INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA CAPITAL GROUP

FOR Q1 2013

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INTRODUCTION

These interim consolidated financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group ("PZU Group") have been prepared in line with International Financial Reporting Standards as endorsed by the Commission of European Communities as at 31 March 2013 ("IFRS"), including the requirements of International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Finance Minister's Regulation of 19 February 2009 on current and periodic information transmitted by securities issuers and conditions for acknowledgment of equivalence of information required by legal regulations of a non-member state (Journal of Laws No. 33 of 2009, Item 259 – "Regulation on current and periodic information").

Pursuant to Article 83 section 1 of the Regulation on current and periodic information, separate quarterly financial information of the PZU Group's parent company, i.e. Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU", "Company", "parent company") forms part of these interim consolidated financial statements.

According to Article 45 section 1a of the Accountancy Act of 29 September 1994 (Journal of Laws of 2013, Item 330, "Accountancy Act"), financial statements of issuers of securities admitted into trading on one of the regulated markets of European Economic Area states may be prepared in accordance with IFRS.

As the PZU Shareholder Meeting has not made the decision referred to in art. 45 par. 1c of the Accountancy Act in the matter of preparation of financial statements pursuant to IFRS, PZU's standalone statements are prepared in accordance with the Polish Accounting Standards ("PAS"), defined in the Accountancy Act, and in the executive regulations issued on its basis, inter alia:

- Finance Minister's Regulation of 28 December 2009 on the special accounting principles for insurance and reinsurance companies (Journal of Laws of 2009, No. 226, Item 1825);
- Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and presentation of financial instruments (Journal of Laws of 2001 No. 149, Item 1674, as amended).

In matters not regulated by the Accountancy Act and secondary legislation issued on its basis, Polish Accounting Standards and/or IFRS are applied accordingly.

(in thousands of PLN)

FINANCIAL HIGHLIGHTS

1. Selected consolidated financial data of the PZU Group

Data from the consolidated statement of financial position	thous. PLN 31 March 2013	thous. PLN 31 December 2012	thous. PLN 31 March 2012	thous. EUR 31 March 2013	thous. EUR 31 December 2012	thous. EUR 31 March 2012
Assets	58,756,787	55,909,560	55,328,867	14,065,396	13,675,838	13,295,095
Share capital	86,352	86,352	86,352	20,671	21,122	20,750
Capital and reserves attributed to holders of the parent's equity	14,873,541	14,190,131	13,702,003	3,560,478	3,470,997	3,292,484
Non-controlling interest	78,537	79,138	86,674	18,800	19,358	20,827
Total Equity	14,952,078	14,269,269	13,788,677	3,579,278	3,490,355	3,313,311
Basic and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per common share (in PLN/EUR)	172.24	164.33	158.68	41.23	40.20	38.13

Data from the consolidated profit and loss account	thous. PLN 1 January - 31 March 2013	thous. PLN 1 January - 31 March 2012	thous. EUR 1 January - 31 March 2013	thous. EUR 1 January - 31 March 2012
Gross written insurance premium	4,425,923	4,322,747	1,060,406	1,035,389
Net earned premium	4,107,727	3,868,858	984,170	926,673
Fee and commission income	70,564	60,002	16,906	14,372
Net result on investment activity	429,011	872,798	102,787	209,053
Net insurance claims	(2,730,697)	(2,776,882)	(654,247)	(665,121)
Gross profit (loss)	1,054,525	1,028,914	252,653	246,446
Net profit (loss) attributed to holders of parent's equity	838,056	822,291	200,790	196,956
Profit (loss) attributed to holders of non-controlling interest	(791)	338	(190)	81
Basic and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted profit per common share (in PLN/EUR)	9.71	9.52	2.33	2.28

(in thousands of PLN)

Data from the consolidated cash flow statement	thous. PLN 1 January - 31 March 2013	thous. PLN 1 January - 31 March 2012	thous. EUR 1 January - 31 March 2013	thous. EUR 1 January - 31 March 2012
Net cash flow on operating activity	1,001,174	1,380,795	239,871	330,729
Net cash flow on investing activity	(749,289)	(1,557,675)	(179,522)	(373,096)
Net cash flow on financing activity	52,822	101,506	12,656	24,313
Total net cash flow	304,707	(75,374)	73,005	(18,054)

2. Selected individual financial data of PZU (PAS)

Data from the balance sheet	thous. PLN 31 March 2013	thous. PLN 31 December 2012	thous. PLN 31 March 2012	thous. EUR 31 March 2013	thous. EUR 31 December 2012	thous. EUR 31 March 2012
Assets	31,312,907	29,913,216	29,402,216	7,495,789	7,316,965	7,065,123
Share capital	86,352	86,352	86,352	20,671	21,122	20,750
Total Equity	14,164,492	13,452,581	12,544,351	3,390,744	3,290,588	3,014,310
Basic and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per common share (in PLN/EUR)	164.03	155.79	145.27	39.27	38.11	34.91

Data from technical account of non-life insurance and non-technical profit and loss account	PLN thous. 1 January – 31 March 2013	PLN thous. 1 January – 31 March 2012	EUR thous. 1 January – 31 March 2013	EUR thous. 1 January – 31 March 2012
Gross written insurance premium	2,320,428	2,441,191	555,951	584,716
Technical result of non-life insurance	471,162	174,468	112,886	41,789
Net result on investment activity (*)	206,862	302,129	49,562	72,366
Net profit (loss)	495,106	323,730	118,622	77,540
Basic and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted profit per common share (in PLN/EUR)	5.73	3.75	1.37	0.90

* Including the item "Share of the net profit (loss) of subordinated entities measured by the equity method"

(in thousands of PLN)

3. Selected non-consolidated financial data of Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna (PAS)

Data from the balance sheet	PLN thous. 31 March 2013	PLN thous. 31 December 2012	PLN thous. 31 March 2012	EUR thous. 31 March 2013	EUR thous. 31 December 2012	EUR thous. 31 March 2012
Assets	30,786,988	30,084,111	31,007,197	7,369,892	7,358,767	7,450,787
Total Equity	7,044,940	6,748,062	6,538,943	1,686,441	1,650,619	1,571,257

Data from the technical life insurance account and the non-technical profit and loss account	PLN thous. 1 January – 31 March 2013	PLN thous. 1 January – 31 March 2012	EUR thous. 1 January – 31 March 2013	EUR thous. 1 January – 31 March 2012
Gross written insurance premium	2,737,456	2,831,145	655,867	678,119
Technical life insurance result	342,260	487,438	82,002	116,752
Net result on investment activity	215,479	618,010	51,627	148,026
Net profit (loss)	326,410	520,882	78,205	124,762

4. Summary of consolidated financial results

The net financial result of the PZU Group for the period of 3 months ended 31 March 2013 was PLN 837,265 thousand and was 1.8% higher from the net result in the corresponding period of the previous year.

ROE for the period from 1 January to 31 March 2013 was 22.9%, down 1.8 p.p. from the same period of the previous year.

The following factors also affected PZU Group's activity after 3 months ended 31 March 2013, as compared to the corresponding period of the previous year:

- depreciation of equity instruments driven by worse market conditions on the Warsaw Stock Exchange ("WSE") and appreciation of debt instruments due to increased bond yields;
- non-recurring income due to the inclusion of mutual funds in the consolidation;
- increase in gross written premium due to maintaining a high rate of growth in sales of single-premium insurance in the bancassurance channel partly offset by a decrease in written premium in the corporate insurance segment (ADD insurance for hospitals resulting from legislative changes and motor insurance);
- improved profitability in agricultural insurance (in the mass segment) due to a low level of claims resulting from winter crop damage;
- slower rate of conversion of long-term policies into yearly renewable term agreements in type P group insurance;
- non-recurring income from a settlement with a reinsurer in respect of Green Card insurance (partial reversal of the correction of estimates with the reinsurer which decreased the result for 2011);
- maintenance of discipline in fixed costs (a decrease in personnel costs which resulted from the restructuring activities undertaken in the recent years) with the concurrent performance of project activities aimed at streamlining and automating service processes.

(in thousands of PLN)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Interim Consolidated statement of financial position

Assets	Note	31 March 2013	31 December 2012	31 March 2012
Intangible assets		177,587	183,238	152,329
Goodwill		8,475	8,474	8,529
Property, plant and equipment		972,651	992,317	1,038,599
Investment property		1,599,060	564,404	531,510
Entities carried by the equity method		692	-	-
Financial assets				
Financial instruments held to maturity	11.1.1	21,622,916	21,117,559	22,029,401
Financial instruments available for sale	11.1.2	2,985,969	3,924,501	8,508,798
Financial instruments carried at fair value through profit or loss	11.1.3	15,192,662	15,628,401	10,592,121
Borrowings	11.1.4	11,861,365	9,752,615	8,278,276
Receivables, including receivables under insurance contracts	11.3	2,247,156	1,835,793	2,491,604
Reinsurers' share in technical provisions	11.4	567,962	749,334	629,051
Estimated salvage and subrogation		108,555	121,632	73,434
Deferred income tax assets		16,814	13,963	13,923
Current income tax receivables		83,991	80,646	7,035
Deferred acquisition cost		592,093	574,489	588,033
Prepayments and accruals	11.6	99,834	94,942	99,317
Other assets		88,430	83,704	126,123
Cash and cash equivalents		442,653	136,586	160,784
Assets related to continuing operations		**58,668,865**	**55,862,598**	**55,328,867**
Assets earmarked for sale	11.7	87,922	46,962	-
Total assets		**58,756,787**	**55,909,560**	**55,328,867**

(in thousands of PLN)

Interim Consolidated statement of financial position (continued)

Liabilities and equity	Note	31 March 2013	31 December 2012	31 March 2012
Equity				
Issued share capital and other capital attributable to parent's shareholders				
Share capital		86,352	86,352	86,352
Other capital		8,951,490	9,105,450	8,045,033
Reserve capital		8,782,487	8,780,212	7,711,915
Revaluation reserve		204,177	363,242	369,769
Conversion FX differences		(35,174)	(38,004)	(36,651)
Retained earnings		5,835,699	4,998,329	5,570,618
Profit (loss) carried forward		4,997,643	1,743,148	4,748,327
Net profit (loss)		838,056	3,255,181	822,291
Non-controlling interest		78,537	79,138	86,674
Total Equity		**14,952,078**	**14,269,269**	**13,788,677**
Liabilities				
Technical provisions	0			
Unearned premium reserve and unexpired risk reserve		4,818,611	4,537,167	4,895,536
Life insurance reserve		15,930,287	15,675,243	14,733,835
Unpaid claims reserve		5,912,807	5,878,445	5,471,924
Reserve for capitalized annuities		5,654,496	5,660,281	5,104,344
Provisions for premiums and rebates for the insureds		5,093	4,227	5,914
Other technical provisions		516,853	531,617	563,127
Technical provisions for life insurance if the policyholder bears the investment risk		3,274,588	3,113,798	2,448,643
Investment contracts	11.9			
- with guaranteed and set conditions		1,303,778	1,297,224	2,981,131
- for the client's account and risk		963,554	1,001,923	1,136,171
Reserves for employee benefits		60,240	60,649	257,050
Other reserves	11.10	259,159	267,456	299,920
Deferred income tax reserve		320,641	357,557	302,941
Current income tax liabilities		67,300	21,658	1,893
Derivatives		178,065	129,921	24,712
Other liabilities	11.11	3,970,327	2,420,155	2,754,282
Accruals and deferred income	11.12			
Accrued expenses		555,715	672,550	532,122
Deferred income		13,195	10,420	26,645
Liabilities related to continuing operations		**43,804,709**	**41,640,291**	**41,540,190**
Total Liabilities		**43,804,709**	**41,640,291**	**41,540,190**
Total Liabilities and Equity		**58,756,787**	**55,909,560**	**55,328,867**

(in thousands of PLN)

2. Interim Consolidated Profit And Loss Account

Consolidated profit and loss account	Note	1 January - 31 March 2013	1 January - 31 March 2012
Gross written insurance premium	11.13	4,425,923	4,322,747
Reinsurers' share in gross written insurance premium		(33,597)	(55,602)
Net written premium		**4,392,326**	**4,267,145**
Movement in the net unearned premium reserve		(284,599)	(398,287)
Net earned premium		**4,107,727**	**3,868,858**
Fee and commission income	11.14	70,564	60,002
Net investment income	11.15	444,037	436,435
Net result on the realization of investments and impairment charges	11.16	(46,952)	110,421
Net change in the fair value of assets and liabilities carried at fair value	11.17	31,926	325,942
Other operating income	11.18	204,918	75,446
Claims and movement in technical provisions	011.2 1	(2,720,388)	(2,749,342)
Claims and movement in insurance liabilities ceded to re-insurers		(10,309)	(27,540)
Net insurance claims		**(2,730,697)**	**(2,776,882)**
Claims and changes in valuation of investment contracts	11.20	(11,224)	(75,307)
Acquisition cost	11.21	(480,588)	(500,734)
Administrative costs	11.21	(326,284)	(365,110)
Other operating expenses	11.22	(196,959)	(124,399)
Operating profit (loss)		**1,066,468**	**1,034,672**
Financial costs	0	(14,400)	(5,758)
Share of the net profit (loss) of units carried by the equity method		2,457	-
Gross profit (loss)		**1,054,525**	**1,028,914**
Income tax			
- current part		(196,985)	(42,716)
- deferred part		(20,275)	(163,569)
Net profit (loss) on continuing operations		837,265	822,629
Net profit (loss), including		**837,265**	**822,629**
- profit (loss) attributed to holders of parent's equity		838,056	822,291
- profit (loss) attributed to holders of non-controlling interest		(791)	338

Net profit (loss) on continuing operations	838,056	822,291
Net profit (loss) on discontinued operations	-	-
Basic and diluted weighted average number of common shares	86,352,300	86,352,300
Basic and diluted earnings (losses) on continuing operations per common share (in PLN)	9.71	9.52
Basic and diluted earnings (losses) on discontinued operations per common share (in PLN)	-	-
Basic and diluted earnings (losses) per common share (in PLN)	9.71	9.52

(in thousands of PLN)

3. Interim consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income	Note	1 January - 31 March 2013	1 January - 31 March 2012
Net profit (loss)		837,265	822,629
Other comprehensive income	11.24	(153,953)	96,543
To be reclassified to profit or loss in the future		(153,953)	96,543
Financial assets available for sale		(156,790)	100,938
Conversion FX differences		2,837	(4,395)
Total net comprehensive income		**683,312**	**919,172**
- comprehensive income attributed to holders of parent's equity		684,096	918,841
- comprehensive income attributed to holders of non-controlling interest		(784)	331

(in thousands of PLN)

4. Interim Statement of Changes in Consolidated Equity

Statement of Changes in Consolidated Equity	Capital and reserves attributed to holders of the parent's equity							Non-controlling interest	Total Equity
			Other capital		Retained earnings				
	Share capital	Reserve capital	Revaluation reserve	Conversion FX differences	Profit (loss) carried forward	Net profit (loss)	Total		
Balance as at 1 January 2013	**86,352**	**8,780,212**	**363,242**	**(38,004)**	**4,998,329**	**-**	**14,190,131**	**79,138**	**14,269,269**
Movement in financial instruments available for sale	-	-	(156,790)	-	-	-	(156,790)	-	(156,790)
Conversion FX differences	-	-	-	2,830	-	-	2,830	7	2,837
Increases (decreases) recognized directly in capital, net (after income tax), total	**-**	**-**	**(156,790)**	**2,830**	**-**	**-**	**(153,960)**	**7**	**(153,953)**
Net profit (loss) of the financial year	-	-	-	-	-	838,056	838,056	(791)	837,265
Increases (decreases), total	**-**	**-**	**(156,790)**	**2,830**	**-**	**838,056**	**684,096**	**(784)**	**683,312**
Other	-	2,275	(2,275)	-	(686)	-	(686)	183	(503)
Balance as at 31 March 2013	**86,352**	**8,782,487**	**204,177**	**(35,174)**	**4,997,643**	**838,056**	**14,873,541**	**78,537**	**14,952,078**

(in thousands of PLN)

Interim Statement of Changes in Consolidated Equity (continued)

Statement of Changes in Consolidated Equity	Capital and reserves attributed to holders of the parent's equity							Non-controlling stakes	Total Equity
			Other capital		Retained earnings				
	Share capital	Reserve capital	Revaluation reserve	Conversion FX differences	Profit (loss) carried forward	Net profit (loss)	Total		
Balance as at 1 January 2012	**86,352**	**7,711,818**	**268,831**	**(32,263)**	**4,748,424**	**-**	**12,783,162**	**86,343**	**12,869,505**
Movement in financial instruments available for sale	-	-	77,654	-	-	-	77,654	-	77,654
Conversion FX differences	-	-	-	(5,741)	-	-	(5,741)	(10)	(5,751)
Reclassification of real property from property, plant and equipment to investment property	-	-	16,757	-	-	-	16,757	-	16,757
Increases (decreases) recognized directly in capital, net (after income tax), total	**-**	**-**	**94,411**	**(5,741)**	**-**	**-**	**88,670**	**(10)**	**88,660**
Net profit (loss) of the financial year	-	-	-	-	-	3,255,181	3,255,181	(1,355)	3,253,826
Increases (decreases), total	**-**	**-**	**94,411**	**(5,741)**	**-**	**3,255,181**	**3,343,851**	**(1,365)**	**3,342,486**
Other changes, including:	**-**	**1,068,394**	**-**	**-**	**(3,005,276)**	**-**	**(1,936,882)**	**(5,840)**	**(1,942,722)**
Distribution of financial result	-	1,068,113	-	-	(3,004,995)	-	(1,936,882)	(5,860)	(1,942,742)
Other	-	281	-	-	(281)	-	-	20	20
Balance as at 31 December 2012	**86,352**	**8,780,212**	**363,242**	**(38,004)**	**1,743,148**	**3,255,181**	**14,190,131**	**79,138**	**14,269,269**

(in thousands of PLN)

Interim Statement of Changes in Consolidated Equity (continued)

Statement of Changes in Consolidated Equity	Capital and reserves attributed to holders of the parent's equity							Non-controlling interest	Total Equity
			Other capital		Retained earnings				
	Share capital	Reserve capital	Revaluation reserve	Conversion FX differences	Profit (loss) carried forward	Net profit (loss)	Total		
Balance as at 1 January 2012	**86,352**	**7,711,818**	**268,831**	**(32,263)**	**4,748,424**	**-**	**12,783,162**	**86,343**	**12,869,505**
Movement in financial instruments available for sale	-	-	100,938	-	-	-	100,938	-	100,938
Conversion FX differences	-	-	-	(4,388)	-	-	(4,388)	(7)	(4,395)
Increases (decreases) recognized directly in capital, net (after income tax), total	**-**	**-**	**100,938**	**(4,388)**	**-**	**-**	**96,550**	**(7)**	**96,543**
Net profit (loss) of the financial year	-	-	-	-	-	822,291	822,291	338	822,629
Increases (decreases), total	**-**	**-**	**100,938**	**(4,388)**		**822,291**	**918,841**	**331**	**919,172**
Other	-	97	-	-	(97)	-	-	-	-
Balance as at 31 March 2012	**86,352**	**7,711,915**	**369,769**	**(36,651)**	**4,748,327**	**822,291**	**13,702,003**	**86,674**	**13,788,677**

(in thousands of PLN)

5. Interim Consolidated Cash Flow Statement

PLN thousands

Consolidated cash flow statement	1 January - 31 March 2013	1 January - 31 December 2012	1 January - 31 March 2012
Cash flow on operating activity			
Proceeds	5,608,754	19,384,276	5,540,809
- proceeds on gross insurance premiums	4,272,864	16,324,691	4,212,672
- proceeds on investment contracts	784,242	1,859,439	1,024,223
- proceeds on reinsurance commissions and profit-sharing	70,814	13,967	3,032
- payments received from reinsurers for their share of claims paid	156,117	133,668	54,995
- proceeds for acting as an emergency adjuster	67,884	230,235	71,047
- other operating proceeds	256,833	822,276	174,840
Expenditures	(4,607,580)	(18,155,919)	(4,160,014)
- insurance premiums paid for reinsurance	(93,941)	(196,190)	(74,038)
- commissions paid and profit-sharing on inward reinsurance	(685)	(2,521)	(825)
- gross claims paid	(2,153,545)	(8,901,396)	(2,257,002)
- claims paid on investment contracts	(799,391)	(3,186,306)	(447,591)
- acquisition expenditures	(414,400)	(1,524,373)	(393,722)
- administrative expenditures	(531,136)	(2,137,169)	(513,106)
- interest expenditures	(20)	(65)	(13)
- income tax expenditures	(150,930)	(664,465)	(41,980)
- expenditures for acting as an emergency adjuster	(129,976)	(439,757)	(127,261)
- other operating expenditures	(333,556)	(1,103,677)	(304,476)
Net cash flow on operating activity	**1,001,174**	**1,228,357**	**1,380,795**
Cash flow on investing activity			
Proceeds	148,551,129	360,665,055	65,022,085
- sale of investment property	262	-	-
- proceeds from investment property	8,312	8,594	1,944
- sale of intangible assets and components of property, plant and equipment	1,227	13,917	1,226
- sale of ownership interests and shares	3,021,768	3,379,218	1,467,335
- realization of debt securities	20,530,930	56,717,604	10,021,425
- realization of debt securities issued in buy-sell-back transactions	85,289,770	149,885,455	19,394,688
- liquidation of term deposits in credit institutions	34,446,077	139,511,297	32,302,474
- realization of other investments	4,671,950	9,679,935	1,728,082
- interest received	63,668	1,336,736	101,291
- dividends received	38,957	131,507	3,620
- increase in cash due to consolidation of new entities	478,208	792	-

(in thousands of PLN)

Interim Consolidated Cash Flow Statement (continued)

PLN thousands

Consolidated cash flow statement	1 January - 31 March 2013	1 January - 31 December 2012	1 January - 31 March 2012
Expenditures	(149,300,418)	(360,243,667)	(66,579,760)
- purchase of investment property	(308,704)	-	-
- expenditures for the maintenance of investment property	(9,448)	(14,605)	(6,470)
- purchase of intangible assets and components of property, plant and equipment	(61,241)	(144,881)	(31,358)
- purchase of ownership interests and shares	4,504,659	(9,116,873)	(1,264,135)
- purchase of debt securities	(20,193,418)	(56,903,331)	(11,073,225)
- purchase of debt securities issued in buy-sell-back transactions	(85,517,605)	(151,113,561)	(19,282,709)
- purchase of term deposits in credit institutions	(34,570,204)	(139,194,248)	(34,167,571)
- purchase of other investments	(4,130,773)	(3,747,925)	(750,916)
- other expenditures for investments	(4,366)	(8,243)	(3,376)
Net cash flow on investing activity	**(749,289)**	**421,388**	**(1,557,675)**
Cash flow on financing activity			
Proceeds	3,614,456	81,451,416	14,421,732
- credits, loans and debt securities issues 1)	3,614,456	81,451,416	14,421,721
- other financial proceeds	-	-	11
Expenditures	(3,561,634)	(83,198,530)	(14,320,226)
- dividends paid to equity holders in the parent company	(18)	(1,873,391)	(132)
- dividends paid to holders of non-controlling interest	-	(5,860)	-
- amortization of loans and borrowings and redemption of own debt securities 1)	(3,558,277)	(81,312,622)	(14,318,928)
- interest on loans and borrowings and issued debt securities	(3,339)	(6,657)	(1,166)
Net cash flow on financing activity	**52,822**	**(1,747,114)**	**101,506**
Total net cash flow	**304,707**	**(97,369)**	**(75,374)**
Cash and cash equivalents at the beginning of the period	136,586	237,724	237,724
Movement in cash due to foreign currency differences	1,360	(3,769)	(1,566)
Cash and cash equivalents at the end of the period, including:	442,653	136,586	160,784
- restricted cash	14,421	24,794	15,827

1) These items contain almost exclusively the cash flows resulting from sell-buy-back transactions.

SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Information on PZU and the PZU Group

1.1. PZU

The parent company in the PZU Group is PZU - a joint stock company with a registered seat in Warsaw at Al. Jana Pawła II 24. PZU was established by the transformation of Państwowy Zakład Ubezpieczeń into a State Treasury-owned joint stock company, pursuant to Article 97 of the Insurance Activity Act of 28 July 1990 - consolidated version in Journal of Laws No. 11 of 1996, Item 62, as amended.

PZU has been entered in the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 13th Economic Division of the National Court Register, under file number KRS 0000009831.

According to Polish Classification of Economic Activities (PKD), the core business of PZU consists of other casualty insurance and property insurance (PKD 65.12) and according to the European Classification of Economic Activities, non-life insurance (EKD 6603).

(in thousands of PLN)

1.2. PZU Group companies

No.	Name of the entity	Headquarters	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				31 March 2013	31 December 2012	31 March 2013	31 December 2012	
Consolidated entities								
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	n/a	n/a	Non-life insurance.
2	Powszechny Zakład Ubezpieczeń na Życie SA ("PZU Życie")	Warsaw	18.12.1991	100.00%	100.00%	100.00%	100.00%	Life insurance.
3	Powszechne Towarzystwo Emerytalne PZU SA, ("PTE PZU")	Warsaw	08.12.1998	100.00%	100.00%	100.00%	100.00%	Management of pension funds.
4	PZU Centrum Operacji SA ("PZU CO")	Warsaw	30.11.2001	100.00%	100.00%	100.00%	100.00%	Auxiliary activity associated with insurance and pension funds.
5	Towarzystwo Funduszy Inwestycyjnych PZU SA ("TFI PZU")	Warsaw	30.04.1999	100.00%	100.00%	100.00%	100.00%	Establishing, representing and managing mutual funds
6	PZU Asset Management SA ("PZU AM")	Warsaw	12.07.2001	100.00%	100.00%	100.00%	100.00%	Provision of managed account services
7	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	100.00%	100.00%	Provision of assistance services.
8	PZU Inter-company Employee Pension Fund Company SA ("MPTE PZU SA")	Warsaw	13.08.2004	100.00%	100.00%	100.00%	100.00%	Managing an employee pension fund
9	PrJSC IC PZU Ukraine ("PZU Ukraine")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Property insurance.
10	PrJSC IC PZU Ukraine Life Insurance ("PZU Ukraine Life")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Life insurance.
11	UAB DK PZU Lietuva ("PZU Lietuva")	Vilnius (Lithuania)	26.04.2002	99.76%	99.76%	99.76%	99.76%	Property insurance.
12	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	99.34%	99.34%	Life insurance.

(in thousands of PLN)

No.	Name of the entity	Headquarters	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				31 March 2013	31 December 2012	31 March 2013	31 December 2012	
13	Tower Inwestycje Sp. z o.o. ("Tower Inwestycje")	Warsaw	27.08.1998	100.00%	100.00%	100.00%	100.00%	Other services activity, excluding insurance and pension funds.
14	Ogrodowa-Inwestycje Sp. z o.o.	Warsaw	15.09.2004	100.00%	100.00%	100.00%	100.00%	Buying, operating, renting and selling real estate
15	Armatura Kraków SA	Kraków	07.10.1999	63.83%	63.83%	63.83%	63.83%	Distribution of Armatura Group products, administration and management of the Group.
16	Armatoora SA	Nisko	10.12.2008	63.83%	63.83%	63.83%	63.83%	Production and sale of radiators and sanitary fittings.
17	Armatoora SA i wspólnicy sp. k.	Kraków	10.02.2009	63.83%	63.83%	63.83%	63.83%	Utilization of available funds, growth investments
18	Armagor SA	Kraków	06.09.2009	63.83%	63.83%	63.83%	63.83%	Production of water, gas and central heating fixtures
19	Armadimp SA	Kraków	20.07.2012	63.83%	63.83%	63.83%	63.83%	Production of ceramic sanitary products
20	Ipsilon Sp. z o.o.	Warsaw	02.04.2009	100.00%	100.00%	100.00%	100.00%	Provision of assistance services and medical services
21	Ipsilon Bis SA	Warsaw	02.09.2011	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity.
22	Omicron SA	Warsaw	13.09.2011	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity.
23	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Assistance services.
24	PZU SFIO Dłużny	Warsaw	15.12.2009	100.00%	100.00%	n/a	n/a	Investment of funds collected from fund members
25	PZU FIZ Akcji	Warsaw	27.01.2010	100.00%	100.00%	n/a	n/a	as above
26	PZU FIZ Dynamiczny	Warsaw	27.01.2010	100.00%	100.00%	n/a	n/a	as above
27	PZU FIZ Sektora Nieruchomości [1)]	Warsaw	01.07.2008	100.00%	100.00%	n/a	n/a	as above
28	PZU FIZ Sektora Nieruchomości 2 [1)]	Warsaw	21.11.2011	100.00%	100.00%	n/a	n/a	as above
29	PZU FIZ Sektora Nieruchomości 3 [1)]	Warsaw	24.02.2012	100.00%	100.00%	n/a	n/a	as above
30	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	100.00%	100.00%	n/a	n/a	as above

(in thousands of PLN)

No.	Name of the entity	Headquarters	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				31 March 2013	31 December 2012	31 March 2013	31 December 2012	
31	PZU FIZ Aktywów Niepublicznych BIS 2	Warsaw	19.11.2012	100.00%	100.00%	n/a	n/a	as above
32	PZU Energia Medycyna Ekologia	Warsaw	20.12.2007	57.36%	57.26%	n/a	n/a	as above
33	PZU Dłużny Rynków Wschodzących	Warsaw	20.11.2006	96.95%	98.07%	n/a	n/a	as above
34	PZU FIZ Forte	Warsaw	27.12.2012	78.48%	93.53%	n/a	n/a	as above
35	PZU FIZ RE Income [1)]	Warsaw	08.11.2011	78.64%	78.64%	n/a	n/a	as above
Unconsolidated subsidiaries								
36	Syta Development Sp. z o.o. in liquidation	Warsaw	29.04.1996	100.00%	100.00%	100.00%	100.00%	Buying and selling real estate, intermediacy in buying and selling, administration of real estate
37	Sigma Investments Sp. z o.o. in liquidation [2)]	Warsaw	28.12.1999	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity.
38	ICH Center SA in liquidation[3)]	Warsaw	31.01.1996	90.00%	90.00%	90.00%	90.00%	The company does not conduct any activity.
Associated entities carried by the equity method								
39	Kolej Gondolowa Jaworzyna Krynicka SA	Krynica	17.08.1998	37.53%	37.53%	36.71%	36.71%	Operating ski and tourist lifts.
40	GSU Pomoc Górniczy Klub Ubezpieczonych SA	Tychy	08.06.1999	30.00%	30.00%	30.00%	30.00%	Insurance service.

