Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group

Condensed Interim Consolidated Financial Statements for Q3 2016

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Introduction

Compliance statement

These condensed interim consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group ("condensed interim consolidated financial statements" and "PZU Group", respectively) have been prepared in line with the requirements of International Accounting Standard 34 "Interim Financial Reporting", as endorsed by the Commission of European Communities, and the requirements set forth in the Regulation on the Current and Periodic Information.

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the PZU Group for 2015.

Parent company's quarterly standalone financial information

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

According to Article 45 Section 1a of the Accounting Act, the financial statements of issuers of securities admitted into trading on one of the regulated markets of the European Economic Area's states may be prepared in accordance with IFRS.

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

- Finance Minister's Regulation of 12 April 2016 on the special accounting principles for insurance and reinsurance undertakings (Journal of Laws of 2016 Item 562);
- Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and presentation of financial instruments (Journal of Laws of 2001, Item 1674, as amended).

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

Period covered by these condensed interim consolidated financial statements

These condensed interim consolidated financial statements have been prepared for the period of 9 months from 1 January to 30 September 2016.

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

Functional and presentation currency

PZU's functional and presentation currency is the Polish zloty. The functional currency of companies with their registered office in Ukraine is the Ukrainian hryvnia and the functional currency of companies with their registered office in Lithuania, Latvia and Sweden is the euro.

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

FX rates

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

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

Currency	1 January – 30 September 2016	1 January – 31 December 2015	1 January – 30 September 2015	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Euro	4.3688	4.1848	4.1585	4.3120	4.4255	4.2615	4.2386
Ukrainian hryvnia	0.1531	0.1722	0.1742	0.1488	0.1603	0.1622	0.1774

Going concern assumption

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

Discontinued activity

In the period of 9 months ended 30 September 2016, PZU Group entities did not discontinue any material type of activity.

Seasonal or cyclical business

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

Glossary of terms

Explained below are the most important terms and abbreviations used in the condensed interim consolidated financial statements.

Names of companies

AAS Balta – Apdrošināšanas Akciju Sabiedrība Balta.

Alior Bank – Alior Bank SA.

CM Medica – Centrum Medyczne Medica sp. z o.o.

EMC – EMC Instytut Medyczny SA.

Gamma – Centrum Medyczne Gamma sp. z o.o.

Alior Bank Group – Alior Bank with its subsidiaries: Alior Services sp. z o.o., Centrum Obrotu Wierzytelnościami sp. z o.o., Alior Leasing sp. z o.o., Meritum Services ICB SA, Money Makers TFI SA, New Commerce Services sp. z o.o., Absource sp. z o.o.

Armatura Group – Armatura Kraków SA with its subsidiaries: Armatoora SA, Aquaform SA, Aquaform Badprodukte GmbH, Aquaform Ukraine TOW, Aquaform Romania SRL, Morehome.pl sp. z o.o.

Link4 – Link4 Towarzystwo Ubezpieczeń Spółka Akcyjna.

Proelmed – Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o.

PTE PZU – Powszechne Towarzystwo Emerytalne PZU SA.

PZU, parent company – Powszechny Zakład Ubezpieczeń Spółka Akcyjna.

PZU CO – PZU Centrum Operacji Spółka Akcyjna.

PZU Ukraine – PrJSC IC PZU Ukraine.

PZU Ukraine Life – PrJSC IC PZU Ukraine Life Insurance.

PZU Życie – Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna.

SKOK – credit union [Polish: *Spółdzielcza Kasa Oszczędnościowo-Kredytowa*].

SU Krystynka – Sanatorium Uzdrowiskowe „Krystynka” sp. z o.o.

TFI PZU – Towarzystwo Funduszy Inwestycyjnych PZU SA.

TUW PZUW – Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych.

Other definitions

BFG – Bank Guarantee Fund [Polish: *Bankowy Fundusz Gwarancyjny*].

MCBRMOD – main corporate body responsible for making operating decisions within the meaning of IFRS 8 – Operating segments.

IBNR – Incurred But Not Reported or 2nd provision – provision for claims and accidents that have transpired but have not yet been reported.

Standalone financial statements of PZU for 2015 – annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2015, prepared in accordance with PAS, signed by the PZU Management Board on 14 March 2016.

KNF – Polish Financial Supervision Authority [Polish: *Komisja Nadzoru Finansowego*];

Commercial Company Code – Act of 15 September 2000 entitled Commercial Company Code (i.e. Journal of Laws of 2016, Item 1578 as amended).

IFRS – International Financial Reporting Standards, as endorsed by the European Commission, published and in force as at 30 September 2016.

NBP – National Bank of Poland;

TCG – Tax Capital Group [Polish: *Podatkowa Grupa Kapitałowa*] established under an agreement signed on 25 September 2014 by and between 13 PZU Group companies: PZU, PZU Życie, Link4, PZU CO, PZU Pomoc SA, Ogrodowa-Inwestycje Sp. z o.o., Ipsilon Sp. z o.o., PZU Asset Management SA, TFI PZU, PZU Zdrowie SA, PZU Finanse Sp. z o.o., Omicron SA, Omicron Bis SA. TCG was established for a period of 3 years – from 1 January 2015 to 31 December 2017. TCG is represented by PZU as its parent company.

PAS – Accounting Act of 29 September 1994 (consolidated version: Journal of Laws of 2016 Item 1047) and regulations issued thereunder.

CRR Regulation – Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

Regulation on Current and Periodic Information – Finance Minister’s Regulation of 19 February 2009 on current and periodic information conveyed by securities issuers and the conditions for recognizing the information required by the legal regulations of a non-member state as equivalent (consolidated version: Journal of Laws of 2014 Item 133, as amended).

Consolidated financial statements – the PZU Group's annual consolidated financial statements for the year ended 31 December 2015 prepared in accordance with IFRS and signed by the PZU Management Board on 14 March 2016.

KNF Office – Office of the Polish Financial Supervision Authority.

BFG Act – Act of 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee System and Compulsory Restructuring (consolidated version: Journal of Laws of 2016 Item 996, as amended).

Insurance Activity Act – Act of 11 September 2015 on Insurance and Reinsurance Activity (Journal of Laws of 2015 Item 1844).

Act on Tax on Financial Institutions – Act of 15 January 2016 on Tax on Certain Financial Institutions (Journal of Laws of 2016 Item 68).

Act on Cooperative Unions – Act of 5 November 2009 on Cooperative Unions (consolidated version: Journal of Laws of 2013 Item 1450).

ZUS – Social Insurance Institution [Polish: *Zakład Ubezpieczeń Społecznych*].

Financial highlights

1. Selected consolidated financial data of the PZU Group

Data from the consolidated profit and loss account	PLN 000s 1 January – 30 September 2016	PLN 000s 1 January – 30 September 2015	EUR 000s 1 January – 30 September 2016	EUR 000s 1 January – 30 September 2015
Gross written premiums	14,706,299	13,461,279	3,366,210	3,237,052
Net earned premiums	13,784,257	13,117,670	3,155,159	3,154,423
Revenues from commissions and fees	575,507	180,519	131,731	43,410
Net investment result	2,702,906	1,410,103	618,684	339,089
Net insurance claims and benefits	(9,771,296)	(9,079,665)	(2,236,609)	(2,183,399)
Profit before tax	1,957,909	2,279,727	448,157	548,209
Net profit attributable to the equity holders of the parent company	1,308,531	1,832,495	299,517	440,662
Profit (loss) attributed to holders of non-controlling interests	199,493	(102)	45,663	(25)
Basic and diluted weighted average number of ordinary shares (in units)	863,510,791	863,519,490 [1)]	863,510,791	863,519,490 [1)]
Basic and diluted earnings per ordinary share (in PLN/EUR)	1.52	2.12[1)]	0.35	0.51[1)]

[1)] Comparative data were converted taking into account the new number of shares after the PZU share split.

Data from the consolidated statement of financial position	PLN 000s 30 September 2016	PLN 000s 31 December 2015	PLN 000s 30 September 2015	EUR 000s 30 September 2016	EUR 000s 31 December 2015	EUR 000s 30 September 2015
Assets	112,913,923	105,397,237	67,500,857	26,185,975	24,732,427	15,925,272
Share capital	86,352	86,352	86,352	20,026	20,263	20,373
Equity attributable to the equity holders of the Parent Company	12,376,723	12,923,719	12,365,623	2,870,298	3,032,669	2,917,384
Non-controlling interests	3,891,071	2,194,068	4,087	902,382	514,858	964
Total equity	16,267,794	15,117,787	12,369,710	3,772,679	3,547,527	2,918,348
Basic and diluted of ordinary shares (in units)	863,516,765	863,523,000	863,519,490 [1)]	863,516,765	863,523,000	863,519,490 [1)]
Book value per ordinary share (in PLN/EUR)	14.33	14.97	14.32 [1)]	3.32	3.51	3.38 [1)]

[1)] Comparative data were converted taking into account the new number of shares after the PZU share split.

Data from the consolidated cash flow statement	**PLN 000s 1 January – 30 September 2016**	**PLN 000s 1 January – 30 September 2015**	**EUR 000s 1 January – 30 September 2016**	**EUR 000s 1 January – 30 September 2015**
Net cash flow on operating activity	701,734	951,985	160,624	228,925
Net cash flow on investing activity	(236,250)	1,366,292	(54,077)	328,554
Net cash flow on financing activity	(413,498)	(2,235,231)	(94,648)	(537,509)
Total net cash flow	51,986	83,046	11,899	19,970

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

Balance sheet data	**PLN 000s 30 September 2016**	**PLN 000s 31 December 2015**	**PLN 000s 30 September 2015**	**EUR 000s 30 September 2016**	**EUR 000s 31 December 2015**	**EUR 000s 30 September 2015**
Assets	38,108,061	36,358,361	36,002,856	8,837,676	8,531,822	8,494,044
Share capital	86,352	86,352	86,352	20,026	20,263	20,373
Total equity	11,611,277	12,378,733	11,630,675	2,692,782	2,904,783	2,743,990
Basic and diluted number of ordinary shares (in pcs)	863,523,000	863,523,000	863,523,000 [1)]	863,523,000	863,523,000	863,523,000 [1)]
Book value per ordinary share (in PLN/EUR)	13.45	14.34	13.47 [1)]	3.12	3.37	3.18 [1)]

[1)] Comparative data were converted taking into account the new number of shares after the PZU share split.

Data from the technical non-life insurance account and the non-technical profit and loss account	**PLN 000s 1 January – 30 September 2016**	**PLN 000s 1 January – 30 September 2015**	**EUR 000s 1 January – 30 September 2016**	**EUR 000s 1 January – 30 September 2015**
Gross written premiums	7,621,793	6,252,851	1,744,596	1,503,631
Technical result of non-life insurance	333,365	453,542	76,306	109,064
Net investment result [1)]	1,134,956	1,342,648	259,787	322,868
Net profit	999,753	1,505,166	228,839	361,949
Basic and diluted weighted average number of ordinary shares (in units)	863,523,000	863,523,000 [2)]	863,523,000	863,523,000 [2)]
Basic and diluted earnings per ordinary share (in PLN/EUR)	1.16	1.74 [2)]	0.27	0.42 [2)]

[1)] Including the item “Share of the net profit (loss) of subordinated entities measured by the equity method”
[2)] Comparative data were converted taking into account the new number of shares after the PZU share split.

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

Balance sheet data	PLN 000s 30 September 2016	PLN 000s 31 December 2015	PLN 000s 30 September 2015	EUR 000s 30 September 2016	EUR 000s 31 December 2015	EUR 000s 30 September 2015
Assets	28,841,575	27,956,769	29,574,449	6,688,677	6,560,312	6,977,410
Total equity	4,348,497	4,253,553	4,450,610	1,008,464	998,135	1,050,019

Data from the technical life insurance account and the non-technical profit and loss account	PLN 000s 1 January – 30 September 2016	PLN 000s 1 January – 30 September 2015	EUR 000s 1 January – 30 September 2016	EUR 000s 1 January – 30 September 2015
Gross written premiums	5,997,072	6,069,349	1,372,705	1,459,504
Technical life insurance result	1,201,340	1,310,833	274,982	315,218
Net investment result	628,163	745,007	143,784	179,153
Net profit	928,204	1,255,152	212,462	301,828

4. Summary of consolidated financial results

The PZU Group's net financial result for the period of 9 months ended 30 September 2016 was PLN 1,508,024 thousand and was 17.7% lower than the net result in the corresponding period of the previous year. Net profit attributable to parent company shareholders was PLN 1,308,531 thousand, compared to PLN 1,832,495 thousand in 2015 (down 28.6%).

Excluding one-off events[1], the net result rose by 2.4% compared to the previous year.

ROE attributable to the parent company (PZU) for the period from 1 January to 30 September 2016 was 13.8%, down 5.3 percentage points from the corresponding period of the previous year.

The following factors also affected PZU Group's activity in the 9 months ended 30 September 2016, as compared to the corresponding period of the previous year:

- higher gross written premium in motor insurance in the mass and corporate client segments as a result of the upswing in average premium and the number of policies and in group and individually continued insurance, in particular in the Health area;
- higher profitability in the corporate insurance segment as a result the decrease of net claims and benefits with increasing net premium earned;
- the decline in profitability in the mass insurance segment associated mainly with an increase in the loss ratio in agricultural insurance as a result of the occurrence of numerous losses caused by forces of nature (negative effects of winter survival);
- weaker results on investment activity (excluding banking), in particular as a result of the revaluation of the Group's stake in Azoty in the long-term equity portfolio;
- maintenance of cost discipline.

The commencement of consolidating Alior Bank in December 2015 materially affected the comparability of the results and total assets and equity and liabilities year on year. As a result of this transaction, the total balance sheet value jumped by roughly PLN 46 billion, while non-controlling interests reached PLN 3.9 billion (as at 30 September 2016).

[1] Non-recurring events include the conversion effect caused by converting long-term policies into yearly renewable term agreements in type P group insurance and the claims in agricultural insurance that were higher than the average of the last 3 years and, in the comparable period, profit on the sale of PZU Lithuania.

Interim consolidated financial statements

1. Interim consolidated profit and loss account

Consolidated profit and loss account	Note	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015 (restated) [1)]	1 January – 30 September 2015 (restated) [1)]
Gross written premiums	9.1	4,844,312	14,706,299	4,334,829	13,461,279
Reinsurers' share in gross written premium		(64,053)	(206,402)	(78,639)	(171,030)
Net written premiums		**4,780,259**	**14,499,897**	**4,256,190**	**13,290,249**
Movement in the net provision for unearned premiums		18,580	(715,640)	117,567	(172,579)
Net earned premiums		**4,798,839**	**13,784,257**	**4,373,757**	**13,117,670**
Revenues from commissions and fees	9.2	184,505	575,507	77,323	180,519
Net investment income	9.3	1,148,289	3,051,604	387,935	1,233,256
Net result on the realization of investments and impairment charges	9.4	26,060	(444,389)	54,443	237,385
Net movement in the fair value of assets and liabilities measured at fair value	9.5	72,483	95,691	(118,248)	(60,538)
Other operating revenues	9.6	236,619	652,433	231,148	577,139
Claims and movement in technical provisions		(3,607,302)	(9,837,878)	(3,459,370)	(9,544,225)
Reinsurers' share in claims and movement in technical provisions		442	66,582	386,066	464,560
Net insurance claims and benefits	**9.7**	**(3,606,860)**	**(9,771,296)**	**(3,073,304)**	**(9,079,665)**
Costs of commissions and fees	9.8	(66,233)	(192,846)	-	-
Interest expenses	9.9	(178,044)	(574,855)	(23,398)	(85,274)
Acquisition expenses	9.10	(662,179)	(1,914,853)	(607,643)	(1,738,451)
Administrative expenses	9.10	(631,142)	(1,884,111)	(371,942)	(1,194,004)
Other operating expenses	9.11	(412,292)	(1,417,200)	(269,211)	(908,191)
Operating profit		**910,045**	**1,959,942**	**660,860**	**2,279,846**
Share of the financial results of entities measured by the equity method		(1,056)	(2,033)	(87)	(119)
Profit before tax		**908,989**	**1,957,909**	**660,773**	**2,279,727**
Income tax	9.13	(190,809)	(449,885)	(149,907)	(447,334)
Net profit, including:		**718,180**	**1,508,024**	**510,866**	**1,832,393**
- profit attributable to the equity holders of the parent company		648,991	1,308,531	510,902	1,832,495
- profit (loss) attributed to holders of non-controlling interests		69,189	199,493	(36)	(102)

[1)] Data for the periods from 1 July to 30 September 2015 and 1 January to 30 September 2015 have been restated in connection with the change in the presentation of joint and several co-insurance and the change in the format of the consolidated profit and loss account effected for the purpose of incorporating the Alior Bank Group's financial data. Additional information regarding these changes are presented in items 4.3.1 and 4.3.2, respectively.

Interim consolidated profit and loss account (continued)

Consolidated profit and loss account	Note	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015 (restated) [1]	1 January – 30 September 2015 (restated) [1]
Net profit attributable to the equity holders of the parent company		648,991	1,308,531	510,902	1,832,495
Basic and diluted weighted average number of ordinary shares	9.12	863,495,307	863,510,791	863,519,490[2]	863,519,490[2]
Basic and diluted profit (loss) per ordinary share (in PLN)	9.12	0.75	1.52	0.59[2]	2.12[2]

[1] Information on the reasons for data restatement and its impact on the consolidated profit and loss account is presented in item 4.3.
[2] Comparative data were converted taking into account the new number of shares after the PZU share split.

2. Interim consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Note	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Net profit		718,079	1,508,024	510,866	1,832,393
Other comprehensive income	9.13	(52,265)	(79,617)	2,440	(42,617)
Subject to subsequent transfer to the profit and loss account		(56,525)	(83,916)	2,050	(47,484)
Measurement of financial instruments available for sale		(6,672)	(76,818)	(10,312)	(36,782)
Foreign exchange translation differences		(30,536)	10,523	12,360	(10,697)
Other comprehensive income of entities measured by the equity method		1	1	2	(5)
Hedging of net cash flow		(19,318)	(17,622)	-	-
Not to be reclassified to the profit and loss account in the future		4,260	4,299	390	4,867
Reclassification of real property from property, plant and equipment to investment properties		4,260	4,290	390	4,831
Other comprehensive income of entities measured by the equity method		-	9	-	36
Total net comprehensive income		**665,814**	**1,428,407**	**513,306**	**1,789,776**
- comprehensive income attributed to the equity holders of the parent company		603,994	1,249,487	513,337	1,789,884
- comprehensive income attributed to holders of non-controlling interests		61,820	178,920	(31)	(108)

3. Interim consolidated statement of financial position

Assets	Note	30 September 2016	30 June 2016	31 December 2015 (restated) [1)]	30 September 2015 (restated) [2)]
Goodwill	9.14	1,539,576	1,553,140	1,531,681	783,128
Intangible assets		1,342,816	1,348,008	1,393,168	776,701
Other assets	9.15	2,123,202	753,856	698,964	357,560
Deferred acquisition expenses		1,257,791	1,258,529	1,154,742	913,634
Estimated salvage and subrogation		124,614	116,346	114,229	122,762
Reinsurers' share in technical provisions	9.16	930,583	1,011,361	1,096,852	1,068,241
Property, plant and equipment		1,183,768	1,208,856	1,299,788	1,024,774
Investment properties		1,905,871 [3)]	1,343,783	1,171,721	1,705,027
Entities measured by the equity method	9.17	52,033	53,094	54,065	71,352
Financial assets		91,957,350	93,909,618	89,228,583	56,308,571
Held to maturity	9.18.1	17,093,310	17,281,793	17,370,126	20,085,459
Available for sale	9.18.2	8,280,941	11,047,027	7,744,689	3,534,434
Measured at fair value through profit or loss	9.18.3	22,762,231	20,778,937	20,648,403	20,148,268
Hedge derivatives		62,131	53,661	139,578	-
Borrowings	9.18.4	43,758,737	44,748,200	43,325,787	12,540,410
Deferred tax assets		482,025	444,947	369,445	27,062
Receivables, including receivables due under insurance contracts	9.20	6,602,050	6,755,190	3,270,793	3,089,997
Current income tax receivables		17,329	18,537	67,295	7,273
Cash and cash equivalents		2,480,856	1,708,065	2,439,863	408,687
Assets held for sale	9.22	914,059	1,461,897	1,506,048	836,088
Total assets		**112,913,923**	**112,945,227**	**105,397,237**	**67,500,857**

[1)] Data as at 31 December 2015 were restated in connection with completing the final settlement of the acquisition of Alior Bank. The settlement did not cause any changes in data pertaining to periods prior to the date of the assumption of control over Alior Bank, i.e. prior to 31 December 2015. For this reason, no data are presented as at 1 January 2015. More information on the settlement is presented in item 1.4.1.1.

[2)] Data as at 30 September 2015 were restated in connection with a change in the presentation of joint and several co-insurance. The change did not affect the data as at 1 January 2015. More information on this matter is presented in item 4.3.2.

[3)] The increase in the balance of investment properties results predominantly from the reclassification of certain assets held for sale. More information on this matter is presented in item 9.22.

Interim consolidated statement of financial position (continued)

Liabilities and equity	Note	30 September 2016	30 June 2016	31 December 2015 (restated) [1)]	30 September 2015 (restated) [2)]
Equity					
Equity attributable to the equity holders of the Parent Company					
Share capital		86,352	86,352	86,352	86,352
Other equity		10,873,793	10,917,259	10,141,607	10,086,845
Retained earnings		1,416,578	767,588	2,695,760	2,192,426
Retained earnings		108,047	108,048	353,405	359,931
Net profit		1,308,531	659,540	2,342,355	1,832,495
Non-controlling interests		3,891,071	3,829,453	2,194,068	4,087
Total equity		**16,267,794**	**15,600,652**	**15,117,787**	**12,369,710**
Liabilities					
Technical provisions	9.23	41,873,339	41,701,717	41,280,321	41,015,199
Provisions for employee benefits		106,955	128,189	117,398	104,838
Other provisions	9.24	102,680	106,039	108,109	112,822
Deferred tax liability		606,338	560,192	509,157	397,099
Financial liabilities	9.25	47,103,781	47,198,454	44,694,449	8,391,002
Other liabilities	9.26	6,778,181	7,592,134	3,500,733	5,081,715
Current income tax liabilities		74,855	57,850	69,283	28,472
Total liabilities		**96,646,129**	**97,344,575**	**90,279,450**	**55,131,147**
Total liabilities and equity		**112,913,923**	**112,945,227**	**105,397,237**	**67,500,857**

[1)] Data as at 31 December 2015 were restated in connection with completing the final settlement of the acquisition of Alior Bank. The settlement did not cause any changes in data pertaining to periods prior to the date of the assumption of control over Alior Bank, i.e. prior to 31 December 2015. For this reason, no data are presented as at 1 January 2015. More information on the settlement is presented in item 1.4.1.1.

[2)] Data as at 30 September 2015 were restated in connection with a change in the presentation of joint and several co-insurance. The change did not affect the data as at 1 January 2015. More information on this matter is presented in item 4.3.2.

4. Interim statement of changes in consolidated equity

Statement of changes in consolidated equity	Share capital	Equity attributable to the equity holders of the Parent Company									Non-controlling interests	Total equity
		Other equity					Retained earnings			Total		
		Treasury stock	Supplementary capital	Revaluation reserve	Other reserve capital	Actuarial gains and losses related to provisions for employee benefits	Foreign exchange differences from translation	Retained earnings	Net profit			
Balance as at 1 January 2016	**86,352**	**-**	**9,947,292**	**240,677**	**22**	**(4,404)**	**(41,980)**	**2,695,760**	**-**	**12,923,719**	**2,194,068**	**15,117,787**
Measurement of financial instruments available for sale	-	-	-	(68,703)	-	-	-	-	-	(68,703)	(8,115)	(76,818)
Cash flow hedging transactions	-	-	-	(5,150)	-	-	-	-	-	(5,150)	(12,472)	(17,622)
Foreign exchange translation differences	-	-	-	-	-	-	10,509	-	-	10,509	14	10,523
Reclassification of real property from property, plant and equipment to investment property	-	-	-	4,290	-	-	-	-	-	4,290	-	4,290
Other comprehensive income of entities measured by the equity method	-	-	-	-	-	9	1	-	-	10	-	10
Total other net comprehensive income	**-**	**-**	**-**	**(69,563)**	**-**	**9**	**10,510**	**-**	**-**	**(59,044)**	**(20,573)**	**(79,617)**
Net profit/(loss)	-	-	-	-	-	-	-	-	1,308,531	1,308,531	199,493	1,508,024
Total comprehensive income	**-**	**-**	**-**	**(69,563)**	**-**	**9**	**10,510**	**-**	**1,308,531**	**1,249,487**	**178,920**	**1,428,407**
Other changes, including:	**-**	**(166)**	**807,656**	**(20,885)**	**4,625**	**-**	**-**	**(2,587,713)**	**-**	**(1,796,483)**	**1,518,083**	**(278,400)**
Distribution of financial result	-	-	786,591	-	4,620	-	-	(2,587,339)	-	(1,796,128) [1]	-	(1,796,128) [1]
Issue of shares by subsidiaries (Alior Bank)	-	-	-	-	-	-	-	-	-	-	1,518,083	1,518,083
Sale of revalued real estate	-	-	21,259	(20,885)	-	-	-	(374)	-	-	-	-
Transactions on treasury stock	-	(166)	(194)	-	-	-	-	-	-	(360)	-	(360)
Other	-	-	-	-	5	-	-	-	-	5	-	5
As at 30 September 2016	**86,352**	**(166)**	**10,754,948**	**150,229**	**4,647**	**(4,395)**	**(31,470)**	**108,047**	**1,308,531**	**12,376,723**	**3,891,071**	**16,267,794**

[1] Dividend adopted by way of a PZU Shareholder Meeting resolution. More information on this matter is presented in item 22.

Interim statement of changes in consolidated equity (continued)

Statement of changes in consolidated equity (restated) [1]	Share capital	Equity attributable to the equity holders of the Parent Company									Non-controlling interests	Total equity
		Other equity					Retained earnings		Total			
		Treasury stock	Supplementary capital	Revaluation reserve	Other reserve capital	Actuarial gains and losses related to provisions for employee benefits	Foreign exchange differences from translation	Retained earnings	Net profit			
Balance as at 1 January 2015	**86,352**	**(110)**	**9,678,921**	**248,543**	**66**	**(6,179)**	**(35,450)**	**3,194,193**	**-**	**13,166,336**	**1,292**	**13,167,628**
Measurement of financial instruments available for sale	-	-	-	2,492	-	-	-	-	-	2,492	-	2,492
Other comprehensive income of entities measured by the equity method	-	-	-	871	-	45	1	-	-	917	-	917
Foreign exchange translation differences	-	-	-	-	-	-	(6,559)	-	-	(6,559)	(15)	(6,574)
Actuarial gains and losses related to provisions for employee benefits	-	-	-	-	-	1,730	-	-	-	1,730	-	1,730
Reclassification of real property from property, plant and equipment to investment property	-	-	-	7,201	-	-	-	-	-	7,201	-	7,201
Total other net comprehensive income	**-**	**-**	**-**	**10,564**	**-**	**1,775**	**(6,558)**	**-**	**-**	**5,781**	**(15)**	**5,766**
Net profit/(loss)	-	-	-	-	-	-	-	-	2,342,355	2,342,355	(159)	2,342,196
Total comprehensive income	**-**	**-**	**-**	**10,564**	**-**	**1,775**	**(6,558)**	**-**	**2,342,355**	**2,348,136**	**(174)**	**2,347,962**
Other changes, including:	**-**	**110**	**268,371**	**(18,430)**	**(44)**	**-**	**28**	**(2,840,788)**	**-**	**(2,590,753)**	**2,192,950**	**(397,803)**
Distribution of financial result	-	-	248,262	-	(44)	-	-	(2,838,771)	-	(2,590,553)	-	(2,590,553)
Changes in the composition of the PZU Group and transactions with holders of non-controlling interests	-	-	(388)	-	-	-	28	-	-	(360)	2,192,950	2,192,590
Sale of revalued real estate	-	-	20,447	(18,430)	-	-	-	(2,017)	-	-	-	-
Transactions on treasury stock	-	110	50	-	-	-	-	-	-	160	-	160
Balance as at 31 December 2015	**86,352**	**-**	**9,947,292**	**240,677**	**22**	**(4,404)**	**(41,980)**	**353,405**	**2,342,355**	**12,923,719**	**2,194,068**	**15,117,787**

[1] The data were restated in connection with completing the final settlement of the acquisition of Alior Bank. The settlement did not cause any changes in data pertaining to periods prior to the date of the assumption of control over Alior Bank, i.e. prior to 31 December 2015. More information on the settlement is presented in item 1.4.1.1.

Interim statement of changes in consolidated equity (continued)

Statement of changes in consolidated equity	Share capital	Equity attributable to the equity holders of the Parent Company									Non-controlling interests	Total equity
		Other equity					Retained earnings		Total			
		Treasury stock	Supplementary capital	Revaluation reserve	Other reserve capital	Actuarial gains and losses related to provisions for employee benefits	Foreign exchange differences from translation	Retained earnings	Net profit			
Balance as at 1 January 2015	**86,352**	**(110)**	**9,678,921**	**248,543**	**66**	**(6,179)**	**(35,450)**	**3,194,193**	**-**	**13,166,336**	**1,292**	**13,167,628**
Measurement of financial instruments available for sale	-	-	-	(36,782)	-	-	-	-	-	(36,782)	-	(36,782)
Foreign exchange translation differences	-	-	-	-	-	-	(10,691)	-	-	(10,691)	(6)	(10,697)
Reclassification of real property from property, plant and equipment to investment property	-	-	-	4,831	-	-	-	-	-	4,831	-	4,831
Other comprehensive income of entities measured by the equity method	-	-	-	-	-	36	(5)	-	-	31	-	31
Total other net comprehensive income	**-**	**-**	**-**	**(31,951)**	**-**	**36**	**(10,696)**	**-**	**-**	**(42,611)**	**(6)**	**(42,617)**
Net profit/(loss)	-	-	-	-	-	-	-	-	1,832,495	1,832,495	(102)	1,832,393
Total comprehensive income	**-**	**-**	**-**	**(31,951)**	**-**	**36**	**(10,696)**	**-**	**1,832,495**	**1,789,884**	**(108)**	**1,789,776**
Other changes, including:	**-**	**-**	**249,215**	**(5,578)**	**-**	**-**	**28**	**(2,834,262)**	**-**	**(2,590,597)**	**2,903**	**(2,587,694)**
Distribution of financial result	-	-	243,328	-	-	-	-	(2,833,885)	-	(2,590,557)	-	(2,590,557)
Changes in the composition of the PZU Group and transactions with holders of non-controlling interests	-	-	(68)	-	-	-	28	-	-	(40)	2,903	2,863
Sale of revalued real estate	-	-	5,955	(5,578)	-	-	-	(377)	-	-	-	-
As at 30 September 2015	**86,352**	**(110)**	**9,928,136**	**211,014**	**66**	**(6,143)**	**(46,118)**	**359,931**	**1,832,495**	**12,365,623**	**4,087**	**12,369,710**

5. Interim consolidated cash flow statement

Consolidated cash flow statement	**1 January – 30 September 2016**	**1 January – 30 September 2015** *(restated)* [1)]
Profit before tax	1,957,909	2,279,727
Adjustments	(1,256,175)	(1,327,742)
Movement in loan receivables from clients	(4,246,822)	-
Movement in liabilities under deposits	3,079,851	-
Movement in valuation of real properties measured at fair value	(95,691)	60,538
Interest revenues	(847,989)	(949,700)
Realized gains/losses on investment activity and impairment charges	444,389	(237,385)
Result on foreign exchange differences	(102,073)	(83,753)
Movement in deferred acquisition expenses	(103,049)	(201,568)
Amortization of intangible assets and property, plant and equipment	305,149	286,426
Movement in reinsurers' share in technical provisions	166,269	(315,126)
Reinsurers' share in gross written premium	206,402	171,030
Movement in technical provisions	593,018	848,314
Movement in receivables	(39,167)	249,967
Movement in liabilities	(71,052)	(181,551)
Cash flow on investment contracts	(130,254)	(460,420)
Acquisitions and redemptions of participation units and investment certificates of mutual funds	157,993	386,457
Income tax paid	(389,453)	(469,345)
Other adjustments	(183,696)	(431,626)
Net cash flow on operating activity	**701,734**	**951,985**
Cash flow on investing activity		
Proceeds	774,559,696	459,376,931
- sale of investment properties	59,692	31,223
- proceeds from investment properties	206,035	182,571
- sale of intangible assets and components of property, plant and equipment	10,827	4,061
- sale of ownership interests and shares	3,206,150	3,196,754
- realization of debt securities	125,488,503	33,088,222
- closing of buy-sell-back transactions	278,391,244	236,316,833
- closing of term deposits in credit institutions	276,958,478	140,031,965
- realization of other investments	89,153,813	45,584,692
- interest received	978,937	853,040
- dividends received	52,412	42,042
- cash acquired in business combinations and when changing the scope of consolidation	31,825	15,411
- other investment proceeds	21,780	30,117

Interim consolidated cash flow statement (continued)

Consolidated cash flow statement	**1 January – 30 September 2016**	**1 January – 30 September 2015** *(restated)* [1)]
Expenditures	(774,795,946)	(458,010,639)
- purchase of investment properties	(179,792)	(242,942)
- expenditures for the maintenance of investment properties	(114,671)	(129,002)
- purchase of intangible assets and components of property, plant and equipment	(217,220)	(225,489)
- purchase of ownership interests and shares	(4,490,274)	(3,616,148)
- purchase of ownership interests and shares in subsidiaries	(343,871)	(53,941)
- decrease in cash due to a change in the scope of consolidation	(6,808)	(226,584)
- purchase of debt securities	(128,313,586)	(33,194,798)
- opening of buy-sell-back transactions	(276,487,808)	(236,012,558)
- purchase of term deposits in credit institutions	(275,271,256)	(138,824,803)
- purchase of other investments	(89,364,930)	(45,478,721)
- other expenditures for investments	(5,730)	(5,653)
Net cash flow on investing activity	**(236,250)**	**1,366,292**
Cash flow on financing activity		
Proceeds	264,201,823	262,522,015
- proceeds from the issue of shares by subsidiaries (in the part paid up by holders of non-controlling interests)	1,502,035	-
- proceeds from loans and borrowings	38,969	37,371
- proceeds from the issue of own debt securities	264,087	-
- opening of sell-buy-back transactions	262,396,732	262,484,644
Expenditures	(264,615,321)	(264,757,246)
- dividends paid to holders of the parent company's equity	-	(1,468,045)
- repayment of loans and borrowings	(33,313)	(126,364)
- closing of sell-buy-back transactions	(264,494,596)	(263,130,774)
- interest on loans and borrowings	(5,019)	(3,187)
- interest on outstanding debt securities	(82,357)	(28,590)
- other financial expenditures	(36)	(286)
Net cash flow on financing activity	**(413,498)**	**(2,235,231)**
Total net cash flow	**51,986**	**83,046**
Cash and cash equivalents at the beginning of the period	2,439,863	324,007
Movement in cash due to foreign exchange differences	(10,993)	1,634
Cash and cash equivalents at the end of the period, including:	2,480,856	408,687
- restricted cash	53,075	40,126

[1)] Information on the reasons for restatement is presented in item 4.3.1.

Supplementary notes to the condensed interim consolidated financial statements

1. Information on PZU and the PZU Group

1.1 PZU

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

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

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

1.2 PZU Group companies

No.	Name of the company	Registered office	Date of obtaining control / significant influence	% of share capital and % of votes held directly or indirectly by PZU		Line of business and website
				30 September 2016	31 December 2015	
Consolidated companies						
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	Non-life insurance. http://www.pzu.pl/
2	Powszechny Zakład Ubezpieczeń na Życie SA	Warsaw	18.12.1991	100.00%	100.00%	Life insurance. http://www.pzu.pl/grupa-pzu/pzu-zycie
3	Link4 Towarzystwo Ubezpieczeń SA	Warsaw	15.09.2014	100.00%	100.00%	Non-life insurance. http://www.link4.pl/
4	Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych	Warsaw	20.11.2015	100.00%	100.00%	Non-life insurance. http://tuwpzuw.pl/
5	Lietuvos Draudimas AB	Vilnius (Lithuania)	31.10.2014	99.98%	99.98%	Non-life insurance. http://www.ld.lt/
6	Apdrošināšanas Akciju Sabiedrība Balta	Riga, Latvia	30.06.2014	99.99%	99.99%	Non-life insurance. http://www.balta.lv/
7	PrJSC IC PZU Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	Non-life insurance. http://www.pzu.com.ua/
8	PrJSC IC PZU Ukraine Life Insurance	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	Life insurance. http://www.pzu.com.ua/
9	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	Life insurance. https://pzugd.lt/
Consolidated companies – Alior Bank Group						
10	Alior Bank SA [1)]	Warsaw	18.12.2015	29.22%	23.96% [2)]	Banking services. https://www.aliorbank.pl/
11	Alior Services sp. z o.o. [1)]	Warsaw	18.12.2015	29.22%	23.96% [2)]	Other activity supporting financial services, excluding insurance and pension funds.
12	Centrum Obrotu Wierzytelnościami sp. z o.o. [1)]	Kraków	18.12.2015	29.22%	23.96% [2)]	Debt trading.
13	Alior Leasing sp. z o.o. [1)]	Wroclaw	18.12.2015	29.22%	23.96% [2)]	Lease services. https://www.aliorbank.pl/wlasna-dzialalnosc/alior-leasing.html
14	Meritum Services ICB SA [1)]	Gdańsk	18.12.2015	29.22%	23.96% [2)]	IT services.
15	Money Makers TFI SA [1)]	Warsaw	18.12.2015	17.68% [3)]	14.49% [2) 3)]	Asset management services and management of Alior SFIO subfunds. http://www.moneymakers.pl
16	New Commerce Services sp. z o.o. [1)]	Warsaw	18.12.2015	29.22%	23.96% [2)]	No business conducted.
17	Absource sp. z o.o.	Kraków	04.05.2016	29.22%	n/a	Provision of IT services.

