PZU Group's financial results for 2015

Warsaw, 15 March 2016

PZU Management Board

Michał Krupiński
CEO

Dariusz Krzewina
PZU Życie CEO/
PZU Board Member

Responsible for:
- corporate insurance;
- financial insurance;
- agency sale of life insurance;
- products management of life insurance.

Przemysław Dąbrowski
PZU / PZU Życie
Board Member

Responsible for:
- accountancy;
- planning and controlling;
- accounting operations and debt collection;
- actuary.

Beata Kozłowska -Chyła
PZU / PZU Życie
Board Member

Responsible for:
- administration and purchases;
- non-life operations (post-sales contract support);
- legal activities.

Roger Hodgkiss
PZU / PZU Życie
Board Member

Responsible for:
- retail sale of non-life insurance;
- direct channels and sales support;
- sales network;
- CRM;
- products management of non-life insurance.

Robert Pietryszyn
PZU / PZU Życie
Board Member

Responsible for:
- foreign operations;
- health business;
- marketing;
- client relation management;
- bancassurance;
- property management.

Paweł Surówka
PZU / PZU Życie
Board Member

Responsible for:
- investments;
- macroeconomic analysis.

Sławomir Niemierka
PZU Życie Board
Member

Responsible for:
- risk management;
- reinsurance;
- compliance;
- security.

Roman Pałac
PZU Życie Board
Member

Responsible for:
- claims handling and benefits.

Tomasz Karusewicz
PZU Życie Board
Member

Responsible for:
- technology and IT.

Agenda

1. Recap of the PZU Group’s financial results for 2015
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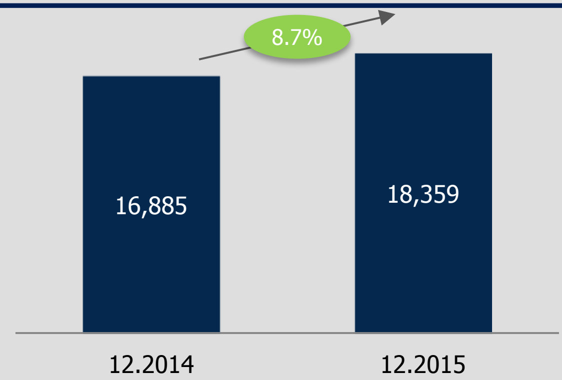
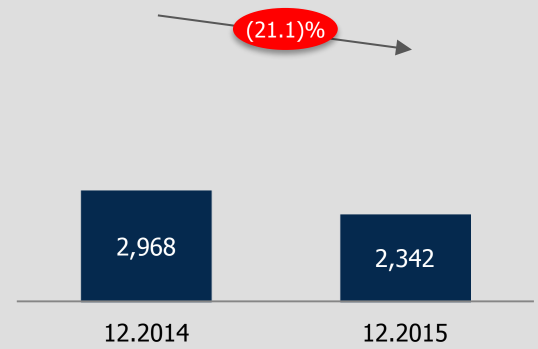
Net profit affected by fierce competition in motor insurance and the falling valuation of debt instruments

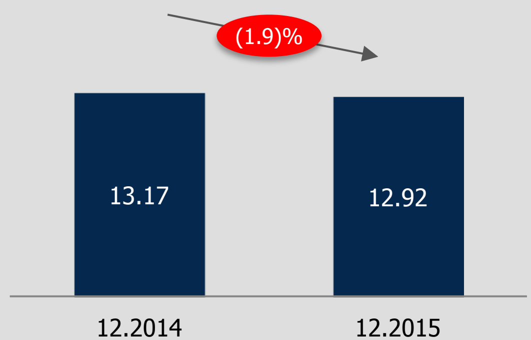
Gross written premium (m PLN)



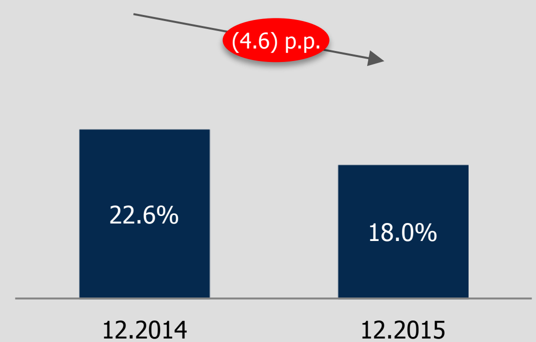
Net profit (m PLN)



Equity – parent company (bn PLN)



Return on equity (ROE) – parent company (%)*



x% - change year on year

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

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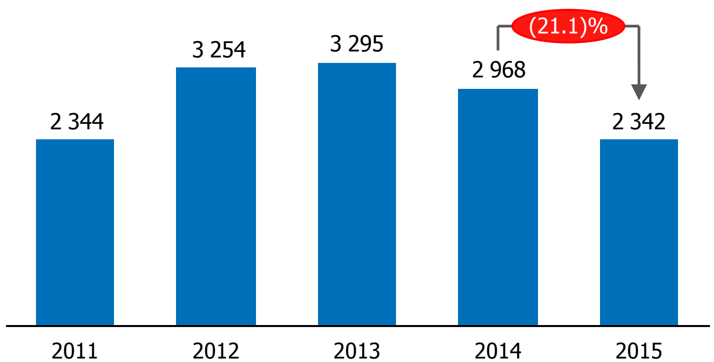
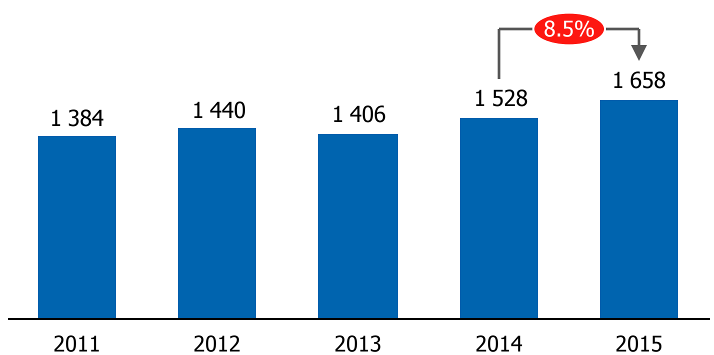
2015 results are an impulse to focus on core business

PZU Group's IFRS-compliant net financial result (m PLN)



PZU Group's IFRS-compliant administrative expenses (m PLN)

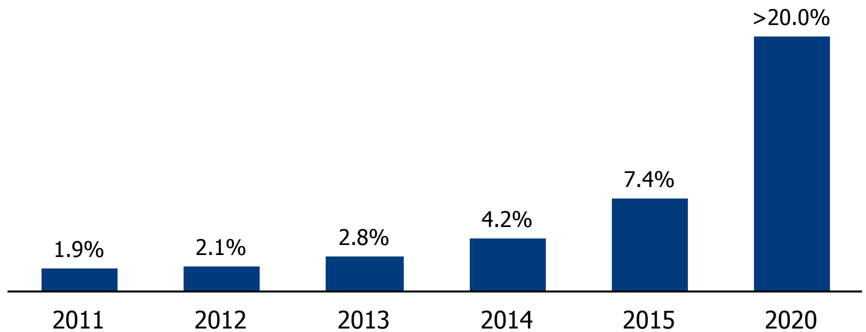


- **Understand customer needs better** and constantly adjust the organizational model to be customer-centric.
- **Retain current market share** to take full advantage of the economies of scale ensuing from being the leader.
- **Improve technical profitability**, also by managing prices better in the insurance portfolio.
- **Maintain the yield on investment activity** despite falling interest rates by pursuing a new investment strategy.
- **Optimize the level of expenses** – in 3 years fixed expenses will fall by **20%** compared to 2015.

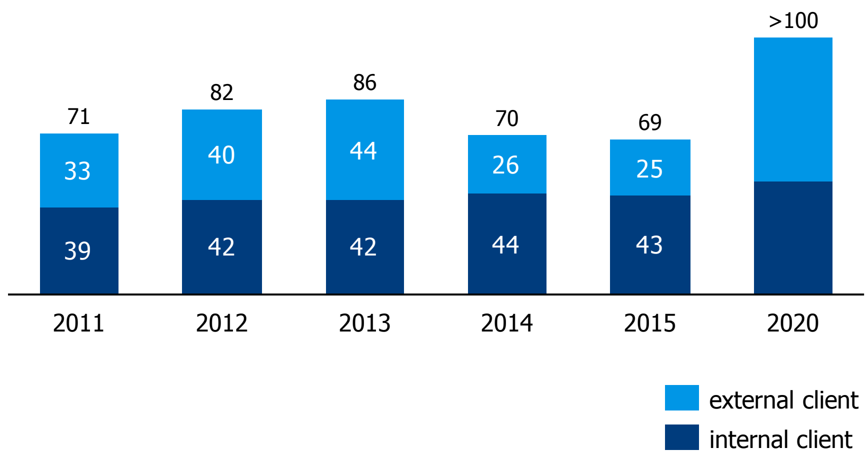
x% - Percentage change year on year

Effective execution of growth initiatives (1/2)

Premium on international business stated as a percentage of the PZU Group's premium (IFRS-compliant data)



Assets under management (bn PLN)*



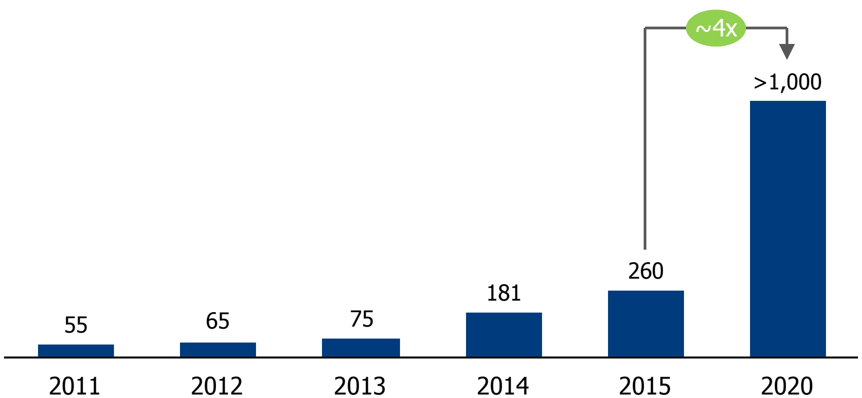
- **Expanding the significance of international business** – the percentage of non-Polish revenues will exceed **20%** by 2020.

- **PZU Investments as the largest asset manager in CEE** - attain a magnitude of **100 bn PLN** in assets under management.
- Attract another **30 bn PLN** in assets from customers through internal and external channels and sector consolidation.
- Open up own investments to third party clients, including the creation of new investment products (infrastructural, logistics and real estate funds).

