PZU Group's financial results for Q3 2015

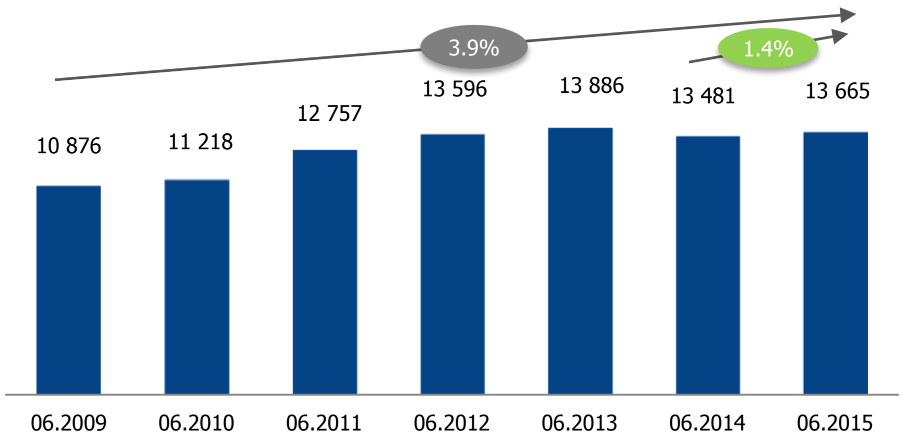
Warsaw, 10 November 2015

Agenda

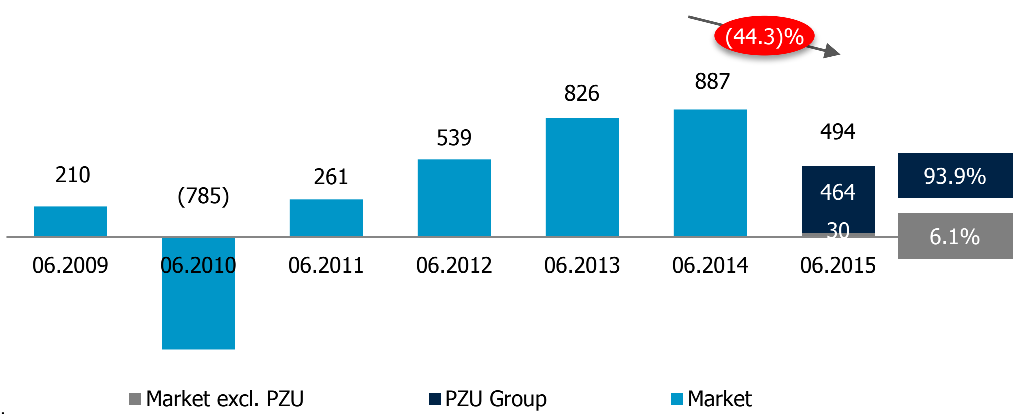
1. Polish insurance market in H1 2015
2. Operating results for Q3 2015
3. Shareholder value
4. Implementation of the PZU 3.0 Strategy
5. Detailed financials
6. Group highlights as at 31 December 2014 according to Solvency II rules

Non-life insurance market in Poland

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



Technical result (m PLN)



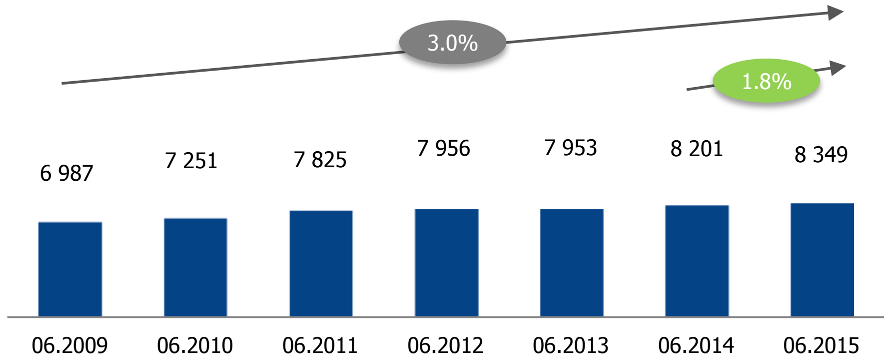
- Reversion to growth trend after slight deceleration in 2014.
- PZU Group's strong market position in motor own damage insurance with a market share of **39.6%** and motor TPL with a market share of **37.0%**.
- PZU Group's market share in non-life insurance in H1 2015 is **32.9%** (of which PZU has **31.0%** and Link4 has **1.8%**).
- PZU Group's technical result stated as a percentage of the market's technical result is **93.9%**, which with a **32.9%** market share measured by gross written premium confirms the high profitability of its insurance business.

x% - Percentage change year on year

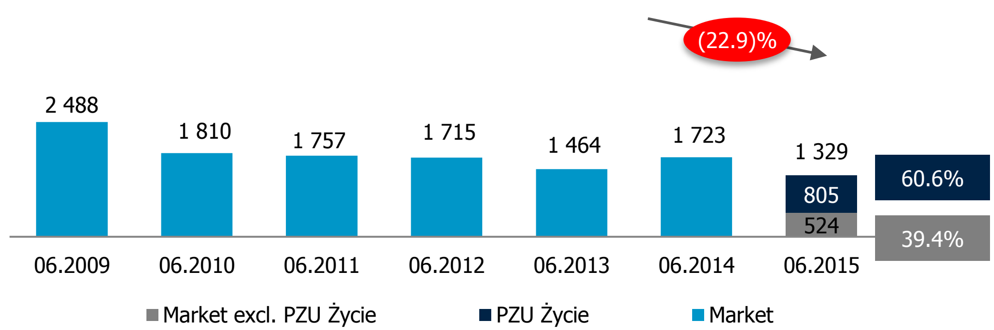
xx% - CAGR

Life insurance market in Poland

Gross written premium on regular business (m PLN)



Life insurance technical result (m PLN)



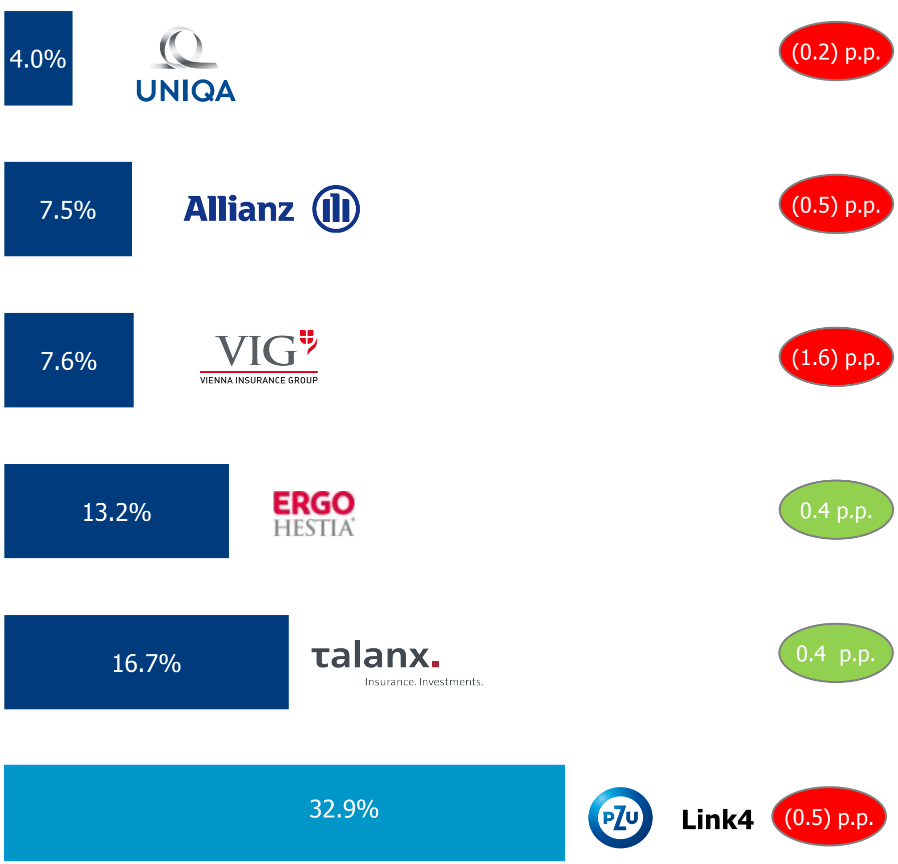
- PZU Życie's regular premium market share is stable at **43.4%** at the end of Q2 2015.
- Another year of growth in regular gross written premium on the life insurance market - growth rate yoy of **1.8%**, with PZU Życie reporting **3.1%** while the other insurance undertakings in total reported **0.8%**.
- The gross written premium growth attained by the market net of PZU was chiefly driven by unit-linked products sold as individual business (regular and single products).
- High profitability of PZU Życie's technical result versus the overall market – the margin commanded by PZU Życie – **19.7%** as opposed to the other insurers – **5.1%**.
- The decline in the overall market's technical result in H1 2015 is an effect of diminished profitability in all groups, especially unit-linked life insurance (Group III) (besides PZU Życie), and the higher loss ratio in PZU Życie in protection insurance.

x% - Percentage change year on year

xx% - CAGR

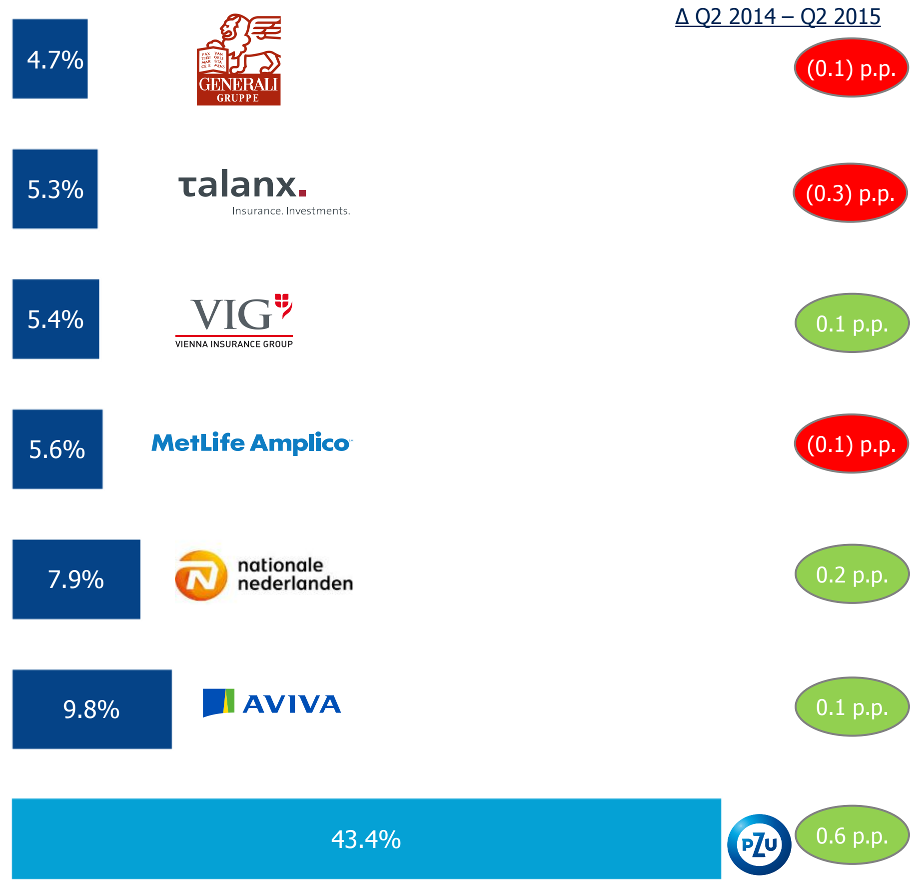
PZU maintains its leadership position in insurance in Poland

Market share
non-life insurance



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

Market share
life insurance (regular premium)



