

Powszechny Zakład Ubezpieczeń
Spółka Akcyjna
Group

Condensed interim
consolidated financial statements
for Q3 2015



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Introduction

Compliance statement

These condensed interim consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group ("condensed interim consolidated financial statements" and "PZU Group", respectively) have been prepared in line with International Financial Reporting Standards as endorsed by the European Commission ("IFRS"), published and in force as at 30 September 2015, including the requirements of International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Regulation issued by the Finance Minister on 19 February 2009 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (i.e. Journal of Laws of 2014, Item 133) ("Regulation on Current and Periodic information").

PZU Group companies keep their ledgers in accordance with the accounting standards adopted in the country of the registered office of each company, and these condensed interim consolidated financial statements include adjustments whose purpose was to make these entities' financial data IFRS-compliant.

Parent company's quarterly standalone financial information

Pursuant to Article 83 Section 1 of the Regulation on Current and Periodic Information, quarterly standalone financial information of the PZU Group's parent company, i.e. Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU", "parent company") forms part of these condensed interim consolidated financial statements.

According to Article 45 Section 1a of the Accounting Act of 29 September 1994 (i.e. Journal of Laws of 2013, Item 330) ("Accounting Act"), the financial statements of issuers of securities admitted into trading on one of the regulated markets of the European Economic Area's states may be prepared in accordance with IFRS.

As the PZU Shareholder Meeting has not made the decision referred to in Article 45 Section 1c of the Accounting Act in the matter of preparation of financial statements pursuant to IFRS, PZU's standalone statements are prepared in accordance with Polish Accounting Standards ("PAS"), as defined in the Accounting Act, and in the executive regulations issued on its basis, including:

- Finance Minister's Regulation of 28 December 2009 on the special accounting principles for insurance and reinsurance undertakings (Journal of Laws of 2009, 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, Item 1674, as amended).

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

Period covered by these condensed interim consolidated financial statements

These condensed interim consolidated financial statements have been prepared for the period of 9 months from 1 January to 30 September 2015.

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

Functional and presentation currency

PZU's functional and presentation currency is the Polish zloty. The functional currency of the entities operating in Lithuania, Latvia, Estonia and Sweden is the Euro while the functional currency of the entities operating in Ukraine is the Ukrainian hryvna.

Unless noted otherwise, all amounts presented in these condensed interim consolidated financial statements are stated in thousands of Polish zloty.

FX rates

Financial data of foreign subsidiaries are converted into Polish zloty as follows:

- assets and liabilities – at the average exchange rate set by the National Bank of Poland at the end of the reporting period;
- items of the profit and loss account and other comprehensive income – at the arithmetic mean of average exchange rates set by the National Bank of Poland as at the dates ending each month of the reporting period.

Currency	1 January – 30 September 2015	30 September 2015	30 June 2015	1 January – 31 December 2014	31 December 2014	1 January – 30 September 2014	30 September 2014
Euro	4.1585	4.2386	4.1944	4.1892	4.2623	4.1803	4.1755
Lithuanian lit	n/a	n/a	n/a	1.2133	1.2344	1.2107	1.2093
Ukrainian hryvna	0.1742	0.1774	0.1780	0.2637	0.2246	0.2729	0.2554

Going concern assumption

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

Discontinued activity

In the period of 9 months ended 30 September 2015, PZU Group entities did not discontinue any material type of activity.

Seasonal or cyclical business

The PZU Group's business is not seasonal and is not subject to business cycles to an extent that would justify application of the suggestions included in Clause 21 of IAS 34.

Financial highlights

1. Selected consolidated financial data of the PZU Group

Data from the consolidated statement of financial position	PLN 000s 30 September 2015	PLN 000s 31 December 2014	PLN 000s 30 September 2014	EUR 000s 30 September 2015	EUR 000s 31 December 2014	EUR 000s 30 September 2014
Assets	67,524,328	67,572,761	67,717,196	15,930,809	15,853,591	16,217,745
Share capital	86,352	86,352	86,352	20,373	20,259	20,681
Capital and provisions attributed to holders of the parent company's equity	12,365,623	13,166,336	12,778,233	2,917,384	3,089,021	3,060,288
Non-controlling interests	4,087	1,292	487	964	303	117
Total equity	12,369,710	13,167,628	12,778,720	2,918,348	3,089,325	3,060,405
Basic and diluted weighted average number of ordinary shares (in units)	86,351,949	86,351,949	86,351,949	86,351,949	86,351,949	86,351,949
Book value per ordinary share (in PLN/EUR)	143.20	152.47	147.98	33.78	35.77	35.44

Data from the consolidated profit and loss account	PLN 000s 1 January – 30 September 2015	PLN 000s 1 January – 30 September 2014	EUR 000s 1 January – 30 September 2015	EUR 000s 1 January – 30 September 2014
Gross written premiums	13,461,279	12,408,778	3,237,052	2,968,394
Net earned premiums	13,117,670	12,142,997	3,154,423	2,904,815
Revenues from commissions and fees	180,519	297,988	43,410	71,284
Net investment result	1,387,559	2,181,310	333,668	521,807
Net insurance claims and benefits	(9,079,665)	(8,411,922)	(2,183,399)	(2,012,277)
Profit before tax	2,279,727	3,220,466	548,209	770,391
Net profit attributed to holders of the parent company's equity	1,832,495	2,563,834	440,662	613,313
Profit (loss) attributed to holders of non-controlling interests	(102)	(2)	(25)	-
Basic and diluted weighted average number of ordinary shares (in units)	86,351,949	86,351,949	86,351,949	86,351,949
Basic and diluted earnings per ordinary share (in PLN/EUR)	21.22	29.69	5.10	7.10

Data from the consolidated cash flow statement	PLN 000s 1 January – 30 September 2015	PLN 000s 1 January – 30 September 2014	EUR 000s 1 January – 30 September 2015	EUR 000s 1 January – 30 September 2014
Net cash flow on operating activity	951,985	1,232,656	228,925	294,873
Net cash flow on investing activity	1,366,292	(3,241,079)	328,554	(775,322)
Net cash flow on financing activity	(2,235,231)	1,954,762	(537,509)	467,613
Total net cash flow	83,046	(53,661)	19,970	(12,837)

2. PZU's selected standalone financial data (according to PAS)

Balance sheet data	PLN 000s 30 September 2015	PLN 000s 31 December 2014	PLN 000s 30 September 2014	EUR 000s 30 September 2015	EUR 000s 31 December 2014	EUR 000s 30 September 2014
Assets	36,002,856	34,629,778	35,244,934	8,494,044	8,124,669	8,440,889
Share capital	86,352	86,352	86,352	20,373	20,259	20,681
Total equity	11,630,675	12,328,724	11,941,944	2,743,990	2,892,505	2,860,003
Basic and diluted weighted average number of ordinary shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per ordinary share (in PLN/EUR)	134.69	142.77	138.29	31.78	33.50	33.12

Data from the technical non-life insurance account and the non-technical profit and loss account	PLN 000s 1 January – 30 September 2015	PLN 000s 1 January – 30 September 2014	EUR 000s 1 January – 30 September 2015	EUR 000s 1 January – 30 September 2014
Gross written premiums	6,252,851	6,154,673	1,503,631	1,472,304
Technical result of non-life insurance	453,542	705,987	109,064	168,884
Net investment result (*)	1,342,648	1,711,168	322,868	409,341
Net profit	1,505,166	1,989,474	361,949	475,917
Basic and diluted weighted average number of ordinary shares (in units)	86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings per ordinary share (in PLN/EUR)	17.43	23.04	4.19	5.51

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

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

Balance sheet data	PLN 000s 30 September 2015	PLN 000s 31 December 2014	PLN 000s 30 September 2014	EUR 000s 30 September 2015	EUR 000s 31 December 2014	EUR 000s 30 September 2014
Assets	29,574,449	29,503,727	29,967,009	6,977,410	6,922,020	7,176,867
Total equity	4,450,610	4,374,594	4,626,975	1,050,019	1,026,346	1,108,125

Data from the technical life insurance account and the non-technical profit and loss account	PLN 000s 1 January – 30 September 2015	PLN 000s 1 January – 30 September 2014	EUR 000s 1 January – 30 September 2015	EUR 000s 1 January – 30 September 2014
Gross written premiums	6,069,349	6,176,480	1,459,504	1,477,521
Technical life insurance result	1,310,833	1,610,203	315,218	385,188
Net investment result	745,007	1,258,127	179,153	300,966
Net profit/(loss)	1,255,152	1,475,352	301,828	352,930

4. Summary of consolidated financial results

The PZU Group's net financial result for the period of 9 months ended 30 September 2015 was PLN 1,832,393 thousand and was 28.5% lower than the net result in the corresponding period of the previous year. The net result fell by 34.6% compared to last year, ¹net of non-recurring events.

ROE for the period from 1 January to 30 September 2015 was 19.1%, down 7.3 percentage points from the corresponding period of the previous year.

The following factors also affected PZU Group's activity in the 9 months ended 30 September 2015, as compared to the corresponding period of the previous year:

- increase in gross written premium thanks to the development of business in foreign markets, premiums acquired by Link4 and the development of group protection insurance partly offset by a decrease in premiums in the group of other third party liability insurance and property insurance;
- lower profitability in the segment of group and individually continued insurance associated mainly with a higher loss ratio of protection products due to a higher incidence of deaths;
- lower profitability in the mass insurance segment associated mainly with an increase in the loss ratio in motor insurance;
- non-recurring result on the sale of PZU Lietuva;
- lower result in the pension insurance segment related to the consequences of pension reform (OFE - open-end pension funds);
- lower investment income, in particular due to rising yields on Polish T-bonds and softer market conditions on capital markets.

The comparability of yoy results was affected by the expansion of business in Poland and the Baltic States in 2014. Last year, the acquired companies contributed to the PZU Group's result from the date of acquisition (the first acquired company, AAS Balta, starting from 30 June 2014), whereas in the results of the current year they are captured the entire time, contributing to higher levels, relative to 2014, of individual items of financial performance and assets and liabilities and equity.

¹ Non-recurring events include the effect of converting long-term policies into yearly renewable term business in type P group insurance and the result on the sale of PZU Lietuva.

Interim consolidated financial statements

1. Interim consolidated profit and loss account

Consolidated profit and loss account	Note	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014 <i>(transformed)</i>	1 January – 30 September 2014 <i>(transformed)</i>
Gross written premiums	9.1	4,334,829	13,461,279	3,970,885	12,408,778
Reinsurers' share in gross written premium		(78,639)	(171,030)	(57,884)	(175,957)
Net written premiums		4,256,190	13,290,249	3,913,001	12,232,821
Movement in the net provision for unearned premiums		117,567	(172,579)	197,397	(89,824)
Net earned premiums		4,373,757	13,117,670	4,110,398	12,142,997
Revenues from commissions and fees	9.2	77,323	180,519	174,855	297,988
Net investment income	9.3	409,259	1,214,854	507,333	1,313,409
Net result on the realization of investments and impairment charges	9.4	54,443	237,385	136,908	162,087
Net movement in the fair value of assets and liabilities measured at fair value	9.5	(133,899)	(64,680)	166,605	705,814
Other operating revenues	9.6	231,148	600,610	140,134	385,001
Claims and movement in technical provisions		(3,459,370)	(9,544,225)	(3,013,282)	(8,491,660)
Reinsurers' share in claims and movement in technical provisions		386,066	464,560	19,447	79,738
Net insurance claims and benefits	9.7	(3,073,304)	(9,079,665)	(2,993,835)	(8,411,922)
Movement in measurement of investment contracts	9.8	14,644	(988)	(8,529)	(14,554)
Acquisition expenses	9.9	(607,643)	(1,738,451)	(535,589)	(1,571,953)
Administrative expenses	9.9	(371,942)	(1,194,004)	(355,227)	(1,057,502)
Other operating expenses	9.10	(269,211)	(931,662)	(229,185)	(601,776)
Operating profit		704,575	2,341,588	1,113,868	3,349,589
Financial expenses	9.11	(43,715)	(61,742)	(68,905)	(128,718)
Share of the net profit of entities measured by the equity method		(87)	(119)	(650)	(405)
Profit before tax		660,773	2,279,727	1,044,313	3,220,466
Income tax					
- current part		(62,908)	(437,142)	(137,682)	(430,103)
- deferred part		(86,999)	(10,192)	(63,160)	(226,531)
Net profit, including:		510,866	1,832,393	843,471	2,563,832
- profit attributed to holders of the parent company's equity		510,902	1,832,495	843,483	2,563,834
- profit (loss) attributed to holders of non-controlling interests		(36)	(102)	(12)	(2)

Interim consolidated profit and loss account (continuation)

Consolidated profit and loss account	Note	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Net profit on continuing operations attributed to holders of the parent company's equity		510,902	1,832,495	843,483	2,563,834
Net profit (loss) on discontinued operations		-	-	-	-
Basic and diluted weighted average number of ordinary shares	9.12	86,351,949	86,351,949	86,351,949	86,351,949
Basic and diluted profit (loss) per ordinary share (in PLN)	9.12	5.92	21.22	9.77	29.69

2. Interim consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Note	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Net profit		510,866	1,832,393	843,471	2,563,832
Other comprehensive income	9.13	2,440	(42,617)	17,941	32,983
Subject to subsequent transfer to the profit and loss account		2,050	(47,484)	17,124	29,585
Measurement of financial instruments available for sale		(10,312)	(36,782)	16,117	35,358
Foreign exchange translation differences		12,360	(10,697)	1,006	(5,773)
Other comprehensive income of entities measured by the equity method		2	(5)	1	-
Not to be reclassified to the profit and loss account in the future		390	4,867	817	3,398
Reclassification of real property from property, plant and equipment to investment property		390	4,831	817	3,510
Other comprehensive income of entities measured by the equity method		-	36	-	(112)
Total net comprehensive income		513,306	1,789,776	861,412	2,596,815
- comprehensive income attributed to holders of the parent company's equity		513,337	1,789,884	861,423	2,596,814
- comprehensive income attributed to holders of non-controlling interests		(31)	(108)	(11)	1

3. Interim consolidated statement of financial position

Assets	Note	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Intangible assets	9.14	776,701	778,596	868,692	581,364
Goodwill	9.15	783,128	765,725	785,663	304,247
Property, plant and equipment		1,024,774	993,350	1,001,609	1,024,709
Investment properties		1,705,027	2,393,702	2,236,062	1,416,835
Entities measured by the equity method	9.16	71,352	66,308	66,311	67,501
Financial assets		56,308,571	54,601,635	56,759,976	58,863,861
Financial instruments held to maturity	9.17.1, 9.22	20,085,459	20,077,667	19,983,689	20,226,891
Financial instruments available for sale	9.17.2, 9.22	3,534,434	3,102,747	2,985,322	2,761,916
Financial instruments measured at fair value through profit or loss	9.17.3, 9.22	20,148,268	18,709,678	19,096,484	19,265,226
Borrowings	9.17.4, 9.22	12,540,410	12,711,543	14,694,481	16,609,828
Receivables, including receivables due under insurance contracts	9.20, 9.22	3,089,997	3,300,655	3,068,813	3,179,763
Reinsurers' share in technical provisions	9.21, 9.22	1,068,241	707,664	753,115	609,238
Estimated salvage and subrogation		122,762	122,187	127,262	135,920
Deferred tax assets		27,062	26,324	26,957	22,975
Current income tax receivables		7,273	4,629	368	3,346
Deferred acquisition expenses		913,634	897,031	712,066	639,120
Other assets	9.23	381,031	296,813	235,250	202,291
Cash and cash equivalents		408,687	598,989	324,007	487,973
Assets held for sale	9.24	836,088	526,126	606,610	178,053
Total assets		67,524,328	66,079,734	67,572,761	67,717,196

Interim consolidated statement of financial position (continuation)

Liabilities and equity	Note	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Equity					
Issued share capital and other capital attributed to the parent company's shareholders					
Share capital		86,352	86,352	86,352	86,352
Other equity		10,086,845	10,084,235	9,885,791	9,901,364
Treasury stock		(110)	(110)	(110)	(110)
Supplementary capital		9,928,136	9,926,759	9,678,921	9,671,162
Revaluation reserve		211,014	222,166	248,543	272,969
Other reserve capital		66	66	66	66
Actuarial gains and losses related to provisions for employee benefits		(6,143)	(6,143)	(6,179)	790
Foreign exchange translation differences		(46,118)	(58,503)	(35,450)	(43,513)
Retained earnings		2,192,426	1,681,653	3,194,193	2,790,517
Retained earnings		359,931	360,060	226,462	226,683
Net profit		1,832,495	1,321,593	2,967,731	2,563,834
Non-controlling interests		4,087	883	1,292	487
Total equity		12,369,710	11,853,123	13,167,628	12,778,720
Liabilities					
Technical provisions	9.25	41,015,199	40,734,374	40,166,885	39,230,968
Provision for unearned premiums and provision for unexpired risk		5,320,672	5,466,551	5,250,103	4,940,831
Provision for life insurance		16,235,875	16,250,809	16,281,625	16,307,701
Provisions for outstanding claims		8,193,560	7,768,739	7,770,351	7,178,203
Provision for capitalized value of annuities		6,168,749	6,020,636	5,997,595	6,031,781
Provisions for bonuses and discounts for insureds		2,107	3,221	2,291	1,484
Other technical provisions		410,975	418,937	439,364	441,685
Technical provisions for life insurance if the policyholder bears the investment risk		4,683,261	4,805,481	4,425,556	4,329,283
Investment contracts	9.25	641,671	789,029	1,108,107	1,229,085
- with guaranteed and fixed terms and conditions		220,912	317,213	520,840	584,073
- for the client's account and risk		420,759	471,816	587,267	645,012
Provisions for employee benefits		104,838	129,732	120,070	124,974
Other provisions	9.27	136,293	194,645	191,206	183,859
Deferred tax liability		397,099	314,985	398,433	530,714
Current income tax liabilities		28,472	42,672	53,770	58,487
Derivatives	9.17.7	663,979	469,044	625,844	593,498
Liabilities on the issue of own debt securities	9.28	2,111,251	2,109,880	2,127,527	2,076,047
Other liabilities	9.29	10,055,816	9,188,774	9,361,277	10,910,844
Liabilities related directly to assets classified as held for sale	9.24	-	253,476	252,014	-
Total liabilities		55,154,618	54,226,611	54,405,133	54,938,476
Total liabilities and equity		67,524,328	66,079,734	67,572,761	67,717,196

4. Interim statement of changes in consolidated equity

Statement of changes in consolidated equity	Share capital	Capital and provisions attributed to holders of the parent company's equity								Non-controlling interests	Total equity	
		Other equity						Retained earnings				Total
		Treasury stock	Supplementary capital	Revaluation reserve	Other reserve capital	Actuarial gains and losses related to provisions for employee benefits	Foreign exchange translation differences	Retained earnings	Net profit			
Balance as at 1 January 2015	86,352	(110)	9,678,921	248,543	66	(6,179)	(35,450)	3,194,193	-	13,166,336	1,292	13,167,628
Measurement of financial instruments available for sale	-	-	-	(36,782)	-	-	-	-	-	(36,782)	-	(36,782)
Other comprehensive income of entities measured by the equity method	-	-	-	-	-	36	(5)	-	-	31	-	31
Foreign exchange translation differences	-	-	-	-	-	-	(10,691)	-	-	(10,691)	(6)	(10,697)
Reclassification of real property from property, plant and equipment to investment property	-	-	-	4,831	-	-	-	-	-	4,831	-	4,831
Total other net comprehensive income	-	-	-	(31,951)	-	36	(10,696)	-	-	(42,611)	(6)	(42,617)
Net profit/(loss)	-	-	-	-	-	-	-	-	1,832,495	1,832,495	(102)	1,832,393
Total comprehensive income	-	-	-	(31,951)	-	36	(10,696)	-	1,832,495	1,789,884	(108)	1,789,776
Other changes, including:	-	-	249,215	(5,578)	-	-	28	(2,834,262)	-	(2,590,597)	2,903	(2,587,694)
Distribution of financial result	-	-	243,328	-	-	-	-	(2,833,885)	-	(2,590,557)	-	(2,590,557)
Purchase of shares in Prof-Med and Elvita	-	-	(68)	-	-	-	-	-	-	(68)	(372)	(440)
Sale of revalued real estate	-	-	5,955	(5,578)	-	-	-	(377)	-	-	-	-
Acquisition of shares in Centrum Medyczne Gamma sp. z o.o.	-	-	-	-	-	-	-	-	-	-	3,406	3,406
Sale of PZU Lietuva	-	-	-	-	-	-	28	-	-	28	(131)	(103)
As at 30 September 2015	86,352	(110)	9,928,136	211,014	66	(6,143)	(46,118)	359,931	1,832,495	12,365,623	4,087	12,369,710

Interim statement of changes in consolidated equity (continued)

Statement of changes in consolidated equity	Share capital	Capital and provisions attributed to holders of the parent company's equity								Non-controlling interests	Total equity	
		Other equity					Retained earnings		Total			
		Treasury stock	Supplementary capital	Revaluation reserve	Other reserve capital	Actuarial gains and losses related to provisions for employee benefits	Foreign exchange translation differences	Retained earnings				Net profit
Balance as at 1 January 2014	86,352	(110)	8,855,999	242,297	-	902	(37,737)	3,963,587	-	13,111,290	16,341	13,127,631
Measurement of financial instruments available for sale	-	-	-	8,475	-	-	-	-	-	8,475	-	8,475
Other comprehensive income of entities measured by the equity method	-	-	-	-	-	(190)	8	-	-	(182)	-	(182)
Foreign exchange translation differences	-	-	-	-	-	-	2,279	-	-	2,279	8	2,287
Actuarial gains and losses related to provisions for employee benefits	-	-	-	-	-	(6,891)	-	-	-	(6,891)	-	(6,891)
Reclassification of real property from property, plant and equipment to investment property	-	-	-	13,504	-	-	-	-	-	13,504	-	13,504
Total other net comprehensive income	-	-	-	21,979	-	(7,081)	2,287	-	-	17,185	8	17,193
Net profit/(loss)	-	-	-	-	-	-	-	-	2,967,731	2,967,731	(104)	2,967,627
Total comprehensive income	-	-	-	21,979	-	(7,081)	2,287	-	2,967,731	2,984,916	(96)	2,984,820
Other changes, including:	-	-	822,922	(15,733)	66	-	-	(3,737,125)	-	(2,929,870)	(14,953)	(2,944,823)
Distribution of financial result	-	-	800,257	-	66	-	-	(3,736,288)	-	(2,935,965)	-	(2,935,965)
Recapitalization of PZU Lietuva	-	-	-	-	-	-	-	-	-	-	138	138
Purchase of Armatura Kraków SA shares	-	-	6,095	-	-	-	-	-	-	6,095	(15,983)	(9,888)
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	-	892	892
Sale of revalued real estate	-	-	16,570	(15,733)	-	-	-	(837)	-	-	-	-
Balance as at 31 December 2014	86,352	(110)	9,678,921	248,543	66	(6,179)	(35,450)	226,462	2,967,731	13,166,336	1,292	13,167,628

Interim statement of changes in consolidated equity (continued)

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

5. Interim consolidated cash flow statement

Consolidated cash flow statement	Note	1 January – 30 September 2015	1 January – 30 September 2014 <i>(transformed)</i>
Cash flow on operating activity			
Proceeds		15,646,689	14,586,073
- proceeds on gross insurance premiums		13,496,514	12,390,289
- proceeds on investment contracts		105,094	330,298
- proceeds on reinsurance commissions and profit-sharing with reinsurers		16,586	8,991
- payments received from reinsurers for their share of claims paid		48,537	29,259
- proceeds for acting as an emergency adjuster		136,402	142,327
- proceeds on the sale of participation units by a mutual fund		797,575	850,194
- other operating proceeds	9.30	1,045,981	834,715
Expenditures		(14,694,704)	(13,353,417)
- insurance premiums paid for reinsurance		(256,817)	(236,181)
- commissions paid and profit-sharing on inward reinsurance		(23,059)	(3,985)
- gross claims paid		(7,775,131)	(6,560,505)
- claims paid on investment contracts		(565,514)	(1,225,939)
- acquisition expenditures		(1,550,435)	(1,321,903)
- administrative expenditures		(1,733,101)	(1,431,581)
- interest expenditures		(164)	(263)
- income tax expenditures		(555,569)	(443,283)
- expenditures for acting as an emergency adjuster		(379,818)	(337,302)
- expenditures on redemption of units by a mutual fund		(411,118)	(430,016)
- other operating expenditures	9.30	(1,443,978)	(1,362,459)
Net cash flow on operating activity		951,985	1,232,656
Cash flow on investing activity			
Proceeds		459,376,931	479,216,313
- sale of investment properties		31,223	36,375
- proceeds from investment properties		182,571	115,034
- sale of intangible assets and components of property, plant and equipment		4,061	3,256
- sale of ownership interests and shares		3,196,754	4,449,753
- realization of debt securities		33,088,222	46,650,406
- closing of buy-sell-back transactions		236,316,833	251,534,161
- closing of term deposits in credit institutions		140,031,965	152,500,913
- realization of other investments		45,584,692	22,877,644
- interest received		853,040	943,872
- dividends received		42,042	64,723
- cash acquired in business combinations and when changing the scope of consolidation		15,411	25,589
- other investment proceeds		30,117	14,587

Interim consolidated cash flow statement (continued)

Consolidated cash flow statement	Note	1 January – 30 September 2015	1 January – 30 September 2014 <i>(transformed)</i>
Expenditures		(458,010,639)	(482,457,392)
- purchase of investment properties		(242,942)	(117,038)
- expenditures for the maintenance of investment properties		(129,002)	(112,185)
- purchase of intangible assets and components of property, plant and equipment		(225,489)	(169,136)
- purchase of ownership interests and shares		(3,616,148)	(4,803,958)
- purchase of ownership interests and shares in subsidiaries		(53,941)	(645,265)
- decrease in cash due to a change in the scope of consolidation		(226,584)	(16,108)
- purchase of debt securities		(33,194,798)	(46,925,474)
- opening of buy-sell-back transactions		(236,012,558)	(254,055,880)
- purchase of term deposits in credit institutions		(138,824,803)	(151,714,786)
- purchase of other investments		(45,478,721)	(23,887,665)
- other expenditures for investments		(5,653)	(9,897)
Net cash flow on investing activity		1,366,292	(3,241,079)
Cash flow on financing activity			
Proceeds		262,522,015	266,622,845
- proceeds from loans and borrowings		37,371	10,827
- proceeds from the issue of own debt securities		-	2,084,795
- opening of sell-buy-back transactions		262,484,644	264,527,223
Expenditures		(264,757,246)	(264,668,083)
- dividends paid to holders of the parent company's equity		(1,468,045)	(159)
- repayment of loans and borrowings		(126,364)	(35,190)
- closing of sell-buy-back transactions		(263,130,774)	(264,619,493)
- interest on loans and borrowings		(3,187)	(13,167)
- interest on outstanding debt securities		(28,590)	-
- other financial expenditures		(286)	(74)
Net cash flow on financing activity		(2,235,231)	1,954,762
Total net cash flow		83,046	(53,661)
Cash and cash equivalents at the beginning of the period		324,007	569,157
Movement in cash due to foreign exchange differences		1,634	(27,523)
Cash and cash equivalents at the end of the period, including:		408,687	487,973
- restricted cash		40,126	54,773

Supplementary notes to the condensed interim consolidated financial statements

1. Information on PZU and the PZU Group

1.1 PZU

The parent company in the PZU Group is PZU – a joint stock company with its registered office in Warsaw at Al. Jana Pawła II 24.

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

According to the Polish Classification of Business Activity (PKD), the core business of PZU consists of other casualty insurance and property insurance (PKD 65.12) and according to the European Classification of Business Activity – non-life insurance (EKD 6603).

1.2 PZU Group companies

No.	Name of the company	Registered office	Date of obtaining control / significant influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 September 2015	31 December 2014	30 September 2015	31 December 2014	
Consolidated companies								
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	n/a	n/a	Non-life insurance http://www.pzu.pl/
2	Powszechny Zakład Ubezpieczeń na Życie SA ("PZU Życie")	Warsaw	18.12.1991	100.00%	100.00%	100.00%	100.00%	Life insurance. http://www.pzu.pl/grupa-pzu/pzu-zycie
3	Link4 Towarzystwo Ubezpieczeń SA ("Link4") ¹⁾	Warsaw	15.09.2014	100.00%	100.00%	100.00%	100.00%	Non-life insurance http://www.link4.pl/
4	Lietuvos Draudimas AB ²⁾	Vilnius (Lithuania)	31.10.2014	99.98%	99.98%	99.98%	99.98%	Non-life insurance http://www.ld.lt/
5	Apdrošināšanas Akciju Sabiedrība Balta ("AAS Balta")	Riga (Latvia)	30.06.2014	99.99%	99.99%	99.99%	99.99%	Non-life insurance. http://www.balta.lv/
6	PrJSC IC PZU Ukraine ("PZU Ukraine")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Non-life insurance. http://www.pzu.com.ua/
7	PrJSC IC PZU Ukraine Life Insurance ("PZU Ukraine Life")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Life insurance. http://www.pzu.com.ua/
8	UAB DK PZU Lietuva ("PZU Lietuva") ³⁾	Vilnius (Lithuania)	26.04.2002	0.00%	99.88%	0.00%	99.88%	Non-life insurance. https://www.pzu.lt/
9	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	99.34%	99.34%	Life insurance. https://www.pzu.lt/
10	Powszechnie Towarzystwo Emerytalne PZU SA ("PTE PZU")	Warsaw	08.12.1998	100.00%	100.00%	100.00%	100.00%	Management of pension funds. http://www.pzu.pl/grupa-pzu/pte-pzu
11	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.

Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group
Condensed Interim Consolidated Financial Statements according to IFRS for Q3 2015
(in thous. PLN)

No.	Name of the company	Registered office	Date of obtaining control / significant influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 September 2015	31 December 2014	30 September 2015	31 December 2014	
Consolidated entities – continued								
12	Towarzystwo Funduszy Inwestycyjnych PZU SA ("TFI PZU")	Warsaw	30.04.1999	100.00%	100.00%	100.00%	100.00%	Creation, representing and management of mutual funds. http://www.pzu.pl/grupa-pzu/tfi-pzu
13	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	100.00%	100.00%	Provision of assistance services. http://www.pzu.pl/grupa-pzu/pzu-pomoc
14	PZU Finance AB (publ.)	Stockholm (Sweden)	02.06.2014	100.00%	100.00%	100.00%	100.00%	Financial services.
15	PZU Finanse Sp. z o.o.	Warsaw	08.11.2013	100.00%	100.00%	100.00%	100.00%	Financial services.
16	Tower Inwestycje Sp. z o.o.	Warsaw	27.08.1998	100.00%	100.00%	100.00%	100.00%	Other service activity, excluding insurance and pension funds.
17	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. http://www.ogrodowainwestycje.pl/
18	Armatura Kraków SA	Kraków	07.10.1999	100.00%	100.00%	100.00%	100.00%	Distribution of Armatura Group products, administration and management of the group. http://www.grupa-armatura.pl/
19	Armatoora SA	Nisko	10.12.2008	100.00%	100.00%	100.00%	100.00%	Production and sale of radiators and sanitary fittings.
20	Armaton SA ⁴⁾	Kraków	10.02.2009	n/a	100.00%	n/a	100.00%	Utilization of free funds, growth investments.
21	Arm Property sp. z o.o.	Kraków	26.11.2014	100.00%	100.00%	100.00%	100.00%	Purchase and sale of real estate.
22	Aquaform SA ⁵⁾	Środa Wlkp.	15.01.2015	100.00%	n/a	100.00%	n/a	Production and sale of bathroom accessories and fittings.
23	Aquaform Badprodukte GmbH ⁵⁾	Anhausen (Germany)	15.01.2015	100.00%	n/a	100.00%	n/a	Wholesale trade.
24	Aquaform Ukraine TOW ⁵⁾	Zhytomyr (Ukraine)	15.01.2015	100.00%	n/a	100.00%	n/a	Wholesale trade.
25	Aquaform Romania SRL ⁵⁾	Prejmer (Romania)	15.01.2015	100.00%	n/a	100.00%	n/a	Wholesale trade.
26	Morehome.pl sp. z o.o. ⁵⁾	Środa Wlkp.	15.01.2015	100.00%	n/a	100.00%	n/a	Retail sales via electronic channels.

No.	Name of the company	Registered office	Date of obtaining control / significant influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 September 2015	31 December 2014	30 September 2015	31 December 2014	
Consolidated entities – continued								
27	PZU Zdrowie SA	Warsaw	02.09.2011	100.00%	100.00%	100.00%	100.00%	Medical services. http://www.pzu.pl/grupa-pzu/pzu-zdrowie-sa
28	Centrum Medyczne Medica sp. z o.o. ("CM Medica")	Płock	09.05.2014	100.00%	100.00%	100.00%	100.00%	Medical services. http://cmmedica.pl/
29	Specjalistyczna Przychodnia Przemysłowa Prof-Med sp. z o.o. ("Prof-Med")	Włocławek	12.05.2014	100.00%	96.45%	100.00%	96.45%	Medical services. http://cmprofmed.pl/
30	Sanatorium Uzdrowskowie "Krystynka" sp. z o.o. ("SU Krystynka")	Ciechocinek	09.05.2014	99.09%	98.58%	99.09%	98.58%	Hospital, physical therapy and spa services. http://www.sanatoriumkrystynka.pl/
31	Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o. ("Elvita")	Jaworzno	01.12.2014	100.00%	98.82%	100.00%	98.82%	Medical services. http://www.elvita.pl/
32	Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o. ("Proelmed")	Łaziska Górne	01.12.2014	57.00%	57.00%	57.00%	57.00%	Medical services. http://www.proelmed.pl/
33	Morehome.pl sp. z o.o. ⁶⁾	Płock	23.04.2015	100.00%	n/a	100.00%	n/a	Medical services. http://rezo-medica.pl/
34	Centrum Medyczne Gamma sp. z o.o. ⁷⁾	Warsaw	08.09.2015	54.95%	n/a	54.95%	n/a	Medical services. http://www.cmgamma.pl/
35	Nasze-Zdrowie sp. z o.o. ⁸⁾	Warsaw	26.08.2015	100.00%	n/a	100.00%	n/a	Medical services. http://www.nasze-zdrowie.pl/
36	Medicus w Opolu sp. z o.o. ⁹⁾	Opole	30.09.2015	100.00%	n/a	100.00%	n/a	Medical services. http://medicus.opole.pl/
37	Ipsilon sp. z o.o.	Warsaw	02.04.2009	100.00%	100.00%	100.00%	100.00%	Provision of assistance services and medical services.
38	PZU Asset Management SA ("PZU AM")	Warsaw	12.07.2001	100.00%	100.00%	100.00%	100.00%	Provision of managed account services.
39	Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA in liquidation ("MPTE PZU SA")	Warsaw	13.08.2004	100.00%	100.00%	100.00%	100.00%	No business conducted.

No.	Name of the company	Registered office	Date of obtaining control / significant influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 September 2015	31 December 2014	30 September 2015	31 December 2014	
Consolidated entities – continued								
40	Omicron SA	Warsaw	13.09.2011	100.00%	100.00%	100.00%	100.00%	No business conducted.
41	Omicron Bis SA	Warsaw	28.08.2014	100.00%	100.00%	100.00%	100.00%	No business conducted.
42	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Assistance services.
43	L4C sp. z o.o.	Warsaw	15.09.2014	100.00%	100.00%	100.00%	100.00%	No business conducted.
44	PZU SFIO Universum	Warsaw	15.12.2009	n/a	n/a	n/a	n/a	Investment of funds collected from fund members.
45	PZU FIZ Dynamiczny	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	as above
46	PZU FIZ Sektora Nieruchomości ¹⁰⁾	Warsaw	01.07.2008	n/a	n/a	n/a	n/a	as above
47	PZU FIZ Sektora Nieruchomości 2 ¹⁰⁾	Warsaw	21.11.2011	n/a	n/a	n/a	n/a	as above
48	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	n/a	n/a	as above
49	PZU FIZ Aktywów Niepublicznych BIS 2 ("PZU FIZ AN BIS 2")	Warsaw	19.11.2012	n/a	n/a	n/a	n/a	as above
50	PZU FIZ Surowcowy	Warsaw	03.09.2015	n/a	n/a	n/a	n/a	as above
51	PZU Sejf+	Warsaw	30.09.2015	n/a	n/a	n/a	n/a	as above
52	PZU Dłużny Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
53	PZU Akcji Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
54	PZU Akcji Spółek Dywidendowych	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
55	PZU FIZ Aktywów Niepublicznych RE Income w likwidacji ¹⁰⁾	Warsaw	08.11.2011	n/a	n/a	n/a	n/a	as above
56	PZU FIO Gotówkowy	Warsaw	01.07.2005	n/a	n/a	n/a	n/a	as above
Co-subsiary								
57	Armatura Tower sp. z o.o.	Kraków	08.11.2013	50.00%	50.00%	50.00%	50.00%	Execution of construction projects.

No.	Name of the company	Registered office	Date of obtaining control / significant influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 September 2015	31 December 2014	30 September 2015	31 December 2014	
Associates								
58	GSU Pomoc Górniczy Klub Ubezpieczonych SA	Tychy	08.06.1999	30.00%	30.00%	30.00%	30.00%	Insurance administration.
59	EMC Instytut Medyczny SA ¹¹⁾	Wroclaw	18.06.2013	28.31%	28.58%	25.44%	25.41%	Human health protection, research and development in the medical sciences and pharmaceutical practice.

