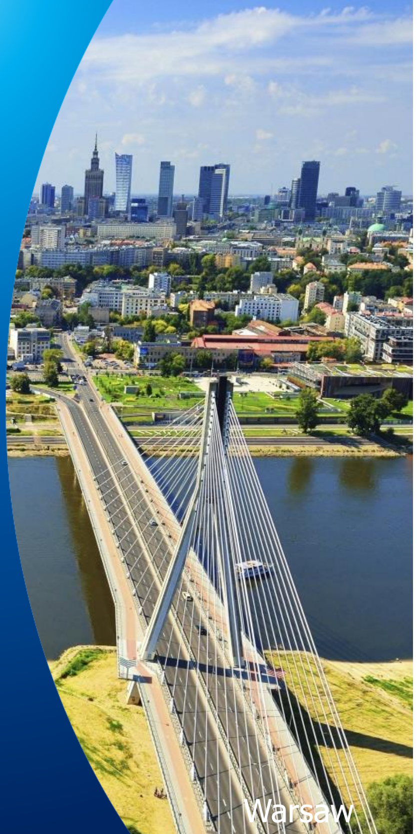
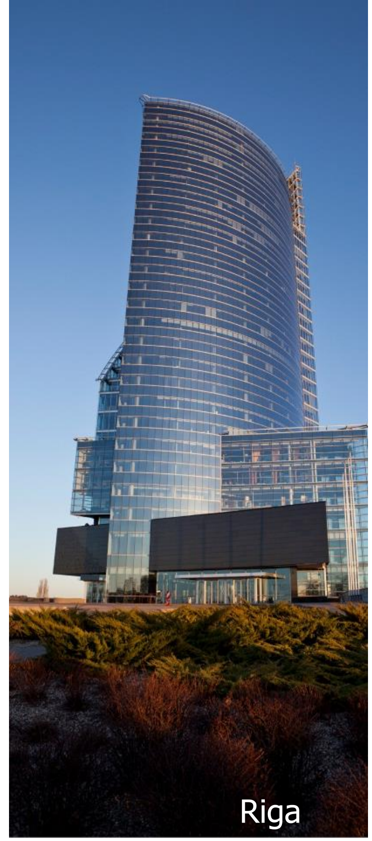
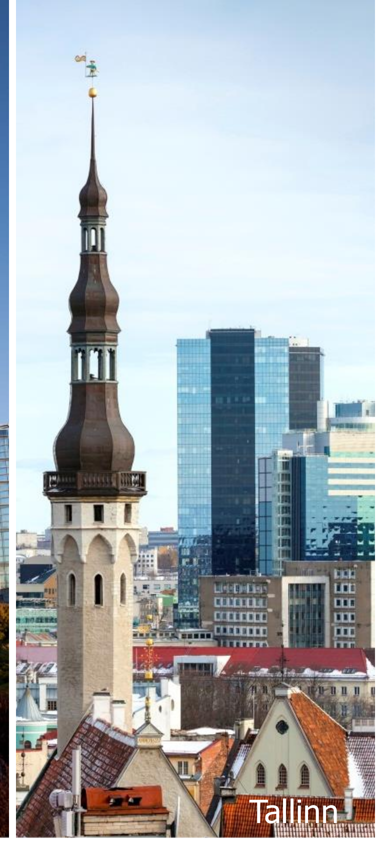






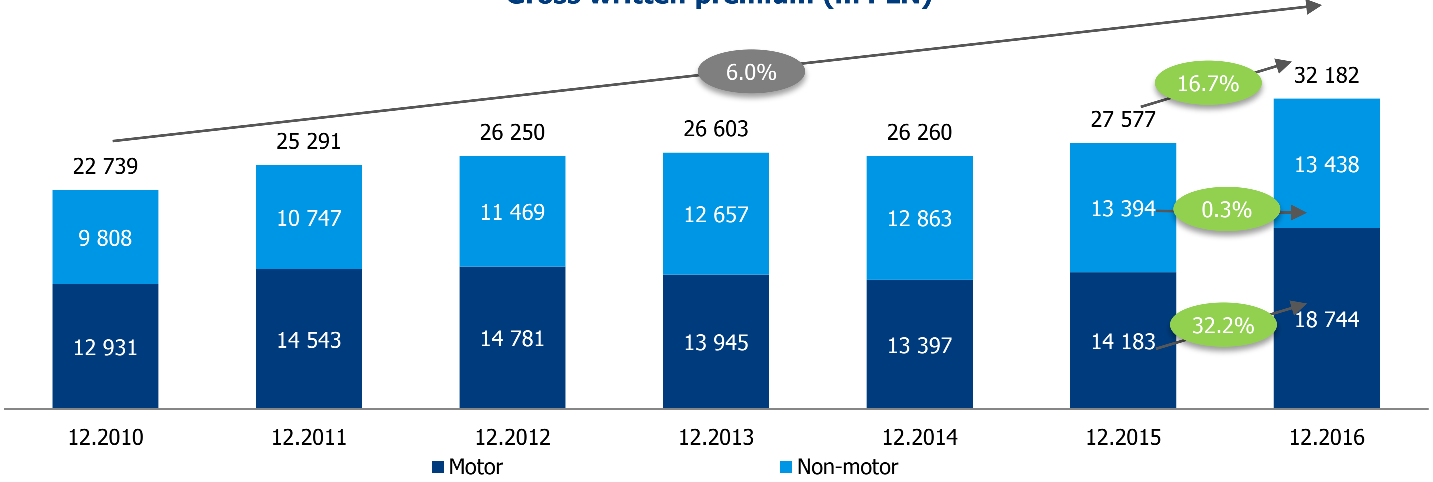
PZU Group’s financial results for Q1 2017

Warsaw, 17 May 2017

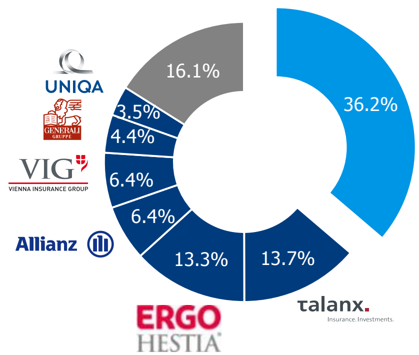
PZU Group's position on the changing insurance market

Non-life insurance market in Poland

Gross written premium (m PLN)



market share



LINK4

TUW PZUW

+2.3 p.p.

PZU change y/y

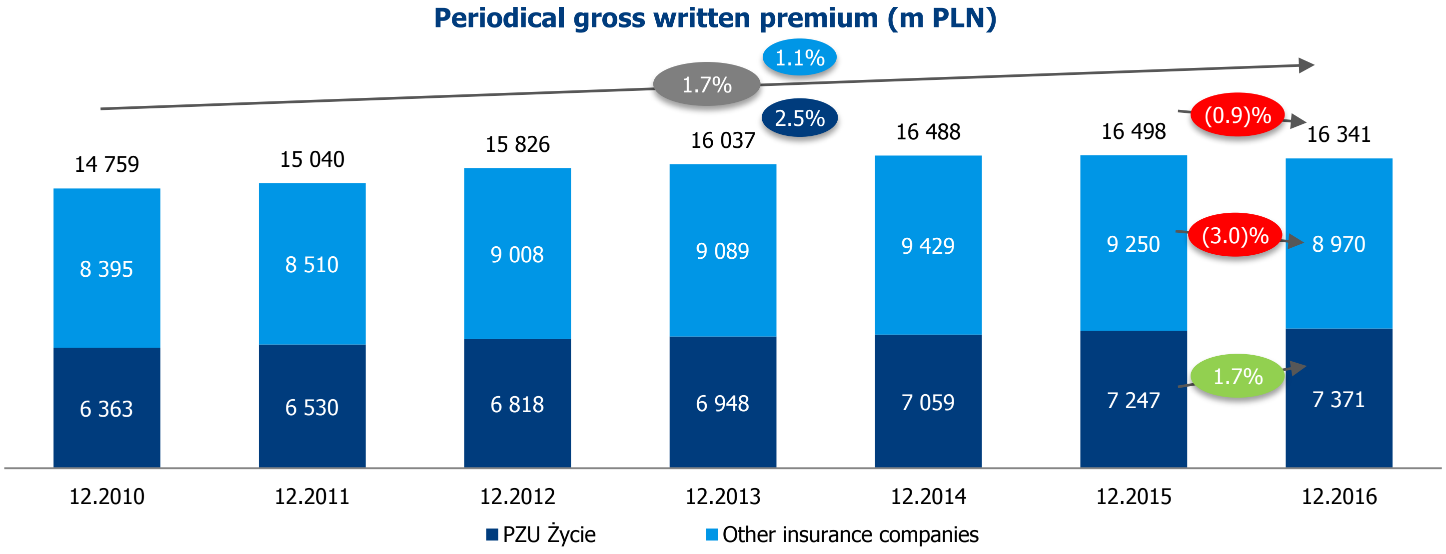
- PZU Group's strong market position in motor insurance, including motor own damage insurance with a market share of **43.4%***
- The PZU Group's market share in the non-life insurance at the end of Q4 2016 is **36.2%*** (of which PZU has **33.5%***; Link4 has **2.3%*** and TUW PZUW has **0.4%***).
- The PZU Group's technical result stated as a percentage of the overall market's technical result is **>100%*** (the PZU Group's technical result is 477.5 m PLN while the overall market's technical result is 351.0 m PLN).

