Piotr Wiśniewski, Head of Investor Relations at PZU:
I would like to welcome you to our meeting devoted to discussing the PZU 3.0 Strategy for 2015-2020. I would like to thank you for turning out in such large numbers. Mr. Andrzej Klesyk, CEO will preside over our meeting and present the strategy. Mr. Przemysław Dąbrowski, the PZU Group's CFO is also in attendance today. Now I would like to invite our CEO to join us on stage.

Andrzej Klesyk, CEO of PZU:
Good day, ladies and gentlemen. I would like to welcome you cordially. The way we are seated is rather comical as all the people in attendance have sat down in the back, just like when we were in school. In any case, I would invite you to come closer. I am exceptionally pleased that you have turned out in such great numbers. That is, with the awareness that there will be a press conference on the Swiss franc at 12:00 p.m. I am glad that you do not have any loans denominated in Swiss francs, so welcome to our meeting. Dear ladies and gentlemen, the PZU 3.0 Strategy - it is not my intention to walk through the entire presentation. You received the presentation with some lead time. I will click through some of the slides but I would like to convey information about the most important pillars of this strategy and I will attempt to accomplish this goal during the next half hour. Afterward, we will be open to field your questions and it is my hope that this will be a success.
PZU 3.0 strategy, where does the "3" come from? It comes from a very simple reason, namely, we talked at great length with the Supervisory Board about the 2020 strategy but it turned out that everyone else, including the public administration, had started to prepare 2020 strategies. So it seemed rather lame to come forward with yet another 2020 strategy, so we thought up this concept of PZU 3.0. The PZU 3.0 concept is very coherent. This is the third strategy which we intend to present to you, so it means the third strategy. Second, this strategy is predicated on three pillars. This strategy is also predicated on three values, and we have three sub-segments in our client segments, so everything is interlaced with the number "3".
I hope that you will find this strategy to be an ambitious strategy while simultaneously being a type of continuation of what we have done to date. Perhaps I will commence by saying that we have done a lot while the external environment is very unstable. We know that in the next few years there will be a multitude of changes in the regulatory space and in interest rates, as well as in what would entail to a greater extent the Polish Financial Supervision Authority's recommendations, as opposed to directives. I will not go through this. You are well-versed with what I am saying. In any event, we anticipate that over the upcoming 6 years we will experience a roller coaster ride of sorts.
In turn, to facilitate your modeling to a certain extent and for you to know what the management board is thinking, we elected to show you what macroeconomic assumptions we embraced in the strategy. Once again, I will not walk you through this subject. We do not anticipate any gargantuan growth, nor do we anticipate any gargantuan contraction. We know whether we feel that in the 6 year period addressed by the strategy there will be a trough in interest rates. We assume that the interest rates will decline further so that they will rebound at a later date. We do not know when, so if you know, we would eagerly learn what you know as that would be of great assistance in our budgeting. In any event, we know that something will happen before things get better. We are very skeptical when it comes to market growth. Not because we do not want to be more optimistic. And not just because we are observing the completely irrational behavior demonstrated by some of our competitors on the marketplace. What is particularly comical is that the guys who slashed prices to the greatest extent are now admonishing others to cease the price war. That is an outrageous thing. I hope that our colleagues from outside Poland who are monitoring the conduct of companies in Poland will finally be able to grasp what some of their managers are doing here.

We anticipate that unfortunately the insurance market - both the life and the non-life market - will grow nearly in line with the level of inflation. We do not anticipate any gargantuan growth. This market will be very tough for the upcoming period of time. The sole area of growth where we think that it will be relatively significant, meaning double digit growth is the asset management business. So, these are our assumptions for the strategy. If the market is better, then you will think that our results should be aligned to your improved assumptions for the strategy in respect of growth. We find ourselves in a moment in which we have in reality built a machine that operates very well. PZU 2.0 delivered the right results. We have very modern IT tools. We are not yet super satisfied with them but we have already moved from the 19th century into the 21st century. We are now already able to do some things that we have not dreamed of doing for a very long time. Second - we have very attractive, highly functional and moreover inexpensive branches. The number of people working in what we call the network has fallen considerably while we have improved accessibility from the customer's perspective. If you have seen our branches, you know that we now have branches of which we are not ashamed. These are 21st century branches that are not expensive. Third, cost optimization. My colleague sitting here in front, Przemek, our CFO loves to do certain things and has really brought us to a situation in which we are the benchmark for administrative expenses in Poland. Consequently, we look great in the administrative expenses category in respect of European benchmarks. Brand refreshening. You may not remember but we did this a mere two and a half years ago. When we launched the new logo, most people claimed it was strange, ugly and unattractive. Now I suspect that nobody remembers what the previously logo looked like, and we are very pleased with that. I am not thinking just about the logo, but about perception. We have made an incredible move in client thinking and client perception, from being associated with the State Social Security Company (ZUS) and the State Railways (PKP) to the mBanks of the world. This is something that greatly pleases us. Geographic diversification is something I do not have to discuss. We successfully closed the RSA deal, both in terms of signing the contract and specifically in terms of closing the deal last year.

So at this time we are in a situation in which we have the tools to run our business even better and to grow even better. As I indicated, the PZU 3.0 strategy is predicated on three constituent elements. Generally, each slide consists of three elements. But before I delve into that, the first element is our mission. Why do we exist at all? We have spent a considerable amount of time to consider why PZU exists. We conducted extensive debates, a very large number of discussions and we pondered at great length what the implications of various words are.

