PZU Group's Financial Results

in Q4 2018

Warsaw, 13 March 2019

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1. PZU Group’s main accomplishments

Business development

- PZU Group's record-breaking gross written premium in full-year 2018 and Q4 2018
- Acceleration in the growth rate of gross written premium (+5% y/y in Q4 2018) outpacing previous quarters and the market
- Double-digit premium growth in the non-life business in Q4 2018 and a stable level of premium in group and individual continuation insurance (1.7 bn PLN in Q4 2018)
- Market share growth in motor insurance (to 37.5%, direct activity) in Q3 2018 vs. Q2 2018, especially in the MOD segment
- Numbers of contracts in PZU Zdrowie up 53% y/y

Financial results

- Very low combined ratio in the non-life segment of 86.6% in 2018 and 89.3% in Q4 2018 despite the upswing in the loss ratio in corporate risks
- Low combined ratio in the mass segment (84.2% in Q4 2018) pointing to the high quality of underwriting in previous quarters
- Operating margin in group and individually continued insurance above the strategic level (22.2% in Q4 2018 and 22.1% in 2018)
- Double-digit growth in net profit attributed to the holders of the parent company in 2018 (3.2 bn PLN, +11% y/y)

Capital allocation

- Return on equity substantially above the strategic level (21.5% on a quarterly basis and 22.1% year to date)
- S&P rating upheld at A- (stable outlook) with a capital strength rating of AAA
- Solvency at a stable level, despite the expanding magnitude of business SII stayed at 245%[3] (anticipated dividends from 2018 profits are not subtracted)

GWP	Group's net result	Operating margin[1]	Combined ratio[2]	ROE[3]	Solvency II
23 470 m PLN	5 368 m PLN	22.1%	86.6%	22.1%	245%[3,4] in Q32018
(vs. 22 847 in 2017)	(vs. 4 185 in 2017)	(versus 20.6% in 2017)	(versus 89.3% in 2017)	(versus 21.0% in 2017)	(vs 227% in June 2018)

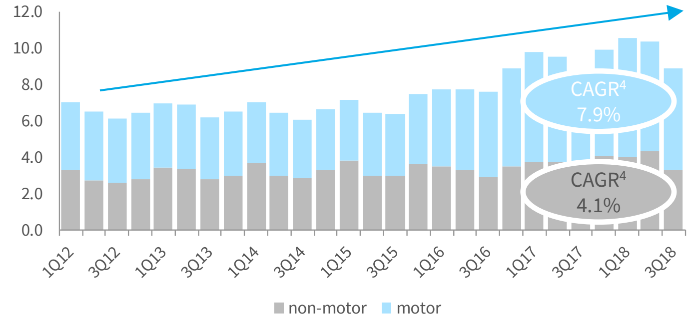
1) Margin for the group and individually continued insurance segment net of the conversion effect
2) Only for non-life insurance in the PZU Group (Poland)
3) Ratio computed using equity at the beginning and end of the reporting period. Computed for the parent company
4) Unaudited data

2. Business development


Client
Property & Casualty
Life
Health
Finances
Assistance
Assistance
Assistance
Assistance

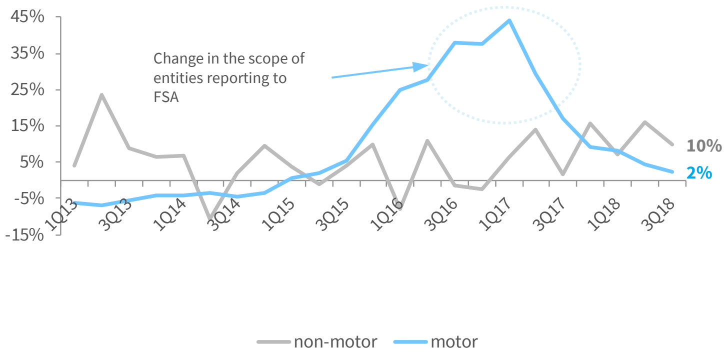
Non-life insurance (1): Non-life insurance market in Poland

Gross written premium (bn PLN)

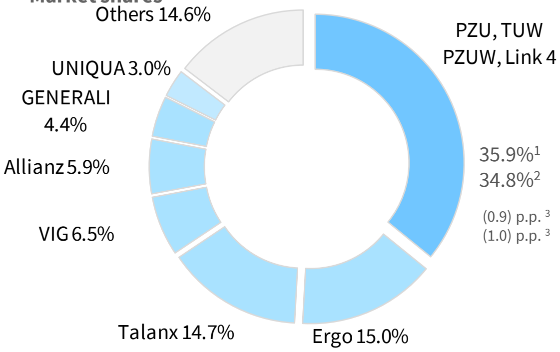


- PZU Group's market share in non-life insurance (direct business) at the end of Q3 2018 was 34.8%
- PZU's price activity in selected areas of the country and in selected segments: lower in the lease and dealer segments that offer limited opportunities to manage price in the longer term
- Maintaining strong market position in motor insurance with a market share of 37.3%[2]
- PZU Group's high percentage of the overall market's technical result at 55.2%[1]

Growth rate of the gross written premium y/y



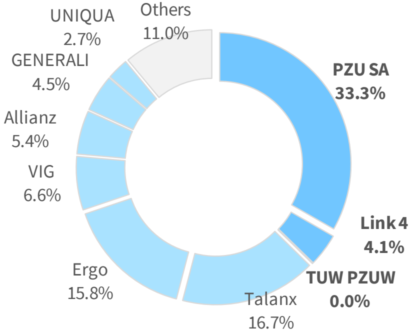
Market shares[1]



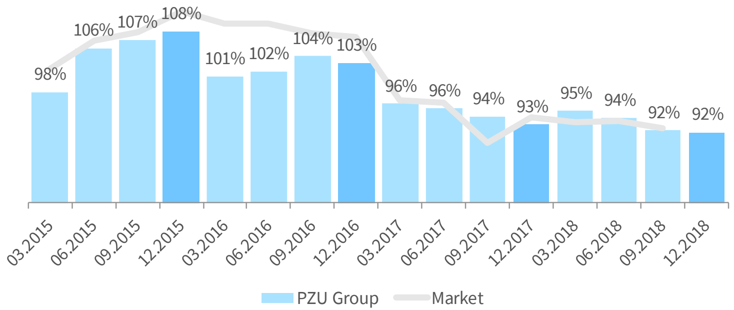
1. according to the Polish FSA's quarterly report for Q3 2018; the market and market shares including PZU's inward reinsurance from Link4 and TUW PZUW
2. PZU Group's market share in non-life insurance on direct business at the end of Q3 2018.
3. movement in market share y/y on PZU's inward reinsurance from Link4 and TUW PZUW and direct activity, respectively.
4. calculated from Q3 2012 to Q3 2018

Non-life insurance (2): Motor insurance

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



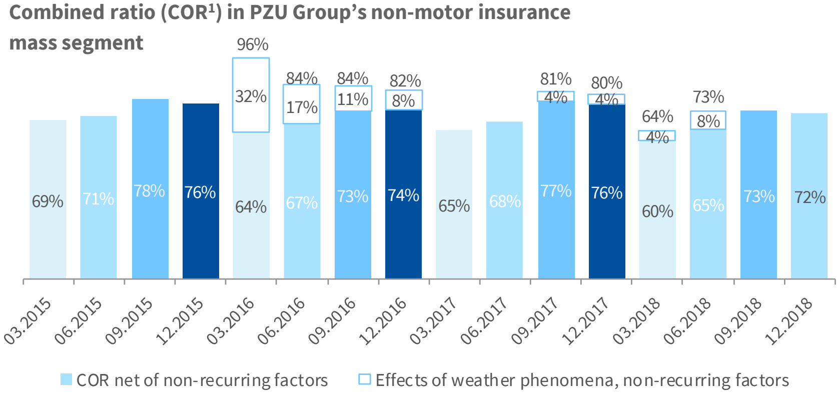
PZU Group's combined ratio (COR)[2] in motor insurance and the market[3] (Poland)

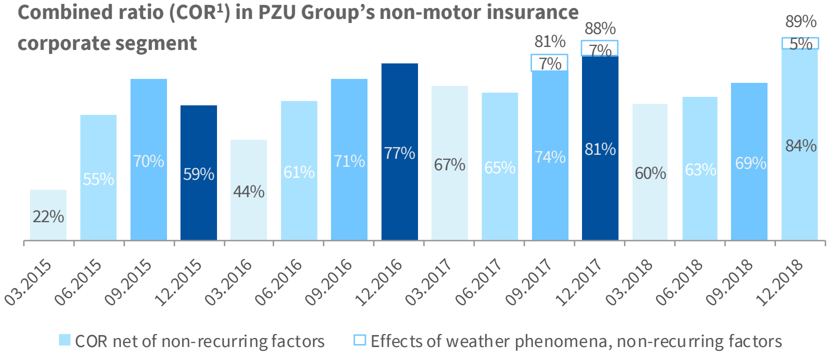


1) According to the Polish FSA's Q3 2018 report; share of the total gross written premium (direct business)
2) Year to date
3) According to the Polish FSA's Q3 2018 report

- Deceleration in the pace of price movements on the market in Q4 2018 and the initial adjustments suggesting the gradual depletion of space for further price cuts ensuing from the following:
  - requirement to maintain price adequacy
  - capital requirements
  - rising claims costs (change in the mix of vehicles and climbing prices of spare parts and labor)
- Retention of the PZU Group's high market share despite the increased activity of competitors in changing the average price.
- Improvement in the PZU Group's combined ratio in motor insurance in Q4 2018 versus Q3 2018 due to the following:
  - adequate tariff policy
  - meticulous selection of areas offering an attractive risk profile and less activity in less profitable segments
  - launch of innovative solutions in fleet insurance to curtail the loss ratio in the longer run
  - lower level of large adverse events and mass claims caused by atmospheric phenomena
  - constant maintenance of cost discipline
- Great emphasis on constantly improving the offering, investments in new technologies, including the deployment of innovative tariff solutions (planned start of submitting offers to leasing clients in quotation services) to match the offering to the client's risk to the greatest degree possible
- Expansion of PZU's corporate insurance coupled with selecting underwriting (including the rollout of telematic services, risk management advisory services and legal support abroad in fleet insurance) translating into improved loss ratio in the motor insurance segment in the long run

Non-life insurance (3) Non-motor insurance





- Mass segment: sustaining high profitability driven by:
  - robust results in the insurance of households and buildings
  - lower level of claims caused by the forces of nature (numerous claims in 2017 caused by rainfall and gusty wind).