No.	Name of the company	Registered office	Date of obtaining control / significant influence	% of share capital and % of votes held directly or indirectly by PZU		Line of business and website
				30 September 2016	31 December 2015	
Consolidated companies – other companies						
18	Powszechne Towarzystwo Emerytalne PZU SA	Warsaw	08.12.1998	100.00%	100.00%	Management of pension funds. http://www.pzu.pl/grupa-pzu/pte-pzu
19	PZU Centrum Operacji SA	Warsaw	30.11.2001	100.00%	100.00%	Auxiliary activity associated with insurance and pension funds.
20	Towarzystwo Funduszy Inwestycyjnych PZU SA	Warsaw	30.04.1999	100.00%	100.00%	Creation, representing and management of mutual funds. http://www.pzu.pl/grupa-pzu/tfi-pzu
21	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	Provision of assistance services. http://www.pzu.pl/grupa-pzu/pzu-pomoc
22	PZU Finance AB (publ.)	Stockholm, Sweden	02.06.2014	100.00%	100.00%	Financial services.
23	PZU Finanse Sp. z o.o.	Warsaw	08.11.2013	100.00%	100.00%	Financial and bookkeeping services.
24	Tower Inwestycje Sp. z o.o.	Warsaw	27.08.1998	100.00%	100.00%	Other service activity.
25	Ogrodowa-Inwestycje sp. z o.o.	Warsaw	15.09.2004	100.00%	100.00%	Buying, operating, renting and selling real estate. http://www.ogrodowainwestycje.pl/
26	PZU Zdrowie SA [4)]	Warsaw	02.09.2011	100.00%	100.00%	Medical services. https://www.pzu.pl/grupa-pzu/pzu-zdrowie-sa
27	Centrum Medyczne Medica sp. z o.o.	Płock	09.05.2014	100.00%	100.00%	Medical services. http://cmmedica.pl/
28	Specjalistyczna Przychodnia Przemysłowa Prof-Med sp. z o.o.	Włocławek	12.05.2014	100.00%	100.00%	Medical services. http://cmprofmed.pl/
29	Sanatorium Uzdrowiskowe "Krystynka" sp. z o.o.	Ciechocinek	09.05.2014	99.09%	99.09%	Hospital, physical therapy and spa services. http://www.sanatoriumkrystynka.pl/
30	Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o.	Jaworzno	01.12.2014	100.00%	100.00%	Medical services. http://www.elvita.pl/
31	Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o.	Łaziska Górne	01.12.2014	57.00%	57.00%	Medical services. http://www.proelmed.pl/
32	Rezo-Medica sp. z o.o.	Płock	23.04.2015	100.00%	100.00%	Medical services. http://rezo-medica.pl/
33	Centrum Medyczne Gamma sp. z o.o.	Warsaw	08.09.2015	60.46%	60.46%	Medical services. http://www.cmgamma.pl/
34	Medicus w Opolu sp. z o.o.	Opole	30.09.2015	100.00%	100.00%	Medical services. http://medicus.opole.pl/
35	Centrum Medyczne Cordis sp. z o.o. [5)]	Poznań	01.02.2016	100.00%	n/a	Medical services. http://www.cordis.com.pl/
36	Arm Property sp. z o.o.	Kraków	26.11.2014	100.00%	100.00%	Purchase and sale of real estate.

No.	Name of the company	Registered office	Date of obtaining control / significant influence	% of share capital and % of votes held directly or indirectly by PZU		Line of business and website
				30 September 2016	31 December 2015	
Consolidated companies – other companies – continued						
37	Ipsilon sp. z o.o.	Warsaw	02.04.2009	100.00%	100.00%	Provision of assistance services and medical services.
38	PZU Asset Management SA	Warsaw	12.07.2001	100.00%	100.00%	No business conducted.
39	Omicron SA	Warsaw	13.09.2011	100.00%	100.00%	No business conducted.
40	Omicron BIS SA	Warsaw	28.08.2014	100.00%	100.00%	No business conducted.
41	Sigma BIS SA	Warsaw	12.12.2014	100.00%	100.00%	No business conducted.
42	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	Assistance services.
43	L4C sp. z o.o.	Warsaw	15.09.2014	100.00%	100.00%	No business conducted.
Consolidated companies – Armatura Group						
44	Armatura Kraków SA	Kraków	07.10.1999	100.00%	100.00%	Distribution of Armatura Group products, administration and management of the group. http://www.grupa-armatura.pl/
45	Armatoora SA	Nisko	10.12.2008	100.00%	100.00%	Production and sale of radiators and sanitary fittings.
46	Aquaform SA	Środa Wlkp.	15.01.2015	100.00%	100.00%	Production and sale of bathroom accessories and fittings.
47	Aquaform Badprodukte GmbH	Anhausen, Germany	15.01.2015	100.00%	100.00%	Wholesale trade.
48	Aquaform Ukraine TOW	Zhytomyr, Ukraine	15.01.2015	100.00%	100.00%	Wholesale trade.
49	Aquaform Romania SRL	Prejmer, Romania	15.01.2015	100.00%	100.00%	Wholesale trade.
50	Morehome.pl sp. z o.o.	Środa Wlkp.	15.01.2015	100.00%	100.00%	No business conducted.
Consolidated companies – mutual funds						
51	PZU SFIO Universum	Warsaw	15.12.2009	n/a	n/a	Investment of funds collected from fund members.
52	PZU FIZ Dynamiczny	Warsaw	27.01.2010	n/a	n/a	as above
53	PZU FIZ Sektora Nieruchomości [6)]	Warsaw	01.07.2008	n/a	n/a	as above
54	PZU FIZ Sektora Nieruchomości 2 [6)]	Warsaw	21.11.2011	n/a	n/a	as above

No.	Name of the company	Registered office	Date of obtaining control / significant influence	% of share capital and % of votes held directly or indirectly by PZU		Line of business and website
				30 September 2016	31 December 2015	
Consolidated companies – mutual funds – continued						
55	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	as above
56	PZU FIZ Aktywów Niepublicznych BIS 2	Warsaw	19.11.2012	n/a	n/a	as above
57	PZU FIZ Surowcowy	Warsaw	03.09.2015	n/a	n/a	as above
58	PZU FIO Globalny Obligacji Korporacyjnych	Warsaw	30.05.2016	n/a	n/a	as above
59	PZU Sejf+	Warsaw	30.09.2015	n/a	n/a	as above
60	PZU Dłużny Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	as above
61	PZU Telekomunikacja Media Technologia	Warsaw	07.09.2016	n/a	n/a	as above
62	PZU Akcji Spółek Dywidendowych	Warsaw	20.11.2006	n/a	n/a	as above
63	PZU FIO Gotówkowy	Warsaw	01.07.2005	n/a	n/a	as above
64	PZU FIZ Forte	Warsaw	01.07.2016	n/a	n/a	as above
Associates						
65	GSU Pomoc Górniczy Klub Ubezpieczonych SA	Tychy	08.06.1999	30.00%	30.00%	Insurance administration.
66	EMC Instytut Medyczny SA	Wroclaw	18.06.2013	28.31% [7)]	28.31% [7)]	Human health protection, research and development in the medical sciences and pharmaceutical practice.

[1)] Information on the acquisition of Alior Bank SA and its related parties is presented in item 1.4.1.1.
[2)] The PZU Group's stake in the share capital of Alior Bank and votes at the Shareholder Meeting based on the number of shares held by PZU (1st and 2nd tranche), PZU Życie and consolidated mutual funds. The value does not include shares acquired by PZU as part of the 3rd tranche of the transaction described in item 1.4.1.1.
[3)] Direct subsidiary of Alior Bank, in which Alior Bank holds a 60.49% stake. As a consequence, the PZU Management Board considers the PZU Group to be in control of the company.
[4)] On 30 June 2016, the acquisition of Nasze-Zdrowie sp. z o.o. by PZU Zdrowie SA was registered. More information on this matter is presented in item 1.4.5.
[5)] Information on the acquisition of Centrum Medyczne Cordis sp. z o.o. is presented in item 1.4.1.2.
[6)] As at 30 September 2016, the funds PZU FIZ Sektora Nieruchomości and PZU FIZ Sektora Nieruchomości 2 conducted their investment activity through (consolidated) subsidiary companies established under commercial law as special-purpose vehicles whose number in the respective funds was: 24 and 11 (as at 31 December 2015: 24 and 11, respectively).
[7)] The percentage of votes held by PZU is different from the stake held in the share capital, and both as at 30 September 2016 and as at 31 December 2015 it was 25.44%. The difference between the percentage of votes and the stake in the share capital results from the fact that holders of non-controlling interests hold certain shares preferred as to the voting rights.

As at 30 September 2016, besides the companies listed in the table the PZU Group:

- held a 100% stake in Syta Development sp. z o.o. in liquidation, control over which is exercised by a liquidator independent of the PZU Group and for this reason the company is not subject to consolidation. The value of these shares in the PZU Group's consolidated statement of financial position was zero;
- through its subsidiary (Alior Bank), from 24 August 2016 it held a stake in Bank BPH SA ("Bank BPH"). Due to the fact that as at 30 September 2016 the conditions of control, within the meaning of IFRS 10, were not satisfied, Bank BPH was not subject to consolidation in the condensed interim financial statements. The assumption of control transpired on 4 November 2016 when the demerger of Bank BPH took place and Bank BPH's Core Business was transferred to Alior Bank. A detailed description of the acquisition of Bank BPH is presented in item 24.3.

1.3 Non-controlling interests

The following table presents current and past subsidiaries with non-controlling interests:

Name of the company	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Alior Bank [1]	70.78%	70.78%	70.78% [2]	n/a
Gamma	39.54%	39.54%	39.54%	45.05%
Proelmed	43.00%	43.00%	43.00%	43.00%
SU Krystynka	0.91%	0.91%	0.91%	0.91%
UAB PZU Lietuva Gyvybes Draudimas	0.66%	0.66%	0.66%	0.66%
Lietuvos Draudimas AB	0.02%	0.02%	0.02%	0.02%
AAS Balta	0.01%	0.01%	0.01%	0.01%

[1] Alior Bank has the following subsidiaries: Alior Services sp. z o.o, Centrum Obrotu Wierzytelnościami sp. z o.o., Alior Leasing sp. z o.o., Meritum Services ICB SA, Money Makers TFI SA (the non-controlling interest in this company is 82.32%), New Commerce Services sp. z o.o., Absource sp. z o.o. (since 4 May 2016).

[2] The value of Alior Bank's non-controlling interest is presented taking into account the 3rd tranche of the transaction described in item 1.4.1.1.

The carrying amount of Alior Bank's non-controlling interest as at 30 September 2016 was PLN 3,885,105 thousand (as at 30 June 2016 it was PLN 3,823,479 thousand, as at 31 December 2015 it was PLN 2,188,489 thousand). The increase in this value between 30 June 2016 and 31 December 2015 is the result of the increase in the share capital of Alior Bank referred to in item 1.5.

Presented below is condensed financial information (based on the final calculation of fair value at the assumption of control) for the Alior Bank Group included in the condensed interim consolidated financial statements.

Assets	30 September 2016	30 June 2016	31 December 2015
Intangible assets	562,201	561,227	581,706
Other assets	1,623,399 [1]	200,885	109,378
Property, plant and equipment	214,348	218,312	228,955
Financial assets	41,262,282	44,006,247	35,766,790
Available for sale	6,374,395	9,041,458	4,866,713
Measured at fair value through profit or loss	309,940	402,487	390,569
Hedge derivatives	62,131	53,661	139,578
Borrowings	34,515,816	34,508,641	30,369,930
Deferred tax assets	453,498	412,293	349,440
Receivables, including receivables due under insurance contracts	320,856	375,958	484,862
Cash and cash equivalents	1,778,912	892,396	2,089,579
Assets held for sale	607	696	888
Total assets	**46,216,103**	**46,668,014**	**39,611,598**

[1] Including the amount remitted by Alior Bank to acquire shares in Bank BPH as a result of the execution of the tender offer and the squeeze out of the remaining shares in Bank BPH. Detailed information concerning the acquisition of Bank BPH is presented in item 24.3.

Liabilities and equity	30 September 2016	30 June 2016	31 December 2015
Equity			
Equity attributable to the equity holders of the Parent Company			
Share capital	1,292,577	1,292,577	727,075
Other equity	4,342,304	4,352,990	2,479,793
Retained earnings	(145,644) [1]	(243,401) [1]	(114,769) [1]
Non-controlling interests	1,139	1,139	1,240
Total equity	**5,490,376** [1]	**5,403,305** [1]	**3,093,339** [1]
Liabilities			
Provisions for employee benefits	15,188	15,235	26,269
Other provisions	10,807	10,283	8,731
Financial liabilities	39,991,583	40,471,052	35,921,048
Current income tax liabilities	25,704	18,787	21,776
Other liabilities	682,445	749,352	540,435
Total liabilities	**40,725,727**	**41,264,709**	**36,518,259**
Total liabilities and equity	**46,216,103**	**46,668,014**	**39,611,598**

[1] Including the effect of the adjustment to the measurement of balance sheet items at fair value as at the consolidation date and their further measurement and the amortization of intangible assets identified in the acquisition of Alior Bank.

Due to the assumption of control over Alior Bank and its inclusion in the consolidation since 18 December 2015, the consolidated profit and loss account, the consolidated statement of comprehensive income and the consolidated statement of cash flows do not include data for the 9 months ended 30 September 2015.

Profit and loss account	1 January – 30 September 2016
Revenues from commissions and fees	410,594
Net investment income	2,082,177
Net result on the realization of investments and impairment charges	(518,517)
Net movement in the fair value of assets and liabilities measured at fair value	59,523
Other operating revenues	64,639
Costs of commissions and fees	(171,014)
Interest expenses	(512,780)
Administrative expenses [1]	(757,735)
Other operating expenses [2]	(280,016)
Operating profit [1] [2]	**376,871**
Profit before tax [1] [2]	**376,871**
Income tax	(94,670)
Net profit [1] [2]	**282,201**

[1] Including PLN 7,552 thousand due to the settlement of a liability arising from unfavorable (liability-generating) real property lease agreements recognized as a result of the acquisition of Alior Bank.

[2] Including PLN 34,185 thousand of costs resulting from amortization of intangible assets (relations with clients holding current accounts) resulting from the acquisition of Alior Bank.

Statement of comprehensive income	1 January – 30 September 2016
Net profit	282,201
Other comprehensive income – subject to subsequent transfer to the profit and loss account	(29,073)
Measurement of financial instruments available for sale	(11,467)
Hedging of net cash flow	(17,622)
Foreign exchange translation differences on subordinated entities	16
Total net comprehensive income	**253,128**

Cash flow statement	1 January – 30 September 2016
Net cash flow on operating activity	(261,045)
Net cash flow on investing activity	(2,756,801)
Net cash flow on financing activity	2,707,179
Total net cash flow	**(310,667)**

In 2016 Alior Bank did not pay any dividends.

The following table presents the additional profit and loss account of PZU Group net of Alior Bank as the subsidiary, included in the consolidation.

Consolidated profit and loss account – net of Alior Bank's consolidation	1 January – 30 September 2016
Gross written premiums	14 706 299
Reinsurers' share in gross written premium	(206 402)
Net written premiums	**14 499 897**
Movement in the net provision for unearned premiums	(715 640)
Net earned premiums	**13 784 257**
Revenues from commissions and fees	164 913
Net investment income	969 427
Net result on the realization of investments and impairment charges	74 128
Net movement in the fair value of assets and liabilities measured at fair value	36 168
Other operating revenues	587 794
Claims and movement in technical provisions	(9 837 878)
Reinsurers' share in claims and movement in technical provisions	66 582
Net insurance claims and benefits	**(9 771 296)**
Costs of commissions and fees	(21 832)
Interest expenses	(62 075)
Acquisition expenses	(1 914 853)
Administrative expenses	(1 126 376)
Other operating expenses	(1 137 184)
Operating profit	**1 583 071**
Share of the financial results of entities measured by the equity method	(2 033)
Profit before tax	**1 581 038**
Income tax	(355 215)
Net profit	**1 225 823**

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

1.4.1. Business combination transactions

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

Detailed accounting rules for the recognition of acquisition transactions are presented in the consolidated financial statements.

1.4.1.1. Purchase of shares in Alior Bank

Pursuant to a preliminary agreement to sell Alior Bank shares signed on 30 May 2015, PZU purchased 17,818,473 Alior Bank shares from Alior Lux S.à.r.l. & Co. S.C.A ("Seller 1") and 500,000 Alior Bank shares from Alior Polska sp. z o.o. ("Seller 2"), i.e. a total of 18,318,473 shares representing approx. 25.19% of Alior Bank's share capital and the total number of votes at Alior Bank's shareholder meeting.

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

The purchase of the first, second and third tranches of Alior Bank's shares was settled on 12 October 2015, 18 December 2015 and 11 March 2016, respectively. In the period from 12 October 2015 to 18 December 2015, the PZU Group did not exercise control over Alior Bank but had a significant influence on its operations, as a result of which Alior Bank was considered an associate of the PZU Group during this period. As a result of the acquisition of the second tranche, the PZU Group acquired control over Alior Bank, as a result of which the latter became subject to consolidation as of 18 December 2015. The consolidation also included the following subsidiaries of Alior Bank: Alior Services sp. z o.o, Centrum Obrotu Wierzytelnościami sp. z o.o., Alior Leasing sp. z o.o., Meritum Services ICB SA, Money Makers TFI SA, New Commerce Services sp. z o.o.

As a result of the acquisition of the three tranches, PZU directly held 18,318,473 Alior Bank shares representing 25.19% of Alior Bank's share capital and the total number of votes at Alior Bank's shareholder meeting. Moreover, indirectly via PZU Życie and controlled mutual funds, PZU holds a 4.03% stake in Alior Bank's share capital and the total number of votes at Alior Bank's shareholder meeting.

Final settlement of the Alior Bank share purchase transaction

The settlement of the Alior Bank share purchase as at the date of the assumption of control was based on data prepared as at 31 December 2015. There were no significant differences in accounting data between 18 December 2015 (date of the assumption of control) and 31 January 2015.

The condensed interim financial statements contain the final fair value of the acquired assets and liabilities (in particular, of the loan portfolio).

During the calculation of goodwill, the book value of Alior Bank's assets and liabilities was updated to fair value and the following intangible assets and liabilities previously unreported by Alior Bank were identified:

- trademark;
- relations with clients;
- liabilities arising from unfavorable (liability-generating) real property lease agreements.

The method of fair value calculation applied to the trademark and relations with clients was presented in the PZU Group's consolidated financial statements for 2015.

Loans and borrowings granted to clients

The valuation of the loan portfolio at fair value was performed using the income method involving the discounting of future cash flows from the pertinent component of the loan portfolio.

Individual client portfolio

For the purposes of valuation, the individual client portfolio was divided into three product groups: mortgage loans, borrowings and other loans.

Performing loans – individual clients

For performing loans, the present value of cash flows was defined as the sum of the contractual installment repayments of principal and interest (in accordance with the contractual margin rates and outstanding principal), taking into account the indicator of prepayments, discounted by the average base reference rate, plus a margin of the effective interest rate on newly granted loans.

Assumed as the average base reference rate (WIBOR, LIBOR) was an average calculated on a daily basis for the pertinent indices for the three months preceding the date on which the Alior Bank acquisition was settled.

Assumed as the effective reference interest rates used to discount the scheduled cash flows were average values weighted by outstanding principal for new sales in Q1 2016 (which was considered to be the best reflection of the terms and conditions of sales offered by Alior Bank as at 31 December 2015). The effective interest rates were calculated broken down by currency, product group and client scoring.

In order for the model to take into account loan installments prepaid by customers, the economic lifetime model was used. The indicator of prepayments was taken into account only in respect of mortgage loans and borrowings, considering that in other products this phenomenon is insignificant.

Performing loans – business clients

The assumptions applied to the valuation of the business client portfolio were the same as those for individual clients, with the following exceptions:

- when calculating the effective reference interest rates, the size of the enterprise was used instead of the client score;
- the indicator of prepayments was not taken into account as it was considered insignificant.

For the sample of the largest clients in terms of the total value of outstanding principal, an individual analysis was performed of pricing conditions laid down in the agreements and of pricing conditions that would be offered to the same clients as at 31 December 2015. Due to the significant dependence of the margin offered to business clients on the client rating, an additional analysis was conducted covering changes in the ratings from the granting of the loan until 31 December 2015. The analysis demonstrated that for key business clients there were no significant changes in the rating scores. Taking into account the clients' financial and economic standing as at 31 December 2015 and the market conditions at the time, it was ascertained that the pricing terms for the offered products did not differ significantly from the pricing conditions included in the executed agreements.

In addition to the case-by-case assessment of major clients, an analysis was conducted of the effective interest rates for the whole business client portfolio. The analysis demonstrated that the margins applied to this portfolio are stable and the average margin for the whole portfolio as at 31 December 2015 did not differ from the margins achieved on new sales in Q1 2016.

As a result of the analyses, it was determined that the fair value of the portfolio of loans offered to business clients did not differ significantly from the carrying amount presented in Alior Bank's consolidated financial statements.

Loans with no specified repayment schedules

For loans with no specified repayment schedules and loans for which no reference rate has been set (due to a lack of sales of comparable products in Q1 2016), it was assumed that their fair value is equal to their carrying amount.

Non-performing loans

Based on an analysis of sales prices in the non-performing loan portfolios, it was ascertained that the value of those portfolios resulting from the models used by Alior Bank did differ significantly from their market values, which was confirmed by backtesting verification of the scoring models and an analysis of LGD and the available-for-sale portfolio as at 31 December 2015. As a result, it was assumed that the fair value of the loans is equal to their carrying amount.

Liabilities arising from unfavorable (liability-generating) lease agreements

In order to determine the fair value of liabilities arising from unfavorable (liability-generating) real property lease agreements, an analysis was carried out of the standard market lease rates in various locations. Then, these rates were compared to the amounts resulting from the lease agreements at the time of determination of the fair value. Due to the large number of such agreements, the analysis was conducted on a sample of agreements entered into in different years. The differences obtained on the evaluated sample were extrapolated then to the entire portfolio of agreements entered into in a given year. In the determination of the fair value, no renegotiation or termination of the lease agreements prior to the end date of the agreement was assumed (in particular for agreements where the contractual rate of rent differed from the estimated market rate). Based on the leased area, the location of the real property, the lease duration and the difference between the market rate and the rate actually paid, cash flows were forecasted together with the dates of their occurrence in the projection period. These cash flows were discounted as at the valuation date by applying a risk-free rate. The value of the discounted cash flows represents the fair value of the liability as at the valuation date.

Presented below is the final settlement of the transaction based on the fair value of the acquired assets and liabilities.

Fair value of acquired assets and liabilities as at the date of the assumption of control	**Provisional settlement** (PLN 000s)	**Adjustment**	**Final settlement** (PLN 000s)
Intangible assets	281,706	-	281,706
Property, plant and equipment	228,955	-	228,955
Financial assets	35,844,054	(77,264) [1)]	35,766,790
Other receivables	484,862	-	484,862
Cash	2,089,579	-	2,089,579
Other assets	439,450	20,256 [2)]	459,706
New intangible assets identified during the acquisition, including:	300,000	-	300,000
- trademark	100,000	-	100,000
- relations with clients	200,000	-	200,000
Total assets	**39,668,606**	**(57,008)**	**39,611,598**
Financial liabilities	35,921,048	-	35,921,048
Other liabilities	567,863	29,348	597,211
- including liabilities arising from unfavorable (liability-generating) real property lease agreements	-	29,348	29,348
Non-controlling interests	1,240	-	1,240
Fair value of net assets acquired	**3,178,455**	**(86,356)**	**3,092,099**

[1)] The amount of the adjustment results from the final determination of the fair value of Alior Bank's portfolio of loan receivables.
[2)] The amount of the adjustment results from the determination of the value of a deferred tax asset on the valuation of loan receivables and recognized liabilities arising from unfavorable (liability-generating) lease agreements.

Calculation of goodwill	Provisional settlement (PLN 000s)	Adjustment	Final settlement (PLN 000s)
Payment transferred (2nd and 3rd tranches) – cash	988,316	-	988,316
Value of non-controlling interests (70.78% share in the fair value of Alior Bank's net assets)	2,249,609	(61,120)	2,188,489
Fair value of shares held as at the time of assuming control	661,099	-	661,099
Fair value of Alior Bank's identifiable net assets	(3,178,455)	86,356	(3,092,099)
Goodwill	**720,569**	**25,236**	**745,805**

Goodwill will not decrease taxable income.

1.4.1.2. Purchase of shares in Centrum Medyczne Cordis sp. z o.o.

On 1 February 2016, PZU Zdrowie SA acquired 7,312 shares in CM Cordis sp. z o.o. representing 100% of the share capital of CM Cordis sp. z o.o. and 100% of votes at the company's shareholder meeting with a par value of PLN 50 each. Since the date of the assumption of control, i.e. since 1 February 2016, CM Cordis sp. z o.o. has been subject to consolidation.

1.4.1.3. Acquisition of credit unions by Alior Bank

During the 9 months ended 30 September 2016, Alior Bank acquired two credit unions. On the acquisition date, Alior Bank assumed all the rights and obligations of the acquired credit unions (pursuant to Article 74c Section 4 of the Credit Union Act).

The said acquisitions did not entail any payment by Alior Bank. The process was conducted with the financial support granted by BFG under Article 20g of the BFG Act. Alior Bank will receive aid from BFG in the form of a subsidy to cover the difference between the value of the acquired property rights and the liabilities arising from guaranteed funds in the depositors' accounts. The tentatively estimated value of the subsidy is reflected in the line item "Other assets".

Acquisition of Spółdzielcza Kasa Oszczędnościowo-Kredytowa im. Stefana Kard. Wyszyńskiego

On 26 January 2016, KNF issued a decision on the acquisition of Spółdzielcza Kasa Oszczędnościowo-Kredytowa im. Stefana Kard. Wyszyńskiego ("SKOK Wyszyńskiego") by Alior Bank. On 27 January 2016, Alior Bank assumed management of SKOK Wyszyńskiego's assets. On 1 March 2016, the acquisition of SKOK Wyszyńskiego was effected.

Settlement of the acquisition of SKOK Wyszyńskiego

Fair value of acquired assets and liabilities as at the date of the assumption of control	(PLN 000s)
Financial assets	111,515
Other assets	1,617
Total assets	**113,132**
Liabilities to clients guaranteed by BFG	164,385
Other liabilities	2,747
Fair value of net assets acquired	**(54,000)**

Calculation of goodwill	(PLN 000s)
Price paid	-
Fair value of net assets acquired	(54,000)
Estimated subsidy from BFG	52,534
Goodwill	**1,466**

In the part not covered by the BFG subsidy (mainly trade liabilities), goodwill was generated and was posted to costs on a non-recurring basis.

Acquisition of Spółdzielcza Kasa Oszczędnościowo-Kredytowa in Knurów

On 26 April 2016, KNF issued a decision on the acquisition of Powszechna Spółdzielcza Kasa Oszczędnościowo-Kredytowa in Knurów ("Powszechna SKOK") by Alior Bank. On 27 April 2016, Alior Bank assumed management of Powszechna SKOK's assets. On 1 June 2016, Powszechna SKOK was acquired by Alior Bank as the acquiring bank.

Settlement of the acquisition of Powszechna SKOK

Fair value of acquired assets and liabilities as at the date of the assumption of control	(PLN 000s)
Financial assets	24,825
Other assets	505
Total assets	**25,330**
Liabilities to clients guaranteed by BFG	35,507
Other liabilities	5,943
Fair value of net assets acquired	**(16,120)**

Calculation of goodwill	(PLN 000s)
Price paid	-
Fair value of net assets acquired	(16,120)
Estimated subsidy from BFG	9,310
Goodwill	**6,810**

In the part not covered by the BFG subsidy (mainly trade liabilities), goodwill was generated and was posted to costs on a non-recurring basis.

1.4.2. Changes to the consolidation of mutual funds

In the period of the 9 months ended 30 September 2016, subject to consolidation were the newly created funds PZU FIO Globalny Obligacji Korporacyjnych (from 30 May 2016) and PZU Telekomunikacja Media Technologia (from 7 September 2016).

On account of assuming control over the PZU FIZ Forte fund, as of 1 July 2016 this fund is subject to consolidation.

On account of losing control over the PZU Akcji Rynków Wschodzących and PZU FIZ Akcji Focus funds, as of 1 July 2016 these funds are no longer subject to consolidation.

1.4.3. Międzyzakładowe Pracownicze Towarzystwo Emerytalne SA

On 9 June 2016, Międzyzakładowe Pracownicze Towarzystwo Emerytalne SA was deleted from the National Court Register.

1.4.4. Sale of Armatura Tower Sp. z o.o.

On 16 June 2016, Armatura Kraków sold all shares in its joint venture Armatura Tower Sp. z o.o. The loss of PLN 8 thousand on the sale of shares in Armatura Tower sp. z o.o. is shown in the line item "Net result on the realization of investments and impairment charges" in the consolidated profit and loss account.

1.4.5. Business combinations of entities under common control

On 13 May 2016, the Shareholder Meeting of PZU Zdrowie SA adopted a resolution on the merger of PZU Zdrowie SA (acquiring company) and Nasze-Zdrowie sp. z o.o. (acquired company) of which PZU Zdrowie SA was the sole shareholder. The acquisition took place by transferring all the assets of the acquired company to the acquiring company. On 30 June 2016, the business combination was registered in the National Court Register.

The transaction had no impact on the condensed interim consolidated financial statements.

1.5 Increase in the share capital of Alior Bank

Pursuant to Resolution No. 3 adopted by the Extraordinary Shareholder Meeting of Alior Bank (a subsidiary of PZU) on 5 May 2016 on a share capital increase through the issue of series I shares in a closed subscription conducted by way of a public offering, the setting of 23 May 2016 as the date of the series I share rights offering, the granting of authorization for the Alior Bank Supervisory Board to approve the execution of the underwriting agreement, the dematerialization and the pursuit of admission of the pre-emptive rights, rights to shares and series I shares to trading on the regulated market operated by the Warsaw Stock Exchange and amendments to the articles of association, and the granting of authorization for the Alior Bank Supervisory Board to determine the consolidated version of the articles of association, the share capital of Alior Bank was increased by 56,550,249 series I ordinary bearer shares with a par value of PLN 10 each and an issue price of PLN 38.90 per share. On 24 June 2016, the shares were registered in the National Court Register. On 27 June 2016, they were registered in the National Depository for Securities.

The PZU Group subscribed for 16,525,801 shares representing 29.22% of all shares of the new issue (pro rata to its currently held stake). As a result, the PZU Group's stake in the share capital and votes at the Shareholder Meeting of Alior Bank did not change.

2. Shareholder structure

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

No.	Shareholder's name	Number of shares and votes at the Shareholder Meeting	Percentage share in the share capital and in the total number of votes at the Shareholder Meeting
1	State Treasury	295,217,300 [1)]	34.1875%
2	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	43,176,660 [1)]	5.0000%
3	Other shareholders	525,129,040	60.8125%
Total		**863,523,000**	**100.00%**

[1)] In accordance with Current Report No. 35/2016 on the list of shareholders holding at least 5% of votes at the Ordinary Shareholder Meeting of PZU SA which started on 30 June 2016 and was continued on 1 July 2016

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

In the period from 1 January 2016 to the date of conveying this periodic report, no significant changes have taken place in the ownership structure of PZU shares.

2.2 Highest ranking parent company of PZU

As at 30 September 2016, the State Treasury held 34.1875% of PZU shares giving it the right to exercise 34.1875% of votes at the Shareholder Meeting. Therefore, there was no highest ranking parent of PZU that would prepare consolidated financial statements.

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

Neither as at the date of conveying this periodic report nor as at the date of conveying the annual report for 2015 (i.e. 15 March 2016) did any of the members of the Management Board or the Supervisory Board or the Directors of the PZU Group hold any PZU shares or rights to PZU shares.

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

3.1 Composition of the parent company's Management Board

From 1 January 2016, the PZU Management Board consisted of the following persons:

- Dariusz Krzewina – Acting President of the PZU Management Board;
- Przemysław Dąbrowski – Member of the PZU Management Board;
- Rafał Grodzicki – Member of the PZU Management Board;
- Tomasz Tarkowski – Member of the PZU Management Board.

On 19 January 2016, Tomasz Tarkowski and Rafał Grodzicki tendered their resignation from being Members of the PZU Management Board effective as of 19 January 2016.

On 19 January 2016, the PZU Supervisory Board appointed the following persons to the PZU Management Board: Michał Krupiński, Roger Hodgkiss, Beata Kozłowska-Chyła, Robert Pietryszyn and Paweł Surówka.

On 18 March 2016, Przemysław Dąbrowski tendered his resignation from the function of Member of the PZU Management Board effective as of 18 March 2016.

On 19 March 2016, Paweł Surówka tendered his resignation from the function of Member of the PZU Management Board effective as of 19 March 2016.

On 19 March 2016, the PZU Supervisory Board appointed, effective as of 22 March 2016, Sebastian Klimek and Maciej Rapkiewicz as Members of the PZU Management Board.

On 13 May 2016, Robert Pietryszyn tendered his resignation from the function of Member of the PZU Management Board effective as of 13 May 2016.

On 13 May 2016, the PZU Supervisory Board appointed, effective as of 14 May 2016, Andrzej Jaworski as Member of the PZU Management Board.

These appointments are for the joint term of office that commenced on 1 July 2015 and encompasses three consecutive full financial years. 2016 will be the first full financial year of this term of office.

On 23 June 2016, Dariusz Krzewina tendered his resignation from the function of Member of the PZU Management Board effective as of 23 June 2016.

On 30 August 2016, Sebastian Klimek tendered his resignation from the function of Member of the PZU Management Board effective as of 30 August 2016.

On 14 October 2016, Beata Kozłowska-Chyła tendered her resignation from the function of Member of the PZU Management Board effective as of 17 October 2016.

On 14 October 2016, the PZU Supervisory Board appointed, effective as of 14 October 2016, Tomasz Kulik as Member of the PZU Management Board.

From 17 October 2016 to the date of conveying this periodic report, 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.

3.2 Composition of the parent company's Supervisory Board

From 1 January 2016, the PZU Supervisory Board consisted of the following persons:

- Zbigniew Ćwiąkalski – Supervisory Board Chairman;
- Paweł Kaczmarek – Supervisory Board Deputy Chairman;
- Dariusz Filar – Supervisory Board Secretary;
- Zbigniew Derdziuk – Supervisory Board Member;
- Dariusz Kacprzyk – Supervisory Board Member;
- Jakub Karnowski – Supervisory Board Member;
- Aleksandra Magaczewska – Supervisory Board Member;
- Alojzy Nowak – Supervisory Board Member;
- Maciej Piotrowski – Supervisory Board Member.

On 7 January 2016, the Extraordinary Shareholder Meeting of PZU ("PZU ESM") dismissed the following persons from the PZU Supervisory Board: Zbigniew Ćwiąkalski, Zbigniew Derdziuk, Maciej Piotrowski, Dariusz Kacprzyk, Jakub Karnowski, Aleksandra Magaczewska and Dariusz Filar.

On the same date, the PZU ESM appointed the following persons to the Supervisory Board: Marcin Chludziński, Marcin Gargas, Eligiusz Krześniak, Jerzy Paluchniak, Piotr Paszko, Radosław Potrzeszcz, Maciej Zaborowski. The resolutions on the dismissal and appointment of members of the Supervisory Board came into force on the date of their adoption.

On 1 July 2016, Jerzy Paluchniak tendered his resignation from being a PZU SA Supervisory Board Member as of 1 July 2016.

On 1 July 2016, the Ordinary Shareholder Meeting of PZU ("PZU OSM") appointed Piotr Walkowiak, effective as of 2 July 2016, as Member of the PZU Supervisory Board.

