



Presentation of the 4Q and full year 2010 financial results

Warsaw, 16 March 2011

PZU's Management Team



Andrzej Klesyk

President. Management Board
CEO of the PZU Group

Responsible for Administration.
Logistics.

Claims Handling. Strategy. Corporate
Governance. HR. Audit and Investments



Witold Jaworski

Management Board

Responsible for Retail Business.
Group Network and Marketing



Przemysław Dąbrowski

Management Board Group CFO

Responsible for Finance.
Accounting and Controlling



Dariusz Krzewina

President (Life)
Management Board

Responsible for Life
Business and Actuaries



Rafał Grodzicki

Management Board

Responsible for
Individual Life and
Distribution. Operations
and IT



Mariusz J. Sarnowski

Management Board

Responsible for
Corporate Business and
Reinsurance



Krzysztof D. Branny

Management Board

Responsible for HR

Agenda

Market Context

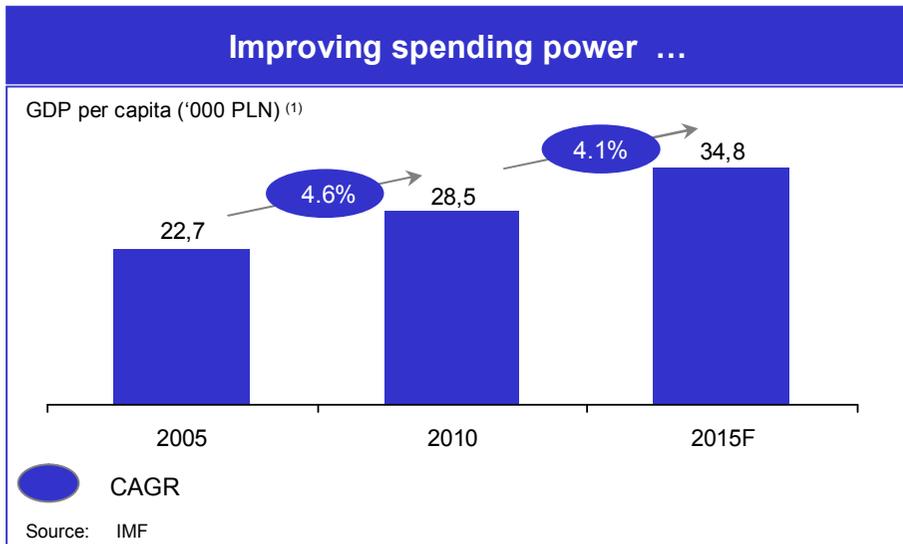
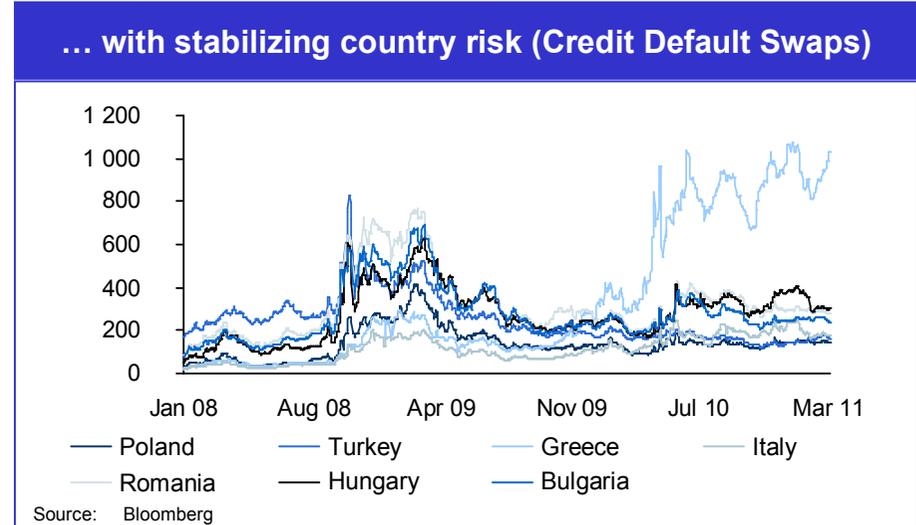
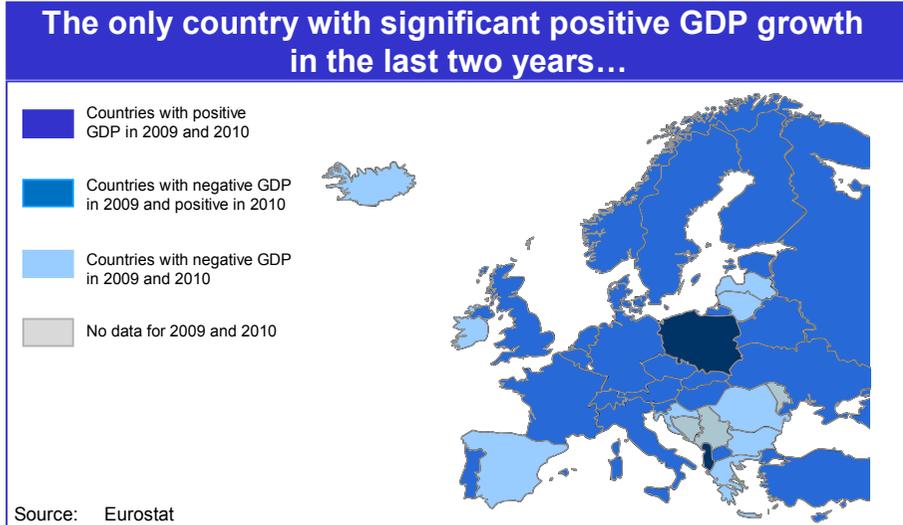
Business Overview

