



PZU SA

PZU Życie SA

PTE PZU SA, TFI PZU SA

PZU Group presentation

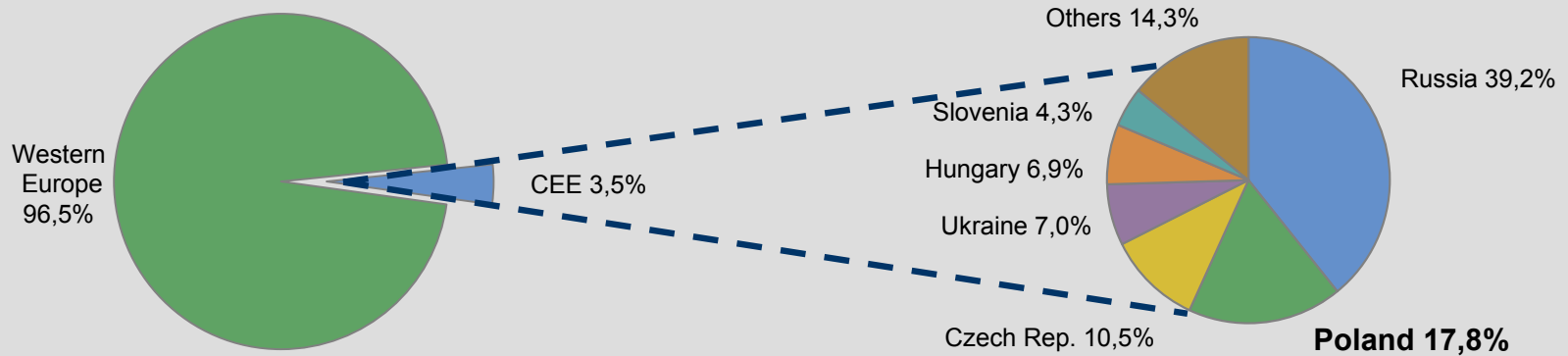
**„First financial institution from CEE
with 1 billion USD of net profit”**

- **Polish insurance market**

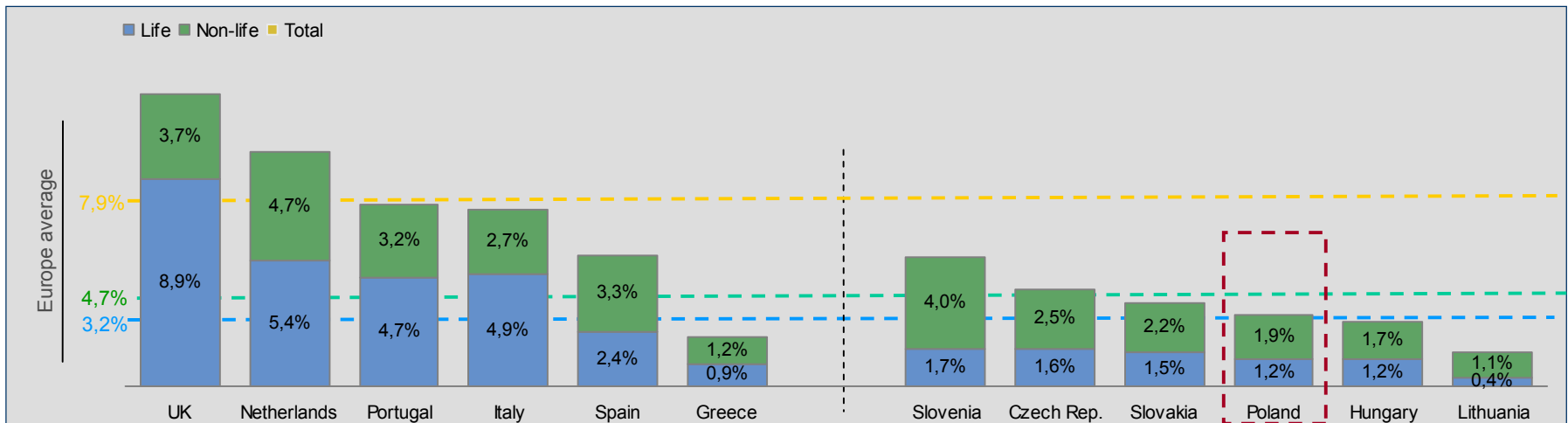
- Profile of PZU and key success factors
- Financial performance
- Corporate strategy

Poland is the second largest insurance market in Central and Eastern Europe...

Insurance market in CEE countries (2004)



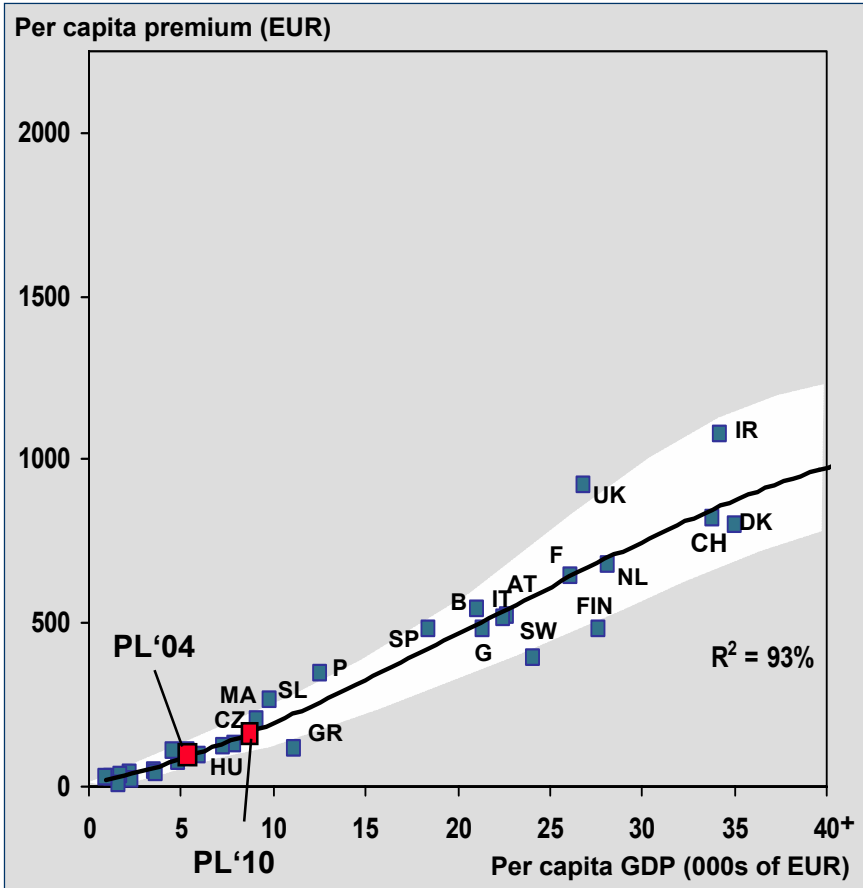
Insurance penetration - gross written premium as % of GDP (2004)



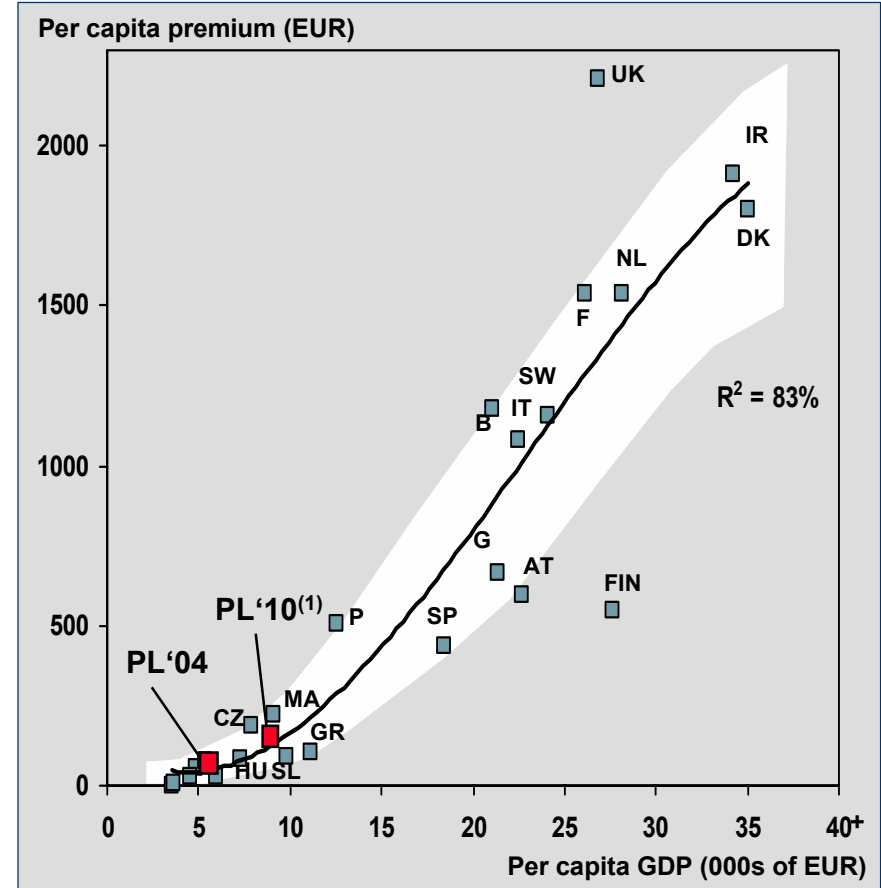
Source: Sigma-Swiss Re 2004 figures

...with a high growth potential

Non-life insurance (2003)



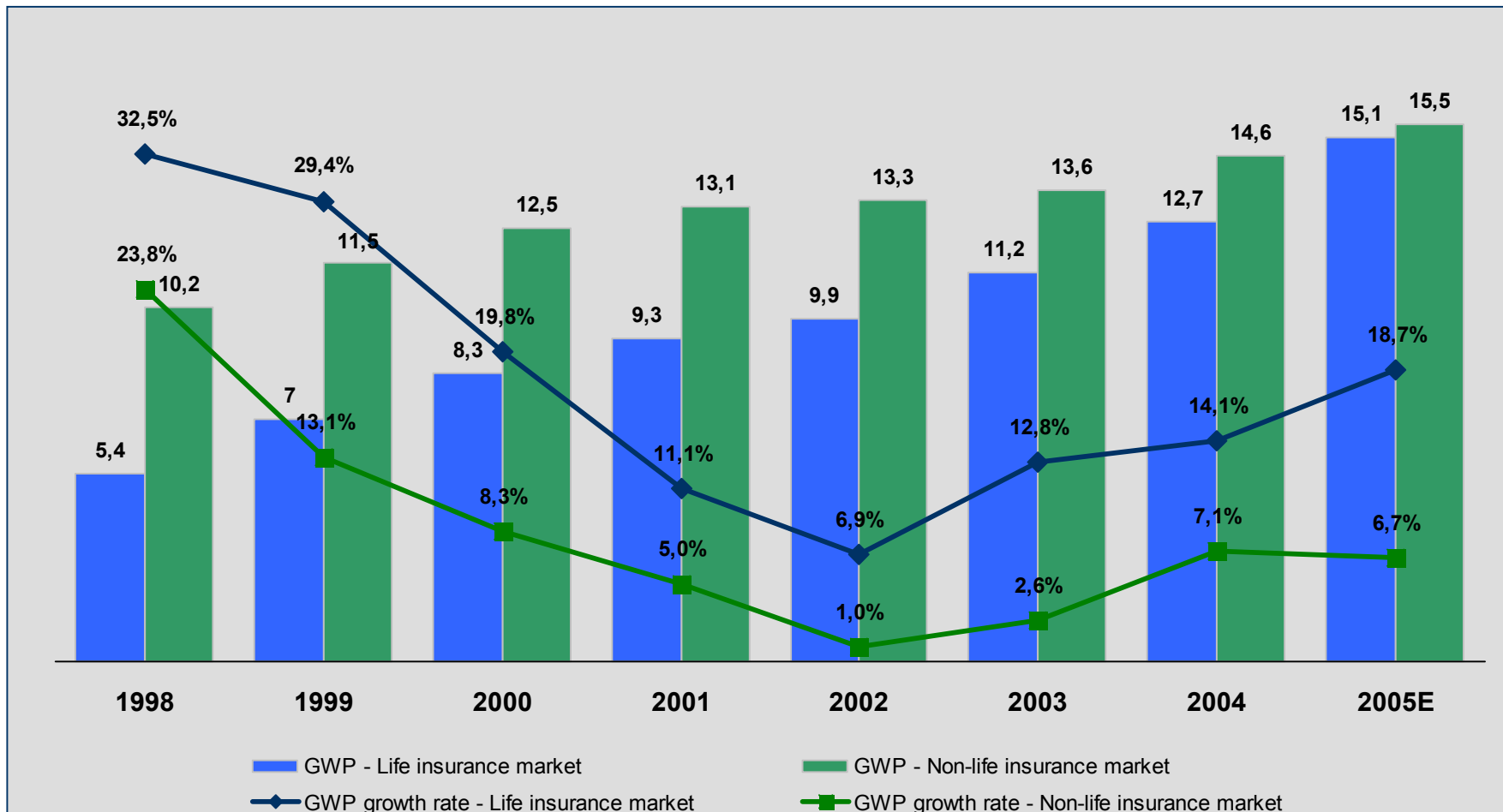
Life insurance (2003)



(1) Excluding the premium generated by anti-tax products Source: AXCO, CAE, Eurostat, KNUIFE, team analysis

