

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ  
SPÓŁKA AKCYJNA  
CAPITAL GROUP  
FOR Q3 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 30 September 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 separate 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 later 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.

## FINANCIAL HIGHLIGHTS

### 1. Selected consolidated financial data of the PZU Group

Data from the consolidated statement of financial position	000s PLN 30 September 2013	000s PLN 31 December 2012	000s PLN 30 September 2012	000s EUR 30 September 2013	000s EUR 31 December 2012	000s EUR 30 September 2012
Assets	61,640,113	55,909,560	56,800,666	14,619,480	13,675,838	13,807,347
Share capital	86,352	86,352	86,352	20,481	21,122	20,991
Capital and reserves attributed to holders of the parent's equity	12,601,214	14,190,131	13,719,534	2,988,690	3,470,997	3,335,003
Non-controlling interest	80,753	79,138	81,081	19,153	19,358	19,710
Total equity	12,681,967	14,269,269	13,800,615	3,007,843	3,490,355	3,354,712
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)	145.93	164.33	158.88	34.61	40.20	38.62

Data from the consolidated profit and loss account	000s PLN 1 January – 30 September 2013	000s PLN 1 January – 30 September 2012	000s EUR 1 January – 30 September 2013	000s EUR 1 January – 30 September 2012
Gross written insurance premium	12,402,550	12,158,994	2,936,835	2,898,587
Net earned premium	12,240,240	11,949,361	2,898,402	2,848,613
Fee and commission income	229,288	175,049	54,294	41,730
Net result on investment activity	1,858,648	2,569,395	440,115	612,519
Net insurance claims	(8,210,298)	(8,428,025)	(1,944,140)	(2,009,160)
Gross profit (loss)	3,456,188	3,512,894	818,401	837,440
Net profit (loss) attributed to holders of parent's equity	2,765,428	2,839,671	654,834	676,950
Profit (loss) attributed to holders of non-controlling interest	1,407	587	333	140
Basic and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings per common share (in PLN/EUR)	32.02	32.88	7.58	7.84

<b>Data from the consolidated cash flow statement</b>	<b>000s PLN 1 January – 30 September 2013</b>	<b>000s PLN 1 January – 30 September 2012</b>	<b>000s EUR 1 January – 30 September 2013</b>	<b>000s EUR 1 January – 30 September 2012</b>
Net cash flow on operating activity	2,308,239	1,063,464	546,575	253,520
Net cash flow on investing activity	(2,454,664)	220,047	(581,247)	52,457
Net cash flow on financing activity	471,956	(1,411,709)	111,756	(336,538)
Total net cash flow	325,531	(128,198)	77,083	(30,561)

## 2. Selected individual financial data of PZU (PAS)

<b>Data from the balance sheet</b>	<b>000s PLN 30 September 2013</b>	<b>000s PLN 31 December 2012</b>	<b>000s PLN 30 September 2012</b>	<b>000s EUR 30 September 2013</b>	<b>000s EUR 31 December 2012</b>	<b>000s EUR 30 September 2012</b>
Assets	30,847,613	29,913,216	30,201,636	7,316,276	7,316,965	7,341,542
Share capital	86,352	86,352	86,352	20,481	21,122	20,991
Total equity	11,805,466	13,452,581	12,681,670	2,799,959	3,290,588	3,082,714
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)	136.71	155.79	146.86	32.42	38.11	35.70

<b>Data from technical non-life insurance account and non-technical profit and loss account</b>	<b>000s PLN 1 January – 30 September 2013</b>	<b>000s PLN 1 January – 30 September 2012</b>	<b>000s EUR 1 January – 30 September 2013</b>	<b>000s EUR 1 January – 30 September 2012</b>
Gross written insurance premium	6,236,566	6,374,225	1,476,774	1,519,554
Technical result of non-life insurance	1,147,027	630,117	271,608	150,214
Net result on investment activity (*)	4,361,999	2,117,588	1,032,890	504,813
Net profit (loss)	5,009,021	2,269,892	1,186,100	541,120
Basic and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings per common share (in PLN/EUR)	58.01	26.29	13.74	6.27

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

### 3. Selected individual financial data of Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna

<b>Data from the balance sheet</b>	<b>000s PLN 30 September 2013</b>	<b>000s PLN 31 December 2012</b>	<b>000s PLN 30 September 2012</b>	<b>000s EUR 30 September 2013</b>	<b>000s EUR 31 December 2012</b>	<b>000s EUR 30 September 2012</b>
Assets	30,616,293	30,084,111	29,709,273	7,261,412	7,358,767	7,221,856
Total equity	4,084,541	6,748,062	6,445,208	968,750	1,650,619	1,566,729

  

<b>Data from the technical life insurance account and the non-technical profit and loss account</b>	<b>000s PLN 1 January – 30 September 2013</b>	<b>000s PLN 1 January – 30 September 2012</b>	<b>000s EUR 1 January – 30 September 2013</b>	<b>000s EUR 1 January – 30 September 2012</b>
Gross written insurance premium	6,806,624	7,203,313	1,611,760	1,717,201
Technical life insurance result	1,367,754	1,581,058	323,874	376,909
Net result on investment activity	1,140,611	1,595,403	270,089	380,329
Net profit (loss)	1,378,155	1,587,801	326,337	378,516

#### 4. Summary of consolidated financial results

The net financial result of the PZU Group for the period of 9 months ended 30 September 2013 was PLN 2,766,835 thousand, declining by 2.6% from the net result in the corresponding period of the previous year.

ROE for the period from 1 January to 30 September 2013 was 27.4%, down 1.0 p.p. from the same period of the previous year.

The following factors affected the business of the PZU Group in the period of 9 months ended 30 September 2013:

- increase in gross written premium as a result of the continuing high growth rate of single-premium insurance sold through the bancassurance channel, which was partially offset by the declining written premiums in the corporate insurance segment (motor insurance and hospital accident insurance, as a result of legislative changes);
- improvement in profitability, including:
  - in agricultural insurance (in the mass segment) as a result of the low level of claims caused by the forces of nature (no frost, no negative wintering effects)
  - in financial insurance (in the corporate segment) due to the last year's breakdown in the construction industry and the resulting changes in the risk acceptance and pricing process;
- slower rate of conversion of long-term policies into yearly renewable term agreements in type P group insurance;
- lower investment income, both on equity instruments (good market conditions on the Warsaw Stock Exchange, WSE, in the previous year) and on debt instruments (increased yield of bonds, which reached historical lows at the end of 2012);
- one-time income on the consolidation of mutual funds;
- one-time income on the settlement with the reinsurer regarding the Green Card insurance (partial reversal of the adjustment to estimates with the reinsurer, which reduced the 2011 result);
- maintenance of the fixed cost discipline (reduction of payroll expense driven by restructuring activities in the most recent years) and simultaneous project activities aimed at improving and automating service processes.

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Interim Consolidated statement of financial position

Assets	Note	30 September 2013	30 June 2013	31 December 2012	30 September 2012
Intangible assets		233,408	200,705	183,238	157,439
Goodwill		8,569	8,651	8,474	8,494
Property, plant and equipment		974,487	969,986	992,317	973,924
Investment property		1,610,828	1,604,253	564,404	539,844
Entities measured by the equity method		37,548	604	-	-
Financial assets					
Financial instruments held to maturity	11.1.1	23,890,485	22,912,568	21,117,559	21,297,397
Financial instruments available for sale	11.1.2	2,187,301	2,641,177	3,924,501	8,048,731
Financial instruments measured at fair value through profit or loss	11.1.3	16,782,703	17,728,887	15,628,401	12,688,553
Loans	11.1.4	11,039,933	11,044,425	9,752,615	7,131,337
Receivables, including receivables under insurance contracts	11.3	2,956,652	3,555,561	1,835,793	4,316,156
Reinsurers' share in technical provisions	11.4	468,098	501,214	749,334	678,799
Estimated salvage and subrogation		107,090	104,664	121,632	68,835
Deferred income tax assets		14,975	13,549	13,963	17,018
Current income tax receivables		5,310	87,321	80,646	-
Deferred acquisition costs		569,656	586,406	574,489	546,788
Prepayments	11.6	83,320	93,686	94,942	72,019
Other assets		88,146	85,236	83,704	104,421
Cash and cash equivalents		462,070	297,526	136,586	106,439
<b>Assets related to continuing operations</b>		<b>61,520,579</b>	<b>62,436,419</b>	<b>55,862,598</b>	<b>56,756,194</b>
Assets earmarked for sale	11.7	119,534	162,078	46,962	44,472
<b>Total assets</b>		<b>61,640,113</b>	<b>62,598,497</b>	<b>55,909,560</b>	<b>56,800,666</b>



## Interim Consolidated statement of financial position (cont.)

Liabilities and equity	Note	30 September 2013	30 June 2013	31 December 2012	30 September 2012
<b>Equity</b>					
Issued share capital and other capital attributable to parent's shareholders					
Share capital		86,352	86,352	86,352	86,352
Other capital		9,078,074	9,048,544	9,105,450	9,050,197
Reserve capital		8,817,063	8,816,731	8,780,212	8,780,046
Revaluation reserve		296,394	263,495	363,242	307,459
Exchange differences on conversion		(35,383)	(31,682)	(38,004)	(37,308)
Retained earnings		3,436,788	4,074,086	4,998,329	4,582,985
Profit (loss) carried forward		2,398,406	2,398,738	1,743,148	1,743,314
Net profit (loss)		2,765,428	1,675,348	3,255,181	2,839,671
Charges to net profit during the financial year		(1,727,046)	-	-	-
Non-controlling interest		80,753	79,724	79,138	81,081
<b>Total equity</b>		<b>12,681,967</b>	<b>13,288,706</b>	<b>14,269,269</b>	<b>13,800,615</b>
<b>Liabilities</b>					
Technical provisions	11.8				
Provision for unearned premiums and for unexpired risks		4,542,640	4,764,051	4,537,167	4,555,408
Life insurance provision		16,024,700	15,948,486	15,675,243	14,877,211
Unpaid claims reserve		6,157,487	6,150,934	5,878,445	5,965,550
Provision for capitalized value of annuity claims		5,747,883	5,697,792	5,660,281	5,205,814
Provisions for bonuses and rebates for the insureds		2,256	3,238	4,227	3,749
Other technical provisions		492,360	503,182	531,617	531,127
Technical provisions for life insurance if the policyholder bears the investment risk		3,710,753	3,450,439	3,113,798	2,838,139
Investment contracts	11.9				
- with guaranteed and fixed terms and conditions		1,298,483	1,298,985	1,297,224	1,632,668
- for the client's account and risk		902,949	903,249	1,001,923	999,266
Provisions for employee benefits		61,646	61,212	60,649	253,090
Other provisions	11.10	233,454	245,050	267,456	268,629
Provision for deferred income tax		360,597	310,048	357,557	373,632
Current income tax liabilities		171,831	78,719	21,658	98,130
Derivatives		238,690	258,316	129,921	55,804
Other liabilities	11.11	8,533,505	9,152,161	2,420,155	4,849,674
Accruals and deferred income	11.12				
Accrued expenses		464,113	469,386	672,550	463,662
Deferred income		14,799	14,543	10,420	28,498
<b>Liabilities related to continuing operations</b>		<b>48,958,146</b>	<b>49,309,791</b>	<b>41,640,291</b>	<b>43,000,051</b>
<b>Total liabilities</b>		<b>48,958,146</b>	<b>49,309,791</b>	<b>41,640,291</b>	<b>43,000,051</b>
<b>Total liabilities and equity</b>		<b>61,640,113</b>	<b>62,598,497</b>	<b>55,909,560</b>	<b>56,800,666</b>

## 2. Interim Consolidated Profit And Loss Account

Consolidated profit and loss account	Note	1 July – 30 September 2013	1 January – 30 September 2013	1 July – 30 September 2012	1 January – 30 September 2012
Gross written insurance premiums	11.13	3,907,299	12,402,550	3,912,720	12,158,994
Reinsurers' share in gross written insurance premium		(32,949)	(96,625)	(22,110)	(102,980)
<b>Net written premium</b>		<b>3,874,350</b>	<b>12,305,925</b>	<b>3,890,610</b>	<b>12,056,014</b>
Movement in net provision for unearned premium		188,650	(65,685)	192,015	(106,653)
<b>Net earned premiums</b>		<b>4,063,000</b>	<b>12,240,240</b>	<b>4,082,625</b>	<b>11,949,361</b>
Fee and commission income	11.14	86,018	229,288	58,690	175,049
Net investment income	11.15	496,139	1,444,798	569,146	1,653,515
Net result on the realization of investments and impairment charges	11.16	15,289	(166,478)	241,003	367,091
Net change in the fair value of assets and liabilities measured at fair value	0	377,902	580,328	235,342	548,789
Other operating income	0	99,285	379,878	103,793	267,716
Claims and movement in technical provisions	11.19 11.21	(2,766,535)	(8,218,618)	(2,927,396)	(8,575,596)
Reinsurers' share in claims and movement in technical provisions		15,642	8,320	14,006	147,571
<b>Net insurance claims</b>		<b>(2,750,893)</b>	<b>(8,210,298)</b>	<b>(2,913,390)</b>	<b>(8,428,025)</b>
Claims and changes in measurement of investment contracts	11.20	(48,396)	(60,091)	(40,983)	(127,944)
Acquisition expenses	11.21	(493,818)	(1,466,478)	(497,778)	(1,496,655)
Administrative expenses	11.21	(324,493)	(965,807)	(312,641)	(999,348)
Other operating expenses	11.22	(163,344)	(502,998)	(120,519)	(368,705)
<b>Operating profit (loss)</b>		<b>1,356,689</b>	<b>3,502,382</b>	<b>1,405,288</b>	<b>3,540,844</b>
Financial costs	11.23	(10,234)	(48,060)	(15,145)	(27,950)
Share of the net profit (loss) of units measured by the equity method		10	1,866	-	-
<b>Gross profit (loss)</b>		<b>1,346,465</b>	<b>3,456,188</b>	<b>1,390,143</b>	<b>3,512,894</b>

### Consolidated Interim Profit And Loss Account (cont.)

Consolidated profit and loss account	Note	1 July – 30 September 2013	1 January – 30 September 2013	1 July – 30 September 2012	1 January – 30 September 2012
Income tax					
- current part		(226,599)	(648,519)	(175,818)	(426,446)
- deferred part		(28,747)	(40,834)	(90,516)	(246,190)
Net profit (loss) on continuing operations		1,091,119	2,766,835	1,123,809	2,840,258
<b>Net profit (loss), including</b>		<b>1,091,119</b>	<b>2,766,835</b>	<b>1,123,809</b>	<b>2,840,258</b>
- profit (loss) attributed to holders of parent's equity		1,090,080	2,765,428	1,122,738	2,839,671
- profit (loss) attributed to holders of non-controlling interest		1,039	1,407	1,071	587
Net profit (loss) on continuing operations		1,090,080	2,765,428	1,122,738	2,839,671
Net profit (loss) on discontinued operations		-	-	-	-
Basic and diluted weighted average number of common shares		86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings (losses) on continuing operations per common share (in PLN)		12.62	32.02	13.00	32.88
Basic and diluted earnings (losses) on discontinued operations per common share (in PLN)		-	-	-	-
Basic and diluted earnings (losses) per common share (in PLN)		12.62	32.02	13.00	32.88

### 3. Interim consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income	Note	1 July – 30 September 2013	1 January – 30 September 2013	1 July – 30 September 2012	1 January – 30 September 2012
Net profit (loss)		1,091,119	2,766,835	1,123,809	2,840,258
Other net comprehensive income	11.24	29,188	(61,942)	(63,778)	33,574
Subject to subsequent transfer to profit or loss		29,188	(61,942)	(63,778)	33,574
Financial assets available for sale		31,132	(74,912)	(60,598)	38,628
Exchange differences on conversion		(3,711)	2,631	(3,180)	(5,054)
Reclassification of real property from property, plant and equipment to investment property		1,767	10,339	-	-
<b>Total net comprehensive income</b>		<b>1,120,307</b>	<b>2,704,893</b>	<b>1,060,031</b>	<b>2,873,832</b>
- comprehensive income attributed to holders of parent's equity		1,119,278	2,703,476	1,058,965	2,873,254
- comprehensive income attributed to holders of non-controlling interest		1,029	1,417	1,066	578

#### 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							Total	Non-controlling stakes	Total equity
	Other capital				Retained earnings					
	Share capital	Reserve capital	Revaluation reserve	Exchange differences on conversion	Profit (loss) carried forward	Net profit (loss)	Charges to net profit during the financial year (negative figure)			
<b>Balance as at 1 January 2013</b>	<b>86,352</b>	<b>8,780,212</b>	<b>363,242</b>	<b>(38,004)</b>	<b>4,998,329</b>	-	-	<b>14,190,131</b>	<b>79,138</b>	<b>14,269,269</b>
Change in measurement of financial instruments available for sale	-	-	(74,912)	-	-	-	-	(74,912)	-	(74,912)
Exchange differences on conversion	-	-	-	2,621	-	-	-	2,621	10	2,631
Reclassification of real property from property, plant and equipment to investment property	-	-	10,339	-	-	-	-	10,339	-	10,339
<b>Total net increases (decreases) recognized directly in capital (after income tax)</b>	-	-	<b>(64,573)</b>	<b>2,621</b>	-	-	-	<b>(61,952)</b>	<b>10</b>	<b>(61,942)</b>
Net profit (loss)	-	-	-	-	-	2,765,428	-	2,765,428	1,407	2,766,835
<b>Total increases (decreases)</b>	-	-	<b>(64,573)</b>	<b>2,621</b>	-	<b>2,765,428</b>	-	<b>2,703,476</b>	<b>1,417</b>	<b>2,704,893</b>
<b>Other changes, including:</b>	-	<b>36,851</b>	<b>(2,275)</b>	-	<b>(2,599,923)</b>	-	<b>(1,727,046)</b>	<b>(4,292,393)</b>	<b>198</b>	<b>(4,292,195)</b>
Distribution of financial result	-	34,236	-	-	(2,599,584)	-	(1,727,046)	(4,292,394)	-	(4,292,394)
Other	-	2,615	(2,275)	-	(339)	-	-	1	198	199
<b>Balance as at 30 September 2013</b>	<b>86,352</b>	<b>8,817,063</b>	<b>296,394</b>	<b>(35,383)</b>	<b>2,398,406</b>	<b>2,765,428</b>	<b>(1,727,046)</b>	<b>12,601,214</b>	<b>80,753</b>	<b>12,681,967</b>

**Interim Statement of Changes in Consolidated Equity (cont.)**

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

**Interim Statement of Changes in Consolidated Equity (cont.)**

Statement of Changes in Consolidated Equity	Capital and reserves attributed to holders of the parent's equity							Non-controlling interest	Total equity
	Share capital	Reserve capital	Other capital		Retained earnings		Total		
			Revaluation reserve	Exchange differences on conversion	Profit (loss) carried forward	Net profit (loss)			
<b>Balance as at 1 January 2012</b>	<b>86,352</b>	<b>7,711,818</b>	<b>268,831</b>	<b>(32,263)</b>	<b>4,748,424</b>	<b>-</b>	<b>12,783,162</b>	<b>86,343</b>	<b>12,869,505</b>
Change in measurement of financial instruments available for sale	-	-	38,628	-	-	-	38,628	-	38,628
Exchange differences on conversion	-	-	-	(5,045)	-	-	(5,045)	(9)	(5,054)
<b>Total net increases (decreases) recognized directly in capital (after income tax)</b>	<b>-</b>	<b>-</b>	<b>38,628</b>	<b>(5,045)</b>	<b>-</b>	<b>-</b>	<b>33,583</b>	<b>(9)</b>	<b>33,574</b>
Net profit (loss)	-	-	-	-	-	2,839,671	2,839,671	587	2,840,258
<b>Total increases (decreases)</b>	<b>-</b>	<b>-</b>	<b>38,628</b>	<b>(5,045)</b>	<b>-</b>	<b>2,839,671</b>	<b>2,873,254</b>	<b>578</b>	<b>2,873,832</b>
<b>Other changes, including:</b>	<b>-</b>	<b>1,068,228</b>	<b>-</b>	<b>-</b>	<b>(3,005,110)</b>	<b>-</b>	<b>(1,936,882)</b>	<b>(5,840)</b>	<b>(1,942,722)</b>
Distribution of financial result	-	1,068,113	-	-	(3,004,995)	-	(1,936,882)	(5,860)	(1,942,742)
Other	-	115	-	-	(115)	-	-	20	20
<b>Balance as at 30 September 2012</b>	<b>86,352</b>	<b>8,780,046</b>	<b>307,459</b>	<b>(37,308)</b>	<b>1,743,314</b>	<b>2,839,671</b>	<b>13,719,534</b>	<b>81,081</b>	<b>13,800,615</b>

## 5. Interim Consolidated Cash Flow Statement

Consolidated cash flow statement	1 January – 30 September 2013	1 January – 31 December 2012	1 January – 30 September 2012
Cash flow on operating activity			
Proceeds	14,831,905	19,384,276	14,730,943
- proceeds on gross insurance premiums	12,019,087	16,324,691	12,149,430
- proceeds on investment contracts	974,191	1,859,439	1,660,532
- proceeds on reinsurance commissions and share in reinsurer's gains	67,785	13,967	11,691
- payments received from reinsurers for their share of claims paid	208,846	133,668	116,254
- proceeds for acting as an emergency adjuster	191,671	230,235	178,622
- proceeds on the sale of units by mutual fund	484,339	-	-
- other operating proceeds	885,986	822,276	614,414
Expenditures	(12,523,666)	(18,155,919)	(13,667,479)
- insurance premiums paid for reinsurance	(205,928)	(196,190)	(167,547)
- commissions paid and profit-sharing on inward reinsurance	(1,245)	(2,521)	(1,726)
- gross claims paid	(6,301,131)	(8,901,396)	(6,662,548)
- claims paid on investment contracts	(1,118,170)	(3,186,306)	(2,611,782)
- acquisition expenditures	(1,223,991)	(1,524,373)	(1,139,189)
- administrative expenditures	(1,541,308)	(2,137,169)	(1,608,465)
- interest expenditures	(204)	(65)	(53)
- income tax expenditures	(479,401)	(664,465)	(155,498)
- expenditures for acting as an emergency adjuster	(349,207)	(439,757)	(334,846)
- expenditures on redemption of units by mutual fund	(270,088)	-	-
- other operating expenditures	(1,032,993)	(1,103,677)	(985,825)
<b>Net cash flow on operating activity</b>	<b>2,308,239</b>	<b>1,228,357</b>	<b>1,063,464</b>
Cash flow on investing activity			
Proceeds	480,416,730	360,665,055	261,065,662
- sale of investment property	4,795	-	-
- proceeds from investment property	90,492	8,594	6,550
- sale of intangible assets and components of property, plant and equipment	5,610	13,917	6,025
- sale of ownership interests and shares	5,749,921	3,379,218	2,926,197
- realization of debt securities	73,035,468	56,717,604	37,582,430
- closing of buy-sell-back transactions	273,347,240	149,885,455	104,148,420
- closing of term deposits with credit institutions	109,488,516	139,511,297	110,006,313
- realization of other investments	16,810,691	9,679,935	5,336,945
- interest received	1,353,094	1,336,736	938,288
- dividends received	51,152	131,507	114,011
- increase in cash due to consolidation of new entities	479,751	792	483



## Interim Consolidated Cash Flow Statement (cont.)

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Consolidated cash flow statement	1 January – 30 September 2013	1 January – 31 December 2012	1 January – 30 September 2012
Expenditures	(482,871,394)	(360,243,667)	(260,845,615)
- purchase of investment property	(392,879)	-	-
- expenditures for the maintenance of investment property	(43,564)	(14,605)	(12,242)
- purchase of intangible assets and components of property, plant and equipment	(172,226)	(144,881)	(106,237)
- purchase of ownership interests and shares	(8,233,446)	(9,116,873)	(3,036,999)
- reduction of cash due to deconsolidation of mutual funds	(7,981)	-	-
- purchase of debt securities	(74,485,063)	(56,903,331)	(39,316,963)
- purchase of debt securities under buy-sell-back transactions	(273,289,226)	(151,113,561)	(104,522,127)
- purchase of term deposits with credit institutions	(110,186,031)	(139,194,248)	(109,316,794)
- purchase of other investments	(16,053,747)	(3,747,925)	4,527,327
- other expenditures for investments	(7,231)	(8,243)	(6,926)
<b>Net cash flow on investing activity</b>	<b>(2,454,664)</b>	<b>421,388</b>	<b>220,047</b>
Cash flow on financing activity			
Proceeds	68,947,201	81,451,416	36,895,082
- loans and borrowings and issues of debt securities <sup>1)</sup>	68,947,201	81,451,416	36,895,082
Expenditures	(68,475,245)	(83,198,530)	(38,306,791)
- dividends paid to equity holders in the parent company	(2,488,919)	(1,873,391)	(1,873,396)
- dividends paid to holders of non-controlling interest	-	(5,860)	(5,860)
- amortization of loans and borrowings and redemption of debt securities <sup>1)</sup>	(65,975,494)	(81,312,622)	(36,423,346)
- interest on loans and borrowings and issued debt securities	(10,832)	(6,657)	(4,189)
<b>Net cash flow on financing activity</b>	<b>471,956</b>	<b>(1,747,114)</b>	<b>(1,411,709)</b>
<b>Total net cash flow</b>	<b>325,531</b>	<b>(97,369)</b>	<b>(128,198)</b>
Cash and cash equivalents at the beginning of the period	136,586	237,724	237,724
Movement in cash due to exchange differences	(47)	(3,769)	(3,087)
Cash and cash equivalents at the end of the period, including:	462,070	136,586	106,439
- restricted cash	33,840	24,794	39,777

<sup>1)</sup> These items include almost exclusively the cash flows resulting from short-term sell-buy-back transactions.

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## **SUPPLEMENTARY INFORMATION TO THE INTERIM 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 – uniform text in Journal of Laws No. 11 of 1996, Item 62, as later 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).

## 1.2. PZU Group companies

No.	Name of the entity	Registered office	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
				30 September 2013	31 December 2012	30 September 2013	31 December 2012	
<b>Consolidated entities</b>								
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%	Creation, representing and management of 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	Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA ("MPTE PZU SA")	Warsaw	13.08.2004	100.00%	100.00%	100.00%	100.00%	Management of 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.

No.	Name of the entity	Registered office	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
				30 September 2013	31 December 2012	30 September 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 <sup>1)</sup>	Cracow	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 <sup>1)</sup>	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 <sup>1)</sup> sp. k.	Cracow	10.02.2009	63.83%	63.83%	63.83%	63.83%	Utilization of available funds, growth investments
18	Armagor SA <sup>1)</sup>	Cracow	06.09.2009	63.83%	63.83%	63.83%	63.83%	Production of water, gas and central heating fixtures
19	Armadimp SA <sup>1)</sup>	Cracow	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	n/a	n/a	n/a	n/a	Investment of funds collected from fund members
25	PZU FIZ Akcji	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	as above
26	PZU FIZ Dynamiczny	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	as above
27	PZU FIZ Sektora Nieruchomości <sup>2)</sup>	Warsaw	01.07.2008	n/a	n/a	n/a	n/a	as above
28	PZU FIZ Sektora Nieruchomości <sup>2)</sup>	Warsaw	21.11.2011	n/a	n/a	n/a	n/a	as above
29	PZU FIZ Sektora Nieruchomości <sup>3)</sup>	Warsaw	24.02.2012	n/a	n/a	n/a	n/a	as above

No.	Name of the entity	Registered office	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
				30 September 2013	31 December 2012	30 September 2013	31 December 2012	
30	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	n/a	n/a	as above

No.	Name of the entity	Registered office	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
				30 September 2013	31 December 2012	30 September 2013	31 December 2012	
31	PZU FIZ Aktywów Niepublicznych BIS 2	Warsaw	19.11.2012	n/a	n/a	n/a	n/a	as above
32	PZU Dłużny Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
33	PZU FIZ Forte	Warsaw	27.12.2012	n/a	n/a	n/a	n/a	as above
34	PZU FIZ Aktywów Niepublicznych RE Income <sup>2)</sup>	Warsaw	08.11.2011	n/a	n/a	n/a	n/a	as above
35	PZU FIO Gotówkowy <sup>3)</sup>	Warsaw	01.07.2005	n/a	n/a	n/a	n/a	as above
<b>Unconsolidated subsidiary</b>								
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
<b>Associates</b>								
37	GSU Pomoc Górniczy Klub Ubezpieczonych SA	Tychy	08.06.1999	30.00%	30.00%	30.00%	30.00%	Insurance service
38	EMC Instytut Medyczny SA (medical institute) <sup>4)</sup>	Wroclaw	18.06.2013	29.87%	9.95%	25.31%	8.43%	Human health activities, research and development on medical sciences and pharmaceutical practice

<sup>1)</sup> Information on the change of exposure in Armatura Kraków SA are presented in item 10.1.

<sup>2)</sup> As at 30 September 2013, PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Sektora Nieruchomości 3, PZU FIZ Aktywów Niepublicznych RE Income funds conducted their investment activity through subsidiary commercial law companies operating as special-purpose vehicles and investing in individual properties, whose number was respectively: 37, 8, 9, 6 for each of the funds (on 1 January 2013: 33, 8, 12, 6).

<sup>3)</sup> Consolidated since 1 April 2013.

<sup>4)</sup> Acquisition of the company is described in item 2.2.

As at 30 September 2013, in addition to the entities listed in the table, the PZU Group held participation units or investment certificates in the PZU Sejf+ Sub-Fund, PZU Energia Medycyna Ekologia Sub-Fund, PZU Akcji Rynków Wschodzących Sub-Fund, PZU Akcji Spółek Dywidendowych Sub-Fund, in which PZU Group's share in net assets exceeds 20% (not counting the assets held in connection with outstanding insurance and investment contracts for the client's account and risk).

## **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.

On 27 August 2013, TFI PZU allocated to PZU Życie investment certificates of the BIS 2 Private Assets Closed-End Mutual Fund (Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2) worth PLN 104,307 thousand paid by PZU Życie with contributed shares in Kolej Gondolowa Jaworzyna Krynicka ("KGJK") and in Armatura Kraków SA.

