

Powszechny Zakład Ubezpieczeń Spółka Akcyjna

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
PREPARED IN ACCORDANCE WITH
POLISH ACCOUNTING STANDARDS



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Introduction to financial statements

1. Introduction

General information about the Company

Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU", "Company") has its registered office in Warsaw at Al. Jana Pawła II 24.

PZU is entered in the register of commercial undertakings of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division, under 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 Statistical Classification of Economic Activities in Europe – non-life insurance (NACE 6603).

PZU is the parent company of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group ("PZU Group") and as such prepares consolidated financial statements.

Period covered by the standalone financial statements

These standalone financial statements cover the period of 12 months from 1 January to 31 December 2017.

Format of standalone financial statements

The standalone financial statements for 2017 contain financial data presented in the layout set out in Appendix 3 to the Finance Minister's Regulation of 18 October 2005 in the matter of the scope of information posted in financial statements and consolidated financial statements required in prospectuses from issuers with registered offices in the Republic of Poland, to which Polish accounting standards apply (i.e. Journal of Laws of 2017, Item 1927, as amended, "regulation on financial statements in prospectuses").

Going concern assumption

These standalone financial statements have been prepared under the assumption that PZU remains 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 standalone financial statements, there are no facts or circumstances that would indicate a threat to the ability of PZU to continue its 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.

Unit of presentation

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

Discontinued operations

PZU did not discontinue any type of activity in 2017 and in 2016.

Seasonal or cyclical business

PZU's business is neither seasonal nor subject to business cycles to a significant extent.



2. Selected standalone financial data of PZU

Data from the balance sheet	31 December 2017 in PLN thousand	31 December 2016 in PLN thousand	31 December 2017 in EUR thousand	31 December 2016 in EUR thousand
Assets	42,388,360	37,317,082	10,162,881	8,435,145
Share capital	86,352	86,352	20,703	19,519
Total equity	13,583,288	12,117,464	3,256,680	2,739,029
Basic and diluted weighted average number of common shares	863,523,000	863,523,000	863,523,000	863,523,000
Book value per common share (in PLN/EUR)	15.73	14.03	3.77	3.17

Data from the revenue account of non-life insurance and the general profit and loss account	31 December 2017 in PLN thousand	31 December 2016 in PLN thousand	31 December 2017 in EUR thousand	31 December 2016 in EUR thousand
Gross written premiums	12,433,216	10,682,014	2,929,115	2,441,213
Technical result of non-life insurance	1,218,037	536,523	286,955	122,614
Net investment result ¹⁾	1,973,255	1,877,884	464,875	429,162
Net profit (loss)	2,433,874	1,573,269	573,391	359,547
Basic and diluted weighted average number of common shares	863,523,000	863,523,000	863,523,000	863,523,000
Basic and diluted earnings per common share (in PLN/EUR)	2.82	1.82	0.66	0.42

¹⁾ Including the item "Share of the net profit (loss) of related parties measured by the equity method".

Data from the cash flow statement	1 January – 31 December 2017 in PLN thousand	1 January – 31 December 2016 in PLN thousand	1 January – 31 December 2017 in EUR thousand	1 January – 31 December 2016 in EUR thousand
Net cash flows from operating activities	1,598,640	722,484	376,620	165,113
Net cash flows from investing activities	(2,677,895)	2,171,920	(630,880)	496,359
Net cash flows from financing activities	980,763	(1,844,350)	231,056	(421,498)
Total net cash flows	(98,492)	1,050,054	(23,204)	239,974

3. PLN/EUR exchange rates

The following currency exchange rates were used in the financial statements (also for presentation of financial highlights):

EUR / PLN	1 January – 31 December 2017	1 January – 31 December 2016	31 December 2017	31 December 2016
Mean exchange rate	4.2447	4.3757	4.1709	4.4240
Maximum in the period	4.4157	4.5035	n/a	n/a
Minimum in the period	4.1709	4.2355	n/a	n/a

These FX rates:

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

4. Changes in accounting policies in the financial year

No changes were made to the accounting policies in 2017.

5. Changes in the method of preparing financial statements

The following changes were made in 2017 to the method of preparing financial statements:



following the final purchase price allocation of the acquisition of the organized part of Bank BPH SA by Alior Bank SA ("Alior Bank"), and introduction of certain adjustments to Alior Bank's financial data to adapt them to the accounting policies applied by PZU, Alior Bank's valuation in PZU's books fell by PLN 101,548 thousand as at 31 December 2016.

The effect of this change on the comparative balance sheet data is presented below:

Balance sheet	31 December 2016 <i>Historical data</i>	Change	31 December 2016 <i>Comparative data in financial statements</i>
Assets II.2. Investments in related parties measured by the equity method	9,274,657	(101,548)	9,173,109
Equity and liabilities I. 3 Revaluation reserve	5,650,527	(81,866)	5,568,661
General profit and loss account XIII Share of the profit (loss) of related parties measured by the equity method	(47,626)	(19,682)	(67,308)

6. Corrections of errors from previous years

No corrections of errors from previous years were made in the standalone financial statements.

7. Significant events that have occurred after the balance sheet date and have not been taken into account in the financial statements

No significant events occurred after the balance sheet date that should be taken into account in the financial statements

8. Significant events pertaining to previous years taken into account in the financial statements of the reporting period

As of the date of signing these standalone financial statements, no significant events pertaining to previous years have occurred that should be taken into account in the standalone financial statements.

9. Significant events pertaining to the reporting period with material effect on the structure of balance sheet items and the financial result

9.1 Acquisition of shares in Bank Pekao SA ("Pekao")

This matter is described in section 2.4.2 of Notes and explanations.

9.2 Subordinated bond issue

This matter is described in section 8 of Notes and explanations.

9.3 Dividend from Powszechny Zakład Ubezpieczeń na Życie SA ("PZU Życie")

On 28 June 2017 the PZU Życie Ordinary Shareholder Meeting adopted a resolution to distribute net profit for the 2016 financial year in the amount of PLN 1,434,346 thousand as follows:

- designate PLN 1,429,346 thousand to be a dividend;
- designate PLN 5,000 thousand for a charge for the Company Social Benefit Fund.

The record date was set at 28 June 2017 and the dividend was paid out on 17 October 2017. The amount increased investment income from related parties.

9.4 Dividends paid

This matter is described in section 7.2 of Notes and explanations.



10. PZU's management and supervisory bodies

10.1 PZU Management Board

From 1 January 2017, the PZU Management Board consisted of the following persons:

- Michał Krupiński – President of the PZU Management Board;
- Roger Hodgkiss – Member of the PZU Management Board;
- Andrzej Jaworski – Member of the PZU Management Board;
- Tomasz Kulik – Member of the PZU Management Board;
- Maciej Rapkiewicz – Member of the PZU Management Board.

On 22 March 2017 PZU's Supervisory Board dismissed, effective as of 22 March 2017, Michał Krupiński from the function of President of the PZU Management Board.

On 23 March 2017 PZU's Supervisory Board delegated PZU Supervisory Board Member Marcin Chludziński to temporarily act as the President of the PZU Management Board until the President of the PZU Management Board is appointed.

On 13 April 2017, the PZU Supervisory Board appointed Paweł Surówka, effective as of 13 April 2017, to the PZU Management Board and entrusted him with acting in the capacity of President of the PZU Management Board. This appointment was for the joint term of office that commenced on 1 July 2015 and encompasses three consecutive full financial years. 2016 was the first full financial year of this term of office.

On 29 May 2017, Andrzej Jaworski tendered his resignation from the function of Member of the PZU Management Board. The mandate expired upon resignation.

On 12 June 2017, the PZU Supervisory Board appointed, effective as of 13 June 2017, Ms. Małgorzata Sadurska to the PZU SA Management Board and entrusted her with acting in the capacity of a PZU Management Board Member.

From 13 June 2017 to the date of signing the standalone financial statements, the PZU Management Board consisted of the following persons:

- Paweł Surówka – President of the PZU Management Board;
- Roger Hodgkiss – Member of the PZU Management Board;
- Tomasz Kulik – Member of the PZU Management Board;
- Maciej Rapkiewicz – Member of the PZU Management Board;
- Małgorzata Sadurska – Member of the PZU Management Board.

10.2 PZU Supervisory Board

From 1 January 2017, the PZU Supervisory Board consisted of the following persons:

- Paweł Kaczmarek – Supervisory Board Chairman;
- Marcin Gargas – Supervisory Board Deputy Chairman;
- Maciej Zaborowski – Supervisory Board Secretary;
- Marcin Chludziński – Supervisory Board Member (in the period 23 March – 12 April 2017 delegated to temporarily act as the President of the PZU Management Board);
- Eligiusz Krześniak – Supervisory Board Member;
- Alojzy Nowak – Supervisory Board Member;
- Jerzy Paluchniak – Supervisory Board Member;
- Piotr Paszko – Supervisory Board Member;
- Radosław Potrzyszcz – Supervisory Board Member.

On 8 February 2017, Eligiusz Krześniak tendered his resignation from being a PZU Supervisory Board Member as of 8 February 2017.

On 8 February 2017 the PZU ESM dismissed Marcin Gargas, Piotr Paszko and Radosław Potrzeszcz from the PZU Supervisory Board. On the same day the ESM appointed Bogusław Banaszak, Paweł Górecki, Agata Górnicka and Łukasz Świerzewski to the PZU Supervisory Board.

On 14 March 2017, Paweł Kaczmarek and Maciej Zaborowski tendered their resignations from the functions in the presidium of the PZU Supervisory Board and, on the same day, Paweł Górecki assumed the function of Chairman of the PZU Supervisory Board, Łukasz Świerzewski assumed the function of Deputy Chairman of the PZU Supervisory Board, and Alojzy Nowak assumed the function of Secretary.

On 12 April 2017, Łukasz Świerzewski tendered his resignation from being a PZU Supervisory Board Member as of 12 April 2017.

On 12 April 2017 the Minister of Development and Finance, acting on behalf of the State Treasury, dismissed Jerzy Paluchniak from the PZU Supervisory Board and at the same time appointed Aneta Fałek as a PZU Supervisory Board Member.

On 12 April 2017 the PZU ESM dismissed Paweł Kaczmarek from the PZU Supervisory Board. On the same day the ESM appointed Katarzyna Lewandowska and Robert Śnitko to the PZU Supervisory Board. On 13 April 2017, the Supervisory Board entrusted the function of Chairperson of the PZU Supervisory Board to Katarzyna Lewandowska, and Deputy Chairperson of the PZU Supervisory Board to Aneta Fałek.

On 8 January 2018, Aneta Fałek tendered her resignation from being a PZU Supervisory Board Member as of 8 February 2018.

On 8 January 2018, the Prime Minister, acting on behalf of the State Treasury of the Republic of Poland, appointed Mr. Maciej Łopiński to be a PZU SA Supervisory Board Member.

On 9 January 2018, Bogusław Banaszak, who was a PZU SA Supervisory Board Member, died.

On 9 January 2018, Maciej Łopiński took over the function of Chairman of the PZU Supervisory Board and Paweł Górecki – Deputy Chairman of the PZU Supervisory Board.

On 9 March 2018 the Extraordinary Shareholder Meeting of PZU appointed Robert Jastrzębski to the PZU Supervisory Board.

From 9 March 2018 to the date of signing the standalone financial statements, the PZU Supervisory Board consisted of the following persons:

- Maciej Łopiński – Supervisory Board Chairman;
- Paweł Górecki – Supervisory Board Deputy Chairman;
- Alojzy Nowak – Supervisory Board Secretary;
- Marcin Chludziński – Supervisory Board Member;
- Agata Górnicka – Supervisory Board Member;
- Robert Jastrzębski – Supervisory Board Member;
- Katarzyna Lewandowska – Supervisory Board Member;
- Robert Śnitko – Supervisory Board Member;
- Maciej Zaborowski – Supervisory Board Member.

10.3 PZU Group Directors

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

From 1 January 2017, the following persons were PZU Group Directors:

- Aleksandra Agatowska;
- Tomasz Karusewicz;
- Bartłomiej Litwińczuk;
- Sławomir Niemierka;

- Roman Pałac;
- Paweł Surówka.

On 15 March 2017 Dorota Macieja was appointed to the position of PZU Group Director.

As of 13 April 2017, Paweł Surówka, and as of 31 October 2017, Sławomir Niemierka, ceased to be Directors of the PZU Group.

From 1 November 2017 to the date of signing the standalone financial statements, the following persons were PZU Group Directors:

- Aleksandra Agatowska;
- Tomasz Karusewicz;
- Bartłomiej Litwińczuk;
- Dorota Macieja;
- Roman Pałac.

11. Audit fee payable to the audit firm performing the audit of financial statements

According to item 12.a sub-item b of "B. Notes" of Attachment 3 to the regulation on financial statements in prospectuses, information on the audit fee for the audit firm performing the audit of financial statements is presented in section 32.1 of Notes and explanations.

12. Accepted accounting policies

According to Article 45 Section 1a of the Accounting Act (i.e. Journal of Laws of 2018 Item 395, "Accounting Act"), the financial statements of issuers of securities admitted into trading on one of the regulated markets of the European Economic Area states may be prepared in accordance with International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission ("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 financial 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 12 April 2016 on the special accounting principles for insurance and reinsurance undertakings (Journal of Laws of 2016 Item 562, "regulation on accounting principles for insurers");
- Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and presentation of financial instruments (consolidated text in Journal of Laws of 2017, Item 277).

Other major legal acts applicable to the standalone financial statements include the Act of 11 September 2015 on Insurance and Reinsurance Activity (i.e. Journal of Laws of 2017, Item 1170, as amended, "Insurance Activity Act").

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.

12.1 Intangible assets

Intangible assets are recognized if they are likely to cause a future inflow of economic benefits, which may be related to these assets and include property rights acquired by PZU and classified in non-current assets that are fit for economic use, with an expected useful life of over one year, designated for use for the needs of PZU.

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

Intangible assets are measured at the purchase price or production cost less amortization charges and impairment losses.



Intangible assets are amortized by the straight-line method over their expected useful lives, in line with the amortization plan adopted by PZU, corresponding to their estimated economic lives, using annual amortization rates ranging from 20% to 50%.

In justified cases, after a case-by-case analysis, a different amortization rate may be used corresponding to the expected useful life of the intangible asset. Since a decision was made that the planned useful life of the Platforma Everest product system in PZU would be 10 years, the annual amortization rate of 10% was adopted for the system.

Intangible assets with unit values of PLN 3,500 or less are expensed in the month they are put into use.

12.2 Investments

12.2.1. Investments in real property

Investments in real property include: own land, perpetual usufruct rights to land, structures and buildings, as well as premises constituting separate property, cooperative ownership rights to apartments, cooperative rights to commercial premises, construction investments and advances towards construction investments.

Investments in real property are measured at purchase price or production cost, while taking into account revaluations conducted on the basis of separate regulations (the most recent such revaluation was conducted as at 1 January 1995 and its effects recognized in revaluation reserve), less accumulated depreciation accrued as at the balance sheet date and impairment losses.

Properties are depreciated by the straight-line method over their expected useful lives, in line with the amortization plan adopted by PZU, corresponding to their estimated economic lives, using annual depreciation rates for the key components of a given category, which are presented below. In justified cases PZU may individually set depreciation rates according to the applicable depreciation schedule. Own land, construction investments and advances towards investments are not depreciated.

Asset category	Amortization and depreciation rate
Cooperative ownership rights to apartments, cooperative rights to commercial premises	2.5%
Buildings and structures	1.5 – 10%

12.2.2. Shares in related parties

Shares in related parties are measured by the equity method.

In the equity method, shares in related parties are measured at purchase price plus or less the increase or decrease in the equity of the related party attributable to PZU, which occurred from the date of acquiring control, joint control or significant influence, to the balance sheet date, while the percentage of the increases or decreases in the subsidiary's equity is adjusted for:

- amortization of goodwill (amortized using the straight-line method for a period of up to twenty years);
- charge equal to the differences in the measurement of net assets at fair values and carrying amounts for a given reporting period.

Differences in the measurement of net assets at fair values and carrying amounts include mainly the purchase prices of intangible assets identified in the allocation process and other restatements, such as e.g.:

- trademarks – amortized using a straight-line method, usually over the period equal to the goodwill amortization period;
- insurance – value in force (future profit from the purchased portfolio of insurance contracts) amortized over the effective period of the insurance agreements;
- other remeasurement to fair value of those assets and liabilities of related parties that were not measured at fair value;
- recognition of the effect of deferred tax on net assets of a related party, as a result of the differences mentioned above.

The effects of the equity method measurement of shares in related parties are recognized as follows:



- remeasurement of shares in related parties to amounts exceeding the purchase price is recognized in the revaluation reserve;
- remeasurement of shares in related parties to amounts below their purchase price is recognized in the profit and loss account.

Impairment

At the end of each financial year and any time there are any indications of impairment, shares in related parties and goodwill are tested for impairment. Impairment losses are recognized in the profit and loss account.

The goodwill impairment test is based on a comparison of a recoverable amount of a company or a cash-generating unit and its carrying amount. If the value in use calculated as the present value of expected future net economic benefits discounted at the current market rate of return for similar financial assets, is lower than the carrying amount then an impairment loss is recognized in the profit and loss account. For companies quoted on an active market, recoverable amount is estimated based on fair value.

Determining the recoverable amount of an entity or a cash-generating unit requires a professional judgement and assessment of assumptions, including among others: the entity's economic role, the discount rate, the risk-free rate, beta coefficient, activity of the market where the entity is quoted and projected cash flows.

12.2.3. Financial instruments

Financial instruments are classified upon purchase to the following categories

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

Financial assets and liabilities are recognized in the balance sheet when PZU becomes a party to a binding contract in which it assumes the risk and obtains the benefits associated with the financial instrument. In the case of transactions concluded on an organized market, the purchase or sale of financial assets and liabilities are recognized in the books on the date of the transaction.

Financial instruments are initially recognized at fair value adjusted for transaction costs that can be attributed directly to the purchase or issue of the financial instrument. The fair value of a financial instrument at initial recognition is usually its transaction price, unless the nature of the financial instrument suggests otherwise.

In the case of interest-bearing financial instruments, interest accrues from the day following the transaction settlement date.

The fair value of debt securities includes interest accrued as at the balance sheet date pursuant to the terms and conditions of issue, while taking into account the full amount of interest purchased but not settled and interest awarded but not paid.

Disposal of financial instruments is determined according to the "first in - first out" principle (FIFO).

Fair values of financial instruments are measured 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.

Exceptions include shares, whose fair value cannot be reliably estimated. In this situation, they are measured at purchase cost, while taking impairment losses into account.

Financial instruments held for trading

Financial instruments held for trading include assets purchased to obtain economic benefits arising from short-term price changes and fluctuations of other market factors or short term of the purchased instrument, as well as derivative instruments, provided they are not recognized as hedging instruments.

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



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

Financial instruments held for trading are measured at fair value.

Derivatives

Derivatives are carried in accounting ledgers at fair value on the transaction date and subsequently measured at fair value.

For derivatives quoted 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 quoted on an active market, including forward contracts and interest rate swaps is measured using the discounted future cash flow method. The rates from OIS curves (overnight indexed swaps), taking into account the currency of the security deposit provided for the instrument, are used to discount cash flows.

Derivatives are recognized in the balance sheet in the „Other investments” item in assets or „Other liabilities” in equity and liabilities.

Movement in fair value of non-hedging derivatives are recognized in the profit and loss account of the reporting period.

Financial assets held to maturity

Financial assets held to maturity include financial assets that are not classified as loans granted or own receivables, for which contracts specify the due repayment date of the nominal value and define the right to receive economic benefits in fixed or determinable amounts, for example interest, within the agreed dates, provided that PZU intends and is able to hold these assets until they become due and payable (in particular debt securities).

This classification is to a large extent based on the subjective judgment of the PZU Management Board, which declares its intention and ability to hold these financial instruments to maturity. Such a judgment is based on an analysis of the assets and financial situation and the matching of PZU's assets and liabilities.

Financial assets held to maturity are measured as at the balance sheet date at adjusted purchase price less impairment losses.

Loans granted and own receivables

Loans granted and own receivables include, irrespective of their maturity (payment) date, financial assets created as a result of releasing cash directly to the other contractual party.

Loans also include buy-sell-back transactions and term deposits with credit institutions, regardless of the maturity of a term deposit.

Loans granted, including term deposits and own receivables, are measured at adjusted purchase price less impairment losses.

Interest received and accrued on term deposits with credit institutions for the reporting period is recognized in the „Revenue from term deposits with credit institutions” line item in the general profit and loss account.

Financial assets available for sale

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

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

Financial assets available for sale are measured at fair value and if fair value cannot be reliably measured – at purchase price less impairment.

The difference between the fair value of financial assets available for sale and their purchase price or adjusted purchase price in the case of debt instruments, is recognized in revaluation reserve.

The effects of remeasurement of debt instruments available for sale to the adjusted purchase price are recognized in the profit and loss account.



If impairment occurs in available for sale instruments then the impairment losses previously recognized in the revaluation reserve are charged to the general profit and loss account.

If the reason for recognizing the impairment loss no longer exists, the equivalent of all or an appropriate part of the previously recognized impairment loss will be recognized in the general profit and loss account.

Deposits with ceding enterprises

Deposits with ceding enterprises include claims deposits and premium deposits retained by the insurance companies to which PZU provides reinsurance cover. They constitute part of payments due to PZU but are retained as amounts securing future claims.

Deposits with ceding enterprises are measured at the payable amount calculated in accordance with the terms of the relevant reinsurance contract; if the deposit is a financial instrument then the amount also takes into account the valuation of that instrument and any impairment losses.

Sale and purchase transactions of financial instruments, whose economic essence is different from the legal content

PZU believes that the conditional buy-and-sell-back transactions and sell-and-buy-back transactions do not signify a transfer of rights and duties associated with the specific financial instrument; accordingly, such transactions are classified accordingly as loans or liabilities. Such transactions are measured at adjusted purchase price.

Impairment of financial assets

The assessment of whether there is objective evidence of impairment of a financial asset or a group of financial assets is made at the end of each reporting period.

If there is objective evidence of impairment arising from loss events that occurred after the initial recognition of financial assets and causing a decrease in expected future cash flows then appropriate impairment losses are recognized against costs of the current period. Losses expected as a result of future events, no matter how likely, are not recognized.

Objective evidence of impairment includes information about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter liquidation, bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or
 - adverse changes in the economic condition in a specific industry, region, etc. contributing to the deterioration of the debtors' capacity for repayment;
- significant or prolonged decline in the fair value of investments in an equity instrument below the purchase cost;
- adverse changes in the technology, market, economic, legal or other environment in which the issuer of an equity instrument operates indicating that costs of investment in that equity instrument may not be recovered.

If evidence of impairment occurs in available for sale financial instruments then the losses previously recognized in the revaluation reserve are charged to the profit and loss account.

Impairment losses for assets held to maturity and loans are calculated at the difference between the carrying amount of the assets and the present value of estimated future cash flows discounted by the effective interest rate determined on initial recognition (initial effective interest rate).



Impairment losses for equity instruments quoted on regulated markets, participation units in open-end mutual funds and closed-end mutual fund certificates classified as available for sale are recognized if at least one of the two conditions is met:

- the negative difference between the present value and the purchase value or the updated amount (adjusted by a previous impairment loss) is at least 30% of the purchase value or the updated amount;
- at the end of each of the consecutive 12 months, the value of the asset was lower than the purchase value or the updated amount (adjusted by a previous impairment loss).

No impairment loss is recognized if it is deemed that the events mentioned above may be reversed within 6 months of the balance sheet date or if there is any other evidence indicating the temporary nature of such declines.

International investments

International investments are investments located outside of Poland.

Location of an investment is determined by: in the case of assets quoted on regulated markets – the country of their issuer, while in the case of other investments – the location where they are made, which means in particular:

- for debt securities, loans and receivables and other financial instruments with guaranteed income rates – issuer's country of domicile, borrower's country, debtor's country;
- for shares and other financial instruments offering the right to participate in equity – registered offices of that company;
- for participation units and investment certificates in mutual funds or in other collective investing funds – the country of the fund's manager.

12.3 Receivables

Receivables are recorded at the value determined upon their creation. As at the balance sheet date, receivables are measured at the amount of required payment less impairment losses. Impairment losses for uncollectible or doubtful receivables are recognized on the basis of an analysis of debtors' financial standing and property, analysis of the age structure of the receivables and the collection history, which offers insight into the probability of payment.

12.3.1. Receivables on direct insurance

Receivables on direct insurance include amounts receivable from policyholders on account of premiums paid in installments and past due premiums, receivables from insurance intermediaries, such as insurance brokers, agents and other intermediaries and other receivables.

Receivables from policyholders

PZU reviews receivables from policyholders in order to determine whether there is any indication of potential impairment.

To the extent that no individual assessment has been made, a collective assessment of impairment of receivables is conducted, as a result of which a general impairment loss is estimated.

The general impairment loss is estimated on the basis of the assumed model for assessing impairment of individually insignificant receivables. In the model, the impairment loss is determined by assessing impairment of receivables from policyholders grouped by similar credit risk characteristics.

For matured receivables, an age structure is prepared, depending on the past due period. Matured receivables are reduced by the value of receivables covered by a specific impairment loss. A general impairment loss is calculated in separate ranges of past due periods, based on the uncollectibility ratios determined through historical analysis.

For receivables before maturity, the value of the receivable that is likely to become due is determined based on a historical analysis of the percentage of the ratio of receivables that are not paid before maturity. The receivables amount calculated in this manner is reduced by the value of receivables covered by the specific impairment loss. Then, on the remaining amount of receivables, an impairment loss is recognized in the amount corresponding to the uncollectibility ratio of matured receivables for the shortest past due period.



Impairment losses for receivables on direct insurance are posted to other technical charges.

12.3.2. Reinsurance receivables

Reinsurance receivables include receivables from ceding companies, reinsurers and reinsurance brokers resulting from inward reinsurance and outward reinsurance and retrocession. These receivables are related in particular to the reinsurers' share in claims and benefits paid out by the insurer, reinsurance commissions and profit participation.

Impairment losses for reinsurance receivables are posted to other technical charges.

12.3.3. Other receivables

Other receivables include, among others, receivables on account of due dividends, receivables from the state budget and receivables for acting as an emergency adjuster.

Impairment losses for other receivables are posted to other operating expenses.

12.4 Property, plant and equipment

Property, plant and equipment consist of tangible non-current assets excluding property classified as investments, with an expected useful life that is more than one year, complete, fit for use and intended for the purposes of PZU.

They include in particular:

- machinery, equipment, means of transport, IT hardware and other;
- improvements in fixed assets owned by third parties.

Property, plant and equipment are measured at the purchase price or production cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated from the first day of the month following the month in which they are accepted for use, using the straight-line method over their expected useful life, in line with the depreciation plan adopted by PZU corresponding to their estimated economic lives, using annual depreciation rates for the key components of a given category, which are presented below. In justified cases PZU may individually set depreciation rates according to the applicable depreciation schedule.

Asset category	Depreciation rate for key assets in each category
Machinery and technical equipment	10% - 40%
Means of transport	14% - 33%
IT hardware	20% - 40%
Other non-current assets	7% - 20%

Property, plant and equipment with unit values of PLN 3,500 or less are expensed in the month they are put into use.

12.5 Cash

Cash consists mainly of cash at hand and on current bank accounts and additionally bills of exchange, third party cheques and cash in transit.

Cash is recognized at its nominal value.

12.6 Prepayments and accruals

Prepayments and accruals include costs incurred and accrued related in whole or in part to periods following the balance sheet date; they include in particular costs related to insurance premiums that will be earned in subsequent periods (i.e. among others acquisition expenses, costs of mandatory fees, provided that they may have material influence on the financial statements).

In the case of property insurance, deferrals include acquisition commissions and a portion of indirect acquisition expenses related to the signing and renewals of insurance policies, in particular costs related directly to sales processes, which cannot be classified as direct acquisition expenses, in particular costs of activities related to: agreement origination processes and underwriting processes in sales units (separated by using working time questionnaires), automatic and manual entry of policies into production systems (registration of sales) and contact center operations related to the sales of policies.



12.6.1. Deferred tax assets

Deferred tax assets are recognized after set-off with deferred tax liabilities.

12.6.2. Prepaid expenses and accrued income

Expenses (including among others IT costs, costs of mandatory fees incurred in accordance with legal requirements, etc.) are accounted for according to the lapse of time or according to the amount of benefits, provided that they may have material effect on the financial statements.

Accruals include, among other things, accrued reinsurance income resulting from economic events, which occurred before the balance sheet date, that will be settled in the future in accordance with the terms and conditions of the contract.

12.6.3. Accrued expenses

Accrued expenses include expenses and capital expenditures of the current reporting period that will be incurred in the next period but that are not recognized as liabilities or provisions, including in particular acquisition expenses, costs of mandatory fees and outward reinsurance.

Accrued reinsurance expenses include, among other things, accrued expenses resulting from economic events, which occurred before the balance sheet date, that will be settled in the future in accordance with the terms and conditions of the contract.

12.6.4. Deferred income

Deferred income includes, among other things, deferred reinsurance commissions settled pro rata to premium earned on the reinsurers' share.

12.7 Equity

12.7.1. Share capital

Share capital is posted at its nominal value registered in the National Court Register.

12.7.2. Supplementary capital

Supplementary capital is created and distributed in accordance with the provisions of the Commercial Company Code (i.e. Journal of Laws of 2017, Item 1577, "CCC") and the PZU's Articles of Association.

Supplementary capital is created from the distribution of net profit from previous year and the transferred part of the revaluation reserve upon settlement of a sale or liquidation of previously restated fixed assets.

12.7.3. Revaluation reserve

This item captures the effects of:

- revaluation of shares in related parties (above the purchase price only) after taking into account the corresponding change in deferred tax assets or liabilities;
- revaluation of investments classified into the available for sale portfolio (above and below the purchase price and, in the case of debt instruments, adjusted purchase price) after taking into account the corresponding change in deferred tax assets or liabilities;
- revaluation of fixed assets in accordance with the relevant regulations. Most recently, such revaluation of fixed assets was conducted as at 1 January 1995.

12.7.4. Retained earnings (losses)

This item includes the retained net profit (net loss) from previous years, including the net financial result resulting from changes in accounting principles, which has not been distributed (covered) by the Shareholder Meeting.



12.8 Technical provisions

Technical provisions are created to cover current and future claims and costs that may result from the concluded insurance agreements and inward reinsurance agreements. Provisions are recognized in accordance with the principle of prudence. Where the available information is not sufficient to calculate technical provisions in inward reinsurance in accordance with the methods set out below, technical provisions are created at a level documented by ceding companies.

12.8.1. Provision for unearned premiums

The provision for unearned premiums is intended to cover costs that may arise after the end of the reporting period under insurance agreements concluded before the end of the reporting period.

The provision for unearned premiums is created as gross written premium in future reporting periods, pro rata to the period for which the premium is written. Provision for unearned premiums is calculated at the end of each reporting period on a case-by-case basis, with the precision of one day.

For the insurance groups where it has been determined that risks are distributed unevenly over time, provision for unearned premiums is recognized in amounts based on statistical distributions of this risk over time.

Reinsurers' share in provision for unearned premiums is set at the amount stated in the terms and conditions of the relevant reinsurance contracts in proportion to the reinsurance cover applicable to periods after the end of the reporting period.

12.8.2. Provision for unexpired risk

The provision for unexpired risk is recognized as an addition to the provision for unearned premiums to cover future claims, benefits and expenses in relation to insurance agreements that do not expire on the last day of the reporting period.

The provision for unexpired risk is calculated for insurance groups at the end of each reporting period.

The total amount of the provision for unexpired risk is determined for those insurance groups where the current year loss ratio is greater than 100%, as a difference between the product of the provision for unearned premiums and the loss ratio of the current financial year and the provision for unearned premiums for the same insurance period. Reinsurers' share in provision for unexpired risk is set at the amount stated in the terms and conditions of the relevant reinsurance contracts.

12.8.3. Provision for outstanding claims and benefits

Provision for outstanding claims and benefits includes:

- provision for outstanding claims and benefits for losses and accidents incurred and reported by the end of the reporting period (including a portion of provision for the capitalized value of annuities);
- provision for losses and accidents incurred but not reported by the end of the reporting period (including a portion of provision for the capitalized value of annuities);
- provision for claims handling expenses.

All of the above provisions, except for the part relating to the provision for the capitalized value of annuities, are recognized at nominal value, i.e. without being discounted.

The provision for the capitalized value of annuities is discounted.

Provision for claims reported but not paid

The provision for claims reported but not handled and handled but not paid ("RBNP", Reported But Not Paid, or "1st provision") is calculated on a case-by-case basis by claims handling units or, if available information is not sufficient to assess the provision amount, at the average claim amount determined using the actuarial method. The provision recognized takes into account the insured's deductible, the expected increase in prices of goods and repair services and may not be greater than the sum insured or indemnity. The provision is updated as soon as information influencing its amount is available, on a case-by-case assessment or estimation of losses and claims.



Provision for losses and accidents incurred but not reported

Provision for losses and accidents incurred but not reported ("IBNR", Incurred But Not Reported or "2nd provision") is recognized for losses and claims that are not reported by the balance sheet date, as at which the provision is recognized. IBNR is calculated using the loss triangle analysis method: a generalized Chain Ladder method and for a small number or value of losses the Bornhuetter-Ferguson method, broken down by the years in which the losses occurred. The calculations are based on the annual triangles of claims paid and claims reported. When calculating the provision, the uncertainty related to bodily injury claims is taken into account. For such claims, changes in the legal environment and uncertain jurisprudence may affect the ultimate amount of benefits paid.

Provision for claims handling expenses

Provision for claims handling expenses is determined as at the end of each reporting period as the sum of provisions for direct and indirect claims handling expenses.

Provision for direct claims handling expenses for claims reported is calculated for each claim individually, while for claims incurred but not reported – using the generalized Chain Ladder method (based on the cost triangles analysis, broken down by the years in which the losses occurred).

The provision for indirect claims handling expenses is calculated using the actuarial method, as a product of the ratio of the percentage of indirect claims handling expenses in claims paid and direct claims handling expenses and the sum of provision for claims reported but not paid and the provision for losses and accidents incurred but not reported and the provision for direct claims handling expenses.

Provision for the capitalized value of annuities

The provision for the capitalized value of annuities is calculated on a case-by-case basis as the present value of an annuity (lifetime or temporary annuity) paid in advance.

For lifetime annuities, the period in which the annuity will be payable is determined using the life expectancy tables published by the Central Statistical Office. Additionally, the provision for the capitalized value of annuities is calculated taking into account the cost of future handling services at 3% of the value of benefits paid.

When calculating the provision for the capitalized value of annuities, the future increase in average annuity is estimated based on historical data and taking into account other information that may contribute to an increase in annuities in the future (for example, growing insurance awareness, legislative changes, etc.).

Both as at 31 December 2017 and 31 December 2016, a technical rate of 3.6% was assumed for all annuities and an annuity growth rate of 3.9%, estimated on the basis of inflation and salary growth forecasts.

At the end of each reporting period, actuarial methods are used to recognize a provision for the capitalized value of annuities arising from losses incurred after 31 December 1990 and not recognized as annuities until the balance sheet date (annuity IBNR).

At the end of each reporting period, the amount of additional provision is also calculated to cover costs resulting from the increase of annuity benefits from the "legacy portfolio". The increases apply to those annuity beneficiaries, for whom a corresponding provision was calculated at the end of 1997 and the benefit at the end of the reporting period is lower than a certain percentage of the current value average wages in the years 1960-1990. According to the current rules, the difference between satisfactory benefits and actual benefits is calculated as the capitalized value of annuities.

Reinsurers' share in technical provisions

Reinsurers' share in provisions for outstanding claims and benefits is set at the amount stated in the terms and conditions of the relevant reinsurance contracts.

12.8.4. Equalization provision

Equalization provision is recognized in the amount that is intended to compensate for future variations of the net loss ratio in accordance with the regulation on accounting principles for insurers.



12.8.5. Provision for bonuses and discounts (profit-sharing provision)

The provision is recognized for insurance agreements, which provide for increases in future benefits, including payment of insureds' share in profits.

The amount of the provision at the end of a period is determined based on the currently anticipated amount of the ultimate increase in benefits (or reduction of premiums) in direct proportion to premium earned at the end of the period.

12.8.6. Estimated salvage and subrogation

When calculating the future value of claim and benefit payments, PZU uses actuarial methods to estimate the expected future reimbursements of costs resulting from the assumption of claims against third parties (subrogation), ownership rights to insured property (salvage) and subsidies to cover part of the claims due to agricultural producers on account of drought losses payable to the Company in accordance with the Agricultural crop and livestock insurance act (i.e. Journal of Laws of 2017, Item 2047, as amended). When estimating the level of subrogation, salvage and subrogation and subsidies, PZU takes into account the cost of collecting subrogation, salvage and costs related to the acquisition of subsidies.

The calculation of future salvage and subrogation is based on the annual triangles of salvage and subrogation received. The value of future salvage and subrogation is calculated using the generalized Chain Ladder method, broken down into the years in which the losses occurred.

When estimating the value of future reimbursements of costs resulting from the assumption of claims against third parties and ownership rights to the insured property, the percentage of the sum total of salvage and subrogation received and estimated to the cost of claims during the year the loss occurred may not be greater than the mean percentage of salvage and subrogation received in the cost of claims in three successive years of the loss directly preceding the year for which the determination is made.

12.9 Other provisions

The "Other provisions" line item contains provisions for certain or highly probable future costs resulting from past events whose amount or timing is uncertain but the amount can be reliably estimated. In particular, provisions are recognized for retirement severance pays, for unused holiday leaves, for losses from pending business transactions, extended guarantees and sureties, losses due to pending proceedings and third party claims.

"Other provisions" also include deferred tax liabilities after set-off against deferred tax assets.

The costs of recognizing provisions are classified as net other technical charges, other operating expenses or administrative expenses, depending on the nature of the future liability.

12.9.1. Provisions for retirement or disability severance pay

Pursuant to the Labor Code Act of 26 June 1974 (Journal of Laws of 2018, Item 108, as amended, "Labor Code") PZU employees are entitled to a retirement or disability severance pay in the amount equal to one month's salary at the time of retirement or becoming entitled to disability benefit due to inability to work.

The costs of retirement and disability severance pay estimated using actuarial methods are recognized on an accrual basis by applying the forecast specific entitlements method.

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

12.9.2. Provision for unused holidays

The amount of the provision for unused holidays is determined using the liability method, based on the difference between the actual amount of holidays used by employees and the amount that would have been used if the holidays had been taken pro rata to the lapse of time in the period when the employees are entitled to the leaves in accordance with the applicable regulations.

12.9.3. Provisions for post-mortem benefits

By the power of the Labor Code, in the event of an employee's death during the term of employment or at the time of receiving a benefit for inability to work as a result of an illness, a family is entitled to a post-mortem benefit from the employer, the amount of which depends on the employee's tenure with the employer and is equal to the salary for a period of 1 to 6 months.

The provision for post-mortem benefits is measured at the present value of discounted cash flows.

12.10 Liabilities and special-purpose funds

12.10.1. Liabilities for reinsurers' deposits

Liabilities for reinsurers' deposits are recognized in the books in the amount of required payment in accordance with the signed reinsurance contracts.

12.10.2. Liabilities on the issue of own debt securities and drawn loans

Liabilities on the issue of own debt securities and drawn loans are recognized at the adjusted purchase price.

12.10.3. Other liabilities

Liabilities are shown in amounts that must be paid.

12.10.4. Special-purpose funds

The "Special-purpose funds" item includes:

- balance of the Company Social Benefit Fund ("ZFŚS"), which is created pursuant to the Company Social Benefit Fund Act of 4 March 1994 (Journal of Laws of 2017, Item 2191, as amended) and charged to costs. The Company Social Benefit Fund may also be increased, among others, by charges to net profit pursuant to resolutions adopted by the Shareholder Meeting;
- balance of the Prevention Fund, which is created from charges to costs, in accordance with the rules laid down in the Insurance Activity Act and the PZU's Articles of Association.

The balance of the special-purpose funds is augmented with the income resulting from investing the funds' financial resources.

12.11 Revenues on the sale of insurance services

Revenues from gross written premium are recognized as of the day of signing an insurance agreement, irrespective of the date when the insurance cover commences.

Reinsurers' share in premiums has been determined for those insurance groups for which there is reinsurance coverage, to the extent to which the premium is subject to cession according to the pertinent insurance contracts.

12.12 Investment activity revenues and expenses

12.12.1. Real estate income and real estate maintenance expenses

Income on real estate treated as investments, such as lease payments received, rental fees and other revenues associated with real estate management, are recognized in the "Investment income on real estate" item in the general profit and loss account

The cost of maintaining investment property is recognized in the "Real estate maintenance costs" item in the general profit and loss account.

The cost of maintaining own property is recognized in the revenue account of non-life insurance and to the "Administrative expenses" line item.

12.12.2. Income and cost related to debt securities

The result on remeasurement of debt securities to the adjusted purchase price is recognized as income on debt securities.

The difference between the fair value as at the balance sheet date and the value based on adjusted purchase price is recognized as follows:

- for debt securities (not included in the calculation of the provision for capitalized value of annuities and bonuses and rebates) classified as investments available for sale – under “Revaluation reserve”,
- for debt securities classified as held for trading investments – under “Unrealized investment gains” or “Unrealized investment losses”.

Gains/losses realized on the sale/redemption of debt securities are posted in the „Gains/losses on realization of investments” line item.

12.12.3. Gains and losses on shares, participation units and investment certificates in mutual funds

Unrealized gains and loss on the measurement of shares, participation units and investment certificates in mutual funds included in the held for trading investment portfolio are recognized as the difference between the fair value and the purchase price or the carrying amount at the end of the previous financial year (if they were purchased in previous years) in the “Unrealized investment gains/losses” line item.

Unrealized gains and losses on the measurement of shares, participation units and investment certificates in mutual funds included in available for sale investment portfolio and not included in the calculation of technical reserves, are recognized in the revaluation reserve.

Gains/losses on the sale of shares, participation units and investment certificates in mutual funds are recorded under “Gains/losses on realization of investments”

Impairment losses on investments for the reporting period are recognized under “Loss on revaluation of investments” while revenue from reversal of the impairment losses for the previous periods are recognized under “Gain on revaluation of investments”

Dividend income is recognized at gross amounts as at the date the right to dividend is established.

12.12.4. Interest income on term deposits with credit institutions

Interest income on term deposits with credit institutions are recognized on an accrual basis i.e. all interest for a given reporting period is recognized notwithstanding the date of its receipt. If the deposit matures after the balance sheet date then interest is calculated according to the effective interest rate from the date following the deposit opening date up to and including the balance sheet date.

12.12.5. Net investment income (including costs) transferred from the general profit and loss account

Investment income included in the calculation of provision for the capitalized value of annuities and provisions for bonuses and discounts are transferred from the general profit and loss account to the revenue account of non-life insurance.

Due to the fact that the insurer’s shareholder funds are invested jointly and since these investments are not separated, the investment income to be transferred from the general profit and loss account to the revenue account of non-life insurance in the reporting periods has been calculated as the product of the provision for the capitalized value of annuities in the beginning of the month and the yield on State Treasury bonds held to maturity as recorded in that month, taking into account the pertinent investment activity expenses.

12.12.6. Investment activity expenses

Investment activity expenses are the internal and external expenses arising from the investment activity, including costs of managing investments, commissions charged by banks, commissions charged by brokerage houses and property



depreciation and maintenance costs, with the exception of depreciation and maintenance costs of own property classified as administrative expenses.

