

PZU Group's Q1-Q3 2012 Financial Results

Warsaw, 14 November 2012





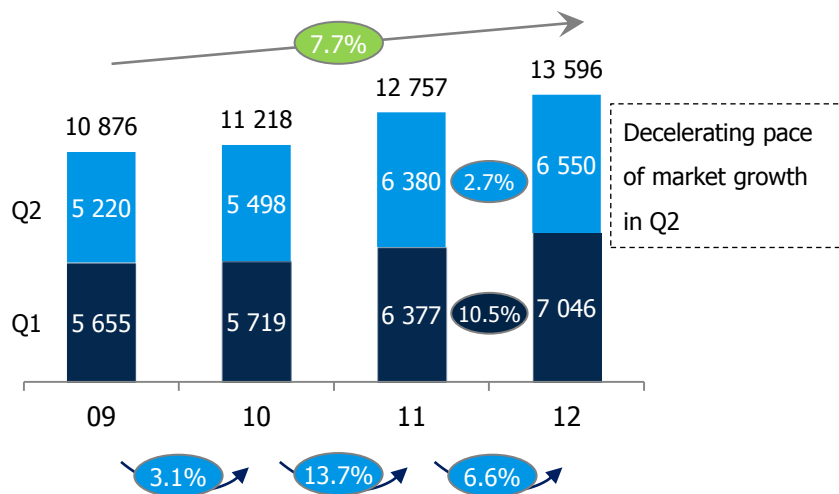
Agenda

- 1 Insurance market in Poland after H1 2012
2. Operating Performance in Q1 - Q3 2012
3. Financial Results Overview in Q1 - Q3 2012
4. Questions and Answers

Insurance market in Poland

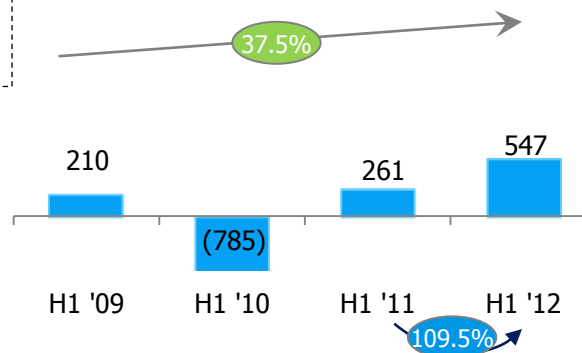
YTD, m PLN

Gross Written Premium Non-life Insurance



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

Technical Result Non-life Insurance



- PZU is still the leader in profitability (418.6 m PLN in H1 2012 – 76.6% market share).

x% - CAGR

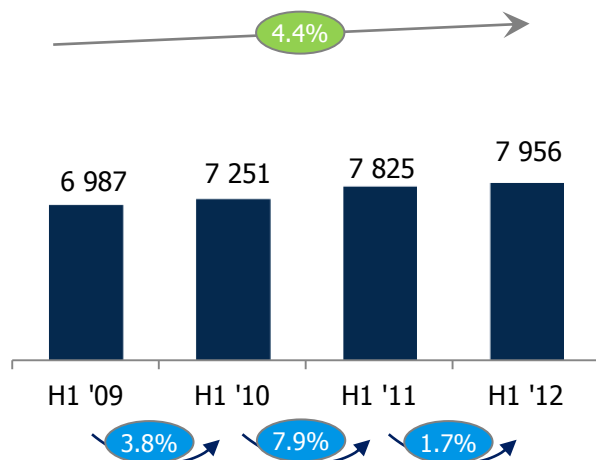
x% - change Y/Y

Polish FSA data; only for Polish insurance market

Insurance market in Poland

YTD, m PLN

Regular Gross Written Premium Life Insurance*

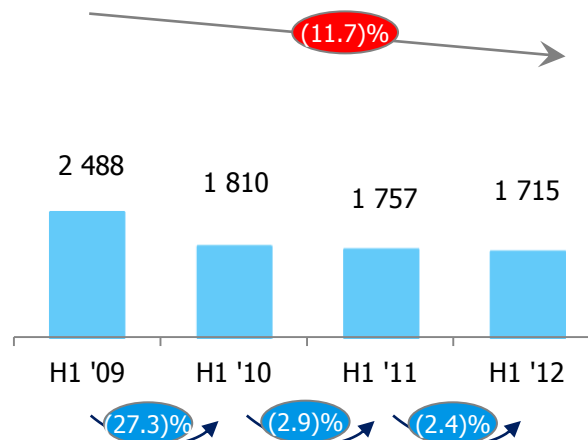


- PZU Life GWP growth outperforms market (H1 2012 - 3.3% vs. 1.7%).

x% - CAGR

x% - change Y/Y

Technical Result Life Insurance



- PZU Life's share of the market's technical results exceeds 57.4%.
- Lower profitability driven by extent of portfolio conversion.

Polish FSA data; only for Polish insurance market

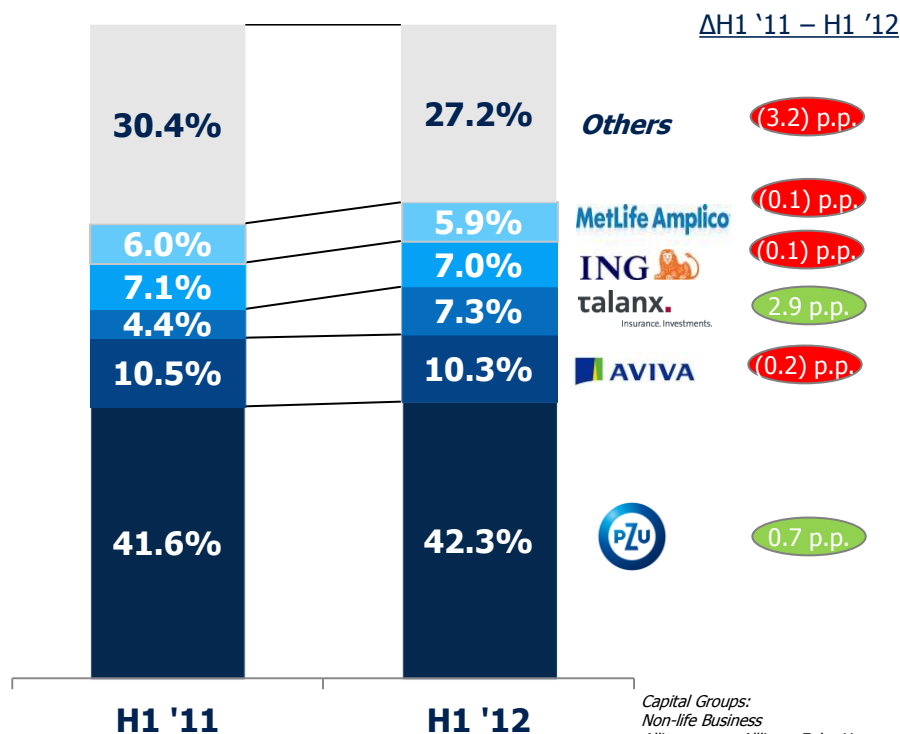
* Figures concerning regular premium business may be distorted by certain insurers classifying products entailing attributes of single premium products as regular premium business



