PZU Group's Financial Results in H1 2013

Warsaw, 27 August 2013

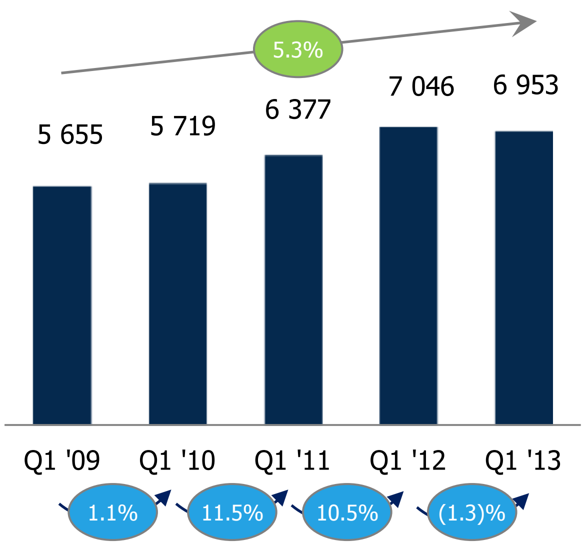
Agenda

1. Insurance Market in Poland in Q1 2013
2. Operating Performance in H1 2013
3. New Capital Management Policy
4. Financial Results Overview in H1 2013
5. Questions and Answers

Non-Life Insurance Market in Poland

YTD, m PLN

Gross Written Premium
Non-life Insurance

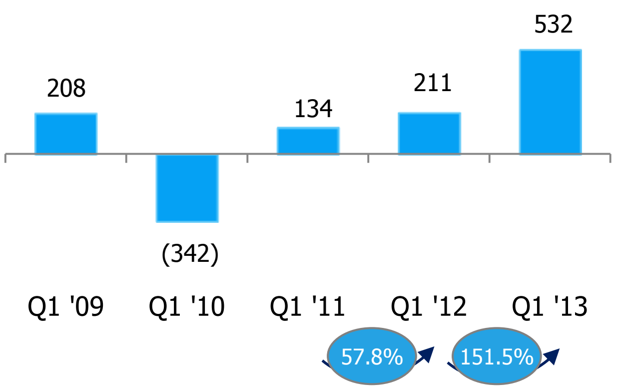


- Significant slowdown in MOD sales (-8,0% y/y) and motor TPL sales (-4,9% y/y).
- Higher sales of fire and natural forces insurance and general liability insurance (+4,0% y/y).

x% - CAGR x% - change y/y

Polish FSA data; only for Polish insurance market

Technical Result
Non-life Insurance

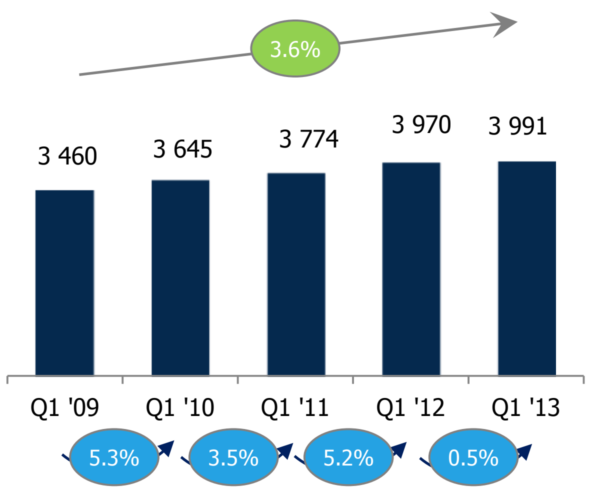


- Entire market is enjoying improved profitability following lower loss ratio in other damage and loss property insurance and MOD (good weather conditions and less traffic).
- PZU is still the profitability leader (technical result 471.2 m PLN after Q2 2013 means share of the market's technical result increased 6.1 p.p. to 88,6% while its market share measured by premium was 33.4% .

Life Insurance Market in Poland

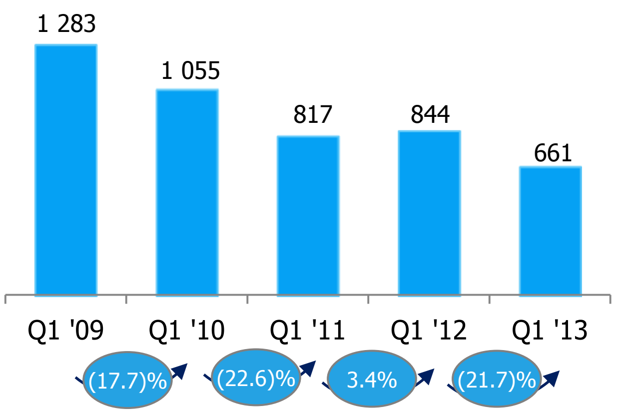
YTD, m PLN

Regular Gross Written Premium Life Insurance*



- Stable regular premium , up 21 m PLN y/y (+0,5%).
- PZU Life's market share in key and rapidly growing regular premium segment is 43.7% (+1.4 p.p. vs. 1Q 2012).
- Life market contraction in Q1 2013 mainly due to lower single premium (-1,4 bn PLN, +25.4% y/y, incl. class 1 life insurance: -1,5 bn PLN, -37.8%).

Technical Result Life Insurance



- Profitability down y/y due to lower investment results.
- PZU Life's technical margin on GWP two times higher than the blended margin generated by other life insurers (12.3% vs. 6.1%).
- PZU Life's market share measured by technical result in the most profitable class 5 (accident and sickness insurance) is more than 70% of technical result generated by the entire life insurance market for that class.

x% - CAGR   x% - change y/y

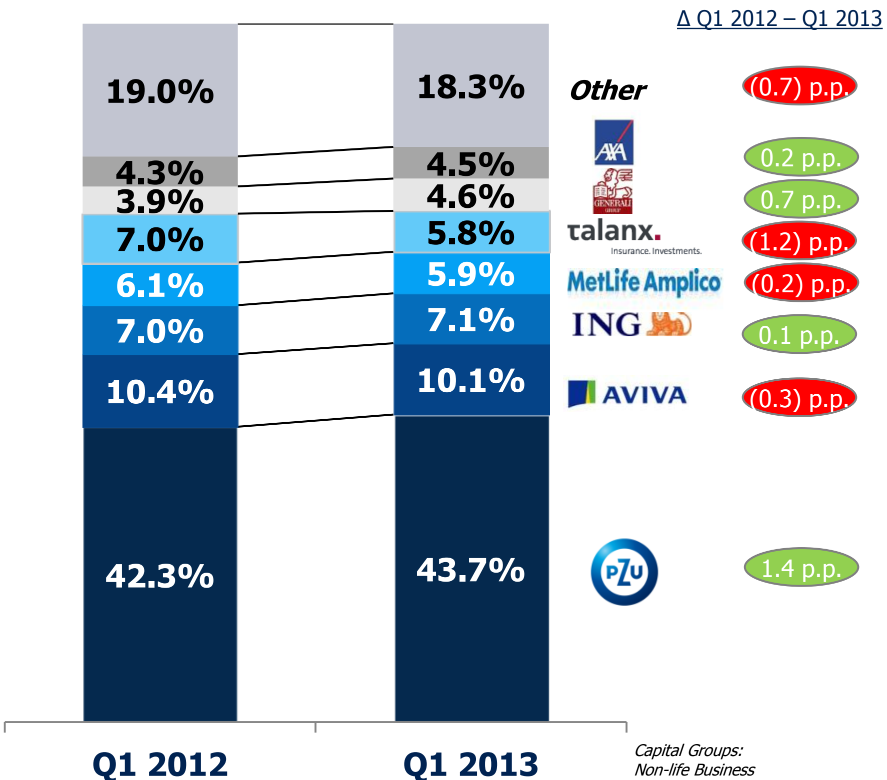
Polish FSA data; only for Polish insurance market

* Figures concerning regular premium business may be distorted by certain insurers classyfying products similar to single premium products as regular premium business

