

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA GROUP
FOR Q3 2014**



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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 2014 (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 (consolidated wording in Journal of Laws of 2014 Item 133 – "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 Accounting Act of 29 September 1994 (consolidated version: Journal of Laws of 2013 Item 330, "Accounting 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 did not make the decision referred to in Article 45 Section 1c of the Accounting Act in the matter of preparation of financial statements pursuant to IFRS, PZU's standalone statements are prepared in accordance with the Polish Accounting Standards ("PAS") defined in the Accounting Act and in the executive regulations issued on its basis, among others:

- 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, measurement methods, scope of disclosure and presentation of financial instruments (Journal of Laws of 2001 No. 149 Item 1674, as amended).

In matters not regulated by the Accounting 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	PLN 000s 30 September 2014	PLN 000s 31 December 2013	PLN 000s 30 September 2013	EUR 000s 30 September 2014	EUR 000s 31 December 2013	EUR 000s 30 September 2013
Assets	67,717,196	62,787,304	61,863,049	16,217,745	15,139,686	14,672,355
Share capital	86,352	86,352	86,352	20,681	20,822	20,481
Capital and reserves attributed to holders of the parent company's equity	12,778,233	13,111,290	12,601,068	3,060,288	3,161,480	2,988,655
Non-controlling interest	487	16,341	80,753	117	3,940	19,153
Total equity	12,778,720	13,127,631	12,681,821	3,060,405	3,165,420	3,007,808
Basic and diluted weighted average number of ordinary shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per ordinary share (in PLN/EUR)	147.98	151.83	145.93	35.44	36.61	34.61

Data from the consolidated profit and loss account	PLN 000s 1 January – 30 September 2014	PLN 000s 1 January – 30 September 2013	EUR 000s 1 January – 30 September 2014	EUR 000s 1 January – 30 September 2013
Gross written premium	12,408,778	12,402,550	2,968,394	2,936,835
Net earned premium	12,142,997	12,240,240	2,904,815	2,898,402
Revenue from commissions and fees	309,038	227,076	73,927	53,770
Net investment profit	2,163,202	1,860,689	517,475	440,598
Net insurance claims	(8,411,922)	(8,210,298)	(2,012,277)	(1,944,140)
Gross profit (loss)	3,220,466	3,456,017	770,391	818,360
Net profit (loss) attributed to holders of the parent company's equity	2,563,834	2,765,290	613,313	654,801
Profit (loss) attributed to holders of non-controlling interest	(2)	1,407	-	333
Basic and diluted weighted average number of ordinary shares	86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings per ordinary share (in PLN/EUR)	29.69	32.02	7.10	7.58

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(000s of PLN)

Data from the consolidated cash flow statement	PLN 000s 1 January – 30 September 2014	PLN 000s 1 January – 30 September 2013	EUR 000s 1 January – 30 September 2014	EUR 000s 1 January – 30 September 2013
Net cash flow on operating activity	1,243,809	2,361,529	297,541	559,193
Net cash flow on investing activity	(3,252,232)	(2,616,449)	(777,990)	(619,556)
Net cash flow on financing activity	1,954,762	471,956	467,613	111,756
Total net cash flow	(53,661)	217,036	(12,837)	51,393

2. Selected standalone financial data of PZU (PAS)

Data from the balance sheet	PLN 000s 30 September 2014	PLN 000s 31 December 2013	PLN 000s 30 September 2013	EUR 000s 30 September 2014	EUR 000s 31 December 2013	EUR 000s 30 September 2013
Assets	35,244,934	30,136,572	30,847,613	8,440,889	7,266,727	7,316,276
Share capital	86,352	86,352	86,352	20,681	20,822	20,481
Total equity	11,941,944	12,259,761	11,805,466	2,860,003	2,956,154	2,799,959
Weighted average basic and diluted number of ordinary shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per ordinary share (in PLN/EUR)	138.29	141.97	136.71	33.12	34.23	32.42

Data from the technical non-life insurance account and the non-technical profit and loss account	PLN 000s 1 January – 30 September 2014	PLN 000s 1 January – 30 September 2013	EUR 000s 1 January – 30 September 2014	EUR 000s 1 January – 30 September 2013
Gross written premium	6,154,673	6,236,566	1,472,304	1,476,774
Technical result on non-life insurance	705,987	1,147,027	168,884	271,608
Net investment profit (*)	1,711,168	4,361,999	409,341	1,032,890
Net profit (loss)	1,989,474	5,009,021	475,917	1,186,100
Weighted average basic and diluted number of ordinary shares	86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings per ordinary share (in PLN/EUR)	23.04	58.01	5.51	13.74

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

Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group
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(000s of PLN)

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

Data from the balance sheet	PLN 000s 30 September 2014	PLN 000s 31 December 2013	PLN 000s 30 September 2013	EUR 000s 30 September 2014	EUR 000s 31 December 2013	EUR 000s 30 September 2013
Assets	29,967,009	29,020,410	30,616,293	7,176,867	6,997,591	7,261,412
Total equity	4,626,975	4,446,746	4,084,541	1,108,125	1,072,228	968,750

Data from the technical life insurance account and the non-technical profit and loss account	PLN 000s 1 January – 30 September 2014	PLN 000s 1 January – 30 September 2013	EUR 000s 1 January – 30 September 2014	EUR 000s 1 January – 30 September 2013
Gross written premium	6,176,480	6,806,624	1,477,521	1,611,760
Technical life insurance result	1,610,203	1,367,754	385,188	323,874
Net investment profit	1,227,264	1,140,611	293,583	270,089
Net profit (loss)	1,475,352	1,378,155	352,930	326,337

4. Summary of consolidated financial results

The net financial result of the PZU Group for the period of 9 months ended 30 September 2014 was PLN 2,563,832 thousand, down by 7.3% from the net result in the corresponding period of the previous year. Excluding one-off events¹, the net result decreased 0.6% compared to the previous year.

ROE for the period from 1 January to 30 September 2014 was 26.4%, down 1.0 p.p. from the same period of the previous year.

The following factors also affected the PZU Group's activity after 9 months ended 30 September 2014, as compared to the corresponding period of the previous year:

- higher income from investing activity, in particular due to lower bond yields;
- development of group protection insurance with a concurrent decline in the loss ratio;
- decrease in the profitability of motor insurance caused by a higher level of provisions for claims in previous years;
- slower rate of conversion of long-term policies into yearly renewable term agreements in type P group insurance.

In addition, the following one-off events exerted a material impact on the comparability of results:

- higher results in the pension insurance segment due to the pension system reform (higher revenues as a result of liquidating and retracting funds from the additional portion of the Guarantee Fund partially offset by lower revenues on contributions and asset management);
- income generated in 2013 on the consolidation of mutual funds;
- positive result in 2013 on the settlement with a reinsurer regarding Green Card insurance (partial reversal of the adjustment to estimates with the reinsurer which reduced the 2011 result);

¹ One-off events include commencing the consolidation of mutual funds, the settlement with the Green Card reinsurer, the effect of converting long-term policies into yearly-renewable term insurance in type P group business and the effect of a change in PTE's result due to the pension system reform.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Note	30 September 2014	30 June 2014	31 December 2013 <i>(restated)</i>	30 September 2013 <i>(restated)</i>	1 January 2013 <i>(restated)</i>
Intangible assets		581,364	434,527	308,726	233,408	183,238
Goodwill	9.1	304,247	67,261	8,519	8,569	8,474
Property, plant and equipment		1,024,709	971,235	927,281	974,487	992,317
Investment properties		1,416,835	1,409,061	1,474,770	1,610,828	564,404
Entities measured using the equity method	9.2	67,501	68,150	48,595	37,548	-
Financial assets						
Financial instruments held to maturity	9.3.1	20,226,891	20,099,588	18,859,902	23,890,485	21,117,559
Financial instruments available for sale	9.3.2	2,761,916	1,983,280	1,920,112	2,185,228	3,824,409
Financial instruments measured at fair value through profit or loss	9.3.3	19,265,226	20,077,416	19,904,176	16,894,544	15,694,482
Loans	9.3.4	16,609,828	13,467,457	14,401,538	11,130,934	9,752,615
Receivables, including under insurance contracts	9.5	3,179,763	3,002,398	2,671,964	2,961,837	1,840,873
Reinsurers' share in technical provisions	9.6	609,238	579,835	526,605	468,098	749,334
Estimated recoveries and recourses		135,920	126,689	129,950	107,090	121,632
Deferred tax assets		22,975	24,640	16,949	14,975	13,963
Current income tax receivables		3,346	9,255	34,895	5,310	80,646
Deferred acquisition expenses		639,120	667,610	609,819	569,656	574,489
Other assets	9.8	202,291	205,628	195,449	171,466	178,646
Cash and cash equivalents		487,973	446,650	569,157	479,052	262,063
Assets used in continuing operations		67,539,143	63,640,680	62,608,407	61,743,515	55,959,144
Assets held for sale	9.9	178,053	181,101	178,897	119,534	46,962
Total assets		67,717,196	63,821,781	62,787,304	61,863,049	56,006,106

Interim consolidated statement of financial position (cont'd)

Equity and liabilities	Note	30 September 2014	30 June 2014	31 December 2013 <i>(restated)</i>	30 September 2013 <i>(restated)</i>	1 January 2013 <i>(restated)</i>
Equity						
Issued share capital and other capital attributable to the parent company's shareholders						
Share capital		86,352	86,352	86,352	86,352	86,352
Other capital		9,901,364	9,908,961	9,061,351	9,077,907	9,105,375
Treasury stock		(110)	(110)	(110)	(110)	-
Supplementary capital		9,671,162	9,669,111	8,855,999	8,817,063	8,780,212
Revaluation reserve		272,969	257,449	242,297	296,337	363,167
Other reserve capital		66	26,240	-	-	-
Actuarial gains and losses related to provisions for employee benefits		790	790	902	-	-
Exchange differences from translation		(43,513)	(44,519)	(37,737)	(35,383)	(38,004)
Retained earnings		2,790,517	1,921,486	3,963,587	3,436,809	4,998,404
Retained earnings (losses)		226,683	201,135	2,397,137	2,398,565	4,998,404
Net profit (loss)		2,563,834	1,720,351	3,293,496	2,765,290	-
Charges to net profit during the financial year		-	-	(1,727,046)	(1,727,046)	-
Non-controlling interest		487	498	16,341	80,753	79,138
Total equity		12,778,720	11,917,297	13,127,631	12,681,821	14,269,269
Liabilities						
Technical provisions	9.10					
Provision for unearned premiums and for unexpired risks		4,940,831	4,913,340	4,540,011	4,542,640	4,537,167
Provision for life insurance		16,307,701	16,210,953	16,048,191	16,024,700	15,675,243
Provisions for outstanding claims		7,178,203	6,753,307	6,586,781	6,157,487	5,878,445
Provision for capitalized value of annuities		6,031,781	5,890,944	5,761,332	5,747,883	5,660,281
Provisions for bonuses and discounts for the insureds		1,484	2,214	2,893	2,256	4,227
Other technical provisions		441,685	451,450	477,987	492,360	531,617
Unit-linked reserve		4,329,283	4,284,148	3,907,221	3,710,753	3,113,798
Investment contracts	9.11					
- with guaranteed and fixed terms and conditions		584,073	624,848	1,250,492	1,298,483	1,297,224
- for the client's account and risk		645,012	710,953	870,545	902,949	1,001,923

Interim consolidated statement of financial position (cont'd)

Equity and liabilities	Note	30 September 2014	30 June 2014	31 December 2013 <i>(restated)</i>	30 September 2013 <i>(restated)</i>	1 January 2013 <i>(restated)</i>
Provisions for employee benefits		124,974	141,986	123,380	110,171	107,307
Other provisions	9.12	183,859	179,176	192,906	233,454	267,456
Deferred tax provision		530,714	446,045	255,399	360,597	357,557
Current income tax liabilities		58,487	52,221	53,372	171,831	21,658
Derivatives		593,498	448,167	237,749	238,933	130,147
Liabilities on the issue of own debt securities	9.13	2,076,047	-	-	-	-
Other liabilities	9.14	10,910,844	10,794,732	9,351,414	9,186,731	3,152,787
Liabilities related to continuing operations		54,938,476	51,904,484	49,659,673	49,181,228	41,736,837
Total liabilities		54,938,476	51,904,484	49,659,673	49,181,228	41,736,837
Total equity and liabilities		67,717,196	63,821,781	62,787,304	61,863,049	56,006,106

2. INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

Consolidated profit and loss account	Note	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013 <i>(restated)</i>	1 January – 30 September 2013 <i>(restated)</i>
Gross written premium	9.15	3,970,885	12,408,778	3,907,299	12,402,550
Reinsurers' share in gross written insurance premium		(57,884)	(175,957)	(32,949)	(96,625)
Net written premium		3,913,001	12,232,821	3,874,350	12,305,925
Change in net provision for unearned premiums		197,397	(89,824)	188,650	(65,685)
Net earned premium		4,110,398	12,142,997	4,063,000	12,240,240
Revenue from commissions and fees	9.16	178,377	309,038	83,898	227,076
Net investment income	9.17	501,893	1,295,301	497,115	1,445,773
Net result on the realization of investments and impairment charges	9.18	136,908	162,087	25,579	(156,303)
Net change in the fair value of assets and liabilities measured at fair value	9.19	166,605	705,814	368,898	571,219
Other operating income	9.20	142,052	392,059	99,285	379,878
Claims and change in technical provisions	9.21 9.23	(3,013,282)	(8,491,660)	(2,766,535)	(8,218,618)
Reinsurers' share in claims and change in technical provisions		19,447	79,738	15,642	8,320
Net insurance claims		(2,993,835)	(8,411,922)	(2,750,893)	(8,210,298)
Claims and changes in valuation of investment contracts	9.22	(8,529)	(14,554)	(48,396)	(60,091)
Acquisition expenses	9.23	(535,589)	(1,571,953)	(493,818)	(1,466,478)
Administrative expenses	9.23	(355,227)	(1,057,502)	(324,493)	(965,807)
Other operating expenses	9.24	(229,185)	(601,776)	(163,344)	(502,998)
Operating profit (loss)		1,113,868	3,349,589	1,356,831	3,502,211
Financial expenses	9.25	(68,905)	(128,718)	(10,234)	(48,060)
Share in net profit (loss) of entities measured by the equity method		(650)	(405)	10	1,866
Gross profit (loss)		1,044,313	3,220,466	1,346,607	3,456,017

Consolidated interim profit and loss account (cont'd)

Consolidated profit and loss account	Note	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013 <i>(restated)</i>	1 January – 30 September 2013 <i>(restated)</i>
Income tax					
- current part		(137,682)	(430,103)	(226,599)	(648,519)
- deferred part		(63,160)	(226,531)	(28,773)	(40,801)
Net profit (loss) on continuing operations		843,471	2,563,832	1,091,235	2,766,697
Net profit (loss), including:		843,471	2,563,832	1,091,235	2,766,697
- profit (loss) attributed to holders of the parent company's equity		843,483	2,563,834	1,090,196	2,765,290
- profit (loss) attributed to holders of non-controlling interest		(12)	(2)	1,039	1,407
Net profit (loss) on continuing operations		843,483	2,563,834	1,090,196	2,765,290
Net profit (loss) on discontinued operations		-	-	-	-
Weighted average basic and diluted number of ordinary shares		86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings (losses) on continuing operations per ordinary share (in PLN)		9.77	29.69	12.62	32.02
Basic and diluted earnings (losses) per ordinary share (in PLN)		9.77	29.69	12.62	32.02

3. INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income	Note	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013 <i>(restated)</i>	1 January – 30 September 2013 <i>(restated)</i>
Net profit (loss)		843,471	2,563,832	1,091,235	2,766,697
Other comprehensive income	9.26	17,941	32,983	29,070	(61,924)
Subject to subsequent transfer to profit or loss		17,941	33,095	29,070	(61,924)
Measurement of financial instruments available for sale		16,117	35,358	31,014	(74,894)
Exchange differences from translation		1,006	(5,773)	(3,711)	2,631
Reclassification of real property from property, plant and equipment to investment property		817	3,510	1,767	10,339
Other comprehensive income of entities measured using the equity method		1	-	-	-
Not to be reclassified to profit or loss in the future		-	(112)	-	-
Other comprehensive income of entities measured using the equity method		-	(112)	-	-
Total net comprehensive income		861,412	2,596,815	1,120,305	2,704,773
- comprehensive income attributed to holders of the parent company's equity		861,423	2,596,814	1,119,276	2,703,356
- comprehensive income attributed to holders of non-controlling interest		(11)	1	1,029	1,417

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(000s of PLN)

4. INTERIM STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Statement of changes in consolidated equity	Capital and reserves attributed to holders of the parent company's equity									Non-controlling interest	Total equity	
	Share capital	Treasury stock	Supplementary capital	Revaluation reserve	Other capital			Retained earnings				Total
					Other reserve capital	Actuarial gains and losses related to provisions for employee benefits	Exchange differences from translation	Retained earnings (losses)	Net profit (loss)			
Balance as at 1 January 2014	86,352	(110)	8,855,999	242,297	-	902	(37,737)	3,963,587	-	13,111,290	16,341	13,127,631
Measurement of financial instruments available for sale	-	-	-	35,358	-	-	-	-	-	35,358	-	35,358
Exchange differences from translation	-	-	-	-	-	-	(5,776)	-	-	(5,776)	3	(5,773)
Reclassification of real property from property, plant and equipment to investment property	-	-	-	3,510	-	-	-	-	-	3,510	-	3,510
Other comprehensive income of entities measured using the equity method	-	-	-	-	-	(112)	-	-	-	(112)	-	(112)
Total other net comprehensive income	-	-	-	38,868	-	(112)	(5,776)	-	-	32,980	3	32,983
Net profit (loss)	-	-	-	-	-	-	-	-	2,563,834	2,563,834	(2)	2,563,832
Total comprehensive income	-	-	-	38,868	-	(112)	(5,776)	-	2,563,834	2,596,814	1	2,596,815
Other changes, including:	-	-	815,163	(8,196)	66	-	-	(3,736,904)	-	(2,929,871)	(15,855)	(2,945,726)
Distribution of financial result	-	-	800,257	-	66	-	-	(3,736,288)	-	(2,935,965)	-	(2,935,965)
Recapitalization of PZU Lietuva	-	-	-	-	-	-	-	-	-	-	15	15
Purchase of Armatura Kraków shares	-	-	6,095	-	-	-	-	-	-	6,095	(15,983)	(9,888)
Acquisition of medical companies	-	-	-	-	-	-	-	-	-	-	105	105
Acquisition of AAS Balta	-	-	-	-	-	-	-	-	-	-	8	8
Sale of revalued real estate	-	-	8,811	(8,196)	-	-	-	(616)	-	(1)	-	(1)
Balance as at 30 September 2014	86,352	(110)	9,671,162	272,969	66	790	(43,513)	226,683	2,563,834	12,778,233	487	12,778,720

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Interim statement of changes in consolidated equity (cont'd)

Statement of changes in consolidated equity (restated)	Capital and reserves attributed to holders of the parent company's equity									Non-controlling stakes	Total equity	
	Other capital				Retained earnings							
	Share capital	Treasury stock	Supplementary capital	Revaluation reserve	Actuarial gains and losses related to provisions for employee benefits	Exchange differences from translation	Retained earnings (losses)	Net profit (loss)	Charges to net profit during the financial year (negative figure)			Total
Balance as at 1 January 2013	86,352	-	8,780,212	363,242	-	(38,004)	4,998,329	-	-	14,190,131	79,138	14,269,269
Changes in accounting policies	-	-	-	(75)	-	-	75	-	-	-	-	-
As at 1 January 2013 after reconciling to comparable data	86,352	-	8,780,212	363,167	-	(38,004)	4,998,404	-	-	14,190,131	79,138	14,269,269
Measurement of financial instruments available for sale	-	-	-	(120,101)	-	-	-	-	-	(120,101)	-	(120,101)
Other comprehensive income of entities measured using the equity method	-	-	-	-	-	(20)	-	-	-	(20)	-	(20)
Exchange differences from translation	-	-	-	-	-	287	-	-	-	287	5	292
Actuarial gains and losses related to provisions for employee benefits	-	-	-	-	902	-	-	-	-	902	-	902
Reclassification of real property from property, plant and equipment to investment property	-	-	-	14,445	-	-	-	-	-	14,445	-	14,445
Total other net comprehensive income	-	-	-	(105,656)	902	267	-	-	-	(104,487)	5	(104,482)
Net profit (loss)	-	-	-	-	-	-	-	3,293,496	-	3,293,496	1,459	3,294,955
Total comprehensive income	-	-	-	(105,656)	902	267	-	3,293,496	-	3,189,009	1,464	3,190,473
Other changes, including:	-	(110)	75,787	(15,214)	-	-	(2,601,267)	-	(1,727,046)	(4,267,850)	(64,261)	(4,332,111)
Distribution of financial result	-	-	34,231	-	-	-	(2,599,579)	-	(1,727,046)	(4,292,394)	-	(4,292,394)
Recapitalization of PZU Lietuva	-	-	-	-	-	-	-	-	-	-	30	30
Purchase of Armatura Kraków shares	-	-	24,568	-	-	-	-	-	-	24,568	(64,474)	(39,906)
Sale of revalued real estate	-	-	16,988	(15,214)	-	-	(1,772)	-	-	2	-	2
Change in the scope of consolidation	-	(110)	-	-	-	-	84	-	-	(26)	183	157
Balance as at 31 December 2013	86,352	(110)	8,855,999	242,297	902	(37,737)	2,397,137	3,293,496	(1,727,046)	13,111,290	16,341	13,127,631

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Interim statement of changes in consolidated equity (cont'd)

Statement of changes in consolidated equity (restated)	Capital and reserves attributed to holders of the parent company's equity								Non-controlling stakes	Total equity	
	Other capital				Retained earnings						
	Share capital	Treasury stock	Supplementary capital	Revaluation reserve	Exchange differences from translation	Retained earnings (losses)	Net profit (loss)	Charges to net profit during the financial year (negative figure)			Total
Balance as at 1 January 2013	86,352	-	8,780,212	363,242	(38,004)	4,998,329	-	-	14,190,131	79,138	14,269,269
Changes in accounting policies	-	-	-	(75)	-	75	-	-	-	-	-
As at 1 January 2013 after reconciling to comparable data	86,352	-	8,780,212	363,167	(38,004)	4,998,404	-	-	14,190,131	79,138	14,269,269
Measurement of financial instruments available for sale	-	-	-	(74,894)	-	-	-	-	(74,894)	-	(74,894)
Reclassification of real property from property, plant and equipment to investment property	-	-	-	10,339	-	-	-	-	10,339	-	10,339
Exchange differences from translation	-	-	-	-	2,621	-	-	-	2,621	10	2,631
Total other net comprehensive income	-	-	-	(64,555)	2,621	-	-	-	(61,934)	10	(61,924)
Net profit (loss)	-	-	-	-	-	-	2,765,290	-	2,765,290	1,407	2,766,697
Total comprehensive income	-	-	-	(64,555)	2,621	-	2,765,290	-	2,703,356	1,417	2,704,773
Other changes, including:	-	(110)	36,851	(2,275)	-	(2,599,839)	-	(1,727,046)	(4,292,419)	198	(4,292,221)
Distribution of financial result	-	-	34,236	-	-	(2,599,584)	-	(1,727,046)	(4,292,394)	-	(4,292,394)
Recapitalization of PZU Lietuva	-	-	-	-	-	-	-	-	-	15	15
Sale of revalued real estate	-	-	2,615	(2,275)	-	(339)	-	-	1	-	1
Change in the scope of consolidation	-	(110)	-	-	-	84	-	-	(26)	183	157
Balance as at 30 September 2013	86,352	(110)	8,817,063	296,337	(35,383)	2,398,565	2,765,290	(1,727,046)	12,601,068	80,753	12,681,821

5. INTERIM CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement	1 January – 30 September 2014	1 January – 30 September 2013 <i>(restated)</i>
Cash flow on operating activity		
Proceeds	15,278,330	14,915,970
- proceeds on gross insurance premiums	12,177,957	12,019,087
- proceeds on investment contracts	330,298	974,191
- proceeds on reinsurance commissions and profit-sharing	8,991	67,785
- payments received from reinsurers for their share of claims paid	29,259	208,846
- proceeds for acting as an emergency adjuster	142,327	191,671
- proceeds on the sale of units by the mutual fund	850,194	569,530
- other operating proceeds	1,739,304	884,860
Expenditures	(14,034,521)	(12,554,441)
- insurance premiums paid for reinsurance	(236,181)	(205,928)
- commissions paid and profit-sharing on inward reinsurance	(3,985)	(1,245)
- gross claims paid	(6,560,505)	(6,301,131)
- claims paid on investment contracts	(1,225,939)	(1,118,170)
- acquisition expenditures	(1,321,903)	(1,223,991)
- administrative expenditures	(1,431,581)	(1,541,308)
- interest expenditures	(263)	(204)
- income tax expenditures	(443,283)	(479,405)
- expenditures for acting as an emergency adjuster	(337,302)	(349,207)
- expenditures on redemption of units by the mutual fund	(430,016)	(300,071)
- other operating expenditures	(2,043,563)	(1,033,781)
Net cash flow on operating activity	1,243,809	2,361,529
Cash flow on investing activity		
Proceeds	479,205,160	486,555,412
- sale of investment property	36,375	4,795
- proceeds from investment property	115,034	90,492
- sale of intangible assets and components of property, plant and equipment	3,256	5,610
- sale of ownership interests and shares	4,449,753	4,276,421
- realization of debt securities	46,650,406	73,035,468
- closing of buy-sell-back transactions	251,534,161	275,562,557
- closing of term deposits in credit institutions	152,500,913	109,488,516
- realization of other investments	22,881,078	22,331,806
- interest received	943,872	1,353,157
- dividends received	64,723	51,126
- cash acquired on the acquisition of ownership interests and shares in subsidiaries	25,589	-
- increase in cash due to change in the scope of consolidation	-	355,464

Interim consolidated cash flow statement (cont'd)

Consolidated cash flow statement	1 January – 30 September 2014	1 January – 30 September 2013 <i>(restated)</i>
Expenditures	(482,457,392)	(489,171,861)
- purchase of investment property	(117,038)	(392,879)
- expenditures for the maintenance of investment property	(112,185)	(43,564)
- purchase of intangible assets and components of property, plant and equipment	(169,136)	(172,226)
- purchase of ownership interests and shares	(4,803,958)	(6,765,638)
- purchase of ownership interests and shares in subsidiaries	(645,265)	-
- decrease in cash due to the change in the scope of consolidation	(16,108)	-
- purchase of debt securities	(46,925,474)	(74,485,063)
- purchase of debt securities under buy-sell-back transactions	(254,055,880)	(275,544,884)
- purchase of term deposits in credit institutions	(151,714,786)	(110,186,031)
- purchase of other investments	(23,887,665)	(21,574,345)
- other expenditures for investments	(9,897)	(7,231)
Net cash flow on investing activity	(3,252,232)	(2,616,449)
Cash flow on financing activity		
Proceeds	266,622,845	68,947,201
- loans, borrowings and issues of debt securities	10,827	15,918
- proceeds on the issue of own debt securities	2,084,795	-
- closing of sell-buy-back transactions	264,527,223	68,931,283
Expenditures	(264,668,083)	(68,475,245)
- dividends paid to holders of the parent company's equity	(159)	(2,488,919)
- amortization of loans and borrowings and redemption of own debt securities	(35,190)	(56,132)
- closing of sell-buy-back transactions	(264,619,493)	(65,919,362)
- interest on loans and borrowings and issued debt securities	(13,167)	(10,832)
- other financial expenditures	(74)	-
Net cash flow on financing activity	1,954,762	471,956
Total net cash flow	(53,661)	217,036
Cash and cash equivalents at the beginning of the period	569,157	262,063
Change in cash due to exchange rate differences	(27,523)	(47)
Cash and cash equivalents at the end of the period, including:	487,973	479,052
- restricted cash	54,773	33,840

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

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

According to the Polish Classification of Business Activity (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).

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(000s of PLN)

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 2014	31 December 2013	30 September 2014	31 December 2013	
Consolidated entities								
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	n/a	n/a	Non-life insurance
2	Powszechny Zakład Ubezpieczeń na Życie SA ("PZU Życie")	Warsaw	18.12.1991	100.00%	100.00%	100.00%	100.00%	Life insurance
3	Link4 Towarzystwo Ubezpieczeń SA ("Link4")	Warsaw	15.09.2014	100.00%	n/a	100.00%	n/a	Non-life insurance
4	Powszechne Towarzystwo Emerytalne PZU SA ("PTE PZU")	Warsaw	08.12.1998	100.00%	100.00%	100.00%	100.00%	Management of pension funds
5	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
6	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
7	PZU Asset Management SA ("PZU AM")	Warsaw	12.07.2001	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity
8	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	100.00%	100.00%	Provision of assistance services
9	Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA in liquidation ("MPTE PZU SA") ¹⁾	Warsaw	13.08.2004	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity
10	PrJSC IC PZU Ukraine ("PZU Ukraine")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Property insurance
11	PrJSC IC PZU Ukraine Life Insurance ("PZU Ukraine Life")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Life insurance

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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 2014	31 December 2013	30 September 2014	31 December 2013	
12	UAB DK PZU Lietuva ("PZU Lietuva")	Vilnius (Lithuania)	26.04.2002	99.76%	99.76%	99.76%	99.76%	Property insurance
13	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	99.34%	99.34%	Life insurance
14	Apdrošināšanas Akciju Sabiedrība Balta ("AAS Balta")	Riga (Latvia)	30.06.2014	99.99%	n/a	99.99%	n/a	Property insurance
15	PZU Finance AB (publ)	Stockholm (Sweden)	02.06.2014	100.00%	n/a	100.00%	n/a	Financial services
16	PZU Finanse Sp. z o.o.	Warsaw	08.11.2013	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity
17	Tower Inwestycje Sp. z o.o. ("Tower Inwestycje")	Warsaw	27.08.1998	100.00%	100.00%	100.00%	100.00%	Other service activity, excluding insurance and pension funds
18	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
19	Armatura Kraków SA ²⁾	Kraków	07.10.1999	100.00%	92.75%	100.00%	92.75%	Distribution of Armatura Group products, administration and management of the Group
20	Armatoora SA ²⁾	Nisko	10.12.2008	100.00%	92.75%	100.00%	92.75%	Production and sale of radiators and sanitary fittings
21	Armaton SA ²⁾	Kraków	10.02.2009	100.00%	92.75%	100.00%	92.75%	Utilization of available funds, growth investments
22	Armagor SA ²⁾	Kraków	06.09.2009	100.00%	92.75%	100.00%	92.75%	Production of water, gas and central heating fixtures
23	Armadimp SA ²⁾	Kraków	20.07.2012	100.00%	92.75%	100.00%	92.75%	Production of ceramic sanitary products

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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 2014	31 December 2013	30 September 2014	31 December 2013	
24	Centrum Medyczne Medica sp. z o.o.	Płock	09.05.2014	100.00%	n/a	100.00%	n/a	Provision of medical services
25	Specjalistyczna Przychodnia Przemysłowa Prof-Med sp. z o.o.	Włocławek	12.05.2014	96.45%	n/a	96.45%	n/a	Provision of medical services
26	Sanatorium Uzdrawiskowe "Krystynka" sp. z o.o.	Ciechocinek	09.05.2014	98.58%	n/a	98.58%	n/a	Provision of hospital, rehabilitation and health resort services
27	Ipsilon Sp. z o.o.	Warsaw	02.04.2009	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity
28	Ipsilon Bis SA	Warsaw	02.09.2011	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity
29	Omicron SA	Warsaw	13.09.2011	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity
30	Omicron Bis SA	Warsaw	28.08.2014	100.00%	n/a	100.00%	n/a	The company does not conduct any activity
31	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Assistance services
32	L4C sp. z o.o.	Warsaw	15.09.2014	100.00%	n/a	100.00%	n/a	The company does not conduct any activity
33	PZU SFIO Universum	Warsaw	15.12.2009	n/a	n/a	n/a	n/a	Investment of funds collected from fund members
34	PZU FIZ Akcji in liquidation	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	as above
35	PZU FIZ Dynamiczny	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	as above
36	PZU FIZ Sektora Nieruchomości ³⁾	Warsaw	01.07.2008	n/a	n/a	n/a	n/a	as above
37	PZU FIZ Sektora Nieruchomości 2 ³⁾	Warsaw	21.11.2011	n/a	n/a	n/a	n/a	as above
38	PZU FIZ Sektora Nieruchomości 3 in liquidation ³⁾	Warsaw	24.02.2012	n/a	n/a	n/a	n/a	as above
39	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	n/a	n/a	as above
40	PZU FIZ Aktywów Niepublicznych	Warsaw	19.11.2012	n/a	n/a	n/a	n/a	as above

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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 2014	31 December 2013	30 September 2014	31 December 2013	
	BIS 2							
41	PZU Dłużny Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
42	PZU Akcji Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
43	PZU Akcji Spółek Dywidendowych	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
44	PZU FIZ Forte	Warsaw	27.12.2012	n/a	n/a	n/a	n/a	as above
45	PZU FIZ Aktywów Niepublicznych RE Income in liquidation ³⁾	Warsaw	08.11.2011	n/a	n/a	n/a	n/a	as above
46	PZU FIO Gotówkowy	Warsaw	01.07.2005	n/a	n/a	n/a	n/a	as above
Jointly controlled subsidiary								
47	Armatura Tower Sp. z o.o.	Kraków	08.11.2013	50.00%	50.00%	50.00%	50.00%	Execution of construction projects
Associates								
48	GSU Pomoc Górniczy Klub Ubezpieczonych SA	Tychy	08.06.1999	30.00%	30.00%	30.00%	30.00%	Insurance service
49	EMC Instytut Medyczny SA	Wroclaw	18.06.2013	28.58%	29.87%	25.41%	25.31%	Human health activities, research and development in the area of medical sciences and pharmaceutical practice

¹⁾ On 16 October 2014, the Extraordinary Shareholder Meeting of MPTE PZU SA decided to open the company's liquidation in connection with the harmonization of employee pension plans in the PZU Group and the transfer of pension plans by mutual funds managed by TFI PZU.

