Przemysław Dąbrowski, Management Board Member, CFO of the PZU Group: Good morning. I'm extremely sorry for being late but this is how things turned out this year. It's only my third day back at work after I came back from a two-week holiday... There are a lot of things going on, and we just had to take care of one important matter. I'd like to welcome everyone to our performance presentation after Q2 2014. I also would like to apologize for the absence of Mr. Andrzej Klesyk. Right now we are carrying out a lot of projects and we are drafting a strategy which we want to publish in November, and this morning Mr. Klesyk quite unexpectedly had to leave the building, so today I will be the only person to make the presentation and answer any of your questions. And now I'd like to move on to the presentation. I'd like to advise you that the layout of the presentation has changed a bit, but I believe that this change was necessary to improve it. We tried to compress it a bit, and we are open to any comments you may have because we care very much to have efficient communication with you. First of all, the flow of the presentation has changed a little, and we also added some slides that contain only text, so they may not be very attractive to show but we hope that they will still be helpful. But like I've said, Piotrek is already here, and you may submit to him any suggestions you may have. I'm not saying that we're perfect, and we are willing to listen to any good advice you may have. So, let's return to the presentation. The non-life insurance market in Poland. Unfortunately, this year we didn't see the growth that we had hoped for. In the first quarter, the growth was just a little over 1%. We assume that the situation will be similar in the second quarter, however in the third quarter this market may unfortunately decelerate. Despite increased sales as far as policies are concerned, in the third and fourth quarter of last year we experienced decreases in prices, and therefore this market is not significantly growing even when the economy is recovering. Like I already said in my presentation after the first quarter, what is interesting is that because we experienced significant price declines in motor insurance, this is the first time that this market behaves in such a way that motor insurance sales are slightly higher than non-motor insurance. What is also remarkable is that this time the 1% growth is attributable mostly to the corporate segment, which is unusual because in the past it was always the individual client market that grew faster. Because so far the market was mostly driven by motor insurance, and the prices dropped significantly, this internal demand is not as big. We are seeing the shift towards mostly non-motor corporate products, and it turns out that corporate insurance segment is fueling the market growth. When it comes to profitability, the profitability is still high. Nothing has changed here, and PZU is still the profitability leader. Our share after the first quarter is 32.4%. Our objective for this year is to maintain the market share for the entire year. When it comes to life insurance market, the first quarter also witnessed decelerated growth. Here you can see the regular premium market. If we were to show the total market, we would see a decline. The regular premium decelerates and the growth rate decelerates, and I believe that there in fact are two reasons for that. This is attributable to macroeconomics, in particular low interest rates. Individual insurance products, which in recent years strongly competed with unit-linked products, are losing their appeal because when the interest rates are so low, their insurance element is more expensive than in unit-linked products, and in case of many of these products the margin is not large enough for the client or the company to make the profit. So, because of low interest rates, we are seeing very low growth here. Apart from this, we've been also seeing a lot of regulatory changes, such as introduction of product sheet, class action lawsuits for refund of termination payments, and discussions about bancassurance. So, the market has really slowed down and – I'll be honest with you – this 2.2% growth is a very optimistic scenario. I would expect the market to grow at the rate of 1% or perhaps 2% at most. Market profitability is in a little better shape, and this is partly attributable to the fact that fewer products with very low margins are sold. Also, like we've already told you, as of 1 January the PZU Group decided to discontinue the sales of unit-linked products through the agency network. The reason for this is that with such low interest rates, the structure of those products caused that they were unprofitable for the clients and PZU. Like I've already said, we are continuously maintaining the position of the leader with 32.4% of market share in non-life insurance and 42.7% when it comes to regular premium in life insurance segment. And now I'd like to discuss our results after the second quarter. When it comes to our insurance, I'm sorry, when it comes to non-life insurance, we still have low combined ratio. It is higher than a year ago, however we should keep in mind that last year there was an agreement in effect between us and AXA France, which directly reduced the result, I'm sorry, it improved the technical result and decreased the combined ratio. We are talking about PLN 53 million. This year, and you will see this later in the presentation, there are basically no one-off events. What is comforting is that the frequency of motor insurance claims continuous to remain low. We also did not experience any significant catastrophic losses. The things which you were reading about in the newspapers did not really have any significant impact on our loss ratio. There are basically two factors that significantly contributed to deterioration of our performance. First of all, at the turn of 2013 and 2014, we slightly decreased prices in motor insurance, and this price drop affected primarily the mass insurance segment. We are talking here about a decrease ranging from 4% to 5%. So, like you've already seen it, we had to increase the costs of acquisition. As a result of this, on one hand we were paying slightly higher bonuses to our sales reps because we didn't want to reduce prices, but on the other hand we are seeing a natural expiration of the automatic renewals distribution channel which was a non-commission channel. But, like I'm saying, the combined ratio of 85-84% is still quite good result and I believe that our performance is a little bit better than expected. When it comes to life insurance, in particular our flagship product, i.e. individually continued insurance, the sales have not changed, however we've had a higher margin. As far as investments are concerned, our forecasts for this year were different. I believe that a lot of analysts assumed growth of WIG and increased profitability of bonds, however the situation has turned out differently. Like you've already seen it, in the second quarter the investment performance was quite good. This is primarily attributable to decrease of interest rates. When it comes to