- Corporate segment: higher COR ratio as a consequence of the following:
  - occurrence of several large non-recurring claims in inward reinsurance
  - higher annuity provision for medical entities.

After netting out the impact exerted by non-recurring events, the portfolio's profitability has remained high.

1) Year to date


Assistance
Property & Casualty
Assistance
Life
Client
Health
Finances
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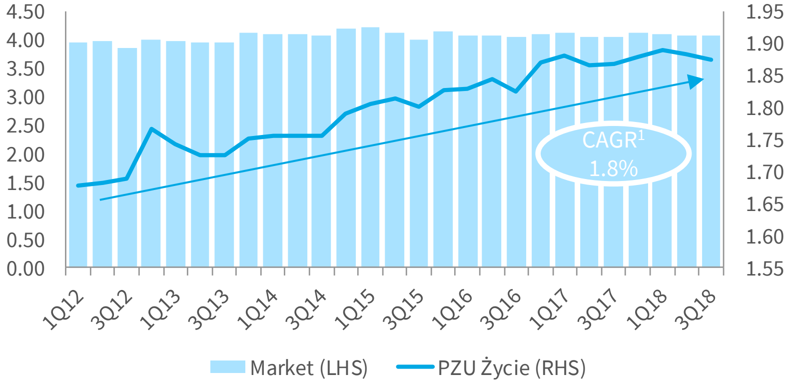
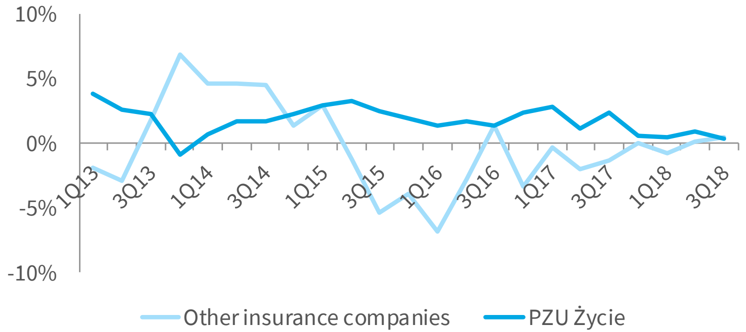
Assistance

Life insurance (1): Life insurance market

Gross periodic premium (bn PLN)



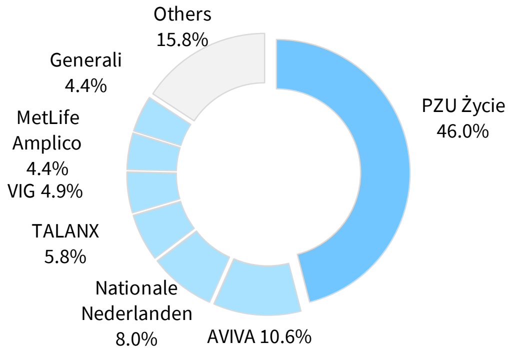
Growth rate of gross periodic premium (y/y, %)



1) Q3 2018 to Q3 2012

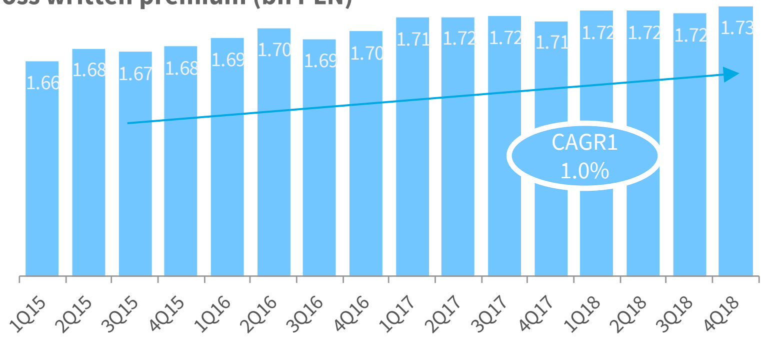
- PZU Życie maintained its upward trend y/y in periodic premium while other market players did not experience such growth
- Growth in the market share of periodic premium to 45.9% in Q3 and 46.0% at the end of Q3 2018. Including protection contracts only (class I of life insurance), the market share was 64.0%
- The life market share by PZU Życie measured by total gross written premium was 37.8% at the end of Q3 2018 (up 3.0 p.p. y/y)
- The profitability of the technical result at PZU Życie in the first three quarters is higher than the average for the competition – 20.4% versus 11.3%, translating into a share exceeding 50% of the sector's overall result (technical and net result)

Market shares (year to date)

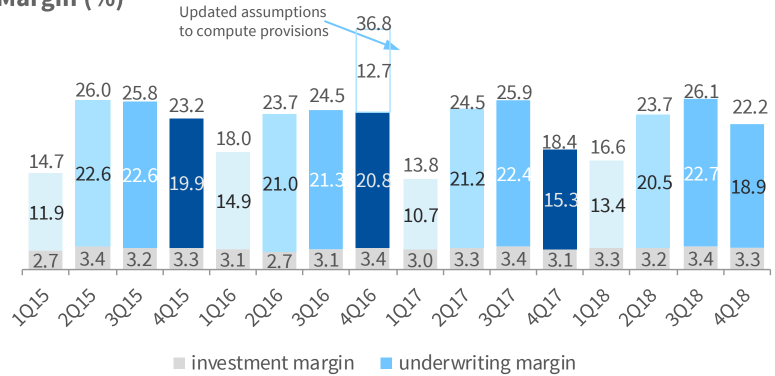


Life (2): Group and individually continued insurance

Gross written premium (bn PLN)



Margin (%)

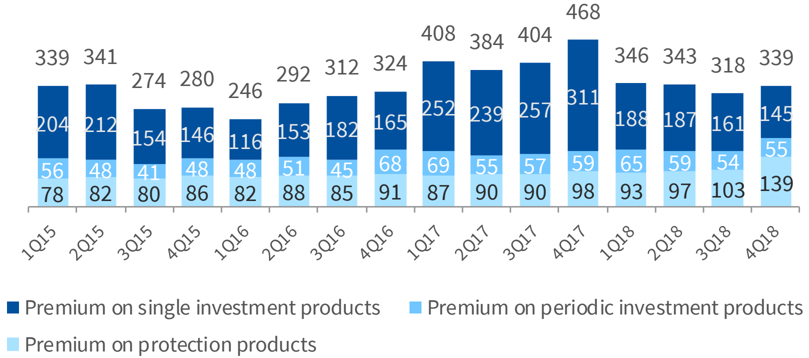


- Lower emphasis on the premium growth in order to control the loss ratio of protection products
- Higher number of people taking retirement exerts an adverse impact on the gross written premium
- Expanding health insurance portfolio, including a new rider to continued insurance launched under the name “PZU Uraz ortopedyczny [PZU orthopedic injury]” that has enjoyed a great reception from clients. At the end of 2018, PZU Życie had more than 1.8 million health contracts in force in its portfolio
- Growth of contributions to the EPP run by PZU Życie in Q4 2018
- Shift in the mix of “old” and “new” individual continuation resulting in setting up lower technical provisions
- The margin improvement in this quarter versus last year was due to the following:
  - lower loss ratio in protection products for selected additional risks
  - lower growth in mathematical provisions in individual continuation (shift in portfolio composition and lower level of retirement age incomers)

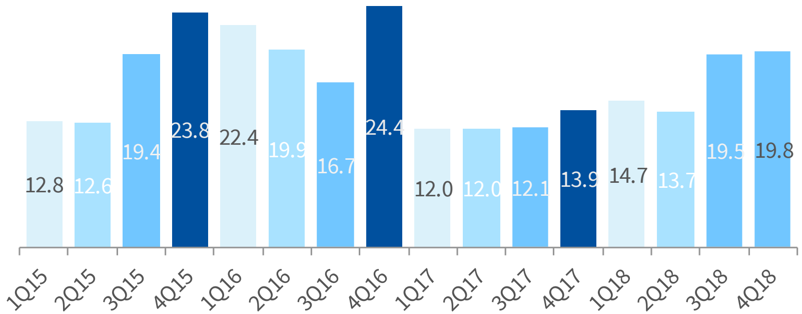
1) Q3 2018 to Q3 2015

Life (3): Individual insurance

Gross written premium (m PLN)