²⁾ Information on the change in the exposure to Armatura Kraków SA is presented in item 2.3.

³⁾ As at 30 September 2014, PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Sektora Nieruchomości 3 in liquidation and PZU FIZ Aktywów Niepublicznych RE Income in liquidation conducted their investment activities through subsidiaries treated as special purpose vehicles whose number was as follows for each fund respectively: 39, 10, 7, 6 (as at 31 December 2013: 37, 8, 9, 6).

1.2.1. Non-controlling interest

In the PZU Group, there are no subsidiaries that would hold any non-controlling interest of material importance to the PZU Group. The table below presents subsidiaries with certain non-controlling interest:

Goodwill	30 September 2014	31 December 2013
Specjalistyczna Przychodnia Przemysłowa Prof-Med sp. z o.o.	3.55%	n/a
Sanatorium Uzdrowskowie "Krystynka" sp. z o.o.	1.42%	n/a
UAB PZU Lietuva Gyvybes Draudimas	0.66%	0.66%
(PZU Lietuva)	0.24%	0.24%
AAS Balta	0.01%	n/a
Armatura Kraków SA	0.00%	7.25%
Armatoora SA	0.00%	7.25%
Armaton SA	0.00%	7.25%
Armagor SA	0.00%	7.25%
Armadimp SA	0.00%	7.25%

2. Changes in the organization of the PZU Group

2.1. Changes in the consolidation of mutual funds

Information on the application of IFRS 10 as of 1 January 2014 has been presented in item 3.4.1.

Due to a decrease in the PZU Group's share in net assets of the PZU Energia Medycyna Ekologia subfund below the 20% threshold, since 1 April 2014 the Group has ceased its consolidation. As a result, a decrease in the PZU Group's cash by PLN 16,108 thousand is presented (in the line item "decrease in cash due to the change in the scope of consolidation" of the consolidated cash flow statement).

2.2. Subscription for shares in EMC Instytut Medyczny

On 23 December 2013, PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 ("PZU FIZ AN BIS 2") entered into a final agreement on the acquisition of 948,370 shares in EMC from the new issue at a nominal value of PLN 4 per share and an issue price of PLN 19.50 per share. The total purchase price for the acquisition of the new issue was PLN 18,493 thousand.

On 14 March 2014, EMC's capital increase was registered under the issue of 3,692,310 shares with a par value of PLN 4 per share and an issue price of PLN 19.50 per share. According to the foregoing final agreement PZU FIZ AN BIS 2 subscribed for 948,370 shares (representing 25.685% of the new issue shares). As a result of the capital increase PZU FIZ AN BIS 2 holds a total of 3,435,638 shares representing 28.58% of the share capital and giving it the right to 25.41% of the votes at EMC's shareholder meeting.

The subscription for the new issue shares was not aligned to PZU FIZ AN BIS 2's previous stake in the share capital and votes at the shareholder meeting. As a result of the change to the stake in the share capital, these consolidated financial statements have recognized non-recurring income of PLN 966 thousand, which is carried in the line item entitled "Net investment income".

2.3. Increasing the equity stake in Armatura Kraków SA

As at 31 December 2013 PZU FIZ AN BIS 2 held a total of 75,125,538 shares representing 92.75% of the share capital in Armatura Kraków SA and giving it the right to 92.75% of the votes at the shareholder meeting.

As a result of the equity squeeze out, on 23 January 2014 PZU FIZ AN BIS 2 acquired 5,517,888 shares in Armatura Kraków SA. As a result of this transaction, PZU FIZ AN BIS 2 came to hold a total of 80,643,426 shares representing 99.56% of the share capital in Armatura Kraków SA and giving it the right to 99.56% of the votes at the shareholder meeting.

In transactions cleared on 3 March 2014 and 14 March 2014 PZU FIZ AN BIS 2 acquired 298,399 and 58,175 shares, respectively. As a result of these transactions, PZU FIZ AN BIS 2 came to hold a total of 81,000,000 shares representing 100% of the share capital in Armatura Kraków SA and giving it the right to 100% of the votes at the shareholder meeting.

On 9 January 2014 an application was filed with the Polish Financial Supervision Authority ("KNF") for a permit to reinstate the shares of Armatura Kraków SA in the form of a document, i.e. to overturn the decision to record the shares electronically. On 18 February 2014, KNF issued consent to record the shares electronically. According to this decision, as of 10 March 2014 Armatura Kraków SA ceased to be subject to the obligations following from the Act of 29 July 2005 on Public Offerings and the Conditions for Introducing Financial Instruments on an Organized Trading Platform and on Public Companies (consolidated version: Journal of Laws of 2013, Item 1382).

2.4. Purchase of AAS Balta shares

On the basis of the AAS Balta share purchase agreement signed on 17 April 2014, PZU acquired from Royal & Sun Alliance Insurance plc, a limited liability company established in England and Wales with its registered office in West Sussex, the United Kingdom ("RSA"), 4,651,825 ordinary shares in AAS Balta representing 99.995% of AAS Balta's share capital and entitling the holder to 99.995% of votes at the AAS Balta Shareholder Meeting ("AAS Balta Shares") with a par value of LVL 1.00 for the amount of EUR 48,000 thousand and the estimated amount of compensation equal to the difference between the estimated net asset value (as determined upon closing of the transaction based on the closing balance sheet of AAS Balta prepared by PZU and accepted by RSA) and the benchmark net asset value.

The purchase of the stake in AAS Balta was subject to the fulfillment of the following conditions precedent:

- obtaining a decision of the Commission for Finances and Capital Markets of the Republic of Latvia for the purchase of the AAS Balta Shares in compliance with the relevant provisions of Latvian law (together with a statement of no objection);
- obtaining antimonopoly consent from the European Commission or the Latvian antimonopoly authority (depending on which of these authorities will have jurisdiction over the matter) together with a statement of no objection;
- obtaining consent from the Ukrainian antimonopoly authority.

The closing of the AAS Balta acquisition transaction took place on 30 June 2014 and since that day AAS Balta has been subject to consolidation by the full method. Payment for the AAS Balta shares was made on the closing date of the transaction in the amount of EUR 49,172 thousand (PLN 204,202 thousand at the exchange rate announced by the National Bank of Poland for the day preceding the date of the transaction).

Until the date of submission of this interim report, the final closing balance sheet has not been prepared, hence the purchase of the AAS Balta shares is accounted for on a preliminary basis.

Preliminary accounting for the purchase of the AAS Balta shares

In the calculation of goodwill, updated were the accounting values of assets and liabilities of AAS Balta to their fair value and identified were certain new intangible assets, such as the trademark, relations with clients, relations with brokers and the current value of active policies that had not been accounted for by the company earlier.

All amounts in the table below are expressed in thousands of EUR.

Fair value of acquired assets at the time of taking control (in EUR 000s)	
Intangible assets	2,914
Property, plant and equipment	2,923
Financial assets	35,309
Receivables	10,429
Reinsurers' share in technical provisions	6,973
Deferred tax assets	982
Other assets	4,520
New intangible assets identified during the acquisition, including:	30,094
- trademark	8,600
- relations with clients	14,193
- relations with brokers	1,107
- current value of active policies	6,194
Total assets (in EUR 000s)	94,144
Technical provisions	46,270
Liabilities	8,488
Non-controlling interest	2
Share in acquired net assets (in EUR 000s)	39,384
Price paid (in EUR 000s)	49,172
Calculated goodwill (in EUR 000s)	9,788

2.5. Purchase of Link4 shares

On the basis of the Link4 share purchase agreement signed on 17 April 2014, PZU acquired from RSA 111,354,305 registered shares in Link4 representing 100% of Link4's share capital and entitling the holder to 100% of votes at the Link4 Shareholder Meeting ("Link4 Shares") with a par value of PLN 1.00 each for the amount of EUR 90,000 thousand and the estimated amount of compensation equal to the difference between the estimated net asset value and the benchmark net asset value (the actual amount of compensation will be determined upon closing of the transaction based on the closing balance sheet of Link4 prepared by PZU and accepted by RSA).

The purchase of the stake in Link4 was subject to the fulfillment of the following conditions precedent:

- obtaining consent from KNF;
- obtaining antimonopoly consent from the European Commission or the Office of Competition and Consumer Protection (depending on which of these authorities will have jurisdiction over the matter) together with a statement of no objection;
- obtaining consent from KNF for the repayment of the loan granted under the subordinated loan agreement between InTouch Insurance Group B.V. and Link4 of 4 March 2009, as amended;
- obtaining consent from the Ukrainian antimonopoly authority.

The closing of the Link4 acquisition transaction took place on 15 September 2014 and since that day Link4 has been subject to consolidation by the full method. Payment for the Link4 shares was made on the closing date of

the transaction in the amount of EUR 93,886 thousand (PLN 393,917 thousand at the exchange rate announced by the National Bank of Poland for the day preceding the date of the transaction).

Until the date of submission of this interim report, the final closing balance sheet has not been prepared, hence the purchase of the Link4 shares is accounted for on a preliminary basis.

Preliminary accounting for the purchase of the Link4 shares

The purchase of the Link4 shares was accounted for based on the company's data prepared as at 31 August 2014. In the opinion of PZU, there are no significant differences in the accounting data between 31 August 2014 and 15 September 2014, i.e. the date of taking control over the company.

In the calculation of goodwill, the accounting values of assets and liabilities of Link4 were updated to their fair value and certain new intangible assets were identified, such as the trademark and the current value of active policies that had not been accounted for by the company earlier.

All amounts in the table below are expressed in thousands of PLN.

Fair value of acquired assets at the time of taking control	
Intangible assets	8,552
Property, plant and equipment	10,698
Financial assets	476,439
Receivables	65,354
Reinsurers' share in technical provisions	28,961
Other assets	26,634
New intangible assets identified during the acquisition, including:	117,266
- trademark	50,000
- current value of active policies	67,266
Total assets	733,904
Technical provisions	493,973
Liabilities	82,827
Share in acquired net assets	157,104
Price paid	393,917
Calculated goodwill	236,813

2.6. Purchase of shares in Centrum Medyczne Medica sp. z o.o.

On 8 April 2014, an agreement was signed to purchase shares in Orlen Medica Sp. z o.o. (since 4 June 2014 operating under the name of Centrum Medyczne Medica sp. z o.o., hereinafter referred to as "CM Medica") between Polski Koncern Naftowy Orlen SA ("PKN Orlen") as the seller and PZU FIZ AN BIS 2 as the buyer ("CM Medica Share Purchase Agreement").

Pursuant to the CM Medica Share Purchase Agreement, PZU FIZ AN BIS 2 acquired 17,983 shares in CM Medica from PKN Orlen with a par value of PLN 500.00 each, representing 100% of the share capital and giving the right to 100% of the votes at the Shareholder Meeting. The shares were transferred on 9 May 2014.

The total purchase price for the acquisition of 17,983 shares in CM Medica was PLN 43,344 thousand.

Under the CM Medica Share Purchase Agreement, PZU became an indirect owner of 4,525 shares in the company operating under the business name of Sanatorium Uzdrowskowe "Krystynka" Sp. z o.o. with a par value of PLN 500.00 each, representing 98.58% of the share capital and 98.58% of the votes at the Shareholder Meeting the rights to which are held by CM Medica.

Since 9 May 2014, both CM Medica and Sanatorium Uzdrowskowe "Krystynka" sp. z o.o. have been subject to consolidation by the full method.

Accounting for the purchase of shares in CM Medica

The purchase of shares in CM Medica and its subsidiary was accounted for based on the companies' data prepared as at 30 April 2014. In the opinion of PZU, there are no significant differences in the accounting data between 30 April 2014 and 9 May 2014, i.e. the date of taking control over the company.

In the calculation of goodwill, the accounting values of property, plant and equipment of CM Medica and its subsidiary were updated to their fair value and certain new intangible assets were identified, such as relations with clients, that had not been accounted for by the companies earlier.

Fair value of acquired assets at the time of taking control	
Intangible assets	67
Property, plant and equipment	12,884
Financial assets	1,358
Receivables	3,341
Deferred tax assets	1,237
Other assets	627
New intangible assets identified during the acquisition – relations with clients	15,378
Total assets	34,892
Liabilities	7,465
Non-controlling interest	41
Share in acquired net assets	27,386
Price paid	43,344
Calculated goodwill	15,958

2.7. Purchase of shares in Prof-med sp. z o.o.

On 8 April 2014, an agreement was signed to purchase shares in Specjalistyczna Przychodnia Przemysłowa "Prof-med" Sp. z o.o. "Prof-med") by and between Anwil SA (Anwil") as the seller and PZU FIZ AN BIS 2 as the buyer ("Prof-med Share Purchase Agreement").

Pursuant to the Prof-med Share Purchase Agreement, PZU FIZ AN BIS 2 acquired 136 shares in Prof-med from Anwil with a par value of PLN 500.00 each, representing 96.45% of the share capital and giving the right to 96.45% of the votes at the shareholder meeting. The shares were transferred on 12 May 2014.

The total purchase price for the acquisition of 136 shares in Prof-med was PLN 3,760 thousand. Since 12 May 2014, Prof-med has been subject to consolidation by the full method.

Accounting for the purchase of shares in Prof-med

The purchase of shares in Prof-med was accounted for based on the company's accounting data prepared as at 30 April 2014. In the opinion of PZU, there are no significant differences in the accounting data between 30 April 2014 and 12 May 2014, i.e. the date of taking control over the company.

In the calculation of goodwill, the accounting values of property, plant and equipment of Prof-Med were updated to their fair value and certain new intangible assets were identified, such as relations with clients, that had not been accounted for by the company earlier.

Fair value of acquired assets at the time of taking control	
Intangible assets	9
Property, plant and equipment	317
Financial assets	768
Receivables	577
Deferred tax assets	31
Other assets	13
New intangible assets identified during the acquisition – relations with clients	767
Total assets	2,482
Liabilities	683
Non-controlling interest	64
Share in acquired net assets	1,735
Price paid	3,760
Calculated goodwill	2,025

2.8. Purchase of shares in PZU Finance AB (publ)

On 2 June 2014, PZU purchased shares in PZU Finance AB (publ) (until 16 June 2014, the company operated under the business name of Goldcup 9812 AB) for the amount of SEK 500 thousand (PLN 236 thousand), which company since that day has been subject to consolidation by the full method.

On 3 July 2014, the company issued bonds, as described in item 9.13.

3. 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 2013, signed by the PZU Management Board on 11 March 2014 for which the auditor issued an unqualified opinion on the same date ("Consolidated financial statements of the PZU Group for 2013").

The PZU Group's consolidated financial statements for 2013 are available on the PZU website at www.pzu.pl in the "Investor Relations" tab.

Presented below are the accounting policies applicable to the acquisition of new subsidiaries.

3.1. Acquisitions of subsidiaries

Acquisitions of subsidiaries are accounted for using the acquisition method in accordance with IFRS 3 "Business Combinations".

For each acquisition of an entity, determined are the acquirer and the acquisition date which is the date of taking control over the acquired entity. As at the date of acquisition, recognized separately from goodwill are all identifiable assets acquired, assumed liabilities and all non-controlling interest in the acquired entity.

As at the date of acquisition, the identifiable assets acquired and the liabilities assumed are measured at fair value. For each acquisition, any non-controlling interest in the acquired entity are measured at the pro rata share of non-controlling interest in the identifiable net assets of the acquired entity.

Goodwill is recognized as at the date of acquisition and is measured as the excess of the sum of:

- the paid consideration, valued at fair value as at the date of acquisition;
- the value of all non-controlling interest in the acquired entity, measured as described above;

over the net value of the identifiable assets acquired and the liabilities assumed, as determined on the date of acquisition.

The intangible assets acquired under the subsidiary acquisition transaction are recognized at fair value determined as at the date of acquisition. The fair value of an intangible asset reflects expectations about the likelihood of the entity achieving economic benefits from this asset in the future. The fair value of intangible assets is determined as follows:

- trademark - by the relief-from-royalty method, based on potential savings on license fees which the company is not required to pay as the owner of the trademark. In the valuation of the trademark, the tax amortization benefit (TAB) was taken into account;
- relations with brokers and relations with clients – by the multiperiod excess earnings method (MEEM), based on the present value of future profits generated by each relation. In this method, the fair value is determined based on discounted future cash flows resulting from excess income generated by a company in possession of the relevant intangible asset over revenues generated by a company without such an asset. For the purposes of estimating the fair value of relations, such relations are identified and their life expectancy is determined (by applying the applicable attrition indicator) along with projected revenues and costs associated with each relation. The flows calculated in this manner are reduced by the required contributory asset charge (CAC) on assets that contribute to revenue generation from the relations in question (fixed assets, organized labor, trademark and other intangible assets). If there are any tax structures that enable the average market participant to obtain a tax amortization benefit from the relation in question, its valuation takes the TAB into account;
- value in force – future profits from executed insurance agreements – as a potential excess of the book value of technical provisions over their fair value, taking account of deferred acquisition costs.

Identified intangible assets (with the exception of the trademark) are subject to subsequent amortization over their estimated period of cash flow generation. The trademark, as an intangible asset with an indefinite lifetime is not subject to amortization but is subject to impairment tests in accordance with IAS 36. Amortization of intangible assets identified as a result of the acquisition transaction is posted to other operating expenses of the consolidated profit and loss account.

3.2. Compliance with International Financial Reporting Standards

These condensed 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 2014, 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.

3.3. Introduction of new IFRS

3.3.1. Standards, interpretations and amended standards effective from 1 January 2014

In these condensed 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	Commentary
IFRS 10 – Consolidated Financial Statements	1 January 2013 ¹⁾	1254/2012	<p>IFRS 10 supersedes the guidelines on consolidation set forth in IAS 27 "Consolidated and standalone financial statements" and SIC-12 "Consolidation – special purpose entities" by implementing a uniform model of consolidation for all entities on the basis of control, notwithstanding the nature of the investment (i.e. whether an entity is controlled through investors' voting rights or through other contractual arrangements generally applied to special-purpose entities). According to IFRS 10 control is based on whether an investor has the ability to control and investment, exposure or the right to variable earnings coming from the involvement in the investment and the ability to take advantage of control over the investment to affect the amount of return from the investment.</p> <p>As a result of applying IFRS 10, from the outset of 2014, Sub-fund PZU Energia Medycyna Ekologia, Sub-fund PZU Akcji Rynków Wschodzących, Sub-fund PZU Akcji Spółek Dywidendowych and PZU FIZ Forte are subject to consolidation. The balance sheet assets and liabilities recognize the assets and liabilities of the consolidated funds instead of the fund units. The impact exerted by applying the new standard on the consolidated statement of financial position, the consolidated statement of profit and loss and the consolidated statement of comprehensive income is presented in item 3.4.1. On account of the retrospective application of the new standard, the data for 2013 have been transformed.</p>
IFRS 11 – Joint Arrangements	1 January 2013 ¹⁾	1254/2012	<p>IFRS 11 implements new accounting regulations in respect of joint contractual arrangements, replacing IAS 31 "Interests in joint ventures". The ability to apply the proportionate consolidation method has been eliminated. Moreover, IFRS 11 eliminates the term "jointly-controlled assets" leaving intact the distinction between joint operations and a joint venture.</p> <p>The application of IFRS 11 did not have a material impact on the PZU Group's consolidated financial statements.</p>

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Standard/interpretation	Effective date for annual periods starting from	Regulation approving the standard or interpretation	Commentary
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013 ¹⁾	1254/2012	IFRS 12 requires the provision of more information on the entities subject to consolidation and the entities not subject to consolidation. The purpose of IFRS 12 is to provide information in such a way that the users of financial statements may assess the basis for control, the limitations imposed on consolidated assets and liabilities and equity, the exposure to risk stemming from the involvement in structural entities not subject to consolidation and the involvement of non-controlling holders of interests in the operations of consolidated entities. As a result of applying IFRS 12 the PZU Group has made additional disclosures concerning the associates and joint ventures it holds. Since the PZU Group does not have subsidiaries holding non-controlling interests of material significance to the PZU Group, no disclosures required by IFRS 12 for such entities have been made.
Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013 ¹⁾	313/2013	These amendments aim to provide additional explanations on the temporary regulations in IFRS 10, IFRS 11 and IFRS 12 in such a way as to curtail the requirements of transforming comparable data solely to the previous comparable period.
Amendments to IFRS 10, IFRS 12 and IFRS 27 – Investment Entities	1 January 2014	1174/2013	These amendments give a release from the requirement of consolidation (according to IFRS 10) and they require that investment entities recognize the individual subsidiaries at fair value through the financial result instead of through consolidation. These amendments also contain requirements concerning disclosures for investment entities. This amendment does not apply to the PZU Group.
Amended IAS 27 – Separate Financial Statements	1 January 2013 ¹⁾	1254/2012	The requirements concerning standalone financial statements have not changed and are laid down in the revised IAS 27. Other parts of IAS 27 were replaced by IFRS 10. This amendment does not apply to the PZU Group.
Amended IAS 28 – Investments in Associates and Joint Ventures	1 January 2013 ¹⁾	1254/2012	IAS 28 was changed as a result of publishing IFRS 10, IFRS 11 and IFRS 12.
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014	1256/2012	The amendments state more precisely the rules for offsetting and concentrate on four major areas: explaining what it means “to have an enforceable right to set off”; simultaneously making set-offs and settlements; offsetting security; the meaning of a clearing entity for offsetting. The change did not affect the PZU Group’s consolidated financial statements.

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Standard/interpretation	Effective date for annual periods starting from	Regulation approving the standard or interpretation	Commentary
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	1374/2013	The changes to IAS 36 to a limited extent pertain to the additional precision given to the requirement to disclose information on the recoverable value of assets for which an impairment charge has been made and simultaneously this recoverable value is based on fair value minus the costs of sale. The change did not affect the PZU Group's consolidated financial statements.
Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	1375/2013	Changes of limited scope afford the opportunity to continue applying security accounting in the event of novating a derivative (designated as a hedge) in such a way so that the central counterparty becomes a party thereto provided that it meets certain conditions. The change did not affect the PZU Group's consolidated financial statements (security accounting not applied).

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

3.3.2. 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 European Commission:

Standard/interpretation	Effective date for annual periods starting from	Regulation approving the standard or interpretation	Commentary
IFRIC 21 Interpretation – Levies	17 June 2014 or later	634/2014	IFRIC 21 is an interpretation of IAS 37 – Provisions, contingent liabilities and contingent assets. IAS 37 specifies the criteria for recognizing a liability, with one of them being the requirement to have a current obligation following from past events (referred to as an obligating event). The interpretation explains that an event leading to the emergence of a liability to remit a public fee is an activity subject to a public fee prescribed by the appropriate legal regulations. The amendment will not affect the PZU Group's consolidated financial statements.

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- 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)	Commentary
IFRS 9 – Financial Instruments	24 July 2014	1 January 2018	<p>This standard replaces IAS 39 and establishes requirements for the recognition and measurement, impairment, derecognition and hedge accounting.</p> <p>This standard introduces a new approach to the classification of financial assets which depends on the characteristics of cash flows and the business model associated with the assets in question. This standard also unifies the impairment model for all financial instruments. The new model of expected loss from impairment requires a faster recognition of expected credit losses.</p> <p>The standard introduces a reformed hedge accounting model with enhanced disclosure requirements for risk management activities.</p> <p>Due to the remote effective date, the effect of application of IFRS 9 on the PZU Group's comprehensive income and equity was not estimated.</p>
Amendments to IAS 19 – Employee Benefits – Defined Benefits Plans – Employee Contributions	21 November 2013	1 July 2014	<p>Minor changes concern the scope of application of IAS 19 to contributions from employees or third parties paid in favor of defined benefits schemes. The purpose of the changes is to simplify the accounting for contributions that do not depend on the number of years worked (e.g. employee contributions computed as a fixed percentage of salary).</p> <p>The amendment will not affect the PZU Group's consolidated financial statements.</p>
IFRS 14 – Regulatory Deferral Accounts	30 January 2014	1 January 2016	<p>Enabling entities applying IFRS for the first time, which currently recognize regulatory deferral account balances in accordance with their previous, generally accepted accounting standards to continue recognizing these balances after switching to IFRS.</p> <p>This amendment does not apply to the PZU Group.</p>
IFRS 15 – Revenue from Contracts with Customers	28 May 2014	1 January 2017	<p>IFRS 15 defines how and when to recognize revenue and requires the provision of more detailed disclosures. This standard replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of interpretations related to revenue recognition. The standard applies to almost all contracts with customers (the main exceptions are lease agreements, financial instruments and insurance contracts). The fundamental principle of the new standard is the recognition of revenue in such a manner as to reflect the transfer of goods or services to customers and in such an amount that reflects the amount of consideration (i.e. payment) for which the company expects to receive the right in exchange for the goods or services. This standard also provides guidance for recognizing transactions that were not specifically regulated by previous standards (e.g. revenue from services or modification of contracts) as well as extensive explanations about the recognition of</p>



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Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting from (according to IASB)	Commentary
			arrangements with multiple deliverables.
			Due to the remote effective date and inapplicability to the PZU Group's insurance entities, the effect of application of the new standard on comprehensive income and equity was not estimated.
Amendments to IFRS (2010-2012)	12 December 2013	1 July 2014	Changes to various standards and interpretations under the procedure for making annual corrections to Standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), mostly directed at solving incongruences and tightening terminology. The changes made state more precisely the required accounting recognition in situations in which previously it was permissible to have an arbitrary interpretation. The most important ones are new or changed requirements concerning: the definition of a "condition to acquire rights"; accounting recognition of a conditional payment in the combination of ventures; aggregation of operating segments and reconciliation of the assets of reporting segments with the entity's assets; measurement of short-term receivables and payables; proportionate recalculation of accumulated depreciation in the revaluation model and the definition of management personnel.
			The amendment will not have a material impact on the PZU Group's consolidated financial statements.
Amendments to IFRS (2011-2013)	12 December 2013	1 July 2014	Changes to various standards and interpretations under the procedure for making annual corrections to Standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40), mostly directed at solving incongruences and tightening terminology. The changes made state more precisely the required accounting recognition in situations in which previously it was permissible to have an arbitrary interpretation. The most important ones are new or changed requirements concerning: the significance of the IFRS in force in IFRS 1; the scope of exclusions from the scope of the standard concerning joint ventures; the scope of paragraph 52 of IFRS 13 (exclusion regarding net exposure) and stating more precisely the relationship between IFRS 3 and IAS 40 (additional services).
			The amendment will not have a material impact on the PZU Group's consolidated financial statements.

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Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting from (according to IASB)	Commentary
Amendments to IFRS (2012-2014)	25 September 2014	1 January 2016	Amendments to IFRS 5 – adding guidance on the reclassification of assets held for sale to held for distribution to owners and vice versa, and cases of the cessation of classification of assets as held for distribution to owners. Amendments to IFRS 7 – adding guidance on disclosures related to asset handling agreements and explanations on the application of amendments to IFRS 7 regarding compensation in condensed interim financial statements. Amendment to IAS 19 – clarification that high-quality corporate bonds used in estimating the discount rate applied to the calculation of post-employment benefits should be denominated in the same currency as that in which the benefits will be paid (and therefore market activity on these bonds should be assessed at the relevant currency level). Amendments to IAS 34 – detailing of concepts. The amendment will not affect the PZU Group’s consolidated financial statements.
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11 September 2014	1 January 2016	The main consequence of the amendment is the recognition of total profit or loss in a situation where the transaction concerns an organized business (regardless of whether it is located in a subsidiary or not), while partial gains or losses are recognized when the transaction relates to separate assets that do not form an organized business, even if they are located in the subsidiary. The amendment will not affect the PZU Group’s consolidated financial statements.
Amendments to IFRS 11 – Accounting for the Acquisition of Interests in Joint Ventures or Joint Operations	6 May 2014	1 January 2016	The amendment clarifies that the acquirer of shares in joint operations should follow all rules related to acquisition accounting under IFRS 3 and other IFRSs that are not in conflict with IFRS 11 and should disclose the information required by these standards. This amendment should not have an impact on the PZU Group’s consolidated financial statements.
Amendments to IAS 16 and IAS 38 – Clarification of Allowable Depreciation Methods	12 May 2014	1 January 2016	The amendment clarifies that the adoption of depreciation methods based on revenues generated by assets is not appropriate. This amendment should not have an impact on the PZU Group’s consolidated financial statements.
amendment to IAS 16 and IAS 41 – Bearer Plants	30 June 2014	1 January 2016	The amendment introduces the definition of productive assets and removes them from the scope of application of IAS 41 by moving them to IAS 16, which will result in a change in the measurement method. The amendment will not affect the PZU Group’s consolidated financial statements.

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(000s of PLN)

Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting from (according to IASB)	Commentary
Amendment to IAS 27 – Equity Method in Separate Financial Statements	12 August 2014	1 January 2016	The amendment allows entities to apply the equity method in the valuation of investments in subsidiaries, associates and joint ventures in their standalone financial statements. The amendment will not affect the PZU Group's consolidated financial statements.

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

In 2014, the changes described below were made to accounting standards (policy).

3.4.1. Application of IFRS 10

The PZU Group has applied IFRS 10 as of 1 January 2014, which is the date of first application within the meaning of item C2B of IFRS 10.

As a result of applying IFRS 10 the following mutual funds are subject to consolidation: Sub-fund PZU Energia Medycyna Ekologia, Sub-fund PZU Akcji Rynków Wschodzących, Sub-fund PZU Akcji Spółek Dywidendowych and PZU FIZ Forte. This means that the assets and liabilities of these funds have been recognized in the pertinent line items of these consolidated financial statements instead of the hitherto presentation of the value of the investment in a given fund at fair value in the appropriate line item of "Financial assets" in the consolidated statement of financial position.

Information on significant estimates adopted by the PZU Group in connection with the application of IFRS 10 is presented in item 4.

The tables present the impact of applying IFRS 10 on the consolidated statement of financial position, the consolidated profit and loss statement and the consolidated statement of other comprehensive income.