Financial Results

Questions and Answers

Poland with strong economy

Macroeconomic outlook

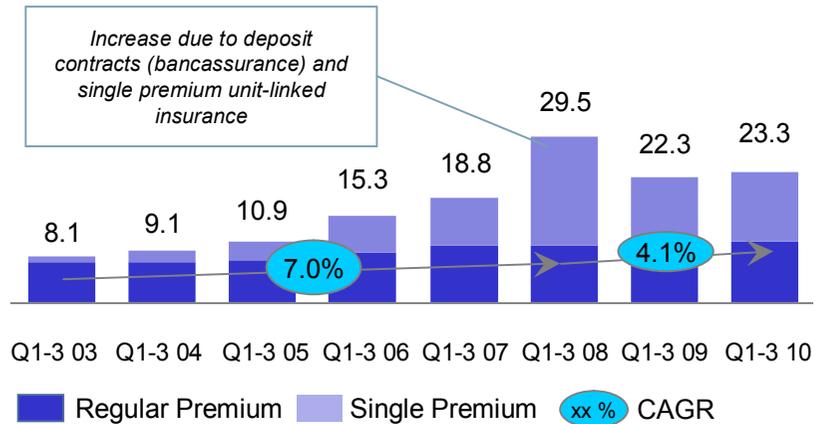


Notes:
1) GDP in constant prices

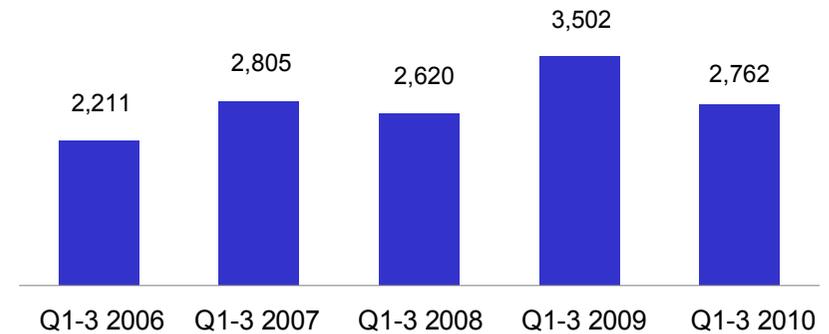


Slower market growth within life segment, but relatively stable profitability

**Life insurance
gross written premium (b PLN)**



**Profitability of the life insurance market
technical result (m PLN)**

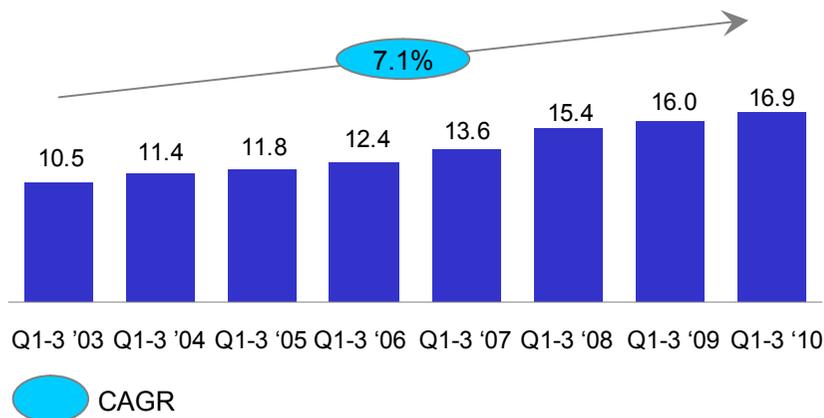


Source: KNF

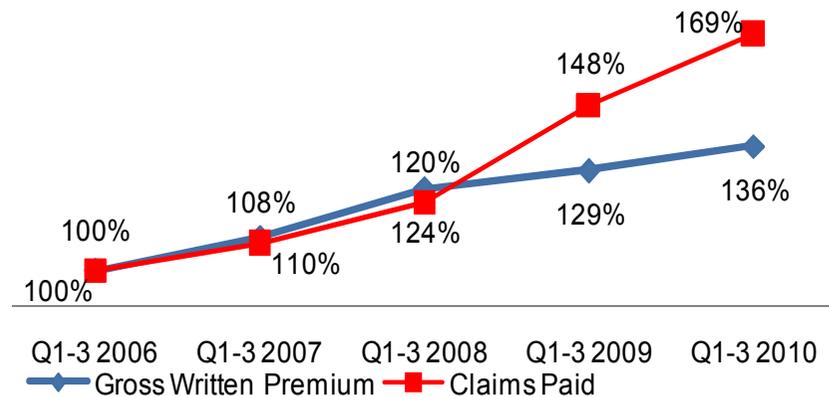
PZU Group: Presentation of the 4Q and full year 2010 financial results

Growing non-life segment, but profitability under extreme pressure

Non - life insurance
gross written premium (b PLN)



Non - life gross written premium index and
claims paid index



„Motor TPL prices already increased by ~10% in 2010” – Rzeczpospolita, 15.02.2011

Source: KNF

PZU Group: Presentation of the 4Q and full year 2010 financial results

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In 2010 we experienced many unpredictable events...

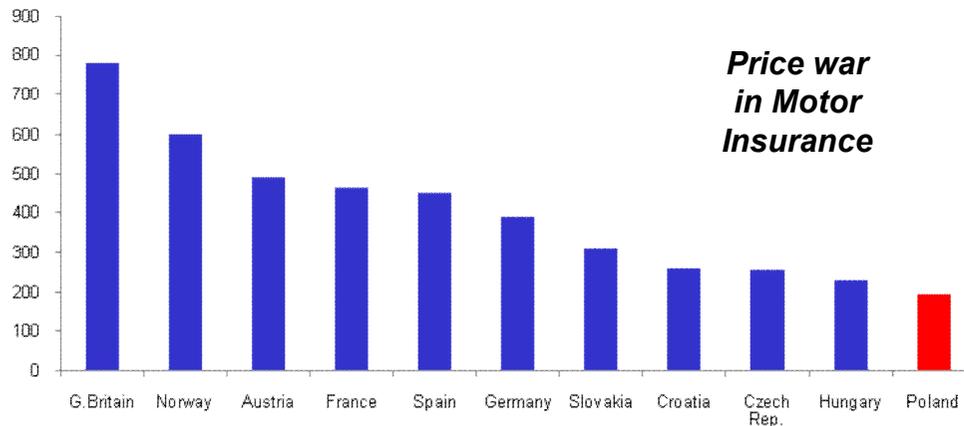
Difficult market environment



Large snow damages



2 flood waves:
in May and June 2010



- We processed almost 104 ths flood claims (normally around 25 ths)...
- ...and almost 47 ths snow claims (normally around 4 ths)
- Price war in motor insurance caused increase of COR across the market (further decrease of already negative technical results)
- Consequently net results of Polish non-life insurers dropped below 0 (-273 m PLN - data for 1-3Q 2010 excluding PZU SA)

...despite of which we achieved satisfactory results

m PLN



	Q3 2010	Q4 2009	Q4 2010	Change QoQ	Q1-4 2009	Q1-4 2010	Change YoY
GWP	3,552.8	3,301.0	3,598.0	9.0%	14,362.7	14,544.5	1.3%
Investment Result	925.2	890.1	591.6	(33.5)%	3,469.0	2,781.8	(19.8%)
Operating Profit	878.0	650.6	710.0	9.1%	4,601.8	3,088.1	(32.9%)
Net Profit	704.3	562.1	565.0	0.5%	3,762.9	2,439.2	(35.2%)
ROE *	x	x	x	x	24.0%	20.3%	(3.7 p.p.)

* Computed using average equity over the period



Very successful IPO

- **Largest IPO in Poland and CEE to date, and largest in Europe since 2007**
 - Offer size 8.1 b PLN (2.7 b US\$)
 - Strong demand achieved in a challenging market environment
 - over 251 ths individual investors attracted
 - Broad diversification between institution/retail and domestic/international investors
 - First listing on Warsaw Stock Exchange on 12 May 2010
 - 5.1 b PLN – turnover of the company's shares on the first day of listing
 - First company to enter WIG20 on the first day of trade

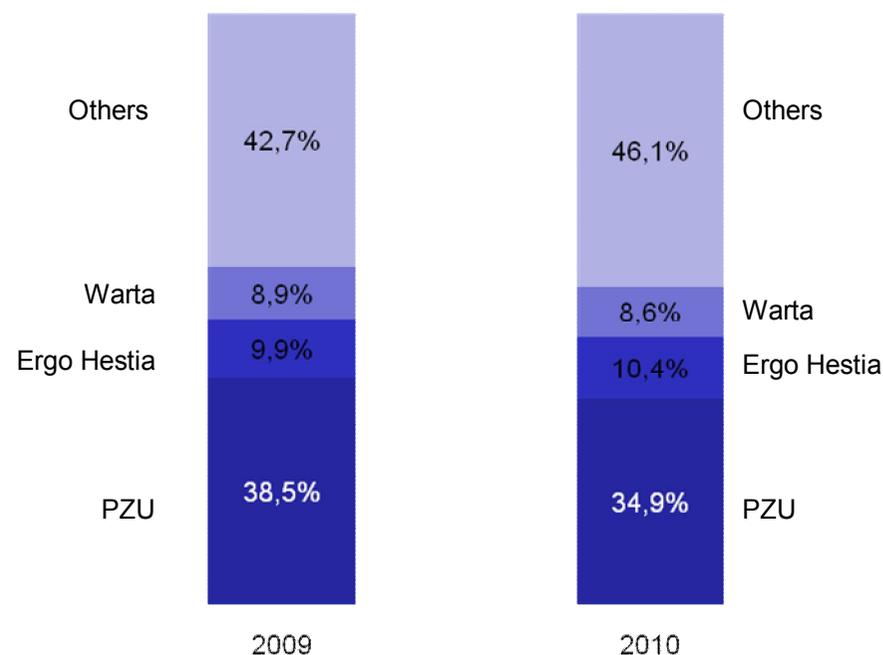


Decrease in market shares vs. 2009 as a result of restructuring of non-life corporate business and limited presence in lower margin bancassurance

PZU's life market share (regular premium)



PZU's non - life market share



High growth of regular premium market results from qualifying part of regular premium products as single premium products.