¹⁾ Information on the acquisition of Link4 is presented in item 1.4.2.1.

²⁾ Information on the acquisition of Lietuvos Draudimas AB is presented in item 1.4.2.2.

³⁾ Information on the sale of PZU Lietuva is presented in item 1.4.1.

⁴⁾ Information on the combination of companies in the Armatura Group is presented in item 1.4.4.

⁵⁾ Information on the acquisition of Aquaform SA is presented in item 1.4.2.3.

⁶⁾ Information on the acquisition of Rezo-Medica sp. z o.o. is presented in item 1.4.2.4.

⁷⁾ Information on the acquisition of Centrum Medyczne Gamma sp. z o.o. is presented in item 1.4.2.5.

⁸⁾ Information on the acquisition of Nasze-Zdrowie sp. z o.o. is presented in item 1.4.2.6.

⁹⁾ Information on the acquisition of Medicus w Opolu sp. z o.o. is presented in item 1.4.2.7.

¹⁰⁾ As at 30 September 2015, the funds: PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2 and PZU FIZ Aktywów Niepublicznych RE Income in liquidation conducted their investment activity through subsidiary companies established under commercial law as special-purpose vehicles whose number in the respective funds was: 40, 12 and 5 (39, 13 and 6 on 31 December 2014).

¹¹⁾ Information on movement in the exposure to EMC Instytut Medyczny SA is presented in item 1.4.3.

As at 30 September 2015, besides the companies listed in the table the PZU Group held a 100% stake in Syta Development sp. z o.o. in liquidation, control over which is exercised by a liquidator independent of the PZU Group and for this reason the company is not subject to consolidation. The value of these shares in the PZU Group's consolidated statement of financial position was zero.

1.3 Non-controlling interests

In the PZU Group, there are no subsidiaries that hold non-controlling interests of material importance to the PZU Group. The following table presents subsidiaries with non-controlling interests:

Name of the company	30 September 2015	31 December 2014
Centrum Medyczne Gamma sp. z o.o.	45.05%	n/a
Proelmed	43.00%	43.00%
SU Krystynka	0.91%	1.42%
UAB PZU Lietuva Gyvybes Draudimas	0.66%	0.66%
Lietuvos Draudimas AB	0.02%	0.02%
AAS Balta	0.01%	0.01%
Prof-Med	0.00%	3.55%
Elvita	0.00%	1.18%
PZU Lietuva	n/a	0.12%

1.4 Changes in the scope of consolidation and structure of the PZU Group

1.4.1. Sale of shares in PZU Lietuva

On 2 February 2015, the PZU Lietuva share purchase agreement was signed, under which Gjensidige Forsikring ASA seated in Oslo (Norway) purchased 1,761,941 ordinary registered shares in PZU Lietuva with the nominal value of EUR 28.96 each, constituting in total 99.879% of the shares in PZU Lietuva's share capital.

The sale of these shares was subject to the fulfillment of the following conditions precedent:

- no objection from the Bank of Lithuania against the acquisition of PZU Lietuva's shares by the buyer (this condition was satisfied on 13 August 2015);
- obtaining consent from the Latvian and Estonian antimonopoly authority or written confirmation that such consent is not required (PZU obtained confirmation of there being no necessity to secure their consent on 25 May 2015 and 14 May 2015, respectively);
- obtaining the consent of the Lithuanian Competition Council (on 7 April 2015 PZU learned that this condition was satisfied);
- completion of the process of spinning off PZU Lietuva's assets and liabilities associated with the activities conducted by PZU Lietuva's branches in Latvia and Estonia to the PZU Group (this condition was satisfied on 23 June 2015);
- obtaining the consent of the Bank of Lithuania for early repayment by PZU Lietuva of the subordinated loan granted to PZU Lietuva by PZU (this consent was issued on 15 July 2015 and the loan was repaid on 16 July 2015);
- obtaining the consent of the Norwegian Financial Supervision Authority for the buyer to acquire PZU Lietuva's shares (PZU learned of the satisfaction of this condition on 14 May 2015);
- waiving the pre-emptive right to purchase PZU Lietuva's shares by PZU Lietuva's minority shareholder (holding 0.121% shares in the share capital) to PZU (condition satisfied on 30 September 2015);
- obtaining the consent of the Lithuanian governmental commission as regards the acquisition of PZU Lietuva's shares by the buyer or written confirmation that such consent is not required (PZU learned of the satisfaction of this condition on 14 May 2015).

The transaction to sell the shares of PZU Lietuva was closed and control was lost on 30 September 2015 and from that day PZU Lietuva is no longer consolidated.

The payment for the PZU Lietuva shares made on the transaction closing date was EUR 65,966 thousand (PLN 279,921 thousand at the exchange rate announced by the National Bank of Poland on the day preceding the transaction), which consisted of the following:

- EUR 54,000 thousand as the offered price and

- EUR 11,966 thousand as the estimated amount to equalize net assets (difference between the estimated net asset value and the reference amount of net assets).

The purchase price was adjusted moreover by the following:

- the difference between the estimated amount to equalize the net assets and the actual amount to equalize the net assets (determined on the basis of the closing balance sheet prepared by the buyer and accepted by PZU);
- four payments made in 6-month periods, each time in the amount of 1.5% of the capital surplus calculated as the difference between the actual equity of PZU Lietuva measured in accordance with Bank of Lithuania's requirements and PZU Lietuva's capital requirements calculated according to the provisions of law and the regulations binding PZU Lietuva.

On account of the future adjustments described above to the sales price, the settlement presented below is provisional in nature.

	Provisional settlement (PLN 000s)
Fair value of the payment received (cash)	279,921
Net value of the assets sold	(109,821)
Non-controlling interests	(3,111)
Foreign exchange translation differences transferred from equity	(18)
Sales result	166,971

The profit on the sale of PZU Lietuva's shares is shown in the consolidated profit and loss account in the line item "Net result on the realization of investments and impairment charges".

1.4.2. Business combination transactions

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 "Business combinations". Its application requires, among others, identifying the acquiring entity, determining the acquisition date, recognizing and measuring identifiable acquired assets, acquired liabilities measured at fair value as at the acquisition date and all non-controlling interests in the acquired entity as well as recognizing and measuring goodwill.

Detailed accounting standards for the recognition of acquisition transactions are presented in the 2014 annual consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group.

1.4.2.1. Purchase of Link4 shares

Under the share purchase agreement signed on 17 April 2014 to acquire Link4, PZU purchased from Royal & Sun Alliance Insurance plc, a limited liability company incorporated in England and Wales with its registered office in West Sussex, the United Kingdom ("RSA"), 111,354,305 registered shares in Link4 representing 100% of Link4's share capital and 100% of the votes at the Shareholder Meeting of Link4 ("Link4 shares") with a par value of PLN 1.00 each.

The Link4 acquisition transaction was closed and the assumption of control took place on 15 September 2014 and since that day Link4 has been subject to consolidation. The payment made for the Link4 shares on the transaction closing date was EUR 93,886 thousand (PLN 393,917 thousand at the exchange rate announced by the National Bank of Poland on the day preceding the transaction).

On 11 March 2015, the final settlement of the transaction was prepared. Due to the difference between the final net asset value and their notional amount, RSA paid PZU the resulting difference of EUR 2,070 thousand. The final payment was EUR 91,816 thousand (PLN 385,378 thousand, including PLN 6,897 thousand in acquired settlements between Link4 and RSA).

Final settlement of the Link4 share purchase transaction

The final settlement of the Link4 share purchase was based on company data prepared as at 31 August 2014. There were no significant differences in accounting data between 31 August 2014 and 15 September 2014 (date of assumption of control).

During the calculation of goodwill, the book value of Link4's assets and liabilities was updated to fair value and new intangible assets previously unreported by the company were identified.

Fair value of acquired assets and liabilities as at the date of the assumption of control	Provisional settlement (PLN 000s)	Adjustment	Final settlement (PLN 000s)
Intangible assets	8,552	-	8,552
Property, plant and equipment	10,698	-	10,698
Financial assets	476,439	-	476,439
Receivables	65,354	-	65,354
Reinsurers' share in technical provisions	28,961	-	28,961
Other assets	26,634	-	26,634
New intangible assets identified during the acquisition, including:	117,266	-	117,266
- trademark	50,000	-	50,000
- future gains from the purchased portfolio of insurance agreements	67,266	-	67,266
Total assets	733,904	-	733,904
Technical provisions	493,973	-	493,973
Liabilities	82,827	-	82,827
Share of net assets acquired at fair value	157,104	-	157,104
Fair value of the payment made – cash	393,917	(15,436) ¹⁾	378,481
Calculated goodwill	236,813	(15,436)	221,377

¹⁾ The adjustment of PLN 15,436 thousand consists of the reimbursement made by RSA of EUR 2,070 thousand (PLN 8,539 thousand) and the decrease in the purchase price by the value of the settlements acquired between Link4 and RSA in the amount of PLN 6,897 thousand.

Goodwill will not decrease taxable income.

1.4.2.2. Purchase of shares in Lietuvos Draudimas AB

On the basis of the share purchase agreement signed on 17 April 2014 to acquire Lietuvos Draudimas AB PZU acquired from RSA 805,432 ordinary registered shares in Lietuvos Draudimas AB constituting 99.977% of the share capital of Lietuvos Draudimas AB ("Lietuvos Draudimas AB shares") and giving the right to 99.977% of the votes at the shareholder meeting of Lietuvos Draudimas AB with a nominal value of LIT 50.00 each.

The Lietuvos Draudimas AB acquisition transaction was closed and the assumption of control took place on 31 October 2014 and since that day Lietuvos Draudimas AB has been subject to consolidation. The payment made for the Lietuvos Draudimas AB shares on the transaction closing date was EUR 191,012 thousand (PLN 807,598 thousand at the exchange rate announced by the National Bank of Poland on the day preceding the transaction).

On 3 June 2015, the final settlement of the transaction was prepared. Due to the difference between the final net asset value and their notional amount, RSA paid PZU the resulting difference of EUR 279 thousand. The final payment was EUR 190,733 thousand (PLN 806,446 thousand).

Final settlement for the acquisition of shares in Lietuvos Draudimas AB

The settlement of the Lietuvos Draudimas AB share purchase was based on company data prepared as at 31 October 2014.

During the calculation of goodwill, the book value of the assets and liabilities of Lietuvos Draudimas AB was updated to fair value and new intangible assets previously unreported by the company were identified.

Fair value of acquired assets as at the time of assuming control	Provisional settlement (EUR 000s)	Adjustment	Final settlement (EUR 000s)
Intangible assets	4,595	-	4,595
Property, plant and equipment	11,066	-	11,066
Investment properties	831	-	831
Financial assets	126,116	-	126,116
Receivables	23,454	-	23,454
Reinsurers' share in technical provisions	2,211	-	2,211
Other assets	7,889	-	7,889
New intangible assets identified during the acquisition, including:	58,700	-	58,700
- trademark	19,400	-	19,400
- relations with clients	18,700	-	18,700
- future gains from the purchased portfolio of insurance agreements	17,800	-	17,800
- relations with brokers	2,800	-	2,800
Total assets	234,862	-	234,862
Technical provisions	96,400	-	96,400
Liabilities	31,890	-	31,890
Non-controlling interests	27	-	27
Share of net assets acquired at fair value	106,545	-	106,545
Fair value of the payment made – cash	191,012	(279)	190,733
Calculated goodwill	84,467	(279)	84,188

1.4.2.3. Purchase of Aquaform SA shares

Pursuant to the Aquaform SA share purchase agreement signed on 15 January 2015, PZU subsidiaries Armatura Kraków SA and Armatoora SA (Buyers) purchased from Saniku SA and Shower Star B.V. (Sellers) a total of 8,421,053 shares in Aquaform SA with a par value of PLN 0.38 per share.

Under other Aquaform SA share purchase agreements signed on 31 March 2015 and 14 May 2015, PZU subsidiary Armatura Kraków SA purchased from non-controlling shareholders an additional 1,578,947 shares in Aquaform SA.

PZU also became an indirect owner of Aquaform Badprodukte GmbH, Aquaform Romania SRL, Aquaform Ukraine TOW and Morehome.pl sp. z o.o., subsidiaries of Aquaform SA.

The purchase price for the controlling stake consists of a fixed price of EUR 5,300 thousand and an additional price which is equal to 6.5% of total sales exceeding EUR 24,000 thousand generated by Aquaform SA on the markets in Germany, Austria, Switzerland, France, the Netherlands and Luxembourg in the period from 2015 to 2017.

The share purchase price from non-controlling shareholders was PLN 3,620 thousand.

The total share of Armatura Kraków SA and Armatoora SA in Aquaform SA's share capital is 100%, which translates into 100% of votes at the Shareholder Meeting.

The Aquaform SA share purchase transaction was closed and the assumption of control took place on 15 January 2015, and since that day Aquaform SA and its subsidiaries have been subject to consolidation.

The settlement of the Aquaform SA share purchase was based on company data prepared as at 31 December 2014. There were no significant differences in accounting data between 31 December 2014 and 15 January 2015 (date of the assumption of control).

The presented settlement is of a provisional nature. The final settlement will be presented after completing the valuation of the acquired assets to take place by 31 December 2015.

Fair value of acquired assets and liabilities as at the date of the assumption of control	Provisional settlement (PLN 000s)
Intangible assets	334
Property, plant and equipment	2,123
Deferred tax assets	2,608
Receivables	13,275
Other assets	19,802
New intangible assets identified during the acquisition, including:	7,443
- trademark	6,120
- favorable agreement	1,323
Total assets	45,585
Liabilities	12,302
Share of net assets acquired at fair value	33,283
Fair value of the payment made – cash	25,925
Gain on bargain purchase	7,358

1.4.2.4. Purchase of Rezo-Medica sp. z o.o. shares

On 23 April 2015, CM Medica acquired 2,000 shares in Rezo-Medica sp. z o.o. representing 100% of the share capital of Rezo-Medica sp. z o.o. and 100% of votes at the shareholder meeting with a par value of PLN 500 each.

1.4.2.5. Acquisition of shares in Centrum Medyczne Gamma sp. z o.o.

On 29 July 2015 the extraordinary shareholder meeting of Centrum Medyczne sp. z o.o. ("Gamma") ratified Gamma's share capital increase by issuing 29,278 shares with a par value of PLN 50 each. All the shares were subscribed for by PZU FIZ AN BIS 2, and the capital increase was registered on 8 September 2015. As a result of this issue, PZU's percentage of share capital and votes at the shareholder meeting of Gamma is 54.95%.

1.4.2.6. Purchase of shares in Nasze Zdrowie sp. z o.o.

On 26 August 2015, PZU Zdrowie SA acquired 152 shares in Nasze Zdrowie sp. z o.o. representing 100% of the share capital and 100% of votes at the shareholder meeting with a par value of PLN 329 each.

1.4.2.7. Purchase of shares in Medicus w Opolu sp. z o.o.

On 22 September 2015, PZU Zdrowie SA acquired 13,412 shares in Medicus w Opolu sp. z o.o. representing 100% of the share capital and entitling it to 100% of votes at the shareholder meeting with a par value of PLN 100 each. The transaction was closed and the assumption of control took place on 30 September 2015.

1.4.3. Subscription for shares in EMC Instytut Medyczny SA

On 17 April 2015 PZU FIZ AN BIS 2 entered into an agreement to subscribe for 325,124 shares in EMC Instytut Medyczny SA („EMC”) in its new issue (series I) with a par value of PLN 4 per share and an issue price of PLN 15.80 per share. The total share purchase price of the new issue was PLN 5,137 thousand.

On 9 July 2015 the EMC capital increase was registered stemming from the issue of 1,265,822 shares with a par value of PLN 4 per share and an issue price of PLN 15.80 per share. According to the above final agreement PZU FIZ AN BIS 2 subscribed for 325,124 shares (representing 25.685% of the shares of the new issue). As a result of the aforementioned capital increase PZU FIZ AN BIS 2 holds a total of 3,760,762 shares representing 28.31% of the share capital and entitling it to 25.44% of the votes at the EMC shareholder meeting.

1.4.4. Business combinations of entities under common control

On 26 March 2015, 27 March 2015 and 30 September 2015, CM Medica, Prof-Med and Elvita share purchase agreements were entered into by and between PZU FIZ AN BIS 2 and PZU Zdrowie SA.

On 2 September 2015 the shareholder meeting of Armatura Kraków SA made the decision to combine Armatura Kraków SA (acquiring entity) and Armaton SA (acquired entity) in which Armatura Kraków SA was the sole shareholder. The acquisition took place by transferring all the assets of the acquired company to the acquiring company.

On 30 September 2015 the business combination was registered in the National Court Register.

These transactions had no impact on the condensed interim consolidated financial statements.

1.4.5. Changes to the consolidation of mutual funds

On account of losing control over the consolidated mutual fund PZU Fundusz Inwestycyjny Zamknięty Forte, as of 30 June 2015 it is no longer subject to consolidation. As a result, PZU Group's cash recorded a decrease of PLN 215,307 thousand (in the line item "decrease in cash due to a change in the scope of consolidation") in the consolidated cash flow statement. After ceasing the consolidation of this mutual fund, the consolidated statement of financial position presents the value of participation units held by the PZU Group instead of the mutual fund's assets and liabilities.

On account of assuming control over the PZU Sejf+ fund as of 30 September 2015 this fund is subject to consolidation. As a result, PZU Group's cash recorded an increase of PLN 1,164 thousand (in the line item "cash acquired in business combinations and when changing the scope of consolidation") in the consolidated cash flow statement. After including this mutual fund under consolidation, the consolidated statement of financial position presents this mutual fund's assets and liabilities instead of the participation units held by PZU Group entities.

Moreover, on 3 September 2015 the newly-established PZU Fundusz Inwestycyjny Zamknięty Surowcowy was included under consolidation.

2. Shareholder structure

As at the date of conveying this periodic report, PZU's shareholder structure, taking into consideration the shareholders with at least 5% of the votes at the PZU Shareholder Meeting is as follows:

No.	Shareholder's name	Number of shares and votes at the Shareholder Meeting	Percentage share in the share capital and in the total number of votes at the Shareholder Meeting
1	State Treasury	303 852 530	35.1875%
2	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	48 420 000 ¹⁾	5.6073%
3	Other shareholders	511 250 470	59.2052%
Total		863 523 000	100.00%

1) As at 30 June 2015, based on the exercised voting rights at the PZU Shareholder Meeting (Current report 76/2015 of 1 July 2015).

On 3 November 2015 the District Court for the capital city of Warsaw, XII Commercial Division of the National Court Register registered the amendments to PZU's Articles of Association involving inter alia a reduction in the par value of each PZU share from PLN 1 to PLN 0.10 and an increase in the number of PZU shares forming the share capital from 86,352,300 to 863,523,000.

2.1 Indication of changes in the ownership structure of significant shareholdings in the issuer

In the period from 1 January 2015 to the date of conveying this periodic report, no significant changes have taken place in the ownership structure of PZU shares.

2.2 Highest ranking parent company of PZU

As at 30 September 2015, the State Treasury held 35.1875% of PZU shares giving it the right to exercise 35.1875% of votes at the Shareholder Meeting. Therefore, there was no highest ranking parent of PZU that would prepare consolidated financial statements.

2.3 Shares or rights to shares held by persons managing or supervising PZU

No.	Body / Name and surname	Number of shares / rights to shares as at the date of conveying this periodic report (i.e. 10 November 2015) ¹⁾	No. of shares / rights to shares as at the date of the interim report (i.e. 25 August 2015) ¹⁾	Change between these two dates
Management Board				
1	Andrzej Klesyk	-	-	-
2	Przemysław Dąbrowski	-	-	-
3	Rafał Grodzicki	-	-	-
4	Witold Jaworski	-	n/a	X
5	Dariusz Krzewina	-	-	-
6	Tomasz Tarkowski	80	80	-
Group Directors				
1	Tobiasz Bury	50	50	-
2	Przemysław Henschke	-	-	-
3	Sławomir Niemierka	-	-	-
Supervisory Board				
1	Aleksandra Magaczewska	-	-	-
2	Zbigniew Cwiąkański	-	-	-
3	Zbigniew Derdziuk	-	-	-
4	Dariusz Filar	-	-	-
5	Dariusz Kacprzyk	-	-	-
6	Paweł Kaczmarek	-	-	-
7	Jakub Karnowski	71	71	-
8	Alojzy Nowak	-	-	-
9	Maciej Piotrowski	-	-	-
Total		201	201	-

¹⁾ Since the National Securities Depository (KDPW) has not yet split the shares, the table above presents the number of shares under the assumption that its par value is PLN 1.

3. Composition of the Management Board, Supervisory Board and Directors of the PZU Group

3.1 Composition of the parent company's Management Board

From 1 January 2015, the PZU Management Board consisted of the following persons:

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

Under its resolution of 16 March 2015 the PZU Supervisory Board appointed Andrzej Klesyk to the PZU SA Management Board during its new term of office and entrusted him with acting in the capacity of PZU's CEO.

On 24 June 2015, at the request of PZU's CEO, the PZU Supervisory Board appointed the following to the PZU SA Management Board during its new term of office and entrusted them with acting in the capacity of PZU Management Board members.

- Przemysław Dąbrowski;
- Rafał Grodzicki;
- Dariusz Krzewina;
- Tomasz Tarkowski.

On 1 September 2015, at the request of PZU's CEO, the PZU Supervisory Board appointed Witold Jaworski to the PZU SA Management Board and entrusted him with acting in the capacity of a PZU Management Board member.

His appointment is for the period of the joint term of office that began on 1 July 2015. This term of office covers three consecutive full financial years. 2016 will be the first full financial year of this term of office.

From 1 September 2015 to the date of conveying this periodic report, the PZU Management Board consisted of the following persons:

- Andrzej Klesyk – President of the PZU Management Board (CEO);
- Przemysław Dąbrowski – Member of the PZU Management Board;
- Rafał Grodzicki – Member of the PZU Management Board;
- Witold Jaworski – Member of the PZU Management Board;
- Dariusz Krzewina – Member of the PZU Management Board;
- Tomasz Tarkowski – Member of the PZU Management Board.

3.2 Composition of the parent company's Supervisory Board

From 1 January 2015 to 30 June 2015, the PZU Supervisory Board consisted of the following persons:

- Aleksandra Magaczewska – Supervisory Board Chairwoman;
- Zbigniew Cwiakalski – Supervisory Board Deputy Chairman;
- Tomasz Zganiacz – Supervisory Board Secretary;
- Zbigniew Derdziuk – Supervisory Board Member;
- Dariusz Filar – Supervisory Board Member;
- Dariusz Kacprzyk – Supervisory Board Member;
- Jakub Karnowski – Supervisory Board Member;

- Alojzy Nowak – Supervisory Board Member;
- Maciej Piotrowski – Supervisory Board Member.

On 30 June 2015 PZU's Ordinary Shareholder Meeting (PZU OSM) appointed the following persons to the PZU Supervisory Board in its new term of office:

- Zbigniew Cwiąkański (as of 8 July 2015 – Supervisory Board Chairman);
- Paweł Kaczmarek (as of 8 July 2015 – Supervisory Board Deputy Chairman);
- Dariusz Filar (as of 8 July 2015 – Supervisory Board Secretary);
- Zbigniew Derdziuk;
- Dariusz Kacprzyk;
- Jakub Karnowski;
- Aleksandra Magaczewska;
- Alojzy Nowak;
- Maciej Piotrowski.

This appointment took place on 1 July 2015 for the period of the joint term of office, which encompasses three consecutive full financial years. 2016 will be the first full financial year of this term of office.

3.3 PZU Group Directors

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

From 1 January 2015 the following persons were PZU Group Directors:

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

As Rafał Grodzicki was appointed to the PZU Management Board, under a PZU Management Board resolution of 21 July 2015 Rafał Grodzicki was recalled from the function of PZU Group Director as of 30 June 2015.

From 1 July 2015 to the date of conveying this periodic report, the following persons were PZU Group Directors:

- Tobiasz Bury;
- Przemysław Henschke;
- Sławomir Niemierka.

4. Key accounting principles (accounting policy)

Detailed accounting principles (accounting policy) are presented in the annual consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for 2014, signed by the PZU Management Board on 16 March 2015 ("PZU Group's 2014 consolidated financial statements").

The PZU Group's 2014 consolidated financial statements are available on the PZU website at www.pzu.pl in the "Investor Relations" tab.

4.1 Changes in accounting principles, estimates, previous years' errors

4.1.1. Amendments to the applied IFRS

4.1.1.1. Standards, interpretations and amended standards effective from 1 January 2015

Standard/interpretation	Date of entry into effect for annual periods starting From	Regulation approving the standard or interpretation	Commentary
IFRIC 21 Interpretation – Levies	17 June 2014 or later	634/2014	<p>IFRIC 21 is an interpretation of IAS 37 – Provisions, contingent liabilities and contingent assets. IAS 37 specifies the criteria for recognizing a liability, with one of them being the requirement to have a current obligation following from past events (referred to as an obligating event). The interpretation explains that an event leading to the emergence of a liability to remit a public fee is an activity subject to a public fee prescribed by the appropriate legal regulations.</p> <p>The change did not affect the PZU Group's consolidated financial statements.</p>
Amendments to IFRS in 2011-2013	1 July 2014	1361/2014	<p>Changes to various standards and interpretations under the procedure for making annual corrections to Standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40), mostly directed at solving incongruences and tightening terminology. The changes made state more precisely the required accounting recognition in situations in which previously it was permissible to have an arbitrary interpretation. The most important ones are new or changed requirements concerning: the significance of the IFRS in force in IFRS 1; the scope of exemptions concerning joint ventures; the scope of paragraph 52 of IFRS 13 (net exposure exemption) and stating more precisely the relationship between IFRS 3 and IAS 40 (additional services).</p> <p>The change did not affect the PZU Group's consolidated financial statements.</p>
Amendments to IFRS in 2010-2012	1 July 2014	28/2015	<p>Changes to various standards and interpretations under the procedure for making annual corrections to Standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), mostly directed at solving incongruences and tightening terminology. The changes made state more precisely the required accounting recognition in situations in which previously it was permissible to have an arbitrary interpretation. The most important ones are new or changed requirements concerning: the definition of a "condition to acquire rights"; accounting recognition of a conditional payment in the combination of ventures; aggregation of operating segments and reconciliation of the assets of reporting segments with the entity's assets; measurement of short-term receivables and payables; proportionate transformation of accumulated depreciation in the revaluation model and the definition of management personnel.</p> <p>The change did not affect the PZU Group's consolidated financial statements.</p>

Standard/interpretation	Date of entry into effect for annual periods starting From	Regulation approving the standard or interpretation	Commentary
Amendments to IAS 19 "Employee Benefits – Defined Benefit Plans – Employee Contributions"	1 July 2014	29/2015	Minor changes concern the scope of application of IAS 19 to contributions from employees or third parties paid in favor of defined benefits schemes. The purpose of the changes is to simplify the settlement of contributions that do not depend on the number of years worked (e.g. employee contributions computed as a fixed percentage of salary). The change did not affect the PZU Group's consolidated financial statements.

4.1.1.2. Standards, interpretations and amended standards not yet effective

The following standards, interpretations and amended standards have been issued but have not come into effect:

- Not approved by the European Commission:

Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)	Commentary
IFRS 9 – Financial Instruments	24 July 2014	1 January 2018	This standard replaces IAS 39 and specifies the requirements for recognition and measurement of impairment, derecognition and hedge accounting. The standard introduces a new approach to the classification of financial assets, based on the nature of cash flows and the business model associated with the relevant assets. The standard also unifies the impairment model for all financial instruments. The new model of expected loss from impairment requires a quicker recognition of expected credit losses. The standard introduces a reformed hedge accounting model with enhanced requirements concerning disclosures of risk management activities. Due to the remote effective date, the effect of application of IFRS 9 on the PZU Group's comprehensive income and equity has not been estimated.

Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)	Commentary
IFRS 14 – Regulatory Deferral Accounts	30 January 2014	1 January 2016 ¹⁾	<p>Enabling entities applying IFRS for the first time, which currently recognize regulatory deferral account balances in accordance with their previous, generally accepted accounting standards to continue recognizing these balances after switching to IFRS.</p> <p>This amendment does not apply to the PZU Group.</p>
IFRS 15 – Revenue from Contracts with Customers	28 May 2014 and changes of 11 September 2015	1 January 2018 ²⁾	<p>IFRS 15 specifies how and when to recognize revenues and requires the presentation of more detailed disclosures. The standard replaces IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of interpretations related to revenue recognition. The standard applies to almost all agreements with customers (the main exceptions concern lease agreements, financial instruments and insurance agreements). The fundamental principle of the new standard is to recognize revenues in a manner that reflects the transfer of goods or services to customers and in an amount that reflects the value of consideration (i.e. the payment) which the company expects to obtain a right to in exchange for the goods or services. The standard also provides guidelines for recognizing transactions that were not regulated in detail in previous standards (e.g. revenues from services or modification of agreements) and contains more comprehensive explanations on the recognition of agreements with multiple deliverables.</p> <p>Due to the remote effective date and the inapplicability to the PZU Group’s insurance companies, the effect of application of the new standard on the PZU Group’s comprehensive income and equity has not been estimated.</p>
Amendments to IFRS in 2012-2014	25 September 2014	1 January 2016	<p>Amendments to IFRS 5 – supplemented with guidelines concerning reclassification of assets from held for sale to held for distribution to owners and vice versa and cases of the cessation of classification of assets held for distribution to owners. Amendments to IFRS 7 – supplemented with guidelines concerning disclosures related to asset handling agreements and explanations regarding the application of compensation-related amendments to IFRS 7 in condensed interim financial statements. Amendment to IAS 19 – clarification that high-quality corporate bonds used for the purposes of estimating the discount rate used in the calculation of post-employment benefits should be denominated in the same currency as the currency of the future payment of the benefits (and hence market activity on such bonds should be evaluated at the currency level). Amendments to IAS 34 – provision of greater detail for the concepts covered.</p> <p>The change will not affect the PZU Group’s consolidated financial statements.</p>

Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)	Commentary
Amendments to IFRS 10 and IFRS 28 – Sale or transfer of assets between the investor and an associate or a joint venture	11 September 2014	1 January 2016 (it will be subject to change)	<p>The main consequence of the amendment is the recognition of the whole profit or loss in a situation where the transaction concerns an organized business (regardless of whether or not it is located in a subsidiary), whereas partial profits or losses are recognized in the transaction concerns separate assets that do not form an organized business, even if they are located in a subsidiary.</p> <p>The change will not affect the PZU Group’s consolidated financial statements.</p>
Amendments to IFRS 11 – Settlement of the acquisition of a share in a joint business	6 May 2014	1 January 2016	<p>The amendment clarifies that the buyers of shares in joint operations should apply all the rules pertaining to acquisition accounting resulting from IFRS 3 and other IFRSs that are not in conflict with IFRS 11 and should disclose the information required by these standards.</p> <p>This amendment should not influence the PZU Group’s consolidated financial statements.</p>
Amendments to IAS 16 and IAS 38 – clarification of permissible depreciation methods	12 May 2014	1 January 2016	<p>The amendment clarifies that the adoption of depreciation methods based on revenues generated by assets is inappropriate.</p> <p>This amendment should not affect the PZU Group’s consolidated financial statements.</p>
Amendments to IAS 16 and IAS 41 – production plants	30 June 2014	1 January 2016	<p>The amendment introduces a definition of productive assets and removes them from the scope of application of IAS 41 by moving them to IAS 16, which will result in a change in the valuation method.</p> <p>The change will not affect the PZU Group’s consolidated financial statements.</p>
Amendment to IAS 27 – equity method in separate financial statements	12 August 2014	1 January 2016	<p>The amendment permits entities to apply the equity method for the valuation of investments in subsidiaries, associates and joint ventures in standalone financial statements.</p> <p>The change will not affect the PZU Group’s consolidated financial statements.</p>
Amendments to IAS 1 – initiative on disclosures	18 December 2014	1 January 2016	<p>Introduction of requirements for a structured layout of financial statements, the requirement for reconciliation of subtotals in the profit and loss account, in the statement of comprehensive income and the statement of financial position, and additional guidelines for materiality, level of detail in presentations and accounting principles.</p> <p>The change may result in minor modifications in the layout of basic tables in the PZU Group’s consolidated financial statements.</p>

Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)	Commentary
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Application of exemptions from consolidation	18 December 2014	1 January 2016	IFRS 10 – Supplemented with additional guidelines requiring investment entities to apply mandatory consolidation of non-investment subsidiaries providing investment-related services; supplemented with guidelines on the absence of a duty to prepare consolidated statements by parent companies of a lower level controlled by investment entities. IAS 28 – supplemented with guidelines on the application of valuation using the equity method by an investor that is not an investment entity in relation to an associate investment entity or joint venture. The change will not affect the PZU Group’s consolidated financial statements.

¹⁾ The European Commission suspended the process of approval until the time of publishing the final version of the standard.

²⁾ On 28 April 2015 the International Accounting Standards Board voted to defer the effective date by a year until 1 January 2018.

In summary, in the opinion of the PZU Group, the introduction of the above standards and interpretations will have no material effect on the accounting principles followed by the PZU Group, except for IFRS 9 and IFRS 15 whose impact on the accounting principles applied by the PZU Group is yet to be assessed.

4.2 Explanation of the differences between the previously published statements and these condensed interim consolidated financial statements

To reflect the economic content more faithfully, the presentation has been modified in the consolidated financial statements for 2014:

- revenues from additional performances by virtue of having a considerable quantity of the assets in the funds managed by mutual fund companies (*kick-back*) and they have been presented in the line item "Net investment income" instead of "Revenues from commissions and fees" and "Other operating revenues". Consistently - the cash flow statement depicts these performances in the line item "Other investment proceeds" instead of "Other operating proceeds" and "Realization of other investments".
- cash flow on gross premium refunds and they have been depicted in the line item "Other operating expenditures" instead of reducing the line item "Proceeds on gross insurance premiums".

Moreover, to reflect economic content more faithfully, the condensed interim consolidated financial statements offset the cash flow on the temporary accounts including unsettled contributions by fund members under the PPE, IKE and IP programs. Instead of presenting them separately in the line items "Other operating proceeds" and "Other operating expenditures" this cash flow is presented on a net basis as other operating proceeds or other operating expenditures.

The following tables depict the differences between the historically presented data in the condensed interim consolidated financial statements for the 9 months ended 30 September 2014 and these condensed interim financial statements.

Consolidated profit and loss account	1 July - 30 September 2014 <i>(historical)</i>	1 January - 30 September 2014 <i>(historical)</i>	1 July - 30 September 2014 <i>(adjustment)</i>	1 January - 30 September 2014 <i>(adjustment)</i>	1 July - 30 September 2014 <i>(transformed)</i>	1 January - 30 September 2014 <i>(transformed)</i>
Revenues from commissions and fees	178,377	309,038	(3,522)	(11,050)	174,855	297,988
Net investment income	501,893	1,295,301	5,440	18,108	507,333	1,313,409
Other operating revenues	142,052	392,059	(1,918)	(7,058)	140,134	385,001

Consolidated cash flow statement	1 January - 30 September 2014 <i>(historical)</i>	Adjustment	1 January - 30 September 2014 <i>(transformed)</i>
Cash flow on operating activity			
Proceeds	15,278,330	(692,257)	14,586,073
- proceeds on gross insurance premiums	12,177,957	212,332	12,390,289
- other operating proceeds	1,739,304	(904,589)	834,715
Expenditures	(14,034,521)	681,104	(13,353,417)
- other operating expenditures	(2,043,563)	681,104	(1,362,459)
Net cash flow on operating activity	1,243,809	(11,153)	1,232,656
Cash flow on investing activity			
Proceeds	479,205,160	11,153	479,216,313
- realization of other investments	22,881,078	(3,434)	22,877,644
- other investment proceeds	-	14,587	14,587
Net cash flow on investing activity	(3,252,232)	11,153	(3,241,079)

5. Key estimates and judgments

The critical estimates and judgments were presented in the PZU Group's consolidated financial statements for 2014.

6. Corrections of errors from previous years

During the 9-month period from 1 January to 30 September 2015, no corrections were made of errors from previous years.

7. Significant events materially affecting the structure of lines items in the financial statements

7.1 Distribution of PZU's 2014 financial result

On 30 June 2015 the PZU Shareholder Meeting adopted a resolution on distribution of net profit for 2014. This issue has been described in item 22.

7.2 Key dividends paid between PZU Group companies

These operations do not affect the financial result of the PZU Group, but they do affect the presentation of results of the individual segments.

7.2.1. Dividend from PZU Życie to PZU

On 29 June 2015 the PZU Życie Ordinary Shareholder Meeting adopted a resolution on distribution of PZU Życie's net profit for the 2014 financial year in the amount of PLN 1,931,333 thousand as follows:

- designate PLN 1,795,174 thousand as a dividend for its sole shareholder, i.e. PZU;
- designate PLN 131,159 thousand for supplementary capital;
- designate PLN 5,000 thousand for the Company Social Benefit Fund.

Having regard for the payment on 29 January 2015 of an interim dividend in the amount of PLN 730,000 thousand toward the dividend anticipated for the end of the 2014 financial year, the part of the dividend remaining to be paid was PLN 1,065,174 thousand. The dividend date for this part was set on 14 August 2015. The dividend was paid on 19 October 2015.