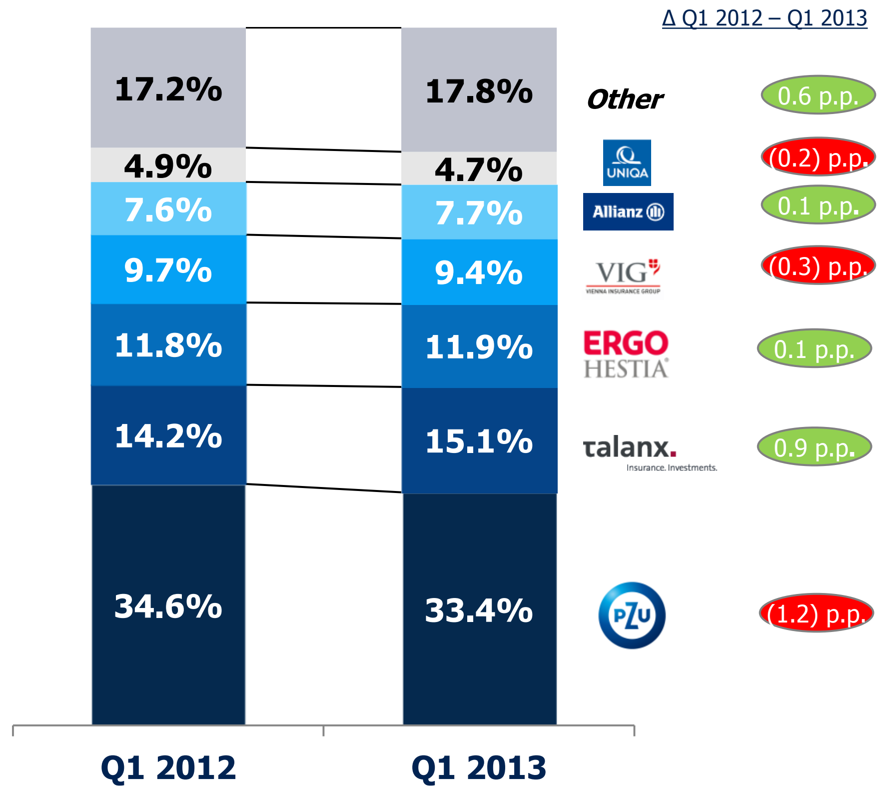
PZU Is the Leader in the Insurance Sector in Poland

YTD

PZU Life Market Share
Life Insurance (Regular Premium)



PZU's Market Share
Non-life Insurance



Capital Groups:
Non-life Business
Allianz – Alllianz, Euler Hermes
Ergo Hestia – Ergo Hestia, MTU
Talanx - Warta, Europa and HDI
VIG - Compensa, Benefia, Interrisk, PZM (on 31 July 2012 Interrisk merged with PZM)
Life Business
Aviva – Aviva, BZ WBK Aviva
Metlife Amplico – Amplico, Metlife
Talanx - Warta, Europa, HDI and Open life

Polish FSA and PZU Group data

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Strategy Implemented Produces Results

Primary focus on profitability

- Enhanced profitability in mass and corporate client segments driven by:
  - lower claims frequency in motor insurance (good weather conditions)
  - significantly lower level of claims ratio caused by natural forces in agricultural insurance
  - significant improvement in loss ratio on contractual guarantees year to year (collapse of the construction market in mid 2012) and implementation of a new pricing policy raising the bar on underwriting
- Higher profitability in group and individually continued segment net of conversion effect from long-term into yearly-renewable term business
  - new individual continuation rider coupled with moderate growth in claims ratio in segment's protection products

Strategy of changing asset allocation contributed to lowering the decline in the investment result

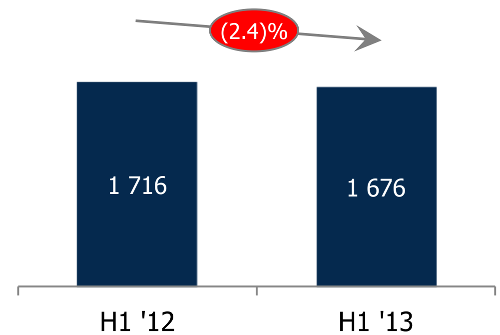
- Financial market conditions below expectations:
  - WIG Index down in H1 2013 (-5.7% vs. +8.6% in H1 2012)
  - Bond yield up (lower valuation of the debt instrument portfolio, which represent a large portion of the PZU Group's investments)

Overview of the PZU Group's H1 2013 Financial Results

YTD

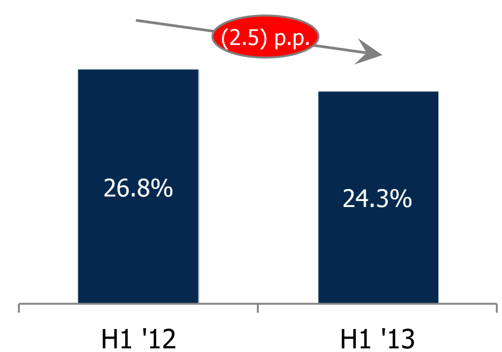
Gross Written Premium (m PLN)

Net Profit (m PLN)



Equity (bn PLN)

ROE (%)*



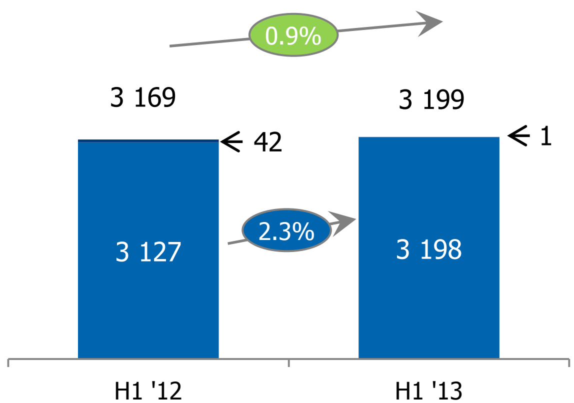
** Ratio computed using equity at beginning and end of reporting period*

x% - change Y/Y

Group Life Insurance and Continued Business Grow Steadily and Profitably

YTD, m PLN

Gross Written Premium
Group and Continued Segment



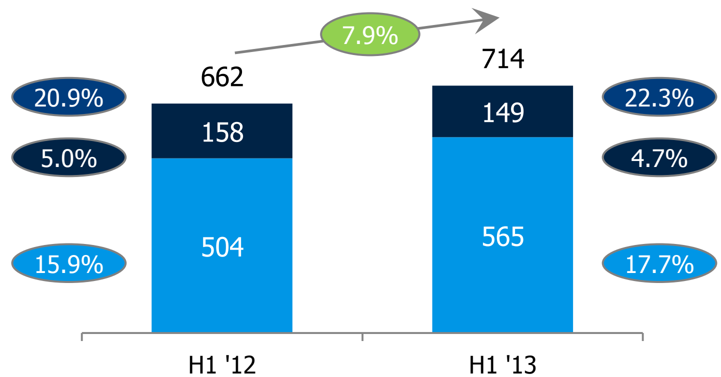
Drivers of higher gross written premium:
- Larger group insurance portfolio and higher average premiums;
- Higher sales of riders and growth of sums insured in continued insurance products;
- Higher sales of bancassurance group protection products;
- Growth of group health care products, including new medicine insurance;
- No single premium investment products sold.

x% *- change y/y*

x% *- change y/y in regular premium*

Single premium *Regular premium*

Operating Profit
Group and Continued Segment*



- Higher operating profit due to business growth, modification of individual continuation and costs discipline.
- Moderate claims ratio in protection products caused by higher number of death-related events.

** Net of the conversion effect (according to Polish GAAP).*

Investment margin (investment yield above technical rate up to a maximum equal to the risk free rate)

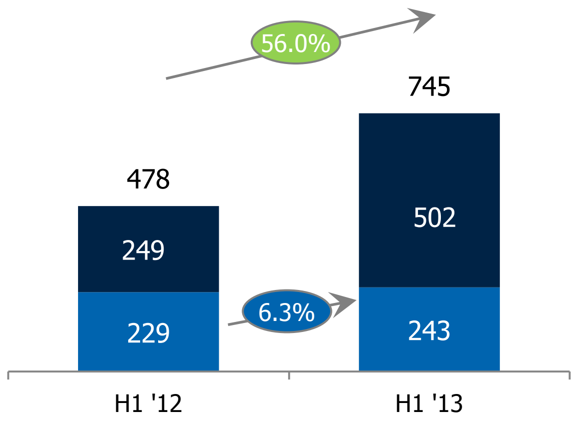
Insurance margin (investment yield using technical rate)

Total margin

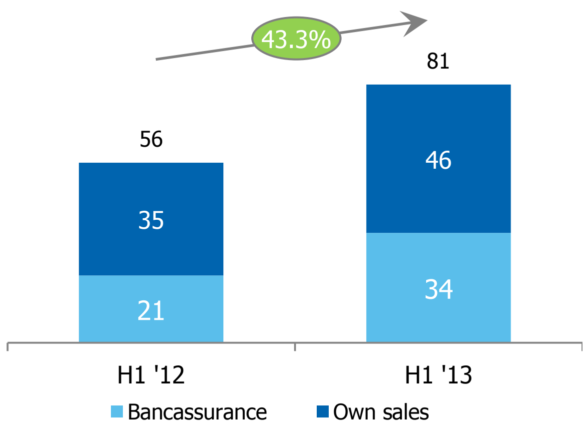
Individual Insurance Is Growing Rapidly

YTD, m PLN

Gross Written Premium Individual Life Segment



APE in Individual Life Segment*



High sales of individual products in the bancassurance channel:

- Unit-linked products in cooperation with Bank Millenium;
- Structured products in cooperation with Bank Citi Handlowy.

High level of additional contribution to individual retirement account (IKE) and higher sales of structured products in own channel in Q2 2013 compared y/y.

Stable sales of other protection and investment products in the demanding traditional distribution channels.

