



Presentation of PZU's Q3 2011 financial results

Warsaw, 08 November 2011

Current composition of the PZU Group's Management Board



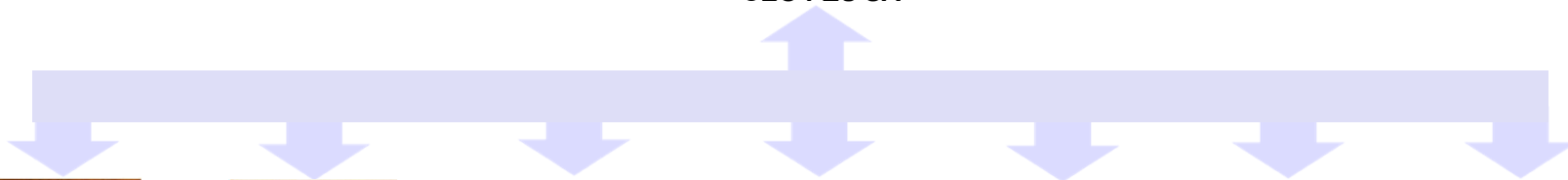
Progress in strategy implementation

Overview of the financial results in the first 3 quarters of 2011

Management Board of the PZU Group



Andrzej Klesyk
CEO PZU SA



Dariusz Krzewina
CEO PZU Życie SA



Przemysław Dąbrowski
CFO



Witold Jaworski



Bogusław Skuza



Tomasz Tarkowski



Ryszard Trepczyński



Rafał Grodzicki

PZU SA



PZU Życie SA



Responsible for corporate life insurance, HR and the Group's network

Responsible for bookkeeping and accounting, planning and controlling, tax policy and actuarial matters

Responsible for retail insurance, the Group's network, marketing and bancassurance

Responsible for corporate insurance and reinsurance

Responsible for claims handling and assistance

Responsible for investments, the treasury and macro analysis

Responsible for individual life insurance, marketing, IT and operations

Delivering on IPO Promises



Life insurance: stable growth in group insurance, development of individual insurance

Non-life insurance: sales growth on the mass market, enhancing profitability in the corporate segment

Restructuring: ongoing headcount optimization, other savings measures regarding IT and real estate

Mergers and acquisitions: we are waiting for the appropriate opportunities

Overview of the Financial Results for 1- 3 Q 2011

m PLN

	1-3Q 2010	1-3Q 2011	Change YoY
Gross Written Premium	10 801	11 426	5.8%
Investment Result	2 186	1 040	(52.4%)
Operating Profit	2 378	2 332	(2.0%)
Net Profit	1 874	1 857	(0.9%)
ROE *	21.3%	19.6%	(1.7 p.p.)

* Computed using average equity of the period

Agenda

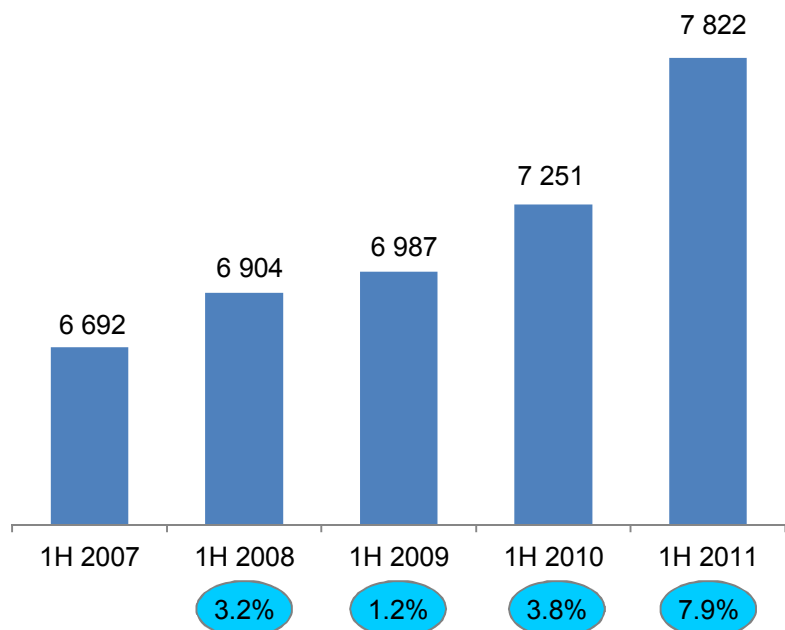
Business Overview

Financial Results Overview

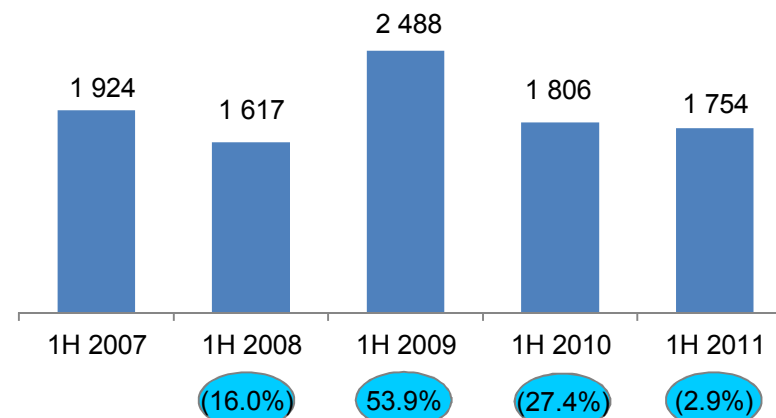
Questions and Answers

Growth in Life Insurance Coupled with a Stable Level of Profitability

**Regular Gross Written Premium
Life Insurance (m PLN)**



**Technical Result
Life Insurance (m PLN)**

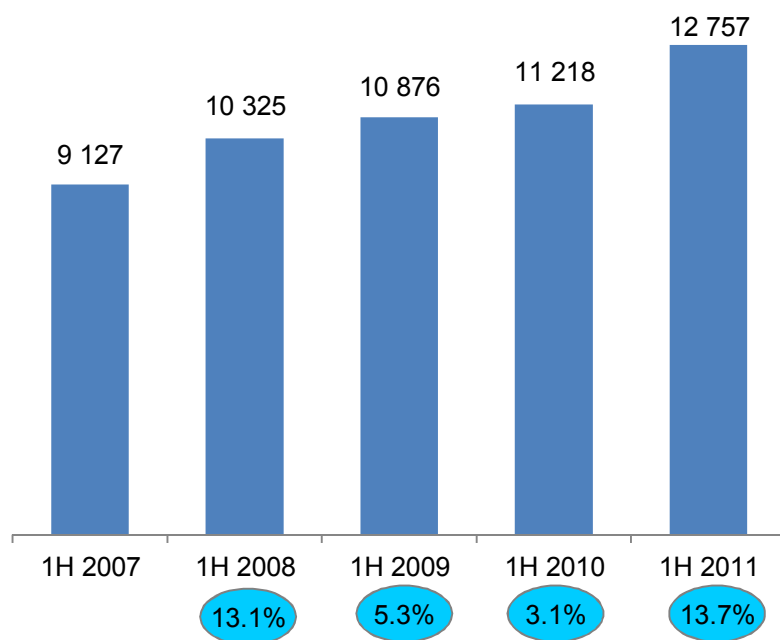


Regular premium insurance growth is disturbed by classifying some single premium products as regular premium business.

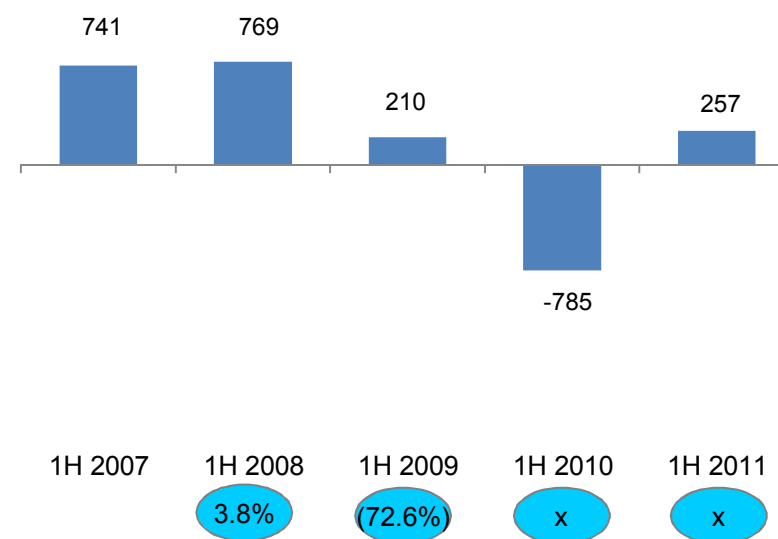
x% - % change YoY

Non-life Insurance Segment Still Growing but Considerable Pressure on Profitability Continues to be Present

