Piotr Wiśniewski: Good morning. We would like to welcome you all at the meeting devoted to discussing the performance of PZU in the first half of this year. The meeting will be chaired by Mr. Andrzej Klesyk, the President of the Management Board of PZU SA. Mr. Przemyslaw Dąbrowski, Member of the PZU SA Management Board responsible for the Financial Division, is also present here. My name is Piotr Wiśniewski and I am the head of Investor Relations. Our meeting will take 90 minutes. The plan is to have 60 minutes of a short presentation discussing the results and then half an hour for a Q&A session. The meeting is broadcast live on the Internet. Those who participate in the meeting on-line may ask questions during the meeting directly through the webcast page or by sending their questions to my e-mail address pwisniewski@pzu.pl.

Now I would like to give the floor to the President.

Andrzej Klesyk: Thank you very much. Good morning. I'm very glad that there is more of you every time we present the results, so this makes us really happy. Ladies and gentlemen, as Mr. Wisniewski said, the presentation focuses on two things: one is the financial results, and the other - the new capital and dividend policy. Right away, however, I would like disappoint you, because we usually started the presentation with changes in the governance structure. Well, unfortunately I have no such information for you today. All members of the Management Board are there and working, no responsibility is changing, so there is no first point that is the management structure. The insurance market - we will begin with a very brief summary of what we know about the insurance market. As usual, you remember that this is just the first quarter only, not because we want to impress you in any way, but because we won't know the results for three more weeks. We can comment on what, as we believe, the results of the market will be after the first half of the year. It is possible that you can tell us more than we know. But I would like to summarize where we believe the results are after the first quarter of this year. The non-life insurance market: year over year, we have a growing trend as far as premiums are concerned, even though, as you can see, when we look at the quarter on quarter situation, we may note a fall in written premium, which makes me very sad, because we crossed a sort of a support line as you say, PLN 7 billion and unfortunately we as the market are below this line. But we are happy with what is on the right, which is profitability. We are even happier with what is in that small box here, namely that PZU has an 88% share in that profitability. This shows how well our strategy is working, when it comes to selection of risks, and how good our restructuring programs are, in terms of the cost level. It just shows that the strategy we talked about a few years ago, which is now being implemented, is working.

The second market is of course the life insurance market: here we only have the numbers of which we are certain: it means that this is regular insurance only, with a regular premium and those that can be classified by KNF as life insurance. So there are no strange bancassurance "deals" here. This market is at virtually the same level. Written premium, as far as the technical result is concerned, which is not entirely the technical result but rather a technical result in non-life, is falling year over year. But this small box here is good news for us: our share in profit is still higher than our market share, more or less twice as high, which makes us very happy. I hope that also it also makes our competitors happy. Regarding the competition, something that we have always been showing: our market share not in the technical result but in written premium. On the left, you can see the share in life insurance. Here, according to our calculations based on data from PIU and KNF, our share has grown. It is a normal thing, because most of our business is in regular insurance, group and individual continuations, while the market for one-off or unit-linked insurance or various types of protective

insurance has fallen drastically. So our piece of the pie has not fallen and naturally our market share has increased, which makes us very happy. On the right, you can see non-life insurance. The market has been rather flat here. But we lost some of our market share as a whole. In individual and SME insurance, we have increased our market share from our perspective. But our share in the corporate insurance market has fallen, so I will say I am a but ambivalent about this, but to some extent this was to be expected. And now: we believe that our strategy is working, so I would like to emphasize two things: profitability as our main direction and area of interest will remain such area of interest, so as we have told you before, we are still interested in having the largest share in profits, the aggregated profits of the entire sector; we are not fighting for a market share in a specific month or year, even though it is obviously important for us, but the measure for us is our share in aggregated profits within the next 5 years, which means: profitability, profitability and profitability again. Profitability of course consists of two parts: the first thing is risk selection and underwriting, and the other is operational efficiency. We believe that we have shown significant improvements in both areas and we are becoming a sort of benchmark on the market . Regarding the other part of our activity, which is the investment strategy. We have told you about some changes in allocation of assets, but also in management. From our perspective, what's happened is that we tweaked just a little the volatility of our net investment result. Under the old systems, we would predict a much larger change year over year, an adverse change. This year, or in the first half of this year, we had such a change, but not as significant as it would be a few years ago. The overview of financial results: gross written premium is up 3%, net profit almost flat - down by 2.5%, equity 4% up and by definition when we divide one by the other, it turns out that our return on equity fell by a few percentage points. To some extent, we are not worried, but I will come back to this point in the second part of our presentation. When it comes to group insurance and individual continuation, there is stable growth. As you remember, it is always boring in some sense, we are plus/minus one percent. In this case, we are able to predict exactly how much premium we will collect quarter over quarter. We cannot be wrong in any way. On the right, there is profitability of this business and here the year to year changes are usually much greater. You do remember one year ago after the first quarter we were explaining the significant drop in profitability due to our loss ratio. Well, it turns out that our efforts to reduce this ratio have been successful and here we have a very positive message, namely profit increased by almost 8%, even though the situation on the financial markets has not been the best, which is quite a pleasant news for us. Regarding the individual insurance market, we are still discussing life insurance, the growth is very high, especially in the single-premium bancassurance channel. To some extent, we are obviously happy, because this is not something that we should forget, but on the other side there is sort of an annualized premium, which is a better measure of the quality of the business, because we are talking mainly about the quality of the business. The growth here is 33%. Of course, these are small amounts, because if you compare 81 million per year to 3 point something billion in group insurance then that is in a completely different ballpark; in this ballpark however, we said that we would try to increase our market share. And this is happening. When it comes to corporate clients, ladies and gentlemen, I believe that we have a huge price war on the corporate market, especially in motor insurance. I am really surprised with some of our competitors, but apparently some management boards are so desperate to get a bonus at the end of the year that they are willing to swallow everything at any price; so we wish them all the best in about one and a half years, when losses start to appear. We remain focused on profitability. The declining gross written premium is caused by the first quarter, which was very difficult for us. Here, the price war launched by our competitors surprised us a little, but not because we had not

