

## **Magdalena Komaracka**

Good morning Ladies and Gentlemen. Welcome to the conference on the presentation of PZU Group results for 1Q24. The presentation will be led by Mr. Artur Olech, acting CEO of PZU, Mr. Jaroslaw Mastalerz, acting CEO of PZU Życie, and Mr. Tomasz Kulik, member of the Management Board of PZU and PZU Życie, CFO of PZU Group. Mr. President, I am passing the floor.

## **Artur Olech**

Good morning, Ladies and Gentlemen. Thank you for coming here. Today we would like to tell you about... present the results, but also, after a month, after slightly over a month of work in the Group, also tell you what has happened in recent weeks, what changes we have made, and also somewhat signal certain directions related to the work of the Management Board in the coming months. To begin with... you probably know us from the market, but briefly we want to introduce ourselves, as it were, and more to say that we are going back to such a way of presenting results, in which, in addition to the CEO of PZU SA and the Group, the people responsible for the most important business areas will also take part, which is why Jarek Mastalerz, who is responsible for the life business, is here with us. But he also joined the Group to bring such also competence related to work, management, cooperation with banks. I think that here this historical experience, almost, I think, six years in mBank will be a certain asset for us to somehow enhance our work and relations within the Capital Group, in addition to other insurance competencies. Of course, Tomasz Kulik, who has always been the face here for many years and the person who has presented the results, communicated with the market, is also here with us today. While making various changes, we would also like to maintain continuity in good areas, hence the three of us here. I also want to say two sentences about the logic and competence, areas of the people we also invited to work with us on the Management Board of PZU SA. It is very important that we have been joined by people with very strong market competence, precisely in insurance, who are also expected to bring experience and know-how on the big challenges facing the Group. I think I'll start with Ela Häuser, who will be, in PZU SA, but also within the Group, responsible for the whole area, I would say digital, also product issues, individual business. So that, I would say... elements related to pricing, to motor insurance. Because this is a big issue that we need to address very strongly indeed, this competence in the Group needs to be further strengthened, in addition to areas that are already quite strong. Bartek Grześkowiak, who will be responsible for corporate business, including oversight of our Mutual Insurance Company and such integration of these corporate areas within the entire Group, taking advantage of certain synergies, opportunities for action. Especially because he has had the

opportunity to work precisely in the insurance part in many companies in the Polish market, but also on the brokerage side. I think this knowledge will be very useful to us here. There is also Jan Zimowicz. He will bring an element of innovation, cooperation with multiagency networks, but also bancassurance issues. It's also such a big area that's not doing badly, you'll see it in the results, but which I think still raises huge potential in our relationship with banks within our Group, but not only. Because I think we will also want the model we are developing here to somehow present it or exist also on the Polish market with other banks, where we can also use our position as a Group. That first month, a little over a month, was a time of many organizational and such personnel changes. Also, we have made changes both at the level of PZU SA, PZU Life in business areas in the direction of, I would say, further professionalization of this team, but also changes in Group companies, the most important ones. And those changes, I can say... I would say, that essential part has already taken place, has come to an end. I think that here we will probably ... in such an institution it is always still alive, but we wanted to carry out certain things very quickly so that there would be a certain ... a certain stability in the organization, whatever that means. That's the element, you know, we're already sort of working with, and these essential staff changes have just been practically done already. The processes for electing management staff at the banks in which we are a shareholder are also probably underway. These are very transparent processes, also very confidential, so here I will not specifically comment on this topic. But they are, they are kind of happening, there are these... materials have been announced, they are in progress. I think what still lies ahead of us now, after these few weeks, is the Group has... not only is it a conglomerate, but internally on the insurance side it is a very complicated organization of many business lines. I think the most important thing now is to develop such an operational model. Because the one that has been so far I think... it seems to me... it seems to us already today that we have to put it all together a little differently. Different in the sense that to better address business responsibility for particular business units or business areas. So more not functional, but business-like, with an approach to full PML. We're going to work on that here, and that in the next few weeks, maybe two months, there will also be... this new model, such an operational one, with such final responsibility in particular areas for management board members. In addition to those I have mentioned directionally or at a high level of generality, this will happen in the near future, which we will also communicate to the public, you, somehow. This is to cause us to better utilize the Group's potential and to also address those areas that are somewhere challenging today, especially motor or health insurance. Communication side of profitability, and health when it comes to the operating model and growth in this topic. I would like, before I give the floor to Tomasz, who will take you through the results of the first quarter, to talk about some of the most important numbers, those figures we are publishing today. Sales after Q1, that's an almost 10% increase. It achieved... as insurance revenues, that is, almost PLN 7 billion. This growth mainly in non-communication segments in the corporate business, more than double-digit, this is also

what Tomasz will continue to talk about. This is very gratifying. What is challenging is the issue of growth and profitability in motor insurance, which is under great pressure from inflation, still low prices. Here I think we also see an area for improvement. We would like in this market... we would like here, however, to bring it to a situation where this is also a value-generating area in terms of the technical result. So this will be somewhat a process. I think also largely dependent on how the market will behave here, which is very competitive. But there are a few things on our side, using our strengths, our assets, our brand, our multibrand, because this is PZU, Link4... to address the needs of customers a little better here. But also in the claims process. There to show authentic value, which is the basis for customers to buy additional products within the communication or be able to pay a certain, adequate price. I think this is also where we have a lot of work to do. The Group's very strong capital position, that is, a solvency ratio of almost 230%. This is, I think you know, one of the higher ratios compared to our competitors or companies with whom we benchmark ourselves somewhere. It is a little lower than last year. This is due to the *higher* capital requirement. But it's also still high enough, large enough, that it's above a certain, I would say average, of such entities of ours to which we compare ourselves. The Management Board have proposed to share the profit with shareholders at PLN 4.34 per share, giving a dividend of around 8%. This is also very high. This recommendation will be the subject of a decision by the General Meeting. I know that the new supervisory board also agreed to this yesterday. So this is the topic for the coming weeks. Looking at it this way, what has contributed and what has happened in this, I would say... in this core business, we have seen some negative trends in Q1 related to the frequency of damage, the inflation of damage. So it can be seen here that the result from insurance, despite the large increase in non-traffic areas, nevertheless affected us a bit here too, like the entire market. I think this is more challenging. Not just ours, but the entire market. But thanks to this investment policy, this result here we managed to, as it were, supplement, *offset with* investment activity. Hence, as if toward insurance, it is a year-on-year increase. But indeed we also have a very positive and good contribution from the banks, which is not only, as it were, from its operations, on a business scale, but of course the macroeconomic situation, the high interest rate environment, has a very large effect on this. So this is important. An operating margin of almost 18% and a return on capital of more than 17% are also parameters that rank the PZU Group quite high, also showing great stability, financial position and financial stability, but also the ability to generate good results, good margins. What will indeed be a challenge for us at some point in the future is to measure ourselves, as it were, against the problems associated with the profitability of the insurance business. Especially given that this macroeconomic trend is more likely to be so, I would say, challenging for us. It seems that this period of high rates will now have a slightly different... different trajectory. On the other hand, we will have to manage this somehow here in the context of the overall result within the Group as well. I think that this core business, focus on core business will also be such a very important aspect. Well. Given such several areas that