**Gross Written Premium –
Non-life Insurance (m PLN)**



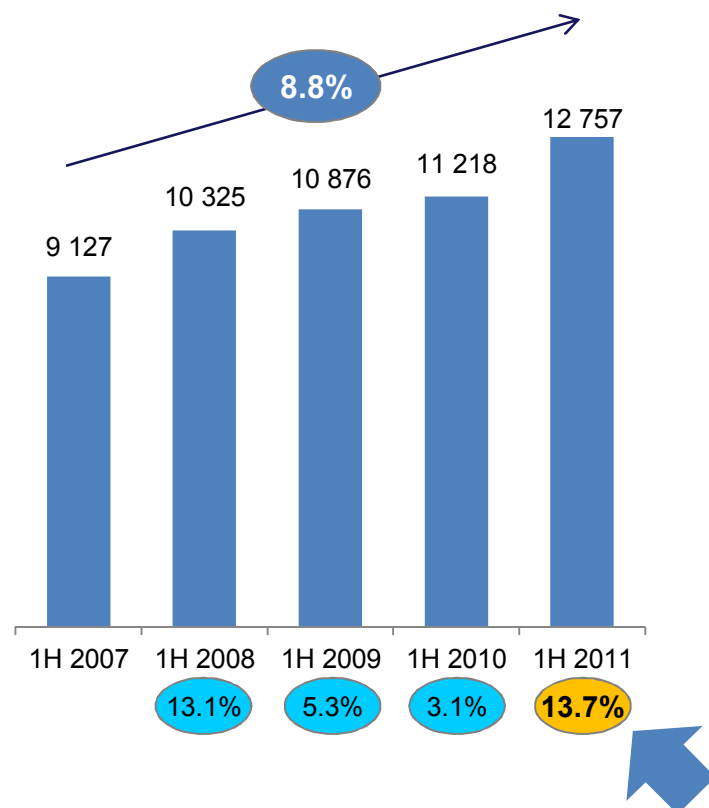
**Technical Result
Non-life Insurance (m PLN)**



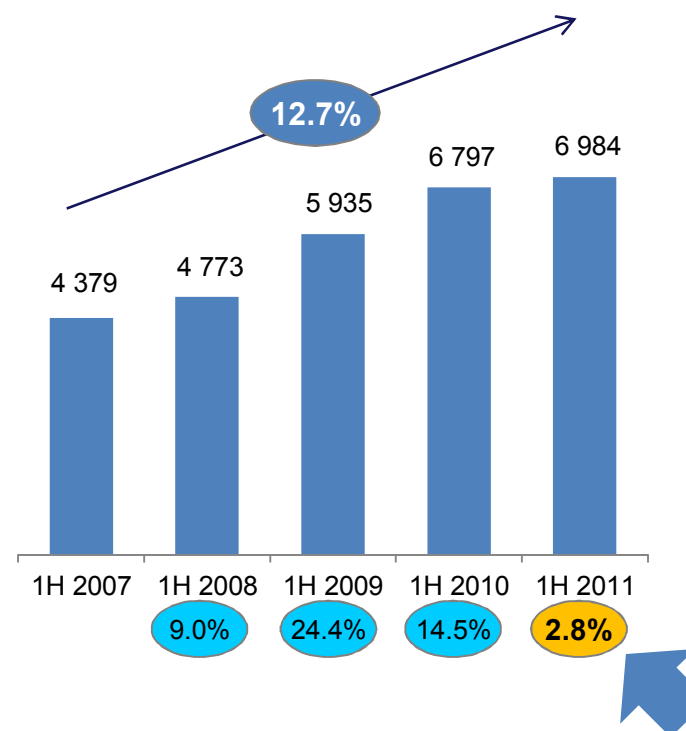
x% - % change YoY

Gross Written Premium Growth vs. Growth in Non-life Claims Paid

**Gross Written Premium –
Non-life Insurance (m PLN)**



**Claims Paid –
Non-life Insurance (m PLN)**

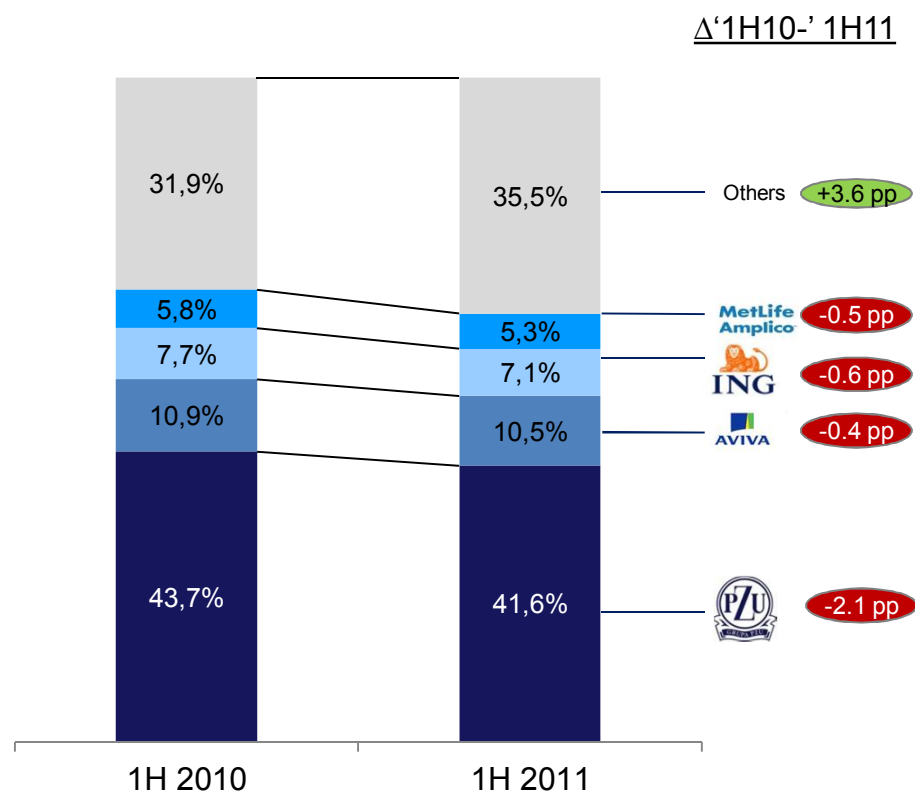


x% - % change YoY x% - CAGR

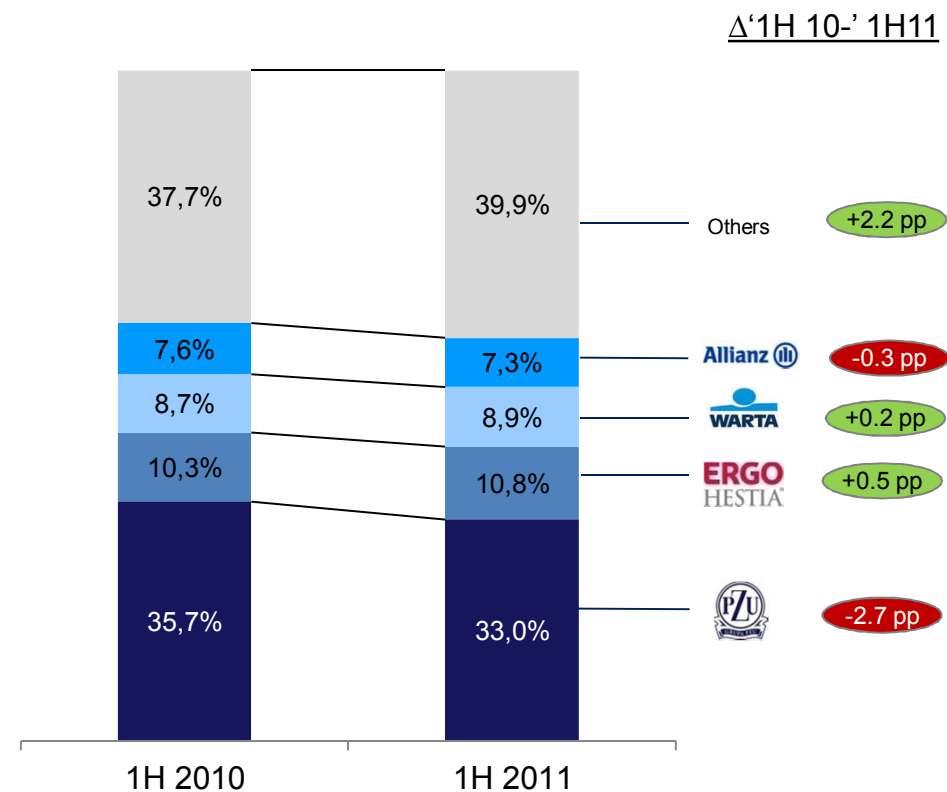
Decelerating Pace of Market Share Constriction

Effect of Restructuring Corporate Insurance in Non-life Business

**PZU's Market Share – Life Insurance
(Regular Premium)**



PZU's Market Share – Non-life Insurance



Delivering on IPO Promises



Life insurance: stable growth in group insurance, development of individual insurance