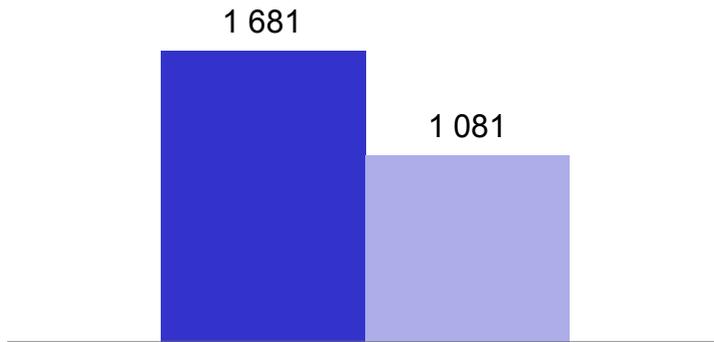
Data for 1-3Q of 2009 & 2010

Source: KNF

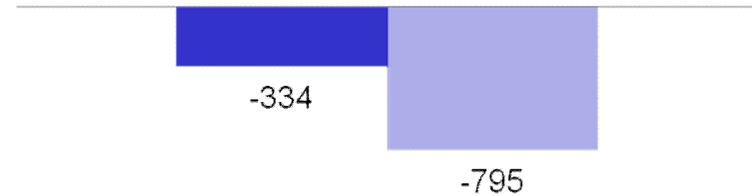


PZU profitability higher than competitors'

Technical result – PZU Życie SA
compared with the market (m PLN)



Technical result – PZU SA
compared with the market (m PLN)



PZU

Market net of PZU

Data for 1-3Q of 2009 & 2010

Source: KNF, PZU



We keep delivering on our IPO promises



Life segment: stable growth and profitability in group insurance coupled with fast growth in individual business

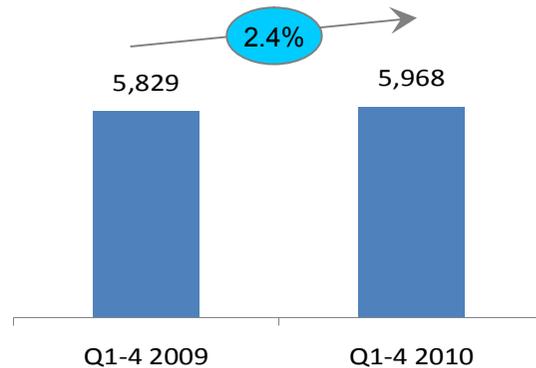
Non-life segment: mass market sales growth with a significant slow down in market share erosion. Turnaround in corporate segment showing positive results

Restructuring: continued reduction of administrative expenses and headcount optimization

M&A: looking for opportunities

Within life segment, further growth of group and continued business...

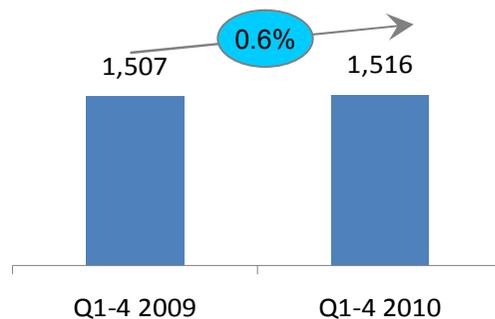
PZU's gross written premium in group & continued business (m PLN)



Growth in group and continued business with stable operating profit and profit margin:

- Growing group insurance portfolio and average premiums
- Successful sale of riders

PZU's operating profit in group and continued business* (m PLN)



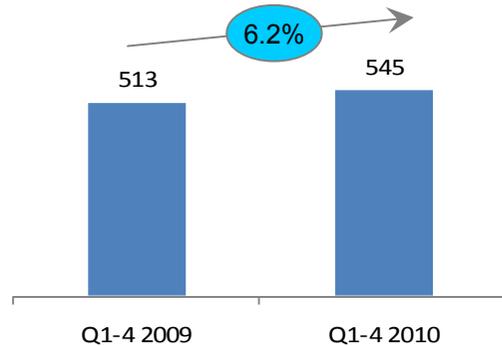
25.9% Profit Margin 25.4%

* Without conversion effect



... and fast build-up of individual business

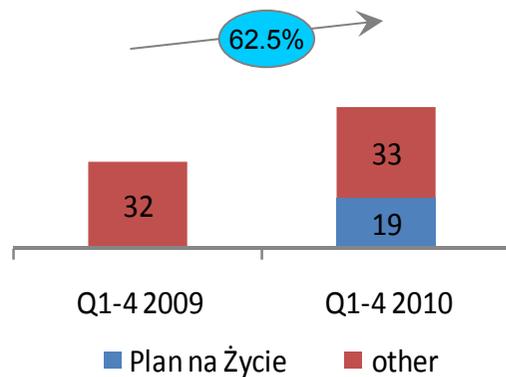
PZU's gross written premium in individual life business (m PLN)



Introduction of new product called „Plan na Życie” – with flexible protection / investment option

- Number of new policies sold: 10.0 ths
- Annual Premium Equivalent: 18.6 m PLN

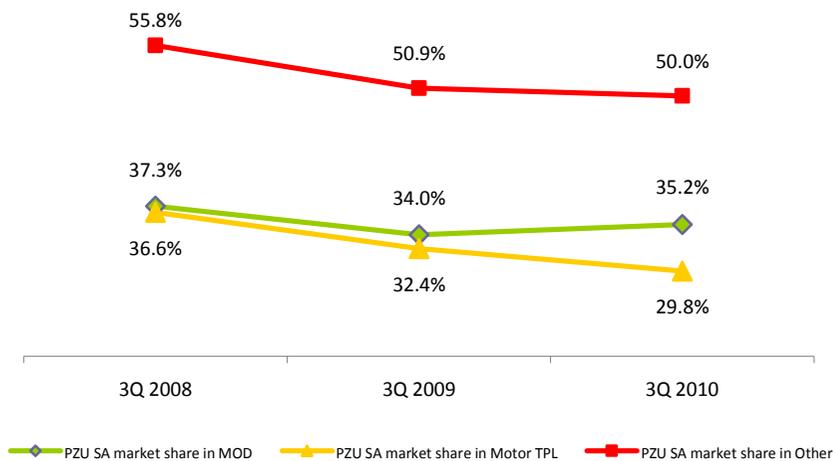
PZU's APE in individual life business* (m PLN)



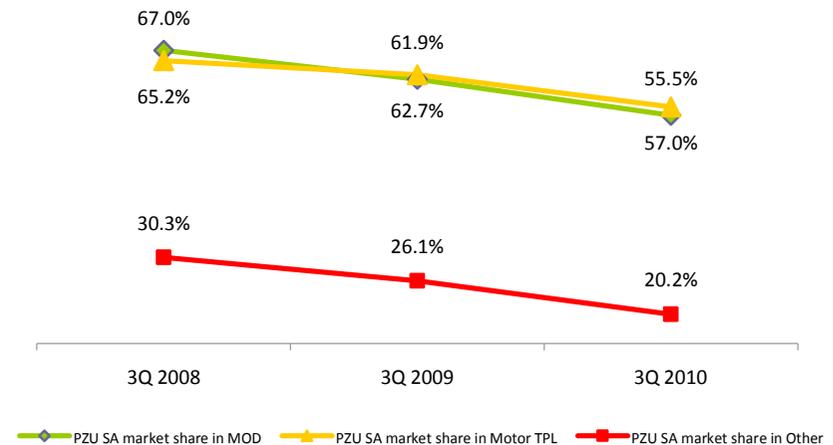
* Insurance contracts only

Stabilizing PZU's market position in individual non-life business and continued restructuring of institutional clients portfolio

PZU SA market share - individual client



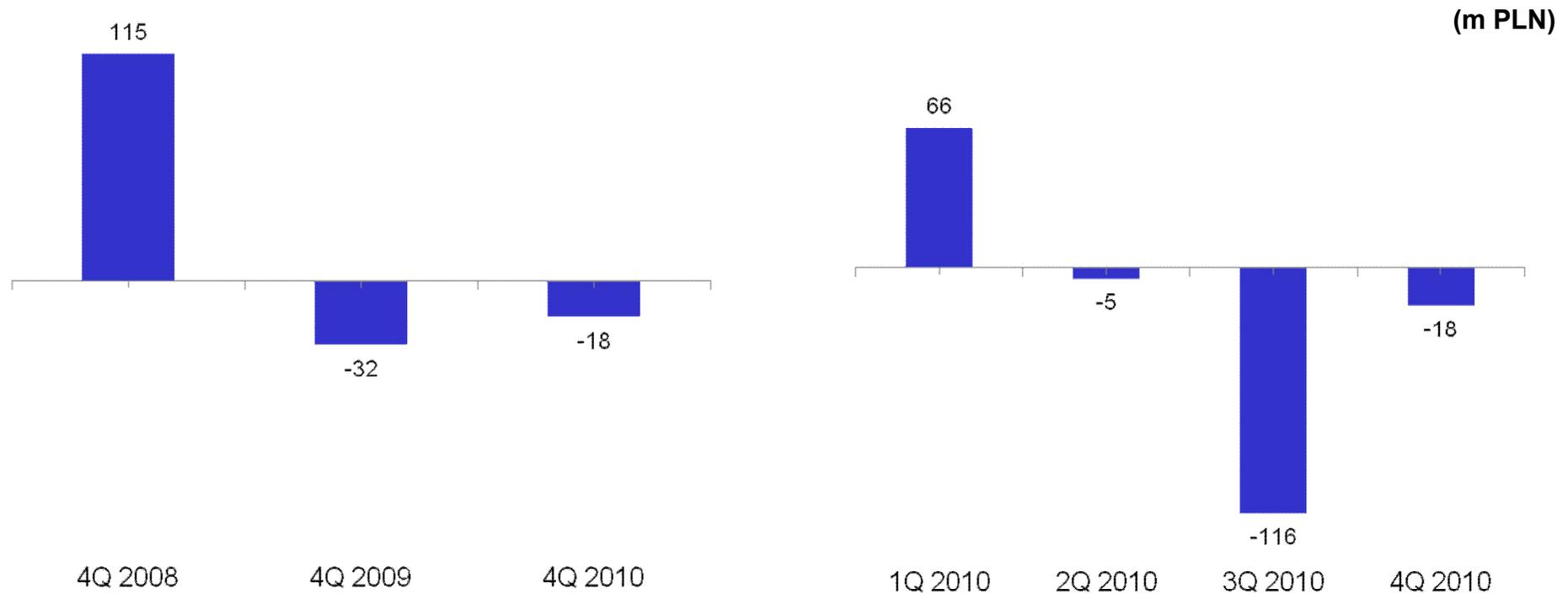
PZU SA market share - institutional client