Now we are PZU and "We Provide Peace of Mind and a Sense of Security". This is our motto. This is our motto with respect to employees, clients and shareholders. We do not want to give people a roller coaster ride. We do not want to give displeasure to our clients, we want them to have peace of mind, for them to know at all times that we are here. For this reason we have articulated a mission statement and we have given consideration to the specific implications in various areas. I will not walk you through this subject as you have it laid out before you, but there are implications for clients and employees, implications for the market and for the shareholders. These are our fundamental objectives ensuing from the mission statement.

How will we organize ourselves to accomplish this? A lot of debates pertaining to values, i.e. as we have already conveyed to you, what the company is to be, i.e. how will we deliver that. And there are three values we will reference - "We are fair, we are effective and we are innovative".

Dear ladies and gentlemen, I would like to emphasize from the outset that we shared these values with our employees some 8 months ago. That means that as a management board we discussed them more than a year ago. Thus the fact that innovation is listed here does not at all mean that this is a reflection of the current fad of all parties wanting to be innovative. No, we already made this statement one year ago that this is who we want to be. What does it mean that we are fair - we are fair to our clients in respect of price and value but also in respect of employees. So fair means that we appraise you well. We also provide fair pay to good employees. If you are poor employees, the implications are commensurate. In terms of being effective - the same applies to clients and internally. The situation is very similar.

And the third thing - we are innovative, that means that we will offer innovative products and an innovative method of service to our clients. At the same time, we will think that way internally, so as not to be a petrified organization, for us not to return to being a Moloch. Three very important values by which we will be guided in every area of our operation. I will emphasize once again in every area of our operation.

Our business has three pillars. As you see even graphically, these pillars are very evenly sized even though, in terms of their significance, for now insurance is a giant in this pillar. However, we would like to emphasize that these are three very equal or important areas.

The first area - insurance - here we depict to you our market share in 2020. That is something we agreed on with the Supervisory Board after lengthy discussions. At the outset I would like to say that the Supervisory Board fully endorses this strategy. Moreover, the fact that we discussed it at great length with the Supervisory Board does not mean that this was caused by some gigantic differences of opinion but rather this was caused by discussions on the real value of the company and on how these ambitious objectives can be attained.

In other words - the non-life market - we want to be at a level above 35%, that implies growth of 3 percentage points in practical terms. On the life market we want to be above 43%. Ladies and gentlemen, if we succeed, just as we successfully delivered on Strategy 2.0, then we will probably be the only company in the world to operate on such a competitive market with such market shares on both the life and non-life markets. And that is something with which we are very, very pleased.

Now the second area – managing investments. Here I would like to emphasize and say what this means. Here, in this area we are not talking about PZU's balance sheet management. We are already the largest asset manager. For jointly with TFI we have roughly 100 billion PLN, but these are what are referred to as captive assets, i.e. assets belonging to us. So we are not talking about managing our assets. Here we have to build a very strong business of third party asset management, both for individual and institutional investors, from Poland and abroad. In this area we conducted very extensive discussions on what that actually signifies. We have not turned this into the metric I advocated very strongly at the beginning. That is, I wanted the contribution made by asset management to the net result to surpass 10%.

But in that case the numerator and the denominator would change, so it turned out that this idea was not entirely a good one, but mentally I would like for at least 10% of net profit to be earned by the asset management area. At this time, it is roughly 3.5-4% depending on the year. Let's assume that 3.5% comes from PTE while TFI delivers less than 0.5%. So at this time there is roughly 4-5% depending on various non-recurring events as now we have a fairly high number of non-recurring events in PTE, so that is the size we are referencing. I would like to double this area at the very least. In reference to the metric, up to now we have thought and we are thinking about a metric entailing the percentage of TFI assets that are not "captive", in other words, PZU's own assets will not be included in the denominator of this fraction. We want to have at least 11% market share.

And now the third pillar, which is medical care. You remember that I once said "five in five", in other words, 5 billion in 5 years. There was some small print here referring to what will happen if the parliamentarians on Wiejska Street modify the law on supplementary medical insurance. They did not modify it, so we elected to take a different approach to this topic. We elected to start buying options if in reality those changes take place. In other words, we want to build a health care business that will earn money. I would like to emphasize once again that it will earn money, it will give us options on being able to achieve a very large market share very rapidly at the time when supplementary health insurance is launched. Here I would like to emphasize that this business, if nothing changes in the "God forbid" attitude on Wiejska Street toward change in health insurance, that this business will be self-financing, it will earn money at the EBITDA level. And if the need arises, we will be able to sell it at a profit. So that is the idea. All this means that we will in the very least be the leader in each of these segments, especially in the first two. In the first one, by definition we must retain our leadership position, while in the second one we have to gain the leadership position. In the third area, one can say that there will be three leaders and we want to be on the podium. Most assuredly we want to be in the top three slots. What does this mean to you? The ROE with these interest rates we have communicated to you as this is a very important assumption - is 20% in 2020.

Another thing we have communicated is that we have to start thinking about the client. In other words, we have to switch our thinking from being based on a life, non-life and pension fund management structure, and start thinking in terms of what the ordinary Joe on the street actually wants, and what we should offer to him. So we will customize our product offering to the various segments and do things that banks did in their own right some 10 years ago. So upselling is not something that I will walk you through. This is more of an internal slide, not addressed to you, but it does depict our change of philosophy. Take a look at it, we do not have a legal structure pictured here and that is tantamount to a gigantic change in our thinking. In the more distant past, we would have portrayed the life, non-life and pension fund companies. Now we are starting to think in terms of clients, business areas or pillars, regardless of the legal structure. That is something we addressed some time ago when we asserted that the client is indifferent to how we are organized and that is why we merged our life and non-life branches and we created a PZU branch. Likewise, now we must mentally overcome the thinking that any legal obstacles, whether internally on how we are organized from the vantage point of legal entities or externally from the perspective of reporting to the Polish FSA affect our business. We must upend this philosophy. And that is the reason it has been done this way.