### **2.2. Acquisition of a stake in EMC Instytut Medyczny SA**

Following the stock market transactions settled on 18 June 2013, PZU Group entities (mainly the mutual funds managed by TFI PZU) achieved an aggregated holding of 1,969,817 shares in EMC Instytut Medyczny SA ("EMC"), which was 23.66% of the company's capital and up to 20.04% votes at its shareholder meeting; the total value of the acquired shares was PLN 34,069 thousand.

As at the date of signing these interim consolidated financial statements, PZU Group entities (mainly the mutual funds managed by TFI PZU) achieved an aggregated holding of 2,487,268 shares in EMC, which was 29.87% of the company's capital and up to 25.31% votes at its shareholder meeting; the total value of the acquired shares was PLN 44.213 thousand.

The EMC acquisition transaction was settled on the basis of EMC's consolidated financial statements drawn up as at 30 June 2013. The measurement using the equity method applied only to the EMC shares held by mutual funds which are subject to consolidation. These shares represent 22.99% of the EMC's capital and 19.48% of votes at the shareholder meeting.

### 2.3. Completion of liquidation of subsidiaries

On 26 March 2013, the Shareholder Meeting of Sigma Investments Sp. z o.o. in liquidation adopted a resolution to end the company's liquidation process. The company was removed from the register on 11 May 2013.

On 23 April March 2013, the Shareholder Meeting of ICH Center SA in liquidation adopted a resolution to end the company's liquidation process. The company was removed from the register on 20 May 2013.

### 2.4. Sale of KGJK shares

On 24 September 2013, PZU FIZ Aktywów Niepublicznych BIS 2 sold 310,620 shares in an associate KGJK representing 37.525% of its share capital, for PLN 24,850 thousand. Following the settlement of this transaction, PZU Group entities hold no additional shares in KGJK, which ceased to be PZU Group's associate.

The result on the sale of KGJK shares in the amount of PLN 8,263 thousand was recognized in the consolidated profit and loss account in the item "Net result on the realization of investments and impairment charges".

## 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 30 September 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.

### 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:

Standard/interpretation	Effective date for annual periods starting from	Regulation approving 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 <sup>1)</sup>	1255/2012
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (amendments to IFRS 1)	1 July 2011 <sup>1)</sup>	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

<sup>1)</sup> The European Commission voted for this regulation to become effective no later than for annual periods starting on or after the third day after publication which occurred on 29 December 2012 (periods starting 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 approving the standard or interpretation
IFRS 10 – Consolidated Financial Statements	1 January 2013 <sup>1)</sup>	1254/2012
IFRS 11 – Joint Arrangements	1 January 2013 <sup>1)</sup>	1254/2012
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013 <sup>1)</sup>	1254/2012
Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013 <sup>1)</sup>	313/2013
Amended IAS 27 – Separate Financial Statements	1 January 2013 <sup>1)</sup>	1254/2012
Amended IAS 28 – Investments in Associates and Joint Ventures	1 January 2013 <sup>1)</sup>	1254/2012
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014	1256/2012

<sup>1)</sup> The European Commission voted for this regulation to become effective no later than for annual periods starting from 1 January 2014 (early implementation is permitted).

- 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
Amendments to IAS 36 – Recoverable amount disclosures	29 May 2013	1 January 2014
Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	27 June 2013	1 January 2014
Interpretation of IFRIC 21 – Levies	20 May 2013	1 January 2014

It is expected that the application of the above standards and amendment 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 – which, if implemented from the beginning of 2014, would require consolidation of the PZU Sejf+ Sub-Fund, PZU Energia Medycyna Ekologia Sub-Fund, PZU Akcji Rynków Wschodzących Sub-Fund, PZU Akcji Spółek Dywidendowych Sub-Fund (as at 30 September 2013). The full list of funds to be consolidated from the beginning of 2014 will be known after the PZU Group's statement of financial position as at 31 December 2013 is prepared

Due to the possible changes in the share of PZU Group companies in net assets of these funds, the possible purchase of participation units or investment certificates in other mutual funds by PZU Group companies and movements in the value of participation units already held by PZU Group companies or investment certificates of other mutual funds, it is not possible to specify the effect of implementation of IFRS 10 as of 1 January 2014 on 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 2013 for which the auditor issued an unqualified opinion on the same date ("PZU Group 2012 consolidated financial statements").

The PZU Group's 2012 consolidated financial statements are available on the PZU website at [www.pzu.pl](http://www.pzu.pl) in the "Investor Relations" tab.

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

In the 9-month period ended 30 September 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;
- at the beginning of 2013, the method used to aggregate financial data for reporting segments in the segment reporting note prepared in accordance with IFRS 8 has changed. The new method used to aggregate financial data for reporting segments described in item 15 takes into account the consolidation of previously unconsolidated subsidiaries (companies and funds) and measurement of associates using the equity method, which is 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.

The following change was made as of 1 January 2013.

##### **6.1. Change of consolidation principles**

In the previous years until the end of 2012, all the material subsidiaries were subject to consolidation. When determining materiality, the criteria of revenues, absolute value of the financial result and total assets were taken into account.

Starting from 1 January 2013, the materiality rule was no longer applied and as a result, all of PZU's subsidiaries were consolidated, which meant that the following entities were consolidated as of 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 Aktywów Niepublicznych RE Income.

In the previous years until the end of 2012, the materiality principle was also applied to associates. After it was abolished, the following companies were measured using the equity method as of 1 January 2013:

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

The above changes were included in the consolidated statements under the date of 1 January 2013 and the consequences resulting from the balance sheet valuation of those asset components as at 31 December 2012 and the value of net assets of those entities as at 1 January 2013 were recognized in full in the financial result, which was presented in detail in item 9.1.

## **7. Corrections of errors from previous years**

In the 9-month period from 1 January to 30 September 2013, no corrections were made of errors from previous years.

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

### **8.1. Period covered by the interim consolidated financial statements**

These interim consolidated financial statements cover the period of 9 months from 1 January to 30 September 2013.

### **8.2. Functional and presentation currency**

Polish zloty is the functional and the presentation currency of the PZU Group. Unless noted otherwise, 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.

#### 8.4. Discontinued operations

In the period of 9 months ended 30 September 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 2.3.

#### 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.

#### 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 – 30 September 2013	30 September 2013	30 June 2013	1 January – 31 December 2012	31 December 2012	1 January – 30 September 2012	30 September 2012
LTL	1.2231	1.2211	1.2538	1.2087	1.1840	1.2149	1.1914
UAH	0.3933	0.3811	0.4043	0.4001	0.3825	0.4048	0.3920
EUR	4.2231	4.2163	4.3292	4.1736	4.0882	4.1948	4.1138

These FX rates:

- 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 subordinated entities or their measurement using the equity method

Since effective from 1 January 2013, the materiality criterion was discontinued for determination of a list of consolidated subsidiaries or associates measured using the equity method – which is described in detail in item 6.1 – effective from 1 January 2013, the entities referred to in this point have been:

- subject to consolidation (subsidiaries) – which means that their assets and liabilities have been recognized in the corresponding items of these consolidated financial statements, replacing the previous method for recognition of investments in a given subsidiary (companies: at cost less impairment loss, investment funds: at fair value) under the appropriate items of “Financial assets” in the consolidated statement of financial position;
- measured using the equity method (associates) – which means that investments in a given associate measured using the equity method are recognized as a separate item of assets, i.e. “Associates measured at fair value”, replacing the previous method for recognition, i.e. at cost less impairment loss under “Financial assets – financial instruments available for sale” in the consolidated statement of financial position.

Additional detailed information on the effects of discontinuation of the materiality criterion on the consolidated financial statements prepared as at 1 January 2013 is presented below.

### 9.1.1. Subsidiaries subject to consolidation

As at 1 January 2013, the differences between the net assets of consolidated companies and the carrying amount of investments in a given entity are presented in the consolidated financial statements as follows:

- Gains – under “Other operating income”;
- Losses – under “Other operating expenses”.

Reconciliation of the effect of consolidation of subsidiaries from 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	<b>43,785</b>	24,793	100.00%	43,785	<b>18,992</b>
PZU Asset Management SA	12,621	1,982	<b>10,639</b>	4,642	100.00%	10,639	<b>5,997</b>
Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA	1,578	226	<b>1,352</b>	500	100.00%	1,352	<b>852</b>
<b>Total – impact on other operating income</b>							<b>25,841</b>
PrJSC IC PZU Ukraine Life Insurance	32,884	26,105	<b>6,779</b>	25,921	100.00%	6,779	<b>(19,142)</b>
UAB PZU Lietuva Gyvybes Draudimas	79,680	52,639	<b>27,041</b>	40,235	99.34%	26,863	<b>(13,372)</b>
PZU Pomoc	19,729	3,564	<b>16,165</b>	18,565	100.00%	16,165	<b>(2,400)</b>
LLC SOS Services Ukraine	694	151	<b>543</b>	729	100.00%	543	<b>(186)</b>
Ipsilon Bis SA	87	3	<b>84</b>	100	100.00%	84	<b>(16)</b>
Ipsilon Sp. z o.o.	38	1	<b>37</b>	52	100.00%	37	<b>(15)</b>
Omicron SA	100	3	<b>97</b>	100	100.00%	97	<b>(3)</b>
<b>Total – impact on other operating expenses</b>							<b>(35,134)</b>
<b>Total – impact on consolidated financial result</b>							<b>(9,293)</b>

### Subsidiaries – funds subject to consolidation

As at 1 January 2013, the item “Other liabilities” in the consolidated statement of financial position includes amounts of investments made by investors from outside the PZU Group in the mutual funds subject to consolidation.

Until 31 December 2012, investments made in some of the mutual funds were classified as assets available for sale, whereas changes in the fair value were recognized under “Revaluation reserve”. On 1 January 2013, the balances in this respect recognized under “Revaluation reserve” were transferred to the consolidated profit and loss account and recognized under “Net change in the fair value of assets and liabilities measured at fair value”.

The table below presents the financial data of consolidated mutual funds.

<b>Mutual fund</b>	<b>Total assets of the consolidated fund as at 1 January 2013</b>	<b>Amount transferred from the "Revaluation reserve" item to the consolidated profit and loss account as at 1 January 2013</b>	<b>Liabilities to investors outside the PZU Group included in "Other liabilities" as at 1 January 2013</b>
PZU FIZ Sektora Nieruchomości <sup>1)</sup>	423,814	120,815	-
PZU FIZ Sektora Nieruchomości 2 <sup>1)</sup>	505,604	782	-
PZU FIZ Sektora Nieruchomości 3 <sup>1)</sup>	8,592	(1,408)	-
PZU FIZ Aktywów Niepublicznych BIS 1 <sup>2)</sup>	500	-	-
PZU FIZ Aktywów Niepublicznych BIS 2 <sup>2)</sup>	107,640	27,640	-
PZU Energia Medycyna Ekologia Sub-Fund <sup>3)</sup>	187,407	-	80,100
PZU Dłużny Rynków Wschodzących Sub-Fund <sup>2)</sup>	319,969	28,031	6,182
PZU FIZ Forte <sup>2)</sup>	107,020	92	6,928
PZU FIZ Aktywów Niepublicznych RE Income <sup>1)</sup>	169,645	3,410	36,233
PZU FIO Gotówkowy Sub-Fund <sup>2) 4)</sup>	473,008	5,265	151,072
<b>Total</b>	<b>2,303,199</b>	<b>184,627</b>	<b>280,515</b>

<sup>1)</sup> Amount transferred from the "Revaluation reserve" item to the consolidated income statement as a consequence of reclassification, as at the fund's consolidation date, the fund's real property to property measured at fair value in accordance with the PZU Group's accounting policy applicable to investment property, in particular paragraph 35 of IAS 40 "Investment Property".

<sup>2)</sup> Amount transferred from the "Revaluation reserve" item to the consolidated income statement concerns those financial assets of the fund which were classified in the portfolio of assets measured at fair value through profit or loss upon initial recognition.

<sup>3)</sup> Investment in the fund was classified as financial instruments measured at fair value through profit or loss, therefore the amount transferred to "Revaluation reserve" is zero.

<sup>4)</sup> Data as at the consolidation date, i.e. 1 April 2013.

### 9.1.2. Associates measured by the equity method

As at 1 January 2013, the differences between the PZU Group's share in net assets of the companies measured using the equity method and the carrying amount of investments in the associates are presented under "Other operating income" in the consolidated profit and loss account.

<b>Reconciliation of the effect of measurement of associates using the equity method</b>	<b>1 January 2013</b>
Assets	47,875
Liabilities	6,275
<b>Net assets</b>	<b>41,600</b>
Carrying amount of shares	5,888
PZU Group's share in consolidated net assets of the companies	15,439
<b>Total impact on the consolidated gross profit/loss</b>	<b>9,551</b>

### 9.2. Distribution of PZU's 2012 financial result

On 23 May 2013, the Shareholder Meeting of PZU adopted a resolution on the distribution of the 2012 net profit. This matter is described in item 0.

### **9.3. Interim dividend from 2013 profit**

On 26 August 2013, the Management Board of PZU adopted a resolution to distribute an advance towards the dividend expected at the end of the 2013 financial year. This issue is described in item 0.

### **9.4. Key dividends paid between PZU Group companies**

These operations do not affect the financial result of the PZU Group, but they do affect presentation of results of the individual segments.

#### **9.4.1. Dividend from PZU Życie to PZU**

On 21 June 2013, the Ordinary Shareholder Meeting of PZU Życie adopted a resolution to distribute PZU Życie's net profit of PLN 1,852,875 thousand for the financial year 2012 as follows:

- Dividend for the sole shareholder, i.e. PZU: PLN 1,842,875 thousand;
- Allocation to the Company Social Benefits Fund: PLN 10,000 thousand.

Additionally, the Shareholder Meeting of PZU Życie decided to allocate a dividend for shareholders in the amount of PLN 2,000,000 thousand from the reserve capital created from previous year profits.

Therefore, the total dividend for the year ended 31 December 2012 amounted to PLN 3,842,875 thousand, including:

- PLN 1,842,875 thousand from the profit for the year ended 31 December 2012; and
- PLN 2,000,000 thousand from the reserve capital created from previous year profits.

The dividend rights date was set for 21 June 2013 and the dividend payment date for 10 September 2013.

#### **9.4.2. Dividend from PTE PZU to PZU Życie**

On 19 June 2013, PTE PZU paid out a dividend to PZU Życie in the amount of PLN 51,776 thousand.

#### **9.4.3. Dividend from PZU CO to PZU**

On 29 April 2013, PZU CO paid out a dividend to PZU in the amount of PLN 31,124 thousand.

### **9.5. Settlement with AXA France IARD**

On 25 January 2013, PZU executed a settlement with AXA France IARD regarding the final settlement of the reinsurance contract for 2001-2005 regarding the Green Card insurance, having a positive impact on gross profit and net profit of PLN 53,207 thousand and PLN 43,098 thousand, respectively; the settlement consisted of the following elements:

- final determination of reinsurance commissions due to PZU – with a positive impact on gross profit and net profit of PLN 73,231 thousand and PLN 59,317 thousand respectively (recognized in gross amounts in the „Other operating income” item);
- determination of the surrender value of technical provisions by the reinsurer, with a negative impact on gross profit and net profit of PLN 20,024 thousand and PLN 16,219 thousand, respectively (stated in gross amounts in the „Net insurance claims” item).

## 10. Material events after the end of the reporting period

After the end of the reporting period, there were no material events that would require disclosure in these consolidated financial statements in addition to those described below.

### 10.1. Increasing the equity stake in Armatura Kraków SA shares

On 28 October 2013, the purchase of Armatura Kraków SA shares under the bid announced on 30 August 2013 was settled. Following the settlement of this transaction, the PZU Group, acting through its consolidated mutual fund PZU FIZ Aktywów Niepublicznych BIS 2, held 66,829,960 shares in Armatura Kraków SA representing 82.51% of its share capital and corresponding to 66,829,960 votes at the shareholder meeting.

Following the 31 October 2013 settlement of the stock exchange transaction to acquire 1,217,197 shares of Armatura Kraków, the PZU FIZ Aktywów Niepublicznych BIS 2 fund holds 68,047,157 shares in Armatura Kraków SA representing 84.01% of its share capital and corresponding to 68,047,157 votes at the shareholder meeting.

### 10.2. Establishment of PZU Finanse Sp. z o.o.

On 30 October 2013 a new company called PZU Finanse Sp. z o.o. was formed. The new company's share capital is PLN 50 thousand and is divided into 100 shares of PLN 500 each. PZU subscribed for all the shares. On 8 November 2013 the company was registered in the National Court Register.

## 11. Supplementary notes to the interim consolidated financial statements

### 11.1. Financial assets

In the period of 9 months ended 30 September 2013 and in 2012, no financial instruments were reclassified from groups measured at fair value to groups carried at cost or amortized cost.

#### 11.1.1. Financial instruments held to maturity

Financial instruments held to maturity	30 September 2013	30 June 2013	31 December 2012	30 September 2012
<b>Instruments with measurable fair value</b>	<b>23,890,485</b>	<b>22,912,568</b>	<b>21,117,559</b>	<b>21,297,397</b>
Debt securities	23,890,485	22,912,568	21,117,559	21,297,397
Government securities	23,665,350	22,687,226	20,906,285	21,091,375
Fixed rate	22,729,339	21,929,372	20,460,298	20,743,781
Floating rate	936,011	757,854	445,987	347,594
Other securities	225,135	225,342	211,274	206,022
Listed on a regulated market	101,833	101,360	91,256	83,974
Fixed rate	101,833	101,360	91,256	83,974
Not listed on a regulated market	123,302	123,982	120,018	122,048
Floating rate	123,302	123,982	120,018	122,048
<b>Financial assets held to maturity, total</b>	<b>23,890,485</b>	<b>22,912,568</b>	<b>21,117,559</b>	<b>21,297,397</b>



### 11.1.2. Financial instruments available for sale

Financial instruments available for sale	30 September 2013	30 June 2013	31 December 2012	30 September 2012
<b>Instruments for which fair value can be determined</b>	<b>2,182,269</b>	<b>2,636,040</b>	<b>3,798,153</b>	<b>7,924,177</b>
Equity instruments	1,038,027	1,097,653	1,800,137	1,345,847
Listed on a regulated market	1,001,620	1,063,846	429,482	410,294
Not listed on a regulated market	36,407	33,807	1,370,655	935,553
Debt instruments	1,144,242	1,538,387	1,998,016	6,578,330
Government securities	725,401	1,114,508	1,627,215	6,272,960
Fixed rate	673,277	1,061,900	1,488,118	5,731,733
Floating rate	52,124	52,608	139,097	541,227
Other securities	418,841	423,879	370,801	305,370
Listed on a regulated market	136,303	137,229	81,061	305,370
Fixed rate	136,303	137,229	81,061	24,404
Floating rate	-	-	-	280,966
Not listed on a regulated market	282,538	286,650	289,740	-
Floating rate	282,538	286,650	289,740	-
<b>Instruments, for which fair value cannot be determined</b>	<b>5,032</b>	<b>5,137</b>	<b>126,348</b>	<b>124,554</b>
Equity instruments	5,032	5,137	126,348	124,554
Not listed on a regulated market	5,032	5,137	126,348*	124,554*
<b>Financial instruments available for sale, total</b>	<b>2,187,301</b>	<b>2,641,177</b>	<b>3,924,501</b>	<b>8,048,731</b>

\* this line item includes shares in unconsolidated subordinated entities with the carrying amount of PLN 121,347 thousand as at 31 December 2012

\*\* this line item includes shares in unconsolidated subordinated entities with the carrying amount of PLN 121,466 thousand as at 30 September 2012.

### 11.1.3. Financial instruments measured at fair value through profit or loss

Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	30 September 2013	30 June 2013	31 December 2012	30 September 2012
<b>Instruments for which fair value can be determined</b>	<b>8,965,901</b>	<b>10,147,860</b>	<b>8,386,949</b>	<b>5,726,305</b>
Equity instruments	497,186	700,728	172,252	15,065
Listed on a regulated market	461,176	674,886	5,319	12,377
Not listed on a regulated market	36,010	25,842	166,933	2,688
Debt instruments	8,468,715	9,447,132	8,214,697	5,711,240
Government securities	8,391,365	9,370,410	8,144,078	5,642,201
Fixed rate	6,998,604	8,147,289	6,240,183	4,343,176
Floating rate	1,392,761	1,223,121	1,903,895	1,299,025
Other securities	77,350	76,722	70,619	69,039
Listed on a regulated market	33,174	33,095	26,647	69,039
Fixed rate	33,174	33,095	26,647	24,537
Floating rate	-	-	-	44,502
Not listed on a regulated market	44,176	43,627	43,972	-
Floating rate	44,176	43,627	43,972	-
<b>Financial instruments measured at fair value through profit or loss – classified as such upon first recognition, total</b>	<b>8,965,901</b>	<b>10,147,860</b>	<b>8,386,949</b>	<b>5,726,305</b>

<b>Financial instruments measured at fair value through profit or loss – held for trading</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
<b>Instruments for which fair value can be determined</b>	<b>7,816,802</b>	<b>7,581,027</b>	<b>7,241,452</b>	<b>6,962,248</b>
Equity instruments	4,867,033	4,238,700	4,226,889	4,232,617
Listed on a regulated market	2,340,352	2,029,385	1,968,840	2,203,673
Not listed on a regulated market	2,526,681	2,209,315	2,258,049	2,028,944
Debt instruments	2,691,053	3,051,902	2,850,493	2,626,778
Government securities	2,639,865	3,000,916	2,799,572	2,552,103
Fixed rate	2,614,757	2,888,206	2,551,501	2,339,497
Floating rate	25,108	112,710	248,071	212,606
Other securities	51,188	50,986	50,921	74,675
Listed on a regulated market	-	-	-	51,152
Floating rate	-	-	-	51,152
Not listed on a regulated market	51,188	50,986	50,921	23,523
Floating rate	51,188	50,986	50,921	23,523
Derivatives	258,716	290,425	164,070	102,853
<b>Financial instruments measured at fair value through profit or loss – held for trading, total</b>	<b>7,816,802</b>	<b>7,581,027</b>	<b>7,241,452</b>	<b>6,962,248</b>

#### 11.1.4. Loans

<b>Loans</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
<b>Debt securities</b>	<b>1,664,028</b>	<b>1,683,903</b>	<b>1,748,834</b>	<b>1,721,313</b>
Government securities	31,843	47,088	17,296	14,007
Fixed rate	31,843	47,088	17,296	14,007
Other	1,632,185	1,636,815	1,731,538	1,707,306
Listed on a regulated market	13,653	13,065	8,570	1,618,866
Fixed rate	13,653	13,065	8,570	52,461
Floating rate	-	-	-	1,566,405
Not listed on a regulated market	1,618,532	1,623,750	1,722,968	88,440
Floating rate	1,618,532	1,623,750	1,722,968	88,440
<b>Other, including:</b>	<b>9,375,905</b>	<b>9,360,522</b>	<b>8,003,781</b>	<b>5,410,024</b>
- buy-sell-back transactions	2,432,422	3,527,658	2,466,157	341,698
- term deposits with credit institutions	5,239,739	4,317,001	4,516,174	4,021,703
- deposits with ceding companies	106	51	329	333
- loans	1,703,638	1,515,812	1,021,121	1,046,290
<b>Total loans</b>	<b>11,039,933</b>	<b>11,044,425</b>	<b>9,752,615</b>	<b>7,131,337</b>

\* PLN deposits constitute over 95% of term deposits with credit institutions. Over 90% of term deposits mature before the end of March 2014.

#### Other loans

<b>Type of loan</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
Mortgage-backed loans	-	-	26,848	28,252
Loans secured by pledges on shares, on accounts receivable portfolios and on bank accounts, other loans or otherwise	1,694,788	1,508,998	991,402	1,015,285
Unsecured loans	8,850	6,814	2,871	2,753
<b>Total</b>	<b>1,703,638</b>	<b>1,515,812</b>	<b>1,021,121</b>	<b>1,046,290</b>

### 11.1.5. Exposure to debt securities issued by governments other than the Polish Government, by corporations and local government units

The tables present the exposure of the PZU Group companies to debt securities issued by governments other than the Polish government, by corporations and local government units. Acronyms of debt instruments assigned to individual portfolios: HTM – held to maturity, AFS – available for sale, FV\_UIR – measured through profit/loss – classified to that category upon initial recognition, FV\_HFT – measured at fair value through profit/loss – held for trading, LOAN – loans.

#### 11.1.5.1. Debt securities issued by governments other than the Polish government

As at 30 September 2013	Currency	Portfolio classification	Purchase price	Carrying amount	Fair value measurement	Impairment charges
Iceland	USD	FV_UIR	21,994	23,312	23,312	-
Iceland	USD	FV_HFT	173,677	165,916	165,916	-
Lithuania	EUR	FV_UIR	2,678	2,820	2,820	-
Lithuania	EUR	HTM	64,837	66,305	69,982	-
Lithuania	LTL	FV_UIR	3,139	3,276	3,276	-
Lithuania	LTL	HTM	58,482	66,007	68,719	-
Lithuania	USD	FV_UIR	14,354	15,672	15,672	-
Latvia	USD	FV_UIR	35,960	35,012	35,012	-
Germany	EUR	AFS	102,515	103,852	103,852	-
Romania	EUR	FV_UIR	35,208	36,658	36,658	-
Romania	EUR	FV_HFT	332,073	345,710	345,710	-
Romania	RON	FV_UIR	8,011	8,392	8,392	-
Romania	USD	FV_UIR	27,985	28,789	28,789	-
Slovenia	EUR	FV_UIR	53,788	54,086	54,086	-
Slovenia	EUR	FV_HFT	335,387	330,282	330,282	-
Slovenia	USD	FV_UIR	21,902	20,947	20,947	-
Slovenia	USD	FV_HFT	116,357	110,893	110,893	-
Ukraine	UAH	LOAN	25,095	14,369	n/a	-
Ukraine	USD	FV_UIR	12,678	10,831	10,831	-
Ukraine	USD	LOAN	18,375	17,474	n/a	-
Hungary	EUR	FV_UIR	42,638	44,040	44,040	-
Hungary	EUR	HTM	5,124	5,352	5,452	-
Hungary	EUR	FV_HFT	82,763	88,739	88,739	-
Turkey	TRL	FV_UIR	45,746	45,112	45,112	-
Other	EUR/USD	FV_HFT/FV_UIR	66,975	69,647	69,647	-
<b>Total</b>			<b>1,707,741</b>	<b>1,713,493</b>	<b>n/a</b>	<b>-</b>

As at 30 June 2013	Currency	Portfolio classification	Purchase price	Carrying amount	Fair value measurement	Impairment charges
Iceland	USD	FV_UIR	58,587	61,836	61,836	-
Iceland	USD	FV_HFT	259,359	269,974	269,974	-
Lithuania	EUR	FV_UIR	1,759	1,939	1,939	-
Lithuania	EUR	HTM	51,893	53,638	57,638	-
Lithuania	LTL	FV_UIR	9,058	9,562	9,562	-
Lithuania	LTL	HTM	68,703	78,244	81,416	-
Lithuania	USD	FV_UIR	14,354	16,730	16,730	-
Latvia	USD	FV_UIR	35,960	36,888	36,888	-
Germany	EUR	AFS	44,500	45,252	45,252	-
Germany	EUR	FV_HFT	84,459	84,839	84,839	-
Romania	EUR	FV_UIR	52,201	55,189	55,189	-
Romania	EUR	FV_HFT	332,073	350,059	350,059	-
Romania	RON	FV_UIR	15,011	16,471	16,471	-
Romania	USD	FV_UIR	43,427	46,154	46,154	-

(in thousands of PLN)

As at 30 June 2013	Currency	Portfolio classification	Purchase price	Carrying amount	Fair value measurement	Impairment charges
Slovenia	EUR	FV_UIR	53,788	55,373	55,373	-
Slovenia	EUR	FV_HFT	335,387	334,632	334,632	-
Slovenia	USD	FV_UIR	21,902	21,613	21,613	-
Slovenia	USD	FV_HFT	116,357	115,355	115,355	-
Ukraine	UAH	LOAN	25,095	18,788	n/a	-
Ukraine	USD	FV_UIR	12,678	11,915	11,915	-
Ukraine	USD	LOAN	28,896	28,300	n/a	-
Hungary	EUR	FV_UIR	42,638	45,913	45,913	-
Hungary	EUR	HTM	5,124	5,614	5,718	-
Hungary	EUR	FV_HFT	82,763	90,967	90,967	-
Italy	EUR	FV_HFT	86,213	87,261	87,261	-
Other	EUR/USD	FV_UIR	59,049	63,917	63,917	-
<b>Total</b>			<b>1,941,234</b>	<b>2,006,423</b>	<b>n/a</b>	<b>-</b>

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

As at 30 September 2012	Currency	Portfolio classification	Purchase price	Carrying amount	Fair value measurement	Impairment charges
Germany	EUR	AFS	324,924	299,933	299,933	-
Turkey	TRY	FV_HFT	178,588	175,885	175,885	-
Iceland	USD	FV_HFT	221,868	232,038	232,038	-
Lithuania	LTL	HTM	83,063	86,064	88,962	-
Lithuania	EUR	HTM	31,290	30,965	33,790	-
Lithuania	LTL	FV_HFT	14,351	14,208	14,208	-
Ukraine	UAH	LOAN	17,114	14,006	n/a	-
Hungary	EUR	HTM	2,278	2,419	2,421	-
Hungary	EUR	FV_HFT	37,319	39,120	39,120	-
Hungary	CHF	FV_HFT	8,685	8,639	8,639	-
Slovenia	EUR	FV_HFT	109,990	108,806	108,806	-
<b>Total</b>			<b>1,029,470</b>	<b>1,012,083</b>	<b>n/a</b>	<b>-</b>

