

PZU Group's Financial Results in Q1 2013

Warsaw, 15 May 2013



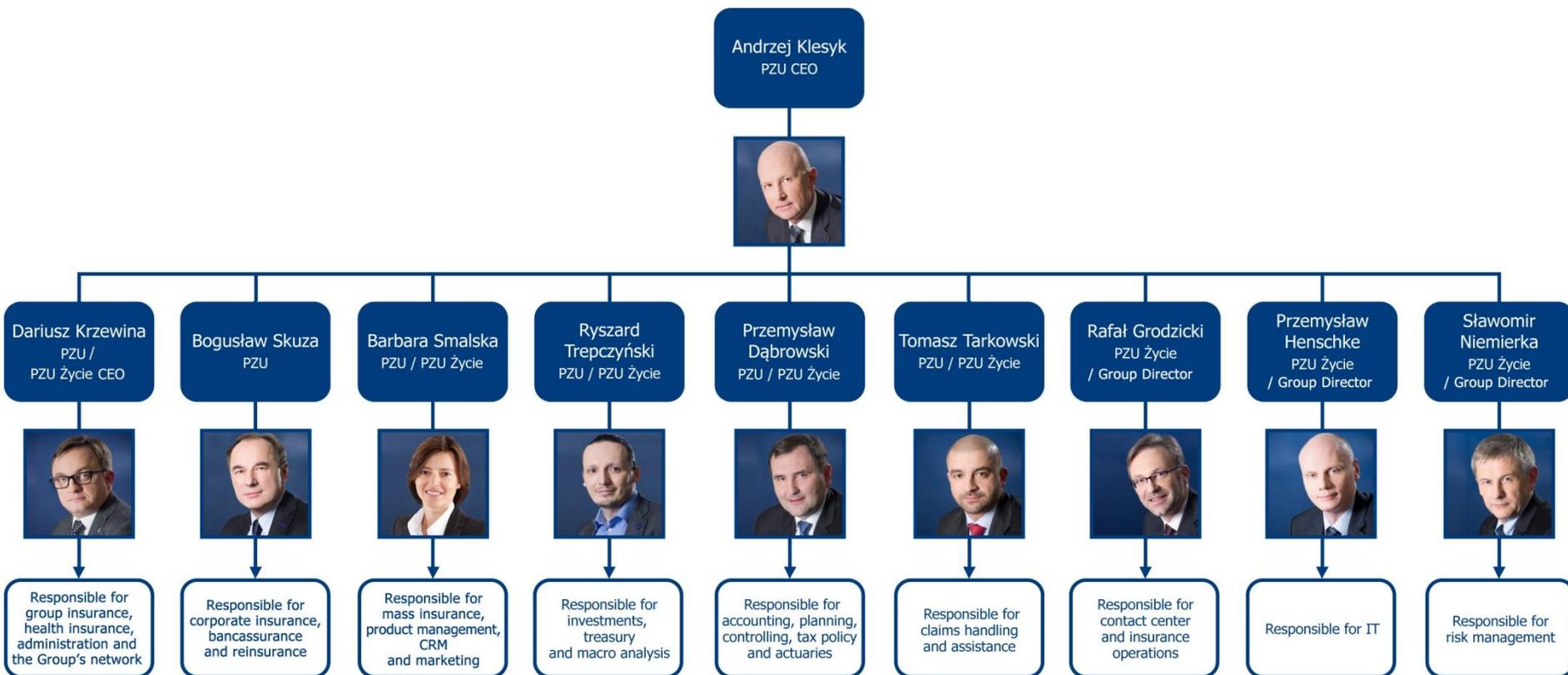


Agenda

- 1 PZU Management Board Composition
2. Insurance Market in Poland in 2012
3. Operating Performance in Q1 2013
4. Financial Results Overview in Q1 2013
5. Questions and Answers



PZU Management Board Composition





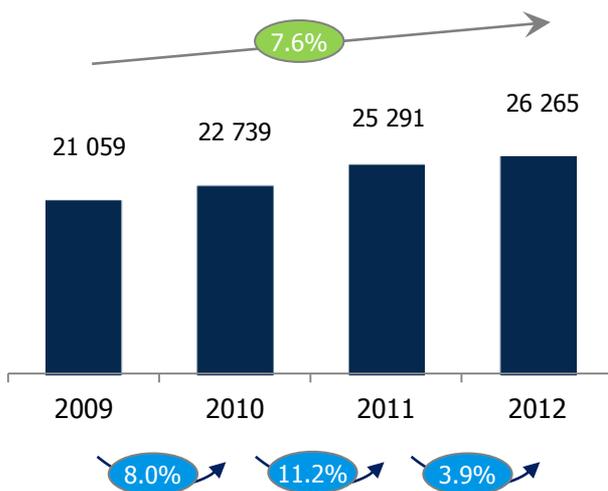
Agenda

1. PZU Management Board Composition
2. Insurance Market in Poland in 2012
3. Operating Performance in Q1 2013
4. Financial Results Overview in Q1 2013
5. Questions and Answers

Non-Life Insurance Market in Poland

YTD, m PLN

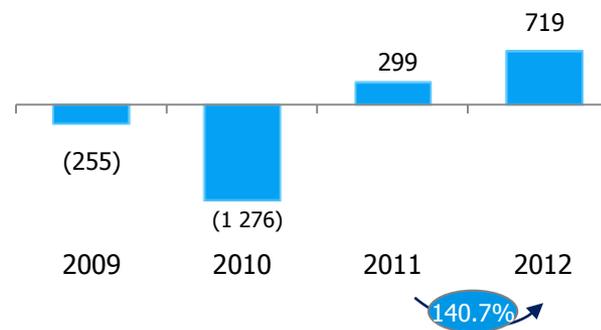
Gross Written Premium Non-life Insurance



- Higher motor TPL sales (+390.0 m PLN y/y) as a result of increase in corporates other TPL tariffs (+314.6 m PLN y/y).
- Stalled MOD growth rate minus 2.3% (Q4 2012/Q4 2011) vs. + 9,9% (Q4 2011/Q4 2010).

x% - CAGR x% - change y/y

Technical Result Non-life Insurance

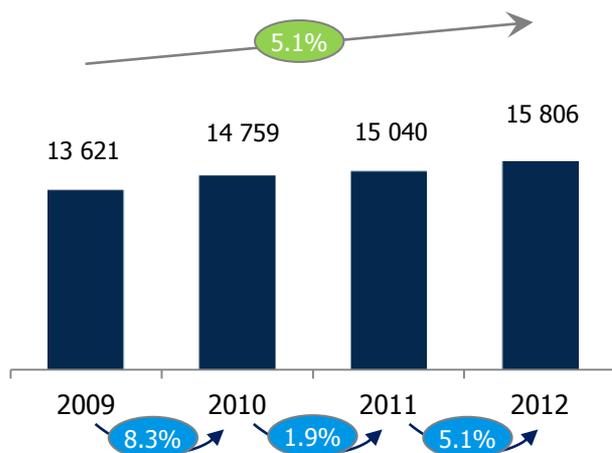


- Entire market enjoys improved profitability following lower claims frequency in motor business (good weather conditions and less traffic).
- PZU is still the leader in profitability (technical result 640.1 m PLN after Q4 2012, 89.0% market share compared to 32.2% measured by premium).

