Piotr Wiśniewski, Head of Investor Relations at PZU: Good morning, ladies and gentlemen.

I'm pleased to see you at today's meeting which will be devoted to discussing PZU's performance after 3 quarters of 2014. Our meeting today will be hosted by Mr. Andrzej Klesyk, Chief Executive Officer of PZU, and Mr. Przemysław Dąbrowski, Management Board Member in charge of the Financial Division. Our meeting will take last approximately 90 minutes. We will spend the first half an hour on the presentation of the results, then there will be time for questions. Our meeting today, as is the case every quarter, is broadcast live on the Internet, and those of you who are participating in it via means of electronic communication also have the opportunity to ask questions directly through the webcast platform or by sending an e-mail to my address. My name is Piotr Wiśniewski and I manage investor relations. Now, I would like to give the floor to Mr. Klesyk.

Andrzej Klesyk, CEO of PZU: Good morning, ladies and gentlemen, hello to everyone participating over the Internet.

Before we get started on the results, allow me to spend 2 or 3 minutes to share my personal impressions with you. I realized recently that 7 years ago, minus 1 month, I was appointed to the position of CEO of PZU, so we've had 7 years, I'm not sure whether they've been fat or lean, in any case, I've been CEO for 7 years now, which makes me very happy. Secondly, I've realized that some 5 years ago, plus 1 month, in turn, we signed an agreement with Eureko upstairs, thanks to which the Company has been listed on the stock exchange for 4 and a half years, so it's also a very nice anniversary. And the last thing, perhaps 2 more things. 7 years ago, when I met with you, I didn't wear glasses but now, unfortunately, I have to start wearing them to see what I have to say, to see what I have to present. And the last thing is that our today's meeting is the last one devoted to strategy 2.0. I hope we will meet more often, but we will talk about our new strategy, so today is our last meeting under strategy 2.0 and we will talk about our future strategy in a few weeks' time. So let's get down to the results. Ladies and gentlemen, as usual, we'd like to begin with general remarks about the market, but before we move on to numbers, I'd like to make you aware of some very disturbing trends for the entire market. Namely, very many of our competitors have been behaving completely irrationally, what we see in particular, and I'd like to emphasize it, in particular among those who compete in the market on a branch basis and are not subject to the supervision of the Polish Financial Supervision Authority (KNF). Quite simply, the price war which they declared against one another is incredible and it's been especially obvious during the last dozen months or so. Secondly, as you know, interest rates very strongly affect our result and we are of the opinion that in the next few years we will live in an environment of low interest rates, contrary to what was predicted all over the world some one and a half or two years ago that we will have hyperinflation. It looks like we will probably not see anything like that and low interest rates will be our natural environment or, rather, that low interest rates will have to be our natural environment. Thirdly, we must be quire open about it that what you anticipate or have anticipated, I mean certain decisions of the judiciary in Poland, especially those that make the law apply retroactively, may affect or will affect the business of the whole insurance sector. This is both good and bad news. The good news is that the price war may finally be over and the bad news is that there will be a pressure on the results. And the fourth thing is KNF's regulations. At this point in time, we are looking at KNF's regulations, or KNF's recommendations, which, if we were to take them literally, would cause the whole sector to incur gigantic additional costs, but we are not sure yet which of these recommendations will indeed be very hard pressed and implemented by KNF. So what we have is a very interesting situation at the outset of our new strategy, the one we will tell you about in a few weeks. But let's get down to the results. Of course, you have seen the results already, but I just wanted to show you what's happening in the market, because, I suspect, you may be unaware of it. These are the results for the first half of the year. In the third quarter, we are of the opinion that the situation is even worse. The market has simply gone mad when it comes to non-life insurance. Look at this: written premium went down 3 percent on an annualized basis, 6 months to 6 months. In the third quarter, we see an even bigger trend. Despite this decline though, our position is still as strong as it used to be. I mean, still, when it comes to the technical result in non-life insurance, we have considerably more than half of the market share, approximately 70 percent, which means that all the rest is, as a market, under the water in some segments. Here, we are not even taking into account those who don't report. So if we were to add those who run their business on a branch basis, well, we'd have a situation that would be even worse. They are under the water by definition in terms of the technical result. The situation in the life insurance market is a little bit different. Namely, life insurance slowed down a bit because of the unit-linked products, or the absence of strong sales of unit-linked products, but continues to grow quite well, approximately 3 percent year-over-year, which is what we've always said. And our share in the technical profit is also very similar to our share in the technical profit of the non-life sector or segment, an is almost double our market share, 1.5 times our market share, which makes us very happy. Our profitability in life insurance improved by 2 percentage points. And now something that we always show you, and what

