

**POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA
WARSZAWA, AL. JANA PAWŁA II 24**

**FINANCIAL STATEMENTS
FOR THE 2009 FINANCIAL YEAR**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

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**FINANCIAL STATEMENTS OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA FOR THE 2009 FINANCIAL YEAR**

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REPORT ON THE COMPANY'S ACTIVITIES

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna

We have audited the attached financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna („the Company”) with registered office in Warsaw, Al. Jana Pawła II 24, including:

- introduction to the financial statements;
- balance sheet prepared as of 31 December 2009, with total assets and liabilities plus equity of PLN 28,936,978 thousand;
- technical insurance account – property and personal insurance for the financial year from 1 January 2009 to 31 December 2009, showing a positive technical result on property and personal insurance to be transferred to the general profit and loss account in the amount of PLN 166,308 thousand;
- general profit and loss account for the period from 1 January 2009 to 31 December 2009, disclosing a net profit of PLN 2,510,379 thousand;
- statement of changes in equity for the period from 1 January 2009 to 31 December 2009, disclosing a decrease in equity of PLN 8,740,037 thousand;
- cash flow statement for the period from 1 January 2009 to 31 December 2009, showing a net cash outflow of PLN 128,439 thousand;
- additional information and explanations.

Preparation of these financial statements has been the responsibility of the Company's Management Board. Our responsibility was to audit and express an opinion on the fairness, correctness and clarity of these financial statements and the correctness of the underlying accounting records.

The financial statements of the Company for the previous financial year ended 31 December 2008 were audited by another certified auditor, who issued an unqualified opinion of 19 March 2009 on these financial statements. Our opinion refers only to the financial statements for the financial year ended 31 December 2009.

Our audit was planned and performed in accordance with:

- section 7 of the Accounting Act of 29 September 1994 (Journal of Law from 2009, no. 152, item 1223 with subsequent amendments);
- auditing standards issued by the National Council of Statutory Auditors in Poland

in such a way as to obtain a reasonable and sufficient basis for expressing an opinion as to whether the financial statements were free of material misstatements.

Our audit included in particular examining – largely on a test basis – the accounting evidence and records supporting the amounts and disclosures in the financial statements, assessing the accounting principles (policy) applied, the estimates made by the Company's Management Board as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a sufficient basis for our opinion.

In our opinion, the audited financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the 2009 financial year, in all material respects, were prepared:

- in form and content complying with the requirements of the Accounting Act of 29 September 1994, the Minister of Finance's ordinance of 23 December 2008 on special principles of insurance companies' accounting (Journal of Law, no. 236, item 1634; henceforth "the Ordinance"), other executory legislation and the Company's By-laws;
- in accordance with the accounting principles determined by the Accounting Act, the Ordinance and the Company's accounting policy;
- based on properly kept accounting records;

and give a true and fair view of all the information essential for evaluating the economic and financial position of the audited Company as of 31 December 2009 and its financial result for the period from 1 January to 31 December 2009.

Without further qualifications as to the true and fair nature of the audited financial statements, we would like to point out that the presented financial statements are individual financial statements and should be used primarily for statutory purposes. These financial statements cannot constitute sole basis for the evaluation of the financial and economic position of the Company that is a holding company in the Capital Group. In addition to the individual financial statements, the Company also prepares consolidated financial statements of the Powszechny Zakład Ubezpieczeń SA Capital Group in which it acts as the holding company.

The Report on activities of the Company for the 2009 financial year is complete within the meaning of Article 49 clause 2 of the Accounting Act and consistent with underlying information disclosed in the audited financial statements.

Piotr Sokołowski
Deputy Chairman of the Board
Certified auditor
No. 9752

Dariusz Szkaradek
Member of the Board
Certified auditor
No. 9935

Jacek Marczak
Certified auditor
No. 9750

Represented by

Deloitte Audyt Sp. z o.o.
Al. Jana Pawła II 19
00-854 Warsaw

Entity entitled to audit financial
statements entered under
number 73 on the list kept by the
National Council of Statutory Auditors

Warsaw, 7 March 2010

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**REPORT SUPPLEMENTING THE OPINION ON THE AUDIT
OF THE FINANCIAL STATEMENTS OF POWSZECHNY ZAKŁAD
UBEZPIECZEŃ SPÓŁKA AKCYJNA FOR THE 2009 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited entity

The Company operates under the name of Powszechny Zakład Ubezpieczeń Spółka Akcyjna. The Company's registered address is located in Warsaw, Al. Jana Pawła II 24.

Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU", "Company") with its registered office at Al. Jana Pawła II 24, was established via transformation of Państwowy Zakład Ubezpieczeń into a state-owned joint-stock company, pursuant to Article 97 of the Act of 28 July 1990 on insurance activity (consolidated text, Journal of Law from 1996, no. 11, item 62 as amended).

The terms and procedures of transformation and assumption of liabilities of Państwowy Zakład Ubezpieczeń are governed by the Ordinance of the Minister of Finance of 18 December 1991 (Journal of Law from 1991, no. 119, item 522). Formal and actual transformation of Państwowy Zakład Ubezpieczeń into a state-owned joint-stock company took place on 23 December 1991 pursuant to a notarized deed Rep. A-III-21516/91.

Currently, the Company is recorded in the register of entrepreneurs kept by the District Court for the capital city of Warsaw, XII Business-Registry Division in Warsaw under number KRS0000009831.

The Company has the following tax identification number NIP: 526-025-10-49, assigned by the Second Tax Office Warszawa-Śródmieście on 4 June 1993.

The REGON number assigned to the Company by the Statistical Office on 5 July 1993 is: 010001345.

The Company operates based on the provisions of the Code of Commercial Companies.

According to the Statistical Classification of Economic Activities in the European Community, the Company's core business involves insurance (EKD 6603) including other personal and property insurance (Section II of the Attachment to the Act of 22 May 2003 on insurance activity (Journal of Law from 2003, no. 124, item 1151, "Insurance Act").

As of 31 December 2009, the Company's share capital equaled PLN 86,352,300 and was divided into 86,352,300 ordinary shares with nominal value of PLN 1 each. As of 2 December 2009 (the date of the last Shareholders' Meeting) the Company's shareholders included:

- | | | |
|----------------------|---|---------------------|
| – State Treasury | – | 50.1875% of shares; |
| – Eureko B.V. | – | 22.9953% of shares; |
| – Kappa S.A. | – | 14.9000% of shares; |
| – Other shareholders | – | 11.9172% of shares. |

"Other shareholders" includes employees who acquired shares from the State Treasury free of charge as well as individuals and legal persons that subsequently bought the shares from such employees.

No changes in the Company's share capital took place during the financial year.

No changes in the Company's share capital took place after the balance sheet date.

The Company's financial year is the calendar year.

At the balance sheet date the Company had the following related parties:

- | | |
|---|---|
| - PZU Życie SA | - 100% subsidiary; |
| - UAB DK PZU Lietuva | - 99.76% subsidiary; |
| - PZU Tower Sp. z o.o. | - indirect subsidiary; 27.47% of direct interest; |
| - PZU Asset Management SA | - indirect subsidiary; 50% of direct interest; |
| - Syta Development Sp. z o.o. in liquidation | - 100% subsidiary; |
| - Ogrodowa-Inwestycje Sp. z o.o. | - 100% subsidiary; |
| - UAB PZU Lietuva Gyvybes Draudimas | - 99.34% subsidiary; |
| - Międzyzakładowe Pracownicze Towarzystwo Emerytalne SA | - 100% subsidiary; |
| - PrJSC IC PZU Ukraine | - 100% subsidiary; |
| - PrJSC IC PZU Ukraine Life Insurance | - 72.30% subsidiary; |
| - ICH Center SA | - 90% subsidiary; |
| - Ipsilon Sp. z o.o. | - 100% subsidiary; |
| - PZU Pomoc SA | - 100% subsidiary; |
| - Krakowska Fabryka Armatur SA | - indirect subsidiary; 0.05% of direct interest. |

As at the opinion date, the composition of the Company's Management Board was as follows:

- | | |
|---------------------|-------------------------------------|
| - Andrzej Klesyk | - Chairman of the Management Board; |
| - Rafał Stankiewicz | - Member of the Management Board; |
| - Witold Jaworski | - Member of the Management Board. |

The following changes in the Company's Management Board took place during the audited period:

- Magdalena Nawłoka was dismissed from the position of Deputy Chairman of the Board on 1 October 2009.

2. Information about the financial statements for the previous financial year

The activities of the Company in 2008 resulted in a net profit of PLN 3,026,798 thousand. The Company's financial statements for the 2008 financial year were audited by a certified auditor. The audit was performed by the authorized entity Ernst & Young Audit Sp. z o.o. The certified auditor issued an unqualified opinion on these financial statements on 19 March 2009.

The Ordinary Shareholders' Meeting, which approved the financial statements for the 2008 financial year, was held on 30 June 2009. On 29 July 2009, the General Shareholders Meeting decided about the following distribution of the net profit for 2008:

- | | |
|--|---------------------------|
| - supplementary capital | - PLN 3,005,798 thousand; |
| - increase in the Company Social Benefits Fund | - PLN 21,000 thousand. |

The financial statements for the 2008 financial year were submitted in accordance with the law to the National Court Register on 8 July 2009 and for publication in Monitor Polski B on 8 July 2009. The financial statements were published in Monitor Polski B no. 2206 on 6 November 2009.

3. Data identifying the entity authorized to audit financial statements and the certified auditor acting on its behalf

The audit of the financial statements was performed based on the agreement of 28 August 2009 concluded between Powszechny Zakład Ubezpieczeń SA and Deloitte Audyt Sp. z o.o. with registered office in Warsaw, Al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Certified Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of a certified auditor Jacek Marczak (No. 9750), from 2 November 2009 to 23 December 2009, and from 11 January 2010 to 7 March 2010.

The authorized entity was appointed by the Supervisory Board by resolution of 13 August 2009 based on authorization presented in Article 22, clause 2, point 10 the Company's By-Laws.

Deloitte Audyt Sp. z o. o. and the certified auditor Jacek Marczak confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing bodies, entities authorized to audit financial statements and public supervision (Journal of Law from 2009, no. 77, item 649) to express an unbiased and independent opinion on the financial statements of Powszechny Zakład Ubezpieczeń SA.

4. Availability of data and management representations

The scope of our audit was not limited.

During the audit, all necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the certified auditor, as confirmed in a written representation of the Management Board of the Company of 7 March 2010.

5. Economic and financial position of the Company

Presented below are the main items from the income statement as well as financial ratios describing the financial profit (loss) of the Company and its economic and financial situation compared with the previous years.

| <u>Main balance sheet items (in PLN '000)</u> | <u>31.12.2009</u> | <u>31.12.2008</u> |
|---|--------------------------|--------------------------|
| Intangible assets | 49,560 | 31,855 |
| Investments | 26,765,773 | 30,451,371 |
| Receivables | 1,244,102 | 1,162,220 |
| Other assets | 245,572 | 363,394 |
| Prepayments | 631,971 | 716,674 |
| Total assets | 28,936,978 | 32,725,514 |
| Equity | 10,411,542 | 19,151,579 |
| Technical provisions | 12,789,415 | 12,659,941 |
| Reinsurer's share in provisions | (754,456) | (878,416) |
| Expected recoveries and recourses | (78,996) | (52,401) |
| Other provisions | 542,531 | 450,269 |
| Liabilities due to reinsurers' deposits | — | 56 |
| Other liabilities and special funds | 5,478,601 | 861,627 |
| Accruals | 548,341 | 532,859 |
| <u>Main items from the technical account of property and personal insurance (PLN '000)</u> | <u>31.12.2009</u> | <u>31.12.2008</u> |
| Premiums | 7,938,984 | 8,028,557 |
| Net investment income including costs, reclassified from the general profit and loss account | 248,700 | 219,426 |
| Other technical revenues net of reinsurance | 76,084 | 56,185 |
| Claims | 5,480,170 | 5,063,091 |
| Changes in other technical provisions – net of reinsurance | — | (68,003) |
| Bonuses and rebates combined with the change in provisions net of reinsurance | 5,051 | 350 |
| Costs of insurance activity | 2,220,299 | 2,080,925 |
| Other technical charges – net of reinsurance | 369,115 | 489,542 |
| Technical result on property and personal insurance | 166,308 | 718,263 |
| <u>Main items from the general profit and loss account (in PLN '000)</u> | <u>31.12.2009</u> | <u>31.12.2008</u> |
| Technical result on property and personal insurance | 166,308 | 718,263 |
| Investment income | 3,035,222 | 3,528,514 |
| Unrealized gains on investments | 104,869 | 13,334 |
| Costs of investment activity | 243,358 | 282,289 |
| Unrealized losses on investments | 59,350 | 464,660 |
| Net investment income, including costs, reclassified to the technical account for property and personal insurance | 248,700 | 219,426 |
| Other operating revenue | 177,755 | 41,315 |
| Other operating expenses | 234,007 | 51,913 |
| Income tax | 188,360 | 256,340 |
| Net profit (loss) | 2,510,379 | 3,026,798 |

Profitability ratios

| | | |
|--|-------|-------|
| – profit ratio on the basis of gross premium written (net profit / gross written premium) | 32.2% | 36.8% |
| – profit ratio net of reinsurers' share (net profit / written premium net of reinsurance) | 32.8% | 37.3% |

Claims ratios

| | | |
|---|-------|-------|
| – Claims ratio on the basis of gross premium written ((Gross claims paid +/- Change in provisions for claims outstanding (gross)/ gross earned premium) | 68.5% | 61.4% |
| – claim ratio net of reinsurance (Claims paid net of reinsurance +/- change in the gross provisions for claims net of reinsurance) / premium earned net of reinsurance | 69.0% | 63.1% |

Operating costs ratio

| | | |
|--|-------|-------|
| – total operating costs ratio (Insurance activity costs / gross written premium) ¹ | 29.1% | 26.4% |
| – administrative expenses ratio (administrative expenses / gross written premium) | 12.6% | 11.4% |
| – acquisition costs ratio (acquisition costs / gross written premium) | 16.5% | 15.0% |

Return on investment and equity ratios:

| | | |
|---|--------|-------|
| – level of investment (average investment amount / average equity plus technical provisions net of reinsurance) | 119.2% | 98.4% |
| – return on investment (net investment income / average investment amount in the reporting period) ² | 9.9% | 9.6% |
| – return on equity (net profit / average equity) ³ | 17.0% | 16.7% |

Solvency and funds security ratios

| | | |
|--|------------|------------|
| – invested reserves ratio (investments / technical provisions net of reinsurance) | 222.4% | 258.5% |
| – solvency margin (in PLN '000) | 1,338,798 | 1,338,798 |
| – own funds to cover the solvency margin | 8,261,644 | 16,618,912 |
| – margin coverage ratio (own funds surplus) | 6,922,846 | 15,280,114 |
| – solvency margin coverage ratio (own funds / solvency margin) | 617.1% | 1,241.3% |
| – value of assets covering technical provisions | 14,245,034 | 24,062,266 |
| – surplus (shortage) of assets to cover technical provisions | 1,537,035 | 11,454,862 |

¹ Costs of insurance activity without reinsurers' commissions and reinsurers' share in profit.

² Average calculated as the arithmetic average of opening and closing investment balance.

³ Average calculated as the arithmetic average of opening and closing equity balance.

The analysis of the above figures and ratios identified the following trends occurring in the financial year ended 31 December 2009:

- a decrease in profitability ratio on the basis of gross premium from 36.8% in 2008 to 32.2% in 2009,
- a decrease in profitability ratio net of reinsurance from 37.3% in 2008 to 32.8% in 2009,
- an increase in claims ratio on the basis of gross premium from 61.4% in 2008 to 68.5% in 2009,
- an increase in claims ratio net of reinsurance from 63.1% in 2008 to 69.0% in 2009,
- an increase in operating costs ratio from 26.4% in 2008 to 29.1% in 2009,
- an increase in investment level ratio from 98.4% at the end of 2008 to 119.2% at the end of 2009,
- an increase in return on equity from 16.7% in 2008 to 17.0% in 2009,
- a decrease in provision allocation ratio from 258.5% at the end of 2008 to 222.4% at the end of 2009,
- a decrease in solvency margin coverage from 1,241.3% at the end of 2008 to 617.1% at the end of 2009.

II. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation describing the accounting principles (policy) applied, including in particular: definition of the financial year and reporting periods thereof, methods of measurement of assets and liabilities, and determination of the financial profit (loss), method of keeping the accounting records and the system of data and file protection. The documentation of the accounting policy was developed in line with the Accounting Act and approved for use by Resolution no. UZ/75/2009 of the Management Board of 26 February 2009. Changes in the accounting policy arising from amended accounting and tax regulations have been introduced by separate resolutions of the Company's Management Board.

Accounting principles accepted by the Company comply with the Accounting Act. The introduction gives a description of valuation principles regarding assets and liabilities, as well as principles of measuring the financial result.

The Company uses computerized accounting systems, Oracle Financials and FKX by Asseco and Insurer by Asseco product system, in which all business transactions are recorded. The systems are password protected against unauthorized access and have functional access controls. Description of IT systems complies with the requirements of Article 10 clause 1 point 3 letter c) of the Accounting Act.

The opening balance resulting from the approved financial statements for the prior financial year was properly introduced into the accounting records of the audited period.

In relation to the opening balance, we executed procedures necessary to confirm that it does not contain material misstatements.

The audited documentation of business transactions, the accounting records and the relationships between the accounting entries and vouchers and the financial statements comply with the requirements provided for in section 2 of the Accounting Act.

The accounting records and vouchers, the documentation of the accounting system and the approved financial statements of the Company are stored in compliance with section 8 of the Accounting Act.

The Company performed reconciliation of assets and liabilities within the scope, timing and frequency provided for in the Accounting Act. The identified differences were recorded and settled in the accounting records for the audited period.

2. Information on the audited financial statements

The audited financial statements were prepared as of 31 December 2009 and include:

- introduction to the financial statements;
- balance sheet prepared as of 31 December 2009, with total assets and liabilities plus equity of PLN 28,936,978 thousand;
- technical insurance account – property and personal insurance for the financial year from 1 January 2009 to 31 December 2009, showing a positive technical result on property and personal insurance to be transferred to the general profit and loss account in the amount of PLN 166,308 thousand;

- general profit and loss account for the period from 1 January 2009 to 31 December 2009, disclosing a net profit of PLN 2,510,379 thousand;
- statement of changes in equity for the period from 1 January 2009 to 31 December 2009, disclosing a decrease in equity of PLN 8,740,037 thousand;
- cash flow statement for the period from 1 January 2009 to 31 December 2009, showing a net cash outflow of PLN 128,439 thousand;
- additional information and explanations.

The structure of assets and liabilities as well as items affecting the financial profit/loss have been correctly presented in the financial statements.

3. Information on selected material items of the financial report

Investments

The structure of investments was correctly presented in the respective explanatory note.

Technical provisions

The structure of technical provisions was correctly presented in the respective explanatory notes.

As at 31 December 2009, technical provisions were created pursuant to “Principles of creating technical provision in PZU SA” accepted by the Management Board of 9 February 2009 and principles determined in the Ordinance of the Minister of Finance of 23 December 2008 on special principles of insurance companies’ accounting (Journal of Law from 2008, no. 236, item 1634 as amended).

As of 31 December 2009, the Company created the following technical provisions:

- provision for unearned premiums;
- provision for unexpired risks;
- provision for claims outstanding;
- equalization provision.

The provision for unearned premiums is created as written premium for future reporting periods, in proportion to the period which the written premium covered. The provision for unearned premiums is determined using the individual method, accurate to one day, at the end of each reporting period. In the case of insurance classes with uneven spread of risk over time, the provision for unearned premiums is created in the amount corresponding to the spread of the risk over time.

The provision for unexpired risks complements the provision for unearned premiums and covers future claims and costs relating to insurance contracts which do not expire on the last day of the reporting period. The provision for unexpired risks is determined for all insurance classes (types) with claims ratio for the financial year exceeding 100%, as the difference between the product of provision for unearned premiums and claims ratio of a given financial year and the provision for unearned premiums – for the same insurance period. The final amount of provision for unexpired risks is determined after a premium adequacy test.

The provision for outstanding claims includes the provision for outstanding claims incurred and reported, provision for claims incurred but not reported, provision for loss adjustment expenses and provision for capitalized annuity.

The equalization provision is created at the amount ensuring equalization of future fluctuations in the claims ratio, net of reinsurance, in accordance with the Ordinance on special principles of insurance companies' accounting.

Based on the work performed we came to the conclusion that the level of technical reserves net of reinsurers' share presented in the balance sheet as of 31 December 2009 appears to be sufficient in light of the materiality concept, requirements of the Minister of Finance's ordinance of 23 December 2008 on special principles of insurance companies' accounting and including limitations caused by natural uncertainty related to the necessity of estimating when determining the amount of provisions so that the Company is able to meet its future obligations resulting from insurance contracts concluded by 31 December 2009.

Structure of receivables

The ageing analysis of receivables and their structure by repayment date were correctly presented in the respective explanatory note.

Liabilities

The ageing analysis of receivables and their structure by repayment date were correctly presented in the respective explanatory note.

Prepayments and accruals

The structure of prepayments and accruals is correctly described in the respective notes. Expense and revenue recognized over time have been correctly classified in relation to the audited financial period.

These items are recognized completely and correctly in all material respects in relation to the financial statements as a whole.

4. Correctness of calculation of the solvency margin and guarantee fund and determination of own funds to cover the solvency margin

As of 31 December 2009, the Company created technical provisions in line with principles determined in the Ordinance of the Minister of Finance on special principles of insurance companies' accounting in the amount ensuring full meeting of its current and future obligations imposed by concluded insurance contracts. The provisions are secured with investments.

The Company calculated the solvency margin as of 31 December 2009 and determined the required guarantee fund in line with the Minister of Finance's ordinance of 28 November 2003 on calculation methods and amount of solvency margin and the minimum guarantee fund for insurance departments and groups (Journal of Law, no. 211, item 1060, "the ordinance on solvency margin").

The Company calculated the amount of own funds covering the solvency margin in line with principles defined in the Act on insurance activity. During audit, we did not detect any irregularities in calculation of the solvency margin, guarantee fund and own funds that cover them, which could significantly influence the above figures.

5. Completeness and correctness of drawing up the introduction to the financial statements, additional information and explanations and the report on the activities of the Company

Introduction to the financial statements includes all information required under the Minister of Finance's ordinance of 23 December 2008 on special principles of insurance companies' accounting (Journal of Law, no. 236, item 1634). The Company confirmed the validity of the going concern principle followed while drawing up the financial statements. The introduction gives a correct and complete description of valuation principles regarding assets and liabilities, principles of measuring the financial result and preparing the financial statements.

The Company prepared the additional information and explanations consisting of tabular notes to individual balance sheet and profit and loss account items as well as narrative descriptions. Explanatory notes describing: tangible fixed assets, intangible assets, investments, liabilities and provisions correctly presented increases and decreases as well as their basis during the financial year. Limitations imposed on individual assets disclosed in the balance sheet arising from collateral granted to creditors were described.

The additional information and explanations give a correct and complete description of the reporting items and clearly present other information required under the Attachment no. 4 to the Minister of Finance's ordinance of 23 December 2008 on special principles of insurance companies' accounting.

The financial statements are supplemented with the Management Board's Report on the activities of the Company in the 2009 financial year. The Report contains all information required under Article 49 clause 2 of the Accounting Act. We have audited the Report in respect of the disclosed information derived directly from the audited financial statements.

6. Final information and findings

Management Board's Representations

Deloitte Audyt Sp. z o.o. and the certified auditor received a representation letter from the Management Board of the Company in which the Board stated that the Company complied with the laws in force.

Piotr Sokołowski
Deputy Chairman of the Board
Certified auditor
No. 9752

Dariusz Szkaradek
Member of the Board
Certified auditor
No. 9935

Jacek Marczak
Certified auditor
No. 9750

Represented by

Deloitte Audyt Sp. z o.o.
Al. Jana Pawła II 19
00-854 Warsaw

Entity entitled to audit financial
statements entered under
number 73 on the list kept by the
National Council of Statutory Auditors

Warsaw, 7 March 2010

**POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2009
WITH AUDITOR'S OPINION**

*The attached financial statements together with notes
are a translation from the original Polish version. In case of any discrepancies between the
Polish and English version, the Polish version shall prevail.*

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I. INTRODUCTION TO THE FINANCIAL STATEMENTS

1. Introduction

1.1. Basic information about the Company

Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU", "Company") with its registered office at Al. Jana Pawła II 24, was established via transformation of Państwowy Zakład Ubezpieczeń into a state-owned joint-stock company, pursuant to Article 97 of the Act of 28 July 1990 on insurance activity (consolidated text, Dz. U. No. 11 of 1996, item 62 as amended).

The terms and procedures of transformation and assumption of liabilities of Państwowy Zakład Ubezpieczeń are governed by the Ordinance of the Minister of Finance of 18 December 1991 (Dz. U. No. 119 of 1991, item 522). Formal and actual transformation of Państwowy Zakład Ubezpieczeń into a state-owned joint-stock company took place on 23 December 1991 pursuant to a notarized deed Rep. A-III-21516/91.

PZU is recorded in the Register of Entrepreneurs of the National Court Register kept by the District Court for the capital city of Warsaw, XII Business Division under number KRS 0000009831.

The Company's basic scope of business in accordance with the Statistical Classification of Economic Activities in the European Community is non-life insurance (NACE 66.03). Insurance activity concerns other personal and property insurance (Section II of the Attachment to the Act of 22 May 2003 on insurance activity (Dz. U. No. 124 of 2003, item 1151, "Insurance Act").

1.2. Period covered by the financial statements

These financial statements cover the period of 12 months from 1 January to 31 December 2009.

1.3. Going concern

The financial statements have been prepared based on the assumption that the Company will operate as a going concern in the foreseeable future, i.e. during at least 12 months after the balance sheet date, i.e. after 31 December 2009.

As of the date of signing the financial statements, there were no facts and circumstances indicating a risk to the Company's ability to operate as a going concern during 12 months after the balance sheet date due to the intended or forced discontinuation or material limitation of its activities.

1.4. Presentation unit

Unless expressly stated otherwise, all financial data is presented in PLN thousand.

1.5. Result on discontinued operations

In 2009 PZU did not discontinue any activities.

2. Changes in the accounting principles (policy) during the financial year

In 2009, there were no changes in the accounting principles (policy).

3. Changes in the method of preparation of the financial statements

In 2009, the following changes in preparation of the financial statements were introduced:

3.1. Change in presentation of interest accrued on term deposits in the balance sheet

The Ordinance of the Minister of Finance of 23 December 2008 on special accounting principles of insurance companies came into effect on 1 January 2009 (Dz.U. No. 236 of 2008 item 1634) and stipulated that term deposits with credit institutions classified as loans and own receivables are measured at adjusted acquisition price. According to the regulations remaining in force until the end of 2008, term deposits were measured at the nominal value, while interest accrued as of the balance sheet date was recognized in item F.II of Assets - Prepayments – accrued interest and rent.

Effects of the above change are presented in the table below:

| Balance sheet item (Assets) | 31 December 2008 approved statutory financial statements | Change | 31 December 2008 comparative data to the financial statements |
|--|--|---------|---|
| B.III.6 Term deposits with credit institutions | 1 156 091 | 1 321 | 1 157 412 |
| F.III Accrued interest and rentals | 1 323 | (1 323) | - |
| F.IV Other prepayments and deferred costs | 358 644 | 2 | 358 646 |

3.2. Change in presentation of exchange differences accrued in relation to term deposits in the profit and loss account

In 2009, the Company changed the presentation of exchange differences accrued in relation to term deposits, which are at present recognized in item II.3.3. of the profit and loss account "Income from other financial investments - term deposits with financial institutions" and not in item III. Unrealized gains on investments and VI. Unrealized losses on investments.

Effects of the above changes are presented in the table below:

| Items of the profit and loss account | 31 December 2008 approved statutory financial statements | Change | 31 December 2008 comparative data to the financial statements |
|--|--|---------|---|
| II.3.3 Income from other financial investments - term deposits with financial institutions | 63 188 | 7 269 | 70 457 |
| III. Unrealized gains on investments | 20 613 | (7 279) | 13 334 |
| VI. Unrealized losses on investments | 464 670 | (10) | 464 660 |

3.3. Change in presentation of estimated amounts from accruals to liabilities

In 2009 the Company applied the Polish Accounting Standard 6 "Provisions, accruals, contingent liabilities", which in point II.2.3. states that:

- accruals are provisions directly related to operating activities, i.e. production, sale (trade) and post-sale stage, as well as general and administrative expenses, and
- accruals classified as provisions do not include liabilities arising on uninvoiced supplies and services received by the entity. Such liabilities are classified as trade liabilities, even when determination of the exact volume and/or price of a delivery or service may require estimates;

and therefore balance sheet comparative data were adjusted as presented in the table below:

| Balance sheet item (Equity and liabilities) | 31 December 2008 approved statutory financial statements | Change | 31 December 2008 comparative data to the financial statements |
|---|--|----------|---|
| H.V.2.1. Other liabilities to subordinated entities | 2 221 | 3 787 | 6 008 |
| H.V.2.2. Other liabilities to other entities | 395 584 | 67 649 | 463 233 |
| I.1 Accruals and deferred income | 334 846 | (71 436) | 263 410 |

3.4. Change in presentation of the present value of debt securities classified as deposits held to maturity

In 2009 the Company changed the presentation of the present value of debt securities classified as deposits held to maturity. The present value of the securities was their fair value and not, as it had been before, the carrying amount determined according to the adjusted acquisition price.

4. Adjustment of previous year errors

In 2009, no previous year errors were adjusted.

5. Information of significant post-balance sheet events not included in the financial statements

Until the date of signing the financial statements, there were no significant events that would not be included in these financial statements.

6. Significant events pertaining to previous years included in the financial statements for the current reporting period

Until the date of preparation of these financial statements, there were no significant events pertaining to previous years that would not be included in these financial statements.

7. Significant events pertaining to the reporting period and significantly changing the structure of balance sheet items and the financial result

7.1. Advance payment against dividend expected at the end of 2009 paid to PZU shareholders

In the resolution of 1 October 2009, the Management Board of PZU decided to make an advance payment against dividend expected at the end of 2009 in the total amount of PLN 12,749,917 thousand. The issue has been described in point X.7.4 of Additional notes and explanations

8. Comparability of financial data for the prior period with the financial statements for the period ended 31 December 2009.

The financial data for 2008 have been restated to provide comparability with the 2009 financial data - changes in the method of preparation of the financial statements were included and the effects of changes as compared to previously published financial statements for 2008, presented in point 3 of the Introduction to the financial statements, were disclosed.

9. Accounting principles (policy)

These financial statements have been prepared in accordance with the Accounting Act of 29 September 1994 (Dz. U. of 2009 No. 152, item 1223 with subsequent amendments, "Accounting Act") and relevant secondary legislation. All matters not specified in the Accounting Act and secondary legislation, are governed by the Polish Accounting Standards and/or International Financial Reporting Standards (IFRS) and their interpretations published in the form of regulations of the European Commission.

