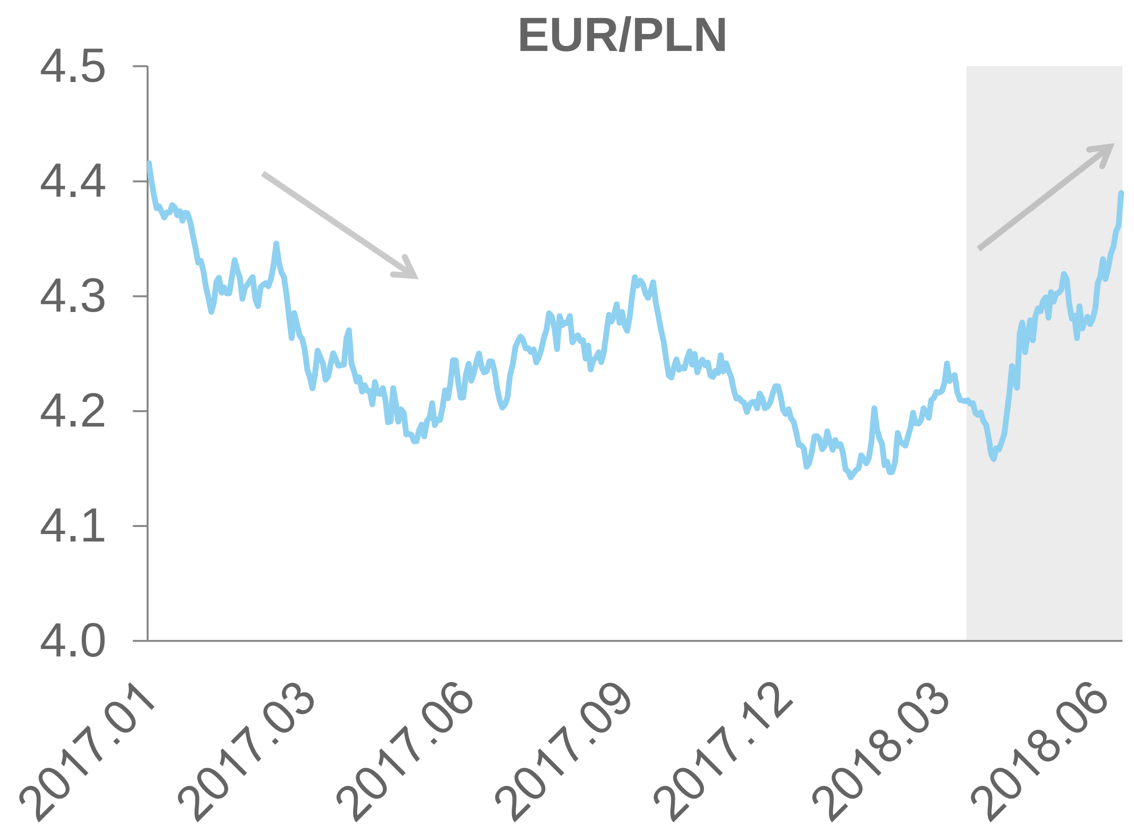




Q2 2017: +5.4%
Q2 2018: -4.2%



Q2 2017: -12 bps
Q2 2018: +11 bps

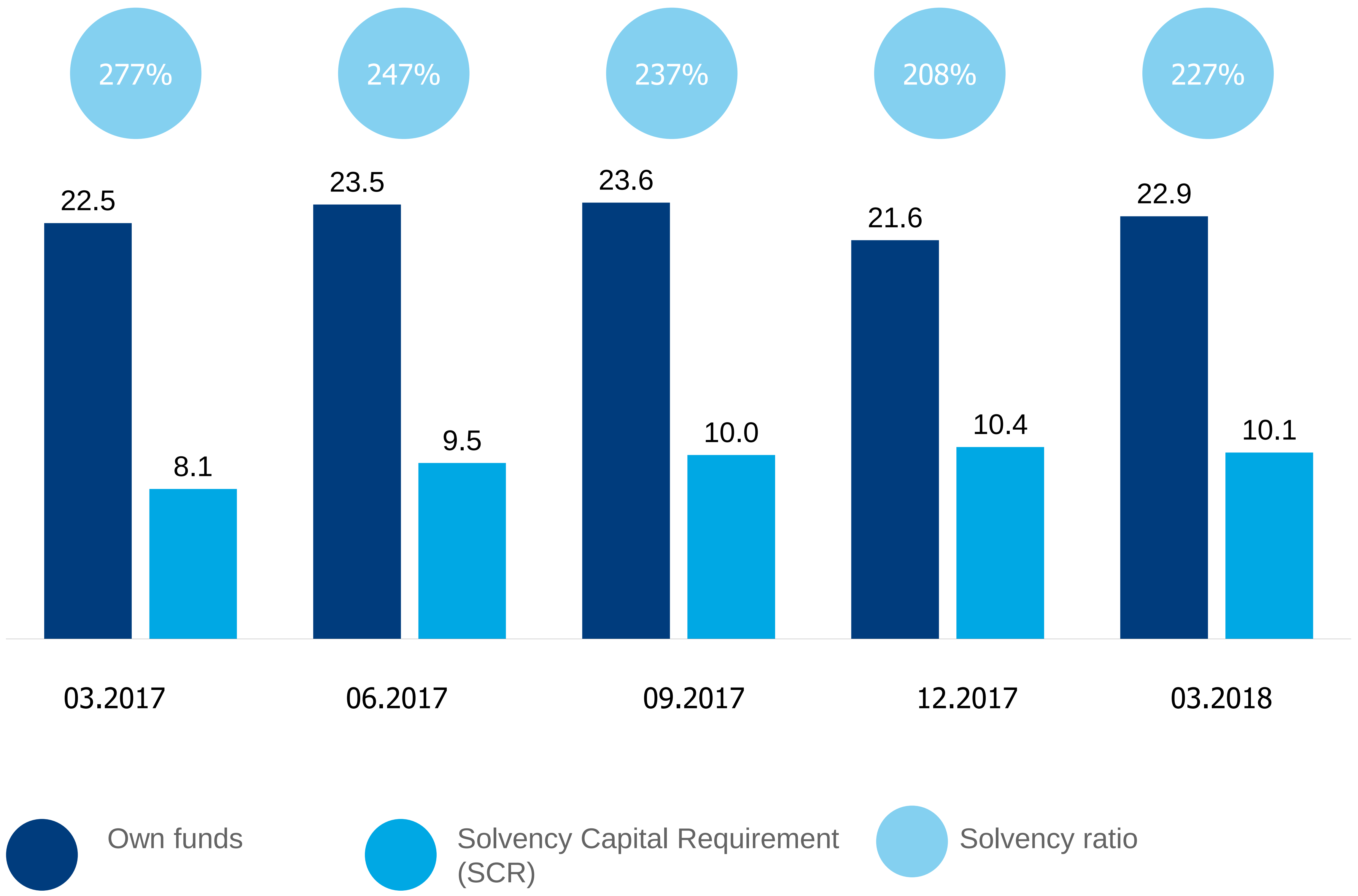


Q2 2017: +0.2%
Q2 2018: +3.6%

*Impact of Q2 2017, as of 2018 the results of Grupa Azoty are presented in other comprehensive income.

Group's high level of solvency

PZU Group's data under Solvency II / 31 March 2018 (bn PLN)



- In Q1 2018 own funds climbed 1.3 bn PLN as a result of the following:
  - quarterly results realized (0.6 bn PLN);
  - positive impact exerted by the steepening of the yield curve for Polish government bonds (risk free rates) on the measurment of financial assets and insurance provisions.
- The data at the end of 2017 and at the end of Q1 2018 incorporate the deduction of the anticipated dividend (not approved by the Shareholder Meeting on those dates) from 2017 profit (2.2 bn PLN).
- The decline in SCR in Q1 2018 of 0.3 bn PLN on the tail of lower exposure to market risk and counterparty default risk and thanks to higher effects of market risk diversification.
- High quality of the PZU Group's own funds - share of Tier 1 capital is 87%.
- Standalone solvency ratio:
  - PZU – it was 295% (280% at the end of 2017),
  - PZU Życie – it was 467% (437% at the end of 2017).

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

Annual data based on the audited Solvency and financial condition reports (SFCR) available on the following website https://www.pzu.pl/relacje-inwestorskie/informacje-finansowe. Other unaudited data.

EXECUTION OF THE GROUP'S STRATEGY IN 2017 – 2020

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

ROE[1]	06.2018	2020
ROE[1]	20.8%	>22%

NON-LIFE INSURANCE

Metric	Value (date)	2020
PZU Group's market share[2,3]	34.8%/35.9%[11] (03.2018)	38%
Combined ratio[3]	86.8% (06.2018)	92%
Administrative expense ratio [4]	6.5% (06.2018)	6.5%

LIFE INSURANCE

Metric	Value (date)	2020
Number of clients in PZU Życie (m)	10.9 (06.2018)	11.0
Insurance margin in group and individual continuation	20.2% (06.2018)	>20%
Solvency II solvency ratio[5]	227% (03.2018)	>200%

INVESTMENTS

Metric	Value (date)	2020
Assets under management for third party clients (bn PLN)	30/49 with PIM (06.2018)	65
Net result on third party asset management (m PLN) [6,9]	106/189,4 with PIM (06.2018)	200
Surplus rate of return on the main portfolio above the RFR [10]	1.0 p.p. (06.2018)	2.0 p.p.

HEALTH

Metric	Value (date)	2020
Revenues (m PLN)[7,9]	499 (06.2018)	1,000
EBITDA margin[8]	7.2% (06.2018)	12%

BANKING

Metric	Value (date)	2020
Assets (bn PLN)	254 (06.2018)	>300
Net financial result attributed to the PZU Group (m PLN)[9]	597 (06.2018)	>900

1. ROE attributable to the parent company
2. Direct business
3. PZU jointly with TUW PZUW and Link4
4. Administrative expenses in PZU and PZU Życie
5. Own funds after subtracting anticipated dividends and asset taxes
6. PZU Investments' net consolidated result
7. Annualized revenues of proprietary centers and branches including revenues from PZU Zdrowie and the PZU Group
8. Net of non-recurring costs; profitability computed using the sum of revenues generated by branches and earned premium/PZU Inwestycje net result including 100% Pekao Investment Management result
9. 12 month moving average
10. Difference between the annual rate of return computed using the IFRS result on the main portfolio including the FX rate on proprietary bond issues and the annual average level of WIBOR6M
11. Iincluding the renewed contract in June 2018

Executing a strategy of innovation

We are testing solutions to rescue drivers' lives

PZU Go - a modern solution (a small device and a mobile phone app) to monitor driver safety, ultimately making it possible to customize motor insurance to client needs

We have established collaboration with BIK (Credit Information Bureau)

BIK pilot - through analysis of the data made available we have an opportunity to refine the underwriting process and the process of concluding TPL and MOD insurance contracts.