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

As at 30 September 2013	Portfolio classification	Purchase price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banki Index	AFS	134,249	139,584	139,584	-
	FV_UIR	43,588	44,176	44,176	-
	HTM	71,565	71,929	n/a	-
	LOAN	840,000	842,349	n/a	-
	FV_HFT	25,000	25,366	25,366	-
Companies from the WIG-Paliwa Index	AFS	243,489	251,973	251,973	-
	LOAN	700,000	707,740	n/a	-
	FV_HFT	25,000	25,822	25,822	-
Privately held domestic banks	LOAN	65,000	66,112	n/a	-
Foreign banks	FV_UIR	491	566	566	-
	HTM	79,457	83,175	n/a	-
	LOAN	13,487	13,653	n/a	-
Domestic local government	AFS	22,816	27,284	27,284	-
	FV_UIR	22,816	27,284	27,284	-
	HTM	50,000	51,676	n/a	-
Other	FV_UIR	5,154	5,324	5,324	-
	HTM	17,689	18,355	19,097	-
	LOAN	2,320	2,331	n/a	-
Other - covered by full write-offs	AFS	11,630	-	-	11,630
<b>Total</b>		<b>2,373,751</b>	<b>2,404,699</b>	<b>n/a</b>	<b>11,630</b>

As at 30 June 2013	Portfolio classification	Purchase price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banki Index	AFS	134,249	139,980	139,980	-
	FV_UIR	43,588	43,627	43,627	-
	HTM	71,565	71,432	n/a	-
	LOAN	840,000	853,322	n/a	-
	FV_HFT	25,000	25,300	25,300	-
Companies from the WIG-Paliwa Index	AFS	243,489	256,764	256,764	-
	LOAN	700,000	700,664	n/a	-
	FV_HFT	25,000	25,686	25,686	-
Privately held domestic banks	LOAN	65,000	66,506	n/a	-
Foreign banks	FV_UIR	430	521	521	-
	HTM	79,457	85,072	n/a	-
	LOAN	12,263	13,064	n/a	-
Domestic local government	AFS	22,816	27,135	27,135	-
	FV_UIR	22,816	27,135	27,135	-
	HTM	50,000	50,857	n/a	-
Other	FV_UIR	5,154	5,439	5,439	-
	HTM	17,073	17,981	18,747	-
	LOAN	3,600	3,259	n/a	-
Other - covered by full write-offs	AFS	11,630	-	-	11,630
<b>Total</b>		<b>2,373,130</b>	<b>2,413,744</b>	<b>n/a</b>	<b>11,630</b>

As at 31 December 2012	Portfolio classification	Purchase price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banki Index	AFS	93,065	94,123	94,123	-
	FV_UIR	43,588	43,972	43,972	-
	HTM	64,838	64,150	n/a	-
	LOAN	890,000	907,781	n/a	-
	FV_HFT	25,000	25,166	25,166	-
Companies from the WIG-Paliwa Index	AFS	234,390	250,173	250,173	-
	LOAN	700,000	701,234	n/a	-
	FV_HFT	25,000	25,755	25,755	-
Privately held domestic banks	LOAN	65,000	66,866	n/a	-
Foreign banks	FV_UIR	102	142	142	-
	HTM	78,236	78,678	n/a	-
	LOAN	8,700	8,570	n/a	-
Domestic local government	AFS	22,816	26,505	26,505	-
	FV_UIR	22,816	26,505	26,505	-
	HTM	50,000	52,509	54,398	-
Other	HTM	15,805	15,937	15,842	-
	LOAN	47,000	47,087	n/a	-
Other - covered by full write-offs	AFS	11,630	-	-	11,630
<b>Total</b>		<b>2,397,986</b>	<b>2,435,153</b>	<b>n/a</b>	<b>11,630</b>

As at 30 September 2012	Portfolio classification	Purchase price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banki Index	AFS	43,588	44,502	44,502	-
	FV_UIR	43,588	44,502	44,502	-
	HTM	64,801	65,180	n/a	-
	LOAN	890,000	894,368	n/a	-
	FV_HFT	24,970	23,523	23,523	-
Companies from the WIG-Paliwa Index	AFS	230,000	236,464	236,464	-
	LOAN	700,000	712,535	n/a	-
	FV_HFT	25,000	25,911	25,911	-
Privately held domestic banks	LOAN	45,000	45,686	n/a	-
Foreign banks	FV_HFT	25,158	25,241	25,241	-
	FV_UIR	102	133	133	-
	HTM	78,236	79,578	n/a	-
Domestic local government	LOAN	6,794	6,775	6,775	-
	AFS	22,816	24,404	24,404	-
	FV_UIR	22,816	24,404	24,404	-
Other	HTM	50,000	51,678	n/a	-
	HTM	9,448	9,586	n/a	-
	LOAN	47,000	47,942	n/a	-
Other - covered by full write-offs	AFS	11,630	-	-	11,630
<b>Total</b>		<b>2,340,947</b>	<b>2,362,412</b>	<b>n/a</b>	<b>11,630</b>

### 11.1.6. Derivatives

Derivatives – assets	30 September 2013	30 June 2013	31 December 2012	30 September 2012
<b>Interest rate derivatives</b>	<b>241,578</b>	<b>265,649</b>	<b>142,257</b>	<b>68,136</b>
Unlisted (OTC) instruments, including:	241,578	265,649	142,257	68,136
- FRA transactions	24,222	29,699	22,260	9,441
- SWAP transactions	217,356	235,950	119,997	58,695
<b>Foreign exchange derivatives</b>	<b>2,683</b>	<b>15,096</b>	<b>9,284</b>	<b>15,857</b>
Unlisted (OTC) instruments, including:	2,683	15,096	9,284	15,857
- forward transactions	945	8,156	310	9,581
- SWAP transactions	1,738	6,940	8,974	6,276
<b>Equity derivatives</b>	<b>13,699</b>	<b>9,680</b>	<b>12,529</b>	<b>18,860</b>
Listed instruments, including:	-	-	-	128
- forward contracts	-	-	-	128
Unlisted (OTC) instruments, including:	13,699	9,680	12,529	18,732
- call options (purchase)	13,699	9,680	12,529	18,732
<b>Other</b>	<b>756</b>	-	-	-
<b>Derivatives – assets, total</b>	<b>258,716</b>	<b>290,425</b>	<b>164,070</b>	<b>102,853</b>

Derivatives – liabilities	30 September 2013	30 June 2013	31 December 2012	30 September 2012
<b>Interest rate derivatives</b>	<b>206,654</b>	<b>202,907</b>	<b>123,389</b>	<b>50,736</b>
Unlisted (OTC) instruments, including:	206,654	202,907	123,389	50,736
- FRA transactions	23,228	26,149	1,128	1,811
- SWAP transactions	183,426	176,758	122,261	48,925
<b>Foreign exchange derivatives</b>	<b>4,588</b>	<b>38,494</b>	<b>6,532</b>	<b>5,026</b>
Unlisted (OTC) instruments, including:	4,588	38,494	6,532	5,026
- forward transactions	1,176	38,494	2,598	1,548
- SWAP transactions	3,412	-	3,934	3,478
<b>Equity derivatives</b>	<b>10,243</b>	-	-	<b>42</b>
Listed instruments, including:	10,243	-	-	42
- forward contracts	10,243	-	-	42
Unlisted (OTC) instruments	-	-	-	-
<b>Other</b>	<b>17,205</b>	<b>16,915</b>	-	-
<b>Derivatives – liabilities, total</b>	<b>238,690</b>	<b>258,316</b>	<b>129,921</b>	<b>55,804</b>

### 11.1.7. Changes in the economic situation and business conditions with material effect on the fair value of financial assets and liabilities

Changes in the economic situation and business conditions affecting the fair value of financial assets and liabilities are presented in item 18.

### 11.1.8. Changes in classification of financial assets resulting from the change of purpose or use of such assets

In the 9-month period ended 30 September 2013, neither PZU nor its subsidiaries changed any classification of financial assets as a result of a change in the purpose or use of such assets.

## 11.2. Financial instruments fair value classification

On the basis of the input data for fair value measurement, fair value measured financial instruments were classified to the following levels:

- Level 1 – financial instruments measured based on listed prices (unadjusted) from active markets for identical assets or liabilities. This level includes:
  - liquid listed debt securities;
  - listed shares;
  - listed derivatives;
- Level II – financial instruments measured based on input data other than listed prices included within level I, which can be observed on the market, either directly (as prices) or indirectly (derived from prices). This level includes:
  - unlisted debt securities and non-liquid listed debt securities (including non-treasury debt securities issued by other financial entities, local government and non-financial entities);
  - derivatives other than those listed on stock exchanges;
  - participation units in mutual funds;
  - liabilities to participants in consolidated mutual funds;
  - investment contracts for client’s account and risk;
- Level III – financial instruments measured based on input data unobserved on the existing markets (unobservable input data).

<b>Assets and liabilities measured at fair value as at 30 September 2013</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Assets</b>				
Financial instruments available for sale	1,857,570	324,699	-	2,182,269
Equity instruments	1,001,620	36,407	-	1,038,027
Debt securities	855,950	288,292	-	1,144,242
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	8,884,859	81,042	-	8,965,901
Equity instruments	461,176	36,010	-	497,186
Debt securities	8,423,683	45,032	-	8,468,715
Financial instruments measured at fair value through profit or loss – held for trading	4,923,381	2,893,421	-	7,816,802
Equity instruments	2,340,352	2,526,681	-	4,867,033
Debt securities	2,582,273	108,780	-	2,691,053
Derivatives	756	257,960	-	258,716
<b>Liabilities</b>				
Derivatives	10,243	228,447	-	238,690
Liabilities to participants in consolidated mutual funds	-	345,790	-	345,790
Investment contracts for client’s account and risk (unit-linked)	-	902,949	-	902,949



<b>Assets and liabilities measured at fair value as at 30 June 2013</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Assets</b>				
Financial instruments available for sale	2,251,152	384,888	-	2,636,040
Equity instruments	1,063,846	33,807	-	1,097,653
Debt securities	1,187,306	351,081	-	1,538,387
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	10,077,577	70,283	-	10,147,860
Equity instruments	674,886	25,842	-	700,728
Debt securities	9,402,691	44,441	-	9,447,132
Financial instruments measured at fair value through profit or loss – held for trading	4,972,636	2,608,391	-	7,581,027
Equity instruments	2,029,385	2,209,315	-	4,238,700
Debt securities	2,943,251	108,651	-	3,051,902
Derivatives	-	290,425	-	290,425
<b>Liabilities</b>				
Derivatives	-	258,316	-	258,316
Liabilities to participants in consolidated mutual funds	-	463,199	-	463,199
Investment contracts for client's account and risk (unit-linked)	-	903,249	-	903,249

<b>Assets and liabilities measured at fair value as at 31 December 2012</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Assets</b>				
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 measured at fair value through profit or loss – classified as such 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 measured 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
<b>Liabilities</b>				
Derivatives	-	129,921	-	129,921
Investment contracts for client's account and risk (unit-linked)	-	1,001,923	-	1,001,923

<b>Financial assets and liabilities measured at fair value as at 30 September 2012</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Financial assets				
Financial instruments available for sale	6,988,624	935,553	-	7,924,177
Equity instruments	410,294	935,553	-	1,345,847
Debt securities	6,578,330	-	-	6,578,330
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	5,723,617	2,688	-	5,726,305
Equity instruments	12,377	2,688	-	15,065
Debt securities	5,711,240	-	-	5,711,240
Financial instruments measured at fair value through profit or loss – held for trading	4,807,056	2,155,192	-	6,962,248
Equity instruments	2,203,673	2,028,944	-	4,232,617
Debt securities	2,603,255	23,523	-	2,626,778
Derivatives	128	102,725	-	102,853
Financial liabilities				
Derivatives	42	55,762	-	55,804
Investment contracts for client's account and risk (unit-linked)	-	999,266	-	999,266

### 11.2.1. Reclassifications between Level I and Level II

In the period of 6 months ended 30 September 2012, none of the assets or liabilities measured at fair value were reclassified between Level I and Level II in the fair value classification.

### 11.2.2. Description of valuation techniques

#### 11.2.2.1. Debt securities

The fair value of debt securities for which an active market does not exist, are measured using the discounted cash flow method. Discount rates are determined on the basis of the yield curve for government bonds adjusted by the credit spread calculated as a difference between the yield of listed debt securities of issuers with a similar rating operating in similar industries and the yield of government bonds (German government bonds for bonds denominated in Euro).

#### 11.2.2.2. Assets and liabilities related to mutual funds

All exposures to mutual funds (participation units and investment certificates), liabilities under unit-linked contracts and liabilities to participants in the consolidated mutual funds are measured at the fair value of assets of a given investment fund (net assets).

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

In the 9-month period ended 30 September 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

<b>Receivables, including receivables under insurance contracts – carrying amount</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
Receivables from direct insurance, including:	1,464,247	1,481,198	1,368,993	1,488,267
- receivables from policyholders	1,317,188	1,302,917	1,193,159	1,339,777
- receivables from insurance intermediaries	116,174	124,512	139,418	123,197
- other receivables	30,885	53,769	36,416	25,293
Receivables from reinsurance	30,538	44,132	15,099	17,728
Other receivables	1,461,867	2,030,231	451,701	2,810,161
<b>Net receivables, including receivables under insurance contracts</b>	<b>2,956,652</b>	<b>3,555,561</b>	<b>1,835,793</b>	<b>4,316,156</b>

#### 11.3.1. Other receivables

<b>Other receivables</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
Receivables from the state budget, other than income tax receivables	3,815	78,296	4,946	3,574
Receivables from Metro Projekt Sp. z o.o.	98,373	98,373	98,373	98,373
Receivables relating to prevention activities	53,040	57,886	56,837	55,608
Receivables for acting as an emergency adjuster	6,223	5,817	5,452	5,076
Receivables from disposal of securities and security deposits	1,147,645	1,633,213	178,263	2,518,833
Trade receivables	114,757	105,582	79,370	102,933
Other	38,014	51,064	28,460	25,764
<b>Other receivables, total</b>	<b>1,461,867</b>	<b>2,030,231</b>	<b>451,701</b>	<b>2,810,161</b>

Receivables from Metro Projekt sp. z o.o. and related matters have been described in item 0.

### 11.4. Reinsurers' share in technical provisions

<b>Reinsurers' share in technical provisions – non-life insurance</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
Provision for unearned premiums	117,469	143,942	190,865	100,634
Provision for unexpired risk	17	85	5	1
Claims reserve, including:	201,698	207,681	304,051	335,999
- for reported claims	148,449	154,731	234,276	254,900
- for claims not reported (IBNR)	38,530	39,672	55,337	68,396
- for claims handling costs	14,719	13,278	14,438	12,703
Provision for capitalized value of annuity claims	148,808	149,401	254,413	241,979
Provision for bonuses and rebates for the insureds	6	-	-	-
<b>Reinsurers' share in technical provisions (net)</b>	<b>467,998</b>	<b>501,109</b>	<b>749,334</b>	<b>678,613</b>

<b>Reinsurers' share in technical provisions – life insurance</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
Provision for unearned premiums	100	105	-	186
<b>Reinsurers' share in technical provisions (net)</b>	<b>100</b>	<b>105</b>	<b>-</b>	<b>186</b>

### 11.5. Impairment of financial assets and receivables

Movement in impairment charges for financial assets in the period from 1 January to 30 September 2013	Impairment charges at the beginning of the period	Creation of impairment charges recognized in the profit and loss account	Release of impairment charges recognized in the profit and loss account	Derecognition of impairment charges from accounting ledgers (sale, writing down etc.)	Exchange differences	Change in composition of the Group	Impairment charges at the end of the period
Financial assets available for sale	164,273	108	-	(9,429)	(7)	-	154,945
Equity instruments	164,273	108	-	(9,429)	(7)	-	154,945
Loans	24,582	-	-	-	309	-	24,891
Term deposits with credit institutions	9,657	-	-	-	304	-	9,961
Loans	14,925	-	-	-	5	-	14,930
Receivables, including receivables under insurance contracts	606,747	72,773	(11,435)	(2,436)	69	1,361	667,079
Receivables from direct insurance	568,127	71,445	(9,983)	(2,360)	63	1,361	628,653
Receivables from reinsurance	3,959	613	(304)	-	-	-	4,268
Other receivables	34,661	715	(1,148)	(76)	6	-	34,158
Reinsurers' share in technical provisions	8,037	1,115	(4,263)	-	-	-	4,889
<b>Total</b>	<b>803,639</b>	<b>73,996</b>	<b>(15,698)</b>	<b>(11,865)</b>	<b>371</b>	<b>1,361</b>	<b>851,804</b>

Movement in impairment charges for financial assets in the year ended 31 December 2012	Impairment charges at the beginning of the period	Creation of impairment charges recognized in the profit and loss account	Release of impairment charges recognized in the profit and loss account	Derecognition of impairment charges from accounting ledgers (sale, writing down etc.)	Exchange differences	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
Loans	28,770	-	-	(3,400)	(788)	24,582
Term deposits with credit institutions	10,434	-	-	-	(777)	9,657
Loans	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 from direct insurance	512,855	95,693	(37,340)	(2,160)	(921)	568,127
Receivables from 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
<b>Total</b>	<b>881,964</b>	<b>123,839</b>	<b>(65,254)</b>	<b>(134,795)</b>	<b>(2,115)</b>	<b>803,639</b>

<b>Movement in impairment charges for financial assets in the period of 1 January – 30 September 2012</b>	<b>Impairment charges at the beginning of the period</b>	<b>Creation of impairment charges recognized in the profit and loss account</b>	<b>Release of impairment charges recognized in the profit and loss account</b>	<b>Derecognition of impairment charges from accounting ledgers (sale, writing down etc.)</b>	<b>Exchange differences</b>	<b>Impairment charges at the end of the period</b>
Financial assets available for sale	253,372	15,561	-	(102,410)	(156)	166,367
Equity instruments	253,372	15,561	-	(102,410)	(156)	166,367
Loans	28,770	-	-	-	(726)	28,044
Term deposits with credit institutions	10,434	-	-	-	(716)	9,718
Loans	18,336	-	-	-	(10)	18,326
Receivables, including receivables under insurance contracts	581,209	82,023	(7,403)	(1,031)	(943)	653,855
Receivables from direct insurance	512,855	81,042	(3,906)	(998)	(778)	588,215
Receivables from reinsurance	4,848	88	(862)	(28)	-	4,046
Other receivables	63,506	893	(2,635)	(5)	(165)	61,594
Reinsurers' share in technical provisions	18,613	11,764	(22,532)	-	-	7,845
<b>Total</b>	<b>881,964</b>	<b>109,348</b>	<b>(29,935)</b>	<b>(103,441)</b>	<b>(1,825)</b>	<b>856,111</b>

## 11.6. Prepayments and accruals

Prepayments and accruals	30 September 2013	30 June 2013	31 December 2012	30 September 2012
IT costs	11,920	10,308	11,274	3,596
Capitalized acquisition expenses of OFE PZU	872	1,737	5,625	8,893
Reinsurance settlements	39,707	49,727	54,335	26,135
Other	30,821	31,914	23,708	33,395
<b>Prepayments and accruals, total</b>	<b>83,320</b>	<b>93,686</b>	<b>94,942</b>	<b>72,019</b>

## 11.7. Assets held for sale

Assets held for sale before reclassification	30 September 2013	30 June 2013	31 December 2012	30 September 2012
Property, plant and equipment	44,928	56,442	42,492	40,746
Investment property	74,606	89,049	4,470	3,726
Associates measured by the equity method	-	16,587	-	-
<b>Assets held for sale before reclassification, total</b>	<b>119,534</b>	<b>162,078</b>	<b>46,962</b>	<b>44,472</b>

"Property, plant and equipment" presents mainly the real property and technical equipment and machinery used previously by the Armatura Capital Group for its own purposes with a value of PLN 41,593 thousand (PLN 41,593 thousand as at 30 June 2013, PLN 41,821 thousand as at 31 December 2012 and PLN 38,791 thousand as at 30 September 2012).

"Investment property" presents property held by PZU and PZU Życie for sale as part of the portfolio optimization project.

"Associates measured using the equity method" contains shares of KGJK. Information on the sale of those shares is presented in item 2.4.

## 11.8. Technical provisions

### 11.8.1. Technical provisions in non-life insurance

Technical provisions in non-life insurance	30 September 2013	30 June 2013	31 December 2012	30 September 2012
Provision for unearned premiums	4,434,645	4,650,548	4,435,516	4,453,296
Provision for unexpired risk	9,781	11,577	8,202	10,985
Unpaid claims reserve	5,639,725	5,634,600	5,362,089	5,387,849
Provision for capitalized value of annuity claims	5,747,883	5,697,792	5,660,281	5,205,814
Provisions for bonuses and rebates for the insureds	1,869	1,566	2,812	2,396
<b>Technical provisions, total</b>	<b>15,833,903</b>	<b>15,996,083</b>	<b>15,468,900</b>	<b>15,060,340</b>

### 11.8.2. Technical provisions in life insurance

Technical provisions in life insurance	30 September 2013	30 June 2013	31 December 2012	30 September 2012
Provision for unearned premiums	98,214	101,926	93,449	91,127
Life insurance provision	16,024,700	15,948,486	15,675,243	14,877,211
Unpaid claims reserve	517,762	516,334	516,356	577,701
Provisions for bonuses and rebates for the insureds	387	1,672	1,415	1,353
Other technical provisions	492,360	503,182	531,617	531,127
Technical provisions for life insurance if the policyholder bears the investment risk	3,710,753	3,450,439	3,113,798	2,838,139
<b>Technical provisions, total</b>	<b>20,844,176</b>	<b>20,522,039</b>	<b>19,931,878</b>	<b>18,916,658</b>

### 11.9. Investment contracts

Investment contracts – carrying amount	30 September 2013	30 June 2013	31 December 2012	30 September 2012
Investment contracts with guaranteed and fixed terms and conditions	1,298,483	1,298,985	1,297,224	1,632,668
- carried at amortized cost	1,298,483	1,298,985	1,297,224	1,632,668
Investment contracts for client's account and risk (unit-linked)	902,949	903,249	1,001,923	999,266
<b>Investment contracts – carrying amount, total</b>	<b>2,201,432</b>	<b>2,202,234</b>	<b>2,299,147</b>	<b>2,631,934</b>

### 11.10. Other provisions

Movement in other provisions in the period from 1 January to 31 March 2012	Opening balance	Increases	Utilization	Dissolution	Closing balance
Provisions for restructuring expenses	58,194	-	(31,688)	-	26,506
Provisions established for the potential liabilities on account of CLSIOB-related investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance agreements	2,687	136	-	-	2,823
Provision for the Office of Competition and Consumer Protection penalties	138,310	-	(3,968)	-	134,342
Provision for exit costs of the Graphtalk project	49,925	854	-	(13)	50,766
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	8,836	203	(217)	-	8,822
Other	8,588	2,589	(102)	(1,796)	9,279
<b>Other provisions, total</b>	<b>267,456</b>	<b>3,782</b>	<b>(35,975)</b>	<b>(1,809)</b>	<b>233,454</b>

<b>Movement in other provisions in the year ended 31 December 2012</b>	<b>Opening balance</b>	<b>Increases</b>	<b>Utilization</b>	<b>Dissolution</b>	<b>Closing balance</b>
Provision for restructuring expenses 2012	112,956	-	(75,862)	(27,253)	9,841
Provision for restructuring expenses 2013	-	48,353	-	-	48,353
Provisions established for the potential liabilities on account of CLSiOR-related investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance agreements	4,019	352	-	(1,684)	2,687
Provision for the Office of Competition and Consumer Protection penalties	137,035	1,275	-	-	138,310
Provision for exit costs of the Graphtalk project	50,349	628	-	(1,052)	49,925
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	8,095	1,562	(821)	-	8,836
Other	8,693	6,367	(1,217)	(5,255)	8,588
<b>Other provisions, total</b>	<b>322,063</b>	<b>58,537</b>	<b>(77,900)</b>	<b>(35,244)</b>	<b>267,456</b>

<b>Movement in other provisions in the period from 1 January to 30 September 2012</b>	<b>Opening balance</b>	<b>Increases</b>	<b>Utilization</b>	<b>Dissolution</b>	<b>Closing balance</b>
Provisions for restructuring expenses	112,956	-	(46,473)	(6,005)	60,478
Provisions established for the potential liabilities on account of CLSiOR-related investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance agreements	4,019	137	-	(1,684)	2,472
Provision for the Office of Competition and Consumer Protection penalties	137,035	-	-	-	137,035
Provision for exit costs of the Graphtalk project	50,349	628	-	(457)	50,520
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	8,095	164	(726)	-	7,533
Other	8,693	5,149	(1,217)	(2,950)	9,675
<b>Other provisions, total</b>	<b>322,063</b>	<b>6,078</b>	<b>(48,416)</b>	<b>(11,096)</b>	<b>268,629</b>

The item entitled „Provisions for the Office of Competition and Consumer Protection penalties” includes the 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

<b>Liabilities – carrying amount</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
Liabilities on direct insurance	623,451	612,175	649,023	591,594
Reinsurance liabilities	49,450	96,585	54,470	60,770
Liabilities due to sell-buy-back transactions	4,392,837	2,835,517	839,969	1,597,506
Liabilities on loans and borrowings	377,398	373,943	166,276	108,112
Liabilities to participants in consolidated mutual funds	345,790	463,199	-	-
Other liabilities	2,744,579	4,770,742	710,417	2,491,692
<b>Total liabilities</b>	<b>8,533,505</b>	<b>9,152,161</b>	<b>2,420,155</b>	<b>4,849,674</b>



<b>Other liabilities</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
Liabilities to the state budget, other than income tax liabilities	18,647	20,464	19,407	19,027
Regulatory settlements: Social Insurance Institution (ZUS), State Fund for Rehabilitation of Persons with Disabilities (PFRON), the Company's Social Benefits Fund and other	24,228	28,246	21,234	26,525
Insurance Guarantee Fund	9,531	9,257	7,373	7,088
To the National Fire Brigade Headquarters and Association of Voluntary Fire Brigades	1,843	2,810	3,380	950
Due to purchased securities and security deposits	802,596	1,985,256	438,840	2,244,297
Liabilities to PZU shareholders on account of dividends	1,730,419	2,568,009	3,453	67,100
Trade liabilities	66,253	59,746	72,092	55,199
Estimated non-insurance liabilities	43,954	45,544	108,694	43,914
Other	47,108	51,410	35,944	27,592
<b>Other liabilities, total</b>	<b>2,744,579</b>	<b>4,770,742</b>	<b>710,417</b>	<b>2,491,692</b>

#### 11.12. Accruals and deferred income

<b>Accruals and deferred income</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
<b>Accrued expenses</b>	<b>464,113</b>	<b>469,386</b>	<b>672,550</b>	<b>463,662</b>
- accrued costs of agency commissions	203,021	203,014	194,341	192,225
- accrued payroll costs	71,912	74,254	128,296	91,606
- accrued costs and revenues on reinsurance	64,047	70,290	172,246	58,996
- provision for holiday leaves	48,525	64,171	46,658	42,842
- accrued employee bonuses	40,096	30,566	102,403	40,581
- other	36,512	27,091	28,606	37,412
<b>Deferred income</b>	<b>14,799</b>	<b>14,543</b>	<b>10,420</b>	<b>28,498</b>
<b>Accruals and deferred income, total</b>	<b>478,912</b>	<b>483,929</b>	<b>682,970</b>	<b>492,160</b>

#### 11.13. Gross written insurance premiums

<b>Gross written insurance premiums</b>	<b>1 July – 30 September 2013</b>	<b>1 January – 30 September 2013</b>	<b>1 July – 30 September 2012</b>	<b>1 January – 30 September 2012</b>
Gross written premiums in non-life insurance	1,999,433	6,515,198	2,016,351	6,616,213
In direct insurance	1,996,993	6,491,081	2,009,626	6,598,375
In indirect insurance	2,440	24,117	6,725	17,838
Gross written premiums in life insurance	1,907,866	5,887,352	1,896,369	5,542,781
Individual premiums	779,925	2,506,607	763,812	2,173,897
In direct insurance	779,925	2,506,607	763,812	2,173,897
Group insurance premiums	1,127,941	3,380,745	1,132,557	3,368,884
In direct insurance	1,127,941	3,380,745	1,132,557	3,368,884
<b>Gross written premiums, total</b>	<b>3,907,299</b>	<b>12,402,550</b>	<b>3,912,720</b>	<b>12,158,994</b>

<b>Gross written premiums in direct non-life insurance (by accounting classes prescribed by section II of the attachment to the Insurance Activity Act)</b>	<b>1 July – 30 September 2013</b>	<b>1 January – 30 September 2013</b>	<b>1 July – 30 September 2012</b>	<b>1 January – 30 September 2012</b>
Accident and sickness insurance (class 1 and 2)	203,584	403,959	187,980	454,772
Motor third party liability insurance (class 10)	711,026	2,202,787	742,659	2,305,926
Other motor insurance (class 3)	499,568	1,573,244	516,267	1,674,496
Marine, air and cargo insurance (classes 4, 5, 6, 7)	9,307	42,625	11,399	50,553
Insurance against fire and other property damage (classes 8 and 9)	351,360	1,455,969	344,299	1,332,236
TPL insurance (classes 11, 12, 13)	126,877	546,588	126,734	527,413
Credit and guarantee insurance (classes 14, 15)	13,472	35,833	8,065	43,226
Assistance (class 18)	60,622	165,735	54,419	153,821
Legal protection (class 17)	85	749	194	758
Other (class 16)	21,092	63,592	17,610	55,174
<b>Gross written premium in direct non-life insurance, total</b>	<b>1,996,993</b>	<b>6,491,081</b>	<b>2,009,626</b>	<b>6,598,375</b>