Major legal acts applicable to the financial statements include:

- Ordinance of the Minister of Finance of 23 December 2008 on special accounting principles for insurance companies (Dz. U. No. 236 of 2008, item 1634; hereinafter: "Ordinance");
- Ordinance of the Minister of Finance of 12 December 2001 on detailed principles of recognition, measurement, disclosure and presentation of financial instruments (Dz. U. No 149 of 2001, item 1674 with subsequent amendments, hereinafter: "Ordinance on financial instruments");
- Ordinance of the Minister of Finance of 28 November 2003 on calculation of the solvency margin and minimum capital and reserves required for insurance sections and classes (Dz. U. No. 211 of 2003 item 2060);
- Insurance Act.

9.1. Intangible assets

Intangible assets are recognized if it is likely than in the future they will cause an inflow of economic benefits closely related to such assets and include property rights acquired by PZU and suitable for economic use, classified as non-current assets, with expected useful life exceeding one year, and intended for internal purposes of PZU.

Intangible assets include in particular: computer software, copyright, licenses and concessions.

Intangible assets are measured at acquisition price increased by costs directly related to acquisition and adjustment for use, reduced by amortization charges and impairment loss.

Intangible assets are amortized in accordance with the straight-line method over their expected useful life and pursuant to an amortization plan adopted by PZU and corresponding to their estimated economic useful life, with application of annual amortization rates ranging from 20% to 50%.

Intangible assets with a unit value of up to PLN 3,500 are charged to expenses in the month of their commissioning.

9.2. Investments

9.2.1 Real property investments

Real property investment include: own land, perpetual usufruct of land, buildings and structures, as well as premises, ownership right to cooperative residential or commercial space, construction investments and advance payments for construction investments.

Real property investments are measured at acquisition price or manufacturing costs, including revaluation based on separate regulations (the last revaluation took place as of 1 January 1995 and its effects were charged to the revaluation reserve), reduced by depreciation accumulated as of the balance sheet date, including impairment loss.

Real property is depreciated in accordance with the straight-line method over its expected useful life and pursuant to a depreciation plan adopted by PZU and corresponding to its estimated economic useful life, with application of annual depreciation rates as presented below. Own land, construction investments and advance payments for construction investments are not depreciated.

| Assets | Rate |
|--|------------|
| Land perpetual usufruct right | 10% |
| Ownership right of cooperative residential or commercial space | 2.5% |
| Buildings and structures | 1.5 – 4.5% |

9.2.2 Shares in subordinated entities

Shares in subordinated entities are measured in line with the equity method, and for entities with immaterial impact on the financial statements of PZU – at acquisition price. In case of impairment, PZU reduces the value of shares in subordinated entities and creates an impairment loss.

The effects of measurement of shares in subordinated entities according to the equity method are recognized in the following manner:

- revaluation of shares in subordinated entities to the amount exceeding the acquisition price is recognized in revaluation reserve;
- revaluation of shares in subordinated entities to the amount below the acquisition price is recognized in profit or loss.

9.2.3 Financial instruments

Financial instruments are classified on the acquisition date to the following categories:

- financial assets and liabilities held for trading;
- financial assets held to maturity;
- originated loans and own receivables;
- assets available for sale.

Financial assets and liabilities are recognized in the balance sheet when PZU becomes a party to a binding contract under which it incurs risk and enjoys benefits related to a given financial instrument. For transactions concluded on an organized market on terms adopted on that market, purchase or sale of financial assets and liabilities are recognized as of the transaction date.

Financial instruments are initially recognized at fair value adjusted by transaction costs directly attributable to the purchase or sale of the given financial instrument. The fair value of a financial instrument upon initial recognition is usually its transaction price, unless the nature of the financial instrument provides otherwise.

For financial instruments generating interest income, interest is calculated beginning from the day after the transaction settlement date.

Release of financial instruments follows the FIFO (First In, First Out) principle, and for instruments purchased on the same date, the HIFO (Highest In, First Out) principle.

For each class of financial instruments, the fair value is determined based on publicly available quotations on an active market, and in their absence, using valuation models based on assumptions referring to data obtained on an active market. Shares whose fair value cannot be reliably estimated are exempted from this rule. They are measured at acquisition price reduced by impairment loss.

9.2.3.1 *Financial assets held for trading*

Financial assets held for trading include those acquired for the purpose of obtaining economic benefits resulting from short-term price fluctuations and other market factors, or from a short life of the acquired instrument, as well as derivatives, unless classified as hedging instruments.

Financial instruments held for trading include also obligations to provide borrowed securities and other financial instruments if the entity concludes a short sale contract.

Financial assets classified as held for trading are not reclassified to other categories.

Financial instruments held for trading are measured at fair value, and if it cannot be reliably measured, at acquisition price including impairment loss.

9.2.3.2 *Derivatives*

Fair value of derivatives - such as forwards and *interest rate swaps* (IRS) is determined in line with the *cost-to-close* method.

Derivatives are recognized in the balance sheet in assets as "Other investments" or in equity and liabilities as "Other liabilities".

Changes in the fair value of derivatives not classified as hedging instruments are recognized in the profit or loss for the reporting period.

9.2.3.3 *Financial assets held to maturity*

Financial assets held to maturity include those not classified as originated loans and own receivables, for which concluded contracts determine the date of nominal value payment and the right to economic benefits obtainable within pre-defined deadlines – e.g. interest, in a fixed or determinable amount, provided that PZU intends and is able to maintain these assets (in particular debt securities) to their maturity.

The classification is mainly based on a judgment of the Management Board of PZU, which, making the assessment, assesses its intentions and ability to hold these financial instruments to maturity. The assessment is based on an analysis of material and financial position as well as possible mismatch of assets and liabilities of PZU.

Financial assets held to maturity are measured at adjusted acquisition price as of the balance sheet date.

9.2.3.4 *Originated loans and own receivables*

Originated loans and own receivables include financial assets arising from cash issued directly to the other party of a contract, regardless of their maturity (payment deadline).

Loans include also bonds and other debt instruments acquired in exchange for cash issued directly to the other party of a contract, if the contract clearly states that the disposing party has not lost control over the sold financial instruments (in particular, *buy-sell-back* transactions), as well as term deposits at credit institutions regardless of their maturity.

Originated loans, including term deposits and own receivables, are disclosed at adjusted acquisition price.

9.2.3.5 *Assets available for sale*

Financial assets available for sale include those not classified to the above categories, i.e.:

- financial instruments held for trading;
- financial assets held to maturity;
- originated loans and own receivables.

Financial assets held for trading are measured at fair value, and if it cannot be reliably determined, at acquisition price including impairment loss.

The difference between the fair value of financial assets available for sale and their adjusted acquisition price (acquisition price for equity instruments) is charged to the revaluation reserve.

The effects of revaluation of debt instruments available for sale to the adjusted acquisition price are recognized in profit or loss.

In the case of sale of instruments available for sale, the revaluation reserve regarding the instruments sold is derecognized and presented in profit or loss.

In case the instruments available for sale are impaired, revaluation losses previously recognized in the revaluation reserve are charged to profit or loss.

If the reason that necessitated recognition of a revaluation write-down on assets disappears, the equivalent of total or part of the previous revaluation write-down is recognized in profit or loss.

9.2.3.6 Deposits with ceding undertakings

Deposits with ceding undertakings include claims and premium deposits retained by insurers for which PZU provides reinsurance coverage. They represent a part of PZU receivables, however retained as security of future claims.

Deposits with ceding undertakings are measured at the amount due, determined in accordance with the terms and conditions of a reinsurance contract, and in the case when the deposit is a financial instrument, including also measurement of the instrument and impairment loss, if occurs.

9.3. Receivables

Receivables are recorded at the value determined when they occur. As of the balance sheet date, receivables are recognized at the amount due reduced by impairment loss. Write-downs on bad or doubtful receivables are based on an analysis of the economic and financial position of the debtors, ageing analysis of receivables and history of recovery contributing to the probability of payment.

9.3.1 Direct insurance receivables

Direct insurance receivables include receivables from policyholders for premium paid in installments and overdue premium; receivables from insurance intermediaries, i.e. brokers and agents.

Revaluation write-downs on direct insurance receivables are classified as other technical expenses.

9.3.1.1 Receivables from policyholders

PZU reviews receivables from policyholders in order to determine whether there are any impairment indicators.

If case-by-case approach was not applied (as a special write-down determined in accordance with the evaluation of the debtor's economic and financial position), impairment is estimated on a collective basis, as a collective assessment of impairment risk for the portfolio of receivables from policyholders based on historical data regarding cash flows on receivables from policyholders.

9.3.2 Reinsurance receivables

Reinsurance receivables include receivables due to settlements with ceding undertakings, reinsurers and reinsurance brokers resulting from inward reinsurance, outward reinsurance and retrocession. The receivables are related mainly to the share of reinsurers in claims and benefits paid by the insurer, reinsurance commission and share in the reinsurers' profits.

Revaluation write-downs on reinsurance receivables are classified as other technical expenses.

9.3.3 Other receivables

Other receivables include, e.g. receivables from due dividend, receivables from the State Budget and receivables from loss adjusting services.

Revaluation write-downs on other receivables are classified as other operating expenses.

9.4. Tangible assets

Tangible assets include tangible fixed assets excluding real property classified as investments, with expected useful life over one year, complete, suitable for use and designated for the company's purposes.

Tangible assets are recognized at acquisition price increased by all costs directly related to the purchase and adaptation of an asset for use, less depreciation and impairment loss.

Fixed assets are depreciated starting from the date of commissioning, in accordance with the straight-line method over their expected useful life and pursuant to a depreciation plan adopted by PZU and corresponding to their estimated useful life, with application of annual depreciation rates as presented below.

| Asset type | Depreciation rate for key assets in a given type |
|----------------------------------|--|
| Machines and technical equipment | 10% - 40% |
| Vehicles | 18% - 33% |
| IT equipment | 18% - 30% |
| Other non-current assets | 7% - 20% |

Tangible assets with a unit value of up to PLN 3,500 are charged to expenses in the month of their commissioning.

9.5. Cash

Cash includes mainly cash in hand and at bank as well as promissory notes, third-party checks and cash in transit.

Cash is disclosed at face value.

9.6. Prepayments and accruals

Prepayments and accruals include incurred and accrued costs, in whole or in part pertaining to periods after the balance sheet date, and include in particular costs related to insurance premiums which will be earned in later periods (i.e., among other things, costs of acquisition, costs of obligatory payments, provided that they have a material impact on the financial statements).

In the case of property insurance acquisition commissions are deferred, however, in the case of acquisition commissions due to persons working based on an employment contract - together with employee overheads due to social security.

9.6.1 Prepayments

Costs of obligatory fees imposed by legal regulations are recognized over time, proportionally to revenues providing the basis for fee measurement, if their impact on the financial statements is material. Other prepayments include in particular costs of commission paid to sales representatives for their services provided to Open Pension Fund "Złota Jesień" (OFE PZU), which are recognized over time in proportion to the commission received from Powszechne Towarzystwo Emerytalne PZU (PTE PZU).

Prepayments include, among other things, future receivables from recognized revenues from rent and revenues from reinsurance resulting from business events which took place by the balance sheet date and which will be settled in accordance with the contractual terms in the future.

9.6.2 Accruals

Accruals include costs pertaining to the current reporting period incurred in the following period, which have not been recognized as liabilities or provisions, including in particular costs of acquisition, obligatory fees and outward reinsurance.

Reinsurance accruals include recognized costs resulting from business events that took place by the balance sheet date and which will be settled in accordance with the contractual terms in the future.

9.6.3 *Deferred income*

Deferred income includes, among other things, deferred reinsurance commissions settled in proportion to the premium earned on the reinsurers' share and the amount of premium paid for policies with an insurance period starting after the balance sheet date.

9.7. *Equity*

9.7.1 *Share capital*

The share capital is recognized at the nominal value and is recorded in the National Court Register.

9.7.2 *Supplementary capital*

The supplementary capital is created and distributed in line with the provisions of the Code of Commercial Companies (Dz.U. No. 94 of 2000, item 1037 with subsequent amendments, hereinafter: CCC) and the Articles of Association of PZU.

Supplementary capital is created from previous year net profit distribution and a portion of revaluation reserve reclassified upon disposal or liquidation of previously revalued fixed assets.

9.7.3 *Revaluation reserve*

The item includes the effects of:

- revaluation of shares in subordinated entities (above acquisition price only) in correspondence with a change in deferred tax asset/provision;
- revaluation of investments classified as available for sale (above and below the acquisition price and for debt instruments, the adjusted acquisition price), in correspondence with a change in a deferred tax asset/provision;
- revaluation of fixed assets in line with relevant regulations. The last revaluation took place as of 1 January 1995.

9.7.4 *Previous year profit (loss)*

The item includes previous year net profit (loss), including the net financial result resulting from a change in accounting principles that was not distributed/covered by the General Shareholders' Meeting.

9.8. *Technical provisions*

Technical provisions are created in order to cover current and future claims and costs that may result from concluded insurance contracts. Provisions are created in line with the prudence principle.

9.8.1 *Provision for unearned premiums*

The provision for unearned premiums covers liabilities which may be incurred after the end of the reporting period and which result from the insurance contracts in which the coverage period started before the end of the reporting period.

The provision for unearned premiums is created as written premium for future reporting periods, in proportion to the period which the written premium covered. The provision for unearned premiums is determined using the individual method, accurate to one day, at the end of each reporting period.

In the case of insurance classes with uneven spread of risk over time, the provision for unearned premiums is created in the amount corresponding to the spread of the risk over time.

The share of reinsurers in the provision for unearned premiums is determined in line with the regulations of relevant reinsurance contracts, in the amount proportional to the reinsurance cover attributable to periods after the end of a given reporting period.

9.8.2 *Provisions for unexpired risks*

The provision for unexpired risks complements the provision for unearned premiums and covers future claims, benefits and costs relating to insurance contracts which do not expire on the last day of the reporting period.

The provision for unexpired risks is determined for all insurance classes (types) with claims ratio for the financial year exceeding 100%, as the difference between the product of provision for unearned premiums and claims ratio of a given financial year and the provision for unearned premiums - for the same insurance period.

The final amount of provision for unexpired risks is determined after a premium adequacy test.

The share of reinsurers in the provision for unexpired risks is determined in line with provisions of relevant reinsurance contracts.

9.8.3 Provisions for outstanding claims

The provision for outstanding claims includes the provision for outstanding claims incurred and reported, provision for claims incurred but not reported, provision for loss adjustment expenses and provision for capitalized annuity.

9.8.3.1 Provision for claims reported but not paid

The provision for claims reported but not paid is determined as the amount of average claim for claims which have not been assessed by the loss adjuster or as the amount determined by a loss adjusting unit. The provision includes the deductible, expected increase in the prices of goods and repair services and may not exceed the sum insured and the guaranteed sum.

The provision is revalued immediately after receiving information which impact its amount by individual assessment or estimated losses and claims.

9.8.3.2 Provision for claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is created for claims which were not reported by the date of the provision created using the loss triangle: generalized Chain Ladder method, Cape Cod method and Bornhuetter-Ferguson method for the year of the claim.

9.8.3.3 Provision for loss adjustment expenses

The provision for loss adjustment expenses is determined at the end of each reporting period as the total of provision for direct and indirect loss adjustment expenses.

The provision for direct loss adjustment expenses is created both for the claims already reported (individual method) and claims not reported (lump-sum method as the share in the IBNR provision).

The provision for indirect loss adjustment expenses is created as the percentage of the provision for claims reported but not paid and provision for claims incurred but not reported and provision for direct loss adjustment expenses.

9.8.3.4 Provision for capitalized annuity benefits

The provision for capitalized annuity benefits is calculated individually as the present value of annuity (for life or periodic), paid in advance.

As of the end of each reporting period a provision for capitalized annuity benefits is created for claims incurred after 31 December 1990 by the balance sheet date and not disclosed as annuity (annuity IBNR).

As of the end of each reporting period the value of additional provision for liabilities resulting from increased annuity benefits from the so-called old portfolio is determined. Reassessment is carried out only for annuitants with the same provision calculated as of the end of 1997 whose claim at the end of a given period did not reach a satisfactory amount. The satisfactory amount of benefits is the percentage of the average of present value of salary in 1960-1990. Capitalized value of annuity is calculated, in line with valid regulations, for the difference between satisfactory benefits and actual benefits.

9.8.3.5 Reinsurers' share in technical provisions

The share of reinsurers in provisions for outstanding claims is determined in line with provisions of relevant reinsurance contracts.

9.8.4 Equalization provision

The equalization provision is created at the amount ensuring equalization of future fluctuations in the claims ratio, net of reinsurance, in accordance with the Ordinance.

9.8.5 Provision for bonuses and rebates (provision for profit sharing)

The provision is created for insurance contracts assuming an increase in future benefits, including profit sharing of the insured.

The amount of the provision at the end of a given period is determined based on currently expected final amount of the increase in the benefit (or decrease in the premium) directly proportional to the premium earned at the end of a given period.

9.8.6 Expected recoveries and recourses

When estimating future claims, PZU estimates the value of expected, future refunds of expenses as a result of assumption of claims against third parties (recoveries), rights to the insured property (recourses) and subsidies to cover part of claims due to agricultural producers for losses caused by drought, payable to the Company in accordance with the provisions of the Act on insurance of agricultural crops and livestock (Dz. U. No. 150 of 2005, item 1249, with subsequent amendments). Estimating recoveries, recourses and subsidies includes the costs of recoveries and recourses and the costs of receiving subsidies.

9.9. Other provisions

“Other provisions” include provisions for certain or highly probable future liabilities arising on past events, with uncertain amount or payment deadline, but reliably estimated amount. In particular, provisions are created for jubilee awards, retirement benefits, unused paid vacation, losses on business transactions in progress, guarantees and sureties granted, losses arising on pending litigations and third party claims.

The costs of creating provisions are charged to other technical costs net of reinsurance, other operating expenses or administrative expenses, respectively, depending on the type of future liability.

9.9.1 Provision for jubilee awards and retirement benefits

In accordance with remuneration regulations of PZU, employees are entitled to jubilee awards, having reached a specific number of years in service and to retirement benefits upon retirement. The benefit amount depends on the number of years in service and average monthly salary.

The costs of jubilee awards and retirement benefits are estimated using actuarial methods and recognized on an accrual basis using the unit credit method.

Actuarial gains and losses are recognized in full in the period in which they occurred.

For jubilee awards, past service costs as defined in IAS 19 “Employee Benefits” are immediately recognized in profit or loss.

Provisions for jubilee awards and retirement bonuses are measured at fair value of future performances that may be assigned to the current service, adjusted for unrecognized past service costs.

9.9.2 Provision for unused paid vacation

Pursuant to the Labor Code of 26 June 1974 (consolidated text: Dz.U. No. 21 of 1998 item 94 with subsequent amendments – “the Labor Code”), employees of PZU are entitled to paid vacation. PZU recognizes the costs of paid vacation on an accrual basis, using the liability method.

The provision for unused paid vacation is calculated as the difference between the number of days actually used and the number of days that would have been used had vacation been used proportionally to the passage of time in the entitlement period, in line with the valid legal regulations.

9.9.3 Provision for survivor and post-employment benefits

Pursuant to the Labor Code, in the event of death of an employee while in service or during period in which sickness benefit is collected, the family is entitled to a survivor benefit the amount of which depends on

the employee's years in service with the employer and is an equivalent of the employee's remuneration for the period ranging from one to six months.

Pursuant to the Act on social benefits fund of 4 March 1994 (Dz.U. No. 43 of 1994, item 163 with subsequent amendments) and Regulations of the PZU Social Fund, pensioners (former employees of PZU) and their families are entitled to the benefits and services financed by the fund. According to the assumptions made by PZU, appropriations to the Company's Social Benefits Fund amount to 6.25% of the average monthly remuneration per pensioner.

Provisions for survivor and post-employment benefits are measured at fair value of future performances that may be assigned to the service to that date.

9.10. Liabilities due to reinsurers' deposits

Liabilities due to reinsurers' deposits are recognized at the amount due, in line with concluded reinsurance contracts.

9.11. Other liabilities

Liabilities are disclosed at the amount due.

9.12. Special funds

Special funds include:

- the balance of the Company's Social Benefits Fund, expensed in line with relevant provisions. The Company's Social Benefits Funds is also increased by appropriations of net profit pursuant to the resolutions of the General Meeting;
- the balance of the Prevention Fund, created from appropriations, in line with the Insurance Act and the articles of association of PZU.

The balance of special funds is increased by investment income generated by these funds.

9.13. Revenues form insurance services

Revenues from gross written premium are recognized starting from the date of inception of insurance coverage resulting from the concluded insurance contract. The amounts of premium related to the contracts with insurance coverage starting after the balance sheet date are recognized as deferred income.

The reinsurers' share in the premium has been determined for the insurance classes with reinsurance coverage, in the amount which - pursuant to relevant reinsurance contracts - corresponds to the transferred premium

9.14. Investment income and expenses

9.14.1 Income from real property and maintenance costs

Income from real property considered as investments, such as rent and lease payments and other revenues related to the management of the property, are recognized under "Investment income from property" in profit or loss.

Costs of maintenance of property earmarked for investment purposes are recognized under "Costs of property maintenance" in profit or loss.

The costs of the maintenance of property used for own purposes are recognized in the technical account of personal and property insurance "Administrative expenses" in the proportion resulting from space used by PZU.

9.14.2 Income and expenses from debt securities

The result from the measurement of debt securities at the adjusted acquisition price is classified as income from debt securities.

The difference between the fair value as of the balance sheet date and the value at adjusted acquisition price is recognized as follows:

- in the case of debt securities (not recognized during calculation of the provision for capitalized annuity benefits and bonuses and rebates) classified as available-for-sale - under "Revaluation reserve";
- in the case of debt securities classified as investments held-for-trading - under "Unrealized gains" or "Unrealized losses on investments".

Gains/losses on sale/redemption of debt securities are recognized under "Gains/losses on investments".

9.14.3 Gains and losses on shares

Unrealized gains and losses on valuation of shares classified as investments held for trading are recognized at the amount of the difference between the fair value and acquisition cost or carrying amount at the end of the previous financial year (in the case when the securities were purchased in prior years) under "Unrealized gains/losses on investments".

Unrealized gains and losses on measurement of shares classified as investments available for sale, not included in calculation of the technical provisions, are recognized in the revaluation reserve.

Gains/losses on sale of shares are recognized under "Gains/losses on investments".

Impairment losses on investments created in the reporting period are recognized under "Loss on revaluation of investments" and revenue from reversal of losses created in previous years are recognized under "Gain on revaluation of investments".

Dividend income is recognized at gross amount at the date the right to dividend has been established.

9.14.4 Net investment income (including costs), reclassified from profit or loss

Investment income included in calculation of the provision for capitalized annuity and provisions for bonuses and rebates are reclassified from profit or loss to the technical account of property and personal insurance.

Due to the fact that the insurer's own funds and the those from the insurance fund are invested jointly and the investments are not separated, the investment income to be transferred from the profit or loss to the technical account of property and personal insurance are calculated as the product of the provision for capitalized annuity at the beginning of the month and profitability of Treasury bonds held to maturity in a given month, including relevant investment expenses

9.14.5 Interest income on term deposits at credit institutions

Interest income on deposits at credit institutions is recognized on an accrual basis, i.e. all interest for a given reporting period is recognized irrespective of the date when it was received. If the deposit matures after the balance sheet date, interest is calculated on an accrual basis, proportionally to the passage of time since the first day of the deposit until the balance sheet date, inclusive.

9.15. Costs of claims and benefits

The costs of the reporting period include all costs of claims and benefits paid for accidents and losses which took place during the reporting period and in the prior periods, including direct and indirect loss adjustment expenses and a change in the provisions for claims outstanding, less all received recoveries, recourses and subsidies as well as a change in the balance of estimated recoveries, recourses and subsidies.

The reinsurers' share in claims and benefits has been determined for the insurance classes with reinsurance coverage, in the amount which - pursuant to relevant reinsurance contracts valid in a given period - corresponds to the reinsurers' share in claims and benefits.

Loss adjustment expenses include direct and indirect costs related to activities which aim at settlement of reported claims or support activities aimed at settlement of such claims.

9.16. Costs of insurance activity

Costs of acquisition include direct and indirect expenses related to conclusion and renewal of insurance contracts. Direct acquisition costs include among other things the insurance agent commission, payroll related to conclusion of insurance contracts, costs of attestation, studies and research regarding the risk insured. Indirect acquisition costs include advertisement and promotion of insurance products and general costs related to analyzing applications and issuing policies.

In order to ensure that acquisition costs and revenues are matched, the commission for gross written premium in a given year, which will be paid in future are charged to acquisition expenses and incurred and recognized acquisition expenses regarding future reporting periods are deferred.

The costs of commission are recognized in the period when the premium serving as the basis for the commission is due. The value of acquisition expenses is adjusted by the change in the balance of capitalized acquisition expenses.

Administrative expenses include the costs of insurance activity, not classified as acquisition expenses, costs of claims and benefits and investment expenses related to collected premium, managed portfolio of insurance contracts, reinsurance contracts and general and administrative expenses of the insurance company.

The costs of insurance activity are adjusted by the value of reinsurance commission and shares in reinsurers' and retrocessionaries' profits, received or receivable from brokers and reinsurers under outward reinsurance or retrocession. The value of reinsurance commission received or receivable is adjusted by the value of deferred reinsurance commission in the part concerning future reporting periods.

9.17. Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated as of the balance sheet date at the average exchange rate of the National Bank of Poland as of that date.

Business transactions denominated in foreign currencies are recognized on conclusion date at the average exchange rate determined for a given currency by the National Bank of Poland as of the day preceding the transaction, unless a different rate was defined in a customs application or any other binding document.

9.18. Income tax

Income tax recognized in the profit and loss account includes current and deferred portion.

Current CIT liabilities are calculated pursuant to the Polish tax regulations.

The deferred portion recognized in profit or loss is the difference between the balance of deferred tax provisions and assets as of the beginning and end of the reporting period; deferred tax provisions and assets for transactions charged to equity are charged to equity.

Deferred tax provisions and assets are determined using the balance sheet method, considering corporate income tax rates which - according to expectations - will apply at the time when the asset is recovered or provision settled, in line with the tax law provisions applicable in Poland, issued by the balance sheet date.

PZU, as a company operating solely in Poland and governed by the Polish tax regulations, can effectively offset tax liabilities and receivables by paying a net CIT amount. Therefore, deferred tax assets and liabilities are presented in the financial statements after being set off.

II. BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

| ASSETS | Note | Balance as at | |
|---|--------------|-------------------|-------------------|
| | | 31-12-2009 | 31-12-2008 |
| A. Intangible assets | X.1 | 49 560 | 31 855 |
| 1. Goodwill | | - | - |
| 2. Other intangible assets and prepayments for intangible assets | | 49 560 | 31 855 |
| B. Investments | X.2 | 26 765 773 | 30 451 371 |
| I. Property | | 600 110 | 602 697 |
| 1. Freehold land, including perpetual usufruct | | 55 382 | 46 645 |
| 2. Buildings and constructions, and cooperative freehold right | | 529 271 | 533 883 |
| 3. Constructions in progress and prepayments for constructions in progress | | 15 457 | 22 169 |
| II. Investments in subordinated entities | X.2.1 | 7 710 649 | 6 335 748 |
| 1. Shares | | 7 702 725 | 6 303 548 |
| 2. Loans granted to subordinated entities and debt securities issued by those parties | | - | 32 200 |
| 3. Other | | 7 924 | - |
| III. Other financial investment | X.2.2 | 18 442 095 | 23 500 579 |
| 1. Shares and other variable income securities, participation units and investment certificates in trust funds. | | 1 249 959 | 923 581 |
| 2. Debt securities and other fixed income securities | | 16 639 972 | 21 149 694 |
| 3. Shares in joint venture | | - | - |
| 4. Mortgage loans | | - | - |
| 5. Other loans | | 176 748 | 269 741 |
| 6. Term deposits with financial institutions | | 373 225 | 1 157 412 |
| 7. Other investments | | 2 191 | 151 |
| IV. Deposits due from cedants | X.2.4 | 12 919 | 12 347 |
| C. Net investments of life insurance funds where the investment risk is born by policyholders | | - | - |
| D. Receivables | X.3 | 1 244 102 | 1 162 220 |
| I. Receivables from direct insurance | | 972 050 | 996 159 |
| 1. Receivables from policyholders | | 923 648 | 943 571 |
| 1.1. from subordinated entities | | 231 | 107 |
| 1.2. from other entities | | 923 417 | 943 464 |
| 2. Receivables from insurance intermediaries | | 48 258 | 24 182 |
| 2.1. from subordinated entities | | - | - |
| 2.2. from other entities | | 48 258 | 24 182 |
| 3. Other receivables | | 144 | 28 406 |
| 3.1. from subordinated entities | | 91 | 1 628 |
| 3.2. from other entities | | 53 | 26 778 |
| II. Reinsurance receivables | X.3.1 | 26 174 | 30 034 |
| 1. from subordinated entities | | - | - |
| 2. from other entities | | 26 174 | 30 034 |
| III. Other receivables | X.3.2 | 245 878 | 136 027 |
| 1. Receivables from the State Budget | | 81 704 | 128 |
| 2. Other receivables | | 164 174 | 135 899 |
| 2.1. from subordinated entities | | 2 923 | 4 135 |
| 2.2. from other entities | | 161 251 | 131 764 |
| E. Other assets | | 245 572 | 363 394 |
| I. Property, plant and equipment | X.4 | 117 772 | 107 155 |
| II. Cash and cash equivalents | X.5 | 127 800 | 256 239 |
| III. Other | | - | - |
| F. Prepayments and deferred costs | X.6 | 631 971 | 716 674 |
| I. Deferred tax assets | | - | - |
| II. Deferred acquisition costs | | 394 962 | 358 028 |
| III. Accrued interest and rentals | | - | - |
| IV. Other prepayments and deferred costs | | 237 009 | 358 646 |
| TOTAL ASSETS | | 28 936 978 | 32 725 514 |

| EQUITY AND LIABILITIES | Note | Balance as at | |
|--|---------------|-------------------|-------------------|
| | | 31.12.2009 | 31.12.2008 |
| A. Equity | X.7 | 10 411 542 | 19 151 579 |
| I. Share capital | X.7.1 | 86 352 | 86 352 |
| II. Unpaid share capital (negative value) | | - | - |
| III. Treasury shares (negative value) | | - | - |
| IV. Reserve capital | X.7.5 | 1 252 214 | 10 245 766 |
| V. Revaluation reserve | | 7 312 998 | 5 792 663 |
| VI. Other reserves | | - | - |
| VII. Accumulated profits/(losses) from previous years | | - | - |
| VIII. Net profit/(loss) for the year | | 2 510 379 | 3 026 798 |
| IX. Advance dividends from current year profit (negative balance) | | (750 401) | - |
| B. Subordinated liabilities | | | |
| C. Technical reserves | X.8 | 12 789 415 | 12 659 941 |
| I. Unearned premium reserve and unexpired risk reserve | | 3 643 790 | 3 911 924 |
| II. Life insurance reserves | | - | - |
| III. Outstanding claims reserve (the OCR reserve) | | 8 608 826 | 8 238 223 |
| IV. Reserve for bonuses and rebates for the insured | | 4 180 | - |
| V. Risk equalization reserve | | 532 619 | 509 794 |
| VI. Reserve for premium returns and policyholders | | - | - |
| VII. Other technical reserves, as defined in Articles of Association | | - | - |
| VIII. Life technical reserves where the investment risk is born by policyholder | | - | - |
| D. Reinsurers' share in technical reserves (negative value) | | (754 456) | (878 416) |
| I. Reinsurers' share in unearned premium reserve and unexpired reserve | | (70 042) | (60 383) |
| II. Reinsurers' share in life insurance reserve | | - | - |
| III. Reinsurers' share in outstanding claims reserve | X.8.3 | (684 414) | (818 033) |
| IV. Reinsurers' share in reserve for bonuses and rebates for the insured | | - | - |
| V. Reinsurers' share in other technical reserves, as defined in Articles of | | - | - |
| VI. Reinsurers' share in life technical reserves where the investment risk is born by policyholder | | - | - |
| E. Estimated salvages and subrogations (negative value) | X.9 | (78 996) | (52 401) |
| 1. Estimated salvages and subrogations, gross | | (81 416) | (52 537) |
| 2. Reinsurers' share in estimated salvages and subrogations | | 2 420 | 136 |
| F. Other provisions | X.10 | 542 531 | 450 269 |
| I. Provision for retirement benefits and similar obligations | | 229 550 | 233 394 |
| II. Deferred tax liability | X.11 | 117 652 | 62 218 |
| III. Other | | 195 329 | 154 657 |
| G. Liabilities from reinsurance deposits | X.12 | - | 56 |
| H. Other liabilities and Special Funds | X.13 | 5 478 601 | 861 627 |
| I. Direct insurance liabilities | | 154 698 | 151 386 |
| 1. Liabilities to the policyholders | | 73 672 | 62 482 |
| 1.1. to subordinated entities | | 2 | - |
| 1.2. to other entities | | 73 670 | 62 482 |
| 2. Liabilities to insurance intermediaries | | 75 323 | 74 545 |
| 2.1. to subordinated entities | | - | - |
| 2.2. to other entities | | 75 323 | 74 545 |
| 3. Other liabilities | | 5 703 | 14 359 |
| 3.1. to subordinated entities | | 817 | 1 146 |
| 3.2. to other entities | | 4 886 | 13 213 |
| II. Liabilities from reinsurance deposits | X.13.1 | 17 667 | 21 590 |
| 1. to subordinated entities | | - | - |
| 2. to other entities | | 17 667 | 21 590 |
| III. Liabilities from the issuance of own debt securities and loans taken out | | - | - |
| 1. liabilities convertible to the Company's share | | - | - |
| 2. other | | - | - |
| IV. Liabilities to financial institutions | | 4 748 213 | 13 |
| V. Other liabilities | X.13.2 | 432 169 | 542 278 |
| 1. Liabilities to the State Budget | | 15 435 | 73 037 |
| 2. Other liabilities | | 416 734 | 469 241 |
| 2.1. to subordinated entities | | 11 279 | 6 008 |
| 2.2. to other entities | | 405 455 | 463 233 |
| VI. Special Funds | X.13.3 | 125 854 | 146 360 |

| EQUITY AND LIABILITIES | Note | Balance as at: | |
|--|-------------|-------------------|-------------------|
| | | 31.12.2009 | 31.12.2008 |
| I. Accruals and deferred income | X.14 | 548 341 | 532 859 |
| 1. Accrued expenses | | 303 209 | 263 410 |
| 2. Negative goodwill | | - | - |
| 3. Deferred income | | 245 132 | 269 449 |
| TOTAL EQUITY AND LIABILITIES | | 28 936 978 | 32 725 514 |

| OFF-BALANCE SHEET ITEMS | Note | Balance as at: | |
|--|---------------|-------------------|-------------------|
| | | 31.12.2009 | 31.12.2008 |
| 1. Contingent receivables, of which: | X.24.1 | 6 895 117 | 6 098 064 |
| 1.1. guarantees received | | 3 699 | 3 699 |
| 1.2. other | | 6 891 418 | 6 094 365 |
| 2. Contingent liabilities, of which: | X.24.2 | 46 239 | 45 810 |
| 2.1. guarantees issued | | 7 714 | 6 599 |
| 2.2. bills of exchange accepted and endorsed | | - | - |
| 2.3. buy and sell back assets | | - | - |
| 2.4. other liabilities secured on assets or income | | - | - |
| 2.5. doubtful claims, not recognized by the Company and taken to court | | 37 443 | 38 642 |
| 3. Reinsurance guarantees made in favor of the company | | - | - |
| 4. Reinsurance guarantees made by the Company in favor of cedants | | - | - |
| 5. Third party assets not included in the Company's assets | | 231 158 | 229 879 |
| 6. Other off-balance sheet items, of which: | | - | - |
| 6.1. securities established on the Company's assets | | - | - |
| 6.2. other off-balance sheet items | | - | - |
| Own funds | | 8 261 644 | 16 618 912 |
| Solvency margin | | 1 338 798 | 1 338 798 |
| Surplus(shortage) of own funds to cover solvency margin | | 6 922 846 | 15 280 114 |
| Technical reserves, gross | | 12 707 999 | 12 607 404 |
| Assets to cover technical reserves | | 14 245 034 | 24 062 266 |
| Surplus(shortage) of assets to cover technical reserves | | 1 537 035 | 11 454 862 |

gross recoveries, recourses and subsidies estimated

* less

III. TECHNICAL INSURANCE ACCOUNT - PROPERTY AND PERSONAL INSURANCE

| Item | Note | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-------------------|-----------------------------|-----------------------------|
| I. Premiums | X.15, X.18 | 7 938 984 | 8 028 557 |
| 1. Gross premium written | | 7 791 169 | 8 217 789 |
| 2. Reinsurers' share in the gross premium written | | 129 978 | 104 298 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | | (268 134) | 83 375 |
| 4. Reinsurers' share in movement in unearned premium reserve | | 9 659 | (1 559) |
| II. Net investment income, transferred from the Profit and Loss Account | | 248 700 | 219 426 |
| III. Other technical income, net of reinsurers' share | X.16 | 76 084 | 56 185 |
| IV. Claims | X.17, X.18 | 5 480 170 | 5 063 091 |
| 1. Claims paid out, net of reinsurers' share | | 5 002 543 | 4 528 652 |
| 1.1. claims paid out, gross | | 5 177 098 | 4 586 363 |
| 1.2. reinsurers' share in claims paid out | | 174 555 | 57 711 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | | 477 627 | 534 439 |
| 2.1. Movement in outstanding claims reserve, gross | | 341 724 | 407 114 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | | (135 903) | (127 325) |
| V. Movement in other technical reserves, net of reinsurers' share | | - | (68 003) |
| 1. Movement in other technical reserves, gross | | - | (68 003) |
| 2. Reinsurers' share in movement in other technical reserves | | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | | 5 051 | 350 |
| VII. Insurance activities expenses (1+2-3) | X.19 | 2 220 299 | 2 080 925 |
| 1. Acquisition expenses, of which: | | 1 287 578 | 1 230 011 |
| 1.1. movement in deferred acquisition costs | | (36 934) | (3 177) |
| 2. Administrative expenses | | 979 365 | 939 278 |
| 3. Reinsurance commissions and the share in reinsurers' profits | | 46 644 | 88 364 |
| VIII. Other technical expenses, net of reinsurers' share | X.20 | 369 115 | 489 542 |
| IX. Movement in risk equalization reserve | | 22 825 | 20 000 |
| X. Property and casualty insurance underwriting result | | 166 308 | 718 263 |

IV. TECHNICAL ACCOUNTS - TOTAL DIRECT ACTIVITIES

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 7 858 946 | 7 955 969 |
| 1. Gross premium written | 7 725 043 | 8 142 535 |
| 2. Reinsurers' share in the gross premium written | 122 837 | 100 733 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (251 005) | 82 307 |
| 4. Reinsurers' share in movement in unearned premium reserve | 5 735 | (3 526) |
| II. Net investment income, transferred from the Profit and Loss Account | 248 700 | 219 426 |
| III. Other technical income, net of reinsurers' share | 71 850 | 44 398 |
| IV. Claims | 5 440 654 | 5 015 120 |
| 1. Claims paid out, net of reinsurers' share | 4 955 961 | 4 509 982 |
| 1.1. claims paid out, gross | 5 130 467 | 4 567 693 |
| 1.2. reinsurers' share in claims paid out | 174 506 | 57 711 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 484 693 | 505 138 |
| 2.1. Movement in outstanding claims reserve, gross | 348 804 | 377 577 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (135 889) | (127 561) |
| V. Movement in other technical reserves, net of reinsurers' share | - | (68 003) |
| 1. Movement in other technical reserves, gross | - | (68 003) |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | 5 051 | 350 |
| VII. Insurance activities expenses (1+2-3) | 2 199 660 | 2 046 946 |
| 1. Acquisition expenses, of which: | 1 275 252 | 1 204 633 |
| 1.1. movement in deferred acquisition costs | (44 242) | (3 710) |
| 2. Administrative expenses | 971 052 | 930 677 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 46 644 | 88 364 |
| VIII. Other technical expenses, net of reinsurers' share | 358 554 | 483 952 |
| IX. Movement in risk equalization reserve | 22 920 | 19 692 |
| X. Property and casualty insurance underwriting result | 152 657 | 721 736 |

Technical insurance account - direct insurance

CLASS 1 – Accident insurance, including industrial injury and occupational disease

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 461 228 | 452 945 |
| 1. Gross premium written | 457 378 | 465 437 |
| 2. Reinsurers' share in the gross premium written | 57 | 40 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (3 907) | 12 452 |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 511 | 325 |
| IV. Claims | 126 743 | 108 816 |
| 1. Claims paid out, net of reinsurers' share | 127 111 | 115 131 |
| 1.1. claims paid out, gross | 127 099 | 115 140 |
| 1.2. reinsurers' share in claims paid out | (12) | 9 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (368) | (6 315) |
| 2.1. Movement in outstanding claims reserve, gross | (371) | (6 316) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (3) | (1) |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | 14 | - |
| VII. Insurance activities expenses (1+2-3) | 155 554 | 142 633 |
| 1. Acquisition expenses, of which: | 97 732 | 89 831 |
| 1.1. movement in deferred acquisition costs | (136) | (1 611) |
| 2. Administrative expenses | 57 493 | 53 199 |
| 3. Reinsurance commissions and the share in reinsurers' profits | (329) | 397 |
| VIII. Other technical expenses, net of reinsurers' share | 1 169 | 1 396 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | 178 259 | 200 425 |

Technical insurance account - direct insurance

CLASS 2 – Sickness insurance

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 17 584 | 18 736 |
| 1. Gross premium written | 17 548 | 18 759 |
| 2. Reinsurers' share in the gross premium written | 1 | 2 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (37) | 21 |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 11 | 19 |
| IV. Claims | 7 096 | 7 667 |
| 1. Claims paid out, net of reinsurers' share | 7 119 | 7 174 |
| 1.1. claims paid out, gross | 7 018 | 7 059 |
| 1.2. reinsurers' share in claims paid out | (101) | (115) |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (23) | 493 |
| 2.1. Movement in outstanding claims reserve, gross | (70) | 403 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (47) | (90) |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses (1+2-3) | 4 674 | 4 847 |
| 1. Acquisition expenses, of which: | 2 678 | 2 703 |
| 1.1. movement in deferred acquisition costs | (11) | (1) |
| 2. Administrative expenses | 2 206 | 2 144 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 210 | - |
| VIII. Other technical expenses, net of reinsurers' share | 32 | 71 |
| IX. Movement in risk equalization reserve | - | (592) |
| X. Property and casualty insurance underwriting result | 5 793 | 6 762 |

Technical insurance account - direct insurance

CLASS 3 – "Casco" insurance of land vehicles other than railway rolling stock

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 2 386 030 | 2 686 770 |
| 1. Gross premium written | 2 208 419 | 2 631 381 |
| 2. Reinsurers' share in the gross premium written | 13 097 | 14 043 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (190 708) | (69 432) |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 7 777 | 6 336 |
| IV. Claims | 1 593 802 | 1 594 275 |
| 1. Claims paid out, net of reinsurers' share | 1 712 518 | 1 616 684 |
| 1.1. claims paid out, gross | 1 713 999 | 1 616 725 |
| 1.2. reinsurers' share in claims paid out | 1 481 | 41 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (118 716) | (22 409) |
| 2.1. Movement in outstanding claims reserve, gross | (119 189) | (24 990) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (473) | (2 581) |
| V. Movement in other technical reserves, net of reinsurers' share | - | (6 478) |
| 1. Movement in other technical reserves, gross | - | (6 478) |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | (1) |
| VII. Insurance activities expenses (1+2-3) | 658 266 | 719 510 |
| 1. Acquisition expenses, of which: | 388 771 | 439 198 |
| 1.1. movement in deferred acquisition costs | 7 043 | 10 115 |
| 2. Administrative expenses | 277 603 | 300 762 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 8 108 | 20 450 |
| VIII. Other technical expenses, net of reinsurers' share | 8 401 | 23 245 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | 133 338 | 362 555 |

Technical insurance account - direct insurance

CLASS 4 - "Casco" insurance of railway rolling stock

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 6 094 | 5 099 |
| 1. Gross premium written | 5 116 | 5 617 |
| 2. Reinsurers' share in the gross premium written | - | - |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (978) | 518 |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 3 | 1 |
| IV. Claims | 8 347 | 2 555 |
| 1. Claims paid out, net of reinsurers' share | 5 728 | 3 362 |
| 1.1. claims paid out, gross | 5 676 | 3 362 |
| 1.2. reinsurers' share in claims paid out | (52) | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 2 619 | (807) |
| 2.1. Movement in outstanding claims reserve, gross | 2 619 | (807) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | - | - |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses (1+2-3) | 2 203 | 1 833 |
| 1. Acquisition expenses, of which: | 1 560 | 1 191 |
| 1.1. movement in deferred acquisition costs | 83 | (31) |
| 2. Administrative expenses | 643 | 642 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 16 | 6 |
| IX. Movement in risk equalization reserve | - | 255 |
| X. Property and casualty insurance underwriting result | (4 469) | 451 |

Technical insurance account - direct insurance

CLASS 5 - "Casco" insurance of aircraft

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|--------------------------------|--------------------------------|
| I. Premiums | 8 976 | 7 901 |
| 1. Gross premium written | 10 979 | 8 943 |
| 2. Reinsurers' share in the gross premium written | 4 141 | 424 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | 1 043 | 618 |
| 4. Reinsurers' share in movement in unearned premium reserve | 3 181 | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 126 | 7 |
| IV. Claims | 7 941 | 4 734 |
| 1. Claims paid out, net of reinsurers' share | 5 349 | 4 660 |
| 1.1. claims paid out, gross | 5 349 | 4 660 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 2 592 | 74 |
| 2.1. Movement in outstanding claims reserve, gross | 6 143 | 79 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | 3 551 | 5 |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses (1+2-3) | 2 607 | 2 594 |
| 1. Acquisition expenses, of which: | 1 755 | 1 573 |
| 1.1. movement in deferred acquisition costs | (126) | (21) |
| 2. Administrative expenses | 1 380 | 1 022 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 528 | 1 |
| VIII. Other technical expenses, net of reinsurers' share | 454 | 72 |
| IX. Movement in risk equalization reserve | 449 | 395 |
| X. Property and casualty insurance underwriting result | (2 349) | 113 |

Technical insurance account - direct insurance

CLASS 6 - Insurance of vessels in sea and inland navigation

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 13 763 | 20 074 |
| 1. Gross premium written | 14 367 | 15 640 |
| 2. Reinsurers' share in the gross premium written | 1 309 | 2 194 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (713) | (6 659) |
| 4. Reinsurers' share in movement in unearned premium reserve | (8) | (31) |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 608 | 968 |
| IV. Claims | 10 361 | 22 508 |
| 1. Claims paid out, net of reinsurers' share | 26 063 | 25 122 |
| 1.1. claims paid out, gross | 27 989 | 26 011 |
| 1.2. reinsurers' share in claims paid out | 1 926 | 889 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (15 702) | (2 614) |
| 2.1. Movement in outstanding claims reserve, gross | (17 559) | 721 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (1 857) | 3 335 |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | (195) | 176 |
| VII. Insurance activities expenses (1+2-3) | 4 246 | 5 422 |
| 1. Acquisition expenses, of which: | 2 440 | 3 638 |
| 1.1. movement in deferred acquisition costs | 6 | 1 183 |
| 2. Administrative expenses | 1 806 | 1 788 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | 4 |
| VIII. Other technical expenses, net of reinsurers' share | 820 | 2 333 |
| IX. Movement in risk equalization reserve | 688 | 1 004 |
| X. Property and casualty insurance underwriting result | (1 549) | (10 401) |

Technical insurance account - direct insurance

CLASS 7 - Goods-in-transit insurance

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|--------------------------------|--------------------------------|
| I. Premiums | 11 092 | 11 835 |
| 1. Gross premium written | 11 250 | 13 566 |
| 2. Reinsurers' share in the gross premium written | 1 049 | 1 753 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (913) | (82) |
| 4. Reinsurers' share in movement in unearned premium reserve | (22) | (60) |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 326 | 253 |
| IV. Claims | 4 192 | 2 527 |
| 1. Claims paid out, net of reinsurers' share | 1 914 | 3 038 |
| 1.1. claims paid out, gross | 1 914 | 3 038 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 2 278 | (511) |
| 2.1. Movement in outstanding claims reserve, gross | 2 254 | (498) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (24) | 13 |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | 20 | 22 |
| VII. Insurance activities expenses(1+2-3) | 3 829 | 4 344 |
| 1. Acquisition expenses, of which: | 2 416 | 2 796 |
| 1.1. movement in deferred acquisition costs | 57 | (51) |
| 2. Administrative expenses | 1 414 | 1 551 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 1 | 3 |
| VIII. Other technical expenses, net of reinsurers' share | 753 | 177 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | 2 624 | 5 018 |

Technical insurance account - direct insurance

CLASS 8 - Insurance against fire and natural forces, covering damage to property not included in classes 3-7

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 901 871 | 856 284 |
| 1. Gross premium written | 947 459 | 900 767 |
| 2. Reinsurers' share in the gross premium written | 23 674 | 20 354 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | 18 250 | 27 063 |
| 4. Reinsurers' share in movement in unearned premium reserve | (3 664) | 2 934 |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 2 127 | 5 573 |
| IV. Claims | 458 587 | 394 361 |
| 1. Claims paid out, net of reinsurers' share | 478 562 | 374 745 |
| 1.1. claims paid out, gross | 546 348 | 374 971 |
| 1.2. reinsurers' share in claims paid out | 67 786 | 226 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (19 975) | 19 616 |
| 2.1. Movement in outstanding claims reserve, gross | (20 009) | 15 632 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (34) | (3 984) |
| V. Movement in other technical reserves, net of reinsurers' share | - | (32 342) |
| 1. Movement in other technical reserves, gross | - | (32 342) |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | 2 994 | (600) |
| VII. Insurance activities expenses(1+2-3) | 307 475 | 274 961 |
| 1. Acquisition expenses, of which: | 188 978 | 172 858 |
| 1.1. movement in deferred acquisition costs | (8 448) | (7 072) |
| 2. Administrative expenses | 119 097 | 102 956 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 600 | 853 |
| VIII. Other technical expenses, net of reinsurers' share | 39 563 | 37 049 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | 95 379 | 188 428 |

Technical insurance account - direct insurance

CLASS 9 – Insurance against other damage to or loss of property (other than included in classes 3, 4, 5, 6 or 7) due to hail or frost, and any event such as theft, other than those included in class 8

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 606 659 | 557 041 |
| 1. Gross premium written | 615 610 | 590 489 |
| 2. Reinsurers' share in the gross premium written | 28 065 | 12 248 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (16 718) | 16 769 |
| 4. Reinsurers' share in movement in unearned premium reserve | 2 396 | (4 431) |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 2 780 | 2 011 |
| IV. Claims | 269 248 | 269 213 |
| 1. Claims paid out, net of reinsurers' share | 263 758 | 284 473 |
| 1.1. claims paid out, gross | 262 145 | 286 359 |
| 1.2. reinsurers' share in claims paid out | (1 613) | 1 886 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 5 490 | (15 260) |
| 2.1. Movement in outstanding claims reserve, gross | 5 003 | (36 298) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (487) | (21 038) |
| V. Movement in other technical reserves, net of reinsurers' share | - | (19 995) |
| 1. Movement in other technical reserves, gross | - | (19 995) |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | 1 053 | 401 |
| VII. Insurance activities expenses(1+2-3) | 218 717 | 202 469 |
| 1. Acquisition expenses, of which: | 142 151 | 135 570 |
| 1.1. movement in deferred acquisition costs | (1 004) | (4 971) |
| 2. Administrative expenses | 77 383 | 67 492 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 817 | 593 |
| VIII. Other technical expenses, net of reinsurers' share | 6 317 | 6 348 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | 114 104 | 100 616 |

Technical insurance account - direct insurance

CLASS 10 – Motor vehicle liability - All liability arising out of the possession and use of self-propelled land vehicles, including carrier's liability

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 2 774 714 | 2 741 249 |
| 1. Gross premium written | 2 620 910 | 2 849 636 |
| 2. Reinsurers' share in the gross premium written | 11 854 | 9 384 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (165 658) | 99 003 |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | 220 486 | 194 045 |
| III. Other technical income, net of reinsurers' share | 37 878 | 27 363 |
| IV. Claims | 2 573 629 | 2 305 032 |
| 1. Claims paid out, net of reinsurers' share | 2 006 566 | 1 896 006 |
| 1.1. claims paid out, gross | 2 119 870 | 1 950 088 |
| 1.2. reinsurers' share in claims paid out | 113 304 | 54 082 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 567 063 | 409 026 |
| 2.1. Movement in outstanding claims reserve, gross | 428 624 | 307 309 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (138 439) | (101 717) |
| V. Movement in other technical reserves, net of reinsurers' share | - | (620) |
| 1. Movement in other technical reserves, gross | - | (620) |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | 94 | 9 |
| VII. Insurance activities expenses(1+2-3) | 506 760 | 475 511 |
| 1. Acquisition expenses, of which: | 199 779 | 207 814 |
| 1.1. movement in deferred acquisition costs | 458 | (675) |
| 2. Administrative expenses | 329 452 | 325 708 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 22 471 | 58 011 |
| VIII. Other technical expenses, net of reinsurers' share | 290 847 | 390 429 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | (338 252) | (207 704) |

Technical insurance account - direct insurance

CLASS 11 – Aircraft liability – All liability arising out of the possession and use of aircraft, including carrier's liability

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 5 189 | 5 659 |
| 1. Gross premium written | 7 155 | 6 810 |
| 2. Reinsurers' share in the gross premium written | 1 830 | 1 036 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | 176 | 336 |
| 4. Reinsurers' share in movement in unearned premium reserve | 40 | 221 |
| II. Net investment income, transferred from the Profit and Loss Account | 6 | - |
| III. Other technical income, net of reinsurers' share | 11 | 5 |
| IV. Claims | 2 156 | (601) |
| 1. Claims paid out, net of reinsurers' share | 225 | 572 |
| 1.1. claims paid out, gross | 225 | 572 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 1 931 | (1 173) |
| 2.1. Movement in outstanding claims reserve, gross | 1 854 | (1 178) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (77) | (5) |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | 1 851 | 2 326 |
| VII. Insurance activities expenses(1+2-3) | 1 015 | 1 548 |
| 1. Acquisition expenses, of which: | | |
| 1.1. movement in deferred acquisition costs | 67 | (65) |
| 2. Administrative expenses | 899 | 778 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 63 | - |
| VIII. Other technical expenses, net of reinsurers' share | 147 | 127 |
| IX. Movement in risk equalization reserve | (160) | 29 |
| X. Property and casualty insurance underwriting result | 1 212 | 3 783 |

Technical insurance account - direct insurance

CLASS 12 – Liability for ships in sea and inland navigation, arising out of the possession and use of sea and inland vessels, including carrier's liability

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|--------------------------------|--------------------------------|
| I. Premiums | 530 | 490 |
| 1. Gross premium written | 563 | 529 |
| 2. Reinsurers' share in the gross premium written | 38 | 26 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (5) | 13 |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 4 | 4 |
| IV. Claims | 221 | 478 |
| 1. Claims paid out, net of reinsurers' share | 269 | 510 |
| 1.1. claims paid out, gross | 269 | 510 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (48) | (32) |
| 2.1. Movement in outstanding claims reserve, gross | (48) | (31) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | - | 1 |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses (1+2-3) | 175 | 148 |
| 1. Acquisition expenses, of which: | 104 | 88 |
| 1.1. movement in deferred acquisition costs | (2) | (2) |
| 2. Administrative expenses | 71 | 60 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 8 | 5 |
| IX. Movement in risk equalization reserve | 27 | (31) |
| X. Property and casualty insurance underwriting result | 103 | (106) |

Technical insurance account - direct insurance

CLASS 13 - General liability – Liability other than those forms included in classes 10-12

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|--------------------------------|--------------------------------|
| I. Premiums | 427 949 | 371 343 |
| 1. Gross premium written | 448 973 | 403 228 |
| 2. Reinsurers' share in the gross premium written | 14 500 | 10 515 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | 8 228 | 20 453 |
| 4. Reinsurers' share in movement in unearned premium reserve | 1 704 | (917) |
| II. Net investment income, transferred from the Profit and Loss Account | 28 208 | 25 381 |
| III. Other technical income, net of reinsurers' share | 1 117 | 748 |
| IV. Claims | 276 968 | 259 503 |
| 1. Claims paid out, net of reinsurers' share | 245 206 | 133 599 |
| 1.1. claims paid out, gross | 245 205 | 133 810 |
| 1.2. reinsurers' share in claims paid out | (1) | 211 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 31 762 | 125 904 |
| 2.1. Movement in outstanding claims reserve, gross | 32 281 | 125 512 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | 519 | (392) |
| V. Movement in other technical reserves, net of reinsurers' share | - | (8 452) |
| 1. Movement in other technical reserves, gross | - | (8 452) |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | 157 | 34 |
| VII. Insurance activities expenses(1+2-3) | 149 523 | 125 172 |
| 1. Acquisition expenses, of which: | 93 142 | 79 212 |
| 1.1. movement in deferred acquisition costs | (1 918) | (3 813) |
| 2. Administrative expenses | 56 437 | 46 088 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 56 | 128 |
| VIII. Other technical expenses, net of reinsurers' share | 7 634 | 3 535 |
| IX. Movement in risk equalization reserve | 21 397 | 18 565 |
| X. Property and casualty insurance underwriting result | 1 595 | (885) |

Technical insurance account - direct insurance

CLASS 14 – Credit insurance

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|--------------------------------|--------------------------------|
| I. Premiums | 14 887 | 16 553 |
| 1. Gross premium written | 17 232 | 9 493 |
| 2. Reinsurers' share in the gross premium written | 1 870 | 3 338 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | 456 | (11 145) |
| 4. Reinsurers' share in movement in unearned premium reserve | (19) | (747) |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 1 288 | 581 |
| IV. Claims | 189 | (2 508) |
| 1. Claims paid out, net of reinsurers' share | 978 | 210 |
| 1.1. claims paid out, gross | 1 807 | 418 |
| 1.2. reinsurers' share in claims paid out | 829 | 208 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (789) | (2 718) |
| 2.1. Movement in outstanding claims reserve, gross | (636) | (3 899) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | 153 | (1 181) |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | 212 | 308 |
| VII. Insurance activities expenses(1+2-3) | 1 472 | (212) |
| 1. Acquisition expenses, of which: | 224 | 149 |
| 1.1. movement in deferred acquisition costs | 18 | 4 |
| 2. Administrative expenses | 2 166 | 1 085 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 918 | 1 446 |
| VIII. Other technical expenses, net of reinsurers' share | 159 | 851 |
| IX. Movement in risk equalization reserve | 1 844 | 739 |
| X. Property and casualty insurance underwriting result | 12 299 | 17 956 |

Technical insurance account - direct insurance

Class 15 – Suretyship

| Note | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|--------------------------------|--------------------------------|
| I. Premiums | 3 528 | 18 713 |
| 1. Gross premium written | 43 841 | 44 669 |
| 2. Reinsurers' share in the gross premium written | 14 150 | 16 832 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | 38 633 | 13 596 |
| 4. Reinsurers' share in movement in unearned premium reserve | 12 470 | 4 472 |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 153 | 80 |
| IV. Claims | 3 423 | (396) |
| 1. Claims paid out, net of reinsurers' share | (552) | (78) |
| 1.1. claims paid out, gross | (140) | (14) |
| 1.2. reinsurers' share in claims paid out | 412 | 64 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 3 975 | (318) |
| 2.1. Movement in outstanding claims reserve, gross | 5 083 | (699) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | 1 108 | (381) |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | (1 367) | 4 664 |
| 1. Acquisition expenses, of which: | 5 557 | 5 926 |
| 1.1. movement in deferred acquisition costs | (1 511) | (2 275) |
| 2. Administrative expenses | 5 511 | 5 106 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 12 435 | 6 368 |
| VIII. Other technical expenses, net of reinsurers' share | 156 | 145 |
| IX. Movement in risk equalization reserve | (131) | 131 |
| X. Property and casualty insurance underwriting result | 1 600 | 14 249 |

Technical insurance account - direct insurance

CLASS 16 – Insurance of various financial risks

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 95 929 | 88 023 |
| 1. Gross premium written | 149 222 | 82 511 |
| 2. Reinsurers' share in the gross premium written | 8 356 | 8 544 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | 34 594 | (19 023) |
| 4. Reinsurers' share in movement in unearned premium reserve | (10 343) | (4 967) |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 17 082 | 92 |
| IV. Claims | 37 216 | 2 756 |
| 1. Claims paid out, net of reinsurers' share | 19 326 | 4 272 |
| 1.1. claims paid out, gross | 12 792 | 4 627 |
| 1.2. reinsurers' share in claims paid out | (6 534) | 355 |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 17 890 | (1 516) |
| 2.1. Movement in outstanding claims reserve, gross | 18 254 | (1 091) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | 364 | 425 |
| V. Movement in other technical reserves, net of reinsurers' share | - | (95) |
| 1. Movement in other technical reserves, gross | - | (95) |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | 702 | 1 |
| VII. Insurance activities expenses(1+2-3) | 141 704 | 56 193 |
| 1. Acquisition expenses, of which: | 123 717 | 46 872 |
| 1.1. movement in deferred acquisition costs | (34 793) | 5 311 |
| 2. Administrative expenses | 18 758 | 9 431 |
| 3. Reinsurance commissions and the share in reinsurers' profits | 771 | 110 |
| VIII. Other technical expenses, net of reinsurers' share | 1 608 | 17 959 |
| IX. Movement in risk equalization reserve | (1 194) | (803) |
| X. Property and casualty insurance underwriting result | (67 025) | 12 104 |

Technical insurance account - direct insurance

CLASS 17 - Insurance of legal protection

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|--------------------------------|--------------------------------|
| I. Premiums | 813 | 928 |
| 1. Gross premium written | 800 | 1 112 |
| 2. Reinsurers' share in the gross premium written | - | - |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (13) | 184 |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 3 | 9 |
| IV. Claims | 1 459 | 1 648 |
| 1. Claims paid out, net of reinsurers' share | 1 151 | 927 |
| 1.1. claims paid out, gross | 1 151 | 927 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 308 | 721 |
| 2.1. Movement in outstanding claims reserve, gross | 308 | 721 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | - | - |
| V. Movement in other technical reserves, net of reinsurers' share | - | (21) |
| 1. Movement in other technical reserves, gross | - | (21) |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | 237 | 148 |
| 1. Acquisition expenses, of which: | 136 | 21 |
| 1.1. movement in deferred acquisition costs | (8) | (1) |
| 2. Administrative expenses | 101 | 127 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 11 | 1 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | (891) | (839) |

Technical insurance account - direct insurance

CLASS 18 - Insurance of assistance and benefits to persons encountering difficulties while traveling or when away from their place of residence

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 122 110 | 96 326 |
| 1. Gross premium written | 148 221 | 93 948 |
| 2. Reinsurers' share in the gross premium written | (1 154) | - |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | 27 265 | (2 378) |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 45 | 23 |
| IV. Claims | 59 076 | 42 552 |
| 1. Claims paid out, net of reinsurers' share | 54 670 | 39 575 |
| 1.1. claims paid out, gross | 51 751 | 39 430 |
| 1.2. reinsurers' share in claims paid out | (2 919) | (145) |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 4 406 | 2 977 |
| 2.1. Movement in outstanding claims reserve, gross | 4 263 | 3 007 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (143) | 30 |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | 41 734 | 24 383 |
| 1. Acquisition expenses, of which: | 23 097 | 13 645 |
| 1.1. movement in deferred acquisition costs | (4 017) | 266 |
| 2. Administrative expenses | 18 632 | 10 738 |
| 3. Reinsurance commissions and the share in reinsurers' profits | (5) | - |
| VIII. Other technical expenses, net of reinsurers' share | 459 | 203 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | 20 886 | 29 211 |

V. TECHNICAL INSURANCE ACCOUNT - TOTAL INWARD REINSURANCE

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 80 038 | 72 588 |
| 1. Gross premium written | 66 126 | 75 254 |
| 2. Reinsurers' share in the gross premium written | 7 141 | 3 565 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (17 129) | 1 068 |
| 4. Reinsurers' share in movement in unearned premium reserve | 3 924 | 1 967 |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 4 234 | 11 787 |
| IV. Claims | 39 516 | 47 971 |
| 1. Claims paid out, net of reinsurers' share | 46 582 | 18 670 |
| 1.1. claims paid out, gross | 46 631 | 18 670 |
| 1.2. reinsurers' share in claims paid out | 49 | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (7 066) | 29 301 |
| 2.1. Movement in outstanding claims reserve, gross | (7 080) | 29 537 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (14) | 236 |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | 20 639 | 33 979 |
| 1. Acquisition expenses, of which: | 12 326 | 25 378 |
| 1.1. movement in deferred acquisition costs | 7 308 | 533 |
| 2. Administrative expenses | 8 313 | 8 601 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 10 561 | 5 590 |
| IX. Movement in risk equalization reserve | (95) | 308 |
| X. Property and casualty insurance underwriting result | 13 651 | (3 473) |

In 2008-2009 PZU carried out inward reinsurance activities in all accounting classes, except for classes 8 and 9.