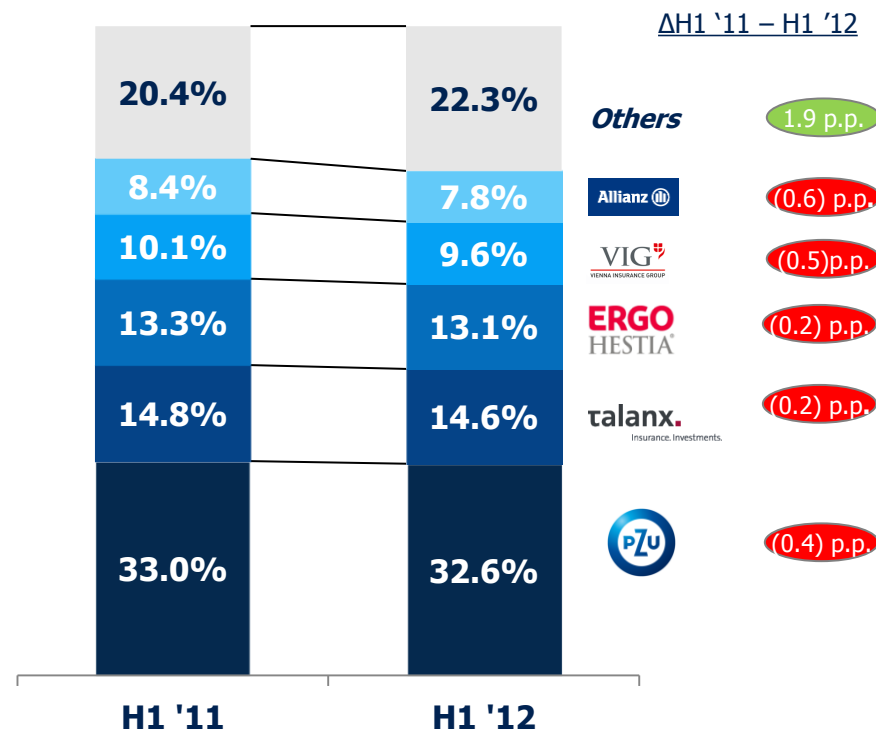
Market Share Decreasing at Lower Pace Effect of Restructuring Corporate Insurance & Changes in Price Positioning

YTD

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



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



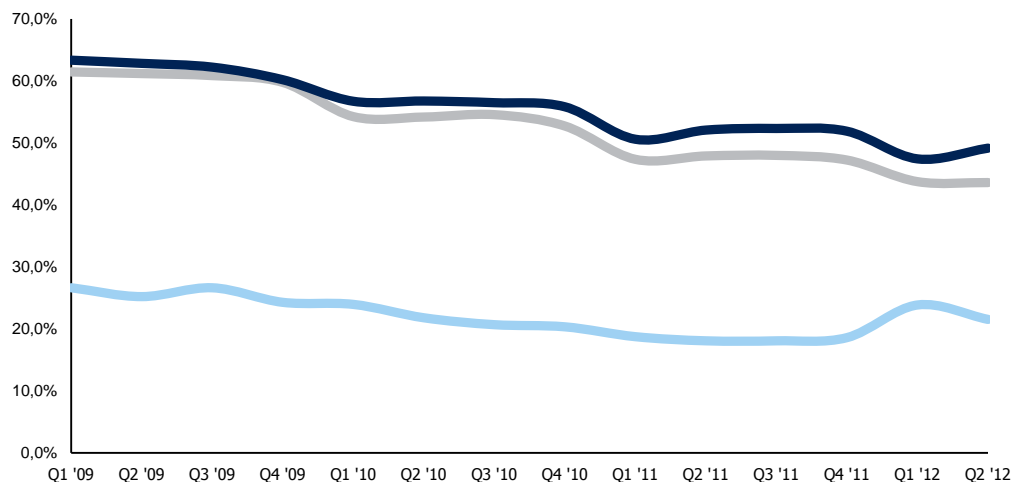
Capital Groups:
 Non-life Business
 Allianz – Allianz, Euler Hermes
 Ergo Hestia – Ergo Hestia, MTU
 Talanx – Warta, Europa i HDI
 VIG – Compensa, Benefia, Interrisk, PZM (since 31 July 2012 Interrisk merged with PZM)
 Life Business
 Aviva – Aviva, BZ WBK Aviva
 Metlife Amplico – Amplico, Metlife
 Talanx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



Non-life Insurance Market

PZU's Market Share by Business Segment

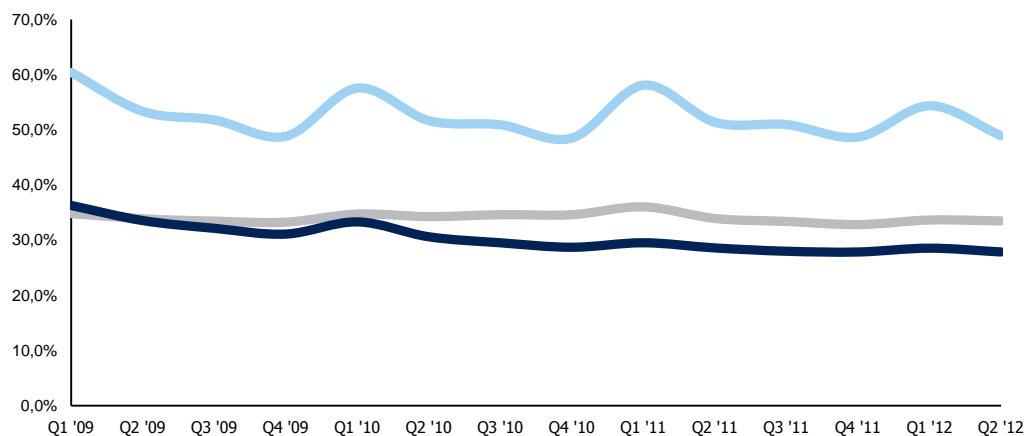
YTD



H1 '12 Corporate Clients

H1 '12/H1 '11

49.2%	Motor TPL	(2.9) p.p.
43.6%	Motor Own Damage	(4.3) p.p.
21.5%	Other products	3.5 p.p.



H1 '12 Mass Clients

H1 '12/H1 '11

27.8%	Motor TPL	(0.7) p.p.
33.5%	Motor Own Damage	(0.4) p.p.
48.9%	Other products	(2.4) p.p.



