

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA
CAPITAL GROUP
FOR Q3 2010**



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INTRODUCTION

These consolidated interim financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group ("PZU Group") were drawn up according to the International Financial Reporting Standards approved by the European Commission as at 30 September 2010 ("IFRS") and in compliance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and in compliance with the requirements defined in the Finance Minister's Regulation of 19 February 2009 in the matter of current and periodic information delivered by securities issuers and conditions for accepting as equivalent information required by the laws of a non-member state (Journal of Laws of 2009 No. 33 Item 259 – "Regulation on current and periodic information").

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

According to Article 45 section 1a of the Accountancy Act of 29 September 1994 (Journal of Laws of 2009, No. 152 Item 1223, as amended, "Accountancy Act"), financial statements of issuers of securities admitted into trading on one of the regulated markets of European Economic Area states, may be prepared in accordance with IFRS.

Due to the fact that the Shareholder Meeting of PZU has not yet made the decision mentioned in Article 45 section 1c of the Accountancy Act to draw up financial statements in accordance with IFRS, the separate financial statements of PZU are prepared according to Polish Accounting Standards ("PAS") as defined in the Accountancy Act and in the secondary legislation issued on its basis, including:

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

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

FINANCIAL HIGHLIGHTS

1. Selected consolidated financial data of the PZU Group

| Data from the consolidated balance sheet | PLN thous. 30 September 2010 | PLN thous. 31 December 2009 | PLN thous. 30 September 2009 | EUR thous. 30 September 2010 | EUR thous. 31 December 2009 | EUR thous. 30 September 2009 |
|---|---------------------------------------|--------------------------------------|------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| Assets | 49,171,718 | 53,176,209 | 61,247,148 | 12,333,012 | 12,943,919 | 14,504,606 |
| Share capital | 86,352 | 86,352 | 86,352 | 21,658 | 21,019 | 20,450 |
| Capital and reserves attributed to holders of the parent's equity | 12,191,856 | 11,266,746 | 23,393,206 | 3,057,902 | 2,742,502 | 5,540,000 |
| Minority interest | 123 | 133 | 156 | 31 | 32 | 37 |
| Capital, total | 12,191,979 | 11,266,879 | 23,393,362 | 3,057,933 | 2,742,534 | 5,540,037 |
| Main and diluted weighted average number of common shares | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 |
| Book value per common share (PLN/EUR) | 141.19 | 130.47 | 270.90 | 35.41 | 31.76 | 64.16 |

| Data from the consolidated profit and loss account | PLN thous. 1 January – 30 September 2010 | PLN thous. 1 January – 30 September 2009 | EUR thous. 1 January – 30 September 2010 | EUR thous. 1 January – 30 September 2009 |
|--|--|--|--|--|
| Gross written premium | 10,946,506 | 11,061,694 | 2,734,781 | 2,514,421 |
| Net earned premium | 10,581,133 | 10,887,484 | 2,643,499 | 2,474,822 |
| Fee and commission income | 209,748 | 242,788 | 52,402 | 55,188 |
| Net result on investment activity | 2,190,217 | 2,578,855 | 547,185 | 586,197 |
| Net insurance claims | (7,851,533) | (6,768,795) | (1,961,559) | (1,538,607) |
| Gross profit (loss) | 2,319,391 | 3,951,151 | 579,457 | 898,132 |
| Net profit (loss) attributed to holders of parent's equity | 1,874,169 | 3,200,847 | 468,226 | 727,581 |
| Minority profit (loss) | (5) | (14) | (1) | (3) |
| Main and diluted weighted average number of common shares | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 |
| Main and diluted profit per common share (PLN/EUR) | 21.70 | 37.07 | 5.42 | 8.43 |

| Data from the consolidated cash flow statement | PLN thous. 1 January – 30 September 2010 | PLN thous. 1 January – 30 September 2009 | EUR thous. 1 January – 30 September 2010 | EUR thous. 1 January – 30 September 2009 |
|--|--|--|--|--|
| Net cash flow on operating activity | (626,533) | (1,284,244) | (156,528) | (291,920) |
| Net cash flow on investing activity | 6,369,644 | 1,091,179 | 1,591,337 | 248,035 |
| Net cash flow on financing activity | (5,727,691) | (13) | (1,430,957) | (3) |
| Total net cash flow | 15,420 | (193,078) | 3,852 | (43,888) |

2. Selected individual financial data of PZU (PAS)

| Data from the balance sheet | PLN thous. | PLN thous. | PLN thous. | EUR thous. | EUR thous. | EUR thous. |
|---|-------------------------|------------------------|-------------------------|-------------------------|------------------------|-------------------------|
| | 30 September 2010 | 31 December 2009 | 30 September 2009 | 30 September 2010 | 31 December 2009 | 30 September 2009 |
| Assets | 25,634,569 | 28,936,978 | 36,322,136 | 6,429,538 | 7,043,712 | 8,601,842 |
| Capital, total | 11,035,562 | 10,411,542 | 22,358,819 | 2,767,886 | 2,534,332 | 5,295,036 |
| Main and diluted weighted average number of common shares | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 |
| Book value per common share (PLN/EUR) | 127.80 | 120.57 | 258.93 | 32.05 | 29.35 | 61.32 |

| Data from technical account of non-life insurance and non-technical profit and loss account | PLN thous. | PLN thous. | EUR thous. | EUR thous. |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | 1 January – 30 September 2010 | 1 January – 30 September 2009 | 1 January – 30 September 2010 | 1 January – 30 September 2009 |
| Gross written premium | 5,914,689 | 6,175,486 | 1,477,675 | 1,403,743 |
| Technical result on non-life insurance | (333,842) | 335,970 | (83,404) | 76,369 |
| Net result on investment activity | 4,019,353 | 2,477,218 | 1,004,160 | 563,094 |
| Net profit (loss) | 3,356,064 | 2,400,523 | 838,450 | 545,660 |
| Main and diluted weighted average number of common shares | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 |
| Main and diluted profit per common share (PLN/EUR) | 38.86 | 27.80 | 9.71 | 6.32 |

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

| Data from the balance sheet | PLN thous. | PLN thous. | PLN thous. | EUR thous. | EUR thous. | EUR thous. |
|-----------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|-------------------------|
| | 30 September 2010 | 31 December 2009 | 30 September 2009 | 30 September 2010 | 31 December 2009 | 30 September 2009 |
| Assets | 28,229,966 | 30,467,809 | 30,542,660 | 7,080,503 | 7,416,340 | 7,233,141 |
| Capital, total | 5,939,712 | 7,375,769 | 6,903,261 | 1,489,770 | 1,795,377 | 1,634,837 |

| Data from the technical life insurance account and the non-technical profit and loss account | PLN thous. | PLN thous. | EUR thous. | EUR thous. |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | 1 January – 30 September 2010 | 1 January – 30 September 2009 | 1 January – 30 September 2010 | 1 January – 30 September 2009 |
| Gross written premium | 6,632,646 | 7,246,866 | 1,657,043 | 1,647,277 |
| Technical life insurance result | 1,680,991 | 2,500,655 | 419,964 | 568,421 |
| Net result on investment activity | 1,467,082 | 1,605,167 | 366,523 | 364,869 |
| Net profit (loss) | 1,677,802 | 2,308,235 | 419,168 | 524,682 |

4. Summary of consolidated financial results

The financial results of the PZU Group in the three quarters of 2010 were shaped mainly by:

- Changes in the written premium structure in the non-life insurance segment - restructuring of the corporate client portfolio.
- Maintenance of the upward trend in both group and individual life insurance.
- Impact of catastrophic and non-recurring occurrences:
 - intensive snowfall in the winter (1st quarter);
 - two waves of flooding in May and June (2nd quarter);
 - lower technical reserve release amounts due to the conversion of level term policies into annual renewable policies in type P group insurance – in 2010, a gradually declining impact of conversion was recorded due to a declining portfolio of level term portfolio.
- Gradual reduction of administrative costs.
- Good investment activity results, especially in Q3, despite a significant reduction of the investment base in connection with dividends paid (interim dividend paid in November 2009).
- Consistent fulfillment of the PZU Group strategy related to:
 - maintaining the dominating position in group life insurance while keeping stable profitability of that business line;
 - rebuilding portfolio quality in motor insurance for corporate clients in non-life insurance;
 - conducting restructuring processes aimed at reducing administrative costs (launching the collective dismissal process).

The net profit in Q3 2010 was almost twice as high (+94.3%) as in Q2 2010. The net profit in Q3 2010 was 21.0% lower compared to Q3 2009 and the accumulated numbers for three quarters of 2010 were 41.4% lower compared to the three quarters of 2009.

After three quarters of 2010, ROE was 20.5%, marking a 2.3 % point increase vs. the three quarters of the previous year.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**1. Consolidated interim balance sheet**

PLN thous.

| Assets | Note | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|-------------|------------------------------|---------------------|-----------------------------|------------------------------|
| Intangible assets | | 93,868 | 88,866 | 85,069 | 74,520 |
| Goodwill | | 19,952 | 21,960 | 19,631 | 19,652 |
| Property, plant and equipment | | 1,016,441 | 1,026,571 | 1,043,811 | 1,045,608 |
| Investment property | | 379,347 | 379,378 | 346,552 | 285,565 |
| Entities carried by the equity method | | - | - | - | - |
| Financial assets | 8.1 | | | | |
| Financial instruments held to maturity | 8.1.1 | 21,101,281 | 22,231,720 | 23,327,568 | 24,237,297 |
| Financial instruments available for sale | 8.1.2 | 8,965,433 | 8,518,770 | 10,027,845 | 14,890,791 |
| Financial instruments carried at fair value through profit or loss | 8.1.3 | 10,910,250 | 9,974,724 | 10,213,631 | 11,429,010 |
| Loans | 8.1.4 | 2,729,006 | 1,457,745 | 4,668,549 | 5,218,478 |
| Receivables, including receivables under insurance contracts | 8.2 | 1,860,386 | 1,397,558 | 1,383,978 | 2,054,889 |
| Reinsurers' share in the technical reserves | 8.3 | 886,490 | 1,116,283 | 748,313 | 825,924 |
| Estimated salvage and subrogation | | 69,784 | 72,922 | 82,330 | 43,534 |
| Deferred income tax assets | | 18,921 | 20,481 | 24,913 | 28,003 |
| Current income tax receivables | | 31 | 63 | 87,599 | - |
| Deferred acquisition cost | | 505,669 | 514,010 | 481,139 | 535,820 |
| Prepayments and accruals | 8.5 | 234,669 | 241,174 | 252,944 | 206,322 |
| Other assets | | 10,056 | 13,683 | 15,781 | 11,561 |
| Cash and cash equivalents | | 370,134 | 398,398 | 366,556 | 340,174 |
| Assets related to continuing operations | | 49,171,718 | 47,474,306 | 53,176,209 | 61,247,148 |
| Non-current assets earmarked to be sold and assets comprising groups to be sold | | - | - | - | - |
| Total Assets | | 49,171,718 | 47,474,306 | 53,176,209 | 61,247,148 |

Consolidated interim balance sheet (cont.)

PLN thous.

| Liabilities and equity | Note | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|--|------|----------------------|-------------------|---------------------|----------------------|
| Capital | | | | | |
| Issued share capital and other capital attributable to parent's shareholders | | | | | |
| Share capital | | 86,352 | 86,352 | 86,352 | 86,352 |
| Other capital | | 6,606,995 | 6,458,122 | 5,802,568 | 17,740,556 |
| Reserve capital | | 6,296,396 | 6,296,393 | 5,485,014 | 17,484,378 |
| Revaluation reserve | | 350,369 | 181,688 | 340,970 | 278,778 |
| FX gains from converting subordinated units | | (39,770) | (19,959) | (23,416) | (22,600) |
| Retained earnings | | 5,498,509 | 4,794,179 | 5,377,826 | 5,566,298 |
| Profit (loss) brought forward | | 3,624,340 | 3,624,340 | 2,365,282 | 2,365,451 |
| Net profit (loss) | | 1,874,169 | 1,169,839 | 3,762,945 | 3,200,847 |
| Charges to net profit during the financial year | | - | - | (750,401) | - |
| Minority interest | | 123 | 128 | 133 | 156 |
| Capital, total | | 12,191,979 | 11,338,781 | 11,266,879 | 23,393,362 |
| Liabilities | | | | | |
| Technical reserves | 8.6 | | | | |
| Unearned premium reserve and unexpired risk reserve | | 4,067,776 | 4,145,284 | 3,846,600 | 4,179,981 |
| Life insurance reserve | | 14,596,209 | 14,545,165 | 14,582,590 | 14,599,283 |
| Unpaid claims reserve | | 5,025,483 | 5,118,083 | 4,456,464 | 4,343,360 |
| Reserve for capitalized annuities | | 4,935,888 | 4,869,974 | 4,874,653 | 4,728,552 |
| Reserve for bonuses and rebates for the insureds | | 6,177 | 4,523 | 5,071 | 1,935 |
| Other technical reserves | | 621,156 | 641,804 | 698,918 | 638,928 |
| Technical reserves for life insurance where the policyholder bears the investment risk | | 2,218,704 | 2,097,786 | 2,017,501 | 1,933,536 |
| Investment contracts | 8.7 | | | | |
| - containing discretionary participation features | | | | | |
| - with guaranteed and set conditions | | 1,533,020 | 446,568 | 2,632,054 | 3,234,149 |
| - for the client's account and risk | | 1,165,144 | 1,099,292 | 1,094,475 | 983,615 |
| Reserves for employee benefits | | 272,380 | 269,652 | 260,946 | 275,805 |
| Other reserves | 8.8 | 235,218 | 280,665 | 314,595 | 222,238 |
| Deferred income tax reserve | | 470,954 | 402,437 | 444,053 | 527,993 |

Consolidated interim balance sheet (cont.)

PLN thous.

| Liabilities and equity | Note | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|-------------|------------------------------|---------------------|-----------------------------|------------------------------|
| Current income tax liabilities | | 87,687 | 48,101 | 3,056 | 27,647 |
| Derivative instruments | | 19,433 | 13,886 | 3,533 | 1,986 |
| Other liabilities | 8.9 | 1,200,520 | 1,647,689 | 5,974,052 | 1,592,391 |
| Accruals and deferred income | 8.10 | | | | |
| Prepayments and accruals | | 389,450 | 359,540 | 464,126 | 392,771 |
| Deferred income | | 134,540 | 145,076 | 236,643 | 169,616 |
| Liabilities related to continuing operations | | 36,979,739 | 36,135,525 | 41,909,330 | 37,853,786 |
| Liabilities related directly to non-current assets classified as earmarked to be sold | | - | - | - | - |
| Total Liabilities | | 36,979,739 | 36,135,525 | 41,909,330 | 37,853,786 |
| Total Liabilities and Equity | | 49,171,718 | 47,474,306 | 53,176,209 | 61,247,148 |

2. Consolidated Interim Profit And Loss Account

PLN thous.

| Consolidated profit and loss account | Note | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|--|-------------|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| Gross written premium | 8.11 | 3,552,801 | 10,946,506 | 3,574,851 | 11,061,694 |
| Reinsurers' share in gross written insurance premium | | (29,085) | (144,814) | (30,428) | (133,307) |
| Net written premium | | 3,523,716 | 10,801,692 | 3,544,423 | 10,928,387 |
| Change in the balance of the net unearned premium reserve | | 54,499 | (220,559) | 113,723 | (40,903) |
| Net earned premium | | 3,578,215 | 10,581,133 | 3,658,146 | 10,887,484 |
| Fee and commission income | 8.12 | 79,658 | 209,748 | 83,678 | 242,788 |
| Net investment income | 8.13 | 395,878 | 1,393,247 | 568,751 | 1,836,878 |
| Net realization result and investment impairment charges | 8.14 | 34,009 | 194,763 | 117,142 | 25,164 |
| Net change in the fair value of assets and liabilities carried at fair value | 8.15 | 495,288 | 602,207 | 389,386 | 716,813 |
| Other operating income | 8.16 | 1,883 | 81,132 | 35,582 | 124,503 |
| Claims and movements in technical reserves | | (2,783,416) | (8,276,148) | (2,749,695) | (6,829,877) |
| Claims and movements in insurance liabilities ceded to re-insurers | | 21,295 | 424,615 | (3,422) | 61,082 |
| Net insurance claims | 8.17 | (2,762,121) | (7,851,533) | (2,753,117) | (6,768,795) |
| Claims and changes in valuation of investment contracts | 8.18 | (60,941) | (118,198) | (84,003) | (229,378) |
| Acquisition costs | 8.19 | (463,021) | (1,340,585) | (436,243) | (1,301,208) |
| Administrative costs | 8.19 | (377,370) | (1,199,005) | (424,166) | (1,272,605) |
| Other operating expenses | 8.20 | (43,528) | (174,864) | (75,153) | (310,493) |
| Operating profit (loss) | | 877,950 | 2,378,045 | 1,080,003 | 3,951,151 |
| Financial expenses | 8.21 | - | (58,654) | - | - |
| Share of the net profit (loss) of units carried by the equity method | | - | - | - | - |
| Gross profit (loss) | | 877,950 | 2,319,391 | 1,080,003 | 3,951,151 |

Consolidated Interim Profit And Loss Account (cont.)

PLN thous.

| Consolidated profit and loss account | Note | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|--|-------------|---|--|---|--|
| Income tax | | | | | |
| - current part | | (131,963) | (421,181) | (95,404) | (486,600) |
| - deferred part | | (41,657) | (24,046) | (92,599) | (263,718) |
| Net profit (loss), including | | 704,330 | 1,874,164 | 892,000 | 3,200,833 |
| - profit (loss) attributed to holders of parent's equity | | 704,330 | 1,874,169 | 891,998 | 3,200,847 |
| - minority profit (loss) | | - | (5) | 2 | (14) |
| Net profit (loss) on continuing operations | | 704,330 | 1,874,164 | 892,000 | 3,200,833 |
| Net profit (loss) on discontinued operations | | - | - | - | - |
| Main and diluted weighted average number of common shares | | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 |
| Main and diluted profit (loss) on continuing operations per common share (PLN) | | 8.15 | 21.70 | 10.33 | 37.07 |
| Main and diluted profit (loss) on discontinued operations per common share (PLN) | | - | - | - | - |
| Main and diluted profit (loss) per common share (PLN) | | 8.15 | 21.70 | 10.33 | 37.07 |

3. Consolidated Interim Statement of Comprehensive Income

PLN thous.

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|--|---|--|---|--|
| Net profit (loss) | 704,330 | 1,874,164 | 892,000 | 3,200,833 |
| Other comprehensive income: | 148,865 | (6,960) | 145,387 | 140,145 |
| Financial assets available for sale | 168,681 | (1,059) | 154,829 | 139,464 |
| FX gains from converting subordinated units | (19,816) | (16,359) | (9,442) | 681 |
| Reclassification of real property from property, plant and equipment to investment property | - | 10,458 | - | - |
| Total net comprehensive income | 853,195 | 1,867,204 | 1,037,387 | 3,340,978 |
| - comprehensive income attributed to holders of parent's equity | 853,200 | 1,867,214 | 1,037,395 | 3,340,990 |
| - comprehensive income attributed to the equity component of agreements with a discretionary participation feature | - | - | - | - |
| - comprehensive income attributed to minority share | (5) | (10) | (8) | (12) |

4. Interim Statement of Changes in Consolidated Equity

PLN thous.

| Statement of Changes in Consolidated Equity | Capital and reserves attributed to holders of the parent's equity | | | | | | | Total | Minority interest | Total Equity |
|---|---|------------------|---------------------|---------------------------|-------------------------------|-------------------|---|-------------------|-------------------|-------------------|
| | Other capital | | | | Retained earnings | | | | | |
| | Share capital | Reserve capital | Revaluation reserve | Conversion FX differences | Profit (loss) brought forward | Net profit (loss) | Charges to net profit during the financial year (negative figure) | | | |
| Balance as at 1 January 2010 | 86,352 | 5,485,014 | 340,970 | (23,416) | 5,377,826 | - | - | 11,266,746 | 133 | 11,266,879 |
| Change in the value of financial instruments available for sale | - | - | (1,059) | - | - | - | - | (1,059) | - | (1,059) |
| Conversion FX differences | - | - | - | (16,354) | - | - | - | (16,354) | (5) | (16,359) |
| Reclassification of real property from property, plant and equipment to investment property | - | - | 10,458 | - | - | - | - | 10,458 | - | 10,458 |
| Increases (decreases) recognized directly in capital, net (after income tax), total | - | - | 9,399 | (16,354) | - | - | - | (6,955) | (5) | (6,960) |
| Net profit (loss) of the financial year | - | - | - | - | - | 1,874,169 | - | 1,874,169 | (5) | 1,874,164 |
| Increases (decreases), total | - | - | 9,399 | (16,354) | - | 1,874,169 | - | 1,867,214 | (10) | 1,867,204 |
| Other changes, including: | - | 811,382 | - | - | (1,753,486) | - | - | (942,104) | - | (942,104) |
| Distribution of financial result | - | 811,116 | - | - | (1,753,220) | - | - | (942,104) | - | (942,104) |
| Other | - | 266 | - | - | (266) | - | - | - | - | - |
| Balance as at 30 September 2010 | 86,352 | 6,296,396 | 350,369 | (39,770) | 3,624,340 | 1,874,169 | - | 12,191,856 | 123 | 12,191,979 |

Interim Statement of Changes in Consolidated Equity (cont.)

PLN thous.

| Statement of Changes in Consolidated Equity | Capital and reserves attributed to holders of the parent's equity | | | | | | | | Minority interest | Total Equity |
|---|---|-----------------|---------------------|---------------------------|-------------------------------|-------------------|---|--------------|-------------------|--------------|
| | Other capital | | | | Retained earnings | | | | | |
| | Share capital | Reserve capital | Revaluation reserve | Conversion FX differences | Profit (loss) brought forward | Net profit (loss) | Charges to net profit during the financial year (negative figure) | Total | | |
| Balance as at 1 January 2009 | 86,352 | 14,478,547 | 139,314 | (23,279) | 5,371,288 | - | - | 20,052,222 | 168 | 20,052,390 |
| Change in the value of financial instruments available for sale | - | - | 184,693 | - | - | - | - | 184,693 | - | 184,693 |
| Conversion FX differences | - | - | - | (137) | - | - | - | (137) | (1) | (138) |
| Reclassification of real property from property, plant and equipment to investment property | - | - | 16,963 | - | - | - | - | 16,963 | - | 16,963 |
| Increases (decreases) recognized directly in capital, net (after income tax), total | - | - | 201,656 | (137) | - | - | - | 201,519 | (1) | 201,518 |
| Net profit (loss) of the financial year | - | - | - | - | - | 3,762,945 | - | 3,762,945 | (34) | 3,762,911 |
| Increases (decreases), total | - | - | 201,656 | (137) | - | 3,762,945 | - | 3,964,464 | (35) | 3,964,429 |
| Other changes, including: | - | (8,993,533) | - | - | (3,006,006) | - | (750,401) | (12,749,940) | - | (12,749,940) |
| Financial result transferred to reserve capital | - | 3,005,798 | - | - | (3,005,798) | - | - | - | - | - |
| Interim dividend | - | (11,999,516) | - | - | - | - | (750,401) | (12,749,917) | - | (12,749,917) |
| Other | - | 185 | - | - | (208) | - | - | (23) | - | (23) |
| Balance as at 31 December 2009 | 86,352 | 5,485,014 | 340,970 | (23,416) | 2,365,282 | 3,762,945 | (750,401) | 11,266,746 | 133 | 11,266,879 |

Interim Statement of Changes in Consolidated Equity (cont.)