Technical insurance account –inward reinsurance

ACCOUNTING CLASS 1 - Accidents and sickness (classes 1 and 2)

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|--------------------------------|--------------------------------|
| I. Premiums | 863 | 338 |
| 1. Gross premium written | 856 | 252 |
| 2. Reinsurers' share in the gross premium written | - | - |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (7) | (86) |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 30 | 5 |
| IV. Claims | (81) | 92 |
| 1. Claims paid out, net of reinsurers' share | - | 107 |
| 1.1. claims paid out, gross | - | 107 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (81) | (15) |
| 2.1. Movement in outstanding claims reserve, gross | (81) | (15) |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | - | - |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | 109 | 30 |
| 1. Acquisition expenses, of which: | 1 | 1 |
| 1.1. movement in deferred acquisition costs | - | - |
| 2. Administrative expenses | 108 | 29 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 36 | 3 |
| IX. Movement in risk equalization reserve | - | (1) |
| X. Property and casualty insurance underwriting result | 829 | 219 |

Technical insurance account –inward reinsurance

ACCOUNTING CLASS 2 - Motor third party liability (class 10)

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 23 622 | 29 490 |
| 1. Gross premium written | 4 118 | 33 317 |
| 2. Reinsurers' share in the gross premium written | - | - |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (19 504) | 3 827 |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 1 503 | 6 029 |
| IV. Claims | 19 151 | 22 686 |
| 1. Claims paid out, net of reinsurers' share | 23 904 | 8 948 |
| 1.1. claims paid out, gross | 23 904 | 8 948 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (4 753) | 13 738 |
| 2.1. Movement in outstanding claims reserve, gross | (4 753) | 13 738 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | - | - |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses (1+2-3) | 1 703 | 15 762 |
| 1. Acquisition expenses, of which: | 1 185 | 11 954 |
| 1.1. movement in deferred acquisition costs | 4 254 | (1 371) |
| 2. Administrative expenses | 518 | 3 808 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 6 228 | 3 588 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | (1 957) | (6 517) |

Technical insurance account –inward reinsurance

ACCOUNTING CLASS 3 - Motor, other classes (class 3)

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|--------------------------------|--------------------------------|
| I. Premiums | 15 372 | 21 434 |
| 1. Gross premium written | 1 807 | 22 124 |
| 2. Reinsurers' share in the gross premium written | - | - |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (13 565) | 690 |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 976 | 4 376 |
| IV. Claims | 5 075 | 18 542 |
| 1. Claims paid out, net of reinsurers' share | 17 238 | 6 218 |
| 1.1. claims paid out, gross | 17 238 | 6 218 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (12 163) | 12 324 |
| 2.1. Movement in outstanding claims reserve, gross | (12 163) | 12 324 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | - | - |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | 4 309 | 12 358 |
| 1. Acquisition expenses, of which: | 4 082 | 9 829 |
| 1.1. movement in deferred acquisition costs | 3 097 | 1 904 |
| 2. Administrative expenses | 227 | 2 529 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 3 666 | 1 260 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | 3 298 | (6 350) |

Technical insurance account –inward reinsurance

ACCOUNTING CLASS 4 - Marine, aviation and transport (classes 4, 5, 6 and 7)

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|--------------------------------|--------------------------------|
| I. Premiums | 4 064 | 3 334 |
| 1. Gross premium written | 3 091 | 3 178 |
| 2. Reinsurers' share in the gross premium written | 66 | - |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (1 039) | (156) |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 107 | 594 |
| IV. Claims | 140 | 1 714 |
| 1. Claims paid out, net of reinsurers' share | 1 172 | 1 542 |
| 1.1. claims paid out, gross | 1 172 | 1 542 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | (1 032) | 172 |
| 2.1. Movement in outstanding claims reserve, gross | (1 032) | 172 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | - | - |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | 760 | 865 |
| 1. Acquisition expenses, of which: | 371 | 502 |
| 1.1. movement in deferred acquisition costs | - | - |
| 2. Administrative expenses | 389 | 363 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 183 | 25 |
| IX. Movement in risk equalization reserve | (111) | 43 |
| X. Property and casualty insurance underwriting result | 3 199 | 1 281 |

Technical insurance account –inward reinsurance

ACCOUNTING CLASS 5 - Fire and other damage to property (classes 8 and 9)

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 23 146 | 10 338 |
| 1. Gross premium written | 43 624 | 8 796 |
| 2. Reinsurers' share in the gross premium written | 6 574 | 2 514 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | 18 285 | (2 690) |
| 4. Reinsurers' share in movement in unearned premium reserve | 4 381 | 1 366 |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 1 415 | 682 |
| IV. Claims | 2 248 | 1 294 |
| 1. Claims paid out, net of reinsurers' share | 1 893 | 1 038 |
| 1.1. claims paid out, gross | 1 898 | 1 038 |
| 1.2. reinsurers' share in claims paid out | 5 | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 355 | 256 |
| 2.1. Movement in outstanding claims reserve, gross | 360 | 259 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | 5 | 3 |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | 9 642 | 1 869 |
| 1. Acquisition expenses, of which: | 4 158 | 864 |
| 1.1. movement in deferred acquisition costs | (43) | - |
| 2. Administrative expenses | 5 484 | 1 005 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 367 | 675 |
| IX. Movement in risk equalization reserve | 256 | 21 |
| X. Property and casualty insurance underwriting result | 12 048 | 7 161 |

Technical insurance account –inward reinsurance

ACCOUNTING CLASS 6 - Third party liability (classes 11, 12 and 13)

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 6 915 | 4 142 |
| 1. Gross premium written | 5 732 | 4 761 |
| 2. Reinsurers' share in the gross premium written | 2 | - |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (1 185) | 619 |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 33 | 74 |
| IV. Claims | 10 503 | 2 896 |
| 1. Claims paid out, net of reinsurers' share | 1 823 | 742 |
| 1.1. claims paid out, gross | 1 823 | 742 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 8 680 | 2 154 |
| 2.1. Movement in outstanding claims reserve, gross | 8 680 | 2 154 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | - | - |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | 2 631 | 2 319 |
| 1. Acquisition expenses, of which: | 1 911 | 1 775 |
| 1.1. movement in deferred acquisition costs | - | - |
| 2. Administrative expenses | 720 | 544 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 44 | 17 |
| IX. Movement in risk equalization reserve | (223) | 223 |
| X. Property and casualty insurance underwriting result | (6 007) | (1 239) |

Technical insurance account –inward reinsurance

ACCOUNTING CLASS 7 - Credit and suretyship (classes 14 and 15)

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 488 | 1 410 |
| 1. Gross premium written | 278 | 987 |
| 2. Reinsurers' share in the gross premium written | - | - |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | (210) | (423) |
| 4. Reinsurers' share in movement in unearned premium reserve | - | - |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | - | 12 |
| IV. Claims | 23 | 115 |
| 1. Claims paid out, net of reinsurers' share | 18 | 75 |
| 1.1. claims paid out, gross | 18 | 75 |
| 1.2. reinsurers' share in claims paid out | - | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 5 | 40 |
| 2.1. Movement in outstanding claims reserve, gross | 5 | 40 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | - | - |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | 265 | 546 |
| 1. Acquisition expenses, of which: | 230 | 433 |
| 1.1. movement in deferred acquisition costs | - | - |
| 2. Administrative expenses | 35 | 113 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 13 | - |
| IX. Movement in risk equalization reserve | (17) | 22 |
| X. Property and casualty insurance underwriting result | 204 | 739 |

Technical insurance account –inward reinsurance

ACCOUNTING CLASS 10 - Miscellaneous (class 16)

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| I. Premiums | 5 568 | 2 102 |
| 1. Gross premium written | 6 620 | 1 839 |
| 2. Reinsurers' share in the gross premium written | 499 | 1 051 |
| 3. Movement in unearned premium reserve and unexpired risk reserve, gross | 96 | (713) |
| 4. Reinsurers' share in movement in unearned premium reserve | (457) | 601 |
| II. Net investment income, transferred from the Profit and Loss Account | - | - |
| III. Other technical income, net of reinsurers' share | 170 | 15 |
| IV. Claims | 2 457 | 632 |
| 1. Claims paid out, net of reinsurers' share | 534 | - |
| 1.1. claims paid out, gross | 578 | - |
| 1.2. reinsurers' share in claims paid out | 44 | - |
| 2. Movement in outstanding claims reserve, net of reinsurers' share | 1 923 | 632 |
| 2.1. Movement in outstanding claims reserve, gross | 1 904 | 865 |
| 2.2. Reinsurers' share in movement in outstanding claims reserve | (19) | 233 |
| V. Movement in other technical reserves, net of reinsurers' share | - | - |
| 1. Movement in other technical reserves, gross | - | - |
| 2. Reinsurers' share in movement in other technical reserves | - | - |
| VI. Bonuses and rebates for the insured, net of reinsurers' share, including | - | - |
| VII. Insurance activities expenses(1+2-3) | 1 220 | 230 |
| 1. Acquisition expenses, of which: | 388 | 20 |
| 1.1. movement in deferred acquisition costs | - | - |
| 2. Administrative expenses | 832 | 210 |
| 3. Reinsurance commissions and the share in reinsurers' profits | - | - |
| VIII. Other technical expenses, net of reinsurers' share | 24 | 22 |
| IX. Movement in risk equalization reserve | - | - |
| X. Property and casualty insurance underwriting result | 2 037 | 1 233 |

VI. GENERAL PROFIT AND LOSS ACCOUNT

| Item | Note | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|------|--------------------------------|--------------------------------|
| I. Property and casualty underwriting result | | 166 308 | 718 263 |
| II. Investment income | | 3 035 222 | 3 528 514 |
| 1. from property | | 10 325 | 6 443 |
| 2. from investments in subordinated entities, of which: | | 1 421 145 | 2 170 349 |
| 2.1. shares | | 1 421 093 | 2 167 480 |
| 2.2. loans and debt securities | | 52 | 2 869 |
| 2.3. other investments | | - | - |
| 3. Income from other financial investments, of which: | | 1 239 601 | 1 289 635 |
| 3.1. shares, variable income securities, participation units and certificates in investment funds | | 16 196 | 51 469 |
| 3.2. debt securities and other fixed income securities | | 1 226 700 | 1 133 623 |
| 3.3. term deposits with financial institutions | | (41 769) | 70 457 |
| 3.4. other investments | | 38 474 | 34 086 |
| 4. Gains on impairment of investments | | 45 605 | 1 158 |
| 5. Gains on realization of investments | | 318 546 | 60 929 |
| III. Unrealized gains on investments | | 104 869 | 13 334 |
| IV. Net investment income transferred from Life Revenue Account | | - | - |
| V. Cost of Investing activities | | 243 358 | 282 289 |
| 1. Cost of property maintenance | | 629 | 465 |
| 2. Other costs of investing activities | | 16 424 | 12 816 |
| 3. Losses on impairment of investments | | 87 051 | 85 630 |
| 4. Losses on realization of investments | | 139 254 | 183 378 |
| VI. Unrealized losses on investments | | 59 350 | 464 660 |
| VII. Net investment income transferred to the Property and Casualty Revenue Account | | 248 700 | 219 426 |
| VIII. Other operating income | X.21 | 177 755 | 41 315 |
| IX. Other operating expenses | X.22 | 234 007 | 51 913 |
| X. Operating profit/(loss) | | 2 698 739 | 3 283 138 |
| XI. Extraordinary gains | | - | - |
| XII. Extraordinary losses | | - | - |
| XIII. Gross profit/(loss) | | 2 698 739 | 3 283 138 |
| XIV. Corporate income tax | X.23 | 188 360 | 256 340 |
| a) current | | 150 965 | 257 064 |
| b) deferred | | 37 395 | 724 |
| XV. Other obligatory decreases of profit /(increases of loss) | | - | - |
| XVI. Net profit/(loss) | | 2 510 379 | 3 026 798 |

VII. STATEMENT OF CHANGES IN EQUITY

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|--------------------------------|--------------------------------|
| I. Shareholders' equity at the beginning of the period | 19 151 579 | 17 017 442 |
| a) adjustments due to fundamental errors | - | - |
| I. a. Shareholders' equity at the beginning of the period, after adjustments | 19 151 579 | 17 017 442 |
| 1. Share capital at the beginning of the period | 86 352 | 86 352 |
| 1.1. Changes in share capital | - | - |
| a) increases | - | - |
| b) decreases | - | - |
| 1.2. Share capital at the end of the period | 86 352 | 86 352 |
| 2. Unpaid share capital at the beginning of the period | - | - |
| 2.1. Changes in unpaid share capital | - | - |
| a) increases | - | - |
| b) decreases | - | - |
| 2.2. Unpaid share capital at the end of the period | - | - |
| 3. Treasury shares at the beginning of the period | - | - |
| 3.1. Changes in treasury shares | - | - |
| a) increases | - | - |
| b) decreases | - | - |
| 3.2. Treasury shares at the beginning of the period | - | - |
| 4. Reserve capital at the beginning of the period | 10 245 766 | 8 825 562 |
| 4.1. Changes in reserve capital | (8 993 552) | 1 420 204 |
| a) increases (due to:) | 3 005 964 | 1 420 204 |
| - profit appropriation (in excess of statutory amounts) | 3 005 798 | 1 420 088 |
| - from revaluation reserve- disposal of fixed assets | 166 | 116 |
| b) decreases (due to:) | 11 999 516 | - |
| - creation of a reserve capital to finance advance payments against dividend | 11 999 516 | - |
| 4.2. Reserve capital at the end of the period | 1 252 214 | 10 245 766 |
| 5. Revaluation reserve at the beginning of the period | 5 792 663 | 6 675 440 |
| 5.1. Changes in revaluation reserve | 1 520 335 | (882 777) |
| a) increases (due to:) | 1 770 510 | 486 904 |
| - valuation of financial investments | 1 735 281 | 417 551 |
| - transfer of impairment losses on investments available-for-sale | 35 229 | 69 353 |
| b) decreases (due to:) | 250 175 | 1 369 681 |
| - valuation of financial investments | 250 009 | 1 369 565 |
| - disposal and liquidation of fixed assets | 166 | 116 |
| 5.2. Revaluation reserve at the end of the period | 7 312 998 | 5 792 663 |
| 6. Other reserves at the beginning of the period | - | - |
| 6.1. Changes to other reserves | - | - |
| a) increases (due to:) | 11 999 516 | - |
| - creation of a reserve capital to finance advance payments against dividend | 11 999 516 | - |
| b) decreases (due to:) | 11 999 516 | - |
| - advance payments against dividend | 11 999 516 | - |
| 6.2. Other reserves at the end of the period | - | - |
| 7. Accumulated profits from previous years at the beginning of the period | 3 026 798 | 1 430 088 |
| 7.1. Accumulated profits from previous years at the beginning of the period | 3 026 798 | 1 430 088 |
| a) adjustments due to fundamental errors | - | - |
| 7.2. Accumulated profits from previous years at the beginning of the period, after | 3 026 798 | 1 430 088 |
| a) increases | - | - |
| b) decreases (due to:) | 3 026 798 | 1 430 088 |
| - transfer to reserve capital | 3 005 798 | 1 420 088 |
| - transfer to the Social Fund | 21 000 | 10 000 |
| 7.3. Accumulated profits from previous years at the end of the period | - | - |
| 7.4. Accumulated losses from previous years at the beginning of the period | - | - |
| a) changes in accounting policies | - | - |
| 7.5. Accumulated losses from previous years at the beginning of the period, after adjustments | - | - |
| 7.6. Accumulated losses from previous years at the end of the period | - | - |
| 7.7. Accumulated profits/(losses) from previous years at the end of the period | - | - |
| 8. Net result | 1 759 978 | 3 026 798 |
| a) net profit | 2 510 379 | 3 026 798 |
| b) net loss | - | - |
| c) profit appropriation | 750 401 | - |
| II. Shareholders' equity at the end of the period | 10 411 542 | 19 151 579 |
| III. Shareholders' equity after proposed appropriation of profits/absorption of losses | 10 411 542 | 19 130 579 |

"Shareholders' equity after proposed appropriation of profit/absorption of losses" has been calculated including the issue specified in point 7.3 of Additional information and explanations

VIII. CASH FLOW STATEMENT

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|-----------------------------|-----------------------------|
| A. Net cash flows from operating activities | (52 640) | 416 512 |
| I. Inflows | 9 042 428 | 8 823 529 |
| 1. Cash inflows from direct insurance and reinsurance inwards, of which: | 8 104 258 | 8 487 583 |
| 1.1. Gross premium written | 7 918 445 | 8 247 122 |
| 1.2. Salvages, subrogations and recoveries | 112 741 | 206 380 |
| 1.3. Other | 73 072 | 34 081 |
| 2. Cash inflows from reinsurance outwards | 203 572 | 112 287 |
| 2.1. Cash inflows from reinsurers' share in claims paid | 166 340 | 99 596 |
| 2.2. Cash inflows from reinsurance commission and the share in reinsurers' profits | 11 781 | 9 073 |
| 2.3. Other | 25 451 | 3 618 |
| 3. Cash inflows from other operating activities | 734 598 | 223 659 |
| 3.1. Proceeds from average adjuster services rendered | 123 972 | 135 519 |
| 3.2. Sale of intangible assets and tangible fixed assets other than investments | 2 249 | 2 523 |
| 3.3. Other inflows | 608 377 | 85 617 |
| II. Outflows | 9 095 068 | 8 407 017 |
| 1. Cash outflows from direct insurance and reinsurance inwards | 7 482 808 | 7 320 102 |
| 1.1. Gross premium returns | 141 975 | 145 222 |
| 1.2. Claims paid out, gross | 4 498 827 | 4 158 454 |
| 1.3. Acquisition expenses | 844 272 | 837 444 |
| 1.4. Administrative expenses | 1 551 424 | 1 628 713 |
| 1.5. Costs of loss adjusting services and subrogation collection | 211 563 | 177 113 |
| 1.6. Commissions paid out and the share in profits from reinsurance inwards | 24 413 | 17 358 |
| 1.7. Other outflows | 210 334 | 355 798 |
| 2. Cash outflows from reinsurance outwards | 141 591 | 155 954 |
| 2.1. Premiums paid in respect of reinsurance | 114 692 | 102 628 |
| 2.2. Other outwards reinsurance expenses | 26 899 | 53 326 |
| 3. Other operating expenses | 1 470 669 | 930 961 |
| 3.1. Expenses relating to average adjuster services rendered | 448 792 | 339 293 |
| 3.2. Purchase of intangible assets and tangible fixed assets other than investments | 108 026 | 80 122 |
| 3.3. Other | 913 851 | 511 546 |
| B. Net cash flow from investing activities | 7 954 992 | (352 008) |
| I. Inflows | 206 579 993 | 161 197 068 |
| 1. Sale of property | - | - |
| 2. Sales of shares in subordinated entities | 20 111 | 19 |
| 3. Sale of shares in other entities, participation units and investment certificates in investment funds | 646 562 | 502 166 |
| 4. Sale of debt securities issued by subordinated entities and loans repaid by those entities | 32 200 | 43 233 |
| 5. Sale of debt securities issued by other entities | 23 594 485 | 13 187 030 |
| 6. Withdrawal of term deposits with financial institutions | 74 891 537 | 63 598 476 |
| 7. Sale of other investments | 105 938 186 | 81 622 546 |
| 8. Inflows from property | 8 337 | 7 713 |
| 9. Interest received | 14 315 | 26 842 |
| 10. Dividends received | 1 434 260 | 2 209 017 |
| 11. Other inflows | - | 26 |
| II. Outflows | 198 625 001 | 161 549 076 |
| 1. Purchase of property | - | 244 919 |
| 2. Purchase of shares in subordinated entities | 11 103 | 176 074 |
| 3. Purchase of shares in the entities, participation units and investment certificates in investment funds | 695 946 | 792 149 |
| 4. Purchase of debt securities issued by subordinated entities and loans granted to those entities | - | 32 200 |
| 5. Purchase of debt securities issued by other entities and loans granted to those entities | 18 837 296 | 15 876 168 |
| 6. Creation of term deposits with financial institutions | 74 130 062 | 63 935 478 |
| 7. Acquisition of other investments | 104 906 962 | 80 478 480 |
| 8. Outflows from property maintenance | 7 487 | 5 707 |
| 9. Other expenses and investments | 36 145 | 7 901 |
| C. Net cash flows from financing activities | (8 029 975) | (3 840) |
| I. Inflows | 4 712 755 | 1 516 |
| 1. Net inflow from issuance of shares and additional payments to share capital | - | - |
| 2. Loans and credits and issuance of debt securities | 4 712 755 | 1 516 |
| 3. Other | - | - |

| Item | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|--------------------------------|--------------------------------|
| II. Outflows | 12 742 730 | 5 356 |
| 1. Dividends paid | 12 742 237 | 3 851 |
| 2. Outflows due to appropriation of profit other than payments to shareholders | - | - |
| 3. Re-acquisition of own shares | - | - |
| 4. Repayment of loans and credits and redemption of debt securities | 493 | 1 502 |
| 5. Interest on loans and credits and debt securities issued | - | 3 |
| 6. Other outflows from financing activities | - | - |
| D. Total net cash flows | (127 623) | 60 664 |
| E. Balance sheet change in cash and cash equivalents, of which: | (128 439) | 60 161 |
| 1. change in cash and cash equivalents due to foreign exchange differences | 816 | 503 |
| F. Cash and cash equivalents at the beginning of the period | 256 239 | 196 078 |
| G. Cash and cash equivalents at the beginning of the period, of which: | 127 800 | 256 239 |
| 1. of restricted use | 53 122 | 67 344 |

IX. ACTUARY'S OPINION

As of 31 December 2009, the technical provisions created by Powszechny Zakład Ubezpieczeń Spółka Akcyjna using the insurance mathematics, were determined correctly.

Paweł Chadysz
Chief Actuary at PZU SA

X. ADDITIONAL INFORMATION AND EXPLANATIONS

1. Intangible assets

Change in intangible assets in the year ended 31 December 2009

| | a) development expenses | b) goodwill | c) acquired differences in patents and similar items | d) other intangible assets | e) other intangible assets | f) prepaid expenses for intangible assets | g) Total intangible assets |
|--|-------------------------|-------------|--|----------------------------|----------------------------|---|----------------------------|
| a) Cost at the beginning of the period | - | - | 136 918 | 133 183 | 13 | 31 531 | 168 462 |
| b) increases (due to): | - | - | 11 069 | 9 030 | - | 34 412 | 45 481 |
| purchases | - | - | - | - | - | 34 412 | 34 412 |
| handing over for use | - | - | 10 421 | 9 030 | - | - | 10 421 |
| donation | - | - | - | - | - | - | - |
| other | - | - | - | - | - | - | - |
| decreases (due to) | - | - | 648 | - | - | - | 648 |
| sales | - | - | 1 290 | 802 | - | 10 421 | 11 711 |
| liquidation | - | - | - | - | - | - | - |
| donation | - | - | 642 | 154 | - | - | 642 |
| handing over for use | - | - | - | - | - | - | - |
| other | - | - | 648 | 648 | - | 10 421 | 11 069 |
| d) Cost at the end of the end | - | - | 146 697 | 141 411 | 13 | 55 522 | 202 232 |
| e) Accumulated amortization at the beginning of the period | - | - | 116 361 | 113 902 | 13 | - | 116 374 |
| f) amortization for the period: | - | - | 14 191 | 13 369 | - | - | 14 191 |
| charge for the year | - | - | 14 690 | 13 523 | - | - | 14 690 |
| sales | - | - | - | - | - | - | - |
| liquidation | - | - | (499) | (154) | - | - | (499) |
| donation | - | - | - | - | - | - | - |
| other | - | - | - | - | - | - | - |
| g) Accumulated amortization at the beginning of the period | - | - | 130 552 | 127 271 | 13 | - | 130 565 |
| h) Impairment losses at the beginning of the period | - | - | - | - | - | 20 233 | 20 233 |
| increases | - | - | - | - | - | 1 874 | 1 874 |
| decreases | - | - | - | - | - | - | - |
| i) Impairment losses at the end of the period | - | - | - | - | - | 22 107 | 22 107 |
| j) Carrying amount at the end of the period | - | - | 16 145 | 14 140 | - | 33 415 | 49 560 |

“Impairment losses” as of 31 December 2009 include appropriations to the CORPO project (Implementation of a system for management of corporate insurance) in the amount of PLN 15,852 thousand and to the CBDK project (Central Customer Data Base) in the amount of PLN 6,255 thousand.

Change in intangible assets in the year ended 31 December 2008

| | Development expenditure | Goodwill | Acquired licences, patents and similar items | Software, computer software | Other intangible assets | Prepayments for intangible assets | Total intangible assets |
|--|----------------------------|----------|--|--------------------------------|----------------------------|--------------------------------------|----------------------------|
| a) Cost at the beginning of the period | - | - | 114 447 | 111 817 | 13 | 36 790 | 151 250 |
| b) increases (due to:) | - | - | 22 481 | 21 376 | - | 17 222 | 39 703 |
| purchases | - | - | - | - | - | 17 222 | 17 222 |
| handing over for use | - | - | 22 481 | 21 376 | - | - | 22 481 |
| donation | - | - | - | - | - | - | - |
| other | - | - | - | - | - | - | - |
| c) decreases (due to) | - | - | 10 | 10 | - | 22 481 | 22 491 |
| sales | - | - | - | - | - | - | - |
| liquidation | - | - | 10 | 10 | - | - | 10 |
| donation | - | - | - | - | - | - | - |
| handing over for use | - | - | - | - | - | 22 481 | 22 481 |
| d) Cost at the end of the end | - | - | 136 918 | 133 183 | 13 | 31 531 | 168 462 |
| e) Accumulated amortization at the beginning of the period | - | - | 104 283 | 102 409 | 13 | - | 104 296 |
| f) amortization for the period: | - | - | 12 078 | 11 493 | - | - | 12 078 |
| charge for the year | - | - | 12 088 | 11 503 | - | - | 12 088 |
| sales | - | - | - | - | - | - | - |
| liquidation | - | - | (10) | (10) | - | - | (10) |
| donation | - | - | - | - | - | - | - |
| other | - | - | - | - | - | - | - |
| g) Accumulated amortization at the beginning of the period | - | - | 116 361 | 113 902 | 13 | - | 116 374 |
| h) Impairment losses at the beginning of the period | - | - | - | - | - | 6 255 | 6 255 |
| increases | - | - | - | - | - | 13 978 | 13 978 |
| decreases | - | - | - | - | - | - | - |
| i) Impairment losses at the end of the period | - | - | - | - | - | 20 233 | 20 233 |
| j) Carrying amount at the end of the period | - | - | 20 557 | 19 281 | - | 11 298 | 31 855 |

"Impairment losses" as of 31 December 2008 include appropriations to the CORPO project (Implementation of a system for management of corporate insurance) in the amount of PLN 13,978 thousand and to the CBDK project (Central Customer Data Base) in the amount of PLN 6,255 thousand.