12.13 Costs of claims and benefits

The costs of the reporting period include all the costs of claims and benefits paid out for any and all losses and accidents occurring in the reporting period and in previous periods, including direct and indirect claim handling costs and the movement in the balance of provision for outstanding claims and benefits, less all subrogation, salvage and subsidies and the movement in the balance of estimated subrogation, salvage and subsidies.

Reinsurers' share in claims and benefits has been determined for those insurance groups, for which there is reinsurance coverage, to the extent to which the reinsurers participate in claims and benefits according to the terms and conditions of the pertinent reinsurance contracts in effect in a given period.

The claims handling expenses include direct and indirect costs associated with the performance of activities necessary to examine and close the reported claims or which support the activities necessary to examine and close reported claims.

12.14 Insurance activity expenses

Insurance activity expenses are recognized on an accrual basis proportionally to the revenues.

12.14.1. Acquisition expenses

Acquisition expenses include expenses related to the conclusion and extension of insurance agreements and inward reinsurance contracts. Direct acquisition expenses include, among others, cost of commission for insurance intermediaries, employee remuneration costs associated with the conclusion of insurance agreements, cost of attestations, expert opinions and studies associated with the assumed risk, cost of including a reinsurance contract in the reinsurance portfolio as well as commissions and shares of cedents in profits. Indirect acquisition expenses include costs of advertising and promoting insurance products and costs associated with the examination of applications and issuing policies.

The costs of commissions are recognized in the same period when the premiums (serving as the basis for commission calculation) are recognized, regardless of the actual time of the commission payment.

Acquisition expenses are deferred in line with the principles applicable to the determination of the provision for unearned premiums by recognizing an appropriate portion of expenses in "Deferred acquisition costs" and then amortizing them through the revenue account over the indemnity period. Movement in deferred acquisition costs adjusts the acquisition expenses item.

The deferred acquisition costs are tested for impairment by the fact that they are included in the calculation of the provision for unexpired risk.

12.14.2. Administrative expenses

Administrative expenses include insurance activity expenses not classified as acquisition expenses, claims and benefits or investment activity expenses, associated with the collection of premiums, managing the insurance agreement portfolio, reinsurance contracts and overall management of the insurance company.

12.14.3. Reinsurance commissions and profit participation

Insurance activity expenses are adjusted by the amounts of reinsurance commissions and profit participation with reinsurers and retrocessionaires, received or receivable from brokers and reinsurers (under outward reinsurance and retrocession activity). The value of reinsurance commissions received or receivable is adjusted by the amount of deferred reinsurance commissions in the part concerning future reporting periods.

12.15 Transactions in foreign currencies

Assets and liabilities denominated in foreign currencies are translated as at the balance sheet date using the average NBP exchange rate in effect on that date.



Business transactions denominated in foreign currencies are recognized in accounting ledgers as at their conclusion date at the average exchange rate determined for the currency by NBP on the date directly preceding the transaction, unless another rate has been stated in a customs application or another document binding on PZU.

12.16 Income tax

Income tax shown in the profit and loss account includes current and the deferred parts.

Current corporate income tax liabilities are calculated in accordance with the tax regulations in force in Poland.

The deferred part posted in the profit and loss account is the difference between the balance of deferred tax liabilities and assets at the end and at the beginning of the reporting period with a reservation that the deferred tax liabilities and assets related to operations charged to equity are also charged to equity.

The level of deferred tax liabilities and assets is determined using the balance sheet method using the corporate income tax rates which are expected to be in effect when the asset or liability is realized, in accordance with the provisions of tax law issued in Poland by the balance sheet date.

As a company subject to Polish tax law, PZU can effectively set off tax receivables and tax liabilities by paying a net corporate income tax amount. This is why deferred tax liabilities and assets are presented in the financial statements after such a set off.

13. Significant differences between PAS and IFRS – identification, explanation and quantification

Since PZU prepared its first consolidated financial statements of PZU Group according to IFRS for the year ended 31 December 2005 and in those statements it presented comparative data for the previous year, 1 January 2004 is assumed to be the date of first-time adoption of IFRS by the PZU Group. Based on item 17 of Appendix D to IFRS 1, indication, explanation and quantification of material differences between PAS and IFRS are presented upon the assumption that PZU transitioned to IFRS for separate financial statements purposes as at 1 January 2004 (in order to calculate the differences between PAS and IFRS as presented below) even though PZU does not prepare standalone financial statements in accordance with IFRS.

Description of significant accounting differences between PAS and IFRS that would materially impact financial result or equity in PZU's standalone financial statements prepared in accordance with IFRS are presented below.

13.1 Measurement of related parties

In standalone financial statements prepared in accordance with PAS, shares in related parties are measured using the equity method described in detail in section 12.2.2 of the Introduction to financial statements.

According to IAS 27, in IFRS standalone financial statements shares in related parties would be measured at purchase price less any impairment losses.

According to item 66 of IAS 39, it is not possible to reverse the impairment losses for unquoted equity instruments that are not measured at fair value (if the fair value cannot be reliably determined).

13.2 Measurement of properties

Under the Regulation on accounting principles for insurers, all properties (both own and investment) are measured at purchase prices or production costs less accumulated depreciation and any impairment losses.

As at the date of first adoption of IFRS (i.e. 1 January 2004), production cost of own properties was determined, while the difference was recognized in retained earnings. In subsequent periods this led to a difference between the net carrying amount of accumulated depreciation and the depreciation charges for such properties.

According to IFRS, investment property is measured at the fair value determined as at the balance sheet date and any changes in the fair value during the reporting period are recognized in the profit and loss account for the period.

If own property is reclassified as investment property measured at fair value, depreciation continues until the reclassification date and the difference between the carrying amount and the fair value determined as at that date is charged to other comprehensive income.



13.3 Revaluation reserve for property, plant and equipment

According to the Accounting Act and pursuant to separate regulations concerning revaluation of property, plant and equipment in 1995, property, plant and equipment was revalued in Polish accounting records and the effects of this revaluation exercise were charged to revaluation reserve. This revaluation does not satisfy the requirements set forth in IAS 29.

13.4 Equalization provision in non-life insurance

The Regulation on accounting principles for insurers regulates the principles of creating and using the equalization provision. The provision does not refer to any specific liabilities arising from outstanding insurance policies. In accordance with PAS, movement in the provision amount constitutes an expense of the current period, while in accordance with IFRS it constitutes an allocation of net profit.

13.5 Prevention fund

According to the Insurance Activity Act, PZU may contribute to the Prevention Fund and expense such contributions in the current reporting period. According to the Regulation on accounting principles for insurers, this fund is recognized as special-purpose funds in liabilities.

According to IAS 37, these funds cannot be expensed in the current reporting period and are recognized as an allocation of net profit, while prevention activity expenses are recognized when incurred.

13.6 Company Social Benefit Fund

If the Shareholder Meeting of PZU decides to allocate a portion of net profit for the previous year to the Company Social Benefit Fund maintained by PZU the fact is recognized, in accordance with PAS, this is shown as allocation of previous year's net profit, which does not affect the financial result of the year in which such net financial result is allocated.

The above transaction meets the definition of a cost included in IFRS and, pursuant to the provisions of IAS 1, it is expensed in the profit and loss account of the financial year in which a portion of previous year's net profit is allocated to the Company Social Benefit Fund.

13.7 Actuarial gains and losses on employee provisions

In accordance with PAS, the calculation of provisions for retirement severance pay and post-mortem benefits includes actuarial gains and losses resulting from changes in demographic and financial assumptions. According to PAS, these gains and losses affect the financial result for the period.

In accordance with IAS 19, actuarial gains and losses resulting from changes in demographic assumptions and financial assumptions are recognized in other comprehensive income.

13.8 Estimated salvage and subrogation

In accordance with PAS, as insurance companies calculate the ultimate amount of future payments of claims and benefits, they estimate the amount of expected future reimbursements of the company's costs resulting from the assumption of claims against third parties (subrogation), ownership rights to insured property (salvage) and subsidies. When estimating the value of future reimbursements of costs on account of salvage and subrogation, if operations in a given insurance group is conducted for more than 3 years then the percentage of the sum total of salvage and subrogation received and estimated to the cost of claims and benefits during the year the loss occurred may not be greater than the mean percentage of salvage and subrogation received in the cost of claims in three successive years of the loss directly preceding the year for which the determination is made.

According to IFRS, salvage and subrogation is recognized in the balance sheet and in the profit and loss account at the estimated value if the revenue on this account is virtually certain. Therefore the limitations in estimation do not apply.



13.9 Deferred tax differences

Given the differences between PAS and IFRS, as described above, the impact of deferred tax differences associated with them has also been calculated and then included in the calculation of all the adjustments presented above, insofar as it was justified.

13.10 Reconciliation of equity and net financial result between PAS and IFRS

Description	Item	Net profit 1 January – 31 December 2017	Equity 31 December 2017	Net profit 1 January – 31 December 2016	Equity 31 December 2016
Standalone financial statements according to PAS		2,433,874	13,583,288	1,573,269	12,117,464
Measurement of related parties ¹⁾	13.1	(10,038)	(4,521,792)	67,308	(4,347,924)
Measurement of properties	13.2, 13.3	(7,081)	87,528	(25,821)	93,213
Equalization provision in non-life insurance	13.4	44,274	581,564	24,583	537,290
Prevention fund	13.5	(126)	27,762	(10,415)	27,888
Company Social Benefit Fund	13.6	(15,000)	-	(10,000)	-
Actuarial gains and losses on employee provisions	13.7	(939)	-	(4,638)	-
Estimated salvage and subrogation	13.8	18,693	43,143	24,450	24,450
Other		(76)	396	(507)	472
Total adjustments		29,707	(3,781,399)	64,960	(3,664,611)
IFRS financial statements		2,463,581	9,801,889	1,638,229	8,452,853

¹⁾ PZU has never prepared and does not prepare standalone financial statements in accordance with IFRS. For the purposes of this note, it has been assumed in accordance with IAS 27 Separate Financial Statements that investments in related parties under IFRS are measured at purchase cost less impairment losses.



Balance sheet and off-balance items

Assets	Note	31 December 2017	31 December 2016
I. Intangible assets, including:	1	345,437	377,535
- goodwill		-	-
II. Investments	2	36,575,984	31,375,033
1. Real property	2.3	369,702	387,790
2. Investments in related parties, including:	2.4	16,793,206	9,562,530
- investments in related parties measured by the equity method		15,980,453	9,173,109
3. Other financial investments	2.5	19,413,076	21,424,713
4. Deposits with ceding enterprises		-	-
III. Net assets in life insurance where the investment risk is borne by the policyholder		-	-
IV. Receivables	3	2,315,241	2,252,438
1. Receivables on direct insurance	3.1	1,822,002	1,752,142
1.1. From related parties		11,297	3,318
1.2. From other entities		1,810,705	1,748,824
2. Reinsurance receivables	3.2	152,966	130,137
2.1. From related parties		104,137	62,733
2.2. From other entities		48,829	67,404
3. Other receivables	3.3	340,273	370,159
3.1. Receivables from the state budget		29,518	11,486
3.2. Other receivables		310,755	358,673
a) from related parties		18,910	74,683
b) from other entities		291,845	283,990
V. Other assets	4	1,100,090	1,272,661
1. Property, plant and equipment	4.1	117,938	124,630
2. Cash	4.2	982,152	1,148,031
3. Other assets		-	-
VI. Prepayments and accruals	5	2,051,608	2,039,415
1. Deferred tax assets	5.1	-	-
2. Deferred acquisition costs		1,285,837	1,208,626
3. Accrued interest and rents		-	-
4. Other accruals	5.2	765,771	830,789
VII. Unpaid share capital		-	-
VIII. Treasury stock		-	-
Total assets		42,388,360	37,317,082

Liabilities and equity	Note	31 December 2017	31 December 2016
I. Equity	7	13,583,288	12,117,464
1. Share capital	7.1	86,352	86,352
2. Supplementary capital	7.3	5,258,449	4,889,182
3. Revaluation reserve	7.4	5,824,295	5,568,661
4. Other reserve capital		-	-
5. Retained earnings (losses)		(19,682)	-
6. Net profit (loss)		2,433,874	1,573,269
7. Charges to net profit during the financial year (negative figure)		-	-
II. Subordinated liabilities	8	2,284,674	-
III. Technical provisions	9	21,235,301	19,740,609
IV. Reinsurers' share in technical provisions (negative figure)	9	(1,158,963)	(921,520)
V. Estimated salvage and subrogation (negative figure)	10	(107,710)	(104,300)
1. Gross estimated salvage and subrogation		(108,923)	(105,242)
2. Reinsurers' share in estimated salvage and subrogation		1,213	942
VI. Other provisions	11	476,206	385,844
1. Provisions for pension benefits and other compulsory employee benefits	11.1	42,336	44,131
2. Deferred tax liability	11.2	337,606	271,943
3. Other provisions	11.3	96,264	69,770
VII. Liabilities for reinsurers' deposits		-	-
VIII. Other liabilities and special-purpose funds	12	5,146,129	5,156,199
1. Liabilities on direct insurance	12.1	415,429	461,809
1.1. To related parties		3,999	3,820
1.2. To other entities		411,430	457,989
2. Reinsurance liabilities	12.2	121,981	117,534
2.1. To related parties		9,713	2,793
2.2. To other entities		112,268	114,741
3. Liabilities on the issue of own debt securities and drawn loans	12.3	3,558,260	3,764,983
4. Liabilities to credit institutions	12.4	-	-
5. Other liabilities	12.5	933,872	694,859
5.1. Liabilities to the state budget		110,011	232,498
5.2. Other liabilities		823,861	462,361
a) to related parties		13,086	10,715
b) to other entities		810,775	451,646
6. Special-purpose funds	12.7	116,587	117,014
IX. Prepayments and accruals	13	929,435	942,786
1. Accrued expenses		882,458	904,276
2. Negative goodwill		-	-
3. Deferred income		46,977	38,510
Total liabilities and equity		42,388,360	37,317,082

Book value	13,583,288	12,117,464
Number of shares	863,523,000	863,523,000
Book value per share (in PLN)	15.73	14.03
Diluted number of shares	863,523,000	863,523,000
Diluted book value per share (in PLN)	15.73	14.03

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Notes are an integral part of the financial statements

Off-balance sheet items	Note	31 December 2017	31 December 2016
1. Contingent receivables, including:	15.1	4,615,722	4,357,144
1.1. Guarantees and sureties received		2,225	1,957
1.2. Other ¹⁾		4,613,497	4,355,187
2. Contingent liabilities, including:	15.2	4,544,743	4,690,077
2.1. Guarantees and sureties given		3,574,120	3,790,755
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		-	-
3. Reinsurance collateral instituted in favor of the insurance undertaking		-	-
4. Reinsurance collateral instituted by the insurance undertaking in favor of ceding companies		-	-
5. Third party assets not recognized in assets		116,361	117,710
6. Other off-balance sheet line items		-	-
Total off-balance sheet line items		9,276,826	9,164,931

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

Revenue account of non-life insurance

Revenue account of non-life insurance	Note	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)		11,180,680	9,212,816
1. Gross written premium	16	12,433,216	10,682,014
2. Reinsurers' share in gross written premium		523,729	363,593
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross		794,612	1,143,992
4. Reinsurers' share in the movement in provision for unearned premiums		65,805	38,387
II. Net investment income (including costs) transferred from the general profit and loss account		253,425	243,643
III. Other net technical income		204,219	132,984
IV. Claims and benefits (1+2)		7,168,855	6,148,534
1. Net claims and benefits paid		6,699,541	6,110,245
1.1. Gross claims and benefits paid	19	6,942,290	6,393,045
1.2. Reinsurers' share in claims and benefits paid		242,749	282,800
2. Movement in provision for outstanding claims and benefits, net of reinsurance		469,314	38,289
2.1. Movement in provision for outstanding claims and benefits, gross		634,934	(116,357)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits		165,620	(154,646)
V. Movement in other technical provisions, net of reinsurance		-	-
1. Movement in other technical provisions, gross		-	-
2. Reinsurers' share in the movement in other technical provisions		-	-
VI. Net bonuses and discounts including movement in provisions		2,339	(1,653)
VII. Insurance activity expenses	22	2,812,795	2,573,431
1. Acquisition expenses, including:	22.1	2,137,915	1,855,068
- movement in deferred acquisition costs		(77,211)	(251,447)
2. Administrative expenses	22.2	692,879	723,941
3. Reinsurance commissions and profit participation		17,999	5,578
VIII. Net other technical charges		381,639	302,258
IX. Movement in equalization provision		54,659	30,350
X. Technical result of non-life insurance		1,218,037	536,523

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Notes are an integral part of the financial statements

General profit and loss account

General profit and loss account	Note	1 January – 31 December 2017	1 January – 31 December 2016
I. Technical result of non-life insurance or life insurance		1,218,037	536,523
II. Investment income		2,372,194	2,587,046
1. Investment income on real estate		6,385	5,709
2. Investment income from related parties		1,473,659	850,889
2.1. on ownership interests or shares		1,469,407	844,150
2.2. on borrowings and debt securities		4,232	6,739
2.3. on other investments		20	-
3. Other financial investment income		345,306	392,725
3.1. on ownership interests, shares, other variable income securities, participation units and investment certificates in mutual funds		10,748	16,709
3.2. on debt securities and other fixed income securities		349,293	314,271
3.3. on term deposits with credit institutions		(8,432)	11,507
3.4. on other investments		(6,303)	50,238
4. Gain on revaluation of investments		1,229	2,760
5. Gain on realization of investments		545,615	1,334,963
III. Unrealized investment gains		224,184	218,311
IV. Net investment income after including costs transferred from the technical life insurance account		-	-
V. Investment activity expenses		512,696	604,627
1. Real estate maintenance expenses		4,100	5,209
2. Other investment activity expenses		12,277	13,717
3. Loss on revaluation of investments		1,814	56,068
4. Loss on realization of investments		494,505	529,633
VI. Unrealized investment losses		120,341	255,538
VII. Net investment income after including costs transferred to the revenue account of non-life insurance		253,425	243,643
VIII. Other operating income	23	522,191	314,487
IX. Other operating expenses	24	739,655	676,226
X. Operating profit (loss)		2,710,489	1,876,333
XI. Extraordinary gains		-	-
XII. Extraordinary losses		-	-
XIII. Share of the profit (loss) of related parties measured by the equity method	27	9,914	(67,308)
XIV. Profit (loss) before tax		2,720,403	1,809,025
XV. Income tax	26	286,529	235,756
a) current part		243,107	171,203
b) deferred part		43,422	64,553
XVI. Other compulsory reductions in profit (increases in losses)		-	-
XVII. Net profit (loss)		2,433,874	1,573,269

Net profit (loss) (annualized)	2,433,874	1,573,269
Weighted average number of common shares	863,523,000	863,523,000
Profit (loss) per common share (PLN)	2.82	1.82
Weighted average diluted number of common shares	863,523,000	863,523,000
Diluted earnings (losses) per common share (PLN)	2.82	1.82

Statement of changes in equity

Statement of changes in equity	1 January – 31 December 2017	1 January – 31 December 2016
I. Equity at the beginning of the period (Opening Balance)	12,117,464	12,378,733
a) changes in the accepted accounting policies	-	-
b) corrections of errors	-	-
I.a. Equity at the beginning of the period (Opening Balance), after adjustments to ensure comparability	12,117,464	12,378,733
1. Share capital at the beginning of the period	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
2. Supplementary capital at the beginning of the period	4,889,182	4,446,348
2.1. Change in supplementary capital	369,267	442,834
a) additions (by virtue of):	369,267	442,834
- distribution of profit (above the statutory minimum)	369,019	442,395
- from revaluation reserve – by disposals of fixed assets	248	439
b) decreases	-	-
2.2. Supplementary capital at the end of the period	5,258,449	4,889,182
3. Revaluation reserve at the beginning of the period	5,568,661	5,597,511
- changes in the accepted accounting policies	-	-
3.1. Change in the revaluation reserve	255,634	(28,850)
a) additions (by virtue of):	528,732	702,332
- valuation of financial investments	527,168	691,102
- transfer of impairment losses for available for sale investments	1,268	1,142
- increases by virtue of disposal of available for sale instruments	296	10,088
b) reductions (by virtue of)	273,098	731,182
- valuation of financial investments	233,471	128,219
- decreases by virtue of the disposal of instruments available for sale	39,379	602,512
- sale of fixed assets	248	439
- other	-	12
3.2. Revaluation reserve at the end of the period	5,824,295	5,568,661
4. Other reserve capital at the beginning of the period	-	-
4.1. Change in other reserve capital	-	-
a) increases	-	-
b) decreases	-	-
4.2. Other reserve capital at the end of the period	-	-
5. Retained earnings (losses) at the beginning of the period	1,592,951	2,248,522
5.1. Retained earnings at the beginning of the period	1,592,951	2,248,522
a) changes in the accepted accounting policies	-	-
b) corrections of errors	-	-
c) result of the final purchase price allocation of the acquisition of the organized part of Bank BPH SA by Alior Bank SA	(19,682)	-
5.2. Retained earnings at the beginning of the period, after adjustments to ensure comparability	1,573,269	2,248,522
a) increases	-	-
b) decreases	1,592,951	2,248,522
- transfers to supplementary capital	369,019	442,395
- disbursement of dividends	1,208,932	1,796,127
- transfers/charges to the Company Social Benefit Fund	15,000	10,000
5.3. Retained earnings at the end of the period	(19,682)	-
5.4. Retained losses at the beginning of the period	-	-
a) changes in the accepted accounting policies	-	-

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Statement of changes in equity	1 January – 31 December 2017	1 January – 31 December 2016
b) corrections of errors	-	-
5.5. Retained losses at the beginning of the period, after adjustments to ensure comparability	-	-
a) increases	-	-
b) decreases	-	-
5.6. Retained losses at the end of the period	-	-
5.7. Retained earnings (losses) at the end of the period	(19,682)	-
6. Net result	2,433,874	1,573,269
a) net profit	2,433,874	1,573,269
b) net loss	-	-
c) charges to profit	-	-
II. Equity at the end of the period (Closing Balance)	13,583,288	12,117,464
III. Equity after taking into account the proposed distribution of profits (coverage of losses)	13,583,288	12,117,464

The line item "Equity after taking into account the proposed distribution of profits (coverage of losses)" is presented taking into account the issue described in section 7.2.2 of Notes and explanations.

Cash flow statement

Cash flow statement	Note	1 January – 31 December 2017	1 January – 31 December 2016
A. Cash flows from operating activities			
I. Proceeds		13,806,271	11,457,632
1. Proceeds on direct activity and inward reinsurance		12,650,607	10,596,634
1.1. Proceeds on gross premiums		12,499,547	10,464,366
1.2. Proceeds on subrogation, salvage and claim refunds		131,408	106,806
1.3. Other proceeds on direct activity		19,652	25,462
2. Proceeds from outward reinsurance		371,289	202,449
2.1. Payments received from reinsurers for their share of claims paid		297,057	176,938
2.2. Proceeds on reinsurance commissions and profit participation		64,678	23,588
2.3. Other proceeds from outward reinsurance		9,554	1,923
3. Other proceeds from operating activity		784,375	658,549
3.1. Proceeds for acting as an emergency adjuster		293,550	260,448
3.2. Sale of other intangible assets and non-investment property, plant and equipment		1,719	2,976
3.3. Other proceeds	28	489,106	395,125
II. Expenditures		12,207,631	10,735,148
1. Expenditures on direct activity and inward reinsurance		9,957,458	9,067,091
1.1. Gross premium refunds		247,992	167,887
1.2. Gross claims and benefits paid		6,004,742	5,544,953
1.3. Acquisition expenditures		1,541,322	1,353,987
1.4. Administrative expenditures		1,435,181	1,385,079
1.5. Expenditures for claims handling and pursuit of subrogation		260,307	248,028
1.6. Commissions paid and profit-sharing on inward reinsurance		322,502	236,211
1.7. Other expenditures on direct activity and inward reinsurance		145,412	130,946
2. Expenditures on outward reinsurance		453,876	300,481
2.1. Premiums paid for reinsurance		453,627	300,227
2.2. Other expenditures on outward reinsurance		249	254
3. Expenditures on other operating activity		1,796,297	1,367,576
3.1. Expenditures for acting as an emergency adjuster		558,658	510,018
3.2. Purchase of other intangible assets and non-investment property, plant and equipment		79,582	117,167
3.3. Other operating expenditures	28	1,158,057	740,391
III. Net cash flows from operating activities (I-II)		1,598,640	722,484
B. Cash flows from investing activities			
I. Proceeds		232,583,546	239,677,792
1. Sale of real estate		22,394	53,784
2. Sale of ownership interests and shares in related parties		-	180
3. Sale of ownership interests and shares in other entities and participation units and investment certificates in mutual funds		283,084	1,051,223
4. Realization of debt securities issued by related parties and amortization of the loans granted to these entities		63,040	-
5. Realization of debt securities issued by other entities		59,985,741	9,804,544
6. Liquidation of term deposits with credit institutions		55,122,177	184,625,108
7. Realization of other investments		114,704,701	42,992,101
8. Proceeds from real estate		8,037	7,472
9. Interest received		452,645	284,925
10. Dividends received		1,925,058	844,176
11. Other investment proceeds		16,669	14,279
II. Expenditures		235,261,441	237,505,872
1. Purchase of real estate		-	-

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Notes are an integral part of the financial statements

Cash flow statement	Note	1 January – 31 December 2017	1 January – 31 December 2016
2. Purchase of ownership interests and shares in related parties		7,092,219	1,197,996
3. Purchase of ownership interests and shares in other entities, participation units and investment certificates in mutual funds		87,379	35,850
4. Purchase of debt securities issued by related parties and extension of loans to these entities		11,768	150,000
5. Purchase of debt securities issued by other entities		58,459,268	8,786,060
6. Purchase of term deposits with credit institutions		54,876,563	184,138,646
7. Purchase of other investments		114,684,065	43,149,288
8. Expenditures to maintain real estate		46,464	46,722
9. Other expenditures for investments		3,715	1,310
III. Net cash flows from investing activities (I-II)		(2,677,895)	2,171,920
C. Cash flows from financing activities			
I. Proceeds		61,166,959	7,133,567
1. Net proceeds from issuing shares and additional capital contributions		-	-
2. Loans, borrowings and issues of debt securities		61,166,959	7,133,567
3. Other financial proceeds		-	-
II. Expenditures		60,186,196	8,977,917
1. Dividends		1,208,932	1,796,162
2. Other expenditures for distribution of profits besides disbursement of dividends		-	-
3. Purchase of treasury stock		-	-
4. Amortization of loans and borrowings and redemption of own debt securities		58,926,473	7,134,630
5. Interest on loans and borrowings and issued debt securities		50,791	47,125
6. Other financial expenditures		-	-
III. Net cash flows from financing activities (I-II)		980,763	(1,844,350)
D. Total net cash flows (A.III+/-B.III+/-C.III)		(98,492)	1,050,054
E. Balance sheet change in cash, including:		(165,879)	1,082,955
- movement in cash due to foreign exchange differences		(67,387)	32,901
F. Cash at the beginning of the period		1,148,031	65,076
G. Cash at the end of the period (F+/-E), including:		982,152	1,148,031
- restricted cash	28.1	45,756	43,272

Revenue accounts – direct insurance

Revenue account – direct insurance – overall

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	10,420,925	8,818,205
1. Gross written premium	11,390,912	9,836,663
2. Reinsurers' share in gross written premium	261,035	196,732
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	729,442	803,889
4. Reinsurers' share in the movement in provision for unearned premiums	20,490	(17,837)
II. Net investment income (including costs) transferred from the general profit and loss account	253,425	243,643
III. Other net technical income	187,135	127,693
IV. Claims and benefits (1+2)	6,663,203	5,821,700
1. Net claims and benefits paid	6,403,562	5,948,097
1.1. Gross claims and benefits paid	6,495,029	6,057,093
1.2. Reinsurers' share in claims and benefits paid	91,467	108,996
2. Movement in provision for outstanding claims and benefits, net of reinsurance	259,641	(126,397)
2.1. Movement in provision for outstanding claims and benefits, gross	354,435	(144,280)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	94,794	(17,883)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	1,548	517
VII. Insurance activity expenses	2,606,189	2,449,602
1. Acquisition expenses, including:	1,933,373	1,750,233
- movement in deferred acquisition costs	(116,164)	(139,656)
2. Administrative expenses	677,898	699,465
3. Reinsurance commissions and profit participation	5,082	96
VIII. Net other technical charges	365,435	287,692
IX. Movement in equalization provision	25,241	12,573
X. Technical result of non-life insurance	1,199,869	617,457

Revenue account – direct insurance

GROUP 1 Accident insurance, including industrial injury and occupational diseases

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	393,283	415,570
1. Gross written premium	381,991	396,018
2. Reinsurers' share in gross written premium	8,744	100
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(11,392)	(19,628)
4. Reinsurers' share in the movement in provision for unearned premiums	8,644	24
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	11,398	4,865
IV. Claims and benefits (1+2)	124,740	123,366
1. Net claims and benefits paid	118,046	134,530
1.1. Gross claims and benefits paid	118,046	134,530
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	6,694	(11,164)
2.1. Movement in provision for outstanding claims and benefits, gross	6,698	(11,167)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	4	(3)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(11)	15
VII. Insurance activity expenses	123,489	133,873
1. Acquisition expenses, including:	83,446	85,259
- movement in deferred acquisition costs	(3,500)	(436)
2. Administrative expenses	39,971	48,603
3. Reinsurance commissions and profit participation	(72)	(11)
VIII. Net other technical charges	3,398	2,746
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	153,065	160,435

Revenue account – direct insurance

GROUP 2 Sickness insurance

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	6,702	7,749
1. Gross written premium	6,709	7,834
2. Reinsurers' share in gross written premium	1	3
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	3	83
4. Reinsurers' share in the movement in provision for unearned premiums	(3)	1
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	43	19
IV. Claims and benefits (1+2)	2,972	3,969
1. Net claims and benefits paid	3,053	3,950
1.1. Gross claims and benefits paid	3,053	3,950
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(81)	19
2.1. Movement in provision for outstanding claims and benefits, gross	(81)	19
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	2,465	2,352
1. Acquisition expenses, including:	1,717	1,794
- movement in deferred acquisition costs	(25)	(10)
2. Administrative expenses	748	558
3. Reinsurance commissions and profit participation	-	-
VIII. Net other technical charges	28	137
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	1,280	1,310

Revenue account – direct insurance

GROUP 3 Casco insurance of land vehicles other than railway rolling stock

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	2,878,434	2,357,354
1. Gross written premium	3,114,070	2,747,504
2. Reinsurers' share in gross written premium	17,024	34,436
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	196,570	361,263
4. Reinsurers' share in the movement in provision for unearned premiums	(22,042)	5,549
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	36,500	30,383
IV. Claims and benefits (1+2)	1,972,544	1,654,460
1. Net claims and benefits paid	1,886,131	1,637,230
1.1. Gross claims and benefits paid	1,887,098	1,637,771
1.2. Reinsurers' share in claims and benefits paid	967	541
2. Movement in provision for outstanding claims and benefits, net of reinsurance	86,413	17,230
2.1. Movement in provision for outstanding claims and benefits, gross	85,813	17,291
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(600)	61
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(16)	(60)
VII. Insurance activity expenses	728,811	672,968
1. Acquisition expenses, including:	597,789	535,009
- movement in deferred acquisition costs	(35,099)	(64,577)
2. Administrative expenses	126,877	131,622
3. Reinsurance commissions and profit participation	(4,145)	(6,337)
VIII. Net other technical charges	40,293	28,001
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	173,302	32,368

Revenue account – direct insurance

GROUP 4 Casco insurance of railway rolling stock

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	4,161	2,480
1. Gross written premium	5,060	1,634
2. Reinsurers' share in gross written premium	891	215
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(155)	(2,297)
4. Reinsurers' share in the movement in provision for unearned premiums	(163)	(1,236)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	47	254
IV. Claims and benefits (1+2)	2,286	372
1. Net claims and benefits paid	847	1,614
1.1. Gross claims and benefits paid	1,057	1,754
1.2. Reinsurers' share in claims and benefits paid	210	140
2. Movement in provision for outstanding claims and benefits, net of reinsurance	1,439	(1,242)
2.1. Movement in provision for outstanding claims and benefits, gross	1,651	(1,421)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	212	(179)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	120	3
VII. Insurance activity expenses	1,212	895
1. Acquisition expenses, including:	1,195	954
- movement in deferred acquisition costs	35	468
2. Administrative expenses	222	149
3. Reinsurance commissions and profit participation	205	208
VIII. Net other technical charges	165	68
IX. Movement in equalization provision	(81)	124
X. Technical result of non-life insurance	506	1,272

Revenue account – direct insurance

GROUP 5 Casco insurance of aircraft

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	4,612	5,750
1. Gross written premium	6,378	7,252
2. Reinsurers' share in gross written premium	2,075	937
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(245)	97
4. Reinsurers' share in the movement in provision for unearned premiums	64	(468)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	157	99
IV. Claims and benefits (1+2)	1,228	6,792
1. Net claims and benefits paid	6,505	3,836
1.1. Gross claims and benefits paid	9,342	3,836
1.2. Reinsurers' share in claims and benefits paid	2,837	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(5,277)	2,956
2.1. Movement in provision for outstanding claims and benefits, gross	(5,211)	2,938
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	66	(18)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	6	(2)
VII. Insurance activity expenses	1,421	1,507
1. Acquisition expenses, including:	1,238	1,381
- movement in deferred acquisition costs	37	4
2. Administrative expenses	184	126
3. Reinsurance commissions and profit participation	1	-
VIII. Net other technical charges	162	306
IX. Movement in equalization provision	231	(659)
X. Technical result of non-life insurance	1,721	(2,095)

Revenue account – direct insurance

GROUP 6 Insurance of maritime and inland waterway vessels

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	15,539	19,174
1. Gross written premium	17,819	26,444
2. Reinsurers' share in gross written premium	3,825	5,572
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(2,040)	986
4. Reinsurers' share in the movement in provision for unearned premiums	(495)	(712)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	227	83
IV. Claims and benefits (1+2)	9,572	23,408
1. Net claims and benefits paid	13,367	17,043
1.1. Gross claims and benefits paid	13,774	33,400
1.2. Reinsurers' share in claims and benefits paid	407	16,357
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(3,795)	6,365
2.1. Movement in provision for outstanding claims and benefits, gross	(4,967)	(10,436)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(1,172)	(16,801)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	94	671
VII. Insurance activity expenses	4,096	4,721
1. Acquisition expenses, including:	3,338	4,004
- movement in deferred acquisition costs	233	(116)
2. Administrative expenses	834	884
3. Reinsurance commissions and profit participation	76	167
VIII. Net other technical charges	3,755	978
IX. Movement in equalization provision	777	(3,399)
X. Technical result of non-life insurance	(2,528)	(7,122)

Revenue account – direct insurance

GROUP 7 Insurance of goods in transit

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	7,707	8,505
1. Gross written premium	10,285	11,834
2. Reinsurers' share in gross written premium	2,937	3,464
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(1,221)	(38)
4. Reinsurers' share in the movement in provision for unearned premiums	(862)	97
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	247	224
IV. Claims and benefits (1+2)	2,413	2,443
1. Net claims and benefits paid	2,304	3,107
1.1. Gross claims and benefits paid	2,460	3,120
1.2. Reinsurers' share in claims and benefits paid	156	13
2. Movement in provision for outstanding claims and benefits, net of reinsurance	109	(664)
2.1. Movement in provision for outstanding claims and benefits, gross	152	(735)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	43	(71)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	2	(59)
VII. Insurance activity expenses	3,407	4,563
1. Acquisition expenses, including:	2,951	3,506
- movement in deferred acquisition costs	157	(66)
2. Administrative expenses	651	1,173
3. Reinsurance commissions and profit participation	195	116
VIII. Net other technical charges	276	213
IX. Movement in equalization provision	(582)	86
X. Technical result of non-life insurance	2,438	1,483

Revenue account – direct insurance

GROUP 8 Insurance against fire and natural forces covering damage to property not included in groups 3-7

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	1,094,837	1,065,190
1. Gross written premium	1,167,244	1,139,602
2. Reinsurers' share in gross written premium	70,103	47,053
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	16,624	23,095
4. Reinsurers' share in the movement in provision for unearned premiums	14,320	(4,264)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	16,577	11,832
IV. Claims and benefits (1+2)	543,872	375,451
1. Net claims and benefits paid	555,332	394,381
1.1. Gross claims and benefits paid	565,509	404,657
1.2. Reinsurers' share in claims and benefits paid	10,177	10,276
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(11,460)	(18,930)
2.1. Movement in provision for outstanding claims and benefits, gross	(21,416)	(18,069)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(9,956)	861
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	238	(90)
VII. Insurance activity expenses	339,764	340,401
1. Acquisition expenses, including:	241,727	253,689
- movement in deferred acquisition costs	(2,036)	3,601
2. Administrative expenses	100,439	90,123
3. Reinsurance commissions and profit participation	2,402	3,411
VIII. Net other technical charges	39,141	44,040
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	188,399	317,220

Revenue account – direct insurance

GROUP 9 Insurance of other all to or loss of property (other than property included in groups 3, 4, 5, 6 or 7) due to hail or frost and any event (such as theft), other than those mentioned under 8

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	783,171	735,555
1. Gross written premium	929,794	716,895
2. Reinsurers' share in gross written premium	57,639	42,275
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	91,500	(71,769)
4. Reinsurers' share in the movement in provision for unearned premiums	2,516	(10,834)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	10,415	14,708
IV. Claims and benefits (1+2)	434,112	589,852
1. Net claims and benefits paid	409,189	583,607
1.1. Gross claims and benefits paid	417,456	611,334
1.2. Reinsurers' share in claims and benefits paid	8,267	27,727
2. Movement in provision for outstanding claims and benefits, net of reinsurance	24,923	6,245
2.1. Movement in provision for outstanding claims and benefits, gross	91,305	5,857
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	66,382	(388)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	37	(13)
VII. Insurance activity expenses	271,358	276,462
1. Acquisition expenses, including:	201,922	188,831
- movement in deferred acquisition costs	(13,286)	(4,454)
2. Administrative expenses	71,844	90,288
3. Reinsurance commissions and profit participation	2,408	2,657
VIII. Net other technical charges	14,196	5,782
IX. Movement in equalization provision	(6,346)	-
X. Technical result of non-life insurance	80,229	(121,820)

Revenue account – direct insurance

GROUP 10 All liability resulting from the possession and use of self-propelled land vehicles, including carrier's liability

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	4,082,610	3,111,203
1. Gross written premium	4,558,747	3,607,198
2. Reinsurers' share in gross written premium	23,935	14,491
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	459,863	486,012
4. Reinsurers' share in the movement in provision for unearned premiums	7,661	4,508
II. Net investment income (including costs) transferred from the general profit and loss account	235,850	224,785
III. Other net technical income	94,719	27,424
IV. Claims and benefits (1+2)	3,020,045	2,632,037
1. Net claims and benefits paid	2,858,495	2,659,040
1.1. Gross claims and benefits paid	2,896,426	2,695,188
1.2. Reinsurers' share in claims and benefits paid	37,931	36,148
2. Movement in provision for outstanding claims and benefits, net of reinsurance	161,550	(27,003)
2.1. Movement in provision for outstanding claims and benefits, gross	205,685	(3,975)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	44,135	23,028
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	26	51
VII. Insurance activity expenses	759,805	643,779
1. Acquisition expenses, including:	539,978	413,031
- movement in deferred acquisition costs	(52,659)	(67,888)
2. Administrative expenses	214,930	222,797
3. Reinsurance commissions and profit participation	(4,897)	(7,951)
VIII. Net other technical charges	243,654	173,937
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	389,649	(86,392)

Revenue account – direct insurance

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

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	3,613	3,230
1. Gross written premium	5,074	6,648
2. Reinsurers' share in gross written premium	2,615	2,667
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(578)	1,117
4. Reinsurers' share in the movement in provision for unearned premiums	576	366
II. Net investment income (including costs) transferred from the general profit and loss account	104	106
III. Other net technical income	216	61
IV. Claims and benefits (1+2)	2,978	1,448
1. Net claims and benefits paid	2,069	426
1.1. Gross claims and benefits paid	2,069	426
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	909	1,022
2.1. Movement in provision for outstanding claims and benefits, gross	936	1,076
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	27	54
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	2,348	2,157
1. Acquisition expenses, including:	1,821	1,636
- movement in deferred acquisition costs	(114)	(139)
2. Administrative expenses	562	552
3. Reinsurance commissions and profit participation	35	31
VIII. Net other technical charges	83	141
IX. Movement in equalization provision	(90)	91
X. Technical result of non-life insurance	(1,386)	(440)

Revenue account – direct insurance

GROUP 12 Liability for marine and inland navigation arising out of the possession and use of sea and inland vessels, including carrier's liability

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	1,935	616
1. Gross written premium	3,560	559
2. Reinsurers' share in gross written premium	1,822	28
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	603	(69)
4. Reinsurers' share in the movement in provision for unearned premiums	800	16
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	26	6
IV. Claims and benefits (1+2)	523	489
1. Net claims and benefits paid	300	391
1.1. Gross claims and benefits paid	300	391
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	223	98
2.1. Movement in provision for outstanding claims and benefits, gross	384	97
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	161	(1)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	874	344
1. Acquisition expenses, including:	633	213
- movement in deferred acquisition costs	(173)	(15)
2. Administrative expenses	241	131
3. Reinsurance commissions and profit participation	-	-
VIII. Net other technical charges	976	2
IX. Movement in equalization provision	90	-
X. Technical result of non-life insurance	(502)	(213)

Revenue account – direct insurance

GROUP 13 General liability – third party liability not included in groups 10-12

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	678,628	664,910
1. Gross written premium	657,519	685,012
2. Reinsurers' share in gross written premium	20,692	15,223
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(42,185)	5,194
4. Reinsurers' share in the movement in provision for unearned premiums	(384)	315
II. Net investment income (including costs) transferred from the general profit and loss account	17,471	18,752
III. Other net technical income	11,343	25,462
IV. Claims and benefits (1+2)	307,577	177,194
1. Net claims and benefits paid	303,181	284,022
1.1. Gross claims and benefits paid	305,364	287,553
1.2. Reinsurers' share in claims and benefits paid	2,183	3,531
2. Movement in provision for outstanding claims and benefits, net of reinsurance	4,396	(106,828)
2.1. Movement in provision for outstanding claims and benefits, gross	8,430	(102,983)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	4,034	3,845
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	190	3
VII. Insurance activity expenses	206,995	197,421
1. Acquisition expenses, including:	163,595	156,592
- movement in deferred acquisition costs	5,087	1,829
2. Administrative expenses	44,619	41,844
3. Reinsurance commissions and profit participation	1,219	1,015
VIII. Net other technical charges	12,210	18,104
IX. Movement in equalization provision	24,906	16,517
X. Technical result of non-life insurance	155,564	299,885

Warsaw, 14 March 2018

Notes are an integral part of the financial statements

Revenue account – direct insurance

GROUP 14 Credit insurance

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	20,320	17,680
1. Gross written premium	21,467	18,358
2. Reinsurers' share in gross written premium	2,003	1,943
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(1,040)	(868)
4. Reinsurers' share in the movement in provision for unearned premiums	(184)	397
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	356	335
IV. Claims and benefits (1+2)	1,684	493
1. Net claims and benefits paid	991	1,843
1.1. Gross claims and benefits paid	1,620	2,652
1.2. Reinsurers' share in claims and benefits paid	629	809
2. Movement in provision for outstanding claims and benefits, net of reinsurance	693	(1,350)
2.1. Movement in provision for outstanding claims and benefits, gross	486	(1,399)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(207)	(49)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	581	(74)
VII. Insurance activity expenses	4,181	5,767
1. Acquisition expenses, including:	2,757	2,745
- movement in deferred acquisition costs	376	288
2. Administrative expenses	2,179	3,558
3. Reinsurance commissions and profit participation	755	536
VIII. Net other technical charges	112	305
IX. Movement in equalization provision	2,101	27
X. Technical result of non-life insurance	12,017	11,497

Revenue account – direct insurance

GROUP 15 Insurance bond

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	28,306	26,302
1. Gross written premium	63,495	45,974
2. Reinsurers' share in gross written premium	28,043	16,694
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	13,887	1,431
4. Reinsurers' share in the movement in provision for unearned premiums	6,741	(1,547)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	(41)	561
IV. Claims and benefits (1+2)	11,872	8,248
1. Net claims and benefits paid	17,873	13,182
1.1. Gross claims and benefits paid	35,649	23,484
1.2. Reinsurers' share in claims and benefits paid	17,776	10,302
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(6,001)	(4,934)
2.1. Movement in provision for outstanding claims and benefits, gross	(9,195)	(8,479)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(3,194)	(3,545)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	2,783	11,928
1. Acquisition expenses, including:	605	9,453
- movement in deferred acquisition costs	(12,723)	(3,067)
2. Administrative expenses	8,432	7,351
3. Reinsurance commissions and profit participation	6,254	4,876
VIII. Net other technical charges	364	225
IX. Movement in equalization provision	1,415	1,315
X. Technical result of non-life insurance	11,831	5,147

Revenue account – direct insurance

GROUP 16 Insurance of various financial risks

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	58,917	61,959
1. Gross written premium	84,150	70,889
2. Reinsurers' share in gross written premium	18,568	11,363
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	9,940	(12,490)
4. Reinsurers' share in the movement in provision for unearned premiums	3,275	(10,057)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	2,614	9,751
IV. Claims and benefits (1+2)	3,943	18,412
1. Net claims and benefits paid	10,629	16,285
1.1. Gross claims and benefits paid	20,556	19,437
1.2. Reinsurers' share in claims and benefits paid	9,927	3,152
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(6,686)	2,127
2.1. Movement in provision for outstanding claims and benefits, gross	(11,827)	(22,550)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(5,141)	(24,677)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	281	72
VII. Insurance activity expenses	45,199	44,647
1. Acquisition expenses, including:	13,662	20,838
- movement in deferred acquisition costs	1,100	(103)
2. Administrative expenses	32,183	25,187
3. Reinsurance commissions and profit participation	646	1,378
VIII. Net other technical charges	4,559	10,600
IX. Movement in equalization provision	2,946	(1,621)
X. Technical result of non-life insurance	4,603	(400)

Revenue account – direct insurance

GROUP 17 Legal expenses insurance

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	8,591	6,586
1. Gross written premium	9,400	7,159
2. Reinsurers' share in gross written premium	-	-
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	809	573
4. Reinsurers' share in the movement in provision for unearned premiums	-	-
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	14	27
IV. Claims and benefits (1+2)	4,185	1,905
1. Net claims and benefits paid	1,607	1,225
1.1. Gross claims and benefits paid	1,607	1,225
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	2,578	680
2.1. Movement in provision for outstanding claims and benefits, gross	2,578	680
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	4,235	2,801
1. Acquisition expenses, including:	3,360	1,797
- movement in deferred acquisition costs	9	(761)
2. Administrative expenses	875	1,004
3. Reinsurance commissions and profit participation	-	-
VIII. Net other technical charges	35	38
IX. Movement in equalization provision	(126)	92
X. Technical result of non-life insurance	276	1,777

Revenue account – direct insurance

GROUP 18 Assistance insurance for persons who get into difficulties while travelling or while away from their permanent residence

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	349,559	308,392
1. Gross written premium	348,150	339,849
2. Reinsurers' share in gross written premium	118	268
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(1,501)	31,197
4. Reinsurers' share in the movement in provision for unearned premiums	26	8
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	2,277	1,599
IV. Claims and benefits (1+2)	216,657	201,361
1. Net claims and benefits paid	213,643	192,385
1.1. Gross claims and benefits paid	213,643	192,385
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	3,014	8,976
2.1. Movement in provision for outstanding claims and benefits, gross	3,014	8,976
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	103,746	103,016
1. Acquisition expenses, including:	71,639	69,501
- movement in deferred acquisition costs	(3,583)	(4,214)
2. Administrative expenses	32,107	33,515
3. Reinsurance commissions and profit participation	-	-
VIII. Net other technical charges	2,028	2,069
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	29,405	3,545

Revenue accounts – inward reinsurance

Revenue account – direct insurance – inward reinsurance overall

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	759,755	394,611
1. Gross written premium	1,042,304	845,351
2. Reinsurers' share in gross written premium	262,694	166,861
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	65,170	340,103
4. Reinsurers' share in the movement in provision for unearned premiums	45,315	56,224
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	17,084	5,291
IV. Claims and benefits (1+2)	505,652	326,834
1. Net claims and benefits paid	295,979	162,148
1.1. Gross claims and benefits paid	447,261	335,952
1.2. Reinsurers' share in claims and benefits paid	151,282	173,804
2. Movement in provision for outstanding claims and benefits, net of reinsurance	209,673	164,686
2.1. Movement in provision for outstanding claims and benefits, gross	280,499	27,923
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	70,826	(136,763)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	791	(2,170)
VII. Insurance activity expenses	206,606	123,829
1. Acquisition expenses, including:	204,542	104,835
- movement in deferred acquisition costs	38,953	(111,791)
2. Administrative expenses	14,981	24,476
3. Reinsurance commissions and profit participation	12,917	5,482
VIII. Net other technical charges	16,204	14,566
IX. Movement in equalization provision	29,418	17,777
X. Technical result of non-life insurance	18,168	(80,934)

In 2017 and 2016, PZU conducted inward reinsurance operations in all the accounting classes except for class 9.