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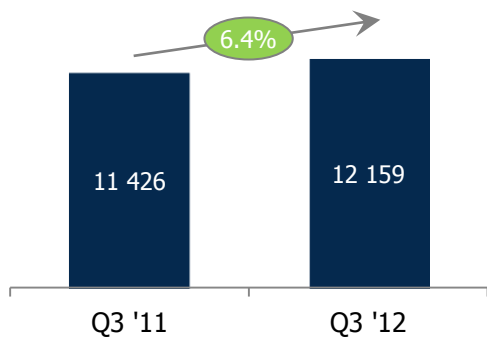
Key Issues Describing PZU's Performance in Q1 - Q3 2012

- **GWP growth despite worsening market conditions**
 - Stable GWP growth in group and continued life segment
 - GWP growth in corporate non-life (new products)
- **Profitability as main focus**
 - One of the best quarterly results in PZU Group's history
 - High profitability in group and continued life segment
 - Non-life COR under long-term target
- **Better investment result**
 - Changes to investment strategy to enhance profitability and flatten volatility
 - Larger share of corporate debt, investments in real estate and partial conversion into investment fund to gain tax-shield
 - Better than expected financial market conditions:
 - WIG Index up in Q1 - Q3 2012 (+16.3% vs -19.4% year before)
 - T-bond yield down (leading to higher portfolio valuation)

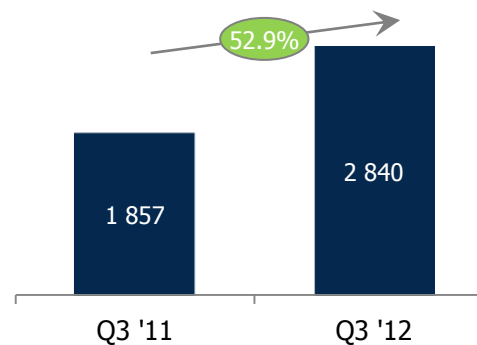
Overview of the PZU Group's Q1 - Q3 2012 Financial Results

YTD

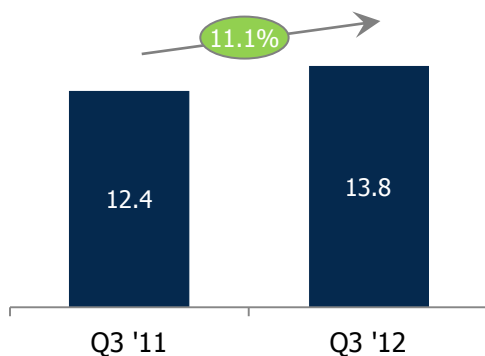
Gross Written Premium (m PLN)



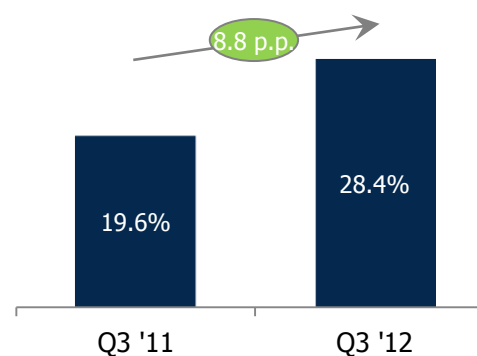
Net Profit (m PLN)



Equity (bn PLN)



ROE (%)*



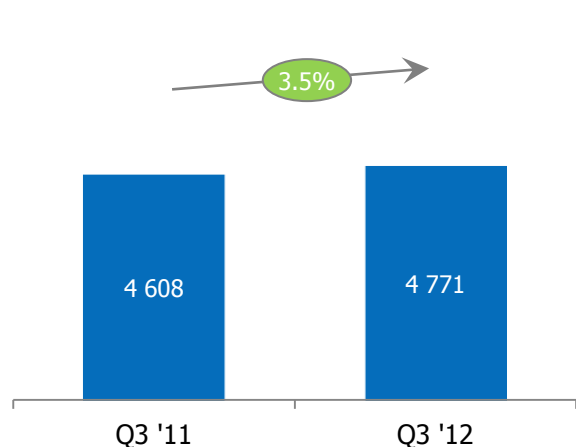
* Annualized ratio computed using equity at beginning and end of reporting period

x% - change Y/Y

Group Life Insurance and Continued Business grow steadily and profitably

YTD, m PLN

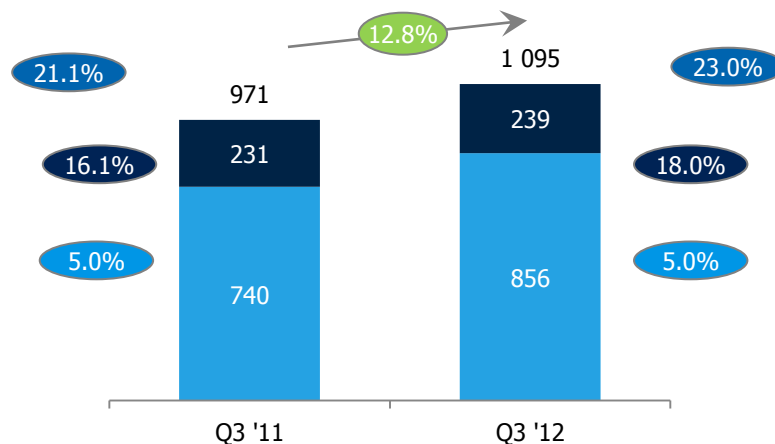
**Gross Written Premium
Group and Continued Segment**



Drivers of higher gross written premium:

- Larger Group insurance portfolio and higher average premiums;
- High sales of riders to continued insurance products;
- Growth of bancassurance group investment products classified as insurance contracts (including ING Bank Śląski and Bank Millennium);
- Growth of group health care products, including new medicine insurance.

**Operating Profit
Group and Continued Segment***



Higher operating profit driven by business growth. Lower loss ratio in protection products (as a result of GWP from riders with a low loss ratio and decrease in average permanent disability claims).

* Net of conversion effect

x% - change Y/Y

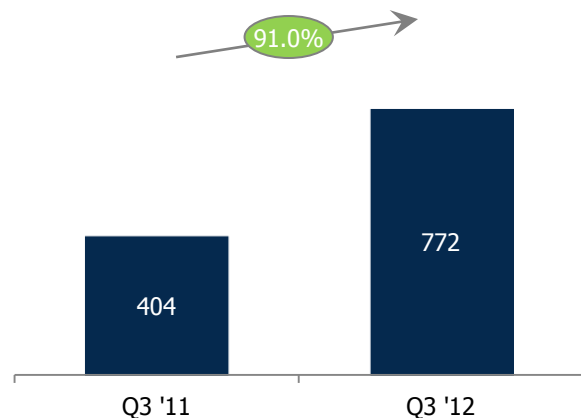
■ Investment margin (investment yield above technical rate up to a maximum equal to the risk free rate)

■ Insurance margin (investment yield using technical rate)

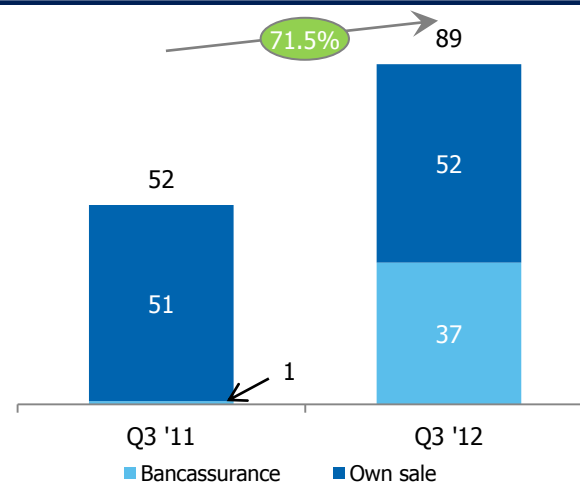
■ Total margin

Individual Insurance Is Expanding Rapidly on Sales in Bancassurance Channel

Gross Written Premium Individual Life Segment



APE in Individual Life Segment*



High sales of individual products in the bancassurance channel:

