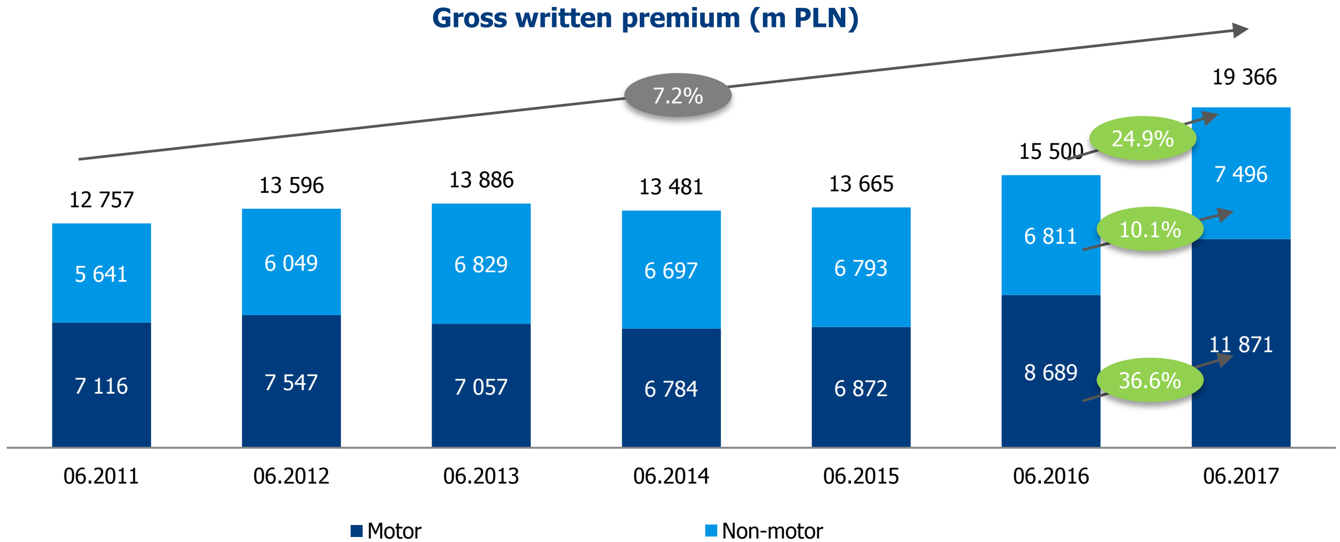
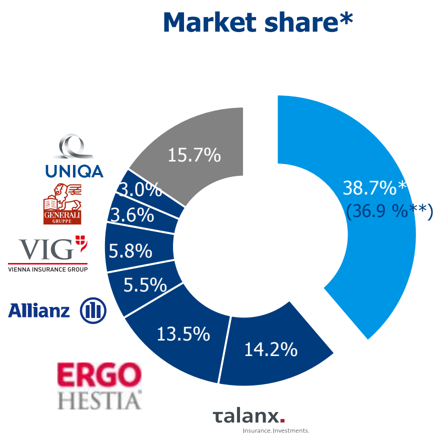
PZU Group's financial results in the first 3 quarters of 2017

Warsaw, 15 November 2017

PZU Group's position on the changing insurance market

Non-life insurance market in Poland





LINK4

TUW PZUW

+2.5 p.p.
(+0.8 p.p**)

PZU change y/y

- PZU Group's strong market position in motor insurance, including direct business with a market share of **38.9%* (- 0.2 p.p y/y).**
- The PZU Group's share in the non-life insurance market in direct business in Q2 2017 is **36.9%** (of which PZU has **32.5%**; Link4 has **2.9%** and TUW PZUW has **1.5%**).
- The PZU Group's technical result stated as a percentage of the overall market's technical result is **65.1%*** (the PZU Group's technical result is 741.1 m PLN while the overall market's technical result is 1,139.2 m PLN).

xx% - CAGR

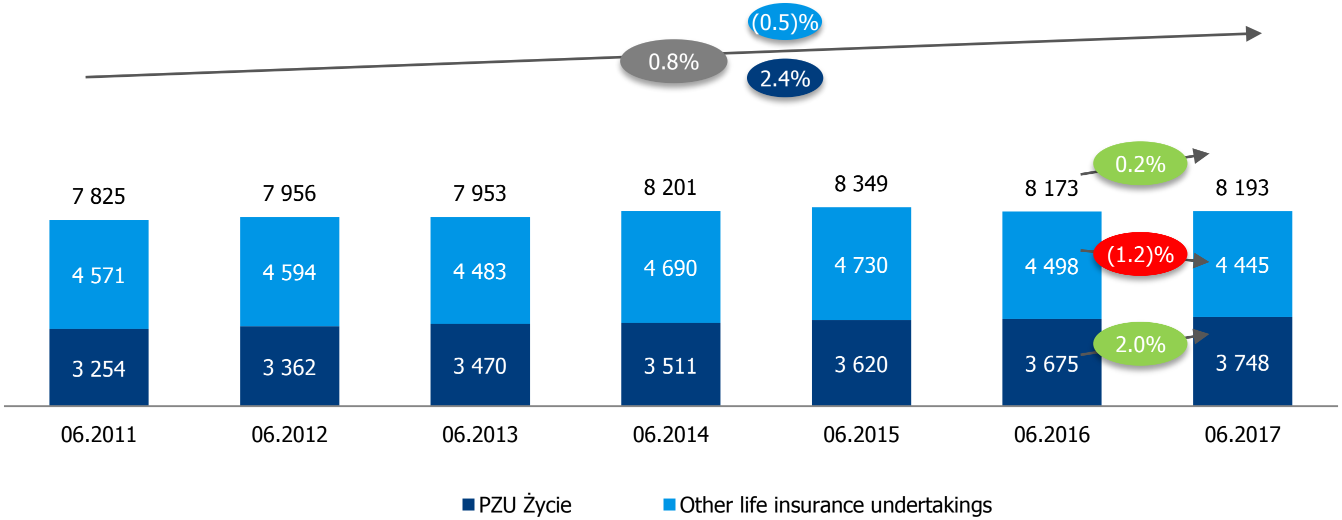
x% - Change year to year

** According to the Polish FSA's quarterly report for H1 2017; the market and market shares including PZU's inward reinsurance from Link4 and the TUW mutual;*

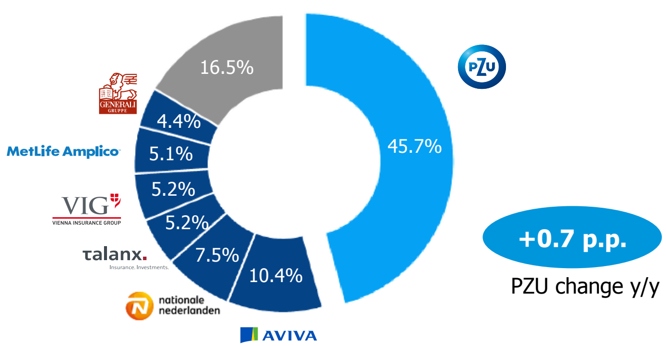
*** PZU Group's market share in non-life insurance on direct business in H1 2017.*

Life insurance market in Poland

Gross periodic premium (m PLN)



Market share (periodic premium)



- In Q2 2017, the y/y decline in the periodic premium generated by the overall market net of PZU was **-1.2%**, while in this same period PZU posted growth of **2.0%**.
- This translated into material growth in PZU Życie's periodic premium market share to **45.7%** at the end of Q2 2017 (its highest level since 2010).
- At the same time, the information reported by the Polish FSA made it possible to determine that PZU's market share of periodic premium for class I insurance (life insurance) was **65.9%** at the end of Q2 2017 when measured by gross written premium and **72.9%** when measured by the number of policies in force, while for this same class of insurance concluded in group form, PZU's market share was **68.2%.**
- In the period under analysis PZU generated a higher technical result profitability than its competitors on average – the margin generated by PZU was **12.4%,** while the margin generated by the other players was **9.4%**, implying that PZU generates **50.2%** of the result generated by all the life insurance companies.

xx% - CAGR

xx% - CAGR of PZU Życie/Other insurance undertakings

x% - Change year to year

Major drivers of the PZU Group's result

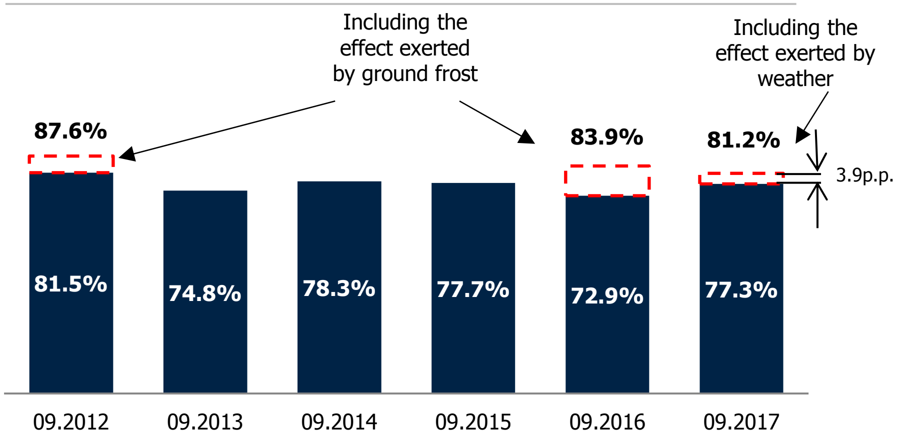
1. PZU Group's position on the changing insurance market
2. Major drivers of the PZU Group's result
3. Execution of the Group's strategy for 2016-2020
4. Recap of financial results by segment
5. Detailed financials
6. Group figures as at 30 June 2017 according to Solvency II