And now - we have, as you see, three such segments - retail clients, corporate clients and bancassurance and strategic partnerships. For this is a completely different type of client as client ownership is something that can be challenged or is debatable. Therefore, we have three segments, and in each one of them, especially in the first two, we have three sub-segments.

I will not tell you how we want to organize ourselves. That is - retail clients - we divide individual retail clients, natural persons, into two sub-segments that are very large client buckets. We have the mass client sub-segment containing the gigantic majority of our clients in terms of their size measured in numbers and the premium client sub-segment, i.e. the one with earnings of 4,000 PLN and above. It turns out that these are completely different groups of clients and completely different products. To a certain extent there is nothing odd that our "mass market" clients did not buy TFI products since if someone has limited earnings then it would be difficult for him or her to buy an additional TFI product, which is an investment product. We will therefore address different offers to different groups. The greatest potential is held by the one in the middle. Here we have client penetration considerably below our expectations in terms of the number of products and the number of clients in our books. We are very strong in the two areas on either side.

The situation in the corporate client segment is very similar; however, to a certain extent we will have to retain the split into life and non-life insurance for some time on account of the method of access and the method of how these insurance products are acquired by clients. Mid-corporate clients are clients ranging from 20 to 100 million PLN. This means client revenues, not the revenues PZU derives from catering to them. Numerically, this is the largest part of our business and we are strong here but we are not the strongest. We are in

a much worse position than in the SME segment, i.e. among the smallest clients and this is where we have major growth potential.
Key clients also offer extensive growth potential. Here we must launch upselling and start gaining the appropriate market share. This market share is three times lower than the market share in strategic clients. In the strategic client segment we have to defend our position and in some areas we have to attempt to bolster it to an even greater extent.
Life insurance - these segments are somewhat distinct from the previous ones. However, until we are able to integrate the offering, and this will take us several years, unfortunately, we will have to retain our life and non-life thinking in the corporate client segment. In this segment, mid-corporate implies a headcount ranging from 30 to 250 persons. This is a group where we have a very high market share and this group is highly profitable. A key client has a headcount of 250 to 1000. The situation is very similar as there is pressure on profitability. As we can see, more and more clients are experiencing pressure from our compettitors but brokers are also entering the fray. Strategic clients have a headcount exceeding 1,000 persons. These companies have a very large headcount. For instance, mining companies are very frequently our clients, so this means some fifteen thousand or so people. This also entails various types of entities or organizations linked to the government budget. Entities like the police are part of the key client segment, excuse me, part of the strategic client segment.
We will be the leader who sets the standards. So we have talked about how PZU will not sit idly; it will tell the market what direction it should take. Here it is our intention to continue being a market ranger.
Ladies and gentlemen, I will not discuss the following slides as from our vantage point they are fairly clear and really show what we want to achieve. However, I would merely like to click through them to emphasize a few things. We have to have a different customer experience or "value proposition" for each one of the groups we have been discussing. At the same time, we must have a different service method. We cannot allow ourselves to serve SMEs the same way in which a top 30 company in Poland measured by its market capitalization is served. That is simply not plausible, it is not economically viable. We will have to differentiate this very strongly.
The second matter is that we will have to launch and we are launching multi-channel access. To date we have been unaware for instance that our client receives an offer from our call center and then our agent visits a client without knowing that this client is communicating with the call center. That is something we have to know. We must be capable of managing contacts and we have to be able to make use of these contacts and avail ourselves of this knowledge. To date we have been unaware, for instance, of the level of acceptance of our motor TPL offers. This is something we do know. In other words, we did not know whether a client rejected our offer or not. The only thing we knew is that the client signed an agreement with us. What does that mean - for instance that we have been unable to state with precision what clients' price sensitivity to various price movements is. Now we will be able to say that.
Link4 - this is a brand that will be a separate brand. We do not intend to append PZU or portray PZU here. For Link4 cannot be the same thing as PZU, just less expensive.
It is something different from PZU. Therefore, this is an offer targeting people who are much more price sensitive, who want a more straight-forward product, who will be able to buy this product from a different channel as opposed to from an agent. This company is supposed to become a certain type of a growth driver in a segment in which we have not had a footprint. In the direct segment our market share was belong one percent. We had only several policies or a dozen or so policies. We were non-existent in that segment.
The ambition for Link4 in the upcoming years is to generate one billion PLN in gross written premium. I will not walk you through that at this time, but please take a look at it on your own. We have specified measures for each one of these segments where it is our intention

to implement them and we have specific targets for each one of these segments. If, for instance, we look at the premium segment, the target is to grow the number of products per client. In reality, we are not able, or we were not able, to offer anything new to this client. Now that we know that this is the client we are dealing with, we will not offer an investment product to the owner of a 25-year-old Skoda as that would simply be senseless. But if he or she visits us, or if we know that a given person drives a Lexus and has another two Mercedes, then we would be crazy if we were to fail to offer an investment product or a life protection product, so this is something that will be done. That is an example. We have a very similar situation for corporate clients in both life and non-life. So once again, I will not go through these slides. You have them in front of you as well as on our website basically from the present time. This presentation has been posted there.