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

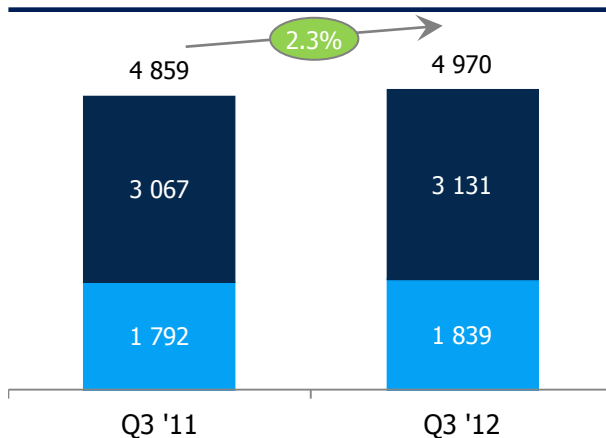
Stable sales level of *Plan na Życie* (regular savings and investment product with protection element) on the demanding traditional insurance market.

* Only insurance contracts

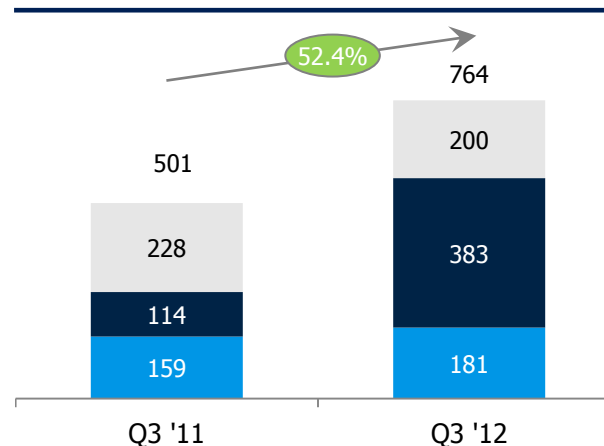
Mass Client Segment Profitability Up in Motor Insurance

YTD, m PLN

**Gross Written Premium
in Mass Client Segment**



**Operating profit
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 launch of modified TPL products for health care units and small businesses.
- GWP growth in other non-life business mainly due to higher sales of property insurance (*PZU DOM PLUS*).

- Better results in motor business due to favorable weather conditions (lower loss frequency). Loss ratio down by 6.1 p.p. to 69.9%.
- In other insurance – limited number of single high value and mass claims.

x% - change Y/Y

Impact of Investment Segment Allocation

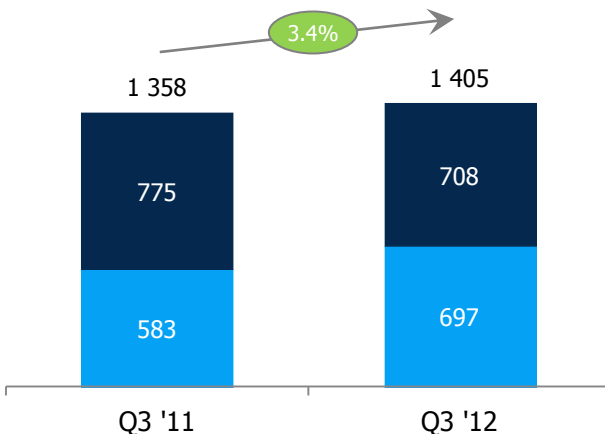
Motor Insurance Business (Technical result)

Non-Motor Insurance Business (Technical result)

Corporate Client Segment Profitability Down on Contractual Guarantees in Construction Contracts

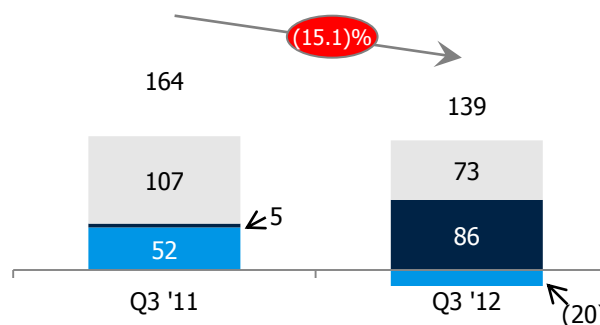
YTD, m PLN

**Gross Written Premium
in Corporate Client Segment**



- Success in sales of TPL corporate products and modified TPL products for health care units.
- High sales of accident insurance to hospitals (compulsory insurance in H1 2012).
- Lower sales of motor insurance due to price hike and restrictive underwriting policy.

**Operating Profit
in Corporate Client Segment**



- Better results in motor business related to lower loss ratio (down by 13.3 p.p. to 68.0%) due to:
 - Changes in underwriting policy;
 - Favorable weather conditions (decrease in loss frequency).
- Lower results in contractual guarantees in construction contracts (non-motor insurance business) mainly due to higher claim provisions as the construction sector's financial condition deteriorated (gross result -117.1 m PLN)

x% - change Y/Y

Impact of Investment Segment Allocation

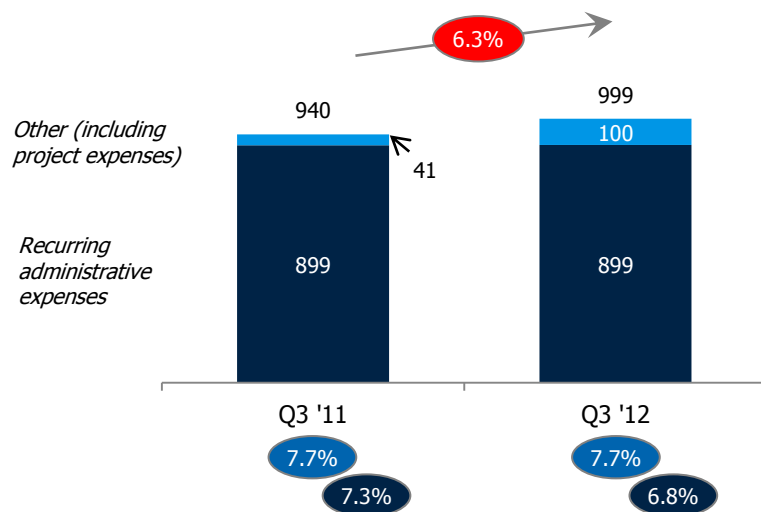
Motor Insurance Business (Technical result)

Non Motor Insurance Business (Technical result)

Higher Administrative Expenses on Project Activities

YTD, m PLN

Administrative Expenses



- Decelerating pace of administrative expenses growth y/y (costs of restructuring project launched in 2011).
- Recurring expenses stable despite business growth.
- Higher administrative expenses on projects to optimize service processes and improve the PZU Group's image (rebranding campaign and other related expenses +30.9 mln PLN).
- Additional costs of 20 m PLN for Employee Benefit Fund.**

- x% - Change Y/Y
- x% - Administrative expense ratio (%)*
- x% - Recurring administrative expense ratio (%)*

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

** Additional costs for Employee Benefit Fund due to different classification under IFRS and Polish GAAP



Good results and volatile financial situation - proper time for investments

ENVIRONMENT

INSURANCE

- Robust results in Q1-Q2
- Low claims frequency in Motor Business
- No catastrophic events

Leading to...

