Piotr Wiśniewski, IR Manager

Mr. Andrzej Klesyk, the CEO of PZU will conduct today's meeting. We are also joined by Mr. Przemysław Dąbrowski, Management Board Member and Group CFO. My name is Piotr Wiśniewski and I am PZU's IR Manager. Today's meeting will last up to 90 minutes. At the outset we would like to discuss our results; later, there will be time to pose questions. As always, this meet is being broadcast live through the web. On-line participants may pose questions directly via the webcast site or by sending them to my e-mail address. Thank you very much. I would now like to ask our CEO to present the results.

Andrzej Klesyk, PZU Group's CEO

Welcome ladies and gentlemen. I would like to thank you cordially for attending this meeting event though, based on what I understand, today there is a landslide number of companies reporting their results and reports. … At the outset we'd like to say that we are not buying Polkomtel or Deutsche Bank or anything of the sort, so we won't have too many fireworks today. However, I would like to tell you that we are highly satisfied with our results, that is, in spite of the tough macroeconomic circumstances, also on the investment side, our results are excellent. In this quarter we earned more than one billion PLN … nearly one billion one hundred million PLN. We are proud of these results – it appears to us that thanks to the strategy we implemented in 2008, coupled with the renewal of the strategy in 2012, this strategy has proven to be the correct one and has been executed very well.

Ladies and gentlemen, let's walk through our typical presentation. Thus here is the insurance market in the first half of the year. Let me remind you - the reason why we show the first half of the year is not that we are ashamed of Q3 but we do not yet have official data for this period. Thus looking at what's happening in H1 2013, please look at gross written premium – in the long-term it is growing at approximately 6%, but in the most recent year there has been a gigantic slowdown, which we pointed out earlier. We also told you that are several months behind the macroeconomic market. Basically, what's happening with GDP affects us with a lag of some 6 to 9 months, in other words recovery – the one that is currently being signaled – we will perhaps notice in some 6 to 9 months, certainly not in the next quarter. In terms of the technical result on the right side, you see pretty decent growth for the entire market. This is precipitated by two things: first – lower claims ratio across the market and – speaking openly – the absence of catastrophic claims in non-life insurance. There was no hail, there were no gigantic floods, there was no horrific winter and people are driving less. In other words, as I once said at a meeting with journalists – people are „bumping into one another on the streets" less frequently, which also contributes to a lower claims ratio.

Now let's switch to the life insurance market. The circumstances are very similar: in the long-run the growth of the combined ratio year to year is approximately 3.5%, while we are seeing a fairly significant slowdown in the most recent two year period – this is what we discussed earlier; it is a reflection of the macroeconomic situation. On the right side, the technical result – is falling, while our share of the technical result is rising significantly. Just as in non-life insurance, in life business we have a gigantically higher share of profit than of gross written premium. In non-life insurance we have approximately 92%, if I remember well, of the overall market's technical result and in life insurance – slightly less but in any event it is much more than 50% of the market share, so this shows the strength of our organization while also confirming that what we decided to do several years ago is producing the best results.

The next slide – as usual, a typical slide with our results: life and non-life market share. The growth in life market share by 1.3% is driven by a simple thing: the single protection insurance market practically collapsed, as did the unit-linked business – in this area PZU has a very low market share; in this area we have significantly less than 20%, in fact closer to 10%. As a result, when that market collapsed, it fell to pieces, then by definition the weight of our basic group business grew, so we have a higher market share, making us very happy. In non-life the situation is fairly humorous since we are in the red and in fact we lost 1.3% market share, while if we look at client segments, our market share grew in the mass client segment, i.e. individual, natural clients and very small businesses. In turn, with respect to the corporate market, our market share fell fairly sharply. This is – at least it has been to-date – our deliberate policy to focus on profitability, but I will return to that in a moment when I discuss PZU's results, its operating results in the first three quarters. I know that some of you are accustomed to analyze quarter by quarter, but I would once again like to emphasize that we the cumulative three quarter result gives a much better result, i.e. it produces a much better understanding of our results. This is the case for a simple reason – insurance is is a fairly funny business in which one quarter may be deeply in the red and one or another event related to our insurance business may cause extensive perturbations. So please allow us to present the cumulative results for the three quarters taken together in accordance with our tradition. Of course, in the back up slides you have the quarterly results and we are prepared to speak about the quarterly results, ok? And now let me emphasize what we did a few years ago, what we confirmed two years ago, in other words that profitability is our primary topic. Market share is less of a priority for us. For us the largest priority is to maximize our cumulative market share, our share of the market's profit in the long-run and that's how we try to organize ourselves around this business, which – as you see – we are doing very well. We have very robust financial results – a restrictive cost policy. It was no mistake that our CFO was named the best management board member responsible for finance and the best CFO… by Reuters. That's why he is a very well-liked person in our group, especially now when we're talking about next year's budget. We have probably the market's best claims handling process offering a robust customer satisfaction level coupled with high operating efficiency. Improving profitability in the mass and corporate segment – we have lower claims, we have better underwriting as we discussed previously. This year, knock on wood, I will keep knocking on wood, we don't have any large corporate claims. A large corporate claim for us means something between 10 and 30 million PLN on our own retention, and thus this may be a claim of 50 million PLN and above. For instance: Łyse – that is not the town of Łyse, but a company in Łyse burned down. It was a meat factory, some 2 years ago. I don't know if you remember – it cost us 100 million PLN. This year we have not had such an event. There was no – knock on wood – Szczekocin, thankfully, so we did not experience any events of this type, and – as I say – fortune supports the better ones and in fact fortune is supporting us and we are not ashamed of that. We also have high profitability in the group and individual segments at a very decent level – if we add investment income it is much higher than 20%, and we are happy with that. That is approximately 3-3.5 times more than the overall market in total, which pleases us and naturally we wish this market all the best. In terms of the latter business, that is in respect of assets, meaning our asset management – as you saw our assets have grown to more than 60 billion PLN under management… we are the largest Asset Manager in this part of the world, as we manage nearly 100 billion PLN in own assets and for clients from outside our Group. Having regard for the market situation, we are very happy with this result, with what we achieved. The WIG index grew by less than 6% year on year, as opposed to 16% one year ago – with enormous perturbations on the debt market. Even so, our annualized return on assets is very decent – around 5% plus, so we are very happy.

