

PZU Group's H1 2012 Financial Results

Warsaw, 29 August 2012



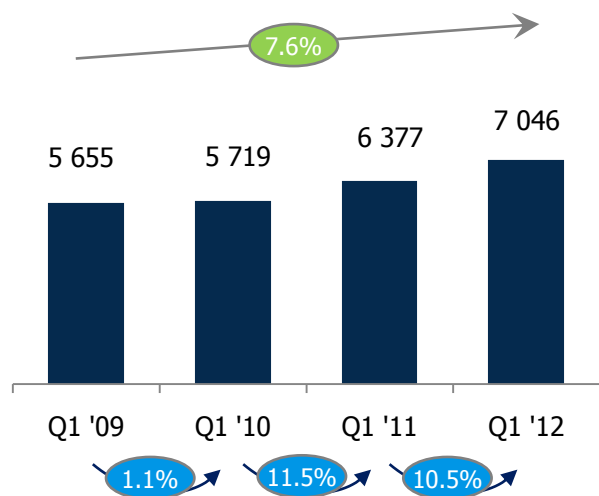


- 1 Insurance market in Poland
2. Operating Performance in H1 2012
3. Financial Results Overview
4. Questions and Answers

Insurance market in Poland



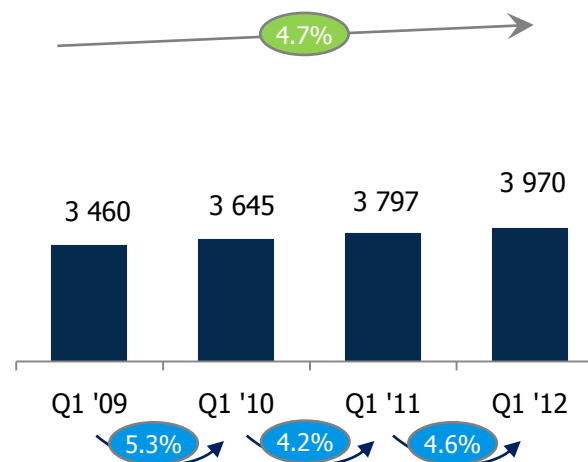
GWP Non-life Insurance



- Major price hikes in motor products and other corporate products.

Regular GWP Life Insurance

YTD, m PLN



- Figures concerning regular premium business might be distorted by classifying by certain insurers products with characteristics similar to single premium products as regular premium business.

x% - change Y/Y

Polish FSA data; only for Polish insurance market

Decelerating Pace of Market Share Constriction

Effect of Restructuring Corporate Insurance & Changes in Price Positioning



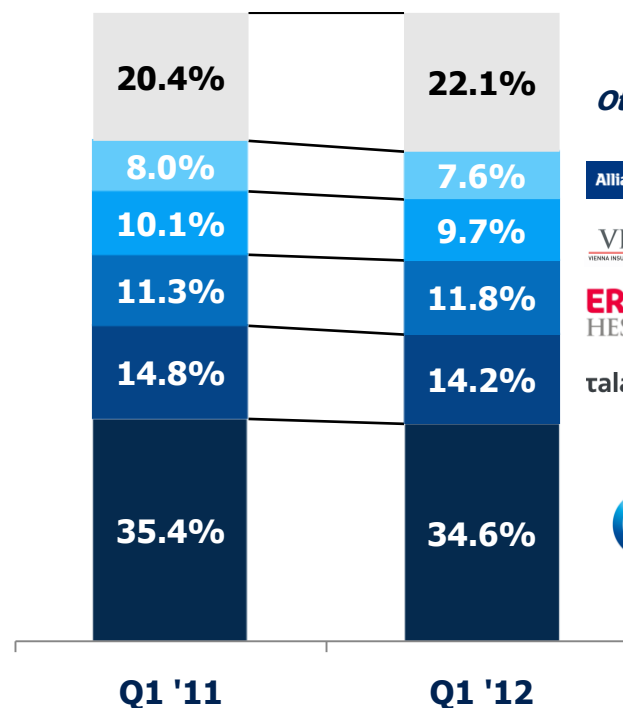
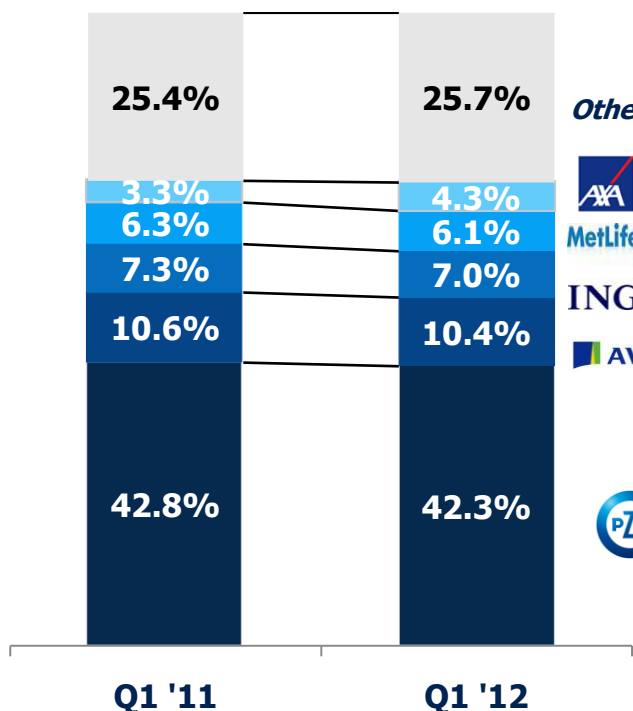
**PZU Life Market Share
Life Insurance (Regular Premium)**