7.2.2. Dividend from PTE PZU to PZU Życie

On 30 March 2015, the Shareholder Meeting of PTE PZU made a decision to pay a dividend of PLN 229,426 thousand. The dividend was paid on 6 May 2015.

8. Material events after the end of the reporting period

8.1.1.1. Purchase of shares in Alior Bank SA

On 12 October 2015, the purchase of the first tranche of Alior Bank's shares was settled.

Detailed information concerning the dates of obtaining the various consents and the acquisition of the first tranche is described in item 24.2.

8.1.1.2. Bond issue

On 16 October 2015 PZU Finance AB (publ), a wholly-owned subsidiary of PZU, issued registered bonds with a total par value of EUR 350,000 thousand. The issue price for each bond was EUR 99,218 plus accrued interest from 3 July 2015. The bonds bear interest at a fixed rate of 1.375% per annum. The coupon will be paid once a year. The bond yield as at the issue date is 1.593%. The bonds will be redeemed on 3 July 2019. These bonds will be introduced for trading on regulated markets and after assimilation they will form a single series with the bonds issued by PZU Finance AB (publ) on 3 July 2014. Standard & Poor's granted the bonds a senior unsecured rating of A-.

The liabilities of PZU Finance AB (publ.) arising from the bonds are secured by a guarantee granted by PZU which covers all issue-related liabilities of the issuer (including the obligation to pay the par value of the bonds and interest on the bonds) and where this guarantee has been granted to all bondholders. The maximum value of the guarantee has not been specified. The guarantee will expire upon expiration of the bondholders' claims against PZU Finance AB (publ.).

9. Supplementary notes to the condensed interim consolidated financial statements

9.1 Gross written premiums

Gross written premiums	1 July - 30 September 2015	1 January - 30 September 2015	1 July - 30 September 2014	1 January - 30 September 2014
Gross written premiums in non-life insurance	2,370,146	7,443,945	2,014,924	6,506,157
In direct insurance	2,317,264	7,358,842	2,006,470	6,470,996
In indirect insurance	52,882	85,103	8,454	35,161
Gross written premiums in life insurance	1,964,683	6,017,334	1,955,961	5,902,621
Individual premiums	776,274	2,458,726	801,687	2,436,616
Group insurance premiums	1,188,409	3,558,608	1,154,274	3,466,005
Gross written premiums, total	4,334,829	13,461,279	3,970,885	12,408,778

Gross written premiums in direct non-life insurance (by accounting classes prescribed by section II of the attachment to the Insurance Activity Act)	1 July - 30 September 2015	1 January - 30 September 2015	1 July - 30 September 2014	1 January - 30 September 2014
Accident and sickness insurance (class 1 and 2)	216,354	499,917	212,654	409,464
Motor third party liability insurance (class 10)	811,556	2,425,959	675,773	2,084,936
Other motor insurance (class 3)	627,252	1,923,541	505,816	1,575,646
Marine, air and cargo insurance (classes 4, 5, 6, 7)	8,892	46,341	12,914	56,011
Insurance against fire and other damage to property (classes 8 and 9)	415,123	1,620,459	363,329	1,437,027
TPL insurance (classes 11, 12, 13)	126,625	509,205	130,984	572,950
Credit and guarantee insurance (classes 14, 15)	15,498	54,713	17,918	76,127
Assistance (class 18)	86,584	241,870	67,806	182,114
Legal protection (class 17)	1,184	1,942	82	756
Other (class 16)	8,196	34,895	19,194	75,965
Total	2,317,264	7,358,842	2,006,470	6,470,996

9.2 Revenues from commissions and fees

Revenues from commissions and fees	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014 <i>(transformed)</i>	1 January – 30 September 2014 <i>(transformed)</i>
Pension insurance	30,517	87,267	160,064	236,915
Commissions on distribution fees	1,251	3,866	3,061	18,530
Commissions on asset management in an open-end pension fund	24,967	76,106	23,663	85,045
Other	4,299	7,295	133,340	133,340
Investment contracts	2,060	6,978	3,151	10,834
Revenues from fees relating to investment contracts for the client's account and risk	2,060	6,978	3,151	10,834
Other	44,746	86,274	11,640	50,239
Revenues and payments received from funds and mutual fund companies	44,746	86,274	11,640	50,239
Revenues from commissions and fees, total	77,323	180,519	174,855	297,988

9.3 Net investment income

Net investment income	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014 <i>(transformed)</i>	1 January – 30 September 2014 <i>(transformed)</i>
Interest income, including:	337,799	1,034,974	378,524	1,104,024
- financial assets available for sale	5,345	36,852	10,934	36,234
- financial assets held to maturity	242,159	724,300	243,925	720,696
- loans	89,541	271,205	122,820	344,331
- receivables, including receivables due under insurance contracts	164	577	-	-
- cash and cash equivalents	590	2,040	845	2,763
Dividend income, including:	19,695	58,110	46,608	86,062
- financial assets classified for measurement at fair value through profit or loss upon first recognition	11,767	34,840	35,322	62,617
- financial assets held for trading	7,917	22,401	6,299	17,705
- financial assets available for sale	11	869	4,987	5,740
Income on investment properties	55,835	155,938	34,900	101,216
Foreign exchange differences, including:	19,165	65,351	59,875	61,777
- financial assets held to maturity	751	(403)	267	481
- financial assets available for sale	(1,191)	1,640	1,175	(1,349)
- loans	16,651	21,990	25,167	30,664
- receivables, including receivables due under insurance contracts	3,779	5,656	(1,538)	(2,902)
- cash and cash equivalents	(825)	36,468	34,804	34,883
Other, including:	(23,235)	(99,519)	(12,574)	(39,670)
- investment activity expenses	(6,982)	(22,875)	(4,997)	(15,273)
- investment property maintenance expenses	(24,157)	(98,019)	(13,017)	(43,471)
- other	7,904	21,375	5,440	19,074
Net investment income, total	409,259	1,214,854	507,333	1,313,409

9.4 Net result on the realization of investments and impairment charges

Net result on the realization of investments and impairment charges	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Net result on the realization of investments	66,517	274,965	138,316	186,124
Financial assets measured at fair value through profit or loss – classified as such upon first recognition, including:	49,179	126,522	61,389	156,326
- equity instruments	54,734	55,913	3,149	20,648
- debt securities	(5,555)	70,609	58,240	135,678
Financial assets held for trading, including:	(160,792)	(3,829)	84,848	51,827
- equity instruments	(69,727)	(43,229)	(23,602)	(29,420)
- debt securities	4,786	(2,703)	17,449	17,242
- derivatives	(95,851)	42,103	91,001	64,005
Financial assets available for sale, including:	6,705	6,713	5,962	16,359
- equity instruments	(1,088)	(1,055)	-	-
- debt securities	7,793	7,768	5,962	16,359
Financial assets held to maturity, including:	292	(711)	123	1,371
- debt securities held to maturity	292	(711)	123	1,371
Borrowings	4,565	4,750	-	-
Receivables, including receivables due under insurance contracts	(760)	(26,555)	(14,307)	(40,079)
Cash and cash equivalents	27	(24)	-	-
Investment properties	330	1,128	301	320
Result on the sale of PZU Lietuva ¹⁾	166,971	166,971	-	-
Impairment charges	(12,074)	(37,580)	(1,408)	(24,037)
Financial assets available for sale, including:	-	-	(4)	(3,404)
- equity instruments	-	-	(4)	(3,404)
Borrowings	(2)	(7,041)	-	-
Receivables, including receivables due under insurance contracts	(12,055)	(29,134)	(1,404)	(20,633)
Cash and cash equivalents	(17)	(1,405)	-	-
Net result on the realization of investments and impairment charges, total	54,443	237,385	136,908	162,087

¹⁾ Information on the sale of PZU Lietuva is presented in item 1.4.1.

9.5 Net movement in the fair value of assets and liabilities measured at fair value

Net movement in the fair value of assets and liabilities measured at fair value	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Financial instruments measured at fair value through profit or loss – classified in that category upon first recognition, including:	67,067	96,214	163,000	533,486
- equity instruments	(80,776)	60,480	(33,701)	1,805
- debt securities	147,877	37,771	201,911	572,114
- measurement of liabilities to members of consolidated mutual funds	(34)	(2,037)	(5,210)	(40,433)
Financial instruments held for trading, including:	(205,820)	(165,930)	4,434	197,394
- equity instruments	(183,301)	(102,896)	16,673	124,967
- debt securities	29,936	36,463	15,317	73,433
- derivatives	(52,455)	(99,497)	(27,556)	(1,006)
Investment properties	4,854	5,036	(829)	(25,066)
Net movement in the fair value of assets and liabilities measured at fair value	(133,899)	(64,680)	166,605	705,814

9.6 Other operating revenues

Other operating revenues	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014 <i>(transformed)</i>	1 January – 30 September 2014 <i>(transformed)</i>
Commissions for acting as an emergency adjuster	1,148	4,899	1,462	5,132
Reversal of provisions	14,257	16,433	5,349	33,535
Reinsurance commissions and profit-sharing	(1,963)	10,573	1,117	8,094
Revenues on the sales of products, merchandise and services by non-insurance companies	104,405	301,124	81,540	211,091
Revenues on joint and several co-insurance settlements	-	23,471	-	-
Revenues from direct claims handling on behalf of other insurance undertakings	51,550	132,100	26,771	39,680
Reversal of provisions for employee leave	18,885	18,885	-	-
Other	42,866	93,125	23,895	87,469
Other operating revenues, total	231,148	600,610	140,134	385,001

9.7 Claims and movement in technical provisions

Claims and movement in technical provisions	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Claims and movement in technical provisions in non-life insurance	2,224,237	5,123,093	1,504,657	3,953,209
Reinsurers' share in claims and in the movement in technical provisions in non-life insurance	(386,029)	(464,395)	(19,394)	(79,513)
Claims and movement in technical provisions in life insurance	1,235,133	4,421,132	1,508,625	4,538,451
Reinsurers' share in claims and movement in technical provisions in life insurance	(37)	(165)	(53)	(225)
Claims and movement in technical provisions, total	3,073,304	9,079,665	2,993,835	8,411,922

9.8 Movement in measurement of investment contracts

Movement in measurement of investment contracts	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Under investment contracts with guaranteed and fixed terms and conditions	1,007	5,130	4,825	14,032
- interest expenses calculated using the effective interest rate	1,007	5,130	4,825	14,032
Under investment contracts for the client's account and risk (unit-linked)	(15,651)	(4,142)	3,704	522
Change in measurement of investment contracts, total	(14,644)	988	8,529	14,554

9.9 Administrative, acquisition and claims handling expenses, by type

Administrative, acquisition and claims handling expenses, by type	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Consumption of materials and energy	18,690	73,465	21,746	62,436
Third party services	158,556	499,267	128,255	359,148
Taxes and fees	15,465	48,349	13,937	64,344
Employee expenses	391,592	1,200,922	331,277	1,012,178
Depreciation of property, plant and equipment	20,896	61,653	19,892	54,535
Amortization of intangible assets	21,197	68,021	18,025	51,890
Other, including:	558,695	1,762,015	509,780	1,530,651
- commissions on direct activity	424,736	1,335,152	382,332	1,181,754
- advertising	29,544	95,931	32,897	75,196
- commissions on indirect activity	53,262	159,065	54,970	158,610
- other	51,153	171,867	39,581	115,091
Movement in capitalized acquisition expenses	(15,150)	(200,470)	9,745	(27,964)
Administrative, acquisition and claims handling expenses, total	1,169,941	3,513,222	1,052,657	3,107,218

9.10 Other operating expenses

Other operating expenses	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Amortization of intangible assets purchased in company acquisition transactions	35,097	141,772	-	-
Direct claims handling expenses on behalf of other insurance undertakings	52,058	135,309	27,792	41,912
Establishing provisions	6,826	15,814	7,219	23,408
Expenses of the core business of non-insurance companies	95,370	292,562	81,481	218,922
Expenditures for prevention activity	23,785	66,756	7,217	29,809
Compulsory payments to insurance market institutions	17,113	53,141	13,926	44,369
Insurance Guarantee Fund	10,669	30,688	8,345	25,922
National Fire Brigade Headquarters and Association of Voluntary Fire Brigades	1,888	26,616	1,928	25,336
Expenses for joint and several co-insurance settlements	-	23,471	-	-
Other	26,405	145,533	81,277	192,098
Other operating expenses, total	269,211	931,662	229,185	601,776

9.11 Financial expenses

Financial expenses	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Interest, including:	22,391	80,144	38,343	97,656
- sell-buy-back transactions	13,403	52,680	27,528	81,742
- outstanding own debt securities	8,221	24,232	7,888	7,888
- bank loans	752	3,187	2,913	7,983
- other	15	45	14	43
Other, including:	21,324	(18,402)	30,562	31,062
- foreign exchange differences on own debt securities	21,758	(12,031)	30,235	30,235
- other foreign exchange differences	(934)	(8,535)	302	339
- other	500	2,164	25	488
Financial expenses, total	43,715	61,742	68,905	128,718

9.12 Earnings per share

Earnings per share	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Net profit on continuing operations attributed to holders of the parent company's equity	510,902	1,832,495	843,483	2,563,834
Basic and diluted weighted average number of ordinary shares	86,351,949	86,351,949	86,351,949	86,351,949
Number of outstanding shares	86,352,300	86,352,300	86,352,300	86,352,300
Amount of treasury stock (held by consolidated mutual funds)	(351)	(351)	(351)	(351)
Basic and diluted earnings (losses) per ordinary share (in PLN)	5.92	21.22	9.77	29.69

In the 9-month period ended 30 September 2015, no operations of any kind were discontinued.

In the 9-month period ended 30 September 2015, there were no transactions or events resulting in the dilution of earnings per share.

Information about the planned split of PZU shares has been presented in item 24.3.

9.13 Income tax in other comprehensive income

Income tax pertaining to components of other comprehensive income	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Gross other comprehensive income	127	(51,111)	20,093	40,593
Income tax	2,313	8,494	(2,152)	(7,610)
Measurement of financial instruments available for sale	2,405	9,627	(1,960)	(6,786)
Reclassification of real property from property, plant and equipment to investment property	(92)	(1,133)	(192)	(824)
Other net comprehensive income	2,440	(42,617)	17,941	32,983

9.14 Intangible assets

The decrease in intangible assets between 30 September 2015 and 31 December 2014 was primarily due to the amortization of intangible assets purchased in company acquisition transactions (relations with customers, relations with brokers, future gains on the purchased portfolio of insurance contracts) in the amount of PLN 141,772 thousand.

9.15 Goodwill

Goodwill	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Lietuvos Draudimas AB	356,838	353,117	360,018	-
Link4	221,377	221,377	236,813	236,813
Codan branch	111,700	110,535	112,319	-
AAS Balta	38,045	37,649	38,258	40,870
Medical companies	49,623	34,428	29,580	17,983
Other	5,545	8,619	8,675	8,581
Goodwill, total	783,128	765,725	785,663	304,247

In the period of 9 months ended 30 September 2015 and in 2014, there were no impairment charges related to goodwill.



9.16 Entities measured by the equity method

Associates and joint ventures	30 September 2015	30 June 2015	31 December 2014	30 September 2014	30 September 2015	30 June 2015	31 December 2014	30 September 2014	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Name of the company	EMC Instytut Medyczny SA				GSU Pomoc Górnicy Klub Ubezpieczonych SA				Armatura Tower Sp. z o.o.			
Nature of PZU's relationship with the entity	Associate – strategic				Associate – non-strategic				Joint venture - non-strategic			
Registered office of the entity	Wrocław				Tychy				Kraków			
Equity stake in the entity	28.31%	28.58%	28.58%	28.58%	30.00%	30.00%	30.00%	30.00%	50.00%	50.00%	50.00%	50.00%
Percentage of votes in the entity	25.44%	25.41%	25.41%	25.41%	30.00%	30.00%	30.00%	30.00%	50.00%	50.00%	50.00%	50.00%
Valuation method in the consolidated financial statements	Equity method				Equity method				Equity method.			
Accounting standard used by the entity	IFRS				PAS				IFRS			
Carrying amount of exposure to the entity	70,772	65,724	65,707	66,895	567	569	586	587	13	15	18	19
Fair value of exposure to the entity	56,299	49,714	52,737	51,535	None – unlisted entity	None – unlisted entity	None – unlisted entity	None – unlisted entity	None – unlisted entity	None – unlisted entity	None – unlisted entity	None – unlisted entity
Value of dividends received from the entity	-	-	-	-	8	-	36	36	-	-	-	-
Key financial highlights												
Assets, including:	253,378	257,225	242,652	242,561	2,739	2,796	2,513	2,720	26	30	35	39
Short-term assets, including:	62,172	66,398	50,469	56,946	2,239	2,258	2,003	2,560	26	30	35	39
Cash and cash equivalents	16,046	15,483	16,931	25,366	2,060	1,966	1,752	2,455	20	25	32	37
Long-term assets	191,206	190,827	192,183	185,615	500	538	510	160	-	-	-	-



Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group
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(in thous. PLN)

Associates and joint ventures	30 September 2015	30 June 2015	31 December 2014	30 September 2014	30 September 2015	30 June 2015	31 December 2014	30 September 2014	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Equity	155,481	156,521 ¹⁾	137,249	136,900	1,889	1,896	1,960	1,957	25	28	35	38
Liabilities, including:	97,897	100,704	105,403	105,661	850	900	553	763	1	2	-	1
Short-term liabilities, including:	53,098	53,641	60,168	52,033	850	900	553	763	1	2	-	1
Short-term financial liabilities	15,209	15,633	23,930	18,797	-	-	-	-	-	-	-	-
Long-term liabilities, including:	44,799	47,063	45,235	53,628	-	-	-	-	-	-	-	-
Long-term financial liabilities	25,940	27,540	24,286	32,039	-	-	-	-	-	-	-	-
Revenues on core business	193,898	130,523	243,132	182,705	1,622	1,132	1,076	578	-	-	-	-
Amortization and depreciation	9,922	6,680	12,608	9,403	116	78	49	22	-	-	-	-
Interest revenues	216	89	831	625	58	39	133	109	-	-	-	-
Interest expenses	1,493	1,015	2,419	1,979	-	-	-	-	-	-	-	-
Income tax	(175)	669	(1,211)	833	6	14	29	33	-	-	-	-
Comprehensive income, incl.:	(1,658)	(618)	(6,459)	(2,868)	(44)	(64)	27	24	(10)	(7)	(15)	(12)
Net financial result, including:	(1,769)	(722)	(5,817)	(2,484)	(44)	(64)	27	24	(10)	(7)	(15)	(12)
Net financial result on continuing operations	(1,769)	(722)	(5,817)	(2,484)	(44)	(64)	27	24	(10)	(7)	(15)	(12)
Net financial result on discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	111	104	(642)	(384)	-	-	-	-	-	-	-	-

¹⁾ This amount contains the capital increase of PLN 20,000 thousand registered on 9 July 2015.

There are no restrictions (e.g. resulting from any findings regarding borrowings, regulatory requirements or agreements) as to the ability of transferring funds by the associates or the joint venture in the form of cash dividends.

9.17 Financial assets

Due to a change in the purpose of use of certain assets, from 1 January 2015 some of the assets were reclassified from assets available for sale to assets held to maturity. The carrying amount of the assets at the time of reclassification was PLN 83,620 thousand. The carrying amount as at 30 September 2015 was PLN 84,390 thousand.

The transfer described above was the sole reclassification of financial instruments from groups carried at fair value to groups carried at cost or amortized cost effected in the 9 months ended 30 September 2015. In 2014 this type of reclassification was not conducted.

9.17.1. Financial instruments held to maturity

Financial instruments held to maturity	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Instruments for which fair value can be determined	20,085,459	20,077,667	19,983,689	20,226,891
Debt securities	20,085,459	20,077,667	19,983,689	20,226,891
Government securities	19,892,913	19,887,980	19,796,986	19,994,104
Fixed rate	18,664,693	18,642,829	18,555,389	18,807,712
Floating rate	1,228,220	1,245,151	1,241,597	1,186,392
Other	192,546	189,687	186,703	232,787
Listed on a regulated market	69,155	68,065	63,909	110,224
Fixed rate	69,155	68,065	63,909	110,224
Not listed on a regulated market	123,391	121,622	122,794	122,563
Floating rate	123,391	121,622	122,794	122,563
Financial instruments held to maturity, total	20,085,459	20,077,667	19,983,689	20,226,891

The fair value of financial instruments held to maturity as at 30 September 2015 was PLN 22,801,661 thousand (as at 30 June 2015: PLN 22,408,953 thousand, as at 31 December 2014: PLN 23,524,392 thousand, as at 30 September 2014: PLN 22,545,754 thousand).

9.17.2. Financial instruments available for sale

Financial instruments available for sale	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Instruments for which fair value can be determined	3,531,300	3,099,613	2,982,164	2,758,788
Equity instruments	734,446	764,348	547,299	561,974
Listed on a regulated market	360,989	359,737	357,732	370,942
Not listed on a regulated market	373,457	404,611	189,567	191,032
Debt instruments	2,796,854	2,335,265	2,434,865	2,196,814
Government securities	2,314,878	1,867,792	1,922,939	1,717,731
Fixed rate	2,132,148	1,773,315	1,868,605	1,597,108
Floating rate	182,730	94,477	54,334	120,623
Other	481,976	467,473	511,926	479,083
Listed on a regulated market	253,577	234,807	272,564	235,271
Fixed rate	210,995	192,392	221,413	185,021
Floating rate	42,582	42,415	51,151	50,250
Not listed on a regulated market	228,399	232,666	239,362	243,812
Floating rate	228,399	232,666	239,362	243,812
Instruments for which fair value cannot be determined	3,134	3,134	3,158	3,128
Equity instruments	3,134	3,134	3,158	3,128
Not listed on a regulated market	3,134	3,134	3,158	3,128
Financial instruments available for sale, total	3,534,434	3,102,747	2,985,322	2,761,916

9.17.3. Financial instruments measured at fair value through profit or loss

Financial instruments measured at fair value through profit or loss	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Instruments classified into this category upon first recognition	13,667,113	12,043,622	12,571,137	12,609,988
Equity instruments	2,651,438	2,222,783	1,482,597	1,448,364
Listed on a regulated market	2,584,365	2,181,401	1,443,739	1,416,484
Not listed on a regulated market	67,073	41,382	38,858	31,880
Debt instruments	11,015,675	9,820,839	11,088,540	11,161,624
Government securities	10,687,816	9,562,831	11,005,221	11,106,183
Fixed rate	8,977,904	8,166,235	9,814,334	9,940,412
Floating rate	1,709,912	1,396,596	1,190,887	1,165,771
Other	327,859	258,008	83,319	55,441
Listed on a regulated market	327,859	258,008	83,319	55,441
Fixed rate	327,859	258,008	83,319	55,441
Instruments held for trading	6,481,155	6,666,056	6,525,347	6,655,238
Equity instruments	4,086,429	4,491,351	4,463,405	4,507,135
Listed on a regulated market	1,106,496	1,328,407	1,572,464	1,654,712
Not listed on a regulated market	2,980,233	3,162,944	2,890,941	2,852,423
Debt instruments	1,853,478	1,742,934	1,515,539	1,517,684
Government securities	1,779,625	1,669,153	1,441,296	1,442,278
Fixed rate	1,773,384	1,662,597	1,409,570	1,417,011
Floating rate	6,241	6,556	31,726	25,267
Other	73,853	73,781	74,243	75,406
Not listed on a regulated market	73,853	73,781	74,243	75,406
Floating rate	73,853	73,781	74,243	75,406
Derivatives	540,948	431,771	546,403	630,419
Financial instruments measured at fair value through profit or loss, total	20,148,268	18,709,678	19,096,484	19,265,226

9.17.4. Borrowings

Borrowings	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Debt securities	2,862,610	2,865,003	2,990,555	2,432,052
Government securities	7,029	9,176	35,146	24,405
Fixed rate	7,029	9,176	35,146	24,405
Other	2,855,581	2,855,827	2,955,409	2,407,647
Listed on a regulated market	-	-	3,882	4,385
Fixed rate	-	-	3,882	4,385
Not listed on a regulated market	2,855,581	2,855,827	2,951,527	2,403,262
Fixed rate	-	-	-	48,844
Floating rate	2,855,581	2,855,827	2,951,527	2,354,418
Other, including:	9,677,800	9,846,540	11,703,926	14,177,776
- buy-sell-back transactions	2,811,528	2,854,682	3,250,173	5,755,427
- term deposits in credit institutions	5,013,010 ¹⁾	4,535,428	6,143,781	6,226,804
- deposits with ceding companies	-	-	-	5
- loans	1,853,262 ²⁾	2,456,430	2,309,972	2,195,540
Total loans	12,540,410	12,711,543	14,694,481	16,609,828

¹⁾ PLN deposits represent over 85% of term deposits in credit institutions and EUR deposits represent over 6%. Over 81% of term deposits will mature before the end of 31 March 2016.

²⁾ 100% of borrowings are borrowings secured by pledges on shares, on accounts receivable portfolios and on bank accounts, other loans or otherwise.

As at 30 September 2015 the fair value of debt securities was PLN 2,867,881 thousand (as at 30 June 2015: PLN 2,900,938 thousand, as at 31 December 2014: PLN 3,091,685 thousand) while the fair value of borrowings was PLN

1,800,732 thousand (as at 30 June 2015: 2,484,727 thousand, as at 30 December 2014: 2,398,454 thousand). The fair value of buy-sell-back transactions and term deposits in credit institutions did not differ significantly from their carrying amounts due to their short-term nature.

9.17.5. Exposure to debt securities issued by governments other than the Polish Government, by corporations and local government units

The following tables present the exposure of the PZU Group companies to debt securities issued by governments other than the Polish government, by corporations and by local government units. Financial instruments classified for inclusion in portfolios held to maturity and borrowings have been presented as measured at amortized cost while financial instruments classified as available for sale and measured at fair value through profit or loss (both if classified as such upon first recognition and if classified as held for trading) have been presented as measured at fair value.

Debt securities issued by governments other than the Polish government

As at 30 September 2015	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charge
Bulgaria	EUR	at fair value	24,715	25,081	25,081	-
Bulgaria	EUR	at amortized cost	10,904	10,943	10,646	-
Croatia	EUR	at amortized cost	14,824	14,852	14,682	-
Croatia	USD	at fair value	6,092	8,064	8,064	-
Ireland	EUR	at fair value	6,878	7,093	7,093	-
Ireland	EUR	at amortized cost	7,393	7,483	7,672	-
Iceland	USD	at fair value	7,420	10,128	10,128	-
Lithuania	EUR	at fair value	372,067	400,818	400,818	-
Lithuania	EUR	at amortized cost	122,277	124,487	125,956	-
Lithuania	USD	at fair value	4,927	6,706	6,706	-
Latvia	EUR	at fair value	55,897	60,131	60,131	-
Latvia	EUR	at amortized cost	19,024	19,346	18,658	-
Latvia	USD	at fair value	31,236	38,585	38,585	-
Germany	EUR	at fair value	544,172	552,640	552,640	-
Portugal	EUR	at fair value	87,530	89,465	89,465	-
Romania	EUR	at fair value	91,315	100,536	100,536	-
Romania	EUR	at amortized cost	24,745	25,099	25,001	-
Romania	RON	at fair value	78,063	79,424	79,424	-
Romania	USD	at fair value	15,631	21,416	21,416	-
Sri Lanka	USD	at fair value	15,068	14,831	14,831	-
United States	USD	at fair value	35,831	38,046	38,046	-
Turkey	USD	at fair value	99,196	99,242	99,242	-
Ukraine	UAH	at fair value	8,368 ¹⁾	6,461 ¹⁾	6,461 ¹⁾	-
Ukraine	UAH	at amortized cost	12,688 ¹⁾	11,542 ¹⁾	11,683 ¹⁾	-
Ukraine	USD	at fair value	3,710	3,514	3,514	-
Ukraine	USD	at amortized cost	1,518	1,868	2,077	-
Hungary	EUR	at fair value	111,052	113,832	113,832	-
Hungary	EUR	at amortized cost	12,592	12,821	12,914	-
Hungary	HUF	at fair value	180,420	180,067	180,067	-
Hungary	USD	at fair value	7,801	10,056	10,056	-

As at 30 September 2015	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charge
other	EUR/USD	at fair value	54,889	56,952	56,952	-
other	EUR	at amortized cost	7,966	8,170	8,214	-
Total			2,076,209	2,159,699	2,160,591	-

¹⁾ In the case of these bonds, every 6 months the par value of the bonds in a fixed amount of UAH 100 is repaid (i.e. 10% of the par value of the bonds). The purchase price shows the actual price paid and does not take into account any repayments of the par value.

As at 30 June 2015	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charge
Bulgaria	EUR	at fair value	24,715	24,498	24,498	-
Bulgaria	EUR	at amortized cost	10,818	11,148	10,623	-
Croatia	USD	at fair value	6,092	8,168	8,168	-
Croatia	EUR	at amortized cost	14,700	14,951	14,640	-
Ireland	EUR	at fair value	6,878	6,915	6,915	-
Ireland	EUR	at amortized cost	7,316	7,382	7,373	-
Iceland	USD	at fair value	24,745	31,047	31,047	-
Lithuania	EUR	at fair value	442,655	469,522	469,522	-
Lithuania	USD	at fair value	4,927	6,689	6,689	-
Lithuania	EUR	at amortized cost	57,837	59,156	58,685	-
Latvia	EUR	at fair value	64,232	67,529	67,529	-
Latvia	USD	at fair value	31,236	38,150	38,150	-
Latvia	EUR	at amortized cost	19,024	19,116	18,042	-
Romania	EUR	at fair value	78,092	84,817	84,817	-
Romania	RON	at fair value	17,163	18,082	18,082	-
Romania	USD	at fair value	15,631	21,354	21,354	-
Romania	EUR	at amortized cost	24,618	24,987	24,395	-
Sri Lanka	USD	at fair value	15,068	14,926	14,926	-
Ukraine	USD	at fair value	4,005	3,984	3,984	-
Ukraine	UAH	at fair value	8,791 ¹⁾	6,326 ¹⁾	6,326 ¹⁾	-
Ukraine	UAH	at amortized cost	31,161 ¹⁾	12,561 ¹⁾	13,289 ¹⁾	-
Ukraine	USD	at amortized cost	1,518	1,853	1,904	-
Hungary	EUR	at fair value	111,052	111,980	111,980	-
Hungary	HUF	at fair value	225,779	216,251	216,251	-
Hungary	USD	at fair value	7,801	10,196	10,196	-
Hungary	EUR	at amortized cost	12,495	12,783	12,749	-
other	EUR/USD	at fair value	48,133	51,690	51,690	-
other	EUR	at amortized cost	7,921	8,073	7,993	-
Total			1,324,403	1,364,134	1,361,817	-

¹⁾ In the case of these bonds, every 6 months the par value of the bonds in a fixed amount of UAH 100 is repaid (i.e. 10% of the par value of the bonds). The purchase price shows the actual price paid and does not take into account any repayments of the par value.

As at 31 December 2014	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Bulgaria	EUR	at fair value	12,589	13,941	13,941	-
Croatia	USD	at fair value	13,489	15,555	15,555	-
Croatia	EUR	at amortized cost	2,418	2,447	2,478	-
Cyprus	EUR	at fair value	20,663	21,585	21,585	-
Iceland	USD	at fair value	24,745	29,246	29,246	-
Lithuania	EUR	at fair value	61,935	68,565	68,565	-
Lithuania	LTL	at fair value	436,696	458,145	458,145	-
Lithuania	USD	at fair value	14,178	17,113	17,113	-
Lithuania	EUR	at amortized cost	12,964	14,050	15,380	-
Lithuania	LTL	at amortized cost	14,857	15,196	15,786	-
Latvia	EUR	at fair value	66,277	70,051	70,051	-
Latvia	USD	at fair value	31,236	35,048	35,048	-
Latvia	EUR	at amortized cost	1,631	1,679	1,781	-
Romania	EUR	at fair value	143,607	156,896	156,896	-
Romania	RON	at fair value	48,545	50,882	50,882	-
Romania	USD	at fair value	15,631	20,436	20,436	-
Turkey	USD	at fair value	449	477	477	-
Ukraine	USD	at fair value	1,458	1,663	1,663	-
Ukraine	UAH	at fair value	10,183 ¹⁾	9,343 ¹⁾	9,343 ¹⁾	-
Ukraine	UAH	at amortized cost	25,181 ¹⁾	9,231 ¹⁾	9,196 ¹⁾	-
Ukraine	USD	at amortized cost	23,692	25,916	25,785	-
Hungary	EUR	at fair value	17,308	20,230	20,230	-
Hungary	HUF	at fair value	160,882	163,499	163,499	-
Hungary	USD	at fair value	7,801	9,456	9,456	-
Hungary	EUR	at amortized cost	570	655	721	-
other	EUR/USD	at fair value	53,492	59,279	59,279	-
Total			1,222,477	1,290,584	1,292,537	-

¹⁾ In the case of these bonds, every 6 months the par value of the bonds in a fixed amount of UAH 100 is repaid (i.e. 10% of the par value of the bonds). The purchase price shows the actual price paid and does not take into account any repayments of the par value.

As at 30 September 2014	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charge
Bulgaria	EUR	at fair value	24,933	26,331	26,331	-
Croatia	USD	at fair value	22,626	25,257	25,257	-
Croatia	EUR	at amortized cost	10,865	10,881	10,909	-
Cyprus	EUR	at fair value	20,663	20,874	20,874	-
Greece	EUR	at fair value	20,674	21,184	21,184	-
Iceland	USD	at fair value	24,745	28,054	28,054	-
Lithuania	EUR	at fair value	13,660	15,749	15,749	-
Lithuania	LTL	at fair value	4,073	4,211	4,211	-
Lithuania	USD	at fair value	14,252	16,008	16,008	-
Lithuania	EUR	at amortized cost	27,750	29,713	33,031	-
Lithuania	LTL	at amortized cost	69,032	65,793	67,749	-
Latvia	EUR	at fair value	75,542	78,080	78,080	-
Latvia	USD	at fair value	31,236	32,546	32,546	-
Latvia	EUR	at amortized cost	1,631	1,643	1,700	-
Germany	EUR	at fair value	334,151	335,010	335,010	-
Romania	EUR	at fair value	72,397	79,751	79,751	-
Romania	RON	at fair value	67,838	69,794	69,794	-
Romania	USD	at fair value	27,985	32,210	32,210	-
Romania	EUR	at amortized cost	8,424	8,464	8,454	-
Turkey	USD	at fair value	34,286	36,653	36,653	-
Ukraine	USD	at fair value	1,376	1,499	1,499	-
Ukraine	UAH	at fair value	1,239 ¹⁾	878 ¹⁾	878 ¹⁾	-

As at 30 September 2014	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charge
Ukraine	UAH	at amortized cost	18 683 ¹⁾	3 474 ¹⁾	3 675 ¹⁾	-
Ukraine	USD	at amortized cost	20,452	20,931	20,952	-
Hungary	EUR	at fair value	17,506	19,845	19,845	-
Hungary	HUF	at fair value	143,239	145,729	145,729	-
Hungary	USD	at fair value	7,801	8,450	8,450	-
Hungary	EUR	at amortized cost	9,003	8,850	8,981	-
other	EUR/USD	at fair value	44,691	49,115	49,115	-
Total			1,170,753	1,196,977	1,202,679	

¹⁾ In the case of these bonds, every 6 months the par value of the bonds in a fixed amount of UAH 100 is repaid (i.e. 10% of the par value of the bonds). The purchase price shows the actual price paid and does not take into account any repayments of the par value.

All debt securities issued by governments other than the Republic of Poland which have been measured at fair value or for which the fair value has been presented (classified in the portfolio of debt securities held to maturity) are in Level I of the fair value hierarchy.