anticipated it. We were surprised by how irrational decisions or competitors can take. In the second quarter, we became a bit more aggressive with sales. We are not talking about any change in our risk profile, don't worry, we just strengthened our sales a little. We are really happy with what is on the right side, which is the profitability of this business. For those of you who I've been seeing here for a few years now, you do remember me showing you the red numbers, very red numbers. At the time of the IPO, this business brought us losses of PLN 450 million on the technical level, so I am not worried at all by the falling premiums. Well, I am obviously worried, but I would be really seriously worried if both the premium and profits were falling. Here, I can tell you that we are preparing some strategic moves, but we will talk about this most probably in three months, when we have finished a sort of a project that we are doing in the Company. When it comes to individual insurance, or as we call it, the mass segment, but please remember that it includes SMEs, we see a very slight decline, with gross written premium at a nearly the same level. The drop for "Mr. Smith" is much more significant. The market is at a similar level or it grows slightly for SMEs because, for example, new car sales to Mr. Smith are much lower than last year for SMEs; they are lower, but still much higher than for Mr. Smith, as far as the growth rate is concerned. Profitability - very good; the combined ratio is at low eighties, that is 82%. In this business, we are quite satisfied with our results. I would like to stress this again that there are two factors contributing to these results: first, we evaluate risk much better than we did in the past; therefore this kind of pricing is better. And I would like to emphasize here that the prices are not higher, but the difference between us and the competitors is very slight, often even to our disadvantage, but operational capabilities is another matter. We have kept the acquisition expenses at a relatively decent level, much lower than our competitors. And when it comes to claims handling, we believe that both quantity and quality are working to our very significant advantage, so we can say that the strategy we adopted several years ago is working. Costs - here we have reduced costs much more than we'd even hoped, but this was actually driven by three factors. The first reason is that we were carry out a kind of a campaign in the summer, of which part was not supposed to be budgeted but recorded in our P&L in June. But since marketing companies have not brought us an adequate idea then we just did not do this campaign. This is the first part of the savings. The second cost saving element is that we budgeted a bit more for things related to personnel cost as far as the potential bonus was concerned. We thought that we would pay out more bonuses, but after we introduced the bonus by objectives system, it turned out that not everyone is achieving those objectives and we spend less on bonuses. Third, certain projects and certain expenditures that we would usually execute and make in the summer, have been postponed. I will tell you part of the secret, for example that the project budget is at more or less 60%, but all the projects are on schedule, but as we use the accrual method to count cost, instead of incurring liabilities, then for example we already have liabilities, but someone has not issued an invoice, so this has been postponed a little and for your purposes, if you are making any models then I would strongly suggest not to consider such reduced costs because it is impossible for us to maintain those expenses until the end of the year. We expect these expenses not to increase but at the current level I am sure that they will not fall. We are very pleased with this dark circle. This is what we used to discuss with Mr. Dąbrowski: it is a measure that we have devised, namely the recurring administrative expenses and that is something which has fallen significantly, has fallen more than 7%. If we managed to get below 7% then we would be satisfied and that would rank us decently, or even very decently, when it comes to administrative expenses as compared to our benchmarks. Ladies and Gentlemen, and now for the biggest news, which is the new capital and dividend management policy. I will be honest here: I hope I won't have to go as far to the basics as I had to with some of the