**PZU's Market Share
Non-life Insurance**

YTD

ΔQ1 '11 – Q1 '12

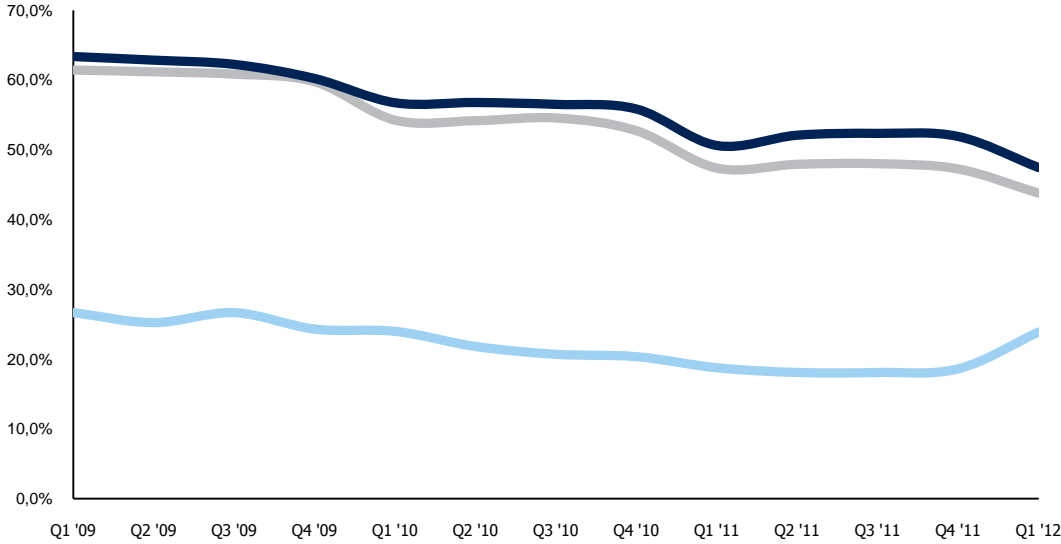
ΔQ1 '11 – Q1 '12



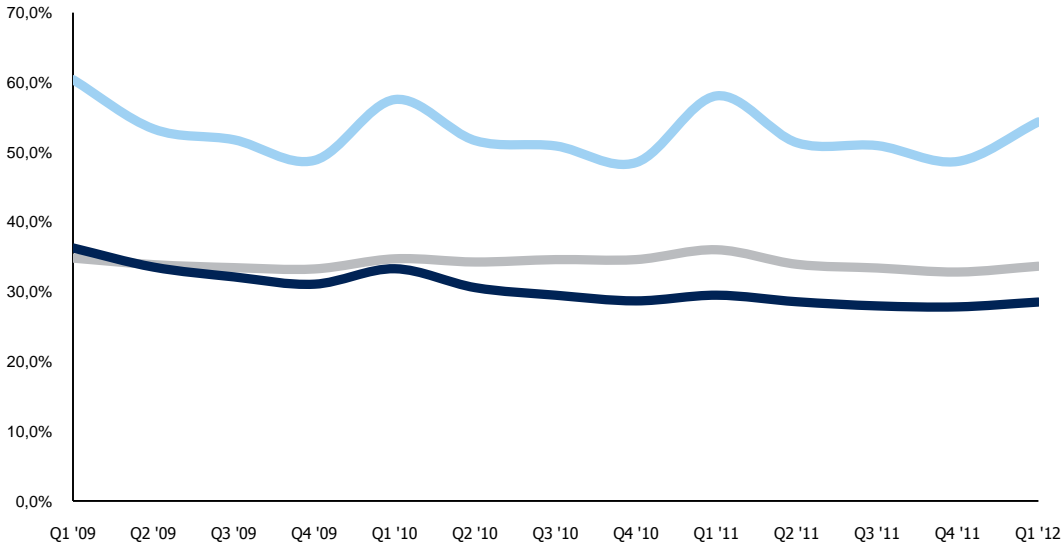
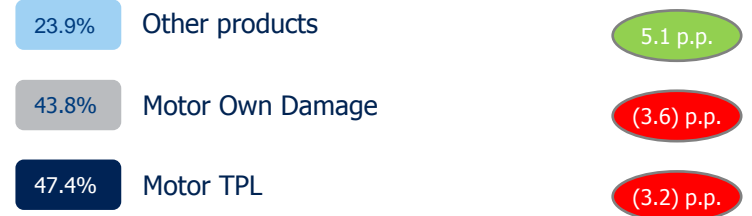
Capital Groups:
Non-life Business
 Allianz – Allianz, Euler Hermes
 Ergo Hestia – Ergo Hestia, MTU
 Talanx – Warta, Europa i HDI
 VIG – Compensa, Interrisk, Benefia, PZM
Life Business
 Aviva – Aviva, BZ WBK Aviva
 Metlife Amplico – Amplico, Metlife
 Talanx – Warta, Europa i HDI

Non-life Insurance Market

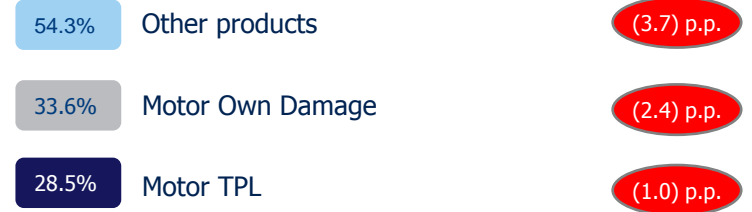
PZU's Market Share in Insurance Business Segments



PZU Market Share – Corporate Clients Q1 '12/Q1 '11



PZU Market Share – Individual Clients Q1 '12/Q1 '11



YTD data



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Key Messages Describing PZU's Performance in H1 2012

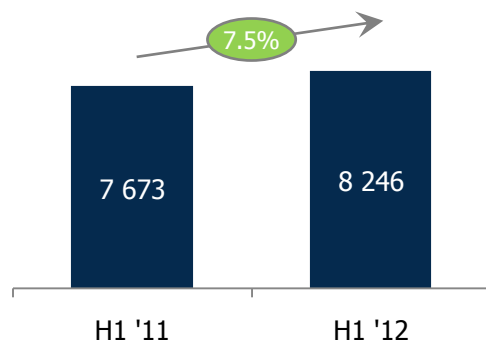


- **Sales in line with Group's Strategy for 2012-2014**
 - GWP growth in individual life
 - GWP growth in corporate non-life (new products)
- **Profitability as main focus**
 - High profitability in group and continued life segment
 - Non-life COR beating long-term target
- **Better investment result**
 - WIG Index up in H1 2012
 - T-bond yield down (leading to higher portfolio valuation)
- **Dividend per share – 22.43 PLN**
 - 1,937 m PLN of 2011 profits earmarked for dividend payout (capping dividend at 75% of net results)

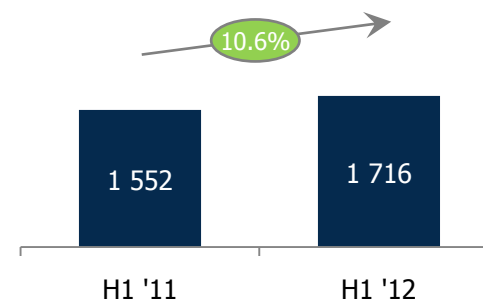
Overview of the PZU Group's H1 2012 Financial Results



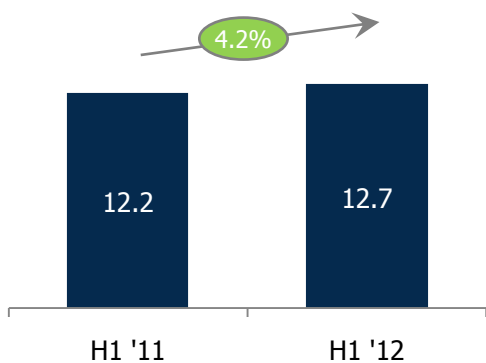
Gross Written Premium (m PLN)



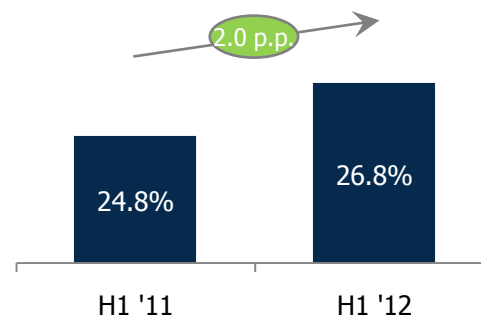
Net Profit (m PLN)