9.17.6. Debt securities issued by corporations and local government units

As at 30 September 2015	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charge
Companies from the WIG-Banks Index	at fair value	399,229	403,479	403,479	-
	at amortized cost	1,618,926	1,625,429	1,617,822	-
Companies from the WIG-Fuels Index	at fair value	304,464	304,544	304,544	-
	at amortized cost	700,000	705,959	715,334	-
Companies from the WIG-Chemicals Index	at amortized cost	1,211	1,219	1,227	-
Companies from the WIG-Energy Index	at amortized cost	315,000	318,288	310,439	-
Privately held domestic banks	at amortized cost	20,000	20,502	22,200	-
Foreign banks	at fair value	18,291	18,722	18,722	-
	at amortized cost	70,843	74,005	76,055	-
Mortgage banks	at fair value	41,983	42,582	42,582	-
Domestic local governments	at fair value	45,632	55,957	55,957	-
	at amortized cost	50,000	51,670	58,776	-
Other	at fair value	59,637	58,404	58,404	-
	at amortized cost	66,011	66,164	64,209	-
Companies from the WIG-Raw Materials Index covered by write-offs	at amortized cost	200,000	184,891	180,371	16,226
Other - covered by full write-offs	at amortized cost	11,630	-	-	11,630
International banks - covered by full write-offs	at amortized cost	1,142	-	-	1,142
Total		3,923,999	3,931,815	3,946,347	28,998

As at 30 June 2015	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charge
Companies from the WIG-Banks Index	at fair value	318,814	320,370	320,370	-
	at amortized cost	1,617,926	1,633,961	1,641,511	-
Companies from the WIG-Fuels Index	at fair value	303,226	306,846	306,846	-
	at amortized cost	700,000	700,628	714,024	-
Companies from the WIG-Chemicals Index	at amortized cost	1,211	1,218	1,223	-
Companies from the WIG-Energy Index	at amortized cost	315,000	316,254	312,776	-
Privately held domestic banks	at amortized cost	20,000	20,240	22,540	-
Foreign banks	at fair value	23,846	23,970	23,970	-
	at amortized cost	70,843	72,830	77,445	-
Mortgage banks	at fair value	41,983	42,415	42,415	-
Domestic local governments	at fair value	45,632	56,462	56,462	-
	at amortized cost	50,000	50,851	57,232	-
Other	at fair value	49,697	49,199	49,199	-
	at amortized cost	66,011	67,072	68,680	-
Companies from the WIG-Raw Materials Index covered by write-offs	at amortized cost	200,000	182,460	181,685	16,226
Other - covered by full write-offs	at amortized cost	11,630	-	-	11,630
International banks - covered by full write-offs	at amortized cost	1,142	-	-	1,142
Total		3,836,961	3,844,776	3,892,604	28,998

As at 31 December 2014	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banks Index	at fair value	184,224	190,676	190,676	-
	at amortized cost	1,616,283	1,630,862	1,711,036	-
Companies from the WIG-Fuels Index	at fair value	303,226	314,558	314,558	-
	at amortized cost	700,000	700,746	715,642	-
Companies from the WIG-Chemicals Index	at amortized cost	1,211	1,236	1,229	-
Companies from the WIG-Energy Index	at amortized cost	400,000	401,778	399,721	-
Privately held domestic banks	at amortized cost	20,000	20,271	23,594	-
Foreign banks	at fair value	23,600	24,081	24,081	-
	at amortized cost	76,359	77,813	82,944	-
Mortgage banks	at fair value	41,983	42,623	42,623	-
Domestic local governments	at fair value	45,632	58,608	58,608	-
	at amortized cost	50,000	52,504	60,884	-
Other	at fair value	38,427	38,942	38,942	-
	at amortized cost	62,751	63,760	64,409	-
Companies from the WIG-Raw Materials Index covered by write-offs	at amortized cost	200,000	193,142	191,195	10,144
Other - covered by full write-offs	at amortized cost	11,630	-	-	11,630
International banks - covered by full write-offs	at amortized cost	1,142	-	-	1,142
Total		3,776,468	3,811,600	3,930,288	22,916

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

9.17.7. Derivatives

Derivatives – assets	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Interest rate derivatives	512,509	364,008	506,919	591,101
Unlisted (OTC) instruments, including:	512,509	364,008	506,919	591,101
- forward contracts	-	2,610	7,203	15,780
- SWAP transactions	512,509	361,398	499,716	575,321
Foreign exchange derivatives	1,732	1,966	14,975	6,712
Unlisted (OTC) instruments, including:	1,732	1,966	14,975	6,712
- forward contracts	-	-	720	6,685
- SWAP transactions	1,723	1,966	13,016	27
- call options	-	-	994	-
- put options	-	-	245	-
Derivatives related to equity and commodity prices	26,707	65,797	24,509	32,606
Listed instruments, including:	7,432	42,260	1,843	6,621
- forward contracts	4,442	-	-	4,707
- call options	2,990	36,632	1,843	1,914
- put options	-	5,628	-	-
Unlisted (OTC) instruments, including:	19,275	23,537	22,666	25,985
- call options	19,275	23,537	22,666	25,985
Derivatives – assets, total	540,948	431,771	546,403	630,419

Derivatives – liabilities	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Interest rate derivatives	640,390	435,096	556,426	588,858
Listed instruments, including:	19,900	18,544	-	17,056
- forward contracts	19,900	18,544	-	17,056
Unlisted (OTC) instruments, including:	620,490	416,552	556,426	571,802
- forward contracts	-	1,366	5,735	19,602
- SWAP transactions	620,490	415,186	550,691	552,200
Foreign exchange derivatives	23,589	31,816	57,782	4,640
Listed instruments, including:	-	-	9,516	-
- forward contracts	-	-	9,516	-
Unlisted (OTC) instruments, including:	23,589	31,816	48,266	4,640
- forward contracts	4,661	4,869	15,633	4,134
- SWAP transactions	18,928	26,947	32,633	506
Derivatives related to equity and commodity prices	-	2,132	11,636	-
Listed instruments, including:	-	2,132	9,516	-
- forward contracts	-	2,132	9,516	-
Unlisted (OTC) instruments, including:	-	-	2,120	-
- forward contracts	-	-	2,120	-
Derivatives – liabilities, total	663,979	469,044	625,844	593,498

9.17.8. Information on changes in the economic situation and business conditions materially affecting the fair value of financial assets and liabilities

Information on changes in the economic situation and business conditions materially affecting the fair value of financial assets and liabilities is presented in items 16 and 18.

9.17.9. Changes in classification of financial assets resulting from the change of purpose or use of such assets

Information on changes to the classification of financial assets is presented in item 9.17.

9.18 Fair value

9.18.1. Description of valuation techniques

9.18.1.1. Debt securities

Fair values of debt securities are determined on the basis of quotations publicly available on an active market, and if there are no such quotations – using valuation models containing references to published price quotations of the underlying financial instruments, interest rates and stock exchange indices.

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

9.18.1.2. Equity-based financial assets

Fair values of equity-based financial assets are determined on the basis of quotations publicly available on an active market.

Fair values of participation units and investment certificates of mutual funds are measured using the value of the participation units and investment certificates published by the mutual fund companies. Such valuation reflects the PZU Group's share in net assets of these funds.

9.18.1.3. Derivatives

For derivatives listed on an active market, the fair value is considered to be the closing price as at the balance-sheet date.

The fair value of derivatives not listed on an active market, including forward contracts and interest rate swaps is measured using the discounted future cash flow method. For the discounting of cash flows, interest rates are used from the yield curves assigned to the relevant type of financial instrument and currency, construed on the basis of available market data.

The fair value of options related to structured deposits is measured based on valuations provided by the issuers of such options, taking into account a verification of these valuations performed by the PZU Group companies, based on their own valuation models.

9.18.1.4. Liabilities under investment contracts for the client's account and risk

Liabilities under investment contracts for the client's account and risk are measured at the fair value of assets covering the liabilities of the unit-linked fund associated with the relevant investment contract.

9.18.1.5. Liabilities to members of consolidated mutual funds

Liabilities to members in the consolidated mutual funds are measured at the fair value of assets of the relevant mutual fund (according to the share in the mutual fund's net assets).

9.18.2. Fair value hierarchy

On the basis of the input data for fair value measurement, the individual assets and liabilities for which fair value has been presented have been classified to the following levels:

- Level I – assets and liabilities measured based on listed prices (unadjusted) from active markets for identical assets and liabilities. This level includes:
 - liquid listed debt securities;
 - listed shares and investment certificates;
 - listed derivatives;
- Level II – assets and liabilities whose measurement is based on input data other than listed prices included within level I, which can be observed on the market, either directly (as prices) or indirectly (derived from prices). This level includes:
 - unlisted debt securities and non-liquid listed debt securities (including non-treasury debt securities issued by other financial entities, local government and non-financial entities);
 - derivatives other than those listed on stock exchanges;
 - participation units in mutual funds;
 - liabilities to members of consolidated mutual funds;
 - investment contracts for the client's account and risk.

- Level III – assets measured based on input data unobserved on the existing markets (unobservable input data).

In a situation in which the measurement of an asset or liability is based on input data classified in different levels of the fair value hierarchy, the measured asset is assigned to the lowest level from which the input data are taken, provided that they have a significant impact on the overall measurement.

Assets and liabilities measured at fair value as at 30 September 2015	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	2,858,884	672,416	-	3,531,300
Equity instruments	360,989	373,457	-	734,446
Debt securities	2,497,895	298,959	-	2,796,854
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	13,572,677	94,436	-	13,667,113
Equity instruments	2,584,980	66,458	-	2,651,438
Debt securities	10,987,697	27,978	-	11,015,675
Financial instruments measured at fair value through profit or loss – held for trading	2,893,553	3,587,602	-	6,481,155
Equity instruments	1,106,496	2,980,233	-	4,086,729
Debt securities	1,779,625	73,853	-	1,853,478
Derivatives	7,432	533,516	-	540,948
Liabilities				
Derivatives	19,900	644,079	-	663,979
Liabilities to members of consolidated mutual funds	-	651,441	-	651,441
Investment contracts for the client's account and risk (<i>unit-linked</i>)	-	420,759	-	420,759

Assets and liabilities measured at fair value as at 30 June 2015	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	2,391,690	707,923	-	3,099,613
Equity instruments	359,737	404,611	-	764,348
Debt securities	2,031,953	303,312	-	2,335,265
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	11,974,403	69,219	-	12,043,622
Equity instruments	2,181,795	40,988	-	2,222,783
Debt securities	9,792,608	28,231	-	9,820,839
Financial instruments measured at fair value through profit or loss – held for trading	3,039,820	3,626,236	-	6,666,056
Equity instruments	1,328,407	3,162,944	-	4,491,351
Debt securities	1,669,153	73,781	-	1,742,934
Derivatives	42,260	389,511	-	431,771
Liabilities				
Derivatives	20,676	448,368	-	469,044
Liabilities to members of consolidated mutual funds	-	602,600	-	602,600
Investment contracts for the client's account and risk (<i>unit-linked</i>)	-	471,816	-	471,816

Assets and liabilities measured at fair value as at 31 December 2014	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	2,523,930	458,234	-	2,982,164
Equity instruments	357,732	189,567	-	547,299
Debt securities	2,166,198	268,667	-	2,434,865
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	12,503,393	67,744	-	12,571,137
Equity instruments	1,444,157	38,440	-	1,482,597
Debt securities	11,059,236	29,304	-	11,088,540
Financial instruments measured at fair value through profit or loss – held for trading	2,990,261	3,535,086	-	6,525,347
Equity instruments	1,572,464	2,890,941	-	4,463,405
Debt securities	1,415,953	99,586	-	1,515,539
Derivatives	1,844	544,559	-	546,403
Liabilities				
Derivatives	19,032	606,812	-	625,844
Liabilities to members of consolidated mutual funds	-	856,865	-	856,865
Investment contracts for the client's account and risk (<i>unit-linked</i>)	-	587,267	-	587,267

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

9.18.3. Shifts between different levels of the fair value hierarchy

In the event of a change in the method of measurement of assets or liabilities resulting, for instance, from losing (or gaining) access to quotations observed on the active market, such assets or liabilities are shifted between Levels I and II.

Both in the period of 9 months ended 30 September 2015 and in 2014, there were no significant shifts between Levels I and II (between Levels II and I, respectively).

Assets or liabilities are shifted between Levels II and III (or, as appropriate, between Levels III and II) when:

- there is a change in the measurement model resulting from the application of new unobservable factors (or observable ones, respectively); or
- the previously used factors which had a significant impact on the measurement cease to be (or become, respectively) observable on the active market.

Shifts between different levels of the fair value hierarchy are effected on the date ending each reporting period according to the value as at that date.

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

In the 9-month period ended 30 September 2015, there were no changes in the fair value measurement method for financial instruments measured at fair value which would be of material significance for the consolidated financial statements.

9.19 The greatest and best usage of a component of non-financial assets and its current usage

As at 30 September 2015, 30 June 2015, 31 December 2014 and 30 September 2014, in the case of one investment property (with a carrying amount of PLN 2,822 thousand), its current usage is not its greatest or best usage, however the balance sheet measurement takes into account its greatest and best usage.

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

9.20 Receivables, including receivables due under insurance contracts

Receivables, including receivables due under insurance contracts – carrying amount	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Receivables on direct insurance, including:	1,670,311	1,746,673	1,710,083	1,556,305
- receivables from policyholders	1,506,173	1,550,526	1,557,003	1,412,067
- receivables from insurance intermediaries	135,528	143,102	127,271	112,473
- other receivables	28,610	53,045	25,809	31,765
Reinsurance receivables	41,872	46,546	28,682	31,042
Other receivables	1,377,814	1,507,436	1,330,048	1,592,416
Receivables, including receivables due under insurance contracts (net)	3,089,997	3,300,655	3,068,813	3,179,763

As at 30 September 2015, 30 June 2015, 31 December 2014 and 30 September 2014, the fair value of receivables did not differ significantly from their carrying amount, primarily due to their short-term nature and the policy of creating impairment charges.

9.20.1. Other receivables

Other receivables	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Receivables from the state budget, other than income tax receivables from legal persons	32,329	39,299	153,174	24,670
Receivables from Metro Projekt Sp. z o.o.	-	-	109,478	83,203
Prevention-related settlements	59,295	64,060	64,647	66,218
Receivables for acting as an emergency adjuster	9,690	9,480	9,081	8,051
Receivables from transactions on securities and security deposits	1,019,831	1,164,136	758,394	1,089,510
Trade receivables	150,584	152,226	117,242	114,502
Receivables from direct claims handling on behalf of other insurance undertakings	35,032	35,880	34,086	24,314
Receivables from payments for the purchase of shares	-	-	20,890	-
Receivables from collateral for the transaction to buy companies from RSA	-	-	-	149,772
Other	71,053	42,355	63,056	32,176
Other receivables, total	1,377,814	1,507,436	1,330,048	1,592,416

The issues associated with the receivables from Metro Projekt sp. z o.o. are described in item 23.6.

The line item "Receivables from disposal of securities and security deposits" presents receivables associated with executed but unsettled transactions on financial instruments.

9.21 Reinsurers' share in technical provisions

Reinsurers' share in technical provisions	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Provision for unearned premiums	229,809	235,858	302,173	217,357
Provision for unexpired risk	422	226	-	-
Provisions for outstanding claims, including:	655,207	304,194	296,900	235,509
- for reported claims	605,240 ¹⁾	252,093	228,795	189,022
- for claims not reported (IBNR)	27,992	30,465	46,259	27,342
- for claims handling costs	21,975	21,636	21,846	19,145
Provision for capitalized value of annuities	182,803	167,386	154,042	156,372
Reinsurers' share in technical provisions, total	1,068,241	707,664	753,115	609,238

¹⁾ The growth in the reinsurer's share of provisions for reported claims pertains above all to the recognition of the reinsurers' share (PLN 365,871 thousand) in the claims provision arising from a fire in the Czech company Unipetrol that took place in August 2015. Information about the provision amount is presented in item 9.25.

9.22 Impairment of financial assets and receivables

Movement in impairment charges for financial assets in the period of 1 January – 30 September 2015	Impairment charges at the beginning of the period	Creation of impairment charges recognized in the profit and loss account	Reversal of impairment charges recognized in the profit and loss account	De-recognition of impairment charges from accounting ledgers (sale, writing down etc.)	Foreign exchange differences	Other changes in impairment charges	Impairment charges at the end of the period
Available for sale financial assets	158,163	-	-	(82,027)	(219)	-	75,917
Equity instruments	158,163	-	-	(82,027)	(219)	-	75,917
Financial assets held to maturity	1,235	-	-	-	(6)	-	1,229
Debt instruments	1,235	-	-	-	(6)	-	1,229
Borrowings	25,020	7,041	-	-	-	-	32,061
Debt securities	10,144	6,083	-	-	-	-	16,227
Term deposits in credit institutions	-	958	-	-	18	-	976
Borrowings	14,876	-	-	-	(18)	-	14,858
Receivables, including receivables due under insurance contracts	593,647	93,317	(64,183)	(1,888)	(1,147)	(1,678)	618,068
Receivables on direct insurance	565,901	82,995	(53,142)	(1,355)	(941)	125	593,583
Reinsurance receivables	5,021	9,220	(10,570)	-	-	-	3,671
Other receivables	22,725	1,102	(471)	(533)	(206)	(1,803)	20,814
Reinsurers' share in technical provisions	17,531	7,465	(5,744)	-	-	-	19,252
Cash and cash equivalents	-	1,405	-	-	26	-	1,431
Total	795,596	109,228	(69,927)	(83,915)	(1,346)	(1,678)	747,958



Movement in impairment charges for financial assets in the year ended 31 December 2014	Impairment charges at the beginning of the period	Creation of impairment charges recognized in the profit and loss account	Reversal of impairment charges recognized in the profit and loss account	De-recognition of impairment charges from accounting ledgers (sale, writing down etc.)	Foreign exchange differences	Change in the composition of the Group	Other movements in impairment charges ²⁾	Impairment charges at the end of the period
Available for sale financial assets	154,899	3,945	-	-	(681)	-	-	158,163
Equity instruments	154,899	3,945	-	-	(681)	-	-	158,163
Financial assets held to maturity	1,202	-	-	-	33	-	-	1,235
Debt instruments	1,202	-	-	-	33	-	-	1,235
Borrowings	24,725	10,242	-	-	86	-	(10,033)	25,020
Debt securities	-	10,144	-	-	-	-	-	10,144
Term deposits in credit institutions	9,797	-	-	-	100	-	(9,897)	-
Borrowings	14,928	98	-	-	(14)	-	(136)	14,876
Receivables, including receivables due under insurance contracts	651,579	66,974	(128,024)	(4,269)	(3,216)	13,273	(2,670)	593,647
Receivables on direct insurance	597,608	58,748	(94,279)	(1,418)	(2,616)	10,143	(2,285)	565,901
Reinsurance receivables	4,619	5,319	(4,938)	-	-	21	-	5,021
Other receivables	49,352	2,907	(28,807) ¹⁾	(2,851)	(600)	3,109	(385)	22,725
Reinsurers' share in technical provisions	4,828	21,880	(9,178)	-	1	-	-	17,531
Total	837,233	103,041	(137,202)	(4,269)	(3,777)	13,273	(12,703)	795,596

¹⁾ Including the reversal of an impairment charge for receivables in the amount of PLN 26,275 thousand related to a mortgage-secured loan granted to Metro-Projekt sp. z o.o., as described in item 23.6.

²⁾ This line item presents the transfer of impairment charges for PZU Lietuva's assets to marketable assets in connection with the transaction described in item 1.4.1.

Movement in impairment charges for financial assets in the period of 1 January – 30 September 2014	Impairment charges at the beginning of the period	Creation of impairment charges recognized in the profit and loss account	Reversal of impairment charges recognized in the profit and loss account	De-recognition of impairment charges from accounting ledgers (sale, writing down etc.)	Foreign exchange differences	Change in the composition of the Group	Impairment charges at the end of the period
Available for sale financial assets	154,899	3,404	-	-	(537)	-	157,766
Equity instruments	154,899	3,404	-	-	(537)	-	157,766
Financial assets held to maturity	1,202	-	-	-	8	-	1,210
Debt instruments	1,202	-	-	-	8	-	1,210
Borrowings	24,725	-	-	-	68	-	24,793
Term deposits in credit institutions	9,797	-	-	-	67	-	9,864
Borrowings	14,928	-	-	-	1	-	14,929
Receivables, including receivables under insurance contracts	651,579	63,707	(43,074)	(1,437)	(2,602)	11,007	679,180
Receivables on direct insurance	597,608	55,853	(37,891)	(447)	(2,113)	7,801	620,811
Reinsurance receivables	4,619	4,640	(934)	-	-	-	8,325
Other receivables	49,352	3,214	(4,249)	(990)	(489)	3,206	50,044
Reinsurers' share in technical provisions	4,828	18,611	(5,259)	-	1	-	18,181
Total	837,233	85,722	(48,333)	(1,437)	(3,062)	11,007	881,130

9.23 Other assets

Other assets	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Reinsurance settlements	102,698	58,176	79,010	50,877
Deferred IT expenses	28,209	24,775	25,963	26,267
Posted joint and several co-insurance settlements	23,471	23,471	-	-
Posted direct claims handling receivables	33,746	17,307	-	-
Inventory	134,971	110,647	84,762	94,764
Other assets	57,936	62,437	45,515	30,383
Other assets, total	381,031	296,813	235,250	202,291

9.24 Assets held for sale

Assets held for sale before reclassification	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Groups held for sale	-	142,631	188,747	-
Assets	-	396,107	440,761	-
Intangible assets	-	5,805	4,745	-
Property, plant and equipment	-	7,709	6,864	-
Financial assets	-	272,988	342,639	-
Receivables, including receivables due under insurance contracts	-	35,472	32,106	-
Reinsurers' share in technical provisions	-	30,586	19,864	-
Estimated subrogation	-	7,089	6,988	-
Deferred tax assets	-	1,674	1,591	-
Deferred acquisition expenses	-	16,228	15,399	-
Prepayments and accruals	-	1,426	2,216	-
Other assets	-	-	2	-
Cash and cash equivalents	-	17,130	8,347	-
Liabilities related directly to assets classified as held for sale	-	253,476	252,014	-
Technical provisions	-	225,701	215,057	-
Provisions for employee benefits	-	1,934	1,464	-
Other liabilities	-	25,841	35,493	-
Other assets held for sale	836,088	130,019	165,849	178,053
Property, plant and equipment	38,913	37,646	51,534	53,481
Investment properties	797,175	92,373	114,315	124,572
Assets and groups of assets held for sale	836,088	526,126	606,610	178,053
Liabilities related directly to assets classified as held for sale	-	253,476	252,014	-

The line item "Groups held for sale" presents PZU Lietuva's assets and liabilities sold as part of the transaction described in 1.4.1.

As at 30 September 2015 the line item "Investment properties" presents above all properties held for sale by real estate sector mutual funds on account of reaching the contemplated investment horizon. In other periods this line item included chiefly assets held for sale by and PZU and PZU Życie as part of the portfolio optimization project.

9.25 Technical provisions

Technical provisions	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Technical provisions in non-life insurance	19,046,343	18,617,827	18,410,647	17,518,112
Provision for unearned premiums	5,193,077	5,336,315	5,133,390	4,824,852
Provision for unexpired risk	35,310	34,694	19,257	21,612
Provisions for outstanding claims ¹⁾	7,647,316 ¹⁾	7,223,543	7,258,764	6,638,779
Provision for capitalized value of annuities	6,168,749	6,020,636	5,997,595	6,031,781
Provisions for bonuses and discounts for insureds	1,891	2,639	1,641	1,088
Technical provisions in life insurance	21,968,856	22,116,547	21,756,238	21,712,856
Provision for unearned premiums	92,285	95,542	97,456	94,367
Provision for life insurance	16,235,875	16,250,809	16,281,625	16,307,701
Provisions for outstanding claims	546,244	545,196	511,587	539,424
Provisions for bonuses and discounts for insureds	216	582	650	396
Other technical provisions	410,975	418,937	439,364	441,685
Technical provisions for life insurance if the policyholder bears the investment risk	4,683,261	4,805,481	4,425,556	4,329,283
Technical provisions, total	41,015,199	40,734,374	40,166,885	39,230,968

¹⁾ The growth in provisions for outstanding claims primarily concerns the recognition of a provisions (PLN 393,013 thousand) for a claim caused by a fire in the Czech company Unipetrol that transpired in August 2015. This claim is more than 90% covered by reinsurance. The reinsurer's share of the provisions for outstanding claims (PLN 365,871 thousand) is presented in item 9.21.

9.26 Investment contracts

Investment contracts – carrying amount	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Investment contracts with guaranteed and fixed terms and conditions	220,912	317,213	520,840	584,073
- measured at amortized cost	220,912	317,213	520,840	584,073
Investment contracts for the client's account and risk (<i>unit-linked</i>)	420,759	471,816	587,267	645,012
Investment contracts – carrying amount, total	641,671	789,029	1,108,107	1,229,085

9.27 Other provisions

Movement in other provisions in the period 1 January – 30 September 2015	Balance at the beginning of the period	Increase	Utilization	Reversal	Change in the composition of the Group	Foreign exchange differences	Balance at the end of the period
Provisions for restructuring expenses	9,354	2,789	(4,431)	(859)	-	-	6,853
Provision for co-insurance settlements	-	23,471	-	-	-	-	23,471
Provision for disputed claims and potential liabilities under executed insurance contracts	781	36	-	-	-	-	817
Provision for penalties imposed by the Office of Competition and Consumer Protection ¹⁾	119,551	3	(50,384)	(11,290)	-	-	57,880
Provision for the costs of closing the Graphtalk project	22,668	-	(17,392)	-	-	-	5,276
Provision for PTE's reimbursement of undue commissions to the Social Insurance Institution (ZUS)	7,234	-	-	-	-	-	7,234
Other	31,618	12,986	(7,056)	(4,284)	1,594	(96)	34,762
Other provisions, total	191,206	39,285	(79,263)	(16,433)	1,594	(96)	136,293

Movement in other provisions in the year ended 31 December 2014	Balance at the beginning of the period	Increase	Utilization	Reversal	Change in the composition of the Group	Foreign exchange differences	Balance at the end of the period
Provisions for restructuring expenses	-	17,687	(8,333)	-	-	-	9,354
Provisions established for potential liabilities on account of CLSiOR-related investments	916	-	-	(916)	-	-	-
Provision for disputed claims and potential liabilities under executed insurance contracts	3,075	289	-	(2,583)	-	-	781
Provision for penalties imposed by the Office of Competition and Consumer Protection ¹⁾	119,549	2	-	-	-	-	119,551
Provision for the costs of closing the Graphtalk project	50,944	509	-	(28,785)	-	-	22,668
Provision for PTE's reimbursement of undue commissions to the Social Insurance Institution (ZUS)	7,401	-	(167)	-	-	-	7,234
Other	11,021	14,878	(4,506)	(2,489)	12,522	192	31,618
Other provisions, total	192,906	33,365	(13,006)	(34,773)	12,522	192	191,206

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

¹⁾ The line item "Provision for penalties imposed by the Office of Competition and Consumer Protection" is explained in items 23.2 and 23.3.

9.28 Liabilities on the issue of own debt securities

On 3 July 2014, PZU (through its subsidiary PZU Finance AB (publ.)) issued 5-year Eurobonds for EUR 500,000 thousand (the face value of a single bond is EUR 100 thousand).

These bonds bear interest at a fixed rate of 1.375% per annum. The coupon will be paid once a year (3 July).

Measurement of liabilities on the issue of own debt securities	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Carrying amount	2,111,251	2,109,880	2,127,527	2,076,047
Model-based fair value estimate	2,129,950	2,145,782	2,180,294	2,106,736

The liabilities of PZU Finance AB (publ.) arising from the bonds are secured by a guarantee granted by PZU which covers all issue-related liabilities of the issuer (including the obligation to pay the par value of the bonds and interest on the bonds) in favor of all bondholders. The maximum value of the guarantee has not been specified. The guarantee will expire upon expiration of the bondholders' claims against PZU Finance AB (publ.).

9.29 Other liabilities

Other liabilities	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Costs to be remitted	544,602	534,883	743,655	459,285
Posted expenses of agency commissions	246,800	256,697	250,867	221,164
Posted payroll expenses	92,031	87,284	131,759	109,085
Posted reinsurance expenses	108,718	100,636	214,268	89,738
Posted employee bonuses	39,630	35,323	94,558	4,991
Other	57,423	54,943	52,203	34,307
Revenues charged in advance	62,228	50,384	33,374	29,670
Other liabilities	9,448,986	8,603,507	8,584,248	10,421,889
Liabilities on direct insurance	683,862	721,122	686,714	671,512
Reinsurance liabilities	105,534	162,643	94,384	99,189
Liabilities due to sell-buy-back transactions	4,135,582	3,309,381	4,411,497	5,034,457
Liabilities for loans	122,540	116,318	219,452	223,788
Liabilities for borrowings	6	-	53,952	2,538
Liabilities to members of consolidated mutual funds	651,441	602,600	856,865	541,095
Liabilities to the state budget other than for income tax	34,230	37,333	30,001	27,704
Regulatory settlements:	27,136	27,844	25,701	26,245
Liabilities to employees	8,883	12,891	13,106	8,722
Insurance Guarantee Fund	11,599	12,070	11,794	11,346
Liabilities to the National Fire Brigade Headquarters and Voluntary Fire Brigades	1,887	2,785	3,533	1,928
Liabilities for transactions on financial instruments	829,961	691,918	444,089	647,741
Liabilities to PZU shareholders for dividends	2,593,535	2,593,706	1,471,120	2,939,100
Trade payables	104,751	123,348	89,787	69,740
Estimated non-insurance liabilities	79,013	126,112	133,359	53,997
Other	59,026	63,436	38,894	62,787
Other liabilities, total	10,055,816	9,188,774	9,361,277	10,910,844

9.30 Notes to other operating proceeds and expenditures

Other operating proceeds	1 January – 30 September 2015	1 January – 30 September 2014 <i>(transformed)</i>
Proceeds from the core business of non-insurance companies	485,516	413,443
Tax refunds (including CIT, VAT)	168,002	79,874
Proceeds from liquidating the additional portion of OFE PZU's Guarantee Fund	-	132,267
Other	392,463	209,131
Total	1,045,981	834,715

Other operating expenditures	1 January – 30 September 2015	1 January – 30 September 2014 <i>(transformed)</i>
Gross premium refunds	374,485	335,237
Expenditures of the core business of non-insurance companies	518,263	405,555
Taxes	145,562	169,119
Other	405,668	452,548
Total	1,443,978	1,362,459

10. Contingent assets and liabilities

Contingent assets and liabilities	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Contingent assets, including:	32,410	28,397	20,976	28,999
- guarantees and sureties received	32,410	28,397	20,976	28,999
Contingent Liabilities	702,210	523,586	265,709	211,832
- guarantees and sureties given	7,033	8,199	7,133	4,983
- disputed insurance claims	300,533	286,355	185,109	136,247
- other disputed claims	211,610	44,516	36,264	34,402
- other, including:	183,034	184,516	37,203	36,200
- liabilities for tranches of borrowings not used by borrowers up to the balance sheet date	149,808	145,980	-	-
- potential liabilities under loan agreements concluded by the Armatura Group	30,479	33,533	34,115	35,923

11. Commentary to the condensed interim consolidated financial statements

In the period of 9 months ended 30 September 2015, gross written premium was PLN 13,461,279 thousand compared to PLN 12,408,778 thousand in the corresponding period of the previous year (+8.5%). The increase in sales applied above all to the following:

- foreign operations (+PLN 620,022 thousand), mainly due to premium collected by the companies acquired in 2014;
- regular premium in the group and individually continued insurance segment (+PLN 111,870 thousand), mainly as a result of expanding protection group insurance (higher average premium and number of insureds, including a high level of new sales) and obtaining premiums in group health insurance (new clients in ambulatory insurance and sales of medicine plans);
- motor insurance in the mass client segment (+PLN 307,749 thousand), mainly due to premium collected by Link4;
- MOD insurance in the corporate client segment due to a significant increase in the number of insurance agreements coupled with a decrease in the average premium;

At the same time, falling gross written premium was recorded in:

- third party liability insurance and fire and other property insurance in the corporate client segment as a result of the finalization of several big tenders and the execution of agreements for insurance in 2015 in December 2014;
- individual investment products in the bancassurance channel.

Investment income (including investment contracts, i.e. contracts that involve no significant insurance risk) in the first three quarters of 2015 and the first three quarters of 2014 was PLN 1,387,559 thousand and PLN 2,181,310 thousand, respectively, having decreased mainly due to the lower valuation of interest-bearing financial assets (resulting from rising yields on Polish T-bonds compared to declines recorded in the corresponding period of the previous year) and deterioration in the market conditions on the capital markets (the WIG index fell by 3.1% during the first 3 quarters of 2015 compared to only 7.0% in the corresponding period of 2014). Moreover, non-recurring profit on the sale of PZU Lietuva in the amount of PLN 166,971 thousand (impact on the net result of PLN 134,515 thousand) is recognized in the investment result in Q3 2015. This transaction was executed in connection with extending operations in the Baltic States by acquiring the leaders on the Lithuanian and Latvian markets for the purpose of satisfying the conditions for consent from the Lithuanian antitrust authority to acquire Lietuvos Draudimas.

The increase in net claims paid (taking into account movement in technical provisions) by PLN 667,743 thousand (+7.9%) as compared to the corresponding period of the previous year resulted in particular from the following:

- expanding portfolio of group protection business, including health business coupled with a higher loss ratio - a sharp increase in the incidence of deaths in comparison to the previous year (confirmed by GUS data);
- a higher loss ratio in motor insurance as a result of the rising average claim and the growing number of reported claims.

In turn, the following contributed to the decrease in the foregoing category of net claims and benefits.

- lower level of provisions for damages for claims from previous years in general third party liability insurance and insurance for natural catastrophe claims in the corporate insurance segment;
- slower growth in mathematical provisions in unit-linked products due to softer investment performance, which, given the simultaneous lower measurement of investments had no impact on the PZU Group's results;
- decline in the technical provisions in connection with the decision made by PZU Życie within the framework of annually setting the rules for possible indexation of clients' sums insured in continued insurance to modify these rules as of the outset of 2016.

Acquisition expenses climbed PLN 166,498 thousand (+10.6%) in the first 3 quarters of 2015 compared to the corresponding period of the previous year. This growth was driven by the following factors in particular:

- the higher level of indirect acquisition expenses in the mass client segment;
- consolidation of the insurance companies acquired in 2014.

At the same time, the higher level of deferred expenses contributed to a decline in the line item acquisition expenses.

The rise in administrative expenses by PLN 136,502 thousand (+12.9%) was driven mainly by the following:

- higher expenses related to implementing strategy 3.0 to develop the PZU Group's key areas, i.e. the Retail and Corporate Client Area, PZU Health, distribution and operational support;
- inclusion of administrative expenses incurred by newly acquired insurance companies in the PZU Group's results.

At the same time, a positive effect was recorded compared to the previous year in the pension insurance segment as a result of higher costs in 2014 related to an additional contribution to the Guarantee Fund (a statutory increase in the required level of funds from 0.1% to 0.3% of the net asset value of open-end pension funds).

The net balance of other operating revenues and expenses in the first 3 quarters ended 30 September 2015 edged down by PLN 114,277 thousand compared to the corresponding period of the previous year. The main reason for the change was an increase in other operating expenses of the newly acquired companies, mainly due to amortization of intangible assets identified as a result of the acquisitions of insurance and medical companies for PLN 141,772 thousand, higher expenditures related to prevention activity partially offset by the usage of the provision for employee leave.

Financial expenses in the first 3 quarters of 2015 were PLN 61,742 thousand, making them lower by PLN 66,976 thousand compared to the corresponding period of last year. Recognizing the foreign exchange gains on own debt

securities denominated in Euro exerted a positive impact while last year foreign exchange losses were recorded on these instruments.

The operating profit in the first 3 quarters of 2015 was PLN 2,341,588 thousand, down by PLN 1,008,001 thousand (-30.1%) compared to the corresponding period of the previous year. This movement resulted in particular from:

- the lower net investment result related to the decline in the measurement of interest-bearing financial assets and the deterioration in market conditions on the capital markets;
- downward movement in profitability in the mass insurance segment compared to the first 3 quarters of 2014 (-PLN 283,652 thousand) – a higher loss ratio in motor insurance as a result of the rising average claim and the growth rate of reported claims;
- lower profitability in group and individually continued insurance (-PLN 103,377 thousand), mainly as a result of a higher loss ratio in protection products ensuing from the higher incidence of deaths;
- lower result in the pension insurance segment (-PLN 115,498 thousand) related to pension reform (OFE) (including mainly the liquidation and withdrawal of funds from the additional portion of the Guarantee Fund in 2014 in the amount of PLN 132,267 thousand).

The net profit fell in comparison to the first 3 quarters of 2014 by PLN 731,439 thousand (-28.5%) to PLN 1,832,393 thousand.

IFRS-compliant consolidated equity as at 30 September 2015 was PLN 12,369,710 thousand compared to PLN 12,778,720 thousand as at 30 September 2014. Return on equity (ROE²) for the period from 1 January 2015 to 30 September 2015 was 19.1% making it 7.3 p.p. lower than in the corresponding period of the previous year. In comparison with consolidated equity as at 31 December 2014, equity fell by PLN 797,918 thousand (-6.1%). This movement ensued in particular from the distribution of 2014 profit, involving the designation of PLN 2,590,569 thousand as a dividend payment, partially offset by the profit earned in the first 3 quarters of 2015 totaling PLN 1,832,393 thousand.

Total equity and liabilities as at 30 September 2015 edged down slightly compared to 31 December 2014, i.e. by PLN 48,433 thousand to PLN 67,524,328 thousand, mainly as a result of lower equity offset by higher liabilities to shareholders on account of the dividend.

The investment portfolio³ as at 30 September 2015 and 31 December 2014 was PLN 53,214,037 thousand and PLN 53,958,697 thousand, respectively. The decline of PLN 744,660 thousand was chiefly driven by the fall in the percentage of investment properties resulting from shifting a portion of the portfolio to the line item assets held for sale on account of reaching the anticipated investment horizon. At the same time, in January 2015 the second installment of the dividend for 2013 was paid in the amount of PLN 1,467,989 thousand.

The value of technical provisions and investment contracts at the end of the first three quarters of 2015 was PLN 41,656,870 thousand and accounted for 61.7% of total liabilities and equity. In comparison with 31 December 2014, provisions surged up by PLN 381,878 thousand. This movement was mainly the result of the following:

- the increase in the provision for unpaid claims on reporting a considerable unit value claim in financial insurance (more than 90% of the claim is reinsured);
- the higher level of provisions for damages as a consequence of the higher annuity provision (including the update to the survival tables published by the Central Statistics Office [GUS]) - effect slightly offset by the decline in provisions for damages in the corporate insurance segment in the general third party liability insurance class (review of claims from previous years);
- higher technical provisions in individual unit-linked products, particularly from the bancassurance channel - this growth stems from sales surpassing the level of benefits, partially limited by the negative investment result this year;

² Annualized ratio.

