

**CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS  
OF THE CAPITAL GROUP  
OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ  
SPÓŁKA AKCYJNA  
FOR THE PERIOD OF 6 MONTHS  
ENDED 30 JUNE 2014**



This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

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## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<b>Assets</b>	<b>Note</b>	<b>30 June 2014</b>	<b>31 December 2013</b> <i>(restated)</i>	<b>1 January 2013</b> <i>(restated)</i>
Intangible assets		434 527	308 726	183 238
Goodwill	9.1	67 261	8 519	8 474
Property, plant and equipment		971 235	927 281	992 317
Investment property		1 409 061	1 474 770	564 404
Entities measured using the equity method	9.2	68 150	48 595	-
Financial assets				
Financial instruments held to maturity	9.3.1	20 099 588	18 859 902	21 117 559
Financial instruments available for sale	9.3.2	1 983 280	1 920 112	3 824 409
Financial instruments measured at fair value through profit or loss	9.3.3	20 077 416	19 904 176	15 694 482
Loans	9.3.4	13 467 457	14 401 538	9 752 615
Receivables, including insurance receivables	9.5	3 002 398	2 671 964	1 840 873
Reinsurers' share in technical provisions	9.6	579 835	526 605	749 334
Estimated subrogations and salvages		126 689	129 950	121 632
Deferred tax assets		24 640	16 949	13 963
Current income tax receivables		9 255	34 895	80 646
Deferred acquisition costs		667 610	609 819	574 489
Other assets	9.9	205 628	195 449	178 646
Cash and cash equivalents		446 650	569 157	262 063
<b>Assets related to continued operations</b>		<b>63 640 680</b>	<b>62 608 407</b>	<b>55 959 144</b>
Assets available for sale	9.10	181 101	178 897	46 962
<b>Total assets</b>		<b>63 821 781</b>	<b>62 787 304</b>	<b>56 006 106</b>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

Equity and liabilities	Note	30 June 2014	31 December 2013 (restated)	1 January 2013 (restated)
<b>Equity</b>				
Issued share capital and other equity attributable to the shareholders of the parent entity				
Share capital		86 352	86 352	86 352
Other reserves		9 908 961	9 061 351	9 105 375
Treasury shares		(110)	(110)	-
Supplementary capital		9 669 111	8 855 999	8 780 212
Revaluation reserve		257 449	242 297	363 167
Other reserve capital		26 240	-	-
Actuarial gains and losses concerning provisions for employee benefits		790	902	-
Foreign exchange differences from translation		(44 519)	(37 737)	(38 004)
Unappropriated result		1 921 486	3 963 587	4 998 404
Retained earnings/(Accumulated losses)		201 135	2 397 137	4 998 404
Net profit/(loss)		1 720 351	3 293 496	-
Appropriations of net profit during the financial year		-	(1 727 046)	-
Non-controlling interests		498	16 341	79 138
<b>Total equity</b>		<b>11 917 297</b>	<b>13 127 631</b>	<b>14 269 269</b>
<b>Liabilities</b>				
Technical provisions	9.11			
Unearned premium and unexpired risk reserves		4 913 340	4 540 011	4 537 167
Life insurance provision		16 210 953	16 048 191	15 675 243
Outstanding claims provisions		6 753 307	6 586 781	5 878 445
Provisions for the capitalized value of annuities		5 890 944	5 761 332	5 660 281
Provisions for bonuses and rebates for the insured		2 214	2 893	4 227
Other technical provisions		451 450	477 987	531 617
Unit-linked technical provision		4 284 148	3 907 221	3 113 798
Investment contracts	9.12			
- with guaranteed and fixed terms and conditions		624 848	1 250 492	1 297 224
- unit-linked		710 953	870 545	1 001 923
Provisions for employee benefits		141 986	123 380	107 307
Other provisions	9.13	179 176	192 906	267 456
Provision for deferred income tax		446 045	255 399	357 557
Current income tax liabilities		52 221	53 372	21 658
Derivative instruments		448 167	237 749	130 147
Other liabilities	9.14	10 794 732	9 351 414	3 152 787
<b>Liabilities related to continued operations</b>		<b>51 904 484</b>	<b>49 659 673</b>	<b>41 736 837</b>
<b>Total liabilities</b>		<b>51 904 484</b>	<b>49 659 673</b>	<b>41 736 837</b>
<b>Total equity and liabilities</b>		<b>63 821 781</b>	<b>62 787 304</b>	<b>56 006 106</b>

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Consolidated statement of profit or loss	Note	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013 (restated)	1 January - 30 June 2013 (restated)
Gross written premiums	9.15	4 083 914	8 437 893	4 069 328	8 495 251
Reinsurer's share in the written premium		(57 099)	(118 073)	(30 079)	(63 676)
<b>Net written premium</b>		<b>4 026 815</b>	<b>8 319 820</b>	<b>4 039 249</b>	<b>8 431 575</b>
Change in net unearned premium reserve		16 043	(287 221)	30 264	(254 335)
<b>Net premium earned</b>		<b>4 042 858</b>	<b>8 032 599</b>	<b>4 069 513</b>	<b>8 177 240</b>
Revenue from commissions and fees	9.16	61 608	130 661	72 654	143 178
Net investment income	9.17	429 623	793 408	504 635	948 658
Net result on realization and impairment losses on investments	9.18	136 844	25 179	(134 800)	(181 882)
Net change in the fair value of assets and liabilities measured at fair value	9.19	256 149	539 209	170 395	202 321
Other operating income	9.20	144 820	250 007	75 675	280 593
Claims, benefits and change in technical provisions	9.21 9.23	(2 783 110)	(5 478 378)	(2 731 695)	(5 452 083)
Reinsurers' share in claims, benefits and change in technical provisions		29 189	60 291	2 987	(7 322)
<b>Net claims and benefits</b>		<b>(2 753 921)</b>	<b>(5 418 087)</b>	<b>(2 728 708)</b>	<b>(5 459 405)</b>
Benefits and measurement result of investment contracts	9.22	(1 108)	(6 025)	(471)	(11 695)
Acquisition costs	9.23	(528 740)	(1 036 364)	(492 072)	(972 660)
Administrative expenses	9.23	(368 192)	(702 275)	(315 030)	(641 314)
Other operating expenses	9.24	(195 901)	(372 591)	(142 695)	(339 654)
<b>Operating profit/(loss)</b>		<b>1 224 040</b>	<b>2 235 721</b>	<b>1 079 096</b>	<b>2 145 380</b>
Financing expenses	9.25	(27 615)	(59 813)	(23 426)	(37 826)
Share in net profit (loss) of companies measured using the equity method		159	245	(601)	1 856
<b>Profit/(loss) before tax</b>		<b>1 196 584</b>	<b>2 176 153</b>	<b>1 055 069</b>	<b>2 109 410</b>

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT.)

Consolidated statement of profit or loss	Note	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013 (restated)	1 January – 30 June 2013 (restated)
Income tax					
- current portion		(166 805)	(292 421)	(224 935)	(421 920)
- deferred portion		(69 861)	(163 371)	8 211	(12 028)
Net profit (loss) from continued operations		959 918	1 720 361	838 345	1 675 462
<b>Net profit/(loss), including:</b>		<b>959 918</b>	<b>1 720 361</b>	<b>838 345</b>	<b>1 675 462</b>
- profit (loss) attributable to equity holders of the parent entity		959 905	1 720 351	837 186	1 675 094
- non-controlling interest profit (loss)		13	10	1 159	368
Net profit (loss) from continued operations		959 905	1 720 351	837 186	1 675 094
Net profit (loss) from discontinued operations		-	-	-	-
Basic and diluted weighted average number of ordinary shares in issue		86 352 300	86 352 300	86 352 300	86 352 300
Basic and diluted profit (loss) from continued operations per ordinary share (in PLN)		11.12	19.92	9.70	19.40
Basic and diluted profit (loss) per one ordinary share (in PLN)		11.12	19.92	9.70	19.40

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income	Note	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013 (restated)	1 January - 30 June 2013 (restated)
Net profit/(loss)		959 918	1 720 361	838 345	1 675 462
Other comprehensive income	9.26	5 567	15 042	62 925	(90 994)
Amounts subject to subsequent transfer to statement of profit or loss		5 679	15 154	62 925	(90 994)
Measurement of AFS financial instruments		5 370	19 241	50 848	(105 908)
Foreign exchange differences from translation		(1 245)	(6 779)	3 505	6 342
Property reclassified from property, plant and equipment to investment property		1 555	2 693	8 572	8 572
Other comprehensive income of companies measured using the equity method		(1)	(1)	-	-
Amounts not subject to subsequent transfer to statement of profit or loss		(112)	(112)	-	-
Other comprehensive income of companies measured using the equity method		(112)	(112)	-	-
<b>Total net comprehensive income</b>		<b>965 485</b>	<b>1 735 403</b>	<b>901 270</b>	<b>1 584 468</b>
- comprehensive income attributable to equity holders of the parent entity		965 472	1 735 391	900 098	1 584 080
- comprehensive income attributable to non-controlling interests		13	12	1 172	388

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Statement of changes in consolidated equity	Capitals and reserves attributable to equity holders of the parent entity										Non-controlling interests	Total equity
	Other reserves					Unappropriated result						
	Share capital	Treasury shares	Supplementary capital	Revaluation reserve	Other reserve capitals	Actuarial gains and losses concerning provisions for employee benefits	Exchange differences from translation	Retained earnings/(Accumulated losses)	Net profit/(loss)	Total		
Balance as at 1 January 2014	86 352	(110)	8 855 999	242 297	-	902	(37 737)	3 963 587	-	13 111 290	16 341	13 127 631
Measurement of AFS financial instruments	-	-	-	19 241	-	-	-	-	-	19 241	-	19 241
Foreign exchange differences from translation	-	-	-	-	-	-	(6 781)	-	-	(6 781)	2	(6 779)
Property reclassified from property, plant and equipment to investment property	-	-	-	2 693	-	-	-	-	-	2 693	-	2 693
Other comprehensive income of companies measured using the equity method	-	-	-	-	-	(112)	(1)	-	-	(113)	-	(113)
Total other net comprehensive income	-	-	-	21 934	-	(112)	(6 782)	-	-	15 040	2	15 042
Net profit/(loss)	-	-	-	-	-	-	-	-	1 720 351	1 720 351	10	1 720 361
Total comprehensive income	-	-	-	21 934	-	(112)	(6 782)	-	1 720 351	1 735 391	12	1 735 403
Other changes, including:	-	-	813 112	(6 782)	26 240	-	-	(3 762 452)	-	(2 929 882)	(15 855)	(2 945 737)
Profit appropriation	-	-	800 121	-	26 240	-	-	(3 762 339)	-	(2 935 978)	-	(2 935 978)
Increase in the capital of PZU Lietuva	-	-	-	-	-	-	-	-	-	-	15	15
Buyback of shares of Armatura Kraków	-	-	6 095	-	-	-	-	-	-	6 095	(15 983)	(9 888)
Acquisition of medical companies	-	-	-	-	-	-	-	-	-	-	105	105
Acquisition of AAS Balta	-	-	-	-	-	-	-	-	-	-	8	8
Sale of revalued property	-	-	6 896	(6 782)	-	-	-	(113)	-	1	-	1
Balance as at 30 June 2014	86 352	(110)	9 669 111	257 449	26 240	790	(44 519)	201 135	1 720 351	11 916 799	498	11 917 297



## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT.)

Statement of changes in consolidated equity <i>(restated)</i>	Capitals and reserves attributable to equity holders of the parent entity									Non-controlling interests	Total equity	
	Other reserves					Unappropriated result						
	Share capital	Treasury shares	Supplementary capital	Revaluation reserve	Actuarial gains and losses concerning provisions for employee benefits	Exchange differences from translation	Retained earnings/ (Accumulated losses)	Net profit/ (loss)	Appropriations of net profit during the financial year (negative value)	Total		
Balance as at 1 January 2013	86 352	-	8 780 212	363 242	-	(38 004)	4 998 329	-	-	14 190 131	79 138	14 269 269
Changes in accounting standards	-	-	-	(75)	-	-	75	-	-	-	-	-
Balance as at 1 January 2013, after reconciliation of comparable data	86 352	-	8 780 212	363 167	-	(38 004)	4 998 404	-	-	14 190 131	79 138	14 269 269
Measurement of AFS financial instruments	-	-	-	(120 101)	-	-	-	-	-	(120 101)	-	(120 101)
Other comprehensive income of companies measured using the equity method	-	-	-	-	-	(20)	-	-	-	(20)	-	(20)
Foreign exchange differences from translation	-	-	-	-	-	287	-	-	-	287	5	292
Actuarial gains and losses concerning provisions for employee benefits	-	-	-	-	902	-	-	-	-	902	-	902
Property reclassified from property, plant and equipment to investment property	-	-	-	14 445	-	-	-	-	-	14 445	-	14 445
Total other net comprehensive income	-	-	-	(105 656)	902	267	-	-	-	(104 487)	5	(104 482)
Net profit/(loss)	-	-	-	-	-	-	-	3 293 496	-	3 293 496	1 459	3 294 955
Total comprehensive income	-	-	-	(105 656)	902	267	-	3 293 496	-	3 189 009	1 464	3 190 473
Other changes, including:	-	(110)	75 787	(15 214)	-	-	(2 601 267)	-	(1 727 046)	(4 267 850)	(64 261)	(4 332 111)
Profit appropriation	-	-	34 231	-	-	-	(2 599 579)	-	(1 727 046)	(4 292 394)	-	(4 292 394)
Increase in the capital of PZU Lietuva	-	-	-	-	-	-	-	-	-	-	30	30

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna  
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(in thousand PLN)

Buyback of shares of Armatura Kraków	-	-	24 568	-	-	-	-	-	-	24 568	(64 474)	(39 906)
Sale of revalued property	-	-	16 988	(15 214)	-	-	(1 772)	-	-	2	-	2
Change in the scope of consolidation	-	(110)	-	-	-	-	84	-	-	(26)	183	157
<b>Balance as at 31 December 2013</b>	<b>86 352</b>	<b>(110)</b>	<b>8 855 999</b>	<b>242 297</b>	<b>902</b>	<b>(37 737)</b>	<b>2 397 137</b>	<b>3 293 496</b>	<b>(1 727 046)</b>	<b>13 111 290</b>	<b>16 341</b>	<b>13 127 631</b>

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT.)

Statement of changes in consolidated equity <i>(restated)</i>	Capitals and reserves attributable to equity holders of the parent entity								Non-controlling interests	Total equity
	Other reserves					Unappropriated result				
	Share capital	Treasury shares	Supplementary capital	Revaluation reserve	Exchange differences from translation	Retained earnings/ (Accumulated losses)	Net profit/ (loss)	Total		
Balance as at 1 January 2013	86 352	-	8 780 212	363 242	(38 004)	4 998 329	-	14 190 131	79 138	14 269 269
Changes in accounting standards	-	-	-	(75)	-	75	-	-	-	-
Balance as at 1 January 2013, after reconciliation of comparable data	86 352	-	8 780 212	363 167	(38 004)	4 998 404	-	14 190 131	79 138	14 269 269
Measurement of AFS financial instruments	-	-	-	(105 908)	-	-	-	(105 908)	-	(105 908)
Property reclassified from property, plant and equipment to investment property	-	-	-	8 572	-	-	-	8 572	-	8 572
Foreign exchange differences from translation	-	-	-	-	6 322	-	-	6 322	20	6 342
Total other net comprehensive income	-	-	-	(97 336)	6 322	-	-	(91 014)	20	(90 994)
Net profit/(loss)	-	-	-	-	-	-	1 675 094	1 675 094	368	1 675 462
Total comprehensive income	-	-	-	(97 336)	6 322	-	1 675 094	1 584 080	388	1 584 468
Other changes, including:	-	(110)	36 519	(2 275)	-	(2 599 507)	-	(2 565 373)	198	(2 565 175)
Profit appropriation	-	-	34 236	-	-	(2 599 584)	-	(2 565 348)	-	(2 565 348)
Increase in the capital of PZU Lietuva	-	-	-	-	-	-	-	-	15	15
Sale of revalued property	-	-	2 283	(2 275)	-	(7)	-	1	-	1
Change in the scope of consolidation	-	(110)	-	-	-	84	-	(26)	183	157
Balance as at 30 June 2013	86 352	(110)	8 816 731	263 556	(31 682)	2 398 897	1 675 094	13 208 838	79 724	13 288 562

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated cash flow statement	1 January – 30 June 2014	1 January - 30 June 2013 (restated)
Cash flows from operating activities		
Inflows	9 777 990	10 229 848
- gross inflows from gross premiums written	8 175 277	8 194 952
- inflows from investment contracts	277 959	857 719
- inflows from reinsurance commissions and share in reinsurers' profits	6 000	66 576
- reinsurers' payments due to share in claims	23 692	178 628
- inflows from claims representative services	97 937	153 505
- inflows from sale of units by investment fund	603 166	288 270
- other inflows from operating activities	593 959	490 198
Outflows	(9 032 068)	(8 543 052)
- insurance premiums paid due to reinsurance	(136 348)	(127 544)
- paid commissions and profit sharing due to outward reinsurance	(3 454)	(819)
- gross claims paid	(4 203 716)	(4 189 056)
- benefits paid due to investment contracts	(1 061 516)	(957 278)
- outflows due to acquisition	(890 297)	(837 281)
- administrative outflows	(1 020 614)	(1 065 462)
- interest payments	(174)	(141)
- income tax payments	(264 642)	(359 452)
- outflows from claims representative services	(226 822)	(244 779)
- outflows from purchase of units by investment fund	(336 700)	(114 569)
- other operating outflows	(887 785)	(646 671)
<b>Net cash flows from operating activities</b>	<b>745 922</b>	<b>1 686 796</b>
Cash flows from investing activities		
Inflows	307 894 915	308 037 777
- disposal of investment property	29 903	385
- inflows from investment property	72 249	55 558
- disposal of intangible assets and property, plant and equipment	1 264	2 000
- disposal of shares	5 509 599	3 997 020
- redemption of debt securities	33 934 651	42 807 730
- sales of debt securities under buy-sell-back transactions	180 681 485	176 007 341
- withdrawal of term deposits at credit institutions	81 319 628	70 247 405
- cash from other investments	5 699 740	13 423 987
- interest received	630 605	1 097 063
- dividends received	7 513	43 824
- cash acquired on the acquisition of shares subsidiaries	8 278	-
- cash inflows due to changes in the scope of consolidation	-	355 464

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT.)

Consolidated cash flow statement	1 January – 30 June 2014	1 January - 30 June 2013 (restated)
Outflows	(307 678 926)	(310 310 696)
- acquisition of investment property	(71 485)	(392 587)
- outflows for maintenance of investment property	(78 489)	(29 454)
- acquisition of intangible assets and property, plant and equipment	(103 867)	(112 643)
- acquisition of shares	(6 641 846)	(6 428 520)
- acquisition of shares in subsidiaries	(251 309)	-
- decrease in cash balance due to changes in the scope of consolidation	(16 108)	-
- acquisition of debt securities	(34 206 334)	(44 643 303)
- purchase of debt securities under buy-sell-back transactions	(180 900 162)	(175 771 228)
- acquisition of term deposits at credit institutions	(79 533 216)	(70 029 687)
- acquisition of other investments	(5 866 716)	(12 897 463)
- other investments outflows	(9 394)	(5 811)
<b>Net cash flow from investment activities</b>	<b>215 989</b>	<b>(2 272 919)</b>
Cash flows from financing activities		
Inflows	173 411 312	32 245 992
- loans and borrowings and issues of debt securities	10 814	11 246
- near leg sell-buy-back transactions	173 400 498	32 234 746
Outflows	(174 499 537)	(31 623 249)
- dividends paid to holders of the parent entity's equity	(34)	(3)
- repayment of loans and borrowings and redemption of debt securities	(6 311)	(53 837)
- far leg sell-buy-back transactions	(174 487 398)	(31 561 938)
- interest on credit facilities, loans and issued debt securities	(5 764)	(7 471)
- other financial outflows	(30)	-
<b>Net cash flow from financing activities</b>	<b>(1 088 225)</b>	<b>622 743</b>
<b>Total net cash flows</b>	<b>(126 314)</b>	<b>36 620</b>
Cash and cash equivalents at the beginning of the financial year	569 157	262 063
Change in cash due to foreign exchange differences	3 807	195
Cash and cash equivalents at the end of the financial year, including:	446 650	298 878
- of restricted use	71 047	51 783

## **ADDITIONAL INFORMATION TO THE CONDENSED INTERIM CONDOLIDATED FINANCIAL STATEMENTS**

### **1. About PZU and PZU Group**

#### **1.1. PZU**

The Group's parent company is PZU, a joint stock company with its registered office in Warsaw 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 Laws No. 11 of 1996, item 62 as amended).

PZU is entered to 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.

According to Polish NACE (PKD), the core business of PZU includes other casualty and property insurance (PKD 65.12) and according to NACE, non-life insurance (code 6603).

## 1.2. PZU Group companies

No.	Name of the company	Seat	Date of acquisition of control / significant influence	% of share capital / equity held directly or indirectly by PZU		% of voting rights held directly or indirectly by PZU		Business operations
				30 June 2014	31 December 2013	30 June 2014	31 December 2013	
Consolidated subsidiaries								
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	n/a	n/a	Property and casualty insurance.
2	Powszechny Zakład Ubezpieczeń na Życie SA ("PZU Życie")	Warsaw	18.12.1991	100.00%	100.00%	100.00%	100.00%	Life insurance.
3	Powszechne Towarzystwo Emerytalne PZU SA ("PTE PZU")	Warsaw	08.12.1998	100.00%	100.00%	100.00%	100.00%	Management of pension funds.
4	PZU Centrum Operacji SA ("PZU CO")	Warsaw	30.11.2001	100.00%	100.00%	100.00%	100.00%	Auxiliary activities related to insurance and pension funds.
5	Towarzystwo Funduszy Inwestycyjnych PZU SA ("TFI PZU")	Warsaw	30.04.1999	100.00%	100.00%	100.00%	100.00%	Establishment, representation and management of investment funds.
6	PZU Asset Management SA ("PZU AM")	Warsaw	12.07.2001	100.00%	100.00%	100.00%	100.00%	Company does not conduct business activity.
7	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	100.00%	100.00%	Assistance service activities.
8	Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA ("MPTE PZU SA")	Warsaw	13.08.2004	100.00%	100.00%	100.00%	100.00%	Management of employee pension fund.
9	PrJSC IC PZU Ukraine ("PZU Ukraine")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Property insurance.
10	PrJSC IC PZU Ukraine Life Insurance ("PZU Ukraine Life")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Life insurance.
11	UAB DK PZU Lietuva ("PZU Lietuva")	Vilnius (Lithuania)	26.04.2002	99.76%	99.76%	99.76%	99.76%	Property insurance.
12	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	99.34%	99.34%	Life insurance.

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(in thousand PLN)

No.	Name of the company	Seat	Date of acquisition of control / significant influence	% of share capital / equity held directly or indirectly by PZU		% of voting rights held directly or indirectly by PZU		Business operations
				30 June 2014	31 December 2013	30 June 2014	31 December 2013	
13	Apdrošināšanas Akciju Sabiedrība Balta ("AAS Balta")	Riga (Latvia)	30.06.2014	99.99%	n/a	99.99%	n/a	Property insurance.
14	PZU Finance AB (publ)	Stockholm (Sweden)	02.06.2014	100.00%	n/a	100.00%	n/a	Financial services.
15	PZU Finanse Sp. z o.o.	Warsaw	08.11.2013	100.00%	100.00%	100.00%	100.00%	Company does not conduct business activity.
16	Tower Inwestycje Sp. z o.o. ("Tower Inwestycje")	Warsaw	27.08.1998	100.00%	100.00%	100.00%	100.00%	Other service activities with the exception of insurance and pension funds.
17	Ogrodowa-Inwestycje Sp. z o.o.	Warsaw	15.09.2004	100.00%	100.00%	100.00%	100.00%	Acquiring, operating, renting and selling of real estate.
18	Armatura Kraków SA <sup>1)</sup>	Cracow	07.10.1999	100.00%	92.75%	100.00%	92.75%	Distribution of products of Armatura Group, administration and management of Armatura Group.
19	Armatoora SA <sup>1)</sup>	Nisko	10.12.2008	100.00%	92.75%	100.00%	92.75%	Production and sale of radiators and sanitary fixtures and fittings.
20	Armaton SA <sup>1)</sup>	Cracow	10.02.2009	100.00%	92.75%	100.00%	92.75%	Use of free resources, development investments.
21	Armagor SA <sup>1)</sup>	Cracow	06.09.2009	100.00%	92.75%	100.00%	92.75%	Production of water and gas fittings, as well as central heating.
22	Armadimp SA <sup>1)</sup>	Cracow	20.07.2012	100.00%	92.75%	100.00%	92.75%	Production of sanitary ceramic ware.
23	Centrum Medyczne Medica sp. z o.o.	Płock	09.05.2014	100.00%	n/a	100.00%	n/a	Rendering of medical services.
24	Specjalistyczna Przychodnia Przemysłowa Prof-Med sp. z o.o.	Włocławek	12.05.2014	96.45%	n/a	96.45%	n/a	Rendering of medical services.
25	Sanatorium Uzdrowskie "Krystynka" sp. z o.o.	Ciechocinek	09.05.2014	98.58%	n/a	98.58%	n/a	Rendering of hospital, rehabilitation and spa therapy services.
26	Ipsilon Sp. z o.o.	Warsaw	02.04.2009	100.00%	100.00%	100.00%	100.00%	Company does not conduct business activity.
27	Ipsilon Bis SA	Warsaw	02.09.2011	100.00%	100.00%	100.00%	100.00%	Company does not conduct business activity.
28	Omicron SA	Warsaw	13.09.2011	100.00%	100.00%	100.00%	100.00%	Company does not conduct business activity.



No.	Name of the company	Seat	Date of acquisition of control / significant influence	% of share capital / equity held directly or indirectly by PZU		% of voting rights held directly or indirectly by PZU		Business operations
				30 June 2014	31 December 2013	30 June 2014	31 December 2013	
29	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Assistance services.
30	PZU SFIO Universum	Warsaw	15.12.2009	n/a	n/a	n/a	n/a	Investment of funds collected from the participants of the fund.
31	PZU FIZ Akcji	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	as above
32	PZU FIZ Dynamiczny	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	as above
33	PZU FIZ Sektora Nieruchomości <sup>2)</sup>	Warsaw	01.07.2008	n/a	n/a	n/a	n/a	as above
34	PZU FIZ Sektora Nieruchomości 2 <sup>2)</sup>	Warsaw	21.11.2011	n/a	n/a	n/a	n/a	as above
35	PZU FIZ Sektora Nieruchomości 3 <sup>2)</sup>	Warsaw	24.02.2012	n/a	n/a	n/a	n/a	as above
36	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	n/a	n/a	as above
37	PZU FIZ Aktywów Niepublicznych BIS 2	Warsaw	19.11.2012	n/a	n/a	n/a	n/a	as above
38	PZU Dłużny Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
39	PZU Akcji Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
40	PZU Akcji Spółek Dywidendowych	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
41	PZU FIZ Forte	Warsaw	27.12.2012	n/a	n/a	n/a	n/a	as above
42	PZU FIZ Aktywów Niepublicznych RE Income <sup>2)</sup>	Warsaw	08.11.2011	n/a	n/a	n/a	n/a	as above
43	PZU FIO Gotówkowy	Warsaw	01.07.2005	n/a	n/a	n/a	n/a	as above
<b>Joint ventures</b>								
44	Armatura Tower Sp. z o.o.	Cracow	08.11.2013	50.00%	50.00%	50.00%	50.00%	Execution of construction projects.

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(in thousand PLN)

No.	Name of the company	Seat	Date of acquisition of control / significant influence	% of share capital / equity held directly or indirectly by PZU		% of voting rights held directly or indirectly by PZU		Business operations
				30 June 2014	31 December 2013	30 June 2014	31 December 2013	
Associates								
45	GSU Pomoc Górniczy Klub Ubezpieczonych SA	Tychy	08.06.1999	30.00%	30.00%	30.00%	30.00%	Insurance services.
46	EMC Instytut Medyczny SA	Wrocław	18.06.2013	28.58%	29.87%	25.41%	25.31%	Protection of human health, research and development in the field of medical sciences and pharmacy.

<sup>1)</sup> Information about changing the involvement in Armatura Kraków SA is presented in section 2.3.

<sup>2)</sup> As at 30 June 2014 the funds PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Sektora Nieruchomości 3, PZU FIZ Aktywów Niepublicznych RE Income conducted investment operations through SPEs, the number of which for particular funds amounted to: 37, 9, 9, 6 (31 December 2013: 37, 8, 9, 6).

### **1.2.1. Non-controlling interests**

In PZU Group there are no subsidiaries, for which non-controlling interests would be material relevant for PZU Group. Non-controlling interests are respectively 0.24%, 0.66% and 0.01% in the shares and votes of the following companies: PZU Lietuva, UAB PZU Lietuva Gyvybes Draudimas and AAS Balta.

## **2. Changes in the organization of PZU Group**

### **2.1. Changes in the scope of consolidation of investment funds**

Information about the application of IFRS 10 from 1 January 2014 are presented in Section 3.4.1.