Equity (bn PLN)



ROE (%)*



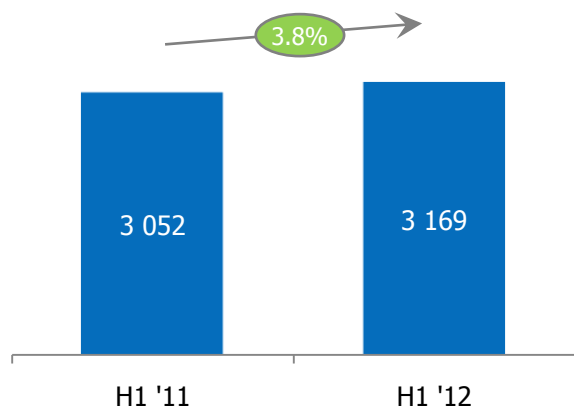
* Annualized ratio computed using equity at beginning and end of reporting period

Group Life Insurance and Continued Business grows steadily



YTD, m PLN

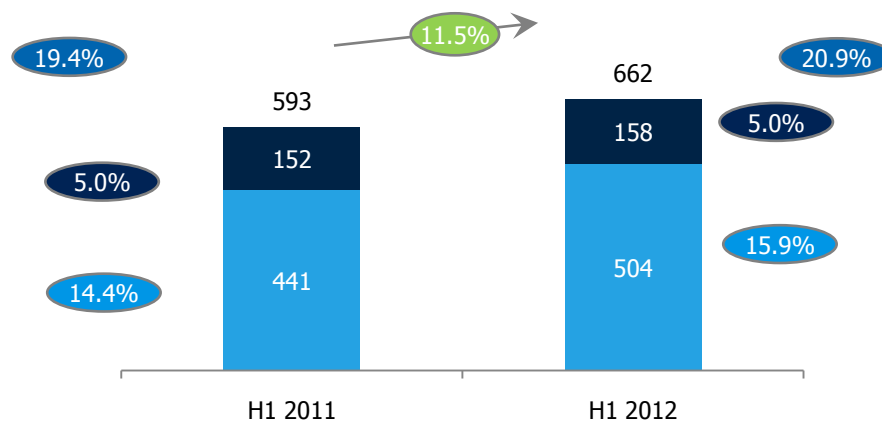
Gross Written Premium Group and Continued Segment



Drivers of higher gross written premium:

- Group insurance portfolio expansion and higher average premiums;
- High sales of riders to continued insurance products;
- Growth of bancassurance group endowment products classified as insurance contracts.

Operating Profit Group and Continued Segment*



- Higher operating profit driven by business growth.
- Lower loss ratio in group protection products.

* Net of conversion effect

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

 Insurance margin (investment yield using technical rate)

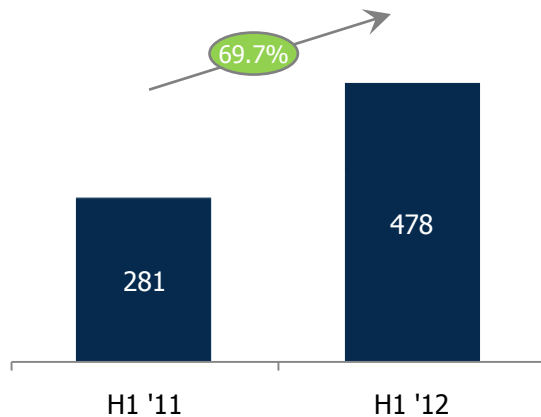
 Total margin

Individual Insurance Is Expanding Rapidly due to sale in bancassurance channel



YTD, m PLN

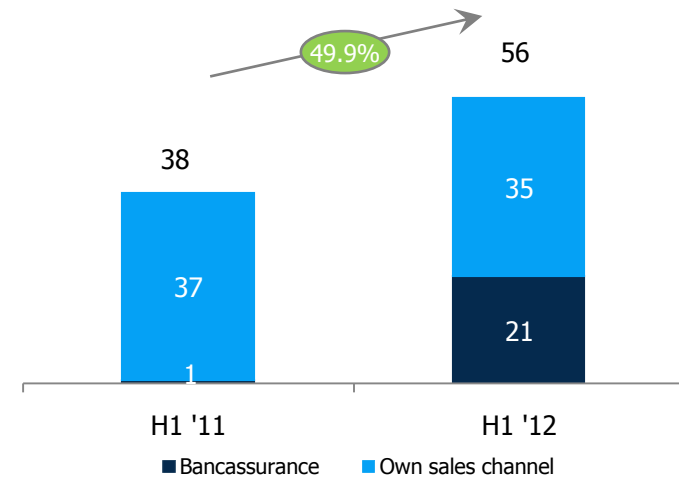
Gross Written Premium Individual Life Segment



High sales of individual products in the bancassurance channel:

- Structured products in cooperation with Citibank Handlowy;
- Unit-linked products in cooperation with Bank Millennium.

APE in Individual Life Segment*



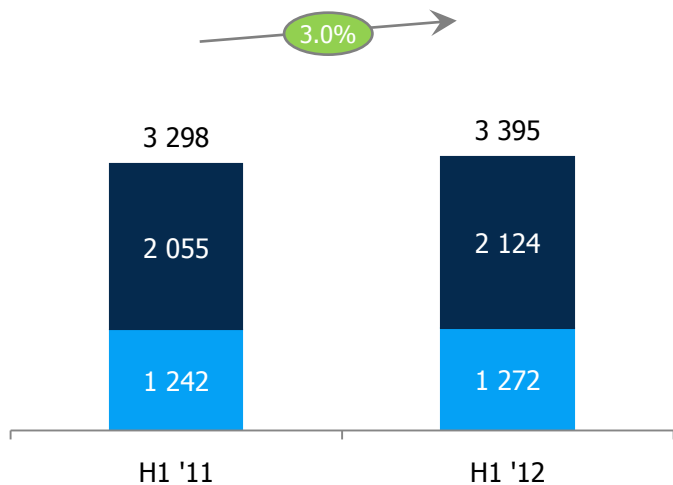
- Popularity of unit-linked and structured products in the bancassurance channel.
- Stable sales level of Plan na Życie on difficult traditional insurance market.