We have kicked off our first pilot and implementation projects in Data Lab

This project's goal is to improve the utilization of large data files (Big Data) in business processes and create the PZU Group's analytical ecosystem.

We are striving to enrich our product offering

Two new products in the direct channel:

Ja Plus

- Ja
- Ja + Dziecko

PZU Plan na Zdrowie

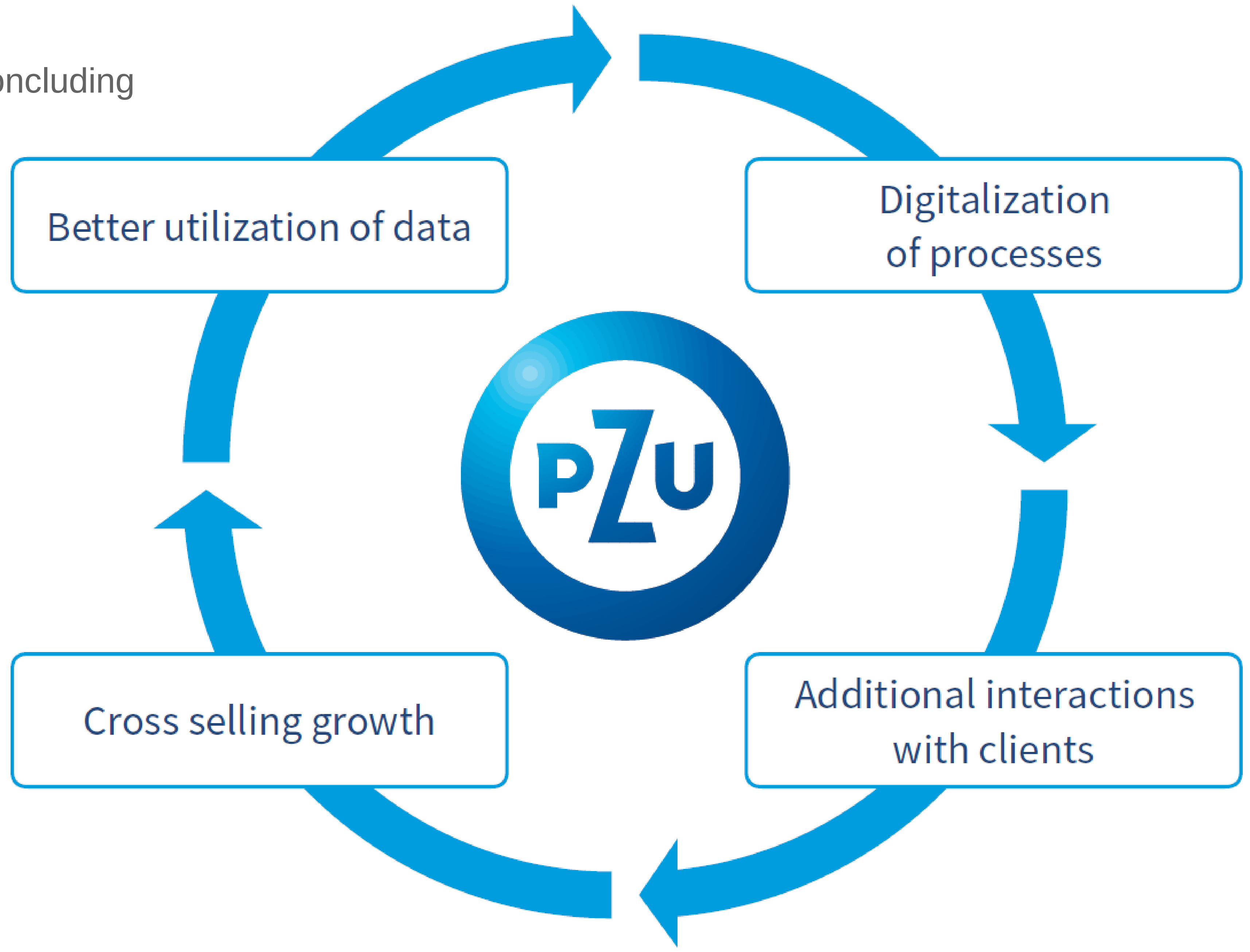
Main insurance policy

+ Insurance riders:

- **W Ciężkiej Chorobie**
- **W Leczeniu Nowotworu**
- **W Trosce o Ciebie**

PZU's insurance products are available on Allegro:

The users of the Allegro.pl purchasing platform can easily insure their radio and tv equipment and household appliances with PZU when entering into transactions.



We are developing our cooperation with early-phase startups in our search for insurtech solutions

We have launched cooperation with two leading startup accelerators. (1) MIT Enterprise Forum Poland, a leading program administered in collaboration with the Massachusetts Institute of Technology (2) run by Alior Bank as it is focusing on open banking and PSD2.

We are working on case handling quality - handling a notification presently takes less than 5 minutes

We download data from the Everest system. Clients provide only the data PZU does not have. Self-Service forms an integral part of a notification.

Video inspection – remote inspections

Modern solution facilitating swift inspection of damaged vehicles using the camera installed in smartphones. It is possible to compute the amount of the loss on this basis.

We are working intensively on #mojepzu.pl

Work on migrating the data of 22 million clients to a single database (360-degree client picture)

We have launched a new website www.pzu.pl

Modern design, intuitive navigation, adapted to every device

We are simplifying our communication

The PZU Client Account service has received its first certificate for using Simple Polish

This year PZU will be the first insurer in Europe to make PZU GO available to its clients – PZU employees currently are testing this solution

PZU GO is a mobile application connected to a sticker on the windshield that will automatically summon assistance if an accident occurs

Since August PZU employees take part in these tests and put forward their ideas to streamline PZU GO

We are conducting crash tests using professional stuntmen to ensure that the algorithms used to detect collisions are as effective as possible

ATTACHMENTS:

- RESULTS BY SEGMENT
- GROUP DATA ACCORDING TO SOLVENCY II PRINCIPLES

RECAP OF FINANCIAL RESULTS BY SEGMENT

Profitability by operating segments

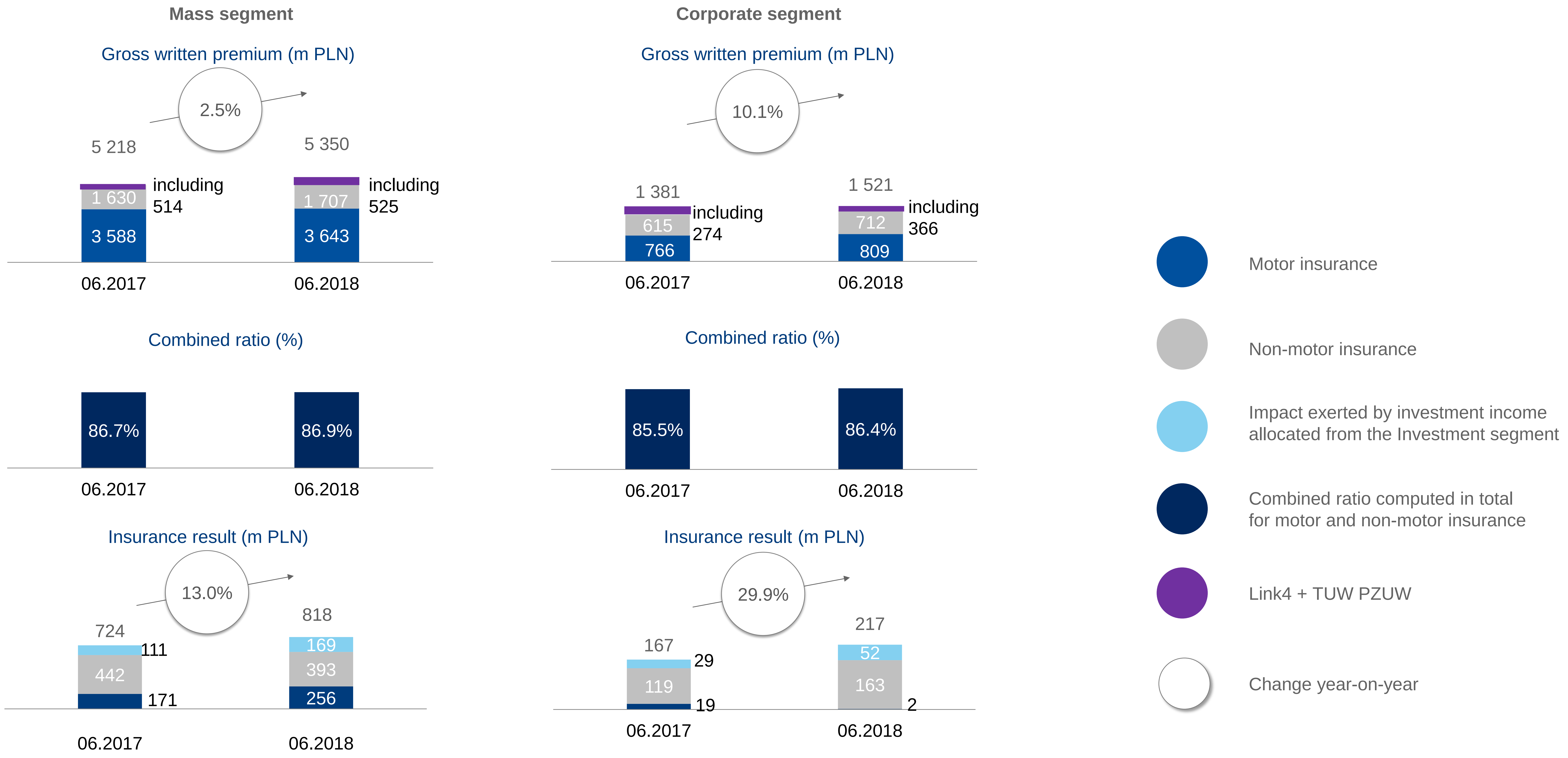
Insurance Business Segments	Gross Written Premium			Insurance Result/ Operating Profit			Combined Ratio / Operating profit ratio*	
m PLN, local GAAP	**H1 2017**	**H1 2018**	***Change YoY***	**H1 2017**	**H1 2018**	***Change YoY***	**H1 2017**	**H1 2018**
Total Non-Life - Poland	**6 599**	**6 871**	*4.1%*	**891**	**1035**	*16.2%*	**86.5%**	**86.8%**
Mass Insurance - Poland	**5 218**	**5 350**	***2.5%***	**724**	**818**	***13.0%***	**86.7%**	**86.9%**
Motor TPL Insurance	2 348	2 366	*0.8%*	150	136	*(9.4)%*	93.7%	94.8%
Motor Own Damage	1 240	1 277	*3.0%*	21	120	*461.0%*	98.4%	89.7%
Other products	1 630	1 707	*4.7%*	442	393	*(11.2)%*	68.5%	72.8%
Impact of investment segment allocation	x	x	*x*	111	169	*52.4%*	x	x
Corporate Insurance - Poland	**1 381**	**1 521**	***10.1%***	**167**	**217**	***29.9%***	**85.5%**	**86.4%**
Motor TPL Insurance	345	386	*12.0%*	(2)	(34)	*x*	98.3%	107.9%
Motor Own Damage	421	423	*0.5%*	21	36	*73.6%*	95.4%	90.5%
Other products	615	712	*15.7%*	119	163	*36.3%*	64.6%	62.8%
Impact of investment segment allocation	x	x	*x*	29	52	*76.9%*	x	x
Total Life - Poland	**4 221**	**4 133**	*(2.1)%*	**777**	**802**	*3.2%*	**18.4%**	**19.4%**
Group and Continued - Poland**	**3 429**	**3 444**	***0.4%***	**657**	**694**	***5.6%***	**19.2%**	**20.2%**
Individual - Poland	**792**	**689**	***(13.0)%***	**95**	**98**	***3.2%***	**12.0%**	**14.2%**
Conversion effect	x	x	*x*	25	10	*(60.0)%*	x	x
Total Non-Life - Baltica & Ukraine	**741**	**844**	*13.9%*	**47**	**77**	*63.8%*	**93.6%**	**90.5%**
Baltic states Non-life	**645**	**756**	***17.2%***	**42**	**71**	***69.0%***	**93.5%**	**90.4%**
Ukraine Non-life	**96**	**88**	***(8.3)%***	**5**	**6**	***20.0%***	**95.0%**	**90.9%**
Total - Life - Baltica & Ukraine	**47**	**57**	*21.3%*	**3**	**2**	*(33.3)%*	**6.4%**	**3.5%**
Lithuania Life	**28**	**31**	***10.7%***	**1**	**(1)**	***x***	**3.6%**	**(3.2)%**
Ukraine Life	**19**	**26**	***36.8%***	**2**	**3**	***50.0%***	**10.5%**	**11.5%**
Total - banks	**-**	**-**	*x*	**452**	**1 773**	*292.3%*	**x**	**x**