On 7 July 2016, the State Treasury Minister of the Republic of Poland, acting pursuant to § 20 Section 7 of PZU SA's Articles of Association, appointed Jerzy Paluchniak as Member of the PZU SA Supervisory Board.

On 4 August 2016, Piotr Walkowiak tendered his resignation from being a PZU SA Supervisory Board Member as of 4 August 2016.

From 4 August 2016 to the date of conveying this periodic report, 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;
- Eligiusz Krześniak – Supervisory Board Member;
- Alojzy Nowak – Supervisory Board Member;
- Jerzy Paluchniak – Supervisory Board Member;
- Piotr Paszko – Supervisory Board Member;
- Radosław Potrzeszcz – Supervisory Board Member.

3.3 PZU Group Directors

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

From 1 January 2016, the following persons were PZU Group Directors:

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

On 29 January 2016, Tobiasz Bury and Przemysław Henschke were dismissed from the position of PZU Group Directors and Tomasz Karusewicz was appointed as PZU Group Director. On 15 February 2016 Roman Pałac was appointed to the position of PZU Group Director and on 25 March 2016 Aleksandra Agatowska was appointed to the position of PZU Group Director.

On 2 September 2016 Bartłomiej Litwińczuk was appointed to the position of PZU Group Director.

On 25 October 2016 Paweł Surówka was appointed to the position of PZU Group Director effective as of 1 November 2016.

From 1 November 2016 to the date of conveying this periodic report, the following persons were PZU Group Directors:

- Aleksandra Agatowska;
- Tomasz Karusewicz;
- Bartłomiej Litwińczuk;
- Sławomir Niemierka;
- Roman Pałac;
- Paweł Surówka.

4. Key accounting principles (accounting policy)

Detailed accounting principles (accounting policy) are presented in the consolidated financial statements signed by the PZU Management Board on 14 March 2016.

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

The accounting principles applied during the preparation of the condensed interim consolidated financial statements were consistent with those applied during the preparation of the consolidated financial statements.

PZU Group companies keep their ledgers in accordance with the accounting standards adopted in the country of the registered office of each company:

- in Poland – in accordance with PAS, with the exception of the Alior Bank Group, the Armatura Group and CM Medica keeping their ledgers in accordance with IFRS;
- abroad – in accordance with IFRS.

The condensed interim financial statements include adjustments whose purpose was to make all entities' financial data IFRS-compliant.

4.1 Acquisitions of subsidiaries

Acquisitions of subsidiaries by the PZU Group are accounted for by the acquisition method. For each acquisition of a company, the acquirer and the acquisition date, i.e. the date of assuming control over the acquiree, are determined. As at the acquisition date, recognized separately from goodwill are identifiable acquired assets, assumed liabilities and any non-controlling interest in the acquiree.

As at the acquisition date, the identifiable assets and assumed liabilities are measured at fair value.

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

4.2.1. Amendments to the applied IFRS

4.2.1.1. Standards, interpretations and amended standards effective from 1 January 2016

Standard / interpretation	Date of entry into effect for annual periods starting from	Regulation approving the standard or interpretation	Commentary
Amendments to IAS 16 and IAS 41 – production plants	1 January 2016	2113/2015	The amendment introduces a definition of productive assets and removes them from the scope of application of IAS 41 by moving them to IAS 16, which results in a change in the valuation method. The change did not affect the PZU Group's consolidated financial statements.
Amendments to IFRS 11 – Settlement of the acquisition of a share in a joint business	1 January 2016	2173/2015	The amendment clarifies that the buyers of shares in joint operations should apply all the rules pertaining to acquisition accounting resulting from IFRS 3 and other IFRSs that are not in conflict with IFRS 11 and should disclose the information required by these standards. The change did not affect the PZU Group's consolidated financial statements.
Amendments to IAS 16 and IAS 38 – clarification of permissible depreciation methods	1 January 2016	2231/2015	The amendment clarifies that the adoption of depreciation methods based on revenues generated by assets is inappropriate. The change did not affect the PZU Group's consolidated financial statements.
Amendments to IFRS in 2012-2014	1 January 2016	2343/2015	Amendments to IFRS 5 – supplemented with guidelines concerning reclassification of assets from held for sale to held for distribution to owners and vice versa and cases of the cessation of classification of assets held for distribution to owners. Amendments to IFRS 7 – supplemented with guidelines concerning disclosures related to asset handling agreements and explanations regarding the application of compensation-related amendments to IFRS 7 in condensed interim financial statements. Amendment to IAS 19 – clarification that high-quality corporate bonds used for the purposes of estimating the discount rate used in the calculation of post-employment benefits should be denominated in the same currency as the currency of the future payment of the benefits (and hence market activity on such bonds should be evaluated at the currency level). Amendments to IAS 34 – provision of greater detail for the concepts covered. The change did not affect the PZU Group's consolidated financial statements.
Amendments to IAS 1 – initiative on disclosures	1 January 2016	2406/2015	Introduction of requirements for a structured layout of financial statements, the requirement for reconciliation of subtotals in the profit and loss account, in the statement of comprehensive income and the statement of financial position, and additional guidelines for materiality, level of detail in presentations and accounting principles. The change resulted in minor modifications in the layout of basic tables in the PZU Group's consolidated financial statements.
Amendment to IAS 27 – equity method in separate financial statements	1 January 2016	2441/2015	The amendment permits entities to apply the equity method for the valuation of investments in subsidiaries, associates and joint ventures in standalone financial statements. The change did not affect the PZU Group's consolidated financial statements.

Standard / interpretation	Date of entry into effect for annual periods starting from	Regulation approving the standard or interpretation	Commentary
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Application of exemptions from consolidation	1 January 2016	257/2016	IFRS 10 – Supplemented with additional guidelines requiring investment entities to apply mandatory consolidation of non-investment subsidiaries providing investment-related services; supplemented with guidelines on the absence of a duty to prepare consolidated statements by parent companies of a lower level controlled by investment entities. IAS 28 – supplemented with guidelines on the application of valuation using the equity method by an investor that is not an investment entity in relation to an associate investment entity or joint venture. The change will not affect the PZU Group's consolidated financial statements.

4.2.1.2. Standards, interpretations and amended standards not yet effective

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

- Approved by the European Commission:

Standard / interpretation	Date of entry into effect for annual periods starting from	Regulation approving the standard or interpretation	Commentary
IFRS 15 – Revenue from Contracts with Customers	1 January 2018	295/2016	IFRS 15 specifies how and when to recognize revenues and requires the presentation of more detailed disclosures. The standard replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of interpretations related to revenue recognition. The standard applies to almost all agreements with customers (the main exceptions concern lease agreements, financial instruments and insurance agreements). The fundamental principle of the new standard is to recognize revenues in a manner that reflects the transfer of goods or services to customers and in an amount that reflects the value of consideration (i.e. the payment) which the company expects to obtain a right to in exchange for the goods or services. The standard also provides guidelines for recognizing transactions that were not regulated in detail in previous standards (e.g. revenues from services or modification of agreements) and contains more comprehensive explanations on the recognition of agreements with multiple deliverables. Due to the remote effective date and the inapplicability to the PZU Group's insurance companies, the effect of application of the new standard on the PZU Group's comprehensive income and equity has not been estimated.

- Not approved by the European Commission:

Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)	Commentary
IFRS 9 – Financial Instruments Amendments to IFRS 4 – Application of IFRS 9 'Financial Instruments' together with IFRS 4 'Insurance Contracts'	24 July 2014 12 September 2016	1 January 2018	This standard replaces IAS 39 and specifies the requirements for recognition and measurement of impairment, derecognition of financial instruments and hedge accounting. The standard introduces a new approach to the classification of financial assets based on the nature of cash flows and the business model associated with the relevant assets. The standard also unifies the impairment model for all financial instruments. The new model of expected loss from impairment requires a quicker recognition of expected credit losses. The standard introduces a reformed hedge accounting model with enhanced requirements concerning disclosures of risk management activities. In accordance with the amendments to IFRS 4 issued by the International Accounting Standards Board on 12 September 2016, insurance companies may defer the implementation of IFRS 9 until the entry into force of IFRS 4 Phase II concerning insurance contracts, but by no later than 1 January 2021. This is aimed at eliminating any significant volatilities from the profit and loss account resulting from faster application of the amendments to the measurement of financial assets compared to suitable changes in the measurement of insurance contracts. In the case of groups running both insurance and banking activity – the Board has allowed (for an interim period between 1 January 2018 and the effective date of the new IFRS 4) for the possibility of applying IAS 39 to the measurement of all financial assets in the consolidated financial statements if the insurance business is dominant (at least 80% or 90% of a group's liabilities are insurance liabilities including the liabilities stemming from investment contracts). If the insurance business is not dominant the following is possible: • application of an overlay approach – separation of the difference from the profit and loss account in the measurement of financial assets related to insurance activity in accordance with IFRS 9 and IAS 39 and its presentation in other comprehensive income; • full application of IFRS 9. IFRS 9 may be re-applied (in relation to the classification of instruments) at the time of implementation of IFRS 4 Phase II (mainly to remove any mismatches emerging between assets and liabilities). After Alior Bank became subject to consolidation – the PZU Group does not fulfil the criterion making it possible to defer the implementation of IFRS 9; it will therefore be necessary to apply IFRS 9 as of 1 January 2018. Currently, work is underway to apply IFRS 9 in the PZU Group, including the process of estimating the possible effect on the PZU Group's comprehensive income and equity.
IFRS 14 – Regulatory Deferral Accounts	30 January 2014	1 January 2016 1)	Enabling entities applying IFRS for the first time, which currently recognize regulatory deferral account balances in accordance with their previous, generally accepted accounting standards to continue recognizing these balances after switching to IFRS. This amendment does not apply to the PZU Group.

Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)	Commentary
Clarifications to IFRS 15 – revenue from contracts with customers	12 April 2016	1 January 2018	The clarifications provide guidelines concerning the identification of the obligations to fulfil benefits (determining in which instances the promises set forth in a contract constitute “separate” goods or services that should be settled separately), accounting for intellectual property licenses (determining in which situations revenues from intellectual property licenses should be settled “over a certain period” and in which situations “at a given point in time”) and the distinctions between a principal and an agent (stating more precisely that a principal under a given determination controls a good or service prior to turning it over to a client). Changes to the standard also include additional practical solutions facilitating the implementation of the new standard.
IFRS 16 – Leases	13 January 2016	1 January 2019	IFRS 16 replaces IAS 17 ‘Leases’ and the interpretations related to the latter standard. In respect of lessees, the new standard eliminates the distinction between financial leases and operating leases. The recognition of current operating leases in the statement of financial position will result in the recognition of a new asset (the right to use the leased object), and a new liability (the liability of lease payments). The rights to use the leased object will be subject to amortization and interest will be charged on the liabilities. This will generate greater costs at the initial stage of the lease, even if the parties have agreed on fixed annual payments. The recognition of lease agreements on the lessor’s side will in most cases remain unchanged due to the continued existence of the distinction between operating lease agreements and financial lease agreements. Due to the remote effective date of the new standard, the effect of its application on the comprehensive income and equity has not yet been estimated.
Amendments to IAS 7 – Disclosure Initiative	29 January 2016	1 January 2017	The amendments result in the presentation of disclosures enabling an assessment of changes in the value of liabilities created as part of financial activity (resulting from either cash flows or changes of a non-cash flow nature). The application of these requirements will require the inclusion of additional disclosures in the PZU Group’s consolidated financial statements.

Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)	Commentary
Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses	19 January 2016	1 January 2017	The amendments clarify, among others, that unrealized losses related to debt instruments measured at fair value for which the tax value is their initial cost may give rise to negative temporary differences. The change will not affect the PZU Group's consolidated financial statements.
Amendments to IFRS 2 – Classification and valuation of share-based payment	20 June 2016	1 January 2018	The amendment provides guidance harmonizing accounting requirements for share-based payments settled in cash which adopt the same approach as that applied in the case of share-based payments settled in equity instruments, and contains an exception to IFRS 2 and clarification of situations where share-based payments settled in cash are changed to share-based payments settled in equity instruments due to changes in contractual provisions. The change will not affect the PZU Group's consolidated financial statements.
Amendments to IFRS 10 and IFRS 28 – Sale or transfer of assets between the investor and an associate or a joint venture	11 September 2014	Deferred indefinitely	The main consequence of the amendment is the recognition of the whole profit or loss in a situation where the transaction concerns an organized business (regardless of whether or not it is located in a subsidiary), whereas partial profits or losses are recognized in the transaction concerns separate assets that do not form an organized business, even if they are located in a subsidiary. The change will not affect the PZU Group's consolidated financial statements.

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

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

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

4.3.1. Rearrangement of the condensed interim consolidated financial statements

In order to capture the Alior Bank Group's financial data in the PZU Group's consolidated financial statements due to the consolidation of the Alior Bank Group since 18 December 2015, rearrangements were made in the presentation of the consolidated profit and loss account and consolidated cash flow statement.

In the consolidated profit and loss account:

- a new line item "Interest expenses" has been separated to present, among others, interest expenses on term deposits and current accounts, sell-buy-back transactions or issued debt securities previously captured in the line item "Financial expenses". Transferred to this line item are also interest expenses related to investment contracts with guaranteed and fixed terms, previously captured in the line item "Movement in measurement of investment contracts";
- the line item "Movement in measurement of investment contracts" has been deleted – the costs presented in this line have been transferred, depending on the contract valuation method at the effective interest rate or at fair value, to the line items "Interest expenses" and "Net movement in the fair value of assets and liabilities measured at fair value", respectively;
- the line item "Financial expenses" has been deleted – interest expenses captured in this line item have been transferred to "Interest expense" and foreign exchange differences have been transferred to "Net investment income".

In order to improve clarity, in the consolidated statement of financial position:

- the breakdown of technical provisions into two types has been removed;
- the line items related to investment contracts have been removed – amounts related to investment contracts are presented in the line item "Financial liabilities";
- the line items "Derivatives" and "Liabilities on the issue of own debt securities" have been removed – amounts reported previously in these line items are now presented in a new line item "Financial liabilities";
- a new line item "Financial liabilities" has been created – it presents, among others, derivatives, investment contracts, liabilities to participants of the consolidated mutual funds, liabilities to banks and clients by virtue of deposits and liabilities on the issue of debt securities, as presented in detail in the notes.

Moreover, the line items of the consolidated statement of financial position have been rearranged in order to offer a better reflection of the liquidity criterion.

In the consolidated cash flow statement, operating activity is presented using the indirect method instead of the previously applied direct method.

4.3.2. Change in the presentation of joint and several coinsurance

In order to ensure improved clarity of the recognition of joint and several coinsurance transactions in the consolidated statement of financial position and in the consolidated profit and loss account, the amounts of indemnity payments in the part attributable to other coinsurers are presented as contingent liabilities instead of, as previously, other assets and other provisions recognized in correspondence with other operating revenues and other operating expenses.

The data for the comparable periods have been adjusted accordingly.

4.3.3. Change in the presentation of liabilities on borrowed securities

In order to improve the clarity of the consolidated statement of financial position, liabilities on borrowed securities in the condensed interim consolidated financial statements are presented in the line item "Financial liabilities" instead of, as was the case previously, "Other liabilities".

4.3.4. Settlement of the Alior Bank share purchase transaction

Due to the completion of the final settlement of the Alior Bank share purchase transaction, a retroactive restatement of data as at 31 December 2015 has been performed. More information on this settlement is presented in item 1.4.1.1.

4.3.5. Impact of differences on the condensed interim consolidated financial statements

Assets	31 December 2015 *(approved)*	Adjustment	31 December 2015 *(restated)*	30 September 2015 *(historical)*	Adjustment	30 September 2015 *(restated)*
Goodwill	1,506,445	25,236 [1)]	1,531,681	783,128	-	783,128
Other assets	698,964	-	698,964	381,031	(23,471) [4)]	357,560
Deferred tax assets	349,189	20,256 [1)]	369,445	27,062	-	27,062
Financial assets – borrowings	43,403,051	(77,264) [1)]	43,325,787	12,540,410	-	12,540,410
Total assets	**105,429,009**	**(31,772)** [1)]	**105,397,237**	**67,524,328**	**(23,471)** [4)]	**67,500,857**

Liabilities and equity	31 December 2015 *(approved)*	Adjustment	31 December 2015 *(restated)*	30 September 2015 *(historical)*	Adjustment	30 September 2015 *(restated)*
Non-controlling interests	2,255,188	(61,120) [1)]	2,194,068	4,087	-	4,087
Total equity	**15,178,907**	**(61,120)**	**15,117,787**	**12,369,710**	**-**	**12,369,710**
Investment contracts	n/a	n/a	n/a	641,671	(641,671) [3)]	item deleted
- with guaranteed and fixed terms and conditions	n/a	n/a	n/a	220,912	(220,912) [3)]	item deleted
- for the client's account and risk	n/a	n/a	n/a	420,759	(420,759) [3)]	item deleted
Other provisions	108,109	-	108,109	136,293	(23,471) [4)]	112,822
Financial liabilities	44,487,823	206,626 [2)]	44,694,449	-	8,326,470 [3)] 64,532 [2)]	8,391,002
Derivatives	n/a	n/a	n/a	663,979	(663,979) [3)]	item deleted
Liabilities on the issue of own debt securities	n/a	n/a	n/a	2,111,251	(2,111,251) [3)]	item deleted
Other liabilities	3,678,011	29,348 [1)] (206,626) [2)]	3,500,733	10,055,816	(4,909,569) [3)] (64,532) [2)]	5,081,715
Total liabilities	**90,250,102**	**29,348**	**90,279,450**	**55,154,618**	**(23,471)** [4)]	**55,131,147**
Total liabilities and equity	**105,429,009**	**(31,772)**	**105,397,237**	**67,524,328**	**(23,471)** [4)]	**67,500,857**

Selected data from the consolidated profit and loss account	1 January – 30 September 2015 *(historical)*	Adjustment	1 January – 30 September 2015 *(restated)*
Net investment income	1,214,854	18,402 [3)]	1,233,256
Net movement in the fair value of assets and liabilities measured at fair value	(64,680)	4,142 [3)]	(60,538)
Other operating revenues	600,610	(23,471) [4)]	577,139
Interest expenses	-	(85,274) [3)]	(85,274)
Movement in measurement of investment contracts	(988)	988 [3)]	item deleted
Other operating expenses	(931,662)	23,471 [4)]	(908,191)
Operating profit	**2,341,588**	**(61,742)** [3)]	**2,279,846**
Financial expenses	(61,742)	61,742 [3)]	item deleted
Profit before tax	**2,279,727**	**-**	**2,279,727**

1) Change described in items 4.3.4 and 1.4.1.1.
2) Change described in item 4.3.3.
3) Change described in item 4.3.1.
4) Change described in item 4.3.2.

5. Key estimates and judgments

The critical estimates and judgments were presented in the PZU Group's consolidated financial statements for 2015.

6. Corrections of errors from previous years

During the 9-month period from 1 January to 30 September 2016, no corrections were made of errors from previous years.

7. Material events after the end of the reporting period

7.1 Registration of the demerger of Bank BPH

On 4 November 2016 the District Court for the capital city of Warsaw entered in the business register an increase in the share capital of Alior Bank in connection with the demerger of Bank BPH ("Demerger"). In connection with the registration of the share capital increase, a portion of the assets of Bank BPH in the form of an organized part of the business of Bank BPH was spunoff and transferred to Alior Bank. On 4 November the demerger of Bank BPH took effect, while the organized part of the business of Bank BPH formally became a part of Alior Bank.

Detailed information concerning Alior Bank's acquisition of Bank BPH is presented in item 24.3.

7.2 Squeeze out of the shares in Lietuvos Draudimas AB

On 27 September 2016 the Regional Court in Vilnius consented to the squeeze out of the shares in Lietuvos Draudimas AB held by minority shareholders. The court ruling became legally binding on 27 October 2016. PZU will become the formal owner of 188 shares in Lietuvos Draudimas AB with a par value of EUR 14.48 on the date when the court registers the squeeze out. The purchase price is EUR 237.16 per share, i.e. EUR 45 thousand for all the shares. From the date of registration of the squeeze out PZU will hold 100% of the shares in Lietuvos Draudimas AB.

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

8.1 Distribution of PZU's 2015 financial result

On 30 June 2016, the PZU Shareholder Meeting adopted a resolution on distribution of net profit for 2015. This issue was described in item 22.

8.2 Key dividends paid between PZU Group companies

8.2.1. Dividend from PZU Życie to PZU

On 30 June 2016, the PZU Życie Ordinary Shareholder Meeting ("PZU Życie OSM") adopted a resolution on distribution of PZU Życie's net profit for the 2015 financial year in the amount of PLN 1,677,124 thousand as follows:

- designate PLN 1,450,000 thousand as a dividend for its sole shareholder, i.e. PZU;
- designate PLN 222,124 thousand for supplementary capital;
- designate PLN 5,000 thousand for the Company Social Benefit Fund.

Having regard for the payment on 31 December 2015 of an interim dividend in the amount of PLN 625,000 thousand toward the dividend anticipated for the end of the 2015 financial year, the part of the dividend remaining to be paid was PLN 825,000 thousand. The record date for this part was set at the date of the PZU Życie OSM and the dividend payment date was set at 19 October 2016.

8.2.2. Dividend from PTE PZU to PZU Życie

On 22 April 2016, the Ordinary Shareholder Meeting of PTE PZU made a decision to pay a dividend of PLN 66,109 thousand. The dividend was paid on 6 June 2016.

8.2.3. Dividend from TFI PZU to PZU

On 28 June 2016, the Ordinary Shareholder Meeting of TFI PZU made a decision to pay a dividend of PLN 18,671 thousand. The dividend was paid on 15 July 2016.

9. Supplementary notes to the condensed interim consolidated financial statements

9.1 Gross written premiums

Gross written premiums	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Gross written premiums in non-life insurance	2,822,320	8,715,448	2,370,146	7,443,945
In direct insurance	2,813,926	8,690,239	2,317,264	7,358,842
In indirect insurance	8,394	25,209	52,882	85,103
Gross written premiums in life insurance	2,021,992	5,990,851	1,964,683	6,017,334
Individual premiums	818,852	2,370,625	776,274	2,458,726
Group insurance premiums	1,203,140	3,620,226	1,188,409	3,558,608
Gross written premiums, total	**4,844,312**	**14,706,299**	**4,334,829**	**13,461,279**

Gross written premiums in direct non-life insurance (by accounting classes prescribed by section II of the attachment to the Insurance Activity Act)	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Accident and sickness insurance (class 1 and 2)	170,351	443,931	216,354	499,917
Motor third party liability insurance (class 10)	1,114,102	3,173,421	811,556	2,425,959
Other motor insurance (class 3)	775,894	2,348,791	627,252	1,923,541
Marine, air and cargo insurance (classes 4, 5, 6, 7)	11,927	66,619	8,892	46,341
Insurance against fire and other property damage (classes 8 and 9)	454,092	1,716,394	415,123	1,620,459
TPL insurance (classes 11, 12, 13)	142,163	528,747	126,625	509,205
Credit and guarantee insurance (classes 14, 15)	15,323	49,130	15,498	54,713
Assistance (class 18)	103,784	285,772	86,584	241,870
Legal protection (class 17)	1,766	5,204	1,184	1,942
Other (class 16)	24,524	72,230	8,196	34,895
Total	**2,813,926**	**8,690,239**	**2,317,264**	**7,358,842**

9.2 Revenues from commissions and fees

Revenues from commissions and fees	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Banking activity	135,485	410,585	-	-
Brokerage commissions	12,300	42,729	-	-
Administration of payment cards and credit cards	23,237	72,392	-	-
Intermediary fees on insurance sold	13,385	63,344	-	-
Loans and borrowings	16,066	43,938	-	-
Administration of bank accounts	28,152	79,825	-	-
Transfers	9,400	27,674	-	-
Cash operations	7,266	18,204	-	-
Purchased receivables	1,921	5,989	-	-
Guarantees, letters of credit, collection, commitment letters	3,457	10,670	-	-
Other commissions	20,301	45,820	-	-
Pension insurance	24,892	81,275	30,517	87,267
Commissions on distribution fees	1,290	4,006	1,251	3,866
Commissions on asset management in an open-end pension fund	23,213	68,782	24,967	76,106
Other	389	8,487	4,299	7,295
Revenues from fees relating to investment contracts for the client’s account and risk	1,454	4,656	2,060	6,978
Revenues and payments received from funds and mutual fund companies	22,468	78,494	44,746	86,274
Other commissions	206	497	-	-
Revenues from commissions and fees, total	**184,505**	**575,507**	**77,323**	**180,519**

9.3 Net investment income

Net investment income	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Interest income, including:	957,327	2,787,764	337,799	1,034,974
Bank loans	602,645	1,701,299	-	-
Financial assets available for sale	45,588	123,409	5,345	36,852
Financial assets held to maturity	206,454	610,923	242,159	724,300
Borrowings	69,248	226,083	89,541	271,205
Purchased receivables	2,956	14,845	-	-
Hedge derivatives	20,046	84,565	-	-
Receivables, including receivables due under insurance contracts	5,354	11,281	164	577
Cash and cash equivalents	5,036	15,359	590	2,040
Dividend income, including:	29,654	66,595	19,695	58,110
Financial assets classified for measurement at fair value through profit or loss upon first recognition	18,539	43,453	11,767	34,840
Financial assets held for trading	9,587	20,065	7,917	22,401
Financial assets available for sale	1,528	3,077	11	869
Income on investment properties	60,094	176,909	55,835	155,938
Foreign exchange differences, including:	107,742	102,073	(2,159)	83,753
Financial assets held to maturity	(1,928)	859	751	(403)
Financial assets available for sale	(33,834)	(25,936)	(1,191)	1,640
Borrowings	(2,882)	14,119	16,651	21,990
Settlements, including settlements due under insurance contracts	(11,885)	(4,105)	3,779	5,656
Cash and cash equivalents	(8,377)	(5,851)	(825)	36,468
Financial liabilities	94,715	(44,381)	(21,758)	12,031
Other	71,933	167,368	434	6,371
Other, including:	(6,528)	(81,737)	(23,235)	(99,519)
Investment activity expenses	(7,472)	(20,886)	(6,982)	(22,875)
Investment real estate maintenance expenses	(5,904)	(64,965)	(24,157)	(98,019)
Other	6,848	4,114	7,904	21,375
Net investment income, total	**1,148,289**	**3,051,604**	**387,935**	**1,233,256**

9.4 Net result on the realization of investments and impairment charges

Net result on the realization of investments and impairment charges	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Net result on the realization of investments	**229,737**	**163,925**	**66,517**	**274,965**
Financial assets measured at fair value through profit or loss – classified as such upon first recognition, including:	88,312	66,576	49,179	126,522
Equity instruments	81,841	47,012	54,734	55,913
Debt securities	6,471	19,564	(5,555)	70,609
Financial assets held for trading, including:	140,100	22,479	(160,792)	(3,829)
Equity instruments	48,084	8,705	(69,727)	(43,229)
Debt securities	(14,971)	17,496	4,786	(2,703)
Derivatives	106,987	(3,722)	(95,851)	42,103
Financial assets available for sale, including:	13,216	76,297	8,193	8,201
Equity instruments	6,710	6,823	400	433
Debt securities	6,506	69,474	7,793	7,768
Financial assets held to maturity, including:	-	-	292	(711)
Debt securities held to maturity	-	-	292	(711)
Borrowings	2,220	22,046	4,565	4,750
Receivables, including receivables due under insurance contracts	(16,494)	(35,665)	(760)	(26,555)
Cash and cash equivalents	-	-	27	(24)
Investment properties	2,151	11,462	330	1,128
Result on the sale of UAB DK PZU Lietuva	-	-	165,483	165,483
Other	232	730	-	-
Impairment charges	**(203,677)**	**(608,314)**	**(12,074)**	**(37,580)**
Financial assets available for sale, including:	(2)	(6,977)	-	-
Equity instruments	(2)	(2)	-	-
Debt instruments	-	(6,975)	-	-
Borrowings	(195,987)	(546,803)	(2)	(7,041)
Debt securities	-	(22,561)	-	(6,083)
Loan receivables from clients	(195,987)	(524,242)	-	-
Term deposits in credit institutions	-	-	(2)	(958)
Receivables, including receivables due under insurance contracts	(7,460)	(46,258)	(12,055)	(29,134)
Cash and cash equivalents	-	-	(17)	(1,405)
Goodwill of acquired credit unions	(228)	(8,276)	-	-
Net result on the realization of investments and impairment charges, total	**26,060**	**(444,389)**	**54,443**	**237,385**

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

Net movement in the fair value of assets and liabilities measured at fair value	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Financial instruments measured at fair value through profit or loss – classified in that category upon first recognition, including:	26,741	(11,511)	82,718	100,356
Equity instruments	20,417	(192,626)	(80,776)	60,480
Debt securities	24,634	202,760	147,877	37,771
Measurement of liabilities to members of consolidated mutual funds	(10,136)	(16,999)	(34)	(2,037)
Investment contracts for the client's account and risk (*unit-linked*)	(8,174)	(4,646)	15,651	4,142
Financial instruments held for trading, including:	64,045	51,125	(205,820)	(165,930)
Equity instruments	59,651	(35,470)	(183,301)	(102,896)
Debt securities	(42,163)	92,830	29,936	36,463
Derivatives	46,557	(6,235)	(52,455)	(99,497)
Investment properties	(22,093)	50,600	4,854	5,036
Other	3,790	5,477	-	-
Net movement in the fair value of assets and liabilities measured at fair value, total	**72,483**	**95,691**	**(118,248)**	**(60,538)**

9.6 Other operating revenues

Other operating revenues	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Revenues for managing third party assets	3,537	10,224	-	-
Commissions for acting as an emergency adjuster	1,382	5,225	1,148	4,899
Reversal of provisions	6,835	16,566	14,257	16,433
Reversal of impairment charges on non-financial assets	129	4,805	-	-
Reinsurance commissions and profit-sharing	6,535	22,542	(1,963)	10,573
Revenues on the sales of products, merchandise and services by non-insurance companies	106,956	312,628	104,405	301,124
Revenues from direct claims handling on behalf of other insurance undertakings	53,446	160,157	51,550	132,100
Interest on late payment of amounts due under direct insurance and outward reinsurance contracts	22,792	36,094	11,020	36,708
Reversal of provisions for employee leave	-	-	18,885	18,885
Other	35,007	84,192	31,846	56,417
Other operating revenues, total	**236,619**	**652,433**	**231,148**	**577,139**

9.7 Claims and movement in technical provisions

Claims and movement in technical provisions	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Claims and movement in technical provisions in non-life insurance	1,995,690	5,310,104	2,224,237	5,123,093
Reinsurers' share in claims and in the movement in technical provisions in non-life insurance	(145)	(66,196)	(386,029)	(464,395)
Claims and movement in technical provisions in life insurance	1,611,612	4,527,774	1,235,133	4,421,132
Reinsurers' share in claims and movement in technical provisions in life insurance	(297)	(386)	(37)	(165)
Claims and movement in technical provisions, total	**3,606,860**	**9,771,296**	**3,073,304**	**9,079,665**

9.8 Costs of commissions and fees

Costs of commissions and fees	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Brokerage commissions	1,162	2,674	-	-
Costs of card and ATM transactions, including costs of card issuance	17,973	50,838	-	-
Insurance of banking products	6,602	18,896	-	-
Commissions for the availability of ATMs	5,451	15,802	-	-
Commissions under agreements to perform certain actions	2,216	7,428	-	-
Costs of compensations and awards to banking clients	6,222	17,634	-	-
Commissions paid to agents in banking activity	7,085	19,659	-	-
Assistance services to banking clients	1,467	3,474	-	-
Costs of acquisition of banking clients	814	4,779	-	-
Other commissions	17,241	51,662	-	-
Costs of commissions and fees, total	**66,233**	**192,846**	**-**	**-**

9.9 Interest expenses

Interest expenses	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Term deposits	96,258	309,343	-	-
Current deposits	11,024	27,036	-	-
Hedge derivatives	17,751	70,136	-	-
Sell-buy-back transactions	5,691	28,038	13,403	52,680
Outstanding own debt securities	44,598	129,476	8,221	24,232
Bank loans contracted by PZU Group companies	874	2,955	752	3,187
Investment contracts with guaranteed and fixed terms and conditions	689	2,173	1,007	5,130
Other	1,159	5,698	15	45
Interest expenses, total	**178,044**	**574,855**	**23,398**	**85,274**

9.10 Administrative, acquisition and claims handling expenses, by type

Administrative, acquisition and claims handling expenses, by type	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Consumption of materials and energy	47,600	143,463	18,690	73,465
Third party services	159,940	481,190	158,556	499,267
Taxes and fees	16,803	47,022	15,465	48,349
Employee expenses	499,484	1,650,440	391,592	1,200,922
Depreciation of property, plant and equipment	35,389	108,351	20,896	61,653
Amortization of intangible assets	36,353	111,687	21,197	68,021
Other, including:	700,912	1,990,639	558,695	1,762,015
- commissions on direct activity	471,572	1,449,296	424,736	1,335,152
- advertising	39,562	107,882	29,544	95,931
- remuneration of persons handling group insurance in companies	88,970	139,377	53,262	159,065
- other	100,808	294,084	51,153	171,867
Movement in capitalized acquisition expenses	5,316	(100,155)	(15,150)	(200,470)
Administrative, acquisition and claims handling expenses, total	**1,501,797**	**4,432,637**	**1,169,941**	**3,513,222**

9.11 Other operating expenses

Other operating expenses	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Amortization of intangible assets purchased in company acquisition transactions	22,944	67,476	35,097	141,772
Direct claims handling expenses on behalf of other insurance undertakings	54,387	164,906	52,058	135,309
Establishing provisions	5,988	18,079	6,826	15,814
Establishing charges for non-financial assets	2,367	66,361	394	1,207
Expenses of the core business of non-insurance companies and non-banking companies	124,668	370,569	95,370	292,562
Expenditures for prevention activity	20,341	67,072	23,785	66,756
Compulsory payments to insurance market institutions and banking market institutions	17,515	58,129	17,113	53,141
Costs of IT services	11,635	36,408	96	265
Insurance Guarantee Fund	14,552	42,432	10,669	30,688
Bank Guarantee Fund	19,098	56,400	-	-
Fee for the National Fire Brigade Headquarters and the Association of Voluntary Fire Brigades	2,433	24,839	1,888	26,616
Tax on financial institutions	108,232	278,543	-	-
Other	8,132	165,986	25,915	144,061
Other operating expenses, total	**412,292**	**1,417,200**	**269,211**	**908,191**

9.12 Earnings per share

Earnings per share	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Net profit attributable to the equity holders of the parent company	648,991	1,308,531	510,902	1,832,495
Basic and diluted weighted average number of ordinary shares	863,495,307	863,510,791	863,519,490 [1)]	863,519,490 [1)]
Number of outstanding shares	863,523,000	863,523,000	863,523,000 [1)]	863,523,000 [1)]
Amount of treasury stock (held by PZU's subsidiaries)	27,693	12,209	(3,510) [1)]	(3,510) [1)]
Basic and diluted earnings (losses) per ordinary share (in PLN)	0.75	1.52	0.59 [1)]	2.12 [1)]

[1)] Comparative data were converted taking into account the new number of shares after the PZU share split.

In the 9-month period ended 30 September 2016, there were no transactions or events resulting in the dilution of earnings per share.

9.13 Income tax

Total amount of current and deferred tax	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Recognized in the profit and loss account	(190,809)	(449,885)	(149,907)	(447,334)
- current tax	(174,977)	(444,991)	(62,908)	(437,142)
- deferred tax	(15,832)	(4,894)	(86,999)	(10,192)
Recognized in other comprehensive income (deferred tax)	9,205	23,669	2,313	8,494
Total amount of current and deferred tax	**(181,604)**	**(426,216)**	**(147,594)**	**(438,840)**
Income tax pertaining to components of other comprehensive income	**1 July - 30 September 2016**	**1 January – 30 September 2016**	**1 July - 30 September 2015**	**1 January – 30 September 2015**
Gross other comprehensive income	(61,470)	(103,286)	127	(51,111)
Income tax	9,205	23,669	2,313	8,494
Measurement of financial instruments available for sale and cash flow hedging transactions	10,123	24,587	2,405	9,627
Reclassification of real property from property, plant and equipment to investment property	(918)	(918)	(92)	(1,133)
Other net comprehensive income	**(52,265)**	**(79,617)**	**2,440**	**(42,617)**

9.14 Goodwill

Goodwill	30 September 2016	30 June 2016	31 December 2015 *(restated)*	30 September 2015
Alior Bank	745,805	745,805	745,805	-
Lietuvos Draudimas AB	363,013	372,568	358,766	356,838
Mass segment in non-life insurance (Link4)	221,377	221,377	221,377	221,377
Lietuvos Draudimas AB Branch in Estonia	113,634	116,625	112,303	111,700
AAS Balta	38,704	39,722	38,251	38,045
Medical companies	51,497	51,497	49,633	49,623
Other	5,546	5,546	5,546	5,545
Goodwill, total	**1,539,576**	**1,553,140**	**1,531,681**	**783,128**

In the 9-month period ended 30 September 2016, there were no premises justifying necessity of carrying out impairment tests. As a consequence, just like in 2015, there were no impairment charges related to goodwill.