Margin (%)



- Constantly rising periodic premium level in protection products, also thanks to implementing new generations of these products
- Ongoing development of cooperation launched in H2 2018 with Alior Bank and Bank Pekao to offer individual life insurance to clients taking out cash loans
- Declining quarter on quarter single-payment contributions to unit-linked funds offered jointly with banks in line with the prevailing trend on the market, partially offset in Q4 by higher sales than in previous quarters of a structured product in the proprietary channel (Świat Zysków [World of Profit])
- Margin improvement due to the following:
  - Higher share of protection products segment generating stable profitability
  - lower acquisition expenses in unit-linked products in the bank channel (lower sales coupled with costs incurred upfront)
  - Company's rising compensation generated by management fees in unit-linked products (average asset level rising y/y)


Client
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Health
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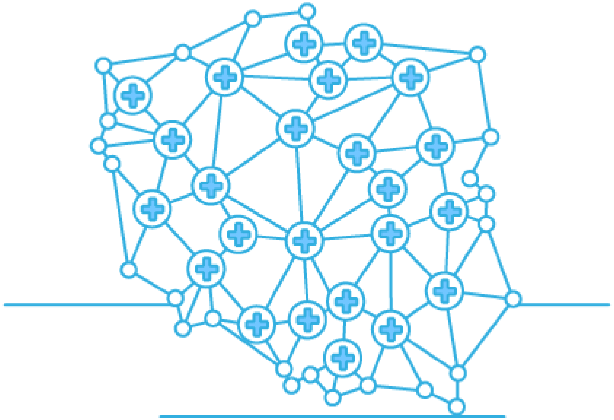
Assistance

Health (1) Development of business size

1. >2,100 cooperating medical centers
>60 proprietary locations
2. 49 hospitals
3. 1,300 physicians
>50 specializations
4. ~7,800 pharmacies

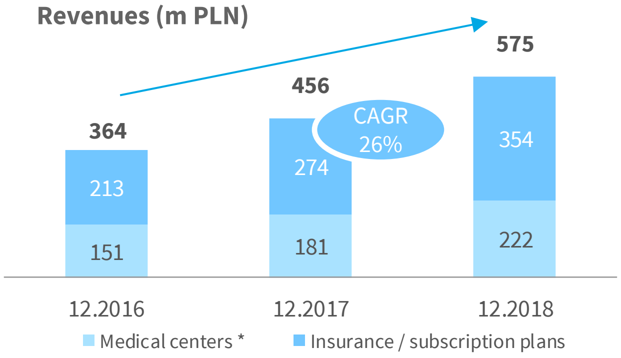


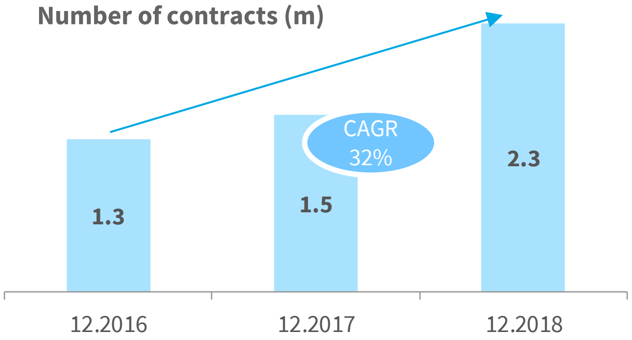
Flexible and comprehensive **offer** aligned to employee needs

Service accessibility, convenient contact channels, online service

Excellent **location** and client convenience

Health (2) Development of business size





- Growing number of products per client – in line with the strategic objectives – not just PZU Życie and PZU Zdrowie products are being sold but also PZU SA, Link4 and TUW products
- Steady increase in the number of health product agreements in 2018 driven by the sales launch of more health riders to protection products and non-life insurance (offering among others access to specialist physicians, ambulatory rehabilitation, selected tests and procedures)
- Continued high pace of top line growth thanks to the intensive work done on the pre-existing product portfolio and the work done to extend the health product portfolio in the PZU Group companies
- Opening of three proprietary centers in Warsaw, Poznań and Cracow
- Top line growth in all three groups of centers: own, newly acquired and newly opened centers

* Data presented for the period from the beginning of the year regardless of the time of acquisition; the revenues of Branches – presented in managerial accounting in a corresponding manner to the other proprietary centers, i.e. including revenues from PZU Zdrowie and the PZU Group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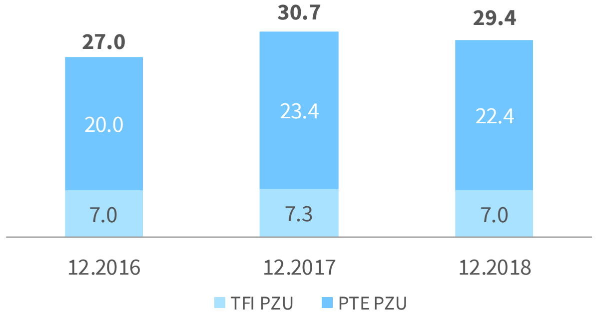
Assistance

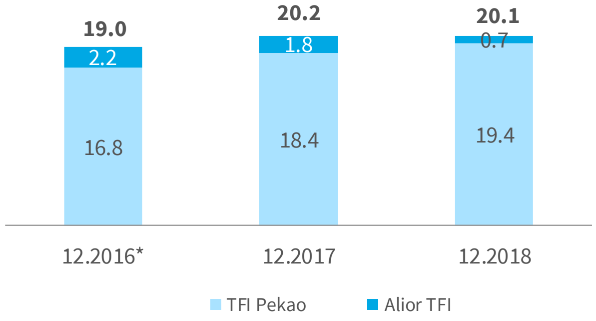
Finance (1) Assets under management

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

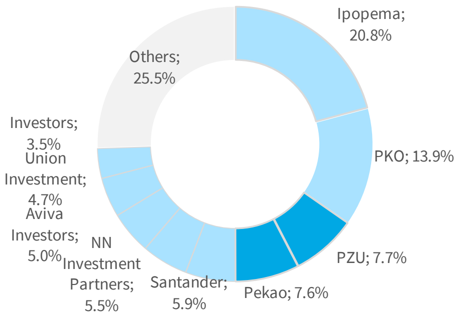


- Assets under management down chiefly as a result of the movement in asset prices, no significant outflows; more than **90%** of PZU's third party assets are periodic premium assets (OFE and EPP)
- 1 October 2018 – **inPZU** platform launch
  - The platform supports investments in passive funds
  - Simple and intuitive tool to grow savings without having to set up a brokerage account
  - Path for beginning investors and a path for experts
  - 1-6 model portfolios, 6 index funds – from the safest to equity funds
- **Sejf+:** alternative to a term deposit – offered jointly since August with PZU branches as a hybrid product containing capital loss insurance

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

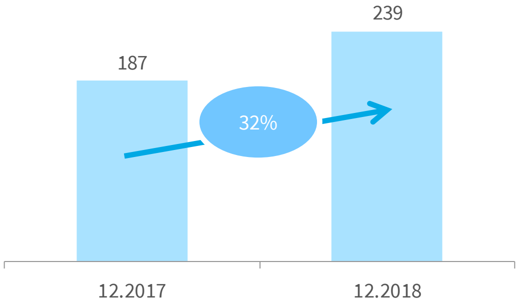


Share in investment funds market (%)

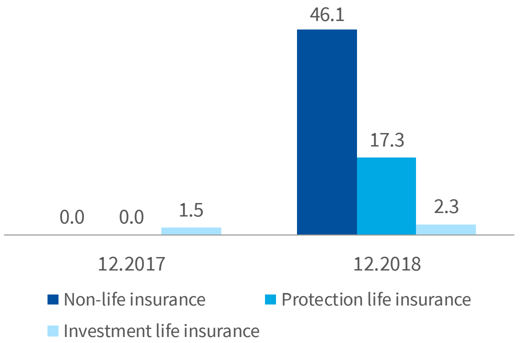


Finance (2) Development of cooperation with banks

Assets accumulated in Multikapitał (m PLN)



Number of insurance clients acquired in cooperation with Bank Pekao and Alior Bank (thousands)



- Dynamic growth of both the number of PZU and PZU Życie clients and gross written premium in protection, investment, and non-life products acquired in cooperation with banks
- Continuing increase in assets accumulated in **Multikapitał** (investment life insurance) through Alior Bank
- Adding real estate insurance to the offer for mortgage loan borrowers in Alior Bank and Bank Pekao
- Introduction of **CPI PEX** to Bank Pekao offer (loan repayment insurance) offered to borrowers of cash loans
- Adding individual life insurance for borrowers of cash loans extended by Alior Bank to the bank's offer
- Group insurance product **"PZU-TRAVEL PACKAGE-BUSINESS"** offered to the users of business payment cards issued by Bank Pekao
- In the assurbanking area: support of PZU for the sales of a Pekao account in tens of PZU branches, disbursement of benefits to PZU clients in Pekao's branches (auto-disbursement)
- Launching insurance programs for banks' employees and special offers on bank products for the employees of PZU Group companies; training delivered to 6,7 thousands Pekao branch employees, who obtained **KNF licence to sell PZU insurance**
- Continuation of cost saving initiatives – achieved cost synergies of 40 m PLN (above the annual plan).