Life Insurance Market in Poland

YTD, m PLN

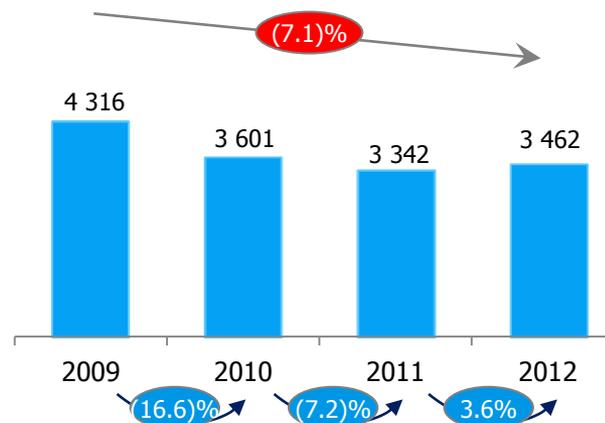
Regular Gross Written Premium Life Insurance*



- Life market growth in 2012 mainly as an effect of higher single premium (+3.7 bn PLN, +22.3% y/y, incl. class 1 life insurance: +2.7 bn PLN, +23.8% and unit-linked, class 3: +1.0 bn PLN, +20.9%).
- PZU's market share in key and rapidly growing regular premium segment is 43.1% (+0.8% vs Q1 2012).
- Regular premium on life market increased by 0.8 bn PLN y/y (+5.2%) as an effect of higher unit-linked regular premium +0.7 bn PLN (+13.3%).

x% - CAGR x% - change y/y

Technical Result Life Insurance



- PZU Life's technical margin on GWP is almost five times higher than the blended margin generated by the other life insurers (23.2% vs. 4.8%).
- Rising profitability in accident and sickness riders (class 5) – technical result up 203.6 m PLN (+14.2%). PZU Life's market share is about 70% in this group.

Polish FSA data; only for Polish insurance market

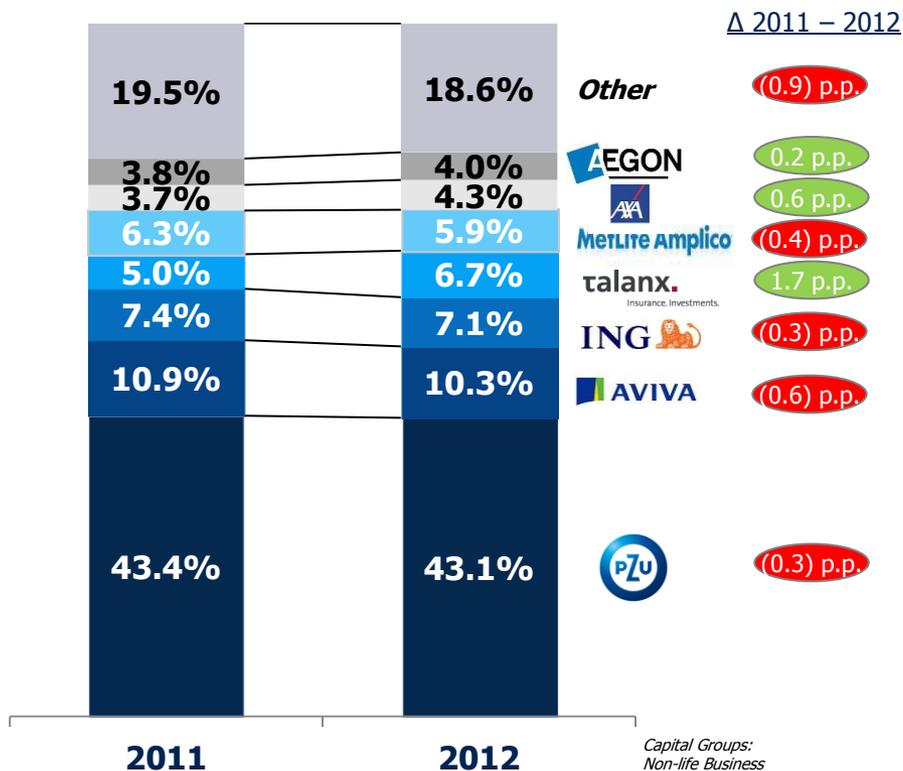
* Figures concerning regular premium business may be distorted by certain insurers classifying products similar to single premium products as regular premium business



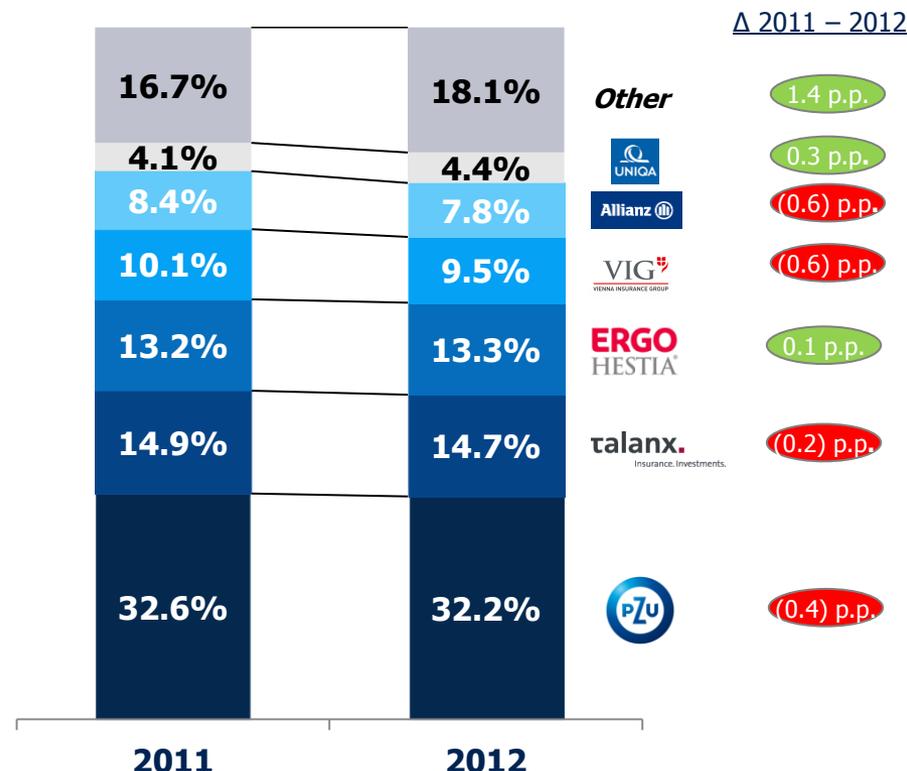
PZU Is the Leader in the Insurance Sector in Poland