[1)] As at 31 March 2013, the funds PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Sektora Nieruchomości 3, PZU FIZ RE Income conducted their investment activity through subsidiary companies established under commercial law as special purpose entities investing in specific real properties, the number of which for each fund was 33, 8, 12, 6, respectively (as at 1 January 2013: same number).

[2)] On 26 March 2013, the Shareholder Meeting of Sigma Investments Sp. z o.o. in liquidation adopted a resolution on completing the company's liquidation process. As of the date of this interim report, no information has been obtained on the deletion of the company from the register.

[3)] On 23 April 2013, the Shareholder Meeting of ICH Center SA in liquidation adopted a resolution on completing the company's liquidation process. As of the date of this interim report, no information has been obtained on the deletion of the company from the register.

As at 31 March 2013, other than the entities listed in the above table, the PZU Group held investment certificates of PZU FIZ Medyczny in which the share of the PZU Group in total net assets exceeds 20% (without assets held in connection with insurance and investment contracts entered into for the benefit and at the risk of its clients).

2. Changes in organization of the PZU Group

2.1. Continuation of the process of converting some financial investments into funds

2.1.1. Debt instruments

On 25 February 2013, PZU and PZU Życie subscribed for investment certificates of PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1 (PZU BIS 1 Closed-End Private Equity Fund), by making the following payments:

- PZU - in the form of debt instruments worth PLN 1,244,056 thousand and PLN 500,000 thousand in cash;
- PZU Życie - in the form of debt instruments worth PLN 1,361,801 thousand and PLN 290,000 thousand in cash;

On 5 March 2013, TFI PZU allocated investment certificates to PZU and PZU Życie worth PLN 1,744,056 thousand and PLN 1,651,801 thousand, respectively.

2.1.2. Equity instruments

On 27 March 2013, PZU and PZU Życie subscribed for investment certificates of PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 (PZU BIS 2 Closed-End Private Equity Fund), by making the following payments in the form of shares worth:

- PZU – PLN 724,394 thousand,
- PZU Życie – PLN 421,273 thousand.

On 28 March 2013, TFI PZU allocated investment certificates to PZU and PZU Życie in the amount equal to the payments made.

2.2. Completion of liquidation of PZU Group companies

The closing of the liquidation of PZU Group companies: PZU Sigma Investments Sp. z o.o. in liquidation and ICH Center SA in liquidation has been described in item 1.2.

3. Compliance with International Financial Reporting Standards

These interim consolidated financial statements of the PZU Group were drawn up according to the International Financial Reporting Standards approved by the European Commission as at 31 March 2013, including in compliance with the requirements of IAS 34 "Interim Financial Reporting" and in compliance with the requirements set forth in the Regulation on current and periodic information.

(in thousands of PLN)

3.1. Introduction of new IFRS

3.1.1. Standards, interpretations and amended standards effective from 1 January 2013

In these interim consolidated financial statements, the following new standards and interpretations and amendments of standards have been applied for the first time:

Standard/interpretation	Effective Date for annual periods starting from	Regulation containing the standard or interpretation
Amendments to IAS 19 – Amendments to the accounting of post-employment benefits	1 January 2013	475/2012
IFRS 13 – Fair Value Measurement	1 January 2013	1255/2012
Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets	1 January 2012 [1)]	1255/2012
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (amendments to IFRS 1)	1 July 2011[1)]	1255/2012
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	1255/2012
Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities	1 January 2013	1256/2012
Amendment to IFRS 1 – Government Loans	1 January 2013	183/2013
Amendments to IFRS 2009-2011	1 January 2013	301/2013

[1)] The European Commission voted in favor of the regulation coming into force at the latest for the annual periods beginning on or after the third day following date of publication, i.e. following 29 December 2012 (periods beginning on or after 1 January 2013).

3.1.2. Standards, interpretations and amended standards issued but not effective

The following standards, interpretations and amended standards have been issued but have not come into effect:

- approved by the regulation of the European Commission

Standard/interpretation	Effective Date for annual periods starting from	Regulation containing the standard or interpretation
IFRS 10 – Consolidated Financial Statements	1 January 2013 [1)]	1254/2012
IFRS 11 – Joint Arrangements	1 January 2013 [1)]	1254/2012
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013 [1)]	1254/2012
Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013 [1)]	313/2013
Amended IAS 27 – Separate Financial Statements	1 January 2013 [1)]	1254/2012
Amended IAS 28 – Investments in Associates and Joint Ventures	1 January 2013 [1)]	1254/2012
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014	1256/2012

[1)] The European Commission voted in favor of the regulation coming into force at the latest for the annual periods beginning on 1 January 2012 (permitting earlier application on an optional basis).

(in thousands of PLN)

- not approved by the European Commission:

Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting from (according to IASB)
IFRS 9 – Financial Instruments	12 November 2009 16 December 2011 (update)	1 January 2015
Investment Entities (amendments to IFRS 10, IFRS 12 and IFRS 27)	31 October 2012	1 January 2014

It is expected that the application of the above standards and amendments to standards will not materially affect PZU Group's comprehensive income and equity, with the exception of:

- IFRS 9, in the case of which, due to the remote effective date, anticipated further amendments to accounting principles for financial instruments, related to, among others, the work currently conducted on the gradual substitution of the current IAS 39 with new regulations, the effect of application of IFRS 9 on PZU Group's comprehensive income and equity was not estimated.
- IFRS 10, in the case of which, if applied from the beginning of 2014, PZU FIZ Medyczny would be included in the consolidation (based on data at 31 March 2013). The full list of funds to be included in the consolidation from the beginning of 2014 will be known after the preparation of the statement of financial position of the PZU Group as at 31 December 2013.

  Due to possible changes in the share of the PZU Group in the fund's net assets, possible purchases of participation units or investment certificates of other mutual funds and changes in valuations of participation units or investment certificates of mutual funds held by PZU Group companies, it is impossible to predict the impact of the application of IFRS 10 as of 1 January 2014 on the PZU Group's comprehensive income and equity.

4. Key accounting principles (accounting policy)

Detailed accounting principles (accounting policy) are presented in the annual consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group for 2012, signed by the PZU Management Board on 12 March 2012 for which the auditor issued an unqualified opinion on the same date ("PZU Group 2012 consolidated financial statements").

The consolidated financial statements of the PZU Group for 2012 are available on the PZU website at www.pzu.pl in the "PZU Group / Investor Relations / Current and periodic reports / Periodic reports" tab.

5. Changes to accounting principles (accounting policy) and comparability of financial data

In the 3-month period ended 31 March 2013, no changes were made to the accounting principles (policy).

The method of presentation of financial data in the consolidated financial statements as compared to the annual consolidated financial statements of the PZU Group for 2012 did not change, with the proviso that:

- these interim consolidated financial statements are condensed statements within the meaning of IAS 34;
- the method of aggregation of financial data to reporting segments in the segment note prepared in accordance with IFRS 8 has been modified starting from the beginning of 2013. The new method of aggregation of financial data to reporting segments described in item 15 includes the consolidation of subsidiaries (companies and funds) which were previously unconsolidated and the application of the equity method to associated entities, as described in detail in items 6.1 and 9.1.

6. Key assumptions for accounting estimation purposes and subjective judgments made in the process of selecting and applying accounting rules (policies)

The key assumptions made for accounting estimation purposes and subjective judgments made in the process of selecting and applying accounting rules (policies) were presented in the consolidated financial statements of the PZU Group for 2012.

With effect from 1 January 2013, the following changes have been made.

6.1. Changes to consolidation principles

In the previous years until the end of 2012, all material subsidiaries were consolidated. Taken into account in determining materiality were such criteria as generated revenues, the absolute value of the financial result and the balance sheet total.

Starting from 1 January 2013, the materiality criterion has no longer been applied, resulting in the consolidation of all PZU's subsidiaries, which means that the following units will be consolidated starting on 1 January 2013:

- Towarzystwo Funduszy Inwestycyjnych PZU SA;
- PZU Asset Management SA;
- PZU Pomoc SA;
- Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA;
- PrJSC IC PZU Ukraine Life Insurance;
- UAB PZU Lietuva Gyvybes Draudimas;
- Ipsilon Sp. z o.o.;
- Ipsilon Bis SA;
- Omicron SA;
- LLC SOS Services Ukraine;
- PZU FIZ Sektora Nieruchomości;
- PZU FIZ Sektora Nieruchomości 2;
- PZU FIZ Sektora Nieruchomości 3;
- PZU FIZ Aktywów Niepublicznych BIS 1;
- PZU FIZ Aktywów Niepublicznych BIS 2;
- PZU Energia Medycyna Ekologia;
- PZU Dłużny Rynków Wschodzących;
- PZU FIZ Forte;
- PZU FIZ RE Income.

In the previous years until the end of 2012, the materiality criterion was applied also to associated entities. The discontinuation of its application resulted in valuation of the following companies using the equity method since 1 January 2013:

- Kolej Gondolowa Jaworzyna Krynicka SA;
- GSU Pomoc Górniczy Klub Ubezpieczonych SA.

Because the above changes do not constitute changes in the accounting policy but are merely changes in an assumption made for the preparation of the PZU Group's consolidated statements, comparative financial data for the previous periods have not been, as a result, transformed in relation to the data reported historically.

Detailed information on how the abandonment of the materiality criteria affected the consolidated financial statements as at 1 January 2013 is presented in item 9.1.

7. Corrections of errors from previous years

In the 3-month period from 1 January to 31 March 2013, no corrections were made of errors from previous years.

8. Other information related to the manner of drawing up the interim condensed consolidated financial statements

8.1. Period covered by the interim consolidated financial statements

These interim consolidated financial statements cover the period of 3 months from 1 January to 31 March 2013.

8.2. Functional and presentation currency

The Polish zloty is the functional and the presentation currency of the PZU Group. Unless otherwise noted, all the amounts presented in these interim consolidated financial statements are stated in thousands of Polish zloty.

8.3. Going concern

These interim consolidated financial statements have been drawn up under the assumption that PZU Group entities remain a going concern in the foreseeable future, i.e. in the period of at least 12 months after the end of the reporting period. As at the date of signing these interim consolidated financial statements, there are no facts or circumstances that would indicate a threat to ability of PZU Group entities to continue their activity in the period of 12 months after the end of the reporting period as a result of an intentional or an induced discontinuation or a material curtailment of their hitherto activity, with the exception of the companies which are in liquidation.

8.4. Discontinued operations

In the period of 3 months ended 31 March 2013, the consolidated entities of the PZU Group did not discontinue any type of operations. The closing of the liquidation of PZU Group companies: PZU Sigma Investments Sp. z o.o. in liquidation and ICH Center SA in liquidation has been described in item 1.2.

8.5. Seasonality and business cycles

Activity of the PZU Group is not seasonal and is not subject to business cycles to the extent that would justify application of the suggestion included in Clause 21 of IAS 34.

(in thousands of PLN)

8.6. FX rates

The following currency exchange rates were used in these interim consolidated financial statements to convert financial data of foreign subordinated entities and to present financial highlights:

Currency	1 January – 31 March 2013	31 March 2013	1 January – 31 December 2012	31 December 2012	1 January – 31 March 2012	31 March 2012
LTL	1.2088	1.2099	1.2087	1.1840	1.2092	1.2053
UAH	0.3896	0.4006	0.4001	0.3825	0.3910	0.3889
EUR	4.1738	4.1774	4.1736	4.0882	4.1750	4.1616

These FX rates are:

- for line items in the statement of financial position – mean NBP exchange rates on the balance sheet date;
- for profit and loss account, statement of comprehensive income and cash flow statement line items – exchange rates calculated as mean NBP exchange rates for the last day of each month of the given period.

9. Information about major events that materially influence the structure of financial statement items

9.1. Consolidation of or application of the equity method to subsidiaries

Due to the discontinuation, since 1 January 2013, of the application of the materiality criterion in determining the list of subsidiaries subject to consolidation or associated entities valued by using the equity method, as described in detail in section 6.1. – since 1 January 2013, the entities listed in this item have been covered by:

- consolidation (applicable to subsidiaries) – which means that the assets and liabilities of these entities are captured in the relevant items of these consolidated financial statements in place of the previously used presentation of the value of investment in each subsidiary (in companies at cost less impairment charges and in mutual funds at fair value) in the relevant item of the “Financial assets” in the consolidated statement of financial position;
- valuation using the equity method (applicable to associated entities) – which means that the value of investment in an associated entity determined by the equity method is presented as a separate item of assets under “Associated entities carried by the equity method” instead of the previously used presentation at cost less impairment charges in the line item “Financial assets – Financial instruments available for sale” in the consolidated statement of financial position.

Additional detailed information on the impact of the discontinued application of the materiality criterion on the consolidated financial statements as at 1 January 2013 is presented in the following items.

(in thousands of PLN)

9.1.1. Subsidiaries – companies subject to consolidation

As at 1 January 2013, the differences between the net assets of consolidated companies and the carrying amount of investment in the relevant subsidiary is captured in the following items in the consolidated profit and loss account:

- positive differences – in the line item "Other operating income";
- negative differences – in the line item "Other operating expenses".

Reconciliation of the effect of consolidation of subsidiaries since 1 January 2013	Assets	Liabilities	Net assets	Carrying amount of shares (at the historical cost of purchase minus impairment charges)	PZU Group's share in the company's capital	PZU Group's share in net assets	Impact on PZU Group's consolidated financial result
Towarzystwo Funduszy Inwestycyjnych PZU SA	78,284	34,499	**43,785**	24,793	100.00%	43,785	**18,992**
PZU Asset Management SA	12,621	1,982	**10,639**	4,642	100.00%	10,639	**5,997**
Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA	1,578	226	**1,352**	500	100.00%	1,352	**852**
Total – impact on other operating income							**25,841**
PrJSC IC PZU Ukraine Life Insurance	32,884	26,105	**6,779**	25,921	100.00%	6,779	**(19,142)**
UAB PZU Lietuva Gyvybes Draudimas	79,680	52,639	**27,041**	40,235	99.34%	26,863	**(13,372)**
PZU Pomoc	19,729	3,564	**16,165**	18,565	100.00%	16,165	**(2,400)**
LLC SOS Services Ukraine	694	151	**543**	729	100.00%	543	**(186)**
Ipsilon Bis SA	87	3	**84**	100	100.00%	84	**(16)**
Ipsilon Sp. z o.o.	38	1	**37**	52	100.00%	37	**(15)**
Omicron SA	100	3	**97**	100	100.00%	97	**(3)**
Total – impact on other operating expenses							**(35,134)**
Total – impact on the consolidated financial result							**(9,293)**

9.1.2. Subsidiaries – funds subject to consolidation

As at 1 January 2013, in the line item "Other liabilities" under the liabilities section of the consolidated statement of financial position, amounts are captured representing the value of investments made by investors from outside the PZU Group in mutual funds subject to consolidation.

Until 31 December 2012, investments in certain mutual funds were classified into the portfolio of assets available for sale and changes in fair value were captured in the line item "Revaluation reserve". As at 1 January 2013, the balances captured on this account in the line item "Revaluation reserve" are transferred to the consolidated profit and loss account and are recognized in the line item "Net change in the fair value of assets and liabilities carried at fair value".

(in thousands of PLN)

The following table presents financial data broken down by mutual funds subject to consolidation.

Mutual fund	Total assets of the fund subject to consolidation as at 1 January 2013	Amount transferred from the line item "Revaluation reserve" to the consolidated profit and loss account as at 1 January 2013	Liabilities toward investors from outside the PZU Group captured in "Other liabilities" under the liabilities section as at 1 January 2013
PZU FIZ Sektora Nieruchomości	423,814	120,815	-
PZU FIZ Sektora Nieruchomości 2	505,604	782	-
PZU FIZ Sektora Nieruchomości 3	8,592	(1,408)	-
PZU FIZ Aktywów Niepublicznych BIS 1	500	-	-
PZU FIZ Aktywów Niepublicznych BIS 2	107,640	27,640	-
PZU Energia Medycyna Ekologia [1/]	187,407	-	80,100
PZU Dłużny Rynków Wschodzących	319,969	28,031	6,182
PZU FIZ Forte	107,020	92	6,928
PZU FIZ RE Income	169,645	3,410	36,233
Total	**1,830,191**	**179,362**	**129,443**

[1/] The investment in the fund was classified in the portfolio of financial instruments carried at fair value through profit or loss, hence the amount transferred from the line item "Revaluation reserve" is zero.

9.1.3. Associated entities – companies valued by the equity method

As at 1 January 2013, the differences between the PZU Group's share in the net assets of companies valued by the equity method and the carrying amount of investment in associated entities is captured in "Other operating income" in the consolidated profit and loss account.

Reconciliation of the effect of valuation of associated entities using the equity method	1 January 2013
Assets	47,875
Liabilities	6,275
Net assets	**41,600**
Balance sheet value of shares	5,888
Share of the PZU Group in the consolidated net assets of the companies	15,439
Total impact on the consolidated gross financial result	**9,551**

10. Significant events after the end of the reporting period

After the reporting period, there have been no significant events requiring inclusion in this interim report.

11. Supplementary notes to the interim condensed consolidated financial statements

11.1. Financial assets

In Q1 2013 and in 2012, no financial instruments were reclassified from groups carried at fair value to groups carried at cost or amortized cost.

(in thousands of PLN)

11.1.1. Financial instruments held to maturity

Financial instruments held to maturity	31 March 2013	31 December 2012	31 March 2012
Instruments, for which fair value can be determined	**21,622,916**	**21,117,559**	**22,029,401**
Debt securities	21,622,916	21,117,559	22,029,401
Sovereign Debt	21,400,741	20,906,285	21,842,846
Fixed Income	20,950,435	20,460,298	21,495,731
Variable income	450,306	445,987	347,115
Other	222,175	211,274	186,555
Listed on a regulated market	99,226	91,256	63,571
Fixed Income	99,226	91,256	63,571
Not listed on a regulated market	122,949	120,018	122,984
Variable income	122,949	120,018	122,984
Financial assets held to maturity, total	**21,622,916**	**21,117,559**	**22,029,401**

11.1.2. Financial instruments available for sale

Financial instruments available for sale	31 March 2013	31 December 2012	31 March 2012
Instruments, for which fair value can be determined	**2,980,600**	**3,798,153**	**8,382,792**
Equity instruments	1,352,145	1,800,137	1,405,315
Listed on a regulated market	941,483	429,482	563,654
Not listed on a regulated market	410,662	1,370,655	841,661
Debt instruments	1,628,455	1,998,016	6,977,477
Sovereign Debt	1,249,391	1,627,215	6,675,543
Fixed Income	1,237,132	1,488,118	6,025,991
Variable income	12,259	139,097	649,552
Other	379,064	370,801	301,934
Listed on a regulated market	96,633	81,061	68,716
Fixed Income	96,633	81,061	24,527
Variable income	-	-	44,189
Not listed on a regulated market	282,431	289,740	233,218
Variable income	282,431	289,740	233,218
Instruments for which fair value cannot be determined	**5,369**	**126,348**	**126,006**
Equity instruments	5,369	126,348	126,006
Not listed on a regulated market*	5,369	126,348	126,006
Financial instruments available for sale, total	**2,985,969**	**3,924,501**	**8,508,798**

* This line item includes shares in unconsolidated subordinated entities, the carrying value of which as at 31 March 2013 was PLN 277 thousand (PLN 121,347 thousand as at 31 December 2012 and PLN 122,918 thousand as at 31 March 2012).

(in thousands of PLN)

11.1.3. Financial instruments carried at fair value through profit or loss

Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition	**31 March 2013**	**31 December 2012**	**31 March 2012**
Instruments, for which fair value can be determined	**8,462,788**	**8,386,949**	**4,461,262**
Equity instruments	253,004	172,252	16,376
Listed on a regulated market	226,220	5,319	13,773
Not listed on a regulated market	26,784	166,933	2,603
Debt instruments	8,209,784	8,214,697	4,444,886
Sovereign Debt	8,137,777	8,144,078	4,376,043
Fixed Income	6,758,545	6,240,183	3,900,407
Variable income	1,379,232	1,903,895	475,636
Other	72,007	70,619	68,843
Listed on a regulated market	27,242	26,647	68,843
Fixed Income	27,242	26,647	24,654
Variable income	-	-	44,189
Not listed on a regulated market	44,765	43,972	-
Variable income	44,765	43,972	-
Financial instruments carried at fair value through profit or loss – classified in that category upon first recognition, total	**8,462,788**	**8,386,949**	**4,461,262**

Financial instruments carried at fair value through profit or loss – held for trading	**31 March 2013**	**31 December 2012**	**31 March 2012**
Instruments, for which fair value can be determined	**6,729,874**	**7,241,452**	**6,130,859**
Equity instruments	3,967,629	4,226,889	3,694,099
Listed on a regulated market	1,835,477	1,968,840	1,836,739
Not listed on a regulated market	2,132,152	2,258,049	1,857,360
Debt instruments	2,630,433	2,850,493	2,372,545
Sovereign Debt	2,579,086	2,799,572	2,325,100
Fixed Income	2,553,829	2,551,501	1,581,775
Variable income	25,257	248,071	743,325
Other	51,347	50,921	47,445
Not listed on a regulated market	51,347	50,921	47,445
Fixed Income	-	-	24,739
Variable income	51,347	50,921	22,706
Derivatives	131,812	164,070	64,215
Financial instruments carried at fair value through profit or loss – held for trading, total	**6,729,874**	**7,241,452**	**6,130,859**

(in thousands of PLN)

11.1.4. Borrowings

Borrowings	31 March 2013	31 December 2012	31 March 2012
Debt securities	**1,738,667**	**1,748,834**	**160,408**
Sovereign debt	46,200	17,296	9,560
Fixed Income	46,200	17,296	9,560
Other	1,692,467	1,731,538	150,848
Listed on a regulated market	10,450	8,570	52,347
Fixed Income	10,450	8,570	793
Variable income	-	-	51,554
Not listed on a regulated market	1,682,017	1,722,968	98,501
Fixed Income	11,912	-	-
Variable income	1,670,105	1,722,968	98,501
Other, including:	**10,122,698**	**8,003,781**	**8,117,868**
- buy-sell-back transactions	4,379,962	2,466,157	516,588
- term deposits in credit institutions	4,749,053 *	4,516,174	6,678,217
- deposits with ceding companies	206	329	334
- borrowings	993,477	1,021,121	922,729
Total borrowings	**11,861,365**	**9,752,615**	**8,278,276**

** PLN deposits constitute over 93% of term deposits in credit institutions. Over 46% of term deposits mature before the end of June 2013.

Other borrowings

Borrowing type	31 March 2013	31 December 2012	31 March 2012
Mortgage-backed loans	-	26,848	30,976
Borrowings secured by pledges on shares, on receivable portfolios and on bank accounts, other borrowings or otherwise	988,962	991,402	888,957
Unsecured borrowings	4,515	2,871	2,796
Total	**993,477**	**1,021,121**	**922,729**

11.1.5. Exposure to debt securities issued by governments other than the government of the Republic of Poland, corporations or local government units

The tables below present the exposure of PZU Group entities to debt securities issued by governments other than the government of the Republic of Poland, corporations or local government units. The abbreviations used in the column indicating the portfolio classification denote financial instruments classified into the following portfolios: UTW – held to maturity, DDS – available for sale, WG_MPR - valued through profit or loss, classified into this category at initial recognition, WG_PDO – valued at fair value through profit or loss, held for trading, POZ – loans.

(in thousands of PLN)

11.1.5.1. *Debt securities issued by governments other than the government of the Republic of Poland*

As at 31 March 2013	Currency	Portfolio classification	Purchase price	Balance sheet value	Measurement at fair value	Impairment charges
Romania	EUR	WG_MPR	13,847	15,158	15,158	-
Romania	USD	WG_MPR	43,427	47,041	47,041	-
Romania	EUR	WG_PDO	340,284	355,549	355,549	-
Iceland	USD	WG_MPR	61,717	68,594	68,594	-
Iceland	USD	WG_PDO	234,167	260,615	260,615	-
Slovenia	EUR	WG_MPR	53,230	53,858	53,858	-
Slovenia	USD	WG_MPR	15,512	16,154	16,154	-
Slovenia	EUR	WG_PDO	301,018	289,933	289,933	-
Slovenia	USD	WG_PDO	103,185	103,046	103,046	-
Lithuania	EUR	WG_MPR	2,629	2,765	2,765	-
Lithuania	LTL	WG_MPR	16,211	16,477	16,477	-
Lithuania	USD	WG_MPR	14,178	16,716	16,716	-
Lithuania	EUR	UTW	41,252	42,143	46,638	-
Lithuania	LTL	UTW	66,604	75,038	78,142	-
Latvia	USD	WG_MPR	35,960	37,452	37,452	-
Ukraine	UAH	POZ	27,217	20,166	n/a	-
Ukraine	USD	POZ	26,924	26,034	n/a	-
Hungary	EUR	WG_MPR	3,742	4,183	4,183	-
Hungary	EUR	UTW	5,124	5,357	5,445	-
Hungary	CHF	WG_PDO	8,685	8,811	8,811	-
Hungary	EUR	WG_PDO	37,319	41,800	41,800	-
Total			**1,452,232**	**1,506,890**	**n/a**	**-**

As at 31 December 2012	Currency	Portfolio classification	Purchase price	Balance sheet value	Measurement at fair value	Impairment charges
Germany	EUR	DDS	62,787	59,448	59,448	-
Romania	EUR	WG_PDO	340,284	344,041	344,041	-
Iceland	USD	WG_PDO	220,577	227,493	227,493	-
Slovenia	EUR	WG_PDO	109,990	115,576	115,576	-
Slovenia	USD	WG_PDO	77,104	81,735	81,735	-
Lithuania	LTL	UTW	57,395	63,981	67,105	-
Lithuania	EUR	UTW	39,989	39,909	43,200	-
Lithuania	LTL	WG_MPR	15,164	14,980	14,980	-
Lithuania	EUR	WG_MPR	4,455	4,455	4,455	-
Ukraine	UAH	POZ	17,114	14,090	n/a	-
Ukraine	USD	POZ	3,344	3,206	3,294	-
Hungary	EUR	UTW	2,278	2,430	2,459	-
Hungary	CHF	WG_PDO	8,685	8,613	8,613	-
Hungary	EUR	WG_PDO	37,319	41,157	41,157	-
Hungary	HUF	WG_PDO	270,683	264,689	264,689	-
Total			**1,267,168**	**1,285,803**	**n/a**	**-**

(in thousands of PLN)

As at 31 March 2012	Currency	Portfolio classification	Purchase price	Balance sheet value	Measurement at fair value	Impairment charges
Germany	EUR	DDS	478,751	449,459	449,459	-
Germany	EUR	WG_PDO	4,333	4,366	4,366	-
Iceland	USD	WG_PDO	47,567	47,294	47,294	-
Lithuania	LTL	UTW	82,869	98,004	99,691	-
Lithuania	EUR	UTW	29,108	29,383	31,585	-
Ukraine	UAH	borrowings	10,926	9,559	n/a	-
Hungary	EUR	UTW	2,278	2,395	2,344	-
Hungary	EUR	WG_PDO	36,344	35,939	35,939	-
Total			**692,176**	**676,399**	**not applicable**	**-**

11.1.5.2. *Debt securities issued by corporations or local government units*

As at 31 March 2013	Portfolio classification	Purchase price	Balance sheet value	Measurement at fair value	Impairment charges
Companies included in the WIG-Banks Index	DDS	97,483	101,410	101,410	-
	WG_MPR	43,588	44,765	44,765	-
	UTW	71,206	72,163	n/a	-
	POZ	890,000	893,524	n/a	-
	WG_PDO	25,000	25,461	25,461	-
Companies included in the WIG-Fuels Index	DDS	243,489	250,898	250,898	-
	POZ	700,000	710,237	n/a	-
	WG_PDO	25,000	25,886	25,886	-
Unlisted domestic banks	POZ	65,000	66,344	n/a	-
Foreign banks	WG_MPR	280	399	399	-
	UTW	79,457	82,470	n/a	-
	POZ	21,229	22,362	n/a	-
Domestic local governments	DDS	22,816	26,756	26,756	-
	WG_MPR	22,816	26,756	26,756	-
	UTW	50,000	50,060	n/a	-
Other	UTW	17,428	17,482	18,143	-
	WG_MPR	64	87	87	-
Other – covered by full charges	DDS	11,630	-	-	11,630
Total		**2,386,486**	**2,417,060**	**n/a**	**11,630**

(in thousands of PLN)

As at 31 December 2012	Portfolio classification	Purchase price	Balance sheet value	Measurement at fair value	Impairment charges
Companies included in the WIG-Banks Index	DDS	93,065	94,123	94,123	-
	WG_MPR	43,588	43,972	43,972	-
	UTW	64,838	64,150	n/a	-
	POZ	890,000	907,781	n/a	-
	WG_PDO	25,000	25,166	25,166	-
Companies included in the WIG-Fuels Index	DDS	234,390	250,173	250,173	-
	POZ	700,000	701,234	n/a	-
	WG_PDO	25,000	25,755	25,755	-
Unlisted domestic banks	POZ	65,000	66,866	n/a	-
Foreign banks	WG_MPR	102	142	142	-
	UTW	78,236	78,678	n/a	-
	POZ	8,700	8,570	n/a	-
Domestic local governments	DDS	22,816	26,505	26,505	-
	WG_MPR	22,816	26,505	26,505	-
	UTW	50,000	52,509	54,398	-
Other	UTW	15,805	15,937	15,842	-
	POZ	47,000	47,087	n/a	-
Other – covered by full charges	DDS	11,630	-	-	11,630
Total		**2,397,986**	**2,435,153**	**n/a**	**11,630**

As at 31 March 2012	Portfolio classification	Purchase price	Balance sheet value	Measurement at fair value	Impairment charges
Companies included in the WIG-Banks Index	DDS	43,588	44,189	44,189	-
	WG_MPR	43,588	44,189	44,189	-
	UTW	58,692	59,743	n/a	-
	POZ	90,000	92,036	n/a	-
	WG_PDO	49,291	47,445	47,445	-
Companies included in the WIG-Fuels Index	DDS	230,000	233,218	233,218	-
Foreign banks	WG_MPR	102	127	127	-
	UTW	74,384	76,750	n/a	-
	POZ	795	793	n/a	-
Domestic local governments	DDS	22,816	24,527	24,527	-
	WG_MPR	22,816	24,527	24,527	-
	UTW	50,000	50,062	51,258	-
Other	POZ	57,000	58,019	n/a	-
Other – covered by full charges	DDS	12,893	-	-	12,893
Total		**755,965**	**755,625**	**n/a**	**12,893**

11.1.6. Information on changes in the economic situation and conditions of running business activity having material effect on fair value of financial assets and liabilities

Information on changes in the economic situation and conditions of running business activity having material effect on fair value of financial assets and liabilities is presented in item 18.