- Potential insurance rates decrease

FINANCIAL MARKET

- High volatility in capital markets
- Lower interest rates in the longer term

ECONOMY

- Lower pace of investments in the economy and slower insurance market growth

PZU Group

One of the PZU Group's best quarterly results in its history and..

... prime time to make investments to enhance:

1. Operational Efficiency
2. Competitiveness

...through:

1. Investments in new operating model
2. Change of IT system
3. Investments in new client service approach

**Which will affect
the level of spendings
in upcoming quarters while keeping
the tough financial control**

Implementing Everest to Achieve PZU 2.0 Strategy

Business transformation (Implementing the of Target Operating Model) ...

- I** Enhancing flexibility and shortening 'time-to-market'
- II** Customer centric philosophy and active customer management
- III** Multi-channel process of sales, renewals and service management
- IV** Automating processes, paper-less philosophy, cost-light operations

... entailing the implementation and integration of a insurance system

New insurance IT system...

- ability to adjust products and rates more quickly and with greater facility – high range of configurability
- 360° client analysis on-line giving access to users and agents
- advanced functionality of business processes, including renewals
- tested 'ready to use' solutions facilitating customer and agent support and back-office processes



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Overview of PZU Group's Financial Highlights

m PLN, IFRS	Q1-Q3 2011	Q1-Q3 2012	Change YoY	Q3 2011	Q3 2012	Change YoY	Q2 2012	Change Q3 over Q2
Profit and Loss Statement								
Gross Written Premium	11 426	12 159	6.4%	3 753	3 913	4.3%	3 924	(0.3)%
Premium Earned	11 054	11 949	8.1%	3 785	4 083	7.9%	3 998	2.1%
Investment Result	1 040	2 569	147.0%	(39)	1 045	x	651	60.6%
Operating Profit	2 331	3 541	51.9%	429	1 405	227.5%	1 101	27.6%
Net Profit	1 857	2 840	52.9%	305	1 124	268.9%	894	25.7%
Balance Sheet								
Equity	12 419	13 801	11.1%	12 419	13 801	11.1%	12 741	8.3%
Total Assets	54 235	56 801	4.7%	54 235	56 801	4.7%	54 268	4.7%
Principal Financial Ratios								
ROE*	19.6%	28.4%	8.8 p.p.	9.7%	33.7%	24.0 p.p.	27.0%	6.7 p.p.
Combined Ratio**	94.8%	90.7%	(4.1) p.p.	98.9%	91.0%	(7.9) p.p.	89.9%	1.1 p.p.

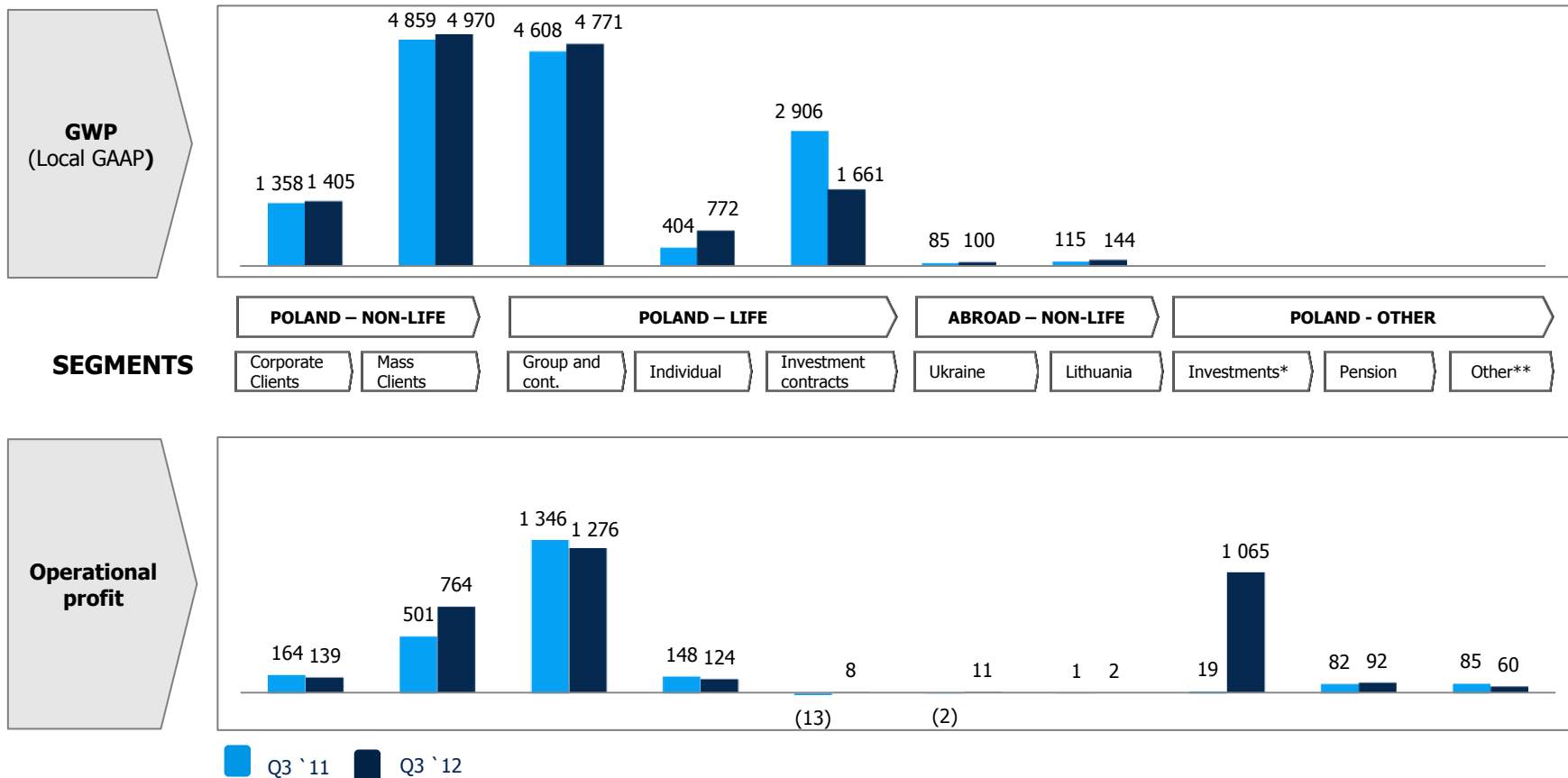
* Annualized ratio computed using equity at beginning and end of reporting period