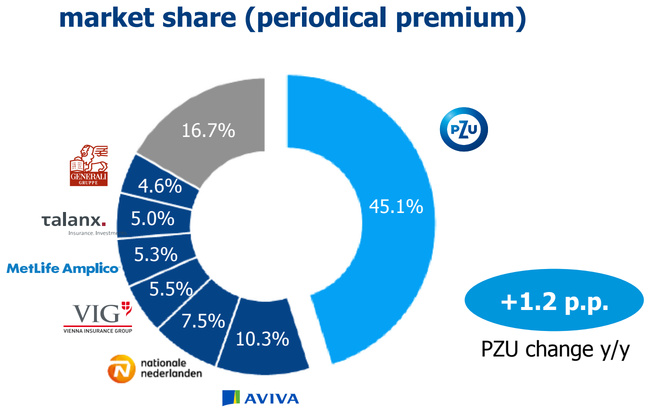
** According to the Polish FSA's Q4 2016 report; the market and market shares including PZU's inward reinsurance of Link4 and the TUW mutual;*

xx% - CAGR

x% - Change year to year

Life insurance market in Poland





- In the four quarters of 2016 the y/y decline in the periodical gross written premium generated by the overall market net of PZU was **-3.0%**, while in this same period PZU posted growth of **1.7%**.
- This translated into material growth in PZU Życie's periodical premium market share up to **45.1%** at the end of Q4 2016 (its highest level since 2010).
- At the same time, the information reported by the Polish FSA from the outset of 2016 made it possible to determine that PZU's market share of life insurance periodical premium in class 1 was **67.0%** at the end of Q4 2016 while for group insurance of the same class 1 it was **67.2%.**
- PZU Życie posted high profitability in terms of its technical result in comparison to other market players – the margin commanded by PZU Życie was more than triple the average margin reported by its competitors – **23.9%** as opposed to the other insurers with **7.0%**.

xx% - CAGR

xx% - CAGR PZU Życie/Other insurance companies

x% - Change year to year

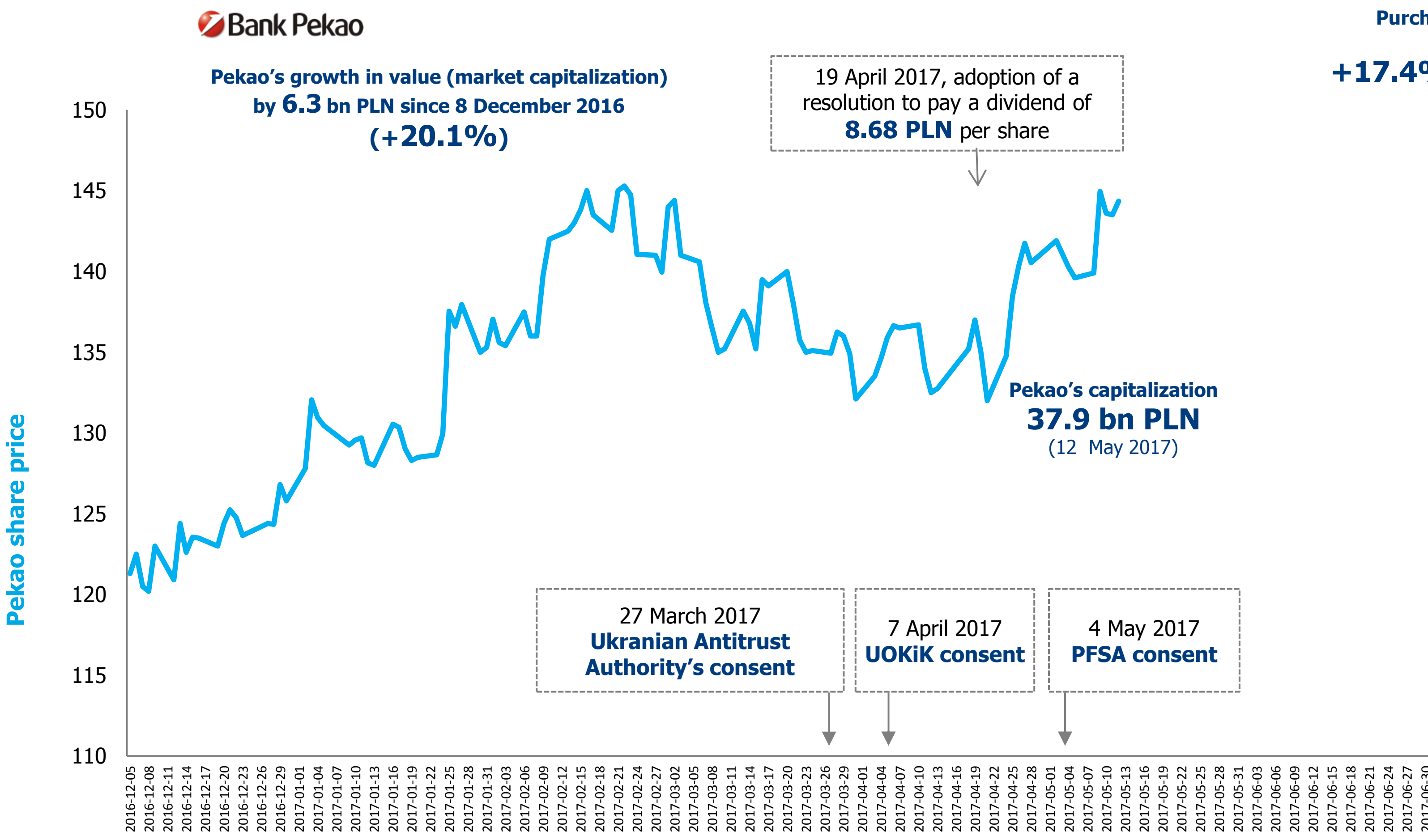
Major drivers of the PZU Group's result

The most important events and drivers of the results in Q1 2017

- Planned acquisition of shares in Pekao SA: Polish FSA does not voice an objection to the acquisition of shares in Pekao SA by the PZU Group and PFR (Polish Development Fund) – the final condition precedent
- Consent to issue bonds given by PZU's Extraordinary Shareholder Meeting
- Gross written premium in the first quarter at a record-breaking level
- Enhancement of performance in motor insurance on rising market share
- Further improvement of cost discipline
- The higher result on equity instruments linked to better market conditions on the Warsaw Stock Exchange
- Lower profitability in the group and individually continued insurance segment on the tail of a significant upswing in death-triggered disbursements in Q1 of this year

Bank Pekao acquisition

Purchase price: **123,0 PLN**
(8 December 2016)
+17.4% above the transaction price



Next steps in the process:

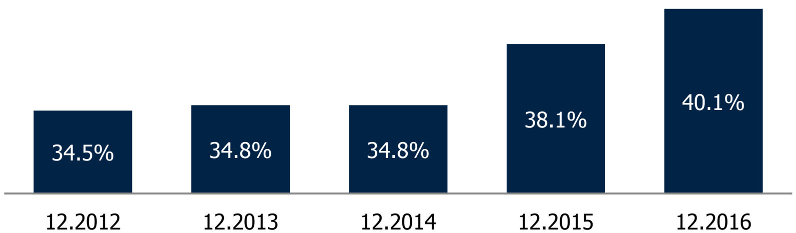
7 June 2017 transaction settlement

8 June 2017 Pekao shareholders meeting

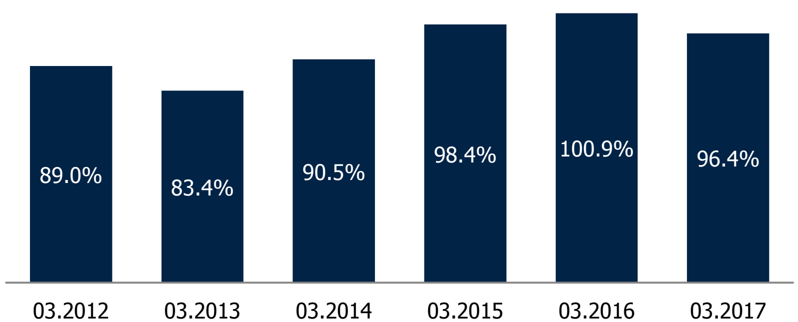
21 June 2017 record day

Enhanced performance in motor insurance coupled with a rising market share

PZU Group's motor insurance market share * (Poland)



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



Number of motor TPL insurance policies in force (# m) **

03.2012	03.2013	03.2014	03.2015	03.2016	03.2017
7.3	7.1	7.0	7.5	7.9	8.7

- As the price war lasting from 2005 to 2010 ended (after the flood of 2010), the overall motor insurance sector's results in Poland started to improve. Another period of price competition kicked off shortly thereafter as reflected by the market's results.
- The overall market's technical loss net of the PZU Group companies' results was 358 m PLN in 2015 and 126.5 m PLN in 2016 – these losses were in fact the outcome of fierce competition and the weak performance of motor insurance (the overall market's technical result on motor insurance net of the PZU Group companies was -1,026 m PLN in 2015 and -975 m PLN in 2016).
- The Polish FSA's recommendations implemented since 2015 have not improved circumstances in terms of claims payments as they have caused the average vehicle claim value to climb. The continuous development of bodily injury claims and the related case law have been observed the entire time (including compensation for moral damages).
- Nevertheless, **PZU is in a more favorable position than its competitors** – its strong brand and size enable it to improve underwriting profitability while simultaneously growing its market share (both PZU SA and Link4 are delivering growth), which calculation is based on gross written premium.
- **PZU's maintenance of cost discipline** also makes a positive contribution to its profitability – it has managed to maintain its operating expense ratio at a similar level in recent years despite evolution in distribution (diminishing importance of automatic renewals, climbing share of multi agencies, competition for intermediaries). This is one of the outcomes of the efforts to curtail the growth of fixed costs and cut them.

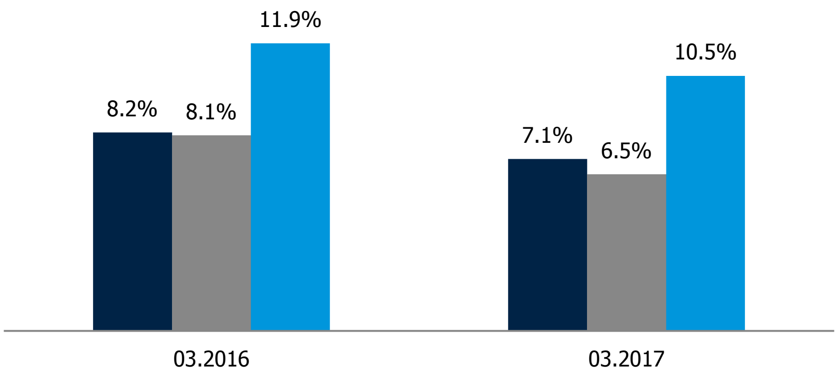
* According to the Polish FSA's Q4 2016 report; the market and market shares including PZU's inward reinsurance of Link4 and the TUW mutual; PZU jointly with PZUW TUW and Link4

** Link4 from March 2015; TUW PZUW from March 2017

Maintenance of cost discipline – improved administrative expense ratio coupled with growing business volume

m PLN

Administrative expense ratio in the insurance business



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

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

Polish insurance companies

Polish insurance companies net of the service commissions in the bancassurance channel