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

graphs incorporate only the largest insurance undertakings

Agenda

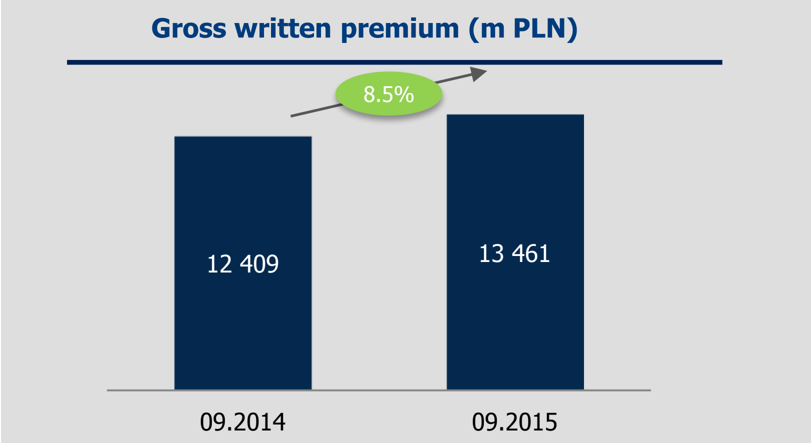
Higher profitability in life insurance in Q2 and Q3 accompanied by fierce price competition in non-life motor insurance

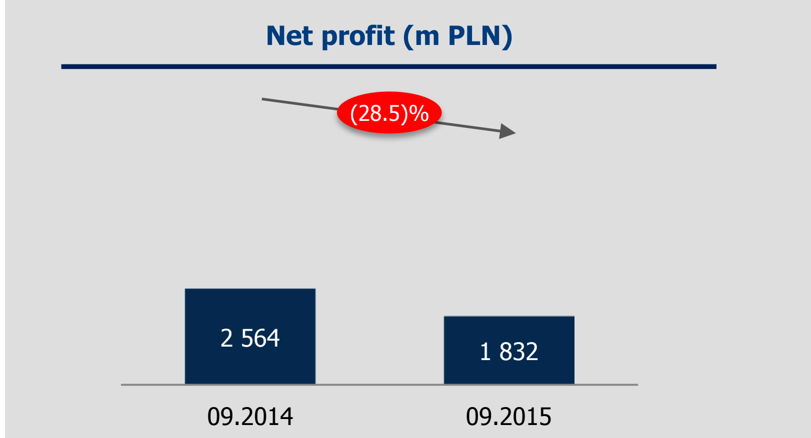
Non-life insurance	• **Persistently high profitability** despite the higher loss ratio in the motor insurance portfolio: - lower level of claims and benefits in general TPL insurance (decline in the level of provisions for claims from previous years); - fierce price competition continues to be felt translating into a low average premium in motor insurance, thereby adversely affecting portfolio profitability.
Life insurance	• **Marked profitability growth** - Q3 2015 was another quarter of high profitability in the group and individually continued insurance segment at a level comparable to Q2 2015 and Q3 2014 (following diminished profitability in Q1 2015 contributing to the decline in YTD profitability - the increase in the loss ratio in protection insurance is an offshoot of the considerably higher mortality ratio confirmed by the statistics published by the Central Statistics Office [GUS]).
Investments	• **Net result on investing activity fell chiefly following**: - the lower valuation of interest-bearing financial assets mostly as a result of expanding yields on Polish T-bonds across the entire yield curve versus declines in the comparable period; - deteriorating market conditions on the capital markets (WIG Index down by 3.1% in the first three quarters of 2015 versus 7.0% growth in the analogous period of 2014).
Operations	• **Customer satisfaction ratios** outpacing the competition translating into preferences for selecting insurance from PZU: - the customer satisfaction level among customers who in the last 12 months participated in the claims handing process or had a benefit payment is **8 p.p. higher** than for competitors.*
International operations	• Measures to integrate the operations of the Baltic companies. • On 30 September 2015 PZU executed the deal to sell PZU Lithuania whose purpose was to satisfy the conditions imposed by the Lithuanian antitrust authority for the consent to acquire Lietuvos Draudimas and thereby to complete the transaction to acquire the market leaders in the Baltic States - the gross result on PZU Lithuania sell was 167.0 m PLN.

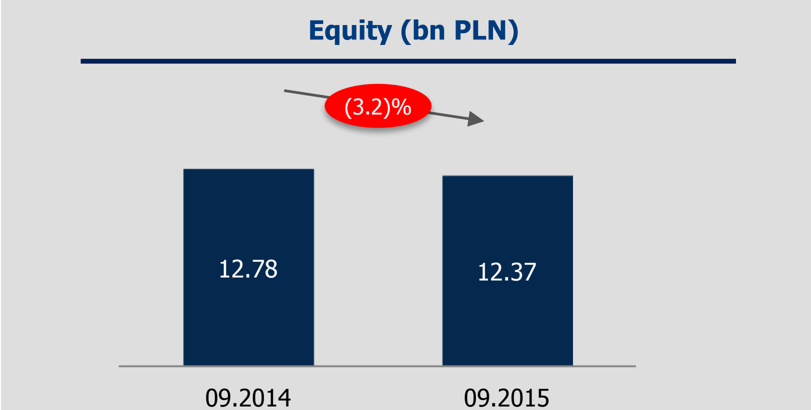
ROE 19.1%

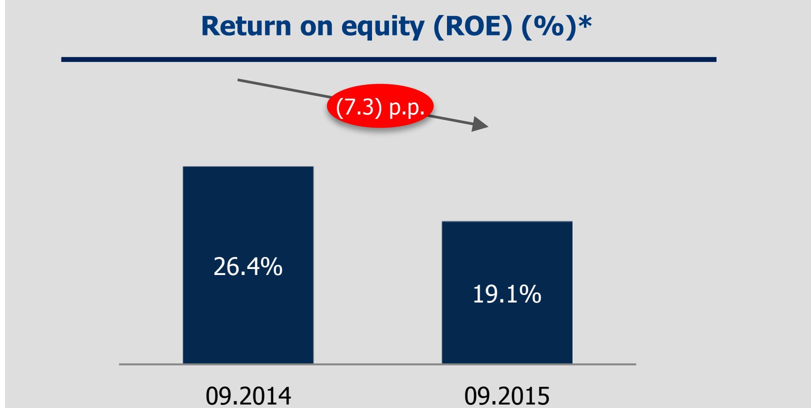
* NPS (Net Promoter Score) is 11% for PZU clients. Monthly research conducted by GFK Polonia under engagement from PZU. The data presented here are the cumulative result of monthly readings from January to September 2015.

Review of the Group's financial results in the first three quarters







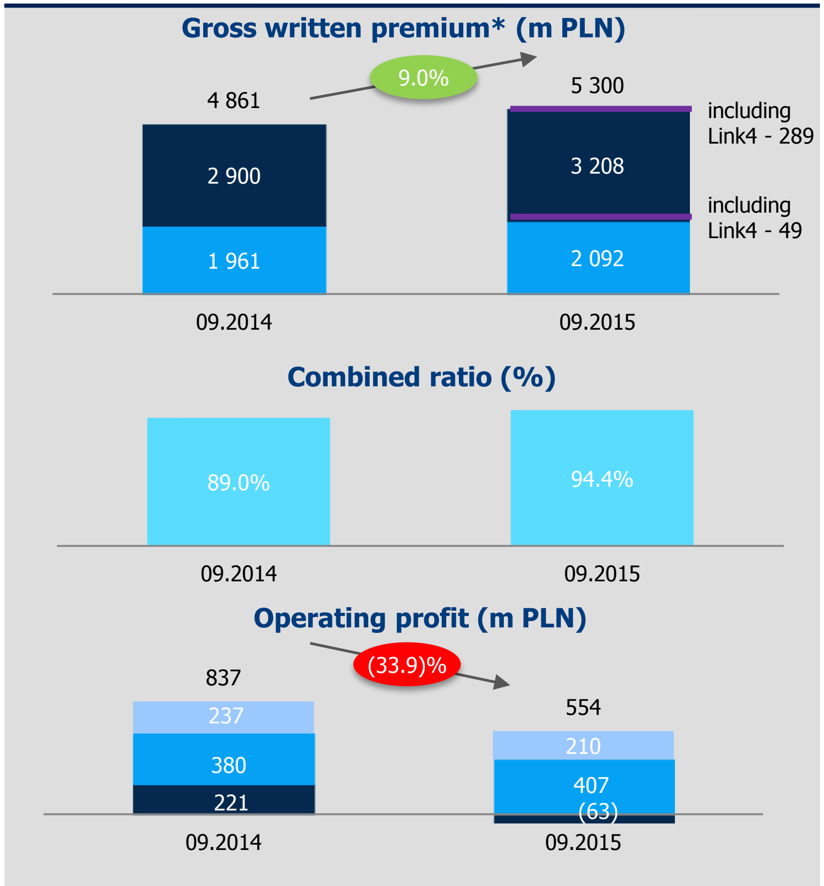


x% - change year on year

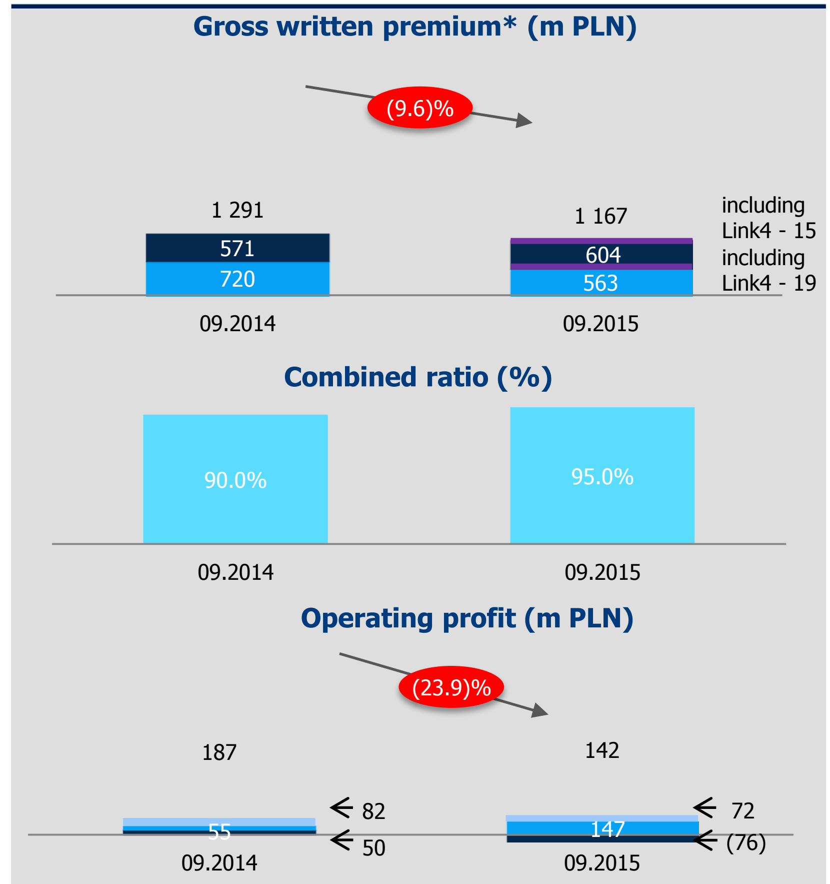
** Annualized ratio computed on the basis of equity at beginning and end of the reporting period.*

Non-life insurance
Lower profitability of motor insurance

Mass segment



Corporate segment



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

**net of intragroup settlements*

x% - change year on year

Summary – non-life insurance

Mass segment

Higher gross written premium yoy as an effect of the following:

- motor insurance sales up 10.6% as an effect of commencing the consolidation of Link4 in September 2014 (0.6% yoy growth net of the premium coming from Link4 and reinsurance of the subsidiaries' portfolio);
- higher premium on natural catastrophe insurance (+7.2%), mostly insurance for homes and farm buildings and general third party liability insurance (+7.1%).

Operating profit down primarily driven by the following:

- higher level of claims and benefits in the motor insurance group (+15.8%, +7.1% net of the Link4 effect) as a result of average claim growth;
- higher loss ratio in the assistance insurance group (assistance insurance – *Pomoc w Drodze*);
- higher insurance activity expenses, including:
  - acquisition expenses (including commissions on inward reinsurance eliminated at the consolidated level) as an effect of higher indirect expenses and the growing commissions stated as a percentage of gross written premium;
  - administrative expenses ensuing from higher expenditures related to implementing strategy 3.0.