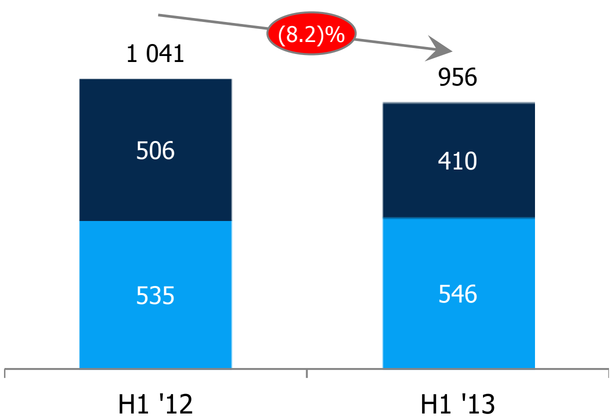
x% *- change y/y*

Single premium *Regular premium* ** Only insurance contracts*

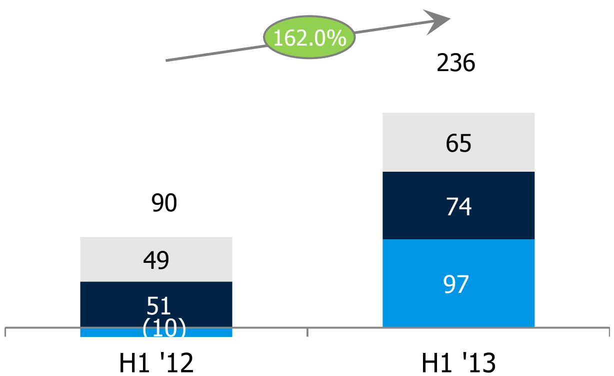
Stable Profitability on Tough Corporate Client Market

YTD, m PLN

Gross Written Premium in Corporate Client Segment



Operating Profit in Corporate Client Segment



- Lower sales of accident insurance to hospitals (compulsory insurance in Q2 2012). Growth rate net of hospitals accident insurance was minus 2.3%.
- Motor insurance sales down: fierce competition squeezing rates and poor condition of domestic car market.
- Higher premiums on fire and other damage and loss property insurance driven by higher sales to fuel & energy and mining industries.

- Higher profitability of non-motor business (mainly contractual guarantees in construction contracts) as a result of high loss ratio in previous year (collapse of the construction market in mid 2012 year) and implementation of a new pricing policy raising the bar on underwriting.
- Higher technical result and higher profitability of motor insurance following portfolio verification plus revamping underwriting policy in recent years (curtailing unprofitable clients) and lower loss ratio.

x% - change y/y

Impact of allocated incomes from Investment Segment

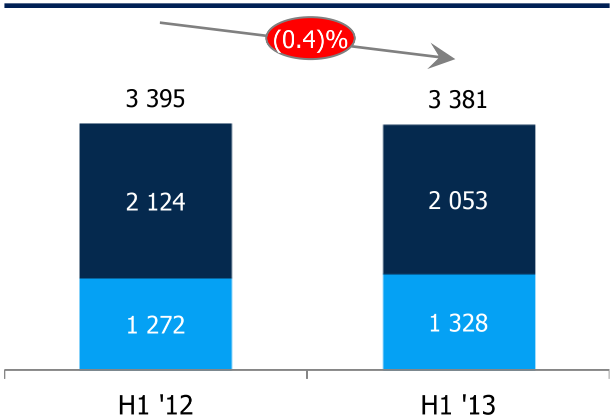
Motor Insurance Business (Technical result)

Non Motor Insurance Business (Technical result)

Profitability Up In Mass Client Segment

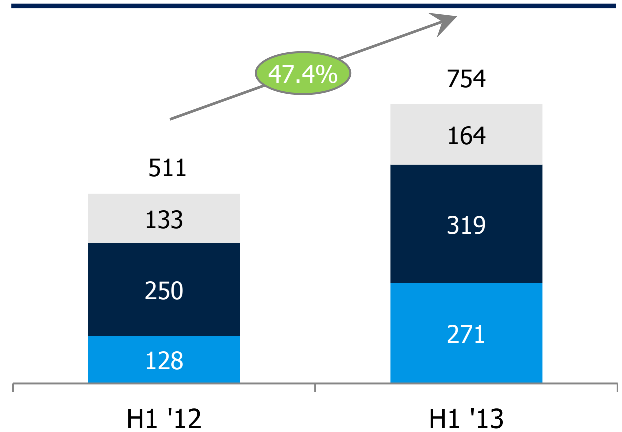
YTD, m PLN

Gross Written Premium in Mass Client Segment



- Lower GWP in motor own damage - lower sums insured and higher discounts for accident-free driving (aging portfolio).
- Lower GWP in TPL insurance – lower renewal level and fierce competition squeezing rates and poor condition of domestic car market.
- Higher sums insured on farm buildings in compulsory insurance – revaluation.
- Price hikes in farmers' compulsory TPL insurance.
- Higher sales in TPL for healthcare entities and PZU Dom Plus product (insurance for residential buildings/apartments).

Operating Profit in Mass Client Segment



- Lower damage level caused by natural forces (i.e. negative effects of overwintering, ground frost) – claims down in compulsory subsidized crop insurance around 147 m PLN y/y.
- Loss ratio improvement in motor TPL as effect of favourable weather conditions and less traffic.
- Higher „Impact of allocated income from Investment segment" due to better investment result in portfolio hedging FX-denominated insurance liabilities.

x% - change y/y

Impact of allocated incomes from Investment Segment

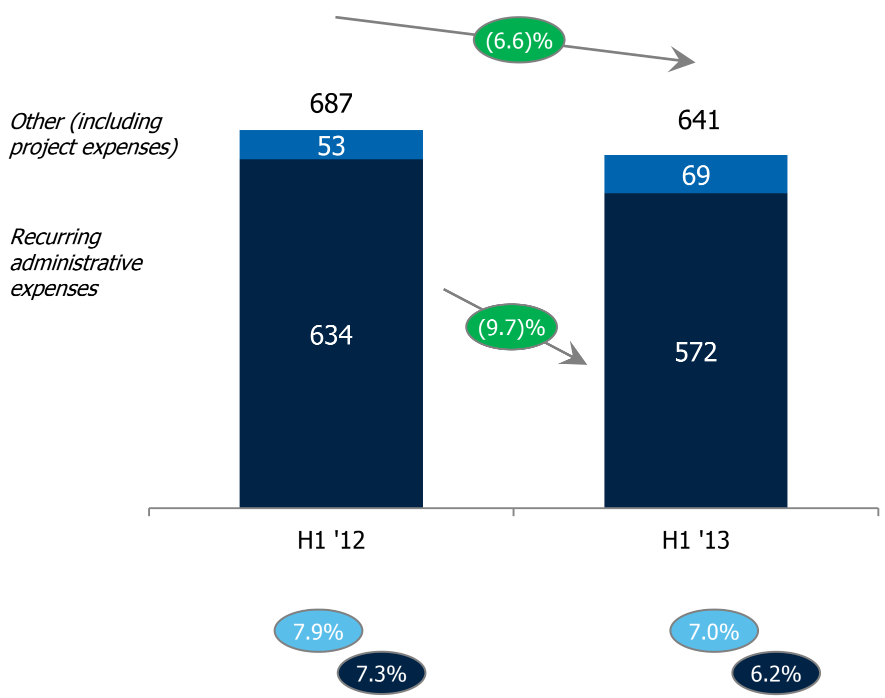
Motor Insurance Business (Technical result)

Non Motor Insurance Business (Technical result)

Maintaining Cost Discipline

YTD, m PLN

Administrative Expenses



- Lower administrative expenses as payroll expenses fall, driven by the following:
  - centralizing operations
  - downsizing in recent years
- Implementing projects to optimize and automate service processes (primarily non-life policy system) – higher operating expenses and capital expenditures.
  - Non-recurring costs were incurred in 2012 for the PZU image campaign.