11.1.7. Changes in classification of financial assets driven by changes of purpose or use of those assets

In the 3-month period ended 31 March 2013, neither PZU nor its subsidiaries changed the classification of financial assets as a result of a change in the purpose or use of such assets.

(in thousands of PLN)

11.2. Fair value hierarchy

Based on the input data used in determining fair value, the distinct assets and liabilities measured at fair value have been classified into the following levels:

- Level 1 – assets and liabilities measured on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities. The following is classified in this level:
  - liquid listed debt securities;
  - shares listed on stock exchanges;
  - derivatives listed on stock exchanges;
- Level 2 – assets and liabilities measured on the basis of inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) The following is classified in this level:
  - unlisted debt securities and illiquid listed debt securities (including non-treasury debt securities issued by other financial entities, self-government units and non-financial entities);
  - derivatives other than those listed on stock exchanges;
  - participation units in mutual funds;
  - investment properties;
  - liabilities toward participants in consolidated mutual funds;
  - investment contracts for client's account and risk
- Level 3 – financial instruments measured on the basis of inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets and liabilities carried at fair value as at 31 March 2013	Level 1	Level 2	Level 3	Total
Assets				
Financial instruments available for sale	1,990,238	990,362	-	2,980,600
Equity instruments	941,483	410,662	-	1,352,145
Debt securities	1,048,755	579,700	-	1,628,455
Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition	8,391,239	71,549	-	8,462,788
Equity instruments	226,220	26,784	-	253,004
Debt securities	8,165,019	44,765	-	8,209,784
Financial instruments carried at fair value through profit or loss – held for trading	4,361,639	2,368,235	-	6,729,874
Equity instruments	1,835,477	2,132,152	-	3,967,629
Debt securities	2,521,979	108,454	-	2,630,433
Derivatives	4,183	127,629	-	131,812
Investment property	-	1,599,060	-	1,599,060
Liabilities				
Derivatives	5,314	172,751	-	178,065
Liabilities toward participants in consolidated mutual funds	-	161,645	-	161,645
Investment contracts for client's account and risk (unit-linked)	-	963,554	-	963,554

(in thousands of PLN)

Assets and liabilities carried at fair value as at 31 December 2012	Level 1	Level 2	Level 3	Total
Assets				
Financial instruments available for sale	1,737,277	2,060,876	-	3,798,153
Equity instruments	429,482	1,370,655	-	1,800,137
Debt securities	1,307,795	690,221	-	1,998,016
Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition	7,907,300	479,649	-	8,386,949
Equity instruments	5,319	166,933	-	172,252
Debt securities	7,901,981	312,716	-	8,214,697
Financial instruments carried at fair value through profit or loss – held for trading	4,711,205	2,530,247	-	7,241,452
Equity instruments	1,968,840	2,258,049	-	4,226,889
Debt securities	2,742,365	108,128	-	2,850,493
Derivatives	-	164,070	-	164,070
Investment property	-	564,404	-	564,404
Liabilities				
Derivatives	-	129,921	-	129,921
Investment contracts for client's account and risk (unit-linked)	-	1,001,923	-	1,001,923

Assets and liabilities carried at fair value as at 31 March 2012	Level 1	Level 2	Level 3	Total
Assets				
Financial instruments available for sale	7,307,172	1,074,879	741	8,382,792
Equity instruments	562,913	841,661	741	1,405,315
Debt securities	6,744,259	233,218	-	6,977,477
Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition	4,458,659	2,603	-	4,461,262
Equity instruments	13,773	2,603	-	16,376
Debt securities	4,444,886	-	-	4,444,886
Financial instruments carried at fair value through profit or loss – held for trading	4,161,839	1,969,020	-	6,130,859
Equity instruments	1,836,739	1,857,360	-	3,694,099
Debt securities	2,325,100	47,445	-	2,372,545
Derivatives	-	64,215	-	64,215
Investment property	-	531,510	-	531,510
Liabilities				
Derivatives	181	24,531	-	24,712
Investment contracts for client's account and risk (unit-linked)	-	1,136,171	-	1,136,171

11.2.1. Transfers between Level 1 and Level 2

During the 3 months ended 31 March 2013, there were no transfers of assets and liabilities and measured at fair value between Level 1 and Level 2 of the fair value hierarchy.

11.2.2. Description of valuation techniques

11.2.2.1. *Debt securities*

The fair value of debt securities for which no active markets exists is measured by using the discounted cash flows method. Discount rates are determined based on the yield curve for government securities shifted by the credit spread calculated as the difference between the yields on listed debt securities of issuers with a similar rating and operating in similar industries and the yield on government bonds (in the case of euro-denominated securities these are bonds issued by the German government).

(in thousands of PLN)

11.2.2.2. *Investment properties*

The fair value of investment real properties is determined by independent experts holding appropriate licenses, using the comparative method or the income method with the application of current market rates.

11.2.2.3. *Assets and liabilities related to mutual funds*

Exposures to mutual funds (participation units, investment certificates), liabilities under investment contracts for the account of and at the risk of the client (unit-linked) and liabilities toward participants in consolidated mutual funds are measured at fair value of the fund's (net) assets.

11.2.3. Change in the fair value measurement methodology for financial instruments measured at fair value

In the 3-month period ended 31 March 2013, neither PZU nor its subsidiaries changed the fair value measurement methodology for financial instruments measured at fair value.

11.3. Receivables, including receivables under insurance contracts

Receivables, including receivables under insurance contracts – carrying value	31 March 2013	31 December 2012	31 March 2012
Receivables on direct insurance, including:	1,441,019	1,368,993	1,498,508
- receivables from policyholders	1,260,931	1,193,159	1,385,410
- receivables from insurance intermediaries	139,734	139,418	85,792
- other receivables	40,354	36,416	27,306
Receivables on reinsurance	25,165	15,099	35,303
Other receivables	780,972	451,701	957,793
Receivables, including receivables under insurance contracts (net)	**2,247,156**	**1,835,793**	**2,491,604**

11.3.1. Other receivables

Other receivables	31 March 2013	31 December 2012	31 March 2012
Receivables from the budget, other than corporate income tax receivables	66,152	4,946	4,885
Amounts due from Metro Projekt Sp. z o.o.	100,256	98,373	97,924
Prevention settlements	53,761	56,837	48,062
Receivables for acting as an emergency adjuster	5,364	5,452	4,759
Receivables of unit-linked funds in life insurance	10,374	43,987	26,442
Receivables on the sale of securities and security deposits	412,011	134,276	660,453
Trade receivables	89,191	79,370	89,816
Other	43,863	28,460	25,452
Other receivables, total	**780,972**	**451,701**	**957,793**

The issues associated with the receivables from Metro Projekt sp. z o.o. are described in clause 0.

(in thousands of PLN)

11.4. Reinsurers' share in technical provisions

Reinsurers' share in technical provisions – non-life insurance	31 March 2013	31 December 2012	31 March 2012
Unearned premium reserve	171,942	190,865	148,120
Unexpired risk reserve	259	5	152
Claim reserve, including:	245,045	304,051	235,427
- for reported claims	192,696	234,276	195,588
- for claims not reported (IBNR)	39,986	55,337	27,594
- for claims handling costs	12,363	14,438	12,245
Reserve for capitalized annuities	150,616	254,413	244,797
Reinsurers' share in technical provisions (net)	**567,862**	**749,334**	**628,496**

Reinsurers' share in technical provisions – life insurance	31 March 2013	31 December 2012	31 March 2012
Unearned premium reserve	100	-	555
Reinsurers' share in technical provisions (net)	**100**	**-**	**555**

(in thousands of PLN)

11.5. Impairment of financial assets and receivables

Movement in impairment charges for financial asset in the period of 1 January - 31 March 2013	Impairment charges at the beginning of the period	Creation of charges, recognized in the profit and loss account	Release of charges, recognized in the profit and loss account	Removal of charges from accounting ledgers (sale, writing down etc.)	FX gains and losses	Change in composition of Group	Impairment charges at the end of the period
Financial assets available for sale	164,273	86	-	(8,363)	84	-	156,080
- equity instruments	164,273	86	-	(8,363)	84	-	156,080
Borrowings	24,582	-	-	-	216	-	24,798
Term deposits in credit institutions	9,657	-	-	-	212	-	9,869
Borrowings	14,925	-	-	-	4	-	14,929
Receivables, including receivables under insurance contracts	606,747	47,083	(8,829)	(1,038)	451	1,361	645,775
Receivables on direct insurance	568,127	46,135	(8,070)	(971)	372	1,361	606,954
Receivables on reinsurance	3,959	465	(282)	-	-	-	4,142
Other receivables	34,661	483	(477)	(67)	79	-	34,679
Reinsurers' share in technical provisions	8,037	224	(3,618)	-	-	-	4,643
Total	**803,639**	**47,393**	**(12,447)**	**(9,401)**	**751**	**1,361**	**831,296**

Movement in impairment charges for financial asset in the year ended 31 December 2012	Impairment charges at the beginning of the period	Creation of charges, recognized in the profit and loss account	Release of charges, recognized in the profit and loss account	Removal of charges from accounting ledgers (sale, writing down etc.)	FX gains and losses	Impairment charges at the end of the period
Financial assets available for sale	253,372	14,915	-	(103,814)	(200)	164,273
- equity instruments	253,372	14,915	-	(103,814)	(200)	164,273
Borrowings	28,770	-	-	(3,400)	(788)	24,582
Term deposits in credit institutions	10,434	-	-	-	(777)	9,657
Borrowings	18,336	-	-	(3,400)	(11)	14,925
Receivables, including receivables under insurance contracts	581,209	96,860	(42,614)	(27,581)	(1,127)	606,747
Receivables on direct insurance	512,855	95,693	(37,340)	(2,160)	(921)	568,127
Receivables on reinsurance	4,848	89	(862)	(116)	-	3,959
Other receivables	63,506	1,078	(4,412)	(25,305)	(206)	34,661
Reinsurers' share in technical provisions	18,613	12,064	(22,640)	-	-	8,037
Total	**881,964**	**123,839**	**(65,254)**	**(134,795)**	**(2,115)**	**803,639**

(in thousands of PLN)

Movement in impairment charges for financial asset in the period of 1 January - 31 March 2012	**Impairment charges at the beginning of the period**	**Creation of charges, recognized in the profit and loss account**	**Release of charges, recognized in the profit and loss account**	**Removal of charges from accounting ledgers (sale, writing down etc.)**	**FX gains and losses**	**Impairment charges at the end of the period**
Financial assets available for sale	253,372	-	-	-	(170)	253,202
- equity instruments	253,372	-	-	-	(170)	253,202
Borrowings	28,770	-	-	-	(611)	28,159
Term deposits in credit institutions	10,434	-	-	-	(603)	9,831
Borrowings	18,336	-	-	-	(8)	18,328
Receivables, including receivables under insurance contracts	581,209	32,273	(3,883)	(800)	(920)	607,879
Receivables on direct insurance	512,855	32,052	(2,125)	(800)	(747)	541,235
Receivables on reinsurance	4,848	-	(198)	-	-	4,650
Other receivables	63,506	221	(1,560)	-	(173)	61,994
Reinsurers' share in technical provisions	18,613	10,067	(4,081)	-	-	24,599
Total	**881,964**	**42,340**	**(7,964)**	**(800)**	**(1,701)**	**913,839**

(in thousands of PLN)

11.6. Prepayments and accruals

Prepayments and accruals	31 March 2013	31 December 2012	31 March 2012
IT costs	10,755	11,274	8,729
Capitalized acquisition expenses of OFE PZU	3,260	5,625	17,937
Reinsurance settlements	53,535	54,335	42,484
Other	32,284	23,708	30,167
Accruals, total	**99,834**	**94,942**	**99,317**

11.7. Assets earmarked for sale

Assets earmarked for sale according to classification before transferring	31 March 2013	31 December 2012	31 March 2012
Property, plant and equipment	43,711	42,492	-
Investment property	27,007	4,470	-
Associated entities carried by the equity method	17,204	-	-
Assets earmarked for sale according to classification before transferring, total	**87,922**	**46,962**	**-**

Presented in the line item “Property, plant and equipment” are mainly real properties and technical equipment and machinery previously utilized by the Armatura Group for its own purposes in the amount of PLN 41,821 thousand (as at 31 December 2012: PLN 41,821 thousand).

Presented under “Associated entities carried by the equity method” are shares in Kolej Gondolowa Jaworzyna Krynicka SA in respect of which the sale process was launched in March 2013 (verification and confirmation of interest among potential investors, distribution of information materials to such interested parties). It is assumed that the company sale procedure will be completed in 2013.

11.8. Technical provisions

11.8.1. Technical provisions in non-life insurance

Technical provisions in non-life insurance	31 March 2013	31 December 2012	31 March 2012
Unearned premium reserve	4,704,845	4,435,516	4,777,729
Unexpired risk reserve	11,327	8,202	23,620
Unpaid claims reserve	5,418,055	5,362,089	4,898,036
Reserve for capitalized annuities	5,654,496	5,660,281	5,104,344
Provisions for premiums and rebates for the insureds	3,595	2,812	4,772
Technical provisions, total	**15,792,318**	**15,468,900**	**14,808,501**

11.8.2. Technical provisions in life insurance

Technical provisions in life insurance	31 March 2013	31 December 2012	31 March 2012
Unearned premium reserve	102,439	93,449	94,187
Life insurance reserve	15,930,287	15,675,243	14,733,835
Unpaid claims reserve	494,752	516,356	573,888
Provisions for premiums and rebates for the insureds	1,498	1,415	1,142
Other technical provisions	516,853	531,617	563,127
Technical provisions for life insurance if the policyholder bears the investment risk	3,274,588	3,113,798	2,448,643
Technical provisions, total	**20,320,417**	**19,931,878**	**18,414,822**

11.9. Investment contracts

Investment contracts - carrying amount	31 March 2013	31 December 2012	31 March 2012
Investment contracts with guaranteed and set conditions	1,303,778	1,297,224	2,981,131

(in thousands of PLN)

- carried at amortized cost	1,303,778	1,297,224	2,981,131
Investment contracts for client's account and risk (unit-linked)	963,554	1,001,923	1,136,171
Investment contracts - carrying amount, total	**2,267,332**	**2,299,147**	**4,117,302**

11.10. Other reserves

Movement in other reserves in the period from 1 January to 31 March 2013	**Opening balance**	**Increases**	**Used**	**Dissolution**	**Closing balance**
Provision for restructuring costs 2012	9,841	-	(5,970)	-	3,871
Provision for restructuring costs 2013	48,353	-	-	-	48,353
Reserves established for the potential liabilities on account of CLSiOR-related investments	916	-	-	-	916
Reserve for disputed claims and potential liabilities under outstanding insurance agreements	2,687	45	-	-	2,732
Provision for penalties imposed by the Antimonopoly Office	138,310	-	(3,968)	-	134,342
Reserve for Graphtalk project closing expenses	49,925	574	-	-	50,499
Reserve for PTE's refund of undue commission to ZUS	8,836	202	(52)	-	8,986
Other	8,588	1,065	(103)	(90)	9,460
Other reserves, total	**267,456**	**1,886**	**(10,093)**	**(90)**	**259,159**

Movement in other reserves in the year ended 31 December 2012	**Opening balance**	**Increases**	**Used**	**Dissolution**	**Closing balance**
Provision for restructuring costs 2012	112,956	-	(75,862)	(27,253)	9,841
Provision for restructuring costs 2013	-	48,353	-	-	48,353
Reserves established for the potential liabilities on account of CLSiOR-related investments	916	-	-	-	916
Reserve for disputed claims and potential liabilities under outstanding insurance agreements	4,019	352	-	(1,684)	2,687
Provision for penalties imposed by the Antimonopoly Office	137,035	1,275	-	-	138,310
Reserve for Graphtalk project closing expenses	50,349	628	-	(1,052)	49,925
Reserve for PTE's refund of undue commission to ZUS	8,095	1,562	(821)	-	8,836
Other	8,693	6,367	(1,217)	(5,255)	8,588
Other reserves, total	**322,063**	**58,537**	**(77,900)**	**(35,244)**	**267,456**

Movement in other reserves in the period from 1 January to 31 March 2012	**Opening balance**	**Increases**	**Used**	**Dissolution**	**Closing balance**
Provision for restructuring costs 2012	112,956	-	(24,218)	-	88,738
Reserves established for the potential liabilities on account of CLSiOR-related investments	916	-	-	-	916
Reserve for disputed claims and potential liabilities under outstanding insurance agreements	4,019	45	-	-	4,064
Provision for penalties imposed by the Antimonopoly Office	137,035	-	-	-	137,035
Reserve for Graphtalk project closing	50,349	-	-	(679)	49,670

(in thousands of PLN)

expenses					
Reserve for PTE's refund of undue commission to ZUS	8,095	165	(416)	-	7,844
Other	8,693	2,966	(6)	-	11,653
Other reserves, total	**322,063**	**3,176**	**(24,640)**	**(679)**	**299,920**

The line item "Provision for the Antimonopoly Office" includes amounts ensuing primarily from the issues discussed in items 26.2 and 26.3.

The headcount restructuring process is described in item 27.3.

11.11. Other liabilities

Liabilities – carrying amount	31 March 2013	31 December 2012	31 March 2012
Liabilities on direct insurance	638,054	649,023	558,087
Reinsurance liabilities	97,946	54,470	100,854
Liabilities to credit institutions	1,506,857	1,006,245	1,158,856
Liabilities toward participants in consolidated mutual funds	161,645	-	-
Other liabilities	1,565,825	710,417	936,485
Total Liabilities	**3,970,327**	**2,420,155**	**2,754,282**

Liabilities to credit institutions are dominated by liabilities on account of sell-buy-back transactions which were PLN 1,151,722 as at 31 March 2013 (PLN 839,969 as at 31 December 2012 and PLN 1,071,347 as at 31 March 2012).

Other liabilities	31 March 2013	31 December 2012	31 March 2012
Liabilities to the state budget, other than income tax liabilities	23,826	19,407	17,606
Public law settlements: ZUS, PFRON, ZFŚS and other	35,819	21,234	42,646
Insurance Guarantee Fund	10,925	7,373	7,706
To the National Fire Brigade Headquarters and Association of Voluntary Fire Brigades	21,111	3,380	20,533
On account of purchased securities and security deposits	1,288,095	438,840	690,791
Amounts payable to PZU shareholders	3,396	3,453	3,510
Trade liabilities	60,029	72,092	51,470
Estimated non-insurance liabilities	43,880	108,694	43,678
Other	78,744	35,944	58,545
Other liabilities, total	**1,565,825**	**710,417**	**936,485**

(in thousands of PLN)

11.12. Accruals and deferred income

Accruals and deferred income	31 March 2013	31 December 2012	31 March 2012
Accrued expenses	**555,715**	**672,550**	**532,122**
- accrued agency commission costs	194,028	194,341	199,682
- accrued employee salary costs	126,761	128,296	85,581
- accrued costs and income on reinsurance	72,702	172,246	77,489
- employee leave reserve	58,325	46,658	48,695
- accrued bonuses for employees	70,832	102,403	69,956
- other	33,067	28,606	50,719
Deferred income	**13,195**	**10,420**	**26,645**
- deferred reinsurance commission	10,718	10,395	10,500
- other	2,477	25	16,145
Accruals and deferred income, total	**568,910**	**682,970**	**558,767**

11.13. Gross written insurance premium

Gross written insurance premium	1 January - 31 March 2013	1 January - 31 March 2012
Gross written premium in non-life insurance	2,400,121	2,515,825
In direct insurance	2,389,304	2,511,342
In indirect insurance	10,817	4,483
Gross written premium in life insurance	2,025,802	1,806,922
Individual premiums	900,268	683,438
On direct insurance	900,268	683,438
Group insurance premiums	1,125,534	1,123,484
On direct insurance	1,125,534	1,123,484
Gross written premium, total	**4,425,923**	**4,322,747**

Gross written premium in direct non-life insurance (by accounting classes prescribed by section II of the attachment to the Insurance Activity Act)	1 January - 31 March 2013	1 January - 31 March 2012
Results of accidents and illnesses (group 1 and 2)	105,680	169,079
Motor - third party liability (group 10)	758,613	774,215
Other motor (group 3)	538,012	585,591
Marine, air and cargo (groups 4, 5, 6, 7)	18,615	16,855
Fire and other property damages (groups 8 and 9)	620,150	620,763
Third party liability (groups 11, 12, 13)	267,599	262,034
Credit and guarantee (groups 14, 15)	12,023	16,783
Assistance (group 18)	49,706	47,953
Legal protection (group 17)	269	322
Other (group 16)	18,637	17,747
Gross written premium in direct non-life insurance (by accounting classes prescribed by section II of the attachment to the Insurance Activity Act)	**2,389,304**	**2,511,342**

(in thousands of PLN)

11.14. Fee and commission income

Fee and commission income	1 January - 31 March 2013	1 January - 31 March 2012
Pension insurance	**50,302**	**48,948**
Commissions on distribution fees	10,940	9,791
Commissions on managing assets of an open-end pension fund	39,362	39,157
Investment contracts	**4,017**	**5,649**
Income from fees relating to investment contracts for the client's account and risk	4,017	5,649
Other	**16,245**	**5,405**
Income and fees from funds and mutual fund companies	16,245	5,405
Fee and commission income, total	**70,564**	**60,002**

11.15. Net investment income

Net investment income	1 January - 31 March 2013	1 January - 31 March 2012
Interest income, including:	434,421	458,914
- financial assets available for sale	17,259	56,152
- financial assets held to maturity	292,159	309,246
- borrowings	122,138	92,143
- cash and cash equivalents	2,865	1,373
Dividend income, including:	1,282	3,650
- financial assets classified as instruments carried at fair value through profit or loss at the moment of first recognition	1,182	-
- financial assets held for trading	100	105
- financial assets available for sale	-	3,545
Income on investment property	25,546	6,507
FX differences, including:	9,956	(16,266)
- financial assets held to maturity	2,286	(8,522)
- financial assets available for sale	1,760	-
- borrowings	6,470	(5,323)
- receivables, including receivables under insurance contracts	(560)	(2,421)
Other, including:	(27,168)	(16,370)
- investment activity expenses	(9,690)	(10,962)
- investment property maintenance expenses	(17,478)	(5,408)
Net investment income, total	**444,037**	**436,435**

(in thousands of PLN)

11.16. Net result on the realization of investments and impairment charges

Net investment realization result and investments impairment charges	1 January - 31 March 2013	1 January - 31 March 2012
Net result on investment realization	**(8,612)**	**138,811**
Financial assets carried at fair value through profit or loss - classified in that category upon first recognition, including:	8,757	32,135
- equity instruments	(2,484)	11,398
- debt securities	11,241	20,737
Financial assets held for trading, including	(24,734)	92,219
- equity instruments	14,890	62,152
- debt securities	(5,636)	(2,111)
- derivatives	(33,988)	32,178
Financial assets available for sale, including:	16,656	27,849
- equity instruments	(1,071)	1,960
- debt securities	17,727	25,889
Financial assets held to maturity, including:	2,847	606
- debt securities	2,847	606
Borrowings	40	-
Receivables, including receivables under insurance contracts	(12,192)	(13,998)
Investment property	14	-
Impairment charges	**(38,340)**	**(28,390)**
Financial assets available for sale, including:	(86)	-
- equity instruments	(86)	-
Receivables, including receivables under insurance contracts	(38,254)	(28,390)
Net investment realization result and investments impairment charges, total	**(46,952)**	**110,421**

11.17. Net change in the fair value of assets and liabilities carried at fair value

Net change in the fair value of assets and liabilities carried at fair value	1 January - 31 March 2013	1 January - 31 March 2012
Financial instruments carried at fair value through profit or loss – classified in that category upon first recognition, including:	(33,269)	71,111
- equity instruments	7,806	1,227
- debt securities	(41,075)	69,884
Financial instruments held for trading, including:	(79,794)	260,209
- equity instruments	(88,382)	198,298
- debt securities	33,288	42,871
- derivatives	(24,700)	19,040
Investment property	(16,151)	(5,378)
Movement in liabilities to participants in consolidated mutual funds	(6,405)	-
Consolidation of mutual funds, including:	167,545	-
- amount transferred from the line item “Revaluation reserve” to the consolidated profit and loss account as at 1 January 2013	179,362	-
- amount resulting from the consolidation of special purpose vehicles being subsidiaries of funds included in the consolidation	(11,817)	-
Net change in the fair value of assets and liabilities carried at fair value	**31,926**	**325,942**

(in thousands of PLN)

11.18. Other operating income

Other operating income	1 January - 31 March 2013	1 January - 31 March 2012
Consolidation of or application of the equity method of valuation to new entities	35,392	-
Reinsurance commissions and profit-sharing	77,005	(2,384)
Revenues on the sales of products, merchandise and services by non-insurance companies	51,876	54,379
Other	40,645	23,451
Other operating income, total	**204,918**	**75,446**

The issue of consolidation of subsidiaries and the application of the equity method of valuation to associated companies since 1 January 2013 is presented in item 9.1.

11.19. Net insurance claims

Net insurance claims	1 January - 31 March 2013	1 January - 31 March 2012
Claims and movement in technical provisions in non-life insurance	1,139,188	1,286,075
Reinsurers' share in claims and in the movement in technical provisions in non-life insurance	10,300	27,540
Claims and change in the balance of technical reserves in life insurance	1,581,200	1,463,267
Reinsurers' share in claims and in the movement in technical provisions in life insurance	9	-
Claims, total	**2,730,697**	**2,776,882**

11.20. Claims and changes in valuation of investment contracts

Claims and changes in valuation of investment contracts	1 January - 31 March 2013	1 January - 31 March 2012
Under investment contracts with guaranteed and set conditions	11,489	24,601
- interest expenses calculated using the effective interest rate	11,489	24,601
Under investment contracts for client's account and risk (unit-linked)	(265)	50,706
Claims and changes in valuation of investment contracts, total	**11,224**	**75,307**

(in thousands of PLN)

11.21. Administrative, acquisition and claims handling costs, by type

Claims handling, acquisition and administrative costs, by type	1 January - 31 March 2013	1 January - 31 March 2012
Consumption of materials and energy	22,640	20,978
External services	110,846	136,620
Taxes and fees	15,203	14,239
Employee expenses	337,567	379,910
Depreciation of property, plant and equipment	19,102	18,452
Depreciation of intangible assets	15,650	19,160
Other, including:	441,333	445,091
- commission on direct activity	360,018	349,860
- advertising	12,362	30,809
- movement in capitalized acquisition expenses	(13,712)	(18,842)
- remuneration of group insurance administrators in work establishments	51,052	58,559
- other	31,613	24,705
Claims handling, acquisition and administrative costs, total	**962,341**	**1,034,450**

11.22. Other operating expenses

Other operating expenses	1 January - 31 March 2013	1 January - 31 March 2012
Consolidation of new entities	35,134	-
Insurance Guarantee Fund	9,997	-
National Fire Brigade Headquarters and Association of Voluntary Fire Brigades	21,111	20,533
Obligatory fees to insurance market institutions	15,596	12,533
Expenditures for prevention activity	7,456	3,132
Expenses of the core business of the non-insurance companies	54,843	50,953
Other	52,822	37,248
Other operating expenses, total	**196,959**	**124,399**

The issue of consolidation of subsidiaries and the application of the equity method of valuation to associated companies since 1 January 2013 is presented in item 9.1.