YTD

PZU Life Market Share
Life Insurance (Regular Premium)



PZU's Market Share
Non-life Insurance



Capital Groups:
 Non-life Business
 Allianz – Allianz, 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



Agenda

1. PZU Management Board Composition
2. Insurance Market in Poland in 2012
- 3** Operating Performance in Q1 2013
4. Financial Results Overview in Q1 2013
5. Questions and Answers



Key Messages Describing PZU's Performance in Q1 2013

Primary focus on profitability

- agricultural insurance high profitability in mass client segment
 - low claims related to ground frost
 - low profitability product during 2011 and 2012
- sustained low level of claims ratio in motor insurance in mass client segment
 - good weather conditions and less traffic
- profitability improvement in group and continued life segment
 - new individual continuation option coupled with moderate growth in claims ratio in group life insurance

Investment result decrease

- Financial market conditions below expectations:
 - WIG Index down in Q1 2013 (-4.9% vs. +9.8% in Q1 2012)
 - T-bond yield up (leading to lower portfolio valuation)

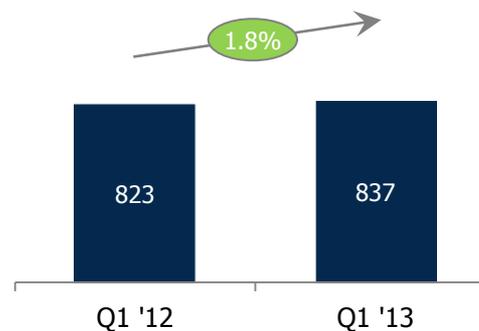
Overview of the PZU Group's Q1 2013 Financial Results

YTD

Gross Written Premium (m PLN)



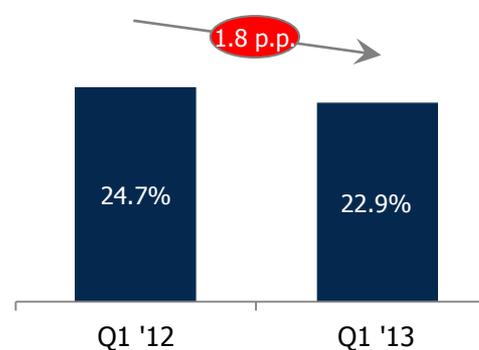
Net Profit (m PLN)



Equity (bn PLN)



ROE (%)*



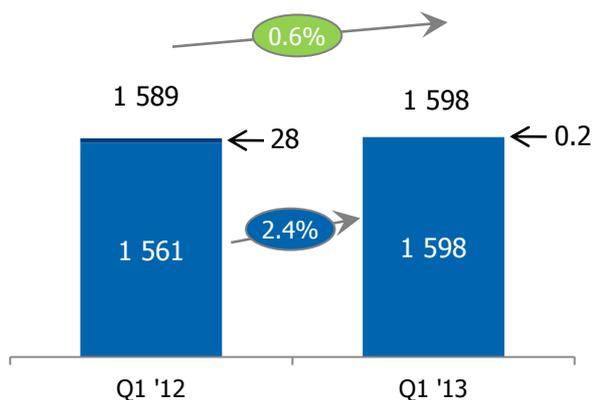
* Ratio computed using equity at beginning and end of reporting period

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.

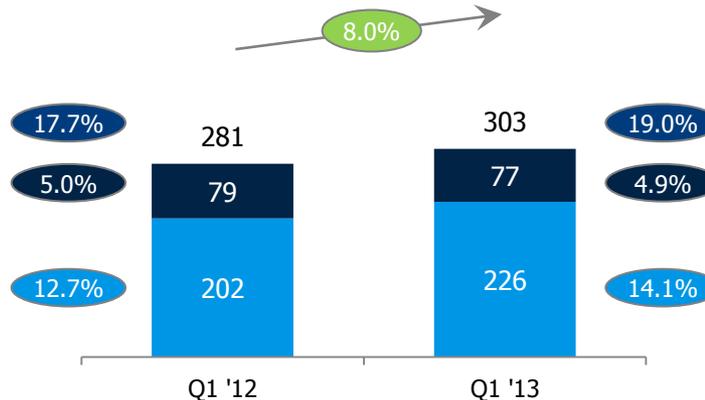
x% - change y/y

x% - change y/y in regular premium

Single premium

Regular premium

Operating Profit Group and Continued Segment*



- Higher operating profit due to business growth and modification of individual continuation.
- Moderate claims ratio growth 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)

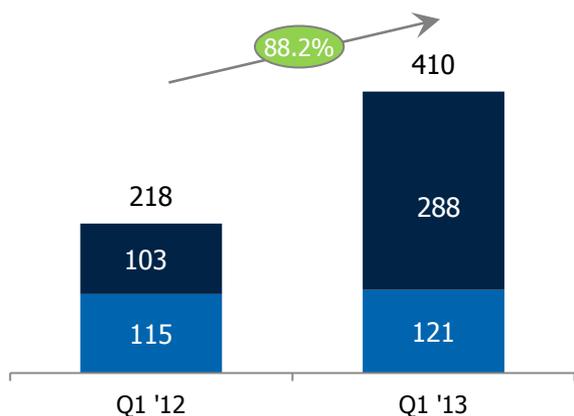
Insurance margin (investment yield using technical rate)

Total margin

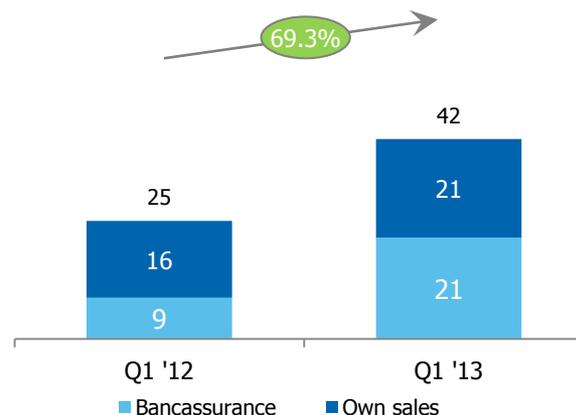
Individual Insurance Is Expanding Rapidly on Sales in Bancassurance Channel

YTD, m PLN

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

Success in sales of individual retirement account (IKE) in Q1 2013.

