

INSURANCE MARKET IN POLAND, 2015–2017

CEE INSURANCE SERIES



by Inteliace Research
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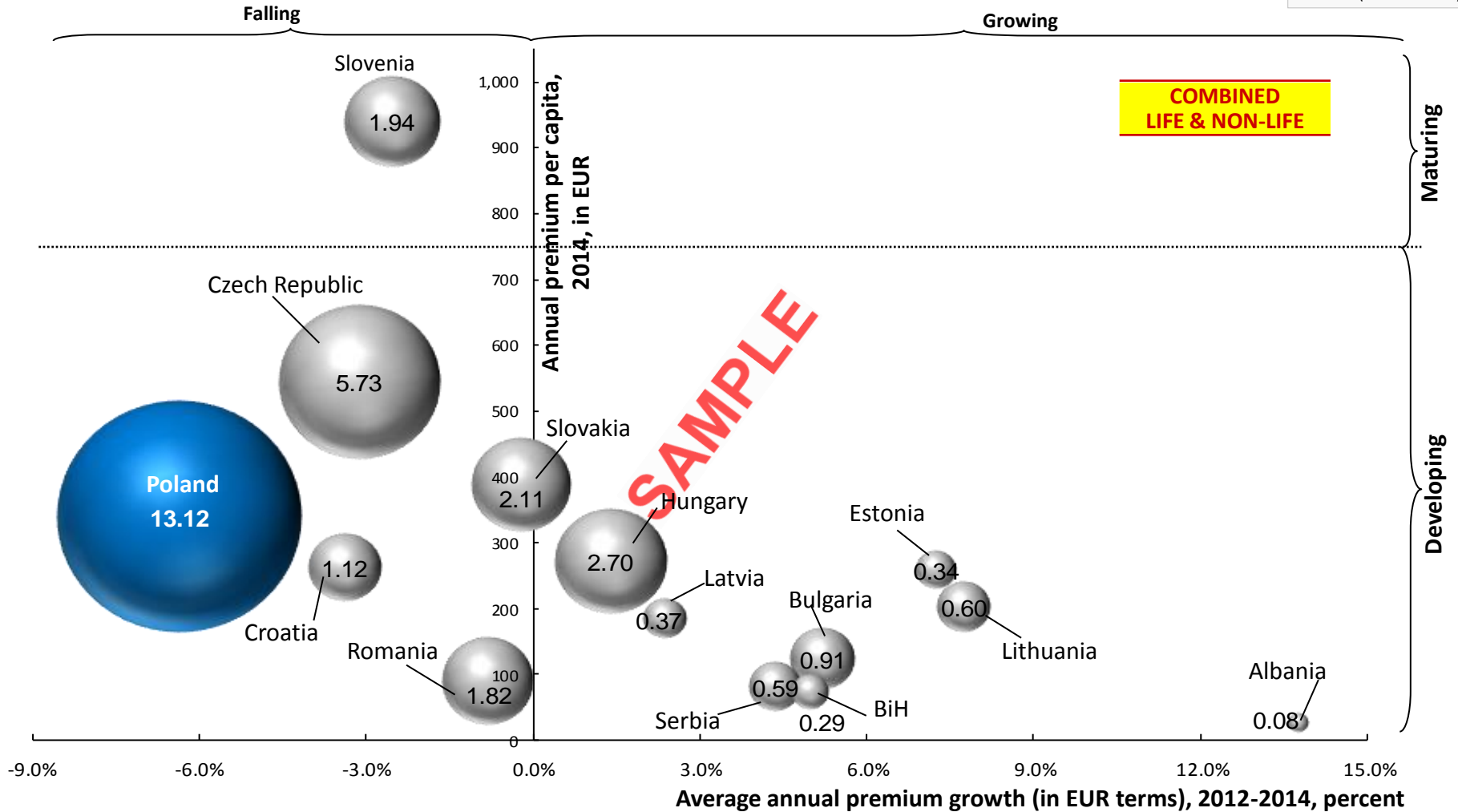
Backup:

- Slide 72: Total insurance premiums collected in Poland, including foreign insurers operating cross-border, 2008-2010

