

**The Capital Group of
Powszechny Zakład Ubezpieczeń
Spółka Akcyjna**

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2014**

The opinion contains 3 pages
The supplementary report contains 15 pages
Opinion of the independent auditor
and supplementary report on the audit
of the consolidated financial statements
for the financial year ended
31 December 2014

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

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting and Supervisory Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna

Opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna (“the Group”), whose parent company is Powszechny Zakład Ubezpieczeń Spółka Akcyjna, with its registered office in Warsaw, al. Jana Pawła II 24 (“the Parent Company”), which comprise the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the year ended 31 December 2014, the consolidated statement of financial position as at 31 December 2014, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year then ended 31 December 2014 and additional information and notes comprising a summary of significant accounting policies and other explanatory information, hereinafter called ‘consolidated financial statements’.

Management’s and Supervisory Board’s Responsibility for the Consolidated Financial Statements

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group’s activities. Management of the Parent Company is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), Management of the Parent Company and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group’s activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Parent Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of the Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Other Matters

The financial statements of the Group as at and for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements dated 11 March 2014.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

As required under the Accounting Act, we report that the accompanying report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act, by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the Attachment No. 6 of the Decree of the Minister Finance dated 28 December 2009 on specific accounting principles in insurance and reinsurance companies (Official Journal from 2009, No. 226, item 1825) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

.....
Marcin Dymek
Key Certified Auditor
Registration No. 9899

Signed on the Polish original

.....
Stacy Ligas
Limited Liability Partner
with power of attorney

Warsaw, 16 March 2015

**The Capital Group of
Powszechny Zakład Ubezpieczeń
Spółka Akcyjna**

**Supplementary report
on the audit of the
consolidated financial
statements
Financial Year ended
31 December 2014**

The supplementary report contains 15 pages
The supplementary report on the audit of the
consolidated financial statements
for the financial year ended
31 December 2014

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1. General

1.1 Identification of the Group

1.1.1 Name of the Group

The Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna ('the Group').

1.1.2 Registered office of the Parent Company of the Group

Powszechny Zakład Ubezpieczeń Spółka Akcyjna with registered office in Warsaw, Al. Jana Pawła II 24 ('the Parent Company').

1.1.3 Registration of the Parent Company in the register of entrepreneurs of the National Court Register

Registration court:	District Court in Warsaw, XII Commercial Department of the National Court Register
Date:	30 April 2001
Registration number:	KRS 0000009831
Share capital as at the end of reporting period:	PLN 86,352 thousand

1.1.4 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

As at 31 December 2014, the Management Board of the Company was comprised of the following members:

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

On 6 October 2014 Barbara Smalska resigned from the Management Board effective from 31 December 2014.

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

Complete list of the consolidated subsidiaries have been disclosed in point 1.6 of this report and in the Note 2.2 of the additional information and notes to the consolidated financial statements.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2014, as a result of the Parent Company acquiring a controlling interest:

- Centrum Medyczne Medica sp. z o.o. – subject to consolidation in the period from 9 May 2014 to 31 December 2014,
- Sanatorium Uzdrowskowe “Krystynka” sp. z o.o – subject to consolidation in the period from 9 May to 31 December 2014,
- Specjalistyczna Przychodnia Przemysłowa Prof-Med sp. z o.o. – subject to consolidation in the period from 12 May 2014 to 31 December 2014,
- PZU Finance AB (publ.) – subject to consolidation in the period from 2 June 2014 to 31 December 2014,
- AAS Balta – subject to consolidation in the period from 30 June 2014 to 31 December 2014,
- Omicron Bis SA – subject to consolidation in the period from 28 August 2014 to 31 December 2014,
- Link4 Towarzystwo ubezpieczeń SA – subject to consolidation in the period from 15 September 2014 to 31 December 2014,
- L4C sp. z o.o. – subject to consolidation in the period from 15 September 2014 to 31 December 2014,
- Lietuvos Draudimas AB – subject to consolidation in the period from 31 October 2014 to 31 December 2014,
- Arm property sp. z o.o. – subject to consolidation in the period from 26 November 2014 to 31 December 2014,
- Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o. – subject to consolidation in the period from 1 December 2014 to 31 December 2014,
- Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o. – subject to consolidation in the period from 1 December 2014 to 31 December 2014.