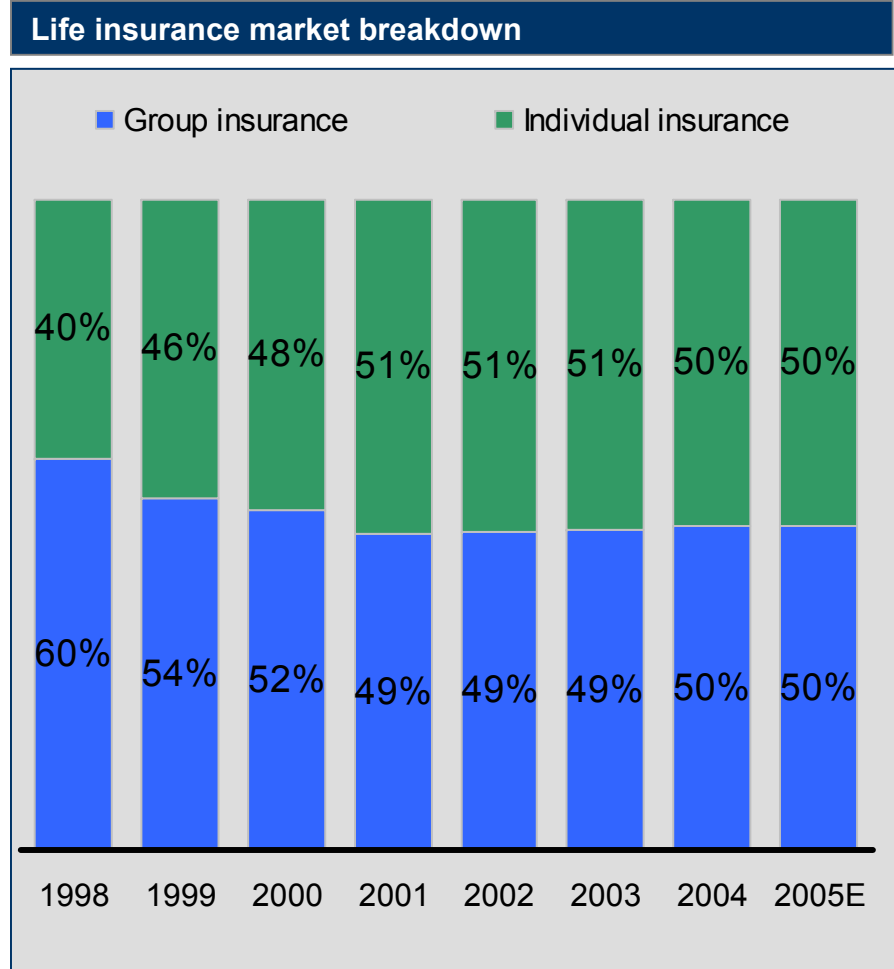
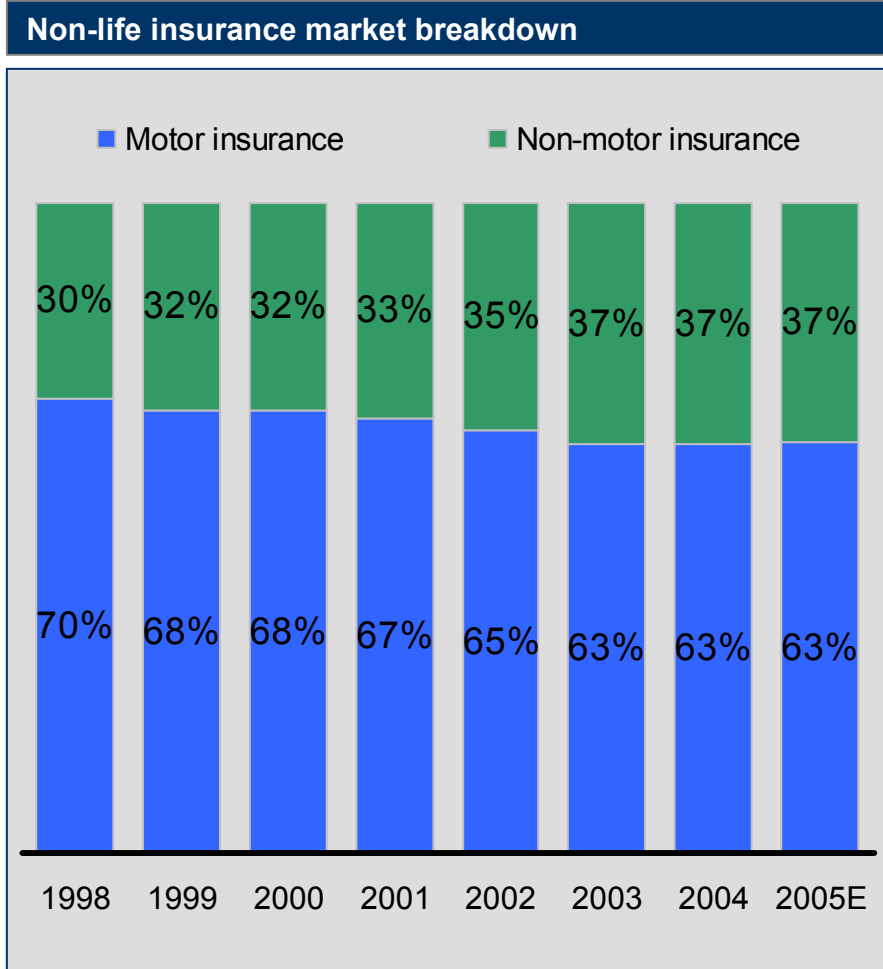
Polish insurance market is growing rapidly after stagnation in 2001-2003...

GWP (PLN bn)



Source: KNUiFE

... and the market is currently driven mostly by non-motor and individual life insurance products



Source: KNUIFE, PZU Group

- Polish insurance market

- **Profile of PZU and key success factors**

- Financial performance
- Corporate strategy

PZU Group is the largest insurance group in Poland....

PZU Group (2005)



The biggest insurance group in Poland & CEE

One of the leading motor insurers in Europe (above 8,4 mm of car insured)

USD 13,2 bn of total assets

PZU SA
PZU Życie SA
PTE PZU SA, TFI PZU SA



PZU SA

No. 1 in non-life insurance

49,3% market share (in terms of GWP)*

GWP USD 2,4 bn

9mm clients



PZU Życie SA

No. 1 in life insurance

39,8% market share (in terms of GWP)*

GWP USD 1,9 bn

13,7mm clients



PTE PZU SA

No. 3 in pensions

13,7% market share (in terms of AUM)

USD 3,6 bn of assets under management

1,8mm clients



TFI PZU SA

No. 14 in mutual funds

1,4% market share

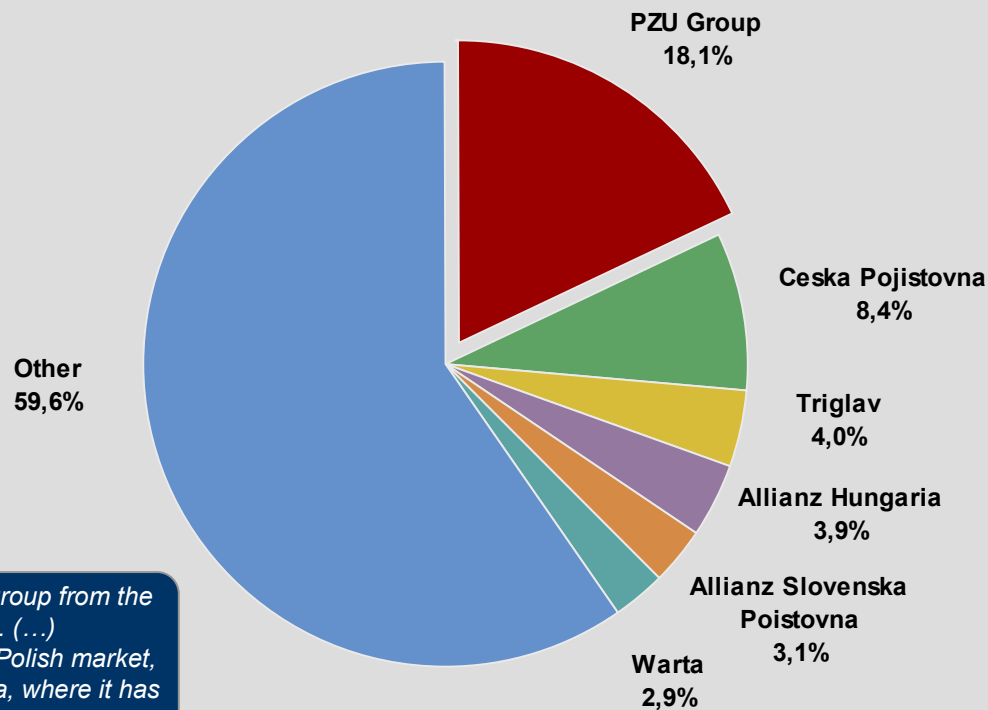
USD 254 mm of assets under management

Source: PZU Group

*as of the end of 3Q2005

... and in Central and Eastern Europe

Market share by GWP (2004)*



„PZU is by far the largest insurance group from the recent European accession countries. (...) Although PZU is concentrated in the Polish market, it has already expanded into Lithuania, where it has quickly established a strong market position through acquisition, and is planning to expand into Ukraine.”

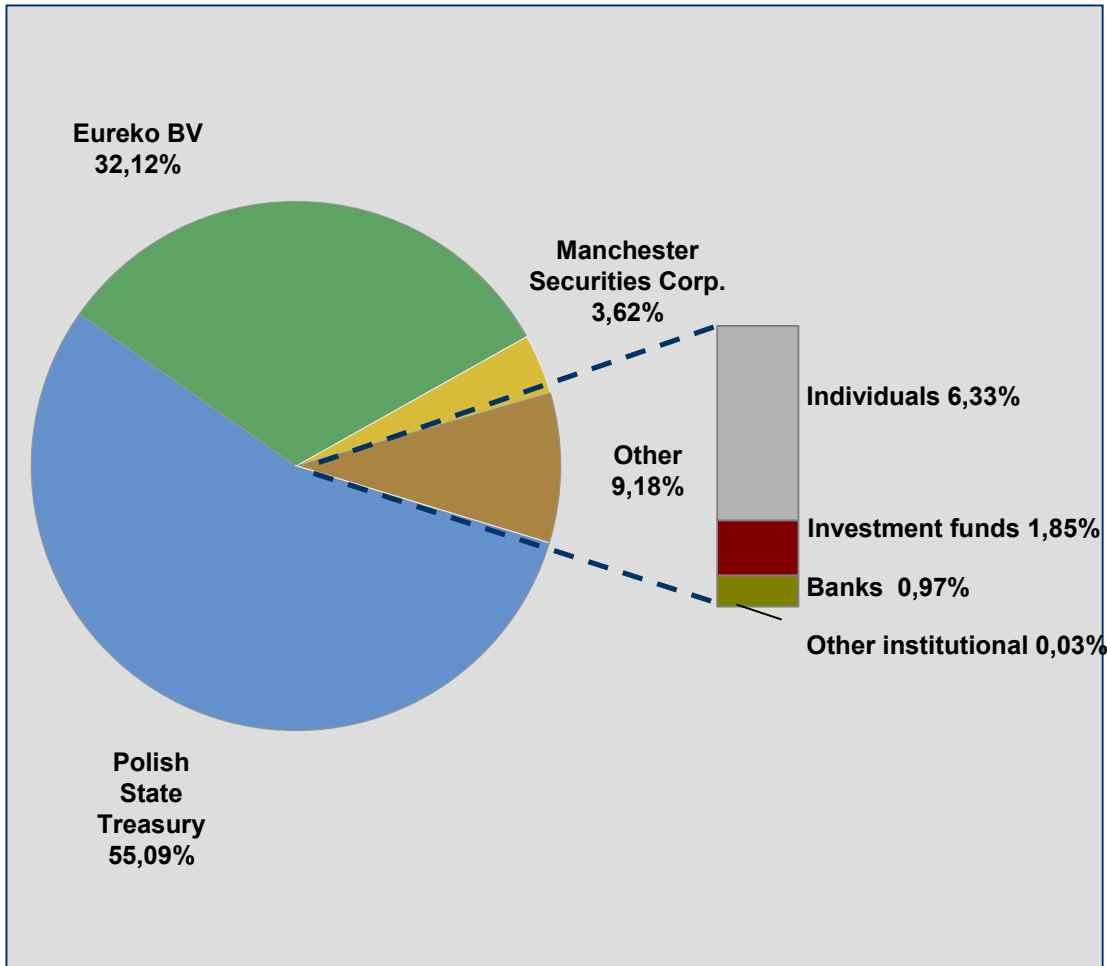
Standard&Poor's Report
August 2004

Source: PZU Group; Annual Reports

*among 10 new EU members

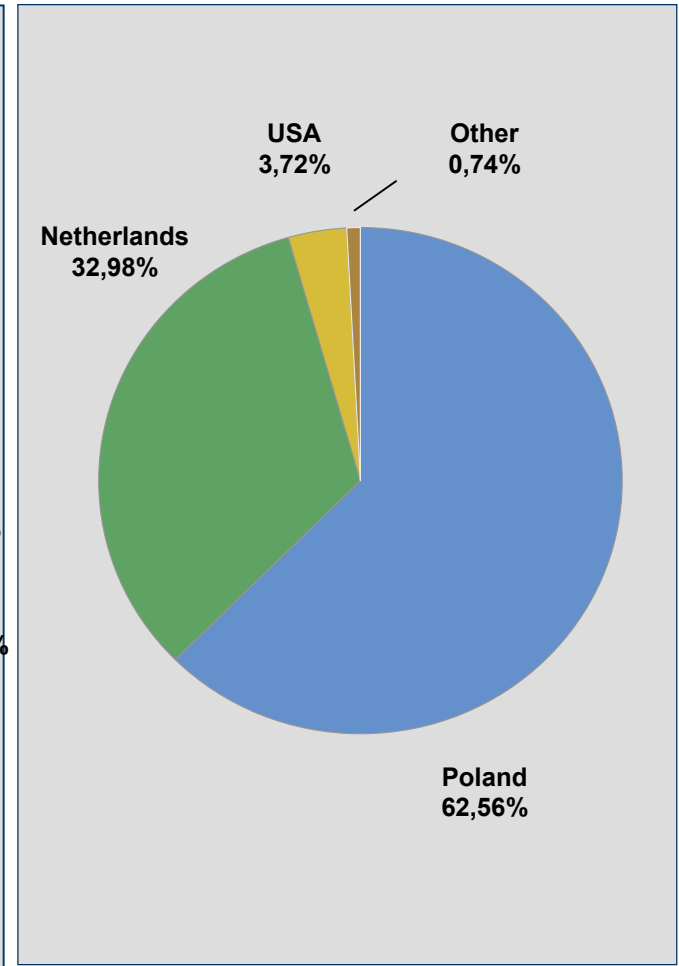
We have unresolved shareholding issues

Shareholder structure (as of March 14, 2006)