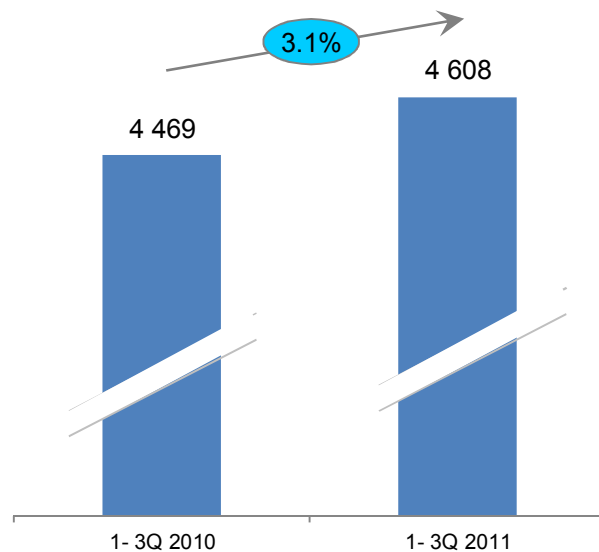
Non-life insurance: sales growth on the mass market, enhancing profitability in the corporate segment

Restructuring: ongoing headcount optimization, other savings measures regarding IT and real estate

Mergers and acquisitions: we are waiting for the appropriate opportunities

In Group Life Insurance and Continued Business Remain Stable...

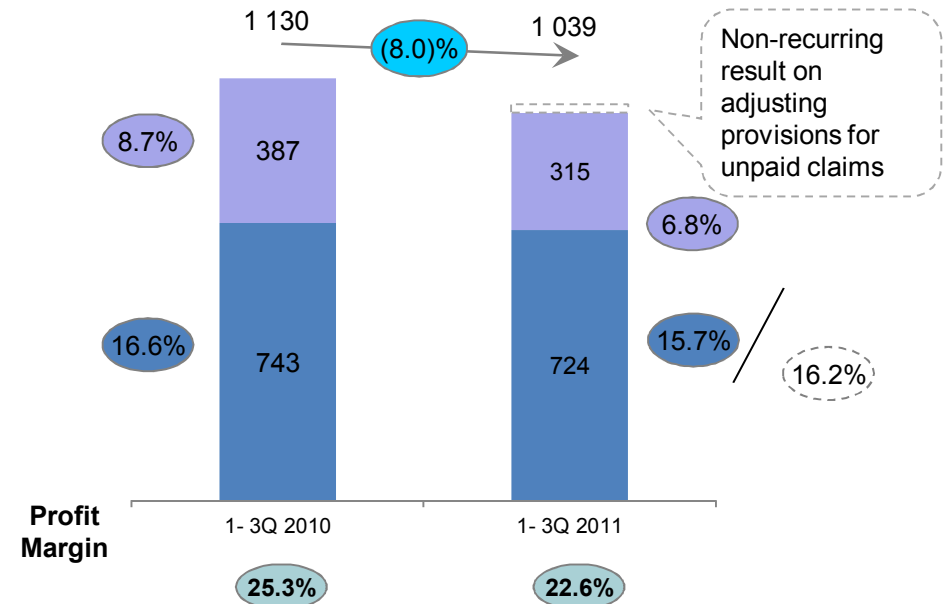
PZU's Gross Written Premium – Group and Continued Business (m PLN)



Higher gross written premium driven by:

- Growth in the group insurance portfolio and higher average premiums.
- High level of rider sales.

PZU's Operating Profit – Group and Continued Business* (m PLN)



Lower operating profit was caused by lower investment profit. In addition, controlled growth in the loss ratio.

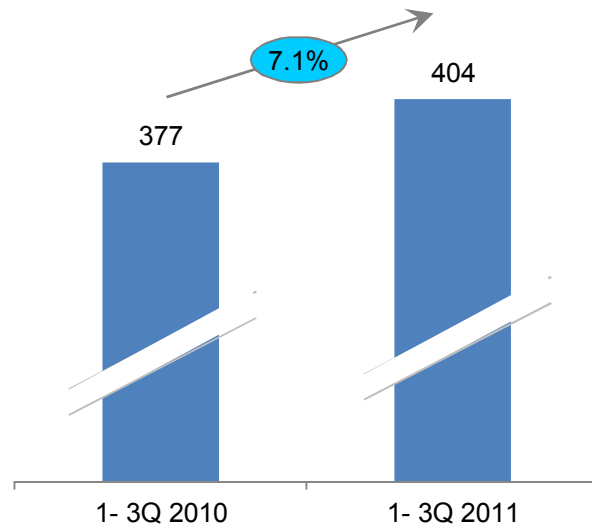
Investment margin (investment yield above technical rate)

Insurance margin (investment yield using technical rate)

* Net of conversion effect

... while Individual Insurance Is Expanding Rapidly

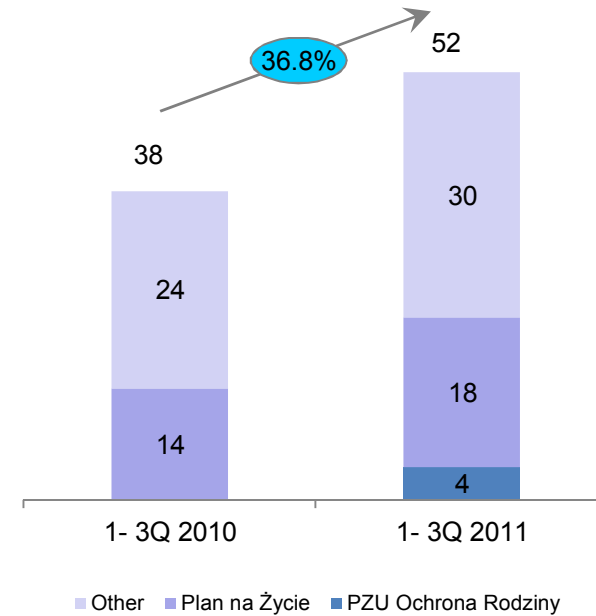
**PZU's Gross Written Premium in Life Insurance
(m PLN)**



Launching new product: "PZU Ochrona Rodziny"

- No. of new policies sold: 7.4 thousand;
- APE: PLN 4 m.

PZU's APE in Individual Life Insurance* (m PLN)



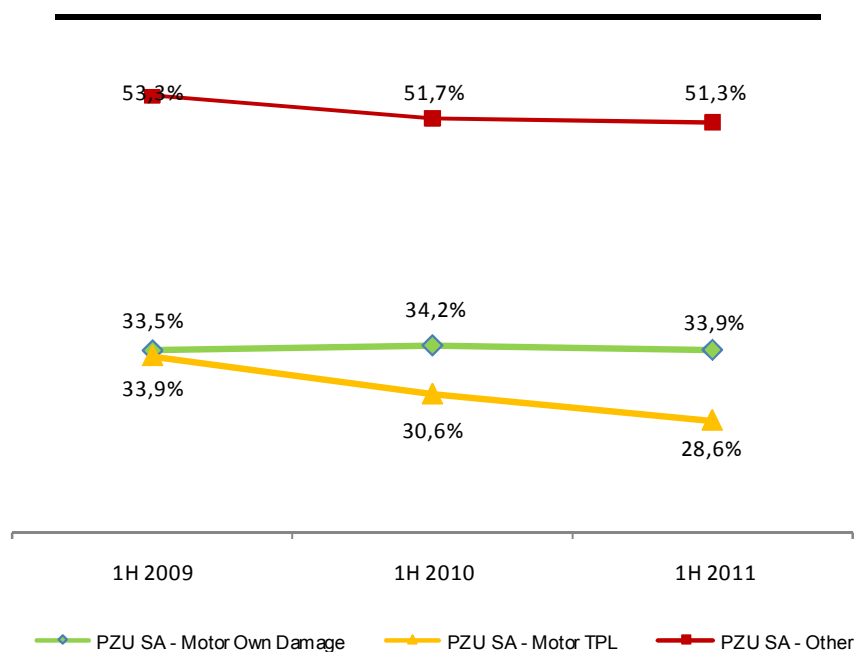
Steady sales growth of Plan na Życie and IRA.

New structured product in the bancassurance channel and higher demand for this product in PZU's own sales channel.