The following subsidiary was consolidated during the reporting period until the date control by the Parent Company ceased: PZU Energia Medycyna Ekologia – subject to consolidation in the period from 1 January 2014 to 31 March 2014.

1.2.2 Entities excluded from consolidation

As at 31 December 2014, the following subsidiary was not consolidated as a result of lack of controlling interest by the Parent Company: Syta Development sp. z o.o. w likwidacji

1.3 Key Certified Auditor and Audit Firm Information

1.3.1 Key Certified Auditor information

Name and surname: Marcin Dymek
Registration number: 9899

1.3.2 Audit firm information

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. ("KPMG Audyt")
Address of registered office: ul. Chłodna 51, 00-867 Warsaw
Registration number: KRS 0000339379
Registration court: District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register
NIP number: 527-26-15-362

KPMG Audyt is entered in the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.4 Prior period consolidated financial statements

The financial statements of the Group as at and for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements dated 11 March 2014.

The financial statements as at and for the year ended 31 December 2013 were approved at the General Meeting of the Parent Company on 17 June 2014.

The financial statements as at and for the year ended 31 December 2013 were submitted to the Registry Court on 25 June 2014.

1.5 Audit scope and responsibilities

This report was prepared for the General Meeting and Supervisory Board of the Parent Company and relates to the consolidated financial statements comprising: the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the year ended 31 December 2014, the consolidated statement of financial position as at 31 December 2014, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year ended 31 December 2014 and additional information and notes comprising a summary of significant accounting policies and other explanatory information.

The Parent Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The consolidated financial statements were audited in accordance with the contract dated 26 June 2014, concluded on the basis of the resolution of the Supervisory Board dated 18 February 2014 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements at the Group entities during the period from October to November 2014 (interim audit) and from January to March 2015 (final audit).

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and with other applicable regulations and preparation of the report on the Group’s activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the financial statements.

The Management Board of the Parent Company submitted a statement, dated as at the same date as this report, as to the true and fair presentation of the accompanying consolidated financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All required statements, explanations and information were provided to us by Management of the Group and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt.

The Key Certified Auditor and KPMG Audyt fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

1.6 Information on audits of the financial statements of the consolidated companies

1.6.1 Parent Company

The separate financial statements of the Parent Company for the year ended 31 December 2014 were audited by KPMG Audyt, audit firm number 3546, and received an unmodified opinion.