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(000s of PLN)

Assets	31 December 2013 <i>(historical)</i>	Adjustment	31 December 2013 <i>(restated)</i>	30 September 2013 <i>(historical)</i>	Adjustment	30 September 2013 <i>(restated)</i>	1 January 2013 <i>(historical)</i>	Adjustment	1 January 2013 <i>(restated)</i>
Intangible assets	308,726	-	308,726	233,408	-	233,408	183,238	-	183,238
Goodwill	8,519	-	8,519	8,569	-	8,569	8,474	-	8,474
Property, plant and equipment	927,281	-	927,281	974,487	-	974,487	992,317	-	992,317
Investment properties	1,474,770	-	1,474,770	1,610,828	-	1,610,828	564,404	-	564,404
Entities measured using the equity method	48,595	-	48,595	37,548	-	37,548	-	-	-
Financial assets									
Financial instruments held to maturity	18,859,902	-	18,859,902	23,890,485	-	23,890,485	21,117,559	-	21,117,559
Financial instruments available for sale	1,922,173	(2,061)	1,920,112	2,187,301	(2,073)	2,185,228	3,924,501	(100,092)	3,824,409
Financial instruments measured at fair value through profit or loss	19,790,102	114,074	19,904,176	16,782,703	111,841	16,894,544	15,628,401	66,081	15,694,482
Loans	14,116,537	285,001	14,401,538	11,039,933	91,001	11,130,934	9,752,615	-	9,752,615
Receivables, including under insurance contracts	2,664,986	6,978	2,671,964	2,956,652	5,185	2,961,837	1,835,793	5,080	1,840,873
Reinsurers' share in technical provisions	526,605	-	526,605	468,098	-	468,098	749,334	-	749,334
Estimated recoveries and recourses	129,950	-	129,950	107,090	-	107,090	121,632	-	121,632
Deferred tax assets	16,949	-	16,949	14,975	-	14,975	13,963	-	13,963
Current income tax receivables	34,895	-	34,895	5,310	-	5,310	80,646	-	80,646
Deferred acquisition expenses	609,819	-	609,819	569,656	-	569,656	574,489	-	574,489
Other assets	195,449	-	195,449	171,466	-	171,466	178,646	-	178,646
Cash and cash equivalents	548,266	20,891	569,157	462,070	16,982	479,052	136,586	125,477	262,063
Assets used in continuing operations	62,183,524	424,883	62,608,407	61,520,579	222,936	61,743,515	55,862,598	96,546	55,959,144
Assets held for sale	178,897	-	178,897	119,534	-	119,534	46,962	-	46,962
Total assets	62,362,421	424,883	62,787,304	61,640,113	222,936	61,863,049	55,909,560	96,546	56,006,106

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(000s of PLN)

Equity and liabilities	31 December 2013 <i>(historical)</i>	Adjustment	31 December 2013 <i>(restated)</i>	30 September 2013 <i>(historical)</i>	Adjustment	30 September 2013 <i>(restated)</i>	1 January 2013 <i>(historical)</i>	Adjustment	1 January 2013 <i>(restated)</i>
Equity									
Issued share capital and other capital attributable to the parent company's shareholders									
Share capital	86,352	-	86,352	86,352	-	86,352	86,352	-	86,352
Other capital	9,061,508	(157)	9,061,351	9,078,074	(167)	9,077,907	9,105,450	(75)	9,105,375
Treasury stock	-	(110)	(110)	-	(110)	(110)	-	-	-
Supplementary capital	8,855,999	-	8,855,999	8,817,063	-	8,817,063	8,780,212	-	8,780,212
Revaluation reserve	242,344	(47)	242,297	296,394	(57)	296,337	363,242	(75)	363,167
Actuarial gains and losses related to provisions for employee benefits	902	-	902	-	-	-	-	-	-
Exchange differences from translation	(37,737)	-	(37,737)	(35,383)	-	(35,383)	(38,004)	-	(38,004)
Retained earnings	3,963,586	1	3,963,587	3,436,788	21	3,436,809	4,998,329	75	4,998,404
Retained earnings (losses)	2,396,978	159	2,397,137	2,398,406	159	2,398,565	4,998,329	75	4,998,404
Net profit (loss)	3,293,654	(158)	3,293,496	2,765,428	(138)	2,765,290	-	-	-
Charges to net profit during the financial year	(1,727,046)	-	(1,727,046)	(1,727,046)	-	(1,727,046)	-	-	-
Non-controlling interest	16,341	-	16,341	80,753	-	80,753	79,138	-	79,138
Total equity	13,127,787	(156)	13,127,631	12,681,967	(146)	12,681,821	14,269,269	-	14,269,269

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Interim Condensed Consolidated Financial Statements according to IFRS for Q3 2014

(000s of PLN)

Equity and liabilities	31 December 2013 <i>(historical)</i>	Adjustment	31 December 2013 <i>(restated)</i>	30 September 2013 <i>(historical)</i>	Adjustment	30 September 2013 <i>(restated)</i>	1 January 2013 <i>(historical)</i>	Adjustment	1 January 2013 <i>(restated)</i>
Liabilities									
Technical provisions									
Provision for unearned premiums and for unexpired risks	4,540,011	-	4,540,011	4,542,640	-	4,542,640	4,537,167	-	4,537,167
Provision for life insurance	16,048,191	-	16,048,191	16,024,700	-	16,024,700	15,675,243	-	15,675,243
Provisions for outstanding claims	6,586,781	-	6,586,781	6,157,487	-	6,157,487	5,878,445	-	5,878,445
Provision for capitalized value of annuities	5,761,332	-	5,761,332	5,747,883	-	5,747,883	5,660,281	-	5,660,281
Provisions for bonuses and discounts for the insureds	2,893	-	2,893	2,256	-	2,256	4,227	-	4,227
Other technical provisions	477,987	-	477,987	492,360	-	492,360	531,617	-	531,617
Unit-linked reserve	3,907,221	-	3,907,221	3,710,753	-	3,710,753	3,113,798	-	3,113,798
Investment contracts									
- with guaranteed and fixed terms and conditions	1,250,492	-	1,250,492	1,298,483	-	1,298,483	1,297,224	-	1,297,224
- for the client's account and risk	870,545	-	870,545	902,949	-	902,949	1,001,923	-	1,001,923
Provisions for employee benefits	123,380	-	123,380	110,171	-	110,171	107,307	-	107,307
Other provisions	192,906	-	192,906	233,454	-	233,454	267,456	-	267,456
Deferred tax provision	255,399	-	255,399	360,597	-	360,597	357,557	-	357,557
Current income tax liabilities	53,372	-	53,372	171,831	-	171,831	21,658	-	21,658
Derivatives	237,749	-	237,749	238,690	243	238,933	129,921	226	130,147
Other liabilities	8,926,375	425,039	9,351,414	8,963,892	222,839	9,186,731	3,056,467	96,320	3,152,787
Liabilities related to continuing operations	49,234,634	425,039	49,659,673	48,958,146	223,082	49,181,228	41,640,291	96,546	41,736,837
Total liabilities	49,234,634	425,039	49,659,673	48,958,146	223,082	49,181,228	41,640,291	96,546	41,736,837
Total equity and liabilities	62,362,421	424,883	62,787,304	61,640,113	222,936	61,863,049	55,909,560	96,546	56,006,106

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(000s of PLN)

Consolidated profit and loss account	1 July – 30 September 2013 <i>(historical)</i>	Adjustment	1 July – 30 September 2013 <i>(restated)</i>	1 January – 30 September 2013 <i>(historical)</i>	Adjustment	1 January – 30 September 2013 <i>(restated)</i>
Gross written premium	3,907,299	-	3,907,299	12,402,550	-	12,402,550
Reinsurers' share in gross written insurance premium	(32,949)	-	(32,949)	(96,625)	-	(96,625)
Net written premium	3,874,350	-	3,874,350	12,305,925	-	12,305,925
						-
Change in net provision for unearned premiums	188,650	-	188,650	(65,685)	-	(65,685)
Net earned premium	4,063,000	-	4,063,000	12,240,240	-	12,240,240
						-
Revenue from commissions and fees	86,018	(2,120)	83,898	229,288	(2,212)	227,076
Net investment income	496,139	976	497,115	1,444,798	975	1,445,773
Net result on the realization of investments and impairment charges	15,289	10,290	25,579	(166,478)	10,175	(156,303)
Net change in the fair value of assets and liabilities measured at fair value	377,902	(9,004)	368,898	580,328	(9,109)	571,219
Other operating income	99,285	-	99,285	379,878	-	379,878
Claims and change in technical provisions	(2,766,535)	-	(2,766,535)	(8,218,618)	-	(8,218,618)
Reinsurers' share in claims and change in technical provisions	15,642	-	15,642	8,320	-	8,320
Net insurance claims	(2,750,893)	-	(2,750,893)	(8,210,298)	-	(8,210,298)
						-
Claims and changes in valuation of investment contracts	(48,396)	-	(48,396)	(60,091)	-	(60,091)
Acquisition expenses	(493,818)	-	(493,818)	(1,466,478)	-	(1,466,478)
Administrative expenses	(324,493)	-	(324,493)	(965,807)	-	(965,807)
Other operating expenses	(163,344)	-	(163,344)	(502,998)	-	(502,998)
Operating profit (loss)	1,356,689	142	1,356,831	3,502,382	(171)	3,502,211
Financial expenses	(10,234)	-	(10,234)	(48,060)	-	(48,060)
Share in net profit (loss) of entities measured by the equity method	10	-	10	1,866	-	1,866
Gross profit (loss)	1,346,465	142	1,346,607	3,456,188	(171)	3,456,017



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Consolidated profit and loss account	1 July – 30 September 2013 <i>(historical)</i>	Adjustment	1 July – 30 September 2013 <i>(restated)</i>	1 January – 30 September 2013 <i>(historical)</i>	Adjustment	1 January – 30 September 2013 <i>(restated)</i>
Income tax						
- current part	(226,599)	-	(226,599)	(648,519)	-	(648,519)
- deferred part	(28,747)	(26)	(28,773)	(40,834)	33	(40,801)
Net profit (loss) on continuing operations	1,091,119	116	1,091,235	2,766,835		2,766,697
Net profit (loss), including:	1,091,119	116	1,091,235	2,766,835	(138)	2,766,697
- profit (loss) attributed to holders of the parent company's equity	1,090,080	116	1,090,196	2,765,428	(138)	2,765,290
- profit (loss) attributed to holders of non-controlling interest	1,039	-	1,039	1,407	-	1,407

Consolidated statement of comprehensive income	1 July – 30 September 2013 <i>(historical)</i>	Adjustment	1 July – 30 September 2013 <i>(restated)</i>	1 January – 30 September 2013 <i>(historical)</i>	Adjustment	1 January – 30 September 2013 <i>(restated)</i>
Net profit (loss)	1,091,119	116	1,091,235	2,766,835	(138)	2,766,697
Other comprehensive income	29,188	(118)	29,070	(61,942)	18	(61,924)
Subject to subsequent transfer to profit or loss	29,188	(118)	29,070	(61,942)	18	(61,924)
Measurement of financial instruments available for sale	31,132	(118)	31,014	(74,912)	18	(74,894)
Exchange differences from translation	(3,711)	-	(3,711)	2,631	-	2,631
Reclassification of real property from property, plant and equipment to investment property	1,767	-	1,767	10,339	-	10,339
Total net comprehensive income	1,120,307	(2)	1,120,305	2,704,893	(120)	2,704,773
- comprehensive income attributed to holders of the parent company's equity	1,119,278	(2)	1,119,276	2,703,476	(120)	2,703,356
- comprehensive income attributed to holders of non-controlling interest	1,029	-	1,029	1,417	-	1,417

4. Critical estimates and assessments

The critical estimates and assessments were presented in the PZU Group's consolidated financial statements for 2013.

In connection with the application of IFRS 10 as of 1 January 2014, the PZU Group has assumed that it exercises control over a mutual fund if the following conditions are jointly met:

- the PZU Group companies jointly have the capacity to use their authority over the fund to influence the value of the return from the investment, with the prerequisites for this capacity being, among others, control over the mutual fund company, significant percentage of the total number of votes at the meeting of investors or board of investors;
- the total exposure of the PZU Group companies to variable returns from exposure to a mutual fund is significant, which means that the total percentage of PZU Group companies in this fund's net assets is equal to or greater than 20% (where, when determining this total percentage, the fund's assets forming the net assets of life insurance in which the investment risk is borne by the policyholder or investment contracts for the account and risk of the client are not taken into account).

The PZU Group allows for maintaining a fund's consolidation (or not being subject to consolidation, as the case may be) for a period of the next 2 quarters after the quarter at whose end a decline (or increase, as the case may be) in the percentage of a fund's net assets occurs below 20% (or above, as the case may be) in a situation in which this decline (or increase, as the case may be) stems from deposits (or disbursements, as the case may be) made by members from outside the PZU Group.

5. Corrections of errors from previous years

In the 9-month period from 1 January to 30 September 2014, no corrections were made of errors from previous years.

6. Other information related to the manner of preparation of the condensed interim consolidated financial statements

6.1. Period covered by the condensed interim consolidated financial statements

These condensed interim consolidated financial statements cover the period of 9 months from 1 January to 30 September 2014.

The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the parent company.

6.2. 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 condensed interim consolidated financial statements are stated in thousands of Polish zloty.

6.3. Going concern

These condensed 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 condensed 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.

6.4. Discontinued operations

In the 9-month period ended 30 September 2014, PZU Group entities did not discontinue any type of activity, with the exception of PZU AM which discontinued brokerage activity, MPTE PZU SA which discontinued the conduct of an employee pension plan for employees of PZU Group companies and the commencement of liquidation of PZU FIZ Akcji in liquidation and PZU FIZ Sektora Nieruchomości 3 in liquidation. The value of assets held by these two funds as at 30 September 2014 was PLN 1,049 thousand and PLN 667 thousand, respectively.

6.5. Seasonal or cyclical business

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.

6.6. FX rates

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

Currency	1 January – 30 September 2014	30 September 2014	30 June 2014	1 January – 31 December 2013	31 December 2013	1 January – 30 September 2013	30 September 2013	1 January 2013
LTL	1.2107	1.2093	1.2051	1.2196	1.2011	1.2231	1.2211	1.1840
UAH	0.2729	0.2554	0.2562	0.3886	0.3706	0.3933	0.3811	0.3825
EUR	4.1803	4.1755	4.1609	4.2110	4.1472	4.2231	4.2163	4.0882

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.

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

7.1. Application of IFRS 10

Information on the application of IFRS 10 is presented in item 3.4.1.

7.2. Issue of bonds

Detailed information on the bonds issued by PZU Finance AB (publ) is presented in item 9.13.

7.3. Distribution of PZU's 2013 financial result

On 17 June 2014, the Shareholder Meeting of PZU adopted a resolution on the distribution of the 2013 net profit. This matter is described in item 22.2.

7.4. 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.

7.4.1. Dividend from PZU Życie to PZU

On 16 June 2014, 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 2013 as follows:

- Dividend for the sole shareholder, i.e. PZU: PLN 1,842,875 thousand;
- Allocation to supplementary capital: PLN 354,657;
- Allocation to the Company Social Benefits Fund: PLN 10,000 thousand.

The dividend rights date was set for 16 June 2014 and the dividend payment date for 6 October 2014.

7.4.2. Dividend from PTE PZU to PZU Życie

On 9 June 2014, PTE PZU paid out a dividend to PZU Życie in the amount of PLN 111,186 thousand.

7.4.3. Dividend from PZU CO to PZU

On 9 May 2014, PZU CO paid out a dividend to PZU in the amount of PLN 18,222 thousand.

8. Material events after the end of the reporting period

8.1. Consents for the purchase of shares in Lietuvos Draudimas AB, the purchase of assets of the Estonian branch of Codan Forsikring A/S and the closing of the transaction

After 30 September 2014, PZU obtained information about receiving all consents necessary for the purchase of shares in Lietuvos Draudimas AB and the assets of the Estonian branch of Codan Forsikring A/S, as a result of which on 31 October 2014 the transactions were closed.

Detailed information on this subject is presented in item 25.5.

9. Supplementary notes to the condensed interim consolidated financial statements

9.1. Goodwill

Goodwill	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Link4	236,813	-	-	-
AAS Balta	40,870	40,728	-	-
CM Medica	15,958	15,958	-	-
PZU CO	5,415	5,415	5,415	5,415
PZU Lietuva	3,064	3,054	3,044	3,094
Prof-med	2,025	2,025	-	-
PZU Życie	60	60	60	60
Other	42	21	-	-
Total goodwill	304,247	67,261	8,519	8,569

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9.2. Entities measured using the equity method

Associates and joint ventures	30 September 2014	30 June 2014	31 December 2013	30 September 2013	30 September 2014	30 June 2014	31 December 2013	30 September 2013	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Name of the entity	EMC Instytut Medyczny SA			GSU Pomoc Górnicy Klub Ubezpieczonych SA				Armatura Tower Sp. z o.o.				
Nature of PZU's relationship with the entity	Associate – strategic			Associate – non-strategic				Joint venture – non-strategic				
Registered office of the entity	Wrocław			Tychy				Kraków				
Stake in the entity's equity	28.58%	28.58%	29.87%	29.87%	30.00%	30.00%	30.00%	30.00%	50.00%	50.00%	50.00%	n/a
Percentage of votes in the entity	25.41%	25.41%	25.31%	25.31%	30.00%	30.00%	30.00%	30.00%	50.00%	50.00%	50.00%	n/a
Measurement method in the consolidated financial statements	Equity method			Equity method				Equity method				
Accounting standard used by the entity	IFRS			PAS				IFRS				
Carrying amount of the exposure to the entity	66,895	67,538	47,954	36,934	587	591	616	614	19	21	25	n/a
Fair value of the exposure to the entity	51,535	55,829	44,746	36,086	None – entity not listed	None – entity not listed	None – entity not listed	None – entity not listed	n/a			
Value of dividends received from an entity	-	-	-	-	36	36	104	104	-	-	-	n/a
Basic financial information												
Assets, including:	242,561	251,439	231,397	169,680	2,720	2,584	2,633	2,110	39	44	n/a ¹⁾	n/a
Short-term assets, including:	56,946	67,653	79,690	35,412	2,560	2,554	2,594	2,066	39	44	n/a ¹⁾	n/a
Cash and cash equivalents	25,366	35,067	59,685	12,546	2,455	2,467	2,494	1,993	37	43	n/a ¹⁾	n/a
Long-term assets	185,615	183,786	151,707	134,268	160	30	39	44	-	-	n/a ¹⁾	n/a



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Associates and joint ventures	30 September 2014	30 June 2014	31 December 2013	30 September 2013	30 September 2014	30 June 2014	31 December 2013	30 September 2013	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Name of the entity	EMC Instytut Medyczny SA			GSU Pomoc Górnicy Klub Ubezpieczonych SA			Armatura Tower Sp. z o.o.					
Equity	136,900	139,172	139,021	70,153	1,957	1,968	2,053	2,046	38	42	n/a ¹⁾	n/a
Liabilities, including:	105,661	112,267	92,376	99,527	763	616	580	64	1	2	n/a ¹⁾	n/a
Short-term liabilities, including:	52,033	65,748	48,905	38,840	763	616	580	64	1	2	n/a ¹⁾	n/a
Short-term financial liabilities	18,797	28,744	23,384	12,109	-	-	-	-	-	-	n/a ¹⁾	n/a
Long-term liabilities, including:	53,628	46,519	43,471	60,687	-	-	-	-	-	-	n/a ¹⁾	n/a
Long-term financial liabilities	32,039	24,551	25,436	41,706	-	-	-	-	-	-	n/a ¹⁾	n/a
Revenues on core business	182,705	122,657	172,556	125,735	578	386	677	506	-	-	n/a ¹⁾	n/a
Depreciation	9,403	6,516	9,121	6,120	22	9	24	14	-	-	n/a ¹⁾	n/a
Interest income	625	470	172	135	109	73	153	123	-	-	n/a ¹⁾	n/a
Interest expense	1,979	1,298	2,780	2,348	-	-	-	-	-	-	n/a ¹⁾	n/a
Income tax	833	267	569	673	33	31	54	42	-	-	n/a ¹⁾	n/a
Comprehensive income, incl.:	(2,868)	(596)	78	1,811	24	36	121	114	(12)	(8)	n/a ¹⁾	n/a
Net financial result, including:	(2,484)	(208)	171	1,748	24	36	121	114	(12)	(8)	n/a ¹⁾	n/a
Net financial result on continuing operations	(2,484)	(208)	171	1,748	24	36	121	114	(12)	(8)	n/a ¹⁾	n/a
Net financial result on discontinued operations	-	-	-	-	-	-	-	-	-	-	n/a ¹⁾	n/a
Other comprehensive income	(384)	(388)	(93)	63	-	-	-	-	-	-	n/a ¹⁾	n/a

¹⁾The company did not prepare its financial statements as at 31 December 2013.

There are no restrictions (e.g. due to loan-related arrangements, regulatory requirements or contracts) as to the possibility of transferring funds by associates or joint ventures in the form of cash dividends.



9.3. Financial assets

In the period of 9 months ended 30 September 2014 and in 2013, no financial instruments were reclassified from groups measured at fair value to groups carried at cost or amortized cost.

9.3.1. Financial instruments held to maturity

Financial instruments held to maturity	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Debt securities	20,226,891	20,099,588	18,859,902	23,890,485
Government securities	19,994,104	19,869,569	18,633,511	23,665,350
Fixed rate	18,807,712	18,664,301	17,589,984	22,729,339
Floating rate	1,186,392	1,205,268	1,043,527	936,011
Other	232,787	230,019	226,391	225,135
Listed on a regulated market	110,224	108,898	105,509	101,833
Fixed rate	110,224	108,898	105,509	101,833
Not listed on a regulated market	122,563	121,121	120,882	123,302
Floating rate	122,563	121,121	120,882	123,302
Financial assets held to maturity, total	20,226,891	20,099,588	18,859,902	23,890,485

As at 30 September 2014, the fair value of financial instruments held to maturity was PLN 22,545,754 thousand (as at 30 June 2014: PLN 22,351,785 thousand, as at 31 December 2013: PLN 19,789,486 thousand, as at 30 September 2013: PLN 24,687,896 thousand).

9.3.2. Financial instruments available for sale

Financial instruments available for sale	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Instruments for which fair value can be determined	2,758,788	1,980,152	1,916,984	2,180,196
Equity instruments	561,974	559,344	405,827	1,035,954
Listed on a regulated market	370,942	376,015	370,228	1,001,620
Not listed on a regulated market	191,032	183,329	35,599	34,334
Debt instruments	2,196,814	1,420,808	1,511,157	1,144,242
Government securities	1,717,731	986,600	1,134,622	725,401
Fixed rate	1,597,108	933,913	1,032,503	673,277
Floating rate	120,623	52,687	102,119	52,124
Other	479,083	434,208	376,535	418,841
Listed on a regulated market	235,271	188,024	132,570	136,303
Fixed rate	185,021	146,101	132,570	136,303
Floating rate	50,250	41,923	-	-
Not listed on a regulated market	243,812	246,184	243,965	282,538
Floating rate	243,812	246,184	243,965	282,538
Instruments for which fair value cannot be determined	3,128	3,128	3,128	5,032
Equity instruments	3,128	3,128	3,128	5,032
Not listed on a regulated market	3,128	3,128	3,128	5,032
Financial instruments available for sale, total	2,761,916	1,983,280	1,920,112	2,185,228

9.3.3. 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 2014	30 June 2014	31 December 2013	30 September 2013
Equity instruments	1,448,364	1,690,246	817,007	727,574
Listed on a regulated market	1,416,484	1,658,988	791,919	701,333
Not listed on a regulated market	31,880	31,258	25,088	26,241
Debt instruments	11,161,624	11,143,881	10,171,872	8,468,715
Government securities	11,106,183	11,088,654	10,138,525	8,391,365
Fixed rate	9,940,412	9,917,579	9,175,313	6,998,604
Floating rate	1,165,771	1,171,075	963,212	1,392,761
Other	55,441	55,227	33,347	77,350
Listed on a regulated market	55,441	55,227	33,347	33,174
Fixed rate	55,441	55,227	33,347	33,174
Not listed on a regulated market	-	-	-	44,176
Floating rate	-	-	-	44,176
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition, total	12,609,988	12,834,127	10,988,879	9,196,289

Financial instruments measured at fair value through profit or loss – held for trading	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Equity instruments	4,507,135	5,081,586	5,081,854	4,748,483
Listed on a regulated market	1,654,712	2,314,453	2,528,806	2,340,352
Not listed on a regulated market	2,852,423	2,767,133	2,553,048	2,408,131
Debt instruments	1,517,684	1,674,426	3,573,400	2,691,053
Government securities	1,442,278	1,600,266	3,499,207	2,639,865
Fixed rate	1,417,011	1,574,838	3,473,888	2,614,757
Floating rate	25,267	25,428	25,319	25,108
Other	75,406	74,160	74,193	51,188
Not listed on a regulated market	75,406	74,160	74,193	51,188
Floating rate	75,406	74,160	74,193	51,188
Derivatives	630,419	487,277	260,043	258,719
Financial instruments measured at fair value through profit or loss – held for trading, total	6,655,238	7,243,289	8,915,297	7,698,255

9.3.4. Loans

Loans	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Debt securities	2,432,052	2,123,001	2,088,892	1,664,028
Government securities	24,405	22,774	30,221	31,843
Fixed rate	24,405	22,774	30,221	31,843
Other	2,407,647	2,100,227	2,058,671	1,632,185
Listed on a regulated market	4,385	4,369	10,735	13,653
Fixed rate	4,385	4,369	10,735	13,653
Not listed on a regulated market	2,403,262	2,095,858	2,047,936	1,618,532
Fixed rate	48,844	48,467	-	-
Floating rate	2,354,418	2,047,391	2,047,936	1,618,532
Other, including:	14,177,776	11,344,456	12,312,646	9,466,906
- buy-sell-back transactions	5,755,427	3,427,098	3,203,344	2,523,423
- term deposits with credit institutions	6,226,804 ¹⁾	5,687,696	7,387,007	5,239,739
- deposits with ceding companies	5	5	87	106
- loans	2,195,540 ²⁾	2,229,657	1,722,208	1,703,638
Total loans	16,609,828	13,467,457	14,401,538	11,130,934

¹⁾ More than 75% of term deposits in credit institutions are investments denominated in PLN and more than 20% are deposits denominated in EUR. Over 94% of term deposits will mature before the end of March 2015.

²⁾ More than 96% of loans are loans secured by pledges on shares, on portfolios of accounts receivable as well as on bank accounts, other loans or otherwise.

As at 30 September 2014, 30 June 2014, 31 December 2013 and 30 September 2013, the fair value of loans did not differ significantly from their carrying value.

9.3.5. 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.

9.3.5.1. Debt securities issued by governments other than the Polish government

As at 30 September 2014	Currency	Measurement method	Purchase price	Carrying amount	Measurement at fair value	Impairment charges
Bulgaria	EUR	at fair value	24,933	26,331	26,331	-
Croatia	USD	at fair value	22,626	25,257	25,257	-
Croatia	EUR	at amortized cost	10,865	10,881	10,909	-
Cyprus	EUR	at fair value	20,663	20,874	20,874	-
Greece	EUR	at fair value	20,674	21,184	21,184	-
Iceland	USD	at fair value	24,745	28,054	28,054	-
Lithuania	EUR	at fair value	13,660	15,749	15,749	-
Lithuania	LTL	at fair value	4,073	4,211	4,211	-
Lithuania	USD	at fair value	14,252	16,008	16,008	-
Lithuania	EUR	at amortized cost	27,750	29,713	33,031	-
Lithuania	LTL	at amortized cost	69,032	65,793	67,749	-
Latvia	EUR	at fair value	75,542	78,080	78,080	-
Latvia	USD	at fair value	31,236	32,546	32,546	-
Latvia	EUR	at amortized cost	1,631	1,643	1,700	-
Germany	EUR	at fair value	334,151	335,010	335,010	-
Romania	EUR	at fair value	72,397	79,751	79,751	-
Romania	RON	at fair value	67,838	69,794	69,794	-

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As at 30 September 2014	Currency	Measurement method	Purchase price	Carrying amount	Measurement at fair value	Impairment charges
Romania	USD	at fair value	27,985	32,210	32,210	-
Romania	EUR	at amortized cost	8,424	8,464	8,454	-
Turkey	USD	at fair value	34,286	36,653	36,653	-
Ukraine	USD	at fair value	1,376	1,499	1,499	-
Ukraine	UAH	at fair value	1,239	878	878	-
Ukraine	UAH	at amortized cost	18,683 ¹⁾	3,474 ¹⁾	3,675 ¹⁾	-
Ukraine	USD	at amortized cost	20,452	20,931	20,952	-
Hungary	EUR	at fair value	17,506	19,845	19,845	-
Hungary	HUF	at fair value	143,239	145,729	145,729	-
Hungary	USD	at fair value	7,801	8,450	8,450	-
Hungary	EUR	at amortized cost	9,003	8,850	8,981	-
other	EUR/USD	at fair value	44,691	49,115	49,115	-
Total			1,170,753	1,196,977	1,202,679	

¹⁾ In the case of these bonds, every six months part of the par value is repaid in a fixed amount of UAH 100 (i.e. 10% of the par value of the bonds). The purchase price reflects the actual price paid by the company and does not take into account the repayments of the par value.

As at 30 June 2014	Currency	Measurement method	Purchase price	Carrying amount	Measurement at fair value	Impairment charges
Bulgaria	EUR	at fair value	33,163	34,375	34,375	-
Croatia	USD	at fair value	22,626	23,802	23,802	-
Croatia	EUR	at amortized cost	10,865	10,876	10,906	-
Cyprus	EUR	at fair value	20,663	20,675	20,675	-
Greece	EUR	at fair value	49,586	51,475	51,475	-
Iceland	USD	at fair value	24,745	25,617	25,617	-
Lithuania	EUR	at fair value	13,769	15,300	15,300	-
Lithuania	LTL	at fair value	4,082	4,179	4,179	-
Lithuania	USD	at fair value	14,252	15,222	15,222	-
Lithuania	EUR	at amortized cost	25,340	27,217	30,444	-
Lithuania	LTL	at amortized cost	80,199	80,048	82,307	-
Latvia	EUR	at fair value	75,726	77,821	77,821	-
Latvia	USD	at fair value	31,236	30,522	30,522	-
Latvia	EUR	at amortized cost	604	602	626	-
Germany	EUR	at fair value	201,962	202,955	202,955	-
Romania	EUR	at fair value	72,397	78,516	78,516	-
Romania	RON	at fair value	67,416	72,171	72,171	-
Romania	USD	at fair value	27,985	30,275	30,275	-
Romania	EUR	at amortized cost	8,424	8,424	8,412	-
Slovenia	EUR	at fair value	82,428	99,970	99,970	-
Slovenia	USD	at fair value	12,791	13,559	13,559	-
Turkey	USD	at fair value	34,286	34,719	34,719	-
Ukraine	USD	at fair value	2,515	2,596	2,596	-
Ukraine	UAH	at amortized cost	18,683 ¹⁾	5,306 ¹⁾	5,405 ¹⁾	-
Ukraine	USD	at amortized cost	18,618	17,468	17,782	-
Hungary	EUR	at fair value	42,638	45,682	45,682	-
Hungary	HUF	at fair value	104,606	103,855	103,855	-
Hungary	USD	at fair value	7,801	7,900	7,900	-
Hungary	EUR	at amortized cost	11,278	11,371	11,425	-
other	EUR/USD	at fair value	27,411	30,835	30,835	-
Total			1,148,095	1,183,333	1,189,328	

¹⁾ In the case of these bonds, every six months part of the par value is repaid in a fixed amount of UAH 100 (i.e. 10% of the par value of the bonds). The purchase price reflects the actual price paid by the company and does not take into account the repayments of the par value.

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As at 31 December 2013	Currency	Measurement method	Purchase price	Carrying amount	Measurement at fair value	Impairment charges
Croatia	EUR	at fair value	142	143	143	-
Croatia	USD	at fair value	50,038	48,677	48,677	-
Iceland	USD	at fair value	88,150	84,365	84,365	-
Lithuania	EUR	at fair value	1,888	1,992	1,992	-
Lithuania	LTL	at fair value	3,255	3,351	3,351	-
Lithuania	USD	at fair value	14,354	14,893	14,893	-
Lithuania	EUR	at amortized cost	74,206	75,835	79,247	-
Lithuania	LTL	at amortized cost	81,242	82,012	84,393	-
Latvia	USD	at fair value	35,960	33,737	33,737	-
Germany	EUR	at fair value	129,700	126,939	126,939	-
Romania	EUR	at fair value	371,772	381,138	381,138	-
Romania	RON	at fair value	108,132	108,686	108,686	-
Romania	USD	at fair value	27,985	27,856	27,856	-
Slovenia	EUR	at fair value	389,175	443,084	443,084	-
Slovenia	USD	at fair value	138,259	134,090	134,090	-
Ukraine	USD	at fair value	12,678	10,933	10,933	-
Ukraine	UAH	at amortized cost	25,095 ¹⁾	14,556 ¹⁾	n/a	-
Ukraine	USD	at amortized cost	17,070	15,665	n/a	-
Hungary	EUR	at fair value	125,401	136,097	136,097	-
Hungary	EUR	at amortized cost	5,124	5,324	5,420	-
Turkey	TRL	at fair value	45,746	41,963	41,963	-
other	EUR/USD	at fair value	57,363	59,068	59,068	-
Total			1,802,735	1,850,404	n/a	-

¹⁾ In the case of these bonds, every six months part of the par value is repaid in a fixed amount of UAH 100 (i.e. 10% of the par value of the bonds). The purchase price reflects the actual price paid by the company and does not take into account the repayments of the par value.

As at 30 September 2013	Currency	Measurement method	Purchase price	Carrying amount	Measurement at fair value	Impairment charges
Iceland	USD	at fair value	195,671	189,228	189,228	-
Lithuania	EUR	at fair value	2,678	2,820	2,820	-
Lithuania	EUR	at amortized cost	64,837	66,305	69,982	-
Lithuania	LTL	at fair value	3,139	3,276	3,276	-
Lithuania	LTL	at amortized cost	58,482	66,007	68,719	-
Lithuania	USD	at fair value	14,354	15,672	15,672	-
Latvia	USD	at fair value	35,960	35,012	35,012	-
Germany	EUR	at fair value	102,515	103,852	103,852	-
Romania	EUR	at fair value	367,281	382,368	382,368	-
Romania	RON	at fair value	8,011	8,392	8,392	-
Romania	USD	at fair value	27,985	28,789	28,789	-
Slovenia	EUR	at fair value	389,175	384,368	384,368	-
Slovenia	USD	at fair value	138,259	131,840	131,840	-
Ukraine	UAH	at amortized cost	25,095 ¹⁾	14,369 ¹⁾	n/a	-
Ukraine	USD	at fair value	12,678	10,831	10,831	-
Ukraine	USD	at amortized cost	18,375	17,474	n/a	-
Hungary	EUR	at fair value	125,401	132,779	132,779	-
Hungary	EUR	at amortized cost	5,124	5,352	5,452	-
Turkey	TRL	at fair value	45,746	45,112	45,112	-
other	EUR/USD	at fair value	66,975	69,647	69,647	-
Total			1,707,741	1,713,493	n/a	-

¹⁾ In the case of these bonds, every six months part of the par value is repaid in a fixed amount of UAH 100 (i.e. 10% of the par value of the bonds). The purchase price reflects the actual price paid by the company and does not take into account the repayments of the par value.

All debt securities issued by governments other than the Republic of Poland, which have been measured at fair value are in Level I of fair value hierarchy.

