



Press Release

Warsaw, 8 November 2011

PZU's financial results after the first three quarters of 2011

The PZU Group Is Collecting More Premiums While Slashing Costs.

Gross written premium is up by nearly 6%, administrative expenses are down and the results of investment activity are lower on account of the conditions on the stock markets – those are the primary conclusions of the PZU SA Capital Group's financial statements published on 8 November 2011.

The PZU Group's financial results after the first three quarters of 2011 were driven primarily by the following factors:

- Higher gross written premium as a result of growing the sales of retail motor and group life insurance;
- Lower level of claims paid stemming from the absence of claims caused by intense snow fall and flooding, which took place in 2010;
- Lower income on investment activity in connection with the situation on the Warsaw Stock Exchange, which is much worse than last year;
- Enhanced profitability in motor and property insurance in 2011;
- Lower administrative expenses as a result of the headcount restructuring conducted in 2010-2011 and the program to cut fix expenses;

„Despite the uncertain situation on the financial markets the PZU Group after the first three quarters of 2011 generated a net result comparable to the result generated after the first three quarters of last year. The gross written premium growth and the substantial decline in administrative expenses, which confirms the expediency of the decisions made in the past concerning restructuring processes are a source of satisfaction. Investors should be pleased by the stable level of the ROE ratio, which was 19.6%. We will continue to pursue the accepted strategy, in particular to enhance the profitability of the corporate insurance portfolio and to cut administrative expenses.” – said Andrzej Klesyk, CEO of PZU SA.

Premiums

The gross written premium for the first three quarters of 2011 was PLN 11 425.8 million compared to PLN 10 800.9 million in the same period last year (comparable data in connection with the change of the method of recognizing premium in PZU as of 1 January 2011). The growth of PLN 624.9 million (+5.8%) was in particular caused by higher premium in the non-life insurance segment in the mass client division and in group insurance and to a lesser extent in individual insurance in the life insurance segment.

Investment activity

The investment result for the first three quarters of 2011 was PLN 1 040.1 million. In the same period of last year it was PLN 2 185.9 million.

The PLN 956.9 million decline in the line item called „net movement in the fair value of assets and liabilities measured at fair value” was primarily caused by falling equity prices on the stock markets – the WIG Index fell by 19.4% during the first three quarters of 2011, while in the first three quarters of 2010 it had surged by 13.1%.

The net realized investment result was down by PLN 275.1 million, which was mainly caused by lower equity prices on the stock markets in the first three quarters of 2011.

Claims paid

The decline in net claims paid of PLN 279.5 million (-3.5%) compared to the same period last year stems in particular from the absence of claims caused by catastrophic events in the non-life insurance segment, which took place in 2010. After the first three quarters of this year, a drop in the loss ratio has been observed in property and agricultural insurance despite the growth in the loss ratio in group life insurance, which was in line with expectations.

Expenses

Acquisition expenses during the first three quarters of 2011 moved up by PLN 66.9 million (+4.9%) compared to the same period in 2010. This growth stemmed primarily from higher sales through more expensive channels of distribution (such as agents and multi agencies).

The decline in administrative expenses in this period by PLN 163.8 million (-14.8%) was largely the consequence of restructuring measures conducted in the PZU Group companies, including among others the headcount restructuring program in PZU and PZU Życie of 2010 and the program to cut

fixed expenses. In addition to salaries, IT expenses, the costs of administrative materials and services and real estate maintenance expenses were cut.

Earnings

Operating profit during the first three quarters of 2011 was PLN 2 331.5 million, which is PLN 46.6 million lower (-2%) than the result in the same period last year, resulting primarily from the decline in PZU Group's investment result. Net earnings compared to the first three quarters fell slightly by PLN 17.1 million (-0.9%) to PLN 1 857.0 million.

Assets and equity

Consolidated equity according to IFRS as at 30 September 2011 was PLN 12 419.3 million, compared to PLN 12 192.0 million as at 30 September 2010. As at 30 September 2011 ROE was 19.6%, which is 1.7 percentage points lower than for the same period in 2010. It is worth noting that in comparison with 31 December 2010 consolidated equity fell by PLN 380.6 million (-3.0%), while ROE fell by 0.7 percentage points from 20.3%.

The value of financial assets as at 30 September 2011 and as at 30 September 2010 was PLN 48 440.5 million and PLN 43 706.0 million, respectively. Compared to 31 December 2010 the value of financial assets grew by PLN 3 095.5 million from the level of PLN 45 345.0 million.

PZU Group's Financial Highlights, Q3 2011

#	Item	9 month period ended		6 month period Ended		Q3 net	
		30 Sept. 2011	30 Sept. 2010	30 June 2011	30 June 2010	01 July 2011- 30 Sept. 2011	01 July 2010-30 Sept. 2010
1.	Gross written premium	11 425 796	10 800 917	7 673 262	7 291 854	3 752 534	3 509 063
2.	Net claims paid and movement in insurance provisions	7 624 189	7 903 704	5 018 297	5 120 912	2 605 892	2 782 792
3.	Investment result, including:	1 040 071	2 185 919	1 079 059	1 262 140	-38 988	923 779
	3a. Net investment income	1 475 004	1 388 949	894 822	994 467	580 182	394 482
	3b. Net realized result and impairment charges	-80 292	194 763	-67 751	160 754	-12 541	34 009
	3c. Net movement of fair value of assets and liabilities measured by fair value	-354 641	602 207	251 988	106 919	-606 629	495 288
4.	Net profit	1 857 015	1 874 164	1 552 404	1 169 834	304 611	704 330
5.	Equity	12 419 330	12 191 979	12 230 698	11 338 781	x	x
6.	Financial assets	48 440 461	43 705 970	51 134 442	42 182 959	x	x
7.	Total assets	54 234 820	49 240 420	57 301 278	47 575 661	x	x