I'm very glad about, something that we promised to our investors, namely that we will not be the 'whipping boy' in the market, not only in terms of profit but also in terms of market share. Ladies and gentlemen, once again we can show that we are in green. And we want to say it again, and give a very clear signal to our competitors, that they should think five times before they start fighting us, especially with prices, because they will be the ones to lose the most. Our market share is greater now after the merger with Link4, but even without the merger it increased by several dozen basis points, whereas after the merger with Link4 we will have more than 1/3 of the sector, or of the non-life market, which makes us very pleased and very proud. On to the results now, and I will only pass through the highlights. You have this presentation and you know how to read it as you've seen our tables before. And so, ladies and gentlemen, when you look at written premium 9 months to 9 months, it is virtually flat, which, given the falling market, we think is a very big achievement. Our net profit is, from what I understand, almost in line with your expectations and it is 'obviously obvious' that the most recent decisions made by the Monetary Policy Council affected the valuation of our assets, which helped us achieve this result. Our equity is unchanged. As regards our ROE, once again, you are analysts, and when you prepare your spreadsheets or charts, PZU is always in the top corner in terms of return on equity and solvency. I don't know any other insurance company in the world which has similar indicators and similar results. And now let's move on to two sectors, two pieces of business. Non-life insurance. This is what I'd like to show you. If you look at the mass segment and the corporate segment, please look at the dark blue pieces. This is our motor business. And both in one piece and in the other piece, this item is falling, even though we are increasing our market share, which means that in a falling market we are falling a little less. For us, it's a strange situation once again that our competitors have decided to declare a price war against one another, because from the point of view of logic, they don't have any ammunition, which means, quite simply, that when they start shooting big time, then at some point they will run out of bullets, but it makes us very sad that they are behaving so irrationally. The combined ratio is still at a very decent level. If we realize that our combined ratio is below 90 percent, and this is something that you always ask us, namely what our combined ratio should look like, then we always answer that we are looking at between 94 and 96, but a result 3 percentage points better than the market is within what we want to achieve. We hope that this price war will not translate into an even greater decrease in the combined ratio, yet such a possibility is not completely out of the question. In the corporate client segment, the combined ratio is at a level of 90 percent, which is very similar to the mass segment. Usually, in this segment the combined ratio is worse than in the mass segment. If you look at the components of operating profit, you will see that the decline in the technical result is caused by motor insurance, in particular from motor third party liability insurance. I don't know how to... Once again, let me emphasize it, people have just gone completely crazy. They are not only cutting the branch they're sitting on but they are even cutting the whole tree. So this is the situation in the non-life market. As regards the life insurance market, here, to a certain extent, you may say that it's boring 'as hell' because, as we've been telling you, every year we grow between 2.5 and 3.5 percent, depending on the situation. Our profitability is above 20 percent. From time to time, this profitability oscillates for some reason, as it did in 2013 when suddenly, for reasons rather unknown to us, quite a large number of Poles decided to make it to the other world, which had not exactly been fully predicted by us or by our actuaries, we simply had a higher mortality rate in the first quarter of 2013. We are now back in the normal state, so we have a situation where our technical profitability, especially in group insurance, improved significantly and continues to be above our benchmark, because we always say that this profitability should be north of 20 percent. Our operating profit increased by a few percent, so this makes a positive contribution of approximately 70 million. On the right hand side, you have individual insurance, but as you can see, here the contribution to the net result of the whole Group is relatively small, because it is approximately 100 million Polish zloty, and a difference of 4 or 5 million is for us not such a large amount. I just want to point out that this is not a business where we earn gigantic profits in terms of margins, because if you look at our structure, then, first of all, the decline in written premium was in bancassurance, that is in products which, due to KNF's intervention, we will most probably have to redefine, yet still everybody is looking at each other and looking around, and we don't know exactly how the banks will react, because the banks are in a much worse situation when it comes to this part of the business. And now, yes, higher administrative expenses. Ladies and gentlemen, these are indeed higher administrative expenses, and I will put it this way: we do not expect this trend to continue in the fourth quarter. It seems that our recurring expenses increased slightly, but what I want to say about it is that we spend a lot on various kinds of projects that have a lagging effect. This is what you can see both in Everest and in the image changes or in the changes in our branches. At this point in time, we are implementing some 50 projects, which are a kind of investment, both in the immediate business and also in long-term projects which are part of our new strategy, the one that we will inform you about in a few weeks. In our opinion, our expenses are totally under control. I can disclose it to you that we are well below budget, we are showing this information also to say that we are investing in the future. We don't want to cut the muscles if the fat has already gone. We now have the muscles and we intend to keep our muscle mass. Przemek [*Przemysław Dąbrowski, CFO*] will talk about additional potential expenses, because there are some movements in both expenses and potentially in the balance sheet resulting from changes concerning general pension fund companies (PTEs), but these are non-recurring items which Przemek will tell you about in a second. Shareholder value. You have certainly been following this chart. As at 30 September, our share price was approximately PLN 480, which is more or less where it is today. Return for shareholders since the IPO is way above 100 percent. What you of course need to know, I mean what you know for sure, we will pay PLN 17 per share on 15 January, but you had to have the shares on 17 September to be eligible to receive the money. From the accounting standpoint, we have this money as capital, I'm sorry, as cash, while it disappears from the capital item. So if you calculate all sorts of ratios, the money in the capital is gone, because that's the way it works when the Shareholder Meeting makes the decision – it disappears from our capital, because it becomes the Company's irrevocable liability, one that cannot can be changed. And now, in accordance with the tradition, let's move on to several more interesting elements related to PZU's strategy 2.0. The first thing is, the slide is not there but I want to tell you that we have more than one million policies issued in the Everest system and every month the number of policies increases significantly, virtually logarithmically. This year, all our agents will be using the new system and policies will be processed in this very system. The second issue is what you may have seen: certain market standards. As we've already told you, we are trying to be the guardian of the market and sometimes we are successful, for instance in direct claims handling, in new ideas when it comes to a fleet of replacement vehicles which we are not losing any money on. I'd like to emphasize the fact that this is not a charity: we are making a penny or more on it, in other words we are obtaining some decent revenues and profits from it. Here, we manage to set the standards and we hope to enhance and improve these standards. The move was caused by an attempt to reduce the cost of payments from third party liability insurance. Quite simply, when an invoice is presented to us for a replacement vehicle, then we can argue with that, but very often we lose in court, and if someone comes and brings us an invoice for PLN 300 for renting a Yaris or Matiz for one day, it used to make us really upset, so we entered this type of business to civilize this rather uncivilized part of the business which generated quite a significant amount of expenses for us. We hope that we will have 300 cars that we transfer, because it's a kind of a financial transaction, to our partners. If it pays off in this form both for us and for our partners, then it would be quite conceivable that there will be more and more of these cars driving around, with our logo and with the fact that they are green cars, that is hybrid cars. Another interesting piece of PZU 2.0 is international expansion. We have completed virtually all the acquisitions, and since 31 October we've been the owners of all the assets we purchased from them under the agreement of 17 April 2014. The transaction is over now and at this point we are making some changes associated with new governance functions, such as establishing new corporate authorities, and changes related to rebranding, because we have certain obligations toward RSA. The person responsible for this piece of the business is the man I once introduced to you, Mr. Rafał Grodzicki, who is a Management Board Member at PZU Życie and a Group Director at PZU SA, meaning that he's a member of the so-called 'power-holding team'. If you look at one of our earlier slides, you will see his photo. He hasn't changed too much. This would be it with regard to PZU's strategy 2.0. I know that you have access to detailed data, but perhaps I should give the floor to Mr. Dąbrowski for a while, so that he can take us through the highlights. Let me add only one more thing. As you can see, one of the things that distinguishes us very much at this point is a very significant increase in our balance sheet. This is due, as it were, to two things. Firstly, by definition, our balance sheet grows when we do business. And secondly, as you remember, in June we issued Eurobonds for half a billion euros, and they only appeared as cash in our balance sheet at the beginning of July, because they had to go via Sweden for tax reasons and structural reasons. So we have a company under the name of PZU Finance in Sweden and this company transferred the funds to us only at the beginning of July, hence the increase in the balance sheet. And we also believe that the balance sheet is a strength of PZU, that it is something that will distinguish us and maybe will be one of our main competitive advantages when it comes to the insurance business, not only in the future. So that's it from me. Let me now give the floor to Przemek and we'll see what happens next.