This is a very similar situation. Now, let me move on to bancassurance and strategic partnerships. A great many things are transpiring on this market. We do not entirely know how the implementation of the Polish FSA's recommendation, i.e. recommendation U will proceed. We do not entirely know how banks will behave, so this area, especially with banks is very much in flux. In turn, more and more gross written premium is also coming from various types of non-banking strategic partnerships. For instance, we are cooperating with the Tauron Group where we sell electrical overload insurance. So if someone has an electricity distribution agreement with the Tauron Group, if it turns out that our insurance, which costs very, very little, is added to his or her monthly bill, and if a lightning bolt strikes, i.e. if it strikes his or her residence and practically an entire appliance is burned, i.e. all electrical or electronic appliances, then we simply pay out damages for the electrical overload.

It is a straightforward thing, in fact, few people are aware that these things happen, so we will most certainly conduct this type of business. This is a highly profitable and very attractive business for us while at the same time being customer friendly. By the end of 2020 we will be able to handle all PZU Group products and clients on a paperless basis, i.e. electrically or rather electronically. I know that several years ago this appeared to be impossible but now we must do that. Otherwise, we will continue to dawdle in the 19th century, so this is something we will most assuredly accomplish by the end of 2020. And now the next thing pertains to our international investments. Here our philosophy is not changing. I would like to emphasize to you once again, we do not want to go beyond the confines of our region defined as Central and Eastern Europe, we will not buy a bank in Romania, so the only thing that is of interest to us is just insurance in this part of Europe. Theoretically, we can imagine that if something of interest were to appear in a "non-health" area and asset management would lend us a helping hand in Poland, and it would be something we could buy, then theoretically we are capable of taking a closer look at it. For now, there is nothing like that outside Poland. For now, we are not considering any such purchases in Poland either. However, this business, this international business will be very important to us and as I communicated to you previously on closing this deal, we closed the deal with RSA and we augmented our footprint on 3 more markets. Now ... for your information, we are number one in Lithuania, number one in Latvia, in Estonia we are number 5 at this time and we intend to be number 3 within the next 3 years. That is our objective. Another thing that concerns me, in Ukraine all our employees are safe... What is happening in Ukraine is paradoxically not affecting our business. Quite to the contrary, we see a large influx of clients who do not want to enroll with companies owned by Russians and they are coming to us, so our business is expanding. The loss ratio in Ukraine is even lower than in Poland. It also happens that the exclusions used by insurance firms apply to all war-time and terrorist activities so what is happening in the east does not affect our business. In the west practically nothing is happening. The sole thing that strongly affects us in a business and mental sense is that the Ukrainian hryvnia has lost a gigantic amount of value, so in Polish zloty terms, the size of this business has contracted to a great extent in terms of our balance sheet, but the business is sound. Please do not worry about our employees or our business there. The discussion on Ukraine will be an interesting one. Perhaps, this will be a period for possible M&A or to make some purchases. That is because some firms became very terrified and are withdrawing strategically while we enjoy a very good reputation as a company and as a nation. We will see what will happen there, we will monitor the situation but please do not be afraid, there is nothing gigantic or of size to buy, so we will not spend big money there, if we do so at all.

And now ... investments, i.e. the second pillar. Ladies and gentlemen, I would like to reiterate what I said previously. From the vantage point of earning money on third party asset management, as opposed to proprietary asset management, last year this area's contribution was 46 basis points, i.e. less than half a percent. It is my ambition for this to be a double digit result stated as a percentage, which means that we will have to alter our way of thinking about this business to a gigantic extent. We have to deliver above average rates of return, both to ourselves and to third party investors. We will have to employ various forms of distribution including direct business. We will also attempt to source third party money. Please calm your principals or employers; we do not want to compete with Goldman Sachs Asset Management and JP Morgan, or that type of institution. Rather, we are thinking about potentially becoming a sub-provider of services to these types of institutions as with all due respect for some companies, some asset managers in New York do not know where Poland lies. Therefore, here we are able to deliver added value and we do not wish to compete head-to-head with these entities. It is my hope that this symbiosis will be very interesting.

Here you have the details on how we will do this, but as I have communicated to you, this business will have to make a significant contribution to our P&L in 2020.

And now the following. PZU Health. This is what we discussed. I want, or we want for PZU Health, a company that has already been formed, that has been registered as PZU Health for some 3 weeks, to be a separate company for a very simple reason. This entity will not be regulated by the Polish FSA. To date, a fairly large portion of our activity went through our balance sheet, or our operations. This in turn led to implications with respect to our relations with the Polish FSA. This will be a separate company in which PZU SA will hold 100% of the value and ownership. This is where the PZU Health strategy will be pursued. We will have a proprietary network, we will employ all possible forms of financing, we will develop a system to access the services of the health service, in other words, new products. You can surmise that these would be subscription holders or these types of solutions. What does that mean for us? At present, we have an external partner network with more than 1,000 access points and some individual proprietary branches. We want to unify them with respect to their standards. Just like we did several years ago or a dozen or so years ago, we set certain standards in car repair shops where to receive the PZU logo they had to meet the appropriate criteria and actually deliver value to the client and meet the appropriate standards. Similarly in this case, to be a PZU partner, and for us to send our clients as patients to them, they have to meet certain standards and then they can receive the PZU sign to put on their doors to show that they have been approved by PZU. We will have proprietary ambulatory and diagnostic outlets; we do not preclude the possibility of managing hospitals. The thing is that this will have to be economically viable. Ladies and gentlemen, I would like to reiterate and confirm here that we have a goal for ourselves, namely 650 million PLN, as well as a positive EBITDA result, so that if we were ever to want to sell that business, we would recover not just the money we invested but we would also gain a profit. We are not counting on private equity-style earnings, so please do not worry, we will not engage in those types of innovations, we are counting on a decent profit, on a return on equity, I meant to say a return on investment, at some level that would exceed our level of return on assets.