Revenue account – direct insurance – inward reinsurance

ACCOUNTING CLASS 1 Accident and sickness insurance (groups 1 and 2)

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	13,008	14,806
1. Gross written premium	192	26,202
2. Reinsurers' share in gross written premium	230	129
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(13,014)	11,081
4. Reinsurers' share in the movement in provision for unearned premiums	32	(186)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	899	792
IV. Claims and benefits (1+2)	5,821	8,954
1. Net claims and benefits paid	6,245	7,853
1.1. Gross claims and benefits paid	6,245	7,853
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(424)	1,101
2.1. Movement in provision for outstanding claims and benefits, gross	(424)	1,101
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	2,139	5,962
1. Acquisition expenses, including:	1,719	5,552
- movement in deferred acquisition costs	709	(983)
2. Administrative expenses	421	410
3. Reinsurance commissions and profit participation	1	-
VIII. Net other technical charges	2,467	591
IX. Movement in equalization provision	650	-
X. Technical result of non-life insurance	2,830	91

Revenue account – direct insurance – inward reinsurance

ACCOUNTING CLASS 2 Motor third party liability insurance (group 10)

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	605,511	308,058
1. Gross written premium	711,059	465,184
2. Reinsurers' share in gross written premium	17,849	13,706
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	92,613	148,472
4. Reinsurers' share in the movement in provision for unearned premiums	4,914	5,052
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	1,409	1,163
IV. Claims and benefits (1+2)	408,720	258,786
1. Net claims and benefits paid	219,438	102,256
1.1. Gross claims and benefits paid	219,438	102,256
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	189,282	156,530
2.1. Movement in provision for outstanding claims and benefits, gross	193,924	158,934
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	4,642	2,404
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	43	-
VII. Insurance activity expenses	157,247	87,674
1. Acquisition expenses, including:	151,338	73,863
- movement in deferred acquisition costs	(24,475)	(34,581)
2. Administrative expenses	5,909	13,811
3. Reinsurance commissions and profit participation	-	-
VIII. Net other technical charges	3,535	262
IX. Movement in equalization provision	30,276	15,403
X. Technical result of non-life insurance	7,099	(52,904)

Revenue account – direct insurance – inward reinsurance

ACCOUNTING CLASS 3 Other motor insurance (group 3)

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	18,990	10,965
1. Gross written premium	25,837	12,439
2. Reinsurers' share in gross written premium	230	135
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	6,661	1,334
4. Reinsurers' share in the movement in provision for unearned premiums	44	(5)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	1,230	940
IV. Claims and benefits (1+2)	9,781	5,581
1. Net claims and benefits paid	8,245	4,695
1.1. Gross claims and benefits paid	8,245	4,695
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	1,536	886
2.1. Movement in provision for outstanding claims and benefits, gross	1,536	886
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	12,679	6,305
1. Acquisition expenses, including:	8,472	3,974
- movement in deferred acquisition costs	(2,479)	170
2. Administrative expenses	4,207	2,331
3. Reinsurance commissions and profit participation	-	-
VIII. Net other technical charges	2,849	1,068
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	(5,089)	(1,049)

Revenue account – direct insurance – inward reinsurance

ACCOUNTING CLASS 4 Marine, aviation and transport insurance (groups 4, 5, 6, 7)

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	2,012	3,458
1. Gross written premium	5,909	6,615
2. Reinsurers' share in gross written premium	1,381	3,521
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	1,107	731
4. Reinsurers' share in the movement in provision for unearned premiums	(1,409)	1,095
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	104	563
IV. Claims and benefits (1+2)	6,510	1,854
1. Net claims and benefits paid	1,200	1,763
1.1. Gross claims and benefits paid	1,200	1,763
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	5,310	91
2.1. Movement in provision for outstanding claims and benefits, gross	6,012	153
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	702	62
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	1,866
VII. Insurance activity expenses	499	903
1. Acquisition expenses, including:	413	757
- movement in deferred acquisition costs	(219)	(212)
2. Administrative expenses	121	177
3. Reinsurance commissions and profit participation	35	31
VIII. Net other technical charges	827	386
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	(5,720)	(988)

Revenue account – direct insurance – inward reinsurance

ACCOUNTING CLASS 5 Fire and other damage to property (groups 8, 9)

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	61,939	36,406
1. Gross written premium	291,044	190,387
2. Reinsurers' share in gross written premium	213,959	127,096
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	52,484	68,981
4. Reinsurers' share in the movement in provision for unearned premiums	37,338	42,096
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	2,733	1,535
IV. Claims and benefits (1+2)	61,852	17,783
1. Net claims and benefits paid	41,404	13,302
1.1. Gross claims and benefits paid	99,098	72,376
1.2. Reinsurers' share in claims and benefits paid	57,694	59,074
2. Movement in provision for outstanding claims and benefits, net of reinsurance	20,448	4,481
2.1. Movement in provision for outstanding claims and benefits, gross	155,282	(34,471)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	134,834	(38,952)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	754	(3,711)
VII. Insurance activity expenses	2,932	5,397
1. Acquisition expenses, including:	11,446	4,586
- movement in deferred acquisition costs	(14,526)	994
2. Administrative expenses	2,407	5,155
3. Reinsurance commissions and profit participation	10,921	4,344
VIII. Net other technical charges	4,812	9,891
IX. Movement in equalization provision	(3,757)	1,278
X. Technical result of non-life insurance	(1,921)	7,303

Revenue account – direct insurance – inward reinsurance

ACCOUNTING CLASS 6 Third party liability (groups 11, 12, 13)

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	19,016	8,428
1. Gross written premium	61,528	2,055
2. Reinsurers' share in gross written premium	10,753	5,224
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	34,861	(9,178)
4. Reinsurers' share in the movement in provision for unearned premiums	3,102	2,419
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	50	78
IV. Claims and benefits (1+2)	12,249	6,952
1. Net claims and benefits paid	4,370	3,334
1.1. Gross claims and benefits paid	4,468	3,334
1.2. Reinsurers' share in claims and benefits paid	98	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	7,879	3,618
2.1. Movement in provision for outstanding claims and benefits, gross	12,656	3,628
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	4,777	10
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	(1)
VII. Insurance activity expenses	2,498	1,425
1. Acquisition expenses, including:	2,347	1,260
- movement in deferred acquisition costs	(7,378)	1,585
2. Administrative expenses	640	296
3. Reinsurance commissions and profit participation	489	131
VIII. Net other technical charges	175	70
IX. Movement in equalization provision	475	336
X. Technical result of non-life insurance	3,669	(276)

Revenue account – direct insurance – inward reinsurance

ACCOUNTING CLASS 7 Credit and suretyship (groups 14, 15)

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	798	(3,710)
1. Gross written premium	3,566	5,591
2. Reinsurers' share in gross written premium	3,205	6,736
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(75)	2,841
4. Reinsurers' share in the movement in provision for unearned premiums	362	276
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	158	106
IV. Claims and benefits (1+2)	(194)	(86)
1. Net claims and benefits paid	4	(15)
1.1. Gross claims and benefits paid	218	20
1.2. Reinsurers' share in claims and benefits paid	214	35
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(198)	(71)
2.1. Movement in provision for outstanding claims and benefits, gross	1,879	182
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	2,077	253
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	80	835
1. Acquisition expenses, including:	952	997
- movement in deferred acquisition costs	(385)	(1,096)
2. Administrative expenses	60	662
3. Reinsurance commissions and profit participation	932	824
VIII. Net other technical charges	300	44
IX. Movement in equalization provision	1	-
X. Technical result of non-life insurance	769	(4,397)

Revenue account – direct insurance – inward reinsurance

ACCOUNTING CLASS 8 Assistance (group 18)

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	3,029	994
1. Gross written premium	(13,124)	25,319
2. Reinsurers' share in gross written premium	198	177
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(16,330)	24,324
4. Reinsurers' share in the movement in provision for unearned premiums	21	176
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	5	5
IV. Claims and benefits (1+2)	1,448	31
1. Net claims and benefits paid	1,082	6
1.1. Gross claims and benefits paid	1,082	6
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	366	25
2.1. Movement in provision for outstanding claims and benefits, gross	366	25
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	1,641	939
1. Acquisition expenses, including:	652	214
- movement in deferred acquisition costs	3,234	(4,764)
2. Administrative expenses	989	725
3. Reinsurance commissions and profit participation	-	-
VIII. Net other technical charges	3	-
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	(58)	29

Revenue account – direct insurance – inward reinsurance

ACCOUNTING CLASS 10 Miscellaneous (group 16)

Item	1 January – 31 December 2017	1 January – 31 December 2016
I. Premium income (1-2-3+4)	35,452	15,206
1. Gross written premium	(43,707)	111,559
2. Reinsurers' share in gross written premium	14,889	10,137
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(93,137)	91,517
4. Reinsurers' share in the movement in provision for unearned premiums	911	5,301
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	10,496	109
IV. Claims and benefits (1+2)	(535)	26,979
1. Net claims and benefits paid	13,991	28,954
1.1. Gross claims and benefits paid	107,267	143,649
1.2. Reinsurers' share in claims and benefits paid	93,276	114,695
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(14,526)	(1,975)
2.1. Movement in provision for outstanding claims and benefits, gross	(90,732)	(102,515)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(76,206)	(100,540)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(6)	(324)
VII. Insurance activity expenses	26,891	14,389
1. Acquisition expenses, including:	27,203	13,632
- movement in deferred acquisition costs	84,472	(72,904)
2. Administrative expenses	227	909
3. Reinsurance commissions and profit participation	539	152
VIII. Net other technical charges	1,236	2,254
IX. Movement in equalization provision	1,773	760
X. Technical result of non-life insurance	16,589	(28,743)

Opinion of the actuary

I hereby state that as at 31 December 2017, technical provisions recognized in Powszechny Zakład Ubezpieczeń Spółka Akcyjna based on insurance mathematics method are correct.

Paweł Chadysz
Chief Actuary of PZU

Warsaw, 14 March 2018

Notes are an integral part of the financial statements

Notes and explanations

1. Intangible assets

Intangible assets	31 December 2017	31 December 2016
a) costs of completed development works	-	-
b) goodwill	-	-
c) acquired concessions, patents, licenses and similar values, including:	313,996	335,962
- computer software	311,827	332,787
d) other intangible assets	-	-
e) advance payments for intangible assets	31,441	41,573
Total intangible assets	345,437	377,535

Total changes in intangible assets	31 December 2017	31 December 2016
a) gross value of intangible assets – at the beginning of the period	784,364	696,772
b) additions (by virtue of)	114,768	226,128
- purchase	49,813	100,113
- transfers	62,409	125,568
- other (including estimations)	2,546	447
c) reductions (by virtue of)	77,063	138,536
- sale	-	-
- liquidation	14,654	2,247
- transfers	62,409	125,568
- other (including estimations)	-	10,721
d) gross value of intangible assets – at the end of the period	822,069	784,364
e) accumulated depreciation – at the beginning of the period	405,106	332,882
f) depreciation for the period (due to)	69,803	72,224
- current year charges	83,052	74,459
- sale	-	-
- liquidation	(14,562)	(2,235)
- other	1,313	-
g) accumulated depreciation – at the end of the period	474,909	405,106
h) impairment losses – at the beginning of the period	1,723	1,723
- additions	-	-
- reductions	-	-
i) impairment losses – at the end of the period	1,723	1,723
j) net value of intangible assets – at the end of the period	345,437	377,535

Intangible assets – ownership structure	31 December 2017	31 December 2016
a) owned	345,437	377,535
b) used based on lease, rental or other agreement	-	-
Total intangible assets	345,437	377,535



Movement in intangible assets for the year ended 31 December 2017 (by groups)	a) costs of completed development works	b) goodwill	c) acquired concessions, patents, licenses and similar values	- including computer software	d) other intangible assets	e) advance payments and intangible assets under construction	Total intangible assets
a) gross value of intangible assets – at the beginning of the period	-	-	741,055	728,767	13	43,296	784,364
b) additions (by virtue of)	-	-	62,491	62,169	-	52,277	114,768
- purchase	-	-	48	48	-	49,765	49,813
- transfers	-	-	62,409	62,087	-	-	62,409
- other (including estimations)	-	-	34	34	-	2,512	2,546
c) reductions (by virtue of)	-	-	14,654	13,410	-	62,409	77,063
- sale	-	-	-	-	-	-	-
- liquidation	-	-	14,654	13,410	-	-	14,654
- transfers	-	-	-	-	-	62,409	62,409
- other (including estimations)	-	-	-	-	-	-	-
d) gross value of intangible assets – at the end of the period	-	-	788,892	777,526	13	33,164	822,069
e) accumulated depreciation – at the beginning of the period	-	-	405,093	395,980	13	-	405,106
f) depreciation for the period (due to)	-	-	69,803	69,719	-	-	69,803
- current year charges	-	-	83,052	81,724	-	-	83,052
- sale	-	-	-	-	-	-	-
- liquidation	-	-	(14,562)	(13,318)	-	-	(14,562)
- other	-	-	1,313	1,313	-	-	1,313
g) accumulated depreciation – at the end of the period	-	-	474,896	465,699	13	-	474,909
h) impairment losses – at the beginning of the period	-	-	-	-	-	1,723	1,723
- additions	-	-	-	-	-	-	-
- reductions	-	-	-	-	-	-	-
i) impairment losses – at the end of the period	-	-	-	-	-	1,723	1,723
j) net value of intangible assets – at the end of the period	-	-	313,996	311,827	-	31,441	345,437

Movement in intangible assets for the year ended 31 December 2016 (by groups)	a) costs of completed development works	b) goodwill	c) acquired concessions, patents, licenses and similar values	- including computer software	d) other intangible assets	e) advance payments and intangible assets under construction	Total intangible assets
a) gross value of intangible assets – at the beginning of the period	-	-	607,138	594,481	13	89,621	696,772
b) additions (by virtue of)	-	-	136,611	134,955	-	89,517	226,128
- purchase	-	-	10,596	10,596	-	89,517	100,113
- transfers	-	-	125,568	124,359	-	-	125,568
- other (including estimations)	-	-	447	-	-	-	447
c) reductions (by virtue of)	-	-	2,694	669	-	135,842	138,536
- sale	-	-	-	-	-	-	-
- liquidation	-	-	2,247	222	-	-	2,247
- transfers	-	-	-	-	-	125,568	125,568
- other	-	-	447	447	-	10,274	10,721
d) gross value of intangible assets – at the end of the period	-	-	741,055	728,767	13	43,296	784,364
e) accumulated depreciation – at the beginning of the period	-	-	332,869	323,839	13	-	332,882
f) depreciation for the period (due to)	-	-	72,224	72,141	-	-	72,224
- current year charges	-	-	74,459	72,363	-	-	74,459
- sale	-	-	-	-	-	-	-
- liquidation	-	-	(2,235)	(222)	-	-	(2,235)
- other	-	-	-	-	-	-	-
g) accumulated depreciation – at the end of the period	-	-	405,093	395,980	13	-	405,106
h) impairment losses – at the beginning of the period	-	-	-	-	-	1,723	1,723
- additions	-	-	-	-	-	-	-
- reductions	-	-	-	-	-	-	-
i) impairment losses – at the end of the period	-	-	-	-	-	1,723	1,723
j) net value of intangible assets – at the end of the period	-	-	335,962	332,787	-	41,573	377,535



2. Investments

2.1 Geographic structure of investments

Geographic structure of investments as at 31 December 2017	Domestic				Foreign – EU countries				Foreign – other countries				Total			
	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss
I. Property ¹⁾	741,635	568,755	369,702	125,988	-	-	-	-	-	-	-	-	741,635	568,755	369,702	125,988
II. Investments in related parties ²⁾	11,094,772	16,206,306	15,716,193	7,821	1,068,673	1,059,777	1,059,507	-	176,250	17,506	17,506	-	12,339,695	17,283,589	16,793,206	7,821
III. Other financial investments	15,584,896	17,675,978	17,006,184	14,567	831,915	967,866	966,605	-	1,463,723	1,440,287	1,440,287	-	17,880,534	20,084,131	19,413,076	14,567
1. Shares and other variable income securities	18,818	3,894	3,894	12,500	-	-	-	-	-	-	-	-	18,818	3,894	3,894	12,500
- measured at fair value	6,303	3,879	3,879	-	-	-	-	-	-	-	-	-	6,303	3,879	3,879	-
- measured at cost	12,515	15	15	12,500	-	-	-	-	-	-	-	-	12,515	15	15	12,500
2. Participation units and investment certificates in mutual funds	4,999,273	6,275,312	6,275,312	2,067	39,836	39,114	39,114	-	-	-	-	-	5,039,109	6,314,426	6,314,426	2,067
3. Debt securities and other fixed income securities	8,928,542	9,663,192	8,996,484	-	792,079	773,469	772,208	-	1,463,723	1,435,408	1,435,408	-	11,184,344	11,872,069	11,204,100	-
- measured at fair value	3,863,270	3,879,549	3,879,549	-	745,641	724,906	724,906	-	1,463,723	1,435,408	1,435,408	-	6,072,634	6,039,863	6,039,863	-
- measured at adjusted purchase price or cost	5,065,272	5,783,643	5,116,935	-	46,438	48,563	47,302	-	-	-	-	-	5,111,710	5,832,206	5,164,237	-
4. Participation in investments pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Mortgage-backed loans	884,676	954,896	954,033	-	-	-	-	-	-	-	-	-	884,676	954,896	954,033	-
6. Other loans	567,789	562,108	559,885	-	-	-	-	-	-	-	-	-	567,789	562,108	559,885	-
7. Term deposits with credit institutions	185,798	185,761	185,761	-	-	-	-	-	-	-	-	-	185,798	185,761	185,761	-
8. Other investments	-	30,815	30,815	-	-	155,283	155,283	-	-	4,879	4,879	-	-	190,977	190,977	-
IV. Deposits with ceding enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	27,421,303	34,451,039	33,092,079	148,376	1,900,588	2,027,643	2,026,112	-	1,639,973	1,457,793	1,457,793	-	30,961,864	37,936,475	36,575,984	148,376

¹⁾ The presented fair value of property is composed in 34.5% of valuations conducted in 2016-2017, and in 65.5% of valuations conducted in 2013-2015 which were based mostly on the income method.

²⁾ For companies measured by the equity method, the presented fair value of investments in related parties was recognized at the amount net assets of such entities attributable to PZU as at the balance sheet date (excluding Alior Bank and Bank Pekao, for which stock exchange valuation was presented), plus non-amortized portion of goodwill as at the balance sheet date and including impairment losses. The possible regular estimations of the fair value of investments in related parties that would be carried out solely for the purposes of PZU's standalone financial reporting are not conducted mainly due to potential significant and recurring costs of such activities and a broad margin of discretion and error that would affect the results.



Investment structure as at 31 December 2017	Domestic – Net carrying amount	Foreign – EU countries – Net carrying amount	Foreign – other countries – Net carrying amount	Total
I. Real property	369,702	-	-	369,702
II. Investments in related parties	15,716,193	1,059,507	17,506	16,793,206
- with unlimited transferability, quoted on exchanges	9,083,943	-	-	9,083,943
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	6,632,250	1,059,507	17,506	7,709,263
- with limited transferability	-	-	-	-
III. Other financial investments	17,006,184	966,605	1,440,287	19,413,076
1. Shares and other variable income securities	3,894	-	-	3,894
- with unlimited transferability, quoted on exchanges	3,879	-	-	3,879
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	15	-	-	15
- with limited transferability	-	-	-	-
2. Participation units and investment certificates in mutual funds	6,275,312	39,114	-	6,314,426
- with unlimited transferability, quoted on exchanges	-	-	-	-
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	6,275,312	39,114	-	6,314,426
- with limited transferability	-	-	-	-
3. Debt securities and other fixed income securities	8,996,484	772,208	1,435,408	11,204,100
- with unlimited transferability, quoted on exchanges	8,784,814	724,906	1,435,408	10,945,128
- with unlimited transferability, quoted on OTC markets	186,489	-	-	186,489
- with unlimited transferability, not quoted on a regulated market	25,181	47,302	-	72,483
- with limited transferability	-	-	-	-
4. Participation in investments pools	-	-	-	-
- with unlimited transferability, quoted on exchanges	-	-	-	-
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	-	-	-	-
- with limited transferability	-	-	-	-
5. Mortgage-backed loans	954,033	-	-	954,033
6. Other loans	559,885	-	-	559,885
7. Term deposits with credit institutions	185,761	-	-	185,761
8. Other investments	30,815	155,283	4,879	190,977
- with unlimited transferability, quoted on exchanges	-	13,755	4,879	18,634
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	30,815	141,528	-	172,343
- with limited transferability	-	-	-	-
IV. Deposits with ceding enterprises	()	-	-	-
Total	33,092,079	2,026,112	1,457,793	36,575,984

Geographic structure of investments as at 31 December 2016	Domestic				Foreign – EU countries				Foreign – other countries				Total			
	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss
I. Property ¹⁾	759,214	589,712	387,790	128,666	-	-	-	-	-	-	-	-	759,214	589,712	387,790	128,666
II. Investments in related parties ²⁾	3,992,993	7,921,243	8,391,979	7,821	1,106,813	1,151,805	1,150,549	-	176,250	20,002	20,002	-	5,276,056	9,093,050	9,562,530	7,821
III. Other financial investments	19,371,404	21,150,334	20,658,042	13,920	379,599	579,346	577,088	-	182,202	189,583	189,583	-	19,933,205	21,919,263	21,424,713	13,920
1. Shares and other variable income securities	12,515	15	15	12,500	-	-	-	-	-	-	-	-	12,515	15	15	12,500
- measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- measured at cost	12,515	15	15	12,500	-	-	-	-	-	-	-	-	12,515	15	15	12,500
2. Participation units and investment certificates in mutual funds	5,190,311	6,349,619	6,349,619	1,420	-	-	-	-	-	-	-	-	5,190,311	6,349,619	6,349,619	1,420
3. Debt securities and other fixed income securities	11,755,805	12,285,593	11,798,148	-	379,599	401,726	399,468	-	182,202	186,315	186,315	-	12,317,606	12,873,634	12,383,931	-
- measured at fair value	6,410,766	6,399,834	6,399,834	-	309,977	324,261	324,261	-	182,202	186,315	186,315	-	6,902,945	6,910,410	6,910,410	-
- measured at adjusted purchase price or cost	5,345,039	5,885,759	5,398,314	-	69,622	77,465	75,207	-	-	-	-	-	5,414,661	5,963,224	5,473,521	-
4. Participation in investments pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Mortgage-backed loans	884,676	953,383	951,450	-	-	-	-	-	-	-	-	-	884,676	953,383	951,450	-
6. Other loans	610,651	623,391	620,477	-	-	-	-	-	-	-	-	-	610,651	623,391	620,477	-
7. Term deposits with credit institutions	917,446	919,677	919,677	-	-	-	-	-	-	-	-	-	917,446	919,677	919,677	-
8. Other investments	-	18,656	18,656	-	-	177,620	177,620	-	-	3,268	3,268	-	-	199,544	199,544	-
IV. Deposits with ceding enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	24,123,611	29,661,289	29,437,811	150,407	1,486,412	1,731,151	1,727,637	-	358,452	209,585	209,585	-	25,968,475	31,602,025	31,375,033	150,407

¹⁾ The presented fair value of real properties is composed in 32.4% of valuations conducted in 2016, and in 67.6% of valuations conducted in 2013-2015 which were based mostly on the income method.

²⁾ For companies measured by the equity method, the presented fair value of investments in related parties was recognized at the amount net assets of such entities attributable to PZU as at the balance sheet date (excluding Alior Bank, for which stock exchange valuation was presented), plus non-amortized portion of goodwill as at the balance sheet date and including impairment losses. The possible regular estimations of the fair value of investments in related parties that would be carried out solely for the purposes of PZU's standalone financial reporting are not conducted mainly due to potential significant and recurring costs of such activities and a broad margin of discretion and error that would affect the results.



Investment structure as at 31 December 2016	Domestic – Net carrying amount	Foreign – EU countries – Net carrying amount	Foreign – other countries – Net carrying amount	Total
I. Real property	387,790	-	-	387,790
II. Investments in related parties	8,391,979	1,150,549	20,002	9,562,530
- with unlimited transferability, quoted on exchanges	2,169,722	-	-	2,169,722
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	6,222,257	1,150,549	20,002	7,392,808
- with limited transferability	-	-	-	-
III. Other financial investments	20,658,042	577,088	189,583	21,424,713
1. Shares and other variable income securities	15	-	-	15
- with unlimited transferability, quoted on exchanges	-	-	-	-
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	15	-	-	15
- with limited transferability	-	-	-	-
2. Participation units and investment certificates in mutual funds	6,349,619	-	-	6,349,619
- with unlimited transferability, quoted on exchanges	-	-	-	-
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	6,349,619	-	-	6,349,619
- with limited transferability	-	-	-	-
3. Debt securities and other fixed income securities	11,798,148	399,468	186,315	12,383,931
- with unlimited transferability, quoted on exchanges	11,654,782	324,261	186,315	12,165,358
- with unlimited transferability, quoted on OTC markets	118,185	-	-	118,185
- with unlimited transferability, not quoted on a regulated market	25,181	75,207	-	100,388
- with limited transferability	-	-	-	-
4. Participation in investments pools	-	-	-	-
- with unlimited transferability, quoted on exchanges	-	-	-	-
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	-	-	-	-
- with limited transferability	-	-	-	-
5. Mortgage-backed loans	951,450	-	-	951,450
6. Other loans	620,477	-	-	620,477
7. Term deposits with credit institutions	919,677	-	-	919,677
8. Other investments	18,656	177,620	3,268	199,544
- with unlimited transferability, quoted on exchanges	-	3,525	3,268	6,793
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	18,656	174,095	-	192,751
- with limited transferability	-	-	-	-
IV. Deposits with ceding enterprises	()	-	-	-
Total	29,437,811	1,727,637	209,585	31,375,033

2.2 Movement in financial instruments, by portfolio

Movement in financial instruments, by portfolio for the year ended 31 December 2017	Beginning of the period	Additions, including:		Reductions, including:		End of the period
		Acquisition	Increase in value	Sale or redemption	Decrease in value	
a) financial assets held for trading, including:	7,069,958	110,149,886	146,857	111,027,703	108,158	6,230,840
Shares and other variable income securities, participation units and investment certificates in mutual funds	-	-	-	-	-	-
Debt securities and other fixed income securities	6,870,414	110,052,211	93,815	110,875,035	101,542	6,039,863
Other investments	199,544	97,675	53,042	152,668	6,616	190,977
b) financial liabilities held for trading	223,905	1,440	27,711	86,270	5,156	161,630
c) loans granted and own receivables, including:	2,512,009	143,357,169	27,580	144,069,671	63	1,827,024
Debt securities and other fixed income securities	20,405	507,904	1,458	402,418	4	127,345
Mortgage-backed loans	951,450	100,000	23,985	121,344	58	954,033
Other loans	620,477	87,872,702	2,128	87,935,421	1	559,885
Term deposits with credit institutions	919,677	54,876,563	9	55,610,488	-	185,761
d) financial assets held to maturity, including:	5,453,117	2,367,738	106,149	2,877,711	12,401	5,036,892
Debt securities and other fixed income securities	5,453,117	2,367,738	106,149	2,877,711	12,401	5,036,892
e) financial assets available for sale, including:	6,389,629	2,512,604	178,663	2,713,990	48,586	6,318,320
Shares and other variable income securities, participation units and investment certificates in mutual funds	6,349,634	79,539	178,663	240,930	48,586	6,318,320
Debt securities and other fixed income securities	39,995	2,433,065	-	2,473,060	-	-
Total assets in other entities	21,424,713	258,387,397	459,249	260,689,075	169,208	19,413,076
Investments in related parties	9,173,109	7,092,219	1,127	-	286,002	15,980,453
Loans granted to related parties	389,421	11,768	1,794	67,443	-	335,540
Other investments in related parties	-	788,406	5,530	311,198	5,525	477,213
Total investments in related parties	9,562,530	7,892,393	8,451	378,641	291,527	16,793,206
Total liabilities	223,905	1,440	27,711	86,270	5,156	161,630

Movement in financial instruments, by portfolio for the year ended 31 December 2016	Beginning of the period	Additions, including:		Reductions, including:		End of the period
		Acquisition	Increase in value	Sale or redemption	Decrease in value	
a) financial assets held for trading, including:	672,106	13,384,014	63,991	6,960,762	89,391	7,069,958
Shares and other variable income securities, participation units and investment certificates in mutual funds	-	-	-	-	-	-
Debt securities and other fixed income securities	407,570	13,331,930	37,874	6,866,931	40,029	6,870,414
Other investments	264,536	52,084	26,117	93,831	49,362	199,544
b) financial liabilities held for trading	304,467	76,342	16,217	87,501	85,620	223,905
c) loans granted and own receivables, including:	3,238,177	210,167,476	55,832	210,945,517	3,959	2,512,009
Debt securities and other fixed income securities	311,760	-	5,303	296,658	-	20,405
Mortgage-backed loans	917,623	-	33,827	-	-	951,450
Other loans	616,988	26,016,830	11,165	26,023,856	650	620,477
Term deposits with credit institutions	1,391,806	184,150,646	5,537	184,625,003	3,309	919,677
d) financial assets held to maturity, including:	5,376,841	343,391	7,750	274,860	5	5,453,117
Debt securities and other fixed income securities	5,376,841	343,391	7,750	274,860	5	5,453,117
e) financial assets available for sale, including:	14,552,334	1,604,165	114,497	9,833,652	47,715	6,389,629
Shares and other variable income securities, participation units and investment certificates in mutual funds	13,606,077	34,489	106,807	7,355,050	42,689	6,349,634
Debt securities and other fixed income securities	946,257	1,569,676	7,690	2,478,602	5,026	39,995
Total assets in other entities	23,839,458	225,499,046	242,070	228,014,791	141,070	21,424,713
Investments in related parties	7,463,908	1,198,143	593,724	557	82,109	9,173,109
Loans granted to related parties	235,161	150,000	4,260	-	-	389,421
Other investments in related parties	341,709	-	-	341,709	-	-
Total investments in related parties	8,040,778	1,348,143	597,984	342,266	82,109	9,562,530
Total liabilities	304,467	76,342	16,217	87,501	85,620	223,905



2.3 Investments in real property

Investments in real property (by group)	31 December 2017	31 December 2016
a) own land	16,462	16,686
- at purchase price	20,176	20,449
- at present value	69,891	69,842
b) perpetual usufruct right to land	1,554	3,002
c) buildings and structures	346,453	361,441
- at purchase price	677,218	691,027
- at present value	339,192	348,716
d) cooperative ownership right to premises	4,942	5,208
e) construction investments	291	1,453
f) advance payments for construction investments	-	-
Total investments in real property (by group)	369,702	387,790

Movement in investments in real property	31 December 2017	31 December 2016
a) gross value – at the beginning of the period	759,214	789,339
b) additions (by virtue of)	10,323	7,630
- investments	5,636	2,866
- direct purchase	4,687	4,764
- other	-	-
c) reductions (by virtue of)	27,902	37,755
- liquidation	-	-
- sale	23,215	32,991
- donations	-	-
- other	4,687	4,764
d) gross value – at the end of the period	741,635	759,214
e) accumulated depreciation – at the beginning of the period	242,758	234,857
f) depreciation for the period (due to)	3,187	7,901
- depreciation charges for the current year	15,317	17,520
- accumulated depreciation of fixed assets liquidated	-	-
- accumulated depreciation of fixed assets sold	(12,130)	(9,619)
- accumulated depreciation of fixed assets donated	-	-
- other	-	-
g) accumulated depreciation – at the end of the period	245,945	242,758
h) impairment losses – at the beginning of the period	128,666	78,670
- additions	5	54 658 ¹⁾
- reductions	2,683	4,662
i) impairment losses – at the end of the period	125,988	128,666
j) net value – at the end of the period	369,702	387,790

¹⁾ This item includes mainly the impairment loss recognized for the PZU Head Office building in the amount of PLN 54,544 thousand.

Movement in real property value for the year ended 31 December 2017 (by group)	Land and perpetual usufruct right	Buildings and structures, facilities	Rights to residential and commercial space	Construction investments	Advance payments for construction investments	Total property
a) gross value – at the beginning of the period	57,097	691,027	9,637	1,453	-	759,214
b) additions (by virtue of)	-	6,798	-	3,525	-	10,323
- investments	-	2,111	-	3,525	-	5,636
- direct purchase	-	4,687	-	-	-	4,687
- other	-	-	-	-	-	-
c) reductions (by virtue of)	2,535	20,607	73	4,687	-	27,902
- liquidation	-	-	-	-	-	-
- sale	2,535	20,607	73	-	-	23,215
- donations	-	-	-	-	-	-
- other	-	-	-	4,687	-	4,687
d) gross value – at the end of the period	54,562	677,218	9,564	291	-	741,635
e) accumulated depreciation – at the beginning of the period	32,570	205,759	4,429	-	-	242,758
f) depreciation for the period (due to)	(814)	3,808	193	-	-	3,187
- depreciation charges for the current year	1,448	13,632	237	-	-	15,317
- accumulated depreciation of property liquidated	-	-	-	-	-	-
- accumulated depreciation of property sold	(2,262)	(9,824)	(44)	-	-	(12,130)
- accumulated depreciation of property donated	-	-	-	-	-	-
- other	-	-	-	-	-	-
g) accumulated depreciation – at the end of the period	31,756	209,567	4,622	-	-	245,945
h) impairment losses – at the beginning of the period	4,839	123,827	-	-	-	128,666
- additions	-	5	-	-	-	5
- reductions	49	2,634	-	-	-	2,683
i) impairment losses – at the end of the period	4,790	121,198	-	-	-	125,988
j) net value – at the end of the period	18,016	346,453	4,942	291	-	369,702

Movement in real property value for the year ended 31 December 2016 (by group)	Land and perpetual usufruct right	Buildings and structures, facilities	Rights to residential and commercial space	Construction investments	Advance payments for construction investments	Total property
a) gross value – at the beginning of the period	72,018	702,603	11,367	3,351	-	789,339
b) additions (by virtue of)	87	4,677	-	2,866	-	7,630
- investments	-	-	-	2,866	-	2,866
- direct purchase	87	4,677	-	-	-	4,764
- other	-	-	-	-	-	-
c) reductions (by virtue of)	15,008	16,253	1,730	4,764	-	37,755
- liquidation	-	-	-	-	-	-
- sale	15,008	16,253	1,730	-	-	32,991
- donations	-	-	-	-	-	-
- other	-	-	-	4,764	-	4,764
d) gross value – at the end of the period	57,097	691,027	9,637	1,453	-	759,214
e) accumulated depreciation – at the beginning of the period	31,468	198,442	4,947	-	-	234,857
f) depreciation for the period (due to)	1,102	7,317	(518)	-	-	7,901
- depreciation charges for the current year	1,963	15,301	256	-	-	17,520
- accumulated depreciation of property liquidated	-	-	-	-	-	-
- accumulated depreciation of property sold	(861)	(7,984)	(774)	-	-	(9,619)
- accumulated depreciation of property donated	-	-	-	-	-	-
- other	-	-	-	-	-	-
g) accumulated depreciation – at the end of the period	32,570	205,759	4,429	-	-	242,758
h) impairment losses – at the beginning of the period	5,849	72,821	-	-	-	78,670
- additions	18	54,640	-	-	-	54,658
- reductions	1,028	3,634	-	-	-	4,662
i) impairment losses – at the end of the period	4,839	123,827	-	-	-	128,666
j) net value – at the end of the period	19,688	361,441	5,208	1,453	-	387,790

Real property (by purpose)	31 December 2017	31 December 2016
a) real property used for own purposes	350,215	361,777
b) other property	19,487	26,013
Total real property (by purpose)	369,702	387,790

Investments in real property	31 December 2017	31 December 2016
a) short-term	20,867	26,154
b) long-term	348,835	361,636
Total investments in real property	369,702	387,790

Investments in real property (by currency)	31 December 2017	31 December 2016
a) Polish currency	369,702	387,790
b) in foreign currencies (by currency and translated to PLN)	-	-
Total investments in real property	369,702	387,790

Investments in real property	31 December 2017	31 December 2016
Value of land in perpetual usufruct not used for own purposes	75	87
Total value of land in perpetual usufruct not used for own purposes	75	87

2.4 Investments in related parties

Investments in related parties (carrying amount)	31 December 2017	31 December 2016
a) shares in subsidiaries, of which:	15,980,453	9,173,109
- long-term investments	15,980,453	9,173,109
b) shares in joint ventures, of which	-	-
- long-term investments	-	-
c) shares in associates, of which:	-	-
- long-term investments	-	-
d) loans granted to subsidiaries, of which:	335,540	389,421
- long-term investments	335,540	389,421
e) loans granted to joint ventures, of which:	-	-
- long-term investments	-	-
f) loans granted to associates, of which:	-	-
- long-term investments	-	-
g) debt securities of subsidiaries, of which:	-	-
- long-term investments	-	-
g) debt securities of joint ventures, of which:	-	-
- long-term investments	-	-
i) debt securities of associates, of which:	-	-
- long-term investments	-	-
j) other investments (by type), of which:	477,213	-
- long-term investments	-	-
Total investments in related parties	16,793,206	9,562,530

Investments in related parties measured by the equity method	31 December 2017	31 December 2016
a) shares, of which:	15,980,453	9,173,109
- in subsidiaries	15,980,453	9,173,109
- in joint ventures	-	-
- in associates	-	-
b) loans granted, of which:	335,540	389,421
- to subsidiaries	335,540	389,421
- to joint ventures	-	-
- to associates	-	-
c) debt securities, of which:	-	-
- subsidiaries	-	-
- joint ventures	-	-
- associates	-	-
j) other (by type), of which:	477,213	-
- in subsidiaries	477,213	-
- in joint ventures	-	-
- in associates	-	-
Total investments in related parties measured by the equity method	16,793,206	9,562,530

Investments in related parties measured by the equity method, including:	31 December 2017	31 December 2016
a) goodwill of related parties	3,279,887	1,493,801
- subsidiaries	3,279,887	1,493,801
- joint ventures	-	-
- associates	-	-
b) negative goodwill of related parties	-	-
- subsidiaries	-	-
- joint ventures	-	-
- associates	-	-

Movement in goodwill – subsidiaries	31 December 2017	31 December 2016
a) gross goodwill at the beginning of the period, including:	1,651,281	1,468,248
- UAB PZU Lietuva Gyvybes Draudimas	81	81
- PrJSC IC PZU Ukraine	4,361	4,361
- PrJSC IC PZU Ukraine Life Insurance	1,595	1,595
- Lietuvos Draudimas AB	436,809	436,809
- Link4 SA	221,377	221,377
- AAS Balta	89,559	89,559
- Alior Bank	897,499	714,466
b) additions (by virtue of)	1,975,544	183,033
- Alior Bank	209,360 ¹⁾	183,033
- Pekao	1,766,184	-
c) reductions (by virtue of)	-	-
d) gross goodwill at the end of the period	3,626,825	1,651,281
- UAB PZU Lietuva Gyvybes Draudimas	81	81
- PrJSC IC PZU Ukraine	4,361	4,361
- PrJSC IC PZU Ukraine Life Insurance	1,595	1,595
- Lietuvos Draudimas AB	436,809	436,809
- Link4 SA	221,377	221,377
- Pekao	1,766,184	-
- AAS Balta	89,559	89,559
- Alior Bank	1,106,859	897,499
e) charges to goodwill at the beginning of the period	157,480	66,314
- UAB PZU Lietuva Gyvybes Draudimas	81	81
- PrJSC IC PZU Ukraine	4,361	4,361
- PrJSC IC PZU Ukraine Life Insurance	1,595	1,595

Movement in goodwill – subsidiaries	31 December 2017	31 December 2016
- Lietuvos Draudimas AB	47,948	30,534
- Link4 SA	34,436	19,678
- AAS Balta	8,612	6,690
- Alior Bank	60,447	3,375
f) charges to goodwill for the period	189,458	91,166
- Lietuvos Draudimas AB	45,545	17,414
- Link4 SA	14,759	14,758
- Pekao	51,514	-
- AAS Balta	10,735	1,922
- Alior Bank	66,905	57,072
g) charges to goodwill at the end of the period	346,938	157,480
- UAB PZU Lietuva Gyvybes Draudimas	81	81
- PrJSC IC PZU Ukraine	4,361	4,361
- PrJSC IC PZU Ukraine Life Insurance	1,595	1,595
- Lietuvos Draudimas AB	93,493	47,948
- Link4 SA	49,195	34,436
- Pekao	51,514	-
- AAS Balta	19,347	8,612
- Alior Bank	127,352	60,447
h) net goodwill at the end of the period	3,279,887	1,493,801
- Lietuvos Draudimas AB	343,316	388,861
- Link4 SA	172,182	186,941
- Pekao	1,714,670	-
- AAS Balta	70,212	80,947
- Alior Bank	979,507	837,052

¹⁾ Of which: PLN 2,794 thousand comes from the purchase of the 4th tranche and PLN 206,566 thousand from the purchase of the 5th tranche

Foreign exchange translation differences and depreciation are recognized as changes in impairment of goodwill.