commentators who are not professional analysts and who can't tell capital from liquidity and I just can't do it. To be blunt, the more I explain, the more I think that either I don't understand anything or... I shouldn't comment at all. Anyway, this is really difficult for me, so please if you have any influence and could educate them as well, then I would be really happy and extremely grateful. Now, I'm sure you've seen information about our new capital and dividend policy. This is something that we have been preparing for months. We have talked to a large number of investors, we have made a few moves to prepare the interim dividend, about which I will speak to you in just a moment, but let's take one step back and I would like to show you how we think about managing value for shareholders, including for those who receive your help in understanding our company. We want to look at the total shareholder return. This is the first concept that has proven quite strange to some people, especially from the media. We are looking at the total shareholder return, due to the fact that we are a strong dividend company; from our perspective looking at the stock price makes no sense. On the other hand, we also know that some of you believe, and apply some kind of a discount on the excess capital in the company and surplus over surplus, I mean the surplus capital over surplus. Therefore, we believe that if we distribute let's say one billion zlotys of additional dividends then this part of the capital which is traded with a discount from your point of view is transferred to shareholders and should not be reflected one-to-one in the stock price, meaning the price would be higher. This is why total shareholder return is our basis for thinking on the creation of shareholder value. I believe that this graph is pretty consistent with what you have in your spreadsheets and models. When it comes to our capital position, this is something that I don't have to explain to you. But I would like to emphasize a few things. First of all, we believe that PZU needs a strong capital position for several reasons. First, we are concentrated in one country. And we know that if there is a disaster in Poland then there is a disaster in Poland. If a company has presence in several countries then, by definition, if there is a disaster in one country, there is no disaster in another; it is snowing in one country but sun is shining in another, etc. etc. Secondly, because of our balance sheet structure, for reasons beyond our influence, we are not able to have a conservative structure when it comes to matching ages at the assets side and liabilities side and we cannot have the exact FX structure in the future – I'll get back to that in a moment; but tenors are the most significant thing. We have a huge disparity in the life company, between liabilities and receivables. Third thing – we are still hoping to finally acquire something in the future. Once again I want to emphasis that we have no pressure to buy it. We have no urge to stick our flag in, let's say, Pernambuco. We don't need it. We are looking at things that could create value for shareholders, see item one. We believe that as the Management Board, from the point of view of the shareholders, it would be good to maintain the current level of safety, in terms of the solvency margin coverage ratios, or about 400%, which is more than the European average. And we do admit we want more than the European average. But at the same time, we can see that our capital is an entirely virgin capital. To some extent, with such a pure capital structure, we are truly unique among European companies; we have decided that from the standpoint of shareholders it would be desirable to change this capital structure to be able to use the practically maximum level permitted by the Polish law, so if you look at the structure – there is a scale on the left and financial leverage on the right – we would like to find a way so that financial leverage represented 25% of our capital. I can see on your faces, well, your expression is much different from the previous group, so I understand that you understand. Good. The current policy, because of what you are writing in your reports, should be changed, but also what we talked about three years ago. To remind you, in June 2011 we said that within three years we will go back to the shareholders with a proposal what to do with the capital structure. Since then, several things have

changed, but quite a few haven't. The market rates, interest rates have changed. If someone told me four years ago that bonds would be one percent, I would tell them that they were crazy, but this is exactly the situation now. The future capital requirements, which were the reason why we wanted to hold more capital, are specific in theory, but not completely. We still don't know when they are implemented and how it will be calculated, especially that we are talking about the polish accounting standards, and here God only knows what the Finance Ministry, the decision-maker, will come up with. Speaking openly, we just don't know. Third thing - we said there would be a financial crisis. The financial crisis is really here, but it has not affected PZU too much. We still have surplus capital, about which you write all the time and remind us of that. And, unfortunately for us, we have not made any acquisitions. Those were the main reasons why we decided to change the capital and dividend policy. Here I would like to say that for the first time we combined the capital policy with the dividend policy, because previously it was dividend policy only. Yesterday in the morning, the Management Board adopted a resolution to adopt this capital and dividend policy following approval of the financial statements for the first half of the year. This capital and dividend policy also contains the next steps to be taken by the Management Board and I will expand on that in one minute. Also, the Supervisory Board, in its wisdom unanimously adopted this capital and dividend policy. This capital and dividend policy will bind us until the final settlement of the year 2015, so the final period is until the corporate decisions relating to the settlement of 2015, in 2016, the Shareholder Meeting distributing the 2015 profit. This structure should be achieved. And now, the aim of the new policy is to focus on TSR and we want to optimize the capital, while keeping the safety level and maintaining resources for strategic development through possible acquisitions. What we propose does not, in any way, change something that I call the theoretical firepower of PZU. We don't need more and it seems to us that, well, even if we wanted to buy a dream company one day, we will just not need more capital. We also assume that in the coming years, until 2015 or 2016, we will not issue shares for the simple reason that we have a lot of capital, and the other simple reason is that the State Treasury is hardly likely, as the main shareholder, to be willing to dilute it, so we don't plan to have a stock issue any time soon. Then the payout ratio: we will consider the Group's consolidated performance according to IAS, because this is the only approach we report and the Management Board will recommend a payout ratio between 50% and 100%. Obviously, the owner's decisions are inscrutable, but that will be our recommendation. Secondly, the solvency margin coverage ratio is currently at about 400%, but the minimum equity "cash" at 250%. With the structure we've discussed, namely 25% of capital raised with debt instruments, this solvency ratio would be at about 280-300% of that capital, debt not included. The next matter is technical: we want to keep assets to cover technical provisions at 110% for one simple reason that this is a magical level below which KNF, our beloved regulator, may take some or other steps relating to BION, which can directly influence the capacity to pay out the dividend. We would not want to find ourselves in a situation that we optimize everything and then it turns out that we cannot distribute capital, because KNF increases our BION. I hope it is clear what I'm talking about. Is it? OK. And the most important thing is to optimize the financing structure by replacing surplus capital with subordinated debt. By default, this will change the cost of capital and increases our return on equity. So the stock valuation ratios should go up and TSR should also increase. This is our assumption. I hope it is correct. So this is how we are thinking about this. Ladies and gentlemen, if we want no trouble with KNF then BION should be at least 200%. On the other hand, in the previous capital and dividend policy, or actually dividend policy, we said that we didn't want to fall below double A in the SNP model, when it comes to capital requirements, so this is the second hurdle for us. We would still like to ask the shareholders to let us keep the strategic