³The investment portfolio contains financial assets, investment properties and the negative measurement of derivatives as well as liabilities due to sell-buy-back transactions.

- the decline in the value of investment contracts as a result of payments on subsequent tranches in short-term investment endowment products in the bancassurance and dedicated channels and additionally surrenders in unit-linked products.

12. Capital management

On 26 August 2013, the Management Board and Supervisory Board approved the PZU Group's Capital and Dividend Policy for 2013-2015. The assumptions of the Capital and Dividend Policy were presented in the consolidated financial statements for 2014.

12.1 External capital requirements

Capital management is associated with monitoring of the key solvency parameters of insurance companies, e.g. the level of shareholder funds and solvency margin and guarantee capital coverage ratios. IFRS do not regulate the method of calculation of the solvency margin and shareholder funds covering the solvency margin.

In accordance with the Insurance Activity Act, an insurance company with its registered office on the territory of Poland is obliged to maintain its own funds at an amount of no less than the solvency margin and no less than the guarantee capital.

To calculate the amount of shareholder funds, assets are decreased by intangible assets, deferred tax assets, assets to cover all the expected liabilities and the shares and other assets held (granted subordinated loans) financing the equity of insurance companies belonging to the insurance capital group. The figure calculated this way is adjusted pro rata to the shares held by PZU by the sum of the surpluses or deficits of shareholder funds of subordinated insurance companies in relation to their solvency requirements.

The rules for calculating shareholder funds covering the solvency margin are defined in the Insurance Activity Act and the rules for calculating the solvency margin and the minimum amount of the guarantee capital are defined in the Regulation of 28 November 2003 on the method of calculating the solvency margin and the minimum amount of the guarantee capital for insurance sections and groups (Journal of Laws of 2003, No. 211, Item 2060, as amended) ("Solvency Margin Regulation").

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

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

Calculation of shareholder funds covering the solvency margin	30 September 2015	30 June 2015	31 December 2014	30 September 2014
PZU's equity	11,630,675	11,098,586	12,328,724	11,941,944
Intangible assets	(326,535)	(301,872)	(283,999)	(249,345)
Assets financing the capital of other insurance undertakings belonging to the PZU insurance group	(6,009,076)	(5,661,481)	(6,065,985)	(5,380,281)
Deferred tax assets	(414,090)	(434,573)	(408,388)	(344,091)

Calculation of shareholder funds covering the solvency margin	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Contribution made by other insurance undertakings belonging to the PZU insurance group to PZU's shareholder funds:	2,327,874	1,953,137	2,411,116	2,664,616
PZU Życie SA 100.00%	2,093,380	1,713,769	2,213,301	2,554,548
Equity	3,889,487	3,510,039	3,996,487	4,330,516
Solvency margin	1,796,107	1,796,270	1,783,186	1,775,968
Surplus of shareholder funds covering the solvency margin	2,093,380	1,713,769	2,213,301	2,554,548
Link4 SA 100.00%	113,926	61,836	55,638	72,931
Equity	190,798	138,658	124,938	140,866
Solvency margin	76,872	76,822	69,300	67,935
Surplus of shareholder funds covering the solvency margin	113,926	61,836	55,638	72,931
Lietuvos Draudimas AB 99.98%	103,911	100,019	127,853	n/a
Equity	220,529	213,817	214,515	n/a
Solvency margin	116,597	113,778	86,636	n/a
Surplus of shareholder funds covering the solvency margin	103,932	100,039	127,879	n/a
AAS Balta 99.99%	35,910	35,371	22,216	27,107
Equity	79,732	78,200	62,207	64,968
Solvency margin	43,818	42,825	39,989	37,858
Surplus of shareholder funds covering the solvency margin	35,914	35,375	22,218	27,110
UAB DK PZU Lietuva 99.88% ¹⁾	n/a	61,501	4,692	21,592
Equity	n/a	98,963	76,220	67,890
Solvency margin	n/a	37,388	71,522	46,246
Surplus of shareholder funds covering the solvency margin	n/a	61,575	4,698	21,644
UAB PZU Lietuva Gyvybes Draudimas 99.34%	2,508	3,236	5,696	6,466
Equity	18,464	19,196	21,504	21,958
Solvency margin	15,939	15,939	15,770	15,449
Surplus of shareholder funds covering the solvency margin	2,525	3,257	5,734	6,509
PrJSC PZU Ukraine 100.00%	(14,713)	(14,980)	(12,314)	(12,502)
Equity	3,771	2,905	5,199	5,627
Solvency margin	18,484	17,885	17,513	18,129
Deficit of shareholder funds covering the solvency margin	(14,713)	(14,980)	(12,314)	(12,502)
PrJSC IC PZU Ukraine Life Insurance 100.00%	(7,048)	(7,615)	(5,966)	(5,526)
Equity	8,891	8,324	9,437	9,877
Solvency margin	15,939	15,939	15,403	15,403
Deficit of shareholder funds covering the solvency margin	(7,048)	(7,615)	(5,966)	(5,526)
PZU shareholder funds	7,208,848	6,653,797	7,981,468	8,632,843
PZU solvency margin	1,363,639	1,369,183	1,362,353	1,363,639
PZU guarantee capital	454,546	456,394	454,118	454,546
Surplus of shareholder funds covering the solvency margin	5,845,209	5,284,614	6,619,115	7,269,204
Surplus of shareholder funds covering guarantee capital	6,754,302	6,197,403	7,527,350	8,178,297

¹⁾ Information on the sale of PZU Lietuva is presented in item 1.4.1.

On 26 October 2015 the President of the Republic of Poland signed the new Insurance and Reinsurance Activity Law, implementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of insurance and reinsurance ("Solvency II") into the Polish legal system. This Act takes force on 1 January 2016. According to the new act the calculation of the capital requirement is based on market, actuarial (insurance), counterparty insolvency, catastrophic and operational risks. Assets, liabilities and as a consequence own funds covering the capital requirement will be measured at fair value. The PZU Group has conducted an estimated calculation of the

capital requirement and own funds according to the Solvency II rules based on data as at 31 December 2014. The PZU Group's own funds according to Solvency II rules were PLN 19.7 billion and the capital requirement was PLN 6.5 billion, yielding coverage at the level of 303.4%.

13. Segment reporting

13.1 Reportable segments

13.1.1. Key classification criterion

Operating segments are components of an entity for which separate financial information is available and is subject to regular assessment by the main corporate body responsible for making operating decisions ("MCBRMOD", in practice this is the PZU Management Board), related to allocating resources and assessing operating results.

The main PZU Group segmentation is based on the criterion of entities subject to consolidation, with the reservation that in reference to the insurance companies of the PZU Group seated in Poland (PZU, PZU Życie and Link4) segments are additionally distinguished according to the following criteria: customer groups, product lines and nature of the business.

PZU and Link4 have distinguished the following segments:

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

PZU Życie has distinguished the following segments:

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

Having regard for its separateness and its operation in different regulatory environments, the internal financial reporting system applied by the PZU Group, according to the PZU Group's segmentation based on the criterion of entities subject to consolidation and having regard for their utility for users of financial statements the following segments have also been distinguished:

- pension insurance;
- Baltic States – Lithuania, Latvia and Estonia (non-life and life insurance);
- Ukraine (non-life and life insurance).

If the qualitative or quantitative prerequisites described by IFRS 8 items 12-19 are met, operating segments may be combined into reportable segments. The consolidated financial statements do not combine distinct operating segments into reportable segments save for the segment called investments encompassing investing activity of the own funds of the PZU Group companies and the Baltic States segment; the countries from the segment were combined due to similarity of the products and services offered and similar regulatory environment.

13.1.2. Information relating to geographical areas

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

- Poland;
- Baltic States;
- Ukraine.

13.2 Inter-segment settlements

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

13.3 Segment's measure of profit

The PZU Group's fundamental measure of a segment's profit is as follows:

- in insurance companies seated in Poland – insurance result, which is the financial result before tax and other operating revenues and costs (including costs of financing), however including investment income (corresponding to the value of technical provisions) determined using the risk free rate. The insurance result is a measure approximately equivalent to the technical result on insurance defined in the Accounting Act and regulations issued on its basis ("PAS") with the exception that both non-life and life insurance have a net result on investments as described in the previous sentence;
- in the case of insurance companies seated abroad - just like above, taking into account the company's whole investment result, i.e. without adjustment of the investment income described above, calculated in accordance with IFRS;
- in non-insurance companies – the operating result according to local accounting standards in the country of the company's registered offices or according to IFRS, which is the financial result before tax and costs of financing.

13.4 Description of the segments

Below a description of all the PZU Group's distinguished reportable segments has been presented along with a presentation of the accounting standards according to which their financial data have been presented:

- corporate insurance (non-life) – reporting according to PAS – covering a broad scope of property insurance, TPL and motor insurance customized to a customer's needs entailing individual underwriting offered to large economic agents;
- mass insurance (non-life) - reporting according to PAS – covering a broad scope of property, accident, TPL and motor insurance offered to individual clients and entities in the small and medium enterprise sector;
- group and individually continued insurance (life) - reporting according to PAS – covering group insurance addressed by PZU Życie to groups of employees and other formal groups (for instance trade unions), under which persons under a legal relationship with the policyholder (for instance employer, trade union) enroll in the insurance and individually continued insurance in which the policyholder acquired the right to individual continuation during the group phase. PZU Życie's offer covers a wide range of protection, investment (not investment contracts) and health insurance;

- individual insurance (life) - reporting according to PAS – covering insurance offered by PZU Życie to individual clients under which the insurance contract applies to a specific insured and this insured is subject to individual underwriting. PZU Życie’s offer covers a wide range of protection, investment (not investment contracts) and health insurance;
- investments - reporting according to PAS - comprising investments of the PZU Group’s own funds, understood as the surplus of investments over technical provisions in the PZU Group insurance companies seated in Poland (PZU, Link4 and PZU Życie) plus the surplus of income earned over the risk-free rate on investments reflecting the value of technical provisions in insurance products, i.e. surplus of investment income allocated at transfer prices to insurance segments. Additionally, the investment segment includes income from other free funds in the PZU Group;
- pension insurance – reporting according to PAS – covering PTE PZU;
- Ukraine (non-life and life insurance) – reporting according to IFRS – covering PZU Ukraine and PZU Ukraine Life;
- Baltic States (non-life and life insurance) – reporting according to IFRS – including Lietuvos Draudimas AB and its branch in Estonia, AAS Balta, PZU Lietuva and UAB PZU Lietuva Gyvybes Draudimas;
- investment contracts – reporting according to PAS – covering PZU Życie products that do not transfer significant insurance risk within the meaning of IFRS 4 and that do not meet the definition of an insurance agreement (i.e. some products with a guaranteed rate of return and some unit-linked products);
- other – reporting jointly according to IFRS or PAS (IFRS 8 does not require the presentation of the results of segments qualified to the category „other” according to cohesive accounting rules) – covers other entities not qualified as belonging to any other segment above, whose revenues predominantly originate from the manufacturing activity of bathroom and sink fixtures, heaters, foundry molds and service activity.

13.5 Accounting standards employed according to PAS

13.5.1. PZU

PAS and the differences between PAS and IFRS in respect of PZU’s standalone financial reporting have been portrayed in detail in the annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2014 prepared according to PAS, signed by the PZU Management Board on 16 March 2015 (“PZU’s standalone financial statements for 2014”).

PZU's separate financial statements for 2014 are available on the PZU website at www.pzu.pl in the "Investor Relations" tab.

13.5.2. PZU Życie

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

The rules of accounting for insurance agreements and investment contracts at PZU Życie according to IFRS have been presented in the consolidated financial statements for 2014.

The fundamental difference between PAS and IFRS in respect of accounting for insurance agreements and investment contracts at PZU Życie is the classification of contracts. There is no term “investment contract” in PAS, as a consequence of which all agreements are classified as insurance agreements. According to IFRS agreements are classified according to the guidelines set forth under IFRS 4 on the classification of products as insurance agreements (subject to IFRS 4) or investment contracts (measured according to IAS 39). In the case of the latter the written premium is not recognized.

13.6 Construction of the segmental note and the reconciliations it contains

As the segments’ measures of profit are based on local accounting standards in the country of the registered offices of the PZU Group company or IFRS, the financial data of the segments are carried using several different accounting

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

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

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

13.7 Simplifications in the segmental note

The segmental note has applied certain simplifications permitted by IFRS 8. The justification for their usage is portrayed below:

- withdrawing from presenting data related to the allocation of all assets and liabilities to various segments – resulting from not preparing and not presenting such tables to the PZU Management Board. The main information delivered to the PZU Management Board consists of data regarding the results of given segments and managerial decisions are made on this basis, including decisions on resource allocation. The analysis of the segmental allocation of assets and liabilities is limited to monitoring the fulfillment of the PAS regulatory requirements pertaining to capital adequacy ratios and holding assets covering technical provisions (analysis split into the various insurance companies, not product groups);
- presenting the net result on investments as a single amount as the difference between the realized and unrealized revenues and the costs of investments – stemming from the internal assessment of the segmental results based on such a combined measure of investment results;
- not allocating other revenues and costs to the segment called „investments” besides realized and unrealized revenues and costs of investments – stemming from the method of analyzing this segment’s data and the impracticality of such an allocation;
- presenting other operating revenues and expenses and financial expenses for PZU, Link4 and PZU Życie jointly for the operating segments distinguished in them (as a consequence also not allocating any amounts in this area to the segment called investment contracts) – stemming from the accepted measures of operating segments’ profit and the impracticality of such an allocation;
- presenting the income tax burden as a single amount at the level of the consolidated data – stemming from the accepted measures of operating segments’ profit and the impracticality of conducting an allocation exercise in this respect.

13.8 Information on key customers

Due to the nature of the activities of PZU Group companies, there are no business partners bringing revenues which would constitute 10% or more of the PZU Group’s total revenues (understood as gross written premium).

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(in thous. PLN)

Profit and loss account for the period from 1 July 2015 to 30 September 2015	Corporate insurance (non- life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine	Baltic Countries	Investment contracts	Other operations	Presentation differences	Real estate and capital instruments	Investment contracts	Prevention fund, equalization reserve and designation to the Company Social Benefit Fund	Consolidation adjustments and unallocated items	Consolidated value	Profit and loss account for the period from 1 July 2015 to 30 September 2015
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS-IFRS	PAS-IFRS	PAS-IFRS	PAS-IFRS	PAS-IFRS	IFRS	IFRS	
Gross premium written externally	364 659	1 675 835	1 672 248	273 962	-	-	42 079	306 046	30 797	-	-	-	(30 797)	-	-	4 334 828	Gross insurance premium written externally
Gross premium written between segments	430	91 160	-	-	-	-	-	-	-	-	-	-	-	-	(91 590)	-	Gross insurance premium written between segments
Gross written insurance premium	365 089	1 766 995	1 672 248	273 962	-	-	42 079	306 046	30 797	-	-	-	(30 797)	-	(91 590)	4 334 828	
Reinsurers' share in gross written premium	(69 779)	(83 101)	(124)	-	-	-	(16 345)	(7 035)	-	-	-	-	-	-	97 745	(78 639)	Reinsurers' share in gross written insurance premium
Net written premium	295 310	1 683 894	1 672 124	273 962	-	-	25 734	299 011	30 797	-	-	-	(30 797)	-	6 155	4 256 190	Net written premium
Movement in the unearned premium reserve and gross unexpired risk reserve	61 075	19 246	2 068	1 604	-	-	(2 054)	5 600	7	-	63 842	-	(7)	-	(33 814)	117 568	Movement in net unearned premium reserve
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	13 174	49 876	-	-	-	-	3 645	(2 853)	-	-	(63 842)	-	-	-	-	-	-
Net earned premium	369 559	1 753 016	1 674 192	275 566	-	-	27 325	301 758	30 804	-	-	-	(30 804)	-	(27 659)	4 373 757	Net earned premium
Investment income, including:	33 688	131 786	125 190	(69 338)	247 985	1 232	6 021	(2 002)	(11 188)	38 178	(501 552)	-	2 060	-	2 974	77 323	Fee and commission income
Net result on investments (external activity)	33 688	131 786	125 190	(69 338)	228 332	1 232	6 021	(2 002)	(11 188)	38 178	(481 899)	-	-	-	-	-	(0)
Net result on investments (inter-segment activity)	-	-	-	-	19 653	-	-	-	-	-	(19 653)	-	-	-	-	-	-
Other net technical income	21 201	22 220	258	33	-	-	-	-	2	-	(43 714)	-	-	-	-	-	-
Revenues on core business of non-insurance entities	-	-	-	-	-	30 517	-	-	-	151 719	(182 236)	-	-	-	-	-	-
Other operating income (not applicable to insurance entities)	-	-	-	-	-	202	-	-	-	3 738	271 518	(336)	(1)	-	(43 973)	231 148	Other operating income
Gross claims paid	(242 429)	(1 203 769)	(1 163 351)	(209 588)	-	-	(18 265)	(185 795)	(161 452)	-	(282 204)	-	14 101	-	(6 617)	(3 459 370)	Claims and movement in technical reserves
Movement in the gross claims reserve	(428 293)	(134 564)	(9 362)	8 188	-	-	(823)	(8 076)	1 041	-	571 889	-	-	-	-	-	-
Reinsurers' share in claims paid	3 684	12 635	37	-	-	-	3 435	4 483	-	-	378 406	-	-	-	(16 614)	386 066	Claims and movement in insurance liabilities ceded to re-insurers
Reinsurer's share in the movement in reserves	365 148	14 179	-	-	-	-	1 803	(1 442)	-	-	(379 688)	-	-	-	-	-	-
Net insurance claims	(301 890)	(1 311 519)	(1 172 676)	(201 400)	-	-	(13 850)	(190 830)	(160 411)	-	288 403	-	14 101	(190 830)	(23 231)	(3 073 304)	Net insurance claims
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	54 632	90 317	-	-	-	-	146 311	-	(291 260)	-	-	-	-	14 644	Claims and changes in valuation of investment contracts
Net premiums and rebates for insureds including the movement in reserves	(1 254)	(296)	(22)	(4)	-	-	-	-	-	-	1 576	-	-	-	-	-	-
Other net technical income	(16 770)	(49 234)	(15 322)	(1 168)	-	-	-	-	(136)	-	82 630	-	-	-	-	-	-
Acquisition cost	(74 613)	(350 930)	(85 321)	(28 176)	-	(574)	(12 993)	(67 650)	(2 407)	-	-	-	-	-	15 020	(607 644)	Acquisition cost
Administrative costs	(28 241)	(146 509)	(135 428)	(12 631)	-	(9 124)	(5 523)	(32 752)	(1 986)	-	-	558	-	-	(306)	(371 942)	Administrative costs
Reinsurance commissions and profit-sharing	2 486	(4 284)	38	-	-	-	-	-	-	-	1 760	-	-	-	-	-	-
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(142 246)	142 246	-	-	-	-	-	-
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(8)	-	-	-	(11 381)	(298 763)	(2 345)	-	(6 120)	49 406	(269 211)	Other operating expenses
Result on insurance / Operating profit (loss)	4 166	44 250	445 541	53 199	247 985	22 245	980	8 524	989	40 008	50 789	(117 223)	-	(6 120)	(90 758)	704 575	Operating profit (loss)
Other operating income	62 511	-	8 212	-	-	-	2 766	3 383	-	-	(76 872)	-	-	-	-	-	-
Other operating expenses	(71 121)	-	(3 986)	-	-	-	(294)	(4 037)	-	-	79 438	-	-	-	-	-	-
Financial costs	-	-	-	-	-	-	-	-	(19 885)	(53 355)	-	-	-	-	29 525	(43 715)	Financial costs
																(87)	Share of profits (losses) of entities accounted for using the equity method
																660 773	Gross profit (loss)
																(149 907)	Income tax
																510 866	Net profit (loss)

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	PSR	PSR	PSR	PSR											MSSF	MSSF			PSR - MSSF
Gross premium written externally	1 166 842	5 299 708	5 010 182	954 073	-	-	116 370	914 104	105 094	-	-	-	-	-	-	-	13 461 278	Gross insurance premium written externally	
Gross premium written between segments	2 211	156 283	-	-	-	-	-	-	-	-	-	-	-	-	-	(158 494)	-	Gross insurance premium written between segments	
Gross written insurance premium	1 169 053	5 455 991	5 010 182	954 073	-	-	116 370	914 104	105 094	-	-	-	-	-	-	(158 494)	13 461 279		
Reinsurers' share in gross written premium	(139 293)	(97 263)	685	4	-	-	(41 313)	(34 312)	-	-	-	-	-	-	-	140 462	(171 030)	Reinsurers' share in gross written insurance premium	
Net written premium	1 029 760	5 358 728	5 010 867	954 077	-	-	75 057	879 792	105 094	-	-	-	-	-	-	(18 032)	13 290 249	Net written premium	
Movement in the unearned premium reserve and gross unexpired risk reserve	80 939	(260 185)	1 175	2 517	-	-	(7 143)	(32 727)	(4)	-	25 554	-	4	-	17 291	(172 579)	-	Movement in net unearned premium reserve	
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	(19 263)	31 309	-	-	-	-	9 271	4 237	-	-	(25 554)	-	-	-	-	-	-		
Net earned premium	1 091 436	5 129 852	5 012 042	956 594	-	-	77 185	851 302	105 090	-	-	-	-	-	-	(741)	13 117 670	Net earned premium	
Investment income, including:	91 246	387 199	457 367	128 923	1 544 146	5 660	32 140	14 605	11 288	69 437	217 396	-	6 979	-	(43 856)	180 519	-	Fee and commission income	
Net result on investments (external activity)	91 246	387 199	457 367	128 923	395 855	5 660	32 140	14 605	11 288	69 437	(2 742 011)	-	-	-	-	-	(0)		
Net result on investments (inter-segment activity)	-	-	-	-	1 148 291	-	-	-	-	-	(1 593 720)	-	-	-	-	-	-	-	
Other net technical income	34 704	103 196	829	38	-	-	-	-	2	-	1 264 081	2 042	-	-	(51 269)	1 214 854	-	Net investment income (external activity)	
Revenues on core business of non-insurance entities	-	-	-	-	-	-	87 268	-	-	430 603	1 366 913	-	-	-	(1 366 913)	-	-	Net investment income (inter-segment activity)	
Other operating income (not applicable to insurance entities)	-	-	-	-	-	729	-	-	7 818	764 328	(227 205)	106 306	-	-	56 219	(64 680)	-	Net result on the realization of investments and impairment charges	
Gross claims paid	(681 370)	(3 302 538)	(3 561 156)	(582 765)	-	-	(67 702)	(538 297)	(565 539)	-	(138 769)	-	99 099	-	22 179	(9 544 225)	-	Net change in the fair value of assets and liabilities carried at fair value	
Movement in the gross claims reserve	(473 828)	(114 182)	(29 555)	(1 237)	-	-	2 162	(16 663)	3 293	-	352 675	-	-	-	(99 591)	237 385	-		
Reinsurers' share in claims paid	15 136	30 800	111	-	-	-	7 452	14 388	-	-	(227 205)	-	-	-	(18 925)	464 560	-	Net result on the realization of investments and impairment charges	
Reinsurer's share in the movement in reserves	386 328	26 022	-	-	-	-	(1 506)	6 475	-	-	(417 319)	-	-	-	-	-	-		
Net insurance claims	(753 734)	(3 359 898)	(3 590 600)	(584 002)	-	-	(59 594)	(534 097)	(562 246)	-	262 153	-	99 099	-	3 254	(9 079 665)	-	Net insurance claims	
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	26 331	(221 694)	-	-	-	-	463 155	-	(267 792)	-	-	(988)	-	(988)	-	Claims and changes in valuation of investment contracts	
Net premiums and rebates for insureds including the movement in reserves	(2 589)	(1 135)	(183)	(4)	-	-	-	-	(8)	-	3 919	-	-	-	-	-	-		
Other net technical income	(35 910)	(221 400)	(46 893)	(3 311)	-	-	-	-	(417)	-	307 931	-	-	-	-	-	-		
Acquisition cost	(205 121)	(1 013 470)	(266 255)	(93 958)	-	(2 042)	(33 689)	(195 736)	(7 523)	-	-	-	-	-	79 343	(1 738 452)	-	Acquisition cost	
Administrative costs	(91 098)	(464 634)	(419 731)	(43 097)	-	(29 747)	(14 895)	(110 895)	(6 548)	-	-	1 713	-	(15 000)	(72)	(1 194 004)	-	Administrative costs	
Reinsurance commissions and profit-sharing	13 353	(6 021)	(116)	-	-	-	-	-	-	-	(7 216)	-	-	-	-	-	-		
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(414 779)	414 779	-	-	-	-	-	-		
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(148)	-	-	-	(19 839)	(919 057)	(2 469)	-	(13 826)	23 677	(931 662)	-	Other operating expenses	
Result on insurance / Operating profit (loss)	142 287	553 689	1 172 791	139 489	1 544 146	61 720	1 147	25 179	2 793	73 240	134 254	90 075	-	(28 826)	(1 570 396)	2 341 588	-	Operating profit (loss)	
Other operating income	250 444	-	35 010	-	-	-	6 229	10 670	-	-	(302 353)	-	-	-	-	-	-		
Other operating expenses	(220 808)	-	(17 165)	-	-	-	(2 354)	(22 797)	-	-	263 124	-	-	-	-	-	-		
Financial costs	-	-	-	-	-	-	-	-	(46 435)	(95 025)	-	-	-	-	79 718	(61 742)	-	Financial costs	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(119)	-	Share of profits (losses) of entities accounted for using the equity method	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 279 727	-	Gross profit (loss)	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(447 334)	-	Income tax	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 832 393	-	Net profit (loss)	

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	PAS	PAS	PAS	PAS														
Gross premium written externally	328 262	1 530 721	1 632 510	304 611	-	-	45 498	129 283	52 339	-	-	-	-	(52 339)	-	-	3 970 885	Gross insurance premium written externally
Gross premium written between segments	1 270	12	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 282)	-	Gross insurance premium written between segments
Gross written insurance premium	329 532	1 530 733	1 632 510	304 611	-	-	45 498	129 283	52 339	-	-	-	-	(52 339)	-	(1 282)	3 970 885	
Reinsurers' share in gross written premium	(39 966)	(1 698)	(507)	(3)	-	-	(8 088)	(7 813)	-	-	-	-	-	-	-	191	(57 884)	Reinsurers' share in gross written insurance premium
Net written premium	289 566	1 529 035	1 632 003	304 608	-	-	37 410	121 470	52 339	-	-	-	-	(52 339)	-	(1 091)	3 913 001	Net written premium
Movement in the unearned premium reserve and gross unexpired risk reserve	79 020	129 968	882	1 215	-	-	(4 832)	(956)	18	-	(8 246)	-	(18)	-	-	346	197 397	Movement in net unearned premium reserve
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	(493)	(9 887)	-	-	-	-	547	1 587	-	-	8 246	-	-	-	-	-	-	
Net earned premium	368 093	1 649 116	1 632 885	305 823	-	-	33 125	122 101	52 357	-	-	-	-	(52 357)	-	(745)	4 110 398	Net earned premium
Investment income, including:	35 167	142 369	219 219	90 822	264 177	3 520	8 861	2 645	14 723	25 351	195 507	-	3 151	-	(23 803)	174 855	Fee and commission income	
<i>Net result on investments (external activity)</i>	35 167	142 369	219 219	90 822	257 880	3 520	8 862	2 645	14 723	25 351	(806 855)	-	-	-	-	(0)	-	
<i>Net result on investments (inter-segment activity)</i>	-	-	-	-	6 297	-	-	-	-	-	(6 297)	-	-	-	-	-	-	-
											634 991	-	-	-	(127 658)	507 333	<i>Net investment income (external activity)</i>	
											6 297	-	-	-	(6 297)	-	<i>Net investment income (inter-segment activity)</i>	
											139 754	(2 520)	-	-	(326)	136 908	Net result on the realization of investments and impairment charges	
											54 133	(10 409)	-	-	122 881	166 605	Net change in the fair value of assets and liabilities carried at fair value	
											(31 062)	-	-	-	-	-	-	
Other net technical income	3 888	26 987	182	5	-	-	-	-	-	-	-	-	-	-	-	-	-	
Revenues on core business of non-insurance entities	-	-	-	-	-	160 064	-	-	-	116 751	(276 815)	-	-	-	-	-	-	
Other operating income (not applicable to insurance entities)	-	-	-	-	-	118	-	-	-	1 714	159 826	(310)	-	-	(21 214)	140 134	Other operating income	
Gross claims paid	(181 675)	(955 688)	(1 235 659)	(140 009)	-	-	(22 716)	(74 586)	(164 434)	-	(306 162)	-	57 736	-	9 911	(3 013 281)	Claims and movement in technical reserves	
Movement in the gross claims reserve	(102 441)	(178 106)	(8 048)	3 310	-	-	(1 676)	(5 421)	345	-	292 037	-	-	-	-	-	-	
Reinsurers' share in claims paid	2 528	5 221	27	-	-	-	1 294	2 948	-	-	6 716	-	-	-	712	19 446	Claims and movement in insurance liabilities ceded to re-insurers	
Reinsurer's share in the movement in reserves	11 646	3 803	-	-	-	-	4 730	(1 391)	-	-	(18 788)	-	-	-	-	-	-	
Net insurance claims	(269 942)	(1 124 770)	(1 243 680)	(136 699)	-	-	(18 367)	(78 450)	(164 089)	-	(26 197)	-	57 736	-	10 623	(2 993 835)	Net insurance claims	
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	55 486	(175 183)	-	-	-	-	106 348	-	13 349	-	-	(8 529)	-	(8 529)	Claims and changes in valuation of investment contracts	
Net premiums and rebates for insureds including the movement in reserves	(889)	-	109	-	-	-	-	-	5	-	775	-	-	-	-	-	-	
Other net technical income	(12 325)	(60 522)	(7 399)	(383)	-	-	-	-	(128)	-	80 757	-	-	-	-	-	-	
Acquisition cost	(76 260)	(302 644)	(90 568)	(30 582)	-	(2 253)	(14 114)	(21 012)	(3 041)	-	-	-	-	-	4 884	(535 590)	Acquisition cost	
Administrative costs	(30 556)	(144 604)	(130 837)	(11 843)	-	(13 165)	(6 192)	(16 576)	(1 909)	-	-	(2 089)	-	-	2 544	(355 227)	Administrative costs	
Reinsurance commissions and profit-sharing	2 706	(2 159)	152	-	-	-	-	-	-	-	(699)	-	-	-	-	-	-	
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(106 605)	106 605	-	-	-	-	-	-	
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(12)	-	-	-	(1 192)	(243 360)	2 369	-	(12 974)	25 984	(229 185)	Other operating expenses	
Result on insurance / Operating profit (loss)	19 882	183 773	435 549	41 960	264 177	148 272	3 314	8 708	4 266	36 019	7 006	(12 959)	1	(12 974)	(13 127)	1 113 867	Operating profit (loss)	
Other operating income	38 154	-	1 221	-	-	-	(313)	1 902	-	-	(40 964)	-	-	-	-	-	-	
Other operating expenses	(74 961)	-	(7 789)	-	-	-	(552)	(19 424)	-	-	102 726	-	-	-	-	-	-	
Financial costs	-	-	-	-	-	-	-	-	(16 678)	(68 768)	-	-	-	-	16 541	(68 905)	Financial costs	
																(650)	Share of profits (losses) of entities accounted for using the equity method	
																	1 044 313	Gross profit (loss)
																	(200 842)	Income tax
																	843 471	Net profit (loss)

Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group
Condensed Interim Consolidated Financial Statements according to IFRS for Q3 2015
(in thous. PLN)

Profit and loss account for the period from 1 January 2014 to 30 September 2014	Corporate insurance (non- life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine	Baltic Countries	Investment contracts	Other operations	Presentation differences	Real estate and capital instruments	Investment contracts	Prevention fund, equalization reserve and designation to the Company Social Benefit Fund	Consolidation adjustments and unallocated items	Consolidated value	Profit and loss account for the period from 1 January 2014 to 30 September 2014
	PSR	PSR	PSR	PSR	PSR	PSR	MSSF	MSSF	PSR	PSR	PSR	PSR - MSSF	PSR - MSSF	PSR - MSSF	MSSF	MSSF	
Gross premium written externally	1 290 850	4 861 293	4 898 312	947 871	-	-	122 597	287 855	330 297	-	-	-	(330 297)	-	-	12 408 778	Gross insurance premium written externally
Gross premium written between segments	2 788	(258)	-	-	-	-	-	-	-	-	-	-	-	-	(2 530)	-	Gross insurance premium written between segments
Gross written insurance premium	1 293 638	4 861 035	4 898 312	947 871	-	-	122 597	287 855	330 297	-	-	-	(330 297)	-	(2 530)	12 408 778	
Reinsurers' share in gross written premium	(132 112)	(706)	(2 262)	(75)	-	-	(21 813)	(20 634)	-	-	-	-	-	-	1 645	(175 957)	Reinsurers' share in gross written insurance premium
Net written premium	1 161 526	4 860 329	4 896 050	947 796	-	-	100 784	267 221	330 297	-	-	-	(330 297)	-	(885)	12 232 821	Net written premium
Movement in the unearned premium reserve and gross unexpired risk reserve	(78 626)	16 825	1 330	2 911	-	-	(5 524)	(23 022)	43	-	(2 797)	-	(43)	-	(921)	(89 824)	Movement in net unearned premium reserve
Reinsurers' share in the unearned premium reserve and gross unexpired risk reserve	15 587	(27 376)	-	-	-	-	5 074	3 918	-	-	2 797	-	-	-	-	-	
Net earned premium	1 098 487	4 849 778	4 897 380	950 707	-	-	100 334	248 117	330 340	-	-	-	(330 340)	-	(1 806)	12 142 997	Net earned premium
Investment income, including:	101 990	416 840	590 476	273 597	2 106 576	8 945	24 275	11 159	40 089	42 926	(3 616 873)	-	10 836	-	(49 270)	297 988	Fee and commission income
Net result on investments (external activity)	101 990	416 840	590 476	273 597	616 910	8 945	24 275	11 159	40 089	42 926	(2 127 207)	-	-	-	-	(0)	
Net result on investments (inter-segment activity)	-	-	-	-	1 489 666	-	-	-	-	-	(1 489 666)	-	-	-	(129 416)	1 313 409	Net investment income (external activity)
											1 442 825	-	-	-	(1 489 666)	-	Net investment income (inter-segment activity)
											1 489 666	-	-	-	(576)	162 087	Net result on the realization of investments and impairment charges
											603 732	(3 937)	-	-	92 359	705 814	Net change in the fair value of assets and liabilities carried at fair value
Other net technical income	13 903	55 108	857	21	-	-	-	-	2	-	(69 891)	-	-	-	-	-	
Revenues on core business of non-insurance entities	-	-	-	-	-	236 915	-	-	-	315 227	(552 142)	-	-	-	-	-	
Other operating income (not applicable to insurance entities)	-	-	-	-	-	612	-	-	-	4 167	477 144	(1 215)	(2)	-	(95 705)	385 001	Other operating income
Gross claims paid	(561 626)	(2 700 184)	(3 413 901)	(471 510)	-	-	(74 524)	(162 674)	(1 225 970)	-	(240 790)	-	334 061	-	25 458	(8 491 660)	Claims and movement in technical reserves
Movement in the gross claims reserve	(184 246)	(328 503)	(19 960)	25 912	-	-	(4 203)	1 850	(927)	-	510 077	-	-	-	-	-	
Reinsurers' share in claims paid	22 911	14 335	70	-	-	-	2 917	12 706	-	-	25 230	-	-	-	1 569	79 738	Claims and movement in insurance liabilities ceded to re-insurers
Reinsurer's share in the movement in reserves	37 271	2 918	-	-	-	-	7 935	(9 543)	-	-	(38 581)	-	-	-	-	-	
Net insurance claims	(685 690)	(3 011 434)	(3 433 791)	(445 598)	-	-	(67 875)	(157 661)	(1 226 897)	-	255 936	-	334 061	-	27 027	(8 411 922)	Net insurance claims
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(105 655)	(517 629)	-	-	-	-	892 901	-	(269 617)	-	-	-	-	(14 554)	Claims and changes in valuation of investment contracts
Net premiums and rebates for insureds including the movement in reserves	121	-	(384)	-	-	-	-	-	(66)	-	329	-	-	-	-	-	
Other net technical income	(38 739)	(166 609)	(17 391)	(1 160)	-	-	-	-	(467)	-	224 366	-	-	-	-	-	
Acquisition cost	(225 186)	(885 429)	(265 490)	(93 464)	-	(5 590)	(38 300)	(56 495)	(13 434)	-	-	-	-	-	11 435	(1 571 954)	Acquisition cost
Administrative costs	(87 926)	(417 405)	(390 317)	(37 657)	-	(63 559)	(19 597)	(32 279)	(7 094)	-	-	7 842	-	(20 000)	10 490	(1 057 502)	Administrative costs
Reinsurance commissions and profit-sharing	10 136	(3 508)	483	-	-	-	-	-	-	-	(7 111)	-	-	-	-	-	
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(292 801)	292 801	-	-	-	-	-	
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(105)	-	-	-	(3 734)	(679 761)	(13 903)	-	(44 451)	140 178	(601 776)	Other operating expenses
Result on insurance / Operating profit (loss)	187 096	837 341	1 276 168	128 817	2 106 576	177 218	(1 164)	12 841	15 374	65 785	94 426	(1 490)	1	(64 451)	(1 484 950)	3 349 589	Operating profit (loss)
Other operating income	77 827	-	30 564	-	-	-	11 695	4 589	-	-	(124 675)	-	-	-	-	-	
Other operating expenses	(113 530)	-	(15 330)	-	-	-	(4 104)	(22 808)	-	-	155 772	-	-	-	-	-	
Financial costs	-	-	-	-	-	-	-	-	(49 945)	(125 523)	-	-	-	-	46 750	(128 718)	Financial costs
																(405)	Share of profits (losses) of entities accounted for using the equity method
																3 220 466	Gross profit (loss)
																(656 634)	Income tax
																2 563 832	Net profit (loss)

1 January – 30 September 2015 and as at 30 September 2015	Poland	Baltic States	Ukraine	Not allocated (consolidation exclusions and other)	Consolidated value
Gross externally written insurance premium	12,431,573	914,104	116,371	(769)	13,461,279
Gross insurance written premium between segments	20,481	-	-	(20,481)	-
Revenues from commissions and fees	180,519	-	-	-	180,519
Net investment income	1,167,368	12,080	33,791	1,615	1,214,854
Net result on the realization of investments and impairment charges	49,135	4,238	(2,549)	186,561	237,385
Net movement in the fair value of assets and liabilities measured at fair value	120,626	(1,713)	897	(184,490)	(64,680)
Non-current assets, other than financial instruments ¹⁾	1,477,266	321,337	3,341	(469)	1,801,475
Deferred tax assets	24,665	-	1,131	1,266	27,062
Assets	66,827,161	1,790,329	204,884	(1,298,046)	67,524,328

¹⁾ applies to intangible assets and property, plant and equipment

31 December 2014	Poland	Baltic States	Ukraine	Not allocated (consolidation exclusions and other)	Consolidated value
Non-current assets, other than financial instruments ¹⁾	1,425,655	441,425	3,887	(666)	1,870,301
Deferred tax assets	16,639	9,300	1,018	-	26,957
Assets	66,803,450	2,169,983	224,704	(1,625,376)	67,572,761

¹⁾ applies to intangible assets and property, plant and equipment

1 January – 30 September 2014 and as at 30 September 2014	Poland	Baltic States	Ukraine	Not allocated (consolidation exclusions and other)	Consolidated value
Gross externally written insurance premium	11,998,326	287,855	122,597	-	12,408,778
Gross insurance written premium between segments	1,151	-	-	(1,151)	-
Revenues from commissions and fees	297,988	-	-	-	297,988
Net investment income	1,283,439	6,599	23,371	-	1,313,409
Net result on the realization of investments and impairment charges	161,572	1,001	(486)	-	162,087
Net movement in the fair value of assets and liabilities measured at fair value	700,865	3,559	1,390	-	705,814
Non-current assets, other than financial instruments ¹⁾	1,454,903	147,883	4,075	(788)	1,606,073
Deferred tax assets	18,563	3,320	1,092	-	22,975
Assets	67,235,528	1,041,135	229,212	(788,679)	67,717,196

¹⁾ applies to intangible assets and property, plant and equipment

14. Commentary to segment reporting

14.1 Corporate insurance – non-life insurance

Gross written premium by product group ¹⁾	1 January – 30 September 2015	1 January – 30 September 2014	% change
Motor TPL insurance	247,029	245,367	0.7%
MOD insurance	356,686	325,685	9.5%
Total motor insurance	603,715	571,052	5.7%
Insurance against fire and other damage to property	287,761	292,442	(1.6)%
Other TPL insurance (classes 11, 12, 13)	174,281	275,027	(36.6)%
ADD and other insurance ²⁾	101,085	152,329	(33.6)%
Total non-life insurance without motor insurance	563,127	719,798	(21.8)%
Total corporate insurance segment (non-life insurance)	1,166,842	1,290,850	(9.6)%

¹⁾net of intragroup settlements

²⁾ This line item includes loan guarantees and other financial insurance, assistance, travel, marine, rail and air insurance.