Source: KNF



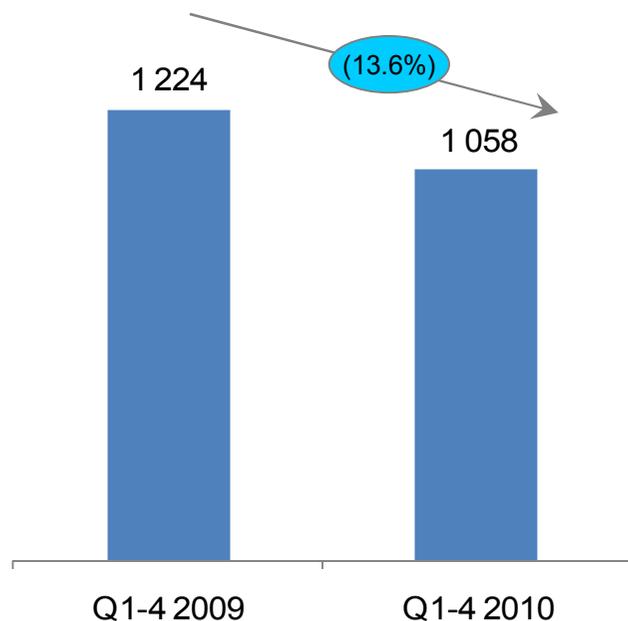
Technical result of PZU SA – individual motor business



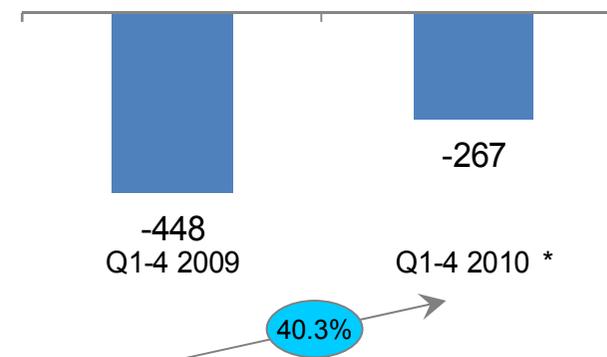
First signs of improvement after significant drop in results

Restructuring of corporate portfolio already bringing significant improvement in profitability

PZU's GWP in the corporate segment motor business (m PLN)



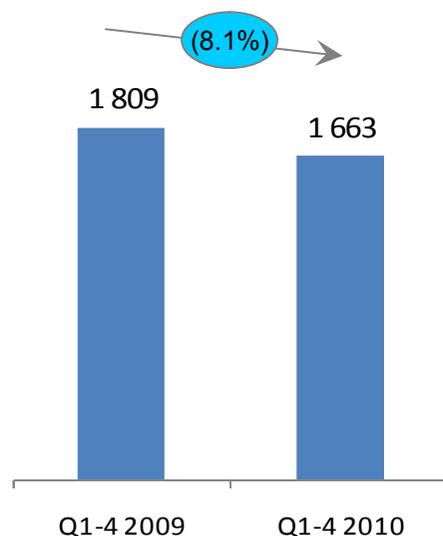
PZU's technical result in the corporate segment motor business (m PLN)



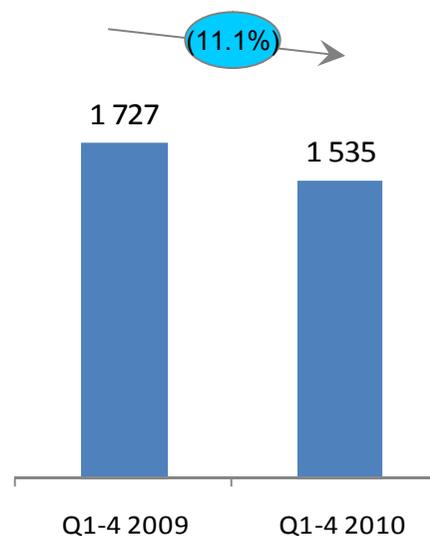
The method of signing policies and distribution of claims over the lifetime of a policy in the corporate segment lead to a situation where the results measured in accounting standards will not be visible in the bottom line any sooner than within a 12-15 months horizon

In 2010 PZU's administrative expenses reduced by over PLN 140 mln comparing to previous year

**Total administrative costs
(m PLN)**



**Recurring administrative costs
(m PLN)**



Blended admin cost ratio (%)*



- Centralizing functions and optimizing headcount
- Strict control over fixed expenses
- Drop of costs in pension segment

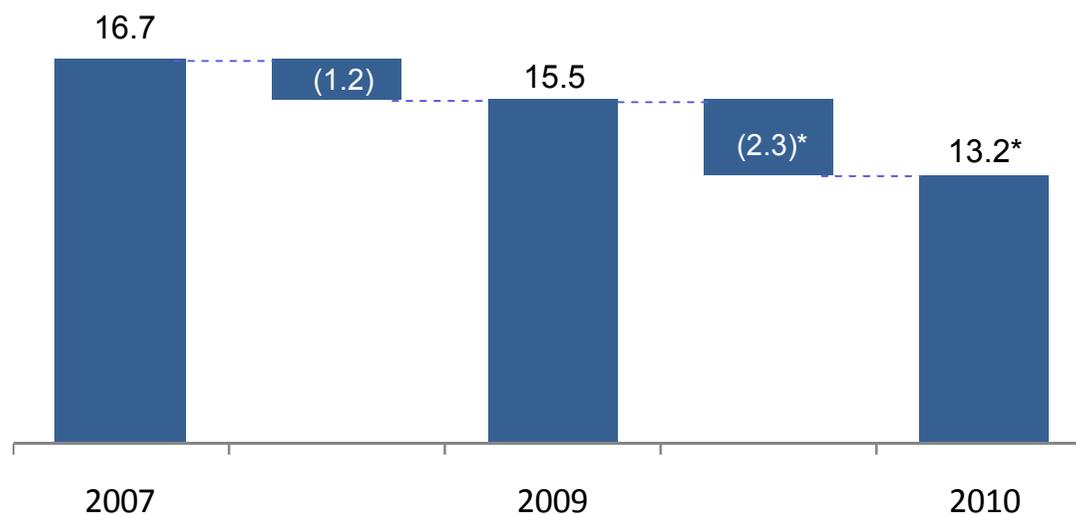
Higher spendings on project activity

- Conducting the IPO (25.6 m PLN)
- Major projects aiming at cutting administrative expenses:
 - optimization and centralization operations and accounting process
 - new claims handling organization in the life company
 - automation of data import into product system in non-life

* Admin ratio defined as administrative expenses / gross earned premium – sum of life and non-life

The Group's 2010 headcount restructuring program implemented according to plan

Headcount in the PZU Group (FTEs)



Note:

* ~340 of the employees are in the termination period

We were able to deliver more than we promised during the IPO

- Centralization of back-office operations – creation of 6 back-office centers and reduction of 110 points of services
- Unification of front-office within the Group – common management, unification of branches continued (already 70% of branches in common location)
- Optimization of P&C claims handling area
- PZU Pomoc – development of the brand