#### 11.14. Fee and commission income

<b>Fee and commission income</b>	<b>1 July – 30 September 2013</b>	<b>1 January – 30 September 2013</b>	<b>1 July – 30 September 2012</b>	<b>1 January – 30 September 2012</b>
<b>Pension insurance</b>	<b>61,518</b>	<b>163,186</b>	<b>50,371</b>	<b>146,679</b>
Commissions on distribution fees	17,516	38,107	9,417	27,177
Commissions on managing assets of an open-end pension fund	44,002	125,079	40,954	119,502
<b>Investment contracts</b>	<b>4,767</b>	<b>13,714</b>	<b>5,195</b>	<b>16,160</b>
Revenue from fees relating to investment contracts for the client's account and risk	4,767	13,714	5,195	16,160
<b>Other</b>	<b>19,733</b>	<b>52,388</b>	<b>3,124</b>	<b>12,210</b>
Revenue and payments received from funds and mutual fund companies	19,733	52,388	3,124	12,210
<b>Fee and commission income, total</b>	<b>86,018</b>	<b>229,288</b>	<b>58,690</b>	<b>175,049</b>

### 11.15. Net investment income

<b>Net investment income</b>	<b>1 July – 30 September 2013</b>	<b>1 January – 30 September 2013</b>	<b>1 July – 30 September 2012</b>	<b>1 January – 30 September 2012</b>
Interest income, including:	412,432	1,287,252	513,450	1,543,301
- financial assets available for sale	13,736	39,387	74,140	221,869
- financial assets held to maturity	312,301	901,279	301,920	924,866
- loans	86,158	342,210	136,808	393,956
- cash and cash equivalents	237	4,376	582	2,610
Dividend income, including:	91,225	125,416	66,145	155,132
- financial assets measured at fair value through profit or loss upon first recognition	2,556	5,359	-	147
- financial assets held for trading	44,579	73,277	56,490	119,226
- financial assets available for sale	44,090	46,780	9,655	35,759
Income on investment property	31,740	87,978	6,366	18,950
Exchange differences, including:	(16,846)	13,982	(8,520)	(22,654)
- financial assets held to maturity	(2,893)	3,282	(5,091)	(10,454)
- financial assets available for sale	(11,951)	4,998	-	-
- loans	(2,223)	6,847	(2,670)	(9,305)
- receivables, including receivables under insurance contracts	221	(1,145)	(759)	(2,895)
Other, including:	(22,412)	(69,830)	(8,295)	(41,214)
- investment activity expenses	(9,013)	(26,492)	(9,326)	(31,933)
- investment property maintenance expenses	(13,399)	(43,338)	(5,816)	(16,128)
- other	-	-	6,847	6,847
<b>Net investment income, total</b>	<b>496,139</b>	<b>1,444,798</b>	<b>569,146</b>	<b>1,653,515</b>

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

<b>Net result on realization of investments and investment impairment charges</b>	<b>1 July – 30 September 2013</b>	<b>1 January – 30 September 2013</b>	<b>1 July – 30 September 2012</b>	<b>1 January – 30 September 2012</b>
<b>Net result on the realization of investments</b>	<b>23,886</b>	<b>(105,032)</b>	<b>253,413</b>	<b>457,272</b>
Financial assets measured at fair value through profit or loss – classified as such upon first recognition, including:	(13,955)	(4,956)	44,244	93,083
- equity instruments	20,787	16,645	760	11,654
- debt securities	(34,742)	(21,601)	43,484	81,429
Financial assets held for trading, including:	63,081	(75,117)	13,574	119,669
- equity instruments	(22,670)	(25,032)	(23,725)	39,364
- debt securities	(12,875)	(24,791)	24,973	21,708
- derivatives	98,626	(25,294)	12,326	58,597
Financial assets available for sale, including:	(15,264)	12,709	222,872	298,966
- equity instruments	(973)	(976)	131,176	172,157
- debt securities	(14,291)	13,685	91,696	126,809
Financial assets held to maturity, including:	1,082	4,055	806	1,707
- debt securities	1,082	4,055	806	1,707
Loans	(62)	(33)	-	-
Receivables, including receivables under insurance contracts	(21,036)	(51,909)	(28,146)	(56,422)
Investment property	1,777	1,956	63	269
Entities measured by the equity method*	8,263	8,263	-	-
<b>Impairment charges</b>	<b>(8,597)</b>	<b>(61,446)</b>	<b>(12,410)</b>	<b>(90,181)</b>
Financial assets available for sale, including:	-	(108)	(120)	(15,561)
- equity instruments	-	(108)	(120)	(15,561)
Receivables, including receivables under insurance contracts	(8,597)	(61,338)	(12,290)	(74,620)
<b>Net result on the realization of investments and investment impairment charges, total</b>	<b>15,289</b>	<b>(166,478)</b>	<b>241,003</b>	<b>367,091</b>

\* Result on the sale of KGJK shares described in item 2.4

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

<b>Net change in the fair value of assets and liabilities measured at fair value</b>	<b>1 July – 30 September 2013</b>	<b>1 January – 30 September 2013</b>	<b>1 July – 30 September 2012</b>	<b>1 January – 30 September 2012</b>
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition, including:	99,063	141,671	52,540	142,057
- equity instruments	(6,538)	93,939	(1,404)	(86)
- debt securities	105,601	47,732	53,944	142,143
Financial instruments held for trading, including:	292,161	313,911	183,234	409,601
- equity instruments	334,360	230,376	124,982	235,080
- debt securities	(17,861)	57,903	44,076	140,735
- derivatives	(24,338)	25,632	14,176	33,786
Investment property	(9,522)	(20,684)	(432)	(2,869)
Movement in liabilities to participants in consolidated mutual funds	(3,800)	(27,380)	-	-
Consolidation of mutual funds, including:	-	172,810	-	-
- amount transferred from the "Revaluation reserve" item to the consolidated profit and loss account as at the consolidation date	-	184,627	-	-
- amount resulting from the consolidation of special-purpose vehicles, which are subsidiaries of consolidated funds	-	(11,817)	-	-
<b>Net change in the fair value of assets and liabilities measured at fair value</b>	<b>377,902</b>	<b>580,328</b>	<b>235,342</b>	<b>548,789</b>

### 11.18. Other operating income

<b>Other operating income</b>	<b>1 July – 30 September 2013</b>	<b>1 January – 30 September 2013</b>	<b>1 July – 30 September 2012</b>	<b>1 January – 30 September 2012</b>
Consolidation of new entities or their measurement using the equity method	-	35,392	-	-
Reinsurance commissions and profit-sharing	(1,012)	77,632	(2,451)	(15,253)
Revenues on the sales of products, merchandise and services by non-insurance companies	70,053	194,683	78,636	200,084
Other	30,244	72,171	27,608	82,885
<b>Other operating income, total</b>	<b>99,285</b>	<b>379,878</b>	<b>103,793</b>	<b>267,716</b>

The matter of consolidation of subsidiaries and measurement of associates using the equity method from 1 January 2013 is discussed in item 9.1.

### 11.19. Net insurance claims

Net insurance claims	1 July – 30 September 2013	1 January – 30 September 2013	1 July – 30 September 2012	1 January – 30 September 2012
Claims and movement in technical provisions in non-life insurance	1,261,522	3,732,878	1,453,544	4,278,020
Reinsurers' share in claims and in the movement in technical provisions in non-life insurance	(15,527)	(8,178)	(13,967)	(147,493)
Claims and movement in technical provisions in life insurance	1,505,013	4,485,740	1,473,852	4,297,576
Reinsurers' share in claims and in the movement in technical provisions in life insurance	(115)	(142)	(39)	(78)
<b>Claims, total</b>	<b>2,750,893</b>	<b>8,210,298</b>	<b>2,913,390</b>	<b>8,428,025</b>

### 11.20. Claims and changes in measurement of investment contracts

Claims and changes in measurement of investment contracts	1 July – 30 September 2013	1 January – 30 September 2013	1 July – 30 September 2012	1 January – 30 September 2012
Under investment contracts with guaranteed and fixed terms and conditions	10,868	31,893	20,069	73,590
- interest expenses calculated using the effective interest rate	10,868	31,893	20,069	73,590
Under investment contracts for client's account and risk (unit-linked)	37,528	28,198	20,914	54,354
<b>Claims and changes in measurement of investment contracts, total</b>	<b>48,396</b>	<b>60,091</b>	<b>40,983</b>	<b>127,944</b>

### 11.21. Administrative, acquisition and claims handling expenses, by type

Claims handling, acquisition and administrative expenses, by type	1 July – 30 September 2013	1 January – 30 September 2013	1 July – 30 September 2012	1 January – 30 September 2012
Consumption of materials and energy	22,532	65,182	18,713	59,786
External services	115,760	342,123	120,414	370,546
Taxes and fees	16,803	45,045	12,110	39,765
Employee expenses	317,452	967,493	323,155	1,044,865
Depreciation of property, plant and equipment	18,813	55,168	18,707	58,074
Amortization of intangible assets	13,564	43,400	16,082	54,470
Other, including:	465,699	1,380,309	460,599	1,365,026
- commission on direct activity	343,234	1,050,515	321,903	1,002,091
- advertising	24,559	64,748	28,692	82,070
- movement in capitalized acquisition expenses	15,383	8,285	26,464	22,265
- remuneration of group insurance administrators in work establishments	52,149	155,927	55,936	177,922
- other	30,374	100,834	27,604	80,678
<b>Claims handling, acquisition and administrative expenses, total</b>	<b>970,623</b>	<b>2,898,720</b>	<b>969,780</b>	<b>2,992,532</b>

### 11.22. Other operating expenses

Other operating expenses	1 July – 30 September 2013	1 January – 30 September 2013	1 July – 30 September 2012	1 January – 30 September 2012
Consolidation of new entities	-	35,134	-	-
Creation of impairment charges for intangible assets and property, plant and equipment	-	16,432	-	-
Insurance Guarantee Fund	9,258	28,042	7,088	22,310
National Fire Brigade Headquarters and Association of Voluntary Fire Brigades	1,843	25,764	1,899	24,940
Compulsory payments to insurance market institutions	13,463	41,227	11,437	34,803
Expenditures for prevention activity	16,922	29,643	3,156	10,840
Expenses of the core business of the non-insurance companies	78,040	204,486	80,684	209,200
Other	43,818	122,270	16,255	66,612
<b>Other operating expenses, total</b>	<b>163,344</b>	<b>502,998</b>	<b>120,519</b>	<b>368,705</b>

The matter of consolidation of subsidiaries and measurement of associates using the equity method from 1 January 2013 is discussed in item 9.1.

### 11.23. Financial costs

Financial costs	1 July – 30 September 2013	1 January – 30 September 2013	1 July – 30 September 2012	1 January – 30 September 2012
Interest, including:	18,547	40,816	15,190	28,235
- loans	15,644	30,125	13,484	24,048
- bank loans	2,903	10,406	1,706	4,187
- other	-	285	-	-
Other, including:	(8,313)	7,244	(45)	(285)
- exchange differences	(8,313)	7,244	(42)	(331)
- other	-	-	(3)	46
<b>Financial expenses, total</b>	<b>10,234</b>	<b>48,060</b>	<b>15,145</b>	<b>27,950</b>

### 11.24. Other comprehensive income

Income tax on other comprehensive income items	1 July – 30 September 2013	1 January – 30 September 2013	1 July – 30 September 2012	1 January – 30 September 2012
Other net comprehensive income	29,188	(61,942)	(63,778)	33,574
Income tax	20,110	(35,995)	(15,090)	9,082
Financial assets available for sale	19,166	(38,415)	(15,090)	9,082
Reclassification of real property from property, plant and equipment to investment property	944	2,420	-	-
<b>Gross other comprehensive income</b>	<b>49,298</b>	<b>(97,937)</b>	<b>(78,868)</b>	<b>42,656</b>

## 12. Contingent assets and liabilities

Contingent assets and liabilities	30 September 2013	30 June 2013	31 December 2012	30 September 2012
Contingent assets, including:	19,586	18,246	17,746	18,126
Guarantees and sureties received	19,586	18,246	17,746	18,126
Contingent liabilities	159,892	222,225	210,459	166,652
Guarantees and sureties given	3,912	4,392	6,790	2,923
Disputed insurance claims	101,270	147,591	69,651	67,133
Other disputed claims	25,761	34,936	53,541	29,416
Other, including:	28,949	35,306	80,477	67,180
- potential liabilities under loan agreements concluded by the Armatura Group	28,309	34,628	49,702	36,377
- potential liabilities arising from real property sale by the Armatura Group	-	-	30,000	30,000



## 13. Commentary to the Interim Consolidated Financial Statements

### 13.1. Commentary

The gross written premium in the nine month period ended 30 September 2013 was PLN 12,402,550 thousand compared to PLN 12,158,994 thousand in the same period of the previous year (+ 2.0%). Higher sales were recorded above all in the following area:

- single-premium individual insurance (+ PLN 235,889 thousand), particularly products in the bancassurance channel;
- regular premium group and continued insurance, primarily protection insurance (+ PLN 100,703 thousand) – the outcome of a higher average premium (including the influence exerted by upselling riders to individually continued insurance) and the number of insureds (regarding type P group insurance, group health insurance and protection bancassurance).

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

- in the corporate insurance segment (- PLN 99,131 thousand), including:
  - insurance for patients for medical events (hospital accident insurance: - PLN 49,817 thousand) – in H1 2012 health care units were obligated to enter into insurance contracts for patients for medical events; as a result of legislative changes this obligation was deferred until 2016;
  - motor insurance – as a result of fierce competition and the persisting weakness in the domestic car market;
- in the group insurance segment – short-term single-premium products (- PLN 71,162 thousand), in the bancassurance channel following the retraction of these products due to their low profitability.

Investment income (including investment contracts, i.e. contracts that do not entail significant insurance risk) for the first 3 quarters of 2013 and the first 3 quarters of 2012 was PLN 1,858,648 thousand and PLN 2,569,395 thousand, respectively. It declined primarily as a result of lower growth in the measurement of capital instruments in connection with worse market conditions on the Warsaw Stock Exchange (the WIG index rose by 6.0% in the first three quarters of 2013 compared to 16.3% growth one year earlier) and the lower measurement of debt instruments following bond yield growth (the yield on 5 and 10 year t-bonds rose by 52 and 72 basis points, respectively in the first three quarters of 2013 while the yield fell by 114 and 119 basis points, respectively in the first three quarters of 2012). Moreover, since mutual funds were consolidated in 2013, non-recurring income (gross) of PLN 172,810 thousand was recognized in the first three quarters of 2013.

The decline in net claims paid (including the movement of provisions for unpaid claims) of PLN 217,727 thousand (-2.6%) compared to the same period of the previous year resulted in particular from the following:

- the low level of claims for winter crops and the absence of ground frost in agricultural insurance; it should be emphasized that in 2011 and 2012 these claims were high, causing this product to generate a negative return;
- the absence of additional claims provisions in financial insurance for contractual guarantees (last year's collapse in the construction industry and the resultant change to the process of accepting and measuring risk);
- the persistent low claims ratio in motor insurance thanks to favorable road conditions and less road traffic (low claims frequency);
- lower growth of mathematical provisions in unit-linked products following subdued investment activity performance, which coupled with the simultaneous decline in investment income did not exert an impact on the PZU Group's results;
- lower growth of mathematical provisions in continued protection insurance as an effect of product modification affecting the amount of mathematical provisions established at the time when an insured takes individual continuation;

- optimization of claims handling processes.

In turn, the following factors contributed to higher net claims paid:

- higher number of death-related events in January 2013 (confirmed by the Central Statistical Office's data concerning the higher number of deaths in Poland) in group and continued protection insurance;
- lower pace of conversion from long-term contracts into yearly-renewable term contracts in type P group insurance (the conversion effect<sup>1</sup> in the first three quarters of 2013 translated into the release of provisions in the amount of PLN 103,963 thousand, PLN 66,421 thousand less than in the same period in 2012 );
- higher life insurance provisions in individual investment products in the bancassurance channel as a result of high new sales of insurance.

Acquisition expenses in the first three quarters of 2013 fell by PLN 30,177 thousand (-2.0%) compared to the same period of last year, primarily as a result of lower commissions (among other things as a result of the lower gross written premium in the corporate insurance segment) and indirect expenses (among other things payroll expenses).

At the same time, acquisition expenses were up in connection with the following:

- higher sales of investment products via the bancassurance channel, especially unit-linked products featuring high acquisition expenses;
- higher share of more expensive distribution channels in the sales of insurance to mass clients.

The decline in administrative expenses by PLN 33,541 thousand (-3.4%) primarily resulted from lower headcount and lower advertising expenditures (effect of the image campaign conducted in 2012) coupled with higher project-related activities to streamline and automate service processes.

The balance of other operating revenues and expenses in the first three quarters of 2013 fell by PLN 22,131 thousand in comparison with the same period of the previous year. The major cause for this change was the growth in other operating expenses in the consolidated entities. This effect was offset by recognizing the non-recurring income on the settlement reached with a reinsurer (non-recurring impact on other operating revenues in the first three quarters of 2013 of + PLN 73,272 thousand, with the total impact on the gross result being + PLN 53,207 million). The purpose of this settlement was to square settlements for reinsurance commissions in the green card product, for which an adjustment was made in 2011 by reducing the result of that year by PLN 91,843 thousand.

The operating profit in the first three quarters of 2013 was PLN 3,502,382 thousand, making it lower by PLN 38,462 thousand (-1.1%) compared to the result in the same period of the previous year. This change was caused in particular by the following:

- good results in the mass insurance segment + PLN 356,968 thousand, primarily as a result of the improved return in agricultural insurance (low claims level) and motor TPL insurance;
- higher result in corporate insurance segment + PLN 196,486 thousand, primarily as a result of the low claims ratio in motor insurance and the improved return in financial insurance (last year's collapse in the construction industry and the resultant change to the process of accepting and measuring risk);
- lower results in the investment segment<sup>2</sup>(- PLN 327,474 thousand) as a consequent of lower growth in the measurement of capital instruments and the decline in the measurement of debt instruments in the part offset by the non-recurring income from consolidating mutual funds (primarily properties; the impact on the gross result was + PLN 172,810 thousand);
- lower pace of converting long-term insurance policies into yearly-renewable term contracts in type P group insurance, which contributed to a decline in the operating result in the group and continued insurance segment by PLN 27,133 thousand.

<sup>1</sup> Conversion effect computed on the basis of IFRS data.

<sup>2</sup> Solely external operations

Compared to the first three quarters of 2012, net profit fell by PLN 73,423 thousand (-2.6%) to PLN 2,766,835 thousand.

Consolidated equity according to IFRS as at 30 September 2013 was PLN 12,681,967 thousand compared to PLN 13,800,615 thousand as at 30 September 2012. The adoption of the resolution to pay an interim dividend in the amount of PLN 1,727,046 thousand in conjunction with introducing the PZU Group's new capital and dividend policy (Current report no. 56/2013), in addition to the 2012 dividend payment of PLN 2,564,663 thousand, contributed to the decline in equity.

The return on equity (ROE<sup>3</sup>) for the period from 1 January 2013 to 30 September 2013 was 27.4%, making it 1.0 p.p. lower than in the same period of the previous year. Compared to consolidated equity as at 31 December 2012, equity fell by PLN 1,587,302 thousand (-11.1%), while ROE was up by 3.4 p.p. compared to this ratio for the period from 1 January 2012 to 31 December 2012.

Total assets as at 30 September 2013, compared to 31 December 2012, were up by PLN 5,730,553 thousand, i.e. by 10.2% (up to PLN 61,640,113 thousand), largely as a result of consolidating subsidiaries, including mutual funds (the outcome of ceasing to observe, starting on 1 January 2013, the materiality criterion when determining the list of subsidiaries subject to consolidation). At the same time, total assets rose thanks to business development, as reflected by the higher level of technical provisions.

The investment portfolio<sup>4</sup> as at 30 September 2013 and 30 September 2012 was PLN 55,272,560 thousand and PLN 49,650,058 thousand, respectively. Compared to 31 December 2012 the investment portfolio grew by PLN 4,415,001 thousand as the effect of the elements described above.

The value of technical provisions at the end of the third quarter of 2013 was PLN 36,678,079 thousand, accounting for 59.5% of total assets. Compared to 31 December 2012 provisions were up PLN 1,277,301 thousand as a result, among others, of high sales of single-premium investment insurance in the bancassurance channel leading to the establishment of a life insurance provision and a life insurance provision for when the policyholder bears investment risk.

## 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 have been 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.

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<sup>3</sup> Annualized ratio.

<sup>4</sup> The investment portfolio consists of financial assets, investment properties and the negative valuation of derivative instruments .

Presented below is the calculation of shareholder funds covering the required solvency margin of PZU.

<b>Calculation of shareholder funds to cover the solvency margin</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
<b>PZU equity</b>	<b>11,805,466</b>	<b>12,465,060</b>	<b>13,452,581</b>	<b>12,681,670</b>
Intangible assets	(180,978)	(149,445)	(129,729)	(109,551)
Value of shares in insurance companies held by the PZU insurance capital group	(4,195,282)	(3,776,398)	(6,847,006)	(6,551,089)
Deferred income tax assets	(318,188)	(317,151)	(309,132)	(323,102)
<b>Contribution of other insurance companies in the PZU insurance capital group to the value of PZU's shareholder funds:</b>	<b>2,011,020</b>	<b>1,635,562</b>	<b>4,789,418</b>	<b>4,517,706</b>
PZU Życie SA 100.00%	2,023,354	1,646,429	4,808,768	4,528,261
Shareholder funds	3,791,913	3,404,313	6,551,153	6,257,623
Solvency margin	1,768,559	1,757,884	1,742,385	1,729,362
Surplus of shareholder funds to cover the solvency margin	2,023,354	1,646,429	4,808,768	4,528,261
UAB DK PZU Lietuva 99.76%	2,372	3,133	2,769	6,993
Shareholder funds	42,435	41,125	38,550	41,235
Solvency margin	40,057	37,984	35,774	34,225
Surplus of shareholder funds to cover the solvency margin	2,378	3,141	2,776	7,010
UAB PZU Lietuva Gyvybes Draudimas 99.34%	7,093	7,182	7,201	8,001
Shareholder funds	22,740	23,248	22,873	23,678
Solvency margin	15,600	16,018	15,624	15,624
Surplus of shareholder funds to cover the solvency margin	7,140	7,230	7,249	8,054
PrJSC PZU Ukraine 100.00%	(14,413)	(13,603)	(15,721)	(14,678)
Shareholder funds	9,415	10,279	5,987	6,002
Solvency margin	23,828	23,882	21,708	20,680
Surplus/shortage of shareholder funds to cover the solvency margin	(14,413)	(13,603)	(15,721)	(14,678)
PrJSC IC PZU Ukraine Life Insurance 100.00%	(7,386)	(7,579)	(13,599)	(10,871)
Shareholder funds	7,662	7,469	2,025	4,753
Solvency margin	15,048	15,048	15,624	15,624
Surplus/shortage of shareholder funds to cover the solvency margin	(7,386)	(7,579)	(13,599)	(10,871)
<b>PZU shareholder funds</b>	<b>9,122,038</b>	<b>9,857,628</b>	<b>10,956,132</b>	<b>10,215,634</b>
PZU solvency margin	1,363,639	1,369,183	1,343,831	1,337,542
PZU indemnity capital	454,546	456,394	447,944	445,847
<b>Surplus of shareholder funds to cover the solvency margin</b>	<b>7,758,399</b>	<b>8,488,445</b>	<b>9,612,301</b>	<b>8,878,092</b>
<b>Surplus of shareholder funds to cover the indemnity capital</b>	<b>8,667,492</b>	<b>9,401,234</b>	<b>10,508,188</b>	<b>9,769,787</b>

## 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 insurance);
- mass insurance (non-life insurance);
- investments – entailing investments using own funds.

PZU Życie has distinguished the following segments:

- group and individually continued insurance (life insurance);
- individual insurance (life insurance);
- investments – entailing investments using own funds;
- investment contracts – described further 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 non-life insurance only);
- Baltics – Lithuania, Latvia, Estonia (non-life and life insurance; in 2012 non-life insurance only).

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 the own funds of the PZU Group companies.

### 15.1.2. Geographical areas

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

- Poland;
- Baltics;
- Ukraine.

### 15.2. Inter-segment settlements

Economic transactions concluded between operating segments and geographic segments are concluded at arm's length.

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 based on interest rates from yield curves of treasury securities (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

Below a description of all the PZU Group's reportable segments has been presented 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 insurance (other than 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 non-life insurance only) - reporting according to Ukrainian standards – including PZU Ukraine and PZU Ukraine Life, in 2012 PZU Ukraine only;
- Baltics (non-life and life insurance; in 2012 non-life insurance only) - reporting according to Lithuanian standards – including PZU Lietuva operating in the territory of Lithuania and from 2012 through its branches also in Latvia and Estonia, and UAB PZU Lietuva Gyvybes Draudimas, in 2012 PZU Lietuva only;
- 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. Polish Accounting Standards applied**

### **15.5.1. PZU**

Polish Accounting Standards (PAS) and the differences between PAS and IFRS in respect of PZU’s separate financial reporting have been portrayed in detail in the annual separate 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 on which the statutory auditor issued an unqualified opinion on that same date („separate financial statements of PZU for 2012”).

The separate financial statements of PZU for 2012 are available on PZU’s website [www.pzu.pl](http://www.pzu.pl) under in the „Investor Relations” tab.

### **15.5.2. PZU Życie**

The accounting standards according to PAS applicable to PZU Życie are convergent with the PAS applicable to PZU (except for the 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 key differences between PAS and IFRS in respect of accounting for insurance contracts and investment contracts at PZU Życie entail the following:

- classification of 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.

At the end of 2012, technical rates applied in accordance with PAS and IFRS were unified; in both cases this involved reduction of the technical rates.

The impact of these differences between PAS and IFRS has been presented in the segment reporting note in separate columns.

#### **15.6. Structure of the segment reporting note and reconciliations**

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 segment reporting 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 segment reporting note**

Certain simplifications have been made in the segment reporting note compared to the requirements of IFRS 8. The justification is provided 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.