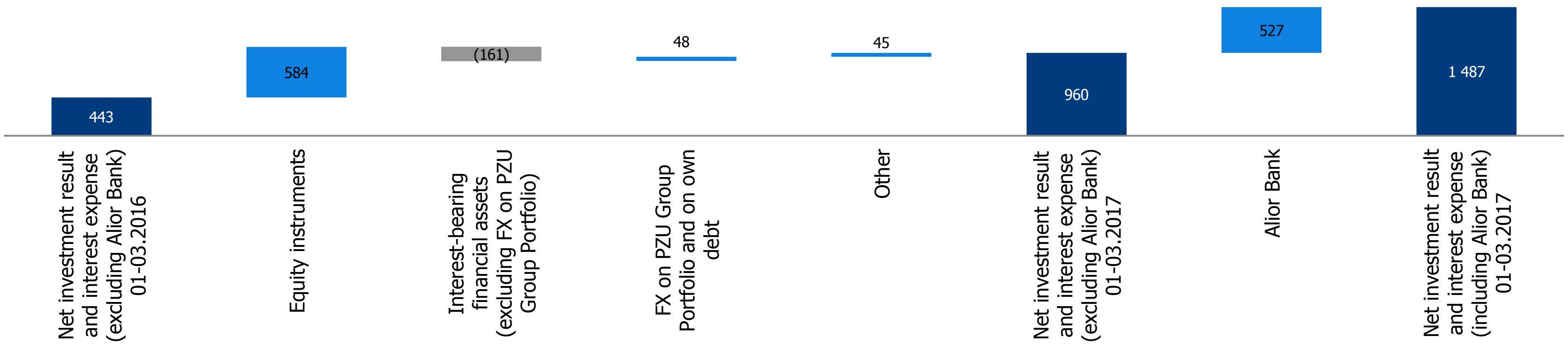
International insurance companies

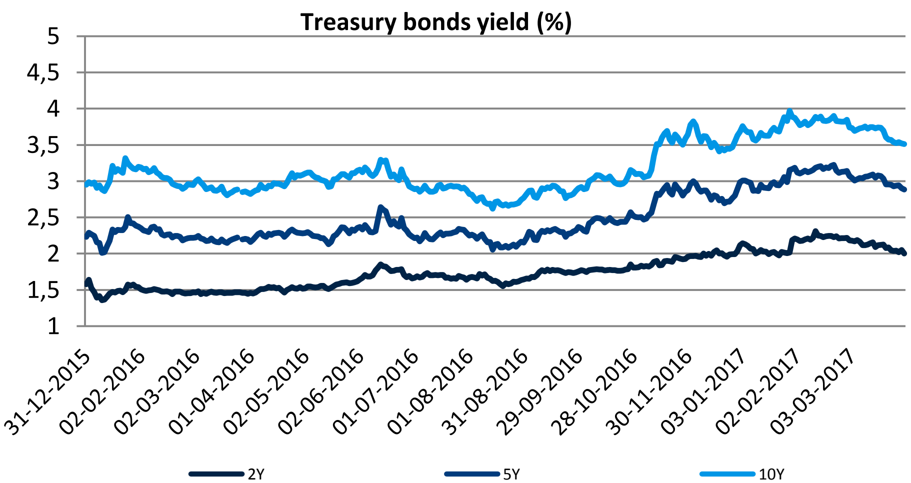
*Movement in administrative expenses y/y of the insurance segments in Poland (according to PAS)

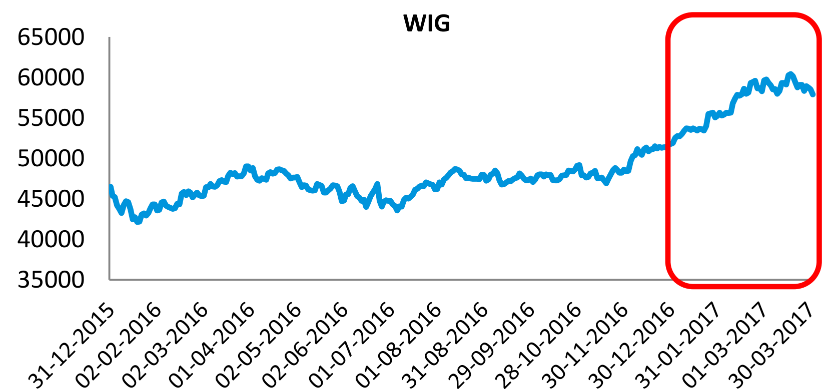
x% - Change year to year

Better results on equity instruments

m PLN



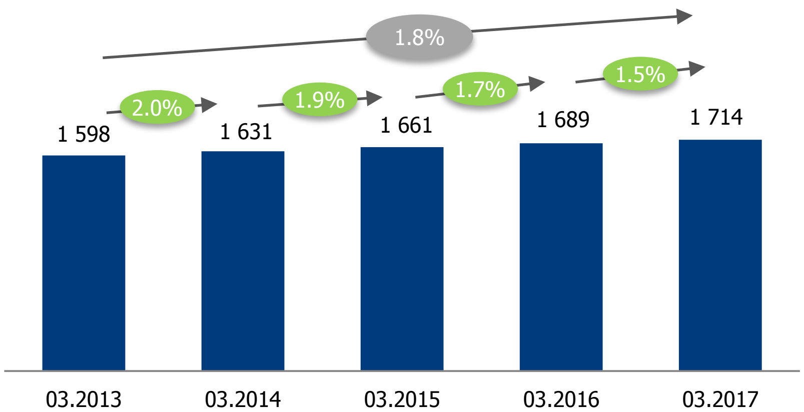




The net investment result (net investment income, net realized result and impairment losses and the net movement in the fair value of assets and liabilties measured at fair value) and interest expenses net of Alior Bank's impact.

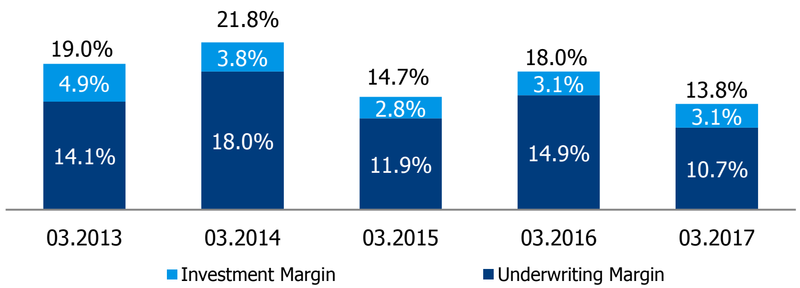
Softer profitability of group and individually continued insurance in Q1

Gross written premium (m PLN)



- Lessening the pressure on the premium growth rate making it possible to control the loss ratio.
- New riders to group and continued insurance and modification of existing policy terms and conditions in previous periods exerting a positive impact on the growth rate and profitability.
- Rising share of health insurance premiums - new clients in outpatient insurance and sales of different options of the medicine product.
- Upsales of riders in individually continued products continue to be successful.

Margin (%)*



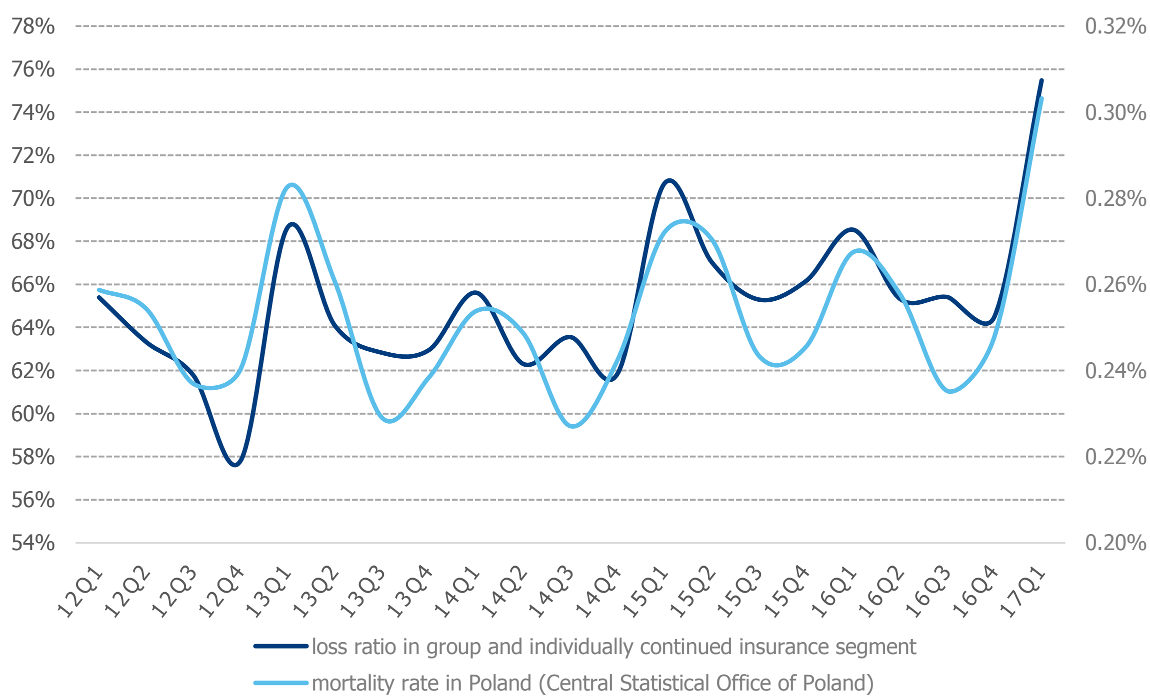
* Segment margin excl. conversion effect

- Loss ratio up in protection products by 6.9 p.p. year on year as the outcome of the higher number of deaths compared to last year and the number of claims paid for that reason. This uptick was justified by the higher number of deaths in the overall population of Poland at the outset of the year as the data published by the Central Statistical Office [GUS] depict;
- New individual continuation's positive contribution to the segment's results by setting up lower mathematical reserves at the start of liability of these agreements;
- The number of death benefits in individual continuation that is higher than a year ago subsequently leads to the reversal of more mathematical reserves to offset a portion of the claims paid in this portfolio.
- Cost discipline.
- No contribution was made to the prevention fund in Q1 2017.

xx% - CAGR

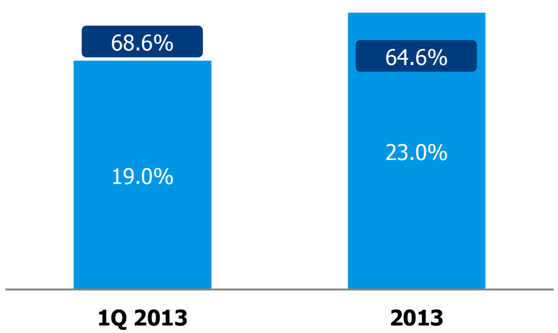
x% - Change year to year

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

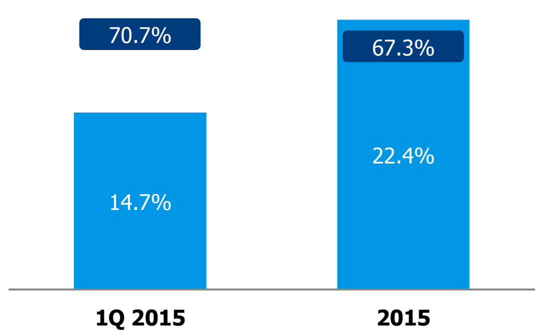


- Mortality's quarterly seasonality in Poland (upswings in winter months and downturns in summer months) and its overall upward trend (aging of the general public) are visible.
- This trend pertaining to changes in the quarterly loss ratio of protection products in the group and individually continued segment follows mortality rate in Poland as the principal source of these changes.
- The Company is taking measures to counteract the rising loss ratio in its portfolio of protection products such as limiting the modification of insurance agreements leading to deterioration in their profitability, introducing new individual continuation and modifying the terms and conditions of insurance riders.