9.15 Other assets

Other assets	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Settlements on account of purchase of BPH's shares by Alior Bank	1 464 933[1)]	-	-	-
Reinsurance settlements	225,562	292,429	339,463	102,698
Deferred IT expenses	38,973	32,245	31,581	28,209
Posted direct claims handling receivables	46,098	43,150	41,582	33,746
Inventory	134,420	132,548	125,260	134,971
Other assets	213,216 [2)]	253,484 [2)]	161,078	57,936
Other assets, total	**2,123,202**	**753,856**	**698,964**	**357,560**

[1)] The amount remitted by Alior Bank to acquire shares in Bank BPH as a result of the execution of the tender offer and the squeeze out of the remaining shares in Bank BPH. Detailed information concerning the acquisition of Bank BPH is presented in item 24.3.

[2)] Including PLN 61,844 thousand (as at 30 June 2016: PLN 62,065 thousand) of the estimate BFG subsidy associated with SKOK acquisitions by Alior Bank, described in item1.4.1.3.

9.16 Reinsurers' share in technical provisions

Reinsurers' share in technical provisions	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Provision for unearned premiums	271,180	312,857	339,255	229,809
Provision for unexpired risk	-	-	-	422
Provisions for outstanding claims, including:	476,299	523,932	579,173	655,207
- for reported claims	429,594	484,630	527,773	605,240
- for claims not reported (IBNR)	25,219	19,146	28,973	27,992
- for claims handling costs	21,486	20,156	22,427	21,975
Provision for capitalized value of annuities	183,104	174,572	178,424	182,803
Reinsurers' share in technical provisions, total	**930,583**	**1,011,361**	**1,096,852**	**1,068,241**

9.17 Entities measured by the equity method

Associates	30 September 2016	30 June 2016	31 December 2015	30 September 2015	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Name of the company	EMC Instytut Medyczny SA				GSU Pomoc Górniczy Klub Ubezpieczonych SA			
Nature of PZU's relationship with the entity	Associate – non-strategic				Associate – non-strategic			
Registered office of the entity	Wroclaw				Tychy			
Equity stake in the entity	28.31%	28.31%	28.31%	28.31%	30.00%	30.00%	30.00%	30.00%
Percentage of votes in the entity	25.44%	25.44%	25.44%	25.44%	30.00%	30.00%	30.00%	30.00%
Valuation method in the consolidated financial statements	Equity method				Equity method			
Accounting standard used by the entity	IFRS				PAS			
Carrying amount of exposure to the entity	51,448	52,515	53,479	70,772	585	579	575	567
Fair value of exposure to the entity	45,129	45,092	55,283	56,299	None – unlisted entity			
Value of dividends received from the entity	-	-	-	-	-	-	8	8
Key financial highlights								
Assets, including:	277,544	243,632	252,378	253,378	3,253	3,160	2,882	2,739
Short-term assets, including:	49,760	43,801	54,529	62,172	2,896	2,770	2,424	2,239
Cash and cash equivalents	10,932	8,924	16,350	16,046	2,713	2,595	2,397	2,060
Long-term assets	227,784	199,831	197,849	191,206	357	390	458	500
Equity	145,655	149,564	152,873	155,481	1,946	1,928	1,915	1,889
Liabilities, including:	131,889	94,068	99,505	97,897	1,307	1,232	967	850
Short-term liabilities, including:	74,168	49,253	56,497	53,098	1,307	1,232	967	850
Short-term financial liabilities	32,992	14,083	21,934	15,209	-	-	-	-
Long-term liabilities, including:	57,721	44,815	43,008	44,799	-	-	-	-
Long-term financial liabilities	39,830	27,181	19,760	25,940	-	-	-	-
Revenues on core business	204,178	134,471	258,070	193,898	1,289	838	2,056	1,622
Amortization and depreciation	10,461	6,871	13,141	9,922	102	68	154	116
Interest revenues	43	22	280	216	64	40	76	58
Interest expenses	1,593	911	1,969	1,493	-	-	-	-
Income tax	1,802	414	551	(175)	31	16	21	6
Comprehensive income, incl.:	(7,218)	(3,310)	(4,337)	(1,658)	32	14	(18)	(44)
Net financial result, including:	(7,254)	(3,363)	(4,498)	(1,769)	32	14	(18)	(44)
Net financial result on continuing operations	(7,254)	(3,363)	(4,498)	(1,769)	32	14	(18)	(44)
Net financial result on discontinued operations	-	-	-	-	-	-	-	-
Other comprehensive income	36	53	161	111	-	-	-	-

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

9.18 Financial assets

In the 9 months ended 30 September 2016 there was no reclassification of financial assets between the groups carried at fair value and the groups carried at cost or amortized cost.

Due to a change in the purpose of use of certain assets, from 1 January 2015 some of the assets were reclassified from assets available for sale to assets held to maturity. The carrying amount of the assets at the time of reclassification was PLN 83,620 thousand. The carrying amount as at 30 September 2016 was PLN 82,963 thousand.

The aforementioned transfer was the only reclassification of this type effected in 2015.

9.18.1. Financial instruments held to maturity

Financial instruments held to maturity	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Instruments for which fair value can be determined	**17,093,310**	**17,281,793**	**17,370,126**	**20,085,459**
Debt securities	17,093,310	17,281,793	17,370,126	20,085,459
Government securities	16,870,032	17,055,618	17,150,858	19,892,913
Fixed rate	15,927,036	15,820,170	15,919,711	18,664,693
Floating rate	942,996	1,235,448	1,231,147	1,228,220
Other	223,278	226,175	219,268	192,546
Listed on a regulated market	98,635	100,601	96,481	69,155
Fixed rate	98,635	100,601	96,481	69,155
Not listed on a regulated market	124,643	125,574	122,787	123,391
Floating rate	124,643	125,574	122,787	123,391
Financial instruments held to maturity, total	**17,093,310**	**17,281,793**	**17,370,126**	**20,085,459**

9.18.2. Financial instruments available for sale

Financial instruments available for sale	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Instruments for which fair value can be determined	**8,259,605**	**11,027,641**	**7,727,973**	**3,531,300**
Equity instruments	384,298	490,196	582,223	734,446
Listed on a regulated market	128,781	141,644	195,689	360,989
Not listed on a regulated market	255,517	348,552	386,534	373,457
Debt instruments	7,875,307	10,537,445	7,145,750	2,796,854
Government securities	7,131,177	7,558,772	6,317,916	2,314,878
Fixed rate	5,367,102	5,259,148	4,659,631	2,132,148
Floating rate	1,764,075	2,299,624	1,658,285	182,730
Other	744,130	2,978,673	827,834	481,976
Listed on a regulated market	171,023	284,603	245,863	253,577
Fixed rate	126,844	239,340	202,684	210,995
Floating rate	44,179	45,263	43,179	42,582
Not listed on a regulated market	573,107	2,694,070	581,971	228,399
Fixed rate	-	2,100,000 [1)]	-	-
Floating rate	573,107	594,070	581,971	228,399
Instruments for which fair value cannot be determined	**21,336**	**19,386**	**16,716**	**3,134**
Equity instruments	21,336	19,386	16,716	3,134
Not listed on a regulated market	21,336	19,386	16,716	3,134
Financial instruments available for sale, total	**8,280,941**	**11,047,027**	**7,744,689**	**3,534,434**

[1)] The entire balance pertains to money bills issued by NBP.

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

Financial instruments measured at fair value through profit or loss	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Instruments classified into this category upon first recognition	**15,110,385**	**12,915,806**	**13,245,460**	**13,667,113**
Equity instruments	2,717,219	2,530,128	2,384,554	2,651,438
Listed on a regulated market	2,579,480	2,384,067	2,274,062	2,584,365
Not listed on a regulated market	137,739	146,061	110,492	67,073
Debt instruments	12,393,166	10,385,678	10,860,906	11,015,675
Government securities	12,301,395	10,290,332	10,630,780	10,687,816
Fixed rate	10,599,243	8,675,705	9,047,572	8,977,904
Floating rate	1,702,152	1,614,627	1,583,208	1,709,912
Other	91,771	95,346	230,126	327,859
Listed on a regulated market	91,771	95,346	230,126	327,859
Fixed rate	91,771	95,346	230,126	327,859
Instruments held for trading	**7,651,846**	**7,863,131**	**7,402,943**	**6,481,155**
Equity instruments	3,883,384	3,753,012	4,077,204	4,086,729
Listed on a regulated market	846,814	954,067	1,052,849	1,106,496
Not listed on a regulated market	3,036,570	2,798,945	3,024,355	2,980,233
Debt instruments	3,016,608	3,188,172	2,352,363	1,853,478
Government securities	2,942,577	3,114,800	2,278,369	1,779,625
Fixed rate	2,917,505	2,908,501	2,228,895	1,773,384
Floating rate	25,072	206,299	49,474	6,241
Other	74,031	73,372	73,994	73,853
Listed on a regulated market	293	223	311	-
Floating rate	293	223	311	-
Not listed on a regulated market	73,738	73,149	73,683	73,853
Floating rate	73,738	73,149	73,683	73,853
Derivatives	751,854	921,947	973,376	540,948
Financial instruments measured at fair value through profit or loss, total	**22,762,231**	**20,778,937**	**20,648,403**	**20,148,268**

9.18.4. Borrowings

Borrowings	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Debt securities	**2,766,523**	**2,772,806**	**2,730,607**	**2,862,610**
Government securities	2,185	5,898	6,801	7,029
Fixed rate	2,185	5,898	6,801	7,029
Other	2,764,338	2,766,908	2,723,806	2,855,581
Not listed on a regulated market	2,764,338	2,766,908	2,723,806	2,855,581
Floating rate	2,764,338	2,766,908	2,723,806	2,855,581
Other, including:	**40,992,214**	**41,975,394**	**40,595,180**	**9,677,800**
Loan receivables from clients	34,501,173	33,526,194	30,254,351	-
Buy-sell-back transactions	1,261,655	2,002,437	3,132,740	2,811,528
Term deposits in credit institutions	3,600,060 [1)]	4,779,402	5,279,044	5,013,010
Borrowings [2)]	1,629,326	1,667,361	1,929,045	1,853,262
Total loans	**43,758,737**	**44,748,200**	**43,325,787**	**12,540,410**

[1)] PLN deposits represent over 46% of term deposits in credit institutions and EUR deposits represent over 50%. Over 92% of term deposits will mature before the end of 31 March 2017.

[2)] 100% of borrowings are borrowings secured by pledges on shares, sureties, guarantees or material securities.

The fair value of buy-sell-back transactions and term deposits in credit institutions did not differ significantly from their carrying amounts due to their short-term nature.

Loan receivables from clients	30 September 2016	30 June 2016	31 December 2015
Retail segment	**19,459,105**	**18,756,136**	**16,923,391**
Operating loans	173,990	165,482	167,635
Consumer Finance	9,596,867	9,327,786	8,570,665
Consumer finance loans	1,049,932	922,964	709,980
Loan to purchase securities	106,716	123,364	116,655
Credit card account credit	221,036	237,258	225,588
Housing loans	7,491,612	7,171,272	6,232,117
Other mortgage loans	796,704	786,614	872,332
Other receivables	22,248	21,396	28,419
Business segment	**15,042,068**	**14,770,058**	**13,330,960**
Operating loans	8,021,893	7,884,574	7,407,498
Car financing loans	42,928	51,471	69,870
Investment loans	6,169,569	6,079,939	5,454,753
Purchased receivables (factoring)	502,095	533,620	376,403
Other receivables	305,583	220,454	22,436
Total loan receivables from clients	**34,501,173**	**33,526,194**	**30,254,351**

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

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

Debt securities issued by governments other than the Polish government

As at 30 September 2016	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Bulgaria	EUR	at fair value	193,871	216,395	216,395	-
	EUR	at amortized cost	36,168	36,143	37,999	-
Croatia	EUR	at amortized cost	36,940	36,688	37,922	-
	USD	at fair value	6,092	8,959	8,959	-
	EUR	at fair value	4,741	4,714	4,714	-
Spain	EUR	at fair value	272,898	279,902	279,902	-
Lithuania	EUR	at fair value	316,837	344,865	344,865	-
	EUR	at amortized cost	134,351	136,654	143,294	-
	USD	at fair value	4,849	6,863	6,863	-
Latvia	EUR	at fair value	41,431	46,769	46,769	-
	EUR	at amortized cost	19,024	19,342	19,955	-
	USD	at fair value	31,236	40,401	40,401	-
Germany	EUR	at fair value	134,798	136,005	136,005	-
South Africa	ZAR	at fair value	186,404	180,658	180,658	-
	EUR	at fair value	9,031	9,124	9,124	
Romania	EUR	at fair value	108,707	125,472	125,472	-
	EUR	at amortized cost	42,809	43,232	45,323	-
	RON	at fair value	207,197	212,240	212,240	-
	USD	at fair value	37,111	44,117	44,117	-
Slovenia	EUR	at fair value	154,344	162,037	162,037	-
	EUR	at amortized cost	8,041	8,058	8,235	-

As at 30 September 2016	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Sri Lanka	USD	at fair value	41,958	45,332	45,332	-
United States	USD	at fair value	400,759	401,336	401,336	-
Turkey	USD	at fair value	184,533	179,655	179,655	-
	EUR	at fair value	1,087	1,097	1,097	-
	TRY	at fair value	135,712	134,025	134,025	-
Ukraine	UAH	at fair value	9,814 [1)]	7,896 [1)]	7,896 [1)]	-
	UAH	at amortized cost	29,301 [1)]	26,577 [1)]	27,084 [1)]	-
	USD	at fair value	5,165	5,223	5,223	-
	USD	at amortized cost	14,972	14,995	15,126	-
Hungary	EUR	at fair value	147,424	150,423	150,423	-
	EUR	at amortized cost	30,332	30,490	31,905	-
	HUF	at fair value	171,904	175,961	175,961	-
	USD	at fair value	48,763	52,372	52,372	-
Other	EUR/USD/GBP	at fair value	438,194	459,846	459,846	-
	EUR	at amortized cost	7,521	7,460	8,075	-
Total			**3,654,319**	**3,791,326**	**3,806,605**	**-**

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

As at 30 June 2016	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Bulgaria	EUR	at fair value	179,933	192,566	192,566	-
	EUR	at amortized cost	28,525	29,062	29,337	-
Croatia	EUR	at amortized cost	30,334	31,012	31,308	-
	USD	at fair value	6,092	8,916	8,916	-
Czech Republic	CZK	at fair value	89,315	91,741	91,741	-
Spain	EUR	at fair value	69,075	77,805	77,805	-
Ireland	EUR	at fair value	6,878	7,162	7,162	-
	EUR	at amortized cost	7,719	7,633	8,149	-
Lithuania	EUR	at fair value	324,427	351,647	351,647	-
	EUR	at amortized cost	136,403	140,475	146,094	-
	USD	at fair value	4,849	7,069	7,069	-
Latvia	EUR	at fair value	52,658	59,059	59,059	-
	EUR	at amortized cost	19,024	19,822	20,163	-
	USD	at fair value	31,236	41,468	41,468	-
Germany	EUR	at fair value	209,515	215,682	215,682	-
Romania	EUR	at fair value	55,903	65,842	65,842	-
	EUR	at amortized cost	35,164	35,945	36,533	-
	RON	at fair value	56,370	58,074	58,074	-
	USD	at fair value	15,631	23,143	23,143	-
Sri Lanka	USD	at fair value	24,775	24,860	24,860	-
Turkey	USD	at fair value	133,994	138,624	138,624	-
	EUR	at fair value	1,087	1,136	1,136	-
	TRY	at fair value	162,406	164,608	164,608	-
Ukraine	UAH	at fair value	13,799 [1)]	12,042 [1)]	12,042 [1)]	-
	UAH	at amortized cost	24,179 [1)]	24,266 [1)]	24,146 [1)]	-
	USD	at fair value	6,304	6,512	6,512	-
	USD	at amortized cost	14,766	16,020	16,023	-
Hungary	EUR	at fair value	123,000	127,545	127,545	-
	EUR	at amortized cost	30,980	31,290	32,108	-
	HUF	at fair value	84,451	87,569	87,569	-
	USD	at fair value	7,801	11,748	11,748	-
Other	EUR/USD/GBP	at fair value	590,865	624,207	624,207	-

As at 30 June 2016	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
	EUR	at amortized cost	8,157	8,259	8,412	-
Total			**2,585,615**	**2,742,809**	**2,751,298**	-

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

As at 31 December 2015	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Bulgaria	EUR	at fair value	24,715	25,664	25,664	-
	EUR	at amortized cost	15,361	15,495	15,465	-
Croatia	EUR	at amortized cost	16,910	17,023	16,806	-
	USD	at fair value	6,092	8,336	8,336	-
Czech Republic	CZK	at fair value	105,555	105,591	105,591	-
Spain	EUR	at fair value	78,536	76,260	76,260	-
Ireland	EUR	at fair value	6,878	6,827	6,827	-
	EUR	at amortized cost	7,433	7,547	7,800	-
Iceland	USD	at fair value	7,420	10,249	10,249	-
Lithuania	EUR	at fair value	374,017	400,777	400,777	-
	EUR	at amortized cost	137,041	139,542	141,846	-
	USD	at fair value	4,934	6,944	6,944	-
Latvia	EUR	at fair value	55,953	59,991	59,991	-
	EUR	at amortized cost	19,024	19,433	19,065	-
	USD	at fair value	31,236	40,191	40,191	-
Germany	EUR	at fair value	849,833	841,102	841,102	-
Portugal	EUR	at fair value	80,361	78,194	78,194	-
Romania	EUR	at fair value	91,315	101,171	101,171	-
	EUR	at amortized cost	27,179	27,199	27,418	-
	RON	at fair value	78,063	78,455	78,455	-
	USD	at fair value	15,631	22,453	22,453	-
Sri Lanka	USD	at fair value	24,775	23,250	23,250	-
Turkey	USD	at fair value	99,310	103,164	103,164	-
Ukraine	UAH	at fair value	12,509 [1]	9,955 [1]	9,955 [1]	-
	UAH	at amortized cost	13,512 [1]	11,256 [1]	11,322 [1]	-
	USD	at fair value	3,710	3,645	3,645	-
	USD	at amortized cost	1,518	1,965	2,071	-
Hungary	EUR	at fair value	111,052	115,176	115,176	-
	EUR	at amortized cost	12,642	12,935	13,074	-
	HUF	at fair value	157,196	156,924	156,924	-
	USD	at fair value	7,801	10,718	10,718	-
United States	USD	at fair value	160,062	155,685	155,685	-
Other	EUR/USD	at fair value	63,343	63,526	63,526	-
	EUR	at amortized cost	7,990	8,226	8,297	-
Total			**2,708,907**	**2,764,869**	**2,767,412**	**-**

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

As at 30 September 2015	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Bulgaria	EUR	at fair value	24,715	25,081	25,081	-
	EUR	at amortized cost	10,904	10,943	10,646	-
Croatia	EUR	at amortized cost	14,824	14,852	14,682	-
	USD	at fair value	6,092	8,064	8,064	-
Ireland	EUR	at fair value	6,878	7,093	7,093	-
	EUR	at amortized cost	7,393	7,483	7,672	-
Iceland	USD	at fair value	7,420	10,128	10,128	-
Lithuania	EUR	at fair value	372,067	400,818	400,818	-
	EUR	at amortized cost	122,277	124,487	125,956	-
	USD	at fair value	4,927	6,706	6,706	-
Latvia	EUR	at fair value	55,897	60,131	60,131	-
	EUR	at amortized cost	19,024	19,346	18,658	-
	USD	at fair value	31,236	38,585	38,585	-
Germany	EUR	at fair value	544,172	552,640	552,640	-
Portugal	EUR	at fair value	87,530	89,465	89,465	-
Romania	EUR	at fair value	91,315	100,536	100,536	-
	EUR	at amortized cost	24,745	25,099	25,001	-
	RON	at fair value	78,063	79,424	79,424	-
	USD	at fair value	15,631	21,416	21,416	-
Sri Lanka	USD	at fair value	15,068	14,831	14,831	-
United States	USD	at fair value	35,831	38,046	38,046	-
Turkey	USD	at fair value	99,196	99,242	99,242	-
Ukraine	UAH	at fair value	8,368 [1)]	6,461 [1)]	6,461 [1)]	-
	UAH	at amortized cost	12,688 [1)]	11,542 [1)]	11,683 [1)]	-
	USD	at fair value	3,710	3,514	3,514	-
	USD	at amortized cost	1,518	1,868	2,077	-
Hungary	EUR	at fair value	111,052	113,832	113,832	-
	EUR	at amortized cost	12,592	12,821	12,914	-
	HUF	at fair value	180,420	180,067	180,067	-
	USD	at fair value	7,801	10,056	10,056	-
Other	EUR/USD	at fair value	54,889	56,952	56,952	-
Other	EUR	at amortized cost	7,966	8,170	8,214	-
Total			**2,076,209**	**2,159,699**	**2,160,591**	**-**

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

9.18.6. Debt securities issued by corporations and local government units

As at 30 September 2016	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banks	at fair value	70,081	77,799	77,799	-
	at amortized cost	1,518,434	1,526,051	1,543,344	-
Companies from the WIG-Fuels	at fair value	355,627	365,277	365,277	-
	at amortized cost	700,000	705,925	709,151	-
Companies from the WIG-Chemicals	at fair value	892	889	889	
	at amortized cost	5,838	5,922	6,128	-
Companies from the WIG-Energy	at amortized cost	315,000	318,390	317,257	-
Privately held domestic banks	at amortized cost	20,000	20,510	20,768	-
Mortgage banks	at fair value	41,983	44,179	44,179	-
Foreign banks	at fair value	3,140	3,141	3,141	-
	at amortized cost	70,763	73,713	76,271	1,142
Domestic local governments	at fair value	45,632	53,995	53,995	-
	at amortized cost	50,000	51,676	56,527	-
Companies from the WIG-Raw Materials Index	at fair value	64,800	64,530	64,530	-
	at amortized cost	235,257	192,497	187,354	63,262
Other	at fair value	332,354	300,122	300,122	18,287
	at amortized cost	92,708	92,932	94,405	-
Total		**3,922,509**	**3,897,548**	**3,921,137**	**82,691**

As at 30 June 2016	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banks	at fair value	170,135	184,742	184,742	-
	at amortized cost	1,518,434	1,532,657	1,543,880	-
Companies from the WIG-Fuels	at fair value	377,686	391,573	391,573	-
	at amortized cost	700,000	700,629	705,038	-
Companies from the WIG-Chemicals	at amortized cost	5,838	6,084	6,091	-
Companies from the WIG-Energy	at amortized cost	315,000	316,292	314,775	-
Privately held domestic banks	at amortized cost	20,000	20,244	23,042	-
Mortgage banks	at fair value	41,983	45,263	45,263	-
Foreign banks	at fair value	3,572	3,519	3,519	-
	at amortized cost	71,985	76,931	79,078	1,142
Domestic local governments	at fair value	45,632	56,555	56,555	-
	at amortized cost	50,000	50,858	56,328	-
Companies from the WIG-Raw Materials	at fair value	64,800	64,157	64,157	-
	at amortized cost	240,992	194,684	189,061	65,398
Other	at fair value	331,829	301,582	301,582	18,287
	at amortized cost	92,932	94,704	95,475	-
National Bank of Poland	at fair value	2,099,387	2,100,000	2,100,000	-
Total		**6,150,205**	**6,140,474**	**6,160,159**	**84,827**

As at 31 December 2015	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banks	at fair value	322,868	325,778	325,778	-
	at amortized cost	1,520,556	1,534,875	1,564,538	-
Companies from the WIG-Fuels	at fair value	304,464	309,115	309,115	-
	at amortized cost	700,000	700,686	710,287	-
Companies from the WIG-Chemicals	at amortized cost	5,795	5,857	5,872	-
Companies from the WIG-Energy	at amortized cost	315,000	316,322	312,776	-
Privately held domestic banks	at amortized cost	20,000	20,250	22,132	-
Mortgage banks	at fair value	41,983	43,179	43,179	-
Foreign banks	at fair value	3,710	3,876	3,876	-
	at amortized cost	71,985	73,999	76,542	1,142
Domestic local governments	at fair value	45,632	56,592	56,592	-
	at amortized cost	50,000	52,501	59,467	-
Companies from the WIG-Raw Materials	at fair value	51,200	51,367	51,367	-
	at amortized cost	195,000	151,069	151,139	42,836
Other	at fair value	367,487	342,047	342,047	11,630
	at amortized cost	86,120	87,515	87,466	-
Total		**4,101,800**	**4,075,028**	**4,122,173**	**55,608**

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

9.18.7. Derivatives

Derivatives – assets	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Interest rate derivatives	**691,546**	**799,096**	**891,266**	**512,509**
Instruments carried as cash flow hedging transactions – unlisted instruments, including:	62,131	53,661	139,578	-
- SWAP transactions	62,131	53,661	139,578	-
Instruments carried as held for trading, including:	629,415	745,435	751,688	512,509
Unlisted (OTC) instruments, including:	629,415	745,435	751,688	512,509
- forward contracts	11,292	18,278	22,168	-
- SWAP transactions	597,702	713,288	725,722	512,509
- call options	16,636	9,685	3,798	-
- cap floor options	3,785	4,184	-	-
Foreign exchange derivatives – carried as held for trading	**104,805**	**158,874**	**170,129**	**1,732**
Unlisted (OTC) instruments, including:	104,805	158,874	170,129	1,732
- forward contracts	35,802	60,971	54,620	-
- SWAP transactions	58,268	87,861	106,385	1,732
- call options	10,735	10,042	9,124	-
Derivatives related to equity and commodity prices – carried as held for trading	**17,634**	**17,638**	**51,559**	**26,707**
Listed instruments, including:	59	-	131	7,432
- forward contracts	-	-	-	4,442
- put options	59	-	131	2,990
Unlisted (OTC) instruments, including:	17,575	17,638	51,428	19,275
- call options	17,575	17,638	51,428	19,275
Derivatives – assets, total	**813,985**	**975,608**	**1,112,954**	**540,948**

Derivatives – liabilities	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Interest rate derivatives	**680,043**	**807,788**	**846,515**	**640,390**
Instruments carried as held for trading, including:	680,043	807,788	846,515	640,390
Listed instruments, including:	11,008	16,462	20,362	19,900
- forward contracts	11,008	16,462	20,362	19,900
Unlisted (OTC) instruments, including:	669,035	791,326	826,153	620,490
- forward contracts	10,254	17,002	19,905	-
- SWAP transactions	638,357	760,449	802,450	620,490
- put options	16,636	9,683	3,798	-
- cap floor options	3,788	4,192	-	-
Foreign exchange derivatives – carried as held for trading	**62,551**	**119,600**	**63,213**	**23,589**
Unlisted (OTC) instruments, including:	62,551	119,600	63,213	23,589
- forward contracts	9,123	14,702	7,747	4,661
- SWAP transactions	42,673	94,794	46,339	18,928
- put options	10,755	10,104	9,127	-
Derivatives related to equity and commodity prices – carried as held for trading	**-**	**-**	**30,756**	**-**
Unlisted (OTC) instruments, including:	-	-	30,756	-
- put options	-	-	30,756	-
Derivatives – liabilities, total	**742,594**	**927,388**	**940,484**	**663,979**

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

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

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

Information on changes to the classification of financial assets is presented in item 9.18.

9.19 Fair value

9.19.1. Description of valuation techniques

9.19.1.1. Debt securities

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

The fair value of loans and debt securities for which an active market does not exist is measured using the discounted cash flow method. Discount rates are determined on the basis of the yield curve for government bonds adjusted by the credit spread. It is calculated as at the issue date based on the issue price and leads to parallel shifting of the yield curve for government bonds by a fixed amount along its whole length or as the difference between the yield of listed debt securities of issuers with a similar rating operating in similar industries and the yield of government bonds (German government bonds for bonds denominated in EUR) multiplied by a ratio determined as at the issue date, taking into account issuer-specific risk in the discount curve.

9.19.1.2. Equity-based financial assets

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

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

9.19.1.3. Derivatives

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

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

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

9.19.1.4. Loan receivables from clients

The fair value of receivables from clients (excluding current account overdraft) is determined by comparing the margins earned on newly granted loans (in the month preceding the date as at which the consolidated financial statements are prepared) with the margins in the whole loan portfolio. If the margins earned on newly granted loans are higher than the margins in the existing portfolio the fair value of the loan portfolio is lower than its carrying amount.

Loan receivables from clients have been classified in full to level 3 of the fair value hierarchy due to the use of a valuation model with material unobserved input data, i.e. current margins earned on newly granted loans.

9.19.1.5. Financial liabilities

Liabilities under deposits

Due to the fact that deposits are accepted under current operations on a daily basis, hence their terms are similar to the current market terms for identical transactions, and the time to maturity for such loans is short, it is deemed that for liabilities to clients with maturities up to 1 year the fair value does not significantly deviate from the carrying amount.

Liabilities on the issue of own debt securities and subordinated debt

The fair value of liabilities on the issue of own debt securities, including subordinated debt, is determined as the present value of expected payments on the basis of present interest curves and the present credit spread.

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

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

Liabilities to members of consolidated mutual funds

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

9.19.2. Fair value hierarchy

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

- Level I – assets and liabilities measured based on listed prices (unadjusted) from active markets for identical assets and liabilities. This level includes:
  - liquid listed debt securities;
  - listed shares and investment certificates;
  - listed derivatives;
- Level II – assets and liabilities whose measurement is based on input data other than listed prices included within level I, which can be observed on the market, either directly (as prices) or indirectly (derived from prices). This level includes:
  - listed debt securities carried on the basis of the valuations published by an authorized information service;
  - derivatives other than those listed on stock exchanges;
  - participation units in mutual funds;
  - liabilities to members of consolidated mutual funds;
  - investment contracts for the client's account and risk.
- Level III – assets measured based on input data unobserved on the existing markets (unobservable input data). This level includes:
  - unlisted debt securities and non-liquid listed debt securities (including non-treasury debt securities issued by financial entities, local government and non-financial entities), measured using models based on discounted cash flows;
  - loan receivables from clients and liabilities to clients under deposits;
  - options embedded in deposit certificates issued by Alior Bank and options concluded in the interbank market to hedge embedded option positions.

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

The valuation of illiquid bonds and loans classified as level III is significantly impacted by the historical spreads observed in bonds of all series of the same issuer with similar characteristics as the series being measured and in the loans of the same borrower or borrower from the same segment as the loan being measured. These spreads are observed on the dates of issue of new bond series, dates of conclusion of new loan agreements and dates of market transactions on the receivables following from such bonds and loans. Increases of observed historical spreads cause decrease of the fair value and decreases of the spreads lead to higher valuations.

Assets and liabilities measured at fair value as at 30 September 2016	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	7,261,206	337,204	661,195	8,259,605
Equity instruments	129,212	255,086	-	384,298
Debt securities	7,131,994	82,118	661,195	7,875,307
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	12,580,840	2,446,092	83,453	15,110,385
Equity instruments	2,581,431	79,331	56,457	2,717,219
Debt securities	9,999,409	2,366,761	26,996	12,393,166
Financial instruments measured at fair value through profit or loss – held for trading	2,148,248	5,343,221	160,377	7,651,846
Equity instruments	847,342	3,036,042	-	3,883,384
Debt securities	1,295,574	1,595,572	125,462	3,016,608
Derivatives	5,332	711,607	34,915	751,854
Hedge derivatives	-	62,131	-	62,131
Liabilities				
Derivatives	18,140	706,903	17,551	742,594
Liabilities to members of consolidated mutual funds	-	1,390,350	-	1,390,350
Investment contracts for the client's account and risk (*unit-linked*)	-	334,863	-	334,863

Assets and liabilities measured at fair value as at 30 June 2016	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	7,654,872	2,660,030	712,739	11,027,641
Equity instruments	141,644	348,552	-	490,196
Debt securities	7,513,228	2,311,478	712,739	10,537,445
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	12,027,183	803,540	85,083	12,915,806
Equity instruments	2,385,714	87,608	56,806	2,530,128
Debt securities	9,641,469	715,932	28,277	10,385,678
Financial instruments measured at fair value through profit or loss – held for trading	2,361,787	5,372,112	129,232	7,863,131
Equity instruments	955,655	2,797,357	-	3,753,012
Debt securities	1,394,891	1,691,372	101,909	3,188,172
Derivatives	11,241	883,383	27,323	921,947
Hedge derivatives	-	53,661	-	53,661
Liabilities				
Derivatives	26,622	891,083	9,683	927,388
Liabilities to members of consolidated mutual funds	-	715,530	-	715,530
Investment contracts for the client's account and risk (*unit-linked*)	-	345,557	-	345,557

Assets and liabilities measured at fair value as at 31 December 2015 (restated data) [1)]	Level I	Level II	Level III	Total
Assets				
Financial assets available for sale	6,687,993	386,534	653,446	7,727,973
Equity instruments	195,689	386,534	-	582,223
Debt securities	6,492,304	-	653,446	7,145,750
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	13,107,367	84,228	53,865	13,245,460
Equity instruments	2,274,757	84,228	25,569	2,384,554
Debt securities	10,832,610	-	28,296	10,860,906
Financial instruments measured at fair value through profit or loss – held for trading	3,341,659	3,932,374	128,910	7,402,943
Equity instruments	1,053,043	3,024,161	-	4,077,204
Debt securities	2,278,680	-	73,683	2,352,363
Derivatives	9,936	908,213	55,227	973,376
Hedge derivatives	-	139,578	-	139,578
Liabilities				
Derivatives	36,078	869,851	34,555	940,484
Liabilities to members of consolidated mutual funds	-	656,449	-	656,449
Investment contracts for the client's account and risk (*unit-linked*)	-	392,914	-	392,914

[1)] Change described in item 9.19.4.

Assets and liabilities measured at fair value as at 30 September 2015 (restated data) [1)]	Level I	Level II	Level III	Total
Assets				
Financial assets available for sale	2,858,884	373,457	298,959	3,531,300
Equity instruments	360,989	373,457	-	734,446
Debt securities	2,497,895	-	298,959	2,796,854
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	13,572,677	41,026	53,410	13,667,113
Equity instruments	2,584,980	41,026	25,432	2,651,438
Debt securities	10,987,697	-	27,978	11,015,675
Financial instruments measured at fair value through profit or loss – held for trading	2,893,553	3,494,474	93,128	6,481,155
Equity instruments	1,106,496	2,980,233	-	4,086,729
Debt securities	1,779,625	-	73,853	1,853,478
Derivatives	7,432	514,241	19,275	540,948
Liabilities				
Derivatives	19,900	644,079	-	663,979
Liabilities to members of consolidated mutual funds	-	651,441	-	651,441
Investment contracts for the client's account and risk (*unit-linked*)	-	420,759	-	420,759

[1)] Change described in item 9.19.4.

Assets and liabilities measured at fair value as at 30 September 2016	Level I	Level II	Level III	Total
Assets				
Entities measured by the equity method – EMC	45,129	-	-	45,129
Financial assets held to maturity	15,804,174	883,635	2,841,105	19,528,914
Borrowings				
Debt securities	-	2,323	2,778,854	2,781,177
Loan receivables from clients	-	-	34,006,811	34,006,811
Borrowings	-	-	1,634,757	1,634,757
Liabilities				
Liabilities to banks	-	218,672	132,386	351,058
Amounts payable to clients	-	-	37,289,094	37,289,094
Liabilities on the issue of own debt securities	-	-	3,667,404	3,667,404
Subordinated debt (Alior Bank)	-	-	1,026,701	1,026,701

Assets and liabilities measured at fair value as at 30 June 2016	Level I	Level II	Level III	Total
Assets				
Entities measured by the equity method – EMC	45,092	-	-	45,092
Financial assets held to maturity	16,532,952	503,172	2,828,633	19,864,757
Borrowings				
Debt securities	-	6,038	2,777,852	2,783,890
Loan receivables from clients	-	-	33,055,953	33,055,953
Borrowings	-	-	1,664,024	1,664,024
Liabilities				
Liabilities to banks	-	420,932	162,808	583,740
Amounts payable to clients	-	-	37,919,249	37,919,249
Liabilities on the issue of own debt securities	-	-	3,748,995	3,748,995
Subordinated debt (Alior Bank)	-	-	1,027,733	1,027,733

Assets and liabilities measured at fair value as at 31 December 2015 (restated data) [1)]	Level I	Level II	Level III	Total
Assets				
Entities measured by the equity method – EMC	55,283	-	-	55,283
Financial assets held to maturity	17,069,280	-	2,751,050	19,820,330
Borrowings				
Debt securities	-	7,045	2,761,240	2,768,285
Loan receivables from clients	-	-	30,254,351	30,254,351
Borrowings	-	-	1,926,664	1,926,664
Liabilities				
Liabilities to banks	-	475,809	124,831	600,640
Amounts payable to clients	-	-	33,665,013	33,665,013
Liabilities on the issue of own debt securities	-	-	3,573,225	3,573,225
Subordinated debt (Alior Bank)	-	-	758,560	758,560

[1)] Change described in item 9.19.4.