In 2017, a provisional purchase price allocation of the acquisition of Bank Pekao SA ("Pekao") was conducted and goodwill was determined. The table below shows the figures resulting from the preliminary purchase price allocation. The transaction is described in section 2.4.2. Notes and explanations

Calculation of goodwill – Pekao	As at the date of purchase
Assets	168,445,513
Goodwill written off from Bank Pekao books	(55,520)
Intangible assets identified – trademark	340,000
Measurement of properties	251,437
Valuation of entities measured by the equity method	400,360
Valuation of privately held shares and assets held to maturity	172,508
Valuation of the credit portfolio	(1,359,734)
Remeasurement of receivables	(16,000)
Deferred tax on the adjustments	131,368
Liabilities	(146,936,963)
Estimation of provisions (holiday leave and dispute provisions)	(86,000)
Measurement of liabilities on the issue of debt securities	(43,084)
Commissions relating to credit cards	(66,000)
Fair value of net assets acquired	21,177,885
Percentage of share capital held	20.00%
Fair value of acquired net assets acquired, pro rata to the percentage of share capital held	4,235,577
Fair value of the payment made – cash	6,001,761
Goodwill	1,766,184

The calculation of Alior Bank's goodwill arising out of the transaction described in section 2.4.1 is presented below. Notes and explanations

Calculation of goodwill – Alior Bank	As at the 5th tranche purchase date
Assets	61,837,078
Intangible assets identified – trademark	88,890
Revaluation of loans	(1,263,382)
Elimination of an intangible asset from the balance sheet – relations with BPH clients	(40,597)
Recognition of negative goodwill on the purchase of BPH	(305,799)
Goodwill written off from Alior Bank books	(107,957)
Deferred tax on the adjustments	226,816
Liabilities	(55,447,920)
Rent liabilities	(19,279)
Fair value of net assets acquired	4,967,850
Percentage of share capital held	6.8568%
Fair value of acquired net assets acquired, pro rata to the percentage of share capital held	340,633
Fair value of the payment made – cash	547,199
Goodwill	206,566

Movement in investments in related parties (by type)	31 December 2017	31 December 2016
a) beginning of the period	9,562,530	8,040,778
- shares in related parties	9,173,109	7,805,617
- loans granted	389,421	235,161
- payments on capital contributions	-	-
b) additions (by virtue of)	7,900,844	1,946,127
- acquisition	7,892,393	1,348,143
- revaluation adjustments	8,451	597,984
- other	-	-
c) reductions (by virtue of)	670,168	424,375
- sale or buyout	378,641	342,266
- revaluation adjustments	291,527	82,109
- other	-	-
d) at the end of the period	16,793,206	9,562,530
- shares in related parties	15,980,453	9,173,109
- loans granted	335,540	389,421
- other	477,213	-

Shares and securities in related parties	31 December 2017	31 December 2016
a) admitted to trading on a regulated market	9,083,943	2,169,722
B) not admitted to trading on a regulated market	6,896,510	7,003,387
Total shares and securities in related parties	15,980,453	9,173,109

Shares and other financial instruments in related parties (long-term investments), by transferability	31 December 2017	31 December 2016
A. With unlimited transferability, quoted on exchanges (carrying amount)	9,083,943	2,169,722
a) shares (carrying amount):	9,083,943	2,169,722
- revaluation adjustments (for the period)	6,914,221	875,395
- value at the beginning of the period	2,169,722	1,294,327
- value at purchase price	8,749,250	2,189,405
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-

Shares and other financial instruments in related parties (long-term investments), by transferability	31 December 2017	31 December 2016
- value at purchase price	-	-
B. With unlimited transferability, quoted on OTC markets (carrying amount)	-	-
a) shares (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
C. With unlimited transferability, not quoted on a regulated market (carrying amount)	7,232,050	7,392,808
a) shares (carrying amount):	6,627,760	6,736,992
- revaluation adjustments (for the period)	(109,232)	830,067
- value at the beginning of the period	6,736,992	5,906,925
- value at purchase price	2,515,890	2,439,174
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	604,290	655,816
shares in related parties (carrying amount)	268,750	266,395
- revaluation adjustments (for the period)	2,355	3,739
- value at the beginning of the period	266,395	262,656
- value at purchase price	263,230	263,219
loans granted (carrying amount)	335,540	389,421
- revaluation adjustments (for the period)	(53,881)	154,260
- value at the beginning of the period	389,421	235,161
- value at purchase price	330,259	380,401
other investments (carrying amount)	-	-
- revaluation adjustments (for the period)	(3,892)	(341,709)
- value at the beginning of the period	3,892	341,709
- value at purchase price	-	-
D. With limited transferability (carrying amount)	-	-
a) shares (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
Total value at purchase price	11,858,629	5,272,199
Total value at the beginning of the period	9,566,422	8,040,778
Total revaluation adjustments (for the period)	6,749,571	1,521,752
Total carrying amount	16,315,993	9,562,530

Shares and other financial instruments in related parties (short-term investments), by transferability	31 December 2017	31 December 2016
A. With unlimited transferability, quoted on exchanges (carrying amount)	-	-
a) shares (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
B. With unlimited transferability, quoted on OTC markets (carrying amount)	-	-
a) shares (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
C. With unlimited transferability, not quoted on a regulated market (carrying amount)	-	-
a) shares (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
D. With limited transferability (carrying amount)	477,213	-
a) shares (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other – other investments (carrying amount):	477,213	-
- fair value	477,213	-
- market value	477,213	-
- value at purchase price	477,207	-
Total value at purchase price	477,207	-
Total value at the beginning of the period	-	-



Shares and other financial instruments in related parties (short-term investments), by transferability	31 December 2017	31 December 2016
Total revaluation adjustments (for the period)	477,213	-
Total carrying amount	477,213	-

2.4.1. Acquisition of additional blocks of shares in Alior Bank

From 29 June to 12 July 2017, PZU purchased in exchange transactions a total of 9,041,140 shares constituting 6.99% of shares, for PLN 558,085 thousand. As a result, PZU's stake in the share capital and votes at the Shareholder Meeting of Alior Bank reached 32.19% as at 31 December 2017. Additionally, indirectly through PZU Życie and controlled mutual funds, PZU held 0.04% of Alior Bank's share capital and the total number of votes at Alior Bank's shareholder meeting.

2.4.2. Acquisition of shares in Bank Pekao

On 28 September 2016, negotiations were launched to conclude a transaction for PZU acting in a consortium with Polski Fundusz Rozwoju S.A. ("PFR") to acquire a significant equity stake in Pekao from UniCredit S.p.A. ("Seller", "UniCredit"; PZU, PFR and the Seller are collectively referred to as the "Parties"), which ended on 8 December 2016.

The PZU Management Board and the PZU Supervisory Board expressed their consent for the execution of a share purchase agreement with UniCredit for a stake in Pekao ("SPA") and other agreements necessary for the planned transaction.

On 7 June 2017, PZU directly acquired a stake in Pekao representing approximately 20% of the total number of votes and at the same time PFR directly acquired a stake in Pekao representing approximately 12.8% of the total number of votes.

The price agreed by the Parties was PLN 123 per share, and the price for the stake acquired by PZU was PLN 6,456,763 thousand. The price also included payment for the acquired right to the dividend of PLN 8.68 per share, or PLN 455,648 thousand in total, in accordance with the 19 April 2017 resolution adopted by the Pekao Ordinary Shareholder Meeting. The SPA does not provide for the possibility of an adjustment of the purchase price.

2.4.3. Loans granted to subsidiaries

Loan granted to PZU Zdrowie SA

On 23 March 2015, a subordinated loan agreement was concluded between PZU and PZU Zdrowie SA for the amount of up to PLN 200,000 thousand. The first installment in the amount of PLN 90,000 thousand was paid out on 26 March 2015, the second installment of PLN 40,000 thousand on 29 September 2015 and the third installment of PLN 70,000 thousand on 4 July 2016. The loan bears no interest. The loan should be repaid in 120 equal installments, no later than on 31 December 2030. As at 31 December 2017 and as at 31 December 2016 the amount of the loan was PLN 200,000 thousand.

Loan granted to TUW PZUW

On 9 November 2016, PZU and TUW PZUW concluded an agreement to grant a subordinated loan of PLN 80,000 thousand maturing on 4 January 2027, with interest rate determined on an arm's length basis (6M WIBOR plus 300 bps). As at 31 December 2017 the amount of the loan was PLN 80,027 thousand (PLN 80,470 thousand as at 31 December 2016).

Shares in related parties (long-term investments) as at 31 December 2017, including financial data

a) Name and legal form	b) Registered office	c) Line of business	d) Type of relationship	e) Consolidation method/measurement by the equity method or indication that the entity is not consolidated/measured by the equity method	f) Date of obtaining control/joint control/significant influence	g) Value of shares at purchase price	h) Revaluation adjustments (total) ¹⁾	i) Carrying amount of shares	j) Percentage of share capital directly or indirectly held by PZU	k) Percentage of total votes held at the Shareholder Meeting	l) Source of control/joint control/significant influence if other than in j) and k)
1. Bank Pekao SA Group	Warsaw	Banking business	subsidiary ²⁾	full consolidation	07.06.2017	6,001,761	216,014	6,217,775	20.00%	20.00%	n/a
2. PZU Życie	Warsaw	Life insurance business	subsidiary	full consolidation	18.12.1991	295,088	4,362,361	4,657,449	100.00%	100.00%	n/a
3. Alior Bank Group	Warsaw	Banking business	subsidiary ²⁾	full consolidation	18.12.2015	2,747,489	118,679	2,866,168	32.19%	32.19%	n/a
4. Lietuvos Draudimas AB	Vilnius, Lithuania	Non-life insurance business	subsidiary	full consolidation	31.10.2014	807,166	(2,205)	804,961	100.00%	100.00%	n/a
5. Link4 Towarzystwo Ubezpieczeń SA ("Link4")	Warsaw	Non-life insurance business	subsidiary	full consolidation	15.09.2014	518,482	(123,326)	395,156	100.00%	100.00%	n/a
6. Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych ("TUW PZUW")	Warsaw	Non-life insurance business	subsidiary	full consolidation	20.11.2015	325,850	3,222	329,072	100.00%	100.00%	n/a
7. Apdrošināšanas Akciju Sabiedrība Balta ("AAS Balta")	Riga, Latvia	Non-life insurance business	subsidiary	full consolidation	30.06.2014	200,776	1,609	202,385	99.99%	99.99%	n/a
8. Ogródowa - Inwestycje Sp. z o.o. ("Ogródowa Inwestycje")	Warsaw	Business and management consultancy activities, business of a holding company	subsidiary	full consolidation	15.09.2004	142,255	2,775	145,030	100.00%	100.00%	n/a
9. Tower-Inwestycje Sp. z o.o. (form. PZU Tower Sp. z o.o.) („Tower“)	Warsaw	Other financial service activities, except insurance and pension funding	indirect subsidiary	full consolidation	17.08.1999	112,900	8,104	121,004	27.47%	27.47%	n/a
10. Towarzystwo Funduszy Inwestycyjnych PZU SA ("TFI PZU")	Warsaw	Creation, representing and management of mutual funds	subsidiary	full consolidation	27.09.2011	38,403	52,907	91,310	100.00%	100.00%	n/a
11. PZU Centrum Operacji SA ("PZU CO")	Warsaw	Activities auxiliary to insurance and pension funding	subsidiary	full consolidation	27.09.2011	40,645	(1,363)	39,282	100.00%	100.00%	n/a
12. PZU Pomoc SA	Warsaw	Provision of assistance services	subsidiary	full consolidation	18.03.2009	18,566	13,470	32,036	100.00%	100.00%	n/a



a) Name and legal form	b) Registered office	c) Line of business	d) Type of relationship	e) Consolidation method/measurement by the equity method or indication that the entity is not consolidated/measured by the equity method	f) Date of obtaining control/joint control/significant influence	g) Value of shares at purchase price	h) Revaluation adjustments (total) ¹⁾	i) Carrying amount of shares	j) Percentage of share capital directly or indirectly held by PZU	k) Percentage of total votes held at the Shareholder Meeting	l) Source of control/joint control/significant influence if other than in j) and k)	
13.	UAB PZU Lietuva Gyvybes Draudimas	Vilnius, Lithuania	Life insurance business	subsidiary	full consolidation	08.04.2004	40,235	(11,471)	28,764	99.34%	99.34%	n/a
14.	PZU Zdrowie SA ("PZU Zdrowie")	Warsaw	Provision of medical services	subsidiary	full consolidation	02.09.2011	40,664	(23,169)	17,495	100.00%	100.00%	n/a
15.	PrJSC IC PZU Ukraine	Kiev, Ukraine	Non-life insurance business	subsidiary	full consolidation	01.07.2005	143,666	(132,812)	10,854	83.23%	83.23%	n/a
16.	Ardea Alba SA in liquidation (form. PZU Asset Management S.A. ("PZU AM"))	Warsaw	Provision of managed account services	subsidiary	full consolidation	12.07.2001	11,463	(3,773)	7,690	100.00%	100.00%	n/a
17.	PrJSC IC PZU Ukraine Life Insurance	Kiev, Ukraine	Life insurance business	subsidiary	full consolidation	01.07.2005	32,584	(25,932)	6,652	53.47%	53.47%	n/a
18.	PZU Finance AB	Stockholm, Sweden	Financial services	subsidiary	full consolidation	02.06.2014	236	2,688	2,924	100.00%	100.00%	n/a
19.	PZU Finanse Sp. z o.o.	Warsaw	Other financial service activities, except insurance and pension funding	subsidiary	full consolidation	30.10.2013	4,050	(1,359)	2,691	100.00%	100.00%	n/a
20.	PZU LAB SA (form. Omicron SA)	Warsaw	No business conducted	subsidiary	full consolidation	13.09.2011	1,700	(246)	1,454	100.00%	100.00%	n/a
21.	Omicron BIS SA	Warsaw	No business conducted	subsidiary	full consolidation	21.08.2014	150	(30)	120	100.00%	100.00%	n/a
22.	Battersby Investments SA	Warsaw	No business conducted	subsidiary	full consolidation	15.09.2017	115	(23)	92	100.00%	100.00%	n/a
23.	Sigma BIS SA	Warsaw	No business conducted	subsidiary	full consolidation	19.08.2015	100	(26)	74	100.00%	100.00%	n/a
24.	Ipsilon Sp. z o.o.	Warsaw	Provision of assistance services and medical services	subsidiary	full consolidation	02.04.2009	52	(38)	14	100.00%	100.00%	n/a
25.	Tulare Investments Sp. z o.o.	Warsaw	No business conducted	subsidiary	full consolidation	15.09.2017	11	(11)	-	100.00%	100.00%	n/a
26.	PZU Corporate Member Limited	London, UK	Investment activity	subsidiary	full consolidation	28.09.2017	1	-	1	100.00%	100.00%	n/a
27.	Syta Development Sp. z o.o. in liquidation ("Syta Development")	Warsaw	Buying and selling real estate, intermediacy in buying and selling, administration of real estate	subsidiary	unconsolidated	29.04.1996	3,962	(3,962)	-	100.00%	100.00%	n/a
Total							11,528,370	4,452,083	15,980,453			

¹⁾ "Total revaluation adjustments" shows change in value resulting from measurement using the equity method, including amortization and impairment of goodwill.

²⁾ Alior Bank was recognized as a subsidiary under the conditions described in section 2.4.1 of Notes and explanations.

³⁾ Pekao was recognized as a subsidiary under the conditions described in section 2.4.2 of Notes and explanations.



a) Name and legal form	m) Equity, including:						n) Liabilities and provisions for liabilities, including:		o) Receivables:		p) Total assets	r) Sales revenues	s) Amount of shares not paid up by the issuer	t) Dividend for the last financial year received or receivable from the entity
	- share capital	- unpaid share capital (negative value)	- supplementary capital	- other equity, including:			- non-current liabilities	- current liabilities	- non-current	- current				
				- other equity	- retained earnings (losses)	- net profit (loss)								
1. Bank Pekao SA Group ^{1) 2)}	262,470	-	9,491,652	11,069,525	(30,962)	2,475,129	8,077,103	153,525,679	90,758,585	29,918,687	185,465,570	8,304,279	-	-
2. PZU Życie ²⁾	295,000	-	3,076,663	25,547	-	1,260,238	15,082	761,123	2,784	175,649	28,320,044	8,564,875	-	1,429,346
3. Alior Bank Group ^{1) 2)}	1,292,636	-	4,820,048	183,824	(65,760)	515,241	5,058,859	57,552,753	34,125,744	18,042,525	69,493,780	4,429,007	-	-
4. Lietuvos Draudimas AB ¹⁾	48,537	-	9,707	22,652	417,688	46,823	1,606	119,696	7,191	200,737	1,491,601	968,530	-	17,136
5. Link4 ²⁾	111,356	-	278,626	8,516	(208,224)	10,825	35,121	407,164	221	120,213	1,733,970	1,016,661	-	-
6. TUW PZUW ²⁾	324,900	-	14	550	325	2,341	80,027	265,390	-	265,585	719,280	384,509	-	-
7. AAS Balta ¹⁾	34,182	-	5,488	14,570	87,697	26,585	10,882	40,237	613	70,121	516,487	377,447	-	8,485
8. Ogrodowa Inwestycje Tower	142,255	-	-	-	-	2,775	1,931	2,243	-	60,719	150,300	20,827	-	496
9. TFI PZU	411,000	-	-	1,901	-	805	-	332	-	2,510	441,286	-	-	-
10. PZU CO	13,000	-	47,522	(468)	-	32,777	-	14,096	-	20,637	123,112	174,189	-	13,944
11. PZU Pomoc SA	500	-	35,681	464	369	2,268	-	41,786	5	17,146	77,863	340,750	-	-
12. UAB PZU Lietuva Gyvybes Draudimas ¹⁾	4,886	-	18,232	-	-	8,919	-	3,020	-	13,597	39,471	52,247	-	-
13. PrJSC IC PZU Ukraine ¹⁾	29,309	-	1,162	471	(3,269)	1,282	46	2,332	-	142	182,377	57,860	-	-
14. Ardea Alba SA in liquidation (form. PZU Asset Management S.A.) ("PZU AM")	10,650	-	29,945	-	(14,227)	(8,873)	200,178	24,167	178	27,516	252,000	139,484	-	-
15. PrJSC IC PZU Ukraine ¹⁾	7,430	-	1,482	143,807	(139,754)	76	-	59,019	-	57,064	181,218	180,549	-	-
16. PrJSC IC PZU Ukraine Life Insurance ¹⁾	7,672	-	-	(61)	-	79	-	3	-	3	7,962	-	-	-
17. PZU Finance AB ¹⁾	7,153	-	453	18,823	(17,055)	3,086	44	4,750	-	921	84,132	42,037	-	-
18. PZU Finanse Sp. z o.o.	219	-	-	-	1,672	1,108	3,509,068	47,586	3,558,262	304	3,560,059	-	-	-
19. PZU LAB SA (form. Omicron SA)	50	-	-	4,000	(1,273)	(86)	-	131	-	383	3,000	2,011	-	-
20. Omicron BIS SA	260	-	1,440	-	(27)	(220)	-	-	-	71	1,558	36	-	-
21. Battersby Investments SA	150	-	-	-	(19)	(11)	-	-	-	3	124	-	-	-
22. Sigma BIS SA	100	-	-	-	-	(8)	-	-	-	1	96	-	-	-
23. Ipsilon Sp. z o.o.	100	-	-	-	(14)	(12)	-	-	-	-	78	-	-	-
24. Tulare Investments Sp. z o.o.	50	-	-	-	(29)	(7)	-	-	-	2	18	-	-	-
25. PZU Corporate Member Limited ¹⁾	5	-	-	-	-	(5)	-	-	-	-	1	-	-	-
26. Syta Development	-	-	-	-	-	-	11,750	-	-	-	11,750	-	-	-
27. Syta Development	831	-	9,908	(285)	(10,486)	(112)	-	151	-	-	8	-	-	-

The above data are presented based on the unaudited financial statements of the companies, except for PZU Życie, the Alior Bank Group and the Bank Pekao Group.

¹⁾ IFRS figures

²⁾ For insurance companies, "sales revenues" item presents gross written premium and other technical revenues; in revenue from sale" shows gross written premiums and other technical revenue; for the Alior Bank Group and the Bank Pekao Group, it shows interest income and revenue from commissions and fees.



Shares in related parties (long-term investments) as at 31 December 2016, including financial data

a) Name and legal form	b) Registered office	c) Line of business	d) Type of relationship	e) Consolidation method/measurement by the equity method or indication that the entity is not consolidated/measured by the equity method	f) Date of obtaining control/joint control/significant influence	g) Value of shares at purchase price	h) Revaluation adjustments (total) ¹⁾	i) Carrying amount of shares	j) Percentage of share capital directly or indirectly held by PZU	k) Percentage of total votes held at the Shareholder Meeting	l) Source of control/joint control/significant influence if other than in j) and k)
1. PZU Życie	Warsaw	Life insurance business	subsidiary	full consolidation	18.12.1991	295,088	4,515,156	4,810,244	100.00%	100.00%	n/a
2. Alior Bank Group	Warsaw	Banking business	subsidiary ²⁾	full consolidation	18.12.2015	2,189,405	(19,683)	2,169,722	25.19%	25.19%	n/a
3. Lietuvos Draudimas AB	Vilnius, Lithuania	Non-life insurance business	subsidiary	full consolidation	31.10.2014	807,166 ³⁾	44,830	851,996	100.00%	100.00%	n/a
4. „Link4	Warsaw	Non-life insurance business	subsidiary	full consolidation	15.09.2014	473,482	(118,967)	354,515	100.00%	100.00%	n/a
5. TUW PZUW	Warsaw	Non-life insurance business	subsidiary	full consolidation	20.11.2015	325,850	(7,246)	318,604	100.00%	100.00%	n/a
6. AAS Balta	Riga, Latvia	Non-life insurance business	subsidiary	full consolidation	30.06.2014	200,776	3,160	203,936	99.99%	99.99%	n/a
7. Ogródowa Inwestycje	Warsaw	Business and management consultancy activities, business of a holding company	subsidiary	full consolidation	15.09.2004	142,255	2,695	144,950	100.00%	100.00%	n/a
8. Tower	Warsaw	Other financial service activities, except insurance and pension funding	indirect subsidiary	full consolidation	17.08.1999	112,900	5,747	118,647	27.47%	27.47%	n/a
9. TFI PZU	Warsaw	Creation, representing and management of mutual funds	subsidiary	full consolidation	27.09.2011	38,403	40,100	78,503	100.00%	100.00%	n/a
10. PZU CO	Warsaw	Activities auxiliary to insurance and pension funding	subsidiary	full consolidation	27.09.2011	40,645	(3,866)	36,779	100.00%	100.00%	n/a
11. UAB PZU Lietuva Gyvybes Draudimas	Vilnius, Lithuania	Life insurance business	subsidiary	full consolidation	08.04.2004	40,235	(11,054)	29,181	99.34%	99.34%	n/a
12. PZU Pomoc SA	Warsaw	Provision of assistance services	subsidiary	full consolidation	18.03.2009	18,566	4,601	23,167	100.00%	100.00%	n/a



a) Name and legal form	b) Registered office	c) Line of business	d) Type of relationship	e) Consolidation method/measurement by the equity method or indication that the entity is not consolidated/measured by the equity method	f) Date of obtaining control/joint control/significant influence	g) Value of shares at purchase price	h) Revaluation adjustments (total) ¹⁾	i) Carrying amount of shares	j) Percentage of share capital directly or indirectly held by PZU	k) Percentage of total votes held at the Shareholder Meeting	l) Source of control/joint control/significant influence if other than in j) and k)
13. PrJSC IC PZU Ukraine	Kiev, Ukraine	Non-life insurance business	subsidiary	full consolidation	01.07.2005	143,666	(130,148)	13,518	83.23%	83.23%	n/a
14. PZU AM	Warsaw	Provision of managed account services	subsidiary	full consolidation	12.07.2001	11,463	(3,635)	7,828	100.00%	100.00%	n/a
15. PrJSC IC PZU Ukraine Life Insurance	Kiev, Ukraine	Life insurance business	subsidiary	full consolidation	01.07.2005	32,584	(26,100)	6,484	53.47%	53.47%	n/a
16. PZU Finanse Sp. z o.o.	Warsaw	Other financial service activities, except insurance and pension funding	subsidiary	full consolidation	30.10.2013	4,050	(1,274)	2,776	100.00%	100.00%	n/a
17. PZU Finance AB	Stockholm, Sweden	Financial services	subsidiary	full consolidation	02.06.2014	236	1,711	1,947	100.00%	100.00%	n/a
18. Omicron BIS SA	Warsaw	No business conducted	subsidiary	full consolidation	21.08.2014	150	(19)	131	100.00%	100.00%	n/a
19. Sigma BIS SA	Warsaw	No business conducted	subsidiary	full consolidation	19.08.2015	100	(14)	86	100.00%	100.00%	n/a
20. Omicron SA	Warsaw	No business conducted	subsidiary	full consolidation	13.09.2011	100	(27)	73	100.00%	100.00%	n/a
21. Ipsilon Sp. z o.o.	Warsaw	Provision of assistance services and medical services	subsidiary	full consolidation	02.04.2009	52	(30)	22	100.00%	100.00%	n/a
22. PZU Zdrowie	Warsaw	Provision of medical services	subsidiary	full consolidation	02.09.2011	10,664	(10,664)	-	100.00%	100.00%	n/a
23. Syta Development	Warsaw	Buying and selling real estate, intermediacy in buying and selling, administration of real estate	subsidiary	unconsolidated	29.04.1996	3,962	(3,962)	-	100.00%	100.00%	n/a
Total						4,891,798	4,281,311	9,173,109			

¹⁾ "Total revaluation adjustments" shows change in value resulting from measurement using the equity method, including amortization and impairment of goodwill.

²⁾ Alior Bank was recognized as a subsidiary under the conditions described in section 2.4.1 of Notes and explanations.

³⁾ The increase in value results from the forced buyback of 188 shares in Lietuvos Draudimas AB with a par value of EUR 14.48 each on 14 November 2016. The purchase price is EUR 237.16 per share, i.e. EUR 45 thousand for all the shares.



a) Name and legal form	m) Equity, including:						n) Liabilities and provisions for liabilities, including:		o) Receivables:		p) Total assets	r) Sales revenues	s) Amount of shares not paid up by the issuer	t) Dividend for the last financial year received or receivable from the entity
	- share capital	- unpaid share capital (negative value)	- supplementary capital	- other equity, including:			- non-current liabilities	- current liabilities	- non-current	- current				
				- other equity	- retained earnings (losses)	- net profit (loss)								
1. PZU Życie ¹⁾²⁾	295,000	-	3,076,663	4,235	-	1,434,346	4,641	879,663	3,440	208,976	27,894,446	8,036,107	-	825,000
2. Alior Bank Group ²⁾	1,292,578	-	4,185,843	112,342	(7,085)	618,278	4,965,555	49,549,878	30,218,769	17,425,961	61,209,545	3,529,175	-	-
3. Lietuvos Draudimas AB ^{1) 2)}	48,537	-	9,707	55,646	412,826	21,975	44,240	92,338	6,317	180,778	1,370,825	800,429	-	-
4. Link4 ²⁾	111,355	-	254,470	3,835	(208,868)	(20,844)	33,555	229,741	524	203,690	933,796	729,672	-	-
5. TUW PZUW ²⁾	324,900	-	-	(6,086)	957	(220)	80,470	99,288	8,690	74,821	585,921	137,752	-	-
6. AAS Balta ¹⁾	34,182	-	5,488	21,822	89,163	7,019	25,234	27,424	84	64,887	487,051	330,847	-	-
7. Ogrodowa Inwestycje	142,255	-	-	2,149	(185)	666	1,523	2,243	-	1,240	150,444	21,797	-	-
8. Tower	411,000	-	-	20,117	-	805	-	35	-	170	436,703	-	-	-
9. TFI PZU	13,000	-	33,578	4,589	-	27,887	-	23,505	-	21,138	117,224	173,581	-	18,671
10. PZU CO	500	-	35,680	319	-	281	-	13,847	143	12,966	83,465	281,049	-	-
11. UAB PZU Lietuva Gyvybes Draudimas ¹⁾	29,309	-	-	3,335	(4,468)	1,199	40	3,977	-	111	163,312	51,480	-	-
12. PZU Pomoc SA	4,886	-	12,555	-	-	5,677	12,000	2,960	-	7,460	41,438	39,139	-	-
13. PrJSC IC PZU Ukraine ¹⁾	7,430	-	1,063	147,084	(143,816)	4,482	-	54,210	-	53,658	166,689	172,760	-	-
14. PZU AM	5,000	-	2,841	145	-	(156)	-	3	-	57	7,892	-	-	-
15. PrJSC IC PZU Ukraine Life Insurance ¹⁾	7,153	-	262	21,595	(19,806)	2,924	-	4,066	-	916	94,022	36,934	-	-
16. PZU Finanse Sp. z o.o.	50	-	-	4,000	(389)	(884)	-	177	-	354	3,056	1,469	-	-
17. PZU Finance AB ¹⁾	219	-	-	56	517	1,155	3,712,429	51,842	3,764,983	270	3,766,218	-	-	-
18. Omicron BIS SA	150	-	-	-	(14)	(5)	-	-	-	2	135	-	-	-
19. Sigma BIS SA	100	-	-	-	(7)	(8)	-	-	-	-	89	-	-	-
20. Omicron SA	100	-	-	-	(22)	(4)	-	-	-	2	77	-	-	-
21. Ipsilon Sp. z o.o.	50	-	-	-	(24)	(4)	-	1	-	1	25	-	-	-
22. PZU Zdrowie	650	-	9,961	-	(6,270)	(7,313)	200,026	18,122	184	21,313	223,494	90,758	-	-
23. Syta Development	831	-	9,908	(285)	(10,171)	(163)	-	12	-	-	133	-	-	-

¹⁾ IFRS figures

²⁾ For insurance companies, "sales revenues" item presents gross written premium and other technical revenues; in revenue from sale" shows gross written premiums and other technical revenue; for the Alior Bank Group it shows interest income and revenue from commissions and fees.



Investments in related parties (by currency)	31 December 2017	31 December 2016
a) Polish currency	15,716,193	8,391,978
b) in foreign currencies (by currency and translated to PLN)	1,077,013	1,170,552
b1. thousands of UAH	141,634	129,715
thousands of PLN	17,506	20,002
b2. thousands of EUR	251,201	260,070
thousands of PLN	1,047,734	1,150,550
b3. thousands of GBP	2,505	0
thousands of PLN	11,773	0
Total investments in related parties	16,793,206	9,562,530

2.5 Other financial investments

Other financial investments	31 December 2017	31 December 2016
a) shares and other variable income securities	3,894	15
b) participation units and investment certificates in mutual funds	6,314,426	6,349,619
c) debt securities and other fixed income securities	11,204,100	12,383,931
d) shares in investment pools	-	-
e) mortgage-backed loans, including:	954,033	951,450
- additionally secured with policies	-	-
f) other loans, including:	559,885	620,477
- for insureds whose main collateral is a policy	-	-
- for insureds, unsecured with a policy	-	-
g) term deposits with credit institutions	185,761	919,677
h) other investments (by type)	190,977	199,544
- derivatives	190,977	199,544
Total other financial investments	19,413,076	21,424,713

Movement in other financial investments (by type)	31 December 2017	31 December 2016
a) beginning of the period	21,424,713	23,839,458
Shares and other variable income securities, participation units and investment certificates in mutual funds	6,349,634	13,606,077
Debt securities and other fixed income securities	12,383,931	7,042,428
Other investments	2,691,148	3,190,953
b) additions (by virtue of)	258,846,646	225,741,116
- acquisition	258,387,397	225,499,046
- revaluation adjustments	459,249	242,070
- other	-	-
c) reductions (by virtue of)	260,858,283	228,155,861
- sale or buyout	260,689,075	228,014,791
- revaluation adjustments	169,208	141,070
- other	-	-
d) at the end of the period	19,413,076	21,424,713
Shares and other variable income securities, participation units and investment certificates in mutual funds	6,318,320	6,349,634
Debt securities and other fixed income securities	11,204,100	12,383,931
Other investments	1,890,656	2,691,148

Other financial investments	31 December 2017	31 December 2016
a) long-term	18,092,479	17,418,134
a) short-term	1,320,597	4,006,579
Total other financial investments	19,413,076	21,424,713

Other financial investments (by currency)	31 December 2017	31 December 2016
a) Polish currency	16,260,654	19,281,346
b) in foreign currencies (by currency and translated to PLN)	3,152,422	2,143,367
b1. thousands of EUR	330,178	251,748
thousands of PLN	1,377,139	1,113,734
b2. thousands of USD	456,110	90,214
thousands of PLN	1,587,857	377,033
b3. thousands of HUF	3,625,251	2,754,218
thousands of PLN	48,756	39,176
b4. thousands of CZK	-	3,075,681
thousands of PLN	-	503,489
b5. other currencies thous. of PLN	138,670	109,935
Total other financial investments	19,413,076	21,424,713

Other financial investments by portfolio classification	31 December 2017	31 December 2016
a) financial assets held for trading	6,230,840	7,069,958
b) loans granted and own receivables	1,827,024	2,512,009
c) financial assets held to maturity	5,036,892	5,453,117
d) financial assets available for sale	6,318,320	6,389,629
Total other financial investments	19,413,076	21,424,713

Other financial investments in financial instruments	31 December 2017	31 December 2016
a) issued by the State Treasury or international organizations of which the Republic of Poland is a member	10,140,550	11,535,545
- long-term investments	10,073,096	9,787,499
- short-term investments	67,454	1,748,046
b) guaranteed by the State Treasury or international organizations of which the Republic of Poland is a member	603,833	603,560
c) issued by the National Bank of Poland	-	-
d) guaranteed by the National Bank of Poland	-	-
e) issued by a local government or by an association of local governments or by the Capital City of Warsaw	26,253	26,254
f) guaranteed by a local government or by an association of local governments or by the Capital City of Warsaw	-	-
g) other	8,642,440	9,259,354
Total other financial investments in financial instruments	19,413,076	21,424,713

Securities (other financial investments)	31 December 2017	31 December 2016
a) admitted to trading on a regulated market	10,949,007	12,165,358
B) not admitted to trading on a regulated market ()	5,962,503	5,760,392
Total securities (other financial investments)	16,911,510	17,925,750

Shares and other variable income securities (carrying amount)	31 December 2017	31 December 2016
a) shares, of which:	3,894	15
- long-term investments	15	15
b) debt securities, of which:	-	-
- long-term investments	-	-
c) other (by type)	-	-
Total shares and other variable income securities	3,894	15

Movement in investments in shares and other variable income securities (by type)	31 December 2017	31 December 2016
a) beginning of the period	15	48
Shares and other variable income securities	15	48
b) additions (by virtue of)	6,303	-
- acquisition	6,303	-
- valuation adjustment	-	-
- other	-	-
c) reductions (by virtue of)	2,424	33
- disposal	-	33
- valuation adjustment	2,424	-
- other	-	-
d) at the end of the period	3,894	15
Shares and other variable income securities	3,894	15

The table above does not include the participation units and investment certificates in mutual funds that are presented in item II.3 of balance sheet assets.

Shares and other variable income financial instruments (long-term investments) – by transferability	31 December 2017	31 December 2016
A. With unlimited transferability, quoted on exchanges (carrying amount)	-	-
a) shares (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
covered bonds (carrying amount)	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
participation units in open-end mutual funds (carrying amount)	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
B. With unlimited transferability, quoted on OTC markets (carrying amount)	-	-
a) shares (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
C. With unlimited transferability, not quoted on a regulated market (carrying amount)	6,318,320	6,349,634
a) shares (carrying amount):	3,894	15
- revaluation adjustments (for the period)	3,879	(33)
- value at the beginning of the period	15	48
- value at purchase price	18,818	12,515

Shares and other variable income financial instruments (long-term investments) – by transferability	31 December 2017	31 December 2016
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	6,314,426	6,349,619
participation units and investment certificates in mutual funds (carrying amount)	6,314,426	6,349,619
- revaluation adjustments (for the period)	(35,193)	(7,256,410)
- value at the beginning of the period	6,349,619	13,606,029
- value at purchase price	5,039,109	5,190,311
loans granted (carrying amount)	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
D. With limited transferability (carrying amount)	-	-
a) shares (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
Total value at purchase price	5,057,927	5,202,826
Total value at the beginning of the period	6,349,634	13,606,077
Total revaluation adjustments (for the period)	(31,314)	(7,256,443)
Total carrying amount	6,318,320	6,349,634

In 2017 and in 2016 there were no shares and other variable income financial instruments that would also be short-term investments

2.5.1. Other loans

Other loans	31 December 2017		31 December 2016	
	Carrying amount	Collateral type	Carrying amount	Collateral type
Buy-sell-back transactions	301,249	Debt securities	412,357	Debt securities
Non-mortgage asset-backed loans	258,636	Mainly pledges on shares, accounts receivable portfolios and on bank accounts, other loans or otherwise.	208,120	Mainly pledges on shares, accounts receivable portfolios and on bank accounts, other loans or otherwise.
Total other loans	559,885		620,477	

2.5.2. Debt securities issued by corporations and local government units

Debt securities, by issuer, as at 31 December 2017	Measurement method	Purchase price	Carrying amount	Fair value measurement
Companies from the WIG-Mining Index	at amortized cost	47,781	59,144	60,112
Foreign banks	at amortized cost	46,438	47,302	48,563
Companies from the WIG-Banks Index	at amortized cost	150,900	152,526	155,203
Domestic local governments	at amortized cost	25,000	26,253	27,078
Foreign banks	at fair value	10,602	10,418	10,418
Other	at fair value	167,450	164,073	164,073
Total		448,171	459,716	465,447

Debt securities, by issuer, as at 31 December 2016	Measurement method	Purchase price	Carrying amount	Fair value measurement
Companies from the WIG-Commodities Index	at amortized cost	90,416	97,781	92,854
Foreign banks	at amortized cost	69,622	75,207	77,465
Companies from the WIG-Banks Index	at amortized cost	45,556	45,585	44,846
Domestic local governments	at amortized cost	25,000	26,254	27,438
Total		230,594	244,827	242,603

2.5.3. Debt securities issued by governments other than the Polish government

As at 31 December 2017:

Issuer's name	Currency	Measurement method	Purchase price	Carrying amount	Fair value measurement
Germany	EUR	at fair value	461,203	449,248	449,248
United States	USD	at fair value	116,264	111,048	111,048
South Africa	USD	at fair value	109,572	108,787	108,787
Indonesia	USD	at fair value	95,056	93,516	93,516
Columbia	USD	at fair value	95,859	92,620	92,620
Brazil	USD	at fair value	88,245	86,852	86,852
Turkey	USD	at fair value	80,154	76,423	76,423
Turkey	EUR	at fair value	64,441	66,692	66,692
Mexico	USD	at fair value	66,663	64,007	64,007
Indonesia	EUR	at fair value	60,182	62,868	62,868
Hungary	EUR	at fair value	61,846	59,285	59,285
Hungary	USD	at fair value	58,131	54,086	54,086
Russia	USD	at fair value	48,044	45,890	45,890
Argentina	USD	at fair value	45,265	44,831	44,831
Philippines	USD	at fair value	41,844	40,650	40,650
Slovenia	EUR	at fair value	35,791	38,726	38,726
Peru	USD	at fair value	33,821	32,999	32,999
Oman	USD	at fair value	31,795	30,599	30,599
Panama	USD	at fair value	31,249	30,587	30,587
Peru	PEN	at fair value	28,454	29,722	29,722
Dominican Republic	USD	at fair value	30,209	29,694	29,694
Uruguay	USD	at fair value	27,152	26,527	26,527
Croatia	USD	at fair value	27,394	26,373	26,373
Kazakhstan	USD	at fair value	26,297	25,942	25,942
Sri Lanka	USD	at fair value	25,554	24,824	24,824
Romania	EUR	at fair value	22,544	22,512	22,512
Slovakia	EUR	at fair value	21,860	20,032	20,032

Hungary	HUF	at fair value	17,639	17,122	17,122
Romania	USD	at fair value	15,614	15,247	15,247
Jamaica	USD	at fair value	14,338	13,880	13,880
Lithuania	USD	at fair value	13,020	12,633	12,633
Chile	USD	at fair value	11,567	11,126	11,126
Costa Rica	USD	at fair value	11,351	11,070	11,070
Pakistan	USD	at fair value	10,288	9,888	9,888
Côte d'Ivoire	USD	at fair value	10,144	9,768	9,768
Azerbaijan	USD	at fair value	9,963	9,762	9,762
Romania	RON	at fair value	10,599	9,643	9,643
Serbia	USD	at fair value	9,837	9,533	9,533
South Africa	ZAR	at fair value	9,384	9,405	9,405
Zambia	USD	at fair value	8,071	8,071	8,071
Jordan	USD	at fair value	7,639	7,388	7,388
Nigeria	USD	at fair value	5,951	5,867	5,867
Paraguay	USD	at fair value	5,848	5,685	5,685
Trinidad and Tobago	USD	at fair value	5,258	5,099	5,099
Kenya	USD	at fair value	5,168	5,021	5,021
Argentina	ARS	at fair value	4,869	4,608	4,608
Morocco	USD	at fair value	3,770	3,687	3,687
Guatemala	USD	at fair value	3,098	3,019	3,019
Senegal	USD	at fair value	3,007	2,960	2,960
Total			2,031,312	1,985,822	1,985,822

As at 31 December 2016:

Issuer's name	Currency	Measurement method	Purchase price	Carrying amount	Fair value measurement
United States	USD	at fair value	147,175	147,907	147,907
Slovakia	EUR	at fair value	87,704	86,618	86,618
Bulgaria	EUR	at fair value	61,573	70,067	70,067
Slovenia	EUR	at fair value	55,971	59,238	59,238
Hungary	EUR	at fair value	46,872	48,087	48,087
Romania	RON	at fair value	28,185	28,577	28,577
Brazil	USD	at fair value	17,569	19,986	19,986
South Africa	ZAR	at fair value	17,458	18,422	18,422
Romania	EUR	at fair value	10,264	12,626	12,626
Spain	EUR	at fair value	13,115	12,502	12,502
Hungary	HUF	at fair value	6,295	6,545	6,545
Total			492,181	510,575	510,575

2.5.4. Term deposits with credit institutions

Term deposits with credit institutions (by maturity)
– remaining time to maturity from the balance sheet date

	31 December 2017	31 December 2016
a) up to 3 months	185,761	919,677
b) from 3 months to 1 year	-	-
c) from 1 to 5 years	-	-
d) over 5 years	-	-
Total term deposits with credit institutions	185,761	919,677

Term deposits with credit institutions (by currency)	31 December 2017	31 December 2016
a) Polish currency	176,167	205,532
b) in foreign currencies with domestic banks (by currency and translated to PLN)	9,594	714,145
b1. thousands of EUR	2,288	50,187
thousands of PLN	9,542	222,028
b2. thousands of USD	15	243
thousands of PLN	52	1,017
b3. thousands of CZK	-	3,000,000
thousands of PLN	-	491,100
b4. other	-	-
c) in foreign currencies with foreign banks (by currency and translated to PLN)	-	-
Total term deposits with credit institutions	185,761	919,677

2.5.5. Derivatives

In 2017 and 2016, PZU did not apply hedge accounting and had no derivatives to hedge the value of technical provisions.