Przemysław Dąbrowski, Management Board Member, CFO of the PZU Group:

Good morning, ladies and gentlemen,

Allow me to leap to the slide that presents our main business lines broken down into more granular categories. Well, ladies and gentlemen, when it comes to the insurance business, as Mr. Klesyk has already mentioned, written premium decreased on a year-over-year basis. But we must remember that it happened in the non-life market which lost as much as 3 percent during the first two quarters. After these two quarters, our market share was on the increase and it is likely that we will finish the year with a small growth. We are simply able to grow, or perhaps lose less than the rest of the market. If we look at each of these main lines of business, well, first of all the price war is affecting motor third party liability insurance, and here you can see large drops in premiums, both in mass insurance and in corporate insurance, which of course not only affects revenues alone but also the combined ratio, which is on the increase and reaches 99 percent in motor third party liability insurance and up to 109, 110 percent in corporate motor third party liability insurance. Like I said, this is mainly the effect of price changes. In order to stay in the market, PZU also to some extent, especially in the corporate segment, must change these prices. As regards MOD in the mass segment, this was the fourth consecutive quarter of a slight growth, which in turn has the effect of our growth in this segment, our market share in mass MOD increases. Also, we are able to maintain a relatively high profitability. Here also, unfortunately, we can see an increasing combined ratio, yet mostly it is driven by administrative expenses, acquisition expenses. As has already been said, in general, as regards damage to vehicles, we can again see that the incidence is not increasing. We assumed that the low incidence of the years 2012-2013 would start to increase this year due to the economic growth. It seems, however, that there are persistent factors that keep the incidence constantly at a low level. As regards non-motor products, well, in both segments, both in the mass segment and in the corporate segment, we have increases. Incidentally, our assumption was, as has been mentioned already, that this year the non-motor segments will grow, because the price war in this segment is not so strong. I mean there is also competition there, but the price war is not so strong. Besides, we have a lot more demand there associated primarily with the incoming, when it comes to businesses, funds from the EU. As regards natural persons, we are constantly developing new insurance products. Unfortunately, even in these segments we can see some deterioration in profitability. The reasons, when it comes to non-motor mass insurance, are simply agricultural claims in the third quarter related to crops. As regards the corporate business, we simply had a few big claims. Therefore, we have not paid them yet, but in connection with these claims, we've already increased the level of our provisions. These are predominantly claims related to general third party liability, general third party liability of doctors and general third party liability of healthcare centers. We also have one claim under general third party liability of one of our large corporate clients, which we closed but now it's been re-opened. And, of course, still, when it comes to MOD and non-motor non-third party liability insurance, all the time this profitability is very high. As you can see, well, here we're talking about a level between 90 and 80 percent of the combined ratio. As regards our life company, here, when it comes to the main line of business, which is individually continued group insurance, we have a 2-percent growth and a very high rate of return: almost 25 percent. As regards individual life insurance, we have a decline, but we have already been observing it since last year. PZU is consistently withdrawing from sales of unit-linked products, especially in the agency channels, which channels are generally very expensive, because the product structure and low interest rates mean, in our opinion, that either the client loses or the company loses, so PZU is withdrawing. Like I said, we are consistently withdrawing from the sale of these products. Interestingly enough, though, decreasing revenues allow us to improve profitability from a rate of 10 percent to over 13 percent. As for our foreign operations, here we actually mostly see the situation before the acquisition of RSA companies. In Ukraine, our revenues denominated in UAH keep increasing, but the fall in the value of the currency forces us to show a decrease in revenues on a year-over-year basis. As for the Baltic states, here, in turn, we see a significant increase in revenues and an improvement in the combined ratio. This is the effect of the commencement of the consolidation of Balta. At the moment, in these data Balta is consolidated for one quarter, and this is, as it were, the result of this consolidation. Balta is a bigger company than our operations in Lithuania and also has a higher profitability. There, the combined ratio is way below 100 percent. When we present data for the fourth quarter to you, we will show you full information from these acquired companies separately, because this year and next year we will have a certain problem with comparability, because if we actually start the consolidation of these companies in the fourth quarter, we will generally consolidate one quarter, so that’s why, as I said, we will present these data separately. At the moment, the impact of Balta is not so significant as to justify a separate presentation in the results for the third quarter but, as I said, for the fourth quarter both the Baltic