Stable sales level of protection and investment products in the demanding traditional distribution channel.

x% - change y/y

■ Single premium

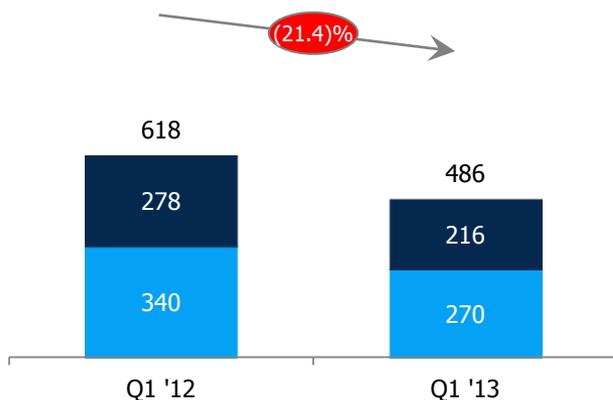
■ Regular premium

* Only insurance contracts

Stable Profitability on Tough Corporate Client Market

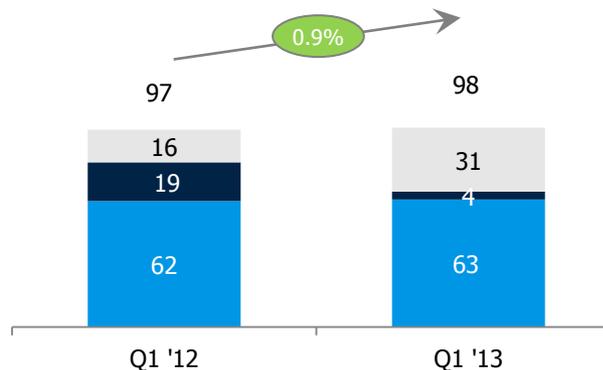
YTD, m PLN

Gross Written Premium in Corporate Client Segment



- Lower sales of accident insurance to hospitals (compulsory insurance in Q1 2012). Growth rate net of hospital accident insurance was minus 12.8%.
- Lower sales of motor insurance: fierce competition squeezing rates and poor condition of domestic car market.
- Higher sales of bank risk products – new agreement with bank.
- Higher sales of TPL to health care units as a result of higher indemnity sums.

Operating Profit in Corporate Client Segment



- Lower operating profit in motor business as a result of fierce competition (poor condition of car market and price competition).
- Higher profitability of non motor business – COR down 4.2% by pursuing restrictive underwriting policy and reducing the number of unprofitable clients.
- Higher „Impact of allocated incomes from Investment Segment” due to better investment results of portfolios hedging FX-denominated insurance liabilities.

x% - change y/y

■ Impact of allocated incomes from Investment Segment

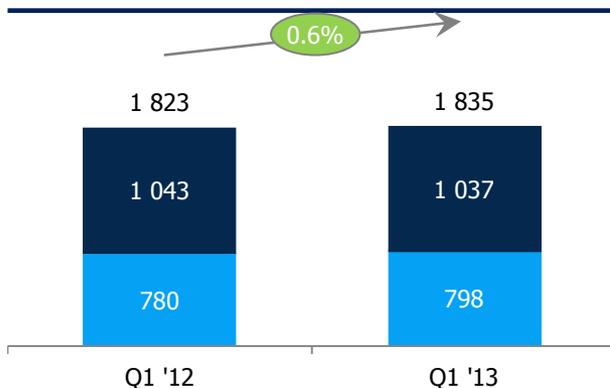
■ Motor Insurance Business (Technical result)

■ Non Motor Insurance Business (Technical result)

Profitability Up In Mass Client Segment

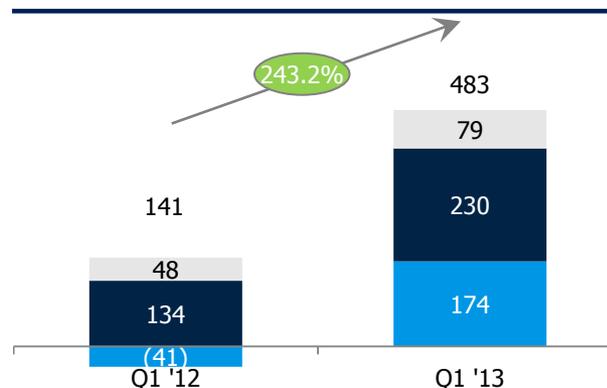
YTD, m PLN

Gross Written Premium in Mass Client Segment



- Higher sums insured in compulsory insurance of farm buildings – restatement in real terms.
- Price hikes in farmers' compulsory TPL insurance.
- GWP growth in TPL products for health care units and PZU Dom Plus product.
- Lower GWP in motor own damage – lower sums insured and higher discounts for accident-free driving (aging portfolio).

Operating Profit in Mass Client Segment



- Low claims level on ground frost in Q1 2013, claims in compulsory subsidized crop insurance down by 170 m PLN y/y.
- Lower claims frequency in motor business due to favorable weather conditions, less traffic confirmed by lower consumption of diesel and petrol.
- In non-life no single large claims and a considerably lower level of mass claims due to weather-related events.
- Higher „Impact of allocated incomes from Investment Segment“ due to better investment results of portfolios hedging FX-denominated insurance liabilities.