PLN thous.

| Statement of Changes in Consolidated Equity | Capital and reserves attributed to holders of parent's equity | | | | | | Total | Minority interest | Total Equity |
|--|---|--------------------|------------------------|------------------------------|--|----------------------|-------------------|----------------------|-------------------|
| | Other capital | | | Retained earnings | | | | | |
| | Share capital | Reserve capital | Revaluation reserve | Conversion FX differences | Profit (loss) brought forward | Net profit (loss) | | | |
| Balance as at 1 January 2009 | 86,352 | 14,478,547 | 139,314 | (23,279) | 5,371,288 | - | 20,052,222 | 168 | 20,052,390 |
| Change in the value of financial instruments available for sale | - | - | 139,464 | - | - | - | 139,464 | - | 139,464 |
| Conversion FX differences | - | - | - | 679 | - | - | 679 | 2 | 681 |
| Increases (decreases) recognized directly in capital, net (after income tax), total | - | - | 139,464 | 679 | - | - | 140,143 | 2 | 140,145 |
| Net profit (loss) of the financial year | - | - | - | - | - | 3,200,847 | 3,200,847 | (14) | 3,200,833 |
| Increases (decreases), total | - | - | 139,464 | 679 | - | 3,200,847 | 3,340,990 | (12) | 3,340,978 |
| Other changes, including: | - | 3,005,831 | - | - | (3,005,759) | - | (6) | - | (6) |
| Distribution of financial result | - | 3,005,798 | - | - | (3,005,798) | - | - | - | - |
| Other | - | 33 | - | - | (39) | - | (6) | - | (6) |
| Balance as at 30 September 2009 | 86,352 | 17,484,378 | 278,778 | (22,600) | 2,365,451 | 3,200,847 | 23,393,206 | 156 | 23,393,362 |

5. Consolidated Interim Cash Flow Statement

PLN thous.

| Consolidated Cash Flow Statement | 1 January – 30 September 2010 | 1 January – 31 December 2009 | 1 January – 30 September 2009 |
|---|-------------------------------------|------------------------------------|-------------------------------------|
| Cash flow on operating activity | | | |
| Proceeds | 13,266,801 | 19,181,014 | 14,241,134 |
| - proceeds on gross insurance premiums | 10,756,660 | 14,526,646 | 10,919,179 |
| - proceeds on investment contracts | 1,786,865 | 3,576,627 | 2,542,860 |
| - proceeds on reinsurance commissions and profit-sharing | 6,633 | 11,781 | 7,850 |
| - payments received from reinsurers for their share of claims paid | 190,293 | 173,025 | 88,117 |
| - other operating proceeds | 526,350 | 892,935 | 683,128 |
| Expenditures | (13,893,334) | (20,721,570) | (15,525,378) |
| - insurance premiums paid for reinsurance | (127,594) | (143,575) | (120,397) |
| - commissions paid and profit-sharing on inward reinsurance | (2,261) | (24,413) | (22,242) |
| - gross claims paid | (6,948,757) | (8,871,634) | (6,710,730) |
| - claims paid on investment contracts | (2,824,568) | (5,991,022) | (4,414,811) |
| - acquisition expenditures | (1,044,745) | (1,322,888) | (958,893) |
| - administrative expenditures | (1,586,157) | (2,142,752) | (1,564,025) |
| - interest expenditures | (170) | (170) | (54) |
| - income tax expenditures | (83,322) | (617,902) | (238,641) |
| - other operating expenditures | (1,275,760) | (1,607,214) | (1,495,585) |
| Net cash flow on operating activity | (626,533) | (1,540,556) | (1,284,244) |
| Cash flow on investing activity | | | |
| Proceeds | 212,259,001 | 419,444,801 | 277,359,059 |
| - proceeds from investment property | 4,300 | 6,546 | 5,399 |
| - sale of intangible assets and components of property, plant and equipment | 6,720 | 2,712 | 1,562 |
| - sale of ownership interests and shares | 3,280,946 | 3,430,935 | 2,053,909 |
| - realization of debt securities | 22,010,943 | 34,672,090 | 20,931,563 |
| - liquidation of term deposits in credit institutions | 99,229,297 | 182,406,133 | 133,243,576 |
| - realization of other investments | 87,112,617 | 197,472,475 | 120,325,583 |
| - interest received | 565,436 | 1,393,811 | 742,809 |
| - dividends received | 48,742 | 60,030 | 54,657 |
| - other investment proceeds | - | 69 | 1 |
| Expenditures | (205,889,357) | (410,040,675) | (276,267,880) |
| - purchase of investment property | (359) | (283) | (283) |
| - expenditures for the maintenance of investment property | (7,008) | (8,431) | (6,755) |
| - purchase of intangible assets and components of property, plant and equipment | (111,599) | (155,781) | (93,709) |
| - purchase of ownership interests and shares | (3,502,914) | (3,625,911) | (2,221,695) |
| - reduction of cash due to deconsolidation of mutual funds | (201) | (43,784) | (43,784) |
| - purchase of debt instruments | (17,265,992) | (30,645,717) | (22,926,947) |
| - purchase of term deposits in credit institutions | (97,368,477) | (178,998,253) | (129,894,399) |
| - purchase of other investments | (87,607,928) | (196,505,813) | (121,052,759) |
| - other expenditures for investments | (24,879) | (56,702) | (27,549) |
| Net cash flow on investing activity | 6,369,644 | 9,404,126 | 1,091,179 |

Consolidated Interim Cash Flow Statement (cont.)

PLN thous.

| Consolidated Cash Flow Statement | 1 January – 30 September 2010 | 1 January – 31 December 2009 | 1 January – 30 September 2009 |
|---|--|---|--|
| Cash flow on financing activity | | | |
| Proceeds | 322 | 4,712,755 | 466 |
| - credits, loans and debt securities issues | 322 | 4,712,755 | 466 |
| Expenditures | (5,728,013) | (12,742,730) | (479) |
| - dividends paid to holders of parent's equity | (920,917) | (12,742,237) | (1) |
| - amortization of credits and loans and redemption of own debt securities | (4,807,096) | (493) | (478) |
| Net cash flow on financing activity | (5,727,691) | (8,029,975) | (13) |
| Total net cash flow | 15,420 | (166,405) | (193,078) |
| Cash and cash equivalents at the beginning of the period | 366,556 | 533,206 | 533,206 |
| Movements in cash due to foreign currency differences | (11,842) | (245) | 46 |
| Cash and cash equivalents at the end of the period, including: | 370,134 | 366,556 | 340,174 |
| - cash with limited ability to use | 47,774 | 29,666 | 46,659 |

SUPPLEMENTARY INFORMATION TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Information on PZU and the PZU Group

1.1. PZU

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

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

According to the European Business Activity Classification system, PZU's core business is non-life insurance (EKD 66.03).

1.2. PZU Group companies

In the period of 9 months ended 30 September 2010 and until the delivery date of this interim financial report, no material organizational changes were made in the PZU Group.

In Q2 2010, PZU's direct and indirect stake in net assets of the PZU Polonez Open-end Debt Mutual Fund decreased below 50%, as a result of which the fund is no longer consolidated starting from 1 April 2010.

| No. | Company name | Registered Offices | Date of obtaining control / material influence | % of share capital held directly or indirectly by PZU | | % of votes held directly or indirectly by PZU | | Line of business |
|----------------------------------|--|---------------------|--|---|------------------|---|------------------|---|
| | | | | 30 September 2010 | 31 December 2009 | 30 September 2010 | 31 December 2009 | |
| Consolidated subsidiaries | | | | | | | | |
| 1 | Powszechny Zakład Ubezpieczeń SA | Warsaw | n/a | n/a | n/a | n/a | n/a | Non-life insurance. |
| 2 | Powszechny Zakład Ubezpieczeń na Życie SA („PZU Życie”) | Warsaw | 18.12.1991 | 100,00% | 100,00% | 100,00% | 100,00% | Life insurance, |
| 3 | Powszechne Towarzystwo Emerytalne PZU SA, („PTE PZU”) | Warsaw | 08.12.1998 | 100,00% | 100,00% | 100,00% | 100,00% | Management of pension funds. |
| 4 | PZU Centrum Operacji SA („PZU CO”) | Warsaw | 30.11.2001 | 100,00% | 100,00% | 100,00% | 100,00% | Auxiliary activity associated with insurance and pension funds. |
| 5 | Tower Inwestycje Sp. z o.o. (formerly: PZU Tower Sp. z o.o.; „Tower Inwestycje”) | Warsaw | 27.08.1998 | 100,00% | 100,00% | 100,00% | 100,00% | Other financial services activity, excluding insurance and pension funds. |
| 6 | PrJSC IC PZU Ukraine („PZU Ukraine”) | Kiev (Ukraine) | 01.07.2005 | 100,00% | 100,00% | 100,00% | 100,00% | Property insurance. |
| 7 | UAB DK PZU Lietuva („PZU Lietuva”) | Vilnius (Lithuania) | 26.04.2002 | 99,76% | 99,76% | 99,76% | 99,76% | Property insurance. |
| 8 | Ogrodowa-Inwestycje Sp. z o.o. | Warsaw | 15.09.2004 | 100,00% | 100,00% | 100,00% | 100,00% | Buying, operating, renting and selling real estate |

| No. | Company name | Registered Offices | Date of obtaining control / material influence | % of share capital held directly or indirectly by PZU | | % of votes held directly or indirectly by PZU | | Line of business |
|--------------------------------------|--|---------------------|--|---|------------------|---|------------------|--|
| | | | | 30 September 2010 | 31 December 2009 | 30 September 2010 | 31 December 2009 | |
| Non-consolidated subsidiaries | | | | | | | | |
| 9 | PZU Pomoc SA | Warsaw | 18.03.2009 | 100,00% | 100,00% | 100,00% | 100,00% | Provision of assistance services. |
| 10 | Ipsilon Sp. z o.o. | Warsaw | 02.04.2009 | 100,00% | 100,00% | 100,00% | 100,00% | Provision of assistance services and medical services |
| 11 | Syta Development Sp. z o.o. in liquidation | Warsaw | 29.04.1996 | 100,00% | 100,00% | 100,00% | 100,00% | Buying and selling real estate, intermediacy in buying and selling, administration of real estate |
| 12 | Towarzystwo Funduszy Inwestycyjnych PZU SA („TFI PZU”) | Warsaw | 30.04.1999 | 100,00% | 100,00% | 100,00% | 100,00% | Establishing, representing and managing investment funds |
| 13 | Sigma Investments Sp. z o.o. | Warsaw | 28.12.1999 | 100,00% | 100,00% | 100,00% | 100,00% | Investment activity. Buying and selling the shares of public companies, bonds and other publicly-traded securities |
| 14 | PZU Asset Management SA („PZU AM”) | Warsaw | 12.07.2001 | 100,00% | 100,00% | 100,00% | 100,00% | Provision of managed account services |
| 15 | PZU Inter-company Employee Pension Fund Company SA („MPTE PZU SA”) | Warsaw | 13.08.2004 | 100,00% | 100,00% | 100,00% | 100,00% | Managing an employee pension fund |
| 16 | PrJSC IC PZU Ukraine Life Insurance | Kiev (Ukraine) | 01.07.2005 | 100,00% | 100,00% | 100,00% | 100,00% | Life insurance, |
| 17 | LLC SOS Services Ukraine | Kiev (Ukraine) | 01.07.2005 | 100,00% | 100,00% | 100,00% | 100,00% | Assistance services. |
| 18 | Company with Additional Liability Inter-Risk Ukraine | Kiev (Ukraine) | 01.07.2005 | 100,00% | 100,00% | 100,00% | 100,00% | Legal services. |
| 19 | UAB PZU Lietuva Gyvybes Draudimas | Vilnius (Lithuania) | 26.04.2002 | 99,34% | 99,34% | 99,34% | 99,34% | Life insurance, |
| 20 | Armatura Kraków SA | Cracow | 07.10.1999 | 64,63% | 64,63% | 64,63% | 64,63% | Manufacturing bathroom and kitchen fixtures |
| 21 | Armatoora SA | Nisko | 10.12.2008 | 64,63% | 64,63% | 64,63% | 64,63% | Manufacturing heaters and aluminum casts |
| 22 | Armatoora SA i wspólnik sp. k. | Cracow | 10.02.2009 | 64,63% | 64,63% | 64,63% | 64,63% | Utilization of available funds, growth investments |
| 23 | Armagor Sp. z o.o. | Gorzów Śląski | 06.09.2009 | 64,26% | 63,20% | 64,26% | 63,20% | Manufacture of valves, tooling services |
| 24 | ICH Center S.A. | Warsaw | 31.01.1996 | 90,00% | 90,00% | 90,00% | 90,00% | Claims handling under Greed Card |

| No. | Company name | Registered Offices | Date of obtaining control / material influence | % of share capital held directly or indirectly by PZU | | % of votes held directly or indirectly by PZU | | Line of business |
|-----------------------------|---|--------------------|--|---|------------------|---|------------------|---------------------------------|
| | | | | 30 September 2010 | 31 December 2009 | 30 September 2010 | 31 December 2009 | |
| Associated companies | | | | | | | | |
| 25 | Kolej Gondolowa Jaworzyna Krynicka SA | Krynica | 17.08.1998 | 37,53% | 37,53% | 36,71% | 36,71% | Operating ski and tourist lifts |
| 26 | Nadwiślańska Agencja Ubezpieczeniowa S.A. | Tychy | 08.06.1999 | 30,00% | 30,00% | 30,00% | 30,00% | Insurance service |

2. Compliance with International Financial Reporting Standards

These consolidated interim financial statements of the PZU Group were drawn up according to the International Financial Reporting Standards approved by the European Commission ("Commission") as at 30 September 2010, including in compliance with the requirements of IAS 34 "Interim Financial Reporting" and in compliance with the requirements set forth in the Regulation on current and periodic information.

These consolidated interim financial statements cover the period of 9 months from 1 January to 30 September 2010.

2.1. Implementation of new IFRS

2.1.1. Standards and interpretations and amendments coming into effect on 1 January 2010

In these consolidated interim financial statements, the following standards, interpretations and changes to the standards were applied, which in the case of PZU Group's consolidated statements came into force in the periods starting on 1 January 2010.

| Name of the standard/interpretation | Effective date for the periods starting on | Commission Regulation containing the standard or interpretation |
|---|--|---|
| Amendment to IFRS 2 - Group Cash-settled Share-based payment transactions | 1 January 2010 | 244/2010 |
| Improvements to IFRS resulting from the annual review conducted in 2009 | 1 July 2009 / 1 January 2010 | 243/2010 |
| IFRIC 18 – Transfers of Assets from Customers | 1 July 2009 | 1164/2009 |
| IFRIC 17 – Distributions of Non-cash Assets to Owners | 1 July 2009 | 1142/2009 |
| Amendment to IFRS 1 – First-time Adoption of IFRS | 1 July 2009 | 1136/2009 |
| Amendments to IAS 39 – Financial Instruments: Recognition and Measurement | 1 July 2009 | 839/2009 |
| Amendment to IFRS 3 – Business Combinations | 1 July 2009 | 495/2009 |
| Amendment to IFRS 27 – Consolidated and Separate Financial Statements | 1 July 2009 | 494/2009 |

The above standards and interpretations do not affect the accounting principles with respect to PZU Group's comprehensive income or equity presented in these consolidated interim financial statements.

2.1.2. **Standards and interpretations and amendments to standards issued but not yet effective**

The following standards and interpretations and amendments to standards have already been issued but are not yet effective:

- approved by the Commission regulation:

| Name of the standard/interpretation | Effective date for the periods starting on | Commission Regulation containing the standard or interpretation |
|--|--|---|
| Amendment to IAS 32 – Classification of Rights Issue | 1 February 2010 | 1293/2009 |
| Amendment to IFRS 1 – First-time Adoption of IFRS: Exemptions for First-time Adopters | 1 January 2010 | 550/2010 |
| Amendment to IFRS 1 – First-time Adoption of IFRS: limited exemption from comparative IFRS 7 disclosures | 1 July 2010 | 574/2010 |
| Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement | 1 January 2011 | 633/2010 |
| Amended IAS 24 – Related Party Disclosures | 1 January 2011 | 632/2010 |
| IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 | 662/2010 |

The PZU Group did not use the opportunity of earlier application of the above amendments to standards.

- not approved by the Commission:

| Name of the standard/interpretation | Effective date for the periods starting on (according to the International Accounting Standards Board) |
|--|--|
| IFRS 9 – Financial Instruments | 1 January 2013 |
| Improvements to IFRS (published by the International Accounting Standards Board in May 2010) | Different dates, no earlier than 1 July 2010 |
| Amendments to IFRS 7 – Financial Instruments: Disclosures | 1 July 2011 |

It is expected that the application of the above standards and interpretations and amendment to standards will not materially affect PZU Group's comprehensive income and equity, with the exception of IFRS 9, in the case of which, due to the remote effective date, anticipated further amendments to accounting principles for financial instruments, related to, among others, the work currently conducted on the gradual substitution of the current IAS 39 with new regulations, the effect of application of IFRS 9 on PZU Group's comprehensive income and equity was not estimated.

3. **Key accounting principles (policies)**

Detailed accounting principles (policies) have been presented in the annual consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group for 2009, signed by the PZU Management Board on 7 March 2010, on which the chartered auditor issued an unqualified opinion on the same date ("Consolidated financial statements of the PZU Group for 2009").

Those financial statements constitute part of the PZU Issue Prospectus published on 16 April 2010 and available on the PZU website at www.pzu.pl in the "Investor Relations / Financial Information" tab.

4. Changes to accounting principles (policies) and comparability of financial data

In the period of 9 months ended 30 September 2010, there were no changes to accounting principles (policies) or presentation of financial data in the consolidated financial statements compared to the annual consolidated financial statements for 2009, with a reservation that these consolidated interim financial statements are condensed statements within the meaning of IAS 34.

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

The key assumptions made for accounting estimation purposes and subjective judgments made in the process of selecting and applying accounting rules (policies) were presented in the consolidated financial statements of the PZU Group for 2009.

No changes were made to these assumptions and judgments in the period of 9 months ended 30 September 2010.

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

6.1. Functional and presentation currency

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

6.2. Ongoing concern

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

6.3. Discontinued operations

In the period of 9 months ended 30 September 2010, PZU Group entities did not discontinue any type of activity.

6.4. Seasonality and business cycles

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

6.5. FX rates

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

| Currency | 1 January – 30 September 2010 | 30 September 2010 | 1 January – 31 December 2009 | 31 December 2009 | 1 January – 30 September 2009 | 30 September 2009 |
|----------|-------------------------------------|----------------------|------------------------------------|---------------------|-------------------------------------|----------------------|
| LTL | 1.1592 | 1.1547 | 1.2571 | 1.1898 | 1.2741 | 1.2229 |
| UAH | 0.3854 | 0.3689 | 0.3897 | 0.3558 | 0.4025 | 0.3538 |
| EUR | 4.0027 | 3.9870 | 4.3406 | 4.1082 | 4.3993 | 4.2226 |

These FX rates are:

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

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

7.1. Repayment of liabilities related to the funding of the interim dividend for 2009

On 22 April 2010, which was the maturity date, PZU repaid liabilities related to the funding of the interim dividend for 2009. This matter was described in more detail in item 8.9.

7.2. Key dividends paid between PZU Group companies

7.2.1. Dividend from PZU Life to PZU

On 15 April 2010, PZU Life paid a dividend to PZU in the total amount of PLN 3,120,000 thousand (of which PLN 2,743,099 thousand from the net profit for 2009 and PLN 376,901 thousand from reserve capital established from profits brought forward).

This operation does not affect PZU Group's financial result, but it does affect presentation of results of the individual segments.

7.2.2. Dividend from PTE PZU to PZU Life

On 13 April 2010, PTE PZU paid a dividend to PZU Life in the amount of PLN 116.882 thousand (the entire 2009 net profit).

This operation does not affect PZU Group's financial result, but it does affect presentation of results of the individual segments.

8. Supplementary notes to the condensed consolidated interim financial statements**8.1. Financial assets****8.1.1. Financial instruments held to maturity**

| Financial instruments held to maturity | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|--|-------------------|-------------------|-------------------|-------------------|
| Instruments, for which fair value can be determined | 21,101,281 | 22,231,720 | 23,327,568 | 24,237,297 |
| Debt securities | 21,101,281 | 22,231,720 | 23,327,568 | 24,237,297 |
| Sovereign Debt | 20,491,240 | 21,629,627 | 22,724,017 | 23,763,530 |
| Fixed Income | 20,491,240 | 21,629,627 | 22,407,507 | 23,453,023 |
| Variable interest rate | - | - | 316,510 | 310,507 |
| Others | 610,041 | 602,093 | 603,551 | 473,767 |
| Listed on a regulated market | 437,042 | 429,012 | 428,328 | 420,429 |
| Fixed Income | 437,042 | 429,012 | 428,328 | 420,429 |
| Not listed on a regulated market | 172,999 | 173,081 | 175,223 | 53,338 |
| Fixed Income | 53,342 | 52,001 | 79,998 | 53,338 |
| Variable interest rate | 119,657 | 121,080 | 95,225 | - |
| Financial assets held to maturity, total | 21,101,281 | 22,231,720 | 23,327,568 | 24,237,297 |

8.1.2. Financial instruments available for sale

| Financial instruments available for sale | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|-------------------|------------------|-------------------|-------------------|
| Instruments, for which fair value can be determined | 8,842,614 | 8,401,793 | 9,926,704 | 14,797,622 |
| Capital instruments | 1,254,962 | 1,094,387 | 1,324,807 | 1,343,281 |
| Listed on a regulated market* | 820,551 | 670,942 | 909,525 | 932,456 |
| Not listed on a regulated market | 434,411 | 423,445 | 415,282 | 410,825 |
| Debt instruments | 7,587,652 | 7,307,406 | 8,601,897 | 13,454,341 |
| Sovereign Debt | 7,501,041 | 7,220,571 | 8,537,465 | 13,387,869 |
| Fixed Income | 7,501,041 | 7,220,571 | 8,208,297 | 13,063,067 |
| Variable interest rate | - | - | 329,168 | 324,802 |
| Others | 86,611 | 86,835 | 64,432 | 66,472 |
| Listed on a regulated market | 39,465 | 38,804 | 15,067 | 15,337 |
| Fixed Income | 24,202 | 23,771 | - | - |
| Variable interest rate | 15,263 | 15,033 | 15,067 | 15,337 |
| Not listed on a regulated market | 47,146 | 48,031 | 49,365 | 51,135 |
| Variable interest rate | 47,146 | 48,031 | 49,365 | 51,135 |
| Instruments, for which fair value cannot be determined | 122,819 | 116,977 | 101,141 | 93,169 |
| Capital instruments | 122,819 | 116,977 | 101,141 | 93,169 |
| Not listed on a regulated market** | 122,819 | 116,977 | 101,141 | 93,169 |
| Financial instruments available for sale, total | 8,965,433 | 8,518,770 | 10,027,845 | 14,890,791 |

* this item includes shares in an unconsolidated subsidiary, the value of which as at 30 September 2010 was: balance sheet value of PLN 42,952 thousand, fair value of PLN 144,760 thousand (as at 30 June 2010: balance sheet value of PLN 42,952 thousand, fair value of PLN 121,495 thousand, as at 31 December 2009: balance sheet value of PLN 42,952 thousand, fair value of PLN 142,175 thousand, as at 30 September 2009: balance sheet value of PLN 42,829 thousand, fair value of PLN 144,648 thousand).

** this item includes shares and ownership interests in unconsolidated subordinated entities, the balance sheet value of which as at 30 September 2010 was PLN 119.579 thousand (PLN 113.735 thousand as at 30 June 2010, PLN 98.001 thousand as at 31 December 2009 and PLN 90.050 thousand as at 30 September 2009).