* Only insurance contracts

Mass Client Segment Profitability Grew in Motor Insurance



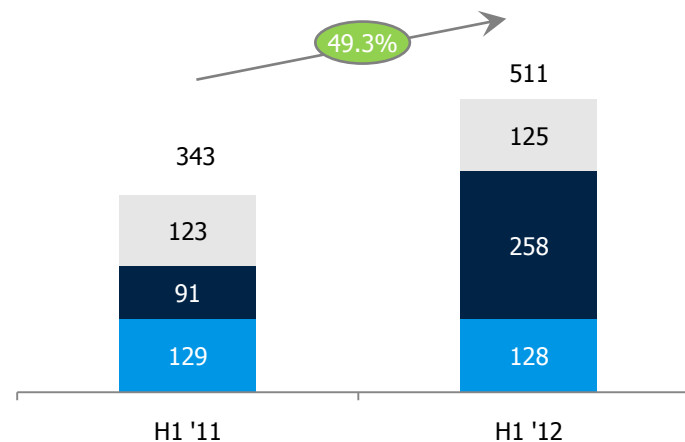
**PZU's Gross Written Premium
in Mass Client Segment**



- Price hikes in 2011 in Motor TPL business contributed to sales growth in 2012 (higher average premium).
- GWP growth in other TPL products following the implementation of modified TPL products for health care units and small business.

**PZU's Operating profit
in Mass Client Segment**

YTD, m PLN



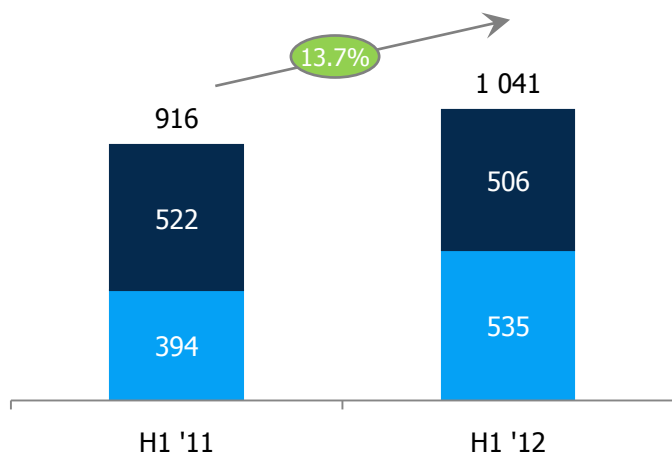
- Better results in motor business related to lower loss ratio (70.0% H1 2012 vs. 74.8% H1 2011) due to decrease in loss frequency (favorable weather conditions).
- In other insurance – limited number of single high value claims payments in H1 2012.
- Similar losses in agriculture insurance in H1 2012 vs H1 2011.

Impact of Investment Segment Allocation
 Motor Insurance Business
 Non Motor Insurance Business

Corporate Client Segment Profitability Down on Contractual Guarantees in Construction Contracts



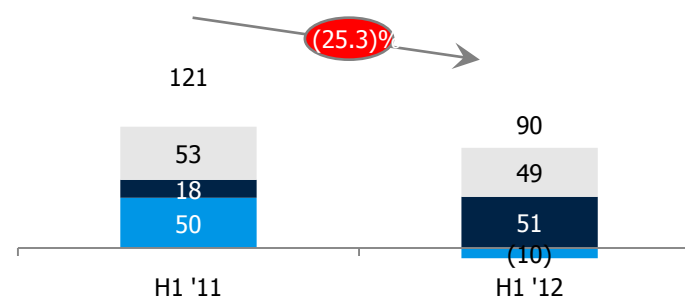
**PZU's Gross Written Premium
in Corporate Client Segment**



- Success in sales of TPL corporate products and modified products for health care units.
- High sales of accident insurance for hospitals (compulsory insurance in H1 2012).

**PZU's Operating profit
in Corporate Client Segment**

YTD, m PLN



- Better results in motor business related to lower loss ratio (69.1% H1 2012 vs. 78.9% H1 2011) due to:
 - Changes in underwriting policy;
 - Lower loss frequency (favorable weather conditions).
- Lower technical results in financial insurance related to contractual guarantees in construction contracts (minus 132.5 m PLN, deteriorating financial condition of construction sector).

Impact of Investment Segment Allocation

Motor Insurance Business

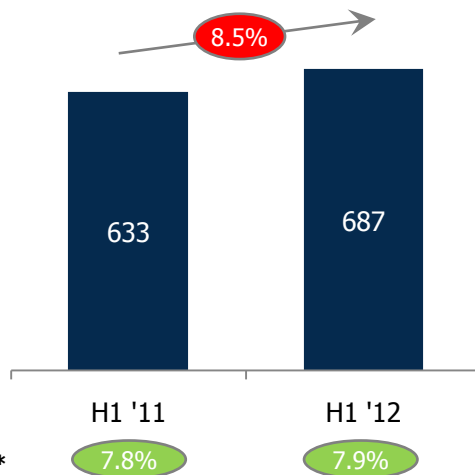
Non Motor Insurance Business

Increase of administrative expenses due to project activities

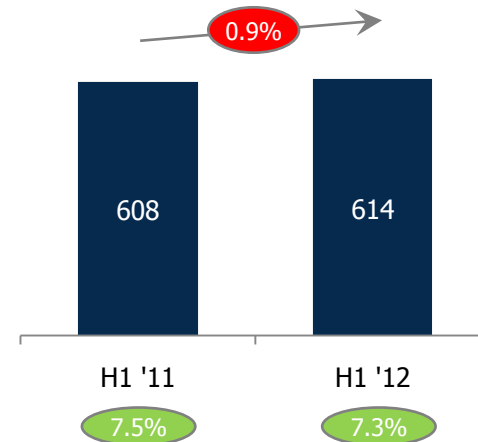


YTD, m PLN

Administrative Expenses



Recurring Administrative Expenses



Administrative expense ratio (%)*

- Stable recurring administrative expenses despite business growth.
- Higher administrative expenses due to projects aiming at optimizing service processes and improving PZU Group image (campaign +27.3 mln PLN)
- Additional costs of 20 m PLN (IFRS adjustment).

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



- On 9th of July PZU signed an agreement with US company Guidewire Inc., specialized IT service provider for non-life insurers.
- Implementation of new product system will allow:
 - improvement of the client service quality (modules based product, quick tariff changes),
 - further PZU operations' optimization (integrated sales and service model, process automation).
- Plan for implantation system – pilot commencement at the beginning of 2013, gradual migration of clients and insurances policies to the new IT system till 2015.



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Overview of PZU Group's Financial Highlights



m PLN, IFRS	H1 2011	H1 2012	Change YoY	Q2 2012	Q1 2012	Change Q2 12 over Q1 12
Profit and Loss Statement						
Gross Written Premium	7 673	8 246	7.5%	3 924	4 323	(9.2)%
Premium Earned	7 270	7 867	8.2%	3 998	3 869	3.3%
Investment Result	1 079	1 524	41.2%	651	873	(25.4)%
Operating Profit	1 902	2 136	12.3%	1 101	1 035	6.4%
Net Profit	1 552	1 716	10.6%	894	823	8.7%
Balance Sheet						
Equity	12 231	12 741	4.2%	12 741	13 789	(7.6)%
Total Assets	57 301	54 268	(5.3)%	54 268	55 329	(1.9)%
Principal Financial Ratios						
ROE*	24.8%	26.8%	2.0 p.p.	27.0%	24.7%	2.3 p.p.
Combined Ratio**	92.6%	90.5%	(2.1) p.p.	89.9%	91.2%	(1.3) p.p.