options and the possible development. But what we say to the shareholders, and this is on the right side, that since we actually have a capital surplus, we would like to optimize our balance sheet and replace the three billion of capital with three billion of capital raised through a debt instrument. I would like to emphasize here that to some extent we are like Madonna before her show, because both KNF and us, we're Like A Virgin. Neither KNF nor we have ever approved such a transaction but PZU has not issued any bonds that would be classified in capital and no insurer in Poland has ever issued bonds that would be classified as capital, so please also prepare for some uncertainty, because naturally we have a discussion with KNF. However, they will be doing something for the first time. This is why we cannot disclose all the details today. However, if we know anything that could help you, we will obviously let you know. Now what about our assumed timing and where we got the idea of the interim dividend. First of all, this is the culmination of several months of our work. We have begun preparing for this practically at the beginning of the year. We have tested those solutions with some of our shareholders during the road show. We have tested those solutions with KNF. We have prepared for such transactions by transferring capital from life to non-life, which occurred in May, the decision to make this transfer was made in May. So this is the culmination, or publication of our past work. What would we like to do now? We would like to change our structure in three steps. The first step is to pay out the interim dividend towards 2013. This is something that you already know: on 12 November every person holding PZU shares will obtain the right to PLN 20 on the shares, which totals one billion seven hundred twenty seven million Polish zloty, payable on 19 November. The second thing is that we would like to raise debt financing, which could be classified by KNF as capital. The debt financing that could be classified as capital would have to be a subordinated instrument, with quite a long maturity. We are assuming 10 years at the least, maybe even 20 years. Do not as us whether this will be a fixed or variable or otherwise. We just haven't yet done the pilot fishing; you can be certain however that the instrument would have to be economically viable. And here is the third step, after the KNF approval, we would like to pay out that remaining part; for now we assume that this is one billion three hundred in two tranches in the two coming years: distribution of 2014 and 2015, most probably in equal parts. However it is also possible that the tranches are uneven, meaning more in one year and less in the other. So how do we, as the Management Board, imagine dividend distributions? The dividends proposed by the Management Board will consist of two parts. The first part, namely the top piece that we can already define, is that if we manage to collect up to three billion in step to then this is how much capital we want to distribute to the shareholders, one for one. While the lower part is the distribution of current period profit. We can imagine a situation that if the Management Board recommends 70% of any result then this will be 70% plus the surplus capital. If the Management Board recommends 100% then it will be 100% plus the surplus capital and perhaps, if the Management Board recommends less, then it will be less, but it's hard to imagine a situation for us to accumulate capital if there is no need for that. And this black piece – I must re-emphasize that – is the shareholders' decision; actually, everything is the shareholders' decision, but this is what the Management Board will recommend. An additional point here is that KNF's decisions are inscrutable, so we would like to put an asterisk here that this is our policy and our assumption, but KNF may issue some recommendation, like it did the last time, or one before last, and we will have to comply, at least for the most part. Of course, if such a recommendation does not allow us to adopt this policy, we will have to carry on with the discussion. However, I would like to stress that so far KNF has not objected to this policy. You may ask why the debt and where the interim dividend idea has come from. For the simple reason that the market is very hungry for such instruments, from our point of view. Interest rates are very low. We

don't want to wait for this decision until the Shareholder Meeting. The reason why we decided to pay the interim dividend, even contrary to all speculations that appeared this spring, is simple. When we talked to people like you or to our direct investors, we found out that our "story" for raising debt will not be credible until we pay out at least a significant part of this surplus. So we said: if that is so then we need to distribute some of that capital, raise debt and then pay out some more. And we hope that this is credible enough what we are saying that both markets and shareholders understand what we mean. And now: subordinated debt issue – optimum conditions. With what is going on in the U.S., the conditions may change a little bit, so we are hoping to make use of this window. As I have said, we assume no equity issue, so we will not raise capital in any other way. Third, you have already managed to see that we have very good insurance results and it seems here that the Company's reliability has increased even more. It seems to us that this is just an excellent moment to carry out this kind of a transaction; if we were to do something like that in a stress situation then we know what kind of premiums the markets want for providing such financing. Now I will give the floor to Przemek to lead you through a few financial slides and then we will have a Q&A.