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

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

Non-life insurance

Motor insurance sales growth



Recap – non-life insurance

Mass segment

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

- an increase in gross written premium in motor insurance as an outcome of the higher average premium with a simultaneous decline in the number of insurance policies;
- higher premium on insurance against fire and other damage to property, including PZU DOM household insurance and agricultural insurance (chiefly subsidized crop insurance) despite the extensive competition on the market;
- higher premium in the group of accident and other insurance, in particular assistance and illness insurance.

Insurance result up as the outcome of the following:

- growth in net earned premium (+10.4%) – result of development in the insurance portfolio;
- change of loss ratio in the following insurance groups:
  - lower loss ratio of motor insurance due to significant improvement of the loss ratio in Motor Own Damage insurance and deterioration in motor TPL insurance – as a result of remeasurement of the provision for claims regarding pain and suffering caused by the vegetative state of a relative injured in an accident (Supreme Court ruling);
  - higher loss ratio in non-motor insurance, driven mainly by the declining profitability of the portfolio of insurance against fire and other damage to property – due to a higher number of losses caused by adverse consequences of ground frost, torrential rain and hail in comparison to H1 2017.
- higher insurance activity expenses, including growth in acquisition expenses (the change in the mix of products and sales channels) and higher administrative expenses as a consequence of rising personnel costs in response to the clearly visible and more tangible signs of salary pressure on the market. This effect was partially offset by the continuing cost discipline in the remaining areas of current and project activity.

Recap – non-life insurance

Corporate segment

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

- higher premium in motor insurance, both fleet insurance and insurance offered through leasing companies, as a consequence of the higher average premium with a simultaneous decline in the number of insurance policies;
- premium growth in insurance against fire and other damage to property as a result of signing several high-value agreements;
- higher sales of TPL insurance as a result of signing of several high-value contracts and the higher premium from the insurance of medical entities in TUW PZUW.

Insurance result up as the outcome of the following:

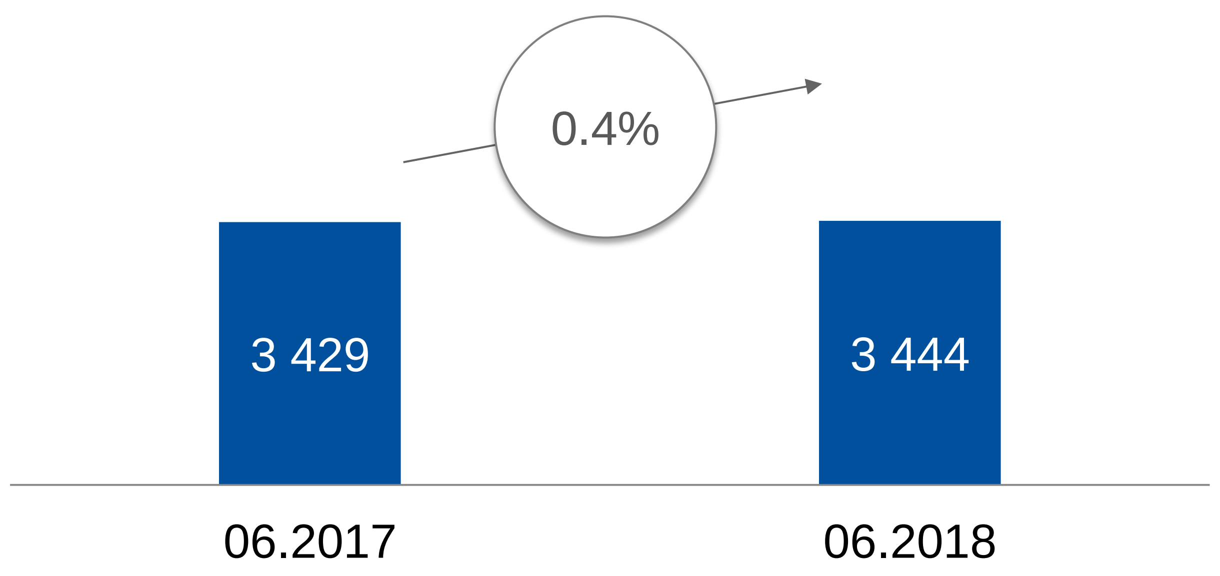
- growth in net earned premium (+19.9%) – result of development in the insurance portfolio;
- change of the loss ratio in the insurance portfolio:
  - motor TPL - higher cost of claims as a result of increasing annuity benefits, observed increase in the average payment and remeasurement of the provision for claims regarding pain and suffering caused by the vegetative state of a relative injured in an accident;
  - insurance against fire and other damage to property - improved loss ratio due to a much lower level of individual high-value claims.
- higher insurance activity expenses as the outcome of rising acquisition expenses, chiefly as the effect of portfolio expansion and a change in the sales channel mix (higher percentage of premiums originating from insurance offered by leasing companies in the portfolio) and keeping administrative expenses at an unchanging level.