* Annualized ratio computed using equity at beginning and end of reporting period

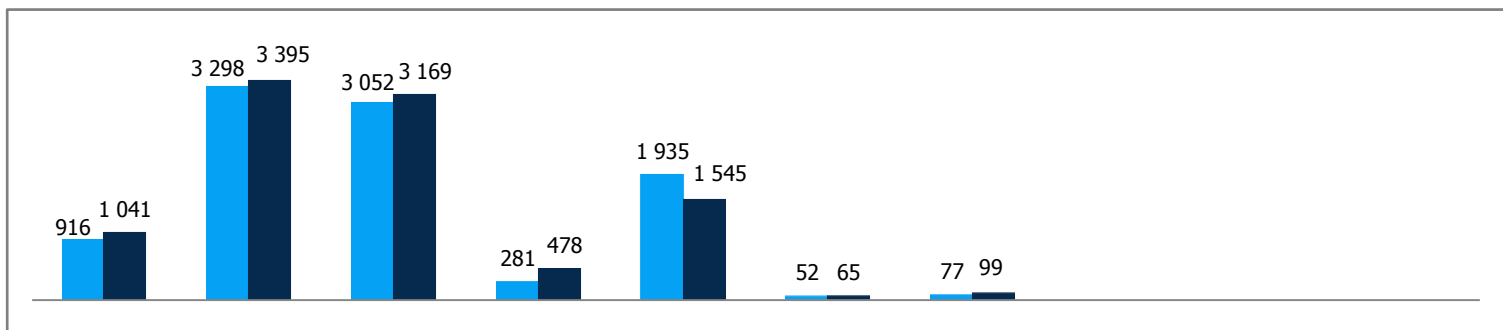
** Only for Non-Life insurance business

Increase in PZU Group Operating Profit due to Better Investment Result and Higher Profitability in Mass Client Segment

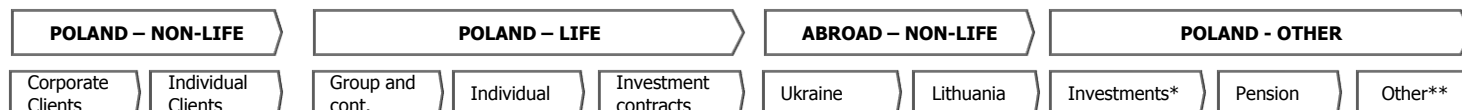


m PLN

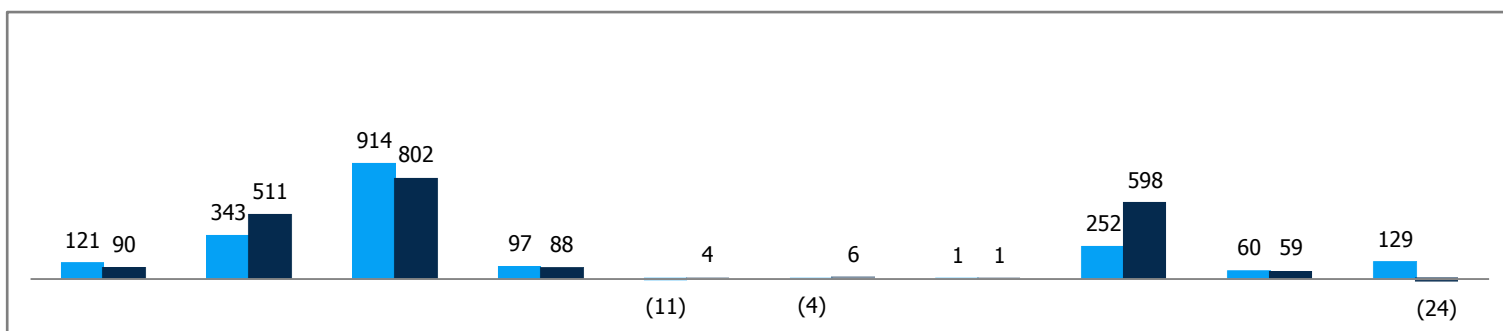
GWP
(Local GAAP)



SEGMENTS



Operational profit



■ H1 '11 ■ H1 '12

* Investment revenues in Investment Segment – external operations

** Armatura Group consolidation effect in 2011

Profitability by Insurance Business Segment



Insurance Business Segments	Gross Written Premium			Operating Profit			Combined Ratio / Operating profit ratio*		
	m PLN, local GAAP	H1 2011	H1 2012	Change YoY	H1 2011	H1 2012	Change YoY	H1 2011	H1 2012
Total Non-Life		4 343	4 600	5.9%	460	609	32.3%	92.6%	90.5%
Mass insurance - Poland		3 298	3 395	2.9%	343	511	49.3%	92.0%	88.4%
Motor TPL Insurance		1 220	1 304	6.9%	30	143	372.2%	98.7%	93.0%
Motor Own Damage		835	819	(1.9)%	61	115	89.1%	91.4%	84.4%
Other products		1 243	1 272	2.3%	129	128	(0.8)%	85.8%	86.1%
Impact of investment segment allocation		x	x	x	123	125	x	x	x
Corporate Insurance - Poland		916	1 041	13.7%	121	90	(25.3)%	92.0%	96.2%
Motor TPL Insurance		201	209	4.1%	(2)	(8)	300.0%	100.8%	104.3%
Motor Own Damage		321	297	(7.6)%	20	59	195.0%	93.4%	80.8%
Other products		394	535	35.9%	50	(10)	(120.0)%	84.9%	105.0%
Impact of investment segment allocation		x	x	x	53	49	x	x	x
Ukraine		52	65	23.4%	(4)	6	x	126.9%	107.7%
Lithuania		77	99	29.2%	1	1	61.2%	104.0%	103.1%
Total Life Poland		3 333	3 647	9.4%	1 011	890	(12.0)%	30.3%	24.4%
Group and Continued **		3 052	3 169	3.8%	593	662	11.5%	19.4%	20.9%
Individual		281	478	69.7%	97	88	(9.6)%	34.5%	18.4%
Conversion effect		x	x	x	321	140	x	x	x

* Combined Ratio (calculated in relation to net premium) presented for Non-Life insurance business / operating profit ratio (calculated in relation to GWP) presented for Life insurance business

** Operating profit ratio net of conversion effect (under Polish GAAP) according to new / old method

Extraordinary Items Affecting the Results



m PLN, IFRS	H1 2011	H1 2012
Operating Profit (according to financial statements)	1902.4	2135.6
<i>including:</i>		
1 Movement in insurance provisions – release of type P provisions	302.9	131.8
2 Effects of consolidating the Armatura Group – change in the method of valuation	118.9	
3 Result on contractual guarantees in construction contracts		(132.5)