The most important events and drivers of the results in Q3 2017

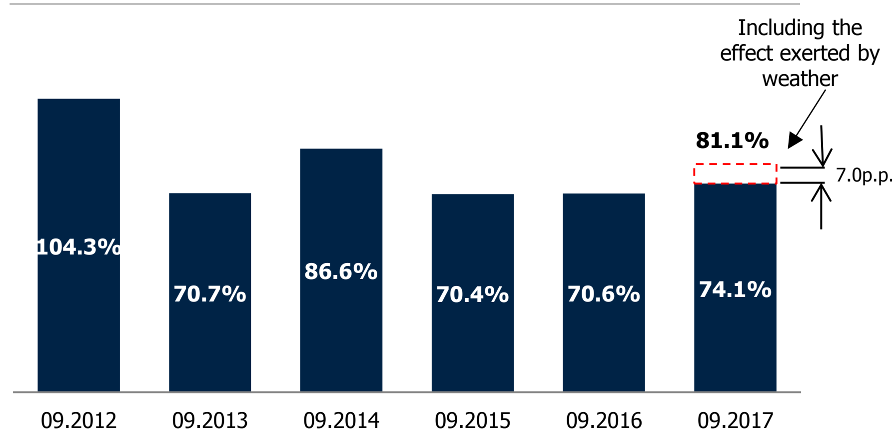
- The S&P rating agency raised PZU's rating outlook from negative to stable. PZU's rating of A- is one notch above Poland's long-term foreign currency rating.
- The PZU Group's gross written premium climbed 10.0% Q3 2017 / Q3 2016.
- Stable profitability in other non-life insurance despite the higher loss ratio (losses caused by storms).
- Enhanced performance in motor insurance, especially in the mass client segment.
- Further profitability expansion in the group and individually continued insurance segment to 25.9% in Q3 from 24.5% in Q2.
- Better performance of the main portfolio driven chiefly by the high result generated by equity portfolios.

Stable profitability in other non-life insurance

Combined ratio (COR) in non-motor insurance – mass segment



Combined ratio (COR) in non-motor insurance – corporate segment

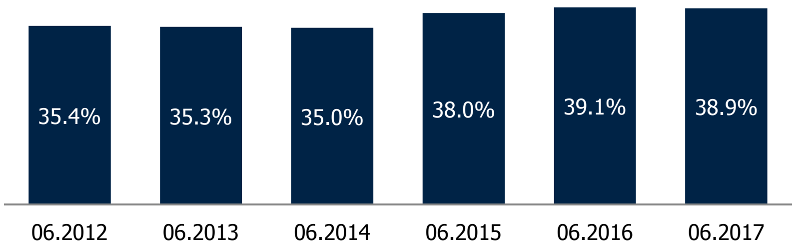


- The combined ratio is down from 2016 (extensive losses caused by ground frost) despite the losses precipitated by hurricanes. The combined ratio has remained at its mean level for the last several years net of weather effects.

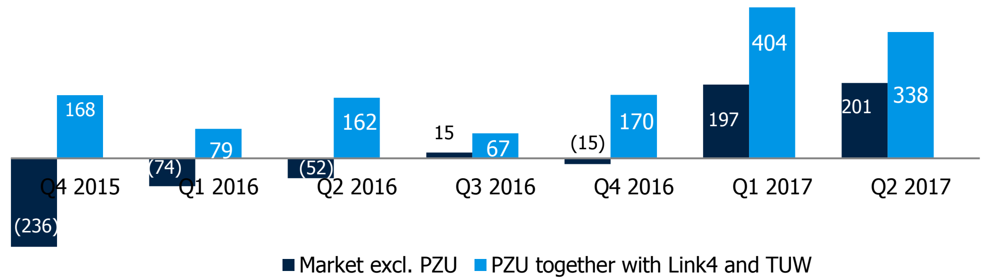
- Despite the higher loss ratio (the effect of the occurrence of several events with a high unit value – property insurance and general TPL insurance) compared to the results in the last two years, the results of the corporate segment's non-motor insurance continue to be robust.

Enhanced performance in motor insurance coupled with a stable market share

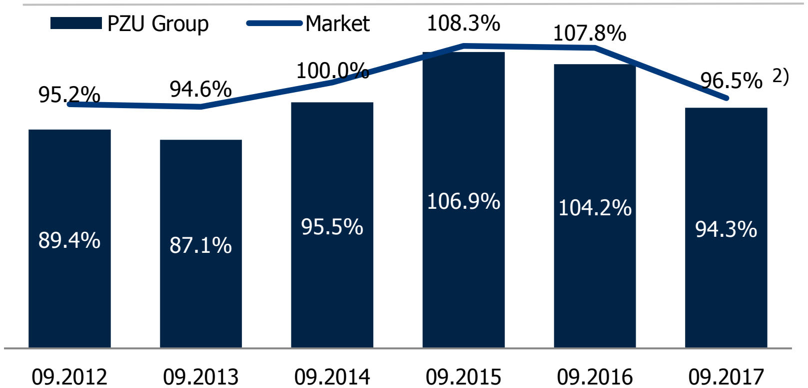
PZU Group's motor insurance market share[1] (Poland)



Technical result (quarterly)



Combined ratio (COR) in motor insurance



Number of motor TPL insurance policies in force (# m) [3]

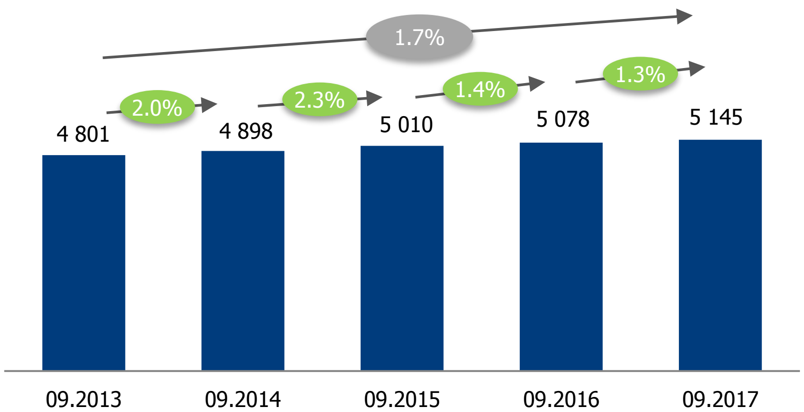
09.2012	09.2013	09.2014	09.2015	09.2016	09.2017
7.2	7.1	7.0	7.6	8.3	8.8

1. PZU's strong brand and magnitude of operations enables it to maintain a high level of quality and profitability in its motor insurance portfolio.
2. Since 2015 (acquisition of Link4) PZU has kept its market share above 38% while continuing to attract more clients.
3. Recent months have featured gradual improvement in the technical results generated by the overall market and PZU.
4. PZU Group's COR in motor insurance (MTPL and MOD) in the mass segment improved by 10.7 p.p. and in the corporate segment improved by 5.8 p.p. (despite of one-off increase in provision for previous years' claim with an impact on the technical result of above PLN 11m, i.e. 2.6 p.p. COR).

[1] According to the Polish FSA's Q2 2017 report; the market and market shares on direct business; PZU jointly with PZUW TUW and Link4
[2] According to the Polish FSA's Q2 2017 report
[3] Link4 from Q4 2014; TUW PZUW from Q1 2016

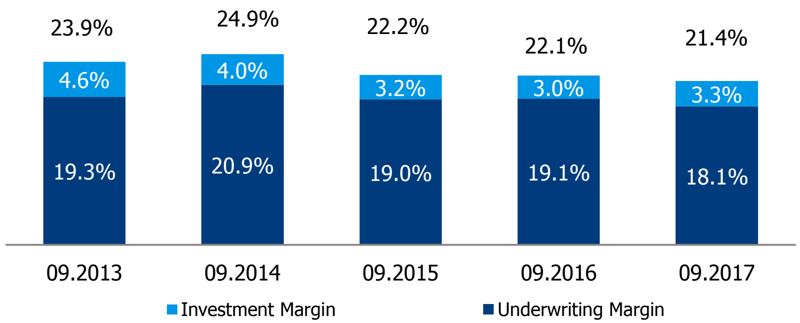
Ongoing profitability expansion in group and individually continued insurance in Q3

Gross written premium (m PLN)



- Lessening the pressure on the premium growth rate making it possible to control the loss ratio.
- Rising share of health insurance premiums - new clients in outpatient insurance and sales of different options of the medicine product. PZU's portfolio consists of more than 1.4 million agreements in force of this type at the end of Q3 2017.
- 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.
- Upsales of riders in individually continued products continue to be successful.