x% - Change Y/Y

x% - Administrative expense ratio (%)*

x% - Recurring administrative expense ratio (%)*

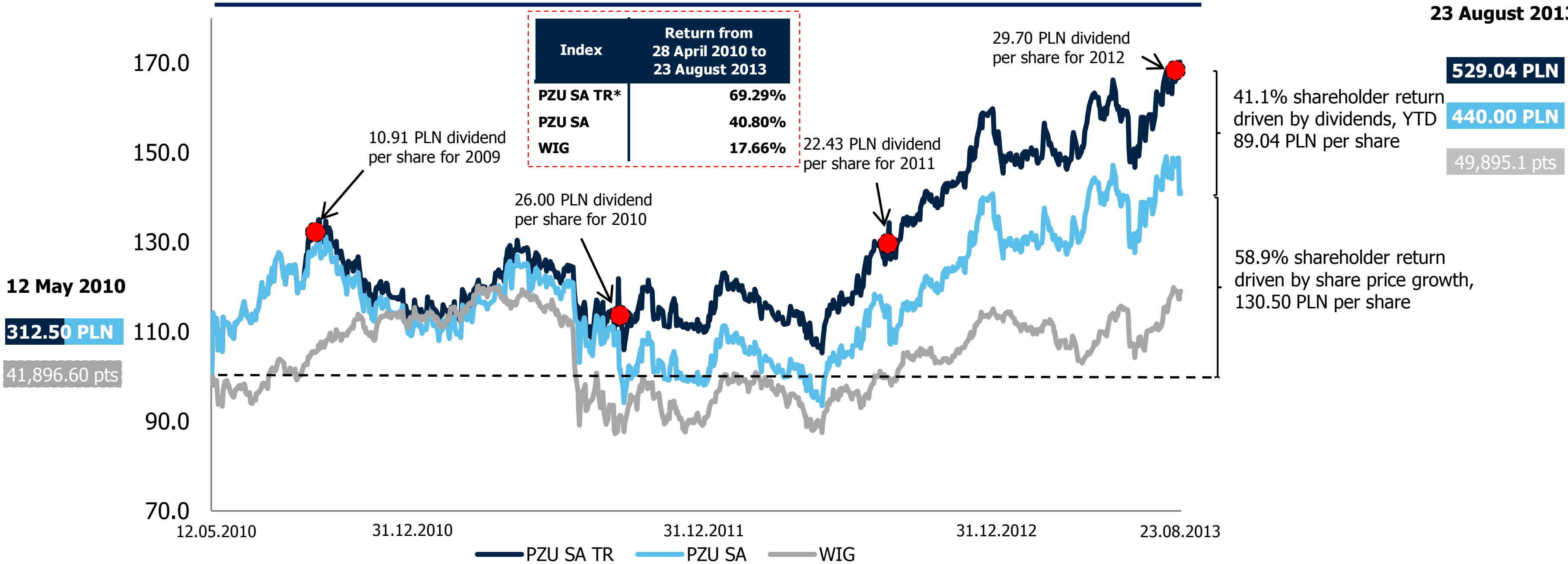
** Administrative expense ratio: administrative expenses / net earned premium – sum of insurance business segments in Poland*

Recurring administrative expenses *Other (including project expenses)*

Agenda

PZU Shapes TSR through Share Price Growth and Dividend Disbursement

PZU share price development adjusted for disbursed dividends from the first day of being listed compared to selected indices 12 May 2010=100*



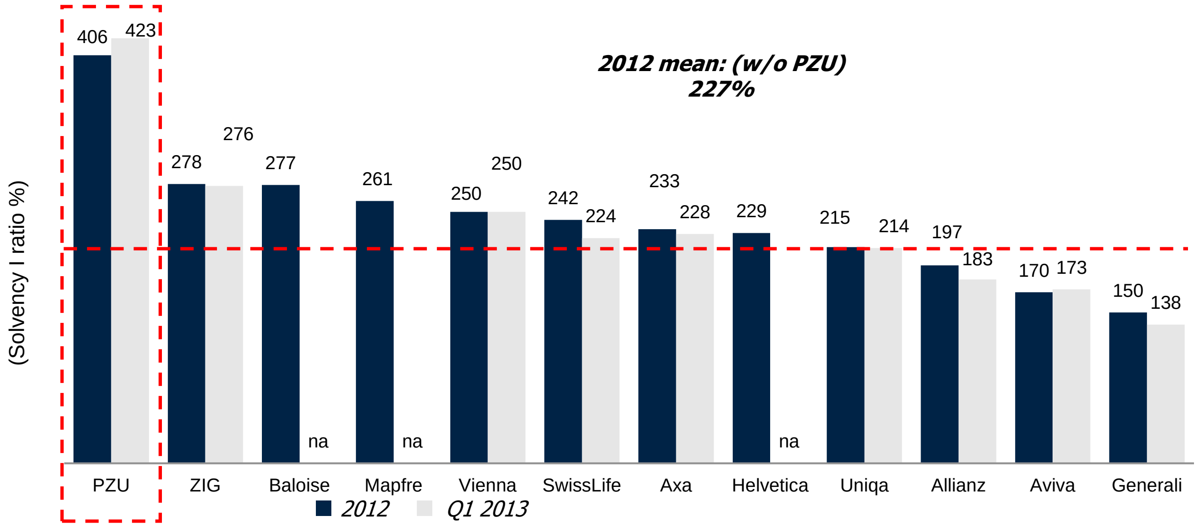
* PZU SA TR index was adjusted for disbursed dividends

Dividend for year	bn PLN	Payout ratio	Dividend Yield**
2010	1.70	36.4%	4.5%**
2011	0.00	0.0%	0.0%
2012	0.00	0.0%	6.8%**
2013 (interim dividend)	0.00	0.0%	4.5%**

** *Dividend yield* calculated at the balance sheet date, while for the 2012 dividend payout and the 2013 interim dividend according to the share price on 23 Aug. 2013

PZU Has a Very Robust Capital Position

Capital structure and financial leverage
Based on 2012 data

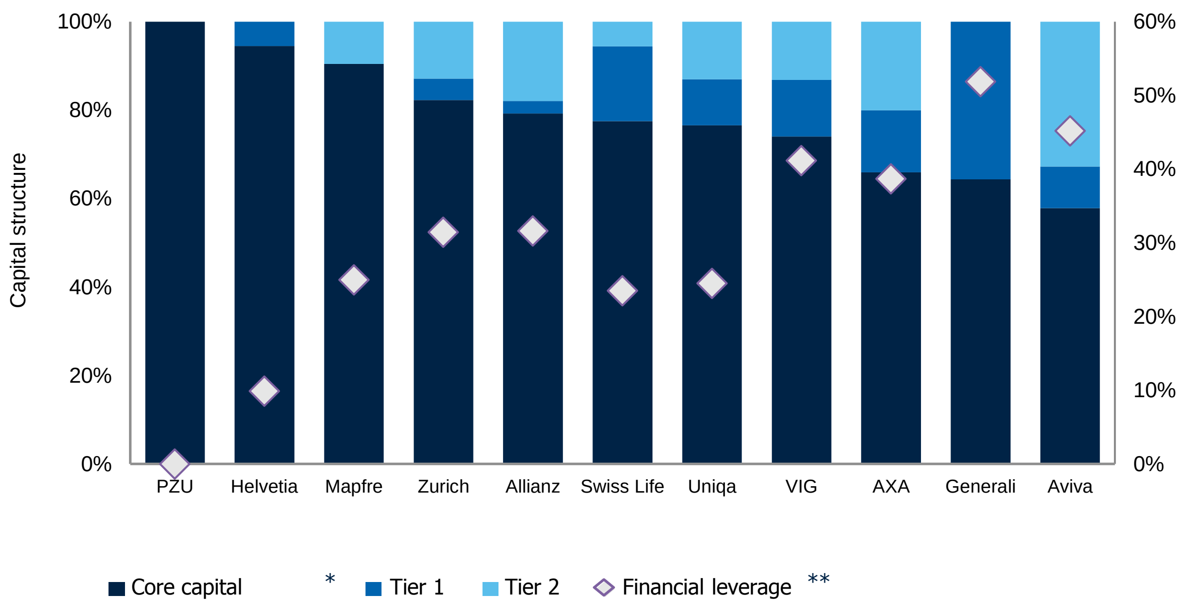


... but PZU needs capital since:

- the insurance portfolio is not geographically diversified (catastrophic risk);
- roughly 95% of the investments are located in Poland (mainly treasuries – ca. 65% of the portfolio);
- assets and liabilities are mismatched vis-à-vis term structures (interest rate risk);
- PZU plans to expand (M&A).

PZU's Capital Position Does Not Employ Financial Leverage

Capital structure and financial leverage
Based on 2012 data



* According to IFRS, a company's equity includes minority equity but not goodwill and intangible assets (except for VOBA).
** Total financial debt (senior and subordinated) compared to total capital (debt + equity).

Current Policy Should Be Altered

In 2011, one year after the IPO, the PZU SA Management Board promised it would present a solution concerning the balance sheet structure and capital management within 3 years.

Many factors have changed since then:

- market **interest rates** have plummeted to historically **low levels**;
- future **solvency requirements** under the **Solvency II** directive have been **ironed out** (final wording and effective date of Solvency II are still unknown);
- **the financial crisis has not adversely affected** PZU's performance and capital, while volatility on the financial markets has grown significantly;
- **PZU's** is simultaneously perceived as a financial institution holding high **surplus capital**;
- the PZU Group has not yet conducted any acquisitions.