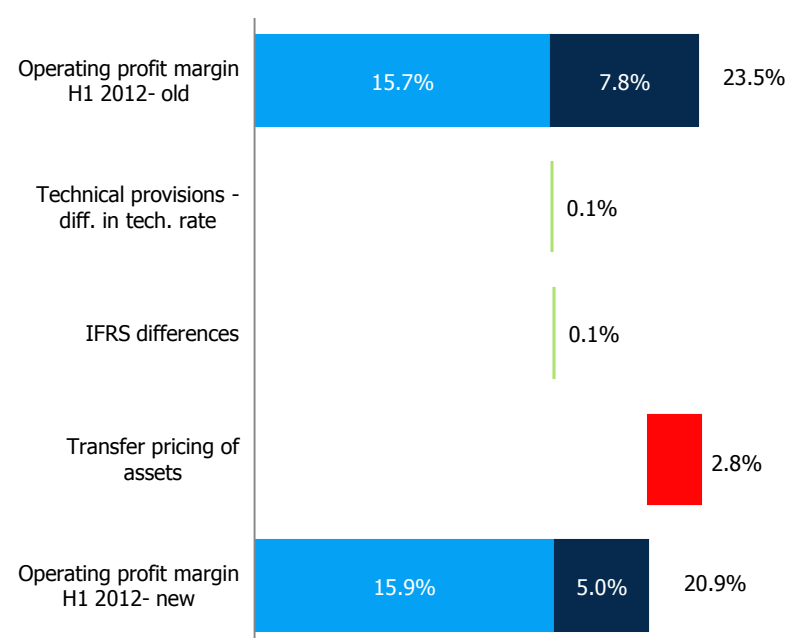
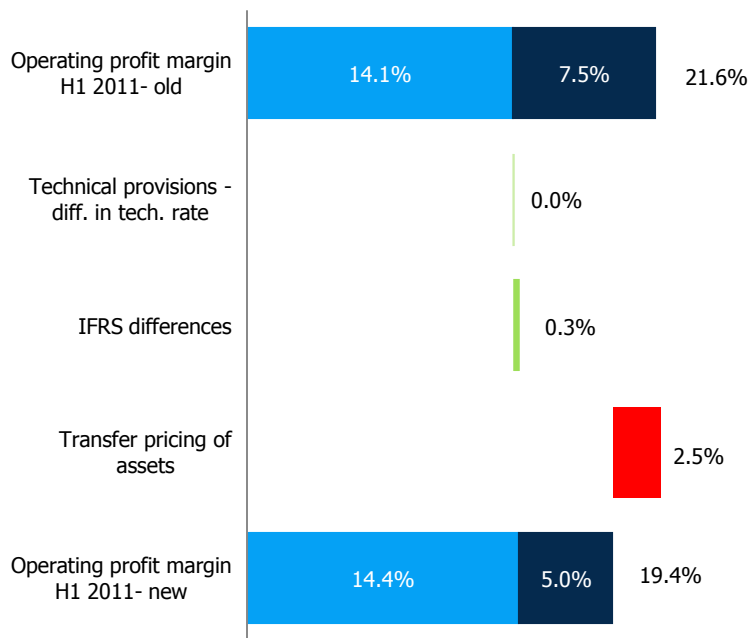
- 1 Impact of converting long-term contracts into yearly-renewable term contracts comparable Y/Y.
- 2 The difference between the value of the Armatura Group carried in the balance sheet as at 31 December 2010 and PZU Group's share in the Armatura Group's net assets was reported in the 2011 profit and loss statement. The non-recurring impact is related to commencing consolidation by the full method.
- 3 Lower result on contractual guarantees in construction contracts due to this sector's deteriorating financial condition (higher IBNR and reduced assessment of share in reinsurers' profits)

Life Insurance Segment Profitability (Group and Continued Business)



Changes in operating profit ratio due to changes in segmentation 2011

Changes in operating profit ratio due to changes in segmentation 2012



Investment margin (investment yield above technical rate)

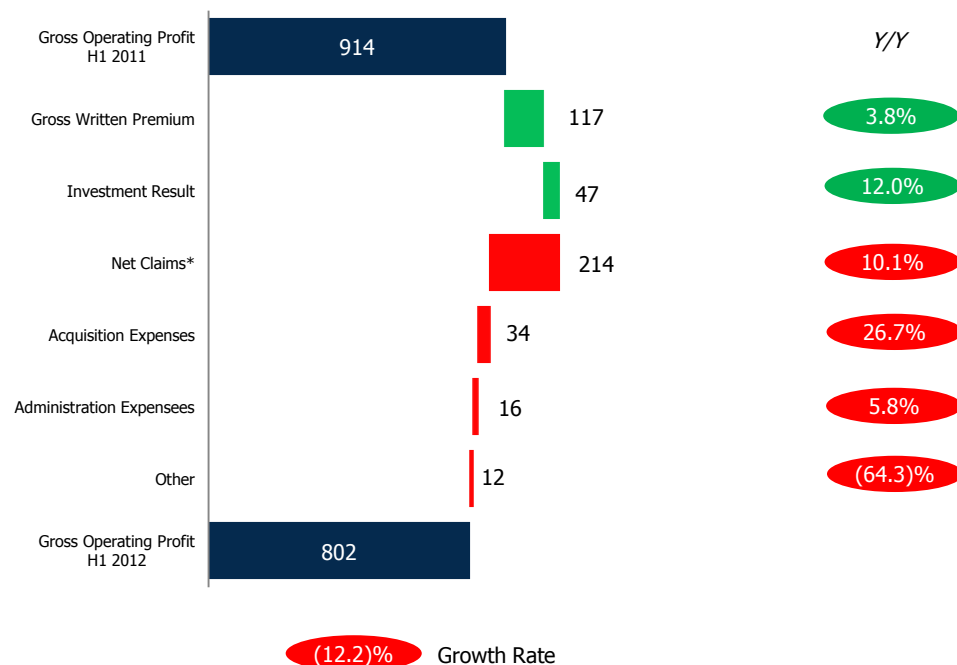


Insurance margin (investment yield using technical rate)