companies and Link4 will be presented also separately, not only as part of the result of the whole PZU Group. As regards the main non-recurring factors, this year is very poor in terms of such events. The conversion is still in progress but keeps decreasing. We have repeatedly announced it: provisions associated with old multiannual group insurance products are simply decreasing. Hence, this conversion is, as you can see, after 3 quarters of the year at a level of less than PLN 60 million. And another non-recurring effect that made a positive contribution to the results after the third quarter is the issue of PTE settlements associated with changes in the pension system. We recovered PLN 110 million of additional proceeds from the liquidation of the guarantee fund, but we netted them off with lower revenues related to the amount of contributions and assets that remain in the fund. Shortly about the profitability: decomposition of a change in the combined ratio for the mass non-life insurance segment. The main factor that caused the increase was growth in acquisition costs. What is important is that we have a certain lack of comparability. Last year, in both the mass insurance segment and in the corporate insurance segment we were a beneficiary of the agreement with AXA France which led to better results last year, lower levels of acquisition costs due to 53 million in income from a settlement causing a non-recurring decrease in our acquisition costs. As for the other indicators, well, as you can see, the loss ratio increased slightly, primarily as a consequence of, on the one hand, lower prices in motor third party liability insurance and, on the other hand, the posting of the said agricultural claims. And we have the administrative expenses we talked about a moment ago. As regards corporate insurance, the largest impact on this insurance, on the change, on the increase in the combined ratio was exerted by the loss ratio and, like I told you, on the one hand, lower prices in motor third party liability insurance and, on the other hand, we simply established provisions in the third quarter for several large claims, at least above PLN 20 million, so more or less in the range of 20-30 million we have several claims under general third party liability insurance, especially under third party liability of medical service providers, plus one claim associated with industrial third party liability. As for the other elements, here we can also see an increase in administrative expenses. These expenses increased a little faster than the premium. And we can see a small increase in acquisition expenses. As regards group insurance, in this line item, basically, over the years, over the consecutive quarters, since our IPO, we’ve seen our operating result improving. The main factor behind this improvement is, on the one hand, of course, the continued increase in premiums, we’re talking about a 2 percent increase in premiums, and, on the other hand, primarily an improvement in the parameters, an improvement in the assumptions for the claims area, that is a lower mortality, a lower incidence of claims in accidental insurance as well as the progressive conversion of individually continued products of the old model to the new model where we also have lower costs. And finally, our last insurance line: individual life insurance. Here, profit is improving, although the premium is lower than a year ago. In fact, thanks to the fact that this year, since the beginning of the year, we’ve been selling a lot more protection insurance, like I said, we have suspended sales of unit-linked insurance via the agency channel. We also have a lower sale of unit-linked products and structured products via the banking channel, but because these insurance products were either barely profitable or even sometimes unprofitable for PZU, this is the primary area where we see an improvement. The fact that we are selling fewer investment products causes, most of all, that the change in technical provisions, net of reinsurance, is simply a lot smaller, because in a situation where investment products are mainly sold, at the beginning we have to establish in this line item a provision equal to the full allocation of client assets. At the moment, like I said, we are moving significantly toward sales of protection insurance from unit-linked insurance. As regards the Group’s investment activities, we definitely have to say that when it comes to the third quarter, incidentally, we had the same situation in the second quarter, we are very much a beneficiary of the falling interest rates. As discussed, we saw it last year: falling interest rates simply allow us to show a profit on the part of the portfolio that is subject to market valuation, and here you can see that we have a significant increase in interest-bearing financial assets. As regards equities, unfortunately, we generally have a decline here resulting primarily from the condition of the Polish stock exchange. Our other growth assumptions, where we expected the WIG index to go up more than 15 percent, did not materialize. The structure of assets is without any significant changes. This slide shows a breakdown of the results on investing activity into income from the Group's portfolio and portfolios at the risk of the policyholder which do not affect the Group's results. My only comment would be that in both these segments we are showing increases in income. The last slide, capitalization, all the time we have a very strong capitalization. Despite the payment of dividends and the payment of funds for the acquisition of the RSA companies, all the time the coverage of the solvency I margin ratio is at the level of 317 percent. And this was the last slide of the financial section, I think we can now move on to your questions.