11.23. Financial costs

Financial costs	1 January - 31 March 2013	1 January - 31 March 2012
Interest, including:	7,780	6,811
- borrowings	4,398	5,859
- bank loans	3,120	952
- other	262	-
FX gains and losses	6,620	(1,053)
Financial expenses, total	**14,400**	**5,758**

11.24. Other comprehensive income

Income tax on other comprehensive income items	1 January - 31 March 2013	1 January - 31 March 2012
Net other comprehensive income	(153,953)	96,543
Income tax	(44,024)	24,520
Financial assets available for sale	(44,024)	24,520
Reclassification of real property from property, plant and equipment to investment property	-	-
Gross other comprehensive income	**(197,977)**	**121,063**

(in thousands of PLN)

12. Contingent assets and liabilities

Contingent assets and liabilities	31 March 2013	31 December 2012	31 March 2012
Contingent assets, including:	17,746	17,746	17,894
Guarantees and sureties received	17,746	17,746	17,894
Contingent Liabilities	284,310	210,459	157,911
Guarantees and sureties given	6,040	6,790	4,864
Disputed insurance claims	176,578	69,651	57,786
Other disputed claims	51,142	53,541	22,886
Other	50,550*	80,477**	72,375***

* Including PLN 49,786 thousand on account of potential liabilities arising out of loan agreements entered into by the Armatura Group.
** Including PLN 49,702 thousand on account of potential liabilities arising out of loan agreements entered into by the Armatura Group and PLN 30,000 thousand of potential liabilities related to the sale of real properties by the Armatura Group.
*** Including PLN 41,448 thousand on account of potential liabilities arising out of loan agreements entered into by the Armatura Group and PLN 30,000 thousand of potential liabilities related to the sale of real properties by the Armatura Group.

13. Commentary to the interim consolidated financial statements

13.1. Commentary

In the period of 3 months ended 31 March 2013, gross written premium was PLN 4,425,923 thousand compared to PLN 4,322,747 thousand in the corresponding period of the previous year (+2.4%). This increase in sales was driven mainly by growth in:

- individual insurance with a single premium (PLN +185,601 thousand), in particular endowment products in the bancassurance channel;
- group and continued insurance with a regular premium, predominantly protection insurance (PLN +37,286 thousand) – a higher average premium (including upselling of riders to individually continued insurance) and a greater number of insured (type P group insurance, group health insurance and protection bancassurance).

At the same time, a decrease in gross written premium was recorded:

- in the corporate insurance segment (PLN -132,062 thousand), including:
  - for patients on account of medical events (ADD insurance for hospitals; PLN -61,055 thousand) – in Q1 2012, medical units were required to enter into insurance agreements to cover patients against medical events; as a result of the legislative changes, this requirement has been deferred until 2014;
  - motor insurance – strong competition and the continued poor condition of the domestic automotive market;
- in the group insurance segment – short-term products with a single premium (PLN -28,292 thousand), predominantly in the bancassurance channel, as a result of phasing out such products due to their low profitability.

Investment income (including income from investment contracts, i.e. those that do not contain a significant insurance risk) for Q1 2013 and Q1 2012 amounted to PLN 429,011 thousand and PLN 872,798 thousand, respectively, and decreased mainly due to a decline in the valuation of equity instruments as a result of bearish conditions on the Warsaw Stock Exchange (in Q1, the WIG index dropped by 4.9%, whereas in the same period a year earlier it gained 9.8%) and a decrease in the valuation of debt instruments resulting from improved bond yields (in Q1 2013, yields on 5-year and 10-year government bonds yields increased by 20 and 19 basis points, respectively, whereas Q1 2012 saw yields decreasing by 40 and 38 basis points, respectively). Furthermore, in connection with including mutual funds in the consolidation since 1 January 2013, non-recurring (gross) income of PLN 167,545 thousand was recognized in Q1 2013.

The reduction in net claims paid (incorporating the movement in the claims reserves) of PLN 46.185 thousand (-1.7%) in comparison with a similar period in the previous year resulted in particular from the following:

- very low level of claims associated with adverse effects of winter in agricultural insurance; it should be noted that in the years 2011-2012 a high level of claims from the same effects caused a negative profitability on this product;
- maintenance of a low loss ratio in motor insurance thanks to favorable road conditions (a low frequency of claims) and a smaller number of claims resulting from minor damage (due to the risk of losing NCDs);
- low level of claims of a mass nature and individual claims of a significant scale of payouts in non-life insurance;
- decrease in mathematical reserves in unit-linked products due to weaker results on investment activity, which, together with the concurrent lower valuation of investments, had no impact on the PZU Group's results;
- lower growth in mathematical reserves in continued protection insurance as a result of product modification affecting the amount of established mathematical reserves at the moment of the insured's transfer to individually continued phase.

In turn, the following factors affected an increase in the above category of net claims:

- greater sales of individual investment products in the bancassurance channel;
- slower rate of conversion of long-term agreements into annual renewable agreements in group type P insurance (the effect of conversions in Q1 2013 translated into releasing PLN 47,594 thousand of reserves, PLN 46,378 thousand less than in the same period of 2012).

In Q1 2013, acquisition costs fell by PLN 20,146 thousand (-4.0%) compared to the corresponding period of the previous year. This decrease was a result of lower commissions (including the effect of lower gross written premium in corporate insurance) and indirect costs (including lower personnel costs as a result of reorganization and restructuring).

The decrease in administrative expenses by PLN 38,826 thousand (-10.6%) resulted mainly from a lower headcount and lower advertising costs (the effect of the image campaign conducted in 2012) with a concurrent increase in the costs of project activities aimed at streamlining and automating service processes. Moreover, in 2012 a charge of PLN 20,000 thousand was made to the Company Social Benefits Fund.

The net balance of other operating revenues and expenses in the 3-month period ended 31 March 2013 increased by PLN 56,912 thousand compared to the corresponding period of the previous year. The main reason for the change was the recognition of non-recurring income from a settlement with a reinsurer (one-off impact on other operating revenues in Q1 2013: PLN +73,272 thousand; aggregate impact on the gross result: PLN +53,207 thousand). The objective of the settlement was to settle reinsurance commissions in the Green Card product, for which an adjustment was made in 2011 by lowering the result of that period by PLN 91,843 thousand.

The operating profit in Q1 2013 was PLN 1,066,468 thousand, up by PLN 31,796 thousand (3.1%) compared to the same period in the previous year. This change was driven in particular by:

- good results in the mass insurance segment of PLN +342.175 thousand, mainly as a result of a low level of claims in agricultural insurance and the one-off income from the settlement with a reinsurer;
- lower results in the investment segment (PLN -226,106 thousand) due to a decrease in the valuation of both debt and equity instruments, partly offset by non-recurring income due to the consolidation of mutual funds (mainly real properties; impact: PLN +167,545 thousand);
- slower rate of conversion of long-term agreements into annual renewable agreements in group type P insurance, which contributed to the decrease in operating income in the group and continued insurance segment by PLN 30,152 thousand.

The net profit grew in comparison to Q1 2012 by PLN 14,636 thousand (+1.8%) to PLN 837,265 thousand.

IFRS-compliant consolidated equity as at 31 March 2013 was PLN 14,952,078 thousand compared to PLN 13,788,677 thousand as at 31 March 2012. The return on equity (ROE[1]) for the period from 1 January 2013 to 31 March 2013 was 22.9%, down 1.8 p.p. from the similar period of the previous year. In comparison with consolidated equity at 31 December 2012, equity rose PLN 682,809 thousand (+4.8%), while ROE[1] was 1.1 percentage points lower as compared to the ratio for the period from 1 January 2012 to 31 December 2012.

Total assets as at 31 March 2013 increased as compared to 31 December 2012 by PLN 2,847,227 thousand, i.e. by 5.1% (to PLN 58,756,787 thousand), largely due to the consolidation of subsidiaries, including mutual funds (the effect of discontinuation, from 1 January 2013, of the application of the materiality criterion in determining the list of subsidiaries subject to consolidation). At the same time, total assets increased due to the development of business, which was reflected in a higher level of technical provisions.

The investment portfolio[2] as at 31 March 2013 and 31 March 2012 were PLN 53,083,907 thousand and PLN 49,915,394 thousand, respectively. Compared to 31 December 2012, the investment portfolio increased by PLN 2,226,348 thousand from PLN 47,216,138 thousand, mainly as a result of the elements described above.

The value of technical provisions as at the end of Q1 2013 was PLN 36,112,735 thousand and accounted for 61.5% of total assets. In comparison with 31 December 2012, provisions increased by PLN 711,957 thousand, including as a result of the following factors:

- high sales of non-renewable investment insurance products in the bancassurance channel causing the establishment of a provision for life insurance and a provision for life insurance where the investment risk is borne by the policyholder;
- increase in premium provisions characteristic of non-life insurance in Q1 of this year associated with the seasonal nature of agreements (certain insurance agreements must be entered into 1 January – this includes insurance of farm buildings and certain types of third party liability insurance).

14. Solvency

The rules for calculating the solvency margin and the minimum amount of the indemnity capital are defined in the Regulation of 28 November 2003 on the method of calculating the solvency margin and the minimum amount of the indemnity capital for insurance sections and groups (Journal of Laws of 2003, No. 211, Item 2060, “Solvency Margin Regulation”).

Detailed information on the method for calculating solvency is presented in the consolidated financial statements of the PZU Group for 2012.

Financial data included in the calculation of shareholder funds and solvency margin have been determined based on the PAS.

[1] Annualized ratio.
[2] The investment portfolio contains financial assets, investment property and the liabilities under derivatives.

(in thousands of PLN)

Calculation of shareholder funds to cover PZU's solvency margin are presented below.

Calculation of shareholder funds to cover the solvency margin	31 March 2013	31 December 2012	31 March 2012
PZU equity	**14,164,492**	**13,452,581**	**12,544,351**
Intangible assets	(126,529)	(129,729)	(99,569)
Value of shares in insurance companies held by the PZU insurance capital group	(7,145,578)	(6,847,006)	(6,476,777)
Deferred income tax assets	(303,284)	(309,132)	(331,920)
Contribution of other insurance companies in the PZU insurance capital group to PZU's shareholder funds:	**5,072,714**	**4,789,418**	**4,569,857**
PZU Życie SA 100.00%	5,089,061	4,808,768	4,580,758
Shareholder funds	6,841,237	6,551,153	6,342,836
Solvency margin	1,752,176	1,742,385	1,762,078
Surplus of shareholder funds to cover the solvency margin	5,089,061	4,808,768	4,580,758
UAB DK PZU Lietuva 99.76%	1,860	2,769	3,578
Shareholder funds	38,439	38,550	33,797
Solvency margin	36,575	35,774	30,210
Surplus of shareholder funds to cover the solvency margin	1,864	2,776	3,587
UAB PZU Lietuva Gyvybes Draudimas 99.34%	7,535	7,201	8,249
Shareholder funds	23,042	22,873	23,928
Solvency margin	15,457	15,624	15,624
Surplus of shareholder funds to cover the solvency margin	7,585	7,249	8,304
PrJSC PZU Ukraine 100.00%	(17,832)	(15,721)	(13,407)
Shareholder funds	4,929	5,987	5,728
Solvency margin	22,761	21,708	19,135
Surplus/shortage of equity to cover the solvency margin	(17,832)	(15,721)	(13,407)
PrJSC IC PZU Ukraine Life Insurance 100.00%	(7,910)	(13,599)	(9,321)
Shareholder funds	7,138	2,025	6,303
Solvency margin	15,048	15,624	15,624
Surplus/shortage of equity to cover the solvency margin	(7,910)	(13,599)	(9,321)
PZU shareholder funds	**11,661,815**	**10,956,132**	**10,205,942**
PZU solvency margin	1,348,689	1,343,831	1,348,689
PZU indemnity capital	449,563	447,944	449,563
Surplus of shareholder funds to cover the solvency margin	**10,313,126**	**9,612,301**	**8,857,253**
Surplus of shareholder funds to cover the indemnity capital	**11,212,252**	**10,508,188**	**9,756,379**

15. Segment reporting

15.1. Reportable segments

15.1.1. Key classification criterion

IFRS 8 specifies how entities should present information regarding operating segments in annual and interim financial statements. Operating segments are components of an entity for which separate financial information is available and is subject to regular assessment by the chief operating decision maker ("CODM", in practice this is the PZU Management Board), related to allocating resources and assessing operating results.

The main model for PZU Group segmentation is based on the criterion of entities subject to consolidation, with the reservation that in reference to the leading companies of the PZU Group (PZU and PZU Życie) segments are additionally distinguished according to the following criteria: customer groups, product lines and nature of the business.

PZU has distinguished the following segments:

- corporate insurance (non-life);
- mass insurance (non-life);
- investments – entailing investing activity of its own funds.

PZU Życie has distinguished the following segments:

- group and individually continued insurance (life);
- individual insurance (life);
- investments – entailing investing activity of its own funds;
- investment contracts – described in greater detail below in this chapter.

Having regard for its separateness and its operation in different regulatory environments, the internal financial reporting system applied by the PZU Group, according to the PZU Group's segmentation model based on the criterion of entities subject to consolidation and having regard for their utility for users of financial statements the following segments have also been distinguished:

- pension insurance;
- Ukraine (non-life and life insurance; in 2012: only non-life insurance);
- Baltic states – Lithuania, Latvia and Estonia, hereinafter: the "Baltic states" (non-life and life insurance; in 2012: only non-life insurance).

If the qualitative or quantitative prerequisites described by IFRS 8 items 12-19 are met, operating segments may be combined into reportable segments. These financial statements do not combine distinct operating segments into reportable segments save for the segment called investments encompassing investing activity of own funds of the PZU Group companies.

15.1.2. Information relating to geographical areas

The PZU Group applies additional segmentation by geographic location, according to which the following segments were identified:

- Poland;
- Baltic states;
- Ukraine.

15.2. Inter-segment settlements

Economic transactions entered into by and between operating segments and geographic segments are entered into on arm's length conditions.

The net result of investments (the difference between realized and unrealized revenues and costs) carried in corporate insurance (non-life), mass insurance (non-life), group and individually continued insurance (life), individual insurance (life) is determined on the basis of transfer prices using interest rates from the yield curves for treasuries (risk free rate), giving consideration to the fact that for unit-linked products, guaranteed rate products and structured products the net result of investments covering the technical provisions corresponding to them is carried directly.

15.3. Segment's measure of profit

The PZU Group's fundamental measure of a segment's profit is as follows:

- in insurance companies – insurance result according to local accounting standards in force in the country of the company's registered offices, which is the financial result before tax and other operating revenues and costs (including costs of financing), incorporating however the net result on investments attributable to investments providing 100% coverage of technical provisions. The insurance result is a measure approximately equivalent to the technical result on insurance defined in PAS with the exception that both non-life and life insurance have a net result on investments as described in the previous sentence;
- in non-insurance companies – the operating result according to local accounting standards in the country of the company's registered offices or according to IFRS, which is the financial result before tax and costs of financing.

15.4. Description of the segments

A description of all the PZU Group's distinguished reportable segments is presented below along with a presentation of the accounting standards according to which their financial data have been presented:

- corporate insurance (non-life) – reporting according to PAS – covering a broad scope of property insurance, TPL and motor insurance customized to a customer's needs entailing individual underwriting offered by PZU to large economic agents;
- mass insurance (non-life) - reporting according to PAS – covering a broad scope of property, accident, TPL and motor insurance offered by PZU to individual clients and entities in the small and medium enterprise sector;
- group and individually continued insurance (life) - reporting according to PAS – covering group insurance addressed by PZU Życie to groups of employees and other formal groups (for instance trade unions), under which persons under a legal relationship with the policyholder (for instance employer, trade union) enroll in the insurance and individually continued insurance in which the policyholder acquired the right to individual continuation during the group phase. PZU Życie's offer covers a wide range of protection, investment (not investment contracts) and health insurance;

- individual insurance (life) - reporting according to PAS – covering insurance offered by PZU Życie to individual clients under which the insurance contract applies to a specific insured and this insured is subject to individual underwriting. PZU Życie's offer covers a wide range of protection, investment (not investment contracts) and health insurance;
- investments - reporting according to PAS – covering investing activity in respect of the PZU Group's own funds understood to mean surplus investments above the technical provisions in the PZU Group's leading insurance companies (PZU and PZU Życie where this surplus is different from the concept of investing the own funds of insurance undertakings as defined in PAS) and the PZU Group's other free cash flow;
- pension insurance – reporting according to PAS – covering PZU PTE;
- Ukraine (non-life and life insurance; in 2012: only non-life insurance) – reporting according to Ukrainian standards – including PZU Ukraine and PZU Ukraine Life, in 2012: only PZU Ukraine;
- Baltic states (non-life and life insurance; in 2012: only non-life insurance) – reporting according to Lithuanian standards – including PZU Lietuva companies, conducting business activity in Lithuania and since 2012 through its branches also in Latvia and Estonia, and UAB PZU Lietuva Gyvybes Draudimas, in 2012: only PZU Lietuva;
- investment contracts – reporting according to PAS – covering PZU Życie products that do not transfer material insurance risk within the meaning of IFRS 4 and that do not meet the definition of an insurance contract (i.e. some products with a guaranteed rate of return and some unit-linked products). According to IFRS, these products, in compliance with the requirements of IAS 39, are recognized using the deposit method and are measured depending on the construction of a given product – at depreciated cost or fair value. In both cases, according to IFRS, the gross written premium on these products is not recognized. According to PAS, all these products are carried as insurance products and their gross written premium is recognized;
- other – reporting jointly according to IFRS or PAS (IFRS 8 does not require the presentation of the results of segments qualified to the category "other" according to cohesive accounting rules) – covers other entities subject to consolidation not qualified as belonging to any other segment above, whose revenues predominantly originate from the manufacturing activity of bathroom and sink fixtures, heaters, foundry molds and service activity.

15.5. Accounting standards employed according to PAS

15.5.1. PZU

PAS and the differences between PAS and IFRS in respect of PZU's standalone financial reporting have been portrayed in detail in the annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2012 prepared according to PAS, signed by the PZU Management Board on 12 March 2013 and whose subject the statutory auditor issued on that same date an unqualified opinion ("PZU's standalone financial statements for 2012").

PZU's standalone financial statements for 2012 are available on PZU's website www.pzu.pl under the tab "PZU Group / Investor Relations / Periodic and Current Reports / Periodic Reports".

15.5.2. PZU Życie

The accounting standards according to PAS applicable to PZU Życie are convergent with the PAS applicable to PZU (bypassing accounting for insurance contracts and investment contracts).

The rules of accounting for insurance contracts and investment contracts at PZU Życie according to IFRS have been presented in the PZU Group's consolidated financial statements for 2012.

The fundamental differences between PAS and IFRS in respect of accounting for insurance contracts and investment contracts at PZU Życie entail the following:

- classifying insurance contracts according to the guidelines set forth under IFRS 4 on the classification of products as insurance contracts subject to IFRS 4 or investment contracts measured according to IAS 39. According to IFRS 4 a contract meets the definition of an insurance contract only if an insurable event may precipitate the necessity of an insurer paying significant additional benefits in every scenario, excluding scenarios lacking economic meaning (that is that do not exert a noticeable impact on the economics of the transaction), and thus if a contract transfers significant insurance risk. The assessment of whether a given contract transfers considerable financial risk requires analysis of the cash flows associated with a given product in different scenarios and estimating the probability of their occurrence.
- the amount of the technical rate used to compute the technical provisions. According to IFRS 4, if an insurer measures its insurance contracts while applying sufficient prudence, it should not in subsequent reporting periods insert additional elements augmenting its level. In PAS financial reporting, the technical rates are reduced for some types of insurance, which results from the maximum levels of the technical rates published by the Polish Financial Services Authority, contributing to higher PAS technical provisions compared to similar IFRS-compliant provisions.

As at the end of 2012, the levels of technical rates applied under PAS and IFRS were equalized, which action in both cases was accompanied by a decrease in the level of applied technical rates.

The impact exerted by these differences between PAS and IFRS has been presented in the segmental note in separate columns.

15.6. Construction of the segmental note and the reconciliations it contains

As the segments' measures of profit are based on local accounting standards in the country of the registered offices of the PZU Group company, the financial data of the segments are carried using several different accounting standards; moreover, on account of the managerial accounting reports submitted to CODM compared to the format of IFRS-compliant financial statements, it would be necessary to employ two reporting frameworks: the framework of the managerial accounting reports submitted to CODM (left side of the note) and the IFRS-compliant format of financial statements (right side of the note).

As a consequence, the reconciliation in the note of the sum total of revenues and the sum total of profit or loss of the reportable segments with the similar consolidated figures, required according to IFRS 8 item 28, is complex and consists of the following stages described according to the sequence of placing the reconciliation columns in the segmental note:

- switching from the framework of the managerial accounting reports submitted to CODM to the format of IFRS-compliant financial statements (column entitled “differences in presentation”), effecting a number of changes in presentation, including the transfer of other operating revenues and expenses to the IFRS-compliant line items inserted under the measure of “operating profit (loss)”;
- reconciling the differences between accounting standards in which the financial data of segments and of IFRS are presented along with a separate presentation of the most important ones;
- making consolidation adjustments (since this is the final stage of reconciliation – the adjustments have been presented in the framework of IFRS-compliant financial data).

15.7. Simplifications in the segmental note

The segmental note has applied certain simplifications compared to the requirements of IFRS 8. The justification for their usage is portrayed below:

- withdrawing from presenting data related to the allocation of all assets and liabilities to various segments – resulting from not preparing and not presenting such tables to CODM. The main information delivered to CODM consists of data regarding the results of given segments and managerial decisions are made on this basis, including decisions on resource allocation. The analysis of the segmental allocation of assets and liabilities is limited to monitoring the fulfillment of the PAS regulatory requirement, i.e. holding assets to cover technical provisions at a level exceeding the amount of these provisions (analysis split into the various insurance companies, not product groups);

- presenting the net result on investments as a single amount as the difference between the realized and unrealized revenues and the costs of investments – stemming from the internal assessment of the segmental results based on such a combined measure of investment results;
- not allocating other revenues and costs to the segment called "investments" besides realized and unrealized revenues and costs of investments – stemming from the method of analyzing this segment's data and the impracticality of such an allocation;
- presenting other operating revenues and costs and financial costs for PZU and PZU Życie jointly for the operating segments distinguished in them (as a consequence also not allocating any amounts in this area to the segment called investment contracts) – stemming from the accepted measures of operating segments' profit and the impracticality of such an allocation;
- presenting the income tax burden as a single amount at the level of the consolidated data – stemming from the accepted measures of operating segments' profit and the impracticality of conducting an allocation exercise in this respect.

(in thousands of PLN)

Profit and loss account for the period from 1 January 2013 to 31 March 2013	Corporate insurance (non-life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine	Baltic states	Investment contracts	Other operations	Presentation differences	Real property and financial instruments	Investment contracts	Prevention fund, loss ratio equalization reserve and charges to the Company Social Benefits Fund	Consolidation adjustments	Consolidated value	Profit and loss account for the period from 1 January 2013 to 31 March 2013
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS	
Gross premium written externally	484,825	1,834,708	1,598,246	409,633	-	-	42,777	55,734	729,577	-	-	-	(729,577)	-	-	4,425,923	Gross externally written insurance premium
Gross premium written between segments	895	-	-	-	-	-	-	-	-	-	-	-	-	-	(895)	-	Gross insurance premium written between segments
Gross written insurance premium	485,720	1,834,708	1,598,246	409,633	-	-	42,777	55,734	729,577	-	-	-	(729,577)	-	(895)	4,425,923	
Reinsurers' share in gross written premium	(17,322)	(1,690)	(1,297)	(20)	-	-	(6,634)	(7,805)	-	-	-	-	-	-	1,171	(33,597)	Reinsurers' share in gross written insurance premium
Net written premium	468,398	1,833,018	1,596,949	409,613	-	-	36,143	47,929	729,577	-	-	-	(729,577)	-	276	4,392,326	Net written premium, including:
Movement in the unearned premium reserve and gross unexpired risk reserve	(50,825)	(216,260)	183	2,237	-	-	(359)	(650)	285	-	(18,335)	-	(285)	-	(590)	(284,599)	Movement in the net unearned premium reserve
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	(15,334)	(8,541)	-	-	-	-	1,424	4,116	-	-	18,335	-	-	-	-	-	
Net earned premium	402,239	1,608,217	1,597,132	411,850	-	-	37,208	51,395	729,862	-	-	-	(729,862)	-	(314)	4,107,727	Net earned premium
											73,053	-	7,771	-	(10,260)	70,564	Fee and commission income
Investment income, including:	38,559	146,414	151,683	50,327	160,761	3,006	6,218	2,749	16,994	12,220	(588,931)						
Net result on investments (external activity)	38,559	146,414	151,683	50,327	157,384	3,006	6,218	2,749	16,994	12,220	(585,554)						
Net result on investments (inter-segment activity)	-	-	-	-	3,377	-	-	-	-	-	(3,377)						
											445,578	-	-	-	(1,541)	444,037	Net investment income (external operations)
											3,377	-	-	-	(3,377)	-	Net investment income (operations between segments)
											28,351	4,002	-	-	(79,305)	(46,952)	Net result on the realization of investments and impairment charges
											64,881	(22,934)	-	-	(10,021)	31,926	Net change in the fair value of assets and liabilities carried at fair value
Other net technical income	5,409	14,597	952	3,834	-	-	-	-	3,753	-	(28,545)						
Revenues on core business of non-insurance entities	-	-	-	-	-	50,302	-	-	-	85,619	(135,921)						
Other operating income (not applicable to insurance entities)	-	-	-	-	-	2	-	-	-	556	210,688	(66)	(3,754)	-	(2,508)	204,918	Other operating income
Gross claims paid	(223,269)	(811,191)	(1,160,139)	(146,852)	-	-	(21,312)	(34,878)	(768,598)	-	(294,760)	-	737,069	-	3,542	(2,720,388)	Claims and movement in technical provisions
Movement in the gross claims reserve	(34,867)	(26,776)	17,375	6,664	-	-	(76)	1,105	1,205	-	35,370						
Reinsurers' share in claims paid	11,524	140,849	(9)	-	-	-	193	1,967	-	-	(164,599)	-	-	-	(234)	(10,309)	Claims and movement in insurance liabilities ceded to re-insurers
Reinsurer's share in the movement in reserves	18,313	(185,876)	-	-	-	-	1,662	(2,092)	-	-	167,993						
Net insurance claims	(228,299)	(882,994)	(1,142,773)	(140,188)	-	-	(19,533)	(33,898)	(767,393)	-	(255,996)	-	737,069	-	3,308	(2,730,697)	Net insurance claims
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(36,865)	(251,937)	-	-	-	-	30,326	-	258,476						
											-	-	(11,224)	-	-	(11,224)	Claims and changes in valuation of investment contracts
Net premiums and rebates for insureds including the movement in reserves	(832)	-	(82)	-	-	-	-	-	(1)	-	915						
Other net technical income	(17,864)	(87,653)	(8,999)	(671)	-	-	-	-	(605)	-	115,792						
Acquisition cost	(76,727)	(266,023)	(77,853)	(26,444)	-	(4,076)	(13,903)	(14,929)	(4,354)	-	-	-	-	-	3,721	(480,588)	Acquisition cost
Administrative cost	(25,669)	(124,783)	(132,654)	(11,171)	-	(18,266)	(8,573)	(5,903)	(2,704)	-	-	(1,713)	-	-	5,152	(326,284)	Administrative costs
Reinsurance commissions and profit-sharing	1,497	75,113	196	-	-	-	-	-	-	-	(76,806)						
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(79,394)	79,394						
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(322)	-	-	-	(1,667)	(171,284)	(8,130)	-	(14,697)	(859)	(196,959)	Other operating expenses
Result on insurance / Operating profit (loss)	98,313	482,888	350,737	35,600	160,761	30,646	1,417	(586)	5,878	17,334	23,022	(28,841)	-	(14,697)	(96,004)	1,066,468	Operating profit (loss)
Other operating income	18,410		12,626				631	756			(32,423)						
Other operating expenses	(9,757)		(2,756)				(1,304)	(949)			14,766						
Financial costs										(18,554)	(5,365)					(14,400)	Financial costs
																2,457	Share of the net profit (loss) of units carried by the equity method
																1,054,525	Gross profit (loss)
																(217,260)	Income tax
																837,265	Net profit (loss)

(in thousands of PLN)