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Profit and loss account for the period from 1 July 2013 to 30 September 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 estate and financial instruments	Investment contracts	Prevention fund, loss ratio and charges to the Company Social Benefits Fund	Consolidation adjustments	Consolidated value	Profit and loss account for the period from 1 July 2013 to 30 September 2013	
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS		
Gross premium written externally	347 921	1 550 201	1 601 714	287 068	-	-	51 611	68 784	116 473	-	-	-	(116 473)	-	-	3 907 299	Gross insurance premium written externally	
Gross premium written between segments	1 441	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 441)	-	Gross insurance premium written between segments	
<b>Gross written insurance premium</b>	<b>349 362</b>	<b>1 550 201</b>	<b>1 601 714</b>	<b>287 068</b>	<b>-</b>	<b>-</b>	<b>51 611</b>	<b>68 784</b>	<b>116 473</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(116 473)</b>	<b>-</b>	<b>(1 441)</b>	<b>3 907 299</b>		
Reinsurers' share in gross written premium	(17 939)	(1 510)	(399)	-	-	-	(7 123)	(6 209)	-	-	-	-	-	-	231	(32 949)	Reinsurers' share in gross written insurance premium	
<b>Net written premium</b>	<b>331 423</b>	<b>1 548 691</b>	<b>1 601 315</b>	<b>287 068</b>	<b>-</b>	<b>-</b>	<b>44 488</b>	<b>62 575</b>	<b>116 473</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(116 473)</b>	<b>-</b>	<b>(1 210)</b>	<b>3 874 350</b>	<b>Net written premium, including:</b>	
Movement in provision for unearned premiums and gross provision for unexpired risks	76 439	140 842	1 035	1 895	-	-	(2 045)	(4 085)	110	-	(26 328)	-	(110)	-	897	188 650	Movement in net provision for unearned insurance premiums	
Reinsurer's share in the provision for unearned premiums and the gross provision for unexpired risk	(17 898)	(10 780)	-	-	-	-	197	2 153	-	-	26 328	-	-	-	-	-		
<b>Net earned premium</b>	<b>389 964</b>	<b>1 678 753</b>	<b>1 602 350</b>	<b>288 963</b>	<b>-</b>	<b>-</b>	<b>42 640</b>	<b>60 643</b>	<b>116 583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(116 583)</b>	<b>-</b>	<b>(313)</b>	<b>4 063 000</b>	<b>Net earned premium</b>	
Investment income, including:	29 669	126 056	233 041	119 380	396 808	2 798	6 040	3 862	47 131	18 386	(983 171)	90 016	-	8 896	-	(12 894)	86 018	Fee and commission income
Net result on investments (external activity)	29 669	126 056	233 041	119 380	388 770	2 798	6 040	3 862	47 131	18 386	(975 133)	47 828	-	-	-	17 211	496 139	Net investment income (external activity)
Net result on investments (inter-segment activity)	-	-	-	-	8 038	-	-	-	-	-	(8 038)	8 038	-	-	-	(8 038)	-	Net investment income (inter-segment activity)
											57 181	9 571	-	-	(51 463)	15 289		Net change in the fair value of assets and impairment charges
											440 105	(15 046)	-	-	(47 157)	377 902		Net change in the fair value of assets and liabilities measured at fair value
Other net technical income	2 829	7 531	738	4 561	-	-	-	-	4 123	-	(19 782)	-	-	-	-	-	-	
Revenues on core business of non-insurance entities	-	-	-	-	-	61 518	-	-	-	92 180	(153 698)	-	-	-	-	-	-	
Other operating income (not applicable to insurance entities)	-	-	-	-	-	150	-	-	-	19 247	124 229	(998)	(4 123)	-	(39 220)	99 285	Other operating income	
Gross claims paid	(212 028)	(952 938)	(1 034 721)	(136 844)	-	-	(19 152)	(34 606)	(160 899)	-	(381 971)	-	160 206	-	6 418	(2 766 535)	Claims and movement in technical provisions	
Movement in the gross unpaid claims reserve	(20 665)	(35 279)	(4 627)	3 754	-	-	(1 940)	(1 951)	(20)	-	60 728	-	-	-	-	-	-	
Reinsurers' share in claims paid	17 328	4 063	115	-	-	-	1 149	650	-	-	(7 698)	-	-	-	35	15 642	Claims and movement in insurance liabilities ceded to re-insurers	
Reinsurer's share in the movement in provisions	(7 012)	2 345	-	-	-	-	(1 218)	(1 870)	-	-	7 755	-	-	-	-	-	-	
<b>Net insurance claims</b>	<b>(222 377)</b>	<b>(981 809)</b>	<b>(1 039 233)</b>	<b>(133 090)</b>	<b>-</b>	<b>-</b>	<b>(21 161)</b>	<b>(37 777)</b>	<b>(160 919)</b>	<b>-</b>	<b>(321 186)</b>	<b>-</b>	<b>160 206</b>	<b>-</b>	<b>6 453</b>	<b>(2 750 893)</b>	<b>Net insurance claims</b>	
Movement in other net technical provisions, life insurance provisions where the policyholder bears the investment risk, loss ratio (risk) equalization provisions	-	-	(121 307)	(200 087)	-	-	-	-	712	-	320 682	-	-	-	-	-	-	Claims and changes in valuation of investment contracts
Net premiums and rebates for insureds including the movement in provisions	(561)	-	5	-	-	-	-	-	(1)	-	557	-	-	(48 396)	-	(48 396)		
Other net technical income	(2 296)	(56 338)	(14 867)	(1 137)	-	-	-	-	(576)	-	75 214	-	-	-	-	-	-	
Acquisition expenses	(72 670)	(278 240)	(80 465)	(26 536)	-	(4 242)	(15 540)	(17 095)	(4 738)	-	-	-	-	-	5 708	(493 818)	Acquisition expenses	
Administrative expenses	(27 174)	(126 054)	(128 888)	(13 221)	-	(24 116)	(8 837)	(6 150)	(2 033)	-	1	1 852	-	-	10 127	(324 493)	Administrative expenses	
Reinsurance commissions and profit-sharing	1 762	(3 133)	106	-	-	-	-	-	-	-	1 265	-	-	-	-	96 044		
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(96 044)	96 044	-	-	-	-	-	-	
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(15)	-	-	-	(2 900)	(201 764)	26 096	-	(9 249)	24 488	(163 344)	Other operating cost	
<b>Result on insurance / Operating profit (loss)</b>	<b>99 146</b>	<b>366 766</b>	<b>451 480</b>	<b>38 833</b>	<b>396 808</b>	<b>36 093</b>	<b>3 142</b>	<b>3 483</b>	<b>282</b>	<b>30 869</b>	<b>12 659</b>	<b>21 475</b>	<b>-</b>	<b>(9 249)</b>	<b>(95 098)</b>	<b>1 356 689</b>	<b>Operating profit (loss)</b>	
Other operating income	7 627	-	2 115	-	-	-	(87)	944	-	-	(10 599)	-	-	-	-	-	-	
Other operating costs	(6 441)	-	(5 903)	-	-	-	(532)	(1 093)	-	-	13 969	-	-	-	-	-	-	
Financial costs	-	-	-	-	-	-	-	-	1 603	-	(16 028)	-	-	-	4 191	(10 234)	Financial costs	
																10	Share of the net profit (loss) of units measured by the equity method	
																	1 346 465	<b>Gross profit (loss)</b>
																	(255 346)	Income tax
																	1 091 119	<b>Net profit (loss)</b>

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	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS	
Gross premium written externally	1 302 614	4 931 041	4 800 571	1 031 862	-	-	142 539	193 923	974 191	-	-	-	(974 191)	-	-	12 402 550	Gross insurance premium written externally
Gross premium written between segments	2 911	-	-	-	-	-	-	-	-	-	-	-	-	-	(2 911)	-	Gross insurance premium written between segments
<b>Gross written insurance premium</b>	<b>1 305 525</b>	<b>4 931 041</b>	<b>4 800 571</b>	<b>1 031 862</b>	<b>-</b>	<b>-</b>	<b>142 539</b>	<b>193 923</b>	<b>974 191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(974 191)</b>	<b>-</b>	<b>(2 911)</b>	<b>12 402 550</b>	
Reinsurers' share in gross written premium	(57 153)	(1 375)	(1 804)	(45)	-	-	(20 471)	(17 450)	-	-	-	-	-	-	1 673	(96 625)	Reinsurers' share in gross written insurance premium
<b>Net written premium</b>	<b>1 248 372</b>	<b>4 929 666</b>	<b>4 798 767</b>	<b>1 031 817</b>	<b>-</b>	<b>-</b>	<b>122 068</b>	<b>176 473</b>	<b>974 191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(974 191)</b>	<b>-</b>	<b>(1 238)</b>	<b>12 305 925</b>	<b>Net written premium, including:</b>
Movement in provision for unearned premiums and gross provision for unexpired risks	(22 974)	40 688	1 178	4 417	-	-	497	(16 489)	593	-	(73 184)	-	(593)	-	182	(65 685)	Movement in net provision for unearned insurance premiums
Reinsurers' share in the provision for unearned premiums and the gross provision for unexpired risk	(49 261)	(30 160)	-	-	-	-	345	5 892	-	-	73 184	-	-	-	-	-	
<b>Net earned premium</b>	<b>1 176 137</b>	<b>4 940 194</b>	<b>4 799 945</b>	<b>1 036 234</b>	<b>-</b>	<b>-</b>	<b>122 910</b>	<b>165 876</b>	<b>974 784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(974 784)</b>	<b>-</b>	<b>(1 056)</b>	<b>12 240 240</b>	<b>Net earned premium</b>
Investment income, including:	108 949	428 310	542 940	208 246	4 690 828	8 861	17 828	5 311	71 610	67 494	243 960	-	25 586	-	(40 258)	229 288	Fee and commission income
Net result on investments (external activity)	108 949	428 310	542 940	208 246	737 870	8 861	17 828	5 311	71 610	67 494	(6 150 377)	-	-	-	-	-	
Net result on investments (inter-segment activity)	-	-	-	-	3 952 958	-	-	-	-	-	(3 952 958)	-	-	-	-	-	
											1 433 878	-	-	-	10 920	1 444 798	Net investment income (external activity)
											3 952 958	-	-	-	(3 952 958)	-	Net investment income (inter-segment activity)
											(58 283)	18 334	-	-	(126 529)	(166 478)	Net result on the realization of investments and impairment charges
											753 895	(75 260)	-	-	(98 307)	580 328	Net change in the fair value of assets and liabilities measured at fair value
Other net technical income	9 673	29 447	1 422	12 582	-	-	-	-	11 871	-	(64 995)	-	-	-	-	-	
Revenues on core business of non-insurance entities	-	-	-	-	-	163 186	-	-	-	284 207	(447 393)	-	-	-	-	-	
Other operating income (not applicable to insurance entities)	-	-	-	-	-	464	-	-	-	19 974	453 384	227	(11 871)	-	(82 300)	379 878	Other operating income
Gross claims paid	(640 651)	(2 587 825)	(3 237 149)	(438 965)	-	-	(59 454)	(110 545)	(1 118 283)	-	(1 061 995)	-	1 021 160	-	15 089	(8 218 618)	Claims and movement in technical provisions
Movement in the gross unpaid claims reserve	(19 793)	(354 968)	(8 905)	10 332	-	-	(3 575)	(33)	4 211	-	372 731	-	-	-	-	-	
Reinsurers' share in claims paid	60 671	149 080	142	-	-	-	1 809	10 702	-	-	(210 351)	-	-	-	(3 733)	8 320	Claims and movement in insurance liabilities ceded to re-insurers
Reinsurer's share in the movement in provisions	(28 747)	(183 584)	-	-	-	-	2 214	(3 382)	-	-	213 499	-	-	-	-	-	
<b>Net insurance claims</b>	<b>(628 520)</b>	<b>(2 977 297)</b>	<b>(3 245 912)</b>	<b>(428 633)</b>	<b>-</b>	<b>-</b>	<b>(59 006)</b>	<b>(103 258)</b>	<b>(1 114 072)</b>	<b>-</b>	<b>(686 116)</b>	<b>-</b>	<b>1 021 160</b>	<b>-</b>	<b>11 356</b>	<b>(8 210 298)</b>	<b>Net insurance claims</b>
Movement in other net technical provisions, life insurance provisions where the policyholder bears the investment risk, loss ratio (risk) equalization provisions	-	-	(179 952)	(602 111)	-	-	-	-	92 905	-	689 158	-	-	-	-	-	
											-	-	(60 091)	-	-	(60 091)	Claims and changes in valuation of investment contracts
Net premiums and rebates for insureds including the movement in provisions	150	-	(251)	-	-	-	-	-	(3)	-	104	-	-	-	-	-	
Other net technical income	(33 794)	(194 136)	(43 811)	(4 299)	-	-	-	-	(2 051)	-	278 091	-	-	-	-	-	
Acquisition expenses	(224 533)	(820 597)	(236 899)	(80 220)	-	(12 542)	(44 436)	(49 528)	(13 160)	-	-	-	-	-	15 437	(1 466 478)	Acquisition expenses
Administrative expenses	(77 471)	(357 452)	(387 864)	(35 527)	-	(58 914)	(25 743)	(18 269)	(7 067)	-	-	2 857	-	(20 000)	19 643	(965 807)	Administrative expenses
Reinsurance commissions and profit-sharing	4 913	72 321	(275)	-	-	-	-	-	-	-	(76 959)	-	-	-	-	-	
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(277 445)	277 445	-	-	-	-	-	
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(351)	-	-	-	757	(576 598)	20 799	-	(8 242)	60 637	(502 998)	Other operating costs
<b>Result on insurance / Operating profit (loss)</b>	<b>335 504</b>	<b>1 120 790</b>	<b>1 249 343</b>	<b>106 272</b>	<b>4 690 828</b>	<b>100 704</b>	<b>11 553</b>	<b>132</b>	<b>14 817</b>	<b>94 987</b>	<b>22 152</b>	<b>(33 043)</b>	<b>-</b>	<b>(28 242)</b>	<b>(4 183 415)</b>	<b>3 502 382</b>	<b>Operating profit (loss)</b>
Other operating income	30 477	-	10 502	-	-	-	1 122	2 539	-	-	(44 640)	-	-	-	-	-	
Other operating costs	(34 541)	-	(14 322)	-	-	-	(2 354)	(3 459)	-	-	54 676	-	-	-	-	-	
Financial costs	-	-	-	-	-	-	-	-	(51 046)	(32 188)	-	-	-	-	35 174	(48 060)	Financial costs
																1 866	Share of the net profit (loss) of units measured by the equity method
																3 456 188	<b>Gross profit (loss)</b>
																(689 353)	Income tax
																2 766 835	<b>Net profit (loss)</b>

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(in thousands of PLN)

Profit and loss account for the period from 1 July 2012 to 30 September 2012	Corporate insurance (non- life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine (non-life)	Lithuania (non-life)	Investment contracts	Other operations	Presentation differences	Real estate and financial instruments	Investment contracts	Technical rate in life insurance	Prevention fund and charges to the Company Social Benefits Fund	Consolidation and unallocated adjustments	Consolidated value	Profit and loss account for the period from 1 July 2012 to 30 September 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	362 380	1 574 211	1 602 184	294 185	-	-	34 875	44 885	115 493	-	-	-	(115 493)	-	-	-	3 912 720	Gross insurance premium written externally
Gross premium written between segments	1 011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 011)	-	Gross insurance premium written between segments
<b>Gross written insurance premium</b>	<b>363 391</b>	<b>1 574 211</b>	<b>1 602 184</b>	<b>294 185</b>	<b>-</b>	<b>-</b>	<b>34 875</b>	<b>44 885</b>	<b>115 493</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(115 493)</b>	<b>-</b>	<b>-</b>	<b>(1 011)</b>	<b>3 912 720</b>	
Reinsurers' share in gross written premium	(14 984)	(788)	(484)	-	-	-	(5 221)	(648)	-	-	-	-	-	-	-	15	(22 110)	Reinsurers' share in gross written insurance premium
<b>Net written premium</b>	<b>348 407</b>	<b>1 573 423</b>	<b>1 601 700</b>	<b>294 185</b>	<b>-</b>	<b>-</b>	<b>29 654</b>	<b>44 237</b>	<b>115 493</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(115 493)</b>	<b>-</b>	<b>-</b>	<b>(996)</b>	<b>3 890 610</b>	<b>Net written premium</b>
Movement in provision for unearned premiums and gross provision for unexpired risks	116 451	100 799	(330)	2 318	-	-	1 440	3 609	43	-	(32 758)	-	(43)	-	-	486	192 015	Movement in net provision for unearned insurance premiums
Reinsurers' share in the provision for unearned premiums and the gross provision for unexpired risk	(19 700)	(10 035)	(170)	(16)	-	-	(664)	(2 173)	-	-	32 758	-	-	-	-	-	-	
<b>Net earned premium</b>	<b>445 158</b>	<b>1 664 187</b>	<b>1 601 200</b>	<b>296 487</b>	<b>-</b>	<b>-</b>	<b>30 430</b>	<b>45 673</b>	<b>115 536</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(115 536)</b>	<b>-</b>	<b>-</b>	<b>(510)</b>	<b>4 082 625</b>	<b>Net earned premium</b>
Investment income, including: Net result on investments (external activity) Net result on investments (inter-segment activity)	29 314 29 314 -	130 973 130 973 -	250 085 250 085 -	87 831 87 831 -	467 865 467 347 518	3 031 3 031 -	4 810 4 810 -	3 438 3 438 -	46 598 46 598 -	507 507 -	50 371 (1 024 452) (1 023 934) (518)	- -	8 319 -	- -	- -	- -	58 690 569 146 -	Fee and commission income Net investment income (external activity) Net investment income (inter-segment activity)
											567 605 518	- -	- -	- -	- -	1 541 (518)	569 146 -	Net result on the realization of investments and impairment charges
											123 749	91 390	-	-	-	25 864	241 003	Net change in the fair value of assets and liabilities measured at fair value
Other net technical income	1 157	6 867	458	3 053	-	-	-	-	3 124	-	(14 659)	-	-	-	-	-	235 342	
Revenues on core business of non-insurance entities	-	-	-	-	-	-	50 371	-	-	-	(155 901)	-	-	-	-	-	-	
Other operating income (not applicable to insurance entities)	-	-	-	-	-	-	314	-	-	6 713	126 930	(888)	(3 124)	-	-	(26 152)	103 793	Other operating income
Gross claims paid	(220 251)	(893 307)	(1 001 453)	(141 879)	-	-	(14 981)	(28 694)	(991 936)	-	215 143	(1)	151 324	(302)	-	(1 059)	(2 927 396)	Claims and movement in technical provisions
Movement in the gross unpaid claims reserve	(98 947)	(195 677)	(5 369)	1 856	-	-	(84)	(3 004)	3 082	-	298 143	-	-	-	-	-	298 143	
Reinsurers' share in claims paid	13 876	14 038	39	-	-	-	1 380	914	-	-	(15 291)	-	-	-	-	(950)	14 006	Claims and movement in insurance liabilities ceded to re-insurers
Reinsurers' share in the movement in provisions	(7 592)	(5 323)	-	-	-	-	(398)	(886)	-	-	14 199	-	-	-	-	-	-	
<b>Net insurance claims</b>	<b>(312 914)</b>	<b>(1 080 269)</b>	<b>(1 006 783)</b>	<b>(140 023)</b>	<b>-</b>	<b>-</b>	<b>(14 083)</b>	<b>(31 670)</b>	<b>(988 854)</b>	<b>-</b>	<b>512 194</b>	<b>(1)</b>	<b>151 324</b>	<b>(302)</b>	<b>-</b>	<b>(2 009)</b>	<b>(2 913 390)</b>	<b>Net insurance claims</b>
Movement in other net technical provisions, life insurance provisions where the policyholder bears the investment risk, loss ratio (risk) equalization provisions	-	-	(150 249)	(173 243)	-	-	-	-	837 528	-	(514 036)	-	-	-	-	-	(40 983)	Claims and changes in valuation of investment contracts
Net premiums and rebates for insureds including the movement in provisions	(54)	(15)	(682)	-	-	-	-	-	-	-	751	-	-	-	-	-	-	
Other net technical income	(12 254)	(54 507)	(16 039)	(1 030)	-	-	-	-	(952)	-	84 782	-	-	-	-	-	-	
Acquisition expenses	(81 476)	(286 166)	(77 152)	(24 082)	-	-	(4 538)	(9 777)	(12 126)	(5 656)	(24 082)	2	-	-	-	3 193	(497 778)	Acquisition expenses
Administrative expenses	(21 710)	(124 319)	(126 534)	(13 247)	-	-	(15 907)	(6 665)	(4 783)	(3 470)	-	859	-	-	-	3 135	(312 641)	Administrative expenses
Reinsurance commissions and profit-sharing	1 591	(4 421)	-	-	-	-	-	-	-	-	2 830	-	-	-	-	-	-	
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(100 768)	100 768	-	-	-	-	-	-	
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	-	(14)	-	-	(254)	(158 505)	(2)	-	-	16 369	21 887	(120 519)	Other operating costs
<b>Result on insurance / Operating profit (loss)</b>	<b>48 812</b>	<b>252 330</b>	<b>474 304</b>	<b>35 746</b>	<b>467 865</b>	<b>33 257</b>	<b>4 715</b>	<b>532</b>	<b>3 854</b>	<b>11 728</b>	<b>245</b>	<b>55 554</b>	<b>-</b>	<b>(302)</b>	<b>16 369</b>	<b>279</b>	<b>1 405 288</b>	<b>Operating profit (loss)</b>
Other operating income	9 125	-	1 116	-	-	-	267	658	-	-	(11 166)	-	-	-	-	-	-	
Other operating costs	(14 899)	-	(7 437)	-	-	-	(1 188)	(884)	-	-	24 408	-	-	-	-	-	-	
Financial costs	-	-	-	-	-	-	-	-	-	(1 661)	(13 484)	-	-	-	-	-	(15 145)	Financial costs
																	1 390 143	<b>Gross profit (loss)</b>
																	(266 334)	Income tax
																	1 123 809	<b>Net profit (loss)</b>

Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group  
Interim Consolidated Financial Statements for Q3 2013 according to IFRS

(in thousands of PLN)

Profit and loss account for the period from 1 January 2012 to 30 September 2012	Corporate insurance (non- life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine (non-life)	Lithuania (non-life)	Investment contracts	Other operations	Presentation differences	Real estate and financial 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 2012 to 30 September 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	1 403 133	4 969 569	4 771 030	771 751	-	-	99 592	143 919	1 660 532	-	-	-	(1 660 532)	-	-	-	12 158 994	Gross insurance premium written externally			
Gross premium written between segments	1 523	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 523)	-	Gross insurance premium written between segments			
<b>Gross written insurance premium</b>	<b>1 404 656</b>	<b>4 969 569</b>	<b>4 771 030</b>	<b>771 751</b>	<b>-</b>	<b>-</b>	<b>99 592</b>	<b>143 919</b>	<b>1 660 532</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 660 532)</b>	<b>-</b>	<b>-</b>	<b>(1 523)</b>	<b>12 158 994</b>				
Reinsurers' share in gross written premium	(71 154)	(5 234)	(1 760)	(62)	-	-	(18 669)	(7 564)	-	-	-	-	-	-	-	1 463	(102 980)	Reinsurers' share in gross written insurance premium			
<b>Net written premium</b>	<b>1 333 502</b>	<b>4 964 335</b>	<b>4 769 270</b>	<b>771 689</b>	<b>-</b>	<b>-</b>	<b>80 923</b>	<b>136 355</b>	<b>1 660 532</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 660 532)</b>	<b>-</b>	<b>-</b>	<b>(60)</b>	<b>12 056 014</b>	<b>Net written premium</b>			
Movement in provision for unearned premiums and gross provision for unexpired risks	27 941	(70 243)	(207)	5 413	-	-	2 961	(8 882)	(764)	-	(62 819)	-	764	-	-	(817)	(106 653)	Movement in net provision for unearned insurance premiums			
Reinsurer's share in the provision for unearned premiums and the gross provision for unexpired risk	(35 080)	(26 936)	169	17	-	-	(287)	(702)	-	-	62 819	-	-	-	-	-	-				
<b>Net earned premium</b>	<b>1 326 363</b>	<b>4 867 156</b>	<b>4 769 232</b>	<b>777 119</b>	<b>-</b>	<b>-</b>	<b>83 597</b>	<b>126 771</b>	<b>1 659 768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 659 768)</b>	<b>-</b>	<b>-</b>	<b>(877)</b>	<b>11 949 361</b>	<b>Net earned premium</b>			
Investment income, including:	92 309	395 837	691 104	237 915	2 300 287	9 351	14 821	7 398	140 862	850	146 679	-	28 370	-	-	-	175 049	Fee and commission income			
Net result on investments (external activity)	92 309	395 837	691 104	237 915	1 065 344	9 351	14 821	7 398	140 862	850	(3 890 734)	-	-	-	-	-	-				
Net result on investments (inter-segment activity)	-	-	-	-	1 234 943	-	-	-	-	-	(2 655 791)	-	-	-	-	-	-				
											1 234 943	-	-	-	-	-	-				
											242 129	96 530	-	-	-	28 432	367 091	Net investment income (external activity)			
											639 000	(60 917)	-	-	-	(29 294)	548 789	Net investment income (inter-segment activity)			
Other net technical income	9 896	42 908	1 280	9 153	-	-	-	-	12 210	-	(75 447)	-	-	-	-	-	-	Net result on the realization of investments and impairment charges			
Revenues on core business of non-insurance entities	-	-	-	-	-	146 679	-	-	-	273 927	(420 606)	-	-	-	-	-	-	Net change in the fair value of assets and liabilities measured at fair value			
Other operating income (not applicable to insurance entities)	-	-	-	-	-	404	-	-	-	10 363	350 797	1 394	(12 210)	-	-	(83 032)	267 716	Other operating income			
Gross claims paid	(727 339)	(2 730 512)	(3 124 861)	(428 783)	-	-	(40 477)	(78 352)	(2 612 154)	-	(592 186)	(379)	1 771 552	(11 676)	-	(429)	(8 575 596)	Claims and movement in technical provisions			
Movement in the gross unpaid claims reserve	(319 739)	(386 232)	13 351	21 070	-	-	(1 208)	(3 300)	1 629	-	674 429	-	-	-	-	-	-	Claims and movement in insurance liabilities ceded to re-insurers			
Reinsurers' share in claims paid	41 905	58 889	78	-	-	-	2 326	2 129	-	-	43 453	-	-	-	-	(1 209)	147 571				
Reinsurer's share in the movement in provisions	75 418	(38 964)	-	-	-	-	(848)	(2 921)	-	-	(32 685)	-	-	-	-	-	-				
<b>Net insurance claims</b>	<b>(929 755)</b>	<b>(3 096 819)</b>	<b>(3 111 432)</b>	<b>(407 713)</b>	<b>-</b>	<b>-</b>	<b>(40 207)</b>	<b>(82 444)</b>	<b>(2 610 525)</b>	<b>-</b>	<b>93 011</b>	<b>(379)</b>	<b>1 771 552</b>	<b>(11 676)</b>	<b>-</b>	<b>(1 638)</b>	<b>(8 428 025)</b>	<b>Net insurance claims</b>			
Movement in other net technical provisions, life insurance provisions where the policyholder bears the investment risk, loss ratio (risk) equalization provisions	-	-	(371 442)	(387 326)	-	-	-	-	838 974	-	(80 206)	-	-	-	-	-	(127 944)	Claims and changes in valuation of investment contracts			
Net premiums and rebates for insureds including the movement in provisions	2 978	97	(1 037)	-	-	-	-	-	-	-	(2 038)	-	-	-	-	-	-				
Other net technical income	(30 594)	(216 040)	(46 445)	(2 879)	-	-	-	-	(3 721)	-	299 679	-	-	-	-	-	-				
Acquisition expenses	(253 349)	(845 069)	(240 127)	(64 579)	-	(15 760)	(27 488)	(36 279)	(19 208)	-	-	6	-	-	5 198	(1 496 655)	Acquisition expenses				
Administrative expenses	(70 993)	(376 021)	(414 672)	(38 156)	-	(48 408)	(20 101)	(13 470)	(10 341)	-	-	3 181	-	-	(20 000)	9 633	(999 348)	Administrative expenses			
Reinsurance commissions and profit-sharing	(7 837)	(8 227)	15	-	-	-	-	-	-	-	16 049	-	-	-	-	-	-				
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(272 034)	272 034	-	-	-	-	-	-				
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(301)	-	-	-	(803)	(459 967)	634	-	-	24 975	66 757	(368 705)	Other operating costs			
<b>Result on insurance / Operating profit (loss)</b>	<b>139 018</b>	<b>763 822</b>	<b>1 276 476</b>	<b>123 534</b>	<b>2 300 287</b>	<b>91 965</b>	<b>10 622</b>	<b>1 976</b>	<b>8 019</b>	<b>12 303</b>	<b>14 083</b>	<b>40 449</b>	<b>-</b>	<b>(11 676)</b>	<b>4 975</b>	<b>(1 235 009)</b>	<b>3 540 844</b>	<b>Operating profit (loss)</b>			
Other operating income	34 165	-	13 235	-	-	-	489	1 911	-	-	(49 800)	-	-	-	-	-	-				
Other operating costs	(40 163)	-	(15 735)	-	-	-	(1 343)	(2 523)	-	-	59 764	-	-	-	-	-	-				
Financial costs	-	-	-	-	-	-	-	-	-	(3 902)	(24 048)	-	-	-	-	-	(27 950)	Financial costs			
																		3 512 894	<b>Gross profit (loss)</b>		
																			(672 636)	Income tax	
																				2 840 258	<b>Net profit (loss)</b>

<b>1 January – 30 September 2013 and as at 30 September 2013</b>	<b>Poland</b>	<b>Baltics</b>	<b>Ukraine</b>	<b>Consolidation adjustments</b>	<b>Consolidated value</b>
Gross externally written insurance premium	12,066,088	193,923	142,539	-	12,402,550
Gross insurance premium written between segments	663	-	-	(663)	-
Fee and commission income	229,288	-	-	-	229,288
Net investment income	1,412,660	6,396	18,272	7,470	1,444,798
Net result on the realization of investments and impairment charges	(167,120)	(170)	(398)	1,210	(166,478)
Net change in the fair value of assets and liabilities measured at fair value	555,114	(915)	(34)	26,163	580,328
Non-current assets other than financial instruments*	1,189,319	13,978	5,999	(1,401)	1,207,895
Deferred income tax assets	13,725	-	1,250	-	14,975
Assets	61,378,497	407,216	252,430	(398,030)	61,640,113

\* applies to intangible assets and property, plant and equipment

<b>As at 31 December 2012</b>	<b>Poland</b>	<b>Baltics</b>	<b>Ukraine</b>	<b>Consolidation adjustments</b>	<b>Consolidated value</b>
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

<b>1 January – 30 September 2012 and as at 30 September 2012</b>	<b>Poland</b>	<b>Baltics</b>	<b>Ukraine</b>	<b>Consolidation adjustments</b>	<b>Consolidated value</b>
Gross externally written insurance premium	11,915,483	143,919	99,592	-	12,158,994
Gross insurance premium written between segments	179	-	-	(179)	-
Fee and commission income	175,049	-	-	-	175,049
Net investment income	1,638,746	4,748	10,021	-	1,653,515
Net result on the realization of investments and impairment charges	365,820	609	662	-	367,091
Net change in the fair value of assets and liabilities measured at fair value	546,754	2,041	(6)	-	548,789
Non-current assets other than financial instruments*	1,117,490	9,056	6,449	(1,632)	1,131,363
Deferred income tax assets	15,810	-	1,208	-	17,018
Assets	56,707,545	274,919	138,444	(320,242)	56,800,666

\* applies to intangible assets and property, plant and equipment

## 16. Commentary to segment reporting

### 16.1. Corporate insurance – non-life insurance

Gross written premium by product group	1 January – 30 September 2013	1 January – 30 September 2012	% change
Motor TPL insurance	264,607	296,143	(10.6)%
MOD insurance	340,073	412,123	(17.5)%
Total motor insurance	604,680	708,266	(14.6)%
Insurance against fire and other damage to property	343,883	278,100	23.7%
Other liability insurance (class 11, 12, 13)	263,735	264,781	(0.4)%
ADD and other insurance *	93,227	153,509	(39.3)%
Total non-life insurance without motor insurance	700,845	696,390	0.6%
<b>Total corporate insurance segment (non-life insurance)</b>	<b>1,305,525</b>	<b>1,404,656</b>	<b>(7.1)%</b>

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

In the 3 quarters of 2013, in the corporate insurance segment, the fall in gross written premium by PLN 99.131 thousand (-7.1%) compared to 3 quarters of 2012 resulted in particular from the lower sale of:

- insurance for patients on account of medical events (ADD insurance for hospitals; PLN -49,817 thousand) – in H1 2012, medical entities were obligated to conclude insurance agreements for patients on account of medical events; as a result of changes in legislation, this obligation was deferred until 2016;
- motor insurance – strong price competition for drivers and persisting bad condition on the domestic automotive market.

At the same time, written premium in insurance against fire and other property damage increased by PLN 65,783 thousand, which was driven by increased sales of long-term insurance for the fuel and energy sector and the mining sector.

Data from the profit and loss account – corporate insurance (non-life insurance)	1 January – 30 September 2013	1 January – 30 September 2012	% change
Gross written insurance premiums	1,305,525	1,404,656	(7.1)%
Net earned premiums	1,176,137	1,326,363	(11.3)%
Investment income	108,949	92,309	18.0%
Net insurance claims	(628,520)	(929,755)	(32.4)%
Acquisition expenses	(224,533)	(253,349)	(11.4)%
Administrative expenses	(77,471)	(70,993)	9.1%
Reinsurance commissions and profit-sharing	4,913	(7,837)	(162.7)%
Other	(23,971)	(17,720)	35.3%
<b>Operating profit (loss)</b>	<b>335,504</b>	<b>139,018</b>	<b>141.3%</b>
acquisition expense ratio (including reinsurance commissions*)	18.7%	19.7%	(1.0) pp
administrative expenses ratio*	6.6%	5.4%	1.2 pp
loss ratio*	53.4%	70.1%	(16.7) pp
combined ratio (COR)*	78.7%	95.1%	(16.4) pp

\* ratios calculated using net earned premium

During the 3 quarters of 2013, net claims fell by 32.4% compared to 3 quarters of 2012, which, considering the 11.3% decrease in earned premium, improved the loss ratio by 16.7 pp.