stock, our performance in indexed portfolios was not impressive. We recorded a small profit on long-term stock that is already bought and held, but this is a long-term investment. We continue to optimize the processes. There is one slide devoted to Everest, and, as far as operations are concerned, at this moment we are in the process of acquiring companies from RSA. As of 30 June, I'm not sure about the exact hour but I think 5 pm, we acquired the first RSA company – the Estonian company Balta. It is consolidated on the balance sheet level but not yet on the result level because in the second half-year we were the owner of that company for, say, only 10-12 hours, so we've decided that it was pointless to consolidate its statement of profit or loss. Of course, in the third quarter, it will be consolidated like it should be. As regards other companies, we are in the process of acquiring them. There is one slide in the presentation that shows the status of that process. And now, let's move on to detailed results. The gross written premium is slightly lower, and this is in fact attributable to 1% lower revenues in non-life insurance, i.e. mass insurance, insurance for individual clients and SMEs, as well as lower revenues from sales of individual life insurance. The net profit after six months was slightly higher than the net profit recorded after six months of the previous year, however we should remember that last year we had at least two significant one-off events. One of them was strictly related to business, i.e. it pertained to AXA France. We also began consolidation of real estate funds which gave us gross profit of PLN 170 million. However, we should keep in mind that this was just an accounting operation, i.e. we moved something that had been posted to capitals as a result of consolidation, and it went once again through the result and returned to capitals. The equity is almost PLN 12 billion, and we recorded a very high ROE of 27.5% – which will constitute the grounds for making a decision about the dividend. Non-life insurance: on the left-hand side we have the mass segment, on the right-hand side – the corporate segment. When it comes to gross written premium, like I've already said, mass insurance has seen a 1.5% decline, and this is in fact attributable to a decrease in prices on the motor insurance market. Unfortunately, we had to follow the market trend and also had to decrease the prices because at one point in time our prices differed significantly from the market prices and we started recording more lapses. The combined ratio increased from 82.6% to 85.7%. The result was affected by a few factors, namely higher acquisition costs, the same level of loss ratio, and partial influence of a settlement with AXA France which, I'd like to remind you, pertained to green card insurance. Operating profit in this segment is decreasing, and this in fact is attributable to a higher combined ratio. We are seeing growth in the corporate segment. As you may remember, we've been successfully conducting a large restructuring process of that portfolio. According to forecasts, the previous year and this year for sure was supposed to be the year when we should begin to grow. When looking at PZU's strategic situation on the Polish market, in particular non-life insurance, i.e. motor and non-motor insurance, if we assume that in the coming years we will be growing, then we also assume that we will be growing more in the corporate segment than in the mass segment. Now let's take a look at it in a different layout. When you take a look at PZU's market share with split into individual clients and businesses, i.e. the layout presented by PFSA, then despite the fact that we experienced a 1.5% decline, we continue to maintain the market share because this year the entire individual motor insurance market decreased due to prices. Hence, our share primarily in the individual client segment but also in the SME client segment is quite high. The segment, in which we are underweight, are the medium and large enterprises – more in the medium ones than in the largest ones. And, like I'm about to say in a moment and like I've already said to the journalists, we are working on the new strategy until 2020 and, when we are talking about growth, we mean that we will be expecting growth in this core business, in addition to the benefits from acquisition of LINK4. This small growth of 0.8% results from the fact that we are beginning to slightly change our approach. Of course, we will continue to monitor the profitability of this business and we do not intend to go above, I would say, quite decent level of combined ratio. As far as combined ratio is concerned, we can see a big difference because, first of all, this is the result of the settlement with AXA France. We are simply talking about smaller amounts here – that 50 million had a greater impact. We had a few larger claims in the order of PLN 20 million but these line items are not significant in this half-year. And we actually slightly adjusted our pricing and underwriting policy. So, like I've already told you, in this segment we want to increase our market share because we believe that this is the segment in which we can achieve growth despite our overall position on the Polish insurance market. Like I've said, the operating profit results from the growing combined ratio, so the decrease is not significant. This slide contains only text. I have to honestly admit that this is the first time that we are showing this layout, and we agreed that we would not include those text slides. But now I can see that communication between various parts of our Company or the Head Office doesn't always work perfectly. As far as life insurance is concerned, growth of gross written premium in group and continued insurance was 2%. This is one business line that – knock on wood – consistently grows at the rate of 2-2.5% per annum. We recorded a higher insurance margin. We are very pleased with such results. This stems from the fact that we recorded a smaller number of insurance events and lower loss ratio. Like I've told you, we reformed one of the products, therefore we recorded lower costs of reserves. So we have quite a nice figure here of 24.4%. Of course, as a result of this, the operating profit increased. In individual insurance, we are seeing drop in gross written premium. In particular, if you take a look at this premium, you'll see that this decrease is visible in single premium products which primarily include agreements with banks. When I presented this slide a year ago, we had a significant increase from 2012 to 2013. The reason for this is that in the first quarter of last year many banking market players wanted to sell structured products and we made a lot of sales along with our partners (Citi, Millennium), but we knew that that was just a one-time thing. What is interesting is that the banks' tendency to sell structured products was driven by decreasing rates and low profitability, so theoretically if we still have such a situation when it comes to interest rates, then theoretically the banks should once again return to those products, however, on the other hand we have the