Margin (%)*



* Segment margin net of the conversion effect

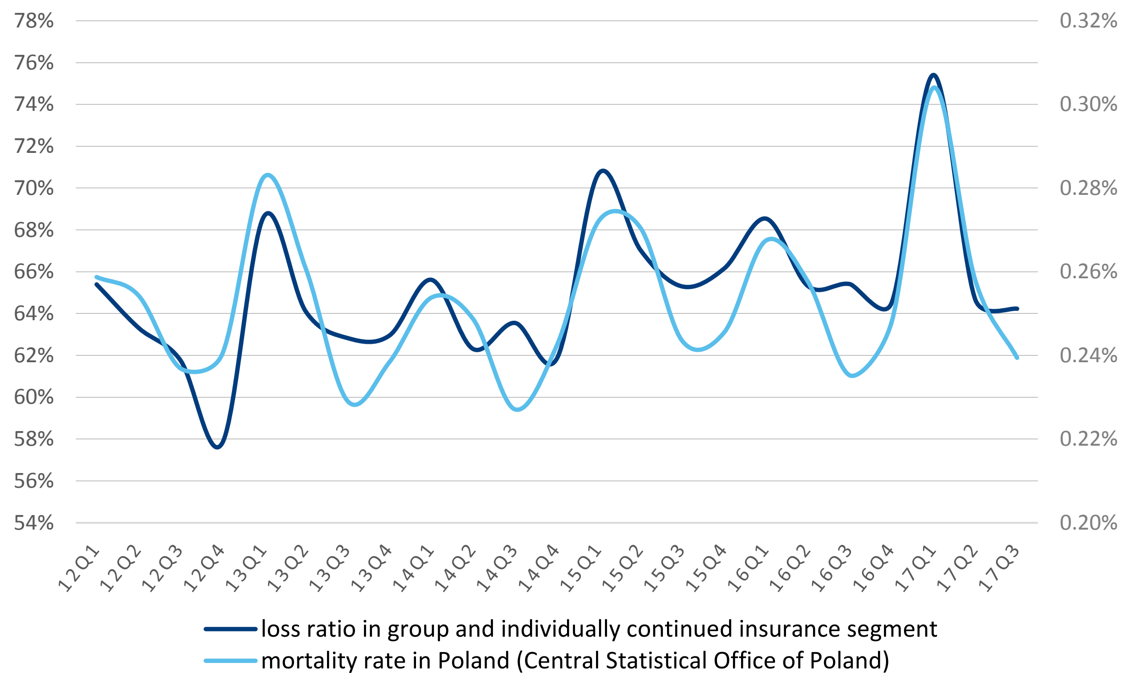
The margin in Q3 was 25.9%, signifying growth in comparison with the previous quarter by 1.4 p.p., in comparison with Q1 2017 by 12.1 p.p. and in comparison with Q3 2016 by 1.4 p.p. The main reasons are as follows:

- Limitation of the pace of growth in the loss ratio in protection insurance and concentrating on business profitability. In Q2 and Q3 the loss ratios returned to the levels observed in the corresponding periods of last year after material upswing in the number of deaths and the number of benefits paid for this reason in Q1 2017 which was justified by the higher number of deaths in the overall population of Poland at the outset of this year.
- new individual continuation's positive contribution to the segment's results by setting up lower mathematical reserves when the liability of these agreements commences.
- the y/y growth in the number of death benefits in individual continuation subsequently leads to the reversal of more mathematical reserves to offset a portion of the negative result due to the claims paid in this portfolio.
- cost discipline and the lower charge to the prevention fund.

xx% - CAGR

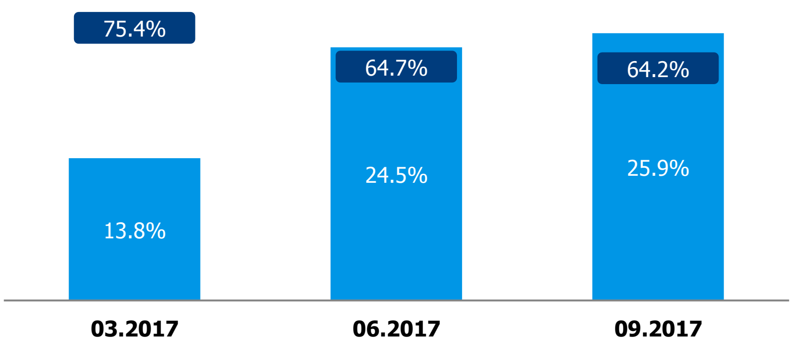
x% - Change year to year

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

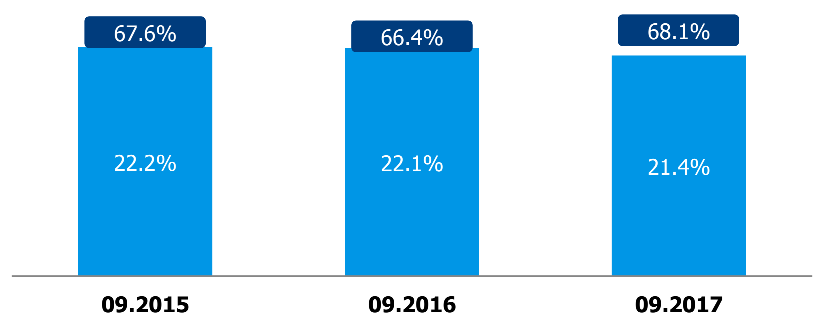


- Mortality's quarterly seasonality in Poland (upswing in winter months and downturn in summer months) and its overall upward trend (aging of the general public) were visible.
- This trend pertaining to changes in the quarterly loss ratio of protection products in the group and individually continued segment followed mortality frequency in Poland as the principal source of these changes.
- The Company took measures to counteract the rising loss ratio in its portfolio of protection products such as limiting the modification of group agreements leading to a deterioration in their profitability, introducing new individual continuation and modifying the terms and conditions of insurance riders.
- In Q2 and Q3 2017 significant decline in mortality frequency as opposed to Q1 of this year and consequently enhancement in the loss ratio parameters on protection agreements.

Margin / loss ratio quarters of 2017 (%)

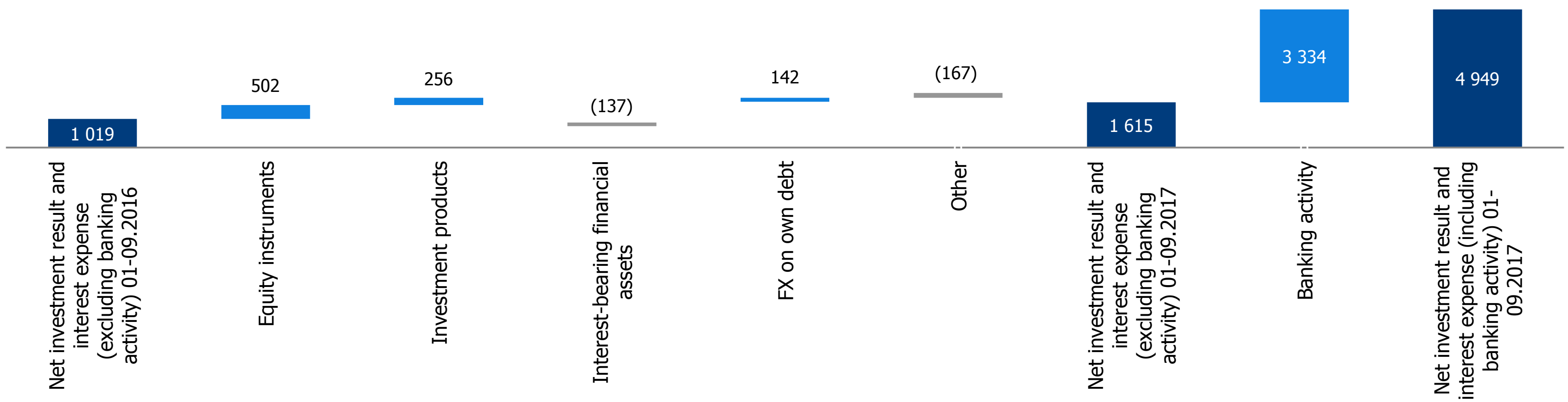


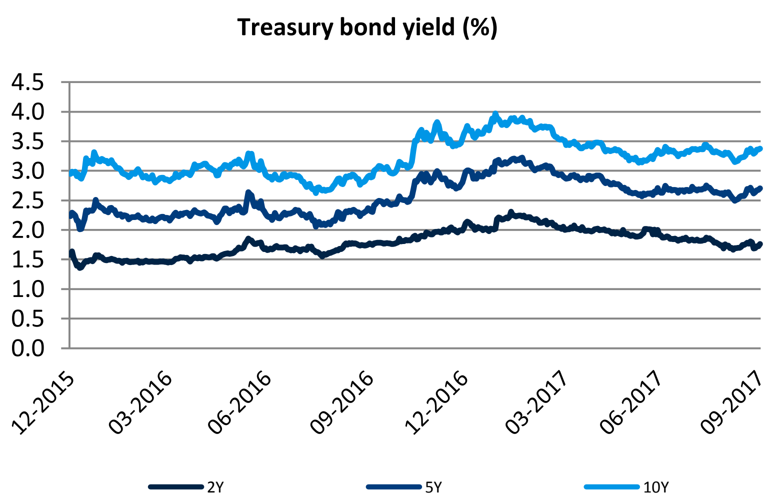
Margin / loss ratio year-to-date (%)