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

| Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|-------------------|------------------|------------------|-------------------|
| Instruments, for which fair value can be determined | 5,235,408 | 4,934,376 | 5,498,886 | 6,913,485 |
| Capital instruments | 449,878 | 421,211 | 340,009 | 390,850 |
| Listed on a regulated market | 22,889 | 21,256 | 6,887 | 9,698 |
| Not listed on a regulated market | 426,989 | 399,955 | 333,122 | 381,152 |
| Debt instruments | 4,785,530 | 4,513,165 | 5,158,877 | 6,522,635 |
| Sovereign Debt | 4,698,794 | 4,426,060 | 5,094,085 | 6,453,433 |
| Fixed Income | 4,698,794 | 4,426,060 | 4,852,891 | 6,162,819 |
| Variable interest rate | - | - | 241,194 | 290,614 |
| Others | 86,736 | 87,105 | 64,792 | 69,202 |
| Listed on a regulated market | 39,590 | 39,074 | 15,427 | 18,068 |
| Fixed Income | 24,327 | 24,041 | 288 | 2,733 |
| Variable interest rate | 15,263 | 15,033 | 15,139 | 15,335 |
| Not listed on a regulated market | 47,146 | 48,031 | 49,365 | 51,134 |
| Variable interest rate | 47,146 | 48,031 | 49,365 | 51,134 |
| Financial instruments carried at fair value through profit or loss - classified in that category upon first recognition, total | 5,235,408 | 4,934,376 | 5,498,886 | 6,913,485 |

| Financial instruments carried at fair | 30 September | 30 June 2010 | 31 December | 30 September |
|---------------------------------------|--------------|--------------|-------------|--------------|
|---------------------------------------|--------------|--------------|-------------|--------------|

| value through profit or loss – held for trading | 2010 | 2009 | 2009 | |
|---|------------------|------------------|------------------|------------------|
| Instruments, for which fair value can be determined | 5,674,842 | 5,040,348 | 4,714,745 | 4,515,525 |
| Capital instruments | 3,708,157 | 3,294,769 | 3,001,885 | 2,677,014 |
| Listed on a regulated market | 2,220,218 | 1,892,134 | 1,795,234 | 1,678,017 |
| Not listed on a regulated market | 1,487,939 | 1,402,635 | 1,206,651 | 998,997 |
| Debt instruments | 1,878,241 | 1,702,017 | 1,699,137 | 1,828,928 |
| Sovereign Debt | 1,849,284 | 1,672,747 | 1,649,374 | 1,787,194 |
| Fixed Income | 1,844,278 | 1,667,683 | 1,641,849 | 1,769,131 |
| Variable interest rate | 5,006 | 5,064 | 7,525 | 18,063 |
| Others | 28,957 | 29,270 | 49,763 | 41,734 |
| Listed on a regulated market | 5,384 | 5,254 | 7,683 | 687 |
| Fixed Income | 5,384 | 5,254 | 7,683 | 687 |
| Not listed on a regulated market | 23,573 | 24,016 | 42,080 | 41,047 |
| Fixed Income | - | - | 2,952 | 2,940 |
| Variable interest rate | 23,573 | 24,016 | 39,128 | 38,107 |
| Other, including: | 88,444 | 43,562 | 13,723 | 9,583 |
| - derivatives | 88,444 | 43,562 | 13,723 | 9,583 |
| Financial instruments carried at fair value through profit or loss – held for trading, total | 5,674,842 | 5,040,348 | 4,714,745 | 4,515,525 |

8.1.4. Loans

| Loans | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|--|-------------------|------------------|------------------|-------------------|
| Debt securities | - | - | - | - |
| Other, including: | 2,729,006 | 1,457,745 | 4,668,549 | 5,218,478 |
| - reverse repo transactions | 174,585 | 272,002 | 345,789 | 803,077 |
| - term deposits in credit institutions | 2,532,290 | 1,163,493 | 4,297,184 | 4,409,881 |
| - deposits with ceding companies | 1,958 | 2,092 | 1,542 | 2,928 |
| - loans | 20,173 | 20,158 | 24,034 | 2,592 |
| Loans, total | 2,729,006 | 1,457,745 | 4,668,549 | 5,218,478 |

8.2. Receivables, including receivables under insurance contracts

| Receivables, including receivables under insurance contracts – carrying value | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|-------------------|------------------|------------------|-------------------|
| Receivables on direct insurance, including: | 1,208,686 | 1,136,829 | 1,073,599 | 1,288,293 |
| - receivables from policyholders | 1,110,446 | 1,057,166 | 1,011,631 | 1,222,037 |
| - receivables from insurance intermediaries | 48,394 | 45,439 | 51,616 | 38,029 |
| - other receivables | 49,846 | 34,224 | 10,352 | 28,227 |
| Reinsurance receivables | 170,833 | 51,169 | 26,334 | 96,080 |
| Other receivables | 480,867 | 209,560 | 284,045 | 670,516 |
| Receivables, including receivables under insurance contracts (net) | 1,860,386 | 1,397,558 | 1,383,978 | 2,054,889 |

8.2.1. Other receivables

| Other receivables | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|------------------------------|---------------------|-----------------------------|------------------------------|
| Amounts due from Metro Projekt Sp. z o.o. | 91,620 | 91,482 | 89,831 | 88,059 |
| Prevention settlements | 30,111 | 25,059 | 24,593 | 17,330 |
| Receivables for acting as an emergency adjuster | 12,154 | 8,969 | 41,568 | 37,841 |
| Receivables on selling securities | 304,081 | 50,435 | 93,537 | 499,675 |
| Others | 42,901 | 33,615 | 34,516 | 27,611 |
| Other receivables, total | 480,867 | 209,560 | 284,045 | 670,516 |

8.3. Reinsurers' share in the technical reserves

| Reinsurers' share in technical reserves – non-life insurance | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|------------------------------|---------------------|-----------------------------|------------------------------|
| Unearned premium reserve | 77,200 | 93,897 | 75,096 | 76,385 |
| Unexpired risk reserve | - | 13 | - | - |
| Claim reserve, including: | 335,038 | 550,107 | 191,210 | 233,831 |
| - for reported claims | 301,264 | 378,462 | 156,106 | 172,575 |
| - for claims not reported (IBNR) | 18,324 | 156,510 | 19,056 | 42,339 |
| - for claims handling costs | 15,450 | 15,135 | 16,048 | 18,917 |
| Reserve for capitalized annuities | 474,252 | 472,266 | 482,007 | 515,708 |
| Reinsurers' share in the technical reserves (net) | 886,490 | 1,116,283 | 748,313 | 825,924 |

8.4. Impairment of financial assets and receivables

| Movements in impairment charges for financial asset in the period 1 January – 30 September 2010 | Impairment charges at the beginning of the period | Creation of charges, recognized in the profit and loss account | Release of charges, recognized in the profit and loss account | Removal of charges from accounting ledgers (not recognized in the profit and loss account) | FX gains and losses | Other changes in impairment charges | Impairment charges at the end of the period |
|--|---|--|---|--|---------------------|-------------------------------------|---|
| Financial assets available for sale | 303,779 | 17,534 | - | (23,485) | 61 | - | 297,889 |
| Capital instruments | 303,779 | 17,534 | - | (23,485) | 61 | - | 297,889 |
| Loans | 19,124 | - | - | (423) | (4) | - | 18,697 |
| Loans | 19,124 | - | - | (423) | (4) | - | 18,697 |
| Receivables, including receivables under insurance | 432,507 | 76,665 | (27,862) | (146) | 172 | 708 | 482,044 |
| Receivables on direct insurance | 347,079 | 57,461 | (4,320) | - | 166 | 1,008 | 401,394 |
| Reinsurance receivables | 17,824 | 18,548 | (21,390) | (146) | (7) | - | 14,829 |
| Other receivables | 67,604 | 656 | (2,152) | - | 13 | (300) | 65,821 |
| Reinsurers' share in the technical reserves | 30,370 | - | - | - | - | - | 30,370 |
| Total | 785,780 | 94,199 | (27,862) | (24,054) | 229 | 708 | 829,000 |

| Movements in impairment charges for financial asset in the year ended 31 December 2009 | Impairment charges at the beginning of the period | Creation of charges, recognized in the profit and loss account | Release of charges, recognized in the profit and loss account | Removal of charges from accounting ledgers (not recognized in the profit and loss account) | FX gains and losses | Other changes in impairment charges | Impairment charges at the end of the period |
|--|---|--|---|--|---------------------|-------------------------------------|---|
| Financial assets available for sale | 263,724 | 75,267 | (294) | (34,836) | (82) | - | 303,779 |
| Capital instruments | 263,724 | 75,267 | (294) | (34,836) | (82) | - | 303,779 |
| Loans | 51,911 | - | (1) | (32,783) | (3) | - | 19,124 |
| Loans | 51,911 | - | (1) | (32,783) | (3) | - | 19,124 |
| Receivables, including receivables under insurance contracts | 421,494 | 77,908 | (60,710) | (6,541) | (380) | 736 | 432,507 |
| Receivables on direct insurance | 319,217 | 51,026 | (21,567) | (1,168) | (262) | (167) | 347,079 |
| Reinsurance receivables | 20,365 | 21,463 | (21,399) | (2,618) | (7) | 20 | 17,824 |
| Other receivables | 81,912 | 5,419 | (17,744) | (2,755) | (111) | 883 | 67,604 |
| Reinsurers' share in the technical reserves | 20,303 | 14,882 | (4,815) | - | - | - | 30,370 |
| Total | 757,432 | 168,057 | (65,820) | (74,160) | (465) | 736 | 785,780 |

| Movements in impairment charges for financial asset in the period 1 January – 30 September 2009 | Impairment charges at the beginning of the period | Creation of charges, recognized in the profit and loss account | Release of charges, recognized in the profit and loss account | Removal of charges from accounting ledgers (not recognized in the profit and loss account) | FX gains and losses | Other changes in impairment charges | Impairment charges at the end of the period |
|---|---|--|---|--|---------------------|-------------------------------------|---|
| Financial assets available for sale | 263,724 | 75,257 | (294) | (26,742) | (86) | - | 311,859 |
| Capital instruments | 263,724 | 75,257 | (294) | (26,742) | (86) | - | 311,859 |
| Loans | 51,911 | - | (1) | (31,682) | 1 | - | 20,229 |
| Loans | 51,911 | - | (1) | (31,682) | 1 | - | 20,229 |
| Receivables, including receivables under insurance contracts | 421,494 | 79,101 | (45,564) | (929) | (166) | (17) | 453,919 |
| Receivables on direct insurance | 319,217 | 58,956 | (7,808) | (929) | (168) | (59) | 369,209 |
| Reinsurance receivables | 20,365 | 19,506 | (21,021) | - | 2 | - | 18,852 |
| Other receivables | 81,912 | 639 | (16,735) | - | - | 42 | 65,858 |
| Reinsurers' share in the technical reserves | 20,303 | 8,728 | (4,803) | - | - | - | 24,228 |
| Total | 757,432 | 163,086 | (50,662) | (59,353) | (251) | (17) | 810,235 |

8.5. Prepayments and accruals

| Prepayments and accruals | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|-------------------|----------------|------------------|-------------------|
| IT costs | 2,825 | 2,692 | 3,338 | 5,912 |
| Capitalized acquisition costs in favor of PZU OPF | 47,380 | 46,484 | 38,154 | 30,528 |
| Prepayments and accruals on reinsurance | 136,017 | 137,736 | 164,228 | 116,308 |
| Settlements of the NFZ fee | - | - | - | 6,423 |
| Commissions on overpaid premiums | 32,234 | 41,742 | 37,140 | 24,733 |
| Others | 16,213 | 12,520 | 10,084 | 22,418 |
| Accruals, total | 234,669 | 241,174 | 252,944 | 206,322 |

8.6. Technical reserves**8.6.1. Technical reserves in non-life insurance**

| Technical reserves in non-life insurance | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|--|-------------------|-------------------|-------------------|-------------------|
| Unearned premium reserve | 3,920,502 | 3,998,758 | 3,704,128 | 4,031,984 |
| Unexpired risk reserve | 50,306 | 43,709 | 37,167 | 46,341 |
| Unpaid claims reserve | 4,392,675 | 4,474,629 | 3,837,211 | 3,748,794 |
| Reserve for capitalized annuities | 4,935,888 | 4,869,974 | 4,874,653 | 4,728,552 |
| Reserve for bonuses and rebates for the insureds | 4,636 | 2,914 | 4,180 | - |
| Technical reserves, total | 13,304,007 | 13,389,984 | 12,457,339 | 12,555,671 |

8.6.2. Technical reserves in life insurance

| Technical reserves in life insurance | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|-------------------|-------------------|-------------------|-------------------|
| Unearned premium reserve | 96,968 | 102,817 | 105,305 | 101,656 |
| Life insurance reserve | 14,596,209 | 14,545,165 | 14,582,590 | 14,599,283 |
| Unpaid claims reserve | 632,808 | 643,454 | 619,253 | 594,566 |
| Reserve for bonuses and rebates for the insureds | 1,541 | 1,609 | 891 | 1,935 |
| Other technical reserves | 621,156 | 641,804 | 698,918 | 638,928 |
| technical reserves for life insurance if the policyholder bears the investment risk | 2,218,704 | 2,097,786 | 2,017,501 | 1,933,536 |
| Technical reserves, total | 18,167,386 | 18,032,635 | 18,024,458 | 17,869,904 |

8.7. Investment contracts

| Investment contracts - carrying amount | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|-------------------|--------------|------------------|-------------------|
| Investment contracts with guaranteed and set conditions | 1,533,020 | 446,568 | 2,632,054 | 3,234,149 |
| - carried at amortized cost | 1,533,020 | 446,568 | 2,631,567 | 3,231,980 |
| - carried at fair value | - | - | 487 | 2,169 |

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Investment contracts for client's account and risk (unit-linked) | 1,165,144 | 1,099,292 | 1,094,475 | 983,615 |
| Investment contracts - carrying amount, total | 2,698,164 | 1,545,860 | 3,726,529 | 4,217,764 |

8.8. Other reserves

| Other reserves | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|--|-------------------|----------------|------------------|-------------------|
| Reserves established for the potential liabilities on account of CLSiOR-related investments | 916 | 916 | 916 | 1,282 |
| Reserve for disputed claims and potential liabilities under outstanding insurance agreements | 20,960 | 20,925 | 24,936 | 138,044 |
| Provision for restructuring costs | 89,578 | 132,956 | 158,763 | - |
| Reserve for UOKiK (Office for Competition and Consumer Protection) | 65,176 | 65,176 | 65,176 | 50,384 |
| Reserve for Graphtalk project closing expenses | 44,616 | 45,811 | 48,632 | 17,549 |
| Reserve for PTE's refund of undue commission to ZUS | 10,379 | 11,533 | 12,858 | 13,021 |
| Others | 3,593 | 3,348 | 3,314 | 1,958 |
| Other reserves, total | 235,218 | 280,665 | 314,595 | 222,238 |

The item entitled „Reserve for UOKiK” includes the amount ensuing primarily from the issue discussed in clause 22.2.

The item entitled „Reserve for Graphtalk project closing expenses” includes the amount ensuing from the issue discussed in clause 0.

The restructuring process was described in clause 0

8.9. Other liabilities

| Liabilities – carrying amount | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|--------------------------------------|-------------------|------------------|------------------|-------------------|
| Liabilities for reinsurers' deposits | - | - | - | - |
| Liabilities on direct insurance | 410,444 | 404,771 | 371,199 | 376,826 |
| Reinsurance liabilities | 43,769 | 70,624 | 26,959 | 36,784 |
| Liabilities to credit institutions | 94 | 2 | 4,780,108 | 1,686 |
| Other liabilities | 746,213 | 1,172,292 | 795,786 | 1,177,095 |
| Total Liabilities | 1,200,520 | 1,647,689 | 5,974,052 | 1,592,391 |

The decline in liabilities to credit institutions results mainly from the repayment, on 22 April 2010, of liabilities on account of a securities sell-buy-back transaction in the amount of PLN 4.806.821 thousand concluded to fund the distribution of interim dividend for 2009 by PZU, as described in clause 0.

Key details of that transaction are presented below:

| Granting entity | Currency | Indebtedness as at 31 December 2009 | Outstanding amount at maturity | Maturity | Fair value of collateral as at 31 December 2009 | Collateral |
|-----------------------------|----------|-------------------------------------|--------------------------------|---------------|---|----------------|
| Bank Gospodarstwa Krajowego | PLN | 3,593,295 | 3,637,452 | 22 April 2010 | 4,070,034 | Treasury bonds |
| Bank Gospodarstwa Krajowego | PLN | 174,247 | 176,388 | 22 April 2010 | 194,567 | Treasury bills |

| | | | | | | |
|------------------------------|-----|------------------|------------------|---------------|------------------|----------------|
| Bank Handlowy w Warszawie SA | PLN | 980,625 | 992,981 | 22 April 2010 | 1,067,010 | Treasury bonds |
| Total | | 4,748,167 | 4,806,821 | | 5,331,611 | |

| Other liabilities | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|--|--------------------------|---------------------|-------------------------|--------------------------|
| Liabilities to the state budget, other than income tax liabilities | 43,207 | 15,829 | 23,288 | 17,140 |
| Public law settlements: ZUS, PFRON, ZFŚS and other | 33,279 | 35,972 | 45,200 | 30,402 |
| On account of purchased securities | 508,508 | 13,771 | 436,533 | 897,348 |
| Liabilities of mutual funds | - | - | 40,719 | 35,477 |
| On account of acting as an emergency adjuster | 48,473 | 20,411 | 30,941 | 29,306 |
| Estimated non-insurance liabilities | 47,473 | 58,351 | 145,321 | 71,944 |
| Amounts payable to shareholders | 4,345 | 947,130 | 8,581 | 910 |
| Others | 60,928 | 80,828 | 65,203 | 94,568 |
| Other liabilities, total | 746,213 | 1,172,292 | 795,786 | 1,177,095 |

8.10. Accruals and deferred income

| Prepayments and accruals and deferred income | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|--------------------------|---------------------|-------------------------|--------------------------|
| Cost accruals, including: | 389,450 | 359,540 | 464,126 | 392,771 |
| - accrued agency commission costs | 159,046 | 167,682 | 174,814 | 178,767 |
| - accrued employee salary costs | 62,558 | 42,966 | 94,916 | 60,460 |
| - accrued costs and income on reinsurance | 59,591 | 36,971 | 74,847 | 55,793 |
| - remuneration of intermediaries in work establishments | 20,014 | 19,937 | 19,523 | 19,481 |
| - employee leave reserve | 38,055 | 54,467 | 38,633 | 29,235 |
| - accrued bonuses for employees | 44,109 | 30,932 | 50,966 | 44,162 |
| - other | 6,077 | 6,585 | 10,427 | 4,873 |
| Deferred income, including: | 134,540 | 145,076 | 236,643 | 169,616 |
| - pre-paid premiums | 129,250 | 140,379 | 232,414 | 164,466 |
| - other | 5,290 | 4,697 | 4,229 | 5,150 |
| Accruals and deferred income, total | 523,990 | 504,616 | 700,769 | 562,387 |

8.11. Gross written premium

| Gross written premium | 1 July – 30 September 2010 | 1 January – 30 September 2010 | 1 July – 30 September 2009 | 1 January – 30 September 2009 |
|---|---|--|---|--|
| Gross written premium in non-life insurance | 1,935,034 | 6,100,725 | 1,998,345 | 6,357,688 |
| In direct insurance | 1,923,350 | 6,076,350 | 1,972,584 | 6,308,836 |
| In indirect insurance | 11,684 | 24,375 | 25,761 | 48,852 |
| Gross written premium in life insurance | 1,617,767 | 4,845,781 | 1,576,506 | 4,704,006 |
| Individual premiums | 568,160 | 1,722,908 | 568,960 | 1,697,667 |
| On direct insurance | 568,160 | 1,722,908 | 568,960 | 1,697,667 |
| on indirect insurance | - | - | - | - |
| Group insurance premiums | 1,049,607 | 3,122,873 | 1,007,546 | 3,006,339 |
| On direct insurance | 1,049,607 | 3,122,873 | 1,007,546 | 3,006,339 |
| on indirect insurance | - | - | - | - |
| Gross written premium, total | 3,552,801 | 10,946,506 | 3,574,851 | 11,061,694 |

| Gross written premium in direct non-life insurance (by groups prescribed by section II of the attachment to the Insurance Activity Act) | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|--|---|--|---|--|
| Results of accidents and sickness (groups 1 and 2) | 209,746 | 413,303 | 207,644 | 412,293 |
| Motor – third party liability (group 10) | 645,936 | 2,012,298 | 630,836 | 2,096,120 |
| Other motor (group 3) | 568,459 | 1,680,667 | 534,337 | 1,711,106 |
| Maritime & Air & Transport (groups 4, 5, 6, 7) | 8,082 | 37,494 | 7,945 | 39,135 |
| Fire and other property damages (groups 8 and 9) | 319,517 | 1,287,395 | 286,623 | 1,289,390 |
| Third party liability (groups 11, 12, 13) | 99,392 | 412,719 | 81,285 | 386,947 |
| Credit and guarantee (groups 14, 15) | 16,046 | 50,708 | 17,351 | 50,356 |
| Assistance (group 18) | 51,214 | 135,472 | 43,263 | 115,404 |
| Legal protection (group 17) | 110 | 569 | 52 | 612 |
| Other (group 16) | 4,848 | 45,725 | 163,248 | 207,473 |
| Gross written premium in direct non-life insurance (by groups prescribed by section II of the attachment to the Insurance Activity Act) | 1,923,350 | 6,076,350 | 1,972,584 | 6,308,836 |

8.12. Fee and commission income

| Fee and commission income | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|---|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| Pension insurance | 67,434 | 183,381 | 73,195 | 220,207 |
| Commissions on distribution fees | 31,308 | 80,773 | 41,655 | 138,077 |
| Commissions on managing assets of an open-end pension fund | 36,117 | 102,577 | 31,533 | 82,112 |
| Commission on transfer payments | 9 | 31 | 7 | 18 |
| Investment contracts | 4,178 | 11,301 | (1,054) | 6,675 |
| Income from fees relating to investment contracts for the client's account and risk | 4,178 | 11,301 | (1,054) | 6,675 |
| Others | 8,046 | 15,066 | 11,537 | 15,906 |
| Income and fees from funds and mutual fund companies | 8,046 | 15,066 | 11,537 | 15,906 |
| Fee and commission income, total | 79,658 | 209,748 | 83,678 | 242,788 |

8.13. Net investment income

| Net investment income | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|--|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| Interest income, including: | 396,098 | 1,344,169 | 524,601 | 1,749,463 |
| - financial assets available for sale | 74,969 | 290,096 | 176,774 | 501,427 |
| - financial assets held to maturity | 302,121 | 966,429 | 368,739 | 1,109,449 |
| - loans | 18,919 | 86,912 | (20,919) | 137,591 |
| - cash and cash equivalents | 89 | 732 | 7 | 996 |
| Dividend income, including: | 15,156 | 61,623 | 33,827 | 70,450 |
| - financial assets classified as instruments carried at fair value through profit or loss at the moment of first recognition | 102 | 168 | - | - |
| - financial assets held for trading | 14,066 | 40,285 | 27,269 | 39,772 |
| - financial assets available for sale | 988 | 21,170 | 6,558 | 30,678 |
| Income on investment property | 7,978 | 20,297 | 6,017 | 17,602 |
| FX differences, including: | (14,791) | (12,953) | 11,542 | 17,552 |
| - financial assets held to maturity | (5,530) | (5,194) | - | - |
| - loans | (80) | (2,714) | 19,398 | 25,192 |
| - receivables, including receivables under insurance contracts | (9,181) | (5,045) | (7,856) | (7,640) |
| Other, including: | (8,563) | (19,889) | (7,236) | (18,189) |
| - investment activity expenses | (4,321) | (9,546) | (3,498) | (10,840) |
| - investment property maintenance expenses | (4,242) | (10,343) | (3,738) | (7,349) |
| Net investment income, total | 395,878 | 1,393,247 | 568,751 | 1,836,878 |