Recommendation U, and at this moment all the banks are watching this development and analyzing how it will affect their bancassurance business. The premium decreased, however, as you can see, the margin increased. This stems from the fact that the margins of the products which we did not sell last year were so low that they deteriorated the profitability of this business. Annualized premium is decreasing, which is attributable to the declining trend of gross written premium but also to the fact that we are discontinuing the sales of unit-linked products through the agency channel. When it comes to our segment of operations, I'd like to say right from the start that we are still not convinced whether this segment may experience a major development in Poland without some significant incentives. Unlike in many Eastern and Western European countries, we have group insurance, and many Polish people are covered under it and are aware of that fact and they are not interested in strictly protection insurance. On the other hand, given the low interest rates that we have right now, the products offering the combination of protection and insurance do not have any appeal to the clients without some kind of a tax incentive because the client does not earn any profits from them. Unfortunately, Mr. Klesyk is not here with us, and he could explain this slide a lot better than I can do it. I, as the CFO, have a problem with this slide. As you can see, the costs are increasing. The costs are growing, and we kind of anticipated such growth but we also expected that it would be a little smaller. It is 9.5% together with projects. We assumed that together with project we would have something around 5-6%, and when it comes to recurring expenses, they should pretty much amount to 0. Oh, c'mon! Seasonality of certain expenditures has changed a bit. We've already incurred some expenditures which last year were incurred in the second half of the year, however this year we incurred them earlier. So we have this slight change in seasonality, and these expenditures should be compensated for in the second half of the year. The second factor is that this year we are spending a lot more money on investment projects, including primarily the Everest project but also a few other projects. The Group is making strong investments in development. This shouldn't be surprising to anyone but we are putting innovation at the forefront, so obviously we have to incur substantial expenditures. And there is one thing which I talked about during my presentation after the first quarter, namely higher fees from PTEs for KDPW. Ladies and gentlemen, when it comes to details, I'm unable to provide any specific examples where we spent more. For example, we have this marketing campaign with a heart, and I'm sure you've seen it. Last year we didn't have such a campaign, and this is a one-off expense. We assume that this campaign will be conducted for three years. Like I've said, I don't particularly like this slide. I believe that during the entire year we will see increase of expenses but no more than 5%, and I would say that it would be even less than that. However, this year is the year when we will see the growth of these costs. I, as the CFO, can say that I'll do everything in my power so that next year will be consistent with the trend. When it comes to value to shareholders, as you know we continue to have a very high TSR, and in recent days our listing has reached a historic high. We are paying a dividend of PLN 34 per share; PLN 17 will be paid on 8 October while the second PLN 17 will be paid on 15 January. We are continuously implementing the assumptions of the dividend policy which was defined last year. At this time, we are working on potential changes in law, namely amendments to the insurance activity act, to give us the right to issue subordinated debt. At the end of June, we issued senior debt on the European market for EUR 500 million. As far as the coupon is concerned, it was the lowest corporate bond coupon in this part of Europe with very low margin of 85 basis points, so it is quite an achievement. What I believe is important is that investments in PZU were made by many of the investors which invest in insurance companies, not the investors that invest in emerging markets. In other words, we did not even address our offer to the investors that are interested in Polish debt, i.e. we did not benchmark ourselves in this process. Of course, I have to say it right away, we also calculated how much more we were worth than the State Treasury bonds. However, we went straight to the investors that invest in European insurance companies, not the emerging markets investors that simply buy e.g. Polish treasury debt. This resulted from one simple fact that such an approach allowed us to obtain a lot lower margin. If we were to address our offer to emerging markets investors, then apart from financial strength and taking into account the sector in which we operate, they would expect a lot higher margin from our organization. I believe that this approach has paid off. We took the risk and we went to the lending investors that normally do not have the opportunity to invest in companies such as ours, i.e. an insurance company from Central and Eastern Europe. Ultimately, we succeeded, and I think this is important because we in some sense paved the way for other Polish enterprises. I'm sure that they are valuable investors. Those investors are a bit different than the investors that invest in the Polish currency or debt because they are able to give lower margins. And, like I've said, there are no changes when it comes to capital policy itself. I've already said a lot about the debt issue, and it was carried out successfully by us. There were a few objectives, and I'd like to reemphasize them. First of all, we had to adjust the balance sheet because we needed liquidity in EUR to be able to pay for RSA. We needed EUR to ensure liquidity of the real estate fund which at this moment has assets worth approx. PLN 1.5 billion. And finally, what is also very important when it comes to subordinated debt, in June the European corporate debt market was so good that we thought that we were building a certain benchmark for future issues of subordinated debt. Therefore, we issued the bonds in EUR, and the bonds are listed on the Dublin Stock Exchange. Like I've said, this is PZU's strategy 2.0. Right now, this strategy is nearing its completion, and I hope that in November, along with the results for the third quarter, we will be able to present PZU's strategy until 2020. So, when it comes to the things we achieved under PZU's strategy 2.0, before the end of that strategy we still managed to carry out and complete the Estonian transaction. We were able to close that transaction, and now that company is now fully owned by us and it is operational. Like I've said, during presentation of results for the third quarter we will be able to show you some figures, but right now this wouldn't make any sense because it's too early. As far as the Lithuanian company Lietuvos Draudimas is concerned, at this moment we have the consent of the Bank of Lithuania, i.e. the Lithuanian Supervisory Authority, and we are waiting for the consent of the Lithuanian anti-monopoly office. With regard to our Estonian branch of RSA, unfortunately we only have the consent of the Ukrainian anti-monopoly office. This is interesting because since we have a company in Ukraine, each time we acquire something in Europe, we have to have the consent of the Ukrainian anti-monopoly office, so you will see such consent for every transaction. As you can see, even when we were buying LINK4, we also had to obtain the consent of the Ukrainian anti-monopoly office. For acquisition of LINK4, we received the consent of the Office of Competition and Consumer Protection. We have the consent for slight alteration of the structure, i.e. replacement of subordinated loan from RSA with PZU, and we are waiting for the consent of PFSA. We hope that, with regard to LINK4, the matter should be finalized in the first half of September. When it comes to Lithuanian transaction, it will probably be closed by the end of October, and Estonian – maybe in November. This is the most complicated transaction because it involves the sale of the Branch from RSA to our Lithuanian company. With regard to PZU Zdrowie, as you may have read in the current reports, recently we've acquired two companies. To be precise, we acquired a few companies but I will say a few words only about two of them. These are medical companies which had been previously owned by State Treasury companies Orlen and Tauron. They are Orlen Medica and Tauron's Profmed and Elvita. Those were small transactions for a few dozen million PLN. The information on those transactions may be found in the current reports. These are not the transactions whose scale would significantly affect the PZU Group's current results. Like we've already told you, we have plans to establish some kind of a large medical facilities franchise. But in order to do this, we must have some sort of a core, a basis on which we will build such a chain. And we will have to learn everything because we don't have any knowledge of how such chains operate. I want you to know that at this moment we are working with 1,400 medical facilities, however our cooperation with them is limited only to medical insurance sales. So from now on we will be altering our model a little bit. When it comes to details of how PZU