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

As at 30 September 2014	Measurement method	Purchase price	Carrying amount	Measurement at fair value	Impairment charges
Companies from the WIG-Banks Index	measured at fair value	171,495	178,526	178,526	-
	measured at amortized cost	1,481,006	1,487,548	n/a	-
Companies from the WIG-Fuels Index	measured at fair value	279,625	294,593	294,593	-
	measured at amortized cost	700,000	707,761	n/a	-
Companies from the WIG-Commodities Index	measured at amortized cost	200,000	200,608	n/a	-
Privately held domestic banks	measured at amortized cost	20,000	20,607	n/a	-
Foreign banks	measured at fair value	15,154	15,415	15,415	-
	measured at amortized cost	84,973	87,164	n/a	-
Mortgage banks	measured at fair value	41,983	41,888	41,888	-
Domestic local government	measured at fair value	45,632	55,027	55,027	-
	measured at amortized cost	50,000	51,673	n/a	-
Other	measured at fair value	24,243	24,481	24,481	-
	measured at amortized cost	84,739	85,073	n/a	-
Other – covered by full write-offs	measured at fair value	11,630	-	-	11,630
International banks – covered by full write-offs	measured at amortized cost	1,142	-	-	1,142
Total		3,211,622	3,250,364	n/a	12,772

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As at 30 June 2014	Measurement method	Purchase price	Carrying amount	Measurement at fair value	Impairment charges
Companies from the WIG-Banks Index	at fair value	149,503	154,016	154,016	-
	at amortized cost	1,386,007	1,400,825	n/a	-
Companies from the WIG-Fuels Index	at fair value	279,625	296,389	296,389	-
	at amortized cost	700,000	700,819	n/a	-
Privately held domestic banks	at amortized cost	65,000	66,221	n/a	-
Foreign banks	at fair value	552	660	660	-
	at amortized cost	84,973	86,539	n/a	-
Mortgage banks	at fair value	41,983	41,923	41,923	-
Domestic local government	at fair value	45,632	54,362	54,362	-
Other	at amortized cost	50,000	50,854	n/a	-
	at fair value	15,702	16,245	16,245	-
Other - covered by full write-offs	at amortized cost	24,934	24,988	n/a	-
	at fair value	11,630	-	-	11,630
International banks – covered by full write-offs	at amortized cost	1,142	-	-	1,142
Total		2,856,683	2,893,841	n/a	12,772

As at 31 December 2013	Measurement method	Purchase price	Carrying amount	Measurement at fair value	Impairment charges
Companies from the WIG-Banks Index	at fair value	138,661	140,340	140,340	-
	at amortized cost	1,336,121	1,349,381	n/a	-
Companies from the WIG-Fuels Index	at fair value	268,489	283,249	283,249	-
	at amortized cost	700,000	700,816	n/a	-
Privately held domestic banks	at amortized cost	65,000	66,227	n/a	-
Foreign banks	at fair value	552	634	634	-
	at amortized cost	90,548	92,296	n/a	-
Domestic local government	at fair value	45,632	54,279	54,279	-
Other	at amortized cost	50,000	52,507	n/a	-
	at fair value	5,154	5,573	5,573	-
Other - covered by full write-offs	at amortized cost	23,657	23,835	22,408	-
	at fair value	11,630	-	-	11,630
International banks – covered by full write-offs	at amortized cost	1,142	-	-	1,142
Total		2,736,586	2,769,137	n/a	12,772

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As at 30 September 2013	Measurement method	Purchase price	Carrying amount	Measurement at fair value	Impairment charges
Companies from the WIG-Banks Index	at fair value	202,837	209,126	209,126	-
	at amortized cost	911,565	914,278	n/a	-
Companies from the WIG-Fuels Index	at fair value	268,489	277,795	277,925	-
	at amortized cost	700,000	707,740	n/a	-
Privately held domestic banks	at amortized cost	65,000	66,112	n/a	-
Foreign banks	at fair value	491	566	566	-
	at amortized cost	92,944	96,828	n/a	-
Domestic local government	at fair value	45,632	54,568	54,568	-
Other	at amortized cost	50,000	51,676	n/a	-
	at fair value	5,154	5,324	5,324	-
Other - covered by full write-offs	at amortized cost	20,009	20,686	n/a	-
	at amortized cost	11,630	-	-	11,630
Total		2,373,751	2,404,699	n/a	11,630

9.3.6. Derivatives

Derivatives – assets	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Interest rate derivatives	591,101	454,143	215,193	241,578
Unlisted (OTC) instruments, including:	591,101	454,143	215,193	241,578
- FRA transactions	15,780	9,095	1,142	24,222
- SWAP transactions	575,321	445,048	214,051	217,356
Foreign exchange derivatives	6,712	7,736	22,492	2,686
Unlisted (OTC) instruments, including:	6,712	7,736	22,492	2,686
- forward transactions	6,685	7,217	5,592	948
- SWAP transactions	27	-	16,900	1,738
- call options (purchase)	-	519	-	-
Equity derivatives	32,606	25,398	22,358	13,699
Listed instruments, including:	6,621	428	5,080	-
- forward contracts	4,707	428	5,080	-
- call options (purchase)	1,914	-	-	-
Unlisted (OTC) instruments, including:	25,985	24,970	17,278	13,699
- call options (purchase)	25,985	24,970	17,034	13,699
- forward transactions	-	-	244	-
Other	-	-	-	756
Derivatives – assets, total	630,419	487,277	260,043	258,719

Derivatives – liabilities	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Interest rate derivatives	588,858	426,174	237,117	206,654
Listed instruments:	17,056	11,560	-	-
- forward contracts	17,056	11,560	-	-
Unlisted (OTC) instruments, including:	571,802	414,614	237,117	206,654
- FRA transactions	19,602	15,197	1,986	23,228
- SWAP transactions	552,200	399,417	235,131	183,426
Foreign exchange derivatives	4,640	21,993	632	4,831
Listed instruments, including:	-	13,804	-	-
- forward contracts	-	13,804	-	-
Unlisted (OTC) instruments, including:	4,640	8,189	632	4,831
- forward transactions	4,134	7,313	-	1,419
- SWAP transactions	506	876	632	3,412
Equity derivatives	-	-	-	10,243
Listed instruments, including:	-	-	-	10,243
- forward contracts	-	-	-	10,243
Other	-	-	-	17,205
Derivatives – liabilities, total	593,498	448,167	237,749	238,933

9.3.7. 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 16.

9.3.8. 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 2014, 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.

9.4. Fair value

9.4.1. Description of valuation techniques

9.4.1.1. 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 EUR).

9.4.1.2. Assets and liabilities related to mutual funds

All exposures to non-consolidated mutual funds (units and investment certificates), liabilities under unit-linked contracts and liabilities to members in the consolidated mutual funds are measured at the fair value of assets of the relevant investment fund (at the share in the mutual fund's net assets).

9.4.2. Fair value hierarchy

On the basis of the input data for fair value measurement, the individual assets and liabilities for which fair value has been presented have been 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;
 - mutual fund units;
 - liabilities to members of consolidated mutual funds;
 - investment contracts for client’s account and risk;
- Level III – assets and liabilities measured based on input data unobserved in the existing markets (unobservable input data).

Assets and liabilities measured at fair value as at 30 September 2014	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	2,323,944	434,844	-	2,758,788
Equity instruments	370,942	191,032	-	561,974
Debt securities	1,953,002	243,812	-	2,196,814
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	12,578,223	31,765	-	12,609,988
Equity instruments	1,416,599	31,765	-	1,448,364
Debt securities	11,161,624	-	-	11,161,624
Financial instruments measured at fair value through profit or loss – held for trading	3,078,570	3,576,668	-	6,655,238
Equity instruments	1,654,712	2,852,423	-	4,507,135
Debt securities	1,417,110	100,574	-	1,517,684
Derivatives	6,748	623,671	-	630,419
Liabilities				
Derivatives	17,056	576,442	-	593,498
Liabilities to members of consolidated mutual funds	-	541,095	-	541,095
Investment contracts for client’s account and risk (unit-linked)	-	645,012	-	645,012

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Assets and liabilities measured at fair value as at 30 June 2014	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	1,550,639	429,513	-	1,980,152
Equity instruments	376,015	183,329	-	559,344
Debt securities	1,174,624	246,184	-	1,420,808
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	12,802,944	31,183	-	12,834,127
Equity instruments	1,659,063	31,183	-	1,690,246
Debt securities	11,143,881	-	-	11,143,881
Financial instruments measured at fair value through profit or loss – held for trading	3,858,323	3,384,966	-	7,243,289
Equity instruments	2,314,453	2,767,133	-	5,081,586
Debt securities	1,543,442	130,984	-	1,674,426
Derivatives	428	486,849	-	487,277
Liabilities				
Derivatives	25,364	422,803	-	448,167
Liabilities to members of consolidated mutual funds	-	374,705	-	374,705
Investment contracts for client's account and risk (unit-linked)	-	710,953	-	710,953

Assets and liabilities measured at fair value as at 31 December 2013	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	1,637,420	279,564	-	1,916,984
Equity instruments	370,228	35,599	-	405,827
Debt securities	1,267,192	243,965	-	1,511,157
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	10,963,791	25,088	-	10,988,879
Equity instruments	791,919	25,088	-	817,007
Debt securities	10,171,872	-	-	10,171,872
Financial instruments measured at fair value through profit or loss – held for trading	5,976,711	2,938,586	-	8,915,297
Equity instruments	2,528,806	2,553,048	-	5,081,854
Debt securities	3,442,825	130,575	-	3,573,400
Derivatives	5,080	254,963	-	260,043
Liabilities				
Derivatives	1,169	236,580	-	237,749
Liabilities to members of consolidated mutual funds	-	688,282	-	688,282
Investment contracts for client's account and risk (unit-linked)	-	870,545	-	870,545

Assets and liabilities measured at fair value as at 30 September 2013	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	1,857,570	322,626	-	2,180,196
Equity instruments	1,001,620	34,334	-	1,035,954
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	9,125,016	71,273	-	9,196,289
Equity instruments	701,333	26,241	-	727,574
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	2,774,874	-	7,698,255
Equity instruments	2,340,352	2,408,131	-	4,748,483
Debt securities	2,582,273	108,780	-	2,691,053
Derivatives	756	257,963	-	258,719
Liabilities				
Derivatives	10,243	228,690	-	238,933
Liabilities to members of consolidated mutual funds	-	555,509	-	555,509
Investment contracts for client's account and risk (unit-linked)	-	902,949	-	902,949

9.4.3. Reclassifications between fair value levels

In the event of a change in measurement of assets and liabilities that would necessitate reclassification of such assets and liabilities between the different fair value levels, the relevant event is identified and the reclassification is made as appropriate.

In the period of 9 months ended 30 September 2014, none of the financial instruments measured at fair value were reclassified between Level I and Level II in the fair value classification.

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

In the 9-month period ended 30 September 2014, neither PZU nor its subsidiaries changed the fair value measurement methodology for financial instruments measured at fair value.

9.4.5. The most extensive and best usage of a non-financial asset and its current usage

As at 30 September 2014, in the case of one investment property with a carrying value of PLN 2,822 thousand (as at 30 June 2014: PLN 2,822 thousand, as at 31 December 2013: PLN 2,822 thousand) its current usage is not its most extensive or best usage, however the balance sheet measurement incorporates its most extensive and best usage.

This real estate entails developed land with a structure that must be razed, while the optimum usage would be to build new facilities.

9.5. Receivables, including under insurance contracts

Receivables, including receivables under insurance contracts – carrying amount	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Receivables on direct insurance	1,556,305	1,547,010	1,384,325	1,464,247
Receivables from policyholders	1,412,067	1,375,287	1,245,337	1,317,188
Receivables from insurance intermediaries	112,473	113,740	113,941	116,174
Other receivables	31,765	57,983	25,047	30,885
Receivables on reinsurance	31,042	28,195	18,828	30,538
Other receivables	1,592,416	1,427,193	1,268,811	1,467,052
Net receivables, including receivables under insurance contracts	3,179,763	3,002,398	2,671,964	2,961,837

9.5.1. Other receivables

Other receivables	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Receivables from the state budget, other than income tax receivables	24,670	13,324	86,177	3,815
Receivables from Metro Projekt Sp. z o.o. ¹⁾	83,203	83,203	83,203	98,373
Receivables relating to prevention activities	66,218	61,970	53,506	53,040
Receivables for acting as an emergency adjuster	8,051	7,507	6,351	6,223
Receivables from transactions on financial instruments and security deposits	1,089,510	1,012,108	902,019	1,153,641
Trade receivables	114,502	113,891	97,646	113,946
Receivables from direct claims payments chargeable to policies issued by other insurance companies	24,314	10,488	-	-
Receivables from the security of the purchase of companies from RSA	149,772	86,882	-	-
Other	32,176	37,820	39,909	38,014
Other receivables, total	1,592,416	1,427,193	1,268,811	1,467,052

¹⁾ Matters related to receivables from Metro Projekt Sp. z o.o. are described in item 24.6.

9.6. Reinsurers' share in technical provisions

Reinsurers' share in technical provisions – non-life insurance	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Provision for unearned premiums	217,296	212,042	209,940	117,469
Provision for unexpired risk	-	-	16	17
Provisions for outstanding claims, including:	235,509	216,646	170,375	201,698
- for reported claims	189,022	175,656	121,826	148,449
- for claims not reported (IBNR)	27,342	22,397	29,989	38,530
- for claims handling costs	19,145	18,593	18,560	14,719
Provision for capitalized value of annuities	156,372	151,066	146,180	148,808
Provisions for bonuses and discounts	-	14	8	6
Reinsurers' share in technical provisions (net)	609,177	579,768	526,519	467,998

Reinsurers' share in technical provisions – life insurance	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Provision for unearned premiums	61	67	86	100
Reinsurers' share in technical provisions (net)	61	67	86	100

9.7. Impairment of financial assets and receivables

Movements in impairment charges to financial assets in the period of 1 January - 30 September 2014	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	154,899	3,404	-	-	(537)	-	157,766
Equity instruments	154,899	3,404	-	-	(537)	-	157,766
Financial assets held to maturity	1,202	-	-	-	8	-	1,210
Debt instruments	1,202	-	-	-	8	-	1,210
Loans	24,725	-	-	-	68	-	24,793
Term deposits with credit institutions	9,797	-	-	-	67	-	9,864
Loans	14,928	-	-	-	1	-	14,929
Receivables, including receivables under insurance contracts	651,579	63,707	(43,074)	(1,437)	(2,602)	11,007	679,180
Receivables on direct insurance	597,608	55,853	(37,891)	(447)	(2,113)	7,801	620,811
Receivables on reinsurance	4,619	4,640	(934)	-	-	-	8,325
Other receivables	49,352	3,214	(4,249)	(990)	(489)	3,206	50,044
Reinsurers' share in technical provisions	4,828	18,611	(5,259)	-	1	-	18,181
Total	837,233	85,722	(48,333)	(1,437)	(3,062)	11,007	881,130

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Change in impairment charges for financial assets in the year ended 31 December 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	110	-	(9,429)	(55)	-	154,899
Equity instruments	164,273	110	-	(9,429)	(55)	-	154,899
Financial assets held to maturity	-	-	-	-	(19)	1,221	1,202
Debt instruments	-	-	-	-	(19)	1,221	1,202
Loans	24,582	-	-	-	143	-	24,725
Term deposits with credit institutions	9,657	-	-	-	140	-	9,797
Loans	14,925	-	-	-	3	-	14,928
Receivables, including receivables under insurance contracts	606,747	58,572	(11,900)	(3,342)	(229)	1,731	651,579
Receivables on direct insurance	568,127	40,847	(10,111)	(2,687)	(182)	1,614	597,608
Receivables on reinsurance	3,959	1,220	(438)	(122)	-	-	4,619
Other receivables	34,661	16,505	(1,351)	(533)	(47)	117	49,352
Reinsurers' share in technical provisions	8,037	1,348	(4,557)	-	-	-	4,828
Total	803,639	60,030	(16,457)	(12,771)	(160)	2,952	837,233

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Change 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 on direct insurance	568,127	71,445	(9,983)	(2,360)	63	1,361	628,653
Receivables on 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
Total	803,639	73,996	(15,698)	(11,865)	371	1,361	851,804

9.8. Other assets

Other assets	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Reinsurance settlements	50,877	48,319	63,272	39,707
IT costs	26,267	25,528	18,202	11,920
Inventory	94,764	102,407	93,240	83,238
Other assets	30,383	29,374	20,735	36,601
Other assets, total	202,291	205,628	195,449	171,466

9.9. Assets held for sale

Assets held for sale before reclassification	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Property, plant and equipment	53,481	52,204	55,786	44,928
Investment properties	124,572	128,897	123,111	74,606
Assets held for sale before reclassification, total	178,053	181,101	178,897	119,534

“Property, plant and equipment” presents mainly the real property and technical equipment and machinery used previously by the Armatura Group for its own purposes with a value of PLN 37,407 thousand (as at 30 June 2014: PLN 37,407 thousand, as at 31 December 2013: PLN 37,407 thousand, as at 30 September 2013: PLN 41,593 thousand).

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

9.10. Technical provisions

9.10.1. Technical provisions in non-life insurance

Technical provisions in non-life insurance	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Provision for unearned premiums	4,824,852	4,804,694	4,428,845	4,434,645
Provision for unexpired risk	21,612	12,335	8,770	9,781
Provisions for outstanding claims	6,638,779	6,218,411	6,041,030	5,639,725
Provision for capitalized value of annuities	6,031,781	5,890,944	5,761,332	5,747,883
Provisions for bonuses and discounts for the insureds	1,088	1,120	2,277	1,869
Technical provisions, total	17,518,112	16,927,504	16,242,254	15,833,903

9.10.2. Technical provisions in life insurance

Technical provisions in life insurance	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Provision for unearned premiums	94,367	96,311	102,396	98,214
Provision for life insurance	16,307,701	16,210,953	16,048,191	16,024,700
Provisions for outstanding claims	539,424	534,896	545,751	517,762
Provisions for bonuses and discounts for the insureds	396	1,094	616	387
Other technical provisions	441,685	451,450	477,987	492,360
Unit-linked provisions for life insurance if the	4,329,283	4,284,148	3,907,221	3,710,753

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policyholder carries investment risk				
Technical provisions, total	21,712,856	21,578,852	21,082,162	20,844,176

9.11. Investment contracts

Investment contracts – carrying amount	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Investment contracts with guaranteed and fixed terms and conditions	584,073	624,848	1,250,492	1,298,483
- carried at amortized cost	584,073	624,848	1,250,492	1,298,483
Investment contracts for client's account and risk (unit-linked)	645,012	710,953	870,545	902,949
Investment contracts – carrying amount, total	1,229,085	1,335,801	2,121,037	2,201,432

9.12. Other provisions

Change in other provisions in the period from 1 January to 30 September 2014	Opening balance	Increase	Utilization	Reversal	Change in composition of the Group	Closing balance
Provisions established for the potential liabilities on account of CLSior-related investments	916	-	-	(916)	-	-
Provision for disputed claims and potential liabilities under insurance agreements	3,075	289	-	(1,583)	-	1,781
Provision for the Office of Competition and Consumer Protection penalties	119,549	2	-	-	-	119,551
Provision for exit costs of the Graphtalk project	50,944	382	-	(28,785)	-	22,541
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	7,401	-	(167)	-	-	7,234
Provision for restructuring expenses 2014	-	16,190	-	-	-	16,190
Other	11,021	6,545	(4,082)	(2,251)	5,329	16,562
Other provisions, total	192,906	23,408	(4,249)	(33,535)	5,329	183,859

Change in other provisions in the year ended 31 December 2013	Opening balance	Increase	Utilization	Reversal	Closing balance
Provisions for restructuring expen	58,194	-	(39,568)	(18,626)	-
Provisions established for the potential liabilities on account of CLSior-related investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance agreements	2,687	388	-	-	3,075
Provision for the Office of Competition and Consumer Protection penalties	138,310	-	(5,613)	(13,148)	119,549
Provision for exit costs of the Graphtalk project	49,925	1,483	-	(464)	50,944
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	8,836	477	(329)	(1,583)	7,401
Other	8,588	6,688	(103)	(4,152)	11,021
Other provisions, total	267,456	9,036	(45,613)	(37,973)	192,906

Change 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 CLSiOR-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
Other provisions, total	267,456	3,782	(35,975)	(1,809)	233,454

The line item "Provisions for the Office of Competition and Consumer Protection penalties" includes the amounts resulting primarily from the issues discussed in items 24.2 and 24.3.

9.13. Liabilities on the issue of own debt securities

On 3 July 2014, PZU issued 5-year Eurobonds (through its subsidiary, PZU Finance AB (publ)) for the amount of EUR 500,000 thousand, to be redeemed on 3 July 2019. The issue price per bond with a par value of EUR 100,000 was EUR 99,407. The bonds were placed on the regulated market of the Irish Stock Exchange in accordance with the prospectus approved by the Central Bank of Ireland. Standard & Poor's granted the bonds a senior unsecured debt rating of A-.

The margin over Mid-Swaps (the curve formed as the average of the bid and ask curves for fixed-coupon bonds corresponding to the period of redemption of bonds issued by PZU Finance AB (publ)) was 85 basis points, which was translated into a yield of 1.499%.

The bonds bear interest at a fixed rate of 1.375% per annum and the coupon will be paid once a year.

The bonds are classified as measured at amortized cost. As at 30 September 2014, the carrying amount of the liability resulting from the bonds was PLN 2,076,047 thousand and the fair value did not differ significantly from the carrying value.

The liabilities of PZU Finance AB (publ) arising from the bonds are secured by a guarantee issued by PZU which covers all of the issuer's obligations resulting from the issue (including the obligation to pay the par value of the bonds and the interest on the bonds) and has been granted for the benefit of all bondholders. The maximum value of the guarantee has not been set. The guarantee will expire upon expiration of claims of the bondholders against PZU Finance AB (publ).

9.14. Other liabilities

Other liabilities	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Costs to be remitted	459,285	435,728	638,382	415,588
Accrued costs of agency commissions	221,164	223,087	209,871	203,021
Accrued payroll costs	109,085	85,923	121,415	71,912
Accrued reinsurance costs	89,738	76,415	194,079	64,047
Accrued employee bonuses	4,991	20,851	84,064	40,096
Other	34,307	29,452	28,953	36,512
Revenues charged in advance	29,670	24,703	17,738	14,799
Other liabilities	10,421,889	10,334,301	8,695,294	8,756,344
Liabilities on direct insurance	671,512	656,932	634,831	623,451
Reinsurance liabilities	99,189	140,534	53,738	49,450
Liabilities due to sell-buy-back transactions	5,034,457	4,277,297	5,124,161	4,392,837
Liabilities arising from loans	226,326	231,989	227,353	377,398
Liabilities to members of consolidated mutual funds	541,095	374,705	688,282	555,509
Liabilities to the state budget, other than income tax liabilities	27,704	26,667	147,721	18,647
Regulatory settlements: Social Insurance Institution (ZUS), State Fund for Rehabilitation of Persons with Disabilities (PFRON), the Company's Social Benefits Fund and other	26,245	26,822	23,195	24,228
Insurance Guarantee Fund	11,346	9,893	10,231	9,531
Liabilities to the State Fire Service and Voluntary Fire Service	1,928	2,652	4,451	1,843
Arising from transactions on financial instruments	647,741	1,462,034	1,533,088	811,699
Liabilities to PZU shareholders on account of dividends	2,939,100	2,939,296	3,321	1,730,419
Trade liabilities	69,740	59,801	69,273	66,253
Estimated non-insurance liabilities	53,997	46,597	125,673	43,954
Other	71,509	79,082	49,976	51,125
Other liabilities, total	10,910,844	10,794,732	9,351,414	9,186,731

9.15. Gross written premiums

Gross written premiums	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Gross written premiums in non-life insurance	2,014,924	6,506,157	1,999,433	6,515,198
In direct insurance	2,006,470	6,470,996	1,996,993	6,491,081
In indirect insurance	8,454	35,161	2,440	24,117
Gross written premiums in life insurance	1,955,961	5,902,621	1,907,866	5,887,352
Individual premiums	801,687	2,436,616	779,925	2,506,607
In direct insurance	801,687	2,436,616	779,925	2,506,607
Group insurance premiums	1,154,274	3,466,005	1,127,941	3,380,745
In direct insurance	1,154,274	3,466,005	1,127,941	3,380,745
Gross written premiums, total	3,970,885	12,408,778	3,907,299	12,402,550

(000s of PLN)

Gross written premiums in direct non-life insurance (by accounting classes prescribed by section II of the attachment to the Insurance Activity Act)	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Accident and sickness insurance (class 1 and 2)	212,654	409,464	203,584	403,959
Motor third party liability insurance (class 10)	675,773	2,084,936	711,026	2,202,787
Other motor insurance (class 3)	505,816	1,575,646	499,568	1,573,244
Marine, air and cargo insurance (classes 4, 5, 6, 7)	12,914	56,011	9,307	42,625
Insurance against fire and other property damage (classes 8 and 9)	363,329	1,437,027	351,360	1,455,969
TPL insurance (classes 11, 12, 13)	130,984	572,950	126,877	546,588
Credit and guarantee insurance (classes 14, 15)	17,918	76,127	13,472	35,833
Assistance (class 18)	67,806	182,114	60,622	165,735
Legal protection (class 17)	82	756	85	749
Other (class 16)	19,194	75,965	21,092	63,592
Gross written premium in direct non-life insurance, total	2,006,470	6,470,996	1,996,993	6,491,081

9.16. Revenue from commissions and fees

Revenue from commissions and fees	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Pension insurance	160,064	236,915	61,518	163,186
Commissions on distribution fees	3,061	18,530	17,516	38,107
Commissions on managing assets of an open-end pension fund	23,663	85,045	44,002	125,079
Liquidation of the additional part of the Guarantee Fund ¹⁾	133,340	133,340	-	-
Investment contracts	3,151	10,834	4,767	13,714
Revenue from fees relating to investment contracts for the client's account and risk	3,151	10,834	4,767	13,714
Other	15,162	61,289	17,613	50,176
Revenue and payments received from funds and mutual fund companies	15,162	61,289	17,613	50,176
Revenue from commissions and fees, total	178,377	309,038	83,898	227,076

¹⁾ Additional information on this subject is presented in item 14.6.

9.17. Net investment income

Net investment income	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Interest income, including:	378,524	1,104,024	412,887	1,287,720
- financial assets available for sale	10,934	36,234	13,736	39,387
- financial assets held to maturity	243,925	720,696	312,301	901,279
- loans	122,820	344,331	86,608	342,660
- cash and cash equivalents	845	2,763	242	4,394
Dividend income, including:	46,608	86,062	91,236	125,452
- financial assets measured at fair value through profit or loss upon first recognition	35,322	62,617	2,567	5,395
- financial assets held for trading	6,299	17,705	44,579	73,277
- financial assets available for sale	4,987	5,740	44,090	46,780
Income on investment property	34,900	101,216	31,740	87,978
Exchange differences, including:	59,875	61,777	(16,846)	13,982
- financial assets held to maturity	267	481	(2,893)	3,282
- loans	25,167	30,664	(2,223)	6,847
- receivables, including receivables under insurance contracts	(1,538)	(2,902)	221	(1,145)
- cash	34,804	34,883	-	-
- financial assets available for sale	1,175	(1,349)	(11,951)	4,998
Other, including:	(18,014)	(57,778)	(21,902)	(69,359)
- investment activity expenses	(4,997)	(15,273)	(8,503)	(26,021)
- investment property maintenance expenses	(13,017)	(43,471)	(13,399)	(43,338)
- effect of the purchase of shares as part of a capital increase in EMC	-	966	-	-
Net investment income, total	501,893	1,295,301	497,115	1,445,773

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

Net result on the realization of investments and impairment charges	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Net result on the realization of investments	138,316	186,124	34,176	(94,857)
Financial assets measured at fair value through profit or loss – classified as such upon first recognition, including:	61,389	156,326	(4,028)	4,856
- equity instruments	3,149	20,648	30,714	26,457
- debt securities	58,240	135,678	(34,742)	(21,601)
Financial assets held for trading, including:	84,848	51,827	63,444	(74,754)
- equity instruments	(23,602)	(29,420)	(22,670)	(25,032)
- debt securities	17,449	17,242	(12,875)	(24,791)
- derivatives	91,001	64,005	98,989	(24,931)
Financial assets available for sale, including:	5,962	16,359	(15,264)	12,709
- equity instruments	-	-	(973)	(976)
- debt securities	5,962	16,359	(14,291)	13,685
Financial assets held to maturity, including:	123	1,371	1,082	4,055
- debt securities	123	1,371	1,082	4,055
Loans	-	-	(62)	(33)
Receivables, including receivables under insurance contracts	(14,307)	(40,079)	(21,036)	(51,909)
Investment properties	301	320	1,777	1,956
Entities measured using the equity method ¹⁾	-	-	8,263	8,263
Impairment charges	(1,408)	(24,037)	(8,597)	(61,446)
Financial assets available for sale, including:	(4)	(3,404)	-	(108)
- equity instruments	(4)	(3,404)	-	(108)
Receivables, including receivables under insurance contracts	(1,404)	(20,633)	(8,597)	(61,338)
Net result on the realization of investments and impairment charges, total	136,908	162,087	25,579	(156,303)

¹⁾ Result on the sale of KGJK shares

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

Net change in the fair value of assets and liabilities measured at fair value	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition, including:	168,210	573,919	101,662	143,839
- equity instruments	(33,701)	1,805	(3,939)	96,107
- debt securities	201,911	572,114	105,601	47,732
Financial instruments held for trading, including:	4,434	197,394	288,772	310,501
- equity instruments	16,673	124,967	328,823	224,839
- debt securities	15,317	73,433	(17,861)	57,903
- derivatives	(27,556)	(1,006)	(22,190)	27,759
Investment properties	(829)	(25,066)	(9,522)	(20,684)
Measurement of liabilities to members of consolidated mutual funds	(5,210)	(40,433)	(12,014)	(35,155)
Consolidation of mutual funds, including:	-	-	-	172,718
- amount transferred from the "Revaluation reserve" item to the consolidated profit and loss account as at the consolidation date	-	-	-	184,535
- amount resulting from the consolidation of special-purpose vehicles, which are subsidiaries of consolidated funds	-	-	-	(11,817)
Net change in the fair value of assets and liabilities measured at fair value	166,605	705,814	368,898	571,219

9.20. Other operating income

Other operating income	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Change to the scope of consolidation and measurement by the equity method	-	-	-	35,392
Reversal of provisions	5,349	33,535	1,234	1,809
Reinsurance commissions and profit-sharing	1,117	8,094	(1,012)	77,632
Revenues on the sales of products, merchandise and services by non-insurance companies	81,540	211,091	70,053	194,683
Income from direct claims payments related to losses chargeable to policies issued by other insurance companies	26,771	39,680	-	-
Other	27,275	99,659	29,010	70,362
Other operating income, total	142,052	392,059	99,285	379,878

9.21. Net insurance claims

Net insurance claims	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Claims and change in technical provisions in non-life insurance	1,504,657	3,953,209	1,261,522	3,732,878
Reinsurers' share in claims and in the change in technical provisions in non-life insurance	(19,394)	(79,513)	(15,527)	(8,178)
Claims and change in technical provisions in life insurance	1,508,625	4,538,451	1,505,013	4,485,740
Reinsurers' share in claims and change in technical provisions in life insurance	(53)	(225)	(115)	(142)
Claims, total	2,993,835	8,411,922	2,750,893	8,210,298

9.22. Claims and changes in valuation of investment contracts

Claims and changes in valuation of investment contracts	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Under investment contracts with guaranteed and fixed terms and conditions	4,825	14,032	10,868	31,893
- interest expenses calculated using the effective interest rate	4,825	14,032	10,868	31,893
Under investment contracts for client's account and risk (unit-linked)	3,704	522	37,528	28,198
Claims and changes in measurement of investment contracts, total	8,529	14,554	48,396	60,091

9.23. Administrative, acquisition and claims handling expenses, by type

Administrative, acquisition and claims handling expenses, by type	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Consumption of materials and energy	21,746	62,436	22,532	65,182
External services	128,255	359,148	115,760	342,123
Taxes and fees	13,937	64,344	16,803	45,045
Employee expenses	331,277	1,012,178	317,452	967,493
Depreciation of property, plant and equipment	19,892	54,535	18,813	55,168
Amortization of intangible assets	18,025	51,890	13,564	43,400
Other, including:	509,780	1,530,651	450,316	1,372,024
- commission on direct activity	382,332	1,181,754	343,234	1,050,515
- advertising	32,897	75,196	24,559	64,748
- remuneration of group insurance administrators in work establishments	54,970	158,610	52,149	155,927
- other	39,581	115,091	30,374	100,834
Change in capitalized acquisition expenses	9,745	(27,964)	15,383	8,285
Administrative, acquisition and claims handling expenses, total	1,052,657	3,107,218	970,623	2,898,720

9.24. Other operating expenses

Other operating expenses	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Change in the scope of consolidation	-	-	-	35,134
Establishment of provisions	7,219	23,408	1,129	3,782
Creation of impairment charges for intangible assets and property, plant and equipment	929	10,177	-	16,432
Insurance Guarantee Fund	8,345	25,922	9,258	28,042
National Fire Brigade Headquarters and Association of Voluntary Fire Brigades	1,928	25,336	1,843	25,764
Compulsory payments to insurance market institutions	13,926	44,369	13,463	41,227
Expenditures for prevention activity	7,217	29,809	16,922	29,643
Expenses of the core business of the non-insurance companies	81,481	218,922	78,040	204,486
Expenses associated with direct claims payments related to losses chargeable to policies issued by other insurance companies	27,792	41,912	-	-
Other	80,348	181,921	42,689	118,488
Other operating expenses, total	229,185	601,776	163,344	502,998

9.25. Financial expenses

Financial expenses	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Interest, including:	38,343	97,656	18,547	40,816
- Sell-buy-back transactions	27,528	81,742	15,644	30,125
- bank loans	2,913	7,983	2,903	10,406
- own debt securities	7,888	7,888	-	-
- other	14	43	-	285
Other, including:	30,562	31,062	(8,313)	7,244
- exchange differences	30,537	30,574	(8,313)	7,244
- other	25	488	-	-
Financial expenses, total	68,905	128,718	10,234	48,060

9.26. Other comprehensive income

Income tax on other comprehensive income items	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Other gross comprehensive income	20,093	40,593	49,170	(97,886)
Income tax	(2,152)	(7,610)	(20,100)	35,962
Financial assets available for sale	(1,960)	(6,786)	(19,156)	38,382
Reclassification of real property from property, plant and equipment to investment property	(192)	(824)	(944)	(2,420)
Other net comprehensive income	17,941	32,983	29,070	(61,924)

10. Contingent assets and liabilities

Contingent assets and liabilities	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Contingent assets, including:	28,999	23,147	35,231	19,586
Guarantees and sureties received	28,999	19,452	21,259	19,586
Other	-	3,695	13,972	-
Contingent liabilities	2,287,840	179,955	144,576	159,892
Guarantees and sureties given	2,080,991 ¹⁾	4,826	6,842	3,912
Disputed insurance claims	136,247	116,538	92,535	101,270
Other disputed claims	34,402	21,557	17,270	25,761
Other, including:	36,200	37,034	27,929	28,949
- potential liabilities under loan agreements concluded by the Armatura Group	35,923	36,757	27,622	28,309

¹⁾ The amount of PLN 2,076,008 thousand relates to a guarantee granted by PZU in connection with the liabilities of PZU Finance AB (publ) arising from the bonds issued by the company, as described in item 9.13.

11. Commentary to the interim consolidated financial statements

11.1. Commentary

In the period of 9 months ended 30 September 2014, gross written premium was PLN 12,158,994 thousand compared to PLN 11,425,796 thousand in the corresponding period of the previous year (+0.1%). The increase in sales applied above all to the following:

- regular premium in the group and individually-continued insurance segment (PLN +98,441 thousand), mainly as a result of expanding protection group insurance (higher average premium and number of insureds, including a high level of new sales);
- business in group health insurance products (new clients in outpatient health insurance and sales of different versions of a medicine product);
- financial insurance in connection with a recovery in the construction industry;
- foreign operations, including as a result of the closing of the acquisition of AAS Balta in Latvia (PLN + 55,193 thousand) and higher premiums collected by the branches in Latvia and Estonia.