Assets and liabilities measured at fair value as at 30 September 2015 (restated data) [1]	Level I	Level II	Level III	Total
Assets				
Entities measured by the equity method – EMC	56,299	-	-	56,299
Financial assets held to maturity	19,967,797	-	2,833,864	22,801,661
Borrowings				
Debt securities	-	7,425	2,860,456	2,867,881
Borrowings	-	-	1,800,732	1,800,732
Liabilities				
Liabilities to banks	-	-	122,540	122,540
Liabilities on the issue of own debt securities	-	-	2,129,950	2,129,950

[1] Change described in item 9.19.4.

9.19.3. Shifts between different levels of the fair value hierarchy

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

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

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

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

As at 30 June 2016 some financial assets whose fair value as at the transfer date was PLN 2,600,261 thousand were transferred from Level I to Level II. Information on the reasons for the transfer is presented in item 9.19.4.

As at 30 September 2016 one bond classified as belonging to the portfolio consisting of assets available for sale with a carrying amount of PLN 46,052 thousand was transferred from Tier III to Tier I in connection with the emergence of quotations on an active market.

In 2015, there were no significant transfers between Levels I and II (between Levels II and I, respectively).

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

To reflect the fair value more precisely and more faithfully, as of 30 June 2016, for some financial assets (primarily debt financial instruments listed in foreign markets), the fair value is determined on the basis of the valuations published by an authorized information service rather than on the basis of quotations from the interbank market, as previously. The change of the source of valuation makes it possible to take into account, in estimation of the fair value, a broader range of information on the transactions and offers from multiple markets where the respective financial instrument is quoted than in the case of estimation of the fair value on the basis of the price from the interbank market. The assets for which the source of valuation has changed have been reclassified from Tier I to Tier II fair value.

As a result of review of the models used to determine the fair value using discounted cash flows, the PZU Group has decided to classify the instruments measured using these models to Level III fair value, rather than to Level II, as previously. The data for the comparable period have been restated accordingly.

In 2015, there were no changes in the fair value measurement method for financial instruments measured at fair value which would be of material significance for the condensed interim consolidated financial statements.

9.20 Receivables, including receivables due under insurance contracts

Receivables, including receivables due under insurance contracts – carrying amount	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Receivables on direct insurance, including:	2,002,176	2,063,816	1,768,263	1,670,311
- receivables from policyholders	1,813,561	1,803,437	1,564,151	1,506,173
- receivables from insurance intermediaries	164,756	173,240	178,813	135,528
- other receivables	23,859	87,139	25,299	28,610
Reinsurance receivables	64,574	88,168	49,023	41,872
Other receivables	4,535,300	4,603,206	1,453,507	1,377,814
Receivables, including receivables due under insurance contracts (net)	**6,602,050**	**6,755,190**	**3,270,793**	**3,089,997**

As at 30 September 2016, 30 June 2016, 31 December 2015 and 30 September 2015, the fair value of receivables did not differ significantly from their carrying amount, primarily due to their short-term nature and the policy of creating impairment losses.

9.20.1. Other receivables

Other receivables	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Receivables from the state budget, other than income tax receivables from legal persons	43,028	49,702	45,441	32,329
Receivables under payment card settlements	82,773	89,097	148,690	-
Prevention-related settlements	38,969	44,857	62,111	59,295
Receivables for acting as an emergency adjuster	11,065	10,387	9,663	9,690
Receivables from transactions on securities and security deposits	4,024,859	4,067,644	782,735	1,019,831
Trade receivables	183,452	205,746	269,637	150,584
Receivables from direct claims handling on behalf of other insurance undertakings	45,094	44,885	40,414	35,032
Receivables from banks	14,485	15,925	26,287	-
Other	91,575	74,963	68,529	71,053
Other receivables, total	**4,535,300**	**4,603,206**	**1,453,507**	**1,377,814**

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

9.21 Impairment of financial assets and receivables

Movement in impairment charges for financial assets in the period of 1 January – 30 September 2016	Impairment charges at the beginning of the period	Creation of impairment charges recognized in the profit and loss account	Reversal of impairment charges recognized in the profit and loss account	De-recognition of impairment charges from accounting ledgers (sale, writing down etc.)	Foreign exchange differences	Impairment charges at the end of the period
Available for sale financial assets	**45,900**	**6,977**	**-**	**-**	**(62)**	**52,815**
Equity instruments	45,900	2	-	-	(62)	45,840
Debt instruments	-	6,975	-	-	-	6,975
Financial assets held to maturity	**1,236**	**-**	**-**	**-**	**14**	**1,250**
Debt instruments	1,236	-	-	-	14	1,250
Borrowings	**76,526**	**546,803**	**-**	**(24,469)**	**(74)**	**598,786**
Debt securities	42,837	22,561	-	(2,136)	-	63,262
Loan receivables from clients	-	524,242	-	(3,975)	-	520,267
Term deposits in credit institutions	892	-	-	-	(74)	818
Borrowings	32,797	-	-	(18,358)	-	14,439
Receivables, including receivables due under insurance contracts	**588,356**	**78,299**	**(32,041)**	**(3,406)**	**(323)**	**630,885**
Receivables on direct insurance	562,224	73,794	(28,565)	(2,992)	(247)	604,214
Reinsurance receivables	6,248	2,070	(2,187)	-	(2)	6,129
Other receivables	19,884	2,435	(1,289)	(414)	(74)	20,542
Reinsurers' share in technical provisions	**10,793**	**23,871**	**(8,031)**	**-**	**-**	**26,633**
Cash and cash equivalents	**1,308**	**-**	**-**	**-**	**(108)**	**1,200**
Total	**724,119**	**655,950**	**(40,072)**	**(27,875)**	**(553)**	**1,311,569**

Movement in impairment charges for financial assets in the year ended 31 December 2015	Impairment charges at the beginning of the period	Creation of impairment charges recognized in the profit and loss account	Reversal of impairment charges recognized in the profit and loss account	De-recognition of impairment charges from accounting ledgers (sale, writing down etc.)	Foreign exchange differences	Other changes in impairment charges	Impairment charges at the end of the period
Available for sale financial assets	**158,163**	**-**	**-**	**(111,972)**	**(291)**	**-**	**45,900**
Equity instruments	158,163	-	-	(111,972)	(291)	-	45,900
Financial assets held to maturity	**1,235**	**-**	**-**	**-**	**1**	**-**	**1,236**
Debt instruments	1,235	-	-	-	1	-	1,236
Borrowings	**25,020**	**51,644**	**-**	**(64)**	**(74)**	**-**	**76,526**
Debt securities	10,144	32,693	-	-	-	-	42,837
Term deposits in credit institutions	-	947	-	-	(55)	-	892
Borrowings	14,876	18,004	-	(64)	(19)	-	32,797
Receivables, including receivables due under insurance contracts	**593,647**	**109,679**	**(110,651)**	**(3,337)**	**(1,517)**	**535**	**588,356**
Receivables on direct insurance	565,901	105,007	(105,951)	(1,626)	(1,233)	126	562,224
Reinsurance receivables	5,021	3,059	(4,039)	-	-	2,207	6,248
Other receivables	22,725	1,613	(661)	(1,711)	(284)	(1,798)	19,884
Reinsurers' share in technical provisions	**17,531**	**8,531**	**(15,269)**	**-**	**-**	**-**	**10,793**
Cash and cash equivalents	**-**	**1,389**	**-**	**-**	**(81)**	**-**	**1,308**
Total	**795,596**	**171,243**	**(125,920)**	**(115,373)**	**(1,962)**	**535**	**724,119**

As at the date of consolidation of the Alior Bank Group, Alior Bank's loan receivables from clients were carried at fair value and consequently as at 31 December 2015, there were no impairment charges for these assets.

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

9.22 Assets held for sale

Assets held for sale before reclassification	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Property, plant and equipment	39,251	42,767	44,221	38,913
Investment properties	874,808	1,419,130	1,461,827	797,175
Total assets held for sale	**914,059**	**1,461,897**	**1,506,048**	**836,088**

As at 30 September 2016, 30 June 2016, 31 December 2015 and 30 September 2015, the "Investment properties" line item presented primarily real estate held for sale by real estate mutual funds on account of reaching the anticipated investment horizon (in the amount of PLN 802,364 thousand, PLN 1,337,490 thousand, PLN 1,345,100 thousand and PLN 708,974 thousand, respectively).

The decrease of the value of investment properties held for sale in Q3 2016 resulted from change of the PZU Group's investment plans and resignation from the sale of some of the real properties. Consequently, real properties worth PLN 535,306 thousand were moved from assets held for sale and as at 30 September 2016 shown as investment properties.

9.23 Technical provisions

Technical provisions	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Technical provisions in non-life insurance	**19,829,761**	**19,804,431**	**19,278,600**	**19,046,343**
Provision for unearned premiums	6,348,872	6,409,539	5,642,997	5,193,077
Provision for unexpired risk	71,525	141,758	119,183	35,310
Provisions for outstanding claims	7,732,683	7,514,393	7,706,360	7,647,316
Provision for capitalized value of annuities	5,675,029	5,736,260	5,807,892	6,168,749
Provisions for bonuses and discounts for insureds	1,652	2,481	2,168	1,891
Technical provisions in life insurance	**22,043,578**	**21,897,286**	**22,001,721**	**21,968,856**
Provision for unearned premiums	89,732	91,725	93,816	92,285
Provision for life insurance	16,179,506	16,171,767	16,221,886	16,235,875
Provisions for outstanding claims	573,771	564,372	557,680	546,244
Provisions for bonuses and discounts for insureds	939	759	494	216
Other technical provisions	358,023	365,912	383,888	410,975
Technical provisions for life insurance if the policyholder bears the investment risk	4,841,607	4,702,751	4,743,957	4,683,261
Technical provisions, total	**41,873,339**	**41,701,717**	**41,280,321**	**41,015,199**

9.24 Other provisions

Movement in other provisions in the period 1 January - 30 September 2016	Balance at the beginning of the period	Increase	Utilization	Dissolution	Foreign exchange differences	Balance at the end of the period
Provisions for restructuring expenses	2,777	-	(1,805)	(213)	-	759
Provision for disputed claims and potential liabilities	4,056	1,128	(29)	(308)	(340)	4,507
Provision for the Office of Competition and Consumer Protection penalties [1)]	57,880	-	-	-	-	57,880
Provision for the costs of closing the Graphtalk project	5,614	258	-	-	-	5,872
Provision for PTE's reimbursement of undue commissions to the (ZUS)	9,092	-	(2)	-	-	9,090
Other	28,690	16,693	(4,875)	(16,045)	109	24,572
Other provisions, total	**108,109**	**18,079**	**(6,711)**	**(16,566)**	**(231)**	**102,680**

Movement in other provisions in the year ended 31 December 2015	Balance at the beginning of the period	Increase	Utilization	Dissolution	Business combinations	Foreign exchange differences	Balance at the end of the period
Provisions for restructuring expenses	9,354	3,760	(6,604)	(3,733)	-	-	2,777
Provision for disputed claims and potential liabilities	781	56	-	-	3,219	-	4,056
Provision for the Office of Competition and Consumer Protection penalties[1)]	119,551	3	(50,384)	(11,290)	-	-	57,880
Provision for the costs of closing the Graphtalk project	22,668	338	(17,392)	-	-	-	5,614
Provision for PTE's reimbursement of undue commissions to the (ZUS)	7,234	1,881	(23)	-	-	-	9,092
Other	31,618	15,409	(16,020)	(9,310)	7,106	(113)	28,690
Other provisions, total	**191,206**	**21,447**	**(90,423)**	**(24,333)**	**10,325**	**(113)**	**108,109**

Movement in other provisions in the period 1 January – 30 September 2015	Balance at the beginning of the period	Increase	Utilization	Dissolution	Business combinations	Foreign exchange differences	Balance at the end of the period
Provisions for restructuring expenses	9,354	2,789	(4,431)	(859)	-	-	6,853
Provision for disputed claims and potential liabilities under executed insurance contracts	781	36	-	-	-	-	817
Provision for penalties imposed by the Office of Competition and Consumer Protection [1)]	119,551	3	(50,384)	(11,290)	-	-	57,880
Provision for the costs of closing the Graphtalk project	22,668	-	(17,392)	-	-	-	5,276
Provision for PTE's reimbursement of undue commissions to the (ZUS)	7,234	-	-	-	-	-	7,234
Other	31,618	12,986	(7,056)	(4,284)	1,594	(96)	34,762
Other provisions, total	**191,206**	**15,814**	**(79,263)**	**(16,433)**	**1,594**	**(96)**	**112,822**

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

9.25 Financial liabilities

Financial liabilities	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Financial liabilities carried at fair value	**3,074,065**	**2,537,042**	**2,196,473**	**1,800,711**
Derivative instruments held for trading	742,594	927,388	940,484	663,979
Liabilities for borrowings	606,258	548,567	206,626	64,532
Investment contracts for the client's account and risk (*unit-linked*)	334,863	345,557	392,914	420,759
Liabilities to members of consolidated mutual funds	1,390,350	715,530	656,449	651,441
Financial liabilities measured at amortized cost	**44,029,716**	**44,661,412**	**42,497,976**	**6,590,291**
Liabilities to banks	350,580	583,157	600,298	122,540
Current deposits	-	11,011	11,012	-
Overnight deposits	-	200,008	30,701	-
Term deposits	73,309	47,775	197,826	-
Issue of bank securities (Alior Bank)	20,152	20,002	32,666	-
Received loans	132,471	162,958	124,780	122,540
Other liabilities	124,648	141,403	203,313	-
Amounts payable to clients	37,286,816	37,912,227	33,655,744	-
Current deposits	15,310,456	13,946,775	12,475,022	-
Term deposits	19,111,395	21,259,397	18,529,163	-
Issue of bank securities (Alior Bank)	2,565,556	2,338,098	2,259,230	-
Other liabilities	299,409	367,957	392,329	-
Liabilities on the issue of own debt securities (PZU)	3,572,817	3,702,001	3,536,546	2,111,251
Subordinated debt (Alior Bank)	1,026,701	1,027,733	758,560	-
Liabilities due to sell-buy-back transactions	1,710,817	1,331,871	3,794,306	4,135,582
Investment contracts with guaranteed and fixed terms and conditions	81,985	104,423	152,522	220,912
Other	-	-	-	6
Total financial liabilities	**47,103,781**	**47,198,454**	**44,694,449**	**8,391,002**

9.25.1. Subordinated debt

The entire subordinated debt balance pertains to liabilities incurred by Alior Bank.

	Par value	Interest rate	Issue / receipt of loan date	Maturity / loan repayment date
Liabilities included in own funds				
Subordinated loan (EUR 000s)	10,000	EURIBOR 3M + margin	12 October 2011	12 October 2019
Series F bonds (PLN 000s)	321,700	WIBOR 6M+ margin	26 September 2014	26 September 2024
Series G bonds (PLN 000s)	192,950	WIBOR 6M + margin	31 March 2015	31 March 2021
Series I bonds (PLN 000s)	183,350	WIBOR 6M+ margin	4 December 2015	6 December 2021
Meritum Bank bonds (PLN 000s)	67,200	WIBOR 6M+ margin	29 April 2013	29 April 2021
Meritum Bank bonds (PLN 000s)	80,000	WIBOR 6M+ margin	21 October 2014	21 October 2022
Series EUR001 bonds (EUR 000s)	10,000	LIBOR 6M+ margin	4 February 2016	4 February 2022
Series P1A bonds (PLN 000s)	150,000	WIBOR 6M+ margin	27 April 2016	16 May 2022
Series P1B bonds (PLN 000s)	70,000	WIBOR 6M+ margin	29 April 2016	16 May 2024

Subordinated debt, carrying amount	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Liabilities included in own funds	**1,026,701**	**1,027,733**	**758,560**	**-**
Subordinated loan	43,304	44,442	42,818	-
Series F bonds	221,865	224,595	224,633	-
Series G bonds	192,977	195,499	195,555	-
Series I bonds	115,584	114,125	114,145	-
I1 series bonds	33,903	33,476	33,482	-
Meritum Bank bonds	150,472	147,972	147,927	-
EUR001 series bonds	43,531	45,332	-	-
P1A series bonds	153,500	151,609	-	-
P1B series bonds	71,565	70,683	-	-
Subordinated debt	**1,026,701**	**1,027,733**	**758,560**	**-**

The lower carrying amount of subordinated debt in relation to the par value presented above results from the fact that some of the bonds issued by Alior Bank have been taken up by consolidated mutual funds and are subject to elimination in consolidation.

9.25.2. Liabilities on the issue of own debt securities

	Par value (EUR 000s)	Interest rate	Issue date	Redemption date
PZU Finance AB bonds (publ.)	850,000	1.375%	3 July 2014 16 October 2015	3 July 2019

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

9.26 Other liabilities

Other liabilities	**30 September 2016**	**30 June 2016**	**31 December 2015**	**30 September 2015**
Costs to be remitted	**861,938**	**943,769**	**1,008,246**	**544,602**
Posted expenses of agency commissions	269,613	287,585	272,153	246,800
Posted payroll expenses	137,042	132,582	114,245	92,031
Posted reinsurance expenses	280,269	313,766	412,227	108,718
Posted employee bonuses	49,096	66,429	86,283	39,630
Other	125,918	143,407	123,338	57,423
Revenues charged in advance	**139,700**	**139,799**	**116,682**	**62,228**
Other liabilities	**5,776,543**	**6,508,566**	**2,375,805**	**4,474,885**
Liabilities on direct insurance	791,205	778,602	696,166	683,862
Reinsurance liabilities	99,210	149,194	96,718	105,534
Liabilities to the state budget other than for income tax	58,139	59,063	34,576	34,230
Regulatory settlements:	66,535	58,721	51,538	27,136
Liabilities to employees	7,358	7,443	9,110	8,883
Insurance Guarantee Fund	14,672	14,036	11,247	11,599
Liabilities due under transactions on financial instruments	2,259,695	2,961,796	365,614	765,429
Liabilities on the purchase of the third tranche of Alior Bank's shares	-	-	341,709	-
Liabilities to PZU shareholders for dividends	1,799,110	1,799,110	2,982	2,593,535
Trade payables	98,422	86,191	122,078	104,751
Estimated non-insurance liabilities	83,372	89,499	175,786	79,013
Liabilities to banks on account of payment documents settled in interbank settlement systems	228,536	261,127	183,574	-
Estimate fee refunds in connection with withdrawals or terminations, by Alior Bank's clients, of insurance policies concluded at the sale of credit products	84,526	81,086	94,045	-
Alior Bank's liabilities on account of insurance of bank products offered to the bank's clients	34,713	27,027	66,941	-
Liabilities on account of direct claims handling	11,894	9,647	11,113	-
Liabilities on account of leases concluded not on an arm's length basis	21,796	24,314	29,348	-
Other	117,360	101,710	83,260	60,913
Other liabilities, total	**6,778,181**	**7,592,134**	**3,500,733**	**5,081,715**

10. Contingent assets and liabilities

Contingent assets and liabilities	**30 September 2016**	**30 June 2016**	**31 December 2015**	**30 September 2015**
Contingent assets	44,799	56,759	33,126	32,410
- guarantees and sureties received	44,799	56,759	33,126	32,410
Contingent Liabilities	11,526,279	10,389,452	10,081,994	725,681
- on account of revolving personal account (ROR) and credit card account limits	8,959,761	7,758,678	7,371,753	-
- guarantees and sureties given	1,292,254	1,454,428	1,576,178	7,033
- disputed insurance claims	505,797	500,783	389,854	300,533
- other disputed claims	213,381	202,167	211,282	211,610
- other, including:	555,086	473,396	532,927	206,505
- liabilities for tranches of borrowings not used by borrowers up to the balance sheet date	497,447	408,505	472,988	149,808
- potential liabilities under loan agreements concluded by the Armatura Group	29,191	25,861	31,478	30,479

11. Commentary to the condensed interim consolidated financial statements

In the period of 9 months ended 30 September 2016, gross written premium was PLN 14,706,299 thousand compared to PLN 13,461,279 thousand in the corresponding period of the previous year (+9.2%). The increase in sales applied above all to the following:

- motor insurance in the mass client segment (PLN +946,130 thousand) mainly due to the higher average premium and number of insurance policies;
- motor insurance in the corporate client segment (PLN +245,782 thousand) due to the higher average premium and number of insurance policies, and catastrophic insurance;
- regular premium in the group and individually continued insurance segment (PLN +68,113 thousand), mainly as a result of expanding protection group insurance (higher average premium and more insureds) and collecting premiums in group health insurance (new clients in ambulatory insurance and sales of medicine plans).

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

- individual unit-linked products in the bancassurance channel;
- foreign companies, decrease of collected premium compared to 2015 by PLN 7,519 thousand, in connection with divestment of PZU Lithuania in September 2015, partially compensated thanks to increase of sales in other Baltic States.

Investment income (including investment contracts i.e. contracts that involve no material insurance risk) in the period of 3 quarters of 2016 and 3 quarters of 2015 were PLN 2,702,906 thousand and PLN 1,410,103 thousand, respectively, increasing due to investment income generated on banking activity - the commencement of consolidating Alior Bank. Net of banking activity, the level of investment income was lower than in the corresponding period of the previous year, mainly as a consequence of the lower valuation of the stake in the Azoty Group from the long-term assets portfolio. This impact was partially compensated by higher valuation of interest-bearing financial instruments (improved situation on the debt market and a higher level of assets in the portfolio).

Net claims and benefits (including the movement in technical provisions) reached PLN 9,771,296 thousand and were 7.6% more than in the corresponding period of the previous year. The following factors contributed to the increase in the category of net claims and benefits:

- the growth in claims and benefits in the group of insurance for other physical losses in the mass client segment, chiefly including insurance for subsidized crop insurance as an effect of the occurrence of numerous losses caused by the forces of nature (negative effects of winter survival);
- higher claims and benefits in motor TPL insurance in the mass client segment, mainly as a result of the rising frequency of claims and higher level of provisions for claims and benefits for current year policies;
- the slower rate of conversion of long-term contracts into annual renewable contracts in type P group insurance and higher level of paid claims as a result of increase of the portfolio of this type of agreements.

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

- lower level of claims in third party liability insurance and in accident insurance in the mass client segment;
- in life insurance, lower subscriptions for a structured product in the dedicated channel.

In the 3 quarters of 2016 acquisition expenses rose by PLN 176,402 thousand (+10.1%) compared to the corresponding period of the previous year. This increase was caused in particular by higher sales in the mass client and corporate client segments.

The Group's administrative expenses after the 3 quarters of 2016 were at PLN 1,884,111 thousand, compared to PLN 1,194,004 thousand, 57.8% up, in the corresponding period of the previous year. The increase in administrative expenses was chiefly driven by commencing the consolidation of Alior Bank; the PZU Group's expenses rose by PLN 757,735 thousand as a result. At the same time, a positive effect was recorded in comparison to last year in the insurance activity segments in Poland in connection with maintaining cost discipline – a drop in administrative expenses by PLN 23,768 thousand and in the Baltic States and Ukraine (down by PLN 27,712 thousand) driven primarily by the divestment in PZU Lithuania in H2 2015.

In the 3 quarters of 2016 the balance of other operating income and costs was negative and stood at PLN 764,767 thousand, compared to the negative balance of PLN 331,052 thousand in 2015. The following factors had an impact on this result:

- inclusion of Alior Bank in the PZU Group's results;
- introduction of the tax on financial institutions – PZU Group's burden (jointly in insurance and banking activity) in the 3 quarters of 2016 was PLN 278,543 thousand;
- inclusion of the costs of amortization of intangible assets identified as a result of the Alior Bank equity purchase transaction in the amount of PLN 34,185 thousand.

The above factors were partially compensated by lower, by PLN 108,481 thousand, costs of amortization of intangible assets identified as a result of acquisitions of insurance and medical companies.

Interest expenses in the first 3 quarters of 2016 stood at PLN 574,855 thousand and were PLN 489,581 thousand higher than in the corresponding period of last year. The increase pertained mainly to interest on deposits, debt securities and hedging derivative instruments in banking activity.

The operating profit after the first 3 quarters of 2016 was PLN 1,959,942 thousand, down by PLN 319,904 thousand (-14.0%) compared to the corresponding period of the previous year. This movement resulted in particular from:

- downward movement in profitability in the mass insurance segment compared to the corresponding period of 2015 (PLN -155,769 thousand) – higher loss ratio in agricultural insurance as a consequence of the occurrence of numerous claims caused by the forces of nature (negative effects of winter survival) – the non-recurring effect in agricultural insurance means that claims were higher than the average for the last 3 years by PLN 236,921 thousand;
- lower investment income (excluding banking activity) was associated with the lower valuation of the stake in the Azoty Group from the long-term assets portfolio;
- the decrease in profitability of group and individually continued insurance (PLN -26,908 thousand) was associated mainly with the lower effect of conversion of long-term policies into yearly renewable term agreements in type P group insurance (impact on the decrease in the segment's results of PLN -36,503 thousand y/y);
- higher profitability in the corporate insurance segment (PLN +57,665 thousand) – effect of the decrease of net claims and benefits with increasing net premium earned;
- commencing consolidation of Alior Bank in December 2015. The operating profit after the first 3 quarters of 2016 was PLN 334,651 thousand.

The net profit fell in comparison to the first 3 quarters of 2015 by PLN 324,369 thousand (-17.7%) to PLN 1,508,024 thousand. The net profit attributable to parent company shareholders was PLN 1,308,531 thousand, compared to PLN 1,832,495 thousand in 2015 (down 28.6%).

IFRS-compliant consolidated equity as at 3 September 2016 was PLN 16,267,794 thousand compared to PLN 12,369,710 thousand as at 30 September 2015. The growth in consolidated equity pertained to non-controlling interests, that in connection with the consolidation of Alior Bank among others totaled PLN 3,891,071 thousand. Return on equity (ROE[2]) attributable to the parent company for the period from 1 January 2016 to 30 September 2016 was 13.8%, 5.3 p.p. lower than in the corresponding period of the previous year. In comparison with consolidated equity as at 31 December 2015, equity increased by PLN 1,150,007 thousand (+7.6%). The change in consolidated equity pertained mainly to non-controlling interests, that in connection with the issue of shares by Alior Bank in H1 2015 rose by 77.3% compared to the end of 2015. Equity attributable to the parent company's shareholders dropped by PLN 546,996 thousand compared to the year before – effect of distribution of the profit for 2015, including allocation of PLN 1,796,128 thousand for dividend, partially compensated by the result generated in the first 3 quarters of 2016.

[2] Annualized ratio.

Total equity and liabilities as at 30 September 2016 increased compared to 31 December 2015 by PLN 7,516,686 thousand to PLN 112,913,923 thousand, mainly as a result of unsettled transactions on financial instruments, higher balance of term and current deposits in banking activity, commencing consolidation of additional mutual funds and liabilities to shareholders on account of dividend payments. The aforementioned effects were partially compensated by lower level of concluded sell-buy-back transactions.

The investment portfolio[3] as at 30 September 2016 and 31 December 2015 was PLN 56,908,637 thousand and PLN 55,411,163 thousand, respectively. The increase by PLN 1,497,474 thousand was associated mainly with the higher level of concluded sell-buy-back transactions. Loan receivables as at 30 September 2016 were PLN 34,501,173 thousand compared to PLN 30,254,351 thousand as at 31 September 2015.

The value of technical provisions as at the end of Q3 2016 was PLN 41,873,339 thousand and accounted for 37.1% of total liabilities and equity. In comparison with 31 December 2015, provisions surged up by PLN 593,018 thousand. This movement was mainly the result of the following:

- higher unearned premium reserves in non-life insurance and resulting mainly from increased sales of motor insurance in Poland;
- lower loss reserves w motor insurance in Poland;
- in life insurance, higher mathematical reserves in continued business associated with higher sums insured and aging portfolio;
- lower provisions in banking structured products associated with reaching the reaching the end dates of subsequent tranches of the product and lack of sales.

12. Equity management

On 3 October 2016 PZU Supervisory Board adopted a resolution to approve the PZU Group's capital and dividend policy for 2016-2020 (“Policy”).

Introduction of the Policy follows from implementation, as of 1 January 2016, of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (“Solvency II”), as amended, Insurance and Reinsurance Activity Act, and expiry of the PZU Group’s Capital and Dividend Policy for 2013-2015 updated in May 2014.

In accordance with the Policy the PZU Group endeavors to do the following:

- manage capital effectively by optimizing the usage of capital from the PZU Group’s perspective;
- maximize the rate of return on equity for the parent company’s shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions;
- ensure sufficient financial means to cover the PZU Group’s liabilities to its clients.

The capital management policy rests on the following principles:

- the PZU Group’s capital management (including excess capital) is conducted at the level of PZU as the parent company;
- sustain target solvency ratios at the level of 200% for the PZU Group, PZU and PZU Życie (according to Solvency II);
- maintain the PZU Group’s financial leverage ratio at a level no higher than 0.35;
- ensure funds for growth and acquisitions in the coming years;
- PZU will not issue any new shares for the duration of this Policy.

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

The PZU Group and PZU dividend policy assumes that:

- the dividend amount proposed by the PZU Management Board for a given financial year is determined on the basis of the PZU Group's consolidated financial result attributable to the parent company, where:
  - no less than 20% will be earmarked as retained earnings (supplementary capital) for goals associated with organic growth and innovations as well as execution of growth initiatives;
  - no less than 50% is subject to payment as an annual dividend;
  - the remaining part will be paid in the form of annual dividend or will increase retained earnings (supplementary capital) if in the given year significant expenditures are incurred in connection with execution of the PZU Group's Strategy, including in particular, mergers and acquisitions;

subject to the items below;

- according to the PZU Management Board's plans and risk and solvency self-assessment of the parent company, the own funds of the parent company and the PZU Group following the declaration or payment of a dividend will remain at a level that will ensure fulfillment of the conditions specified in the capital policy;
- when determining the dividend the regulatory authority's recommendations concerning dividends will be taken into consideration.

External capital requirements

On 1 January 2016 the new Insurance Activity Act took force thereby implementing Solvency II in the Polish legal system. According to the new regulations, the calculation of the capital requirement is based on market, actuarial (insurance), counterparty insolvency, catastrophic and operational risks. Assets, liabilities and as a consequence own funds covering the capital requirement are measured at fair value.

The PZU Group satisfies the capital requirements imposed on it, holding a significant surplus of own funds above the capital requirement.

Below is a calculation of the capital requirement and own funds according to the Solvency II. Due to the ongoing process of calculation of the capital requirement and own funds on the basis of the data as at 30 September 2016, they were not presented in the condensed interim consolidated financial statements.

Own fund and solvency ratio (taking into account other financial sectors)	**30 June 2016**	**31 December 2015**
The amount of available own funds to cover the Group's solvency capital requirement	19,596,496	19,731,822
The Group's solvency capital requirement	7,647,126	7,145,959
The coverage ratio of the Group's solvency capital requirement with permissible own funds	256.26%	276.13%

13. Segment reporting

13.1 Reportable segments

13.1.1. Key classification criterion

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

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

In the case of PZU, Link4 and TUW PZUW the following segments have been distinguished:

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

PZU Życie has distinguished the following segments:

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

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

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

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

13.1.2. Information relating to geographical areas

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

- Poland;
- Baltic States;
- Ukraine.

13.2 Inter-segment settlements

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

13.3 Segment's measure of profit

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

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

13.4 Description of the segments

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

- corporate insurance (non-life) – reporting according to PAS – covering a broad scope of property insurance products, TPL and motor insurance customized to a customer's needs entailing individual underwriting offered to large economic agents;
- mass insurance (non-life) - reporting according to PAS – covering a broad scope of property, accident, TPL and motor insurance offered to individual clients and entities in the small and medium enterprise sector;
- group and individually continued insurance (life) - reporting according to PAS – covering group insurance addressed by PZU Życie to groups of employees and other formal groups (for instance trade unions), under which persons under a legal relationship with the policyholder (for instance employer, trade union) enroll in the insurance and individually continued insurance in which the policyholder acquired the right to individual continuation during the group phase. PZU Życie's offer covers a wide range of protection, investment (not investment contracts) and health insurance;
- individual insurance (life) - reporting according to PAS – covering insurance offered by PZU Życie to individual clients under which the insurance contract applies to a specific insured and this insured is subject to individual underwriting. PZU Życie's offer covers a wide range of protection, investment (not investment contracts) and health insurance;
- investments - reporting according to PAS - comprising investments of the PZU Group's own funds, understood as the surplus of investments over technical provisions in the PZU Group insurance companies seated in Poland (PZU, Link4 and PZU Życie) plus the surplus of income earned over the risk-free rate on investments reflecting the value of technical provisions in insurance products, i.e. surplus of investment income allocated at transfer prices to insurance segments. Additionally, the investment segment includes income from other free funds in the PZU Group (including consolidated mutual funds);

- banking activity – reporting according to IFRS – comprising Alior Bank together with its subsidiaries;
- pension insurance – reporting according to PAS – covering PTE PZU;
- Ukraine (non-life and life insurance) – reporting according to IFRS – covering PZU Ukraine and PZU Ukraine Life;
- Baltic States (non-life and life insurance) – reporting according to IFRS – including Lietuvos Draudimas AB and its branch in Estonia, AAS Balta and UAB PZU Lietuva Gyvybes Draudimas;
- investment contracts – reporting according to PAS – covering PZU Życie products that do not transfer significant insurance risk within the meaning of IFRS 4 and that do not meet the definition of an insurance agreement (i.e. some products with a guaranteed rate of return and some unit-linked products);
- other – reporting jointly according to IFRS or PAS (IFRS 8 does not require the presentation of the results of segments qualified to the category „other" according to cohesive accounting rules) – covers other entities not qualified as belonging to any other segment above, whose revenues predominantly originate from the manufacturing activity of bathroom and sink fixtures, heaters, foundry molds and service activity.

13.5 Accounting standards employed according to PAS

13.5.1. PZU

PAS and the differences between PAS and IFRS in respect of PZU's standalone financial reporting have been portrayed in detail in PZU's standalone financial statements for 2015.

PZU's standalone financial statements for 2015 are available on the PZU website at www.pzu.pl in the "Investor Relations" tab.

13.5.2. PZU Życie

The accounting standards according to PAS applicable to PZU Życie are convergent with the PAS applicable to PZU.

What is unique to PZU Życie is the rules of accounting for insurance agreements and investment contracts according to IFRS. Detailed information on this issue is presented in the consolidated financial statements.

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

13.6 Construction of the segmental note and the reconciliations it contains

As the segments' measures of profit are based on local accounting standards in the country of the registered offices of the PZU Group company or IFRS, the financial data of the segments are carried using different accounting standards (PAS, IFRS).

The tables present the reconciliation of total revenues (understood as net earned premium) and sum total of profit or loss of the reportable segments with the consolidated operating profit, required by IFRS 8 item 28.

13.7 Simplifications in the segmental note

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

- withdrawing from presenting data related to the allocation of all assets and liabilities to various segments – resulting from not preparing and not presenting such tables to the PZU Management Board. The main information delivered to the PZU Management Board consists of data regarding the results of given segments and managerial decisions are made on this basis, including decisions on resource allocation. The analysis of the segmental allocation of assets and liabilities is limited to monitoring the fulfillment of the PAS regulatory requirements pertaining to capital adequacy ratios and holding assets covering technical provisions (analysis split into the various insurance companies, not product groups);
- presenting the net result on investments as a single amount as the difference between the realized and unrealized revenues and the costs of investments – stemming from the internal assessment of the segmental results based on such a combined measure of investment results;
- not allocating other revenues and costs to the segment called „investments" besides realized and unrealized revenues and costs of investments – stemming from the method of analyzing this segment's data and the impracticality of such an allocation.