Zdrowie may potentially develop, we are still working on it and we will provide you with more detailed information during presentation of the strategy until 2020. The Everest IT system is being implemented. So far, we've basically deployed it throughout most of Poland. The system is operating and there are no problems with it, and the agents are slowly transitioning into it. By the middle of next year, we will have completed the deployment of the system for all individual clients and small and medium enterprises, and then we will begin the second phase, i.e. the deployment of the system for corporate clients. What could be important to you is that, apart from the things that will probably be difficult to measure, this system is much more modern than the previous one, so the products' time-to-market will be a lot shorter. It is a system which supports client-centric approach, so we are expecting much higher up-sell and much greater degree of penetration of our products among our clients, but we will talk about all this during presentation of strategy 2.0. Of course, we also hope that this project, especially after the mass phase, i.e. the phase which is to end in the middle of next year, will provide us with some cost benefits because it is a sale-and-back-off system. PZU is providing an innovative service – direct claim handling. What is important is that since its launch to this day, we handled 7,204 claims, and we basically don't have any problems with settlements with other counterparties. However, and I know how important this information is to you, I – honestly speaking – do not know whether this information has been stated in the reports but I assume that nothing will happen if I disclose it right now. I hope that this announcement will not cause any significant stir. My colleague here, who is familiar with this topic, can correct me if I'm wrong. I'd like to get ahead of any questions you may ask us about the level and types of expenses incurred by PZU in connection with that service and I'd like to say that we've been incurring quite substantial costs in relation to it. Since its April launch until basically the end of July, we spent approx. PLN 1 million. And, likewise, to answer any questions you may have about any additional expenses, I'd like to state that the PLN 1 million incurred by PZU in relation to implementation of that solution includes such additional costs. However, there are no other adverse impacts on the result. When it comes to business effect, we are expecting much higher client retention. We've conducted surveys among the clients, and we can see that those who have used the service are very satisfied with it because the claim handling services provided by PZU are superior when compared to many of our competitors. I'll skip the financial data slide because I've already told you about it. And this is the slide where we always stop for a moment, namely a detailed breakdown of income and profitabilities into the main lines of business. When it comes to mass non-life insurance, like I've said, this is the matter of price reduction. As you can see, the prices in mass motor TPL decreased by almost 7% year-over-year, and this decrease is attributable mostly to lower market prices. We don't have a problem with significant outflow of clients, however we can see that this decline was caused by a 4-5% price reduction that we had carried out. The increase of combined ratio in this line of business is, of course, the result of price reduction, but also – most importantly – the settlement with AXA France which affected the motor TPL. However, this 93.4% in mass motor TPL still seems to be a very good result. For a few quarters, MOD has seen a small growth when it comes to our market share, however this growth rate is not significant – it is somewhere around 0.1-0.2%. We are maintaining profitability. As far as other products are concerned, like I've already told you, this year has seen several developments. On one hand, the prices in motor insurance dropped significantly because the market is profitable and there is room for decreases, however the inflow of policies on new cars is not as great so as to justify prices declines. We reduced prices by 4-5% and we estimate that the market prices dropped by approx. 10%. This causes that this year, non-motor insurance has been growing in mass segment as well as the corporate segment. In mass client segment, the growth was 2.4%, and in corporate client segment – 3.6%. And this market is in fact slightly shifting in this direction, i.e. towards non-life products. We expect that this year and next year the non-motor insurance market will increase, and the growth will be the most pronounced in the business segment. This 2.4% growth in the mass client segment, which you can see here, doesn’t pertain to individual clients but SMEs. When it comes to corporate motor TPL and MOD insurance, unfortunately we have experienced a decline in both of those lines. In TPL, we continue to have low prices and we are trying to return to growth. There is price pressure, and therefore the premium also has to be lower. Like I’ve said, as far as this entire segment is concerned, we want to achieve strategic growth here, however this growth will occur outside of the motor segment rather than in it. Unfortunately, in MOD we have seen a decline and, like in TPL, this is somewhat attributable to our historically very rigorous underwriting policies. We indeed reject a lot of risks, however, in the coming years, or maybe even in the second half of this year, we intend to alter our policies a bit. On the other hand, we are very closely monitoring the combined ratio because, as you can see, in both of those lines the combined ratio is quite high. So, although we will remain very cautious, we also intend to be a little bit more aggressive so that we can show a zero growth here instead of a decline. In other products, like I’ve said, we have a 3.6% growth. We expect that this year as well as next year we will see growth of this line in our Group as well as on the market. Group and individually continued insurance recorded a 2% growth, and profitability is very good. In individual insurance, like I’ve already said, unfortunately we have seen a decline in premiums, however profitability has improved. When it comes to our foreign operations, except for the RSA companies, for the time being our situation isn’t changing. I think that when we close those transactions, we will probably have a separate slide devoted to all the foreign operations because, once it happens, they will be more significant to the Group’s results as well as the evaluation of that transaction. Ukraine has seen a decrease in premiums while Lithuania – an increase. What is important is that when it comes to Ukraine, this decrease is attributable primarily to drop in value of UAH. If we take a look at it in terms of UAH, we will see a growth. So, despite difficult situation in Ukraine, we are able to sell more, and I’ll try to come up with some explanations for it. First of all, the economy is very weak. We’ve noticed that many Ukrainian clients are pulling away from cooperation with Russian insurers or the insurers that have links to Russian capital, and this is the reason for which we are able to achieve growth on that market. Unfortunately, because of devaluation of UAH, the claim handling costs have been significantly growing and, as you can see here, the combined ratio has already reached 104%. As far as Lithuania is concerned, we can see growth. At the same time, we are struggling to achieve profitability because the combined ratio has not yet gone below 100% and the goal is 96-97%. There is nothing to discuss on this slide as there were no one-off effects in this half-year. And now I’ll move on to the key factors affecting profitability of mass insurance. Like I’ve already told you, the loss ratio is very good. Expenses have increased a bit and, unfortunately, we have seen increase of acquisition expenses. As part of our battle to retain the market, first and foremost we will be increasing acquisition expenses while the loss ratio will remain unchanged because we believe that reduction of prices generally deteriorates the loss ratio and this is detrimental to the market in the long term. When it comes to corporate insurance, the loss ratio has been good for the entire time and, like I’ve said, we recorded a few major losses. The cost ratios also have an influence here, however the impact of acquisition expenses is smaller because we’ve been keeping commissions on the low level. As far as group and individually continued insurance is concerned, we have a better premium, we have a better result on investing activity, and we have a better result on claims and benefits. As a result of this, profitability has significantly increased. When it comes to individual insurance, like I’ve said, the result increased slightly although we have much lower gross written premium, however, we have revenues from investments and we are simply selling products with better margins that are not diluted by products with lower margins. With respect to investment activity, we are consistently trying to alter the structure of our investment portfolio. When it comes to results, like we’ve said earlier, in the second quarter we benefited from very low and decreasing interest rates that give us very good mark-to-market valuations. I’ll refrain from making any comments on that. When it comes to capital standing, there are no major changes here and the capital standing remains strong. I don’t know if you've noticed, and I assume that you have, however I'd like to reiterate that at the turn of April and May S&P retained the A rating for PZU while the rating for Poland decreased to A-, i.e. at this moment PZU has a higher rating in foreign currency than Poland. Of course, S&P made that decision after conducting a regular rating procedure as well as a series of stress-tests to determine what would happen to PZU if Poland's credit rating significantly deteriorated. We are very glad that, as I suspect, we are one of a very few institutions on the European markets and I think the only institution in Poland to have a rating in foreign currency higher than Poland.