Przemysław Dąbrowski: Good morning, I will not go through all the slides, because it's not that important at the moment, but I will focus on the most important elements of our results. President Klesyk has mentioned that we are pleased with these results. Our insurance profitability is a very positive surprise for us. We have said it before that, on one hand, this is the result of some actions that the Management Board has been implementing continuously, especially in non-life claims handling, but also in group and life claims handling areas. On the other hand, there is the market situation, with low frequency of motor losses, good weather conditions as a result of which we do have quite a low loss ratio in agricultural insurance. Let me remind you that in the middle of last year, we also made an additional write-off for construction insurance. It turned out that this write-off was conservative. There is a part of that write-off that hasn't been dissolved at all and it seems that we were very careful here. As a result of all these factors, when we look at property insurance, this is the slide that shows it in detail, then you will see the current combined ratio of 81.5% for the entire non-life company. This is an excellent result for Polish operations. This can be broken down into 82.6% and 77% for mass and corporate insurance, respectively. In the long term however, it will be difficult to maintain this performance. When we look at the history of PZU, a bit further than the stock exchange, then we have already had such results in the first decade of this century. This is probably something that unfortunately we will not be able to maintain for a longer period and uphold this performance this year and probably in the next year and the trend will start to reverse. As for revenues, the situation seems to be still quite correct when it comes to mass insurance. Year over year, we have in principle the same level of premium income. Let me remind you that, for the first time since I believe 2003, the entire property insurance market, not just the mass segment, but the entire property insurance market has recorded negative growth. The first quarter was 1.5% lower than the first quarter of the previous year. This thing did not happen even in 2009, after Lehmann Brothers. So, the situation where we keep mass premiums flat, is a positive situation. When it comes to corporate insurance, the situation is a little more serious. We have an 8% drop. This is a result of the things mentioned by President Klesyk. I will not repeat this. But the company is taking action to ensure that, if we succeed, revenues for the entire year are better. When it comes to life insurance then group insurance and individual continuations, we have growth of less than 1% here. The market has been a bit slower, especially in non-regular group insurance. But naturally, profitability after 2

quarters traditionally improves over Q1 profitability, and secondly, in spite of the fact that investment income, which is the element of this operating profit margin ratio, are slightly lower than the year before. Ultimately, the ratio increased by 2%. So actually, when it comes to profitability of group and continued insurance, on the one hand there are certain processes and projects that we implement in the claims handling area. On the other hand, we have successfully launched a new product which, in individually continued insurance, is more profitable due to the cost of technical provisions. Individual insurance – we've posted a very significant growth here: 56% yoy. This is mostly the bancassurance channel. We believe that it was the very low interest rates, especially in the first quarter, that drove quite significant demand for unit-linked products distributed by banks. PZU benefited from this demand. But if we take a look at the two last columns then the profitability of this business is much, much lower than the products that we sold in the past. Those were mainly protection, instead of investment, insurance products: "J" endowment insurance where profitability was much higher. This is why the profitability is relatively low, even with fast-growing revenues. Below, you can see the profitability of our companies in Ukraine and Lithuania. Generally, this profitability, calculated on operating profit, is around zero. We have an improvement in Ukraine, but those numbers are not very significant for the accounts of the entire PZU Group. Key one-off factors in the first half of the year , there's nothing new as compared to the slide that you saw after the first quarter. Conversion effect - this is updated. The provision conversion effect in long-term group insurance is smaller in this year than it was in the previous year. This conversion simply slows down as the provisions corresponding to the portfolio of long-term group insurance fall. A settlement with the reinsurer; as we've already reported, we managed to close the long-term contract with AXA France. As a result of the settlement, we got 53 million zloty. Also in the first quarter, so this is nothing new, we started consolidating real estate funds in the PZU Group, which has a one-off, accounting only impact on the financial statements. Briefly - there are four more slides on the main business lines: what is working positively and what has adverse effect in these lines. We begin with group and continued insurance. As I said before, when we look at the operating profit, it is virtually flat. The situation is that, on one hand, we have a lower contribution from investment activity: it is 131 million less this year than in the previous year. However, it is very important that 163 million zloty of movements in other net technical provisions. And as I said before, this is not a result of some operations on provisions, because the PZU Group remains conservative all the time. Our level of conservatism when it comes to the establishment of provisions has not changed, but we were able to create a new individually continued product, whose sales do not require us to establish such high mathematical provisions when we sell it. Acquisition costs are slightly lower, administrative expenses - the President has discussed this already – also declining, and as a result a generally the same operating result, however with much lower investment income. Now for life insurance in the individual insurance segment, here we have much higher premium income on one hand, and lower investment results and a significant movement in other technical provisions on the other hand. This is because the majority of all products that are sold currently are investment products where we must create relatively high provisions at the moment of their sale. Profitability of corporate property insurance – a very significant improvement of the combined ratio: from 96% to 77%. This was driven mainly by a decline in the loss ratio. On one hand, those are activities that continue to limit, or optimize, the payment of claims by PZU, while on the other hand, two one-off events, partially in this business line: in motor insurance we have the impact of the AXA settlement and partially it is actually the result of this external factor of a very low loss ratio. Profitability of the mass insurance segment, also in property insurance: last year the combined ratio was 88% and now it is 82%. So this is a major