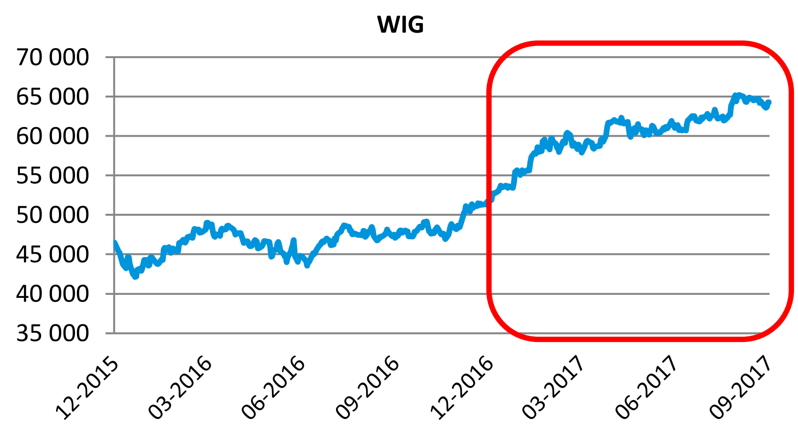


Better performance of the main portfolio driven chiefly by the improved result generated by equity portfolios

m PLN



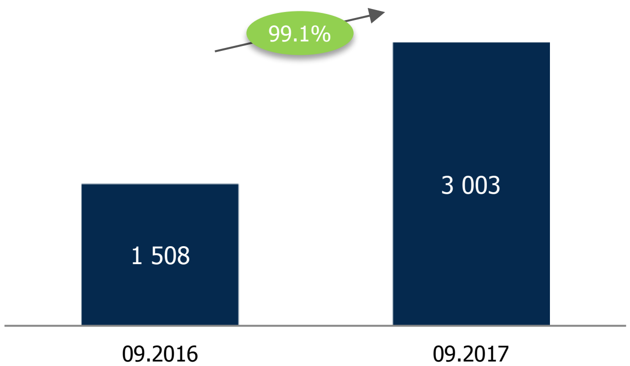




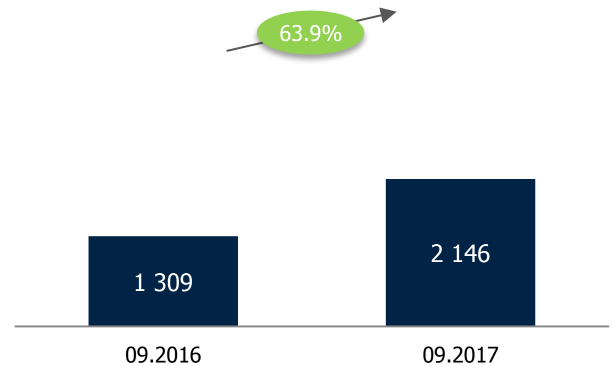
The net investment result (net investment income, net realized result and impairment losses and the net movement in the fair value of assets and liabilities measured at fair value) and interest expenses net of the impact exerted by banking activity.

Net result nearly twice as high as last year's result

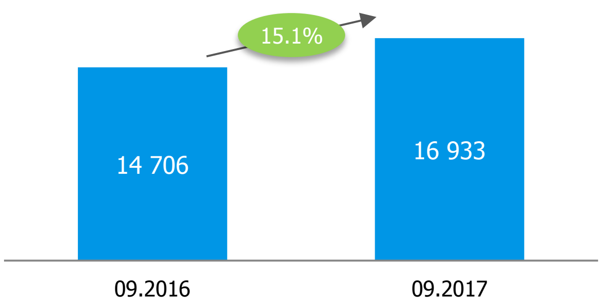
PZU Group's net profit (m PLN)



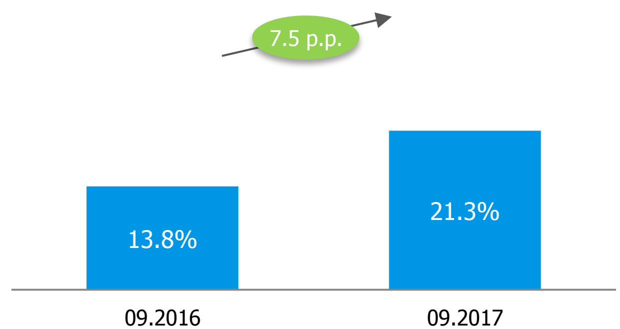
Net profit – parent company (m PLN)



PZU Group's gross written premium (m PLN)



Return on equity (ROE) (%) *



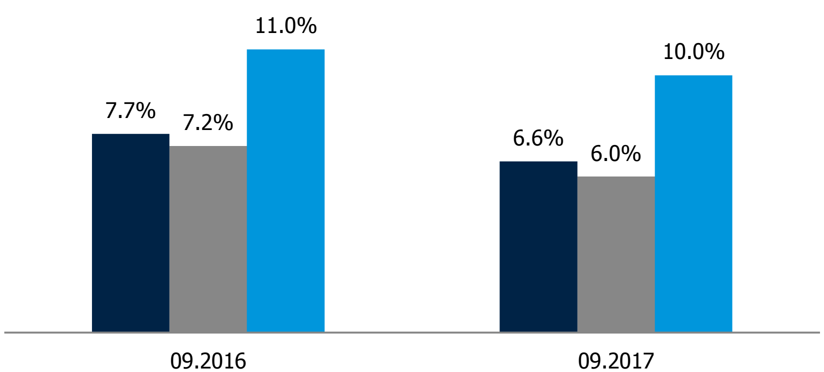
* Ratio computed using equity at the beginning and end of the reporting period. Computed for the parent company

x% - Change year to year

Further improvement in cost effectiveness

m PLN

Administrative expense ratio in the insurance business



Polish insurance companies

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

International insurance companies

- The declining administrative expense ratio in Poland was driven mainly by maintaining cost discipline coupled with the rapidly grow 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 foreign 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

Execution of the Group's strategy for 2016-2020

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Key metrics of the Strategy for 2016-2020

ROE[1]	
09.2017	2020
21.3%	**18%**

BUSINESS SIZE

Segment	Metric	Date	Value	Target date	Target
NON-LIFE INSURANCE	PZU Group's market share[2]	06.2017	**36.9%**	2020	**35%**
LIFE INSURANCE	Number of clients PZU Życie (m)	09.2017	**11.1**	2020	**11.0**
INVESTMENTS	Assets under management for third party clients (bn PLN)	09.2017	**31.0**	2020	**50**
HEALTH	Revenues (m PLN)[6]	09.2017	**457.8***	2020	**1,000**
BANKING	Assets (bn PLN)	09.2017	**236**	2020	**140**

BUSINESS PROFITABILITY

Segment	Metric	Date	Value	Target date	Target
NON-LIFE INSURANCE	Combined ratio[3]	09.2017	**90.1%**	2020	**92%**
LIFE INSURANCE	Insurance margin in group and individual continuation	09.2017	**21.4%**	2020	**>20%**
INVESTMENTS	Net result on third party asset management (m PLN)	09.2017	**86.8***	2020	**200**
HEALTH	EBITDA margin[7]	09.2017	**10.1%**	2020	**12%**
BANKING	Net financial result attributed to the PZU Group (m PLN)	09.2017	**318**[9]	2020	**450**
NON-LIFE INSURANCE	Cutting fixed expenses (m PLN)	09.2017	**94.9*/ 6.6%**[11]	2018	**400/ 6.0%**[11]
LIFE INSURANCE	Solvency II solvency ratio[5]	06.2017	**247%**	2020	**>200%**
INVESTMENTS	Surplus yield on its own portfolio above the RFR	09.2017	**2.2 p.p./ 2.6 p.p.**[10]	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, project-related parts and amortization of goodwill
9 Figures consistent with the financial statements of Pekao and Alior Bank for the 12 month moving average net of non-recurring events (restructuring costs and the result on the acquisition of BPH)
10 Including FX on the issue
11 Administrative expense ratio in the insurance business of the Polish insurance companies
*Moving 12 month average

Recap of financial results by segment

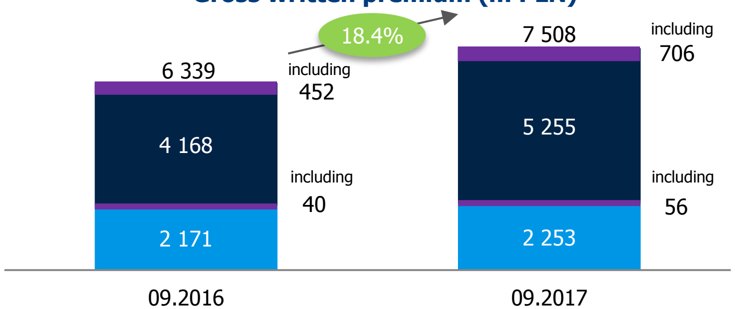
Operating results in the first 3 quarters of 2017

Non-life insurance	• **Higher profitability due to the following:** - enhanced profitability of the motor insurance portfolio; - despite the losses caused by hurricanes, the combined ratio in non-motor insurance is down from 2016 (extensive losses caused by ground frost).
Life insurance	• **Further profitability improvement in Q3** – containing the pace of growth in the loss ratio in protection insurance and concentrating on business profitability. The material improvement of the level of loss ratio in Q2 and Q3 campared with the beginning of the current year, when took place the upswing in the number of deaths and the number of benefits paid for this reason which was justified by the higher number of deaths in the overall population of Poland.
International companies	• **Sales growth** reported by all the companies in the Baltic States segment. Totaling +18.7% in non-life insurance and +13.5% in life insurance; • Sales growth in the Ukraine segment totaling +8.4%; • Profitability improved in the Baltic States thanks to the rate hike in motor insurance in the region.
Bank segment	• **Finalization** of the transaction to acquire a 20% stake in Bank Pekao S.A. (a 32.8% stake jointly with the PFR Polish Development Fund); • **Consolidation of Pekao** and recognition of Pekao's results in the PZU Group's results as of 7 June 2017. Contribution to the operating result totaling **918 m PLN**; • **Alior Bank's** contribution to the PZU Group's operating result in the first 3 quarters of the year equal to **522 m PLN**.
Investments	• **Better performance of equity portfolios,** especially due to the improved market conditions on the Warsaw Stock Exchange; • **Securing high margin exposures** in the non-treasury debt portfolio.