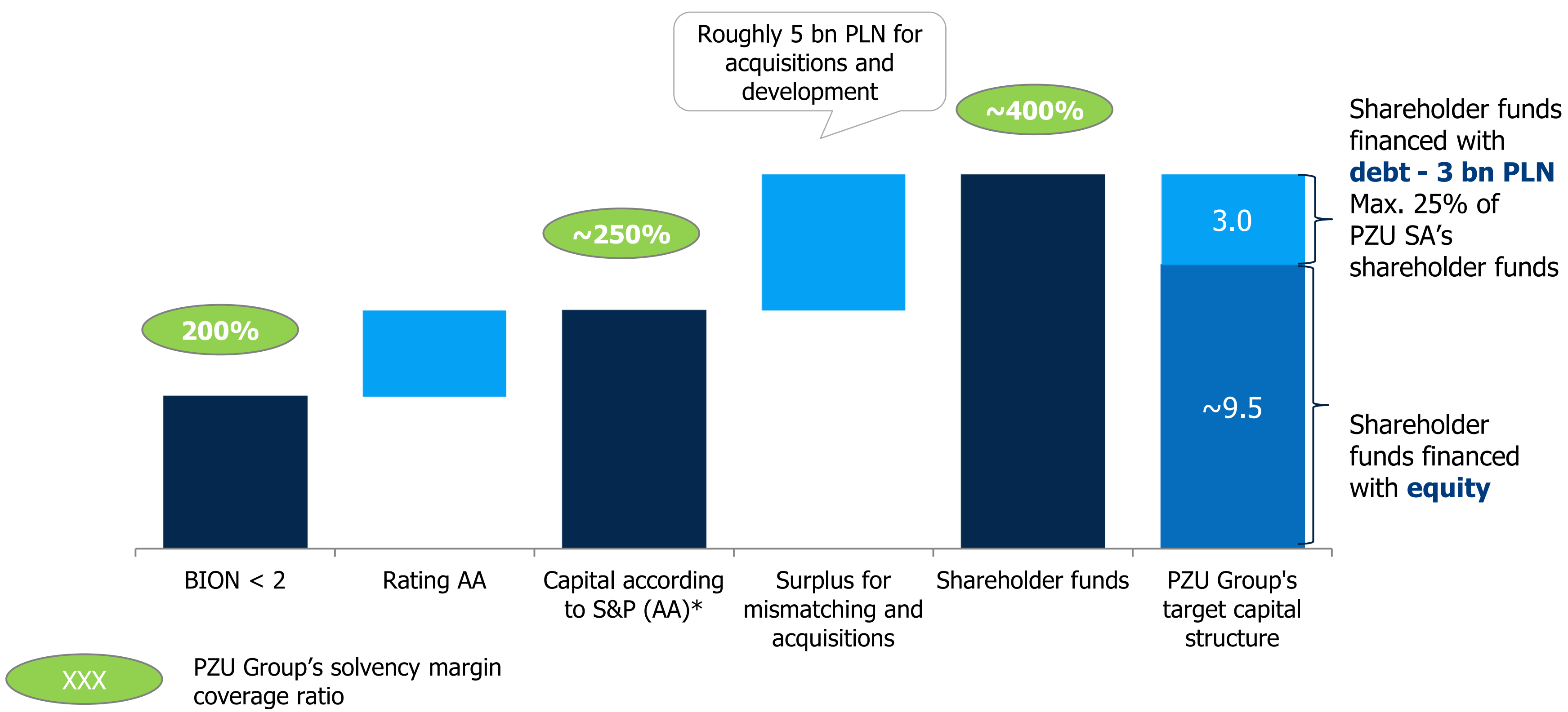
PZU's Management Board Adopted a New Capital Management Policy in 2013 - 2015

- The new policy's objective is to focus on TSR (Total Shareholder Return) by optimizing capital while maintaining the level of safety and retaining resources for strategic acquisition-based growth.

- Main assumptions:
  - **unchanged payout ratio** from the PZU Group's consolidated annual earnings (50% to 100%);
  - maintain current **solvency margin coverage ratios** (roughly **400%**); without subordinated debt at a level no lower than **250%**;
  - maintain assets covering technical reserves of certain PZU Group companies (PZU and PZU Life) no lower than 110%;
  - optimize financing structure by replacing surplus capital with subordinated debt:
    - **pay a special dividend from surplus capital** up to 3 bn PLN,
    - **subordinated debt issue** up to 3 bn PLN.

The PZU Management Board Intends to Retain Shareholder Funds at Current Level (Roughly 400%)

bn PLN

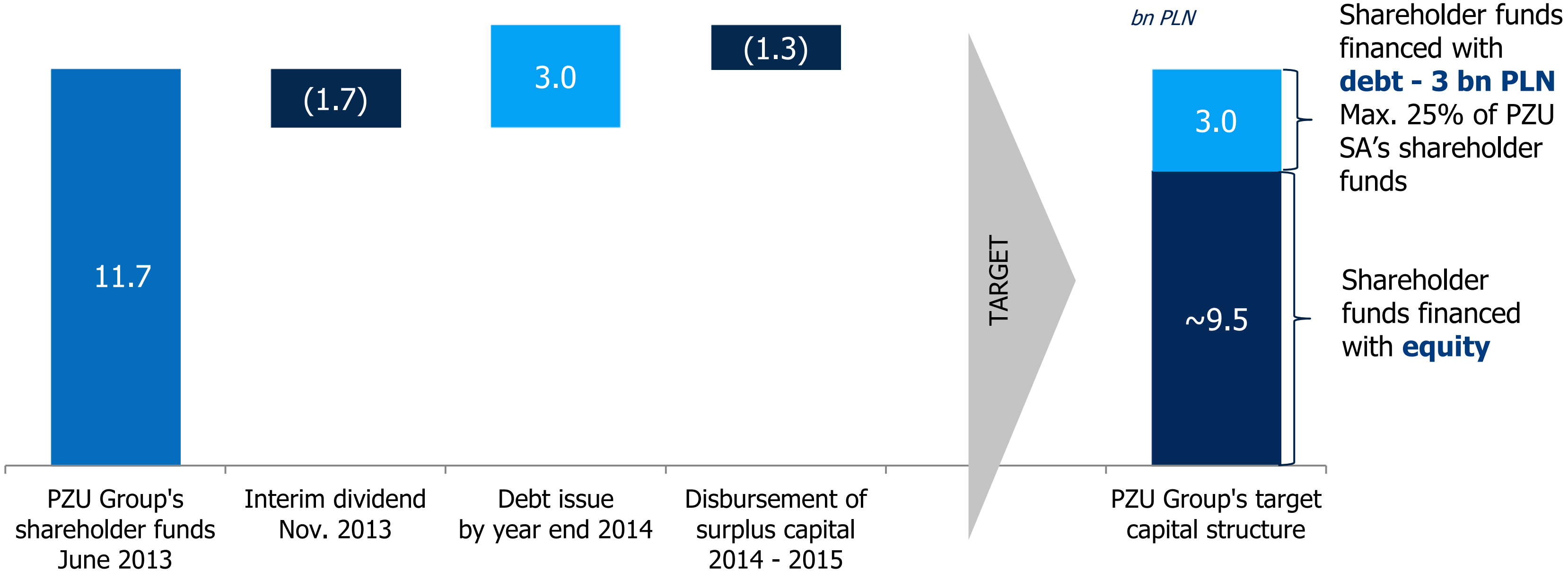


** Assessment PZU*

Planned Schedule for Implementing New Capital Policy

The planned schedule calls for the following:

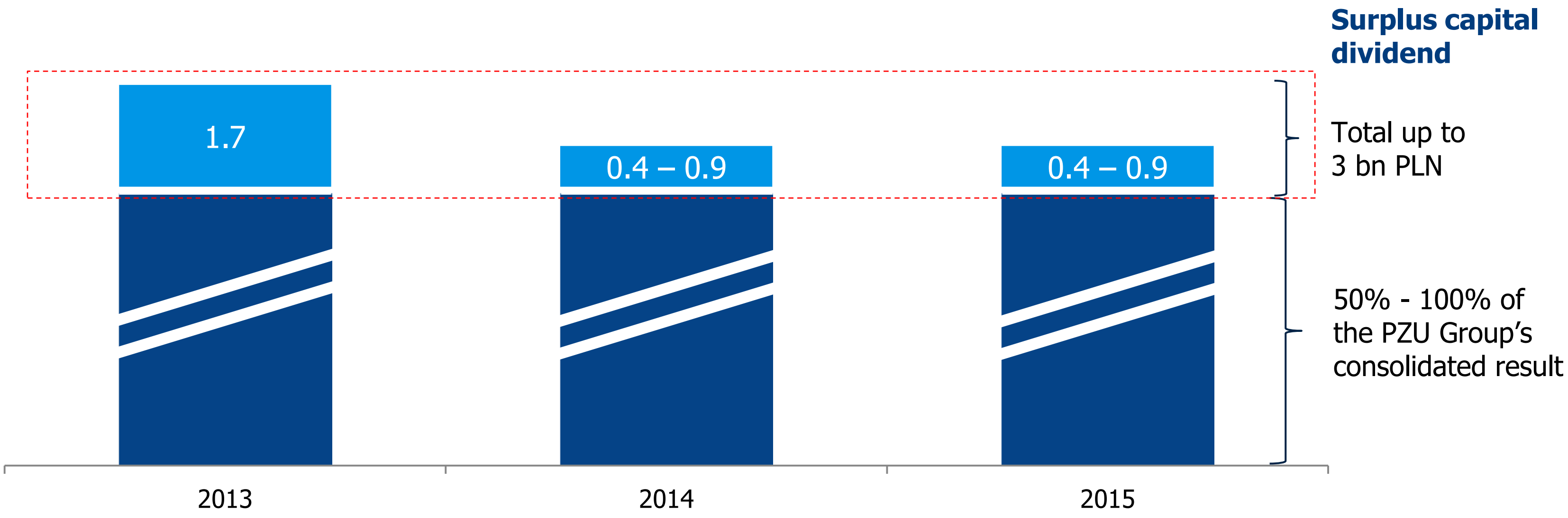
- Disbursement of a part of surplus capital in the form of an **interim dividend** toward 2013 of 1,727 m PLN, i.e. **20.00 PLN per share** (ex-dividend date of 12 November 2013 and dividend payout date of 19 November 2013),
- **Subordinated debt issue** of 3 bn PLN till the end of 2014,
- **Disbursement of the remaining portion of surplus capital** in the form of dividends up to a maximum amount of 1.3 bn PLN in 2014 and 2015.