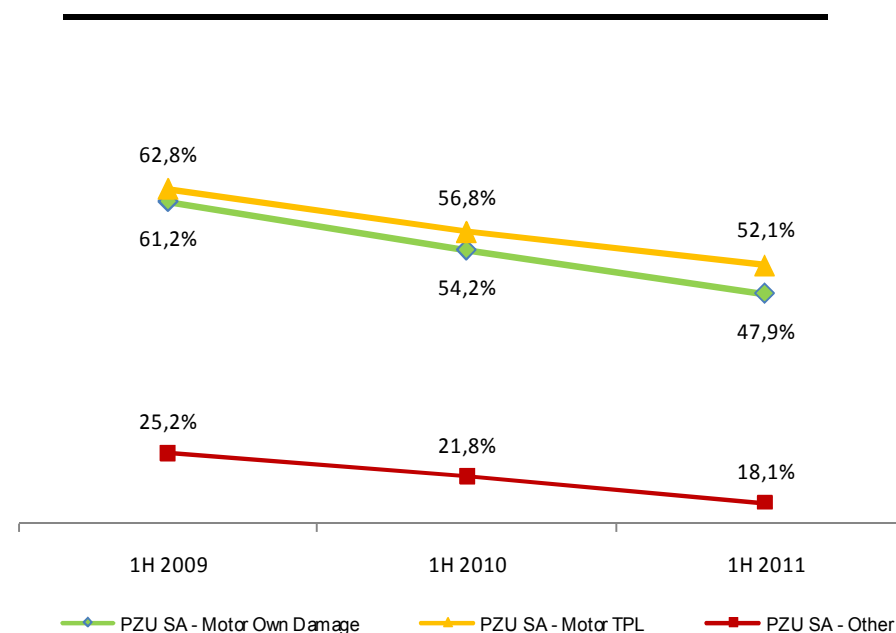
* Only insurance contracts

In Non-life PZU's Position Has Stabilized in Individual Insurance while the Corporate Client Portfolio Is Still Undergoing Restructuring

PZU SA's Market Share – Individual Clients



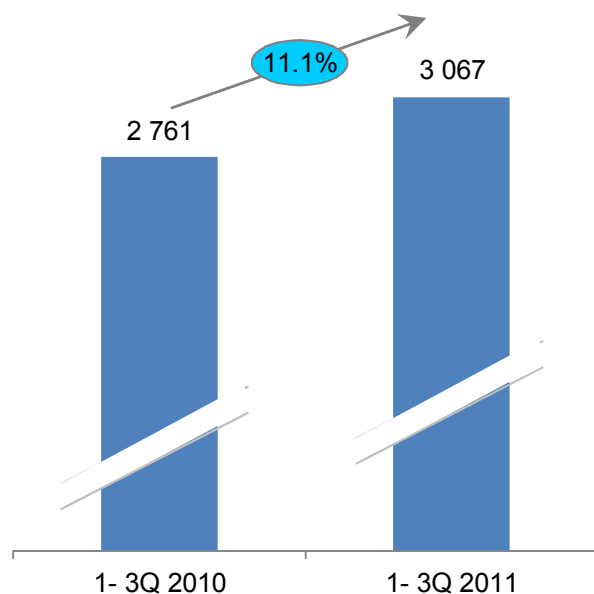
PZU SA's Market Share – Corporate Clients



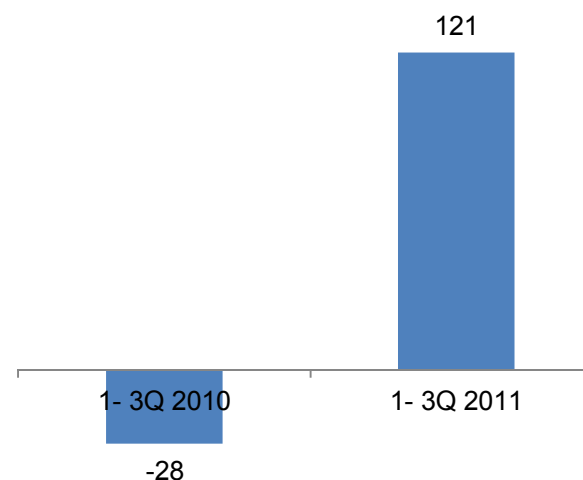
Source: KNF

Market Context in Motor Business Drives PZU's Sales and Profitability

PZU's Gross Written Premium in Motor Insurance for the Mass Market (m PLN)



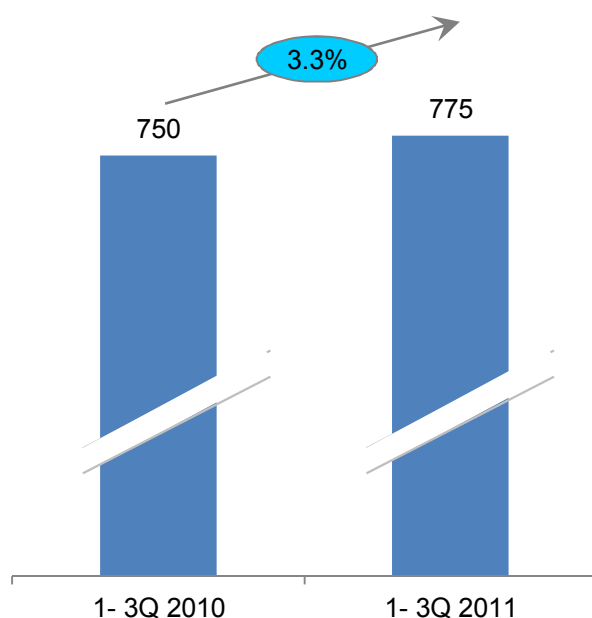
PZU's Technical Result in Motor Insurance for the Mass Market (m PLN)



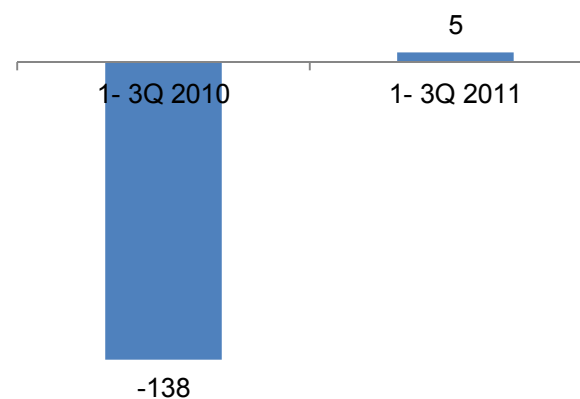
End of price war on the market – average prices on the market have grown.

Restructuring the Corporate Insurance Portfolio Is Producing Visible Improvement of Profitability

PZU's Gross Written Premium in Motor Insurance for Corporate Clients (m PLN)



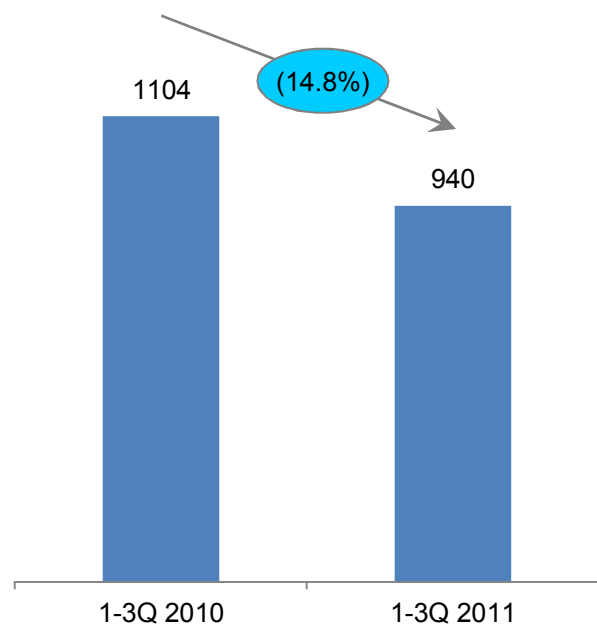
PZU's Technical Result in Motor Insurance for Corporate Clients (m PLN)



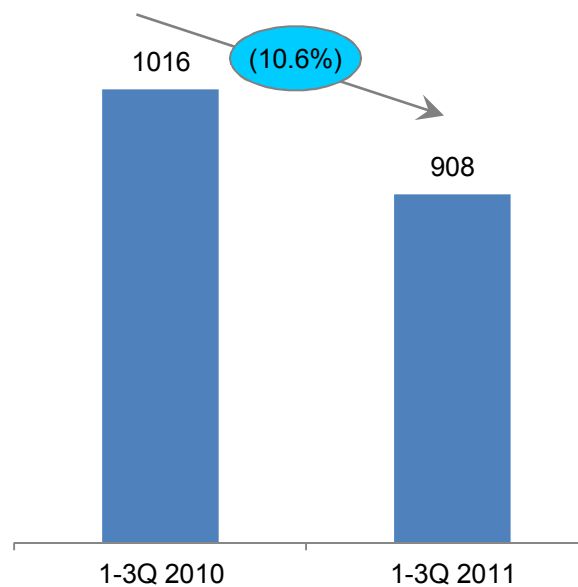
Enhanced portfolio quality as a result of altering the rules of underwriting and risk acceptance. Level of gross written premium sustained on lower number of risks.