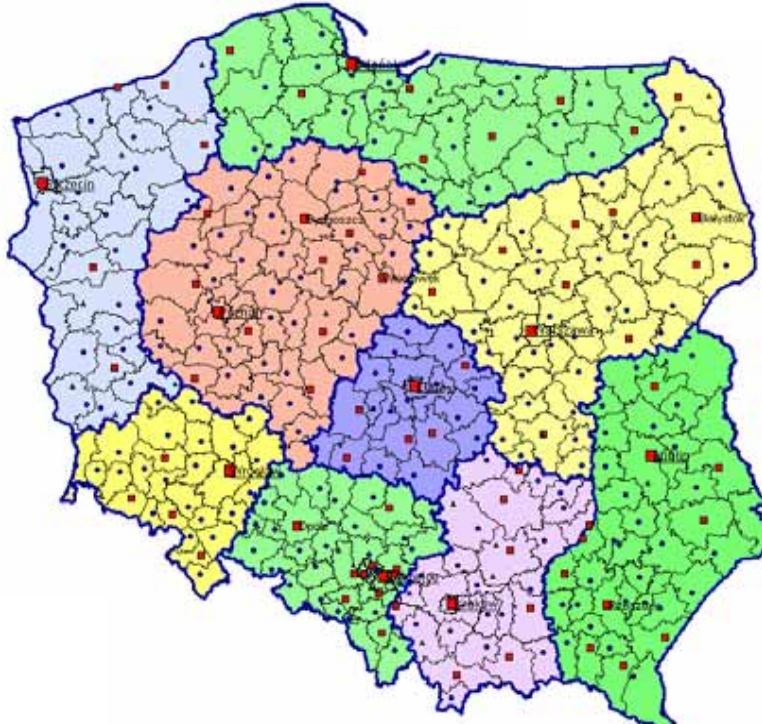
Source: PZU Group

Breakdown by country



We have recently implemented more efficient territorial structure

PZU's new territorial structure



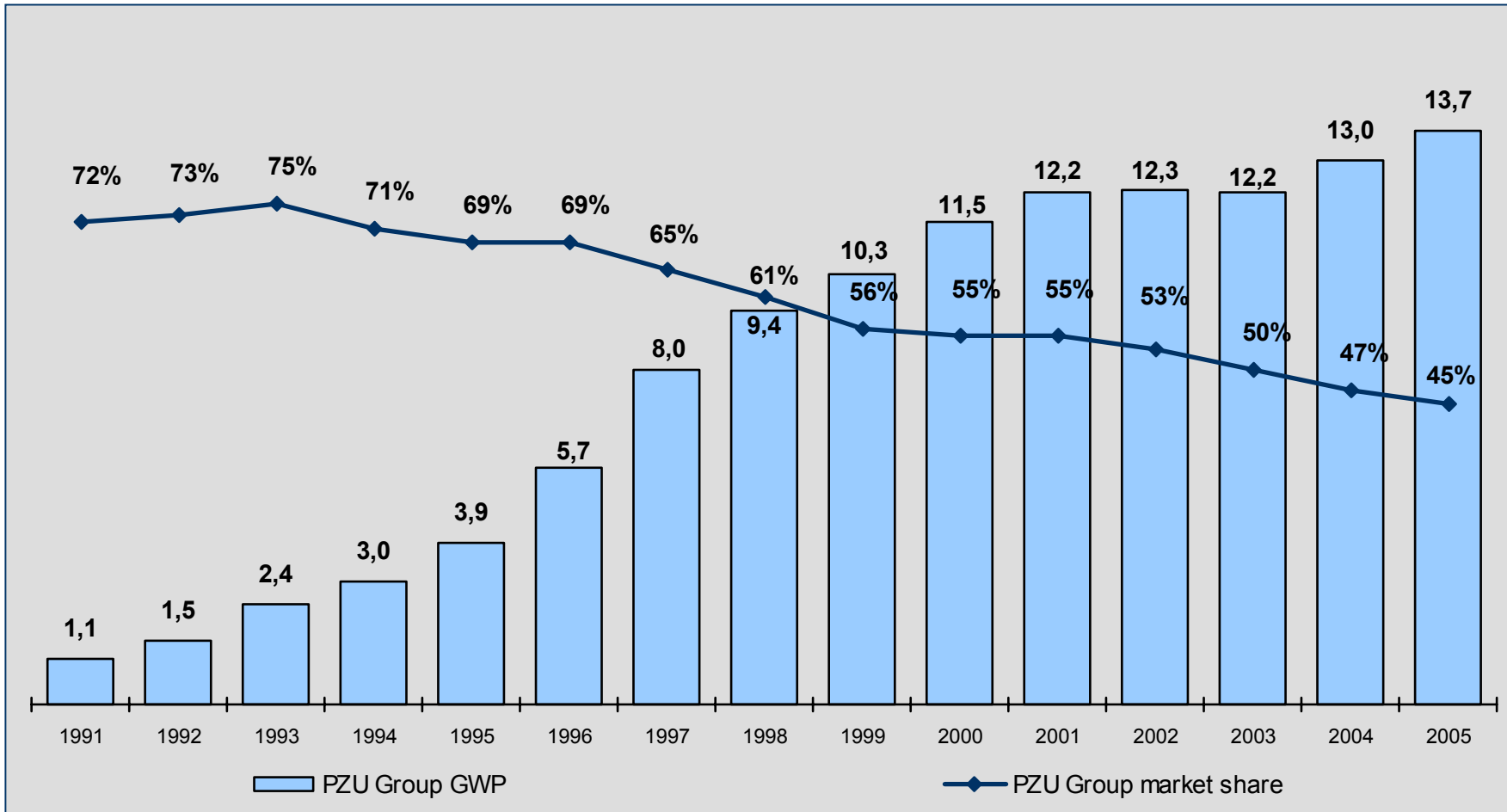
Current structure:

- **9 District Branches** with boundaries complying with borders of *voivodeships* - both for Life and Non-life business
- **Over 360 non-life local branches (Inspectorates) and 380 life local branches**
- **Nearly 10 000 agents**
- **13 Claims Handling Centres**

Source: PZU Group

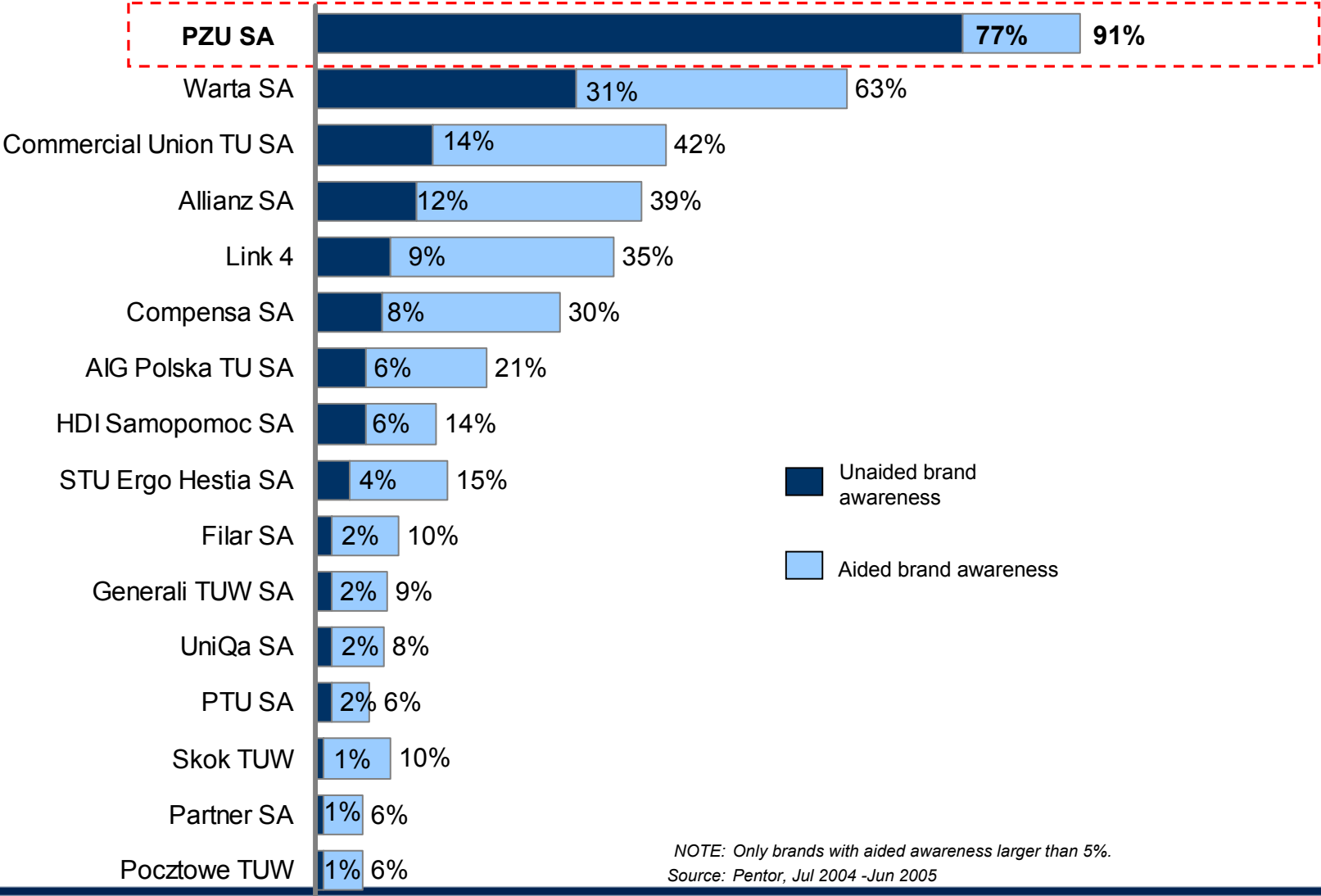
We keep strong position on Polish insurance market due to constant growth of our GWP

GWP (PLN bn)