Due to reduction of PZU Group's share in net assets of sub-fund PZU Energia Medycyna Ekologia below 20%, the consolidation was ceased from 1 April 2014. It resulted in a reduction of cash inflow of PZU Group by PLN 16,108 thousand (in "decrease in cash balance due to changes in the scope of consolidation" line in the consolidated cash flow statement).

### **2.2. Acquisition of shares in EMC Instytut Medyczny SA**

On 23 December 2013 PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 ("PZU FIZ AN BIS 2") entered into the final contract on the acquisition of 948,370 of EMC's new shares with a nominal value of 4 PLN per share and the issue price of PLN 19.50 per share. The total purchase price of the new shares amounted to PLN 18,493 thousand.

On 14 March 2014 the capital increase of EMC was registered, as a result of the issuance of 3,692,310 shares with a nominal value of PLN 4 per share and the issue price of PLN 19.50 per share. In accordance with the above mentioned final contract, PZU FIZ AN BIS 2 acquired 948,370 shares (constituting 25.685% of new issue). As a result of the capital increase, PZU FIZ AN BIS 2 has a total of 3,435,638 shares representing 28.58% of the share capital, which entitles it to 25.41% of votes at the General Meeting of EMC.

The acquisition of new shares does not correspond to PZU FIZ AN BIS 2's previous share in the share capital and votes at the General Meeting of Shareholders. As a result of the changes in the share capital, a one-off income in the amount of PLN 966 thousand was recognised in this consolidated financial statement in the section "Net investment income".

### **2.3. Increase of the capital share in Armatura Kraków SA**

As at 31 December 2013, PZU FIZ AN BIS 2 had a total of 75,125,538 shares representing 92.75% of votes at the General Meeting of Shareholders.

As a result of the compulsory acquisition of shares, on 23 January 2014 PZU FIZ BIS 2 acquired 5,517,888 shares of Armatura Kraków SA. As a result of this transaction, PZU FIZ AN BIS 2 had a total of 80,643,426 shares representing 99.56% of the share capital of Armatura Kraków SA, which entitled it to 99.56% of votes at the General Meeting of Shareholders.

Through transactions settled on 3 March 2014 and 14 March 2014, PZU FIZ AN BIS 2 purchased 298 399 and 58 175 shares, respectively. As a result of these transaction, PZU FIZ AN BIS 2 had a total of 81,000,000 shares representing 100% of the share capital of Armatura Kraków SA, which entitled it to 100% of votes at the General Meeting of Shareholders.

On 9 January 2014, a request concerning the granting of authorisation to restore the shares of Armatura Kraków SA to a document form, i.e. the abolition of the dematerialisation of the shares, was submitted to the Polish Financial Supervision Authority ("PFSA"). On 18 February 2014, PFSA agreed to dematerialise the shares. In accordance with the said decision, Armatura Kraków SA as from 10 March 2014 ceased to be subject to the obligations of the Act of 29 July 2005 on Public Offering and the Conditions Governing the Introduction of

Financial Instruments to Organised Trading and on Public Companies (consolidated text, Journal of Laws of 2013, item 1382).

## 2.4. Acquisition of shares of AAS Balta

On the basis of the share purchase agreement PZU acquired from Royal & Sun Insurance plc, limited liability company incorporated in England and Wales with registered office in West Sussex, United Kingdom ("RSA"), 4,651,825 ordinary shares in the company AAS Balta that represent 99.995% of share capital of AAS Balta ("AAS Balta Shares") with a nominal value of LVL 1.00 for the amount of EUR 48,000 thousand and the estimated amount of compensation constituting the difference between the estimated net asset value (determined after the closing of the transaction and based on the closing balance of AAS Balta, prepared by PZU and accepted by RSA) and the notional amount of the net assets.

The acquisition of the shares of AAS Balta was conditional upon the fulfilment of the following conditions precedent:

- obtaining the decision of the Financial and Capital Markets Commission of the Republic of Latvia regarding the acquisition of AAS Balta's shares in accordance with the relevant provisions of the Latvian law (including the no objection statement);
- obtaining the approval of European Commission's anti-trust commission or a Latvian anti-trust authority (depending on which one of the bodies would be appropriate in this case).
- obtaining the approval of the Ukrainian anti-trust authority.

Closing of the acquisition of AAS Balta took place on 30 June 2014 and since that day AAS Balta has been consolidated. The payment for the shares of AAS Balta made on the date of closing the transaction amounted to PLN 49,172 thousand (in accordance with the NBP's (National Bank of Poland) exchange rate from the day preceding the date of the transaction – PLN 204,202 thousand).

Till the date of these interim consolidated statements, no final closing balance sheet has been drafted. Therefore, the below purchase price allocation for AAS Balta is of a preliminary nature.

### *Preliminary purchase price allocation for AAS Balta*

During the calculation of goodwill, the book values of assets and liabilities of AAS Balta have been revalued to fair values and new intangible assets have been identified – the trademark, customer relations, broker relations and the present value of future profits ("PVFP") that had not been hitherto recognised by the company.

All amounts in the table below are expressed in thousand EUR

<b>Fair value of the acquired assets at the time of the acquisition of control</b>	
Intangible assets	2 914
Property, plant and equipment	2 923
Financial assets	35 309
Receivables	10 429
Reinsurers' share in technical provisions	6 973
Deferred tax assets	982
Deferred acquisition costs	5 694
Other assets	4 520
New intangible assets identified during the acquisition, including:	24 400
- trademark	8 600
- customer relations	14 193
- broker relations	1 107
- PVFP	500
<b>Total assets</b>	<b>94 144</b>
Technical provisions	46 270
Liabilities	8 488
Non-controlling interests	2
<b>Share in acquired net assets</b>	<b>39 384</b>

Consideration transferred	49 172
<b>Calculated goodwill</b>	<b>9 788</b>

With the NBP's exchange rate of 30 June 2014 (4.1609 PLN/EUR), the pre-calculated goodwill at the balance sheet date amounts to PLN 40,728 thousand.

## 2.5. Acquisition of shares of Centrum Medyczne Sp. z o.o.

On 8 April 2014 an agreement was signed on the sale of shares of Orlen Medica Sp. z o.o. (as at 4 June 2014 operating under the name of Centrum Medyczne Medica Sp. z o.o., hereinafter referred to "CM Medica") between Polski Koncern Naftowy Orlen SA ("PKN Orlen"), as the seller, and PZU FIZ AN BIS 2, as the purchaser, ("The Agreement of Sale of CM Medica's Shares").

Pursuant to the Share Purchase Agreement for CM Medica's Shares, PZU FIZ AN BIS 2 acquired from PKN Orlen 17,983 shares in CM Medica with the nominal value of PLN 500.00 each, representing 100% of the share capital, which entitles to 100% of votes at the General Meeting. The transfer of shares took place on 9 May 2014.

The total purchase price of 17,983 shares in CM Medica ultimately amounted to PLN 43,344 thousand.

Under the Agreement of Sale of CM Medica Shares, PZU became the indirect owner of 4,525 shares of the company operating under the name Sanatorium Uzdrowskowe "Krystynka" Sp. z o.o. with the nominal value of PLN 500.00 each, representing 98.58% of votes at the General Meeting, which is owned by CM Medica.

As at 9 May 2014, CM Medica, as well as Sanatorium Uzdrowskowe "Krystynka" Sp. z o.o. has been fully consolidated.

### *Purchase price allocation for CM Medica*

Purchase price allocation for CM Medica and its subsidiary was carried out on the basis of these companies' data prepared as at 30 April 2014. In the opinion of PZU, there were no significant differences in the accounting data between 30 April 2014 and the date of acquisition of control.

During the calculation of goodwill, the book values of tangible fixed assets of CM Medica and its subsidiary were revalued to fair values and new intangible assets have been identified – customer relations that had not been hitherto recognised by the company.

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

## 2.6. Acquisition of shares of Prof-med Sp. z o.o.

On 8 April 2014 an agreement was signed on the sale of shares of the company operating under the name of Specjalistyczna Przychodnia Przemysłowa "Prof-med" Sp. z o.o. ("Prof-med") between Anwil SA ("Anwil"), as the seller, and PZU FIZ AN BIS 2, as the purchaser ("Agreement of Sale of Prof-med's shares").

Pursuant to the Share Purchase Agreement for Prof-med's Shares, PZU FIZ AN BIS 2 acquired from Anwil 136 shares in Prof-med with the nominal value of PLN 500.00 each, representing 96,45% of the share capital, which entitles to 96.45% of votes at the General Meeting. The transfer of shares took place on 12 May 2014.

The total purchase price of 136 shares in Prof-med ultimately amounted to PLN 3,760 thousand. As at 12 May 2014, Prof-med has been consolidated.

#### *Purchase price allocation for Prof-med*

Purchase price allocation for Prof-med and its subsidiary was carried out on the basis of accounting data prepared on 30 April 2014. In the opinion of PZU, there were no significant differences in the accounting data between 30 April 2014 and the date of acquisition of control.

During the calculation of goodwill, the book values of tangible fixed assets of Prof-med were revalued to fair values and new intangible assets have been identified – customer relations that had not been hitherto recognised by the company.

<b>Fair value of the acquired assets at the time of the acquisition of control</b>	
Intangible assets	9
Property, plant and equipment	317
Financial assets	768
Receivables	577
Deferred tax assets	31
Other assets	13
New intangible assets identified during the acquisition – costumer relations	767
<b>Total assets</b>	<b>2 482</b>
Liabilities	683
Non-controlling interests	64
<b>Share in acquired net assets</b>	<b>1 735</b>
Consideration transferred	3 760
<b>Calculated goodwill</b>	<b>2 025</b>

### **2.7. Acquisition of shares of PZU Finance AB (publ)**

On 2 June 2014, PZU acquired the shares of PZU Finance AB (publ) (until 16 June 2014 operating under the name Goldcup 9812 AB) for the amount of SEK 500,000 (PLN 236 thousand), which as at 12 May 2014 has been consolidated.

On 3 July 2014 the company issued bonds, as referred to in section 8.1.

## **3. Accounting policy**

Accounting policy was presented in detail in the annual consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2013, approved by Management Board on 11 March 2014, on which the certified auditor issued an unqualified opinion on the same date ("Consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2013").

Consolidated financial statements of PZU Group for 2013 are available on the PZU website under [www.pzu.pl](http://www.pzu.pl) in the tab "Investor Relations".

Presented below are accounting policies concerning the settlement of the acquisition of new subsidiaries.

### **3.1. Business combinations**

Business combinations are accounted for using the acquisition method.

On the acquisition date, identifiable acquired assets, acquired liabilities and all non-controlling interests in the acquired entity are recognized independently from goodwill.

Identifiable acquired assets and acquired liabilities are measured at fair value as at the acquisition date. In case of every acquisition, all non-controlling interests in an acquired entity are measured at value of a proportional share of non-controlling interests in identifiable net assets of the acquired entity.

The goodwill is recognized as at the acquisition date as the excess of:

- the consideration transferred measured at their acquisition-date fair values;
- non-controlling interests in the acquired entity, measured as described above;

over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Intangible assets acquired during the the acquisition of a subsidiary are recognized at fair value as at the acquisition date. The fair value of an intangible asset reflects expectations concerning the probability of generating economic benefits from the asset in the future. The fair value of intangible assets is determined as follows:

- trademark - using the license fee exemption method (the relief-from-royalty method), which is based on potential savings on license fees, which the entity does not incur as the owner of a trademark;
- relations with brokers and relations with customers - using the additional income method (the excess earnings method), which is based on the current value of future profits generated by individual relations.

### **3.2. Compliance with International Financial Reporting Standards**

These condensed interim consolidated financial statements of PZU Group have been prepared in compliance with International Financial Reporting Standards as endorsed by the EC Commission as at 30 June 2013, including the requirements of IAS 34 "Interim Financial Reporting" and requirements of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information submitted by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (consolidated text, Journal of Laws of 2014, item 133).

### 3.3. Introduction of new IFRS

#### 3.3.1. Standards and interpretations as well as amended standards effective from 1 January 2014

The following new standards, interpretations and revised standards have been applied to these condensed interim consolidated financial statements for the first time:

Standard name/Interpretation	Date of entry into force for periods beginning on	Regulation endorsing a standard or interpretation	Commentary
IFRS 10 – Consolidated Financial Statements	1 January 2013 <sup>1)</sup>	1254/2012	<p>IFRS 10 replaces the consolidation requirements in IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities” by introducing a single consolidation model for all entities based on the control, regardless of the nature of the investment (i.e. whether the entity is controlled through voting rights of the investors or through other contractual arrangements commonly used in special purpose entities). In accordance with IFRS 10, the control is based on whether the an investor has the ability to control the investment, the exposure or the right to variable profits arising from the involvement in the investment and the possibility to use the control over the investment in order to influence the amount of investment.</p> <p>As a result of the application of IFRS 10 as at the beginning of 2014, the subfunds PZU Energia Medycyna Ekologia, PZU Akcj iRynków Wschodzących, PZU Akcji Spółek Dywidendowych and PZU FIZ Forte have been consolidated. In the balance sheet of assets and liabilities, the assets and liabilities of consolidated funds were recognised rather than shares. The effect of applying the new standard to the consolidated statement of financial position, the consolidated statement of profit or loss and the consolidated statement of comprehensive income is presented in section 3.3.1. Due to the retrospective application of the new standard, the figures for concerning the year 2013 were subject to transformation.</p>
IFRS 11 – Joint Arrangements	1 January 2013 <sup>1)</sup>	1254/2012	<p>IFRS 11 introduces new accounting regulations in relation to joint arrangements, which replace IAS 31 “Interests in Joint Ventures”. The possibility of using the proportionate consolidation method has been removed. In addition, IFRS 11 eliminated the term “jointly controlled assets”, leaving the distinction between joint operations and joint ventures.</p> <p>The application of IFRS 11 does not have a material impact on the consolidated financial statements of PZU Group.</p>



Standard name/Interpretation	Date of entry into force for periods beginning on	Regulation endorsing a standard or interpretation	Commentary
IFRS 12 - Disclosure of Interests in Other Entities	1 January 2013 <sup>1)</sup>	1254/2012	IFRS 12 requires the provision of improved information on both consolidated and unconsolidated entities. The objective of IFRS 12 is to provide information in a way that enables the users of financial statements to evaluate the basis for the control, restrictions imposed on consolidated assets and liabilities, exposure to risks arising from the involvement in the non-consolidated structural units and the involvement of the non-controlling interest holders in the operations of consolidated entities.  As a result of the application of IFRS 12, PZU Group presented additional disclosure statements relating to associated entities and joint ventures. Since in PZU Group there are no subsidiaries with non-controlling interests relevant to PZU Group, the disclosures required by IFRS 12 for such entities are not presented.
Provisional guidelines (amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013 <sup>1)</sup>	313/2013	The amendments are intended to provide further explanation regarding the transitional provisions of IFRS 10, IFRS 11 and IFRS 12 in such a manner to limit the requirements on restating comparative information only to the preceding comparative period.
Amendments to IFRS 10, IFRS 11 and IAS 27 – Investment entities	1 January 2014	1174/2013	The amendments exempt from the consolidation requirement (in accordance with IFRS 10) and require the investment entities to measure individual subsidiaries at fair value through profit or loss rather than consolidation. The amendments also include disclosure requirements for investment entities.  The change does not apply to PZU Group.
Revised IAS 27 - Separate financial statements	1 January 2013 <sup>1)</sup>	1254/2012	The requirements regarding separate financial statements remain unchanged and are included in the amended IAS 27. Other parts of IAS 27 were superseded by IFRS 10.  The change does not apply to PZU Group.
Revised IAS 28 - Investments in associates and joint ventures	1 January 2013 <sup>1)</sup>	1254/2012	IAS 28 was amended as a result of the publication of IFRS 10, IFRS 11 and IFRS 12.
Amendments to IAS 32 - offsetting financial assets and financial liabilities	1 January 2014	1256/2012	The amendments clarify the rules for compensating and focus on four main areas: explaining what the "possible right to execute compensation" is; conducting simultaneously compensations and settlements; compensating securities; the notion of settlement unit for the purpose of compensation.  The amendment did not affect the consolidated financial statements of PZU Group.

Standard name/Interpretation	Date of entry into force for periods beginning on	Regulation endorsing a standard or interpretation	Commentary
Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets	1 January 2014	1374/2013	Amendments to IAS 36 of an inconsiderable scale relate to the clarification of the requirement to disclose information on the recoverable amount of assets for which an impairment loss was recognised and simultaneously this recoverable amount is based on fair value less selling costs.  The amendment did not affect the consolidated financial statements of PZU Group.
Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting	1 January 2014	1375/2013	Amendments of an inconsiderable scale enable the continued application of hedge accounting in case of a novation of a derivative (designated as a hedging instrument) in such a way that the central counterparty becomes its party, provided that certain conditions are met.  The amendment did not affect the consolidated financial statements of PZU Group (no hedge accounting).

<sup>1)</sup> The EC voted in favour of the regulation to be applicable to annual periods beginning on 1 January 2014 at the latest (early application was allowed).

### 3.3.2. Standards, Interpretations and amended Standards issued but not effective as at the balance sheet date

Standards, Interpretations and amended Standards issued but not effective as at the balance sheet date:

- Endorsed by European Commission:

Standard name/Interpretation	Date of entry into force for periods beginning on	Regulation endorsing a standard or interpretation	Commentary
IFRIC 21 – Public fees	17 June 2014 and later	634/2014	IFRIC 21 is an interpretation of IAS 37 – Provisions, contingent liabilities and contingent assets. IAS 37 defines the criteria for recognising requirements, one of which is the requirement to have a current obligation arising from past events (the so-called obliging event). The interpretation clarifies that the event resulting in the creation of an obligation to pay a public fee in a business activity subject to a public fee, as specified in the relevant laws.  The amendment will not affect the consolidated financial statements of PZU Group.

- Not endorsed by European Commission:

Standard name/Interpretation	Date of issuance by IASB	Date of entry into force for periods beginning on (by IASB)	Commentary
IFRS 9 - Financial instruments	24 July 2014	1 January 2018	The standard replaces IAS 39 and establishes the requirements regarding the recognition and measurement of impairment derecognition and hedge accounting. The standard introduces a new approach to the classification of financial assets, which depends on the characteristics of cash flows and the business model associated with the given assets. The standard unifies the impairment model for all financial instruments. The new expected loss impairment requires faster recognition of expected credit losses. The standard introduces a reformed model of hedge accounting, with enhanced disclosure requirements for risk management activities.  Due to the long lead time of entry into force, no estimates of the impact of IFRS 9 on the total income and equity of PZU Group were made.

Standard name/Interpretation	Date of issuance by IASB	Date of entry into force for periods beginning on (by IASB)	Commentary
Amendments to IAS 19 - Employee benefits - defined benefit plans - employee contributions	21 November 2013	1 July 2014	<p>Minor changes concern the scope of the application of IAS 19 to employee or third party contributions paid for defined benefit plans. The amendments are intended to simplify the settlement of contributions, which are independent of the number of years of work (e.g. staff contributions, calculated as a fixed percentage of salary).</p> <p>The amendment will not affect the consolidated financial statements of PZU Group.</p>
IFRS 14 – Regulatory Deferral Accounts	30 January 2014	1 January 2016	<p>Allowing entities applying IFRS for the first time, and which now the regulatory deferral accounts in accordance with their previous generally accepted accounting principles, the continuation of the recognition of these balances in the transition to IFRS.</p> <p>The change does not apply to PZU Group.</p>
IFRS 15 – Revenue from Contracts with Customers	28 May 2014	1 January 2017	<p>IFRS 15 defines how and when to recognise revenues and requires the provision of more detailed disclosures. The standard replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and many interpretations related to revenue recognition. The Standard applies to almost all contracts with customers (the main exceptions relate to lease agreements, financial instruments and insurance contracts). The fundamental principle of the new standard concerns the recognition of revenues in such away as to reflect the transfer of goods or services to customers and in such an amount which reflects the amount of remuneration (i.e. payments), to which the company expects to obtain the rights in exchange for goods or services. The standard also provides guidance concerning the accounting for transactions that were not specifically regulated by previous standards (e.g. revenues from services or modification of contracts), as well as more extensive explanations about the recognition of multi-element contracts.</p> <p>Due to the long lead time of entry into force and the lack of application in relation to insurance companies of PZU Group, the potential impact of adopting the new standard on comprehensive income and equity has not been estimated.</p>

Standard name/Interpretation	Date of issuance by IASB	Date of entry into force for periods beginning on (by IASB)	Commentary
Amendments to IFRS 2010-2012	12 December 2013	1 July 2014	<p>Amendments to various standards and interpretations in the scope of procedures concerning the annual amendments to the Standards (IFRS2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), focused primarily on resolving inconsistencies and clarifying the wording. The revisions clarify the required accounting treatment in situations, in which the freedom of interpretation was previously acceptable. The most important ones are those newly introduced or recently amended requirements that concern the following: The definition of "vesting condition"; accounting for contingent consideration in connection to ventures; aggregation of operating segments and the arrangement of the total of the assets of reportable segments with the assets of the entity; valuation of short-term receivables and short-term liabilities; proportional transformation of accumulated amortisation of the revaluation model and the definition of key management.</p> <p>The amendment will not have a material effect on the consolidated financial statements of PZU Group.</p>
Amendments to IFRS 2011-2013	12 December 2013	1 July 2014	<p>Amendments to various standards and interpretations in the scope of procedures concerning the annual amendments to the Standards (IFRS1, IFRS 3, IFRS 13 and IAS 40), focused primarily on resolving inconsistencies and clarifying the wording. The revisions clarify the required accounting treatment in situations in which the freedom of interpretation was previously acceptable. The most important ones are those newly introduced or recently amended requirements that concern the following: the meaning of applicable IFRS in IFRS 1; scope of the exemptions relating to joint ventures; the scope of the paragraph 52 of IFRS 13 (exemption of the portfolio) and the clarification of the relationship between IFRS 3 and IAS 40 concerning the classification of properties as investment properties or properties used on their own.</p> <p>The amendment will not have a material effect on the consolidated financial statements of PZU Group.</p>
Amendments to IFRS 11- Accounting for acquisitions of interests in joint operations	6 May 2014	1 January 2016	<p>The amendment clarifies that the purchaser of the shares in joint operations must comply with all the rules regarding acquisition accounting under IFRS 3 and other IFRSs that are not in conflict with IFRS 11 and disclose the information required by these standards.</p> <p>The amendment should not affect the consolidated financial statements of PZU Group.</p>
Amendments to IAS 16 and IAS 38 - an explanation of acceptable methods of depreciation	12 May 2014	1 January 2016	<p>The amendment clarifies that the adoption of depreciation methods based on revenues generated by the assets is not appropriate.</p> <p>The amendment should not affect the consolidated financial statement of PZU Group.</p>

Standard name/Interpretation	Date of issuance by IASB	Date of entry into force for periods beginning on (by IASB)	Commentary
Amendment to IAS 16 and IAS 41 – Bearer biological assets	30 June 2014	1 January 2016	The amendment introduces a definition of bearer assets and removes them from the scope of the application of IAS 41 by moving them to IAS 16, which will result in change in the method of valuation.  The amendment will not affect the consolidated financial statement of PZU Group.
Amendment to IAS 27- Equity method in separate financial statements	12 August 2014	1 January 2016	The amendment allows entities to use the equity method in the valuation of investments in subsidiaries, associates and joint ventures in the separate financial statements.  The amendment will not affect the consolidated financial statement of PZU Group.

### **3.4. Changes in accounting policies and the comparability of financial data**

In 2014, the following change in the accounting policies has been made.

#### **3.4.1. The application of IFRS 10**

PZU Group has applied IFRS 10 as at 1 January 2014, which is the date of initial application, as defined in the section C2B IFRS 10.

As a result of the application of IFRS 10, the following investment funds have been consolidated: the Subfund PZU Energia Medycyna Ekologia, the Subfund PZU Akcji Rynków Wschodzących, the Subfund PZU Akcji Spółek Dywidendowych and PZU FIZ Forte. This means that the assets and liabilities of these funds are included in the appropriate sections of these consolidated financial statements instead of the previous presentation of the value of investments in a given fund at fair value in the appropriate section of "Financial assets" of the consolidated statement of financial position.

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

The effect of applying IFRS 10 on the consolidated statement of financial position, the consolidated statement of profit or loss and the consolidated statement of comprehensive income is presented in the tables.

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna  
Condensed Interim Consolidated Financial Statements in accordance with IFRS for the period of 6 months ended 30 June 2014

(in thousand PLN)

<b>Assets</b>	<b>31 December 2013 (approved)</b>	<b>Adjustment</b>	<b>31 December 2013 (restated)</b>	<b>1 January 2013 (approved)</b>	<b>Adjustment</b>	<b>1 January 2013 (restated)</b>
Intangible assets	308 726	-	308 726	183 238	-	183 238
Goodwill	8 519	-	8 519	8 474	-	8 474
Property, plant and equipment	927 281	-	927 281	992 317	-	992 317
Investment property	1 474 770	-	1 474 770	564 404	-	564 404
Entities measured using the equity method	48 595	-	48 595	-	-	-
Financial assets						
Financial instruments held to maturity	18 859 902	-	18 859 902	21 117 559	-	21 117 559
Financial instruments available for sale	1 922 173	(2 061)	1 920 112	3 924 501	(100 092)	3 824 409
Financial instruments measured at fair value through profit or loss	19 790 102	114 074	19 904 176	15 628 401	66 081	15 694 482
Loans	14 116 537	285 001	14 401 538	9 752 615	-	9 752 615
Receivables, including insurance receivables	2 664 986	6 978	2 671 964	1 835 793	5 080	1 840 873
Reinsurers' share in technical provisions	526 605	-	526 605	749 334	-	749 334
Estimated subrogation and salvages	129 950	-	129 950	121 632	-	121 632
Deferred tax assets	16 949	-	16 949	13 963	-	13 963
Current income tax receivables	34 895	-	34 895	80 646	-	80 646
Deferred acquisition costs	609 819	-	609 819	574 489	-	574 489
Other assets	195 449	-	195 449	178 646	-	178 646
Cash and cash equivalents	548 266	20 891	569 157	136 586	125 477	262 063
<b>Assets related to continued operations</b>	<b>62 183 524</b>	<b>424 883</b>	<b>62 608 407</b>	<b>55 862 598</b>	<b>96 546</b>	<b>55 959 144</b>
Assets available for sale	178 897	-	178 897	46 962	-	46 962
<b>Total assets</b>	<b>62 362 421</b>	<b>424 883</b>	<b>62 787 304</b>	<b>55 909 560</b>	<b>96 546</b>	<b>56 006 106</b>



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Condensed Interim Consolidated Financial Statements in accordance with IFRS for the period of 6 months ended 30 June 2014

(in thousand PLN)

Equity and liabilities	31 December 2013 <i>(approved)</i>	Adjustment	31 December 2013 <i>(restated)</i>	1 January 2013 <i>(approved)</i>	Adjustment	1 January 2013 <i>(restated)</i>
<b>Equity</b>						
Issued share capital and other equity attributable to the shareholders of the parent entity						
Share capital	86 352	-	86 352	86 352	-	86 352
Other reserves	9 061 508	(157)	9 061 351	9 105 450	(75)	9 105 375
Treasury shares	-	(110)	(110)	-	-	-
Supplementary capital	8 855 999	-	8 855 999	8 780 212	-	8 780 212
Revaluation reserve	242 344	(47)	242 297	363 242	(75)	363 167
Actuarial gains and losses concerning provisions for employee benefits	902	-	902	-	-	-
Foreign exchange differences from translation	(37 737)	-	(37 737)	(38 004)	-	(38 004)
Unappropriated result	3 963 586	1	3 963 587	4 998 329	75	4 998 404
Retained earnings/(Accumulated losses)	2 396 978	159	2 397 137	4 998 329	75	4 998 404
Net profit/(loss)	3 293 654	(158)	3 293 496	-	-	-
Appropriations of net profit during the financial year	(1 727 046)	-	(1 727 046)	-	-	-
Non-controlling interests	16 341	-	16 341	79 138	-	79 138
<b>Total equity</b>	<b>13 127 787</b>	<b>(156)</b>	<b>13 127 631</b>	<b>14 269 269</b>	<b>-</b>	<b>14 269 269</b>

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(in thousand PLN)