**Sum total of assets invested for the PZU Group's own account and at its risk, TFI's assets under management (external client) and PTE's assets under management*

Effective execution of growth initiatives (2/2)

PZU Zdrowie revenues (m PLN)



- **PZU Zdrowie** as an insurance activity and a provider of outpatient services on a scale that allows on providing services across the country – **1 bn PLN** revenues in 2020.
- Investment treated as a strategic option in case of the development of the additional insurance products market or public health premium management by insurers.

x% - Percentage change year on year

PZU Group as the most innovative financial group in Europe

Accelerator of innovation	• Build a **culture of innovation** – PZU as the market leader in innovation, creation of modern solutions and market standards in PZU and PZU Życie, test solutions beating the market to the punch with Alior Bank, Link4 and the Baltic companies.
Tapping into customer knowledge	• Build the best competences on the market to conduct **data analysis** to enhance the number of products held by customers (CRM), underwriting and sales and service processes, as well as insurance fraud detection.
New products	• **Capacity to identify and insure new types of risks** (cyber crime, commercial risks, natural catastrophes). • Effectively **manage risk** for clients (from advisory services to insurance products).
Funding startups	• PZU Investments as a **catalyst of innovation –** corporate venture capital.

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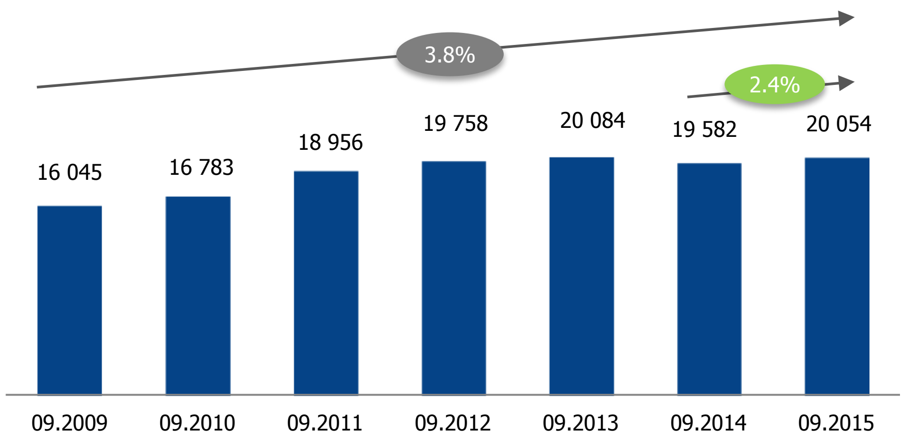
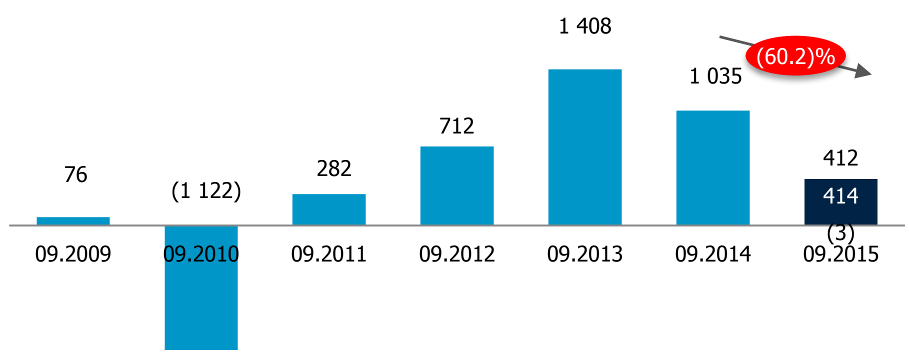
Non-life insurance market in Poland

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



Technical result (m PLN)



x% - Percentage change year on year

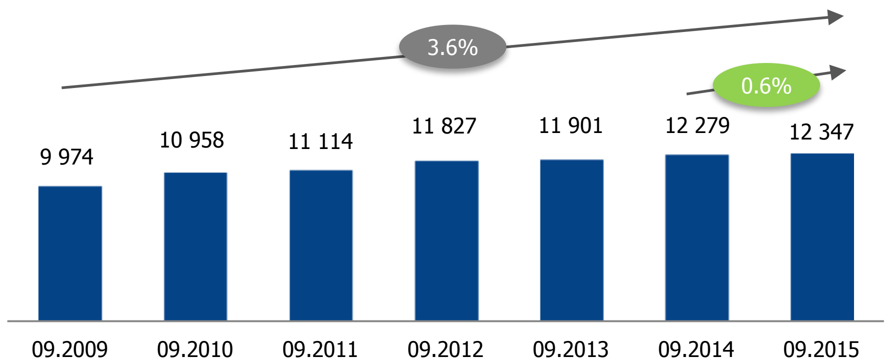
xx% - CAGR

- Reversion to growth trend after slight deceleration in 2014.
- PZU Group's strong market position in motor own damage insurance with a market share of **40.1%*** and motor TPL with a market share of **37.6%***.
- PZU Group's market share in non-life insurance at the end of Q3 2015 is **33.0%*** (of which PZU has **31.2%*** and Link4 has **1.9%**).
- PZU Group's technical result stated as a percentage of the market's technical result is **100.6%***, which with a **33.0%*** market share measured by gross written premium confirms the high profitability of its insurance business.

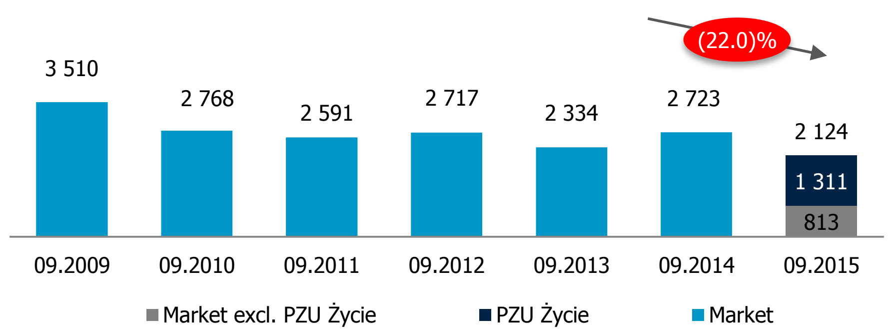
**according to the Polish FSA's Q3 2015 report; the market and market shares including PZU's inward reinsurance from Link4*

Life insurance market in Poland

Gross written premium on regular business (m PLN)



Life insurance technical result (m PLN)



- PZU Życie's regular premium market share stable at **43.9%** at the end of Q3 2015.
- Another year of growth in regular gross written premium on the life insurance market - growth rate y/y of **0.6%**, with PZU Życie reporting **2.9%** while the other insurance undertakings in total reported **-1.2%.**
- The life insurance market net of PZU is selling y/y more unit-linked products in individual form while at the same time curtailing the sales of protection products.
- High profitability of PZU Życie's technical result versus the overall market – the margin commanded by PZU Życie – **21.6%** as opposed to other insurers – **5.5%**.
- The decline in the overall market's technical result in the first three quarters of 2015 is an effect of diminished profitability in all groups, especially unit-linked life insurance (Group III) (besides PZU Życie), and for other groups it is chiefly the effect of the lower investment result.

x% - Percentage change year on year

xx% - CAGR

PZU is the insurance leader in Poland

Market share non-life insurance		Δ 3Q 2014 – 3Q 2015
UNIQA	3.8%	(0.4) p.p.
Allianz	7.5%	(0.5) p.p.
VIG	7.5%	(1.6) p.p.
ERGO HESTIA	13.6%	0.6 p.p.
talanx.	16.5%	0.1 p.p.
PZU, Link4	33.0%*	0.0 p.p.

Market share life insurance (regular premium)		Δ 3Q 2014 – 3Q 2015
GENERALI GRUPPE	4.8%	0.1 p.p.
talanx.	5.2%	(0.5) p.p.
VIG	5.4%	0.1 p.p.
MetLife Amplico	5.6%	(0.1) p.p.
nationale nederlanden	7.4%	(0.1) p.p.
AVIVA	9.9%	0.4 p.p.
PZU	43.9%	1.0 p.p.

Groups:
Allianz- Alllianz, Euler Hermes; Ergo Hestia - Ergo Hestia, MTU (merger with Ergo Hestia on 31 Oct. 2014); PZU – PZU, Link4 (as of 15 Sept. 2014); Talanx - Warta, Europa; VIG - Compensa, Benefia, Interrisk

Groups:
Talanx - Warta, Europa, Open Life; VIG - Compensa Życie, Polisa Życie, Skandia Życie, Benefia (merger with Compensa Życie on 30 Sept. 2014); Aviva - Aviva TUnŻ, BZ WBK-Aviva TUnŻ

**according to the Polish FSA's Q3 2015 report; the market and market shares including PZU's inward reinsurance towards Link4*

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Factors affecting Group's results

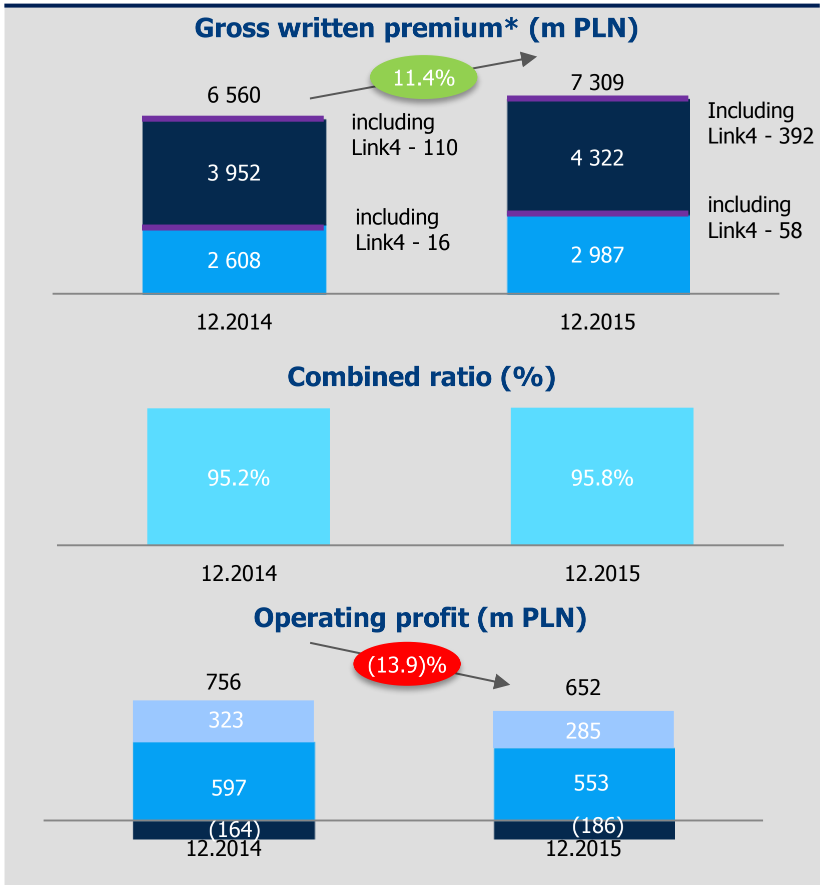
Non-life insurance	• **Fierce price competition continues to be felt**, translating into a low average premium in motor TPL insurance, thereby adversely affecting portfolio profitability. • Lower level of claims and benefits in general third party liability insurance (decline in the level of technical provisions for claims from previous years).
Life insurance	• **Sustained profitability** - Q4 2015 was another quarter of high profitability in the group and individually continued insurance segment as with full year profitability (following diminished profitability in Q1 2015 contributing to the decline in YTD profitability); the higher loss ratio in protection insurance is an offshoot of the higher frequencies of death-related events confirmed by statistics published by the Central Statistics Office [GUS].
Investments	• **Net result on investing activity fell chiefly following**: - lower valuation of interest-bearing financial assets; - poorer performance on derivatives acquired chiefly for trading purposes to manage risk appropriately in investment portfolios.
Client service	• **Customer satisfaction ratios** outpacing the competition translating into preferences for selecting insurance from PZU: - the customer satisfaction level among customers who in the last 12 months participated in the claims handing process or had a benefit payment is **7 p.p. higher** than with the competitors.*
International operations	• Measures to integrate the operations of the Baltic companies. • On 30 September 2015 PZU executed a deal to sell PZU Lithuania whose purpose was to satisfy the conditions imposed by the Lithuanian antitrust authority for the consent to acquire Lietuvos Draudimas and thereby to complete the transaction to acquire the market leaders in the Baltic States - the gross sales result on PZU Lithuania was 165.5 m PLN.