1.6.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
1. Powszechny Zakład Ubezpieczeń na Życie SA	KPMG Audyt	31 December 2014	unmodified
2. Link 4 Towarzystwo Ubezpieczeń SA	KPMG Audyt	31 December 2014	audit not completed
3. Lietuvos Draudimas AB	KPMG Baltics UAB	31 December 2014	audit not completed
4. Apdrošināšanas Akciju Sabiedrība Balta AAS BALTA	KPMG Baltics SIA	31 December 2014	audit not completed
5. PrJSC IC PZU Ukraine	JSC KPMG Audit	31 December 2014	audit not completed
6. PrJSC IC PZU Ukraine Life Insurance	JSC KPMG Audit	31 December 2014	audit not completed
7. UAB DK PZU Lietuva	KPMG Baltics UAB	31 December 2014	audit not completed
8. UAB PZU Lietuva Gyvybes Draudimas	KPMG Baltics UAB	31 December 2014	audit not completed
9. Powszechne Towarzystwo Emerytalne PZU SA	KPMG Audyt	31 December 2014	unmodified
10. PZU Centrum Operacji SA	KPMG Audyt	31 December 2014	unmodified
11. Towarzystwo Funduszy Inwestycyjnych PZU SA	KPMG Audyt	31 December 2014	unmodified
12. PZU Pomoc SA	KPMG Audyt	31 December 2014	unmodified
13. PZU Finance AB	KPMG Sweden	31 December 2014	audit not completed
14. PZU Finanse Sp. z o.o.	MG Profit sp. z o.o.	31 December 2014	unmodified
15. Tower Inwestycje Sp. z o.o.	KPMG Audyt	31 December 2014	unmodified
16. Ogrodowa-Inwestycje Sp. z o.o.	KPMG Audyt	31 December 2014	unmodified
17. Armatura Kraków SA	KPMG Audyt	31 December 2014	audit not completed
18. Armatoora SA	KPMG Audyt	31 December 2014	audit not completed
19. Armaton SA	KPMG Audyt	31 December 2014	audit not completed
20. Arm Property sp. z o.o.	not audited	31 December 2014	n/a
21. Armadimp SA ¹	KPMG Audyt	31 December 2014	audit not completed ¹
22. Armagor SA ¹	KPMG Audyt	31 December 2014	audit not completed ¹
23. PZU Zdrowie SA (dawniej Ipsilon Bis SA)	MG Profit sp. z o.o.	31 December 2014	audit not completed
24. Centrum Medyczne Medica Sp. z o.o.	EKSPERT-FIN Biegli Rewidenci Sp. z o.o.	31 December 2014	unmodified
25. Specjalistyczna Przychodnia Przemysłowa Prof-med sp. z o.o.	EKSPERT-FIN Biegli Rewidenci Sp. z o.o.	31 December 2014	unmodified
26. Sanatorium Uzdrowskie Krystynka Sp. z o.o.	EKSPERT-FIN Biegli Rewidenci Sp. z o.o.	31 December 2014	unmodified
27. Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o. („Elvita”)	EKSPERT-FIN Biegli Rewidenci Sp. z o.o.	31 December 2014	unmodified
28. Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o. („Proelmed”)	Katarzyna Walewska Biuro Rachunkowe Biegłego Rewidenta	31 December 2014	unmodified
29. Ipsilon Sp. z o.o.	not audited	31 December 2014	n/a
30. PZU Asset Management S.A.	KPMG Audyt	31 December 2014	unmodified
31. Międzyzakładowe Pracownice Towarzystwo Emerytalne PZU SA w likwidacji	not audited	31 December 2014	n/a
32. Omicron SA	MG Profit sp. z o.o.	31 December 2014	audit not completed
33. Omicron Bis SA	MG Profit sp. z o.o.	31 December 2014	audit not completed
34. LLC SOS Services Ukraine	not audited	31 December 2014	n/a
35. L4C sp. z o.o.	not audited	31 December 2014	n/a
36. PZU SFIO Universum	KPMG Audyt	31 December 2014	unmodified
37. PZU FIZ Dynamiczny	KPMG Audyt	31 December 2014	unmodified
38. PZU FIZ Sektora Nieruchomości	KPMG Audyt	31 December 2014	unmodified
39. PZU FIZ Sektora Nieruchomości 2	KPMG Audyt	31 December 2014	unmodified
40. FIZ Aktywów Niepublicznych BIS1	KPMG Audyt	31 December 2014	unmodified



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41. FIZ Aktywów Niepublicznych BIS2	KPMG Audyt	31 December 2014	unmodified
42. PZU Dłużny Rynków Wschodzących (Globalnej Alokacji)	KPMG Audyt	31 December 2014	unmodified
43. PZU Akcji Rynków Wschodzących	KPMG Audyt	31 December 2014	unmodified
44. PZU Akcji Spółek Dywidendowych	KPMG Audyt	31 December 2014	unmodified
45. FIZ_FORTE	KPMG Audyt	31 December 2014	unmodified
46. PZU FIZ Sektora Nieruchomości 3 in liquidation ²	not audited	31 December 2014	n/a
47. PZU FIZ Aktywów Niepublicznych RE Income in liquidation ²	not audited	31 December 2014	n/a
48. PZU FIO Gotówkowy	KPMG Audyt	31 December 2014	unmodified

¹On 31 December 2014, business combination of Armatoora SA (the acquiring entity) and Armadimp SA (the acquired entity) and business combination of Armatura Kraków SA (the acquiring entity) and Armagor SA (the acquired entity) was registered.