Equity and liabilities	31 December 2013 <i>(approved)</i>	Adjustment	31 December 2013 <i>(restated)</i>	1 January 2013 <i>(approved)</i>	Adjustment	1 January 2013 <i>(restated)</i>
<b>Liabilities</b>						
Technical provisions						
Unearned premium and unexpired risk reserves	4 540 011	-	4 540 011	4 537 167	-	4 537 167
Life insurance provision	16 048 191	-	16 048 191	15 675 243	-	15 675 243
Outstanding claims provisions	6 586 781	-	6 586 781	5 878 445	-	5 878 445
Provisions for the capitalized value of annuities	5 761 332	-	5 761 332	5 660 281	-	5 660 281
Provisions for bonuses and rebates for the insured	2 893	-	2 893	4 227	-	4 227
Other technical provisions	477 987	-	477 987	531 617	-	531 617
Unit-linked technical provision	3 907 221	-	3 907 221	3 113 798	-	3 113 798
Investment contracts						
- with guaranteed and fixed terms and conditions	1 250 492	-	1 250 492	1 297 224	-	1 297 224
- unit-linked	870 545	-	870 545	1 001 923	-	1 001 923
Provisions for employee benefits	123 380	-	123 380	107 307	-	107 307
Other provisions	192 906	-	192 906	267 456	-	267 456
Provision for deferred income tax	255 399	-	255 399	357 557	-	357 557
Current income tax liabilities	53 372	-	53 372	21 658	-	21 658
Derivative instruments	237 749	-	237 749	129 921	226	130 147
Other liabilities	8 926 375	425 039	9 351 414	3 056 467	96 320	3 152 787
<b>Liabilities related to continued operations</b>	<b>49 234 634</b>	<b>425 039</b>	<b>49 659 673</b>	<b>41 640 291</b>	<b>96 546</b>	<b>41 736 837</b>
<b>Total liabilities</b>	<b>49 234 634</b>	<b>425 039</b>	<b>49 659 673</b>	<b>41 640 291</b>	<b>96 546</b>	<b>41 736 837</b>
<b>Total equity and liabilities</b>	<b>62 362 421</b>	<b>424 883</b>	<b>62 787 304</b>	<b>55 909 560</b>	<b>96 546</b>	<b>56 006 106</b>

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Condensed Interim Consolidated Financial Statements in accordance with IFRS for the period of 6 months ended 30 June 2014

(in thousand PLN)

Consolidated statement of profit or loss	1 April – 30 June 2013 (approved)	Adjustment	1 April – 30 June 2013 (restated)	1 January - 30 June 2013 (approved)	Adjustment	1 January - 30 June 2013 (restated)
Gross written premiums	4 069 328	-	4 069 328	8 495 251	-	8 495 251
Reinsurer's share in the written premium	(30 079)	-	(30 079)	(63 676)	-	(63 676)
<b>Net written premium</b>	<b>4 039 249</b>	<b>-</b>	<b>4 039 249</b>	<b>8 431 575</b>	<b>-</b>	<b>8 431 575</b>
Change in net unearned premium reserve	30 264	-	30 264	(254 335)	-	(254 335)
<b>Net premium earned</b>	<b>4 069 513</b>	<b>-</b>	<b>4 069 513</b>	<b>8 177 240</b>	<b>-</b>	<b>8 177 240</b>
Revenue from commissions and fees	72 706	(52)	72 654	143 270	(92)	143 178
Net investment income	504 622	13	504 635	948 659	(1)	948 658
Net result on realization and impairment losses on investments	(134 815)	15	(134 800)	(181 767)	(115)	(181 882)
Net change in the fair value of assets and liabilities measured at fair value	170 500	(105)	170 395	202 426	(105)	202 321
Other operating income	75 675	-	75 675	280 593	-	280 593
Claims, benefits and change in technical provisions	(2 731 695)	-	(2 731 695)	(5 452 083)	-	(5 452 083)
Reinsurers' share in claims, benefits and change in technical provisions	2 987	-	2 987	(7 322)	-	(7 322)
<b>Net claims and benefits</b>	<b>(2 728 708)</b>	<b>-</b>	<b>(2 728 708)</b>	<b>(5 459 405)</b>	<b>-</b>	<b>(5 459 405)</b>
Benefits and measurement result of investment contracts	(471)	-	(471)	(11 695)	-	(11 695)
Acquisition costs	(492 072)	-	(492 072)	(972 660)	-	(972 660)
Administrative expenses	(315 030)	-	(315 030)	(641 314)	-	(641 314)
Other operating expenses	(142 695)	-	(142 695)	(339 654)	-	(339 654)
<b>Operating profit/(loss)</b>	<b>1 079 225</b>	<b>(129)</b>	<b>1 079 096</b>	<b>2 145 693</b>	<b>(313)</b>	<b>2 145 380</b>
Financing expenses	(23 426)	-	(23 426)	(37 826)	-	(37 826)
Share in net profit (loss) of companies measured using the equity method	(601)	-	(601)	1 856	-	1 856
<b>Profit/(loss) before tax</b>	<b>1 055 198</b>	<b>(129)</b>	<b>1 055 069</b>	<b>2 109 723</b>	<b>(313)</b>	<b>2 109 410</b>
Income tax						
- current tax	(224 935)	-	(224 935)	(421 920)	-	(421 920)
- deferred tax	8 188	23	8 211	(12 087)	59	(12 028)
Net profit (loss) from continued operations	838 451	(106)	838 345	1 675 716	(254)	1 675 462
<b>Net profit/(loss), including:</b>	<b>838 451</b>	<b>(106)</b>	<b>838 345</b>	<b>1 675 716</b>	<b>(254)</b>	<b>1 675 462</b>

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(in thousand PLN)

<b>Consolidated statement of profit or loss</b>	<b>1 April – 30 June 2013 (approved)</b>	<b>Adjustment</b>	<b>1 April – 30 June 2013 (restated)</b>	<b>1 January - 30 June 2013 (approved)</b>	<b>Adjustment</b>	<b>1 January - 30 June 2013 (restated)</b>
- profit (loss) attributable to equity holders of the parent entity	837 292	(106)	837 186	1 675 348	(254)	1 675 094
- non-controlling interest profit (loss)	1 159	-	1 159	368	-	368
<b>Consolidated statement of comprehensive income</b>	<b>1 April – 30 June 2013 (approved)</b>	<b>Adjustment</b>	<b>1 April – 30 June 2013 (restated)</b>	<b>1 January - 30 June 2013 (approved)</b>	<b>Adjustment</b>	<b>1 January - 30 June 2013 (restated)</b>
Net profit/(loss)	838 451	(106)	838 345	1 675 716	(254)	1 675 462
Other comprehensive income	62 823	102	62 925	(91 130)	136	(90 994)
Amounts subject to subsequent transfer to statement of profit or loss	62 823	102	62 925	(91 130)	136	(90 994)
Measurement of AFS financial instruments	50 746	102	50 848	(106 044)	136	(105 908)
Foreign exchange differences from translation	3 505	-	3 505	6 342	-	6 342
Property reclassified from property, plant and equipment to investment property	8 572	-	8 572	8 572	-	8 572
<b>Total net comprehensive income</b>	<b>901 274</b>	<b>(4)</b>	<b>901 270</b>	<b>1 584 586</b>	<b>(118)</b>	<b>1 584 468</b>
- comprehensive income attributable to equity holders of the parent entity	900 102	(4)	900 098	1 584 198	(118)	1 584 080
- comprehensive income attributable to non-controlling interests	1 172	-	1 172	388	-	388

#### **4. Key estimates and judgments**

Key estimates and judgments were presented in the consolidated financial statements of PZU Group for 2013.

Due to the adoption of IFRS 10 on 1 January 2014, PZU Group has assumed that it controls the investment fund if both conditions mentioned below are fulfilled:

- PZU Group companies together have the ability to use their power over the fund in order to influence the value of the return on investment and the rationales for this ability are, among others, the control over the investment fund management company, a significant share in the total number of votes at the general meeting of investors or the board of investors;
- the total exposure of PZU Group companies to variable returns from involvement in the investment fund is significant, which means that the total share of PZU Group companies in the net assets of the fund is equal to or exceeds 20% (whereas the determination of the so understood total share does not take into consideration the fund assets that are attributable to unit-linked products).

PZU Group allows for the continuation of consolidation (or lack of consolidation) of the fund for a period of two consecutive quarters following the quarter, at the end of which a decrease (or an adequate increase) has been noted in PZU Group share of the net assets of the fund below (or respectively above) 20% in case when the decrease (or an adequate increase) results from deposits (or withdrawals) made by participants outside PZU Group.

#### **5. Correction of errors from previous years**

In the 6-month period from 1 January to 30 June 2014 no adjustments of prior years errors were made.

#### **6. Other information regarding the method of preparation of the condensed interim consolidated financial statements**

##### **6.1. Period covered by the condensed interim consolidated financial statements**

These condensed interim consolidated financial statements cover a period of 6 months from 1 January 2014 to 30 June 2014.

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

##### **6.2. Functional and presentation currency**

The Polish zloty (PLN) is PZU Group's functional and presentation currency. Unless stated otherwise, all financial data presented in the condensed interim consolidated financial statements are expressed in PLN thousand.

### 6.3. Going concern assumption

The condensed interim consolidated financial statements have been prepared based on the assumption that PZU Group entities will operate as a going concern during the period of at least 12 months following the balance sheet date. As at the date of signing the condensed interim consolidated financial statements, no facts and circumstances indicate a risk to the Group entities' ability to operate as a going concern during 12 months after the balance sheet date due to the intended or forced discontinuation.

### 6.4. Discontinued operations

In the period of 6 months ended 30 June 2014, the entities of the PZU did not discontinue any operations, except for PZU AM, which ceased running the brokerage business.

### 6.5. Seasonality or cyclicity of operations

Activity of PZU Group is not subject to seasonal or cyclical nature as to justify the use of the suggestions made in point 21 of IAS 34.

### 6.6. Foreign exchange rates

The following currency exchange rates have been adopted herein to recalculate data of foreign controlled entities and to present chosen financial data:

Currency	1 January – 30 June 2014	30 June 2014	31 December 2013	1 January – 30 June 2013	1 January 2013
LTL	1.2102	1.2051	1.2011	1.2204	1.1840
UAH	0.2840	0.2562	0.3706	0.3947	0.3825
EUR	4.1784	4.1609	4.1472	4.2140	4.0882

The rates are:

- average rates of the National Bank of Poland ruling as at the balance sheet date – for the statement of financial position;
- rates determined as the arithmetic mean of the rates published by the National Bank of Poland, ruling as at the last day of each month of a given period – for the statement of profit or loss, statement of comprehensive income and statement of cash flows.

## 7. Significant events influencing the structure of financial statements

### 7.1. The application of IFRS 10

Information about the application of IFRS 10 from 1 January 2014 is presented in Section 3.4.1.

### 7.2. Distribution of profit for 2013

On 17 June 2014 General Meeting of Shareholders of PZU passed a resolution regarding distribution of net profit for 2013. The matter was described in point 16.2.

### 7.3. Key dividends paid among PZU Group companies

These operations have no influence on the financial result of PZU Group, but on the presentation of the results of individual segments.

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

On 16 June 2014 General Meeting of Shareholders of PZU Życie passed a resolution regarding appropriation of profit of PZU Życie for 2013 in amount of PLN 1,694,657 thousand as follows:

- dividend for the sole shareholder (PZU), PLN 1,330,000 thousand;
- allocation of PLN 354,657 thousand to the supplementary capital;
- allocation to the Company's Social Benefits Fund: PLN 10,000 thousand.

The cum dividend and dividend payment dates were set for, respectively, 16 June 2014 and 6 October 2014.

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

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

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

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

### **8. Significant post-balance sheet events**

#### **8.1. Issuance of bonds**

On 3 July 2014, PZU Finance AB (publ), a 100% subsidiary of PZU, issued five-year Eurobonds in the amount of EUR 500,000 thousand with the redemption date of 3 July 2019. The bonds were introduced to trading on the regulated market of the Irish Stock Exchange on the basis of a prospectus approved by the Central Bank of Ireland.

The margin over mid-swap (curve, which is the average of the bid and ask curves for fixed-coupon bonds corresponding to the period of redemption of the bonds issued by PZU Finance AB (publ)) amounted to 85 base points, which resulted in the bond field of 1.499%. The coupon rate was set at 1.375 % per annum. Standard & Poor's awarded these bonds a rating of "A-" for unsecured debt.

PZU Finance AB (publ) liabilities resulting from the bonds were secured with a guarantee provided by PZU. The maximum amount of the guarantee has not been determined. The guarantee expires upon the expiry of the claims of the bondholders towards PZU Finance AB (publ).

The issue of Eurobonds constitutes the implementation of PZU Group's investment strategy in the management of matching assets and liabilities in euros. After purchasing companies in the Baltic states (referred to in sections 2.4, 18.4 and 18.5), a significant value of the Group's assets will depend on the exchange rate of the euro, which is why it was decided that the issue would be made in this currency.

## 8.2. Consent to the acquisition of shares of Link4 Towarzystwo Ubezpieczeń Spółka Akcyjna, Lietuvos Draudimas AB and assets of the Estonian branch of Codan Forsikring A/S

After 30 June 2014, PZU has been gathering information on obtaining further approvals required for the acquisition of shares of Link4 Towarzystwo Ubezpieczeń Spółka Akcyjna, Lietuvos Draudimas and assets of the Estonian branch of Codan Forsikring A/S.

Detailed information about the dates of subsequent approvals is described in sections 18.4 and 18.5.

## 8.3. Acquisition of Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia Elvita Jaworzno III Sp. z o.o. („Elvita”)

On 12 August 2014 a conditional agreement of sale of Elvita's shares was signed between Tauron Dystrybucja SA, Tauron Wytwarzanie SA, Tauron Wydobycie SA (jointly referred to as "Tauron Group"), as sellers, and PZU FIZ AN BIS 2, as purchaser ("Agreement of sale of Elvita's shares".)

Pursuant to the Share Purchase Agreement for Elvita's Shares, PZU FIZ AN BIS 2 has acquired conditionally from Tauron Group 14,984 Elvita's shares with the nominal value of PLN 500.00 each, representing 98.82% of the share capital, which entitles to 98.82% of votes at the General Meeting.

Under the agreement of sale of Elvita's shares, PZU shall become the indirect holder of 57 shares in the company operating under the name of Przedsiębiorstwo Usług Medycznych „Proelmed” Sp. z o.o. with the nominal value of PLN 500.00 each, constituting 57.00% of shares in its share capital and granting the right to 57.00% of votes at the General Meeting, owned by Elvita.

## 9. Supplementary notes to the condensed interim consolidated financial statements

### 9.1. Goodwill

Goodwill	30 June 2014	31 December 2013
AAS Balta	40 728	-
CM Medica	15 958	-
PZU CO	5 415	5 415
PZU Lietuva	3 054	3 044
Prof-med	2 025	-
PZU Życie	60	60
Other	21	-
<b>Total goodwill</b>	<b>67 261</b>	<b>8 519</b>



## 9.2. Entities measured using the equity method

Associates and joint ventures	1 January – 30 June 2014 and as on 30 June 2014	1 January – 31 December 2013 and as on 31 December 2013	1 January – 30 June 2014 and as on 30 June 2014	1 January – 31 December 2013 and as on 31 December 2013	1 January – 30 June 2014 and as on 30 June 2014	1 January – 31 December 2013 and as on 31 December 2013
Name of the entity	EMC Instytut Medyczny SA		GSU Pomoc Górnicy Klub Ubezpieczonych SA		Armatura Tower Sp. z o.o.	
Nature of the relationships between PZU and the entity	Associate - strategic		Associate – non-strategic		Joint venture – non-strategic	
Seat of the entity	Wrocław		Tychy		Cracow	
Share in the capital of the entity	28.58%	29.87%	30.00%	30.00%	50.00%	50.00%
Share in the votes of the entity	25.41%	25.31%	30.00%	30.00%	50.00%	50.00%
Valuation method in the consolidated financial statements	Equity method		Equity method		Equity method	
Accounting standards applied by the entity	IFRS		PAS		IFRS	
Carrying amount of the involvement in the entity	67 538	47 954	591	616	21	25
Fair value of the involvement in the entity	55 829	44 746	None – unlisted entity	None – unlisted entity	None – unlisted entity	None – unlisted entity
Dividends received from the entity	-	-	36	104	-	-
<b>Basic financial information</b>						
Assets including:	251 439	231 397	2 584	2 633	44	n/a <sup>1)</sup>
Short-term assets including:	67 653	79 690	2 554	2 594	44	n/a <sup>1)</sup>
Cash and cash equivalents	35 067	59 685	2 467	2 494	43	n/a <sup>1)</sup>
Long-term assets	183 786	151 707	30	39	-	n/a <sup>1)</sup>
Equity	139 172	139 021	1 968	2 053	42	n/a <sup>1)</sup>
Liabilities including:	112 267	92 376	616	580	2	n/a <sup>1)</sup>
Short-term liabilities including:	65 748	48 905	616	580	2	n/a <sup>1)</sup>
Short-term financial liabilities	28 744	23 384	-	-	-	n/a <sup>1)</sup>
Long-term liabilities including:	46 519	43 471	-	-	-	n/a <sup>1)</sup>
Long-term financial liabilities	24 551	25 436	-	-	-	n/a <sup>1)</sup>

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna  
Condensed Interim Consolidated Financial Statements in accordance with IFRS for the period of 6 months ended 30 June 2014

(in thousand PLN)

Associates and joint ventures	1 January – 30 June 2014 and as on 30 June 2014	1 January – 31 December 2013 and as on 31 December 2013	1 January – 30 June 2014 and as on 30 June 2014	1 January – 31 December 2013 and as on 31 December 2013	1 January – 30 June 2014 and as on 30 June 2014	1 January – 31 December 2013 and as on 31 December 2013
Name of the entity	EMC Instytut Medyczny SA		GSU Pomoc Górnicy Klub Ubezpieczonych SA		Armatura Tower Sp. z o.o.	
Revenue from core operations	122 657	172 556	386	677	-	n/a <sup>1)</sup>
Depreciation and amortisation	6 516	9 121	9	24	-	n/a <sup>1)</sup>
Interest income	470	172	73	153	-	n/a <sup>1)</sup>
Interest expense	1 298	2 780	-	-	-	n/a <sup>1)</sup>
Income tax	267	569	31	54	-	n/a <sup>1)</sup>
Total net comprehensive income including:	(596)	78	36	121	(8)	n/a <sup>1)</sup>
Profit/loss including:	(208)	171	36	121	(8)	n/a <sup>1)</sup>
Profit (loss) from continued operations	(208)	171	36	121	(8)	n/a <sup>1)</sup>
Profit (loss) from discontinued operations	-	-	-	-	-	n/a <sup>1)</sup>
Other comprehensive income	(388)	(93)	-	-	-	n/a <sup>1)</sup>

<sup>1)</sup> The company did not prepare financial statements for 31 December 2013.

There are no restrictions (e.g. arising from the arrangements for loans, regulatory requirements or contracts) concerning the possibility of transfer of funds by associates and joint venture in the form of cash dividends.

### 9.3. Financial assets

Neither in the period of six months ended 30 June 2014 nor in 2013 were the financial instruments reclassified from portfolios carried at fair value to those carried at cost or amortized cost.

#### 9.3.1. Financial instruments held to maturity

Financial instruments held to maturity	30 June 2014	31 December 2013
Debt securities	20 099 588	18 859 902
Government securities	19 869 569	18 633 511
Fixed rate	18 664 301	17 589 984
Floating rate	1 205 268	1 043 527
Other	230 019	226 391
Listed on a regulated market	108 898	105 509
Fixed rate	108 898	105 509
Not listed on a regulated market	121 121	120 882
Floating rate	121 121	120 882
<b>Financial instruments held to maturity, total</b>	<b>20 099 588</b>	<b>18 859 902</b>

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

#### 9.3.2. Financial instruments available for sale

Financial instruments available for sale	30 June 2014	31 December 2013
<b>Instruments for which fair value may be determined</b>	<b>1 980 152</b>	<b>1 916 984</b>
Equity instruments	559 344	405 827
Listed on a regulated market	376 015	370 228
Not listed on a regulated market	183 329	35 599
Debt instruments	1 420 808	1 511 157
Government securities	986 600	1 134 622
Fixed rate	933 913	1 032 503
Floating rate	52 687	102 119
Other	434 208	376 535
Listed on a regulated market	188 024	132 570
Fixed rate	146 101	132 570
Floating rate	41 923	-
Not listed on a regulated market	246 184	243 965
Floating rate	246 184	243 965
<b>Instruments for which fair value may not be determined</b>	<b>3 128</b>	<b>3 128</b>
Equity instruments	3 128	3 128
Not listed on a regulated market	3 128	3 128
<b>Total financial instruments available for sale</b>	<b>1 983 280</b>	<b>1 920 112</b>

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

<b>Financial instruments measured at fair value through profit or loss - classified as such upon initial recognition</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
Equity instruments	1 690 246	817 007
Listed on a regulated market	1 658 988	791 919
Not listed on a regulated market	31 258	25 088
Debt instruments	11 143 881	10 171 872
Government securities	11 088 654	10 138 525
Fixed rate	9 917 579	9 175 313
Floating rate	1 171 075	963 212
Other	55 227	33 347
Listed on a regulated market	55 227	33 347
Fixed rate	55 227	33 347
<b>Total financial instruments measured at fair value through profit or loss - classified as such upon initial recognition</b>	<b>12 834 127</b>	<b>10 988 879</b>

<b>Financial instruments measured at fair value through profit or loss – held for trading</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
Equity instruments	5 081 586	5 081 854
Listed on a regulated market	2 314 453	2 528 806
Not listed on a regulated market	2 767 133	2 553 048
Debt instruments	1 674 426	3 573 400
Government securities	1 600 266	3 499 207
Fixed rate	1 574 838	3 473 888
Floating rate	25 428	25 319
Other	74 160	74 193
Not listed on a regulated market	74 160	74 193
Floating rate	74 160	74 193
Derivative instruments	487 277	260 043
<b>Total financial instruments measured at fair value through profit or loss - held for trading</b>	<b>7 243 289</b>	<b>8 915 297</b>

#### 9.3.4. Loans

Loans	30 June 2014	31 December 2013
<b>Debt securities</b>	<b>2 123 001</b>	<b>2 088 892</b>
Government securities	22 774	30 221
Fixed rate	22 774	30 221
Other	2 100 227	2 058 671
Listed on a regulated market	4 369	10 735
Fixed rate	4 369	10 735
Not listed on a regulated market	2 095 858	2 047 936
Fixed rate	48 467	-
Floating rate	2 047 391	2 047 936
<b>Other, including:</b>	<b>11 344 456</b>	<b>12 312 646</b>
- repo transactions	3 427 098	3 203 344
- term deposits with credit institutions	5 687 696 <sup>1)</sup>	7 387 007
- deposits with ceding undertakings	5	87
- loans	2 229 657 <sup>2)</sup>	1 722 208
<b>Total loans</b>	<b>13 467 457</b>	<b>14 401 538</b>

<sup>1)</sup> Over 91% of investments in credit institutions are deposits in PLN. For over 84% of deposits, the maturity date falls before the end of December 2014, and for over 95% of deposits - before the end of June 2015.

<sup>2)</sup> More than 99% of loans are loans with collaterals such as pledges on shares, liability portfolios as well as bank accounts, other loans or other forms of collateral.

Both as at 30 June 2014 and as at 31 December 2013 the fair value of loans was not significantly different from their carrying amount.

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

The tables present the exposure of PZU Group companies to debt securities issued by governments other than the Polish Government, as well as corporations and local government units.

##### 9.3.5.1. Debt securities issued by state treasuries other than the Republic of Poland

As at 30 June 2014	Currency	Valuation method	Purchase price	Balance sheet valuation	Fair value measurement	Impairment loss
Bulgaria	EUR	at fair value	33 163	34 375	34 375	-
Croatia	USD	at fair value	22 626	23 802	23 802	-
Croatia	EUR	at amortised cost	10 865	10 876	10 906	-
Cyprus	EUR	at fair value	20 663	20 675	20 675	-
Greece	EUR	at fair value	49 586	51 475	51 475	-
Iceland	USD	at fair value	24 745	25 617	25 617	-
Lithuania	EUR	at fair value	13 769	15 300	15 300	-
Lithuania	LTL	at fair value	4 082	4 179	4 179	-
Lithuania	USD	at fair value	14 252	15 222	15 222	-
Lithuania	EUR	at amortised cost	25 340	27 217	30 444	-
Lithuania	LTL	at amortised cost	80 199	80 048	82 307	-
Latvia	EUR	at fair value	75 726	77 821	77 821	-
Latvia	USD	at fair value	31 236	30 522	30 522	-
Latvia	EUR	at amortised cost	604	602	626	-
Germany	EUR	at fair value	201 962	202 955	202 955	-
Romania	EUR	at fair value	72 397	78 516	78 516	-
Romania	RON	at fair value	67 416	72 171	72 171	-
Romania	USD	at fair value	27 985	30 275	30 275	-
Romania	EUR	at amortised cost	8 424	8 424	8 412	-
Slovenia	EUR	at fair value	82 428	99 970	99 970	-

As at 30 June 2014	Currency	Valuation method	Purchase price	Balance sheet valuation	Fair value measurement	Impairment loss
Slovenia	USD	at fair value	12 791	13 559	13 559	-
Turkey	USD	at fair value	34 286	34 719	34 719	-
Ukraine	USD	at fair value	2 515	2 596	2 596	-
Ukraine	UAH	at amortised cost	18 683 <sup>1)</sup>	5 306 <sup>1)</sup>	5 405 <sup>1)</sup>	-
Ukraine	USD	at amortised cost	18 618	17 468	17 782	-
Hungary	EUR	at fair value	42 638	45 682	45 682	-
Hungary	HUF	at fair value	104 606	103 855	103 855	-
Hungary	USD	at fair value	7 801	7 900	7 900	-
Hungary	EUR	at amortised cost	11 278	11 371	11 425	-
other	EUR/USD	at fair value	27 411	30 835	30 835	-
<b>Total</b>			<b>1 148 095</b>	<b>1 183 333</b>	<b>1 189 328</b>	<b>-</b>

<sup>1)</sup>In case of these bonds, every six months takes place the repayment of the nominal value of the bonds at a fixed rate of UAH 100 (i.e. 10% of the nominal value of the bonds). The purchase price shows the actual price paid by the company and does not include the repayment of the nominal value.

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

<sup>1)</sup>In case of these bonds, every six months takes place the repayment of the nominal value of the bonds at a fixed rate of UAH 100 (i.e. 10% of the nominal value of the bonds). The purchase price shows the actual price paid by the company and does not include the repayment of the nominal value.

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

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

As at 30 June 2014	Valuation method	Purchase price	Balance sheet valuation	Fair value measurement	Impairment loss
WIG index companies - banks	at fair value	149 503	154 016	154 016	-
	at amortised cost	1 386 007	1 400 825	n/a	-
WIG index companies - fuels	at fair value	279 625	296 389	296 389	-
	at amortised cost	700 000	700 819	n/a	-
Domestic banks not listed	at amortised cost	65 000	66 221	n/a	-
Foreign banks	at fair value	552	660	660	-
	at amortised cost	84 973	86 539	n/a	-
Mortgage banks	at fair value	41 983	41 923	41 923	-
Local governments	at fair value	45 632	54 362	54 362	-
	at amortised cost	50 000	50 854	n/a	-
Other	at fair value	15 702	16 245	16 245	-
	at amortised cost	24 934	24 988	n/a	-
Other impaired	at fair value	11 630	-	-	11 630
Other impaired foreign banks	at amortised cost	1 142	-	-	1 142
<b>Total</b>		<b>2 856 683</b>	<b>2 893 841</b>	<b>n/a</b>	<b>12 772</b>

As at 31 December 2013	Valuation method	Purchase price	Balance sheet valuation	Fair value measurement	Impairment loss
WIG index companies - banks	at fair value	138 661	140 340	140 340	-
	at amortised cost	1 336 121	1 349 381	n/a	-
WIG index companies - fuels	at fair value	268 489	283 249	283 249	-
	at amortised cost	700 000	700 816	n/a	-
Domestic banks not listed	at amortised cost	65 000	66 227	n/a	-
Foreign banks	at fair value	552	634	634	-
	at amortised cost	90 548	92 296	n/a	-
Local governments	at fair value	45 632	54 279	54 279	-
	at amortised cost	50 000	52 507	n/a	-
Other	at fair value	5 154	5 573	5 573	-
	at amortised cost	23 657	23 835	22 408	-
Other impaired	at fair value	11 630	-	-	11 630
Other impaired foreign banks	at amortised cost	1 142	-	-	1 142
<b>Total</b>		<b>2 736 586</b>	<b>2 769 137</b>	<b>n/a</b>	<b>12 772</b>

### 9.3.6. Derivative instruments

Derivatives - assets	30 June 2014	31 December 2013
<b>Interest rate derivative instruments</b>	<b>454 143</b>	<b>215 193</b>
Unlisted instruments (OTC) including:	454 143	215 193
- FRA transactions	9 095	1 142
- SWAP transactions	445 048	214 051
<b>Exchange rate derivative instruments</b>	<b>7 736</b>	<b>22 492</b>
Unlisted instruments (OTC) including:	7 736	22 492
- forward transactions	7 217	5 592
- SWAP transactions	-	16 900
- call options (purchase)	519	-
<b>Derivative instruments related to the prices of securities</b>	<b>25 398</b>	<b>22 358</b>
Listed instruments including:	428	5 080
- future contracts	428	5 080
Unlisted instruments (OTC) including:	24 970	17 278
- call options (purchase)	24 970	17 034
- forward transactions	-	244
<b>Total derivatives – assets</b>	<b>487 277</b>	<b>260 043</b>

Derivatives – liabilities	30 June 2014	31 December 2013
<b>Interest rate derivative instruments</b>	<b>426 174</b>	<b>237 117</b>
Listed instruments:	11 560	-
- future contracts	11 560	-
Unlisted instruments (OTC) including:	414 614	237 117
- FRA transactions	15 197	1 986
- SWAP transactions	399 417	235 131
<b>Exchange rate derivative instruments</b>	<b>21 993</b>	<b>632</b>
Listed instruments including:	13 804	-
- future contracts	13 804	-
Unlisted instruments (OTC) including:	8 189	632
- forward transactions	7 313	-
- SWAP transactions	876	632
<b>Total derivatives – liabilities</b>	<b>448 167</b>	<b>237 749</b>

### 9.3.7. Changes in the economic climate and business conditions affecting the fair value of financial assets and liabilities

#### 9.3.7.1. Capital market

In the first half of this year, the prices on the stock market moved without a clearly defined direction with a high variability. Improving growth conditions and a favourable condition of the global capital markets encouraged in February increases of the Polish stock market indices. In early March, the crisis in Ukraine reversed this trend, yet the second half of the month was more favourable. April brought further decreases following the situation on the most important global markets, however in May the losses were recuperated. In June, the indices decreased again, reflecting slightly worse economic data. WIG and WIG 20 indices between the end of December 2013 and the end of June this year increased respectively by 1.3% and 0.3%.