Question: Good morning. This is **Kamil Stolarski of Espirito Santo.** Congratulations on your IFRS-compliant result. I have a question that is probably very important from the point of view of investors as it concerns the standalone result which translates directly into the dividend. The standalone result for the quarter was 90 million. We already had a situation where investors had to revise their expectations as to the dividend after the second quarter, when PZU paid 75 percent from the life company to the parent company, and now we have another quarter where the standalone result is, well, very low, because it is, say, PLN 1 per share. So the question to you is whether we should revise these expectations as to the dividend from the current PLN 35 for this year to somewhere in the vicinity of PLN 26-27 or is the Management Board considering any interim dividends apart from the PLN 15, because, let's say, the dividend or the standalone result per share is PLN 23 after the first 9 months, and given that the fourth quarter is usually weaker, we have somewhere around PLN 26-27. So the question is: are you considering any interim dividend or any other form or are we simply counting on up to 100 percent of the standalone profit for 2014?

Andrzej Klesyk: Ladies and gentlemen, our dividend policy is not changing. We don't have any plans for additional capital. Just to remind you, since our IPO we've been paying between 82 and probably 97 percent of the standalone profit. A year ago, we conducted quite an interesting transaction, as you remember, to pay a significant amount of profit from PZU Życie in the form of an interim dividend. Back then, after the first three quarters, PZU's standalone profit was PLN 5 billion. At the moment, we don't have any such plans to carry out such operations this year, and I want to emphasize once again that our first priority, or our suggestion, has always been to look at the consolidated profit of the PZU Group. For shareholders, this may be indifferent to a certain extent, and the only shareholder for whom it may matter is when, for instance, as once was the case, we pay more than 100 percent of the standalone profit, which means that the State budget will not be able to include the whole dividend as revenues but as a reduction in borrowing needs. So, at the moment, the Management Board is not planning to make any changes in the dividend policy and, unfortunately, we can't give you guidance as to the amount of Polish zloty per share, because this would in fact be guidance as to the amount of total profit at the end of the year. Therefore, I would expect an amount of the dividend somewhere around the upper limit of the range, somewhere at the very upper limit of the range.

Kamil Stolarski: If I may ask another question about the standalone result, it seems to me that there was a significant change or rather an increase in the result of the non-life segment. You established additional provisions and, from what I noted down here, this is about certain exposures to doctors and healthcare centers of 20 million per case. The question is: are these indeed provisions for any portfolio risks that you established or are these specific statements of claim for, say, a failed operation where someone is claiming compensation of 20 million? What is the mechanism of this?

Przemysław Dąbrowski: As regards the events you have mentioned, this actually concerns the corporate non-life segment and these are quite simply non-recurring cases. It means that we are dealing with large claims in the corporate segment covered by general third party liability insurance, so this is no portfolio-based approach. We simply have, I'm not sure, 3 or 4 such claims at the moment related to medical service providers and one such claim under industrial third party liability insurance. I can't disclose the name of the company, but it's a claim from the past and this is not about a portfolio-based approach. Regardless of this, in mass insurance we also have a certain increase in provisions, an additional increase in provisions, which follows from certain trends that we see in respect of claims from previous years, but it's not yet something that would have a significant impact on our results at the moment.

Kamil Stolarski: And the last question, regarding one of the comments. Mr. Klesyk said that the low rates will remain for a longer time. What will happen to the technical rate in the fourth quarter and have any decisions been made yet?

Andrzej Klesyk: Ladies and gentlemen, we are, when it comes to the technical rate, of the opinion, it seems to us that the level of provisions is adequate and that our current technical rate is significantly below our return on assets, so we don't think that it should be necessary at the moment to lower the technical rate. Additionally, I'd like to tell you that we're going to have quite a funny situation, because due to the fact that we have a very decent level of provisions, we've also decided to wait for the exact wording of solvency 2. Solvency 2, from what we know, will enter into force on 1 January 2016 and we are still waiting for certain technical solutions the impact of which on our balance sheet is still unknown to us from the point of view of capital items or provisions. However, once again I'd like to emphasize that we don't see the need to change the technical rate.

Iza Rokicka, Ipopema Securities: I'd like to go back to Mr. Klesyk's comment from the very beginning. You mentioned one other thing, namely claims in casualty insurance and the return to old cases. So on this account, can we expect to see greater provisions in the next quarter?

Andrzej Klesyk: Ladies and gentlemen, here's what this is about. We are talking about certain rather strange decisions of the Supreme Court, according to which the law may apply retroactively. Namely, Article, if I remember well, 448 meant that insurers did not recognize the so-called equitable remedies before 2008. Now it turns out that the Supreme Court has changed the legal interpretation and, virtually, this is an ex post facto law, meaning that potentially there exist some liabilities or potential liabilities with respect to the victims of accidents, because we're talking predominantly about traffic accidents from previous years when we had the largest market share. At the moment, we're looking at 3 things. First, the amount of potential claims against us, those that we are receiving. Second, there are no rules when it comes to the judiciary. Quite simply, the courts award various equitable remedies arbitrarily, so we don't even know here what kind of money we're talking about per each so-called 'statistical case'. And third, we don't know exactly how many of these potential claims are legitimate, because some of the claims are issued only for the purpose of issuing any claim against us. So, after taking account of our analyses, after checking this issue, we'll be thinking if we need to establish any additional provisions or not. I'd like to emphasize that our level of provisions is defined as 'prudent', that is above the 'best estimate', meaning that we have a potential buffer for risks or events unknown to us, but we don't know what effect it will potentially have and for how long. So perhaps we will simply let you know in the fourth quarter what our position here will be, all the more so as, and you know it very well, such provisions must be 'checked off' by the auditor.