Now let's shift to the various segments – you have already seen that our gross written premium is up 2%, when measuring the three quarters YTD in the two years, the net profit – is slightly down, that is nearly 2.8 billion PLN, equity – is down as we will pay a dividend in the next few days, but this dividend was removed from our capital position at the time when the Management Board made the decision. In turn, on a cash-basis it will not be paid out for another 2 or 3 days from what I remember. Naturally, the ROE on all the capital is still very high. Well, in practice, in our own opinion, we are the champions of the world – I do not known any other insurance company with such a capital position and such a return on equity. Group and individually continued insurance are growing steadily and are profitable – this is something that we can repeat quarter after quarter. This may seem to be boring to you but this is a tough business in which any mistake can cost a lot of money. For instance, I don't know if you remember but some 2 years ago we had a situation that a certain decision relating to claims handling, introducing a claims handling process reduced our profitability, in other words it gigantically reduced the claims ratio – by 6 or 7 percentage points in a single quarter – so we retracted it, we got around it, and thanks to that we have such robust profitability as now, in excess of 23% - we are very, very happy with that. Individual life insurance: the annual premium equivalent in the individual segment has grown to in excess of 100 million PLN, of which one half is more or less sold via the bancassurance channel and the other half is sold through our own channel. This is an interesting business because, as you know, the discussion is ongoing pertaining to the shape of some products and customer values. We are increasingly more inclined not to sell products like the ones sold by some of our Dutch competitors who now have enormous problems … as you surely know, one of our competitors was sued under a class-action suit by some 200 clients, so we wish them good luck, that is we wish those clients success. The method of sales was completely unethical, also from the viewpoint of any standards whatsoever. That's why I think that the dynamics will change on this market, which will in fact take place.

Now the next area is the corporate client in non-life. The gross written premium is down by more than 7%. I would like to say that we are observing a fairly funny situation where we have a gigantic price war for the biggest accounts. Our customers have gone made as some quotations are absurd – they are even below the long-term claims ratio. Here we have a dilemma of sorts on what to do – for us profitability is however the priority. In smaller business, in small and medium enterprises, we have managed to retain market share but we are not participating in the prospective growth. The right side of the slide depicts something we are proud. To a certain extent this means that we are nearly 100% certain that our underwriting processes are correct. As a reminder – I know you know as I constantly remind you – but in 2008 and 2009 corporate business was losing 450 million PLN at the technical result level. A year ago we thought that when our colleagues earned nearly 100 million PLN without including investing activity it was a type of an accident – that we had been fortunate, so we were very cautious about loosening our underwriting and sales policies. However, this year we see that our colleagues are well versed with insurance risk and good underwriting entail, so we hope that on this basis we will be able to lead this business on profitable footing into growth – so our colleagues will have an assignment for this reason for this year.