At the same time, gross claims paid fell by 11.9%, among others as a result of:

- lower frequency of losses as a result of better road conditions and lower traffic (which was confirmed by lower consumption of diesel oil and gasoline);
- declining claims in financial insurance, which was caused by the high loss ratio in the previous year (the breaking down of the construction sector in mid-2012) and introduction of a new pricing policy, involving more stringent evaluation of risk;

- lower number of claims reported and paid under large risks;
- optimization of the claims handling processes and a restrictive cost policy;
- review of the insurance portfolio in connection with changes of the underwriting policy in recent years.

The 18.0% yoy increase in investment income (allocated according to transfer prices) was driven mainly by the increasing valuation of portfolios covering insurance liabilities denominated in foreign currencies (in 3 quarters of 2012, this value declined and then rebounded in the current year), despite the fact that the rate of return decreased slightly on a large portion of allocated assets (the rate of return used to calculate income on investments securing liabilities denominated in PLN fell due to changes in the valuation of Polish securities on financial markets).

Acquisition expenses in the corporate insurance segment fell by 11.4% compared to the same period in 2012, due to weaker sales and lower indirect expenses (payroll expenses and cost of support in particular). At the same time, the percentage of total commissions in gross written premium was maintained at the level recorded in the same period of the previous year (an increase of 0.1 pp) - driven mainly by increased share of commissions in the broker channel (caused by the falling sales of medical events insurance for patients, for which lower commissions are charged).

A 9.1% increase in administrative expenses compared to 3 quarters of 2012 was associated mainly with an increase in the cost of project initiatives to improve and automate service processes, among others by implementing a new product system and building a positive image of the PZU Group.

Other costs presented in the „Other” item were higher than in the same period of the previous year mainly due to increased revaluation charges for receivables.

Operating profit in the corporate insurance segment for three quarters of 2013 and three quarters of 2012 was PLN 335,504 thousand and PLN 139,018 thousand, respectively. The significant hike in operating profit was achieved due to the low loss ratio in motor insurance and improved profitability of financial insurance.

## 16.2. Mass insurance – non-life insurance

Gross written premium by product group	1 January – 30 September 2013	1 January – 30 September 2012	% change
Motor TPL insurance	1,853,578	1,934,878	(4.2)%
MOD insurance	1,161,586	1,195,836	(2.9)%
Total motor insurance	3,015,164	3,130,714	(3.7)%
Insurance against fire and other damage to property	1,074,963	1,023,925	5.0%
Other liability insurance (class 11, 12, 13)	271,896	254,691	6.8%
ADD and other insurance *	569,018	560,239	1.6%
Total non-life insurance without motor insurance	1,915,877	1,838,855	4.2%
<b>Total mass insurance segment (non-life insurance)</b>	<b>4,931,041</b>	<b>4,969,569</b>	<b>(0.8)%</b>

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

In 3 quarters of 2013, in the mass insurance segment, gross written premium fell by PLN 38,528 thousand (-0.8%) as compared to 3 quarters of 2012. This change resulted primarily from:

- lower premiums in motor TPL insurance, mainly due to a lower level of automatic renewals, competitive price pressure and a worse situation on the automotive market (slower increase in the number of cars);
- increased sums insured in mandatory insurance of farm buildings (the value of buildings had been restated to their actual value) and increased sales of the subsidized insurance for agricultural crops;
- higher written premium in PZU Dom Plus insurance and in PZU Doradca insurance (growth in the number of insurance products - new sales campaign from July of this year).



<b>Data from the profit and loss account – mass insurance (non-life insurance)</b>	<b>1 January – 30 September 2013</b>	<b>1 January – 30 September 2012</b>	<b>% change</b>
Gross written insurance premiums	4,931,041	4,969,569	(0.8)%
Net earned premiums	4,940,194	4,867,156	1.5%
Investment income	428,310	395,837	8.2%
Net insurance claims	(2,977,297)	(3,096,819)	(3.9)%
Acquisition expenses	(820,597)	(845,069)	(2.9)%
Administrative expenses	(357,452)	(376,021)	(4.9)%
Reinsurance commissions and profit-sharing	72,321	(8,227)	x
Other	(164,689)	(173,035)	(4.8)%
<b>Operating profit (loss)</b>	<b>1,120,790</b>	<b>763,822</b>	<b>46.7%</b>
acquisition expense ratio (including reinsurance commissions*)	15.1%	17.5%	(2.4) pp
administrative expenses ratio*	7.2%	7.7%	(0.5) pp
loss ratio*	60.3%	63.6%	(3.3) pp
combined ratio (COR)*	82.6%	88.9%	(6.3) pp

\* ratios calculated using net earned premium

In the period of 3 quarters of 2013, net claims dropped 3.9% despite the increase in net earned premium (+1.5%). The excellent claims handling performance was driven by:

- very low level of losses associated with negative effects of wintering and lack of frost - after 3 quarters of 2013, the level of net insurance claims in mandatory subsidized crops insurance fell by about PLN 165,000 thousand as compared to 3 quarters of 2012;
- low loss ratio in motor insurance where the loss ratio similar to one in 3 quarters 2012 was maintained (+0.4%), which was associated with a low frequency of claims (lower traffic).

The 8.2% yoy increase in investment income (allocated according to transfer prices) was driven mainly by the increasing valuation of portfolios covering insurance liabilities denominated in foreign currencies (in 3 quarters of 2012, this value declined and then rebounded in the current year), despite the fact that the rate of return decreased slightly on a large portion of allocated assets (the rate of return used to calculate income on investments securing liabilities denominated in PLN fell due to changes in the valuation of Polish securities on financial markets).

Acquisition expenses in the mass insurance segment fell by 2.9%, due to the lower indirect costs (lower payroll expenses). At the same time, direct commissions expressed as a percentage of gross written premium increased as a result of the increasing percentage of more expensive distribution channels (brokers, agencies and multiagencies). Moreover, following the signing of a settlement with the reinsurer regarding the Green Card product, an adjustment reducing the 2011 result was reversed (one-time effect on reinsurance commissions of 3 quarters of 2013 PLN +73,272 thousand, total contribution to gross result after 3 quarters of 2013 was PLN +53,207 thousand).

Administrative expenses went down by PLN 18,569 thousand compared to 3 quarters of 2012, as a result of lower payroll expenses as a result of the restructuring and reorganization activities and lower advertising expenditures (rebranding campaign in 2012).

Other costs presented in the „Other” item fell by 4.8% compared to the same period of the previous year, mainly due to a lower level of revaluation charges for receivables.

The increase of operating profit in the mass insurance segment by PLN 356,968 thousand (+46.7%) compared to 3 quarters of 2012 was caused mainly by improved profitability in agricultural insurance (lower frequency of claims caused by negative effects of wintering and lack of frost) and in motor TPL insurance (lower frequency of claims).

### *New products*

In the course of the Everest project, General Terms and Conditions of Insurance in motor insurance were amended and changed premium tariffs for motor insurance for individual clients and entrepreneurs with small fleet were introduced. The changes will be applied to insurance agreements concluded in the new IT system, i.e. where the insurance period begins after 17 November 2013. The aforementioned General Terms and Conditions of Insurance and tariffs include the a motor product, i.e. PZU Auto Ochrona, which will be available for sale in the Everest system.

### **16.3. Group and individually continued insurance – life insurance**

<b>Gross written premium by payment type - group and individually continued insurance</b>	<b>1 January – 30 September 2013</b>	<b>1 January – 30 September 2012</b>	<b>% change</b>
Regular premium	4,799,871	4,699,168	2.1%
Single premium	700	71,862	(99.0)%
<b>Total</b>	<b>4,800,571</b>	<b>4,771,030</b>	<b>0.6%</b>

The increase of regular gross written premium by PLN 100,703 thousand (+2.1%) resulted in particular from:

- 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 3 quarters of 2013, the highest sales growth was recorded in the insurance for borrowers offered together with Bank PKO BP SA.

At the same time, sales of short-term single-premium endowment life insurance offered in the bancassurance channel fell, due to the implementation of the strategy to phase out such products because of their low profitability.

<b>Data from the profit and loss account – group and individually continued insurance</b>	<b>1 January – 30 September 2013</b>	<b>1 January – 30 September 2012</b>	<b>% change</b>
Gross written insurance premiums	4,800,571	4,771,030	0.6%
Group insurance	3,379,753	3,368,883	0.3%
Individually continued insurance	1,420,818	1,402,147	1.3%
Net earned premiums	4,799,945	4,769,232	0.6%
Investment income	542,940	691,104	(21.4)%
Net insurance claims	(3,245,912)	(3,111,432)	4.3%
Movement in other net technical provisions	(179,952)	(371,442)	(51.6)%
Acquisition expenses	(236,899)	(240,127)	(1.3)%
Administrative expenses	(387,864)	(414,672)	(6.5)%
Other	(42,915)	(46,187)	(7.1)%
<b>Operating profit (loss)</b>	<b>1,249,343</b>	<b>1,276,476</b>	<b>(2.1)%</b>
<b>Operating profit (loss) excluding the conversion effect</b>	<b>1,145,380</b>	<b>1,094,955</b>	<b>4.6%</b>
acquisition expenses ratio*	4.9%	5.0%	(0.1) pp
administrative expenses ratio*	8.1%	8.7%	(0.6) pp
operating margin*	26.0%	26.8%	(0.8) pp

\* ratios calculated using gross written premium

The increase in net insurance claims (by PLN 134,480 thousand, i.e. 4.3%) was driven by an increased number of death events in January 2013 (confirmed by the Central Statistical Office data about an increase in deaths in Poland) in protection group and continued insurance and a general growth of the portfolio size. Additionally, the value of claims was affected by the higher surrender amounts under the Employee Pension Plan group insurance, resulting from, among others, dismissals (offset by changes in the mathematical provision, part of the insureds move to individual products: IKE, IKZE).

The difference in the movement in technical provisions (provisions growth was PLN 191,490 thousand lower than in the same period of the previous year) resulted from a lower growth of mathematical provisions:

- in unit-linked products: as a result of worse investment performance;
- in continued protection products: as a result of the fact the a new type of continuation right was introduced in 2012 for the group phase, which makes it possible to create much lower mathematical provisions when the insured moves on to the individually continued phase;
- in short-term endowment products in the bancassurance channel: as a result of the discontinuation of sales of such products in the current year.

The factors described above were partially offset by a lower rate of conversion of long-term agreements to yearly renewable term agreements in type P group insurance (the effect of conversion<sup>5</sup> in the 3 quarters of 2013 resulted in the release of PLN 103,963 thousand of provisions, i.e. PLN 77,557 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 continued insurance segment, investment income decreased by PLN 148,164 thousand, mainly due to lower investment result under investment products due to worse conditions on the capital markets (lower appreciation of equities) and increased yields of debt instruments in the 3 quarters of 2013

<sup>5</sup> Conversion effect computed on the basis of PAS data.

(reducing their current valuation). During that period, allocated income according to transfer prices fell by PLN 28,694 thousand.

The acquisition expenses in the group and individually continued insurance segment during 3 quarters of 2013 and were PLN 236.899 thousand, down PLN 3,228 thousand from the same period of the previous year. This was caused by the following factors:

- decrease in indirect acquisition expenses, including fees due to sales networks associated with the acquisition of new clients in group insurance (modifications and sales) – portfolio modifications have been limited in order to maintain profitability;
- no commission on short-term single-premium endowment insurance offered as group insurance products in the bancassurance channel – sales discontinued;
- offset by commission growth in group protection insurance in the bancassurance channel, driven by higher sales of new policies.

The reduction of administrative expenses during the 3 quarters of 2013 compared to the same period in 2012 by PLN 26,808 thousand (-6.5%) was a result of mainly lower payroll expenses due to their reorganization and restructuring and lower marketing costs (rebranding expenditures in 2012).

The operating profit in the group and continued insurance segment in 3 quarters of 2013 fell by PLN 27,133 thousand (-2.1%) compared to the same period in 2012, mostly as a result of the lower effect of conversion from long-term contracts into yearly renewable term contracts in type P group insurance. The operating profit excluding this factor increased by PLN 50.425 thousand (+4.6%) yoy, mainly due to portfolio growth, operating cost savings and introduction of a new type of individual continuation.

#### *New products*

In the first 3 quarters of this year in the group investment insurance segment, the Financial Supervision Commission registered a new employee pension plan in the form of Pogodna Przyszłość group unit-linked life insurance.

#### **16.4. Individual insurance – life insurance**

<b>Gross written premium by payment type – individual insurance</b>	<b>1 January – 30 September 2013</b>	<b>1 January – 30 September 2012</b>	<b>% change</b>
Regular premium	362,006	337,784	7.2%
Single premium	669,856	433,967	54.4%
<b>Total</b>	<b>1,031,862</b>	<b>771,751</b>	<b>33.7%</b>

The gross written premium growth of PLN 260,111 thousand (+33.7%) compared to 3 quarters of 2012 was the result of the following:

- maintenance of a high growth rate of sales of the single-premium unit-linked individual product launched in cooperation with Bank Millennium SA;
- robust sales results of a structured product in cooperation with Bank Handlowy w Warszawie S.A.;
- sales of the Świat Zysków single-premium structured product higher than in the same period of the previous year;
- contributions to IKE product accounts being higher than the year before;
- consistent growth of the Plan na Życie (Plan for Life) savings and investment product with a protective element and regular premium.

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

<b>Data from the profit and loss account – individual insurance</b>	<b>1 January – 30 September 2013</b>	<b>1 January – 30 September 2012</b>	<b>% change</b>
Gross written insurance premiums	1,031,862	771,751	33.7%
Net earned premiums	1,036,234	777,119	33.3%
Investment income	208,246	237,915	(12.5)%
Net insurance claims	(428,633)	(407,713)	5.1%
Movement in other net technical provisions	(602,111)	(387,326)	55.5%
Acquisition expenses	(80,220)	(64,579)	24.2%
Administrative expenses	(35,527)	(38,156)	(6.9)%
Other	8,283	6,274	32.0%
<b>Operating profit (loss)</b>	<b>106,272</b>	<b>123,534</b>	<b>(14.0)%</b>
acquisition expenses ratio*	7.8%	8.4%	(0.6) pp
administrative expenses ratio*	3.4%	4.9%	(1.5) pp
operating margin*	10.3%	16.0%	(5.7) pp

\* ratios calculated using gross written premium

The increase in net insurance claims (by PLN 20,920 thousand, i.e. 5.1%) was the result of:

- increased endowment payments in the Świat Zysków structured product (balanced by a change in the mathematical provision);
- higher surrenders in IKE and unit-linked products in the bancassurance channel (amounts balanced by a change in the mathematical provision);
- partially offset by lower endowment payments under old policies from individual endowment policies from the 1990s.

The difference in the movement of the technical provisions (provisions increased by PLN 602.111 thousand, i.e. PLN 214.785 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 a structured product with Bank Handlowy w Warszawie S.A.). This effect was partially offset by a lower increase in the provision for other unit-linked products in the traditional channel and, as a result, worse investment performance and higher surrenders.

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 29,669 thousand mainly due to lower performance associated with investment products – due to worse conditions on the capital markets (lower appreciation of equities) and increased yields of debt instruments in the 3 quarters of 2013 (reducing their current valuation). Income allocated according to transfer prices remained at a similar level.

The higher acquisition costs in this segment (up by PLN 15.641 thousand, i.e. by 24.2%) resulted mostly from a dynamic growth of investment product sales through the bancassurance channel, especially unit-linked products with high acquisition costs, which are not deferred.

During the 3 quarters of 2013, administrative expenses in the individual segment declined by PLN 2,629 thousand (-6.9%) compared to the same period in 2012, due to lower payroll expenses due to their reorganization and restructuring and lower marketing costs (rebranding expenditures in 2012).

As a consequence of the events described above (the main contributor being acquisition costs), the segment's operating result fell by PLN 17,262 thousand (-14.0%) to PLN 106,272 thousand.

### *New products*

In connection with the reduction of interest rates by the Monetary Policy Council to the lowest level in history and reduced interest rates on deposits and treasury bond yields in the subscriptions for the individual structured insurance Świat Zysków sold from June 2013, the cover period under this product was extended from 3 to 5 years. The offered investment strategy also changed: since June, it has been based on an index investing in TFI PZU funds. The purpose of these changes was to enable to offer attractive product parameters to the Clients, while maintaining 100% principal guarantee, despite the adverse changes of market conditions. Świat Zysków is a modern way in which Clients may diversify the risk of their investment portfolios and is an important element of PZU Życie's investment offering. In connection with continuous changes on the financial markets, the investment strategies proposed under this products are adjusted to match the current needs of the Clients.

In June 2013, the group endowment insurance for Bank Millennium S.A. was also modified. - insurance period of 60 months. The change involved a transition to individual insurance. The insurance is available under a new name: individual endowment insurance Polisa Oszczędnościowa.

### **16.5. Investments**

PZU Group's investment income for the 3 quarters of 2013 fell by 27.7% compared to the same period of the previous year.

Investment income in the investment segment<sup>6</sup> 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 327,474 thousand.

<b>Investment income – by segment</b>	<b>1 January – 30 September 2013</b>	<b>1 January – 30 September 2012</b>	<b>% change</b>
Investment Segment (external operations)	737,870	1,065,344	(30.7)%
Insurance activity segments (PZU and PZU Życie)	1,288,445	1,417,165	(9.1)%
Other segments and adjustments	(167,667)	86,886	x
<b>Total</b>	<b>1,858,648</b>	<b>2,569,395</b>	<b>(27.7)%</b>

<sup>6</sup> The income includes the „Investment income” in external operations of the Investment segment

<b>Result on investment activity</b>	<b>1 January – 30 September 2013</b>	<b>1 January – 30 September 2012</b>	<b>% change</b>
Equity instruments	448,523	597,740	(25.0)%
Interest-bearing financial assets	1,374,953	2,035,463	(32.5)%
Investment property	25,912	222	x
Derivatives	338	92,383	(99.6)%
Receivables	(114,392)	(133,937)	(14.6)%
Other	123,314	(22,476)	x
<b>Total</b>	<b>1,858,648</b>	<b>2,569,395</b>	<b>(27.7)%</b>

The decline in PZU Group's investment income and the performance of the investment segment was caused, among others, by:

- lower appreciation of equity instruments on financial markets (in 3 quarters of 2013, the WIG index rose by 6.0%, compared to 16.3% the year before) and
- lower pricing of treasury bonds (yield of 5-year and 10-year treasury bonds increased during the 3 quarters of 2013 by 52 and 72 basis points, respectively, while in the 3 quarters of 2012 it fell by 114 and 119 basis points, respectively)

In the 3 quarters of 2013, lower results were also earned on derivatives, which are purchased mainly to aid risk management in investment portfolios.

Since mutual funds were consolidated in 2013, including mainly the closed-end mutual funds of the real property sector, a one-time (gross) income of PLN 172,810 thousand was recognized in the „Others” line item of the table above.

<b>Investments (including investment contracts) <sup>7</sup></b>	<b>30 September 2013</b>	<b>Structure as at 30 September 2013</b>	<b>31 December 2012</b>	<b>Structure as at 30 September 2012</b>
Equity instruments, including:	6,407,278	11.6%	6,325,626	12.4%
Equity instruments, for which fair value can be determined – listed	3,803,148	6.9%	2,403,641	4.7%
Equity instruments, for which fair value can be determined – other	2,599,098	4.7%	3,795,637	7.5%
Equity instruments, for which fair value cannot be determined	5,032	0.0%	126,348	0.2%
Interest-bearing financial assets, including:	47,234,322	85.5%	43,933,051	86.4%
Debt securities – government	35,453,824	64.1%	33,494,446	65.9%
Debt securities – other	2,404,699	4.4%	2,435,153	4.8%
Reverse repo transactions and term deposits with credit institutions	7,672,161	13.9%	6,982,331	13.7%
Loans	1,703,638	3.1%	1,021,121	2.0%
Investment property	1,610,828	2.9%	564,404	1.1%
Derivatives (net value)	20,026	0.0%	34,149	0.1%
Other	106	0.0%	329	0.0%
<b>Total</b>	<b>55,272,560</b>	<b>100.0%</b>	<b>50,857,559</b>	<b>100.0%</b>

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 30 September 2013 and as at 30 September 2012. Exposure to debt securities issued by governments other than the government of the Republic of Poland was 3.1% and 2.5% of all investments as at 30 September 2013 and 30 September 2012, respectively.

The increasing value of equity instruments resulted, among others, from an increase in their market value in the period from the end of 2012 to the end of Q3 2013 (the WIG index grew 6.0% in that period).

The full consolidation of closed-end mutual funds of the real property sector as of 1 January 2013 contributed to the increased share and value of investment property. At the same time, this operation contributed to the decline in the value of the „Equity instruments, for which fair value can be determined – other” category.

The increased share and value of money market instruments (reverse repo transactions and term deposits with credit institutions) was caused, among others, by transactions concluded on the interbank market to increase efficiency of the investment activity and to adjust investment portfolios to match their benchmarks.

<sup>7</sup> Financial assets, investment property and negative valuation of derivatives.



## 16.6. Pension insurance

Data from the profit and loss account – pension segment	1 January – 30 September 2013	1 January – 30 September 2012	% change
Revenues on core business of non-insurance entities	163,186	146,679	11.3%
Acquisition expenses	(12,542)	(15,760)	(20.4)%
Administrative expenses	(58,914)	(48,408)	21.7%
Other	8,974	9,454	(5.1)%
<b>Operating profit/loss</b>	<b>100,704</b>	<b>91,965</b>	<b>9.5%</b>

The increase in revenues on fees and commissions („Revenues on core business of non-insurance entities”) compared to 3 quarters of 2012 by PLN 16,507 thousand (11.3%) resulted in particular from the following:

- revenues from premium fees increasing by PLN 10,930 thousand (including the statutory increase, starting in 2013, of premiums transferred by ZUS to OFE from 2.3% to 2.8% of the base for calculating pension insurance premium);
- management fee increasing by PLN 12,614 thousand (higher level of OFE PZU assets).

At the same time, in the analyzed period of 2013, the revenues earned by PTE PZU on account of the bonus/reserve account decreased (by PLN 8,146 thousand) as a result of earning the rate of return for the period from 31 March 2007 to 29 March 2013 below the overall consumer price index for the same period. A similar situation affected most of the pension fund companies on the market.

Acquisition expenses declined by PLN 3,218 thousand (-20.4%) mainly due to lower cost of commission since it is gradually settled over time.

Administrative expenses of PTE PZU increased by PLN 10,506 thousand (21.7%) driven mainly by higher cost of running fund member registers (an increase of PLN 8,685 thousand, i.e. 42.2%). This was associated with establishment of a provision for additional remuneration for the transfer agent for achieving the quality level specified by PTE PZU. Moreover, the increase of premiums transferred to OFE also boosted the amount of fees charged by ZUS by PLN 2,156 thousand (+35.2%).

These changes contributed to the operating profit increasing from PLN 91,965 thousand in the same period of the previous year to PLN 100,704 thousand, i.e. by PLN 8,739 thousand.

At the end of Q3 2013, OFE PZU had 2,230.2 thousand members, i.e. 13.6% 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 September of the previous year, the number of OFE PZU members increased by 6.0 thousand persons, i.e. 0.3%, while the total number of members of all open-end pension funds increased by 2.7%.

At the end of September 2013, the total value of net assets of all OFEs on the market reached PLN 292.0 billion, growing 15.6% in relation to the end of Q3 2012. In the same period OFE PZU's assets grew 15.5% up to PLN 39.2 billion. The increased assets were affected by premiums received from ZUS and by investment results. In the period from January to September 2013, ZUS transferred to OFE PZU premiums in the amount of PLN 1.1 million, almost 40.1% more than in the corresponding period of 2012 and the rate of return during the 9 months of 2013 reached 5.3%.

## 16.7. Ukraine

<b>Data from the profit and loss account – Ukraine segment – total non-life and life insurance</b>	<b>1 January – 30 September 2013</b>	<b>1 January – 30 September 2012</b>	<b>% change</b>
Gross written insurance premiums	142,539	99,592	43.1%
Net earned premiums	122,910	83,597	47.0%
Investment income	17,828	14,821	20.3%
Net insurance claims	(59,006)	(40,207)	46.8%
Acquisition expenses	(44,436)	(27,488)	61.7%
Administrative expenses	(25,743)	(20,101)	28.1%
<b>Operating profit (loss)</b>	<b>11,553</b>	<b>10,622</b>	<b>8.8%</b>
PLN/UAH exchange rate	0.3933	0.4048	(2.8)%

The Ukraine Segment consists of two companies offering life insurance and property insurance.

In connection with the change of accounting principles in the PZU Group entailing abolishment of the materiality principle as of 1 January 2013, the company offering life insurance is now consolidated. The table above presents, in the period from 1 January to 30 September 2013, the data of two companies, while in the period from 1 January to 30 September 2012. only the data of the previously consolidated property company.

### 16.7.1. Ukraine segment – property insurance – PZU Ukraine

<b>Data from the profit and loss account – Ukraine segment – property insurance</b>	<b>1 January – 30 September 2013</b>	<b>1 January – 30 September 2012</b>	<b>% change</b>
Gross written insurance premiums	110,810	99,592	11.3%
Net earned premiums	91,028	83,597	8.9%
Investment income	9,886	14,821	(33.3)%
Net insurance claims	(39,099)	(40,207)	(2.8)%
Acquisition expenses	(31,129)	(27,488)	13.2%
Administrative expenses	(21,478)	(20,101)	6.9%
<b>Operating profit (loss)</b>	<b>9,208</b>	<b>10,622</b>	<b>(13.3)%</b>
PLN/UAH exchange rate	0.3933	0.4048	(2.8)%
acquisition expenses ratio*	34.2%	32.9%	1.3 pp
administrative expenses ratio*	23.6%	24.0%	(0.4) pp
loss ratio*	42.9%	48.1%	(5.2) pp
combined ratio (COR)*	100.7%	105.0%	(4.3) pp

\* ratios calculated using net earned premium

The growth in gross written premium of PLN 11,218 thousand (+11.3%) in the first three quarters of 2013 compared to the same period in 2012 resulted primarily from the positive growth rate in the sales of insurance: Green Card, Motor Own Damage, production interruption and tourist.

Acquisition expenses were up by PLN 3,641 thousand (+13.2%) compared to the first three quarters of 2012 and resulted from the positive growth rate in net earned premium (8.9%), including higher sales of individual non-life, motor and tourist insurance featuring higher sales commissions.

Administrative expenses rose by PLN 1,377 thousand (+6.9%), primarily as a result of the change to the methodology of provisioning for leave and salary bonuses – they are updated on a monthly basis instead of making a single yearend update as in 2012 and indexing salaries in June 2012.

The net claims ratio improvement of 5.2 p.p. compared to the same period last year resulted from the higher net earned premium, curtailment of popular though high-claims medical insurance and balancing the portfolio with a profitable portfolio of non-life insurance.

The operating profit yoy was down PLN 1,414 thousand, primarily on account of the decline in the total investment income and the deterioration in the acquisition expense ratio from 32.9% to 34.2% (+1.3 p.p.).

#### 16.7.2. Ukraine Segment – life insurance – PZU Ukraine Life

Data from the profit and loss account – Ukraine segment – life insurance	1 January – 30 September 2013	1 January – 30 September 2012	% change
Gross written insurance premiums	31,729	27,369	15.9%
Net earned premiums	31,882	26,351	21.0%
Investment income	7,942	5,259	51.0%
Net insurance claims	(19,907)	(15,281)	30.3%
Acquisition expenses	(13,307)	(12,724)	4.6%
Administrative expenses	(4,265)	(4,030)	5.8%
<b>Operating profit (loss)</b>	<b>2,345</b>	<b>(426)</b>	<b>x</b>
UAH/PLN exchange rate	0.3933	0.4048	(2.8)%
acquisition expenses ratio*	41.9%	46.5%	(4.6) pp
administrative expenses ratio*	13.4%	14.7%	(1.3) pp
operating margin*	7.4%	(1.6)%	9.0 pp

\* ratios calculated using gross written premium

As of 1 January 2013 the Ukraine Segment also contains data from the life insurance carrier; in the foregoing table the data for the period from 1 January to 30 September 2012 have been depicted solely for comparison purposes.

The growth in gross written premium by PLN 4,360 thousand (+15.9%) during the first three quarters of 2013 compared to the same period in 2012 resulted from the positive growth rate in the sales of endowments and term products.

Acquisition expenses were up PLN 583 thousand (+4.6%) compared to the first three quarters of 2012 as a result of the positive growth in net earned premium (+21.0%) and active cooperation with brokers and banks, featuring higher commission charges.

Administrative expenses rose by PLN 235 thousand (+5.8%), primarily as a result of the change to the methodology of provisioning for leave and salary bonuses – they are updated on a monthly basis instead of making a single yearend update as in 2012 and indexing salaries in June 2012.

The operating profit yoy was higher by PLN 2,771 thousand, primarily on account of the high growth rate of sales and higher investment income.

## 16.8. Baltics

Data from the profit and loss account – Lithuania segment – total non-life and life insurance	1 January – 30 September 2013	1 January – 30 September 2012	% change
Gross written insurance premiums	193,923	143,919	34.7%
Net earned premiums	165,876	126,771	30.8%
Investment income	5,311	7,398	(28.2)%
Net insurance claims	(103,258)	(82,444)	25.2%
Acquisition expenses	(49,528)	(36,279)	36.5%
Administrative expenses	(18,269)	(13,470)	35.6%
<b>Operating profit (loss)</b>	<b>132</b>	<b>1,976</b>	<b>x</b>
LTL/PLN exchange rate	1.2231	1.2149	0.7%

The Baltic States Segment (Lithuania, Latvia and Estonia) consists of two companies offering life and non-life insurance.

Having regard for the change to the accounting principles in the PZU Group involving the cessation of applying the materiality principle as of 1 January 2013 consolidation of the life insurance carrier began. The table above depicts two companies' data in the period from 1 January to 30 September 2013, while in the period from 1 January to 30 September 2012 it shows only the data of the non-life company subject to consolidation to date.