Life insurance

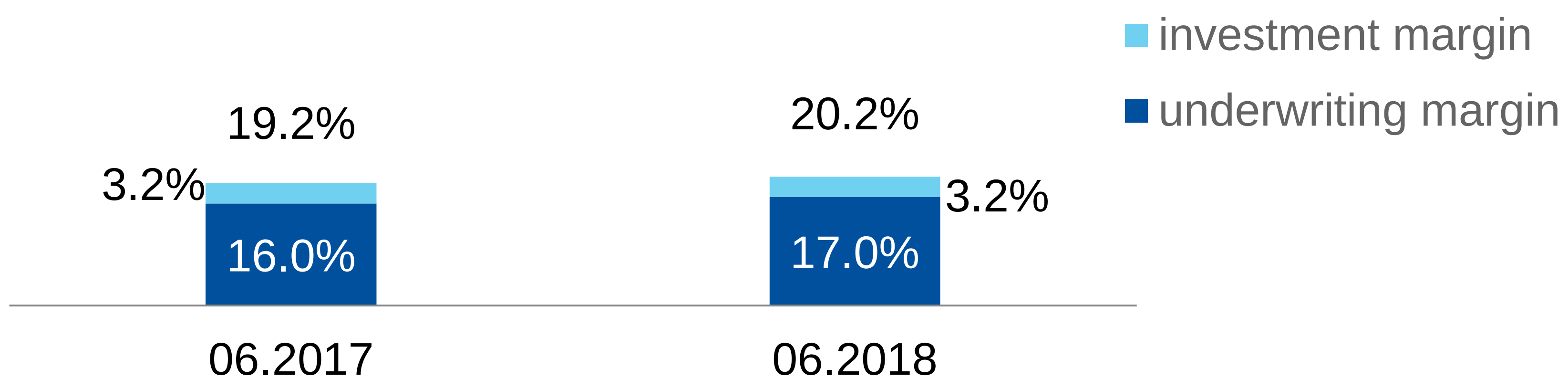
Higher profitability of segments

group and continued insurance segment

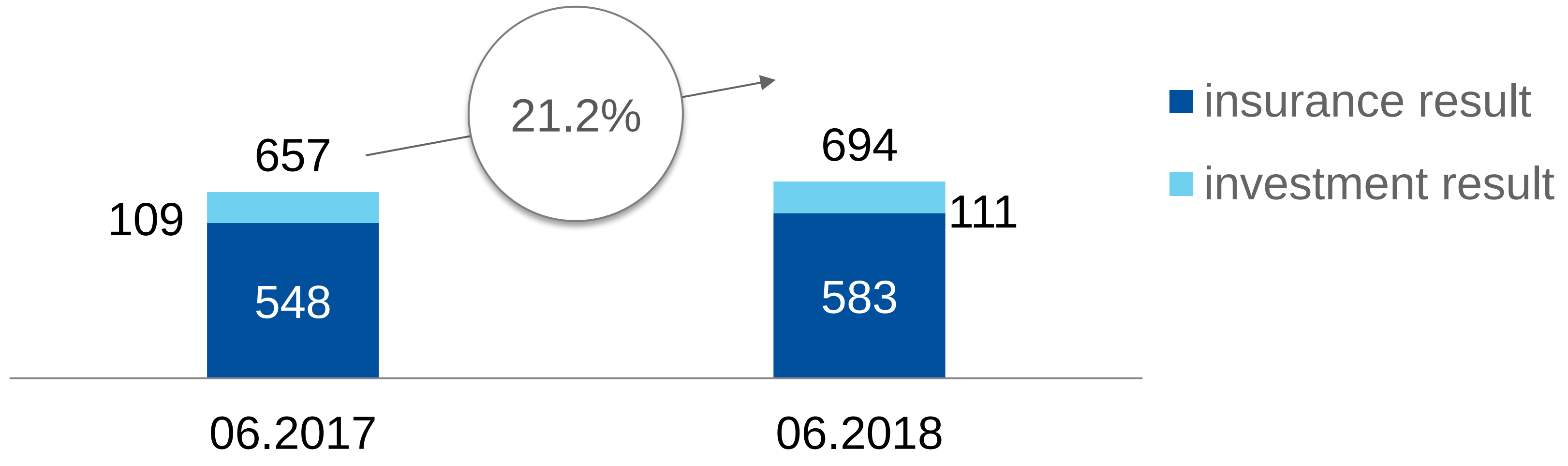
Gross written premium (m PLN)



Margin (%)*

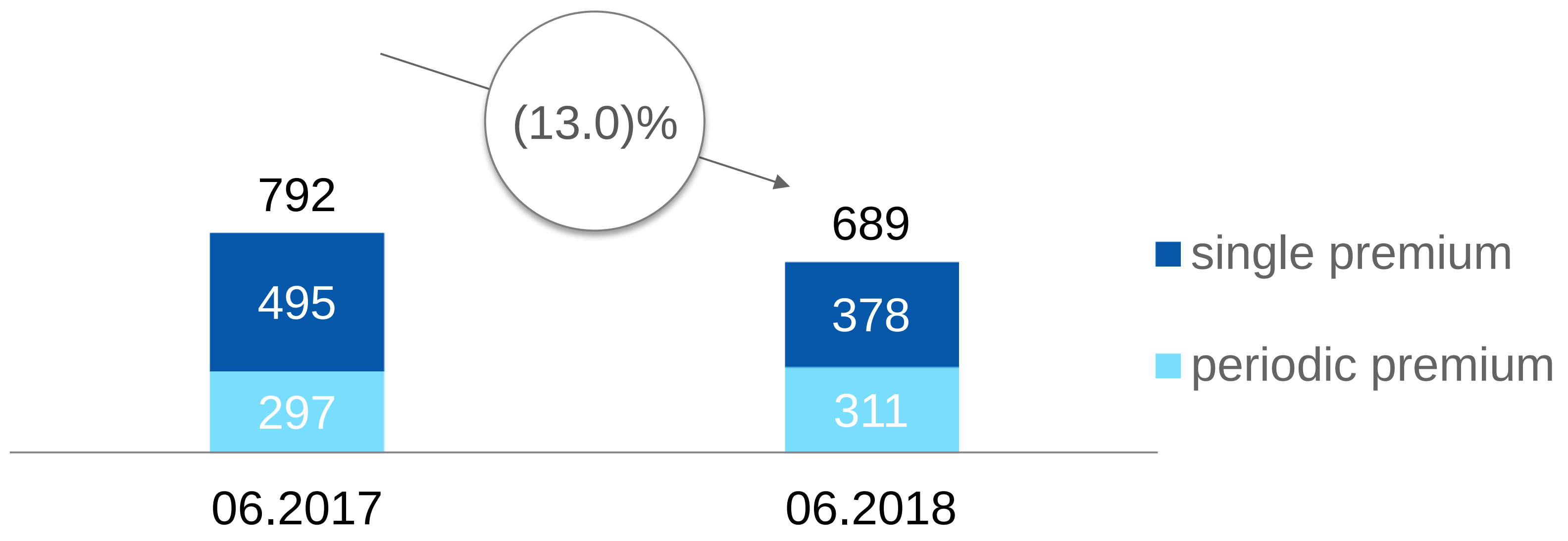


Insurance result* (m PLN)



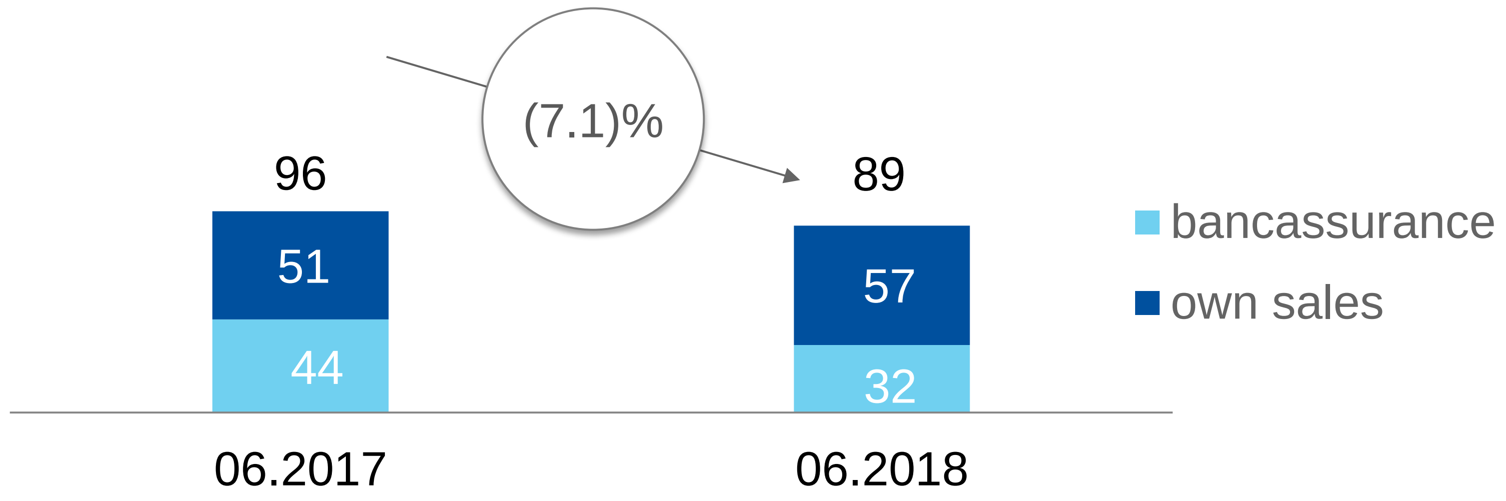
individual insurance segment

Gross written premium (m PLN)



Margin (%)

Annual premium equivalent (m PLN)



* Segment margin and insurance result net of the conversion effect

x% - Change year-on-year

Recap – life insurance

Group and continued insurance segment

Drivers of higher gross written premium:

- acquiring more health insurance contracts, including a new rider to continued insurance launched under the name “PZU Uraz ortopedyczny [PZU orthopedic injury]” that has enjoyed a great reception from clients; PZU Życie already has more than 1.6 million health insurance contracts in force;
- upholding the policy of up-selling riders while concurrently indexing premiums in the underlying main contracts in individually continued products;
- simultaneously alleviating the pressure on the premium growth rate in group protection products making it possible to control the loss ratio in this line of products.

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

- new individual continuation’s positive contribution to the segment’s results by setting up lower mathematical provisions at the start of liability of these agreements;
- loss ratio in protection products down from last year.

Recap – life insurance

Individual insurance segment

Gross written premium down ensuing from the following:

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

At the same time, the constantly-rising level of periodic premium in protection products has produced a positive effect.

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

- the upward movement in the percentage of revenues accounted for by the protection products segment with a substantially higher generated margin;
- stable profitability of the protection part;
- climbing management fees charged on assets accumulated in unit-linked products;
- lower acquisition expenses in the bank channel.

Sales channels:

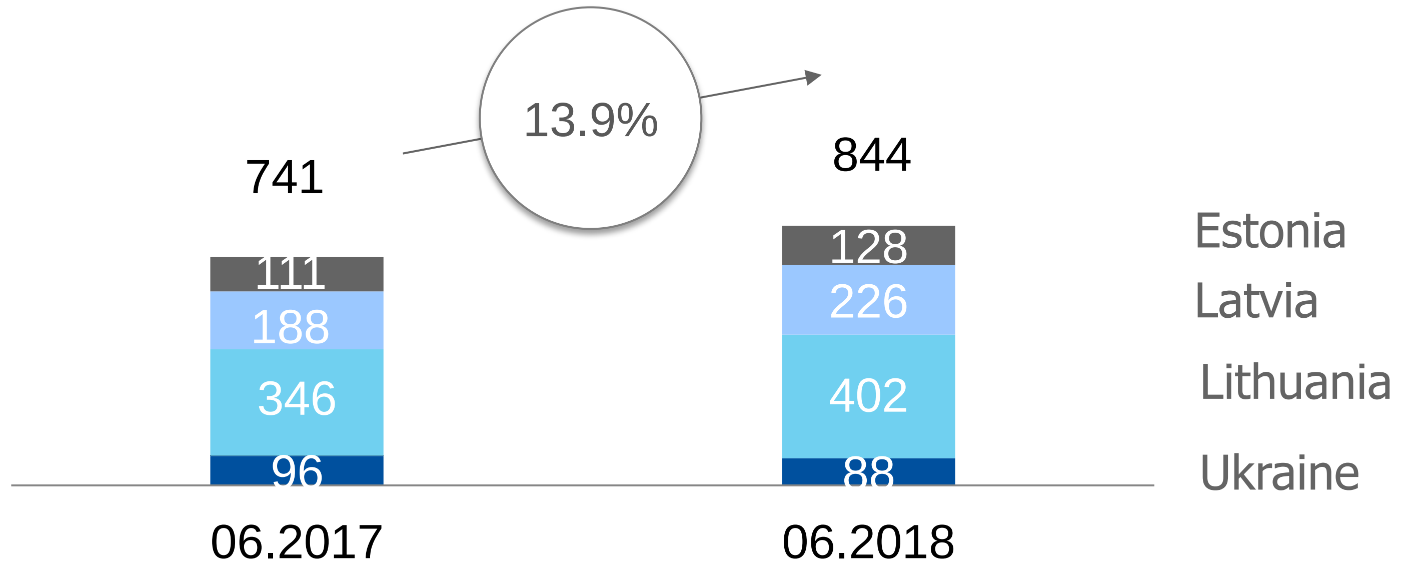
- maintenance of a high level of sales in proprietary channels. The nearly 10% growth rate year on year in the sales of protection products deserves special emphasis.
- decrease in the bancassurance channel precipitated by the lower level of payments to new accounts in unit-linked products in Bank Millennium only partially offset by the rising sales of the protection products offered in this channel.