3. Financial results

Gross written premium of the PZU Group

Insurance segments **m PLN, local GAAP**	**4Q17**	**3Q18**	**4Q18**	**Change y/y**	**Change q/q**
External gross written premium	**5,914**	**5,377**	**6,212**	*5.0%*	*15.5%*
Total non-life insurance – Poland	3,305	2,881	3,656	*10.6%*	*26.9%*
Mass insurance – Poland	2,523	2,349	2,649	*5.0%*	*12.8%*
Motor TPL	1,138	1,129	1,129	*(0.8%)*	*0.0%*
MOD	617	589	657	*6.5%*	*11.5%*
Other products	768	631	863	*12.4%*	*36.8%*
Corporate insurance – Poland	782	532	1,007	*28.8%*	*89.3%*
Motor TPL	218	187	273	*25.2%*	*46.0%*
MOD	217	194	262	*20.7%*	*35.1%*
Other products	347	151	472	*36.0%*	*212.6%*
Total life insurance – Poland	2,178	2,037	2,067	*(5.1%)*	*1.5%*
Group and individually continued insurance - Poland	1,710	1,719	1,728	*1.1%*	*0.5%*
Individual insurance – Poland	468	318	339	*(27.6%)*	*6.6%*
Premium on protection products	98	103	139	*41.8%*	*35.0%*
Premium on periodic investment products	59	54	55	*(6.8%)*	*1.9%*
Premium on single investment products	311	161	145	*(53.4%)*	*(9.9%)*
Total non-life insurance – Ukraine and Baltic States	403	429	456	*13.2%*	*6.3%*
Baltic States	360	374	397	*10.3%*	*6.1%*
Ukraine	43	55	59	*37.2%*	*7.3%*
Total life insurance – Ukraine and Baltic States	28	30	33	*17.9%*	*10.0%*
Lithuania	16	16	18	*12.5%*	*12.5%*
Ukraine	12	14	15	*25.0%*	*7.1%*

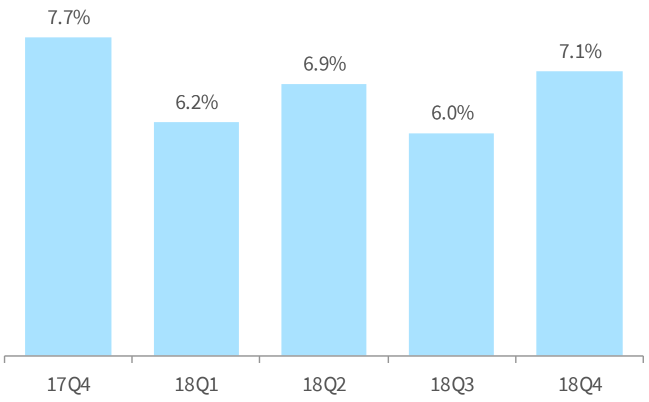
PZU Group's results – contribution of activity to date and banking activity

m PLN	4Q17	3Q18	4Q18	Change y/y	Change q/q
PZU GROUP NET OF ALIOR BANK AND PEKAO					
Gross written premium[1]	5,914	5,377	6,212	*5.0%*	*15.5%*
Net insurance claims and benefits paid	(3,689)	(3,639)	(3,579)	*(3.0%)*	*(1.6%)*
Net investment result in the main portfolio[2]	275	371	390	*41.9%*	*5.1%*
Net investment result - investment products	(24)	(3)	(119)	*394.2%*	*x*
Net investment result - other	(11)	3	(206)	*x*	*x*
Administrative expenses[1]	(466)	(380)	(445)	*(4.5%)*	*17.2%*
Acquisition expenses[1]	(759)	(781)	(830)	*9.4%*	*6.3%*
Operating profit (loss)	788	1,076	764	*(3.0%)*	*(29.0%)*
Net profit (loss) attributable to equity holders of the parent company	622	845	582	*(6.6%)*	*(31.2%)*
BANKS: ALIOR AND PEKAO					
Net profit (loss) attributable to equity holders of the parent company	152	162	200	*31.8%*	*23.2%*
NET RESULT ATTRIBUTABLE TO THE PARENT COMPANY	774	1,007	781	*0.9%*	*(22.4%)*
MAIN FINANCIAL RATIOS					
ROE[3]	21.7%	29.3%	21.5%	*(0.3)p.p.*	*(7.9)p.p.*
Combined ratio[4]	87.8%	84.3%	89.7%	*2.0p.p.*	*5.4p.p.*
Margin[5]	18.4%	26.1%	22.2%	*3.8p.p.*	*(3.9)p.p.*
Administrative expense ratio of PZU, PZU Życie	7.7%	6.0%	7.1%	*(0.6)p.p.*	*1.1p.p.*
Acquisition expense ratio of PZU, PZU Życie	13.3%	13.6%	14.6%	*1.4p.p.*	*1.0p.p.*

1. PZU Group excluding financial data of Pekao and Alior Bank
2. FX on the issue of own bonds
3. Ratio computed using equity at the beginning and end of the reporting period, calculated for the parent company
4. Only for non-life insurance in the PZU Group
5. Margin for the group and individually continued insurance segment net of the conversion effect

Cost effectiveness

Administrative expense ratio

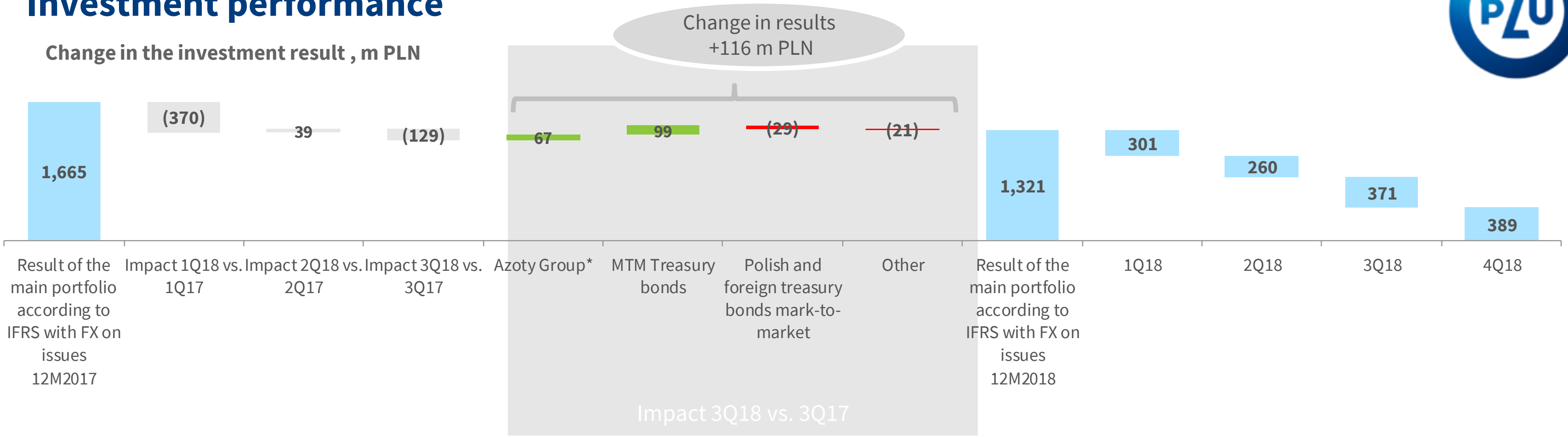


Administrative expense ratio calculated using the equation:
administrative expenses in PZU and PZU Życie in the quarter / net earned premium in PZU and PZU Życie in the quarter

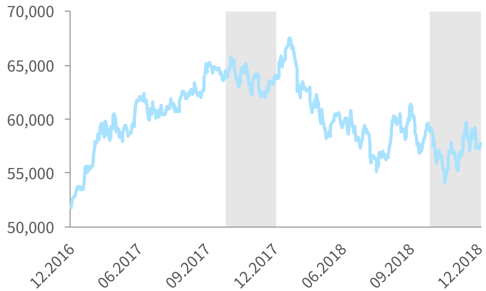
- Strategy execution and rewarding above average accomplishments
- Improvement in the administrative expense ratio in Q4 2018 versus Q4 2017 was possible because of the following:
  - lower IT costs on account of replacing the legacy Insurer policy administration system with the modern Everest system
  - automating and digitalizing many business processes translating, among others, into cutting costs of the call center, printing and archiving documents
  - optimizing real estate maintenance expenses was possible despite higher energy prices, payroll (minimum wage hike)
  - divergent seasonality in the provision for special awards for employees
  - cutting expenditures for advisory services
- The change in the administrative expense ratio in Q4 2018 versus Q3 2018 transpired mostly on account of seasonal events, including:
  - intensifying project expenditures in Q4
  - seasonally lower payroll costs in Q3 inter alia as a result of the lower provision for unused leave
  - intensifying marketing expenditures in Q4
  - intensifying sales support costs, including meetings with clients and sales contests
  - traditionally higher training costs in Q4