** Only for Non-Life insurance business



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

YTD, m PLN



* Investment revenues in Investment Segment – external operations

** Sale of shares from AFS portfolio – impact in 2012; Armatura Group consolidation – impact in 2011



Profitability by Insurance Business Segment

Insurance Business Segments	Gross Written Premium			Operating Profit			Combined Ratio / Operating profit ratio*	
	m PLN, local GAAP	Q1-Q3 2011	Q1-Q3 2012	Change YoY	Q1-Q3 2011	Q1-Q3 2012	Change YoY	Q1-Q3 2011
Total Non-Life	6 418	6 618	3.1%	664	915	37.9%	94.8%	90.7%
Mass Insurance - Poland	4 859	4 970	2.3%	501	764	52.4%	94.0%	88.9%
Motor TPL Insurance	1 841	1 935	5.1%	(15)	221	x	103.3%	92.6%
Motor Own Damage	1 226	1 196	(2.5)%	129	162	25.2%	88.5%	84.8%
Other products	1 792	1 839	2.6%	159	181	14.1%	88.7%	87.6%
Impact of investment segment allocation	x	x	x	228	200	(12.4)%	x	x
Corporate Insurance - Poland	1 358	1 405	3.4%	164	139	(15.1)%	95.7%	95.1%
Motor TPL Insurance	300	296	(1.2)%	(33)	(4)	x	110.8%	101.3%
Motor Own Damage	475	412	(13.2)%	38	90	139.0%	91.9%	80.3%
Other products	583	697	19.6%	52	(20)	x	90.1%	104.3%
Impact of investment segment allocation	x	x	x	107	73	(32.0)%	x	x
Ukraine	85	100	17.2%	(2)	11	x	118.1%	105.0%
Lithuania	115	144	24.8%	1	2	96.2%	101.9%	104.3%
Total Life Poland	5 012	5 543	10.6%	1 494	1 400	(6.3)%	29.8%	25.3%
Group and Continued **	4 608	4 771	3.5%	971	1 095	12.8%	21.1%	23.0%
Individual	404	772	91.0%	148	124	(16.6)%	36.7%	16.0%
Conversion effect	x	x	x	375	182	(51.6)%	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)

Extraordinary Items Affecting the Results

YTD, m PLN

m PLN, IFRS	Q1-Q3 2011	Q1-Q3 2012
Operating Profit (according to financial statements)	2 331.5	3 540.8
<i>including:</i>		
1 Movement in insurance provisions – release of type P provisions	354.1	170.4
2 Effects of consolidating the Armatura Group – change in the method of valuation	118.9	
3 Result on contractual guarantees in construction contracts		(117.1)
4 Result on selling shares from AFS portfolio		101.0

1 Impact of converting long-term contracts into yearly-renewable term contracts comparable Y/Y.

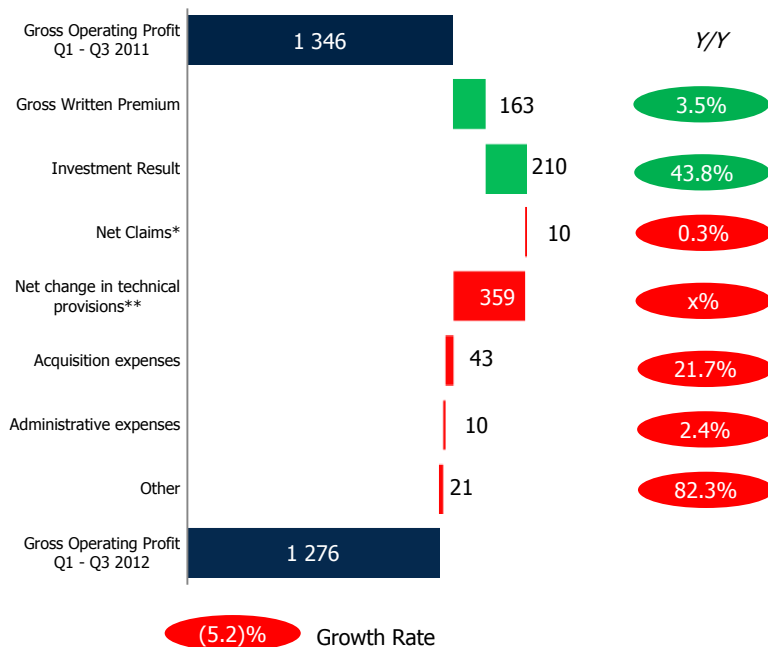
2 The difference between the value of the Armatura Group carried in the balance sheet as at 31 December 2010 and PZU Group's share in the Armatura Group's net assets was reported in the 2011 profit and loss statement. The non-recurring impact is related to commencing consolidation by the full method.

3 Lower result on contractual guarantees in construction contracts due to this sector's deteriorating financial condition (higher claim reserves and reduced assessment of share in reinsurers' profits).

4 Sale of shares from AFS portfolio whose changing valuation in previous years was allocated to the revaluation reserve.

Group and Continued Life Insurance Segment

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



Remarks

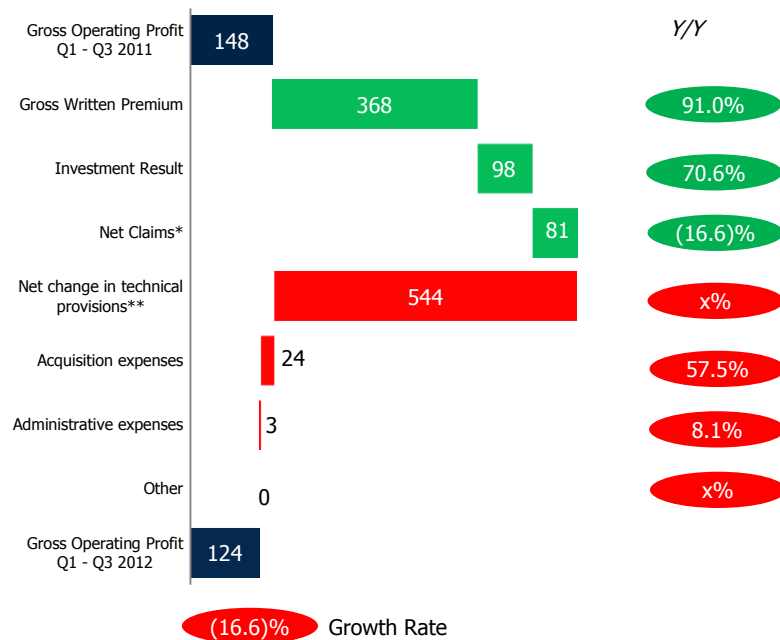
- GWP growth +3.5% Y/Y mainly due to higher group insurance portfolio (including riders to continued insurance) and higher average premiums.
- Higher investment result in unit-linked products driven by robust capital markets in Q1 - Q3 2012 comparing Y/Y.
- Slight increase in net claims in type P group protection insurance due to portfolio expansion and lower loss ratio.
- Growth of mathematical provisions in unit-linked products due to high investment income. Lower conversion ratio in type P group insurance.
- Acquisition expenses up Y/Y driven by higher sales volume.
- Higher administrative expenses driven by PZU Group rebranding campaign.
- Lower operating profit stemming primarily from the decrease in conversion effect in type P group insurance; net of conversion effect, this segment's margin improved.