In its investing activities, PZU uses various types of derivatives to manage various types of investment risk. The instruments reduce or increase exposure to specific types of risk. In 2017 and 2016 PZU used swap transactions, interest rate and FX forward transactions as well as futures for stock indices, commodity prices or bond prices.

The main type of risk associated with derivatives at PZU is market risk, which includes interest rate risk and the risk of changes in prices of various instruments.



As at 31 December 2017, PZU held the following derivatives and achieved the following results on transactions with such instruments in 2017:

Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2017 in thous. of the currency	Par value as at 31 December 2017 translated to PLN in thous. PLN	Quantity as at 31 December 2017	Position as at 31 December 2017 (short/long)	Assets – carrying amount in thous. PLN	Liabilities – carrying amount in thous. PLN	Gains/losses realized in 2017 in thous. PLN	Gains/losses not realized in 2017 in thous. PLN
FX risk	commercial	Forward	USD	2018-03-28	Yes	None	None	9,700	33,769	1	n/a	1,909	-	-	1,909
FX risk	commercial	Forward	USD	2018-12-10	Yes	None	None	84,214	293,175	1	n/a	7,546	-	-	7,546
FX risk	commercial	Forward	USD	2018-12-10	Yes	None	None	84,214	293,175	1	n/a	7,546	-	-	7,546
Interest rate risk	commercial	Interest rate forward	EUR	2018-03-20	Yes	None	None	154,887	646,020	1,056	Short	7,528	-	947	7,528
Interest rate risk	commercial	Interest rate forward	EUR	2018-03-20	Yes	None	None	22,649	94,468	163	Short	1,912	-	(451)	1,912
Interest rate risk	commercial	Interest rate forward	EUR	2018-03-20	Yes	None	None	44,785	186,794	267	Short	4,315	-	-	4,315
Interest rate risk	commercial	Interest rate forward	EUR	2018-03-08	Yes	None	None	n/a	n/a	n/a	n/a	-	-	194	-
Interest rate risk	commercial	Interest rate forward	USD	2018-12-18	Yes	None	None	86,450	300,958	350	Short	2,879	-	-	(47)
Interest rate risk	commercial	Interest rate forward	USD	2019-12-18	Yes	None	None	90,503	315,067	370	Short	550	-	-	550
Interest rate risk	commercial	Interest rate forward	USD	2018-03-20	Yes	None	None	20,824	72,495	125	Short	-	462	-	(462)
Interest rate risk	commercial	Interest rate forward	USD	2018-03-20	Yes	None	None	31,502	109,669	253	Short	1,060	647	823	412
Interest rate risk	commercial	Interest rate forward	USD	2018-03-20	Yes	None	None	3,910	13,613	85	Long	391	-	-	391
Interest rate risk	commercial	Interest rate forward	USD	2018-03-20	Yes	None	None	n/a	n/a	n/a	n/a	-	-	418	-
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	114,026	119,842	1	n/a	-	1,952	-	2,079
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	114,650	120,497	1	n/a	6,865	-	-	(2,571)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	84,996	89,331	1	n/a	-	108	-	2,045
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	81,213	85,355	1	n/a	-	1,415	-	2,079
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	179,632	188,793	1	n/a	-	5,514	-	(3,678)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	266,953	280,567	1	n/a	2,041	-	-	5,319
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	256,666	269,756	1	n/a	-	10,988	-	(4,218)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	949,795	998,235	1	n/a	-	19,450	-	(14,852)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	497,704	523,087	1	n/a	-	8,995	-	(7,433)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	170,303	178,989	1	n/a	-	3,034	-	(2,548)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	464,692	488,391	1	n/a	2,378	-	-	2,378
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	609,232	640,303	1	n/a	2,172	-	-	2,172
Interest rate risk	commercial	IRS	BRL	2019-01-02	Yes	None	None	292,207	307,109	1	n/a	-	17,570	-	(16,616)
Interest rate risk	commercial	IRS	BRL	2020-01-02	Yes	None	None	182,371	191,672	1	n/a	16,067	-	-	15,427
Interest rate risk	commercial	IRS	BRL	2020-01-02	Yes	None	None	192,860	202,696	1	n/a	16,299	-	-	16,300
Interest rate risk	commercial	IRS	BRL	2020-01-02	Yes	None	None	84,562	88,875	1	n/a	7,153	-	-	7,143
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	n/a	n/a	n/a	n/a	-	-	5,494	-
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	n/a	n/a	n/a	n/a	-	-	2,226	-



Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2017 in thous. of the currency	Par value as at 31 December 2017 translated to PLN in thous. PLN	Quantity as at 31 December 2017	Position as at 31 December 2017 (short/long)	Assets – carrying amount in thous. PLN	Liabilities – carrying amount in thous. PLN	Gains/losses realized in 2017 in thous. PLN	Gains/losses not realized in 2017 in thous. PLN
Interest rate risk	commercial	IRS	EUR	2021-05-26	Yes	None	None	1,000	4,171	1	n/a	6	-	(2)	6
Interest rate risk	commercial	IRS	HUF	2024-04-08	Yes	None	None	3,500,000	47,072	1	n/a	12,889	-	(10,368)	12,890
Interest rate risk	commercial	IRS	HUF	2024-04-08	Yes	None	None	3,500,000	47,072	1	n/a	13,085	-	(10,568)	13,086
Interest rate risk	commercial	IRS	HUF	2020-05-11	Yes	None	None	1,000,000	13,449	1	n/a	-	2,584	2,522	(2,584)
Interest rate risk	commercial	IRS	HUF	2020-05-11	Yes	None	None	1,000,000	13,449	1	n/a	-	2,580	2,518	(2,580)
Interest rate risk	commercial	IRS	HUF	2023-12-19	Yes	None	None	7,050,000	94,815	1	n/a	-	2,988	(2,160)	(2,988)
Interest rate risk	commercial	IRS	HUF	2024-02-24	Yes	None	None	3,500,000	47,072	1	n/a	-	15,540	13,359	(15,540)
Interest rate risk	commercial	IRS	HUF	2024-02-24	Yes	None	None	3,326,000	44,731	1	n/a	357	-	-	357
Interest rate risk	commercial	IRS	HUF	2019-11-24	Yes	None	None	41,000,000	551,409	1	n/a	153	-	-	153
Interest rate risk	commercial	IRS	HUF	2022-11-24	Yes	None	None	41,000,000	551,409	1	n/a	264	-	-	264
Interest rate risk	commercial	IRS	HUF	2020-04-30	Yes	None	None	2,000,000	26,898	1	n/a	4,884	-	(4,748)	4,884
Interest rate risk	commercial	IRS	HUF	2024-02-24	Yes	None	None	n/a	n/a	n/a	n/a	-	-	2,091	-
Interest rate risk	commercial	IRS	ILS	2018-08-14	Yes	None	None	n/a	n/a	n/a	n/a	-	-	527	-
Interest rate risk	commercial	IRS	MXN	2018-08-08	Yes	None	None	1,195,000	211,276	1	n/a	-	3,244	2,758	(3,244)
Interest rate risk	commercial	IRS	MXN	2018-08-09	Yes	None	None	2,350,000	415,480	1	n/a	-	6,524	5,423	(6,524)
Interest rate risk	commercial	IRS	MXN	2026-07-30	Yes	None	None	570,000	100,776	1	n/a	11,917	-	(12,940)	11,917
Interest rate risk	commercial	IRS	PLN	2023-09-09	Yes	None	None	130,000	130,000	1	n/a	14,177	-	-	1,041
Interest rate risk	commercial	IRS	PLN	2018-07-12	Yes	None	None	112,500	112,500	1	n/a	2,982	-	(2,827)	2,982
Interest rate risk	commercial	IRS	PLN	2023-06-20	Yes	None	None	130,000	130,000	1	n/a	-	9,180	-	(907)
Interest rate risk	commercial	IRS	PLN	2018-07-31	Yes	None	None	125,000	125,000	1	n/a	-	3,032	2,850	(3,032)
Interest rate risk	commercial	IRS	USD	2023-01-08	Yes	None	None	44,500	154,918	1	n/a	-	6,776	-	1,809
Interest rate risk	commercial	IRS	USD	2023-03-12	Yes	None	None	69,500	241,950	1	n/a	12,446	-	-	(2,841)
Interest rate risk	commercial	IRS	USD	2023-05-14	Yes	None	None	111,000	386,424	1	n/a	-	17,462	-	1,509
Interest rate risk	commercial	IRS	USD	2023-05-21	Yes	None	None	114,000	396,868	1	n/a	1,409	-	-	1,409
Interest rate risk	commercial	IRS	USD	2023-01-30	Yes	None	None	25,000	87,033	1	n/a	-	3,913	-	1,009
Interest rate risk	commercial	IRS	ZAR	2022-10-01	Yes	None	None	637,500	180,540	1	n/a	-	6,930	-	(7,089)
FX risk	commercial	IRS	ZAR	2025-09-11	Yes	None	None	575,000	162,840	1	n/a	-	6,865	-	(5,152)
FX risk	commercial	IRS	ZAR	2025-09-11	Yes	None	None	575,000	162,840	1	n/a	-	2,633	-	(2,633)
FX risk	commercial	IRS	ZAR	2022-09-20	Yes	None	None	637,500	180,540	1	n/a	6,139	-	914	6,139
FX risk	commercial	IRS	ZAR	2025-08-25	Yes	None	None	1,150,000	325,680	1	n/a	6,292	-	-	6,292
FX risk	commercial	FX Swap	EUR	2018-02-15	Yes	None	None	1,789	7,463	1	n/a	64	-	(37)	64
FX risk	commercial	FX Swap	EUR	2018-01-25	Yes	None	None	3,672	15,316	1	n/a	73	-	4	73
FX risk	commercial	FX Swap	EUR	2018-01-18	Yes	None	None	4,237	17,673	1	n/a	189	-	53	189
FX risk	commercial	FX Swap	EUR	2018-01-18	Yes	None	None	76,271	318,119	1	n/a	3,395	-	950	3,395
FX risk	commercial	FX Swap	RON	2018-01-31	Yes	None	None	10,030	8,980	1	n/a	83	-	(2)	83
FX risk	commercial	FX Swap	USD	2018-01-31	Yes	None	None	15,000	52,220	1	n/a	1,576	-	(31)	1,576
FX risk	commercial	FX Swap	USD	2018-08-31	Yes	None	None	20,000	69,626	1	n/a	2,101	-	(41)	2,101
FX risk	commercial	FX Swap	USD	2018-03-01	Yes	None	None	110,000	382,943	1	n/a	7,388	-	408	7,388
FX risk	commercial	FX Swap	ZAR	2018-01-18	Yes	None	None	58,400	16,539	1	n/a	-	1,244	(62)	(1,244)
FX risk	commercial	FX Swap	ZAR	2018-01-18	Yes	None	None	27,390	7,757	1	n/a	497	-	98	497
FX risk	commercial	FX Swap	ZAR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(229)	-
FX risk	commercial	Forward	CZK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(973)	-
FX risk	commercial	Forward	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21,014	-



Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2017 in thous. of the currency	Par value as at 31 December 2017 translated to PLN in thous. PLN	Quantity as at 31 December 2017	Position as at 31 December 2017 (short/long)	Assets – carrying amount in thous. PLN	Liabilities – carrying amount in thous. PLN	Gains/losses realized in 2017 in thous. PLN	Gains/losses not realized in 2017 in thous. PLN
FX risk	commercial	Forward	GBP	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(2,331)	-
FX risk	commercial	Forward	TRY	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(2,809)	-
FX risk	commercial	Forward	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	11,012	-
Interest rate risk	commercial	Interest rate forward	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(67,825)	-
Interest rate risk	commercial	Interest rate forward	GBP	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,163	-
Interest rate risk	commercial	Interest rate forward	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(9,701)	-
Interest rate risk	commercial	Option	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(78)	-
Interest rate risk	commercial	Option	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(5,381)	-
Interest rate risk	commercial	IRS	BRL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,092	-
Interest rate risk	commercial	IRS	CZK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(70)	-
Interest rate risk	commercial	IRS	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(539)	-
Interest rate risk	commercial	IRS	MXN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(763)	-
Interest rate risk	commercial	IRS	ILS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,277	-
Interest rate risk	commercial	IRS	PLN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(540)	-
Interest rate risk	commercial	IRS	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	944	-
FX risk	commercial	IRS	ZAR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,148	-
FX risk	commercial	FX Swap	CZK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(762)	-
FX risk	commercial	FX Swap	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(4,776)	-
FX risk	commercial	FX Swap	GBP	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(1,476)	-
FX risk	commercial	FX Swap	HUF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	275	-
FX risk	commercial	FX Swap	RON	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(246)	-
FX risk	commercial	FX Swap	RUB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(1,543)	-
FX risk	commercial	FX Swap	TRY	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,544	-
FX risk	commercial	FX Swap	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	34,813	-
TOTAL												190,977	161,630	(19,420)	59,381



As at 31 December 2016, PZU held the following derivatives and achieved the following results on transactions with such instruments in 2016:

Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2016 in thous. of the currency	Par value as at 31 December 2016 translated to PLN in thous. PLN	Quantity as at 31 December 2016	Position as at 31 December 2016 (short/long)	Assets – carrying amount in thous. PLN	Liabilities – carrying amount in thous. PLN	Gains/losses realized in 2016 in thous. PLN	Gains/losses not realized in 2016 in thous. PLN
Interest rate risk	commercial	IRS	HUF	2024-02-24	Yes	None	None	3,500,000	49,784	1	n/a	-	15,853	10,651	(15,853)
Interest rate risk	commercial	IRS	HUF	2024-04-08	Yes	None	None	3,500,000	49,784	1	n/a	12,429	-	(7,620)	12,429
Interest rate risk	commercial	IRS	HUF	2024-04-08	Yes	None	None	3,500,000	49,784	1	n/a	12,657	-	(7,818)	12,657
Interest rate risk	commercial	IRS	PLN	2018-06-16	Yes	None	None	50,000	50,000	1	n/a	-	1,507	1,637	(1,507)
Interest rate risk	commercial	IRS	PLN	2018-06-16	Yes	None	None	25,000	25,000	1	n/a	-	753	818	(753)
Interest rate risk	commercial	IRS	PLN	2024-06-05	Yes	None	None	65,000	65,000	1	n/a	2,462	-	-	(613)
Interest rate risk	commercial	IRS	PLN	2018-07-08	Yes	None	None	25,000	25,000	1	n/a	456	-	(534)	456
Interest rate risk	commercial	IRS	MXN	2017-10-13	Yes	None	None	3,635,002	732,453	1	n/a	-	8,325	(4,854)	(8,325)
Interest rate risk	commercial	IRS	PLN	2019-12-09	Yes	None	None	25,000	25,000	1	n/a	-	28	133	(28)
Interest rate risk	commercial	IRS	MXN	2017-10-13	Yes	None	None	3,635,002	732,453	1	n/a	7,440	-	5,819	7,440
Interest rate risk	commercial	IRS	PLN	2019-12-19	Yes	None	None	15,000	15,000	1	n/a	-	14	79	(14)
Interest rate risk	commercial	IRS	PLN	2019-12-23	Yes	None	None	10,000	10,000	1	n/a	10	-	35	10
Interest rate risk	commercial	IRS	PLN	2019-12-23	Yes	None	None	30,000	30,000	1	n/a	30	-	104	30
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	266,953	342,714	1	n/a	-	3,279	-	17,226
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	256,665	329,507	1	n/a	-	6,770	-	(20,145)
Interest rate risk	commercial	IRS	ILS	2018-08-14	Yes	None	None	383,000	416,168	1	n/a	2,952	-	-	2,494
Interest rate risk	commercial	IRS	ILS	2018-08-14	Yes	None	None	950,000	1,032,270	1	n/a	7,347	-	-	6,188
Interest rate risk	commercial	IRS	ZAR	2025-09-11	Yes	None	None	575,002	174,513	1	n/a	-	1,714	-	(5,607)
Interest rate risk	commercial	IRS	USD	2023-05-21	Yes	None	None	114,000	476,440	1	n/a	-	11,643	-	(11,643)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	409,042	525,128	1	n/a	1,140	-	-	1,140
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	137,753	176,847	1	n/a	650	-	-	650
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	172,191	221,059	1	n/a	813	-	-	813
Interest rate risk	commercial	IRS	ZAR	2025-08-25	Yes	None	None	1,150,000	349,025	1	n/a	7,171	-	-	7,171
Interest rate risk	commercial	IRS	EUR	2021-05-26	Yes	None	None	1,000	4,424	1	n/a	-	3	(3)	(3)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	949,795	1,219,347	1	n/a	-	4,598	-	(4,598)
Interest rate risk	commercial	IRS	PLN	2017-11-06	Yes	None	None	425,000	425,000	1	n/a	-	691	(82)	(691)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	228,000	292,707	1	n/a	2,163	-	-	2,163
Interest rate risk	commercial	IRS	ZAR	2025-09-11	Yes	None	None	575,002	174,513	1	n/a	2,020	-	-	2,020
Interest rate risk	commercial	IRS	MXN	2018-08-08	Yes	None	None	1,195,002	240,793	1	n/a	-	6,455	310	(6,455)
Interest rate risk	commercial	IRS	MXN	2026-07-29	Yes	None	None	295,002	59,443	1	n/a	7,019	-	(280)	7,019
Interest rate risk	commercial	IRS	MXN	2018-08-09	Yes	None	None	2,350,000	473,525	1	n/a	-	13,111	285	(13,111)
Interest rate risk	commercial	IRS	MXN	2026-07-30	Yes	None	None	570,000	114,855	1	n/a	13,762	-	(147)	13,762
Interest rate risk	commercial	IRS	BRL	2020-01-02	Yes	None	None	182,370	234,127	1	n/a	638	-	-	638
Interest rate risk	commercial	IRS	BRL	2020-01-02	Yes	None	None	192,860	247,594	1	n/a	-	1	-	(1)
Interest rate risk	commercial	IRS	BRL	2020-01-02	Yes	None	None	84,562	108,561	1	n/a	10	-	-	10
Interest rate risk	commercial	IRS	BRL	2019-01-02	Yes	None	None	292,207	375,135	1	n/a	-	953	-	(953)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	497,704	638,953	1	n/a	-	1,562	-	(1,562)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	170,303	218,635	1	n/a	-	487	-	(487)
Interest rate risk	commercial	IRS	HUF	2023-12-19	Yes	None	None	7,049,986	100,279	1	n/a	1,089	-	(91)	1,089
Interest rate risk	commercial	IRS	HUF	2024-02-24	Yes	None	None	3,325,998	47,309	1	n/a	156	-	-	156
Interest rate risk	commercial	IRS	HUF	2020-04-30	Yes	None	None	2,000,000	28,448	1	n/a	6,300	-	(4,625)	6,300



Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2016 in thous. of the currency	Par value as at 31 December 2016 translated to PLN in thous. PLN	Quantity as at 31 December 2016	Position as at 31 December 2016 (short/long)	Assets – carrying amount in thous. PLN	Liabilities – carrying amount in thous. PLN	Gains/losses realized in 2016 in thous. PLN	Gains/losses not realized in 2016 in thous. PLN
Interest rate risk	commercial	IRS	HUF	2020-05-11	Yes	None	None	1,000,000	14,224	1	n/a	-	3,354	2,500	(3,354)
Interest rate risk	commercial	IRS	HUF	2020-05-11	Yes	None	None	1,000,000	14,224	1	n/a	-	3,348	2,495	(3,348)
Interest rate risk	commercial	IRS	PLN	2018-07-12	Yes	None	None	112,500	112,500	1	n/a	5,852	-	(6,117)	5,852
Interest rate risk	commercial	IRS	PLN	2018-07-31	Yes	None	None	125,000	125,000	1	n/a	-	5,948	6,232	(5,948)
Interest rate risk	commercial	IRS	ZAR	2022-09-20	Yes	None	None	637,499	193,481	1	n/a	-	487	-	9,523
Interest rate risk	commercial	IRS	PLN	2017-09-28	Yes	None	None	50,000	50,000	1	n/a	-	1,205	1,304	(1,205)
Interest rate risk	commercial	IRS	PLN	2017-10-02	Yes	None	None	25,000	25,000	1	n/a	-	600	649	(600)
Interest rate risk	commercial	IRS	ZAR	2022-10-03	Yes	None	None	637,499	193,481	1	n/a	159	-	-	(9,582)
Interest rate risk	commercial	IRS	PLN	2017-10-04	Yes	None	None	112,500	112,500	1	n/a	-	2,656	2,880	(2,656)
Interest rate risk	commercial	IRS	PLN	2017-10-09	Yes	None	None	25,000	25,000	1	n/a	-	600	649	(600)
Interest rate risk	commercial	IRS	PLN	2017-10-19	Yes	None	None	50,000	50,000	1	n/a	-	1,145	-	(1,145)
Interest rate risk	commercial	IRS	PLN	2017-10-19	Yes	None	None	50,000	50,000	1	n/a	-	1,145	2,495	(1,146)
Interest rate risk	commercial	IRS	PLN	2017-01-08	Yes	None	None	225,000	225,000	1	n/a	-	7,036	7,273	(7,036)
Interest rate risk	commercial	IRS	PLN	2017-01-08	Yes	None	None	225,000	225,000	1	n/a	-	7,036	7,273	(7,036)
Interest rate risk	commercial	IRS	USD	2023-01-08	Yes	None	None	44,500	185,979	1	n/a	-	8,585	-	(1,776)
Interest rate risk	commercial	IRS	PLN	2017-01-09	Yes	None	None	250,000	250,000	1	n/a	-	7,584	7,849	(7,584)
Interest rate risk	commercial	IRS	USD	2023-01-30	Yes	None	None	25,000	104,483	1	n/a	-	4,923	-	(995)
Interest rate risk	commercial	IRS	USD	2023-03-12	Yes	None	None	69,500	290,461	1	n/a	15,287	-	-	2,824
Interest rate risk	commercial	IRS	USD	2023-05-14	Yes	None	None	111,000	463,902	1	n/a	-	18,970	-	(1,544)
Interest rate risk	commercial	IRS	PLN	2017-11-20	Yes	None	None	187,500	187,500	1	n/a	1,560	-	-	1,560
Interest rate risk	commercial	IRS	PLN	2017-11-20	Yes	None	None	125,000	125,000	1	n/a	1,040	-	(3,382)	1,040
Interest rate risk	commercial	IRS	EUR	2017-06-19	Yes	None	None	95,000	420,280	1	n/a	5,342	-	(4,293)	5,342
Interest rate risk	commercial	IRS	PLN	2023-06-20	Yes	None	None	130,000	130,000	1	n/a	-	8,273	-	846
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	77,664	99,705	1	n/a	-	4,031	-	4,831
Interest rate risk	commercial	IRS	USD	2017-07-09	Yes	None	None	128,000	534,950	1	n/a	-	6,764	4,298	(6,764)
Interest rate risk	commercial	IRS	EUR	2017-07-09	Yes	None	None	100,000	442,400	1	n/a	6,507	-	(5,318)	6,507
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	78,851	101,229	1	n/a	9,437	-	-	(2,892)
Interest rate risk	commercial	IRS	CZK	2017-07-29	Yes	None	None	2,500,000	409,250	1	n/a	5,654	-	(5,113)	5,654
Interest rate risk	commercial	IRS	PLN	2017-07-29	Yes	None	None	425,000	425,000	1	n/a	-	8,293	9,207	(8,293)
Interest rate risk	commercial	IRS	PLN	2017-01-16	Yes	None	None	225,000	225,000	1	n/a	7,492	-	-	7,492
Interest rate risk	commercial	IRS	PLN	2017-01-16	Yes	None	None	250,000	250,000	1	n/a	8,349	-	(16,393)	8,349
Interest rate risk	commercial	IRS	CZK	2017-08-03	Yes	None	None	1,225,003	200,533	1	n/a	2,824	-	(2,605)	2,824
Interest rate risk	commercial	IRS	PLN	2017-01-08	Yes	None	None	225,000	225,000	1	n/a	8,018	-	(8,291)	8,018
Interest rate risk	commercial	IRS	PLN	2017-08-19	Yes	None	None	225,000	225,000	1	n/a	-	5,405	6,076	(5,405)
Interest rate risk	commercial	IRS	CZK	2017-08-16	Yes	None	None	1,250,000	204,625	1	n/a	2,947	-	(2,719)	2,947
Interest rate risk	commercial	IRS	PLN	2023-09-09	Yes	None	None	130,000	130,000	1	n/a	13,136	-	-	(804)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	84,996	109,118	1	n/a	-	2,153	-	6,005
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	81,213	104,261	1	n/a	-	3,494	-	5,201
Interest rate risk	commercial	IRS	PLN	2017-09-17	Yes	None	None	215,000	215,000	1	n/a	5,292	-	(5,714)	5,292
Interest rate risk	commercial	IRS	CZK	2017-10-19	Yes	None	None	1,250,000	204,625	1	n/a	-	2,640	2,316	(2,640)
Interest rate risk	commercial	IRS	CZK	2017-10-21	Yes	None	None	1,200,000	196,440	1	n/a	-	2,465	2,151	(2,465)
Interest rate risk	commercial	IRS	CZK	2017-10-21	Yes	None	None	1,200,000	196,440	1	n/a	-	2,465	2,151	(2,465)
Interest rate risk	commercial	IRS	CZK	2017-10-19	Yes	None	None	1,250,000	204,625	1	n/a	-	2,558	2,238	(2,558)



Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2016 in thous. of the currency	Par value as at 31 December 2016 translated to PLN in thous. PLN	Quantity as at 31 December 2016	Position as at 31 December 2016 (short/long)	Assets – carrying amount in thous. PLN	Liabilities – carrying amount in thous. PLN	Gains/losses realized in 2016 in thous. PLN	Gains/losses not realized in 2016 in thous. PLN
Interest rate risk	commercial	IRS	USD	2017-10-26	Yes	None	None	128,000	534,950	1	n/a	3,961	-	(1,514)	3,961
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	179,632	230,611	1	n/a	-	1,836	-	(14,751)
Interest rate risk	commercial	Interest rate forward	EUR	2017-03-20	Yes	None	None	48,903	216,349	195	short	-	2,966	-	(441)
Interest rate risk	commercial	Interest rate forward	GBP	2017-03-29	Yes	None	None	6,292	32,367	50	short	-	844	-	(844)
Interest rate risk	commercial	Interest rate forward	USD	2017-03-22	Yes	None	None	45,611	190,623	367	short	-	2,452	-	(2,452)
Interest rate risk	commercial	Interest rate forward	USD	2017-03-22	Yes	None	None	35,255	147,341	220	short	343	71	-	272
Interest rate risk	commercial	Interest rate forward	USD	2018-12-18	Yes	None	None	85,750	358,375	350	short	2,926	-	1,933	2,926
Interest rate risk	commercial	Interest rate forward	EUR	2017-03-08	Yes	None	None	18,220	80,604	105	short	-	2,380	-	(2,380)
Interest rate risk	commercial	Interest rate forward	EUR	2017-03-08	Yes	None	None	187,459	829,320	58	long	3,525	2,601	151	924
Interest rate risk	commercial	Interest rate forward	EUR	2017-03-08	Yes	None	None	121,911	539,336	803	short	-	4,613	243	(4,613)
FX risk	commercial	FX SWAP	CZK	2017-01-03	Yes	None	None	192,999	31,594	1	long	-	381	-	(381)
FX risk	commercial	FX SWAP	CZK	2017-01-06	Yes	None	None	3,000,000	491,100	1	long	965	-	67	965
FX risk	commercial	FX SWAP	HUF	2017-01-09	Yes	None	None	1,085,419	15,439	1	long	-	163	(8)	(163)
FX risk	commercial	FX SWAP	USD	2017-01-09	Yes	None	None	10,000	41,793	1	long	-	633	(146)	(633)
FX risk	commercial	FX SWAP	USD	2017-01-09	Yes	None	None	5,000	20,897	1	long	-	316	(73)	(316)
FX risk	commercial	FX SWAP	USD	2017-01-09	Yes	None	None	41,000	171,351	1	long	-	2,594	(599)	(2,594)
FX risk	commercial	FX SWAP	RON	2017-01-09	Yes	None	None	29,000	28,272	1	long	214	-	(5)	214
FX risk	commercial	FX SWAP	USD	2017-01-13	Yes	None	None	28,000	117,020	1	short	-	466	(392)	(466)
FX risk	commercial	FX SWAP	USD	2017-01-09	Yes	None	None	25,000	104,483	1	long	-	679	123	(679)
Interest rate risk	commercial	IRS	AUD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	6,202	-
Interest rate risk	commercial	IRS	BRL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(1,032)	-
Interest rate risk	commercial	IRS	CAD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(8,627)	-
Interest rate risk	commercial	IRS	HUF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(5,318)	-
Interest rate risk	commercial	IRS	MXN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(3,091)	-
Interest rate risk	commercial	IRS	PLN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(730)	-
Interest rate risk	commercial	IRS	RUB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	43	-
Interest rate risk	commercial	IRS	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	10,853	-
Interest rate risk	commercial	IRS	ZAR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(11,344)	-
Interest rate risk	commercial	Interest rate forward	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	12,181	-
Interest rate risk	commercial	Interest rate forward	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	9,359	-
FX risk	commercial	FX SWAP	CHF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(788)	-
FX risk	commercial	FX SWAP	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(6,844)	-
FX risk	commercial	FX SWAP	GBP	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	6,972	-



Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2016 in thous. of the currency	Par value as at 31 December 2016 translated to PLN in thous. PLN	Quantity as at 31 December 2016	Position as at 31 December 2016 (short/long)	Assets – carrying amount in thous. PLN	Liabilities – carrying amount in thous. PLN	Gains/losses realized in 2016 in thous. PLN	Gains/losses not realized in 2016 in thous. PLN
FX risk	commercial	FX SWAP	HUF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	31	-
FX risk	commercial	FX SWAP	RON	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	51	-
FX risk	commercial	FX SWAP	TRY	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(245)	-
FX risk	commercial	FX SWAP	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(15,361)	-
FX risk	commercial	FX SWAP	ZAR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(1,701)	-
FX risk	commercial	Forward	AUD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(1,747)	-
FX risk	commercial	Forward	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	3,842	-
FX risk	commercial	Forward	GBP	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(5,390)	-
FX risk	commercial	Forward	PLN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(1,067)	-
FX risk	commercial	Forward	TRY	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	294	-
FX risk	commercial	Forward	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	5,072	-
Price risk	commercial	Commodity forward	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(2,215)	-
Price risk	commercial	Option	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(5,011)	-
Price risk	commercial	Option	JPY	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(1,879)	-
Price risk	commercial	Option	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(2,867)	-
TOTAL												199,544	223,905	(16,669)	(11,673)



2.6 Risk exposure of investments

The objective of risk management is to ensure that PZU pursues its business goals, monitors and manages its portfolios in a safe manner and adequately to the level of incurred risks.

The main elements of PZU's risk management strategy include:

- risk management organizational structure, in which the key roles are played by the Supervisory Board, Management Board, the Asset-Liability Management Committee, the Investment Risk Committee, the Investment Committee ("Committees"), the Investment Division and the Risk Department;
- processes that include identification, measurement and assessment, monitoring, reporting and management measures with respect to each type of risk;
- system of acceptable limits and restrictions on the acceptable risk levels defined by the Supervisory Board, the Management Board and the relevant Committees;

Based on the Company's internal regulations, the Supervisory Board, Management Board and the Committees supervise the process of implementing the key risk management objective, which is to mitigate risk through active monitoring and management. The risk appetite is determined based on a system of limits incorporating all material factors related to investment risk. The key risk management tools used by the Company include, among others:

- VaR limits – where Value at Risk is a risk measure quantifying the potential economic loss, which will not be exceeded over a period of one year with a 99.5% probability under normal market circumstances;
- bpv limits – where basis point value denotes changes in the value of financial instruments and portfolio if interest rate curves move up 1 bp;
- equity exposure limits, including exposure of derivatives to equity risk;
- maximum position limit for each foreign currency;
- global position limit for each foreign currency;
- position limits for individual foreign currencies;
- exposure limits;
- net maturity-weighted credit exposure limits.

Investment risk reports are prepared on a daily basis for operating purposes and periodically (monthly, quarterly) for management purposes. The periodic reports are addressed mainly to the Supervisory Board, Management Board and the Committees.

Information on key market risks affecting PZU is presented in the following sections. The following tables take into consideration the initial risk resulting from the look through approach in respect to the funds where PZU and PZU Życie are the sole owners (SFIO Universum, FIZ Aktywów Niepublicznych BIS1, FIZ Aktywów Niepublicznych BIS2, FIZ Sektora Nieruchomości, FIZ Sektora Nieruchomości 2, FIZ Dynamiczny, FIZ Aktywów Niepublicznych Witelo Fund).



2.6.1. Interest rate risk

Interest rate risk is defined as the possibility of incurring a loss as a result of changes in the value of financial instruments or other assets and a change in the present value of projected cash flows from liabilities, caused by changes in the term structure of market rates or in the volatility of risk-free market interest rates. The table below presents financial instruments exposed to interest rate risk.

Interest rate risk	31 December 2017 (PLN m)	31 December 2017 (% of investments)	31 December 2016 (PLN m)	31 December 2016 (% of investments)
Financial instruments in the held for trading and available for sale portfolio	9,349.8	25.8%	9,331.5	30.1%
Financial instruments in the held-to-maturity portfolio	5,036.9	13.9%	5,453.1	17.6%
Debt securities in the loans portfolio	462.9	1.3%	118.2	0.4%
Debt and cash mutual funds	20.4	0.1%	176.0	0.6%

For the above financial instruments measured at fair value, a decline in value caused by a 100 bps increase in interest rates is PLN 263 million (PLN 265 million as at 31 December 2016). An increase in value caused by a 100 bps decrease in interest rates is PLN 292 million (PLN 293 million as at 31 December 2016).

2.6.2. Equity risk

Equity risk is defined as the possibility of incurring loss as a result of changes in the values of assets, liabilities and financial instruments caused by changes in the level or in the volatility of market prices of equities.

Equity risk	31 December 2017 (PLN m)	31 December 2017 (% of investments)	31 December 2016 (PLN m)	31 December 2016 (% of investments)
Financial instruments exposed to equity risk, including	17,065.9	47.1%	12,421.4	40.1%
- unquoted shares	7,612.3	21.0%	7,604.2	24.5%
- quoted shares	9,367.5	25.9%	4,694.2	15.1%
- other investments	-	-	-	-
- equity funds	86.1	0.2%	123.2	0.4%

2.6.3. Property price risk

Property risk is defined as the possibility of incurring loss as a result of changes in the value of assets, liabilities and financial instruments caused by changes in the level of market prices of real estate.

Property price risk	31 December 2017 (PLN m)	31 December 2017 (% of investments)	31 December 2016 (PLN m)	31 December 2016 (% of investments)
Value of investments exposed to property price risk, including:	369.7	1.0%	387.8	1.3%
- real property	369.7	1.0%	387.8	1.3%

2.6.4. Credit risk

Credit risk is defined as the risk of loss or adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors, which materializes in the form of counterparty's default on a liability or an increase in credit spread.

The tables below present the value of credit risk assets, broken down by rating grades, as at 31 December 2017 and 31 December 2016. The following assumptions have been made:

- the credit risk exposure arising from repo transactions is presented as an exposure to the issuer of the underlying securities;
- investment-grade ratings are based on Fitch ratings (if there is no Fitch rating then a Standard&Poor's or Moody's rating is used instead).

Credit risk assets as at 31 December 2017 (PLN m)	AAA	AA	A	BBB	BB	below BB or unrated	Total
Debt securities	560	-	9,301	942	658	3,390	14,851
- held to maturity	-	-	4,953	-	-	84	5,037
- available for sale	-	-	241	120	212	2,738	3,311
- measured at fair value	560	-	3,980	822	446	232	6,040
- loans	-	-	127	-	-	336	463
Bank deposits and repo transactions on treasury securities	-	-	142	825	-	1	968
Mortgage-backed loans	-	-	-	-	-	954	954
Other loans	-	-	-	-	-	259	259
Derivatives	-	65	88	22	-	18	193
Reinsurers' share in net claims provisions	-	-	-	-	-	-	-
Deposits with ceding enterprises	-	-	-	-	-	-	-
Reinsurance receivables	-	-	-	-	-	-	-
Total credit risk assets	560	65	9,531	1,789	658	4,622	17,225

Credit risk assets as at 31 December 2016 (PLN m)	AAA	AA	A	BBB	BB	below BB or unrated	Total
Debt securities	148	-	12,854	1,265	91	447	14,805
- held to maturity	-	-	5,255	75	-	25	5,355
- available for sale	-	-	1,073	993	71	324	2,461
- measured at fair value	148	-	6,506	197	20	-	6,871
- loans	-	-	20	-	-	98	118
Bank deposits and repo transactions on treasury securities	-	-	2,022	45	-	1	2,068
Mortgage-backed loans	-	-	-	-	-	951	951
Other loans	-	-	17	-	50	1,929	1,996
Derivatives	-	3	185	19	-	7	214
Reinsurers' share in net claims provisions	-	-	-	-	-	-	-
Deposits with ceding enterprises	-	-	-	-	-	-	-
Reinsurance receivables	-	-	-	-	-	-	-
Total credit risk assets	148	3	15,078	1,329	141	3,335	20,034

As at 31 December 2017, PZU's maximum potential credit loss was PLN 1,468.9 million (PLN 1,141.2 million as at 31 December 2016). The amount was calculated based on the average accumulated probability ratios regarding insolvency within a 10-year horizon for a given rating grade, published by Standard&Poor's and presented in the table below:

Credit risk assets	AAA	AA	A	BBB	BB	below BB or unrated
Calculation ratios as at 31 December 2017 (%)	0.72	0.77	1.41	3.76	13.33	25.43
Calculation ratios as at 31 December 2016 (%)	0.72	0.79	1.48	3.89	13.45	25.37

2.6.5. Concentration risk

Concentration risk	31 December 2017 (PLN m)	31 December 2017 (% of investments)	31 December 2016 (PLN m)	31 December 2016 (% of investments)
Treasury securities issued by the Polish Treasury and repo transactions on such securities	9,276.9	25.6%	13,186.0	42.6%

2.6.6. Foreign exchange risk

Foreign exchange risk is defined as the possibility of incurring loss as a result of changes in the value of assets, net technical provisions and derivatives caused by changes in the level or in the volatility of currency exchange rates.

PZU is exposed to currency risk arising from currency mismatch in technical provisions whose value of which depends on exchange rates and assets denominated in foreign currencies, in particular: securities, investments in financial institutions, participation units in mutual funds and derivatives, i.e. fx forward, fx swap, interest/ currency swap where FX rates are underlying instruments.

Foreign exchange risk	31 December 2017 (PLN m)	31 December 2016 (PLN m)
Value of assets denominated in foreign currencies	5,326.8	4,581.5
Amount of net technical provisions denominated in foreign currencies	743.4	651.9
Liabilities for borrowings from PZU Finance AB (publ.) funded by receipts under debt securities issued by PZU Finance AB (publ.)	3,558.3	3,765.0
Currency mismatch	1,025.1	164.6



3. Receivables

Geographic structure of receivables	31 December 2017				31 December 2016			
	Domestic	Foreign – EU countries	Foreign – other countries	Total	Domestic	Foreign – EU countries	Foreign – other countries	Total
I. Receivables on direct insurance	1,791,798	15,088	15,116	1,822,002	1,728,960	14,198	8,984	1,752,142
1. Receivables from policyholders	1,651,176	13,402	15,115	1,679,693	1,522,295	12,291	8,984	1,543,570
2. Receivables from intermediaries	119,805	5	-	119,810	188,307	53	-	188,360
3. Other receivables	20,817	1,681	1	22,499	18,358	1,854	-	20,212
II. Reinsurance receivables	129,507	15,551	7,908	152,966	84,923	37,630	7,584	130,137
III. Other receivables	164,483	113,901	61,889	340,273	220,607	122,009	27,543	370,159
1. Receivables from the state budget	29,518	-	-	29,518	11,486	-	-	11,486
2. Other receivables	134,965	113,901	61,889	310,755	209,121	122,009	27,543	358,673
Total receivables	2,085,788	144,540	84,913	2,315,241	2,034,490	173,837	44,111	2,252,438



3.1 Receivables on direct insurance

Receivables on direct insurance	31 December 2017	31 December 2016
a) receivables from policyholders, including:	1,679,693	1,543,570
- from related parties	11,289	3,310
- domestic	11,289	3,310
- foreign	-	-
- from other entities	1,668,404	1,540,260
- domestic	1,639,887	1,518,985
- foreign	28,517	21,275
b) receivables from insurance intermediaries, including:	119,810	188,360
- from related parties	8	8
- domestic	8	8
- foreign	-	-
- from other entities	119,802	188,352
- domestic	119,797	188,299
- foreign	5	53
c) other receivables, including:	22,499	20,212
- from related parties	-	-
- domestic	-	-
- foreign	-	-
- from other entities	22,499	20,212
- domestic	20,817	18,358
- foreign	1,682	1,854
Total receivables on direct insurance (net)	1,822,002	1,752,142
d) impairment losses	544,759	524,532
Total receivables on direct insurance (gross)	2,366,761	2,276,674

Receivables on direct insurance, by remaining time to maturity from the balance sheet date	31 December 2017	31 December 2016
a) up to 3 months ¹⁾	1,229,581	1,107,984
b) from 3 months to 1 year	549,799	564,060
c) from 1 to 5 years	42,603	80,055
d) over 5 years	19	43
Total receivables on direct insurance	1,822,002	1,752,142

¹⁾ As at 31 December 2017, the net amount of overdue receivables on direct insurance was PLN 430,793 thousand (PLN 280,075 thousand on 31 December 2016).