### 16.8.1. Baltic States Segment – non-life insurance – PZU Lietuva

Data from the profit and loss account – Lithuania segment – property insurance	1 January – 30 September 2013	1 January – 30 September 2012	% change
Gross written insurance premiums	170,603	143,919	18.5%
Net earned premiums	142,712	126,771	12.6%
Investment income	4,304	7,398	(41.8)%
Net insurance claims	(88,906)	(82,444)	7.8%
Acquisition expenses	(41,665)	(36,279)	14.8%
Administrative expenses	(16,119)	(13,470)	19.7%
<b>Operating profit (loss)</b>	<b>326</b>	<b>1,976</b>	<b>(83.5)%</b>
LTL/PLN exchange rate	1.2231	1.2149	0.7%
acquisition expenses ratio*	29.2%	28.6%	0.6 pp
administrative expenses ratio*	11.3%	10.7%	0.6 pp
loss ratio*	62.3%	65.0%	(2.7) pp
combined ratio (COR)*	102.8%	104.3%	(1.5) pp

\* ratios calculated using net earned premium

The growth in gross written premium in Lithuania, Latvia and Estonia of PLN 26,684 thousand (+18.5%) in the first three quarters of 2013 compared to the same period in 2012 primarily resulted from the positive growth rate in the sales of insurance: motor, general TPL, non-life and insurance guarantees.

Acquisition expenses were up by PLN 5,386 thousand (+14.8%) compared to the first three quarters of 2012 primarily on account of the positive growth rate of earned premium (+12.6%).

Administrative expenses rose by PLN 2,649 thousand (+19.7%), primarily as a result of expansion on the Latvian and Estonian markets.

The improvement in the net claims ratio by 2.7 p.p. compared to the same period last year resulted from the higher growth rate of net earned premium (+12.6%) compared to the growth rate of net claims paid (+7.8%).

The operating profit yoy was down by PLN 1,650 thousand, primarily on account of the development activity conducted on the Latvian and Estonian markets.

### 16.8.2. Baltic States Segment – life insurance – UAB PZU Lietuva Gyvybes Draudimas

Data from the profit and loss account – Lithuania segment – life insurance	1 January – 30 September 2013	1 January – 30 September 2012	% change
Gross written insurance premiums	23,320	18,397	26.8%
Net earned premiums	23,164	18,253	26.9%
Investment income	1,007	2,215	(54.5)%
Net insurance claims	(14,352)	(10,962)	30.9%
Acquisition expenses	(7,863)	(6,595)	19.2%
Administrative expenses	(2,150)	(2,165)	(0.7)%
<b>Operating profit (loss)</b>	<b>(194)</b>	<b>746</b>	<b>x</b>
LTL/PLN exchange rate	1.2231	1.2149	0.7%
acquisition expenses ratio*	33.7%	35.8%	(2.1) pp
administrative expenses ratio*	9.2%	11.8%	(2.6) pp
operating margin*	(0.8)%	4.1%	(4.9) pp

\* ratios calculated using gross written premium

The growth in gross written premium by PLN 4,923 thousand (+26.8%) in the first three quarters of 2013 compared to the same period in 2012 primarily resulted from the dynamic growth of regular premium individual insurance.

Acquisition costs were up by PLN 1,268 thousand (+19.2%) compared to the first three quarters of 2012 primarily on account of the growth in new sales of individual insurance.

The operating profit yoy was down by PLN 940 thousand, turning into a loss of PLN 194 thousand at the end of Q3 2013, primarily on account of lower investment income and higher claims payments compared to the same period in 2012.

### 16.9. Investment contracts

Investment contract accounting is conducted by applying the deposit method, as a consequence of which investment contract volumes (presented as gross written premium in the table below) do not constitute income according to IFRS.

Volumes obtained on investment contracts by payment type	1 January – 30 September 2013	1 January – 30 September 2012	% change
<b>Gross written premium</b>			
Regular premium	34,295	13,779	148.9%
Single premium	939,896	1,646,753	(42.9)%
<b>Total</b>	<b>974,191</b>	<b>1,660,532</b>	<b>(41.3)%</b>

Gross written premium generated on investment contracts during the 3 quarters of 2013 decreased by PLN 686,341 thousand (-41.3%) compared to the same period in 2012. The changes in gross written premium were caused mainly by:

- lower sales of short-term life and endowment products in the bancassurance and proprietary channels – effect of the strategy involving the retraction of these types of policies;
- premium growth as a result of launching the investment product called Individual Retirement Security Account (IKZE).

<b>Data from the profit and loss account – investment contracts</b>	<b>1 January – 30 September 2013</b>	<b>1 January – 30 September 2012</b>	<b>% change</b>
Gross written insurance premiums	974,191	1,660,532	(41.3)%
Group insurance	672,501	1,318,008	(49.0)%
Individually continued insurance	301,690	342,524	(11.9)%
Net earned premiums	974,784	1,659,768	(41.3)%
Investment income	71,610	140,862	(49.2)%
Net insurance claims	(1,114,072)	(2,610,525)	(57.3)%
Movement in other net technical provisions	92,905	838,974	(88.9)%
Acquisition expenses	(13,160)	(19,208)	(31.5)%
Administrative expenses	(7,067)	(10,341)	(31.7)%
Other	9,817	8,489	15.6%
<b>Operating profit (loss)</b>	<b>14,817</b>	<b>8,019</b>	<b>84.8%</b>
operating margin*	1.5%	0.5%	1.0 pp

\* ratios calculated using gross written premium

Investment income in the investment contract segment fell by PLN 69,252 thousand as a result of worse market conditions on the capital markets (lower appreciation in share prices), higher yields on debt instruments in the first three quarters of 2013 (decline in the current valuation) and decrease of the investment balance.

The PLN 1,496,453 thousand yoy decrease in net claims resulted from higher endowment payments under short-term investment endowment insurance products, mainly in the bancassurance channel .

The difference in the movement of the technical provisions in the first three quarters of 2013 compared to the same period in 2012 was the outcome of changes to the portfolio of short-term investment life and endowment insurance, primarily in the bancassurance channel – the decline in sales, the lower level of endowment payments and lower investment income.

The decline in acquisition expenses by PLN 6,048 thousand (-31.5%) resulted mainly from the lower sales volume and the fact that this year there was no cost of launching sales of the IKZE product, which were recorded last year.

The segment's operating result was PLN 14,817 thousand, which means an increase of PLN 6,798 thousand from the similar period of 2012. The main reason was the decline in acquisition expenses yoy and the allocated fixed expenses as a result of the decline in the contract portfolio.

#### *New products*

In June 2013 a change was made in the group life and endowment insurance offered by Bank Millennium S.A. similar to the one described in the individual insurance segment (life insurance). - for an insurance term of 24 and 36 months. The modification entailed switching to individual life and endowment insurance.

## **17. Impact of non-recurring events on operating results**

The PZU Group's gross results in the first 3 quarters of 2013 were affected by the following one-off events:

- income from the consolidation of mutual funds of PLN +172,810 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.

During the first 3 quarters of 2013, the following one-off events were recorded:

- PZU assessed additional claims reserves in contract guarantees and decreased its estimated income from reinsurance profit-sharing due to a series of bankruptcies in the construction industry (impact on the gross result: PLN -117,107 thousand).
- In connection with the implementation of a new investment strategy, certain listed shares were sold from the available-for-sale portfolio, the revaluation of which shares in the previous years was charged to the revaluation reserve. As a result of this transaction, a gross profit of PLN 100,994 thousand was earned.

## 18. Macroeconomic environment

In H1 2013, the PZU Group operated in tough macroeconomic conditions. GDP growth in Q2 2013 increased slightly to 0.8% YoY from 0.5% YoY the quarter before. This was possible due to net exports which added as much as 2.5 percentage points to the rate of GDP growth in the period.

However, the decrease in domestic demand deepened both compared to both Q1 2013 and the same quarter of the previous year. In Q2, the stagnation in private consumption continued despite a real increase in income and improved consumer confidence indicators, including a weakening concern for unemployment. Its annual growth increased to only 0.2% YoY from 0.0% YoY in Q1 2013. Thanks to a noticeable increase in expenditures of central and local government institutions for the benefit of citizens (government consumption), the growth in consumption was +1.1% YoY compared to 0.0% YoY the quarter before. The key factor that contributed to the decline in domestic demand and had a strong negative impact on GDP growth was a decrease in gross expenditures on fixed assets, inventories and assets, i.e. gross accumulation (-13.6% YoY). This was due to the first decrease in inventories since Q4 2009 – its negative impact on the annual growth in GDP in Q2 2013 was as much as 2 percentage points. The deepened decline in investments in fixed assets (to -3.2% YoY) deducted 0.6 percentage points from the annual GDP growth in this period.

However, starting in June, monthly data on economic activity have been confirming that the Polish economy has entered a phase of moderate economic recovery. In Q3, the rate of GDP growth is likely to have increased above 1.5% YoY. The increase in real income observed since the beginning of 2013 should, in a period of halted negative trends in the labor market and low interest rates, result in breaking the stagnation of consumption – its annual rate of growth may have exceeded 1% YoY. Evidence of this is the growth trend in retail sales – its average monthly rate of growth in Q3 was 4.0% YoY compared to 1.3% YoY in Q2 2013. At the same time, it may be expected that exports will remain a significant driver of economic growth in a situation of global economic recovery in industrial production, especially in Germany. However, the extent of the positive impact of net exports on GDP growth will probably be significantly lower than in Q2. This is because it seems that the decline in domestic demand, which thus far resulted in a decrease in imports, has been halted in annual terms. The liquidation of surplus inventories in Q2 should contribute to an increase in production in the coming months. The growth in monthly seasonally-adjusted industrial output sold in Q3 increased to an average of 3.5% YoY from 1.1% YoY in Q2. All surveys of the economic situation indicated an improvement in the condition of businesses in recent months, including an increase in new orders and reduced demand barriers. The negative growth in seasonally-adjusted construction and installation output was reduced in Q3 to an average of -8.0 YoY compared to -21.6% YoY in Q2. However, the level of this output in September 2013 was lower by almost 23% than in the peak moment before the downturn, in January 2012. At most, Q3 may only bring a reduction in the magnitude of the annual decline in investments in fixed assets. The investment activity of businesses remains low – its noticeable recovery would require convincing especially small and medium-sized enterprises that the recovery is sustainable. A significant increase in public investments may only be expected in 2014.

The improvement in economic activity in Q3 was accompanied by a slowdown in negative trends in the labor market. In this period, employment in the corporate sector increased by 7.1 thousand persons compared to a decrease by 17.3 thousand persons in the same period of the previous year. The annual rate of decline in employment in the corporate sector was only -0.3% YoY in September 2013. The rate of registered unemployment at the end of Q3 stood at 13.0%. Although it was 0.6 percentage points higher than the year

before, the seasonally-adjusted rate of registered unemployment stopped increasing during this period. In Q3, the annual nominal rate of growth in the average monthly wage in the corporate sector was on average only slightly higher than in the previous quarter (3.0% YoY compared to 2.2% YoY). However, thanks to the low inflation, this average wage increased during the period by 1.9% YoY. In Q3, the payroll in the enterprise sector increased in real terms by an average of 1.4% YoY – the highest rate of growth since Q1 2012. The growth in real income is conducive to increased consumption.

In Q3, inflation (CPI) was 1.1% YoY compared to 0.5% YoY in the quarter before. This statistical increase in inflation concentrated in July (1.1% YoY compared to 0.2% YoY in June) was a one-off result of changes in waste disposal regulations and also resulted from changes in the manner of measurement of food prices by the Central Statistical Office. In August, CPI remained at the same level as in July but fell to 1.0% YoY in September. In a situation of the persisting low economic growth in Poland and the absence of wage and inflationary pressures, the Monetary Policy Council, at its meeting in July, cut the reference rate by 25 basis points to 2.50%, ending the cycle of easing of the monetary policy. At its subsequent meetings in September, October and November, the Council did not change the interest rates of the National Bank of Poland. In September and October, the Monetary Policy Council decided that the interest rates should remain at the existing level at least until the end of 2013. In November, this timeframe was extended at least until mid-2014.

In Q3 2013, an impact on the situation in the Polish capital market was exerted mainly by factors of a global nature, first of all by the Fed's June announcement of the gradual phasing-out of bond purchases conducted by the U.S. central bank under the third round of "quantitative easing." This caused a general increase in bond yields and the outflow of capital from the "emerging markets." This trend was halted in the second half of September when the Fed surprised the financial markets by postponing its decision until later. At the end of September, the yield on Polish 10-year government bonds was 4.5% compared to 4.25% at the end of June. The yield on 5-year bonds at the end of September stood at 3.87% and the yield on 2-year bonds was 3.08%. These yields were higher than those at the end of June by 21 and 7 basis points, respectively. The decrease in bond prices and the concurrent increase in stock prices were driven, to a certain extent, by the improvement in the economic situation of Poland and the world's major economies. Between the end of June and the end of September, the WIG and WIG 20 indices increased by 12.4% and 6.5%, respectively. At the beginning of September, there was a strong but short-lived adjustment in stock market indices caused by concerns about the impact of the government's proposed changes in the pension system on the Polish capital market. The improvement in the economic situation in Q3 contributed to the strengthening of the Polish zloty against the major currencies. The EUR/PLN exchange rate as at the end of September compared to the end of June was down by 2.6%, the USD/PLN exchange rate was down by 5.9% and the CHF/PLN exchange rate was down by 1.6%.

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

PZU did not publish any separate 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 subsequent quarters 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 scope of implementation 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 subsequent quarters 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, stopped growth of popularity of independent financial consulting and resulting reduction in the number of sales channels for insurance products;
- changes in the current mortality and morbidity levels;
- behavior of the capital market in 2013, particularly of the Warsaw Stock Exchange – the interest in unit-linked products offered by PZU is positively correlated with trends in the capital markets;
- lack of a precise definition of the scope of exemptions pertaining to e.g. insurance services or medical services in the amended VAT Act;
- unknown date and scope of implementation 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 coming quarters include:

- planned modification of the open-end pension funds system, which in 2014 will result in a decrease in PTE PZU's assets and a drop in fees charged by PZU's open-end pension funds;
- changes in legislation pertaining to pension payments – a negative impact on PTE PZU's revenues;
- low rate of wage growth resulting in a lower rate of growth in premiums paid by pension fund members;
- deepening of the financial crisis and its direct negative impact on the value of PTE PZU's assets under management.

### **20.4. Investment activities**

The most significant risk factors which may affect the results of investment activities in the next quarters of 2013 include:

- variability of yields on treasury securities depends on the economic situation of Poland and other European Union countries;
- behavior of the capital market in 2013, particularly of the Warsaw Stock Exchange – part of the companies' investment activity income depends on the trends in this market. Furthermore, the interest in unit-linked products offered by PZU is positively correlated with trends in the capital markets;
- changes in the financial intermediation market, halted growth of popularity of independent financial consulting resulting in a reduction in the number of sales channels and lower interest in financial instruments among savers.

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

In the 9-month period ended 30 September 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 9 months ended 30 September 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 loan sureties or guarantees by PZU or its subsidiaries**

In the 9-month period ended 30 September 2013, neither PZU nor its subsidiaries granted any loan sureties or guarantees 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**

Only the profit recognized in the parent company's PAS-compliant separate financial statements is subject to distribution.

### **24.1. Distribution of the profit earned in 2012**

On 23 May 2013, PZU's Ordinary Shareholder Meeting distributed the company's net profit of PLN 2,580,720 thousand for the financial year 2012 by allocating:

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

The date of establishment of the right to the dividend was set for 23 August 2013 and the dividend payment date was set for 12 September 2013.

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.

### **24.2. Interim dividend for 2013**

On 26 August 2013, the PZU Management Board adopted a resolution on the payment of an interim dividend for 2013 in the amount of PLN 1,727,046 thousand, i.e. PLN 20.00 per share, in accordance with the provisions of Article 349 of the Commercial Companies Code, from the profit earned during the 6 months ended 30 June 2013 in the amount of PLN 4,679,913 thousand, recognized in PZU's PAS-compliant separate financial statements for this period.

On the same day, the Supervisory Board approved the payment of the interim dividend, with the date for the right to the dividend set for 12 November 2013 and the dividend payment date set for 19 November 2013.

## 25. Information on the shareholders of PZU

### 25.1. List of PZU shareholders with at least 5% of the votes at the shareholder meeting

As at the date of submission of this interim report, PZU's shareholder structure, taking into consideration the shareholders with at least 5% of the votes at the PZU shareholder meeting is as follows:

No	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	Other shareholders	55,967,047	64.8125%
<b>Total</b>		<b>86,352,300</b>	<b>100.00%</b>

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

In the period from 1 January 2013 to the date of submission of this interim report, certain material changes have taken place in the ownership structure of significant shareholdings in PZU.

As a result of the acquisition of PZU shares in transactions settled on the Warsaw Stock Exchange on 1 February 2013, ING Otwarty Fundusz Emerytalny ("ING Fund") managed by ING Powszechnie Towarzystwo Emerytalne SA became the holder of 4,356,139 PZU shares representing 5.0446% of Company's share capital and of the total number of votes at the Shareholder Meeting. As at 31 December 2012, the ING Fund held 4,281,972 shares representing 4.9587% of PZU's share capital and the same percentage of the total number of votes at the Shareholder Meeting.

As a result of the sale of shares in transactions settled on 31 May 2013, the ING Fund reduced its shareholding in PZU below 5% of the votes at the Shareholder Meeting. After the change, the ING Fund held 4,222,963 PZU shares representing 4.89% of the Company's share capital and the same percentage of the total number of votes.

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

No.	Corporate authority / Full name	Number of shares/rights to shares as at the date of submission of this interim report (i.e. 14 November 2013)	Number of shares/rights to shares as at the date of submission of the previous interim report (i.e. 27 August 2013)	Resulting change during the period between the two dates
<b>Management Board</b>				
1	Andrzej Klesyk	-	-	-
2	Przemysław Dąbrowski	-	-	-
3	Dariusz Krzewina	-	-	-
4	Bogusław Skuza	500	500	-
5	Barbara Smalska	-	-	-
6	Tomasz Tarkowski	80	80	-
7	Ryszard Trepczyński	-	-	-
<b>Group Directors</b>				
1	Rafał Grodzicki	-	-	-
2	Przemysław Henschke	-	-	-
3	Sławomir Niemierka	-	-	-

No.	Corporate authority / Full name	Number of shares/rights to shares as at the date of submission of this interim report (i.e. 14 November 2013)	Number of shares/rights to shares as at the date of submission of the previous interim report (i.e. 27 August 2013)	Resulting change during the period between the two dates
<b>Supervisor Board</b>				
1	Waldemar Maj	30	30	-
2	Zbigniew Ćwiąkański	-	-	-
3	Tomasz Zganiacz	-	-	-
4	Dariusz Daniluk	-	-	-
5	Zbigniew Derdziuk	-	-	-
6	Dariusz Filar	-	-	-
7	Włodzimierz Kiciński	30	30	-
8	Alojzy Nowak	-	-	-
9	Maciej Piotrowski	-	-	-
<b>Total</b>		<b>640</b>	<b>640</b>	<b>-</b>

## 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 conducted before the President of the Office for Competition and Consumer Protection.

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 reserve set within the framework of mathematical life reserves.

During the 9 months ended 30 September 2013 and until the date of submission of 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 30 September 2013, the total value of all 56,055 cases pending before courts, arbitration bodies or public administration authorities and involving the PZU Group companies was PLN 2,447,802 thousand, of which PLN 1,880,472 thousand concerned liabilities and PLN 567,330 thousand concerned receivables of the PZU Group companies, i.e. 15.93% and 4.81% of PZU's equity, respectively, according to PAS.

### 26.1. Resolution of the Ordinary Shareholder Meeting of PZU to distribute the profit earned in the financial year 2006

On 30 July 2007, an action was brought by Manchester Securities Corporation against PZU to repeal Resolution No. 8/2007 adopted by the Company's Ordinary Shareholder Meeting on 30 June 2007 to distribute PZU's profit for the financial year 2006 as contradicting good practices and aimed at harming the plaintiff as a shareholder of PZU.

The challenged resolution of the Ordinary Shareholder Meeting of PZU distributed the net profit of PLN 3,280,883 thousand generated in 2006 as follows:

- PLN 3,260,883 thousand was allocated to reserve capital;

- PLN 20,000 thousand was allocated to the Company Social Benefit Fund.

In its judgment of 22 January 2010, the Regional Court in Warsaw rescinded in its entirety the challenged Ordinary Shareholder Meeting resolution. On 17 January 2010, PZU filed an appeal to the Regional Court in Warsaw against the judgment in its entirety.

The Court of Appeals in Warsaw, in its judgment announced on 6 December 2011, dismissed PZU's appeal in its entirety 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 filed a petition for a written justification of the judgment issued by the Appellate Court in Warsaw of 6 December 2011. On 2 April 2012, PZU received the Court's judgment along with the justification. 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.

In PZU's opinion, the rescission of the resolution will not lead to the occurrence of a claim on the part of PZU shareholders for payment of a dividend.

Notwithstanding the foregoing, in connection with the coming into force of the judgment rescinding the resolution, the agenda of the Ordinary Shareholder Meeting of PZU held on 30 May 2012 included an item on the adoption of a resolution on the distribution of PZU's net profit for the financial year 2006.

The Management Board recommended to the Ordinary Shareholder Meeting of PZU that the distribution of profit for the financial year 2006 should be effected in a manner reflecting the distribution of profit effected under the repealed resolution, because after the adoption of the resolution PZU made a dividend payment for 2009 at the expense of funds retained by the Company pursuant to the 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. 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 date of the next session was set at 3 December 2013.

As at the balance sheet date of 30 September 2013, no changes were made to the presentation of PZU's capital funds which could potentially result from the rescission of the aforementioned resolution of the Ordinary Shareholder Meeting of PZU, including the items "Reserve capital" and "Profit (loss) brought forward," the resources of the Company Social Benefit Fund were not adjusted and no provisions were established for any potential additional claims arising from the rescission of the said resolution.

## **26.2. Proceedings conducted by the Office for Competition and Consumer Protection against PZU**

### **26.2.1. Penalty imposed in 2009 on model agreements**

On 30 December 2009, the President of the Office for Competition and Consumer Protection issued a decision to impose a fine of PLN 14,792 thousand on PZU for its use of practices infringing on collective consumer interests by:

- inclusion, in certain model agreements, of contractual provisions classified in the Register of Model Contractual Provisions as prohibited;
- unlawful inclusion, in certain model agreements, of contractual provisions violating Article 813 § 1 of the Civil Code by the introduction, out of compliance with the disposition of this provision of law, of the prerequisite of an unused sum insured as a factor affecting the amount of the insurance premium refunded to the client for the unused period of insurance.

PZU disagrees both with the content and the justification for the decision issued by the Office for Competition and Consumer Protection. On 18 January 2010, PZU appealed to the Court for Competition and Consumer Protection against this decision (resulting in the prevention of its coming into force). In its judgment of 14 November 2011, the Court for Competition and Consumer Protection dismissed PZU's appeal against the said decision. On 14 December 2011, PZU filed 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 of the President of the Office for Competition and Consumer Protection against the judgment.

On 6 November 2013, the Appellate Court in Warsaw changed the judgment issued by the Court for Competition and Consumer Protection of 18 January 2013 by partial rescission of the decision issued by the President of the Office for Competition and Consumer Protection on 30 December 2009, dismissal of PZU's appeal of 18 January 2010 in relation to the contractual provisions violating Article 813 § 1 of the Civil Code, reduction of the fine to PLN 1,643 thousand. The judgment of 6 November 2013 is legally binding. A cassation complaint may be filed against it with the Supreme Court within 2 months of receipt of the written justification for the judgment.

PZU has established a provision for the above fine, whose amount, both as at 30 September 2013 and 31 December 2012 was PLN 14,792 thousand.

## **26.2.2. Fines imposed in 2011**

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

On 18 November 2011, the President of the Office for Competition and Consumer Protection issued a decision to impose a fine of PLN 11,287 thousand on PZU for its use of the practice infringing on collective consumer interests referred to in Article 24 Sections 1 and 2 of the Act on Competition and Consumer Protection (Journal of Laws No. 50 of 2007 Item 331, as amended) involving a reduction in the scope PZU's liability toward consumers pursuing claims under the insurer's warranty liability arising out of third party liability agreements with vehicle owners by:

- refusing to recognize the inability to use a damaged vehicle as property damage and imposing a condition that in order to receive indemnification for the rental of a replacement vehicle the injured party must demonstrate special circumstances causing the indispensability of renting a replacement vehicle;
- unjustifiably disregarding, in the determination of the amount of the refund, the cost of renting a replacement vehicle during the period in which the repair shop must wait for spare parts;

and ordered the discontinuation of its use.

The PZU Management Board disagrees with both the decision and the legal and factual justification.

On 5 December 2011, PZU appealed against this decision (resulting in the prevention of its coming into force). In its appeal, PZU presented a number of allegations.

The date of the hearing before the Regional Court in Warsaw was set at 2 December 2013.

Regardless of the appeal measures taken, PZU has established a provision for the above fine, whose amount, both as at 30 September 2013 and 31 December 2012 was PLN 11,287 thousand.

#### 26.2.2.2. *Case concerning sales of group accident insurance*

On 30 December 2011, the President of the Office for Competition and Consumer Protection issued a decision to impose a fine of PLN 56,605 thousand on PZU for its use of a practice restricting competition and violating the prohibition prescribed in Article 6 Section 1 Item 3 of the Act on Competition and Consumer Protection by the execution, by PZU and Maximus Broker Sp. z o.o. with its registered office in Toruń ("Maximus Broker"), of an agreement restricting competition in the domestic market for sales of group accident insurance for children, youths and staff of educational institutions consisting of dividing the sales market by entity and transferring PZU's clients from the Kujawsko-Pomorskie voivodship to Maximus Broker for the provision of services in exchange for their recommending PZU as the insurer of choice and at the same time prohibited PZU from the use of this alleged practice.

The PZU Management Board disagrees with both the factual findings and the legal arguments presented in the decision. In the opinion of the PZU Management Board, the decision was not based on examination of the entire evidence, and an incorrect legal classification was adopted.

On 18 January 2012, PZU appealed against this decision (resulting in the prevention of its coming into force). In its appeal, PZU indicated the following, among other issues:

- no agreement (other than a brokerage agreement) was entered into between PZU and Maximus Broker;
- the President of the Office for Competition and Consumer Protection misunderstands the principles of execution of insurance agreements involving a broker;
- the majority of insurance agreements involving Maximus Broker were entered into with insurance companies other than PZU;
- PZU and Maximus Broker cannot and could not in the past conduct competitive activity in the markets in which 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.

Regardless of the appeal measures taken, PZU has established a provision for the above fine, whose amount, both as at 30 September 2013 and 31 December 2012 was PLN 56,605 thousand.

#### **26.3. Proceeding conducted by the Office for Competition and Consumer Protection against PZU Życie**

On 1 June 2005, the President of the Office for Competition and Consumer Protection started, at the request of a few applicants, an anti-monopoly 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 UOKiK 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 agree with the factual findings or with the legal arguments presented in the decision. The PZU Życie Management Board is of the opinion that in rendering the decision UOKiK did not take into consideration the entire evidentiary material and made an incorrect legal qualification, and, as a consequence, 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. A total of 38 material law and formal law allegations against the decision of the President of UOKiK 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 UOKiK 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.

Regardless of the appeal measures taken, PZU Życie has established a provision for the above fine, whose amount, both as at 30 September 2013 and 31 December 2012 was PLN 50,384 thousand.

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

##### **26.4.1. Proceeding before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw**

On 9 April 2010, the Court of Arbitration served PZU Życie with a statement of claim filed by CSC Computer Sciences Polska Sp. z o.o. ("CSC") against PZU Życie to pay a total 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 payment of a 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 Polish Chamber of Commerce in Warsaw, and on 19 June 2012 the Court of Arbitration closed the case. 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.

The examination of the complaint has been suspended by the Court of Appeals pending the examination of PZU's complaint filed with the Regional Court to rescind the Judgment.

#### **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.

By its judgment of 12 November 2013 the Regional Court dismissed the complaint to repeal the Judgment. An appeal may be lodged against the judgment pronounced on 12 November 2013; it should be submitted within 14 days from the date of serving the judgment with the justification. On 12 November 2012 PZU Życie submitted an application to prepare a justification for the judgment.

#### **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.

On 15 May 2013, PZU Życie filed a rejoinder to the statement of claim. On 3 September 2013, a preliminary hearing was held. The date of the next hearing has not been set yet.

#### **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 composition 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 against PBG and Hydrobudowa.

On 21 September 2012, PZU joined the bankruptcy proceedings by notifying its claims to the bankruptcy estate.

PZU has submitted claims in the following amounts:

- in respect of PBG's bankruptcy estate – claims in the total amount of PLN 105,428 thousand;
- in respect of Hydrobudowa's bankruptcy estate – claims in the total amount of PLN 100,996 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.

PBG and Hydrobudowa belong to the same capital group in which PBG is the parent company. The two companies provided sureties for each other's liabilities. As a consequence, all claims submitted to the bankruptcy estate of Hydrobudowa in the amount of PLN 100,996 thousand were concurrently submitted to the bankruptcy estate of PBG. Included in these claims were:

- PLN 33,747 thousand constituting claims in which the guarantor of liabilities under the guarantees issued at the request of Hydrobudowa was PBG;
- PLN 67,249 thousand constituting claims in which the guarantor of liabilities under the guarantees issued at the request of PBG was Hydrobudowa.

PZU's claims to PBG's bankruptcy estate, after being reviewed by a court commissioner and after being verified by a court supervisor, have been entered in the list of claims in the amount of PLN 103,014 thousand.

#### **26.6. Dispute against Comarch SA**

On 12 November 2012, PZU was served with an official copy of an order for payment issued on 26 October 2012 by the Regional Court in Warsaw in reminder proceedings along with an official copy of the statement of claim and attachments in a case brought by Comarch SA against PZU. The order required PZU to pay PLN 19,758 thousand with interest and PLN 32 thousand as reimbursement of legal fees. The claim of Comarch SA included costs calculated by Comarch SA for the performance of work and assignments ordered by PZU in a project involving work on a system for servicing financial insurance products.