Assumed Level of Dividends To Be Paid for the Financial Years

bn PLN

Proposed dividends in 2013 - 2015



Subordinated Debt Issue – Why Now?

- Optimal market conditions – historically low risk-free rates and spreads.
- The Management Board assumes that capital will not be raised through an equity offering.
- PZU’s insurance results are very robust, also driven by market context.
- Necessity to maintain high safety ratios.

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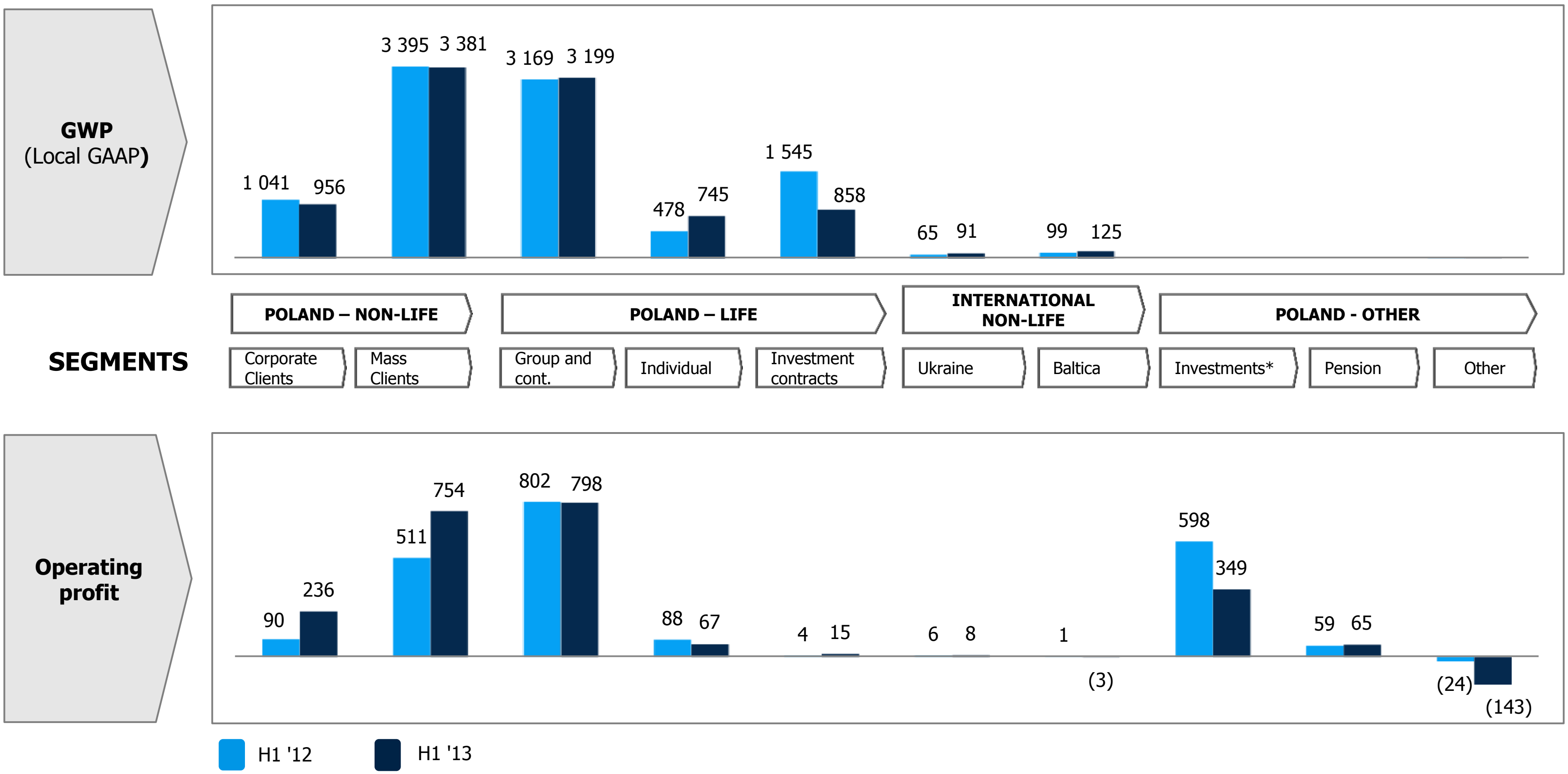
Overview of PZU Group's Financial Highlights

m PLN, IFRS	H1 2012	H1 2013	*Change YoY*	Q2 2013	Q1 2013	*Change Q2 2013 over Q1 2013*
Profit and Loss Statement						
Gross Written Premium	8 246	8 495	*3.0%*	4 069	4 426	*(8.1)%*
Premium Earned	7 867	8 177	*3.9%*	4 070	4 108	*(0.9)%*
Investment Result	1 524	969	*(36.4)%*	540	429	*25.9%*
Operating Profit	2 136	2 146	*0.5%*	1 079	1 066	*1.2%*
Net Profit	1 716	1 676	*(2.4)%*	838	837	*0.1%*
Balance Sheet						
Equity	12 741	13 289	*4.3%*	13 289	14 952	*(11.1)%*
Total Assets	54 268	62 598	*15.4%*	62 598	58 757	*6.5%*
Principal Financial Ratios						
ROE*	26.8%	24.3%	*(2.5) p.p.*	23.8%	22.9%	*0.8 p.p.*
Combined Ratio**	90.5%	82.3%	*(8.2) p.p.*	87.4%	77.1%	*10.3 p.p.*

* *Annualized ratio computed using equity at beginning and end of reporting period*
** *Only for Non-Life insurance business*

High Profitability of Mass Segment Accompanied by Lower Investment Result

YTD, m PLN



** Investment revenues in Investment Segment – external operations*

Profitability by Insurance Business Segment

Insurance Business Segments	Gross Written Premium			Operating Profit			Combined Ratio / Operating profit ratio*	
m PLN, local GAAP	**H1 2012**	**H1 2013**	*Change YoY*	**H1 2012**	**H1 2013**	*Change YoY*	**H1 2012**	**H1 2013**
Total Non-Life - Poland	**4 437**	**4 337**	***(2.2)%***	**602**	**990**	***64.6%***	**90.1%**	**81.5%**
Mass Insurance - Poland	**3 395**	**3 381**	***(0.4)%***	**511**	**754**	***47.4%***	**88.4%**	**82.6%**
Motor TPL Insurance	1 304	1 258	*(3.6)%*	141	259	*83.6%*	93.0%	84.7%
Motor Own Damage	819	795	*(3.0)%*	109	60	*(45.2)%*	84.4%	91.0%
Other products	1 272	1 328	*4.4%*	128	271	*111.2%*	86.1%	75.0%
Impact of investment segment allocation	x	x	*x*	133	164	*23.3%*	x	x
Corporate Insurance - Poland	**1 041**	**956**	***(8.2)%***	**90**	**236**	***162.0%***	**96.2%**	**77.0%**
Motor TPL Insurance	209	178	*(15.0)%*	(8)	12	*x*	104.3%	94.3%
Motor Own Damage	297	233	*(21.6)%*	59	63	*6.2%*	80.8%	75.3%
Other products	535	546	*1.9%*	(10)	97	*x*	105.0%	69.1%
Impact of investment segment allocation	x	x	*x*	49	65	*33.1%*	x	x
Total Life - Poland	**3 646**	**3 944**	***8.2%***	**890**	**865**	***(2.8)%***	**24.4%**	**21.9%**
Group and Continued ** - Poland	**3 169**	**3 199**	***0.9%***	**662**	**714**	***7.9%***	**20.9%**	**22.3%**
Individual - Poland	**478**	**745**	***56.0%***	**88**	**67**	***(23.2)%***	**18.4%**	**9.1%**
Conversion effect	x	x	*x*	140	84	*(40.1)%*	x	x
Total Non-Life - Ukraine & Lithuania	**164**	**180**	***10.0%***	**7**	**4**	***(42.8)%***	**104.9%**	**102.9%**
Ukraine Non-life	**65**	**70**	***8.2%***	**6**	**7**	***23.2%***	**107.7%**	**98.8%**
Baltica Non-life	**99**	**110**	***11.2%***	**1**	**(3)**	***x***	**103.1%**	**105.6%**
Total - Life - Ukraine & Lithuania	**14**	**36**	***158.0%***	**(0)**	**1**	***x***	**(0.2)%**	**2.4%**
Ukraine Life	**2**	**21**	***x***	**(0)**	**1**	***x***	**(24.2)%**	**5.4%**
Lithuania Life	**12**	**15**	***23.1%***	**0**	**(0)**	***x***	**3.1%**	**(1.8)%**