International business

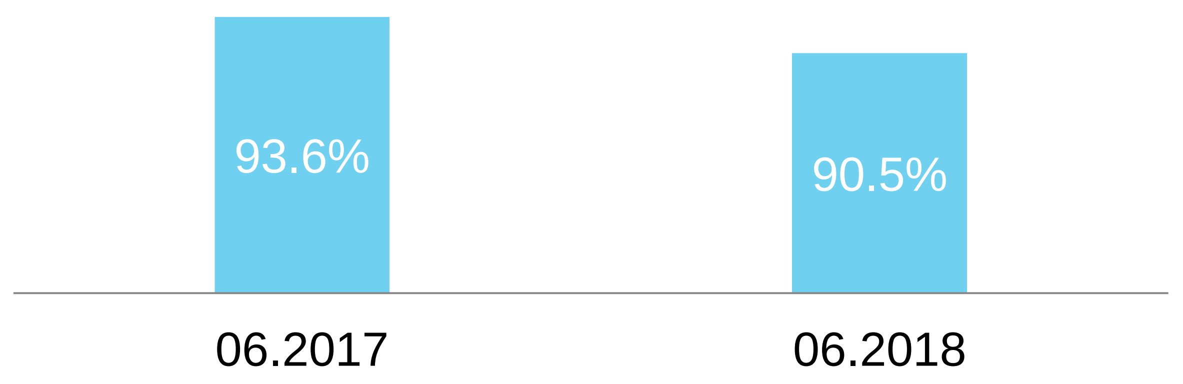
Higher sales in the Baltic States segment

non-life insurance

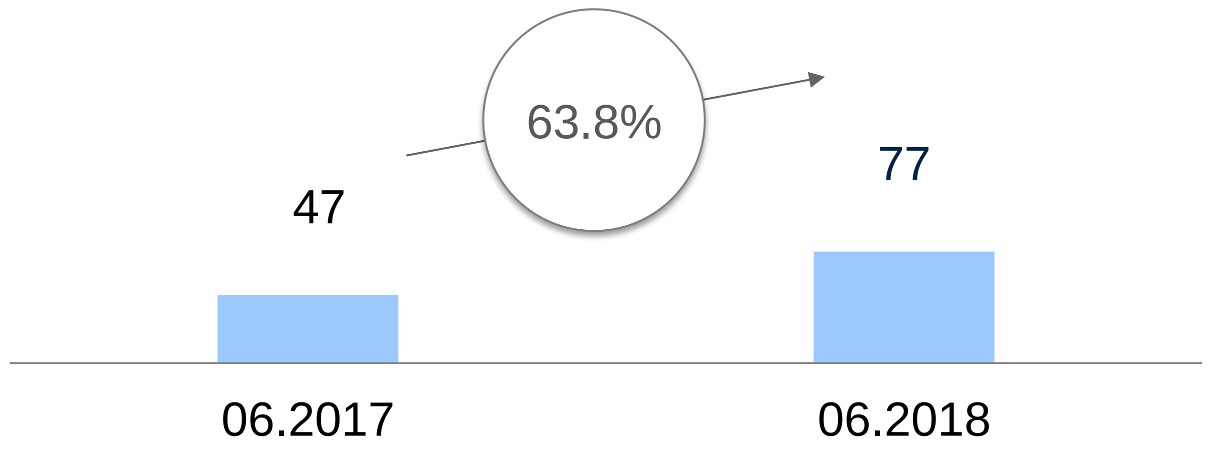
Gross written premium (m PLN)



Combined ratio (%)

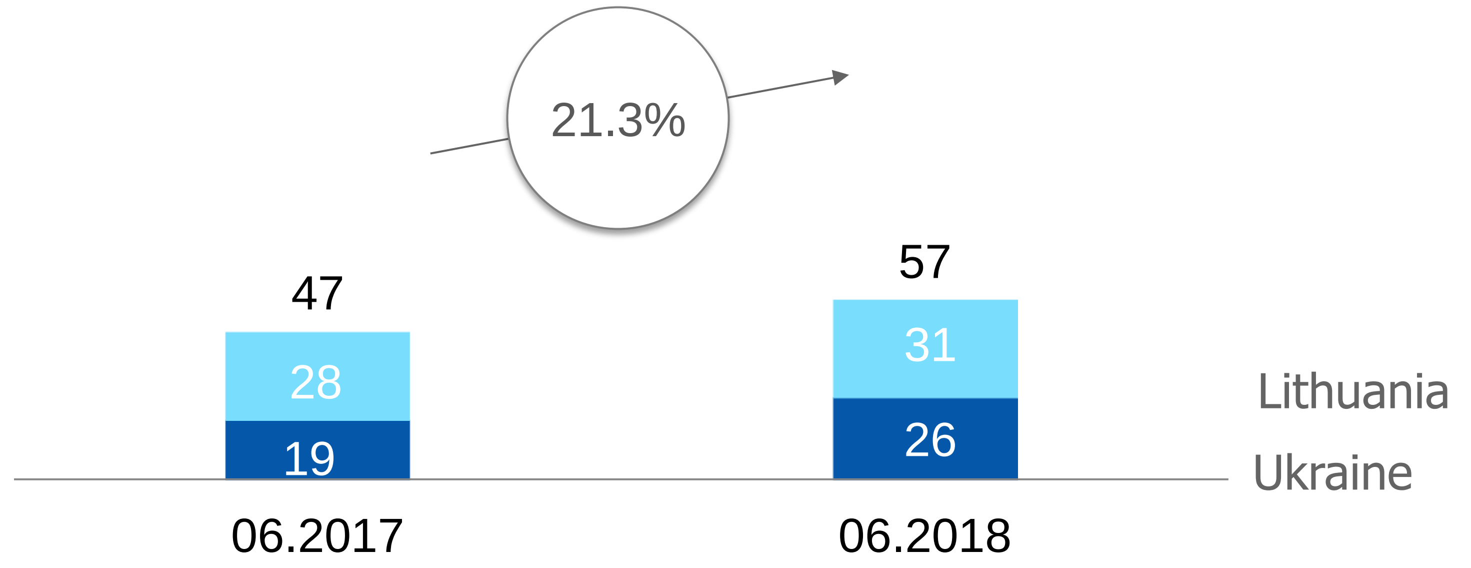


Insurance result (m PLN)



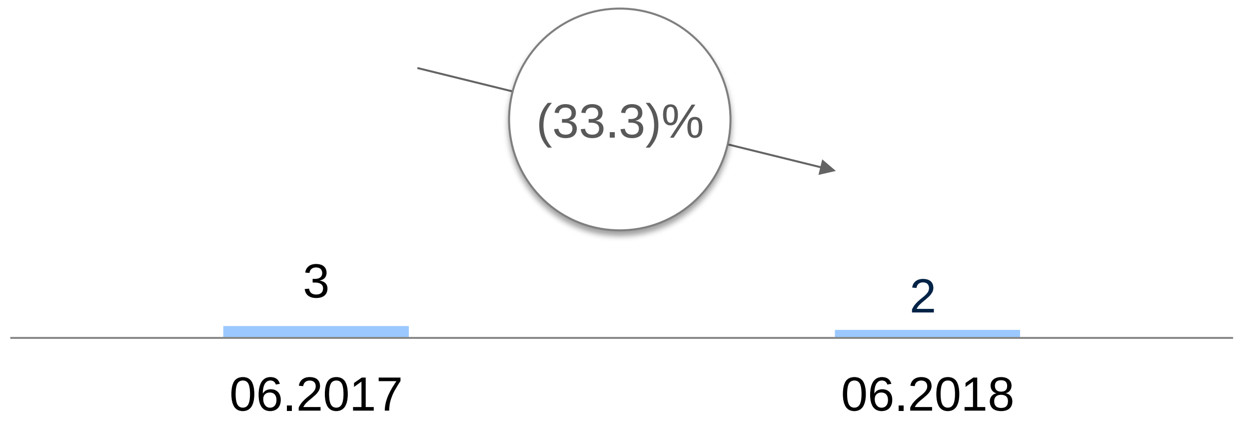
life insurance

Gross written premium (m PLN)



Margin (%)

Insurance result (m PLN)



x% - Change year-on-year

Recap – international business

Gross written premium

Non-life insurance:

- The growth in gross written premium in the Baltic region companies was possible chiefly by maintaining the upward trend of rates in motor insurance premiums in the region, higher sales of property insurance, mainly in Lithuania following the intensification of sales efforts, and a significant increase in gross written premium in health insurance in Latvia and Lithuania alike.
  - Lithuanian market leader Lietuvos Draudimas: 402 m PLN (last year: 346 m PLN);
  - AAS Balta in Latvia: 226 m PLN (last year: 188 m PLN);
  - Estonian branch of PZU Insurance: 128 m PLN (last year: 111 m PLN).
- Sales in Ukraine down 8 m PLN (though growth of 1.5% was posted in its functional currency).

Life insurance:

- Gross written premium in Lithuania up on endowment insurance sales to retail clients.
- Gross written premium in Ukraine rose 7 m PLN (up 47.3% in the functional currency).

Recap – international business

Insurance results

Non-life insurance:

- Combined ratio decline as a result of the following:
  - lower loss ratio - in the Baltic States thanks to the falling frequency of mass claims, in Ukraine as a result of reversing technical provisions from previous years;
  - 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; partially reduced by the higher ratio in Ukraine as a result of higher sales in the affinity channel;
  - cutting the administrative expense ratio was possible chiefly due to maintaining cost discipline coupled with the growth in the magnitude of business.
- Growth in the insurance result (up 30 m PLN) in non-life insurance propelled by higher sales and due to the positive results generated by the companies in the Baltic States segment.