The mass client – here we have a fairly funny situation as our market share in this segment edged up despite the fall in gross written premium following the market's shrinkage. This means we preserved our position very well in the mass client segment, especially in motor insurance. In terms of profitability – there is nothing to add or subtract. That is, it accounts to more than one billion PLN of operating profit … These results are very, very good. I would like to emphasize that they result from three things: first, a very robust underwriting policy, second, we are much more efficient in many areas than our competitors. Well, one should also add that this is partially the effect of good fortune – a large portion of that, perhaps not 50%, but let's say 1/3 of that is good fortune. Good fortune favors the better ones. In fact, we didn't have any catastrophic claims. Last year's wintering of rapeseed cost us nearly 100 million PLN. This year, fortunately, this did not happen. That is, rapeseed wintered well. Cost effects – we have a decline of approximately 3.5% year on year. This results from two things: first from our continuous cost discipline and we have much lower payroll expenses than we anticipated. When planning these costs and saying that it would be tough to cut them, we still did not know how we would manage to terminate the collective bargaining agreement and what the impact will be on our performance. The collective bargaining agreement was terminated and so now we pay our employees for performance, not for attending work. For instance, I will tell you that our best claims handler received a bonus of approximately 6x his base salary, while previously the maximum he could receive would be about 30-some%. The worst one got zero, while formerly by definition he would have received approximately 20% - so this shows how our solutions are affecting our cost position. The second issue that affects our cash position is that last year we had fairly high marketing expenditures. Here we must admit that this year we had also planned for them but we made the decision – on account of the quality of the work delivered by the creative agencies – not to do a safety-related campaign – that's why we have some level of cost savings. I would not expect that will be able to reduce these costs further next year. I also imagine that in Q4 – as ordinarily in Q4 we accumulate some non-recurring activities – these costs should grow. That means that these costs will certainly not be at this level on a year to year basis, that they will be -3.5%; that is simply not unattainable from our viewpoint. Now one thing we're able to brag about, i.e.: you will remember, perhaps, gigantic discussions one year ago about an IT system – making the choice on what we were trying to do, how expensive it would be, how bad it would be. Ladies and gentlemen – it's less expensive, it's on time, and on the 18th of November we will go live with the IT system for agents. The first pilot will be in Lublin where from more or less early February 1/7 of Poland will be covered by this system. By yearend 2014 all our agents will have these products implemented, i.e. non-life and apartment products will be in the new system. So we are extremely happy about that. For you to have a feeling of what we're taking about – we are talking about 500 persons involved in this project, we are talking about a gigantic change: not IT, because its not about IT, but business processes and the customer service approach and possible future cost savings. The next thing – a sort of a marketing „gimmick", what we will actually do, but the situation is that in 2015 we should practically have all the mass products in all channels in this new system, so no new policy will be issued in the legacy system. We will in practice launch corporate products by yearend 2016. This means that we will be able to close this legacy system, i.e. some 18 months later, as it is not the beloved system of our product, sales and marketing people. This is something of which Mr. Dąbrowski is very proud, namely implementing the ERP system: we completed this gigantic accounting system implementation. As an anecdote I can tell you that when we floated the company, we had 113 accounting ledgers across PZU SA plus several ledgers in PZU Życie. This meant that to prepare the consolidated results we needed approximately 8 to 10 weeks of tough work, so we were just barely on time in respect of the reporting deadlines defined by the stock exchange. Now, Mr. Dąbrowski, it takes several days? In addition, we of course calculate provisions, but we are able to do that very rapidly. Moreover, thanks to this implementation, we were able to implement the Everest Project. This may seem fairly humorous to you but we finally have a single chart of accounts in both companies, with which we are very happy and of which we are very proud.

Shareholder return – ladies and gentlemen this is something we resolved to add as a piece of information for you. Of course, you count it on your own but we calculate total shareholder return, as this is how we decided to measure it, not only as the share price as this would be misleading with our dividend policy. If someone invested 312 PLN during our IPO, then after three and a half years – without even computing the reinvested dividend in our shares – then he or she wold have approximately 560 PLN, yielding an IRR of about 18-19%. If you reinvest, then the return surpluses 20% per annum – a totally decent result, a bit better than bank deposits and other alternatives on the Warsaw Stock Exchange. Now I would like to turn over the floor to Mr. Dąbrowski so that he could walk through the specific results, the financial results by segment, but I would like to emphasize once again that we are very happy with our results. This means that we are implementing the strategy very well, we are placing strong emphasis on efficiency – both cost efficiency and operational efficiency – and fortune supports the better ones, i.e. we are as we said earlier several percentage points better than the market in terms of combined ratio. The difference has grown even more pronounced this year. So we are showing that we are playing in a different class from our competitors in terms of profitability and the return generated by various business lines.

Thank you very much.