we are working on now, organizational changes, personnel changes I was talking about, I think there is also such an important issue that we also want to use our position, our strength, to also do a little better in certain business areas where we are not yet as strong as we could be, to increase growth and our... work our top lines... these are primarily life insurance, especially individual life insurance. I think the Group, as you know, is a beneficiary of the results and in a strong position in the group insurance market. I think that in the individual business, given our current axis, our distribution strength as well, our also relationships with various external entities, which we also want to, as if to bring to a certain, I would say, level, such... adequate to our aspirations, provide some opportunities for additional growth here. The health insurance segment, this is also such an area that has a big challenge when it comes to the operating model. But there is also a large area for growth there. For growth, both on such an operational side, i.e., sales, and in general for growth of our presence on the maintenance and service side. Here I think that internal integration will allow us to drive a little better financial performance, but will also give a better basis for the final product to be offered and be able to compete with companies that today in the health market, subscription market, however we define it, have a far stronger position. Here I think there is still a lot for us to do. I also think that this third quarter, it will also be a time of such closer look at our... and some actions related to optimization of also cost areas. Rather, I would even say, look for certain optimizations in the context of also relocating, that is, investing in such areas that offer growth opportunities and meet these challenges, both in communications and health. So that here, too, is the topic that will be before us. Perhaps most importantly, as you know, this year marks the end of the strategy that was still adopted by the previous management board. In contrast, we are already in the process of working on a new strategy. We've already started some activities, and around Q3, Q4, in fact after the results of Q3, in Q4, we would like to announce this strategy, which will include all those important things that... the challenges that we face. This is both a matter of just the operating model. This I think will happen a little earlier. We're not going to wait until April... until Q4, sorry, to do that. On the other hand, many areas of some interest will also be identified in this strategy. I am thinking here of both a better operating model, cooperation and the use of synergies within the Group, i.e. cooperation mainly with banks. Such true bancassurance and assurbanking. Here I think all of us too... whether I, or Jarek, or the team can bring a lot of experience from other organizations. It will also be important for this to take place in a very good dialogue here with the management boards of the banks, which will probably be elected in some... in a while. So it's important to work it out. Of course, there we will also talk about the topic, think about our approach in general and the issue of addressing the topic related to the management of just within the Group of banks. We would like to approach this topic very calmly, as if to consider here, the way and modus operandi in the future, which will also generate value for our company in the first place. It's very important that these business elements, that is, value generation, will be the main element in this conversation we're having about how to put it together well. It will also

be within the strategy that this area is addressed. There are simply a few areas within the Group that we need to think about as well. Because it's not just banks, it's also a matter of Investment Fund Companies, and there are several of them. It is also worth thinking about this topic here, how this business will continue. So here it is, sort of a couple of broader themes. Not to mention the insurance issue, namely PZU SA, PZU Życie and Link4. Here, too, I think there are quite a few such areas to be so, I would say, reviewed and arranged, so that it contributes well to the bottom line as well as to the top line. So these are I think the topics ahead of us. I have already talked about the dividend, so you already see this topic. On the other hand, also, as if this is confirmed... the stable rating that the company has is also a consequence of the results, but also I think the operating model and the capital position, the financial position of the PZU Group. OK. Now I'm giving the floor to Tomasz.

### **Tomasz Kulik**

Thank you, of course. We will try to get through this part quickly as much as possible and leave more time for questions. I assume that there will be quite a few of them. We're starting this section with the property market, as usual. The important news is that after strong gains in the fourth quarter of last year, where our market position measured by written premium in the Polish market rose to 33%, the first quarter was influenced by strong gains, 11% year-on-year. What is particularly significant is that these are increases that are created mainly in the non-communication area, relative to the peer group, almost 22% growth, so this makes us happy. Due to the fact that these are, as you know, somewhat more predictable products and also managed from the point of view of profitability and contribution to the consolidated result. As for those products that grew, they are primarily fire and other property damage insurance, construction and installation insurance, general liability, marine and inland CASCO. As for communication, on the other hand, here the results are indeed lower. What is all the time this driving force when it comes to sales is Own Damage insurance with a growth rate of 6.4. Also with improving saturation of civil liability insurance portfolio, Own Damage policies. This is another piece of good information. So today we can say that after a solid second... second half of last year, Q1 marks a very strong start, which will affect the structure and dynamics of insurance revenues. As for activities in the product layer, we don't often talk about it, while this time I would like to take two moments to discuss this product, introduced this quarter. A product that aims to change a bit the way we think about motor insurance, where we only think about it through the prism of price, quasi tax and so on. This time we would like to highlight the additional values that we can additionally have under our PZU Auto policy while being in the PZU Group. The new Auto Maintenance option, breakdown assistance during the insurance period, towing, labor coverage, car repair, replacement vehicle, these are the things that make us want to think about motor insurance, and we would like our customers to start thinking about

it as an additional value where there is something more beyond the price. Especially, too, given the age structure of vehicles in our market. As you are well aware, this is about 13 years today. All the more good to have such an option in the portfolio. In terms of life insurance, the fourth quarter of last year showed fairly solid increases in terms of regular premiums - 7.4%. On the other hand, mainly dynamics were observed in the fifth group, or additions. There, the market generated an additional approximately 200 million in premiums. The small segment grew more than 10%. In contrast, the complete opposite situation occurred in the single premium market, where both protection and investments with negative growth rates, and the entire fourth quarter in single premium products, more than 20% year-on-year decline. Against this background, we can say, we are growing in every dimension when it comes to group and individually continued insurance. 4% growth. First and foremost, upselling, the development of the health insurance portfolio, the high premium inflows to PPE, were the things that affected the dynamics. On the individual insurance side, growth rates even higher in double digits, 11%. Development of sales in own channels when it comes to individual-protection insurance. There these dynamics of 17-18%. A big upturn in sales when it comes to the segment or banking channel, where both in protection and investment quite strong gains. We started last year working with a new entity in this banking channel, Velo Bank. Here, our core product, the SPE, which is in high demand by customers all the time. When it comes to life products, we highlight two solutions. Flexible product. As the name says, a very flexible approach to the scope of the package, the sum insured, the premium and, above all, in selected packages, the possibility of lifetime protection. This is something that distinguishes us from others in the market today. On the other hand, the prospect of a future hybrid product. On the one hand, high security in case of death, on the other hand, regular capital building for the future. Three formats that differ from each other in their risk profile and investment strategy, combined with a guarantee when it comes to capital protection. Again, this is something we feel will distinguish us from our competitors. These are products that are quite popular today in terms of sales. In the Health pillar, another quarter under great pressure in terms of cost increases, which makes us pay all the more attention to improving maintenance and to handle as much traffic as possible either through remote channels or in our own facilities. Increase in traffic at own facilities. We are constantly working on the scale, when it comes to discussing the online visit, telemedicine consultations, this is something that year after year we have improved our statistics, which in the end translate into the average price of a medical procedure, which is very important considering medical inflation. As for scale at the end of the first quarter - 3,460 thousand contracts. Growth measured by revenue of more than 20%. As in the previous areas of Assets and Life, individual packages, even more emphasis on this highly tailored to the needs of each of us, which are super different offer and the ability to shape it. In terms of assets under management, high gains, both in light of the inflow of new funds. Our share of the new capital that flowed into the funds, I will remind you, almost 13 billion, that is almost 12%.