Investment performance

Change in the investment result , m PLN

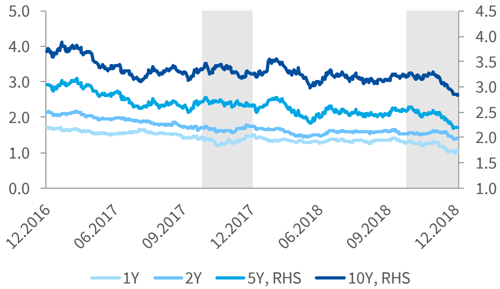


WIG



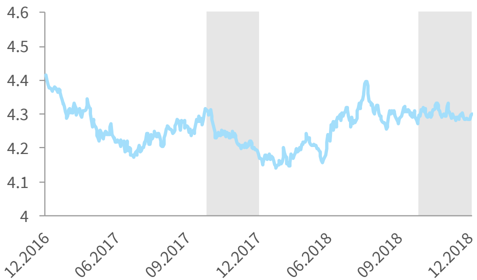
Q4 2017: -0.8%
Q4 2018: -2.2%

Bond yield



Q4 2017: -5 basis points
Q4 2018: -32 basis points

EURPLN

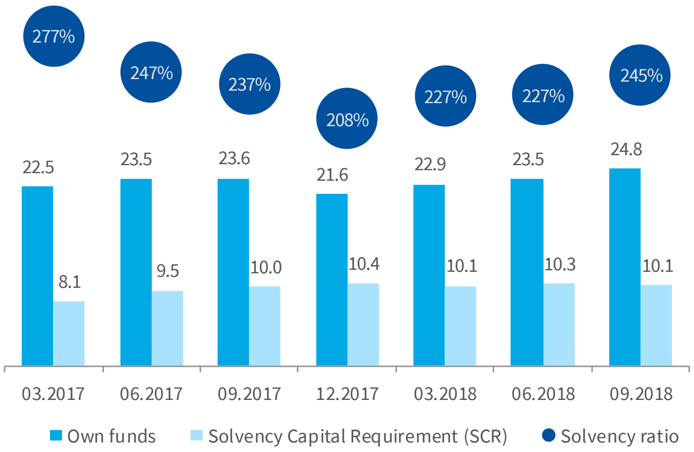


Q4 2017: -3.2%
Q4 2018: +0.7%

* Impact in 4Q17, as of 2018 the results of Azoty Group are presented in other comprehensive income

Group's high level of solvency

Solvency II Group PZU data, 30 September 2018 (PLN bn)



- Growth in own funds in Q3 2018 by 1.3 bn PLN chiefly due to operating cash flow and investment performance
- The dividend paid on PZU SA's 2018 profits will not reduce the PZU Group's own funds in full until Q4 2018 just as the anticipated dividend paid on 2017 profits (2.2 bn PLN) was incorporated as a reduction in own funds in Q4 2017
- SCR in Q3 2018 fell 0.2 bn PLN as a result of the lower counterparty default risk (0.3 bn PLN) and lower requirements in life insurance and non-life insurance compensated by diversification effect
- High quality of the PZU Group's own funds - share of Tier 1 capital is 88%
- Standalone solvency ratio:
  - PZU - it was 316% (299% at the end of Q2 2018),
  - PZU Życie – it was 493% (467% at the end of Q2 2018).

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

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

4. Strategy execution

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

Non-life insurance		Life insurance		Investments		Health		Banks	
PZU Group's market share [2,3]		Number of clients in PZU[5] Życie		Assets under management for third party clients (bn PLN)		Revenues (m PLN)[8]		Assets (bn PLN)	
09.2018	2020	12.2018	2020	12.2018	2020	12.2018	2020	12.2018	2020
34.8%	38%	10.9	11.0	29 / 50[7]	65	575	1,000	264	>300
Combined ratio[3]		Insurance margin in group and individual continuation		Net result on third party asset management (m PLN)[6,9]		EBITDA margin[9]		Net financial result attributed to the PZU Group (m PLN)	
12.2018	2020	12.2018	2020	12.2018	2020	12.2018	2020	12.2018	2020
86.6%	92%	22.1%	>20%	97 / 187[7]	200	8.8%	12%	654	>900
Administrative expense ratio[4]		Solvency II solvency ratio		Surplus yield on the main portfolio above the RFR [10]					
12.2018	2020	09.2018	2020	12.2018	2020				
6.6%	6.5%	245%	>200%[6]	1.5 p.p.	2.0 p.p.				

ROE[1]	12.2018	2020
	22.1%	**>22%**

1. ROE attributable to the parent company
2. Direct business
3. PZU jointly with TUW PZUW and Link4
4. Administrative expenses in PZU and PZU Życie
5. Including the clients acquired in cooperation with banks
6. Own funds after subtracting anticipated dividends and asset taxes
7. Including assets under management of banks' TFIs / including result on asset management generated by banks' TFIs
8. Annualized revenues of proprietary centers and branches including revenues from PZU Zdrowie and the PZU Group
9. Net of non-recurring costs; profitability computed using the sum of revenues generated by branches and earned premium
10. Difference between the annual rate of return computed using the IFRS result on the main portfolio including the FX rate on proprietary bond issues and the annual average level of WIBOR6M

Execution of the 2020 Strategy – key initiatives and activities in 2018

PZU GO - revolutionary telematic solution for the security area. It was made available to the clients in December 2018. More than 300 devices were already in operation at the end of February.

Robotic Process Automation - execution of pilot processes, e.g. processes upading the system of court proceedings Robots gather data for employees in a specific place and perform simple operations.

Taryfikacja 3.0. – development work (including pilot programs) in the dynamic pricing area that facilitates optimization of prices in real time.

Data Lab – execution of projects regarding underwriting based on pictures and rapid quotation when buying real estate on the web.

Zgloszenie.pzu.pl. – launch of a website that allows a reported claim to be valued in a record time. The outcome of these efforts is the shortening of the time it takes to register claims from 15 to 5 minutes. The number of cases registered by the Internet service has jumped up by 20% and the TPL/MOD service quality indicators improved more than 10-fold

Cooperation with Alior Bank and Bank Pekao - 24 insurance products were rolled out in the banking offer, thereby ensuring the presence of PZU's products in all the banks' product lines.

Mojepzu.pl - launch of a contemporary portal for clients, providing access to online product sales and booking appointments. Development work is carried out to provide further functions, including expansion of the product and service offering.

PZU Zdrowie – new products and network development - introduction of new health insurance products and riders to group insurance products. Network development through further greenfield, M&A projects and partnerships. At the end of 2018, PZU Zdrowie cooperated with more than 2,100 partner centers in more than 500 towns and cities in Poland. Its own medical center network was comprised of more than 60 entities

inPZU launch of an Internet transaction service inPZU to sell mutual funds.
This service directly reaches retail clients with its new offer of index funds.

PZU Portal - the new unveiling of the pzu.pl portal providing access to claim reporting forms and contacts with an insurance agent.

PZU Group Standard - Green PZU

- Adoption of „PZU Group Standard - Green PZU” by PZU and PZU Zycie
- Appointing the Management Board Representative for Environment Protection
- PZU direct environmental footprint:
  - ✓ water consumption
  - ✓ energy consumption
  - ✓ paper consumption
  - ✓ waste generation
  - ✓ air pollution emissions

PZU ecological plan for 2018-2020:

- curtailing the consumption of utilities
- limiting the production of documents
- conducting pro-ecological activities in the car fleet management policy
- rational waste management
- installing air conditioning with an ecological cooling agent
- preference to environmental and social aspects when choosing space for rent
- running educational campaigns among employees in the area of pro-environmental behaviors

5. Attachments

Profitability by operating segments

Insurance segments	Gross written premium			Insurance result / operating result			Combined ratio / Margin	
m PLN, local GAAP	**2017**	**2018**	**Change y/y**	**2017**	**2018**	**Change y/y**	**2017**	**2018**
Total non-life insurance – Poland	12,806	13,498	*5.4%*	1,518	1,993	*31.3%*	89.3%	86.6%
Mass insurance – Poland	10,068	10,401	*3.3%*	1,327	1,725	*30.0%*	88.6%	85.2%
Motor TPL	4,616	4,652	*0.8%*	396	340	*(14.2%)*	91.4%	92.9%
MOD	2,422	2,528	*4.4%*	118	289	*144.0%*	94.5%	87.6%
Other products	3,030	3,221	*6.3%*	565	799	*41.3%*	80.3%	72.1%
Impact of allocation to the investment segment	0	0	*x*	247	297	*20.5%*	x	x
Corporate insurance – Poland	2,738	3,097	*13.1%*	191	268	*40.3%*	92.7%	92.9%
Motor TPL	749	847	*13.1%*	1	(35)	*x*	97.8%	102.6%
MOD	866	880	*1.6%*	54	93	*73.2%*	92.9%	87.9%
Other products	1,123	1,370	*22.0%*	72	119	*65.2%*	87.5%	88.8%
Impact of allocation to the investment segment	0	0	*x*	64	91	*41.6%*	x	x
Total life insurance – Poland	8,519	8,237	*(3.3%)*	1,659	1,770	*6.7%*	19.5%	21.5%
Group and individually continued insurance - Poland*	6,855	6,891	*0.5%*	1,415	1,526	*7.8%*	20.6%	22.1%
Individual insurance – Poland	1,664	1,346	*(19.1%)*	209	227	*8.6%*	12.6%	16.9%
Conversion effect	0	0	*x*	35	17	*(50.8%)*	x	x
Total non-life insurance – Ukraine and Baltic States	1,527	1,729	*13.2%*	114	154	*35.1%*	92.5%	90.8%
Baltic States	1,346	1,527	*13.4%*	107	137	*28.0%*	91.9%	90.7%
Ukraine	181	202	*11.6%*	7	17	*142.9%*	101.2%	91.9%
Total life insurance – Ukraine and Baltic States	100	120	*20.0%*	6	7	*16.7%*	6.0%	5.8%
Lithuania	58	65	*12.1%*	2	1	*(50.0%)*	3.4%	1.5%
Ukraine	42	55	*31.0%*	4	6	*50.0%*	9.5%	10.9%
Banks	x	x	*x*	2,439	4,036	*65.5%*	x	x