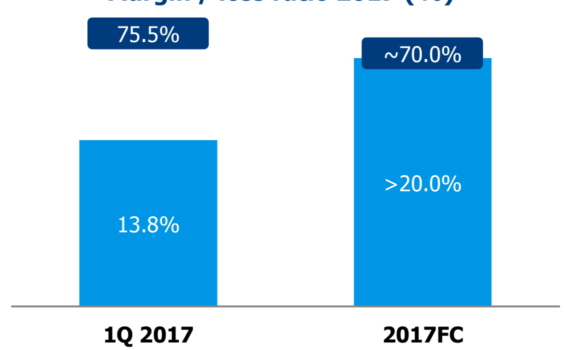
Margin / loss ratio 2013 (%)



Margin / loss ratio 2015 (%)



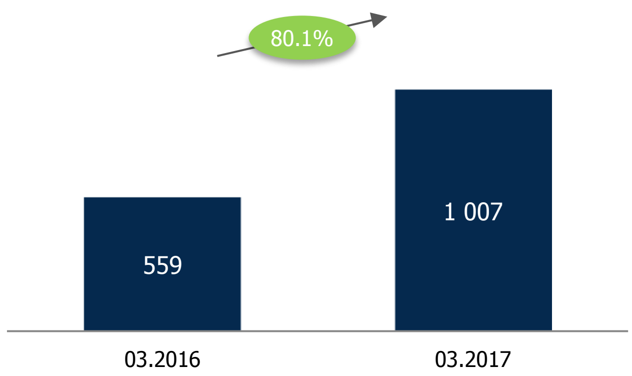
Margin / loss ratio 2017 (%)



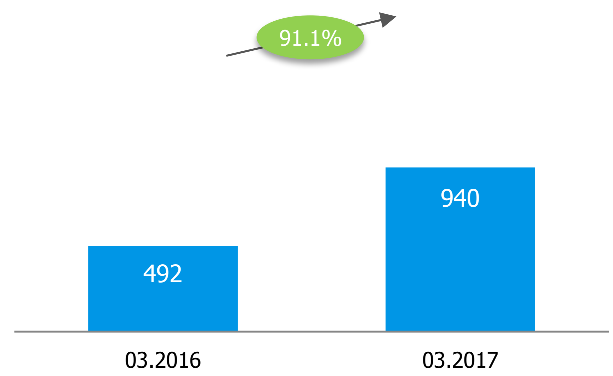
- profitability   - loss ratio of protection products

… meaning that the net profit generated at the beginning of the year is at a record-breaking level

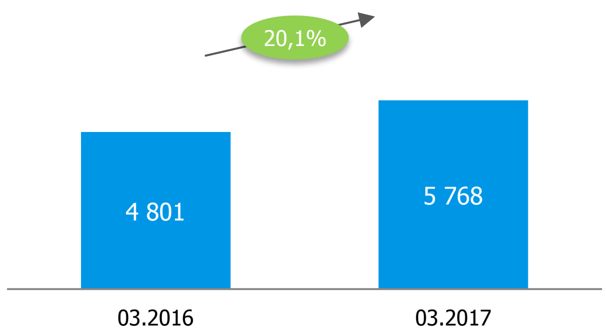
PZU Group's net profit (m PLN)



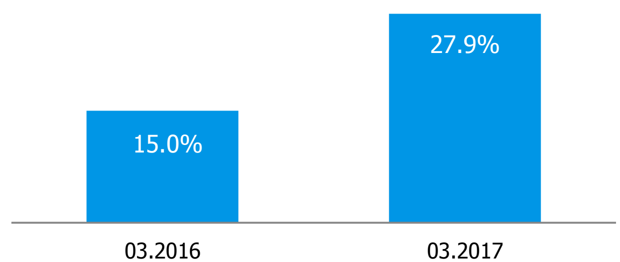
Net profit – parent company (m PLN)



PZU Group's gross written premium (m PLN)



Return on equity (ROE) (%)*



x% - Change year to year

* Ratio computed using equity at the beginning and end of the reporting period. Computed for the parent company

Execution of the Group's strategy for 2016-2020

Key metrics of the Strategy for 2016-2020

ROE[1]	
Q1 2017	2020
27.9%	**18%**

BUSINESS SIZE

NON-LIFE INSURANCE	PZU Group's market share[2]	2016	**35.4%**	2020	**35%**
LIFE INSURANCE	Number of clients in PZU Życie (million)	Q1 2017	**11.2**	2020	**11.0**
INVESTMENTS	Assets under management for third party clients (bn PLN)	Q1 2017	**29.4**	2020	**50**
HEALTH	Revenues (m PLN)[6]	Q1 2017	**391.5***	2020	**1,000**
BANKING	Assets (bn PLN)	Q1 2017	**60**	2020	**140**

BUSINESS PROFITABILITY

NON-LIFE INSURANCE	Combined ratio[3]	Q1 2017	**86.1%**	2020	**92%**
LIFE INSURANCE	Insurance margin in group and individual continuation	Q1 2017	**13.8%**	2020	**>20%**
INVESTMENTS	Net result on third party asset management (m PLN)	Q1 2017	**79.7***	2020	**200**
HEALTH	EBITDA Margin[7]	Q1 2017	**6.8%**	2020	**12%**
BANKING	Net financial result attributed to the PZU Group (m PLN)	Q1 2017	**124**[9]	2020	**450**
NON-LIFE INSURANCE	Cutting fixed expenses (m PLN)	Q1 2017	**94.1***	2018	**400**
LIFE INSURANCE	Solvency II ratio[5]	2016	**245%**[8]	2020	**~200%**
INVESTMENTS	Surplus rate of return on its own portfolio above the RFR	Q1 2017	**3.2 p.p.**	2016-2020[4]	**2.0 p.p.**

1 ROE attributable to the parent company
2 Direct business
3 PZU jointly with PZUW TUW and Link4
4 Average from 2016 to 2020
5 Own funds after subtracting anticipated dividends and asset taxes
6 Annualized; own outlets and Branches including revenues from PZU Zdrowie
7 Net of transaction costs
8 Data for the 4 quarters of 2016
9 Figures consistent with Alior Bank's FS for the 12m moving average net of non-recurring events (restructuring costs and the result on the acquisition of BPH)

* 12 month moving average

Recap of the financial results by the business segments

Operating results in Q1 2017

Non-life insurance

- **Higher profitability due to the following:**
  - considerably lower level of claims and benefits y/y in the agricultural insurance portfolio – in the corresponding period of 2016 there were many losses caused by the forces of nature (adverse effects of ground frost);
  - improved profitability in the motor insurance portfolio – despite the noticeable repercussions of fierce price competition in recent years (effect of the Polish FSA's guidelines under implementation since 2015 among others).

Life insurance

- **Diminished profitability** - loss ratio up y/y in protection products as the outcome of the higher number of deaths compared to last year and the number of claims paid for that reason. This uptick was justified by the higher number of deaths in the overall population of Poland at the outset of the year as the data published by the Central Statistical Office [GUS] depict.

International companies

- **Sales growth** reported by all the companies in the Baltic States segment. Totaling +14.4% in non-life insurance and +27.3% in life insurance.
- Lower loss ratio in the Baltic States following mild weather conditions, partially offset by the higher average claim in non-life insurance in Latvia (consequence of large claims).

Bank segment

- Operational **integration** and Alior Bank's **recognition in its P&L** of the spunoff portion of **Bank BPH**
- Drafting and publication of **Alior Bank's strategy** for 2017-2020 - "**Digital Disruptor**". This strategy posits the bank's digital transformation process.
- Alior Bank's contribution to the PZU Group's Q1 operating result equal to **118 m PLN**.

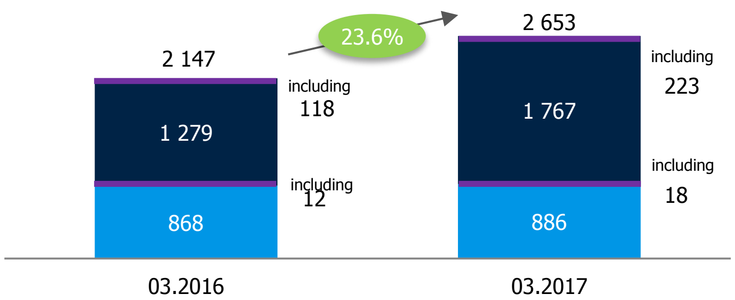
Investments

- **Better performance of equity instruments** in Q1, in particular due to improved market conditions on the Warsaw Stock Exchange in this period – the WIG index is up 11.9% compared to 5.5% in the corresponding period of last year.