The yield of the Polish Treasury bonds, after the turbulent end of the year 2013, continued increasing until February and after the redemption of the bonds owned by OFE, it decreased, particularly on the long end of the yield curve. Since the end of the March, the bond prices showed an upward trend following the core markets,



especially the German one. In June, the decisions of the European Central Bank ("ECB") on the loosening of the monetary policy favoured the decreasing of the Polish bond yield. Although the ECB has not decided yet on the use of the "quantitative easing", because of the abandonment of the sterilisation of the SMP (security markets programme) and the impact of the planned TLTRO (targeted longer-term refinancing) operations, as well as the extended access to ECB liquidity under the existing rules, a significant of liquid funds will be provided to banks that will "spill over" on the debt market. As a result, the bond yield in the Eurozone dropped to significantly low levels. Among the important factors influencing the Polish bond market there were also a persistent low level of inflation, an improving fiscal situation of Poland (reduction of the deficit, decline in public debt, high degree of financing of loan needs), as well as robust economic growth. Ultimately, in the period between the end of December 2013 and the end of June 2014, the Polish yield curve decreased by 53 bps for 2-year Treasury bonds and by 75 and 83 bps respectively for 5- and 10-year bonds.

#### 9.3.7.2. *Interest rates and inflation*

The CPI inflation during the first half of this year was very low (0.4% year-on-year) and decreased in the second quarter to 0.3% year-on-year compared to 0.6% year-on-year in the first quarter. The low level of inflation was encouraged, in addition to the external situation, by the decline in prices of food and energy. In the first half of 2014, the core inflation (with the exception of food and energy prices) amounted to 0.8% year-on-year.

The NBP reference rate remains in the first half of 2014 at the level of 2.50%. Between March and June, the Polish Monetary Policy Council supported the declaration of maintaining a low level of interest rates at least until the end of the third quarter of 2014. However, during a meeting in July, in the absence of changes in interest rates, the MPC abandoned any method of signalling their next level.

#### 9.3.7.3. *Foreign exchange rates*

In the first half of the year, the PLN exchange rate was very stable in comparison to the American Dollar USD. During this period, the rates of EUR/PLN and USD/PLN increased respectively by 0.3% and 1.2% at the end of June compared to the end of 2013, whereas the CHF/PLN rate increased at the same time by 1.3%.

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

In the 6-month period ended 30 June 2014 PZU or its subsidiaries did not change classification of any financial assets due to the change of the purpose or use of the assets.

### 9.4. **Fair value**

#### 9.4.1. **Description of valuation techniques**

##### 9.4.1.1. *Debt securities*

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

##### 9.4.1.2. *Assets and liabilities related to investment funds*

Participation in unconsolidated investment funds (participation units and investment certificates), liabilities under unit-linked contracts and liabilities to participants in the consolidated investment funds are measured at the fair value of assets of a given investment fund (in accordance with the share in net assets of an investment fund).

#### 9.4.2. Fair value hierarchy

On the basis of the input data for fair value measurement, individual components of assets and liabilities, for which the fair value was presented, were classified to the following levels:

- Level I – Financial instruments measured based on listed prices (unadjusted) from active markets for identical assets and liabilities. The level includes:
  - liquid listed debt securities and other fixed income;
  - shares listed on stock exchanges;
  - derivatives listed on stock exchanges;
- Level II – financial instruments measured based on input data other than listed prices, classified to Level I, which can be directly (as prices) or indirectly (on the basis of prices) observed on the market. The level includes:
  - unlisted debt securities and illiquid listed debt securities (including non-treasury debt securities issued by other financial institutions, local authorities, non-financial institutions);
  - derivatives other than listed on stock exchanges;
  - participation units in investment funds;
  - liabilities to participants in the consolidated investment funds
  - unit-linked investment contracts;
- Level III – assets and liabilities measured based on input data unobserved on the existing markets (unobservable input data).

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

<b>Assets and Financial liabilities measured at fair value as at 31 December 2013</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Assets</b>				
Financial instruments available for sale	1 637 420	279 564	-	1 916 984
Equity instruments	370 228	35 599	-	405 827
Debt securities	1 267 192	243 965	-	1 511 157
Financial instruments measured at fair value through profit or loss - classified as such upon initial recognition	10 963 791	25 088	-	10 988 879
Equity instruments	791 919	25 088	-	817 007
Debt securities	10 171 872	-	-	10 171 872
Financial instruments measured at fair value through profit or loss - held for trading	5 976 711	2 938 586	-	8 915 297
Equity instruments	2 528 806	2 553 048	-	5 081 854
Debt securities	3 442 825	130 575	-	3 573 400
Derivative instruments	5 080	254 963	-	260 043
<b>Liabilities</b>				
Derivative instruments	1 169	236 580	-	237 749
Liabilities to participants in the consolidated investment funds	-	688 282	-	688 282
Unit-linked investment contracts	-	870 545	-	870 545

#### 9.4.3. Reclassifications between fair value levels

In the case of change of assets and liabilities valuation method resulting in the necessity to reclassify these assets and liabilities between the levels of fair value, such an event is identified and applicable reclassification is made.

In the period of 6 months ended 30 June 2014, none of the financial instruments measured at fair value were reclassified between Level I and Level II in the fair value hierarchy.

#### 9.4.4. Changes in fair value measurement of financial instruments measured at fair value

In the period of 6 months ended 30 June 2014, PZU or its subsidiaries did not change the method of measuring fair value of financial instruments measured at fair value.

#### 9.4.5. The highest and the best use of the non-financial asset component and its current use

As at 30 June 2014, in case of one investment property with a carrying value of PLN 2,822 thousand (as at 31 December 2013: PLN 2,822 thousand), its current use was not highest and the best use, however the balance sheet valuation includes its highest and best use.

The estate is a land with a structure that requires demolition and an optimal use is to build new facilities.

#### 9.5. Receivables, including insurance receivables

<b>Receivables, including insurance receivables - carrying amount</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
Receivables from direct insurance	1 547 010	1 384 325
Receivables from policyholders	1 375 287	1 245 337
Receivables from insurance intermediaries	113 740	113 941
Other receivables	57 983	25 047
Receivables from reinsurance	28 195	18 828
Other receivables	1 427 193	1 268 811
<b>Total receivables, including insurance receivables (net)</b>	<b>3 002 398</b>	<b>2 671 964</b>

#### 9.5.1. Other receivables

Other receivables	30 June 2014	31 December 2013
Receivables from the State Budget, other than due to income tax	13 324	86 177
Receivables from Metro Projekt Sp. z o.o. <sup>1)</sup>	83 203	83 203
Receivables relating to prevention activities	61 970	53 506
Receivables from claims representative services	7 507	6 351
Receivables from security transactions and collateral deposits	1 012 108	902 019
Trade receivables	113 891	97 646
Receivables from direct claims handling	10 488	-
Receivables from collaterals for acquiring the companies from RSA	86 882	-
Other	37 820	39 909
<b>Other receivables total</b>	<b>1 427 193</b>	<b>1 268 811</b>

<sup>1)</sup>Receivables from Metro Projekt Sp. z o.o. and related matters have been described in point 17.6.

#### 9.6. Reinsurers' share in technical provisions

Reinsurers' share in technical provisions - property and other casualty insurance	30 June 2014	31 December 2013
Unearned premiums reserve	212 042	209 940
Unexpired risks reserve	-	16
Provisions for claims outstanding, including:	216 646	170 375
- for claims reported	175 656	121 826
- for claims incurred but not reported (IBNR)	22 397	29 989
- for claims handling expenses	18 593	18 560
Provision for the capitalized value of annuities	151 066	146 180
Provisions for bonuses and rebates for the insured	14	8
<b>Reinsurers' share in technical and insurance provisions (net)</b>	<b>579 768</b>	<b>526 519</b>

Reinsurers' share in technical and insurance provisions – life insurance	30 June 2014	31 December 2013
Unearned premiums reserve	67	86
<b>Reinsurers' share in technical and insurance provisions (net)</b>	<b>67</b>	<b>86</b>

## 9.7. Impairment of financial assets and receivables

Changes in impairment losses on financial assets in the period from 1 January 2014 to 30 June 2014	Impairment losses - opening balance	Recognition of impairment losses, included in the profit and loss account	Reversal of impairment losses, included in the profit and loss account	Derecognition of impairment losses from the accounting records (sales, write-offs, etc.)	Foreign exchange difference	Change in composition of the group	Impairment losses - closing balance
Financial assets available for sale	154 899	3 400	-	-	(533)	-	157 766
Equity instruments	154 899	3 400	-	-	(533)	-	157 766
Financial assets held to maturity	1 202	-	-	-	4	-	1 206
Debt instruments	1 202	-	-	-	4	-	1 206
Loans	24 725	-	-	-	33	-	24 758
Term deposits with credit institutions	9 797	-	-	-	33	-	9 830
Loans	14 928	-	-	-	-	-	14 928
Receivables, including under insurance contracts	651 579	37 818	(18 589)	(1 330)	(2 579)	67	666 966
Receivables from direct insurance	597 608	36 614	(15 251)	(356)	(2 091)	-	616 524
Receivables from reinsurance	4 619	232	(855)	-	-	-	3 996
Other receivables	49 352	972	(2 483)	(974)	(488)	67	46 446
Reinsurers' share in technical provisions	4 828	6 500	(5 220)	-	1	-	6 109
<b>Total</b>	<b>837 233</b>	<b>47 718</b>	<b>(23 809)</b>	<b>(1 330)</b>	<b>(3 074)</b>	<b>67</b>	<b>856 805</b>

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Changes in impairment losses on financial assets in the year ended 31 December 2013	Impairment losses - opening balance	Recognition of impairment losses, included in the profit and loss account	Reversal of impairment losses, included in the profit and loss account	Derecognition of impairment losses from the accounting records (sales, write-offs, etc.)	Foreign exchange difference	Change in composition of the group	Impairment losses - closing balance
Financial assets available for sale	164 273	110	-	(9 429)	(55)	-	154 899
Equity instruments	164 273	110	-	(9 429)	(55)	-	154 899
Financial assets held to maturity	-	-	-	-	(19)	1 221	1 202
Debt instruments	-	-	-	-	(19)	1 221	1 202
Loans	24 582	-	-	-	143	-	24 725
Term deposits with credit institutions	9 657	-	-	-	140	-	9 797
Loans	14 925	-	-	-	3	-	14 928
Receivables, including under insurance contracts	606 747	58 572	(11 900)	(3 342)	(229)	1 731	651 579
Receivables from direct insurance	568 127	40 847	(10 111)	(2 687)	(182)	1 614	597 608
Receivables from reinsurance	3 959	1 220	(438)	(122)	-	-	4 619
Other receivables	34 661	16 505	(1 351)	(533)	(47)	117	49 352
Reinsurers' share in technical provisions	8 037	1 348	(4 557)	-	-	-	4 828
<b>Total</b>	<b>803 639</b>	<b>60 030</b>	<b>(16 457)</b>	<b>(12 771)</b>	<b>(160)</b>	<b>2 952</b>	<b>837 233</b>

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Changes in impairment losses on financial assets in the period from 1 January 2013 to 30 June 2013	Impairment losses - opening balance	Recognition of impairment losses, included in the profit and loss account	Reversal of impairment losses, included in the profit and loss account	Derecognition of impairment losses from the accounting records (sales, write-offs, etc.)	Foreign exchange difference	Change in composition of the group	Impairment losses - closing balance
Financial assets available for sale	164 273	108	-	(9 429)	101	-	155 053
Equity instruments	164 273	108	-	(9 429)	101	-	155 053
Loans	24 582	-	-	-	579	-	25 161
Term deposits with credit institutions	9 657	-	-	-	570	-	10 227
Loans	14 925	-	-	-	9	-	14 934
Receivables, including under insurance contracts	606 747	61 989	(9 248)	(1 635)	688	1 361	659 902
Receivables from direct insurance	568 127	60 994	(7 986)	(1 561)	579	1 361	621 514
Receivables from reinsurance	3 959	465	(304)	-	-	-	4 120
Other receivables	34 661	530	(958)	(74)	109	-	34 268
Reinsurers' share in technical provisions	8 037	956	(4 046)	-	-	-	4 947
<b>Total</b>	<b>803 639</b>	<b>63 053</b>	<b>(13 294)</b>	<b>(11 064)</b>	<b>1 368</b>	<b>1 361</b>	<b>845 063</b>

#### **9.8. Degree of risk exposure in investment activity**

The following table presents credit risk exposure of assets charged with credit risk in individual Fitch classes (in absence of these, Standard&Poor's or Moody's standards have been applied). The exposure to credit risk relating to repo transactions has been presented as an exposure towards the issuer.

The table does not list receivables, including insurance contract receivables due to high diversification of this portfolio resulting in a high share of receivables from small entities and individuals who do not have any ratings.



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<b>Assets exposed to credit risk as at 30 June 2014</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>No rating or rating lower than BB</b>	<b>Assets at the client's risk</b>	<b>Total</b>
Debt securities	202 955	-	32 280 423	2 023 238	227 941	133 738	1 593 409	<b>36 461 704</b>
- held to maturity	-	-	19 978 467	121 121	-	-	-	<b>20 099 588</b>
- available for sale	202 955	-	920 539	296 056	-	1 258	-	<b>1 420 808</b>
- measured at fair value	-	-	10 550 560	384 447	185 748	104 143	1 593 409	<b>12 818 307</b>
- loans	-	-	830 857	1 221 614	42 193	28 337	-	<b>2 123 001</b>
Bank deposits and repo transactions involving treasury securities	-	-	4 688 316	3 069 122	1 196 755	96 268	64 333	<b>9 114 794</b>
Other loans	-	-	-	267 271	361 870	1 600 516	-	<b>2 229 657</b>
Derivative instruments	464	19 944	387 711	78 243	915	-	-	<b>487 277</b>
Reinsurers' share in claims provisions	-	169 253	147 699	13 886	-	36 874	-	<b>367 712</b>
Deposits with ceding undertakings	-	5	-	-	-	-	-	<b>5</b>
Receivables from reinsurance	-	11 447	9 280	3 656	-	3 812	-	<b>28 195</b>
<b>Total assets exposed to credit risk</b>	<b>203 419</b>	<b>200 649</b>	<b>37 513 429</b>	<b>5 455 416</b>	<b>1 787 481</b>	<b>1 871 208</b>	<b>1 657 742</b>	<b>48 689 344</b>

<b>Assets exposed to credit risk as at 31 December 2013</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>No rating or rating lower than BB</b>	<b>Assets at the client's risk</b>	<b>Total</b>
Debt securities	128 757	7 648	31 702 962	1 958 877	720 342	136 832	1 549 805	<b>36 205 223</b>
- held to maturity	-	-	18 604 202	165 926	12 913	76 861	-	<b>18 859 902</b>
- available for sale	126 939	-	1 117 344	22 909	243 965	-	-	<b>1 511 157</b>
- measured at fair value	-	658	11 148 733	566 749	421 680	57 647	1 549 805	<b>13 745 272</b>
- loans	1 818	6 990	832 683	1 203 293	41 784	2 324	-	<b>2 088 892</b>
Bank deposits and repo transactions involving treasury securities	26 854	43 956	4 737 001	4 070 651	1 605 745	25 033	81 111	<b>10 590 351</b>
Other loans	-	-	-	305 164	95 142	1 321 902	-	<b>1 722 208</b>
Derivative instruments	22 114	21 834	136 028	40 759	36	39 272	-	<b>260 043</b>
Reinsurers' share in claims provisions	-	125 409	125 504	16 666	-	48 976	-	<b>316 555</b>
Deposits with ceding undertakings	-	87	-	-	-	-	-	<b>87</b>
Receivables from reinsurance	-	751	3 938	655	-	13 484	-	<b>18 828</b>
<b>Total assets exposed to credit risk</b>	<b>177 725</b>	<b>199 685</b>	<b>36 705 433</b>	<b>6 392 772</b>	<b>2 421 265</b>	<b>1 585 499</b>	<b>1 630 916</b>	<b>49 113 295</b>

The following table presents credit risk ratios used to calculate credit risk amount.

Standard&Poor's rating	AAA	AA	A	BBB	BB	No rating or rating lower than BB <sup>1)</sup>
Rate (%) for 30 June 2014	0.74	0.84	1.59	4.33	14.39	26.97
Rate (%) for 31 December 2013	0.76	0.88	1.65	4.59	15.09	27.84

<sup>1)</sup> In the case of exposure to mortgages with no rating, the ratio of 2% was adopted corresponding to the lowest BBB+ investment rating.

The size of the credit risk for the assets for which the risk is borne by PZU Group as at 30 June 2014 amounted to PLN 1,597,757 thousand (as at 31 December 2013 – it amounted to PLN 1,708,948 thousand, and after applying the coefficients of 30 June 2014, the value would be PLN 1,639,445 thousand).

## 9.9. Other assets

Other assets	30 June 2014	31 December 2013
Reinsurance settlements	48 319	63 272
IT expenses	25 528	18 202
Inventory	102 407	93 240
Other assets	29 374	20 735
<b>Other assets total</b>	<b>205 628</b>	<b>195 449</b>

## 9.10. Assets available for sale

Non-current assets held for sale before reclassification	30 June 2014	31 December 2013
Property, plant and equipment	52 204	55 786
Investment property	128 897	123 111
<b>Non-current assets held for sale and disposal groups total</b>	<b>181 101</b>	<b>178 897</b>

"Property, plant and equipment" presents mainly the real property and technical equipment and machinery used previously by the Armatura Capital Group for its own purposes with a value of PLN 37,407 thousand (as at 31 December 2013: PLN 37,407 thousand).

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

## 9.11. Technical provisions

### 9.11.1. Technical provisions – property and casualty insurance

Technical provisions – property and casualty insurance	30 June 2014	31 December 2013
Unearned premiums reserve	4 804 694	4 428 845
Unexpired risks reserve	12 335	8 770
Outstanding claims provisions	6 218 411	6 041 030
Provision for the capitalized value of annuities	5 890 944	5 761 332
Provisions for bonuses nad rebates for the insured	1 120	2 277
<b>Total technical and insurance provisions</b>	<b>16 927 504</b>	<b>16 242 254</b>

*Change in technical provisions in property and casualty insurance*

Change in unearned premiums reserve in property and casualty insurance	1 January – 30 June 2014			1 January – 31 December 2013			1 January – 30 June 2013		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance	4 428 845	(209 940)	4 218 905	4 435 516	(190 865)	4 244 651	4 435 516	(190 865)	4 244 651
Increase (decrease) in provisions for policies concluded in the current period	3 295 981	(141 364)	3 154 617	4 220 358	(160 456)	4 059 902	3 222 907	(73 310)	3 149 597
Increase (decrease) in provisions for policies concluded in previous years	(3 005 398)	136 465	(2 868 933)	(4 225 756)	140 844	(4 084 912)	(3 016 360)	120 824	(2 895 536)
Foreign exchange differences in the current period	(20 402)	4 406	(15 996)	(1 290)	537	(753)	8 468	(591)	7 877
Change in composition of the group	105 668	(1 609)	104 059	17	-	17	17	-	17
<b>Closing balance</b>	<b>4 804 694</b>	<b>(212 042)</b>	<b>4 592 652</b>	<b>4 428 845</b>	<b>(209 940)</b>	<b>4 218 905</b>	<b>4 650 548</b>	<b>(143 942)</b>	<b>4 506 606</b>

Change in unexpired risk reserve (in property and casualty insurance)	1 January – 30 June 2014			1 January – 31 December 2013			1 January – 30 June 2013		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance	8 770	(16)	8 754	8 202	(5)	8 197	8 202	(5)	8 197
Increase (decrease) in provisions for policies concluded in the current period	10 056	6	10 062	5 546	-	5 546	6 526	(83)	6 443
Increase (decrease) in provisions for policies concluded in previous years	(5 995)	6	(5 989)	(5 016)	(12)	(5 028)	(3 698)	5	(3 693)
Foreign exchange differences in the current period	(496)	4	(492)	38	1	39	547	(2)	545
<b>Closing balance</b>	<b>12 335</b>	<b>-</b>	<b>12 335</b>	<b>8 770</b>	<b>(16)</b>	<b>8 754</b>	<b>11 577</b>	<b>(85)</b>	<b>11 492</b>

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Change in provisions for outstanding claims in property and casualty insurance	1 January – 30 June 2014			1 January – 31 December 2013			1 January – 30 June 2013		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance, including:	6 041 030	(170 375)	5 870 655	5 362 089	(304 051)	5 058 038	5 362 089	(304 051)	5 058 038
- for claims reported	2 072 193	(121 826)	1 950 367	1 970 611	(234 276)	1 736 335	1 970 611	(234 276)	1 736 335
- for claims incurred but not reported (IBNR)	2 615 113	(29 989)	2 585 124	2 413 008	(55 337)	2 357 671	2 413 008	(55 337)	2 357 671
- for claims handling expenses	1 353 724	(18 560)	1 335 164	978 470	(14 438)	964 032	978 470	(14 438)	964 032
Paid claims concerning losses incurred in previous years, including	(1 020 561)	26 633	(993 928)	(1 506 275)	265 311	(1 240 964)	(978 700)	191 383	(787 317)
- claims paid	(873 197)	24 481	(848 716)	(1 276 357)	261 990	(1 014 367)	(841 227)	189 695	(651 532)
- claims handling expenses	(147 364)	2 152	(145 212)	(229 918)	3 321	(226 597)	(137 473)	1 688	(135 785)
Increase (decrease) in provisions, including:	1 129 551	(51 410)	1 078 141	2 185 105	(130 145)	2 054 960	1 242 567	(91 893)	1 150 674
- losses incurred in the current year	1 165 011	(17 500)	1 147 511	1 895 793	(35 684)	1 860 109	1 303 547	(12 667)	1 290 880
- losses incurred in the previous years	(35 460)	(33 910)	(69 370)	289 312	(94 461)	194 851	(60 980)	(79 226)	(140 206)
Other changes	-	782	782	-	(1 834)	(1 834)	-	(1 501)	(1 501)
Foreign exchange differences in the current period	(13 125)	5 251	(7 874)	111	344	455	8 644	(1 619)	7 025
Change in composition of the group	81 516	(27 527)	53 989	-	-	-	-	-	-
<b>Closing balance</b>	<b>6 218 411</b>	<b>(216 646)</b>	<b>6 001 765</b>	<b>6 041 030</b>	<b>(170 375)</b>	<b>5 870 655</b>	<b>5 634 600</b>	<b>(207 681)</b>	<b>5 426 919</b>
- for claims reported	2 337 978	(175 656)	2 162 322	2 072 193	(121 826)	1 950 367	2 190 138	(154 731)	2 035 407
- for claims incurred but not reported (IBNR)	2 494 205	(22 397)	2 471 808	2 615 113	(29 989)	2 585 124	2 356 443	(39 672)	2 316 771
- for claims handling expenses	1 386 228	(18 593)	1 367 635	1 353 724	(18 560)	1 335 164	1 088 019	(13 278)	1 074 741

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Change in provision for capitalised value of annuities (in property and casualty insurance)	1 January – 30 June 2014			1 January – 31 December 2013			1 January – 30 June 2013		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance	5 761 332	(146 180)	5 615 152	5 660 281	(254 413)	5 405 868	5 660 281	(254 413)	5 405 868
Paid claims concerning losses incurred in previous years	(90 579)	2 528	(88 051)	(179 944)	3 839	(176 105)	(90 352)	348	(90 004)
Increase (decrease) in provisions for losses incurred in the previous years	94 524	(8 138)	86 386	23 321	104 997	128 318	11 472	105 866	117 338
Adjustments resulting from revision of technical rates	(8 642)	223	(8 419)	(16 981)	775	(16 206)	(8 490)	387	(8 103)
Increase in provisions for losses incurred in the current year	128 184	-	128 184	274 655	-	274 655	124 881	-	124 881
Foreign exchange differences in the current period	(26)	-	(26)	-	-	-	-	-	-
Change in composition of the group	6 151	-	6 151	-	-	-	-	-	-
Other changes	-	501	501	-	(1 378)	(1 378)	-	(1 589)	(1 589)
<b>Closing balance</b>	<b>5 890 944</b>	<b>(151 066)</b>	<b>5 739 878</b>	<b>5 761 332</b>	<b>(146 180)</b>	<b>5 615 152</b>	<b>5 697 792</b>	<b>(149 401)</b>	<b>5 548 391</b>

#### 9.11.2. Technical provisions – life insurance

Technical provisions – life insurance	30 June 2014	31 December 2013
Unearned premiums reserve	96 311	102 396
Life insurance provision	16 210 953	16 048 191
Outstanding claims provisions	534 896	545 751
Provisions for bonuses nad rebates for the insured	1 094	616
Other technical provisions	451 450	477 987
Unit-linked technical provision	4 284 148	3 907 221
<b>Total technical provisions</b>	<b>21 578 852</b>	<b>21 082 162</b>

*Change in technical provisions in life insurance*

	1 January – 30 June 2014			1 January – 31 December 2013			1 January – 30 June 2013		
Change in unearned premiums reserve in life insurance	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance	102 396	(86)	102 310	93 449	-	93 449	93 449	-	93 449
Increases	3 134	(8)	3 126	103 223	(91)	103 132	101 780	2 490	104 270
Decreases	(5 666)	-	(5 666)	(93 711)	2	(93 709)	(93 568)	(2 593)	(96 161)
Foreign exchange difference	(3 553)	27	(3 526)	(565)	3	(562)	265	(2)	263
<b>Closing balance</b>	<b>96 311</b>	<b>(67)</b>	<b>96 244</b>	<b>102 396</b>	<b>(86)</b>	<b>102 310</b>	<b>101 926</b>	<b>(105)</b>	<b>101 821</b>

	1 January – 30 June 2014			1 January – 31 December 2013			1 January – 30 June 2013		
Change in provision in life insurance - insurance contacts	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance	16 526 794	-	16 526 794	16 208 275	-	16 208 275	16 208 275	-	16 208 275
Increase (decrease) in provisions for policies concluded in the current period	247 339	-	247 339	564 859	-	564 859	355 473	-	355 473
Increase (decrease) in provisions for policies concluded in previous years	(86 523)	-	(86 523)	(260 234)	-	(260 234)	(130 319)	-	(130 319)
Changes in assumptions	-	-	-	17 701	-	17 701	17 713	-	17 713
Foreign exchange difference	(24 113)	-	(24 113)	(3 807)	-	(3 807)	2 198	-	2 198
<b>Closing balance</b>	<b>16 663 497</b>	<b>-</b>	<b>16 663 497</b>	<b>16 526 794</b>	<b>-</b>	<b>16 526 794</b>	<b>16 453 340</b>	<b>-</b>	<b>16 453 340</b>

	1 January – 30 June 2014			1 January – 31 December 2013			1 January – 30 June 2013		
Change in provisions in life insurance – unit-linked contracts	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Unit-linked net assets at the beginning of the period	3 907 221	-	3 907 221	3 113 798	-	3 113 798	3 113 798	-	3 113 798
Fund increases due to premiums	533 548	-	533 548	1 082 943	-	1 082 943	588 606	-	588 606
Payments deducted from fund for risk, administration and others	(43 935)	-	(43 935)	(71 333)	-	(71 333)	(33 301)	-	(33 301)
Fund investment income	91 541	-	91 541	123 774	-	123 774	(53 772)	-	(53 772)
Fund decreases due to benefits, redemption etc.	(203 600)	-	(203 600)	(354 088)	-	(354 088)	(181 077)	-	(181 077)
Other decreases	(6 842)	-	(6 842)	(43 826)	-	(43 826)	(19 713)	-	(19 713)
Other increases	6 215	-	6 215	55 953	-	55 953	35 898	-	35 898
<b>Unit-linked net assets at the end of the period</b>	<b>4 284 148</b>	<b>-</b>	<b>4 284 148</b>	<b>3 907 221</b>	<b>-</b>	<b>3 907 221</b>	<b>3 450 439</b>	<b>-</b>	<b>3 450 439</b>

	1 January – 30 June 2014			1 January – 31 December 2013			1 January – 30 June 2013		
Change in provisions for outstanding claims	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
RBNP at the beginning of the period	138 366	-	138 366	115 394	-	115 394	115 394	-	115 394
IBNR at the beginning of the period	407 385	-	407 385	400 962	-	400 962	400 962	-	400 962
<b>Total RBNP and IBNR at the beginning of the period</b>	<b>545 751</b>	<b>-</b>	<b>545 751</b>	<b>516 356</b>	<b>-</b>	<b>516 356</b>	<b>516 356</b>	<b>-</b>	<b>516 356</b>
Provisions for claims utilised during the year	(447 029)	-	(447 029)	(516 356)	-	(516 356)	(443 563)	-	(443 563)
Provisions for claims created during the year	436 174	-	436 174	545 751	-	545 751	443 541	-	443 541
<b>Total RBNP and IBNR at the end of the period</b>	<b>534 896</b>	<b>-</b>	<b>534 896</b>	<b>545 751</b>	<b>-</b>	<b>545 751</b>	<b>516 334</b>	<b>-</b>	<b>516 334</b>
RBNP at the end of the period	126 844	-	126 844	138 366	-	138 366	114 515	-	114 515
IBNR at the end of the period	408 052	-	408 052	407 385	-	407 385	401 819	-	401 819



## 9.12. Investment contracts

Investment contracts – carrying amount	30 June 2014	31 December 2013
Investment contracts with guaranteed and fixed terms and conditions	624 848	1 250 492
- measured at amortised cost	624 848	1 250 492
Unit-linked investment contracts	710 953	870 545
<b>Total investment contracts – carrying amount</b>	<b>1 335 801</b>	<b>2 121 037</b>

## 9.13. Other provisions

Changes in other provisions in the period from 1 January 2014 to 30 June 2014	Opening balance	Increase	Utilisation	Release	Change in composition of the group	Closing balance
Provisions created for potential liabilities relating to CLSiOR investments	916	-	-	(916)	-	-
Provision for disputed claims and potential liabilities under insurance contracts	3 075	289	-	(138)	-	3 226
Provision for the Office of Competition and Consumer Protection penalties	119 549	2	-	-	-	119 551
Provision for exit costs of the GraphTalk project	50 944	382	-	(26 150)	-	25 176
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	7 401	-	(167)	-	-	7 234
Other	11 021	15 516	(2 077)	(982)	511	23 989
<b>Total other provisions</b>	<b>192 906</b>	<b>16 189</b>	<b>(2 244)</b>	<b>(28 186)</b>	<b>511</b>	<b>179 176</b>

<b>Changes in other provisions in the year ended 31 December</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Utilisation</b>	<b>Release</b>	<b>Closing balance</b>
Provision for restructuring expenses	58 194	-	(39 568)	(18 626)	-
Provisions created for potential liabilities relating to CLSiOR investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance contracts	2 687	388	-	-	3 075
Provision for the Office of Competition and Consumer Protection penalties	138 310	-	(5 613)	(13 148)	119 549
Provision for exit costs of the GraphTalk project	49 925	1 483	-	(464)	50 944
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	8 836	477	(329)	(1 583)	7 401
Other	8 588	6 688	(103)	(4 152)	11 021
<b>Total other provisions</b>	<b>267 456</b>	<b>9 036</b>	<b>(45 613)</b>	<b>(37 973)</b>	<b>192 906</b>

<b>Changes in other provisions in the period from 1 January 2013 to 30 June 2013</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Utilisation</b>	<b>Release</b>	<b>Closing balance</b>
Provision for restructuring expenses	58 194	-	(20 227)	-	37 967
Provisions created for potential liabilities relating to CLSiOR investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance contracts	2 687	90	-	-	2 777
Provision for the Office of Competition and Consumer Protection penalties	138 310	-	(3 968)	-	134 342
Provision for exit costs of the GraphTalk project	49 925	854	-	-	50 779
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	8 836	203	(187)	-	8 852
Other	8 588	1 506	(102)	(575)	9 417
<b>Total other provisions</b>	<b>267 456</b>	<b>2 653</b>	<b>(24 484)</b>	<b>(575)</b>	<b>245 050</b>

The position "Provision for penalties imposed by the Office of Competition and Consumer Protection penalties" is described in points 17.2 and 17.3.