Receivables on direct insurance (net)	31 December 2017	31 December 2016
a) from subsidiaries	11,297	3,318
b) from joint ventures	-	-
c) from associates	-	-
d) from a major investor	-	-
e) from a shareholder in a joint venture	-	-
f) from the parent company	-	-
g) other	1,810,705	1,748,824
Total receivables on direct insurance	1,822,002	1,752,142

Receivables on direct insurance (by currency)	31 December 2017	31 December 2016
a) Polish currency	1,808,451	1,749,490
b) in foreign currencies (by currency and translated to PLN)	13,551	2,652
b1. thousands of EUR	2,698	599
thousands of PLN	11,255	2,652
b2. thousands of USD	658	-
thousands of PLN	2,290	-
b3. other	6	-
Total receivables on direct insurance	1,822,002	1,752,142

Balance of co-insurance settlements	31 December 2017	31 December 2016
Balance of co-insurance settlements	69,991	85,516

3.2 Reinsurance receivables

Reinsurance receivables	31 December 2017	31 December 2016
a) current receivables in inward reinsurance, including:	109,349	67,783
- from domestic cedents	104,265	66,265
- from foreign cedents	5,084	1,518
b) current receivables in outward reinsurance, including	28,538	29,983
- from domestic reinsurers	10,567	7,231
- from foreign reinsurers	17,971	22,752
c) current receivables from retrocessionaires, including:	15,079	32,371
- domestic	14,675	11,427
- foreign	404	20,944
d) receivables on account of reinsurance commissions amortized over time	-	-
e) receivables on account of reinsurers' share in claims paid	-	-
Total reinsurance receivables (net)	152,966	130,137
f) impairment losses	6,994	7,968
Total reinsurance receivables (gross)	159,960	138,105

Reinsurance receivables	31 December 2017	31 December 2016
a) from subsidiaries	104,137	62,733
b) from joint ventures	-	-
c) from associates	-	-
d) from a major investor	-	-
e) from a shareholder in a joint venture	-	-
f) from the parent company	-	-
g) other	48,829	67,404
Total reinsurance receivables	152,966	130,137

Reinsurance receivables	31 December 2017	31 December 2016
a) current receivables in inward reinsurance, including:	109,349	67,783
- from cedents who are subsidiaries	104,137	62,733
- from cedents who are joint ventures	-	-
- from cedents who are associates	-	-
- from a cedent who is a major investor	-	-
- from a cedent who is a shareholder in joint venture	-	-
- from a cedent who is the parent company	-	-
b) current receivables in outward reinsurance, including	28,538	29,983
- from reinsurers who are subsidiaries	-	-
- from cedents who are joint ventures	-	-
- from reinsurers who are associates	-	-
- from a reinsurer who is a major investor	-	-
- from a reinsurer who is a shareholder in joint venture	-	-
- from a reinsurer who is the parent company	-	-
c) current receivables from retrocessionaires, including:	15,079	32,371
- from subsidiaries	-	-
- from cedents who are joint ventures	-	-
- from associates	-	-
- from a major investor	-	-
- from a shareholder in joint venture	-	-
- from the parent company	-	-
d) other	-	-
Total reinsurance receivables	152,966	130,137

Reinsurance receivables (net), by remaining time to maturity from the balance sheet date	31 December 2017	31 December 2016
a) up to 3 months	86,229	85,932
b) from 3 months to 1 year	63,603	43,470
c) from 1 to 5 years	3,134	735
d) over 5 years	-	-
Total reinsurance receivables (net)	152,966	130,137

Reinsurance receivables (by currency)	31 December 2017	31 December 2016
a) Polish currency	144,245	100,707
b) in foreign currencies (by currency and translated to PLN)	8,721	29,430
b1. thousands of EUR	253	95
thousands of PLN	1,054	422
b2. thousands of USD	1,098	6,768
thousands of PLN	3,821	28,286
b3. thousands of UAH	25,825	2,043
thousands of PLN	3,192	315
b4. other currencies	654	407
Total reinsurance receivables	152,966	130,137

3.3 Other receivables

Other receivables	31 December 2017	31 December 2016
a) receivables from the state budget	29,518	11,486
b) settlements of guarantees and letters of credit	-	-
c) other receivables, including:	310,755	358,673
receivables from outstanding investment transactions and security deposits	166,008	141,060
settlements of the Company Social Benefit Fund	52,268	58,704
receivables from direct claims handling on behalf of other insurance undertakings	36,081	43,663
settlements of prevention activities	18,563	15,040
receivables for acting as an emergency adjuster	12,735	10,973
receivables on account of settlements within the Tax Group	10,893	63,436
bailiff seizures	5,917	8,851
security deposits withheld	2,686	2,722
receivables due to shortages and damages	2,120	293
prepayments for suppliers	1,372	1,313
Total other receivables (net)	340,273	370,159
d) impairment losses	10,989	10,077
Total other receivables (gross)	351,262	380,236

Other receivables	31 December 2017	31 December 2016
a) from subsidiaries	18,910	74,683
b) from joint ventures	-	-
c) from associates	-	-
d) from a major investor	-	-
e) from a shareholder in a joint venture	-	-
f) from the parent company	-	-
g) other	321,363	295,476
Total other receivables	340,273	370,159

Other receivables, by remaining time to maturity from the balance sheet date	31 December 2017	31 December 2016
a) up to 3 months	283,518	264,461
b) from 3 months to 1 year	1,193	18,037
c) from 1 to 5 years	22,538	56,106
d) over 5 years	33,024	31,555
Total other receivables	340,273	370,159

Other receivables (by currency)	31 December 2017	31 December 2016
a) Polish currency	176,960	229,966
b) in foreign currencies (by currency and translated to PLN)	163,313	140,193
b1. thousands of EUR	24,177	25,452
thousands of PLN	100,841	112,598
b2. thousands of USD	16,998	6,297
thousands of PLN	59,176	26,315
b3. thousands of HUF	214,588	-
thousands of PLN	2,886	-
b4. thousands of GBP	87	249
thousands of PLN	410	1,280
b5. other currencies	-	-
Total other receivables	340,273	370,159

3.4 Other information on receivables

3.4.1. Movement in impairment losses on receivables, by type of receivable

Movement in impairment losses on receivables, by type of receivable	31 December 2017	31 December 2016
a) at the beginning of the period (by type of receivable)	542,577	549,464
impairment losses on receivables on direct insurance	524,532	533,079
impairment losses on reinsurance receivables	7,968	6,226
impairment losses on other receivables	10,077	10,159
b) additions (by virtue of)	113,900	42,833
impairment losses on receivables on direct insurance	111,664	38,423
impairment losses on reinsurance receivables	1,309	4,410
impairment losses on other receivables	927	-
c) reductions (by virtue of)	93,735	49,720
- utilized impairment losses	13,608	182
impairment losses on receivables on direct insurance	13,608	116
impairment losses on reinsurance receivables	-	-
impairment losses on other receivables	-	66
- reversal of impairment losses due to repayment and other ()	80,127	49,538
impairment losses on receivables on direct insurance	77,829	46,854
impairment losses on reinsurance receivables	2,283	2,668
impairment losses on other receivables	15	16
d) at the end of the period (by type of receivable)	562,742	542,577
impairment losses on receivables on direct insurance	544,759	524,532
impairment losses on reinsurance receivables	6,994	7,968
impairment losses on other receivables	10,989	10,077

3.4.2. Information on past due receivables (by type)

Past due receivables (by type)	31 December 2017	31 December 2016
a) up to 3 months	286,646	175,784
- receivables on direct insurance	269,764	165,348
- reinsurance receivables	14,447	8,688
- other receivables	2,435	1,748
b) over 3 months	201,217	137,459
- receivables on direct insurance	161,029	114,727
- reinsurance receivables	9,141	13,077
- other receivables	31,047	9,655
Total past due receivables (by type), of which:	487,863	313,243
a) up to 3 months	286,646	175,784
b) over 3 months	201,217	137,459

As at 31 December 2017, the value of receivables more than 1 year past due was PLN 56,987 thousand (PLN 44,728 thousand on 31 December 2016).

4. Other assets

4.1 Property, plant and equipment

Property, plant and equipment	31 December 2017	31 December 2016
a) plant and machinery	50,422	43,290
b) means of transport	40,361	48,726
c) other fixed assets	16,630	20,830
d) fixed assets under construction	10,119	11,375
e) advances for fixed assets under construction	-	-
f) inventories	-	155
g) salvage after damages	406	254
Total property, plant and equipment	117,938	124,630

Property, plant and equipment – ownership structure	31 December 2017	31 December 2016
a) owned	117,938	124,630
b) third party	-	-
Total property, plant and equipment	117,938	124,630

Fixed assets (on balance sheet) – ownership structure	31 December 2017	31 December 2016
a) owned	117,938	124,630
b) used based on lease, rental or other agreement	-	-
Total fixed assets (on balance sheet)	117,938	124,630

Fixed assets (off balance sheet)	31 December 2017	31 December 2016
a) used based on lease, rental or other agreement, including:	116,361	117,710
lease	116,361	117,710
Total fixed assets (off balance sheet)	116,361	117,710

In 2017 and in 2016 PZU did not incur production costs of fixed assets under construction and fixed assets for internal purposes.

Movement in fixed assets (by types) for the year ended 31 December 2017	Plant and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Advances for fixed assets under construction	Inventories	Salvage after damages	Total property, plant and equipment
a) gross value of fixed assets – at the beginning of the period	225,023	83,760	64,836	11,375	-	155	254	385,403
b) additions (by virtue of)	25,151	4,492	1,929	20,791	-	-	1,989	54,352
- investments	-	-	-	-	-	-	-	-
- direct purchase	6,330	-	1,118	20,791	-	-	-	28,239
- transfers	18,402	2,856	789	-	-	-	-	22,047
- other (including estimates)	419	1,636	22	-	-	-	1,989	4,066
c) reductions (by virtue of)	38,031	8,403	2,018	22,047	-	155	1,837	72,491
- liquidation	36,367	92	1,166	-	-	-	-	37,625
- sale	855	8,311	727	-	-	-	1,837	11,730
- transfers	-	-	-	22,047	-	-	-	22,047
- other	809	-	125	-	-	155	-	1,089
d) gross value of fixed assets – at the end of the period	212,143	79,849	64,747	10,119	-	-	406	367,264
e) accumulated depreciation – at the beginning of the period	181,733	35,034	44,006	-	-	-	-	260,773
f) depreciation for the period (due to)	(20,012)	4,454	4,111	-	-	-	-	(11,447)
- depreciation charges for the current year	17,451	9,033	5,985	-	-	-	-	32,469
- accumulated depreciation of fixed assets liquidated	(36,298)	(37)	(1,067)	-	-	-	-	(37,402)
- accumulated depreciation of fixed assets sold	(810)	(5,677)	(727)	-	-	-	-	(7,214)
- other	(355)	1,135	(80)	-	-	-	-	700
g) accumulated depreciation – at the end of the period	161,721	39,488	48,117	-	-	-	-	249,326
h) impairment losses – at the beginning of the period	-	-	-	-	-	-	-	-
- additions	-	-	-	-	-	-	-	-
- reductions	-	-	-	-	-	-	-	-
i) impairment losses – at the end of the period	-	-	-	-	-	-	-	-
j) net value of fixed assets – at the end of the period	50,422	40,361	16,630	10,119	-	-	406	117,938

Movement in fixed assets (by types) for the year ended 31 December 2016	Plant and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Advances for fixed assets under construction	Inventories	Salvage after damages	Total property, plant and equipment
a) gross value of fixed assets – at the beginning of the period	247,175	87,568	62,244	12,182	-	114	214	409,497
b) additions (by virtue of)	18,105	5,674	6,824	23,327	-	41	1,362	55,333
- investments	-	-	-	-	-	-	-	-
- direct purchase	1,375	-	4,267	19,535	-	-	-	25,177
- transfers	15,979	5,481	2,541	-	-	-	-	24,001
- other (including estimates)	751	193	16	3,792	-	41	1,362	6,155
c) reductions (by virtue of)	40,257	9,482	4,232	24,134	-	-	1,322	79,427
- liquidation	36,815	46	2,618	26	-	-	-	39,505
- sale	3,310	9,390	1,528	-	-	-	1,322	15,550
- transfers	-	-	-	24,001	-	-	-	24,001
- other	132	46	86	107	-	-	-	371
d) gross value of fixed assets – at the end of the period	225,023	83,760	64,836	11,375	-	155	254	385,403
e) accumulated depreciation – at the beginning of the period	205,887	31,027	41,675	-	-	-	-	278,589
f) depreciation for the period (due to)	(24,154)	4,007	2,331	-	-	-	-	(17,816)
- depreciation charges for the current year	15,063	10,546	6,243	-	-	-	-	31,852
- accumulated depreciation of fixed assets liquidated	(36,604)	(9)	(2,355)	-	-	-	-	(38,968)
- accumulated depreciation of fixed assets sold	(3,299)	(6,623)	(1,528)	-	-	-	-	(11,450)
- other	686	93	(29)	-	-	-	-	750
g) accumulated depreciation – at the end of the period	181,733	35,034	44,006	-	-	-	-	260,773
h) impairment losses – at the beginning of the period	-	-	-	-	-	-	-	-
- additions	-	-	-	-	-	-	-	-
- reductions	-	-	-	-	-	-	-	-
i) impairment losses – at the end of the period	-	-	-	-	-	-	-	-
j) net value of fixed assets – at the end of the period	43,290	48,726	20,830	11,375	-	155	254	124,630

4.2 Cash

Cash	31 December 2017	31 December 2016
a) cash on hand and in bank accounts	982,152	1,148,031
b) other cash	-	-
Total cash	982,152	1,148,031

Restricted cash is described in section 28.1 of Notes and explanations.

The high balance of cash as at 31 December 2017 and 31 December 2016 resulted from a trading liquidity strategy for the portfolio denominated in EUR for which it was decided to leave cash on a current bank account, since it was unprofitable to make term deposits at negative interest rates.

Cash, by currency	31 December 2017	31 December 2016
a) Polish currency	70,358	52,679
b) in foreign currencies (by currency and translated to PLN)	911,794	1,095,352
b1. thousands of EUR	208,016	232,230
thousands of PLN	867,615	1,027,385
b2. thousands of USD	11,696	6,263
thousands of PLN	40,717	26,173
b3. thousands of HUF	206,781	200,717
thousands of PLN	2,781	2,855
b4. thousands of GBP	1	1,372
thousands of PLN	7	7,060
b5. thousands of CZK	-	192,999
thousands of PLN	-	31,594
b6. other	674	285
Total cash	982,152	1,148,031

5. Prepayments and accruals

5.1 Deferred tax assets

Movement in deferred tax assets	31 December 2017	31 December 2016
1. Deferred tax assets – at the beginning of the period, including:	474,314	459,105
a) recognized in the financial result¹⁾	473,638	456,912
b) recognized in equity²⁾	676	2,193
c) recognized in goodwill or negative goodwill	-	-
2. Additions	16,646	28,162
a) recognized in the financial result of the period in connection with deductible temporary differences (by virtue of)	15,906	28,162
- occurrence of temporary differences, including:	15,906	28,162
accrued expenses	5,323	18,301
financial instruments	-	-
impairment losses on real property	-	9,721
other provisions	10,583	140
- changes in tax rates	-	-
- unrecognized temporary difference from the previous period	-	-
b) recognized in the financial result of the period in connection with tax loss (by virtue of)	-	-
c) recognized in equity in connection with deductible temporary differences (by virtue of)	740	-
- occurrence of temporary differences, including:	740	-
financial instruments	740	-
- changes in tax rates	-	-
- unrecognized temporary difference from the previous period	-	-
d) recognized in equity in connection with tax loss (by virtue of)	-	-
e) recognized in goodwill or negative goodwill in connection with deductible temporary differences (by virtue of)	-	-
3. Decreases	31,064	12,953
a) recognized in the financial result of the period in connection with deductible	31,064	11,436

temporary differences (by virtue of)		
- reversed temporary differences, including:	31,064	11,436
insurance receivables	3,683	1,076
financial instruments	18,967	6,005
other provisions	503	1,581
accrued expenses	6,835	1,938
other temporary differences	1,076	836
- changes in tax rates	-	-
- impairment losses on deferred tax assets	-	-
b) recognized in the financial result of the period in connection with tax loss (by virtue of)	-	-
c) recognized in equity in connection with deductible temporary differences (by virtue of)	-	1,517
- reversed temporary differences, including:	-	1,517
financial instruments	-	1,517
- changes in tax rates	-	-
- impairment losses on deferred tax assets	-	-
d) recognized in equity in connection with tax loss (by virtue of)	-	-
e) recognized in goodwill or negative goodwill in connection with deductible temporary differences (by virtue of)	-	-
4. Deferred tax assets – at the end of the period, including:	459,896	474,314
a) recognized in the financial result³⁾	458,480	473,638
b) recognized in equity²⁾	1,416	676
c) recognized in goodwill or negative goodwill	-	-

¹⁾ Refers to accumulated changes in deferred tax assets recognized in the financial result of 2016 and previous years.

²⁾ Refers to revaluation reserve

³⁾ Refers to accumulated impact of changes in deferred tax assets recognized in the financial result of 2017 and previous years.

Deferred tax assets and liabilities are presented after setting off the relevant amounts resulting from negative and taxable temporary differences.

Additional information on deductible temporary differences	31 December 2017	31 December 2016
a) deductible temporary differences – at the beginning of the period, including:	2,496,389	2,416,339
financial instruments	910,779	950,371
accrued expenses	1,028,298	942,171
insurance receivables	380,424	386,089
other temporary differences	8,696	13,094
impairment losses on real property	123,615	72,452
other provisions	44,577	52,162
b) deductible temporary differences – at the end of the period, including:	2,420,507	2,496,389
financial instruments	814,846	910,779
accrued expenses	1,020,338	1,028,298
insurance receivables	393,270	380,424
other temporary differences	8,282	8,696
impairment losses on real property	121,682	123,615
other provisions	62,089	44,577
deductible temporary differences expiring within 1 year	1,822,592	1,942,218
deductible temporary differences expiring in more than 1 year	597,915	554,171

5.2 Other prepaid expenses and accrued income

Other prepayments and accruals	31 December 2017	31 December 2016
a) reinsurance accruals ¹⁾	669,209	755,392
b) deferred IT expenses	26,954	14,614
c) deferred real estate-related expenses	1,362	2,687
d) other	68,246	58,096
Total other prepayments and accruals	765,771	830,789

¹⁾ "Reinsurance accruals" include mainly gross accrued premium on inward reinsurance in the amount of PLN 597,059 thousand (PLN 658,908 thousand as at 31 December 2016).

6. Movements in impairment losses

Movement in impairment losses in the year ended 31 December 2017

Item	Impairment losses as at 1 January 2017, including:		Recognized, of which:		Reversed, of which:		Utilized, of which		Impairment losses as at 31 December 2017, including:	
	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity
I. Intangible assets	1,723	-	-	-	-	-	-	-	1,723	-
II. Investments	147,356	3,051	1,813	-	(1,228)	-	(2,616)	-	145,325	3,051
1. Real property	125,615	3,051	247	-	(1,228)	-	(1,697)	-	122,937	3,051
2. Investments in related parties	7,821	-	-	-	-	-	-	-	7,821	-
3. Other financial investments	13,920	-	1,566	-	-	-	(919)	-	14,567	-
a) shares and other variable income securities	12,500	-	-	-	-	-	-	-	12,500	-
b) participation units and investment certificates in mutual funds	1,420	-	1,566	-	-	-	(919)	-	2,067	-
c) debt securities and other fixed income securities	-	-	-	-	-	-	-	-	-	-
d) shares in investment pools	-	-	-	-	-	-	-	-	-	-
e) mortgage-backed loans	-	-	-	-	-	-	-	-	-	-
f) other loans	-	-	-	-	-	-	-	-	-	-
g) term deposits with credit institutions	-	-	-	-	-	-	-	-	-	-
h) other investments (by type)	-	-	-	-	-	-	-	-	-	-
4. Deposits with ceding enterprises	-	-	-	-	-	-	-	-	-	-
III. Net assets in life insurance where the investment risk is borne by the policyholder	-	-	-	-	-	-	-	-	-	-
IV. Receivables	542,577	-	113,900	-	(80,127)	-	(13,608)	-	562,742	-
1. Receivables on direct insurance	524,532	-	111,664	-	(77,829)	-	(13,608)	-	544,759	-
2. Reinsurance receivables	7,968	-	1,309	-	(2,283)	-	-	-	6,994	-
3. Other receivables	10,077	-	927	-	(15)	-	-	-	10,989	-
3.1. Receivables from the state budget	-	-	-	-	-	-	-	-	-	-
3.2. Other receivables	10,077	-	927	-	(15)	-	-	-	10,989	-
V. Other assets, including:	-	-	-	-	-	-	-	-	-	-
1. Property, plant and equipment	-	-	-	-	-	-	-	-	-	-
2. Other assets	-	-	-	-	-	-	-	-	-	-
VI. Prepayments and accruals	270	-	797	-	-	-	-	-	1,067	-
1. Deferred tax assets	-	-	-	-	-	-	-	-	-	-
2. Deferred acquisition costs	-	-	-	-	-	-	-	-	-	-
3. Accrued interest and rents	-	-	-	-	-	-	-	-	-	-
4. Other prepayments and accruals	270	-	797	-	-	-	-	-	1,067	-

Movement in impairment losses for financial assets in the year ended 31 December 2016

Item	Impairment losses as at 1 January 2016, including:		Recognized, of which:		Reversed, of which:		Utilized, of which		Impairment losses as at 31 December 2016, including:	
	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity
I. Intangible assets	1,723	-	-	-	-	-	-	-	1,723	-
II. Investments	116,766	3,063	56,068	-	(2,760)	(12)	(22,718)	-	147,356	3,051
1. Real property	75,607	3,063	54,658	-	(2,760)	(12)	(1,890)	-	125,615	3,051
2. Investments in related parties	7,821	-	-	-	-	-	-	-	7,821	-
3. Other financial investments	33,338	-	1,410	-	-	-	(20,828)	-	13,920	-
a) shares and other variable income securities	12,524	-	-	-	-	-	(24)	-	12,500	-
b) participation units and investment certificates in mutual funds	20,814	-	1,410	-	-	-	(20,804)	-	1,420	-
c) debt securities and other fixed income securities	-	-	-	-	-	-	-	-	-	-
d) shares in investment pools	-	-	-	-	-	-	-	-	-	-
e) mortgage-backed loans	-	-	-	-	-	-	-	-	-	-
f) other loans	-	-	-	-	-	-	-	-	-	-
g) term deposits with credit institutions	-	-	-	-	-	-	-	-	-	-
h) other investments (by type)	-	-	-	-	-	-	-	-	-	-
4. Deposits with ceding enterprises	-	-	-	-	-	-	-	-	-	-
III. Net assets in life insurance where the investment risk is borne by the policyholder	-	-	-	-	-	-	-	-	-	-
IV. Receivables	549,464	-	42,833	-	(49,538)	-	(182)	-	542,577	-
1. Receivables on direct insurance	533,079	-	38,423	-	(46,854)	-	(116)	-	524,532	-
2. Reinsurance receivables	6,226	-	4,410	-	(2,668)	-	-	-	7,968	-
3. Other receivables	10,159	-	-	-	(16)	-	(66)	-	10,077	-
3.1. Receivables from the state budget	-	-	-	-	-	-	-	-	-	-
3.2. Other receivables	10,159	-	-	-	(16)	-	(66)	-	10,077	-
V. Other assets, including:	-	-	-	-	-	-	-	-	-	-
1. Property, plant and equipment	-	-	-	-	-	-	-	-	-	-
2. Other assets	-	-	-	-	-	-	-	-	-	-
VI. Prepayments and accruals	70	-	200	-	-	-	-	-	270	-
1. Deferred tax assets	-	-	-	-	-	-	-	-	-	-
2. Deferred acquisition costs	-	-	-	-	-	-	-	-	-	-
3. Accrued interest and rents	-	-	-	-	-	-	-	-	-	-
4. Other prepayments and accruals	70	-	200	-	-	-	-	-	270	-



6.1 Carrying amount of interest accrued on impaired assets

As at 31 December 2017 and 31 December 2016, no interest has accrued on impaired assets.

7. Equity

7.1 Share capital

Share capital structure as at 31 December 2017

Series/ issue	Par value per share	Type of shares	Type of preference attached to shares	Type of limitatio n on rights to shares	Number of shares	Par value of the series/ issue (PLN)	Capital coverage	Date of registration	Right to dividends (from)
A	PLN 0.1	bearer	none	none	604,463,200	60,446,320	cash	23.01.1997	27.12.1991
B	PLN 0.1	bearer	none	none	259,059,800	25,905,980	in-kind contribution	31.03.1999	01.01.1999
Total					863,523,000	86,352,300			

Share capital structure as at 31 December 2016

Series/ issue	Par value per share	Type of shares	Type of preference attached to shares	Type of limitatio n on rights to shares	Number of shares	Par value of the series/ issue (PLN)	Capital coverage	Date of registration	Right to dividends (from)
A	PLN 0.1	bearer	none	none	604,463,200	60,446,320	cash	23.01.1997	27.12.1991
B	PLN 0.1	bearer	none	none	259,059,800	25,905,980	in-kind contribution	31.03.1999	01.01.1999
Total					863,523,000	86,352,300			

Shareholder structure as at 31 December 2017

No.	Shareholder's name	Number of shares and votes	Percentage share in the share capital and in the total number of votes at the Shareholder Meeting
1.	State Treasury ¹⁾	295,217,300	34.1875%
2.	Other shareholders	568,305,700	65.8125%
	Total	863,523,000	100.0000%

¹⁾ According to the Current Report No. 11/2018 on the list of shareholders holding at least 5% of votes at the Extraordinary Shareholder Meeting of PZU commenced on 27 February and ended on 9 March 2018.

Shareholder structure as at 31 December 2016

No.	Shareholder's name	Number of shares and votes	Percentage share in the share capital and in the total number of votes at the Shareholder Meeting
1.	State Treasury ¹⁾	295,217,300	34.1875%
2.	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK ¹⁾	44,260,000	5.1255%
3.	Other shareholders	524,045,700	60.6870%
	Total	863,523,000	100.0000%

¹⁾ According to the Current Report No. 17/2017 on the list of shareholders holding at least 5% of votes at the Extraordinary Shareholder Meeting of PZU commenced on 18 January and ended on 8 February 2017.

7.2 Dividends

7.2.1. Dividend paid from the 2016 profit

On 29 May 2017 the PZU Management Board decided to file a motion with the Ordinary Shareholder Meeting of PZU to distribute PZU's net profit for the year ended 31 December 2016 in the amount of PLN 1,592,951 thousand as follows:

- designate PLN 1,208,932 thousand, i.e. PLN 1.40 per share, for a dividend payment;
- designate PLN 369,019 thousand for supplementary capital;
- designate PLN 15,000 thousand for the Company Social Benefit Fund.

On 29 June 2017, the Ordinary Shareholder Meeting of PZU adopted a resolution on distribution of net profit for the year ended 31 December 2016, in accordance with the motion submitted by the PZU Management Board.

The record date was set at 29 September 2017 and the dividend was paid out on 19 October 2017.

7.2.2. Proposed distribution of the 2017 profit

As at the date of signing these standalone financial statements, the PZU Management Board has not adopted a resolution in the matter of the proposed distribution of the 2017 profit.

7.3 Supplementary capital

Supplementary capital	31 December 2017	31 December 2016
a) share premium account	538,139	538,139
b) statutory	28,784	28,784
c) created under articles of association or contractually above the (minimum) amount required by law	4,685,140	4,316,121
d) from shareholder contributions	-	-
e) other	6,386	6,138
Total supplementary capital	5,258,449	4,889,182

7.4 Revaluation reserve

Revaluation reserve	31 December 2017	31 December 2016
a) revaluation of fixed assets	9,917	10,165
b) deferred tax	(242,412)	(220,171)
c) foreign exchange translation differences related to foreign branches	-	-
d) other (by type):	6,056,790	5,778,667
- due to remeasurement of financial investments measured by the equity method	4,779,404	4,618,000
- due to remeasurement of financial investments classified in the portfolio of financial assets available for sale	1,277,386	1,160,667
Total revaluation reserve	5,824,295	5,568,661

Revaluation reserve on financial instruments (gross)	1 January – 31 December 2017	1 January – 31 December 2016
1. Opening balance	5,778,667	5,948,680
2. Additions, by virtue of	778,240	732,990
a) effects of revaluation of financial assets available for sale, including:	778,240	732,990
- remeasurement gains	776,309	719,126
- amounts deducted as at the derecognition data (e.g. sale)	365	12,454
- impairment losses posted to the profit and loss account if impairment is determined	1,566	1,410
- valuation gains determined as at the date assets are reclassified to available for sale (from held to maturity)	-	-
- amounts settled when assets are reclassified to held to maturity (reclassified to HTM for the second time after the elapse of the period referred to in par. 8.4 of the regulation on financial instruments)	-	-
b) arising from the application of hedge accounting:	-	-
- amounts settled when fair value of an interest-bearing financial instrument is hedged	-	-
- periodic measurement of hedged items and hedging instruments related to cash flow hedges	-	-
- periodic measurement of hedged items and hedging instruments related to hedges of net assets of foreign entities	-	-
c) other	-	-
d) calculation, revaluation and charging to financial result of deferred tax liabilities and assets	-	-
3. Reductions, by virtue of:	500,117	903,003
a) effects of revaluation of financial assets available for sale, including:	500,117	903,003
- remeasurement losses	451,501	159,161
- amounts deducted as at the derecognition data (e.g. sale)	48,616	743,842
- valuation losses determined as at the date assets are reclassified to available for sale (from held to maturity)	-	-
- amounts settled when assets are reclassified to held to maturity (reclassified to HTM for the second time after the elapse of the period referred to in par. 8.4 of the regulation on financial instruments)	-	-
b) arising from the application of hedge accounting:	-	-
- amounts settled when fair value of an interest-bearing financial instrument is hedged	-	-
- periodic measurement of hedged items and hedging instruments related to cash flow hedges	-	-
- periodic measurement of hedged items and hedging instruments related to hedges of net assets of foreign entities	-	-
c) other	-	-
d) calculation, revaluation and charging to financial result of deferred tax liabilities and assets	-	-
4. Closing balance	6,056,790	5,778,667

8. Subordinated liabilities

On 30 June 2017, PZU issued subordinated bonds with a total nominal value of PLN 2,250,000 thousand. The final maturity of the bonds is 29 July 2027 with an early repayment option on 29 July 2022.

Parameters of outstanding bonds:

Parameter	Value
Total nominal value of the bonds	PLN 2,250,000 thousand
Nominal value and issue price of one bond	PLN 100,000
Final maturity	29 July 2027
Interest rate	WIBOR 6M + 1.80% margin
Interest payment days	29 January and 29 July each year, from 29 January 2018 until 29 July 2027
Possibility of redeeming bonds before final maturity	29 July 2022
Security	None

The bonds are not in the form of documents and are registered in the securities depository maintained by Krajowy Depozyt Papierów Wartościowych SA [National Depository for Securities] and listed in alternative trading systems run by BondSpot SA and the Warsaw Stock Exchange. As at 31 December 2017, the carrying amount of subordinated loans was PLN 2,284,674 thousand, while their fair value was PLN 2,334,948.

9. Technical provisions

Technical provisions	31 December 2017	31 December 2016
a) provision for unearned premiums:	6,653,282	5,924,475
- gross provisions	7,072,811	6,278,199
- reinsurers' share	419,529	353,724
b) provision for unexpired risk:	-	-
- gross provisions	-	-
- reinsurers' share	-	-
c) life insurance provision:	-	-
- gross provisions	-	-
- reinsurers' share	-	-
d) provision for outstanding claims and benefits:	12,702,006	12,229,282
- gross provisions	13,435,693	12,797,078
- reinsurers' share	733,687	567,796
e) provisions for bonuses and discounts for insureds:	3,069	2,010
- gross provisions	8,816	2,010
- reinsurers' share	5,747	-
f) equalization provision	717,981	663,322
g) provisions for reimbursement of premiums to members	-	-
h) other technical provisions specified in the articles of association	-	-
- gross provisions	-	-
- reinsurers' share	-	-
i) life insurance provisions where the investment risk is borne by the policyholder	-	-
- gross provisions	-	-
- reinsurers' share	-	-
Total technical provisions	20,076,338	18,819,089

Technical provisions – gross (by currency)	31 December 2017	31 December 2016
a) provision for unearned premiums:	7,072,811	6,278,199
- in PLN	7,072,811	6,278,199
- in foreign currencies (by currency and translated to PLN)	-	-
b) provision for unexpired risk:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
c) life insurance provision:	-	-
- in PLN	-	-

Technical provisions – gross (by currency)	31 December 2017	31 December 2016
- in foreign currencies (by currency and translated to PLN)	-	-
d) provision for outstanding claims and benefits:	13,435,693	12,797,078
- in PLN	12,564,587	11,961,699
- in foreign currencies (by currency and translated to PLN)	871,106	835,379
d1. thousands of EUR	208,848	188,829
thousands of PLN	871,085	835,379
d2. thousands of USD	6	-
thousands of PLN	21	-
e) provisions for bonuses and discounts for insureds:	8,816	2,010
- in PLN	8,816	2,010
- in foreign currencies (by currency and translated to PLN)	-	-
f) equalization provision:	717,981	663,322
- in PLN	717,981	663,322
- in foreign currencies (by currency and translated to PLN)	-	-
g) provisions for reimbursement of premiums to members:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
h) other technical provisions specified in the articles of association:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
i) life insurance provisions where the investment risk is borne by the policyholder:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
Total technical provisions	21,235,301	19,740,609

Reinsurers' share in technical provisions (by currency)	31 December 2017	31 December 2016
a) reinsurers' share in the provision for unearned premiums:	419,529	353,724
- in PLN	419,529	353,724
- in foreign currencies (by currency and translated to PLN)	-	-
b) Reinsurers' share in the provision for unexpired risk:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
c) reinsurers' share in the life insurance provision:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
d) reinsurers' share in the provision for unpaid claims and benefits:	733,687	567,796
- in PLN	605,951	384,341
- in foreign currencies (by currency and translated to PLN)	127,736	183,455
d1. thousands of EUR	22,437	6,688
thousands of PLN	93,581	29,588
d2. thousands of USD	5,806	36,730
thousands of PLN	20,213	153,506
d3. thousands of UAH	38,762	-
thousands of PLN	4,791	-
d4. other	9,151	361
e) reinsurers' share in the provision for bonuses and discounts for insureds:	5,747	-
- in PLN	5,747	-
- in foreign currencies (by currency and translated to PLN)	-	-
f) reinsurers' share in other technical provisions defined in the articles of association:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
g) reinsurers' share in the life insurance provision where the policyholder bears the investment risk:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
Reinsurers' share in technical provisions, total	1,158,963	921,520

9.1 Provision for unearned premiums and provision for unexpired risk

Provision for unearned premiums and provision for unexpired risk	31 December 2017	31 December 2016
a) provision for unearned premiums:	6,653,282	5,924,475
- gross provisions	7,072,811	6,278,199
- reinsurers' share	419,529	353,724
b) provision for unexpired risk:	-	-
- gross provisions	-	-
- reinsurers' share	-	-
Total provision for unearned premiums and provision for unexpired risk	6,653,282	5,924,475

9.2 Provisions for outstanding claims and benefits

9.2.1. Gross provision for outstanding claims and benefits

Gross provision for outstanding claims and benefits	Provisions as at 31 December 2017	Provisions for claims relating to the reporting period
Accident and sickness insurance (class 1, 2)	113,768	69,833
Motor TPL (class 10)	10,054,181	1,804,610
Other TPL (class 3)	593,046	459,858
Marine, aviation and transport (class 4, 5, 6, 7)	53,216	20,926
Fire and other damage to property (class 8, 9)	737,974	432,901
TPL insurance (classes 11, 12, 13)	1,694,690	294,649
Credit and suretyship (class 14, 15)	18,330	4,940
Assistance (class 18)	54,740	34,619
Legal expenses insurance (class 17)	5,512	3,319
Other (class 16)	110,236	10,036
Total gross provision for outstanding claims and benefits	13,435,693	3,135,691

Gross provision for outstanding claims and benefits	Provisions as at 31 December 2016	Provisions for claims relating to the reporting period
Accident and sickness insurance (class 1, 2)	107,575	71,963
Motor TPL (class 10)	9,645,185	1,582,828
Other TPL (class 3)	513,122	406,572
Marine, aviation and transport (class 4, 5, 6, 7)	55,579	20,768
Fire and other damage to property (class 8, 9)	511,665	233,000
TPL insurance (classes 11, 12, 13)	1,672,617	275,762
Credit and suretyship (class 14, 15)	24,245	3,072
Assistance (class 18)	51,360	36,286
Legal expenses insurance (class 17)	2,934	1,361
Other (class 16)	212,796	51,098
Total gross provision for outstanding claims and benefits	12,797,078	2,682,710

9.2.2. Reinsurers' share in the provision for outstanding claims and benefits

Reinsurers' share in the provision for outstanding claims and benefits	Provisions as at 31 December 2017	Provisions for claims relating to the reporting period
Accident and sickness insurance (class 1, 2)	6	6
Motor TPL (class 10)	296,820	1,912
Other TPL (class 3)	81	-
Marine, aviation and transport (class 4, 5, 6, 7)	2,094	642
Fire and other damage to property (class 8, 9)	270,290	173,213
TPL insurance (classes 11, 12, 13)	72,672	4,680
Credit and suretyship (class 14, 15)	8,323	2,310
Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	83,401	3,184
Total reinsurers' share	733,687	185,947

Reinsurers' share in the provision for outstanding claims and benefits	Provisions as at 31 December 2016	Provisions for claims relating to the reporting period
Accident and sickness insurance (class 1, 2)	2	-
Motor TPL (class 10)	248,023	2,414
Other TPL (class 3)	717	470
Marine, aviation and transport (class 4, 5, 6, 7)	2,243	383
Fire and other damage to property (class 8, 9)	79,006	25,006
TPL insurance (classes 11, 12, 13)	63,682	2,836
Credit and suretyship (class 14, 15)	9,376	1,148
Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	164,747	24,302
Total reinsurers' share	567,796	56,559

9.3 Provision for capitalized value of annuities

9.3.1. Provision for capitalized value of annuities before discounts and impairment losses (gross)

Provision for capitalized value of annuities before discounts and impairment losses (gross)	Provisions as at 31 December 2017	Reinsurers' share
Accident and sickness insurance (class 1, 2)	-	-
Motor TPL (class 10)	9,048,941	295,613
Other TPL (class 3)	-	-
Marine, aviation and transport (class 4, 5, 6, 7)	-	-
Fire and other damage to property (class 8, 9)	-	-
TPL insurance (classes 11, 12, 13)	657,818	5,327
Credit and suretyship (class 14, 15)	-	-
Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	-	-
Total provisions, gross	9,706,759	300,940

Provision for capitalized value of annuities before discounts and impairment losses (gross)	Provisions as at 31 December 2016	Reinsurers' share
Accident and sickness insurance (class 1, 2)	-	-

Motor TPL (class 10)	8,904,953	302,283
Other TPL (class 3)	-	-
Marine, aviation and transport (class 4, 5, 6, 7)	-	-
Fire and other damage to property (class 8, 9)	-	-
TPL insurance (classes 11, 12, 13)	669,729	5,397
Credit and suretyship (class 14, 15)	-	-
Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	-	-
Total provisions, gross	9,574,682	307,680

10. Estimated subrogation, salvage and subsidies

10.1 Estimated subrogation, salvage and subsidies (gross)

Estimated subrogation, salvage and subsidies (gross)	31 December 2017	31 December 2016
Accident and sickness insurance (class 1, 2)	-	-
Motor TPL (class 10)	50,437	41,051
Other TPL (class 3)	42,528	49,953
Marine, aviation and transport (class 4, 5, 6, 7)	-	-
Fire and other damage to property (class 8, 9)	12,638	11,500
TPL insurance (classes 11, 12, 13)	516	849
Credit and suretyship (class 14, 15)	2,804	1,889
Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	-	-
Total estimated subrogation, salvage and subsidies (gross)	108,923	105,242

10.2 Reinsurers' share in estimated subrogation, salvage and subsidies

Reinsurers' share in estimated subrogation, salvage and subsidies	31 December 2017	31 December 2016
Accident and sickness insurance (class 1, 2)	-	-
Motor TPL (class 10)	61	40
Other TPL (class 3)	7	44
Marine, aviation and transport (class 4, 5, 6, 7)	-	-
Fire and other damage to property (class 8, 9)	42	17
TPL insurance (classes 11, 12, 13)	9	18
Credit and suretyship (class 14, 15)	1,094	823
Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	-	-
Total reinsurers' share	1,213	942

11. Other provisions

11.1 Provisions for pension benefits and other compulsory employee benefits

Provisions for pension benefits and other compulsory employee benefits	31 December 2017	31 December 2016
a) provisions for pension benefits	12,055	12,845
b) other compulsory employee benefits (by type):	30,281	31,286
provisions for holiday leaves	20,603	19,751
provisions for post-mortem benefits	9,678	11,535
Total provisions for pension benefits and other compulsory employee benefits	42,336	44,131

Movement in provisions for pension benefits and other compulsory employee benefits	31 December 2017	31 December 2016
a) provisions at the beginning of the period (by type)	44,131	50,287
provisions for pension benefits	12,845	12,109

Movement in provisions for pension benefits and other compulsory employee benefits	31 December 2017	31 December 2016
provisions for holiday leaves	19,751	20,787
provisions for post-mortem benefits	11,535	17,391
b) additions (by virtue of)	3,181	1,141
provisions for pension benefits	-	1,141
provisions for holiday leaves	3,181	-
provisions for post-mortem benefits	-	-
c) utilization (by type)	3,350	1,503
provisions for pension benefits	776	405
provisions for holiday leaves	2,329	1,036
provisions for post-mortem benefits	245	62
d) reversal (by type)	1,626	5,794
provisions for pension benefits	14	-
provisions for holiday leaves	-	-
provisions for post-mortem benefits	1,612	5,794
e) provisions at the end of the period (by type)	42,336	44,131
provisions for pension benefits	12,055	12,845
provisions for holiday leaves	20,603	19,751
provisions for post-mortem benefits	9,678	11,535

Provisions for pension benefits and other compulsory employee benefits (by currency)	31 December 2017	31 December 2016
a) Polish currency	42,336	44,131
b) in foreign currencies (by currency and translated to PLN)	-	-
Total provisions for pension benefits and other compulsory employee benefits	42,336	44,131

11.2 Deferred tax liability

Deferred tax assets and liabilities are presented after setting off the relevant amounts resulting from negative and taxable temporary differences.