Investment policy. We want to reduce, or we are constantly reducing the volatility of our results since everything happening on the market constantly affects our net result. We are constantly looking to expand asset diversification, meaning that we endeavor to invest the additional assets we amass in other facilities or tools besides treasury bonds. For you to appreciate what we are saying, this does not mean that we will retract from treasury bonds. However, the percentage of treasury bonds will by definition fall slightly since another billion in the balance sheet will be invested to a lesser extent in the treasury bond portfolio, and to a greater extent in other assets.

We will take a look at real estate, especially real estate delivering a yield. Please do not worry, we will not enter any type of property development activity or something of this type. We are looking for yield, returns and cashflow. Strategic asset allocation by definition will become a very important element of our play. What's more, I have already announced to my investment colleagues that a portion of nearly every portfolio will in practice be entrusted to a third party for management, that is, I must know not only that they are delivering but that they are delivering better than the proverbial XYZ company. In other words, they will also be measured by an external benchmark, that will be a genuine one. Some of the money will be invested there.

Capital policy. No suprise here, we have very similar parameters. We talk about a dividend payout ratio ranging from 50 to 100%. You remember that from the time Mr. Dąbrowski and I have been here, we have always suggested a dividend payout ratio considerably above 85%. For our safety we say that it will range from 50 to 100. However, for now we do not see any grounds to alter the dividend policy, whether we have in mind the regulatory side of things or the potential to invest additional capital in the business as a viable option for the shareholders. So you may assume for the purpose of your own models that this is what things will look like. There will certainly be questions concerning subordinated debt. Ladies and gentlemen, we would like to alter the capital structure but it has turned out that we have a fairly large difference of opinion with the Polish FSA on whether we can issue subordinated debt or not, in a form in which we would like to do so within the bounds of Polish law but it turns out that we did not receive consent, so we are waiting to see what the parliament in its wisdom will produce in the form of the new insurance law and whether it will allow for this type of solution or not. Our thinking is that this topic is on hold. We do not need capital, so please remain calm.

The strategy in terms of capital expenses, operating expenses and expenditures over the next 6 years calls for roughly one billion PLN in the two new areas. Jointly with acquisitions in the health area, this would entail from 450 to 500 million PLN which we earmarked for this purpose. If we have the right returns, then we can go to the Supervisory Board and say that we need more. If we do not generate those returns, then we will not spend this money. As a result, this is a fairly soft commitment to the level of operating expenses.

That is a topic I will not walk through. Our various KPIs have been set with the Supervisory Board. You see the structure is the actual level of performance in 2013 and our ambitions and targets for 2020 and some sort of comparison with market players. Here you have 2 pages on that subject. I would like to convey to you that as a Management Board we have soft KPIs, also employee commitment, number of products per client as well as what we call MPS, but we have elected not to provide these metrics to you as they vary and would be tough to measure in some systems. Ultimately, MPS might not be entirely useful for your modeling purposes.

Therefore... we are here because we are PZU. We provide peace of mind and a sense of security to our clients and employees, shareholders and analysts.
That would be it in terms of our presentation. I would like to ask my colleague Przemek to join me on stage and as necessary we will respond to one, two or three questions, if you have any to pose.

Question:

Good day, I am Iza Rokicka, Ipopema Securities: If I may, I would like to kick off with some very specific questions. I am interested chiefly in the ROE target in 2020. Will you comment on whether during these 5, 6 years there is a dividend payment from capital standing behind this ROE level? And the follow-up question - the dividend policy was discussed as being maintained the entire time, in other words will implementing Solvency II also not contribute, as the Management Board previously advised, to a possible change in the dividend policy in conjunction with the implementation of Solvency II?

Andrzej Klesyk: Ok, I can commence with the first question while I will give the floor to Przemek Dąbrowski, CFO to field the second question. In respect of the ROE, we did not anticipate any games with reducing the denominator, in other words, for now we do not anticipate a payout in this metric, a payout from reserve capital, but that is entirely possible if the atmosphere of the discussion with the regulator changes - perhaps it can be framed in that way.

Przemysław Dąbrowski, CFO: I can only ... no additional payouts of surplus capital have been assumed here but the plan that was historically assumed has been assumed here. In other words, it contains what was already assumed...

Iza Rokicka: The deferred 14, 15 ...

Przemysław Dąbrowski: Yes, the deferred amount, the 1.3 billion has been assumed but there is no such assumption for further payouts, that further capital optimization will take place. In terms of dividend policy, at the bottom it was written that the new policy, that there will be a new policy when Solvency II takes force. Only today can we say that the PZU Group's position under Solvency II will not undergo deterioration. In other words, we assume that the solvency margin coverage ratio, which today remains above 3 - will continue to stay above 3, i.e. 300% will be maintained under the new regime. In practice, that means increasing the capital requirement and increasing capital. These two things will happen - that is what we anticipate under the new regime. In turn, today it is certain that this discussion ... is underway. That is a fairly difficult question as one has to know - this additional capital that will appear in the balance sheet - to what extent will this capita be treated as available to shareholders, for today that is not clear as this is capital that will arise from revaluation. And now ... we are holding these discussions on what the required capital will be for the Group. That is why we are currently saying that the minimum is 250% but we are saying that because Solvency I and its framework do not cover many risks. Currently, for our foreign operations when we define the level of required capital for our foreign companies and the various companies - we assume that the level of minimum capital under Solvency II will be lower than under Solvency I simply because this capital requirement entails risks Solvency I today does not have. So in this area this policy will have to be altered, even if just because the Polish FSA's recommendations will most assuredly change. Today, the Polish

FSA's recommendations pertaining to the ability to pay a dividend are predicated on Solvency I and on the coverage of insurance liabilities with assets. These two notions will disappear - the coverage of provisions with assets will no longer exist, nor will Solvency I exist. In turn, in respect most certainly of the idea (as that slide said), the Group will focus on growing TSR for shareholders. As you have seen, dividend payments are an important component of that from the time of our floatation. That spirit will certainly be maintained - that is the Management Board's intention.