Profit and loss account for the period from 1 January 2012 to 31 March 2012	Corporate insurance (non-life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine (non-life)	Baltic states (non-life)	Investment contracts	Other operations	Presentation differences	Real estate and equity instruments	Investment contracts	Technical rate in life insurance	Prevention fund and charges to the Company Social Benefits Fund	Consolidation adjustments	Consolidated value	Profit and loss account for the period from 1 January to 31 March 2012
	PAS	PAS	PAS	PAS	PAS	PAS	UA GAAP	LT GAAP	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS	
Gross premium written externally	617,229	1,823,409	1,589,252	217,670	-	-	31,479	43,708	1,024,223	-	-	-	(1,024,223)	-	-	-	4,322,747	Gross externally written insurance premium
Gross premium written between segments	553	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(553)	-	Gross insurance premium written between segments
Gross written insurance premium	617,782	1,823,409	1,589,252	217,670	-	-	31,479	43,708	1,024,223	-	-	-	(1,024,223)	-	-	(553)	4,322,747	
Reinsurers' share in gross written premium	(40,864)	(621)	(783)	(40)	-	-	(9,092)	(5,300)	-	-	-	-	-	-	-	1,098	(55,602)	Reinsurers' share in gross written insurance premium
Net written premium	576,918	1,822,788	1,588,469	217,630	-	-	22,387	38,408	1,024,223	-	-	-	(1,024,223)	-	-	545	4,267,145	Net written premium
Movement in the unearned premium reserve and gross unexpired risk reserve	(147,142)	(236,216)	(190)	2,337	-	-	1,825	594	(662)	-	(18,174)	-	662	-	-	(1,321)	(398,287)	Movement in the net unearned premium reserve
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	(9,844)	(8,886)	519	37	-	-	-	-	-	-	18,174	-	-	-	-	-	-	
Net earned premium	419,932	1,577,686	1,588,798	220,004	-	-	24,212	39,002	1,023,561	-	-	-	(1,023,561)	-	-	(776)	3,868,858	Net earned premium
											48,948	-	11,054	-	-	-	60,002	Fee and commission income
Investment income, including:	22,634	113,056	239,233	89,733	386,867	3,317	6,245	2,813	76,430	251	(940,579)							
Net result on investments (external activity)	22,634	113,056	239,233	89,733	380,116	3,317	6,245	2,813	76,430	251	(933,828)							
Net result on investments (inter-segment activity)	-	-	-	-	6,751	-	-	-	-	-	(6,751)							
											434,690	-	-	-	-	1,745	436,435	Net investment income (external operations)
											6,751	-	-	-	-	(6,751)	-	Net investment income (operations between segments)
											103,495	-	-	-	-	6,926	110,421	Net result on the realization of investments and impairment charges
											351,670	(19,025)	-	-	-	(6,703)	325,942	Net change in the fair value of assets and liabilities carried at fair value
Other net technical income	6,782	9,302	612	3,565	-	-	-	-	5,405	-	(25,666)							
Revenues on core business of non-insurance entities	-	-	-	-	-	48,948	-	-	-	78,090	(127,038)							
Other operating income (not applicable to insurance entities)	-	-	-	-	-	80	-	-	-	2,256	108,676	664	(5,405)	-	-	(30,825)	75,446	Other operating income
Gross claims paid	(260,801)	(872,645)	(1,087,289)	(142,935)	-	-	(12,953)	(26,878)	(447,690)	-	(980,535)	-	1,093,219	(10,608)	-	(227)	(2,749,342)	Claims and movement in technical provisions
Movement in the gross claims reserve	51,655	(167,829)	24,153	14,081	-	-	-	-	(267)	-	78,207							
Reinsurers' share in claims paid	10,611	14,554	-	-	-	-	104	1,845	-	-	(54,713)	-	-	-	-	59	(27,540)	Claims and movement in insurance liabilities ceded to re-insurers
Reinsurer's share in the movement in reserves	(30,657)	(18,070)	-	-	-	-	-	-	-	-	48,727							
Net insurance claims	(229,192)	(1,043,990)	(1,063,136)	(128,854)	-	-	(12,849)	(25,033)	(447,957)	-	(908,314)	-	1,093,219	(10,608)	-	(168)	(2,776,882)	Net insurance claims
Movement in other net technical provisions, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(153,308)	(105,655)	-	-	-	-	(644,602)	-	903,565							
											-	-	(75,307)	-	-	-	(75,307)	Claims and changes in valuation of investment contracts
Net premiums and rebates for insureds including the movement in reserves	1,350	69	(181)	-	-	-	-	-	-	-	(1,238)							
Other net technical income	(9,297)	(92,691)	(9,994)	(402)	-	-	-	-	(1,040)	-	113,424							
Acquisition cost	(86,818)	(283,530)	(78,004)	(18,244)	-	(6,351)	(7,901)	(11,694)	(9,929)	-	-	(2)	-	-	-	1,739	(500,734)	Acquisition cost
Administrative cost	(28,445)	(136,153)	(143,131)	(11,482)	-	(17,239)	(6,551)	(4,126)	(3,091)	-	-	3,268	-	-	(20,000)	1,840	(365,110)	Administrative costs
Reinsurance commissions and profit-sharing	452	(3,036)	-	-	-	-	-	-	-	-	2,584							
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(76,696)	76,696							
Other operating expenses (not applicable to insurance entities)						(236)				(548)	(144,104)	638	-	-	(6,052)	25,903	(124,399)	Other operating expenses
Result on insurance / Operating profit (loss)	97,398	140,713	380,889	48,665	386,867	28,519	3,156	962	(1,223)	3,353	3,560	(14,457)	-	(10,608)	(26,052)	(7,070)	1,034,672	Operating profit (loss)
Other operating income	15,167		4,773				99	620			(20,659)							
Other operating expenses	(14,564)		(7,125)				(441)	(786)			22,916							
Financial costs										101	(5,859)					-	(5,758)	Financial costs
																	1,028,914	Gross profit (loss)
																	(206,285)	Income tax
																	822,629	Net profit (loss)

(in thousands of PLN)

1 January – 31 March 2013 and as at 31 March 2013	Poland	Baltic states	Ukraine	Consolidation adjustments	Consolidated value
Gross externally written insurance premium	4,327,412	55,734	42,777	-	4,425,923
Gross insurance premium written between segments	251	-	-	(251)	-
Fee and commission income	70,564	-	-	-	70,564
Net investment income	433,432	2,034	6,404	2,167	444,037
Net result on the realization of investments and impairment charges	(46,944)	112	(120)	-	(46,952)
Net change in the fair value of assets and liabilities carried at fair value	31,206	602	(60)	178	31,926
Other non-current assets other than financial instruments*	1,131,473	13,066	7,269	(1,570)	1,150,238
Deferred income tax assets	15,360	-	1,454	-	16,814
Assets	58,533,284	368,157	244,809	(389,463)	58,756,787

* applies to intangible assets and property, plant and equipment

As at 31 December 2012	Poland	Baltic states	Ukraine	Consolidation adjustments	Consolidated value
Other non-current assets other than financial instruments*	1,159,760	10,625	6,717	(1,547)	1,175,555
Deferred income tax assets	12,753	-	1,210	-	13,963
Assets	55,025,653	284,912	158,151	440,844	55,909,560

* applies to intangible assets and property, plant and equipment

1 January – 31 March 2012 and as at 31 March 2012	Poland	Baltic states	Ukraine	Consolidation adjustments	Consolidated value
Gross externally written insurance premium	4,247,560	43,708	31,479	-	4,322,747
Gross insurance premium written between segments	328	-	-	(328)	-
Fee and commission income	60,002	-	-	-	60,002
Net investment income	431,938	1,462	3,035	-	436,435
Net result on the realization of investments and impairment charges	108,056	305	2,060	-	110,421
Net change in the fair value of assets and liabilities carried at fair value	324,896	1,046	-	-	325,942
Other non-current assets other than financial instruments*	1,176,491	9,437	6,711	(1,711)	1,190,928
Deferred income tax assets	12,725	-	1,198	-	13,923
Assets	55,237,574	265,103	142,140	(315,950)	55,328,867

* applies to intangible assets and property, plant and equipment

(in thousands of PLN)

16. Commentary to segment reporting

16.1. Corporate insurance – non-life insurance

Gross written premium by product group	1 January – 31 March 2013	1 January – 31 March 2012	% change
Motor TPL insurance	96,679	118,313	(18.3)%
MOD insurance	118,881	159,336	(25.4)%
Total motor insurance	215,560	277,649	(22.4)%
Insurance against fire and other damage to property	92,170	96,633	(4.6)%
Other liability insurance (groups 11, 12, 13)	140,749	146,367	(3.8)%
ADD and other insurance *	37,241	97,133	(61.7)%
Total non-life insurance without motor insurance	270,160	340,133	(20.6)%
Total corporate insurance segment (non-life insurance)	**485,720**	**617,782**	**(21.4)%**

* This line item includes loan guarantees and other financial insurance, assistance, travel, marine, railway and air insurance.

In Q1 2013, in the corporate insurance segment, the fall in gross written premium by PLN 132,062 thousand (-21.4%) as compared to Q1 2012 resulted in particular from lower sales of:

- insurance for patients on account of medical events (ADD insurance for hospitals; PLN -61,055 thousand) – in Q1 2012, medical units were required to enter into insurance agreements to cover patients against medical events; as a result of the legislative changes, this requirement has been deferred until 2014;
- motor insurance – strong competition and the continued poor condition of the domestic automotive market;
- property and third party liability insurance for corporate clients.

Data from the profit and loss account – corporate insurance (non-life insurance)	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	485,720	617,782	(21.4)%
Net earned premium	402,239	419,932	(4.2)%
Investment income	38,559	22,634	70.4%
Net insurance claims	(228,299)	(229,192)	(0.4)%
Acquisition cost	(76,727)	(86,818)	(11.6)%
Administrative costs	(25,669)	(28,445)	(9.8)%
Reinsurance commissions and profit-sharing	1,497	452	231.2%
Other	(13,287)	(1,165)	1040.5%
Operating profit (loss)	**98,313**	**97,398**	**0.9%**
acquisition cost ratio (including reinsurance commissions)*	18.7%	20.6%	(1,9) p.p.
administrative cost ratio*	6.4%	6.8%	(0,4) p.p.
loss ratio *	56.8%	54.6%	2.2 pp
combined ratio (COR)*	81.8%	81.9%	(0,1) p.p.

* Ratios calculated based on net earned profit.

Net insurance claims and benefits in Q1 2013 decreased by dropped by 0.4% as compared to Q1 2012, which, at the earned premium lower by 4.2%, translates into a decline in the loss ratio by 2.2 percentage points.

At the same time, gross claims paid decreased by 14.4%, including as a result of:

- restrictive underwriting policy, in place for a number of years, resulting in reducing the number of unprofitable clients;
- lower frequency of claims – the effect of better road conditions and lighter traffic (confirmed by a decline in the consumption of diesel and gasoline).

A 70.4% YoY increase in investment income (allocated by transfer prices) resulted primarily from a rise in the valuation of portfolios hedging insurance liabilities denominated in foreign currencies (the valuation decreased in Q1 2012 and increased this year), even though the rate of return on a large part of allocated assets decreased slightly (the rate of return used for the calculation of income from investments hedging liabilities denominated in PLN declined as a result of changes in the valuation of Polish securities in the financial markets).

(in thousands of PLN)

Acquisition costs in the corporate insurance segment decreased by 11.6% compared to Q1 2012, which was the result of lower sales and lower indirect costs (in particular personnel costs). At the same time, the share of total commissions in written premium increased by 1.1 percentage points, mainly as a result of an increase in the share of commissions in the multiagency channel and the brokerage channel. This increase was caused by the high share of insurance for patients on account of medical events, characterized by lower commission rates, in the insurance portfolio in Q1 2012.

The decrease in administrative expenses by PLN 2,776 thousand as compared to Q1 2012 was caused mainly by lower advertising expenditures and personnel costs (the effect of conducted reorganization and restructuring). This effect was partly offset by an increase in the costs of project initiatives aimed at streamlining and automating service processes.

The lower balance of the “Other” item compared to the similar period of the previous year resulted in particular from higher revaluation charges for receivables.

Operating profit in the corporate insurance segment remained at a similar level, i.e. at PLN 98,313 thousand and PLN 97,398 thousand for Q1 2013 and 2012, respectively. A decrease in earned premium and a higher loss ratio were accompanied by an increase in allocated investment income due to changes in the PLN/EUR exchange rate.

16.2. Mass insurance – non-life insurance

Gross written premium by product group	1 January – 31 March 2013	1 January – 31 March 2012	% change
Motor TPL insurance	637,438	635,380	0.3%
MOD insurance	399,008	407,927	(2.2)%
Total motor insurance	1,036,446	1,043,307	(0.7)%
Insurance against fire and other damage to property	522,384	512,134	2.0%
Other liability insurance (groups 11, 12, 13)	122,936	113,727	8.1%
ADD and other insurance *	152,942	154,241	(0.8)%
Total non-life insurance without motor insurance	798,262	780,102	2.3%
Total mass insurance segment (non-life insurance)	**1,834,708**	**1,823,409**	**0.6%**

* This line item includes loan guarantees and other financial insurance, assistance, travel, marine, railway and air insurance.

In Q1 2013, in the mass insurance segment, gross written premium increased by PLN 11,299 thousand (+0.6%) as compared to Q1 2012. This growth resulted primarily from:

- increased sums insured in compulsory insurance of farm buildings (revaluation of buildings);
- increased premiums in third party liability insurance for farmers;
- higher sales of third party liability insurance for individual medical treatment entities, small and medium-sized enterprises and PZU Dom Plus insurance;
- lower written premium in MOD insurance – a slight increase in the number of insurance agreements with a decline in the average premium due to the aging of the portfolio – lower of sums insured and higher no-claims discounts.

(in thousands of PLN)

Data from the profit and loss account – mass insurance (non-life insurance)	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	1,834,708	1,823,409	0.6%
Net earned premium	1,608,217	1,577,686	1.9%
Investment income	146,414	113,056	29.5%
Net insurance claims	(882,994)	(1,043,990)	(15.4)%
Acquisition cost	(266,023)	(283,530)	(6.2)%
Administrative costs	(124,783)	(136,153)	(8.4)%
Reinsurance commissions and profit-sharing	75,113	(3,036)	x
Other	(73,056)	(83,320)	(12.3)%
Operating profit (loss)	**482,888**	**140,713**	**243.2%**
acquisition cost ratio (including reinsurance commissions)*	11.9%	18.2%	(6,3) p.p.
administrative cost ratio*	7.8%	8.6%	(0,8) p.p.
loss ratio *	54.9%	66.2%	(11,3) p.p.
combined ratio (COR)*	74.5%	93.0%	(18,5) p.p.

* Ratios calculated based on net earned premium.

In Q1 2013, net claims dropped 15.4% despite the increase in net earned premium (+1.9%). The good results in the claims handling area were generated as a result of:

- very low level of claims associated with adverse effects of winter – in Q1 2013, the amount of net insurance claims and benefits in mandatory subsidized insurance for agricultural crops decreased compared to Q1 2012 by approximately PLN 170,000 thousand;
- low loss ratio in motor insurance where the ratio level from Q1 2012 was successfully maintained, which was associated with a low frequency of claims (the effect of favorable road conditions and lighter traffic as confirmed by a decrease in the consumption of diesel and gasoline);
- in non-life insurance, a low level of claims of a mass nature and individual claims of a significant scale of payouts.

A 29.5% YoY increase in investment income (allocated by transfer prices) by 29.5% YoY resulted primarily from a rise in the valuation of portfolios hedging insurance liabilities denominated in foreign currencies (the valuation decreased in Q1 2012 and increased this year), even though the rate of return on a large part of allocated assets decreased slightly (the rate of return used for the calculation of income from investments hedging liabilities denominated in PLN declined as a result of changes in the valuation of Polish securities in the financial markets).

Acquisition expenses in the mass insurance segment fell by 6.2%, among others due to the lower personnel costs. At the same time, the share of direct commission in written premium increased as a result of the growing share of more expensive distribution channels (the brokerage and multiagency channels). This growth was partially offset by the change of the product mix – increased sales of motor TPL products which command lower commission.

Furthermore, as a result of a settlement with a reinsurer in respect of the Green Card product, the adjustment decreasing the result of 2011 was partially reversed (one-off impact on reinsurance commissions of Q1 2013: PLN +73,272 thousand, total impact on the gross result of Q1 2013: PLN +53,207 thousand).

The decrease in administrative expenses by PLN 11,370 thousand as compared to Q1 2012 was caused mainly by the postponement of expenditures planned for Q1, lower personnel costs (the effect of restructuring and reorganization) and advertising expenditures. The effect of these decreases was partly offset by an increase in the costs of project initiatives aimed at streamlining and automating service processes.

The higher balance in the “Other” category (an increase of 12.8%) compared to the similar period of the previous year resulted, among others, from the settlements relating to the motor TPL with the reinsurer performed in Q1 2012.

The increase in operating profit in the mass insurance segment by PLN 342,175 thousand (+243.2%) as compared to Q1 2012 was caused mainly by the improved profitability in agricultural insurance (low level of claims related to adverse effects of winter) and motor insurance (a lower frequency of claims).

(in thousands of PLN)

16.3. Group and individually continued insurance – life insurance

Gross written premium by payment type - group and individually continued insurance	1 January – 31 March 2013	1 January – 31 March 2012	% change
Regular premium	1,598,046	1,560,760	2.4%
Single premium	200	28,492	(99.3)%
Total	**1,598,246**	**1,589,252**	**0.6%**

The increase in regular gross written premium by PLN 37,286 thousand (+2.4%) was mainly due to:

- growth in group protection insurance (higher average premium and more insureds, including high new sales levels);
- up-selling of riders and increase of sums insured in individually continued insurance products;
- acquisition of premium in group health insurance products (new clients in outpatient health insurance and launching of a new medicine product);
- continuation of cooperation with intermediary banks in the sale of protection insurance – in Q1 2013, the highest sales growth was recorded in the insurance for borrowers offered together with Bank PKO BP SA.

At the same time, a decrease was recorded in sales of short-term single-premium endowment insurance in the bancassurance channel as a result of withdrawing from this type of products due to their low profitability.

Data from the profit and loss account – group and individually continued insurance	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	1,598,246	1,589,252	0.6%
Group insurance	1,125,183	1,123,484	0.2%
Individually continued insurance	473,063	465,768	1.6%
Net earned premium	1,597,132	1,588,798	0.5%
Investment income	151,683	239,233	(36.6)%
Net insurance claims	(1,142,773)	(1,063,136)	7.5%
Movement in other net technical provisions	(36,865)	(153,308)	(76.0)%
Acquisition cost	(77,853)	(78,004)	(0.2)%
Administrative costs	(132,654)	(143,131)	(7.3)%
Other	(7,933)	(9,563)	(17.0)%
Operating profit (loss)	**350,737**	**380,889**	**(7.9)%**

Operating profit (loss) excluding the conversion effect	**303,143**	**280,807**	**8.0%**
acquisition cost ratio*	4.9%	4.9%	-
administrative cost ratio*	8.3%	9.0%	(0,7) p.p.
operating margin*	21.9%	24.0%	(2,1) p.p.

* ratios calculated using gross written premium

The increase in net insurance claims and benefits (by PLN 79,637 thousand, i.e. 7.5%) was due to a rise in the number of events consisting of the death of the insured/co-insureds in January 2013 (confirmed by data announced by the Central Statistical Office on an increase in the number of deaths in Poland) in group and continued protection insurance. Additionally, the value of benefits was affected by higher redemptions from the Employee Pension Plan group insurance caused, among others, by layoffs in work establishments (offset by movement in the mathematical provision).

The difference in movement in technical provisions (growth in provisions lower by PLN 116,443 thousand than in the same period of the previous year) was due to:

- decrease in mathematical reserves in unit-linked products caused by negative results on investing activity;
- lower growth in the mathematical reserve in short-term endowment products in the bancassurance channel as a result of lower sales compared to the previous year;

(in thousands of PLN)

- lower growth in mathematical reserves in continued protection insurance as a result of product modification affecting the amount of established mathematical reserves at the moment of the insured's transfer to individually continued phase;
- the above factors were partly offset by a slower rate of conversion of long-term agreements into annual renewable agreements in group type P insurance (the effect of conversions3 in Q1 2013 translated into releasing PLN 47,594 thousand of reserves, i.e. PLN 52,488 thousand less than in the same period of 2012).

The investment result consists of income allocated according to transfer prices and income on investment products. In the group and individually continued insurance segment, investment income decreased by PLN 87,550 thousand, mainly due to the negative result on investments in products of an investment nature in 2013 – a result of the unfavorable situation in the financial markets and an increase in yields of debt securities in Q1 2013 (a decrease in the current valuation). Income allocated according to transfer prices remained at a similar level.

Acquisition costs in the group and individually continued insurance segment in Q1 2013 were PLN 77,853 thousand, thus maintaining the level of Q1 of the previous year. This was affected mostly by:

- increase in commissions in group protection insurance (including bancassurance) as a result of portfolio growth and high sales of new policies;
- decrease in indirect acquisition costs, including remunerations for the sales network related to the acquisition of new clients in group insurance (modifications and sales activities) – limiting modifications of the portfolio in order to maintain profitability.

The decrease in administrative expenses in Q1 2013 compared to the same period of 2012 by PLN 10,477 thousand (-7.3%) resulted primarily from lower personnel costs as a consequence of employment reorganization and restructuring and lower marketing costs (expenditures on the image changing campaign in 2012).

Operating profit in the group and continued insurance segment in Q1 2013 decreased in comparison with the same period of 2012 by PLN 30,152 thousand (-7.9%), mainly as a result of a weaker effect of conversions of long-term agreements into renewable contracts in group type P insurance. Operating profit without this element increased by PLN 22,336 thousand (+8.0%) YoY, primarily due to a larger portfolio and modification of individual continuations.

16.4. Individual insurance - life insurance

Gross written premium by payment type – individual insurance	1 January – 31 March 2013	1 January – 31 March 2012	% change
Regular premium	121,205	114,843	5.5%
Single premium	288,428	102,827	180.5%
Total	**409,633**	**217,670**	**88.2%**

The increase in gross written premium in comparison with Q1 2012 by PLN 191,963 thousand (+88.2%) was a result of:

- maintenance of a high growth rate of sales of the new single premium unit-linked individual product offered in cooperation with Bank Millennium SA;
- robust sales results of a structured product in cooperation with Citi Handlowy;
- large deposits into the IKE product accounts recorded in January 2013;
- consistent growth of the Plan na Życie (Plan for Life) savings and investment product with a protective element and regular premium;
- higher sales in the dedicated channel for the Świat Zysków structured single-premium product than in the same period of the previous year.

[3] Conversion effect computed using PAS data.

(in thousands of PLN)

These changes were partially offset by the expiration of the endowment insurance portfolio from the 1990s.

Data from the profit and loss account – individual insurance	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	409,633	217,670	88.2%
Net earned premium	411,850	220,004	87.2%
Investment income	50,327	89,733	(43.9)%
Net insurance claims	(140,188)	(128,854)	8.8%
Movement in other net technical provisions	(251,937)	(105,655)	138.5%
Acquisition cost	(26,444)	(18,244)	44.9%
Administrative costs	(11,171)	(11,482)	(2.7)%
Other	3,163	3,163	-
Operating profit (loss)	**35,600**	**48,665**	**(26.8)%**
acquisition cost ratio*	6.5%	8.4%	(1,9) p.p.
administrative cost ratio*	2.7%	5.3%	(2,6) p.p.
operating margin*	8.7%	22.4%	(13,7) p.p.

* ratios calculated using gross written premium

The increase in the net claims paid (by PLN 11,334 thousand, i.e. by 8.8%) was the effect of primarily the lower value of redemptions in IKE products (the value offset by a change in the mathematical reserve) partially compensated by lower endowment payments under old policies in the individual endowment insurance portfolio from the 1990s.

The difference in the movement of the technical provisions (provisions increased by PLN 251,937 thousand, i.e. PLN 146,282 thousand more than in the same period of 2012) was driven primarily by the high new sales of investment insurance through the bancassurance channel (a unit-linked product with Bank Millennium and structured product with Citi Handlowy). The effect is offset by the declining provision in IKE due to investment losses and high redemptions.

The investment result consists of income allocated according to transfer prices and income on investment products. In the individual insurance segment, they fell year-over-year by PLN 39,406 thousand mainly due to losses associated with investment products - this was the effect of a deteriorating situation on financial markets and a yield increase in debt instruments in Q1 2013 (lower current valuation). Income allocated according to transfer prices remained at a similar level.

The higher acquisition costs in this segment (up by PLN 8,200 thousand, i.e. by 44.9%) resulted mostly from a dynamic growth of investment product sales through the bancassurance channel, especially unit-linked products with high acquisition costs.

As a consequence of the events described above (the main contributor being acquisition costs), the segment's operating result fell by PLN 13,065 thousand to PLN 35,600 thousand.

16.5. Investments

As a consequence, PZU Group's investment income in Q1 2013 fell by 50.8% compared to the same period of the previous year.

Investment income in the investment segment4 represent the surplus income on PZU and PZU Życie's investments above the income allocated according to transfer prices to insurance segments (corporate, mass, group and individually continued and individual insurance segments) and investment contracts and other free financial resources in the PZU Group. This income decreased by PLN 222,732 thousand.

Investment income – by segment	1 January – 31 March 2013	1 January – 31 March 2012	% change
Investment Segment (external operations)	157,384	380,116	(58.6)%
Insurance activity segments (PZU and PZU Życie)	386,983	464,656	(16.7)%
Other segments and adjustments	(115,356)	28,026	x

[4] The income includes the "Investment income" in external operations of the Investment segment

(in thousands of PLN)

Total	**429,011**	**872,798**	**(50.8)%**

Result on investment activity	1 January – 31 March 2013	1 January – 31 March 2012	% change
Equity instruments	(68,045)	278,685	x
Interest-bearing financial assets	460,504	601,572	(23.4)%
Investment property	(8,069)	(4,279)	x
Derivatives	(58,688)	51,218	x
Receivables	(51,006)	(44,809)	x
Other	154,315	(9,589)	x
Total	**429,011**	**872,798**	**(50.8)%**

The fall in investment income of the PZU Group and of the investment segment was driven mainly by the depreciation of:

- equity instruments on financial markets (in Q1 2013, the WIG index fell by 4.9%, while it increased by 9.8% the year before) and
- treasury bonds (yields on 5-year and 10-year government bond increased in Q1 2013 by 20 and 19 basis points, respectively, compared to decreases by 40 and 38 basis points, respectively, in Q1 2012).

In Q1 2013, lower results were generated on derivatives purchased mainly for the purposes of proper risk management within the investment portfolios.

In connection with including real property funds in the consolidation since 1 January 2013, non-recurring (gross) income of PLN 167,545 thousand was recognized in Q1 2013 in the line item “Other” of the above table.

Investments (including investment contracts)	31 March 2013	Structure as at 31 March 2013	31 December 2012	Structure as at 31 December 2012
Equity instruments, including:	5,578,147	10.5%	6,325,626	12.4%
Equity instruments, for which fair value can be determined – listed	3,003,180	5.7%	2,403,641	4.7%
Equity instruments, for which fair value can be determined – other	2,569,598	4.8%	3,795,637	7.5%
Equity instruments, for which fair value cannot be determined	5,369	0.0%	126,348	0.2%
Interest-bearing financial assets, including:	45,952,747	86.6%	43,933,051	86.4%
Debt securities – government	33,413,195	62.9%	33,494,446	65.9%
Debt securities – other	2,417,060	4.6%	2,435,153	4.8%
Reverse repo transactions and deposits	9,129,015	17.2%	6,982,331	13.7%
Borrowings	993,477	1.9%	1,021,121	2.0%
Investment property	1,599,060	3.0%	564,404	1.1%
Derivatives (net value)	(46,253)	x	34,149	0.1%
Other	206	0.0%	329	0.0%
Total	**53,083,907**	**100.0%**	**50,857,559**	**100.0%**

The PZU Group’s investment activity complies with the statutory requirements while maintaining an adequate level of safety, liquidity and profitability. Government debt securities constituted over 60% of the investment portfolio as at 31 March 2013 and 31 December 2012. Exposure to debt securities issued by governments other than the government of the Republic of Poland was 2.8% and 2.5% of all investments as at 31 March 2013 and 31 December2012, respectively.

The decreasing value of equity instruments resulted, among others, from a decrease in their market value in the period from the end of 2012 to the end of Q1 2013 (the WIG index dropped 4.9% in that period).

The inclusion, since 1 January 2013, into consolidation of closed-end real property mutual funds contributed to an increase in the share and value of investment real properties.

(in thousands of PLN)

The increase in the share and value of money market instruments (reverse repos and term deposits with credit institutions) was caused, among others, by the execution of transactions in the interbank market aimed at increasing the effectiveness of investing activity and adjusting the investment portfolios to their benchmarks.

16.6. Pension insurance

Data from the profit and loss account – pension segment	1 January – 31 March 2013	1 January – 31 March 2012	% change
Revenues on core business	50,302	48,948	2.8%
Acquisition cost	(4,076)	(6,351)	(35.8)%
Administrative costs	(18,266)	(17,239)	6.0%
Other	(a) 2,686	(b) 3,161	(c) (15.0)%
Operating profit/ loss	**30,646**	**28,519**	**7.5%**

Revenues on fees and commissions ("Revenues on core business of non-insurance entities") in the pension insurance segment for Q1 2013 and Q1 2012 were PLN 50,302 thousand and PLN 48,948 thousand, respectively. The increase by PLN 1,354 thousand (2.8%) resulted predominantly from higher revenues from fees on contributions by PLN 1,149 thousand (a statutory increase in 2013 in contributions transferred by ZUS to open-end pension funds from 2.3% to 2.8% of the base for calculating the amount of pension insurance contributions) and an increase in the management fee by PLN 4,161 thousand (doe to a greater value of OFE PZU's assets). In Q1 2013, PTE PZU's revenues from the bonus/reserve account decreased (by PLN 4,348 thousand). This was caused by the achievement of a rate of return for the period from 31 March 2007 to 29 March 2013 below the aggregate rate of increase in the prices of consumer goods and services for the same period. A similar situation concerned the majority of pension funds operating in the market.

Acquisition costs decreased by PLN 2,275 thousand (-35.8%) mainly due to a decrease in the costs of commission remunerations as a result of their regular settlement over time.

PTE PZU's administrative expenses increased by PLN 1,027 thousand (6.0%) mainly due to higher costs of keeping registers of fund participants (an increase by PLN 2,980 thousand, i.e. 44%). This was associated with the establishment of provisions for additional remuneration for the transfer agent for the achievement of the level of quality indicators set by PTE PZU. Furthermore, unlike in the previous year, there was no obligation to make an additional payment to the base portion of the Guarantee Fund (in Q1 2012, the additional payment was PLN 1,214 thousand).

These changes contributed to the operating profit increasing from PLN 28,519 thousand in the same period of the previous year to PLN 30,646 thousand, i.e. by PLN 2,127 thousand.

At the end of Q1 2013, OFE PZU had 2,228.5 thousand members, i.e. 13.7% of the total number of members of all existing open-end pension funds, ranking OFE PZU third on the market in this respect. Compared to the balance as at the end of March of the previous year, the number of OFE PZU members increased by 8.5 thousand, i.e. 0.4%, while the total number of members of all open-end pension funds increased by 3.0%.