#### 9.14. Other liabilities

Other liabilities	30 June 2014	31 December 2013
<b>Accrued costs</b>	<b>435 728</b>	<b>638 382</b>
Accrued costs of brokers' commissions	223 087	209 871
Accrued remuneration costs	85 923	121 415
Accrued costs from reinsurance	76 415	194 079
Accrued employee bonuses	20 851	84 064
Other	29 452	28 953
<b>Upfront revenues</b>	<b>24 703</b>	<b>17 738</b>
<b>Other liabilities</b>	<b>10 334 301</b>	<b>8 695 294</b>
Insurance liabilities	656 932	634 831
Reinsurance liabilities	140 534	53 738
Liabilities due to sell-buy-back transactions	4 277 297	5 124 161
Loans and borrowings	231 989	227 353
Liabilities to participants in the consolidated investment funds	374 705	688 282
Liabilities to the budget other than due to the income tax	26 667	147 721
Public and legal settlements ZUS (Social Insurance Institution), PFRON (State Fund for Rehabilitation of Persons with Disabilities), ZFŚS (Company's Social Benefits Fund), etc.	26 822	23 195
Insurance Guarantee Fund	9 893	10 231
Liabilities to KGSP (National Headquarters of the State Fire Service) and OSP (Volunteer Fire Service Association)	2 652	4 451
Unsettled investment transactions and collateral deposits	1 462 034	1 533 088
Liabilities to the Shareholders (dividends)	2 939 296	3 321
Trade payables to suppliers	59 801	69 273
Estimated non-insurance liabilities	46 597	125 673
Other	79 082	49 976
<b>Total other liabilities</b>	<b>10 794 732</b>	<b>9 351 414</b>

#### 9.15. Gross written premiums

Gross written premiums	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2013
Gross written premiums – property and casualty insurance	2 113 578	4 491 233	2 115 644	4 515 765
In direct insurance	2 104 702	4 464 526	2 104 784	4 494 088
In indirect insurance	8 876	26 707	10 860	21 677
Gross written premiums – life insurance	1 970 336	3 946 660	1 953 684	3 979 486
Individual premiums	812 441	1 634 929	826 414	1 726 682
In direct insurance	812 441	1 634 929	826 414	1 726 682
Group insurance premiums	1 157 895	2 311 731	1 127 270	2 252 804
In direct insurance	1 157 895	2 311 731	1 127 270	2 252 804
<b>Total gross written premiums</b>	<b>4 083 914</b>	<b>8 437 893</b>	<b>4 069 328</b>	<b>8 495 251</b>

<b>Gross written premiums in direct property and casualty insurance (by classes specified in section II of the appendix to the Act on insurance activity)</b>	<b>1 April – 30 June 2014</b>	<b>1 January – 30 June 2014</b>	<b>1 April – 30 June 2013</b>	<b>1 January – 30 June 2013</b>
Accident and sickness insurance (class 1 and 2)	93 355	196 810	94 695	200 375
Motor third-party liability insurance (class 10)	710 332	1 409 163	733 148	1 491 761
Other motor insurance (class 3)	540 995	1 069 830	535 664	1 073 676
Sea, aircraft and transport insurance (classes 4, 5, 6, 7)	23 959	43 097	14 703	33 318
Insurance against fire and other damage to property (classes 8, 9)	423 636	1 073 698	484 459	1 104 609
Third-party liability insurance (classes 11, 12, 13)	170 645	441 966	152 112	419 711
Credit insurance and surety ship (classes 14, 15)	41 407	58 209	10 338	22 361
Assistance (class 18)	59 974	114 308	55 407	105 113
Legal protection (class 17)	370	674	395	664
Other (class 16)	40 029	56 771	23 863	42 500
<b>Total gross written premiums – property and casualty insurance</b>	<b>2 104 702</b>	<b>4 464 526</b>	<b>2 104 784</b>	<b>4 494 088</b>

#### 9.16. Revenue from commissions and fees

<b>Revenue from commissions and fees</b>	<b>1 April – 30 June 2014</b>	<b>1 January – 30 June 2014</b>	<b>1 April – 30 June 2013</b>	<b>1 January – 30 June 2013</b>
<b>Pension insurance</b>	<b>33 477</b>	<b>76 851</b>	<b>51 366</b>	<b>101 668</b>
Handling fees	6 146	15 469	9 651	20 591
Asset management fee from open pension fund	27 331	61 382	41 715	81 077
<b>Investment contracts</b>	<b>3 372</b>	<b>7 683</b>	<b>4 930</b>	<b>8 947</b>
Fees from unit-linked investment contracts	3 372	7 683	4 930	8 947
<b>Other</b>	<b>24 759</b>	<b>46 127</b>	<b>16 358</b>	<b>32 563</b>
Fees received from funds and investment fund management companies	24 759	46 127	16 358	32 563
<b>Total revenue from commissions and fees</b>	<b>61 608</b>	<b>130 661</b>	<b>72 654</b>	<b>143 178</b>

#### 9.17. Net investment income

Net investment income	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2013
Interest income, including:	372 162	725 500	440 404	874 833
- financial assets available for sale	10 376	25 300	8 392	25 651
- financial assets held to maturity	241 412	476 771	296 819	588 978
- loans	119 149	221 511	133 914	256 052
- cash and cash equivalents	1 225	1 918	1 279	4 152
Dividend income, including:	37 370	39 454	32 934	34 216
- financial assets measured at fair value through profit or loss – classified as such upon initial recognition	25 687	27 295	1 646	2 828
- financial assets held for trading	10 930	11 406	28 598	28 698
- financial assets available for sale	753	753	2 690	2 690
Income from investment property	34 709	66 316	30 692	56 238
Foreign exchange differences, including:	3 192	1 902	20 872	30 828
- financial assets held to maturity	(196)	214	3 889	6 175
- loans	5 711	5 497	2 600	9 070
- receivables, including insurance receivables	(364)	(1 364)	(806)	(1 366)
- cash	79	79	-	-
- financial assets available for sale	(2 038)	(2 524)	15 189	16 949
Other, including:	(17 810)	(39 764)	(20 267)	(47 457)
- costs of investing activities	(3 842)	(10 276)	(7 806)	(17 518)
- investment property maintenance costs	(13 968)	(30 454)	(12 461)	(29 939)
- effect of the acquisition of shares in the EMC's capital increase	-	966	-	-
<b>Total net investment income</b>	<b>429 623</b>	<b>793 408</b>	<b>504 635</b>	<b>948 658</b>

#### 9.18. Net result on realization and impairment losses on investments

Net result on realization and impairment losses on investments	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2013
<b>Net result on realization of investments</b>	<b>138 276</b>	<b>47 808</b>	<b>(120 291)</b>	<b>(129 033)</b>
Financial assets measured at fair value through profit or loss – classified as such upon initial recognition, including:	121 650	94 937	257	8 884
- equity instruments	(3 235)	17 499	(1 643)	(4 257)
- debt securities	124 885	77 438	1 900	13 141
Financial assets held for trading, including:	26 139	(33 021)	(113 464)	(138 198)
- equity instruments	(2 301)	(5 818)	(17 252)	(2 362)
- debt securities	12 581	(207)	(6 280)	(11 916)
- derivatives	15 859	(26 996)	(89 932)	(123 920)
Financial assets available for sale, including:	3 828	10 397	11 317	27 973
- equity instruments	-	-	1 068	(3)
- debt securities	3 828	10 397	10 249	27 976
Financial assets held to maturity, including:	(197)	1 248	126	2 973
- debt securities	(197)	1 248	126	2 973
Loans	-	-	(11)	29
Receivables, including insurance receivables	(12 656)	(25 772)	(18 681)	(30 873)
Investment property	(488)	19	165	179
<b>Impairment losses</b>	<b>(1 432)</b>	<b>(22 629)</b>	<b>(14 509)</b>	<b>(52 849)</b>
Financial assets available for sale, including:	-	(3 400)	(22)	(108)
- equity instruments	-	(3 400)	(22)	(108)
Receivables, including insurance receivables	(1 432)	(19 229)	(14 487)	(52 741)
<b>Total net result on realization and impairment losses on investments</b>	<b>136 844</b>	<b>25 179</b>	<b>(134 800)</b>	<b>(181 882)</b>

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

<b>Net change in the fair value of assets and liabilities measured at fair value</b>	<b>1 April – 30 June 2014</b>	<b>1 January – 30 June 2014</b>	<b>1 April – 30 June 2013</b>	<b>1 January – 30 June 2013</b>
Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition, including:	199 491	405 709	75 520	42 177
- equity instruments	(21 234)	35 506	92 314	100 046
- debt securities	220 725	370 203	(16 794)	(57 869)
Financial instruments held for trading, including:	83 910	192 960	101 535	21 729
- equity instruments	39 795	108 294	(15 602)	(103 984)
- debt securities	26 332	58 116	42 476	75 764
- derivatives	17 783	26 550	74 661	49 949
Investment property	(20 702)	(24 237)	4 989	(11 162)
Valuation of liabilities to participants in the consolidated investment funds	(6 550)	(35 223)	(16 914)	(23 141)
Result of consolidation of investment funds, including:	-	-	5 265	172 718
- amount reclassified from "Revaluation reserve" to the consolidated profit and loss statement at the consolidation date	-	-	5 265	184 535
- amount resulting from consolidation of special purpose entities, controlled by consolidated investment funds	-	-	-	(11 817)
<b>Total net change in the fair value of assets and liabilities measured at fair value</b>	<b>256 149</b>	<b>539 209</b>	<b>170 395</b>	<b>202 321</b>

**9.20. Other operating income**

<b>Other operating income</b>	<b>1 April – 30 June 2014</b>	<b>1 January – 30 June 2014</b>	<b>1 April – 30 June 2013</b>	<b>1 January – 30 June 2013</b>
Change in the scope of consolidation or valuation using the equity method	-	-	-	35 392
Release of provisions	27 791	28 186	485	575
Reinsurance commissions and share in reinsurers' profits	2 987	6 977	1 639	78 644
Revenue from sale of products, goods and services by non-insurance companies	75 893	129 551	72 754	124 630
Revenues from direct claims handling	12 909	12 909	-	-
Other	25 240	72 384	797	41 352
<b>Total other operating income</b>	<b>144 820</b>	<b>250 007</b>	<b>75 675</b>	<b>280 593</b>

#### 9.21. Net claims and benefits

Claims and benefits	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2013
Claims and change in technical provisions – property and casualty insurance	1 311 524	2 448 552	1 332 168	2 471 356
Reinsurers' share in claims and change in technical provisions – property and casualty insurance	(29 092)	(60 119)	(2 951)	7 349
Claims and change in technical provisions – life insurance	1 471 586	3 029 826	1 399 527	2 980 727
Reinsurers' share in claims and change in technical provisions – life insurance	(97)	(172)	(36)	(27)
<b>Total claims and benefits</b>	<b>2 753 921</b>	<b>5 418 087</b>	<b>2 728 708</b>	<b>5 459 405</b>

#### 9.22. Benefits and measurement result of investment contracts

Benefits and measurement result of investment contracts	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2013
Resulting from investment contracts with guaranteed and fixed terms and conditions	3 037	9 207	9 536	21 025
- interest expenses included in the effective interest rate	3 037	9 207	9 536	21 025
Resulting from unit-linked investment contracts	(1 929)	(3 182)	(9 065)	(9 330)
<b>Total benefits and measurement result of investment contracts</b>	<b>1 108</b>	<b>6 025</b>	<b>471</b>	<b>11 695</b>

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

Administrative expenses, acquisition costs and claims handling costs, by type	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2013
Consumption of materials and energy	20 983	40 690	20 010	42 650
External services	116 859	230 893	115 517	226 363
Taxes and charges	13 876	50 407	13 039	28 242
Employee expenses	351 820	680 901	312 474	650 041
Depreciation of property, plant and equipment	17 349	34 643	17 253	36 355
Amortization of intangible assets	17 073	33 865	14 186	29 836
Other (by type), including:	521 745	1 020 871	466 663	921 708
- commissions from direct activity	391 968	799 422	347 263	707 281
- advertisement	34 714	42 299	27 827	40 189
- remuneration of people handling group insurance in companies	50 574	103 640	52 726	103 778
- other	44 489	75 510	38 847	70 460
Change in deferred acquisition costs	(6 075)	(37 709)	6 614	(7 098)
<b>Total administrative expenses, acquisition costs and claims handling costs</b>	<b>1 053 630</b>	<b>2 054 561</b>	<b>965 756</b>	<b>1 928 097</b>



#### 9.24. Other operating expenses

Other operating expenses	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2013
Change in the scope of consolidation	-	-	-	35 134
Impairment of fixed and intangible assets	7 106	9 248	7 017	16 432
Insurance Guarantee Fund	8 683	17 577	8 787	18 784
National Headquarters of the State Fire Service and Volunteer Fire Service Association	2 652	23 408	2 810	23 921
Compulsory payments to the insurance market authorities	13 906	30 443	12 168	27 764
Expenses due to prevention activities	14 176	22 592	5 265	12 721
Non insurance companies' operating costs	76 406	137 441	71 603	126 446
Costs of direct claims handling	14 120	14 120	-	-
Other	58 852	117 762	35 045	78 452
<b>Total other operating expenses</b>	<b>195 901</b>	<b>372 591</b>	<b>142 695</b>	<b>339 654</b>

#### 9.25. Financing expenses

Financial expenses	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2013
Interest, including:	27 681	59 313	14 489	22 269
- sell-buy-back transactions	25 126	54 214	10 083	14 481
- credit facilities	2 550	5 070	4 383	7 503
- other	5	29	23	285
Other, including:	(66)	500	8 937	15 557
- Foreign exchange differences	(337)	37	8 937	15 557
- other	271	463	-	-
<b>Total financing expenses</b>	<b>27 615</b>	<b>59 813</b>	<b>23 426</b>	<b>37 826</b>

#### 9.26. Other comprehensive income

Tax relating to other comprehensive income	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2013
Other comprehensive income (gross)	7 917	20 500	50 457	(147 056)
Income tax	(2 350)	(5 458)	12 468	56 062
Financial assets available for sale	(1 985)	(4 826)	13 944	57 538
Property reclassified from property, plant and equipment to investment property	(365)	(632)	(1 476)	(1 476)
<b>Net other comprehensive income</b>	<b>5 567</b>	<b>15 042</b>	<b>62 925</b>	<b>(90 994)</b>

## 10. Contingent assets and liabilities

Contingent assets and liabilities	30 June 2014	31 December 2013
Contingent assets, including:	23 147	35 231
Guarantees and sureties received	19 452	21 259
Other	3 695	13 972
Contingent liabilities	179 955	144 576
Guarantees and sureties issued	4 826	6 842
Disputable claims related to insurance	116 538	92 535
Other disputable claims	21 557	17 270
Other, including:	37 034	27 929
- contingent liabilities arising from credit agreements concluded by Armatura Group	36 757	27 622

## 11. Solvency

The principles for calculation of own funds to cover the solvency margin have been laid down in the Act on Insurance Activity dated 22 May 2003 (consolidated text: Journal of Laws, item 950 of 2003) and the principles for calculation of the required solvency margin and the minimum value of the guarantee fund have been laid down in the Ordinance dated 28 November 2003 on the manner of calculation of the solvency margin and the minimum amount of the guarantee fund for insurance sections and classes (Dz. U. No. 211 of 2003, item 2060 with subsequent amendments, the "Solvency Margin Ordinance").

Detailed information regarding the manner of calculating the solvency margin has been presented in the consolidated financial statements of PZU Group for 2013.

The financial data relied upon in calculation of the value of own funds and the required solvency margin have been determined based on Polish Accounting Standards ("PAS").

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

Calculation of own funds to cover the required solvency margin	30 June 2014	31 December 2013
<b>PZU equity</b>	<b>11 099 643</b>	<b>12 259 761</b>
Intangible assets	(240 487)	(244 582)
Value of shares in insurance companies operating within the insurance capital group of PZU	(4 347 397)	(4 565 872)
Deferred tax assets	(321 467)	(347 521)
<b>Effect of other insurance companies operating within the insurance capital group of PZU on the value of PZU's own funds:</b>	<b>1 999 662</b>	<b>2 403 826</b>
PZU Życie SA 100.00%	1 978 022	2 407 872
Own funds	3 749 890	4 184 609
Required solvency margin	1 771 868	1 776 737
Surplus of own funds to cover the solvency margin	1 978 022	2 407 872
UAB DK PZU Lietuva 99.76%	6 575	7 931
Own funds	52 817	48 438
Required solvency margin	46 227	40 488
Surplus of own funds to cover the solvency margin	6 590	7 950
UAB PZU Lietuva Gyvybes Draudimas 99.34%	6 721	6 608
Own funds	22 168	21 996
Required solvency margin	15 403	15 344
Surplus of own funds to cover the solvency margin	6 765	6 652
PrJSC PZU Ukraine 100.00%	(12 242)	(13 094)
Own funds	5 468	10 554
Required solvency margin	17 710	23 648
Surplus/shortage of own funds to cover the solvency margin	(12 242)	(13 094)
PrJSC IC PZU Ukraine Life Insurance 100.00%	(6 166)	(5 491)
Own funds	9 237	9 557
Required solvency margin	15 403	15 048
Surplus/shortage of own funds to cover the solvency margin	(6 166)	(5 491)
AAS Balta 99.99%	26 752	n/a
Own funds	64 257	n/a
Required solvency margin	37 503	n/a
Surplus of own funds to cover the solvency margin	26 754	n/a
<b>Own funds of PZU</b>	<b>8 189 954</b>	<b>9 505 612</b>
Required solvency margin of PZU	1 369 183	1 362 353
Guarantee fund of PZU	456 394	454 118
<b>Surplus of own funds to cover the solvency margin</b>	<b>6 820 771</b>	<b>8 143 259</b>
<b>Surplus of own funds to cover the guarantee fund</b>	<b>7 733 560</b>	<b>9 051 494</b>

## **12. Segment reporting**

### **12.1. Reportable segments**

#### **12.1.1. Key division criterion**

IFRS 8 sets out requirements for disclosure of information about an entity's operating segments in their annual and condensed interim financial statements. Operating segments are components of the entity for which separate financial information is available and that are regularly reviewed by the entity's chief operating decision maker ("CODM", i.e. the Management Board of PZU) in order to allocate resources to the segment and assess its performance.

The key segmentation pattern of PZU Group is based on the criterion of consolidated entities with the exception of the key companies in PZU Group (PZU and PZU Życie) where additional segments based on the criteria such as client groups, product lines and types of activities can be distinguished.

PZU segments:

- Corporate insurance (casualty and property insurance);
- Mass client insurance (casualty and property insurance);
- Investment activities – comprising investments of own funds.

PZU Życie segments:

- Group insurance and individually continued insurance (life insurance);
- Individual life insurance (life insurance);
- Investment activities – comprising investments of own funds;
- Investment contracts – described further in this chapter.

Due to the differences and operation in different regulatory environments, the internal financial reporting system used in PZU Group, in accordance with the segmentation pattern of PZU Group based on the criterion of entities subject to consolidation and the usefulness for the users of financial statements, the additional following segments have been separated:

- Pension insurance;
- Ukraine (casualty, property and life insurances);
- The Baltic states – Lithuania, Latvia and Estonia, henceforth: "The Baltic States" – (casualty, property and life insurances).

Operating segments may be aggregated into a single reportable segment if the qualitative and quantitative criteria described in IFRS 8.12-19 are met. In these financial statements separate operating segments have not been aggregated into reportable segments with the exception of the "Investments" segment which comprises investment activities using PZU Group companies' own funds.

#### **12.1.2. Geographical areas**

PZU Group applies additional geographical segmentation as follows:

- Poland;
- Baltics States;
- Ukraine.

### **12.2. Settlements among segments**

The investment result (the difference between realized and unrealized revenue and expenses) disclosed under corporate insurance (casualty and property insurance), mass client insurance (casualty and property insurance), group insurance and individually continued insurance (life insurance) is determined in accordance with the transfer pricing based on the interest rate of the curves of the treasury securities yield (risk-free rate), taking into

account that for the products: unit-linked type, with a guaranteed rate and structured products, the investment result constitute net result on investments covering the corresponding technical provisions.

### 12.3. Measure of profit of a segment

The key measure of profit of a segment in PZU Group:

- in insurance companies – a profit or loss on insurance in accordance with the accounting policies of the country of residence of the company, constituting the profit or loss before tax and other operating revenue and expenses (including borrowing costs), however taking into account the revenues from investments (corresponding to the value of technical and insurance provisions) determined by the risk free rate. A profit or loss on insurance is a similar measure to the technical result on insurance defined in Polish Accounting Standards, however it includes the net profit or loss on investments described in the previous sentence for property, casualty and life insurance.
- in non-insurance companies – an operating profit or loss in accordance with the accounting policies of the country of residence of the company or IFRS, constituting a profit or loss before tax and borrowing costs.

### 12.4. Information about segments

Description of all the reportable segments of PZU Group, including presentation of the accounting policies used for presentation of financial data:

- Corporate insurance (casualty and property insurance) – reporting in accordance with Polish Accounting Standards – a wide range of property insurance products, third party and motor insurance products customized to meet clients' expectations and with individual risk assessment, offered by PZU to big enterprises;
- Mass client insurance (casualty and property insurance) – reporting in accordance with Polish Accounting Standards – a wide range of property insurance products, accident insurance products, third party and motor insurance products offered by PZU to retail clients and entities in the SME sector;
- Group insurance and individually continued insurance (life insurance) – reporting in accordance with Polish Accounting Standards – group insurance offered by PZU Życie to groups of employees and other formal groups (e.g. trade unions), intended for individuals who are in a legal relation with the insurer (e.g. employer, trade union) and individually continued insurance where the insurer has obtained the right to continue insurance individually under group insurance. The offer of PZU Życie comprises a wide range of group insurance coverage, investment insurance (other than investment contracts) and health insurance;
- Individual insurance (life insurance) – reporting in accordance with Polish Accounting Standards – insurance offered by PZU Życie to individual clients whereby an insurance contract covers a givenThe offer of PZU Życie comprises a wide range of group insurance coverage, investment insurance (other than investment contracts) and health insurance;
- Investments – reporting in accordance with Polish Accounting Standards – comprising investment activities in respect of PZU Group's own funds constituting a surplus of investments over technical provisions in the key insurance companies of PZU Group (PZU and PZU Życie), increased by the surplus of income exceeding the risk free rate of investments corresponding to the value of technical and insurance provisions of PZU and PZU Życie in products of a non-investment grade. In addition, the Investment segment includes income from other available funds in PZU Group;
- Pension insurance – reporting in accordance with Polish Accounting Standards – comprising the company PTE PZU;
- Ukraine (casualty and property insurance, as well as life insurance) – reporting in accordance with IFRS – comprising companies PZU Ukraine and PZU Ukraine Life;
- The Baltic states (casualty and property insurance, as well as life insurance) – reporting in accordance with IFRS – comprising PZU Lietuva, operating in Lithuania, and also through its branches – in Latvia and Estonia and UAB PZU Lietuva Gyvybes Draudimas;

- Investment contracts – reporting in accordance with Polish Accounting Standards – comprising products of PZU Życie which do not result in a transfer of significant insurance risk in accordance with IFRS 4 and are not insurance contracts (i.e. some of the products with a guaranteed rate of return and some unit-linked products). In accordance with IFRS and as required by IAS 39, these products are recognized as financial instruments and measured depending on the structure of a product – at amortized cost or fair value. Written premium on these products is not recognized in accordance with IFRS. In accordance with Polish Accounting Standards, all of the aforesaid products are disclosed as insurance products and written premium is recognized;
- Other – reporting in accordance with IFRS or PAS (IFRS 8 does not require the presentation of a profit or loss of segments classified as "other") – comprises other entities which do not belong to any of the aforesaid segments and whose revenue is earned mainly from the manufacture of fittings, heaters, casting and services.

## **12.5. Polish Accounting Standards applied**

### **12.5.1. PZU**

Polish Accounting Standards (PAS) and the differences between PAS and IFRS in respect of financial reporting of PZU were presented in detail in the annual separate financial statements of Powszechny Zakład Ubezpieczeń Spółka 2013, approved by Management Board on 11 March 2014, on which the certified auditor issued an unqualified opinion on the same date ("Separate financial statements of PZU for 2013").

The separate financial statements of PZU for 2013 are available on the PZU website under [www.pzu.pl](http://www.pzu.pl) in the tab "Investor Relations".

### **12.5.2. PZU Życie**

The accounting policies in accordance with PAS for PZU Życie are consistent with PAS for PZU SA (excluding accounting of insurance contracts and investment contracts).

The accounting policies for insurance contracts and investment contracts of PZU Życie in accordance with IFRS have been presented in consolidated financial statements of PZU Group for 2013 financial year.

Classification of insurance contracts in accordance with instructions included in IFRS 4 regarding classification of products as insurance contracts under IFRS 4 or investment contracts valued in accordance with IAS 39. In accordance with IFRS 4, a contract is an insurance contract only when an insured activity could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios lacking commercial substance (i.e. having no discernible effect on the economics of the transaction), therefore when significant insurance risk is transferred under the contract. Determination whether significant financial risk is transferred under a given contract requires an analysis of the cash flows associated with a given product in different scenarios and estimation of the likelihood of its occurrence.