Question:

Kamil Stolarski, Espirito Santo: Continuing the topic of the dividend and the 2.5 multiplier, this requirement ... the solvency margin - after implementing Solvency II will you be more inclined to retain capital at the AA rating level stated by Standard&Poor's or will you stick to the 2.5 times multiplier?

Przemysław Dąbrowski: That is very consistent because we see that the calculation of 2.5 times more or less corresponds to S&P's computation of required capital to have at least a AA. Today that is coherent.

Kamil Stolarski: Nothing is known about Solvency II yet……

Przemysław Dąbrowski: Nothing is known for a simple reason. Ladies and gentlemen, I will reiterate: A great many things will change. The required capital which at the Group level currently amounts to let's say 3.2 - 3.3 billion will be at least two times higher. At the same time, we assume that our capital under Solvency II will also grow. In turn, we will not have to apply the 2.5 times - at that time, we will have to ponder what metric will have to be used. We also certainly cannot say that it is 1.3 for the part of capital that will appear in the balance sheet under Solvency II will be capital ensuing from revaluation of liabilities. Here, in a world of rapidly changing interest rates, we will have to have some type of buffer to protect us against that volatility. So today it would be hard to comment. I do not think that we would follow a path under which we would say that we need even more. The ratios under Solvency II, when stated as a percentage, will be lower than under Solvency I in all our daughter companies.

Kamil Stolarski: If I may, I have a few questions relating to the strategy: in reference to healthcare, the CEO said that the profit would be in the black at the EBITDA level. Is there a possibility that it will also be in the black at the net income level?
In reference to asset management – if that were to be 10% of PZU's current net profit - that would be roughly 300 million in round numbers. The TFI (investment management company) sector's profit last year was let's say approximately 340 million, maybe 450 million while in 2012 it was some 300 million. The question is how PZU will be able to generate so much profit in TFI having in mind that the overall sector's profit is not very much higher than what you assume. In respect of market share, it appears to me that that is such a large change meaning that PZU is nevertheless going in the direction of maintaining market share rarther than profitability - at least that is my impression. The question is whether market share will grow mostly in Link4 or in PZU?
Ultimately, will there be major changes? Are you somehow concerned by the cannibalism effect? That some customers will leave the PZU brand and switch to the Link4 brand, which will be less profitable while being perceived by the customers as just the same?

Andrzej Klesyk: Okay, 3 questions pertaining to the health business. Of course, we assume, we would like for this business to be profitable, also at the net income level, only

that if we look at the next few years, if we assume that we will invest, then by definition depreciation will immediately affect our P&L. So this will form a type of burden until the time when we cease to grow through acquisitions - that is the first thing. However, once again we want to emphasize that this business, my colleagues who are responsible for this business received very clear marching orders from me - this business must be sellable at a profit when speaking of the return on investment (I am not referring to capital, but to the overall investment). The second issue in terms of asset management. You are totally right except that I look at asset management differently. It also includes pension fund management (PTE). At this time, the PTE contributes - as I said - from 3 to 5% depending on the year to our net profit. So our colleagues already have from 3 to 5%. The other matter - I do not want for them to vie just for the TFI market in Poland. I imagine that as PZU we are able to attract to Poland institutional investors from outside Poland. And that is a certain type of a path - I do not wish to discuss the details for now - but that is a certain type of a path where we will endeavor to attract more assets that would normally not consider Poland as a country to invest in a non-direct fashion. In other words, there are assets, funds or investments that invest here in Poland directly but we would like for a portion of these funds, or for new funds - to come through us.
And the last thing - market share. We have much more granularity for our objectives in the various segments. Just as I told you - for instance we have a corporte segment - our percentage of this middle portion of the corporate segment is 11%-11.5%. There is no reason for PZU not to have 20%-25% there. I am not concerned as you suggest that we will sacrifice profitability to retain market share. And the second part of the question pertaining to LINK 4. Ladies and gentlemen, if a customer leaves PZU, then when he or she moves into the direct channel, PZU has a zero share in this channel. So, if someone leaves PZU, it is in our interest for him or her to go to a company we manage and own. We will endeavor to take a chunk of the direcct segment but under no circumstances will we position LINK4 as a less expensive PZU. That is a situation in which you would get the same as in PZU, just less expensively and that would be senseless. Theoretically, LINK4 could be larger than PZU. But that is not the intention.

Przemysław Dąbrowski: In providing further commentary on that question pertaining to underwriting profitability. Ladies and gentlemen, of course we assume a slight decline in underwriting profitability. Our analyses show that if we continue to gain, you see that the level of profitability is assumed just as we indicated: 94-95-96% with a slight decline - we are talking about the combined ratio where it will move up by 1-2 percentage points and we will be able to grow market share where the purpose of growing market share would be to expand assets under management, the Group's own assets. We are all aware that we are not assuming that in 2020 the rates of return will revisit the 2012 level. There are no such assumptions. Rather, we assume a level at the long end of the bond yield curve, something that comes to 4% - 3.8%. And now, somehow, without assuming further capital optimization, to generate an ROE of at least 20% - that is the assumption - we are pondering how we can drive up this insurance segment's revenues as it will continue to play the main role in the upcoming few years on account of its magnitude. Our analyses show that if we will grow in a controlled manner, i.e. without downgrading profitability too much, though it may deteriorate a bit, if we grow dynamically in terms of gross written premium, then the growth of assets under management, the Group's own assets - I am not referring to PZU Investments but merely to the Group's own assets - the growth in the Group's assets should largely neutralize the lower returns on equity with which we will live. We assume that we will never revisit the level of 4.8-5.8. That is why it is one of the elements of this strategy.