Agenda

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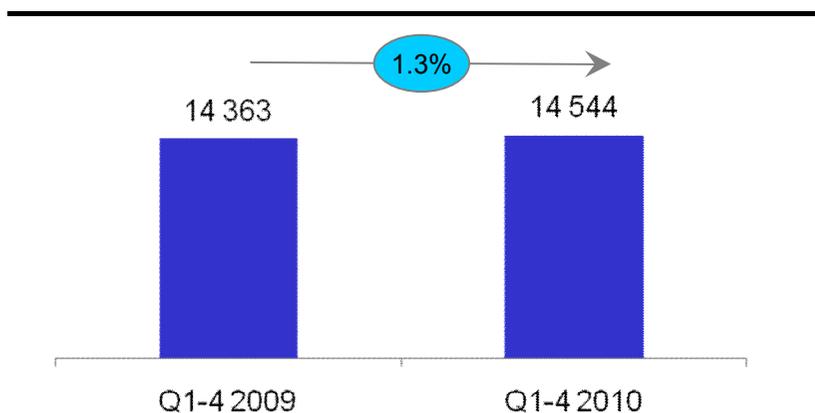
Business Overview

Financial Results

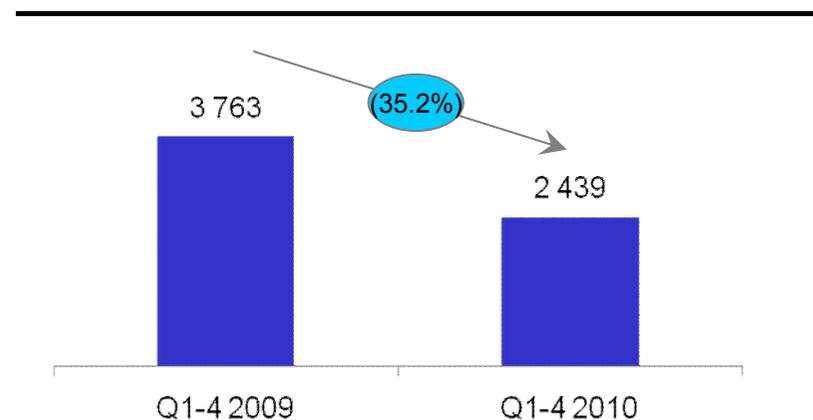
Questions and Answers

Overview of PZU's financials in 2010

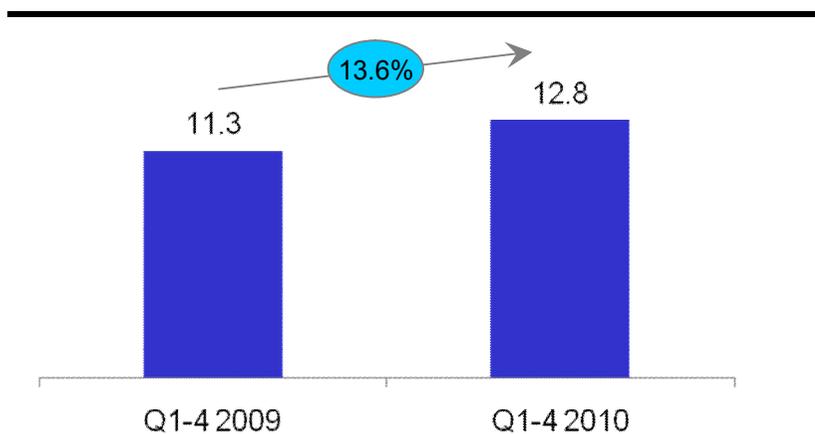
Gross Written Premium (m PLN)



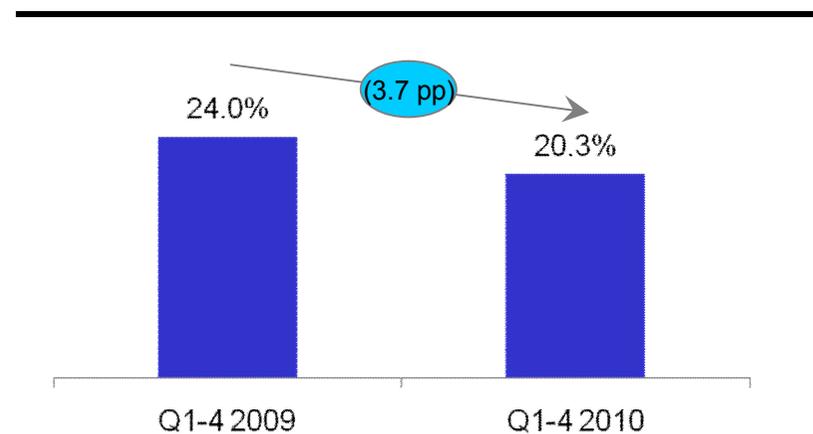
Net result (m PLN)



Equity (b PLN)



ROE (%) *



* Computed using average equity over the period



Overview of PZU's financial highlights

m PLN. IFRS	Q4 2009	Q3 2010	Q4 2010	Change Q4oQ4	Q1-4 2009	Q1-4 2010	Change YoY
Profit and Loss Account							
Gross Written Premium	3,301.0	3,552.8	3,598.0	9.0%	14,362.7	14,544.5	1.3%
Non-life Insurance	1,664.2	1,935.0	1,931.2	16.0%	8,021.9	8,031.9	0.1%
Life Insurance	1,636.8	1,617.8	1,666.8	1.8%	6,340.8	6,512.5	2.7%
Investment Result	890.1	925.2	591.6	(33.5%)	3,469.0	2,781.8	(19.8%)
Operating Profit	650.6	878.0	710.0	9.1%	4,601.8	3,088.1	(32.9%)
Non-life Insurance	104.6	128.9	168.4	61.0%	2,719.2	3,613.2	32.9%
Non-life Ins. (excl. dividend received)	104.6	128.9	168.4	61.0%	1,300.0	493.2	(62.1%)
Life Insurance	529.6	706.7	542.2	2.4%	3,282.4	2,581.7	(21.3%)
Net Profit	562.1	704.3	565.2	0.5%	3,762.9	2,439.2	(35.2%)
Balance Sheet							
Equity	x	x	x	x	11,266.9	12,799.9	13.6%
Total Assets	x	x	x	x	53,176.2	50,533.8	(5.0%)
Non-life Insurance	x	x	x	x	22,920.8	21,196.8	(7.5%)
Life Insurance	x	x	x	x	26,816.2	26,191.4	(2.4%)
Fundamental Financial Ratios							
ROE *	x	x	x	x	24.0%	20.3%	(3.7p.p.)
Combined Ratio **	x	x	x	x	99.0%	104.5%	5.5 p.p.

Notes:

* Computed using average equity over the period

** Only non-life insurance net of the reinsurers' share

Profitability by major product lines

PLN m, IFRS	Gross written premiums			Operating profit		
	(m PLN)			(m PLN)		
	2009	2010	Change 2010o2009	2009	2010	Change 2010o2009
Total	8,024	8,033	0.1%	1,300	493	(62.1%)
Motor retail	3,572	3,756	5,2%	235	-73	x
MTPL	2,176	2,174	(0.1%)	2	-15	x
MOD	1,396	1,582	13.3%	233	-58	x
Motor corporate	1,224	1,058	(13.6%)	-448	-267	x
MTPL	410	383	(6.6%)	-351	-176	x
MOD	814	676	(17.0%)	-97	-91	x
Other products	2,995	2,969	(0,9%)	380	88	(76.8%)
<i>Other products (excl. snow and flood)</i>	<i>x</i>	<i>X</i>	<i>x</i>	<i>x</i>	<i>457</i>	<i>x</i>
Other elements ⁽¹⁾	233	250	7,3%	1,133	745	(34.2%)

IPLN m, FRS	Gross written premiums			Operating profit		
	(m PLN)			(m PLN)		
	2009	2010	Change 2010o2009	2009	2010	Change 2010o2009
Total	6,341	6,513	2,7%	3,282	2,582	(21.3%)
Group & continued ⁽²⁾	5,828	5,968	2.4%	1,507	1,516	0,6%
Individual	513	545	6.2%	101	132	30.7%
Other elements ⁽³⁾	x	x	x	1,674	934	(44.2%)

Notes:

1) GWP from PZU Group foreign entities, investment income, other operating income and expenses

2) operating profit excluding change in mathematical reserve for group "Type P", which results mostly from converting whole life to annually renewable policies

3) conversion effect, investment income on own funds, other operating income and expenses not attributable to products

A number of extraordinary items contributed to the results

mIn PLN. MSSF		Q1-4 2009	Q1-4 2010
Operating Profit (according to the financial statements)		4,601.8	3,088.1
<i>Of which:</i>			
1	Movement of technical reserves for Type P	+1,339.8	+520.3
2	Claims related to flooding and snowfall	-	(369.4)
3	Reduction of investment portfolio*	-	(642.8)
4	Fee to the National Health Fund	(119.4)	-