And I believe that was the last slide in the presentation and now we can move on to questions.

Kamil Stolarski, Espirito Santo: I have a question regarding the dividend. Why didn't PZU Life pay the entire profit for the previous year but only 70-something percent?

PD: This year, it wasn't necessary to pay a 100% dividend. In order to pay a dividend of 100% or more, PZU Life would have to ask PFSA for consent because there was an issue of compliance with PFSA's limits. This year, we didn't need the entire dividend, so we paid the dividend from less than 100%.

KS: The result retained in PZU Life is PLN 350 million, i.e. less than PLN 4 per share, and after the first half-year the standalone result is PLN 1.9 billion and this year the maximum dividend is likely to be around PLN 30 from normal result. Is there a chance that you will also pay the dividend after this subsequent year from some additional sources such as surplus capital?

PD: I believe that when it comes to payment of dividend from surplus capital, the basic trigger is the issue of subordinated debt. There are a few mechanisms allowing payment of greater dividend, however the underlying condition is the issue of subordinated debt.

KS: I have one more question. As of the first quarter of the next year, PZU will be probably notifying PFSA about the Solvency II ratio. Do you expect that Solvency II will be such a trigger that may lead to distribution of surplus capital? We are getting close to the moment when we will have to notify PFSA about the Solvency II standing. We only have a few months left.