* Claims paid and RBNP reserves

** Mathematical and other provisions, including conversion effect

Individual Life Insurance Segment

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



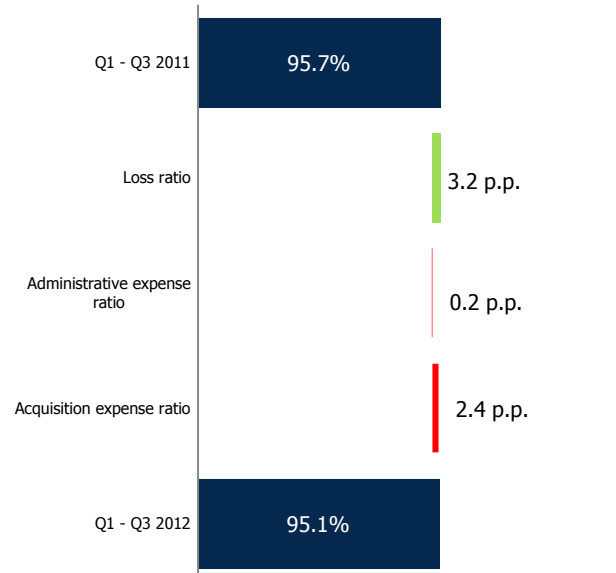
Remarks

- GWP up by 91.0% Y/Y primarily driven by high sales of investment products via the bancassurance channel.
- Higher investment result mainly in investment products driven by robust capital markets in Q1 - Q3 2012 comparing Y/Y.
- Net claims down on a lower level of maturities in traditional protection insurance.
- Growth of mathematical provisions due to higher sales of investment products and better investment result in unit-linked portfolio.
- Acquisition expenses up Y/Y due to higher sales volume (including investment insurance with a high first-year non-deferrable commission).
- Higher administrative expenses driven by PZU Group rebranding campaign and robust sale of individual products via the bancassurance channel.
- Lower operating profit stemming primarily from high sales of investment products with a high first-year non-deferrable commission.

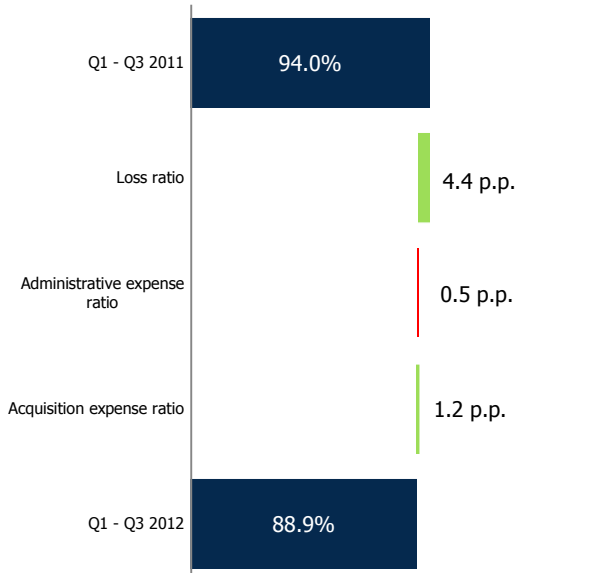
* Claims paid and RBNP reserves

** Mathematical and other provisions

Profitability of Corporate Non-life Insurance Segment

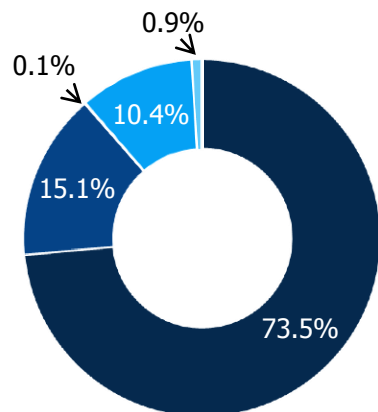
Profitability of Corporate Non-life Insurance (COR %)	Remarks
 <p>Q1 - Q3 2011: 95.7%</p> <p>Loss ratio: 3.2 p.p.</p> <p>Administrative expense ratio: 0.2 p.p.</p> <p>Acquisition expense ratio: 2.4 p.p.</p> <p>Q1 - Q3 2012: 95.1%</p>	<ul style="list-style-type: none"> • Lower loss ratio (down 13.3 p.p. to 68.0%) in motor business stemming from the decrease in loss frequency. • Lower loss ratio in motor business partly compensated for by providing for contractual guarantees in construction contracts – effect of this sector’s deteriorating financial condition (impact on gross result-117.1 m PLN). • Higher administrative expense ratio resulted from: <ul style="list-style-type: none"> ○ PZU Group’s rebranding campaign; ○ Initiatives to optimize service processes. • Acquisition ratio up as a result of lower cost base in 2011 (affecting comparable data) - deferrable commissions in motor business expensed in 2010. • COR excluding contractual guarantees in construction contracts was 86.2%, down by 8.9 p.p.

Profitability in Mass Non-life Insurance Segment

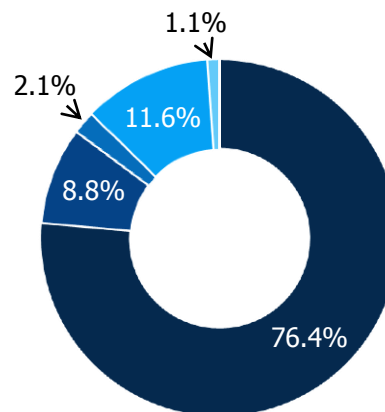
Profitability of Mass Non-life Insurance (COR %)	Remarks
 <p>Q1 - Q3 2011: 94.0%</p> <p>Loss ratio: 4.4 p.p.</p> <p>Administrative expense ratio: 0.5 p.p.</p> <p>Acquisition expense ratio: 1.2 p.p.</p> <p>Q1 - Q3 2012: 88.9%</p>	<ul style="list-style-type: none"> • Decrease in loss ratio in: <ul style="list-style-type: none"> ○ motor business (down 6.1 p.p. to 69.9%) as a result of lower loss frequency; ○ other non-life business due to low number of single high value claims and mass claims. • More claims in agriculture insurance stemming from the adverse consequences of frost and hail (up 9.4% Y/Y). • Higher administrative expense ratio resulted from: <ul style="list-style-type: none"> ○ PZU Group's rebranding campaign; ○ initiatives to optimize service processes. • Lower acquisition expense ratio as indirect acquisition costs fell.