At the end of March 2013 the total value of net assets of all OFEs in the market was PLN 269.6 billion, up 13.3% from the end of Q1 2012. In the same period OFE PZU's assets grew 12.7% up to PLN 36.2 billion. The increased assets were affected by premiums received from ZUS and by investment results. In the period from January to March 2013, ZUS transferred to OFE PZU premiums in the amount of PLN 0.8 million, over 9.5% more than in the corresponding period of 2012 and the rate of return reached 9.5%.

16.7. Ukraine

Data from the profit and loss account – Ukraine segment – non-life and life insurance together	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	42,777	31,479	35.9%
Net earned premium	37,208	24,212	53.7%
Investment income	6,218	6,245	(0.4)%
Net insurance claims	(19,533)	(12,849)	52.0%
Acquisition cost	(13,903)	(7,901)	76.0%

(in thousands of PLN)

Administrative costs	(8,573)	(6,551)	30.9%
Operating profit (loss)	**1,417**	**3,156**	**(55.1)%**
UAH/PLN exchange rate	0.3896	0.3910	(0.4)%

The Ukraine segment consists of two companies offering life insurance and non-life insurance.

Since the materiality principle has no longer been applied since 1 January 2013 the life insurance company has been included in the consolidation. For the period from 1 January to 31 March 2013, the above table presents data for the two companies. For the period from 1 January to 31 March 2012, it only presents data of the non-life company which was previously subject to consolidation.

16.7.1. Ukraine segment – non-life insurance – PZU Ukraine

Data from the profit and loss account – Ukraine segment – non-life insurance	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	31,804	31,479	1.0%
Net earned premium	26,517	24,212	9.5%
Investment income	3,686	6,245	(41.0)%
Net insurance claims	(12,755)	(12,849)	(0.7)%
Acquisition cost	(9,108)	(7,901)	15.3%
Administrative costs	(7,316)	(6,551)	11.7%
Operating profit (loss)	**1,023**	**3,156**	**(67.6)%**
UAH/PLN exchange rate	0.3896	0.3910	(0.4)%
acquisition cost ratio*	34.3%	32.6%	1.7 pp
administrative cost ratio*	27.6%	27.1%	0.5 pp
loss ratio*	48.1%	53.1%	(5,0) p.p.
combined ratio (COR)*	110.0%	112.8%	(2,8) p.p.

* ratios calculated using net earned premium

The increase in gross written premium by 1.0% compared to the same period of 2012 was due to the positive change in sales of travel insurance (+30.6%), the Green Card (+125.4%), property insurance for natural persons (+37%) and transportation insurance (+9.7%). In turn, corporate property insurance had a negative impact on sales (-16.5%).

Total investment income decreased in Q1 2013 by 41.0% compared to Q1 2012. However, without the gain on the sale of Inter Risk and the valuation of the company PZU Ukraine Life recorded in Q1 2012, it increased from PLN 2,935 thousand to PLN 3,686 thousand, i.e. by 25.6% compared to the same period of the previous year. Greater investment income (excluding the aforementioned effects) was due to an increase in interest rates on debt instruments and deposits.

The higher acquisition costs by 15.3% than the same period of 2012 resulted from the growth of net earned premium (+9.5%), including from the increase in sales of property insurance for natural persons, transportation insurance and travel insurance characterized by higher costs of the sales process.

Administrative costs increased by 11.7% compared to the same period of the previous year, mainly due to the change of rules for establishing provisions for annual leaves and bonuses for employees and payroll indexation performed in June 2012.

The improvement in the loss ratio by 5.0 percentage points compared to the same period of the previous year was due to a reduction of the high-loss medical insurance portfolio with a concurrent expansion of the non-life insurance portfolio characterized by a lower loss ratio.

Operating profit was down by PLN 2,133 thousand YoY, mainly due to the decrease in total investment income.

16.7.2. Ukraine segment – life insurance – PZU Ukraine Life

Data from the profit and loss account – Ukraine segment – life insurance	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	10,973	9,010	21.8%
Net earned premium	10,691	8,514	25.6%
Investment income	2,532	1,428	77.3%

(in thousands of PLN)

Net insurance claims	(6,777)	(4,007)	69.2%
Acquisition cost	(4,795)	(4,352)	10.2%
Administrative costs	(1,256)	(1,143)	9.9%
Operating profit (loss)	**394**	**440**	**(10.5)%**
UAH/PLN exchange rate	0.3896	0.3910	(0.4)%
acquisition cost ratio*	43.7%	48.3%	(4,6) p.p.
administrative cost ratio*	11.4%	12.7%	(1,3) p.p.
operating margin*	3.6%	4.9%	(1,3) p.p.

* ratios calculated using gross written premium

Since 1 January 2013, data of the company offering life insurance have also been included in the Ukraine segment. In the above table, data for the period from 1 January to 31 March 2012 are presented only for comparative purposes.

The increase in gross written premium by 21.8% compared to the same period of 2012 was due to the positive change in sales of both product lines: “endowment” (+122.2%) and “life” (+122.1%).

The increase in investment income by 77.3% compared to Q1 2012 resulted from higher yields on liquid financial instruments (deposits, bonds) than in the same period of 2012 and growth of the liquid asset base.

The increase in acquisition costs (by 10.2%) compared to the same period of 2012 resulted from active cooperation with brokers and an increase in sales through the bancassurance channel, characterized by greater commission burdens.

Administrative costs increased (by 9.9%) compared to the same period of the previous year, mainly due to the change of rules for establishing provisions for annual leaves and bonuses for employees) and payroll indexation performed in June 2012.

Operating profit was down by PLN 46 thousand YoY, i.e. by 10.5%, mainly as a result of a greater change in the balance of the mathematical reserve compared to the same period of the previous year. The increase in the mathematical reserve was due to an increase in the premium reserve for the insured from resulting from higher investment income and due to the renewal of a large corporate agreement with a single premium.

(in thousands of PLN)

16.8. Lithuania

Data from the profit and loss account – Lithuania segment – non-life and life insurance	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	55,734	43,708	27.5%
Net earned premium	51,395	39,002	31.8%
Investment income	2,749	2,813	(2.3)%
Net insurance claims	(33,898)	(25,033)	35.4%
Acquisition cost	(14,929)	(11,694)	27.7%
Administrative costs	(5,903)	(4,126)	43.1%
Operating profit (loss)	**(586)**	**962**	**x**
LTL/PLN exchange rate	1.2088	1.2092	(0.0)%

The Lithuania segment consists of two companies offering life insurance and non-life insurance.

Due to the discontinuation of application of the materiality principle, since 1 January 2013 the life insurance company has been included in the consolidation. For the period from 1 January to 31 March 2013, the above table presents data for the two companies. For the period from 1 January to 31 March 2012, it only presents data of the non-life company which was previously subject to consolidation.

16.8.1. Lithuania segment – non-life insurance – PZU Lithuania

Data from the profit and loss account – Lithuania segment – property insurance	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	48,781	43,708	11.6%
Net earned premium	44,490	39,002	14.1%
Investment income	1,865	2,813	(33.7)%
Net insurance claims	(29,244)	(25,033)	16.8%
Acquisition cost	(12,486)	(11,694)	6.8%
Administrative costs	(5,228)	(4,126)	26.7%
Operating profit (loss)	**(603)**	**962**	**(162.7)%**
LTL/PLN exchange rate	1.2088	1.2092	(0.0)%
acquisition cost ratio*	28.1%	30.0%	(1,9) p.p.
administrative cost ratio*	11.8%	10.6%	1.2 pp
loss ratio*	65.7%	64.2%	1.5 pp
combined ratio (COR)*	105.5%	104.7%	0.8 pp

* ratios calculated using net earned premium

The increase in gross written premium by 11.6% compared to the same period of 2012 was mainly due to an increase in TPL and MOD insurance (by 22.9% and 14.2%, respectively) and the launch of sales in the Latvian market.

The decrease in investment income by 33.7% compared to the same period of the previous year was due to the downturn in the capital markets.

Acquisition costs, up by 6.8% compared to the previous year, increased at a lower rate than earned premiums.

Compared to the same period of the previous year, administrative costs increased by 26.7% as a result of expansion in the Latvian and Estonian markets.

Operating profit was down by PLN 1,565 thousand YoY, mainly due to a decrease in investment income and development activity in the Latvian and Estonian markets.

(in thousands of PLN)

16.8.2. Lithuania segment – life insurance – UAB PZU Lietuva Gyvybes Draudimas

Data from the profit and loss account – Lithuania segment – life insurance	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	6,953	5,913	17.6%
Net earned premium	6,905	5,870	17.6%
Investment income	884	881	0.3%
Net insurance claims	(4,654)	(3,331)	39.7%
Acquisition cost	(2,443)	(2,180)	12.1%
Administrative costs	(675)	(650)	3.8%
Operating profit (loss)	**17**	**616**	**(97.3)%**
LTL/PLN exchange rate	1.2088	1.2092	(0.0)%
acquisition cost ratio*	35.1%	36.9%	(1,8) p.p.
administrative cost ratio*	9.7%	11.0%	(1,3) p.p.
operating margin*	0.2%	10.4%	(10,2) p.p.

* ratios calculated using gross written premium

Since 1 January 2013, data of the company offering life insurance have also been included in the Lithuania segment. In the above table, data for the period from 1 January to 31 March 2012 are presented only for comparative purposes.

The increase in gross written premium by 17.6% compared to the same period of 2012 was due to the rapid development of single-premium insurance (103.3%) with a concurrent stable growth in regular premium insurance (4.6%). Thanks to its high rate of growth, PZU Lietuva Gyvybės Draudimas was fourth in terms of the share of new business in the first two months of 2013.

The increase (by 12.1%) of acquisition costs compared to the same period of 2012, resulted from an increase in new sales of individual premium (by 27%).

Administrative expenses were up (by 3.8%) compared to the same period of the previous year, which was associated with the development and implementation of IT systems and an increase in depreciation costs for both IT systems and renovated branches.

Operating profit was down by PLN 599 thousand YoY, mainly as a result of a greater change in the balance of the mathematical reserve compared to the same period of the previous year.

16.9. Investment contracts

Investment contract accounting is conducted by applying the deposit method, as a consequence of which investment contract volumes do not constitute income according to IFRS.

Volumes obtained on investment contracts by payment type	1 January – 31 March 2013	1 January – 31 March 2012	% change
Regular premium	24,322	3,618	572.2%
Single premium	705,255	1,020,605	(30.9)%
Total	**729,577**	**1,024,223**	**(28.8)%**

Gross written premium[5] generated on investment contracts during Q1 2013 decreased by PLN 294,646 thousand (-28.8%) compared to the same period in 2012. The changes in gross written premium were caused mainly by:

- lower sales of short-term endowment products in the bancassurance channel and own channel – the effect of the strategy of phasing out this type of policies;
- increase in premiums as a result of the introduction to sales, since the beginning of 2012, of a new investment product known as individual pension security accounts (IKZEs).

[5] Insurance premium according to PAS

(in thousands of PLN)

Data from the profit and loss account – investment contracts	1 January – 31 March 2013	1 January – 31 March 2012	% change
Gross written insurance premium	729,577	1,024,223	(28.8)%
Group insurance	627,262	909,617	(31.0)%
Individually continued insurance	102,315	114,606	(10.7)%
Net earned premium	729,862	1,023,561	(28.7)%
Investment income	16,994	76,430	(77.8)%
Net insurance claims	(767,393)	(447,957)	71.3%
Movement in other net technical provisions	30,326	(644,602)	x
Acquisition cost	(4,354)	(9,929)	(56.1)%
Administrative costs	(2,704)	(3,091)	(12.5)%
Other	3,147	4,365	(27.9)%
Operating profit (loss)	**5,878**	**(1,223)**	**x**
operating margin*	0.8%	(0.1)%	0.9 pp

* ratios calculated using gross written premium

The investment result in the investment contracts segment fell by PLN 59,436 thousand as a result of worse conditions on the financial markets, YoY decline in the profitability of investments and debt instruments and lower investments.

The PLN 319,436 thousand YoY increase in net claims resulted from higher endowment payments under short-term investment endowment insurance products, mainly in the bancassurance channel but also in own sales channel.

The decline in technical provisions during Q1 2013 by PLN 30,326 thousand (compared to their growth by PLN 644,606 thousand in the same period of 2012) resulted from a much lower sales volume of short-term investment products, coupled with a higher level of endowment payments under those products.

The decline in acquisition costs by PLN 5,575 thousand (-56.1%) resulted mainly from a lower sales volume and launching the sales of the IKZE product last year.

The segment's operating result was PLN 5,878 thousand, which means an increase of PLN 7,101 thousand from the similar period of 2012. The main reason was the year over year decrease in acquisition costs.

17. Impact of non-recurring events on operating results

The PZU Group’s gross results in Q1 2013 were affected by the following one-off events:

- income from the consolidation of mutual funds of PLN +167,545 thousand – the effect of discontinuation, since 1 January 2013, of the application of the materiality criterion in determining a list of subsidiaries subject to consolidation;
- one-off income on account of a settlement with a reinsurer in respect of Green Card insurance plaintiff PLN +53,207 thousand – the objective of the settlement was to settle reinsurance commissions in the Green Card product, for which an adjustment was made in 2011 by lowering the result of that period by PLN 91,843 thousand.

There were no one-off events in Q1 2012.

18. Macroeconomic environment

In Q1 2013 the economic growth rate remained low. On the basis of monthly data concerning economic activity one may forecast that the GDP in this period grew by approximately 0.5% YoY compared to 0.7% YoY one quarter ago.

Stagnation in industrial production is visible. Industrial production sold, after being adjusted to remove the impact of seasonal volatility was roughly 1.0% higher in March 2013 compared to the most recent lowest level in December 2012. In Q1 of this year one may merely speak of a trend toward its stabilization. Compared to the average level in Q1 2012, the average level of non-seasonal industrial production sold in the first 3 months of

2013 was roughly 1.3% lower. It was not until March that its annual growth rate turned positive (0.6% YoY). In Q1 2013 the decline in construction and assembly production grew more profound, to which the extended winter contributed. Its average monthly level (after adjusting to remove the impact of seasonal volatility) was roughly 5% lower in this period compared to the very same indicator in Q4 2012 and 15.6% lower compared to the analogous quarter in 2012. On the heels of decline in the annual retail sales volume in the last quarter of 2012, the economy successfully avoided a repetition of a negative sales growth rate in Q1 2013. The zero annual pace of retail sales volume growth in Q1 2013 is nevertheless considerably lower than the growth rate of 8.4% YoY in the same quarter one year ago.

Therefore, there are no symptoms of recovery in Poland's economic activity data in Q1 2013, but there is also a dearth of signs of deterioration. At the same time, uncertainty among firms concerning the future economic position is on the rise, which deters them from making decisions focused on development. The outlook for GDP growth acceleration in 2013 is primarily driven by improvement in the Eurozone, mainly in Germany. In the meantime, the most recent results of research on market conditions, both in Poland and in the Eurozone, fail to herald such improvement. The low growth rate of retail sales, further decline in the level of consumer loans and the process of rebuilding savings among households allow one to expect slight growth in consumption in Q1 of this year (around 0.2% YoY). Capital expenditures for fixed assets will continue to fall. The impact exerted by inventories on the growth rate of domestic demand and GDP will most likely be clearly negative. Net exports will therefore continue to be the most important factor supporting GDP growth in this period, also thanks to lower imports.

The situation on the labor market in Q1 2013 deteriorated further, but the pace of this process slowed down in February and March. The rate of registered unemployment was 14.3% in March compared to 13.4% at yearend 2012, making it 1 percentage point higher than one year ago. The annual growth rate of employment in the corporate sector was on average -0.8% YoY in Q1 2013 compared to +0.7% YoY in the same period in 2012. The number of persons employed in companies grew in Q1 2013 by a mere 14.7 thousand compared to 35.7 thousand in Q1 2012. Research on market conditions does however show that the percentage of companies planning to lay off employees is not currently on the rise. In Q1 2013 the growth rate of the average monthly salary in the corporate sector was still low at 2.0% YoY compared to 2.6% YoY in Q4 and 5.4% in Q1 of last year. At the same time, rapidly declining inflation has contributed to growth in the real salary fund in companies in Q1 2013, after a period of uninterrupted decline in the later half of 2012.

The annual inflation rate (CPI) fell considerably in Q1 2013 to 1.3% YoY compared to 2.9% YoY one quarter ago. In March the prices of consumer goods and services grew by 1.0% YoY, clearly remaining below the inflation target (2.5%+/-1 p.p.). Base inflation (after excluding food and energy prices) remained very low in Q1 2013, at 1.2% YoY, compared to 1.7% YoY in Q4 of the last year. This confirms the lack of demand-side pressure on price growth. The slowdown in the growth of food and fuel prices has also contributed to the rapid decline of inflation.

Faced with the persisting risk of inflation being below the target faced with a downturn in economic conditions, the Monetary Policy Board continued to loosen monetary policy. The reference rate was reduced in Q1 2013 by 1 p.p. to 3.25%. In January and February interest rates were cut by 25 basis points both times while in March they were cut by 50 basis points. The April meeting of the Monetary Policy Board elected to keep interest rates at an unchanged level while the May meeting dropped the reference rate by 25 basis points to the level of 3.0%.

At the beginning of 2013 prices fell on the underlying markets T-bond markets in Germany and the US. At that time we observed in the Eurozone a certain type of calming of sentiments on the financial markets while in the United States consideration was given to the Fed (Federal Reserve) bringing to an end quantitative easing as soon as in 2013. Nevertheless, the financial crisis in Cyprus, the share increase in concerns relating to economic growth in the Eurozone and the expected continuation of a loose monetary policy by the Fed led to another wave of growth in the prices of the underlying treasury bonds. The prices of Polish T-bonds behaved similarly. After adjustment in January and February 2013, the Polish yield curve fell again, reacting to the adverse news from the Eurozone and from the Polish economy. The cut in the reference rate by the National Bank of Poland by 50 basis points in March and the increased pressure at the end of Q1 2013 underpinning expectations of continued loose monetary policy in Poland were also of significant importance. Ultimately, the yields on one and ten year treasuries grew by 8 and 19 basis points, respectively at the end of March 2013 compared to their level at yearend 2012.

The most important equity indices in the US in Q1 2013 reached record high levels. Good market conditions on the capital markets were also prevalent in Germany until the Cyprian crisis and the fears concerning the Eurozone economy slowed down growth. The equity price growth rate in Poland proved to be disheartening against this backdrop as the major indices on the Warsaw Stock Exchange show a loss since the beginning of 2013 in the context of economic slowdown, which is now clearly observable in Poland (WIG and WIG20 recorded a decline of 4.9% and 8.2%, respectively compared to yearend 2012).

In this same period the Polish currency weakened against the main currencies – EUR/PLN and USD/PLN rates at the end of Q1 2013 increased from the end of 2012 by 2.2% and 5.1% respectively, while the CHF/PLN fell by 1.3% in this same period.

19. Management Board's position on previously published result forecasts

PZU did not publish any standalone or consolidated result forecasts.

20. Risk factors which may affect the financial results in the subsequent quarters

20.1. Non-life insurance

The most significant risk factors which may affect the results in the mass and corporate insurance segment (non-life insurance) in the next quarters of 2013 include:

- occurrence of catastrophic events (floods, hurricanes, drought, spring ground frosts);
- slowdown in economic growth or stagnation which may cause an increase in the loss ratio of the financial and non-life insurance portfolio as a result of higher risk taking (moral hazard);
- declining sales of new vehicles causing a decrease in the number of motor insurance policies sold;
- changes in the legal or regulatory conditions of the conduct of business, i.e. amendments to the Insurance Activity Act, the introduction of new standards by the Polish Financial Supervision Authority and pro-consumer case law of the Supreme Court;
- growing consumer awareness which may result an increased number of claims due to, for instance, activities carried out by consumer-oriented institutions such as the Antimonopoly Office (UOKiK), the Ombudsman for the Insured, the Polish Financial Supervision Authority (KNF);
- growing insurance fraud;
- increase in the number of drivers without TPL insurance due to new rules of termination of TPL agreements (amendment to the Compulsory Insurance Act);
- persistent upward trend in the rate of unemployment in 2013 and a slowdown in private consumption translating into a lack of growth in demand for insurance products;
- price pressure from the competitors, in particular resulting from the lower loss ratio in motor insurance in 2012;
- return to upward trends in the frequency of claims;
- growing average cost of bodily injury claims resulting, among others, from the growing share of non-public health care establishments and the impact of financial compensation to family members of the deceased (Article 446 § 4 of the Act of 23 April 1964 entitled the Civil Code (Journal of Laws No. 16 of 1964 Item 93, as amended; hereinafter: the "Civil Code")), which may result in the need to increase the level of reserves in motor TPL insurance;

- risk that the number and value of claims reported by clients and injured persons will increase in connection with the Act on Pursuing Claims in Group Proceedings (Journal of Laws No. 7 of 2010 Item 44, as amended);
- increased role of insurance brokers which may lead to an increase in acquisition costs;
- absence of a precise definition of the scope of exemptions pertaining to, for instance, insurance services or medical services in the amended VAT Act of 11 March 2004 (Journal of Laws No. 54 in 2004 Item 535, as amended; hereinafter: the “VAT Act”);
- unknown date and final provisions of the Solvency II Directive, which may affect the level of capital requirements in the PZU Group;
- changes in regulations applicable to banks, which may reduce the number of mortgage loans and insurance for the borrowers.

20.2. Life insurance

The most significant risk factors which may affect the results in the group, individually continued and individual insurance segment (life insurance) in the next quarters of 2013 include:

- persistent upward trend in the rate of unemployment in 2013 translating into a lack of growth in demand for insurance products;
- potential intensification of competition in group insurance resulting from strengthening role of brokers in this segment and the requirement to invite tenders for group insurance by entities subject to the requirements of the Act of 29 January 2004 entitled the Public Procurement Law (Journal of Laws No. 223 of 2007 Item 1655; hereinafter: the “Public Procurement Law”);
- lower interest in policy-deposits and structured products as a result of the possible introduction of capital gains tax on such products;
- changes in the legal or regulatory conditions of the conduct of business, i.e. amendments to the Insurance Activity Act, the introduction of new standards by the Polish Financial Supervision Authority and pro-consumer case law of the Supreme Court;
- growing consumer awareness which may result an increased number of claims due to, for instance, activities carried out by consumer-oriented institutions such as the Antimonopoly Office (UOKiK), the Ombudsman for the Insured, the Polish Financial Supervision Authority (KNF);
- changes in the financial intermediation market, suppressed popularity growth of independent financial consulting and thus reduced number of sales channels for insurance products;
- changes in the current mortality and morbidity levels;
- behavior of the capital market in 2013, particularly of WSE – there is a positive correlation between PZU's capital products offering and the business conditions on the capital markets;
- lack of a precise definition of the scope of exemptions pertaining to e.g. insurance services, medical services, in the amended VAT Act;
- unknown date and final provisions of the Solvency II Directive, which may affect the level of capital requirements in the PZU Group.

20.3. Pension funds

The most significant risk factors which may affect PTE PZU’s results in the subsequent quarters of 2013 include primarily:

- low rate of salary growth which contributes to the lower growth of premiums paid by pension fund members;
- deeper financial crisis and its direct negative impact on the value of assets managed by PTE PZU;

- potential changes to the open-end pension fund system, which may cause a reduction of the fees charged by the Fund and reduction of the Fund's assets;
- possible legislative changes pertaining to pension payments – impact on the company's revenues (favorable or unfavorable) depending on the adopted solutions.

20.4. Investment activity

The most significant risk factors which may affect the investment activity performance in the subsequent quarters of 2013 include primarily:

- volatile yield on treasury securities depending on the economic situation in Poland and in the European Union; an increase in the yield on such securities may bring about a lower valuation of investments;
- behavior of the capital market in 2013, particularly of WSE – part of the companies' investment activity income depends on the trends on that market; Moreover, there is a positive correlation between PZU's capital products offering and the business conditions on the capital markets;
- changes in the financial intermediation market, stopped growth of popularity of independent financial consulting and resulting reduction in the number of sales channels and lower interest in financial instruments among the savers.

21. Issues, redemptions and repayments of debt securities and equity securities

In the 3-month period ended 31 March 2013, PZU did not issue, redeem or repay any debt securities or equity securities.

22. Default or breach of material provisions of loan agreements

During the 3 months ended 31 March 2013, in PZU and in its subsidiaries there were no instances of default or a breach of any material provisions of loan agreements in respect of which no remedial actions were taken until the end of the reporting period.

23. Granting of sureties or guarantees for loans or borrowings by PZU or its subsidiaries

In the 3-month period ended 31 March 2013, neither PZU nor its subsidiaries granted any sureties or guarantees for loans or borrowings to any single entity or any subsidiary of such an entity the total amount of which sureties or guarantees would be the equivalent of at least 10% of PZU's equity.

24. Dividends

With respect to profit for 2012 and the previous years, subject to distribution is only the profit indicated in the standalone financial statements of the parent company prepared in accordance with PAS.

On 8 April 2013, the Management Board of PZU adopted a resolution to accept the motion on the distribution of the 2012 profit of PLN 2,580,720 thousand, by recommending the allocation of:

- PLN 2,564,663, i.e. PLN 29.70 per share, for a dividend payment;
- PLN 6,057 thousand to reserve capital;
- PLN 10,000 thousand to the Company Social Benefit Fund.

On 16 April 2013, the PZU Supervisory Board issued a positive opinion on the motion submitted by the PZU Management Board which will be submitted for consideration to the Ordinary Shareholder Meeting of PZU, convened for 23 May 2013. A draft resolution of the Ordinary Shareholder Meeting of PZU in this matter was announced on 25 April 2013 and assumes that the record date (to determine the list of shareholders entitled to the payment of dividends) will be 23 August 2013 and that the dividend will be paid on 12 September 2013.

(in thousands of PLN)

The proceedings against PZU to repeal the resolutions on the distribution of PZU's profit for the financial year 2006 are described in detail in item 26.1.

25. Information on the shareholders of PZU

25.1. List of PZU shareholders holding at least 5% of votes at the Shareholder Meeting

As at the date of conveying this interim report, the structure of entities holding at least 5% of votes at the PZU Shareholder Meeting is as follows:

Item	Shareholder's name	Number of shares and votes at the Shareholder Meeting	Percentage share in the share capital and in the total number of votes at the Shareholder Meeting
1	State Treasury	30,385,253	35.1875%
2	ING Otwarty Fundusz Emerytalny [1/]	4,356,139	5.0446%
3	Other shareholders	51,610,908	59.7679%
Total		**86,352,300**	**100.0000%**

[1/] The shareholding of ING Otwarty Fundusz Emerytalny as at 6 February 2013 which was notified to PZU in the context of exceeding the threshold of 5% of votes at the Ordinary Shareholder Meeting of PZU by ING Otwarty Fundusz Emerytalny.

25.2. Changes in the ownership structure of significant shareholdings in the issuer's company

In the period from 1 January 2013 to the delivery date of this interim report, no material changes have taken place in the ownership structure of significant shareholdings in the issuer's company.

25.3. Shares or rights to shares held by persons managing or supervising PZU

Item	Corporate authority / Full name	Number of shares / rights to shares as at the date of conveying this interim report (i.e. 15 May 2013)	No. of shares / entitlements as at the date of conveying the 2012 annual report (i.e. 13 March 2013)	Resulting change during the period between the two dates
	Management Board			
1	Andrzej Klesyk	-	-	-
2	Przemysław Dąbrowski	-	-	-
3	Dariusz Krzewina [1/]	-	-	-
4	Bogusław Skuza	500	500	-
5	Barbara Smalska [1/]	-	-	-
6	Tomasz Tarkowski	80	80	-
7	Ryszard Trepczyński	-	-	-
	Group Directors			
1	Rafał Grodzicki	-	-	-
2	Przemysław Henschke	-	-	-
3	Sławomir Niemierka	-	-	-

(in thousands of PLN)

Item	Corporate authority / Full name	Number of shares / rights to shares as at the date of conveying this interim report (i.e. 15 May 2013)	No. of shares / entitlements as at the date of conveying the 2012 annual report (i.e. 13 March 2013)	Resulting change during the period between the two dates
	Supervisory Board			
1	Waldemar Maj	30	30	-
2	Zbigniew Ćwiąkalski	-	-	-
3	Tomasz Zganiacz	-	-	-
4	Dariusz Daniluk	-	-	-
5	Zbigniew Derdziuk	-	-	-
6	Dariusz Filar	-	-	-
7	Wlodzimierz Kicinski	30	30	-
8	Alojzy Nowak	-	-	-
9	Maciej Piotrowski	-	-	-
Total		**640**	**640**	**-**

[1/] As at 13 March 2013, this person was a PZU Group Director.

26. Dispute-related financial settlements

The PZU Group entities participate in a number of litigations, arbitration disputes and administrative proceedings. Typical litigations involving the PZU Group companies include disputes pertaining to concluded insurance agreements, disputes concerning labor relationships and disputes relating to contractual obligations. Typical administrative proceedings involving the PZU Group companies include proceedings related to the possession of real properties. Such proceedings and litigations are of a typical and repetitive nature and usually no particular one of them is of material importance to the PZU Group.

The majority of disputes involving the PZU Group companies concerned two companies: PZU and PZU Życie. Additionally, PZU and PZU Życie are parties to proceedings before the President of the Antimonopoly Office.

PZU and PZU Życie take disputed claims into account in the process of establishing their technical provisions for known losses, considering the probability of an unfavorable outcome of the dispute and estimating the probable awarded amount. In the case of disputed claims pertaining to restatement of annuities in PZU Życie, the claims are carried in other technical provisions at the annual value of annuities above the corresponding amount of provision set within the framework of mathematical life provisions.

During the 3 months ended 31 March 2013 and until the date of conveying this interim report, the PZU Group was not involved in any proceedings conducted before a court, an arbitration body or a public administration authority which concerned any liabilities or receivables of PZU or any of its direct or indirect subsidiaries, the unit value of which was at least 10% of PZU's equity.