PZU's Administrative Expenses Cut by PLN 164 m in Q1- 3 2011 vs. Q1- 3 2010

**Administrative Expenses
(m PLN)**



**Recurring Administrative
Expenses
(m PLN)**



Administrative expense ratio (%)*

9.6%

7.8%

8.8%

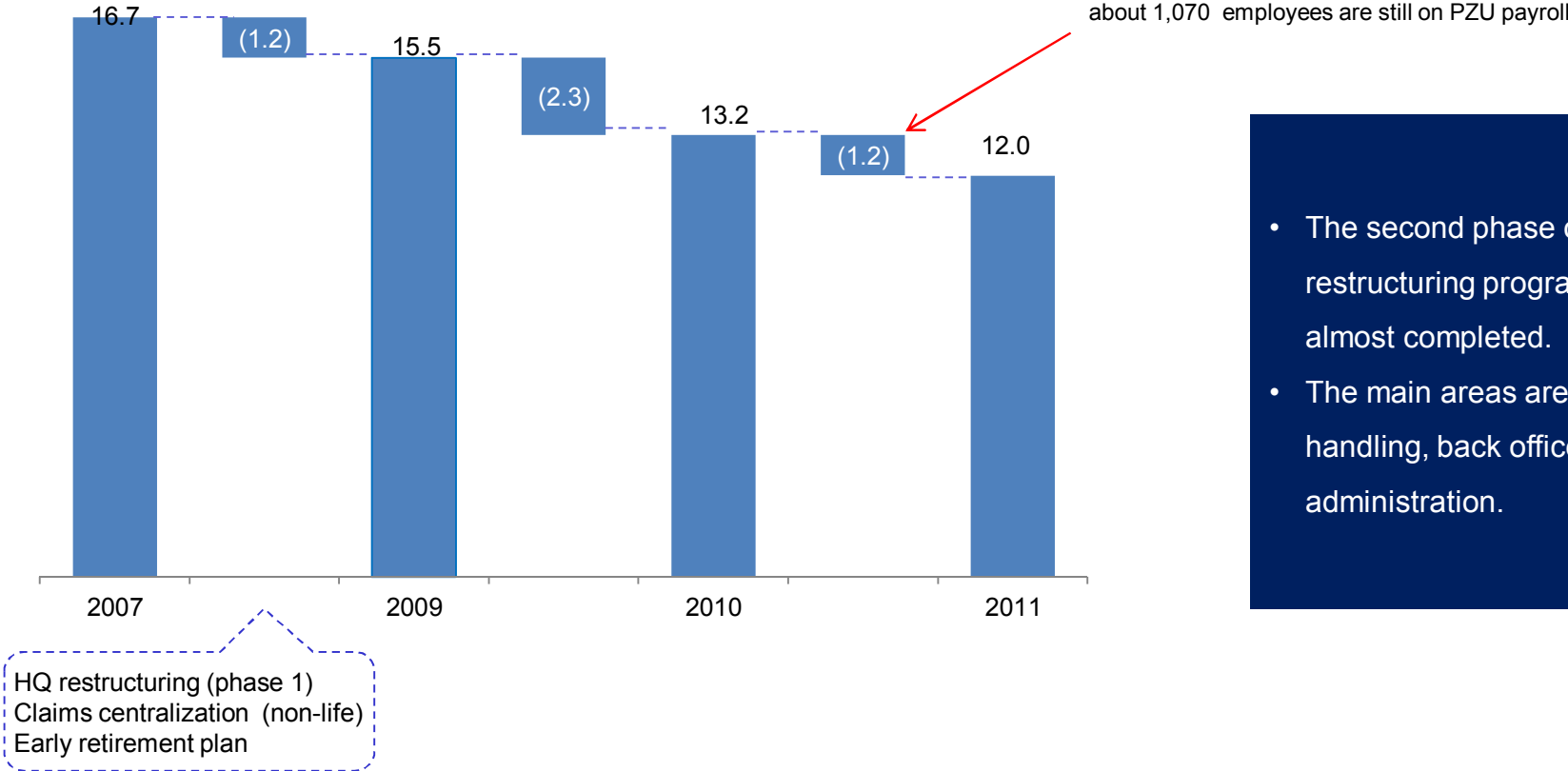
7.6%

- Centralizing functions and optimizing headcount.
- Strict control of fixed expenses.
- No IPO costs in 2011.

* Administrative expense ratio: administrative expenses / gross earned premium – sum of life and non-life insurance

Group's 2010-2012 restructuring program – next phase of headcount reduction

Headcount in the PZU Group (FTEs)



- The second phase of the restructuring program is almost completed.
- The main areas are claims handling, back office, administration.

Agenda

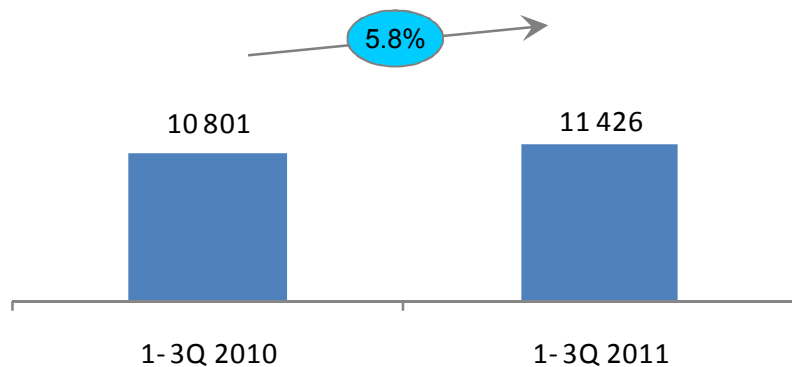
Business Overview

Financial Results Overview

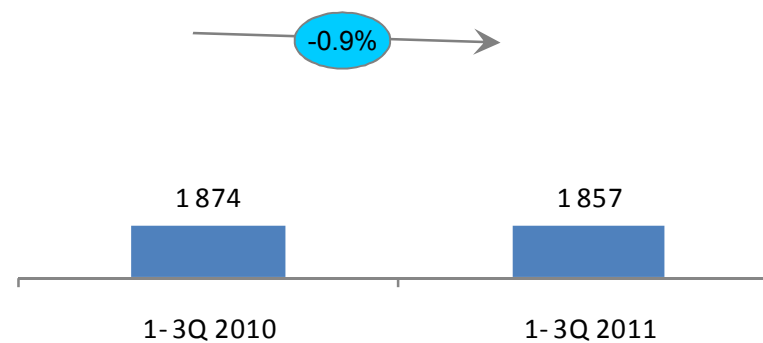
Questions and Answers

Overview of PZU's Financial Results in Q1- 3 2011

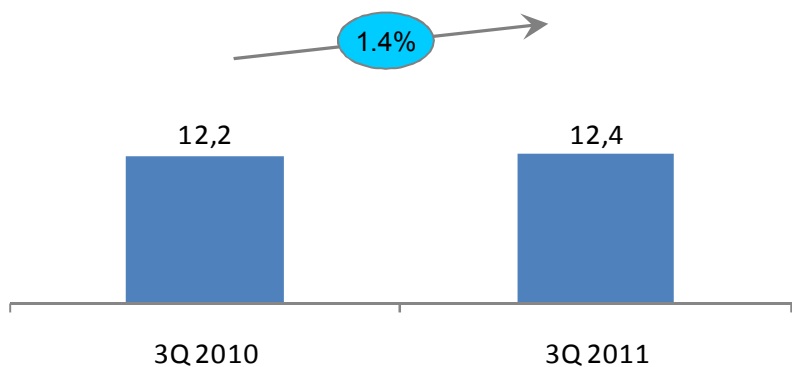
Gross Written Premium (m PLN)



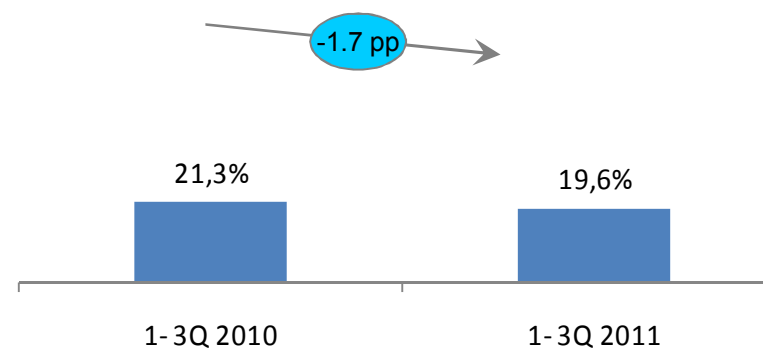
Net Profit (m PLN)



Equity (bn PLN)