Corporate segment

Lower gross written premium yoy as an effect of the following:

- lower sales of fire, other property and general TPL insurance as an outcome of finalization of several big tenders in December 2014 and conclusion of insurance agreements for 2015 - this pertains mainly to insurance for medical entities (without an impact on the level of premium earned in 2014). This effect was partially offset by gross written premium being up in motor own damage insurance - expanding sales volume partially offset by diminishing average premium.

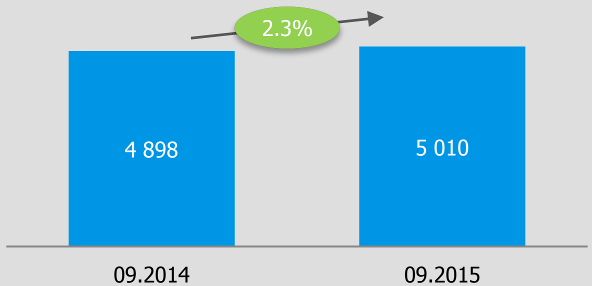
Operating profit down primarily driven by the following:

- higher level of claims and benefits in the motor insurance group as a result of the rising average payment and claim volume expansion. This effect was partially offset by the decline in provisions for claims from previous years in the general third party liability insurance group;
- higher administrative expenses as an effect of measures related to pursuing strategy 3.0 to develop the PZU Group's key areas.

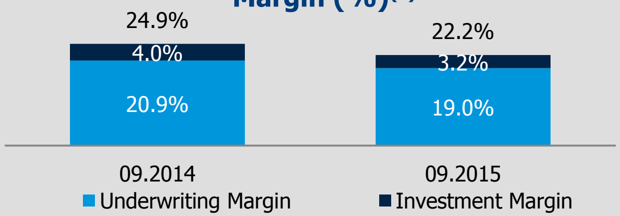
Life insurance
Profitability above the strategic target

Group and continued insurance segment

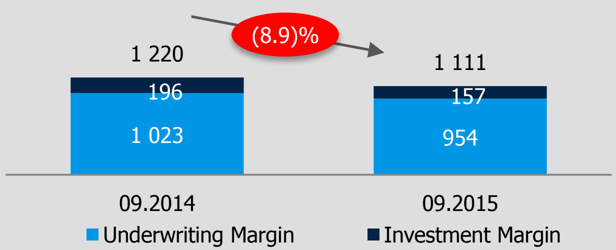
Gross written premium (m PLN)



Margin (%)[a]



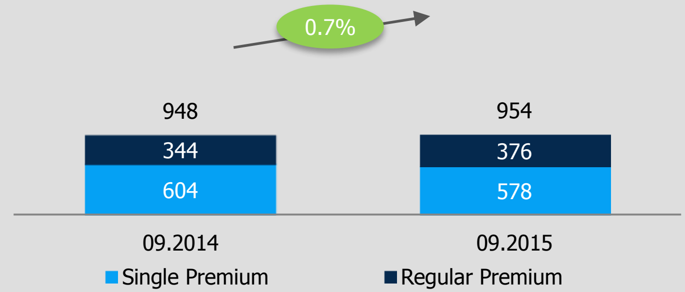
Operating profit (m PLN)[a]



(a) *Margin and operating profit net of the conversion effect*

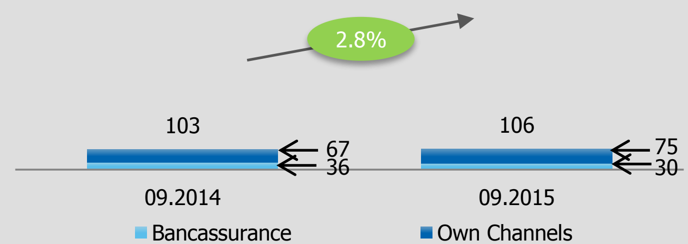
Individual insurance segment

Gross written premium (m PLN)



Margin (%)

Annual premium equivalent (m PLN)



x% *- change year on year*

Summary – life insurance

Group and continued

Drivers of higher gross written premium:

- growth in the number of insured in group protection products and rising average premiums;
- rapid development of group health insurance, including various medicine insurance plans;
- upselling of riders and higher sums insured in individually continued products.

Operating profit down following:

- protection portfolio loss ratio up due to the greater mortality ratio (confirmed by statistics published by the Central Statistics Office [GUS] on a similar effect for the entire population);
- higher administrative expenses ensuing mostly from expenditures related to implementing strategy 3.0 to develop the PZU Group's key areas;
- diminished investment income, including income allocated according to transfer prices as a consequence of the decline in the level of market interest rates on the basis of which the income of portfolios replicating insurance liabilities are calculated.

Individual

Gross written premium upward movement resulting from the following:

- higher average payments to IKE individual retirement accounts;
- record-breaking subscriptions for a structured product in the dedicated channel;
- high sales of protection products - result of the change to the commission system and making the offering more attractive.

Retracting from sales the *Plan na Życie* regular premium savings product containing an element of protection accompanied by this year's absence of structured and deposit products in cooperation with banks produced an adverse outcome. The level of new business in unit-linked products offered in the bancassurance channel also fell.

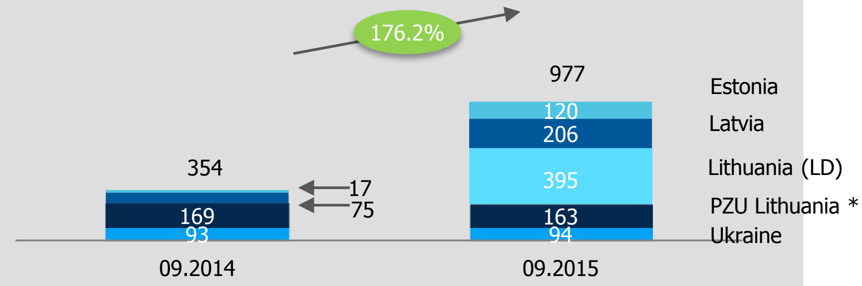
Sales channels:

- new sales in the bancassurance channel are down as a result of not having single premium contracts in structured and deposit products and following lower unit-linked sales;
- sales of protection products in the traditional channel are up from last year following a change in priorities in the distribution channels, modifying the agency channel's compensation system and additionally the record-breaking subscriptions for *Świat Zysków*.

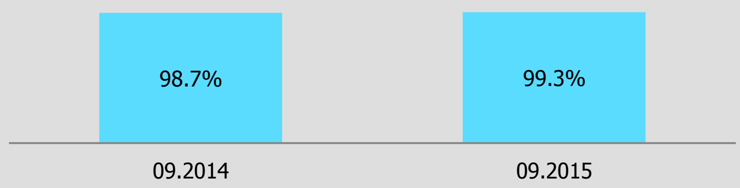
International business
Higher results thanks to larger size of activity in Baltic States

Non-life insurance

Gross written premium (m PLN)



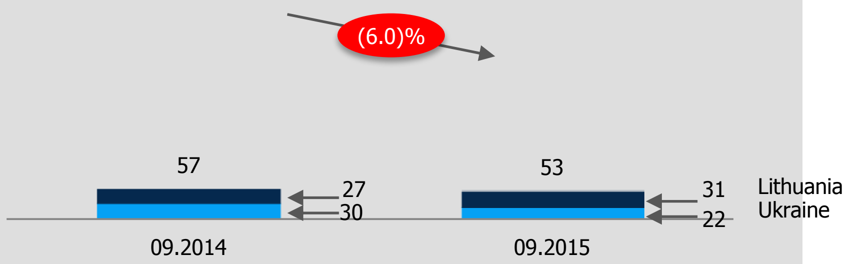
Combined ratio (%)



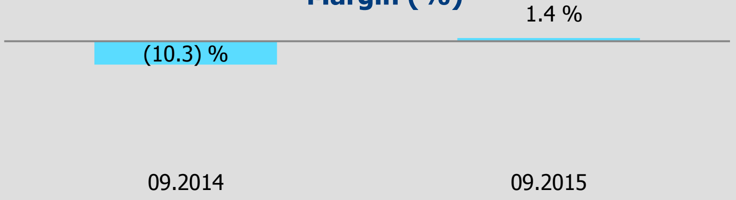
Operating result (m PLN)

Life insurance

Gross written premium (m PLN)



Margin (%)



Operating result (m PLN)

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

x% - change year on year

Summary – international business

Gross written premium

Non-life insurance

- Gross written premium has grown on the contribution made by the newly-acquired companies:
  - Lithuanian market leader Lietuvos Draudimas (in the PZU Group since November 2014) +394.5 m PLN;
  - Latvian market leader AAS Balta (since July 2014) +205.8 m PLN (last year: +55.2 m PLN);
  - Estonian branch of PZU Insurance (since November 2014) +120.1 m PLN.
- Gross written premium expanded by 58.4% in Ukraine in the functional currency. Higher gross written premium was achieved by official price hikes, in particular motor TPL and Green Card and greater confidence in international insurers. As a result of depreciation in the hrivna growth of 1.0 m PLN was recorded.

Life insurance

- Premium in Ukraine fell by 24.3% due to the hrivna's depreciation (premium up 18.5% in the functional currency);
- Sales in Lithuania up by 14.2% in individual and group insurance.

Operating results

Non-life insurance

- Combined ratio growth:
  - loss ratio (61.7%) - up 4.0 p.p. due to the Baltic States segment accounting for a higher share;
  - administrative expense ratio down (13.7% versus 15.8% in Q3 2014) as a consequence of acquiring new companies in which the ratio was 12.3%;
  - acquisition expense ratio down by 1.4 p.p. as a result of acquiring new companies in which the acquisition expense ratios are lower than in the PZU Group companies to date (cost allocation model) coupled with a rising ratio in Ukraine driven by a change in the product mix.
- Operating result up (by 8.1 m PLN) in non-life business thanks to the positive results generated by the newly-acquired companies accompanied by a simultaneous deterioration of results in Ukraine.

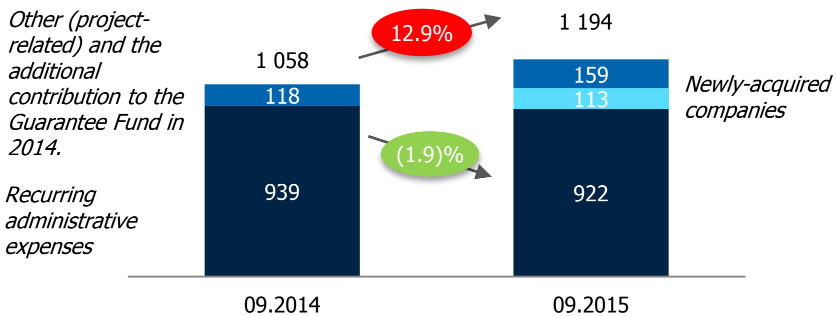
Life insurance

- Operating results up by 8.2 m PLN in Ukraine.
- The company's gross result in Ukraine is down (by 2.8 m PLN), including the positive impact exerted by FX differences on the measurement of investments at the insurer's risk coupled with the growth in the insurance activity expense ratio.

Higher administrative expenses
Effect of the more rapid implementation of strategy 3.0 and the Group's consolidation

m PLN

PZU Group's administrative expenses



Recurring administrative expense ratio*

The following factors contributed to the increase in administrative expenses year on year:

- inclusion of administrative expenses incurred by newly-acquired insurance companies in the PZU Group's results;
- upswing in expenditures related to implementing strategy 3.0 to develop the PZU Group's key areas, i.e. the Retail and Corporate Client Area, PZU Health, distribution and operational support.