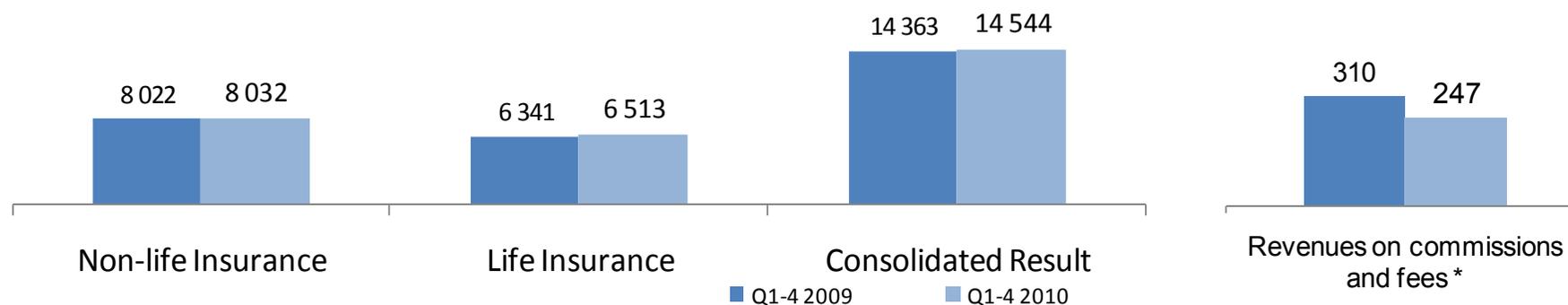
- Gradually subsiding impact of conversion of long term policies into yearly renewable term insurance (long term policy portfolio is shrinking)
- Snow related claims in Q1 2010 and flood claims in May-June 2010 (both triggered catastrophic reinsurance program)
- Lower investment base stemming from interim dividend payout in November 2009 (2.75 b PLN) and final dividend payout for 2009 of 0.9 b PLN on 9 September 2010
- In 2009 PZU ended settlement of deferred costs resulting from mandatory fee to National Health Fund charged on motor TPL (referred to as the „Religa tax”; this tax was repealed at the end of 2008)

Note:

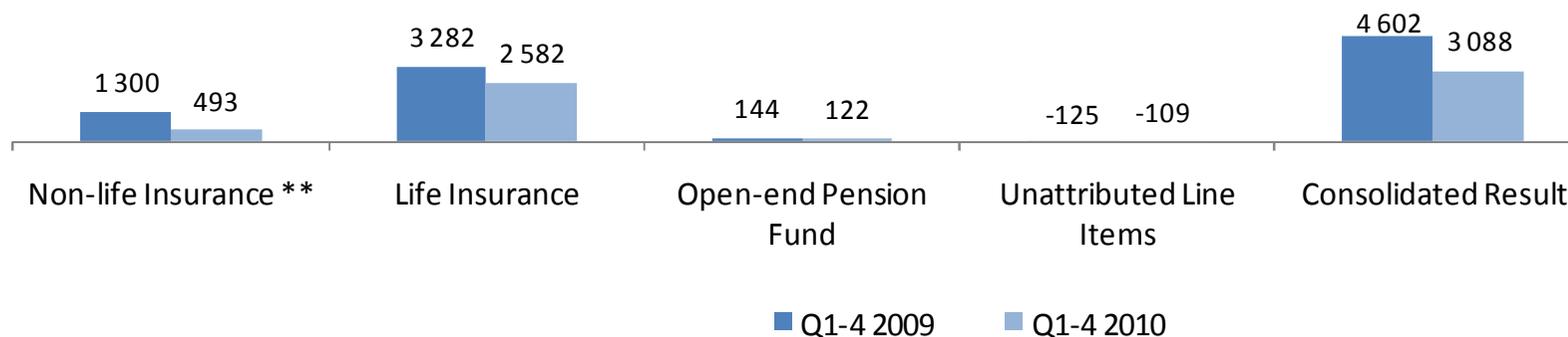
* PZU's estimation

Financial results by segment

Gross written premium¹ (m PLN)



Result on operating activity (m PLN)

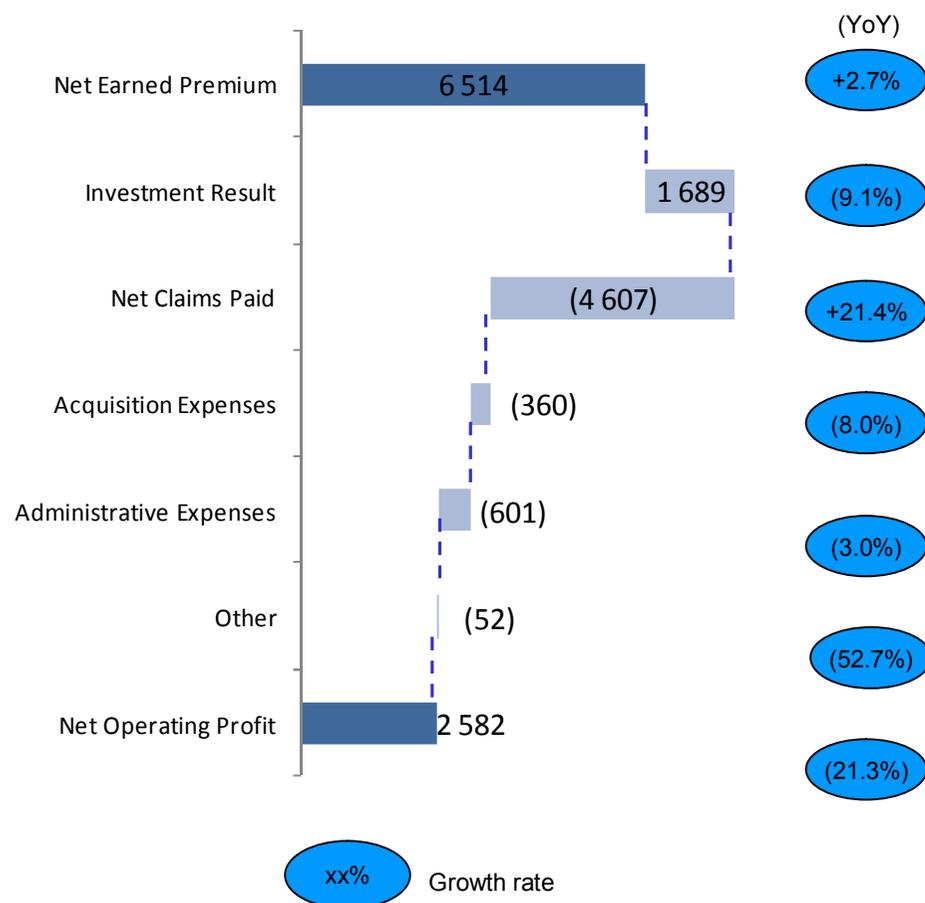


Note:

* Revenues on commissions and fees – pension fund segment; ** Net of the dividend from PZU Życie

Profitability of life insurance is under control

Major components of operating profit in life insurance (m PLN)



Comments

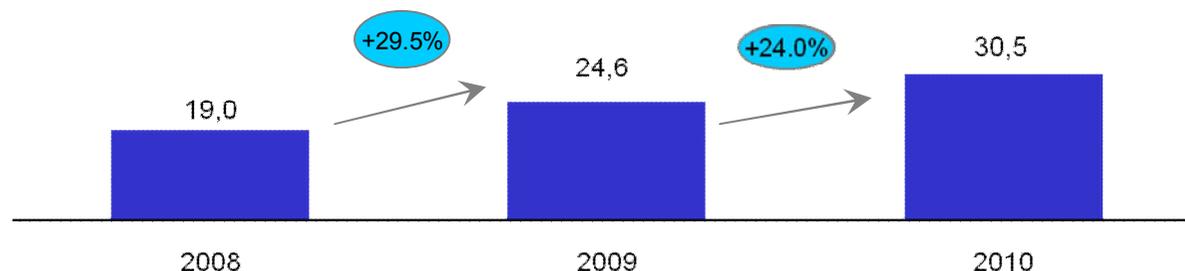
- Increase in NEP mainly due to group & continued business +2,4% YoY; additionally high growth in individual products +6,2%
- Lower investment result caused by lower debt securities portfolio (dividend payout at beginning of the year)
- Higher net claims paid due to slower pace of conversion of technical reserves for Type P (lower old Type P business) and slightly higher claims in Type P product (growth of business)
- Acquisition expenses lower due to lower commission in bancassurance channel (lower volume of new sale) and lower indirect expenses
- Optimization of running costs
- Lower operating result mainly due to weakening of conversion of technical reserves in Type P business (-819.5 m PLN)