²The Capital Group od PZU also includes subsidiaries, having the character of special purpose vehicles investing in particular properties, which are in the portfolios of the following funds: PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Sektora Nieruchomości 3 in liquidation, PZU FIZ Aktywów Niepublicznych RE Income in liquidation, the number of which for particular funds amounted to: 39, 13, 7, 6. Out of the total number of those companies 22 special purpose vehicles with a property in its portfolio are audited by KPMG Audyt, and until the date of this report these audit have not been completed.

2 Financial analysis of the Group

2.1 Summary analysis of the consolidated financial statements

2.1.1 Consolidated statement of profit or loss

	1.01.2014 - 31.12.2014 PLN thousand	% gross premium written	1.01.2013 - 31.12.2013 PLN thousand	% gross premium written
Gross written premiums	16,884,639	0.0%	16,480,003	0.0%
Reinsurer's share in the written premiums	(349,912)	2.1%	(257,037)	1.6%
Net written premium	16,534,727	97.9%	16,222,966	98.4%
Change in net unearned premium reserve	(105,357)	0.6%	25,803	0.2%
Net earned premiums	16,429,370	97.3%	16,248,769	98.6%
Revenue from commissions and fees	350,764	2.1%	299,169	1.8%
Net investment income	1,793,838	10.6%	1,866,650	11.3%
Net result on realization and impairment losses on investments	427,147	2.5%	42,547	0.3%
Net change in the fair value of assets and liabilities measured at fair value	512,533	3.0%	605,358	3.7%
Other operating income	537,633	3.2%	485,221	2.9%
Claims, benefits and change in technical provisions	(11,733,228)	69.5%	(11,195,277)	67.9%
Reinsurer's share in claims, benefits and change in technical provisions	191,520	1.1%	34,053	0.2%
Net claims and benefits	(11,541,708)	68.4%	(11,161,224)	67.7%
Change in measurement of investment contracts	(14,031)	0.1%	(77,715)	0.5%
Acquisition costs	(2,147,024)	12.7%	(2,015,938)	12.2%
Administrative expenses	(1,527,699)	9.0%	(1,406,480)	8.5%
Other operating expenses	(907,740)	5.4%	(705,599)	4.3%
Operating profit	3,913,083	23.2%	4,180,758	25.4%
Borrowing costs	(219,865)	1.3%	(61,664)	0.4%
Share in net profit (loss) of entities measured using the equity method	(1,525)	0.0%	1,404	0.0%
Gross profit	3,691,693	21.9%	4,120,498	25.0%
Income tax				
- current portion	(673,506)	4.0%	(855,776)	5.2%
- deferred portion	(50,560)	0.3%	60,233	0.4%
Net profit, including:	2,967,627	17.6%	3,294,955	20.0%
- profit attributable to equity holders of the parent entity	2,967,731	17.6%	3,293,496	20.0%
- profit (loss) attributable to non-controlling interest	(104)	0.0%	1,459	0.0%
Net profit on continued operations attributable to equity holders of the parent entity	2,967,731	17.6%	3,293,496	20.0%
Net profit (loss) from discontinued operations	-	-	-	0.0%
Basic and diluted weighted average number of ordinary shares in issue	86,351,949	0.0%	86,351,949	0.0%
Basic and diluted profit (loss) per one ordinary share (in PLN)	34.37	0.0%	38.14	0.0%



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2.1.2 Consolidated statement of other comprehensive income