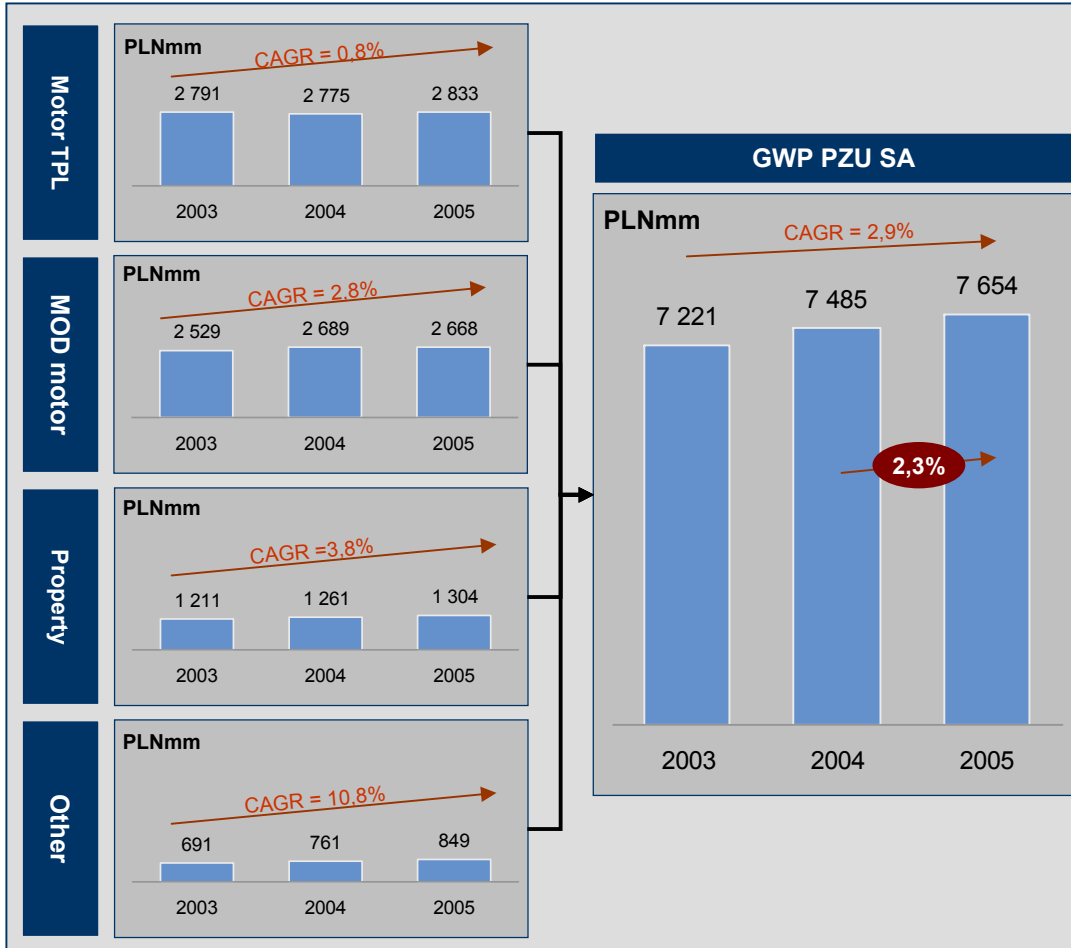
Source: PZU Group; KNUiFE

Our brand name is recognized by over 90% of Poles

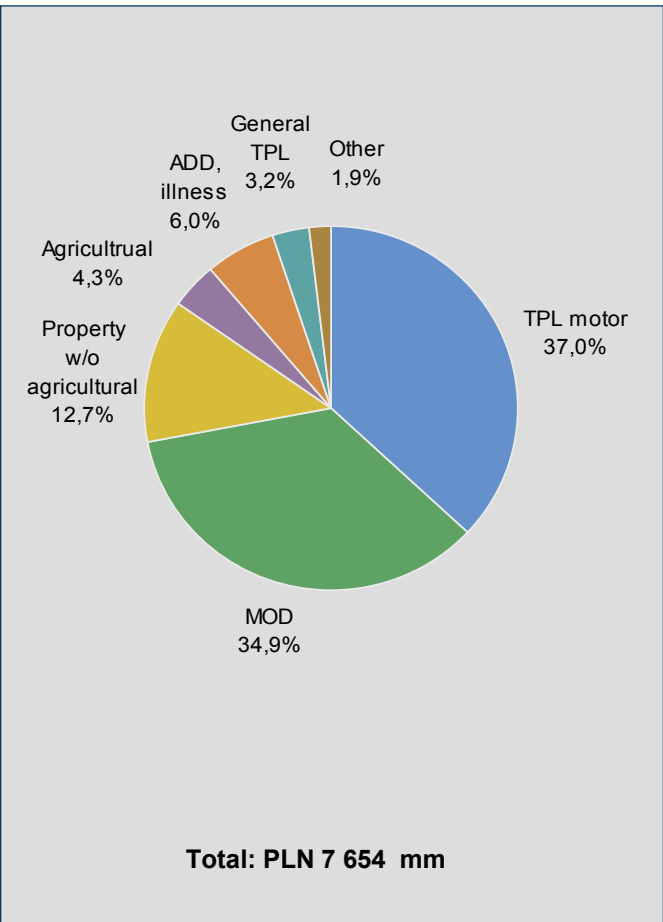


Motor insurance is the most important segment in PZU's non-life business

Evolution of non-life gross written premium - PZU SA



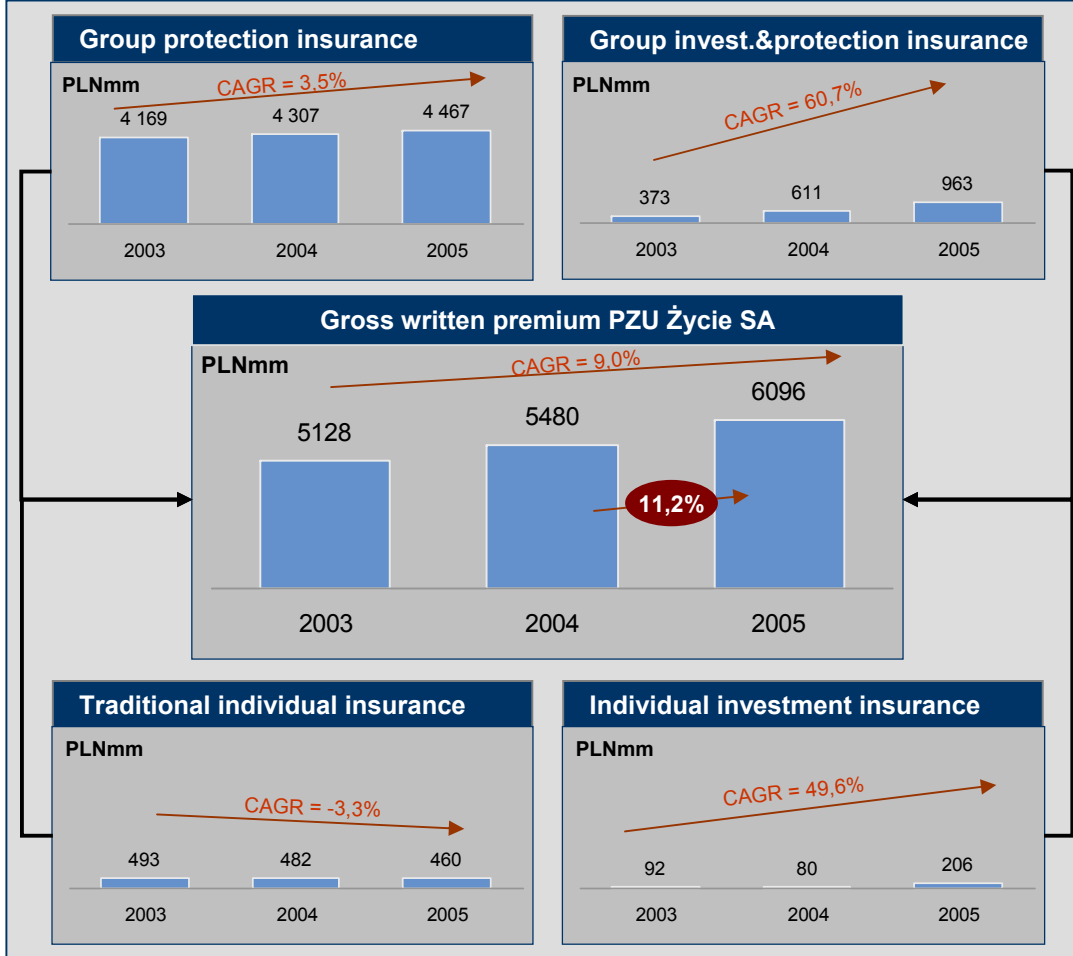
Non-life insurance portfolio breakdown (by GWP 2005)



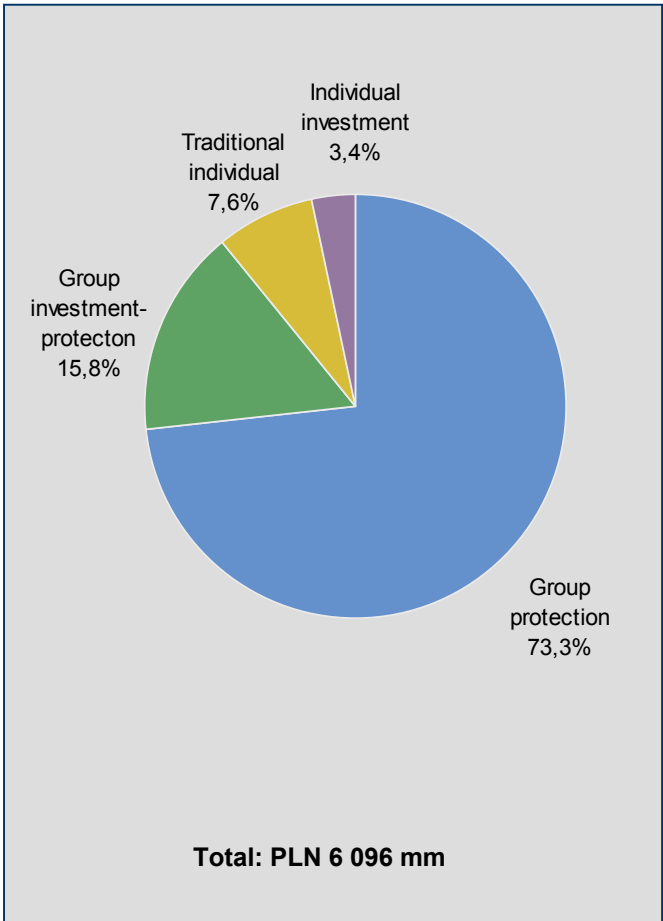
Source: PZU Group;

PZU Zycie captures c.40% of the Polish life insurance market selling mostly group insurance products

Evolution of life gross written premium - PZU Zycie SA



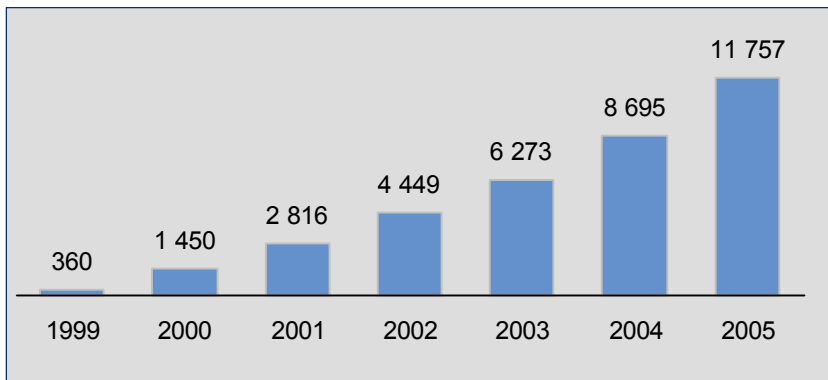
Life insurance portfolio breakdown (by GWP 2005)



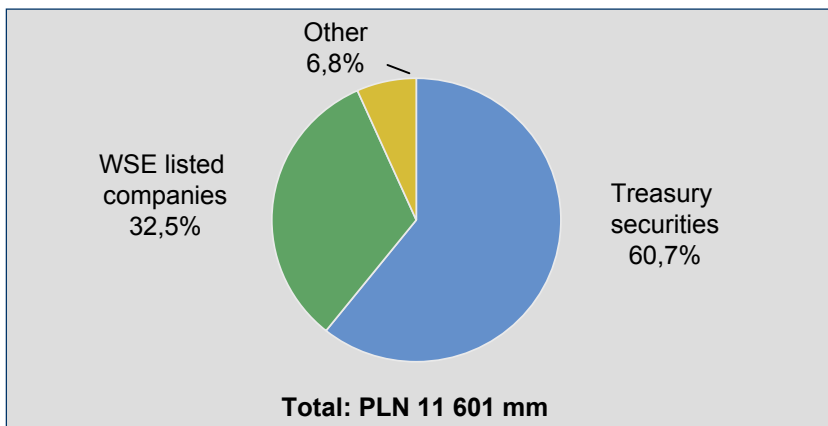
Source: PZU Group;

OFE PZU "Złota Jesień" generates one of the highest RofR on the Polish Pension Fund Market

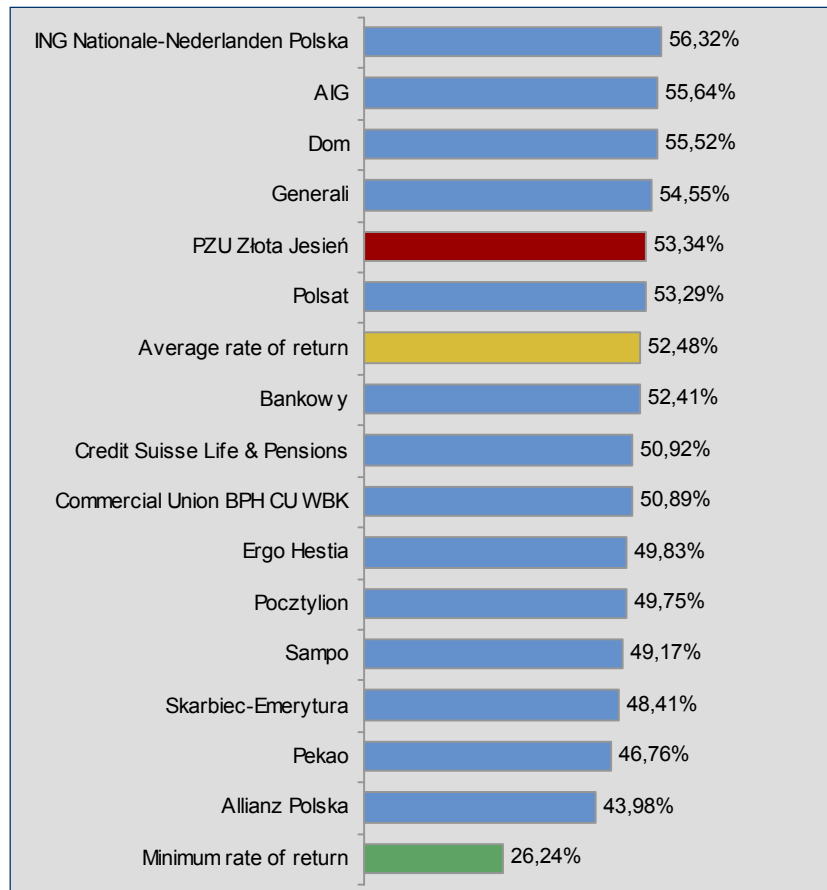
OFE PZU "Złota Jesień" net assets (PLN mm)