Przemysław Dąbrowski, PZU Group's CFO

Welcome. I will now continue. I will try to walk you briefly through the main slides in this presentation, in greater detail on the results presented by Mr. Klesyk. Here we also show quarterly data. Q3 was much better in terms of performance than Q2. The Group's gross written premium was slightly lower in Q3 compared to Q2. This results from the non-life company's revenues being down in Q3. We do not yet have market data available – We assume that Q3, in non-life, will be worse than Q2 as some very large, multi-year non-life policies were sold in Q2. So they were not only large for large risks but they were also three-year policies booked at the time of sale. As I said: Q3 has very, very robust results. Investment results are improving, as the result – as the CEO said – on one hand of our unwavering strategy and focusing on total return, and on the other hand of better market circumstances, especially the stock exchange. The YTD Combined Ratio is 82.6%, COR in Q3 improved over Q2 – that's it in terms of the quarterly result. One more remark: YTD ROE is slightly lower than last year's ROE, while the change of ROE in Q3 is better than in Q2.

Well, perhaps I will surprise you as this description depicts the Group's major segments with revenues and operating results. Here we have numeric information on the Group's main operating segments in insurance activity. Well, ladies and gentlemen – as stated multiple times – we have a very high profitability on underwriting, if we look at mass insurance in Poland the Combined Ratio is 82% in the entire segment, with motor having a 86-88% ratio. In other products the combined ratio is also lower than last year – in motor there are two main contributing factors: first – on one hand the effects of projects to optimize claims handing, on the other hand a lower frequency of motor claims. In other products, the significantly lower level of claims in agricultural insurance also has an impact. In corporate insurance – we also have a very good situation. The Combined Ratio is 78.7% compared to 95% last year. We see improvement in every segment, also motor own damage, where we continue to be close to zero, in motor TPL we have a very good result, well in other insurance we are much better. This is what the CEO said. There are fewer or more properly no major non-life claims. But I will also remind you: last year in Q2 we established provisions of more than 100 million PLN on construction guarantee insurance. The bulk or a large share of this provision was released. This year we do not have that situation. We do not see risk in the financial insurance segment. In life insurance, group and continued business are delivering a very high amount of profitability as is traditionally the case. In principle, this is the same amount of profitability. Here we have a bit of a shift. Last year we had a larger component in the profitability of investments, and a smaller one in operational activity. This year investment performance is slightly down while we are much better in operating activity, in claims ratios in group and individually continued business, both the simple claims ratio is better, where we see improvement in claims frequency, but also – and this is also very important – we implemented a new individual continuation product which is simply less expensive with the same revenues. It is cheaper to maintain, which also enhances our profitability.

Individual insurance – here we have large revenues comparing year to year. These large revenues dilute profitability. The bulk of this year's revenues we recorded comes from products sold through bancassurance. These products – structures and their profitability are however much smaller than in ten-year endowments, which formed the core of our portfolio to date. This is immediately visible when looking at this segment's profitability. The major non-recurring events in the results for the first three quarters, well there are no surprises. Nothing like that has happened in Q3. We have the conversion effect: as a matter of tradition we report it. Conversion is ever smaller and so the effect is ever smaller. It distributes positive value to the P&L result as the portfolio of policies to be converted is ever smaller. The amount is a mere 100 million PLN versus 170 million PLN last year. The settlement with a reinsurer – and launching the consolidation of real estate funds in Q1 are the main non-recurring factors. There were no such factors in a strict sense in Q3. In the breakdown of profitability in the major product lines we see the result: operating profit at a similar level this year compared to last year. The largest decline, unfortunately, is the investment result. Last year it was much better and it was calculated in the P&L account at a risk free rate that was much higher last year – that was much better and in terms of the positive effects, as I have already said, we have the net movement of other technical provisions as a result of implementing new products and observing positive trends in the claims ratio. In individual life, our gross written premium is much higher but in turn the movement of other technical provisions is much higher as we are selling many more investment products and at this time selling these products in reality contributes to a very large growth in provisions, which automatically diminishes profitability. Simply, these products are much less profitable than classic individual life products focused on protection.

Corporate insurance in the non-life segment – here the most important thing is the claims ratio. The improved claims ratio in this segment – here: the combined ratio (COR) – primarily means improvement in the claims ratio, as you can see a gigantic decline of 16.7%. As I said: the non-recurring factor which is obviously present is the insurance provision for last year's construction guarantees, but if we were to remove it, then the positive movement would still be very extensive. The profitability of the mass insurance segment has also seen improvement, though it may not be as considerable. The Combined Ratio is very low. Last year it was 89%, and now it is 83%. Here we have the claims ratio, expenses and the acquisition expense ratio – we continue to sell extensively via our tied agents and this is improving our acquisition expense ratio. In terms of our investments year to year, we do not have a superb result but things are better comparing Q2 and Q3. We managed to generate better income on our equity exposures. We are less satisfied with investment activity in the interest rate risk area where we did not generate high returns. Looking at the asset structure itself, there is no major difference, but as you see, according to our portfolio diversification strategy we are reducing our exposure to debt securities, mostly treasury bonds. This process was announced historically and it entails the diversification of our investment portfolio. This is a slide we have presented in the past with a breakdown of our investment income into PZU's main portfolio, i.e. shareholder funds and income at the policyholder's risk, which do not have in reality an offset with the technical provisions. As you see, Q3 – both in our portfolio and in our clients' portfolio – delivered much better performance than the previous quarter.