At the same time, decreases were recorded in the following types of insurance:

- individual with a single premium (PLN -65,631 thousand), in particular structured products;
- motor TPL in the mass client segment (PLN -119,702 thousand) and in the corporate client segment (PLN -19,259 thousand) as a result of intense competition;
- property insurance as an offshoot of entering into long-term contracts in the same period of 2013 with the utilities and mining sector;

Investment income (including investment contracts i.e. contracts that involve no material insurance risk) for three quarters of 2014 and three quarters of 2013 were PLN 2,163,202 thousand and PLN 1,860,689 thousand, respectively, increasing mainly due to higher valuations of debt instruments. Moreover, these data are comparable also due to income recognized in 2013 in the amount of PLN 172,718 thousand in connection with including mutual funds in the consolidation as of 1 January 2013.

The growth in net claims paid (taking account of the change in technical provisions) of PLN 201,624 thousand (+2.5%) in comparison the same period in the previous year resulted from the following:

-
- slower rate of conversion of long-term agreements into annual renewable agreements in group type P insurance (the effect of conversions in Q1-Q3 2014 translated into releasing PLN 56,633 thousand of provisions, i.e. PLN 47,330 thousand less than in the corresponding period of 2013);
 - expansion of the group protection portfolio, including health insurance products;
 - higher loss ratio in motor TPL insurance, in particular caused by a significantly higher level of the provision for claims reported in previous years;
 - increase in the loss ratio in the other TPL group and fire and other property damage insurance as a result of a higher provision for reported claims associated with the occurrence of several claims with a high unit value;
 - higher level of annuity provisions in the agricultural insurance group and the occurrence of mass losses.

In turn, the following contributed to decreases in the net value of claims and benefits:

- lower sales of structured products in the bancassurance channel;
- lower loss ratio in protection insurance, mainly continued protection insurance.

In Q1-Q3 2014, acquisition expenses increased by PLN 105,475 thousand (+7.2%) compared to the corresponding period of the previous year. This increase was caused in particular by the following factors:

- changes in commission rates in bundled motor insurance and pro-sales efforts in the multi-agency sales channel in the property insurance segment;
- expansion of the portfolio of contracts and high sales of new policies in group protection insurance;
- modification of the remuneration system in the agency channel in the individual insurance segment.

The increase in administrative expenses by PLN 91,695 thousand (+9.5%) resulted primarily from the following:

- higher project expenses, IT expenses and payroll and training expenses in customer service while simultaneously maintaining two systems – offshoot of executing projects from past years facilitating a change in the philosophy of managing client relations (in the mass insurance segment);
- mandatory contribution to the KDPW Guarantee Fund by PTE PZU in the amount of PLN 20,071 thousand (statutory change in the required level from 0.1% to 0.3% of OFE's net asset value);
- development of foreign operations, including as a result of the start of consolidation, with effect from 1 July of this year, of AAS Balta and the conduct of business by the branches in Estonia and Latvia.

The net balance of other operating revenues and expenses in the 9-month period ended 30 September 2014 declined by PLN 86,597 thousand compared to the corresponding period of the previous year. The main reason for the change was the recognition of one-off income from the conclusion of a settlement with the reinsurer (the one-off impact on other operating income in the corresponding period of 2013 was PLN +73,272 thousand, the total impact on profit before tax was PLN +53,207 thousand). The objective of the settlement was to settle reinsurance commissions in the Green Card product for which an adjustment was made in 2011 by lowering the result of that period by PLN 91,843 thousand.

The operating profit in Q1-Q3 2014 was PLN 3,349,589 thousand, down by PLN 152,622 thousand (-4.4%) compared to the same period in the previous year. This change was mainly caused by:

- deterioration in the profitability of the mass insurance segment compared to Q1-Q3 2013 (PLN -283,449 thousand), mainly in motor insurance (an increase in provisions for claims reported in previous years and recognition in the results of the same period of 2013 of the effect of the Green Card insurance settlement with the reinsurer with the impact on the technical result of PLN +53,207 thousand) and in agricultural insurance;
- decrease in the profitability of the corporate insurance segment (PLN -148,408 thousand), mainly in the motor insurance group (as a result of a slow-down in sales with a simultaneous increase in claims from previous years) and other TPL and property insurance (occurrence of several claims with a high unit value);
- higher result on investing activity (PLN +302,513 thousand) associated with an increase in the valuation of debt instruments;

-
- improvement in the profitability of group and individually continued insurance (PLN +74,155 thousand, excluding the conversion effect) mainly as a result of portfolio growth and a lower loss ratio in protection products;
 - slower rate of conversion of long-term policies into yearly renewable term agreements in type P group insurance which contributed to a decrease in operating result in the group and continued insurance segment by PLN 47 330 thousand;
 - better result in the pension insurance segment (PLN +76,514 thousand) mainly as a result of the pension system reform effected in 2014.

Net profit decreased in comparison to Q1-Q3 2013 by PLN 202,865 thousand (-7.3%) to PLN 2,563,832 thousand.

IFRS-compliant consolidated equity as at 30 September 2014 was PLN 12,778,720 thousand compared to PLN 12,681,821 thousand as at 30 September 2013. The return on equity (ROE) for the period from 1 January 2014 to 30 September 2014 was 26.4%, down 1.0 p.p. from the corresponding period of the previous year. In comparison with consolidated equity at 31 December 2013, equity decreased by PLN 348,911 thousand (-2.7%), while ROE² was 2.3 percentage points higher than that for the period from 1 January 2013 to 31 December 2013.

Total equity and liabilities as at 30 September 2014 increased compared to 31 December 2013 by PLN 4,929,892 thousand, i.e. by 7.9% (to PLN 67,717,196 thousand), mainly as a result of an increase in technical provisions and liabilities arising from the issue of own debt securities.

The investment portfolio as at 30 September 2014 and 31 December 2013 was PLN 54,652,741 thousand and PLN 51,198,588 thousand, respectively. The increase by PLN 3,454,153 thousand was associated mainly with:

- higher valuation of interest-related financial assets;
- increase in cash from the issue of own debt securities for a total amount of EUR 500.000 thousand in July 2014.

The value of technical provisions together with investment contracts as at the end of Q3 2014 was PLN 40,460,053 thousand and accounted for 59.7% of total assets. Compared to 31 December 2013, provisions increased by PLN 1,014,600 thousand. This change resulted primarily from the following:

- higher loss provisions in motor insurance in the property and corporate insurance segment;
- development of type P continued insurance and unit-linked products (sales and high investment performance);
- offset by lower mathematical provisions as a result of reaching the endowment age in subsequent tranches under short-term investment endowment insurance products;
- commencement of the consolidation of AAS Balta.

12. Solvency

The rules for calculating the coverage of the solvency margin with shareholder funds are defined in the Insurance Activity Act of 22 May 2003 (consolidated version in Journal of Laws Item 950 of 2003) and 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 2013.

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

Calculation of shareholder funds covering PZU's solvency margin is presented below.

Calculation of shareholder funds covering the solvency margin	30 September 2014	30 June 2014	31 December 2013	30 September 2013
PZU equity	11,941,944	11,099,643	12,259,761	11,805,466
Intangible assets	(249,345)	(240,487)	(244,582)	(180,978)
Assets financing the capital of other insurance companies in the PZU insurance capital group:	(5,380,281)	(4,347,397)	(4,565,872)	(4,195,282)
Deferred tax assets	(344,091)	(321,467)	(347,521)	(318,188)
Contribution of other insurance companies in the PZU insurance capital group to the value of PZU's shareholder funds:	2,664,616	1,999,662	2,403,826	2,011,020
PZU Życie SA 100.00%	2,554,548	1,978,022	2,407,872	2,023,354
Equity	4,330,516	3,749,890	4,184,609	3,791,913
Solvency margin	1,775,968	1,771,868	1,776,737	1,768,559
Surplus of shareholder funds covering the solvency margin	2,554,548	1,978,022	2,407,872	2,023,354
Link 4 SA 100.00%	72,931	n/a	n/a	n/a
Equity	140,866	n/a	n/a	n/a
Solvency margin	67,935	n/a	n/a	n/a
Surplus of shareholder funds covering the solvency margin	72,931	n/a	n/a	n/a
UAB DK PZU Lietuva 99.76%	21,592	6,575	7,931	2,372
Equity	67,890	52,817	48,438	42,435
Solvency margin	46,246	46,227	40,488	40,057
Surplus of shareholder funds covering the solvency margin	21,644	6,590	7,950	2,378
UAB PZU Lietuva Gyvybes Draudimas 99.34%	6,466	6,721	6,608	7,093
Equity	21,958	22,168	21,996	22,740
Solvency margin	15,449	15,403	15,344	15,600
Surplus of shareholder funds covering the solvency margin	6,509	6,765	6,652	7,140
PrJSC PZU Ukraine 100.00%	(12,502)	(12,242)	(13,094)	(14,413)
Equity	5,627	5,468	10,554	9,415
Solvency margin	18,129	17,710	23,648	23,828
Surplus/shortage of shareholder funds covering the solvency margin	(12,502)	(12,242)	(13,094)	(14,413)
PrJSC IC PZU Ukraine Life Insurance 100.00%	(5,526)	(6,166)	(5,491)	(7,386)
Equity	9,877	9,237	9,557	7,662
Solvency margin	15,403	15,403	15,048	15,048
Surplus/shortage of shareholder funds covering the solvency margin	(5,526)	(6,166)	(5,491)	(7,386)
AAS Balta 99.99%	27,107	26,752	n/a	n/a
Equity	64,968	64,257	n/a	n/a
Solvency margin	37,858	37,503	n/a	n/a
Surplus of shareholder funds covering the solvency margin	27,110	26,754	n/a	n/a
PZU shareholder funds	8,632,843	8,189,954	9,505,612	9,122,038
PZU solvency margin	1,363,639	1,369,183	1,362,353	1,363,639
PZU indemnity capital	454,546	456,394	454,118	454,546
Surplus of shareholder funds covering the solvency margin	7,269,204	6,820,771	8,143,259	7,758,399
Surplus of shareholder funds covering the indemnity capital	8,178,297	7,733,560	9,051,494	8,667,492

13. Segment reporting

13.1. Reportable segments

13.1.1. Key classification criterion

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

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

PZU has distinguished the following segments:

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

PZU Życie has distinguished the following segments:

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

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 consolidated entities 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);
- Baltics – Lithuania, Latvia and Estonia, hereinafter: “Baltics” – (non-life and life insurance).

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

13.1.2. Information relating to geographical areas

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

- Poland;
- Baltic states;
- Ukraine.

13.2. Inter-segment settlements

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

13.3. 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), however including investment income (corresponding to the value of technical provisions) determined using the risk free rate. 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.

13.4. Description of the segments

Below a description of all the PZU Group's distinguished 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 (not investment contracts) and health insurance;
- Investments - reporting pursuant to PAS - comprising investments of the PZU Group's own funds, understood as the surplus of investments over technical provisions in the leading PZU Group insurance companies (PZU and PZU Życie) plus the surplus of income earned over the risk-free rate on investments reflecting the value of PZU's and PZU Życie's technical provisions in investment products, in other words the surplus investment income generated by PZU and PZU Życie above the income allocated according to

transfer prices for insurance segments. Additionally, the investment segment includes income from other free funds in the PZU Group.

- Pension insurance – reporting according to PAS – covering PTE PZU;
- Ukraine (non-life and life insurance) – reporting according to IFRS – covering PZU Ukraine and PZU Ukraine Life;
- Baltics (non-life and life insurance) – reporting according to IFRS – including PZU Lietuva operating in the territory of Lithuania and through its branches also in Latvia and Estonia, and UAB PZU Lietuva Gyvybes Draudimas and AAS Balta, conducting activity in Latvia;
- 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 as financial instruments and 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 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.

13.5. Accounting standards employed according to PAS

13.5.1. PZU

PAS and the differences between PAS and IFRS in respect of PZU’s standalone financial reporting have been portrayed in detail in the annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2013 prepared according to PAS, signed by the PZU Management Board on 11 March 2014 and whose subject the statutory auditor issued on that same date an unqualified opinion („PZU’s standalone financial statements for 2013”).

PZU’s separate financial statements for 2013 are available on the PZU website at www.pzu.pl in the „Investor Relations / Financial Information” tab.

13.5.2. PZU Życie

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

The rules of accounting for insurance contracts and investment contracts at PZU Życie according to IFRS have been presented in the PZU Group’s consolidated financial statements for 2013.

The basic difference between PAS and IFRS with regard to accounting of PZU Life’s insurance contracts and investments contracts pertains to the classification of insurance contracts in accordance with the IFRS 4 guidelines on classification of products as insurance contracts subject to IFRS 4 or investment contracts recognized in accordance with 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 impact exerted by the difference between PAS and IFRS has been presented in the segmental note in a separate column.

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

On account of the managerial accounting reports submitted to CODM compared to the format of IFRS-compliant financial statements, it would be necessary to employ two reporting frameworks: the framework of the managerial accounting reports submitted to CODM (left side of the note) and the IFRS-compliant format of financial statements (right side of the note).

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

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

13.7. Simplifications in the segmental note

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

- withdrawing from presenting data related to the allocation of all assets and liabilities to various segments – resulting from not preparing and not presenting such tables to CODM. The main information delivered to CODM consists of data regarding the results of given segments and managerial decisions are made on this basis, including decisions on resource allocation. The analysis of the segmental allocation of assets and liabilities is limited to monitoring the fulfillment of the PAS regulatory requirement, i.e. holding assets covering 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 expenses and financial expenses 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 2014 to 30 September 2014	Corporate insurance (non- life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine	Baltic Countries	Investment contracts	Other operations	Presentation differences	Real estate and capital instruments	Investment contracts	Prevention fund, equalization reserve and designation to the Company Social Benefit Fund	Consolidation adjustments and unallocated items	Consolidated value	Profit and loss account for the period from 1 July 2014 to 30 September 2014		
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS	PAS-IFRS	PAS-IFRS	PAS-IFRS	IFRS	IFRS			
Gross premium written externally	328 262	1 530 721	1 632 510	304 611	-	-	45 498	129 283	52 339	-	-	-	(52 339)	-	-	3 970 885	Gross insurance premium written externally		
Gross premium written between segments	1 270	12	-	-	-	-	-	-	-	-	-	-	-	-	(1 282)	-	Gross insurance premium written between segments		
Gross written insurance premium	329 532	1 530 733	1 632 510	304 611	-	-	45 498	129 283	52 339	-	-	-	(52 339)	-	(1 282)	3 970 885			
Reinsurers' share in gross written premium	(39 966)	(1 698)	(507)	(3)	-	-	(8 088)	(7 813)	-	-	-	-	-	-	191	(57 884)	Reinsurers' share in gross written insurance premium		
Net written premium	289 566	1 529 035	1 632 003	304 608	-	-	37 410	121 470	52 339	-	-	-	(52 339)	-	(1 091)	3 913 001	Net written premium		
Movement in the unearned premium reserve and gross unexpired risk reserve	79 020	129 968	882	1 215	-	-	(4 832)	(956)	18	-	(8 246)	-	(18)	-	346	197 397	Movement in net unearned premium reserve		
Reinsurers' share in the unearned premium reserve and gross unexpired risk reserve	(493)	(9 887)	-	-	-	-	547	1 587	-	-	8 246	-	-	-	-	-			
Net earned premium	368 093	1 649 116	1 632 885	305 823	-	-	33 125	122 101	52 357	-	-	-	(52 357)	-	(745)	4 110 398	Net earned premium		
Investment income, including:	35 167	142 369	219 219	84 911	264 177	3 520	8 862	2 645	10 772	25 351	195 507	-	7 102	-	(24 232)	178 377	Fee and commission income		
<i>Net result on investments (external activity)</i>	35 167	142 369	219 219	84 911	257 880	3 520	8 862	2 645	10 772	25 351	(796 993)	-	-	-	-	1			
<i>Net result on investments (inter-segment activity)</i>	-	-	-	-	6 297	-	-	-	-	-	(6 297)	-	-	-	-	-			
											625 129	-	-	-	(123 236)	501 893	<i>Net investment income (external activity)</i>		
											6 297	-	-	-	(6 297)	-	<i>Net investment income (inter-segment activity)</i>		
											139 754	-	-	-	(326)	136 908	Net result on the realization of investments and impairment charges		
											54 133	(2 520)	-	-	122 881	166 605	Net change in the fair value of assets and liabilities carried at fair value		
											(40 924)	(10 409)	-	-	-	-			
Other net technical income	3 888	26 987	182	5 916	-	-	-	-	3 951	-	(40 924)	-	-	-	-	-			
Revenues on core business of non-insurance entities	-	-	-	-	-	160 064	-	-	-	116 751	(276 815)	-	-	-	-	-			
Other operating income (not applicable to insurance entities)	-	-	-	-	-	118	-	-	-	1 714	169 688	(310)	(3 951)	-	(25 207)	142 052	Other operating income		
Gross claims paid	(181 675)	(955 688)	(1 235 659)	(140 009)	-	-	(22 716)	(74 586)	(164 434)	-	(306 162)	-	57 736	-	9 911	(3 013 281)	Claims and movement in technical reserves		
Movement in the gross claims reserve	(102 441)	(178 106)	(8 048)	3 310	-	-	(1 676)	(5 421)	345	-	292 037	-	-	-	-	-			
Reinsurers' share in claims paid	2 528	5 221	27	-	-	-	1 295	2 948	-	-	6 716	-	-	-	712	19 447	Claims and movement in insurance liabilities ceded to reinsurers		
Reinsurer's share in the movement in reserves	11 646	3 803	-	-	-	-	4 730	(1 391)	-	-	(18 788)	-	-	-	-	-			
Net insurance claims	(269 942)	(1 124 770)	(1 243 680)	(136 699)	-	-	(18 366)	(78 450)	(164 089)	-	(26 197)	-	57 736	-	10 623	(2 993 834)	Net insurance claims		
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	55 486	(175 183)	-	-	-	-	106 348	-	13 349	-	-	(8 529)	-	(8 529)	Claims and changes in valuation of investment contracts		
Net premiums and rebates for insureds including the movement in reserves	(889)	-	109	-	-	-	-	-	5	-	775	-	-	-	-	-			
Other net technical income	(12 325)	(60 522)	(7 399)	(383)	-	-	-	-	(128)	-	80 757	-	-	-	-	-			
Acquisition cost	(76 260)	(302 644)	(90 568)	(30 582)	-	(2 253)	(14 113)	(21 012)	(3 041)	-	-	-	-	-	4 884	(535 589)	Acquisition cost		
Administrative costs	(30 556)	(144 604)	(130 837)	(11 843)	-	(13 165)	(6 192)	(16 576)	(1 909)	-	-	(2 089)	-	-	2 544	(355 227)	Administrative costs		
Reinsurance commissions and profit-sharing	2 706	(2 159)	152	-	-	-	-	-	-	-	(699)	-	-	-	-	-			
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(106 605)	106 605	-	-	-	-	-			
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(12)	-	-	-	(1 192)	(243 360)	2 369	-	(12 974)	25 984	(229 185)	Other operating expenses		
Result on insurance / Operating profit (loss)	19 882	183 773	435 549	41 960	264 177	148 272	3 317	8 708	4 266	36 019	7 006	(12 959)	1	(12 974)	(13 127)	1 113 870	Operating profit (loss)		
Other operating income	38 154	-	1 221	-	-	-	(313)	1 902	-	-	(40 964)	-	-	-	-	-			
Other operating expenses	(74 961)	-	(7 789)	-	-	-	(552)	(19 424)	-	-	102 726	-	-	-	-	-			
Financial costs	-	-	-	-	-	-	-	-	-	(16 678)	(68 768)	-	-	-	16 541	(68 905)	Financial costs		
															(650)		Share of profits (losses) of entities accounted for using the equity method		
																	1 044 313	Gross profit (loss)	
																		(200 842)	Income tax
																		843 471	Net profit (loss)

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	PSR	PSR	PSR	PSR	PSR	PSR	MSSF	MSSF	PSR	PSR	PSR	PSR - MSSF	PSR - MSSF	PSR - MSSF	MSSF	MSSF	
Gross premium written externally	1 290 850	4 861 293	4 898 312	947 871	-	-	122 597	287 855	330 297	-	-	-	(330 297)	-	-	12 408 778	Gross insurance premium written externally
Gross premium written between segments	2 788	(258)	-	-	-	-	-	-	-	-	-	-	-	-	(2 530)	-	Gross insurance premium written between segments
Gross written insurance premium	1 293 638	4 861 035	4 898 312	947 871	-	-	122 597	287 855	330 297	-	-	-	(330 297)	-	(2 530)	12 408 778	
Reinsurers' share in gross written premium	(132 112)	(706)	(2 262)	(75)	-	-	(21 813)	(20 634)	-	-	-	-	-	-	1 645	(175 957)	Reinsurers' share in gross written insurance premium
Net written premium	1 161 526	4 860 329	4 896 050	947 796	-	-	100 784	267 221	330 297	-	-	-	(330 297)	-	(885)	12 232 821	Net written premium
Movement in the unearned premium reserve and gross unexpired risk reserve	(78 626)	16 825	1 330	2 911	-	-	(5 524)	(23 022)	43	-	(2 797)	-	(43)	-	(921)	(89 824)	Movement in net unearned premium reserve
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	15 587	(27 376)	-	-	-	-	5 074	3 918	-	-	2 797	-	-	-	-	-	
Net earned premium	1 098 487	4 849 778	4 897 380	950 707	-	-	100 334	248 117	330 340	-	-	-	(330 340)	-	(1 806)	12 142 997	Net earned premium
Investment income, including:	101 990	416 840	590 476	255 042	2 106 576	8 945	24 275	11 159	27 781	42 926	336 422	-	23 144	-	(50 528)	309 038	Fee and commission income
<i>Net result on investments (external activity)</i>	101 990	416 840	590 476	255 042	616 910	8 945	24 275	11 159	27 781	42 926	(3 586 010)	-	-	-	-	(0)	
<i>Net result on investments (inter-segment activity)</i>	-	-	-	-	1 489 666	-	-	-	-	-	(1 489 666)	-	-	-	-	-	
											1 411 962	-	-	-	(116 661)	1 295 301	<i>Net investment income (external activity)</i>
											1 489 666	-	-	-	(1 489 666)	-	<i>Net investment income (inter-segment activity)</i>
											166 600	(3 937)	-	-	(576)	162 087	Net result on the realization of investments and impairment charges
											603 732	9 723	-	-	92 359	705 814	Net change in the fair value of assets and liabilities carried at fair value
Other net technical income	13 903	55 108	857	18 576	-	-	-	-	12 310	-	(100 754)	-	-	-	-	-	
Revenues on core business of non-insurance entities	-	-	-	-	-	236 915	-	-	-	315 227	(552 142)	-	-	-	-	-	
Other operating income (not applicable to insurance entities)	-	-	-	-	-	612	-	-	-	4 167	508 007	(1 215)	(12 310)	-	(107 202)	392 059	Other operating income
Gross claims paid	(561 626)	(2 700 184)	(3 413 901)	(471 510)	-	-	(74 524)	(162 674)	(1 225 970)	-	(240 790)	-	334 061	-	25 458	(8 491 660)	Claims and movement in technical reserves
Movement in the gross claims reserve	(184 246)	(328 503)	(19 960)	25 912	-	-	(4 203)	1 850	(927)	-	510 077	-	-	-	-	-	
Reinsurers' share in claims paid	22 911	14 335	70	-	-	-	2 917	12 706	-	-	25 230	-	-	-	1 569	79 738	Claims and movement in insurance liabilities ceded to re-insurers
Reinsurer's share in the movement in reserves	37 271	2 918	-	-	-	-	7 935	(9 543)	-	-	(38 581)	-	-	-	-	-	
Net insurance claims	(685 690)	(3 011 434)	(3 433 791)	(445 598)	-	-	(67 876)	(157 661)	(1 226 897)	-	255 936	-	334 061	-	27 027	(8 411 922)	Net insurance claims
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(105 655)	(517 629)	-	-	-	-	892 901	-	(269 617)	-	-	(14 554)	-	(14 554)	Claims and changes in valuation of investment contracts
Net premiums and rebates for insureds including the movement in reserves	121	-	(384)	-	-	-	-	-	(66)	-	329	-	-	-	-	-	
Other net technical income	(38 739)	(166 609)	(17 391)	(1 160)	-	-	-	-	(467)	-	224 366	-	-	-	-	-	
Acquisition cost	(225 186)	(885 429)	(265 490)	(93 464)	-	(5 590)	(38 300)	(56 495)	(13 434)	-	-	-	-	-	11 435	(1 571 954)	Acquisition cost
Administrative costs	(87 926)	(417 405)	(390 317)	(37 657)	-	(63 559)	(19 597)	(32 279)	(7 094)	-	-	7 842	-	(20 000)	10 490	(1 057 502)	Administrative costs
Reinsurance commissions and profit-sharing	10 136	(3 508)	483	-	-	-	-	-	-	-	(7 111)	-	-	-	-	-	
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(292 801)	292 801	-	-	-	-	-	
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(105)	-	-	-	(3 734)	(679 761)	(13 903)	-	(44 451)	140 178	(601 776)	Other operating expenses
Result on insurance / Operating profit (loss)	187 096	837 341	1 276 168	128 817	2 106 576	177 218	(1 164)	12 841	15 374	65 785	94 426	(1 490)	1	(64 451)	(1 484 950)	3 349 588	Operating profit (loss)
Other operating income	77 827	-	30 564	-	-	-	11 695	4 589	-	-	(124 675)	-	-	-	-	-	
Other operating expenses	(113 530)	-	(15 330)	-	-	-	(4 104)	(22 808)	-	-	155 772	-	-	-	-	-	
Financial costs	-	-	-	-	-	-	-	-	(49 945)	(125 523)	-	-	-	-	46 750	(128 718)	Financial costs
															(405)	-	Share of profits (losses) of entities accounted for using the equity method
																3 220 466	Gross profit (loss)
																(656 634)	Income tax
																2 563 832	Net profit (loss)

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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 Countries	Investment contracts	Other operations	Presentation differences	Real estate and capital instruments	Investment contracts	Prevention fund, equalization reserve and designation to the Company Social Benefit	Consolidation adjustments and unallocated items		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		
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	
Gross written insurance premium	349 362	1 550 201	1 601 714	287 068	-	-	51 611	68 784	116 473	-	-	-	-	-	-	-	(116 473)	-	(1 441)	3 907 299		
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	
Net written premium	331 423	1 548 691	1 601 315	287 068	-	-	44 488	62 575	116 473	-	-	-	-	-	-	-	(116 473)	-	(1 210)	3 874 350	Net written premium	
Movement in the unearned premium reserve and gross unexpired risk reserve	76 439	140 842	1 035	1 895	-	-	(2 045)	(4 085)	110	-	-	-	-	-	(26 328)	-	(110)	-	897	188 650	Movement in net unearned premium reserve	
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	(17 898)	(10 780)	-	-	-	-	197	2 153	-	-	-	-	-	-	26 328	-	-	-	-	(1)		
Net earned premium	389 964	1 678 753	1 602 350	288 963	-	-	42 640	60 643	116 583	-	-	-	-	-	-	-	(116 583)	-	(313)	4 063 000	Net earned premium	
Investment income, including:	29 669	126 056	233 041	119 380	397 261	2 798	6 040	3 862	47 131	18 386	-	-	90 016	-	-	-	8 896	-	(15 014)	83 898	Fee and commission income	
Net result on investments (external activity)	29 669	126 056	233 041	119 380	389 223	2 798	6 040	3 862	47 131	18 386	-	-	(983 624)	-	-	-	-	-	-	0		
Net result on investments (inter-segment activity)	-	-	-	-	8 038	-	-	-	-	-	-	-	(8 038)	-	-	-	-	-	-	-	-	
													477 783	-	-	-	-	-	-	19 332	497 115	Net investment income (external activity)
													8 038	-	-	-	-	-	-	(8 038)	-	Net investment income (inter-segment activity)
													67 471	9 571	-	-	-	-	-	(51 463)	25 579	Net result on the realization of investments and impairment charges
													431 413	(15 046)	-	-	-	-	-	(47 469)	368 898	Net change in the fair value of assets and liabilities carried 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 reserves	
Movement in the gross 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 reserves	(7 012)	2 345	-	-	-	-	(1 218)	(1 870)	-	-	-	-	7 755	-	-	-	-	-	-	-	-	
Net insurance claims	(222 377)	(981 809)	(1 039 233)	(133 090)	-	-	(21 161)	(37 777)	(160 919)	-	-	-	(321 186)	-	-	-	160 206	-	6 453	(2 750 893)	Net insurance claims	
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(121 307)	(200 087)	-	-	-	-	712	-	-	-	320 682	-	-	-	(48 396)	-	-	(48 396)	Claims and changes in valuation of investment contracts	
Net premiums and rebates for insureds including the movement in reserves	(561)	-	5	-	-	-	-	-	(1)	-	-	-	557	-	-	-	-	-	-	-	-	
Other net technical income	(2 296)	(56 338)	(14 867)	(1 137)	-	-	-	-	(576)	-	-	-	75 214	-	-	-	-	-	-	-	-	
Acquisition cost	(72 670)	(278 240)	(80 465)	(26 536)	-	(4 242)	(15 540)	(17 095)	(4 738)	-	-	-	-	-	-	-	-	-	5 708	(493 818)	Acquisition cost	
Administrative costs	(27 174)	(126 054)	(128 888)	(13 221)	-	(24 116)	(8 837)	(6 150)	(2 033)	-	-	-	1	1 852	-	-	-	-	10 127	(324 493)	Administrative costs	
Reinsurance commissions and profit-sharing	1 762	(3 133)	106	-	-	-	-	-	-	-	-	-	1 265	-	-	-	-	-	-	-	-	
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	-	-	-	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 expenses	
Result on insurance / Operating profit (loss)	99 146	366 766	451 480	38 833	397 261	36 093	3 142	3 483	282	30 869	12 659	21 475	-	(9 249)	(95 409)	-	(9 249)	(95 409)	-	1 356 831	Operating profit (loss)	
Other operating income	7 627	-	2 115	-	-	-	(87)	944	-	-	-	-	(10 599)	-	-	-	-	-	-	-	-	
Other operating expenses	(6 441)	-	(5 903)	-	-	-	(532)	(1 093)	-	-	-	-	13 969	-	-	-	-	-	-	-	-	
Financial costs	-	-	-	-	-	-	-	-	-	1 603	(16 028)	-	-	-	-	-	-	-	4 191	(10 234)	Financial costs	
																				10	Share of profits (losses) of entities accounted for using the equity method	
																					1 346 607	Gross profit (loss)
																					(255 372)	Income tax
																					1 091 235	Net profit (loss)

Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group
Interim Condensed Consolidated Financial Statements according to IFRS for Q3 2014

(000s of PLN)

1 January – 30 September 2014 and as at 30 September 2014	Poland	Baltic States	Ukraine	Consolidation adjustments	Consolidated value
Gross externally written insurance premium	11,998,326	287,855	122,597	-	12,408,778
Gross insurance premium written between segments	1,151	-	-	(1,151)	-
Revenue from commissions and fees	309,038	-	-	-	309,038
Net investment income	1,265,331	6,599	23,371	-	1,295,301
Net result on the realization of investments and impairment charges	161,572	1,001	(486)	-	162,087
Net change in the fair value of assets and liabilities measured at fair value	700,865	3,559	1,390	-	705,814
Non-current assets, other than financial instruments*	1,454,903	147,883	4,075	(788)	1,606,073
Deferred tax assets	18,563	3,320	1,092	-	22,975
Assets	67,235,528	1,041,135	229,212	(788,679)	67,717,196

* applies to intangible assets and property, plant and equipment

As at 31 December 2013	Poland	Baltic States	Ukraine	Consolidation adjustments	Consolidated value
Non-current assets, other than financial instruments*	1,216,845	14,125	5,822	(785)	1,236,007
Deferred tax assets	15,351	-	1,598	-	16,949
Assets	62,432,606	415,708	259,963	(400,973)	62,787,304

* applies to intangible assets and property, plant and equipment

1 January – 30 September 2013 and as at 30 September 2013	Poland	Baltic States	Ukraine	Consolidation adjustments	Consolidated value
Gross externally written insurance premium	12,066,088	193,923	142,539	-	12,402,550
Gross insurance premium written between segments	663	-	-	(663)	-
Revenue from commissions and fees	227,076	-	-	-	227,076
Net investment income	1,413,635	6,396	18,272	7,470	1,445,773
Net result on the realization of investments and impairment charges	(156,945)	(170)	(398)	1,210	(156,303)
Net change in the fair value of assets and liabilities measured at fair value	546,045	(915)	(34)	26,123	571,219
Non-current assets, other than financial instruments*	1,189,319	13,978	5,999	(1,401)	1,207,895
Deferred tax assets	13,725	-	1,250	-	14,975
Assets	61,601,433	407,216	252,430	(398,030)	61,863,049

* applies to intangible assets and property, plant and equipment

14. Commentary to segment reporting

14.1. Corporate insurance – non-life insurance

Gross written premium by product group	1 January – 30 September 2014	1 January – 30 September 2013	% change
Motor TPL insurance	245,348	264,607	(7.3)%
MOD insurance	325,669	340,072	(4.2)%
Total motor insurance	571,017	604,679	(5.6)%
Insurance against fire and other damage to property	292,870	343,883	(14.8)%
Other liability insurance (groups 11, 12, 13)	275,184	263,735	4.3%
ADD and other insurance ¹⁾	154,567	93,228	65.8%
Total non-life insurance without motor insurance	722,621	700,846	3.1%
Total corporate insurance segment (non-life insurance)	1,293,638	1,305,525	(0.9)%

¹⁾ This line item includes loan guarantees and other financial insurance, assistance, travel, marine, railway and air insurance.