2. Investments

Currency structure of investments as of 31 December 2009

| Investments | PLN | EUR | USD | LTL | UAH | GBP | Other | Total |
|--|-------------------|----------------|--------------|---------------|--------------|-----|-------|-------------------|
| Total | 25 979 682 | 690 362 | 7 834 | 81 245 | 6 650 | - | - | 26 765 773 |
| I. Property | 600 110 | - | - | - | - | - | - | 600 110 |
| II. Investments in subordinated entities | 7 622 754 | - | - | 81 245 | 6 650 | - | - | 7 710 649 |
| III. Other financial investments | 17 756 818 | 678 208 | 7 069 | - | - | - | - | 18 442 095 |
| IV. Deposits due from cedants | - | 12 154 | 765 | - | - | - | - | 12 919 |

Currency structure of investments as of 31 December 2008

| Investments | PLN | EUR | USD | LTL | UAH | GBP | Other | Total |
|--|-------------------|----------------|--------------|---------------|---------------|--------------|--------------|-------------------|
| Total | 29 985 604 | 317 599 | 8 290 | 93 650 | 40 429 | 1 529 | 4 270 | 30 451 371 |
| I. Property | 602 697 | - | - | - | - | - | - | 602 697 |
| II. Investments in subordinated entities | 6 201 669 | - | - | 93 650 | 40 429 | - | - | 6 335 748 |
| III. Other financial investments | 23 181 238 | 307 986 | 5 563 | - | - | 1 529 | 4 263 | 23 500 579 |
| IV. Deposits due from cedants | - | 9 613 | 2 727 | - | - | - | 7 | 12 347 |

Geographical structure of investments as of 31 December 2009

| | Domestic | | | | Foreign EU countries | | | | Foreign non-EU countries | | | | Total | | | |
|---|------------|------------|-----------------|------------|----------------------|------------|-----------------|------------|--------------------------|------------|-----------------|------------|------------|------------|-----------------|------------|
| | Cost | Fair value | Carrying amount | Impairment | Cost | Fair value | Carrying amount | Impairment | Cost | Fair value | Carrying amount | Impairment | Cost | Fair value | Carrying amount | Impairment |
| I. Property* | 821 536 | 1 022 126 | 600 110 | 76 886 | - | - | - | - | - | - | - | - | 821 536 | 1 022 126 | 600 110 | 76 886 |
| III. Investments in subordinated entities ** | 572 915 | 7 622 754 | 7 622 754 | 3 881 | 202 357 | 81 245 | 81 245 | - | 228 021 | 6 650 | 6 650 | - | 1 003 293 | 7 710 649 | 7 710 649 | 3 881 |
| III. Other financial investments | 17 131 810 | 17 751 136 | 17 923 662 | 115 240 | 516 811 | 527 954 | 518 433 | - | - | - | - | - | 17 648 621 | 18 279 090 | 18 442 095 | 115 240 |
| 1. Shares and other variable income securities | 977 704 | 1 048 920 | 1 048 920 | 104 699 | - | - | - | - | - | - | - | - | 977 704 | 1 048 920 | 1 048 920 | 104 699 |
| - valued at fair value | 964 916 | 1 048 689 | 1 048 689 | 92 142 | - | - | - | - | - | - | - | - | 964 916 | 1 048 689 | 1 048 689 | 92 142 |
| - valued at acquisition cost | 12 788 | 231 | 231 | 12 557 | - | - | - | - | - | - | - | - | 12 788 | 231 | 231 | 12 557 |
| 2. Participation units and investment certificates in investments funds | 189 044 | 195 156 | 195 156 | 10 541 | 6 037 | 5 883 | 5 883 | - | - | - | - | - | 195 081 | 201 039 | 201 039 | 10 541 |
| 3. Debt securities and other securities with fixed income | 15 415 814 | 15 956 954 | 16 129 480 | - | 510 774 | 520 013 | 510 492 | - | - | - | - | - | 15 926 588 | 16 476 967 | 16 639 972 | - |
| - valued at fair value | 6 898 547 | 7 180 779 | 7 180 779 | - | 441 152 | 440 550 | 440 550 | - | - | - | - | - | 7 339 699 | 7 621 329 | 7 621 329 | - |
| - valued at amortized cost or acquisition cost | 8 517 267 | 8 776 175 | 8 948 701 | - | 69 622 | 79 463 | 69 942 | - | - | - | - | - | 8 586 889 | 8 855 638 | 9 018 643 | - |
| 4. Shares in investments in joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5. Mortgage loans | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6. Other loans | 176 397 | 176 748 | 176 748 | - | - | - | - | - | - | - | - | - | 176 397 | 176 748 | 176 748 | - |
| 7. Term deposits with financial institutions | 372 851 | 373 225 | 373 225 | - | - | - | - | - | - | - | - | - | 372 851 | 373 225 | 373 225 | - |
| 8. Other investments | - | 133 | 133 | - | - | 2 058 | 2 058 | - | - | - | - | - | - | 2 191 | 2 191 | - |
| IV. Deposits due from cedants | - | - | - | - | 12 919 | 12 919 | 12 919 | - | - | - | - | - | 12 919 | 12 919 | 12 919 | - |
| Total | 18 526 261 | 26 396 016 | 26 146 526 | 196 007 | 732 087 | 622 118 | 612 597 | - | 228 021 | 6 650 | 6 650 | - | 19 486 369 | 27 024 784 | 26 765 773 | 196 007 |

* The fair value of real property results from valuations carried out mainly in 2008 and 2007, based primarily on the income method.

** In the case of companies measured using the equity method, the fair value of investments in subordinated entities (which cannot be precisely specified) was adopted at the level of net assets of those companies as of the balance sheet date, increased by non-amortized fair value as of the balance sheet date including impairment losses.

Geographical structure of investments as of 31 December 2008

| | Domestic | | | | Foreign subsidiaries | | | | Foreign portfolio companies | | | | Total | |
|---|------------|------------|-----------------|------------|----------------------|------------|-----------------|------------|-----------------------------|------------|-----------------|------------|-----------------|------------|
| | Cost | Fair value | Carrying amount | Impairment | Cost | Fair value | Carrying amount | Impairment | Cost | Fair value | Carrying amount | Impairment | Carrying amount | Impairment |
| I. Property* | 806 227 | 1 009 845 | 602 697 | 80 014 | - | - | - | - | - | - | - | - | 602 697 | 80 014 |
| III. Investments in subordinated entities ** | 606 770 | 6 201 669 | 6 201 669 | 4 231 | 202 357 | 93 650 | 93 650 | - | 228 021 | 40 429 | 40 429 | - | 6 335 748 | 4 231 |
| III. Other financial investments | 22 958 074 | 23 505 006 | 23 493 276 | 98 179 | 16 011 | 3 040 | 3 040 | - | 6 675 | 4 263 | 4 263 | - | 23 505 006 | 98 179 |
| 1. Shares and other variable income securities | 1 161 480 | 738 073 | 738 073 | 87 638 | 16 011 | 3 011 | 3 011 | - | 6 675 | 4 263 | 4 263 | - | 745 347 | 87 638 |
| - valued at fair value | 1 148 692 | 737 842 | 737 842 | 75 081 | 16 011 | 3 011 | 3 011 | - | 6 675 | 4 263 | 4 263 | - | 745 116 | 75 081 |
| - valued at acquisition cost | 12 788 | 231 | 231 | 12 557 | - | - | - | - | - | - | - | - | 231 | 12 557 |
| 2. Participation units and investment certificates in investments funds | 187 044 | 178 234 | 178 234 | 10 541 | - | - | - | - | - | - | - | - | 178 234 | 10 541 |
| 3. Debt securities and other securities with fixed income | 20 190 987 | 21 161 424 | 21 149 694 | - | - | - | - | - | - | - | - | - | 21 149 694 | - |
| - valued at fair value | 10 368 697 | 10 839 916 | 10 839 916 | - | - | - | - | - | - | - | - | - | 10 839 916 | - |
| - valued at amortized cost or acquisition cost | 9 822 290 | 10 321 508 | 10 309 778 | - | - | - | - | - | - | - | - | - | 10 309 778 | - |
| 4. Shares in investments in joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5. Mortgage loans | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6. Other loans | 269 741 | 269 741 | 269 741 | - | - | - | - | - | - | - | - | - | 269 741 | - |
| 7. Term deposits with financial institutions | 1 148 822 | 1 157 412 | 1 157 412 | - | - | - | - | - | - | - | - | - | 1 157 412 | - |
| 8. Other investments | - | 122 | 122 | - | - | 29 | 29 | - | - | - | - | - | 151 | - |
| IV. Deposits due from cedants | - | - | - | - | 12 347 | 12 347 | 12 347 | - | - | - | - | - | 12 347 | - |
| Total | 24 371 071 | 30 716 520 | 30 297 642 | 182 424 | 230 715 | 109 037 | 109 037 | - | 234 696 | 44 692 | 44 692 | - | 30 870 249 | 182 424 |

* The fair value of real property results from valuations carried out mainly in 2008 and 2007, based primarily on the income method.

** In the case of companies measured using the equity method, the fair value of investments in subordinated entities (which cannot be precisely specified) was adopted at the level of net assets of those companies as of the balance sheet date, increased by non-amortized fair value as of the balance sheet date including impairment losses.

2.1. Investments in subordinated entities

| Description | 31-12-2009 | 31-12-2008 |
|--|------------------|------------------|
| a) shares, of which: | 7 702 725 | 6 303 548 |
| in subsidiaries | 7 702 725 | 6 290 769 |
| in associates | - | 12 779 |
| b) loans granted, of which: | - | 32 200 |
| in subsidiaries | - | 32 200 |
| c) debt securities | - | - |
| d) other investment (by type) | 7 924 | - |
| paid up unregistered share capital of PZU Pomoc SA | 7 924 | - |
| Investments in subordinated entities, total | 7 710 649 | 6 335 748 |

The loan to Ogródowa - Inwestycje Sp. z o.o. in the amount of PLN 32,200 thousand, presented as of 31 December 2008 under "loans granted to subordinated entities" was fully paid up in 2009.

Securities in subordinated entities

| Description | 31-12-2009 | 31-12-2008 |
|---|------------------|------------------|
| Securities admitted to public trading on a regular market | 110 | - |
| - domestic | 110 | - |
| Securities not admitted to public trading on a regular market | 7 474 324 | 6 088 902 |
| - domestic | 7 386 429 | 5 954 823 |
| - foreign - the UE countries | 81 245 | 93 650 |
| - foreign- other countries | 6 650 | 40 429 |
| Securities in subordinated entities, total | 7 474 434 | 6 088 902 |

Securities in subordinated entities by marketability

| Description | 31-12-2009 | 31-12-2008 |
|--|------------------|------------------|
| Securities with unlimited marketability | 7 474 434 | 6 088 902 |
| - domestic | 7 386 539 | 5 954 823 |
| - foreign - the UE countries | 81 245 | 93 650 |
| - foreign- other countries | 6 650 | 40 429 |
| Securities with limited marketability | - | - |
| Total securities in subordinated entities, by marketability | 7 474 434 | 6 088 902 |

As of 31 December 2009 and 31 December 2008, PZU did not have any securities in subordinated entities, guaranteed by the State Treasury or international organizations which Poland has joined or local authorities.

Shares in subordinated entities as of 31 December 2009

| Name of company (including legal form) | Registered office | Principal activities | Type of capital relationship | Date on which control was acquired (date from which significant influence is exercised) | Value of shares at cost | Adjustments due to revaluation gains/impairment (losses - total) | Carrying amount | % of share capital held directly by PZU | Share in the total number of votes at the Annual General Meeting |
|--|----------------------|---|---------------------------------|---|----------------------------|--|-----------------|--|---|
| 1. PZU ŻYCIE SA („PZU Życie”) | Warszawa | Life insurance | subsidiary of PZU | 18.12.1991 | 295 088 | 7 080 681 | 7 375 769 | 100,00% | 100,00% |
| 2. UAB DK PZU Lietuva | Wilno-Litwa | Property insurance | subsidiary of PZU | 26.04.2002 | 162 122 | (106 485) | 55 637 | 99,76% | 99,76% |
| 3. PZU Tower Sp. z o.o. („PZU Tower”) | Warszawa | Purchase and sale of property, agency services in property trading, property administration | indirect subsidiary of PZU | 17.08.1999 | 112 900 | (29 633) | 83 267 | 27,47% | 27,47% |
| 4. PZU Asset Management S.A. („PZU AM”) | Warszawa | Administration of third parties investment portfolio on the request of those parties | indirect subsidiary of PZU | 12.07.2001 | 5 840 | - | 5 840 | 50,00% | 50,00% |
| 5. Syta Development Sp. z o.o. w likwidacji („Syta Development”) | Warszawa | Purchase and sale of property, property agency services, administration of property | subsidiary of PZU | 29.04.1996 | 22 | (22) | - | 100,00% | 100,00% |
| 6. Sp. z o.o. („Ogrodowa Inwestycje”) | Warszawa | Business and management advisory services, holding related activities | subsidiary of PZU | 15.09.2004 | 142 289 | 2 683 | 144 972 | 100,00% | 100,00% |
| 7. UAB PZU Lietuva Gyvybes Draudimas | Wilno-Litwa | Life insurance | subsidiary of PZU | 08.04.2004 | 40 235 | (14 627) | 25 608 | 99,34% | 99,34% |
| 8. Międzyzakładowe Pracownicze Tow. Emerytalne S.A. („MPTE”) | Warszawa | Setting up and administration of an employee pension plan (the EEP) | subsidiary of PZU | 13.08.2004 | 500 | - | 500 | 100,00% | 100,00% |
| 9. PJSC IC PZU Ukraine ** | Kijów-Ukraina | Property insurance | subsidiary of PZU | 01.07.2005 | 202 160 | (195 737) | 6 423 | 100,00% | 100,00% |
| 10. PJSC IC PZU Ukraine Life Insurance ** | Kijów-Ukraina | Life insurance | subsidiary of PZU | 01.07.2005 | 25 861 | (25 634) | 227 | 72,30% | 72,30% |
| 11. ICH Center S.A. („ICH Center”) | Warszawa | Handling of claims under Green Card insurance | subsidiary of PZU | 31.01.1996 | 1 293 | - | 1 293 | 90,00% | 90,00% |
| 12. Ipsilon Sp. z o.o. | Warszawa | Assistance services and providing medical services | subsidiary of PZU | 02.04.2009 | 52 | - | 52 | 100,00% | 100,00% |
| 13. PZU Pomoc SA | Warszawa | Assistance services | subsidiary of PZU | 18.03.2009 | 3 027 | - | 3 027 | 100,00% | 100,00% |
| 14. Krakowska Fabryka Armatur SA | Kraków | Production of kitchen and bathroom fittings | indirect subsidiary of PZU | 27.08.2010 | 123 | (13) | 110 | 0,05% | 0,05% |
| Razem | | | | | 991 512 | 6 711 213 | 7 702 725 | | |

* „Adjustments due to revaluation gains/impairment losses” include revaluation resulting from the measurement using the equity method, goodwill amortization and an impairment loss on goodwill.

** In 2009, the legal form of the Ukrainian insurance companies, described in point 2.1.4 of Additional information and explanations, was changed.

Shares in subordinated entities as of 31 December 2008

| Name of company (including legal form) | Registered office | Principal activities | Type of capital relationship | Date on which control was acquired/date from which significant influence is exercised | Value of shares at cost | Adjustments due to revaluation, gains/impairment in losses (total)* | Gaining amount | % of the share capital held directly by PZU | Share in the total number of votes at the Annual General Meeting |
|--|-------------------|---|---------------------------------|---|----------------------------|---|----------------|--|---|
| 1. PZU ZYCIE SA („PZU Życie”) | Warszawa | life insurance | subsidiary of PZU | 18.12.1991 | 295 088 | 5 639 617 | 5 934 705 | 100,00% | 100,00% |
| 2. UAB DK PZU Lietuva | Wilno-Litwa | Property insurance | subsidiary of PZU | 26.04.2002 | 162 122 | (94 929) | 67 193 | 99,76% | 99,76% |
| 3. PZU Tower Sp. z o.o. („PZU Tower”) | Warszawa | Purchase and sale of property, agency services in property trading, property administration | indirect subsidiary of PZU | 17.08.1999 | 112 900 | (40 487) | 72 413 | 27,47% | 27,47% |
| 4. PZU Asset Management S.A. („PZU AM”) | Warszawa | Administration of third parties investment portfolio on the request of those parties | indirect subsidiary of PZU | 12.07.2001 | 5 840 | (294) | 5 546 | 50,00% | 50,00% |
| 5. Syta Development Sp. z o.o. w likwidacji („Syta Development”) | Warszawa | Purchase and sale of property, property agency services, administration of property | subsidiary of PZU | 29.04.1996 | 22 | (22) | - | 100,00% | 100,00% |
| 6. Ogródowa - Inwestycje Sp. z o.o. („Ogródowa Inwestycje”) | Warszawa | Business and management advisory services, holding related activities | subsidiary of PZU | 15.09.2004 | 142 289 | (56) | 142 233 | 100,00% | 100,00% |
| 7. UAB PZU Lietuva Grybes Draudimas | Wilno-Litwa | life insurance | subsidiary of PZU | 08.04.2004 | 40 235 | (13 778) | 26 457 | 99,34% | 99,34% |
| 8. Międzyzakładowe Pracownicze Tow. Emerytalne S.A. („MPTE”) | Warszawa | Setting up and administration of an employee pension plan (the EEP) | subsidiary of PZU | 13.08.2004 | 500 | - | 500 | 100,00% | 100,00% |
| 9. OJSC IC PZU Ukraine | Kijów-Ukraina | Property insurance | subsidiary of PZU | 01.07.2005 | 202 160 | (168 438) | 33 722 | 100,00% | 100,00% |
| 10. OJSC IC PZU Ukraine Life Insurance | Kijów-Ukraina | life insurance | subsidiary of PZU | 01.07.2005 | 25 861 | (19 154) | 6 707 | 72,30% | 72,30% |
| 11. ICH Center S.A. („ICH Center”) | Warszawa | Handling of claims under Green Card insurance | subsidiary of PZU | 31.01.1996 | 1 293 | - | 1 293 | 90,00% | 90,00% |
| 12. Polskie Towarzystwo Reasekuracyjne S.A. („PTR”) | Warszawa | Organizing and conducting reinsurance activities in all insurance groups and types of insurance and other activities directly related to reinsurance | indirect subsidiary of PZU | 10.09.1996 | 12 779 | - | 12 779 | 11,88% | 11,88% |
| Razem | | | | | 1 001 089 | 5 302 459 | 6 303 548 | | |

* „Adjustments due to revaluation gains/impairment losses” includes revaluation resulting from the measurement using the equity method, goodwill amortization and an impairment loss on goodwill

2.1.1 Sale of shares in PTR

On 12 January 2009, PZU sold all shares (12,500 thousand) in an associate, PTR, for PLN 20,000 thousand, i.e. PLN 1.60 per share, and the transaction increased the gross financial result for 2009 by PLN 7,221 thousand.

2.1.2 PZU Pomoc

A notarized deed incorporating PZU Pomoc was signed on 24 February 2009.

The share capital of PZU Pomoc is PLN 3,000 thousand and is divided into 300,000 A series shares with the nominal value of PLN 10.00 each. The sole founder and shareholder is PZU. The capital was full paid up on 4 March 2009.

PZU Pomoc was entered in the register of entrepreneurs on 18 March 2009, by the Registration Court for the capital city of Warsaw, XII Business Division of the National Court Register.

PZU Pomoc has been carrying out operating activities since 8 May 2009, and the key scope of its activities is assistance and medial services.

On 18 December 2009, the Extraordinary Shareholders' Meeting of PZU Pomoc adopted a resolution on increasing the share capital of the Company by PLN 865 thousand by means of issuing 86,500 ordinary registered shares, B series, with the nominal value of PLN 10 each. The issue price was PLN 91.60 per share, i.e. PLN 7,923 thousand in total. Pursuant to the agreement for assumption of all shares by PZU, concluded between PZU and PZU Pomoc on 21 December 2009, PZU made a payment for the shares on 23 December 2009.

By the date of signing these financial statements, the increase in the share capital of PZU had not been registered in the National Court Register.

2.1.3 Ipsilon

A notarized deed incorporating Ipsilon was signed on 24 February 2009.

The share capital of the Company is PLN 50 thousand and is divided into 1,000 with the nominal value of PLN 50 each. The sole founder and shareholder is PZU. The capital was full paid up on 18 March 2009.

By the date of signing these financial statements, Ipsilon had not started operating activities.

2.1.4 Change in the legal form of Ukrainian insurance companies

The Ukrainian Joint-Stock Companies Act which came into force on 30 April 2009 changed the classification of joint-stock companies. The act replaced the existing division into open and closed joint-stock companies and introduced public and private companies.

On 16 November 2009, the Extraordinary Shareholders' Meetings of OJSC IC PZU Ukraine and OJSC IC PZU Ukraine Life Insurance adopted resolutions to change the organization of the companies from open joint-stock companies to private joint-stock companies. Since the day of registration of changes in the articles of association on 17 November 2009, the companies have been operating under the following business names:

- Private Joint-Stock Insurance Company PZU Ukraine (PrJSC IC PZU Ukraine);
- Private Joint-Stock Insurance Company PZU Ukraine Life Insurance (PrJSC IC PZU Ukraine Life Insurance);

2.2. Other financial investments

Other financial investments, by portfolio classification

| Description | 31-12-2009 | 31-12-2008 |
|---|-------------------|-------------------|
| a) financial assets held for trading | 763 605 | 1 034 448 |
| b) financial assets available-for-sale | 8 109 874 | 10 729 201 |
| c) financial assets held to maturity | 9 018 643 | 10 309 777 |
| d) loans and receivables, of which: | 549 973 | 1 427 153 |
| - term deposits with financial institutions | 373 225 | 1 157 412 |
| Total other financial investments, by portfolio classification | 18 442 095 | 23 500 579 |

Securities by those admitted and not admitted to trading

| Description | 31-12-2009 | 31-12-2008 |
|---|-------------------|-------------------|
| 1) admitted to public trading on a regulated market | 17 550 062 | 21 844 131 |
| - domestic | 17 103 628 | 21 836 857 |
| - foreign - the UE countries | 446 434 | 3 011 |
| - foreign- other countries | - | 4 263 |
| 2) not admitted to public trading on a regulated market | 303 063 | 204 065 |
| - domestic | 233 121 | 204 065 |
| - foreign - the UE countries | 69 942 | - |
| - foreign- other countries | - | - |
| Total securities (other financial investments) | 17 853 125 | 22 048 196 |

Securities by marketability

| Description | 31-12-2009 | 31-12-2008 |
|---|-------------------|-------------------|
| 1) with unlimited marketability | 17 853 125 | 22 048 196 |
| - domestic | 17 336 749 | 22 040 922 |
| - foreign - the UE countries | 516 376 | 3 011 |
| - foreign- other countries | - | 4 263 |
| 2) with limited marketability | - | - |
| Total securities (other financial investments), by marketability | 17 853 125 | 22 048 196 |

Securities - guaranteed by state and international institutions

| Description | 31-12-2009 | 31-12-2008 |
|---|-------------------|-------------------|
| 1) Securities issued or guaranteed by State Treasury or international organizations to which Poland belongs | 15 835 848 | 20 895 180 |
| - domestic | 15 835 848 | 20 895 180 |
| - foreign - the UE countries | - | - |
| - foreign- other countries | - | - |
| 2) Securities issued or guaranteed by local governments | - | - |
| Other financial investments, total | 15 835 848 | 20 895 180 |

2.2.1 Impairment loss on assets available for sale

As of 31 March 2009, PZU created an impairment loss on the value of assets available for sale in the amount of PLN 43,492 thousand, which reduced the net financial result by PLN 35,229 thousand.

As of 31 March 2009, the impairment loss on shares did not change.

2.3. Investment risks

2.3.1 Interest rate risk

The interest rate risk applies mainly to derivatives and debt securities acquired as instruments held for trading or available for sale with value as of 31 December 2009 of PLN 7,623.4 million (31 December 2008: PLN 10,839.8 million).

In 2009, PZU reduced the risk by:

- buying and selling derivatives;
- diversifying the portfolio by buying instruments with various maturity dates.

As of 31 December 2009, the value of instruments held to maturity was PLN 9,018.6 million (31 December 2008: PLN 10,309.8 million). As of 31 December 2009, the effective interest rate of the portfolio was 5.84% (31 December 2008: 6.07%).

Average yield of two-, five- and ten-year bonds sold at auctions between 1 January to 31 December 2009 was 5.26%, 5.70%, 6.27%, respectively (in 2008: 5.78%, 5.94%, 5.88%).

In 2009, PZU reduced the interest rate risk related to financial instruments classified as loans and own receivables by limiting the maximum maturity period of bank deposits and contingent transactions on securities down to 1 month.

2.3.2 Credit risk

In 2009, PZU followed a restrictive credit risk policy. The strategy of PZU limited the possibilities of investment in debt securities to instruments in the case of which the investment rating of issuers or underwriters was at least BBB - Standard&Poor's or were quoted on a stock exchange (with limited individual risk exposure). Any plans of acquiring securities underwent an internal scoring process.

PZU also managed exposure to credit risk towards particular banks. The value of deposits in particular banks was subjected to limits set on the basis of financial results, rating and other ratios characteristic of banks.

The Company's policy as regards mortgages, provided for granting them based on a profitability analysis and market analysis for the ventures.

PZU did not limit its exposure to securities issued by the Ministry of Finance of Poland and concluded that such instruments for a domestic entity - PZU, are free from credit risk.

Assets subject to credit risk - balance as of 31 December 2009

| Assets subject to credit risk | AAA | AA | A | BBB | BB | Rating not available | Total |
|--|---------|--------|------------|---------|----|----------------------|------------|
| Debt securities | 602 739 | 69 942 | 15 835 848 | 131 443 | - | - | 16 639 972 |
| Bank deposits and contingent transactions in Treasury securities | - | - | 477 400 | 51 078 | - | - | 528 478 |
| Mortgage loans | - | - | - | - | - | 21 495 | 21 495 |
| Assets subject to credit risk, total | 602 739 | 69 942 | 16 313 248 | 182 521 | - | 21 495 | 17 189 945 |

Credit risk exposure resulting from contingent transactions was presented as exposure towards an issuer of such securities, investment ratings of the Fitch agency (in the absence of a Fitch rating, a rating of Standard&Poors or Moody's was used).

Assets subject to credit risk - balance as of 31 December 2008

| Assets subject to credit risk | AAA | AA | A | BBB | BB | Rating not available | Total |
|--|---------|-------|------------|---------|----|----------------------|------------|
| Debt securities | 188 627 | - | 20 895 179 | 65 888 | - | - | 21 149 694 |
| Bank deposits and contingent transactions in Treasury securities | - | 5 008 | 935 522 | 486 623 | - | - | 1 427 153 |
| Mortgage loans | - | - | - | - | - | 32 200 | 32 200 |
| Assets subject to credit risk, total | 188 627 | 5 008 | 21 830 701 | 552 511 | - | 32 200 | 22 609 047 |

Credit risk exposure resulting from contingent transactions was presented as exposure towards an issuer of such securities, investment ratings of the Fitch agency (in the absence of a Fitch rating, a rating of Standard&Poors or Moody's was used).

As of 31 December 2009, the maximum credit exposure for PZU was PLN 296.6 million (31 December 2008: PLN 397.4 million). The amount was calculated based on credit risk ratios presented in the table below:

| Rating | AAA | AA | A | BBB | BB | No rating |
|---|-----|-----|-----|-----|------|-----------|
| Ratios for calculation as of 31 December 2009 (%) | 0,7 | 0,7 | 1,7 | 4,4 | 14,6 | 30,4 |
| Ratios for calculation as of 31 December 2008 (%) | 0,7 | 0,7 | 1,7 | 4,4 | 14,6 | 30,4 |

*In the case of exposure to mortgages, the ratio of 2% was adopted with no rating.

When it is highly likely that the asset controlled by PZU will not generate the expected economic benefits in the future, in whole or in part, due to the credit risk exposure, PZU will create a revaluation write-down and thus bring the value of the asset to the net sales price, and in its absence to otherwise determined fair value.

2.3.3 *FX risk*

As of 31 December 2009, the matching of technical provisions and assets denominated in foreign currencies was plus PLN 73.6 million (the value of assets to cover technical provisions denominated in foreign currencies was PLN 927.7 million and the value of technical provisions denominated in foreign currencies was PLN 854.1 million).

As of 31 December 2008, the same matching was minus PLN 79.8 million (the value of assets to cover technical provisions denominated in foreign currencies was PLN 736.6 million and the value of technical provisions denominated in foreign currencies was PLN 843.4 million).

Additionally, the credit risk applies to the following portfolio of foreign currency investments which do not cover technical provisions:

| Type of investment | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Subordinated entities | 87 895 | 134 079 |
| Investment certificates held for trading | 5 883 | 7 274 |
| Derivatives | 2 058 | 29 |

In 2008-2009, PZU reduced the risk by:

- reducing the value of the portfolio of investments to cover technical provisions denominated in foreign currencies by minimum and maximum limits depending on the value of technical provisions denominated in foreign currencies;
- reducing the value of the portfolio of investments acquired as held for trading by limits for open positions.

2.3.4 *Risk concentration*

As of 31 December 2009, the Company's exposure to securities issued by the Polish Ministry of Finance with contingent transactions relating to those securities was PLN 15,991.1 million (31 December 2008: PLN 21,164.9 million), which was 59.7% of the value of the investments (31 December 2008: 69.5%). As of 31 December 2009 the Company's exposure to subordinated entities was PLN 7,710.6 million (31 December 2008: PLN 6,335.7 million), which was 28.8% of investments (31 December 2008: 20.7%).

2.3.5 *Derivatives*

In 2009 and 2008, PZU did not apply hedge accounting.

PZU in its investing activities uses various types of derivatives to manage various types of investment risk. The instruments decrease or increase exposure to specific types of risk. In 2009, the Company used interest rate swaps, stock index futures and bond futures.

The basic type of risk related to derivatives at PZU is market risk which includes interest rate risk and the risk of fluctuations in the prices of various instruments.