In the first three quarters of 2015, in the corporate insurance segment, gross written premium fell by PLN 124,008 thousand (-9.6%) as compared to the first three quarters of 2014. The following factors were recorded concerning premiums:

- lower sales of fire, other property and TPL insurance – as an outcome of decisions and finalization of several big tenders in December 2014 and conclusion of insurance agreements in 2015 offered mainly to medical entities (without an impact on the level of premium earned in 2014). This outcome was partially offset by obtaining several large contracts with an insurance coverage term in excess of one year.
- higher motor insurance premium, mainly MOD (+9.5%) as a result of significant growth in the number of insurance contracts compensated partly by a falling average premium. Despite recorded sales expansion, fierce price competition is still felt.

Data from the profit and loss account – corporate insurance (non-life insurance)	1 January – 30 September 2015	1 January – 30 September 2014	% change
Gross written premiums	1,166,842	1,290,850	(9.6)%
Net earned premiums	1,091,436	1,098,487	(0.6)%
Investment income	91,246	101,990	(10.5)%
Net insurance claims and benefits	(753,734)	(685,690)	9.9%
Acquisition expenses	(205,121)	(225,186)	(8.9)%
Administrative expenses	(91,098)	(87,926)	3.6%
Reinsurance commissions and profit-sharing	13,353	10,136	31.7%
Other	(3,795)	(24,715)	(84.6)%
Operating profit (loss)	142,287	187,096	(23.9)%
acquisition expense ratio (including reinsurance commissions) ¹⁾	17.6%	19.6%	(2.0) p.p.
administrative expense ratio ¹⁾	8.3%	8.0%	0.3 p.p.
loss ratio ¹⁾	69.1%	62.4%	6.7 p.p.
combined ratio (COR) ¹⁾	95.0%	90.0%	5.0 p.p.

¹⁾ ratios calculated against net premium earned

Net insurance claims and benefits surged 9.9% while earned premium edged up by 0.6%, translating into deterioration in the loss ratio by 6.7 percentage points. Growth was recorded chiefly in the following insurance:

- motor business as a result of the rising average payment and the growing number of reported claims and
- various financial losses as a consequence of the notification of a claim with a considerable unit value.

These adverse developments were partially offset by falling provisions for damages for claims from previous years in general third party liability insurance.

Income from investments allocated to the corporate insurance segment fell by 10.5% y/y, which was dictated by lower market interest rates and the declining EUR exchange rate compared to growth in the corresponding period of the previous year.

Acquisition expenses in the corporate insurance segment decreased by 8.9% compared to the first three quarters of 2014, which resulted from higher deferred costs offset partly by an increase of indirect expenses.

The upswing in administrative expenses by PLN 3,172 thousand (i.e. by 3.6%) compared to the corresponding period of last year was associated primarily with incurring significant expenditures for strategy implementation to develop the PZU Group's key areas, i.e. Retail Client Area (including SMEs) and the Corporate Client Area, distribution and operational support.

In the first three quarters of 2015 the corporate insurance segment (consisting of PZU and Link4) generated operating profit of PLN 142,287 thousand, or 23.9% down from the corresponding period of the previous year. The major contributing factor to lower operating profit was lower profitability in motor insurance (significant increase of claims and benefits of +34.3% coupled with premium earned expansion of +2.1%), other physical claims and insurance for different financial risks partially offset by the rising result in general third party liability insurance (the effect of falling provisions for damages for claims in previous years) and natural catastrophe insurance. In addition, the commencement of consolidating Link4 as of September 2014 contributed to growth in the various constituent elements of the operating result during the first 9 months ended 30 September 2015 compared to the corresponding period of the previous year.

14.2 Mass insurance – non-life insurance

Gross written premium by product group ¹⁾	1 January – 30 September 2015	1 January – 30 September 2014	% change
Motor TPL insurance	1,928,266	1,734,148	11.2%
MOD insurance	1,279,815	1,166,185	9.7%
Total motor insurance	3,208,081	2,900,333	10.6%
Insurance against fire and other damage to property	1,161,003	1,093,617	6.2%
Other TPL insurance (classes 11, 12, 13)	303,063	283,070	7.1%
ADD and other insurance ²⁾	627,561	584,273	7.4%
Total non-life insurance without motor insurance	2,091,627	1,960,960	6.7%
Total mass insurance segment (non-life insurance)	5,299,708	4,861,293	9.0%

¹⁾net of intragroup settlements

²⁾ This line item includes loan guarantees and other financial insurance, assistance, travel, marine, rail and air insurance.

In the first three quarters of 2015, in the mass insurance segment, gross written premium increased by PLN 438,415 thousand (+9.0%) as compared to the corresponding period of 2014. This change resulted primarily from the following:

- higher gross written premium in motor insurance (+10.6% yoy) as an effect of commencing the consolidation of Link4 in September 2014 (net of the premium generated by Link4 and reinsurance for the portfolio of subsidiaries, the growth was a mere 0.6% yoy);
- upward movement in sales of natural catastrophe insurance (+7.2%), including mainly apartment insurance (PZU DOM) and farm buildings;
- higher premium in third party liability insurance (+7.1%) - PZU DOM and PZU Firma.

Data from the profit and loss account – mass insurance (non-life insurance)	1 January – 30 September 2015	1 January – 30 September 2014	% change
Gross written premiums	5,299,708	4,861,293	9.0%
Net earned premiums	5,129,852	4,849,778	5.8%
Investment income	387,199	416,840	(7.1)%
Net insurance claims and benefits	(3,359,898)	(3,011,434)	11.6%
Acquisition expenses	(1,013,470)	(885,429)	14.5%
Administrative expenses	(464,634)	(417,405)	11.3%
Reinsurance commissions and profit-sharing	(6,021)	(3,508)	x
Other	(119,339)	(111,501)	7.0%
Operating profit (loss)	553,689	837,341	(33.9)%
acquisition expense ratio (including reinsurance commissions) ¹⁾	19.9%	18.3%	1.6 p.p.
administrative expense ratio ¹⁾	9.1%	8.6%	0.5 p.p.
loss ratio ¹⁾	65.5%	62.1%	3.4 p.p.
combined ratio (COR) ¹⁾	94.4%	89.0%	5.4 p.p.

¹⁾ ratios calculated against net premium earned

Net insurance claims and benefits in the first three quarters of 2015 ended 30 September 2015 rose 11.6%, with net earned premium being 5.8% higher, translates into the loss ratio trending up by 3.4 percentage points.

This change resulted from:

- higher claims and benefits in motor insurance (+15.8%; +7.1% net of the Link4 effect), mainly as a result of the rising average payout and the faster pace of reported claims;
- the upward swing in assistance insurance (road assistance - Pomoc w drodze).

The foregoing adverse changes were partially offset by the lower level of claims in the group of insurance for other material claims (inter alia in compulsory subsidized farm insurance).

Income from investments allocated to the mass segment fell by 7.1% y/y, which was dictated by lower market interest rates and the declining EUR exchange rate compared to growth in the corresponding period of the previous year.

Acquisition expenses in the mass insurance segment climbed 14.5% in comparison with the first 3 quarters of 2014, mainly due to the growth in indirect acquisition expenses and inward reinsurance commissions (eliminated at the consolidated level). In addition, growth was recorded in commissions stated as a percentage of gross written premium prompted by the morphing sales mix of retail products and the distribution channel mix - sales-related activities and the higher level of motor TPL renewals generated by channels charging commissions.

Administrative expenses rose PLN 47,229 thousand (i.e. by 11.3%) compared to the first three quarters of 2014, as a result of higher expenses associated with implementation of the strategy to develop the PZU Group's key areas, including the creation of an ecosystem building loyalty and enhancing client involvement whereby PZU intends to become the unchallenged leader setting standards for the market.

The decline in the operating profit in the mass insurance segment by PLN 283,652 thousand (-33.9%) compared to the first 3 quarters of 2014 was chiefly attributable to deterioration in profitability in motor insurance (significant hike in the loss ratio) and natural catastrophe insurance partially offset by the higher result in insurance for other physical claims (lower level of claims in farm insurance).

14.3 Group and individually continued insurance – life insurance

The increase in gross written premium by PLN 111,870 thousand (+2.3%) was mainly due to the following:

- growth in group protection insurance (higher average premium and more insureds, including the high level of new sales);
- acquisition of premiums in group health insurance (new clients in outpatient health insurance and sales of different options of the medicine product);
- up-selling of riders and raising sums insured in individually continued insurance products.

The positive effects were partly offset by the decline in premium in unit-linked insurance, resulting from the transfer of PPE agreements of PZU employees to the PPE operated by TFI PZU.

Data from the profit and loss account – group and individually continued insurance	1 January – 30 September 2015	1 January – 30 September 2014	% change
Gross written premiums	5,010,182	4,898,312	2.3%
Group insurance (regular premium)	3,557,236	3,465,177	2.7%
Individually continued insurance (regular premium)	1,452,946	1,433,135	1.4%
Net earned premiums	5,012,042	4,897,380	2.3%
Investment income	457,367	590,476	(22.5)%
Net insurance claims and benefits	(3,590,600)	(3,433,791)	4.6%
Movement in other net technical provisions	26,331	(105,655)	x
Acquisition expenses	(266,255)	(265,490)	0.3%
Administrative expenses	(419,731)	(390,317)	7.5%
Other	(46,363)	(16,435)	182.1%
Operating profit (loss)	1,172,791	1,276,168	(8.1)%
Operating profit (loss) excluding the conversion effect	1,110,634	1,219,535	(8.9)%
acquisition expense ratio ¹⁾	5.3%	5.4%	(0.1) p.p.
administrative expense ratio ¹⁾	8.4%	8.0%	0.4 p.p.
operating margin excluding the conversion effect ¹⁾	22.2%	24.9%	(2.7) p.p.

¹⁾ ratios calculated using gross written premium

The investment result consists of income allocated using transfer prices and income on investment products. In the group and individually continued insurance segment investment income declined by PLN 133,109 thousand both as a result of lower income in unit-linked products (as a result of rising yields on Polish T-bonds across the entire yield curve versus falling yields in the comparable period of the previous year and the softer market conditions on the WSE) and of the decline in income allocated at transfer prices as a consequence of the decline in the level of market interest rates on the basis of which the income of portfolios replicating insurance liabilities are calculated.

Net insurance claims and benefits closed the period at PLN 3,590,600 thousand (up 4.6%). This change was driven by the following factors in particular:

- in protection insurance – the sharp increase in the incidence of deaths compared to last year, confirmed by statistics published by the Central Statistics Office [GUS] for the entire population (mostly in the early part of the year);
- in short-term endowment products in the bancassurance channel (both deposits and structured products) – higher payouts linked to reaching the endowment age - maturity of individual product tranches; without exerting an impact on the result - offset by the movement in technical provisions;
- higher health benefits as a consequence of the rapid expansion in the health products portfolio;
- these effects were partially netted by the considerably lower level of transfer payments – last year an asset transfer took place from PZU's employee pension program policy to the employee pension program administered by TFI PZU (offset by movement in the mathematical provision - neutral impact exerted on the result).

Net other technical provisions dropped by PLN 26,331 thousand compared to last year's growth of PLN 105,655 thousand. The primary cause is the lower growth in provisions in individually continued products - the increase in the incidence of deaths (a client's death triggers a benefit payment while at the same time the technical provision is reversed) and the higher percentage among persons entering the product portfolio post modification facilitating the creation of lower initial technical provisions. In addition, within the framework of annually setting the rules for possible indexation of clients' sums insured in continued insurance PZU Życie modified these rules as of the outset of 2016. This has exerted a positive impact on the level of technical provisions in this portfolio. Provisions also fell to a greater extent than last year in short-term endowment products in the bancassurance channel (both deposits and structured products) – higher payouts linked to maturity of individual product tranches while new contracts were not offered for sale. Moreover, the slightly greater pace of converting long-term insurance policies into yearly-renewable term business in type P group insurance exerted an influence on the size of the provisions. As a result, provisions were released for PLN 62,157 thousand, some PLN 5,524 thousand more than in the corresponding period of 2014. At the same time, provisions rose in the third pillar employee pension program this year compared to the considerable decline last year.

This was caused by the asset transfer from PZU's employee pension program policy to the employee pension program administered by TFI PZU.

Acquisition expenses in the group and individually continued insurance segment in the three quarters of 2015 were PLN 266,255 thousand, and rose by PLN 765 thousand (0.3%) compared to the corresponding period of last year. The factors contributing to higher direct and indirect acquisition expenses were the high sales of riders in continued protection insurance (compensation for intermediaries, cost of mailing offers to clients and the related indirect expenses), and in health insurance the rapid growth in the contract portfolio. At the same time, the concentration of the sales network on acquiring individual products curtailed the costs of support allocated to group protection products.

Administrative expenses were up by PLN 29,414 thousand (+7.5%) in the first 3 quarters of 2015 compared to the corresponding period of 2014 and this resulted primarily from expenditures associated with implementation of strategy 3.0 to develop the PZU Group's key areas, including the creation of an ecosystem to build loyalty and enhance client involvement whereby PZU intends to become the unchallenged leader setting the standards for the market.

The year on year decline in the result in the line item other revenues and expenses by PLN 29,928 thousand followed from the charge to the Prevention Fund (no charge was made last year; PAS expense - eliminated when consolidating the result) and from higher expenses related to PZU Życie financing premiums (higher sales of riders to individually continued insurance on promotional terms and conditions).

Operating profit in the group and continued insurance segment in the three quarters of 2015 dropped compared to the corresponding period of 2014 by PLN 103,377 thousand (-8.1%) to PLN 1,172,791 thousand. Operating profit, excluding the effect of converting long-term contracts into renewable contracts in type P group insurance fell by PLN 108,901 thousand y/y (-8.9%) – mainly as a result of the higher loss ratio in the protection portfolio due to the higher incidence of deaths.

14.4 Individual insurance - life insurance

Gross written premium by payment type – individual insurance	1 January – 30 September 2015	1 January – 30 September 2014	% change
Regular premium	376,124	343,646	9.5%
Single premium	577,949	604,225	(4.3)%
Total	954,073	947,871	0.7%

The increase in gross written premium in comparison with the first 9 months of 2014 by PLN 6,202 thousand (+0.7%) was a result of the following:

- higher average contributions to IKE individual retirement accounts;
- record-breaking subscriptions for a structured product in the dedicated channel;
- high sales of protection products - result of the change to the commission system and making the offering more attractive by launching a new rider "Pomoc od Serca" [heartfelt assistance].

Retracting from sale the regular premium savings product called "Plan na Życie" with a protection element and the lack of sales of structured and deposit products in cooperation with banks produced an adverse outcome. The level of new business in the form of unit-linked products offered in the bancassurance channel also declined.

Data from the profit and loss account – individual insurance	1 January – 30 September 2015	1 January – 30 September 2014	% change
Gross written premiums	954,073	947,871	0.7%
Net earned premiums	956,594	950,707	0.6%
Investment income	128,923	273,597	(52.9)%
Net insurance claims and benefits	(584,002)	(445,598)	31.1%
Movement in other net technical provisions	(221,694)	(517,629)	(57.2)%
Acquisition expenses	(93,958)	(93,464)	0.5%
Administrative expenses	(43,097)	(37,657)	14.4%
Other	(3,277)	(1,139)	187.7%
Operating profit (loss)	139,489	128,817	8.3%

acquisition expense ratio ¹⁾	9.8%	9.9%	(0.1) p.p.
administrative expense ratio ¹⁾	4.5%	4.0%	0.5 p.p.
operating profit margin ¹⁾	14.6%	13.6%	1.0 p.p.

¹⁾ ratios calculated using gross written premium

The investment result consists of income allocated using transfer prices and income on investment products. It fell year on year by PLN 144,674 thousand in the individual insurance segment, chiefly on account of the losses recorded in investment products - the outcome of softer conditions on the debt and equity markets, which contributed to the largest extent to the falling rates of return generated by funds in unit-linked products in the bancassurance channel. The income generated by investment products also contains revenue for the management fee which is recording material growth compared to the corresponding period of 2014, that being the result of the constant growth in net asset value. Income allocated by transfer prices remained at a similar level as in the comparable period of last year.

Net insurance claims and benefits were PLN 584,002 thousand, i.e. they rose 31.1% compared to the corresponding period of 2014. The higher level of disbursements on account of reaching the endowment age in structured products in the bancassurance channel and term protection products (subsequent product tranches maturing) and the increase in the total amount of surrenders in unit-linked products sold in dedicated channels (PZU's retraction from charging fees for early redemption in the *Plan na Życie* product) and in the bank channel (portfolio size expansion year on year) contributed to growth in claims and benefits. The adverse impact exerted by these factors on the operating result (except for the lack of fees for early redemption) was offset by a commensurate movement in technical provisions.

The upward movement in net other technical provisions was lower than last year by PLN 295,935 thousand. This movement entailed considerably lower growth in provisions in bank unit-linked products, chiefly as a result of the loss on investment activity incurred in the current period and the climbing level of surrenders. Additional factors include falling provisions in structured products in the bancassurance channel as a result of these products not being sold in the current year coupled with the higher level of disbursements on account of reaching the endowment age in the policies and similarly in the *Plan na Życie* regular premium savings product with a protection element (retraction from sales and cancellation of fees for early surrender leading to higher surrenders).

The slight upward movement in acquisition expenses in this segment (growth of PLN 494 thousand, i.e. 0.5%) ensued chiefly from the growth in commission expenses for the tied agency network as an outcome of modifying the remuneration system, while in unit-linked insurance in the bancassurance channel it also ensued from amending the terms and conditions of the agreement and the increase in the asset value driving a portion of the bank's consideration. These effects were partially offset by lower sales commissions as a result of retracting from sales the regular premium savings product called *Plan na Życie* with a protection element.

Administrative expenses in the first 9 months of 2015 climbed PLN 5,440 thousand (+14.4%) compared to the corresponding period of 2014, chiefly as an effect of expenditures associated with strategy 3.0 implementation to develop the PZU Group's key areas, i.e. Retail Client Area (including SMEs), distribution and operational support, including the agency network's greater commitment to augmenting the quality of service for individual products and increasing marketing expenditures.

The year on year decline in the result in the line item other revenues and expenses by PLN 2,138 thousand followed from the charge to the Prevention Fund (no charge was made last year; PAS expense - eliminated when consolidating the result).

The segment's operating result rose in comparison with last year by PLN 10,672 thousand to PLN 139,489 thousand, chiefly as an effect of the growth in the level of this segment's portfolio and the positive result generated on investment products, in particular on account of participation in the management fee.

14.5 Investments

The PZU Group's net result on investment activity in the first 9 months of 2015 decreased by 36.4% compared to the result generated in the comparable period of the previous year.

Investment result	1 January – 30 September 2015	1 January – 30 September 2014	% change
Equity instruments	194,294	200,658	(3.2)%
Interest-bearing financial assets	1,202,490	1,947,254	(38.2)%
Investment properties	64,083	32,999	94.2%
Derivatives	(57,394)	62,999	x
Receivables	(49,456)	(63,614)	x
Other	33,542	1,014	x
Total	1,387,559	2,181,310	(36.4)%

In the first 3 quarters of 2015 the PZU Group's net investment result was PLN 1,387,559 thousand compared to PLN 2,181,310 thousand in the corresponding period of 2014 (down 36.4%).

This change results primarily from the following:

- the lower valuation of interest-bearing financial assets mostly as a result of expanding yields on Polish T-bonds across the entire yield curve versus declines in the comparable period of last year;
- deteriorating market conditions on the capital markets (WIG Index down by 3.1% in the first three quarters of 2015 versus 7.0% growth in the corresponding period of 2014);
- softer performance on derivatives acquired chiefly in trading portfolios to manage risk appropriately.

Moreover, non-recurring profit on the sale of PZU Lietuva in the amount of PLN 166,971 thousand (impact on the net result of PLN 134,515 thousand) is recognized in the investment result in Q3 2015. This transaction was executed in connection with extending operations in the Baltic States by acquiring the leaders on the Lithuanian and Latvian markets for the purpose of satisfying the conditions for consent from the Lithuanian antitrust authority to acquire Lietuvos Draudimas.

The net result on investing activity does not include financial expenses chiefly related to sell-buy-back transactions and the issue of own debt securities. In the first 9 months of 2015 these expenses were PLN 61,742 thousand and were lower by PLN 66,976 thousand than in the comparable period of the previous year, particularly, as a result of recognition of positive foreign exchange differences on own debt securities denominated in EUR.

Financial expenses	1 January – 30 September 2015	1 January – 30 September 2014	% change
Sell-buy-back transactions	52,680	81,742	(35.6)%
Own debt securities, including:	12,201	38,123	(68.0)%
Foreign exchange differences on own debt securities	(12,031)	30,235	x
Other	(3,139)	8,853	x
Total	61,742	128,718	(52.0)%

Income in the Investments segment in the first three quarters of 2015 fell by PLN 221,055 thousand in comparison to the corresponding period of the previous year.

Investment result - split into segments	1 January – 30 September 2015	1 January – 30 September 2014	% change
Investments Segment (external operations)	395,855	616,910	(35.8)%
Insurance activity segments (PZU / PZU Życie / Link4)	1,064,735	1,382,903	(23.0)%
Other segments and adjustments	(73,031)	181,497	x
Total	1,387,559	2,181,310	(36.4)%

At the end of September 2015 the value of the PZU Group's investment portfolio ⁴was PLN 53,214,037 thousand compared with PLN 53,958,697 thousand as at the end of 2014.

The PZU Group's investment activity complies with the statutory requirements while maintaining an adequate degree of safety, liquidity and profitability; that is why government debt securities constituted over 60% of the investment portfolio both as at 30 September 2015 and 31 December 2014.

The fall in the percentage of investment properties results from designating for sale a portion of the portfolio on account of reaching the anticipated investment horizon. At present, the spun-off portion of this portfolio is carried in the class of assets held for sale.

The high percentage of money market instruments (reverse repo transactions and term deposits with credit institutions) was caused inter alia by entering into transactions on the interbank market to enhance the return on investing activity and to adjust the investment portfolios to their benchmarks.

Investment portfolio	30 September 2015	31 December 2014
Equity instruments, including:	7,475,747	6,496,459
Equity instruments for which fair value can be determined – listed	4,051,850	3,373,935
Equity instruments for which fair value can be determined – other	3,420,763	3,119,366
Equity instruments for which fair value cannot be determined	3,134	3,158
Interest-bearing financial assets, including:	48,291,876	49,717,114
Debt securities – government	34,682,261	34,201,588
Debt securities – other	3,931,815	3,811,600
Reverse repo transactions and term deposits in credit institutions	7,824,538	9,393,954
Borrowings	1,853,262	2,309,972
Investment properties	1,705,027	2,236,062
Derivatives (net value)	(123,031)	(79,441)
Sell Buy Back transaction liabilities	(4,135,582)	(4,411,497)
Total	53,214,037	53,958,697

⁴The investment portfolio consists of financial assets (including investment contracts), investment properties and financial liabilities (negative measurement of derivatives and liabilities due to sell-buy-back transactions).

14.6 Pension insurance

Data from the profit and loss account – pension segment	1 January – 30 September 2015	1 January – 30 September 2014	% change
Revenues on core business of non-insurance entities	87,268	236,915	(63.2)%
Acquisition and administrative expenses	(2,042)	(5,590)	(63.5)%
Administrative expenses	(29,747)	(63,559)	(53.2)%
Other	6,241	9,452	(34.0)%
Operating profit / loss	61,720	177,218	(65.2)%

Revenues on fees and commissions in the pension insurance segment for the first 3 quarters of 2015 and 2014 were PLN 87,268 thousand and PLN 236,915 thousand, respectively. The change by -PLN 149,647 thousand (-63.2%) resulted mainly from statutory changes pertaining to transfer, as of February 2014, of the debt portion of the OFE assets to ZUS, corresponding to 51.5% of the settlement units recorded on the account of each PZU OFE member and reduction of the fee charged to contributions from 3.5% to 1.75%, liquidation of the additional portion of the Guarantee Fund administered by OFE as well as introduction of voluntary payment of part of the future pension contributions to OFE and the so-called "slide" mechanism (10 years prior to a given insured reaching the retirement age, a specified amount of funds accumulated on an OFE member's account is transferred every month to a sub-account in ZUS).

Acquisition and administrative expenses were PLN 3,548 thousand (-63.5%) lower, mainly due to the information campaigns conducted in 2014.

PTE PZU's administrative expenses dropped by PLN 33,812 thousand (-53.2%). The main driver of the deviation was the payment to the Guarantee Fund administered by KDPW in Q1 2014 stemming from the statutory increase of the required level of funds from 0.1% to 0.3% of net asset value. The total difference in the costs by virtue of the payments to the Fund between the first 3 quarters of 2015 and the first 3 quarters of 2014 was -PLN 20,306 thousand. The reduction in the rate for handling individual registers from the beginning of 2015 and the waiver of the additional fee for the Transfer Agent in connection with satisfaction of the assumptions regarding improvement of the quality of services provided led to lower account handling costs for OFE members being charged by the Transfer Agent (-PLN 8,791 thousand). In addition, the fees charged against ZUS contributions decreased (-PLN 3,324 thousand) due to the statutory reduction of the rate from 0.8% to 0.4%.

The decline in operating profit by PLN 115,498 thousand y/y resulted chiefly from higher non-recurring revenues last year in the form of funds from liquidating the additional portion of the Guarantee Fund (refund of PLN 132,267 thousand).

At the end of Q3 2015, OFE PZU had 2,214 thousand members, i.e. 13.4% of the total number of members of all existing open-end pension funds, ranking OFE PZU third on the market in this respect. Compared to the balance as at the end of September of the previous year, the number of OFE PZU members decreased by 17.1 thousand, i.e. 0.8%, while the total number of members of all open-end pension funds decreased by 0.6% y/y.

At the end of September 2015 the total net asset value of all OFEs on the market was PLN 145.4 billion, up 8.6% from the end of September 2014. In the same period OFE PZU's assets fell by 9.8% to PLN 19.1 billion. In the period from January to September 2015, ZUS transferred to OFE PZU gross contributions in the amount of PLN 225.2 million, over 75.5% more than in the corresponding period of 2014, which was caused by statutory changes (starting from contributions for July 2014 ZUS transfers them only for persons who have submitted the pertinent declarations). OFE PZU transferred PLN 513.7 million to ZUS in what is known as the "slide". OFE PZU's rate of return in the period of 9 months of 2015 was -0.5%.

14.7 Ukraine

Data from the profit and loss account – Ukraine segment – non-life and life insurance together	1 January – 30 September 2015	1 January – 30 September 2014	% change
Gross written premiums	116,370	122,597	(5.1)%
Net earned premiums	77,185	100,334	(23.1)%
Investment income	32,140	24,275	32.4%
Net insurance claims and benefits	(59,594)	(67,875)	(12.2)%
Acquisition expenses	(33,689)	(38,300)	(12.0)%
Administrative expenses	(14,895)	(19,597)	(24.0)%
Operating profit (loss)	1,147	(1,163)	x
Other operating revenues	6,229	11,695	(46.7)%
Other operating expenses	(2,354)	(4,104)	(42.6)%
UAH exchange rate in PLN	0.1742	0.2729	(36.2)%
Non-life insurance			
acquisition expense ratio ¹⁾	42.3%	36.6%	5.7 p.p.
administrative expense ratio ¹⁾	21.7%	22.9%	(1.2) p.p.
loss ratio ¹⁾	46.9%	43.0%	3.9 p.p.
combined ratio (COR) ¹⁾	110.8%	102.4%	8.4 p.p.
Life insurance			
acquisition expense ratio ²⁾	46.5%	42.1%	4.4 p.p.
administrative expense ratio ²⁾	13.3%	11.6%	1.7 p.p.
loss ratio ²⁾	150.5%	126.4%	24.1 p.p.
operating profit margin ²⁾	9.2%	(20.7)%	29.9 p.p.

¹⁾ ratios calculated against net premium earned

²⁾ ratios calculated against gross written premium

As part of the Ukrainian operations, the PZU Group offers non-life insurance and life insurance products through the following companies: PZU Ukraine and PZU Ukraine Life.

The negative growth rate of gross written premium (-5.1%) resulted from depreciation of the exchange rate. However, as a result, among other things, of reorientation of clients toward companies with western capital participation and the official price hike in compulsory motor insurance, the gross written premium in the original currency in non-life insurance spiked up by 58.4% and in life insurance by 18.5%. In the original currency an increase of the sales growth rate was recorded in most channels:

- in non-life insurance - in all channels - in corporate (+80.2%), agency (+56.4%), direct (+52.4%) and alternative (+39.4%);
- in life insurance - bancassurance (+38.0%), broker (+21.4%) and corporate (+5.7%), recording however a negative growth rate in the agency channel (-14.4%).

In the first three quarters of 2015 a positive operating result at the segment level of PLN 1,147 thousand was recorded. In turn, the gross result (plus other operating income and expenses) was PLN 5,022 thousand. The net investment result was PLN 32,140 thousand, up by PLN 7,865 thousand in comparison to the corresponding period of the previous year. Investment income rose by PLN 9,540 thousand in life insurance as a consequence of the UAH exchange rate depreciation, inter alia against the PLN (by 36.2%), where a considerable portion of the insurance products and investments at the insurance undertaking's risk hinges on the US dollar exchange rate. In the first 3 quarters of 2015, as a consequence of the FX rate depreciation, the administrative expense ratio decreased only slightly (by 0.2 p.p.) in comparison to the corresponding period of the previous year. At the same time, in non-life insurance, a higher level of acquisition expenses was recorded as a result of the change in the product mix (toward higher sales of property, motor and travel insurance characterized by higher commissions on the sales generated).

14.8 Baltic States

Data from the profit and loss account – Baltic States segment	1 January – 30 September 2015	1 January – 30 September 2014	% change
Gross written premiums	914,104	287,855	217.6%
Net earned premiums	851,302	248,117	243.1%
Investment income	14,605	11,159	30.9%
Net insurance claims and benefits	(534,097)	(157,661)	238.8%
Acquisition expenses	(195,736)	(56,495)	246.5%
Administrative expenses	(110,895)	(32,279)	243.6%
Operating profit (loss)	25,179	12,841	96.1%
Other operating revenues	10,670	4,589	132.5%
Other operating expenses	(22,797)	(22,808)	(0.0)%
EUR exchange rate in PLN	4.1585	4.1803	(0.5)%
Non-life insurance			
acquisition expense ratio ¹⁾	22.6%	21.6%	1.0 p.p.
administrative expense ratio ¹⁾	13.2%	13.5%	(0.3) p.p.
loss ratio ¹⁾	62.7%	62.4%	0.3 p.p.
combined ratio (COR) ¹⁾	98.5%	97.6%	0.9 p.p.
Life insurance			
acquisition expense ratio ²⁾	32.7%	32.1%	0.6 p.p.
administrative expense ratio ²⁾	9.6%	9.0%	0.6 p.p.
loss ratio ²⁾	62.6%	72.3%	(9.7) p.p.
operating profit margin	(4.3)%	1.2%	(5.5) p.p.

¹⁾ ratios calculated against net premium earned

²⁾ ratios calculated against gross written premium

As part of the Baltic operations, the PZU Group offers non-life insurance and life insurance products. Non-life insurance is offered by entities acquired in 2014: Lietuvos Draudimas – leader of the Lithuanian market (acquired on 1 November 2014), AAS Balta – leader of the Latvian market (acquired on 1 July 2014) and Estonian branch of Lietuvos Draudimas (from 1 November 2014). Life insurance is sold by UAB PZU Lietuva Gyvybes Draudimas. The Lithuanian non-life market share at the end of Q3 was 31.0%; the life insurance market share is 4.7%. The Estonian market share was 13.8% while in H1 the Latvian market share was 26.8%.

In connection with extending operations in the Baltic States and the transaction to acquire the leaders on the Lithuanian and Latvian markets, PZU signed an agreement to sell PZU Lietuva in February 2015 for the purpose of satisfying the conditions for consent from the Lithuanian antitrust authority to acquire Lietuvos Draudimas. This sales transaction was executed on 30 September 2015. In this manner, the results of the Baltic States segment presented the premium generated not just by the newly-acquired companies but also PZU Lietuva up to 30 September 2015. In turn, the data for the corresponding period of the previous year contain the results of the companies from the time of their acquisition.

In the first three quarters of this year, in the Baltic States segment, premium amounting to PLN 914,104 thousand was accumulated, including PLN 720,385 thousand from companies acquired last year, of which:

- 43.2% was the premium generated by Lietuvos Draudimas - largely pertaining to motor and property insurance;
- 22.5% was the premium collected in Latvia - pertaining primarily to motor, property and health insurance;
- 17.8% was the premium collected by PZU Lietuva in Lithuania - compared to last year it fell by 3.4%;
- 13.1% was the premium generated in Estonia - mainly pertaining to motor and property insurance;
- 3.4% from life insurance.

The operating result amounted to PLN 25,179 thousand and was higher than in the corresponding period of last year by PLN 12,338 thousand, in particular thanks to positive results generated by the newly acquired companies. Net result on investing activity amounted to PLN 14,605 thousand and was PLN 3,446 thousand higher than last year - the result of the newly purchased entities was PLN 8,244 thousand. Compared to the corresponding period of the previous year the segment's loss ratio was 0.8 p.p. lower and amounted to 62.7%. Claims and benefits reached the level of PLN 534,097 thousand, however the share of claims and benefits in the companies acquired in 2014 in total claims and benefits was 77.4%. The acquisition expense ratio was similar to the one in the first 3 quarters of last year and was 23.0%. Total

acquisition expenses were PLN 195,736 thousand, with the acquisition expenses incurred by the companies acquired in 2014 accounting for PLN 150,868 thousand (i.e. 77.1%). As a consequence of the acquisitions that transpired in 2014, administrative expenses also rose significantly reaching PLN 110,895 thousand, with the costs of the newly-acquired companies being PLN 83,300 thousand.