POLAND HAS THE LARGEST INSURANCE MARKET IN CEE14*

CEE14* insurance markets - Size vs. growth matrix, 2012-2014

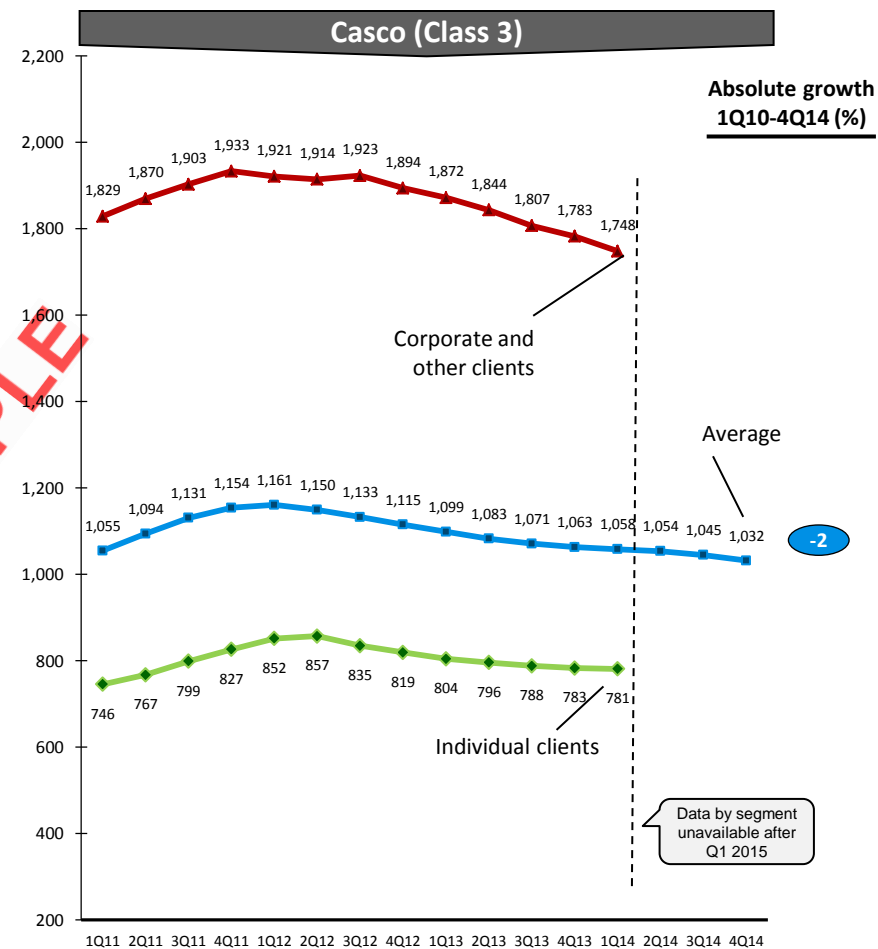
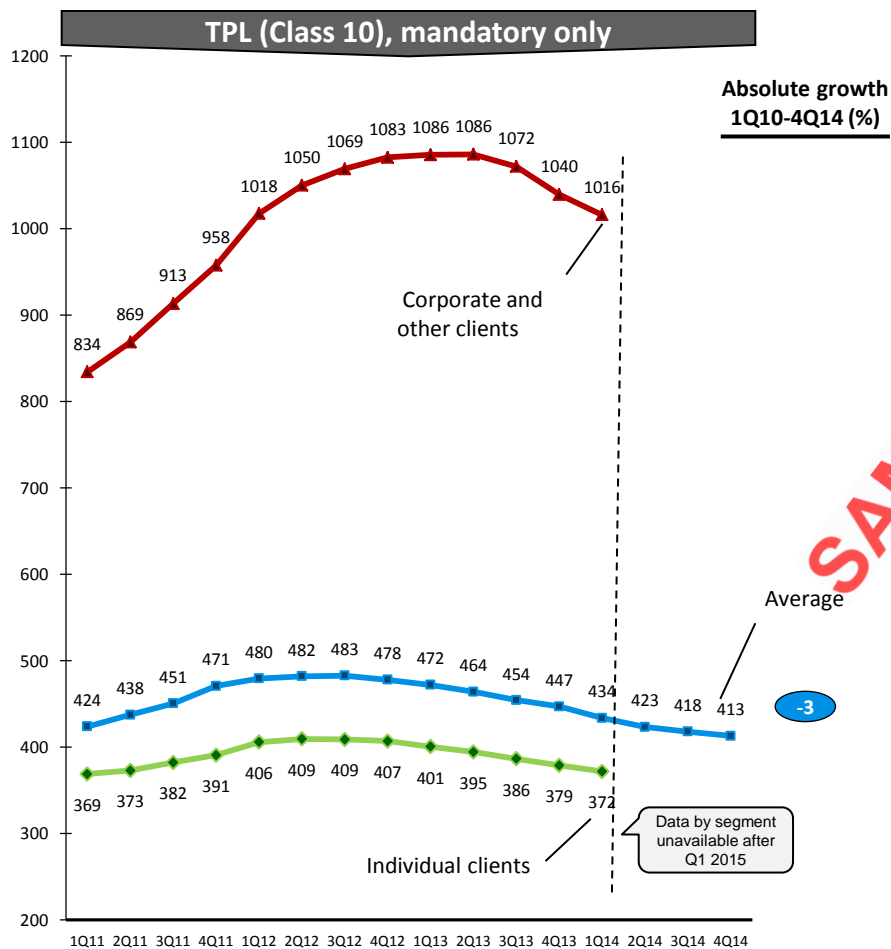
Total 2014 premium
(in billion EUR)