ROE 18.0 %

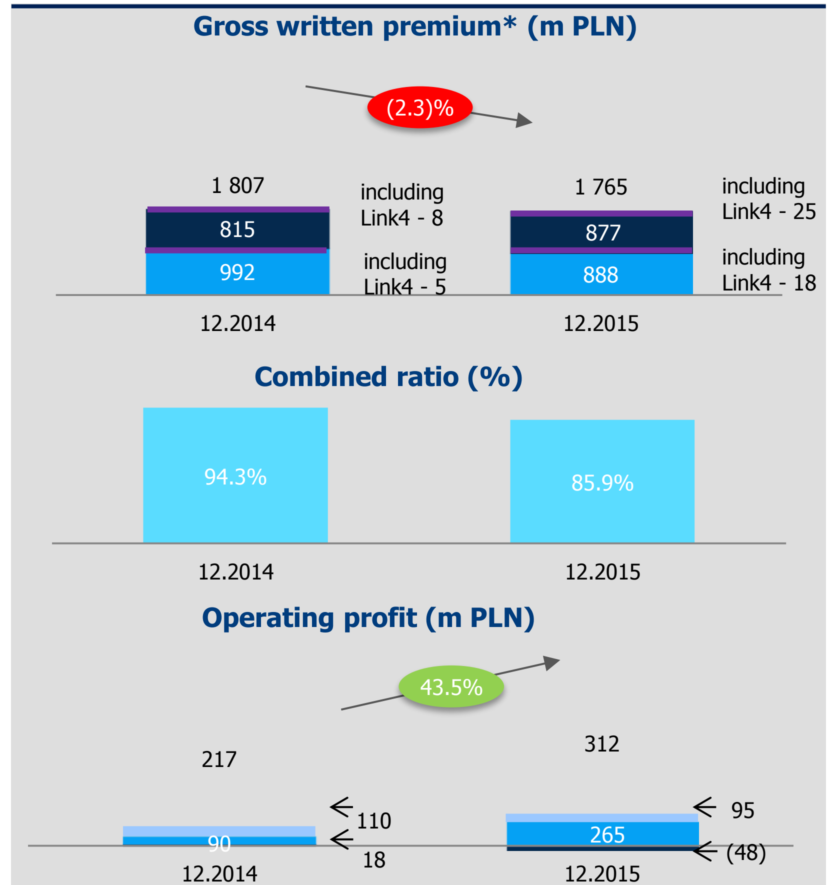
* NPS (Net Promoter Score) is 11% for PZU clients. Monthly research conducted by GFK Polonia under an engagement from PZU. The data presented here are the cumulative result of monthly readings from January to December 2015.

Non-life insurance
Fierce price competition continues to be felt

mass segment



corporate segment



Motor insurance | *Non-motor insurance* | *Impact exerted by investment income allocated from Investments segment* | *Combined ratio computed jointly for motor and non-motor insurance*

**net of intragroup settlements*

x% - change year on year

Recap – non-life insurance

Mass segment

Higher gross written premium* y/y as a result of the following:

- higher motor insurance sales (including the effect of acquiring Link4 as of 15 September 2014) and higher premium of insurance of financial losses (due to long-term cooperation with a new Client under an obligatory quota share inward reinsurance agreement).

Operating profit down primarily driven by the following:

- higher level of claims and benefits in motor insurance driven mainly by the high dynamics of reported and paid claims in motor own damage insurance, partially offset by the lower level of mass claims in agricultural insurance.

  Additionally, the recognition in 2014 of higher claims provisions for bodily injury claims, including claims for compensation for claims from previous years affected the comparability of results;
- higher insurance activity expenses, including:
  - acquisition expenses as a result of higher inward reinsurance commissions (effect of entering into inward reinsurance agreements with the Group's subsidiaries companies) and indirect acquisition expenses;
  - administrative expenses mainly related to the expansion and initial usage of the Everest Platform (policy system for non-life insurance).

net of intragroup settlements

Corporate segment

Lower gross written premium* y/y as a result of the following:

- lower sales in the other TPL insurance group (result of finalizing several large tenders conducted by medical entities in December 2014; no impact on premium earned in 2014);
- sales growth in the motor own damage insurance group and the group fire and property insurance as a result of acquiring several strategic Clients and entering contracts for a period longer than one year.

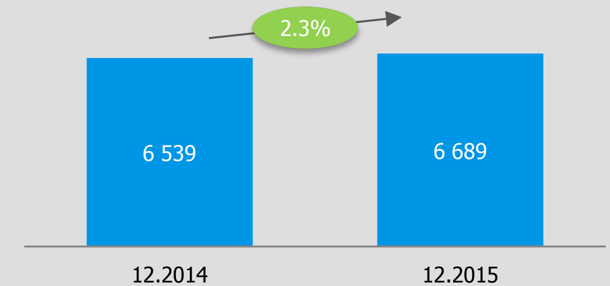
Operating profit up following:

- decline in claims and benefits, inter alia in the other TPL insurance group (lower level of provisions for previous years claims) and natural catastrophic insurance. Effect partially offset by higher claims and benefits in the motor insurance group as a result of the higher average claim payment and the higher number of reported claims;
- lower insurance activity expenses as the outcome of the following:
  - acquisition expenses down - effect of the higher level of deferred acquisition cost partially offset by higher indirect acquisition expenses and commissions from inward reinsurance;
  - administrative expenses up, inter alia as an effect of implementation of changes in Client relationship management, including mainly the implementation of a new model of the corporate insurance sales network.

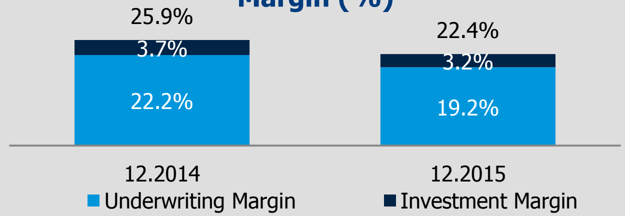
Life insurance
Persistently high operating profit margin

group and continued insurance segment

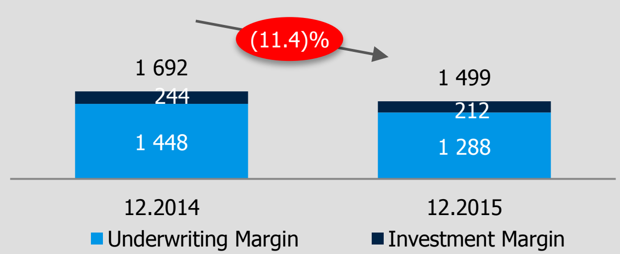
Gross written premium (m PLN)



Margin (%)*

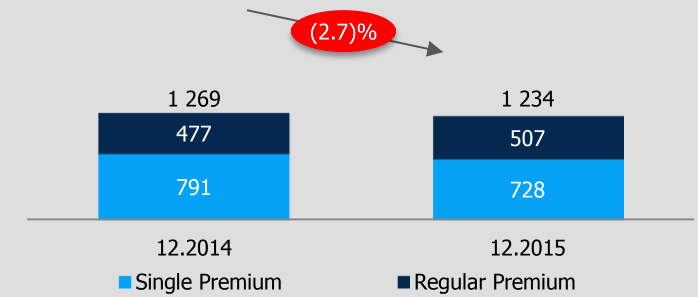


Operating profit (m PLN)*



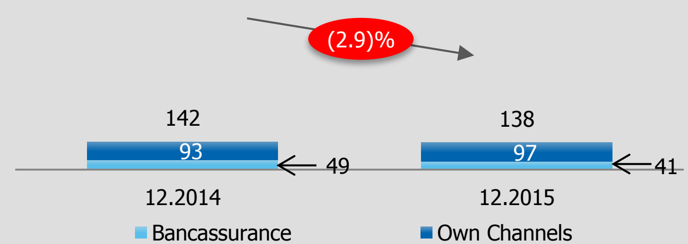
individual insurance segment

Gross written premium (m PLN)



Margin (%)

Annual premium equivalent (m PLN)



** Margin and operating profit net of the conversion effect*

x% *- change year on year*

Recap – life insurance

group and continued insurance segment

Drivers of higher gross written premium:

- rising number of insureds in group protection products and rising average premiums; at the same time, coverage using riders has also expanded;
- dynamic growth in group health insurance (new clients in outpatient insurance and sales of different options of the medicine product);
- upholding the policy of up-selling riders while concurrently indexing premiums in the underlying main contracts in individually continued products.

Operating profit down following:

- protection portfolio loss ratio up due to the greater frequency of deaths (confirmed by statistics published by the Central Statistics Office [GUS] on a similar effect in the entire population);
- lower investment income allocated according to transfer prices as an effect of the suppressed level of market interest rates;
- charge to the prevention fund (this cost was not incurred last year, eliminated at the consolidated result level) and higher costs of PZU Życie financing premium (higher sales of riders to individually continued insurance on promotional terms).

individual insurance segment

Gross written premium down driven by the following:

- lower sales of single premium investment products offered jointly with banks - unit-linked, structured and deposit products (the last group has been retracted from sale);
- regular premium savings product with a protection element called *Plan na Życie* retracted from sale;

In turn, the following factors produced a positive outcome:

- record-breaking subscriptions for a structured product in the dedicated channel;
- high sales of protection products - result of changes to the commission system and making the offering more attractive;
- growth in average contributions to IKE individual retirement accounts;
- launch of a new unit-linked product called *Cel na Przyszłość* in the dedicated channel.

