

Erie Indemnity Company
Consolidated Statements of Operations (Unaudited)
(dollars in millions, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Revenues				
Premiums earned	\$ 1,109	\$ 1,047	\$ 2,196	\$ 2,077
Net investment income	113	113	221	218
Net realized investment (losses) gains	(107)	39	189	188
Net impairment losses recognized in earnings	0	0	0	0
Equity in earnings of limited partnerships	37	38	58	110
Other income	8	8	16	17
Total revenues	1,160	1,245	2,680	2,610
Benefits and expenses				
Insurance losses and loss expenses	943	1,170	1,659	1,876
Policy acquisition and underwriting expenses	287	249	557	496
Total benefits and expenses	1,230	1,419	2,216	2,372
(Loss) income from operations before income taxes and noncontrolling interest	(70)	(174)	464	238
Provision for income taxes	(32)	(67)	148	71
Net (loss) income	(38)	(107)	316	167
Less: Net (loss) income attributable to noncontrolling interest in consolidated entity - Exchange	(81)	(159)	237	71
Net income attributable to Indemnity	\$ 43	\$ 52	\$ 79	\$ 96
Earnings Per Share				
Net income attributable to Indemnity per share				
Class A common stock - basic	\$ 0.90	\$ 1.05	\$ 1.65	\$ 1.93
Class A common stock - diluted	\$ 0.80	\$ 0.94	\$ 1.47	\$ 1.72
Class B common stock - basic and diluted	\$ 134.78	\$ 158.33	\$ 248.55	\$ 291.07
Weighted average shares outstanding attributable to Indemnity - Basic				
Class A common stock	47,492,305	49,250,061	47,619,852	49,518,069
Class B common stock	2,544	2,546	2,545	2,546
Weighted average shares outstanding attributable to Indemnity - Diluted				
Class A common stock	53,677,848	55,436,976	53,807,795	55,704,984
Class B common stock	2,544	2,546	2,545	2,546
Dividends declared per share				
Class A common stock	\$ 0.5525	\$ 0.515	\$ 1.105	\$ 1.03
Class B common stock	\$ 82.8750	\$ 77.250	\$ 165.750	\$ 154.50

Erie Indemnity Company
Results of the Erie Insurance Group's operations by interest (Unaudited)
(in millions)

	Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group	
	Three months ended June 30,		Three months ended June 30,		Three months ended June 30,		Three months ended June 30,	
	Percent	2012	2011	Percent	2012	2011	2012	2011
Management operations:								
Management fee revenue, net	100.0%	\$ 308	\$ 285		\$ -	\$ -	\$ -	\$ -
Service agreement revenue	100.0%	8	9		-	-	8	9
Total revenue from management operations		316	294		-	-	8	9
Cost of management operations	100.0%	257	230		-	-	-	-
Income from management operations before taxes		59	64		-	-	8	9
Property and casualty insurance operations:								
Net premiums earned		-	-	100.0%	1,092	1,030	-	-
Losses and loss expenses		-	-	100.0%	919	1,147	(1)	(2)
Policy acquisition and other underwriting expenses		-	-	100.0%	332	298	(53)	(56)
Loss from property and casualty insurance operations before taxes		-	-		(159)	(415)	54	58
Life insurance operations: ⁽¹⁾								
Total revenue		-	-	100.0%	46	44	(1)	(1)
Total benefits and expenses		-	-	100.0%	33	32	0	0
Income from life insurance operations before taxes		-	-		13	12	(1)	(1)
Investment operations:								
Net investment income		4	4		87	88	(2)	(2)
Net realized (losses) gains on investments		(1)	6		(110)	30	-	-
Net impairment losses recognized in earnings		0	0		0	0	-	-
Equity in earnings of limited partnerships		3	7		34	30	-	-
Income from investment operations before taxes		6	17		11	148	(2)	(2)
Income (loss) from operations before income taxes and noncontrolling interest								
		65	81		(135)	(255)	-	-
Provision for income taxes		22	29		(54)	(96)	-	-
Net income (loss)		\$ 43	\$ 52		\$ (81)	\$ (159)	\$ -	\$ -
							\$ (38)	\$ (107)

(1) Earnings on life insurance related invested assets are integral to the evaluation of the life insurance operations because of the long duration of life products. On that basis, for presentation purposes, the life insurance operations in the table above include life insurance related investment results.

Erie Indemnity Company
Results of the Erie Insurance Group's operations by interest (unaudited)
(in millions)

	Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group	
	Six months ended June 30,		Six months ended June 30,		Six months ended June 30,		Six months ended June 30,	
	Percent	2012	2011	Percent	2012	2011	2012	2011
Management operations:								
Management fee revenue, net	100.0%	\$ 577	\$ 536	\$ -	\$ -	\$ (577)	\$ (536)	\$ -
Service agreement revenue	100.0%	15	17	-	-	-	-	15
Total revenue from management operations		592	553	-	-	(577)	(536)	15
Cost of management operations	100.0%	487	441	-	-	(487)	(441)	-
Income from management operations before taxes		105	112	-	-	(90)	(95)	15
Property and casualty insurance operations:								
Net premiums earned		-	-	100.0%	2,161	2,044	-	2,161
Losses and loss expenses		-	-	100.0%	1,611	1,830	(2)	(3)
Policy acquisition and other underwriting expenses		-	-	100.0%	634	580	(94)	(98)
(Loss) income from property and casualty insurance operations before taxes		-	-		(84)	(366)	96	101
Life insurance operations: ^{(1) (2)}								
Total revenue	21.6% ⁽²⁾	-	10	78.4%	89	78	(1)	(1)
Total benefits and expenses	21.6% ⁽²⁾	-	7	78.4%	67	56	0	0
Income from life insurance operations before taxes		-	3		22	22	(1)	(1)
Investment operations:								
Net investment income		8	8		170	169	(5)	(5)
Net realized gains on investments		2	7		183	174	-	-
Net impairment losses recognized in earnings		0	0		0	0	-	-
Equity in earnings of limited partnerships		4	18		54	91	-	-
Income from investment operations before taxes		14	33		407	434	(5)	(5)
Income from operations before income taxes and noncontrolling interest								
		119	148		345	90	-	-
Provision for income taxes		40	52		108	19	-	-
Net income		\$ 79	\$ 96		\$ 237	\$ 71	\$ -	\$ -
							\$ 316	\$ 167

(1) Earnings on life insurance related invested assets are integral to the evaluation of the life insurance operations because of the long duration of life products. On that basis, for presentation purposes, the life insurance operations in the table above include life insurance related investment results.

(2) Prior to and through March 31, 2011, Indemnity retained a 21.6% ownership interest in EFL, which accrued to the Indemnity shareholder interest, and the Exchange retained a 78.4% ownership interest in EFL, which accrued to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest. Due to the sale of Indemnity's 21.6% ownership interest in EFL to the Exchange on March 31, 2011, 100% of EFL's life insurance results accrue to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest, after March 31, 2011.

Erie Indemnity Company
Reconciliation of Operating Income to Net Income

Reconciliation of operating income to net income

We disclose operating income, a non-GAAP financial measure, to enhance our investors' understanding of our performance related to the Indemnity shareholder interest. Our method of calculating this measure may differ from those used by other companies, and therefore comparability may be limited.

Indemnity defines operating income as net income excluding realized capital gains and losses, impairment losses and related federal income taxes.

Indemnity uses operating income to evaluate the results of its operations. It reveals trends that may be obscured by the net effects of realized capital gains and losses including impairment losses. Realized capital gains and losses, including impairment losses, may vary significantly between periods and are generally driven by business decisions and economic developments such as capital market conditions which are not related to our ongoing operations. We are aware that the price to earnings multiple commonly used by investors as a forward-looking valuation technique uses operating income as the denominator. Operating income should not be considered as a substitute for net income prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and does not reflect Indemnity's overall profitability.

The following table reconciles operating income and net income for the Indemnity shareholder interest:

	Indemnity Shareholder interest		Indemnity Shareholder interest	
	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
	(unaudited)		(unaudited)	
Operating income attributable to Indemnity	\$ 44	\$ 48	\$ 78	\$ 91
Net realized (losses) gains and impairments on investments	(1)	6	2	7
Income tax benefit (expense)	0	(2)	(1)	(2)
Realized (losses) gains and impairments, net of income taxes	(1)	4	1	5
Net income attributable to Indemnity	\$ 43	\$ 52	\$ 79	\$ 96

(in millions, except per share data)

Per Indemnity Class A common share-diluted:				
Operating income attributable to Indemnity	\$ 0.82	\$ 0.87	\$ 1.45	\$ 1.64
Net realized (losses) gains and impairments on investments	(0.03)	0.10	0.03	0.12
Income tax benefit (expense)	0.01	(0.03)	(0.01)	(0.04)
Realized (losses) gains and impairments, net of income taxes	(0.02)	0.07	0.02	0.08
Net income attributable to Indemnity	\$ 0.80	\$ 0.94	\$ 1.47	\$ 1.72

Erie Indemnity Company
Consolidated Statements of Financial Position
(in millions)

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Investments-Indemnity		
Available-for-sale securities, at fair value:		
Fixed maturities	\$ 510	\$ 548
Equity securities	26	25
Trading securities, at fair value	28	27
Limited partnerships	199	208
Other invested assets	1	1
Investments-Exchange		
Available-for-sale securities, at fair value:		
Fixed maturities	7,569	7,292
Equity securities	605	564
Trading securities, at fair value	2,490	2,308
Limited partnerships	1,083	1,082
Other invested assets	19	19
Total investments	12,530	12,074
Cash and cash equivalents (Exchange portion of \$227 and \$174, respectively)	240	185
Premiums receivable from policyholders - Exchange	1,073	976
Reinsurance recoverable - Exchange	168	166
Deferred income taxes - Indemnity	21	19
Deferred acquisition costs - Exchange	500	487
Other assets (Exchange portion of \$395 and \$322, respectively)	510	441
Total assets	\$ 15,042	\$ 14,348
Liabilities and shareholders' equity		
Liabilities		
Indemnity liabilities		
Other liabilities	\$ 447	455
Exchange liabilities		
Losses and loss expense reserves	3,613	3,499
Life policy and deposit contract reserves	1,706	1,671
Unearned premiums	2,331	2,178
Deferred income taxes	235	147
Other liabilities	113	105
Total liabilities	8,445	8,055
Indemnity's shareholders' equity	766	781
Noncontrolling interest in consolidated entity – Exchange	5,831	5,512
Total equity	6,597	6,293
Total liabilities, shareholders' equity and noncontrolling interest	\$ 15,042	\$ 14,348