Information on our capitalization: our capitalization remains very high, here we see – both in equity and shareholder funds – comparing Q3 2012 to Q3 2013 – and we have lower levels, but – as the CEO mentioned – on 26 August the Management Board made the decision to pay an interim dividend. Although in cash it will be paid in a few days, on 19 November, at the time this decision was made to disburse 1.7 billion PLN, it reduced the PZU Group's shareholder funds. The consolidated solvency ratio remains very high – 340%. That's it on the key figures. Now we can proceed to questions and answers.

Andrzej Klesyk

I will tell you an anecdote that Mr. Dąbrowski of late is a very unhappy guy because more or less one year ago someone asked at a meeting with journalists whether we intend to buy the cable car line to the Kasprowy Wierch peak since – as you assuredly are aware – we had or have a cable car line in Krynica, and Mr. Dąbrowski wanted to be the CEO of that cable car line, and this report even appeared in the web. He made a joke that he would like to become its CEO … and unfortunately, to his despair, in this quarter we closed the deal to sell the Cable Car Line in Krynica posting a one-off profit, which unfortunately is so small that we do not even show it. So he is an unhappy guy as he will not become the CEO of the Cable Car Line as it has been sold. So will we field questions from the conference room or from the web?

Przemysław Dąbrowski

Sorry, I might just add that this is an anecdote. This deal's impact won't be shown in particular, as from the viewpoint of the Group's activity, this transaction is an immaterial component of revenues.

Andrzej Klesyk

Ladies and gentlemen, then in fact there are 2 questions from the internet, so I will start with one of them. Question from UBS – as usual I will read the questions as written, and then I will respond in Polish: UBS: „Can you please comment on whether you look at buying the Scandia business in Poland to boost your market share in individual businesses? Does it not fit well into PZU businesses in Poland? ”

The response is as follows. During the preliminary review of this business we elected not to participate in this process for two reasons: first, it is very small from the viewpoint of the overall Group – it would be much below 5%, even less than 5% of the overall Group's gross written premium and – in respect of profit – it would not push the needle in any way: „doesn't move the needle". Second, the reason for which we elected not to participate in this process – it concerns what's happening in individual insurance in Poland; this business faces gigantic pressure on account of something like misselling, which we discussed or I discussed at the outset. We must in fact decide what direction to take and which products we want to offer customers, as we believe that selling some products sold by our competitors is from an ethical standpoint immoral – so that would be the response to UBS's question.

Two questions from Societe Generale, question one: „Could you please tell us if you had any reserve releases in your combined ratio at the nine-month stage, and – if so – what percentage of PNL amount is it?".

Here I will ask Przemek to comment but we did not have anything addition in respect of reserve releases in our combined ratio, whether in life or non-life. Przemek?

Przemysław Dąbrowski

I can only confirm that our provisioning policy, the PZU Group's policy of provisioning has not changed in recent quarters. It remains highly conservative and the sole thing – it's shown there if you look, somewhere there the level of provisions may fall. Well, this results merely from the very simple fact that the level of the claims ratio is much, much lower this year. So some provisions, such as IBNR, may in total be somewhat lower. In turn, there have not been any material movements reducing provisions in Q3 or Q2.

Andrzej Klesyk

That's right. Thank you a lot. Now question two from Societe Generale: „Are you still considering a large acquisition that could give you a presence in a number of CEE markets in one go, or to propose special dividend plans, you are more likely to pursue a case by case, country by country M&A strategy?" Perhaps I will start with the latter part of the question: our dividend plans and capital policy, which – let me remind you – we announced several months ago, do not in any way alter our mindset toward acquisitions. Let me remind you that our capital policy refers to disbursing a certain surplus, the capital surplus we hold, and replacing this with a debt instrument which is less expensive for the company, better for the shareholders, while being acceptable as a capital position, in other words our capital position will not diminish in any way. Therefore, it will not affect our acquisition plans. But – ladies and gentlemen – there is nothing to buy; in terms of insurance in the region, just as I have said many times, our neighboring markets to the south have been apportioned, that means: Slovakia, the Czech Republic and Hungary… none of the stronger players is up for sale, while buying a number ten player in the Czech Republic with a gross written premium of let's say 20 million EUR is not sensible for us. So if anything appears, we will take a look. You know, as this is official information, the Croatian Government announced that PZU is participating in the privatization process of Croatia Osiguranje. I cannot say anything more but that does not change our acquisition plans.