As of 31 December 2009, PZU had the following derivatives:

| Type of contract | Currency | Number of contracts | Position | Notional value | Assets - book value | Liabilities - book value |
|--|----------|---------------------|----------|----------------|---------------------|--------------------------|
| IRS - interest rate swap - change of 10-years rate of contracts quoted in w USD and 10-years contracts quoted in EUR | EUR | n/d | n/d | 10 000 | 990 | - |
| IRS - interest rate swap - difference between 2-years and 10-years interest rates on CMS | PLN | n/d | n/d | 10 000 | - | 1 591 |
| Forward contract on foreign treasury bonds - 10-years fixed rate bond issued by Germany | EUR | 110 | short | n/d | 1 068 | |
| Forward contract for foreign treasury bonds - 10-years fixed rate bond issued by Germany | EUR | 20 | long | n/d | - | 113 |
| Forward contract for WIG 20 | PLN | 310 | short | n/d | 26 | 64 |
| Forward contract for WIG 20 | PLN | 180 | long | n/d | 107 | - |
| Total | | | | | 2 191 | 1 768 |

As of 31 December 2008, PZU had the following derivatives:

| Type of contract | Currency | Number of contracts | Position | Notional value | Assets - book value | Liabilities - book value |
|--|----------|---------------------|----------|----------------|---------------------|--------------------------|
| IRS - interest rate swap - change of 6M WIBOR to fixed rate | PLN | n/d | n/d | 335 000 | 117 | 19 918 |
| IRS - interest rate swap - difference between 2-years and 10-years interest rates on CMS | PLN | n/d | n/d | 10 000 | - | 415 |
| Forward contract for foreign treasury bonds - 10-years fixed rate bond issued by Germany | EUR | 20 | krótka | n/d | 29 | 112 |
| Forward contract for WIG 20 | PLN | 1 400 | długa | n/d | 5 | 113 |
| Total | | | | | 151 | 20 558 |

2.4. Deposits due from cedants

| Description | 31-12-2009 | 31-12-2008 |
|---|---------------|---------------|
| a) deposits due from cedants in Polish currency | - | - |
| b) deposits due from cedants in foreign currencies, of which: | 12 919 | 12 347 |
| - cedants- subsidiaries | 11 378 | 7 437 |
| - cedants- jointly controlled entities | - | - |
| - cedants- associates | - | - |
| - cedants- significant investor | - | - |
| - cedants- the parent company | - | - |
| - other | 1 541 | 4 910 |
| Total deposits due from cedants, net | 12 919 | 12 347 |

Deposits due from cedants by maturity

| Description | 31-12-2009 | 31-12-2008 |
|---|---------------|---------------|
| a) up to 3 months | 12 019 | 9 807 |
| b) from 3 months to 1 year | 900 | 2 540 |
| c) over 1 year | - | - |
| Total deposits due from cedants, by maturity | 12 919 | 12 347 |

3. Receivables

Geographical structure of receivables

| | 31-12-2009 | | | | 31-12-2008 | | | |
|--|------------------|----------------------|--------------------------|------------------|------------------|----------------------|--------------------------|------------------|
| | Domestic | Foreign EU countries | Foreign non-EU countries | Total | Domestic | Foreign EU countries | Foreign non-EU countries | Total |
| I. Direct insurance receivables | 970 823 | 1 222 | 5 | 972 050 | 992 865 | 3 144 | 150 | 996 159 |
| 1. Receivables from policyholders | 922 421 | 1 222 | 5 | 923 648 | 940 597 | 2 824 | 150 | 943 571 |
| 2. Receivables from insurance intermediaries | 48 258 | - | - | 48 258 | 24 182 | - | - | 24 182 |
| 3. Other receivables | 144 | - | - | 144 | 28 086 | 320 | - | 28 406 |
| II. Reinsurance receivables | 1 419 | 13 554 | 11 201 | 26 174 | 2 | 20 653 | 9 379 | 30 034 |
| III. Other receivables | 233 772 | 11 404 | 702 | 245 878 | 131 624 | 3 775 | 628 | 136 027 |
| 1. Receivables from the State Budget | 81 704 | - | - | 81 704 | 128 | - | - | 128 |
| 2. Other | 152 068 | 11 404 | 702 | 164 174 | 131 496 | 3 775 | 628 | 135 899 |
| Total receivables | 1 206 014 | 26 180 | 11 908 | 1 244 102 | 1 124 491 | 27 572 | 10 157 | 1 162 220 |

Currency structure of receivables as of 31 December 2009

| | PLN | EUR | USD | Other | Total |
|--|------------------|--------------|--------------|----------|------------------|
| I. Direct insurance receivables | 972 050 | - | - | - | 972 050 |
| 1. Receivables from policyholders | 923 648 | - | - | - | 923 648 |
| 2. Receivables from insurance intermediaries | 48 258 | - | - | - | 48 258 |
| 3. Other receivables | 144 | - | - | - | 144 |
| II. Reinsurance receivables | 10 195 | 7 482 | 8 497 | - | 26 174 |
| III. Other receivables | 245 139 | 735 | 4 | - | 245 878 |
| 1. Receivables from the State Budget | 81 704 | - | - | - | 81 704 |
| 2. Other | 163 435 | 735 | 4 | - | 164 174 |
| Total receivables | 1 227 384 | 8 217 | 8 501 | - | 1 244 102 |

Currency structure of receivables as of 31 December 2008

| | PLN | EUR | USD | Other | Total |
|--|------------------|---------------|---------------|----------|------------------|
| I. Direct insurance receivables | 995 839 | 320 | - | - | 996 159 |
| 1. Receivables from policyholders | 943 571 | - | - | - | 943 571 |
| 2. Receivables from insurance intermediaries | 24 182 | - | - | - | 24 182 |
| 3. Other receivables | 28 086 | 320 | - | - | 28 406 |
| II. Reinsurance receivables | 4 430 | 11 769 | 13 835 | - | 30 034 |
| III. Other receivables | 135 750 | 251 | 23 | 3 | 136 027 |
| 1. Receivables from the State Budget | 128 | - | - | - | 128 |
| 2. Other | 135 622 | 251 | 23 | 3 | 135 899 |
| Total receivables | 1 136 019 | 12 340 | 13 858 | 3 | 1 162 220 |

Ageing analysis of receivables as of 31 December 2009

| Payable within (from the balance sheet date) | up to 3 months (inclusive) | from 3 months to 1 year (inclusive) | 1-5 years (inclusive) | above 5 years | Total net book value | Impairment losses | Gross book value | of which: overdue (net) |
|--|----------------------------|-------------------------------------|-----------------------|---------------|----------------------|-------------------|------------------|-------------------------|
| I. Direct insurance receivables | 569 992 | 352 089 | 42 937 | 7 032 | 972 050 | 320 887 | 1 292 937 | 92 150 |
| 1. Receivables from policyholders | 521 618 | 352 083 | 42 915 | 7 032 | 923 648 | 297 919 | 1 221 567 | 91 872 |
| 2. Receivables from insurance intermediaries | 48 230 | 6 | 22 | - | 48 258 | 22 892 | 71 150 | 262 |
| 3. Other receivables | 144 | - | - | - | 144 | 76 | 220 | 16 |
| II. Reinsurance receivables | 15 400 | 5 295 | 2 021 | 3 458 | 26 174 | 17 593 | 43 767 | - |
| III. Other receivables | 175 702 | 17 154 | 38 982 | 14 040 | 245 878 | 43 399 | 289 277 | 2 840 |
| 1. Receivables from the State Budget | 81 704 | - | - | - | 81 704 | - | 81 704 | - |
| 2. Other | 93 998 | 17 154 | 38 982 | 14 040 | 164 174 | 43 399 | 207 573 | 2 840 |
| Total receivables | 761 094 | 374 538 | 83 940 | 24 530 | 1 244 102 | 381 879 | 1 625 981 | 94 990 |

Ageing analysis of receivables as of 31 December 2008

| Payable within (from the balance sheet date) | up to 3 months (inclusive) | from 3 months to 1 year (inclusive) | 1-5 years (inclusive) | above 5 years | Total net book value | Impairment losses | Gross book value | of which: overdue (net) |
|--|----------------------------|-------------------------------------|-----------------------|---------------|----------------------|-------------------|------------------|-------------------------|
| I. Direct insurance receivables | 603 031 | 379 806 | 13 322 | - | 996 159 | 292 129 | 1 288 288 | 72 752 |
| 1. Receivables from policyholders | 550 488 | 379 781 | 13 302 | - | 943 571 | 269 791 | 1 213 362 | 72 323 |
| 2. Receivables from insurance intermediaries | 24 153 | 25 | 4 | - | 24 182 | 22 328 | 46 510 | 429 |
| 3. Other receivables | 28 390 | - | 16 | - | 28 406 | 10 | 28 416 | - |
| II. Reinsurance receivables | 18 711 | 2 555 | 3 538 | 5 230 | 30 034 | 20 231 | 50 265 | - |
| III. Other receivables | 74 473 | 8 886 | 35 614 | 17 054 | 136 027 | 42 896 | 178 923 | 2 207 |
| 1. Receivables from the State Budget | 128 | - | - | - | 128 | - | 128 | - |
| 2. Other | 74 345 | 8 886 | 35 614 | 17 054 | 135 899 | 42 896 | 178 795 | 2 207 |
| Total receivables | 696 215 | 391 247 | 52 474 | 22 284 | 1 162 220 | 355 256 | 1 517 476 | 74 959 |

Balance of settlements from co-insurance

| Description | 31-12-2009 | 31-12-2008 |
|--|------------|------------|
| Balance of settlements from co-insurance | 72 344 | 55 132 |

3.1. Reinsurance receivables

| Description | 31-12-2009 | 31-12-2008 |
|--|---------------|---------------|
| a) current receivables from reinsurance inwards | 675 | 2 503 |
| b) current receivables from reinsurance outwards | 25 499 | 27 531 |
| Total reinsurance receivables | 26 174 | 30 034 |

3.2. Other receivables

| Description | 31-12-2009 | 31-12-2008 |
|--|----------------|----------------|
| a) receivables from the State Budget | 81 704 | 128 |
| b) other receivables, net | 164 174 | 135 899 |
| - other receivables, gross: | 207 573 | 178 795 |
| Social Fund settlements | 63 314 | 61 888 |
| Receivables from sales of securities | 39 765 | 22 842 |
| Settlements of average adjuster and intermediary services | 41 048 | 23 082 |
| Refunds of discounts and rebates in motor TPL and motor comprehensive policies | 24 187 | 24 187 |
| Prevention settlements | 10 272 | 18 453 |
| Receivables from Specjalistyczna Spółdzielnia Gastronomiczna in Warsaw in respect of rentals | 7 800 | 4 613 |
| Receivables from Syta Development in respect of repayment of loan guarantee | 6 344 | 6 344 |
| Supplier prepayments | 3 633 | 2 335 |
| Debtors under dispute | 2 255 | 2 308 |
| Retained guarantee deposits | 1 700 | 1 079 |
| Receivables from Syta Development in respect of CLSiOR settlement | 200 | 200 |
| Other receivables | 7 055 | 11 464 |
| - impairment losses: | 43 399 | 42 896 |
| Refunds of discounts and rebates in motor TPL and motor comprehensive policies | 24 187 | 24 187 |
| Receivables from Specjalistyczna Spółdzielnia Gastronomiczna in Warsaw in respect of rentals | 7 800 | 4 613 |
| Receivables from Syta Development in respect of repayment of loan guarantee | 6 344 | 6 344 |
| Debtors under dispute | 2 238 | 2 213 |
| Receivables from Syta Development in respect of CLSiOR settlement | 200 | 200 |
| Settlements of average adjuster and intermediary services | 83 | 76 |
| Other receivables | 2 547 | 5 263 |
| Total other receivables, net | 245 878 | 136 027 |

As of 31 December 2009, "Refunds of discounts and rebates in motor TPL and motor comprehensive policies" included receivables due to discounts and rebates in motor TPL and motor comprehensive policies. The receivables include receivables from the Ministry of Finance in the total amount of PLN 24,187 thousand (31 December 2008: PLN 24,187 thousand), covered in full by an impairment loss as of both dates.

On 30 December 2003, PZU filed a claim against the State Treasury represented by the Minister of Finance, in the Regional Court in Warsaw, demanding payment of the amount related to refunded discounts.

On 24 February 2005, the case was dismissed.

On 8 July 2005, PZU appealed against the decision. On 8 February 2007, the Court of Appeal reversed the decision of the Regional Court and ordered the case to be re-examined by the court of the first instance. Once the case was re-examined, on 16 April 2009, the case was dismissed. PZU appealed against the decision to the Regional Court on 28 May 2009. By the date of signing these financial statements the appeal had not been examined.

"Receivables from Specjalistyczna Spółdzielnia Gastronomiczna in Warsaw in respect of rentals overdue" includes receivables for non-contractual use of real property awarded by a valid court decision in the amount of PLN 7,800 thousand. The receivable is covered in full with a revaluation write-down.

4. Tangible assets

Changes in tangible assets in the year ended 31 December 2009

| | Machinery and equipment | Motor vehicles | Other tangible fixed assets | Construction in progress | Preparations for construction in progress | Inventories | Salvages | Property, plant and equipment, total |
|--|-------------------------|----------------|-----------------------------|--------------------------|---|-------------|----------|--------------------------------------|
| a) cost at the beginning of the period | 354 145 | 68 542 | 147 880 | 10 743 | - | 5 774 | 552 | 587 636 |
| b) increases (due to) | 87 922 | 18 682 | 13 850 | 60 245 | - | 6 338 | - | 187 037 |
| - investments | - | - | - | - | - | - | - | - |
| - donation received | - | - | - | - | - | - | - | - |
| - direct purchases | - | - | - | 60 172 | - | - | - | 60 172 |
| - handing over for use | 87 900 | 18 679 | 13 804 | - | - | - | - | 120 383 |
| - other | 22 | 3 | 46 | 73 | - | 6 338 | - | 6 482 |
| c) decreases (due to) | 44 512 | 6 943 | 65 177 | 60 279 | - | 926 | 162 | 177 999 |
| - liquidation | 42 214 | 41 | 5 017 | - | - | - | - | 47 272 |
| - sales | 41 | 6 902 | 13 | - | - | - | - | 6 956 |
| - donations given | 2 072 | - | 43 | - | - | - | - | 2 115 |
| - handing over for use | - | - | 60 104 | 60 279 | - | - | - | 120 383 |
| - other | 185 | - | - | - | - | 926 | 162 | 1 273 |
| d) cost at the end of the period | 397 555 | 80 281 | 96 553 | 10 709 | - | 11 186 | 390 | 596 674 |
| e) accumulated depreciation at the beginning of the period | 308 358 | 35 046 | 137 077 | - | - | - | - | 480 481 |
| f) depreciation charge for the period (due to): | 44 608 | 6 739 | (52 926) | - | - | - | - | (1 579) |
| - depreciation for the current year | 29 078 | 12 745 | 12 066 | - | - | - | - | 53 889 |
| - depreciation of fixed assets liquidated | (42 178) | (41) | (5 000) | - | - | - | - | (47 219) |
| - depreciation of fixed assets sold | (38) | (5 965) | (13) | - | - | - | - | (6 016) |
| - depreciation of fixed assets donated | (2 072) | - | (43) | - | - | - | - | (2 115) |
| - depreciation of fixed assets lost as a result of acts of God | - | - | - | - | - | - | - | - |
| - handing over for use | 59 936 | - | (59 936) | - | - | - | - | - |
| - other | (118) | - | - | - | - | - | - | (118) |
| g) accumulated depreciation at the end of the period | 352 966 | 41 785 | 84 151 | - | - | - | - | 478 902 |
| h) impairment losses at the beginning of the period | - | - | - | - | - | - | - | - |
| - increases | - | - | - | - | - | - | - | - |
| - decreases | - | - | - | - | - | - | - | - |
| i) impairment losses at the end of the period | - | - | - | - | - | - | - | - |
| j) carrying amount at the end of the period | 44 589 | 38 496 | 12 402 | 10 709 | - | 11 186 | 390 | 117 772 |

Changes in tangible assets in the year ended 31 December 2008

| | Machinery and equipment | Motor vehicles | Other tangible fixed assets | Construction in progress | Prepayments for construction in progress | Inventories | Salvages | Property, plant and equipment, total |
|--|-------------------------|----------------|-----------------------------|--------------------------|--|-------------|----------|--------------------------------------|
| a) cost at the beginning of the period | 412 872 | 69 870 | 141 668 | 19 323 | - | 5 723 | 521 | 649 977 |
| b) increases (due to) | 14 696 | 7 331 | 20 465 | 33 671 | - | 51 | 31 | 76 245 |
| - investments | - | - | - | - | - | - | - | - |
| - donation received | - | - | - | - | - | - | - | - |
| - direct purchases | - | - | - | 33 450 | - | - | - | 33 450 |
| - handing over for use | 14 615 | 7 331 | 20 305 | - | - | - | - | 42 251 |
| - other | 81 | - | 160 | 221 | - | 51 | 31 | 544 |
| c) decreases (due to) | 73 423 | 8 659 | 14 253 | 42 251 | - | - | - | 138 586 |
| - liquidation | 70 606 | 76 | 13 799 | - | - | - | - | 84 481 |
| - sales | 57 | 8 583 | 3 | - | - | - | - | 8 643 |
| - donations given | 2 697 | - | 445 | - | - | - | - | 3 142 |
| - handing over for use | - | - | - | 42 251 | - | - | - | 42 251 |
| - other | 63 | - | 6 | - | - | - | - | 69 |
| d) cost at the end of the period | 354 145 | 68 542 | 147 880 | 10 743 | - | 5 774 | 552 | 587 636 |
| e) accumulated depreciation at the beginning of the period | 342 241 | 30 719 | 131 114 | - | - | - | - | 504 074 |
| f) depreciation charge for the period (due to): | (33 883) | 4 327 | 5 963 | - | - | - | - | (23 593) |
| - depreciation for the current year | 39 342 | 12 691 | 20 042 | - | - | - | - | 72 075 |
| - depreciation of fixed assets liquidated | (70 505) | (73) | (13 705) | - | - | - | - | (84 283) |
| - depreciation of fixed assets sold | (56) | (8 291) | (3) | - | - | - | - | (8 350) |
| - depreciation of fixed assets donated | (2 695) | - | (445) | - | - | - | - | (3 140) |
| - depreciation of fixed assets lost as a result of acts of God | - | - | - | - | - | - | - | - |
| - other | 31 | - | 74 | - | - | - | - | 105 |
| g) accumulated depreciation at the end of the period | 308 358 | 35 046 | 137 077 | - | - | - | - | 480 481 |
| h) impairment losses at the beginning of the period | - | - | - | - | - | - | - | - |
| - increases | - | - | - | - | - | - | - | - |
| - decreases | - | - | - | - | - | - | - | - |
| i) impairment losses at the end of the period | - | - | - | - | - | - | - | - |
| j) carrying amount at the end of the period | 45 787 | 33 496 | 10 803 | 10 743 | - | 5 774 | 552 | 107 155 |

5. Cash

| Description | 31.12.2009 | 31.12.2008 |
|---|----------------|----------------|
| a) Cash on hand | - | - |
| b) Cash at bank | 126 662 | 255 381 |
| c) Cash equivalents (bills of exchange, third party cheques etc.) | 1 138 | 858 |
| Cash and cash equivalents, total | 127 800 | 256 239 |

Cash of limited disposability has been described in point 25.1 of Additional information and explanations

6. Prepayments

| Description | 31.12.2009 | 31.12.2008 |
|---|----------------|----------------|
| a) acquisition costs in the part relating to future reporting periods | 394 962 | 358 028 |
| b) accrued rent | - | - |
| c) other prepayments, of which: | 237 009 | 358 646 |
| - prepayments due to re-insurance | 170 089 | 186 390 |
| - settlement of fee to the National Health Funds (NFZ) | - | 119 381 |
| - commission on prepaid premiums | 37 140 | 30 594 |
| - settlements with PTE | 25 915 | 18 519 |
| - IT costs | 1 945 | 2 852 |
| Prepayments and deferred costs, total | 631 971 | 716 674 |

7. Equity

7.1. Share capital

| Series/issue | Type of shares | Type of preference | Number of shares | Nominal value of series/issue (in PLN) | Source of capital | Date of registration | Right to dividend (starting from) |
|--------------------------------|----------------|--------------------|-------------------|--|-------------------|----------------------|-----------------------------------|
| Shares A series | Registered | Non-preference | 60 446 320 | 60 446 320 | cash | 23.01.1997 | 27.12.1991 |
| Shares B series | Registered | Non-preference | 25 905 980 | 25 905 980 | in kind | 31.03.1999 | 01.01.1999 |
| Number of shares, total | | | 86 352 300 | | | | |
| Share capital, total | | | | 86 352 300 | | | |

Shareholders as in the Share Register of PZU as of 31 December 2009

| No | Shareholder | Series | Number of shares | Total value of shares capital paid (in PLN) | Number of non-preference (ordinary) shares | Number of registered shares | Percentage of votes at the Annual general meeting |
|--------------|----------------|--------|-------------------|---|--|-----------------------------|---|
| 1. | State Treasury | A | 17 432 118 | 17 432 118 | 17 432 118 | 17 432 118 | 20,1872% |
| | | B | 25 905 980 | 25 905 980 | 25 905 980 | 25 905 980 | 30,0003% |
| 2. | Eureko B.V. | A | 19 856 968 | 19 856 968 | 19 856 968 | 19 856 968 | 22,9953% |
| 3. | Kappa SA | A | 12 866 492 | 12 866 492 | 12 866 492 | 12 866 492 | 14,9000% |
| 4. | Other | A | 10 290 742 | 10 290 742 | 10 290 742 | 10 290 742 | 11,9172% |
| Total | | | 86 352 300 | 86 352 300 | 86 352 300 | 86 352 300 | 100,0000% |

"Other" shareholders includes employees who acquired shares from the State Treasury free of charge and natural and legal person that subsequently bought the shares from such employees.

7.1.1 Face value of PZU shares

The face value of PZU shares on the date of the first registration of the capital was PLN 10 (after redenomination); on 23 January 1997 an increase in the face value of shares to PLN 44 was registered; on 25 August 1998 - a decrease to PLN 10, and on 6 August 2001 - a decrease to PLN 1.

As of 31 December 2009, the share capital was PLN 86,352 thousand and was divided into 86,352,300 shares with a face value of PLN 1 each, A series numbered from 00000001 to 60446320 and B series numbered from 00000001 to 25905980.

7.1.2 PZU shares deposit

In 2000, all shares issued by PZU were deposited at Dom Maklerski PKO BP SA. In 2008-2009 the Company's shareholders (entered in the Share Register) or holders of shares (not exercising the right to be entered in the Share Register) filed applications for the A series registered shares to be released from the deposit. Pursuant to the Share Register, the A series shares released from the deposit as of 31 December 2009 was 14,283,826 shares which is 16.54 % of the share capital.

7.1.3 Dematerialization of PZU shares

On 2 December 2009, the Extraordinary Shareholders Meeting of PZU adopted a resolution concerning dematerialization of PZU shares. Next, the shares were registered in the National Depository for Securities.

By the date of signing the financial statements, PZU shares had not been registered in the National Depository for Securities.

7.2. Distribution of profit for 2008

Pursuant to resolution 7 of the Extraordinary Shareholders' Meeting of PZU of 29 July 2009, the net profit of PZU for the year ended 31 December 2008 of PLN 3,026,798 thousand was distributed in the following manner:

- PLN 3,005,798 thousand to the supplementary capital;
- PLN 21,000 thousand to increase the Company's Social Benefits Fund.

7.3. Proposed distribution of profit for 2009

As of the date of signing the financial statements, the Management Board had not adopted a resolution concerning the net profit for the 2009 financial year in the amount of PLN 2,510,379 thousand.

7.4. Advance payment against dividend for 2009

As a result of the Settlement Agreement described in point 26.5.3 of Additional information and explanations, on 1 October 2009, the Extraordinary Shareholders' Meeting adopted a resolution concerning creation of a reserve capital to finance advance payments against dividend to be used to this effect by the Management Board and an increase in the capital by means of an appropriation of PLN 11,999,516 thousand from the supplementary capital.

The Extraordinary Shareholders' Meeting also authorized the Management Board to increase the advance payment against dividend expected at the end of 2009, which may be paid to the shareholders of PZU based on profit generated by the end of the preceding financial year, by the funds from the reserve capital described above.

On 1 October 2009, the Management Board adopted a resolution concerning the advance payment against dividend expected at the end of 2009, in which it decided that the total advance payment would be PLN 12,749,917 thousand.

The amount included:

- PLN 750,401 thousand of net profit generated in the first half of 2009;
- PLN 11,999,516 thousand of the reserve capital.

The advance payment against dividend applied to 86,352,300 of ordinary shares, series A and B. The dividend per share was PLN 147.65. Cum dividend - 19 November 2009; the advance payment was made on 26 November 2009.

7.5. Reserve capital

| Description | 31-12-2009 | 31-12-2008 |
|---|------------------|-------------------|
| a) share premium | 538 139 | 538 139 |
| b) statutory profit appropriation | 28 784 | 28 784 |
| c) according to the Articles of Association, above the statutory minimum amount | 683 340 | 9 677 058 |
| d) additional payments of shareholders | - | - |
| e) other | 1 951 | 1 785 |
| Total reserve capital | 1 252 214 | 10 245 766 |

7.6. Revaluation reserves

| Description | 31-12-2009 | 31-12-2008 |
|---|------------------|------------------|
| Financial investment revaluation | 7 345 007 | 5 806 984 |
| Property, plant and equipment revaluation | 17 450 | 17 099 |
| Deferred tax liability | (49 459) | (31 420) |
| Total revaluation reserves | 7 312 998 | 5 792 663 |

8. Technical provisions

In 2008-2009, PZU had no derivatives to hedge the value of technical provisions.

8.1. Unearned premium and unexpired risk reserves

| Description | 31-12-2009 | 31-12-2008 |
|--|------------------|------------------|
| Unearned premium reserve | 3 546 857 | 3 782 415 |
| - gross reserve | 3 616 899 | 3 842 798 |
| - reinsurers' share | 70 042 | 60 383 |
| Unexpired risk reserve | 26 891 | 69 126 |
| - gross reserve | 26 891 | 69 126 |
| - reinsurers' share | - | - |
| Unearned premium and unexpired risk reserves, total | 3 573 748 | 3 851 541 |

8.2. Outstanding claims reserve, by class – gross

| Class | Reserve at 31 December 2009 | Reserve for losses incurred in the current period |
|---|-----------------------------|---|
| Accidents and illness (groups 1, 2) | 74 192 | 60 650 |
| Motor TPL (group 10) | 6 719 803 | 1 253 035 |
| Other motor insurance (group 3) | 376 740 | 303 090 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 45 106 | 19 268 |
| Fire and other property losses (group 8, 9) | 260 273 | 167 791 |
| TPL (groups 11, 12, 13) | 1 073 880 | 222 102 |
| Credit and guarantees (groups 14, 15) | 8 741 | 7 468 |
| Rendering assistance (group 18) | 17 568 | 12 652 |
| Legal services (group 17) | 1 726 | 439 |
| Other (group 16) | 30 797 | 19 806 |
| Total | 8 608 826 | 2 066 301 |

| Class | Reserve at 31 December 2008 | Reserves for losses incurred in the current period |
|---|--------------------------------|--|
| Accidents and illness (groups 1, 2) | 74 713 | 60 618 |
| Motor TPL (group 10) | 6 290 391 | 1 302 788 |
| Other motor insurance (group 3) | 480 853 | 322 488 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 52 685 | 24 005 |
| Fire and other property losses (group 8, 9) | 279 225 | 174 006 |
| TPL (groups 11, 12, 13) | 1 031 042 | 201 068 |
| Credit and guarantees (groups 14, 15) | 3 951 | 2 079 |
| Rendering assistance (group 18) | 13 305 | 9 496 |
| Legal services (group 17) | 1 418 | 450 |
| Other (group 16) | 10 640 | 6 355 |
| Total | 8 238 223 | 2 103 353 |

8.3. Reinsurers' share in outstanding claims reserve, by class

| Class | Reserve at 31 December 2009 | Reserves for losses incurred in the current period |
|---|--------------------------------|---|
| Accidents and illness (groups 1, 2) | 31 | 2 |
| Motor TPL (group 10) | 671 324 | 1 842 |
| Other motor insurance (group 3) | 384 | - |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 5 369 | 3 696 |
| Fire and other property losses (group 8, 9) | 2 030 | 1 272 |
| TPL (groups 11, 12, 13) | 1 273 | 1 235 |
| Credit and guarantees (groups 14, 15) | 2 150 | 1 886 |
| Rendering assistance (group 18) | 77 | - |
| Legal services (group 17) | - | - |
| Other (group 16) | 1 776 | 689 |
| Total | 684 414 | 10 622 |

| Class | Reserve at 31 December 2008 | Reserves for losses incurred in the current period |
|---|--------------------------------|---|
| Accidents and illness (groups 1, 2) | 81 | 2 |
| Motor TPL (group 10) | 807 612 | 2 246 |
| Other motor insurance (group 3) | 856 | - |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 3 700 | 281 |
| Fire and other property losses (group 8, 9) | 2 544 | 1 042 |
| TPL (groups 11, 12, 13) | 831 | 711 |
| Credit and guarantees (groups 14, 15) | 757 | 421 |
| Rendering assistance (group 18) | 220 | - |
| Legal services (group 17) | - | - |
| Other (group 16) | 1 432 | 751 |
| Total | 818 033 | 5 454 |

8.4. Annuity reserve, by class before discounting and write-downs

| Class | Reserve at 31 December 2009 | Reinsurer's share |
|---|--------------------------------|-------------------|
| Accidents and illness (groups 1, 2) | - | - |
| Motor TPL (group 10) | 6 792 972 | 786 958 |
| Other motor insurance (group 3) | - | - |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | - | - |
| Fire and other property losses (group 8, 9) | - | - |
| TPL (groups 11, 12, 13) | 813 126 | 58 |
| Credit and guarantees (groups 14, 15) | - | - |
| Rendering assistance (group 18) | - | - |
| Legal services (group 17) | - | - |
| Other (group 16) | - | - |
| Total | 7 606 098 | 787 016 |

| Class | Reserve at 31 December 2008 | Reinsurers' share |
|---|--------------------------------|-------------------|
| Accidents and illness (groups 1, 2) | - | - |
| Motor TPL (group 10) | 6 324 389 | 843 619 |
| Other motor insurance (group 3) | - | - |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | - | - |
| Fire and other property losses (group 8, 9) | - | - |
| TPL (groups 11, 12, 13) | 717 076 | 86 |
| Credit and guarantees (groups 14, 15) | - | - |
| Rendering assistance (group 18) | - | - |
| Legal services (group 17) | - | - |
| Other (group 16) | - | - |
| Total | 7 041 465 | 843 705 |

The annuity reserve is calculated individually as the present value of annuity (for life or periodic), paid in advance. As of 31 December 2009, the discount factor was 0% (31 December 2008: 0%).

For life annuity the period when the annuity will be paid is determined based on the Polish Life Expectancy Tables for 2008 published by the Central Statistical Office. Additionally, calculation of the provision for capitalized value of annuity includes the cost of their future management in the amount of 3% of the value of paid claims.

9. Expected recoveries, recourses and subsidies

9.1. Estimated subrogations, salvages and subsidies, by class

| Class | 31.12.2009 | 31.12.2008 |
|---|---------------|---------------|
| Accidents and illness (groups 1, 2) | - | - |
| Motor TPL (group 10) | 31 195 | 25 655 |
| Other motor insurance (group 3) | 47 360 | 20 120 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 5 | 10 |
| Fire and other property losses (group 8, 9) | 2 278 | 6 584 |
| TPL (groups 11, 12, 13) | 74 | 3 |
| Credit and guarantees (groups 14, 15) | 504 | 165 |
| Rendering assistance (group 18) | - | - |
| Legal services (group 17) | - | - |
| Other (group 16) | - | - |
| Total | 81 416 | 52 537 |

9.2. Reinsurers' share in estimated subrogations, salvages and subsidies, by classes

| Class | 31.12.2009 | 31.12.2008 |
|---|--------------|------------|
| Accidents and illness (groups 1, 2) | - | - |
| Motor TPL (group 10) | 2 201 | 52 |
| Other motor insurance (group 3) | - | - |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | - | - |
| Fire and other property losses (group 8, 9) | 5 | 3 |
| TPL (groups 11, 12, 13) | 1 | - |
| Credit and guarantees (groups 14, 15) | 213 | 81 |
| Rendering assistance (group 18) | - | - |
| Legal services (group 17) | - | - |
| Other (group 16) | - | - |
| Total | 2 420 | 136 |

10. Other provisions

| Description | 31-12-2009 | 31-12-2008 |
|---|----------------|----------------|
| a) Provisions for retirement benefits and other similar obligations, of which: | 229 550 | 233 394 |
| provisions for jubilee bonuses | 94 487 | 108 221 |
| provisions for retirement benefits | 71 049 | 79 893 |
| provisions for unused annual leave | 24 600 | 23 568 |
| provisions for posthumous benefits | 12 601 | 14 499 |
| provisions for post-employment benefits | 26 813 | 7 213 |
| b) Deferred tax liability | 117 652 | 62 218 |
| c) Other provisions, of which: | 195 329 | 154 657 |
| provisions for potential liabilities from insurance contracts written | 122 667 | - |
| provisions for reinsurance settlements | 30 370 | 20 303 |
| provision for litigation claims and potential liabilities of insurance contracts | 24 936 | 131 078 |
| provision for fine imposed by UOKiK | 14 792 | - |
| provisions from potential claims due to investment related to CLSiOR | 916 | 1 282 |
| Total other provision | 542 531 | 450 269 |

Creation of the provision for the costs of reorganization and restructuring has been described in point 22.2 of Additional information and explanations.