Andrzej Klesyk: Perhaps I will read the incoming questions from the outside world.

Question:
Michael Huttner, JP Morgan: What does the new strategy signify for the dividend outlook? Will something change? Will there be more or less?

Andrzej Klesyk: We do not see a reason for us to alter our dividend policy or our practice relating to dividends.

Michael Huttner JP Morgan: What happened with the subordinated debt issue in PLN, which could serve the purpose of paying the interim dividend? Is it still possible to accomplish this or are there some regulatory obstacles?

Andrzej Klesyk: Our plan is to pay this dividend as Przemek said and this has been calculated in our plans. However, the timing is unknown at present. We are waiting to see the form in which the insurance activity act will be ratified, which has to be ratified prior to Solvency II.

Przemysław Dąbrowski: We know that the new insurance activity law introducing Solvency II no longer has these regulatory problems. The only thing is that these regulations have to be adopted.

Question:
Dhruv Gahlaut, HSBC: What do you think about your assumed 20% return on equity from your recurring investment returns and your combined ratio in non-life insurance? Do you think that a return on equity of 20% is plausible in 2015-2016 in a low interest rate environment? What is the percentage of premiums from foreign operations following the acquisition of RSA's companies in the Baltic States?

Andrzej Klesyk: At this time we have slightly less than 5% in respect of annualized revenues on international operations depending on the exchange rate, etc. You remember that in Lithuania we will have to divest a portion of our business just as we reported in our stock report. LCC obligated us to reduce our market share and we will have to accomplish that within a year, so our base will fall a little bit. Przemek – rates of return and COR (combined ratio)… do we report this type of information?

Przemysław Dąbrowski: I think that the combined ratio, looking at the non-life combined ratio for the overall Group, i.e. jointly with Link4, may rise slightly during strategy implementation, i.e. in 2016-2017, to the level of 96-97%. In turn, the assumption is that the normalized combined ratio should not surpass 94-95% in the upcoming years provided that no natural catastrophe like the one in 2010 takes place. One could say that our level of ambition for non-life business profitability is the same one we have maintained for years. Today, as you can see, we are more profitable, especially PZU SA is much more profitable, but that is also a factor of non-recurring events. Our target level is 95-94.5%. And that is the level we continue to target.

Andrzej Klesyk: The second area in which you have our strategic metrics in which we are saying that we will beat the overall market by 2 to 3 percentage points. We have always said that regardless of the level we will beat the market by 2 to 3 percentage points.

Dhruv Gahlaut, HSBC: Do you think that an ROE of 20% is plausible in 2015-16 giving consideration to the low interest rate environment?

Andrzej Klesyk: It will be very difficult to achieve that level but it will hinge upon the dividend shareholders elect to pay themselves. As that will alter our level of equity and we also have several fairly odd events we cannot discuss at this time. The funniest thing is that the interest rate will not affect our performance so strongly in the next two years. We have two important events: namely the Polish FSA's guidelines, especially in claims handling and distribution. These things may significantly alter our cost structure and of the entire sector, and we do not know how that will impact our combined ratio. The other matter relates to discussions on the quantum of compensation for moral damages. We have told you this before that the Supreme Court in its unbounded wisdom has resolved that the law operates retroactively and that we will have to grapple in some manner with the payment of compensation for moral damages for policies dated prior to 2005. This is a fairly strange situation but we will have to grapple with it.

Dhruv Gahlaut, HSBC: When will we hear more about the debt issuance of 1.3 billion and the special (interim) dividend?

Andrzej Klesyk: Dear ladies and gentlemen, I would wait for the enactment of the law. Just as Przemek has said, the new law contains the possibility of issuing such an instrument but various odd things have taken place in parliament. We do not know ...what will be voted through and signed by the President, which is what has to happen by the end of September when we will revert to you with the answer.

Question posed by UBS: Can you say something about your expected market share growth? Do you expect that to happen by cutting prices or do you anticipate that competitors will withrdaw?

Andrzej Klesyk: I have the impression that I already fielded that question. There are bits of our business... business conditions in which we wish to grow our market share significantly without having to compromise profitability as the English phrase aptly frames the issue. Meaning that without having to reduce profitability.

Michael Huttner JP Morgan: Slide 33 which refers to subordinated debt does not refer to the interim dividend. Previously, you said that the subordinated debt issues are discussed there. Do your plans contain an assumption of paying an interim dividend?

Andrzej Klesyk: I already responded, we will certainly revisit this, we want to pay this dividend for the simple reason of being able to attain our ROE objectives. For one of the ways to hit the ROE target is to reduce equity.

Next question. Oh, I see that Michael is very active here...

Michael Huttner JP Morgan: The group margin rose stably over the last three years to roughly 23-24% in the first 9 months of 2014. On slide 23 we see information pertaining to a decline in profitability. What caused this change?

Andrzej Klesyk: Ladies and gentlemen, we have always stated that this line of business has a natural profitability of 20-21%. Certain measures we managed to implement led to a lower loss ratio. The other thing is that we compute the investment contribution in this ratio, so perhaps Przemek you could tell us how that changed. And why.