As at 31 March 2013, the aggregated value of all the 45,310 cases pending before courts, arbitration bodies or public administration authorities in which PZU Group entities take part, was PLN 2,480,270 thousand. Out of this amount, PLN 1,923,671 thousand relates to liabilities and PLN 556,599 thousand to receivables of PZU Group companies, which represented respectively 13.58% and 3.93% of PZU's equity according to PAS.

26.1. Resolution adopted by PZU's Ordinary Shareholder Meeting on the distribution of PZU's profit for the 2006 financial year

With the statement of claim of 30 July 2007 a proceeding was launched under a lawsuit filed by Manchester Securities Corporation against PZU to repeal resolution no. 8/2007 adopted by PZU's Ordinary Shareholder Meeting on 30 June 2007 on distributing PZU's profit for the 2006 financial year as being in contradiction with best practices and as aiming at injuring the plaintiff, a PZU shareholder.

The challenged resolution adopted by PZU's Ordinary Shareholder Meeting distributed the net profit for 2006 in the amount of PLN 3,280,883 thousand in the following manner:

- the amount of PLN 3,260,883 thousand was transferred to reserve capital;
- the amount of PLN 20,000 thousand was transferred to the Company Social Benefits Fund.

In its judgment of 22 January 2010 the Regional Court in Warsaw repealed in its entirety the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting. On 17 February 2010 PZU submitted an appeal challenging the judgment of the Regional Court in Warsaw in its entirety.

The Appellate Court in Warsaw in its judgment handed down on 6 December 2011 dismissed in its entirety PZU's appeal against the judgment of the Regional Court in Warsaw of 22 January 2010. On the date of announcement of the judgment issued by the Appellate Court, the 22 January 2010 judgment of the Regional Court repealing the said Resolution of the PZU Ordinary Shareholder Meeting became final and legally binding.

On 7 December 2011 PZU submitted a petition for preparing a written justification for the judgment of the Appellate Court in Warsaw of 6 December 2011. On 2 April 2012 the Court's judgment along with its justification were served on PZU. On 29 May 2012, PZU filed a cassation complaint in which the 6 December 2011 judgment of the Appellate Court was appealed against in full. At the session of 27 March 2013, the Supreme Court announced its judgment in which it dismissed the cassation complaint and ordered PZU to pay the costs of the proceedings, including the costs of legal representation. According to the provisions of the Code of Civil Procedure, the judgment of the Supreme Court is final and not subject to further appeal.

According to PZU, repealing the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting will not cause the shareholders to obtain a claim for PZU to pay a dividend.

Notwithstanding the foregoing, in connection with the judgment repealing this resolution having become legally binding, an item has been included in the agenda of PZU's Ordinary Shareholder Meeting convened to take place on 30 May 2012 to adopt a resolution on distributing PZU's net profit for the 2006 financial year.

The Management Board recommended for the Ordinary Shareholder Meeting of PZU to distribute profit for the 2006 financial year in a manner corresponding to the distribution of profit based on the repealed resolution because after its adoption PZU paid a dividend for 2009 including the funds retained by PZU on the basis of that resolution.

On 30 May 2012, the PZU Ordinary Shareholder Meeting adopted a resolution to distribute the profit for the financial year 2006 in a manner reflecting the distribution of profit effected on the basis of the repealed resolution. The Manchester Securities Corporation filed an objection against the resolution of 30 May 2012. The objection was recorded in the minutes.

On 20 August 2012, a copy of a statement of claim filed by the Manchester Securities Corporation with the Regional Court in Warsaw was delivered to PZU. In the statement of claim, the Manchester Securities Corporation demands that the resolution on the distribution of profit for the financial year 2006 adopted on 30 May 2012 by the PZU Ordinary Shareholder Meeting be repealed. According to the plaintiff, the value of the litigation is PLN 5,054 thousand. PZU has submitted a rejoinder to the statement of claim requesting to dismiss the statement of claim in its entirety. If the court finds PZU's arguments unconvincing, it may issue a judgment repealing the contested resolution. The date of the first hearing was scheduled for 12 March 2013, but was subsequently changed by the Court to 5 April 2013. The hearing was adjourned until 10 September 2013.

As at the balance sheet date of 31 March 2013, no changes have been made to the presentation of PZU's equity that could potentially stem from the repeal of the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting, including the line items "Reserve capital" and "Retained profit (loss)", the funds in the Company's Social Benefits Fund were not adjusted and no provisions were established for any potential additional claims stemming from the repeal of the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting.

26.2. Proceedings of the Antimonopoly Office against PZU

26.2.1. Penalty imposed in 2009 for model contracts

In the decision of 30 December 2009 the President of the Antimonopoly Office imposed a cash penalty on PZU in the amount of PLN 14,792 thousand for PZU's use of practices breaching the collective interests of consumers entailing the following:

- inserting contractual clauses in the indicated model contracts entered into the Register of clauses of model contracts deemed to be impermissible;
- illegally inserting contractual clauses in the indicated model contracts breaching art. 813 § 1 of the Civil Code, by including a condition not covered by the disposition of this regulation of the unused sum insured as defining the premium amount to be refunded to the consumer by the insurance undertaking for the unused period of insurance cover.

PZU does not concur with the Antimonopoly Office's decision or its justification. On 18 January 2010 PZU submitted an appeal against this decision to the Court of Competition and Consumer Protection (whereby this decision is not legally binding). In its judgment of 14 November 2011 the Court of Competition and Consumer Protection ("SOKiK") dismissed PZU's appeal against this decision. On 14 December 2011 PZU submitted an appeal to the Appellate Court in Warsaw. The Appellate Court in Warsaw repealed the 14 November 2011 judgment of the Court for Competition and Consumer Protection and returned the case for re-examination. On 18 January 2013, the Court for Competition and Consumer Protection rescinded in its entirety the decision of the President of the Antimonopoly Office of 30 December 2009. On 6 March 2013, the Court for Competition and Consumer Protection received an appeal from the President of the Antimonopoly Office against the judgment. On 27 March 2013, PZU replied to the appeal.

Notwithstanding the appellate steps taken, PZU has established a provision for this penalty in the amount of PLN 14,792 thousand as at 31 March 2013 and 31 December 2012.

26.2.2. Penalties imposed in 2011

26.2.2.1. *Case concerning the reimbursement of the cost of renting a replacement vehicle*

In the decision of 18 November 2011 the President of the Antimonopoly Office imposed a cash penalty on PZU in the amount of PLN 11,287 thousand for employing a practice breaching the collective interests of consumers specified in art. 24 sections 1 and 2 of the Competition and Consumer Protection Law (Journal of Laws, No. 50 of 2007, Item 331, as amended), entailing the curtailment of PZU's scope of liability to consumers laying claim under the insurer's guarantee liability under compulsory motor third party liability insurance for the owner of a mechanical vehicle by:

- failing to recognize the very loss of the ability to use the damaged vehicle as a property loss and making the payment of indemnification for renting a replacement vehicle dependent upon the injured party demonstrating special circumstances associated with the necessity of renting a replacement vehicle;
- overlooking without justification the period of a car repair shop waiting for spare parts when determining the amount of the reimbursement for the cost of renting a replacement vehicle;

and he also ordered that PZU cease and desist from this practice.

The PZU Management Board does not concur with the decision or its legal and factual justification.

PZU submitted an appeal against this decision on 5 December 2011 (whereby this decision is not legally binding). In its appeal PZU raised a number of allegations.

Notwithstanding the appellate steps taken, PZU has established a provision for this penalty in the amount of PLN 11,287 thousand as at 31 March 2013 and 31 December 2012.

26.2.2.2. *Case concerning the sale of group ADD insurance*

In the decision of 30 December 2011 the President of the Antimonopoly Office imposed a cash penalty on PZU in the amount of PLN 56,605 thousand for employing a practice curtailing competition and breaching the ban prescribed by art. 6 section 1 sub-section 3 of the Competition and Consumer Protection Law entailing PZU and Maximus Broker Sp. z o.o. with its registered offices in Toruń ("Maximus Broker") entering into an agreement curtailing competition on the domestic market for selling ADD group insurance for children, adolescents and staff of educational units whereby the sales market was divided with respect to the entities involved by transferring PZU clients from the Kujawy-Pomeranian Region to be administered by Maximus Broker in exchange for recommending PZU insurance to these clients and at the same time he banned PZU from employing this practice he has alleged.

The PZU Management Board does not concur with the findings concerning the facts or the legal argumentation set forth in the decision. According to the PZU Management Board, the entirety of the evidentiary material was not taken into account when making the decision and an erroneous legal qualification was made.

PZU submitted an appeal against this decision on 18 January 2012 (whereby this decision is not legally binding). In the appeal PZU pointed out among others that:

- no agreement (besides a brokerage commission agreement) was entered into by and between PZU and Maximus Broker;
- the President of the Antimonopoly Office erroneously grasps the principles of entering into insurance contracts with a broker;
- most of the insurance contracts entered into with Maximus Broker were entered into with other insurance undertakings besides PZU;
- PZU and Maximus Broker cannot and could not conduct competitive activity on the markets where they operate.

On 22 October 2012, PZU received a response on its appeal from the President of the Office for Competition and Consumer Protection, to which PZU replied on 5 November 2012.

Notwithstanding the appellate steps taken, PZU has established a provision for this penalty in the amount of PLN 56,605 thousand as at 31 March 2013 and 31 December 2012.

26.3. Proceedings of the Antimonopoly Office against PZU Życie

On 1 June 2005, the President of the Antimonopoly Office launched, at the request of several applicants, an antimonopoly procedure in the matter of a suspicion of PZU Życie's abuse of its dominating position in the group employee insurance market, which may constitute a breach of Article 8 of the Competition and Consumer Protection Act and Article 82 of the Treaty establishing the European Community. As a result of the procedure, on 25 October 2007 the President of the Antimonopoly Office imposed a fine on PZU Życie in the amount of PLN 50,384 thousand for hindering clients from taking advantage of the offers of the company's competitors.

The PZU Życie Management Board does not concur with the findings concerning the facts or the legal argumentation set forth in the decision. According to the PZU Życie Management Board, the entirety of the evidentiary material was not taken into account when making the decision and an erroneous legal qualification was made and in effect it was groundlessly assumed that PZU Życie has a dominating position on the market.

PZU Życie appealed against that decision to the Competition and Consumer Protection Court (SOKiK). A total of 38 material law and formal law allegations against the decision of the President of the Antimonopoly Office were formulated in the appeal. On 31 May 2010, the Court rejected PZU Życie's appeal based on the circumstance that the decision issued by the President of the Antimonopoly Office on 25 October 2007 was improperly delivered to PZU Życie and thus the prescription period for the submission of PZU Życie's appeal against the decision did not start yet. Both parties appealed against the Court's decision. After examining the claimant's and the respondent's complaints, on 26 October 2010 the court of second instance resolved to quash the appealed decision. On 17 February 2011, the Regional Court in Warsaw – the Court for Competition and Consumer Protection issued a judgment partially changing the appealed decision but at the same time dismissing PZU Życie's appeal against the amount of the imposed penalty. On 6 May 2011, PZU Życie filed an appeal against this judgment.

In the judgment of 9 May 2013, the Court of Appeals in Warsaw agreed with PZU Życie's allegations and rescinded the judgment of the Court for Competition and Consumer Protection due to the invalidity of court proceedings, abolished the proceedings to the extent affected by the invalidity and remanded the case for reexamination by the Regional Court in Warsaw, the Court of Competition and Consumer Protection.

Notwithstanding the appellate steps taken, PZU Życie has established a provision for this penalty in the amount of PLN 50,384 thousand as at 31 March 2013 and 31 December 2012.

26.4. Dispute with CSC Computer Sciences Polska Sp. z o.o.

26.4.1. Proceedings before the Court of Arbitration at the National Chamber of Commerce in Warsaw

On 9 April 2010, the Court of Arbitration served PZU Życie with a statement of claim for payment in a case brought by CSC Computer Sciences Polska Sp. z o.o. ("CSC") against PZU Życie, in which CSC demanded payment of a total amount of EUR 8,437 thousand in connection with the implementation of the GraphTalk system in PZU Życie. Following the subsequent amendments to the statement of claim, CSC pursued a payment of the total amount of PLN 35,663 thousand with interest accrued from the date of filing the statement of claim (i.e. from 31 March 2010) to the date of payment.

The amount pursued by the statement of claim encompasses CSC's claims on account of license fees, remuneration for the performance of implementation works, remuneration for computer system maintenance services, remuneration for repair services, fee for computer systems, liquidated damages and capitalized interest.

On 31 May 2010, in the rejoinder to the statement of claim, PZU Życie petitioned the Court of Arbitration to assert its temporary lack of jurisdiction to examine some of the claims and dismiss the statement of claim in its entirety. In PZU Życie's opinion, CSC's claims are either groundless or have never been proven.

Together with the rejoinder to the statement of claim, PZU Życie filed a counterclaim against CSC in which PZU Życie demanded payment of PLN 71,890 thousand as a refund of the remuneration collected by CSC under the agreement entered into with PZU Życie or as compensation for the improper performance of CSC's obligations arising out of that agreement. In its rejoinder to the counterclaim dated 31 August 2010, CSC petitioned the Court of Arbitration to dismiss PZU Życie's claim in its entirety, indicating the absence of grounds to accept PZU Życie's claim.

On 31 January 2012, a hearing was held before the Court of Arbitration at the National Chamber of Commerce in Warsaw and on 19 June 2012, the Court of Arbitration closed the hearing. After the submission of a pleading by CSC with another modification of its statement of claim, the Court of Arbitration opened a hearing.

On 18 December 2012, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw issued a judgment ("Judgment") awarding the amount of PLN 17,193 thousand from PZU Życie to CSC and discontinued the proceedings in respect of the main action pertaining to the request for payment of EUR 8,437 thousand plus statutory interest on this amount from the date of filing the statement of claim. Furthermore, the Court of Arbitration dismissed the main action pertaining to its remaining part, dismissed the counterclaim and awarded the amount of PLN 199 thousand from PZU Życie to CSC for the costs of the proceedings.

26.4.2. Enforcement-warrant proceedings

On 23 January 2013, CSC filed with the Regional Court in Warsaw a petition to declare enforceability of the Judgment and attach to it an enforcement warrant.

On 15 March 2013, the Regional Court in Warsaw, following CSC's request of 23 January 2013 issued a ruling to grant the Judgment an enforcement warrant.

On 18 March 2013, PZU Życie filed a complaint with the Regional Court in Warsaw against the ruling of 15 March 2013, requesting suspension of its execution, to which on 22 March 2013 the Court issued a decision to suspend the execution of the ruling until the issue of a resolution on PZU Życie's complaint of 18 March 2013. On 4 April 2013, CSC provided the Court with a reply to PZU Życie's complaint, requesting that it be dismissed in its entirety.

26.4.3. Proceedings on PZU Życie's complaint to rescind the Judgment

On 1 February 2013, PZU Życie filed a complaint with the Regional Court in Warsaw to rescind the Judgment and suspend the execution of the Judgment in the part awarding the amount of PLN 17,193 thousand from PZU Życie to CSC, dismissing the counterclaim and awarding the amount of PLN 199 thousand from PZU Życie for the costs of the proceedings. PZU Życie also requested in its complaint to award from CSC reimbursement of the costs of the proceedings, including the costs of legal representation in accordance with prescribed standards and have the Regional Court in Warsaw request the Court of Arbitration at the Polish Chamber of Commerce in Warsaw to provide the Court with the files of the arbitration proceedings to enable the Court to decide whether grounds exist for rescinding the Judgment.

Following an exchange of pleadings filed by CSC and PZU Życie, by ruling of 15 April 2013 the Regional Court in Warsaw dismissed PZU Życie's request to suspend the execution of the Judgment as premature, because the Regional Court in Warsaw (in the case described in item 26.4.2) did not establish the enforceability of the Judgment issued by the court of arbitration, as it is impossible to suspend the execution of a judgment which is not subject to execution by way of enforcement.

26.4.4. Proceedings before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw on the statement of claim for payment and settlement proceedings before the District Court for the Capital City of Warsaw in a case for payment

On 29 March 2013, CSC brought action to the Court of Arbitration at the Polish Chamber of Commerce against PZU Życie with the claim for payment of the total amount of PLN 6,690 thousand plus interest from the date of filing the statement of claim to the date of payment in respect of:

- PLN 6,064 thousand – payment of statutory interest (on the amounts awarded by a judgment of the court of arbitration of 18 December 2012, as described in item 26.4.1) from 1 April 2010 (the day following the date of filing the statement of claim by CSC in the case described in item 26.4.1 to 18 December 2012);
- PLN 626 thousand – payment of statutory interest on the amounts awarded by the aforementioned judgment of the court of arbitration from 19 December 2012 to the date of filing the statement of claim.

Additionally, on 29 March 2013 CSC requested the District Court for the Capital City Warsaw also to summon PZU Życie to attempt to settle the dispute in respect of the aforementioned amounts and a settlement meeting was scheduled 27 May 2013.

26.5. Notification of PZU's claim to the bankruptcy estate of companies of the PBG Capital Group

PZU executed with PBG SA with its registered office in Wysogotowo near Poznań (currently, PBG SA in composition bankruptcy – hereinafter: "PBG") and Hydrobudowa Polska SA (currently, Hydrobudowa Polska SA in liquidation bankruptcy – hereinafter: "Hydrobudowa") with its registered office in Wysogotowo near Poznań mandate agreements for periodic granting of insurance guarantees (contractual guarantees). Under these agreements, PZU issued insurance guarantees on the condition that in the event of PZU's payment of the pecuniary consideration on the basis of the issued insurance guarantees, the clients, i.e. PBG and Hydrobudowa, would be obligated to repay to PZU the amounts disbursed under the guarantees.

In 2012, bankruptcy proceedings were initiated before the District Court in Poznań (with the possibility of entering into a composition agreement) against PBG and Hydrobudowa.

On 21 September 2012, PZU joined the bankruptcy proceedings by notifying its claims (including future claims) to the bankruptcy estate of the two companies. Such future receivables mean the potential receivables of PZU related to potential payments under insurance guarantees that have not yet been paid by PZU (due to the existing demands make the payments to beneficiaries under insurance guarantees, or under insurance guarantees where the term in which a beneficiary may submit a payment demand has not expired yet).

PZU has reported the following claims for receivables:

- for the bankruptcy estate of PBG: receivables in the total amount of PLN 105,428 thousand, where future receivables are PLN 90.745 thousand;
- for the bankruptcy estate of Hydrobudowa: receivables in the total amount of PLN 100,996 thousand, where future receivables are PLN 86,443 thousand;

Then, in connection with the payments made on account of the guarantee agreements granted at the request of Hydrobudowa, PZU made further notifications. However, the total amount of claims submitted to the bankruptcy estate of the two companies did not change, because the successive notifications only modified the amount of claims classified by PZU into future claims in the original notifications. As at the date of these consolidated financial statements, the claims notified by PZU are as follows:

- for the bankruptcy estate of PBG: receivables in the total amount of PLN 105,428 thousand, where future receivables are PLN 73,461 thousand;
- for the bankruptcy estate of Hydrobudowa: receivables in the total amount of PLN 100,996 thousand, where future receivables are PLN 69,159 thousand.

PBG and Hydrobudowa are members of the same capital group where PBG is the parent company and they have guaranteed one another's liabilities.

All the receivables reported as claims to Hydrobudowa's bankruptcy estate in the amount of PLN 100,996 thousand are consequently also reported as claims to PBG's bankruptcy estate. Out of the above receivables:

- PLN 33,747 thousand were receivables where PBG extended surety for the liabilities under guarantees issued to the order of Hydrobudowa;
- PLN 67,249 thousand were receivables where Hydrobudowa extended surety for the liabilities under guarantees issued to the order of PBG;

26.6. Dispute with PBG regarding PGNiG’s claim under a contractual guarantee

On 4 February 2013, a statement of claim was received from the Regional Court in Poznań against PZU with the value of the subject matter of the dispute set at PLN 66,699 thousand. In the statement of claim, which contains a request for the establishment of facts and not for payment, PBG, Tecnimont S.p.A. with its registered office in Milan, Societe Francaise d'Etudes de Realisations d'Equipments Gaziers “SOFREGAZ” with its registered office in Neuilly-sur-Seine, Plynostav Pardubice Holding A.S. with its registered office in Pardubice and Plynostav Regulace Plynu A.S. with its registered office in Pardubice request the establishment of the non-existence of an obligation on the part of PZU to pay PGNiG SA the amount of the insurance guarantee for the proper performance of contract no. GKo/925/08-081 of 14 November 2008, as amended with an annex of 9 March 2011, in the amount of PLN 66,699 thousand. PZU replied to the statement of claim on 5 March 2013.

If the Court agrees with the claim pursued in the statement of claim, it will establish the non-existence of an obligation on the part of PZU to pay PLN 66,699 thousand to PGNiG SA under the said insurance guarantee. If the statement of claim is dismissed, the quoted grounds for PZU’s refusal to pay PGNiG SA the amount of the insurance guarantee will not be applicable.

PZU entered into an agreement with PBG to periodically provide insurance guarantees (contractual guarantees). Under this agreement, PZU issued, among others, the aforementioned insurance guarantee on the condition that in the event of PZU’s payment on the basis of the insurance guarantee, PBG would be obligated to repay to PZU the amount disbursed under the guarantee.

The date of the hearing before the Regional Court in Poznań was set at 25 June 2013.

The amount of the insurance guarantee has already been notified as a future receivable as part of PZU’s claims to the bankruptcy estate of two PBG Group companies, i.e. PBG and Hydrobudowa, as described in item 26.5.

26.7. Dispute with Comarch SA

On 12 November 2012, PZU was served a copy of a payment order issued on 26 October 2012 by the Regional Court in Warsaw in the course of writ-of-payment proceedings, along with a copy of the statement of claim and attachments in the lawsuit filed by Comarch SA against PZU. The payment order awards from PZU the amount of PLN 19,758 thousand with interest and PLN 32 thousand as reimbursement of litigation costs. The demand from Comarch SA was comprised of the costs calculated by that company for the performance of work and tasks commissioned by PZU in the financial insurance service system project.

On 26 November 2012, PZU filed an objection against the payment order, challenged it in its entirety and moved to dismiss the statement of claim in its entirety. The case was referred to mediation proceedings. On 10 April 2013, a settlement was concluded by and between PZU and Comarch SA (still requiring approval by the Regional Court in Warsaw) providing for a mutual waiver of claims and retention of the considerations received.

26.8. Receivable resulting from the mortgage-backed loan agreement with Metro-Projekt Sp. z o.o.

In 1999, PZU Życie granted a mortgage-backed loan to Metro-Projekt Sp. z o.o. (hereinafter: "Metro-Projekt") for five years. The loan amount was the equivalent of USD 25,500 thousand. The loan was secured with a capped mortgage instituted on the real estate located in Warsaw at al. Jerozolimskie 44, consisting of the perpetual usufruct right to the land and a building owned by Metro-Projekt.

The loan was not repaid, and the bankruptcy of Metro-Projekt was declared in November 2002.

On 15 September 2004, the receiver of Universal SA in bankruptcy (hereinafter: “Universal”) filed an application with the Regional Court in Warsaw to remove the real estate in Warsaw at Al. Jerozolimskie 44 from the bankrupt’s estate of Metro-Projekt Sp. z o.o. in connection with a notice, entered in Section III of the mortgage book, about the pending proceeding between Universal and BI Code SA ("BI Code") to declare invalid the transaction of the sale of the real estate by Universal to BI Code, from which Metro-Projekt purchased the real estate. Due to the above, on 21 September 2004, the Regional Court in Warsaw issued a decision to suspend the winding up of the estate of Metro-Projekt Sp. z o.o. until the claim to exclude the real estate from the bankrupt’s estate is resolved.

The claim for declaring invalid the agreement to transfer perpetual usufruct right to the land and the ownership title to the office building located in Warsaw, Aleje Jerozolimskie 44 was resolved on 7 March 2006: the Appellate Court in Warsaw dismissed Universal's claim against BI Code. However, in August 2006, the receiver of Universal in bankruptcy filed a cassation complaint to the Supreme Court against the above decision.

As soon as the verdict of the Appellate Court of 7 March 2006 became effective, Metro-Projekt filed an application to delete the notice from Section III of the mortgage book about the pending court proceeding resulting from the claim filed by Universal against BI Code to declare the above sale agreement invalid. The decision to delete the entry was issued on 3 November 2006.

On 14 March 2007, the Supreme Court overruled the verdict of the Appellate Court and decided that the Appellate Court should re-examine the case. On 21 November 2007, the Appellate Court overruled the verdict of the Regional Court and decided that the Regional Court should re-examine the case.

On 11 September 2009, the Regional Court issued a verdict in the case filed by the receiver of Universal's bankruptcy estate against the receiver of BI Code's bankruptcy estate to rule invalidity of the sale of the perpetual usufruct right and the ownership title to the building concluded between Universal and BI Code, in which it ruled invalidity of the aforementioned sale agreement. The receiver of BI Code's bankruptcy estate appealed against the foregoing verdict, which was overruled in the verdict of 29 July 2010. The receiver of BI Code's bankruptcy estate then filed a cassation complaint against the Appellate Court's verdict, which was not accepted and accordingly, the proceedings were closed.

In January 2011, the receiver of Metro-Projekt's bankruptcy estate filed for recommencement of the proceedings suspended in 2005 in the case pending before the Regional Court filed by the receiver of Universal's bankruptcy estate, to exclude the perpetual usufruct right and a separate ownership title to a building located on the property from Metro-Projekt's bankruptcy estate. On 30 May 2011, the Regional Court dismissed Universal's claim in this case.

The verdict was not effective: on 12 September 2011, the receiver of Universal's bankruptcy estate filed an appeal. In a decision of 23 February 2012, the Regional Court in Warsaw dismissed the claim filed by the receiver of Universal's bankruptcy estate to exclude the real property at Al. Jerozolimskie 44 in Warsaw from Metro Projekt's bankruptcy estate. The proceeding ended with a legally effective judgment.

In a motion of 9 May 2012, the receiver of Metro-Projekt's bankruptcy estate requested permission from the Commissioner Judge to conclude a settlement with the receiver of Universal's bankruptcy estate concerning the disputed claims between both bankruptcy estates. After the settlement was concluded, in exchange for Universal's bankruptcy estate waiving all the claims, the Metro-Projekt's bankruptcy estate was to be charged with an additional amount of PLN 5,722 thousand in favor of Universal's bankruptcy estate. The Commissioner Judge approved the settlement deal in his decision of 31 May 2012. The decision is legally effective.

As the receiver of Universal's bankruptcy estate has submitted a representation in the form of a notary deed that it irrevocably waives any claims against Metro-Projekt, the receiver of Metro-Projekt's bankruptcy estate paid the above amount to Universal's bankruptcy estate on 5 July 2012.

On 10 January 2013, the receiver of Metro-Projekt announced the sale of the enterprise of the bankrupt company in an unconstrained purchase procedure, with the reservation that the sale will be conducted in the form of an auction tender. The bidding price for the enterprise was PLN 110 million. On 1 March 2013, in the District Court for the Capital City of Warsaw the receiver was scheduled to open written bids. Because no bids were submitted, the procedure was not performed.

On 18 March 2013, the receiver again announced the sale of the enterprise of the bankrupt company in the same manner as before, but the bidding price was set at PLN 99 million. No bids were submitted by the set deadline.

The PZU Management Board believes that the mortgage entered in favor of PZU Życie exists and that PZU Życie has the right of satisfaction from each owner.

26.9. Dispute with Przedsiębiorstwo Wielobranżowe Pieprzyk Sp. z o.o.

On 6 February 2013, PZU received, from the District Court for Warsaw-Śródmieście, a petition from Przedsiębiorstwo Wielobranżowe Pieprzyk Sp. z o.o. with its registered office in Rawicz to call for a settlement attempt which defined the amounts covered by the petition as: PLN 10,700 thousand, EUR 1,440 thousand and SDR 3,750 thousand.

The claim is related to PZU’s refusal to pay indemnification for a Eurocopter helicopter, insured under AeroCasco and destroyed in an accident on 11 January 2010. The court scheduled a hearing for 26 April 2013, but no settlement was reached during the hearing.

27. Other information

27.1. Evaluation of the PZU Group companies’ standing by rating agencies

PZU and PZU Życie are subject to regular rating reviews by rating agencies. Ratings awarded to PZU and PZU Życie result from analysis of financial data, competitive position, management and corporate strategy. They also contain a rating outlook, i.e. an evaluation of the company’s future situation in the event of the occurrence of certain specific circumstances.

As at the date of conveying this interim report, PZU and PZU Życie had a long-term credit rating and a financial strength rating (awarded by Standard & Poor’s Ratings Services on 16 July 2009) of A with a stable rating outlook. Then, Standard & Poor's Ratings Services confirmed this rating and outlook (on 23 July 2012, 22 July 2011 and 5 July 2010).

The following table presents ratings awarded to the PZU Group companies by Standard & Poor’s together with the previous year’s ratings.

(in thousands of PLN)

Company name	Rating and outlook	Date awarded / updated	Previous rating and outlook	Date awarded / updated
PZU				
Financial strength rating	A (stable)	23 July 2012	A (stable)	22 July 2011
Credit rating	A (stable)	23 July 2012	A (stable)	22 July 2011
PZU Życie				
Financial strength rating	A (stable)	23 July 2012	A (stable)	22 July 2011
Credit rating	A (stable)	23 July 2012	A (stable)	22 July 2011

27.2. Changes in the composition of PZU's management and supervisory bodies

27.2.1. PZU Management Board

As at 31 December 2012, the PZU Management Board was composed of:

- Andrzej Klesyk – President of the PZU Management Board (CEO);
- Przemysław Dąbrowski – Member of the PZU Management Board;
- Bogusław Skuza – Member of the PZU Management Board;
- Tomasz Tarkowski – Member of the PZU Management Board;
- Ryszard Trepczyński – Member of the PZU Management Board.