Therefore, not only the change in position resulting from asset valuation, but also a fairly active participation in new sales. This brings us very close, year-on-year, to the strategic target. Let me remind you, this is PLN 60 billion. Today we report 57 billion on a strongly upward trajectory. Increases on our IFC side 38%, on the banking side 33%. This is also that area of potential synergies that the CEO mentioned. PPK assets at the end of the first quarter more than 5 billion, high growth rates, solid second place as far as this segment is concerned. Bankassurance, assurbanking,... what we're looking at is first and foremost high sales growth as measured by premium, 40% year on year. In our own banking channels, i.e. in cooperation with Pekao and Alior respectively, this growth is 20%. But we take it rather as information that further... there is further room for greater returns. All this today under the influence of two pieces of information. The first is the need to comply with the new revised recommendations when it comes to Recommendation *U*, that is, distribution and how the value for the customer in products distributed in the banking channel should be recognized. This is quite a change. Despite this, very significant increases. In a market that, unlike last year, is showing strong growth in demand for banking services, to which our products are as complementary as possible. What does this mean in terms of performance after Q1? First and foremost, gross insurance revenues, up nearly 10% year-on-year. This is, as I said, the resultant primarily of a very strong second half of last year, as well as the first quarter of this year, which translates precisely into this new measure of insurance revenues. Increases, the CEO said, primarily in the channel or corporate segment, in non-motor products. Here very high increases. We will talk more about this in a moment. As for the life segment, these increases slightly lower - 6.8%, under a strong, very positive product and individual product sales development. As for foreign insurance, double-digit increases, almost 12%, with decreases, minor adjustments when it comes to the Ukrainian market. We all know, especially on the Ukraine Life side. Given the growing share of the portfolio of non-motor contracts, especially corporate, also the increase in reinsurance costs, therefore slightly lower growth in net income after reinsurance premium allocation. The cost of insurance services this time under heavy pressure to increase frequency in motor products. What we told you about when we published the results for the full year 2023, January and February, were frequency dynamics in double digits. March normalized this, while April again returned to these high frequencies, which translates into profitability in motor products, given how the price behaves at the same time. I'll talk about it more extensively in a moment. As for life insurance, on the other hand, here is an improvement in profitability. What we are seeing are lower death rates. We are practically at the point as far as the last such representative period is concerned, that is, 2017 and 2019, this pre-pandemic period. Which year-on-year translates into higher margins for death risks. They are partly under pressure from what is happening in terms of health insurance. We closed the first quarter with a slight decrease in the result from insurance services. This is up 69 million from the first quarter of last year. Taking into account additional net financing income, placement income on surplus portfolios and

year-on-year declining expenses in other business areas, we closed Q1 at non-banks at 757 million. A gain of less than 3%. Taking into account the rather large contribution of the banking segment, we closed the year-on-year net result attributable to owners of the parent at 1,254 million. This is an increase of 9 percentage points over last year. What was happening in each segment? As for the mass segment, big increases in revenue. Revenues mainly in Own Damage double digits, almost 13%. Non-motor 5.3%. This is correlated with fairly strong dynamics in the new car registration market. I will just remind you that new car registrations, these are dynamics of more than 20% year-on-year when it comes to used car registrations. That's up more than 25% compared to Q1. Consequently, there is a lot going on in this market. Unfortunately, this market is not growing proportionally in terms of scale to price. This is our challenge, which can also be seen through the prism of rising indemnity. With a fairly stable loss component, which is good news insofar as it shows a rather interesting distribution of margins in the portfolio, which do not depreciate in proportion to the increase in scale. This is quite interesting pattern that shows that, in principle, this is a healthy portfolio from which to generate value. As for costs, they are increasing. The main areas of cost, which affects all segments, are personnel costs, in the context of fairly high salary inflation when it comes to the economy as a whole, but also when it comes to the financial services segment. Double-digit increases - 12%, 13%. There are also areas such as banks, for example, where personnel costs are rising even faster. These personnel costs are important for the reasons the CEO has mentioned. We care about creating attractive jobs and that the people we work with help us build value at PZU. We must, for this to happen, guarantee them an attractive, inspiring environment. For these reasons, the segment's operating profit fell by more than 40% year-on-year. The situation, as I mentioned, shaped largely by the behavior in the market for motor products. As you can see, in Own Damage sector after a period where the average price due to the value of the object of insurance was growing year-on-year with a double-digit growth rate of 11-12%, we are in the regions of about 4%. These are *PIU* data, not yet the full portfolio confirmed by the FSC. As far as civil liability policies are concerned, such... very small price changes from quarter to quarter in the range of 3-3.5%, with a significant change in the number of traffic accidents, the frequency of incidents. These are statistics published and also reported by the police, therefore, it is not the behavior of our portfolio. This is how police today also report traffic incidents. In the context of our greater mobility, perhaps changing work patterns, falling prices when it comes to fuel and the fact that we are increasingly using private transportation. As for the corporate segment, as we mentioned at the beginning, very large increases, almost 18%. Mainly non-motor and Own Damage policies. With disproportionate... with disproportionate increases in the cost of insurance services, which in turn translates into more than 40% growth when it comes to the operating result generated in this segment. What is interesting is the improvement in margins, combined (ns 00:36:53) at 77. Down from 83 at the end of the first quarter of last year. It can be said that despite the difficult situation in the motor insurance