High Profitability of Debt and Equity Instruments

Q3 '11 Investment Composition*



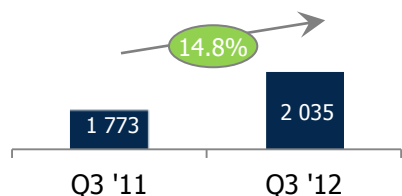
Q3 '12 Investment Composition*



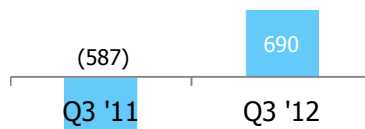
- Debt securities
- Reverse repo and deposits
- Loans
- Equity instruments and derivatives
- Investment property
- Other investments

Investment Revenues

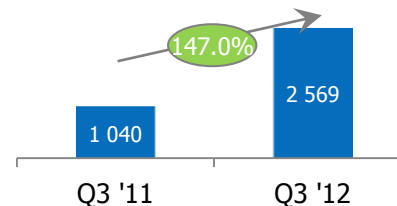
Interest-bearing instruments**



Equity instruments and derivatives



TOTAL



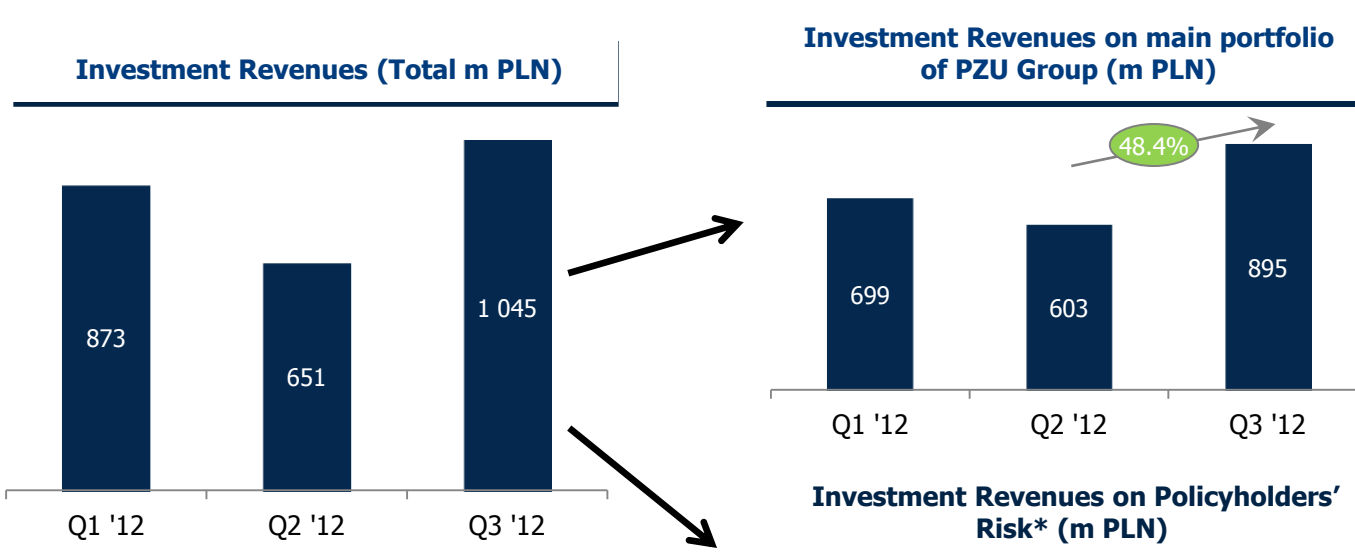
YTD, m PLN

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

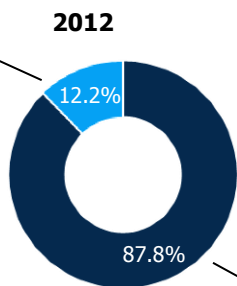
** Investment revenues for interest-bearing instruments include results on debt securities, loans, reverse repo and deposits

High Profitability of Main Portfolio in Q3 2012

Net quarterly data, m PLN

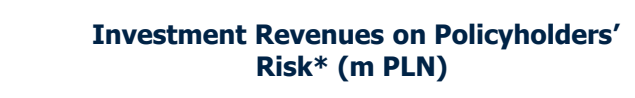


Financial assets on policyholders' risk* – **6.1 bn PLN**



Total: 49.7 bn PLN

Financial assets in the main portfolio – **43.6 bn PLN**



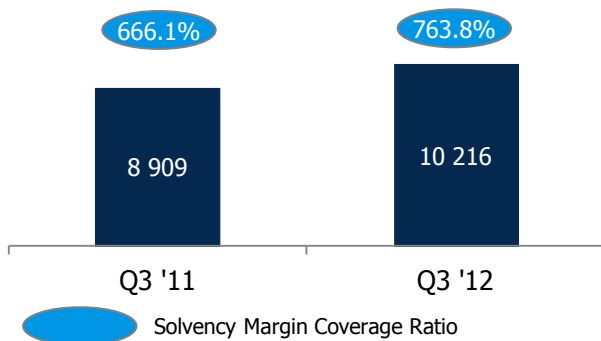
No impact on PZU Group's net result

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

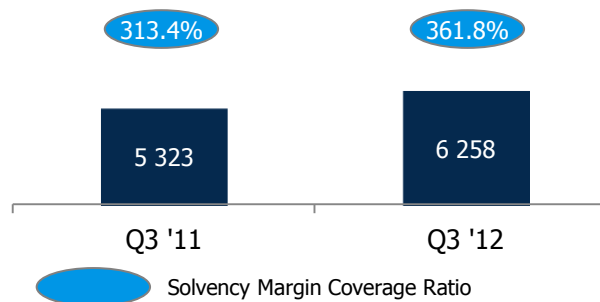


Robust Capitalization, Strong Solvency Ratios and Stable Dividends

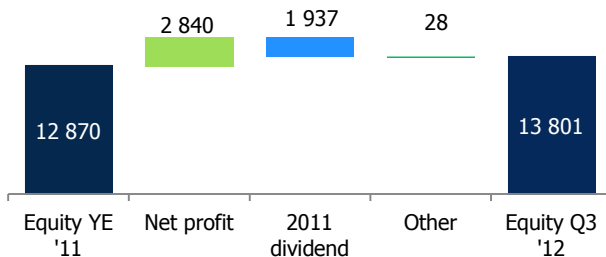
PZU Own Funds and Solvency Margin Coverage Ratio (m PLN, Polish GAAP)



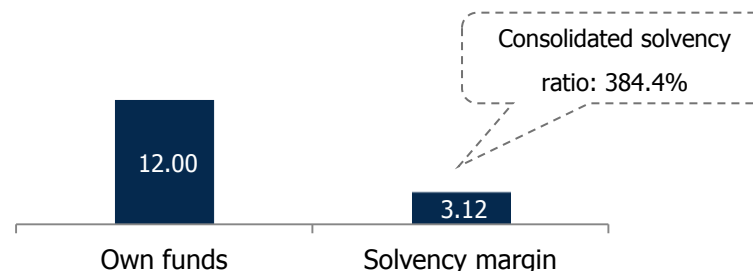
PZU Życie Own Funds and Solvency Margin Coverage Ratio (m PLN, Polish GAAP)



PZU Group's Equity (m PLN, IFRS)



PZU Group's Own Funds for Q3 2012 (bn PLN, IFRS)





Agenda

1. Insurance market in Poland after H1 2012
2. Operating Performance in Q1 - Q3 2012
3. Financial Results Overview in Q1 - Q3 2012
- 4** Questions and Answers

Questions and Answers



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