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

Recurring administrative expenses

x% *- change year on year*

Other (including strategy implementation costs)

Newly-acquired companies

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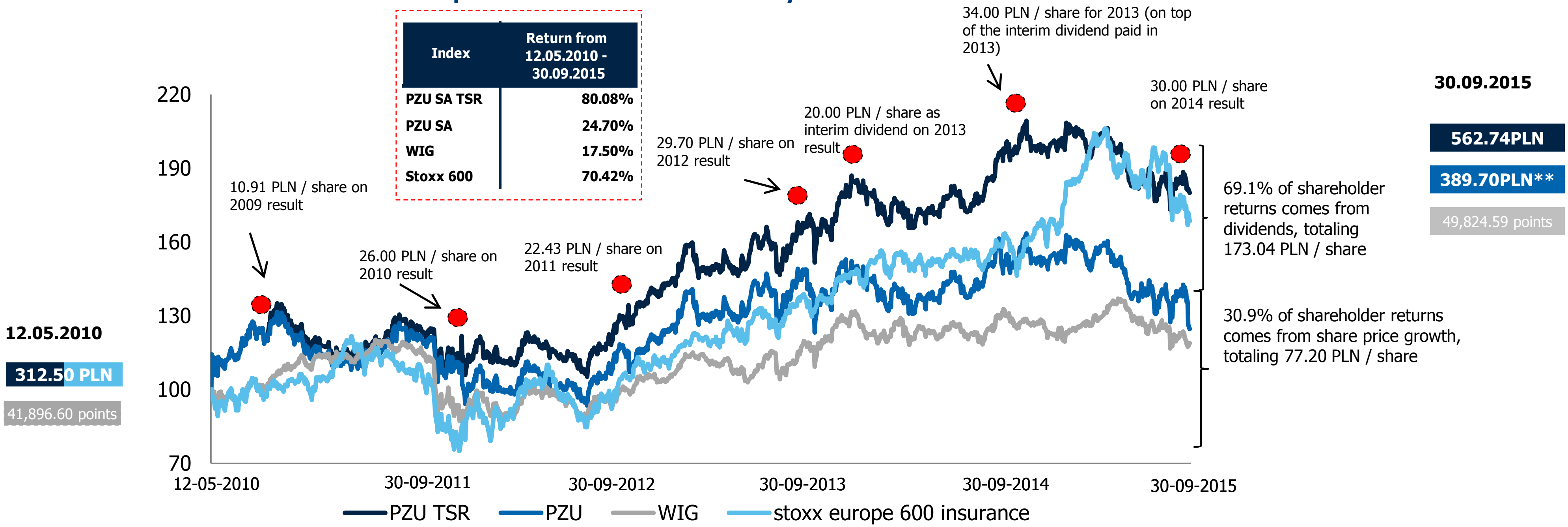
Managing TSR - high return on equity

Growth rate of PZU's share price adjusted for dividends paid out from its first listing compared to selected indices 12 May 2010 = 100*



Index	Return from 12.05.2010 - 30.09.2015
PZU SA TSR	80.08%
PZU SA	24.70%
WIG	17.50%
Stoxx 600	70.42%

- Under the 2013 dividend on **15 January 2015** shareholders received the final tranche of **17 PLN per share,** with the record date being 17 September 2014
- According to the PZU Shareholder Meeting resolution, on **21 October 2015** shareholders received a dividend from the 2014 profit of **30 PLN per share,** with the record date being 30 September 2015.
- On **3 November 2015** the amendments to PZU's Articles of Association were entered in the National Court Register facilitating the company's share split (1/10). The split is scheduled by Central Securities Depository of Poland for November 2015.

* PZU's TSR share price has been adjusted to include dividends
** Share price is presented based on nominal value 1PLN/share due to the lack of split registration to be performed by Central Securities Depository of Poland

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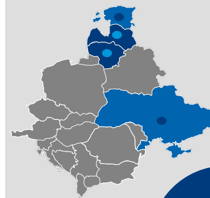
Strategy 3.0 execution in numbers

Insurance activity

#1 in Poland

32.9% non-life market share in Poland (gross written premium in H1 2015)

43.4% life insurance market share in Poland (regular premium in H1 2015)



#1 in Lithuania and Latvia following acquisitions in 2014

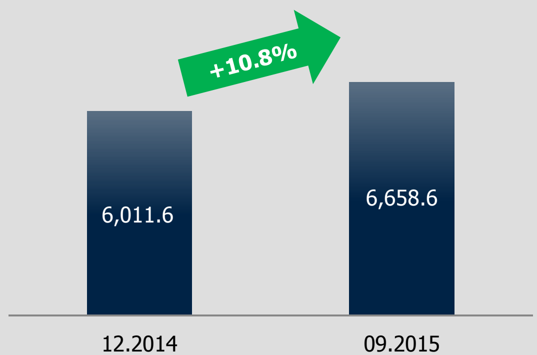
31.0% non-life market share in Lithuania (LD) (gross written premium in the first three quarters of 2015)

25.3% non-life market share in Latvia (gross written premium in H1 2015)

19.1%
ROE
(after the first three quarters of 2015)

Non-insurance activity

TFI PZU's third party client assets



PZU's footprint on the health market:

- expansion of gross written premium in group and continued health insurance by 47.6% compared to a similar period in 2014;
- steady enlargement in the range of services offered in the health area;
- acquisition of new clients (including subscriptions);
- acquisition of new medical outlets (Rezo-Medica which performs magnetic resonance imaging and Centrum Medyczne Gamma, a modern hospital specializing in orthopedic care, Nasze Zdrowie, clinics in Warsaw and Medicus, which operates in Opole).

Completion of the transaction to acquire the leaders in the CEE region

Completion of the transaction to acquire the market leaders in the Baltic States:

- **On 30 September 2015** the PZU Group executed the deal to sell **PZU Lithuania** whose purpose was to satisfy the conditions imposed by the Lithuanian antitrust authority and thereby the final condition in the deal to acquire the market leaders in the Baltic States:

LIETUVOS DRAUDIMAS

Lietuvos Draudimas AB

- **31.0%** market share in the Lithuanian non-life insurance in the first three quarters of 2015;

BALTA

AAS Balta

- **25.3%** market share in the Latvian non-life insurance in H1 2015;

PZU

PZU Estonia

- **13.8%** market share in the Estonian non-life insurance in the first three quarters of 2015;

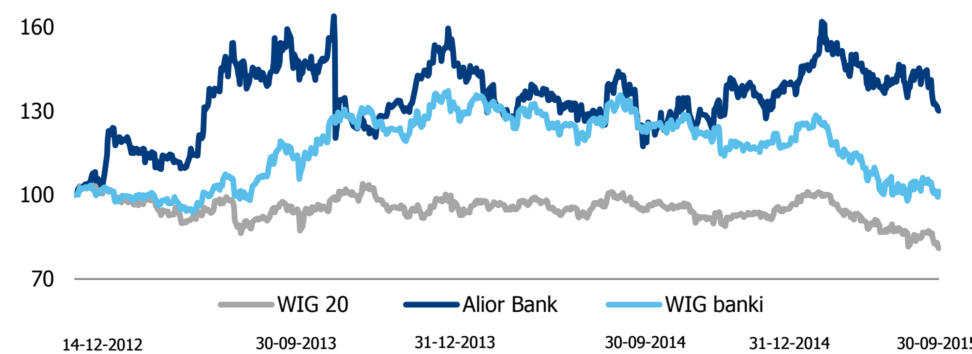
Purchase of shares in Alior Bank

9 October 2015	Satisfaction of the conditions precedent in the Alior Bank share purchase agreement	✓
12 October 2015	Settlement of the purchase of the 1st tranche of Alior Bank shares (9.96% of share capital)	✓
Dec. 2015	Settlement of the 2nd tranche	
Feb. / Mar. 2016	Settlement of the 3rd tranche	

Target changes

- consolidation of Alior Bank's results;
- growth in the balance sheet value by roughly **40 bn PLN**;
- higher level of credit risk and operating risk at the consolidated level;
- extending cooperation between PZU Group companies and Alior Bank.

Change (%) in the shares of Alior Bank



ALIOR BANK (data for the first three quarters of 2015)

11.5%*	37.3 bn PLN	2,964 thousand
ROE	Assets	number of clients

* ratio computed on the basis of Meritum's annualized results for Q1 2015 (not just for the consolidation period of 19 February 2015 to 31 March 2015)

Capital management
Senior bond issue

Bond issue

- On 16 October 2015 PZU Finance AB (publ), a PZU Group company domiciled in Sweden issued bonds worth a total of **350 m EUR.**
- These bonds have been assimilated and form a single series with bonds whose par value is 500 m EUR issued by PZU Finance AB (publ) on 3 July 2014, referred to as „tap”.
- The senior bonds issued in 2015 were bought by approximately 60 investors (28% from Poland, 23% from The Netherlands, 18% from the UK, 12% from the Czech Rep., 9% from Germany) by leading debt market investors, thereby confirming **the PZU Group's creditworthiness.**
- **The PZU Group's debt ratio** at the end of 30 September 2015 is **15.3%**

Capital management

- Plans to issue subordinated debt for the following purposes:
  - leveraging debt capital;
  - ensuring the ability to fund future acquisition plans and manage dividend policy.

Issue in 2015

Issuer	PZU Finance AB
Guarantor	POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A
Issue value	350 m EUR
Yield	1.593%
Cupon	1.375 %, coupon payable once a year
Issue Price	99.218 euro
Issue Rating	A-
Maturity	3 July 2019 („tap”)
Documentation	Regulation S (excluding US investors) / English law
Use of proceeds	• Growing the investment portfolio's exposure to investments denominated in EUR • Managing FX position • Leveraging debt capital – less expensive than equity
Listing venue	Dublin Stock Exchange

Establishment of a mutual insurance company

- On **3 November 2015** KNF gave **consent** to establish a mutual insurance company.
- response to the need of **medical communities** manifested after the enactment of the Act on a Patient's Rights (reinstatement as of 1 January 2016 of the statutory duty for a hospital to enter into insurance for medical events).

Why PZU

- harnessing PZU's unique knowledge as the leading insurer on the hospital insurance market - at present, PZU's market share in the hospital insurance market surpasses **80%**.
- robust capital position and **the PZU Group's credibility**.

How a mutual insurance company operates

Membership

- PZU will be a **founding member** of this mutual insurance company. A hospital will have to contribute a non-recurring symbolic fee to become a member of the mutual insurance company.

Mutuality

- In a mutual insurance company **societies may be established** for Members (Mutual Benefit Societies).
- If such a society's underwriting result is in the black, its Members may obtain **premium reductions or even reimbursements.**
- This motivates **better risk management** and reduces the loss ratio.

Lower expenses

- Renewing Members' insurance agreements is much easier and **considerably cuts acquisition expenses** (possibility of curtailing the expenses of insurance intermediaries).