sector, only slight deterioration in the motor sector, significant improvement in the non-motor insurance sector. Group individual insurance continued, increases of almost 6%, while these increases disproportionately allocated to costs and to that value of contract margin that is recognized in subsequent periods. Consequently, these revenues mainly to cover expected future costs, which can also be seen through the prism of the cost of insurance services, which, although growing modestly, show quite a large increase when it comes to this component of the loss. It is growing in the first quarter due to the renewal of the old portfolio, with relatively lower premiums, which is in a situation of fairly high inflationary pressure. On the other hand, high increases in terms of frequency in health risks. Plus... some pressure related to how we, today, can transfer these additional increases and utilization of medical benefits to our end customers. Despite this difficult situation, thanks to what is happening in terms of mortality, the operating result is growing, more than 23%, the margin more than 2 percentage points. This is how it looks, statistically speaking. As you can see, compared to the first quarter of last year, the mortality rate below. We are at the level of the first quarter of 2019. This is very good information. So that we returned. It can be said that this pandemic cycle seems to be closing in this way somehow. The question is what will happen to the health debt, to what extent we will face it. For now, we are the year-to-year beneficiary of this situation. The positive contribution of lower deaths to profitability and claims in this segment of 3.8%, under slight pressure when it comes to health products, which pull claims up by less than a percentage point. As for individual protection insurance, the high dynamics we have been talking about, with relatively similar increases when it comes to the cost of insurance services, translate into margin increases of 16% year-on-year. What is important is that we are building value in PZU all the time. The contract margin, the carrying value, in both the group individual continuing and individual protection insurance segments, is increasing relative to the opening balance, both in terms of new sales and sales to the portfolio, which can be seen in this part of the variance. Therefore, not much, but nevertheless increases that will be recognized in future periods from the point of view of depreciation and the release of this CSM to the result. Investment result growing steadily. Secure portfolio structure. All the time, debt instruments, this will not change, will make up the lion's share of this portfolio, 84% at the end of Q1, with Treasury debt above 60%. The yield on this portfolio today, is 5.5%. First of all, higher interest income in the context of rather large purchases at the end of last year, in the first quarter of this one, when it comes to government bonds with high relative yields. On the other hand, improved performance in equities, both in terms of index strategies, private equity, but also in the health market and our investments in entities in this market, which contributed very positively in Q1, closing this asset class with fairly large year-on-year gains. As for the result on real estate, slightly lower than last year at this time, due to a lower proportion of swap points, to the Q1 result. We have already talked about the level of solvency. I will just point out one thing. This is the solvency level in line with our report on... the consolidated SFCR report, in which I will remind you, the

dividend level was assumed at the possible maximum level, which is 80%. We know what a recommendation looks like. If this were scaled up to PLN 4.34 per share, respectively, this solvency level at the end of last year would be even higher by 6 percentage points. Therefore, against the background of the peer group, we would look even better. I'm not saying that from the point of view of this relationship, but from the point of view that all the time this group can shape strategy and ideas for the future in quite such a bold way regarding how and from which profit pools it will generate value. Anticipating questions about the standalone result and what about the dividend next year, after all, PZU SA's standalone result is barely at 30% of what it was last year at this time, I point out the specifics of investment income when it comes to subsidiaries. The specifics of the valuation method, the equity valuation, which caused this item to contribute quite heavily to the standalone result last year, due to the fact that we were below the acquisition valuation for some time in terms of our banking assets. At the end of last year, this gap was closed, and therefore, as you can see, a different distribution over time and other titles when it comes to the contribution of these three companies to PZU SA's standalone result. This time it's not valuations anymore, but dividends received from both banks and PZU Life, which will be higher year-on-year by about PLN 250 million. We close this quarter in terms of strategy execution at a rather interesting point. From the standpoint of gross insurance revenues, we are exactly ¼. As for the Health pillar, above, which is the rationale for thinking even harder about revenue from this pillar. There is such a space. This is the space to seize. Year-on-year change of more than 20%. We have talked about the result, there is probably no point in repeating the same thing five times. On the other hand, I point out that despite a slight decline - 1.7 percentage points on return on equity, those adjusted in accordance with MSSR 17, significantly above the strategic target and quite strongly against the peer group. This is where I would end. I am giving the floor to Mr. President.

## **Artur Olech**

Thank you Tomek here for the presentation of financial results. Ladies and Gentlemen, as I said at the beginning, and I would still like to close this with a certain buckle. The first quarter results are, of course, very good, influenced by a number of factors related to such elements, I would say, strictly insurance, where... especially in the corporate sense, we were able to generate some value, including growth in profitable business. This can indeed be seen in these Q1 results. The second thing is that, indeed, the economic environment also allowed us to realize very good investment results, so the banks' contribution here is not insignificant. I would just like to say that these good, very good results also do not obscure the challenges we face, which go both from this side of the macro and especially in the core business there are a lot of things to do and to improve here. They are not all that easy. Some require a little more time. But we have already begun to address these areas. I'm talking especially

about the area of motor insurance, where, of course, in a very competitive market we have to, here, sort of find our place. But somewhere probably from this side, I would say sales processes, but especially the elimination of benefits, somewhere we would see building some value on customers that will allow for better monetization of this in sales processes, in ancillary products to sales, but also in the motor product itself. I think it is very important that these good results do not obscure these challenges for us here somewhere, which we are absolutely aware of and here full of enthusiasm we want to address these areas. Many important and difficult topics that are facing... that are facing the company, which I know you will probably ask about, you will have to be a little patient, because we will address them only in this strategic material. Where we see areas really for growth is this area of actually additionally still relationships with banks and also, sort of... using this model also outside the Group in Poland. One important thing we all see here. Poland is the fifth economy in the European Union, but the level of insurance penetration has been even declining for many years. This is only 2.5%. This is about one-third of what the European average is. There it is 8%. Not to mention countries that have 12-15%. So it seems to me that here is also a huge challenge for us as a company that is in some sense, let's say, a market leader, that can set some standards, that can have some dialogue, I would say, within the industry, but also with the regulator. There are probably many areas where it is worthwhile for Poles to be persuaded to buy insurance products, because with this comes the transfer of risk, in fact, from the treasury to the private sector, which we should also be the beneficiary of, as a very important player and leader in many business areas. So here, too, we see a lot of things to get going in Poland, both product-wise and also maybe even in certain geographies multiproduct-wise, multi-brand-wise. So this is something that we will definitely want to prepare and implement in the coming months, which will somehow be systematized in this way, shown in the strategy that we will present in Q4. I think that's it from our side. There will probably be some questions.

### **Magdalena Komaracka**

Thank you Mr. President. Feel free to ask questions. Maybe first out of the room, if any. We have a few questions from the Internet, but that may be in a moment.

### **Jarek**

Jarek (ns 00:49:30), PKO BP. A few questions from me. The first, such a standard one, is about prices in motor insurance. We can see... you showed how they were shaping up in Q1. Can you say anything more about April, May already? In particular, as we see that damage frequencies are actually accelerating rather than slowing down.

## **Tomasz Kulik**

I think they are speeding up is a slight exaggeration. They probably, that's how we're starting to think about them, that I think we're dealing with a slightly different trend than the one that shaped these frequencies over the last few years. As you can see, the price does not follow. Let me just remind you that in terms of the price change, we tried to set the tone for the market in terms of entering this new price cycle as recently as last year. This was not met with such a strong follow-up. We can't do things irresponsibly. That is, on the one hand there is this prism of price, on the other hand there is the long-term relationship with the customer, and that is what we care about. On the third hand, this is something we are trying to think about differently and translate this thinking to our customers, that PZU Auto insurance, is not just a quasi-tax. Therefore, these new solutions, which especially, as I said earlier, given the average age of a vehicle in Poland, should enjoy additional interest and should translate into value building. Whether we're talking about what the situation is in net Civil Liability policy, in net Own Damage policy, in the end how we buy a policy, nobody cares what the premium allocation is between Civil Liability, Own Damage, PZU Auto, whatever, just what the price to pay is. Consequently, this is important. We want to be a leader when it comes to value for money. But that doesn't mean the lowest price for Civil Liability insurance.