Profitability of non-life insurance is still a challenge

Profitability of Non - life Insurance (COR %)		Comments
Q1-4 2009	99.0%	
Acquisition Cost Ratio	+1.2%	<ul style="list-style-type: none"> Increase of acquisition costs due to changes in distribution channel mix (increase of share of higher commission channels) and effect of introduction of „over-commissions” (additional remuneration for agents for reaching specific targets)
Administrative Cost Ratio	-0.4%	<ul style="list-style-type: none"> Decrease of administration costs due to the headcount reductions (full effects will be visible next year)
Loss Ratio	+4.7%	<ul style="list-style-type: none"> Increase of loss ratio as a result of one-off events (heavy snowfalls in winter and floods in late spring). Excluding these events there would be decrease of loss ratio by 0.1%
Q1-4 2010	104.5%	<ul style="list-style-type: none"> Combined ratio excluding snowfalls and floods would be 99.7%

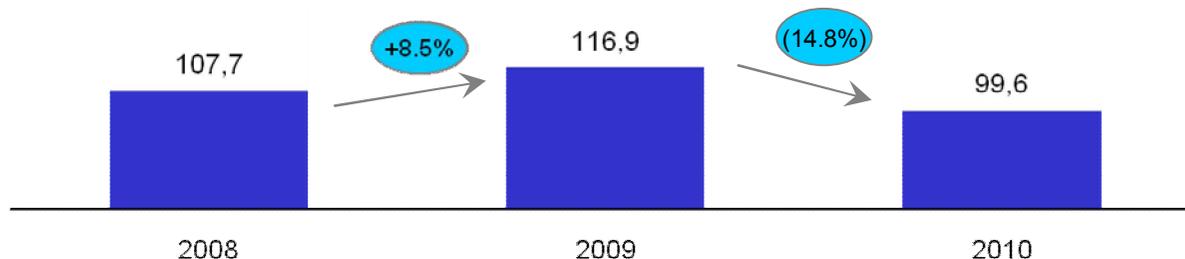
Profitability of pensions

Assets under management (b PLN)



- Significant increase of asset under management due to premiums received from ZUS and the net investment profits. From January to September 2010 ZUS transferred to OFE PZU 2,316.1 m PLN premiums, nearly 9.5% more than the same period in 2009

Net result (m PLN, IAS)



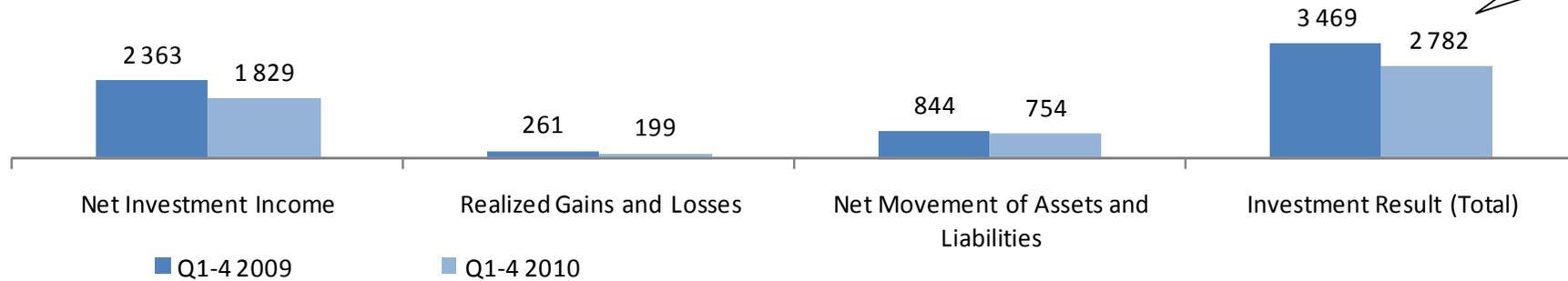
- Net profit decreased in 2010 due to smaller commissions on incoming premiums – imposition of limit on fees charged by PTEs (the rate has been reduced with effect from 1 January 2010 from 7.5% to 3.5%)

Key assumptions of retirement system reform:

- Decrease in premiums from ZUS to OFE from 7.3% to 2.3%
- New investment limits for funds (share of equity to increase from 40% to 90%)
- Prohibition of acquisition
- Individual retirement account in OFE

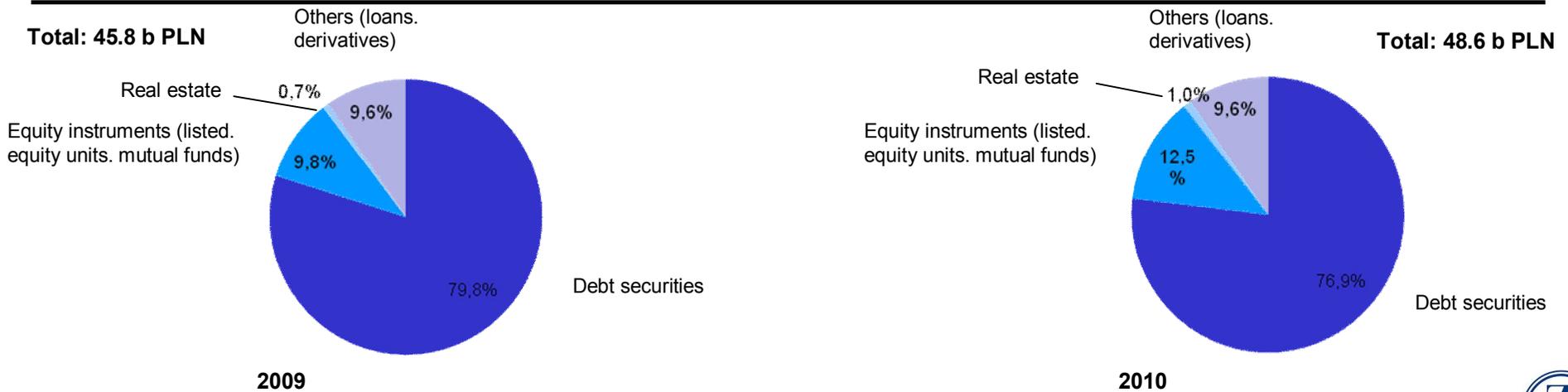
Income on investing activity is lower because of dividend payout

Income on investing activity (m PLN)



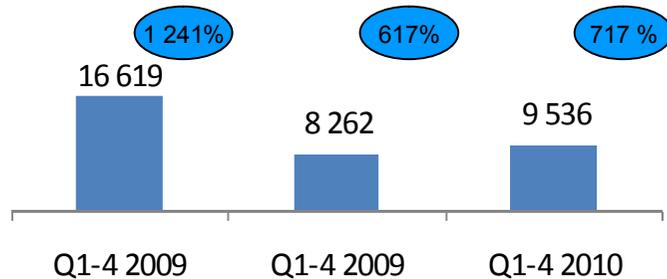
Including income on behalf of insureds:
115 m PLN in 2009
109 m PLN in 2010

Financial asset composition



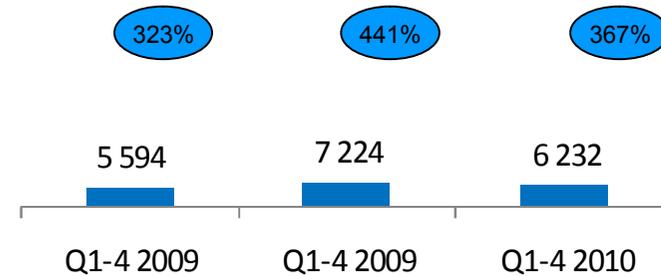
Strong capitalization and ongoing control of solvency are generating satisfactory performance

PZU SA's own funds and solvency margin coverage ratio (m PLN PAS)



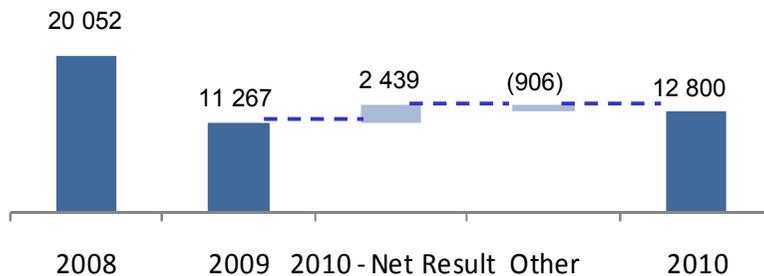
Solvency margin coverage ratio

PZU Życie SA's own funds and solvency margin coverage ratio (m PLN PAS)