** hospital - medical treatment entity providing residential hospital health benefits 24 hours a day*

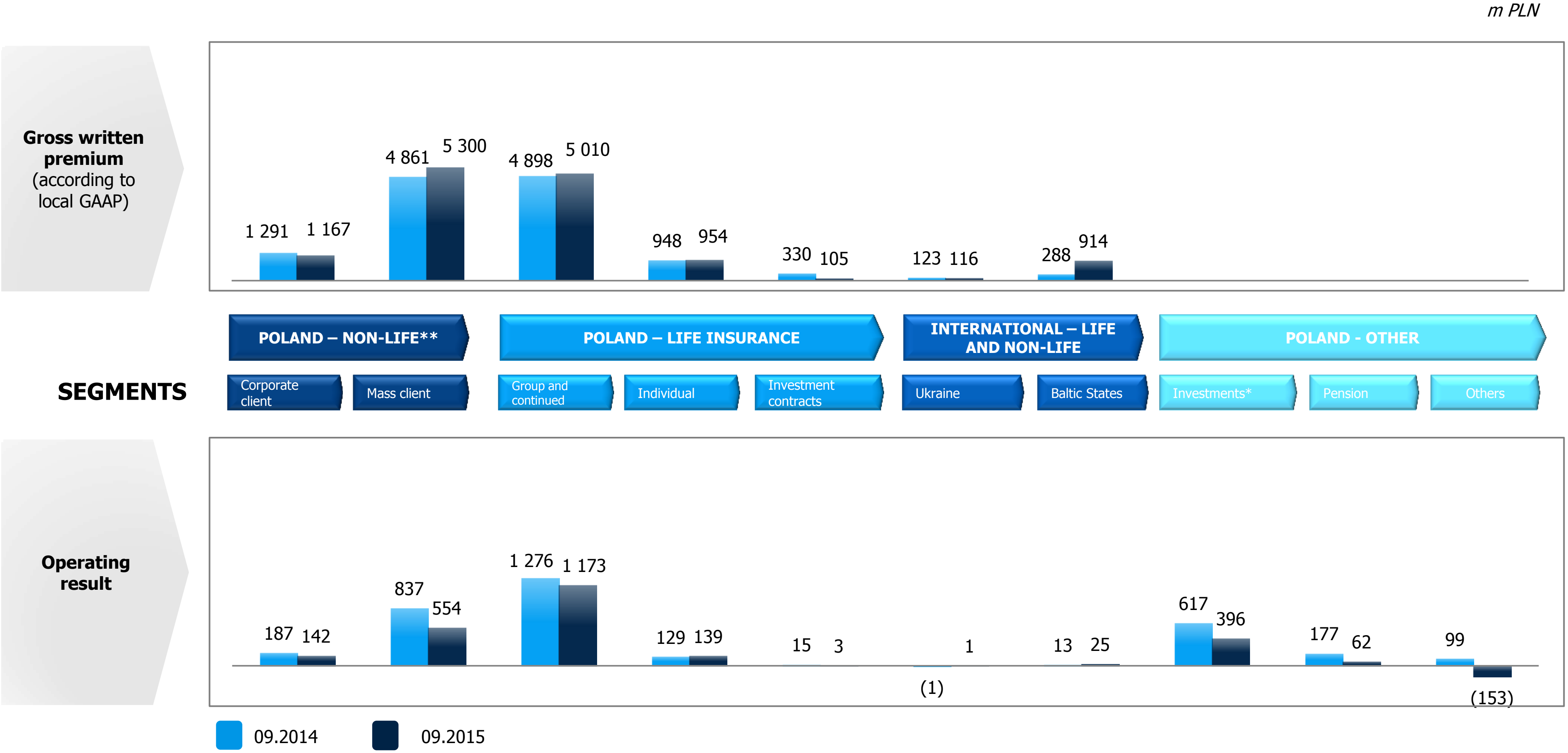
Detailed financials

PZU Group's key financial highlights

m PLN, IFRS	Q1- Q3 2014	Q1- Q3 2015	*Change YoY*	Q3 2014	Q3 2015	*Change Q3 2015 over Q3 2014*
Profit and Loss Statement						
Gross Written Premium	12 409	13 461	*8.5%*	3 971	4 335	*9.2%*
Premium Earned	12 143	13 118	*8.0%*	4 110	4 374	*6.4%*
Net investment Result	2 181	1 388	*(36.4)%*	811	330	*(59.3)%*
Operating Profit	3 350	2 342	*(30.1)%*	1 114	705	*(36.7)%*
Net Profit	2 564	1 832	*(28.5)%*	843	511	*(39.4)%*
Balance Sheet						
Equity	12 779	12 370	*(3.2)%*	12 779	12 370	*(3.2)%*
Total Assets	67 717	67 524	*(0.3)%*	67 717	67 524	*(0.3)%*
Principal Financial Ratios						
ROE*	26,4%	19.1%	*(7.3) p.p.*	27.3%	16.9%	*(10.4) p.p.*
Combined Ratio**	89.7%	95.1%	*5.4 p.p.*	96.5%	103.7%	*7.2 p.p.*

** Annualized ratio computed on the basis of equity at beginning and end of the reporting period.*
*** Only for non-life insurance.*

Operating segment results



* Investment income in the Investments segment – external operations

** Gross written premium net of intragroup settlements

Profitability by insurance activity segment

Insurance Business Segments	Gross Written Premium			Operating Profit			Combined Ratio / Operating profit ratio*	
m PLN, local GAAP	Q1-Q3 2014	Q1-Q3 2015	*Change YoY*	Q1-Q3 2014	Q1-Q3 2015	*Change YoY*	Q1-Q3 2014	Q1-Q3 2015
Total Non-Life - Poland	**6 152**	**6 467**	***5.1%***	**1 024**	**696**	***(32.1)%***	**89.2%**	**94.5%**
Mass Insurance - Poland	**4 861**	**5 300**	***9.0%***	**837**	**554**	***(33.9)%***	**89.0%**	**94.4%**
Motor TPL Insurance	1 734	1 928	*11.2%*	126	(60)	*x*	99.1%	108.7%
Motor Own Damage	1 166	1 280	*9.7%*	95	(3)	*x*	91.3%	100.1%
Other products	1 961	2 092	*6.7%*	380	407	*7.1%*	78.3%	77.7%
Impact of investment segment allocation	x	x	*x*	237	210	*(11.2)%*	x	x
Corporate Insurance - Poland	**1 291**	**1 167**	***(9.6)%***	**187**	**142**	***(23.9)%***	**90.0%**	**95.0%**
Motor TPL Insurance	245	247	*0.7%*	(19)	(97)	*x*	109.6%	139.0%
Motor Own Damage	326	357	*9.5%*	69	21	*(69.6)%*	80.4%	95.4%
Other products	720	563	*(21.8)%*	55	147	*168.4%*	86.6%	70.3%
Impact of investment segment allocation	x	x	*x*	82	72	*(12.5)%*	x	x
Total Life - Poland	**5 846**	**5 964**	***2.0%***	**1 405**	**1 312**	***(6.6)%***	**24.0%**	**22.0%**
Group and Continued ** - Poland	**4 898**	**5 010**	***2.3%***	**1 220**	**1 111**	***(8.9)%***	**24.9%**	**22.2%**
Individual - Poland	**948**	**954**	***0.7%***	**129**	**139**	***8.3%***	**13.6%**	**14.6%**
Conversion effect	x	x	*x*	57	62	*9.8%*	x	x
Total Non-Life - Ukraine & Baltica	**354**	**977**	***176.2%***	**18**	**26**	***46.0%***	**98.7%**	**99.3%**
Ukraine Non-life	**93**	**94**	***1.1%***	**5**	**(1)**	***x***	**102.4%**	**110.8%**
Baltic states Non-life	**261**	**883**	***238.5%***	**13**	**26**	***111.6%***	**97.6%**	**98.5%**
Total - Life - Ukraine & Baltica	**57**	**53**	***(6.0)%***	**(6)**	**1**	***x***	**(10.3)%**	**1,4%**
Ukraine Life	**30**	**22**	***(24.3)%***	**(6)**	**2**	***x***	**(20.7)%**	**9.2%**
Lithuania Life	**27**	**31**	***14.2%***	**0**	**(1)**	***x***	**1.2%**	**(4.3)%**

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

*** Operating profit and operating profit margin net of conversion effects.*

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

Normalized operating profit

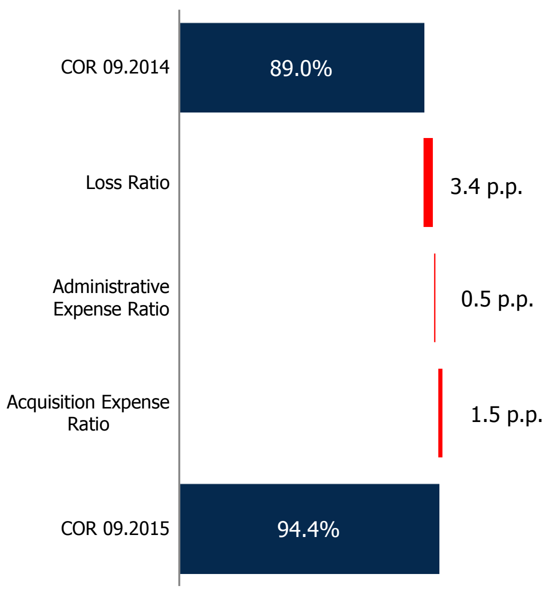
YTD, m PLN

m PLN, IFRS	09.2014	09.2015
Operating Profit (according to financial statements)	**3 349.6**	**2 341.6**
including:		
1 Conversion effect	56.6	62.2
2 PZU Lithuania sales result	-	167.0

1. Impact exerted by conversion of long-term policies into yearly renewable term agreements in type P group insurance.
2. Sale of PZU Lithuania on 30 September 2015 for a total of 67 m EURO (280 m PLN). Transaction in conjunction with expanding operations in the Baltic States.

Profitability of the mass segment (non-life insurance)

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



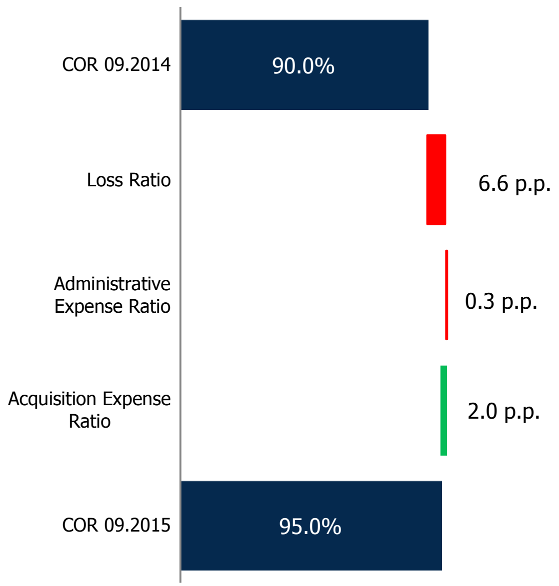
- Change in the loss ratio driven by the following:
  - level of claims and benefits up in motor insurance (+15.8%, net of the Link4 effect of +7.1%) due to the higher average claim and the higher growth rate in the number of reported claims;
  - higher loss ratio in assistance insurance (assistance insurance – *Pomoc w Drodze*);
  - claims and benefits down in the group of insurance for other material claims (inter alia in compulsory subsidized farm insurance) and general third party liability insurance.
- Administrative expense ratio up as an offshoot of rising costs related to implementing strategy 3.0 to develop the PZU Group's key areas, i.e. the Retail Client Area, distribution and organizational support.
- Acquisition expense ratio climbing as a consequence of the following:
  - higher level of direct acquisition expenses and growing commissions stated as a percentage of the premium as the outcome of the sales-related activities conducted and the higher level of motor TPL renewals handled by channels charging commissions;
  - growth in indirect acquisition expenses and commissions from inward reinsurance (eliminated at the consolidated level).

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

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

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

Corporate insurance segment profitability
Combined Ratio (COR - %)



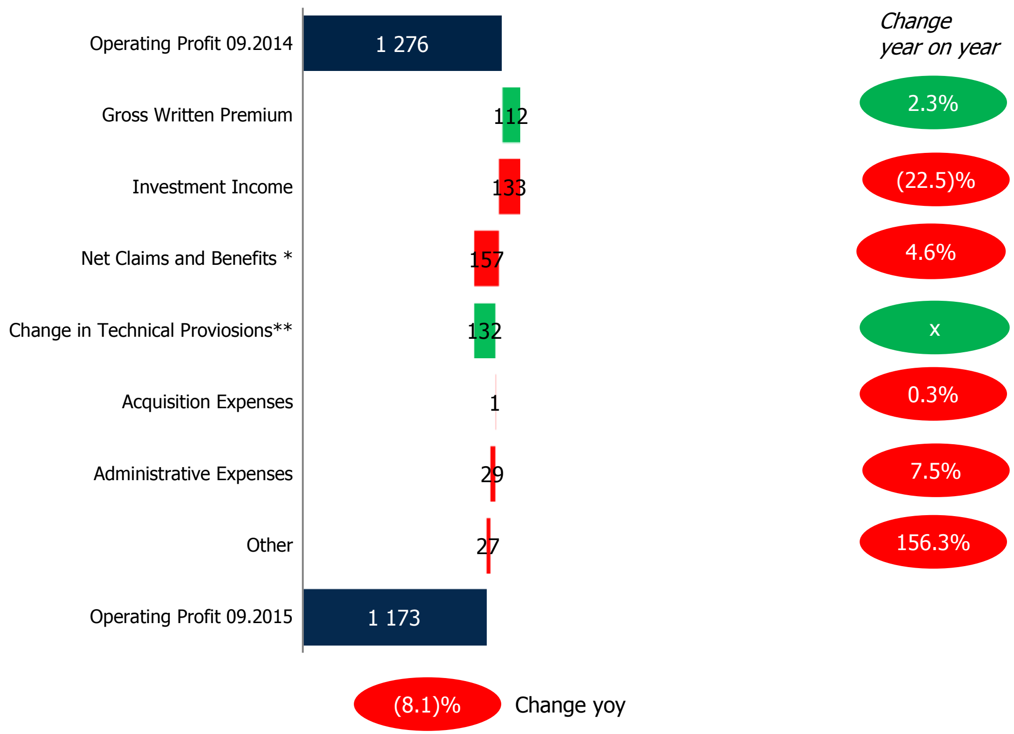
- Change in the loss ratio driven by the following:
  - higher level of claims and benefits in the motor insurance group (including motor TPL +38.3%) as a result of the rising average payment, the growing number of reported claims and the erosion in rates due to fierce price competition;
  - loss ratio upswing in the insurance group for various financial losses as a consequence of a claim with a considerable unit value;
  - declining value of claims and benefits in general third party liability insurance as a result of the lower level of provisions for payments on claims from previous years.
- The level of the administrative expense ratio is up due to rising expenditures related to implementing strategy 3.0 to develop the PZU Group's key areas
- The acquisition expense ratio is down due to the higher deferred expenses partially offset by increase in indirect acquisition expenses.