improvement as well. On one hand this is the loss ratio, but on the other hand we also have a lower acquisition cost ratio. This is the effect of the project that we executed last year, which optimized partially the structure of our distribution channels. The objective of that project was generally to increase sales, but at the same time it also optimized the level of commissions paid. When it comes to investment income, the situation has been improving slightly; we can see that Q2 is better than Q1. This was the case because, especially in respect to the return earned on bonds, the situation in Q2 was better than in Q1. When we look at investment income then in our main portfolio the income is lower than the year before, but the largest yoy decline was recorded on the portfolio where risk is carried by the policyholder, i.e. with unit-linked products and structured insurance products. But in majority of the cases, those are products where our customers make the allocation decisions instead of the PZU Group and, as you can see, their choices were not very good this year. Capital position - we have already discussed this at length. So this is generally everything, in brief, about the financial results after the second quarter.

Piotr Wiśniewski: I would like to encourage you to ask questions. Please ask your question and introduce yourself. We can start with questions from the Web.

Andrzej Klesyk: I will read the questions in English but I will answer in Polish:

First question from HSBC – Could you share your thoughts on M&A and possible opportunities in CEE markets? Is ING still the most attractive asset for PZU?

Unfortunately, not much has changed ever since our last conference. The process of privatization of Croatia Osiguranje has started, but we still have not received any investment memorandum, so we have no idea about the official stance of the Croatian government regarding the sale of Croatia Osiguranje. There is nothing more – speaking about three digits of premium income in PLN. When it comes to ING, we are still praying for the right decisions to be made in the Netherlands. Second question.

Second question from HSBC – Non-life combine ratio is at a very attractive level of 81.5%. How do you see this market developing during the next twelve months and are you seeing any signs of price war, or an increase in claim costs in any of these segments?

There are two things that contribute to this combined ratio of 81.5%: first of all cost control, about which we are a little obsessed, and declining loss ratio. It is true that we can see the declining loss ratio in the last 12 months, especially in the motor business. It is said that year over year, the quantities of petrol sold in Poland fell by 7%, which most probably means 7% less kilometers travel, which in turn is consistent with the actually lower frequency of losses. How do I see future combined ratio developments? During the IPO we said that the combined ratio that we believe to be right for the Polish market was 93 to 96% for PZU, plus 4 to 5% for our competitors, assuming that the competitors would be close to the combined ratio of 100% and we would have a competitive advantage of 5%. Today, it seems that our competitive advantage is more than 5%, but also the average combined ratio for the market is much lower than we assumed. It's hard to say whether or not this will continue. It seems to be rather unlikely in the long term. We have already noticed some signs of a price war. The price was started, partially, in Q4 last year. The first quarter was a crushing experience at the corporate side. What insurance companies were doing was terrifying for some

people. So, sooner or later, our combined ratio will be affected by this price war. When it comes to claim costs, the average loss has fallen, so we have no signs that this might become a problem. However we must say that since the number of losses is falling and the loss structure has changed significantly, then I believe that this decline in average loss shows that we manage the claims handling process better.

Third question: Have you started the process for the issuance of sub-debt, by when do you think you will be able to complete this issuance? Will it all be all done at once or would it be staggered?

We have not started this process yet. But we are preparing. Right now, we are selecting consultants. We believe that... well, we would like to complete this process by the end of the first half of 2014. This is also the reason for the interim dividend. We believe that the window for debt classified as equity is now and we would like to benefit from this window. I don't think it will be just one shot. It is very likely that we will want to do at least two tranches, perhaps in a currency other than PLN, because more and more of our assets is in some way linked to euros or dollars. And we wouldn't want to expose our shareholders to a roulette and have assets at least partially matching the liabilities. I'm talking about "real estate" type assets here.

Part of our "real estate" assets is in a way linked to Euro, even if we buy cash flow, we buy this cash flow in Euro converted to PLN, instead of zlotys themselves. The entire program should be completed by mid-2014, meaning we would take out the debt based on the 2013 results, annual results, at the latest.

UBS – what level of debt's spread of the Polish government bonds would you expect your debt to be issued at?

Well, this is an interesting question, because we are like Madonna, Like a Virgin, no-one has had such an instrument yet. It seems to us that if we were looking for liquidity instead of capital then we should have the lowest spreads on the market for this simple reason that we are the strongest capital institution in Poland with the highest rating, but we don't know how the market will react to the subordinated feature. We don't think we will have to pay a big premium for subordinated. We also hope that some of the investors, especially at the pension fund side, may find this product very attractive, to avoid the potential retirement of State Treasury bonds which carry a similar risk.

Maybe one more from Goldman Sachs

Goldman Sachs, question number one - M&A and potential for higher special dividends. Is there no major deal that works out in the next few years, then is that something that the shareholders could count on for higher level of special dividend and then could you please also highlight if you are still pursuing PZU international strategy, given the recent interest from private equity in the sector?