Structure of OFE PZU "Złota Jesień" assets (as of December 31, 2005)



OFEs' three-year rate of return September 2002 - September 2005

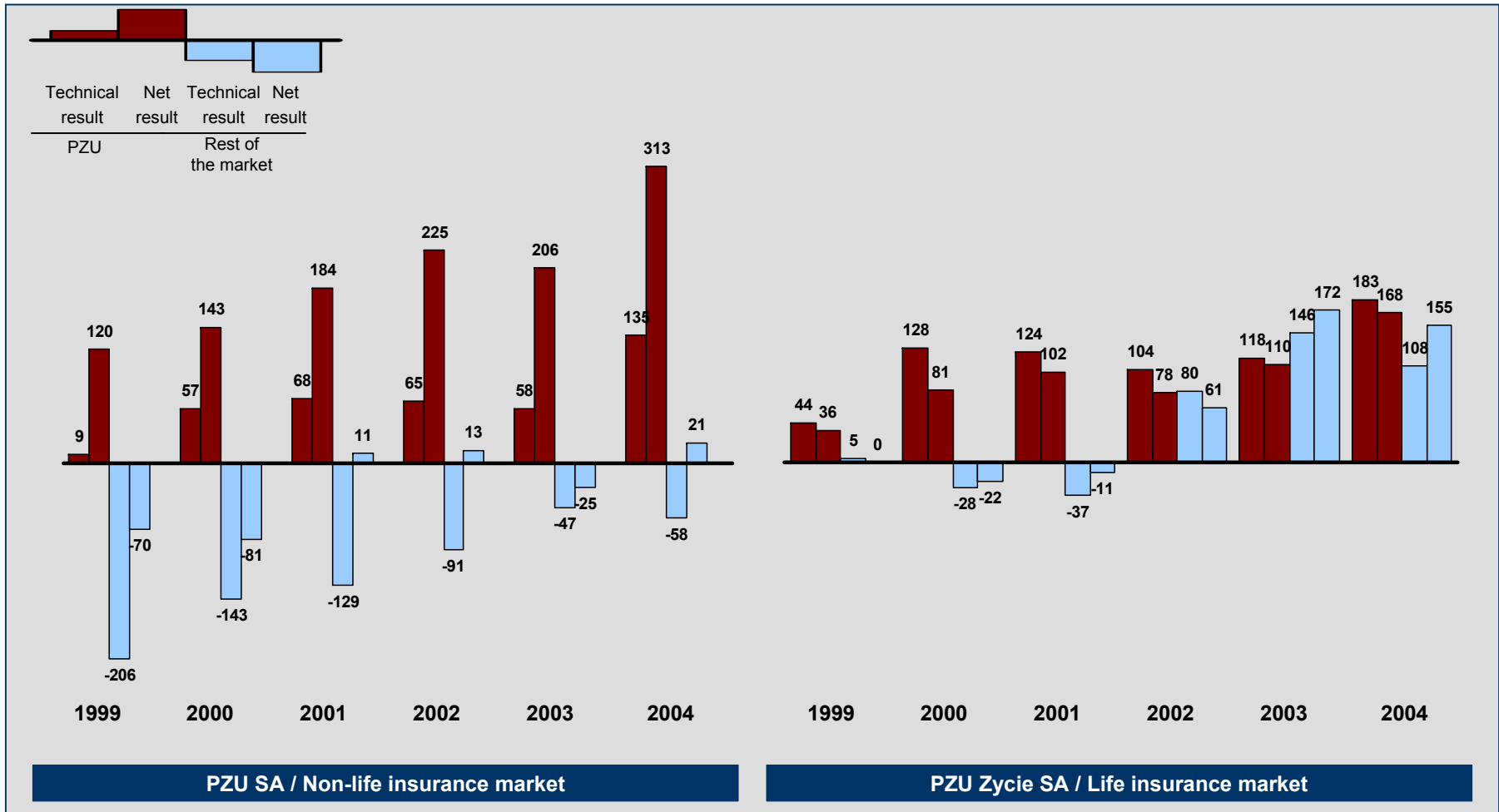


Source: PZU Group,; KNUiFE

- Polish insurance market
- Profile of PZU and key success factors
- **Financial performance**
- Corporate strategy

PZU is the most profitable company not only on the Polish insurance market...

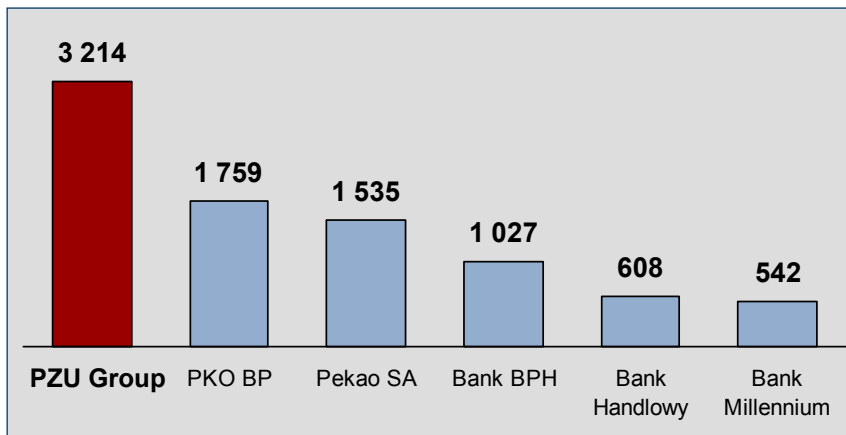
PZU technical/net profit vs. rest of the market (EUR mm)



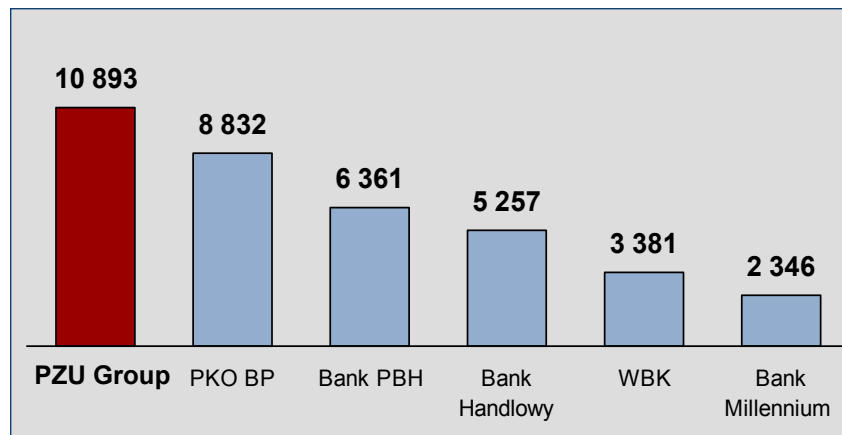
Source: PZU Group; KNUIFF

... but also in the whole Polish financial sector

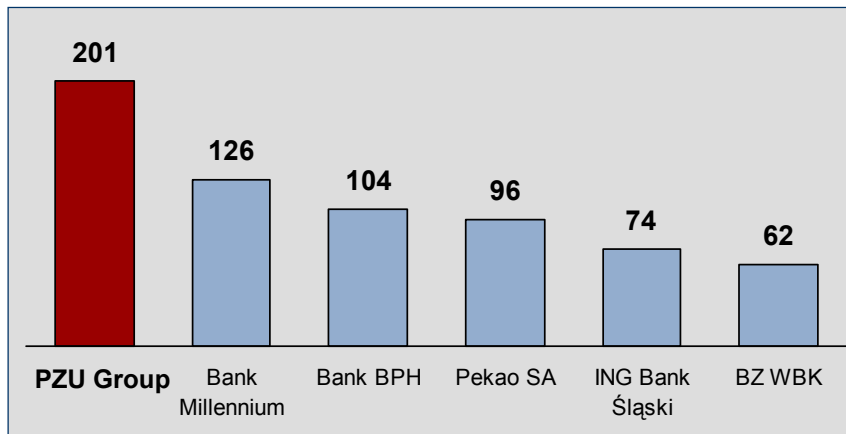
Net profit 2005 (PLN mm)



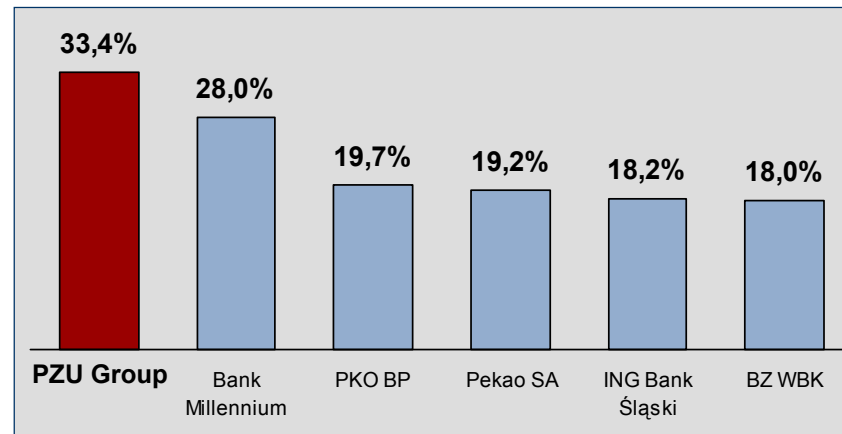
Equity 2005 (PLN mm)



Net profit per employee 2005 (PLN)

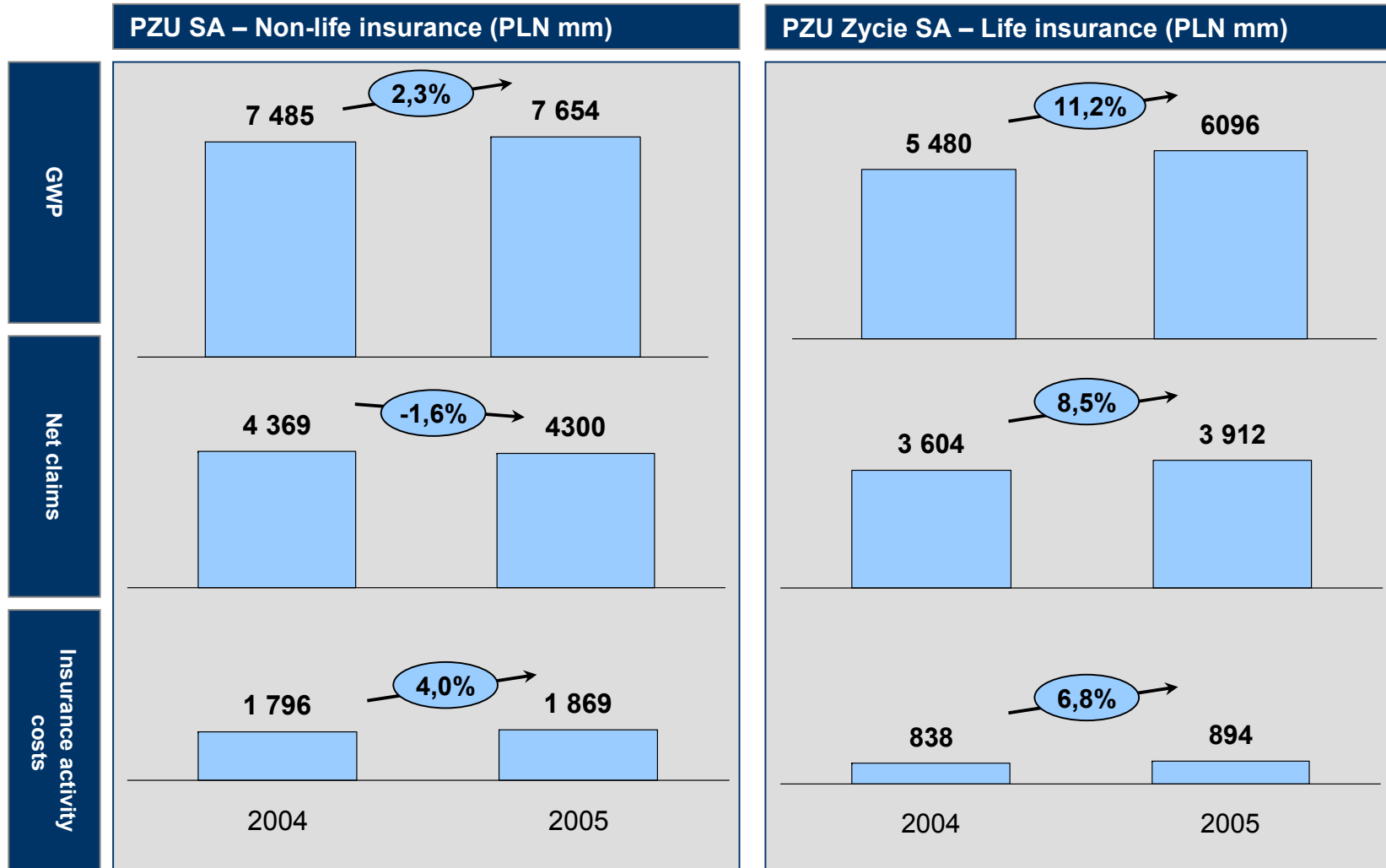


ROE 2005 (%)