## **Artur Olech**

I might just add to what Tomasz has said. These market data are not there yet, but some trend, I can say, we see after Q1. I think the data will probably only be presented soon. On the other hand, I think that just as in banking the moment of truth is payment, in insurance the moment of truth is not the sale but the loss adjustment, even someone else's loss. If here we can find some... we will try to show this even better to the customer, then I think this is an opportunity for monetization, then in sales processes. Because then if it's actual value, the speed of the process, the amount of the benefit, then... such transparency, then customers will be willing to pay a higher premium for it. From this side. When it comes to the sales process, this is a very competitive market that is subject to certain rules. But I think that here ... I'm quite optimistic about what's going to happen.

## **Jarek**

The second question is about the investment result, the interest portion on the debt portfolio. It seems to me that it is lower quarter-on-quarter, which somewhat contradicts what you've said about the new

portfolio, high yields. What causes this decline?

**Tomasz Kulik**

I'll already try... the interest result is... lower, you say?

**Jarek**

Quarter to quarter.

**Tomasz Kulik**

That is, which one to which one? Pardon?

**Jarek**

I to IV.

**Tomasz Kulik**

Ah, OK. What is the reason for this? This is due, on the one hand, also under what strategies and to protect what... what strategies, let's just distinguish between the two. One, this is a strategy whose main purpose is to protect liabilities, and here, despite the fact that we are buying in at a fairly attractive yield, any short-term fluctuations in the case of AFS strategies are recognized as excess capital, which is also, as you have seen, in line with what happens with our ROE quarter-on-quarter or year-on-year, which generally falls 2 percentage points when earnings increase. It's a matter of changes on the capital side and the fact that as much as our instruments are overvalued, as much as... overvalued to the upside, there's a pretty big increase when it comes to the valuation of bank assets going through the balance sheet. So it's partly a matter of strategy and how and where their result is put down. So relative to the previous quarter, Q4... here I wasn't sure which previous quarter we were talking about. On the other hand, what has happened over the course of this time, we have managed to do mainly two things. In those portfolios that are valued at amortized cost, we have extended the duration on average by... in the case of PZU SA by a year and a half. That's 8+ today. In the case of Life by more than a year. This is less than eight years. Considering at what point in time they were bought, we will be the beneficiary of these rising interest rates. On the other hand, compared to Q4, perhaps there is actually a slight

difference there. But that's just the way you are looking at it.

**Man**

Question about capitals and dividends. 235, is a pretty high level. The dividend is also nominally high, but as a percentage of consolidated profit probably a bit below such a long-term average for the Group. In particular, you show that even if you paid 80%, the ratio would also be very high. What is the reason for such a bit more restraint with this payment, however?

**Tomasz Kulik**

I think that this question should be answered and thought of in general as follows. What we used to tell you about, nothing has changed. That is, we are keen that our shareholders should be the beneficiaries not only of attractive dividends, but also of growing dividends. Therefore, we may have to deal with the following distribution of it. At a point such as, say, 2023, the distribution in the fourth, when the FSC said what it said, make a candle, and then shorten heavily, well, because it is known that then it would be rather impossible to maintain this level. This is also in the context of PZU SA's standalone result. So that's one thing. The second thing is to think about further increases all the time in the way that the CEO talked about. That is, looking proactively for what we can use, where we can be with our, let's say, next PZU Health, in terms of a new... new market and place to create value for the Group a year from now. And this, too, will require capital. Especially if we thought about it in a way other than organic growth. So wanting to maintain an upward trend, wanting to maintain a high yield, this decision was dictated by that. I can only add that if you look at how our peer group distributes results in the form of dividends, this payout (ns 00:59:25) is at about 60%. If we look at the dividend yields of our reference companies, which are large insurance groups, this yield is slightly lower. Of course, it is also a function of what the feet look like, right, in the Polish market, what it looks like (ns 00:59:45) and so on and so forth. Therefore, yes, there this relationship is preserved. But all the time we think that given the way the big ones behave, given the way they think about such (ns 01:00:00) when it comes to building value and the fact that we are about to talk to you about a new strategy, well, I think it would be irresponsible in this context to pay the maximum possible dividend today, which would significantly exceed 100% of PZU SA's standalone result, and then lead to a situation where interest in the whole Group would decline.

**Artur Olech**

Just to add, as you did ... to what Tomasz has said. We, too, are in the process of change and will be creating a strategy, including, of course, the dividend policy will be part of this strategy. So here, too, sort of going too far one way or the other I think could also be... it depends on how one would look at it, it would be perceived differently. It seems to me that this is the kind of equilibrium that we have proposed, given the situation and given also that we need to think about this topic too... also in the context of potential growth, acquisitions or challenges that we face, including challenges related to the capital requirement, which may also change significantly. So these are some factors that are still uncertain. It seems to me that here we tried to catch such, I would say, reasonable, with a positive element... surprise maybe not, but such a signal to the market.

**Man**

One last question from me. Regarding strategy and the banking segment. Will these analyses on the role of banks also go into the Group structure? However, it is an unusual construction that an insurance entity is a shareholder of *banks*.

**Jaroslav Mastalerz**

I'll answer this question. You are aware that we do not have the opportunity in this format, at this meeting, to provide any information that could in any way affect the share price of Pekao SA and Alior. Therefore, we cannot even share with you such information as to what scenarios we could analyze. We will leave that to you now. You know the requirements, right, in which we operate. You also cover Pekao SA, at least some of you, as I look at it, and Alior. So even information that we are considering a scenario or analyzing something is information that could significantly affect the share price. Therefore, we will not be able to answer such detailed questions. What we can say, well, what you said is that this is a rather unusual, sort of structure. As a now passerby, I'll play a bit of market expert. This is an unusual enough design. She arose as she did. The circumstances of the creation, you follow the history of PZU for a long time, there was some. We, in the strategy that we will publish in the fourth quarter, will address our vision of how to manage and operate as a financial conglomerate. As I said, both now, but also in this strategy, don't expect a great deal of detail, because that would significantly affect the share price of one company or the other right away. I think you would get information here, and there you would come right back that we are sharing some information, thoughts. Even information that we are thinking about something, as you know, could significantly affect the course.