I don't know what will happen in a few years, but I am sure we will come back to the shareholders in 2015 with a new capital and dividend policy. If there is no need for capital then I wouldn't imagine the Management Board, whoever is on it, to want to keep the capital just to keep it. Second question about private equity. We have already prepared the entire structure for PZU International, meaning we want where we would register the company, what we would do, what vehicles we would use and so on and so forth, but we haven't established this company because this would be unreasonable if

there is no specific deal. But to respond directly to your question, it is true that we have direct contacts, I personally have direct contacts with several "private equity" firms, large firms which are very interested in arranging a deal with a company such as PZU. But we are talking private equity that does not get out of bed if there is no "capital outflow" - I'm not talking deal value but the capital part of the deal, of less than 250 million dollars or euros. So we are talking about a large transaction, that would have to be a big deal.

Second question – corporate motor insurance at so a very low level in the second quarter combined ratio of 60% significantly below the average over the last few years. Was there anyone of there?

I will ask Przemek in a minute to comment on this.

Could you please also comment of the growth of 42% in corporate business underlines in second quarter 2013, we understand this also includes hospital insurance?

I will ask Mr. President in a minute to discuss the one-offs. As far as the second part goes, this is not hospital insurance, because this year hospital insurance generally didn't work after the last year's mandatory hospital insurance, this year hospitals took out virtually no insurance, because they have no such obligation. There is hearsay, but it is just hearsay, that the obligation will be reintroduced next year, so in "other" lines: those are lines other than property and motor, such as BI or other liabilities. My understanding is, and the President also says so, one deal which is a 3-year deal, the largest insurance deal in Poland's history, I believe, and we are there in the pool, so it is difficult to divide it into specific pieces, so this is why this is classified as "other" but we are not the lead insurer with an over 50% share. When it comes to the combined ratio of 60% then the president has already said but please say it again.

Przemysław Dąbrowski: First of all, this is a very good year, I will say it again that we have low loss ratio in both segments. In the corporate segment, the quarterly combined ratio is driven also by one purely accounting effect. Simply, when written premium decreases quarter to quarter then for a short period, the profit and loss account "benefits" from the dissolution of the unearned premium reserve. When our insurance revenues increase then the unearned premium reserve is a cost, because it distributes those revenues over time. Obviously, it is not a single policy. There is a whole group of policies that were sold, mature and so on and so forth, but when we are dealing with declining revenues then for a short term, short term only, unfortunately, but this is an accounting effect, the unearned premium reserve has a positive effect on the results and it is not established but dissolved. The effect is that we have a very good year in terms of the loss ratio, for reasons that we've already discussed, plus in corporate we have a nominal drop in premiums. In the short term, this drop makes earned premium higher than written premium and as a result, for a short term, well, unfortunately property insurance makes more sense being analyzed annually than quarterly, so in the short term we can see such a very low combined ratio. But obviously, as I said, this is in the short term, because this unearned premium reserve dissolves continuously for previous year revenues. One more thing to close this information on other revenues. Multi-year policies are becoming increasingly popular in Poland and the policy that I mentioned is a policy for several years. We are trying to adjust the presentation of our revenues to this distribution over time. Currently, it is hardly possible, because the reply we get is that distribution over time is unearned premium reserve. The effect is that if there is a 3-year policy, a large policy, say for the construction of a power plant, then

those revenues are entered in this single month, and this is one of the reasons why the second quarter is good in terms of revenues, besides motor.

Andrzej Klesyk: Ok, thank you very much. I'm sure you haven't guessed what client we were talking about...

Question three from Goldman Sachs: The results were also strong on the life risk margin. Is the drill by increasing focus on writers?

Obviously, the 22% result is very good for us and there are 3 things contributing. First of all, we told you during our IPO that we intend to keep profitability at about 20%, so this is not such a great surprise for us. Secondly, you may remember us talking about one terrible quarter last year, in terms of the loss ratio in group insurance. Then, the ratio fell to about 15% and we said that we had taken some measures to deal with that, especially in the claims handling area. We had a huge number of tiny claims. This year, the whole system has been "sealed" and is working very well, driving the improvement in the loss ratios, and the third thing is what the colleagues from Goldman diagnosed correctly. We are earning more on riders than on the main part of the business, so it is in our interest to sell as many riders as we can. This is what we will focus on. This is our future. At least that is our hope.

Piotr Wiśniewski: Do you have any more questions?

Michał Kużawiński JP Morgan: A quick question about this potential price war. Does it apply to the corporate segment only or can you see any signs of competitive rates in the individual segment? Which part of the market is this threat coming from? Looking at this slide no. 5, we can see that the market share of Talanx has grown nicely and in the other segment. Does this "other" entry include new smaller players or perhaps the direct channel?