8.14. Net realization result and investment impairment charges

| Net realization result and investment impairment charges | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|--|---|--|---|--|
| Net result on investment realization | 47,675 | 261,100 | 109,375 | 133,663 |
| Financial assets carried at fair value through profit or loss - classified in that category upon first recognition, including: | 798 | 24,495 | 20,096 | 26,095 |
| - capital instruments | - | (72) | 295 | 447 |
| - debt securities | 798 | 24,567 | 19,801 | 25,648 |
| Financial assets held for trading, including: | 11,091 | 50,834 | 51,621 | 73,176 |
| - capital instruments | 35,403 | 95,863 | 88,299 | 75,911 |
| - debt securities | 228 | 6,094 | (3,142) | 5,606 |
| - other | (24,540) | (51,123) | (33,536) | (8,341) |
| Financial assets available for sale, including: | 29,600 | 183,609 | 40,653 | 44,105 |
| - capital instruments | 1,479 | 75,773 | 17,202 | 31,607 |
| - debt securities | 28,121 | 107,836 | 23,451 | 12,498 |
| Financial assets held to maturity, including: | 21,938 | 27,741 | 4,875 | 15,922 |
| - debt securities held to maturity | 21,938 | 27,741 | 4,875 | 15,922 |
| Loans | 1,262 | 16,772 | 4,615 | 11,904 |
| Receivables, including receivables under insurance contracts | (17,014) | (42,351) | (12,485) | (37,539) |
| Impairment charges | (13,666) | (66,337) | 7,767 | (108,499) |
| Financial assets available for sale, including: | (143) | (17,534) | 132 | (74,963) |
| - capital instruments | (143) | (17,534) | 132 | (74,963) |
| Loans | - | - | - | 1 |
| Receivables, including receivables under insurance contracts | (13,523) | (48,803) | 7,635 | (33,537) |
| Net realization result and investment impairment charges, total | 34,009 | 194,763 | 117,142 | 25,164 |

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

| Net change in the fair value of assets and liabilities carried at fair value | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|---|---|--|---|--|
| Financial instruments carried at fair value through profit or loss – classified in that category upon first recognition, including: | 114,681 | 220,795 | 116,031 | 229,259 |
| - capital instruments | 27,867 | 34,567 | 33,049 | 45,001 |
| - debt securities | 86,839 | 186,266 | 82,982 | 184,258 |
| - derivatives | (25) | (38) | - | - |
| Financial instruments held for trading, including: | 375,774 | 381,177 | 273,283 | 487,249 |
| - capital instruments | 279,249 | 215,355 | 248,580 | 417,917 |
| - debt securities | 57,765 | 107,879 | 32,606 | 68,237 |
| - derivatives | 40,283 | 66,377 | (8,334) | 2,088 |
| - Financial liabilities | (1,523) | (8,434) | 431 | (993) |
| Investment property | 4,833 | 235 | 72 | 305 |
| Net change in the fair value of assets and liabilities carried at fair value | 495,288 | 602,207 | 389,386 | 716,813 |

8.16. Other operating income

| Other operating income | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|--|---|--|---|--|
| Provisions dissolved | 1,199 | 11,123 | 727 | 2,261 |
| Release of impairment charges for non-financial assets | 941 | 11,954 | 915 | 14,398 |
| Reinsurance commissions and profit-sharing | (17,863) | 2,619 | 7,528 | 46,777 |
| Others | 17,606 | 55,436 | 26,412 | 61,067 |
| Other operating income, total | 1,883 | 81,132 | 35,582 | 124,503 |

8.17. Net insurance claims

| Net insurance claims | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|---|---|--|---|--|
| Claims and change in the balance of technical reserves in non-life insurance | 1,530,733 | 4,858,837 | 1,597,995 | 4,219,011 |
| Reinsurers' share in claims and change in the balance of technical reserves in non-life insurance | (21,281) | (424,601) | 3,422 | (61,082) |
| Claims and change in the balance of technical reserves in life insurance | 1,252,683 | 3,417,311 | 1,151,700 | 2,610,866 |
| Reinsurers' share in claims and change in the balance of technical reserves in life insurance | (14) | (14) | - | - |
| Claims, total | 2,762,121 | 7,851,533 | 2,753,117 | 6,768,795 |

8.18. Claims and changes in valuation of investment contracts

| Claims and changes in valuation of investment contracts | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|--|---|--|---|--|
| Under investment contracts with guaranteed and set conditions | 11,871 | 44,377 | 32,175 | 134,639 |
| - interest expenses calculated using the effective interest rate | 11,609 | 44,115 | 36,101 | 134,274 |
| - embedded options | 262 | 262 | (3,926) | 365 |
| Under investment contracts for client's account and risk (unit-linked) | 49,070 | 73,821 | 51,828 | 94,739 |
| Claims and changes in valuation of investment contracts, total | 60,941 | 118,198 | 84,003 | 229,378 |

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

| Claims handling, acquisition and administrative costs, by type | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|---|---|--|---|--|
| Consumption of materials and energy | 23,859 | 71,124 | 18,421 | 69,198 |
| Third party services | 155,718 | 447,267 | 168,803 | 447,840 |
| Taxes and fees | 17,739 | 60,203 | 5,483 | 66,046 |
| Employee expenses | 381,618 | 1,159,685 | 362,843 | 1,158,701 |
| Depreciation of property, plant and equipment | 26,969 | 84,986 | 33,381 | 98,127 |
| Depreciation of intangible assets | 12,267 | 37,038 | 11,834 | 35,547 |
| Other (by type), including: | 392,105 | 1,153,649 | 417,168 | 1,177,141 |
| - commission on direct activity | 293,034 | 878,351 | 358,350 | 903,299 |
| - advertising | 15,177 | 41,598 | 15,526 | 52,001 |
| - change in the balance of capitalized acquisition expenses | 7,811 | (24,784) | (64,550) | (90,823) |
| - commission on indirect activity | (451) | 123 | 332 | 12,550 |
| - remuneration of group insurance administrators in work establishments | 52,307 | 158,994 | 51,790 | 158,337 |
| - other | 24,227 | 99,367 | 55,720 | 141,777 |
| Claims handling, acquisition and administrative costs, total | 1,010,275 | 3,013,952 | 1,017,933 | 3,052,600 |

8.20. Other operating expenses

| Other operating expenses | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|---|---|--|---|--|
| Insurance Guarantee Fund | 6,206 | 15,602 | 4,265 | 14,286 |
| National Fire Brigade Headquarters and Association of Voluntary Fire Brigades | 1,882 | 28,320 | 1,909 | 28,315 |
| Obligatory fees to insurance market institutions | 10,899 | 40,628 | 6,170 | 40,189 |
| Expenditures for prevention activity | 5,913 | 19,265 | 15,589 | 41,966 |
| Fee payable to NFZ | - | - | 20,760 | 112,958 |
| Others | 18,628 | 71,049 | 26,460 | 72,779 |
| Other operating expenses, total | 43,528 | 174,864 | 75,153 | 310,493 |

8.21. Financial expenses

Financial expenses are expenses related to the transaction described in clause 8.9, which was concluded to finance the interim 2009 dividend, incurred in favor of Bank Gospodarstwa Krajowego and Bank Handlowy w Warszawie SA in amounts of PLN 46.298 thousand and PLN 12.356 thousand, respectively.

9. Contingent assets and liabilities

| Contingent assets and liabilities | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|-----------------------------------|-------------------|--------------|------------------|-------------------|
| Contingent assets, including: | 3,728 | 3,901 | 3,699 | 3,699 |
| Guarantees and sureties received | 3,728 | 3,901 | 3,699 | 3,699 |
| Contingent liabilities | 106,796 | 86,441 | 1,000,074,157 | 1,000,076,325 |
| Guarantees and sureties given | 7,807 | 7,291 | 7,714 | 6,367 |
| Disputed insurance claims | 61,271 | 45,583 | 1,000,045,496 | 1,000,040,919 |
| Other disputed claims | 36,647 | 32,514 | 19,865 | 28,479 |
| Others | 1,071 | 1,053 | 1,082 | 560 |

Movements in disputed insurance claims result primarily from the resolution of a case against PZU Life for a claim in a case for compensation for unpaid claim under an accident rider in the amount of PLN 1 trillion, which pertained to one natural person.

The case was legally resolved by two court instances, which dismissed the claim in 2005. In 2008, the suit against PZU Life was resubmitted and the first instance court dismissed the suit with a ruling of 23 March 2009. The claimant appealed against the ruling and the appeal was rejected by the ruling of the Appellate Court in Cracow dated 9 July 2009. On 2 November 2009, a cassation complaint was filed in this case. With its decision of 9 March 2010, the Supreme Court refused to review the claimant's cassation complaint. The ruling is legally valid.

10. Commentary to the condensed consolidated interim financial statements

10.1. Summary

PZU Group's financial results in Q3 2010 were shaped principally by the following factors:

- Gross written premium increase vs the previous quarter. Gross written premium for the three quarters year-to-date was lower than in the previous years, mainly due to the lower sales of motor products.
- Year-to-date, net insurance claims were higher than in the previous year, due to floods and intensive snowfall in the previous quarters of 2010 and the increasing loss ratio in motor insurance. Compared to Q2 2010, claims figures increased due to higher reserves in unit-linked insurance and lower conversion in the life insurance segment.
- Lower administrative costs due to restructuring activities carried out and the resulting reduction in fixed costs, both year-to-date and vis-a-vis the previous quarter.
- Higher acquisition cost ratio in the property insurance segment resulting from changes in the sales area (increase in sales through distribution channels with higher acquisition costs and implementation of changes in the management of the sales network).
- In Q3 2010, an increase of the WIG index and lower yield of fixed-income treasury securities translated into an improvement of the investment activity result. Year-to-date investment income figures result mainly from the reduction of the investment portfolio after dividend payments.
- Increase in the operating result in all segments of the PZU Group (excluding inter-segment operations) vis-a-vis Q2 2010. The lower operating result year-to-date, compared to the three quarters of 2009 results mainly from:
 - reduction of the Group's net earned premium (despite the stabilization of gross written premium, the increase in reserve was higher than in 2009, which resulted from a significant drop in sales in the second half of 2009 and in the beginning of 2010, followed by a gradual improvement in successive months of 2010);

- higher claim payments (mainly due to catastrophic events);
- deterioration of performance in motor insurance for mass customers;
- lower release of mathematical reserves in group protection insurance due to a lower conversion of term policies into annual renewable policies (due to a decreasing portfolio of term policies).

10.2. Comments

In Q3 2010, gross written premium increased by 2.5% compared to the previous quarter; this growth resulted from an increase in sales in non-life insurance. Year-to-date, vis-a-vis the three quarters of 2009, premiums declined by PLN 115.2 million (-1.0%) which resulted from lower gross written premium numbers in the non-life insurance segment (mainly in the first months of 2010) which was partially compensated by increased sales in the life insurance segment. The drop in gross written premium at the beginning of the year (and in the second half of 2009) was also the main factor underlying the decline in net earned premium, year-to-date (the mechanism of deferring income over time).

In Q3 2010, the PZU Group recorded a significant improvement of investment income vis-a-vis Q2 (an increase of over 2 and half times, by PLN 571.5 million) due to a bull market at the Warsaw Stock Exchange and lower yields and consequently higher prices of fixed-income Treasury Securities. However, when accumulated figures for three quarters of 2010 are taken into account, investment income for that period was PLN 2,190.2 million, i.e. 15.1% less than in the three quarters of the previous year. This decrease was influenced mainly by a significant reduction in the investment base due to the dividend paid (interim dividend paid in November 2009 in the amount of PLN 12,750 million, and the remaining part of the dividend for 2009 paid on 9 September 2010 in the amount of PLN 942.1 million).

Net claims increased by PLN 131.8 million (5.0%) in Q3, due to the increase in unit-linked life insurance reserves, while claims in the non-life insurance segment decreased. During the three quarters of 2010, claims increased by PLN 1,082.7 million (16%) vis-a-vis the previous period. This resulted from lower conversion of term policies into annual renewable policies (lower release of the mathematical reserve) in the life insurance segment and higher losses caused by catastrophic events and the increasing loss ratio in motor insurance (non-life).

Acquisition costs in during the three quarters of 2010 grew by PLN 39.4 million (3.0%) compared to the same period in 2009. This increase resulted mainly from changes in the non-life sales area, as described in item 13.

In Q3 2010, administrative costs decreased vs. Q2 2010; the decline affected primarily the non-life insurance segment and resulted from purely seasonal factors and effects of the pending employment restructuring process. Administrative costs YTD decreased by PLN 73.6 million (-5.8%) compared to the three quarters of 2009: this resulted primarily from the restructuring activities conducted in PZU Group companies, which included among others the employment restructuring program in PZU and PZU Life in the second half of 2009 and the program commenced in the current year.

Movements in other operating income and expenses in the three quarters of 2010 amounted to PLN 92.3 million, improving from PLN -186.0 million in the three quarters of 2009 to PLN -93.7 million. The reasons for movements in this item are described in the section devoted to segment performance.

In quarterly terms, operating profit reached PLN 878.0 million in Q3 2010, increasing PLN 407.0 million (86.4%) over the numbers in Q2 2010 – this resulted primarily from the increasing investment income. Year-to-date, during the three quarters of 2010, operating profit was PLN 2,378.0 million, declining PLN 1,573.1 million (-39.8%) from the numbers in the same period of the previous year, mainly due to the increase in net claims paid in the current year and lower release of technical reserves in life insurance. The reduction of operating profit translated directly to the net profit being PLN 1.326,7 million (41.4%) lower.

As at 30 September 2010, consolidated equity according to IFRS was PLN 12,192.0 million, as compared to PLN 23,393.4 million as at 30 September 2009. The decline in equity resulted from the payment of the interim 2009 dividend of PLN 12,750 million in November 2009 (pursuant to the "Settlement and Divestment Agreement") and the payment of the remaining part of the 2009 dividend

in the amount PLN 942.1 million on 9 September 2010. The lower equity level resulted in an increased profitability: After three quarters of 2010, ROE was 20.5%, increasing from 18.2% after three quarters of 2009.

As at 30 September 2010, the value of financial assets was PLN 43,706.0 million, as compared to PLN 55,775.6 million as at 30 September 2009. The drop of PLN 12,069.6 million in financial assets was caused primarily by a reduction in the debt securities portfolio due to the dividend payments and repayment, in June 2010, of the loan drawn down for the payment of the interim dividend.

Other liabilities (other than technical reserves) were PLN 5,508.3 million and PLN 7,428.2 million, respectively, as at 30 September 2010 and as at 30 September 2009. The decrease of PLN 1,919.9 million resulted mainly from the reduction of liabilities under investment contracts with guaranteed and agreed terms (expiration of "polisolokaty" investment policies concluded for a definite term). In Q3 2010, that amount perceivably increased due to the higher sales of life and endowment products through the bancassurance channel.

11. Solvency

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

Detailed information on the method for calculating solvency have been presented in the consolidated financial statements of the PZU Group for 2009.

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

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

| Calculation of shareholder funds to cover the solvency margin | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|-------------------|-------------------|-------------------|-------------------|
| PZU equity | 11,035,562 | 10,489,877 | 10,411,542 | 22,358,819 |
| Intangible assets | (54,205) | (50,679) | (49,560) | (42,715) |
| Value of shares in insurance companies held by the PZU insurance capital group | (5,872,369) | (5,495,433) | (7,463,664) | (6,810,258) |
| Deferred income tax assets | (265,189) | (258,480) | (213,126) | (246,408) |
| Contribution of other insurance companies in the PZU insurance capital group to PZU's shareholder funds: | 4,252,038 | 3,544,807 | 5,576,452 | 5,112,856 |
| PZU Życie SA 100.00% | 4,143,865 | 3,564,785 | 5,584,807 | 5,099,706 |
| Shareholder funds | 5,756,882 | 5,124,487 | 7,223,775 | 6,751,431 |
| Solvency margin | 1,613,017 | 1,559,702 | 1,638,968 | 1,651,725 |
| Surplus of shareholder funds to cover the solvency margin | 4,143,865 | 3,564,785 | 5,584,807 | 5,099,706 |
| UAB DK PZU Lietuva 99.76% | 9,967 | 7,316 | 6,792 | 12,853 |
| Shareholder funds | 39,563 | 38,307 | 39,638 | 45,412 |
| Solvency margin | 29,572 | 30,974 | 32,830 | 32,528 |
| Surplus of shareholder funds to cover the solvency margin | 9,991 | 7,333 | 6,808 | 12,884 |
| PrJSC PZU Ukraine 100.00% | 89,537 | (17,863) | (11,654) | (1,781) |
| Shareholder funds | 104,773 | (2,120) | 1,697 | 11,570 |
| Solvency margin | 15,236 | 15,743 | 13,351 | 13,351 |
| Surplus of shareholder funds to cover the solvency margin | 89,537 | (17,863) | (11,654) | (1,781) |
| Other insurance companies | 8,669 | (9,431) | (3,493) | 2,078 |
| PZU shareholder funds | 9,095,837 | 8,230,092 | 8,261,644 | 20,372,294 |
| PZU solvency margin | 1,337,542 | 1,336,216 | 1,338,798 | 1,337,542 |
| PZU indemnity capital | 445,847 | 445,405 | 446,266 | 445,847 |
| Surplus of shareholder funds to cover the solvency margin | 7,758,295 | 6,893,876 | 6,922,846 | 19,034,752 |
| Surplus of shareholder funds to cover the indemnity capital | 8,649,990 | 7,784,687 | 7,815,378 | 19,926,447 |

12. Segment Reporting

IFRS 8 requires that operating segments be identified based on internal reports, which are regularly reviewed by the bodies responsible for the allocation of resources to individual segments and for evaluating their performance.

By using the criterion of products and services offered by the consolidated PZU Group companies, the following operating segments were identified:

- non-life insurance;
- life insurance;
- pension insurance.

Considering the unique nature of the individual segments, no segments were combined.

The accounting principles used for segment reporting purposes are the same as those described in clause 3.

Financial data of the pension insurance segment did not reach the limits defined in item 13 of IFRS 8, but due to their separate nature and the internal financial reporting system used in the PZU Group, they were presented separately.

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

- Poland;
- Lithuania;
- Ukraine.

All economic transactions concluded between both operating and geographic segments are concluded at arm's length.

| Profit and loss account by operating segments 1 July – 30 September 2010 | Non-life insurance | Life insurance | Pension insurance | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|--------------------|--------------------|-------------------|--|--------------------|
| Gross externally written insurance premium | 1,935,034 | 1,617,767 | - | - | 3,552,801 |
| Gross insurance premium written between segments | 83 | - | - | (83) | - |
| Reinsurers' share in gross written insurance premium | (28,189) | (896) | - | - | (29,085) |
| Net written premium, including: | 1,906,928 | 1,616,871 | - | (83) | 3,523,716 |
| Net externally written insurance premium | 1,906,845 | 1,616,871 | - | - | 3,523,716 |
| Net insurance premium written between segments | 83 | - | - | (83) | - |
| | - | - | - | - | - |
| Change in the balance of the net unearned premium reserve | 47,998 | 6,566 | - | (65) | 54,499 |
| Net earned premium | 1,954,926 | 1,623,437 | - | (148) | 3,578,215 |
| Fee and commission income | - | - | 67,434 | 12,224 | 79,658 |
| Net investment income (external operations) | 179,388 | 198,479 | 3,427 | 14,584 | 395,878 |
| Net investment income (operations between segments) | 22 | 105 | - | (127) | - |
| Net realization result and investment impairment charges | 3,187 | 10,852 | - | 19,970 | 34,009 |
| Net change in the fair value of assets and liabilities carried at fair value | 95,139 | 360,125 | - | 40,024 | 495,288 |
| Other operating income | 1,139 | 26,509 | 199 | (25,964) | 1,883 |
| Claims and movements in technical reserves | (1,529,091) | (1,254,027) | - | (298) | (2,783,416) |
| Claims and movements in insurance liabilities ceded to re-insurers | 21,281 | 14 | - | - | 21,295 |
| Net insurance claims | (1,507,810) | (1,254,013) | - | (298) | (2,762,121) |
| Claims and changes in valuation of investment contracts | - | - | - | (60,941) | (60,941) |
| Acquisition costs | (349,187) | (89,856) | (12,754) | (11,224) | (463,021) |
| Administrative costs | (223,158) | (133,085) | (20,922) | (205) | (377,370) |
| Other operating expenses | (24,793) | (35,831) | (72) | 17,168 | (43,528) |
| Operating profit (loss) | 128,853 | 706,722 | 37,312 | 5,063 | 877,950 |
| Financial expenses | - | - | - | - | - |
| Gross profit (loss) | 128,853 | 706,722 | 37,312 | 5,063 | 877,950 |
| Income tax | (30,254) | (135,967) | (8,580) | 1,181 | (173,620) |
| Net profit (loss) | 98,599 | 570,755 | 28,732 | 6,244 | 704,330 |

| Profit and loss account by operating segments 1 January – 30 September 2010 | Non-life insurance | Life insurance | Pension insurance | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|--------------------|--------------------|-------------------|--|--------------------|
| Gross externally written insurance premium | 6,100,725 | 4,845,781 | - | - | 10,946,506 |
| Gross insurance premium written between segments | 723 | - | - | (723) | - |
| Reinsurers' share in gross written insurance premium | (142,313) | (2,501) | - | - | (144,814) |
| Net written premium, including: | 5,959,135 | 4,843,280 | - | (723) | 10,801,692 |
| Net externally written insurance premium | 5,958,412 | 4,843,280 | - | - | 10,801,692 |
| Net insurance premium written between segments | 723 | - | - | (723) | - |
| Change in the balance of the net unearned premium reserve | (228,460) | 8,337 | - | (436) | (220,559) |
| Net earned premium | 5,730,675 | 4,851,617 | - | (1,159) | 10,581,133 |
| Fee and commission income | - | - | 183,381 | 26,367 | 209,748 |
| Net investment income (external operations) | 658,945 | 666,730 | 12,708 | 54,864 | 1,393,247 |
| Net investment income (operations between segments) | 3,120,735 | 116,291 | - | (3,237,026) | - |
| Net realization result and investment impairment charges | 44,919 | 83,298 | - | 66,546 | 194,763 |
| Net change in the fair value of assets and liabilities carried at fair value | 84,378 | 453,061 | - | 64,768 | 602,207 |
| Other operating income | 60,804 | 70,751 | 1,342 | (51,765) | 81,132 |
| Claims and movements in technical reserves | (4,856,443) | (3,418,703) | - | (1,002) | (8,276,148) |
| Claims and movements in insurance liabilities ceded to re-insurers | 424,601 | 14 | - | - | 424,615 |
| Net insurance claims | (4,431,842) | (3,418,689) | - | (1,002) | (7,851,533) |
| Claims and changes in valuation of investment contracts | - | - | - | (118,198) | (118,198) |
| Acquisition costs | (1,003,248) | (261,266) | (37,878) | (38,193) | (1,340,585) |
| Administrative costs | (697,398) | (437,479) | (61,626) | (2,502) | (1,199,005) |
| Other operating expenses | (123,197) | (84,872) | (169) | 33,374 | (174,864) |
| Operating profit (loss) | 3,444,771 | 2,039,442 | 97,758 | (3,203,926) | 2,378,045 |
| Financial expenses | (58,654) | - | - | - | (58,654) |
| Gross profit (loss) | 3,386,117 | 2,039,442 | 97,758 | (3,203,926) | 2,319,391 |
| Income tax | (63,644) | (362,573) | (18,788) | (222) | (445,227) |
| Net profit (loss) | 3,322,473 | 1,676,869 | 78,970 | (3,204,148) | 1,874,164 |