Non-life insurance
Growth in motor insurance sales

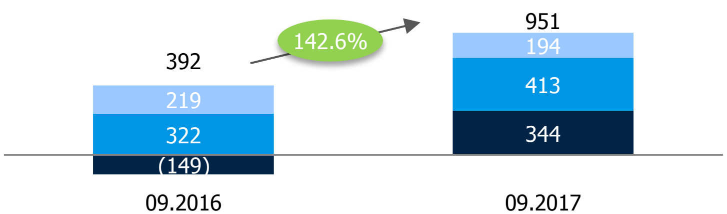
Mass segment

Gross written premium (m PLN)



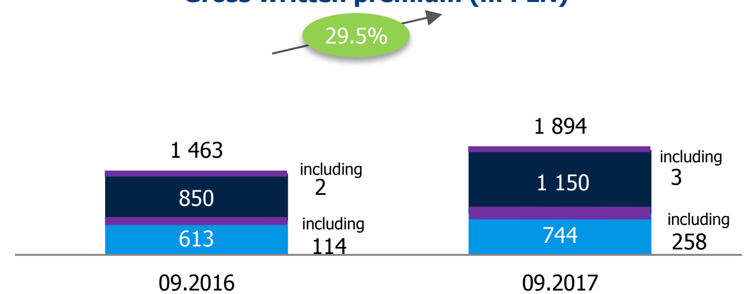
Combined ratio (%)

Insurance result (m PLN)

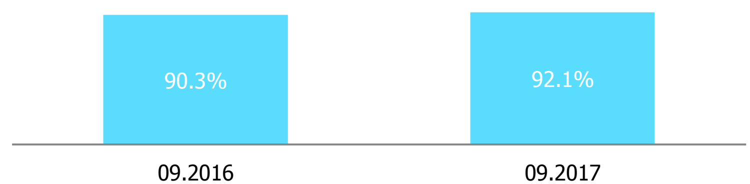


Corporate segment

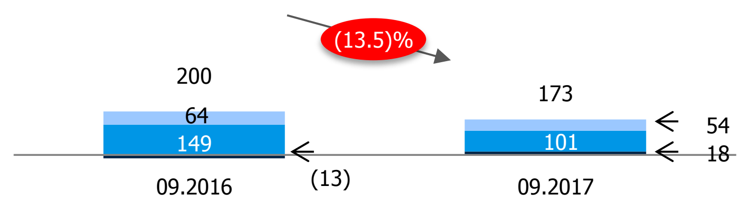
Gross written premium (m PLN)



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 the outcome of the following:

- higher motor insurance gross written premium (+26.1% y/y) as an effect of the higher average premium on the coattails of price hikes coupled with the rising number of insurance policies;
- incremental growth in the premium for fire insurance and other damage to property insurance (+11.6% y/y), including PZU DOM household insurance and agricultural insurance (chiefly subsidized crop insurance) despite the fierce competition on the market;
- lower written premium in the group of other TPL insurance (-4.3% y/y) and accident and other insurance (-6.4% y/y), chiefly insurance of various financial risks and illness.

Insurance result up as the outcome of the following:

- incremental growth in net earned premium (+22.4%) – result of higher sales;
- lower loss ratio in the insurance group:
  - motor TPL as an effect of the changes made to the average premium and a lower number of high unit value events; this effect was partially offset by the observed growth in the average claim value;
  - other damage to property insurance caused by natural calamities – despite the number of losses caused by weather events such as hurricanes and hail being above the normalized level, the loss ratio is down from 2016 (extensive losses in agricultural insurance caused by ground frost).
- higher insurance activity expenses as the outcome of the following:
  - climbing acquisition expenses - effect of the expanding portfolio;
  - decline in administrative expenses in project-related activity and current operations.

Corporate segment

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

- upswing in motor insurance sales offered to leasing companies and in fleet insurance (mainly TPL insurance) as a consequence of the higher average premium and number of insurance policies;
- premium growth in fire insurance and other physical losses (+24.8% y/y) and other TPL insurance (+9.4% y/y) as the effect of signing several high unit value agreements, after large entities from the power, chemical and coal industries enrolled in TUW PZUW
- higher growth rate in the sales of accident and other insurance (+30.6% y/y) as a result of the development of cooperation between TUW PZUW and partners offering assistance insurance.

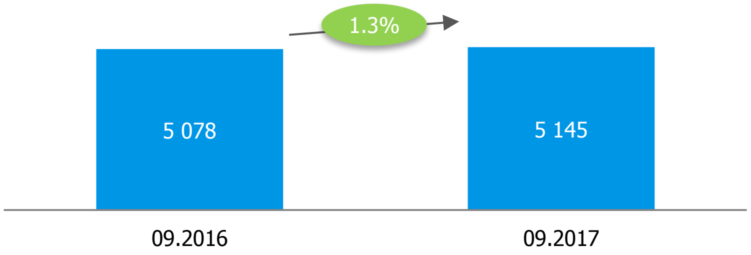
Diminished insurance result as the outcome of the following:

- incremental growth in net earned premium (+21.3%) – result of higher sales;
- higher level of claims and benefits in general TPL insurance and fire insurance as a result of reporting several high unit value claims (including several intra-group reinsurance claims) and the occurrence of damage caused by weather phenomena (hurricanes);
- higher insurance activity expenses as a consequence of the following:
  - rising acquisition expenses - due to higher sales;
  - higher administrative expenses (coupled with the decline in the administrative expense ratio) mainly in IT and external services, which was related to implementing corporate products to be administered and sold in the Everest system.

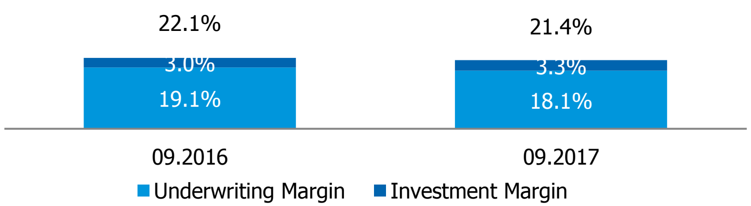
Life insurance
Further growth in profitability in Q3 on rising sales

Group and continued insurance segment

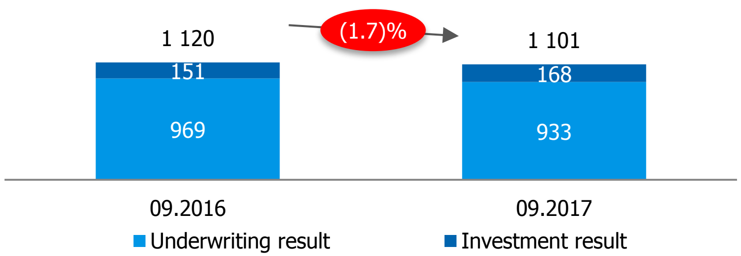
Gross written premium (m PLN)



Margin (%)*

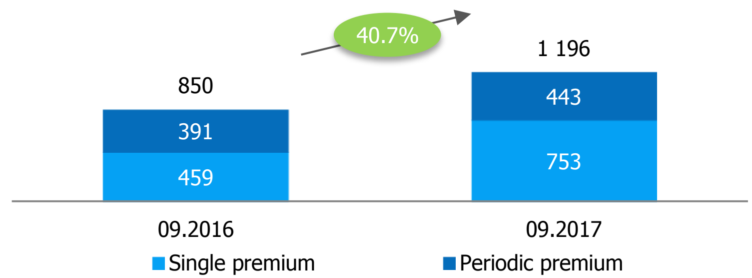


Insurance result* (m PLN)



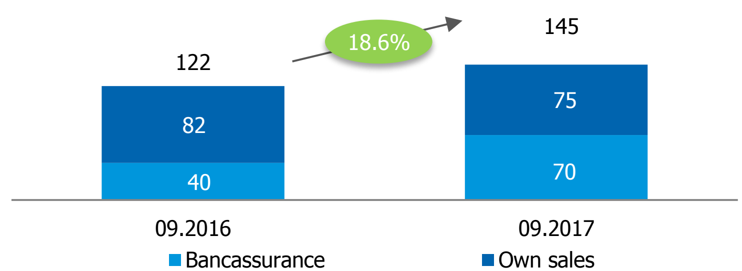
Individual insurance segment

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 has more than 1.4 million active agreements in these types of products in its portfolio;
- growth in group protection insurance - higher average premium and 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 y/y in the insurance result:

- the loss ratio on protection products in Q1 is higher than last year due to the higher number of deaths and the number of benefits paid for that reason. This was justified by the higher number of deaths in the overall population of Poland at the outset of this year as the data published by the Central Statistical Office depict. In Q2 and Q3, the loss ratios returned to the levels observed in the corresponding periods of last year;
- 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 y/y growth in the number of death benefits in individual continuation subsequently leads to the reversal of more mathematical reserves to offset a portion of the negative result due to the benefits paid in this portfolio;
- cost discipline and the lower charge to the prevention fund.

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 IRA and the Goal for the Future products;

The decline in the margin generated by the segment was the result of the following:

- unit-linked products featuring a significantly lower margin compared to protection products have grown their share of the revenues generated in the current period;

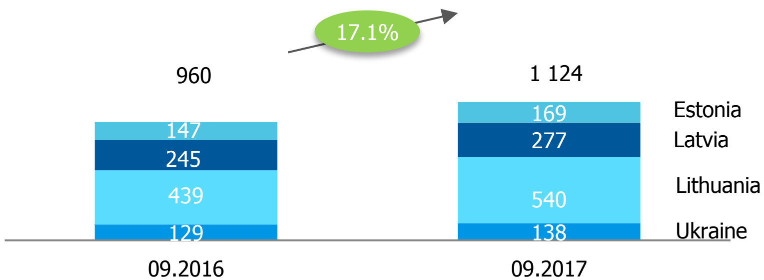
Sales channels:

- the significant growth in the bancassurance channel was driven by robust sales of new unit-linked product agreements in Bank Millennium and this year's product launch with Alior Bank;
- decline in the traditional channel as a result of the annual premium equivalent being lower than last year for new individual retirement accounts (IKE) and the deceleration in the pace of acquiring new protection agreements from previous quarters coupled with the simultaneously rising sales of the unit-linked product called *Cel na Przyszłość [Goal for the Future]*.