Movement in deferred tax liability	31 December 2017	31 December 2016
1. Deferred tax liability – at the beginning of the period, including:	746,257	808,109
a) recognized in the financial result ¹⁾	525,410	444,131
b) recognized in equity ²⁾	220,847	363,978
c) recognized in goodwill or negative goodwill	-	-
2. Additions	65,838	84,616
a) recognized in the financial result of the period in connection with taxable temporary differences (by virtue of)	42,857	84,616
- occurrence of temporary differences, including:	42,857	84,616
prepayments and accruals	17,252	75,765
other temporary differences	7,941	8,851
financial instruments	17,664	-
- changes in tax rates	-	-
- unrecognized temporary difference from the previous period	-	-
b) recognized in equity in connection with taxable temporary differences (by virtue of)	22,981	-
- occurrence of temporary differences, including:	22,981	-
financial instruments	22,981	-
- changes in tax rates	-	-
- unrecognized temporary difference from the previous period	-	-
c) recognized in goodwill or negative goodwill in connection with taxable temporary differences (by virtue of)	-	-
3. Decreases	14,593	146,468
a) recognized in the financial result of the period in connection with taxable temporary differences (by virtue of)	14,593	3,337
- reversed temporary differences (use of deferred tax liability) including:	14,593	3,337

Movement in deferred tax liability	31 December 2017	31 December 2016
financial instruments	14,593	3,337
- changes in tax rates	-	-
- reversal of provision if it cannot be utilized	-	-
b) recognized in equity in connection with taxable temporary differences (by virtue of)	-	143,131
- reversal of temporary differences (utilization of deferred tax liability)	-	143,131
financial instruments	-	143,131
- changes in tax rates	-	-
- reversal of provision if it cannot be utilized	-	-
c) recognized in goodwill or negative goodwill in connection with taxable temporary differences (by virtue of)	-	-
4. Total deferred tax liability – at the end of the period	797,502	746,257
a) recognized in the financial result³⁾	553,674	525,410
b) recognized in equity²⁾	243,828	220,847
c) recognized in goodwill or negative goodwill	-	-

¹⁾ Refers to accumulated changes in deferred tax liabilities recognized in the financial result of 2016 and previous years.

²⁾ Refers to revaluation reserve

³⁾ Refers to accumulated impact of changes in deferred tax liabilities recognized in the financial result of 2017 and previous years.

Additional information on taxable temporary differences	31 December 2017	31 December 2016
a) taxable temporary differences – at the beginning of the period	3,927,670	4,253,199
financial instruments	1,631,529	2,402,409
prepayments and accruals	2,085,488	1,686,723
other temporary differences	210,653	164,067
b) taxable temporary differences – at the end of the period, including:	4,197,381	3,927,670
financial instruments	1,845,452	1,631,529
prepayments and accruals	2,099,479	2,085,488
other temporary differences	252,450	210,653
taxable temporary differences expiring within 1 year	3,959,920	3,717,017
taxable temporary differences expiring in more than 1 year	237,461	210,653

Deferred tax liability (by currency)¹⁾	31 December 2017	31 December 2016
a) Polish currency	337,606	271,943
b) in foreign currencies (by currency and translated to PLN)	-	-
Total deferred tax liabilities	337,606	271,943

¹⁾ Deferred tax liabilities are presented on a net basis, after setting off deferred tax assets presented in section 5.1 of Notes and explanations.

11.3 Other provisions

Other provisions	31 December 2017	31 December 2016
a) provisions for fines imposed by UOKiK	56,605	56,605
b) provisions for reinsurance settlements	12,191	8,289
c) provision for disputed claims and potential liabilities under executed insurance contracts	732	872
d) provisions for restructuring expenses	18,936	254
e) provisions for other administrative proceedings	2,305	150
f) other provisions	5,495	3,600
Total other provisions	96,264	69,770

Disputes related to fines imposed by the Office of Competition and Consumer Protection are presented in detail in section 30.2 of Notes and explanations.

The "Provisions for reinsurance settlements" line item includes only provisions for reinsurers' share in technical provisions pertaining only to the insurers who are in arrears with payments to PZU or for whom there is a reasonable suspicion that may have problems with payment of their liabilities in the future.

The activities of an insurance undertaking may be subject to administrative proceedings conducted by supervisory bodies, which have the power to impose administrative fines. As a result, the value of provisions recognized by PZU and presented as "provisions for other administrative proceedings" may change in the future.

Movement in other provisions	31 December 2017	31 December 2016
a) at the beginning of the period	69,770	73,626
provision for restructuring expenses	254	1,564
provisions for reinsurance settlements	8,289	10,793
provisions for fines imposed by UOKiK	56,605	56,605
other provisions	4,622	4,664
b) additions (by virtue of)	57,024	25,936
provision for restructuring expenses	41,558	-
provisions for reinsurance settlements	9,472	24,689
provisions for fines imposed by UOKiK	-	-
other provisions	5,994	1,247
c) utilization (by type)	23,601	1,594
provision for restructuring expenses	22,876	987
provisions for reinsurance settlements	-	-
provisions for fines imposed by UOKiK	-	-
other provisions	725	607
d) reversal (by type)	6,929	28,198
provision for restructuring expenses	-	323
provisions for reinsurance settlements	5,570	27,193
provisions for fines imposed by UOKiK	-	-
other provisions	1,359	682
e) balance at the end of the period (by type)	96,264	69,770
provision for restructuring expenses	18,936	254
provisions for reinsurance settlements	12,191	8,289
provisions for fines imposed by UOKiK	56,605	56,605
other provisions	8,532	4,622
Other provisions (by currency)	31 December 2017	31 December 2016
a) Polish currency	96,264	69,770
b) in foreign currencies (by currency and translated to PLN)	-	-
Total other provisions	96,264	69,770



12. Other liabilities and special-purpose funds

Geographic structure of liabilities	31 December 2017				31 December 2016			
	Domestic	Foreign – EU countries	Foreign – other countries	Total	Domestic	Foreign – EU countries	Foreign – other countries	Total
I. Liabilities for reinsurers' deposits	-	-	-	-	-	-	-	-
II. Liabilities on direct insurance	370,658	43,232	1,539	415,429	430,077	30,873	859	461,809
1. Liabilities to policyholders	60,979	170	91	61,240	121,519	394	127	122,040
2. Liabilities to insurance intermediaries	177,966	580	-	178,546	219,408	79	-	219,487
3. Other insurance liabilities	131,713	42,482	1,448	175,643	89,150	30,400	732	120,282
III. Reinsurance liabilities	96,496	19,435	6,050	121,981	86,736	25,952	4,846	117,534
IV. Liabilities on the issue of own debt securities and drawn loans	-	3,558,260	-	3,558,260	-	3,764,983	-	3,764,983
V. Liabilities to credit institutions	-	-	-	-	-	-	-	-
VI. Other liabilities	712,908	198,457	22,507	933,872	470,025	193,012	31,822	694,859
1. Liabilities to the state budget	110,011	-	-	110,011	232,498	-	-	232,498
2. Other liabilities	602,897	198,457	22,507	823,861	237,527	193,012	31,822	462,361
Total liabilities	1,180,062	3,819,384	30,096	5,029,542	986,838	4,014,820	37,527	5,039,185



12.1 Liabilities on direct insurance

Liabilities on direct insurance	31 December 2017	31 December 2016
a) liabilities to policyholders, including:	61,240	122,040
- to related parties	547	18
- domestic	547	18
- foreign	-	-
- to other entities	60,693	122,022
- domestic	60,432	121,501
- foreign	261	521
b) liabilities to insurance intermediaries, including:	178,546	219,487
- to related parties	117	94
- domestic	117	94
- foreign	-	-
- to other entities	178,429	219,393
- domestic	177,849	219,314
- foreign	580	79
c) other insurance liabilities, including	175,643	120,282
- to related parties	3,335	3,708
- domestic	3,072	3,515
- foreign	263	193
- to other entities	172,308	116,574
- domestic	128,641	85,635
- foreign	43,667	30,939
Total liabilities on direct insurance	415,429	461,809

Liabilities on direct insurance	31 December 2017	31 December 2016
a) subsidiaries	3,999	3,820
b) joint ventures	-	-
c) associates	-	-
d) major investor	-	-
e) shareholder in a joint venture	-	-
f) parent company	-	-
g) other	411,430	457,989
Total liabilities on direct insurance	415,429	461,809

Liabilities on direct insurance, by remaining time to maturity from the balance sheet date	31 December 2017	31 December 2016
a) up to 3 months	415,429	461,809
b) from 3 months to 1 year	-	-
c) from 1 to 5 years	-	-
d) over 5 years	-	-
Total liabilities on direct insurance	415,429	461,809



Liabilities on direct insurance (by currency)	31 December 2017	31 December 2016
a) Polish currency	370,403	427,883
b) in foreign currencies (by currency and translated to PLN)	45,026	33,926
b1. thousands of EUR	8,894	6,429
thousands of PLN	37,094	28,444
b2. thousands of USD	145	89
thousands of PLN	506	371
b3. thousands of GBP	1,072	562
thousands of PLN	5,039	2,893
b4. thousands of CHF	228	62
thousands of PLN	813	255
b5. other currencies in thous. of PLN	1,574	1,963
Total liabilities on direct insurance	415,429	461,809

12.2 Reinsurance liabilities

Total reinsurance liabilities	31 December 2017	31 December 2016
a) current accounts in inward reinsurance, including:	11,010	4,867
- domestic cedents	7,331	4,187
- foreign cedents	3,679	680
b) current accounts in outward reinsurance, including:	27,598	58,356
- domestic reinsurers	9,642	30,109
- foreign reinsurers	17,956	28,247
c) retrocession liabilities, including:	83,373	54,311
- domestic retrocessionaires	79,523	52,440
- foreign retrocessionaires	3,850	1,871
d) liabilities on account of reinsurance premiums amortized over time	-	-
Total reinsurance liabilities	121,981	117,534

Reinsurance liabilities	31 December 2017	31 December 2016
a) current liabilities in inward reinsurance, including to:	11,010	4,867
- cedents who are subsidiaries	9,713	2,793
- cedents who are joint ventures	-	-
- cedents who are associates	-	-
- a cedent who is a major investor	-	-
- a cedent who is a shareholder in a joint venture	-	-
- a cedent who is the parent company	-	-
b) current liabilities in outward reinsurance, including to:	27,598	58,356
- reinsurers who are subsidiaries	-	-
- reinsurers who are joint ventures	-	-
- reinsurers who are associates	-	-
- a reinsurer who is a major investor	-	-
- a reinsurer who is a shareholder in a joint venture	-	-
- a reinsurer who is the parent company	-	-
c) current liabilities to retrocessionaires, including to:	83,373	54,311
- retrocessionaires who are subsidiaries	-	-
- retrocessionaires who are joint ventures	-	-
- retrocessionaires who are associates	-	-
- a retrocessionaire who is a major investor	-	-
- a retrocessionaire who is a shareholder in a joint venture	-	-
- a retrocessionaire who is the parent company	-	-
d) other	-	-
Total reinsurance liabilities	121,981	117,534



Reinsurance liabilities, by remaining time to maturity from the balance sheet date	31 December 2017	31 December 2017
a) up to 3 months	66,822	53,878
b) from 3 months to 1 year	50,615	53,405
c) from 1 to 5 years	4,544	10,251
d) over 5 years	-	-
Total reinsurance liabilities	121,981	117,534

Reinsurance liabilities (by currency)	31 December 2017	31 December 2016
a) Polish currency	113,952	109,001
b) in foreign currencies (by currency and translated to PLN)	8,029	8,533
b1. thousands of EUR	65	877
thousands of PLN	272	3,882
b2. thousands of USD	1,184	1,045
thousands of PLN	4,123	4,366
b3. thousands of UAH	28,600	1,336
thousands of PLN	3,535	206
b4. other currencies	99	79
Total reinsurance liabilities	121,981	117,534

12.3 Liabilities on the issue of own debt securities and drawn loans

Liabilities on the issue of own debt securities and drawn loans	31 December 2017	31 December 2016
a) liabilities convertible into stock in the insurer	-	-
b) other (by type):	3,558,260	3,764,983
- borrowings from PZU Finance AB (publ) funded by receipts under debt securities issued by PZU Finance AB (publ)	3,558,260	3,764,983
Total liabilities on the issue of own debt securities and drawn loans	3,558,260	3,764,983

Liabilities on the issue of own debt securities and drawn loans – with time remaining to maturity from the balance sheet date	31 December 2017	31 December 2016
a) up to 3 months	-	-
b) from 3 months to 1 year	25,883	27,160
c) from 1 to 5 years	3,532,377	3,737,823
d) over 5 years	-	-
Total liabilities on the issue of own debt securities and drawn loans	3,558,260	3,764,983

Liabilities on the issue of own debt securities and drawn loans (by currency)	31 December 2017	31 December 2016
a) Polish currency	-	-
b) in foreign currencies (by currency and translated to PLN)	3,558,260	3,764,983
b1. thousands of EUR	853,116	851,036
thousands of PLN	3,558,260	3,764,983
Total liabilities on the issue of own debt securities and drawn loans	3,558,260	3,764,983

12.3.1. Loan from PZU Finance AB (publ)

On 7 July 2014 and 16 October 2015, PZU took out loans from PZU Finance AB (publ) in Stockholm with par values of EUR 500,000 thousand and EUR 350,000 thousand, respectively. The interest rate on loans is stable, interest is paid once a year on contractual dates in the last week of June. The repayment date of the loans was set at 28 June 2019.

As at 31 December 2017, the carrying amount of the loan from PZU Finance AB (publ) was PLN 3,558,260 thousand (PLN 3,764,983 thousand as at 31 December 2016), while their fair value was PLN 3,639,624 thousand (PLN 3,851,835 thousand as at 31 December 2016).

On 3 July 2014, PZU extended a guarantee for the issue of senior bonds by PZU Finance AB (publ), which covers all of the issuer's obligations related to the issue (including the obligation to pay the par value of the bonds and interest on the bonds), which was extended to the benefit of all bondholders. The par value of bonds is EUR 850,000 thousand,



maturing on 3 July 2019. The maximum value of the guarantee has not been set. The guarantee will expire upon expiration of claims of the bondholders against PZU Finance AB (publ).

12.4 Liabilities to credit institutions

As at 31 December 2017 and 31 December 2016, there were no liabilities to credit institutions.

12.5 Other liabilities

Other liabilities	31 December 2017	31 December 2016
a) liabilities to the state budget	110,011	232,498
corporate income tax	79,638	208,292
liabilities on account of the tax referred to in the Act on Taxing Certain Financial Institutions of 15 January 2016 (i.e. Journal of Laws Item 1410 of 2017, "Tax on certain financial institutions")	15,273	13,514
personal income tax	11,365	8,514
value added tax (VAT)	3,500	1,893
other	235	285
b) other liabilities	823,861	462,361
liabilities on outstanding investment transactions and security deposits	456,455	46,310
valuation of derivatives – liabilities held for trading	161,630	223,905
estimated non-insurance liabilities	72,056	66,555
liabilities on account of donations	28,326	34,121
security deposits withheld	22,083	9,046
liability to the Insurance Indemnity Fund	15,011	14,929
settlements on account of direct claims handling	14,112	13,078
ZUS contributions and benefits	11,792	11,868
liabilities on settlements within the Tax Group	5,535	2,634
liabilities related to the creation of the Central Register of Vehicles and Drivers (CEPIK)	3,855	3,965
liabilities arising from legal representation	2,975	1,555
dividend settlements with shareholders	2,667	2,667
other	27,364	31,728
Other liabilities, total	933,872	694,859

Other liabilities	31 December 2017	31 December 2016
a) subsidiaries	13,086	10,715
b) joint ventures	-	-
c) associates	-	-
d) major investor	-	-
e) shareholder in a joint venture	-	-
f) parent company	-	-
g) other	920,786	684,144
Other liabilities, total	933,872	694,859



Other liabilities, by remaining time to maturity from the balance sheet date	31 December 2017	31 December 2016
a) up to 3 months	933,872	694,859
b) from 3 months to 1 year	-	-
c) from 1 to 5 years	-	-
d) over 5 years	-	-
Other liabilities, total	933,872	694,859

All derivatives held by PZU are classified as liabilities held for trading and recognized under "Other liabilities" with maturities up to 3 months after the balance sheet date.

Other liabilities (by currency)	31 December 2017	31 December 2016
a) Polish currency	721,596	486,398
b) in foreign currencies (by currency and translated to PLN)	212,276	208,461
b1. thousands of BRL	65,675	22,716
thousands of PLN	69,024	29,163
b2. thousands of USD	15,550	20,907
thousands of PLN	54,133	87,376
b3. thousands of EUR	9,056	6,219
thousands of PLN	37,772	27,514
b4. thousands of HUF	1,761,692	1,597,089
thousands of PLN	23,693	22,717
b5. thousands of ZAR	62,398	7,249
thousands of PLN	17,671	2,200
b6. thousands of MXN	55,255	138,417
thousands of PLN	9,769	27,891
b7. thousands of CZK	-	64,197
thousands of PLN	-	10,509
b9. other currencies thous. of PLN	214	1,091
Other liabilities, total	933,872	694,859

12.6 Other information on liabilities

12.6.1. Liabilities secured on assets of the issuer and its related parties

As at 31 December 2017 and 31 December 2016, there were no liabilities secured on the issuer's assets.

12.6.2. Information on past due liabilities

As at 31 December 2017 and 31 December 2016, there were no past due liabilities.

12.6.3. Liabilities to the state budget or local government units related to the acquisition of ownership titles to buildings and structures

As at 31 December 2017 and 31 December 2016, there were no liabilities to the state budget or local government units related to the acquisition of ownership titles to buildings and structures

12.7 Special-purpose funds

Special-purpose funds	31 December 2017	31 December 2016
a) Prevention Fund	34,273	34,429
b) Company Social Benefit Fund	82,314	82,585
Total special-purpose funds	116,587	117,014



13. Prepayments and accruals

Prepayments and accruals	31 December 2017	31 December 2016
a) accrued expenses, including:	882,458	904,276
- long-term	-	-
- short-term (by title):	882,458	904,276
- accrued reinsurance income and expenses	461,237	510,178
- accrued expenses of direct insurance commissions	269,705	251,742
- accrued payroll expenses	91,375	95,318
- accrued employee bonuses	34,979	24,241
- other postings	25,162	22,797
b) negative goodwill	-	-
c) deferred income, including:	46,977	38,510
- deferred reinsurance commissions	42,393	30,165
- investment income	3,407	6,770
- perpetual usufruct right to land obtained gratuitously	396	471
- other	781	1,104
Total accruals and deferred income	929,435	942,786

Movement in accrued expenses and deferred income	31 December 2017	31 December 2016
At the beginning of the period (by type)	942,786	856,403
accrued expenses	904,276	821,516
deferred income	38,510	34,887
a) additions (by virtue of):	3,927,074	2,548,491
accrued expenses	3,510,967	2,221,805
deferred income	416,107	326,686
b) reductions (by virtue of)	3,940,425	2,462,108
accrued expenses	3,532,785	2,139,045
deferred income	407,640	323,063
At the end of the period (by type)	929,435	942,786
accrued expenses	882,458	904,276
deferred income	46,977	38,510

14. Solvency of the insurance company

Pursuant to art. 284 section 1 and art. 488 section 3 item 1 of the Insurance Activity Act, the PZU Group is obligated to prepare and publish an annual solvency and financial condition report prepared in accordance with the principles of Solvency II. For the 2017 report, the publication deadline is no later than 18 weeks after the year end, i.e. until 6 May 2018. Pursuant to art. 290 section 1 of the Insurance Activity Act, a solvency and financial condition report of an insurance company is audited by an audit firm.



15. Off-balance sheet items

15.1 Contingent receivables

Contingent receivables	31 December 2017	31 December 2016
a) guarantees and sureties received, of which:	2,225	1,957
- from subsidiaries	65	-
- other (by type):	4,613,497	4,355,187
- promissory notes related to extended insurance guarantees	3,541,050	2,957,446
- other promissory notes, of including:	117,513	136,962
- from subsidiaries	100,788	12,517
- other contingent receivables ¹⁾	954,934	1,260,779
Total contingent receivables	4,615,722	4,357,144

¹⁾ This item includes mainly: collateral received in the form of mortgage on the debtor's assets, other contingent receivables, etc.

Contingent receivables (by currency)	31 December 2017	31 December 2016
a) guarantees and sureties received:	2,225	1,957
- in PLN	2,225	1,957
- in foreign currencies (by currency and translated to PLN)	-	-
- other (by type):	4,613,497	4,355,187
- in PLN	4,506,895	4,047,670
- in foreign currencies (by currency and translated to PLN)	106,602	307,517
b1. thousands of EUR	25,559	69,404
thousands of PLN	106,602	307,042
b2. thousands of NOK	-	976
thousands of PLN	-	475
Total contingent receivables	4,615,722	4,357,144

15.1.1. Guarantees received

The table below presents tender guarantees and good contract performance guarantees (required mainly in tender procedures for insurance services) received under guarantee facilities.

Bank	Date of the guarantee facility agreement	Amount of guarantee facility	Facility renewable	Amount of active guarantees as at 31 December 2017	Amount of active guarantees as at 31 December 2016
Bank Millennium SA	7 September 2013	15,000	Yes	5,324	2,671
Alior Bank	12 February 2016	15,000	Yes	146	2,043
Total				5,470	4,714

15.2 Contingent liabilities

Contingent liabilities arising from	31 December 2017	31 December 2016
a) guarantees and sureties extended, of which:	3,574,120	3,790,755
- from subsidiaries	146	2,043
b) accepted and endorsed promissory notes	-	-
c) assets subject to the obligation of resale	-	-
d) other liabilities secured on assets or income	-	-
e) other (by type):	970,623	899,322
- disputed claims not accepted by the insurance company and pursued by creditors through litigation	880,876	592,513
- contingent liabilities arising from securities placing agreements	-	-
- other contingent liabilities ¹⁾	89,747	306,809
Total contingent liabilities	4,544,743	4,690,077

¹⁾ As at 31 December 2017, the "other contingent liabilities" item included primarily liabilities arising from undrawn loan tranches in the total amount of PLN 88,745 thousand (PLN 221,022 thousand on 31 December 2016).



Contingent liabilities (by currency)	31 December 2017	31 December 2016
a) guarantees and sureties extended ¹⁾ :	3,574,120	3,790,755
- in PLN	4,682	4,715
- in foreign currencies (by currency and translated to PLN)	3,569,438	3,786,040
a1. thousands of EUR	855,796	855,796
thousands of PLN	3,569,438	3,786,040
b) accepted and endorsed promissory notes	-	-
c) assets subject to the obligation of resale	-	-
d) other liabilities secured on assets or income (by type)	-	-
e) other (by type):	970,623	899,322
disputed claims not accepted by the insurance company and pursued by creditors through litigation	880,876	592,513
- in PLN	880,876	592,513
- in foreign currencies (by currency and translated to PLN)	-	-
other contingent liabilities:	89,747	306,809
- in PLN	89,747	306,809
- in foreign currencies (by currency and translated to PLN)	-	-
Total contingent liabilities	4,544,743	4,690,077

¹⁾ The "guarantees and sureties extended" item included, among others, a guarantee extended to PZU Finance AB (publ), described in section 12.3.1 of Notes and explanations.

15.3 Other off-balance sheet line items

Other off-balance sheet line items arising from	31 December 2017	31 December 2016
Other off-balance sheet line items (by type):	116,361	117,710
third party assets not recognized in assets, including:	116,361	117,710
- from subsidiaries	12,997	13,541
Total other off-balance sheet line items	116,361	117,710

Other off-balance sheet line items (by currency)	31 December 2017	31 December 2016
a) Polish currency	116,361	117,710
b) in foreign currencies (by currency and translated to PLN)	-	-
Total other off-balance sheet line items	116,361	117,710

16. Premiums in non-life insurance

Gross written premiums in non-life insurance	1 January – 31 December 2017	1 January – 31 December 2016
a) in direct insurance, including:	11,390,912	9,836,663
- from contracts concludes outside Poland, including:	35,550	25,052
- from contracts concluded in EU member states	13,443	12,660
b) in indirect insurance	1,042,304	845,351
Total gross written premiums	12,433,216	10,682,014

16.1 Gross written premium in direct insurance

Gross written premium in direct non-life insurance (by accounting class)	1 January – 31 December 2017	1 January – 31 December 2016
a) accident and sickness insurance (groups 1 and 2)	388,700	403,852
b) motor third party liability insurance (group 10)	4,558,747	3,607,198
c) other motor insurance (group 3)	3,114,070	2,747,504
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	39,542	47,164
e) fire and other property damage insurance (groups 8 and 9)	2,097,038	1,856,497
f) TPL insurance (groups 11, 12, 13)	666,153	692,219
g) credit and suretyship (groups 14, 15)	84,962	64,332
h) assistance (group 18)	348,150	339,849
i) legal protection (group 17)	9,400	7,159
j) other (group 16)	84,150	70,889



Total gross written premiums in direct insurance (by accounting class)	11,390,912	9,836,663
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Gross written premium received in direct non-life insurance from mandatory TPL insurance, by insurance group	1 January – 31 December 2017	1 January – 31 December 2016
Group 10	4,465,334	3,534,597
Group 11	2,373	5,297
Group 13	229,662	265,318
Total gross written premium received in direct non-life insurance from mandatory TPL insurance, by insurance group	4,697,369	3,805,212

16.2 Gross written premium in indirect insurance

Gross written premium in indirect non-life insurance	1 January – 31 December 2017	1 January – 31 December 2016
a) accident and sickness insurance (groups 1 and 2)	192	26,202
b) motor third party liability insurance (group 10)	711,059	465,184
c) other motor insurance (group 3)	25,837	12,439
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	5,909	6,615
e) fire and other property damage insurance (groups 8 and 9)	291,044	190,387
f) TPL insurance (groups 11, 12, 13)	61,528	2,055
g) credit and suretyship (groups 14, 15)	3,566	5,591
h) assistance (group 18)	(13,124)	25,319
i) legal protection (group 17)	-	-
j) other (group 16)	(43,707)	111,559
Total gross written premiums in indirect insurance (by accounting class)	1,042,304	845,351

Gross written premium received in indirect non-life insurance from mandatory TPL insurance, by insurance group	1 January – 31 December 2017	1 January – 31 December 2016
Group 10	711,028	462,023
Group 11	344	(1)
Group 13	28,785	(4,738)
Total gross written premium received in indirect non-life insurance from mandatory TPL insurance, by insurance group	740,157	457,284

17. Gross earned premium

17.1 Gross earned premium in direct insurance

Gross earned premium in direct non-life insurance (by accounting class)	1 January – 31 December 2017	1 January – 31 December 2016
a) accident and sickness insurance (groups 1 and 2)	400,089	423,397
b) motor third party liability insurance (group 10)	4,098,884	3,121,186
c) other motor insurance (group 3)	2,917,500	2,386,241
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	43,203	48,416
e) fire and other property damage insurance (groups 8 and 9)	1,988,914	1,905,171
f) TPL insurance (groups 11, 12, 13)	708,313	685,977
g) credit and suretyship (groups 14, 15)	72,115	63,769
h) assistance (group 18)	349,651	308,652
i) legal protection (group 17)	8,591	6,586
j) other (group 16)	74,210	83,379
Total gross earned premium in direct non-life insurance	10,661,470	9,032,774

Gross earned premium received in direct non-life insurance from mandatory TPL insurance, by insurance group	1 January – 31 December 2017	1 January – 31 December 2016
Group 10	4,014,779	3,057,351
Group 11	4,210	5,265
Group 13	261,845	281,913



Total gross earned premium received in direct non-life insurance	4,280,834	3,344,529
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17.2 Gross earned premium in indirect insurance

Gross earned premium in indirect non-life insurance (by accounting class)	1 January – 31 December 2017	1 January – 31 December 2016
a) accident and sickness insurance (groups 1 and 2)	13,206	15,121
b) motor third party liability insurance (group 10)	618,446	316,712
c) other motor insurance (group 3)	19,176	11,105
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	4,802	5,884
e) fire and other property damage insurance (groups 8 and 9)	238,560	121,406
f) TPL insurance (groups 11, 12, 13)	26,667	11,233
g) credit and suretyship (groups 14, 15)	3,641	2,750
h) assistance (group 18)	3,206	995
i) legal protection (group 17)	-	-
j) other (group 16)	49,430	20,042
Total gross earned premium in indirect non-life insurance	977,134	505,248

Gross earned premium received in indirect non-life insurance from mandatory TPL insurance, by insurance group	1 January – 31 December 2017	1 January – 31 December 2016
Group 10	616,566	313,424
Group 11	288	-
Group 13	7,455	1,822
Total gross earned premium received in indirect non-life insurance	624,309	315,246

18. Reinsurance settlements

Reinsurance settlements	1 January – 31 December 2017	1 January – 31 December 2016
a) insurance premiums received from abroad	117,651	115,886
b) reinsurance premiums transferred abroad	262,082	203,577
c) balance of settlements in outward reinsurance	(221,367)	(76,703)
d) balance of settlements on inward reinsurance	425,834	292,957
e) receivables and liabilities arising from outward reinsurance, including:	(67,354)	(50,313)
- receivables from reinsurers secured by guarantees from financial institutions	-	-
f) receivables and liabilities arising from inward reinsurance, including:	98,339	62,916
- value of liabilities to cedents secured by insurer's guarantees	-	-
- value of liabilities to retroceding insurance undertakings secured by insurer's guarantees	-	-

19. Gross claims and benefits paid

Gross claims and benefits paid	1 January – 31 December 2017	1 January – 31 December 2016
a) on direct insurance, including:	6,495,029	6,057,093
- claims handling expenses	690,957	622,776
b) on indirect insurance, including:	447,261	335,952
- claims handling expenses	14,339	8,183
Total gross claims and benefits paid	6,942,290	6,393,045

19.1 Gross claims and benefits paid

Gross claims and benefits paid in direct non-life insurance (by accounting class)	1 January – 31 December 2017	1 January – 31 December 2016
a) accident and sickness insurance (groups 1 and 2)	121,099	138,480
b) motor third party liability insurance (group 10)	2,896,426	2,695,188
c) other motor insurance (group 3)	1,887,098	1,637,771
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	26,633	42,110
e) fire and other property damage insurance (groups 8 and 9)	982,965	1,015,991
f) TPL insurance (groups 11, 12, 13)	307,733	288,370
g) credit and suretyship (groups 14, 15)	37,269	26,136
h) assistance (group 18)	213,643	192,385
i) legal protection (group 17)	1,607	1,225
j) other (group 16)	20,556	19,437
Total gross claims and benefits paid in direct insurance (by accounting class)	6,495,029	6,057,093

Gross claims and benefits paid in indirect non-life insurance (by accounting class)	1 January – 31 December 2017	1 January – 31 December 2016
a) accident and sickness insurance (groups 1 and 2)	6,245	7,853
b) motor third party liability insurance (group 10)	219,438	102,256
c) other motor insurance (group 3)	8,245	4,695
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	1,200	1,763
e) fire and other property damage insurance (groups 8 and 9)	99,098	72,376
f) TPL insurance (groups 11, 12, 13)	4,468	3,334
g) credit and suretyship (groups 14, 15)	218	20
h) assistance (group 18)	1,082	6
i) legal protection (group 17)	-	-
j) other (group 16)	107,267	143,649
Total gross claims and benefits paid in indirect insurance (by accounting classes)	447,261	335,952

19.2 Claims handling expenses

Claims handling expenses in direct non-life insurance (by accounting class)	1 January – 31 December 2017	1 January – 31 December 2016
a) accident and sickness insurance (groups 1 and 2)	21,691	39,388
b) motor third party liability insurance (group 10)	338,991	301,523
c) other motor insurance (group 3)	118,921	114,962
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	2,675	658
e) fire and other property damage insurance (groups 8 and 9)	99,372	91,088
f) TPL insurance (groups 11, 12, 13)	59,322	48,956
g) credit and suretyship (groups 14, 15)	3,082	407
h) assistance (group 18)	45,459	24,799
i) legal protection (group 17)	955	668
j) other (group 16)	489	327
Total claims handling expenses in direct insurance (by accounting classes)	690,957	622,776





Claims handling expenses in indirect non-life insurance (by accounting class)	1 January – 31 December 2017	1 January – 31 December 2016
a) accident and sickness insurance (groups 1 and 2)	837	1,674
b) motor third party liability insurance (group 10)	10,939	3,928
c) other motor insurance (group 3)	254	145
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	8	14
e) fire and other property damage insurance (groups 8 and 9)	550	1,771
f) TPL insurance (groups 11, 12, 13)	618	527
g) credit and suretyship (groups 14, 15)	-	-
h) assistance (group 18)	233	-
i) legal protection (group 17)	-	-
j) other (group 16)	900	124
Total claims handling expenses in indirect insurance (by accounting classes)	14,339	8,183



20. Supplementary data to the revenue account

20.1 Supplementary data to the revenue account for the year ended 31 December 2017

Total direct and indirect insurance for the year ended 31 December 2017	Gross written premium	Gross earned premium	Gross claims and benefits (paid)	Claims handling expenses	Subrogation, salvage and subsidies	Net reinsurance settlements	Acquisition and administrative expenses
Accident and sickness insurance (class 1, 2)	388,892	413,295	104,925	22,528	109	(7,440)	128,022
Motor TPL (class 10)	5,269,806	4,717,330	2,791,497	349,930	25,563	303,225	912,155
Other TPL (class 3)	3,139,907	2,936,676	1,818,248	119,175	42,080	(14,060)	737,345
Marine, aviation and transport (class 4, 5, 6, 7)	45,451	48,005	25,317	2,683	167	(2,748)	11,147
Fire and other damage to property (class 8, 9)	2,388,082	2,227,474	1,001,549	99,922	19,408	(73,801)	629,785
TPL insurance (classes 11, 12, 13)	727,681	734,980	252,789	59,940	528	16,819	214,458
Credit and suretyship (class 14, 15)	88,528	75,756	57,242	3,082	22,837	18,482	14,985
Assistance (class 18)	335,026	352,857	169,861	45,692	828	(14,330)	105,387
Legal expenses insurance (class 17)	9,400	8,591	653	955	1	-	4,235
Other (class 16)	40,443	123,640	126,515	1,389	81	(21,680)	73,275
Total direct and indirect insurance	12,433,216	11,638,604	6,348,596	705,296	111,602	204,467	2,830,794

Direct insurance in the year ended 31 December 2017	Gross written premium	Gross earned premium	Gross claims and benefits (paid)	Claims handling expenses	Subrogation, salvage and subsidies	Net reinsurance settlements	Acquisition and administrative expenses
Accident and sickness insurance (class 1, 2)	388,700	400,089	99,517	21,691	109	(381)	125,882
Motor TPL (class 10)	4,558,747	4,098,884	2,582,998	338,991	25,563	(8,749)	754,908
Other TPL (class 3)	3,114,070	2,917,500	1,810,257	118,921	42,080	(20,433)	724,666
Marine, aviation and transport (class 4, 5, 6, 7)	39,542	43,203	24,125	2,675	167	(6,841)	10,613
Fire and other damage to property (class 8, 9)	2,097,038	1,988,914	903,001	99,372	19,408	(240,068)	615,932
TPL insurance (classes 11, 12, 13)	666,153	708,313	248,939	59,322	528	(30,657)	211,471
Credit and suretyship (class 14, 15)	84,962	72,115	57,024	3,082	22,837	16,496	13,973
Assistance (class 18)	348,150	349,651	169,012	45,459	828	(2,707)	103,746
Legal expenses insurance (class 17)	9,400	8,591	653	955	1	-	4,235
Other (class 16)	84,150	74,210	20,148	489	81	71,973	45,845
Total direct insurance	11,390,912	10,661,470	5,915,674	690,957	111,602	(221,367)	2,611,271

Indirect insurance in the year ended 31 December 2017	Gross written	Gross earned	Gross claims and	Claims handling	Subrogation,	Net reinsurance	Acquisition and
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	premium	premium	benefits (paid)	expenses	salvage and subsidies	settlements	administrative expenses
Accident and sickness insurance (class 1, 2)	192	13,206	5,408	837	-	(7,059)	2,140
Motor TPL (class 10)	711,059	618,446	208,499	10,939	-	311,974	157,247
Other TPL (class 3)	25,837	19,176	7,991	254	-	6,373	12,679
Marine, aviation and transport (class 4, 5, 6, 7)	5,909	4,802	1,192	8	-	4,093	534
Fire and other damage to property (class 8, 9)	291,044	238,560	98,548	550	-	166,267	13,853
TPL insurance (classes 11, 12, 13)	61,528	26,667	3,850	618	-	47,476	2,987
Credit and suretyship (class 14, 15)	3,566	3,641	218	-	-	1,986	1,012
Assistance (class 18)	(13,124)	3,206	849	233	-	(11,623)	1,641
Legal expenses insurance (class 17)	-	-	-	-	-	-	-
Other (class 16)	(43,707)	49,430	106,367	900	-	(93,653)	27,430
Total indirect insurance	1,042,304	977,134	432,922	14,339	-	425,834	219,523

20.2 Supplementary data to the revenue account for the year ended 31 December 2016

Total direct and indirect insurance for the year ended 31 December 2016	Gross written premium	Gross earned premium	Gross claims and benefits (paid)	Claims handling expenses	Subrogation, salvage and subsidies	Net reinsurance settlements	Acquisition and administrative expenses
Accident and sickness insurance (class 1, 2)	430,054	438,518	105,915	41,062	644	11,574	142,176
Motor TPL (class 10)	4,072,382	3,437,898	2,517,141	305,451	25,148	253,488	723,502
Other TPL (class 3)	2,759,943	2,397,346	1,572,833	115,107	45,474	(36,572)	672,936
Marine, aviation and transport (class 4, 5, 6, 7)	53,779	54,300	44,593	672	1,392	4,230	13,111
Fire and other damage to property (class 8, 9)	2,046,884	2,026,577	1,011,923	92,859	16,415	8,290	632,672
TPL insurance (classes 11, 12, 13)	694,274	697,210	243,875	49,483	1,654	(19,359)	202,524
Credit and suretyship (class 14, 15)	69,923	66,519	32,685	407	6,936	(4,520)	24,766
Assistance (class 18)	365,168	309,647	168,365	24,799	773	19,907	103,955
Legal expenses insurance (class 17)	7,159	6,586	558	668	1	-	2,801
Other (class 16)	182,448	103,421	162,695	451	60	(20,784)	60,566
Total direct and indirect insurance	10,682,014	9,538,022	5,860,583	630,959	98,497	216,254	2,579,009



Direct insurance in the year ended 31 December 2016	Gross written premium	Gross earned premium	Gross claims and benefits (paid)	Claims handling expenses	Subrogation, salvage and subsidies	Net reinsurance settlements	Acquisition and administrative expenses
Accident and sickness insurance (class 1, 2)	403,852	423,397	99,736	39,388	644	(243)	136,214
Motor TPL (class 10)	3,607,198	3,121,186	2,418,813	301,523	25,148	-	635,828
Other TPL (class 3)	2,747,504	2,386,241	1,568,283	114,962	45,474	(40,368)	666,631
Marine, aviation and transport (class 4, 5, 6, 7)	47,164	48,416	42,844	658	1,392	3,322	12,177
Fire and other damage to property (class 8, 9)	1,856,497	1,905,171	941,318	91,088	16,415	(109,967)	622,931
TPL insurance (classes 11, 12, 13)	692,219	685,977	241,068	48,956	1,654	(18,434)	200,968
Credit and suretyship (class 14, 15)	64,332	63,769	32,665	407	6,936	(7,983)	23,107
Assistance (class 18)	339,849	308,652	168,359	24,799	773	(444)	103,016
Legal expenses insurance (class 17)	7,159	6,586	558	668	1	-	2,801
Other (class 16)	70,889	83,379	19,170	327	60	97,414	46,025
Total direct insurance	9,836,663	9,032,774	5,532,814	622,776	98,497	(76,703)	2,449,698

Indirect insurance in the year ended 31 December 2016	Gross written premium	Gross earned premium	Gross claims and benefits (paid)	Claims handling expenses	Subrogation, salvage and subsidies	Net reinsurance settlements	Acquisition and administrative expenses
Accident and sickness insurance (class 1, 2)	26,202	15,121	6,179	1,674	-	11,817	5,962
Motor TPL (class 10)	465,184	316,712	98,328	3,928	-	253,488	87,674
Other TPL (class 3)	12,439	11,105	4,550	145	-	3,796	6,305
Marine, aviation and transport (class 4, 5, 6, 7)	6,615	5,884	1,749	14	-	908	934
Fire and other damage to property (class 8, 9)	190,387	121,406	70,605	1,771	-	118,257	9,741
TPL insurance (classes 11, 12, 13)	2,055	11,233	2,807	527	-	(925)	1,556
Credit and suretyship (class 14, 15)	5,591	2,750	20	-	-	3,463	1,659
Assistance (class 18)	25,319	995	6	-	-	20,351	939
Legal expenses insurance (class 17)	-	-	-	-	-	-	-
Other (class 16)	111,559	20,042	143,525	124	-	(118,198)	14,541
Total indirect insurance	845,351	505,248	327,769	8,183	-	292,957	129,311



21. Information on the course of claims handling processes.

Information on the course of claims handling processes for the year ended 31 December 2017 (data for direct insurance)	Average claims handling period in days	Losses occurring in the reporting period on account of insurance contracts concluded in that period, including:	
		Claims and benefits paid on account of such losses	Provision recognized at the end of the financial year for outstanding claims and benefits
Accident and sickness insurance (class 1, 2)	12.03	26,359	31,763
Motor TPL (class 10)	22.44	569,849	670,406
Other TPL (class 3)	17.30	662,487	277,393
Marine, aviation and transport (class 4, 5, 6, 7)	57.87	4,390	12,019
Fire and other damage to property (class 8, 9)	14.32	549,457	139,060
TPL insurance (classes 11, 12, 13)	24.26	50,754	136,234
Credit and suretyship (class 14, 15)	59.96	450	1,987
Assistance (class 18)	19.37	70,814	23,142
Legal expenses insurance (class 17)	23.92	92	1,114
Other (class 16)	23.96	1,898	3,303
Total (average)	17.74	1,936,550	1,296,421

Information on the course of claims handling processes for the year ended 31 December 2016 (data for direct insurance)	Average claims handling period in days	Losses occurring in the reporting period on account of insurance agreements concluded in that period, including:	
		Claims and benefits paid on account of such losses	Provision recognized at the end of the financial year for outstanding claims and benefits
Accident and sickness insurance (class 1, 2)	9.37	22,789	28,850
Motor TPL (class 10)	23.30	538,012	620,358
Other TPL (class 3)	17.42	609,463	256,731
Marine, aviation and transport (class 4, 5, 6, 7)	43.52	4,498	9,440
Fire and other damage to property (class 8, 9)	16.03	337,131	103,402
TPL insurance (classes 11, 12, 13)	25.30	41,961	132,516
Credit and suretyship (class 14, 15)	166.76	420	1,333
Assistance (class 18)	29.93	83,575	26,518
Legal expenses insurance (class 17)	16.98	120	647
Other (class 16)	28.15	567	2,717
Total (average)	17.76	1,638,536	1,182,512

22. Insurance activity expenses

Insurance activity expenses, net of reinsurance	1 January – 31 December 2017	1 January – 31 December 2016
a) in direct insurance	2,606,189	2,449,602
b) in indirect insurance	206,606	123,829
Total insurance activity expenses, net of reinsurance	2,812,795	2,573,431

Insurance activity expenses (by type)	1 January – 31 December 2017	1 January – 31 December 2016
I. Administrative expenses	692,879	723,941
1. internal:	421,526	457,639
a) consumption of materials and energy	16,982	17,698
b) salaries and insurance and other benefits	346,046	380,961
c) amortization and depreciation	55,763	54,900
d) other administrative expenses	2,735	4,080
2. external:	271,353	266,302
a) third party services	138,616	138,710
b) commission for premium collection	85,743	75,337
c) advertising	31,439	36,256
d) other expenses	15,555	15,999
II. Acquisition expenses	2,137,915	1,855,068
1. internal:	363,335	348,460
a) consumption of materials and energy	15,932	16,207
b) salaries and insurance and other benefits classified as acquisition expenses	306,183	291,753
c) commissions on direct activity	-	-
d) amortization and depreciation	41,220	40,500
e) other acquisition expenses	-	-
2. external:	1,851,791	1,758,055
a) salaries and insurance and other benefits classified as acquisition expenses	-	-
b) commission on direct activity, including:	1,563,858	1,407,759
- acquisition commissions	667,987	633,480
- policy extension commissions	843,302	731,506
- commissions for servicing insurance and reinsurance agreements	52,569	42,773
c) commissions on indirect activity	164,710	216,222
d) third party services	79,778	75,759
e) advertising	25,961	42,646
f) other expenses	17,484	15,669
3. movement in deferred acquisition costs	(77,211)	(251,447)
III. Claims handling and subrogation collection expenses	705,296	630,959
1. internal:	290,808	257,300
a) consumption of materials and energy	10,245	9,093
b) salary of experts, adjusters and other salary associated with claims handling and pursuit of subrogation claims	248,978	221,829
c) amortization and depreciation	31,585	26,378
2. external:	414,488	373,659
a) third party services	196,290	170,530
b) other costs	218,198	203,129
IV. Investment activity expenses	512,696	604,627
1. internal:	9,274	11,495
a) consumption of materials and energy	1,275	1,560
b) salary and insurance and other benefits to employees	6,498	8,342
c) amortization and depreciation	1,501	1,593
2. external:	503,422	593,132
a) third party services	6,077	5,671
b) other costs ¹⁾	497,345	587,461

¹⁾ The "other costs" item includes among others losses on realization and revaluation of investments.