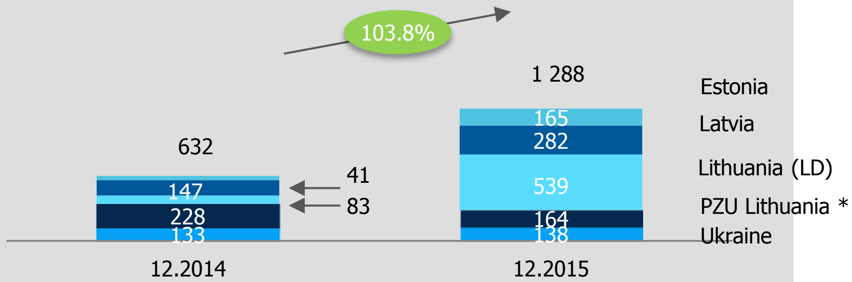
Sales channels:

- new sales in the bancassurance channel are down as a result of lower unit-linked sales and retracting single premium contracts in structured and deposit products;
- sales of protection products in the traditional channel are up from last year following a change in priorities in the distribution channels and additionally the record-breaking subscriptions for *Świat Zysków* and launching a new unit-linked product called *Cel na Przyszłość* .

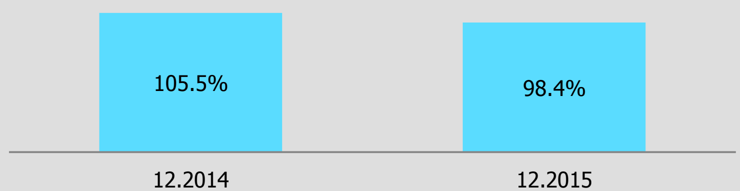
International business
Higher result driven by greater business volume in the Baltic States

non-life insurance

Gross written premium (m PLN)



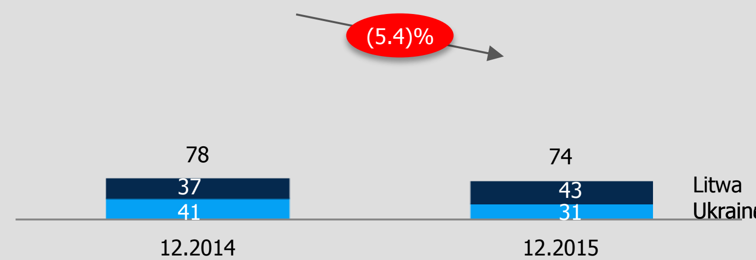
Combined ratio (%)



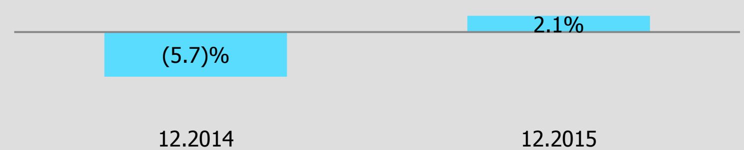
Operating result (m PLN)

life insurance

Gross written premium (m PLN)



Margin (%)



Operating result (m PLN)

** PZU Lithuania net of the branches in Latvia and Estonia*

x% - change year on year

Recap – international business

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 (in the PZU Group since November 2014) +539 m PLN (last year: +83 m PLN);
  - Latvian market leader AAS Balta (since July 2014) +282 m PLN (last year: +121 m PLN);
  - Estonian branch of PZU Insurance (since November 2014) +165 m PLN (last year: +22 m PLN).
- Gross written premium expanded by 48.4% in Ukraine in the functional currency. Higher gross written premium was achieved by official price hikes, in particular motor TPL and Green Card and greater confidence in international insurers. As a result of depreciation in the hrivna, decline of 5 m PLN was recorded.

Life insurance

- Premium in Ukraine fell by 24.7% due to the hrivna's depreciation (premium up 15.2% in the functional currency);
- Sales in Lithuania up by 15.9% in individual and group insurance.

operating results

Non-life insurance

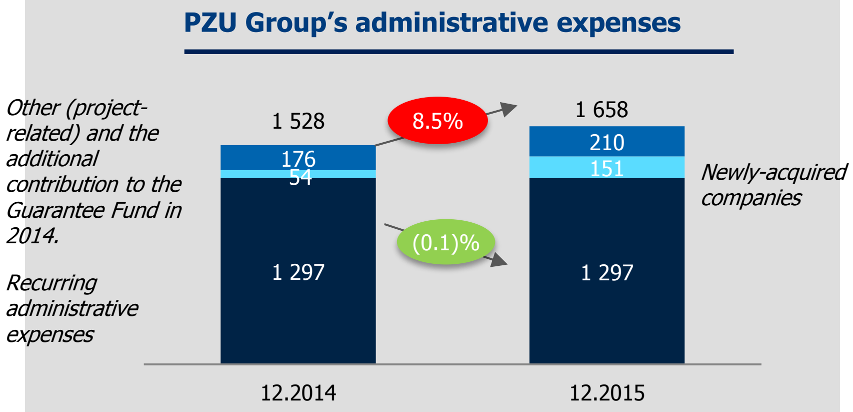
- Combined ratio drop:
  - loss ratio (60.6%) - down 0.5 p.p. due to the Baltic States segment accounting for a higher share;
  - administrative expense ratio down (14.0% versus 18.7% in 2014) as a consequence of acquiring new companies in which this ratio was 13.3%;
  - acquisition expense ratio down by 2.0 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 rising ratio in Ukraine driven by a change in the product mix.
- Operating result up (by 54 m PLN) in non-life business thanks to the positive results generated by the newly-acquired companies accompanied by a simultaneous deterioration of results in Ukraine.

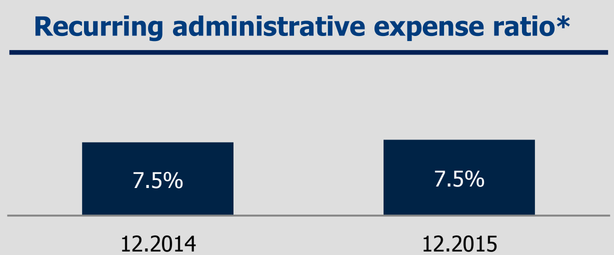
Life insurance

- Higher operating result (up 6 m PLN) in life insurance mainly thanks to the positive change in Ukraine (+7 m PLN).

Higher administrative expenses
Effect of implementing strategic projects and Group consolidation

m PLN





The following factors contributed to higher administrative expenses year on year:

- inclusion of administrative expenses incurred by newly-acquired insurance companies in the PZU Group's results;
- expenses up related to expanding the Everest Platform (target policy administration system for non-life insurance) and other strategic projects to enhance customer service quality in the offices of tied agents and expanding distribution channels.

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

Recurring administrative expenses *Other (including strategy implementation costs)* *Newly-acquired companies*

x% *- change year on year*

Agenda

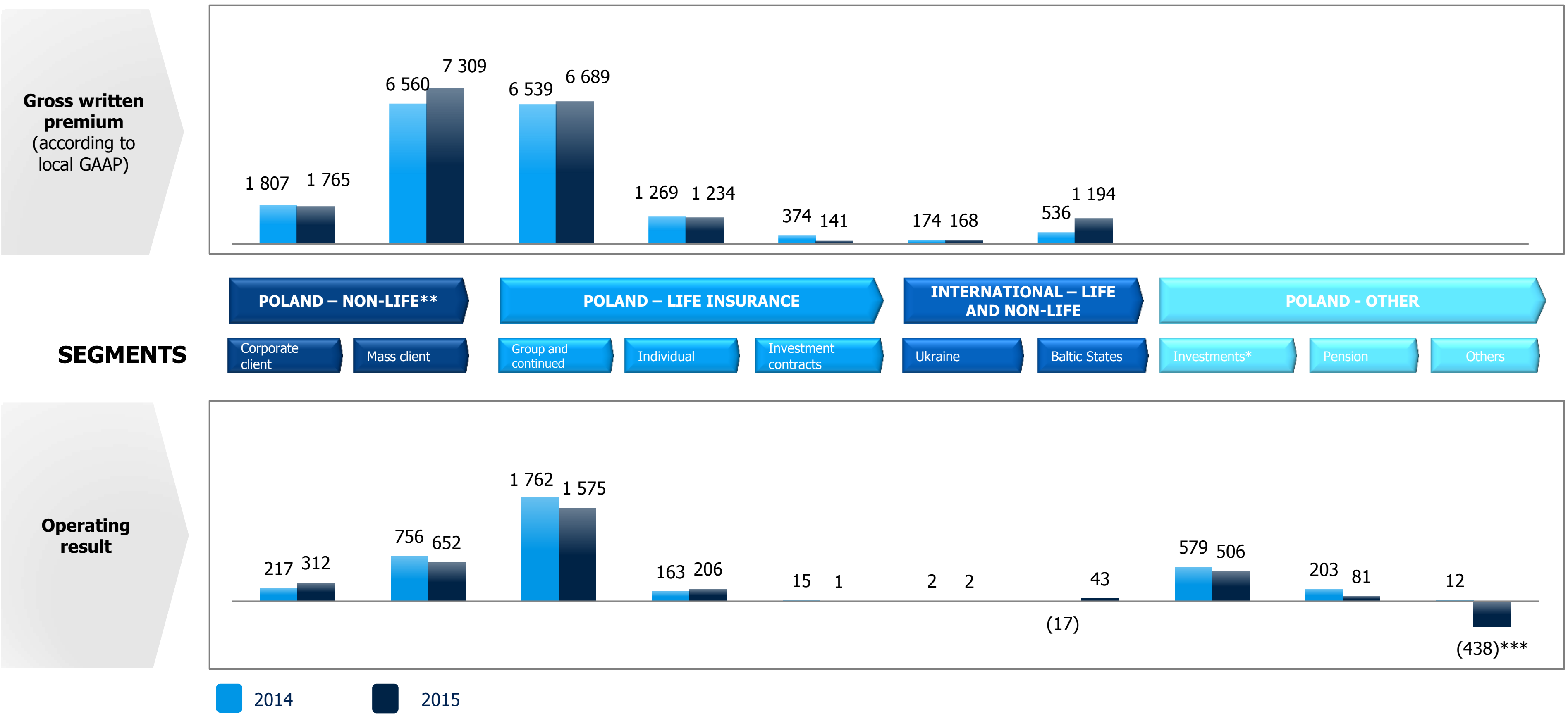
Key financial highlights

m PLN, IFRS	Q1- Q4 2014	Q1- Q4 2015	*Change YoY*	Q4 2014	Q4 2015	*Change Q4 2015 over Q4 2014*
Profit and Loss Statement						
Gross Written Premium	16 885	18 359	*8.7%*	4 476	4 898	*9.4%*
Premium Earned	16 429	17 385	*5.8%*	4 286	4 267	*(0.4)%*
Net investment Result	2 647	1 739	*(34.3)%*	497	329	*(33.8)%*
Interest Expenses	(147)	(117)	*(20.3)%*	(36)	(32)	*(9.7)%*
Operating Profit	3 693	2 939	*(20.4)%*	472	660	*39.6%*
Net Profit	2 968	2 342	*(21.1)%*	404	510	*26.3%*
Balance Sheet						
Equity	13 168	15 179	*15.3%*	13 168	15 179	*15.3%*
Total Assets	67 573	105 429	*56.0%*	67 573	105 429	*56.0%*
Principal Financial Ratios						
ROE*	22.6%	18.0%	*(4.6) p.p.*	12.5%	16.1%	*3.6 p.p.*
Combined Ratio**	95.7%	94.6%	*(1.1) p.p.*	111.9%	92.9%	*(19.0) p.p.*