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

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

Group and continued insurance segment (life insurance)

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



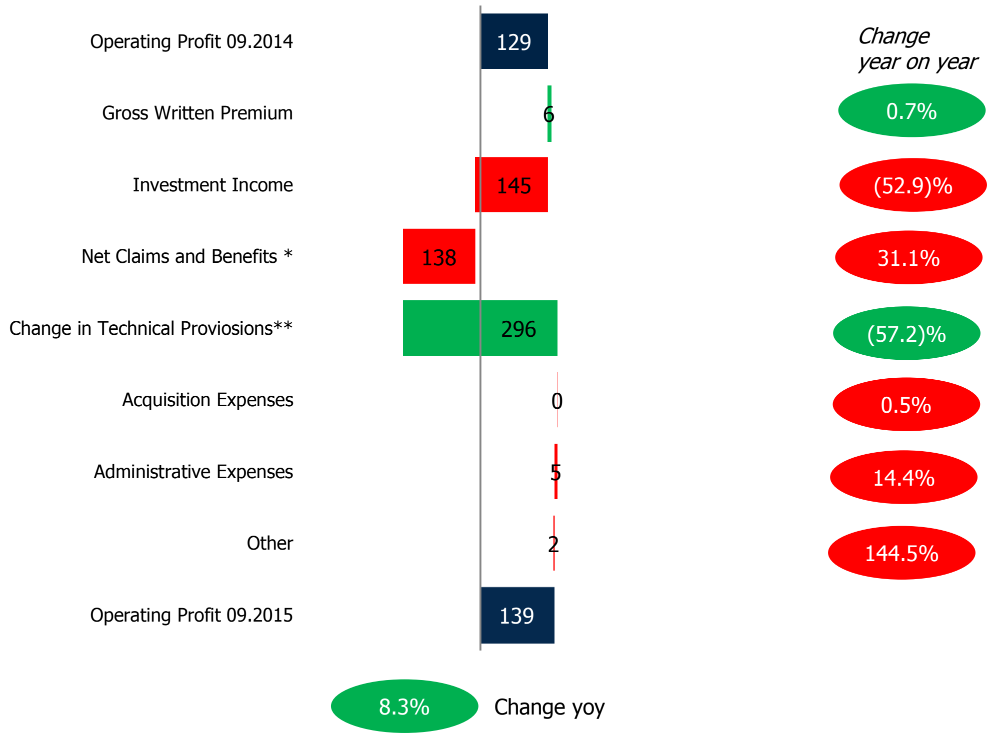
* Net claims and benefits paid including change in provisions for claims outstanding

** Mathematical and other provisions, including the conversion effect

- Gross written premium up by 2.3% yoy mostly due to incremental growth in the portfolio of risks in protection and health insurance (including riders to continued insurance) and the higher average premium.
- Investment income diminished due to the investment activity result in unit-linked products being lower than a year ago and the decline in allocated income according to transfer prices.
- Net insurance claims and benefits rose due to the strong increase in the mortality ratio compared to last year (confirmed by statistics published by the Central Statistics Office [GUS] for the entire population) and higher payments for reaching the endowment age in investment products (as subsequent tranches mature). These effects were partially netted by the considerably lower level of transfer payments – last year an asset transfer took place from PZU's employee pension program policy to the employee pension scheme administered by TFI PZU.
- The difference in the change in technical provisions caused by the lower growth of provisions in individually continued products – the increase in the mortality ratio and the higher percentage of persons entering the product portfolio post modification facilitating the creation of lower initial technical provisions. Moreover, PZU Życie's decision to modify the rules for the possible indexation of sums insured by clients as of the beginning of 2016 exerted a positive impact on the level of technical provisions in this portfolio.
- Acquisition expenses up slightly due to high sales of riders in continued insurance (compensation for intermediaries, cost of mailing offers), and in health rapid growth in the contract portfolio.
- The level of administrative expenses is up following rising expenditures related to implementing strategy 3.0 to develop the PZU Group's key areas.
- The result in the line item other income and expenses fell due to the charge to the prevention fund (this cost was not incurred last year, PAS expense eliminated at the consolidated result level) and higher costs related to PZU Życie financing premium (higher sales of riders to individually continued insurance on promotional terms).

Individual insurance segment (life insurance)

Fundamental components of operating profit in the individual insurance segment (m PLN)



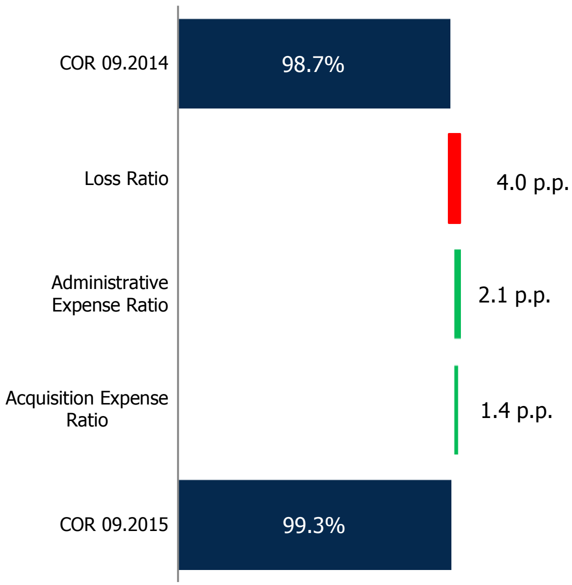
* Net claims and benefits paid including change in provisions for claims outstanding

** Mathematical and other provisions

- Gross written premium climbed 0.7% yoy primarily as an effect of higher average contributions to IKE individual retirement accounts, record-breaking subscriptions for a structured product in the dedicated network and robust sales of protection products - an effect of the changes made to the commission system and making the offer more attractive. Retracting from sales the *Plan na Życie* regular premium savings product containing an element of protection accompanied by this year's absence of structured and deposit products in cooperation with banks produced an adverse outcome. The level of new business in the form of unit-linked products offered in the bancassurance channel also declined.
- Investment income diminished mostly in investment products (unit-linked). This line item also contains revenue for the management fee which is recording material growth compared to the comparative period of 2014, that being the result of the constant growth in net asset value.
- Net claims up on the higher level of disbursements on account of reaching the endowment age in structured products in the bancassurance channel and term protection products (subsequent product tranches maturing) and increase of the total amount of surrenders in unit-linked products sold in dedicated channels (PZU's retraction from charging fees for early redemption in the *Plan na Życie* product) and in the bank channel (portfolio size expansion year on year).
- Diminished incremental growth in technical provisions as a result of offsetting the effects described above by change in provisions, chiefly as a result of the loss on investment activity incurred in this period and the climbing level of surrenders.
- Stable level of acquisition expenses.
- Administrative expenses up as an effect of expenditures associated with strategy 3.0 implementation to develop the PZU Group's key areas, i.e. Retail Client Area, distribution and operational support, including the agency network's greater commitment to augmenting the quality of service for individual products and increasing marketing expenditures.

Profitability of international companies (non-life insurance)

Profitability of international companies
Combined ratio (COR - %)



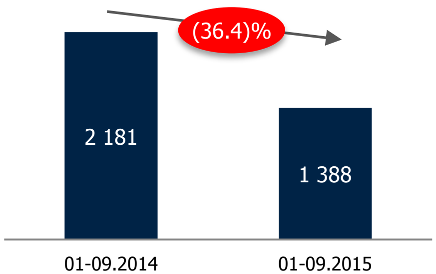
- Loss ratio yoy up as a result of the greater contribution made by the newly-acquired Baltic companies with a higher level of claims expenses.
- Administrative expense ratio down ensuing chiefly from the greater contribution made by the newly-acquired Baltic companies with a lower administrative expense ratio and from lower expenditures in Ukraine.
- Decline in the acquisition expense ratio as a consequence of the greater contribution made by newly-acquired companies with a lower acquisition expense ratio partially offset by rising costs in Ukraine.

Investments

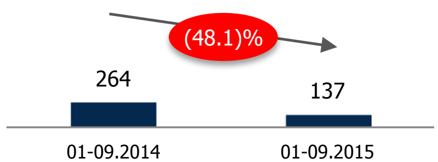
Weaker performance of debt instruments due to rising yields on Polish T-bonds

m PLN

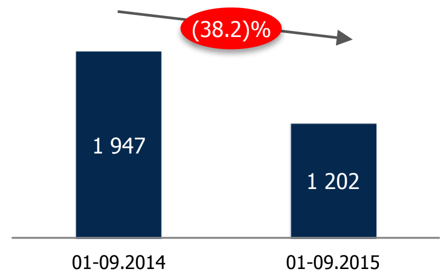
Net investment result*



Equity instruments and derivatives**



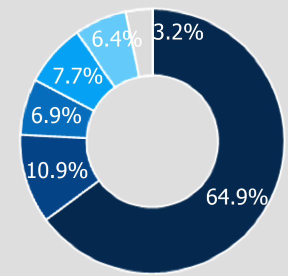
Interest-bearing financial assets**



- Lower net investment result mainly driven by the following:
  - lower valuation of interest-bearing financial assets mostly as a result of rising yields on Polish T-bonds across the entire yield curve versus declines in the comparable period last year;
  - deteriorating market conditions on the capital markets (WIG Index fell by 3.1% in the first three quarters of 2015 while in the comparable period last year it rose by 7,0%);
  - weaker performance of derivatives held in trading portfolios that are dedicated to manage the investment risk.
- The non-recurring profit on the sale of PZU Lithuania of 167.0 m PLN (impact on the net result in the amount of 134.5 m PLN) – the transaction was executed with the aim of extending operations in the Baltic States by acquiring the leaders on the Lithuanian and Latvian markets, for the purpose of fulfilling the consent to acquire Lietuvos Draudimas issued be the Lithuanian antitrust authority.

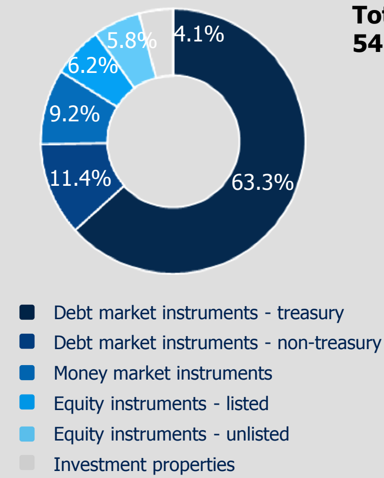
Sep. 2015 investment composition***

Total:
53.2 bn PLN



Dec. 2014 investment composition***

Total:
54.0 bn PLN



Financial expenses

- Lower expenses in the first 9 months of 2015 (61.7 m PLN versus 128.7 m PLN in the comparable period last year) particularly as a result of recognition of positive FX differences on own debt securities denominated in EUR.