14.9 Investment contracts

In the consolidated financial statements investment contracts are recognized in accordance with the requirements of IAS 39.

The results of the investment contracts segment are presented according to Polish Accounting Standards, which means that they include, among other things, gross written premium, claims paid and movement in technical provisions. The above categories are eliminated at the consolidated level.

Volumes obtained on investment contracts by payment type	1 January – 30 September 2015	1 January – 30 September 2014	% change
Regular premium	34,254	24,925	37.4%
Single premium	70,840	305,372	(76.8)%
Total	105,094	330,297	(68.2)%

The gross written premium generated on investment contracts during the first 3 quarters of 2015 decreased by PLN 225,203 thousand (-68.2%) compared to the corresponding period in 2014 to PLN 105,094 thousand. The changes in gross written premium were caused mainly by:

- lower sales of short-term endowment insurance products through proprietary sales channels;
- withdrawal from the offering of short-term endowment insurance products through the bancassurance channel.

In both cases the underlying cause was the low profitability of these types of contracts for clients after the market interest rates fell to record-breaking lows and levying a capital gains tax on these types of policies.

Data from the profit and loss account – investment contracts	1 January – 30 September 2015	1 January – 30 September 2014	% change
Gross written premiums	105,094	330,297	(68.2)%
Group insurance	2,186	44,093	(95.0)%
Individual insurance	102,908	286,204	(64.0)%
Net earned premiums	105,090	330,340	(68.2)%
Investment income	11,288	40,089	(71.8)%
Net insurance claims and benefits	(562,246)	(1,226,897)	(54.2)%
Movement in other net technical provisions	463,155	892,901	(48.1)%
Acquisition expenses	(7,523)	(13,434)	(44.0)%
Administrative expenses	(6,548)	(7,094)	(7.7)%
Other	(423)	(531)	(20.3)%
Operating profit (loss)	2,793	15,374	(81.8)%
operating profit margin ¹⁾	2.7%	4.7%	(2.0) p.p.

¹⁾ ratios calculated using gross written premium

Investment income in the investment contracts segment deteriorated by PLN 28,801 thousand, chiefly as a result of softer market conditions on the debt and equity markets, which to the greatest extent contributed to the decline in the rates of return of mutual funds in unit-linked products in the bancassurance channel as well as in short-term endowment products as a result of the fall in the value of investments.

Net claims and benefits fell year on year as a consequence of the significantly lower level of endowment payouts under short-term investment endowment products in the bancassurance channel (last year large ticket tranches matured; significantly lower sales in subsequent periods). They were at PLN 562,246 thousand, i.e. they were down 54.2% from the previous year. At the same time, the effect described above does not have an impact on the operating result on account of the corresponding movement in the technical provisions.

The downward movement in net technical provisions was lower than last year. In the first 3 quarters of 2015 it was PLN 463,155 thousand compared to PLN 892,901 thousand in the previous year. The difference resulted mainly from changes in the portfolio of short-term investment endowment products in the bancassurance channel, i.e. a significant drop in the level of agreements where endowment age is reached as product sales are phased out.

Acquisition expenses were at PLN 7,523 thousand, declining by 44.0% from the previous year. This was an effect of a significant reduction of sales and declining value of assets in unit-linked products in the bancassurance channel (a portion of fee for the bank depends on the level of assets) and additionally also declining involvement of the company's own network in selling short-term investment endowment products.

The level of administrative expenses has been reduced. They were PLN 6,548 thousand, or 7.7% lower than in 2014, as the portfolio of agreements being handled has also decreased.

The y/y difference in the other income and expenses category (expenses lower by PLN 108 thousand) as a result of decrease of mandatory expenses (KNF, PIU) in connection with lower sales volumes.

The operating result of the segment was PLN 2,793 thousand, compared to PLN 15,374 thousand in the nine-month period of 2014, while the operating profit margin was similar – an effect of lower sales.

15. Impact of non-recurring events on operating results

Within the framework of the development strategy in the Baltics and following the decision of the Lithuanian anti-monopoly agency, the sale of PZU Lietuva was completed in Q3 of this year. As a result of the transaction, investment income of PLN 166,971 was recognized (total contribution to the net result of PLN 134,515 thousand).

The conversion effect of long-term policies into yearly renewable term agreements in type P group insurance was treated as a non-recurring event and during the three quarters of 2015 was PLN 5,524 thousand higher than in the corresponding period of the previous year.

16. Macroeconomic environment

Basic trends in the economy and pace of economic growth

In Q2 GDP growth (not adjusted for seasonal differences) decreased to 3.3% y/y, compared to 3.6% y/y in Q1. This resulted, among others, from this year's date of Easter Holidays, which justified shifting a portion of production and sales to the first quarter, at the expense of the second quarter. When adjusted for seasonal differences, the annual GDP growth increased to 3.6% y/y in Q2 compared to 3.4% y/y in Q1. Despite the slight slowdown in Q2, (3.0% y/y vs. 3.1% y/y in Q1), the upward trend in household consumption remained very stable, while public consumption increased more slowly. The growth rate of investments in fixed assets fell to 6.4 y/y compared to 11.4% y/y in Q1. In spite of this decrease, investment growth remains solid. After a clear reduction in Q1, inventories recovered slightly, however their contribution to GDP growth was slightly negative (-0.2% points). However it was the positive contribution of net export that suffered the most in Q2: while it added 1.1 percentage points to the GDP growth in Q1, it was neutral in Q2.

GUS has revised GDP data up to 2014 inclusive but it has not yet published revised quarterly data. Therefore, all the quarterly forecasts must currently be treated as temporary. Based on the monthly indicators of business activity, it can be estimated that the GDP growth rate will remain similar to the one achieved in Q2 (3.3% y/y) or will decline slightly. The growth in monthly industrial output sold in Q3 increased to 4.3% y/y from 3.9% y/y in Q2. At the same time, the growth rate of construction and installation output dwindled (monthly average of 0.7% y/y compared to 2.4% y/y) along the growth rate of retail sales (at fixed prices on average 2.8% y/y compared to 4.3% y/y in Q2).

In Q3, GDP growth probably did not increase, but no symptoms of the upward trend slowing down could be observed in the Polish economy (except for lower PMI in the processing industry). After a weaker month in August, industrial production growth and retail sales growth increased in September. Exports grow at a solid rate. The NBP's study of business conditions conducted in September in companies showed a better assessment of demand, sales, employment and salaries. The outlook for domestic demand growth is positive. In the three recent months, companies have intensified their hiring activity. The unemployment rate continues to decline. Household income, in real terms, growth at a solid rate, while companies indicate greater readiness to offer salary raises. Consumer business conditions indicators

have reached a pre-crisis level. We are also awaiting an increase in infrastructural investment projects co-funded by the EU.

Current threats to economic growth are associated with external conditions, mainly the possible impact of slower GDP growth in China and other major "emerging economies" on the global recovery and financial markets.

Labor market and consumption

In Q3 the situation in the labor market continued to improve. Employment in the corporate sector increased by 15.7 thousand persons compared to 11.2 thousand in Q3 of the previous year. The annual employment growth rate in enterprises increased to 1.1% y/y compared to 1.0% y/y in Q2. In the same period, registered unemployment rate continued to decrease to reach 9.7% in September. This is the lowest level since the end of 2008, 1.8 percentage points less than in September of last year. The seasonality-adjusted registered unemployment rate has also been declining systematically.

Given the negative CPI, there were no signs of pressure to salary growth from employees. Nevertheless the average monthly salary growth in the corporate sector accelerated from 3.1% y/y in Q2 to 3.6 y/y in Q3. According to the study of business conditions conducted by the NBP, the better outlook for sales has translated into improved forecasts of employment and salary in businesses. Some companies have started to indicate problems with acquiring skilled employees.

The slow hike of the consumer price index, which still remains negative, contributed to the increased real growth of average monthly salary in enterprises - up to 4.4% y/y, compared to 4.1% y/y in Q2. The real growth of the salary fund in this sector remained relatively stable (at 5.3% y/y). Therefore the prerequisites for consumption growth were all in place. Even though the growth of retail sales volume in the period was slower, in Q3 the household consumption growth rate should remain flat from the previous quarter (at about 3%) or decrease slightly.

Monetary policy, interest rates and inflation

In Q3, the prices for consumer goods and services were again than in the corresponding period of the previous year. CPI was -0.7% y/y compared to -0.9% y/y in Q2. The process of leaving deflation was slower primarily by the impact of declining prices of raw materials, mainly fuels, on global markets. Net inflation (excluding prices of food and energy) was the same as in Q2 (0.3% y/y), which confirmed that there were no inflation pressures. There is no cost pressure on price increases; inflationary expectations remain very low.

In the period from July to the end of October, the parameters of the monetary policy did not change. The reference interest rate remains at the level of 1.50% as set in March 2015.

Public finance

Central Statistical Office (GUS) announced that according to adjusted data, in 2014 the debt of the central government and local government institutions sector reached 50.4% of GDP (vs. 50.1% before the adjustment) and the deficit of this sector was to 3.3% of GDP (vs. 3.2% GDP before the adjustment).

The state budget deficit in September 2015 was PLN 31.1 billion, which was about 68% of the plan for 2015. From a historical point of view, this performance was worse than the average but still clearly below the government's figures.

At the end of September, 93% of the borrowing needs for 2015 had been financed.

Situation on the financial markets

In late June 2015, the Greek Prime Minister A. Tsipras announced a referendum on the terms of the aid package for Greece. The tumultuous negotiations conducted with Greece in a few subsequent weeks have significantly affected the behavior of investors on European financial markets.

In August and September of this year, there were three key subjects that shaped trends on financial markets. The first one was the situation in China where a plunge of the stock market in late August of this year sent a shock wave of turbulence across the world. The second one was the possibility of expanding and prolonging the quantitative easing programme conducted by the European Central Bank, which was slated to end by September 2016. The third subject was anticipation of the Federal Reserve's decision on the possible raise of interest rates in the USA, which however did not happen in September.

In June 2015, the yield of Polish 10Y treasury bonds reached the record high level since 2014 and then fell in subsequent weeks below 3% as the negotiations with Greece progressed. After heavy fluctuations they ultimately fell in

Q3 2015 by about 50 basis points to approximately 2.85%. At the same time, the yields of similar German securities fell by about 20 basis points and for the US the drop was about 30 basis points.

The correlation of Polish yields with the key global markets, such as Germany or the US, remained high. This indicates that changes in the prices of Polish treasury bonds were largely linked to the situation on the German or US markets.

High demand from abroad for Polish treasury bonds continued. According to Ministry of Finance data, the share of foreign investors in market Treasury bonds issued in the domestic market slightly decreased from the end of Q2 2015 and amounted to 39.7% at the end of September 2015.

The third quarter of 2015 has proven unfavorable for the stock market. Stocks depreciated in Poland and on international markets. Initially, the slump was associated mainly with concerns about the situation in Greece. They intensified as a result of the deteriorating economic and market situation in China and concerns about its implication for the global economy, especially for other "emerging markets". Additionally, stock prices of some Polish companies, in particular from the banking sector, suffered from the anticipation of the possible detrimental legislative solutions, which could be introduced following the parliamentary election in October 2015.

Ultimately, the WIG20 index in Q3 2015 fell by 10.8% to levels last recorded in 2012. WIG fell by 6.6%. At the same time, the German stock index DAX 30 lost 11.7%.

The euro exchange rate expressed in the US currency was 1.11 at the end of September 2015, remaining very close to the rate at the end of June 2015. Nevertheless it was very volatile in Q3 2015. In the same period, the Polish currency depreciated vs. Euro by 1.1%, at the same time depreciating against the US dollar by 0.3%. The Swiss franc to PLN exchange rate in early July 2015 temporarily shot above PLN 4 but returned below this threshold a few days later. During the entire Q3, the value of the Swiss franc, expressed in Polish zloty, fell by 4.0%.

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

PZU did not publish any standalone or consolidated result forecasts.

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

18.1 Non-life insurance

The most significant risk factors which may affect the results in the mass and corporate insurance segment (non-life insurance) in the next quarter of 2015 include:

- occurrence of catastrophic events (floods, hurricanes, drought, spring ground frosts);
- slowdown in economic growth or stagnation which may cause an increase in the loss ratio of the financial and non-life insurance portfolio as a result of moral hazard;
- changes in the legal or regulatory conditions of the conduct of business, i.e. amendments to the Insurance Activity Act, the introduction of new standards by the Polish Financial Supervision Authority and pro-consumer case law of the courts;
- changes in the financial intermediation market, stopped growth of popularity of independent financial consulting and resulting reduction in the number of sales channels for insurance products;
- growing insurance fraud;
- potential upward trend in the rate of unemployment and a slowdown in private consumption may translate into a lack of growth in demand for insurance products;
- price pressure from competitors;
- growing average cost of bodily injury claims resulting, among others, from the growing share of non-public health care establishments and the impact of financial compensation to family members of the deceased (Article 446 § 4 and Article 448 of the Act of 23 April 1964 entitled the Civil Code (Journal of Laws of 2014 Item 121, "Civil Code")), which may result in the need to increase the level of reserves in motor TPL insurance;
- risk that the number and value of claims reported by clients and injured persons will increase in connection with the Act of 17 December 2009 on Pursuing Claims in Group Proceedings (Journal of Laws No. 7 of 2010 Item 44, as amended);
- increasing role of the so-called "insurance claims firms" in the process of handling of claims reported in previous years;
- increased role of insurance brokers which may lead to an increase in acquisition expenses;
- absence of a precise definition of the scope of exemptions pertaining to, for instance, insurance services or medical services in the amended VAT Act of 29 July 2011 (Journal of Laws No. 177 in 2011 Item 1054, as amended; hereinafter: the "VAT Act");
- implementation of the Solvency II Directive in 2016, which may affect the level of capital requirements in the PZU Group and the scope of reporting;
- changes in regulations applicable to banks, which may reduce the number of mortgage loans and insurance for the borrowers.

18.2 Life insurance

The most significant risk factors which may affect the results in the group, individually continued and individual insurance segment (life insurance) in the next quarter of 2015 include:

- potential upward trend in the rate of unemployment and a slowdown in private consumption may translate into a lack of growth in demand for insurance products;
- potential intensification of competition in group insurance resulting from strengthening role of brokers in this segment and the requirement to invite tenders for group insurance by entities subject to the requirements of the

Act of 29 January 2004 entitled the Public Procurement Law (Journal of Laws of 2013, Item 907; hereinafter "Public Procurement Law");

- changes in the legal or regulatory conditions of the conduct of business, i.e. amendments to the Insurance Activity Act, the introduction of new recommendations by the Polish Financial Supervision Authority and pro-consumer case law of the courts;
- changes in the financial intermediation market, stopped growth of popularity of independent financial consulting and resulting reduction in the number of sales channels for insurance products;
- changes in the current mortality and morbidity levels;
- behavior of the capital market, which impacts the interest in the unit-linked products offered by PZU Życie;
- lack of a precise definition of the scope of exemptions pertaining to e.g. insurance services or medical services in the amended VAT Act;
- changes in regulations applicable to banks, which may reduce the number of mortgage loans and insurance for the borrowers;
- recommendations and guidelines of the supervisory authorities as regards remuneration of insurance intermediaries;
- increasing role of the so-called "insurance claims firms" in the process of handling of claims reported in previous years;
- implementation of the Solvency II Directive in 2016, which may affect the level of capital requirements in the PZU Group and the scope of reporting;
- changes in the individual insurance market caused by product modifications in line with Council Directive 2004/113/EC and judgment of the European Court of Justice (judgment in case C-236/09 (Test-Achats), of 1 March 2011) that may have significant influence on the value of new business and the technical result.

18.3 Pension funds

The risk factors that could impact the performance of PTE PZU in the next quarter of 2015 include primarily the economic climate on the capital market affecting the value of the assets of the funds and the level of management fees charged by PTE PZU.

18.4 Investment activity

The risk factors, which may affect investment performance in the next quarter of 2015 include primarily:

- volatility of yields on treasury securities, which depends on the economic situation of Poland and other European Union countries - changes of the yields of securities may contribute the fluctuations of investment valuations;
- behavior of the capital market, particularly of the Warsaw Stock Exchange – part of the companies' investment activity income depends on the trends in this market. Furthermore, the interest in unit-linked products offered by PZU is positively correlated with trends in the capital markets.

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

In the 9-month period ended 30 September 2015, PZU did not issue, redeem or repay any debt securities or equity securities.

Details about the bonds issued by PZU Finance AB (publ) are provided in item 8.1.1.2.

20. Default or breach of material provisions of loan agreements

During the 9 months ended 30 September 2015, in PZU and in its subsidiaries there were no instances of default or a breach of any material provisions of loan agreements in respect of which no remedial actions were taken until the end of the reporting period.

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

In the 9-month period ended 30 September 2015, neither PZU nor its subsidiaries granted any loan sureties or guarantees to any single entity or any subsidiary of such an entity where the total amount of such sureties or guarantees would be the equivalent to at least 10% of PZU's equity.

Information about the guarantees granted by PZU to PZU Finance AB (publ) in connection with the bond issue conducted by PZU Finance AB (publ) is presented in item 8.1.1.2.

22. Dividends

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

On 12 May 2015 the PZU Management Board filed a motion with the Ordinary Shareholder Meeting to distribute PZU's net profit for the year ended 31 December 2014 in the amount of PLN 2,636,733 thousand as follows:

- designate PLN 2,590,569 thousand, i.e. PLN 30.00 per share, for a dividend payment;
- designate PLN 36,164 thousand for supplementary capital;
- designate PLN 10,000 thousand for the Company Social Benefit Fund.

On 30 June 2015, the PZU Ordinary Shareholder Meeting adopted a resolution on distribution of net profit for the year ended 31 December 2014, in accordance with the motion submitted by the PZU Management Board.

The dividend date was set for 30 September 2015 and the was paid out on 21 October 2015.

23. Disputes

The PZU Group entities participate in a number of litigations, arbitration disputes and administrative proceedings. Typical litigations involving the PZU Group companies include disputes pertaining to concluded insurance agreements, disputes concerning labor relationships and disputes relating to contractual obligations. Typical administrative proceedings involving the PZU Group companies include proceedings related to the possession of real properties. Such proceedings and litigations are of a typical and repetitive nature and usually no particular one of them is of material importance to the PZU Group.

The majority of disputes involving the PZU Group companies concerned two companies: PZU and PZU Życie. Additionally, PZU and PZU Życie are parties to proceedings conducted before the President of the Office for Competition and Consumer Protection.

PZU and PZU Życie take disputed claims into account in the process of recognizing their technical provisions for known losses, considering the probability of an unfavorable outcome of the dispute and estimating the probable awarded amount. In the case of disputed claims pertaining to restatement of annuities in PZU Życie, the claims are carried in other technical provisions at the annual value of annuities above the corresponding amount of provision set within the framework of mathematical life provisions.

During the 9 months ended 30 September 2015 and by the date of conveying this periodic report, the PZU Group companies were not involved in any proceedings conducted before a court, an arbitration body or a public administration

authority which concerned any liabilities or receivables of PZU or any of its direct or indirect subsidiaries, the unit value of which was at least 10% of PZU's equity.

As at 30 September 2015, the value of the subject matter of the litigation in all 97,948 cases pending before courts, arbitration bodies or public administration authorities in which PZU Group entities take part, was PLN 3,990,527 thousand. Out of this amount, PLN 3,393,626 thousand relates to liabilities and PLN 596,901 thousand to receivables of PZU Group companies, which represented respectively 29.18% and 5.13% of PZU's equity according to PAS.

Estimations of the amounts of the provisions for individual cases take into account all information available on the date of signing the condensed interim consolidated financial statements, however this figure may change in the future.

23.1 Resolutions of the Ordinary Shareholder Meeting of PZU to distribute the profit earned in the financial year 2006

On 30 July 2007, an action was brought by Manchester Securities Corporation ("MSC") seated in New York against PZU to repeal Resolution No. 8/2007 adopted by the Company's Ordinary Shareholder Meeting on 30 June 2007 to distribute PZU's profit for the financial year 2006 as contradicting best practices and aimed at harming the plaintiff as a shareholder of PZU.

The challenged resolution of the Ordinary Shareholder Meeting of PZU distributed the net profit of PLN 3,280,883 thousand generated in 2006 as follows:

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

In its judgment of 22 January 2010 the Regional Court in Warsaw repealed the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting in its entirety. PZU has used all possible appeal instances, including a cassation appeal to the Supreme Court which, on 27 March 2013, dismissed the cassation appeal. The judgment is final and not subject to further appeal.

In PZU's opinion, the rescission of the above resolution of the Ordinary Shareholder Meeting of PZU will not lead to a claim on the part of PZU's shareholders for payment of a dividend.

As the judgment repealing resolution no. 8/2007 became final, on 30 May 2012, the PZU Ordinary Shareholder Meeting adopted a resolution to distribute the profit for the financial year 2006 in a way reflecting the distribution of profit effected by virtue of the repealed resolution no. 8/2007. MSC filed an objection against the resolution of 30 May 2012 and the objection was recorded in the minutes.

On 20 August 2012, a copy of the statement of claim filed by MSC with the Regional Court in Warsaw was delivered to PZU. In the statement of claim, the Manchester Securities Corporation demands that the resolution on the distribution of profit for the financial year 2006 adopted on 30 May 2012 by the PZU Ordinary Shareholder Meeting be repealed. According to the plaintiff, the value of the litigation is PLN 5,054 thousand. PZU has submitted a rejoinder to the statement of claim requesting to dismiss the statement of claim in its entirety.

On 17 December 2013, the Regional Court passed a judgment in which it accepted the claim in its entirety and awarded the costs of proceedings from PZU to MSC. On 4 March 2014, PZU filed an appeal against the above judgment, contesting it in its entirety. On 11 February 2015, the Appellate Court in Warsaw, in its judgment changed in entirety the judgment of the Regional Court of 17 December 2013, dismissed MSC's claim and charged MSC with the court expenses. The Appellate Court's judgment is final. MSC challenged the Appellate Court's judgment in its entirety in a cassation appeal of 9 June 2015. PZU filed a response to the cassation appeal and petitioned for the Supreme Court to refuse to accept the complaint for examination or to dismiss it.

In the meantime on 16 December 2014, MSC summoned PZU in a letter to pay PLN 264,865 thousand as damages in connection with repealing resolution no. 8/2007 adopted by the PZU Ordinary Shareholder Meeting on 30 June 2007 to distribute PZU's profit for the financial year 2006. PZU refused to effect the performance.

On 23 September 2015, a copy of the statement of claim with enclosures was delivered to PZU in the case launched by MSC against PZU for payment of PLN 169,328 thousand with statutory interest from 2 January 2015 to the date of payment. The statement of claim includes a demand to pay damages for depriving MSC and J.P. Morgan (MSC acquired the claim from J.P. Morgan) as minority shareholders of PZU of their share in profits for the financial year 2006 in

connection with adoption of resolution no. 8/2007 on 30 June 2007 by the PZU Ordinary Shareholder Meeting. The case is pending before the Regional Court in Warsaw, 20th Commercial Division. The Court gave PZU one month to respond to the statement of claim.

The Management Board of PZU believes that MSC's claims are groundless. As a result, as at 30 September 2015, no changes have been made to the presentation of PZU's equity that could potentially stem from the repeal of the resolution on distribution of profit for the financial year 2006, adopted by PZU's Ordinary Shareholder Meeting, including the line items "Supplementary capital" and "Retained earnings (losses)", the funds in the Company's Social Benefits Fund.

23.1.1. Other demands for payment pertaining to distribution of PZU's profit for the financial year 2006

In the letters of 17 December 2014, Wspólna Reprezentacja SA summoned PZU to pay the amount of PLN 56,281 thousand and PLN 618 thousand as claims for damages acquired from shareholders resulting from deprivation of the right to participate in PZU's profit. PZU refused to effect the performance.

Apart from the aforementioned letters, shareholders or former shareholders sent demands for payment to PZU based on the facts presented above. Some of them do not indicate specific amounts but the number of shares or only demand a payment. PZU gives its replies in writing, stating that their claims are not existent and that they will not be accepted.

23.1.2. Other court proceedings pertaining to distribution of PZU SA's profit earned in the financial year 2006

On 19 January 2015, the District Court for the capital city of Warsaw delivered a copy of a petition, together with attachments, in the case filed by a company under the name Wspólna Reprezentacja SA, calling for a settlement for the amount of PLN 56,281 thousand. At the hearing on 19 February 2015 PZU refused to conclude a settlement.

On 2 February 2015, the District Court for the capital city of Warsaw delivered a copy of MSC's petition, calling for a settlement for the amount of PLN 264,865 thousand. The claim covered by the petition is identical to the petition in the MSC's demand of 16 December 2014. At the hearing on 24 February 2015 PZU refused to conclude a settlement.

PZU has received copies of other calls for a settlement with demands to conclude settlements through payment of amounts on account of participation in the profits for the financial year 2006. Most proceedings have already been completed. PZU refuses to conclude the settlements stating that the claims are not existent and that they will not be accepted.

6 lawsuits for payment of dividend or compensation have been launched against PZU. PZU answers to such statements of claim consistently demanding their dismissal in their entirety. In four trials, the District Court for Warsaw-Śródmieście dismissed the statement of claim in its entirety (the verdict of 24 April 2015 is final, the verdicts of 24 June 2015 and 5 October 2015 are not final). In one case, the District Court discontinued the proceedings after the statement of claim was withdrawn (the decision is not final).

23.2 Proceedings conducted by the President of the Office of Competition and Consumer Protection against PZU

23.2.1. Penalty imposed in 2009 on model agreements

On 30 December 2009, the President of the Office of Competition and Consumer Protection issued a decision to impose a fine of PLN 14,792 thousand on PZU for its use of practices infringing on collective consumer interests by:

- inclusion, in certain model agreements, of contractual provisions classified in the Register of Model Contractual Provisions as prohibited;

- unlawful inclusion, in certain model agreements, of contractual provisions violating Article 813 § 1 of the Civil Code by the introduction, out of compliance with the disposition of this provision of law, of the prerequisite of an unused sum insured as a factor affecting the amount of the insurance premium refunded to the client for the unused period of insurance.

PZU disagreed both with the content and the justification for the decision issued by the Office of Competition and Consumer Protection. After several years of proceedings, on 6 November 2013, the Appellate Court in Warsaw changed the judgment issued by the Court for Competition and Consumer Protection ("SOKiK") on 18 January 2013 by partial rescission of the decision issued by the President of the Office of Competition and Consumer Protection on 30 December 2009, dismissal of PZU's appeal of 18 January 2010 in relation to the contractual provisions violating Article 813 § 1 of the Civil Code, and reduction of the fine to PLN 1,644 thousand. The judgment of 6 November 2013 is final and was implemented through payment of the awarded fine by PZU. On 23 June 2014, PZU filed a cassation appeal with the Supreme Court against the judgment. On 24 July 2014 PZU received a reply from the President of the Office of Competition and Consumer Protection to the cassation appeal. On 28 January 2015, the Supreme Court issued a decision to accept the cassation appeal for examination. On 9 September 2015, the Supreme Court issued a judgment in which it dismissed PZU's cassation appeal. The judgment is final and ends the judicial proceedings.

23.2.2. Fines imposed in 2011

23.2.2.1. Case concerning reimbursement of the cost of renting a replacement vehicle

On 18 November 2011, the President of the Office of Competition and Consumer Protection issued a decision to impose a fine of PLN 11,287 thousand on PZU for its use of practices infringing on collective consumer interests defined in Article 24 Sec. 1 and 2 of the Competition and Consumer Protection Act (Journal of Laws of 2007, No. 50, Item On 18 November 2011, the President of the Office for Competition and Consumer Protection issued a decision to impose a fine of PLN 11,287 thousand on PZU for its use of the practice infringing on collective consumer interests referred to in Article 24 Sections 1 and 2 of the Act on Competition and Consumer Protection (Journal of Laws No. 50 of 2007 Item 331, as amended) involving a reduction in the scope PZU's liability toward consumers pursuing claims under the insurer's warranty liability arising out of third party liability insurance agreements with vehicle owners by:

- refusing to recognize the inability to use a damaged vehicle as property damage and imposing a condition that in order to receive indemnification for the rental of a replacement vehicle the injured party must demonstrate special circumstances causing the indispensability of renting a replacement vehicle;
- unjustifiably disregarding, in the determination of the amount of the refund, the cost of renting a replacement vehicle during the period in which the repair shop must wait for spare parts;

and ordered the discontinuation of its use.

The PZU Management Board disagrees with both the decision and the legal and factual justification. On 5 December 2011, PZU appealed against this decision (resulting in the prevention of its coming into force).

At the hearing on 2 December 2013 the Regional Court in Warsaw issued a judgment in which it dismissed PZU's appeal and awarded the refund of litigation expenses from PZU to the UOKiK President. On 23 December 2013, PZU submitted an appeal against the judgment. On 17 December 2014 the Appellate Court at a hearing issued a decision on suspension of the aforementioned proceedings until the Supreme Court resolves the legal issue evoking serious doubts in another case pending before the Appellate Court. At the hearing of 9 September 2015, the Supreme Court adopted a position that was beneficial to PZU, stating that in relations with an insurer, in connection with an event covered by mandatory liability insurance of a vehicle holder, an injured party in a traffic accident does not have the status of a consumer. Following the Supreme Court judgment, the Appellate Court has not yet relaunched the proceedings.

In light of the above, PZU reversed the provision of PLN 11,287 thousand.

23.2.2.2. Case concerning sales of group accident insurance

On 30 December 2011, the President of the Office for Competition and Consumer Protection issued a decision to impose a fine of PLN 56,605 thousand on PZU for its use of a practice restricting competition and violating the prohibition prescribed in Article 6 Section 1 Item 3 of the Act on Competition and Consumer Protection by the execution, by PZU and Maximus Broker Sp. z o.o. with its registered office in Toruń ("Maximus Broker"), of an agreement restricting competition in the domestic market for sales of group accident insurance for children, youths and staff of educational institutions consisting of dividing the sales market by entity and transferring PZU's clients from the Kujawsko-Pomorskie voivodship to Maximus Broker for the provision of services in exchange for their recommending PZU as the insurer of choice and at the same time prohibited PZU from the use of this alleged practice.

The PZU Management Board does not agree with the determination of facts and the legal argumentation in the decision, because not all the evidence was taken into account when making the decision and an erroneous legal qualification was made.

On 18 January 2012 PZU submitted an appeal against the aforementioned decision (as a result of which it did not become final). In its appeal, PZU indicated the following, among other issues:

- no agreement (other than a brokerage agreement) was entered into between PZU and Maximus Broker;
- the President of the Office for Competition and Consumer Protection misunderstands the principles of execution of insurance agreements involving a broker;
- the majority of insurance agreements involving Maximus Broker were entered into with insurance companies other than PZU;
- PZU and Maximus Broker cannot and could not in the past conduct competitive activity in the markets in which they operate.

On 22 October 2012, PZU received a response on its appeal from the President of the Office for Competition and Consumer Protection, to which PZU replied on 5 November 2012. On 27 March 2015, the Court for Competition and Consumer Protection issued a judgment in which it repealed the decision of the President of the Office for Competition and Consumer Protection of 30 December 2011. On 21 May 2015, the President of the Office for Competition and Consumer Protection filed an appeal. On 24 April 2015, PZU filed a response to the appeal of the UOKiK President.

PZU had a provision for this penalty, which amounted to PLN 56,605 thousand as at 30 September 2015, 30 June 2015, 31 December 2014 as well as 30 September 2014.

23.3 Proceeding conducted by the President of the Office for Competition and Consumer Protection against PZU Życie

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

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

After several years of proceedings, on 17 February 2011, the Competition and Consumer Protection Court issued a judgment partially changing the appealed decision but at the same time dismissing PZU Życie's appeal against the amount of the imposed penalty. On 6 May 2011, PZU Życie filed an appeal.

In the judgment of 9 May 2013, the Court of Appeals in Warsaw agreed with PZU Życie's allegations and rescinded the judgment of the Court for Competition and Consumer Protection due to the invalidity of court proceedings, abolished the

proceedings to the extent affected by the invalidity and remanded the case for reexamination by the Competition and Consumer Protection Court.

As a result further proceedings, on 28 March 2014, Competition and Consumer Protection Court announced its judgment in which it dismissed PZU Życie's appeal and awarded refund of litigation expenses from PZU Życie. On 10 July 2014 PZU Życie filed an appeal against the Competition and Consumer Protection Court's judgment of 28 March 2014, suing it in entirety. The Court sent a copy of the appeal to the defendant and other participants, which submitted a rejoinder to the appeal. The files were sent to the Appellate Court in Warsaw. On 2 July 2015, PZU Życie filed a rebuttal to the replies to the appeal, after which a series of subsequent legal pleadings was exchanged. The appeal session was held on 3 September 2015 and on 17 September 2015, the Appellate Court handed down its verdict, dismissing the PZU Życie's appeal in its entirety and awarding the costs of proceedings from PZU Życie. The verdict is final. PZU Życie paid the fine of PLN 50,384 thousand and the awarded costs. PZU Życie requested a justification of the Appellate Court verdict to be prepared and a copy of the verdict to be delivered along with the justification. They have not been delivered to PZU Życie by the date of conveying this periodic report.

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

On 9 April 2010, the Court of Arbitration served PZU Życie with a statement of claim filed by CSC Computer Sciences Polska Sp. z o.o. ("CSC") against PZU Życie to pay a total of EUR 8,437 thousand in connection with the implementation of the GraphTalk system in PZU Życie. Following the subsequent amendments to the statement of claim, CSC pursued payment of a total amount of PLN 35,663 thousand with interest accrued from the date of filing the statement of claim (i.e. from 31 March 2010) to the date of payment. The amount claimed comprised a claim regarding, among other things, license fees, implementation work, service and maintenance services, contractual penalties and capitalized interest.

On 31 May 2010, PZU Życie petitioned the Court of Arbitration to assert its temporary lack of jurisdiction to examine some of the claims and dismiss the statement of claim in its entirety. PZU Życie also filed a counterclaim against CSC, demanding payment of PLN 71,890 thousand as a refund of the collected remuneration or as compensation for the improper performance of obligations. On 31 August 2010, CSC petitioned the Court of Arbitration to dismiss PZU Życie's claim in its entirety, indicating the absence of grounds to accept the claim.

After the proceedings before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, on 18 December 2012, the court issued a judgment ("Court of Arbitration Judgment 108/10"), awarding the amount of PLN 17,193 thousand from PZU Życie to CSC and discontinued the proceedings in respect of the main action pertaining to the request for payment of EUR 8,437 thousand plus statutory interest on this amount from the date of filing the statement of claim. Furthermore, the Court of Arbitration dismissed the main action pertaining to its remaining part and dismissed PZU Życie's counterclaim.

In connection with the final conclusion of the proceedings to declare enforceability of Judgment 108/10, on 9 July 2015, PZU Życie paid the amount of PLN 17,393 thousand to CSC as specified in the judgment, subject to a refund.

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

PZU executed with PBG SA ("PBG") and Hydrobudowa Polska SA ("Hydrobudowa"), both with registered offices in Wysogotowo near Poznań, mandate agreements for periodic granting of insurance guarantees (contractual guarantees). Under these agreements, PZU issued insurance guarantees. In the event of PZU's payment of the pecuniary consideration on the basis of the issued insurance guarantees, the clients would be obligated to repay to PZU the amounts disbursed under the guarantees.

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

PBG and Hydrobudowa belong to the same capital group in which PBG is the parent company. The two companies provided sureties for each other's liabilities. As a consequence, all claims submitted to the bankruptcy estate of Hydrobudowa in the amount of PLN 100,996 thousand were concurrently submitted to the bankruptcy estate of PBG. Included in these claims were:

- PLN 33,747 thousand constituting claims in which the guarantor of liabilities under the guarantees issued at the request of Hydrobudowa was PBG;
- PLN 67,249 thousand constituting claims in which the guarantor of liabilities under the guarantees issued at the request of PBG was Hydrobudowa.

PZU's claims to PBG's bankruptcy estate, after being reviewed by a court commissioner and after being verified by a court supervisor, have been entered in the list of claims in the amount of PLN 103,014 thousand. As at 30 September 2015, 30 June 2015 and 31 December 2014, the amount of the claims was PLN 102,164 thousand, and its reduction resulted from elapse of the term of some of the guarantees under which no claims were made. The creditor meeting scheduled for 29 April 2015, at which PBG's composition proposals were to be voted on, was cancelled. At the creditor meeting held on 5 August 2015, PZU voted for accepting the composition and on 25 August 2015, the commissioner judge confirmed the outcome of the vote and that the composition had been concluded. On 8 October 2015, the

Bankruptcy Court announced a decision in which it approved the composition with creditors. The decision has not become effective yet. If and when the decision to approve the composition becomes effective, PZU will receive cash payments in the amount of 21% of the claims, following the time schedule included in the Composition Proposals and non-cash satisfaction involving the conversion of 0.491927% of the claim to new issue shares

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

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

Metro-Projekt did not repay its loan and in November 2002 it was declared bankrupt.

From 2004 proceedings following from the claims filed by the receiver of Universal SA's bankruptcy estate to exclude the real property at Al. Jerozolimskie 44 in Warsaw from Metro Projekt's bankruptcy estate.