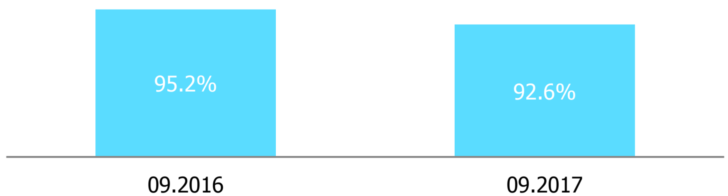
International business
Higher sales in non-life insurance

Non-life insurance

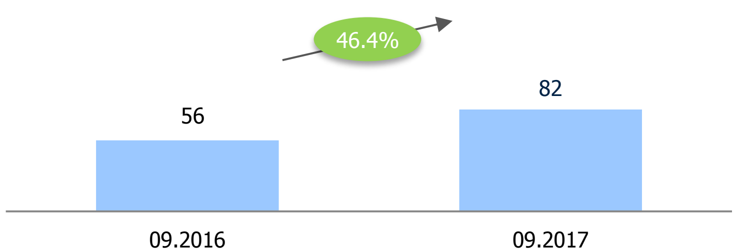
Gross written premium (m PLN)



Combined ratio (%)

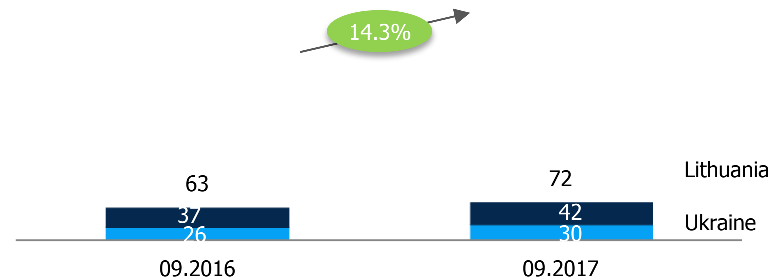


Insurance result (m PLN)



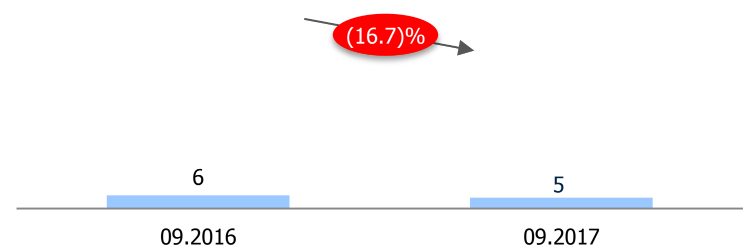
Life insurance

Gross written premium (m PLN)



Margin (%)

Insurance result (m PLN)



x% - Change year to year

Recap – international business

Gross written premium

Non-life insurance

- Gross written 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 Latvia and health insurance sales in Lithuania (the first policies were contracted in July 2016):
  - Lithuanian market leader Lietuvos Draudimas: 540 m PLN (last year: 439 m PLN);
  - AAS Balta in Latvia: 277 m PLN (last year: 245 m PLN);
  - Estonian branch of PZU Insurance: 169 m PLN (last year: 147 m PLN).
- Sales in Ukraine up 9 m PLN

Life insurance

- Gross written premium in Lithuania up on more intensive cooperation with Lietuvos Draudimas and endowment insurance sales.
- Gross written premium in Ukraine up 4 m PLN (up 23.9% in the functional currency).

Insurance results

Non-life insurance

- Combined ratio decline as a result of the following:
  - decline in the loss ratio by 0.5 p.p. caused by lowering the frequency of claims in the Baltic States, partially offset by higher large value and catastrophic losses in the Baltic States and Ukraine;
  - 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.
- Growth in the insurance result (up 26 m PLN) in non-life insurance propelled by higher sales and as a result of the positive results generated by the companies in the Baltic States segment. Result generated in Ukraine down 27.3% in comparison with the first 3 quarters of the previous year.

Life insurance

- The insurance result in Ukraine fell (1 m PLN) chiefly due to higher sales. The insurance result in the Baltic States segment remained flat at last year's level.

Investments
Better results on equity portfolios

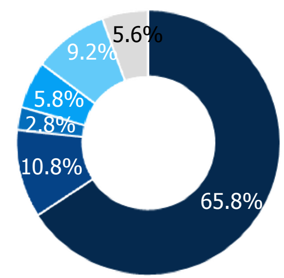
m PLN

Net investment result*

The net investment result (after factoring in interest expenses and precluding the impact exerted by banking activity) in the first 3 quarters of 2017 was 1,615 m PLN. It was higher than last year's result by 596 m PLN, which was primarily due to the following drivers:

- higher result earned on listed equity instruments in particular due to improved market conditions on the Warsaw Stock Exchange – the WIG index went up 24.2% in the first 3 quarters of 2017 compared to 1.3% in the corresponding period of the previous year including better result on the equity stake held in the Azoty Group by 358 m PLN;
- performance in the portfolio of assets to cover investment products up 256 m PLN y/y, including in particular funds in the unit-linked portfolio, even though it does not affect the PZU Group's result;
- lower result earned on interest-bearing financial instruments, primarily due to the poorer performance of the foreign currency bond portfolio (held mainly for the purposes of hedging financial liabilities on account of the issue of own debt securities) and the lower level of assets in connection with financing the purchase of shares in Pekao; this effect was offset by the following:
    - positive impact exerted by the foreign exchange differences on own debt securities in conjunction with the appreciation of the PLN versus EUR following depreciation in the comparable period;
    - better performance of non-treasury debt market instruments due to the acquisition of high-margin exposures for the portfolio;
    - purchase of 30-year bonds on the primary market for PLN 2 billion for the held-to-maturity bond portfolio.

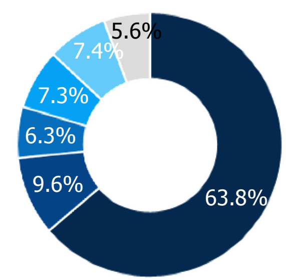
September 2017 Investment portfolio composition**



Total:
47.5 bn PLN
of which investment products
6.3 bn PLN

December 2016 Investment portfolio composition**

Total:
50.5 bn PLN
of which investment products
5.8 bn PLN



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

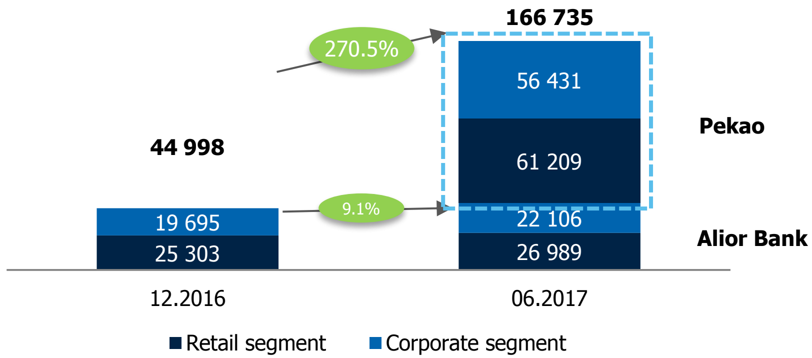
* Incorporating interest expenses but net of the impact exerted by banking operations.

** The investment portfolio presented net of banking activity 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 under sell-buy-back transactions.

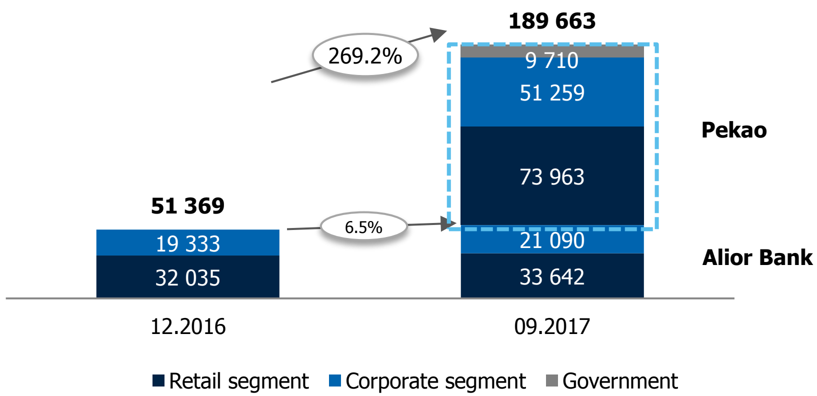
Banking activity
Positive growth rate in credit receivables

Portfolio composition

Loan portfolio by segment (m PLN)

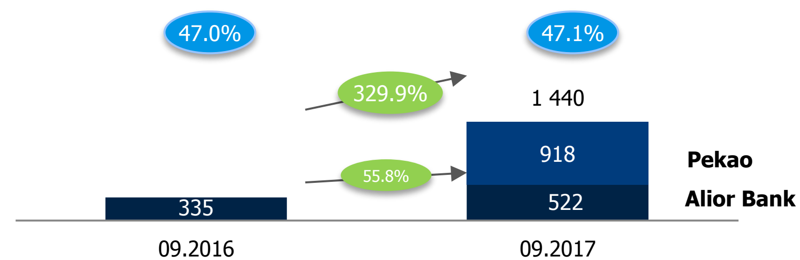


Liabilities to clients (deposit base) by segment (m PLN)*

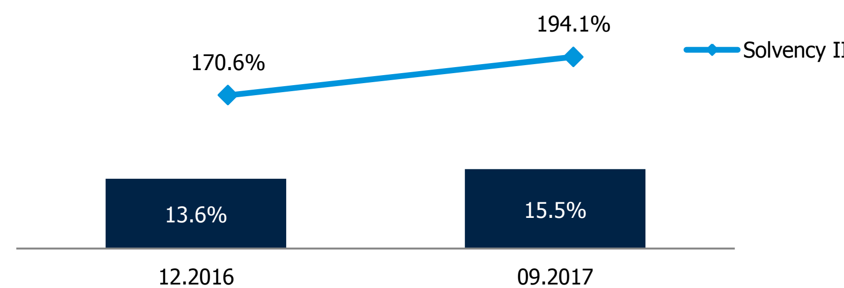


Bank segment

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



Total capital ratio (TCR) and according to Solvency II**



x% - Change year to year

x% - Cost/Income

* Data in accordance with the financial statements of Pekao and Alior Bank
** Data jointly for Pekao and Alior Bank pro rata to the equity stakes held