	1.01.2014 - 31.12.2014	% net profit	1.01.2013 - 31.12.2013	% net profit
	PLN thousand		PLN thousand	
Net profit	2,967,627		3,294,955	
Other comprehensive income	17,193	0.6%	(104,482)	3.2%
Amounts subject to subsequent transfer to statement of profit or loss:	10,580	0.4%	(119,829)	3.6%
Measurement of available-for-sale financial instruments	8,475	0.3%	(120,101)	3.6%
Exchange differences from translation	2,287	0.1%	292	0.0%
Other comprehensive income of entities measured using the equity method	(182)	0.0%	(20)	0.0%
Amounts not subject to subsequent transfer to statement of profit or loss:	6,613	0.2%	15,347	0.5%
Property reclassified from property, plant and equipment to investment property	13,504	0.5%	14,445	0.4%
Actuarial gains and losses from remeasurements of defined benefit liabilities	(6,891)	0.2%	902	0.0%
Total net comprehensive income	2,984,820	100.6%	3,190,473	96.8%
Comprehensive income attributable to equity holders of the parent entity	2,984,916	100.6%	3,189,009	96.8%
Comprehensive income attributable to non-controlling interest	(96)	0.0%	1,464	0.0%

2.1.3 Consolidated statement of financial position

ASSETS	31 Dec 2014 PLN thousand	% assets	31 Dec 2013 PLN thousand	% assets
Intangible assets	868,692	1.3%	308,726	0.5%
Goodwill	785,663	1.2%	8,519	0.0%
Property, plant and equipment	1,001,609	1.5%	927,281	1.5%
Investment property	2,236,062	3.3%	1,474,770	2.3%
Companies measured using the equity method	66,311	0.1%	48,595	0.1%
Financial assets	56,759,976	84.0%	55,085,728	87.7%
Financial instruments held to maturity	19,983,689	29.6%	18,859,902	30.0%
Financial instruments available for sale	2,985,322	4.4%	1,920,112	3.1%
Financial instruments measured at fair value through profit or loss	19,096,484	28.3%	19,904,176	31.7%
Loans and receivables	14,694,481	21.7%	14,401,538	22.9%
Receivables, including insurance receivables	3,068,813	4.5%	2,671,964	4.3%
Reinsurer's share in technical provisions	753,115	1.1%	526,605	0.8%
Estimated subrogations and salvages	127,262	0.2%	129,950	0.2%
Deferred tax assets	26,957	0.0%	16,949	0.0%
Current income tax receivables	368	0.0%	34,895	0.1%
Deferred acquisition costs	712,066	1.1%	609,819	1.0%
Other assets	235,250	0.3%	195,449	0.3%
Cash and cash equivalents	324,007	0.5%	569,157	0.9%
Assets held for sale	606,610	0.9%	178,897	0.3%
Total assets	67,572,761	100.0%	62,787,304	100.0%



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EQUITY AND LIABILITIES	31 Dec 2014	%	31 Dec 2013	%
	PLN thousand	assets	PLN thousand	assets
Equity				
Issued share capital and other equity attributable to the equity holders of the parent entity	13,166,336	19.5%	13,111,290	20.9%
Share capital	86,352	0.1%	86,352	0.1%
Other capitals	9,885,791	14.6%	9,061,351	14.4%
Treasury shares	(110)	0.0%	(110)	0.0%
Supplementary capital	9,678,921	14.3%	8,855,999	14.1%
Revaluation reserve	248,543	0.4%	242,297	0.4%
Other reserve capitals	66	0.0%	-	0.0%
Actuarial gains and losses from remeasurements of defined benefit plans	(6,179)	0.0%	902	0.0%
Exchange differences from translation	(35,450)	-0.1%	(37,737)	-0.1%
Unappropriated profit	3,194,193	4.7%	3,963,587	6.3%
Retained earnings	226,462	0.3%	2,397,137	3.8%
Net profit	2,967,731	4.4%	3,293,496	5.2%
Appropriations of net profit during the financial year	-	0.0%	(1,727,046)	-2.8%
Non-controlling interest	1,292	0.0%	16,341	0.0%
Total equity	13,167,628	19.5%	13,127,631	20.9%
Liabilities				
Technical provisions	40,166,885	59.4%	37,324,416	59.4%
Unearned premiums and unexpired risk reserves	5,250,103	7.8%	4,540,011	7.2%
Provision for life insurance	16,281,625	24.1%	16,048,191	25.6%
Provisions for unpaid claims and benefits	7,770,351	11.5%	6,586,781	10.5%
Provision for capitalized annuity benefits	5,997,595	8.9%	5,761,332	9.2%
Provisions for bonuses and discounts for the insured	2,291	0.0%	2,893	0.0%
Other technical provisions	439,364	0.7%	477,987	0.8%
Unit-linked technical provisions	4,425,556	6.5%	3,907,221	6.2%
Investment contracts	1,108,107	1.6%	2,121,037	3.4%
- with guaranteed and fixed terms and conditions	520,840	0.8%	1,250,492	2.0%
- unit-linked	587,267	0.9%	870,545	1.4%
Provisions for employee benefits	120,070	0.2%	123,380	0.2%
Other provisions	191,206	0.3%	192,906	0.3%
Deferred tax liabilities	398,433	0.6%	255,399	0.4%
Current income tax liabilities	53,770	0.1%	53,372	0.1%
Derivatives	625,844	0.9%	237,749	0.4%
Liabilities arising from issue of debt securities	2,127,527	3.1%	-	0.0%
Other liabilities	9,361,277	13.9%	9,351,414	14.9%
Liabilities directly associated with assets held for sale	252,014	0.4%	-	0.0%
Total liabilities	54,405,133	80.5%	49,659,673	79.1%
Total equity and liabilities	67,572,761	100.0%	62,787,304	100.0%