UBS: „Can you comment on progress made in raising debt capital and what indicative yield was pressed about the government bonds you expect to achieve?". Hmm, a very intriguing question. We are engaged in very intense discussions with our regulator, the Polish FSA on the debt structure and the deal structure. The proper structure must be in place. We have even formed an SPV called PZU Finanse Sp. z o.o., to issue the prospective bonds. As you know that is the normal structure, but we face the following dilemma, that is: we first want to emit some of the three billion in PLN, and later emit a portion – depending on needs – in EUR or USD. Now: in respect of the „PLN" portion, it appears to us that it will be better to wait for the dust around OFE to fall and to find out what OFE will be able to invest in and how much money it will have to invest. It will fall then as we will have thinner spreads as we expect. In respect of non-PLN-denominated debt, we have some indicative, preliminary spreads, which only moderately satisfy us for now. These spreads are similar or even lower than what Uniqa has, but we think we are a better company than Uniqa, also in terms of our financial standing, so it appears to us that we should fight for some more. Truthfully speaking, I can probably speak openly that most western debt investors are completely at a loss in trying to comprehend that we do not require liquidity but capital. So this instrument aims not to provide liquidity but to grow capital solvency ratios and that is – I have an enormous request, especially to those of you who are not present in Poland and speak English, please explain to your colleagues the difference between liquidity and capital, as we are encountering a total lack of comprehension concerning this concept. I hope that this responds to your question; for now we do not need capital.

Piotr Wiśniewski

Two more questions from Goldman Sachs and then we will field questions from the conference room, OK?

Andrzej Klesyk

OK. Goldman-Sachs, question one: „Recent strength in PZU results in non-life has come from non-motor portfolio which benefited from construction policies and agriculture. What do you see from the competition and pricing perspective of non-motor in Poland?" Hm – construction, Let's begin with construction. This is not entirely construction policies, but this was referred to as financial business, and thus most guarantees were in fact related to it, or rather a large portion of the guarantees was related to construction bonds in a broad sense but this was not our only business and the improved profitability in this portion actually stemmed from not having any major losses in the construction business as last year. You remember that the entire sector lost a gigantic amount last year on PBG and firms associated with PBG. It does not appear to me that the long-term profitability of this business will fall on account of the price war as everyone approaches this business cautiously after incurring losses and getting burned.

Your second question on agriculture. It is in fact true that one year ago rapeseed did not winter well and we incurred a loss. From what I remember it was about 100 million PLN, perhaps even more on the wintering of crops. Fortunately, this year, knock on wood, rapeseed wintered well and this business is therefore very profitable. This business has a rather humorous situation that there are two players as the third one, following last year's losses with a technical result being 2.5 times higher than the entire gross written premium, discontinued this business. This makes our competitive position very strong while the product's structure means that this business is long-term. This means that from the time we penetrated this business, we are strongly in the black but there are years, like last year, when it is possible to incur extensive losses. To date, it's been very difficult for us to find a product that would hedge us somehow. Not a reinsurance product as that would be too expensive for us. As a consequence, having regard for our capital position, we take that volatility on our own account.

Question number two from Goldman-Sachs: „You guided today that 2013's net income is unlikely to be higher than in 2012, but that would mean a very low result for quarter four of '13 and as in quarter four '12. Do you anticipate any major reserve discount freight changes for quarter four 2013?".

That's not entirely correct: in fact the circumstances are as follows – I said that I do not expect it to be gigantically higher than in 2012, but let's remember that Q4's result will consist of three things: first, most likely a different claims ratio from today, in Q4 by definition we have winter, people drive about with Christmas trees, it's slippery and a number of odd things can happen. The second thing: I do not know why but in corporate business most claims are reported in Q4; that's how it plays out, they remember they had a claim or something else happens … in fact we have a higher claims ratio in the corporate business, in other words: this claims ratio is not sustainable in Q4 at such a low level as today. Second: Q4 is usually when we conduct a larger-scale review of our provisions, both insurance and non-insurance provisions. Today we have no plans, I can say this officially, to create gigantic provisions that would somehow affect the technical result. There is a certain type of discussion underway on a topic … how to put it, on indemnification for pain and suffering. I don't know if you are aware, but law firms specializing in pursuing claims have arrived at the conclusion that the law may operate retroactively … thus they are looking for opportunities to pursue TPL claims from 2007 and the Supreme Court's stance for now remains unknown – well, we hope that it will go in our direction – give an interpretation. The idea is that someone who has lost a loved one may pursue a claim for pain and suffering or any intangible loss from prior to the period when the ability to make such claims, from the law's point of view, was implemented in the legal system. This means we face a fairly humorous situation that the law operates retroactively and this may be a type of provision but we will have to estimate it. We do not know whether, when and how this may affect our performance. The third element of 2013 performance, ladies and gentlemen is the investment result – you remember that we were very dissatisfied with our own investment result in Q1; this affected us in Q2 and Q3, for now things appear to be entirely OK, but on account of odd signals from the US on what will happen with tapering and what will happen with the coalition in Germany we are unable to predict our investment result precisely, namely whether we will repeat it or not. So if we take these three things into account, you will probably be able to compute, more or less, how much we will earn in the entire year.