** Ratio computed on the basis of equity at beginning and end of the reporting period. Computed for the parent company.*
*** Only for non-life insurance.*

Operating segment results

m PLN



** Investment income in the Investments segment – external operations*

*** Gross written premium net of intragroup settlements*

**** Including a loss of 175.8 m PLN due to movement in the fair value of the shares acquired under tranche I between the date of their purchase and the date of taking control of Alior Bank, i.e. 18 December 2015*

Profitability by insurance activity segment

Insurance Business Segments	Gross Written Premium ***			Operating Profit			Combined Ratio / Operating profit ratio*	
m PLN, local GAAP	Q1-Q4 2014	Q1-Q4 2015	*Change YoY*	Q1-Q4 2014	Q1-Q4 2015	*Change YoY*	Q1-Q4 2014	Q1-Q4 2015
Total Non-Life - Poland	**8 367**	**9 074**	***8.5%***	**974**	**963**	***(1.1)%***	**95.0%**	**94.0%**
Mass Insurance - Poland	**6 560**	**7 309**	***11.4%***	**756**	**652**	***(13.9)%***	**95.2%**	**95.8%**
Motor TPL Insurance	2 373	2 595	*9.3%*	(260)	(171)	*x*	116.5%	113.5%
Motor Own Damage	1 579	1 727	*9.4%*	96	(16)	*x*	92.9%	101.1%
Other products	2 608	2 987	*14.5%*	597	553	*(7.4)%*	76.2%	76.3%
Impact of investment segment allocation	x	x	*x*	323	285	*(11.7)%*	x	x
Corporate Insurance - Poland	**1 807**	**1 765**	***(2.3)%***	**217**	**312**	***43.5%***	**94.3%**	**85.9%**
Motor TPL Insurance	354	367	*3.7%*	(45)	(76)	*x*	114.0%	124.6%
Motor Own Damage	461	510	*10.6%*	63	28	*(54.9)%*	86.1%	95.8%
Other products	992	888	*(10.5)%*	90	265	*195.3%*	89.8%	59.1%
Impact of investment segment allocation	x	x	*x*	110	95	*(13,1)%*	x	x
Total Life - Poland	**7 808**	**7 923**	***1.5%***	**1 925**	**1 780**	***(7.5)%***	**24.6%**	**22.5%**
Group and Continued ** - Poland	**6 539**	**6 689**	***2.3%***	**1 692**	**1 499**	***(11.4)%***	**25.9%**	**22.4%**
Individual - Poland	**1 269**	**1 234**	***(2.7)%***	**163**	**206**	***26.3%***	**12.8%**	**16.7%**
Conversion effect	x	x	*x*	70	75	*7.9%*	x	x
Total Non-Life - Ukraine & Baltica	**632**	**1 288**	***103.8%***	**(10)**	**44**	***x***	**105.5%**	**98.4%**
Ukraine Non-life	**133**	**138**	***3.5%***	**7**	**(1)**	***x***	**102.5%**	**111.6%**
Baltic states Non-life	**499**	**1 151**	***130.5%***	**(17)**	**45**	***x***	**106.2%**	**97.5%**
Total - Life - Ukraine & Baltica	**78**	**74**	***(5.4)%***	**(4)**	**2**	***x***	**(5.7)%**	**2.1%**
Ukraine Life	**41**	**31**	***(24.7)%***	**(5)**	**3**	***x***	**(11.1)%**	**9.7%**
Lithuania Life	**37**	**43**	***15.9%***	**0**	**(1)**	***x***	**0.2%**	**(3.4)%**

** 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.*

**** Gross written premium net of intragroup settlements*

Restated data, pertains to 2014

Normalized operating profit

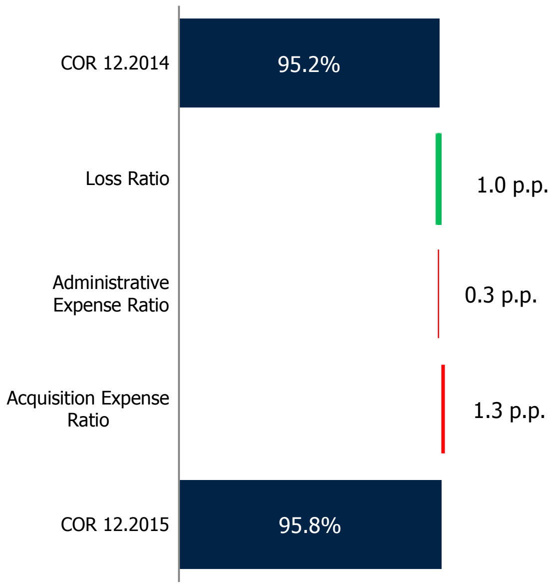
YTD, m PLN

m PLN, IFRS	2014	2015
Operating Profit (according to financial statements)	**3 693.2**	**2 939.4**
including:		
1 Commencement of the consolidation of the Alior Bank	-	(175.8)
2 Conversion effect (IFRS)	69.9	75.4
3 PZU Lithuania sales result	-	165.5

1. Loss due to movement in the fair value of the shares acquired under tranche I between the date of their purchase and the date of taking control of Alior Bank, i.e. 18 December 2015 is 175.8 m PLN.
2. Impact exerted by conversion of long-term policies into yearly renewable term agreements in type P group insurance.
3. Sale of PZU Lithuania on 30 September 2015 for a total of 67 m EURO (280 m PLN). Transaction in conjunction with expanding operations in the Baltic States.

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

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



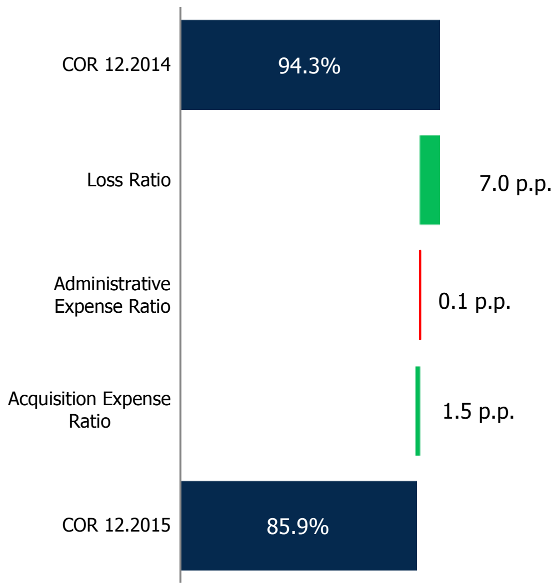
- Change in the loss ratio driven by the following:
  - loss ratio down in the property and agricultural insurance group (fewer mass claims);
  - lower level of claims and benefits in MTPL (recognition in 2014 of higher provisions for bodily injury claims including claims for compensation for claims from previous years);
  - higher claims and benefits in the motor own damage insurance group, inter alia as an effect of the higher dynamics of reported and paid claims.
- Change in the administrative expense ratio related to the expansion and initial usage of the Everest Platform (policy administration system for non-life insurance) and strategic projects to develop distribution channels and enhance Client service by tied agents.
- Growth in the acquisition expense ratio as a consequence of the following:
  - higher inward reinsurance commissions (effect of entering into inward reinsurance agreements with the Group's subsidiaries companies);
  - upswing in indirect acquisition expenses (including the expenses of sales-assisting activity aimed to improve the effectiveness of the sales network);
  - higher direct acquisition expenses as a result of the change to the sales channel mix (higher share of the multiagency and dealers channel).

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

- acquisition of Link4 which contributed to the segment's result from the time of its acquisition in September 2014 and led to various elements of the operating result surpassing the levels recorded in 2014.

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

Profitability
corporate insurance
Combined Ratio (COR - %)



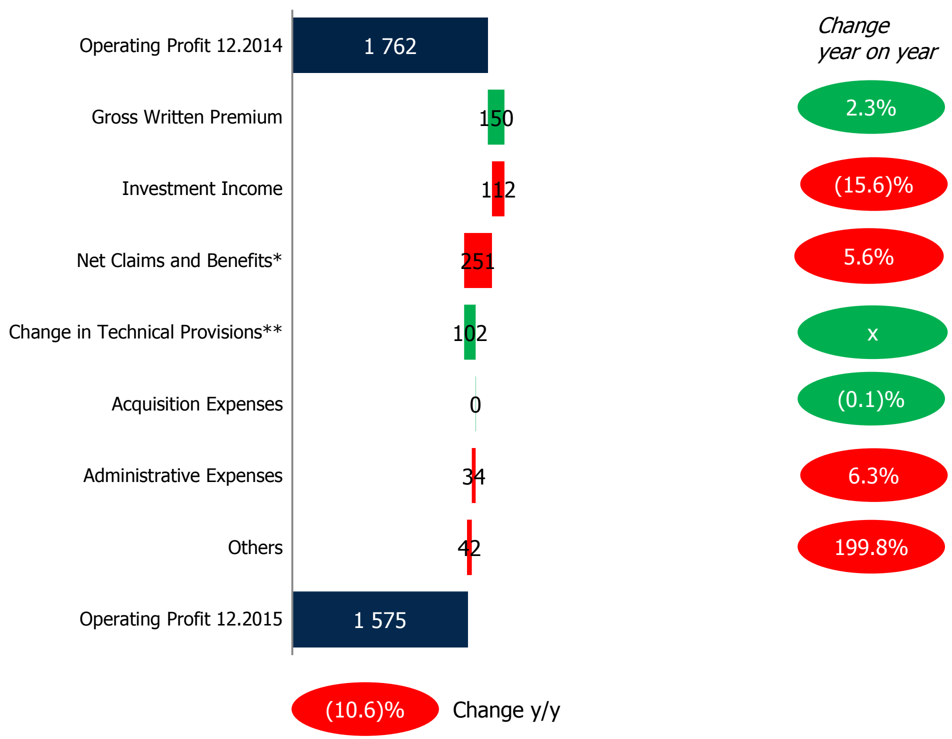
- Change in the loss ratio driven by the following:
  - Decline in claims and benefits in other TPL insurance as a result of the lower level of provisions for previous years claims and the lower loss ratio in insurance for claims caused by natural catastrophes;
  - higher level of claims and benefits in motor insurance as a result of the rising average claims payment and higher number of reported and paid claims.
- Administrative expense ratio at a level close to last year's. The level of expenses in 2015 was shaped inter alia by the expenses of implementation the new model of the corporate insurance sales network.
- The acquisition expense ratio is down due to the higher level of deferred acquisition cost partially offset by higher commissions from inward reinsurance and indirect acquisition expenses.