Non-life insurance
Growth in motor insurance sales

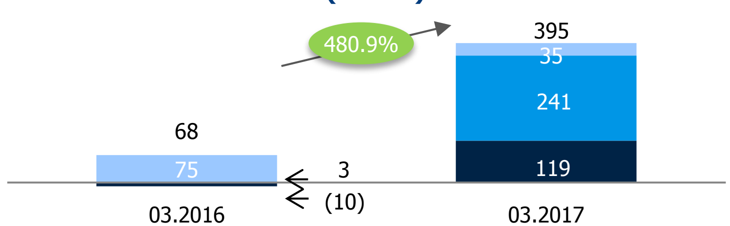
Mass segment

Gross written premium (m PLN)



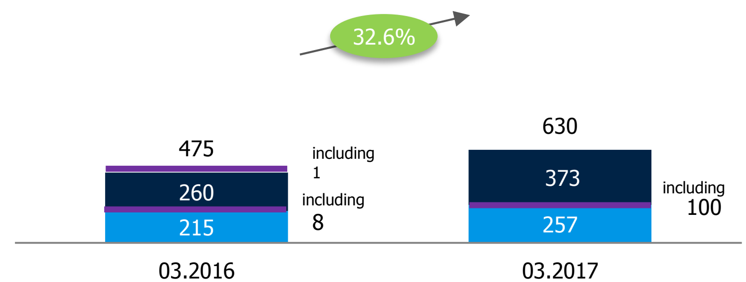
Combined ratio (%)

Insurance result (m PLN)



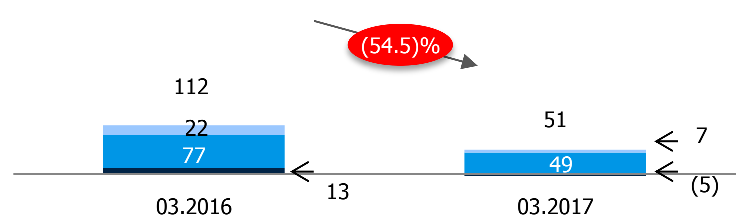
Corporate segment

Gross written premium (m PLN)



Combined ratio (%)

Insurance result (m PLN)



Motor insurance

Link4 + TUW PZUW (mutual)

Non-motor insurance

Impact exerted by investment income allocated from the Investment segment

Combined ratio calculated jointly for motor and non-motor insurance

x% - Change year to year

Recap – non-life insurance

Mass segment

Higher gross written premium y/y as an effect of the following:

- higher motor insurance sales (+38.2% y/y) as an effect of the growing average premium following from gradually introduced price hikes (forming a response to deteriorating results) coupled with a rising number of insurance policies (agreements being renewed at a higher price);
- higher premium for fire insurance and other damage to property insurance (+2.5% y/y), including PZU DOM household insurance and insurance offered to small and medium enterprises. Effect partially offset by the sales dip in other TPL insurance (-2.2% y/y);
- incremental premium growth in accident and other insurance (+3.8% y/y), mostly accident and assistance insurance frequently offered in bundles with motor TPL and motor own damage insurance.

Insurance result up as the outcome of the following:

- incremental increase in net earned premium (+25.8%) – result of higher sales;
- lower loss ratio in the insurance group:
  - other damage to property, mostly for subsidized crop insurance – in the corresponding period of 2016 there were many losses caused by the forces of nature. At that time, the claims caused by ground frost were up 214 m PLN compared to the average for the previous 3 years;
  - Motor TPL, mostly as the result of the changes made to the average premium. Effect partially offset by the observed growth in the claims frequency.
- higher insurance activity expenses.

Corporate segment

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

- higher motor insurance sales (+43.5% y/y) offered to leasing companies and in fleet insurance (mainly motor TPL insurance) as a consequence of the higher average premium and the number of insurance policies;
- premium growth in fire insurance and other damage to property (+153.6% y/y) and other TPL insurance (+10.4% y/y) as the effect of signing several high unit value agreements, including two large entities from the chemical and coal industries enrolling in TUW PZUW;
- lower sales of accident and other insurance (-55.4% y/y) – high unit value guarantee extended to PZU's subsidiary Alior Bank in the corresponding period of 2016 (effect eliminated in the consolidation process).

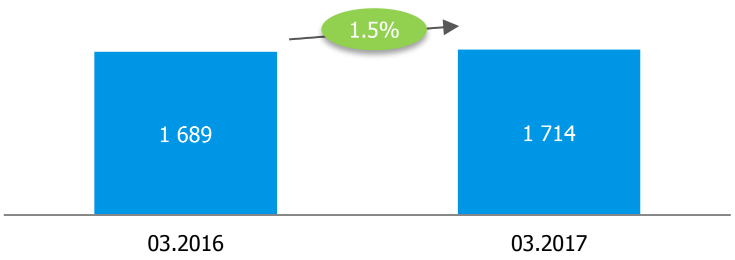
Diminished insurance result as the outcome of the following:

- incremental increase in net earned premium (+26.3%) – result of higher sales;
- higher level of claims and benefits in other TPL and fire insurance (reporting of single high value claims) and higher loss ratio in motor own damage insurance as a consequence of the higher average claim payment and claims frequency;
- higher insurance activity expenses as a consequence of the following:
  - rising acquisition expenses - due to higher sales;
  - higher administrative expenses (with simultaneous drop in the administrative cost ratio) as a consequence of higher costs of IT systems (introducing corporate products to be administered and sold in Everest) partially offset by lower project-related expenses.

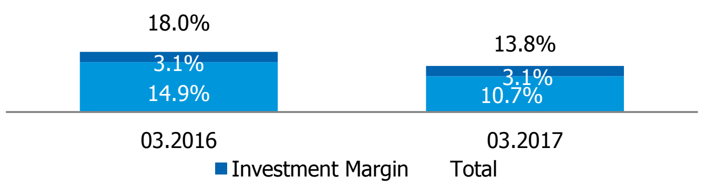
Life insurance
Softer profitability and sales growing at the same time

Group and continued insurance segment

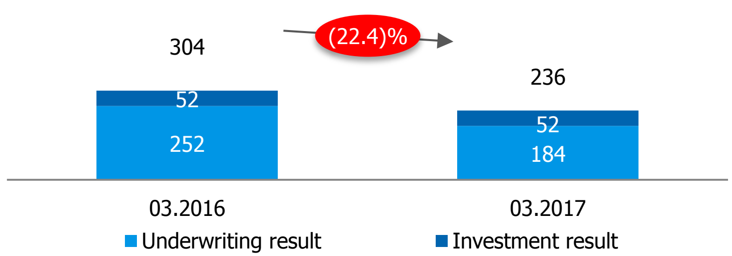
Gross written premium (m PLN)



Margin (%)*

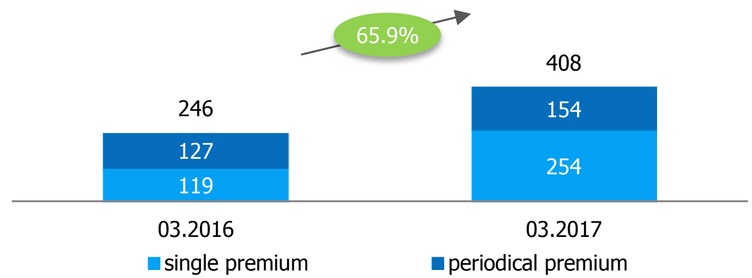


Insurance result* (m PLN)



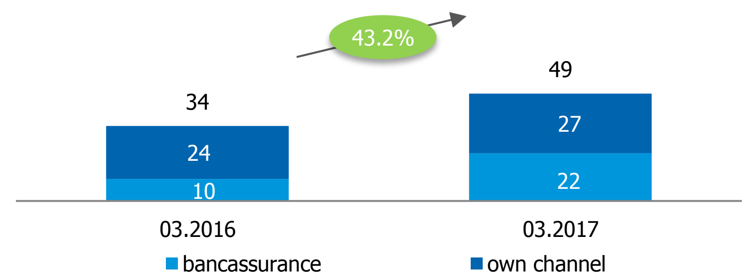
Individual insurance segment

Gross written premium (m PLN)



Margin (%)

Annual premium equivalent (m PLN)



* Segment margin and insurance result net of the conversion effect

x% - Change year to year

Recap – life insurance

Group and continued insurance segment

Drivers of higher gross written premium:

- acquisition of premium in group health insurance products; PZU now insures more than 1.3 million persons in these types of products;
- growth in group protection insurance - higher average premium and average number of riders taken out by insureds;
- upholding the policy of up-selling riders while concurrently indexing premiums in the underlying main contracts in continued products.

Drivers of the decline in the insurance result:

- loss ratio up in the protection portfolio as the outcome of the higher number of deaths compared to last year and the number of claims paid for that reason. This uptick was justified by the higher number of deaths in the overall population of Poland at the outset of the year as the statistical data published by the Central Statistical Office [GUS] depict;

Individual insurance segment

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

- higher contributions to the unit-linked insurance accounts offered jointly with Bank Millennium;
- sales launch of a new unit-linked product with Alior Bank at the outset of 2017;
- higher contributions to the unit-linked insurance accounts offered by PZU Branches, especially IKE individual retirement accounts and the product called *Cel na Przyszłość [Goal for the Future]*;
- constantly rising level of premiums on protection products in long term and endowment insurance (sold by PZU Branches).

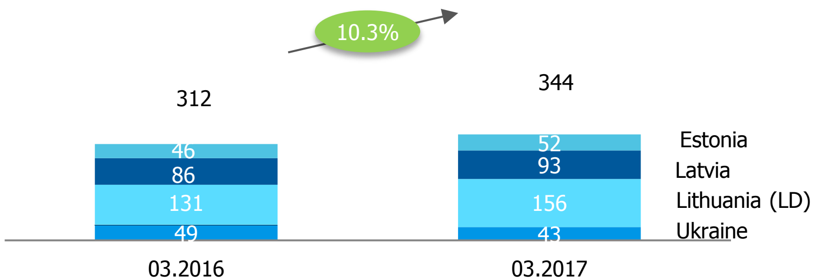
Sales channels:

- the significant growth in new sales in the bancassurance channel was driven by robust sales of new unit-linked agreements in Bank Millennium and this year's new product launch with Alior Bank;
- incremental growth in the traditional channel as a result of the rising sales of the unit-linked product called *Cel na Przyszłość [Goal for the Future]*, the growth in contributions to IKE individual retirement accounts and higher sales of individual protection products, especially by PZU Branches partially offset by the lower sales of the structured product.