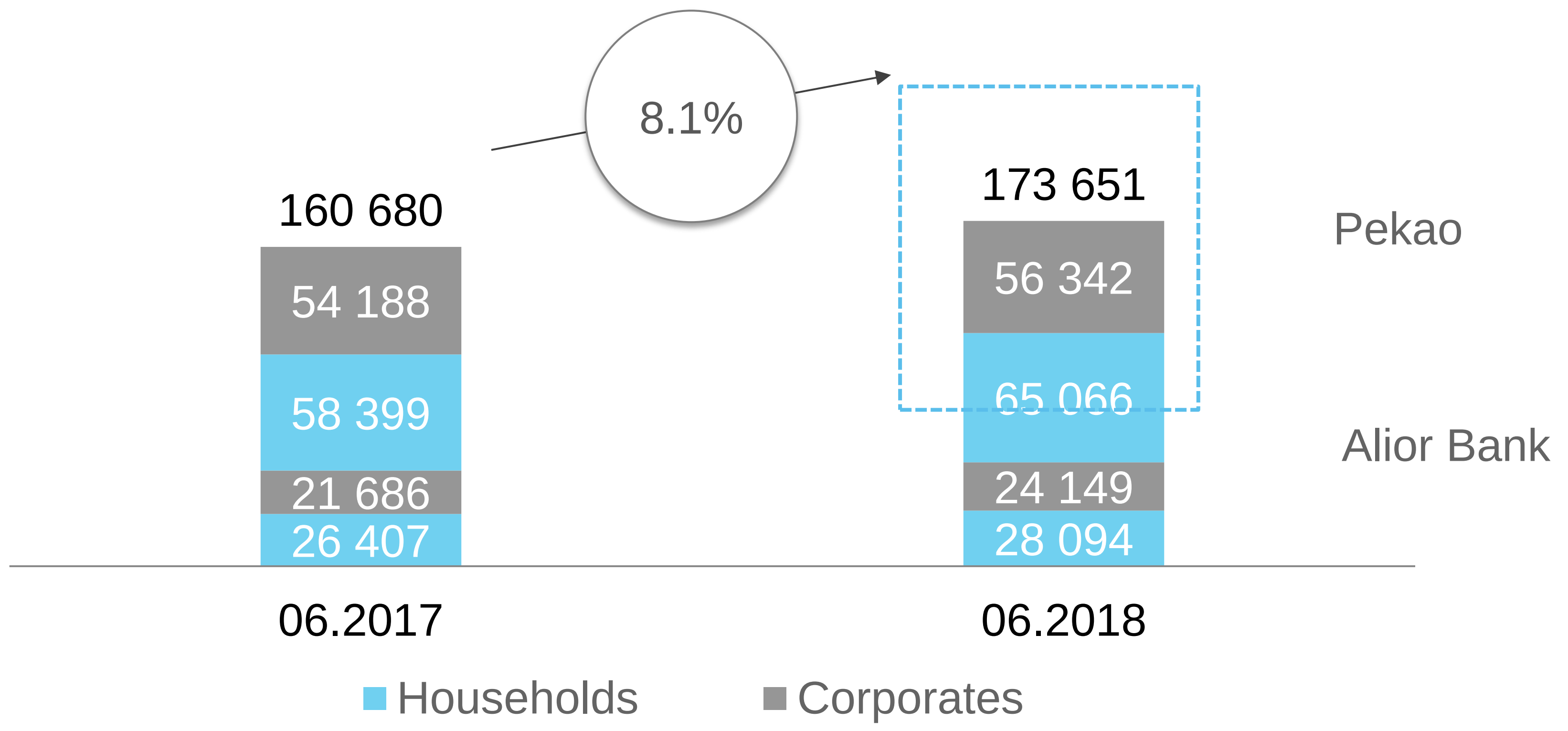
Life insurance:

- Improved result (up 1 m PLN) in the Ukraine segment, chiefly driven by higher sales coupled with the decline (down 2 m PLN) of the result in Lithuania, mostly as an effect of lower investment income.

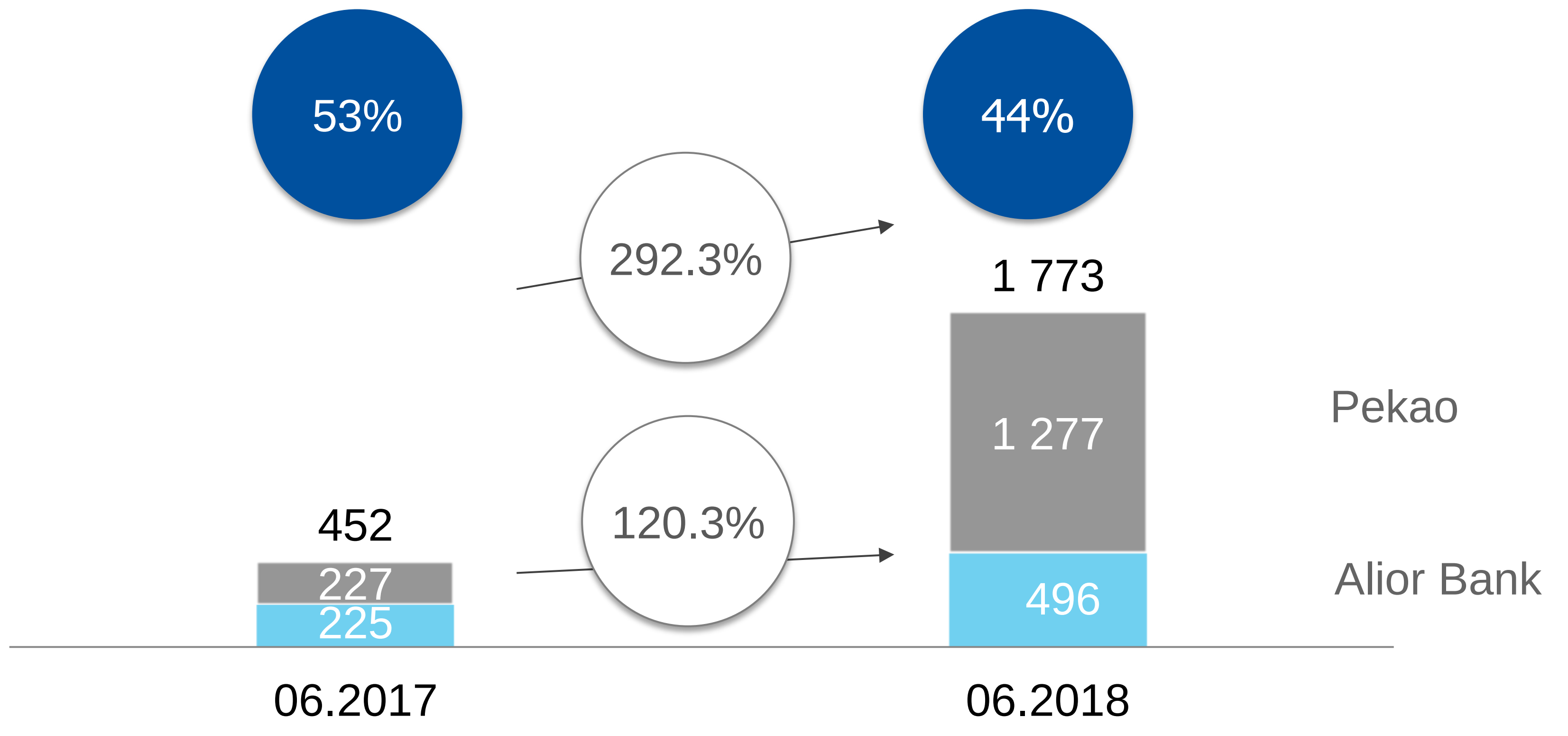
Banking activity

Positive growth rate in loan receivables

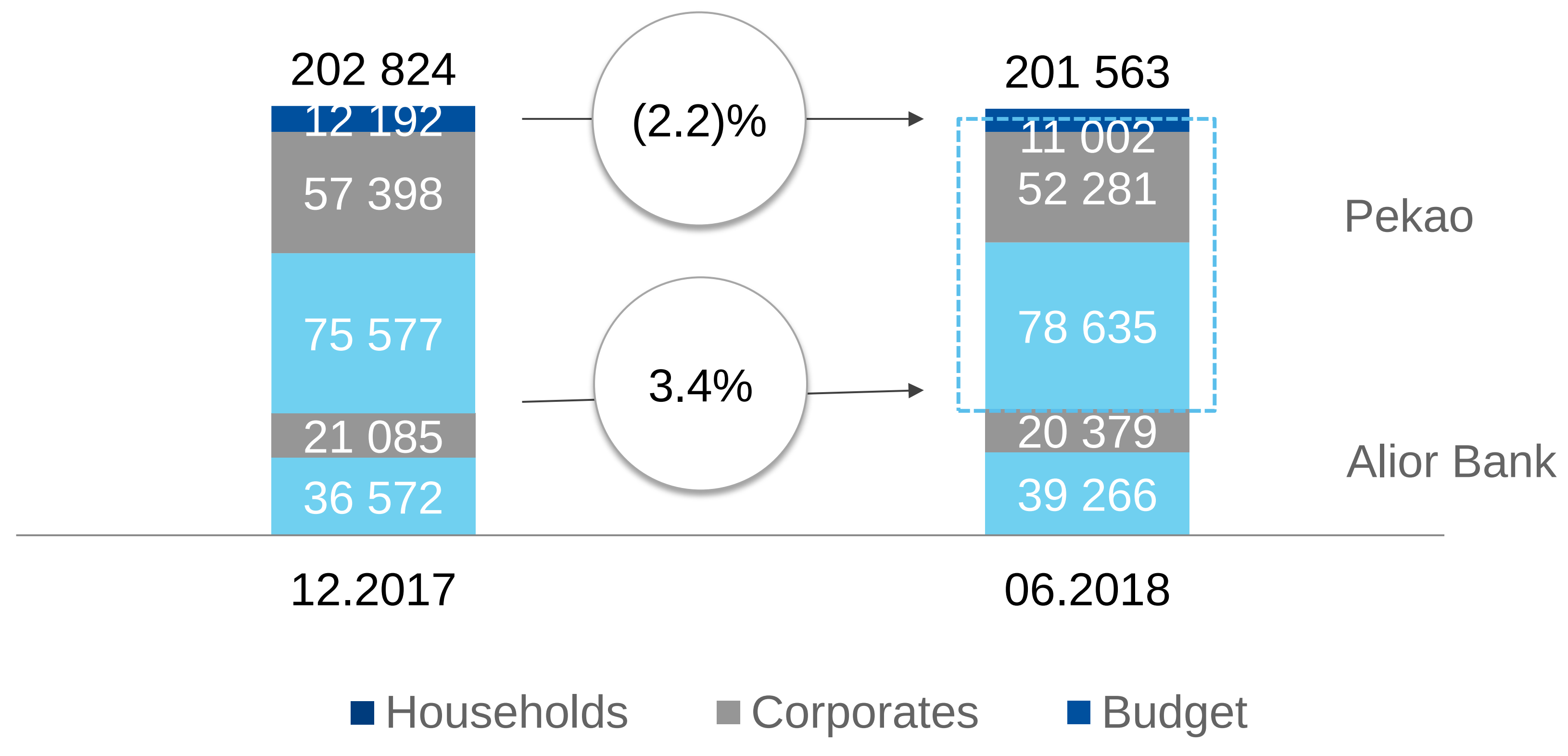
Loan portfolio by segment (m PLN)