*Major 14 CEE countries. Russia, Ukraine, Belarus and FYR Macedonia not included
Source: National supervision authorities, IMF, Inteliace Research

PRESSURE ON CAR INSURANCE TARIFFS PERSISTS

Average premium per policy* by class and by type of client, 1Q2011-4Q2014 in PLN



Insurance Market in Poland, 2015-2017

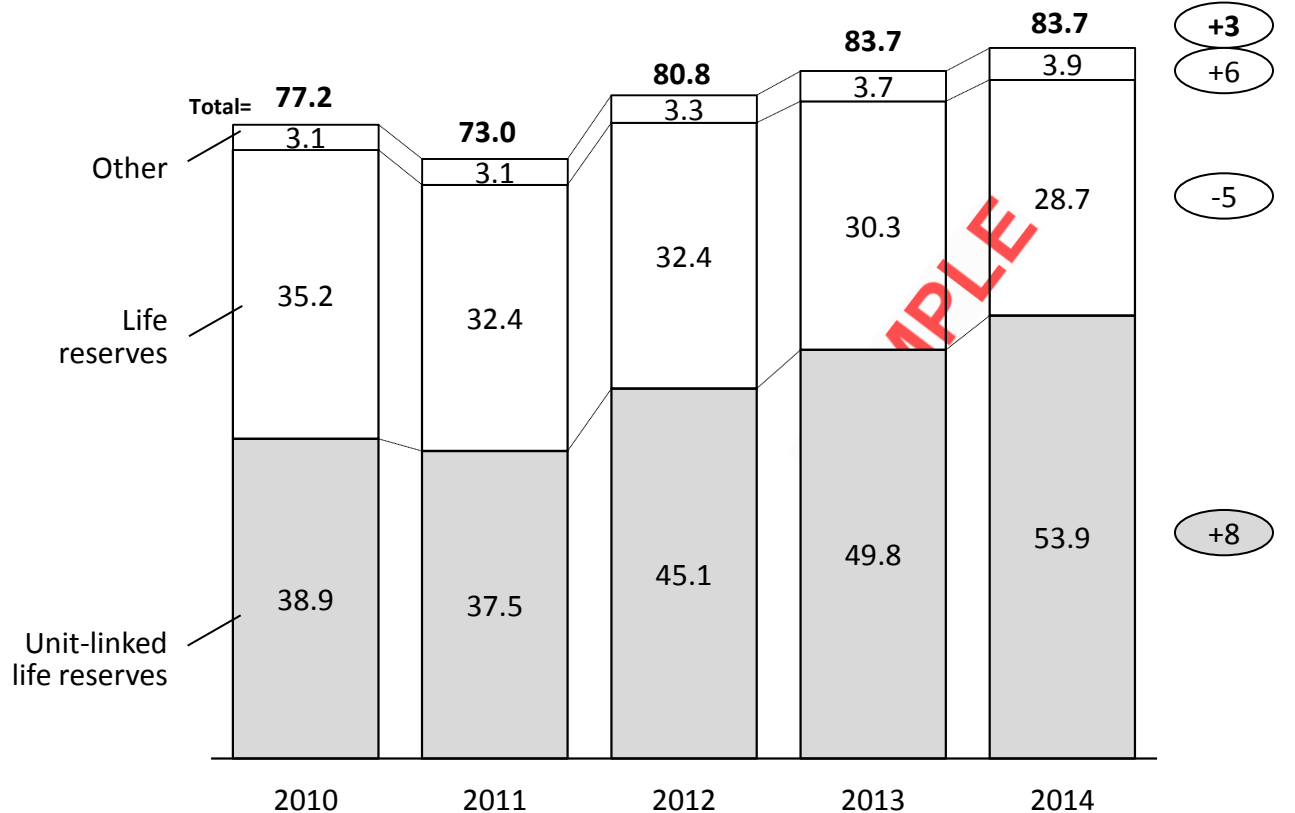
* Premium collected within last four consecutive quarters divided by the average number of outstanding insurance policies in the same period.