13.8 Information on key customers

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

Consolidated P&L for Q3,2016	Corporate insurance (non-life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Banking activity	Pension insurance	Ukraine	Baltic Countries	Investment contracts	Other operations	The sum of operating segments
	PAS	PAS	PAS	PAS	PAS	IFRS	PAS	IFRS	IFRS	PAS	PAS	PAS-IFRS
Gross premium written externally	476 899	2 035 366	1 688 454	311 596	-	-	-	48 500	283 498	8 446	-	4 852 759
Gross premium written between segments	(44 264)	(867)	-	-	-	-	-	-	-	-	-	(45 131)
Gross written insurance premium	**432 635**	**2 034 499**	**1 688 454**	**311 596**	-	-	-	**48 500**	**283 497**	**8 446**	-	**4 807 627**
Reinsurers' share in gross written premium	(55 336)	(2 943)	-	-	-	-	-	(20 454)	(5 190)	-	-	(83 923)
Net written premium	**377 299**	**2 031 556**	**1 688 454**	**311 596**	-	-	-	**28 046**	**278 308**	**8 446**	-	**4 723 705**
	-	-	-	-	-	-	-	-	-	-	-	-
Movement in the unearned premium reserve and gross unexpired risk reserve	71 837	87 118	1 045	946	-	-	-	2 179	6 921	18	-	170 065
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	(16 737)	(19 106)	-	-	-	-	-	(2 147)	(2 893)	-	-	(40 883)
Net earned premium	**432 399**	**2 099 568**	**1 689 499**	**312 542**	-	-	-	**28 079**	**282 336**	**8 464**	-	**4 852 887**
	-	-	-	-	-	-	-	-	-	-	-	-
Fee and commission income	-	-	-	-	-	135 490	-	-	-	-	-	135 490
Investment income, including:	17 334	111 137	209 882	126 772	45 164	534 760	1 167	6 408	7 306	10 556	512	1 070 997
Net result on investments (external activity)	17 334	111 137	209 882	126 772	30 838	534 760	1 167	6 408	7 306	10 556	512	1 056 672
Net result on investments (inter-segment activity)	-	-	-	-	14 326	-	-	-	-	-	-	14 326
Other technical income net of insurance	13 787	6 600	836	139	-	-	-	-	-	14	-	21 376
Income of the core business of non-insurance entities	-	-	-	-	-	-	24 892	-	-	-	213 778	238 670
Other operating income (not applicable to insurance entities)	-	-	-	-	-	18 552	488	-	-	-	3 505	22 545
	-	-	-	-	-	-	-	-	-	-	-	-
Gross claims paid	(275 400)	(1 401 482)	(1 183 304)	(263 339)	-	-	-	(20 929)	(176 178)	(48 500)	-	(3 369 133)
Movement in the gross claims reserve	(14 544)	(130 079)	(9 343)	(299)	-	-	-	(2 496)	(7 742)	(805)	-	(165 308)
Reinsurers' share in claims paid	6 110	(18 972)	2	-	-	-	-	8 825	8 471	-	-	4 436
Reinsurer's share in the movement in reserves	(52 369)	17 437	-	-	-	-	-	2 593	(6 293)	-	-	(38 632)
Net insurance claims	**(336 203)**	**(1 533 096)**	**(1 192 645)**	**(263 638)**	-	-	-	**(12 007)**	**(181 743)**	**(49 305)**	-	**(3 568 637)**
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(55 168)	(80 295)	-	-	-	-	-	33 920	-	(101 543)
Fee and commission expenses	-	-	-	-	-	(59 329)	-	-	-	-	-	(59 329)
Net premiums and rebates for insureds including the movement in reserves	751	5	(119)	(62)	-	-	-	-	-	(1)	-	574
Other net technical expenses	(15 575)	(57 889)	(15 648)	(1 973)	-	-	-	-	-	(97)	-	(91 182)
Interest expenses	-	-	-	-	-	(161 829)	-	-	(465)	-	(1 111)	(163 405)
Acquisition cost	(90 963)	(386 677)	(78 649)	(28 742)	-	-	(1 077)	(16 384)	(64 763)	(589)	-	(667 843)
Administrative costs	(29 778)	(147 970)	(139 444)	(13 164)	-	(263 229)	(11 418)	(5 805)	(21 056)	(2 068)	-	(633 932)
Reinsurance commissions and profit-sharing	5 914	(5 930)	-	-	-	-	-	6 198	387	-	-	6 569
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	-	(213 009)	(213 009)
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(86 828)	(58)	-	-	-	(5 628)	(92 514)
Result on insurance / Operating profit (loss)	**(2 334)**	**85 748**	**418 544**	**51 579**	**45 164**	**117 587**	**13 994**	**6 489**	**22 002**	**894**	**(1 953)**	**757 714**

Profit and loss account for the period from 1 January 2016 to 30 September 2016	Corporate insurance (non-life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Banking activity	Pension insurance	Ukraine	Baltic Countries	Investment contracts	Other operations	The sum of operating segments
	PAS	PAS	PAS	PAS	PAS	IFRS	PAS	IFRS	IFRS	PAS	PAS	PAS-IFRS
Gross premium written externally	1 443 390	6 312 077	5 078 295	849 582	-	-	-	154 561	868 394	69 195	-	14 775 494
Gross premium written between segments	19 668	27 204	-	-	-	-	-	-	-	-	-	46 872
Gross written insurance premium	**1 463 058**	**6 339 281**	**5 078 295**	**849 582**	-	-	-	**154 561**	**868 394**	**69 195**	-	**14 822 366**
Reinsurers' share in gross written premium	(160 887)	(10 570)	150	-	-	-	-	(68 630)	(23 386)	-	-	(263 323)
Net written premium	**1 302 171**	**6 328 711**	**5 078 445**	**849 582**	-	-	-	**85 931**	**845 008**	**69 195**	-	**14 559 043**
												-
Movement in the unearned premium reserve and gross unexpired risk reserve	(47 992)	(547 864)	1 009	3 148	-	-	-	(15 259)	(32 731)	50	-	(639 639)
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	(30 131)	(39 243)	-	-	-	-	-	7 033	633	-	-	(61 708)
Net earned premium	**1 224 048**	**5 741 604**	**5 079 454**	**852 730**	-	-	-	**77 705**	**812 910**	**69 245**	-	**13 857 696**
												-
Fee and commission income						410 594						410 594
Investment income, including:	80 914	386 324	500 608	204 335	603 103	1 559 085	3 708	16 911	16 759	12 937	2 963	3 387 646
Net result on investments (external activity)	80 914	386 324	500 608	204 335	(370 169)	1 559 085	3 708	16 911	16 759	12 937	2 963	2 414 375
Net result on investments (inter-segment activity)	-	-	-	-	973 272	-	-	-	-	-	-	973 272
Other technical income net of insurance	41 261	39 468	1 290	219	-	-	-	-	-	17	-	82 255
Income of the core business of non-insurance entities	-	-	-	-	-	-	81 275	-	-	-	579 335	660 610
Other operating income (not applicable to insurance entities)	-	-	-	-	-	64 639	2 529	-	-	-	10 770	77 938
												-
Gross claims paid	(915 276)	(4 035 501)	(3 556 819)	(894 585)	-	-	-	(55 311)	(514 274)	(199 468)	-	(10 171 234)
Movement in the gross claims reserve	121 937	4 749	(14 054)	(2 111)	-	-	-	(5 774)	(10 524)	(2 398)	-	91 825
Reinsurers' share in claims paid	102 044	53 401	39	-	-	-	-	20 951	16 816	-	-	193 251
Reinsurer's share in the movement in reserves	(83 886)	2 446	-	-	-	-	-	3 478	(5 715)	-	-	(83 677)
Net insurance claims	**(775 181)**	**(3 974 905)**	**(3 570 834)**	**(896 696)**	-	-	-	**(36 656)**	**(513 697)**	**(201 866)**	-	**(9 969 835)**
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(139 787)	131 563	-	-	-	-	-	130 925	-	122 701
Fee and commission expenses				-	-	(171 014)	-	-	-	-	-	(171 014)
Net premiums and rebates for insureds including the movement in reserves	147	(8)	(274)	(206)	-	-	-	-	-	11	-	(330)
Other net technical expenses	(42 162)	(226 681)	(53 623)	(6 241)	-	-	-	-	-	(346)	-	(329 053)
Interest expenses						(512 780)		-	(1 468)		(3 220)	(517 468)
Acquisition cost	(258 625)	(1 122 796)	(245 640)	(78 082)	-	-	(3 150)	(42 987)	(185 936)	(3 054)	-	(1 940 270)
Administrative costs	(84 764)	(441 949)	(425 266)	(42 813)	-	(765 287)	(28 690)	(15 848)	(82 230)	(6 924)	-	(1 893 770)
Reinsurance commissions and profit-sharing	14 113	(8 762)	(45)	-	-	-	-	16 268	1 075	-	-	22 649
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	-	(559 800)	(559 800)
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(250 586)	(240)	-	-	-	(31 683)	(282 509)
Result on insurance / Operating profit (loss)	**199 751**	**392 295**	**1 145 883**	**164 809**	**603 103**	**334 651**	**55 432**	**15 393**	**47 413**	**945**	**(1 635)**	**2 958 040**

Consolidated P&L for Q3,2015	Corporate insurance (non-life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine	Baltic Countries	Investment contracts	Other operations	The sum of operating segments
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS-IFRS
Gross premium written externally	364 659	1 675 835	1 672 248	273 962	-	-	42 079	306 046	30 797	-	4 365 625
Gross premium written between segments	430	(503)	-	-	-	-	-	-	-	-	(73)
Gross written insurance premium	**365 089**	**1 675 332**	**1 672 248**	**273 962**	-	-	**42 079**	**306 046**	**30 797**	-	**4 365 553**
Reinsurers' share in gross written premium	(68 189)	(2 806)	(124)	-	-	-	(16 345)	(7 035)	-	-	(94 499)
Net written premium	**296 900**	**1 672 526**	**1 672 124**	**273 962**	-	-	**25 734**	**299 011**	**30 797**	-	**4 271 054**
	-	-	-	-	-	-	-	-	-	-	-
Movement in the unearned premium reserve and gross unexpired risk reserve	61 075	135 064	2 068	1 604	-	-	(2 054)	5 600	7	-	203 365
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	11 735	(14 644)	-	-	-	-	3 645	(2 853)	-	-	(2 117)
Net earned premium	**369 710**	**1 792 946**	**1 674 192**	**275 566**	-	-	**27 325**	**301 758**	**30 804**	-	**4 472 301**
Investment income, including:	33 688	131 786	125 190	(69 338)	247 985	1 232	6 021	(2 002)	(11 188)	384	463 758
Net result on investments (external activity)	33 688	131 786	125 190	(69 338)	228 332	1 232	6 021	(2 002)	(11 188)	384	444 105
Net result on investments (inter-segment activity)	-	-	-	-	19 653	-	-	-	-	-	19 653
Other technical income net of insurance	21 201	22 220	258	33	-	-	-	-	2	-	43 714
Income of the core business of non-insurance entities	-	-	-	-	-	30 517	-	-	-	151 719	182 236
Other operating income (not applicable to insurance entities)	-	-	-	-	-	202	-	-	-	1 087	1 289
	-	-	-	-	-	-	-	-	-	-	-
Gross claims paid	(242 429)	(1 203 687)	(1 163 351)	(209 588)	-	-	(18 265)	(185 795)	(161 452)	-	(3 184 568)
Movement in the gross claims reserve	(428 293)	(127 410)	(9 362)	8 188	-	-	(823)	(8 076)	1 041	-	(564 735)
Reinsurers' share in claims paid	3 620	10 304	37	-	-	-	3 435	4 483	-	-	21 879
Reinsurer's share in the movement in reserves	364 850	3 278	-	-	-	-	1 803	(1 442)	-	-	368 489
Net insurance claims	**(302 252)**	**(1 317 515)**	**(1 172 676)**	**(201 400)**	-	-	**(13 851)**	**(190 830)**	**(160 411)**	-	**(3 358 935)**
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	54 632	90 317	-	-	-	-	146 311	-	291 260
Fee and commission expenses	-	-	-	-	-	-	-	-	-	-	-
Net premiums and rebates for insureds including the movement in reserves	(1 254)	(296)	(22)	(4)	-	-	-	-	-	-	(1 576)
Other net technical expenses	(16 770)	(49 234)	(15 322)	(1 168)	-	-	-	-	(136)	-	(82 630)
Interest expenses	-	-	-	-	-	-	(32)	(537)	-	(377)	(946)
Acquisition cost	(74 613)	(347 646)	(85 321)	(28 176)	-	(574)	(12 993)	(67 650)	(2 407)	-	(619 380)
Administrative costs	(28 241)	(146 509)	(135 428)	(12 631)	-	(9 124)	(5 523)	(32 752)	(1 986)	-	(372 194)
Reinsurance commissions and profit-sharing	2 486	(7 858)	38	-	-	-	3 120	367	-	-	(1 847)
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(142 246)	(142 246)
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(8)	-	-	-	(9 066)	(9 074)
Result on insurance / Operating profit (loss)	**3 955**	**77 894**	**445 541**	**53 199**	**247 985**	**22 245**	**4 067**	**8 355**	**989**	**1 501**	**865 731**

Profit and loss account for the period from 1 January 2015 to 30 September 2015	Corporate insurance (non-life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine	Baltic Countries	Investment contracts	Other operations	The sum of operating segments
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS-IFRS
Gross premium written externally	1 166 842	5 299 708	5 010 182	954 073	-	-	116 370	914 104	105 094	-	13 566 372
Gross premium written between segments	2 240	21 361	-	-	-	-	-	-	-	-	23 601
Gross written insurance premium	**1 169 082**	**5 321 069**	**5 010 182**	**954 073**	-	-	**116 370**	**914 104**	**105 094**	-	**13 589 974**
Reinsurers' share in gross written premium	(137 581)	(5 650)	685	4	-	-	(41 313)	(34 312)	-	-	(218 167)
Net written premium	**1 031 501**	**5 315 419**	**5 010 867**	**954 077**	-	-	**75 057**	**879 792**	**105 094**	-	**13 371 807**
											-
Movement in the unearned premium reserve and gross unexpired risk reserve	80 939	(144 367)	1 175	2 517	-	-	(7 143)	(32 727)	(4)	-	(99 610)
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	(20 616)	(42 456)	-	-	-	-	9 271	4 237	-	-	(49 564)
Net earned premium	**1 091 824**	**5 128 596**	**5 012 042**	**956 594**	-	-	**77 185**	**851 302**	**105 090**	-	**13 222 633**
Investment income, including:	91 246	387 199	457 367	128 923	1 544 146	5 660	32 140	14 605	11 288	(14 508)	2 658 066
Net result on investments (external activity)	91 246	387 199	457 367	128 923	395 855	5 660	32 140	14 605	11 288	(14 508)	1 509 775
Net result on investments (inter-segment activity)	-	-	-	-	1 148 291	-	-	-	-	-	1 148 291
Other technical income net of insurance	34 704	103 196	829	38	-	-	-	-	2	-	138 769
Income of the core business of non-insurance entities	-	-	-	-	-	87 268	-	-	-	430 603	517 871
Other operating income (not applicable to insurance entities)	-	-	-	-	-	729	-	-	-	3 470	4 199
											-
Gross claims paid	(681 366)	(3 302 405)	(3 561 156)	(582 765)	-	-	(67 702)	(538 297)	(565 539)	-	(9 299 230)
Movement in the gross claims reserve	(473 828)	(107 029)	(29 555)	(1 237)	-	-	2 162	(16 663)	3 293	-	(622 857)
Reinsurers' share in claims paid	15 071	28 460	111	-	-	-	7 452	14 388	-	-	65 482
Reinsurer's share in the movement in reserves	385 800	13 970	-	-	-	-	(1 506)	6 475	-	-	404 739
Net insurance claims	**(754 323)**	**(3 367 004)**	**(3 590 600)**	**(584 002)**	-	-	**(59 594)**	**(534 097)**	**(562 246)**	-	**(9 451 866)**
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	26 331	(221 694)	-	-	-	-	463 155	-	267 792
Fee and commission expenses				-	-	-	-	-	-	-	-
Net premiums and rebates for insureds including the movement in reserves	(2 589)	(1 135)	(183)	(4)	-	-	-	-	(8)	-	(3 919)
Other net technical expenses	(35 910)	(221 400)	(46 893)	(3 311)	-	-	-	-	(417)	-	(307 931)
Interest expenses							(96)	(1 339)		(2 346)	(3 781)
Acquisition cost	(205 121)	(1 007 085)	(266 255)	(93 958)	-	(2 042)	(33 689)	(195 736)	(7 523)	-	(1 811 410)
Administrative costs	(91 098)	(464 634)	(419 731)	(43 097)	-	(29 747)	(14 895)	(110 895)	(6 548)	-	(1 180 645)
Reinsurance commissions and profit-sharing	13 353	(9 669)	(116)	-	-	-	6 086	1 194	-	-	10 848
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(414 779)	(414 779)
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(148)	-	-	-	(16 478)	(16 626)
Result on insurance / Operating profit (loss)	**142 086**	**548 064**	**1 172 791**	**139 489**	**1 544 146**	**61 720**	**7 137**	**25 034**	**2 793**	**(14 038)**	**3 629 222**

Reconciliation of the sum of segments and consolidated data	1 January – 30 September 2016		1 January – 30 September 2015	
	Net earned premium	Segment results	Net earned premium	Segment results
Sum of segments	13,857,696	2,958,040	13,222,633	3,629,222
Presentation of investment contracts	(69,245)	-	(105,090)	-
Valuation of equity instruments	-	59,396	-	215
Real estate valuation	-	(27,998)	-	(23,398)
Loss ratio equalization provision and prevention fund	-	(10,189)	-	(13,826)
Charges to the Company Social Benefit Fund (ZFŚS) and actuarial costs	-	(15,000)	-	(15,000)
Consolidation adjustments	(4,194)	(1,004,307)	127	(1,297,367)
Consolidated data	**13,784,257**	**1,959,942**	**13,117,670**	**2,279,846**

1) Consolidated adjustments follow primarily from the dividends paid between individual segments and from different accounting standards in which individual reportable segments are reported (PAS and IFRS) and consolidated data (IFRS).

Geographic breakdown 1 January - 30 September 2016 and as at 30 September 2016	Poland	Baltic States	Ukraine	Not allocated (consolidation exclusions and other)	Consolidated value
Gross externally written insurance premium	13,684,840	868,394	154,561	(1,496)	14,706,299
Gross insurance written premium between segments	27,743	-	-	(27,743)	-
Revenues from commissions and fees	575,507	-	-	-	575,507
Net investment income	3,024,982	10,489	16,133	-	3,051,604
Net result on the realization of investments and impairment charges	(444,439)	(262)	312	-	(444,389)
Net movement in the fair value of assets and liabilities measured at fair value	88,693	6,532	466	-	95,691
Non-current assets, other than financial instruments[1)]	2,244,889	278,158	3,852	(315)	2,526,584
Deferred tax assets	480,174	-	1,851	-	482,025
Assets	112,084,855	1,917,434	240,745	(1,329,111)	112,913,923

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

Geographic breakdown 31 December 2015	Poland	Baltic States	Ukraine	Not allocated (consolidation exclusions and other)	Consolidated value
Non-current assets, other than financial instruments[1)]	2,387,834	302,298	3,229	(405)	2,692,956
Deferred tax assets	365,930	-	1,145	2,370	369,445
Assets	104,706,348	1,825,890	217,201	(1,352,202)	105,397,237

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

1 January – 30 September 2015 and as at 30 September 2015	Poland	Baltic States	Ukraine	Not allocated (consolidation exclusions and other)	Consolidated value
Gross externally written insurance premium	12,431,573	914,104	116,370	(768)	13,461,279
Gross insurance written premium between segments	20,481	-	-	(20,481)	-
Revenues from commissions and fees	180,519	-	-	-	180,519
Net investment income	1,185,770	12,080	33,791	1,615	1,233,256
Net result on the realization of investments and impairment charges	235,696	4,238	(2,549)	-	237,385
Net movement in the fair value of assets and liabilities measured at fair value	(59,722)	(1,713)	897	-	(60,538)
Non-current assets, other than financial instruments[1)]	1,477,266	321,337	3,341	(469)	1,801,475
Deferred tax assets	24,665	-	1,131	1,266	27,062
Assets	66,803,690	1,790,329	204,884	(1,298,046)	67,500,857

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

14. Commentary to segment reporting and investing activity

14.1 Corporate insurance – non-life insurance

Gross written premium by product group	1 January – 30 September 2016	1 January – 30 September 2015	% change
Motor TPL insurance	345,063	247,099	39.6%
MOD insurance	505,207	357,389	41.4%
Total motor insurance	850,270	604,488	40.7%
Insurance against fire and other damage to property	311,061	288,800	7.7%
Other TPL insurance (classes 11, 12, 13)	181,221	174,510	3.8%
ADD and other insurance[1)]	120,506	101,284	19.0%
Total non-life insurance without motor insurance	612,788	564,594	8.5%
Total corporate insurance segment (non-life insurance)	**1,463,058**	**1,169,082**	**25.1%**

[1]) This line item includes loan guarantees and financial insurance, assistance, travel, marine, railway and air insurance.

After the first 3 quarters of 2016, in the corporate insurance segment, gross written premium grew by PLN 293,977 thousand (+25.1% y/y) as compared to the first 3 quarters of 2015. The following factors were recorded concerning premiums:

- positive growth rate in motor insurance sales (+40.7% y/y) offered to leasing companies and in fleet insurance (mainly MOD insurance) as a consequence of increase of the average premium and number of insurance policies;
- higher sales of insurance against fire and other damage to property (+7.7% y/y) – conclusion of 2 agreements with big entities from the power and coal sectors.

Data from the profit and loss account – corporate insurance (non-life insurance)	1 January – 30 September 2016	1 January – 30 September 2015	% change
Gross written premium	1,463,058	1,169,082	25.1%
Net earned premiums	1,224,048	1,091,824	12.1%
Investment income	80,914	91,246	(11.3%)
Net insurance claims and benefits	(775,181)	(754,323)	2.8%
Acquisition expenses	(258,625)	(205,121)	26.1%
Administrative expenses	(84,764)	(91,098)	(7.0%)
Reinsurance commissions and profit-sharing	14,113	13,353	5.7%
Other	(754)	(3,795)	(80.1%)
Operating profit (loss)	**199,751**	**142,086**	**40.6%**
Acquisition expense ratio (including reinsurance commissions)[1)]	20.0%	17.6%	2.4 p.p.
Administrative expense ratio[1)]	6.9%	8.3%	(1.4) p.p.
Loss ratio [1)]	63.3%	69.1%	(5.8) p.p.
Combined ratio (COR) [1)]	90.2%	95.0%	(4.8) p.p.

[1)] Ratios calculated against net premium earned

Net insurance claims and benefits surged 2.8% while earned premium edged up by 12.1%, translating into improvement in the loss ratio by 5.8 percentage points. Positive change was recorded chiefly in the following insurance:

- Motor TPL insurance – after the first 3 quarters of 2015, a much higher level of provisions for claims compared to the previous years was recorded;
- general third party liability insurance – in the corresponding period of 2015 a higher level of provisions for claims under mandatory TPL insurance for medical entities and entities providing health care services.

The above changes were partially compensated by an increase in the number of claims and benefits in various financial losses and fire insurance.

Decrease of revenues from investments allocated to the corporate insurance segment by 11.3% y/y, resulted mainly from lower market interest rates than in the comparable period of 2015.

Acquisition expenses in the corporate insurance segment increased by 26.1% compared to the first 3 quarters of 2015, which resulted primarily from higher direct acquisition expenses (including high sales).

The drop in administrative expenses by PLN 6,334 thousand (i.e. by 7.0%) compared to the corresponding period of last year was associated primarily with incurring lower expenditures both in project activity and in current operations.

After the first 3 quarters of 2016 the corporate insurance segment (consisting of PZU, Link4 and TUW PZUW) generated operating profit of PLN 199,751 thousand, or 40.6% up from the corresponding period of the previous year. The major contributing factor to higher operating profit was a significant improvement of profitability in the motor TPL insurance portfolio (increased net premium earned with lower claims and benefits), general third party liability insurance (the effect of falling provisions for claims in the current year) and insurance guarantees (in the corresponding period of 2015 there were several claims with a high unit value).

Additionally, starting from Q1 2016, TUW PZUW, a mutual insurance company belongs to the corporate insurance segment. The company is in the early stage of operations; gross written premium after the first 3 quarters of 2016 was PLN 108,980 thousand. This company is subject to the PZU reinsurance program while all the transactions in the segment between PZU and TUW are eliminated.

14.2 Mass insurance – non-life insurance

Gross written premium by product group	1 January – 30 September 2016	1 January – 30 September 2015	% change
Motor TPL insurance	2,619,790	1,938,016	35.2%
MOD insurance	1,548,487	1,284,131	20.6%
Total motor insurance	4,168,277	3,222,147	29.4%
Insurance against fire and other damage to property	1,188,047	1,128,531	5.3%
Other TPL insurance (classes 11, 12, 13)	321,634	303,064	6.1%
ADD and other insurance[1)]	661,323	667,327	(0.9%)
Total non-life insurance without motor insurance	2,171,004	2,098,922	3.4%
Total mass insurance segment (non-life insurance)	**6,339,281**	**5,321,069**	**19.1%**

[1]) This line item includes loan guarantees and financial insurance, assistance, travel, marine, railway and air insurance.

In the first 3 quarters of 2016, in the mass insurance segment, gross written premium increased by PLN 1,018,209 thousand (+19.1% y/y) as compared to the corresponding period of 2015. This change resulted primarily from the following:

- increased written premium in motor insurance (+29.4% y/y) as an effect of higher average premium following from gradually introduced increases;
- higher premium for fire insurance and other physical losses (+5.3% y/y), including PZU DOM residential insurance and agricultural insurance despite the extensive competition on the market (chiefly subsidized crop insurance);
- higher premium in the other TPL insurance group (+6.1% y/y) offered to small and medium-sized enterprises and as part of strategic partnership.

Data from the profit and loss account – mass insurance (non-life insurance)	1 January – 30 September 2016	1 January – 30 September 2015	% change
Gross written premium	6,339,281	5,321,069	19.1%
Net earned premiums	5,741,604	5,128,596	12.0%
Investment income	386,324	387,199	(0.2%)
Net insurance claims and benefits	(3,974,905)	(3,367,004)	18.1%
Acquisition expenses	(1,122,796)	(1,007,085)	11.5%
Administrative expenses	(441,949)	(464,634)	(4.9%)
Reinsurance commissions and profit-sharing	(8,762)	(9,669)	(9.4%)
Other	(187,221)	(119,339)	56.9%
Operating profit (loss)	**392,295**	**548,064**	**(28.4%)**
acquisition expense ratio (including reinsurance commissions)[1)]	19.7%	19.8%	(0.1) p.p.
administrative expense ratio[1)]	7.7%	9.1%	(1.4) p.p.
loss ratio [1)]	69.2%	65.7%	3.5 p.p.
combined ratio (COR) [1)]	96.6%	94.5%	2.1 p.p.

[1)] Ratios calculated against net premium earned

Net insurance claims and benefits in the nine-month period ended 30 September 2016 rose 18.1%, with net earned premium being 12.0% higher, translates into the loss ratio trending up by 3.5 percentage points.

This change resulted from higher claims and benefits in:

- other losses to property, mostly for subsidized crop insurance as a consequence of the occurrence of numerous losses caused by the forces of nature (claims caused by the adverse consequences of winter survival were up by PLN 236,921 thousand compared to the average for the last 3 years);
- motor TPL insurance, mainly as a result of the rising frequency of claims and higher level of provisions for claims and benefits for current year policies;

These negative changes were partially offset by: lower level of claims in third party liability insurance and in accident insurance.

Investment income allocated to the mass segment were comparable to the level in the corresponding period of last year.

Acquisition expenses in the mass insurance segment climbed 11.5% in comparison with the corresponding 3 quarters of 2015, mainly due to the increase of commissions (higher sales in distribution channels that pay commissions) and inward reinsurance commissions (eliminated at the consolidated level).

Decrease of administrative expenses by PLN 22 2,685 thousand (i.e. 4.9%) compared to the first 3 quarters of 2015 is a consequence of lower project activity costs and current operations pertaining to, among others, training costs, marketing and real estate.

The decline in the operating profit in the mass insurance segment by PLN 155,769 thousand (-28.4%) compared to the first 3 quarters of 2015 was chiefly attributable to deterioration in profitability in agricultural insurance (significant hike in the loss ratio as a result of numerous mass claims) and less significance in motor TPL (the effect of higher loss frequency and higher provisions for claims and benefits for current year policies) partially offset by the higher result in general third party liability insurance and motor own damage (higher premium earned).

14.3 Group and individually continued insurance – life insurance

The increase in gross written premium by PLN 68,113thousand (+1.4%) was mainly due to the following:

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

Data from the profit and loss account – group and individually continued insurance	1 January – 30 September 2016	1 January – 30 September 2015	% change
Gross written premium	5,078,295	5,010,182	*1.4%*
Group insurance (regular premium)	3,618,827	3,557,236	*1.7%*
Individually continued insurance (regular premium)	1,459,468	1,452,946	*0.4%*
Net earned premiums	5,079,454	5,012,042	*1.3%*
Investment income	500,608	457,367	*9.5%*
Net insurance claims and benefits	(3,570,834)	(3,590,600)	*(0.6)%*
Movement in other net technical provisions	(139,787)	26,331	*x*
Acquisition expenses	(245,640)	(266,255)	*(7.7)%*
Administrative expenses	(425,266)	(419,731)	*1.3%*
Other	(52,652)	(46,363)	*13.6%*
Operating profit (loss)	**1,145,883**	**1,172,791**	***(2.3)%***
Operating profit (loss) excluding the conversion effect	**1,120,229**	**1,110,634**	***0.9%***
acquisition expense ratio [1)]	4.8%	5.3%	*(0.5) p.p.*
administrative expense ratio[1)]	8.4%	8.4%	*(0.0) p.p.*
operating margin excluding the conversion effect[1)]	22.1%	22.2%	*(0.1) p.p.*

[1)] Ratios calculated using gross written premium

The investment result consists of income allocated using transfer prices and income on investment products. In the group and individually continued insurance segment, investment income increased PLN 43,241 thousand, mainly due to the higher income on unit-linked products. Income allocated by transfer prices remained at a similar level as in the comparable period of last year.

Net insurance claims and benefits closed the period at PLN 3,570,834 thousand (down 0.6%). This change was driven by the following factors in particular:

- in protection insurance, decrease in the incidence of deaths compared to last year, confirmed by statistics published by the Central Statistics Office [GUS] for the entire population (significant increase of the mortality ratio in the early part of 2015);
- lower level of transfer payments in employee pension schemes;

- no maturities, in the current year, of tranches of structured products offered in this segment in cooperation with banks (the last tranches matured last year);
- the above effects were partially offset by an increase of the value of health benefits as a result of dynamic development of the health product portfolio and higher payouts linked to reaching the endowment age in short-term endowment products in the bancassurance channel (deposits products most tranches of this product have already matured; without exerting an impact on the result – offset by the movement in technical provisions).

The increase in other net technical provisions was PLN 139,787 thousand compared with a PLN 26,331 thousand drop in the corresponding period of the previous year. The differences were caused by a higher increase in provisions in PPE (which is a product of the 3rd retirement protection pillar: investment performance was much higher than last year, with a lower level of transfer payments from the portfolio), a higher growth of provisions in individually continued protection products as a result of a lower attrition in the portfolio of insureds (including a lower level of deaths) and last year's reversal of all provisions for structured products in this segment after the last tranche matured. Moreover, the slightly slower pace of converting long-term insurance policies into yearly-renewable term business in type P group insurance exerted an influence on the size of the provisions. As a result, provisions were released for PLN 25,654 thousand, some PLN 36,503 thousand more than in the corresponding period of 2015.

Acquisition expenses in the group and individually continued insurance segment in the three quarters of 2016 were PLN 245,640 thousand, falling by PLN 20,615 thousand (7.7%) compared to the corresponding period of last year. The factors driving the reduction in direct and indirect acquisition expenses included: modification of the agency agreement in the bancassurance channel, as a result of which the presentation of the fee for agency activities involving participation in the administration of protection insurance agreements was adjusted (acquisition expenses transferred to administrative expenses) and additionally a lower y/y cost of sending offers to Clients and the resulting indirect expenses in continued products.

The PLN 5,535 thousand (1.3%) increase in administrative expenses over the period of 3 months of 2016, compared to the corresponding period in 2015, resulted mainly from the amendment of the agency agreement in the bancassurance channel and consequently the adjusted presentation of the fee for agency activities involving participation in the administration of protection insurance agreements (earlier it was presented as part of acquisition expenses). The above negative factor was offset by cost cuts in project activities and in current activity pertaining to, among others, the cost of training, marketing and real estate.

Operating profit in the group and individually continued insurance segment in the three quarters of 2016 dropped compared to the corresponding period of 2015 by PLN 26,908 thousand (2.3%) to PLN 1,145,883 thousand. Operating profit, excluding the effects of conversion of long-term contracts into renewable contracts in type P group insurance, increased by PLN 9,595 thousand y/y (0.9%) – mainly as a result of the increased value of the portfolio coupled with a lower loss ratio in the protection portfolio (lower frequency of deaths), partially offset by an increase in technical provisions in individually continued insurance products.

14.4 Individual insurance - life insurance

Gross written premium by payment type – individual insurance	1 January – 30 September 2016	1 January – 30 September 2015	% change
Regular premium	391,111	376,124	*4.0%*
Single premium	458,471	577,949	*(20.7)%*
Total	**849,582**	**954,073**	***(11.0)%***

The drop in gross written premium in comparison with the first 9 months of 2015 by PLN 104,491 thousand (-11.0%) was a result of the following:

- lower contributions to the unit-linked insurance accounts offered jointly with Bank Millennium;
- suppressed subscriptions for a structured product in the dedicated channel compared to the record-breaking year last year;
- continued decline in contributions in the *Plan na Życie* unit linked product, which was withdrawn from sale at the end of 2014.

The following have proven to be effective: high sales of individual protection products, especially in PZU Group Branches and launch of a new unit-linked product called *Cel na Przyszłość [Goal for the Future]* at yearend 2015.

Data from the profit and loss account – individual insurance	1 January – 30 September 2016	1 January – 30 September 2015	% change
Gross written premium	849,582	954,073	*(11.0)%*
Net earned premiums	852,730	956,594	*(10.9)%*
Investment income	204,335	128,923	*58.5%*
Net insurance claims and benefits	(896,696)	(584,002)	*53.5%*
Movement in net other technical provisions	131,563	(221,694)	*x*
Acquisition expenses	(78,082)	(93,958)	*(16.9)%*
Administrative expenses	(42,813)	(43,097)	*(0.7)%*
Others	(6,228)	(3,277)	*90.1%*
Operating profit (loss)	**164,809**	**139,489**	***18.2%***
acquisition expense ratio [1)]	9.2%	9.8%	*(0.7) p.p.*
administrative expense ratio[1)]	5.0%	4.5%	*0.5 p.p.*
operating profit margin [1)]	19.4%	14.6%	*4.8 p.p.*

[1)] Ratios calculated using gross written premium

The investment result consists of income allocated using transfer prices and income on investment products. In the individual insurance segment they rose year on year by PLN 75,412 thousand, mainly due to the improved performance of investment products (income in 9 months of 2016 vs. loss in the corresponding period last year) – the effect of increased yields of funds in *unit-linked* products in the bancassurance channel. The income generated by investment products also contains revenue for the management fee which is not as volatile as other elements of the income on investment activity and remained constant year over year. Income allocated by transfer prices remained at a similar level as in the comparable period of last year.

Net insurance claims and benefits were PLN 896,696 thousand, i.e. they rose 53.5% compared to the corresponding period of 2015. The main contributors were: the increase in the number and average value of surrenders made in the unit-linked portfolio in the bancassurance channel and additionally the higher level of people reaching the endowment age in policies in structured products (maturation of more tranches) and long-term protection agreements. The adverse impact exerted by these factors on the operating result (except for the fees for early surrenders) was offset by a commensurate movement in technical provisions.

Net other technical provisions at the end of Q3 2016 (a PLN 131,563 thousand drop during the 9 months of the year) were lower than in the corresponding period of the previous year when they rose by PLN 221,694 thousand. This change resulted mainly from the higher level of surrenders made in the unit-linked portfolio in the bancassurance channel and the larger number of people reaching the endowment age, as described above.

The considerable drop in acquisition expenses in this segment (by PLN 15,876 thousand, or 16.9%) stemmed mainly from the modification of the remuneration system for the agent network (the cost of executing agreements is spread more evenly over time) accompanied by lower y/y sales of new protection products in this channel and also from the lower volume of sales of unit-linked insurance in the bancassurance channel.

During the 9 months of 2016, administrative expenses fell slightly as compared to the corresponding period of 2015 (PLN -284 thousand or -0.7%) mainly as a result of a higher efficiency of the agency network in servicing individual products and additionally reduction of costs in both project and current activity, among others costs of training, marketing and property.

The segment's operating result rose in comparison with last year by PLN 25,320 thousand up to PLN 164,809 thousand, chiefly as a consequence of the growth in protection products stated as a percentage of the segment's revenues as they command much better margins and additionally a considerable decline in acquisition expenses (also on protection products).

14.5 Bank segment

As at the end of September 2016, PZU along with its subsidiaries holds 29.22% share in the equity of Alior Bank. Alior Bank and its subsidiaries have been consolidated since 18 December 2015 and the bank segment was separated within PZU Group's results on 1 January 2016.