x% - change y/y

Impact of allocated incomes from Investment Segment

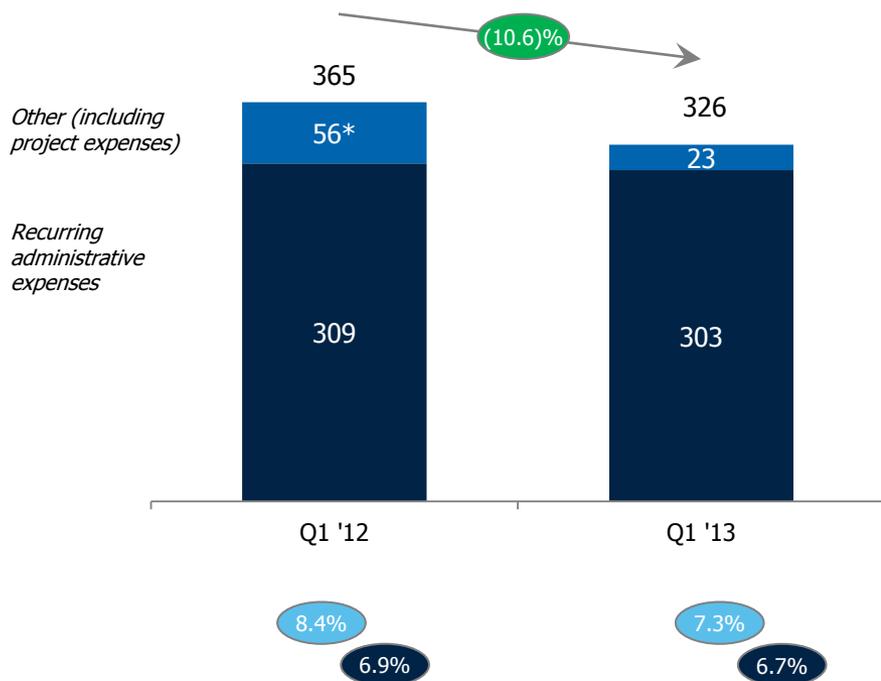
Motor Insurance Business (Technical result)

Non Motor Insurance Business (Technical result)

Maintaining Cost Discipline

YTD, m PLN

Administrative Expenses



- Lower administrative expenses:
 - lower payroll expenses (following restructuring program implemented in prior years);
 - advertising expenses down from Q1 2012 when non-recurring brand refreshment costs were incurred.
- Implementation of projects to optimize service processes (primarily non-life policy system) – higher operating expenses and capital expenditures.
- Additional charge of 20 m PLN to the Employee Benefit Fund in 2012 presented as non-recurring administrative expenses in 1Q 2012.**

- 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

** Additional cost of Employee Benefit Fund due to different classification under IFRS and Polish GAAP

*** Administration expense ratio: administration expenses / net premium earned - sum of insurance segments in Poland



Agenda

1. PZU Management Board Composition
2. Insurance Market in Poland in 2012
3. Operating Performance in Q1 2013
- 4** Financial Results Overview in Q1 2013
5. Questions and Answers



Overview of PZU Group's Financial Highlights

m PLN, IFRS	Q1 2012	Q1 2013	Change YoY	Q4 2012	Change Q1 2013 over Q4 2012
Profit and Loss Statement					
Gross Written Premium	4 323	4 426	2.4%	4 084	8.4%
Premium Earned	3 869	4 108	6.2%	4 056	1.3%
Investment Result	873	429	(50.8)%	1 135	(62.2)%
Operating Profit	1 035	1 066	3.1%	539	97.7%
Net Profit	823	837	1.8%	414	102.4%
Balance Sheet					
Equity	13 789	14 952	8.4%	14 269	4.8%
Total Assets	55 329	58 757	6.2%	55 910	5.1%
Principal Financial Ratios					
ROE*	24.7%	22.9%	(1.8) p.p.	12.2%	10.7 p.p.
Combined Ratio**	91.2%	77.1%	(14.1) p.p.	99.0%	(21.9) p.p.

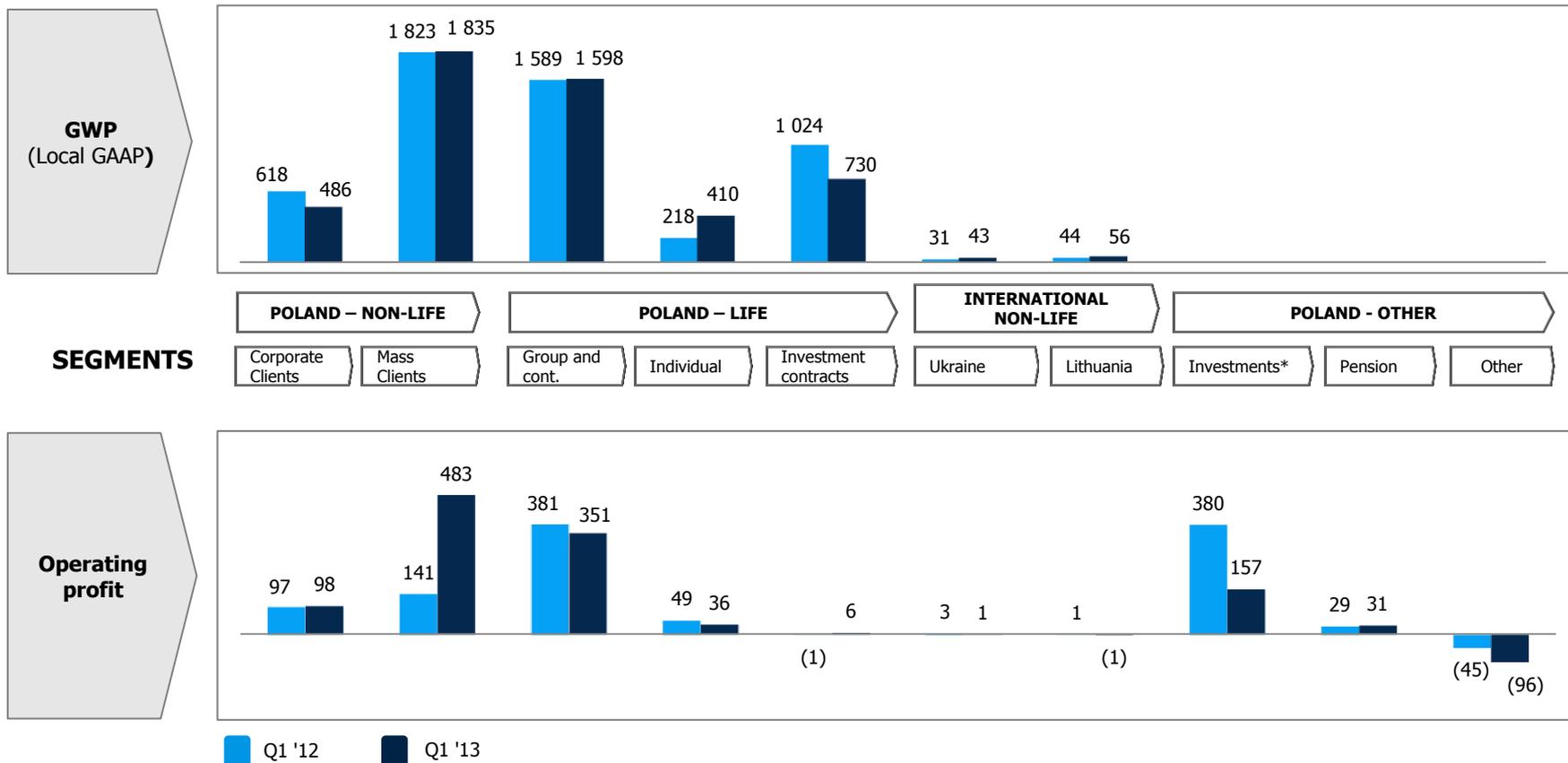
* Annualized ratio computed using equity at beginning and end of reporting period