Przemysław Dąbrowski: We will certainly be ability to net or fill the gap of lower investment activity income, which forms an element of this ratio, by improving the profitability of this business, but as we have stated many times, we estimate that this business will deliver a stable level of 20% plus. The fact that we improved this result last year is the outcome of certain measures we took to optimize the cost structure of products, not even referring to fixed costs but to certain financial costs. This is not a process we can repeat regularly, so this profitability is high. In turn, we define our level of ambition related to the combined ratio to be 95%. Similarly, we speak of a profitability of 20-21.5%. That is what we are thinking about. We continue to hold that this is a very high level of profitability on the life insurance market where that result is unachievable. What should please investors is that we anticipate stable development of this business. We are all aware of the fact that as the Group has a company with a very high level of profitability in its core business that is growing, albeit slowly, this is an element contributing to building the TSR-based dividend policy. For this company regularly produces additional capital in a forseeable manner forming the basis of the dividend policy.

And now 3 questions from Autonomous Research:
Could you speak more precisely on what we should think about the ROE trajectory from 24% in 2013 (expected to be 24% in 2014) to 20% in 2020?

Andrzej Klesyk: That is very simple. Ladies and gentlemen, think about what will happen with the risk free rate. For if we assume very low interest rates, then the margin above the risk free rate would be relatively similar. That is the first matter. Referring to a possible downturn, that is a bad word - such a blip in the ROE could happen solely and exclusively if the loss ratio were to surge up to a gigantic extent as discussed by Przemek. It is my hope that this will not occur. The second matter is the time when the trend toward lower interest rates reverses. For when interest rates strongly surge upward that will be the time when we will be hit for a certain period. The only thing is that we do not know when that will happen, or how long it will last. Will it take place quickly or over a protracted period. If you tell us what the yield curves for T-bonds will look like in the various years, then we will be able to respond precisely to these questions.

Now the second question from Autonomous Research: Of the one billion investments planned, it looks like 450 million is earmarked for acquisitions. Can we therefore consider the other 550 million to be your assumption for higher operating expenses that will affect your P&L?

Przemysław Dąbrowski: Here we will not say exactly what portion of that would affect the P&L through operating expenses. Of course, a large portion of the investments, a large portion of the remaining investments, at least one half of them is in the form of capital investments. In other words, they will be depreciated. For instance, under the concept of building a franchise network of medical service providers in which we want to copy the model we have already implemented in motor claims handling in which we have more than 800 franchise car repair shops that are not owned by us but work with us and are branded by us. They follow our standards of quality and they are connected to our IT system. They give us an assurance of a controlled level of costs. This is the concept to be replicated in the medical area. On one hand, there will be acquisitions of a number of clinics ranging from several to up to a dozen or so to form the core for the PZU Group while on the other hand a franchise network will be built necessitating an IT system. That would make, I think, half of the remaining amount to be considered CAPEX, not OPEX.

Andrzej Klesyk: I would like to emphasize one thing. It is not at all the case that we have a cost or CAPEX commitment without taking a revenue commitment. That means that if a given line of business - God forbid - fails to deliver the top line, then it will not get a budget for the next year. It will have to give pause to the topic of what needs to be done to deliver shareholder value. This is an area where Przemek cannot say that, but he is a fairly hard and implacable CFO. So don't discuss the budget with him. I know a bit about that.

Third question from Autonomous Research: Will the price war in motor business persist until 2016? Can you say a few words about your COR-related expectations in this period? Will PZU be satisified by following the route dictated by the price war and maintaining the ensuing loss ratio or rather combined ratio?

Andrzej Klesyk: We do not intend to enter an unprofitable business. We think about our combined ratio as follows: we have to be 2-3% better than the market, especially when times are tougher. If we are in fact dealing with an ongoing price war, which is something we would like to dissuade all players from waging, then we will not enter a totally unprofitable business as this simply put would not be viable.

I have answered all the online questions. Are there any questions from the room?

Question: Adam Czerniak, Polityka Insight: I have a question pertaining to international M&A - do you have funds set aside to acquire companies in the region, in the countries you are monitoring and that are contemplated by the strategy, or at this time are we only observing and adjusting international investment opportunities to the offering as it is?

Andrzej Klesyk: Folks, this strategy and its underlying figures do not incorporate any additional acquisitions - not because we do not want to execute them but because the probability of finding an interesting target is relatively small. And completing such a transaction is relatively improbable. And now: there is no transaction that would have to have gigantic implications in reality, whether on our P&L or on our balance sheet. Let me remind you that the entire RSA deal including all these companies amounted to less than 400 million EUR, so it did not constitute a major effort for our balance sheet.

Przemysław Dąbrowski: Perhaps, I would only add that one of the elements we mentioned and which will remain unchanged is maintaining a high level of solvency margin coverage (whether that mean Solvency I or Solvency II) and one of our thoughts on capital is to preserve the PZU Group's ability to acquire financial institutions. Only for M&A would capital be needed. When acquiring medical entities, we are simply referring to liquidity - capital is not needed for this activity. Above all, we are focused on acquiring financial institutions, naturally meaning insurers, primarily in the region. That would assuredly be implausible in Poland. I do not think that we could plan to make another acquisition in Poland.

Mr. Klesyk gazes at the board displaying the stock prices: Hmmm... nearly 500... well, dear ladies and gentlemen, we would like to thank you very cordially for your attendance. It is my hope that the "Swiss Franc borrowers" have calmed down. I do not know what was discussed today but that is something that does not apply to PZU.
We would like to thank you for being here. Do you have any final words to impart?

Piotr Wiśniewski: Thank you very much for your attendance. To wrap things up I would like to invite you to join us for a warm meal downstairs in the Catalyst Trading Room.