ROE (%) *



* Computed using average equity in a given period

Overview of PZU's Financial Highlights

m PLN. IFRS	1- 3Q 2010	1- 3Q 2011	Change YoY	Q3 2010	Q3 2011	Change YoY	Q2 2011	Change Q3 over Q2
Profit and Loss Statement								
Gross Written Premium	10 801	11 426	5.8%	3 509	3 753	7.0 %	3 696	1.5%
Non-life Insurance	5 955	6 414	7.7%	1 891	2 074	9.7%	2 023	2.5%
Life Insurance	4 846	5 012	3.4%	1 618	1 679	3.8%	1 673	0.4%
Investment Result	2 186	1 040	(52.4%)	924	(39)	(104.2%)	605	X
Operating Profit	2 378	2 332	(1.9%)	878	429	(51.1%)	940	(54.4%)
Non-life Insurance	3 445	2 618	(24.0%)	129	148	14.7%	2 165	(93.2%)
<i>Non-life Insurance (net of dividend from PZU Życie)</i>	325	631	94.2%	129	148	14.7%	178	(16.9%)
Life Insurance	2 043	1 486	(27.3%)	707	265	(62.5%)	701	(62.2%)
Net Profit	1 874	1 857	(0.9%)	704	305	(56.7%)	761	(59.9%)
Balance Sheet								
Equity	12 192	12 419	1.9%	x	x	x	x	x
Total Assets	49 240	54 235	10.1%	x	x	x	x	x
Principal Financial Ratios								
ROE *	21.3%	19,6%	(1.7 p.p.)	x	x	x	x	x
Combined Ratio**	106.9%	95.0%	(11.9 p.p.)	x	x	x	x	x

Remarks:

* Computed on the basis of average equity in a given period

** Only for non-life insurance net of reinsurer's share

PZU Group: Presentation of the Q3 2011 financial results



Profitability by Major Product Lines

m PLN, IFRS	Gross Written Premium			Operating Profit			Combined Ratio	
	(m PLN)			(m PLN)				
	1- 3Q 2010	1- 3Q 2011	Change YoY	1- 3Q 2010	1- 3Q 2011	Change YoY	1- 3Q 2010	1- 3Q 2011
Total	5 955	6 414	7.7%	3 445	2 618	(24.0%)	106.9%	95.0%
Mass motor insurance	2 761	3 067	11.1%	(28)	121	x	103.3%	97.5%
Motor TPL Insurance	1 614	1 841	14.1%	(57)	(8)	x	108.1%	104.0%
Motor Own Damage	1 147	1 226	6.9%	29	129	344.8%	96.2%	88.5%
Corporate Motor Insurance	750	775	3.3%	(138)	5	x	116.4%	99.0%
Motor TPL Insurance	279	300	7.5%	(103)	(33)	x	136.3%	110.8%
Motor Own Damage	471	475	0.8%	(35)	38	x	106.0%	91.9%
Other Products	2 258	2 375	5.2	(163)	204	x	105.7%	88.6%
Other Elements ⁽¹⁾	186	197	5.9%	3 774	2 288	(39.4%)	x	x

m PLN, IFRS	Gross Written Premium			Operating Profit			Operating Profit Ratio	
	(m PLN)			(m PLN)				
	1- 3Q 2010	1- 3Q 2011	Change YoY	1- 3Q 2010	1- 3Q 2011	Change YoY	1- 3Q 2010	1- 3Q 2011
Total	4 846	5 012	3.4%	2 043	1 486	(27.3%)	42.2%	29.7%
Group and Continued ⁽²⁾	4 469	4 608	3.1%	1 130	1 039	(8.0%)	25.3%	22.6%
Individual	377	404	7.1%	118	127	7.9%	31.2%	31.4%
Other Elements ⁽³⁾	x	x	x	795	320	(59.7%)	x	x

Remarks:

1) Gross written premium generated by PZU Group's foreign entities, investment profit, other revenues and operating expenses

2) Operating profit without adjusting the mathematical provision for Type P group insurance primarily resulting from converting long-term contracts into yearly-renewable term insurance

3) Conversion effect, profit on investing own funds, other revenues and operating expenses not related to products.

PZU Group: Presentation of the financial results for 3Q 2011



Changes in PZU SA reporting: premium recognition & ABC cost allocation

GWP of PZU SA	1-3 Q 2010	1-3 Q 2011	%
Previous method			
Gross written premium	5 915	6 332	7,1%
Change of premium reserve	227	335	47,4%
Gross earned premium	5 688	5 997	5,4%
New method			
Gross written premium	5 769	6 217	7,8%
Change of premium reserve	82	220	169,6%
Gross earned premium	5 688	5 997	5,4%

Indirect costs of PZU SA for 1- 3Q 2011	ABC method	Previous method	Difference
Administration costs	397	567	-169
Acquisition costs	405	313	91
Claims handling costs	295	224	72
Part of asset management costs	23	16	6
Total	1 120	1 120	0

Several Extraordinary Items Affected the Results

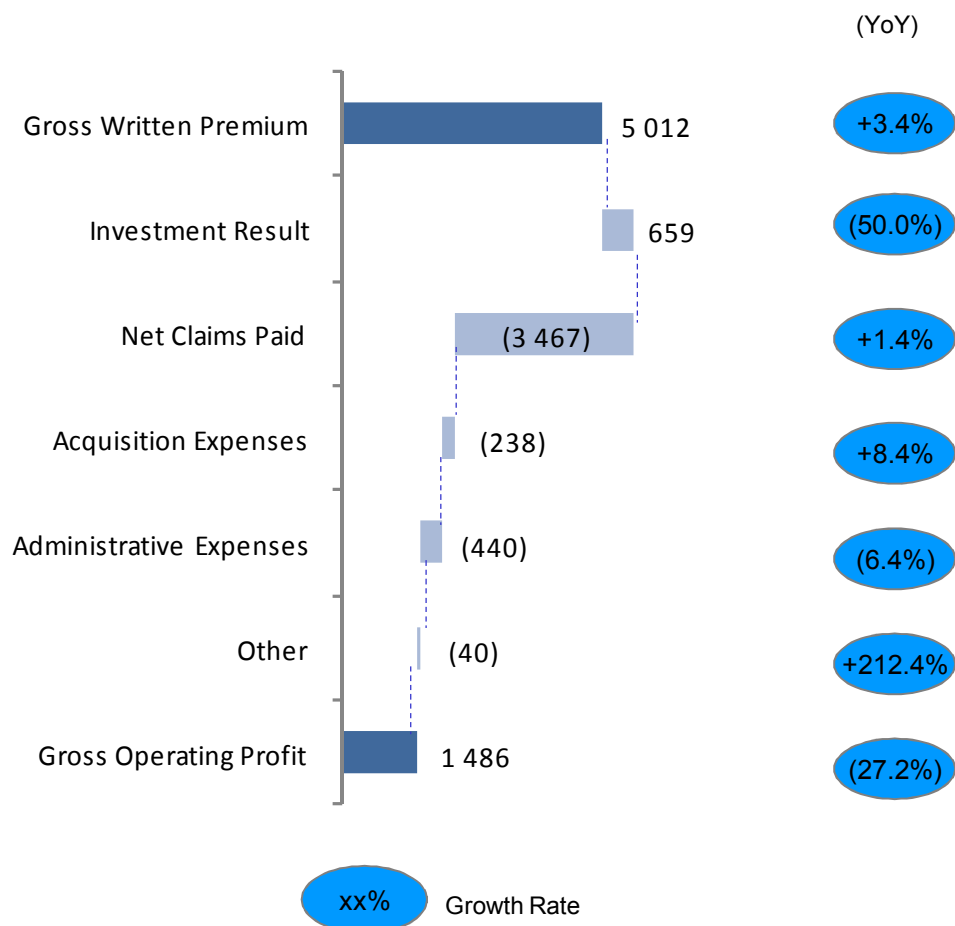
m PLN, IFRS	1- 3Q 2010	1- 3Q 2011
Operating Profit (according to financial statements)	2 378.0	2 331.5
<i>including:</i>		
1 Snowfall and flood claims	(394.0)	-
2 Dividend financing costs	(58.7)	-
3 Movement in insurance provisions – release of type P provisions	+396.1	+354.1
4 Effects of consolidating the Armatura Group – change in the method of valuation	-	+118.9

- 1** In Q1-3 2011 there were no claims related to snowfall and flooding, which took place in 2010.
- 2** In Q1-3 2011 there were no costs to finance the dividend paid in 2009 (in Q1-3 2010 PZU incurred costs for the loan to pay the dividend).
- 3** Impact of converting long-term contracts into yearly-renewable term contracts comparable YoY.
- 4** 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 profit and loss statement. Non-recurring impact related to commencing consolidation by the full method.