PD: We will have to notify PFSA but I don't believe that we will publish that ratio in the first quarter. We've said many times that the PZU Group feels quite comfortable in the context of implementation of Solvency II Directive due to large volume of cumulative – it's hard to call this capital – 'quasi-capital' in long-term technical reserves with a very long tenure and with very low discount rates applicable to them at the moment. So we feel comfortable, however, whether this comfort translates itself into additional surplus capital, it should be, you know, up to the Regulator because today we cannot tell which balance sheet will form the grounds for discussion about the dividend. We should remember that we will still be under obligation to prepare a balance sheet according to IFRS, and Solvency II will not affect it in any way. We assume that in addition to that balance sheet, PZU will be also publishing the Solvency II balance sheet when the Solvency II Directive goes into force, i.e. after the first quarter of 2016, and then we will begin to publish that balance sheet or part thereof. But I'm not sure how this will look like because there are a lot of discussions going on whether this Solvency II data should be audited. For obvious reasons, if PZU is to disclose any Solvency II data, then I would like to have such data verified in one way or another for this simple reason that we are a public company, however today we don't even have a standard for carrying out such verification. We will be publishing the data, however you should keep in mind that you should be very careful about it because if low interest rates prevail in Poland for a longer period of time, the potential surplus, which is in the long-term reserves of the non-life and life companies and which results from the application of a very conservative rate of return, not the rate which is in the assets, i.e. 5% but something around 2% or 3%, will be naturally decreasing even without disbursing dividends. I can't even tell whether such a dividend can be paid out at all. I don't believe that the Management Board would be willing to pay out the entire surplus, and I think that the best moment to announce a new dividend policy that takes into account Solvency II will be the fall of next year or spring – not the first quarter.

KS: OK, I have one last question, at least in this round of questions. I'd like to respond to the assertion that those capital surpluses and surpluses of technical reserves accumulated over longer period of time. When we take a look at this quarter, we'll see that technical reserves increased by 0.5 billion, and during the year – by 1.5-2 billion while the premium stayed the same. What is the difference between the costs of claims paid out by PZU and the costs of handling those claims, and the costs of claims in the statement of profit or loss?

PD: The claims that we pay out are indicated in the statement of profit or loss. There is also a figure referred to as run-off reserve, and we publish it once a year in the annual financial statements. The claims are depicted in the form of triangles showing their relation to the reserves which were established for them. However, when analyzing such a triangle, particular attention should be paid to years. For example, this year we are paying out the claims from the reserves that have been established this year, but we are also paying out claims from reserves that were statutorily established up to ten year ago. In general, PZU has a conservative policy when it comes to reserves. It's not like we've changed that policy into more conservative or less conservative. The historical run-off reserve was usually slightly positive, i.e. positive 2%, or slightly negative, i.e. negative 3%. And with regard to what I said about Solvency II, this increase of reserves is not associated with the surplus contemplated in Solvency II. With Solvency II, it's like this: in the life company, we have long-term reserves for individually continued products, the maturities of those reserves are 15-20 years, and today they are discounted with the rate of 2%-2.5%, and sometimes some of them with 3%; in the non-life company, we have reserves for annuities with the same maturities, and currently the rate there is, I believe, 25 basis points. And when we transition into the Solvency II balance sheet, we should, according to the rules of Solvency II, apply the rate which is on the active part, i.e. it should be pretty much the same rate, and this gives us the theoretical extra release of reserves in the Solvency II balance sheet. However, like I've said, we have to be careful because if today these assets give us 5% and if this situation with low interest rates continues for the next 10 years, then those assets will be giving us only 3%, i.e. 1% above what we have in reserves. Therefore, we cannot just simply say: OK, we have surplus capital in the reserves. We have not changed the policy when it comes to establishing reserves during this year. We certainly are seeing slight growth but we are also seeing growth of claims and reserves for indemnifications. We've already told you about this but there is also the issue of indemnifications from 2004-2008 and everyone knows about this. However, as you can see, this doesn't have any impact on the loss ratio at this moment.

KS: Thank you.

Marcin Jabłczyński, Deutsche Bank: I have a question concerning the investment result. If we analyze the results in PZU's main portfolio, i.e. one billion two hundred thirty million, and refer it to the portfolio of assets in the main portfolio of 46 billion, we will have the yield of 5.3%. Assuming that the profitability of Polish bonds is maintained on those current historically low levels or decreases even further, what will be the rate of reduction of the yield on PZU's entire main portfolio if we are thinking about the next year in the context of this year. This in fact is a question about the rate of the 'roll' made on the portfolio that is not mark-to-market.

PD: I'm unable to provide a precise computation. Of course, we are performing adequate analyses because, let's be honest, in the long term this situation is a problem to us. I also would like to say that we will provide you with more information on that subject during presentation on strategy. We have come up with an idea to identify one historic net result and adhere to it as a benchmark, assuming that the rates stay the same. So we definitely have this idea somewhere in the back of our minds, of course assuming that we will see the declines. As far as the portfolio that is not mark-to-market is concerned, at this moment on average 15-20% is rolled. We expect that in the coming years, this will be the rate of maturity of portfolio at the end of the year. Of course, these are higher profitabilities, and I'm sure that there will be depreciation and there will be a decrease of that historic portfolio. What is important is that this is not the main driver for the returns on investment. However, like I've said, even though our performance on indexed portfolios is not impressive, then when it comes to shares, we have the long-term shares portfolio which may not be very large but it still gives us quite significant returns. So I'd like to propose to adopt an assumption for modeling that, let's say, 15% of PLN 20 billion will be maturing. And, like always, I have two teleconference questions. OK, so let's get that thing going.