In Q1-Q3 2014, in the corporate insurance segment, there was a fall in gross written premium by PLN 11,887 thousand (-0.9%) as compared to Q1-Q3 2013. The following was recorded within the premium:

- lower sales of property insurance as an offshoot of entering into long-term contracts in the same period of 2013 with the power and mining sector;
- higher sales of financial insurance, mainly contract guarantees in connection with improvement in the building industry;
- increase in the sales of other TPL insurance products primarily driven by entering into a contract with a high unit value for a 3-year term;
- decrease of premium written in fleet motor insurance as a result of strong price competition.

Data from the profit and loss account – corporate insurance (non-life insurance)	1 January – 30 September 2014	1 January – 30 September 2013	% change
Gross written premiums	1,293,638	1,305,525	(0.9)%
Net earned premium	1,098,487	1,176,137	(6.6)%
Investment income	101,990	108,949	(6.4)%
Net insurance claims	(685,690)	(628,520)	9.1%
Acquisition expenses	(225,186)	(224,533)	0.3%
Administrative expenses	(87,926)	(77,471)	13.5%
Reinsurance commissions and profit-sharing	10,136	4,913	106.3%
Other	(24,715)	(23,971)	3.1%
Operating profit (loss)	187,096	335,504	(44.2)%
acquisition expenses ratio (including reinsurance commission) ¹⁾	19.6%	18.7%	0.9 p.p.
administrative expense ratio ¹⁾	8.0%	6.6%	1.4 p.p.
claim ratio ¹⁾	62.4%	53.4%	9.0 p.p.
combined ratio (COR) ¹⁾	90.0%	78.7%	11.3 p.p.

¹⁾ ratios calculated with net premium earned

Net insurance claims and benefits in Q1-Q3 2014 increased by dropped by 9.1% as compared to Q1-Q3 2013, which, at the earned premium lower by 6.6%, translates into a decline in the loss ratio by 9.0 percentage points.

The higher level of net claims was caused mainly by:

- increase of the loss ratio in motor TPL driven primarily by a higher level of claims provisions for previous years;
- increase of the loss ratio in the other TPL group and fire and other property damages insurance, as a result of higher provision for reported claims associated with occurrence of several claims with a high unit value.

The decrease of investment income allocated to the corporate insurance segment by 6.4% YoY, which was dictated by lower market interest rates and smaller increase of the EUR rate.

Acquisition expenses in the corporate insurance segment increased slightly, i.e. by 0.3% as compared to Q1-Q3 2013, which resulted from an increase of direct acquisition expenses (increase by 2.0%) and indirect costs (increase by 6.2%), offset partly by an increase of deferred costs. At the same time the share of commissions in written premium increased by 0.5 p.p. - mainly as a result of increase of the share of commissions in the agency channel and change of the channel mix – sales down in the own sales channel (commission-free channel).

Higher administrative expenses by PLN 10.455 thousand (i.e. 13.5%) compared to Q1-Q3 2013 was chiefly related to higher project expenses and higher IT expenses (pertains mostly to depreciation of systems as a result of commissioning subsequent project phases).

Increase of reinsurance commissions by PLN 5.223 thousand pertained mainly to insurance covering material losses caused by catastrophes and other material losses (group 8 and 9).

Operating profit in the corporate insurance segment was lower than in the corresponding period of the previous year, at PLN 187,096 thousand and PLN 335,504 thousand, respectively, for Q1-Q3 2014 and 2013. The decrease of operating profit was attributable mainly to decrease of profitability in the motor insurance group (as a result of slow-down of sales with simultaneous increase of claims from previous years) and other TPL and property insurance (occurrence of several claims with high unit value).

14.2. Mass insurance – non-life insurance

Gross written premium by product group	1 January – 30 September 2014	1 January – 30 September 2013	% change
Motor TPL insurance	1,733,876	1,853,578	(6.5)%
MOD insurance	1,166,197	1,161,586	0.4%
Total motor insurance	2,900,073	3,015,164	(3.8)%
Insurance against fire and other damage to property	1,093,714	1,074,963	1.7%
Other liability insurance (groups 11, 12, 13)	283,143	271,896	4.1%
ADD and other insurance ¹⁾	584,105	569,018	2.7%
Total non-life insurance without motor insurance	1,960,962	1,915,877	2.4%
Total mass insurance segment (non-life insurance)	4,861,035	4,931,041	(1.4)%

¹⁾ This line item includes loan guarantees and other financial insurance, assistance, travel, marine, railway and air insurance.

In Q1-Q3 2014, in the mass insurance segment, there was a fall in gross written premium by PLN 70.006 thousand (-1.4%) as compared to Q1-Q3 2013. This growth resulted primarily from:

- lower written premium in motor TPL insurance mainly as a result of decrease of average premium (lower sums insured, increase of discounts for loss-free driving) and the rate reductions introduced last year (as a result of strong price competition);

These adverse changes were partly offset by higher sales of the following insurance products:

- apartment insurance, mainly as a result of restating the sums insured;
- motor own damage premium as a result of amendments to VAT regulations;
- professional liability insurance, including detectives' TPL resulting from extension of insurance cover to include mandatory insurance of personal and property security agencies.

Data from the profit and loss account – mass insurance (non-life insurance)	1 January – 30 September 2014	1 January – 30 September 2013	% change
Gross written premiums	4,861,035	4,931,041	(1.4)%
Net earned premium	4,849,778	4,940,194	(1.8)%
Investment income	416,840	428,310	(2.7)%
Net insurance claims	(3,011,434)	(2,977,297)	1.1%
Acquisition expenses	(885,429)	(820,597)	7.9%
Administrative expenses	(417,405)	(357,452)	16.8%
Reinsurance commissions and profit-sharing	(3,508)	72,321	x
Other	(111,501)	(164,689)	(32.3)%
Operating profit (loss)	837,341	1,120,790	(25.3)%
acquisition expenses ratio (including reinsurance commission) ¹⁾	18.3%	15.1%	3.2 p.p.
administrative expense ratio ¹⁾	8.6%	7.2%	1.4 p.p.
claim ratio ¹⁾	62.1%	60.3%	1.8 p.p.
combined ratio (COR) ¹⁾	89.0%	82.6%	6.4 p.p.

¹⁾ ratios calculated with net premium earned

In the period of 3 quarters of 2014, net claims increased 1.1% despite the decrease in net earned premium (-1.8%).

This change resulted from:

- increase of the loss ratio in motor TPL driven primarily by a higher level of provisions for claims from previous years, mainly court claims;
- higher loss ratio in the agricultural insurance group attributable to higher annuity reserves and occurrence of mass losses caused by frost (mainly in the mandatory subsidized insurance for agricultural crops)

The decrease of investment income allocated to the mass segment by 2.7% YoY, which was dictated by lower market interest rates and smaller increase of the EUR rate.

Acquisition expenses in the mass insurance segment, despite decrease of sales, increased by 7.9%, mainly due to higher direct acquisition expenses. The share of commissions in written premium increased as a result of changes to the commission rates in bundled motor insurance and the sales-oriented efforts in the multi-agency sales channel.

Additionally, the comparability of results was affected significantly by the one off event from 2013, i.e. the one-off profit before tax on the settlement agreement with the reinsurer on the Green Card insurance of PLN 53,207 thousand, of which PLN 73,272 thousand was recognized in reinsurance commissions and profit-sharing. The increase of administrative expenses increased by PLN 59,953 thousand (i.e. 16.8%) compared to the 3 quarters 2013 was chiefly related to higher project expenses, higher IT expenses (pertaining mainly to depreciation of systems as a result of commissioning of subsequent project phases) and higher payroll and training expenses in customer service while simultaneously maintaining two systems - offshoot of executing projects from past years facilitating a change in the philosophy of managing client relations.

The lower balance of the "Other" category by 32.3% compared to the corresponding period of the year before resulted in particular from lower amortization charges for receivables and no charge to the prevention fund in the current period (eliminated on the consolidated result level).

The decrease of operating profit in the mass insurance segment by PLN 283,449 thousand (-25.3%) compared to Q1-Q3 2013 was attributable mainly to lower profitability in motor insurance (decrease of earned premium with stable level of claims), other motor insurance (recognition of the effects of the settlement with the reinsurer regarding the Green Card in the results of the corresponding period of 2013, impact on the technical result PLN +53,207 thousand) and in agricultural insurance (occurrence of mass claims).

14.3. Group and individually continued insurance – life insurance

Gross written premium by payment type - group and individually continued insurance	1 January – 30 September 2014	1 January – 30 September 2013	% change
Regular premium	4,898,312	4,799,871	2.1%
Single premium	-	700	(100.0)%
Total	4,898,312	4,800,571	2.0%

The increase in regular gross written premium by PLN 98,441 thousand (+2.1%) was mainly due to:

- growth in group protection insurance (higher average premium and more insureds, including high new sales levels);
- up-selling of riders and increase of sums insured in individually continued insurance products;
- acquisition of premium in group health insurance products (new clients in outpatient health insurance and sales of various versions of a medicine product).

At the same time, the Group totally withdrew from the sale of single-premium products in this segment.

Data from the income statement – group and individually continued insurance	1 January – 30 September 2014	1 January – 30 September 2013	% change
Gross written premiums	4,898,312	4,800,571	2.0%
Group insurance	3,465,177	3,379,753	2.5%
Individually continued insurance	1,433,135	1,420,818	0.9%
Net earned premium	4,897,380	4,799,945	2.0%
Investment income	590,476	542,940	8.8%
Net insurance claims	(3,433,791)	(3,245,912)	5.8%
Change in other net technical provisions	(105,655)	(179,952)	(41.3)%
Acquisition expenses	(265,490)	(236,899)	12.1%
Administrative expenses	(390,317)	(387,864)	0.6%
Other	(16,435)	(42,915)	(61.7)%
Operating profit (loss)	1,276,168	1,249,343	2.1%
Operating profit (loss) excluding the conversion effect	1,219,535	1,145,380	6.5%
acquisition expense ratio ¹⁾	5.4%	4.9%	0.5 p.p.
administrative expense ratio ¹⁾	8.0%	8.1%	(0.1) p.p.
operating margin excluding the conversion effect ¹⁾	24.9%	23.9%	1.0 p.p.

¹⁾ ratios calculated with gross premium written

Increase of the amount of insurance claims (by PLN 187.879 thousand, i.e. 5.8%) resulted mainly from the transfer of assets from PZU employees' pension scheme policies to the pension scheme run by TFI PZU (compensated by a change of the mathematical provision) and, to a lesser extent, development of the group protection business, including health insurance. The simultaneous decrease of the loss ratio in the protection business following the decline in the frequency of death-related events compared to 2013 - confirmed by data from the Central Statistical Office on the higher number of deaths in Poland in January 2013.

The difference in the change of technical provisions (increase of provisions in relation to the corresponding period of the year before lower by PLN 74.297 thousand) resulted from the decrease of the mathematical provision in the third pension pillar product entailing employee pension schemes compared to growth last year as a result of the asset transfer from PZU employees' policy to TFI PZU. This result was partly offset by a slower rate of conversion of long-term agreements into annual renewable agreements in group type P insurance (the effect of conversions in Q1-Q3 2014 translated into releasing PLN 56,633 thousand of provisions, i.e. PLN 47,330 thousand less than in the corresponding period of 2013).

The investment result consists of income allocated according to transfer prices and income on investment products. In the group and individually continued insurance segment, investment income increased PLN 47,536

thousand, mainly due to the higher investment activity result in investment products than the year before - primarily as a result of decrease of the yield of treasury bonds as opposed to the growth in the middle and far end of the yield curve in the corresponding period of last year. Income allocated at transfer prices decreased in the period in question by PLN 15.883 thousand, as a result of lower level of market interest rates, on the basis of which the income of portfolios replicating insurance liabilities is calculated.

Acquisition expenses in the group and individually continued insurance segment in Q1-Q3 2014 were PLN 265,490 thousand, and rose by PLN 28,591 thousand compared to Q1-Q3 last year. The factors determining the increase of direct and indirect acquisition costs in group protection insurance (including bancassurance) included a higher agreement portfolio in bancassurance, as well as changes of the terms and conditions of the agreement.

Higher administrative expenses - by PLN 2.453 thousand (+0.6%) - in the 3 quarters of 2014 compared to the corresponding period of 2013 resulted mostly from higher remuneration paid to persons handling group policies in work establishments as an offshoot of higher business volume.

Improvement year to year in the line item other revenues and expenses by PLN 26.480 thousand stems from the absence of a charge to the prevention fund (eliminated on the consolidated result level) and lower expenses related to the insurance undertaking financing the contribution (lower sales of riders to individually continued insurance under promotional conditions).

Operating profit in the group and continued insurance segment in Q1-Q3 2014 increased compared to the corresponding period of 2013 by PLN 26,825 thousand (+2.1%) to PLN 1.276.168 thousand. Operating profit, excluding the effects of conversion of long-term contracts into renewable contracts in type P group insurance, increased by PLN 74,155 thousand YoY (+6.5%) – mainly as a result of increase of the portfolio, combined with a decrease of the loss ratio in protection products.

14.4. Individual insurance - life insurance

Gross written premium by payment type – individual insurance	1 January – 30 September 2014	1 January – 30 September 2013	% change
Regular premium	343,646	362,006	(5.1)%
Single premium	604,225	669,856	(9.8)%
Total	947,871	1,031,862	(8.1)%

The decrease in gross written premium in comparison with Q1-Q3 2013 by PLN 83,991 thousand (-8.1%) was a result of:

- significantly lower than last year sales of the structured product in cooperation with Bank Handlowy;
- lower level of deposits to accounts in the IKE product, in particular in comparison to the corresponding period of 2013.
- offset partly by higher gross written premium in other investment products and higher sales volumes YoY in individual protection products.

Data from the income statement – individual insurance	1 January – 30 September 2014	1 January – 30 September 2013	% change
Gross written premiums	947,871	1,031,862	(8.1)%
Net earned premium	950,707	1,036,234	(8.3)%
Investment income	255,042	208,246	22.5%
Net insurance claims	(445,598)	(428,633)	4.0%
Change in other net technical provisions	(517,629)	(602,111)	(14.0)%
Acquisition expenses	(93,464)	(80,220)	16.5%
Administrative expenses	(37,657)	(35,527)	6.0%
Other	17,416	8,283	110.3%
Operating profit (loss)	128,817	106,272	21.2%
acquisition expense ratio ¹⁾	9.9%	7.8%	2.1 p.p.
administrative expense ratio ¹⁾	4.0%	3.4%	0.6 p.p.
operating profit margin ¹⁾	13.6%	10.3%	3.3 p.p.

¹⁾ ratios calculated with gross premium written

The increase of net insurance claims (by PLN 16,965 thousand, i.e. by 4.0%) was the effect of a higher level of disbursements on account of reaching the endowment age in structured products, both in the bancassurance channel and in the proprietary channel (maturity of the next product tranches) and increase of redemptions in banking unit-linked products (increase of the portfolio year over year). These increases were partially offset by lower transfers in IKE and lower endowment payments under policies in the individual endowment portfolio from the 1990s.

The difference in the change in technical provisions (increase of the provisions in the current period by PLN 517,629 thousand, i.e. PLN 84,482 thousand lower than in the corresponding period of 2013) resulted mainly from the decrease of structured banking products (compared to last year) as a result of lower than last year sale of these products, combined with simultaneous increase of endowment payments.

The investment result consists of income allocated according to transfer prices and income on investment products. In the individual insurance segment it grew by PLN 46,796 thousand YoY primarily on account of the higher assets in unit-linked products. Income allocated according to transfer prices remained at a similar level.

Higher acquisition expenses in this segment (by PLN 13,244 thousand, i.e. 16.5%) were mostly driven by higher cost of commissions in the agency network following modifications to the remuneration system, which contributed to a higher new sales volume of protection products.

The administrative expenses in Q1-Q3 2014 increased PLN 2,130 thousand (+6.0%) compared to the corresponding period of 2013 primarily as a result of an increase of the involvement of the agency network in improving the individual product service quality and rising marketing expenses, among other things in connection with introduction of the new rider - Pomoc dla Serca.

Higher level of the „other operating income and expenses” category (by PLN 9,133 thousand, i.e. 110.3%) as a result of higher technical revenues from financial institutions by virtue of investing funds in these institutions (PZU’s share of the management fee) on the back of a growing investment portfolio of unit-linked products and the lack of a charge to the prevention fund this year (eliminated on the consolidated result level).

The segment’s operating result rose by PLN 22,545 thousand to PLN 128,817 thousand due to the positive result generated on investment products, in particular on account of participation in the management fee.

14.5. Investments

PZU Group's investment income in 3 quarters 2014 increased by 16.3% compared to the corresponding period of the previous year.

(000s of PLN)

Income in the Investments segment 2 comprises the result on the investments of the PZU Group's own funds, understood as the surplus of investments over technical provisions in the leading PZU Group insurance companies (PZU and PZU Życie) plus the surplus of income earned over the risk-free rate on investments reflecting the value of PZU's and PZU Życie's technical provisions in non-investment products, i.e. surplus of the investment income of PZU and PZU Życie over the income allocated at transfer prices to insurance segments. Additionally, the investment segment includes income from other free funds in the PZU Group. This income decreased by PLN 121,184 thousand.

Investment income – by segment	1 January – 30 September 2014	1 January – 30 September 2013	% change
Investment Segment (external operations)	616,910	738,094	(16.4)%
Insurance activity segments (PZU and PZU Życie)	1,364,348	1,288,445	5.9%
Other segments and adjustments	181,944	(165,850)	x
Total	2,163,202	1,860,689	16.3%

Result on investment activity	1 January – 30 September 2014	1 January – 30 September 2013	% change
Equity instruments	200,658	455,002	(55.9)%
Interest-bearing financial assets	1,947,254	1,375,403	41.6%
Investment properties	32,999	25,912	27.4%
Derivatives	62,999	2,828	x
Receivables	(63,614)	(114,392)	x
Other	(17,094)	115,936	x
Total	2,163,202	1,860,689	16.3%

The increase in investment income of the PZU Group was caused, among others, by the appreciation of:

- treasury bonds (decrease of yields of Polish treasury bonds throughout the yield curve over the 3 quarters of 2014 as opposed to growth in the middle and long end of the yield curve in the corresponding period of last year); and
- derivatives purchased mainly for the purposes of proper risk management within investment portfolios;

offset by lower than last year results on absolute return equity portfolios. The decrease of the results on other investment activity involved mainly recognition of PLN 172,718 thousand in last year's investment activity results, which followed from a one-off event, i.e. consolidation of mainly real estate funds.

Financial expenses in the first three quarters of 2014 rose by 167.8% compared to the same period of the previous year.

Financial expenses	1 January – 30 September 2014	1 January – 30 September 2013	% change
Sell-buy-back transactions	81,742	30,125	171.3%
Own debt securities, including:	38,123	-	x
FX differences on own debt securities	30,235	-	x
Other	8,853	17,935	(50.6)%
Total	128,718	48,060	167.8%

Higher financial expenses are the outcome of issuing our own debt securities in EUR and higher costs related to the sell-buy-back transactions.

Investments (including investment contracts)	30 September	31 December
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² Investment income in external operations of the Investment Segment

(000s of PLN)

	2014	2013
Equity instruments, including:	6,520,601	6,307,816
Equity instruments, for which fair value can be determined – listed	3,442,138	3,690,953
Equity instruments, for which fair value can be determined – other	3,075,335	2,613,735
Equity instruments, for which fair value cannot be determined	3,128	3,128
Interest-bearing financial assets, including:	51,712,836	48,517,782
Debt securities – government	34,284,701	33,436,086
Debt securities – other	3,250,364	2,769,137
Reverse repo transactions and term deposits with credit institutions	11,982,231	10,590,351
Loans	2,195,540	1,722,208
Investment properties	1,416,835	1,474,770
Derivatives (net value)	36,921	22,294
Other	5	87
Liabilities on account of sell-buy-back transactions	(5,034,457)	(5,124,161)
Total	54,652,741	51,198,588

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 2014 and as at 30 September 2013. Exposure to debt securities issued by governments other than the government of the Republic of Poland was 2.2% and 3.6% of all investments as at 31 September 2014 and 31 December 2013, respectively.

The value of equity instruments and non-Treasury bonds and borrowings increased as a result of the Group's new investment strategy involving, among other things, further diversification of the investment portfolio. Over the 3 quarters of 2014, the value of equity instruments increased by PLN 212.785 thousand, and non-Treasury securities and borrowings by PLN 954.559 thousand.

The increase of the investment portfolio by PLN 3.454.153 thousand, apart from the increase of the valuation, was attributable also to the issue of own debt securities for the total amount of EUR 500.000 thousand in July 2014.

14.6. Pension insurance

Data from the income statement – pension segment	1 January – 30 September 2014	1 January – 30 September 2013	% change
Revenues on core business of non-insurance entities	236,915	163,186	45.2%
Acquisition expenses	(5,590)	(12,542)	(55.4)%
Administrative expenses	(63,559)	(58,914)	7.9%
Other	9,452	8,974	5.3%
Operating profit (loss)	177,218	100,704	76.0%
Including non-recurring events:			
Total impact of non-recurring events	109,966		
Total impact of recurring events in subsequent years	(68,105)		

Revenues on fees and commissions („Revenues on core business of non-insurance entities”) in the pension insurance segment for 3 quarters of 2014 and 3 quarters of 2013 were PLN 236,915 thousand and PLN 163,186 thousand, respectively. The change by PLN 73,729 thousand (45.2%) resulted mainly from statutory changes pertaining to: liquidation and withdrawal of funds from the additional part of the Indemnity Fund, transfer of some of the OFE assets to ZUS corresponding to 51.5% of the settlement units recorded on the account of each PZU OFE member, reduction of the fee on the contributions from 3.5% to 1.75% and the insureds' election made in April-September as to further transfer of the contributions in the new amount 2.92% to open-end pension funds, with regard to future contributions.

Acquisition expenses were lower by PLN 6,952 thousand (-55.4%) mainly due to the ending, in 2013, of the settlement of commission costs on agreements concluded by 31 January 2010.

PTE PZU's administrative expenses increased by PLN 4,645 thousand (7.9%). The main driver of the change was the increase of the costs of contributions to the KDPW Guarantee Fund by PLN 20,071 thousand (statutory change of the required level from 0.1% to 0.3% of OFE's net assets), decrease of the costs of the Transfer Agent by PLN 9,482 thousand (-32.4%) in connection with reduction of the rate for the handling of PZU OFE member accounts as of 1 February 2014 and decrease of the costs of fees for ZUS by PLN 4,099 thousand (49.5%) in connection with the their statutory reduction and the decrease of the number of members for whom contributions are transferred to OFE.

These changes contributed to the operating profit increasing from PLN 100,704 thousand in the same period of the previous year to PLN 177,218 thousand, i.e. by PLN 76,514 thousand (76%).

The statutory changes have significant impact on the operations of OFE and PTE in 2014 and the years to come. It is estimated that as a result of these changes PTE PZU's gross result for 3 quarters of 2014 changed in total by approx. PLN 42 million compared to the estimated result which PTE PZU could have generated if it had not been for the statutory changes regarding the operations of pension funds, however the non-recurring effect, taking into account mainly the net changes in the Indemnity Fund, amounted to approx. PLN 110, and the recurring effect, taking into account primarily the decrease of revenues from net fees on contributions and fees for management of lower assets of OFE PZU, amounted to approx. PLN -68 million.

At the end of Q3 2014, OFE PZU had 2,231 thousand members, i.e. 13.39% 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 decreased by 1 thousand persons to 2,230 thousand, i.e. 0.04%, while the total number of members of all open-end pension funds increased by 1.69%.

At the end of September 2014 the total value of net assets of all OFEs in the market was PLN 159.02 billion, up 45.5% from the end of Q3 2013 (which was caused by transfer to ZUS, on 3 February 2014, 51.5% of OFE assets. In the same period OFE PZU's assets decreased 46.1% to PLN 21.1 billion in connection with the aforementioned statutory changes. In the period from January to September 2014, ZUS transferred to OFE PZU premiums in the amount of PLN 0.92 million, over 15.8% less than in the corresponding period of 2013, which was caused by the statutory changes (starting from the contributions for July 2014, ZUS transfers them only for the persons who have submitted a pertinent declaration), and the rate of return in the period of 9 months of 2014 amounted to 5.02%.

14.7. Ukraine

Data from the profit and loss account – Ukraine segment – non-life and life insurance together	1 January – 30 September 2014	1 January – 30 September 2013	% change
Gross written premiums	122,597	142,539	(14.0)%
Net earned premium	100,334	122,910	(18.4)%
Investment income	24,275	17,828	36.2%
Net insurance claims	(67,875)	(59,006)	15.0%
Acquisition expenses	(38,300)	(44,436)	(13.8)%
Administrative expenses	(19,597)	(25,743)	(23.9)%
Operating profit (loss)	(1,163)	11,553	x
Other operating income	11,695	1,122	942.3%
Other operating costs	(4,104)	(2,354)	74.3%
exchange rate UAH/PLN	0.27	0.39	(30.6)%

Non-life insurance

Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group
Interim Condensed Consolidated Financial Statements according to IFRS for Q3 2014

(000s of PLN)

Data from the profit and loss account – Ukraine segment – non-life and life insurance together	1 January – 30 September 2014	1 January – 30 September 2013	% change
acquisition expense ratio ¹⁾	36.6%	34.2%	2.4 p.p.
administrative expense ratio ¹⁾	22.9%	23.6%	(0.7) p.p.
claim ratio ¹⁾	43.0%	43.0%	-
combined ratio (COR) ¹⁾	102.4%	100.7%	1.7 p.p.

(000s of PLN)

Data from the profit and loss account – Ukraine segment – non-life and life insurance together	1 January – 30 September 2014	1 January – 30 September 2013	% change
Life insurance			
acquisition expense ratio ¹⁾	42.0%	41.7%	0.3 p.p.
administrative expense ratio ¹⁾	11.6%	13.4%	(1.8) p.p.
claim ratio ¹⁾	126.0%	62.4%	63.6 p.p.
operating profit margin	(20.7)%	7.4%	(28.1) p.p.

¹⁾ ratios calculated with net premium earned

As part of its operations in Ukraine, the PZU Group offers property insurance and life insurance through the following companies: PZU Ukraine and PZU Ukraine Life.

The negative growth rate of gross written premium (-14.0%) resulted only from exchange rate depreciation, because in the original currency the gross written premium in property insurance increased 21.0% and in life insurance by 35.0%. In the original currency an increase of sales growth rate was recorded in all channels:

- in property insurance - in the agency channel (+1.1%), in the alternative channel (+20.6%), in the direct channel (+20.7%) and in the corporate channel (+23.8%).
- in life insurance - in the agency channel (+10.5%), in the brokerage channel (+15.3%), in the corporate channel (+38%) and principally in bancassurance (+234.4%).

In the first 3 quarters of 2014 a negative operating result of PLN -1.163 thousand was recorded. At the same time, the gross result (plus other operating income and costs) was positive and amounted to PLN 6.428 thousand.

The results of the Ukraine segment were significantly affected by the depreciation of the UAH exchange rate, among others against PLN (by 30.6%), however it had the opposite impacts on the non-life and life business. In non-life insurance investments and provisions are in the local currency, which brought the result down. In life insurance, in turn, large part of the insurance products and investments at the risk of the company depend on the USD exchange rate, which improved the investment income by PLN 9.622 thousand partly offset by increase of mathematical provisions. In the first 3 quarters of 2014 the administrative cost ratios were kept on a level similar to last year. In non-life insurance, in turn, a higher level of acquisition costs was recorded due to changes of the product mix (in favor of increase of the sale of property, motor and travel insurance which entail higher commission on acquired sales).

14.8. Baltic States

Data from the income statement – Baltic States segment	1 January – 30 September 2014	1 January – 30 September 2013	% change
Gross written premiums	287,855	193,923	48.4%
Net earned premium	248,117	165,876	49.6%
Investment income	11,159	5,311	110.1%
Net insurance claims	(157,661)	(103,258)	52.7%
Acquisition expenses	(56,495)	(49,528)	14.1%
Administrative expenses	(32,279)	(18,269)	76.7%
Operating profit (loss)	12,841	132	x
Other operating income	4,589	2,539	80.7%
Other operating costs	(22,808)	(3,459)	559.4%
Non-life insurance			
acquisition expense ratio ¹⁾	21.6%	29.2%	(7.6) p.p.
administrative expense ratio ¹⁾	13.5%	11.3%	2.2 p.p.
claims ratio ¹⁾	62.4%	62.3%	0.1 p.p.
combined ratio (COR) ¹⁾	97.6%	102.8%	(5.2) pp

Data from the income statement – Baltic States segment	1 January – 30 September 2014	1 January – 30 September 2013	% change
Life insurance			
acquisition expense ratio ¹⁾	32.3%	33.9%	(1.6) p.p.
administrative expense ratio ¹⁾	9.0%	9.3%	(0.3) p.p.
claim ratio ¹⁾	72.7%	62.0%	10.7 p.p.
operating profit margin	1.2%	(0.8)%	2.0 p.p.

¹⁾ ratios calculated with net premium earned

The Baltics segment (Lithuania, Latvia and Estonia) consists of two companies offering life insurance and non-life insurance.

As part of its operations in the Baltic States, the PZU Group offers property insurance and life insurance through the following companies: PZU Lietuva in Lithuania, Latvia and Estonia, UAB PZU Lietuva Gyvybes Draudimas, and, from 1 July 2006, also through AAS Balta in Latvia.

Due to closing of the AAS Balta acquisition transaction in mid-2014, the Baltic States segment presents only the result generated by the company in Q3 2014. This affects the comparability of data with last year, in particular the ratios for non-life business. According to the data as at 30 September, AAS Balta has a 21.7% share in the market in terms of gross written premium.

In the 3 quarters of 2014 the Baltic States segment recorded gross written premium of PLN 287.855 thousand, of which:

- 71.5% was the premium generated by PZU Lietuva (increase by PLN 35,205 thousand, compared to the corresponding period of last year, mainly thanks to development of the operations in the Latvia and Estonia branches);
- 19.2% - premium generated by AAS Balta in Q3 2014 – pertaining largely to motor, property and health insurance;
- 9.3% - life insurance.

The operating result was higher in the 3 quarters of 2014 compared to the corresponding period of last year by PLN 12,709 thousand, in particular thanks to the positive results of AAS Balta (PLN +16,487 thousand) and UAB PZU Lietuva Gyvybes Draudimas. At the same time, higher costs were recorded in connection with development of the operations of the Estonia and Latvia branches by PZU Lietuva. According to the latest available data the share of the branches in the gross written premium market amounted to 2.0% (January – August 2014) and 2.7% (January – September 2014), respectively.

Due to the planned amortization of intangible assets identified as a result of acquisition of AAS Balta, the gross result of the segment (other operating expenses) was charged with PLN 17,461 thousand.

In the context of operational efficiency, UAB PZU Lietuva Gyvybes Draudimas reduced the administrative costs ratio to approx. 9%. In PZU Lietuva, in turn, an increase of the administrative costs ratio by 1.6 p.p. was recorded, in particular due to development of the operations in Estonia and Latvia.

It should be noted that the operating activity in the Baltic states in the nearest future should change significantly due to planned completion of the acquisition of Lietuvos Draudimas and Codan and - in accordance with the decision of the Lithuanian antimonopoly authority - sale of the existing operations comprising MOD insurance and home insurance to a third party entity, PZU Lietuva in Lithuania (item 25.5).

³ Source – for Estonia - Statistics Estonia; for Latvia – own material based on: Latvian insurance association members, Traffic Bureau of the Republic of Latvia and Balta

14.9. Investment contracts

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

Volumes obtained on investment contracts by payment type	1 January – 30 September 2014	1 January – 30 September 2013	% change
Regular premium	24,925	34,295	(27.3)%
Single premium	305,372	939,896	(67.5)%
Total	330,297	974,191	(66.1)%

Gross written premium generated on investment contracts during Q1-Q3 2014 decreased by PLN 643,894 thousand (-66.1%) compared to the corresponding period in 2013. The changes in gross written premium were caused mainly by:

- lower sales of short-term endowment products mainly in the bancassurance channel – the effect of the strategy of phasing out these types of policies;
- lower deposits than last year to investment product individual pension security accounts (IKZE) – no transfer payments.

Data from the income statement – investment contracts	1 January – 30 September 2014	1 January – 30 September 2013	% change
Gross written premiums	330,297	974,191	(66.1)%
Group insurance	44,093	672,501	(93.4)%
Individually continued insurance	286,204	301,690	(5.1)%
Net earned premium	330,340	974,784	(66.1)%
Investment income	27,781	71,610	(61.2)%
Net insurance claims	(1,226,897)	(1,114,072)	10.1%
Change in other net technical provisions	892,901	92,905	861.1%
Acquisition expenses	(13,434)	(13,160)	2.1%
Administrative expenses	(7,094)	(7,067)	0.4%
Other	11,777	9,817	20.0%
Operating profit (loss)	15,374	14,817	3.8%
operating profit margin ¹⁾	4.7%	1.5%	3.2 p.p.

¹⁾ ratios calculated with gross premium written

Investment income in the investment contract segment dropped PLN 43,829 thousand, mainly in unit-linked and endowment products, as a result of lower amount of investments.

The PLN 112,825 thousand YoY increase in net claims resulted from higher endowment payments under short-term investment endowment insurance products, in the bancassurance channel and increase of surrenders in unit-linked products.

The much stronger decline in technical provisions during Q1-Q3 2014 by PLN 799,996 thousand, compared to last year, resulted from a much lower sales volume of short-term investment products, coupled with a higher level of endowment payments under those products.

The slight increase of acquisition expenses by PLN 274 thousand (2.1%) resulted primarily from a higher share of commissions on assets in unit-linked products in the banking channel (change of the terms and conditions of the contract).

The segment's operating result was PLN 15,374 thousand, which means an increase of PLN 557 thousand from the corresponding period of 2013. The main reason was the YoY decrease of other technical expenses, including no charge to the prevention fund in the current year (eliminated on the consolidated result level).