International business
Higher result in non-life insurance driven by lower insurance expenses

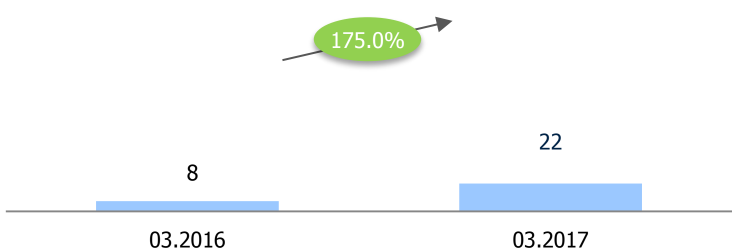
Non-life insurance

Gross written premium (m PLN)



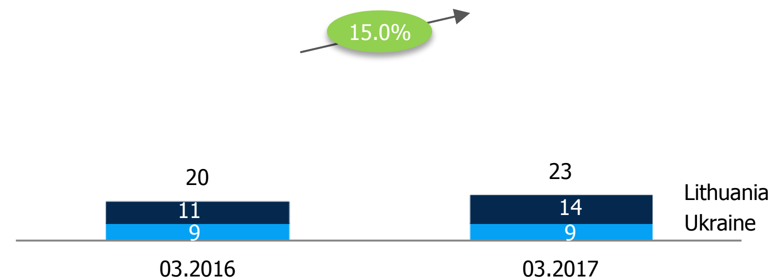
Combined ratio (%)

Insurance result (m PLN)



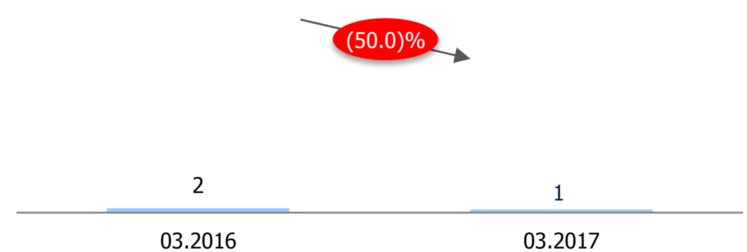
Life insurance

Gross written premium (m PLN)



Margin (%)

Insurance result (m PLN)



x% - Change year to year

Recap – international business

Gross written premium

Non-life insurance

- Premium growth in the Baltic companies precipitated chiefly by the introduction of higher rates for motor insurance in the region, activation of property insurance sales in Lithuania and Estonia and health insurance sales in Lithuania (not offered for sale in Q1 of last year):
  - Lithuanian market leader Lietuvos Draudimas: 156 m PLN (last year: 131 m PLN);
  - Latvian AAS Balta: 93 m PLN (last year: 86 m PLN);
  - Estonian branch of PZU Ubezpieczenia: 52 m PLN (last year: 46 m PLN).

Life insurance

- Gross written premium in Lithuania up on the tail of close cooperation with Lietuvos Draudimas and endowment insurance sales.
- Ukraine's premium at the same level as last year (premium up 7.3% in the functional currency).

Insurance results

Non-life insurance

- Combined ratio decline as a result of the following:
  - loss ratio suppressed by mild weather conditions partially offset by the large losses that transpired in Latvia and Lithuania;
  - dip in the acquisition expense ratio as the portfolio mix evolves in the Baltic States – the percentage of motor insurance with lower costs has risen;
  - cutting the administrative expense ratio was possible chiefly due to maintaining cost discipline, notably in IT.
- Insurance result up (14 m PLN) in non-life business thanks to the positive results generated by the companies in the Baltic States segment and the company in Ukraine.

Life insurance

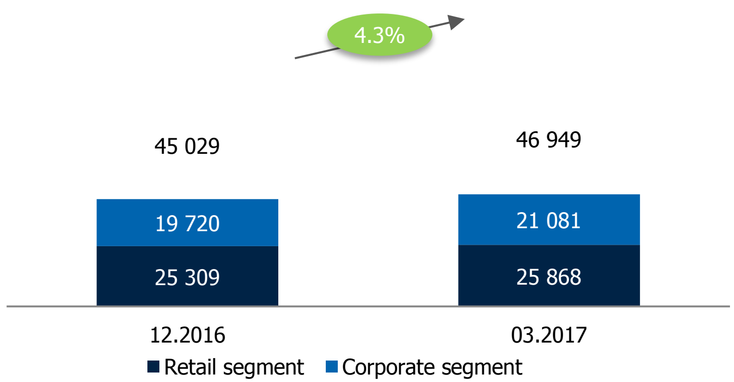
- The insurance result fell (1 m PLN) chiefly in Ukraine caused by higher acquisition expenses (higher sales by channel with high first year commission). The insurance result in the Baltic States segment remained flat at last year's level.

Alior Bank
Positive growth rate in credit receivables

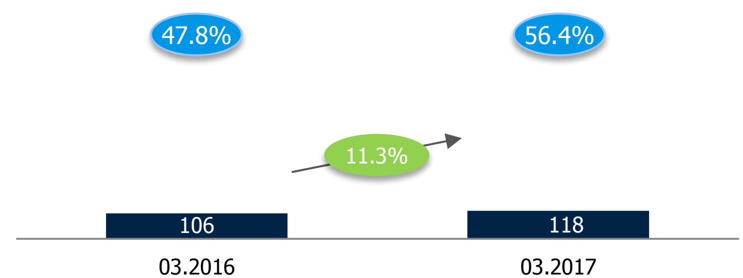
Portfolio composition

Bank segment

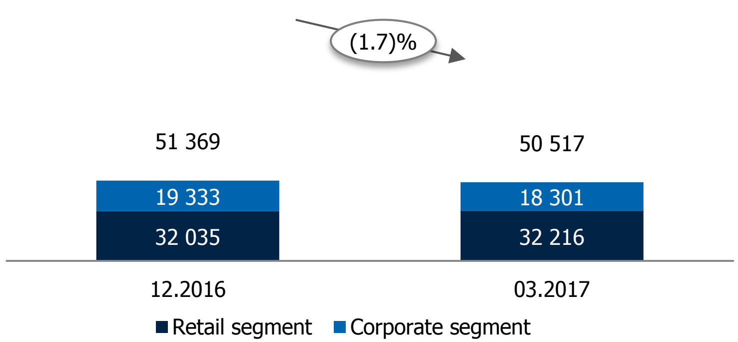
Loan portfolio by segment (m PLN)



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



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



Total Capital Requirement (TCR)*

* data according to Alior Bank FS

x% - Change year to year

x% - Cost/Income

Detailed financials

Key financial highlights

m PLN, IFRS	Q1 2016	Q1 2017	*Change YoY*	Q4 2016	*Change Q1 2017 over Q4 2016*
Profit and Loss Statement					
Gross Written Premium	4 801	5 768	*20.1%*	5 513	*4.6%*
Premium Earned	4 317	5 072	*17.5%*	4 841	*4.8%*
Net investment Result	1 057	1 674	*58.4%*	884	*89.3%*
Interest Expenses	(274)	(187)	*(31.8)%*	(198)	*(5.6)%*
Operating Profit	716	1 259	*75.8%*	1 074	*17.2%*
Net Profit	559	1 007	*80.1%*	909	*10.8%*
Parent Company Net Profit	492	940	*91.1%*	638	*47.2%*
Balance Sheet					
Parent Company Equity	13 401	13 941	*4.0%*	13 010	*7.2%*
Total Assets	108 283	126 733	*17.0%*	125 345	*1.1%*
Principal Financial Ratios					
ROE*	15.0%	27.9%	*12.9 p.p.*	20.1%	*7.8 p.p.*
Combined Ratio**	95.5%	87.0%	*(8.5) p.p.*	93.5%	*(6.5) p.p.*
Leverage ratio***	28.1%	25.9%	*(2.2) p.p.*	28.1%	*(2.2) p.p.*

* Ratio computed using equity at the beginning and end of the reporting period. Computed for the parent company

** Only for non-life insurance.

*** PZU Group’s leverage ratio – quotient of debt on long-term financial liabilities (net of liabilities on loans) to the sum of the following: debt on long-term financial liabilities and the PZU Group’s equity minus intangible assets, deferred acquisition expenses and deferred tax assets carried in the PZU Group’s consolidated financial statements

Normalized operating profit

Operating profit *YTD, m PLN*

m PLN, IFRS	03.2016	03.2017	Change yoy
Operating Profit	**716**	**1 259**	***75.8%***
including:			
1 Conversion effect	11	19	
2 Agricultural Insurance	(214)	-	
Operating Profit excl. one-offs	**919**	**1 240**	***35.0%***
3 Tax on financial institutions	(67)	(124)	
4 Alior Bank contribution	144	183	
5 Revaluation of the equity stake in Azoty Group	(22)	42	
Normalized operating profit	**864**	**1 139**	***31.9%***

1. Impact exerted by conversion of long-term policies into yearly renewable term agreements in type P group insurance.
2. Above average claims in agricultural insurance versus the previous 3 years.
3. Implementation of the levy on financial institutions as of 1 February 2016.
4. Operating result of the consolidated Alior Bank plus adjustments by virtue of PZU's acquisition net of the levy on some financial institutions recognized above.
5. Impact exerted by the movement in the valuation of the Azoty investment portfolio.

Profitability by insurance activity segment

Insurance Business Segments	Gross Written Premium			Insurance Result/ Operating Profit			Combined Ratio / Operating profit ratio*	
m PLN, local GAAP	Q1 2016	Q1 2017	*Change YoY*	Q1 2016	Q1 2017	*Change YoY*	Q1 2016	Q1 2017
Total Non-Life - Poland	**2 622**	**3 283**	***25.2%***	**180**	**446**	***147.8%***	**95.1%**	**86.1%**
Mass Insurance - Poland	**2 147**	**2 653**	***23.6%***	**68**	**395**	***480.9%***	**99.7%**	**84.9%**
Motor TPL Insurance	772	1 123	*45.5%*	(55)	124	*x*	111.3%	90.1%
Motor Own Damage	507	644	*27.0%*	45	(5)	*x*	89.3%	102.8%
Other products	868	886	*2.1%*	3	241	*x*	95.6%	64.6%
Impact of investment segment allocation	x	x	*x*	75	35	*(53.2)%*	x	x
Corporate Insurance - Poland	**475**	**630**	***32.6%***	**112**	**51**	***(54.5)%***	**73.4%**	**91.8%**
Motor TPL Insurance	103	168	*63.3%*	(10)	(5)	*x*	112.9%	103.7%
Motor Own Damage	157	205	*30.6%*	23	(0)	*x*	82.5%	105.7%
Other products	215	257	*19.7%*	77	49	*(36.5)%*	43.7%	67.4%
Impact of investment segment allocation	x	x	*x*	22	7	*(67.1)%*	x	x
Total Life - Poland	**1 935**	**2 122**	***9.7%***	**370**	**304**	***(17.8)%***	**19.1%**	**14.3%**
Group and Continued ** - Poland	**1 689**	**1 714**	***1.5%***	**304**	**236**	***(22.4)%***	**18.0%**	**13.8%**
Individual - Poland	**246**	**408**	***65.9%***	**55**	**49**	***(10.9)%***	**22.4%**	**12.0%**
Conversion effect	x	x	*x*	11	19	*72.7%*	x	x
Total Non-Life - Ukraine & Baltica	**312**	**344**	***10.3%***	**8**	**22**	***175.0%***	**99.6%**	**94.5%**
Baltic states Non-life	**263**	**301**	***14.4%***	**8**	**17**	***112.5%***	**98.4%**	**95.2%**
Ukraine Non-life	**49**	**43**	***(12.2)%***	**0**	**5**	***x***	**120.0%**	**84.2%**
Total - Life - Ukraine & Baltica	**20**	**23**	***15.0%***	**2**	**1**	***(50.0)%***	**10.0%**	**4.3%**
Lithuania Life	**11**	**14**	***27.3%***	**0**	**0**	***x***	**0.0%**	**0.0%**
Ukraine Life	**9**	**9**	***0.0%***	**2**	**1**	***(50.0)%***	**22.2%**	**11.1%**
Total - banks	**-**	**-**	**x**	**106**	**118**	**11.3%**	**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;