UNIT-LINKED RESERVES DRIVE THE OVERALL LIFE RESERVES GROWTH

Technical reserves (gross) – Life insurance, 2010-2014

PLN billion

CAGR*
2010-2014



- Unit-linked life reserves are increasing steadily, driving the overall technical reserves growth.
- As of 2014, unit-linked reserves accounted for ~62% of all technical reserves of life insurers, as compared with 50% in 2010.
- Other life reserves keep falling which could be explained with expiration of deposit-like, tax friendly products, which used to be very popular in the past.

Insurance Market in Poland, 2015-2017

*Compound Annual Growth Rate

Source: KNF, Inteliace Research

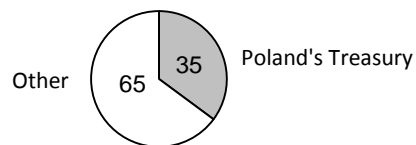
Background

- PZU is the largest traditional and local incumbent insurer with extremely high brand awareness (93%) in Poland .
- PZU's previously dominant position in the insurance market has been gradually eroding over time but the process has slowed down in 2014.

History

- 1991: State-owned insurer PZU converted to public joint-stock company.
- 1999: Partial privatization of PZU holding – 30% share in PZU SA sold to Eureko & Big Bank Gdański.
- 2003: Claims handling centralization.
- 2004: Launch of repair-shops network.
- 2009: Shareholder conflict resolved.
- 2010: IPO on the WSE.
- 2010/2011 Cost /employment restructuring.
- 2012 New Strategy: „PZU 2.0” adopted.
- 2012/2013 Entry into Latvia & Estonia.
- 2014 Acquisition of insurance businesses of RSA in Baltics and in Poland (Link4).
- 2014 New service introduced- Direct claims processing for own clients.

Shareholders, 1Q 2015 (share in %)



Products

- PZU offers ~80 various products in the non-life retail business. Products offered cover all 18 non-life insurance classes.
- Car insurance (MTPL+Casco) is dominating within non-life business with >60% share in the total GWP.
- „PZU Pomoc” – proprietary assistance service company is rounding up the traditional product offer.

Channels

- Own network: In total 414 branches.
- Exclusive agents: 9.1 k of which ~6 k in non-life.
- Multi-agents: 3k agents (all business lines).
- Brokers: 900 brokers
- Employees: 800 employees dedicated to sales - mainly in the corporate segment.
- Bancassurance: cooperation with 10 banks and 6 strategic partners including telecoms and airlines.
- Cooperation with ~ 1.4 thousand repair shops.

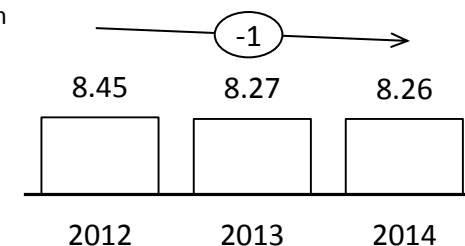
Customers

- PZU traditionally serves mass-market clients in retail business (mostly car and property) and all segments in corporate business.
- Total number of clients in the whole PZU Group (life + nonlife) exceeds 16 million or half of the whole adult population in Poland.

Results

Gross Premium Written

PLN billion

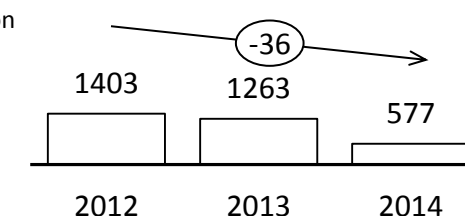


Market share* (percent)



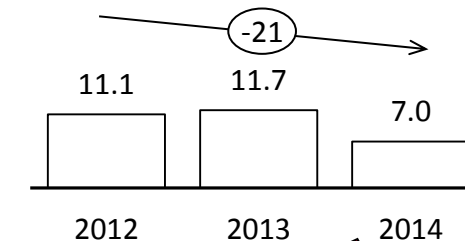
Net profit ***

PLN million



Return on Average Equity (ROAE) ***

Percent



Falling profitability in non-life business

*Non-life insurance share by gross premium written

**Compound Annual Growth Rate

*** Pro forma calculation based on figures derived from PZU Group financial statements.

Source: Company, Press, Inteliace Research

NOTES ON METHODOLOGY

FX rates:

- For the purpose of conversion from local currency (PLN) into EUR for most values presented in this report, including premium written, annual results, etc., **average** exchange rates have been used
- Exchange rates used in the report:

EUR / PLN	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average	4.53	4.03	3.90	3.78	3.52	4.33	3.99	4.12	4.19	4.20	4.19
End of period	4.08	3.86	3.83	3.58	4.17	4.11	3.96	4.42	4.09	4.15	4.26

Estimates and Forecasts:

- In some cases, recent or verified data was not available. Therefore, necessary short-term estimates have been calculated to fill the gaps. Estimates are always indicated with the letter “E”
- When preparing forecasts/estimates, we have built models using latest observed trends, available forecasts of main economic indicators, seasonal changes observed in the past and other specific factors considered important.

Multiple sources:

- In some cases, multiple sources of similar data exist. In this situation we always try to select the most appropriate one in our view. The source is indicated in the footer area of each slide. Nevertheless, in specific cases, before interpreting the data, it is recommended to get a good understanding on the methodology of data collection.

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Inteliace Research is an independent and privately owned research firm based in the heart of Eastern Europe in Warsaw / Poland.

Our company specializes in value-added research services and tailored business intelligence solutions.

Through our customized research services we help our clients to better understand their customers, competitors and overall market dynamics.

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Major Banks in Central and Eastern Europe

Map of Central and Eastern Europe showing major banks. Includes a table of bank names and their headquarters locations.

BANK OUTLETS DENSITY IN POLAND (1/3) GĘSTOŚĆ SIECI PLACÓWEK BANKOWYCH W POLSCE (1/3)

Number of bank outlets per 1000 sq km, by region, 2011
Liczba placówek na 1000 km² powierzchni wg. województw, 2011r.

Średnia / Average: 59

The Southern and Central Poland have the largest density of bank outlets.
Południowa oraz centralna Polska są najgęściej pokryte siecią placówek bankowych na km².

BANK OUTLETS DENSITY IN POLAND (3/3) GĘSTOŚĆ SIECI PLACÓWEK BANKOWYCH W POLSCE (3/3)

Number of outlets per 1 million inhabitants, by county „powiat” 2011
Liczba placówek bankowych na 1 milion mieszkańców, wg. powiatów, 2011r.

Minimum: 126
Mediana (443)
Maximum: 247

Number of bank outlets per 1 million inhabitants varies a lot on county level
Na poziomie powiatów gęstość placówek jest bardzo zróżnicowana

GE MONEY BANK – OVERVIEW

As of March 2006

History & Background

Timeline

- 1995, GE group purchased a small regional bank „Gospodarni Credit S.T. Bank”. Bank was rebranded soon to GE Capital bank.
- 1998, GE group purchased another small bank (PolskaBank) converted to a mortgage specialist GE Bank Mortgage.
- 2004, GE group acquired PGBanking specialist Credit with a network of 1000 POS. Clients are rebranded to GE Capital.
- 2004, a credit for dealers network was created under the GE Credit brand, being the main channel for car loans sales.
- As of Jan 2006, all GE activities in Poland were consolidated under one roof: GE Capital bank.

Channels

- GE money bank - 48 branches
- GEcard - 7000 card car dealers
- Dairy Credit consumer finance - 12 outlets and 1200 POS
- Expander - 33 branches - financial products distributor*

Shareholders

General Electric
Credit Agricole

Concept Description

Target Clients

- Affluent individuals and professionals looking for mortgage, having work growing and flexibility, sometimes not willing lending criteria set by other banks (for example old contract for term deposits)
- Mass market clients looking for simple and quick consumer loans

Products

Only lending products on offer:

- mortgage
- refinancing loans
- credit cards
- installment loans
- cash loans
- car loans

* Top notch risk management and collection
* High performing sales staff
* Fast loan processing and flexibility
* High margins
* Central over distribution (GEcard, Expander, Dairy Credit)
* Advanced cross-selling between segments

Results

Assets
PLN billion

Year	2003	2004	2005
Assets	7.4	8.3	9.1

Market share (%)

Year	2003	2004	2005
Market share	4.6	4.9	4.9

Loans
PLN billion

Year	2003	2004	2005
Loans	6.6	7.0	8.6

Net Profit
PLN billion

Year	2003	2004	2005
Net Profit	0.14	0.30	0.32

RDE (%)

Year	2003	2004	2005
RDE	4.9	4.9	4.9

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