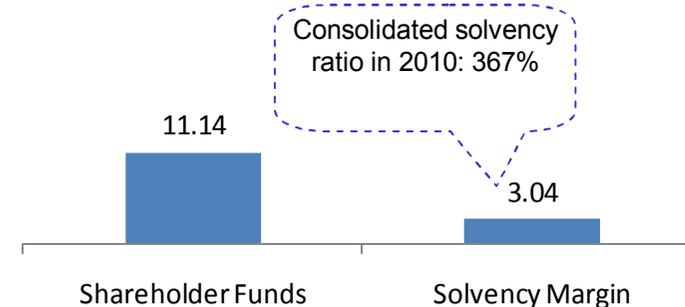


Solvency margin coverage ratio

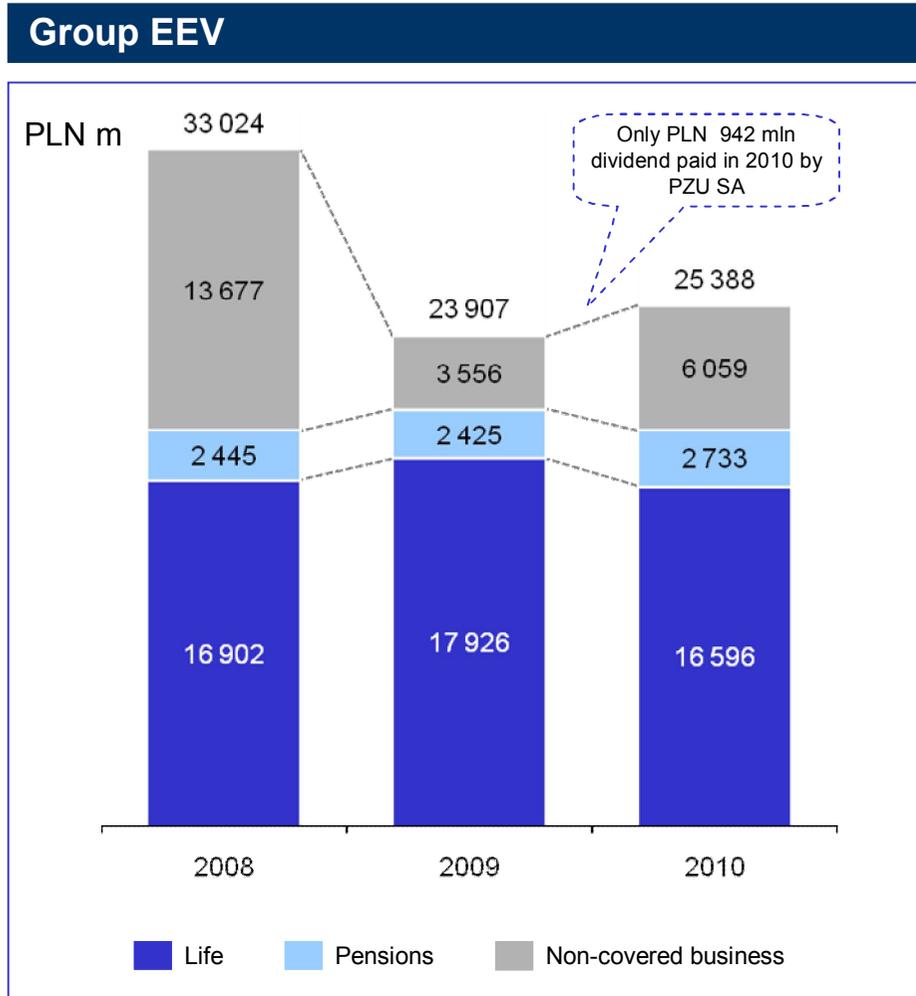
PZU Group's equity (m PLN. IAS)



PZU Group's own funds (b PLN. PAS)



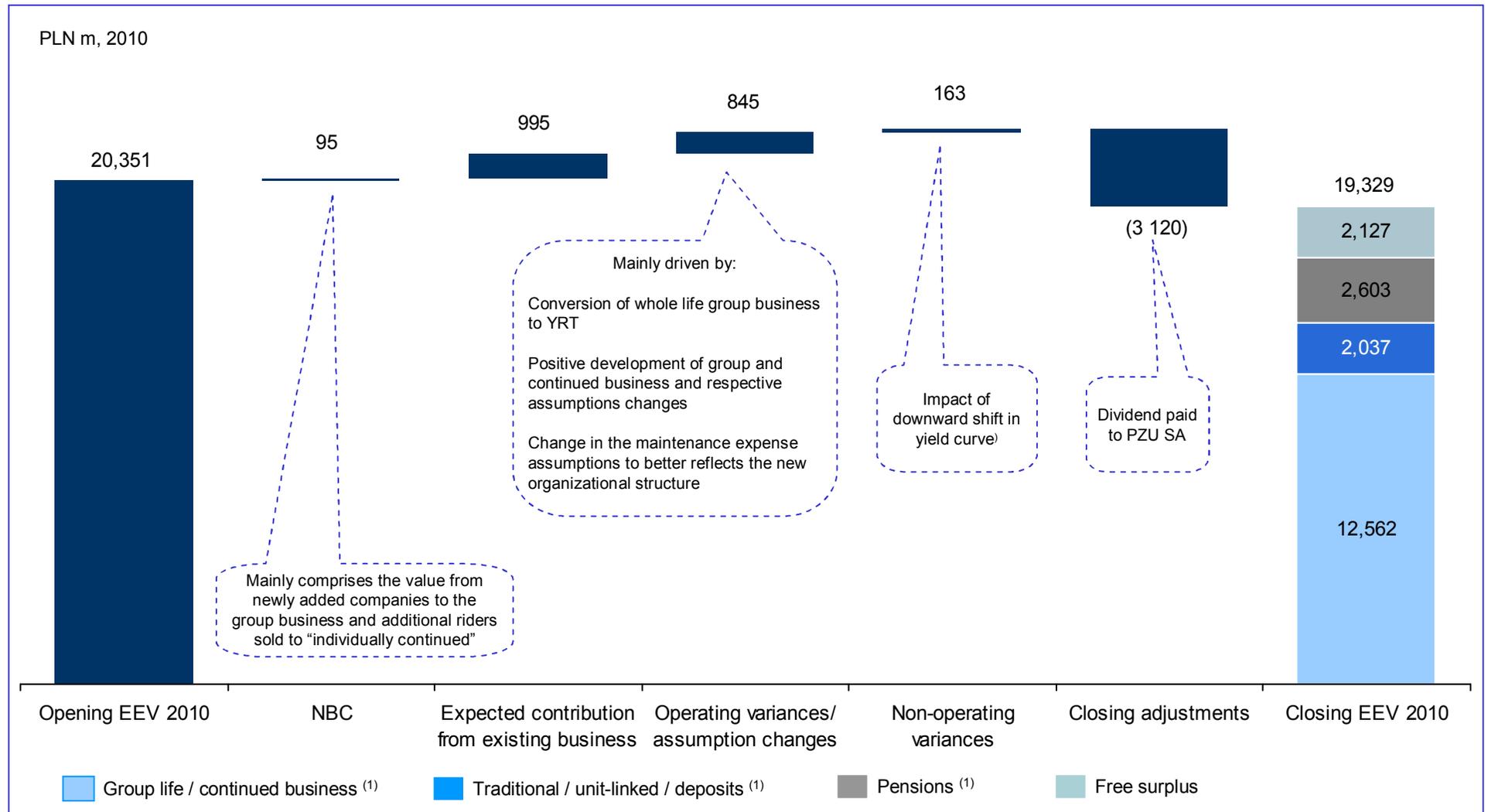
Development of Group EEV driven by capital transfers



Comments

- Development of Group EEV and its structure are highly driven by internal and external capital transfers
 - Dividends paid by PZU SA: 12.5bn in 2009 and 0.9 in 2010
 - PZU's Group EEV 2010 has increased to PLN 25.4 bn in 2010 from PLN 23.9 bn in 2009 mainly due to accumulation of given year profit
 - PZU life & pensions EEV earnings in 2010 reached 2.1bn (i.e. 10.3% of 2009 EEV)
 - PZU's life and pensions EEV is defensive relative to European peers
 - Low sensitivity to interest rates and equities
 - Very high portion of risk business
- Going forward, additional upside to EEV growth can come from:
- Restructuring
 - New business growth

Life and pension business contributes substantial value



Notes:

1) Includes required capital for the line of business

Questions and answers



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