The impact of the aforesaid differences between PAS and IFRS has been presented in a segment reporting note in a separate column.

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

Due to the differences in the formats of management reports submitted to the CODM compared with the format of the financial statements prepared under IFRS, two separate reporting formats had to be used: set of management reports submitted to CODM (left side of the note) and financial statements prepared in accordance with the IFRS (right side of the note)

As a consequence, reconciliation of the totals of revenue and profit or loss of the reportable segments with their consolidated counterparts as required by IFRS 8.28 included in the note is complex and comprises the following stages described in the segment note in the same order as the order of the reconciliation columns:

- Transition from the format of the management reports submitted to the CODM to the format of the financial statements prepared under IFRS (the "Differences in presentation" column), resulting in a number of

changes in the presentation, including reclassification of other operating income and expenses to items presented under "operating profit/loss" in accordance with IFRS;

- Reconciliation of differences between the accounting standards used for the presentation of financial data of the segments and IFRS, and separate presentation of the key accounting standards;
- Consolidation adjustments (since it is the last phase of reconciliation – the adjustments have been presented in the format required under IFRS).

#### **12.7. Simplifications in the segment note**

Some simplifications in the segment note have been made, as compared with the requirements of IFRS 8. Justification of the simplifications:

- Withdrawal from presentation of information about allocation of all assets and liabilities to individual segments – resulting from failure to prepare and present such information to the entity's CODM. The key information submitted to the entity's CODM is the profit or loss of given segments, on which basis management decisions, including decisions about allocation of resources are made. Analysis of assets and liabilities allocated to the segments is limited to the monitoring of compliance with the regulatory requirement under PAS, i.e. having assets covering technical provisions exceed the sum of those provisions (analysis by individual insurance companies instead of product groups);
- Presentation of the net profit or loss on an investment with a single amount expressed as a difference between realized and unrealized gains and losses from investments – resulting from an internal assessment of the profit or loss of the segments on the basis of the total measure of the profit or loss on investments;
- Gains and losses other than realized and unrealized investment gains and losses not allocated to the "investments" segment – resulting from the method of analysis of data regarding that segment and from impracticality of such allocation;
- Presentation of other operating income and expenses and financial expenses of the companies PZU and PZU Życie for their operating segments combined (and as a result, not allocating any amounts in this respect to the "investment contracts" segment) – resulting from the measures of profit of the operating segments adopted and from impracticality of such allocation;
- Presentation of income tax charges expressed as a single sum of consolidated data – resulting from the measures of profit of the operating segments adopted and from impracticality of such allocation.

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(in thousand PLN)

Income statement from 1 January 2014 to 30 June 2014	Corporate insurance - Property and casualty insurance	Mass insurance - Property and casualty insurance	Group insurance and individually continued insurance (life insurance)	Individual life insurance (life insurance)	Investments	Pension insurance	Ukraine	Baltic States	Investment contracts	Other activities	Differences in presentation	Property and financial instruments	Investment contracts	Preventive Fund, equalization reserve and appropriations to the Company's	Consolidation adjustments	Consolidated value	Statement of profit or loss from 1 April 2014 to 30 June 2014
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS	
Gross written premiums - external	476 624	1 534 690	1 635 281	317 594	-	-	37 852	81 873	111 333	-	-	-	-	-	-	4 083 914	Gross written premiums - external
Gross written premiums - cross-segment	1 133	(44)	-	-	-	-	-	-	-	-	-	-	-	-	(1 089)	-	Gross written premiums - cross-segment
<b>Gross written premiums</b>	<b>477 757</b>	<b>1 534 646</b>	<b>1 635 281</b>	<b>317 594</b>	<b>-</b>	<b>-</b>	<b>37 852</b>	<b>81 873</b>	<b>111 333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(111 333)</b>	<b>-</b>	<b>(1 089)</b>	<b>4 083 914</b>	
Reinsurers' share in the written premium	(49 000)	1 431	(603)	-	-	-	(6 041)	(3 121)	-	-	-	-	-	-	235	(57 099)	Reinsurers' share in the written premium
<b>Net written premiums</b>	<b>428 757</b>	<b>1 536 077</b>	<b>1 634 678</b>	<b>317 594</b>	<b>-</b>	<b>-</b>	<b>31 811</b>	<b>78 752</b>	<b>111 333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(111 333)</b>	<b>-</b>	<b>(854)</b>	<b>4 026 815</b>	<b>Net written premiums, including:</b>
Changes in unearned premiums and unexpired risks reserves (gross)	(69 203)	95 723	214	(165)	-	-	(4 599)	(11 128)	21	-	5 056	-	(21)	-	145	16 043	Changes in unearned premiums and unexpired risks reserves (gross)
Reinsurers' share in change in unearned premiums and unexpired risks reserves (gross)	11 712	(8 924)	-	-	-	-	4 527	(2 258)	-	-	(5 057)	-	-	-	-	-	
<b>Net premium earned</b>	<b>371 266</b>	<b>1 622 876</b>	<b>1 634 892</b>	<b>317 429</b>	<b>-</b>	<b>-</b>	<b>31 739</b>	<b>65 366</b>	<b>111 354</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(111 354)</b>	<b>-</b>	<b>(709)</b>	<b>4 042 858</b>	<b>Net premium earned</b>
Investment income, including:	33 151	136 859	184 872	96 396	1 746 318	3 043	10 444	6 075	8 463	(1 533)	65 959	-	7 190	-	(11 541)	61 608	Fee and commission income
Net investment income (external transactions)	33 151	136 859	184 872	96 396	269 406	3 043	10 444	6 075	8 463	(1 533)	(2 224 088)	-	-	-	-	-	
Net investment income (cross-segment transactions)	-	-	-	-	1 476 912	-	-	-	-	-	(747 176)	-	-	-	-	-	
											(1 476 912)	-	-	-	-	-	
											428 741	-	-	-	882	429 623	Net investment income (external transactions)
											1 476 912	-	-	-	(1 476 912)	-	Net investment income (cross-segment transactions)
											136 696	397	-	-	(249)	136 844	Net profit/loss on realization of investments and impairment loss on investments
											251 318	20 411	-	-	(15 580)	256 149	Net change in the fair value of assets and liabilities measured at fair value
Other technical income net of reinsurance	1 870	16 300	(435)	5 490	-	-	-	-	3 818	-	(27 043)	-	-	-	-	-	
Operating revenues of non-insurance companies	-	-	-	-	-	33 477	-	-	-	120 694	(154 171)	-	-	-	-	-	
Other operating income (insurance companies excluded)	-	-	-	-	-	445	-	-	-	(7 927)	196 479	(307)	(3 818)	-	(40 052)	144 820	Other operating income
Gross claims and benefits paid	(195 594)	(902 929)	(1 069 123)	(158 964)	-	-	(19 091)	(51 170)	(241 385)	-	(262 513)	-	109 091	-	8 568	(2 783 110)	Claims, benefits and change in technical reserves
Change in reserves for claims outstanding (gross)	(50 421)	(114 266)	(7 193)	(3 172)	-	-	(4 562)	10 178	132	-	169 304	-	-	-	-	-	
Reinsurers' share in change in reserves for claims outstanding	6 972	4 445	32	1	-	-	944	6 362	-	-	9 929	-	-	-	504	29 189	Reinsurers' share in claims, benefits and change in technical reserves
Reinsurers' share in change of reserves	9 504	1 386	-	-	-	-	4 566	(5 496)	-	-	(9 960)	-	-	-	-	-	
<b>Net claims and benefits</b>	<b>(229 539)</b>	<b>(1 011 364)</b>	<b>(1 076 284)</b>	<b>(162 135)</b>	<b>-</b>	<b>-</b>	<b>(18 143)</b>	<b>(40 126)</b>	<b>(241 253)</b>	<b>-</b>	<b>(93 240)</b>	<b>-</b>	<b>109 091</b>	<b>-</b>	<b>9 072</b>	<b>(2 753 921)</b>	<b>Net claims and benefits</b>
Change in other net technical reserves, unit-linked reserves where the risk is borne by the policyholders, equalization reserve	-	-	(63 756)	(162 602)	-	-	-	-	132 234	-	94 124	-	-	(1 108)	-	(1 108)	Benefits and change in measurement of investment contracts
Bonuses and rebates net of reinsurance, including change in reserves	1 285	-	(299)	-	-	-	-	-	(70)	-	(916)	-	-	-	-	-	
Other technical expenses - net of reinsurance	(11 101)	(29 945)	(3 527)	(165)	-	-	-	-	(136)	-	44 874	-	-	-	-	-	
Acquisition cost	(74 971)	(299 935)	(88 683)	(31 600)	-	(2 360)	(11 233)	(18 543)	(4 290)	-	2	-	-	-	2 873	(528 740)	Acquisition cost
Administrative cost	(30 401)	(148 383)	(131 647)	(13 459)	-	(13 218)	(6 476)	(9 180)	(2 745)	-	(1)	4 839	-	(20 000)	2 479	(368 192)	Administrative cost
Reinsurance commission and share in profits	4 317	(1 858)	233	-	-	-	-	-	-	-	(2 692)	-	-	-	-	-	
Operating expenses of non-insurance companies	-	-	-	-	-	-	-	-	-	(103 250)	103 250	-	-	-	-	-	
Other operating expenses (insurance companies excluded)	-	-	-	-	-	(46)	-	-	-	(1 176)	(253 178)	(10 343)	-	(17 538)	86 380	(195 901)	Other operating expenses
<b>Insurance result / Operating profit (loss)</b>	<b>65 877</b>	<b>284 550</b>	<b>455 366</b>	<b>49 354</b>	<b>1 746 318</b>	<b>21 341</b>	<b>6 331</b>	<b>3 592</b>	<b>7 375</b>	<b>6 808</b>	<b>43 025</b>	<b>14 997</b>	<b>1</b>	<b>(37 538)</b>	<b>(1 443 357)</b>	<b>1 224 040</b>	<b>Operating profit (loss)</b>
Other operating income	18 681	-	27 450	-	-	-	(759)	907	-	-	(46 279)	-	-	-	-	-	
Other operating expenses	(23 802)	-	(4 672)	-	-	-	414	(1 311)	-	-	29 371	-	-	-	-	-	
Financing costs	-	-	-	-	-	-	-	-	-	(15 140)	(26 118)	-	-	-	13 643	(27 615)	Financing costs
															159	-	Share in net profit (loss) of companies measured using the equity method
															1 196 584	-	<b>Gross profit (loss)</b>
															(236 666)	-	Income tax
															959 918	-	<b>Net profit (loss)</b>



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(in thousand PLN)

Statement of profit or loss from 1 January 2014 to 30 June 2014	Corporate insurance - Property and casualty insurance	Mass insurance - Property and casualty insurance	Group insurance and individually continued insurance (life insurance)	Individual life insurance (life insurance)	Investments	Pension insurance	Ukraine	Baltic States	Investment contracts	Other activities	Differences in presentation	Property and financial instruments	Investment contracts	Preventive Fund, equalization reserve and appropriations to the Company's	Consolidation adjustments	Consolidated value	Statement of profit or loss from 1 January 2014 to 30 June 2014
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS	
Gross written premiums - external	962 588	3 330 572	3 265 802	643 260	-	-	77 099	158 572	277 958	-	-	-	-	(277 958)	-	8 437 893	Gross written premiums - external
Gross written premiums - cross-segment	1 518	(270)	-	-	-	-	-	-	-	-	-	-	-	-	(1 248)	-	Gross written premiums - cross-segment
<b>Gross written premiums</b>	<b>964 106</b>	<b>3 330 302</b>	<b>3 265 802</b>	<b>643 260</b>	<b>-</b>	<b>-</b>	<b>77 099</b>	<b>158 572</b>	<b>277 958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(277 958)</b>	<b>-</b>	<b>8 437 893</b>	
Reinsurers' share in the written premium	(92 146)	992	(1 755)	(72)	-	-	(13 725)	(12 821)	-	-	-	-	-	-	1 454	(118 073)	Reinsurers' share in the written premium
<b>Net written premiums</b>	<b>871 960</b>	<b>3 331 294</b>	<b>3 264 047</b>	<b>643 188</b>	<b>-</b>	<b>-</b>	<b>63 374</b>	<b>145 751</b>	<b>277 958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(277 958)</b>	<b>206</b>	<b>8 319 820</b>	<b>Net written premiums, including:</b>
Changes in unearned premiums and unexpired risks reserves (gross)	(157 646)	(113 143)	448	1 696	-	-	(692)	(22 066)	25	-	5 449	-	(25)	-	(1 267)	(287 221)	Changes in unearned premiums and unexpired risks reserves (gross)
Reinsurers' share in change in unearned premiums and unexpired risks reserves (gross)	16 080	(17 489)	-	-	-	-	4 527	2 331	-	-	(5 449)	-	-	-	-	-	
<b>Net premium earned</b>	<b>730 394</b>	<b>3 200 662</b>	<b>3 264 495</b>	<b>644 884</b>	<b>-</b>	<b>-</b>	<b>67 209</b>	<b>126 016</b>	<b>277 983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(277 983)</b>	<b>-</b>	<b>8 032 599</b>	<b>Net premium earned</b>
Investment income, including:	66 823	274 471	371 257	170 131	1 842 399	5 425	15 413	8 514	17 009	17 575	(2 789 017)	-	140 915	-	16 042	-	Fee and commission income
Net investment income (external transactions)	66 823	274 471	371 257	170 131	359 030	5 425	15 413	8 514	17 009	17 575	(1 305 648)	-	786 833	-	-	-	
Net investment income (cross-segment transactions)	-	-	-	-	1 483 369	-	-	-	-	-	(1 483 369)	-	786 833	-	-	-	
													1 483 369	-	-	(1 483 369)	Net investment income (external transactions)
													26 846	(1 417)	-	(250)	Net investment income (cross-segment transactions)
													549 599	-	-	(30 522)	Net profit/loss on realization of investments and impairment loss on investments
Other technical income net of reinsurance	10 015	28 121	675	12 660	-	-	-	-	8 359	-	(59 830)	20 132	-	-	-	539 209	Net change in the fair value of assets and liabilities measured to fair value
Operating revenues of non-insurance companies	-	-	-	-	-	76 851	-	-	-	198 476	(275 327)	-	-	-	-	-	
Other operating income (insurance companies excluded)	-	-	-	-	-	494	-	-	-	2 453	338 319	(905)	(8 359)	-	(81 995)	250 007	Other operating revenues
Gross claims and benefits paid	(379 951)	(1 744 496)	(2 178 242)	(331 501)	-	-	(51 808)	(88 088)	(1 061 536)	-	65 372	-	276 325	-	15 547	(5 478 378)	Claims, benefits and change in technical reserves
Change in reserves for claims outstanding (gross)	(81 805)	(150 397)	(11 912)	22 602	-	-	(2 527)	7 271	(1 272)	-	218 040	-	-	-	-	-	
Reinsurers' share in claims and benefits paid	20 383	9 114	43	-	-	-	1 622	9 758	-	-	18 514	-	-	-	857	60 291	Reinsurers' share in claims, benefits and change in technical reserves
Reinsurers' share in change in reserves for claims outstanding	25 625	(885)	-	-	-	-	3 205	(8 152)	-	-	(19 793)	-	-	-	-	-	
<b>Net claims and benefits</b>	<b>(415 748)</b>	<b>(1 886 664)</b>	<b>(2 190 111)</b>	<b>(308 899)</b>	<b>-</b>	<b>-</b>	<b>(49 508)</b>	<b>(79 211)</b>	<b>(1 062 808)</b>	<b>-</b>	<b>282 133</b>	<b>-</b>	<b>276 325</b>	<b>-</b>	<b>16 404</b>	<b>(5 418 087)</b>	<b>Net claims and benefits</b>
Change in other net technical reserves, unit-linked reserves where the risk is borne by the policyholders, equalization reserve	-	-	(161 141)	(342 446)	-	-	-	-	786 553	-	(282 966)	-	-	(6 025)	-	(6 025)	Benefits and change in measurement of investment contracts
Bonuses and rebates net of reinsurance, including change in reserves	1 010	-	(493)	-	-	-	-	-	(71)	-	(446)	-	-	-	-	-	
Other technical expenses - net of reinsurance	(26 414)	(106 087)	(9 992)	(777)	-	-	-	-	(339)	-	143 609	-	-	-	-	-	
Acquisition cost	(148 926)	(582 785)	(174 922)	(62 882)	-	(3 337)	(24 187)	(35 483)	(10 393)	-	-	-	-	-	6 551	(1 036 364)	Acquisition cost
Administrative cost	(57 370)	(272 801)	(259 480)	(25 814)	-	(50 394)	(13 406)	(15 702)	(5 185)	-	-	9 931	-	(20 000)	7 946	(702 275)	Administrative cost
Reinsurance commission and share in profits	7 430	(1 349)	331	-	-	-	-	-	-	-	(6 412)	-	-	-	-	-	
Operating expenses of non-insurance companies	-	-	-	-	-	-	-	-	-	(186 196)	186 196	-	-	-	-	-	
Other operating expenses (insurance companies excluded)	-	-	-	-	-	(93)	-	-	-	(2 542)	(436 401)	(16 272)	-	(31 477)	114 194	(372 591)	Other operating expenses
<b>Insurance result / Operating profit (loss)</b>	<b>167 214</b>	<b>653 568</b>	<b>840 619</b>	<b>86 857</b>	<b>1 842 399</b>	<b>28 946</b>	<b>(4 479)</b>	<b>4 134</b>	<b>11 108</b>	<b>29 766</b>	<b>87 420</b>	<b>11 469</b>	<b>-</b>	<b>(51 477)</b>	<b>(1 471 823)</b>	<b>2 235 721</b>	<b>Operating profit (loss)</b>
Other operating income	39 673	-	29 343	-	-	-	12 008	2 687	-	-	(83 711)	-	-	-	-	-	
Other operating expenses	(38 569)	-	(7 541)	-	-	-	(3 552)	(3 384)	-	-	53 046	-	-	-	-	-	
Financing costs	-	-	-	-	-	-	-	-	-	(33 267)	(56 755)	-	-	-	30 209	(59 813)	Financing costs
															245	-	Share in net profit (loss) of companies measured using the equity method
															2 176 153	-	Gross profit (loss)
															(455 792)	-	Income tax
															1 720 361	-	Net profit (loss)



Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna  
Condensed Interim Consolidated Financial Statements in accordance with IFRS for the period of 6 months ended 30 June 2014

(in thousand PLN)

Statement of profit or loss from 1 April 2013 to 30 June 2013	Corporate insurance - Property and casualty insurance	Mass insurance - Property and casualty insurance	Group insurance and individually continued insurance (life insurance)	Individual life insurance (life insurance)	Investments	Pension insurance	Ukraine	Baltic States	Investment contracts	Other activities	Differences in presentation	Property and financial instruments	Investment contracts	Preventive Fund, equalization reserve and appropriations to the Company's Social Benefits Fund	Consolidation adjustments	Consolidated value	Statement of profit or loss from 1 April 2013 to 30 June 2013	
	PSR	PSR	PSR	PSR	PSR	PSR	MSSF	MSSF	PSR	PSR - MSSF	PSR - MSSF	PSR - MSSF	PSR - MSSF	PSR - MSSF	MSSF	MSSF		
Gross written premiums - external	469 868	1 546 132	1 600 611	335 161	-	-	48 151	69 405	128 141	-	-	-	(128 141)	-	-	4 069 328	Gross written premiums - external	
Gross written premiums - cross-segment	575	-	-	-	-	-	-	-	-	-	-	-	-	-	(575)	-	Gross written premiums - cross-segment	
Gross written premiums	470 443	1 546 132	1 600 611	335 161	-	-	48 151	69 405	128 141	-	-	-	(128 141)	-	(575)	4 069 328	Gross written premiums	
Reinsurer's share in the written premiums	(21 892)	1 825	(108)	(25)	-	-	(6 714)	(3 436)	-	-	-	-	-	-	271	(30 079)	Reinsurer's share in the written premium	
Net written premiums	448 551	1 547 957	1 600 503	335 136	-	-	41 437	65 969	128 141	-	-	-	(128 141)	-	(304)	4 039 249	Net written premiums	
Changes in unearned premiums and unexpired risks reserves (gross)	(48 588)	116 106	(40)	285	-	-	2 901	(11 754)	198	-	(28 521)	-	(198)	-	(125)	30 264	Changes in unearned premiums and unexpired risks reserves (gross)	
Reinsurer's share in change in unearned premium and unexpired risks reserves (gross)	(16 029)	(10 839)	-	-	-	-	(1 276)	(377)	-	-	28 521	-	-	-	-	-	Reinsurer's share in change in unearned premiums and unexpired risks reserves (gross)	
Net premium earned	383 934	1 653 224	1 600 463	335 421	-	-	43 062	53 838	128 339	-	-	-	(128 339)	-	(429)	4 069 513	Net premium earned	
Investment income, including:	40 721	155 840	158 216	38 539	4 116 346	3 057	5 570	(1 300)	7 485	36 888	80 891	-	8 919	-	(17 156)	72 654	Fee and commission income	
Net investment income (external transactions)	40 721	155 840	158 216	38 539	174 803	3 057	5 570	(1 300)	7 485	36 888	(4 561 362)	-	-	-	-	-	Net investment income (external transactions)	
Net investment income (cross-segment transactions)	-	-	-	-	3 941 543	-	-	-	-	-	(619 819)	-	-	-	-	-	Net investment income (cross-segment transactions)	
											(3 941 543)	-	-	-	(4 699)	504 635	Net investment income (cross-segment transactions)	
											509 334	-	-	-	-	-	Net profit/loss on realization of investments and impairment loss on investments	
											3 941 543	-	-	-	(3 941 543)	-	Net profit/loss on realization of investments and impairment loss on investments	
											(143 800)	4 761	-	-	4 239	(134 800)	Net profit/loss on realization of investments and impairment loss on investments	
											232 019	(37 280)	-	-	(24 344)	170 395	Net change in the fair value of assets and liabilities measured at fair value	
Other technical income net of reinsurance	1 435	7 319	(268)	4 187	-	-	-	-	3 995	-	(16 668)	-	-	-	-	-	Other technical income net of reinsurance	
Operating income of non-insurance companies	-	-	-	-	-	51 366	-	-	-	106 408	(157 774)	-	-	-	-	-	Operating income of non-insurance companies	
Other operating income (insurance companies excluded)	-	-	-	-	-	312	-	-	-	171	118 467	1 291	(3 994)	-	(40 572)	75 675	Other operating income	
Gross claims and benefits paid	(205 354)	(823 696)	(1 042 289)	(155 269)	-	-	(18 990)	(41 061)	(188 786)	-	(385 264)	-	123 885	-	5 129	(2 731 695)	Claims, benefits and change in technical reserves	
Change in reserves for claims outstanding (gross)	35 739	(292 913)	(21 653)	(86)	-	-	(1 559)	813	3 026	-	276 633	-	-	-	-	-	Change in reserves for claims outstanding (gross)	
Reinsurer's share in claims and benefits paid	31 819	4 168	36	-	-	-	467	8 085	-	-	(38 054)	-	-	-	(3 534)	2 987	Reinsurer's share in claims, benefits and change in technical reserves	
Reinsurer's share in change of provisions for claims outstanding	(40 048)	(53)	-	-	-	-	1 770	580	-	-	37 751	-	-	-	-	-	Reinsurer's share in change of provisions for claims outstanding	
Net claims and benefits	(177 844)	(1 112 494)	(1 063 906)	(155 355)	-	-	(18 312)	(31 583)	(185 760)	-	(108 934)	-	123 885	-	1 595	(2 728 708)	Net claims and benefits	
Change in other net technical reserves, unit-linked reserves where the risk is borne by the policyholders, equalization reserve	-	-	(21 780)	(150 087)	-	-	-	-	61 867	-	110 000	-	-	-	-	-	Change in other net technical reserves, unit-linked reserves where the risk is borne by the policyholders, equalization reserve	
											-	-	(471)	-	-	(471)	Benefits and change in value of investment contracts	
Bonuses and rebates net of reinsurance, including change in provisions	1 543	-	(174)	-	-	-	-	-	(1)	-	(1 368)	-	-	-	-	-	Bonuses and rebates net of reinsurance, including change in provisions	
Other technical expenses - net of reinsurance	(13 634)	(50 145)	(19 945)	(2 491)	-	-	-	-	(870)	-	87 085	-	-	-	-	-	Other technical expenses - net of reinsurance	
Acquisition costs	(75 136)	(276 334)	(78 581)	(27 240)	-	(4 224)	(14 993)	(17 504)	(4 068)	-	-	-	-	-	6 008	(492 072)	Acquisition costs	
Administrative costs	(24 628)	(106 615)	(126 322)	(11 135)	-	(16 532)	(8 333)	(6 216)	(2 330)	-	(1)	2 718	-	(20 000)	4 364	(315 030)	Administrative costs	
Reinsurance commission and share in profits	1 654	341	(577)	-	-	-	-	-	-	-	(1 418)	-	-	-	-	-	Reinsurance commission and share in profits	
Operating expenses of non-insurance companies	-	-	-	-	-	-	-	-	-	(102 007)	102 007	-	-	-	-	-	Operating expenses of non-insurance companies	
Other operating expenses (insurance companies excluded)	-	-	-	-	-	(14)	-	-	-	5 324	(203 550)	2 833	-	15 704	37 008	(142 695)	Other operating expenses	
Insurance result/ Operating profit (loss)	138 045	271 136	447 126	31 839	4 116 346	33 965	6 994	(2 765)	8 657	46 784	(13 529)	(25 677)	-	(4 296)	(3 975 529)	1 079 096	Operating profit (loss)	
Other operating income	4 440	-	(4 239)	-	-	-	578	839	-	-	(1 618)	-	-	-	-	-	Other operating income	
Other operating expenses	(18 343)	-	(5 663)	-	-	-	(518)	(1 417)	-	-	25 941	-	-	-	-	-	Other operating expenses	
Financing costs	-	-	-	-	-	-	-	-	-	(34 095)	(10 795)	-	-	-	30 983	(23 426)	Financing costs	
															(601)		Share in net profit (loss) of companies measured using the equity method	
																	1 055 069	Gross profit (loss)
																	(216 724)	Income tax
																	838 345	Net profit (loss)

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna  
Condensed Interim Consolidated Financial Statements in accordance with IFRS for the period of 6 months ended 30 June 2014

(in thousand PLN)