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

- acquisition of Link4 which contributed to the segment's result from the time of its acquisition in September 2014 and led to various elements of the operating result surpassing the levels recorded in 2014.

Group and continued insurance segment
(life insurance)

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



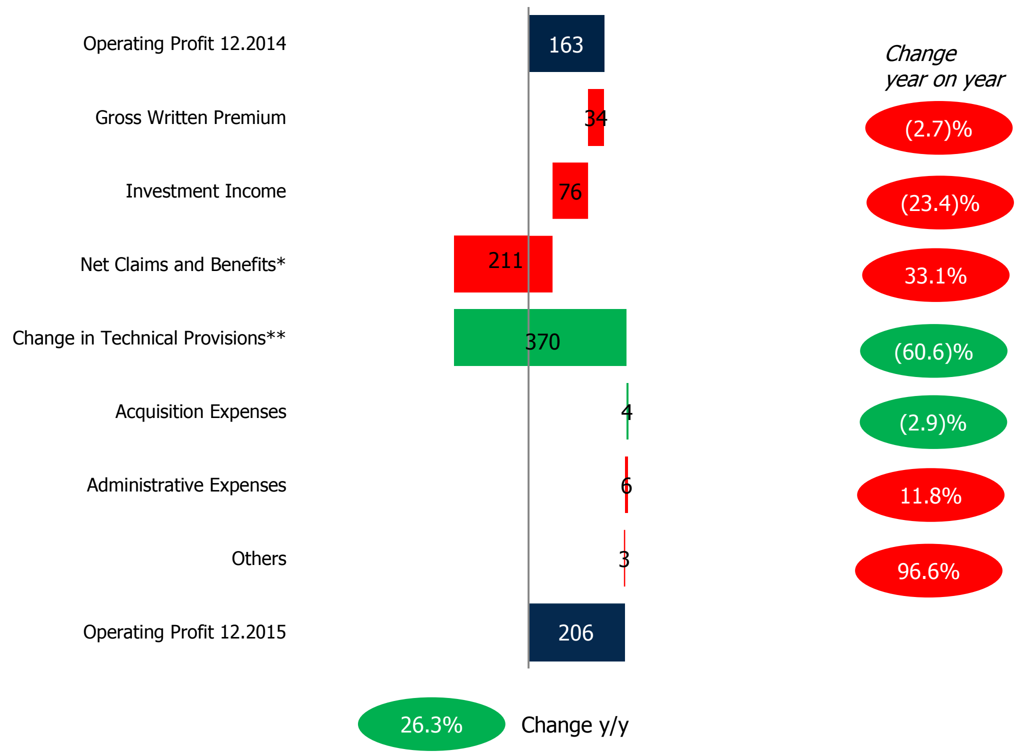
* Net claims and benefits paid including movement in claims provisions

** Mathematical and other provisions, including the conversion effect

- Gross written premium up by 2.3% y/y mostly due to incremental growth in the portfolio of risks in protection and health insurance (including riders to continued insurance) and the higher average premium.
- Investment income diminished in unit-linked products and decline in income allocated according to transfer prices.
- Net insurance claims and benefits rose due to the increase in the frequency of deaths compared to last year (confirmed by statistics published by the Central Statistics Office [GUS] for the entire population) and higher payments for reaching the endowment age in investment products (as subsequent tranches mature).
- The difference in the movement in technical provisions caused by the lower growth of provisions in individually continued products - the increase in the incidence of deaths and the higher percentage of persons entering the product portfolio post modification facilitating the creation of lower initial technical provisions. The decline in provisions was also higher than last year in short-term endowment and structured products in the bancassurance channel - more product tranches matured coupled with the lack of selling new contracts.
- The stable level of acquisition expenses - high sales of riders in continued insurance (compensation for intermediaries, cost of mailing offers to clients and the related indirect expenses) and greater activity in health insurance products were offset by lower expenses in group protection insurance as a result of the agency network focusing on acquiring individual protection agreements.
- The higher level of administrative expenses was driven mainly by strategic expenditures in distribution and operational support.
- The result in the line item other income and expenses fell due to the charge to the prevention fund (this cost was not incurred last year, PAS expense eliminated at the consolidated result level) and higher costs of the insurance undertaking financing premium (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)



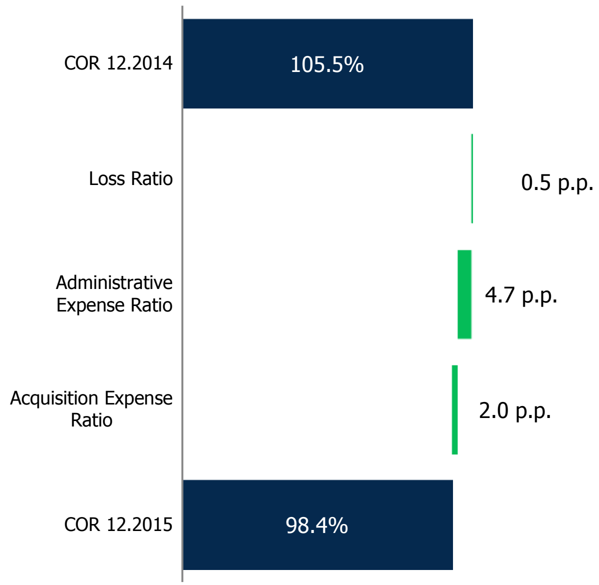
* Net claims and benefits paid including movement in claims provisions

** Mathematical and other provisions

- Gross written premium fell by 2.7% y/y primarily as the effect of curtailing cooperation with banks (suppressed sales of unit-linked products and this year's absence of structured and deposit products in the offering). The record-breaking subscriptions for a structured product in its own network, high sales of protection products, growth in the average payments to individual retirement IKE accounts and launching a new unit-linked product called *Goal for the Future* (*Cel na Przyszłość*) produced a positive outcome.
- Investment income diminished mostly in unit-linked investment products, chiefly as an effect of darker sentiment on the Polish capital market in 2015 than in the previous year.
- Net insurance benefits up on the higher level of surrenders in unit-linked products sold in dedicated channels (PZU's retraction from charging fees for early redemption in the *Plan na Życie* product) and in the bank channel (portfolio size expansion year on year). In both instances the circumstances on the capital markets were also of significance. Another factor was the growth in the level of disbursements on account of reaching the endowment age in structured products in the bancassurance channel (subsequent product tranches maturing) and in term protection products.
- Diminished incremental growth in technical provisions as a result of being offset by the effects described above by movement in provisions for investment products, as a result of the loss on investment activity, the decline in gross written premium and the climbing level of surrenders. Introducing a process in annuity products to check the benefits not drawn by annuity holders was another factor contributing to a lower level of provisions.
- The minor decline in acquisition expenses was above all the result of retracting from sales a regular premium savings product with a protection element called *Plan na Życie*.
- Higher administrative expenses were driven mainly by strategic expenditures in distribution and operational support.
- Changes in the category other revenues and expenses are due to making a charge to the prevention fund this year (this expense was not incurred last year, eliminated at the level of the consolidated result).

Profitability of international companies
(non-life insurance)

Profitability of international companies
Combined ratio (COR - %)

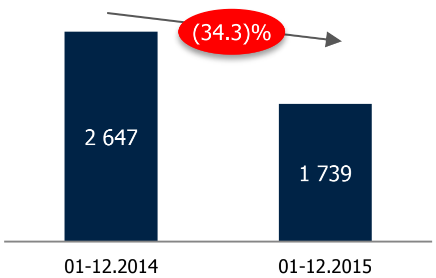


- Loss ratio y/y down due to the higher share of the newly-acquired Baltic companies with a lower level of costs of claims
- The administrative expense ratio fell chiefly due to the higher share of the newly-acquired Baltic companies with a lower administrative expense ratio and lower expenditures in Ukraine.
- The acquisition expense ratio fell due to the higher share of the newly-acquired Baltic companies with a lower acquisition expense ratio, partially offset by the higher ratio in Ukraine.

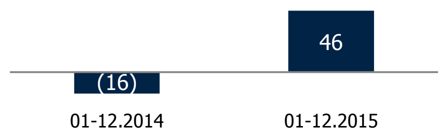
Investments

Poorer performance on debt instruments due to rising yields on Polish T-bonds

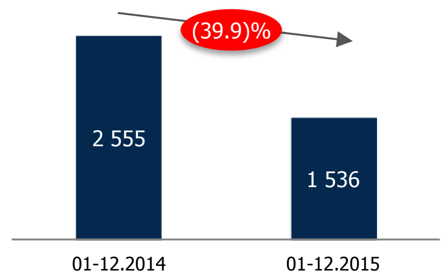
Net investment result*



Equity instruments and derivatives**



Interest-bearing financial assets**

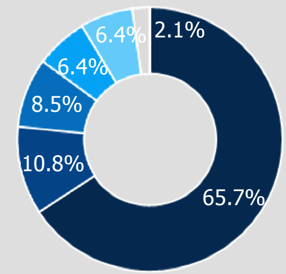


- Net investment result fell as a result of the following:
  - lower valuation of interest-bearing financial assets mostly as a result of rising yields on Polish treasury bonds in the middle and at the end of the yield curve versus a decline on the entire curve last year;
  - weaker performance of derivatives acquired mainly for trading purposes aiming at appropriate investment portfolio.
- The impact of the above factors is partially balalnced by improved results on equity instruments.
- Non-recurring events in 2015:
  - gross result on the sale of PZU Lithuania in the amount of PLN 165.5 million;
  - loss due to the change in fair value of shares purchased within tranche I between the purchase date and the date of commencement of control over Alior Bank, i.e. 18 December 2015, amounting to PLN 175.8 million.

Interest expense*

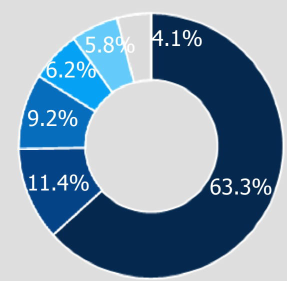
- Lower level of interest expense in 2015 (117.4 m PLN versus 147.3 m PLN in the comparable period of last year) particularly caused by the lower use of sell-by-back transaction.