Group and Continued Life Insurance Segment



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

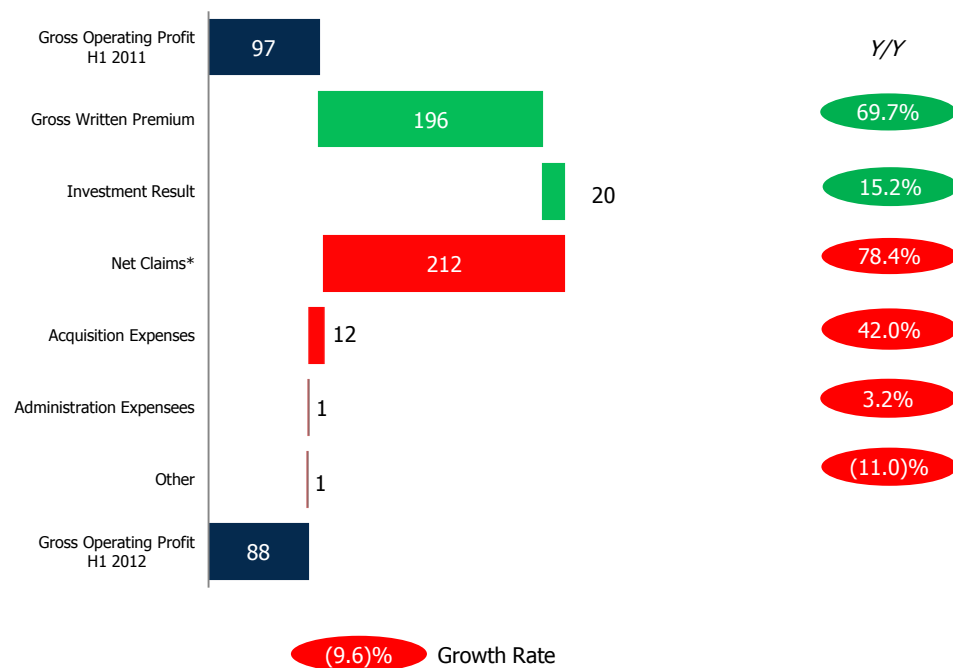


* including technical provisions and conversion effect

Remarks

- GWP growth +3.8% Y/Y due to group insurance portfolio expansion (including riders to continued insurances) and higher average premiums.
- Higher investment result mainly in investment-type products driven by robust capital markets in H1 2012.
- Slight increase in net claims in type P group protection insurance due to portfolio expansion and a decrease of loss ratio.
- Growth of mathematical provisions due to lower conversion ratio in type P group insurance; higher product sales (bancassurance channel) and higher investment result in unit-linked portfolio.
- Acquisition expenses up Y/Y driven by higher sales volume.
- Higher administrative expenses driven by PZU Group rebranding campaign.
- Lower operating profit stems primarily from lower conversion effect in type P group insurance; this segment's margin up net of conversion effect.

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



* including technical provisions

Remarks

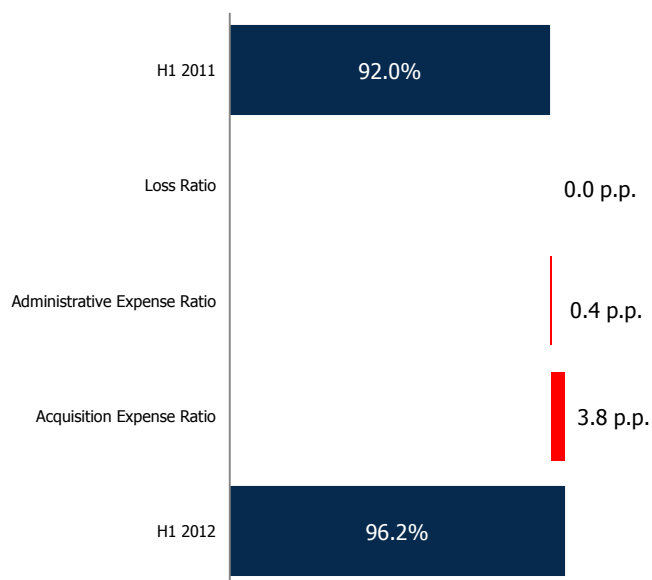
- GWP up by 69.7% Y/Y primarily driven by high bancassurance sales.
- Higher investment result mainly in investment-type products driven by robust capital markets in H1 2012.
- Decrease of net claims as a result of lower surrenders level in traditional protection insurances.
- Growth of mathematical provisions due to higher sales of investment products and better investment result in unit-linked portfolio.
- Acquisition expenses up Y/Y as a result of higher sales volume (including investment insurance with a high first-year non-deferrable commission).
- Stable administrative expenses.
- Lower operating profit stems primarily from high sales of investment products with a high first-year non-deferrable commission.

Profitability of Corporate Non-life Insurance Segment



Profitability of Corporate Non-life Insurance (COR %)

Remarks



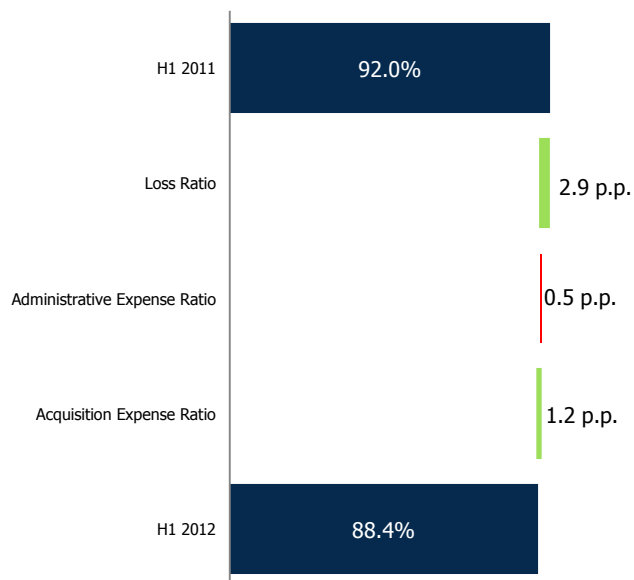
- Loss ratio unchanged because of the following:
 - Establishing claims provisions for contractual guarantees in construction contracts – effect of this sector’s deteriorating financial condition;
 - Lower loss frequency in motor business.
- Higher administrative expense ratio resulted from:
 - PZU Group’s rebranding campaign;
 - Initiatives to optimize service processes.
- Higher acquisition expense ratio due to lower level of deferred acquisition costs.

Profitability in Mass Non-life Insurance Segment



Profitability of Mass Non-life Insurance (COR %)

Remarks

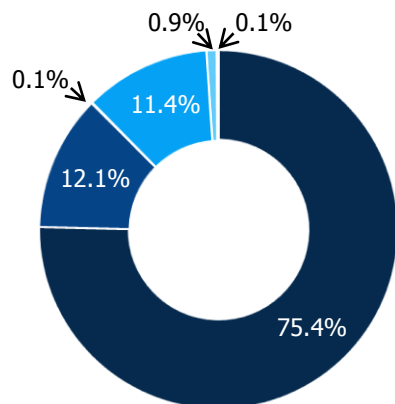


- Lower loss ratio on better results in motor business (lower loss frequency) and low number of single high value claims.
- High losses in agricultural insurance linked to natural causes similar in comparable periods.
- Higher administrative expense ratio resulted from:
 - PZU Group's rebranding campaign;
 - Initiatives to optimize service processes.
- Lower acquisition expense ratio on lower indirect acquisition costs.