Source: PZU Group; Annual Reports
 ROE=net profit/average equity

Growing GWP and cost efficiency ensure good technical results

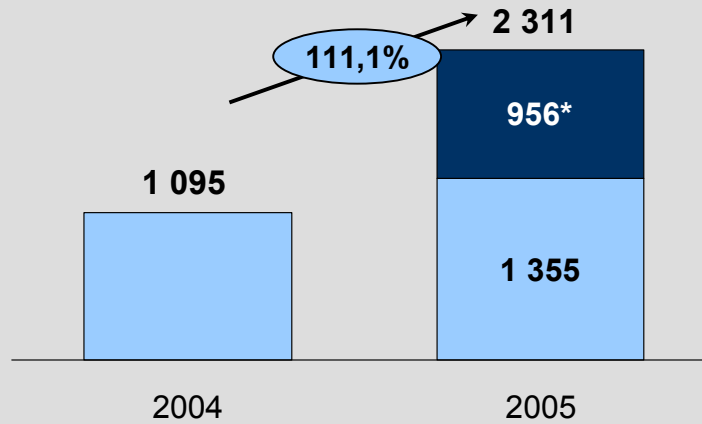


Source: PZU Group

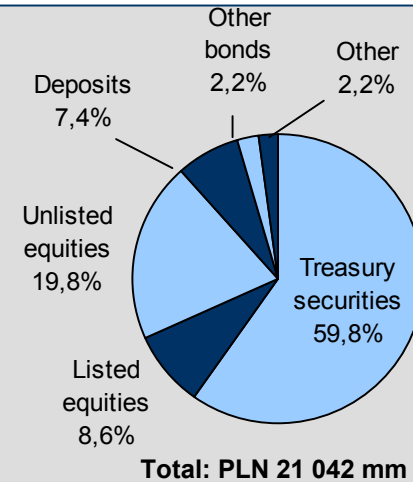
We have good investment performance and safe portfolio structure

Result on investment activity (PLN mm)

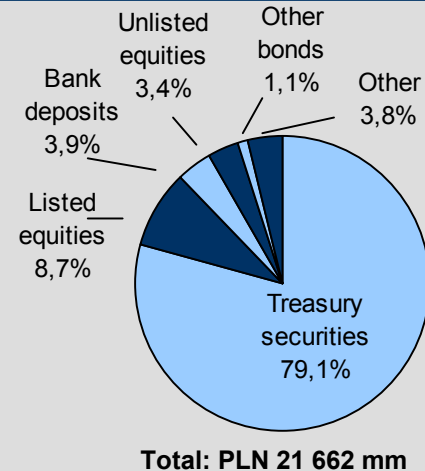
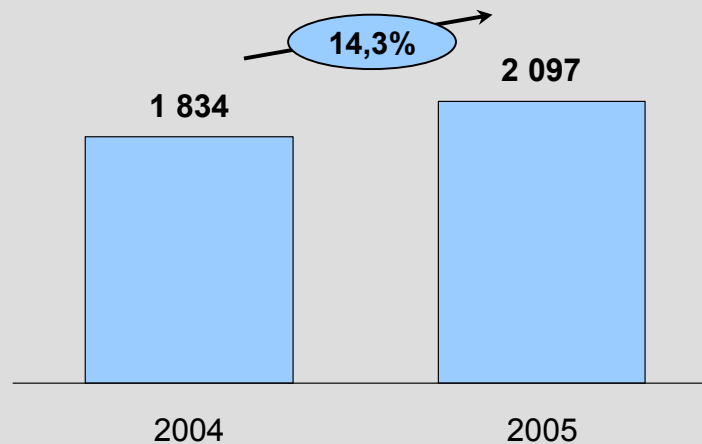
**PZU SA
Non-life
insurance**



Investment portfolio composition (2005)



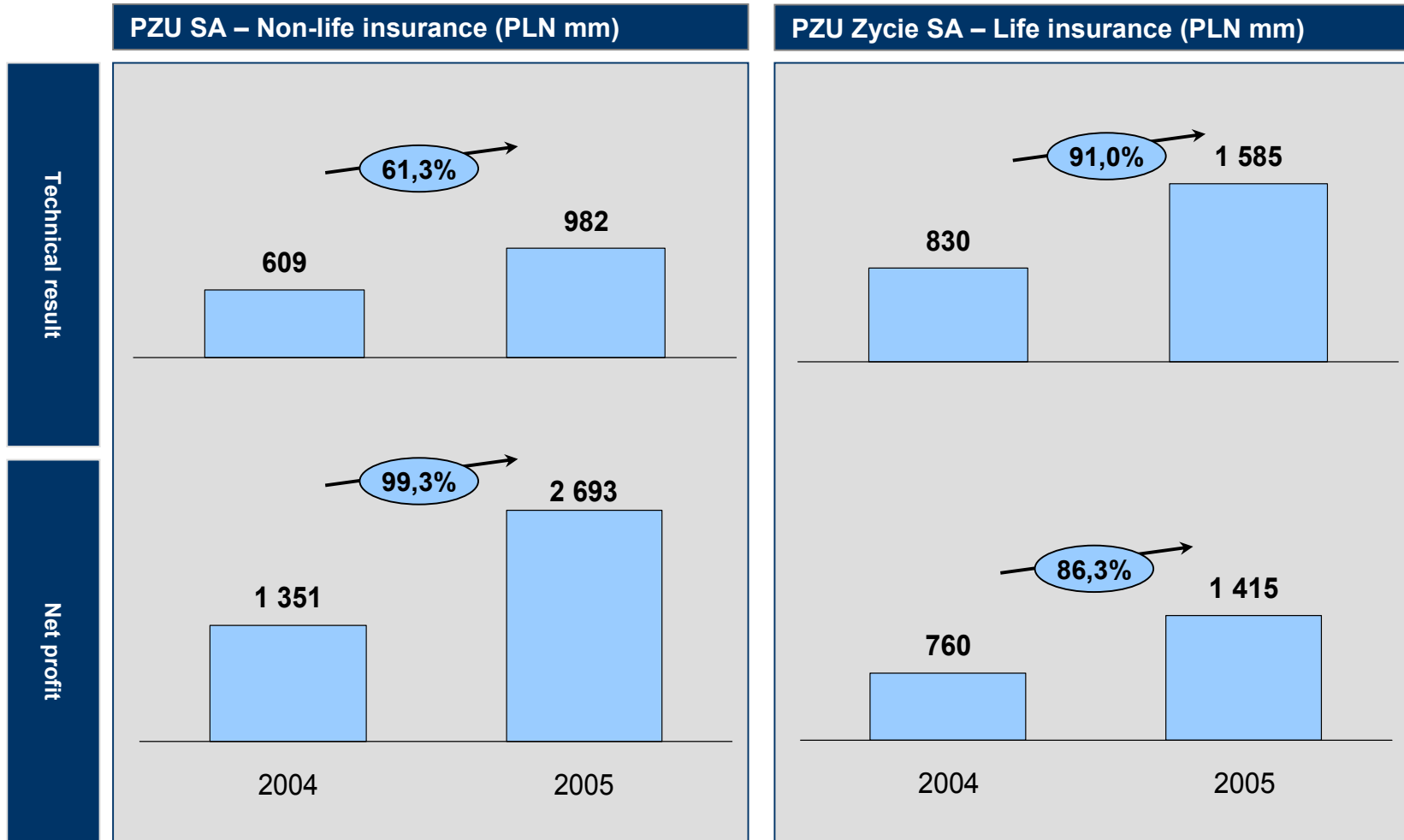
**PZU Zycie SA
Life insurance**



Source: PZU Group

* dividend from PZU Zycie SA

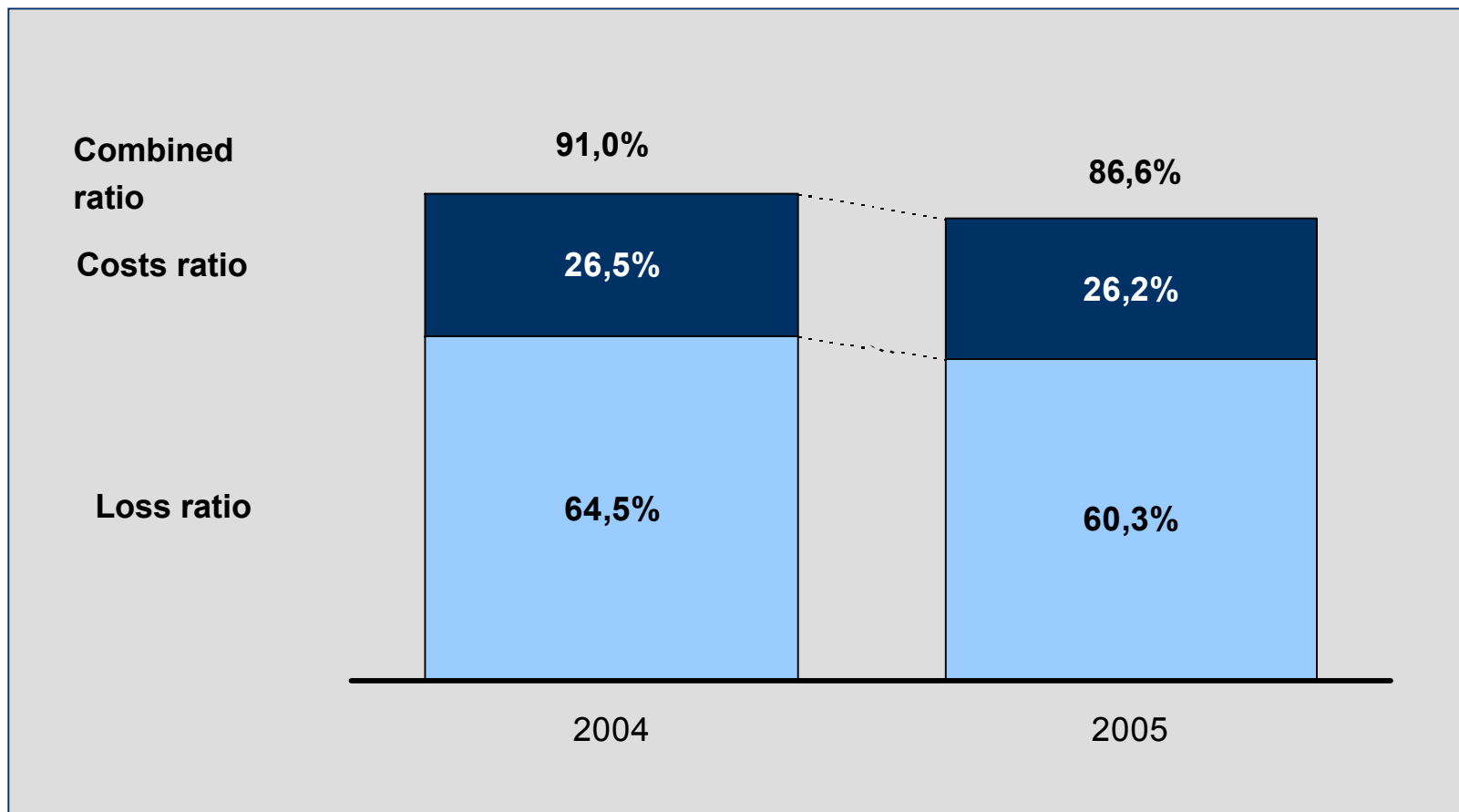
Our excellent results are consequence of good underwriting policy and investment performance



Source: PZU Group

The value of our combined ratio is currently one of the lowest in Europe

Combined ratio PZU SA – Non-life insurance

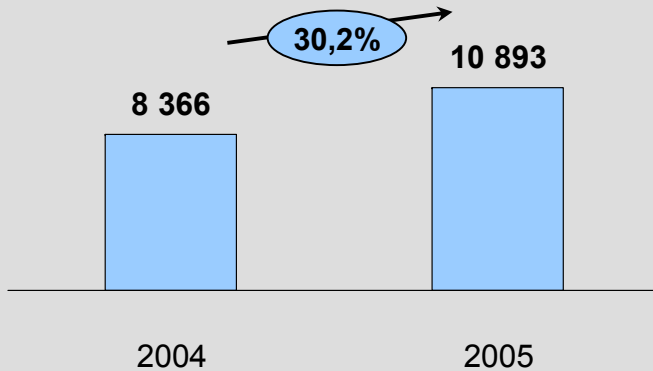


Source: PZU Group

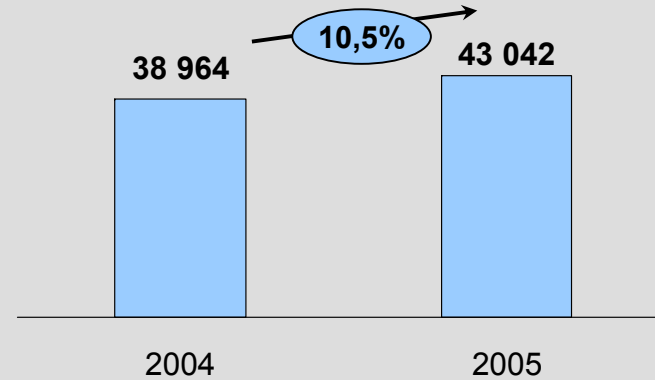
Despite very high capitalization level we have outstanding return on equity