Richard Burden, Credit Suisse: Can you specify the growth rate of costs on the non-life side?

PD: I've already said this but I'll say it once again. When it comes to acquisition cost ratio, like I've already told you, we have a philosophy that we want to pay higher commissions to the agents, especially our exclusive agents, and we want to avoid sudden price changes. In addition, our automatic renewals channel, which did not cost us anything in terms of acquisition costs, i.e. administrative cost ratio, is expiring. Like I've already said, this year those costs have increased, and I, as the CFO, am not happy about it. This results from large investment projects which are being carried out this year. I assume that total annualized costs during the entire year, without investment projects, should not increase by more than 5%. So this year is the year when we are investing a lot and carrying out a lot of investment projects, however next year I hope that the growth rate will begin to return to normal. In the coming years we will see the return to historic trends. We could see 0 but I don't think that we will see negative figures ever again because there is no more room for cost reduction and the employment restructuring has largely been completed. We can see somewhere around 0.1%.

RB: When it comes to administrative cost ratio, to what degree this growth results from current expenses, what is the share of one-off proceeds, and what will be happening with the spent expenditures in the long term?

PD: When it comes to line items that should be designated as one-off items, however we cannot in fact see them in the costs which have just emerged, a significant one-off item is a figure around PLN 20-30 million. The rest constitutes increase of expenses. And, I almost forgot, there was also one additional one-off line item of PLN 20 million. This is something that has just emerged, and it is related to increase of costs of services provided by KDPW. We also had additional marketing expenses, however I cannot really divulge here the costs that we have incurred in connection with that campaign. These are not substantial expenses, and they are definitely much smaller than the PLN 20 or 30 million I've talked about before.

RB: What is the long-term positive impact of growth of those expenses?

PD: Honestly speaking, some of those expenditures will not have a direct impact on the statement of profit or loss. However, like I've said, some of the expenditures, e.g. those related to Everest, should begin to at least partially pay off from the middle of next year. Like I've told you, this system is not only used for optimizing sales. It is also used for keeping records of policies, i.e. it is an operational system. And we expect that in this area this system will begin to pay off in a very specific way that will be visible in the line of expenses. And now let's move on to the second teleconference question asked by a representative of Morgan Stanley.

Maciej Wasilewicz, Morgan Stanley: There is always a difference between IFRS results and the Polish Accounting Standards because PFSA's guidelines pertain to 100% of historic performance. When we look at 2015, when do you intend to pay a special dividend, and how much flexibility do you have to be able to keep the to-date results on the same level and at the same time pay a higher dividend?

PD: Like I've already said when answering a question related to a dividend from PZU Life, i.e. whether it will affect the payout ratio for 2014 paid out in 2015, I'd like to say that of course it will, however we still have other mechanisms which allow us to configure those two results, i.e. IFRS and PAS so that we could have the payout ratio on a normal historic level of 80-90%. When it comes to extra dividend, the basic trigger which will allow the payout of this amount of PLN 1.3 billion is not the PAS result but the issue of subordinated debt. If we do not issue this debt, then it is very unlikely that we will pay out the dividend because, first of all, we have already paid out PLN 1.7 billion, and, secondly, we will pay PLN 1.5 billion for RSA companies. So this year and last year approx. PLN 3.2 billion left the capital permanently. Assuming that we are continuously paying those high dividends from current profits, the basic trigger that will launch the payout of those PLN 1.3 billion is the issue of subordinated debt of at least PLN 1.5 billion. Second question from Maciej Wasilewicz.

MW: You've said that administrative expenses are under the influence of Everest. Can you present this in quantitative terms?

PD: As far as expenses are concerned, we cannot disclose the amount of expenditures related to Everest because this is a commercial secret. As you remember, the process of selecting the system was accompanied by a lot of emotions, comments in the press, letters, etc., so we will not provide such information here.

MW: It turns out that deterioration of acquisition costs ratios and loss ratios in corporate insurance was the main factor behind the growth of combined ratio.

PD: And, like I've already said at one point during this presentation, the combined ratio was significantly affected by increase of acquisition expenses. However, like I've explained to you, this is an intentional policy of the PZU Group. Third question.

MW: What is your opinion on prices on the Polish non-life insurance market in the most recent three months?

PD: The recent months have seen the weakening price pressure. It seems that this is attributable to two factors. First of all, the demand for insurance is not as strong as it used to be, and secondly, I believe that at least some of the players can see a problem with indemnifications as the number of such cases have appeared on the market. As far as those cases are concerned, PZU feels quite comfortable here because it is prepared for them, however our competitors may not be. For the time being, we've seen that the most recent three months and even the most recent six months have been calmer in terms of price pressure than the last quarter of the previous year. Last question from Morgan Stanley.

MW: You've said something about outpatient care segment. What products are you selling and what are the opportunities in this area? It seems that a reform of the medical market would be necessary to make it workable. However, maybe you have some ideas on how to implement this earlier.