Piotr Wiśniewski

Now we'll take questions from the conference room. Perhaps we will begin with Marcin Jabłczyński – I think you were first.

Marcin Jabłczyński

Hello. My question concerns acquisitions – or rather your investment policy: in what way is PZU considering its eventual participation in the Alior & BGŻ deal (as the press gossip suggests). Just as a provider of financing for a buyer or also as an equity investment?

Andrzej Klesyk

Hmm, dear ladies and gentlemen – we are not in the business of commenting press reports, but I would like to emphasize several things: we said, to you, too, that we will scrutinize every large-scale deal in Poland enabling PZU to turn a decent profit. If the deal you're talking about appears, or any other deal such as the Polkomtel deal, we are able to give debt and equity financing, depending on our investment policy in a given moment. Let me remind you: some of our deals were much larger than the one you mentioned. For instance, I will tell you that at a certain point we held nearly a 10% stake in PKO BP in our various vehicles and we turned a very nice profit. That means that we will have exposures to the financial markets in Poland in any case, so it's just a question bout the strategic or rather tactical allocation of assets we will want to have. I would one again like to underscore that PZU's long-term intention is not to hold a PZU Bank, in other words, PZU is not interested in banking operation activity.

Marcin Jabłczyński

But that statement does not preclude the temporary possession of large equity stakes in banks?

Andrzej Klesyk

You are a very logically-thinking person.

Michał Kuzawiński

Michał Kuzawiński, JP Morgan. My question refers to corporate motor business. Do you think that it will be easy for you to recover lost market share faced with competitors starting to employ a more rational pricing policy and with margins starting to improve in this segment?

Andrzej Klesyk

Ladies and gentlemen the situation is as follows – taking things fairly humorously – if we look at corporate motor business, our profitability is absurdly high – so we do not expect price changes entailing price hikes, perhaps there will still be some price pressure. And now – if we look at our market share in corporate business, it is not plausible for us to enhance our market share in corporate business, in motor business. As a reminder: we have or rather had some five years ago approximately 65-70% of the corporate business, including leasing business. We lost gigantic amounts of money but we had that level of market share. Now, depending on how we calculate things, our market share is slightly below 50%, so in the long-run we are rather condemned to floating around this level, or even slightly forfeiting market share, while in non-motor business our market share oscillates around 10% – and this is an area for us in which we would like to grow our position extensively.

Michał Kuzawiński

What market segments are those?

Andrzej Klesyk

Well, in the non-motor business meaning „all other". Let's look … for instance at fire – we have a very small share … in BI – we have a very small share … in motor TPL for some cars we have a very large share but in corporate TPL we have a very small share. So there are areas where – recently we conducted an analysis and we are in the final phases of devising strategies for this segment. I cannot however imagine that corporate segment growth would come from motor business; that is simply not possible, unless we were to be name in a statute, that all cars in Poland should be insured by PZU, but that is not doable.

Michał Kuzawiński

Thank you.

Marcin Jabłczyński

I have one more question on this year's continuation product, which is less expensive – What is the financial effect of this less expensive product? In other words – what would the result be without it?

Przemysław Dąbrowski

We are talking about some tens of millions of PLN.

Voice from the conference room

Some tens of millions of PLN?

Przemysław Dąbrowski

Yes.

Voice from the conference room

During the first three quarters of the year?

Przemysław Dąbrowski

Yes.

Voice from the conference room

Thank you.

Piotr Wiśniewski

Are there any other questions from the conference room?

Robert Brzoza

Robert Brzoza, Unicredit. May I ask for a brief commentary on investment income, which – as you write in the report – has grown on the valuation of the portfolios hedging FX-denominated liabilities even though the rate of return on assets fell … what does this effect, an accounting one, as I assume, entail?

Przemysław Dąbrowski

What you cited does not apply to the entire portfolio. Generally, the bulk of income in Q3 we realized on the valuation of equity portfolios – This is the major profit, while recording poor performance on portfolios with risk of 100%. Hedging did not play a considerable role in terms of the better investment performance.

Piotr Palenik

Piotr Palenik, ING. I have several questions. My first one is – why are the trends reversed in the combined ratio for motor TPL and motor own damage on the mass market, i.e. a marked decline in motor TPL accompanied by growth in motor own damage. At this time, it is higher in motor own damage than in motor TPL, where it always seemed that motor own damage is a more profitable product? That's my first question. The second question concerns group life business where the rate of growth is slowing down and is close to zero. Having regard for some signs of economic recovery, why is this happening? … why are these markets increasingly weaker from quarter to quarter in this product? My last question – how do you see next year in terms of the combined ratio, especially in motor business and the pace of growth of premiums, which was negative this year? Thank you.