PZU Group

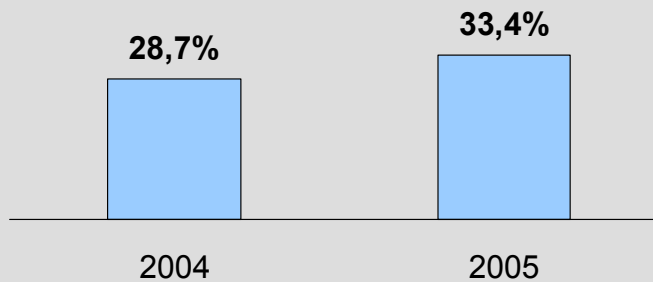
Equity (PLN mm)



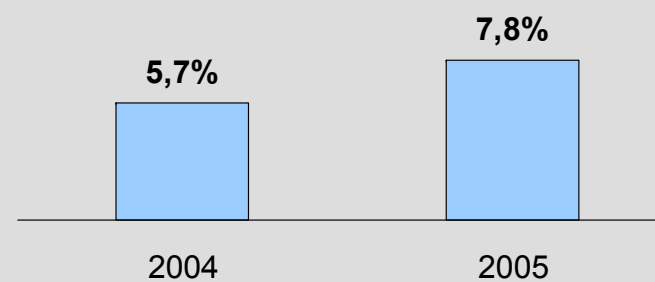
Assets (PLN mm)



ROE (%)



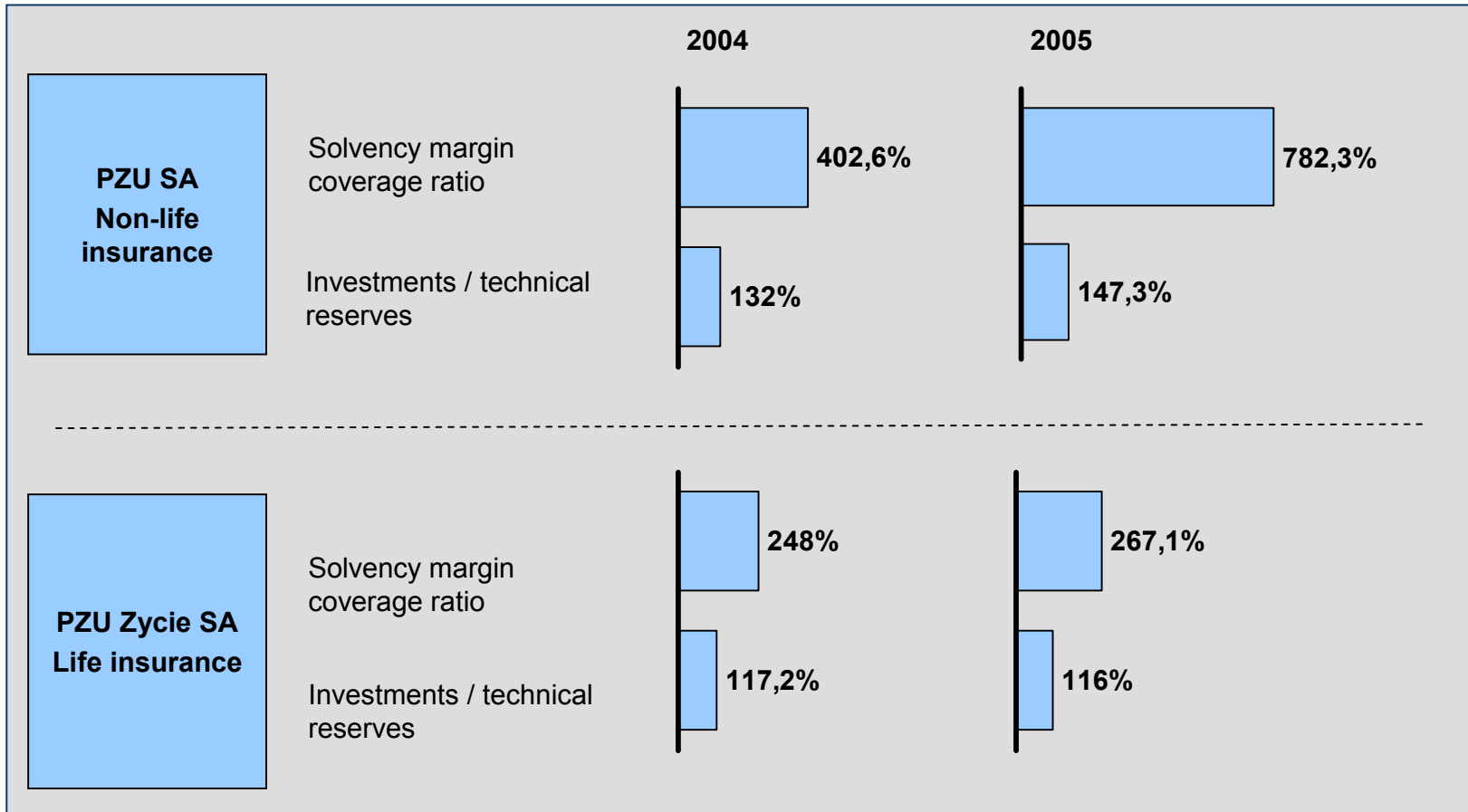
ROA (%)



Source: PZU Group

High solvency margin coverage ratio ensures safety to our client

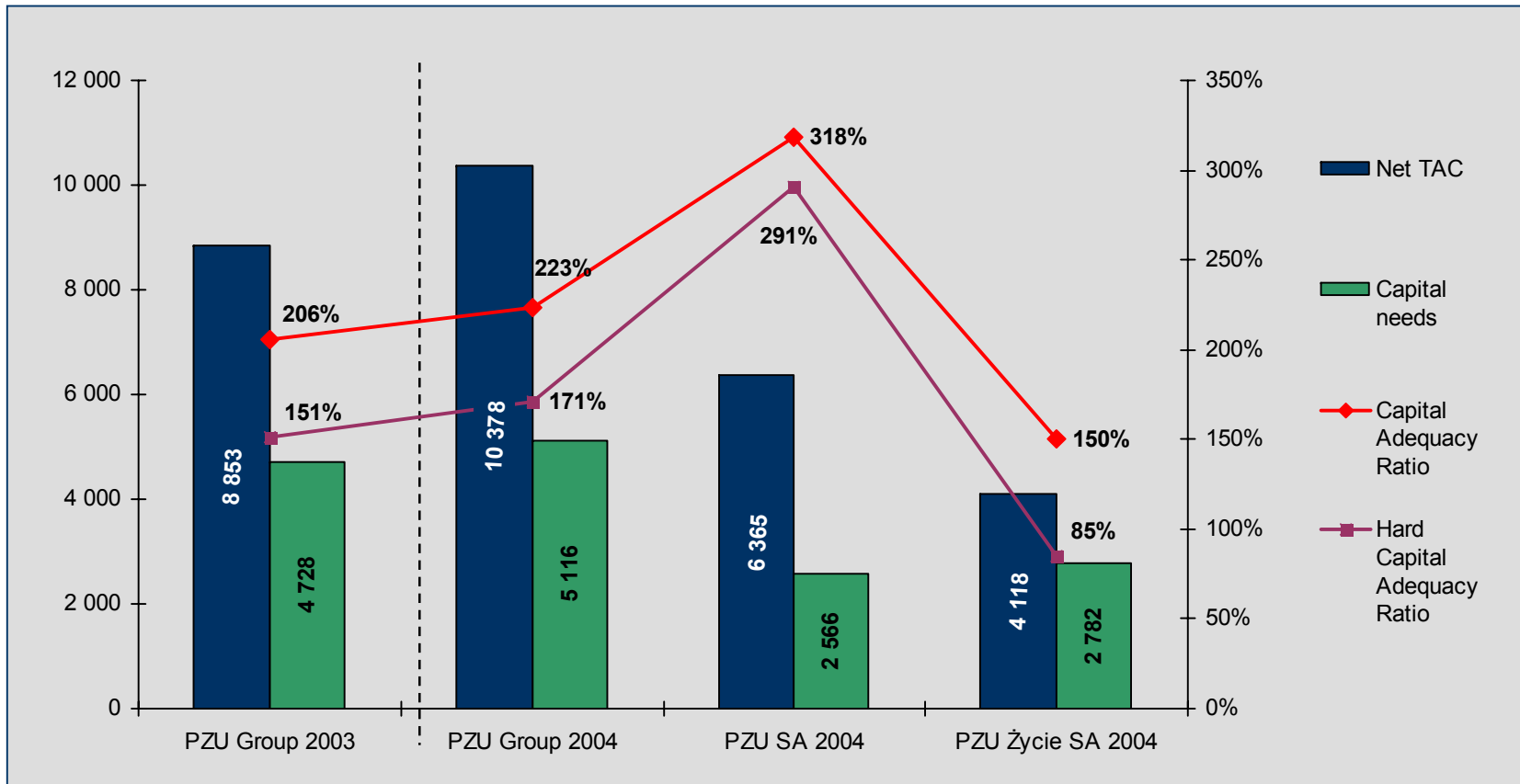
PZU SA / PZU Zycie SA



Source: PZU Group

We are going to retain high level of capital...

Capital adequacy ratios – S&P approach



Differences in CAR and Hard CAR between PZU SA and PZU Życie SA are resulting from dividend flow between companies.

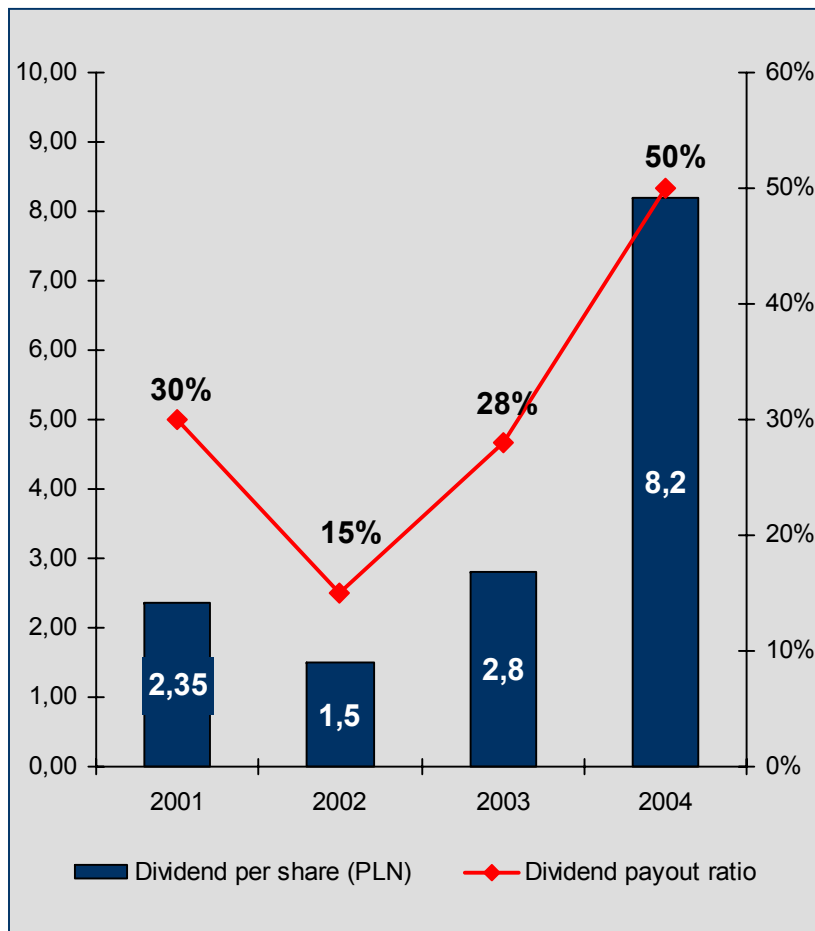
Source: PZU Group

... and we intend to maintain high and stable dividend payout ratio

Dividend policy

- Policy Dividend Proposal approved by the PZU SA Management Board in February 2004:
 - dividend payouts will range from 25% to 50% of net distributable profit.
 - annual payouts will be determined based on a current profitability assessment and investment budgets.
- Dividend transfer payments to PZU SA from PZU Życie SA can reach up to 100% of PZU Życie SA net profit for the sake of keeping excess capital at the holding company level available for shareholders use.