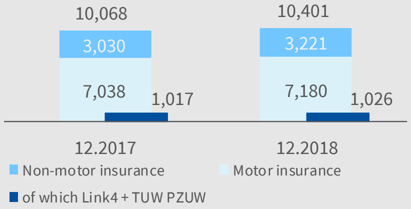
* Excluding conversion effect

Non-life insurance

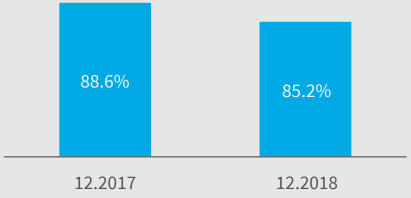
Higher growth in non-motor insurance sales

Mass segment

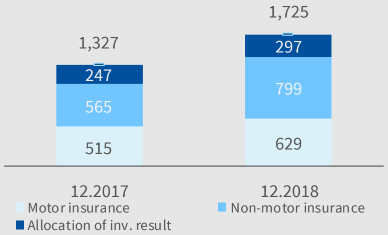
Gross written premium (m PLN)



Combined ratio (%)

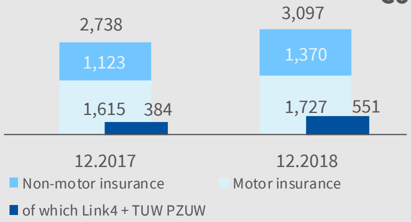


Insurance result (m PLN)

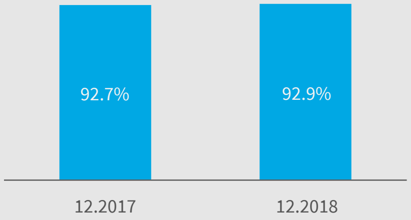


Corporate segment

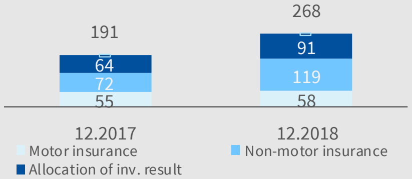
Gross written premium (m PLN)



Combined ratio (%)



Insurance result (m PLN)



Recap – non-life insurance

Mass segment

Higher gross written premium y/y on:

- increase in gross written premium in motor insurance as resulting from an increase in average premium at a comparable level of the number of insurance policies (motor TPL)
- higher premium on insurance against fire and other damage to property, including household insurance and SME with a similar level of agricultural insurance sales despite the extensive competition on the market
- higher premium in the group of other TPL insurance as well as accident and other insurance, in particular assistance and illness insurance

Insurance result up as the outcome of the following:

- growth in net earned premium (+6.9%) – result of development in the insurance portfolio
- improvement in the loss ratio in the following insurance group:
  - non-motor insurance, including insurance against fire and other damage to property, mainly in crop insurance due to the lower number of claims caused by the forces of nature (in the corresponding period of 2017, claims caused by gusty wind and torrential rain with impact on COR – 4 p.p.)
  - motor insurance – lower loss ratio due to significant improvement of the loss ratio in Motor Own Damage insurance and slight change in MTPL insurance – as a result of remeasurement of the provision for claims for pain and suffering caused by the vegetative state of a relative injured in an accident (Supreme Court ruling)
- change in insurance activity expenses, including:
  - higher acquisition expense ratio due to movements in the mix of sales changes to augment portfolio retention and the rising share of sales channels characterized by higher sales costs (multiagencies and dealers)
  - improvement in the administrative expense ratio as the outcome of the persistent cost discipline in operating areas unrelated to wages (current and project-related operations) and higher payroll costs in response to clear signs of wage pressure on the market.

Recap – non-life insurance

Corporate segment

Higher gross written premium y/y due to the following:

- growth in the sales of motor insurance in the form of fleet insurance and insurance offered to lease companies as a consequence of the higher average premium coupled with the lower number of motor own damage policies (this falloff was particularly noticeable in the lease insurance group)
- higher premium on insurance against fire and other damage to property and other TPL following the execution of several contracts (including long-term contracts) with high unit values and development of the medical entity insurance portfolio in TUW PZUW
- acquisition of several high-value single contracts, development of the insurance portfolio containing various financial risks and the higher premium from the insurance of GAP financial losses

Insurance result up as the outcome of the following:

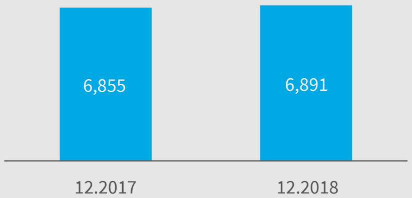
- incremental growth in net earned premium (+16.0%) – impact exerted by the development of the insurance portfolio
- evolution of the loss ratio in the insurance portfolio:
  - motor TPL insurance - climbing loss ratio of the TPL portfolio as a result of rising annuity reserve, the observed upward trend in average payout and remeasurement of the provision in Q1 2018 for pain and suffering partially offset by the improvement in the loss ratio in motor own damage – impact exerted by the much faster pace of growth in net earned premiums versus the pace of growth in claims and benefits paid despite the observed uptick in the average payout
  - non-motor - growth in the loss ratio as the outcome of the deteriorating loss ratio in general TPL insurance (including the higher level of the annuity provision in insurance for medical entities) and growth in the profitability of the portfolio of insurance against fire and other damage to property – lower level of claims caused by atmospheric phenomena (in 2017 claims caused by gusty wind and torrential rain whose impact on COR was -7 p.p.)
- change in the level of insurance activity expenses, including the decline in the administrative expense ratio due to maintaining cost discipline in current and project-related operations

Life insurance

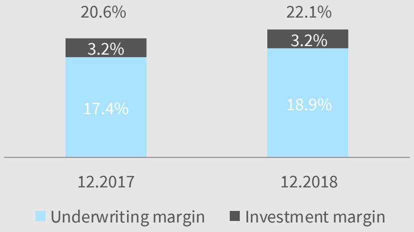
Higher profitability of segments

Group and individually continued insurance

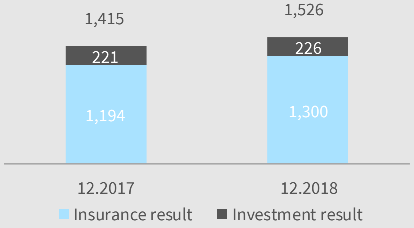
Gross written premium (m PLN)



Margin (%)[1]

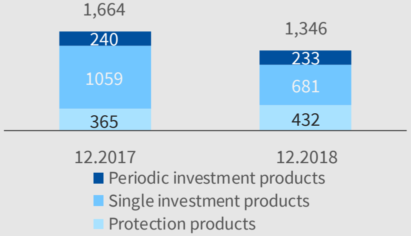


Insurance result[1] (m PLN)

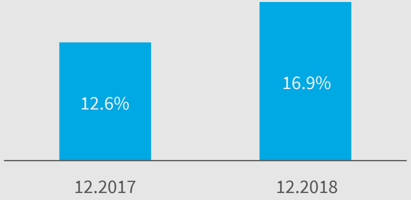


Individual insurance

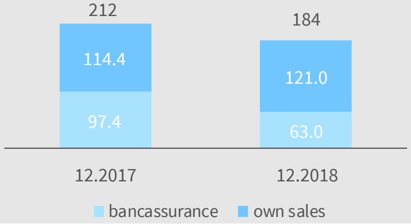
Gross written premium (m PLN)



Margin (%)



Annual premium equivalent (m PLN)



1) Segment margin and insurance result net of the conversion effect

Recap – life insurance

Group and individually continued insurance

Drivers of higher gross written premium y/y:

- acquiring more health insurance contracts, including a new rider to continued insurance launched under the name “PZU Uraz ortopedyczny [PZU orthopedic injury]” that has enjoyed a great reception from clients; PZU Życie already has more than 1.8 million health insurance contracts in force
- sustaining the policy of upselling riders while simultaneously indexing premiums on the underlying contracts in individually continued products; in addition to the aforementioned rider, in Q4 PZU Życie introduced another insurance product for a myocardial infarction or a stroke
- at the same time, the revenues in group protection products faced pressure from higher lapses in groups (work establishments) due to the retirement age being statutorily reduced in Q4 2017.