22.1 Acquisition expenses

Acquisition expenses	1 January – 31 December 2017	1 January – 31 December 2016
a) incurred in the financial period, of which:	2,215,126	2,106,515
- acquisition commission on direct insurance	1,563,858	1,407,759
b) deferred to future reporting periods	1,285,837	1,208,626

22.2 Administrative expenses

Administrative expenses	1 January – 31 December 2017	1 January – 31 December 2016
a) consumption of materials and energy	16,982	17,698
b) third party services	138,616	138,710
c) taxes and fees	10,231	12,109
d) salaries	275,447	297,892
e) insurance and other benefits	70,599	83,069
f) amortization and depreciation	55,763	54,900
g) other, including:	125,241	119,563
premium collection commission	85,743	75,337
advertising	31,439	36,256
business trips	2,735	4,080
insurance of property	616	705
Total administrative expenses	692,879	723,941

23. Other operating income

Other operating income	1 January – 31 December 2017	1 January – 31 December 2016
a) financial income ¹⁾	219,932	1,288
b) revenues on acting as an emergency adjuster	8,747	7,151
c) revenues on direct claims handling activity	204,375	209,534
d) other operating income, including:	89,137	96,514
positive foreign exchange differences	76,885	83,674
indemnities received	4,325	4,475
re invoiced expenses	2,361	2,653
income on reversal of a provision for impairment losses and provisions for future costs	1,186	642
other	4,380	5,070
Total	522,191	314,487

¹⁾ "financial income" includes revenue from foreign exchange differences on loans received from PZU Finance AB (publ.) in the amount of PLN 217,344 thousand (in 2016, negative foreign exchange differences were recognized in the "financial costs" item).

24. Other operating expenses

Other operating expenses	1 January – 31 December 2017	1 January – 31 December 2016
a) financial costs ¹⁾	121,883	206,459
b) expenses connected with acting as an emergency adjuster	1,346	507
c) costs of direct claims handling activity	215,664	218,041
d) tax on certain financial institutions	177,637	147,668
e) other operating expenses, including:	223,125	103,551
negative foreign exchange differences	152,257	46,861
costs of recognizing the restructuring provision	41,558	-
donations	8,090	44,782
employment restructuring costs	6,477	-
other	14,743	11,908
Total	739,655	676,226

¹⁾ "financial costs" item contains costs of interest and foreign exchange differences on loans received from PZU Finance AB (publ.) in the amount of PLN 61,356 thousand (PLN 202,108 thousand in 2016).

25. Interest income and expenses

The two notes that follow present interest determined for the reporting period based on the principle of accruals accounting.

25.1 Interest income calculated using contractual interest rates

Interest income calculated using contractual interest rates in 2017	Interest accrued and realized in 2017	Interest accrued but not realized in 2017 (by maturity from the balance sheet date)		
		up to 3 months	3 to 12 months	over 12 months
a) Investments in related parties	2,968	5	1,280	-
b) Other financial investments, including:	281,984	(40,943)	93,516	-
- debt securities and other fixed income securities	293,376	(25,949)	81,866	-
- participation in investments pools	-	-	-	-
- mortgage-backed loans	-	-	12,289	-
- other loans	(3,000)	(14,954)	(639)	-
- term deposits with credit institutions	(8,392)	(40)	-	-
- other investments	-	-	-	-
c) Receivables	-	-	-	-
Total interest income	284,952	(40,938)	94,796	-

In the table above, negative figures are a result of unrealized and realized negative foreign exchange differences relating to revenues.

Interest income calculated using contractual interest rates in 2016	Interest accrued and realized in 2016	Interest accrued but not realized in 2016 (by maturity from the balance sheet date)		
		up to 3 months	3 to 12 months	over 12 months
a) Investments in related parties	1,274	-	5,465	-
b) Other financial investments, including:	194,025	29,198	152,792	-
- debt securities and other fixed income securities	176,007	22,694	115,570	-
- participation in investments pools	-	-	-	-
- mortgage-backed loans	-	-	33,915	-
- other loans	8,741	4,274	3,307	-
- term deposits with credit institutions	9,277	2,230	-	-
- other investments	-	-	-	-
c) Receivables	-	-	-	-
Total interest income	195,299	29,198	158,257	-

25.2 Interest expenses calculated using contractual interest rates

Interest expenses calculated using contractual interest rates in 2017	Interest accrued and realized in 2017	Interest accrued but not realized in 2017 (by maturity from the balance sheet date)		
		up to 3 months	3 to 12 months	over 12 months
a) Liabilities for reinsurers' deposits	-	-	-	-
b) Other liabilities, including:	31,687	-	77,695	-
- liabilities on direct insurance	-	-	-	-
- reinsurance liabilities	-	-	-	-
- liabilities on the issue of own debt securities and drawn loans	24,878	-	77,695	-
- liabilities to credit institutions	6,809	-	-	-
- other liabilities	-	-	-	-
Total interest expenses in 2017, including:	31,687	-	77,695	-
- liabilities held for trading	-	-	-	-
- current liabilities	6,809	-	-	-
- non-current liabilities	24,878	-	77,695	-

Interest expenses calculated using contractual interest rates in 2016	Interest accrued and realized in 2016	Interest accrued but not realized in 2016 (by maturity from the balance sheet date)		
		up to 3 months	3 to 12 months	over 12 months
a) Liabilities for reinsurers' deposits	-	-	-	-
b) Other liabilities, including:	30,068	-	174,602 ¹⁾	-
- liabilities on direct insurance	-	-	-	-
- reinsurance liabilities	-	-	-	-
- liabilities on the issue of own debt securities and drawn loans	27,506	-	174,602	-
- liabilities to credit institutions	2,562	-	-	-
- other liabilities	-	-	-	-
Total interest expenses in 2016, including:	30,068	-	174,602	-
- liabilities held for trading	-	-	-	-
- current liabilities	2,562	-	-	-
- non-current liabilities	27,506	-	174,602	-

¹⁾ This item contains costs of foreign exchange differences on loans received from PZU Finance AB (publ.) in the amount of PLN 138,383 thousand.

26. Income tax

26.1 Tax Group

On 25 September 2014, a new Tax Group agreement was signed between 13 PZU Group companies: PZU, PZU Życie, Link4, PZU CO, PZU Pomoc SA, Ogrodowa-Inwestycje, PZU Zdrowie, PZU AM, TFI PZU, Ipsilon Sp. z o.o., PZU Finanse Sp. z o.o., PZU LAB SA (form. Omicron SA), Omicron BIS SA. The Tax Group was established for a period of 3 years – from 1 January 2015 to 31 December 2017.

On 20 September 2017, a new Tax Group agreement was signed between 13 PZU Group companies: PZU SA, PZU Życie, Link4, PZU CO, PZU Pomoc SA, Ogrodowa-Inwestycje, PZU Zdrowie, Tulare Investments Sp. z o.o., Battersby Investments SA, Ipsilon Sp. z o.o., PZU Finanse Sp. z o.o., PZU LAB SA (form. Omicron SA), Omicron Bis SA. The Tax Group was established for a period of 3 years – from 1 January 2018 to 31 December 2020 – and the Head of the First Mazowiecki Tax Office issued a registration decision on 21 November 2017.

Under the tax group agreement, PZU is the parent company representing the tax group. Pursuant to art. 25 sec. 1 of the CIT Act, the Tax Group performs settlements with the Tax Office on a monthly basis. PZU pays advances for corporate income tax that are due from all the companies to the Tax Office, while the companies transfer the CIT advances related to their business activities to PZU.

26.2 Current income tax

Current income tax	1 January – 31 December 2017	1 January – 31 December 2016
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1. Profit (loss) before tax	2,720,403	1,809,025
2. Differences between profit (loss) before tax and the income tax base	(1,376,139)	(941,439)
2a) Costs and losses not recognized by tax regulations as tax-deductible expenses	722,425	638,698
Accrued outward reinsurance expenses	(46,288)	30,659
Accrued investment losses	189,080	367,351
Accrued bonuses and charges for awards and employee benefit provisions	21,184	(11,578)
Accrued and deferred acquisition costs	174,305	(106,785)
Impairment losses on insurance, reinsurance and subrogation receivables	123,888	67,781
Donations	8,090	44,782
Receivables written down	27,293	12,542
Tax on certain financial institutions	177,636	147,668
Impairment loss on real property	247	54,658
Other	46,990	31,620
2b) Revenue not included in the tax base	2,081,190	1,668,566
Accrued investment gains	430,942	408,257
Dividends	1,452,270	844,150
Other technical income – reversal of impairment losses and other	99,763	87,609
Accrued revenue on inward and outward insurance	(107,165)	172,003
Accrued revenue on direct claims handling	11,065	7,081
Revenue from premiums from previous years	194,315	149,466
2c) Other changes in the tax base	(17,374)	88,429
Realized investment income accrued from previous years	16,698	79,918
Amounts payable to natural persons under personal service contracts and bonuses, accrued in the previous year	(3,954)	(987)
Accrued acquisition expenses allocated to the current year	(69,040)	(56,218)
Increases in tax revenues due to unexplained payments	65,459	74,807
Other costs/income realized	(13,294)	395
Deductions from income	(13,243)	(9,486)
3. Income tax base	1,344,264	867,586
4. Income tax at the 19% rate	255,410	164,841
5. Tax increases, waivers, exemptions, deductions and reductions	(12,303)	6,362
6. Current income tax included in tax returns for the period, including:	243,107	171,203
- posted in the profit and loss account	243,107	171,203
- relating to items that are charged or credited to equity;	-	-
- relating to items that are charged or credited to goodwill or negative goodwill	-	-

Income tax, by type of activity	1 January – 31 December 2017	1 January – 31 December 2016
Differences between profit (loss) before tax and the income tax base	(1,376,139)	(941,439)
- arising from technical activities	50,346	(405,915)
- arising from extraordinary profits and losses	-	-
- other	(1,426,485)	(535,524)
Income tax base	1,344,264	867,586

Regulations governing corporate income tax, personal income tax, value added tax and contributions to social security undergo frequent changes. The current regulations contain confusing provisions, which result in differences of opinion concerning their legal interpretation, both between various state authorities as well as between these authorities and enterprises. Tax and other settlements (e.g. regarding customs or foreign currencies) may be inspected by authorities, which may levy high fines and any additional liabilities assessed during the inspection bear interest. These facts create tax risks in Poland that are higher than those typically found in countries with more developed tax systems. Tax returns may be audited over a period of five years. As a result, the amounts presented in the financial statements may change at a later date, after the final amounts are determined by tax authorities.

26.3 Deferred tax

Deferred tax recognized in the profit and loss account	1 January – 31 December 2017	1 January – 31 December 2016
- reduction (increase) relating to the origination and reversal of temporary	43,422	64,553

differences		
- reduction (increase) relating to changes in tax rates	-	-
- reduction (increase) relating to previously unrecognized tax loss, tax credit or temporary difference of a prior period	-	-
- reduction (increase) relating to impairment losses on deferred tax assets or inability to use deferred tax liability	-	-
- other deferred tax items	-	-
Total deferred tax	43,422	64,553

In 2017 and 2016, there was no income tax relating to discontinued operations or extraordinary transactions.

Deferred tax recognized outside the profit and loss account	1 January – 31 December 2017	1 January – 31 December 2016
Total deferred tax amount:	242,412	220,171
- recognized in equity	242,412	220,171
- recognized in goodwill or negative goodwill	-	-

27. Share of the net profit (loss) of related parties measured by the equity method

Share of the net profit (loss) of related parties measured by the equity method	1 January – 31 December 2017	1 January – 31 December 2016
Share in net profit (loss) of entities measured by the equity method, including:	9,914	(67,308)
- impairment recognized on goodwill of related parties	(60,304)	(16,680)
- impairment recognized on negative goodwill of related parties	-	-
- impairment loss on net asset measurement	70,218	(50,628)

28. Notes to the cash flow statement

The item "Other proceeds from operating activity" includes:

Other proceeds from operating activity – highlights	1 January – 31 December 2017	1 January – 31 December 2016
Refund of CIT advances – participation in the Tax Group	320,172	260,873
Proceeds to the Company Social Benefit Fund and the Labor Fund	4,928	5,544
Other proceeds	164,006	128,708
Total other proceeds from operating activity	489,106	395,125

The item "Other operating expenditures" includes:

Other operating expenditures – highlights	1 January – 31 December 2017	1 January – 31 December 2016
Corporate income tax	357,140	26,246
Expenditures for CIT advances – participation in the Tax Group	313,869	258,471
Tax on certain financial institutions	175,879	134,179
Expenditures from the Company Social Benefit Fund and the Labor Fund	50,361	75,384
Donations	13,200	17,918
Expenditures on account of VAT	11,651	8,015
Other expenditures	235,957	220,178
Total other operating expenditures	1,158,057	740,391

28.1 Restricted cash

The cash flow statement includes restricted cash items related to the resources of the Prevention Fund and the Company Social Benefit Fund. According to the Polish law and PZU's internal regulations, which are based on that law, these resources may be expended only for specific purposes, such as prevention or social activity, respectively and strict oversight must be exercised over the funds.

29. Other notes and explanations

29.1 Workforce restructuring at PZU

On 9 March 2017, the PZU Management Board decided to continue the workforce restructuring process in PZU. On 22 March 2017, an agreement was concluded with the trade unions operating in PZU regarding the scope and rules for conducting the downsizing process in PZU. The plan assumed that group layoffs would be held during the period from 24 March to 18 December 2017 and would affect 1,217 employees and no more than 859 employees of various professional groups were to be laid off.

Ultimately, the restructuring affected 403 persons and 257 employees had their employment contracts terminated or entered into dissolution agreements (without prior proposal of new terms and conditions of employment) as part of the restructuring process.

In the period of 12 months ended 31 December 2017, the costs associated with the payment of benefits to the released employees amounted to PLN 29,353 thousand. As at 31 December 2017, the remaining restructuring provision amounts to PLN 18,936 thousand (for the payment of deferred severance pays).

29.2 Situation in Ukraine

During the 12-month period ended on 31 December 2017, Ukraine experienced noticeable improvement in the economic situation. Major achievements included: extension of cooperation with the International Monetary Fund, introduction of pension reform, an increase in the minimum wage, introduction of visa-free travel to the European Union. The government's efforts were summarized among others, by an improvement in Ukraine's position in the Doing Business rating (from 153th to 76th place), an increase in the National Bank's foreign exchange reserves (by 21% compared to 2016) and an increase in retail trade (by 8.8% compared to 2016). The factors that slowed down economic growth and had an adverse effect on the stabilization of the country included: protracted armed conflict in the eastern part of the country (according to estimates of national experts, the economic blockade of the eastern parts of Ukraine reduced GDP growth by at least 1%) and insufficient implementation speed of other reforms (privatization, land trading, anti-corruption court law). The country's growth and economic balance is also adversely affected by Ukraine's growing debt (USD 76.31 billion as at 31 December 2017), of which the largest amounts must be paid between 2018 and 2020.

The insurance market operated in an environment with a high level of costs of selling insurance products, inflation growth (up to 13.7% in 2017, compared to 12.4% in 2016), volatile exchange rates and further changes in the banking market (with 9 banks deemed insolvent in 2017 and ceasing their operations). Following the nationalization of the largest commercial bank (Privatbank), the State Treasury of Ukraine controls 51.3% of the banking sector. As a result of the above, individuals and corporations had a moderate level of confidence in the financial and insurance sector. The cyber-attack of a "Pety.A" computer virus, which in June 2017 impacted numerous state institutions and private businesses was an additional challenge for the Ukrainian economy.

Despite these circumstances, PZU Ukraine and PZU Ukraine Life, by diversifying their portfolios and sales channels, were able to respond with flexibility to market changes and fulfilled their respective sales plans in 98.4% and 122.8% (growth vs. previous year was 115% and 122%, respectively).

The Management Board of PZU, in cooperation with the management of PZU Ukraine and PZU Ukraine Life, monitors external risks and changes in Ukrainian legal regulations on an ongoing basis. 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 signing of the standalone financial statements, the PZU Management Board assumes that further activities of PZU Ukraine and PZU Ukraine Life will be continued in accordance with the adopted assumptions. However, the economic instability in Ukraine related to the armed conflict and the presidential and parliamentary elections in 2019 may adversely affect the future financial standing and performance of PZU Ukraine and PZU Ukraine Life in a manner that currently cannot be reliably predicted. The standalone financial statements reflect the current judgments of the PZU Management Board in this respect.

29.3 Capital expenditures incurred and planned for the 12 months following the balance sheet date

Capital expenditures incurred in the financial year	2017	2016
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Capital expenditures incurred, of which:	88,375	132,920
- expenditures for non-financial non-current assets	33,875	28,043

Capital expenditures planned for the 12 months following the balance sheet date¹⁾	31 December 2017	31 December 2016
Capital expenditures planned for the 12 months following the balance sheet date, including:	111,673	110,948
- expenditures for non-financial non-current assets	111,673	110,948

¹⁾ Data not audited by a statutory auditor.

30. Disputes

PZU participates in extensive litigation, arbitration disputes and administrative proceedings. The typical litigation in which PZU participates involves disputes pertaining to executed insurance agreements, disputes concerning labor relationships and disputes relating to contractual obligations. Typical administrative proceedings involving PZU include proceedings related to the possession of real properties. Such proceedings and litigation are of a typical and repetitive nature and usually no particular case is of material importance to PZU.

Additionally, PZU is a party to proceedings conducted before the President of the Office of Competition and Consumer Protection (UOKiK).

PZU takes disputed claims into account in the process of recognizing technical provisions for known losses, considering the probability of an unfavorable outcome of a dispute and estimating the probable awarded amount.

In 2017 and by the date of signing the standalone financial statements, PZU was not involved in any proceedings conducted before a court, an arbitration body or a public administration authority concerning any PZU liabilities or receivables whose unit value would be at least 10% of PZU's equity.

As at 31 December 2017, the aggregate value of the subject matter of litigation in all 145,931 cases (102,455 cases as at 31 December 2016) pending before courts, arbitration bodies or public administration authorities in which PZU takes part, was PLN 3,473,748 thousand (PLN 3,249,557 thousand as at 31 December 2016). Out of this amount, PLN 3,070,828 thousand pertained to PZU's liabilities (PLN 2,968,004 thousand as at 31 December 2016) and PLN 402,920 thousand (PLN 281,553 thousand as at 31 December 2016) pertained to PZU's receivables, which was, respectively, 22.61% and 2.97% of PZU's equity according to PAS (as at 31 December 2016 it was 24.49% and 2.32%, respectively).

30.1 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") with its registered office 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 good practices and aimed at harming the plaintiff as a shareholder of PZU.

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

- PLN 3,260,883 thousand to supplementary capital;
- PLN 20,000 thousand 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 the available appeal measures, 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.

According to PZU, repealing the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting will not cause the shareholders to obtain a claim for PZU to pay a dividend.

As the judgment repealing resolution no. 8/2007 became final, on 30 May 2012, Ordinary Shareholder Meeting of PZU adopted a resolution to distribute the profit for the financial year 2006 in a manner that reflects the distribution of profit

in 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 a 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 demanded 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 then submitted a statement of defense 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 handed down a judgment that changed the judgment of the Regional Court of 17 December 2013 in its entirety, dismissed MSC's claim and charged MSC with the court expenses. The Appellate Court's judgment is final and non-appealable. MSC challenged the Appellate Court's judgment in its entirety in a cassation appeal of 9 June 2015. PZU filed its reply to the cassation appeal.

By decision of 19 April 2016, the Supreme Court refused to review MSC's cassation appeal. According to the provisions of the Code of Civil Procedure, the Supreme Court's ruling is final non-appealable and ends the proceedings in the case.

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

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 compensation 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 the 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. On 18 December 2015, PZU's attorney replied to the statement of claim, requesting to dismiss it in its entirety. On 1 April 2016, MSC filed a pleading in which it responded to PZU's assertions, allegations and petitions and raised new arguments in the case. On 30 June 2016, PZU filed a response to MSC's most recent pleading along with requests for evidence. In its decision of 21 July 2016, the Court referred the case to a mediation procedure, to which PZU did not agree. In subsequent court sessions, the hearing of evidence will take place.

The Management Board of PZU believes that MSC's claims are groundless. As a result, as at 31 December 2017, no changes have been made to the presentation of PZU's equity that could potentially stem from the repeal of the resolution 8/2007 adopted by PZU's Ordinary Shareholder Meeting on distribution of profit for the financial year 2006, including the line items "Supplementary capital" and "Retained earnings (losses)" and the funds the funds in the Company Social Benefit Fund have not been adjusted.

30.1.1. Other court proceedings pertaining to distribution of PZU SA's profit earned in 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 million as claims for damages acquired from shareholders resulting from deprivation of the right to participate in PZU's profit. PZU refused to make the performance, indicating the lack of grounds.

Additionally, shareholders or their legal successors sent to PZU demands for payment based on the facts presented above. Some of them did not indicate any specific amounts but the number of shares or demanded a payment only. PZU gave its replies in writing, stating that their claims are not existent and that they will not be accepted.

30.2 Anti-trust proceedings by the President of the Office of Competition and Consumer Protection

On 30 December 2011, the President of the Office of Competition and Consumer Protection ("UOKiK") 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 did 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 of Competition and Consumer Protection misunderstands the principles of execution of insurance contracts 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 27 March 2015, the Regional Court issued a judgment in which it repealed the decision of the UOKiK President of 30 December 2011. By judgment of 6 December 2016, following an appeal of the UOKiK President, the Appellate Court in Warsaw repealed the judgment issued by the Regional Court in Warsaw and referred the case for re-examination. On 31 July 2017, the Regional Court issued a judgment in which it repealed the decision of the UOKiK President of 30 December 2011. The judgment is not final and on 4 October 2017, the UOKiK President filed an appeal with the Appellate Court in Warsaw. On 2 November 2017, PZU filed a reply to the appeal of the UOKiK President.

PZU held a provision for this fine, which amounted to PLN 56,605 thousand as at 31 December 2017 and 31 December 2016.

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

PZU is a creditor of PBG SA ("PBG") and Hydrobudowa Polska SA ("Hydrobudowa"), both companies with registered offices in Wysogotowo near Poznań, on account of insurance guarantees (contractual guarantees) issued and paid out.

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

On 8 October 2015, the Bankruptcy Court announced a decision in which it approved the composition with PBG's creditors and on 20 July 2016 it issued a decision to close the bankruptcy proceedings. The decision is final.

Following the execution of the composition and reduction of claims to 20.93% of the reported figures, PZU received 206,139 PBG's bonds with the nominal value of PLN 20,614 thousand and 24,241,560 PBG shares with the nominal value of PLN 24,242 thousand. The carrying amount of PBG's shares as at 31 December 2017 was PLN 3,879 thousand (zero as at 31 December 2016). Bonds – on 31 December 2017 and on 31 December 2016, they were recognized in off-balance sheet records only and the carrying amount of bonds was zero.

The first list of claims presented by Hydrobudowa's trustee in bankruptcy to the judge commissioner contained PZU SA's claims in the amount of PLN 16,198 thousand. The final list of claims submitted against the bankruptcy estate of Hydrobudowa has not been determined yet. Bankruptcy proceedings against Hydrobudowa are pending and the determination of the final list of claims is merely an initial step in these proceedings that precedes the drafting of the distribution plan (after the liquidation of the bankruptcy estate).

30.4 Miscellaneous

30.4.1. Inspections by the KNF Office

In the period from 14 April to 19 May 2016, an audit of operations and assets was carried out in the claims handling area.

On 13 July 2016, PZU received an audit report, to which it submitted its explanations on 27 July 2016. On 18 November 2016, PZU received three post-audit recommendations, all of which were implemented by 31 January 2017.

In the period from 7 August to 6 October 2017, the Polish Financial Supervision Authority (KNF) carried out another audit of the Company's operations and assets in the claims handling area. On 13 December 2017 the Company submitted its clarifications to the KNF inspection report of 30 November 2017. KNF did not take the Company's clarifications into account.

The Management Board of PZU believes that the results of the audit will not exert any impact on the standalone financial statements.

31. Headcount

Average headcount, by employee group	1 January – 31 December 2017		1 January – 31 December 2016	
	Average headcount (FTEs)	Average number of employees (persons)	Average headcount (FTEs)	Average number of employees (persons)
a) Supervisory Board	8	8	9	9
b) Management Board	5	5	6	6
c) Total headcount, including:	7,360	8,921	7,720	9,643
– management	349	552	373	608
– advisors	2	3	2	4
– actuaries	3	3	3	3
– other employees	7,006	8,363	7,342	9,028
– including agents on employment contracts	1	1	4	4
d) Number of agents without employment contracts (persons)	n/a	8,906	n/a	8,566

32. Agreements to audit and review financial statements

32.1 Audit fee payable to the audit firm auditing the financial statements

Audit fee payable to the audit firm auditing the financial statements	1 January – 31 December 2017	1 January – 31 December 2016
a) statutory audit of annual standalone/consolidated financial statements	4,950	1,365
b) other assurance services, including review of standalone/consolidated financial statements	1,793	1,350
c) tax advisory services	-	-
d) other services	-	27
Total	6,743	2,742

The table above presents the amounts due to the audit firms for the audit of PZU's financial statements, paid or payable for the period, plus VAT, determined according to the accrual principle.

32.2 Execution dates and terms of agreements with the audit firm auditing financial statements

On 18 February 2014, the PZU Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw, ul. Inflancka 4A, 00-189 Warsaw, entered by the National Chamber of Statutory Auditors in the list of audit firms under no. 3546 as an entity auditing financial statements for the years 2014-2016, and

on 27 April 2017, the PZU Supervisory Board exercised the option of extending this cooperation to include the years 2017-2018.

33. Related party transactions

33.1 Transactions with PZU Management Board and Supervisory Board Members

In 2017 and in 2016, there were no transactions between PZU and the PZU Management Board Members, PZU Supervisory Board Members and persons who are in cohabitation with them, their spouses, relatives by blood or by marriage up to the second degree, persons related to them by adoption, guardianship or custody or other persons personally related to the PZU Management Board or Supervisory Board Members, other than following from executed non-life insurance agreements entered into on an arm's length principle.

In 2016 and in 2015, there were no material transactions between PZU and the entities, in which PZU Management Board Members, PZU Supervisory Board Members and persons who are in cohabitation with them, their spouses, relatives by blood or by marriage up to the second degree, persons related to them by adoption, guardianship or custody hold directly or indirectly at least 20% votes at the shareholder meeting, other than those following from executed non-life insurance agreements entered into on an arm's length principle.

33.1.1. Value of outstanding advances, loans, guarantees, sureties, old-age benefits and similar benefits or other agreements with performance obligation

In 2017 and 2016 there were no outstanding advances, loans, guarantees, sureties or other agreements with performance obligations pertaining to PZU Management Board Members or PZU Supervisory Board Members. There were also no obligations arising from old-age benefits or similar benefits in favor of former members of management boards, supervisory boards or administration bodies, or obligations incurred in connection with those old-age benefits.

33.1.2. Compensation of PZU Management Board Members, PZU Group Directors and PZU Supervisory Board Members paid, payable or potentially payable

Compensation of Management Board members, senior managers and members of the PZU Supervisory Board who discharged their functions for at least one day in 2017 or 2016.

Compensation and other short-term employee benefits paid by PZU	1 January – 31 December 2017 (in PLN thousand)		1 January – 31 December 2016 (in PLN thousand)	
		including bonuses and special awards:		including bonuses and special awards:
Management Board, of which:	6,870	2,042	6,680	-
Paweł Surówka	683	74	176	-
Rodger Hodgkiss	1,171	412	634	-
Tomasz Kulik	319	-	- ¹⁾	-
Maciej Rapkiewicz	1,152	379	581	-
Małgorzata Sadurska	421	-	n/a	n/a
Michał Krupiński	2 086 ²⁾	895	1,377	-
Andrzej Jaworski	945 ³⁾	282	434	-
Marcin Chłudziński	93	-	n/a	n/a
Beata Kozłowska-Chyła	n/a	n/a	6344 ⁴⁾	-
Robert Pietryszyn	n/a	n/a	273	-
Sebastian Klimek	n/a	n/a	5795 ⁵⁾	-
Przemysław Dąbrowski	n/a	n/a	6836 ⁶⁾	-
Dariusz Krzewina	n/a	n/a	6687 ⁷⁾	-
Tomasz Tarkowski	n/a	n/a	121	-
Rafał Grodzicki	n/a	n/a	5208 ⁸⁾	-



Compensation and other short-term employee benefits paid by PZU	1 January – 31 December 2017 (in PLN thousand)		1 January – 31 December 2016 (in PLN thousand)	
High-level managers (PZU Group Directors), including:	5,138	1,381	4,503	199
Aleksandra Agatowska	854	254	505	-
Tomasz Karusewicz	1,031	356	611	-
Bartłomiej Litwińczuk	754	122	241	-
Sławomir Niemierka	751	199	862	199
Roman Pałac	986	378	581	-
Dorota Macieja	501	-	n/a	n/a
Paweł Surówka	2619 ¹⁾	72	45510 ¹⁾	-
Tobiasz Bury	n/a	n/a	70611 ¹⁾	-
Przemysław Henschke	n/a	n/a	54212 ²⁾	-
Supervisory Board, of which:	1,344	-	1,241	-
Paweł Górecki	131	-	n/a	n/a
Alojzy Nowak	154	-	120	-
Marcin Chłudziński	133	-	119	-
Agata Górnicka	133	-	n/a	n/a
Katarzyna Lewandowska	115	-	n/a	n/a
Robert Śnitko	105	-	n/a	n/a
Maciej Zaborowski	146	-	143	-
Bogusław Banaszak	142	-	n/a	n/a
Marcin Gargas	18	-	167	-
Aneta Fałek	114	-	n/a	n/a
Paweł Kaczmarek	48	-	191	-
Eligiusz Krześniak	13	-	119	-
Jerzy Paluchniak	39	-	118	-
Piotr Paszko	13	-	119	-
Radosław Potrzyszcz	13	-	119	-
Łukasz Świerżewski	27	-	n/a	n/a
Zbigniew Cwiąkowski	n/a	n/a	3	-
Zbigniew Derdziuk	n/a	n/a	2	-
Dariusz Filar	n/a	n/a	2	-
Dariusz Kacprzyk	n/a	n/a	2	-
Jakub Karnowski	n/a	n/a	2	-
Aleksandra Magaczewska	n/a	n/a	2	-
Maciej Piotrowski	n/a	n/a	2	-
Piotr Walkowiak	n/a	n/a	11	-

¹⁾ in 2016 compensation received from PZU Życie only; amount presented in the next table

²⁾ including non-competition fee of PLN 600 thousand

³⁾ including non-competition fee of PLN 276 thousand

⁴⁾ including non-competition fee of PLN 55 thousand

⁵⁾ including non-competition fee of PLN 111 thousand

⁶⁾ including non-competition fee of PLN 332 thousand

⁷⁾ including non-competition fee of PLN 55 thousand

⁸⁾ including non-competition fee of PLN 312 thousand

⁹⁾ compensation for the period of discharging the PZU Group Director's function until 12 April 2017

¹⁰⁾ including compensation for being an Advisor to the PZU Management Board: PLN 345 thousand from 24 April 2016 to 31 October 2016

¹¹⁾ including non-competition fee of PLN 371 thousand

¹²⁾ including non-competition fee of PLN 312 thousand

Compensation and other short-term employee benefits paid by other PZU Group entities	1 January – 31 December 2017 (in PLN thousand)		1 January – 31 December 2016 (in PLN thousand)	
		including bonuses and special awards:		including bonuses and special awards:
Management Board, of which:	2,835	801	4,031	-
Paweł Surówka	499	214	329	-
Rodger Hodgkiss	491	214	599	-
Tomasz Kulik	840	103	206	-
Maciej Rapkiewicz	446	135	208	-
Michał Krupiński	671 ¹⁾	-	-	-
Andrzej Jaworski	4922 ²⁾	135	208	-
Beata Kozłowska-Chyła	n/a	n/a	3293 ³⁾	-
Robert Pietrzych	n/a	n/a	135	-
Sebastian Klimek	n/a	n/a	2084 ⁴⁾	-
Przemysław Dąbrowski	n/a	n/a	3685 ⁵⁾	-
Dariusz Krzewina	n/a	n/a	3606 ⁶⁾	-
Tomasz Tarkowski	n/a	n/a	8017 ⁷⁾	-
Rafał Grodzicki	n/a	n/a	2808 ⁸⁾	-
High-level managers (PZU Group Directors), including:	3,030	706	2,332	107
Aleksandra Agatowska	509	137	272	-
Tomasz Karusewicz	604	192	329	-
Bartłomiej Litwińczuk	455	66	147	-
Sławomir Niemierka	539	107	599	107
Roman Pałac	604	204	313	-
Dorota Maciejka	319	-	n/a	n/a
Tobiasz Bury	n/a	n/a	3809 ⁹⁾	-
Przemysław Henschke	n/a	n/a	29210 ¹⁰⁾	-
Supervisory Board, of which:	3	-	-	-
Ryszard Wawryniewicz	3	-	n/a	n/a

¹⁾ compensation for discharging the function of the Alior Bank's Supervisory Board Member in the period from 1 January 2017 to 14 June 2017

²⁾ including non-competition fee of PLN 149 thousand (PZU Życie)

³⁾ including non-competition fee of PLN 119 thousand (PZU Życie)

⁴⁾ including non-competition fee of PLN 138 thousand (PZU Życie)

⁵⁾ including non-competition fee of PLN 179 thousand (PZU Życie)

⁶⁾ including non-competition fee of PLN 30 thousand (PZU Życie)

⁷⁾ including non-competition fee of PLN 150 thousand (Link4)

⁸⁾ including non-competition fee of PLN 168 thousand (PZU Życie)

⁹⁾ including non-competition fee of PLN 200 thousand (PZU Życie)

¹⁰⁾ including non-competition fee of PLN 168 thousand (PZU Życie)



Total estimated value of non-cash benefits granted by PZU and PZU's subsidiaries	1 January – 31 December 2017 (in PLN thousand)	1 January – 31 December 2016 (in PLN thousand)
Management Board, of which:	701	962
Paweł Surówka	62	54
Rodger Hodgkiss	144	36
Tomasz Kulik	76	76
Maciej Rapkiewicz	107	101
Małgorzata Sadurska	15	n/a
Michał Krupiński	162	79
Andrzej Jaworski	135	77
Beata Kozłowska-Chyła	n/a	105
Robert Pietryszyn	n/a	51
Sebastian Klimek	n/a	66
Przemysław Dąbrowski	n/a	92
Dariusz Krzewina	n/a	126
Tomasz Tarkowski	n/a	48
Rafał Grodzicki	n/a	51
High-level managers (PZU Group Directors), including:	924	605
Aleksandra Agatowska	201	97
Tomasz Karusewicz	138	51
Bartłomiej Litwińczuk	151	51
Sławomir Niemierka	147	171
Roman Pałac	168	93
Dorota Maciejka	119	n/a
Tobiasz Bury	n/a	60
Przemysław Henschke	n/a	82

Compensation of PZU Management Board Members, PZU Group Directors and PZU Supervisory Board Members paid, payable or potentially payable	1 January – 31 December 2017	1 January – 31 December 2016
a) Charged to costs	20,845	20,354
b) Arising from the issuer's share-based incentive or bonus schemes	-	-

33.2 Related party transactions

Related party transactions	1 January – 31 December 2017	1 January – 31 December 2016
1. Gross written premium on direct insurance and inward reinsurance, including:	1,094,930	664,606
- from Link4	() 690,790	432,352
- from TUW PZUW (Mutual)	337,766	110,466
- from PrJSC IC PZU Ukraine	19,379	77,896
- from Lietuvos Draudimas AB	24,033	17,430
- from Alior Bank	2,636	14,659
- from AAS Balta	8,326	9,648
- from PZU Zdrowie	1,967	-
- from Bank Pekao	8,726	-
2. Dividend revenue, including:	1,469,407	844,151
- from PZU Życie	1,429,346	825,000
- from TFI PZU	13,944	18,671
- from AAS Balta	8,485	-
- from Lietuvos Draudimas AB	17,136	-
- from Ogrodowa Inwestycje	496	-
3. Other revenues, including:	240,558	29,830
- foreign exchange differences on the loan from PZU Finance AB	217,344	-
- claw-back of asset management fee from TFI PZU	10,748	16,708
- rents from buildings leased to PZU Group companies	2,850	2,656

Related party transactions	1 January – 31 December 2017	1 January – 31 December 2016
- foreign exchange differences on loans granted to PZU Group companies	2,841	2,332
- re-invoicing of costs from related parties	1,823	2,028
4. Gross claims and benefits paid, including:	338,516	151,249
- to Link4	209,518	98,226
- to PZU Pomoc SA	26,268	21,737
- to PrJSC IC PZU Ukraine	22,561	17,184
- to AAS Balta	213	13,297
- to Lietuvos Draudimas AB	55,204	-
- to TUW PZUW	23,783	-
5. Other expenses, including:	307,033	345,589
- foreign exchange differences on the loan from PZU Finance AB	2,196	137,832
- reinsurance commissions payable to Link4	143,641	70,088
- costs of the interest on the loan from PZU Finance AB	69,306	62,866
- IT services provided by PZU CO	37,424	35,023
- reinsurance commissions payable to PrJSC IC PZU Ukraine	8,737	8,589
- lease of space from Ogródowa Inwestycje	5,216	5,268
- mass printing services provided by PZU CO	4,680	5,182
- profit sharing for PrJSC IC PZU Ukraine	1,039	4,418
- reinsurance commissions payable to TUW PZUW	10,806	3,071

Related party transactions	31 December 2017	31 December 2016
1. Receivables, including:	134,344	140,734
- CIT receivable – Tax Group	10,893	63,436
- inward reinsurance receivables - premium from TUW PZUW	100,917	62,458
- other receivables from Link4	3,821	9,335
- insurance premium receivables from Alior Bank	2,484	2,797
- inward reinsurance receivables – premiums from PZU Ukraine	3,120	40
- insurance premium receivables from Bank Pekao	7,750	-
2. Liabilities, including:	3,585,058	3,779,339
- liabilities from a loan from PZU Finance AB (publ)	3,558,230	3,764,982
- other insurance liabilities to Alior Bank	-	2,652
- CIT liability – Tax Group	5,535	2,634
- inward reinsurance liabilities – to TUW PZUW	6,178	2,569
- inward reinsurance liabilities – to PZU Ukraine	3,534	206
- other liabilities to PZU CO	7,744	-
3. Contingent (off-balance sheet) receivables arising from a guarantee extended to Alior Bank	100,000	-
4. Contingent (off-balance sheet) receivables arising from promissory notes from PZU Pomoc	-	12,517
5. Contingent (off-balance sheet) liability arising from a guarantee extended to Alior Bank	146	2,043

33.2.1. Loans from PZU Życie

On 7 August 2013, a framework agreement was concluded by and between PZU and PZU Życie concerning the execution of transactions involving cash loans. The cash loans will be granted in PLN for a specified term of up to 12 months. The value of the loans granted by each of the parties may not exceed PLN 1 billion. Loans granted are recognized under "Investments in related parties" in the Company's assets, while loans received under "liabilities on the issue of own debt securities and drawn loans" in the Company's liabilities.

In 2017, PZU Życie granted loans in the total amount of PLN 500,000 thousand and in 2016 in the amount of PLN 1,350,000 thousand.

As at 31 December 2017, all the loans have been repaid.

33.2.2. Mandate contract on periodic granting of insurance guarantees to Alior Bank

On 8 November 2017, PZU executed a mandate contract with Alior Bank on periodic granting of insurance guarantees constituting unfunded credit protection as defined in the CRR Regulation (the "Guarantee Agreement"). In addition, PZU executed a framework mandate contract on periodic granting of counter-guarantees securing the performance of PZU's obligations to Alior Bank.

The subject matter of the agreement is to define the rules for PZU to grant guarantees within the assigned exposure limit, as requested by and for Alior Bank. The maximum exposure limit for the guarantees granted under the contract is PLN 5 billion. The limit is renewable, which means that when the guarantees granted within the limit expire, the limit is renewed by the "released" amount reduced by possible amounts disbursed from the guarantee. The maximum term of validity of the guarantee granted under the agreement is 3 years plus the time for reporting claims. Alior Bank's share in due and payable credit receivables is 10%.

The fee for extending the guarantee will depend, among other things, on the amount of the indemnity, the quality of the portfolio secured by the guarantee, the portfolio amortization and the premium for the counter-guarantee.

The guarantee contract contemplates contractual penalties that may be due to PZU from Alior Bank in the event of Alior Bank's breaching certain obligations stemming from the guarantee contract. The guarantee contract does not rule out the possibility of pursuing claims exceeding the sum total of the contractual penalties.

The framework mandate contract on periodic granting of counter-guarantees defines the rules for granting counter-guarantees ordered by PZU and issued to Alior Bank. The available limit of the counter-guarantee is PLN 2.6 billion. The available limit will be reduced each time when each counter-guarantee is extended, by the guaranteed amount specified in the counter-guarantee; the available counter-guarantee limit is renewable, which means that the limit is renewed when a counter-guarantee expires.

33.2.3. Loans granted to related parties

Loans granted to related parties are described in section 2.4.3.

33.3 Transactions with associates

In 2017 and in 2016, PZU had no associates.



Signatures of the PZU SA Management Board Members:

Name	Position	
Paweł Surówka	President of the PZU Management Board (signature)
Tomasz Kulik	Member of the PZU Management Board (signature)
Roger Hodgkiss	Member of the PZU Management Board (signature)
Maciej Rapkiewicz	Member of the PZU Management Board (signature)
Małgorzata Sadurska	Member of the PZU Management Board (signature)

Person responsible for keeping accounting ledgers

Katarzyna Łubkowska	Director Accounting Department (signature)
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Chief Actuary of PZU

Paweł Chadysz	Insurance Risk Director (signature)
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Warsaw, 14 March 2018