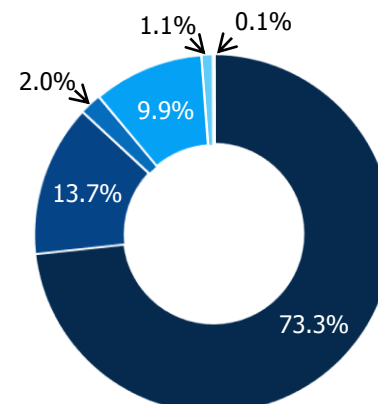
High Profitability of Debt and Equity Instruments



H1 '11 Investment Composition*

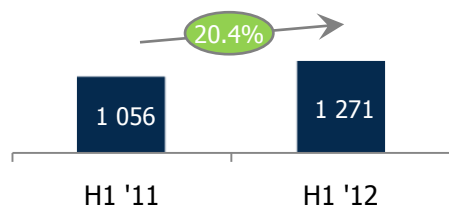


H1 '12 Investment Composition*

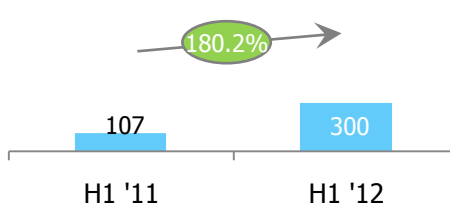


Investment Revenues

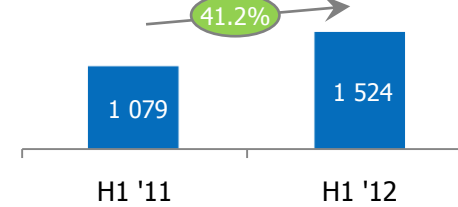
Debt securities and interest-bearing instruments**



Equity instruments



TOTAL m PLN



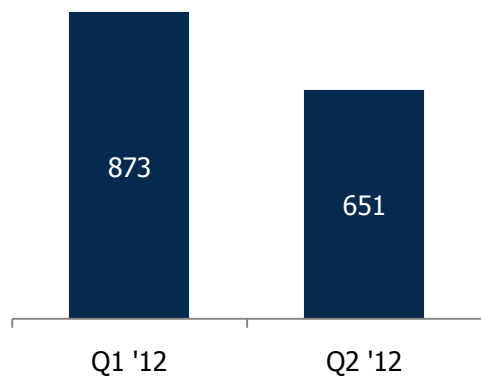
* Investments include financial assets, investment properties and negative valuation of derivatives.

** Investment revenues include results on debt securities, loans, reverse repo and deposits.

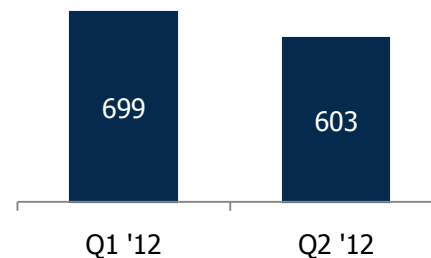
High Profitability of Debt and Equity Instruments



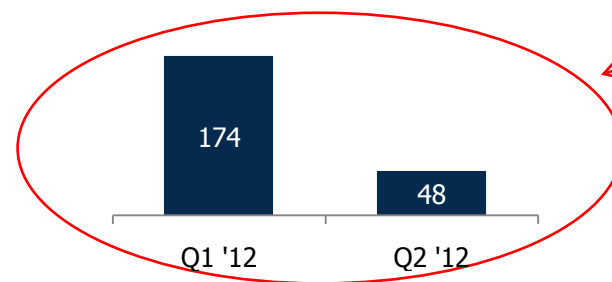
Investment Revenues (Total m PLN)



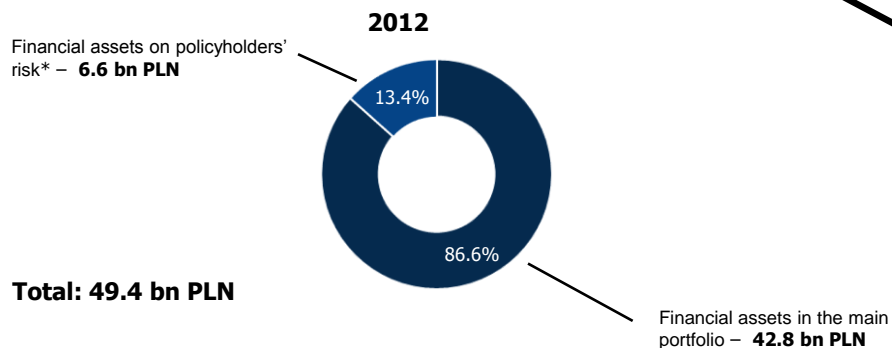
Investment Revenues from the main portfolio (m PLN)



Investment Revenues on policyholders' risk* (m PLN)



No impact on PZU Group's net result

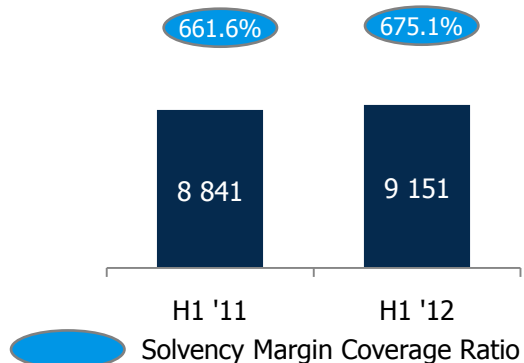


* Products at policyholders' risk: unit-linked, structured and tax exempt products

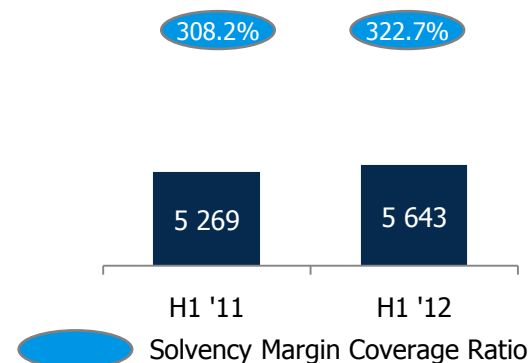
Robust Capitalization, Strong Solvency Ratios and Stable Dividends



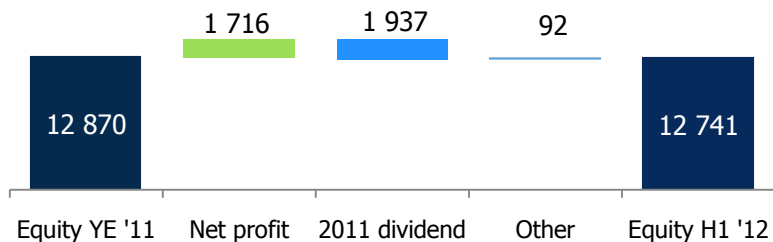
PZU Own Funds and Solvency Margin Coverage Ratio (m PLN, PAS)



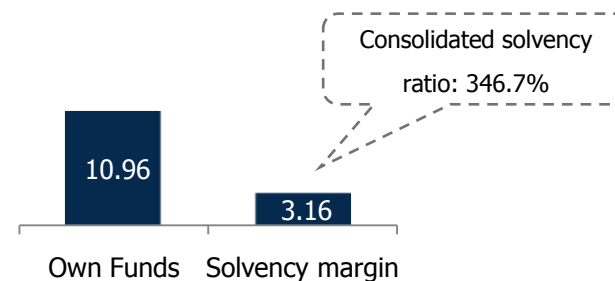
PZU Życie Own Funds and Solvency Margin Coverage Ratio (m PLN, PAS)



PZU Group's Equity (m PLN, IFRS)



PZU Group's Own Funds for H1 2012 (bn PLN, IFRS)





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Questions and Answers



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