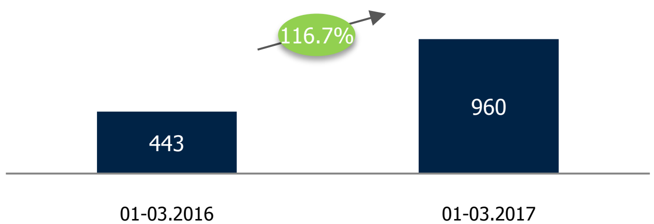
** Insurance result and margin net of conversion effects;

Investments

Better performance of equity instruments

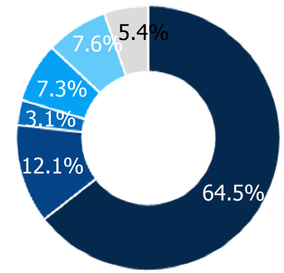
m PLN

Net investment result*



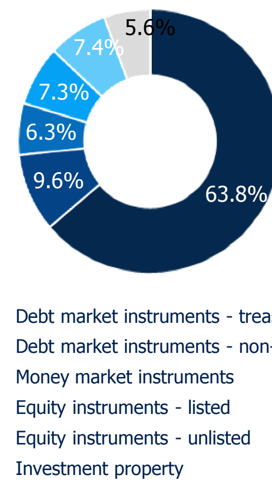
March 2017 Investment portfolio composition**

Total: 52.8 bn PLN



December 2016 Investment portfolio composition**

Total: 50.5 bn PLN



The net investment result in Q1 2017 (including interest expense net of Alior Bank) amounted to 960 m PLN. It was higher than the result in the corresponding period of last year by 517 m PLN, which was primarily due to the following drivers:

- better performance of equity instruments in particular due to improved market conditions on the Warsaw Stock Exchange – the WIG index is up 11.9% compared to 5.5% in the corresponding period of last year;
- 64 m PLN upsurge in the value of the equity stake held in the Azoty Group;
- purchase of 30 year high-yield bonds on the primary market for 2 bn PLN in the held to maturity bond portolio that simultaneously improve the match between the investment portfolio and the maturity of liabilities.

The impact of the above drivers was partly offset by deterioration of the result on interest-bearing financial assets measured at fair value due to the shift in the outlook for global interest rates and appreciation of the PLN particularly against the EUR with respect to the foreign currency debt portfolio, counterbalanced by the recognition of FX gains on own debt securities.

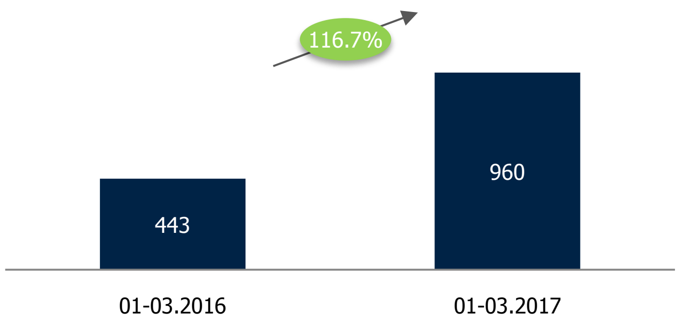
* Including interest expense net of Alior Bank.

** The investment portfolio is presented net of Alior Bank and includes financial assets (including investment products net of loan receivables from clients), investment properties (including the portion presented in the class of assets held for sale), the negative measurement of derivatives and liabilities for buy backs.

Investments

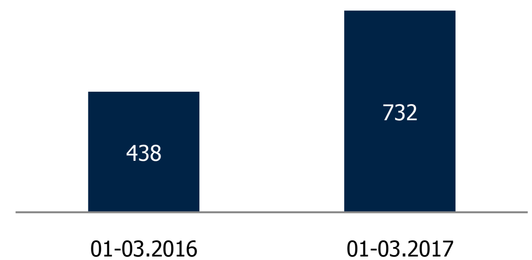
Better performance of unit-linked products, especially WPI and Pogodna Przyszłość

Net investment result

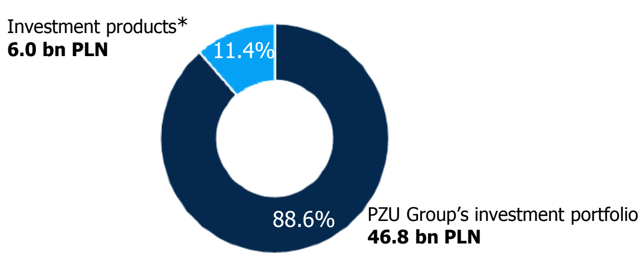


1

PZU Group's net investment result

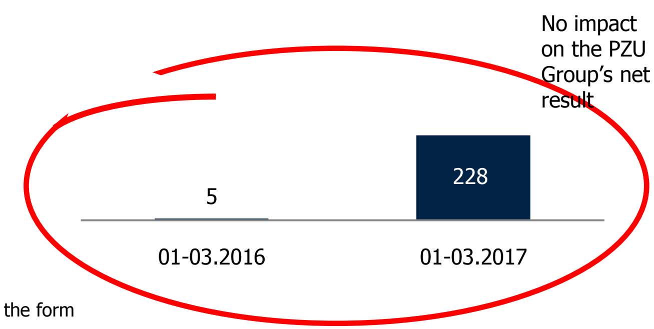


Investment portfolio composition as at March 2017



2

Net investment result in investment products*



Total: 52.8 bn PLN

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

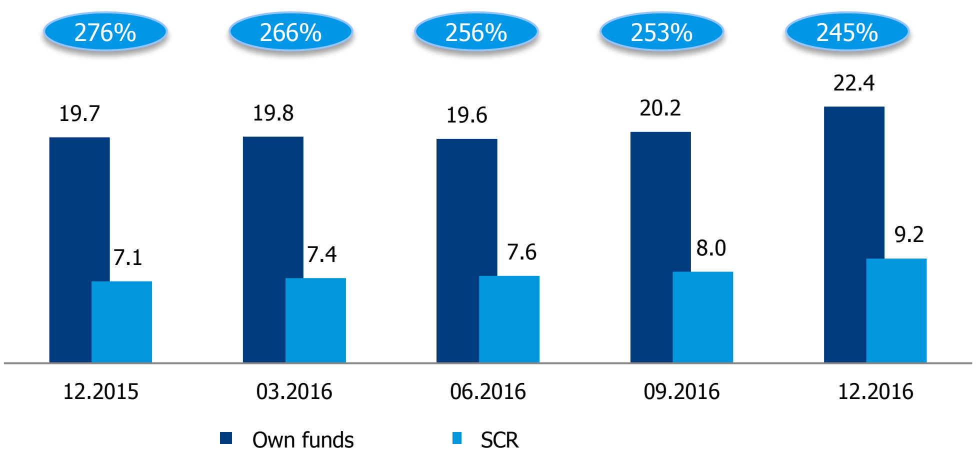
Group figures as at 31 December 2016 according to Solvency II

Group solvency ratios

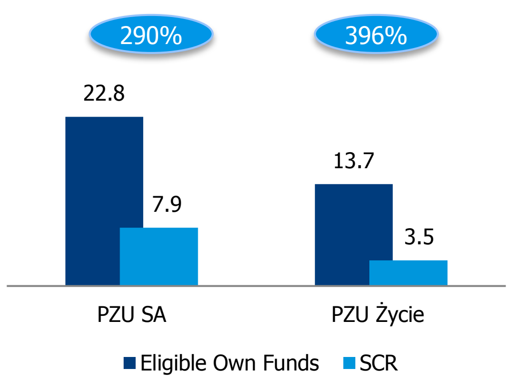
Preliminary Group Solvency II data as at 31 December 2016

bn PLN, unaudited group data

Solvency II (Group)



Solvency II (standalone)



- Solvency II own funds rose by PLN 2.7 bn, i.e. 14% during 2016.
- The main drivers of the growth of own funds in Q4 were: decrease of technical provisions by PLN 2.1 bn and realized profit for the period. The fall of technical provisions resulted among others from rising Polish sovereign bond interest rates, actuarial assumptions update related to mortality, morbidity and lapse rates in life insurance, and related to these risk margin.
- The PZU Group's own funds are of very high quality. More than 99% of own funds is classified as Tier 1.
- PZU and PZU Życie standalone solvency data have been audited. Standalone and group solvency data differ, mainly due to differences in SII valuation and SCR calculation related to subsidiaries. Like in group reports, standalone own funds have not been adjusted with the amount of foreseeable dividends*.
- Group data for 2016 is preliminary and unaudited. The final results may change. Due to the changes introduced in Q4 as well as lack of own fund adjustment related to foreseeable dividends* the presented data are not fully comparable from period to period.

* Own funds at yearend 2015 includes the dividend paid by PZU from 2015 profit in the amount of PLN 1.8 bn. Data as at 31 December 2016 do not incorporate a corresponding adjustment. The adjustment will be recognized based on the Management Board's recommendation regarding the distribution of the result.