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

- constantly expanding insurance portfolio
- new individual continuation’s positive contribution to the segment’s results by setting up lower mathematical reserves per insured
- loss ratio in group protection products down from last year.

Recap – life insurance

Individual insurance segment

Lower gross written premium y/y was the result of the following:

- lower contributions to unit-linked accounts in single-payment unit-linked products offered jointly with banks, which is in line with the trends prevailing across the life insurance market

  At the same time, the constantly-rising level of premium in protection products in own channels and bancassurance has produced a positive effect. PZU Życie launched cooperation with Alior Bank and Bank Pekao to offer individual life insurance to clients taking out cash loans.

Segment's margin growth was the result of the following:

- higher percentage of revenues accounted for by the protection products segment with a substantially higher generated margin;
- climbing management fees charged on assets accumulated in unit-linked products (growth y/y on the balance of average assets)
- lower acquisition expenses in the bank channel after the dip in sales volumes

Sales channels:

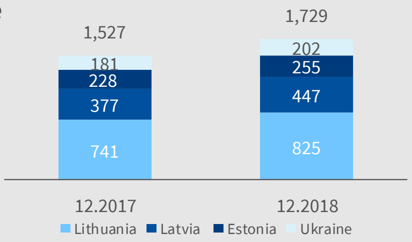
- maintenance of a high level of sales in proprietary channels. The nearly 8% growth rate year on year in the sales of protection products deserves special emphasis
- decrease in the bancassurance channel precipitated by the lower level of payments to new accounts in unit-linked products only partially offset by the rising sales of the protection products offered in this channel, including the new products launched in cooperation with Alior Bank and Bank Pekao

International business

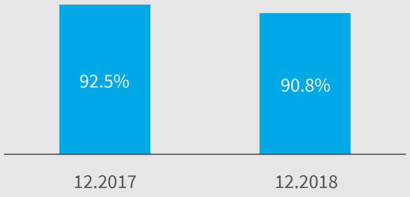
Higher sales in the Baltic States segment

Non-life insurance

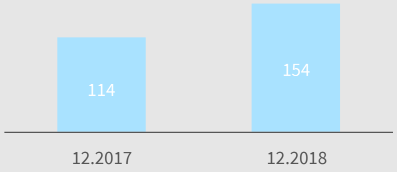
Gross written premium (m PLN)



Combined ratio (%)

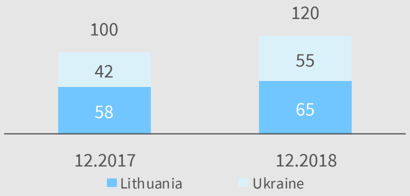


Insurance result (m PLN)

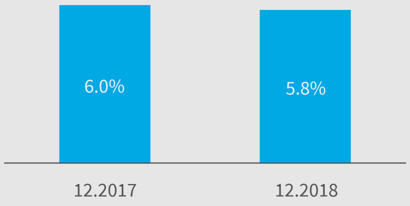


Life insurance

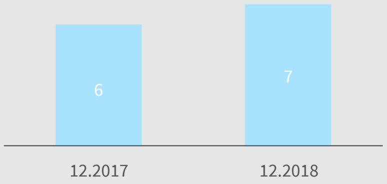
Gross written premium (m PLN)



Margin (%)



Insurance result (m PLN)



Recap – international business

Gross written premium

Non-life insurance:

- The growth in gross written premium in the Baltic companies was possible chiefly by maintaining the upward trend of rates in motor insurance premiums in the region, higher sales of property insurance, in Lithuania, Latvia and Estonia, and a significant increase in gross written premium in health insurance in Latvia:
  - Lithuanian market leader Lietuvos Draudimas: 825 m PLN (last year: 741 m PLN)
  - AAS Balta in Latvia: 447 m PLN (last year: 377 m PLN)
  - Estonian branch of PZU Insurance: 255 m PLN (last year: 228 m PLN)
- Sales growth in Ukraine of 21 m PLN (202 m PLN, last year 181 m PLN)

Life insurance:

- Gross written premium in Lithuania up (7 m PLN) on endowment insurance sales to retail clients.
- Gross written premium in Ukraine up 13 m PLN (55 m PLN, last year 42 m PLN).

Recap – international business

Insurance results

Non-life insurance:

- Combined ratio decline as a result of the following:
  - lower loss ratio - in Ukraine as a result of reviewing and reversing technical provisions, in the Baltic States upholding the ratio at last year's level
  - decline in the acquisition expense ratio as the portfolio mix evolves in the Baltic States – the percentage of motor insurance with lower costs has risen; in the Ukrainian segment the ratio has stayed at last year's level
  - cutting the administrative expense ratio was possible chiefly due to maintaining cost discipline coupled with the growth in the magnitude of business.
- Growth in the insurance result (up 40 m PLN) in non-life insurance propelled by higher sales and due to the positive results generated by companies in both segments.

Life insurance:

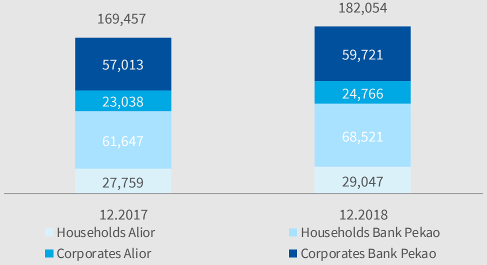
- Improved result in the Ukrainian segment (up 2 m PLN), chiefly due to higher sales coupled with a simultaneous fall in the Baltic States segment caused by the suppressed investment result.

Banking activity

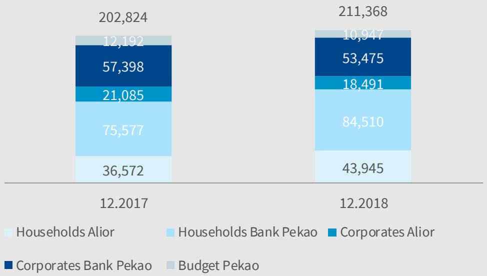
Positive growth rate in loan receivables

Volumes

Loans
(m PLN)

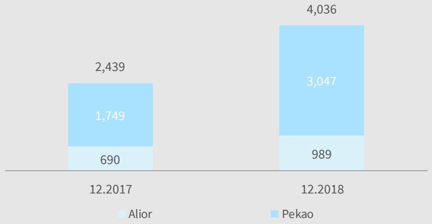


Liabilities
(m PLN)[3]

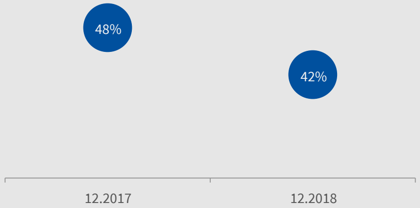


Ratios

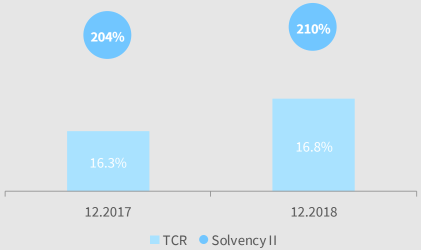
Operating profit[1]
(m PLN)



Cost / Income[1]
(%)