Dec. 2015 Investment composition***



Total:
55.4 bn PLN

Dec. 2014 Investment composition***



Total:
54.0 bn PLN

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

** The net investment result does not include interest expenses mainly related to buy-back transactions and the issue of own debt securities, net of FX. In addition, the net investment result and the interest expenses are presented with the change in the valuation of investment contracts.*

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

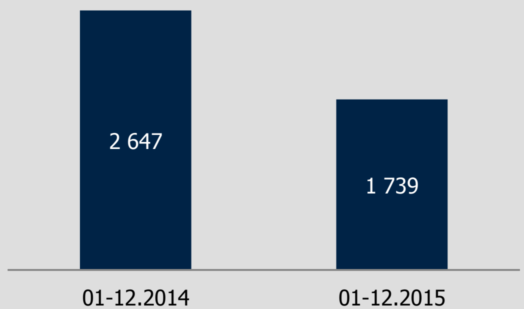
**** The investment portfolio includes financial assets (including investment products net of loan receivables from clients), investment properties, the negative valuation of derivatives and liabilities for sell-buy-back. Derivatives linked to interest rates, foreign currencies and equity prices, respectively are presented in the categories: Debt market instruments - treasury, money market instruments and listed and unlisted equity instruments.*

Investments

Poorer performance of unit-linked products due to rising yields on Polish T-bonds and softer market conditions on capital markets

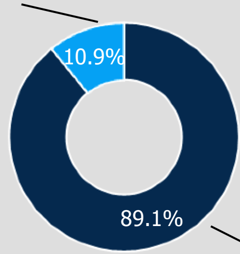
m PLN

Net investment result



Dec. 2015

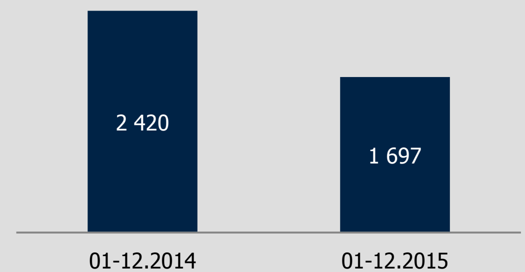
Investment products*
6.0 bn PLN



Financial assets in the main portfolio:
49.4 bn PLN

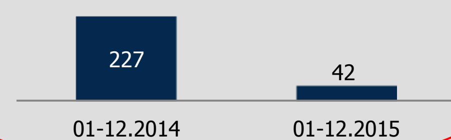
Total: 55.4 bn PLN

Net investment result on the PZU Group's main portfolio



Net investment result in investment products*

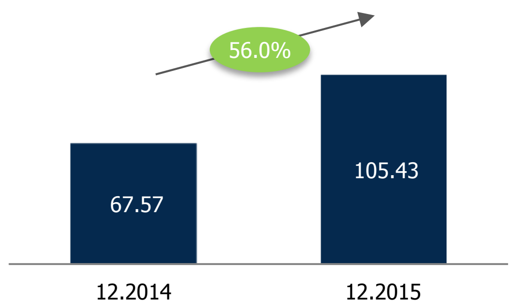
No impact on the PZU Group's net result



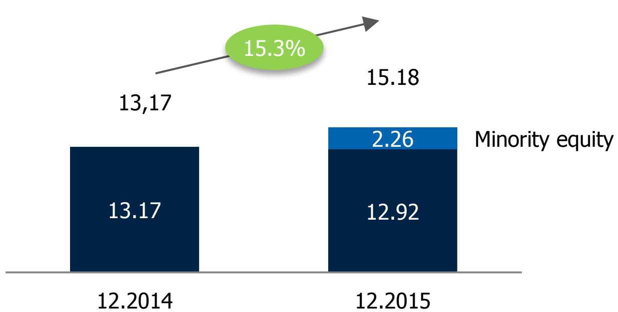
** Unit-linked products, structured products and term deposits in the form of insurance products*

Impact exerted by starting to consolidate Alior Bank

Consolidated assets (bn PLN)



Consolidated equity (bn PLN)



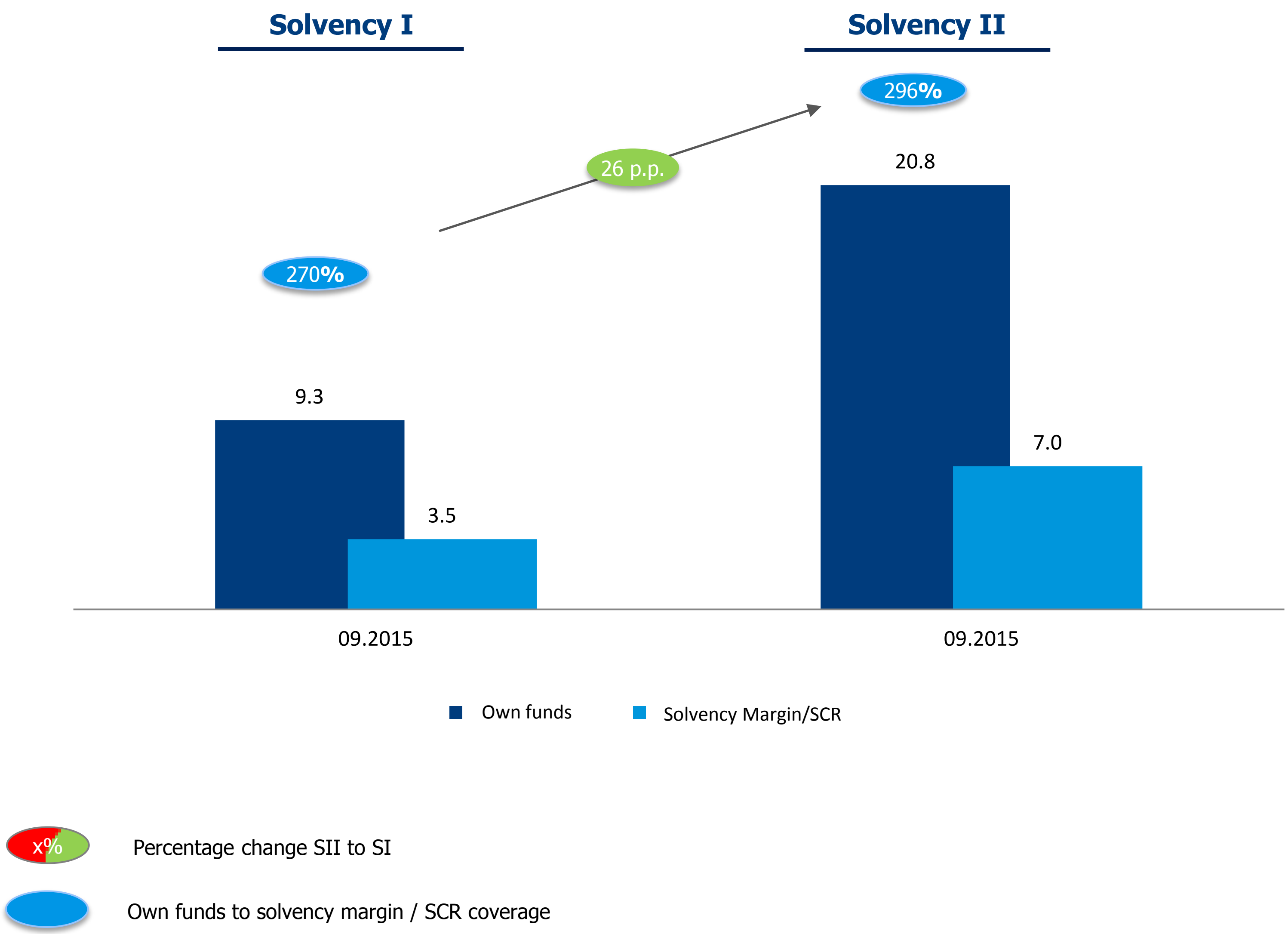
x% - change year on year

- PZU's target stake in Alior Bank's equity of 29.22% as a result of acquiring 18,318,473 shares for a total of 1.63 bn PLN.
- As a result of consolidation as of 18 December 2015 the following was recorded:
  - total assets up 40 bn PLN, with financial assets on loan receivables ("loans and borrowings") up 30.3 bn PLN;
  - minority equity up 2.3 bn PLN
    - The PZU Group's major KPI from 2015 will be ROE attributable to the parent company
  - 6.2 profit on valuation by the equity method (for the period from 12 October to 18 December 2015);
  - the consolidated results do not include the profit generated by Alior Bank (except for the valuation by the equity method);
  - under the provisional settlement (PPA - purchase price adjustment) - recognition of goodwill equal to 720.6 m PLN, trade mark - 100 m PLN and customer relations (depreciated for 15 years using a declining balance method) - 200 m PLN;
  - loss of 175.8 m PLN due to movement in the fair value of the shares acquired under tranche I between the date of their purchase and the date of taking control of Alior Bank, i.e. 18 December 2015.

Agenda

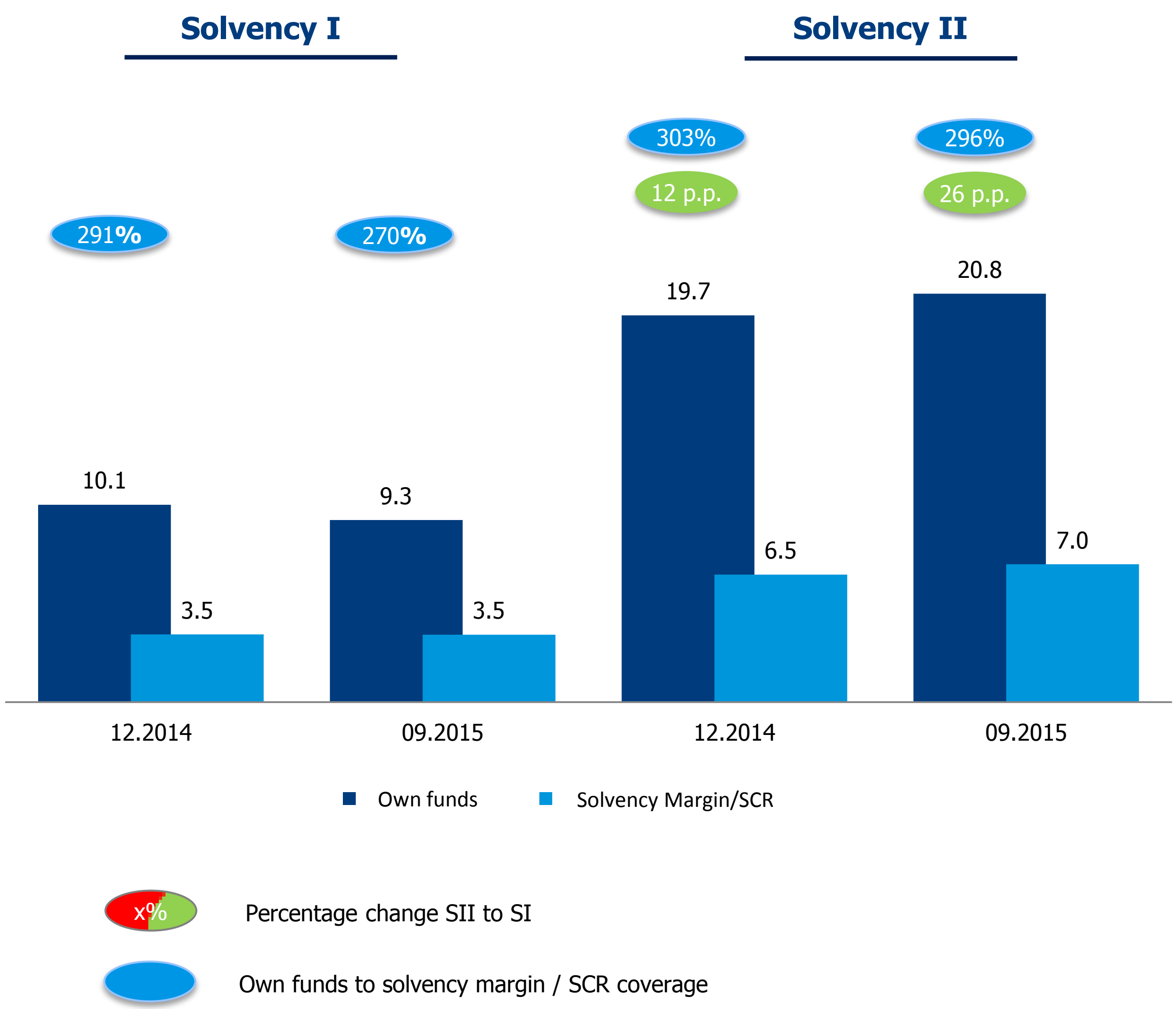
Group's solvency ratios as at 30 September 2015
Solvency I and Solvency II