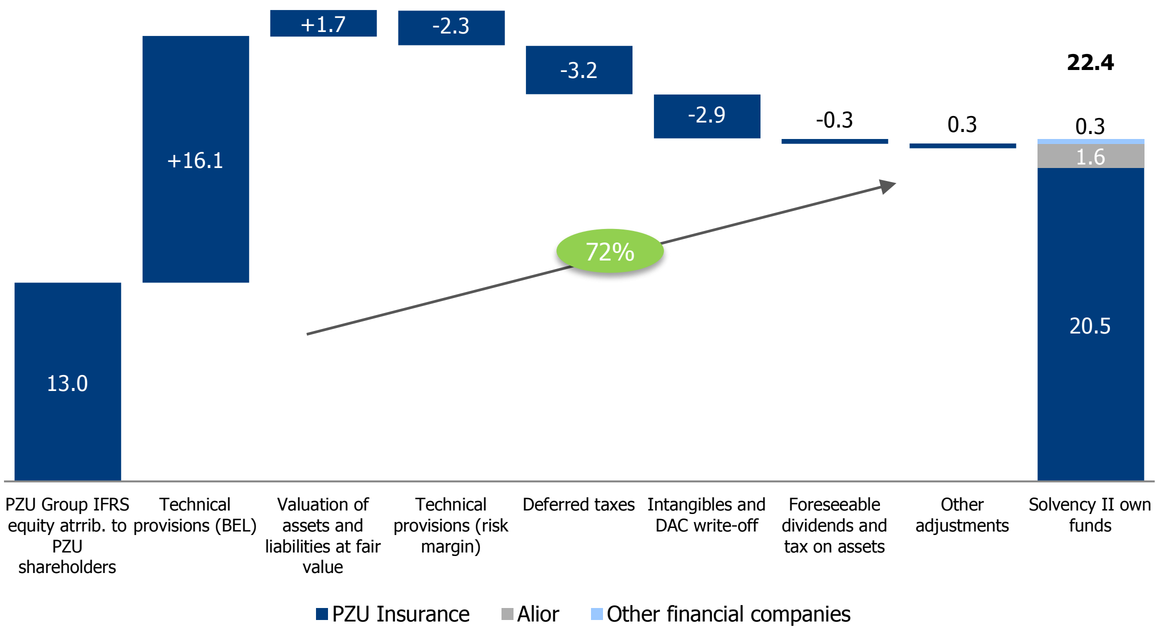
Own funds to solvency margin / SCR coverage

Group own funds

Preliminary Solvency II data as at 31 December 2016

bn PLN, unaudited data

Reconciliation of own funds and consolidated equity according to IFRS



Own funds according to Solvency II are calculated using the net assets carried in the Group's economic balance sheet. For the purpose of SII, the data of the insurance entities and entities rendering auxiliary activity such as Centrum Operacji, PZU Pomoc and PZU Zdrowie are subject to consolidation. The data of credit institutions (Alior Bank) and financial institutions (TFI, PTE) are not consolidated.

According to SII regulations:

- technical provisions are measured using the expected discounted cash flow (best estimate liability, BEL) adjusted for the risk margin;
- shares in entities belonging to other financial sectors (Alior Bank, TFI, PTE) are 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 are measured at fair value*;
- deferred tax is calculated on the temporary differences between the valuation of assets and liabilities according to SII and IFRS.
- the following is subtracted from own funds according to SII:
  - the amount of foreseeable dividends**;
  - the forecasts of the amount of tax on assets expected to be paid by insurance undertakings over the 12 months after the balance sheet date (according to the letter from the Polish FSA).

x% - Percentage change

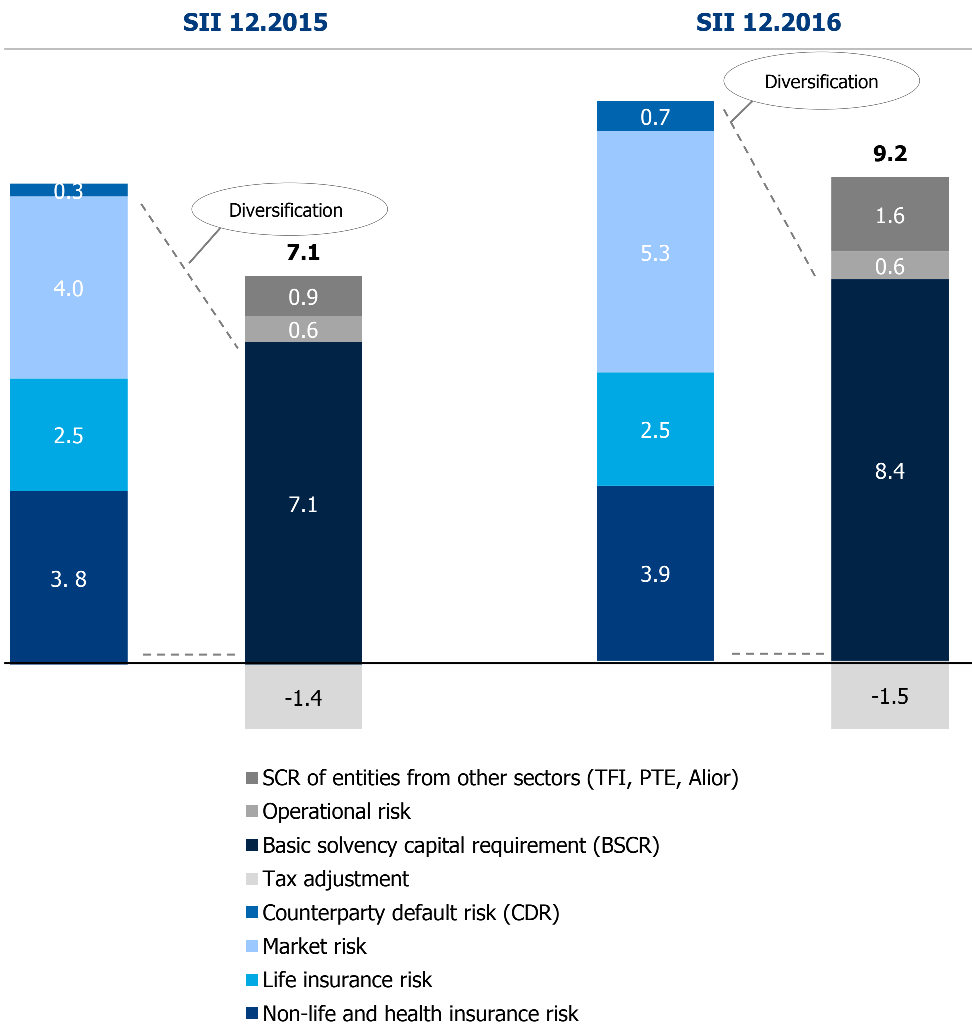
* Intangible assets and deferred acquisition costs whose value for the purposes of SII is zero are an exception;

** The adjustment for anticipated dividends will be recognized based on the Management Board's recommendation regarding the distribution of the result.

Group solvency capital requirement

Solvency II data as at 31 December 2015 and 30 September 2016

bn PLN, unaudited data



The Solvency Capital Requirement (SCR) is calculated using the standard formula and it includes, among others, the following risks: actuarial, market, counterparty solvency and operating. In the SCR calculation the PZU Group does not take advantage of the temporary regulations that in the case of some European entities "soften" the consequences of switching over to the new regime.

The requirements of financial entities (TFI, PTE, Alior Bank and Pekao in the future) are depicted according to the rules for a given sector and are not adjusted for diversification.

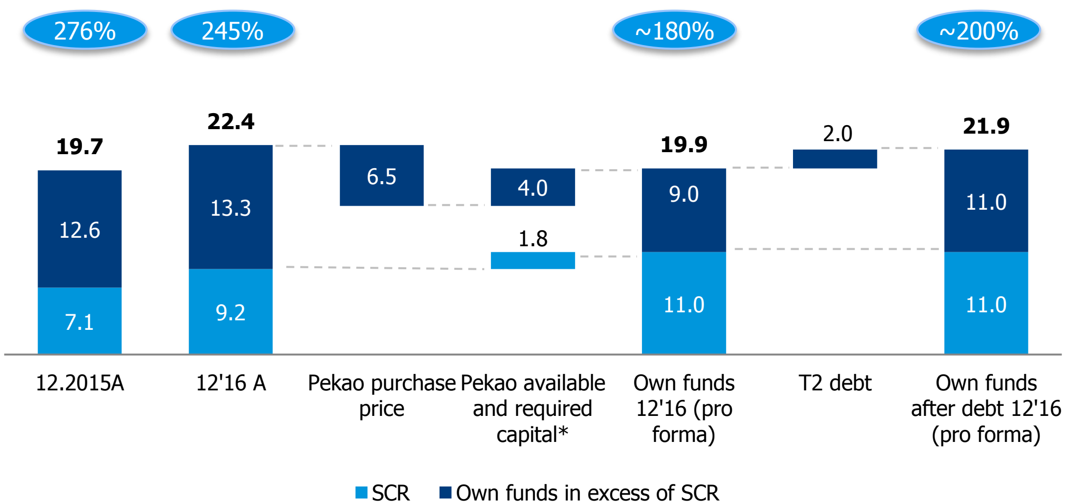
The solvency requirement grew in 2016 by PLN 2.0 bn, i.e. 28%. The main drivers of the Group's SCR growth were as follows:

- allocation in foreign debt instruments managed by PZU - impact on SCR after diversification PLN +0.5 bn;
- regarding investment properties held through investment funds and special purpose vehicles – application of look-through approach at the fund level where market risk is calculated with respect to investments in SPVs rather than considering the actual underlying risk (property risk); PZU made a decision to sell part of investment properties that cause high capital charges to BGK;
- higher exposure to Alior Bank following BPH credit portfolio acquisition (PLN +0.2 bn);
- higher premium risk in non-life due to business development compensated by the decrease of underwriting SCR due to extension of nat cat reinsurance treaty (impact of reinsurance - ca. PLN 0.3 bn after diversification).

Impact of the acquisition of Bank Pekao SA

Pro forma Solvency II data as at 30 December 2016

bn PLN, unaudited data



- PZU Group's solvency ratio will fall as a consequence of the acquisition of Pekao:
  - the surplus of the acquisition price above PZU's share of Pekao's own funds will reduce the Group's own funds;
  - PZU's share in Pekao's capital requirements specified in accordance with banking regulations will be recognized in the PZU Group's solvency capital requirement.
- To mitigate the fall in the solvency ratio:
  - increased capacity of nat cat reinsurance treaty in Q4, thereby reducing non-life insurance SCR;
  - PZU is working on issuance of Tier2 hybrid debt;
  - there is a process of: optimizing exposure to investment funds whose capital charges are currently high due to the lack of a look-through approach and working on reducing market exposure with high capital charges (eg sale of a portion of a investment properties to BGK).
- Pekao transaction will affect PZU Group's solvency starting from Q2 2017. The presented estimates were prepared based on data as at 31 December 2016; the estimates do not include future economic results or dividends.

* Pekao SA data on the basis of the financial statements as of 1Q 2017.

- Own funds to solvency margin / SCR coverage

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Due to the fact that all amounts in consolidated financial statement were presented in millions of PLN, instead of in thousands of PLN, as has been done so far, some amounts and ratios due to rounding may differ from the amounts presented in the PZU Group's financial results for Q1 2016 presentation.