During the three quarters of the current year, the bank segment recorded operating profit of PLN 334,651 thousand. At the same time, taking into consideration the 29.22% equity stake held by the PZU Group in the bank, during the three quarters of the current year, the bank segment contributed PLN 97,785 thousand to the result attributable to the parent company (this does not include the adjustments of balance sheet items to fair value as at the consolidation date and their further measurement and amortization of intangible assets identified in the Alior Bank acquisition deal).

Net interest income ("Net investment income", "Interest expenses") was PLN 1,347,177 thousand, increasing by 22.3% as compared to the corresponding period last year, among others due to the higher credit base (+19.4% vs. 30 September 2015). The interest margin[4] was 4.45% (4.69% in the same period of the previous year). The decline was caused by the temporary liquidity surplus caused by the proceeds from the new share issue, before they were used to pay for the acquisition of shares in the demerged part of Bank BPH from the GE Capital Group.

Impairment charges for client receivables ("Net result on the realization of investments and impairment charges") at PLN 547,863 thousand were 14.8% up from last year, which was driven by the increased scale of business.

Net fee and commission income was PLN 239,580 thousand in the three quarters of 2016. This represented 95% of the figures in the corresponding period last year, mainly due to the lower fee on intermediation in the sales of insurance products.

The cost to income ratio[5] was 47.02% and was 2.1 percentage points lower than in the same period last year, which was caused by higher income earned on banking activity, while maintaining the cost discipline.

During the three quarters of this year, net credit receivables from clients increased (+13.4%) and amounted to PLN 35,088,891 thousand as at 30 September 2016. Growth was recorded in both the retail client segment (consumer loans and consumer finance) and in the business client segment (operating loans).

14.6 Investments

In the first 9 months of 2016 the PZU Group's net investment result[6] was PLN 2,702,906 thousand compared to PLN 1,410,103 thousand in the corresponding period of 2015 (up 91.7%). The higher result after 3 quarters of 2016 is above all the effect of incorporating the activity conducted by the banking sector (among others, interest income, including income on loans and the trading result) in connection with commencing the consolidation of Alior Bank.

[4] Net interest income / average level of working assets (Cash and funds with the central bank, financial assets, receivables from banks and customers) calculated at the beginning and at the end of the period; data as presented in the consolidated financial statements of the Alior Bank Group, annualized ratio.

[5] The ratio of total business expenses less tax on capital institutions / result on banking activity (profit before tax less business expenses and net impairment charges); data as presented in the consolidated financial statements of the Alior Bank Group.

[6] The net investment result consists of net investment income, net realized result and impairment charges and the net movement in the fair value of assets and liabilities measured at fair value.

When the consolidated assets of Alior Bank are excluded, the result earned during the 9 months of 2016 was lower than in the corresponding period of 2015, mainly due to the following contributing factors:

- PLN 411,659 thousand decline in the value of the stake held in Azoty Tarnów;
- performance in the portfolio of assets to cover investment products up by PLN 124,289 thousand, including in particular funds in the unit-linked portfolio, even though it does not affect the PZU Group's result.

Net investment result	1 January – 30 September 2016	1 January – 30 September 2015	% change
Equity instruments	(98,963)	194,294	x
Interest-bearing financial instruments	1,344,091	1,202,490	11.8%
Foreign exchange differences on own debt securities	(44,381)	12,031	x
Investment properties	174,006,	64,083	171.5%
Derivatives	(9,957)	(57,394)	x
Hedge derivatives (banking sector)	84,565	-	x
Bank loans and purchased receivables and charges (banking sector)	1,191,902	-	x
Bank loans and purchased receivables and charges (banking sector)	162,636	-	x
Others	(100,993)	(5,401)	x
Total	**2,702,906**	**1,410,103**	**91.7%**

Net investment result does not include interest expenses, which amounted to PLN 574,855 thousand in the 3 quarters of 2016 and were up by PLN 489,581 thousand from the corresponding period last year, in particular in connection with commencing Alior Bank's consolidation (interest on deposits) and the issue of its own debt securities for EUR 350,000 thousand in October 2015.

Interest expenses	1 January – 30 September 2016	1 January – 30 September 2015	% change
Repurchase transactions	28,038	52,680	(46.8)%
Own debt securities	129,476	24,232	434.3%
Hedge derivatives	70,136	-	x
Bank deposits	336,379	-	x
Others	10,826	8,362	29.5%
Total	**574,855**	**85,274**	**x**

Net investment result after interest expenses was PLN 2,128,051 thousand and was PLN 803,222 thousand higher than the figure for the same period last year.

At the end of September 2016 the value of the PZU Group's investment portfolio[7] was PLN 56,908,637 thousand compared with PLN 55,411,163 thousand as at the end of 2015.

[7]The investment portfolio includes financial assets (including investment products net of loan receivables from clients), investment properties, the negative measurement of derivatives and liabilities for buy backs.

Investment portfolio	30 September 2016	31 December 2015
Equity instruments, including:	7,006,237	7,060,697
Equity instruments for which fair value can be determined – listed	3,555,075	3,522,600
Equity instruments for which fair value can be determined – other	3,429,826	3,521,381
Equity instruments for which fair value cannot be determined	21,336	16,716
Interest-bearing financial assets, including:	49,635,955	50,800,581
Debt securities – government	39,247,366	36,384,724
Debt securities – other	3,897,548	4,075,028
Reverse repo transactions and term deposits in credit institutions	4,861,715	8,411,784
Borrowings	1,629,326	1,929,045
Investment properties	1,905,871	1,171,721
Derivatives (net value)	71,391	172,470
Liabilities due to sell-buy-back transactions	(1,710,817)	(3,794,306)
Total	**56,908,637**	**55,411,163**

The PZU Group's investment activity complies with the statutory requirements while maintaining an adequate degree of safety, liquidity and profitability; that is why government debt securities constituted over 60% of the investment portfolio both as at 30 September 2016 and 31 December 2015.

The high percentage of money market instruments was caused inter alia by entering into transactions on the interbank market to enhance the return on investing activity and to adjust the investment portfolios to their benchmarks.

14.7 Pension insurance

Data from the profit and loss account – pension segment	1 January - 30 September 2016	1 January - 30 September 2015	% change
Revenues on core business of non-insurance entities	81,275	87,268	(6.9)%
Investment income	3,708	5,660	(34.5)%
Acquisition and service expenses	(3,150)	(2,042)	54.3%
Administrative expenses	(28,690)	(29,747)	(3.6)%
Others	2,289	581	294.0%
Operating profit / loss	**55,432**	**61,720**	**(10.2)%**

Revenues on fees and commissions in the pension insurance segment for the first 3 quarters of 2016 and 2015 were PLN 81,275 thousand and PLN 87,268 thousand, respectively. The change by -PLN 5,993 thousand (-6.9%) resulted mainly from lower revenues on the management of the OFE PZU Złota Jesień fund due to the lower average value of net assets, which was caused by the worse situation on the financial markets and the so-called "slide" mechanism (10 years prior to a given insured reaching the retirement age, a specified amount of funds accumulated on an OFE member's account is transferred every month to a sub-account in ZUS).

Acquisition and administrative expenses were PLN 1,108 thousand (+54.3%) lower, mainly due to the information campaigns conducted in 2016 in the context of the transfer window and the option to submit a new declaration to transfer contributions to OFE or credit it to a sub-account in ZUS.

PTE PZU's administrative expenses dropped by PLN 1,057 thousand (-3.6%). The main contributors to the change included: personnel costs, which fell by PLN 914 thousand driven mainly by lower employment and lower cost of bonus remuneration and other administrative expenses, including own expenses, marketing and advertising expenses or real estate maintenance expenses (PLN -462 thousand in total).

The fees incurred in favor of KNF and the Financial Ombudsman were also lower, by PLN 234 thousand, due to the lower level of net assets in OFE PZU Złota Jesień. Other expenses related to the operation of funds, including fees for transfers activity of KFPW and Social Insurance Company, trustee costs nd mandatory mailing to fund members (in total, a drop of PLN -897 thousand or 47.9%). On the other hand, contributions to the Indemnity Fund were PLN 1,483 thousand higher, due to the increase in OFE PZU's net assets in Q3 2016.

The PLN 6,288 thousand y/y drop in operating profit was driven mainly by the lower asset management fee revenues and lower financial revenues on own funds, due to their lower level after a dividend was paid out in 2015 out of the supplementary capital created from retained earnings.

At the end of Q3 2016, OFE PZU had 2,194 thousand members, i.e. 13.3% of the total number of members of all existing open-end pension funds, ranking OFE PZU third on the market in this respect. Compared to the balance as at the end of Q3 of the previous year, the number of OFE PZU members decreased by 20 thousand, i.e. 0.9%, while the total number of members of all open-end pension funds decreased by 0.7% y/y.

At the end of Q3 2016 the total net asset value of all OFEs on the market was PLN 142.8 billion, down 1.7% from the end of September 2015.

In the same period OFE PZU's assets fell by 2.8% to PLN 18.5 billion. In the period from January to September 2016, ZUS transferred to OFE PZU gross contributions in the amount of PLN 227.1 million with interest, which was 1.8% more than in the corresponding period of 2015. OFE PZU transferred PLN 429.4 million to ZUS in what is known as the "slide". OFE PZU's rate of return in the period of 9 months of 2016 was +1.6%.

14.8 Baltic States

Data from the profit and loss account – Baltic States segment	1 January – 30 September 2016	1 January – 30 September 2015	% change
Gross written premium	868,394	914,104	(5.0)%
Net earned premiums	812,910	851,302	(4.5)%
Net result on investing activities	16,759	14,605	14.7%
Net insurance claims and benefits	(513,697)	(534,097)	(3.8)%
Acquisition expenses	(185,936)	(195,736)	(5.0)%
Administrative expenses	(82,230)	(110,895)	(25.8)%
Others	(393)	(145)	172.0%
Operating profit (loss)	**47,413**	**25,034**	**89.4%**
EUR (LTL) exchange rate in PLN	4.3688	4.1585	5.1%
acquisition expense ratio[1)]	22.9%	23.0%	*(0.1) p.p.*
administrative expense ratio[1)]	10.1%	13.0%	*(2.9) p.p.*

[1)] Ratios calculated against net premium earned

As part of its Baltic operations, the PZU Group offers non-life insurance and life insurance products. Non-life insurance is offered by entities acquired in 2014: Lietuvos Draudimas – leader of the Lithuanian market (acquired on 31 October 2014), AAS Balta – leader of the Latvian market (acquired on 30 June 2014) and Estonian branch of Lietuvos Draudimas (from 31 October 2014). Life insurance is sold by UAB PZU Lietuva Gyvybes Draudimas.

The Lithuanian non-life insurance market share at the end of August 2016 was 29.1%; the life insurance market share is 5.5%. At the end of June 2016, the Latvian market share was 27.5%. At the end of August 2016, the share in the Estonian market was 14.4%.

In connection with the expansion of operations in the Baltic States and the transaction to acquire the leaders on the Lithuanian and Latvian markets, PZU signed an agreement to sell PZU Lithuania in February 2015 for the purpose of satisfying the conditions for consent from the Lithuanian antitrust authority to acquire Lietuvos Draudimas. This sales transaction was executed on 30 September 2015. In this manner, the results of the Baltic States segment included PZU Lithuania up to 30 September 2015, which affected the comparability of data.

On account of its activity in the Baltic States, in the 3 quarters of 2016 the PZU Group generated operating profit of PLN 47,413 thousand compared to PLN 25,034 thousand in the previous year. The result before tax was PLN 40,114 thousand.

This result arose from the following factors:

- decline in gross written premium. It was PLN 868,394 thousand. All insurance companies in the Baltic States Segment, which are currently part of the PZU Group increased their gross written premium y/y – the overall growth was 15.6% (in particular in property insurance and motor own damage insurance). In the 3 quarters of the previous year, the segment's gross written premium excluding PZU Lithuania was PLN 751,054 thousand;

- increase in net investment result. In the 3 quarters of 2016, the result was PLN 16,759 thousand, up 14.7% from the corresponding period of the previous year due to higher income on investment activity at a client's risk in life insurance, offset by the absence of PZU Lithuania's investment income in the current year;
- decline in net claims and benefits. They amounted to PLN 513,697 thousand and were 3.8% lower compared to 3 quarters of 2015. Overall, the insurance companies of the Baltic States segment operating on the non-life insurance market (which were part of the PZU Group at the end of September 2016) posted a 2.0 percentage point y/y increase in the loss ratio. The hike was driven among others by growth in large claims and higher frequency (outcome of bad weather conditions in the winter of 2016);
- lower acquisition expenses. They segment's expenditures for this purpose were at PLN 185,936 thousand, down 5.0% from the corresponding period of the previous year. The decrease in acquisition expenses was principally the effect of the contribution of PZU Lithuania in the 3 quarters of 2015;
- lower administrative expenses, which amounted to PLN 82,230 thousand, while in the 3 quarters of 2015 they were PLN 110,895 thousand. All the insurance companies of the Baltic sector posted a lower administrative expense ratio y/y, mainly due to their cost discipline, among others in the IT area.

14.9 Ukraine

Data from the profit and loss account - Ukraine segment	1 January – 30 September 2016	1 January – 30 September 2015	% change
Gross written premium	154,561	116,370	32.8%
Net earned premiums	77,705	77,185	0.7%
Net result on investing activities	16,911	32,140	(47.4)%
Net insurance claims and benefits	(36,656)	(59,594)	(38.5)%
Acquisition expenses	(42,987)	(33,689)	27.6%
Administrative expenses	(15,848)	(14,895)	6.4%
Others	16,268	5,990	171.6%
Operating profit (loss)	15,393	7,137	115.7%
UAH exchange rate in PLN	0.1531	0.1742	(12.1)%
acquisition expense ratio [1)]	55.3%	43.6%	*11.7 p.p.*
administrative expense ratio[1)]	20.4%	19.3%	*1.1 p.p.*

[1)] Ratios calculated against net premium earned

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

The Ukrainian non-life insurance market share at the end of June 2016 was 3.9%; the life insurance market share is 8.3%, ranking both companies on the 5th place on the market according to the Insurance TOP quarterly[8].

The Ukraine Segment closed the first three quarters of 2016 with an operating profit of PLN 15,393 thousand, compared to PLN 7,137 thousand. Profit before tax was PLN 14,865 thousand.

The change in the segment's results was the effect of:

- increase in gross written premium. It was PLN 154,561 thousand, up by 32.8% from the previous year. In non-life insurance (in the original currency), better sales were recorded in all the channels: corporate (+85.9%), agency (+33.5%), direct (+34.4%) and alternative (+27.5%). A positive impact was also exerted by the growth in premiums written in casualty insurance (+36.7%), agricultural (+71.8%), motor TPL (+46.5%), MOD (+26.4%) and mainly property insurance (+320.5%) – which resulted from a contract signed with a large corporate client);

[8] Insurance TOP #3 2016

- lower net investment result. The segment posted net income of PLN 16,911 thousand, which was 47.4% less than in the corresponding period of the previous year. This resulted from positive foreign exchange differences in the portfolio of USD-denominated investments in the 3 quarters of 2015 (following a strong devaluation of the local currency);
- decline in net claims and benefits. They amounted to PLN 36,656 thousand, down 38.5% as compared with the three quarters of the previous year. The drop was caused mainly by a movement in technical provisions in the life insurance company (down by 55.7% y/y – an effect of an increased valuation of investments denominated in USD in the previous period). During the 3 quarters of 2016, the non-life company posted claims of PLN 21,664 thousand, as a result of which the loss ratio in non-life insurance fell by 5.7 percentage points (in particular in property, travel and health insurance products);
- increase in acquisition expenses. They were PLN 42,987 thousand, vs. PLN 33,689 thousand in the corresponding period of the previous year. Their growth was a simple consequence of the increase in gross written premiums;
- higher administrative expenses. They were PLN 15,848 thousand, while in the three quarters of 2015 the segment's administrative expenses amounted to PLN 14,895 thousand. The increase in administrative expenses was associated with, among others: indexation of salaries, devaluation of hryvnia and increased inflation.

In the original currency, gross written premium in the 3 quarters of 2016 was UAH 1,009,541 thousand, up 51.1% from last year. At the same time, net earned premium amounted to UAH 507,539 thousand, marking an increase of 14.5% from last year. The segment's operating result increased to UAH 97,094 thousand (from UAH 28,276 thousand in the 3 quarters of the previous year).

14.10 Investment contracts

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

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

Volumes obtained on investment contracts by payment type	1 January – 30 September 2016	1 January – 30 September 2015	% change
Regular premium	31,167	34,254	*(9.0)%*
Single premium	38,028	70,840	*(46.3)%*
Total	69,195	105,094	*(34.2)%*

Gross written premium generated on investment contracts during the three quarters of 2016 fell by PLN 35,899 thousand (-34.2%) compared to the corresponding period in 2015 to PLN 69,195 thousand. The changes in gross written premium were caused mainly by the withdrawal of short-term endowment insurance products from the own channel offering in June 2016.

Data from the profit and loss account – investment contracts	1 January – 30 September 2016	1 January – 30 September 2015	% change
Gross written premium	69,195	105,094	(34.2)%
Group insurance	1,966	2,186	(10.1)%
Individual insurance	67,229	102,908	(34.7)%
Net earned premiums	69,245	105,090	(34.1)%
Investment income	12,937	11,288	14.6%
Net insurance claims and benefits	(201,866)	(562,246)	(64.1)%
Movement in net other technical provisions	130,925	463,155	(71.7)%
Acquisition expenses	(3,054)	(7,523)	(59.4)%
Administrative expenses	(6,924)	(6,548)	5.7%
Others	(318)	(423)	(24.8)%
Operating profit (loss)	**945**	**2,793**	**(66.2)%**
operating profit margin [1)]	1.4%	2.7%	(1.3) p.p.

[1)] Ratios calculated using gross written premium

Result on investing activity in the investment contracts segment improved by PLN 1,649 thousand vs. the previous year, mainly as a result of better performance of funds in the unit-linked product in the bancassurance channel. At the same time, the drop in assets in unit-linked products contributed to the reduction of the management fee income, which was also recognized under this line item.

Net claims and benefits fell year on year as a consequence of the significantly lower level of endowment payouts under short-term endowment insurance products in both bancassurance and own channels (last year large ticket tranches matured; no sales in subsequent periods) and additionally a much lower average surrender amounts for unit-linked products. They were at PLN 201,866 thousand, i.e. they were down 64.1% from the previous year. At the same time, the effects described above do not have an impact on the operating result on account of the corresponding movement in the technical provisions.

The downward movement in net technical provisions was lower than last year. In the first 3 quarters of 2016 it was PLN 130,925 thousand compared to PLN 463,155 thousand in the previous year. The difference resulted mainly from changes in the portfolio of short-term investment endowment products in the bancassurance channel, i.e. a significant drop in the level of agreements where endowment age is reached as product sales are phased out.

Acquisition expenses were at PLN 3,054 thousand, declining by 59.4% from the previous year. This was an effect of the lack of new sales and declining value of assets in unit-linked products in the bancassurance channel (a portion of fee for the bank depends on the level of assets) and additionally also declining involvement of the company’s own network in selling short-term investment endowment products and the withdrawal of products of this type from the offering in June.

Administrative expenses were PLN 6,924 thousand, up by PLN 376 thousand vs. 2015, as a result of higher IT expenses associated with the operation of the product system for unit-linked products.

The operating result of the segment was PLN -945 thousand, compared to PLN 2,793 thousand in the 9 month period of 2015, mainly as a result of decrease of the management fee (decline in assets in unit-linked products).

15. Impact of non-recurring events on operating results

The conversion effect of long-term policies into yearly renewable term agreements in type P group insurance was treated as a non-recurring event and during the three quarters of 2016 was PLN 36,503 thousand less than in the corresponding period of the previous year.

In the first three quarters of 2016, above average claims in agricultural insurance versus the last 3 years in the amount of PLN 236,921 thousand.

In the comparative period of 2015, non-recurring income of PLN 165,483 thousand was recorded on account of the sale of PZU Lithuania.

16. Macroeconomic environment

Key trends in the economy and pace of economic growth

GDP growth in Q2 increased to 3.1% y/y from 3.0% y/y in Q1 (these data may still be changed by GUS in connection with the revision of the actual GDP growth in 2015). The detailed data published by GUS confirmed the decline in investments in Q2 but so far they have not identified the expected increase in household consumption. Additionally, the slump in investments was deeper than expected. The decline in public (including local government) investments co-funded by the EU was one of the contributing factors, but increased uncertainty also did not foster growth of investments by large corporates. The adverse effect of lower investments in fixed assets on the annual GDP growth was nearly offset by the positive contribution of net exports. GDP growth was also positively affected by the change in inventories.

It may be estimated, based on monthly business activity indicators, that the annual GDP growth in Q3 was slightly lower than 3% y/y. The annual growth of industrial production sold in Q3 was down to 2.5% y/y vs. 5.7% y/y in the prior quarter. In this period, the decline in construction and installation production was even greater (monthly average of -18.2% y/y vs. 13.9% y/y in Q2 2016) indicating the continuation of the downward trend in investments. On the other hand, the rising trend in retail sales in fixed prices was maintained. In this period, the increase in retail sales volumes was even faster, rising to 6.2% y/y vs. 5.4% y/y in Q2 2016.This increase, in light of the improvements visible on the labour market, a clear increase in income in real terms and the improving trend of consumer ratios, provided the grounds for expecting stronger consumption.

So far, no clearly negative macroeconomic consequences emerged of the United Kingdom voting for leaving the European Union, neither in the UK nor in the EU itself. The response of financial markets was also shorter and milder than expected. Therefore, the impact of these events on the Polish economy has not been significant so far. Nevertheless, the probability of “hard Brexit” is increasing while restriction of free access to the EU market is a scenario that will be most harmful in economic terms for the United Kingdom and the EU.

Labor market and consumption

In Q3 2016 situation on the labor market continued to improve. The average monthly employment in the corporate segment increased by 18.8 thousand between June and September 2016, compared to 15.7 thousand one year earlier. The annual employment growth rate in corporates increased in Q3 to 3.2% y/y, which was the highest level since H1 2011. Demand for labor has been increasing: the number of jobs offered was 14.1% higher in September 2016 than last year. One of the factors contributing to increased employment in the corporate segment was switching from civil law agreements to employment agreements.

The registered unemployment rate was dropping in Q3. In September it was 8.3%, the lowest level in the last quarter of the century.

The growth rate in average monthly wages in the corporate sector was slightly lower in Q3 at 4.2% y/y compared to 4.4% y/y one quarter earlier. However it was the second quarter in which salary growth remained above 4.0% y/y, confirming its upward trend. In the conditions of increasing employment and nominal salaries and the continuing deflation, the real increase of corporate salary funds remained high. It was 8.5% y/y in Q3. Real household income has also been growing relatively quickly, also in the context of payments under the 500+ program, creating very good conditions for increases in household consumption.

Monetary policy, interest rates and inflation

Deflation in consumer prices fell slightly in Q3 2016. In this period, the decline in consumer prices of goods and services (measured by the CPI index) fell to -0.8% y/y from -0.9% y/y in two preceding quarters. In September, CPI rose to -0.5% y/y confirming its entry on the path out of deflation. Additionally, the very long period of production price deflation ended in September. Nevertheless, net base inflation (CPI excluding fuel and food prices) remained negative in Q3 (-0.4% y/y).

The monetary policy parameters were maintained in Q3 and in October 2016. In October, the Monetary Policy Council upheld its judgment that the existing level of interest rates (where the reference rate is 1.5%) keeps the Polish economy on the sustainable growth path and also fosters macroeconomic balance.

Public finance

The Ministry of Finance has announced that the debt of the government and local government sector was PLN 977.8 billion after Q2 2016. This signifies growth of PLN 39.3 billion in this period.

The state budget deficit in September this year amounted to PLN 20.6 billion, which accounted for approx. 38% of the plan for 2016 and was a very good result from historical standpoint. This was achieved because of the positive impact of non-recurring events at the income side (PLN 9.2 billion received on account of the auction for 800 Mhz and 2.6 Ghz frequencies and contribution of the NBP profit of PLN 7.9 billion). Fulfillment of the budget was also supported by the positive growth of proceeds from indirect taxes, which remained above 6% y/y in Q3 2016.

At the end of September, approximately 91% of the borrowing needs for 2016 had been financed.

Situation on the financial markets

In late June and early July 2016, increased demand for safe assets was observed in connection with the consequences of the United Kingdom voting to leave the European Union. However the market sentiments calmed down soon and yields of German or US treasury bonds improved slightly. The Q3 2016 improvement was also supported by the publication of good macroeconomic data. Ultimately, treasury bond yields on the base markets did not change significantly over the entire Q3 2016.

After the Brexit-related market turmoil ended, Polish 10-year treasury bonds appreciated in July and August. Their yields fell temporarily to about 2.60%. This drop was supported by the short-living increase in the likelihood of another interest rate cut in Poland. At the end of September, the yield of Polish 10-year treasury bonds increased to about 2.90%, which was similar to the level recorded at the end of June 2016. This was helped, among others by the slow improvement of yields in the USA. On the other hand, the yields of Polish 1Y treasury securities fell by about 10 basis points in Q3 2016.

The difference between yields offered by Polish and German 10-year treasury securities fell from over 300 basis points at the end of June to 270-280 points in August, only to return above the 300 level at quarter-end.

According to Ministry of Finance data, the share of foreign investors in market Treasury bonds issued in the domestic market slightly decreased in Q3 2016. It was 35.3% at the end of September 2016.

The euro exchange rate expressed in the US currency increased from approx. 1.11 at the end of June 2016 to approx. 1.12 at the end of September 2016. This was attributable, among other things, to the lower expected scale of tightening the monetary policy by the Fed in 2017. In Q3 2016, the Polish currency appreciated vs. Euro (EURPLN) by 2.6%, at the same time appreciating against the US dollar (USDPLN) by 3.1%. The PLN also appreciated by 2.2% vs. the Swiss franc (CHFPLN). In connection with the Brexit, the British pound (GBPPLN) exchange rate plummeted and the PLN appreciated by nearly 7% in Q3 2016.

The Brexit referendum also caused significant drops on the stock market at the end of June 2016. However, in the subsequent period the indices rebounded making up for the losses in Q3 2016. The rebound was also supported by the fact that the first economic effects of Brexit proved to be less severe than expected. Moreover, the ECB and Fed maintained an exceedingly loose monetary policy and the market expectations indicated that its future course would be less strict than anticipated. As a result, the Dow Jones Composite 65 index in the USA rose by about 2% in Q3 2016, while the German DAX 30 by almost 9%.

In Q3 2016, the Polish stock market index WIG also recorded a solid increase of over 5%. However the WIG20 index fell by more than 2%, which could have been caused by material risks specific to large listed Polish companies, including financial or power sector companies.

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

PZU did not publish any standalone or consolidated result forecasts.

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

18.1 Non-life insurance

The most significant risk factors which may affect the results in the mass and corporate insurance segment (non-life insurance) in the next quarter of 2016 include:

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

18.2 Life insurance

The most significant risk factors which may affect the results in the group, individually continued and individual insurance segment (life insurance) in the next quarter of 2016 include:

- potential intensification of competition in group insurance resulting from strengthening role of brokers in this segment and the requirement to invite tenders for group insurance by entities subject to the requirements of the

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

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

18.3 Investment activity

The risk factors, which may affect investment performance include primarily:

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

18.4 Banking activity

The situation of the banking sector in 2016 will primarily be affected by:

- operation in the environment of record low interest rates, which puts pressure on the level of net interest margin.
- macroeconomic situation in the Polish economy – the rise in gross domestic product, employment and salaries, coupled with the historically low level of interest rates and low prices of energy fuels has a positive influence on the sales of loans and credit portfolio quality;
- possible changes of the legal environment, including mainly the legislative solution of the issue of foreign currency residential loans, likelihood of increasing banks' contributions to BFG funds and potentially an obligation to make additional contributions to BFG, may adversely affect the Bank's profitability in 2016;
- increase in Alior Bank's costs in Q4 2016 and in subsequent periods in connection with the acquisition of the separated part of Bank BPH.

18.5 Pension funds

The risk factors that could impact the performance of PTE PZU in the next quarter of 2016 include primarily the economic climate on the capital market affecting the value of the assets of the funds and the level of management fees charged by PTE PZU and changes in the number of members, who could sign up for or resign from open-end pension funds from 1 April to 31 July of this year (the so-called “transfer window”.

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

In the 9-month period ended 30 September 2016, PZU did not issue, redeem or repay any debt securities or equity securities.

Information on the issues of subordinated bonds by PZU’s subsidiary Alior Bank is presented in item 9.25.1.

20. Default or breach of material provisions of loan agreements

During the 9 months ended 30 September 2016, in PZU and in its subsidiaries there were no instances of default or a breach of any material provisions of loan agreements in respect of which no remedial actions were taken until the end of the reporting period.

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

In the 9-month period ended 30 September 2016, neither PZU nor its subsidiaries granted any loan sureties or guarantees to any single entity or any subsidiary of such an entity where the total amount of such sureties or guarantees would be the equivalent to at least 10% of PZU’s equity, except for the transaction described below.

On 31 March 2016 PZU extended to a subsidiary (Alior Bank) an insurance guarantee for unfunded credit protection on Alior Bank’s selected portfolio of credit receivables. Unfunded credit protection reduced Alior Bank’s credit risk through PZU’s undertaking to pay a specified amount in the event of the debtor’s default on its obligation or occurrence of specified credit events.

The value of Alior Bank’s receivables portfolio covered by the guarantee was PLN 3,104,240 thousand. After applying Alior Bank’s 10% deductible and capping PZU’s maximum amount of liability for a single credit receivable to PLN 50,000 thousand, the amount of the guarantee extended by PZU was PLN 2,548,856. On 1 July 2016, Alior Bank terminated the guarantee agreement.

22. Dividends

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

On 20 May 2016 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 2015 in the amount of PLN 2,248,522 thousand as follows:

- designate PLN 1,796,128 thousand, i.e. PLN 2.08 per share, for a dividend payment;
- designate PLN 442,394 thousand for supplementary capital;
- designate PLN 10,000 thousand for the Company Social Benefit Fund.

On 30 June 2016, the Ordinary Shareholder Meeting of PZU adopted a resolution on distribution of net profit for the year ended 31 December 2015, in accordance with the motion submitted by the PZU Management Board.

The dividend date was set for 30 September 2016 and the dividend payout date was set for 21 October 2016.

23. Disputes

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

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

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

During the 9 months ended 30 September 2016 and by the date of conveying this periodic report, the PZU Group companies were not involved in any proceedings conducted before a court, an arbitration body or a public administration authority which concerned any liabilities or receivables of PZU or any of its direct or indirect subsidiaries, the unit value of which was at least 10% of PZU's equity.

As at 30 September 2016, the value of the subject matter of the litigation in all the 124,763 cases pending before courts, arbitration bodies or public administration authorities in which PZU Group entities take part, was PLN 4,676,753 thousand. Out of this amount, PLN 3,515,891 thousand relates to liabilities and PLN 1,160,862 thousand to receivables of PZU Group companies, which represented respectively 30,28% and 10,00% of PZU's equity according to PAS.

Estimations of the amounts of the provisions for individual cases take into account all information available on the date of conveying this periodic report, however this figure may change in the future.

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

On 30 July 2007, an action was brought by Manchester Securities Corporation ("MSC") seated in New York against PZU to repeal Resolution No. 8/2007 adopted by the Company's Ordinary Shareholder Meeting on 30 June 2007 to distribute PZU's profit for the financial year 2006 as contradicting 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 net profit of PLN 3,280,883 thousand generated in 2006 as follows:

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

In its judgment of 22 January 2010 the Regional Court in Warsaw repealed the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting in its entirety. PZU has used all 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.

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

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

On 20 August 2012, a copy of 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 has submitted a rejoinder to the statement of claim requesting to dismiss the statement of claim in its entirety.

On 17 December 2013, the Regional Court passed a judgment in which it accepted the claim in its entirety and awarded the costs of proceedings from PZU to MSC. On 4 March 2014, PZU filed an appeal against the above judgment, contesting it in its entirety. In its judgment of 11 February 2015, the Appellate Court in Warsaw 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. MSC challenged the Appellate Court's judgment in its entirety in a cassation appeal of 9 June 2015. PZU filed a response to cassation appeal. With its 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 and not subject to further appeal and ends the proceedings in this case.

In the meantime on 16 December 2014, MSC summoned PZU to pay PLN 264,865 thousand as a compensation in connection with repealing resolution no. 8/2007 adopted by the PZU Ordinary Shareholder Meeting on 30 June 2007 to distribute PZU's profit for the financial year 2006. PZU refused to effect the performance, 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 adoption of resolution no. 8/2007 on 30 June 2007 by the PZU Ordinary Shareholder Meeting. The case is pending before the Regional Court in Warsaw, 20th Commercial Division On 18 December 2015, PZU replied to the statement of claim requesting to dismiss the suit in its entirety. On 1 April 2016, MSC filed a pleading in which it responded to PZU's assertions, allegations and conclusions 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 a decision of 21 July 2016, the Court referred the case to a mediation procedure, to which PZU did not agree. The hearing during which evidence is to be analyzed was set for 19 December 2016.

The Management Board of PZU believes that MSC's claims are groundless. As a result, as at 30 September 2016, 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's Social Benefits Fund have not been adjusted.

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

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

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

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

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

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

7 lawsuits for payment of dividend or compensation have been launched against PZU. PZU answers to such statements of claim consistently demanding their dismissal in entirety. In six cases, District Courts in Warsaw dismissed the claims in their entirety (in five cases, the rulings are final and in one case the plaintiff appealed). In one case, the District Court discontinued the proceedings after the statement of claim was withdrawn (the decision is final).

23.2 Proceedings conducted by President of UOKiK against PZU

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

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

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

and he also ordered that PZU cease and desist from this practice.

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

At the hearing on 2 December 2013 the Regional Court in Warsaw issued a judgment in which it dismissed PZU's appeal and awarded the refund of litigation expenses from PZU to the UOKiK President. On 23 December 2013, PZU submitted an appeal against the judgment. On 17 December 2014 the Appellate Court at a hearing issued a decision on suspension of the proceedings until the Supreme Court resolves the legal issue in another case pending before the Appellate Court. After it was resolved, at the session held on 26 January 2016, the Appellate Court recommenced the suspended proceedings and closed the hearing. In a judgment of 1 February 2016, the Appellate Court accepted PZU's appeal and changed the judgment of the Regional Court in Warsaw in its entirety, repealing the UOKiK President's decision of 18 November 2011 in its entirety and awarded the cost of proceedings in both instances to PZU from the UOKiK President. The Appellate Court's judgment is final. Since the UOKiK President did not file a cassation appeal against the judgment of the Appellate Court, proceedings in the case have been closed.

The provision recognized in connection with this case in previous years was fully reversed in 2015 (in the amount of PLN 11,287 thousand).

23.2.2. Case concerning sales of group accident insurance

On 30 December 2011, the President of 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 does not agree with the determination of facts and the legal argumentation in the decision, because not all the evidence was taken into account when making the decision and an erroneous legal qualification was made.

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

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

On 22 October 2012, PZU received a response on its appeal from the UOKiK President, to which PZU replied on 5 November 2012. On 27 March 2015, the District Court in Warsaw issued a judgment in which it repealed the decision of the UOKiK President of 30 December 2011. On 21 May 2015, the UOKiK President filed an appeal. On 24 June 2015, PZU filed a response to the appeal of the UOKiK President. The hearing before the Appellate Court in Warsaw during which the UOKiK President's appeal is to be examined was set for 22 November 2016.

PZU had a provision for this penalty, which amounted to PLN 56,605 thousand as at 30 September 2016, 30 June 2016, 31 December 2015 as well as 30 September 2015.

23.3 Proceedings conducted by UOKiK President against PZU Życie

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

The PZU Życie Management Board does not concur with the findings concerning the facts or the legal argumentation set forth in the decision. According to the PZU Życie Management Board, not all the evidence was taken into account when making the decision and an erroneous legal qualification was made and in effect it was groundlessly assumed that PZU Życie has a dominating position on the market. PZU Życie appealed to the Competition and Consumer Protection Court. A total of 38 material law and formal law allegations against the decision of the President of UOKiK were formulated in the appeal.

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

In the judgment of 9 May 2013, the Appellate Court in Warsaw agreed with PZU Życie's allegations and rescinded the judgment of the Court for Competition and Consumer Protection due to the invalidity of court proceedings, abolished the proceedings to the extent affected by the invalidity and remanded the case for reexamination by the Competition and Consumer Protection Court.

As a result further proceedings, on 28 March 2014, Competition and Consumer Protection Court announced its judgment in which it dismissed PZU Życie's appeal and awarded refund of litigation expenses from PZU Życie. On 10 July 2014 PZU Życie filed an appeal against the Competition and Consumer Protection Court's judgment of 28 March 2014, suing it in entirety. On 17 September 2015, the Appellate Court handed down its verdict, dismissing the PZU Życie's appeal in its entirety and awarding the costs of proceedings from PZU Życie. The verdict is final. PZU Życie paid the fine of PLN 50,384 thousand and the awarded costs. The verdict together with justification was delivered to PZU Życie on 20 January 2016. On 18 March 2016, PZU Życie filed a cassation appeal with the Supreme Court against the judgment. On 10 May 2016, PZU Życie received a response from the UOKiK President to PZU Życie's cassation appeal of 18 March 2016. On 24 May 2016, PZU Życie submitted a reply to the UOKiK President's response.