On 12 March 2013, the PZU Supervisory Board appointed, effective from 15 March 2013, Mr Dariusz Krzewina and Mrs. Barbara Smalska to the Management Board of PZU to discharge the function of a Management Board Member.

From 15 March 2013 to the delivery date of this interim report, the PZU Management Board consisted of the following persons:

- Andrzej Klesyk – President of the PZU Management Board (CEO);
- Przemysław Dąbrowski – Member of the PZU Management Board;
- Dariusz Krzewina – Member of the PZU Management Board;
- Bogusław Skuza – Member of the PZU Management Board;
- Barbara Smalska – Member of the PZU Management Board;
- Tomasz Tarkowski – Member of the PZU Management Board;
- Ryszard Trepczyński – Member of the PZU Management Board.

27.2.2. PZU Supervisory Board

As at 31 December 2012, the PZU Supervisory Board was composed of:

- Waldemar Maj – Supervisory Board Chairman;
- Zbigniew Ćwiąkalski – Supervisory Board Deputy Chairman;
- Tomasz Zganiacz – Supervisory Board Secretary;
- Dariusz Daniluk – Supervisory Board Member;
- Zbigniew Derdziuk – Supervisory Board Member;
- Dariusz Filar – Supervisory Board Member;
- Włodzimierz Kiciński – Supervisory Board Member;
- Alojzy Nowak – Supervisory Board Member;
- Maciej Piotrowski – Supervisory Board Member.

No changes in the composition of the PZU Supervisory Board have occurred until the date of conveying this interim report.

27.2.3. PZU Group Directors

As at 31 December 2012, the following persons were the PZU Group Directors:

- Dariusz Krzewina;
- Rafał Grodzicki;
- Przemysław Henschke;
- Sławomir Niemierka.

For the same reason, on 19 March 2013, Dariusz Krzewina was dismissed from the position of Director of the PZU Group with effect from 14 March 2013.

From 14 March 2013 to the date of conveying this interim report, PZU Group Directors included:

- Rafał Grodzicki;
- Przemysław Henschke;
- Sławomir Niemierka.

All the current PZU Group Directors are also members of the PZU Życie Management Board.

27.3. Continuation of restructuring in PZU and PZU Życie

On 27 December 2012, the Management Boards of PZU and PZU Życie announced the assumptions for the restructuring plan in 2013 which was to cover mainly the areas of claims handling and finance as well as, but to a much lesser extent, support functions (administration, logistics, IT). On 13 February 2013, the Management Boards of PZU and PZU Życie announced their intention to effect group layoffs pursuant to the Act of 13 March 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees, Journal of Laws No. 90 of 2003 Item 844, as amended ("Act on Special Rules for Termination of Employment").

The employment restructuring was planned for the period from 18 March to 15 June 2013. The restructuring will affect up to 3,145 persons in PZU and PZU Życie. It is estimated that headcount reduction will apply to 630 PZU and PZU Życie employees, i.e. 5.5% of all employees in both companies.

On 28 February 2013, PZU, PZU Życie and the trade unions operating at these companies executed an agreement specifying the terms and conditions of employment restructuring. The final form of the document is based on the experience and solutions developed during similar negotiations in the previous years.

Persons who are laid off or who do not accept the proposed change of the terms of employment (similarly as in all the other restructuring stages, i.e. in 2010-2012) are proposed a more favorable terms and conditions of severance than the ones contemplated by the law in similar circumstances (Act on the Special Rules for Terminating Employment Relations). The amount of additional severance pays is different in every restructuring process, while the financial package depends on the years in service in the PZU Group and the salary level of each employee.

The total restructuring expenses charged to the 2012 restructuring provision were PLN 5,970 thousand in Q1 2013 (PLN 75,862 thousand in the entire 2012).

As at 31 March, the 2012 restructuring costs and the restructuring costs in 2013 were, respectively: PLN 3,871 thousand and PLN 48,353 thousand (PLN 9,841 thousand and PLN 48,353 thousand, respectively, as at 31 December 2012).

28. Transactions with related entities

28.1. Execution, by PZU or its subsidiaries, of material transactions with related entities on terms other than based on an arm's length principle

In the period of 3 months ended 31 March 2013, neither PZU nor its subsidiaries executed any single or multiple transactions with their related entities which were of material significance individually or collectively and were executed on terms other than based on an arm's length principle.

(in thousands of PLN)

28.2. Turnovers and balances of transactions executed with related entities

Balances and turnovers resulting from commercial transactions between the PZU Group and related entities	Gross written premium		Other revenues	Costs	– including charges for receivables made in the current period	Receivables			Liabilities	Contingent assets	Contingent liabilities
	in non-life insurance	in life insurance (including the volumes from unit-linked contracts)				gross value	revaluation charges	value net			
1 January – 31 March 2013 and as at 31 March 2013											
Key management staff of the main entities [1]	-	-	-	-	-	-	-	-	-	-	-
Other related entities [2]	-	-	6	-	-	8,306	(8,306)	-	-	-	-
1 January – 31 March 2012 and as at 31 March 2012											
Key management staff of the main entities [1]	-	-	-	-	-	-	-	-	-	-	-
Other related entities	278	-	58,157	33,379	-	11,068	(8,306)	2,762	2,528	-	-
1 January – 31 March 2012 and as at 31 March 2012											
Key management staff of the main entities [1]	-	-	-	-	-	-	-	-	-	-	-
Other related entities	53	-	6,900	5,018	-	11,502	(9,806)	1,696	2,076	-	-

1) Members of the management boards of the PZU Group companies subject to consolidation and PZU Group Directors.
2) Syta Development Sp. z o.o. in liquidation (unconsolidated) .

(in thousands of PLN)

28.3. Transactions with subsidiaries of the State Treasury

Taking into account the provisions of the PZU Articles of Association (in particular those pertaining to the restriction of voting rights of shareholders other than the State Treasury and the rules for appointing the PZU Supervisory Board), for the purposes of presenting the turnovers and balances of transactions executed with related entities it is assumed that the State Treasury retained control over PZU within the meaning of IAS 27, and, as a consequence, PZU is still a subsidiary of the State Treasury and is required to keep presenting in its financial statements transactions executed with entities related to the State Treasury.

For the purposes of this item, "subsidiaries, co-subsidiaries and associates of the State Treasury" should be construed only as commercial law companies and state-owned companies which are subsidiaries, co-subsidiaries or associates of the State Treasury and listed as such on the State Treasury Ministry's website. In particular, as part of their business operations prescribed by the respective articles of association, the PZU Group entities executed transactions with subsidiaries, co-subsidiaries or associates of the State Treasury other than the commercial law companies or state-owned companies listed on the State Treasury Ministry's website. Due to a very large number of such entities and transactions, limitations of the PZU Group's reporting system and insignificance of such transactions on the PZU Group's result, presentation of such transactions is, in PZU's opinion, immaterial for the presentation of the PZU Group's financial situation.

The PZU Group applied the exemption referred to in item 25 of IAS 24 and decided not to disclose certain information related to transactions with entities related by virtue of remaining under the control, shared control or significant influence of the same government.

Transactions with subsidiaries, co-subsidiaries and associates of the State Treasury were predominantly non-life insurance agreements, life insurance agreements and unit-linked contracts.

The table below presents written premium and volumes from unit-linked contracts resulting from transactions with subsidiaries, co-subsidiaries and associates of the State Treasury executed and settled on terms and conditions available to unrelated clients.

Subsidiaries, co-subsidiaries and associates of the State Treasury	**1 January – 31 March 2013**	**1 January – 31 March 2012**
Gross written premium in non-life insurance	19,745	14,189
Gross written premium in life insurance	6,071	3,447
Volumes from unit-linked contracts of PZU Życie	-	584,564
Total	**25,816**	**602,200**

The following tables contain data on written premium and volumes from unit-linked contracts in bancassurance transactions with the State Treasury's subsidiary or associate banks.

Gross written premium and volumes in investment contracts	**1 January – 31 March 2013**	**1 January – 31 March 2012**
Bank Powszechna Kasa Oszczędności BP SA	**13,501**	**590,582**
Gross written premium of PZU	7,430	2,571
Gross written premium of PZU Życie	6,071	3,447
Volumes from unit-linked contracts of PZU Życie	-	584,564
Bank Ochrony Środowiska SA	**-**	**20**
Gross written premium of PZU	-	20
Bank Gospodarstwa Krajowego SA	**71**	**3**
Gross written premium of PZU	71	3

(in thousands of PLN)

PZU's QUARTERLY UNCONSOLIDATED FINANCIAL INFORMATION (in compliance with PAS)

1. Interim balance sheet

ASSETS	31 March 2013	31 December 2012	31 March 2012
I. Intangible assets, including:	126,529	129,729	99,569
- goodwill	-	-	-
II. Investments	28,745,809	27,591,485	26,414,958
1. Real property	558,466	561,589	577,578
2. Investments in subordinated entities, of which:	7,543,036	7,243,170	6,838,870
- investments in subordinated entities carried using the equity method	7,515,916	7,212,032	6,806,731
3. Other financial investments	20,640,951	19,782,584	18,993,553
4. Deposit receivables from ceding companies	3,356	4,142	4,957
III. Net assets of a life insurance company where the policyholder bears the investment risk	-	-	-
IV. Receivables	1,701,829	1,473,952	2,112,891
1. Receivables on direct insurance	1,345,724	1,276,089	1,416,902
1.1. From subordinated entities	214	368	219
1.2. From other entities	1,345,510	1,275,721	1,416,683
2. Receivables on reinsurance	24,072	14,598	33,760
1.1. From subordinated entities	22	3	3
1.2. From other entities	24,050	14,595	33,757
3. Other receivables	332,033	183,265	662,229
1.1. Receivables from the state budget	82,425	81,050	6,026
1.2. Other receivables	249,608	102,215	656,203
a) from subordinated entities	47,053	4,430	43,473
b) from other entities	202,555	97,785	612,730
V. Other asset components	144,272	140,580	143,283
1. Tangible asset components	94,615	98,968	91,966
2. Cash resources	49,657	41,612	51,317
3. Other asset components	-	-	-
VI. Prepayments and accruals	594,468	577,470	631,515
1. Deferred income tax assets	17,183	16,610	54,386
2. Capitalized acquisition expenses	505,155	490,285	512,850
3. Posted interest and rents	-	-	-
4. Other accruals	72,130	70,575	64,279
Total assets	**31,312,907**	**29,913,216**	**29,402,216**

(in thousands of PLN)

Interim balance sheet (continued)

LIABILITIES AND EQUITY	31 March 2013	31 December 2012	31 March 2012
I. Equity	14,164,492	13,452,581	12,544,351
1. Share capital	86,352	86,352	86,352
2. Unpaid share capital (negative figure)	-	-	-
3. Treasury stock (negative figure)	-	-	-
4. Reserve capital	3,967,600	3,967,599	3,331,934
5. Revaluation reserve	7,034,714	6,817,910	6,220,032
6. Other reserve capital	-	-	-
7. Profit (loss) carried forward	2,580,720	-	2,582,303
8. Net profit (loss)	495,106	2,580,720	323,730
9. Charges to net profit during the financial year (negative figure)	-	-	-
II. Subordinated debt	-	-	-
III. Technical provisions	16,086,898	15,771,187	15,140,965
IV. Reinsurers' share in technical provisions (negative figure)	(529,567)	(721,301)	(611,298)
V. Estimated recoveries and salvage (negative figure)	(103,274)	(116,776)	(68,790)
1. Gross estimated recoveries and salvage	(105,507)	(119,306)	(70,865)
2. Reinsurer's share in estimated recoveries and salvage	2,233	2,530	2,075
VI. Other provisions	216,148	218,355	404,776
1. Reserves for pension benefits and other compulsory employee benefits	79,015	72,560	221,785
2. Deferred income tax reserve	-	-	-
3. Other reserves	137,133	145,795	182,991
VII. Liabilities for reinsurers' deposits	-	-	-
VIII. Other liabilities and special-purpose funds	1,084,064	810,652	1,583,458
1. Liabilities on direct insurance	322,349	341,828	290,411
1.1. To subordinated entities	1,125	1,070	146
1.2. To other entities	321,224	340,758	290,265
2. Reinsurance liabilities	69,287	20,568	66,197
2.1. To subordinated entities	-	-	-
2.2. To other entities	69,287	20,568	66,197
3. Liabilities on the issue of own debt securities and borrowings taken out	-	-	-
4. Liabilities to credit institutions	100,617	-	479,472
5. Other liabilities	482,811	340,837	635,083
5.1. Liabilities to the budget	69,795	28,109	8,284
5.2. Other liabilities	413,016	312,728	626,799
a) to subordinated entities	71,474	72,074	9,659
b) to other entities	341,542	240,654	617,140
6. Special purpose funds	109,000	107,419	112,295
IX. Prepayments and accruals	394,146	498,518	408,754
1. Accrued expenses	379,355	483,677	384,569
2. Negative goodwill	-	-	-
3. Deferred income	14,791	14,841	24,185
Total liabilities and equity	**31,312,907**	**29,913,216**	**29,402,216**

(in thousands of PLN)

Interim balance sheet (continued)

Book value	14,164,492	13,452,581	12,544,351
Number of shares	86,352,300	86,352,300	86,352,300
Book value per share (in PLN)	164.03	155.79	145.27
Diluted number of shares	86,352,300	86,352,300	86,352,300
Diluted book value per share (PLN)	164.03	155.79	145.27

2. Interim statement of off-balance sheet line items

Off-balance sheet line items	31 March 2013	31 December 2012	31 March 2012
1. Conditional receivables, including:	8,861,746	8,726,276	9,577,471
1.1. Guarantees and sureties received	17,746	17,746	17,894
1.2. Other	8,844,000	8,708,530	9,559,577
2. Contingent liabilities, including:	209,643	102,107	55,908
2.1. Guarantees and sureties given	6,040	6,789	4,864
2.2. Accepted and endorsed bills of exchange	-	-	-
2.3. Assets subject to the obligation of resale	-	-	-
2.4. Other liabilities secured on assets or income	-	-	-
2.5. Disputed claims not accepted by the insurance company and pursued by debtors by litigation	202,839	94,543	51,044
3. Reinsurance collateral instituted in favor of the insurance company	-	-	-
4. Reinsurance collateral instituted by the insurance company in favor of ceding companies	-	-	-
5. Third party asset components not captured in the assets	145,283	217,594	218,607
6. Other off-balance sheet line items	-	-	-

Shareholder funds	11,661,815	10,956,132	10,205,942
Equity Solvency margin	1,348,689	1,343,831	1,348,689
Surplus (deficiency) of shareholder funds to cover the solvency margin	10,313,126	9,612,301	8,857,253
Technical reserves	15,981,391	15,651,881	15,070,100
Assets covering the technical provisions	19,118,468	19,741,146	19,020,991
Surplus (deficiency) assets covering the technical provisions	3,137,077	4,089,265	3,950,891

(in thousands of PLN)

3. Interim technical non-life insurance account

Technical non-life insurance account	1 January – 31 March 2013	1 January – 31 March 2012
I. Premiums (1-2-3+4)	2,010,456	1,997,617
1. Gross written premium	2,320,428	2,441,191
2. Reinsurers' share in the gross written premium	19,012	41,485
3. Movement in the unearned premium reserve and gross unexpired risk reserve	267,085	383,358
4. Reinsurers' share in the change to the unearned premium reserve balance	(23,875)	(18,731)
II. Net investment income after considering costs, transferred from the non-technical profit and loss account	74,932	72,048
III. Other net technical income	20,006	16,084
IV. Claims (1+2)	1,111,292	1,273,183
1. Net claims paid	882,087	1,108,282
1.1. Gross claims paid	1,034,460	1,133,446
1.2. Reinsurers' share in claims paid	152,373	25,164
2. Movement in the net claims reserve	229,205	164,901
2.1. Movement in the gross claims reserve	61,643	116,174
2.2. Reinsurers' share in the movement of the claims reserve	(167,562)	(48,727)
V. Movement in other net technical provisions	-	-
1. Movement in other gross technical provisions	-	-
2. Reinsurers' share in the movement of other technical provisions	-	-
VI. Net premiums and rebates jointly with the movement in reserves	832	(1,419)
VII. Insurance activity expenses	416,591	537,530
1. Acquisition expenses, including:	342,750	370,348
- movement in capitalized acquisition expenses	(14,870)	(19,670)
2. Administrative costs	150,451	164,598
3. Reinsurance commissions and sharing in the reinsurers' profits	76,610	(2,584)
VIII. Other net technical income	105,517	101,987
IX. Movement in loss ratio (risk) equalization reserves	-	-
X. Technical result on non-life insurance	**471,162**	**174,468**

(in thousands of PLN)

4. Interim non-technical profit and loss account

Non-technical profit and loss account	1 January – 31 March 2013	1 January – 31 March 2012
I. Technical result on non-life insurance or life insurance	471,162	174,468
II. Investment income	287,538	321,043
1. Investment income on real estate	1,629	1,579
2. Investment income from subordinated entities	-	9,749
2.1. on ownership interests or shares	-	9,749
2.2. on borrowings and debt securities	-	-
2.3. on other investments	-	-
3. Other financial investment income	183,548	198,434
3.1. on ownership interests, shares, other variable income securities, participation units and investment certificates in mutual funds	864	35
3.2. on debt securities and other fixed income securities	148,141	167,539
3.3. on term deposits in credit institutions	17,385	14,161
3.4. on other investments	17,158	16,699
4. Gain on investment revaluation	33	-
5. Gain on investment realization	102,328	111,281
III. Unrealized investment gains	46,520	71,020
IV. Net investment income after including costs transferred from the technical life insurance account	-	-
V. Investment activity expenses	74,878	61,440
1. Real estate maintenance expenses	3,497	1,446
2. Other investment activity expenses	5,994	6,807
3. Loss on investment revaluation	6,071	-
4. Loss on investment realization	59,316	53,187
VI. Unrealized investment losses	55,141	19,477
VII. Net investment income after including costs transferred to the technical non-life insurance account	74,932	72,048
VIII. Other operating income	18,410	15,167
IX. Other operating expenses	9,757	14,564
X. Operating profit (loss)	608,922	414,169
XI. Extraordinary gains	-	-
XII. Extraordinary losses	-	-
XIII. Gross profit (loss)	608,922	414,169
XIV. Income tax	116,639	81,422
a) current part	97,459	22,760
b) deferred part	19,180	58,662
XV. Other compulsory reductions in profit (increase in losses)	-	-
XVI. Share of the net profit (loss) of subordinated entities carried by the equity method	2,823	(9,017)
XVII. Net profit (loss)	**495,106**	**323,730**

Net profit (loss)	495,106	323,730
Weighted average number of common shares	86,352,300	86,352,300
Profit (loss) per common share (PLN)	5.73	3.75
Weighted average diluted number of common shares	86,352,300	86,352,300
Diluted earnings (losses) per common share (PLN)	5.73	3.75

(in thousands of PLN)

5. Interim statement of changes in equity

Statement of changes in equity	1 January – 31 March 2013	1 January – 31 December 2012	1 January – 31 March 2012
I. Equity at the beginning of the period (opening balance)	13,452,581	11,745,410	11,745,410
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
I.a. Equity at the beginning of the period (Opening Balance), after reconciliation with comparable data	13,452,581	11,745,410	11,745,410
1. Share capital at the beginning of the period	86,352	86,352	86,352
1.1. Movements in share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
1.2. Share capital at the end of the period	86,352	86,352	86,352
2. Contributions due to the share capital at the beginning of the period	-	-	-
2.1. Changes in the contributions due to share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
2.2. Contributions due to share capital at the end of the period	-	-	-
3. Treasury stock at the beginning of the period			
3.1. Changes in treasury stock	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
3.2. Treasury stock at the end of the period	-	-	-
4. Reserve capital at the beginning of the period	3,967,599	3,331,838	3,331,838
4.1. Movement in reserve capital	1	635,761	96
a) increases (by virtue of):	1	635,761	96
- distribution of profit (above the amount statutorily required)	-	635,421	-
- from revaluation reserve – by sale and liquidation of fixed assets	1	340	96
b) decreases	-	-	-
4.2. Reserve capital at the end of the period	3,967,600	3,967,599	3,331,934
5. Revaluation reserve at the beginning of the period	6,817,910	5,744,917	5,744,917
- changes in the accepted accounting principles (policy)	-	-	-
5.1. Movements in the revaluation reserve	216,804	1,072,993	475,115
a) increases (by virtue of):	336,373	1,618,306	494,344
- valuation of financial investments	335,622	1,611,956	494,344
- transfer of the impairment charges on investments available for sale	751	6,350	-
b) decreases (by virtue of)	119,569	545,313	19,229
- valuation of financial investments	119,523	544,213	19,133
- sale of fixed assets	1	340	96
- other	45	760	-
5.2. Revaluation reserve at the end of the period	7,034,714	6,817,910	6,220,032
6. Other reserve capital at the beginning of the period	-	-	-
6.1. Movements in other reserve capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
6.2. Other reserve capital at the end of the period	-	-	-

(in thousands of PLN)

Interim statement of changes in equity (continued)

Statement of changes in equity	1 January – 31 March 2013	1 January – 31 December 2012	1 January – 31 March 2012
7. Profit (loss) brought forward at the beginning of the period	2,580,720	2,582,303	2,582,303
7.1. Profit carried forward at the beginning of the period	2,580,720	2,582,303	2,582,303
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.2. Profit brought forward at the beginning of the period, after reconciliation with comparable data	2,580,720	2,582,303	2,582,303
a) increases	-	-	-
b) decreases	-	2,582,303	-
- transfers to reserve capital	-	635,421	-
- disbursement of dividends	-	1,936,882	-
- transfers to/charges for the Company Employee Benefit Fund	-	10,000	
7.3. Profit brought forward at the end of the period	2,580,720	-	2,582,303
7.4. Loss brought forward at the beginning of the period	-	-	-
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.5. Losses brought forward at the beginning of the period, after reconciliation with comparable data	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
7.6. Losses brought forward at the end of the period	-	-	-
7.7. Profit (loss) brought forward at the end of the period	2,580,720	-	2,582,303
8. Net result	495,106	2,580,720	323,730
a) net profit	495,106	2,580,720	323,730
b) net loss	-	-	-
c) charges to profits	-	-	-
II. Equity at the end of the period (Closing Balance)	**14,164,492**	**13,452,581**	**12,544,351**

(in thousands of PLN)

6. Interim cash flow statement

Cash Flow Statement	1 January – 31 March 2013	1 January – 31 December 2012	1 January – 31 March 2012
A. Cash flow on operating activity			
I. Proceeds	2,649,347	9,419,320	2,523,186
1. Proceeds on direct activity and inward reinsurance	2,300,222	8,637,340	2,363,919
1.1. Proceeds on gross premiums	2,250,886	8,446,977	2,316,200
1.2. Proceeds on recovery, salvage and claim refunds	39,073	158,035	39,523
1.3. Other proceeds on direct activity	10,263	32,328	8,196
2. Proceeds on outward reinsurance	226,705	165,755	58,329
2.1. Payments received from reinsurers for their share of claims paid	155,891	132,750	54,950
2.2. Proceeds on reinsurance commissions and profit-sharing	70,814	13,469	3,032
2.3. Other proceeds from outward reinsurance	-	19,536	347
3. Proceeds on other operating activity	122,420	616,225	100,938
3.1. Proceeds for acting as an emergency adjuster	67,884	230,235	71,047
3.2. Sale of other intangible assets and tangible components of non-current assets besides investments	1,056	3,201	1,039
3.3. Other proceeds	53,480	382,789	28,852
II. Expenditures	2,039,339	8,328,139	2,044,469
1. Expenditures on direct activity and inward reinsurance	1,631,617	6,857,394	1,727,236
1.1. Returns of gross premiums	53,168	168,012	40,466
1.2. Gross claims paid	901,918	3,951,726	996,190
1.3. Acquisition expenditures	258,092	967,878	262,107
1.4. Administrative expenditures	364,354	1,504,881	374,010
1.5. Expenditures for claims handling and pursuit of recoveries	29,472	142,104	23,232
1.6. Commissions paid and profit-sharing on inward reinsurance	685	2,521	825
1.7. Other expenditures on direct activity and inward reinsurance	23,928	120,272	30,406
2. Expenditures on outward reinsurance	74,743	192,429	76,631
2.1. Premiums paid for reinsurance	74,731	168,847	68,180
2.2. Other expenditures on outward reinsurance	12	23,582	8,451
3. Expenditures on other operating activity	332,979	1,278,316	240,602
3.1. Expenditures for acting as an emergency adjuster	129,974	439,757	127,261
3.2. Purchase of other intangible assets and tangible components of non-current assets besides investments	42,394	90,955	17,075
3.3. Other operating expenditures	160,611	747,604	96,266
III. Net cash flow on operating activity (I-II)	**610,008**	**1,091,181**	**478,717**
B. Cash flow on investing activity			
I. Proceeds	33,077,480	174,889,260	32,911,589
1. Sale of real estate	33	6,492	-
2. Sale of ownership interests and shares in subordinated entities	-	-	-
3. Sale of ownership interests and shares in other entities and participation units and investment certificates in mutual funds	-	1,092,797	422,056
4. Realization of debt securities issued by subordinated entities and amortization of granted to these entities	-	-	-
5. Realization of debt securities issued by other entities	3,137,868	31,456,328	6,161,768
6. Liquidation of term deposits in credit institutions	11,007,333	60,828,647	13,657,881
7. Realization of other investments	18,915,136	80,078,590	12,605,926

(in thousands of PLN)

Interim cash flow statement (continued)

Cash Flow Statement	1 January – 31 March 2013	1 January – 31 December 2012	1 January – 31 March 2012
8. Proceeds from real estate	2,387	7,062	1,711
9. Interest received	14,723	180,580	58,677
10. Dividends received	-	1,238,764	3,570
11. Other investment proceeds	-	-	-
II. Expenditures	33,781,543	174,002,691	33,770,840
1. Purchase of real estate	-	-	-
2. Purchase of ownership interests and shares in subordinated entities	-	8,505	-
3. Purchase of ownership interests and shares in other entities, participation units and investment certificates in mutual funds	876,750	6,687,167	420,242
4. Purchase of debt securities issued by subordinated entities and extension of loans to these entities	-	-	-
5. Purchase of debt securities issued by other entities	2,958,174	26,130,081	6,069,627
6. Purchase of term deposits in credit institutions	11,009,987	61,002,005	14,966,275
7. Purchase of other investments	18,928,549	80,156,134	12,307,579
8. Expenditures to maintain real estate	3,865	11,359	4,614
9. Other expenditures for investments	4,218	7,440	2,503
III. Net cash flow on investing activity (I-II)	**(704,063)**	**886,569**	**(859,251)**
C. Cash flow on financing activity			
I. Proceeds	591,761	28,677,698	6,699,309
1. Net proceeds from issuing shares and additional capital contributions	-	-	-
2. Loans, borrowings and issues of debt securities	591,761	28,677,698	6,699,298
3. Other financial proceeds	-		11
II. Expenditures	491,873	30,721,818	6,374,446
1. Dividends	18	1,873,391	132
2. Other expenditures for distribution of profits besides disbursement of dividends	-	-	-
3. Purchase of treasury stock	-	-	-
4. Amortization of loans and borrowings and redemption of own debt securities	491,855	28,848,427	6,374,314
5. Interest on loans and borrowings and issued debt securities	-	-	-
6. Other financial expenditures	-	-	-
III. Net cash flow on financing activity (I-II)	**99,888**	**(2,044,120)**	**324,863**
D. Total net cash flow (A.III±B.III±C.III)	**5,833**	**(66,370)**	**(55,671)**
E. Balance sheet change in cash balance, including:	8,045	(66,256)	(56,551)
- movement in cash on account of FX gains	2,212	(114)	880
F. Cash at the beginning of the period	41,612	107,868	107,868
G. Cash at the end of the period (F±D), including:	49,657	41,612	51,317
- restricted cash	41,609	37,189	41,750

7. Introduction

This quarterly standalone financial information of PZU was prepared in accordance with the Polish Accounting Standards for reasons described in the part entitled Introduction, in which PAS were also defined.

8. Key accounting principles (accounting policy)

Detailed accounting principles (accounting policy) are presented in the annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2012 prepared according to the PAS, signed by the PZU Management Board on 12 March 2013 for which the auditor issued an unqualified opinion on the same date ("standalone financial statements of PZU for 2012").

PZU's standalone financial statements for 2012 are available on PZU's website www.pzu.pl under the tab "PZU Group / Investor Relations / Periodic and Current Reports / Periodic Reports".

9. Changes in accounting policies

In the 3-month period ended 31 March 2013, no changes were made to the accounting principles (policy).

(in thousands of PLN)

The standalone interim financial statements of PZU for the period of 3 months ended 31 March 2013 has been signed by:

Date	Full name	Position / Function	
Wednesday, May 15, 2013	Andrzej Klesyk	President of the PZU Management Board	.... (signed)
Wednesday, May 15, 2013	Przemysław Dąbrowski	PZU Management Board Member	.... (signed)
Wednesday, May 15, 2013	Dariusz Krzewina	PZU Management Board Member	.... (signed)
Wednesday, May 15, 2013	Bogusław Skuza	PZU Management Board Member	.... (signed)
Wednesday, May 15, 2013	Barbara Smalska	PZU Management Board Member	.... (signed)
Wednesday, May 15, 2013	Tomasz Tarkowski	PZU Management Board Member	.... (signed)
Wednesday, May 15, 2013	Ryszard Trepczyński	PZU Management Board Member	.... (signed)
Wednesday, May 15, 2013	Piotr Marczyk	Director of the Accounting Department	.... (signed)