Statement of profit or loss from 1 January 2013 to 30 June 2013	Corporate insurance - Property and casualty insurance	Mass insurance - Property and casualty insurance	Group insurance and individually continued insurance (life insurance)	Individual life insurance (life insurance)	Investments	Pension insurance	Ukraine	Baltic States	Investment contracts	Other activities	Differences in presentation	Property and financial instruments	Investment contracts	Preventive Fund, equalization reserve and appropriations to the Company's Social Benefits Fund	Consolidation adjustments	Consolidated value	Statement of profit or loss from 1 January 2013 to 30 June 2013	
	PSR	PSR	PSR	PSR	PSR	PSR	MSSF	MSSF	PSR	PSR - MSSF	PSR - MSSF	PSR - MSSF	PSR - MSSF	PSR - MSSF	MSSF	MSSF		
Gross written premiums - external	954 693	3 380 840	3 198 857	744 794	-	-	90 928	125 139	857 718	-	-	-	-	(857 718)	-	-	8 495 251	Gross written premiums - external
Gross written premiums - cross-segment	1 470	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 470)	-	-	Gross written premiums - cross-segment
Gross written premiums	956 163	3 380 840	3 198 857	744 794	-	-	90 928	125 139	857 718	-	-	-	-	(857 718)	-	(1 470)	8 495 251	Gross written premiums
Reinsurer's share in the written premium	(39 214)	135	(1 405)	(45)	-	-	(13 348)	(11 241)	-	-	-	-	-	-	1 442	(63 676)	Reinsurer's share in the written premium	
Net written premiums	916 949	3 380 975	3 197 452	744 749	-	-	77 580	113 898	857 718	-	-	-	-	(857 718)	-	(28)	8 431 575	Net written premiums
Changes in unearned premiums and unexpired risks reserves (gross)	(99 413)	(100 154)	143	2 522	-	-	2 542	(12 404)	483	-	(46 856)	-	(483)	-	(715)	(254 335)	Changes in unearned premiums and unexpired risks reserves (gross)	
Reinsurers' share in change in unearned premiums and unexpired risks reserves (gross)	(31 363)	(19 380)	-	-	-	-	148	3 739	-	-	46 856	-	-	-	-	-	Reinsurers' share in change in unearned premiums and unexpired risks reserves (gross)	
Net premium earned	786 173	3 261 441	3 197 595	747 271	-	-	80 270	105 233	858 201	-	-	-	-	(858 201)	-	(743)	8 177 240	Net premium earned
Investment income, including:	79 280	302 254	309 899	88 866	4 293 791	6 063	11 788	1 449	24 479	49 108	153 944	-	16 690	-	(27 456)	143 178	Fee and commission income	
Net investment income (external transactions)	79 280	302 254	309 899	88 866	348 871	6 063	11 788	1 449	24 479	49 108	(1 222 057)	-	-	-	-	-	Investment income, including: Net investment income (external transactions)	
Net investment income (cross-segment transactions)	-	-	-	-	3 944 920	-	-	-	-	-	(3 944 920)	-	-	-	(6 200)	948 658	Net investment income (cross-segment transactions)	
											954 858	-	-	-	(3 944 920)	-		
											3 944 920	-	-	-	(75 066)	(181 882)		
											(115 579)	8 763	-	-	(51 233)	202 321		
Other technical income net of reinsurance	6 844	21 916	684	8 021	-	-	-	-	7 748	-	(45 213)	(60 214)	-	-	-	-	Other technical income net of reinsurance	
Operating income of non-insurance companies	-	-	-	-	-	101 668	-	-	-	192 027	(293 695)	-	-	-	-	-	Operating revenues of non-insurance companies	
Other operating income (insurance companies excluded)	-	-	-	-	-	314	-	-	-	727	329 155	1 225	(7 748)	-	(43 080)	280 593	Other operating income (insurance companies excluded)	
Gross claims and benefits paid	(428 623)	(1 634 887)	(2 202 428)	(302 121)	-	-	(40 302)	(75 939)	(957 384)	-	(680 024)	-	860 954	-	8 671	(5 452 083)	Gross claims and benefits paid	
Change in reserves for claims outstanding (gross)	872	(319 689)	(4 278)	6 578	-	-	(1 635)	1 918	4 231	-	312 003	-	-	-	-	-	Change in reserves for claims outstanding (gross)	
Reinsurers' share in change in claims and benefits paid	43 343	145 017	27	-	-	-	660	10 052	-	-	(202 653)	-	-	-	(3 768)	(7 322)	Reinsurers' share in change in claims, benefits paid and reserves for claims outstanding	
Reinsurers' share in change in reserves for claims outstanding	(21 735)	(185 929)	-	-	-	-	3 432	(1 512)	-	-	205 744	-	-	-	-	-		
Net claims and benefits	(406 143)	(1 995 488)	(2 206 679)	(295 543)	-	-	(37 845)	(65 481)	(953 153)	-	(364 930)	-	860 954	-	4 903	(5 459 405)	Net claims and benefits	
Change in other net technical reserves, unit-linked reserves where the risk is borne by the policyholders, equalization reserves	-	-	(58 645)	(402 024)	-	-	-	-	92 193	-	368 476	-	(11 695)	-	-	(11 695)	Change in other net technical reserves, unit-linked reserves where the risk is borne by the policyholders, equalization reserve	
Bonuses and rebates net of reinsurance, including change in reserves	711	-	(256)	-	-	-	-	-	(2)	-	(453)	-	-	-	-	-	Bonuses and rebates net of reinsurance, including change in reserves	
Other technical charges - net of reinsurance	(31 498)	(137 798)	(28 944)	(3 162)	-	-	-	-	(1 475)	-	202 877	-	-	-	-	-	Other technical charges - net of reinsurance	
Acquisition cost	(151 863)	(542 357)	(156 434)	(53 684)	-	(8 300)	(28 896)	(32 433)	(8 422)	-	-	-	-	-	9 729	(972 660)	Acquisition costs	
Administrative cost	(50 297)	(231 398)	(258 976)	(22 306)	-	(34 798)	(16 906)	(12 119)	(5 034)	-	(1)	1 005	-	(20 000)	9 516	(641 314)	Administrative costs	
Reinsurance commission and share in profits	3 151	75 454	(381)	-	-	-	-	-	-	-	(78 224)	-	-	-	-	-	Reinsurance commission and share in profits	
Operating expenses of non-insurance companies	-	-	-	-	-	-	-	-	-	(181 401)	181 401	-	-	-	-	-	Operating costs of non-insurance companies	
Other operating expenses (insurance companies excluded)	-	-	-	-	-	(336)	-	-	-	3 657	(374 834)	(5 297)	-	1 007	36 149	(339 654)	Other operating expenses (insurance companies excluded)	
Insurance result / Operating profit (loss)	236 358	754 024	797 863	67 439	4 293 791	64 611	8 411	(3 351)	14 535	64 118	9 493	(54 518)	-	(18 993)	(4 088 401)	2 145 380	Insurance result / Operating profit (loss)	
Other operating income	22 850	-	8 387	-	-	-	1 209	1 595	-	-	(34 041)	-	-	-	-	-	Other operating income	
Other operating expenses	(28 100)	-	(8 419)	-	-	-	(1 822)	(2 366)	-	-	40 707	-	-	-	-	-	Other operating expenses	
Financing costs	-	-	-	-	-	-	-	-	-	(52 649)	(16 160)	-	-	-	30 983	(37 826)	Financing costs	
															1 856	1 856	Share in net profit (loss) of companies measured using the equity method	
																	2 109 410	Gross profit (loss)
																	(433 948)	Income tax
																	1 675 462	Net profit (loss)

<b>1 January – 30 June 2014 and as at 30 June 2014</b>	<b>Poland</b>	<b>Baltic States</b>	<b>Ukraine</b>	<b>Consolidation adjustments</b>	<b>Consolidated value</b>
Gross written premiums - external	8 202 222	158 572	77 099	-	8 437 893
Gross written premiums - cross-segment	147	-	-	(147)	-
Revenue from commissions and fees	130 661	-	-	-	130 661
Net investment income	774 865	4 702	13 841	-	793 408
Net result on realization and impairment losses on investments	25 000	468	(289)	-	25 179
Net change in the fair value of assets and liabilities measured at fair value	534 004	3 344	1 861	-	539 209
Non-current assets other than financial instruments*	1 261 031	141 211	3 996	(476)	1 405 762
Deferred tax assets	19 553	4 087	1 000	-	24 640
Assets	63 360 492	848 081	212 113	(598 905)	63 821 781

\* concerns the intangible assets and the components of property, plant and equipment

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

\* concerns the intangible assets and the components of property, plant and equipment

<b>1 January – 30 June 2013 and as at 30 June 2013</b>	<b>Poland</b>	<b>Baltic States</b>	<b>Ukraine</b>	<b>Consolidation adjustments</b>	<b>Consolidated value</b>
Gross written premiums - external	8 279 184	125 139	90 928	-	8 495 251
Gross written premiums - cross-segment	477	-	-	(477)	-
Revenue from commissions and fees	143 178	-	-	-	143 178
Net investment income	932 058	4 215	12 385	-	948 658
Net result on realization and impairment losses on investments	(180 818)	(417)	(647)	-	(181 882)
Net change in the fair value of assets and liabilities measured at fair value	204 609	(2 349)	61	-	202 321
Non-current assets other than financial instruments*	1 151 739	13 995	6 489	(1 532)	1 170 691
Deferred tax assets	12 299	-	1 250	-	13 549
Assets	62 344 316	397 428	256 977	(396 558)	62 602 163

\* concerns the intangible assets and the components of property, plant and equipment

### 13. Issues, redemption and repayment of debt and equity securities

In the period of 6 months ended 30 June 2014, PZU did not issue, redeem or repay any debt or equity securities.

On 3 July 2014, PZU (through its subsidiary, PZU Finance AB (publ)) issued five-year Euro bonds. Additional information about this issue is presented in section 8.1.

#### **14. Breach or default of significant provisions of the loans or other borrowing arrangements**

In the period of 6 months ended 30 June 2014, PZU or its subsidiaries did not default under any credit facility or loan agreement nor did they breach any significant covenants or provisions of such agreements, which was not followed by appropriate remedial actions taken before the end of the reporting period.

#### **15. Credit facility/loan collateral or guarantees given by PZU or its subsidiaries**

In the period of 6 months ended 30 June 2014, neither PZU nor its subsidiaries gave credit facility/loan collateral or guarantees – to one entity or a subsidiary of such an entity – if the total value of the existing collateral or guarantees constituted the equivalent of at least 10% of the equity of PZU.

Information about granting by PZU a guarantee for PZU Finance AB (publ) in connection with the issuance of bonds made by PZU Finance AB (publ) is included in section 8.1.

#### **16. Dividends**

Only the profit recognized in the separate financial statements of the parent company, drawn up in accordance with the Polish Accounting Standards, is subject to appropriation.

##### **16.1. Update of the capital and dividend policy of PZU Group**

On 13 May 2014, the Management Board of PZU decided to update the capital and dividend Policy of PZU Group for the years 2013-2015 ("Policy"). At the same time, the Management Board of PZU decided to file a request to the Supervisory Board of PZU to adopt a resolution to approve the update of the Policy. In accordance with the request, on 13 May 2014, the Supervisory Board of PZU approved the updated Policy with the wording prepared by the Management Board.

Due to the uncertainty existing at the time of adopting the current Policy concerning the profit and loss of PZU Group in 2013, as well as the implementation of acquisition plans, the Policy does not specify the proceedings in a case the safety indicators are met, despite the lack of subordinated debt issue.

Due to the fact that PZU Group's financial results for 2013 were higher than expected and the current and projected safety indicators will be no lower than the ones assumed in the Policy, amendments have been made to the Policy, under which the advance paid on 19 November 2013 towards the dividend expected at the end of the financial year 2013 was considered as part of the payment from the capital surplus.

##### **16.2. Distribution of 2013 profit**

On 26 August 2013, the Management Board of PZU, in accordance with Art. 349 of the Code of Commercial Companies, decided to pay a dividend for 2013 of PLN 1,727,046 thousand, i.e. PLN 20.00 per share from the profit for the period of six months ended 30 June 2013 of PLN 4,679,913 thousand recognized in the separate financial statements of PZU for that period prepared in accordance with Polish Accounting Standards.

On the same day, the Supervisory Board approved the payment of this advance and the date of determining the right was set out for 12 November 2013 and the payout – 19 November 2013.

On 13 May 2014, the Management Board of PZU submitted an application to the General Meeting of Shareholders of PZU concerning the net profit of PZU for the year that ended on 31 December 2013 in the amount of PLN 5,106,345 thousand that would be distributed as follows:

- PLN 4,663,024 thousand, i.e. PLN 54.00 per share, dividend;
- PLN 433,321 thousand to the supplementary capital;
- PLN 10,000 thousand for the Company's Social Benefits Fund.

Taking into consideration the advance payment of dividend expected at the end of financial year 2013 done on 19 November 2013 amounting to PLN 1,727,046 thousand (i.e. PLN 20.00 per share), the rest of the dividend for the year ended on 31 December 2013 will amount to PLN 2,935,978 thousand (i.e. PLN 34.00 per share).

The Management Board of PZU submitted an application to the General Meeting of Shareholders of PZU requesting that the dividend day for the rest of the payment of the dividend for the year ended 31 December 2013 was set on 17 September 2014 and the remaining part of the payment of the dividend for the year ended 31 December 2013 was paid in two periods:

- PLN 1,467,989 thousand (i.e. PLN 17.00 per share) on 8 October 2014;
- PLN 1,467,989 thousand (i.e. PLN 17.00 per share) on 15 January 2015.

The proposal of the Management Board of PZU is consistent with the Policy updated on 13 May 2014, as referred to in section 16.1, and takes into account the recommendations of the PFSA on the dividend policy of insurance and reinsurance companies.

On the same day, the Supervisory Board positively assessed the proposal of the Management Board of PZU and decided to recommend to the General Meeting of Shareholders of PZU the distribution of profits in accordance with this proposal.

On 17 June 2014, the General Meeting of Shareholders of PZU passed a resolution on the appropriation of the net profit of PZU for the year ended 31 December 2013, in accordance with the above proposal presented by the Management Board of PZU.

## 17. Disputes

The entities in PZU Group are parties to a number of court and arbitration disputes and administrative proceedings. The typical court disputes involving PZU Group entities are those related to insurance contracts, employment contracts and contractual obligations. The typical administrative proceedings are those related to owned property. The proceedings and disputes are typical and repetitive and, usually, individually they are not significant for PZU Group.

Most disputes PZU Group companies are parties to, pertain to two companies: PZU and PZU Życie. In addition, PZU and PZU Życie participate in the proceedings before the President of the Office of Competition and Consumer Protection (UOKiK).

PZU and PZU Życie consider such claims when determining the level of technical provisions for reported claims, considering the probability of an unfavourable decision of the court and estimating the value of probable settlement. Disputable claims regarding revaluation of annuities at PZU Życie are recognized in other technical provisions in the amount of annual annuity in excess of the corresponding provision amount as determined under mathematical provisions for life insurance purposes.

In the period of 6 months ended 30 June 2014 and by the date of submission of this interim report, PZU Group did not take part in any proceedings before court, body competent to hear arbitration proceedings or public authority body concerning liabilities or receivables of PZU or its direct or indirect subsidiary of the value or the total value of at least 10% of the equity of PZU.

As of 30 June 2014 the total value of all 63,068 cases held by courts, bodies competent to hear arbitration proceedings or public authority bodies involving PZU Group companies was PLN 2,698,772 thousand. The amount includes PLN 2,136,700 thousand of liabilities and PLN 562,072 thousand of receivables of PZU Group companies, which constituted 19.25 % and 5.06 % of PZU equity calculated in line with PAS, respectively.

#### **17.1. Resolution of General Meeting of Shareholders of PZU regarding 2006 profit distribution**

A petition of 30 July 2007 initiated an action of Manchester Securities Corporation against PZU regarding cancellation of General Shareholder Meeting Resolution no. 8/2007 of 30 June 2007 regarding distribution of PZU profit for 2006 as noncompliant with good practices and acting to the detriment of the claimant, a shareholder of PZU.

The debated resolution of the General Meeting of Shareholders of PZU distributed the 2006 profit of PLN 3,280,883 thousand in the following manner:

- PLN 3,260,883 thousand to the supplementary capital;
- PLN 20,000 thousand to the Social Benefit Fund.

In its decision of 22 January 2010, the District Court in Warsaw cancelled the above resolution. On 17 February 2010, PZU appealed against the decision of the District Court in Warsaw.

In a decision of 6 December 2011, the Court of Appeals in Warsaw dismissed the complaint of PZU against the decision of the District Court in Warsaw of 22 January 2010. As of the date of decision by the Court of Appeals, the decision issued by the District Court on 22 January 2010 that cancelled the above resolution of the General Meeting of Shareholders became legally binding.

On 7 December 2011, PZU lodged an appeal for a written justification of judgement made by the Court of Appeals on 6 December 2011. On 2 April 2012, PZU was provided with the Court's judgment with justification. On 29 May 2012, PZU lodged a cassation appeal regarding the entire decision of the Court of Appeals of 6 December 2011. On 27 March 2013 the Supreme Court dismissed the motion for cassation and charged PZU with court fees, including costs of legal representation. Pursuant to the Code of Civil Proceedings, the verdict is binding and cannot be appealed against.

PZU believes that cancelation of the above General Meeting of Shareholders resolution does not give rise to shareholders' claim for dividend.

Notwithstanding the foregoing, in connection with the validation of a verdict cancelling the said resolution, an item concerning the adoption of the resolution on the distribution of net profit of PZU for the financial year 2006 was placed on the agenda of the General Meeting of Shareholders of PZU held on 30 May 2012.

The Management Board recommended distributing the 2006 profit in a manner corresponding to the resolution cancelled with the above decisions, since after its passing, PZU paid dividend for 2009 using funds retained based on that resolution.

On 30 May 2012 General Meeting of Shareholders decided to distribute the profit for 2006 in a manner corresponding to the cancelled resolution. Manchester Securities Corporation objected against the resolution of 30 May 2012, which was recorded in the minutes.

On 20 August 2012, PZU received a copy of the complaint lodged by Manchester Securities Corporation in the District Court in Warsaw, in which the plaintiff requested cancellation of the resolution of 30 May 2012 regarding distribution of 2006 profit with the value of the disputable object determined at PLN 5,054 thousand. PZU responded to the complaint requesting its complete dismissal.

17 December 2013, the District Court issued a verdict which upheld the claim in its entirety and ordered the PZU to reimburse the court costs to Manchester Securities Corporation. On 4 March 2014, PZU appealed against the above mentioned judgment in its entirety.

As at the balance sheet date of 30 June 2014, no changes in the presentation of PZU capitals were made that may result from cancellation of the resolution, including "Supplementary capital" and "Previous year profit (loss)". The funds appropriated to the Company's Social Benefit Fund were not adjusted or provisions recognized against any potential additional claims resulting from cancellation of the above resolution.

## **17.2. Proceedings conducted by the Office of Competition and Consumer Protection against PZU**

### **17.2.1. Fine imposed in 2009 for standard agreements**

In a decision of 30 December 2009 the President of the Office of Competition and Consumer Protection imposed a fine on PZU of PLN 14,792 thousand for the use of practices that infringe the collective interest of consumers consisting in:

- including contractual provisions listed in the Register of prohibited contractual provisions in the standard agreements;
- including contractual provisions which infringe Article 813.1 of the Civil Code by citing the unused sum insured as the condition for the amount of premium reimbursed to the consumer by the insurance company due to unused insurance period whereas the Article does not refer to such condition.

PZU does not agree with the decision and its justification statement. On 18 January 2010 PZU appealed to the Court of Competition and Consumer Protection against the decision (this way the decision did not become valid). In a ruling of 14 November 2011 the Court of Competition and Consumer Protection dismissed the appeal of PZU. On 14 December 2011 PZU appealed to the Court of Appeals in Warsaw. On 5 July 2012 the Court of Appeals in Warsaw dismissed the decision of the Court of Competition and Consumer Protection dated 14 November 2011 until the case is re-examined. On 18 January 2013, the Court of Competition and Consumer Protection overruled the whole decision of the President of the Office of Competition and Consumer Protection of 30 December 2009. On 6 March 2013, the President of the Office of Competition and Consumer Protection appealed against the above mentioned judgment to the Court of Competition and Consumer Protection.

On 6 November 2013, the Court of Appeals in Warsaw changed the judgment of the Court of Competition and Consumer Protection from 18 January 2013 by cancelling the decision from 30 December 2009 of the President of the Office of Competition and Consumer Protection concerning the part about the cancellation – in relation to the contractual provisions which infringe Article 813.1 of the Civil Code – the appeal of PZU from 18 January 2010, a reduction of the fine to PLN 1,644 thousand. The judgment of 6 November 2013 remains final and was completed by paying the court-ordered fine. On June 23, 2014, PZU filed a cassation appeal against the judgment to the Supreme Court. PZU received a response to cassation appeal of the President of the Office of Competition and Consumer Protection on 24 July 2014.

Until the date of these interim consolidated statements, the Supreme Court has not made any decisions on the reconsideration of the cassation appeal.

### **17.2.2. Fines imposed in 2011**

#### *17.2.2.1. Reimbursement of the costs of rental a replacement car*

In a decision of 18 November 2011 the President of the Office of Competition and Consumer Protection imposed a fine on PZU of PLN 11,287 thousand for the use of practices that infringe the collective interest of consumers as set out in Article 24.1 and 24.2 of the Act on competition and consumer protection (Journal of Laws No. 50 of 2007, item 331, as amended) consisting in limitation of the scope of liability of PZU towards consumers that submit claims under the insurers' guarantee liability due to compulsory civil liability insurance of an owner of a motor vehicle by:

- refusing to acknowledge that the loss of the possibility to use the damaged car is a property damage and agreeing to pay damages for the rental of a replacement car only if the injured party presented specific circumstances necessitating the rental of a replacement car;
- leaving out the period necessary for the garage to obtain spare parts from the calculation of the reimbursement for the costs of rental of the replacement car;

and demanded that the practices be discontinued.

The Management Board of PZU does not agree with the decision and its legal and factual statement of reasons.

On 5 December 2011 PZU appealed against the decision (thus the decision did not become valid). In its appeal, PZU reported a number of objections.



At the hearing on 2 December 2013, the District Court in Warsaw issued a judgment in which it cancelled the appeal of PZU and PZU awarded to the President of the OCCP a reimbursement of the legal representation. On 23 December 2013, PZU lodged an appeal against this verdict, which until the publication of this interim report has not been reconsidered by the Court of Appeals in Warsaw.

Regardless of the legal measures, PZU recognized a provision for the fine totalling - as at 30 June 2014 and as at 31 December 2013 - PLN 11,287 thousand.

#### 17.2.2.2. *Sale of a group accident insurance*

In a decision of 30 December 2011 the President of the Office of Competition and Consumer Protection ("OCCP") imposed a fine on PZU of PLN 56,605 thousand for the use of practices that limit competition and infringe the prohibition specified in Article 6.1.3 of the Act on competition and consumer protection following an agreement concluded by PZU and Maximus Broker Sp. z o.o. with its registered office in Toruń ("Maximus Broker") that limited the competition in the domestic group accident insurance for children, youth and staff of educational institutions by dividing the market between the entities - the clients of PZU in the kujawsko-pomorskie region were serviced by Maximus Broker in exchange for recommendation of PZU insurance to those clients. The Office demanded that the practices be discontinued.

The Management Board of PZU does not agree with the facts and legal reasons presented in the decision. In the opinion of the Management Board of PZU the decision does not consider all the evidence and the legal classification was not correct.

On 18 January 2012 PZU appealed against the decision (thus the decision did not become valid). In the appeal PZU pointed that:

- PZU and Maximus Broker did not conclude any agreement apart from the agreement concerning brokerage fees;
- the President of the Office of Competition and Consumer Protection is wrong in the understanding of insurance contracts concluded via a broker.
- the majority of insurance contracts concluded via Maximus Broker was concluded with insurance companies other than PZU;
- PZU and Maximus Broker cannot and could not carry out competitive activities in their markets.

On 22 October 2012 PZU received an answer from the President of the Office of Competition and Consumer Protection to PZU's appeal, to which PZU replied on 5 November 2012. The hearing, during which the appeal of PZU will be reconsidered, is scheduled for 5 September 2014.

Regardless of the appeal measures, PZU recognized a provision for the fine totalling – as at 30 June 2014 and as at 31 December 2013 - PLN 56,605 thousand.

#### 17.3. **Proceedings conducted by OCCP against PZU Życie**

On 1 June 2005, at the request of several petitioners, the President of OCCP instituted antimonopoly proceedings on suspicion of abuse by PZU Życie of its dominant position in the market of employee group insurance, which might breach the provisions of Article 8 of the Act on competition and consumer protection and Article 82 of the Treaty Establishing the European Community. In the decision of 25 October 2007 concluding the proceedings, the President of OCCP imposed a fine of PLN 50,384 thousand on PZU Życie for hindering access to the competitors' offers.

The Management Board of PZU Życie disagrees both with the findings and legal arguments presented in the decision. According to the Management Board of PZU Życie, the decision did not take into account all the evidence and the legal qualification was incorrect, as a result of which it was assumed wrongly that the market position of PZU Życie was dominant.

PZU Życie appealed against the decision to the Court of Competition and Consumer Protection, presenting 38 substantive and formal charges with respect to the decision issued by the President of OCCP. On 31 May 2010 the Court issued a ruling whereby it dismissed the appeal of PZU Życie on the grounds that the decision of the President of OCCP of 25 October 2007 was not correctly served on PZU Życie and thus the period available to

PZU Życie to appeal against the decision did not start. The ruling has been appealed against by both parties. Having considered the appeals placed by the plaintiff and the defendant, in a ruling of 26 October 2010, the court of second instance cancelled the disputed decision. In a ruling of 17 February 2011, the District Court in Warsaw – Consumer and Competition Protection Court - partly modified the decision in question, at the same time dismissing the appeal lodged by PZU Życie in relation to the amount of penalty. On 6 May 2011, PZU Życie appealed against the decision.

In a ruling of 9 May 2013, the Court of Appeals in Warsaw took PZU Życie's claims into consideration and dismissed the decision of the Court of Competition and Consumer Protection due to invalidity of the court proceedings, cancelled the invalid part of the proceedings and referred the case to be re-examined by the District Court in Warsaw – the Court of Competition and Consumer Protection.

On 20 December 2013, a hearing was held before the District Court in Warsaw – the Court of Competition and Consumer Protection. The judgment was postponed twice due to the judge's illness. Consequently, on 17 January 2014, the hearing was re-opened and adjourned. After examination of the case at the hearing on 14 March 2014 and after the closure of the hearing on 28 March 2014, the Court of Competition and Consumer Protection announced the judgment, in which it dismissed the appeal of PZU and ordered PZU to reimburse the litigation costs to the President of the Office of Competition and Consumer Protection and the participants.

On 31 March 2014, PZU Życie filed an appeal to the Court of Competition and Consumer Protection to draw up the reasons for the judgment of 28 March 2014 and to deliver the judgment with justification. The judgment with justification of the Court of Competition and Consumer Protection was delivered to PZU Życie on 26 June 2014. On 10 July 2014, PZU Życie appealed against the judgment of the Court of Competition and Consumer Protection from 28 March 2014, challenging the judgment in its entirety. A copy of the appeal was sent by the court to the defendant and other participants, who respond to an appeal. Then, the files were sent to the Court of Appeals in Warsaw, which shall designate the date of the appeal hearing.

Regardless of the appeal measures, PZU recognized a provision for the fine totalling - as at 30 June 2014 and as at 31 December 2013 PLN 50,384 thousand.

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

##### **17.4.1. Proceedings before the Court of Arbitration at the National Chamber of Commerce in Warsaw**

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

The amount sought by CSC includes the claims related to license fees, implementation works, maintenance of the computer system, service works, fee for computer systems, liquidated damages and capitalized interest.

On 31 May 2010 in response to the statement of claim, PZU Życie requested that the Court of Arbitration rule that the court temporarily refuses jurisdiction for any claims and dismissed the entire claims. In the opinion of PZU Życie, the claims of CSC are either unfounded or have not been proven.

PZU Życie also filed a counterclaim against CSC, demanding payment of PLN 71,890 thousand as a return of remuneration collected by CSC under the concluded contract or as damages for undue performance of obligations under the concluded contract. In response to the counterclaim, on 31 August 2010, CSC requested that the claim of PZU Życie be dismissed in whole, indicating the absence of evidence to accept it.

On 31 January 2012, a hearing took place before the Court of Arbitration of the Polish Chamber of Commerce in Warsaw, and on 19 June 2012 the Court of Arbitration closed the case. The case was reopened when CSC submitted a court letter with another modification to the legal action.

On 18 December 2012, the Court of Arbitration of the Polish Chamber of Commerce in Warsaw passed a ruling (the "Decision SA 108/10") awarded damages to be paid by PZU to CSC of PLN 17,193 thousand and dismissed

the main claim regarding payment of EUR 8,437 thousand with statutory interest calculated from the date of making the claim. The Court of Arbitration also dismissed also the remaining part of the main claim and the counterclaim and ordered PZU to pay PLN 199 thousand to CSC as court fees.

On 30 June 2014, PZU Życie created a provision for abovementioned courtcase amounted to PLN 25,176 thousand (on 31 December 2013: 50,944 thousand).

#### **17.4.2. Proceedings for a declaration of enforceability of the Decision SA 108/10**

On 23 January 2013, CSC motioned to the District Court in Warsaw for a statement of enforcement of the Decision SA 108/10 and providing it with a writ of execution.

As a result of CSC's motion of 23 January 2013, the District Court in Warsaw made a decision to enforce the Decision SA 108/10 on 15 March 2013.

On 18 March 2013, PZU Życie appealed against the aforesaid Ruling of 15 March 2013 before the District Court in Warsaw, requesting that the enforcement be suspended. As a consequence, on 22 March 2013, the Court made a decision to suspend enforcement of the aforesaid ruling until the appeal of PZU Życie of 18 March 2013 is resolved. On 4 April 2013, CSC filed a response to PZU Życie's appeal before the Court, requesting that it be dismissed in its entirety. The reconsideration of the appeal was suspended by the Court of Appeals until the District Court reconsiders the appeal filed by PZU Życie to set aside the Decision SA 108/10.

#### **17.4.3. Proceedings regarding PZU Życie's complaint requesting cancellation of Decision 108/10**

On 1 February 2013, PZU Życie submitted a complaint to the District Court in Warsaw, motioning for cancellation of the Decision SA 108/10 and suspend its execution with regard to the amount of PLN 17,193 thousand payable to CSC, dismissal of mutual action and adjudicating the payment of PLN 199 thousand to CSC as refund of the proceeding expenses. Further, PZU Życie motioned to adjudicate refund of the proceeding expenses from CSC, including the representation fees according to the prescribed norms and requesting the District Court in Warsaw to motion the Arbitration Court at Polish Chamber of Commerce to submit the arbitration proceeding files to allow the Court to decide whether any circumstances of the case support cancellation of the Decision SA 108/10.

After the exchange of pleadings between CSC and PZU Życie, by decision of 15 April 2013, the District Court in Warsaw dismissed the motion of PZU Życie requesting that the enforcement of the Decision SA 108/10 be suspended, as a premature motion because the District Court in Warsaw (case described in point 17.4.2) had not determined enforceability of the Decision SA 108/10 of an amicable court and enforcement of a ruling that is not subject to enforcement cannot be cancelled.

By judgment of 12 November 2013, the District Court dismissed the complaint requesting cancellation of the Decision 108/10. PZU appealed against the decision of the District Court in Warsaw from 12 November 2013. On 17 February 2014, a response to the appeal was received.

Until the date of these interim consolidated statements, the date of the appeal hearing was not yet decided.