Life Insurance Segment Profitability Under Pressure from Financial Markets

Primary Operating Profit Components in Life Insurance (m PLN)

Remarks

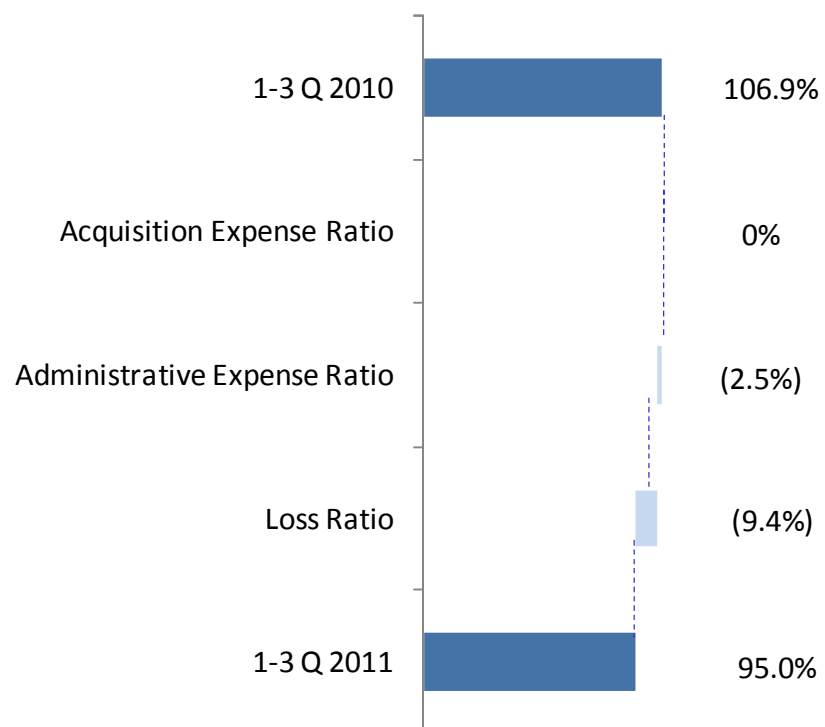


- Gross written premium growth gained thanks to group and continued insurance +3.1% YoY; in addition, high growth in individual products +7.1%.
- The lower investment result comes from poor capital market situation in Q3 2011.
- Higher net claims paid in type P group protection insurance (higher frequency of claims paid is the effect of portfolio expansion, though in line with expectations).
- Acquisition expenses grew year on year as a result of higher sales volume, including investment insurance with a high first-year commission.
- Optimizing fixed expenses.
- The lower operating profit stems primarily from lower investment results on part above technical yield.

Profitability of Non-life Insurance Improved

Profitability of Non-life Insurance (COR %)

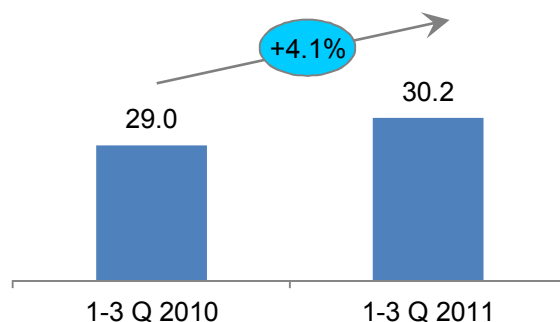
Remarks



- Reduction of administrative expenses in conjunction with headcount downsizing and strict control of fixed expenses.
- Lower loss ratio as a result of the absence of non-recurring events in 2011 (snowfall and flooding in 2010) and enhancement in the technical result on motor insurance.

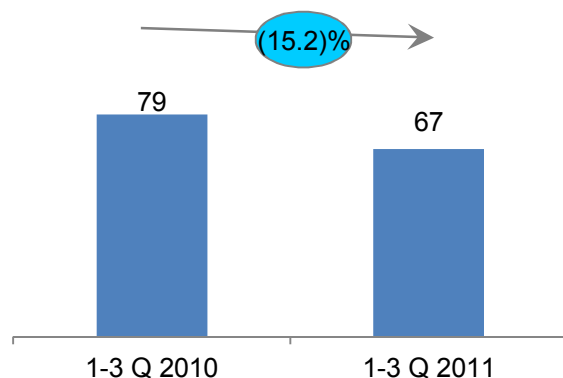
Profitability of the Pension Segment

Assets under Management (bn PLN)



- Growth in assets under management as a result of ZUS contributions, investment performance and the net balance of incoming and outgoing clients.

Net Result (m PLN, IFRS)



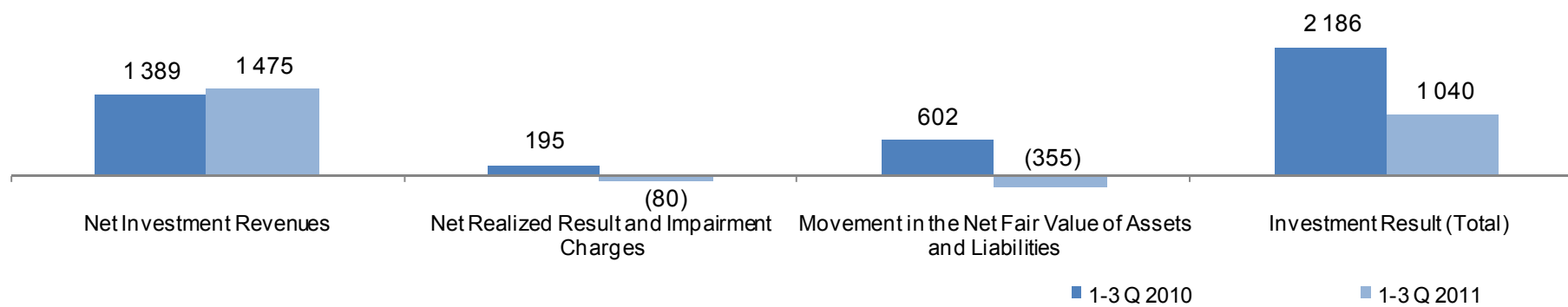
- Net profit fell in Q1-3 2011 in conjunction with higher acquisition costs – expensing some of the deferred acquisition costs as a result of statutory amendments (percentage of contribution transferred to open-end pension funds reduced from 7.3% to 2.3%).

Major assumptions of the pension system reform:

- Reducing the contributions transferred by ZUS to OFE from 7.3% to 2.3%
- New investment limits for open-end pension funds (the percentage of equity instruments to expand from 40% to 90%)
- Ban on active acquisition
- Individual Social Security Accounts in OFE

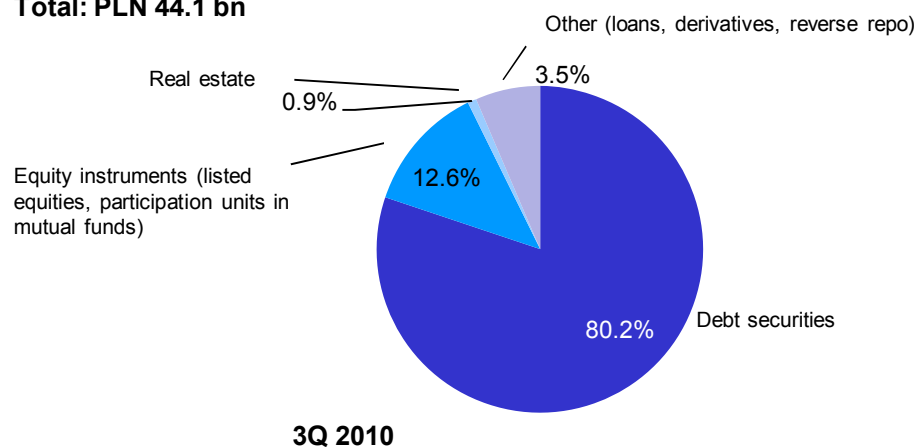
Investment Activity

Investment Revenues (m PLN)