| Profit and loss account by operating segments 1 July – 30 September 2009 | Non-life insurance | Life insurance | Pension insurance | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|--------------------|--------------------|-------------------|--|--------------------|
| Gross externally written insurance premium | 1,998,345 | 1,576,506 | - | - | 3,574,851 |
| Gross insurance premium written between segments | 766 | - | - | (766) | - |
| Reinsurers' share in gross written insurance premium | (30,387) | (41) | - | - | (30,428) |
| Net written premium, including: | 1,968,724 | 1,576,465 | - | (766) | 3,544,423 |
| Net externally written insurance premium | 1,967,958 | 1,576,465 | - | - | 3,544,423 |
| Net insurance premium written between segments | 766 | - | - | (766) | - |
| | - | - | - | - | - |
| Change in the balance of the net unearned premium reserve | 110,206 | 3,248 | - | 269 | 113,723 |
| Net earned premium | 2,078,930 | 1,579,713 | - | (497) | 3,658,146 |
| Fee and commission income | - | - | 73,195 | 10,483 | 83,678 |
| Net investment income (external operations) | 298,421 | 227,308 | 3,879 | 39,143 | 568,751 |
| Net investment income (operations between segments) | 370 | 681 | - | (1,051) | - |
| Net realization result and investment impairment charges | 41,344 | 67,977 | - | 7,821 | 117,142 |
| Net change in the fair value of assets and liabilities carried at fair value | 52,435 | 294,706 | - | 42,245 | 389,386 |
| Other operating income | 21,762 | 18,713 | 675 | (5,568) | 35,582 |
| Claims and movements in technical reserves | (1,598,095) | (1,151,724) | - | 124 | (2,749,695) |
| Claims and movements in insurance liabilities ceded to re-insurers | (3,422) | - | - | - | (3,422) |
| Net insurance claims | (1,601,517) | (1,151,724) | - | 124 | (2,753,117) |
| Claims and changes in valuation of investment contracts | - | - | - | (84,003) | (84,003) |
| Acquisition costs | (335,418) | (82,221) | (13,032) | (5,572) | (436,243) |
| Administrative costs | (253,092) | (133,513) | (31,687) | (5,874) | (424,166) |
| Other operating expenses | (46,388) | (29,452) | (651) | 1,338 | (75,153) |
| Operating profit (loss) | 256,847 | 792,188 | 32,379 | (1,411) | 1,080,003 |
| Gross profit (loss) | 256,847 | 792,188 | 32,379 | (1,411) | 1,080,003 |
| Income tax | (52,018) | (148,256) | (6,429) | 18,700 | (188,003) |
| Net profit (loss) | 204,829 | 643,932 | 25,950 | 17,289 | 892,000 |

| Profit and loss account by operating segments 1 January – 30 September 2009 | Non-life insurance | Life insurance | Pension insurance | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|--------------------|--------------------|-------------------|--|--------------------|
| Gross externally written insurance premium | 6,357,688 | 4,704,006 | - | - | 11,061,694 |
| Gross insurance premium written between segments | 1,577 | - | - | (1,577) | - |
| Reinsurers' share in gross written insurance premium | (131,893) | (1,414) | - | - | (133,307) |
| Net written premium, including: | 6,227,372 | 4,702,592 | - | (1,577) | 10,928,387 |
| Net externally written insurance premium | 6,225,795 | 4,702,592 | - | - | 10,928,387 |
| Net insurance premium written between segments | 1,577 | - | - | (1,577) | - |
| Change in the balance of the net unearned premium reserve | (45,874) | 4,734 | - | 237 | (40,903) |
| Net earned premium | 6,181,498 | 4,707,326 | - | (1,340) | 10,887,484 |
| Fee and commission income | - | - | 220,207 | 22,581 | 242,788 |
| Net investment income (external operations) | 975,204 | 677,119 | 13,015 | 171,540 | 1,836,878 |
| Net investment income (operations between segments) | 1,420,230 | 107,661 | - | (1,527,891) | - |
| Net realization result and investment impairment charges | (59,620) | 75,294 | - | 9,490 | 25,164 |
| Net change in the fair value of assets and liabilities carried at fair value | 110,406 | 530,337 | - | 76,070 | 716,813 |
| Other operating income | 89,700 | 57,519 | 1,532 | (24,248) | 124,503 |
| Claims and movements in technical reserves | (4,218,930) | (2,610,930) | - | (17) | (6,829,877) |
| Claims and movements in insurance liabilities ceded to re-insurers | 61,082 | - | - | - | 61,082 |
| Net insurance claims | (4,157,848) | (2,610,930) | - | (17) | (6,768,795) |
| Claims and changes in valuation of investment contracts | - | - | - | (229,378) | (229,378) |
| Acquisition costs | (983,809) | (266,647) | (40,142) | (10,610) | (1,301,208) |
| Administrative costs | (730,778) | (437,021) | (89,032) | (15,774) | (1,272,605) |
| Other operating expenses | (230,383) | (87,921) | (785) | 8,596 | (310,493) |
| Operating profit (loss) | 2,614,600 | 2,752,737 | 104,795 | (1,520,981) | 3,951,151 |
| Gross profit (loss) | 2,614,600 | 2,752,737 | 104,795 | (1,520,981) | 3,951,151 |
| Income tax | (248,661) | (500,149) | (19,869) | 18,361 | (750,318) |
| Net profit (loss) | 2,365,939 | 2,252,588 | 84,926 | (1,502,620) | 3,200,833 |

| 1 January – 30 September 2010 and as at 30 September 2010 | Non-life insurance | Life insurance | Pension insurance | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|--------------------|-------------------|-------------------|--|--------------------|
| Segment assets, including: | 21,439,300 | 25,448,248 | 324,570 | 1,959,600 | 49,171,718 |
| Deferred income tax assets | 761 | - | 3,317 | 14,843 | 18,921 |
| Entities carried by the equity method | - | - | - | - | - |
| Liabilities | 15,204,277 | 19,165,520 | 41,502 | 2,568,440 | 36,979,739 |
| Capital expenditures during the period* | 69,725 | 63,118 | 317 | 11,328 | 144,488 |
| Depreciation in the period* | (65,191) | (46,878) | (402) | (15,524) | (127,995) |
| Asset impairment charges* | (826) | - | - | - | (826) |
| Reversals of asset impairment charges* | 725 | 7,929 | - | - | 8,654 |

* applies to intangible assets and property, plant and equipment

| 1 January – 30 June 2010 and as at 30 June 2010 | Non-life insurance | Life insurance | Pension insurance | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|--------------------|-------------------|-------------------|--|--------------------|
| Segment assets, including: | 21,834,520 | 24,617,339 | 289,843 | 732,604 | 47,474,306 |
| Deferred income tax assets | 886 | - | 3,437 | 16,158 | 20,481 |
| Entities carried by the equity method | - | - | - | - | - |
| Liabilities | 15,744,196 | 18,934,133 | 34,947 | 1,422,249 | 36,135,525 |
| Capital expenditures during the period* | 44,774 | 44,958 | 194 | 10,678 | 100,604 |
| Depreciation in the period* | (43,975) | (31,932) | (267) | (10,704) | (86,878) |
| Asset impairment charges* | (827) | - | - | - | (827) |
| Reversals of asset impairment charges* | 646 | 7,892 | - | - | 8,538 |

* applies to intangible assets and property, plant and equipment

| 1 January – 31 December 2009 and as at 31 December 2009 | Non-life insurance | Life insurance | Pension insurance | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|--------------------|-------------------|-------------------|--|--------------------|
| Segment assets, including: | 22,920,818 | 26,816,242 | 363,404 | 3,075,745 | 53,176,209 |
| Deferred income tax assets | 734 | - | 4,811 | 19,368 | 24,913 |
| Entities carried by the equity method | - | - | - | - | - |
| Liabilities | 19,031,239 | 19,070,259 | 40,972 | 3,766,860 | 41,909,330 |
| Capital expenditures during the period* | 115,913 | 50,070 | 72 | 9,535 | 175,590 |
| Depreciation in the period* | (94,607) | (60,415) | (721) | (20,011) | (175,754) |
| Asset impairment charges* | (8,631) | (5,507) | - | - | (14,138) |
| Reversals of asset impairment charges* | 118 | 12,748 | - | - | 12,866 |

* applies to intangible assets and property, plant and equipment

| 1 January – 30 September 2009 and as at 30 September 2009 | Non-life insurance | Life insurance | Pension insurance | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|--------------------|-------------------|-------------------|--|--------------------|
| Segment assets, including: | 31,014,333 | 26,396,682 | 327,265 | 3,508,868 | 61,247,148 |
| Deferred income tax assets | 458 | - | 4,199 | 23,346 | 28,003 |
| Entities carried by the equity method | - | - | - | - | - |
| Liabilities | 14,526,069 | 19,095,012 | 36,872 | 4,195,833 | 37,853,786 |
| Capital expenditures during the period* | 70,071 | 30,945 | 69 | 3,397 | 104,482 |
| Depreciation in the period* | (73,151) | (46,051) | (545) | (15,008) | (134,755) |
| Asset impairment charges* | - | - | - | - | - |
| Reversals of asset impairment charges* | - | 7,073 | - | - | 7,330 |

* applies to intangible assets and property, plant and equipment

| 1 January – 30 September 2010 and as at 30 September 2010 | Poland | Lithuania | Ukraine | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|-------------------|------------------|----------------|--|---------------------------|
| Gross externally written insurance premium | 10,757,445 | 111,057 | 78,004 | - | 10,946,506 |
| Gross insurance premium written between segments | 2,302 | - | - | (2,302) | - |
| Fee and commission income | 209,748 | - | - | - | 209,748 |
| Net investment income | 1,380,756 | 7,056 | 5,435 | - | 1,393,247 |
| Net realization result and investment impairment charges | 194,359 | 409 | (5) | - | 194,763 |
| Net change in the fair value of assets and liabilities carried at fair value | 600,392 | 1,815 | - | - | 602,207 |
| Other non-current assets other than financial instruments* | 1,151,523 | 9,292 | 7,215 | (57,721) | 1,110,309 |
| Deferred income tax assets | 20,655 | - | 761 | (2,495) | 18,921 |
| Assets | 49,206,390 | 235,825 | 190,989 | (461,486) | 49,171,718 |

* applies to intangible assets and property, plant and equipment

| 1 January – 31 December 2009 and as at 31 December 2009 | Poland | Lithuania | Ukraine | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|-------------------|------------------|----------------|--|---------------------------|
| Other non-current assets other than financial instruments* | 1,158,090 | 11,281 | 8,606 | (49,097) | 1,128,880 |
| Deferred income tax assets | 25,899 | - | 734 | (1,720) | 24,913 |
| Assets | 53,162,159 | 275,721 | 73,847 | (335,518) | 53,176,209 |

* applies to intangible assets and property, plant and equipment

| 1 January – 30 September 2009 and as at 30 September 2009 | Poland | Lithuania | Ukraine | Not allocated (consolidation adjustments and other) | Consolidated value |
|--|-------------------|------------------|----------------|--|---------------------------|
| Gross externally written insurance premium | 10,868,565 | 131,258 | 61,871 | - | 11,061,694 |
| Gross insurance premium written between segments | 9,350 | - | - | (9,350) | - |
| Fee and commission income | 242,788 | - | - | - | 242,788 |
| Net investment income | 1,822,269 | 9,018 | 5,591 | - | 1,836,878 |
| Net realization result and investment impairment charges | 24,496 | 668 | - | - | 25,164 |
| Net change in the fair value of assets and liabilities carried at fair value | 711,677 | 5,136 | - | - | 716,813 |
| Other non-current assets other than financial instruments* | 1,145,285 | 11,927 | 8,425 | (45,509) | 1,120,128 |
| Deferred income tax assets | 27,545 | - | 458 | - | 28,003 |
| Assets | 61,196,313 | 305,118 | 80,899 | (335,182) | 61,247,148 |

* applies to intangible assets and property, plant and equipment

13. Commentary to segment reporting

13.1. Non-life insurance

Gross written premiums in the non-life insurance segment in Q3 2010 increased by PLN 91.7 million (5.0%) compared to Q2, predominantly thanks to an increase in motor insurance sales to mass clients. On a year-to-date basis, a decrease was recorded of PLN 257.0 million (-4.0%) compared to the first three quarters of 2009, which was caused predominantly by a decrease in sales in the corporate client segment due to continued restructuring of the portfolio (a decrease by PLN 215.5 million on the entire corporate clients insurance portfolio, in particular in motor insurance). In the mass client segment, the premium increased by 131.8 million (in total for all mass client products; in 2009, the premium decreased by PLN 200.8 million). The remaining difference results from corrective action taken in August 2009 which resulted in a single posting of premium in the amount of PLN 145.0 million (in the 'other insurance' group) and a decrease in written premium from inward reinsurance by PLN 31.5 million.

In motor insurance for mass clients, after a decrease in sales in January and February, a significant acceleration in sales was recorded in Q3 2010 caused by a decrease in the termination ratio with a concurrent increase in the number of new clients (an increase by approx. 19%). In motor insurance for corporate clients, a further decrease in sales by PLN 7.8 million was recorded in Q3 2010 compared to the previous quarter (in Q2 2010, written premium decreased by PLN 49.7 million compared to Q1 2010).

In property insurance, the lower amount of premium in the period from January to September 2010 resulted from limited sales of such insurance during the flood. In Q3 2010, the situation improved noticeably and written premium increased in this insurance group.

In agricultural insurance, the lower sales resulted from erosion of a large market share in compulsory insurance and lower demand for voluntary insurance (in particular, for insurance against draught losses).

Changes in written premiums resulted in a decrease in net earned premiums – an increase in premium reserves in 2010 was greater than the year before, because the balance sheet amount as at the end of 2008 was high (good sales results in 2008), then decreased in 2009 due to a decrease in written premium and increased again in the most recent months of 2010 due to improved sales.

| Gross written premium by product group | 1 July – 30 September 2010 | 1 January – 30 September 2010 | 1 July – 30 September 2009 | 1 January – 30 September 2009 |
|---|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| TPL motor insurance, including: | 628,465 | 1,951,831 | 617,364 | 2,035,282 |
| - individual* | 535,824 | 1,641,796 | 522,603 | 1,690,431 |
| - corporate | 84,019 | 283,986 | 86,020 | 313,654 |
| - joint products | 8,622 | 26,048 | 8,741 | 31,198 |
| MOD insurance, including: | 552,595 | 1,639,690 | 519,504 | 1,665,676 |
| - individual* | 393,563 | 1,133,126 | 335,015 | 1,029,793 |
| - corporate | 154,056 | 494,621 | 180,563 | 625,790 |
| - joint products | 4,976 | 11,943 | 3,926 | 10,092 |
| Total motor insurance | 1,181,061 | 3,591,521 | 1,136,868 | 3,700,957 |
| Insurance against fire and other damage to property | 318,891 | 1,274,514 | 303,046 | 1,301,692 |
| Other TPL insurance (groups 11,12 and 13) | 96,822 | 404,332 | 79,235 | 377,733 |
| ADD and other insurance** | 274,214 | 644,322 | 425,455 | 795,104 |
| Total non-life insurance without motor insurance | 689,927 | 2,323,168 | 807,736 | 2,474,529 |
| Total PZU | 1,870,987 | 5,914,689 | 1,944,604 | 6,175,486 |
| Foreign companies | 64,047 | 186,036 | 53,741 | 182,202 |
| Total non-life segment | 1,935,034 | 6,100,725 | 1,998,345 | 6,357,688 |

* Including SMEs.

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

In Q3 2010, claims paid in the non-life insurance segment decreased by 3.4% compared to the previous quarter. This decrease resulted from the following factors: capturing flood losses in Q2, an increase in the loss ratio in motor insurance and the natural seasonality of PZU SA's result – usually, in Q3 summer events of a catastrophic nature take place (floods, torrential rains, inundations, droughts, hurricanes).

On a year-to-date basis, claims paid increased by 274.0 million (6.6%) compared to the same period of previous year (an increase by PLN 637.5 million compared to the first three quarters of 2009), having been partly offset by reinsurance programs (an increase by PLN 363.5 million). The increase in disbursements concerned predominantly agricultural and property insurance due to catastrophic losses – both these groups suffered the heaviest flood- and snow-related losses. At the same time, decreased disbursements were recorded in MOD and motor TPL insurance for corporate clients as a result of a smaller portfolio and changes in the underwriting rules (recuperation of the insurance portfolio). Unfortunately, the loss ratios (calculated as the ratio of claims paid to earned premiums) deteriorated noticeably in motor insurance for mass clients due to a higher claims frequency, increasing casualty damage costs and a strong competitive pressure on insurance prices.

Investment income in Q3 2010 increased from PLN 237.2 million to PLN 277.7 million (without inter-segment operations, i.e. without the dividend paid by PZU Life to PZU) compared to Q2, mainly due to an increase in the valuation of Treasury Securities and shares listed on the Stock Exchange. On a year-to-date basis, investment income for the first three quarters of 2010 decreased by PLN 238.1 million (without the dividend income) compared to the same period of the previous year due to a decrease in the value of financial assets after the dividend payment of PLN 12,750 million in 2009 and a less favorable situation on the capital markets in Q2 2010. Taking into account the dividend paid by PZU Life, investment income in the first three quarters of 2010 increased by PLN 1,462.8 million (the dividend received from PZU Life in 2010 was PLN 3,120.0 million and the dividend received in 2009 was PLN 1,419.1 million).

In Q3 2010, acquisition costs in the non-life insurance segment increased by 3.6% compared to Q2 2010. This trend is also observable on a year-to-date basis and is associated with: changes in the product structure (an increased share of products carrying a higher commission rate), an increase in the share of distribution channels incurring higher acquisition costs, an increase in commissions and the introduction of additional bonuses supporting the agents' efficiency and linking their remunerations with assumed targets.

Administrative costs decreased from PLN 263.9 million in Q2 2010 to PLN 223.2 million (-15.4%) in Q3 as a result of seasonality of certain cost items and extraordinary items (including the posting of some of the IPO expenses in Q2 2010) as well as the effects of reduced personnel costs due to layoffs. On a year-to-date basis, during the first three quarters of 2010, administrative costs decreased by PLN 33.4 million (4.6%), mainly due to the effects of employment restructuring (actions taken by the PZU Head Office in the second half of 2009 and this year's effects of the restructuring program). These costs were successfully decreased despite an increase in the costs of PZU's development and modernization activities (the so-called project activity) by PLN 20.3 million (to the amount of PLN 67.5 million).

The improved balance of other operating income and expenses by PLN 78.3 million in the first three quarters of 2010 was caused primarily by a waiver of the obligation to pay fees to NFZ (PLN 113.0 million in the first three quarters of 2009). Additionally, in 2009, a single posting of PLN 38.6 million in reinsurance commissions was made, which improved the result in this line item.

In Q3, operating profit in the non-life insurance segment increased by PLN 107.1 million compared to Q2 2009 (without taking into account the dividend from PZU Life). On a year-to-date basis, after the first three quarters of 2010, operating profit decreased by PLN 870.7 million (72.8%, without taking into account the dividend from PZU Life) due to:

- a greater amount of claims paid (catastrophic losses in property and agricultural insurance and a higher loss ratio in motor insurance);
- a decrease in net earned premiums due to changes in written premiums;
- a decrease in investment income resulting primarily from a smaller portfolio after the disbursement of dividends (in 2009 and 2010).

13.1.1. Impact of non-recurring events on operating results

In the property insurance segment, both in the first three quarters of 2010 and in the first three quarters of 2009, certain non-recurring events took place affecting the company's operating results.

The most important such events in the first three quarters of 2010 were the following:

- the occurrence of mass snow-related losses in Q1 (a decrease in operating result by PLN 157 million);
- flood-related losses in Q2 (a decrease in operating result by PLN 237.5 million);
- a decrease in the investment base due to dividend payments: PLN 12,750 million in November 2009 as a result of the concluded agreement.

In turn, the most important such events in the first three quarters of 2009 were the following:

- a fee to NFZ (the so-called "Religa tax" which decreased the company's operating result by PLN 113.0 million, of which PLN 21 million was in Q3),
- released reserves due to the settlement of a large claim from the 1990s in Q1 (which increased the company's operating result by PLN 20 million),
- the impact of settlements with reinsurers resulting from agreements executed in the previous years (which increased the company's operating result by PLN 38.6 million for the first two quarters of the year).

Furthermore, a remedial program was conducted in Q3 2009 for the "insurance for borrowers of cash loans" product under which certain contractual provisions were agreed upon with the bank, resulting in a non-recurring increase in written premium by PLN 145.0 million in Q3 but having a small impact on the result due to the settlement of income over time.

13.1.2. New products

In the period from January to September 2010, in compliance with amended legislation, PZU broadened its product offer by compulsory professional TPL insurance for physicians and persons issuing energy performance certificates. Furthermore, some of the already offered specialized TPL products were modified.

In motor insurance, newly introduced products included: lump sum TPL/MOD insurance packages for vehicles in the third year of operation for individual clients and SMEs, MOD insurance options depending on the type of parts to be used for repairs and a 'door-to-door service' which is an additional package of assistance benefits for car owners.

In property insurance, temporary sales limitations were imposed during the flood period in the flooded areas (PZU Dom and PZU Dom Plus insurance) but despite these restrictions good sales results were achieved. In order to continue the development of this insurance line in Q3 2010, the company introduced promotional sales of the "Ubezpiecz mury" ['Insure your walls'] apartment insurance.

In the compulsory subsidized insurance for agricultural crops, spring and fall promotional offers were introduced for large no-claims farms.

13.2. Life insurance

| Written premium by product group | 1 July – 30 September 2010 | 1 January – 30 September 2010 | 1 July – 30 September 2009 | 1 January – 30 September 2009 |
|------------------------------------|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| Group insurance | 1,049,607 | 3,122,873 | 1,007,546 | 3,006,339 |
| Individual insurance, including: | 568,160 | 1,722,908 | 568,960 | 1,697,667 |
| - insurance continued individually | 448,513 | 1,345,638 | 445,330 | 1,329,380 |
| - other individual insurance | 119,647 | 377,270 | 123,630 | 368,287 |
| Total | 1,617,767 | 4,845,781 | 1,576,506 | 4,704,006 |

| Written premium by payment type | 1 July – 30 September 2010 | 1 January – 30 September 2010 | 1 July – 30 September 2009 | 1 January – 30 September 2009 |
|---------------------------------|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| Regular premium | 1,581,862 | 4,750,244 | 1,555,807 | 4,657,114 |
| Single premium | 35,905 | 95,537 | 20,699 | 46,892 |
| Total | 1,617,767 | 4,845,781 | 1,576,506 | 4,704,006 |

Written premium in Q3 2010 remained at a level similar to that of Q2 2010 when it was PLN 1,622.5 million. The increase in gross written premium in the first three quarters of 2010 by PLN 141.8 million (3.0%) resulted mainly from development of group insurance – from a growing number of insureds coupled with a higher average premium in group employee protection insurance and from a higher premium in single premium endowment insurance distributed through the bank channel. Premium obtained from Employee Pension Programs and health insurance concluded in the group form also increased. In individually continued insurance, premium growth was achieved mainly through up-sales of additional insurance, including the new ‘assistant in a loss-of-health period’ rider. In individual insurance, premium growth was achieved as a result of conducting three subscriptions for the Świat Zysków single premium insurance and introducing a new regular-premium Plan na Życie savings and investment product with a protection component. This change was partly offset by the gradual phasing-out of the portfolio of endowment insurance agreements concluded in the 1990s.

In Q3 2010, net claims paid and change in the balance of technical reserves amounted to PLN 1,254.0 million, up by PLN 185.3 million compared to Q2 2010. The key contributing factors included:

- a greater value of technical reserves in unit-linked insurance as a result of an increase in the value of investments;
- a slower rate of conversion of long-term agreements into annual renewable agreements in group protection insurance (the effect of releasing the reserves in Q3 2010 was PLN 70.7 million compared to PLN 102.2 million in Q2 2010);
- an increase in claims paid in group protection insurance, pro rata to the premium growth.