“Provisions for reinsurance settlements” includes only provisions for the share of reinsurers that are in arrears with payments to PZU and which may in future have problems with settlement of their liabilities.

PZU creates provisions due to pending litigious proceedings and potential liabilities due to concluded insurance contracts.

11. Deferred tax liability

| Description | 31-12-2009 | 31-12-2008 |
|---|----------------|---------------|
| Deferred tax liability | 117 652 | 62 218 |
| - accrued, unrealized gains and losses from financial investments | 186 081 | 36 064 |
| - impairment losses on property | (10 117) | (9 735) |
| - difference resulting from the State Treasury making an in-kind contribution in 1997 in the form of convertible bonds of Bank Handlowy | 25 668 | 29 258 |
| - provisions for unused annual leave, jubilee bonuses, retirement benefits etc. | (43 613) | (44 344) |
| - accrued insurance costs and profits | 20 273 | 22 916 |
| - unpaid amounts due to natural persons (from contracts from services, agency contracts etc.) | (21 213) | (14 519) |
| - other provisions | (64 327) | (3 844) |
| - deferred acquisition forms | 75 030 | 66 624 |
| - deferred acquisition form in favor of OFE PZU | 553 | 1 173 |
| - subrogation related receivables | (9 320) | (10 226) |
| - bonus accrual and contributions to bonus funds | (16 593) | (24 566) |
| - fee to the National Health Fund (NFZ) | - | 22 682 |
| - provision for restructuring | (23 307) | - |
| - accrued administrative costs | (1 385) | (9 499) |
| - other differences | (78) | 234 |

12. Liabilities due to reinsurers

| Description | 31-12-2009 | 31-12-2008 |
|---|------------|------------|
| a) Polish zloty deposits, of which: | - | 56 |
| - due to subsidiaries acting as reinsurers | - | - |
| - due to associates acting as reinsurers | - | - |
| - due to parent company acting as reinsurer | - | - |
| - other | - | 56 |
| b) foreign currency deposits (after translation into Polish zloty) | - | - |
| Total deposits due to reinsurers | - | 56 |

13. Other liabilities and special funds

Geographical structure of liabilities

| | 31-12-2009 | | | 31-12-2008 | | |
|---|------------|------------------------|-----------|------------|------------------------|---------|
| | Domestic | Foreign - EU countries | Total | Domestic | Foreign - EU countries | Total |
| I. Deposits due to reinsurers | - | - | - | - | 56 | 56 |
| II. Direct insurance liabilities | 154 391 | 307 | 154 698 | 142 133 | 9 228 | 151 386 |
| 1. Liabilities to policyholders | 73 482 | 190 | 73 672 | 62 266 | 191 | 62 482 |
| 2. Liabilities to insurance intermediaries | 75 323 | - | 75 323 | 74 540 | 5 | 74 545 |
| 3. Other liabilities | 5 586 | 117 | 5 703 | 5 327 | 9 032 | 14 359 |
| III. Reinsurance liabilities | 260 | 8 312 | 8 572 | - | 14 973 | 21 590 |
| IV. Liabilities from the insurance of own debt securities and loans taken out | - | - | - | - | - | - |
| V. Liabilities to financial institutions | 4 748 213 | - | 4 748 213 | 13 | - | 13 |
| VI. Other liabilities | 418 867 | 13 302 | 432 169 | 541 595 | 683 | 542 278 |
| 1. Liabilities to the State Budget | 15 435 | - | 15 435 | 73 037 | - | 73 037 |
| 2. Other liabilities | 403 432 | 13 302 | 416 734 | 468 558 | 683 | 469 241 |
| Total | 5 321 731 | 21 921 | 5 352 747 | 683 741 | 24 940 | 715 323 |

Item V. Liabilities to financial institutions as of 31 December 2009 include mainly liabilities with accrued interest of the total amount of PLN 4,748,167 thousand for sales of debt securities (sell/buy backs) described in point 7.4 of Additional information and explanations. The basic specifics of the transaction have been presented in the table below.

| Creditor | Currency | Debt as of 31 December 2009 | Debt upon maturity | Maturity | Fair value of collateral as of 31 December 2009 | Collateral |
|------------------------------|----------|-----------------------------|--------------------|---------------|---|----------------|
| Bank Gospodarstwa Krajowego | PLN | 3 593 295 | 3 637 452 | 22 April 2010 | 4 070 034 | Treasury bonds |
| Bank Gospodarstwa Krajowego | PLN | 174 247 | 176 388 | 22 April 2010 | 194 567 | Treasury bills |
| Bank Handlowy w Warszawie SA | PLN | 980 625 | 992 981 | 22 April 2010 | 1 067 010 | Treasury bonds |
| Total | | 4 748 167 | 4 806 821 | | 5 331 611 | |

Currency structure of liabilities as of 31 December 2009

| | PLN | EUR | USD | GBP | UAH | Other | Total |
|---|-----------|-------|--------|-----|-----|-------|-----------|
| I. Deposits due to reinsurers | - | - | - | - | - | - | - |
| II. Direct insurance liabilities | 154 654 | 44 | - | - | - | - | 154 698 |
| 1. Liabilities to policyholders | 73 672 | - | - | - | - | - | 73 672 |
| 2. Liabilities to insurance intermediaries | 75 323 | - | - | - | - | - | 75 323 |
| 3. Other liabilities | 5 659 | 44 | - | - | - | - | 5 703 |
| III. Reinsurance liabilities | 2 894 | 1 933 | 12 840 | - | - | - | 17 667 |
| IV. Liabilities from the insurance of own debt securities and loans taken out | - | - | - | - | - | - | - |
| V. Liabilities to financial institutions | 4 748 213 | - | - | - | - | - | 4 748 213 |
| VI. Other liabilities | 432 169 | - | - | - | - | - | 432 169 |
| 1. Liabilities to the State Budget | 15 435 | - | - | - | - | - | 15 435 |
| 2. Other liabilities | 416 734 | - | - | - | - | - | 416 734 |
| Total | 5 337 930 | 1 977 | 12 840 | - | - | - | 5 352 747 |

Currency structure of liabilities as of 31 December 2008

| | PLN | EUR | USD | GBP | UAH | Other | Total |
|---|---------|--------|--------|-----|-----|-------|---------|
| I. Deposits due to reinsurers | 56 | - | - | - | - | - | 56 |
| II. Direct insurance liabilities | 142 354 | 9 010 | 22 | - | - | - | 151 386 |
| 1. Liabilities to policyholders | 62 482 | - | - | - | - | - | 62 482 |
| 2. Liabilities to insurance intermediaries | 74 523 | - | 22 | - | - | - | 74 545 |
| 3. Other liabilities | 5 349 | 9 010 | - | - | - | - | 14 359 |
| III. Reinsurance liabilities | 4 481 | 2 930 | 14 179 | - | - | - | 21 590 |
| IV. Liabilities from the insurance of own debt securities and loans taken out | - | - | - | - | - | - | - |
| V. Liabilities to financial institutions | 13 | - | - | - | - | - | 13 |
| VI. Other liabilities | 542 256 | - | - | - | - | 22 | 542 278 |
| 1. Liabilities to the State Budget | 73 037 | - | - | - | - | - | 73 037 |
| 2. Other liabilities | 469 219 | - | - | - | - | 22 | 469 241 |
| Total | 689 160 | 11 940 | 14 201 | - | - | 22 | 715 323 |

Ageing analysis of liabilities as of 31 December 2009

| Payable in (from the balance sheet date) | up to 3 months (inclusive) | From 3 months up to 1 year (inclusive) | From 1 to 5 years (inclusive) | Over 5 years | Carrying amount | Of which: overdue |
|--|----------------------------|--|-------------------------------|--------------|-----------------|-------------------|
| II. Deposits due to reinsurers | - | - | - | - | - | - |
| III. Direct insurance liabilities | 154 449 | 185 | 64 | - | 154 698 | - |
| 1. Liabilities to policyholders | 73 672 | - | - | - | 73 672 | - |
| 2. Liabilities to insurance intermediaries | 75 323 | - | - | - | 75 323 | 8 |
| 3. Other liabilities | 5 454 | 185 | 64 | - | 5 703 | 3 |
| III. Reinsurance liabilities | 7 055 | 5 877 | 1 142 | 3 593 | 17 667 | - |
| IV. Liabilities from the insurance of own debt securities and loans taken out | - | - | - | - | - | - |
| V. Liabilities to financial institutions | - | 4 748 213 | - | - | 4 748 213 | - |
| VI. Other liabilities | 421 903 | 8 657 | 1 609 | - | 432 169 | - |
| 1. Liabilities to the State Budget | 15 435 | - | - | - | 15 435 | - |
| 2. Other liabilities | 406 468 | 8 657 | 1 609 | - | 416 734 | - |
| Total | 583 407 | 4 762 932 | 2 815 | 3 593 | 5 352 747 | - |

Ageing analysis of liabilities as of 31 December 2008

| Payable in (from the balance sheet date) | up to 3 months (inclusive) | From 3 months up to 1 year (inclusive) | From 1 to 5 years (inclusive) | Over 5 years | Carrying amount | Of which: overdue |
|--|----------------------------|--|-------------------------------|--------------|-----------------|-------------------|
| I. Deposits due to reinsurers | 56 | - | - | - | 56 | - |
| II. Direct insurance liabilities | 151 385 | 1 | - | - | 151 386 | - |
| 1. Liabilities to policyholders | 62 482 | - | - | - | 62 482 | - |
| 2. Liabilities to insurance intermediaries | 74 545 | - | - | - | 74 545 | - |
| 3. Other liabilities | 14 358 | 1 | - | - | 14 359 | - |
| III. Reinsurance liabilities | 4 007 | 9 016 | 3 373 | 5 194 | 21 590 | - |
| IV. Liabilities from the insurance of own debt securities and loans taken out | - | - | - | - | - | - |
| V. Liabilities to financial institutions | 13 | - | - | - | 13 | - |
| VI. Other liabilities | 520 531 | 1 410 | 8 165 | 12 172 | 542 278 | - |
| 1. Liabilities to the State Budget | 73 037 | - | - | - | 73 037 | - |
| 2. Other liabilities | 447 494 | 1 410 | 8 165 | 12 172 | 469 241 | - |
| Total | 675 992 | 10 427 | 11 538 | 17 366 | 715 323 | - |

13.1. Reinsurance related liabilities

| Description | 31-12-2009 | 31-12-2008 |
|--|---------------|---------------|
| a) current liabilities arising from reinsurance inwards | 365 | 2 910 |
| b) current liabilities arising from reinsurance outwards | 17 302 | 18 680 |
| Total reinsurance related liabilities | 17 667 | 21 590 |

13.2. Other liabilities

| Description | 31-12-2009 | 31-12-2008 |
|--|----------------|----------------|
| a) liabilities due to the State Budget, of which: | 15 435 | 73 037 |
| - Corporate Income Tax | - | 55 788 |
| - Personal Income Tax | 14 981 | 16 835 |
| - VAT | 444 | 408 |
| - other | 10 | 6 |
| b) other liabilities | 416 734 | 469 241 |
| - liabilities under unsettled investment transactions | 193 961 | 268 631 |
| - estimated other than insurance liabilities | 100 612 | 71 436 |
| - for performing intermediary and emergency commissions | 30 941 | 14 765 |
| - Social Securities (ZUS) contributions and allowances | 30 782 | 24 494 |
| - liabilities non-invoiced services performing auxiliary activities | 28 341 | 2 655 |
| - settlements with shareholders for dividends | 8 581 | 1 005 |
| - liability settlements for Tax Capital Group | 5 925 | - |
| - liability towards Insurance Guarantee Fund | 4 076 | 4 689 |
| - liabilities relating to development of the Central Vehicle and Driver Register (CEPiK) | 1 815 | 2 012 |
| - valuation of derivatives | 1 768 | 20 558 |
| - settlements with employees | 598 | 1 586 |
| - retained guarantee deposits | 762 | 2 488 |
| - liabilities relating to hardware and IT services providers | 366 | 645 |
| - liabilities relating to advertising campaign | 174 | 4 771 |
| - liabilities towards NFZ | - | 33 416 |
| - other | 8 032 | 16 090 |
| Total | 432 169 | 542 278 |

13.3. Special funds

| Description | 31-12-2009 | 31-12-2008 |
|-----------------------------|----------------|----------------|
| a) Prevention Fund | 24 721 | 51 485 |
| b) Social Fund | 101 133 | 94 875 |
| Special funds, total | 125 854 | 146 360 |

14. Accruals and deferred income

| Description | 31-12-2009 | 31-12-2008 |
|--|----------------|----------------|
| a) accrued expenses, of which: | 303 209 | 263 410 |
| - accrued reinsurance income and expenses | 75 421 | 90 819 |
| - accrued employees bonuses | 46 862 | 68 162 |
| - accrued employee remuneration | 42 947 | 38 731 |
| - accrued expenses of direct insurance commission | 137 922 | 65 698 |
| - other accruals | 57 | - |
| b) deferred income, of which: | 245 132 | 269 449 |
| - premium prepaid | 232 414 | 250 163 |
| - perpetual usufruct received free of charge | 8 883 | 10 190 |
| - deferred reinsurance commission | 3 835 | 9 075 |
| - other | - | 21 |
| Accrued expenses and deferred income, total | 548 341 | 532 859 |

15. Gross premium written

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|-----------------------------|-----------------------------|
| 1) in direct insurance, of which: | 7 725 043 | 8 142 535 |
| a) contracts concluded outside territory of Poland | 4 103 | 8 022 |
| - in the EU members states | 2 564 | 6 735 |
| 2) in indirect insurance | 66 126 | 75 254 |
| Gross premium written total: | 7 791 169 | 8 217 789 |

16. Other technical income, net of reinsurers' share

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| Decrease in impairment losses on reinsurance receivables | 42 848 | 7 001 |
| Default interest | 6 501 | 5 820 |
| Realized foreign exchange gains | 5 318 | 22 221 |
| Adjudged court fees on insurance receivables | 1 728 | 1 197 |
| Fees for certificates and other documents | 71 | 89 |
| Interest on deposit retained by cedants | 801 | 352 |
| Reversal of provision from losses under reinsurance settlements | 4 815 | 10 056 |
| Other income | 14 002 | 9 449 |
| Total | 76 084 | 56 185 |

17. Claims

Gross claims paid

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---------------------------------|-----------------------------|-----------------------------|
| - in direct insurance | 5 130 467 | 4 567 693 |
| - in indirect insurance | 46 631 | 18 670 |
| Gross claims paid, total | 5 177 098 | 4 586 363 |

Gross claims paid in direct property and casualty insurance, by class

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|-----------------------------|-----------------------------|
| Accidents and illness (groups 1, 2) | 134 117 | 122 199 |
| Motor TPL (group 10) | 2 119 870 | 1 950 088 |
| Other motor insurance (group 3) | 1 713 999 | 1 616 725 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 40 928 | 37 071 |
| Fire and other property losses (group 8, 9) | 808 493 | 661 330 |
| TPL (groups 11, 12, 13) | 245 699 | 134 892 |
| Credit and guarantees (groups 14, 15) | 1 667 | 404 |
| Rendering assistance (group 18) | 51 751 | 39 430 |
| Legal services (group 17) | 1 151 | 927 |
| Other (group 16) | 12 792 | 4 627 |
| Gross claims paid in direct property and casualty insurance (by class), total | 5 130 467 | 4 567 693 |

Gross claims paid in indirect property and casualty insurance, by class

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|-----------------------------|-----------------------------|
| Accidents and illness (groups 1, 2) | - | 107 |
| Motor TPL (group 10) | 23 904 | 8 948 |
| Other motor insurance (group 3) | 17 238 | 6 218 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 1 172 | 1 542 |
| Fire and other property losses (group 8, 9) | 1 898 | 1 038 |
| TPL (groups 11, 12, 13) | 1 823 | 742 |
| Credit and guarantees (groups 14, 15) | 18 | 75 |
| Rendering assistance (group 18) | - | - |
| Legal services (group 17) | - | - |
| Other (group 16) | 578 | - |
| Gross claims paid in indirect property and casualty insurance (by class), total | 46 631 | 18 670 |

18. Supplementary information to the technical account

18.1.1 Supplementary information to the technical account for the year ended 31 December 2009

18.1.1.1 Total direct and indirect insurance for the year ended 31 December 2009

| Class | Gross premium written | Gross premium earned | Gross claims (paid) | Cost of loss adjustment | Salvages and subrogations and subsidies | Balance of reinsurance settlements, gross | Insurance activities expenses (acquisition and administrative) |
|---|-----------------------|----------------------|---------------------|-------------------------|---|---|--|
| Accidents and illness (group 1 and 2) | 475 782 | 479 732 | 121 915 | 12 207 | 5 | (156) | 160 218 |
| Motor TPL (group 10) | 2 625 028 | 2 810 249 | 1 940 923 | 226 062 | 23 211 | 27 093 | 530 934 |
| Other motor insurance (group 3) | 2 210 226 | 2 414 499 | 1 678 735 | 127 771 | 75 269 | (1 261) | 670 683 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 44 803 | 47 403 | 39 442 | 3 415 | 757 | (156) | 14 174 |
| Fire and other property losses (groups 8 and 9) | 1 606 693 | 1 586 876 | 772 244 | 51 094 | 12 947 | 1 459 | 537 251 |
| TPL (groups 11, 12, 13) | 462 423 | 455 209 | 203 406 | 44 595 | 479 | (158) | 154 299 |
| Credit and guarantees (groups 14, 15) | 61 351 | 22 472 | 2 710 | 724 | 1 749 | (1 014) | 13 723 |
| Rendering assistance (group 18) | 148 221 | 120 956 | 45 061 | 6 940 | 250 | 29 | 41 729 |
| Legal services (group 17) | 800 | 812 | 1 107 | 62 | 18 | - | 237 |
| Other (group 16) | 155 842 | 121 153 | 12 662 | 764 | 56 | 264 | 143 695 |
| Total | 7 791 169 | 8 059 361 | 4 818 205 | 473 634 | 114 741 | 26 100 | 2 266 943 |

* administrative expenses have been settled proportionally to the written premium from direct and indirect insurance in the total written premium

18.1.1.2 Direct insurance for the year ended 31 December 2009

| Class | Gross premium written | Gross premium earned | Gross claims (paid) | Cost of loss adjustment | Salvages and subrogations and subsidies | Balance of reinsurance settlements, gross | Insurance activities expenses (acquisition and administrative) |
|---|-----------------------|----------------------|---------------------|-------------------------|---|---|--|
| Accidents and illness (groups 1, 2) | 474 926 | 478 870 | 121 915 | 12 207 | 5 | (156) | 160 109 |
| Motor TPL (group 10) | 2 620 910 | 2 786 627 | 1 917 019 | 226 062 | 23 211 | 27 093 | 529 231 |
| Other motor insurance (group 3) | 2 208 419 | 2 399 127 | 1 661 497 | 127 771 | 75 269 | (1 261) | 666 374 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 41 712 | 43 273 | 38 270 | 3 415 | 757 | (148) | 13 414 |
| Fire and other property losses (groups 8 and 9) | 1 563 069 | 1 561 537 | 770 346 | 51 094 | 12 947 | 1 458 | 527 609 |
| TPL (groups 11, 12, 13) | 456 691 | 448 292 | 201 583 | 44 595 | 479 | (167) | 151 668 |
| Credit and guarantees (groups 14, 15) | 61 073 | 21 984 | 2 692 | 724 | 1 749 | (1 014) | 13 458 |
| Rendering assistance (group 18) | 148 221 | 120 956 | 45 061 | 6 940 | 250 | 29 | 41 729 |
| Legal services (group 17) | 800 | 812 | 1 107 | 62 | 18 | - | 237 |
| Other (group 16) | 149 222 | 114 628 | 12 084 | 764 | 56 | (45) | 142 475 |
| Total | 7 725 043 | 7 976 106 | 4 771 574 | 473 634 | 114 741 | 25 789 | 2 246 304 |

* administrative expenses have been settled proportionally to the written premium from direct insurance in the total written premium

18.1.1.3 Indirect insurance for the year ended 31 December 2009

| Class | Gross premium written | Gross premium earned | Gross claims (paid) | Cost of loss adjustment | Salvage and subrogations and subsidies | Balance of reinsurance settlements, gross | Insurance activities expenses (acquisition and administrative) |
|---|-----------------------|----------------------|---------------------|-------------------------|--|---|--|
| Accidents and illness (groups 1, 2) | 856 | 862 | - | - | - | - | 109 |
| Motor TPL (group 10) | 4 118 | 23 622 | 23 904 | - | - | - | 1 703 |
| Other motor insurance (group 3) | 1 807 | 15 372 | 17 238 | - | - | - | 4 309 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 3 091 | 4 130 | 1 172 | - | - | (8) | 760 |
| Fire and other property losses (groups 8 and 9) | 43 624 | 25 339 | 1 898 | - | - | 1 | 9 642 |
| TPL (groups 11, 12, 13) | 5 732 | 6 917 | 1 823 | - | - | 9 | 2 631 |
| Credit and guarantees (groups 14, 15) | 278 | 488 | 18 | - | - | - | 265 |
| Rendering assistance (group 18) | - | - | - | - | - | - | - |
| Legal services (group 17) | - | - | - | - | - | - | - |
| Other (group 16) | 6 620 | 6 525 | 578 | - | - | - | 1 220 |
| Total | 66 126 | 83 255 | 46 631 | - | - | 311 | 20 639 |

* administrative expenses have been settled proportionally to the written premium from indirect insurance in the total written premium

18.1.2 Supplementary information to the technical account for the year ended 31 December 2008

18.1.2.1 Total direct and indirect insurance for the year ended 31 December 2008

| Class | Gross premium written | Gross premium earned | Gross claims (paid) | Cost of loss adjustment | Salvage and subrogations and subsidies | Balance of reinsurance settlements, gross | Insurance activities expenses (acquisition and administrative) |
|---|-----------------------|----------------------|---------------------|-------------------------|--|---|--|
| Accidents and illness (groups 1, 2) | 484 448 | 472 061 | 109 802 | 12 513 | 9 | (67) | 147 907 |
| Motor TPL (group 10) | 2 882 953 | 2 780 123 | 1 762 562 | 223 572 | 27 098 | 30 142 | 549 284 |
| Other motor insurance (group 3) | 2 653 505 | 2 722 247 | 1 565 352 | 138 081 | 80 490 | (1 869) | 752 318 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 46 944 | 52 705 | 35 153 | 3 578 | 118 | 554 | 15 066 |
| Fire and other property losses (groups 8 and 9) | 1 500 052 | 1 458 910 | 704 595 | 55 225 | 97 452 | 1 294 | 480 745 |
| TPL (groups 11, 12, 13) | 415 328 | 393 907 | 119 866 | 16 140 | 372 | 5 | 130 093 |
| Credit and guarantees (groups 14, 15) | 55 149 | 53 121 | 2 277 | 344 | 2 142 | (992) | 12 812 |
| Rendering assistance (group 18) | 93 948 | 96 326 | 30 851 | 8 579 | - | - | 24 383 |
| Legal services (group 17) | 1 112 | 928 | 915 | 63 | 51 | - | 148 |
| Other (group 16) | 84 350 | 104 086 | 4 335 | 323 | 31 | (392) | 56 533 |
| Total | 8 217 789 | 8 134 414 | 4 335 708 | 458 418 | 207 763 | 28 675 | 2 169 289 |

* administrative expenses have been settled proportionally to the written premium from direct and indirect insurance in the total written premium

18.1.2.2 Direct insurance for the year ended 31 December 2008

| Class | Gross premium written | Gross premium earned | Gross claims (paid) | Cost of loss adjustment | Salvages and subrogations and subsidies | Balance of reinsurance settlements gross | Insurance activities expenses (acquisition and administrative) |
|---|-----------------------|----------------------|---------------------|-------------------------|---|--|--|
| Accidents and illness (groups 1, 2) | 484 196 | 471 723 | 109 695 | 12 513 | 9 | (67) | 147 877 |
| Motor TPL (group 10) | 2 849 636 | 2 750 633 | 1 753 614 | 223 572 | 27 098 | 30 142 | 533 522 |
| Other motor insurance (group 3) | 2 631 381 | 2 700 813 | 1 559 134 | 138 081 | 80 490 | (1 869) | 739 960 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 43 766 | 49 371 | 33 611 | 3 578 | 118 | 554 | 14 201 |
| Fire and other property losses (groups 8 and 9) | 1 491 256 | 1 447 424 | 703 557 | 55 225 | 97 452 | 1 073 | 478 876 |
| TPL (groups 11, 12, 13) | 410 567 | 389 765 | 119 124 | 16 140 | 372 | 5 | 127 774 |
| Credit and guarantees (groups 14, 15) | 54 162 | 51 711 | 2 202 | 344 | 2 142 | (992) | 12 266 |
| Rendering assistance (group 18) | 93 948 | 96 326 | 30 851 | 8 579 | - | - | 24 383 |
| Legal services (group 17) | 1 112 | 928 | 915 | 63 | 51 | - | 148 |
| Other (group 16) | 82 511 | 101 534 | 4 335 | 323 | 31 | (392) | 56 303 |
| Total | 8 142 535 | 8 060 228 | 4 317 038 | 458 418 | 207 763 | 28 454 | 2 135 310 |

* administrative expenses have been settled proportionally to the written premium from direct insurance in the total written premium

18.1.2.3 Indirect insurance for the year ended 31 December 2008

| Class | Gross premium written | Gross premium earned | Gross claims (paid) | Cost of loss adjustment | Salvages and subrogations and subsidies | Balance of reinsurance settlements gross | Insurance activities expenses (acquisition and administrative) |
|---|-----------------------|----------------------|---------------------|-------------------------|---|--|--|
| Accidents and illness (groups 1, 2) | 252 | 338 | 107 | - | - | - | 30 |
| Motor TPL (group 10) | 33 317 | 29 490 | 8 948 | - | - | - | 15 762 |
| Other motor insurance (group 3) | 22 124 | 21 434 | 6 218 | - | - | - | 12 358 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 3 178 | 3 334 | 1 542 | - | - | - | 865 |
| Fire and other property losses (groups 8 and 9) | 8 796 | 11 486 | 1 038 | - | - | 221 | 1 869 |
| TPL (groups 11, 12, 13) | 4 761 | 4 142 | 742 | - | - | - | 2 319 |
| Credit and guarantees (groups 14, 15) | 987 | 1 410 | 75 | - | - | - | 546 |
| Rendering assistance (group 18) | - | - | - | - | - | - | - |
| Legal services (group 17) | - | - | - | - | - | - | - |
| Other (group 16) | 1 839 | 2 552 | - | - | - | - | 230 |
| Total | 75 254 | 74 186 | 18 670 | - | - | 221 | 33 979 |

* administrative expenses have been settled proportionally to the written premium from indirect insurance in the total written premium

18.1.3 Information on loss adjustment process in the year ended 31 December 2009 (direct insurance)

| Description | Average loss adjustment period in days | Amount of claims incurred in the reporting period under insurance contracts concluded in this period, of which: | |
|---|--|---|---|
| | | Claims paid | Outstanding claims reserve as at the financial year end |
| Accidents and illness (groups 1, 2) | 9,31 | 27 181 | 29 019 |
| Motor TPL (group 10) | 16,22 | 480 638 | 488 094 |
| Other motor insurance (group 3) | 14,25 | 636 682 | 178 742 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 49,80 | 6 491 | 15 580 |
| Fire and other property losses (groups 8 and 9) | 16,39 | 284 697 | 108 849 |
| TPL (groups 11, 12, 13) | 34,53 | 46 313 | 102 715 |
| Credit and guarantees (groups 14, 15) | 22,48 | 659 | 824 |
| Rendering assistance (group 18) | - | 30 808 | 9 776 |
| Legal services (group 17) | 31,46 | 97 | 305 |
| Other (group 16) | 73,91 | 3 676 | 13 916 |
| Total | 14,27 | 1 517 242 | 947 820 |

18.1.4 Information on loss adjustment process in the year ended 31 December 2008 (direct insurance)

| Description | Average loss adjustment period in days | Amount of claims incurred in the reporting period under insurance contracts concluded in this period, of which: | |
|---|--|---|---|
| | | Claims paid | Outstanding claims reserve as at the financial year end |
| Accidents and illness (groups 1, 2) | 11,05 | 21 285 | 29 965 |
| Motor TPL (group 10) | 19,92 | 458 173 | 478 730 |
| Other motor insurance (group 3) | 18,91 | 606 466 | 191 022 |
| Marine, aviation and transportation (groups 4, 5, 6, 7) | 46,62 | 3 982 | 12 097 |
| Fire and other property losses (groups 8 and 9) | 25,45 | 311 591 | 107 177 |
| TPL (groups 11, 12, 13) | 46,53 | 29 713 | 85 786 |
| Credit and guarantees (groups 14, 15) | 56,64 | 125 | 827 |
| Rendering assistance (group 18) | - | 17 448 | 7 287 |
| Legal services (group 17) | 40,63 | 117 | 351 |
| Other (group 16) | 52,58 | 1 546 | 2 845 |
| Total | 18,83 | 1 450 446 | 916 087 |

19. Insurance activity expenses

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|--------------------------------|--------------------------------|
| I. Administrative expenses | 979 365 | 939 278 |
| 1. internal: | 609 862 | 594 542 |
| a) materials and energy | 45 487 | 38 445 |
| b) payroll and payroll related | 475 196 | 466 362 |
| c) depreciation and amortization | 83 240 | 84 643 |
| d) other administrative costs | 5 939 | 5 092 |
| 2. external: | 369 503 | 344 736 |
| a) external services | 282 658 | 292 959 |
| b) commission for premium collection | 8 125 | 8 079 |
| c) advertising expenses | 55 422 | 20 388 |
| d) other expenses | 23 298 | 23 310 |
| II. Acquisition costs | 1 287 578 | 1 230 011 |
| 1. internal: | 343 274 | 339 147 |
| a) materials and energy | 4 467 | 8 447 |
| b) payroll and payroll related charges classified as acquisition costs | 338 807 | 330 700 |
| c) commission on direct activities, of which : | - | - |
| c) depreciation and amortization | - | - |
| d) other acquisition costs | - | - |
| 2. external: | 981 238 | 894 041 |
| a) payroll and payroll related charges classified as acquisition costs | - | - |
| b) commission on direct activities, of which : | 930 909 | 820 903 |
| - commission on acquisition activities | 541 596 | 465 971 |
| - commission on renewal policies | 380 759 | 346 199 |
| - commission on servicing of insurance contracts | 8 554 | 8 733 |
| c) commission on direct services | 5 017 | 24 845 |
| d) external services | 15 131 | 12 545 |
| e) advertising expenses | 24 675 | 32 530 |
| f) other expenses | 5 506 | 3 218 |
| 3. Movement in deferred acquisition costs | (36 934) | (3 177) |
| III. Claims adjustment and subrogation collection expenses | 473 634 | 458 418 |
| 1. internal: | 277 224 | 286 667 |
| a) materials and energy | 5 613 | 5 389 |
| b) remuneration of experts and loss adjusters and other remuneration related to loss adjustment and subrogation collection | 265 566 | 269 095 |
| c) depreciation and amortization | 6 045 | 12 183 |
| 2. external: | 196 410 | 171 751 |
| a) external services | 124 460 | 124 091 |
| b) other costs | 71 950 | 47 660 |
| IV. Costs of investing activities | 243 358 | 282 289 |
| 1. internal: | 1 882 | 1 925 |
| a) materials and energy | 23 | 44 |
| b) payroll and payroll related charges | 1 373 | 1 566 |
| c) depreciation and amortization | 486 | 315 |
| 2. external: | 241 476 | 280 364 |
| a) external services | 853 | 622 |
| b) other costs* | 240 623 | 279 742 |

* "Other costs" includes, among other things, loss on realization and revaluation of investments.