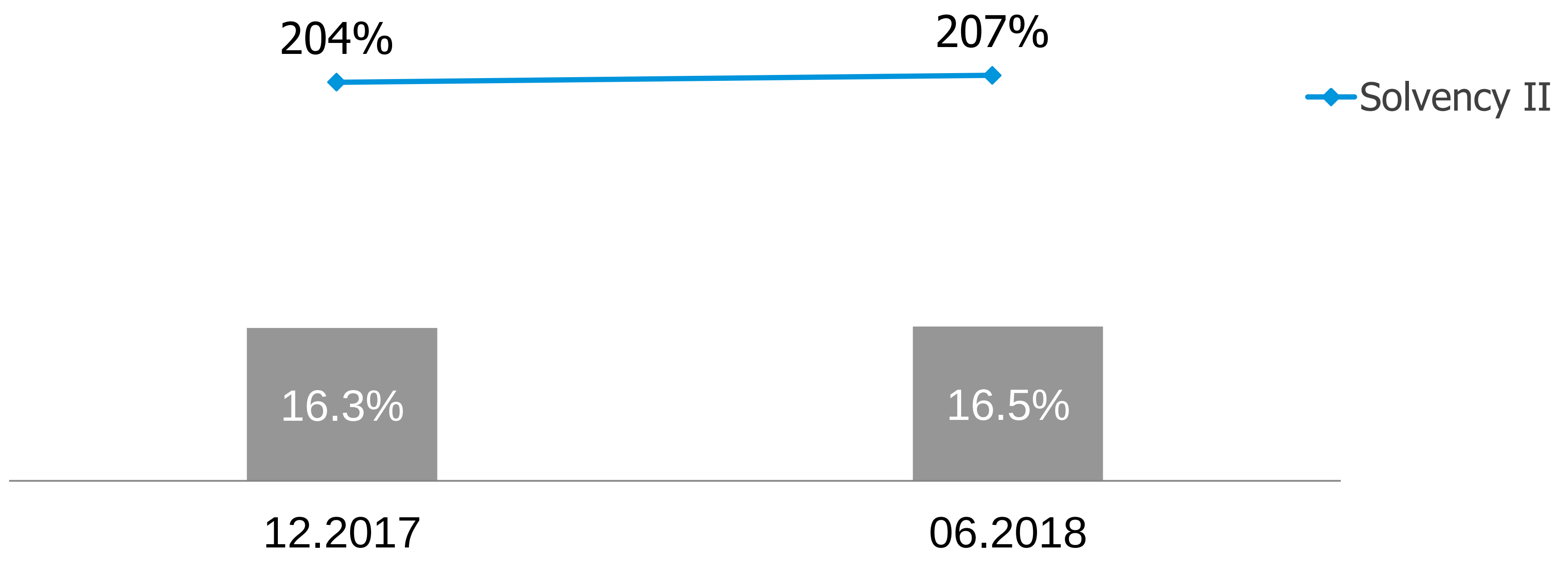
Operating profit (m PLN) and the Cost/Income ratio[1]



Liabilities to clients (deposit base) by segment (m PLN)[3]



Total capital ratio (TCR) and according to Solvency II[2]



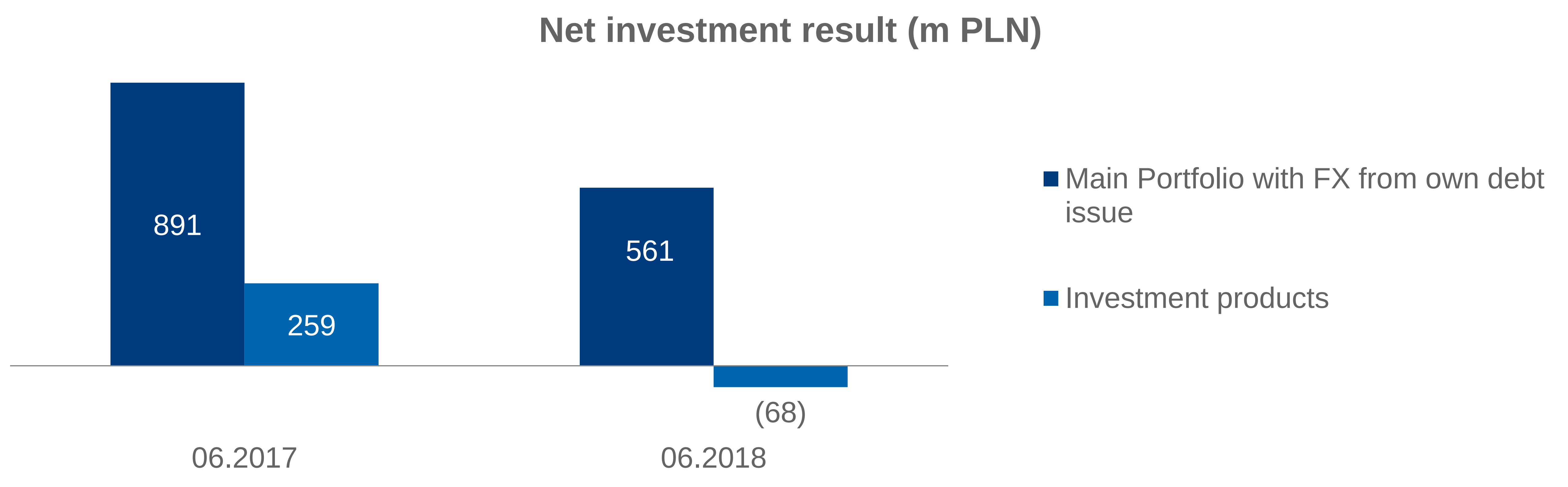
x% - Change year-on-year

x% - Cost/Income

1) Data in accordance with PZU's financial statements
2) Data jointly for Pekao and Alior Bank pro rata to the equity stakes held
3) Data in accordance with Pekao and Alior Bank's financial statements

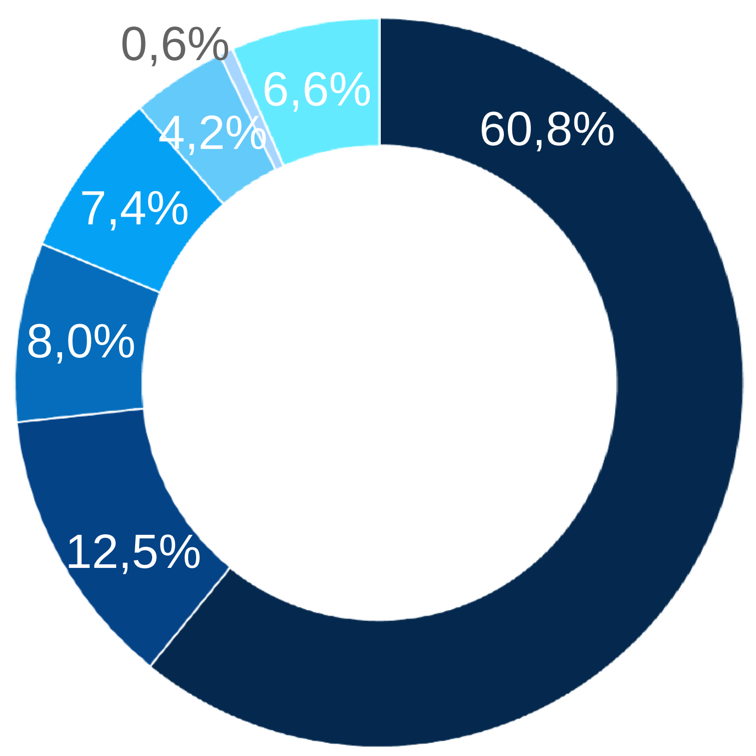
Investments

Lower result on publicly-traded equities partially offset by the higher result on Polish treasury bonds MTM



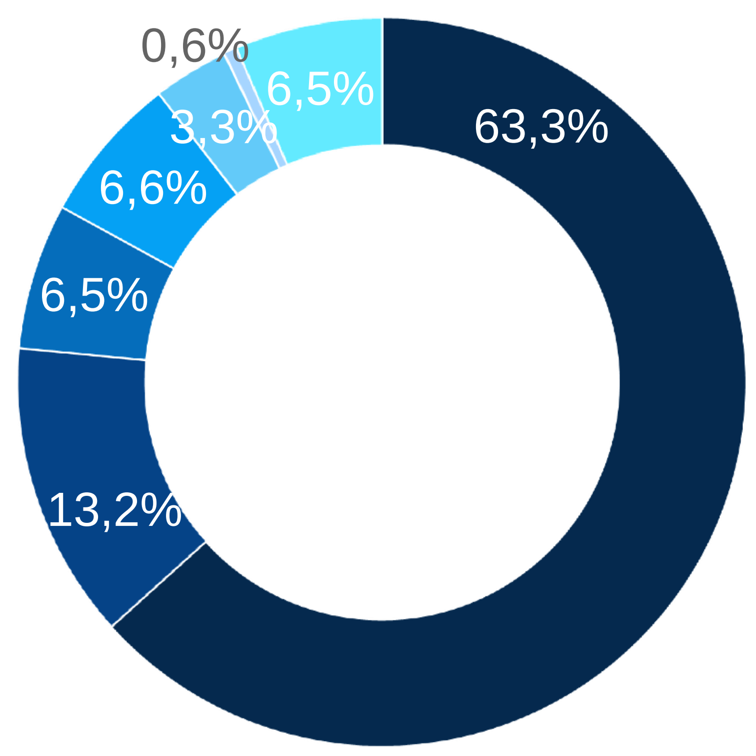
December 2017 Main portfolio composition

40.6 bn PLN



June 2018 Main portfolio composition

42.0 bn PLN



Debt market instruments - treasury

Debt market instruments - non-treasury

Global macro

Money market instruments

Equity instruments - quoted

Equity instruments - unquoted

Investment property

Recap – investments

Net investment result:

the net investment result on the Main Portfolio in H1 2018 was down 330 m PLN primarily due to the following:

- softer performance on listed equities, driven in particular by the deterioration of market conditions on the WSE – the WIG index fell by 12.2% in H1 2018 compared to 17.9% growth in the corresponding period of the previous year;
- negative impact exerted by the foreign exchange differences on own debt securities in conjunction with the depreciation of the PLN versus EUR following appreciation in the comparable period, partially offset by stronger performance of investments denominated in EUR;
- softer performance on interest-bearing financial instruments driven chiefly by the following:
  - losses incurred in the foreign bonds portfolio after yields rose on their base markets;
  - lower results of the HTM bond portfolio, driven by maturities of the portion of the portfolio that has a higher profitability than can currently be achieved on the market.