bn PLN, unaudited data



Group's solvency ratios as at 30 September 2015
Solvency I and Solvency II

bn PLN, unaudited data



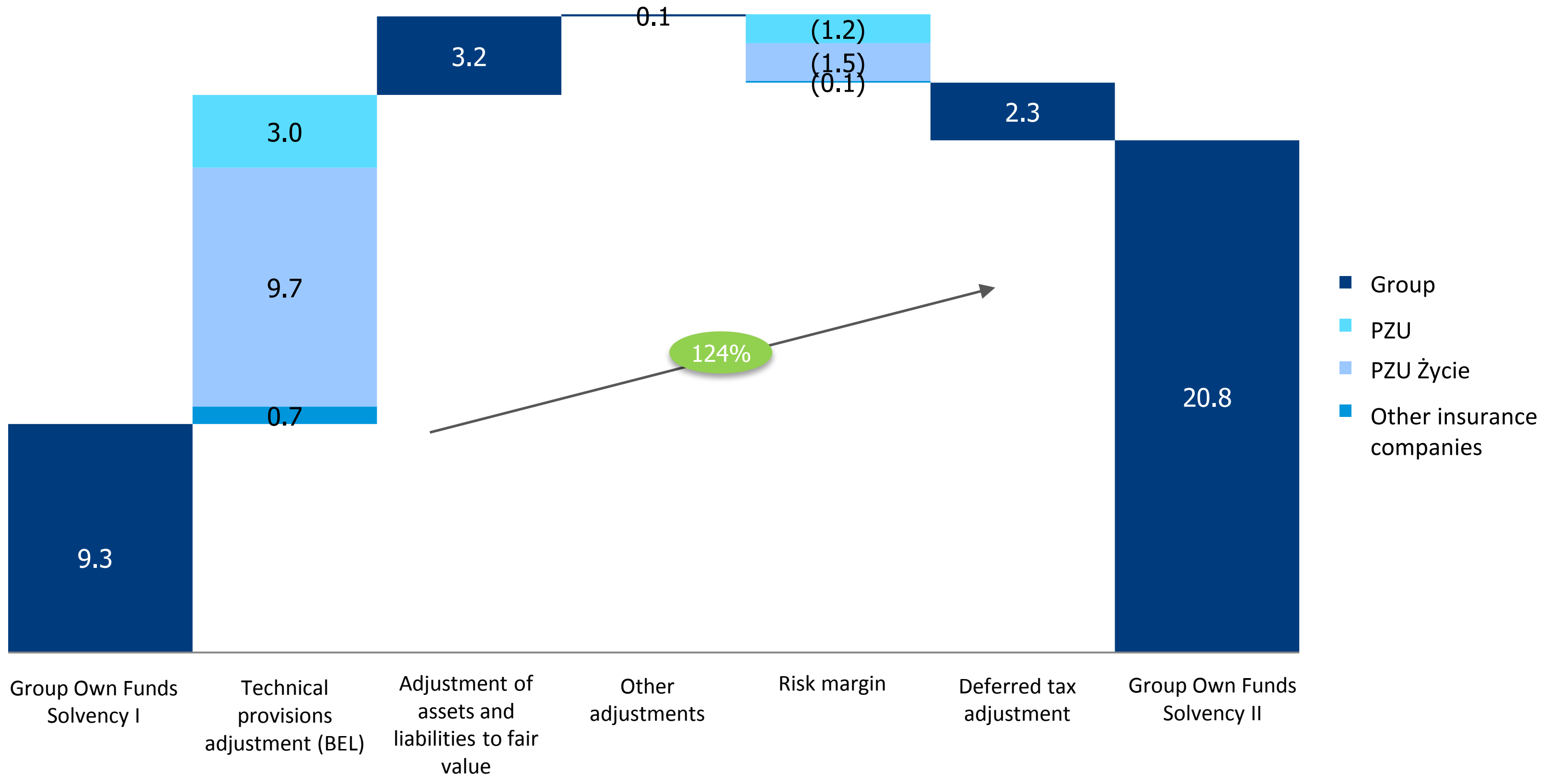
- In the 9 months of 2015 own funds according to Solvency II were higher by 1.1 bn PLN, i.e. 6% - compared to the end of 2014.

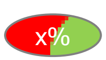
  Own funds at the end of 2014 diminished by 2.6 bn PLN on account of the dividend paid in 2015. Own funds at the end of September 2015 do not include an analogous adjustment since PZU did not declare dividends in this period.
- In comparison with the end of 2014 the solvency requirement under Solvency II is higher by 0.5 bn PLN, i.e. 8%.

  The main cause of the change in SCR in 2015 was the growth in the market risk requirement of 0.6 bn PLN.

Own funds to cover the Group's capital requirement as at 30 September 2015 – Solvency I and Solvency II

bn PLN, unaudited data

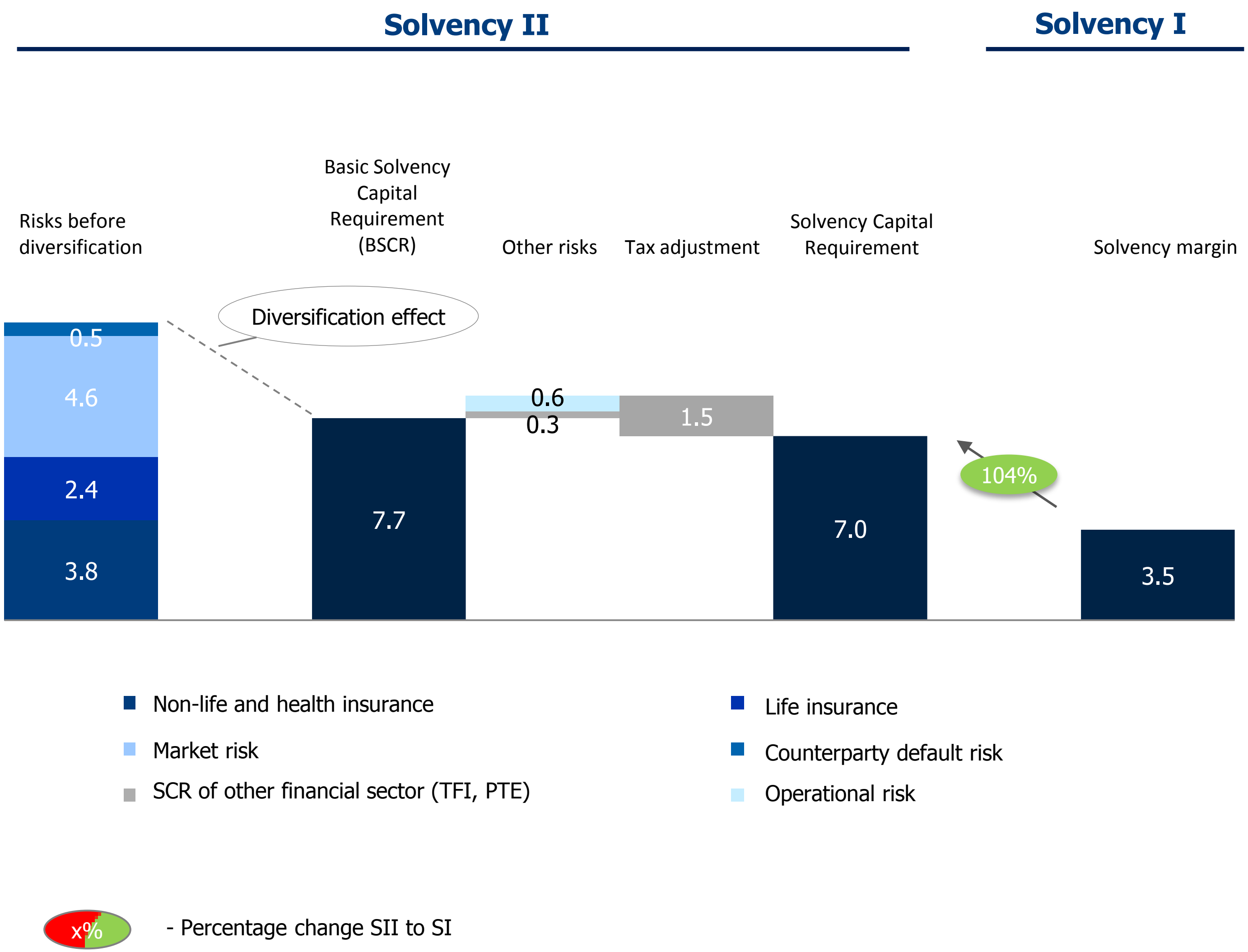




Percentage change SII to SI

Group's capital requirement by risk category as at 30 September 2015 – Solvency I and Solvency II

bn PLN, unaudited data



The Solvency Capital Requirement (SCR) calculated using the **standard formula** estimated for the following risks: actuarial, market, counterparty solvency, operational.

The risks are not fully correlated whereby a diversification effect transpires that reduces the PZU Group's capital requirement by roughly 30%*.

The tax adjustment under the assumption that if a risk materializes in full, then the insurance undertaking could avail itself of a tax shield. It contributes to reducing the solvency requirement by roughly 19%*.

The requirements of the financial entities (TFI, PTE and Alior Bank starting from Dec. 2015) are depicted according to the rules for a given sector and are not adjusted for diversification.

* sum of BSCR and other risks.

Questions and answers

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