** 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	Q1 2012	Q1 2013	Change YoY	Q1 2012	Q1 2013	Change YoY	Q1 2012
Total Non-Life - Poland	2 441	2 320	(4.9)%	238	581	144.1%	90.6%	76.0%
Mass Insurance - Poland	1 823	1 835	0.6%	141	483	243.2%	93.0%	74.5%
Motor TPL Insurance	635	637	0.3%	85	181	112.8%	88.7%	76.5%
Motor Own Damage	408	399	(2.2)%	49	49	0.1%	87.0%	86.5%
Other products	780	798	2.3%	(41)	174	x	102.0%	64.7%
Impact of investment segment allocation	x	x	x	48	79	65.2%	x	x
Corporate Insurance - Poland	618	486	(21.4)%	97	98	0.9%	81.9%	81.8%
Motor TPL Insurance	118	97	(18.3)%	(5)	(22)	x	107.5%	123.2%
Motor Own Damage	159	119	(25.4)%	25	26	4.8%	84.4%	79.7%
Other products	340	270	(20.6)%	62	63	1.2%	66.1%	61.9%
Impact of investment segment allocation	x	x	x	16	31	95.7%	x	x
Total Life - Poland	1 807	2 008	11.1%	430	386	(10.1)%	23.8%	19.2%
Group and Continued ** - Poland	1 589	1 598	0.6%	281	303	8.0%	17.7%	19.0%
Individual - Poland	218	410	88.2%	49	36	(26.8)%	22.4%	8.7%
Conversion effect	x	x	x	100	48	(52.4)%	x	x
Total Non-Life - Ukraine & Lithuania	75	81	7.2%	4	0	(89.8)%	107.8%	107.2%
Ukraine Non-life	31	32	1.0%	3	1	(67.6)%	112.8%	110.0%
Lithuania Non-life	44	49	11.6%	1	(1)	x	104.7%	105.5%
Total - Life - Ukraine & Lithuania	15	18	20.1%	1	0	(61.1)%	7.1%	2.3%
Ukraine Life	9	11	21.8%	0	0	(10.5)%	4.9%	3.6%
Lithuania Life	6	7	17.6%	1	0	(97.3)%	10.4%	0.2%

* 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	Q1 2012	Q1 2013	
Operating Profit (according to financial statements)	1 034,7	1 066,5	
<i>including:</i>			
1 Conversion effect	94,0	47,6	1 Impact of converting long-term contracts into yearly-renewable term contracts under IFRS.
2 Reinsurance agreement	-	53,2	2 Income from the green card-related reinsurer's agreement – reversal of the adjustment to estimates lowering the 2011 result.
3 Consolidating investment funds	-	167,5	3 Commencing consolidation of investment funds (mostly real estate funds).

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

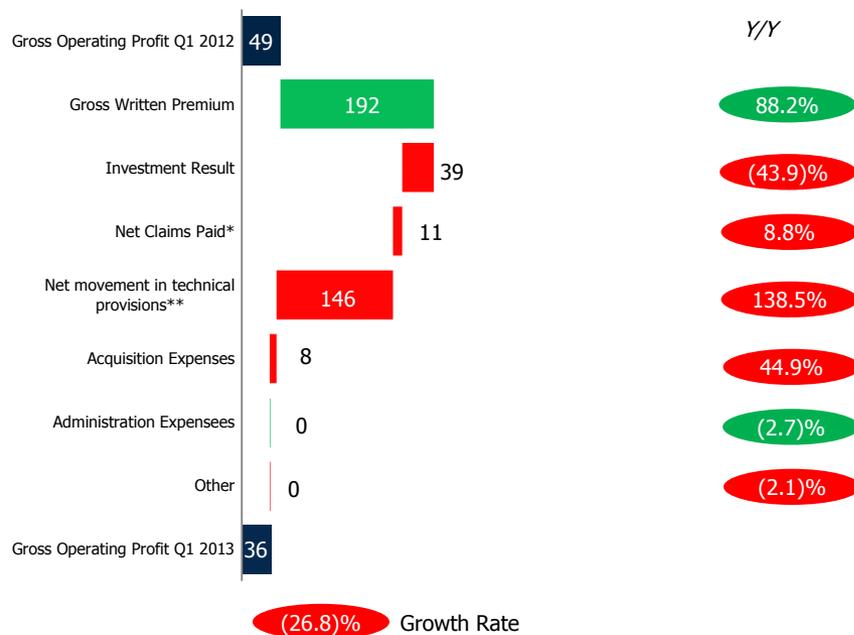
** Mathematical and other provisions, including conversion effect

Remarks

- GWP growth +0,6% y/y mainly due to larger group insurance portfolio (including riders to continued insurance) and higher average premiums partly offset by lower sales of single premium products.
- Lower investment result in unit-linked products driven by deteriorating capital markets in Q1 2013 compared to Q1 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 and higher surrenders in PPE as well as lower growth rate in mathematical reserves for continued protection products as a result of new type of continuation introduced in 2012.
- Acquisition expenses remained stable.
- Lower administrative expenses as a result of on-going payroll restructuring.
- Lower operating profit caused by slower pace of conversion in type P group insurance; net of these effects, the margin improved in this segment.

Individual Life Insurance Segment

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



Remarks

- GWP up 88.2% 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 Q1 2013 compared to Q1 2012.
- Net claims up with more surrenders in IKE (individual retirement account) (offset by movement in provisions).
- Growth of mathematical provisions due to higher sales of bancassurance investment products partly offset by lower investment result in unit-linked portfolio and more surrenders.
- Acquisition expenses up y/y due to higher sales volume of investment insurance with a high first-year non-deferrable commission.
- Administrative expenses remain stable.
- Lower operating profit caused by high sales of investment products with a high first-year non-deferrable commission.