* *Net investment result does not include borrowing costs mainly related to sell-buy-back transactions and the issue of own debt securities.*

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

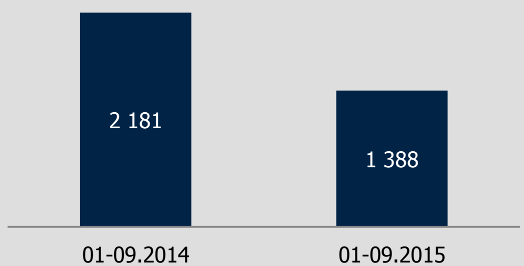
*** *The investment portfolio consists of financial assets (including investment products), investment property and financial liabilities (negative valuation of derivatives and obligations under sell-buy-back transactions). Derivatives linked to interest rates, foreign currencies and equity prices, are presented respectively in the categories: Debt market instruments - treasury, money market instruments as well as listed and unlisted equity instruments.*

Investments

Poorer result on unit-linked products mainly due to rising yields on Polish T-bonds and the downturn in capital markets

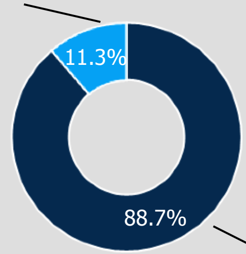
m PLN

Net investment result



09.2015

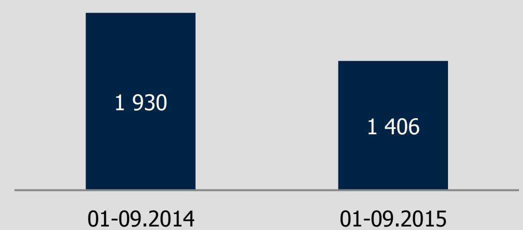
Investment products*:
6.0 bn PLN



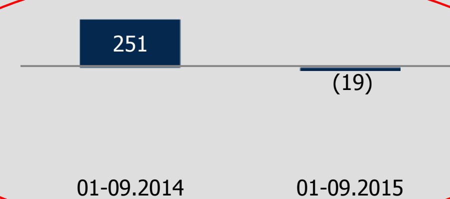
Financial assets in the main portfolio:
47.2 bn PLN

Total: 53.2 bn PLN

Net investment result on the PZU Group's main portfolio



Net investment result in investment products*



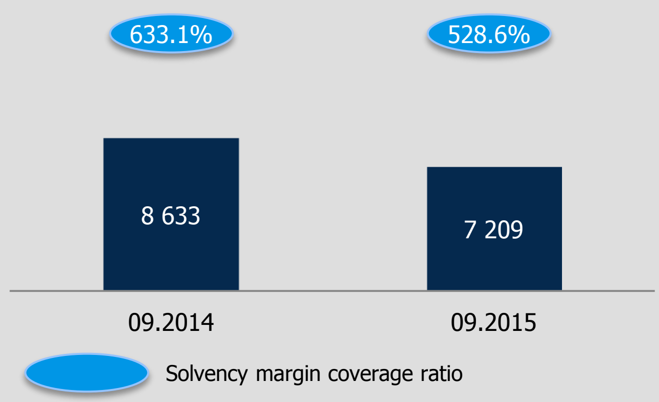
No impact on the PZU Group's net result

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

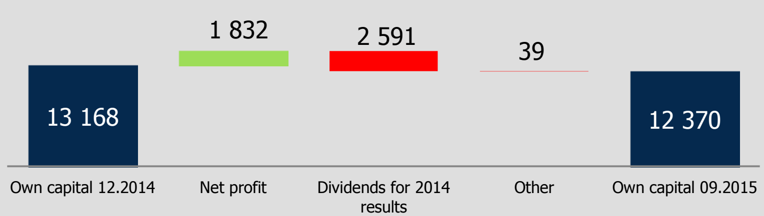
Robust capitalization and high solvency ratios (Solvency I)

YTD *m PLN*

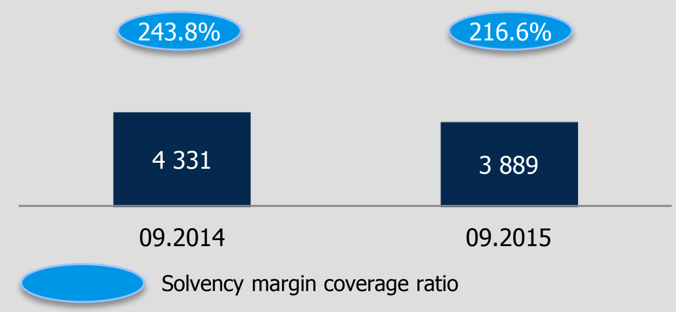
PZU's own funds and solvency margin coverage ratio (m PLN, Polish GAAP)



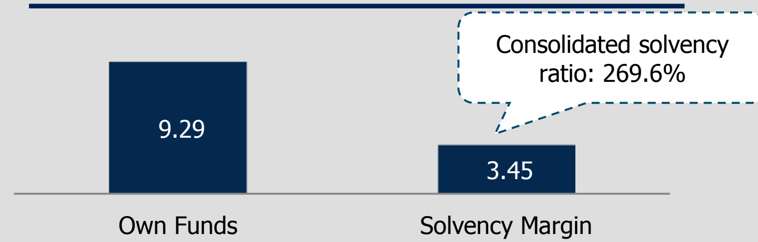
PZU Group's equity (m PLN, IFRS)



PZU Życie's own funds and solvency margin coverage ratio (m PLN, Polish GAAP)



PZU Group's own funds in Q3 2015 (in bn PLN, IFRS)



Agenda

Legislation

- On 26 October of this year the **President of the Republic of Poland signed the new Insurance and Reinsurance Activity Law,** implementing **Directive** 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of insurance and reinsurance (**Solvency II**) into the Polish legal system. This Act will come into force on **1 January 2016**.

Solvency II

Pillar I
Quantitative requirements

Calculation of the risk-based capital requirement:

- market risk,
- actuarial (insurance) risk,
- counterparty solvency risk,
- catastrophic risk,
- operational risk.

Pillar II
Qualitative requirements

Implementing a management system based on 4 key functions:

- risk management function,
- compliance function,
- internal audit function,
- actuarial function.

Conducting own risk and solvency assessment (ORSA).

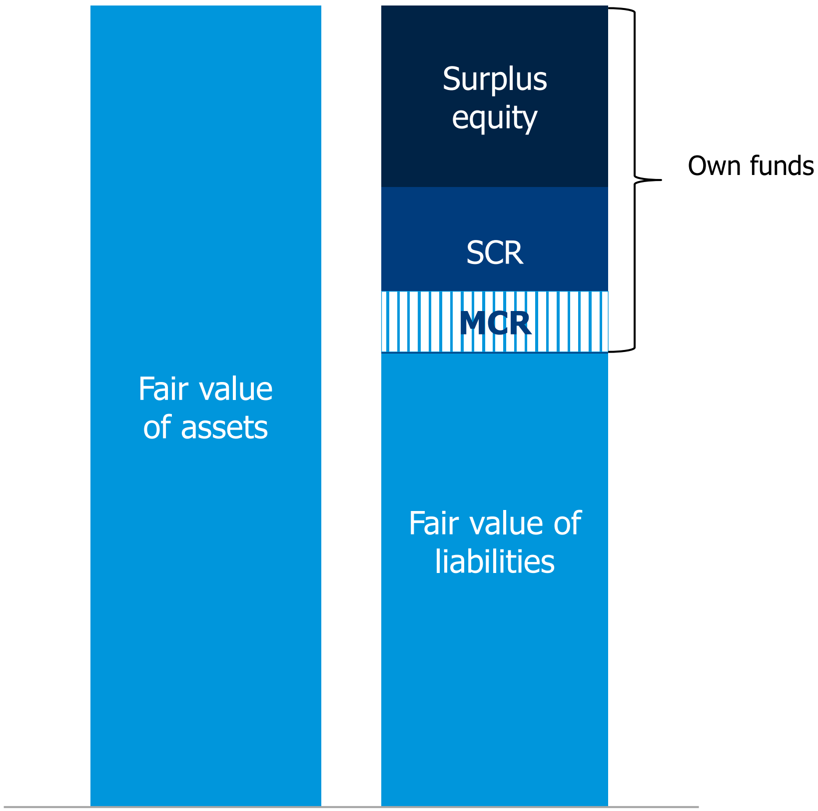
Pillar III
Disclosures

Implementing a reporting system based on Solvency II requirements (quarterly reporting).

Resigning from parameters used to date:

- solvency margin,
- guarantee capital,
- assets to cover technical provisions.

Solvency II balance sheet

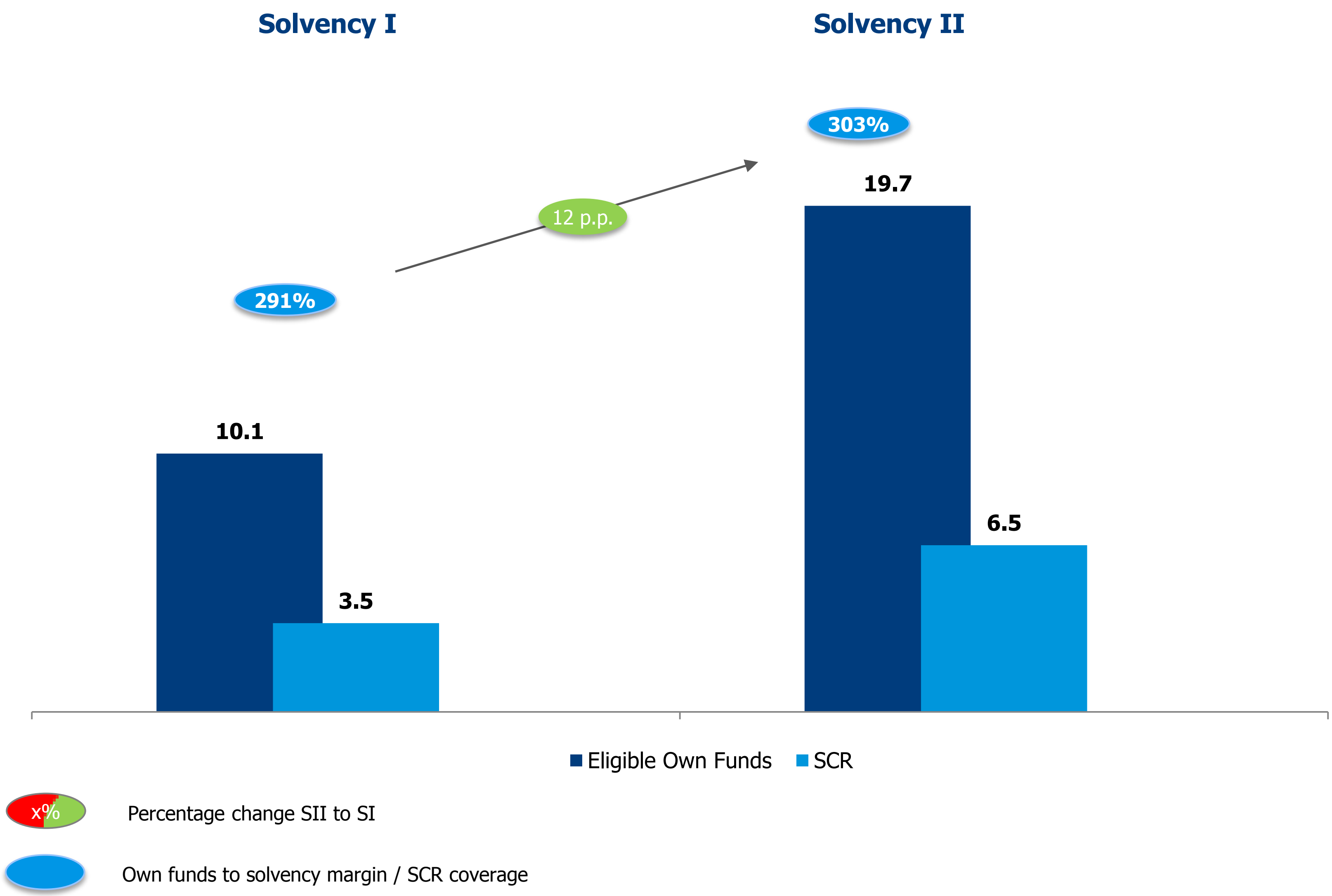


- **Solvency II balance sheet** – measurement of all items in the balance sheet at fair value, which means
  - measurement of insurance liabilities at discounted values of future flows (current interest rates are used to discount);
  - revaluation of assets measured differently from current market prices (inter alia, change in the measurement of the bond portfolio measured according to the yield on the date of acquisition (HTM) to fair value);
  - measurement of own funds (difference between assets and liabilities) at fair value.