15. Impact of non-recurring events on operating results

In 3 quarters of 2014, as a result of the pension reform, PTE PZU recorded higher results in which a gross profit of approx. PLN 42 million is estimated to be a non-recurring effect in relation to last year. In 2014 the company recorded higher fee and commission income for liquidation and withdrawal of funds from the additional part of the Guarantee Fund and higher costs of contributions to this fund in KDPW for the total amount of approx. PLN 110 million. In addition it is estimated that as a result of decrease of the assets under management and decrease of the fee for contributions, PTE PZU's result in 2014 was approx. PLN 69 million lower than in the corresponding period of last year. At the same time the above decrease of revenues is an effect recurring in the years to come.

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

- income from the consolidation of mutual funds of PLN +172,718 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 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.

16. Macroeconomic environment

GDP in Q2 2014 was 3.3% higher than in the corresponding period of the previous year. However the current GDP growth rate in Q2 dropped to 0.6% QoQ (data adjusted for seasonal fluctuations), compared to 1.1% QoQ in the first 3 months of this year. The growth rate of private consumption in Q2 increased slightly (2.8% YoY from 2.6% YoY in Q1). The period also saw a strong growth of private investments. The growth rate of investments in fixed assets (8.4% YoY) decreased only slightly in relation to Q1 (10.7% YoY), when investments were supported by the weather and purchases of cars "with a grate". A clear increase of domestic demand in Q2 (5.1% YoY) is also attributable to change of inventories which, during the year added as much as 1.7 p.p. to the annual GDP growth rate. The clear increase of domestic demand was combined with deterioration of the balance of foreign trade - net exports brought the GDP growth rate down by 1.6 p.p. in Q2. As a result of deterioration of the situation in Poland's main export markets and the Russian-Ukrainian crisis, for the first time since Q3 2010, exports in Q2 decreased in relation to the quarter before (data adjusted for seasonal fluctuations). Imports, however, systematically increase, reflecting an increase of domestic demand.

In Q3 2014, the GDP growth rate is likely to drop below 3% YoY in the face of worsening external situation. Polish processing industry experienced in this period a deterioration of the situation in the face of the Russian-Ukrainian crisis and weakening of the situation in German industry. The industrial output sold remains flat and its annual growth rate in Q3 decreased again to approx. 1.8% YoY from 3.7% YoY in Q2. Similar trends were observed in construction and assembly industry. In addition, the growth rate of retail sales in Q3 decreased (on average to 3.0% YoY from 5.0% YoY in Q2). The foundations of consumption growth, however, remain sound. The real increase of salary funds in enterprises in the conditions of decrease of the general price index in the month amounted on average to 4.6% YoY. The trend research shows that enterprises treat the slowdown of the growth rate of demand for their products as temporary, still planning to increase headcount and making only slight cuts in their investment plans for the next quarter.

In Q3 the situation in the labor market continued to improve. In this period, average monthly employment in the corporate sector increased by 11 thousand persons compared 7 thousand in the same period of the previous year. The annual growth rate of employment speeded up slightly - in September to 0.8% YoY from 0.7% YoY in June - although this improvement was clearly weaker than in the previous quarter. The registered unemployment rate was dropping in Q3 at the fastest pace since 2008. In September it was 11.5%, 0.5 p.p. down from June.

In Q3, the growth rate in average monthly wages in the corporate sector was on average 3.3% YoY lower compared to 4.1% YoY, remaining very stable for the past few months. In real terms this growth rate is, however, relatively high (3.5% in Q3 compared to 3.8% in the previous quarter). The salary fund in the corporate sector increased even faster in Q3 (monthly average of 4.6% YoY). Hence the foundations of consumption growth remain sound, although in Q3 - in the increasing uncertainty - a slight deterioration of consumer sentiment ratios was recorded. It can also be seen that in the face of relatively high real interest rates, savings are moved from current deposits to term deposits. In the past this trend was normally accompanied by weakening dynamics of private consumption. It seems that the pace of growth of private consumption in Q3 could slightly decrease - this is also shown by the weakening retail sales growth rate.

Consumer prices (CPI) in Q3 were on average 0.3% YoY lower than in Q3 2013. In Q2, inflation amounted to 0.3% YoY. Decrease of the overall price level resulted mainly from decreasing food prices, low energy prices and import of low inflation from abroad. Net inflation (after excluding food and energy prices) decreased in Q3 0.5% YoY compared to 0.8% YoY in the quarter before.

National Bank of Poland's reference rate remained on the level of 2.50% in 3Q 2014. In October, the Monetary Policy Council cut it by 50 basis points to 2.00%. Apart from that, the MPC narrowed the interest rate corridor leaving its floor limit - the interest rate for deposits made by banks in NBP - at 1%, reducing the same time its ceiling - Lombard rate - by as much as 1 percentage point, to 3.0%. The promissory note rediscount rate was cut like the reference rate - by 0.5 percentage point do 2.25%. In addition, the interest rate on the mandatory reserve funds, which so far constituted 0.9% of the NBP rediscount rate, will now constitute 0.9% of the NBP reference rate - which means that the banks' funds will bear lower interest.

The state budget deficit in September amounted to PLN 22.4 billion, which accounted for only 42% of the plan for 2014. Its level was significantly lower than assumed in the Government's plan. State budget revenues for 3 quarters of 2014 were more than 2% higher than in 2013, despite no distribution of profit from NBP this year. The Ministry of Finance estimates that the budget deficit in 2014 may be even PLN 13 billion lower than scheduled. The public finance sector deficit would amount to no more than 3.4% of the GDP. The financing of borrowing needs for 2014 was closed already in July.

After the increase in early July, the yields of Poland's 10-year Treasury bonds were clearly dropping till the end of Q3 2014. The yields in Germany showed a very similar trend. In August and September 2014 the Treasury bond market was very volatile and the yields of Polish 10-year bonds reached historical lows.

These decreases were supported by the economic situation of the Eurozone, characterized by very low inflation and concerns about economic growth. The Treasury bond market in the Eurozone in the recent months was under the influence of a factor of fundamental importance in the form of the decisions of the European Central Bank regarding further easement of the monetary policy. Decreasing yields in the Polish market, however, were not attributable only to this pan-European trend. Locally prices of Polish bonds were supported by very low

inflation rates, expectations regarding loosening monetary policy in Poland and the favorable fiscal situation of Poland.

Ultimately, the yields of Polish 1-year Treasury securities decreased by 41 basis points at the end of September 2014 as compared to the level from the end of June 2014 and the yields of 10-year securities dropped by 52 basis points.

The differences in the assessment of the economic outlook for the US and the Eurozone and the monetary policy path followed by Fed and ECB led, in Q3 2014, to increase of the difference between the yields of US and German 10-year Treasury bonds to levels that are the highest for a dozen or so years. They also resulted in clear strengthening of the US dollar to euro.

In the same period the value of the Polish currency was stable in relation to euro, although it depreciated in relation to other main currencies, especially the US dollar. In Q3 2014, the USD/PLN exchange rate grew 8.2%, while the EUR/PLN rate increased only 0.4%. In the same period PLN depreciated in relation to Swiss franc by 1.0%.

In Q3 2014, Polish stock exchange indices continued to move without a clear trend. Growth impulses were slowed down by concerns regarding a new, even temporary, slow-down of economic growth in Poland and the Eurozone and very low inflation rates in Europe. Nonetheless, the WIG and WIG20 indices increased in Q3 2014 by 5.7% and 3.8%, respectively – more than the German DAX 30, American S&P 500 or British FTSE 100.

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

PZU did not publish any standalone or consolidated result forecasts.

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

18.1. Non-life insurance

The most significant risk factors which may affect the results in the mass and corporate insurance segment (non-life insurance) in the next quarter of 2014 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 moral hazard;
- 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 in more 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);
- potential upward trend in the rate of unemployment and a slowdown in private consumption may translate into a lack of growth in demand for insurance products;

-
- price pressure from competitors, in particular resulting from the lower loss ratio in motor insurance in 2013;
 - 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 and Article 448 of the Act of 23 April 1964 entitled the Civil Code (Journal of Laws of 2014 Item 121, "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 of 17 December 2009 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 expenses;
 - 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 29 July 2011 (Journal of Laws No. 177 in 2011 Item 1054, as amended; hereinafter: the "VAT Act");
 - implementation of the Solvency II Directive in 2016, which may affect the level of capital requirements in the PZU Group and the scope of reporting;
 - changes in regulations applicable to banks, which may reduce the number of mortgage loans and insurance for the borrowers.

18.2. Life insurance

The most significant risk factors which may affect the results in the group, individually continued and individual insurance segment (life insurance) in the next quarter of 2014 include:

- potential upward trend in the rate of unemployment 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 of 2013, Item 907; hereinafter "Public Procurement Law");
- changes in the legal or regulatory conditions of the conduct of business, i.e. amendments to the Insurance Activity Act, the introduction of new recommendations by the Polish Financial Supervision Authority and pro-consumer case law of the courts;
- growing consumer awareness which may result in more 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 2014 impacts the interest in unit-linked products offered by PZU;
- lack of a precise definition of the scope of exemptions pertaining to e.g. insurance services or medical services in the amended VAT Act;
- changes in regulations applicable to banks, which may reduce the number of mortgage loans and insurance for the borrowers;
- increasing role of the so-called "insurance claims firms" in the process of handling of claims reported in previous years;

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- implementation of the Solvency II Directive in 2016, which may affect the level of capital requirements in the PZU Group and the scope of reporting;
 - changes in the individual insurance market caused by product modifications in line with Council Directive 2004/113/EC and verdict of the European Court of Justice (verdict in case C-236/09 (Test-Achats), of 1 March 2011) that may have significant influence on the value of new business and the technical result.

18.3. Pension funds

The most significant risk factors which may affect PTE PZU's results in the subsequent quarter of 2014 include primarily:

- reform of the pension system in Poland;
- low rate of wage growth resulting in a lower rate of growth in premiums paid by pension fund members;
- changes in the financial intermediation market, stopped growth of popularity of independent financial consulting and resulting reduction in the number of sales channels;
- behavior of the capital market, in particular WSE – some of the investment income of the PZU OFE depends on the trends in this market, which translates into the value of the assets and the level of the management fees charged by PTE PZU.

18.4. Investment activity

The most significant risk factors which may affect the investment activity performance in the subsequent quarter of 2014 include primarily:

- volatility of yields on treasury securities depends on the economic situation of Poland and other European Union countries - volatility of yields may lead to fluctuations of valuation of investments;
- behavior of the capital market, 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.

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

On 3 July 2014, PZU issued 5-year Eurobonds (through its subsidiary, PZU Finance AB (publ)). Additional information about the issue are presented in item 9.13.

20. Default or breach of material provisions of loan agreements

During the 9 months ended 30 September 2014, 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.

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

Information about the granting of the guarantees to PZU Finance AB (publ) in connection with the bond issue carried out by PZU Finance AB (publ) is presented in item 10.

22. Dividends

Only the profit captured in the standalone financial statements of the parent company prepared in accordance with PAS is subject to distribution.

22.1. Update of the capital and dividend policy of the PZU Group

On 13 May 2014, the PZU Management Board made a decision to update the PZU Group Capital and Dividend Policy for 2013-2015 ("Policy"). At the same time the PZU Management Board decided to file with the PZU Supervisory Board a motion to adopt a resolution on approving the updated Policy. On 13 May 2014 the PZU Supervisory Board approved - pursuant to the Management Board motion - the updated Policy in the wording presented by the Management Board.

In connection with the uncertainty as regards PZU Group's results in 2013 and execution of acquisition plans existing at the time of adoption of the Policy, the Policy did not specify how to act in cases when safety ratio requirements are satisfied despite the fact that no subordinated debt has been issued.

Since the PZU Group's financial results for 2013 turned out higher than expected and the existing and projected safety ratios will not be lower than assumed in the Policy, changes have been made according to which the interim dividend paid out on 19 November 2013 towards the dividend anticipated for the end of the 2013 financial year will be recognized as part of a distribution of excess capital.

22.2. Distribution of the profit earned in 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 standalone financial statements for this period.

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

On 13 May 2014 the PZU Management Board filed with the Ordinary Shareholder Meeting a motion to distribute PZU's net profit for the financial year ended 31 December 2013 in the amount of PLN 5.106.345 thousand as follows:

- designate PLN 4.663.024 thousand, i.e. PLN 54.00 per share, for a dividend payment;
- designate PLN 433,321 thousand for reserve capital;
- designate PLN 10.000 thousand for the Company Social Benefit Fund.

Taking into account the disbursement, on 19 November 2013, of an advance toward the dividend envisaged for the end of financial year 2013 in the amount of PLN 1.727.046 thousand, i.e. PLN 20.00 per share), and the remaining part of the dividend for the year ended 31 December 2013 was to equal PLN 2.935.978 thousand (i.e. PLN 34.00 per share).

The PZU Management Board filed with the Ordinary Shareholder Meeting a motion to set 17 September 2014 as the dividend date for the remaining part of the dividend for the year ended 31 December 2013, and that the remaining part of the dividend to be paid for the year ended 31 December 2013, be paid on two dates:

- PLN 1.467.989 thousand, i.e. PLN 17.00 per share) on 8 October 2014;
- PLN 1.467.989 thousand (i.e. PLN 17.00 per share) on 15 January 2015.

The motion of the PZU Management Board is consistent with the Policy updated on 13 May 2014, as discussed in item 22.1 and takes into account KNF's recommendations regarding the dividend policy of insurance and reinsurance companies.

On the same day the Supervisory Board issued a positive opinion on the PZU Management Board's motion and decided to recommend the distribution of profit in accordance with the motion.

On 17 June 2014, the PZU Ordinary Shareholder Meeting adopted a resolution on distribution of net profit for the year ended 31 December 2013, in accordance with the aforementioned proposal of the PZU Management Board.

23. Information on the shareholders of PZU

23.1. List of PZU shareholders holding at least 5% of 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	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	4,317,691 ¹⁾	5.0000% ¹⁾
3	Other shareholders	51,649,356	59.8125%
Total		86,352,300	100.00%

¹⁾ As at the date of submission of the information by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK, i.e. 29 May 2014.

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

In the period from 1 January 2014 to the date of submission of this interim report, a material change has taken place in the ownership structure of significant shareholdings in PZU.

On 29 May 2014 Aviva Powszechnie Towarzystwo Emerytalne Aviva BZ WBK SA notified PZU of change of the holding of PZU's shares by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK („Aviva OFE”), informing the company that as a result of transactions of purchase of PZU's shares concluded on 22 May 2014, as at 27 May 2014, Aviva OFE increased its take of PZU's shares to 5.00% of PZU's share capital, which constitutes 5.00% of the total number of votes at the PZU Shareholder Meeting.

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

No.	Body / Name and surname	Number of shares / rights to shares as at the date of conveying this interim report (i.e. 13 November 2014)	No. of shares / entitlements as at the date of delivery of the previous interim report (i.e. 27 August 2014)	Change between dates
Management Board				
1	Andrzej Klesyk	-	-	-
2	Przemysław Dąbrowski	-	-	-
3	Dariusz Krzewina	-	-	-
4	Barbara Smalska	-	-	-
5	Tomasz Tarkowski	80	80	-
6	Ryszard Trepczyński	-	-	-
Group Directors				
1	Rafał Grodzicki	-	-	-
2	Przemysław Henschke	-	-	-
3	Sławomir Niemierka	-	-	-
4	Tobiasz Bury	50	50	-
Supervisory Board				
1	Aleksandra Magaczewska	-	-	-
2	Zbigniew Cwiąkański	-	-	-
3	Tomasz Zganiacz	-	-	-
4	Zbigniew Derdziuk	-	-	-

No.	Body / Name and surname	Number of shares / rights to shares as at the date of conveying this interim report (i.e. 13 November 2014)	No. of shares / entitlements as at the date of delivery of the previous interim report (i.e. 27 August 2014)	Change between dates
5	Dariusz Filar	-	-	-
6	Dariusz Kacprzyk	-	-	-
7	Jakub Karnowski	28	28	-
8	Alojzy Nowak	-	-	-
9	Maciej Piotrowski	-	-	-
Total		158	158	-

24. 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 provision set within the framework of mathematical life provisions.

During the 9 months ended 30 September 2014 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 2014, the aggregated value of all the 60,531 cases pending before courts, arbitration bodies or public administration authorities in which PZU Group entities take part, was PLN 2,917,682 thousand. Out of this amount, PLN 2,383,762 relates to liabilities and PLN 533,920 to receivables of PZU Group companies, which represented respectively 19.96% and 4.47% of PZU's equity according to PAS.

24.1. 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:

- the amount of PLN 3,260,883 thousand was transferred to supplementary 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. According to the plaintiff, the value of the litigation is PLN 5,054 thousand. PZU has submitted a rejoinder to the statement of claim requesting to dismiss the statement of claim in its entirety.

On 17 December 2013, the Regional Court passed a verdict in which it accepted the claim in its entirety and awarded the costs of proceedings from PZU to Manchester Securities Corporation. On 4 March 2014, PZU filed an appeal against the above verdict, contesting it in its entirety.

As of the balance sheet date of 30 September 2014 no changes were made to the presentation of PZU's equity that could potentially stem from the repeal of the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting, including the line items „Reserve capital” and „Retained profit (loss)”, the funds in the Company Social Benefits Fund were not adjusted and no provisions were established for any potential additional claims stemming from the repeal of the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting.

24.2. Proceedings conducted by the Office for Competition and Consumer Protection against PZU

24.2.1. 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 of Competition and Consumer Protection („SOKiK”) dismissed PZU’s appeal against this decision. On 14 December 2011, PZU submitted an appeal to the Appellate Court in Warsaw. On 5 July 2012, the Appellate Court in Warsaw repealed the 14 November 2011 judgment of the Court for Competition and Consumer Protection and returned the case for re-examination. On 18 January 2013, the Court for Competition and Consumer Protection rescinded in its entirety the decision of the President of the Antimonopoly Office of 30 December 2009. On 6 March 2013, the Court for Competition and Consumer Protection received an appeal from the President of the 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 on 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, and reduction of the fine to PLN 1,643 thousand. The verdict of 6 November 2013 is final and was implemented through payment of the awarded fine. On 23 June 2014 PZU filed a cassation complaint against the verdict to the Supreme Court. PZU received a reply from the President of the Office for Competition and Consumer Protection on 24 July 2014.

As at the date of this interim consolidated report, the Supreme Court has not made a decision on acceptance of the cassation complaint for review.

24.2.2. Fines imposed in 2011

24.2.2.1. 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.

At the hearing on 2 December 2013 the Regional Court in Warsaw issued a verdict in which it dismissed PZU's appeal and awarded the refund of litigation expenses from PZU to the UOKiK President. On 23 December 2013, PZU filed an appeal against this verdict which, as at the date of delivery of this interim report, has not been reviewed by the Appellate Court in Warsaw.

Regardless of the legal measures taken, PZU has established a provision for the above fine, the amount of which both as at 30 September 2014, 30 June 2014, 31 December 2013 and 30 September 2013 was PLN 11,287 thousand.

24.2.2.2. *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. According to the PZU Management Board, not all the evidence was taken into account when making the decision and an erroneous legal qualification was made.

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. The hearing at which PZU's appeal will be reviewed was set for 14 November 2014.

Regardless of the appeal measures taken, PZU has established a provision for the above fine, the amount of which both as at 30 September 2014, 30 June 2014, 31 December 2013 and 30 September 2013 was PLN 56,605 thousand.

24.3. Proceeding conducted by the Office for Competition and Consumer Protection against PZU Życie

On 1 June 2005, the President of the Antimonopoly Office launched, at the request of several applicants, an antimonopoly procedure in the matter of a suspicion of PZU Życie's abuse of its dominating position in the group

employee insurance market, which may constitute a breach of Article 8 of the Competition and Consumer Protection Act and Article 82 of the Treaty establishing the European Community. As a result of the procedure, on 25 October 2007 the President of the Antimonopoly Office imposed a fine on PZU Życie in the amount of PLN 50,384 thousand for hindering clients from taking advantage of the offers of the company's competitors.

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

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

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

On 20 December 2013, a hearing was held before the Regional Court in Warsaw – Court for Competition and Consumer Protection. The announcement of the verdict was postponed twice due to the judge's illness. Consequently, on 17 January 2014 the hearing was opened and postponed again. After reviewing the case at the hearing on 14 March 2014 and closing the hearing, on 28 March 2014 the Court for Competition and Consumer Protection announced its verdict in which it dismissed PZU Life's appeal and awarded refund of litigation expenses from PZU Życie in favor of the UOKiK President and participants.

On 31 March 2014 PZU Życie filed a petition to the Court for Competition and Consumer Protection for preparation of a justification of the verdict of 28 March 2014 and delivery of the verdict together with the justification. The SOKiK verdict together with justification was delivered to PZU Życie on 26 June 2014. On 10 July 2014 PZU Życie submitted an appeal against SOKiK's verdict of 28 March 2014 in its entirety. A copy of the appeal was sent by the court to the defendant and other participants who responded to the appeal. Then the files were handed over to the Court of Appeals in Warsaw, which will set the date of the appeal hearing.

Regardless of the appeal measures taken, PZU Życie has established a provision for the above fine, the amount of which both as at 30 September 2014, 30 June 2014, 31 December 2013 and 30 September 2013 was PLN 50,384 thousand.

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

24.4.1. Proceeding before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw

On 9 April 2010, the Court of Arbitration served PZU Life with a statement of claim filed by CSC Computer Sciences Polska Sp. z o.o. ("CSC") against PZU Life to pay a total of EUR 8,437 thousand in connection with the implementation of the GraphTalk system in PZU Life. 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 ("Court of Arbitration Judgment no. 108/10) 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.

As at 30 September 2014 PZU Życie established a provision for the case in question in the amount of PLN 22,541 thousand (as at 30 June 2014): PLN 25,176 thousand, as at 31 December 2013: PLN 50,944 thousand, as at 30 September 2013: PLN 50,766 thousand).

24.4.2. Proceeding to declare the enforceability of the Court of Arbitration Judgment no. 108/10

On 23 January 2013, CSC filed with the Regional Court in Warsaw a petition to declare the enforceability of the Court of Arbitration Judgment no. SA 108/10 and attach an enforcement warrant to it.

On 15 March 2013, the Regional Court in Warsaw, following CSC's request of 23 January 2013 issued a ruling to grant the Court of Arbitration Judgment no. SA 108/10 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 time of adjudicating 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 Court of Arbitration Judgment no. SA 108/10.

24.4.3. Proceedings on PZU Życie's complaint to rescind the Court of Arbitration Judgment no. SA 108/10

On 1 February 2013, PZU Życie filed a complaint with the Regional Court in Warsaw to rescind the Court of Arbitration Judgment no. SA 108/10 and suspend the execution of the Court of Arbitration Judgment no. SA 108/10 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 Court of Arbitration Judgment no. SA 108/10.

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 Court of Arbitration Judgment no. SA 108/10 as premature, because the Regional Court in Warsaw (in the case described in item 24.4.2) did not establish the enforceability of the Court of Arbitration Judgment no. SA 108/10, as it is impossible to suspend the execution of a judgment which is not subject to execution by way of enforcement.

In the verdict of 12 November 2013 the Regional Court dismissed the complaint for rescission of the Court of Arbitration Judgment no. SA 108/10. PZU submitted an appeal to the Appellate Court in Warsaw against the judgment issued on 12 November 2013. On 17 February 2014 a reply to the appeal was received.

The appeal hearing date has been set for 21 November 2014.

24.4.4. 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 a 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 24.4.1) from 1 April 2010 (the day following the date of filing the statement of claim by CSC in the case described in item 24.4.1 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 and 4 March 2014 hearings were held, after which pleadings were exchanged. By virtue of the decision of 14 April 2014, the Court of Arbitration closed the hearing. By virtue of the judgment of 24 April 2014 ("Court of Arbitration Judgment no. 67/13") the Court of Arbitration awarded from PZU Życie to CSC the amount of PLN 2,397 thousand together with interest from the date of the judgment to the date of payment, a net amount of PLN 40 thousand as reimbursement of the arbitration fee, PLN 1 thousand as reimbursement of the registration fee and PLN 18 as reimbursement of the costs of legal representation. The Arbitration dismissed the remainder the CSC's statement of claim. At the same time the Court of Arbitration awarded from CSC to PZU Życie the amount of PLN 32 thousand as reimbursement of the costs of legal representation.

24.4.5. Proceeding to declare the enforceability of the Court of Arbitration Judgment no. 67/13

After exchange of the pleadings, by virtue of the decision of 22 August 2014 the Court determined enforceability of the Court of Arbitration Judgment no. 67/13 in the part covered by CSC's petition and attached an enforcement warrant to it. On 10 September 2014 PZU Życie filed an appeal against the above decision, which has not been reviewed to date.

After obtaining the enforcement title by CSC, on 15 September 2014 PZU Życie paid to CSC the amounts subject to the enforcement warrant, making a reservation of refund.

On 24 September 2014 CSC filed a petition for supplementing the decision on attaching an enforcement warrant to the Court of Arbitration Judgment no. 67/13 to include interest on the amount of PLN 2,397 thousand, calculated from the date of the Court of Arbitration Judgment no. 67/13 to the payment date, but the Court dismissed CSC's petition in its decision of 30 September 2014.

24.4.6. Proceedings on PZU Życie's complaint to rescind the Court of Arbitration Judgment no. 67/13

On 4 June 2014, PZU Życie filed a complaint with the Regional Court in Warsaw to rescind the Court of Arbitration Judgment no. 67/13 and suspend the execution of the Court of Arbitration Judgment no. 108/10 in the part awarding the amounts referred to in item 24.4.4. On 25 July 2014 CSC filed a reply to the appeal for rescission of the Court of Arbitration Judgment no. 67/13.

By the date of this interim consolidated report, PZU Życie's complaint against the Court of Arbitration Judgment no. 67/13 has not been reviewed.

24.4.7. Proceedings on CSC's complaint to rescind the Court of Arbitration Judgment no. 67/13

On 12 August 2014 CSC filed with the Regional Court in Warsaw a complaint for rescission of the Court of Arbitration Judgment no. 67/13, petitioning for its rescission in the part dismissing CSC's claims in the amount of PLN 6,689 thousand and the amount of PLN 32 thousand awarded from CSC to PZU Życie as reimbursement of the costs of legal representation. On 26 September 2014, PZU Życie filed a rejoinder to the complaint.

By the date of this interim consolidated report, CSC's complaint for rescission of the Court of Arbitration Judgment no. 67/13 has not been reviewed and the date of the hearing has not been set.

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

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

In 2012, bankruptcy proceedings were initiated before the District Court in Poznań against PBG and Hydrobudowa. On 21 September 2012, PZU joined the aforementioned bankruptcy proceedings by notifying its claims to the bankruptcy estate of the two companies.

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. On 30 September 2014 the amount of the receivables is PLN 102.164 thousand, and its decrease results from elapse of the term of some of the guarantees in which no claims were filed.

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

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

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

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

After several years of court proceedings, in a decision of 23 February 2012, the Regional Court in Warsaw dismissed the claim filed by the receiver of Universal's bankruptcy estate to exclude the real property at Al. Jerozolimskie 44 in Warsaw from Metro Projekt's bankruptcy estate. The proceeding ended with a legally effective judgment.

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

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

On 10 January 2013, 18 March 2013, 19 June 2013, 30 September 2013 and 18 June 2014 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 bidding price for the enterprise was PLN 110 million, PLN 99 million, PLN 93 million, PLN 90 million and PLN 90 million, respectively. In all cases, due to a lack of bids, the procedure was not performed.

Another announcement of the receiver on the sale of the enterprise was published on 25 August 2014. The bidding price was set at PLN 80 million, and the opening of proposals originally planned for 24 September 2014, was postponed till 10 October 2014, and then till 17 October 2014. On 21 October 2014, the sole proposal submitted for PLN 80 million, was opened. If the sale transaction for Metro-Projekt is effected, PZU Życie expects to recover over PLN 100 million, i.e. over 90% of the nominal value of the receivable. If the transaction is not effected the bid deposit paid in by the offeror in the amount of PLN 5 million will increase the value of the bankruptcy estate.

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. As at 30 September 2014, 30 June 2014 31 December 2013 the net balance sheet value of the receivable from Metro-Projekt was PLN 83,203 thousand (as at 30 September 2013: PLN 98,373 thousand).

25. Other information

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

PZU and PZU Życie are subject to regular rating reviews by rating agencies. The rating assigned to PZU and PZU Życie results from an analysis of the financial information, competitive position, management and corporate strategy as well as country financial situation. It also includes outlook, which is an assessment of the future position of the Company in the event of specific circumstances.

As at the date of conveying this interim report, PZU and PZU Życie had a financial strength and credit rating of A (awarded by Standard & Poor's Ratings Services on 16 July 2009), subsequently updated at least once a year (the dates of the most recent updates are presented in the table below).

Poland's long-term credit rating in the local currency as at the date of this interim report was A with a stable outlook, while Poland's credit rating for foreign currency long-term debt was A- with a stable outlook.

In the release of 25 March 2014, the S&P confirmed PZU's rating position at the level „A” with a stable outlook. This means that PZU has successfully undergone the rating process based on the new criteria and its current financial strength rating is greater than Poland's rating for foreign currency debt.

The table below presents ratings assigned to PZU and PZU Życie by S&P, together with those of the previous year.

Company name	Rating and outlook	Date of award/update	Previous rating and outlook	Date of award/update
PZU				
Financial strength rating	A /stable/	25 March 2014	A /watch/	26 November 2013
Credit rating	A /stable/	25 March 2014	A /watch/	26 November 2013
PZU Życie				
Financial strength rating	A /stable/	25 March 2014	A /watch/	26 November 2013
Credit rating	A /stable/	25 March 2014	A /watch/	26 November 2013

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

25.2.1. PZU Management Board

From 1 January 2014 to the date of conveying 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;
- Barbara Smalska – Member of the PZU Management Board;
- Tomasz Tarkowski – Member of the PZU Management Board;
- Ryszard Trepczyński – Member of the PZU Management Board.

On 6 October 2014, Barbara Smalska resigned from the position of a Member of the Management Board of PZU effective from 31 December 2014.

25.2.2. PZU Supervisory Board

From 1 January 2014 to 18 June 2014 the PZU Supervisory Board consisted of the following persons:

- Waldemar Maj – Supervisory Board Chairman;
- Zbigniew Cwiakalski – Supervisory Board Deputy Chairman;
- Tomasz Zganiacz – Supervisory Board Secretary;

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- 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.

On 17 June 2014, PZU's Ordinary Shareholder Meeting adopted resolutions dismissing Dariusz Daniluk, Włodzimierz Kiciński and Waldemar Maj from the PZU Supervisory Board and resolutions appointing Aleksandra Magaczewska, Dariusz Kacprzyk and Jakub Karnowski to the PZU Supervisory Board. The resolutions came into effect on 18 June 2014.

On 15 July 2014, the PZU Supervisory Board entrusted the function of the PZU Supervisory Board Chairperson to Aleksandra Magaczewska.

From 18 June 2014 to the date of this interim report, the PZU Supervisory Board composition consisted of:

- Aleksandra Magaczewska – Supervisory Board Chairperson (from 15 July 2014, in the period 18 June – 15 lipca 2014 – Supervisory Board Member);
- Zbigniew Cwiąkowski – Supervisory Board Deputy Chairman;
- Tomasz Zganiacz – Supervisory Board Secretary;
- Zbigniew Derdziuk – Supervisory Board Member;
- Dariusz Filar – Supervisory Board Member;
- Dariusz Kacprzyk – Supervisory Board Member;
- Jakub Karnowski – Supervisory Board Member;
- Alojzy Nowak – Supervisory Board Member;
- Maciej Piotrowski – Supervisory Board Member.

25.2.3. PZU Group Directors

Apart from Management Board Members, key managers in the PZU Group also comprise Group Directors who also sit on the Management Board of PZU Życie.

As at 1 January 2014, the following persons were the PZU Group Directors:

- Rafał Grodzicki
- Przemysław Henschke
- Sławomir Niemierka.

On 15 January 2014 the PZU Management Board entrusted to Tobiasz Bury the function of PZU Group Director – as of 16 January 2014.

25.3. Employment restructuring

On 8 September 2014, the Management Boards of PZU and PZU Życie announced their decision to continue the process of employment restructuring and announced the 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”).

Employment restructuring in PZU and PZU Życie has been planned to take place from October to November 2014. The restructuring is to cover up to 836 persons; it is estimated that 230 PZU and PZU Życie employees from different professional groups will be laid off, which represents 2% of all employees in both companies.

On 11 September 2014, PZU, PZU Życie and the trade unions operating at these companies signed an agreement setting out the terms and conditions of employment restructuring. The final form of the document was based on the experience and solutions developed during the corresponding negotiations in prior years.

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 2010-2013), more favorable terms and conditions of severance would be offered than the ones provided for by the law in similar circumstances (in the Act on Special Rules for Terminating Employment Relationships). The amount of additional severance will depend on the length of service at the PZU Group and the level of the given employee's salary.

As at 31 September 2014, the provision for restructuring expenses was PLN 16,190 thousand.

25.4. Related party transactions

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

In the 9-months period ended 30 September 2014, 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, except for the transactions pertaining to cash loans (concluded between PZU and PZU Życie on the basis of the framework agreement signed on 7 August 2013). Cash loans are granted in PLN for a defined term up to 12 months. The total amount of the loans granted by each party may not exceed PLN 1 billion. The purpose of the aforementioned agreement is to provide a tool for liquidity management in the PZU Group. Loans are not granted on an arm's length basis - the loan amount does not bear interest and the lender is entitled to a commission fee for granting the loan in the amount of PLN 100 for each loan agreement concluded - however due to participation of both companies in the Tax Capital Group, they are neutral from tax perspective.

25.4.2. Turnovers and balances of transactions executed with related entities

Balances and turnovers resulting from commercial transactions between the PZU Group and related entities	Gross written premium				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	value net			
1 January – 30 September 2014 and as at 30 September 2014												
Key management staff of the main entities ¹⁾	-	-	-	-	-	-	-	-	-	-	-	-
Other related entities ²⁾	-	-	-	-	-	-	-	-	-	-	-	-
1 January – 31 December 2013 and as at 31 December 2013												
Key management staff of the main entities ¹⁾	-	-	-	-	-	-	-	-	-	-	-	-
Other related entities ²⁾	-	-	15	-	-	8,308	(8,306)	2	-	-	-	-
1 January – 30 September 2013 and as at 30 September 2013												
Key management staff of the main entities ¹⁾	-	-	-	-	-	-	-	-	-	-	-	-
Other related entities ²⁾	-	-	14	-	-	8,307	(8,306)	1	-	-	-	-

¹⁾ Senior management; data according to declarations. The list does not include transactions conducted on terms and conditions available to customers who are not related entities.