After the settlement was concluded in 2012, in exchange for Universal SA's bankruptcy estate notarial declaration of waiving all the claims, the Metro-Projekt's bankruptcy estate paid an additional amount of PLN 5,722 thousand in favor of Universal SA's bankruptcy estate.

After several unsuccessful attempts to sell the enterprise, another announcement of the receiver of the bankruptcy estate was published on 25 August 2014. The bidding price was set at PLN 80 million. On 21 October 2014, the only bid, for PLN 80 million, was opened.

On 18 December 2014, the receiver of the bankruptcy estate sold the company's enterprise for PLN 80 million.

As at 31 December 2014, the carrying amount of the Metro-Projekt receivable was PLN 109,478 thousand. On 28 April 2015 PZU Życie's receivable in the amount of PLN 109,478 thousand was satisfied in entirety.

24. Other information

24.1 Evaluation of the PZU Group companies' standing by rating agencies

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

As at the date of conveying this periodic report, PZU and PZU Życie had a financial strength and local currency credit rating of A (awarded by S&P on 16 July 2009), subsequently updated at least once a year (dates of the most recent updates are presented in the table below).

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

In the release of 27 April 2015, S&P confirmed PZU's rating position at the level "A" with a stable outlook. This means that PZU currently has a higher rating than Poland for foreign currency debt.

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

Company name	Rating and outlook	Date of award/update	Previous rating and outlook	Date of award/update
PZU				
Financial strength rating	A /stable/	27 April 2015	A /stable/	25 March 2014
Credit rating	A /stable/	27 April 2015	A /stable/	25 March 2014
PZU Życie				
Financial strength rating	A /stable/	27 April 2015	A /stable/	25 March 2014
Credit rating	A /stable/	27 April 2015	A /stable/	25 March 2014

24.2 Purchase of shares in Alior Bank SA

Pursuant to a preliminary agreement to sell Alior Bank SA ("Alior Bank") shares signed on 30 May 2015, PZU will purchase 17,818,473 Alior Bank shares from Alior Lux S.à.r.l. & Co. S.C.A ("Seller 1") and 500,000 Alior Bank shares from Alior Polska sp. z o.o. ("Seller 2"), i.e. a total of 18,318,473 shares representing about 25.25% of Alior Bank's share capital and the overall number of votes at Alior Bank's shareholder meeting.

Following the satisfaction of the conditions specified in the sale agreement, Alior Bank's shares will be purchased by PZU in three tranches:

- in the first tranche: 6,744,900 shares from Seller 1 and 500,000 shares from Seller 2;
- in the second tranche: 7,244,900 shares from Seller 1;
- in the third tranche: 3,828,673 shares from Seller 1.

The price per share will be PLN 89.25 and the total price paid for the shares will be PLN 1,634,924 thousand.

The execution of the transaction was conditional upon the satisfaction of the following conditions precedent, which were also the conditions precedent for the purchase of the individual tranches (the first three items apply to the first tranche only):

- no objection of the Polish Financial Supervision Authority ("KNF") to the purchase of Alior Bank's shares by PZU (on 6 October 2015, KNF found no grounds for such an objection);
- PZU obtaining consent or deemed consent of the President of the Office for Competition and Consumer Protection (UOKiK) (on 6 August 2015 PZU learned that this condition had been satisfied);
- PZU obtaining consent of the Ukrainian Anti-Monopoly Office (on 2 September 2015 PZU learned that this approval had been granted);
- no breach of representations and warranties made by the parties to the agreement (the condition was satisfied on 9 October 2015);
- lack of unauthorized benefits defined in the agreement, unless they are duly compensated for (the condition satisfied met on 9 October 2015);
- lack of material adverse change defined in the agreement (the condition was satisfied on 9 October 2015);
- no breach of obligation in the transition period between the date of the agreement and the date of the next tranche (the condition was satisfied on 9 October 2015);
- purchase by Alior Bank of an organized part of the enterprise of Seller 2, which includes property listed in items a) - d) of resolution no. 27/2015 adopted by Alior Bank's shareholder meeting on 25 May 2015 (the condition was satisfied on 31 July 2015).

On 12 October 2015, the purchase of the first tranche of Alior Bank's shares for PLN 646,607 thousand was settled and as of that date Alior Bank became an associated entity.

24.3 Split of PZU's shares

On 30 June 2015, the Ordinary Shareholder Meeting of PZU adopted a resolution to split all PZU shares by decreasing the par value of each PZU share from PLN 1 to PLN 0.10 and increasing the number of PZU shares making up the share capital from 86,352,300 to 863,523,000 shares. The split will be effected by replacement of all the shares using the ratio of 1:10. The split of shares does not affect the amount of PZU's share capital.

On 3 November the District Court for the capital city of Warsaw, XII Commercial Division of the National Court Register registered the amendment to PZU's Articles of Association. The split by the National Securities Depository (KPWD) is scheduled to take place in November 2015.

24.4 Headcount restructuring

On 18 December 2014, the PZU Management Board made a decision to start restructuring efforts associated with implementation of new IT systems and automation of operational processes.

On 8 April 2015, the Management Boards of PZU and PZU Życie announced their intention to effect group layoffs pursuant to the Act of 13 March 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees (Journal of Laws of 2003 Item 844, as amended) ("Act on Special Rules for Termination of Employment").

On 10 April 2015, PZU, PZU Życie and the trade unions operating at these companies signed an agreement specifying the terms and conditions of employment restructuring. The final form of the document was based on the experience and solutions developed during the corresponding negotiations in prior years.

The employment restructuring was carried out during the scheduled period (May-June 2015) and ultimately affected 269 persons in PZU and PZU Życie, of which downsizing involved a total of 136 PZU and PZU Życie employees.

Persons who were laid off or who did not accept the proposed changes in the conditions of employment (like during all the previous stages of employment restructuring i.e. in the years 2010-2014), more favorable terms and conditions of severance were offered than the ones provided for by the law in similar circumstances ("Act on Special Rules for Terminating Employment Relationships"). The amount of additional severance depended on the length of service at the PZU Group and the level of the given employee's salary.

The cost of benefits paid to the dismissed employees were recognized in the restructuring provision item, which amounted to PLN 6,853 thousand as at 30 September 2015 (PLN 9,354 as at 31 December 2014).

24.5 Related party transactions

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

In the period of 9 months ended 30 September 2015, neither PZU nor its subsidiaries executed any single or multiple transactions with their related parties which were of material significance individually or collectively and were executed on terms other than based on an arm's length principle, except for those described below.

Pursuant to an agreement signed on 23 March 2015, PZU granted a no-interest cash loan to PZU Health. The maximum loan amount is PLN 200,000 thousand and the final maturity is 31 December 2030. On 24 March 2015, the first tranche of PLN 90,000 thousand was disbursed and on 25 September 2015 the second tranche of 40,000 thousand. Since both companies are members of the Tax Capital Group, the loan is neutral from tax perspective.

Moreover, under the master agreement signed on 7 August 2013 by and between PZU and PZU and PZU Życie, cash loans in PLN for a definite term of no more than 12 months are extended between these companies. The sum of the loans granted by each of the parties cannot exceed PLN 1 billion. The purpose of this agreement is to provide a liquidity management tool in the PZU Group. The loans are not granted on arm's length basis - no interest is accrued on the loans, and for granting the loan the lender is entitled to a commission in the amount of PLN 100 for each concluded loan

agreement - however due to participation of both companies in the Tax Capital Group, they are neutral from tax perspective. No such loans were granted in the 9-month period ended 30 September 2015. On 20 October 2015, PZU Życie granted a loan to PZU in the amount of PLN 950,000 thousand to be repaid on 20 November 2015.

24.5.2. Turnovers and balances of transactions executed with related parties

Balances and turnovers resulting from commercial transactions between the PZU Group and related parties	1 January – 30 September 2015 and as at 30 September 2015		1 January – 31 December 2014 and as at 31 December 2014		1 January – 30 September 2014 and as at 30 September 2014	
	Key management staff of the main entities ¹⁾	Other related parties ²⁾	Key management staff of the main entities ¹⁾	Other related parties ²⁾	Key management staff of the main entities ¹⁾	Other related parties ²⁾
Gross written premium	-	2,398	-	860	-	-
in non-life insurance	-	2,398	-	860	-	-
in life insurance (including the volumes from investment contracts)	-	-	-	-	-	-
Other income	-	2	-	-	-	-
Costs	-	11	-	18	-	-
including charges for receivables made in the current period	-	-	-	-	-	-
Receivables	-	20	-	40	-	-
gross value	-	20	-	40	-	-
revaluation charges	-	-	-	-	-	-
net value	-	20	-	40	-	-
Liabilities	-	4	-	11	-	-
Contingent assets	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-	-

¹⁾ Senior level managers, data according to declarations.

²⁾ Unconsolidated companies in liquidation and associates and joint ventures accounted for using the equity method.

24.5.3. Presentation of transactions with State Treasury's related parties

Taking into account the provisions of the PZU Articles of Association (in particular those pertaining to the restriction of voting rights of shareholders other than the State Treasury and the rules for appointing the PZU Supervisory Board), for the purposes of presenting the turnovers and balances of transactions executed with related parties it is assumed that 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.

Transactions with subsidiaries, co-subsidiaries and associates of the State Treasury were predominantly non-life insurance agreements, life insurance agreements and investment contracts. Such transactions are concluded and settled on terms and conditions available to customers, who are not related parties. Receivables from affiliated parties and liabilities to affiliated parties under insurance contracts are short-term only.

The PZU Group applies the exemption from the requirement to disclose transactions with parties related by virtue of remaining under control, shared control or significant influence of the same government referred to in item 25 of IAS 24, however due to the usefulness of such information, it decided to disclose the value of the written premium and volumes from the investment contracts following from the transactions with subsidiaries, co-subsidiaries and associates of the State Treasury, understood only as commercial law companies and state-owned enterprises which are subsidiaries, co-subsidiaries and associates of the State Treasury, whose lists are published on State Treasury Ministry's websites.

The table below presents written premium and volumes from investment contracts resulting from transactions with subsidiaries, co-subsidiaries and associates of the State Treasury.

Subsidiaries, co-subsidiaries and associates of the State Treasury	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Gross written premium in non-life insurance	5,152	25,438	15,993	64,031
- including gross written premium in transactions with Bank Powszechna Kasa Oszczędności BP SA	3,938	9,494	3,489	11,966
Gross written premium in life insurance	6,488	20,328	7,653	23,351
- including gross written premium and investment contract volumes in transactions with Bank Powszechna Kasa Oszczędności BP SA	6,488	20,328	7,653	23,351
Total	11,640	45,766	23,646	87,382

24.6 Audit of the Office of the Polish Financial Supervision Authority in PZU Życie

In the period from 12 August to 3 October 2014, the Office of the Polish Financial Supervision Authority (UKNF) carried out an audit in PZU Życie. The audit covered the activities and property status of PZU Życie in the area of:

- organization and management;
- accounting;
- investment policy;
- technical provisions;
- payment of claims.

On 29 June 2015, PZU Życie received a post-audit report, to which it filed objections on 13 July 2015 and 12 August 2015. By the date of conveying this periodic report PZU Życie has not received the post-audit recommendations.

24.7 Audit of the Office of the Polish Financial Supervision Authority in PZU

In the period from 17 April to 17 June 2015, the Office of the Polish Financial Supervision Authority (UKNF) carried out an audit in PZU in respect to the use of services rendered by insurance agents.

By the date of conveying this periodic report PZU has not received the report or post-audit recommendations.

24.8 Situation in Ukraine

Since 2014 the political and economic situation in Ukraine has been unstable. This is associated with the following factors affecting the Ukrainian insurance sector:

- high inflation and strong growth rate of depreciation of the local currency (Ukrainian hryvnia) in relation to USD and EUR;
- collapse of internal demand;
- problems in the banking sector (since the beginning of 2014, temporary administration has been introduced in over 50 banks, including the fourth biggest bank in Ukraine, Delta Bank; 40 banks have already been liquidated).

The assets owned by PZU Ukraine (securities and deposits) are deposited in banks that have a western or Polish shareholder and in two largest state-owned banks with ratings satisfying the conditions envisaged in PZU Group's internal regulations.

External impacts disrupt the functioning of the financial sector and hinder activity planning in the longer run. In such conditions credibility of the insurance company has become important for the clients. Insurance companies with foreign capital are perceived as more credible. PZU Ukraine and PZU Ukraine Life Insurance, through diversification of the portfolio and sales channels are more flexible in responding to market changes and they do fulfill the assumptions of the financial plans adopted for 2015. Considering the threats resulting from the external environment of the companies, the PZU Management Board in cooperation with the management boards of PZU Ukraine and PZU Ukraine Life Insurance conducts constant monitoring of the situation in Ukraine. Response scenarios have been prepared for market changes and control mechanisms. PZU does not intend to withdraw from the Ukrainian market. As at the date of conveying this periodic report, the PZU Management Board assumes that further activities of PZU Ukraine and PZU Ukraine Life Insurance will be continued according to the adopted assumptions. Nonetheless, the economic instability in Ukraine may in the future have negative impact on the financial condition and financial performance of PZU Ukraine and PZU Ukraine Life Insurance in a way which cannot be now predicted in a reliable way. This interim report reflects the PZU Management Board's current assessment in this respect.

24.9 Establishment of Towarzystwo Ubezpieczeń Wzajemnych Polskiego Zakładu Ubezpieczeń Wzajemnych („TUW PZUW”)

On 3 November 2015 KNF gave consent to establish a mutual insurance company TUW PZUW.

PZU is the sole founder of TUW PZUW and, at the outset of the business it will hold 100% of the share capital, which consists of 249,000 TUW PZUW shares with par value of PLN 100 each. The share capital of TUW PZUW will be PLN 24,900 thousand. PZU will also cover the organizational fund of TUW PZUW in the amount of PLN 950 thousand.

24.10 Administrative proceedings by UOKiK

In 2015, the President of the Office for Competition and Consumer Protection (UOKiK) launched proceedings against 17 life insurance companies, including PZU Życie, in the matter of violation of collective interests of consumers, claiming that, by using withdrawal fees in unit-linked life insurance products, the insurers transferred initial costs of entering into such insurance agreements to consumers. In the case of PZU Życie, the case applied only to the Wielowalutowy Program Inwestycyjny [Multiple Currency Investment Programme] unit-linked life insurance product. On 14 October 2015, the

President of UOKiK issued a decision obligating PZU Życie among others to modify the surrender ratio to ensure that the client's withdrawal cost does not exceed 4% (max. PLN 7,500). Since the fees previously applied by PZU Życie were not much higher than compliance with the President of UOKiK's decision will have no significant effect on the consolidated financial statements of the PZU Group.

PZU's quarterly unconsolidated financial information (in compliance with PAS)

1. Interim balance sheet

ASSETS	30 September 2015	30 June 2015	31 December 2014	30 September 2014
I. Intangible assets, including:	326,535	301,872	283,999	249,345
- goodwill	-	-	-	-
II. Investments	31,464,250	30,486,145	31,030,939	31,142,236
1. Real property	482,626	486,486	492,420	500,922
2. Investments in subordinated entities, of which:	6,490,690	6,177,651	6,473,390	5,934,363
- investments in subordinated entities measured by the equity method	6,490,690	6,177,651	6,473,390	5,934,363
3. Other financial investments	24,490,934	23,822,008	24,065,129	24,706,946
4. Deposit receivables from ceding companies	-	-	-	5
III. Net assets of a life insurance company if the investment risk is borne by the policyholder	-	-	-	-
IV. Receivables	2,947,868	2,851,039	2,437,819	3,074,731
1. Receivables on direct insurance	1,353,888	1,427,632	1,398,967	1,349,543
1.1. From subordinated entities	690	5	110	81
1.2. From other entities	1,353,198	1,427,627	1,398,857	1,349,462
2. Reinsurance receivables	35,438	45,786	19,651	28,457
1.1. From subordinated entities	3,074	7,584	194	72
1.2. From other entities	32,364	38,202	19,457	28,385
3. Other receivables	1,558,542	1,377,621	1,019,201	1,696,731
1.1. Receivables from the state budget	1,769	1,813	1,953	1,637
1.2. Other receivables	1,556,773	1,375,808	1,017,248	1,695,094
a) from subordinated entities	1,161,336	1,170,125	803,507	1,364,623
b) from other entities	395,437	205,683	213,741	330,471
V. Other assets	195,500	204,946	171,650	170,059
1. Property, plant and equipment	115,047	115,861	124,649	107,267
2. Cash	80,453	89,085	47,001	62,792
3. Other assets	-	-	-	-
VI. Prepayments and accruals	1,068,703	910,378	705,371	608,563
1. Deferred tax assets	-	-	-	-
2. Capitalized acquisition expenses	704,014	684,912	568,502	535,587
3. Posted interest and rents	-	-	-	-
4. Other prepayments and accruals	364,689	225,466	136,869	72,976
Total assets	36,002,856	34,754,380	34,629,778	35,244,934

Interim balance sheet (continued)

LIABILITIES AND EQUITY	30 September 2015	30 June 2015	31 December 2014	30 September 2014
I. Equity	11,630,675	11,098,586	12,328,724	11,941,944
1. Share capital	86,352	86,352	86,352	86,352
2. Unpaid share capital (negative figure)	-	-	-	-
3. Treasury stock (negative figure)	-	-	-	-
4. Supplementary capital	4,444,768	4,444,753	4,408,306	4,408,148
5. Revaluation reserve	5,594,389	5,163,080	5,197,333	5,457,970
6. Other reserve capital	-	-	-	-
7. Retained earnings (losses)	-	-	-	-
8. Net profit/(loss)	1,505,166	1,404,401	2,636,733	1,989,474
9. Charges to net profit during the financial year (negative figure)	-	-	-	-
II. Subordinated debt	-	-	-	-
III. Technical provisions	18,339,453	17,877,791	17,657,194	17,093,539
IV. Reinsurers' share in technical provisions (negative figure)	(1,016,759)	(653,200)	(683,893)	(511,910)
V. Estimated salvage and subrogation (negative figure)	(105,601)	(105,749)	(112,120)	(123,715)
1. Gross estimated salvage and subrogation	(107,363)	(107,446)	(113,763)	(127,821)
2. Reinsurers' share in estimated salvage and subrogation	1,762	1,697	1,643	4,106
VI. Other provisions	435,025	376,427	265,170	342,627
1. Provisions for pension benefits and other compulsory employee benefits	60,948	79,319	72,667	84,046
2. Deferred tax liability	263,294	177,533	92,577	153,089
3. Other provisions	110,783	119,575	99,926	105,492
VII. Liabilities for reinsurers' deposits	-	-	-	-
VIII. Other liabilities and special-purpose funds	6,262,604	5,726,471	4,598,574	6,124,489
1. Liabilities on direct insurance	325,967	344,402	325,424	308,788
1.1. To subordinated entities	838	758	783	473
1.2. To other entities	325,129	343,644	324,641	308,315
2. Reinsurance liabilities	90,079	140,910	67,650	66,754
2.1. To subordinated entities	1,699	1,162	-	37
2.2. To other entities	88,380	139,748	67,650	66,717
3. Liabilities on the issue of own debt securities and drawn loans	2,111,369	2,080,866	2,127,155	2,075,372
4. Liabilities to credit institutions	218,119	-	-	-
5. Other liabilities	3,363,044	2,992,432	1,956,784	3,536,729
5.1. Liabilities to the state budget	33,205	47,216	40,502	44,873
5.2. Other liabilities	3,329,839	2,945,216	1,916,282	3,491,856
a) to subordinated entities	5,323	7,715	8,192	7,203
b) to other entities	3,324,516	2,937,501	1,908,090	3,484,653
6. Special-purpose funds	154,026	167,861	121,561	136,846
IX. Accruals and deferred income	457,459	434,054	576,129	377,960
1. Accrued expenses	425,189	407,369	550,075	355,941
2. Negative goodwill	-	-	-	-
3. Deferred income	32,270	26,685	26,054	22,019
Total liabilities and equity	36,002,856	34,754,380	34,629,778	35,244,934

Interim balance sheet (continued)

	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Book value	11,630,675	11,098,586	12,328,724	11,941,944
Number of shares	86,352,300	86,352,300	86,352,300	86,352,300
Book value per share (in PLN)	134.69	128.53	142.77	138.29
Diluted number of shares	86,352,300	86,352,300	86,352,300	86,352,300
Diluted book value per share (PLN)	134.69	128.53	142.77	138.29

2. Interim statement of off-balance sheet line items

Off-balance sheet items	30 September 2015	30 June 2015	31 December 2014	30 September 2014
1. Contingent receivables, including:	9,935,621	9,712,414	9,846,030	8,516,109
1.1. Guarantees and sureties received	13,203	12,715	12,552	18,790
1.2. Other ¹⁾	9,922,418	9,699,699	9,833,478	8,497,319
2. Contingent liabilities, including:	2,861,912	2,744,998	2,350,745	2,226,293
2.1. Guarantees and sureties given	2,131,859	2,164,506	2,152,111	2,080,437
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	486,062	307,917	198,357	145,579
2.6. Other ²⁾	243,991	272,575	277	-
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 assets not recognized in assets	136,665	137,490	123,161	109,840
6. Other off-balance sheet line items	-	-	-	-

	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Equity	7,208,848	6,653,797	7,981,468	8,632,843
Solvency margin	1,363,639	1,369,183	1,362,353	1,363,639
Surplus (deficiency) of shareholder funds covering the solvency margin	5,845,209	5,284,614	6,619,115	7,269,204
Technical provisions ³⁾	18,232,090	17,770,345	17,543,431	16,965,718
Assets covering the technical provisions	20,714,434	20,361,286	20,755,548	20,112,827
Surplus (deficiency) of assets covering the technical provisions	2,482,344	2,590,941	3,212,117	3,147,109

¹⁾ This item includes predominantly: bills of exchange issued on account of granted bank guarantees, other bills of exchange, collateral received in the form of a transfer of ownership of the debtor's assets, mortgage on the debtor's assets, other contingent receivables, etc.

²⁾ This item includes mainly contractual commitments to grant loans to other entities.

³⁾ including gross estimated salvage and subrogation.

3. Interim technical non-life insurance account

Technical non-life insurance account	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
I. Premium income (1-2-3+4)	2,027,711	5,936,238	2,017,209	5,948,265
1. Gross written premium	2,010,759	6,252,851	1,860,265	6,154,673
2. Reinsurers' share in the gross written premium	62,039	118,542	41,664	132,818
3. Movement in the provision for unearned premiums and provision for unexpired risks	(83,631)	131,070	(208,987)	61,802
4. Reinsurers' share in the movement in the provision for unearned premiums	(4,640)	(67,001)	(10,379)	(11,788)
II. Net investment income after considering costs, transferred from the non-technical profit and loss account	66,395	195,215	65,670	200,380
III. Other net technical income	43,390	136,175	30,875	69,011
IV. Claims (1+2)	1,544,809	3,898,603	1,394,713	3,697,124
1. Net claims paid	1,366,817	3,741,063	1,129,614	3,224,564
1.1. Gross claims paid	1,379,065	3,780,608	1,137,363	3,261,810
1.2. Reinsurers' share in claims paid	12,248	39,545	7,749	37,246
2. Movement in the net provision for outstanding claims	177,992	157,540	265,099	472,560
2.1. Movement in the gross provision for outstanding claims	546,126	557,288	280,547	512,749
2.2. Reinsurers' share in the movement in the provision for outstanding claims	368,134	399,748	15,448	40,189
V. Movement in other net technical provisions	-	-	-	-
1. Movement in other gross technical provisions	-	-	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-	-	-
VI. Net bonuses and discounts including movement in provisions	1,550	3,724	889	(121)
VII. Insurance activity expenses	568,887	1,663,639	553,517	1,609,318
1. Acquisition expenses, including:	398,483	1,139,447	378,904	1,110,615
- movement in capitalized acquisition expenses	(19,114)	(135,512)	19,426	(15,282)
2. Administrative expenses	164,604	526,585	175,160	505,331
3. Reinsurance commissions and profit-sharing	(5,800)	2,393	547	6,628
VIII. Other net technical expenses	62,564	248,120	72,847	205,348
IX. Movement in loss ratio (risk) equalization provisions	-	-	-	-
X. Technical result of non-life insurance	(40,314)	453,542	91,788	705,987

4. Interim non-technical profit and loss account

Non-technical profit and loss account	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
I. Technical result of non-life insurance or life insurance	(40,314)	453,542	91,788	705,987
II. Investment income	219,497	1,692,162	204,748	1,924,710
1. Investment income on real estate	1,513	4,356	1,571	4,872
2. Investment income from subordinated entities	1,712	1,083,489	(38)	1,360,173
2.1. On ownership interests or shares	-	1,079,309	-	1,360,211
2.2. On loans and debt securities	1,712	4,180	(38)	(38)
2.3. on other investments	-	-	-	-
3. Other financial investment income	106,606	284,597	123,183	325,517
3.1. on ownership interests, shares, other variable income securities, units and investment certificates in mutual funds	3,395	10,410	2,879	7,772
3.2. on debt securities and other fixed income securities	90,807	244,893	78,122	243,822
3.3. on term deposits in credit institutions	(1,606)	(12,110)	23,870	24,837
3.4. on other investments	14,010	41,404	18,312	49,086
4. Gain on revaluation of investments	57	534	316	5,230
5. Gain on the realization of investments	109,609	319,186	79,716	228,918
III. Unrealized investment gains	61,973	164,788	52,702	291,690
IV. Net investment income after including costs transferred from the technical life insurance account	-	-	-	-
V. Investment activity expenses	56,651	248,310	40,517	202,895
1. Real estate maintenance expenses	1,858	7,154	2,035	7,389
2. Other investment activity expenses	3,278	10,233	3,681	10,413
3. Loss on revaluation of investments	-	403	3	6,699
4. Loss on realization of investments	51,515	230,520	34,798	178,394
VI. Unrealized investment losses	74,302	219,817	69,948	282,312
VII. Net investment income after including costs transferred to the technical non-life insurance account	66,395	195,215	65,670	200,380
VIII. Other operating revenues	62,174	247,889	38,154	77,827
IX. Other operating expenses	69,240	216,651	74,962	113,530
X. Operating profit (loss)	36,742	1,678,388	136,295	2,201,097
XI. Extraordinary gains	-	-	-	-
XII. Extraordinary losses	-	-	-	-
XIII. Profit (loss) before tax	36,742	1,678,388	136,295	2,201,097
XIV. Income tax	32,988	127,047	27,746	191,598
a) current part	(44,484)	23,954	27,261	145,391
b) deferred part	77,472	103,093	485	46,207
XV. Other compulsory reductions in profit (increases in losses)	-	-	-	-
XVI. Share of the net profit (loss) of subordinated entities measured by the equity method	97,011	(46,175)	(18,447)	(20,025)
XVII. Net profit/(loss)	100,765	1,505,166	90,102	1,989,474

	1 July - 30 September 2015	1 January – 30 September 2015	1 July - 30 September 2014	1 January – 30 September 2014
Net profit (loss) (annualized)	399,774	2,012,401	358,449	2,677,013
Weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Earnings (losses) per common share (PLN)	4.63	23.30	4.15	31.00
Weighted average diluted number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Diluted earnings (losses) per common share (PLN) (PLN)	4.63	23.30	4.15	31.00

5. Interim statement of changes in equity

Statement of changes in equity	1 January – 30 September 2015	1 January – 31 December 2014	1 January – 30 September 2014
I. Equity at the beginning of the period (Opening Balance)	12,328,724	12,259,761	12,259,761
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
I.a. Equity at the beginning of the period (Opening Balance), after reconciliation with comparable data	12,328,724	12,259,761	12,259,761
1. Share capital at the beginning of the period	86,352	86,352	86,352
1.1. Change in share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
1.2. Share capital at the end of the period	86,352	86,352	86,352
2. Contributions due to the share capital at the beginning of the period	-	-	-
2.1. Changes in the contributions due to share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
2.2. Contributions due to share capital at the end of the period	-	-	-
3. Treasury stock at the beginning of the period	-	-	-
3.1. Changes in treasury stock	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
3.2. Treasury stock at the end of the period	-	-	-
4. Supplementary capital at the beginning of the period	4,408,306	3,974,327	3,974,327
4.1. Change in supplementary capital	36,462	433,979	433,821
a) increases (by virtue of):	36,462	433,979	433,821
- distribution of profit (above the statutorily required amount)	36,164	433,321	433,321
- from revaluation reserve – by sale and liquidation of fixed assets	298	658	500
b) decreases	-	-	-
4.2. Supplementary capital at the end of the period	4,444,768	4,408,306	4,408,148

Interim statement of changes in equity (continued)

Statement of changes in equity	1 January – 30 September 2015	1 January – 31 December 2014	1 January – 30 September 2014
5. Revaluation reserve at the beginning of the period	5,197,333	4,819,783	4,819,783
- changes in the accepted accounting principles (policy)	-	-	-
5.1. Change in the revaluation reserve	397,056	377,550	638,187
a) increases (by virtue of):	502,037	677,291	846,609
- valuation of financial investments	502,037	677,291	846,335
- transfer of the impairment charges on investments available for sale	-	-	-
- other increases, including reversal of real estate impairment charges	-	-	274
b) decreases (by virtue of)	104,981	299,741	208,422
- valuation of financial investments	104,683	299,037	207,603
- sale of fixed assets	298	658	500
- other	-	46	319
5.2. Revaluation reserve at the end of the period	5,594,389	5,197,333	5,457,970
6. Other reserve capital at the beginning of the period	-	-	-
6.1. Change in other reserve capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
6.2. Other reserve capital at the end of the period	-	-	-
7. Retained earnings (losses) at the beginning of the period	2,636,733	3,379,299	3,379,299
7.1. Retained earnings at the beginning of the period	2,636,733	3,379,299	3,379,299
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.2. Retained earnings at the beginning of the period, after reconciliation with comparable data	2,636,733	3,379,299	3,379,299
a) increases	-	-	-
b) decreases	2,636,733	3,379,299	3,379,299
- transfers to supplementary capital	36,164	433,321	433,321
- dividend payment	2,590,569	2,935,978	2,935,978
- transfers/charges to the Company Social Benefit Fund	10,000	10,000	10,000
7.3. Retained earnings at the end of the period	-	-	-
7.4. Retained losses at the beginning of the period	-	-	-
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.5. Retained losses at the beginning of the period, after reconciliation with comparable data	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
7.6. Retained losses at the end of the period	-	-	-
7.7. Retained earnings (losses) at the end of the period	-	-	-
8. Net result	1,505,166	2,636,733	1,989,474
a) net profit	1,505,166	2,636,733	1,989,474
b) net loss	-	-	-
c) Charges to profit	-	-	-
II. Equity at the end of the period (Closing Balance)	11,630,675	12,328,724	11,941,944

6. Interim cash flow statement

Cash flow statement	1 January – 30 September 2015	1 January – 31 December 2014	1 January – 30 September 2014
A. Cash flow on operating activity			
I. Proceeds	7,082,910	9,155,722	6,763,537
1. Proceeds on direct activity and inward reinsurance	6,329,447	8,389,086	6,276,832
1.1. Proceeds on gross premiums	6,218,204	8,250,782	6,166,443
1.2. Proceeds on subrogation, salvage and claim refunds	87,670	108,120	83,987
1.3. Other proceeds on direct activity	23,573	30,184	26,402
2. Proceeds on outward reinsurance	55,252	61,026	35,024
2.1. Payments received from reinsurers for their share of claims paid	40,366	54,763	27,076
2.2. Proceeds on reinsurance commissions and profit-sharing	14,868	6,232	7,917
2.3. Other proceeds on outward reinsurance	18	31	31
3. Proceeds on other operating activity	698,211	705,610	451,681
3.1. Proceeds for acting as an emergency adjuster	134,500	183,762	140,558
3.2. Sale of intangible assets and property, plant and equipment other than investments	2,147	2,562	1,507
3.3. Other proceeds	561,564	519,286	309,616
II. Expenditures	6,852,065	8,351,613	6,194,472
1. Expenditures on direct activity and inward reinsurance	5,574,631	6,687,994	4,920,813
1.1. Gross premium refunds	114,449	160,062	119,616
1.2. Gross claims paid	3,224,384	3,771,911	2,794,999
1.3. Acquisition expenditures	880,910	1,115,888	826,973
1.4. Administrative expenditures	1,086,595	1,362,861	974,122
1.5. Expenditures for claims handling and pursuit of subrogation	148,096	155,280	105,526
1.6. Commissions paid and profit-sharing on inward reinsurance	23,042	6,647	3,985
1.7. Other expenditures on direct activity and inward reinsurance	97,155	115,345	95,592
2. Expenditures on outward reinsurance	204,320	219,739	190,121
2.1. Premiums paid for reinsurance	204,054	219,421	189,894
2.2. Other expenditures on outward reinsurance	266	318	227
3. Expenditures on other operating activity	1,073,114	1,443,880	1,083,538
3.1. Expenditures for acting as an emergency adjuster	369,550	453,015	327,856
3.2. Purchase of intangible assets and property, plant and equipment other than investments	118,596	161,128	115,151
3.3. Other operating expenditures	584,968	829,737	640,531
III. Net cash flow on operating activity (I-II)	230,845	804,109	569,065

Interim cash flow statement (continued)

Cash flow statement	1 January – 30 September 2015	1 January – 31 December 2014	1 January – 30 September 2014
B. Cash flow on investing activity			
I. Proceeds	118,640,987	212,221,437	152,417,429
1. Sale of real estate	12,821	20,725	13,793
2. Sale of ownership interests and shares in subordinated entities	279,921	-	-
3. Sale of ownership interests and shares in other entities and units and investment certificates in mutual funds	1,771	140,654	139,693
4. Realization of debt securities issued by subordinated entities and amortization of the loans granted to these entities	-	105,000	105,000
5. Realization of debt securities issued by other entities	4,676,151	8,541,245	7,020,683
6. Liquidation of term deposits in credit institutions	66,864,422	96,709,115	57,991,186
7. Realization of other investments	46,022,381	105,273,064	87,085,465
8. Proceeds from real estate	5,390	8,200	6,072
9. Interest received	13,290	52,428	25,278
10. Dividends received	744,177	1,360,261	30,259
11. Other investment proceeds	20,663	10,745	-
II. Expenditures	117,555,568	213,431,940	154,843,620
1. Purchase of real estate	-	-	-
2. Purchase of ownership interests and shares in subordinated entities	95,100	1,412,626	602,474
3. Purchase of ownership interests and shares in other entities, units and investment certificates in mutual funds	65,725	298,550	298,550
4. Purchase of debt securities issued by subordinated entities and extension of loans to these entities	130,000	327,193	327,193
5. Purchase of debt securities issued by other entities	5,194,184	7,885,670	6,701,782
6. Purchase of term deposits in credit institutions	66,827,272	97,839,671	59,107,197
7. Purchase of other investments	45,196,475	105,610,348	87,699,399
8. Expenditures to maintain real estate	42,556	55,142	42,238
9. Other expenditures for investments	4,256	2,740	64,787
III. Net cash flow on investing activity (I-II)	1,085,419	(1,210,503)	(2,426,191)

Interim cash flow statement (continued)

Cash flow statement	1 January – 30 September 2015	1 January – 31 December 2014	1 January – 30 September 2014
C. Cash flow on financing activity			
I. Proceeds	7,046,433	3,670,304	3,084,582
1. Net proceeds from issuing shares and additional capital contributions	-	-	-
2. Loans and borrowings and issues of debt securities	7,046,433	3,670,304	3,084,582
3. Other financial proceeds	-	-	-
II. Expenditures	8,328,540	3,288,886	1,234,865
1. Dividends	1,468,051	1,468,139	159
2. Other expenditures for distribution of profits besides disbursement of dividends	-	-	-
3. Share Buyback	-	-	-
4. Amortization of loans and borrowings and redemption of own debt securities	6,831,397	1,820,733	1,234,692
5. Interest on loans and borrowings and issued debt securities	29,092	14	14
6. Other financial expenditures	-	-	-
III. Net cash flow on financing activity (I-II)	(1,282,107)	381,418	1,849,717
D. Total net cash flow (A.III+/-B.III+/-C.III)	34,157	(24,976)	(7,409)
E. Balance sheet change in cash, including:	33,452	(28,008)	(12,217)
- movement in cash due to foreign exchange differences	(705)	(3,032)	(4,808)
F. Cash at the beginning of the period	47,001	75,009	75,009
G. Cash at the end of the period (F+/-E), including:	80,453	47,001	62,792
- restricted cash	77,431	45,167	61,758

7. Overview

This quarterly standalone financial information on PZU has been prepared in accordance with PAS for the reasons described in the Introduction and supplemented with the definition of PAS.

8. Key accounting principles (accounting policy)

Detailed accounting principles (policy) are presented in the standalone financial statements of PZU for 2014.

9. Changes in accounting principles (policy)

No changes were made to the accounting principles (policy) in the 9-month period ended 30 September 2015.

Signatures of the PZU Management Board Members:

First and last name	Position / Function	
Andrzej Klesyk	President of the PZU Management Board (signature)
Przemysław Dąbrowski	Member of the PZU Management Board (signature)
Rafał Grodzicki	Member of the PZU Management Board (signature)
Witold Jaworski	Member of the PZU Management Board (signature)
Dariusz Krzewina	Member of the PZU Management Board (signature)
Tomasz Tarkowski	Member of the PZU Management Board (signature)

Person responsible for drawing up the condensed interim consolidated financial statements:

Katarzyna Łubkowska	Director Accounting Department (signature)
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Warsaw, 10 November 2015