* Net claims paid and movement in claims provisions

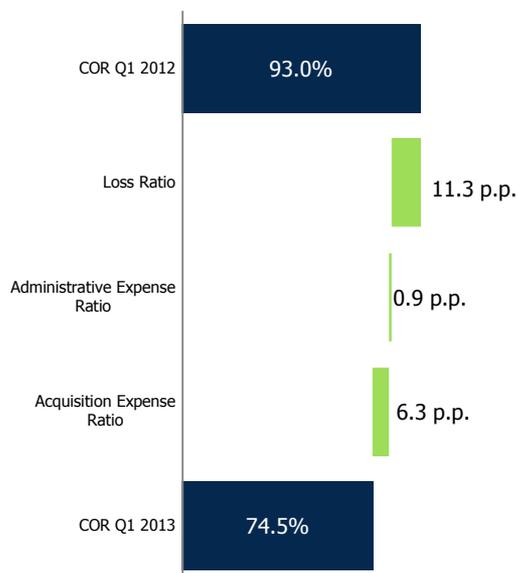
** Mathematical and other provisions

Profitability of Corporate Non-life Insurance Segment

Profitability of Corporate Non-life Insurance (COR %)	Remarks												
 <table border="1"> <caption>Profitability of Corporate Non-life Insurance (COR %)</caption> <thead> <tr> <th>Item</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>COR Q1 2012</td> <td>81.9%</td> </tr> <tr> <td>Loss Ratio</td> <td>-2.2 p.p.</td> </tr> <tr> <td>Administrative Expense Ratio</td> <td>-0.4 p.p.</td> </tr> <tr> <td>Acquisition Expense Ratio</td> <td>-1.9 p.p.</td> </tr> <tr> <td>COR Q1 2013</td> <td>81.8%</td> </tr> </tbody> </table>	Item	Value	COR Q1 2012	81.9%	Loss Ratio	-2.2 p.p.	Administrative Expense Ratio	-0.4 p.p.	Acquisition Expense Ratio	-1.9 p.p.	COR Q1 2013	81.8%	<ul style="list-style-type: none"> • Change of loss ratio: <ul style="list-style-type: none"> ○ deterioration in motor business facing fiercer competition (poor condition of car market, price competition); ○ lower loss ratio in non-life insurance stemming from pursuing a restrictive underwriting policy for several years. • Administrative expense ratio down on lower advertising costs related to 2012 marketing campaign and decrease in payroll expenses ensuing from headcount restructuring. • Acquisition expense ratio down as a result of lower indirect acquisition expenses – especially decrease in payroll expenses.
Item	Value												
COR Q1 2012	81.9%												
Loss Ratio	-2.2 p.p.												
Administrative Expense Ratio	-0.4 p.p.												
Acquisition Expense Ratio	-1.9 p.p.												
COR Q1 2013	81.8%												

Profitability in Mass Non-life Insurance Segment

Profitability of Mass Non-life Insurance (COR %)



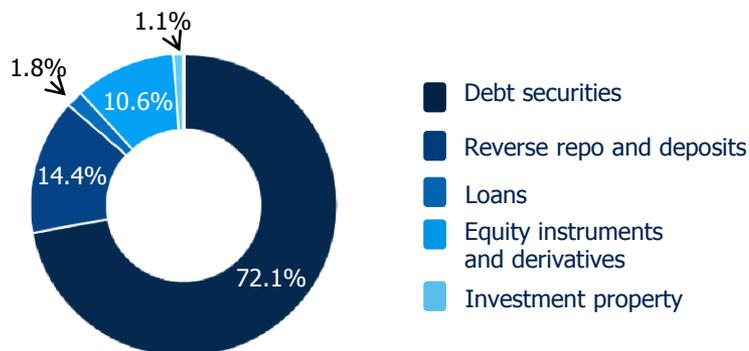
Remarks

- Lower loss ratio in:
 - agriculture insurance as a result of low level of ground frost-related claims;
 - property insurance due to low number of single high value claims and mass claims.
- Low claims ratio in motor business, similar level as in Q1 2012.
- Administrative expenses down by deferring some expenditures planned for Q1, lower payroll expenses (restructuring and reorganization effect) and advertising expenditures (image campaign in 2012).
- Acquisition expenses down following higher reinsurance commissions as a result of the green card settlement with a reinsurer (one-off effect on reinsurance commissions in Q1 2013 +73.3 m PLN, total impact on gross profit in Q1 2013 +53.2m PLN).

Debt instrument valuation down

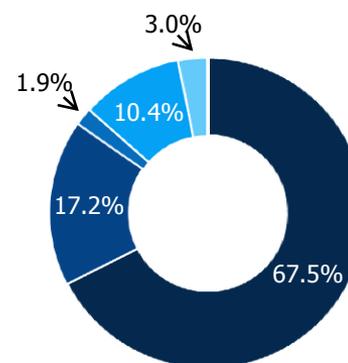
Deteriorating financial market conditions