PD: The reform covering the issue of the so-called 'payer', which we've talked about many times, would really enable us to enter the medical services market. At this moment, our business idea consists in acquiring the outpatient clinics. There really are two issues. First of all, already today we are offering health insurance to individual clients as well as group clients. Our insurance is similar to the bundles which most of you probably have purchased from the service providers. We have to buy such bundles, and then we sell e.g. the bundle of Luxmed or Medicover. We've concluded that this is pointless. What is important is that historically we were buying those bundles for a flat fee. In other words, we were charging a flat fee and we were buying for a flat fee. However, in recent years our partners, especially large ones, began to switch into a 'fee for service'. In other words, we are charging a flat fee but we pay our partners on the basis of actually provided services instead of a flat fee. So, under such circumstances, it seems reasonable to build some kind of an alternative to those types of service providers. Secondly, we've concluded that we wanted to have a better control over medical expenses. It's not just the matter of running a chain but a matter of having a better control over medical expenses if we are to sell insurance with a medical component. Of course, PZU could further expand its operations into the medical services segment and build some sort of another leg of our activity. This could involve not only outpatient clinics but also hospitals and health resorts – basically the entire medical care chain. We are dealing with such topics in many areas of our operations. For example, for about one year or so we've been conducting a pilot project (and, since it's a pilot, we haven't been talking too much about it because it doesn't have any impact on results) where, in case of accident insurance of any type, we are trying to provide rehabilitation to accident victims in order to pay lower claims under disability insurance. Undoubtedly, prophylactics, which we are financing from the prevention fund, is very important, especially to health insurance. Hence, PZU gets involved in sponsorship of races because we believe that mass sport activity has a long term beneficial effect on Polish people's health. So, overall, we are considering some broader options, but we haven't yet come up with any specific ideas. When it comes to outpatient clinics, like I've said, the business case is as follows: today we are selling a number of products, and we should remember that we have 11.5 million clients of individually continued insurance. We sell the medical bundles in the form of insurance to some of them, and we have control over medical expenses. There are no plans to have several thousand medical facilities in Poland, however we want to have the know-how and we want to have full control over medical expenses. OK, so that's it for teleconference questions; are there any more questions from the room? I'm sorry, we have the last two teleconference questions.

Vinit Malhotra - Goldman Sachs: Upon acquisition of RSA, PZU said that it would generate 0.5 billion per quarter if profitability of treasury bonds increases, and this will be happening.

PD: It's like this: 100 basis points of movement on bonds cost us PLN 80 – 90 million, and at this moment it seems that it has begun to grow. So in the short term, I believe that we're seeing growth. However, in the long term this impact will be even greater because, although the growth of profitability of bonds will have a negative impact, in the long term this is something that has a positive influence on our results. We have to remember about that. Second question.

Vinit Malhotra - Goldman Sachs: I have a question about claim handling. What are the major initiatives, i.e. how do your main competitors respond to your initiatives related to the amount of claim handling, and what will be the impact on motor insurance.

PD: I'm not sure. We expect that Allianz, Uniqa, Warta, the entire market will enter such a common system of direct claim handling. Do we expect that combined ratio will be affected? Like I've said, there is a slight impact, and, for as long as this is not a commonly-used system, PZU is incurring some costs. However, if this direct claim handling system becomes widely-used, it will operate in such a way that once a year certain flat-rate figures related to claim handling will be determined and all the insurance companies participating in the system will pay exactly the same amount. The situation will be different in different insurance companies – if the flat fee is more than what a company used to pay, then that insurance company will spend more, but if it is less – then it will make a profit because previously the insurance company was paying higher claim amounts and now it is paying a lower flat rate. Will this have a direct impact on combined ratio? As far as we are concerned, it does not. First of all, we have a very high claim handling quality, so we don't have to pay more to somebody else because our quality is really high. We don't expect any adverse impact on our operations, however, I believe that the market (excluding PZU) may see the increase of combined ratio because the smallest players, which employ aggressive tactics when it comes to handling their clients' claims, may pay more at a certain point in time. Like I've said, when it comes to this direct claim handling process, it involves certain additional expenses. These expenses are as follows: we have our own claim handling specialists who handle the claims, and we can charge other insurers with any costs except for the working time of those claim handling specialists because we simply can't charge somebody else with direct claim handling expenses. We can charge for repair or for towing but we can't charge for the work of our people. We don't expect that this will be a problem to us because today we are very efficient when it comes to claim handling. Our research shows that we are either the most efficient or we are somewhere in the top three. Secondly, as you can see, the frequency of claims on the market is decreasing, and if this situation continues, PZU will have a surplus of claim handling specialists, and we will not have to take any actions when it comes to restructuring because we will have such people on hand. I hope that I've answered Vinit Malhotra's question. Are there any more questions from the room?

Marcin Jabłczyński, Deutsche Bank: I'd like to return to the subject of the Russian-Ukrainian conflict and the embargo on exports of Polish products. Does the corporate segment have any direct or indirect exposure to those problems? Should we expect problems with insurance policies that directly insure commercial contracts, or problems with collecting premiums from the companies that may fall into difficulties because of the embargo, or any other types of problems? How does the situation look like here?

PD: PZU is a large company and I'm sure there is some indirect exposure. For example, PESA is our client, and we've heard that it has fallen into difficulties with their sale of trams to Moscow. We don't have any estimates of any direct exposure or direct influence. I believe that this will be the most visible in the investment performance because that figure is the most sensitive to geopolitical situation. We don't see any significant impact as far as the result on the insurance activity is concerned. Now, of course, if the economy falls into hardships or if companies such as PESA, which is our client, experience any problems because they operate on those markets, they will be less likely to purchase insurance from us.

PD: Thank you very much. If you have any other questions, send us an e-mail or contact us through our website, also if you have any concerns about the new layout of our presentation.

PD: Thank you very much and good bye.