Iza Rokicka: But are we are talking about a period of limitation of ten years or longer?

Przemysław Dąbrowski: Ten years.

Iza Rokicka: You also referred to KNF's recent recommendations by suggesting that if all of them have to be implemented by the insurance companies, it will bring about huge costs for the entire sector. Judging by the manner in which KNF enforces recommendations from banks, it seems that KNF demands that every single recommendation be implemented and not just selectively some of them. Can you count on a little friendlier eye of KNF for insurers than for banks?

Andrzej Klesyk: Ladies and gentlemen, there are two differences here. I can't imagine to see a friendly eye of the regulator for any entity here, so I wouldn't count on any friendship in this respect. However, the difference between recommendations for banks and recommendations for insurance companies is as follows: to a certain extent, they are not binding on insurers due to certain legal differences between banking law and insurance law. Now I'm not saying this as the CEO of PZU but also as a member or chairman of the Audit Committee of the Polish Insurance Chamber. We had long discussions with KNF during which KNF told us that we don't have to implement any of those recommendations but we have to explain why we are not implementing them. So what they're saying is: there will be a rule, and you either have to follow it or explain why you're not following it. We are now having an internal discussion, I wouldn't like to talk too much about it, but we're having an internal discussion to try to explain also to the regulator how much it may cost and try to spread it over time, because a concurrent introduction of such a large set of recommendations may simply blow up the business. There may also be a good side to this, namely that the smaller players, in an attempt to adjust their businesses to these recommendations will have to increase their prices because their costs will go up. I hope I've answered your question.

Iza Rokicka: Yes, you did. And, as regards possible amendments to insurance law, we know that they are supposed to apply to subordinated debt. Is it possible that this issue of compliance with KNF's recommendations may be tightened or will it remain at the current stage?

Andrzej Klesyk: Are we talking about the classification of subordinated debt?

Iza Rokicka: No, no. What I'm talking about is that the law is being amended which will introduce this subordinated debt, and not just subordinated loans, but within the framework of the other changes will the requirement of compliance with KNF's recommendations be tightened or will the current solutions be kept?

Andrzej Klesyk: No. The way I see it is that we are talking here about two different things. KNF's recommendations are recommendations adopted by the Commission, which are not, and this has been confirmed by Minister Kowalczyk for instance, which are not laws but merely a kind of guidelines. However, what you are talking about are amendments to the Insurance Activity Act which, to the best of our knowledge, must be passed by the end of March of next year or else we will be in conflict with EU laws, so the Parliament has the time until the end of March. From what we know, the Standing Committee of the Council of Ministers adopted the guidelines for this Act a week ago or so, that's according to the Public Information Bulletin (BIP). From what we understand, the Act will also provide for the possibility of using all kinds of instruments, debt or loan, as instruments that may be posted to capital.

Iza Rokicka: Let me just clarify one thing. You mentioned that there are differences between banking law and insurance law in terms of the requirement or the need to comply with KNF's recommendations, and I was curious if the amendments to the Insurance Activity Act will be used as an opportunity to also introduce these tighter solutions or will the current legal order be maintained?

Andrzej Klesyk: I guess this is a question for the Standing Committee on the Council of Ministers. What we know for sure is what our sector would like to see.

Piotr Wiśniewski: A few more questions from the Internet perhaps.

Andrzej Klesyk: I will read them in English then we will answer them in Polish.

Question from HSBC: What are the interest rates at which you reinvest your money?

Andrzej Klesyk: You can see our return on assets, which is above 4.5 percent on an annual basis. Just to remind you: we have borrowed money, for instance from the euro issue for 1 point I think 42 all-in, five-year money. I hope this answers the question.

Question from HSBC: Regarding your new strategies, does it relate more to entering new markets, some markets and is it about your international expansion or mostly domestic expansion in Poland?

Andrzej Klesyk: The strategy which will be announced in the next few weeks will definitely not mean that we, as Nokia did in the past, will jump from manufacturing rubber boots to manufacturing mobile phones. Our core business will certainly continue to be insurance and we will be very active in this field. I can also disclose to you that there will be no discontinuation, in other words we will go further into the healthcare business just as we have started and built a potential foothold in the healthcare business. And our third line of business will be asset management, which is something we already do by definition. More details will be revealed in a few weeks.

Question from UBS: Can you provide us with more details on the adjustments of provisions in non-life insurance? What would be the loss ratio in non-life insurance without such adjustments?

Przemysław Dąbrowski: In general, we don't disclose such data. And I'm not completely sure which adjustment you have in mind, but anyway we don't disclose such exact information. But of course, in the fourth quarter, and I think we talked about it also in this room, in the fourth quarter of last year, we increased our provisions, as a result of which the combined ratio in that fourth quarter was high. Had we not done this, we would have finished the year at around 90 percent, meaning that probably the combined ratio for the full year would have been between 1 and 2 percentage points lower. This is more or less how much it cost us to increase the provisions additionally in the fourth quarter of last year.