- **Solvency Capital Requirement (SCR)** – is calculated on a risk estimation basis – each risk module is subject to calibration using a confidence level of 99.5% in the period of one year (that is it covers the risks of events occurring with a frequency of 1 every 200 years); holding own funds below this requirement leads to the regulatory authority's intervention.

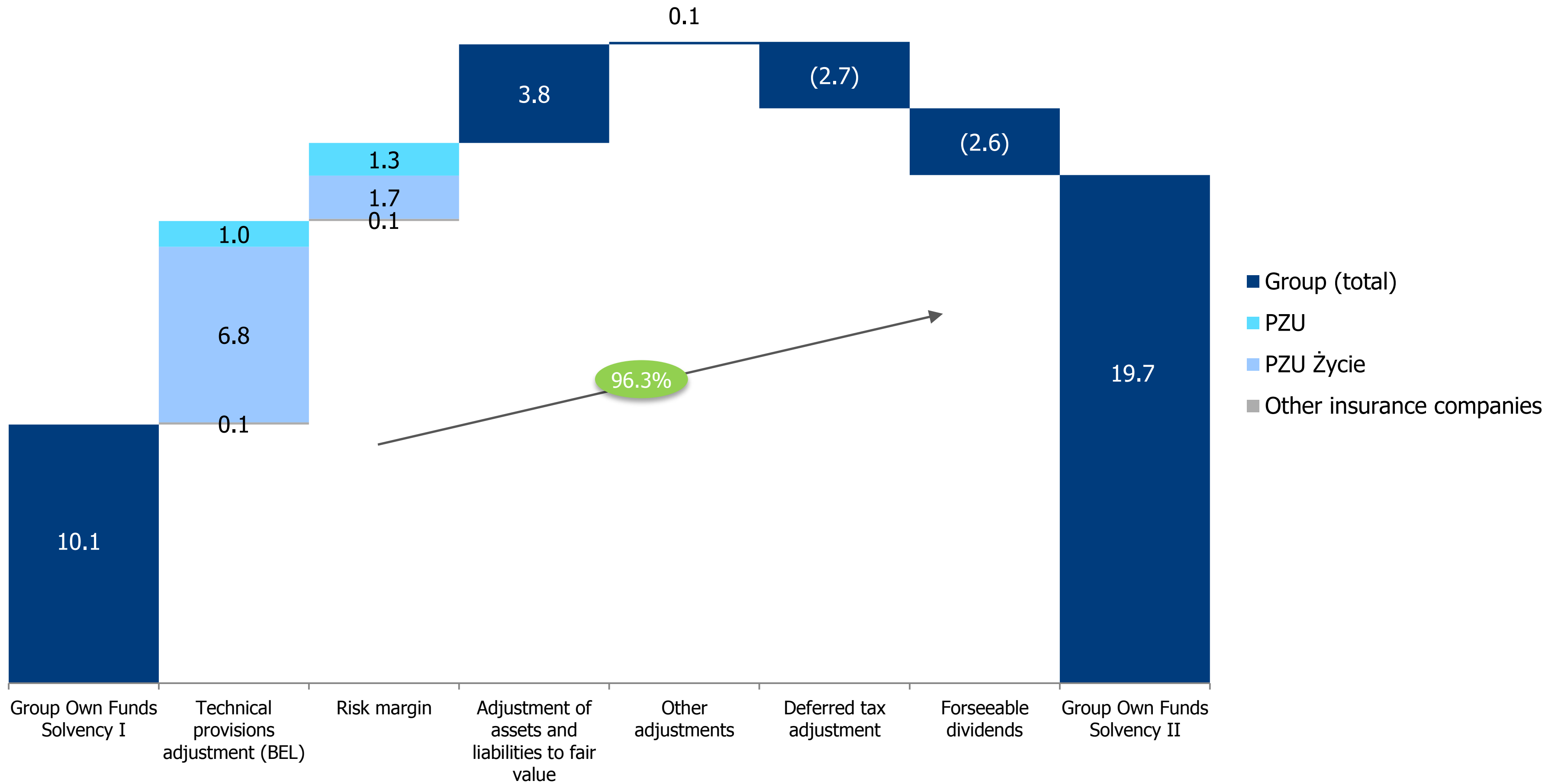
Group's solvency ratios as at 31 December 2014 Solvency I and Solvency II

bn PLN



Own funds to cover the Group's capital requirement as at 31 December 2014 – Solvency I and Solvency II

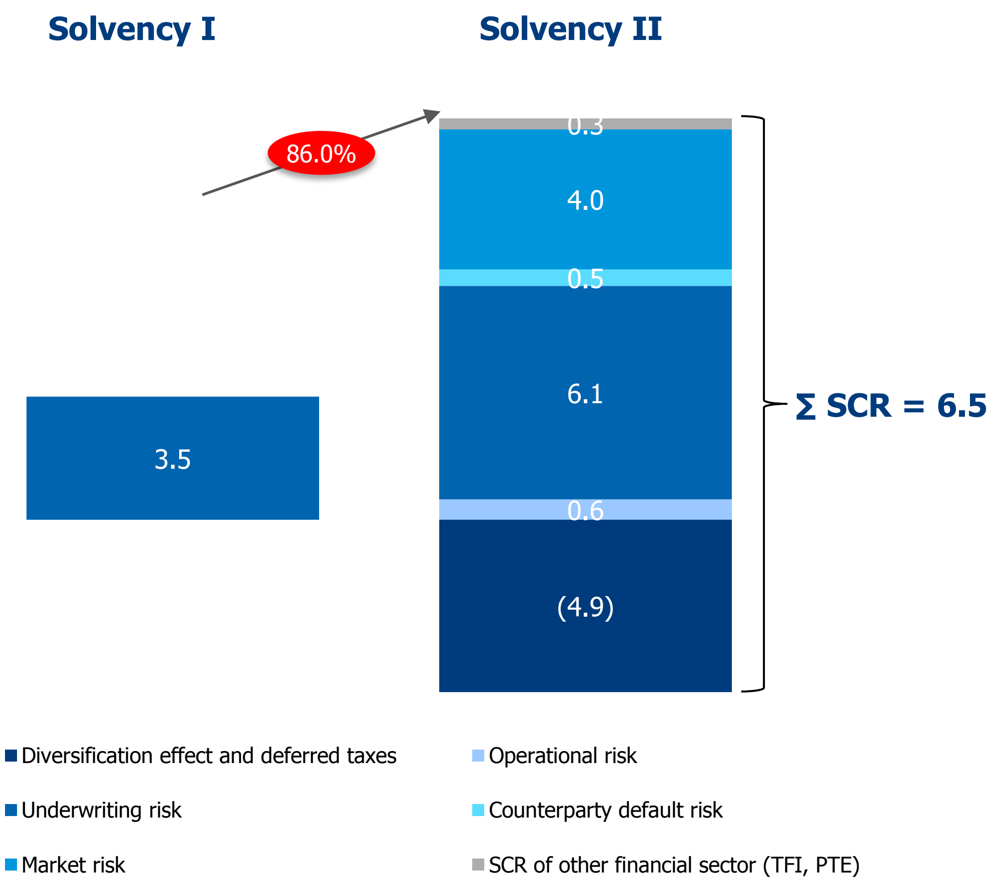
bn PLN



x% Percentage change SII to SI

Group's capital requirement by risk category as at 31 December 2014 – Solvency I and Solvency II

bn PLN

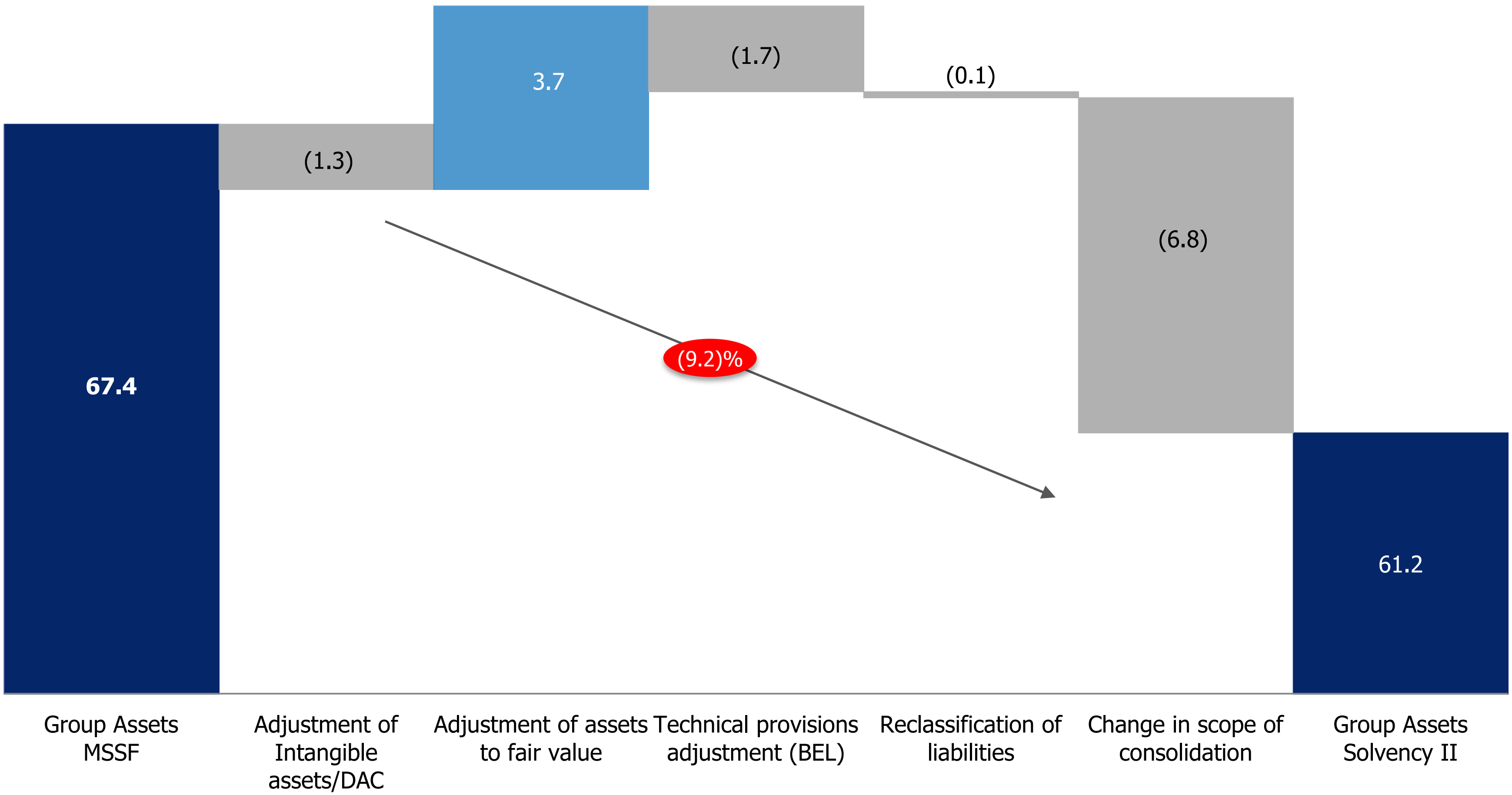


To calculate the Solvency Capital Requirement (SCR) PZU employs the **standard formula** according to which the following risks are estimated: actuarial, market, counterparty insolvency and operational. Subsequently, these risks are measured using methods incorporating their interdependencies (correlations) (referred to as the diversification effect) with an additional tax adjustment. The tax adjustment ensues from the assumption that if a risk materializes in full, then the insurance undertaking could avail itself of the tax shield.

x% - Percentage change SII to SI

Group assets as at 31 December 2014
Solvency I and Solvency II

bn PLN



x% - Percentage change SII to SI

Questions and answers

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