On a year-to-date basis, net claims paid and change in the balance of technical reserves in the first three quarters of 2010 increased by PLN 807.8 million (30.9%) compared to the first three quarters of 2009. The key contributing factors included:

- a slower rate of conversion of policies under long-term agreements into annual renewable agreements in group protection insurance (in the first three quarters of 2010 in group protection insurance, reserves of PLN 396.1 million were released compared to PLN 1,161.5 million in the same period of the previous year);
- an increase in claims paid in group protection insurance and an increase in the number of insureds surviving the insurance period in individual endowment insurance agreements concluded in the 1990s; these increases were offset by lower disbursements of funds from individual and group unit-linked insurance (predominantly, Individual Retirement Accounts and Pogodna Jesień insurance) with claims paid in continued insurance remaining at a stable level.

In Q3 2010, compared to Q2 2010, investment income improved significantly (from PLN 224.7 million to PLN 569.6 million), mainly thanks to a decrease in the yield of State Treasury Securities (an increase in the valuation of the portfolio securities) and an increase in the prices of shares listed on the Stock Exchange. On a year-to-date basis, in the first three quarters of 2010 investment income fell by PLN 71.0 million compared to the same period of the previous year. This was a consequence of a smaller investment portfolio due to the disbursed dividend.

Acquisition costs in the life insurance segment in the first three quarters of 2010 and 2009 were PLN 261.3 million and PLN 266.6 million, respectively. The key contributing factors included:

- Increased commissions paid on account of group protection insurance, caused by a growing share of premium obtained through the brokerage channel and higher commissions associated with growing sales of the new regular-premium Plan na Życie savings and investment product with a protection component. However, the growth trend of the share of premium obtained through the brokerage channel in the total gross written premium slowed down significantly compared to the same period in 2009.
- Decreased indirect acquisition costs.

In Q3 2010, compared to Q2 2010, administrative costs fell from PLN 144.2 million to PLN 133.1 million, mainly as a result of seasonality of selected cost items. In the first three quarters of 2010, these costs increased compared to the first three quarters of 2009 by PLN 0.5 million (0.1%), but without taking into account the non-recurring charge to the Company's Social Benefits Fund (PLN 5.0 million), administrative costs fell year-over-year by PLN 4.5 million, i.e. by 1.0%. This was a consequence of cost-saving activities (including the headcount reduction in the PZU Life Head Office in 2009). The effects of this year's restructuring are not fully visible yet due to currently pending termination notice periods. These costs (without taking into account the charge of a non-recurring nature) were successfully decreased despite an increase in the costs of development and modernization activities (the so-called project activity) by PLN 4.9 million (to the amount of PLN 20.1 million).

Other net operating income and expenses in the life insurance segment in the first three quarters of 2010 and 2009 were PLN -14.1 million and PLN -30.4 million, respectively. The PLN 16.3 million change in the balance of other net operating income and expenses resulted from lower expenditures on prevention activity, among other factors.

Operating profit in the life insurance segment increased from PLN 553.8 million in Q2 2010 to PLN 706.7 million in Q3 2010, predominantly due to an increase in investment income. Year-to-date operating profit decreased by PLN 713.3 million (by 25.9%) compared to the first three quarters of 2009, predominantly due to a smaller release of mathematical reserves in group protection insurance caused by a decrease in the rate of conversion of policies under long-term agreements into annual renewable agreements (a decreasing portfolio of long-term agreements).

13.2.1. Impact of non-recurring events on operating results

In the life insurance segment, both in the first three quarters of 2010 and in the first three quarters of 2009, no non-recurring events took place which could significantly affect the segment's operating result.

13.2.2. New products

Since the beginning of 2010, PZU Life has broadened its health insurance offer by two products. The first of these products is group hospital insurance (offered in three coverage options) which is a group counterpart of individual hospital insurance. The second new product is group assistance insurance (offered in 4 coverage options) which is an optional rider to group hospital insurance providing access to various kinds of assistance services.

In Q3 2010, PZU Life provided its individually continued type P life insurance clients and individually continued type P Plus employee insurance clients with an opportunity to expand their insurance cover by the following riders:

- NW Plus insured's accidental death rider;
- accidental hospitalization rider;
- insured's accidental dismemberment rider;
- with a Pharmacy Card;
- 'Assistant in a loss-of-health period' rider.

In the individual insurance group, apart from the new savings and investment product with a protection component introduced on 1 January 2010 (Plan na Życie), new subscriptions of structured insurance were successfully launched.

In H1 2010, the Financial Supervision Commission registered 2 new employee pension programs in the form of Pogodna Przyszłość group unit-linked life insurance.

13.3. Investment contracts

Investment contracts executed by PZU Life are presented in the "Not allocated (consolidation adjustments and other)" segment. Investment contract accounting is conducted by applying the deposit method, as a consequence of which investment contract volumes do not constitute income according to IFRS.

| Volumes under investment contracts by product group | 1 July – 30 September 2010 | 1 January – 30 September 2010 | 1 July – 30 September 2009 | 1 January – 30 September 2009 |
|---|-------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| Group | 1,103,545 | 1,136,217 | 1,484,282 | 1,786,659 |
| Individual, including: | 189,025 | 650,648 | 268,562 | 756,201 |
| - <i>individually continued</i> | - | - | - | - |
| - <i>other individual</i> | 189,025 | 650,648 | 268,562 | 756,201 |
| Total | 1,292,570 | 1,786,865 | 1,752,844 | 2,542,860 |

| Volumes obtained on investment contracts | 1 July – 30 September 2010 | 1 January – 30 September 2010 | 1 July – 30 September 2009 | 1 January – 30 September 2009 |
|--|-------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| Regular payments | 1,734 | 4,862 | 2,788 | 7,410 |
| Single payment | 1,290,836 | 1,782,004 | 1,750,056 | 2,535,450 |
| Total | 1,292,570 | 1,786,865 | 1,752,844 | 2,542,860 |

Volumes obtained on investment contracts in Q3 2010 increased compared to Q2 2010 by PLN 1,029.6 million to PLN 1,292.6 million thanks to very strong sales of endowment insurance distributed through the bank channel.

Volumes obtained on investment contracts in the first three quarters of 2010 and 2009 were PLN 1,786.9 million and PLN 2,542.9 million, respectively. The PLN 756.0 million (29.7%) decrease resulted primarily from withdrawing from sales the Fundusz Gotówka individual unit-linked single-premium product and weaker sales of endowment investment contracts sold through the bank channel. At the same time, sales of unit-linked investment products distributed through the bank channel and gross written premium from the Pewny Zysk endowment investment product increased.

13.4. Activity in the area of Open-End Pension Funds

Income from fees and commissions in the pension insurance segment in Q3 2010 increased by 10.5% compared to Q2. Income from fees and commissions in the first three quarters of 2010 decreased by PLN 36.8 million (16.7%) compared to the same period of the previous year, which resulted mainly from the statutory limitation of the fee collected by PTE PZU from premiums transferred by ZUS to the pension fund. Starting from 1 January 2010, the fee rate was decreased from 7% to 3.5%.

In Q3 2010, acquisition costs remained at a level similar to that of the previous quarter. Year-to-date acquisition costs decreased by PLN 2.3 million (5.6%) compared to the first three quarters of the previous year, which resulted primarily from changes in the sales network structure and lower costs of incentive programs and training for the sales network.

Administrative costs in the pension insurance segment increased in Q3 2010 by PLN 1.2 million compared to Q2 2010, but decreased by PLN 27.4 million (30.8%) on a year-to-date basis. The decrease in these costs compared to 2009 resulted mainly from lower costs of the transfer agent (a decrease in the monthly account maintenance fee from January 2010), lower marketing and PR costs and integration of sales in the PZU Group (shifting some of the PTE PZU employees to other PZU Group companies and reducing the headcount).

Operating profit in Q3 2010 was greater by PLN 4.0 million than that in Q2 2010. However, on a year-to-date basis, it decreased by PLN 7.0 million (6.7%) and reflected a decrease in income from fees and commission, partly offset by lower expenses.

As at the end of September 2010, approx. 2,183.0 thousand persons were members of the PZU Open-End Pension Fund (OFE PZU), which constitutes 14.7% of the total number of members of all existing open-end pension funds and gives OFE PZU third place on the market in this respect. Compared to the balance as at the end of September of the previous year, the number of OFE PZU members increased by 90.5 thousand persons, i.e. 4.3% (while the total number of members of all open-end pension funds increased by 4.0%).

Furthermore, the market continued to be in a situation of a large number of people changing their fund (an increase by 3% compared to transfer sessions in the same period of 2009). OFE PZU belongs to the funds with a positive balance of transfers (8,067 persons), ranking sixth in net transfers after the first three sessions in 2010.

As at the end of September 2010, OFE PZU's assets were PLN 29,012.82 million (an increase by 24.9% compared to the balance as at the end of September 2009, vis-à-vis the average market increase by 24.5%). The amount of assets was affected by premiums received from ZUS and by investment results. In the period from January to September 2010, ZUS transferred PLN 2,316.1 million in premiums to OFE PZU, i.e. almost 9.5% more than in the same period of 2009.

14. Macroeconomic environment

The rate of GDP growth in Q2 2010 was 3.5% YoY. The rate of growth of domestic demand increased considerably (3.9% YoY) due to greater individual consumption (3% YoY) and replenishment of inventories. However, investments in fixed assets continued to decline on an annual basis (-1.7% YoY) due to an ongoing decrease in private investments in a situation of increasing public investment spending, predominantly on infrastructure projects. For the first time since 2008, the balance of foreign trade had a slightly negative effect on real GDP growth in this period. On the production side, by far the most important factor contributing to economic growth in Q2 was a very high increase in value added in the industrial sector (13.1% YoY). After the winter collapse, the rate of growth of value added in the construction industry was again positive (4.0% YoY), whereas in annual terms the rate of growth of value added in market services was only slightly positive (0.3% YoY). The structure of GDP growth in Q2, with a significant role of an increase in inventories, a very low rate of growth of value added in market services and a continued downward trend in investments, does not yet ensure a stable economic growth for the future.

However, data for Q3 2010 indicate that economic recovery is strengthening. The rate of GDP growth in this period most probably surpassed that achieved in Q2 and may turn out to be close to 4% YoY.

The rate of growth of industrial production in Q3 (10.9% YoY) was only slightly lower than in Q2 (11.6% YoY) and after the first nine months of 2010 reached 10.7% YoY. The rate of growth of construction and installation production increased in this period to the highest level achieved in 2010. Furthermore, in Q3 the average real monthly rate of growth of retail sales was the largest since 2008. The high rate of growth of retail sales in Q3 indicates maintenance of an increased growth of consumer demand, which may also be supported by purchases made by households affected by the flood. The current strong growth of construction and installation production coupled with a good financial standing of enterprises and a growing production capacity utilization level allow the economy to expect a higher rate of growth of investments in Q3 compared to the previous three months. However, as results from an analysis of market situation conducted by the National Bank of Poland, in Q3 enterprises realized only a small percentage of their planned new investments due to the prevailing cautious assessment of the future market situation. The increase in inventories should be continued in Q3, contributing to the strengthening of domestic demand.

The situation on the labor market continued to improve in Q3, although an increase in employment in the corporate sector was lower than in Q2 (27.7 thousand persons compared to 42.5 thousand persons). However, the rate of growth of employment in the corporate sector increased significantly in this period – to 1.8% YoY in September compared to 1.1% YoY in June. In Q3, a decreasing trend in the rate of registered unemployment slowed down slightly – it was 11.5% in September compared to 11.7% in June. At the same time, the rate of growth of salaries continued to be moderate. In Q3, the average monthly rate of growth of the average salary in the corporate sector decreased further compared to Q2, reaching 3.3% YoY. However, thanks to the increase in employment, the real rate of growth of the salary fund in the corporate sector also increased slightly. Inflation (CPI) kept decreasing until August 2010 (2% YoY compared to 3.5% YoY as at the end of 2009). However, in September the CPI increased to 2.5% YoY, although the September rise in inflation did not result from demand pressure on price increases. Its primary source was an increase in the prices of food. In Q3, the Monetary Policy Council did not make any changes in the monetary policy parameters.

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

PZU did not publish any standalone or consolidated result forecasts.

16. Specification of factors which may affect the financial results in the subsequent quarters

16.1. Non-life insurance

It is possible that amended laws on the rules of valuation of capitalized annuity reserves in non-life insurance which may be enacted by the end of 2010 may result in a need to increase the level of prudence in valuating capitalized annuity reserves and, as a consequence, may require an increase in such reserves.

In connection with the coming into force, on 19 July 2010, of the Act on Pursuing Claims in Group Proceedings, which facilitates the pursuit of indemnification by individuals, there is a risk that the number and value of claims reported by clients and injured persons will increase.

16.2. Pension funds

Potential further changes in the pension insurance system leading to a decrease in the amount of pension premiums transferred by ZUS to pension funds, the creation of subfunds and changes in the rules of acquisition on the market are factors that may influence the financial results in the pension

fund segment in the subsequent quarters. However, it is rather unlikely that the relevant amendments to legislation will come into force before the end of 2010.

17. Significant events after the end of the reporting period

17.1. Contest for the position of PZU Management Board Member

This issue is described in item □.

17.2. Second stage of capital restructuring of the PZU Group's insurance companies in Ukraine

This issue is described in item 23.2.

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

18.1. PZU

In the 9-month period ended 30 September 2010, PZU did not issue, redeem or repay any debt securities or equity securities.

19. Granting of loan sureties or guarantees by PZU or its subsidiaries

In the 9-month period ended 30 September 2010, neither PZU nor its subsidiaries granted any loan sureties or guarantees to any single entity or any subsidiary of such an entity the total amount of which sureties or guarantees would be the equivalent of at least 10% of PZU's equity.

20. Dividends

With respect to profit for 2009 and the previous years, subject to distribution is only the profit indicated in the standalone financial statements of the parent company prepared in accordance with PAS.

On 26 March 2010, the PZU Management Board adopted a resolution on proposed distribution of the 2009 profit of PLN 2,510,380 thousand by proposing that:

- PLN 1,692,505 thousand be paid as a dividend, taking into account the fact of disbursement of an advance toward the dividend envisaged for the end of financial year 2009, as described below;
- PLN 10,000 thousand be earmarked for a charge to the Company's Social Benefit Fund;
- PLN 807,875 thousand be transferred to reserve capital.

Furthermore, the Management Board recommended in the same resolution that an additional amount of PLN 11,999,516 thousand from reserve capital, which for this purpose may be disposed of by the Management Board, be earmarked for payment of the dividend for 2009 in order to finance the

disbursement of advances toward the envisaged dividend, taking into account the fact of disbursement of an advance toward the dividend envisaged for the end of financial year 2009, as described below.

Taking into account the disbursement, on 26 November 2009, of an advance toward the dividend envisaged for the end of financial year 2009 in the amount of PLN 12,749,917 thousand, which consisted of:

- PLN 750,401 thousand from net profit generated in H1 2009 and presented in PZU's audited financial statements drawn up as at 30 June 2009;
- PLN 11,999,516 thousand from reserve capital for the purpose of financing the disbursement of advances toward the envisaged dividend, which reserve capital may be disposed of by the Management Board for that purpose;

the remaining part of the dividend for the year ended 31 December 2009 was to equal PLN 942,104 thousand, i.e. PLN 10.91 per share.

On 10 June 2010, the PZU Ordinary Shareholder Meeting adopted a resolution on profit distribution and dividend payment for the year ended on 31 December 2009, accepting the aforementioned proposals of the PZU Management Board.

The PZU Ordinary Shareholder Meeting decided that the total amount of the dividend for the year ended 31 December 2009 is PLN 13,692,021 thousand, where part of this dividend in the amount of PLN 12,749,917 thousand was disbursed on 26 November 2009 as an advance toward the dividend envisaged for the end of financial year 2009. The remaining part of the dividend to be disbursed was PLN 942,104 thousand, i.e. PLN 10.91 per share. The dividend right date was set as 25 August 2010 and the dividend was disbursed on 9 September 2010.

21. Information on PZU shareholders

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

As at the delivery date of this interim report, the shareholders with at least 5% of votes at the Shareholder Meeting include:

| No | Shareholder's name | Number of shares and votes | % of share capital and votes at the Shareholder Meeting |
|--------------|--------------------|----------------------------|---|
| 1 | State Treasury | 39,020,483 | 45.1875 |
| 2 | Eureko BV | 11,225,798* | 12.9999* |
| 3 | Others | 36,106,019 | 41.8126 |
| Total | | 86,352,300 | 100,0000% |

*Eureko BV is not entered in the PZU share register with respect to 1,980 of PZU shares held, due to objections filed by their previous owners. Without the shares subject to the protest, Eureko BV is entitled to 11,223,818 votes at the Shareholder Meeting, i.e. 12.9977% of the overall votes.

21.2. Changes in the ownership structure of material blocks of issuer's shares

In the period from 1 July 2010 to the delivery date of this interim report, no material changes took place in the ownership structure of material blocks of issuer's shares.

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

| No. | Body / Full Name | No. of shares / entitlements as at the date of delivery of this interim report (i.e. 15 November 2010) | No. of shares / entitlements as at the date of delivery of the previous interim report (i.e. 26 August 2010) | Resulting change in the period between those dates |
|--------------------------|----------------------------|--|--|--|
| Management Board | | | | |
| 1 | Andrzej Klesyk | - | - | - |
| 2 | Witold Jaworski | - | - | - |
| Group Directors | | | | |
| 1 | Przemysław Dąbrowski | - | - | - |
| 2 | Rafał Grodzicki | - | - | - |
| 3 | Dariusz Krzewina | - | - | - |
| 4 | Mariusz J. Sarnowski | - | - | - |
| 5 | Krzysztof Dominik Branny * | 30 | Not applicable | Not applicable |
| Supervisory Board | | | | |
| 1 | Marzena Piszczek | - | - | - |
| 2 | Waldemar Maj | 30 | 30 | - |
| 3 | Piotr Kamiński | - | - | - |
| 4 | Grażyna Piotrowska-Oliwa | - | - | - |
| 5 | Zbigniew Cwiąkański, Ph.D. | - | - | - |
| 6 | Krzysztof Dresler | - | - | - |
| 7 | Dariusz Filar ** | - | - | - |
| Total | | 60 | 30 | - |

* On 26 August 2010, he was not yet employed by the PZU Group.

** Seconded temporarily to the PZU Management Board – see clause 23.3.

22. Dispute-related financial settlements

The PZU Group entities participate in a number of litigations, arbitration disputes and administrative proceedings. Typical litigations involving the PZU Group companies include disputes pertaining to concluded insurance agreements, disputes concerning labor relationships and disputes relating to contractual obligations. Typical administrative proceedings involving the PZU Group companies include proceedings before the President of the Office for Competition and Consumer Protection (UOKiK), proceedings before the Financial Supervision Commission (KNF) and proceedings related to the possession of real properties. Such proceedings and litigations are of a typical and repetitive nature and usually no particular one of them is of material importance to the PZU Group. The majority of disputes involving the PZU Group companies concerned two companies: PZU and PZU Life.

During the 9 months ended 30 September 2010 and until the date of submission of this interim report, the PZU Group was not involved in any proceedings conducted before a court, an arbitration body or a public administration authority which concerned any liabilities or receivables of PZU or any of its direct or indirect subsidiaries and the value of which or the total value of which, as applicable, was at least 10% of PZU's equity, except for the case (closed as at the date of submission of this interim report) involving PZU Life and concerning a claim for PLN 1 trillion as described in item 9.

As at 30 September 2010, the total value of all 21,108 cases pending before courts, arbitration bodies or public administration authorities and involving the PZU Group companies was PLN 1,353,271 thousand, of which PLN 919,895 thousand concerned liabilities and PLN 433,376 thousand concerned receivables of the PZU Group companies, i.e. 8.34% and 3.93% of PZU's equity, respectively, according to PAS.

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

On 9 April 2010, the Court of Arbitration served PZU Life with a statement of claim filed by CSC Computer Sciences Polska Sp. z o.o. ("CSC") against PZU Life to pay a total of EUR 8,437 thousand in connection with the implementation of the GraphTalk system in PZU Life. As a result of amendments to the statement of claim introduced on 31 August 2010, CSC currently pursues payment of a total of PLN 38,433 thousand.

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

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

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

22.2. Procedure conducted by the Office for Competition and Consumer Protection ("UOKiK") against PZU Life

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

The PZU Life Management Board does not agree with the factual findings or with the legal arguments presented in the decision. The PZU Life Management Board is of the opinion that in rendering the decision UOKiK did not take into consideration the entire evidentiary material and made an incorrect legal qualification, and, as a consequence, groundlessly assumed that PZU Life has a dominating position on the market.

PZU Life appealed against that decision to the Competition and Consumer Protection Court. A total of 38 material law and formal law allegations against the decision of the President of UOKiK were formulated in the appeal. On 31 May 2010, the Court rejected PZU Life's appeal based on the circumstance that the decision issued by the President of UOKiK on 25 October 2007 was improperly delivered to PZU Life and thus the prescription period for the submission of PZU Life's appeal against the decision did not start yet. Both parties appealed against the Court's decision. After examining the plaintiff's and the defendant's grievances, the Court of Second Instance rescinded the appealed ruling on 26 October 2010.

22.3. Dispute with Universale International GmbH

On 1 June 1998, an agreement was entered into in Warsaw between Universale International GmbH with its registered office in Vienna ("Universale") and BRC Holding SA with its registered office in

Warsaw on the construction of a PZU Head Office building which was subsequently amended by an annex signed on 15 June 1999.

PZU Tower Sp. z o.o. ("PZU Tower", currently: "Tower Inwestycje") participates in a litigation filed by Universale on an abuse of bank guarantee.

Since 17 September 2003, a dispute has been pending under a counterclaim before the Court of Arbitration to award indemnification from Universale to PZU Tower for improper performance of the agreement. The value of the subject matter of the dispute is PLN 18,587 thousand.

On 17 January 2008, the Court of Arbitration issued a ruling in which it awarded PLN 440 thousand to PZU Tower from Universale on account of the costs of removing defects in the PZU Head Office building, ordered that the defects be removed, rejected the allegation of an abuse of bank guarantee and at the same time ordered PZU Tower to return to Universale a surplus, if any, of the amount received from the bank guarantee above the costs of removing the defects.

Universale filed a complaint against the ruling of the Court of Arbitration petitioning that it be squashed. On 27 March 2008, PZU Tower petitioned the Regional Court in Warsaw to dismiss Universale's complaint. On 18 May 2009, the Regional Court in Warsaw dismissed Universale's complaint. Universale filed an appeal against this judgment on 2 July 2009, demanding that its complaint against the ruling issued by the Court of Arbitration be accepted. On 3 August 2009, PZU Tower submitted a rejoinder to the appeal, petitioning that it be dismissed in its entirety.

On 29 July 2010, the Court of Arbitration issued a ruling in which it dismissed Universale's appeal in its entirety. The ruling is legally valid.

23. Other information

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

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

As of the date of this interim report, PZU and PZU Life had a long-term credit rating and a financial strength rating (awarded by Standard & Poor's Ratings Services on 16 July 2009) of A with a stable rating outlook. On 5 July 2010, Standard & Poor's Ratings Services upheld this rating.

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

| Company name | Rating and outlook | Date awarded / updated | Previous rating and outlook | Date awarded / updated |
|---------------------------|--------------------|------------------------|-----------------------------|------------------------|
| PZU | | | | |
| Financial strength rating | A (stable) | 5 July 2010 | A (stable) | 16 July 2009 |
| Credit rating | A (stable) | 5 July 2010 | A (stable) | 16 July 2009 |
| PZU Life | | | | |
| Financial strength rating | A (stable) | 5 July 2010 | A (stable) | 16 July 2009 |
| Credit rating | A (stable) | 5 July 2010 | A (stable) | 16 July 2009 |

23.2. Capital restructuring of the PZU Group's insurance companies in Ukraine

On 10 March 2010 and 21 April 2010, PZU Ukraine and PrJSC IC PZU Ukraine Life, respectively, received reports from the Ukrainian insurance regulatory authority on breaching license requirements by failing to adjust the amount of their net assets to the regulatory requirements pursuant to which net assets of an insurance company may not be lower than its share capital.