Detailed financials

1. PZU Group's position on the changing insurance market
2. Major drivers of the PZU Group's result
3. Execution of the Group's strategy for 2016-2020
4. Recap of financial results by segment
5. Detailed financials
6. Group figures as at 30 June 2017 according to Solvency II

Key financial highlights

m PLN, IFRS	3Q 2016	3Q 2017	*Change YoY*	Q2 2017	Q3 2017	*Change Q3 2017 over Q2 2017*
Profit and Loss Statement						
Gross Written Premium	14 706	16 933	*15.1%*	5 838	5 327	*(8.8)%*
Premium Earned	13 784	15 849	*15.0%*	5 275	5 502	*4.3%*
Net investment Result	2 635	5 833	*121.4%*	1 373	2 801	*104.0%*
Interest Expenses	(506)	(884)	*74.7%*	(254)	(458)	*80.3%*
Operating Profit	1 960	3 896	*98.8%*	940	1 697	*80.5%*
Net Profit	1 508	3 003	*99.1%*	726	1 270	*74.9%*
Parent Company Net Profit	1 309	2 146	*63.9%*	506	700	*38.3%*
Balance Sheet						
Parent Company Equity	12 377	13 905	*12.3%*	13 153	13 905	*5.7%*
Total Assets	112 914	300 245	*165.9%*	295 249	300 245	*1.7%*
Principal Financial Ratios						
ROE*	13.8%	21.3%	*7.5 p.p.*	14.9%	20.7%	*5.8 p.p.*
Combined Ratio**	95.5%	90.3%	*(5.2) p.p.*	87.5%	95.9%	*8.4 p.p.*
Operating Profit Margin***	22.1%	21.4%	*(0.7) p.p.*	24.5%	25.9%	*1.4 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 in the PZU Group

*** Margin for the group and individually continued insurance segment

Data restated – for the first 3 quarters of 2016, H1 2017

Normalized operating profit

Operating profit *YTD, m PLN*

m PLN, IFRS	09.2016	09.2017	Change yoy
Operating Profit	**1 960**	**3 896**	***98.8%***
including:			
1 Conversion effect	26	30	
2 Agricultural Insurance	(236)	-	
3 Storms	-	(120)	
Operating Profit excl. one-offs	**2 170**	**3 986**	***83.7%***
4 Tax on financial institutions	(279)	(554)	
5 Alior Bank contribution	464	718	
6 Pekao bank contribution	-	1 091	
7 Revaluation of the equity stake in Azoty Group, revaluation of assets in the Armatura	(299)	88	
Normalized operating profit	**2 283**	**2 643**	***15.8%***

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 in the previous 3 years.
3. Higher level of losses caused by weather phenomena (storms) than the average for the last 3 years.
4. Implementation of the levy on financial institutions as of 1 February 2016.
5. 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
6. Operating result of the consolidated Bank Pekao plus adjustments by virtue of PZU's acquisition net of the levy on some financial institutions recognized above
7. Impact exerted by the movement in the valuation of the Azoty investment portfolio, revaluation of the Armatura Group's assets.

Profitability by operating segments

Insurance Business Segments	Gross Written Premium			Insurance Result/ Operating Profit			Combined Ratio / Operating profit ratio*	
m PLN, local GAAP	**Q1-Q3 2016**	**Q1-Q3 2017**	*Change YoY*	**Q1-Q3 2016**	**Q1-Q3 2017**	*Change YoY*	**Q1-Q3 2016**	**Q1-Q3 2017**
Total Non-Life - Poland	**7 802**	**9 402**	***20.5%***	**592**	**1 124**	***89.9%***	**95.5%**	**90.1%**
Mass Insurance - Poland	**6 339**	**7 508**	***18.4%***	**392**	**951**	***142.6%***	**96.6%**	**89.6%**
Motor TPL Insurance	2 620	3 467	*32.3%*	(179)	265	*x*	109.0%	92.6%
Motor Own Damage	1 548	1 788	*15.5%*	30	79	*162.3%*	96.9%	95.4%
Other products	2 171	2 253	*3.8%*	322	413	*28.3%*	83.9%	81.2%
Impact of investment segment allocation	x	x	*x*	219	194	*(11.4)%*	x	x
Corporate Insurance - Poland	**1 463**	**1 894**	***29.5%***	**200**	**173**	***(13.5)%***	**90.3%**	**92.1%**
Motor TPL Insurance	345	518	*50.1%*	(45)	(12)	*x*	115.9%	100.6%
Motor Own Damage	505	632	*25.1%*	32	30	*(7.1)%*	94.3%	95.4%
Other products	613	744	*21.4%*	149	101	*(31.8)%*	70.6%	81.1%
Impact of investment segment allocation	x	x	*x*	64	54	*(15.6)%*	x	x
Total Life - Poland	**5 928**	**6 341**	***7.0%***	**1 311**	**1 275**	***(2.7)%***	**22.1%**	**20.1%**
Group and Continued ** - Poland	**5 078**	**5 145**	***1.3%***	**1 120**	**1 101**	***(1.7)%***	**22.1%**	**21.4%**
Individual - Poland	**850**	**1 196**	***40.7%***	**165**	**144**	***(12.7)%***	**19.4%**	**12.0%**
Conversion effect	x	x	*x*	26	30	*15.4%*	x	x
Total Non-Life - Ukraine & Baltica	**960**	**1 124**	***17.1%***	**56**	**82**	***46.4%***	**95.2%**	**92.6%**
Baltic states Non-life	**831**	**986**	***18.7%***	**45**	**74**	***64.4%***	**95.4%**	**92.4%**
Ukraine Non-life	**129**	**138**	***7.0%***	**11**	**8**	***(27.3)%***	**92.5%**	**95.2%**
Total - Life - Ukraine & Baltica	**63**	**72**	***14.3%***	**6**	**5**	***(16.7)%***	**9.5%**	**6.9%**
Lithuania Life	**37**	**42**	***13.5%***	**2**	**2**	***0.0%***	**5.4%**	**4.8%**
Ukraine Life	**26**	**30**	***15.4%***	**4**	**3**	***(25.0)%***	**15.4%**	**10.0%**
Total - banks	**-**	**-**	**x**	**335**	**1 440**	**329.9%**	**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;

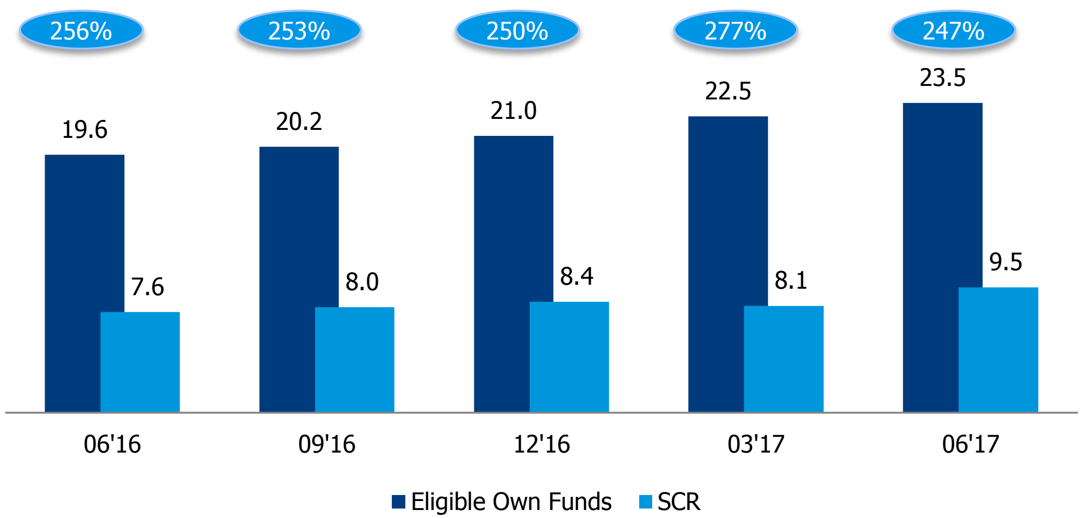
** Insurance result and margin net of conversion effects;