Andrzej Klesyk: OK, let's move on to the next 4 questions.

Question from JP Morgan: What is the additional provision on page 24? Is it a compulsory establishment of a provision or is it voluntary, and what is it for?

Przemysław Dąbrowski: Well, slide 24, it's about changing the profitability of the mass non-life business. As discussed, we increased provisions related to a revision of certain mainly historical indemnifications, also related to interest that may have arisen. This applies mainly to compulsory insurance.

Second question from JP Morgan: Income from investing activity includes 59 million on account of foreign exchange differences. What is it? And without it? And taking into consideration the non-recurring open-end pension fund factor, we would have a completely different profit. What does recurring profit look like?

Andrzej Klesyk: As we said earlier, that we will not, we don't want to disclose our forecasts for the future or comment on the run rate, also because it would make your work so much easier. However, we would like you to analyze our company from the outside with all the consequences of such an approach.

Przemysław Dąbrowski: The way I understand it, the question concerns mainly foreign exchange (FX) gains. Well, as we said, in principle, since 1 July of this year, we've had FX items in our balance sheet, the source of which, first of all, was a loan, which we reinvested, for EUR 500 million, and also we overestimated the value of Balta, for which we also paid in euros, as at 30 June 2014. Well, of course, historically we also had and we still have an exposure of approximately PLN 1 billion to various instruments. I'm sorry, perhaps I shouldn't have said 'instruments' but mainly sovereign debt denominated in euros, and we also have a smaller exposure in the form of a real estate fund where we are talking about half a billion Polish zloty, yes. New factors are the assets that we reinvested. I will not discuss this in detail, either, but these are assets that we reinvested after the closing of the EUR 500 million loan and revaluation of the RSA purchases. As regards the other elements, all the time we have a billion euros in sovereign debt and we have half a billion in real estate.

Andrzej Klesyk: Thank you. Let's move on to question no. 3.

Third question from JP Morgan: Profitability in group life insurance is 24.9 percent after 9 months. Can it be maintained? Can you confirm that this excludes the open-end pension funds? And what is the competition from Warta in SMEs?

Andrzej Klesyk: First, let me talk about the group life margin. Indeed, the group life margin consists, as you remember, of two parts: the insurance part and the investment part. The investment part is virtually, you may calculate it yourself very simply, because it is not our 'written on assets', but it is virtually a 'risk free rate' plus something else also, and it allows us, sort of, to generate these additional revenues. As regards the insurance margin, it should not vary too much. Already since more or less the IPO everyone has been telling us that, by definition, we will lose this margin, and our response always is 'no, we won't' and we wish them good luck when it comes to entering this business. Warta has been trying to enter this business for a certain number of years now, and we also wish them good luck, but in this business they don't have a chance to earn even half of this margin, they are simply unable to do it, no one is able, in a competitive market, to make the same kind of money as we do. But, let me remind you, I wouldn't attach myself too much to 20 percent as a kind of margin that can never be changed. Let me also remind you that, I think in the first quarter of 2013, this insurance margin was 13 point something. Quite suddenly, during one winter, people started falling, breaking their legs and we had a horrible number of such tiny claims piled up. Then the margin bounced back and at the very end of the year we once again had a very decent margin. But strange things may happen here, quite simply because we are in the insurance business. Yet this kind of margin is what we're trying to secure in the long term.

Andrzej Klesyk: The fourth question from the same bank concerned our strategy, but I probably answered it earlier.

Andrzej Klesyk: Let's move on now to a question from Goldman Sachs. The question concerns operating income, i.e. in income on investing activity, please remind us why in the third quarter you have such an increase in profit, especially on page 71. We have foreign exchange differences where loans form an important part of the third quarter.

Andrzej Klesyk: I will answer this question in a moment. Now the second question:

Question from Goldman Sachs: Can you clarify whether the insurance business in motor third party liability insurance was affected by provisions established in previous years?

Andrzej Klesyk: We have also replied to this one in a way. Indeed, in the last quarter we increased our provisions for this business. However, it is to a certain extent a function of what's going on in the Polish system as regards the judiciary. Unfortunately, once again we would like to emphasize the fact that there are two very disturbing things in the judicial system in Poland. First, the courts do not fully comply with the principle that the law must not apply retroactively. I'll give you an example. It happens to us more and more often that we lose in an absurd manner an amount of indemnification that's greater than the amount of the sum guaranteed. In other words, we say that we guarantee something, from a logical point of view we sign an insurance agreement with someone for a maximum sum guaranteed of, say, half a million Polish zloty and no more than that, but after some time the court finds that, oh my gosh, it was too little and so we'll have to pay more. And for some strange reasons we are unable to change such behaviors of the courts. And the second thing is that the Polish judicial system does not have something that I would very plainly call a price list. This means that every court, as I said earlier, awards indemnification of any amount depending on the whim of the judge. Neither at the moment nor within a foreseeable time horizon are there any proposals to address this issue systemically. Because it doesn't depend on us. We as the Polish Insurance Chamber have been lobbying for a long time for the introduction of a price list. This may be an improper term. What I mean by that is a certain kind of automatic evaluation, for instance, of dismemberment, not in terms of the amount but in terms of the percentage. For instance, the loss of a finger: is it 0.5 percent, 1 percent or 20 percent? It would be good to define it somehow, but unfortunately we don't have the power to do it.