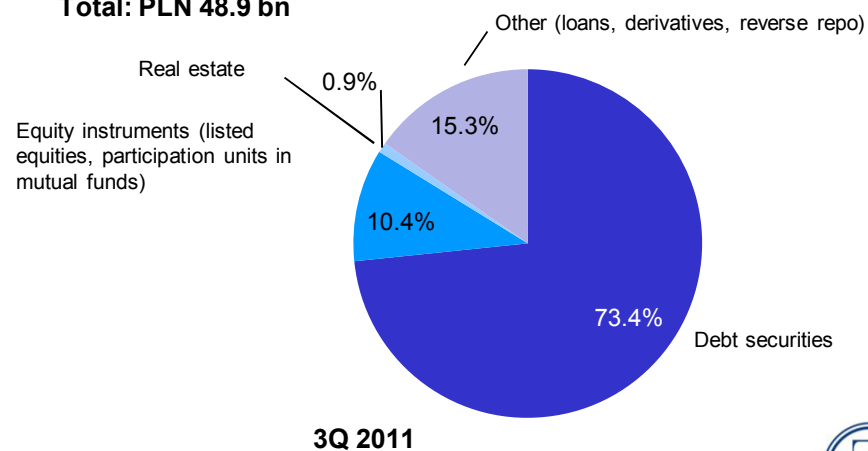


Financial Asset Composition

Total: PLN 44.1 bn

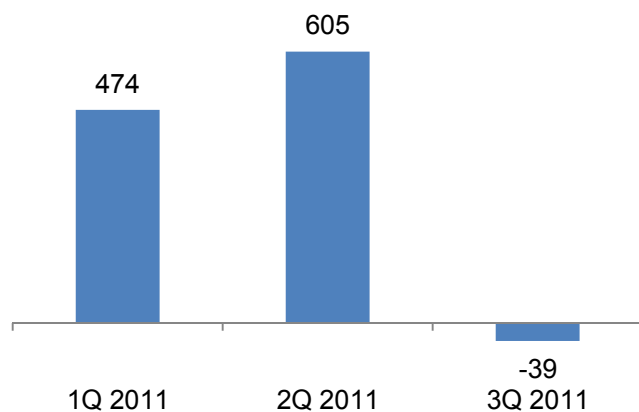


Total: PLN 48.9 bn

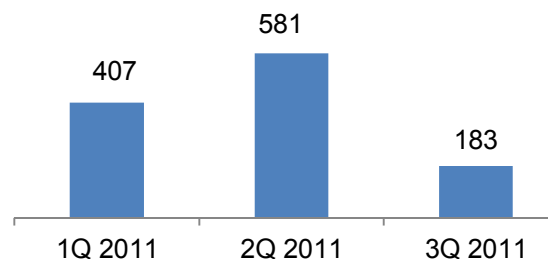


Investment Activity

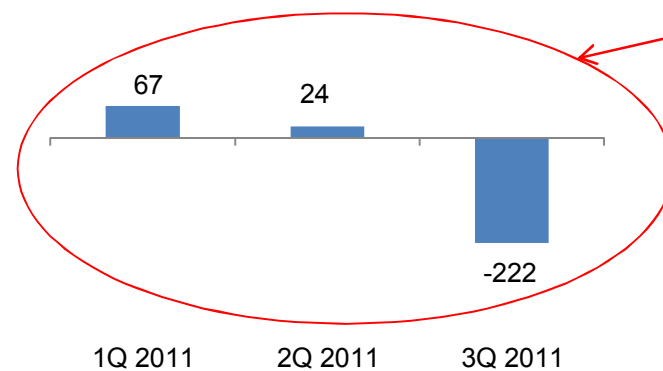
**Investment Revenues (Total)
(m PLN)**



Investment Revenues from the main portfolio (m PLN)

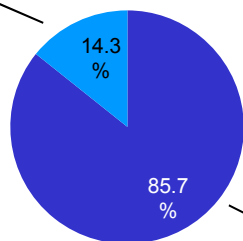


Investment Revenues on policyholders' risk* (m PLN)



No impact on PZU Group's net result

Financial assets on policyholders' risk* - 7.0 bn PLN



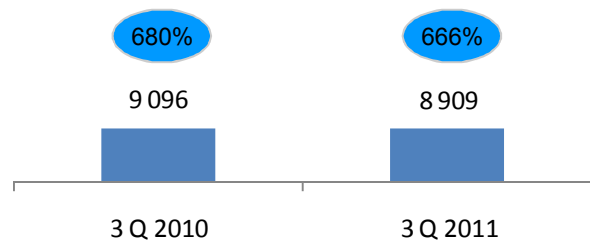
Total: PLN 48.9 bn
3Q 2011

Financial assets in the main portfolio - 41.9 bn PLN

* Products on policyholders' risk – unit-linked, structured and tax avoidance products

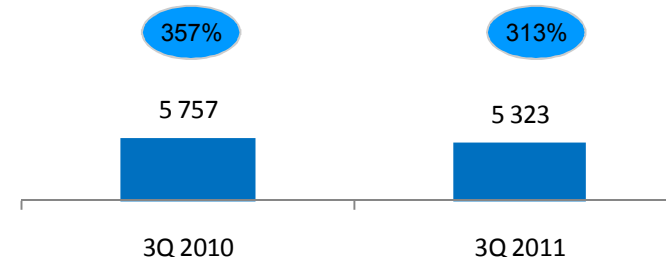
Strong Capitalization and Ongoing Control of Solvency Lead to Satisfactory Performance

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



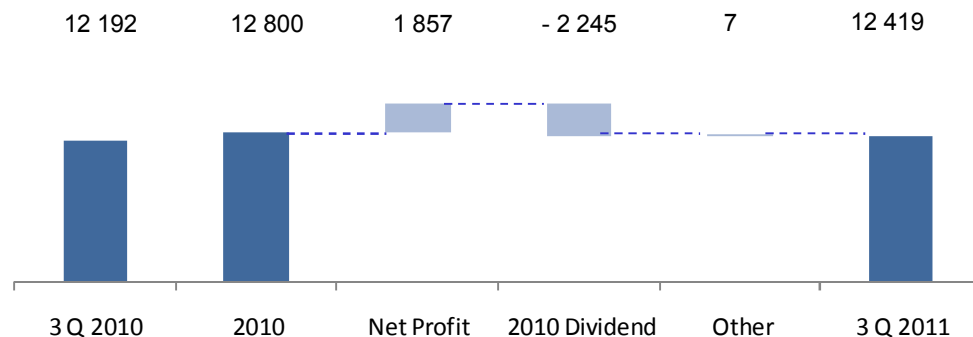
Solvency Margin Coverage Ratio

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

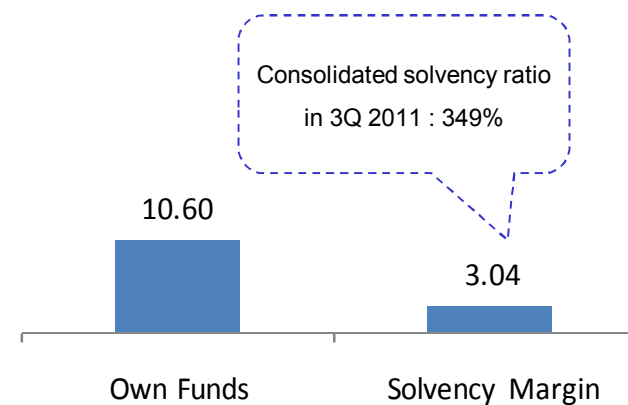


Solvency Margin Coverage Ratio

PZU Group's Equity (m PLN, IFRS)



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



PZU Group: Presentation of the Q3 2011 financial results



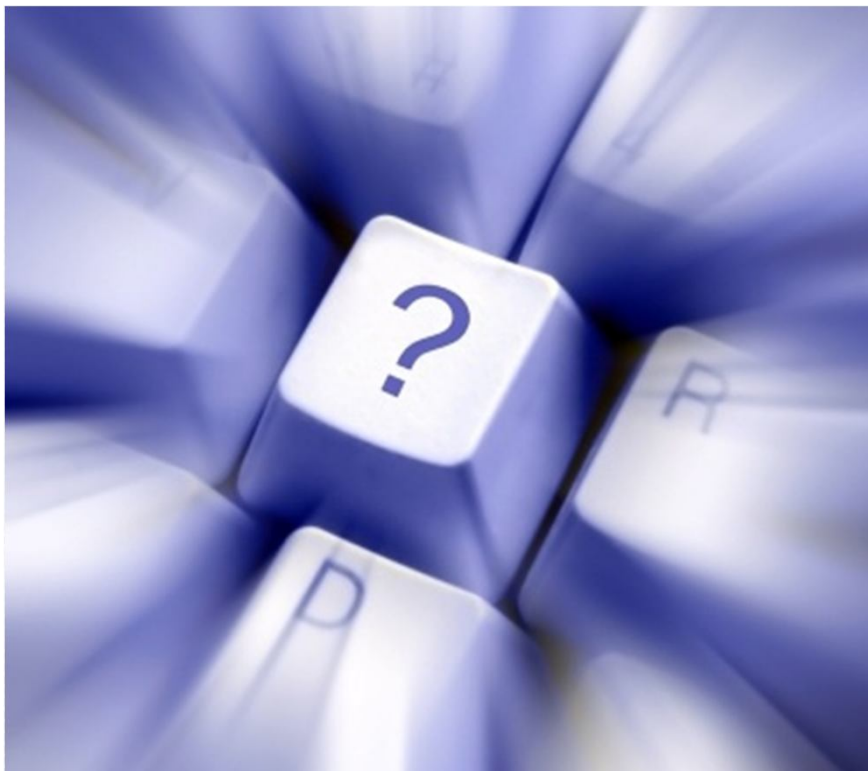
Agenda

Business Overview

Financial Results Overview

Questions and Answers

Questions and Answers



Contact data

PZU

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

Investor Relations Team

Piotr Wiśniewski,
phone (+48 22) 582 26 23

Agata Bednarczyk,
phone (+48 22) 582 36 05

Aleksandra Jakima-Moskwa,
phone (+48 22) 582 26 17

ir@pzu.pl
www.pzu.pl/ir

Spokesman

Michał Witkowski,
phone (+48 22) 582 59 44
rzecznik@pzu.pl