20. Other technical costs, net of reinsurers' share

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|-----------------------------|-----------------------------|
| Written off insurance receivables | 55 240 | 61 632 |
| 1 EUR fee in respect of CEPIK registration fee | 28 791 | 27 710 |
| Insurance Guarantee Fund (Ubezpieczeniowy Fundusz Gwarancyjny) | 18 362 | 20 171 |
| Impairment losses on receivables from direct insurance and reinsurance | 71 711 | 62 843 |
| Prevention Fund charges | 15 267 | 13 982 |
| Central Fire Brigades Headquarters (Komenda Główna Straży Pożarnej) | 15 267 | 13 982 |
| Foreign exchange losses on insurance and reinsurance receivables/liabilities | 14 913 | 8 140 |
| NFZ fees | 119 381 | 238 556 |
| Provision for losses on re-insurance settlements | 14 883 | 23 769 |
| Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) | 3 704 | 5 853 |
| Polish Motor Insurance Bureau (Polskie Biuro Ubezpieczeń Komunikacyjnych) | 4 404 | 4 900 |
| Polish Insurance Chamber (Polska Izba Ubezpieczeń) | 2 137 | 2 075 |
| Spokesman for the Insured (Rzecznik Ubezpieczeniowy) | 561 | 625 |
| Banking fees | 8 | 44 |
| Other fees | 4 486 | 5 260 |
| Total | 369 115 | 489 542 |

21. Other operating income

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|-----------------------------|-----------------------------|
| interest income | 704 | 1 128 |
| foreign exchange gains | 34 295 | 5 628 |
| other financial income | 1 599 | 2 910 |
| income from sales of tangible fixed assets and construction in progress | 108 971 | 3 400 |
| income from insurance brokerage activities and average adjuster services | 6 024 | 5 075 |
| income from agreements with management companies of pension funds | 14 957 | 13 316 |
| re invoiced costs | 4 657 | 3 547 |
| compensations received | 708 | 640 |
| others | 5 840 | 5 671 |
| Total | 177 755 | 41 315 |

22. Other operating expenses

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|-----------------------------|-----------------------------|
| Foreign exchange losses | 13 199 | 11 604 |
| Penalty interest on tax liabilities | 1 191 | 500 |
| Costs of conditional sale agreements | 35 940 | - |
| Other financial expenses | 11 | 370 |
| Cost of tangible fixed assets and constructions in progress sold | 593 | 220 |
| Donations | 5 149 | 569 |
| Receivables written off | 81 | 98 |
| Impairment losses on receivables | 5 344 | 656 |
| Penalties, compensations, fines paid | 3 616 | 6 089 |
| Costs from agreements with management companies of pension funds | 8 186 | 6 250 |
| Costs of employment restructuring | 11 608 | - |
| Costs subject of re invoicing | 4 628 | 3 223 |
| Restructuring provision | 122 667 | - |
| Cost of UOKiK penalty | 14 792 | - |
| Costs of provision for probable losses | 978 | 2 428 |
| Costs of liquidation of pre-numbered forms | 1 614 | 1 633 |
| Costs of claims adjusted on behalf of other insurers | 192 | 192 |
| Costs of write-down against Central Client Database | - | 13 933 |
| Others | 4 218 | 4 148 |
| Total | 234 007 | 51 913 |

The provision for Office of Competition and Consumer Protection has been described in point 26.10 of Additional Information and explanations.

"Costs of conditional sale agreements" include costs incurred with respect to the transaction specified in point 13 of Additional information and explanations, concluded to finance the advance payment against dividend, incurred against Bank Gospodarstwa Krajowego and Bank Handlowy w Warszawie SA, in the amount of PLN 28,373 thousand and PLN 7,567 thousand, respectively.

22.1. Restructuring of employment at PZU Head Office

“Costs of employment restructuring” include costs related to the process of improving the structure of employment at PZU Head Office in the amount of PLN 11,608 thousand.

On 5 August 2009, the Management Boards of PZU and PZU Życie and Trade Unions operating in the companies concluded a Lay-off agreement. Pursuant to the arrangements, from 20 August to 18 September 2009, the Head Offices of both companies underwent employment restructuring related to the lay-off. The restructuring concerned 217 employees at PZU Head Office. The laid off employees were offered better terms of redundancy than those provided by the law (Act of 13 March 2003 on specific rules of termination of labor contracts for reasons not related to employees (Dz. U. No.90 of 2003 item 844).

22.2. Restructuring provision

PZU created a restructuring provision of PLN 122,667 thousand in relation to the plan of implementing a restructuring scheme for 2010-2012 published on 29 December 2009. The provisions included costs related to planned reduction of employment planned for 2010, in the area of finance, operation, loss adjustment, customer service and sales. The estimated provision includes the costs of statutory redundancy pay for employees as well as costs of additional compensation and the outplacement program.

On 10 February 2010, the Management Boards of PZU and PZU Życie adopted a resolution concerning planned lay-offs in both companies.

23. Income tax

23.1.1 Establishment of Capital Tax Group

On 5 September 2008, the Management Board of PZU adopted a resolution concerning establishment of a capital tax group (PGK). The Group comprises PZU and PZU Życie. PZU is the holding company and represents the Group. The Group has been established for 3 years - from 1 January 2009 to 31 December 2011. Pursuant to Article 25.1 of the Corporate Income Tax Act of 15 February 1992 (Dz.U. No. 54 of 1992 item 654), the Group pays taxes on a monthly basis.

23.1.2 Corporate Income Tax

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|-----------------------------|-----------------------------|
| Gross profit | 2 698 739 | 3 283 138 |
| Changing in accounting policies | - | - |
| Gross profit after changing in accounting policies | 2 698 739 | 3 283 138 |
| Non-tax-deductible costs and losses (under tax regulations) | 680 104 | 812 999 |
| Accured costs of reinsurance outwards | (8 567) | (5 658) |
| Accured losses and investments | 151 623 | 573 439 |
| Accured bonuses and contributions to the Company's Bonus Fund (ZFN) | 206 463 | 91 600 |
| Accured and deferred acquisition costs | 67 949 | 38 794 |
| Impairment losses in insurance, reinsurance and subrogation - related receivables | 83 611 | 86 247 |
| Debt collection costs and contractual penalties | 10 560 | 19 683 |
| PFRON charges | 7 324 | 8 095 |
| Donations | 5 149 | 569 |
| Accured costs of external services | 5 601 | 40 952 |
| NFZ fee | 119 381 | (71 077) |
| Provision for propable losses | 15 119 | 16 152 |
| Other | 15 891 | 14 203 |
| Non-taxable revenues | 2 263 035 | 2 967 931 |
| Accured gains on investments | 580 718 | 605 531 |
| Dividends | 1 436 751 | 2 218 037 |
| Other technical income - reversal of impairment losses | 48 990 | 16 733 |
| Reversal or receivables impairment | 155 103 | 6 002 |
| Accured income from reinsurance outwards | 38 981 | 117 670 |
| Other | 2 492 | 3 958 |
| Other movements in taxable profits | (414 267) | 166 096 |
| Realization of gains on the investments measurement from previous year | (212 060) | 350 398 |
| Payments due to individuals under contracts for services and bonuses accured for in the previous | (103 028) | (108 404) |
| Realization of accured acquisition costs from previous year | (4 257) | (26 460) |
| Realization of other costs/income | (94 922) | (49 438) |
| Total income | 701 541 | 1 294 302 |
| Tax-free income | (4 977) | (400) |
| Tax base | 696 564 | 1 293 902 |
| Tax rate | 19% | 19% |
| Tax payable | 132 347 | 245 841 |
| Tax on dividends | (54) | (132) |
| Tax payable, net of dividends | 132 293 | 245 709 |
| Other tax charges (decision of the Tax Inspection Office and the Company's adjustments) | 18 618 | 11 223 |
| Corporate current income tax recognized in net profit/loss | 150 965 | 257 064 |

23.1.3 Income tax, by activity

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---|-----------------------------|-----------------------------|
| Difference between taxable profit/(tax loss) and tax base | (2 002 175) | (1 989 236) |
| - relating to technical activities | (116 657) | (53 283) |
| - relating to extraordinary gains/losses | - | - |
| - other | (1 885 518) | (1 935 953) |
| Tax base | 696 564 | 1 293 902 |

Regulations concerning corporate income tax, personal income tax, value added tax and contributions to social security undergo frequent changes. Valid regulations contain unclear issues which result in difference in opinions regarding legal interpretation of these regulations, both among competent authorities as well as between these authorities and enterprises. Tax and other settlements (e.g. regarding customs or foreign currency) may be controlled by authorities competent to levy high fines, and additional liabilities assessed during control bear interest. These phenomena increase tax risk in Poland above the level characteristic for some countries with more advanced tax systems. Tax returns are subject to control over a period of five years. As a result, amounts recognized in the financial statements may change in later periods, following final determination of their value by tax authorities.

24. Off-balance sheet items

| Description | 31-12-2009 | 31-12-2008 |
|-------------------------------|------------------|------------------|
| Contingent receivables | 6 895 117 | 6 098 064 |
| - from subsidiaries | 2 275 | 2 275 |
| -from associates | - | - |
| Contingent liabilities | 46 239 | 45 810 |
| - from subsidiaries | - | - |
| -from associates | - | - |

24.1. Contingent receivables, arising from:

| Description | 31-12-2009 | 31-12-2008 |
|--|------------------|------------------|
| Accepted and endorsed bills of exchange | - | - |
| Received guarantees and suretyships | 3 699 | 3 699 |
| Receivables written off but not statute-barred | - | - |
| Bills of exchange relating to granted insurance guarantees | 5 574 281 | 5 106 462 |
| Other bills of exchange | 824 125 | 787 393 |
| Other contingent receivables | 493 012 | 200 510 |
| Submitted deposits | - | - |
| Contingent receivables, total | 6 895 117 | 6 098 064 |

As of 31 December 2009, PZU had PLN 2,275 thousand of contingent receivables due from Syta Development as collateral of a loan granted by PZU(31 December 2008: PLN 2,275 thousand).

24.2. Contingent liabilities, arising from:

| Description | 31-12-2009 | 31-12-2008 |
|--|---------------|---------------|
| Accepted and endorsed bills of exchange | - | - |
| Received guarantees and suretyships | 7 714 | 6 599 |
| Buy and sell back assets | - | - |
| Dispute claims (not recognized by the Company) and taken by creditors to court | 37 443 | 38 642 |
| Liabilities secured and assets or income | - | - |
| Other contingent liabilities | 1 082 | 569 |
| Contingent liabilities, total | 46 239 | 45 810 |

25. Additional notes to the cash flow statement

“Other operating inflows” include:

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|-----------------------------|-----------------------------|
| Inflows to the Social Fund and Prevention Fund | 13 036 | 13 394 |
| Liquidation of Social Fund and Prevention Fund placement | - | 5 000 |
| Inflows due to exchange differences | 79 721 | 32 625 |
| Refund of corporate income tax | 451 775 | - |
| Other inflows | 63 845 | 34 598 |
| Total | 608 377 | 85 617 |

“Other operating outflows” include:

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|--------------------------------|--------------------------------|
| Corporate income tax | 277 862 | 395 719 |
| Internal decreases in cash and cash equivalents | - | 1 616 |
| Outflows from the Social Fund and Prevention Fund | 66 836 | 84 570 |
| Placement made by the Social and Prevention Fund | - | 5 000 |
| Foreign exchange differences expense | 80 735 | 1 921 |
| Payments relating to advances for CIT received from PZU Zycie due to Capital Tax Group | 451 775 | - |
| Other outflows | 36 643 | 22 720 |
| Total | 913 851 | 511 546 |

25.1. Cash of limited disposability

The cash flow statement includes cash of limited disposability concerning:

- the cash of the Prevention Fund and the Company’s Social Benefits Fund. The limitations stem from the fact that based on the provisions of the Polish law and related internal regulations of PZU, the funds may be spent only for specific purposes - for prevention or social activities, and close control should be exercised over the funds.
- frozen cash due to the “Autowypłata” service provided by Bank Pekao SA. The service consists in freezing cash on a PZU bank account up to the amount of claim to be paid out, previously registered in the e-banking system.

26. Other information and explanations

26.1. Transactions with subordinated entities

PZU, as part of its insurance activities, concludes insurance contracts with subordinated entities and pays claims. The transactions are concluded and settled on the terms and conditions applicable to customers that are not related parties. Receivables from and liabilities to subordinated entities due to insurance contracts are short-term.

26.1.1 Transactions with subsidiaries

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|-----------------------------|-----------------------------|
| Gross premium written | 12 288 | 62 116 |
| - from UAB DK PZU Lietuva | 10 695 | 60 304 |
| - from PR JSC IC PZU Ukraine | 1 051 | 513 |
| 2. Dividends received | 1 421 093 | 2 167 253 |
| - from PZU Życie | 1 419 146 | 2 167 253 |
| - from PZU AM | 1 947 | - |
| 3. Other income: | 23 987 | 25 108 |
| - fees from PTE PZU relating acquisition activity to OFE PZU | 15 109 | 13 316 |
| - rentals from subsidiaries | 3 784 | 3 128 |
| 4. Claims paid out, gross | 54 612 | 29 654 |
| - for UAB DK PZU Lietuva | 42 812 | 16 297 |
| 5. Other expenses | 41 432 | 97 684 |
| - rental expenses to subsidiary PZU Tower | - | 31 572 |
| - reinsurance commissions for ceding companies on behalf of UAB DK PZU Lietuva | 5 414 | 22 800 |
| - expenses on IT from CIG PZU SA | 10 667 | 12 787 |
| - asset management expenses paid to PZU Asset Management | 11 797 | 9 167 |
| - expenses on printing services to CIG PZU SA | 7 472 | 8 861 |

| Description | 31-12-2009 | 31-12-2008 |
|--|------------|------------|
| Receivables gross: | 14 536 | 24 597 |
| - from Syta Development relating to investments in CLSiOR | 6 545 | 6 545 |
| - from Syta Development on advances for investment in CLSiOR | 4 746 | 4 746 |
| - from PTE PZU due to acquisition activity for OFE | 1 334 | 1 133 |
| 2. Impairment write downs on receivables and advances from Syta Development | 11 291 | 11 291 |
| 3. Payables, including prepaid premiums | 12 098 | 7 154 |
| 4. Contingent assets - from Syta Development due to collateral on interest receivables | 2 275 | 2 275 |

26.1.2 Transactions with associates

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|---------------------------|-----------------------------|-----------------------------|
| 1. Gross premium written | 70 | 70 |
| 2. Dividends received | - | 228 |
| 3. Other income | - | - |
| 4. Claims paid out, gross | 6 | 9 |
| 5. Other expenses | - | 275 |

| Description | 31-12-2009 | 31-12-2008 |
|---|------------|------------|
| 1. Receivables, gross - including prepayments for construction projects | - | 1 |
| 2. Impairment losses on receivables | - | - |
| 3. Payables, including prepaid premiums | - | - |

26.2. Transactions with Members of the Management Board and Supervisory Board

As of 31 December 2009 and 31 December 2008, there were no advance payments that would not be settled or loans taken out by Members of the Management Board of PZU or Supervisory Board of PZU.

In 2008-2009 there were no transactions between the Company and Members of the Management Board of PZU, Members of the Supervisory Board of PZU or persons who are their joint householders, other than those resulting from concluded property and personal insurance contracts, concluded on an arm's length basis.

26.3. Transactions with entities with Members of the Management Board and Supervisory Board as shareholders or partners

As of 31 December 2009 and 31 December 2008, there were no material transactions between PZU and entities with Members of the Management Board of PZU and Supervisory Board of PZU and their joint householders, as shareholders and partners, with direct or indirect voting right of at least 33% of all voting rights on the shareholders' meeting (general meeting).

26.4. Remuneration of the Company's Management Board and supervisory bodies together with profit sharing and originated loans

The total gross remuneration of the Members of the Management Board and Supervisory Board of PZU paid in 2009 was PLN 1,183 thousand and PLN 343 thousand, respectively (2008: PLN 827 thousand and PLN 333 thousand, respectively).

26.5. Disputes

26.5.1 Disputes related to concluded insurance contracts

PZU is involved in disputes related to concluded insurance contracts. As of 31 December 2009, there were 8,461 of claims against PZU related to statutory insurance activity (31 December 2008: 8,613 claims).

PZU includes such claims when creating technical provisions for reported damages, considering the probability of an unfavorable decision of the court and estimating the value of probable settlement.

26.5.2 Disputes not related to concluded insurance contracts

As of 31 December 2009, PZU was a defendant in 108 cases (31 December 2008: 96 cases) not related to insurance. The cases concern, among other things, disputes due to employment, as well as claims for non-performance of agreements. As of 31 December 2009, the total value of such disputes was approx. 23 million (31 December 2008: PLN 42 million).

In 2007, PZU received a statement of claim of EUREKO B.V. against PZU. The case was heard by the Regional Court in Warsaw. The plaintiff requested that the resolution of the General Meeting of PZU of 30 June 2007 concerning profit distribution for 2006 be revoked.

In a decision of 8 December 2009, the Regional Court in Warsaw dismissed the case. In the justification, the court indicated that the plaintiff withdrew its claim in a pleading of 1 December 2009 (resulting from the issue described in point 26.5.3 of Additional information and explanations) and waived all claims. The decision is valid.

26.5.3 End of dispute between the State Treasury and Eureko B.V.

In October 2002, Eureko B. V. instituted arbitration proceedings based on an International Agreement between the Republic of Poland and the Kingdom of the Netherlands concerning the mutual promotion and protection of investments concluded on 7 September 1992 ("International Agreement"). Eureko B.V. - a Dutch investor - in its statement of claim indicated that Eureko B.V. had no protection of its investments in Poland which it was entitled to based on the provisions of the International Agreement. Eureko B.V. demanded that its right to acquire 21% shares in PZU, resulting from the provisions of the First Additional Agreement of 3 April 2001 be exercised and that it be compensated for losses.

Neither PZU nor any other subsidiary of PZU was a party to the dispute between the State Treasury and Eureko B.V. before the International Court of Arbitration.

On 1 October 2009 the State Treasury, EUREKO B.V, PZU and Kappa SA. concluded a Settlement Agreement. The Agreement ended a long dispute between the main shareholders in PZU. Key conditions of the agreement:

- Eureko B.V. waives claims against the State Treasury and PZU, including arbitration claims;
- both parties agree to an Initial Public Offering of shares in PZU ("IPO") and floating of PZU shares;
- Eureko B.V. agrees to renounce its rights of a strategic investor at PZU;
- IPO, by admission of the Shares to trading on the Warsaw Stock Exchange ("WSE");
- Eureko B.V. agrees to immediately reduce its interest in the share capital of PZU to less than 23%, to 18% after the IPO and finally to less than 13%;
- Eureko B.V. undertakes not to carry out any activities in competition with PZU for three years of the date when the interest of Eureko B.V. in PZU falls below 13% of the share capital of PZU;
- Eureko B.V. undertakes not to increase its share capital in PZU for 15 years, until the interest in the share capital falls below 5%; additionally until that time, Eureko B.V. will not acquire shares in PZU in a number which would cause the 5% threshold to be reached or exceeded;
- Eureko B.V. waives its rights (to appoint 4 members of the Supervisory Board and 2 members of the Management Board, including the Vice-Chairman) at PZU, granted based on the above agreements and their provisions incorporated into the articles of association;

- Eureko B.V. agrees for the rights and obligations resulting from the Agreement for Sale of Shares and the First Additional Agreement, among other things, relating to the provisions which prevent the State Treasury from selling material block of PZU shares to other entities, to expire.

As part of payment Eureko B.V. received:

- the right to PLN 3,550,000 thousand of dividend for usufruct of 24,043,345 PZU shares owned by the State Treasury. The usufruct, established for a definite period of time, until 31 January 2010, was limited to benefits in the form of dividend; the right to the dividend was established during the usufruct and did not include any other corporate or property rights;
- the right to PLN 1,224,142 thousand as the amount guaranteed at the time of settlement of sale of 4.9% shares in PZU under IPO.

On 26 November 2009, PZU made the advance payment against dividend for 2009 of PLN 12,749,917 thousand, agreed in the Settlement Agreement, described in point 7.4 of Additional information and explanations.

On 2 December 2009, the International Court of Arbitration received documents which facilitated instigation of a procedure for effective completion of the arbitration proceedings. At the same time, Eureko B.V. requested that the institutions which were carrying out proceedings related to the long dispute end the proceedings. The institutions included the Polish Financial Supervision Authority, the Supreme Administrative Court, competent Regional Courts and the European Commission which investigated the case *ex officio*.

On 4 December 2009, the Chairman of the International Court of Arbitration ended the dispute instituted by Eureko B.V. against the Republic of Poland regarding the PZU privatization agreement as the terms and conditions specified in the Settlement Agreement had been met.

Along with steps taken to end the arbitration dispute, the Republic of Poland and the State Treasury of the Republic of Poland represented by the Minister of Treasury as well as the other party to the dispute - Eureko B.V. took steps to end all other disputes related to privatization of PZU.

26.6. Changes in the articles of association of PZU

26.6.1 Changes related to the reserve capital

The Extraordinary Shareholders' Meeting held on 28 August 2009 changed the Articles of Association of PZU and added points to Article 29 which facilitate creation of:

- reserve capital to finance the advance payment against dividend to be used by the Management Board;
- reserve capital to finance an increase in the share capital from the Company's funds.

26.6.2 New wording of the Articles of Association of PZU

The Extraordinary Shareholders' Meeting of PZU of 2 December 2009 adopted new wording of the Articles of Association of PZU.

The changes were introduced in line with the arrangements concluded in the Settlement Agreement specified in point 26.5.3 of Additional information and explanations whose parties agreed on changes in the corporate governance at PZU aimed, among other things, at preparing PZU to carry out the IPO and floating PZU shares on WSE.

- In view of the above, the Articles of Association were supplemented with provisions:
- resulting from the Code of Commercial Companies and relating to the corporate governance at public companies;
- resulting from the Code of Commercial Companies and other provisions of law;
- ensuring that PZU applies corporate governance specified in the Code of good practice for WSE-listed firms, with some limitations minimizing the possibility of a hostile takeover of PZU.

The proposed scope of changes in the Articles of Association of PZU requires an approval of the Polish Financial Supervision Authority. On 15 December 2009 PZU filed an appropriate application at the Polish Financial Supervision Authority. On 5 February 2009, the Polish Financial Supervision Authority approved the changes.

Changes in the Articles of Association will come into force upon registration in the National Court Register.

26.7. Project IPO 2010

On 1 December 2009, the Management Board of PZU adopted a resolution introducing Project IPO 2010 aimed at carrying out IPO by floating shares in PZU at WSE in the first half of 2010.

26.8. Changes in the Management Board of PZU and Supervisory Board of PZU

26.8.1 Management Board of PZU

Composition of the Management Board as of 1 January 2009:

- Andrzej Klesyk Chairman of the Board;
- Magdalena Nawłoka Vice-Chairman of the Board;
- Witold Jaworski Member of the Board;
- Rafał Stankiewicz Member of the Board.

On 1 October 2009, the consortium comprising Eureko B.V. and Bank Millenium SA dismissed Magdalena Nawłoka from the position of Vice-Chairman of the Board.

Consequently, since 1 October 2009 to the date of signing these Financial Statements, the Management Board of PZU comprised:

- Andrzej Klesyk - Chairman of the Board;
- Witold Jaworski - Member of the Board;
- Rafał Stankiewicz - Member of the Board.

26.8.2 Supervisory Board of PZU

Composition of the Supervisory Board of PZU as of 1 January 2009:

- Tomasz Gruszecki Chairman
- Ernst Jansen Vice-Chairman
- Marcin Majeranowski Vice-Chairman
- Joanna Karman Member
- Maciej Bednarkiewicz Member
- Alfred Bieć Member
- Michał Nastula Member
- Gerard van Olphen Member
- Tomasz Przesławski Member

On 31 August 2009, the Ministry of Treasury dismissed Joanna Karman from the Supervisory Board and appointed Marzena Piszczyk.

On 28 September 2009 Ernst Jansen, Maciej Bednarkiewicz and Michał Nastula were dismissed from the Supervisory Board and Richard Ippela and Marco Veta were appointed to the Board.

On 1 October 2009 Richard Ippel resigned from the position of a Member of the Supervisory Board.

On 30 December 2009 Eureko B. V. dismissed Gerard van Olphen from the position of a Member of the Management Board. Waldemar Maj was appointed a Member of the Supervisory Board - as an Independent Expert.

Composition of the Supervisory Board of PZU as of 31 December 2009:

- Tomasz Gruszecki Chairman;
- Marcin Majeranowski Vice-Chairman;
- Alfred Bieć Member;
- Tomasz Przesławski Member;
- Marzena Piszczyk Member;
- Marco Vet Member;
- Waldemar Maj Member.

On 5 January 2010, the Ministry of Treasury dismissed Alfred Bieć and Tomasz Przesławski from the Supervisory Board and appointed Piotr Kamiński and Grażyna Piotrowska-Oliwa as Members of the Supervisory Board.

On 12 January 2010, the consortium comprising Eureka B.V. and Bank Millennium SA dismissed Marco Vet from the Supervisory Board and appointed Jurgen B. J. Stegmann.

Consequently, since 12 January 2010 to the date of signing these Financial Statements, the Supervisory Board of PZU comprised:

- Tomasz Gruszecki Chairman;
- Marcin Majeranowski Vice-Chairman;
- Marzena Piszczek Member;
- Waldemar Maj Member;
- Piotr Kamiński Member;
- Grażyna Piotrowska-Oliwa Member;
- Jurgen B.J. Stegmann Member;

26.9. Control of the Polish Financial Supervision Authority

On 15 June 2009, the Polish Financial Supervision Authority started control of PZU which verified the activities and financial position as regards technical provisions and loss adjustment.

On 23 February 2010 the Polish Financial Supervision Authority issued a control protocol indicating a breach of Act on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau (Dz. U. No. 124 of 2003, item 1152), the Accounting Act and the Ordinance of the Minister of Finance concerning detailed accounting principles of insurance companies (Dz. U. No. 236 of 2008, item 1634) and the Civil Code with respect to determining the amount of claims paid and delinquencies in payments, updating petition data in internal documentation, using general definitions concerning calculation of technical provisions in internal documentation and determining the amount of technical provisions.

In particular, the Authority pointed out the discounting rate applied by PZU in calculation of the provision for capitalized value of annuity claims, which is based on expected return on assets covering provisions for capitalized value of annuity claims and on expected increase in currently paid annuities.

PZU introduced appropriate amendments to the Regulations concerning technical provisions in order to comply with the comments of the Polish Financial Supervision Authority in the process of calculating the provision of capitalized value of annuity claims. These changes had no significant impact on the net financial profit/loss in 2009.

The Management Board of PZU intends to analyze the comments and present additional explanations in line with the law in force, in cases where the Management Board considers the comments incompliant with the actual status or unjustified.

According to the Management Board of PZU, the results of the aforementioned control and the irregularities identified in other areas do not have a material impact on the financial performance of PZU and these financial statements.

26.10. Anti-trust proceedings of the Office of Competition and Consumer Protection

On 30 December 2009, the President of the Office of Competition and Consumer Protection issued a decision No. RWR 41/2009 and fined PZU for PLN 14,792 thousand for practices which breach the collective consumer interest. PZU agrees neither with the contents of the decision nor its justification. On 18 January 2010, PZU appealed against the decision to the Court of Competition and Consumer Protection. As a result, the decision did not become valid. By the date of signing these Financial Statements, the appeal had not been examined.

Irrespective of the appeal, as of 31 December 2009, PZU created a provision for the above fine in the amount of PLN 14,792 thousand.

26.11. Employment

Average employment in 2009 was 11,116 FTEs (2008: 11,483 FTEs), including:

| Description | Year ended 31 December 2009 | 1 stycznia – 30 grudnia 2008 |
|----------------------------|-----------------------------|------------------------------|
| Management Board (persons) | 3 | 4 |
| Managers | 476 | 509 |
| Other employees | 10 637 | 10 970 |
| Total | 11 116 | 11 483 |

26.12. Remuneration of the statutory auditor authorized to audit financial statements.

| Description | Year ended 31 December 2009 | Year ended 31 December 2008 |
|-------------------------------|-----------------------------|-----------------------------|
| Audit of financial statements | 908 | 700 |
| Other certifying services | 1 181 | 211 |
| Tax advisory services | - | - |
| Other services | 36 | 110 |
| Total | 2 125 | 1 021 |

The table above presents amounts due to the authorized entities, paid or payable for a given year, increased by VAT, on an accrual basis.

Signatures of members of the Management Board of PZU SA:

Andrzej Klesyk – Chairman of the Board

.....
(signature)

Rafał Stankiewicz – Member of the Board

.....
(signature)

Witold Jaworski – Member of the Board

.....
(signature)

Person responsible for preparation of the financial statements:

Piotr Marczyk – Director of the Accounting Office

.....
(signature)

Chief Actuary at PZU SA:

Paweł Chadysz – Vice-Director of the Actuarial Office

.....
(signature)

Warsaw, 7 March 2010

**The attached financial statements together with notes
are a translation from the original Polish version. In case of any discrepancies between the
Polish and English version, the Polish version shall prevail.**