**Artur Olech**

On the other hand, we certainly need to address the issue of a better operating model, synergy, cooperation. It's 100%. Here I think... despite what Tomasz has showed, here are nice increases, some 20% there and so on, great. But I think that especially in such standalone products, where there is traffic, where there are customers... I think that here we are able to do a lot of things still, even using certain... or product lines, or brands, or... you also have to understand very strongly the logic of the bank, which is a little different from the point of view of offering the product to the customer. Here, we will certainly act in this area... act operationally as well. This will also be part of the strategy. Because we absolutely see this area of business as a big room for development. But of course, this capital topic must also be considered about what... for natural reasons.

### **Jaroslav Mastalerz**

I would also add to what the CEO has just said, of course we will strive to make the synergies greater. But, of course, this will be done with absolute adherence to even... very strong adherence (ns 01:05:00) to this type of transaction. Well, because of course you know that minority shareholders simply do not overlap in these three institutions. As such, it must always be something that is mutually beneficial to both organizations.

### **Woman**

Going back to insurance issues. A question about your expectations and what is happening in the market right now in terms of motor insurance prices. They are growing. However, this dynamic is so, I would say, strenuous, I apologize for using such a word, in the context of what the technical result might look like, especially with your competitors. I no longer ask what has happened, because we have that on the chart. Thank you for your presentation. But the question is about where you see any inflection points? Is it already the case that your competitors have saturated themselves with their price increases, or do we have a chance that still here price increases may even accelerate in their dynamics?

### **Artur Olech**

From such a purely technical point of view, as you look at it, these price increases are what we have seen here. We don't have Q1 data yet, but it seems that they are probably a bit higher, significantly higher than what we show here. So this is a trend, somewhere we hear it from the market, we see it too. On the other hand, as I say, this is quite a highly competitive market, which is governed by its own



laws. But it seems to me, I'll say it again, that... this is certainly still a big area for some challenge to the market as a whole. Damage inflation has been in double digits for the past two years. This can be seen in the results already. For them to change, to turn around these results, well, I think we need several quarters. What we do today... this business that we sell today will perform in the next year. This we will see perhaps some effect, right, at the end of the year, in the first quarter of next year only. What is there this year is still a consequence of policy sales, sort of like last year's portfolio to a large extent. This is the nature of the business. So I'm also saying, on our side... I would like this conversation or approach to motor insurance pricing... it can't be done in isolation from motor insurance, such sense of the word... with the market, with the customer about this value that we deliver, which is the claims process. It is a matter of fulfilling directives, the speed of the process. I think there will be more room for some increases or convincing customers to pay more for insurance. I don't know... I'm not going to tell you how much I would like or what it should look like...

**Woman**

No. I'm asking whether you still see, as it were, room for this, given exactly the current market trends and the fact that these insurers will have to generate and produce in the coming months the business they need to pay for themselves. I am asking more about the market than about your ... philosophy of PZU.

**Artur Olech**

I think that an unprofitable market as such is bad for no one.

**Woman**

OK.

**Artur Olech**

And I think this awareness is probably... I hope it's in the market.

**Woman**

And moving on to the Life segment, where, after a long time, dynamics have also accelerated in group

insurance individually continued... I am not asking here about individual premiums. I read somewhere that it is a matter of price increases in Health. And now, is this the beginning of the repricing of your portfolio? Was this a one-time adjustment? And here, can we sort of count on these dynamics accelerating permanently?

### **Jaroslav Mastalerz**

I will say frankly that of course I understand that we are looking at PZU Life solo, then we are also looking a little bit at such a very *PML* shot. I come from the school that the value... such an old school, that the value of a life insurance company, is the value of its portfolio, plus net asset value, plus whatever value we say, the ability to generate (ns 01:10:10). Therefore, I will say frankly, from such a purely short-term point of view, well, what you see today is that we enter into these contracts, which of course you can say that they are entered into... and they give the possibility of repricing, every year, so they are short-term, because you can, I don't know, resign there and so on, well, we look at it as the value of a long-term contract. As we once said that this contract that we sell has a certain new business value, a certain profitability of this new business value. And now what you see is our (ns 01:10:52) pricing to the margins we set up. And now we actually have health cost inflation. It is even higher than normal inflation. You know how inflation is structured. Inflation of health services, this is once the cost of people, with very high qualifications. Medical personnel today in Poland were relatively cheap. There was a very large dissensus between what we paid, especially, I don't know, in the simplest medical services, that is, today the salary of a specialist in internal medicine, or the salary of a nurse, versus... and the average salary is starting to come up despite everything... it is still far from European standards, but it is coming up. And now, as a result, well we respond to this inflation by raising the price. The market is also raising prices. It's not like we have rising costs here today, and Luxmed, as if that cost base... or EnelMed that cost base doesn't see that increase either. Today, the health insurance market is still a market where supply is insufficient relative to demand. So the space for these increases is there. I'm not saying that there ... it's not a price-competitive market, because of course companies compete. But you have three large entities, including us. And these entities, in spite of everything we are observing, so that... they may not be increasing margins, but they are actually gradually shifting costs to price. You see the same thing in motor insurance. Of course, there is some inertia that the prices of car parts or mechanics' labor have risen before they translate into this product or Civil Liability or Own Damage. In Health, it's similar, although what we're seeing and these price increases we're making, it's a process that if inflation continues... it's more of an ongoing process to maintain the assumed margins, such as we had when we wrote this business. That is, to maintain this value of the new business or this portfolio, which the CEO presents to you at the contract margin here. For us, from your point of view, the valuation

of the Life company solo is the discounted value of our portfolio, plus, as I said, our sales capacity to generate all the time growth in that portfolio. And, of course, what we have in net asset value, well, because it's known that it's liquid money, so... it makes me laugh sometimes, that precisely in the case of life companies, you can see it very nicely, especially in the common law market, because there were such cases where a company came, sold the portfolio, sold the network, pulled out the capital, because such things happened there too. One can nicely see that this is not just a purely theoretical formula. I know that in continental Europe, it was too much of this type of transaction. But you can really see that it's not just IFRS reporting and so on and so forth. Only indeed these components as such are at some point, if one chooses, detachable, sellable, and they indeed have such a market value. And we here, of course, will convince you all the time, because a little bit, the way I look at it... if we were looking at the extracted assets of the Life Company alone... of course, it's hard... you make these analyses. It seems to me that compared to similar companies in Continental Europe, here we have a little bit (ns 01:14:39) compared to what you and your organizations or analysts elsewhere see the value of this type of asset. Anyway, we will talk about it, here Tomasz will certainly point out to you many times here, and we will also convince you that the value of Life also solo in your analysis could be... I don't want to say higher, because you decide, right. But we will argue that it may also be worth paying attention to the various things we are doing here that will very significantly affect both the value of the portfolio and our ability to generate particularly new business. Well, because this is the valuation of how much our network is worth, how much it generates.

## **Woman**

Good morning. I wish to ask one question about the cost of the fact that the CEO says you are looking at costs. The question is, in which areas do you see an opportunity to cut these costs?