At the turn of June and July 2010, both Ukrainian companies issued their shares, of which PZU subscribed for a total of:

- 100,000 shares in PZU Ukraine with a par value of UAH 10 each and the issue price of UAH 3,000 each, for a total amount of up to UAH 300,000 thousand (the subscribed shares were paid up on 25 June 2010 with USD 37,892 thousand, constituting the equivalent of UAH 299,700 thousand, and on 12 July 2010 with USD 38 thousand, constituting the equivalent of UAH 300 thousand);
- 5,000 shares in PrJSC IC PZU Ukraine Life Insurance with a par value of UAH 100 each and the issue price of UAH 10,400 each, for a total amount of up to UAH 52,000 thousand (the subscribed shares were paid up on 25 June 2010 with USD 4,753 thousand, constituting the equivalent of UAH 37,596 thousand, and on 12 July 2010 with USD 1,822 thousand, constituting the equivalent of UAH 14,404 thousand).

The increased share capital of both companies was registered on 10 August 2010. The successful share capital increase in both companies allowed them to fulfill the regulatory requirements.

The second stage of the capital restructuring process in both Ukrainian companies is the redemption of treasury stock for share retirement.

On 7 October 2010, the Extraordinary Shareholder Meetings of PZU Ukraine and PrJSC IC Ukraine Life Insurance adopted resolutions to redeem:

- 25,000,000 PZU Ukraine shares for a price equal to their par value, i.e. UAH 10 per share, for the total amount of UAH 250,000 thousand;
- 120,000 PrJSC IC Ukraine Life Insurance shares for a price equal to their par value, i.e. UAH 100 per share, for the total amount of UAH 12,000 thousand;

for the purpose of their subsequent retirement.

It is planned that as a result of the said redemption of shares, PZU will receive by the end of 2010:

- UAH 250,000 thousand from PZU Ukraine;
- UAH 11,000 thousand from PrJSC IC PZU Ukraine Life Insurance (the remaining UAH 1,000 thousand will be used to redeem shares owned by PZU Ukraine).

The capital restructuring process in both companies (registration of their decreased share capital) is planned to be completed in Q1 2011.

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

23.3.1. PZU Management Board

From 1 January to 27 September 2010, the PZU Management Board consisted of the following persons:

- Andrzej Klesyk – CEO of PZU;
- Witold Jaworski – Member of the PZU Management Board;
- Rafał Stankiewicz – Member of the PZU Management Board.

On 27 September 2010, Rafał Stankiewicz resigned from his position. The reason for his resignation was his acceptance of an employment offer from another company.

According to the PZU articles of association, the Management Board shall be composed of three to seven members, including the CEO.

Accordingly, on 30 September 2010, the Supervisory Board, pursuant to Article 383 § 1 of the Commercial Companies Code (Journal of Laws No. 94 of 2000, Item 1037, as amended), delegated one of its Members, Dariusz Filar, to discharge temporarily the function of PZU Management Board Member from 1 October 2010 until the composition of the PZU Management Board is filled in, but not longer than until 31 December 2010.

From 1 October 2010 to the date of this interim report, the PZU Management Board consisted of the following persons:

- Andrzej Klesyk – CEO of PZU;

- Witold Jaworski – Member of the PZU Management Board;
- Dariusz Filar – Supervisory Board Member delegated to temporarily discharge the function of Management Board Member.

23.3.1.1. Contest for the position of PZU Management Board Member

On 30 September 2010, the PZU Supervisory Board, in consultation with the CEO of PZU, decided that the new Management Board Member who will be responsible for the Company's finances (Chief Financial Officer, "CFO") will be selected by 31 December 2010 in an open contest with the participation of a personnel consulting company.

On 13 October 2010, an announcement was published in the "Rzeczpospolita" and "Parkiet" dailies, describing the competencies and key duties required for the position of PZU Management Board Member discharging the function of CFO. According to the announcement, applications were accepted until 22 October 2010.

23.3.2. PZU Supervisory Board

As at 31 December 2009, the PZU Supervisory Board composition was as follows:

- Tomasz Gruszecki Chairman;
- Marcin Majeranowski Deputy Chairman;
- Alfred Bieć Supervisory Board Member;
- Tomasz Przesławski Supervisory Board Member;
- Marzena Piszczek Supervisory Board Member;
- Marco Vet Supervisory Board Member;
- Waldemar Maj Supervisory Board Member.

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

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

On 9 June 2010, PZU received resignations of Marcin Majeranowski from the function of Deputy Chairman and from his membership in the Supervisory Board and of Jurgen Stegmann from the function of Supervisory Board Member.

On 10 June 2010, the PZU Extraordinary Shareholder Meeting dismissed Tomasz Gruszecki from the Supervisory Board and appointed Zbigniew Cwiąkański, Krzysztof Dresler and Dariusz Filar as Supervisory Board Members.

From 10 June 2010 to the date of this interim report, the PZU Supervisory Board composition was as follows:

- Marzena Piszczek Supervisory Board Chairwoman (function taken on 16 June 2010);
- Zbigniew Cwiąkański Supervisory Board Chairman (function taken on 16 June 2010);
- Grażyna Piotrowska-Oliwa Sekretarz Rady (funkcja objęta w dniu 16 czerwca 2010 roku);
- Waldemar Maj Supervisory Board Member;
- Piotr Kamiński Supervisory Board Member;
- Krzysztof Dresler Supervisory Board Member;
- Dariusz Filar Supervisory Board Member (delegated to the PZU Management Board).

23.3.3. Creation of the positions of Group Directors

In January 2010, as part of the process of introducing a new management model in the PZU Group, the following positions were created in PZU:

- PZU Group Director on Managing the Group's Branches in the PZU Head Office (on 1 February 2010, Dariusz Krzewina was appointed to this position);
- PZU Group Director on Development of the Group's Outlets in the PZU Head Office (on 1 February 2010, Rafał Grodzicki was appointed to this position);
- PZU Group Director on Finances in the PZU Head Office (on 30 January, Przemysław Dąbrowski was appointed to this position);
- PZU Group Director on Operations in the PZU Head Office (on 30 January, Mariusz J. Sarnowski was appointed to this position).

On 12 August 2010, the position of PZU Group Director on Human Resources Management in the PZU Head Office was created and on the same day Krzysztof Branny was appointed to it (starting from 1 September 2010).

All the above persons are also members of the PZU Life Management Board.

23.4. Employment restructuring in PZU SA and PZU Life

On 10 February 2010, the Management Boards of PZU and PZU Life adopted a resolution on their intention to effect group layoffs in both companies in 2010.

On 11 March 2010, a Memorandum of Agreement was entered into between the Management Boards of PZU and PZU Life and the Trade Unions operating in these companies in the matter of group layoffs. According to these arrangements, an employment restructuring and optimization process is being conducted in both companies under the framework of group layoffs in the period from 26 March to 20 November 2010.

The employment restructuring process involves, among other issues, centralization of previously dispersed functions in several centers located in several big cities across Poland and increased specialization of newly hired employees, focusing primarily on the following areas: operations, finance, claims handling and the PZU Group network.

A maximum of 6,655 PZU SA and PZU Life employees were to be affected by the change in 2010. Net reductions, i.e. a decrease in the balance of headcount in 2010 in both companies, were assumed at 2,079 persons.

The persons who have been laid off or refused to accept their proposed amended terms and conditions of employment have received severance conditions surpassing the conditions stipulated by law under such circumstances (Act of 13 March 2003 on special rules for termination of employment for reasons not attributable to employees (Journal of Laws No. 90 of 2003 Item 844)).

The amounts of additional severance pays depends on the amount of remuneration of the respective employees and their years in service in the PZU Group.

During the period of 9 months from 1 January to 30 September 2010, the change process affected 5,071 employees, of whom 2,999 employees accepted their amended terms and conditions of employment and 2,072 employees received documents terminating their employment agreements.

The laid-off employees may choose to participate a newly launched outplacement program which is one the largest such support programs for laid-off employees implemented in Poland in 2010.

The total restructuring costs incurred by PZU and PZU Life in the period of 9 months from 1 January to 30 September 2010 were PLN 71,382 thousand. As at 30 September 2010, the provision for restructuring costs (presented in item 8.8) was PLN 89,578 thousand (31 December 2009: PLN 158,763 thousand), i.e. in the period of 9 months ended 30 September 2010 the provision decreased by PLN 69,185 thousand.

24. Transactions with related entities

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

In the period of 9 months ended 30 September 2010, neither PZU nor its subsidiaries executed any single or multiple transactions with their related entities which were of material significance individually or collectively and were executed on terms other than based on an arm's length principle.

24.2. Turnovers and balances of transactions executed with related entities

IAS 24 requires the PZU Group to present its transactions with related entities. In the period from 1 January to 11 May 2010, the State Treasury held a majority stake in PZU's share capital. On 11 May, under the IPO process, shares sold by the State Treasury were transferred to and registered in the accounts of their buyers, as a result of which the State Treasury's stake in PZU's share capital fell below the 50% threshold.

Despite this, however, for the purposes of presenting the turnovers and balances of transactions executed with related entities it is assumed that after 11 May 2010 the State Treasury retained control over PZU within the meaning of IAS 27, and, as a consequence, PZU is still a subsidiary of the State Treasury and is required to keep presenting in its financial statements transactions executed with entities related to the State Treasury.

For the purposes of this item:

- "subsidiaries of the State Treasury" should be construed only as commercial law companies and state-owned companies controlled by the State Treasury and listed as such on the State Treasury Ministry's website. In particular, as part of their business operations prescribed by the respective articles of association, the PZU Group entities executed transactions with subsidiaries of the State Treasury other than the commercial law companies or state-owned companies listed on the State Treasury Ministry's website. Due to a very large number of such entities and transactions, limitations of the PZU Group's reporting system and insignificance of such transactions on the PZU Group's result, presentation of such transactions is, in PZU's opinion, immaterial for the presentation of the PZU Group's financial situation;
- "other related entities" should be construed as PZU's direct or indirect subsidiaries and affiliates not subject to consolidation whose complete list is presented in item 1.2.

The following tables present information on the balances and turnovers of commercial transactions executed by the PZU Group companies with related entities within the meaning of the definition contained in IAS 24. As a consequence, the transactions with the State Treasury's subsidiaries presented in the following tables were predominantly non-life insurance and life insurance agreements and investment contracts (the items listed in the table are written premium and volumes under investment contracts, other income, i.e., predominantly, invoiced expenses, awarded court fees, fees for certificates and other documents, income from dissolution or adjustment of revaluation charges for receivables, expenses which are predominantly paid claims expenses and receivables which are predominantly insurance premium receivables) executed and settled on terms and conditions available to unrelated clients.

| Balances and turnovers resulting from commercial transactions between the PZU Group and the related entities in the period of 1 January – 30 September 2010 and as at 30 September 2010 | Gross written premium | | | | Receivables | | | | | | |
|---|-----------------------|--|--------------|--------|---|-------------|---------------------|--------|-------------|-------------------|------------------------|
| | in non-life insurance | in life insurance (including volumes under investment contracts) | Other income | Costs | - including charges for receivables established in the current period | gross value | revaluation charges | net | Liabilities | Contingent assets | Contingent liabilities |
| Significant investor (Eureko B.V.) 1/ | - | - | 21 | - | - | - | - | - | - | - | - |
| Key management staff of consolidated entities 3/ | - | - | - | - | - | - | - | - | - | - | - |
| Entities controlled by the State Treasury | 76,132 | 1,111,641 | 3,447 | 92,611 | 169 | 51,307 | (392) | 50,915 | 7,158 | 1,000 | - |
| Other related entities | 732 | - | 25,128 | 16,970 | - | 12,954 | (11,291) | 1,663 | 2,417 | - | - |

| Balances and turnovers resulting from trading transactions between the PZU Group and the related entities in 2009 and as at 31 December 2009 | Gross written premium | | | | Receivables | | | | | | |
|--|-----------------------|--|--------------|---------|---|-------------|---------------------|--------|-------------|-------------------|------------------------|
| | in non-life insurance | in life insurance (including volumes under investment contracts) | Other income | Costs | - including charges for receivables established in the current period | gross value | revaluation charges | net | Liabilities | Contingent assets | Contingent liabilities |
| Significant investor (Eureko B.V.) 1/ | - | - | 91 | - | - | 75 | - | 75 | - | - | - |
| Key management staff of consolidated entities 2/ | - | - | - | - | - | - | - | - | - | - | - |
| Entities controlled by the State Treasury | 176,198 | 2,191,837 | 4,423 | 160,449 | 76 | 79,420 | (365) | 79,055 | 7,000 | - | 1,623 |
| Other related entities | 1,132 | - | 23,009 | 30,692 | 815 | 13,569 | (12,319) | 1,250 | 2,274 | - | - |

| Balances and turnovers resulting from commercial transactions between the PZU Group and the related entities in the period of 1 January – 30 September 2009 and as at 30 September 2009 | Gross written premium | | | | Receivables | | | | | | |
|---|-----------------------|--|--------------|---------|---|-------------|---------------------|---------|-------------|-------------------|------------------------|
| | in non-life insurance | in life insurance (including volumes under investment contracts) | Other income | Costs | - including charges for receivables established in the current period | gross value | revaluation charges | net | Liabilities | Contingent assets | Contingent liabilities |
| Significant investor (Eureko B.V.) 1/ | - | - | 91 | - | - | 75 | - | 75 | - | - | - |
| Key management staff of consolidated entities 2/ | - | - | - | - | - | - | - | - | - | - | - |
| Entities controlled by the State Treasury | 210,605 | 1,467,643 | 88 | 101,453 | 1 | 147,263 | (298) | 146,965 | 2,040 | - | - |
| Other related entities | 702 | - | 20,323 | 21,387 | 576 | 13,405 | (12,081) | 1,324 | 2,327 | - | - |

1/ Income and receivables from Eureko refer to remuneration due to PZU for the provision of selected data and financial reports to Eureko.

2/ Management board members of the consolidated PZU Group companies.

3/ Management board members of the consolidated PZU Group companies and PZU Group Directors.

As at 30 September 2010, 31 December 2009 and 30 September 2009, the main item of receivables from other related entities contained receivables with interest from Syta Development Sp. z o.o. in liquidation ("Syta Development") on account of the performance of agreements relating to the Claims Handling and Underwriting Center in the gross amount of PLN 11,291 thousand, which were covered by a revaluation charge in the full amount, as the company was defaulting on the agreements. On 25 October 2010, Syta Development repaid some of the due interest in the amount of PLN 375 thousand.

24.3. Written premium and volumes under investment contracts in bancassurance transactions with banks controlled by the State Treasury

The following tables contain data regarding written premium and volumes under investment contracts in bancassurance transactions with banks controlled by the State Treasury.

| Bank Powszechna Kasa Oszczędności BP SA | 1 July – 30 September 2010 | 1 January – 30 September 2010 | 1 July – 30 September 2009 | 1 January – 30 September 2009 |
|--|---|--|---|--|
| Gross written premium of PZU | 3,094 | 13,694 | 151,679 | 160,238 |
| Gross written premium of PZU Life | 4,800 | 20,236 | 9,290 | 31,052 |
| Volumes under PZU Life's investment contracts | 1,091,405 | 1,091,405 | 1,436,236 | 1,436,591 |
| Total | 1,099,299 | 1,125,335 | 1,597,205 | 1,627,881 |

| Bank Ochrony Środowiska SA | 1 July – 30 September 2010 | 1 January – 30 September 2010 | 1 July – 30 September 2009 | 1 January – 30 September 2009 |
|---|---|--|---|--|
| Gross written premium of PZU* | (31) | 72 | 14 | 117 |
| Gross written premium of PZU Life | - | - | - | - |
| Volumes under PZU Life's investment contracts | - | - | - | - |
| Total | (31) | 72 | 14 | 117 |

* The reported negative value results from written premium adjustments made in the third quarter.

24.4. Loan to Kappa SA

On 1 October 2009, PZU concluded a loan agreement with Kappa SA with respect to a loan in the total amount of up to PLN 25,000 thousand, to fund the participation of Kappa SA in the performance of the Settlement and Divestment Agreement, including for the due tax on civil law transactions for non-cash contributions made to Kappa SA, to cover the cost of reviewing the non-cash contributions and their contribution to Kappa SA and to finance Kappa SA's ongoing activity.

By 20 January 2010, PZU paid a total of PLN 21,889 thousand to Kappa SA on account of the above loan, of which PLN 744 thousand in 2010. Interest income under the above loan in the 6 months ended 30 June 2010 was PLN 560 thousand.

The loan was to be repaid no later than within 3 business days of Kappa SA receiving proceeds from the sale of shares in the initial public offering of PZU shares. On 10 May 2010, Kappa SA repaid the loan principal including accrued interest (i.e. the total amount of PLN 22,800 thousand, of which interest constituted PLN 911 thousand).

QUARTERLY SEPARATE FINANCIAL INFORMATION OF PZU (PAS)**1. Interim Balance Sheet**

PLN thous.

| ASSETS | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|--|------------------------------|---------------------|-----------------------------|------------------------------|
| I. Intangible assets, including: | 54,205 | 50,679 | 49,560 | 42,715 |
| - goodwill | - | - | - | - |
| II. Investments | 22,946,372 | 23,088,346 | 26,765,773 | 33,805,666 |
| 1. Real estate | 599,503 | 600,971 | 600,110 | 595,205 |
| 2. Investments in subsidiaries, including: | 6,126,008 | 5,740,279 | 7,710,649 | 7,047,985 |
| - investments in subsidiaries carried using the equity method | 6,107,261 | 5,584,333 | 7,691,903 | 7,037,274 |
| 3. Other financial investments | 16,209,467 | 16,735,192 | 18,442,095 | 26,146,573 |
| 4. Deposit receivables from ceding companies | 11,394 | 11,904 | 12,919 | 15,903 |
| III. Net assets of a life insurance company where the policyholder bears the investment risk | - | - | - | - |
| IV. Receivables | 1,731,614 | 1,326,183 | 1,244,102 | 1,602,916 |
| 1. Receivables on direct insurance | 1,118,876 | 1,040,520 | 972,050 | 1,157,721 |
| 1.1. From subsidiaries | 529 | 273 | 322 | 453 |
| 1.2. From other entities | 1,118,347 | 1,040,247 | 971,728 | 1,157,268 |
| 2. Reinsurance receivables | 168,087 | 60,914 | 26,174 | 95,200 |
| 1.1. From subsidiaries | 100 | 11,938 | - | 125 |
| 1.2. From other entities | 167,987 | 48,976 | 26,174 | 95,075 |
| 3. Other receivables | 444,651 | 224,749 | 245,878 | 349,995 |
| 1.1. Receivables from the state budget | 172 | 89 | 81,704 | 72 |
| 1.2. Other receivables | 444,479 | 224,660 | 164,174 | 349,923 |
| a) from subsidiaries | 98,700 | 99,252 | 2,923 | 37,948 |
| b) from other entities | 345,779 | 125,408 | 161,251 | 311,975 |
| V. Other assets | 271,651 | 272,956 | 245,572 | 239,918 |
| 1. Tangible asset components | 110,362 | 116,375 | 117,772 | 104,198 |
| 2. Cash | 161,289 | 156,581 | 127,800 | 135,720 |
| 3. Other asset components | - | - | - | - |
| VI. Prepayments and accruals | 630,727 | 656,400 | 631,971 | 630,921 |
| 1. Deferred income tax assets | - | - | - | - |
| 2. Capitalized acquisition expenses | 425,201 | 431,402 | 394,962 | 441,639 |
| 3. Posted interest and rents | 64 | - | - | - |
| 4. Other prepayments and accruals | 205,462 | 224,998 | 237,009 | 189,282 |
| Total assets | 25,634,569 | 25,394,564 | 28,936,978 | 36,322,136 |

Interim balance sheet (cont.)

PLN thous.

| LIABILITIES AND EQUITY | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|----------------------|--------------|---------------------|----------------------|
| I. Equity | 11,035,562 | 10,489,877 | 10,411,542 | 22,358,819 |
| 1. Share capital | 86,352 | 86,352 | 86,352 | 86,352 |
| 2. Contributions due to share capital (negative figure) | - | - | - | - |
| 3. Treasury stock (negative figure) | - | - | - | - |
| 4. Reserve capital | 2,060,354 | 2,060,352 | 1,252,214 | 13,251,578 |
| 5. Revaluation reserve | 5,532,792 | 5,066,766 | 7,312,998 | 6,620,366 |
| 6. Other reserve capital | - | - | - | - |
| 7. Profit (loss) brought forward | - | - | - | - |
| 8. Net profit (loss) | 3,356,064 | 3,276,407 | 2,510,379 | 2,400,523 |
| 9. Charges to net profit during the financial year (negative figure) | - | - | (750,401) | - |
| II. Subordinated debt | - | - | - | - |
| III. Technical reserves | 13,634,250 | 13,710,042 | 12,789,415 | 12,856,281 |
| IV. Reinsurers' share in technical reserves (negative figure) | (900,702) | (1,122,540) | (754,456) | (824,952) |
| V. Estimated recoveries and salvage (negative figure) | (66,676) | (69,161) | (78,996) | (39,885) |
| 1. Gross estimated recoveries and salvage | (68,529) | (71,214) | (81,416) | (41,608) |
| 2. Reinsurer's share in estimated recoveries and salvage | 1,853 | 2,053 | 2,420 | 1,723 |
| VI. Other reserves | 418,052 | 460,729 | 542,531 | 566,910 |
| 1. Reserves for pension benefits and other compulsory employee benefits | 235,956 | 244,209 | 229,550 | 234,864 |
| 2. Deferred income tax reserve | 34,672 | 33,438 | 117,652 | 166,534 |
| 3. Other reserves | 147,424 | 183,082 | 195,329 | 165,512 |
| VII. Liabilities for reinsurers' deposits | - | - | - | - |
| VIII. Other liabilities and special- purpose funds | 1,098,249 | 1,537,483 | 5,478,601 | 941,414 |
| 1. Liabilities on direct insurance | 182,895 | 179,731 | 154,698 | 149,628 |
| 1.1. To subsidiaries | 748 | 762 | 819 | 913 |
| 1.2. To other entities | 182,147 | 178,969 | 153,879 | 148,715 |
| 2. Reinsurance liabilities | 29,157 | 63,952 | 17,667 | 28,416 |
| 2.1. To subsidiaries | - | 11,911 | - | 3 |
| 2.2. To other entities | 29,157 | 52,041 | 17,667 | 28,413 |
| 3. Liabilities on the issue of own debt securities and drawn loans | - | - | - | - |
| 4. Liabilities to credit institutions | 94 | 3 | 4,748,213 | 2 |
| 5. Other liabilities | 734,145 | 1,133,803 | 432,169 | 611,359 |
| 5.1. Liabilities to the state budget | 122,952 | 56,698 | 15,435 | 33,885 |
| 5.2. Other liabilities | 611,193 | 1,077,105 | 416,734 | 577,474 |
| a) to subsidiaries | 4,463 | 3,625 | 11,279 | 5,415 |
| b) to other entities | 606,730 | 1,073,480 | 405,455 | 572,059 |
| 6. Special-purpose funds | 151,958 | 159,994 | 125,854 | 152,009 |

Interim balance sheet (cont.)