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 providing for a mutual waiver of claims and retention of the considerations received. On 9 May 2013, the Regional Court in Warsaw issued a decision to approve the settlement. The decision became legally binding on 25 May 2013. The settlement had no impact on the Company's financial result.

#### **26.7. Receivable resulting from the mortgage 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. („Metro-Projekt”) for five years. The loan amount was the equivalent of USD 25,500 thousand. The loan was secured with a deposit mortgage established on the real estate located in Warsaw at Al. Jerozolimskie 44, consisting of the perpetual usufruct right to 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 District 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 District 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 District Court and decided that the District Court should re-examine the case.

On 11 September 2009, the District 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 District Court filed by the receiver of Universal's bankruptcy estate, to exclude, from Metro-Projekt's bankruptcy estate, the perpetual usufruct right and a separate ownership title to a building located on the property. On 30 May 2011, the District Court dismissed Universal's claim in this case.

The judgment was not legally binding – on 12 September 2011, the receiver of Universal's bankruptcy estate filed an appeal. On 23 February 2012, the Regional Court in Warsaw issued a ruling in which it dismissed the statement of claim filed by the receiver of Universal's bankruptcy estate to exclude the real property located at Al. Jerozolimskie 44 in Warsaw from Metro-Projekt's bankruptcy estate. The case ended with a legally binding judgment.

On 9 May 2012, the receiver of Metro-Projekt's bankruptcy estate petitioned the court commissioner to allow him to enter into a settlement with the receiver of Universal's bankruptcy estate concerning disputable claims that emerged between the two bankruptcy estates. As a result of the settlement, in exchange for a waiver of all claims by Universal's bankruptcy estate, Metro-Projekt's bankruptcy estate was to be charged in favor of Universal's bankruptcy estate with an additional amount of PLN 5,722 thousand. On 31 May 2012, the court commissioner agreed to the settlement. This decision is legally binding.

Following the submission, in the form of a notarial deed, of a representation on an irrevocable waiver of any claims against Metro-Projekt by the receiver of Universal's bankruptcy estate, 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, 18 March 2013 and 19 June 2013 the receiver of Metro-Projekt's bankruptcy estate 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 opening price for the enterprise was PLN 110 million, PLN 99 million and PLN 93 million, respectively. In all these cases, due to the absence of bids, the procedure was not performed.

The bankruptcy estate's receiver's subsequent announcement on the sale of the enterprise was published on 30 September 2013. The starting price was set at PLN 90 million, with the opening of bids scheduled for 15 November 2013.

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.

## 27. Other information

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

PZU and PZU Życie are subject to regular evaluations 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 of the date of 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 12 July 2013, 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.

Company name	Rating and outlook	Date awarded / updated	Previous rating and outlook	Date awarded / updated
<b>PZU</b>				
Financial strength rating	A (stable)	12 July 2013	A (stable)	22 July 2011
Credit rating	A (stable)	12 July 2013	A (stable)	22 July 2011
<b>PZU Życie</b>				
Financial strength rating	A (stable)	12 July 2013	A (stable)	22 July 2011
<b>Credit rating</b>	A (stable)	12 July 2013	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 1 January 2013, 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 as of 15 March 2013, Dariusz Krzewina and Barbara Smalska to the PZU Management Board and entrusted each of them with the function of Management Board Member.

From 15 March 2013 to the 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 1 January 2013, the PZU Supervisory Board was composed of:

- Waldemar Maj – Supervisory Board Chairman;
- Zbigniew Cwiąkałski – 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 submission of this interim report.

### **27.2.3. PZU Group Directors**

As at 1 January 2013, the following persons were the PZU Group Directors:

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

On 5 February 2013, the PZU Management Board appointed Barbara Smalska to the position of PZU Group Director. On 14 March 2013, she was dismissed, effective as of 14 March 2013, from this position due to having been appointed to the PZU Management Board. 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 delivery date of this interim report, the following persons were the PZU Group Directors:

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

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

### **27.3. Continued employment 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 was to affect up to 3,145 persons in PZU and PZU Życie. It was estimated that the 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.

Employment restructuring was carried out during the scheduled period and ultimately affected 2,245 persons in PZU and PZU Życie, of which downsizing affected 539 PZU and PZU Życie employees.

Persons who were laid off or who did not accept the proposed changes in the conditions of employment (like during all the previous stages of employment restructuring in the years 2010-2012), more favorable terms and conditions of severance were offered than the ones provided for by the law in similar circumstances ("Act on Special Rules for Terminating Employment Relationships"). The amount of additional severance pays was dependent on the length of the relevant employee's service in the PZU Group and the amount of his or her salary. The total restructuring expenses posted to the restructuring provision in the period of 9 months ended 30 September 2013 were PLN 31,688 thousand (in the whole of 2012: PLN 75,862 thousand).

As at 30 September 2013, the provision for restructuring expenses was PLN 26,506 thousand (as at 31 December 2012: PLN 58,194 thousand).

#### **27.4. Transactions with related entities**

#### **27.5. 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 9 months ended 30 September 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.

## 27.6. 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				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)	Other revenues				gross value	revaluation charges	net value			
<b>1 January – 30 September 2013 and as at 30 September 2013</b>												
Key management staff of the primary units <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-	-	-
Other related entities <sup>2)</sup>	-	-	14	-	-	8,307	(8,306)	1	-	-	-	-
<b>1 January – 31 December 2012 and as at 31 December 2012</b>												
Key management staff of the primary units <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-	-	-
Other related entities	278	-	58,157	33,379	-	11,068	(8,306)	2,762	2,528	-	-	-
<b>1 January – 30 September 2012 and as at 30 September 2012</b>												
Key management staff of the primary units <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-	-	-
Other related entities	106	-	46,051	19,882	-	12,072	(9,806)	2,266	2,585	-	-	-

<sup>1)</sup> Members of the management boards of the PZU Group companies subject to consolidation and PZU Group Directors.

<sup>2)</sup> Syta Development Sp. z o.o. in liquidation (not subject to consolidation).



## 27.7. Transactions with subsidiaries of the State Treasury

Taking into consideration the provisions of the Articles of Association of PZU (in particular those concerning limitations of voting rights granted to shareholders other than the State Treasury and the rules for the appointment of 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 has 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 affiliates of the State Treasury" should be construed only as commercial law companies and state-owned companies which are subsidiaries, co-subsidiaries or affiliates 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 affiliates 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 affiliates 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 affiliates of the State Treasury executed and settled on terms and conditions available to unrelated clients.

<b>Subsidiaries, co-subsidiaries and affiliates of the State Treasury</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2012</b>
Gross written premium in non-life insurance	27,579	93,866	29,232	70,001
Gross written premium in life insurance	7,162	19,920	4,626	11,663
Volumes from unit-linked contracts of PZU Życie	-	-	-	584,564
<b>Total</b>	<b>34,741</b>	<b>113,786</b>	<b>33,858</b>	<b>666,228</b>

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

<b>Written premium and volumes from unit-linked contracts</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2012</b>
<b>Bank Powszechna Kasa Oszczędności</b>	<b>11,496</b>	<b>35,432</b>	<b>10,542</b>	<b>608,909</b>
Gross written premium of PZU	4,334	15,512	5,916	12,682
Gross written premium of PZU Życie	7,162	19,920	4,626	11,663
Volumes from unit-linked contracts of PZU Życie	-	-	-	584,564
<b>Bank Ochrony Środowiska SA</b>	<b>412</b>	<b>412</b>	<b>6</b>	<b>37</b>
Gross written premium of PZU	412	412	6	37
<b>Bank Gospodarstwa Krajowego SA</b>	<b>142</b>	<b>313</b>	<b>66</b>	<b>69</b>
Gross written premium of PZU	142	313	66	69

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

**1. Interim balance sheet**

<b>ASSETS</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
I. Intangible assets, including:	180,978	149,445	129,729	109,551
- goodwill	-	-	-	-
II. Investments	28,176,888	26,274,875	27,591,485	25,896,902
1. Real property	521,856	549,611	561,589	569,722
2. Investments in subordinated entities, of which:	4,572,075	4,143,219	7,243,170	6,919,304
- investments in subordinated entities measured using the equity method	4,543,441	4,115,072	7,212,032	6,887,258
3. Other financial investments	23,080,223	21,579,170	19,782,584	18,403,356
4. Deposit receivables from ceding companies	2,734	2,875	4,142	4,520
III. Net assets of a life insurance company where the policyholder bears the investment risk	-	-	-	-
IV. Receivables	1,770,090	6,017,453	1,473,952	3,494,141
1. Receivables from direct insurance	1,361,723	1,379,565	1,276,089	1,398,458
1.1. From subordinated entities	234	106	368	289
1.2. From other entities	1,361,489	1,379,459	1,275,721	1,398,169
2. Receivables from reinsurance	32,169	40,111	14,598	16,987
1.1. From subordinated entities	3,054	320	3	132
1.2. From other entities	29,115	39,791	14,595	16,855
3. Other receivables	376,198	4,597,777	183,265	2,078,696
1.1. Receivables from the state budget	414	83,917	81,050	455
1.2. Other receivables	375,784	4,513,860	102,215	2,078,241
a) from subordinated entities	71,133	3,901,104	4,430	55,574
b) from other entities	304,651	612,756	97,785	2,022,667
V. Other asset components	171,900	172,249	140,580	145,107
1. Tangible asset components	97,545	95,771	98,968	87,204
2. Cash resources	74,355	76,478	41,612	57,903
3. Other asset components	-	-	-	-
VI. Prepayments	547,757	578,082	577,470	555,935
1. Deferred income tax assets	-	-	16,610	39,138
2. Capitalized acquisition expenses	480,840	497,479	490,285	473,122
3. Posted interest and rents	-	-	-	-
4. Other prepayments	66,917	80,603	70,575	43,675
<b>Total assets</b>	<b>30,847,613</b>	<b>33,192,104</b>	<b>29,913,216</b>	<b>30,201,636</b>

**Interim balance sheet (continued)**

<b>LIABILITIES AND EQUITY</b>	<b>30 September 2013</b>	<b>30 June 2013</b>	<b>31 December 2012</b>	<b>30 September 2012</b>
I. Equity	11,805,466	12,465,060	13,452,581	12,681,670
1. Share capital	86,352	86,352	86,352	86,352
2. Unpaid share capital (negative figure)	-	-	-	-
3. Treasury stock (negative figure)	-	-	-	-
4. Reserve capital	3,973,920	3,973,662	3,967,599	3,967,360
5. Revaluation reserve	4,463,219	3,725,133	6,817,910	6,358,066
6. Other reserve capital	-	-	-	-
7. Profit (loss) carried forward	-	-	-	-
8. Net profit (loss)	5,009,021	4,679,913	2,580,720	2,269,892
9. Charges to net profit during the financial year (negative figure)	(1,727,046)	-	-	-
II. Subordinated debt	-	-	-	-
III. Technical provisions	16,112,345	16,270,835	15,771,187	15,382,998
IV. Reinsurers' share in technical provisions (negative figure)	(430,410)	(463,050)	(721,301)	(653,477)
V. Estimated recoveries and salvage (negative figure)	(100,978)	(99,132)	(116,776)	(64,174)
1. Gross estimated recoveries and salvage	(104,369)	(101,818)	(119,306)	(66,532)
2. Reinsurer's share in estimated recoveries and salvage	3,391	2,686	2,530	2,358
VI. Other provisions	272,287	213,069	218,355	361,798
1. Provisions for pension benefits and other compulsory employee benefits	74,164	83,906	72,560	213,972
2. Provision for deferred income tax	81,509	3,486	-	-
3. Other provisions	116,614	125,677	145,795	147,826
VII. Liabilities for reinsurers' deposits	-	-	-	-
VIII. Other liabilities and special-purpose funds	2,860,709	4,473,203	810,652	2,143,505
1. Liabilities on direct insurance	308,247	309,786	341,828	310,138
1.1. To subordinated entities	667	1,072	1,070	980
1.2. To other entities	307,580	308,714	340,758	309,158
2. Reinsurance liabilities	25,896	64,345	20,568	31,525
2.1. To subordinated entities	5,312	155	-	102
2.2. To other entities	20,584	64,190	20,568	31,423
3. Liabilities on the issue of own debt securities and borrowings taken out	-	-	-	-
4. Liabilities to credit institutions	73,494	207,700	-	802,390
5. Other liabilities	2,328,387	3,757,476	340,837	881,351
5.1. Liabilities to the budget	167,711	78,942	28,109	103,599
5.2. Other liabilities	2,160,676	3,678,534	312,728	777,752
a) to subordinated entities	4,283	69,200	72,074	6,937
b) to other entities	2,156,393	3,609,334	240,654	770,815
6. Special purpose funds	124,685	133,896	107,419	118,101
IX. Accruals and deferred income	328,194	332,119	498,518	349,316
1. Accrued expenses	314,226	317,544	483,677	325,986
2. Negative goodwill	-	-	-	-
3. Deferred income	13,968	14,575	14,841	23,330
<b>Total liabilities and equity</b>	<b>30,847,613</b>	<b>33,192,104</b>	<b>29,913,216</b>	<b>30,201,636</b>

## Interim balance sheet (continued)

	30 September 2013	30 June 2013	31 December 2012	30 September 2012
Book value	11,805,466	12,465,060	13,452,581	12,681,670
Number of shares	86,352,300	86,352,300	86,352,300	86,352,300
Book value per share (in PLN)	136.71	144.35	155.79	146.86
Diluted number of shares	86,352,300	86,352,300	86,352,300	86,352,300
Diluted book value per share (in PLN)	136.71	144.35	155.79	146.86

## 2. Interim statement of off-balance sheet line items

Off-balance sheet line items	30 September 2013	30 June 2013	31 December 2012	30 September 2012
1. Contingent receivables, including:	7,698,303	8,006,643	8,726,276	9,629,670
1.1. Guarantees and sureties received	19,586	18,246	17,746	18,126
1.2. Other <sup>1)</sup>	7,678,717	7,988,397	8,708,530	9,611,544
2. Contingent liabilities, including:	109,906	158,778	102,107	73,373
2.1. Guarantees and sureties given	3,912	4,392	6,789	2,923
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	105,354	153,708	94,543	69,647
2.6. Other	640	678	775	803
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	145,282	145,282	217,594	217,594
6. Other off-balance sheet line items	-	-	-	-
Shareholder funds	9,122,038	9,857,628	10,956,132	10,215,634
Solvency margin	1,363,639	1,369,183	1,343,831	1,337,542
Surplus (shortage) of shareholder funds to cover the solvency margin	7,758,399	8,488,445	9,612,301	8,878,092
Technical provisions <sup>2)</sup>	16,007,976	16,169,017	15,651,881	15,316,466
Assets covering the technical reserves	18,458,755	19,143,728	19,741,146	17,184,853
Surplus (shortage) assets covering the technical reserves	2,450,779	2,974,711	4,089,265	1,868,387

<sup>1)</sup> This item includes predominantly: bills of exchange issued on account of granted bank guarantees, other bills of exchange, collateral received in the form of a transfer of ownership of the debtor's assets, mortgage on the debtor's assets, other contingent receivables, etc.

<sup>2)</sup> Including estimated gross recoveries and salvage.

### 3. Interim technical non-life insurance account

Technical non-life insurance account	1 July - 30 September 2013	1 January - 30 September 2013	1 July - 30 September 2012	1 January - 30 September 2012
I. Premiums (1-2-3+4)	2,068,718	6,116,331	2,109,346	6,193,519
1. Gross written premium	1,899,564	6,236,566	1,937,602	6,374,225
2. Reinsurers' share in the gross written premium	19,449	58,528	15,771	76,388
3. Movement in gross provisions for unearned premiums and for unexpired risks	(217,281)	(17,714)	(217,250)	42,302
4. Reinsurers' share in the change in provisions for unearned premiums	(28,678)	(79,421)	(29,735)	(62,016)
II. Net investment income after considering costs, transferred from the non-technical profit and loss account	75,646	227,992	70,611	215,424
III. Other net technical income	10,360	39,120	8,024	52,804
IV. Claims (1+2)	1,204,187	3,605,817	1,393,181	4,026,574
1. Net claims paid	1,143,575	3,018,725	1,085,643	3,357,057
1.1. Gross claims paid	1,164,966	3,228,476	1,113,558	3,457,851
1.2. Reinsurers' share in claims paid	21,391	209,751	27,915	100,794
2. Movement in the net claims reserve	60,612	587,092	307,538	669,517
2.1. Movement in the gross claims reserve	55,945	374,761	294,624	705,971
2.2. Reinsurers' share in the movement of the claims reserve	(4,667)	(212,331)	(12,914)	36,454
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 bonuses and rebates jointly with the movement in provisions	561	(150)	70	(3,074)
VII. Insurance activity expenses	505,509	1,402,819	516,501	1,561,496
1. Acquisition expenses, including: - movement in capitalized acquisition expenses	350,910	1,045,130	367,642	1,098,418
2. Administrative expenses	153,228	434,923	146,029	447,014
3. Reinsurance commissions and profit-sharing	(1,371)	77,234	(2,830)	(16,064)
VIII. Other net technical income	58,634	227,930	66,760	246,634
IX. Movement in loss ratio (risk) equalization reserves	-	-	-	-
<b>X. Technical result on non-life insurance</b>	<b>385,833</b>	<b>1,147,027</b>	<b>211,469</b>	<b>630,117</b>

#### 4. Interim non-technical profit and loss account

Non-technical profit and loss account	1 July - 30 September 2013	1 January - 30 September 2013	1 July - 30 September 2012	1 January - 30 September 2012
I. Technical result on non-life insurance or life insurance	385,833	1,147,027	211,469	630,117
II. Investment income	198,398	4,639,814	419,784	2,321,924
1. Investment income from real estate	1,527	4,730	1,590	4,751
2. Investment income from subordinated entities	-	3,886,588	-	1,206,357
2.1. on ownership interests or shares	-	3,886,588	-	1,206,357
2.2. on borrowings and debt securities	-	-	-	-
2.3. on other investments	-	-	-	-
3. Other financial investment income	101,207	470,455	230,657	719,261
3.1. on ownership interests, shares, other variable income securities, participation units and investment certificates in mutual funds	4,118	6,029	14,539	40,066
3.2. on debt securities and other fixed income securities	82,224	386,557	173,027	554,509
3.3. on term deposits with credit institutions	1,476	21,789	18,337	51,823
3.4. on other investments	13,389	56,080	24,754	72,863
4. Gain on investment revaluation	1,998	3,454	-	200
5. Gain on the realization of investments	93,666	274,587	187,537	391,355
III. Unrealized investment gains	(15,120)	131,055	4,465	87,300
IV. Net investment income after including costs transferred from the technical life insurance account	-	-	-	-
V. Investment activity expenses	91,097	296,308	112,414	251,156
1. Real estate maintenance expenses	2,399	7,676	1,911	4,540
2. Other investment activity expenses	5,397	17,614	5,546	19,390
3. Loss on investment revaluation	23,411	34,552	15	7,132
4. Loss on investment realization	59,890	236,466	104,942	220,094
VI. Unrealized investment losses	(6,299)	121,559	(13,199)	40,232
VII. Net investment income after including costs transferred to the technical non-life insurance account	75,646	227,992	70,611	215,424
VIII. Other operating income	7,627	30,477	9,125	34,165
IX. Other operating expenses	6,441	34,541	14,900	40,163
X. Operating profit (loss)	409,853	5,267,973	460,117	2,526,531
XI. Extraordinary gains	-	-	-	-
XII. Extraordinary losses	-	-	-	-
XIII. Gross profit (loss)	409,853	5,267,973	460,117	2,526,531
XIV. Income tax	82,052	267,949	89,368	256,391
a) current part	77,379	247,415	84,802	200,019
b) deferred part	4,673	20,534	4,566	56,372
XV. Other compulsory reductions in profit (increase in losses)	-	-	-	-
XVI. Share of the net profit (loss) of subordinated entities measured by the equity method	1,307	8,997	3,782	(248)
<b>XVII. Net profit (loss)</b>	<b>329,108</b>	<b>5,009,021</b>	<b>374,531</b>	<b>2,269,892</b>

Net profit (loss)	329,108	5,009,021	374,531	2,269,892
Weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Profit (loss) per common share (PLN)	3.81	58.01	4.34	26.29
Weighted average diluted number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Diluted earnings (losses) per common share (PLN)	3.81	58.01	4.34	26.29

## 5. Interim statement of changes in equity

Statement of changes in equity	1 January – 30 September 2013	1 January – 31 December 2012	1 January - 30 September 2012
I. Equity at the beginning of the period (OB)	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	6,321	635,761	635,522
a) increases (by virtue of):	6,321	635,761	635,522
- distribution of profit (above the amount statutorily required)	6,057	635,421	635,421
- from revaluation reserve – by sale and liquidation of fixed assets	264	340	101
b) decreases	-	-	-
4.2. Reserve capital at the end of the period	3,973,920	3,967,599	3,967,360
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	(2,354,691)	1,072,993	613,149
a) increases (by virtue of):	511,208	1,618,306	1,086,741
- valuation of financial investments	511,208	1,611,956	1,086,741
- transfer of the impairment charges on investments available for sale	-	6,350	-
b) decreases (by virtue of)	2,865,899	545,313	473,592
- valuation of financial investments	2,864,273	544,213	473,491
- sale of fixed assets	264	340	101
- other	1,362	760	-
5.2. Revaluation reserve at the end of the period	4,463,219	6,817,910	6,358,066

**Interim statement of changes in equity (continued)**

Statement of changes in equity	1 January – 30 September 2013	1 January – 31 December 2012	1 January - 30 September 2012
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	-	-	-
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 principles (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	2,580,720	2,582,303	2,582,303
- transfers to reserve capital	6,057	635,421	635,421
- distribution of dividends	2,564,663	1,936,882	1,936,882
- transfers to/charges for the Company Employee Benefit Fund	10,000	10,000	10,000
7.3. Profit brought forward at the end of the period	-	-	-
7.4. Loss brought forward at the beginning of the period	-	-	-
a) changes in the accepted accounting principles (policies)	-	-	-
b) corrections of errors	-	-	-
7.5. Loss 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	-	-	-
8. Net result	3,281,975	2,580,720	2,269,892
a) net profit	5,009,021	2,580,720	2,269,892
b) net loss	-	-	-
c) charges to profits	(1,727,046)	-	-
<b>II. Equity at the end of the period (Closing Balance)</b>	<b>11,805,466</b>	<b>13,452,581,</b>	<b>12,681,670</b>



## 6. Interim cash flow statement

Cash flow statement	1 January – 30 September 2013	1 January – 31 December 2012	1 January – 30 September 2012
A. Cash flow on operating activity			
I. Proceeds	7,080,799	9,419,320	6,984,271
1. Proceeds on direct activity and inward reinsurance	6,322,061	8,637,340	6,448,946
1.1. Proceeds on gross premiums	6,192,329	8,446,977	6,296,758
1.2. Proceeds on recoveries, salvage and claim refunds	103,013	158,035	127,304
1.3. Other proceeds on direct activity	26,719	32,328	24,884
2. Proceeds on outward reinsurance	268,586	165,755	146,295
2.1. Payments received from reinsurers for their share in claims paid	201,221	132,750	115,388
2.2. Proceeds on reinsurance commissions and profit-sharing	67,333	13,469	11,691
2.3. Other proceeds on outward reinsurance	32	19,536	19,216
3. Proceeds on other operating activity	490,152	616,225	389,030
3.1. Proceeds on emergency adjuster activities	191,462	230,235	178,622
3.2. Sale of other intangible assets and tangible components of non-current assets besides investments	3,423	3,201	2,119
3.3. Other proceeds	295,267	382,789	208,289
II. Expenditures	6,169,576	8,328,139	6,128,681
1. Expenditures on direct activity and inward reinsurance	4,984,665	6,857,394	5,212,912
1.1. Returns of gross premiums	143,586	168,012	122,188
1.2. Gross claims paid	2,814,771	3,951,726	3,040,345
1.3. Acquisition expenditures	763,214	967,878	726,227
1.4. Administrative expenditures	1,085,291	1,504,881	1,122,257
1.5. Expenditures for claims handling and pursuit of recoveries	86,914	142,104	98,365
1.6. Commissions paid and profit-sharing on inward reinsurance	1,245	2,521	1,726
1.7. Other expenditures on direct activity and inward reinsurance	89,644	120,272	101,804
2. Expenditures on outward reinsurance	163,353	192,429	166,937
2.1. Premiums paid for reinsurance	163,122	168,847	146,606
2.2. Other expenditures on outward reinsurance	231	23,582	20,331
3. Expenditures on other operating activity	1,021,558	1,278,316	748,832
3.1. Expenditures on emergency adjuster activities	347,020	439,757	334,846
3.2. Purchase of other intangible assets and tangible components of non-current assets besides investments	127,561	90,955	63,663
3.3. Other operating expenditures	546,977	747,604	350,323
III. Net cash flow on operating activity (I-II)	<b>911,223</b>	<b>1,091,181</b>	<b>855,590</b>

### Interim cash flow statement (continued)

Cash flow statement	1 January – 30 September 2013	1 January – 31 December 2012	1 January – 30 September 2012
B. Cash flow on investing activity			
I. Proceeds	130,207,135	174,889,260	129,484,793
1. Sale of real estate	2,761	6,492	-
2. Sale of ownership interests and shares in subordinated entities	265	-	-
3. Sale of ownership interests and shares in other entities and participation units and investment certificates in mutual funds	-	1,092,797	1,039,447
4. Realization of debt securities issued by subordinated entities and repayment of loans granted to such entities	-	-	-
5. Realization of debt securities issued by other entities	11,696,355	31,456,328	21,542,666
6. Liquidation of term deposits with credit institutions	31,209,247	60,828,647	48,431,645
7. Realization of other investments	85,214,029	80,078,590	56,873,786
8. Proceeds from real estate	6,020	7,062	5,390
9. Interest received	564,899	180,580	358,265
10. Dividends received	1,513,559	1,238,764	1,233,594
11. Other investment proceeds	-	-	-
II. Expenditures	128,664,946	174,002,691	129,242,677
1. Purchase of real estate	-	-	-
2. Purchase of shares in subordinated entities	6,248	8,505	8,505
3. Purchase of shares in other entities and participation units and investment certificates in mutual funds	1,076,750	6,687,167	1,231,493
4. Purchase of debt securities issued by subordinated entities and granting of loans to such entities	-	-	-
5. Purchase of debt securities issued by other entities	11,709,012	26,130,081	22,002,222
6. Purchase of term deposits with credit institutions	30,494,682	61,002,005	48,812,065
7. Purchase of other investments	85,362,983	80,156,134	57,172,511
8. Expenditures on maintenance of real estate	8,747	11,359	9,573
9. Other expenditures for investments	6,524	7,440	6,308
<b>III. Net cash flow on investing activity (I-II)</b>	<b>1,542,189</b>	<b>886,569</b>	<b>242,116</b>

## Interim cash flow statement (continued)

Cash flow statement	1 January – 30 September 2013	1 January – 31 December 2012	1 January - 30 September 2012
C. Cash flow on financing activity			
I. Proceeds	2,689,788	28,677,698	21,863,386
1. Net proceeds from issuing shares and additional capital contributions	-	-	-
2. Loans, borrowings and issues of debt securities	2,689,788	28,677,698	21,863,386
3. Other financial proceeds	-	-	-
II. Expenditures	5,105,504	30,721,818	23,009,730
1. Dividends	2,488,920	1,873,391	1,873,396
2. Other expenditures for distribution of profits besides dividend distributions	-	-	-
3. Purchase of treasury stock	-	-	-
4. Amortization of loans and borrowings and the redemption of own debt securities	2,616,584	28,848,427	21,136,334
5. Interest on loans and borrowings and issued debt securities	-	-	-
6. Other financial expenditures	-	-	-
<b>III. Net cash flow on financing activity (I-II)</b>	<b>(2,415,716)</b>	<b>(2,044,120)</b>	<b>(1,146,344)</b>
<b>D. Total net cash flow (A.III+/-B.III+/-C.III)</b>	<b>37,696</b>	<b>(66,370)</b>	<b>(48,638)</b>
E. Balance sheet change in cash balance, including:	32,743	(66,256)	(49,965)
- movement in cash due to exchange differences	(4,953)	(114)	(1,327)
F. Cash at the beginning of the period	41,612	107,868	107,868
G. Cash at the end of the period (F+/-E), including:	74,355	41,612	57,903
- restricted cash	56,289	37,189	49,691

## 7. Introduction

This quarterly separate financial information on PZU has been prepared in accordance with PAS for the reasons described in the Introduction and supplemented with the definition of PAS.

## 8. Key accounting (policy) principles

Detailed accounting principles (accounting policy) are presented in the annual separate 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 for which the auditor issued an unqualified opinion on the same date ("separate financial statements of PZU for 2012").

The separate financial statements of PZU for 2012 are available on the PZU website at [www.pzu.pl](http://www.pzu.pl) in the "Investor Relations" tab.

## 9. Changes in accounting (policy) principles

In the 9-month period ended 30 September 2013, no changes were made to the accounting principles (policy).

These consolidated interim financial statements of PZU for the period of 9 months ended 30 September 2013 have been signed by:

<b>Date</b>	<b>Name</b>	<b>Position/Function</b>	
14 November 2013	Andrzej Klesyk	President of the PZU Management Board (CEO)	..... (signature)
14 November 2013	Przemysław Dąbrowski	Member of the PZU Management Board	..... (signature)
14 November 2013	Dariusz Krzewina	Member of the PZU Management Board	..... (signature)
14 November 2013	Bogusław Skuza	Member of the PZU Management Board	..... (signature)
14 November 2013	Barbara Smalska	Member of the PZU Management Board	..... (signature)
14 November 2013	Tomasz Tarkowski	Member of the PZU Management Board	..... (signature)
14 November 2013	Ryszard Trepczyński	Member of the PZU Management Board	..... (signature)
14 November 2013	Piotr Marczyk	Director of the Accounting and Finance Department	..... (signature)