## **Artur Olech**

I think here are a few areas that we will be looking at. The issue is, we think, a certain... certain areas, I would say, of process, back office, and better use of certain synergies. And at the same time, invest these funds in such areas that will generate growth and new business. So here... I think we're going to look at it more cross-sectionally. Maybe there are some functions that we don't have to do ourselves, something we can outsource, so it's worth looking at that too. Of course, here... I think there are also such non-business functions that somewhere within the Group are quite up to now, as if they were functioning. Here are several such areas. If we catch between the companies... I leave the banks aside, because it's a little different kind of synergy, what Jarek also said, here looking for some common things,

business things for growth. It's within the... PZU Group itself, PZU SA, PZU Life, Mutual Insurance Company, Link4, then I think some things are also duplicated somewhere. This can certainly be done much more efficiently. On the other hand, we also need, we want to attract here to the company, because here is the challenge, here is the decision-making, here is the opportunity to influence real things, also to attract talents... people to the company who in such difficult areas, very demanding expertise would be useful to us. I think that supplementing this with the team that is here... to the team that is, will result in such a very cool, very good mix or group of people who will be able to deal with these things that lie ahead of us. Mainly in the area of pressing, process products, perhaps also technology. So these are such ... there is no single area here. I think there are a few.

### **Magdalena Komaracka**

Do we have any more questions from the floor? In that case, I'll read some of the questions we received online. Here is one question about motor insurance. We've already talked about pricing, but here is still the question of which way the combine (ns 01:18:23) of our business should move and whether... a little bit from a different perspective, yes. And if claims continue to rise, will we, as PZU, have already made price increases effective?

### **Artur Olech**

Well, I'll put it this way. Certainly, this result that we have on these lines of communication, because as a whole I think it's a pretty good result, these 90% combine (ns 01:18:52). On the other hand, the one we generate just in the area of motor insurance is, I think, far from our satisfaction. So here it requires some action on our side, as I said. Certainly, to do that, then we need to find a way to grow profitably. I mean, the kind of growth that is just market share... at the expense of margin, at the expense of... that's not a good way to go. Not good for the short run or the long run either. We would like to somehow here I think approach this topic a little differently. There are some segments paradoxically that PZU does not have in the main channels, somewhere digital. I think these are customers who pay higher premiums, not necessarily low premiums, and are looking for a good deal on the side of also process, convenience. So there are still a few areas. On the other hand, I think also the market seeing what happened, what is happening... what is also happening in the market, we have signals of companies that more or less responsibly conducted their pricing policy. This ends badly in everything. I hope the market will take this into account. And we think we will find ourselves in this market.

### **Magdalena Komaracka**

There are a few more questions about our mergers, acquisitions. The first question is from brokerage mBank. Will you be looking for overseas expansion? How do you see the future of your Baltic and Ukrainian companies?

**Artur Olech**

When it comes to these M&A issues and growing outside of Poland in general, you will also have to be a little patient. It's also only around this strategy, that is, after... late Q3/early Q4. Which doesn't change the fact that if something significant, interesting came up, given our capital position as well, we could probably look at such projects. The second thing is very important, so to speak, in principle, there are different ways to enter foreign markets. It is possible to enter in an M&A formula, but insurance also allows you to enter with a process, with a product, not necessarily through an immediate capital entry, which can then be a consequence, right. You can enter this market in a different formula, be present on it. We, too, will try to consider such projects, where we can offer something that is a certain advantage of the Polish market, namely a very good sales process, relatively advanced (ns 01:21:30) for Europe in mass insurance. Here are a few things we will try to look at. They do not necessarily involve large capital investments straight away. The investment can follow. Thirdly, then I want to say that we still have a lot of work to do in the Polish market, and going abroad must be conscious when we know what we also want to offer, where we see these synergies, with what advantage... simply also going abroad cannot be a remedy to the problems of the local market. That if there is a problem in the local market, then I go abroad. Not this way. Here there is still a lot of work to be done. Having such operational excellence and a cool product, process, can be exhibited. Thirdly, finally, and this goes for the Baltic countries and so on, it is also a matter of building or establishing an organizational culture of foreign business management. Not only on a corporate basis, but also integrating them into our processes, which is a little different. So here I think we'll also be working on this... we're trying to work it out on the example of our Baltic or Ukrainian operations, also such a model... a slightly better model of foreign business management on the part of PZU, that is, integrating them also into certain functions, certain processes, looking for synergies already here. Reporting issues, that's a whole lot of things yet to be done, in my opinion. Which will cause us to approach these acquisitions more consciously and being better prepared.

**Magdalena Komaracka**

Another question from brokerage mBank. Let me link to a similar question from HSBC. Are there areas

in the local market to grow through acquisitions and which business lines, if any, would be of interest to PZU? Here we are talking about the local market.

### **Artur Olech**

There has already been some discussion of this. I think that here the whole area of health is such a completely new territory. But paradoxically, I also think that also reaching such a local Poland a little bit with other products, where we already are, but also with life business, a little bit individual, will be our challenge. We have a very strong position in group insurance. We have a lot of customers. But these are products with fairly low sums insured, fairly low premiums. So here I think there is an area of such individual business. Anyway, Tomasz has showed this in part. This is an area for growth for sure. We also have on board people new to other companies like you, these businesses... I won't do any more advertising for colleagues, but these people are already with us to develop this business. Finally, also such an area, I would say, probably such a stronger being in digital channels, which are also changing. I think here in digital channels and in different relationships with such ecosystems, where there is customer transactionality. I say, bancassurance a little. But it doesn't have to be just bancassurance. These could be e-commerce topics, contextual insurance. PZU has the technology, it has great branding, it has... it can also get the talent of people who understand these ecosystems, which is what we would like to do. Here I think... I would like these strategic relationships that we have, I won't name them individually here, not to be a slogan, but to actually become... that's where you need concrete business. But it can be done. I think you just have to take the right people to do it, too.

### **Magdalena Komaracka**

Still a related question a bit from mBank. Is it possible to know more details about the concept of simplifying the structure?

### **Artur Olech**

I've already talked about this a bit. So in detail, I specifically would not and would prefer to discuss it internally. But so on the big one... kind of more strategic. In addition to the responsibility we have, the functional responsibility... someone is responsible for IT, someone there for sales... we need to reduce the complexity. On the other hand, inherently a comprehensive thing... to do it, you sometimes have to look at it a little differently. Because really the businesses, I don't know, health, corporate, civil liability and life, these are completely different areas. So we have to look at them a little differently, so more

*PML-like*. Then, too, at the level of not only the areas of the company, but perhaps the management board and top management, group these people around these areas a bit, so that they feel responsibility... not just for sales in all channels, but in a particular area. It involves sales, it involves pricing, it involves product, it involves service processes. So here rather in this direction we will try to... sort of reduce this complexity and focus people around business units. So that's where our thinking will go more. We may not do everything at once. Perhaps we'll do it so that we do some of the things in such areas that will give the most, are the most natural, and try to see how it works. Because such a company does not change... it changes in a certain process.