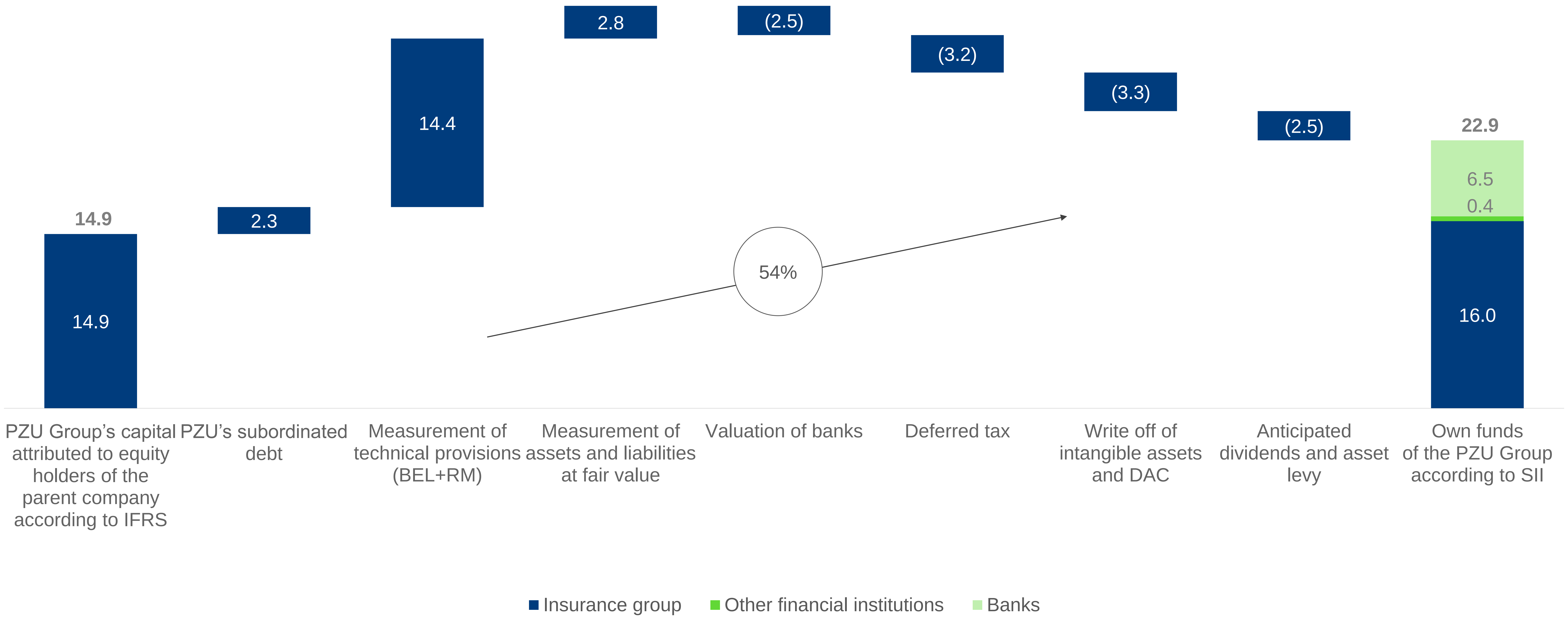
Net investment result on the portfolio of assets to cover investment products down 327 m PLN y/y predominantly due to worse makret conditions on the WSE - no impact on the PZU Group’s overall net result.

GROUP FIGURES AS AT 31 DECEMBER 2017 ACCORDING TO SOLVENCY II

Group’s own funds

PZU Group’s data under Solvency II / 31 March 2018 (bn PLN, unaudited data)

Comparison of own funds and consolidated equity according to IFRS



x% - Difference

Group’s own funds

Solvency II data as at 31 March 2018

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).

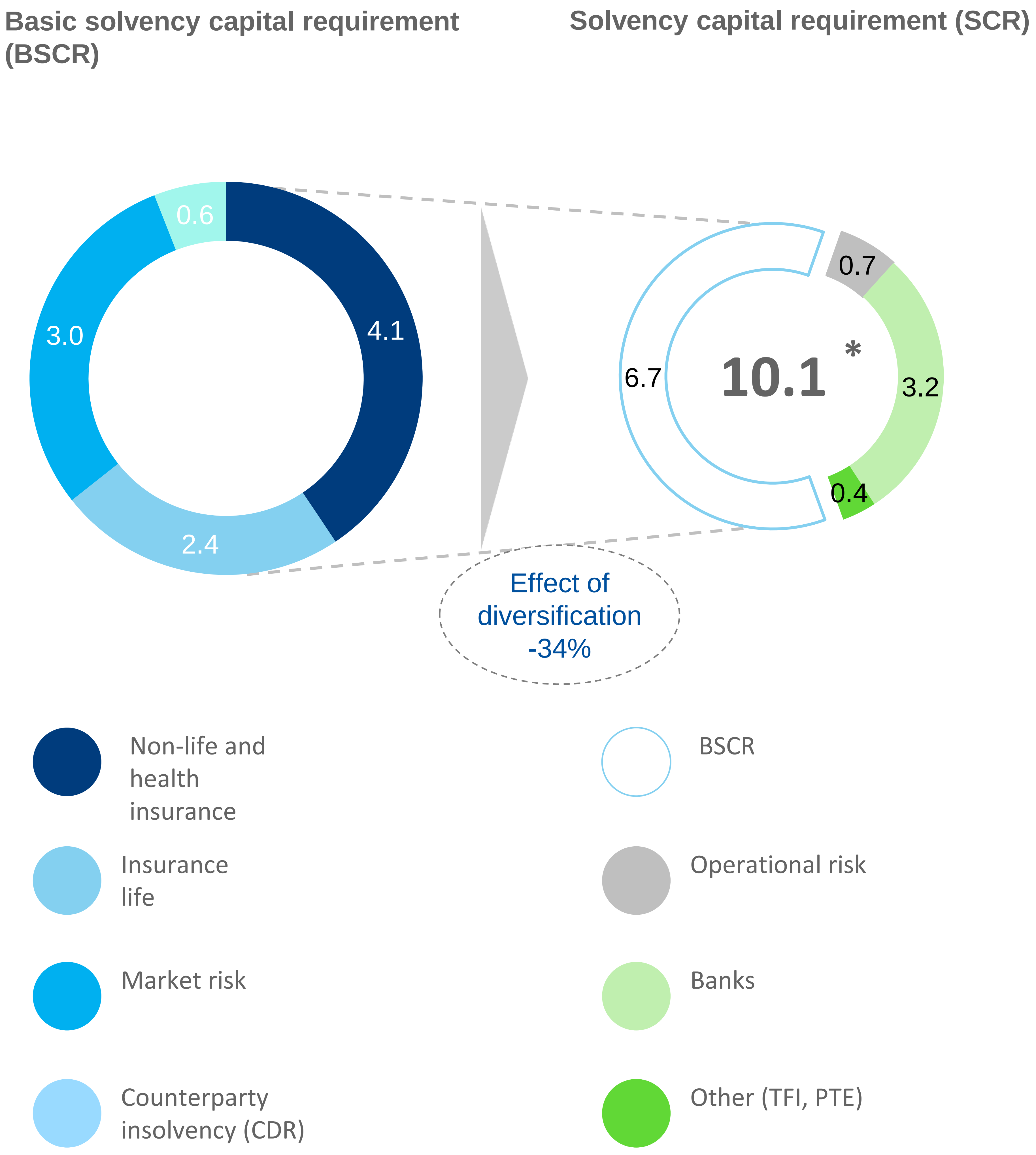
According to SII regulations:

- 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[1];
- deferred tax is calculated on the temporary differences between the valuation of assets and liabilities according to SII and IFRS. Similarly to IAS 12, absence of deferred tax on differences pertaining to related parties (e.g. banks).
- own funds according to SII minus:
  - the amount of anticipated dividends[2];
  - 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).

1) Intangible assets and deferred acquisition costs whose value for the purposes of SII is zero are an exception.
2) 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

PZU Group's data under Solvency II / 31 March 2018 (bn PLN, unaudited data)



Solvency requirement down in Q1 2018 by 0.3 bn PLN. The main reasons for the movement in SCR:

- decline in the requirement for a counterparty's default risk by 0.3 bn PLN** in connection with the lower balance of settlements for transactions concerning financial instruments;
- SCR market risk down 0.3 bn PLN** on account of the following:
  - higher impact of market risk diversification thanks to applying the matrixes for correlation contemplated for a scenario positing an interest rate hike (thus far a scenario calling for an interest rate decline shock has been used); considering the volatility of interest rates, this effect may reverse in the future, for instance if the yield curve for Polish government bonds flattens;
  - lower exposure to equity price risk and the slightly higher exposure to the credit risk spread;
- no material change in the risk requirement for non-life insurance ensuing from a higher charge on premiums and provisions and the more pronounced impact of limiting risk related to more profound reinsurance of catastrophic risks.

* 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.

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