Andrzej Klesyk: Ok, I can give you an answer regarding the price war. Ladies and gentlemen, the price war has been here since the last quarter, but there is a large difference between the price war at the corporate side and the individual side. The price war at the corporate side involves someone coming to our client or shared client who we have in the pool, offering premiums that are 40, 50, sometimes 60% lower than we do, frequently offering the price for insurance cover that is lower than claims paid. So we are not talking price war where we can see a 2% price drop, but rather 20, 30% for specific, particularly large deals. At the individual side, we can see it from more or less the same date, but the game is slightly different. No-one reduces prices, but suddenly there are unbelievable promotions. So there is a promotion: you have never been insured by us; come to us and we will give you a 15% discount on your TPL motor insurance. This is what it looks like at the mass client side. Average reductions are much lower, and we additionally see some strange trends at the loss side, mainly in motor insurance, where all insurers have suddenly realized that some part of the claims is not related to property losses, that motor insurers pay an increasing part of claims for health loss, for anguish, for all other damages not related to the vehicle. I hope this is clear. What was your second question?

Michał Kużawiński: Where is the source of this threat?

Andrzej Klesyk: Yes, about the threat. I have even opened page five. I will start with the "others". As far as I know, there are about 79 insurance companies operating in Poland, plus mutuals, or including

mutuals. Additionally, there are several entities that run their business based on a passport, so we are not entirely sure what they are doing and how much premiums they collect. So, there are about 75 entities in "others". None of those entities has market share of more than 2 or 3%. So, to some extent, even though they are growing very fast, the changes are not significant. For us, the fighting group includes four companies: PZU, Talanx, Ergo, VIG and Allianz. So now we have this situation that Talanx really did increase its market share for two reasons. First: Talanx is shown here together with Europa, and second: as far as we understand the situation, Warta has started pushing really strong for corporate insurance and they have been really successful. But I would like to remind you that, for the last two years, Warta was in the red. So the situation was that there was a slump year by year, quite significant, and now they started to rebound. Good for them. Oh, going back, I see no threat whatsoever from direct companies. 12 years ago, I had the chance of talking to people who created the first direct business in Poland. They said they would destroy the insurance market, but right now all the direct insurers have no more than 5% and as far as I know some of them spend more on advertising than they have written premiums. We also wish all the best to them.

Michał Kużawiński: Thank you.

Piotr Wiśniewski: Are there any other questions? Go ahead.

Iza Rokicka DI BRE: I would like to ask you, if I could, about some details about this dividend from PZU Life, namely the negotiations, discussions or the type of discussion with KNF as the regulator. How long did it take and what possible arguments convinced the regulator to give its consent, as I understand, to this dividend.

Andrzej Klesyk: Well, before I answer this question, I would like to tell you that you should go to Minister Tamborski, who said that he would buy a bottle for someone who found out that PZU Life paid out more dividend. I have already told you that we started preparing to this process in about March. We discussed this with KNF and KNF was adamant, almost, when it comes to 100%. But since the year before KNF left us a cap, you may remember, of 75%, then PZU Life, which already had excess capital, gathered even more of it. We discussed this with KNF and it is true that KNF gave us its consent, but on several conditions. These conditions involved the coverage of technical provisions, solvency margin and additionally considered the fact that we as the owner, PZU SA, guaranteed financial security of PZU Life. And since, compared to our competitors, we don't have two parallel companies, but one under another, meaning PZU SA owns PZU Life, then ultimately we did receive KNF's consent. It took us a few months of informal discussions.

Perhaps I could read a question from Morgan & Stanley now, because it is in the same vein as your question.

Morgan & Stanley – there are actually two things you need from KNF, first they must approve hybrid to count on as capital, second, you want to pay more than 100% of your earnings in a given year. Has KNF indicated that they will remove the 100% payout ratio cap that they had in place over the last year's earnings. If such a cap exists than how would PZU be able to pay a special dividend?

I will answer this question. I have said that we are like Madonna, but they also have never approved any such structure and there has been no such entity. We believe that we can jump all the legal hurdles required to classify this instrument as capital. How we will proceed and how we usually

proceed is that first, this document is discussed with KNF; KNF never gives its consent upfront: after the transaction is closed, you can apply to KNF for its approval. So if, in this first stage, KNF tells us "over my dead body" then we would be a little crazy to raise debt just to have more liquidity. In such a situation we would have to think really hard, but for now we can see no intention on the part of our regulator to veto this. So now about the 100% payout ratio cap. This is not entirely true, because if you look at our today's results, you will see this: The financial results of the PZU Group is 1.7 billion zloty, while what is distributed among shareholders is the financial result of PZU SA. And here we have 4 billion six hundred, exactly because of this dividend from PZU Life. So, to a certain extent, this 100% cap next year is possible; I can hardly imagine our shareholders being so greedy, but it is difficult to predict the decisions of the shareholders. But I can hardly imagine the Management Board recommending all-in more than what PZU SA earns. Let me remind you once again: the dividend will consist of two elements: the capital surplus, part of it, and distribution of PZU Group's profit according to IAS. And the cash flows between PZU SA and PZU Life disappear and have no effect whatsoever on consolidation.

Piotr Wiśniewski: Maybe one last question? If there are no more questions than I would like to invite you for further discussion in the lobby. Thank you very much for the meeting.