### **Jaroslav Mastalerz**

I would just add to what CEO Olech said, that this is our observation, from our first month at PZU, we are a management board that is willing to take responsibility. As a result, a great deal of the processes we have today are, even for a financial institution, relatively bureaucratic. These are indeed the kind of processes where, on the one hand, everything has been checked and so on, and the risk, to be honest, also that of the management board is also very limited. But on the other hand, there are processes that are terribly time-consuming, difficult for people who are trying to do anything. Therefore... no one can measure it, of course, but intuitively we know that they... are some kind of business loss that we have today. We just do fewer things because these people have to go through a lot of this bureaucracy... through bureaucracy. Of course, still being a responsible management, also working in many institutions that are also responsible and under supervision it seems to us that here... also with the help of people who are inside and who in general see what needs to be improved, just maybe they didn't have the space before to do this kind of thing, well we want to, kind of streamline also this organization by having strong people, we will have more delegation, more authority at the level of our broader managerial staff. And as a result, we believe that we will also be able to do more. As such, with resources involved.

### **Artur Olech**

Yes. One more thing to add. We had the opportunity, even in this month, to hold a lot of meetings. I won't say that we met with all the people, but with a very large part we had the opportunity to see it. I think there is also a mass of such internal entrepreneurship here, one in the good sense of the word. Because PZU also gives something that is already on the market sometimes very difficult. I mean, there is achievement here, right. Here, people can really influence these things, which then translate. So it seems to me that the release, such a focus on *PML* will cause a lot of this positive energy that is here

in this organization to also sort of release then on these things. When someone has influence, then he must take responsibility. You can't share responsibility without having an impact. We also want to give influence to these processes, more so, let's call it, no... not horizontally, but vertically. So here it will also be some kind of change that lies ahead. But I think it will bring a lot of good to the Group here.

### **Magdalena Komaracka**

Two more questions about the investment portfolio. First question from HSBC. Could we comment more on the allocation strategy, given the possible interest rate cuts?

### **Tomasz Kulik**

I am the one who will try to answer this question. Our allocation strategy will not change very significantly given the changes in our environment. Why? Because we are an insurance group. Unlike other entities, we have completely different decision-making capabilities, which are a direct result of what our liability portfolio looks like, for which the asset portfolio is such a natural hedge. Therefore, again, taking also into account the regulations in this area, we have to maintain an adequate portfolio to cover insurance liabilities. What is more, this portfolio must have a certain minimum profitability. If we are unable to generate it, problems arise. This portfolio must be adequately liquid. This portfolio must be allocated in the right asset classes, otherwise with increasing risk there is a haircut when it comes to coverage, and then capital requirements, and so on and so forth. And suddenly it's not 230, but 220, and things start to happen. Therefore, answering directly, the structure of the various asset classes in the portfolio will not change significantly, and we will not suddenly shift 80% into equities, because this is a short-term idea perhaps, which, in the event of a reversal of cycles or some fluctuations, will bring us to the brink of having to decide that we will have to cover the gap when it comes to the profitability of insurance products with PZU money. We will certainly consider how to optimize this portfolio, while I would probably put more weight here on growing in terms of scale. That is, so that perhaps with lower yields, but with increasing returns in absolute terms, we can be the beneficiary of a growing portfolio, which today for two companies, is more than PLN 50 billion. So that's the answer. Of course, within the framework of strategic asset allocation, we have certain forks within which we move these potentiometers a few percentage points to the left, to the right. But this is not and will not be a structural change.

### **Jarosław Mastalerz**



I'm just adding to what Tomasz has said, because as a person who is new here in life insurance... as you know, life insurance, this balance sheet is... I don't want to say that it's irrelevant in property matters, but in life it's ultra-relevant. I would just like to add that, at least from what I've had a chance to look at now, we have a very well-done asset liability matching, we have a well-matched modified duration, we have very nice yields versus technical rates on the liability side. So there you have that margin that you already have in your portfolio and the calculation here of these contractual profits, that it's hedged. There is of course a risk, you are financiers, so I won't tell you anything that will surprise you... there is of course a kind of small risk, well, because we have a certain group of liabilities over, say, these 10-20 years. So we are on a modified duration, of course (ns 01:34:09). We have a slight risk of curve distortion (ns 01:34:17). Yet, it happens... even if it happens, it's a situation that happens for a while and then returns to normal. And we don't have the liquidity risk like the banks that someone will come after our three-month deposits and withdraw the funds. We are the only ones managing something that is long. And it's good to sort of count it. So from that perspective, it seems to me that here you have a situation where you have a company that... on the one hand it is hedged, on the other it has a very nice portfolio that has... behind a very nice yield... so we are starting from a place where with the start of the interest rate cut cycles, which of course in Poland somehow starts late, but I think we all agree that it will start, well generally here this extra... this extra money will be and will be released, of course, to the income statements, depending on what formula there we show it in, whether IFRS or in local standards. But this portfolio is cool. As you saw, Tom has mentioned, 5.5%. Given that we are a very safe investing entity, it's much nicer than if we had been sitting around a number of years ago, that we would have had 3% and we're generally about to have a cycle of interest rate hikes. So here I would rather expect a premium in these our valuations, and certainly already, as if there is no, in my opinion, such a special room to talk about some discount.

### **Magdalena Komaracka**

Still a short question referring to what has been mentioned earlier, about the interest yield. Could this be due to... could the lower interest yield also be due to lower inflation bond yields?

### **Tomasz Kulik**

I am unable to answer this question here and now, because I do not remember the exact structure of the various instruments in the portfolio, so that we will answer it...

### **Artur Olech**

We will respond online.

**Jaroslav Mastalerz**

I just want to make a hot note that it seems to me that inflation bonds are only available to individuals and they are unlikely to be listed. I don't think the State Treasury at all...

**Artur Olech**

We will respond by letter.

**Magdalena Komaracka**

OK. A final question from brokerage mBank. Do you intend to buy back the stake in Pekao from PFR?

**Artur Olech**

As I've said, we will... all these topics will be addressed in the strategy. Here, no speculation, as it were... I'm not in a position to address it for various reasons we've already mentioned here.

**Magdalena Komaracka**

This exhausts the list of questions I received. Is there anything else? No, there isn't.

**Artur Olech**

I would also like you ... here I hope you are watching ... we would like to rely on such, I would say, good communication. It has two dimensions. Good business communication and good communication with you. We will also be available for you during these meetings and, of course, we will also invite other management board members. Then, if, for example, there is a relevant issue here to present, because, for example, something happens, I don't know, in motor insurance, for example, very good, then surely Ela or someone else will be here. We will try to do it in such a way that there will also be this communication, both with the media and with analysts, so that there will also be availability for such meetings.

**Magdalena Komaracka**

Thank you very much.