2.2 Selected financial ratios

	2014	2013	2012
Sales profitability ratio	17.6%	20.0%	20.0%
= Net profit (loss) / Gross written premium			
Profitability ratio of investment activity	4.9%	4.5%	7.9%
= Investment income / Average investments' value			
Gross loss ratio	72.5%	67.9%	76.2%
= (Gross claims and benefits paid + change in gross provision for outstanding claims) / Gross earned premium			
Net loss ratio	70.3%	68.7%	76.3%
= (Net claims and benefits paid + change in net provision for outstanding claims) / Net earned premium			
Premium retention ratio	97.9%	98.4%	98.5%
= Net written premium / Gross written premium			
Claims retention ratio	98.4%	99.7%	98.8%
= Net claims and benefits paid / Gross claims and benefits paid			
Acquisition cost ratio	13.4%	12.4%	12.4%
= Acquisition costs ¹ / Net earned premium			
Administration cost ratio	9.0%	8.5%	8.9%
= Administration costs / Net earned premium			
Net operating expenses ratio	22.4%	21.1%	21.5%
= General insurance costs ² / Net earned premium			

¹ Acquisition costs include accrued amounts without the change in deferred acquisition costs.

² General insurance costs include acquisition costs (with change in deferred acquisition costs) and administration costs.

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in Note 5 of the additional information and notes to the consolidated financial statements to the extent required by IFRS.

In view of the fact that not all entities being part of the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Group were prepared in accordance with IFRS and other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation.

3.3 Method of consolidation

The method of consolidation is described in Note 5.2 of additional information and notes to the consolidated financial statements.

3.4 Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in Notes 2.4, 5.4, 5.6, 6.2.2 and 29 of additional information and notes to the consolidated financial statements.

3.5 Consolidation of equity and calculation of non-controlling interest

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The relevant data for consolidation eliminations was based on the accounting records of subsidiaries consolidated on the full consolidation basis, which have been subject to an audit or other revision procedures, and agreed with information received from the subsidiaries.

3.7 Notes to the consolidated financial statements

All information included in additional information and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the consolidated financial statements.

3.8 Report of the Management Board of the Parent Company on the Group's activities

The report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act, by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and Attachment No. 6 to the Decree of the Minister of Finance dated 28 December 2009 on specific accounting principles in insurance and reinsurance companies (Official Journal from 2009, No. 226, item 1825) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
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00-867 Warsaw

Signed on the Polish original

.....
Marcin Dymek
Key Certified Auditor
Registration No. 9899

Signed on the Polish original

.....
Stacy Ligas
Limited Liability Partner
with power of attorney

Warsaw, 16 March 2015