Dividend history

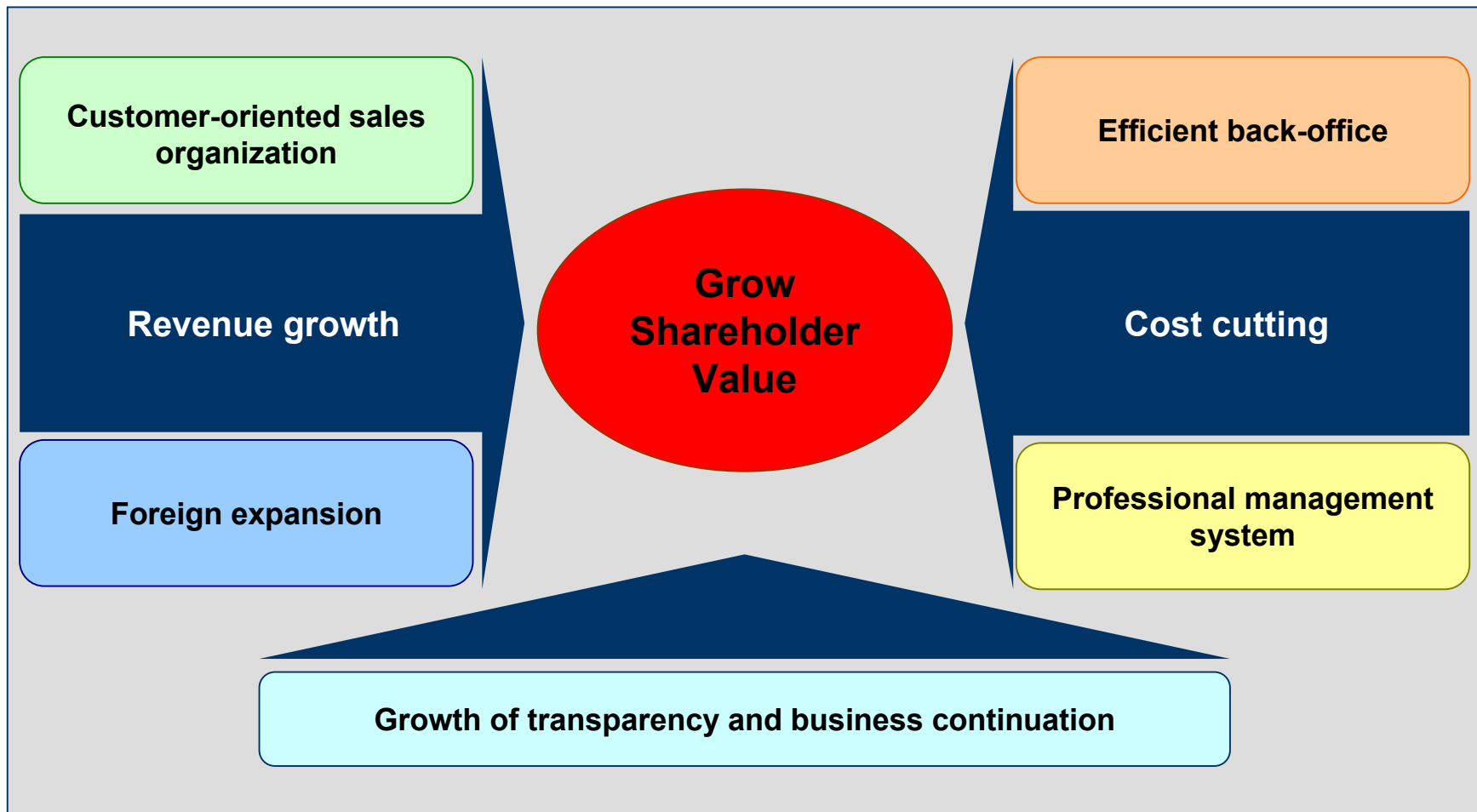


Source: PZU Group

- Polish insurance market
- Profile of PZU and key success factors
- Financial performance
- **Corporate strategy**

Our key areas in the execution of PZU Group's strategy concentrate around growth of shareholders value

PZU Group's strategic areas



Source: PZU Group

We believe that sales and distribution generate 2/3 of the value of a financial institution; operational excellence and products generate 1/3

Sales network

- Sales focusing the Group on customer segments and abandoning the domination of product thinking
- Transforming inspectorates into sales units
- Coordinating sales / distribution at the Group level
- Revitalizing the agency network
- Strengthening of cooperation with a bank

Product offer

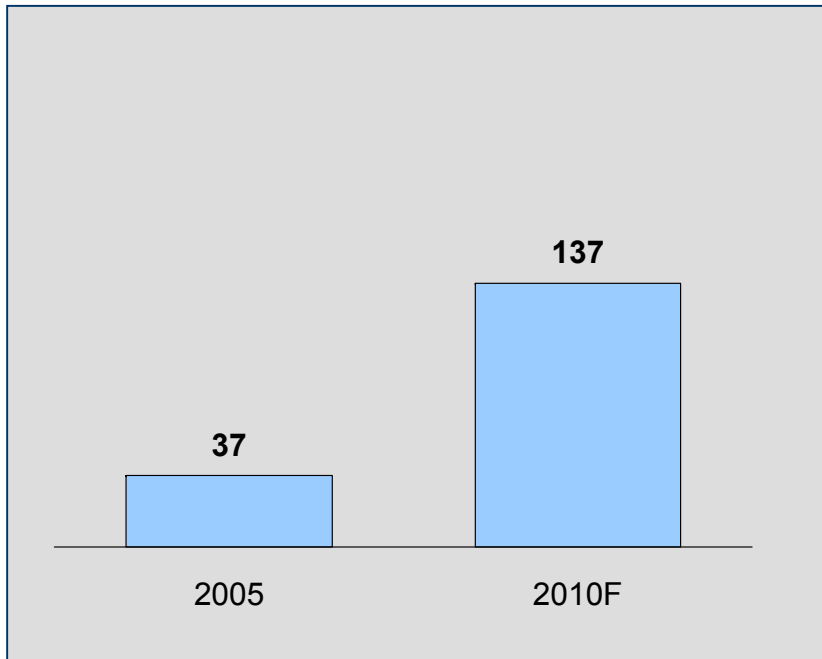
- Implementing the Group's central database of clients
- Differentiating the product offering depending on customer needs
- Product cross-selling
- Systematic customer needs analysis in the various life cycle stages

Source: PZU Group

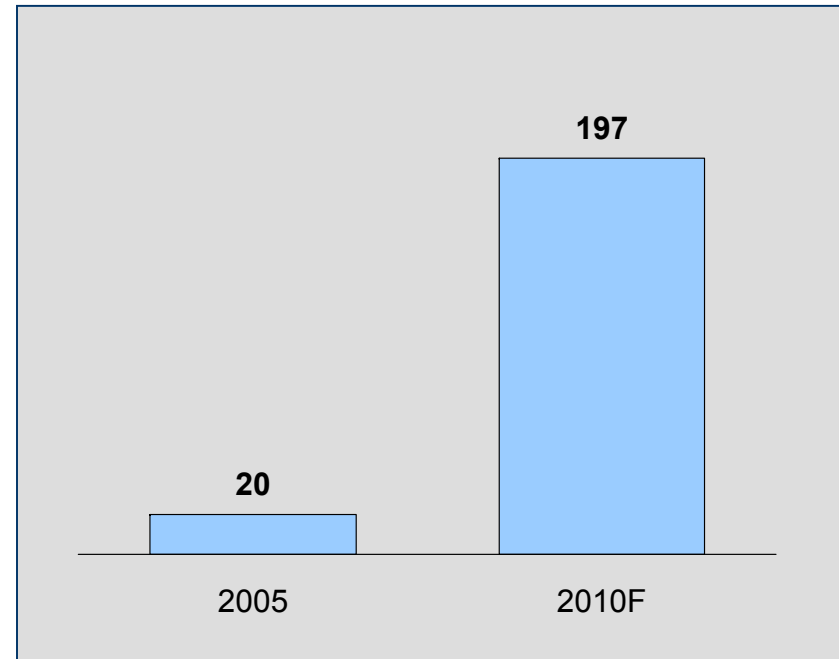
Customer-oriented sales organization

We want to expand our position in the region

PZU Lietuva – gross written premium (EUR mm)



PZU Ukraine – gross written premium in (EUR mm)



Foreign investment strategy

- Currently we are focused on development of our foreign subsidiaries, increase of our managerial experience and analyzing of potential investment opportunities in the region
- Up to now we have invested EUR 48 mm on our foreign subsidiaries
- Based on our assumptions in 2010 the GWP from foreign operations will account for approx. 8% of total PZU Group's GWP

Source: PZU Group

Foreign expansion

PZU constantly improves claims management process

Claim settlement

- Telephone-based claims notification
- „Dedicated” IT system (SLS)
- Mobile expert
- Change of procedures
- Cooperation with the Repair Network
- Assistance
- Autoonline – web platform, post-claim salvage valuation (cars)
- MONEX, Estimorph – usage of alternative parts

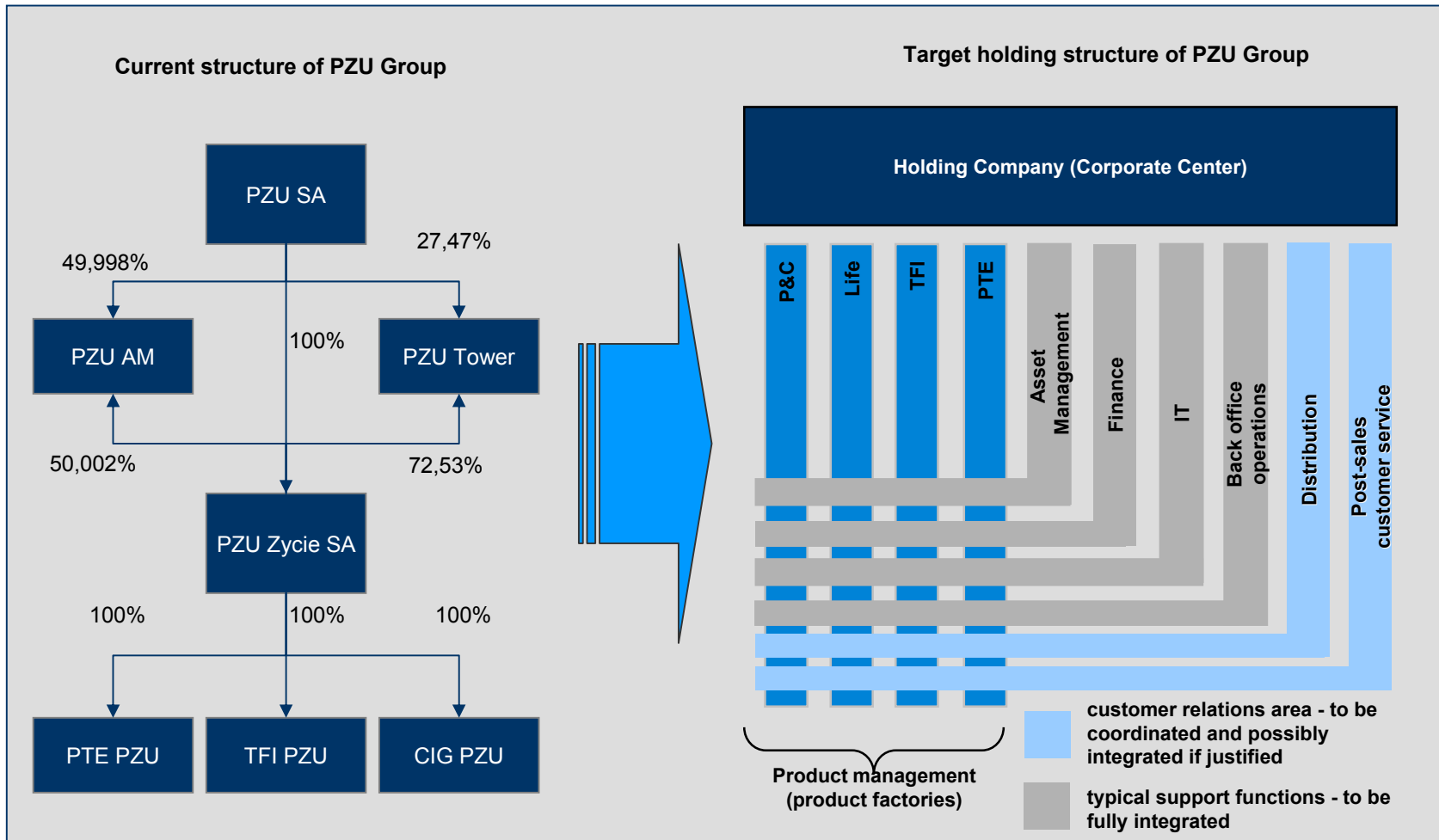
IT area

- Centralization of „Insurer” and implementation of „Graphtalk”
- Claims handling system (SLS) is being developed internally
- Equipping the agent with an electronic system
- Central Database of Clients (CBDK)
- Contact Center

Source: PZU Group

We are implementing new corporate governance structure

Current and target structure of PZU Group



Source: PZU Group

Professional management system

PZU Group has the highest rating among CEE insurance companies

S&P ratings of European financial institutions

	Company name	Credit Rating	Sovereign Rating
Central and Eastern Europe	Insurance companies		
	▪ PZU Group (PZU SA, PZU Zycie SA)	A-	A-
	▪ Warta	BBBpi	A-
	▪ Česká pojišťovna (Czech Rep.)	BBB	A
	▪ CSOB Pojistova a.s. (Czech Rep.)	BBB-	A
	Banks		
	▪ Pekao SA (Poland)	A-	A-
	▪ Bank Handlowy (Poland)	BBBpi	A-
	▪ Komerční banka (Czech Rep.)	A	A
	▪ Česká spořitelna (Czech Rep.)	A-	A
▪ Slovenská sporiteľňa (Slovakia)	BBBpi	A	
Western Europe	Insurance companies		
	▪ AXA	A	AAA
	▪ Generali	AA	AA-
	▪ Allianz	AA-	AAA
	▪ Zurich	A-	AAA
	▪ Aviva Assurance	AA-	AAA

„The ratings reflect the companies' status as core entities of composite insurance group PZU, and are supported by the group's strong competitive position and very strong operating performance.”

*Standard&Poor's Report
July 2005*

Source: S&P

Growth of transparency and business continuation

PZU Group – the biggest financial institution in Poland

- Strong financial performance
 - USD 1 bn consolidated net profit
 - 33,4% ROE
 - 86,6% combined ratio
 - "A-" S&P financial strength rating
- Biggest distribution network in Poland
- Unique brand name and history
- Best positioned to reap benefits of economic growth and EU accession of Poland
- Full product offer and growing revenue diversification
- Cross-selling opportunities across business lines:
non-life/life/pension funds/investment funds
- Dynamic organisation with innovation ideas to improve efficiency and bottom line
- Extensive modernisation effort undertaken

Source: PZU Group