From what I understand, we don't have any more questions from the Internet.

Marcin Jabłczyński of Deutsche Bank: I still have 2 quick questions. The first one concerns the dividend. Every year, at the end of the year before Christmas, KNF sends out a letter to insurers and banks, and so my question is this: when you think about, precisely, the option of distribution of more than 100 percent of the standalone profit, then will it be possible at all from the point of view of KNF's guidelines? And my second question concerns the coal sector. What's your current exposure and do you have any plans to increase it? We know that two Polish companies failed to obtain financing in the junk bonds market, which looks quite dramatically, right? So in this context, what are the PZU Group's potential risks in relation to this sector? Thank you.

Andrzej Klesyk: OK. The first thing is KNF and its so-called 'pastoral letter' or KNF's recommendations as to dividends. For the time being, I'm not aware of any pastoral letter addressed to insurers. I want to tell you though that all the conditions to be fulfilled for payment of 100 percent of the dividend in accordance with the previous pastoral letter are met by PZU. We have the best BION in history, that is one of the indicators, and in both companies it's below 1.5 points, so from our perspective this is probably the market record. We have not yet thought about the dividend for the next year. To be honest, it will depend on the owner, because, frankly speaking it's the owner's domain. And now the second question. The mining sector. We have two types of exposure to the mining sector. First, we have insurance risk. Here, we are fighting quite fiercely against our competition and it seems that this is the most beautiful, magnificent example of a price war, where premiums are falling not by 10 percent or 5 percent but by 30 and 40 percent. This is really incredible when you look at the risks accepted by companies that have a very low capital position. We are fighting in this sector, and, we can say, we have some exposure to it, but this exposure is of a typical insurance nature and it's reinsured normally through our reinsurers either from Europe or from London. However, I suspect that your question may have concerned the balance sheet, that is our liabilities and assets. Indeed, we are holding some bonds issued by one of the mining companies, but it is not a significant part of our bonds line item. It is less, much less than 10 percent of all corporate bonds, which are worth 3-4 billion? Something like that. So it's significantly less than 10 percent. And here we are talking about bonds issued by the better one of those companies.

Marcin Jabłczyński: Should we take it into account though that your exposure to equities and debt of this sector will increase significantly in the coming quarters?

Andrzej Klesyk: Ladies and gentlemen, we are not a charitable organization or an entity funded by the State budget, so we have to take care first and foremost of our shareholders, so if we don't have a chance to make money, we simply don't enter into such deals. By way of an example, you can see that in a few cases, during discussions on roads or a variety of infrastructural investments you did not see PZU there at a time when some company, one or another, needed to be saved. We are not a charitable organization.

Question: By the way though. Do you have any exposure to Autostrada Wielkopolska? You have PGE, you have write-offs on bonds. I think you participated in this project at some point in the past?

Andrzej Klesyk: To the best of my knowledge, we don't have any such exposure. Maybe, you know, we have some, because here's how it works in our company. We have a strategic allocation of assets, my colleague and I are members of the ALM Committee. I'm not sure why exactly it's called ALM, but let it be that this is the ALM Committee, because it doesn't really have much to do with ALM as it does with strategic asset allocation where we make decisions regarding specific assets, then we have something called the Credit Risk Committee where what we're dealing with is not exactly credit risk either, but anyway it's a committee that makes decisions on the maximum exposure to specific entities. So, for instance, if PKO BP intends to do something, then we are looking at our whole exposure on both the equity side and the debt side as well as the insurance business or even structured products, that is, those banking products, and then we decide whether or not we are able to take on such risk or other and we measure it with our internal metrics, which I don't want to talk about in detail. And as regards our tactical allocation, so for instance if we say that our exposure to WIG20 will be such an such, then we have a manager for this tactical allocation and we are not inspecting the details there, so maybe there are any trace quantities there, maybe some manager has purchased a few shares there, but it would surprise me.

Question from JP Morgan: What is the cost of the 300 replacement cars, which is the penny you talked about in the context of the combined ratio? How much can you potentially save?

Andrzej Klesyk: The situation is as follows. The way we do this is that there's a company by the name of PZU Pomoc [*PZU Assistance*] and this company was recapitalized with, as far as I remember, PLN 20 million, and some of this money was allocated, among others, to these cars, 300 cars from Toyota. But I'd say the following. There are two issues with Toyota. The first thing is that because of our relationship with Toyota and the fact that Toyota really wanted to promote their hybrid cars, we managed to negotiate a very interesting deal, namely that Toyota guarantees to us a certain repurchase price, meaning that our financial exposure is relatively small, because we know how much we can sell these cars for. And secondly, the users of these cars pay us monthly installments for the use of these vehicles. In terms of cash flow, of course, we finance it, but from the point of P&L view, this is a positive solution for us. How much can we save? That's a good question. Perhaps I'll ask our IR to share this information with you, because I'm not able to say anything about it. But above all, we wanted to civilize the market, because the prices in the range of PLN 300 for a Matiz were absurd.

Piotr Wiśniewski: Ladies and gentlemen, if there are no more questions, thank you very much for today's meeting and a very interesting discussion.