²⁾ Syta Development Sp. z o.o. in liquidation (unconsolidated) and associated entities and joint ventures are measured by the equity method.

25.4.3. Transactions with subsidiaries of the State Treasury

Taking into account the provisions of the PZU Articles of Association (in particular those pertaining to the restriction of voting rights of shareholders other than the State Treasury and the rules for appointing the PZU Supervisory Board), for the purposes of presenting the turnovers and balances of transactions executed with related entities it is assumed that the State Treasury retained control over PZU within the meaning of IAS 10, and, as a consequence, PZU is still a subsidiary of the State Treasury.

For the purposes of this item, "subsidiaries, co-subsidiaries and associates of the State Treasury" should be construed only as commercial law companies and state-owned companies which are subsidiaries, co-subsidiaries or associates of the State Treasury and listed as such on the State Treasury Ministry's website.

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

The PZU Group applies the exemption from the requirement to disclose transactions with entities related by virtue of remaining under control, shared control or significant influence of the same government referred to in item 25 of IAS 24, however due to the usefulness of such information, it decided to disclose the value of the written premium and volumes from the investment contracts following from the transactions with subsidiaries, co-subsidiaries and associates of the State Treasury.

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

Subsidiaries, co-subsidiaries and associates of the State Treasury	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Gross written premium in non-life insurance	15,993	64,031	27,579	93,866
Gross written premium in life insurance	7,653	23,351	7,162	19,920
Total	23,646	87,382	34,741	113,786

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

Written premium and volumes from unit-linked contracts	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
Bank Powszechna Kasa Oszczędności BP SA	11,142	35,317	11,496	35,432
Gross written premium of PZU	3,489	11,966	4,334	15,512
Gross written premium of PZU Życie	7,653	23,351	7,162	19,920
Bank Gospodarstwa Krajowego SA	143	124	142	313
Gross written premium of PZU	143	124	142	313

25.5. Purchase of shares in Lietuvos Draudimas AB and purchase of assets of the Estonian branch of Codan Forsikring A/S

On 17 April 2014, as a result of the conclusion of negotiations, the following agreements were signed:

- agreement for the purchase of shares in the Lithuanian company, Lietuvos Draudimas AB, between RSA as the seller and PZU as the buyer ("Lietuvos Draudimas AB Share Purchase Agreement");
- acquisition agreement pertaining to the acquisition of assets of the Estonian branch of Codan Forsikring A/S, a company incorporated in Denmark with its registered office in Frederikberg ("Codan") as the seller, PZU Lietuva acting through its branch UAB DB PZU Lietuva Eesti Filiaal registered in the Republic of Estonia as the buyer and PZU as the buyer's guarantor ("Codan Purchase Agreement").

Purchase of shares of Lietuvos Draudimas AB

Under the Lietuvos Draudimas AB Share Purchase Agreement, PZU purchased from RSA 805,432 ordinary registered shares in Lietuvos Draudimas AB representing 99.977% of the share capital of Lietuvos Draudimas AB ("Lietuvos Draudimas AB Shares"), authorizing the holder to 99.977% votes at the Shareholder Meeting of Lietuvos Draudimas AB, with a par value of LTL 50.00 each, for the amount of EUR 180.000 thousand plus an estimated amount of compensation for the difference between the estimated net asset value and the notional net asset value (actual amount of the compensation will be determined after the closing, on the basis of the closing balance sheet of Lietuvos Draudimas AB prepared by PZU and approved by RSA).

The purchase of the Lietuvos Draudimas AB Shares provided for in the Lietuvos Draudimas AB Share Purchase Agreement was subject to the fulfillment of the following conditions precedent:

- obtaining a decision of the Bank of Lithuania in compliance with the relevant provisions of Lithuanian law (including a statement of no objection) - on 21 July 2014 PZU was notified of the decision made by the Bank of Lithuania, which did not have any reservations regarding the purchase of Lietuvos Draudimas AB Shares by PZU;
- obtaining antimonopoly consent from the European Commission or the Lithuanian antimonopoly authority (depending on which of these authorities will have jurisdiction over the matter) together with a statement of no objection; such antimonopoly consent should be unconditional or contain conditions acceptable to PZU - on 9 October 2014 PZU was notified of obtaining the consent. Consent was given provided that PZU sell the business entailing motor own damage insurance and the business entailing home insurance to a third party by a specified deadline. The business to be sold comprises the rights and obligations following from the business written by PZU Lietuva: MOD and rights and obligations following from home insurance as at the date of the decision, as well as fixed assets and contracts concluded by PZU Lietuva in connection with the above insurance types;
- obtaining the consent of the Ukrainian antimonopoly authority - on 16 June 2014 PZU was notified about obtaining the above consent.

The Lietuvos Draudimas AB purchase transaction closing took place on 31 October 2014 and since that date Lietuvos Draudimas is treated as an independent entity and will be consolidated using the full method. Payment for the Lietuvos Draudimas AB Shares was made on the closing date of the transaction in the amount of EUR 191,012 thousand (PLN 807,598 thousand at the exchange rate announced by the National Bank of Poland for the day preceding the date of the transaction).

Purchase of assets of the Codan Branch

Under the Codan Purchase Agreement, PZU Lietuva purchased from Codan an enterprise consisting of an insurance business run by Codan through a branch registered in Estonia, in particular the rights and benefits arising out of the existing agreements, employment contracts, office equipment and intellectual property rights associated with the enterprise in question ("Enterprise") for EUR 30,000 thousand plus an estimated amount of compensation, constituting the difference between the estimated net asset value and the notional net asset value (the actual amount of compensation will be determined after the closing of the transaction based on the closing balance sheet prepared by PZU Lietuva and approved by Codan).

The acquisition of the Enterprise was subject to obtaining consent from the Ukrainian antimonopoly authority. On 16 June 2014 PZU was notified about obtaining the above consent.

The closing of the Enterprise purchase transaction took place on 31 October 2014. Payment for the Enterprise was made on the closing date of the transaction in the amount of EUR 21,409 thousand. Insurance Portfolio Transfer Agreement

In addition to the Codan Purchase Agreement, PZU Lietuva and Codan also signed a Portfolio Transfer Agreement – Transfer of the Estonian Insurance Portfolio by Codan. Under the agreement, PZU Lietuva purchased from Codan the collection of all insurance agreements signed or acquired by Codan as 31 October 2014.

25.6. Acquisition of Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia Elvita – Jaworzno III sp. z o.o. ("Elvita")

On 12 August 2014 a conditional purchase agreement was signed for the shares of Elvita between Tauron Dystrybucja SA, Tauron Wytwarzanie SA, Tauron Wydobywanie SA (jointly "Tauron Group") as the sellers and PZU FIZ AN BIS 2 as the buyer ("Elvita share purchase agreement").

Pursuant to the Elvita Share Purchase Agreement, PZU FIZ AN BIS 2 acquired conditionally from the Tauron Group 14,984 shares in Elvita with a par value of PLN 500.00 each, representing 98.82% of the share capital and giving the right to 98.82% of the votes at the Shareholder Meeting.

Under the conditional Elvita Share Purchase Agreement, PZU will become an indirect owner of 57 shares in the company operating under the business name of Przedsiębiorstwo Usług Medycznych „Proelmed” sp. z o.o. („Proelmed”) with a par value of PLN 500.00 each, representing 57.00% of the share capital and 57.00% of the votes at the Shareholder Meeting the rights to which are held by Elvita.

On 7 November 2014 PZU FI ZAN BIS 2 received information from the sellers on the fulfillment of the final condition precedent for the transaction. The transaction is slated for closing on 1 December 2014, and consequently, both Elvita and Proelmed are not treated subsidiaries in this interim report.

25.7. Loan and recapitalization of PZU Lietuva

On 25 September 2014, PZU SA and PZU Lietuva entered into a subordinated loan agreement for EUR 46,000 thousand. The purpose of the loan was to provide funds for the purchase of Codan and satisfaction of the requirements of the Lithuanian regulator as regards the minimum solvency margin (before and after acquisition of Codan's assets the solvency margin should be in the range of at least 120%). The loan was granted for the minimum term of 5 years (pursuant to the Lithuanian law, this is the minimum period for which a subordinated loan may be granted; the agreement does not define the maximum tenor of the loan). The loan interest rate was set on an arm's length basis (EURIBOR 3M plus a 340 basis point margin).

Pursuant to the loan agreement, its part together with accrued interest (in total no less than EUR 37,000 thousand) will be converted into subscription for a new PZU Lietuva share issue. On 24 October 2014, the Extraordinary Shareholder Meeting of PZU Lietuva adopted a resolution on increase of the share capital of PZU Lietuva by LTL 86,000 thousand by issuing 860,000 ordinary shares with a par value of LTL 100 each at the issue price of LTL 150 per share. The total value of the new issue shares was PLN 129,000 thousand (approx. EUR 37,361 thousand).

On the same day an agreement was signed between PZU Lietuva and PZU regarding subscription for the new issue shares (pro rata to the current shares).

The loan, as a transaction between Group companies, is subject to elimination in the process of preparation of consolidated financial statements and does not impact their structure.

25.8. Loan to Link4

On 12 September 2014, PZU SA and Link4 entered into a subordinated loan agreement for PLN 30.000 thousand. The loan is to be repaid on 15 September 2019 or on the following business day. Pursuant to the agreement, early repayment is possible only if Link4 is liquidated or upon KNF's approval.

The loan interest rate was set on an arm's length basis (WIBOR6M plus 350 basis points).

The loan, as a transaction between PZU Group companies, is subject to elimination in the process of preparation of consolidated financial statements and does not impact their structure.

25.9. Situation in Ukraine

The assets owned by PZU Ukraine (securities and deposits) are deposited in banks with ratings satisfying the conditions envisaged in PZU Group's internal regulations. The Ukrainian companies conduct cash-free trading, which limits the risk associated with potential robbery. The financial system has been working without interruptions so far as regards execution of transfers.

The Ukrainian companies performed their sales plans for 9 months of 2014.

As regards insurance activity, apart from standard exclusions (war, terrorism etc.), an exclusion of unlawful actions of third parties is used. In addition, in accordance with a decree of the PZU Ukraine Management Board, it is temporarily prohibited to enter into and renew property insurance agreements for natural and legal persons, including for real properties which are subject to a pledge or mortgage if the agreement is performed in the territory of the Donetsk and Luhansk districts. The situation is similar in the case of forwarder's and carrier's liability insurance and cargo insurance if the route runs through the territory of the above districts.

The Ukrainian legislator has prepared special legal regulations introducing a legal system in the Ukrainian territory temporarily occupied as a result of the aggression of the Russian Federation, defining the uniqueness of the activity of public authorities, local authorities, enterprises, institutions and organizations, determining the rules for observance and protection of human rights, citizen rights and the rights and justified interests of legal persons.

In light of such regulations, the PZU Ukraine Management Board made a decision to close down its regional office in Simferopol and the customer service center in Sevastopol. In addition, in the Donetsk and Luhansk districts, 4 sales offices and 2 agencies were closed.

The PZU Management Board in cooperation with the management boards of the Ukrainian companies constantly monitors the situation in Ukraine. As at the date of this interim report, the PZU Management Board assumes that further activity of the Ukrainian companies will be continued in accordance with the assumptions made.

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

1. Interim balance sheet

ASSETS	30 September 2014	30 June 2014	31 December 2013	30 September 2013
I. Intangible assets, including:	249,345	240,487	244,582	180,978
- goodwill	-	-	-	-
II. Investments	31,142,236	28,443,405	27,609,398	28,176,888
1. Real property	500,922	505,143	515,161	521,856
2. Investments in subordinated entities, of which:	5,934,363	4,722,822	4,957,219	4,572,075
- investments in subordinated entities measured by the equity method	5,934,363	4,722,822	4,957,219	4,543,441
3. Other financial investments	24,706,946	23,215,435	22,134,104	23,080,223
4. Deposit receivables from ceding companies	5	5	2,914	2,734
III. Net assets of a life insurance company if the investment risk is borne by the policyholder	-	-	-	-
IV. Receivables	3,074,731	3,052,316	1,496,637	1,770,090
1. Receivables on direct insurance	1,349,543	1,400,700	1,282,803	1,361,723
1.1. From subordinated entities	81	94	15	234
1.2. From other entities	1,349,462	1,400,606	1,282,788	1,361,489
2. Receivables on reinsurance	28,457	26,559	18,229	32,169
1.1. From subordinated entities	72	435	30	3,054
1.2. From other entities	28,385	26,124	18,199	29,115
3. Other receivables	1,696,731	1,625,057	195,605	376,198
1.1. Receivables from the state budget	1,637	4,096	33,968	414
1.2. Other receivables	1,695,094	1,620,961	161,637	375,784
a) from subordinated entities	1,364,623	1,385,365	43,112	71,133
b) from other entities	330,471	235,596	118,525	304,651
V. Other asset components	170,059	178,490	179,203	171,900
1. Tangible asset components	107,267	103,327	104,194	97,545
2. Cash	62,792	75,163	75,009	74,355
3. Other asset components	-	-	-	-
VI. Prepayments and accruals	608,563	625,237	606,752	547,757
1. Deferred income tax assets	-	-	2,877	-
2. Capitalized acquisition expenses	535,587	555,013	520,305	480,840
3. Posted interest and rents	-	-	-	-
4. Other accruals	72,976	70,224	83,570	66,917
Total assets	35,244,934	32,539,935	30,136,572	30,847,613

Interim balance sheet (continued)

LIABILITIES AND EQUITY	30 September 2014	30 June 2014	31 December 2013	30 September 2013
I. Equity	11,941,944	11,099,643	12,259,761	11,805,466
1. Share capital	86,352	86,352	86,352	86,352
2. Unpaid share capital (negative figure)	-	-	-	-
3. Treasury stock (negative figure)	-	-	-	-
4. Supplementary capital	4,408,148	4,408,050	3,974,327	3,973,920
5. Revaluation reserve	5,457,970	4,705,869	4,819,783	4,463,219
6. Other reserve capital	-	-	-	-
7. Retained earnings (losses)	-	-	-	-
8. Net profit (loss)	1,989,474	1,899,372	5,106,345	5,009,021
9. Charges to net profit during the financial year (negative figure)	-	-	(1,727,046)	(1,727,046)
II. Subordinated debt	-	-	-	-
III. Technical provisions	17,093,539	17,015,325	16,519,014	16,112,345
IV. Reinsurers' share in technical provisions (negative figure)	(511,910)	(506,328)	(482,520)	(430,410)
V. Estimated recoveries and recourses (negative figure)	(123,715)	(117,561)	(123,552)	(100,978)
1. Gross estimated recoveries and recourses	(127,821)	(121,154)	(126,669)	(104,369)
2. Reinsurer's share in estimated recoveries and recourses	4,106	3,593	3,117	3,391
VI. Other provisions	342,627	309,407	165,228	272,287
1. Provisions for pension benefits and other compulsory employee benefits	84,046	95,238	83,251	74,164
2. Deferred tax provision	153,089	120,133	-	81,509
3. Other provisions	105,492	94,036	81,977	116,614
VII. Liabilities for reinsurers' deposits	-	-	-	-
VIII. Other liabilities and special-purpose funds	6,124,489	4,380,250	1,280,359	2,860,709
1. Liabilities on direct insurance	308,788	312,734	313,346	308,247
1.1. To subordinated entities	473	363	1,087	667
1.2. To other entities	308,315	312,371	312,259	307,580
2. Reinsurance liabilities	66,754	117,304	28,759	25,896
2.1. To subordinated entities	37	256	-	5,312
2.2. To other entities	66,717	117,048	28,759	20,584
3. Liabilities on the issue of own debt securities and borrowings taken out	2,075,372	200,000	200,000	-
4. Liabilities to credit institutions	-	21,395	-	73,494
5. Other liabilities	3,536,729	3,581,231	597,693	2,328,387
5.1. Liabilities to the budget	44,873	59,177	49,864	167,711
5.2. Other liabilities	3,491,856	3,522,054	547,829	2,160,676
a) to subordinated entities	7,203	19,236	21,655	4,283
b) to other entities	3,484,653	3,502,818	526,174	2,156,393
6. Special purpose funds	136,846	147,586	140,561	124,685
IX. Prepayments and accruals	377,960	359,199	518,282	328,194
1. Accrued expenses	355,941	341,362	501,342	314,226
2. Negative goodwill	-	-	-	-
3. Deferred income	22,019	17,837	16,940	13,968
Total liabilities and equity	35,244,934	32,539,935	30,136,572	30,847,613

Interim balance sheet (continued)

	30 September 2014	30 June 2014	31 December 2013	30 September 2013
Book value	11,941,944	11,099,643	12,259,761	11,805,466
Number of shares	86,352,300	86,352,300	86,352,300	86,352,300
Book value per share (in PLN)	138.29	128.54	141.97	136.71
Diluted number of shares	86,352,300	86,352,300	86,352,300	86,352,300
Diluted book value per share (PLN)	138.29	128.54	141.97	136.71

2. Interim statement of off-balance sheet line items

Off-balance sheet items	30 September 2014	30 June 2014	31 December 2013	30 September 2013
1. Conditional receivables, including:	8,516,109	8,259,021	7,769,202	7,698,303
1.1. Guarantees and sureties received	18,790	17,779	19,586	19,586
1.2. Other ¹⁾	8,497,319	8,241,242	7,749,616	7,678,717
2. Contingent liabilities, including:	2,226,293	118,940	95,616	109,906
2.1. Guarantees and sureties given	2,080,437	4,287	6,385	3,912
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	145,579	114,376	88,924	105,354
2.6. Other	-	-	-	640
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	109,840	110,000	112,901	145,282
6. Other off-balance sheet line items	-	-	-	-

Equity	8,632,843	8,189,954	9,505,612	9,122,038
Equity Solvency margin	1,363,639	1,369,183	1,362,353	1,363,639
Surplus (deficiency) of shareholder funds covering the solvency margin	7,269,204	6,820,771	8,143,259	7,758,399
Technical reserves ²⁾	16,965,718	16,894,171	16,392,345	16,007,976
Assets covering the technical provisions	20,112,827	19,548,631	18,941,151	18,458,755
Surplus (deficiency) of assets covering the technical provisions	3,147,109	2,654,460	2,548,806	2,450,779

¹⁾ 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.

²⁾ including estimated gross recoveries and recourses

3. Interim technical non-life insurance account

Technical non-life insurance account	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
I. Premium income (1-2-3+4)	2,017,209	5,948,265	2,068,718	6,116,331
1. Gross written premium	1,860,265	6,154,673	1,899,564	6,236,566
2. Reinsurers' share in the gross written premium	41,664	132,818	19,449	58,528
3. Change in the provision for unearned premiums and for unexpired risks	(208,987)	61,802	(217,281)	(17,714)
4. Reinsurers' share in the change in the provision for unearned premiums	(10,379)	(11,788)	(28,678)	(79,421)
II. Net investment income after considering costs, transferred from the non-technical profit and loss account	65,670	200,380	75,646	227,992
III. Other net technical income	30,875	69,011	10,360	39,120
IV. Claims (1+2)	1,394,713	3,697,124	1,204,187	3,605,817
1. Net claims paid	1,129,614	3,224,564	1,143,575	3,018,725
1.1. Gross claims paid	1,137,363	3,261,810	1,164,966	3,228,476
1.2. Reinsurers' share in claims paid	7,749	37,246	21,391	209,751
2. Change in the net provision for outstanding claims	265,099	472,560	60,612	587,092
2.1. Change in the gross provision for outstanding claims	280,547	512,749	55,945	374,761
2.2. Reinsurers' share in the change in the provision for outstanding claims	15,448	40,189	(4,667)	(212,331)
V. Change in other net technical provisions	-	-	-	-
1. Change in other gross technical provisions	-	-	-	-
2. Reinsurers' share in the change in other technical provisions	-	-	-	-
VI. Net bonuses and discounts with the change in provisions	889	(121)	561	(150)
VII. Insurance activity expenses	553,517	1,609,318	505,509	1,402,819
1. Acquisition expenses, including:	378,904	1,110,615	350,910	1,045,130
- change in capitalized acquisition expenses	19,426	(15,282)	16,639	9,445
2. Administrative expenses	175,160	505,331	153,228	434,923
3. Reinsurance commissions and sharing in the reinsurers' profits	547	6,628	(1,371)	77,234
VIII. Other net technical income	72,847	205,348	58,634	227,930
IX. Change in loss ratio (risk) equalization provisions	-	-	-	-
X. Technical result on non-life insurance	91,788	705,987	385,833	1,147,027

4. Interim non-technical profit and loss account

Non-technical profit and loss account	1 July – 30 September 2014	1 January – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2013
I. Technical result on non-life insurance or life insurance	91,788	705,987	385,833	1,147,027
II. Investment income	204,748	1,924,710	198,398	4,639,814
1. Investment income on real estate	1,571	4,872	1,527	4,730
2. Investment income from subordinated entities	(38)	1,360,173	-	3,886,588
2.1. on ownership interests or shares	-	1,360,211	-	3,886,588
2.2. on borrowings and debt securities	(38)	(38)	-	-
2.3. on other investments	-	-	-	-
3. Other financial investment income	123,183	325,517	101,207	470,455
3.1. on ownership interests, shares, other variable income securities, units and investment certificates in mutual funds	2,879	7,772	4,118	6,029
3.2. on debt securities and other fixed income securities	78,122	243,822	82,224	386,557
3.3. on term deposits in credit institutions	23,870	24,837	1,476	21,789
3.4. on other investments	18,312	49,086	13,389	56,080
4. Gain on investment revaluation	316	5,230	1,998	3,454
5. Gain on the realization of investments	79,716	228,918	93,666	274,587
III. Unrealized investment gains	52,702	291,690	(15,120)	131,055
IV. Net investment income after including costs transferred from the technical life insurance account	-	-	-	-
V. Investment activity expenses	40,517	202,895	91,097	296,308
1. Real estate maintenance expenses	2,035	7,389	2,399	7,676
2. Other investment activity expenses	3,681	10,413	5,397	17,614
3. Loss on investment revaluation	3	6,699	23,411	34,552
4. Loss on investment realization	34,798	178,394	59,890	236,466
VI. Unrealized investment losses	69,948	282,312	(6,299)	121,559
VII. Net investment income after including costs transferred to the technical non-life insurance account	65,670	200,380	75,646	227,992
VIII. Other operating income	38,154	77,827	7,627	30,477
IX. Other operating costs	74,962	113,530	6,441	34,541
X. Operating profit (loss)	136,295	2,201,097	409,853	5,267,973
XI. Extraordinary gains	-	-	-	-
XII. Extraordinary losses	-	-	-	-
XIII. Gross profit (loss)	136,295	2,201,097	409,853	5,267,973
XIV. Income tax	27,746	191,598	82,052	267,949
a) current part	27,261	145,391	77,379	247,415
b) deferred part	485	46,207	4,673	20,534
XV. Other compulsory reductions in profit (increase in losses)	-	-	-	-
XVI. Share of the net profit (loss) of subordinated entities measured by the equity method	(18,447)	(20,025)	1,307	8,997
XVII. Net profit (loss)	90,102	1,989,474	329,108	5,009,021

(000s of PLN)

Net profit (loss) (annualized)	358,449	2,677,013	329,108	5,009,021
Weighted average number of ordinary shares	86,352,300	86,352,300	86,352,300	86,352,300
Profit (loss) per ordinary share (PLN)	4.15	31.00	3.81	58.01
Weighted average diluted number of ordinary shares	86,352,300	86,352,300	86,352,300	86,352,300
Diluted earnings (losses) per ordinary share (PLN)	4.15	31.00	3.81	58.01

5. Interim statement of changes in equity

Statement of changes in equity	1 January – 30 September 2014	1 January – 31 December 2013	1 January – 30 September 2013
I. Equity at the beginning of the period (opening balance)	12,259,761	13,452,581	13,452,581
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	12,259,761	13,452,581	13,452,581
1. Share capital at the beginning of the period	86,352	86,352	86,352
1.1. Change 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. Supplementary capital at the beginning of the period	3,974,327	3,967,599	3,967,599
4.1. Change in supplementary capital	433,821	6,728	6,321
a) increases (by virtue of):	433,821	6,728	6,321
- distribution of profit (above the statutorily required amount)	433,320	6,057	6,057
- from revaluation reserve – by sale and liquidation of fixed assets	501	671	264
b) decreases	-	-	-
4.2. Supplementary capital at the end of the period	4,408,148	3,974,327	3,973,920
5. Revaluation reserve at the beginning of the period	4,819,783	6,817,910	6,817,910
- changes in the accepted accounting principles (policy)	-	-	-
5.1. Change in the revaluation reserve	638,187	(1,998,127)	(2,354,691)
a) increases (by virtue of):	846,609	549,837	511,208
- valuation of financial investments	846,335	549,086	511,208
- transfer of the impairment charges on investments available for sale	-	751	-
- other increases, including dissolution of real estate impairment charges	274	-	-
b) decreases (by virtue of)	208,422	2,547,964	2,865,899
- valuation of financial investments	207,603	2,545,012	2,864,273
- sale of fixed assets	501	671	264
- other	318	2,281	1,362
5.2. Revaluation reserve at the end of the period	5,457,970	4,819,783	4,463,219

Interim statement of changes in equity (continued)

Statement of changes in equity	1 January – 30 September 2014	1 January – 31 December 2013	1 January – 30 September 2013
6. Other reserve capital at the beginning of the period	-	-	-
6.1. Change in other reserve capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
6.2. Other reserve capital at the end of the period	-	-	-
7. Retained earnings (losses) at the beginning of the period	3,379,299	2,580,720	2,580,720
7.1. Retained earnings at the beginning of the period	3,379,299	2,580,720	2,580,720
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.2. Retained earnings at the beginning of the period, after reconciliation with comparable data	3,379,299	2,580,720	2,580,720
a) increases	-	-	-
b) decreases	3,379,299	2,580,720	2,580,720
- transfers to supplementary capital	433,321	6,057	6,057
- disbursement of dividends	2,935,978	2,564,663	2,564,663
- transfers/charges to the Company Social Benefit Fund	10,000	10,000	10,000
7.3. Retained earnings at the end of the period	-	-	-
7.4. Retained losses at the beginning of the period	-	-	-
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.5. Retained losses at the beginning of the period, after reconciliation with comparable data	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
7.6. Retained losses at the end of the period	-	-	-
7.7. Retained earnings (losses) at the end of the period	-	-	-
8. Net result	1,989,474	3,379,299	3,281,975
a) net profit	1,989,474	5,106,345	5,009,021
b) net loss	-	-	-
c) Charges to profit	-	(1,727,046)	(1,727,046)
II. Equity at the end of the period (Closing Balance)	14,873,541	12,259,761	11,805,466

6. Interim cash flow statement

Cash flow statement	1 January – 30 September 2014	1 January – 31 December 2013	1 January – 30 September 2013
A. Cash flow on operating activity			
I. Proceeds	6,763,537	9,533,864	7,080,799
1. Proceeds on direct activity and inward reinsurance	6,276,832	8,474,096	6,322,061
1.1. Proceeds on gross premiums	6,166,443	8,304,035	6,192,329
1.2. Proceeds on recoveries, recourses and claim refunds	83,987	131,572	103,013
1.3. Other proceeds on direct activity	26,402	38,489	26,719
2. Proceeds on outward reinsurance	35,024	340,039	268,586
2.1. Payments received from reinsurers for their share of claims paid	27,076	272,071	201,221
2.2. Proceeds on reinsurance commissions and profit-sharing	7,917	67,927	67,333
2.3. Other proceeds from outward reinsurance	31	41	32
3. Proceeds on other operating activity	451,681	719,729	490,152
3.1. Proceeds for acting as an emergency adjuster	140,558	229,061	191,462
3.2. Sale of other intangible assets and tangible components of non-current assets besides investments	1,507	3,935	3,423
3.3. Other proceeds	309,616	486,733	295,267
II. Expenditures	6,194,472	8,457,860	6,169,576
1. Expenditures on direct activity and inward reinsurance	4,920,813	6,663,528	4,984,665
1.1. Returns of gross premiums	119,616	186,430	143,586
1.2. Gross claims paid	2,794,999	3,726,114	2,814,771
1.3. Acquisition expenditures	826,973	1,042,740	763,214
1.4. Administrative expenditures	974,122	1,473,446	1,085,291
1.5. Expenditures for claims handling and pursuit of recoveries	105,526	121,214	86,914
1.6. Commissions paid and profit-sharing on inward reinsurance	3,985	1,685	1,245
1.7. Other expenditures on direct activity and inward reinsurance	95,592	111,899	89,644
2. Expenditures on outward reinsurance	190,121	182,268	163,353
2.1. Premiums paid for reinsurance	189,894	181,973	163,122
2.2. Other expenditures on outward reinsurance	227	295	231
3. Expenditures on other operating activity	1,083,538	1,612,064	1,021,558
3.1. Expenditures for acting as an emergency adjuster	327,856	463,108	347,020
3.2. Purchase of other intangible assets and tangible components of non-current assets besides investments	115,151	162,350	127,561
3.3. Other operating expenditures	640,531	986,606	546,977
III. Net cash flow on operating activity (I-II)	569,065	1,076,004	911,223

Interim cash flow statement (continued)

Cash flow statement	1 January – 30 September 2014	1 January – 31 December 2013	1 January – 30 September 2013
B. Cash flow on investing activity			
I. Proceeds	152,417,429	177,071,640	130,207,135
1. Sale of real estate	13,793	10,127	2,761
2. Sale of ownership interests and shares in subordinated entities	-	265	265
3. Sale of ownership interests and shares in other entities and units and investment certificates in mutual funds	139,693	280,804	-
4. Realization of debt securities issued by subordinated entities and amortization of granted to these entities	105,000	-	-
5. Realization of debt securities issued by other entities	7,020,683	26,745,642	11,696,355
6. Liquidation of term deposits in credit institutions	57,991,186	42,649,055	31,209,247
7. Realization of other investments	87,085,465	105,188,546	85,214,029
8. Proceeds from real estate	6,072	7,773	6,020
9. Interest received	25,278	675,864	564,899
10. Dividends received	30,259	1,513,564	1,513,559
11. Other investment proceeds	-	-	-
II. Expenditures	154,843,620	174,143,656	128,664,946
1. Purchase of real estate	-	-	-
2. Purchase of ownership interests and shares in subordinated entities	602,474	12,359	6,248
3. Purchase of ownership interests and shares in other entities, units and investment certificates in mutual funds	298,550	1,076,750	1,076,750
4. Purchase of debt securities issued by subordinated entities and extension of loans to these entities	327,193	-	-
5. Purchase of debt securities issued by other entities	6,701,782	24,618,519	11,709,012
6. Purchase of term deposits in credit institutions	59,107,197	41,914,984	30,494,682
7. Purchase of other investments	87,699,399	106,497,405	85,362,983
8. Expenditures to maintain real estate	42,238	16,546	8,747
9. Other expenditures for investments	64,787	7,093	6,524
III. Net cash flow on investing activity (I-II)	(2,426,191)	2,927,984	1,542,189

Interim cash flow statement (continued)

Cash flow statement	1 January – 30 September 2014	1 January – 31 December 2013	1 January – 30 September 2013
C. Cash flow on financing activity			
I. Proceeds	3,084,582	5,254,172	2,689,788
1. Net proceeds from issuing shares and additional capital contributions	-	-	-
2. Loans, borrowings and issues of debt securities	3,084,582	5,254,172	2,689,788
3. Other financial proceeds	-	-	-
II. Expenditures	1,234,865	9,220,185	5,105,504
1. Dividends	159	4,166,166	2,488,920
2. Other expenditures for distribution of profits besides disbursement of dividends	-	-	-
3. Purchase of treasury stock	-	-	-
4. Amortization of loans and borrowings and redemption of own debt securities	1,234,692	5,054,019	2,616,584
5. Interest on loans and borrowings and issued debt securities	14	-	-
6. Other financial expenditures	-	-	-
III. Net cash flow on financing activity (I-II)	1,849,717	(3,966,013)	(2,415,716)
D. Total net cash flow (A.III±B.III±C.III)	(7,409)	37,975	37,696
E. Balance sheet change in cash balance, including:	(12,217)	33,397	32,743
- change in cash due to exchange differences	(4,808)	(4,578)	(4,953)
F. Cash at the beginning of the period	75,009	41,612	41,612
G. Cash at the end of the period (F+/-E), including:	62,792	75,009	74,355
- restricted cash	61,758	70,842	56,289

7. Introduction

This quarterly standalone 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 principles (accounting policy)

Detailed accounting principles (accounting policy) are presented in the annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2013 prepared according to the PAS, signed by the PZU Management Board on 11 March 2014 for which the auditor issued an unqualified opinion on the same date ("standalone financial statements of PZU for 2013").

PZU's separate financial statements for 2013 are available on the PZU website at www.pzu.pl in the „Investor Relations / Financial Information” tab.

9. Changes in accounting principles (policy)

In the 9-month period ended 30 September 2014, 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 2014 have been signed by:

Date	Full name	Position / Function	
13 November 2014	Andrzej Klesyk	CEO of PZU SA (signature)
13 November 2014	Przemysław Dąbrowski	Member of the PZU Management Board (signature)
13 November 2014	Dariusz Krzewina	Member of the PZU Management Board (signature)
13 November 2014	Barbara Smalska	Member of the PZU Management Board (signature)
13 November 2014	Tomasz Tarkowski	Member of the PZU Management Board (signature)
13 November 2014	Ryszard Trepczyński	Member of the PZU Management Board (signature)
13 November 2014	Katarzyna Łubkowska	Director of the Accounting Department (signature)