* *Combined ratio (calculated in relation to net earned premium) for non-life business / operating profit ratio (calculated in relation to GWP) for life business*

** *Operating profit ratio net of conversion effect (according to Polish GAAP)*

Extraordinary Items Affecting the Results

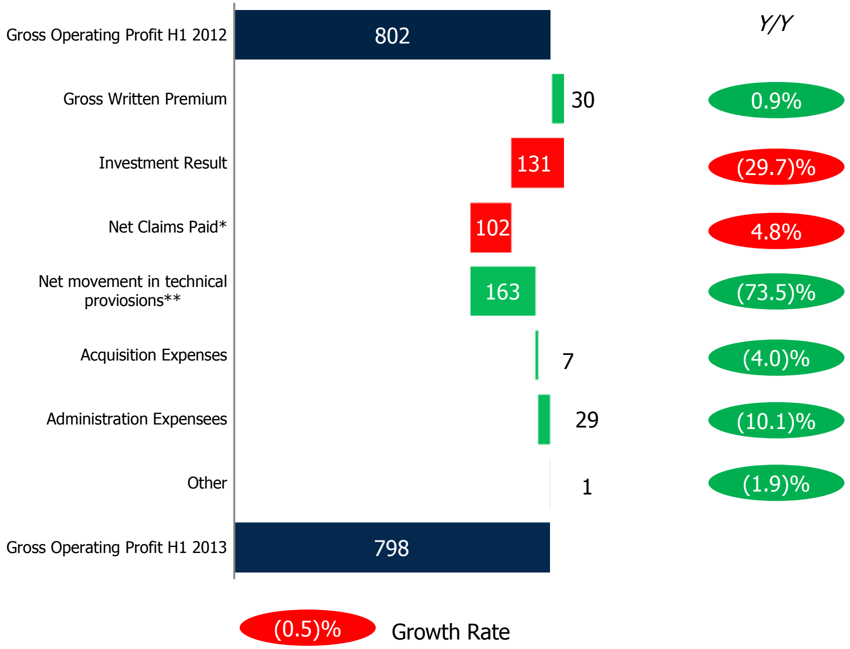
YTD, m PLN

m PLN, IFRS	H1 2012	H1 2013
Operating Profit (according to financial statements)	**1 034.7**	**1 066.5**
including:		
1 Conversion effect	131.8	84.1
2 Reinsurance agreement	-	53.2
3 Consolidating investment funds	-	172.8
4 Result on contractual guarantees in construction contracts	(114.4)	(1.2)

1. Impact of converting long-term contracts into yearly-renewable term contracts under MSSF.
2. Income from the green card-related reinsurer's agreement – reversal of the adjustment to estimates lowering the 2011 result.
3. Commencing consolidation of investment funds (mostly real estate funds).
4. Lower technical result due to series of bankruptcies on the construction market.

Group and Continued Life Insurance Segment

Primary Operating Profit Components in Group and Continued Life Insurance (m PLN)



* Net claims paid and movement in claims provisions

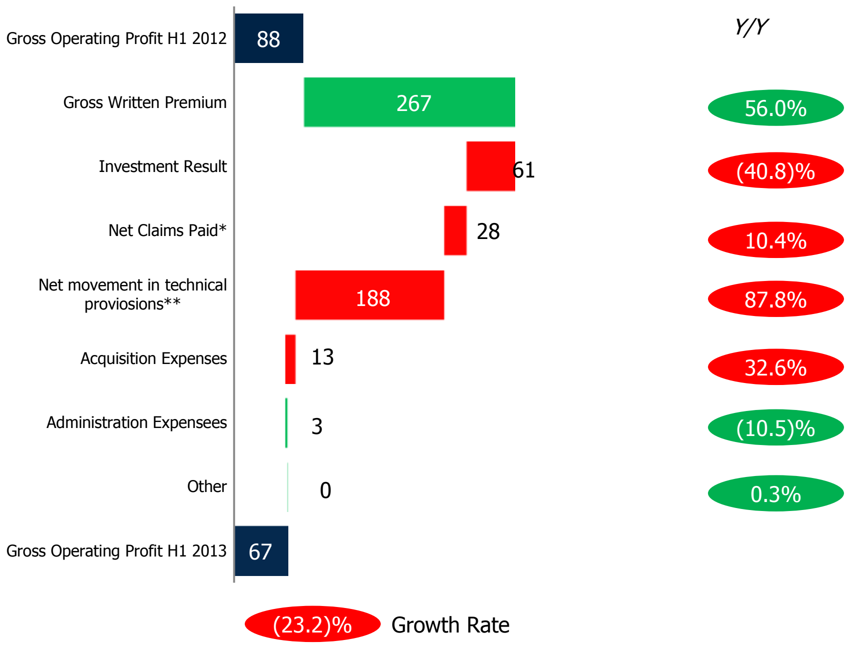
** Mathematical and other provisions, including conversion effect

Remarks

- GWP growth +0.9% y/y mainly due to larger group insurance portfolio (including riders to continued insurance) and higher average premiums partly compensated by lower sales of single premium products.
- Lower investment result in *unit-linked* products driven by deteriorating capital markets in Q2 2013 compared to Q2 2012.
- Higher number of death claims; additionally more surrenders in Employee Pension Schemes (PPE) (offset by movement in provisions).
- Lower conversion ratio in type P group insurance.
- Lower mathematical provisions in *unit-linked* portfolio due to negative investment result, higher surrenders in PPE and lower sales short-term investment products in bancassurance channel as well as lower growth rate in mathematical reserves for continued protection products as a result of new type of continuation introduced in 2012.
- Slight decline in acquisition expenses by limiting modifications to type P group insurance portfolio to maintain profitability.
- Lower administrative expenses by reducing payroll expenses and absence of marketing expenses for rebranding.
- Lower operating profit caused by slower pace of conversion in type P group insurance; net of this effect, this segment's margin improved.

Individual Life Insurance Segment

Primary Operating Profit Components in Individual Life Insurance (m PLN)



* Net claims paid and movement in claims provisions

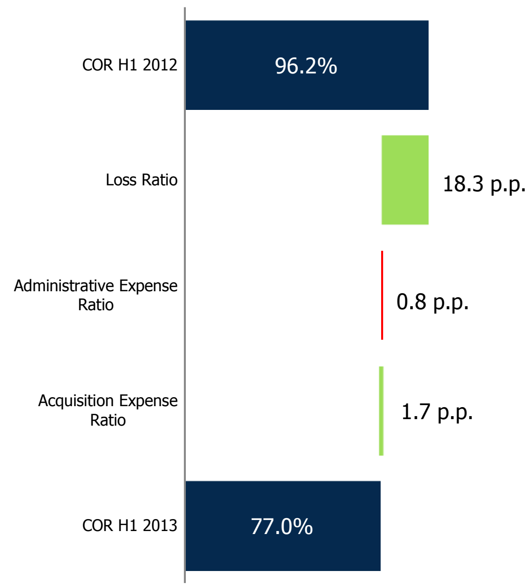
** Mathematical and other provisions

Remarks

- GWP up 56.0% y/y mainly driven by high sales of investment products via the bancassurance channel.
- Lower investment result mainly in investment products as a result of deteriorating capital market conditions in Q2 2013 compared to Q2 2012.
- Net claims up with more surrenders in IKE (individual retirement account) and pay-out from endowment in structured products (offset by movement in provisions).
- Growth of mathematical provisions due to higher sales of investment products by bancassurance channel; partly offset by lower investment result in *unit-linked* portfolio and more surrenders and endowments described above.
- Acquisition expenses up y/y due to higher sales volume of investment insurance with a high first-year non-deferrable commission.
- Lower administrative expenses by reducing payroll expenses and absence of marketing expenses for rebranding.
- Lower operating profit caused by high sales of investment products with a high non-deferrable single commission.