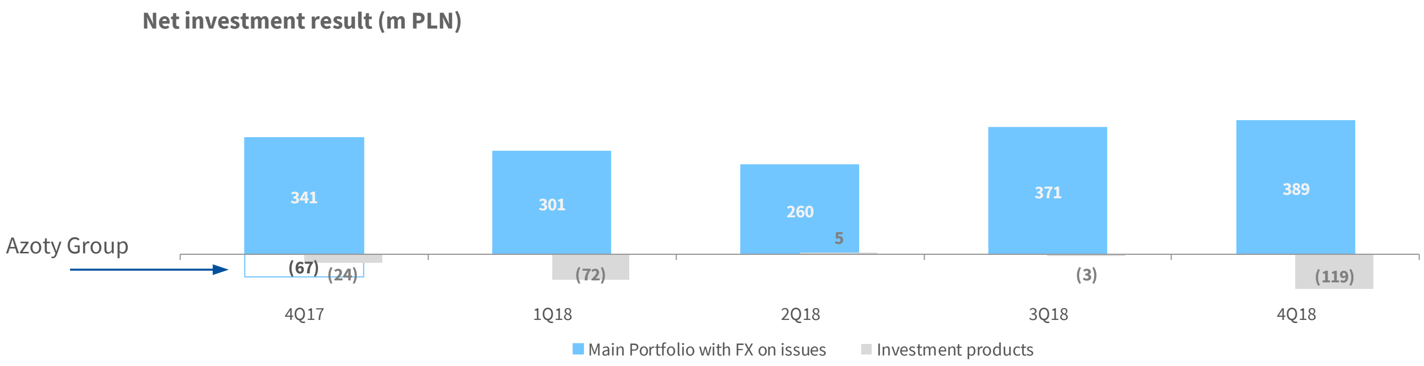


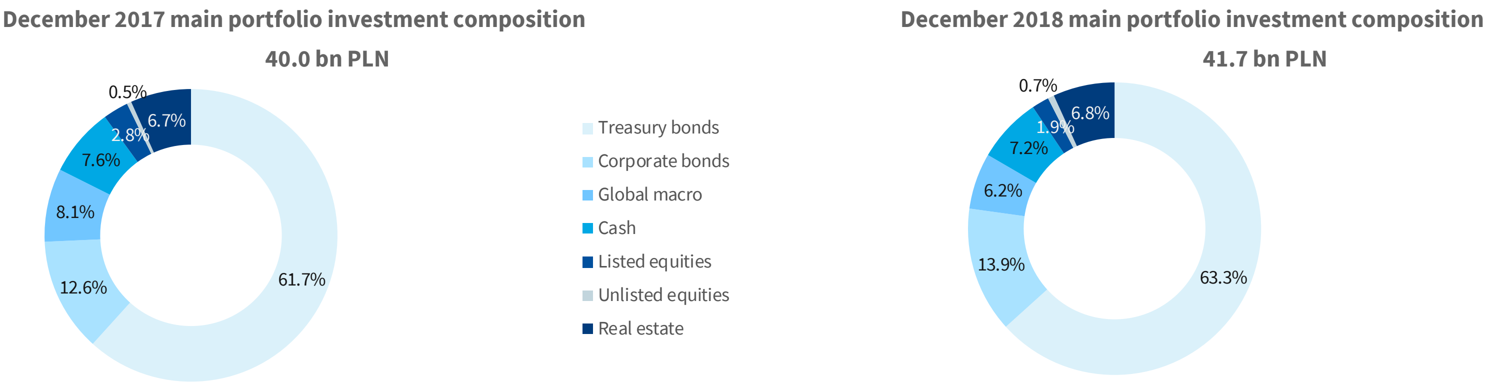
Capital adequacy[2]



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

Investments





investment products 6.3 bn PLN

investment products 5,9 bn PLN

Recap – investments

Better investment performance of the Main Portfolio (including FX on the issue of own bonds) in Q4 2018 versus Q3 2018 is chiefly due to the following:

- the higher result on the Polish MTM treasury bonds portfolio as a result of favorable circumstances on the debt market

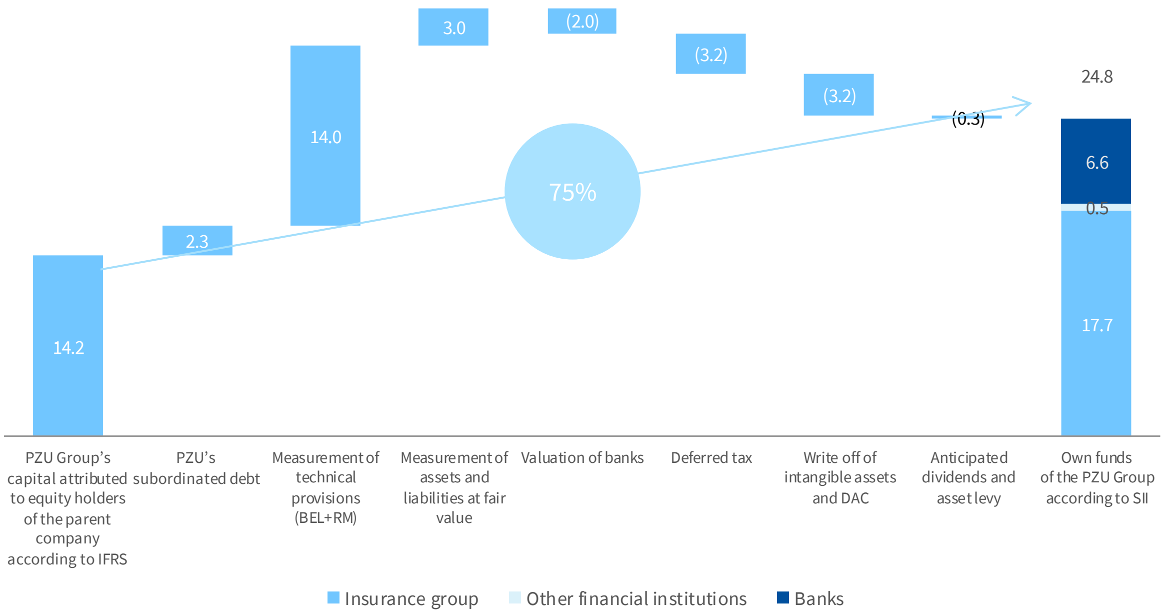
The higher performance of the Main Portfolio in Q4 2018 compared to the corresponding quarter of last year is chiefly due to the following:

- the higher result on the Polish treasury bonds portfolio measured mark-to-market as circumstances on the debt market are more favorable offset by the lower result on the foreign treasury bonds portfolio measured mark-to-market following upward movements in yield curves on emerging markets
- consequently pursued strategy in the area of real esteate portfolio, including the completion of more investments and enhanced parameters in the managed real estate portfolio.

Group's own funds

PZU Group's data under Solvency II / 30 September 2018 (bn PLN, unaudited data)

Comparison of own funds and consolidated own funds according to IFRS



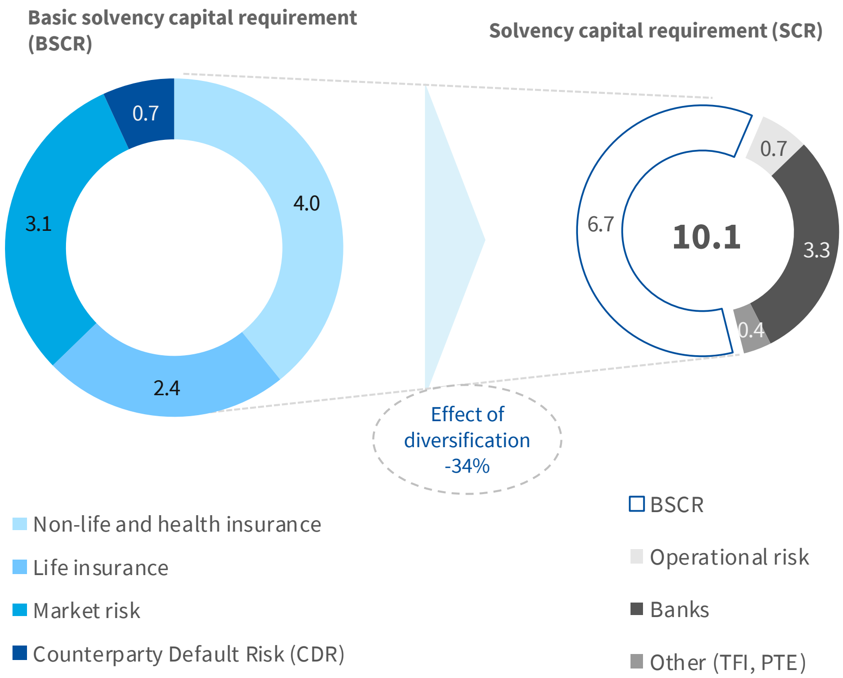
- Own funds according to SII calculated using the net assets carried in the Group's economic balance sheet.

  For the purpose of SII, the consolidated data of the insurance entities and entities rendering auxiliary activity such as mutual funds, PZU Zdrowie, PZU Pomoc and Centrum Operacji.
- No consolidation of given credit institutions (Pekao, Alior Bank) and financial institutions (TFI, PTE).
- According to SII regulations:
  - technical provisions measured using the expected discounted cash flow (best estimate liability, BEL) adjusted for the risk margin;
  - shares in entities belonging to other financial sectors (Pekao, Alior Bank, TFI, PTE) measured using the group's percentage of the regulatory capital of these entities prescribed according to a given sector's regulations;
  - other assets and liabilities measured at fair value*;
  - deferred tax is calculated on the temporary differences between the valuation of assets and liabilities according to SII and IFRS. Similarly to IAS 12, absence of deferred tax on differences pertaining to related parties (e.g. banks).
  - own funds according to SII minus:
    - the amount of anticipated dividends**;
    - the forecasts of the asset levy to be paid by insurance undertakings in the 12 months after the balance sheet date (according to the letter from the Polish FSA).

* Intangible assets and deferred acquisition costs whose value for the purposes of SII is zero are an exception.
** The adjustment for anticipated dividends determined based on the Management Board's recommendation regarding the distribution of the result.

SCR up following the acquisition of Pekao

PZU Group's data under Solvency II / 30 June 2018 (bn PLN, unaudited data)



- Solvency requirement down in Q3 2018 by 0.2 bn PLN. The main reasons for the movement in SCR:
- decline in the requirement for a counterparty's default risk by 0.3 bn PLN** - return of the balance of settlements for transactions concerning financial instruments to a level close to Q1:
- dip in non-life insurance risk by 0.1 bn PLN** in all the sub-modules due to more effective utilization of reinsurance cover and lower estimates of premiums and provisions;
- life insurance risk down 0.06 bn PLN** from shortening the period of forecasts included in the estimates (7 months versus 8 months);
- SCR market risk reduction of 0.1 bn PLN**, mainly on lower FX and credit exposures;
- requirement for banks up 0.06 bn PLN.

* Difference between SCR and the total of the following: BSCR, operational risk, the requirement of the banking sector and other financial institutions ensues from a tax adjustment (LAC DT).
** Prior to the effects of diversification.

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

Thank you

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