Group figures as at 30 June 2017 according to Solvency II

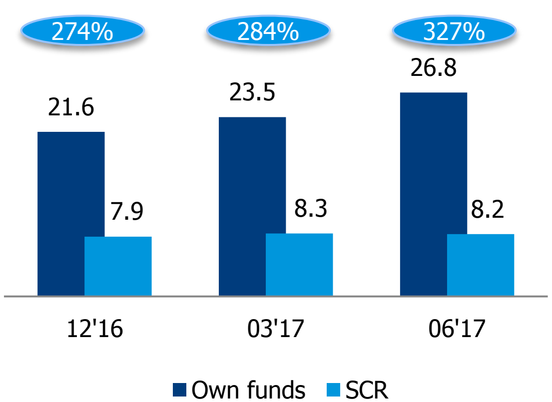
Group solvency ratios
Group Solvency II data as at 30 June 2017

bn PLN, unaudited data

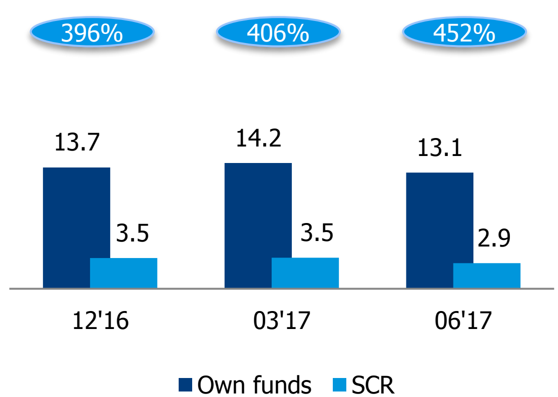
Solvency II (Group)



PZU SA (standalone)



PZU Życie



- Own funds to solvency margin / SCR coverage

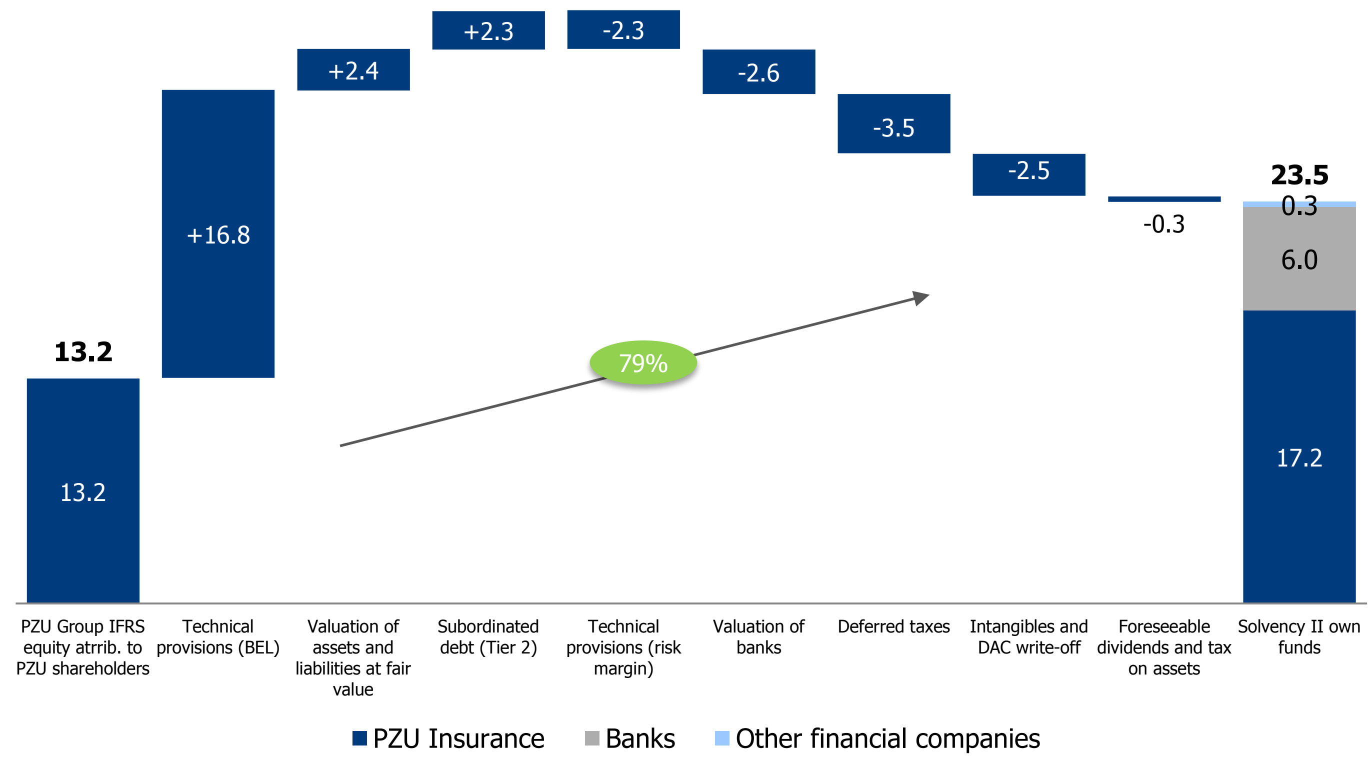
- Solvency II own funds rose by PLN 1.0 bn, i.e. 12% during H1.
- The main drivers of the growth of own funds in H1 were:
  - Pekao Bank acquisition (decrease of own funds by 2.0 bn PLN after dividend related to Pekao 2016 profit);
  - PZU SA subordinated debt issue (2.25 bn PLN);
  - insurance and investment income.
- PZU Group's own funds are of very high quality. Approximately 90% of group own funds are classified as Tier 1.
- Dividends declared by PZU in June 2017 did not impact own funds in Q2 because the forecast dividend had already decreased own funds as at the end of December 2016 and March 2017.
- Standalone and group own funds as well as standalone and group solvency capital requirements are calculated in a different way. The main differences are related to listed subsidiaries like Pekao or Alior Bank, which are valued at fair value for standalone solvency and at PZU's share of banking regulatory funds on group level .

Group own funds

Solvency II data as at 30 June 2017

bn PLN, unaudited data

Comparison 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 method (best estimate liability, BEL) adjusted for the risk margin;
- shares in entities belonging to other financial sectors (Pekao, 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).

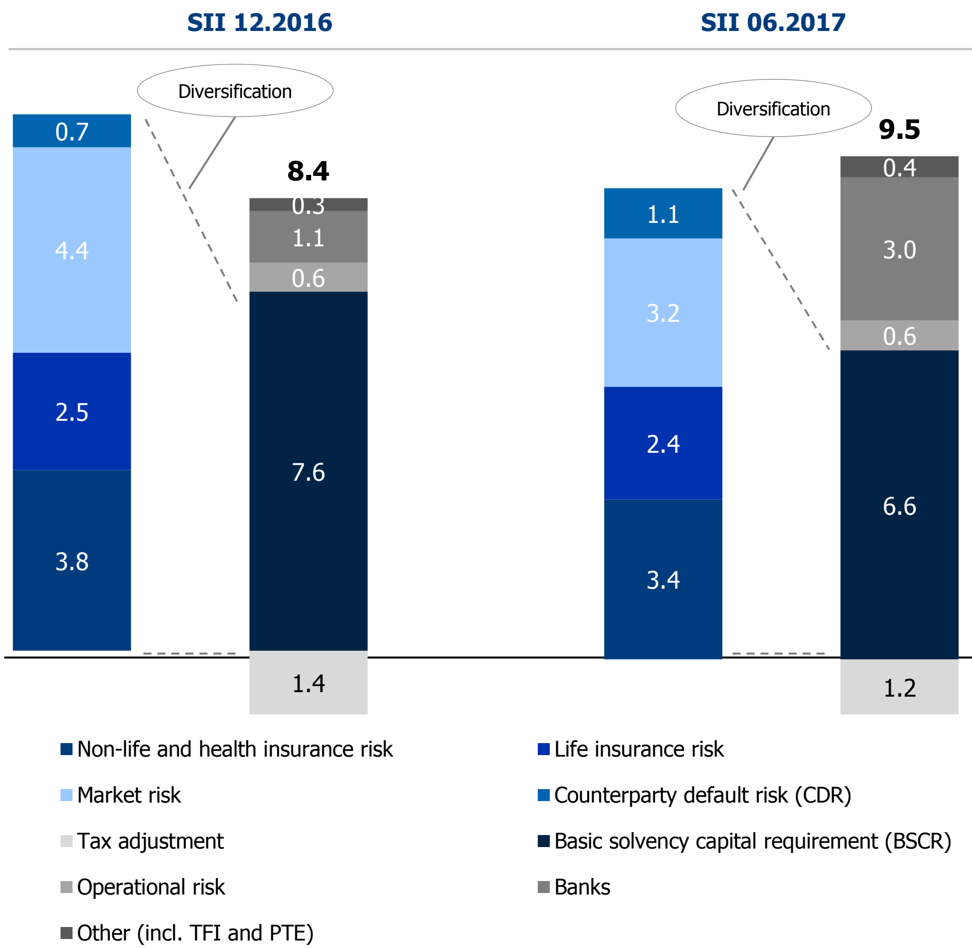
x% - Change

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

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

Group solvency capital requirement
Solvency II as at the end of 2016 and H1 2017

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 default and operating. In the SCR calculation the PZU Group does not take advantage of the transitional regulations that in the case of some European entities "soften" the consequences of switching over to the new regime.

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

The solvency capital requirement rose by 1.1 bn PLN in H1 i.e.by 13%. The main reasons for the increase of Group's SCR were as follows:

- share in Pekao capital requirements (1.8 bn PLN);
- fall of market SCR by 1.2 bn PLN* which resulted from sale of assets related to Pekao acquisition, reduction of investments made by unconsolidated investment funds for which look-through approach is not allowed and consequently higher capital charges are used as well as lower currency hedging in real investments;
- fall in non-life underwriting SCR by 0.4 bn PLN* as a result of natural catastrophe reinsurance extension;
- decrease of tax adjustment (LAC) by 0.2 bn PLN resulting from lower basic solvency capital requirement;

* before diversification.

Piotr Wiśniewski – IRO
tel.: (+48 22) 582 26 23
ir@pzu.pl
www.pzu.pl/ir

PZU
Al. Jana Pawła II 24
00-133 Warsaw, Poland
www.pzu.pl
https://twitter.com/GrupaPZU

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