Profitability of Corporate Non-life Insurance Segment

Profitability of Corporate Non-life Insurance (COR %)

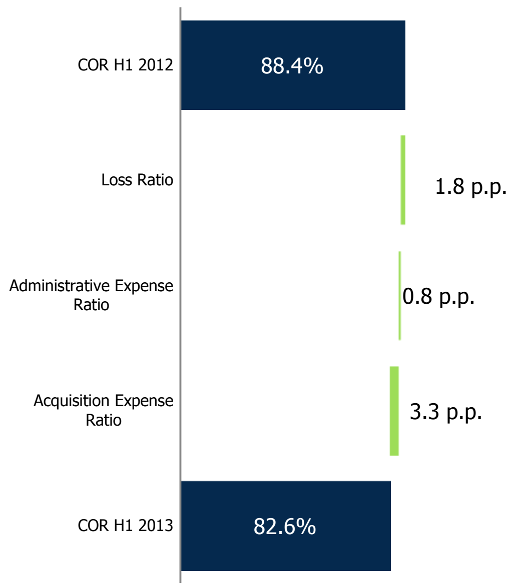


Remarks

- Change loss ratio:
  - Improvement in motor insurance following portfolio verification by adjusting underwriting policy in recent years (reducing the number of unprofitable clients);
  - Lower loss ratio mainly in contractual guarantees in construction contracts as a result of high loss ratio in previous years (collapse of the construction market in mid 2012) and implementation of a new pricing policy raising the bar in underwriting.
- Administrative expense ratio up as result of higher costs of on-going projects to optimize service processes i.e. implementing a non-life policy system and enhancing the PZU Group's positive image.
- Acquisition expense ratio down following lower indirect acquisition costs – mainly lower payroll expenses.

Profitability of Mass Non-life Insurance Segment

Profitability of Mass Non-life Insurance (COR %)

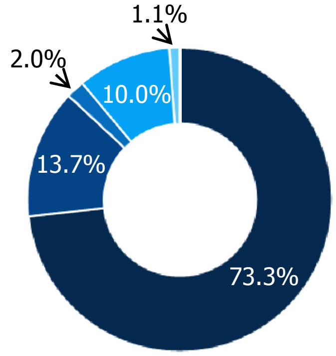


Remarks

- Lower claims ratio mainly in agricultural insurance due to lower level of claims caused by natural forces in particular connected with negative effects of overwintering and ground frost .
- Lower administrative ratio following reduced payroll expenses (restructing and reorganization) and advertising expenses (image campaign in 2012).
- Acquistion expenses down following higher commissions on green card settlement with reinsurer (one-off effect on reinsurance commissions in Q1 2013 +73.3 m PLN, total impact on gross profit in Q2 2013 +53.2 m PLN).

Decline of Debt Instrument Valuation
Poor Conditions on Capital market

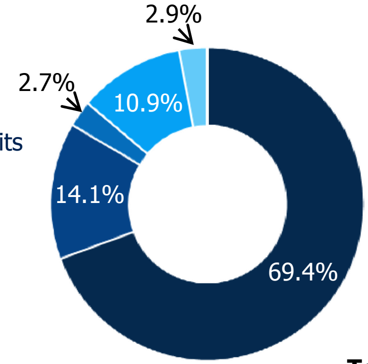
Investment composition H1 2012 *



Total: 49.4 bn PLN

- Debt securities
- Reverse repos and deposits
- Loans
- Equity instruments and derivatives
- Investment properties

Investment Composition H1 2013 *

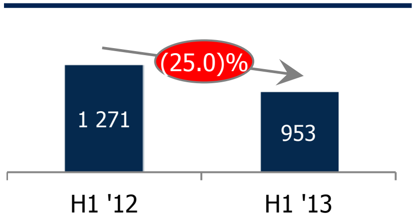


Total: 55.7 bn PLN

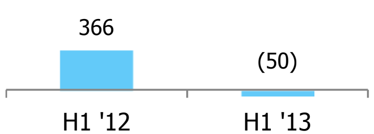
Investment results

YTD, m PLN

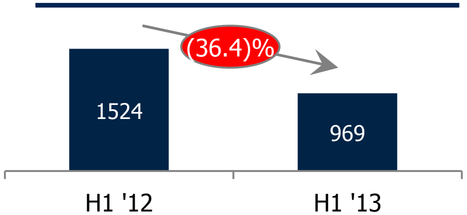
Interest-bearing instruments**



Equity instruments and derivatives



TOTAL



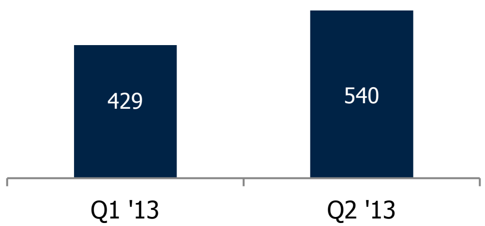
* *Investments include financial assets, investment properties and negative valuation of derivatives*

** *Investment revenues for interest-bearing instruments include results on debt securities, loans, reverse repo and deposits*

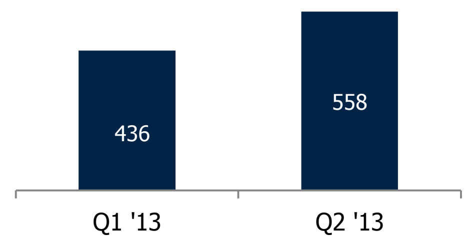
Low Profitability in Main Portfolio and at Policyholders' Risk

Net quarterly data

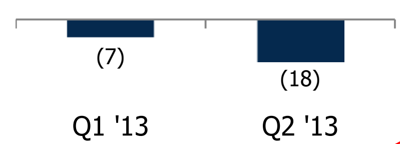
Investment Revenues (Total m PLN)



Investment Revenues on PZU Group's Main Portfolio (m PLN)



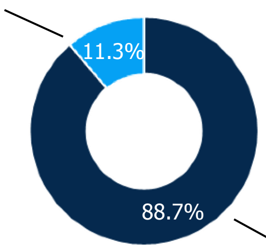
Investment Revenues at Policyholders' Risk* (m PLN)



No impact on the PZU Group's net income.

H1 2013

Financial assets at policyholders' risk* – **6.3 bn PLN**



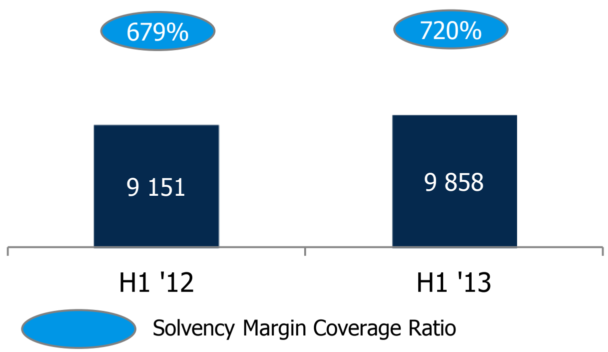
Financial assets in the main portfolio – **49.4 bn PLN**

Total: 55.7 bn PLN

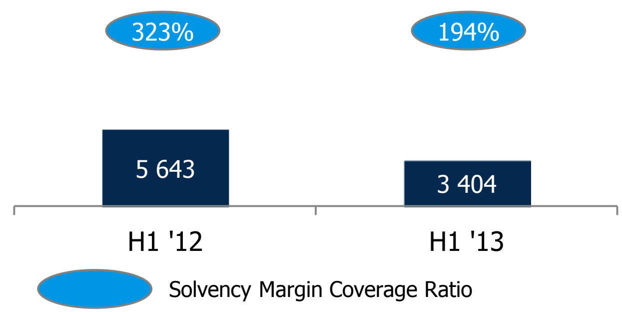
* Products at policyholders' risk: unit-linked, structured and tax exempt products

Robust Capitalization and Strong Solvency Ratios

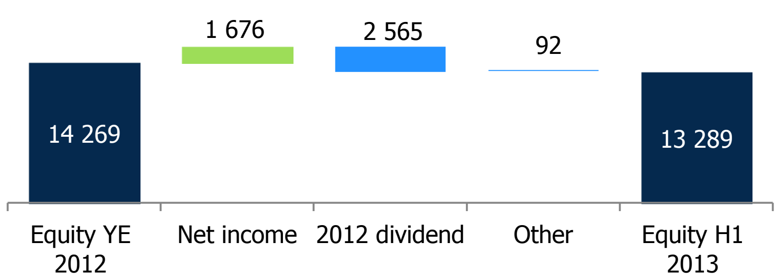
PZU Own Funds and Solvency Margin Coverage Ratio (m PLN, Polish GAAP)



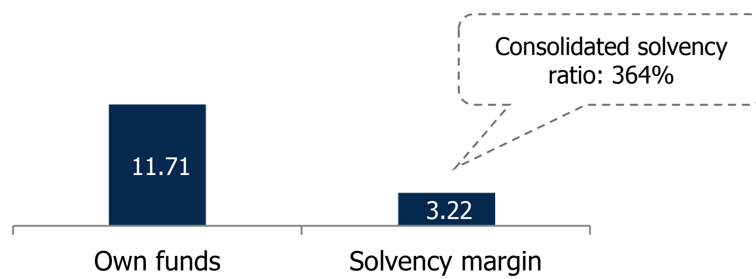
PZU Życie Own Funds and Solvency Margin Coverage Ratio (m PLN, Polish GAAP)



PZU Group's Equity (m PLN, IFRS)



PZU Group's Own Funds in 2013 (bn PLN, IFRS)



Agenda

Questions and Answers

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