Q1 2012 Investment Composition*



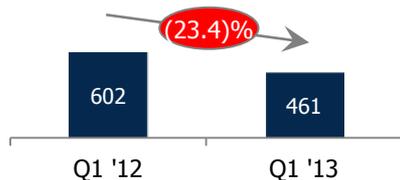
Total: 49.9 bn PLN

Q1 2013 Investment Composition*

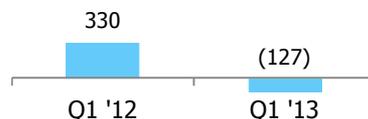


Total: 53.1 bn PLN

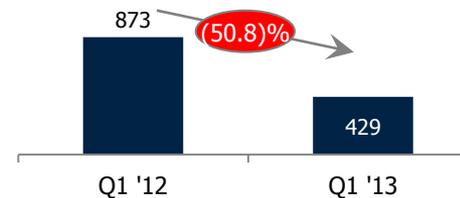
Interest-bearing instruments**



Equity instruments and derivatives



TOTAL



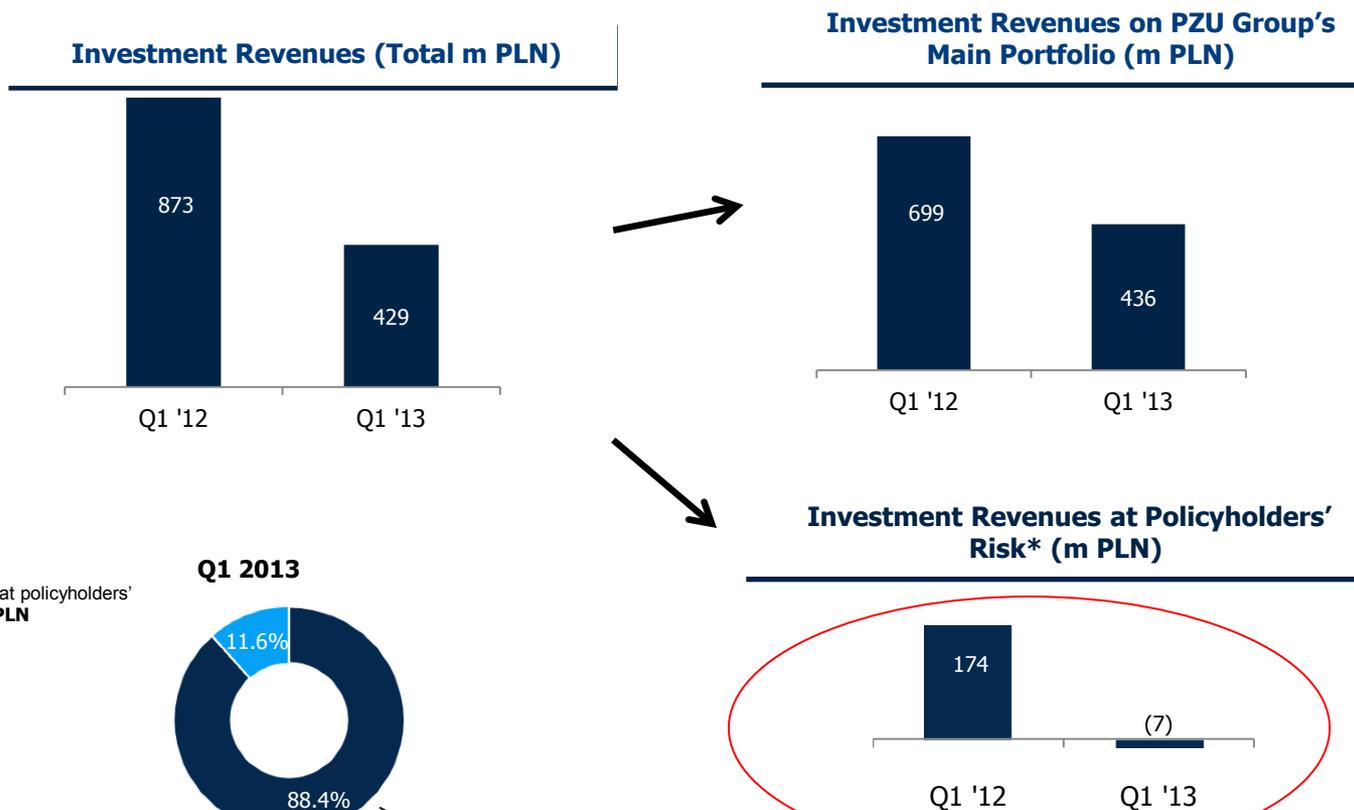
YTD, m PLN

* 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

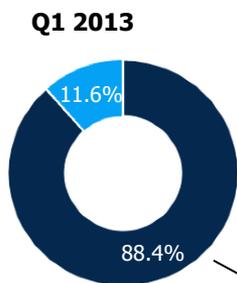
Low profitability of main portfolio and portfolio at policyholders' risk

Net quarterly data



No influence on net income of PZU Group.

Financial assets at policyholders' risk* – **6.2 bn PLN**



Total: 53.1 bn PLN

Financial assets in the main portfolio – **46.9 bn PLN**

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

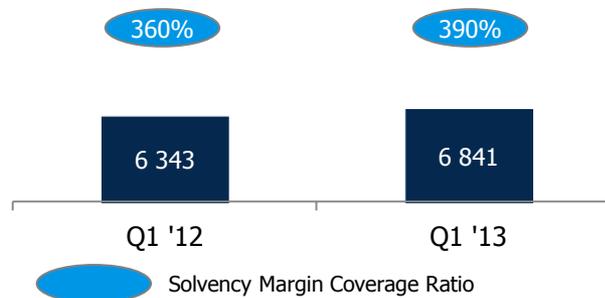


Robust Capitalization and Strong Solvency Ratios

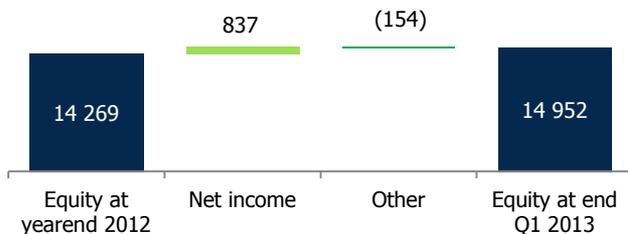
PZU Own Funds and Solvency Margin Coverage Ratio (m PLN, Polish GAAP)



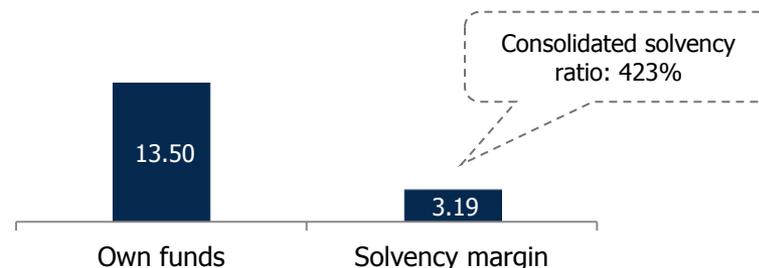
PZU Życie Own Funds and Solvency Margin Coverage Ratio (m PLN, Polish GAAP)



PZU Group's Equity (m PLN, IFRS)



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





Agenda

1. PZU Management Board Composition
2. Insurance Market in Poland in 2012
3. Operating Performance in Q1 2013
4. Financial Results Overview in Q1 2013
5. Questions and Answers

Questions and Answers



Contact Details:

PZU

Al. Jana Pawła II 24
00-133 Warsaw, Poland

Management Board Office

Marcin Góral – Director

Piotr Wisniewski – IRO

Tel.: (+48 22) 582 26 23

[*ir@pzu.pl*](mailto:ir@pzu.pl)

[*www.pzu.pl/ir*](http://www.pzu.pl/ir)

Spokesman

Michał Witkowski,

tel.: (+48 22) 582 59 44

[*rzecznik@pzu.pl*](mailto:rzecznik@pzu.pl)