PLN thous.

| LIABILITIES AND EQUITY | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|-------------------------------------|------------------------------|---------------------|-----------------------------|------------------------------|
| IX. Prepayments and accruals | 415,834 | 388,134 | 548,341 | 463,549 |
| 1. Prepayments and accruals | 273,724 | 235,427 | 303,209 | 286,222 |
| 2. Negative goodwill | - | - | - | - |
| 3. Deferred income | 142,110 | 152,707 | 245,132 | 177,327 |
| Total liabilities and equity | 25,634,569 | 25,394,564 | 28,936,978 | 36,322,136 |

| | | | | |
|---------------------------------------|------------|------------|------------|------------|
| Book value | 11,035,562 | 10,489,877 | 10,411,542 | 22,358,819 |
| Number of shares | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 |
| Book value per share (in PLN) | 127.80 | 121.48 | 120.57 | 258.93 |
| Diluted number of shares | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 |
| Diluted book value per share (in PLN) | 127.80 | 121.48 | 120.57 | 258.93 |

2. Interim statement of off-balance sheet items

PLN thous.

| Off-balance sheet items | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|------------------------------|---------------------|-----------------------------|------------------------------|
| 1. Conditional receivables, including: | 7,991,073 | 7,697,773 | 6,895,117 | 6,690,852 |
| 1.1. Guarantees and sureties received | 3,728 | 3,901 | 3,699 | 3,699 |
| 1.2. Others | 7,987,345 | 7,693,872 | 6,891,418 | 6,687,153 |
| 2. Contingent liabilities, including: | 75,650 | 57,742 | 46,239 | 43,341 |
| 2.1. Guarantees and sureties given | 7,807 | 7,291 | 7,714 | 6,367 |
| 2.2. Accepted and endorsed bills of exchange | - | - | - | - |
| 2.3. Assets subject to the obligation of resale | - | - | - | - |
| 2.4. Other liabilities secured on assets or income | - | - | - | - |
| 2.5. Disputed claims not accepted by the insurance company and pursued by debtors by litigation | 66,772 | 49,398 | 37,443 | 36,414 |
| 3. Reinsurance collateral instituted in favor of the insurance company | - | - | - | - |
| 4. Reinsurance collateral instituted by the insurance company in favor of ceding companies | - | - | - | - |
| 5. Third party asset components not captured in the assets | 227,995 | 228,618 | 231,158 | 228,228 |
| 6. Other off-balance sheet line items | - | - | - | - |

| | | | | |
|--|------------|------------|------------|------------|
| Shareholder funds | 9,095,837 | 8,230,092 | 8,261,644 | 20,372,294 |
| Equity Solvency margin | 1,337,542 | 1,336,216 | 1,338,798 | 1,337,542 |
| Surplus (deficiency) of shareholder funds to cover the solvency margin | 7,758,295 | 6,893,876 | 6,922,846 | 19,034,752 |
| Technical reserves | 13,565,721 | 13,638,828 | 12,707,999 | 12,814,673 |
| Assets covering the technical reserves | 17,695,015 | 18,148,088 | 14,245,034 | 26,493,974 |
| Surplus (deficiency) assets covering the technical reserves | 4,129,294 | 4,509,260 | 1,537,035 | 13,679,301 |

3. Interim technical account of non-life insurance

PLN thous.

| Technical account of non-life insurance | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|---|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| I. Premiums (1-2-3+4) | 1,900,971 | 5,569,076 | 2,026,684 | 6,020,062 |
| 1. Gross written premium | 1,870,987 | 5,914,689 | 1,944,604 | 6,175,486 |
| 2. Reinsurers' share in the gross written premium | 22,950 | 118,577 | 30,181 | 108,680 |
| 3. Change in the balance of the unearned premium reserve and gross unexpired risk reserve | (66,068) | 227,245 | (115,984) | 55,918 |
| 4. Reinsurers' share in the change to the unearned premium reserve balance | (13,134) | 209 | (3,723) | 9,174 |
| II. Net investment income after considering costs, transferred from the non-technical profit and loss account | 69,234 | 197,112 | 63,825 | 187,816 |
| III. Other net technical income | 3,003 | 46,192 | 34,257 | 55,039 |
| IV. Claims (1+2) | 1,465,735 | 4,317,822 | 1,564,301 | 4,035,053 |
| 1. Net claims paid | 1,265,992 | 3,834,405 | 1,363,566 | 3,819,477 |
| 1.1. Gross claims paid | 1,497,242 | 4,117,524 | 1,448,196 | 3,948,779 |
| 1.2. Reinsurers' share in claims paid | 231,250 | 283,119 | 84,630 | 129,302 |
| 2. Change in the balance of the net claims reserve | 199,743 | 483,417 | 200,735 | 215,576 |
| 2.1. Change in the balance of the gross claims reserve | (8,761) | 630,021 | 100,448 | 151,351 |
| 2.2. Reinsurers' share in the change in the balance of the claims reserve | (208,504) | 146,604 | (100,287) | (64,225) |
| V. Movements in other net technical reserves | - | - | - | - |
| 1. Movements in other gross technical reserves | - | - | - | - |
| 2. Reinsurers' share in the change in the balance of other gross technical reserves | - | - | - | - |
| VI. Net premiums and rebates jointly with the change in the balance of the reserves | 2,763 | 1,885 | 418 | 571 |
| VII. Insurance activity expenses | 561,283 | 1,601,375 | 552,518 | 1,561,839 |
| 1. Acquisition expenses, including: - movements in capitalized acquisition expenses | 332,745 | 957,971 | 319,669 | 926,802 |
| - movements in capitalized acquisition expenses | 6,201 | (30,239) | (65,419) | (83,611) |
| 2. Administrative costs | 208,317 | 645,160 | 237,864 | 678,645 |
| 3. Reinsurance commissions and sharing in the reinsurers' profits | (20,221) | 1,756 | 5,015 | 43,608 |
| VIII. Other net technical expenses | 60,599 | 225,140 | 74,435 | 329,484 |
| IX. Changes in the balance of loss ratio (risk) equalization reserves | - | - | - | - |
| X. Technical result on non-life insurance | (117,172) | (333,842) | (66,906) | 335,970 |

4. Interim non-technical profit and loss account

PLN thous.

| Non-technical profit and loss account | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|--|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| I. Technical non-life or life insurance result | (117,172) | (333,842) | (66,906) | 335,970 |
| II. Investment income | 250,095 | 4,076,285 | 385,306 | 2,606,153 |
| 1. Investment income on real estate | 1,624 | 5,013 | 1,599 | 5,527 |
| 2. Investment income from subsidiaries | - | 3,120,000 | - | 1,421,145 |
| 2.1. on ownership interests or shares | - | 3,120,000 | - | 1,421,093 |
| 2.2. On loans and debt securities | - | - | - | 52 |
| 2.3. on other investments | - | - | - | - |
| 3. Other financial investment income | 185,423 | 659,142 | 286,248 | 958,511 |
| 3.1. on ownership interests, shares, other variable-income securities, participation units and investment certificates in investment funds | 5,217 | 17,029 | 11,419 | 16,182 |
| 3.2. on debt securities and other fixed income securities | 179,651 | 627,536 | 330,228 | 969,640 |
| 3.3. on term deposits in credit institutions | (850) | 5,287 | (61,360) | (40,378) |
| 3.4. on other investments | 1,405 | 9,290 | 5,961 | 13,067 |
| 4. Gain on investment revaluation | - | 60,666 | - | 45,605 |
| 5. Gain on investment realization | 63,048 | 231,464 | 97,459 | 175,365 |
| III. Unrealized investment gains | 69,278 | 101,367 | 28,960 | 94,822 |
| IV. Net investment income after including costs transferred from the technical life insurance account | - | - | - | - |
| V. Investment activity expenses | 33,765 | 107,271 | 53,622 | 205,348 |
| 1. Real estate maintenance expenses | 209 | 649 | 99 | 277 |
| 2. Other investment activity expenses | 3,562 | 7,840 | 4,314 | 12,653 |
| 3. Loss on investment revaluation | 306 | 10,875 | - | 87,051 |
| 4. Loss on investment realization | 29,688 | 87,907 | 49,209 | 105,367 |
| VI. Unrealized investment losses | (22,258) | 27,716 | (13,867) | 12,220 |
| VII. Net investment income after including costs transferred to the technical non-life insurance account | 69,234 | 197,112 | 63,825 | 187,816 |
| VIII. Other operating income | 15,829 | 39,664 | 30,178 | 58,637 |
| IX. Other operating expenses | 9,919 | 102,411 | 5,899 | 33,332 |
| X. Operating profit (loss) | 127,370 | 3,448,964 | 268,059 | 2,656,866 |

Interim Non-technical Profit And Loss Account (cont.)

| Non-technical profit and loss account | 1 July - 30 September 2010 | 1 January - 30 September 2010 | 1 July - 30 September 2009 | 1 January - 30 September 2009 |
|---|---|--|---|--|
| XI. Extraordinary gains | - | - | - | - |
| XII. Extraordinary losses | - | - | - | - |
| XIII. Gross profit (loss) | 127,370 | 3,448,964 | 268,059 | 2,656,866 |
| XIV. Income tax | 27,363 | 69,588 | 52,306 | 250,154 |
| a) current part | 41,590 | 134,870 | 20,935 | 161,728 |
| b) deferred part | (14,227) | (65,282) | 31,371 | 88,426 |
| XV. Other compulsory reductions in profit (increase in losses) | - | - | - | - |
| XVI. Share of the net profit (loss) of subsidiaries valued by the equity method | (20,350) | (23,312) | (4,688) | (6,189) |
| XVII. Net profit (loss) | 79,657 | 3,356,064 | 211,065 | 2,400,523 |
| Net profit (loss) | 79,657 | 3,356,064 | 211,065 | 2,400,523 |
| Weighted average number of common shares | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 |
| Profit (loss) per common share (PLN) | 0.92 | 38.86 | 2.44 | 27.80 |
| Weighted average diluted number of common shares | 86,352,300 | 86,352,300 | 86,352,300 | 86,352,300 |
| Diluted profit (loss) per common share (PLN) | 0.92 | 38.86 | 2.44 | 27.80 |

5. Interim Statement of Changes in Equity

PLN thous.

| Statement of changes in equity | 1 January - 30 September 2010 | 1 January - 31 December 2009 | 1 January - 30 September 2009 |
|--|-------------------------------------|---------------------------------|-------------------------------------|
| I. Equity at the beginning of the period (OB) | 10,411,542 | 19,151,579 | 19,151,579 |
| a) adjustments due to fundamental errors | - | - | - |
| I. a. Equity at the beginning of the period (OB), adjusted | 10,411,542 | 19,151,579 | 19,151,579 |
| 1. Share capital at the beginning of the period | 86,352 | 86,352 | 86,352 |
| 1.1. Change in the share capital | - | - | - |
| a) increase | - | - | - |
| b) decrease | - | - | - |
| 1.2. Balance of share capital at the end of the period | 86,352 | 86,352 | 86,352 |
| 2. Contributions due to share capital at the beginning of the period | - | - | - |
| 2.1. Change in the contributions due to share capital | - | - | - |
| a) increase | - | - | - |
| b) decrease | - | - | - |
| 2.2. Contributions due to share capital at the end of the period | - | - | - |
| 3. Treasury stock at the beginning of the period | - | - | - |
| 3.1. Changes in treasury stock | - | - | - |
| a) increase | - | - | - |
| b) decrease | - | - | - |
| 3.2. Treasury stock at the end of the period | - | - | - |
| 4. Reserve capital at the beginning of the period | 1,252,214 | 10,245,766 | 10,245,766 |
| 4.1. Movement in reserve capital | 808,140 | (8,993,552) | 3,005,812 |
| a) increase (by virtue of) | 808,140 | 3,005,964 | 3,005,812 |
| - distribution of profit (above minimum amount statutorily required) | 807,874 | 3,005,798 | 3,005,798 |
| - from revaluation reserve – by sale and liquidation of fixed assets | 266 | 166 | 14 |
| b) decrease | - | 11,999,516 | - |
| - credit to special reserve capital to fund anticipated interim dividend | - | 11,999,516 | - |
| 4.2. Reserve capital at the end of the period | 2,060,354 | 1,252,214 | 13,251,578 |
| 5. Revaluation reserve at the beginning of the period | 7,312,998 | 5,792,663 | 5,792,663 |
| 5.1. Movements in the revaluation reserve | (1,780,206) | 1,520,335 | 827,703 |
| a) increase (by virtue of) | 137,424 | 1,770,510 | 1,062,560 |
| - valuation of financial investments | 137,424 | 1,735,281 | 1,027,331 |
| - transfer of the impairment charges on investments available for sale | - | 35,229 | 35,229 |
| b) decrease (by virtue of) | 1,917,630 | 250,175 | 234,857 |
| - valuation of financial investments | 1,917,364 | 250,009 | 234,843 |
| - sale and liquidation of fixed assets | 266 | 166 | 14 |
| 5.2. Revaluation reserve at the end of the period | 5,532,792 | 7,312,998 | 6,620,366 |
| 6. Other reserve capital at the beginning of the period | - | - | - |
| 6.1. Movements in other reserve capital | - | - | - |
| a) increase (by virtue of) | - | 11,999,516 | - |
| - credit to special reserve capital to fund anticipated interim dividend | - | 11,999,516 | - |
| b) decrease (by virtue of) | - | 11,999,516 | - |
| - financing expected interim dividends | - | 11,999,516 | - |
| 6.2. Other reserve capital at the end of the period | - | - | - |

Interim Statement of Changes in Equity (cont.)

| Statement of changes in equity | 1 January - 30 September 2010 | 1 January - 31 December 2009 | 1 January - 30 September 2009 |
|---|-------------------------------------|---------------------------------|-------------------------------------|
| 7. Profit (loss) brought forward at the beginning of the period | 1,759,978 | 3,026,798 | 3,026,798 |
| 7.1. Profit brought forward at the beginning of the period | 1,759,978 | 3,026,798 | 3,026,798 |
| a) adjustments due to fundamental errors | - | - | - |
| 7.2. Profit brought forward at the beginning of the period, adjusted | 1,759,978 | 3,026,798 | 3,026,798 |
| a) increase | - | - | - |
| b) decrease (by virtue of) | 1,759,978 | 3,026,798 | 3,026,798 |
| - transfers to reserve capital | 807,874 | 3,005,798 | 3,005,798 |
| - disbursement of dividends | 942,104 | - | - |
| - transfers to / charges for the Company | 10,000 | 21,000 | 21,000 |
| Employee Benefit Fund | | | |
| 7.3. Profit brought forward at the end of the period | - | - | - |
| 7.4. Loss brought forward at the beginning of the period | - | - | - |
| a) changes in the accepted accounting principles (policies) | - | - | - |
| 7.5. Loss brought forward at the beginning of the period, adjusted | - | - | - |
| 7.6. Losses brought forward at the end of the period | - | - | - |
| 7.7. Profit (loss) brought forward at the end of the period | - | - | - |
| 8. Net result | 3,356,064 | 1,759,978 | 2,400,523 |
| a) Net profit | 3,356,064 | 2,510,379 | 2,400,523 |
| b) Net loss | - | - | - |
| c) Charges to profits | - | 750,401 | - |
| II. Equity at the end of the period (CB) | 11,035,562 | 10,411,542 | 22,358,819 |
| III. Equity after taking into consideration the proposed distribution of profits (coverage of losses) | 11,035,562 | 10,411,542 | 22,358,819 |

6. Interim Cash Flow Statement

PLN thous.

| Cash Flow Statement | 1 January - 30 September 2010 | 1 January - 31 December 2009 | 1 January - 30 September 2009 |
|--|-------------------------------------|---------------------------------|-------------------------------------|
| A. Net cash flow on operating activity | (354,900) | (52,640) | (59,499) |
| I. Proceeds | 6,420,464 | 9,042,428 | 6,741,752 |
| 1. Proceeds on direct activity and inward reinsurance | 5,852,867 | 8,104,258 | 6,142,640 |
| 1.1. Proceeds on gross premiums | 5,741,314 | 7,918,445 | 6,002,790 |
| 1.2. Proceeds on recovery, salvage and claim refunds | 71,584 | 112,741 | 85,150 |
| 1.3. Other proceeds on direct activity | 39,969 | 73,072 | 54,700 |
| 2. Proceeds on outward reinsurance | 200,424 | 203,572 | 120,608 |
| 2.1. Payments received from reinsurers for their share of claims paid | 188,385 | 166,340 | 87,758 |
| 2.2. Proceeds on reinsurance commissions and profit-sharing | 6,633 | 11,781 | 7,850 |
| 2.3. Other proceeds from outward reinsurance | 5,406 | 25,451 | 25,000 |
| 3. Proceeds on other operating activity | 367,173 | 734,598 | 478,504 |
| 3.1. Proceeds for acting as an emergency adjuster | 101,148 | 123,972 | 95,584 |
| 3.2. Sale of other intangible assets and tangible components of non-current assets besides investments | 5,219 | 2,249 | 1,257 |
| 3.3. Other proceeds | 260,806 | 608,377 | 381,663 |
| II. Expenditures | 6,775,364 | 9,095,068 | 6,801,251 |
| 1. Expenditures on direct activity and inward reinsurance | 5,884,995 | 7,482,808 | 5,661,574 |
| 1.1. Returns of gross premiums | 97,745 | 141,975 | 108,201 |
| 1.2. Gross claims paid | 3,572,480 | 4,498,827 | 3,427,035 |
| 1.3. Acquisition expenditures | 703,371 | 844,272 | 622,652 |
| 1.4. Administrative expenditures | 1,232,539 | 1,551,424 | 1,144,768 |
| 1.5. Expenditures for claims handling and pursuit of recoveries | 155,384 | 211,563 | 154,435 |
| 1.6. Commissions paid and profit-sharing on inward reinsurance | 2,261 | 24,413 | 22,242 |
| 1.7. Other expenditures on direct activity and inward reinsurance | 121,215 | 210,334 | 182,241 |
| 2. Expenditures on outward reinsurance | 145,204 | 141,591 | 115,459 |
| 2.1. Premiums paid for reinsurance | 102,332 | 114,692 | 94,443 |
| 2.2. Other expenditures on outward reinsurance | 42,872 | 26,899 | 21,016 |
| 3. Expenditures on other operating activity | 745,165 | 1,470,669 | 1,024,218 |
| 3.1. Expenditures for acting as an emergency adjuster | 309,968 | 448,792 | 342,311 |
| 3.2. Purchase of other intangible assets and property, plant and equipment other than investments | 64,813 | 108,026 | 67,772 |
| 3.3. Other operating expenditures | 370,384 | 913,851 | 614,135 |

Interim Cash Flow Statement (cont.)

| Cash Flow Statement | 1 January - 30 September 2010 | 1 January - 31 December 2009 | 1 January - 30 September 2009 |
|--|-------------------------------------|---------------------------------|-------------------------------------|
| B. Cash flow on investing activity | 6,115,133 | 7,954,992 | (61,947) |
| I. Proceeds | 78,903,331 | 206,579,993 | 119,136,357 |
| 1. Sale of real estate | - | - | - |
| 2. Sale of ownership interests and shares in subsidiaries | 34 | 20,111 | 20,111 |
| 3. Sale of ownership interests and shares in other entities and participation units and investment certificates in investment funds | 837,698 | 646,562 | 314,824 |
| 4. Realization of debt securities issued by subsidiaries and amortization of the loans granted to these entities | - | 32,200 | 32,200 |
| 5. Realization of debt securities issued by other entities | 15,266,705 | 23,594,485 | 14,611,741 |
| 6. Liquidation of term deposits in credit institutions | 35,688,799 | 74,891,537 | 48,930,177 |
| 7. Realization of other investments | 23,955,680 | 105,938,186 | 53,779,657 |
| 8. Proceeds from real estate | 5,488 | 8,337 | 6,591 |
| 9. Interest received | 18,846 | 14,315 | 12,129 |
| 10. Dividends received | 3,130,081 | 1,434,260 | 1,428,927 |
| 11. 11. Other investment proceeds | - | - | - |
| II. Expenditures | 72,788,198 | 198,625,001 | 119,198,304 |
| 1. Purchase of real estate | - | - | - |
| 2. Purchase of ownership interests and shares in subsidiaries | 147,963 | 11,103 | 3,179 |
| 3. Purchase of ownership interests and shares in other entities, participation units and investment certificates in investment funds | 780,025 | 695,946 | 426,817 |
| 4. Purchase of debt securities issued by subsidiaries and extension of loans to these entities | - | - | - |
| 5. Purchase of debt securities issued by other entities | 11,985,545 | 18,837,296 | 16,362,492 |
| 6. Purchase of term deposits in credit institutions | 35,323,071 | 74,130,062 | 48,163,947 |
| 7. Purchase of other investments | 24,538,902 | 104,906,962 | 54,226,136 |
| 8. Expenditures to maintain real estate | 6,783 | 7,487 | 6,044 |
| 9. Other expenditures for investments | 5,909 | 36,145 | 9,689 |
| C. Cash flow on financing activity | (5,727,691) | (8,029,975) | (13) |
| I. Proceeds | 322 | 4,712,755 | 466 |
| 1. Net proceeds from issuing shares and additional capital contributions | - | - | - |
| 2. Credits, loans and issues of debt securities | 322 | 4,712,755 | 466 |
| 3. Other financial proceeds | - | - | - |
| II. Expenditures | 5,728,013 | 12,742,730 | 479 |
| 1. Dividends | 920,917 | 12,742,237 | 1 |
| 2. Other expenditures for distribution of profits besides disbursement of dividends | - | - | - |
| 3. Purchase of treasury stock | - | - | - |
| 4. Amortization of credits and loans and redemption of own debt securities | 4,807,096 | 493 | 478 |
| 5. Interest on credits and loans and issued debt securities | - | - | - |
| 6. Other financial expenditures | - | - | - |
| D. Net cash flow, total | 32,542 | (127,623) | (121,459) |
| E. Balance sheet change in cash balance, including: | 33,489 | (128,439) | (120,519) |
| 1. including movements in cash on FX differences | 947 | 816 | 940 |
| F. Cash at the beginning of the period | 127,800 | 256,239 | 256,239 |
| G. Cash at the end of the period, including: | 161,289 | 127,800 | 135,720 |
| 1. including restricted cash | 80,999 | 53,122 | 58,774 |

7. Introduction

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

8. Key accounting principles (policies)

Detailed accounting principles (policies) were presented in the annual separate financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2009, drawn up according to PAS and signed by the PZU Management Board on 7 March 2010, on which the chartered accountant issued an unqualified opinion on that same date, and which was approved by the PZU Shareholder Meeting on 10 June 2010 ("Separate Financial Statements of PZU for 2009").

PZU's separate financial statements for 2009 are available on the PZU website at www.pzu.pl in the "Investor Relations / Financial Information" tab.

9. Changes in accounting policies

In the period of 9 months ended 30 September 2010, no changes were made to the accounting principles or presentation of data in the separate financial statements as compared to PZU's separate financial statements for 2009, with the exception of the matter described in the clause entitled "Comparability of financial data" below.

10. Comparability of financial data

Pursuant to Article 2 section 1 item 36 of the Regulation on current and periodic information, the term financial statements is understood, if it is to be prepared according to PAS, as financial statements prepared according to the applicable accounting principles and disclosing data in compliance with the requirements of the Finance Minister's Regulation of 18 October 2005 on the scope of information included in financial statements and consolidated financial statements required in a prospectus for issuers with registered seat in the territory of the Republic of Poland, to which Polish accounting principles apply (Journal of Laws of 2005 No. 209 Item 1743, as later amended "Regulation on financial statements in prospectus").

The layout of financial statements in Attachment No. 3 "Scope of information presented in financial statements and consolidated financial statements and comparative data for securities issuers being insurance companies" to the Regulation on financial statements in prospectus differs from the layout of financial statements in Attachment No. 3 "Scope of information presented in financial statements referred to in Article 45 of the Act, for insurance and reinsurance companies" to the Accountancy Act.

PZU's separate financial statements for 2009 contain financial data presented according to the layout specified in Attachment No. 3 to the Accountancy Act.

These condensed separate financial statements contain financial data presented according to the layout specified in Attachment No. 3 to the Regulation on financial statements in prospectus, while comparability of financial data between the presented periods has been ensured.

| Date | First and last name | Position / Function | |
|------------------|---------------------|--------------------------------|-------------------|
| 15 November 2010 | Andrzej Klesyk | CEO of PZU | (signed) |
| 15 November 2010 | Witold Jaworski | PZU SA Management Board Member | (signed) |