Andrzej Klesyk

Perhaps, I will respond to questions one and three. I'll ask the CFO to respond to the group question, or rather I will also respond to that one. I'll say the following: at the outset you inquired about motor TPL and motor own damage – the trends you cited stem from the following thing: in the face of economic slowdown an increasingly higher number of clients is not taking motor own damage. That means that some of the clients who were very profitable in motor TPL and also purchased motor own damage ceased to buy this product. That applies not just to us but to the entire market. Now for question three as it also relates to the market situation. We have always said and we will reiterate that our natural combined ratio is approximately 94-95%, plus-minus 2-3%. We also said that by definition we should be 5% better than the market. In other words, if the market reports 100%, then we should have approximately 95%. Presently, the market has about 97-98… If we subtract 5%, we have 92. In addition, to be truthful, we have had enormously good luck this year – that does not mean that luck amounts to 10%, but without exaggeration several percentage points – 2,3,4, perhaps 5% - this is weather-related luck and luck related to economic slowdown. In turn, when I think about next year, it is unthinkable for the combined ratio to stay at 83%. We continue to see signs of price war among our colleagues and in my opinion the claims ratio will grow; the simple claims ratio will grow next year. If then you're looking for a response to the question on what the combined ratio will be next year, I would return to the situation in which we say that it will be around 94-95%, plus minus 2%, so let's say between 91 and 96, but we will be 5% better than the market. If we assume that the market won't go mad and won't embark on a total price war, then we should be in the lower range … if we will still have some luck, then in the lower portion of this range, but if the market goes completely mad and runs wild, then we may end up in the middle of the range. It does not appear to me that there is a chance – unless we have some gigantic catastrophe – that we will end up in the upper range of these brackets – in group business too.

Przemysław Dąbrowski

I would like to revisit one of the first slides in the presentation where we have the following situation. This year – here is the slide – the pace of regular premiums in group business has been maintained at 2.1%, while in fact this year we have a substantially lower premium in single group premium. This does not apply to the traditional group products we frequently discuss, i.e. protection products but products with an investment element – unfortunately, these products are nearly not selling at all this year. This does not apply strictly to group insurance sold in work establishments.

Piotr Wiśniewski

Now for the final question from the Internet, from Morgan Stanley.

Andrzej Klesyk

Morgan Stanley: „Looking forward: have prices shifted materially in any major non-life lines in quarter three standalone?" In Q3 we are continuing, or we see a continuation of the trends from

Q1 and Q2, meaning: gigantic price pressure in the largest accounts and in Q3 some of the large three-year contracts were awarded, in which prices were in fact subject to pressure, not only in motor business, but above all in all risks and BI, in other words the largest contracts which are concluded in practice by WIG30 companies. They are more manufacturing than financial companies and that is why we do not see any gigantic changes compared to the trend, in other words: unfortunately, the trend failed to reverse – we are approaching a price war, or we are already embroiled in a price war.

Voice from the conference room

May I ask one more question?

Piotr Wiśniewski

OK, this will be the final question.

Andrzej Klesyk

Mr. Dąbrowski will be able to stay here for a little bit longer. My apologies, but I have to leave in three minutes.

Marta Czajkowska

I have a short question – Marta Czajkowska, DM BPS. In respect of expenses – some projects have come to a conclusion: how will this affect next year's expenses and what may we expect from these operational expenses?

Andrzej Klesyk

If you're asking about next year, the situation is as follows: our projects – especially Everst, our largest project – will continue, as we pointed out, until 2016. At present, we have involved 500 persons in one way or another, with nearly one-half working on a full-time basis. The number of persons involved will not decline considerably until 2016. This means that we will have both systems concurrently and we'll also have to administer them both. The first significant effects of these changes, especially in back office operations, will not appear until 2015, but we will not be able to show you these figures for another 6 to 9 months when we will have real knowledge about their labor intensity. In turn, with respect to other expenses, it's hard for me to imagine that we will be able to squeeze them much more; let me remind you that the Group's cost ratio has fallen on average from 13.8% to below 7%. It would be tough to save even more, especially since we have been falling every year in nominal terms.

Piotr Wiśniewski

I know that some of you are going to PKO, thus … I don't know – Mr. Klesyk will leave us …

Andrzej Klesyk

I am not going to PKO.

Piotr Wiśniewski

No, no, no – our CEO is not going there. Therefore, we can wrap things up. We'll continue our discussions behind the scenes. Mr. Dąbrowski will linger on for a few more minutes.

Andrzej Klesyk

Thank you very much.

Piotr Wiśniewski

Thank you.

Przemysław Dąbrowski

Goodbye.