#### **17.4.4. Proceedings before the Court of Arbitration of the Polish Chamber of Commerce in Warsaw regarding payment and arrangement proceedings before the District Court for the capital city of Warsaw in a case regarding payment**

On 29 March 2013, CSC filed a case against PZU Życie to the Court of Arbitration at the National Chamber of Commerce in Warsaw demanding payment of a sum of PLN 6,690 thousand including interest calculated from the date of filing the case until the date of payment, comprising:

- PLN 6,064 thousand – payment of statutory interest (on the amounts awarded by the arbitration ruling of 18 December 2012, described in point 17.4.1) from 1 April 2010 (one day after the date after CSC filed the lawsuit in the aforesaid case referred to in point 17.4.1., to 18 December 2012);
- PLN 626 thousand – payment of statutory interest on the amounts awarded by the aforementioned arbitration ruling from 19 December 2012 to the date of filing the lawsuit.

On 15 May 2013, PZU Życie appealed against the lawsuit. On 3 September 2013 and 4 March 2014, hearings were held, after which there was an exchange of documents. By decision of April 14, 2014, the Arbitration Court

closed the hearing. By judgment of 24 April 2014 (the "Decision SA67/13"), the Court of Arbitration ordered the PZU to pay PLN 2,397 thousand with interest accrued from the date of the judgment to the date of payment to CSC, PLN 40 thousand net as reimbursement for the arbitration fee, PLN one thousand as reimbursement for the registration fee and PLN 18 thousand for the costs of legal representation. In other respects, the Court of Arbitration dismissed the claim filed by CSC. Simultaneously, the Court of Arbitration ordered CSC to pay PLN 32 thousand as reimbursement for legal representation costs.

#### **17.4.5. Proceedings for a declaration of enforceability of the Decision SA 67/13**

On 29 May 2014, CSC motioned to the District Court in Warsaw for a statement of enforcement of the Decision SA 67/13 and providing it with a writ of execution.

On 4 June 2014 and 11 July 2014, PZU Życie appealed for, among others, the cancellation of the declaration of enforceability and the postponing of the reconsideration of the application for the final reconsideration of the complaint against the Decision SA 67/13.

On 7 June 2014 and 12 August 2014, CSC reiterated the application and demanded immediate reconsideration. Until the date of these interim consolidated statements, the application of CSC for the enforceability of the Decision SA 67/13 was not reconsidered.

#### **17.4.6. Proceedings regarding PZU Życie's complaint requesting cancellation of Decision 67/13**

On 4 June 2014, PZU Życie filed a complaint requesting cancellation of the Decision 67/13 in the District Court in Warsaw, requesting cancellation and suspension of the execution of the Decision 67/13 in the part ordering to pay 2,397 thousand with interest accrued from the date of the judgment to the date of payment, PLN 40 thousand net as reimbursement for the arbitration fee, PLN one thousand as reimbursement for the registration fee and PLN 18 thousand for the costs of legal representation. Further, PZU Życie motioned to adjudicate refund of the proceeding expenses from CSC, including the representation fees according to the prescribed norms and requesting the District Court in Warsaw to motion the Arbitration Court at Polish Chamber of Commerce to submit the arbitration proceeding files to allow the Court to decide whether any circumstances of the case support cancellation of the Decision SA 67/13.

On 25 July 2014, CSC responded to the complaint requesting cancellation of the Decision SA 67/13.

Until the date of these interim consolidated statements, the complaint of PZU Życie concerning the Decision SA 67/13 was not reconsidered.

#### **17.4.7 Proceedings regarding CSC's complaint requesting cancellation of Decision 67/13**

On 12 August 2014, CSC filed a complaint requesting cancellation of the Decision 67/13 in the District Court in Warsaw, requesting suspension of the execution of the Decision 67/13 in the part ordering to pay PZU Życie PLN 32 thousand for the costs of legal representation. The complaint was registered in the District Court in Warsaw, under ref. XX GC 810/14. but not yet delivered to PZU Życie. No other activities has been taken on in result of this request.

#### **17.5. Submission of PZU claims to the bankruptcy estate of PBG Capital Group companies**

PZU, PBG SA with the registered office in Wysogotowo near Poznan (at present: PBG SA in arrangement bankruptcy, henceforth: PBG) and Hydrobudowa Polska SA (at present: Hydrobudowa Polska SA in arrangement bankruptcy, henceforth: "Hydrobudowa") with the registered office in Wysogotowo near Poznan concluded contracts of mandate regarding periodic insurance guarantees (contractual guarantees). Based on these contracts PZU issued insurance guarantees. Should PZU perform on these guarantees, its clients: PBG and Hydrobudowa, were obliged to refund amounts paid.

In 2012 bankruptcy proceedings (with possibility of arrangement) were initiated before District Court in Poznan against PBG and Hydrobudowa. On 21 September 2012 PZU joined the above proceedings submitting its claims to the bankruptcy estate of both companies.

PBG and Hydrobudowa belong to the same capital group with PBG as the parent. They granted sureties to each other. All claims submitted to the bankruptcy estate of Hydrobudowa in the amount of PLN 100,996 thousand have been therefore submitted in relation to the bankruptcy estate of PBG as well. Out of the above claims:

- PBG granted sureties regarding PLN 33,747 thousand arising from guarantees issued for Hydrobudowa;
- Hydrobudowa granted sureties regarding PLN 67,249 thousand arising from guarantees issued for PBG.

PZU's liabilities to the bankruptcy estate of PBG of PLN 103,014 thousand were checked by a judge-commissioner and verified by a court appointed supervisor, and were entered in a register of liabilities. As of 30 June 2014, the sureties amounted to PLN 102,164 thousand and its reduction is due to the expiry of the guarantee parts, to which no claims were reported.

#### **17.6. Receivables arising from a mortgage agreement with Metro-Projekt Sp. z o.o.**

In 1999 PZU Życie granted a mortgage to Metro-Projekt Sp. z o.o. (henceforth "Metro-Projekt") with a 5-year tenor. The loan amounted to USD 25,500 thousand. The loan was collateralized by maximum value mortgage on property, including the perpetual usufruct right and a building owned by Metro-Projekt, located in Warsaw at Al. Jerozolimskie 44.

The loan had not been repaid and in November 2002 Metro-Projekt was declared bankrupt.

On 15 September 2004, the Receiver of Universal SA in bankruptcy ("Universal") brought an action to the District Court in Warsaw demanding exclusion of the property located in Warsaw at Al. Jerozolimskie 44 from the bankruptcy assets of Metro-Projekt due to an entry in section III of the land and mortgage register of a warning regarding the proceedings pending between Universal and BI Code SA ("BI Code") for cancellation of a transaction involving sales of the property by Universal to BI Code from which Metro-Projekt acquired the property. In view of the above, on 21 September 2004 the District Court in Warsaw issued a decision suspending the liquidation of assets of Metro-Projekt until the lawsuit for exclusion of the aforementioned property from the bankruptcy assets is settled.

The action for cancellation of the agreement transferring the perpetual usufruct right and ownership title to the office building located in Warsaw at Al. Jerozolimskie 44 was settled on 7 March 2006 – the Court of Appeals in Warsaw dismissed the case of Universal against BI Code. However, in August 2006 the Receiver of Universal made a final appeal to the Supreme Court with respect to the aforementioned decision.

After the judgment of the Court of Appeals of 7 March 2006 became final, Metro-Projekt applied for deletion of the warning entered in section III of the land and mortgage register about the pending court proceedings instituted by Universal against BI Code for cancellation of the aforementioned sales agreement. The decision to delete the above entry was issued on 3 November 2006.

On 14 March 2007 the Supreme Court reversed the judgment of the Court of Appeals and ordered that the case to be re-examined by that court. On 21 November 2007 the Court of Appeals reversed the judgment of the District Court and ordered that the case be re-examined by that court.

On 11 September 2009, the District Court issued a judgment in the lawsuit filed by the Receiver of Universal against the Receiver of BI Code for cancellation of the sales agreement for the land perpetual usufruct right and the ownership title to the building, entered into between Universal and BI Code, pursuant to which the aforementioned sales agreement was cancelled. The Receiver of BI Code appealed against the judgment and on 29 July 2010 the appeal was dismissed. The Receiver of BI Code SA appealed against the judgment which was dismissed in a decision of 29 July 2010. The Receiver of BI Code made a final appeal to the District Court but it has not been accepted to consider. Therefore the proceeding was terminated.

In January 2011 the Receiver of Metro-Projekt requested that the proceedings before the District Court brought by the Receiver of Universal for exclusion of the land perpetual usufruct right and the separate title to the building on that land suspended in 2005 were resumed. On 30 May 2011, the Regional Court dismissed the claim of Universal.

The decision was not final and it was appealed against on 12 September 2011 by the Receiver in bankruptcy of Universal. On 23 February 2012 the Regional Court in Warsaw dismissed the petition of Universal's Receiver

demanding exclusion of the property located in Warsaw at Al. Jerozolimskie 44 from the bankruptcy assets of Metro-Projekt. The case was closed with a final court decision.

On 9 May 2012 the Receiver of Metro-Projekt filed a petition to the Judge Commissioner for a permission to conclude an amicable settlement with the Receiver of Universal concerning disputed claims concerning the two bankruptcy assets. Following the settlement, the bankruptcy assets of Metro-Projekt were to be charged with an additional amount of PLN 5,722 thousand for the benefit of bankruptcy assets of Universal, and in return, the Receiver of bankruptcy assets of Universal was to waive all claims. Judge Commissioner consented to the settlement in line with the decision of 31 May 2012. The decision is final and valid.

The Receiver of Universal made an irreversible statement in the form of a notarized deed waiving all claims against Metro-Projekt. Consequently, the Receiver of Metro-Projekt made a payment for the benefit of bankruptcy assets of Universal on 5 July 2012.

On 10 January 2013, 18 March 2013, 19 June 2013, 30 September 2013 and 18 June 2014 year, the Receiver of Metro-Projekt announced the sale of enterprise of the bankrupt company without the proper auction procedure, provided it will have the form of a tender. The starting price for the enterprise was, respectively, PLN 110 million, PLN 99 million, PLN 93 mln, PLN 90 mln i PLN 90 mln. In all of the cases, the procedure was not completed due to a lack of purchase offers.

The next announcement of the Receiver regarding the sale of enterprise was released on 25 August 2014. The starting price amounted to PLN 80 million. The review of offers is planned on 24 September 2014.

In the opinion of the Management Board of PZU, the mortgage established for the benefit of PZU Życie does exist and the Company has the right to pursue the related claims from any owner. As at 30 June 2014 and as at 31 December 2013, the value of receivables from Metro-Projekt amounted to PLN 83,203 thousand.

## **18. Other information**

### **18.1. Rating of PZU Group companies by credit rating agencies**

PZU and PZU Życie are regularly rated by the credit rating agency Standard & Poor's Rating Services (S&P). The rating assigned to PZU and PZU Życie results from an analysis of the financial information, competitive position, management and corporate strategy, as well as the financial condition of the country. It also includes a rating outlook, i.e. an assessment of the future position of the Company in the event specific circumstances occur.

As at the date of submission of this report, PZU and PZU Życie SA had a financial strength rating and a credit rating (assigned by S&P 16 July 2009) on the level A, which was subsequently updated at least once a year (the dates of recent updates are presented in the table below).

The long-term credit rating for the Polish debt in local currency at the date of this interim report is A with a stable outlook rating, while the Polish credit rating for long-term debt in foreign currency is A- with a stable outlook rating.

On 26 November 2013, the agency S&P placed PZU under observation with a negative outlook (CreditWatch Neg). This was related to a change in the rating methodology, in the view of which the rating of a company was subject to a long-term rating of the country in relation to the debt in foreign currency, the risk of which the company is particularly exposed to.

On 25 March 2014, the agency S&P confirmed the rating position for PZU on level "A" with stable outlook. That means that PZU successfully passed through rating process on the basis of new criteria and currently has the financial strength rating higher than the rating of Poland for debt in foreign currency.



The table below shows the ratings granted to PZU and PZU Życie by S&P along with previously awarded ratings.

Company name	Rating and outlook	Date of granting / update	Previous rating and outlook	Date of granting / update
<b>PZU</b>				
Financial strength rating	A /stable/	25 March 2014	A /under observation/	26 November 2013
Credit rating	A /stable/	25 March 2014	A /under observation/	26 November 2013
<b>PZU Życie</b>				
Financial strength rating	A /stable/	25 March 2014	A /under observation/	26 November 2013
Credit rating	A /stable/	25 March 2014	A /under observation/	26 November 2013

## 18.2. Changes in the composition of management and supervisory bodies of PZU

### 18.2.1. Management Board of PZU

In the period from 1 January 2014 until the date of signing these interim financial statements, the composition of PZU Management Board was as follows:

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

### 18.2.2. Supervisory Board of PZU

In the period from 1 January 2014 until 18 June 2014, the composition of PZU Management Board was as follows:

- Waldemar Maj – Chairman of the Board;
- Zbigniew Cwiąkal – Vice-Chairman;
- Tomasz Zganiacz – Secretary of the Board;
- Dariusz Daniluk – Member;
- Zbigniew Derdziuk – Member;
- Dariusz Filar – Member;
- Włodzimierz Kiciński – Member of the Board;
- Alojzy Nowak – Member;
- Maciej Piotrowski – Member.

On 17 June 2014, the Greeting Shareholders meeting of PZU adopted a resolution dismissing Dariusz Daniluk, Włodzimierz Kiciński and Waldemar Maj from the Supervisory Board of PZU and resolutions appointing Aleksandra Magaczewska, Dariusz Kacprzyk and Jakub Karnowski as members of the Supervisory Board of PZU. The resolutions came into force on 18 June 2014.

On 15 July 2014, the Supervisory Board of PZU entrusted Aleksandra Magaczewska with the function of the Chairman of the Supervisory Board of PZU.

In the period from 18 June 2014 until the date of signing these interim financial statements, the composition of the Supervisory Board of PZU was as follows:

- Aleksandra Magaczewska – Chairman of the Board (since 15 July 2014, during the period of 18 June 2014 – 15 July 2014 – the Member of the Board);
- Zbigniew Ćwiąkalski – Vice-Chairman;
- Tomasz Zganiacz – Secretary of the Board;
- Zbigniew Derdziuk – Member;
- Dariusz Filar – Member;
- Dariusz Kacprzyk – Member;
- Jakub Karnowski – Member;
- Alojzy Nowak – Member;
- Maciej Piotrowski – Member.

### **18.2.3. Directors of the Group**

In addition to the Board Members, the key management personnel of PZU Group are the Group Directors, who are also included in the composition of the Management Board of PZU Życie.

Directors at PZU Group as at 1 January 2014:

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

On 15 January 2014, The Management Board of PZU entrusted Tobiasz Bury with the function of the Group Director of PZU – with the effect from 16 January 2014.

### **18.3. Related party transactions**

#### **18.3.1. Significant transactions concluded by PZU or its subsidiaries with the related parties on non-arm's length terms**

In the period of 6 months ended 30 June 2014, PZU or its subsidiaries did not conclude any related party transactions which could be considered significant (individually or jointly) and would be concluded on non-arm's length basis, except for cash loans transactions (concluded between PZU and PZU Życie under a framework agreement signed on 7 August 2013). Cash loans are granted in Polish zloty, for a specified period, not longer than 12 months. The sum of the loans granted by either party may not be higher than PLN 1 billion. The aim of the above agreement is to facilitate a tool to manage liquidity within PZU Group. The loans are not provided on the arm's length basis – no interests are calculated on the principal amount of the loan and the lender receives remuneration for granting a loan amounting to PLN 100 as a margin for every concluded loan agreement; However, due to the fact that both companies are members of the Tax Capital Group („PGK”), and are tax-neutral.



### 18.3.2. Balances and turnovers of transactions with related parties

Balances and turnovers of transactions between PZU Group and related parties	Gross written premium				including write-offs for receivables recognized in current period	Receivables			Liabilities	Contingent assets	Contingent liabilities
	in property and casualty insurance	in life insurance (including volume from investment contracts)	other revenue	expenses		gross value	impairment losses	net value			
1 January – 30 June 2014 and as on 30 June 2014											
Key management personnel of the main entities <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-	-
Other related entities <sup>2)</sup>	-	-	-	-	-	-	-	-	-	-	-
1 January – 31 December 2013 and as on 31 December 2013											
Key management personnel of the main entities <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-	-
Other related entities <sup>2)</sup>	-	-	15	-	-	8 308	(8 306)	2	-	-	-
1 January – 30 June 2013 and as on 30 June 2013											
Key management personnel of the main entities <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-	-
Other related entities <sup>2)</sup>	-	-	11	-	-	8 309	(8 306)	3	-	-	-

<sup>1)</sup> Members of the Management Boards of consolidated entities and Directors of PZU Group.

<sup>2)</sup> Syta Development Sp. z o.o. under liquidation (non-consolidated company) and associates, as well as joint ventures measured using equity method.

### 18.3.3. Transactions with entities controlled by the State Treasury

Considering the provisions of the Articles of Association of PZU (in particular those concerning the limitations of the voting rights of the shareholders other than the State Treasury and the rules of appointing Supervisory Board of PZU), for the purpose of presentation of turnovers and balances for related party transactions, it is assumed that, the State Treasury maintained control over PZU as understood by IFRS 10 and thus PZU remains an entity controlled by the State Treasury.

For the purposes of this item "entities controlled by, joint ventures of and associates of the State Treasury" denote only commercial companies and State Treasury controlled state entities, whose lists are published on the website of the Ministry of Treasury.

Property and casualty insurance contracts, life insurance contracts and investment contracts constituted an overwhelming majority of transactions with entities controlled by, joint ventures of and associates of the State Treasury.

PZU Group applies the exemption from the requirement to disclose related party transactions by the fact of being entities controlled by, jointly controlled by or significantly influenced by the same government referred to in section 25 of IAS 24, however, due to the usefulness of the information, PZU Group decided to disclose the gross written premium and the volumes from investment contracts arising from transactions with entities controlled by, joint ventures of and associates of the State Treasury.

The table below shows the written premiums and investment contract volumes resulting from transactions with entities controlled by, joint ventures of and associates of the State Treasury, concluded and settled on the terms and conditions which could be obtained in transactions with unrelated parties.

Entities controlled by, joint ventures of and associates of the State Treasury	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January - 30 June 2013
Gross written premium from property and casualty insurance	38 757	48 038	46 542	66 287
Gross written premium from life insurance	7 926	15 698	6 687	12 758
<b>Total</b>	<b>46 683</b>	<b>63 736</b>	<b>53 229</b>	<b>79 045</b>

The table below shows the written premiums and investment contracts in bancassurance transactions with banks controlled by and associated of the State Treasury.

Written premium and volumes of investment contracts	1 April – 30 June 2014	1 January – 30 June 2014	1 April – 30 June 2013	1 January - 30 June 2013
<b>Bank Powszechna Kasa Oszczędności BP SA</b>	<b>14 592</b>	<b>24 175</b>	<b>10 435</b>	<b>23 936</b>
PZU gross written premium	6 666	8 477	3 748	11 178
PZU Życie gross written premium	7 926	15 698	6 687	12 758
<b>Bank Gospodarstwa Krajowego SA</b>	<b>(19)</b>	<b>(19)</b>	<b>100</b>	<b>171</b>
PZU gross written premium	(19)	(19)	100	171

### 18.4. Purchase of shares of Link4 Towarzystwo Ubezpieczeń Spółka Akcyjna

On 17 April 2014, as a result of completed negotiations, an agreement on the sale of the shares of Link4 Towarzystwo Ubezpieczeń Spółka Akcyjna ("Link4") was concluded between RSA, as the seller, and PZU, as the purchaser ("Agreement of Sale of Link4 shares").

Pursuant to the Agreement of Sale of Link4 shares, PZU will purchase from RSA 111,354,305 registered shares in Link4 ("Link4 Shares") with a nominal value of PLN 1.00 each.

The acquisition of Link4 Shares specified in the Share Purchase Agreement of Link4 Shares is subject to the following conditions precedent (the "Conditions Precedent No. 1"):

- approval of PFSA for the transaction under the Agreement of sale of Link4 shares;
- approval of the European Commission's anti-thrust commission or the Office of Consumer and Competition Protection (depending on which one of the bodies would be appropriate in this case), including the no objection statement; the anti-thrust approval should be unconditional or contain terms acceptable to PZU – on 7 August 2014, PZU received an unconditional approval of the President of the Office of Competition and Consumer Protection;
- approval of the PFSA for the repayment of the subordinate loan agreement between InTouch Insurance Group B.V. and Link4 as at 4 March 2009 with further amendments – on 21 July 2014 the approval in question was granted;
- approval of the Ukrainian anti-thrust authority – on 16 June 2014, PZU received information about granting the approval in question;

The fulfilment of the Conditions Precedent No.1 should take place on 17 January 2015. The Agreement of Sale of Link4 shares shall be terminated, if the Conditions Precedent No.1 are not fulfilled until 17 January 2015.

The price of the Link4 Shares on the closing date of the transaction under the Agreement of Sale of Link4 shares will amount to EUR 90,000 thousand and the estimated amount of the compensation constituting the difference between the estimated value of net assets and the notional value of net assets ("Estimated amount of compensation No. 1").

The actual amount of compensation shall be determined after the closing of the transaction specified under the Share Purchase Agreement of Link4 shares on the basis of the closing balance sheet prepared by PZU and approved by RSA ("Closing Balance Sheet No. 1"). If the actual amount of compensation constituting the difference between the net asset value and the notional amount of the net assets determined on the basis of the Closing Balance Sheet No. 1 is:

- lower than the estimated amount of compensation No. 1, RSA will pay PZU the resulting difference, or is
- higher than the estimated amount of compensation No. 1, PZU will pay RSA the surplus amount.

Until the date of these interim statements, the Conditions Precedent No. 1 were not fulfilled and as a result, Link4, both as at 30 June 2014 and as at the day of submission of this interim report, was not considered a subsidiary.

#### **18.5. Acquisition of shares of Lietuvos Draudimas AB and assets of the Estonian branch of Codan Forsikring A/S**

On 17 April 2014, as a result of completed negotiations, the following agreements were concluded:

- Share Purchase Agreement of the Lithuanian company Lietuvos Draudimas AB concluded between RSA, as the seller, and PZU, as the purchaser (the "Agreement of Sale of Lietuvos Draudimas AB shares");
- purchase agreement concerning the acquisition of the assets of the Estonian branch of Codan Forsikring A/S, a company incorporated in Denmark and based in Frederikberg ("Codan"), as the seller, PZU Lietuva operating through a branch of UAB DB PZU Lietuva Eesti Filiaal registered in the Republic of Estonia, as the purchaser, and PZU, as the guarantor of the purchaser (the "Agreement of Sale of Codan").

#### *Acquisition of shares of Lietuvos Draudimas AB*

Under the Agreement of Sale of Lietuvos Draudimas AB shares, PZU shall acquire 805,432 of ordinary registered shares in the company

The acquisition of Lietuvos Draudimas AB Shares specified in the Agreement of Sale of Lietuvos Draudimas AB Shares is subject to the following conditions precedent (the "Conditions Precedent No. 2"):

- obtaining the decision of the Bank of Lithuania in accordance with the relevant provisions of the Lithuanian law (including the no objection statement) – on 21 July 2014, PZU received information about the decision made by the Bank of Lithuania, which did not raise any objections to the acquisition of Lietuvos Draudimas AB Shares by PZU;
- obtaining the approval of European Commission's anti-trust commission or a Lithuanian anti-trust authority (depending on which one of the bodies would be appropriate in this case); the anti-trust approval should be unconditional or contain terms acceptable to PZU;
- approval of the Ukrainian anti-trust authority – on 16 June 2014, PZU received information about granting the approval in question.

The fulfilment of the Conditions Precedent No.1 should take place on 17 October 2014. The Agreement of Sale of Lietuvos Draudimas AB shares shall be terminated, if the Conditions Precedent No. 2 are not fulfilled until 17 October 2014.

The price of the Lietuvos Draudimas AB Shares on the closing date of the transaction under the Agreement of Sale of Lietuvos Draudimas AB shares will amount to EUR 180,000 thousand and the estimated amount of the compensation constituting the difference between the estimated value of net assets and the notional value of net assets ("Estimated amount of compensation No. 2").

The actual amount of compensation shall be determined after the closing of the transaction specified under the Agreement of Sale of Lietuvos Draudimas AB shares on the basis of the closing balance sheet prepared by PZU and approved by RSA ("Closing Balance Sheet No. 2"). If the actual amount of compensation constituting the difference between the net asset value and the notional amount of the net assets determined on the basis of the Closing Balance Sheet No. 2 is:

- lower than the estimated amount of compensation No. 2, RSA will pay PZU the resulting difference, or is
- higher than the estimated amount of compensation No. 2, PZU will pay RSA the surplus amount.

Until the date of these interim statements, the Conditions Precedent No. 2 were not fulfilled and as a result, Lietuvos Draudimas AB, both as at 30 June 2014 and as at the day of submission of this interim report, was not considered a subsidiary.

#### *Acquisition of Codan branch assets*

Under the Agreement of Sale of Codan, PZU Lietuva shall acquire from Codan an enterprise comprising insurance business activities conducted by Codan through a branch registered in Estonia, in particular laws and benefits arising from the concluded agreements, employment contracts, office equipment and intellectual property rights associated with the enterprise ("Enterprise").

The acquisition of companies is subject to the consent of the Ukrainian anti-trust authority ("Condition Precedent No. 3"). On 16 June 2014, PZU received information about granting the approval in question.

The payment of the Enterprise, which PZU Lietuva will make on the closing date of the transaction under the Agreement of Sale of Codan will amount to EUR 30,000 thousand. The amount of payment on the closing date of the transaction will be adjusted by the cost constituting the difference between the estimated value of net assets and the notional value of net assets ("Estimated Amount of Compensation No. 3").

The actual amount of compensation shall be determined after the closing of the transaction specified under the Agreement of Sale of Codan on the basis of the closing balance sheet prepared by PZU and approved by Codan ("Closing Balance Sheet No. 3"). If the actual amount of compensation constituting the difference between the net asset value and the notional amount of the net assets determined on the basis of the Closing Balance Sheet No. 3 is:

- lower than the Estimated Amount of Compensation No. 3, Codan will pay PZU Lietuva the resulting difference, or is
- higher than the Estimated Amount of Compensation No. 3, PZU Lietuva will pay Codan the surplus amount.

Both as at 30 June 2014 and as at the day of submission of this interim report, the Agreement of Sale of Codan was not closed, in relation to which assets and liabilities of the Company were not recognized in these condensed interim consolidated financial statements.

#### *Insurance portfolio transfer agreement*

In addition to the Agreement of Sale of Codan, PZU Lietuva and Codan also signed the Portfolio Transfer Agreement – Transfer of the Estonian Insurance Portfolio by Codan ("Insurance Portfolio Transfer Agreement"). In addition to the Insurance Portfolio Transfer Agreement, PZU Lietuva shall acquire from Codan the set of all the insurance contracts signed or accepted by Codan on the closing date of the transaction ("Insurance Portfolio"). Insurance Portfolio Transfer Agreement is conditional upon fulfilment of the following conditions precedent:

- closing of the sale of the Enterprise under the Agreement of Sale of Codan, and
- obtaining the approval of the Danish Financial Supervisory Authority for the transfer of the Insurance Portfolio.

PZU guaranteed the fulfilment of the obligations of PZU Lietuva under the Agreement of Sale of Codan and the Insurance Portfolio Transfer Agreement.

### **18.6. Situation in Ukraine**

The assets belonging to PZU Ukraine (securities and deposits) are deposited in banks with ratings that meet the conditions foreseen in the internal regulations of PZU Group. Ukrainian companies conduct non-cash turnover, which reduces the risk associated with a potential robbery. In terms of the ability to make transfers, the financial system is running smoothly so far.

Ukrainian companies have fulfilled their sale plans for the first half of 2014. There was also no significant effect of the devaluation of the Hryvnia on the financial performance of companies.

In terms of the insurance business activity, with the exception of standard applicable exclusions (war, terrorism, etc.), the exclusion from insurance coverage of illegal actions of third parties is applied.

The Ukrainian legislator prepared special regulations implementing the legal system on the territory of Ukraine, which is temporarily occupied as a result of the aggression of the Russian Federation, that determines the specific nature of public bodies, local authorities, enterprises, institutions and organizations, and defines the principles of respect and protection of human rights, civil rights and the rights and legitimate interests of legal persons.

In light of these regulations, the Board of PZU Ukraine decided to liquidate the regional office in Simferopol and the customer service centre in Sevastopol.

The Management Board in cooperation with the Management's Boards of the Ukrainian Companies is monitoring the situation in Ukraine. At the date of the submission of this interim report, the Management Board assumes that the further activity of Ukrainian Companies will be continued in accordance with adopted plans.

The condensed interim consolidated financial statements of PZU Group for the period of 6 months ended 30 June 2014 was signed by:

Date	Name and surname	Position / Function	
26 August 2014	Andrzej Klesyk	President of the Management Board	..... (signature)
26 August 2014	Przemysław Dąbrowski	Member of the Board	..... (signature)
26 August 2014	Dariusz Krzewina	Member of the Board	..... (signature)
26 August 2014	Barbara Smalska	Member of the Board	..... (signature)
26 August 2014	Tomasz Tarkowski	Member of the Board	..... (signature)
26 August 2014	Ryszard Trepczyński	Member of the Board	..... (signature)
26 August 2014	Katarzyna Łubkowska	Director of Accounting Department	..... (signature)