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Press Release

PZU Group's Q1 2013 Performance. Stable Earnings Despite Slowdown

The PZU Group's Q1 2013 net financial result was PLN 837.3 million, signifying 1.8% growth over Q1 2012. In this period the Group earned premiums of PLN 4.4 billion, signifying 2.4% growth compared to the same period of the previous year.

„In Q1 2013 we generated a very robust financial result, slightly better than in Q1 of last year. Net profit rose despite the visible slowdown and lower investment activity performance. We are aware of the deteriorating market situation and that is why we are focusing on the profitability of our insurance business and on the solid foundations of investing activity. We sustained our market shares in non-life in the mass client segment and recorded profitable growth in group life insurance.” – said Andrzej Klesyk, CEO of PZU SA.

The following factors exerted a key impact on the PZU Group's financial results in Q1 2013:

- gross written premium growth as a consequence of maintaining a high rate of growth in the sales of single premium life insurance in the bancassurance channel;
- improved profitability in agricultural insurance (mass segment) as a result of the low level of ground frost claims;
- lower pace of conversion of long-term policies into yearly renewable term business in type P group insurance;
- lower valuation of equity instruments as a result of the downturn on the Warsaw Stock Exchange and debt instruments following bond yield growth; non-recurring income under a green card insurance settlement with a reinsurer (reversal of the adjusted valuation with the reinsurer, which lowered the results in 2011);
- maintaining fixed cost discipline (lower payroll expense following restructuring efforts in previous years) coupled with concurrently pursuing projects to streamline and automate service processes.

Premiums

Gross written premium was 4.4 billion PLN in Q1 2013 compared to PLN 4.3 billion in the same period last year, representing 2.4% growth. The expansion of group and regular premium continued insurance, especially in the bancassurance channel was the primary driver of sales growth. The premium was also higher in group and regular premium continued business, especially protection insurance. The slowdown in gross written premium in the corporate insurance segment is observable. This is related to the lower gross written premium on insurance policies for patients on medical events (accident insurance for hospitals). In the first half of 2012 medical units were obligated to take out

insurance for patients to cover medical events. As a result of legislative changes, this obligation was postponed until 2014.

Fierce competition and the persisting weakness of the domestic car market were the primary drivers of the decline in the gross written premium in motor insurance in the corporate client segment.

Operating Profit, Net Profit

Operating profit in Q1 2013 at PLN 1.1 billion was up by 3.1% compared to the result for the same period of last year. The very robust results in the mass insurance segment made the primary contribution. The main drivers were the low level of claims in agriculture insurance coupled with lower investment income.

Net profit edged up 1.8% or PLN 14.6 million to PLN 887.3 million compared to Q1 2012.

Profitability of Insurance Activity

In Q1 2013 the profitability of agriculture insurance improved as a consequence of the low level of ground frost damages. It should be highlighted that in 2011 – 2012 these damages were quite high, which led to the negative profitability of these products.

In addition, motor insurance recorded an improved claims ratio as a result of a lower claims frequency following less traffic on the roads (confirmed by lower fuel sales) and more favorable weather conditions.

The profitability of group and individually continued insurance displayed moderate improvement thanks to the introduction of a new individual continuation option with a minor increase in the claims ratio of group insurance.

Investing Activity

Investment income in Q1 2013 was PLN 429.0 million. Investment income was down by 50.8% primarily on account of the measurement of equity instruments in connection with worse market conditions on the Warsaw Stock Exchange. The WIG index fell by 4.9% in Q1 2013 4.9% while one year earlier it advanced by 9.8%. Moreover, the measurement of debt instruments also fell on the heels of growing bond yields. The yields on 5 and 10 year treasury bonds rose by 20 and 19 basis points, respectively in Q1 2013 while they fell by 40 and 38 basis points, respectively in Q1 2012.

Equity, ROE

Consolidated equity according to IFRS as at 31 March 2013 was PLN 15.0 billion compared to PLN 13.8 billion as at 31 March 2012. Return on equity (ROE¹) at the end of Q1 2013 was 22.9%.

¹ Annualized ratio.

Consolidated Financial Data Highlights of the PZU Group's Activity in Q1 2013

#	Item (000s of PLN)	3 month period ended	
		31 March 2013	31 March 2012
1.	Gross written premium	4 425 923	4 322 747
2.	Net claims paid and movement of technical provisions	(2 730 697)	(2 776 882)
3.	Investment income, including:	429 011	872 798
3a.	Net investment revenues	444 037	436 435
3b.	Net realized result and impairments	(46 952)	110 421
3c.	Net movement of fair value of assets and liabilities measured at fair value	31 926	325 942
4.	Net profit	837 265	822 629
5.	Equity	14 952 078	13 788 677
6.	Financial assets and investment properties	53 261 972	49 940 106
7.	Total assets	58 756 787	55 328 867