There were no grounds for recognizing any provision on this account as at 30 September 2016, 30 June 2016, 31 December 2015 as well as 30 September 2015.

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

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

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

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

In connection with the final conclusion of the proceedings to declare enforceability of the Judgment 108/10, on 9 July 2015, PZU Życie paid to CSC the amount of PLN 17,392 thousand as specified in the judgment. On 20 August 2015, PZU Życie filed a cassation appeal with the Supreme Court, challenging the entire Judgment 108/10 of the Appellate Court. On 7 October 2016, the Supreme Court dismissed PZU Życie's cassation appeal. The judgment of the Supreme Court ends proceedings in this case.

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

PZU is a creditor of PBG SA ("PBG") and Hydrobudowa Polska SA ("Hydrobudowa"), both 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 capital group in which PBG is the parent company. The two companies provided sureties for each other's liabilities. As a consequence, all claims submitted the bankruptcy estate of Hydrobudowa in the amount of PLN 100,996 thousand were concurrently submitted to the bankruptcy estate of PBG.

PZU's claims to PBG's bankruptcy estate, after being reviewed by a court commissioner and after being verified by a court supervisor, have been entered in the list of claims in the amount of PLN 103,014 thousand. As at 30 June 2016, the amount of the claims was PLN 98,830 thousand (PLN 102,164 thousand as at 31 December 2015) and its reduction resulted from elapse of the term of some of the guarantees under which no claims were made. Due to the low likelihood of recovering the claims, the amount was not recognized in the consolidated statement of financial position. At the creditor meeting held on 5 August 2015, PZU voted for accepting the composition and on 25 August 2015, the commissioner judge confirmed the outcome of the vote and that the composition had been concluded. On 8 October 2015, the Bankruptcy Court announced a decision in which it approved the composition with creditors. The decision is final. If the composition becomes effective, PZU will receive cash payments in the amount of 21% of the claims, following the time schedule included in the Composition Proposals and non-cash satisfaction involving the conversion of 0.491927% of the claim to shares of a new issue. On 28 June 2016, PBG paid the first installment on this account in the amount of PLN 83 thousand. On 20 July 2016, the Bankruptcy Court issued a decision to close the bankruptcy proceedings. The decision is final.

24. Other information

24.1 Assessment of PZU Group companies by rating agencies

Issuer rating

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

Current rating

On 21 January 2016, S&P reduced the financial strength rating of PZU and PZU Życie by one level to „A-" with a negative outlook for both companies. The decision to reduce the rating was a consequence of S&P's decision reducing the rating awarded to Poland. The decision did not result from any change in PZU's financial condition.

On 31 October 2016, S&P affirmed its financial strength and credit ratings for PZU and PZU Życie at "A-". At the same time, the agency removed PZU's rating from the credit watch list, where PZU was placed on 18 December 2015. In accordance with the rating outlook for Poland's debt, the outlook for PZU and PZU Życie is also negative.

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

Company name	Rating and outlook	Date of award/update	Previous rating and outlook	Date of award/update
PZU				
Financial strength rating	A- /negative/	31 October 2016	A- /*Watch Neg*/	21 January 2016
Credit rating	A- /negative/	31 October 2016	A- /*Watch Neg*/	21 January 2016
PZU Życie				
Financial strength rating	A- /negative/	31 October 2016	A- /*Watch Neg*/	21 January 2016
Credit rating	A- /negative/	31 October 2016	A- /*Watch Neg*/	21 January 2016

Country rating

On 15 January 2016, S&P downgraded Poland's rating from "A-" to "BBB+" for long-term liabilities in foreign currencies and from "A/A-1" to "A-/A-2" for long- and short-term liabilities in the local currency, respectively, with a "negative" outlook. At the same time, the outlook was changed from positive to negative.

On 1 July 2016, S&P affirmed Poland's long- and short-term rating at "BBB+/A-2" and Poland's long- and short-term rating in local currency at "A-/A-2", respectively. The outlook remained negative.

24.2 Related party transactions

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

In the period of 9 months ended 30 September 2016, neither PZU nor its subsidiaries executed any single or multiple transactions with their related parties which were of material significance individually or collectively and were executed on terms other than based on an arm's length principle, except for those described below.

Under the master agreement signed on 7 August 2013 by and between PZU and PZU and PZU Życie, cash loans in PLN for a definite term of no more than 12 months are extended between these companies. The sum of the loans granted by each of the parties cannot exceed PLN 1 billion. The purpose of this agreement is to provide a liquidity management tool in the PZU Group. The loans are not granted on arm's length basis - no interest is accrued on the loans, and for granting the loan the lender is entitled to a commission in the amount of PLN 100 for each concluded loan agreement - however due to participation of both companies in the Tax Capital Group, they are neutral from tax perspective. In the period of 9 months ended 30 September 2016, PZU Życie granted four such loans:

- on 27 May 2016 in the amount of PLN 400,000 thousand, repaid on 24 June 2016;
- on 24 June 2016 in the amount of PLN 350,000 thousand, repaid on 25 July 2016;
- on 27 July 2016 in the amount of PLN 350,000 thousand, repaid on 25 August 2016;
- on 25 August 2016 in the amount of PLN 250,000 thousand, repaid on 18 October 2016.

24.2.2. Turnovers and balances of transactions executed with related parties

Balances and turnovers resulting from commercial transactions between the PZU Group and related parties	1 January – 30 September 2016 and as at 30 September 2016		1 January – 31 December 2015 and as at 31 December 2015		1 January – 30 September 2015 and as at 30 September 2015	
	Key management staff of the main entities [1]	Other related parties [2]	Key management staff of the main entities [1]	Other related parties [2]	Key management staff of the main entities [1]	Other related parties [2]
Gross written premium						
in non-life insurance	-	2,171	-	3,188	-	2,398
in life insurance (including the volumes from investment contracts)	-	-	-	-	-	-
Other income	-	2	-	3	-	2
Costs	-	26	-	11	-	11
including charges for receivables made in the current period	-	-	-	-	-	-
Receivables	-	10	-	50	-	20
gross value	-	10	-	50	-	20
revaluation charges	-	-	-	-	-	-
net value	-	10	-	50	-	20
Liabilities	-	4	-	4	-	4
Contingent assets	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-	-

[1] Senior level managers, data according to declarations.
[2] Unconsolidated companies in liquidation and associates measured by the equity method.

24.3 Acquisition of Bank BPH

On 31 March 2016, Alior Bank (a PZU subsidiary) signed the share purchase and demerger agreement to purchase the Bank's Core Business ("Share Purchase and Demerger Agreement") with GE Investment Poland sp. z o.o. (GEIP), DRB Holdings B.V. and Selective American Financial Enterprises, LLC (jointly "Sellers of Bank BPH").

The Share Purchase and Demerger Agreement provides for:

- Alior Bank's acquisition of shares constituting a significant stake in Bank BPH from the Sellers of Bank BPH;
- demerger of Bank BPH in accordance with Article 529 §1.4 of the Commercial Company Code, carried out by transferring Bank BPH's Core Business to Alior Bank ("Demerger") and Alior Bank's issue of new shares to the Bank BPH shareholders identified in the demerger plan (i.e. excluding Alior Bank and the Sellers of Bank BPH and their related parties).

Alior Bank acquired Bank BPH's core business ("Bank BPH's Core Business") constituting an organized part of the business including all of Bank BPH's assets and liabilities excluding the assets and liabilities that remained in Bank BPH after the demerger and which constitute Bank BPH's mortgage business.

Alior Bank's acquisition of the shares in Bank BPH was executed by way of a public tender offer to sell shares representing 66% of Bank BPH's share capital ("Tender Offer").

The price for the 87.23% equity stake in Bank BPH's Core Business belonging to the Sellers of Bank BPH was set at PLN 1,225 million subject to adjustments. In its current report of 2 August 2016, Alior Bank announced that the adjusted purchase price for Bank BPH's Core Business was set at PLN 1,159,645 thousand. This price was set on the basis of the book value of the tangible assets constituting Bank BPH's core business as at 30 June 2016 and it may be subject to further adjustments, depending on the adjusted book value of the tangible assets constituting Bank BPH's Core Business on the date the competent court of registration registers the increase of Alior Bank's share capital in connection with the demerger of Bank BPH, i.e. 4 November 2016.

This transaction was financed through Alior Bank's issuance of new shares with subscription rights.

The closing of the transaction was conditional upon the satisfaction of the following conditions precedent:

- obtaining consent from the competent anti-monopoly authority (consent was obtained on 23 June 2016);
- for Bank BPH, Alior Bank and GEIP to obtain the relevant consents or decisions from the Polish Financial Supervision Authority (these consents were obtained on 19 July 2016, 25 July 2016, 4 August 2016 and 9 August 2016);
- for Bank BPH and Alior Bank to approve and sign the demerger plan (which took place on 29 April 2016);
- for Alior Bank's Shareholder Meeting to adopt a resolution on the capital increase through a rights offering (this resolution was adopted on 5 May 2016);
- for the registry court to register the increase of Alior Bank's share capital (it was registered on 24 June 2016);
- for Alior Bank's Shareholder Meeting to adopt a resolution on the approval of the Demerger (resolutions were adopted on 29 July 2016);
- obtaining specific tax rulings relating to the Demerger (the ruling was received on 28 July 2016).

The demerger plan was agreed upon and signed on 29 April 2016 and on 5 May 2016 the resolution to increase Alior Bank's share capital was adopted.

On 30 June 2016, Alior Bank, acting pursuant to Article 539 § 1 and 2 of the Commercial Company Code, in conjunction with Article 402(1) carried out the second notification of the planned demerger of Bank BPH. According to the exchange parity for one share of Bank BPH as agreed in the Demerger Plan, 0.44 shares in Alior Bank were supposed to be awarded and allocated to a Bank BPH shareholder (except for GE shareholders) ("Share Exchange Parity"), subject to an adjustment associated with the dilution of Alior Bank's share capital following Alior Bank's public offering upholding subscription rights before the Demerger date. After the above adjustment associated with the dilution of Alior Bank's share capital and after rounding, the Share Exchange Parity was set at 0.51.

Between 1 and 16 August 2016, subscriptions were held for the sale of Bank BPH shares in the tender offer announced by Alior Bank. The final price in the tender offer was set at PLN 31.19 per share. On 8 August 2016, the condition of the

Tender Offer requiring at least 37,180,026 Bank BPH shares equivalent to at least 48.49% of all votes at Bank BPH's shareholder meeting to be covered by subscriptions made in response to the Tender Offer, was ultimately satisfied ("Minimum Number of Shares Condition"). Satisfaction of the Minimum Number of Shares Condition meant that all the conditions of the tender offer were satisfied. The Minimum Number of Shares Condition was satisfied after GE Investments Poland sp. z o.o. and DRB Holdings B.V. subscribed for the sale of Bank BPH shares in performance of the Share Purchase and Demerger Agreement. The subscriptions were made after the last condition of the Share Purchase and Demerger Agreement was satisfied: obtaining all the approvals specified in the Share Purchase and Demerger Agreement from the Polish Financial Supervision Authority, taking into account the changes in this respect introduced by the Annex of 8 August 2016 to the Share Purchase and Demerger Agreement.

On 19 August 2016, a transaction to acquire 46,525,228 shares in Bank BPH, i.e. all the shares in Bank BPH covered by the subscriptions made under the tender offer, was carried out. On 24 August 2016, the transaction was settled and thus the ownership title to the shares in Bank BPH covered by the subscriptions made under the Tender Offer was transferred to Alior Bank.

On 20 September 2016, Alior Bank, acting in concert with the Sellers of Bank BPH announced a squeeze out of the shares in Bank BPH owned by all of the company's other shareholders ("Squeeze out"). Alior Bank and Bank BPH Sellers together held 76,224,988 shares in Bank BPH representing about 99.42% of Bank BPH's share capital and of all the votes at Bank BPH's shareholder meeting. Alior Bank and the Sellers of Bank BPH together held 442,923 shares in Bank BPH representing about 0.58% of Bank BPH's share capital and of all the votes at the shareholder meeting of Bank BPH ("Squeeze out Shares"). The squeeze out date was set at 23 September 2016 and the squeeze out price at PLN 31.19 per share of Bank BPH. On the squeeze out date, holders of Squeeze out Shares were deprived of rights under their shares, which was effected by crediting Squeeze out Shares to Alior Bank's securities account.

On 20 October 2016 the District Court of Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register registered the decrease in Bank BPH's share capital. As a result of registering the decrease in Bank BPH's share capital, all the shares in Bank BPH belonging to Alior Bank ceased to exist, i.e. 46,968,051 shares in Bank BPH.

On 4 November 2016 the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register entered in the business register an increase in the share capital of Alior Bank from PLN 1,292,577,120.00 to PLN 1,292,577,630.00 by issuing 51 series J ordinary bearer shares with a par value of PLN 10.00 each ("Registration of Share Capital Increase") in connection with the Demerger.

According to art. 530 § 2 of the Commercial Company Code, in conjunction with the Registeration of the Share Capital Increase the spinoff of Bank BPH's Core Business transpired and it was transferred to Alior Bank. The Demerger thereby took effect whereby Bank BPH's Core Business formally became a part of Alior Bank.

Control over Bank BPH

In the interim period ("Interim Period") between the end of the Tender Offer and the date of registration by the competent court of registration the increase in Alior Bank's share capital in conjunction with the Demerger ("Demerger Date"), Alior Bank undertook not to exercise, without prior written consent from the Sellers of Bank BPH, any rights arising from the shares in Bank BPH, subject to the exceptions provided for in the Share Purchase and Demerger Agreement. In the Interim Period, the Sellers of Bank BPH remained Bank BPH's reference shareholders. In performance of the above, in the Interim Period the Bank did not appoint its representatives to Bank BPH's management and supervisory bodies.

As at 30 September 2016, the PZU Group did not control Bank BPH and accordingly it was not consolidated in the condensed interim consolidated financial statements. Control was assumed on the Demerger Date, in other words on 4 November 2016.

24.4 Negotiations in the matter of the acquisition of Bank PEKAO SA shares

On 28 September 2016 negotiations were launched to conclude a transaction for PZU acting in a consortium with Polski Fundusz Rozwoju S.A. to acquire a significant equity stake in Bank Pekao S.A. ("Pekao") from the UniCredit Group.

At the same time, the PZU SA Management Board indicates that the commencement of these negotiations with UniCredit does not mean that the acquisition of shares in Bank Pekao S.A. will be effected. As of the date of publishing this periodic report, PZU's corporate bodies have not taken any binding decisions with respect to the realization of the potential transaction.

24.5 Audits of the Office of the Polish Financial Supervision Authority in PZU

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

On 12 January 2016, PZU Życie received the audit report, to which it submitted its objections on 27 January 2016. The Management Board of PZU believes that the results of the audit will not exert influence on the consolidated financial statements.

In the period from 14 April to 19 May 2016, an audit of operations and asset position was held in the claims handling area.

On 13 July 2016, PZU received the audit report, to which it submitted its clarifications on 27 July 2016.

24.6 Situation in Ukraine

Despite the unstable political and economic situation in Ukraine, PZU Ukraine and PZU Ukraine Life Insurance, through diversification of the portfolio and sales channels, have become more flexible in responding to market changes and they do execute their sales plans adopted for 2016.

The Management Board of PZU, in cooperation with the management boards of PZU Ukraine and PZU Ukraine Life Insurance, 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 conveying this periodic report, the PZU Management Board assumes that further activities of PZU Ukraine and PZU Ukraine Life Insurance will be continued according to the adopted assumptions, however, the economic instability in Ukraine may adversely affect the future financial standing and performance of PZU Ukraine and PZU Ukraine Life Insurance in a way which currently cannot be reliably predicted. These condensed interim consolidated financial statements reflect the current judgments of the PZU Management Board in this respect.

Quarterly unconsolidated financial information of PZU (in accordance with PAS)

1. Interim balance sheet

ASSETS	30 September 2016	30 June 2016	31 December 2015	30 September 2015
I. Intangible assets, including:	357,450	354,297	362,167	326,535
- goodwill	-	-	-	-
II. Investments	32,999,235	32,351,209	32,356,048	31,464,250
1. Real property	445,969	454,296	475,812	482,626
2. Investments in subordinated entities, of which:	8,997,868	8,298,429	8,040,778	6,490,690
- investments in subordinated entities measured by the equity method	8,997,868	8,061,200	7,463,908	6,490,690
3. Other financial investments	23,555,398	23,598,484	23,839,458	24,490,934
4. Deposit receivables from ceding companies	-	-	-	-
III. Net assets of a life insurance company if the investment risk is borne by the policyholder	-	-	-	-
IV. Receivables	2,864,964	2,969,264	1,801,903	2,947,868
1. Receivables on direct insurance	1,541,587	1,671,364	1,433,828	1,353,888
1.1. From subordinated entities	777	47,951	2,419	690
1.2. From other entities	1,540,810	1,623,413	1,431,409	1,353,198
2. Reinsurance receivables	106,738	100,276	40,929	35,438
2.1. From subordinated entities	53,712	21,039	2,452	3,074
2.2. From other entities	53,026	79,237	38,477	32,364
3. Other receivables	1,216,639	1,197,624	327,146	1,558,542
3.1. Receivables from the state budget	12,639	12,722	63,641	1,769
3.2. Other receivables	1,204,000	1,184,902	263,505	1,556,773
a) from subordinated entities	870,290	894,014	37,127	1,161,336
b) from other entities	333,710	290,888	226,378	395,437
V. Other assets	177,192	345,259	195,984	195,500
1. Property, plant and equipment	114,683	120,639	130,908	115,047
2. Cash	62,509	224,620	65,076	80,453
3. Other assets	-	-	-	-
VI. Prepayments and accruals	1,709,220	1,823,091	1,642,259	1,068,703
1. Deferred tax assets	-	-	-	-
2. Capitalized acquisition expenses	1,065,860	1,090,744	957,179	704,014
3. Posted interest and rents	-	-	-	-
4. Other prepayments and accruals	643,360	732,347	685,080	364,689
VII. Unpaid share capital	-	-	-	-
VIII. Treasury stock	-	-	-	-
Total assets	**38,108,061**	**37,843,120**	**36,358,361**	**36,002,856**

Interim balance sheet (continued)

LIABILITIES AND EQUITY	30 September 2016	30 June 2016	31 December 2015	30 September 2015
I. Equity	11,611,277	11,139,505	12,378,733	11,630,675
1. Share capital	86,352	86,352	86,352	86,352
2. Supplementary capital	4,889,083	4,889,031	4,446,348	4,444,768
3. Revaluation reserve	5,636,089	5,173,786	5,597,511	5,594,389
4. Other reserve capital	-	-	-	-
5. Retained earnings (losses)	-	-	-	-
6. Net profit/(loss)	999,753	990,336	2,248,522	1,505,166
7. Charges to net profit during the financial year (negative figure)	-	-	-	-
II. Subordinated debt	-	-	-	-
III. Technical provisions	19,208,750	19,247,270	18,673,869	18,339,453
IV. Reinsurers' share in technical provisions (negative figure)	(889,911)	(959,290)	(1,037,301)	(1,016,759)
V. Estimated salvage and subrogation (negative figure)	(101,432)	(94,074)	(96,075)	(105,601)
1. Gross estimated salvage and subrogation	(102,073)	(94,615)	(96,539)	(107,363)
2. Reinsurers' share in estimated salvage and subrogation	641	541	464	1,762
VI. Other provisions	541,703	531,432	472,916	435,025
1. Provisions for pension benefits and other compulsory employee benefits	51,542	63,472	50,287	60,948
2. Deferred tax liability	401,615	384,749	349,003	263,294
3. Other provisions	88,546	83,211	73,626	110,783
VII. Liabilities for reinsurers' deposits	-	-	-	-
VIII. Other liabilities and special-purpose funds	7,028,914	7,200,250	5,109,816	6,262,604
1. Liabilities on direct insurance	390,330	389,098	344,541	325,967
1.1. To subordinated entities	445	482	912	838
1.2. To other entities	389,885	388,616	343,629	325,129
2. Reinsurance liabilities	100,063	139,098	81,038	90,079
2.1. To subordinated entities	15,706	9,540	1,883	1,699
2.2. To other entities	84,357	129,558	79,155	88,380
3. Liabilities on the issue of own debt securities and drawn loans	3,904,362	4,084,910	3,611,636	2,111,369
4. Liabilities to credit institutions	81,707	1,401	-	218,119
5. Other liabilities	2,425,125	2,445,736	928,469	3,363,044
5.1. Liabilities to the state budget	68,324	54,838	50,783	33,205
5.2. Other liabilities	2,356,801	2,390,898	877,686	3,329,839
a) to subordinated entities	6,585	6,230	46,427	5,323
b) to other entities	2,350,216	2,384,668	831,259	3,324,516
6. Special-purpose funds	127,327	140,007	144,132	154,026
IX. Accruals and deferred income	708,760	778,027	856,403	457,459
1. Accrued expenses	669,122	740,571	821,516	425,189
2. Negative goodwill	-	-	-	-
3. Deferred income	39,638	37,456	34,887	32,270
Total liabilities and equity	**38,108,061**	**37,843,120**	**36,358,361**	**36,002,856**

Interim balance sheet (continued)

	30 September 2016	30 June 2016	31 December 2015	30 September 2015
Book value	11,611,277	11,139,505	12,378,733	11,630,675
Number of shares	863,523,000	863,523,000	863,523,000	863,523,000 [1)]
Book value per share (in PLN)	13.45	12.90	14.34	13.47 [1)]
Diluted number of shares	863,523,000	863,523,000	863,523,000	863,523,000 [1)]
Diluted book value per share (PLN)	13.45	12.90	14.34	13.47 [1)]

[1)] Comparative data were restated taking into account the new number of shares after the PZU share split.

2. Interim statement of off-balance sheet line items

Off-balance sheet items	30 September 2016	30 June 2016	31 December 2015	30 September 2015
1. Contingent receivables, including:	9,353,299	10,909,514	9,618,386	9,935,621
1.1. Guarantees and sureties received	19,230	18,728	12,408	13,203
1.2. Other [1)]	9,334,069	10,890,786	9,605,978	9,922,418
2. Contingent liabilities, including:	4,579,813	4,910,444	4,642,447	2,885,383
2.1. Guarantees and sureties given	3,682,603	3,819,589	3,651,485	2,131,859
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 company	-	-	-	-
4. Reinsurance collateral instituted by the insurance company in favor of ceding companies	-	-	-	-
5. Third party assets not recognized in assets	122,003	123,120	136,477	136,665
6. Other off-balance sheet line items	-	-	-	-
Total off-balance sheet line items	**14,055,115**	**15,943,078**	**14,397,310**	**12,957,669**

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

3. Interim technical non-life insurance account

Technical non-life insurance account	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
I. Premium income (1-2-3+4)	2,480,304	6,784,060	2,027,711	5,936,238
1. Gross written premium	2,364,229	7,621,793	2,010,759	6,252,851
2. Reinsurers' share in the gross written premium	56,019	158,794	62,039	118,542
3. Movement in the provision for unearned premiums and provision for gross unexpired risks	(204,973)	612,687	(83,631)	131,070
4. Reinsurers' share in the movement in the provision for unearned premiums	(32,879)	(66,252)	(4,640)	(67,001)
II. Net investment income after considering costs, transferred from the non-technical profit and loss account	63,340	182,038	66,395	195,215
III. Other net technical income	20,037	80,169	43,390	136,175
IV. Claims (1+2)	1,782,513	4,614,773	1,544,809	3,898,603
1. Net claims paid	1,586,071	4,616,331	1,366,817	3,741,063
1.1. Gross claims paid	1,619,227	4,765,812	1,379,065	3,780,608
1.2. Reinsurers' share in claims paid	33,156	149,481	12,248	39,545
2. Movement in the net provision for outstanding claims	196,442	(1,558)	177,992	157,540
2.1. Movement in the gross provision for outstanding claims	159,842	(82,873)	546,126	557,288
2.2. Reinsurers' share in the movement in the provision for outstanding claims	(36,600)	(81,315)	368,134	399,748
V. Movement in other net technical provisions	-	-	-	-
1. Movement in other gross technical provisions	-	-	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-	-	-
VI. Net bonuses and discounts including movement in provisions	(755)	(138)	1,550	3,724
VII. Insurance activity expenses	642,626	1,842,832	568,887	1,663,639
1. Acquisition expenses, including:	473,576	1,345,205	398,483	1,139,447
- movement in capitalized acquisition expenses	24,886	(108,680)	(19,114)	(135,512)
2. Administrative expenses	168,820	502,052	164,604	526,585
3. Reinsurance commissions and profit-sharing	(230)	4,425	(5,800)	2,393
VIII. Other net technical expenses	68,171	255,435	62,564	248,120
IX. Movement in loss ratio (risk) equalization provisions	-	-	-	-
X. Technical result of non-life insurance	**71,126**	**333,365**	**(40,314)**	**453,542**

4. Interim non-technical profit and loss account

Non-technical profit and loss account	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
I. Technical result of non-life insurance or life insurance	71,126	333,365	(40,314)	453,542
II. Investment income	124,416	1,562,511	218,887	1,690,939
1. Investment income on real estate	1,533	4,143	1,513	4,356
2. Investment income from subordinated entities	(647)	847,838	1,102	1,082,266
2.1. on ownership interests or shares	(1)	844,150	-	1,079,309
2.2. on loans and debt securities	(646)	3,688	1,102	2,957
2.3. on other investments	-	-	-	-
3. Other financial investment income	9,298	237,317	106,606	284,597
3.1. on ownership interests, shares, other variable income securities, units and investment certificates in mutual funds	4,715	11,106	3,395	10,410
3.2. on debt securities and other fixed income securities	47,577	208,967	90,807	244,893
3.3. on term deposits in credit institutions	(39,518)	(12,463)	(1,606)	(12,110)
3.4. on other investments	(3,476)	29,707	14,010	41,404
4. Gain on revaluation of investments	2,045	2,183	57	534
5. Gain on realization of investments	112,187	471,030	109,609	319,186
III. Unrealized investment gains	(23,825)	245,150	61,973	164,788
IV. Net investment income after including costs transferred from the technical life insurance account	-	-	-	-
V. Investment activity expenses	115,358	406,353	56,651	248,310
1. Real estate maintenance expenses	1,049	4,040	1,858	7,154
2. Other investment activity expenses	3,462	9,258	3,278	10,233
3. Loss on revaluation of investments	1,426	1,434	-	403
4. Loss on realization of investments	109,421	391,621	51,515	230,520
VI. Unrealized investment losses	(34,757)	228,470	74,302	219,817
VII. Net investment income after including costs transferred to the technical non-life insurance account	63,340	182,038	66,395	195,215
VIII. Other operating revenues	62,904	219,584	62,174	224,418
IX. Other operating expenses	25,027	417,749	69,240	193,180
X. Operating profit (loss)	65,653	1,126,000	36,132	1,677,165
XI. Extraordinary gains	-	-	-	-
XII. Extraordinary losses	-	-	-	-
XIII. Share of the net profit (loss) of subordinated entities measured by the equity method	(31,864)	(37,882)	97,621	(44,952)
XIV. Profit (loss) before tax	33,789	1,088,118	133,753	1,632,213
XV. Income tax	24,372	88,365	32,988	127,047
a) current part	32,205	29,072	(44,484)	23,954
b) deferred part	(7,833)	59,293	77,472	103,093
XVI. Other compulsory reductions in profit (increases in losses)	-	-	-	-
XVII. Net profit/(loss)	**9,417**	**999,753**	**100,765**	**1,505,166**

	1 July - 30 September 2016	1 January – 30 September 2016	1 July - 30 September 2015	1 January – 30 September 2015
Net profit (loss) (annualized) [1]	37,463	1,335,436	399,774	2,012,401
Weighted average number of common shares[2]	863,523,000	863,523,000	863,523,000	863,523,000
Earnings (loss) per common share (PLN) [1]	0.04	1.55	0.46	2.33
Weighted average diluted number of common shares [2]	863,523,000	863,523,000	863,523,000	863,523,000
Diluted earnings (loss) per common share (PLN) [1]	0.04	1.55	0.46	2.33

1) calculation incorporating the number of calendar days in the period.

2) Comparative data were restated taking into account the new number of shares after the share split.

5. Interim statement of changes in equity

Statement of changes in equity	1 January – 30 September 2016	1 January – 31 December 2015	1 January – 30 September 2015
I. Equity at the beginning of the period (Opening Balance)	12,378,733	12,328,724	12,328,724
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
I.a. Equity at the beginning of the period (Opening Balance), after reconciliation with comparative data	12,378,733	12,328,724	12,328,724
1. Share capital at the beginning of the period	86,352	86,352	86,352
1.1. Change in share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
1.2. Share capital at the end of the period	86,352	86,352	86,352
2. Supplementary capital at the beginning of the period	4,446,348	4,408,306	4,408,306
2.1. Change in supplementary capital	442,735	38,042	36,462
a) increases (by virtue of):	442,735	38,042	36,462
- distribution of profit (above the statutorily required amount)	442,395	36,164	36,164
- from revaluation reserve – by sale and liquidation of fixed assets	340	1,878	298
b) decreases	-	-	-
2.2. Supplementary capital at the end of the period	4,889,083	4,446,348	4,444,768
3. Revaluation reserve at the beginning of the period	5,597,511	5,197,333	5,197,333
- changes in the accepted accounting principles (policy)	-	-	-
3.1. Change in the revaluation reserve	38,578	400,178	397,056
a) increases (by virtue of):	231,036	673,567	502,037
- valuation of financial investments	231,036	664,996	502,037
- transfer of the impairment charges on investments available for sale	-	8,571	-
- other increases, including reversal of real estate impairment charges	-	-	-
b) decreases (by virtue of)	192,458	273,389	104,981
- valuation of financial investments	192,106	271,511	104,683
- sale of fixed assets	340	1,878	298
- other reductions, including recognition of impairment charges for real estate	12	-	-
3.2. Revaluation reserve at the end of the period	5,636,089	5,597,511	5,594,389
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	2,248,522	2,636,733	2,636,733

5.1. Retained earnings at the beginning of the period	2,248,522	2,636,733	2,636,733
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
5.2. Retained earnings at the beginning of the period, after reconciliation with comparative data	2,248,522	2,636,733	2,636,733
a) increases	-	-	-
b) decreases	2,248,522	2,636,733	2,636,733
- transfers to supplementary capital	442,395	36,164	36,164
- dividend payment	1,796,127	2,590,569	2,590,569
- transfers/charges to the Company Social Benefit Fund	10,000	10,000	10,000
5.3. Retained earnings at the end of the period	-	-	-
5.4. Retained losses at the beginning of the period	-	-	-
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
5.5. Retained losses at the beginning of the period, after reconciliation with comparative data	-	-	-
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	-	-	-
6. Net result	999,753	2,248,522	1,505,166
a) net profit	999,753	2,248,522	1,505,166
b) net loss	-	-	-
c) Charges to profit	-	-	-
II. Equity at the end of the period (Closing Balance)	**11,611,277**	**12,378,733**	**11,630,675**

6. Interim cash flow statement

Cash flow statement	1 January – 30 September 2016	1 January – 31 December 2015	1 January – 30 September 2015
A. Cash flow on operating activity			
I. Proceeds	8,336,065	9,571,857	7,082,910
1. Proceeds on direct activity and inward reinsurance	7,761,344	8,613,380	6,329,447
1.1. Proceeds on gross premiums	7,656,892	8,459,119	6,218,204
1.2. Proceeds on subrogation, salvage and claim refunds	83,099	119,939	87,670
1.3. Other proceeds on direct activity	21,353	34,322	23,573
2. Proceeds on outward reinsurance	138,578	87,338	55,252
2.1. Payments received from reinsurers for their share of claims paid	121,161	65,993	40,366
2.2. Proceeds on reinsurance commissions and profit-sharing	15,496	21,327	14,868
2.3. Other proceeds on outward reinsurance	1,921	18	18
3. Proceeds on other operating activity	436,143	871,139	698,211
3.1. Proceeds for acting as an emergency adjuster	195,830	194,355	134,500
3.2. Sale of intangible assets and property, plant and equipment other than investments	1,845	3,453	2,147
3.3. Other proceeds	238,468	673,331	561,564
II. Expenditures	7,948,532	9,192,097	6,852,065
1. Expenditures on direct activity and inward reinsurance	6,753,056	7,530,796	5,574,631
1.1. Gross premium refunds	120,594	156,921	114,449
1.2. Gross claims paid	4,132,193	4,405,539	3,224,384
1.3. Acquisition expenditures	1,024,546	1,185,199	880,910
1.4. Administrative expenditures	1,034,415	1,424,266	1,086,595
1.5. Expenditures for claims handling and pursuit of subrogation	182,144	206,305	148,096
1.6. Commissions paid and profit-sharing on inward reinsurance	154,013	34,776	23,042
1.7. Other expenditures on direct activity and inward reinsurance	105,151	117,790	97,155
2. Expenditures on outward reinsurance	228,379	264,798	204,320
2.1. Premiums paid for reinsurance	228,155	264,325	204,054
2.2. Other expenditures on outward reinsurance	224	473	266
3. Expenditures on other operating activity	967,097	1,396,503	1,073,114
3.1. Expenditures for acting as an emergency adjuster	379,697	484,799	369,550
3.2. Purchase of intangible assets and property, plant and equipment other than investments	93,191	170,395	118,596
3.3. Other operating expenditures	494,209	741,309	584,968
III. Net cash flow on operating activity (I-II)	**387,533**	**379,760**	**230,845**

Interim cash flow statement (continued)

Cash flow statement	1 January – 30 September 2016	1 January – 31 December 2015	1 January – 30 September 2015
B. Cash flow on investing activity			
I. Proceeds	185,016,935	168,572,509	118,640,987
1. Sale of real estate	51,813	34,766	12,821
2. Sale of ownership interests and shares in subordinated entities	180	281,073	279,921
3. Sale of ownership interests and shares in other entities and units and investment certificates in mutual funds	4,360	12,976	1,771
4. Realization of debt securities issued by subordinated entities and amortization of the loans granted to these entities	-	37,448	-
5. Realization of debt securities issued by other entities	5,633,397	8,001,193	4,676,151
6. Liquidation of term deposits in credit institutions	150,732,031	95,747,370	66,864,422
7. Realization of other investments	28,384,916	61,969,168	46,022,381
8. Proceeds from real estate	5,551	7,955	5,390
9. Interest received	174,979	22,003	13,290
10. Dividends received	19,176	2,434,351	744,177
11. Other investment proceeds	10,532	24,206	20,663
II. Expenditures	185,693,269	166,313,000	117,555,568
1. Purchase of real estate	-	-	-
2. Purchase of ownership interests and shares in subordinated entities	1,197,996	1,414,544	95,100
3. Purchase of ownership interests and shares in other entities, units and investment certificates in mutual funds	25,850	75,540	65,725
4. Purchase of debt securities issued by subordinated entities and extension of loans to these entities	70,000	130,000	130,000
5. Purchase of debt securities issued by other entities	4,949,489	7,418,486	5,194,184
6. Purchase of term deposits in credit institutions	151,153,219	95,783,100	66,827,272
7. Purchase of other investments	28,260,109	61,430,307	45,196,475
8. Expenditures for the maintenance of properties	35,709	56,377	42,556
9. Other expenditures for investments	897	4,646	4,256
III. Net cash flow on investing activity (I-II)	**(676,334)**	**2,259,509**	**1,085,419**

Interim cash flow statement (continued)

Cash flow statement	1 January – 30 September 2016	1 January – 31 December 2015	1 January – 30 September 2015
C. Cash flow on financing activity			
I. Proceeds	4,415,750	13,604,842	7,046,433
1. Net proceeds from issuing shares and additional capital contributions	-	-	-
2. Loans and borrowings and issues of debt securities	4,415,750	13,604,842	7,046,433
3. Other financial proceeds	-	-	-
II. Expenditures	4,131,238	16,231,980	8,328,540
1. Dividends	-	4,058,605	1,468,051
2. Other expenditures for distribution of profits besides disbursement of dividends	-	-	-
3. Share Buyback	-	-	-
4. Amortization of loans and borrowings and redemption of own debt securities	4,084,131	12,144,251	6,831,397
5. Interest on loans and borrowings and issued debt securities	47,107	29,124	29,092
6. Other financial expenditures	-	-	-
III. Net cash flow on financing activity (I-II)	**284,512**	**(2,627,138)**	**(1,282,107)**
D. Total net cash flow (A.III+/-B.III+/-C.III)	**(4,289)**	**12,131**	**34,157**
E. Balance sheet change in cash, including:	(2,567)	18,075	33,452
- movement in cash due to foreign exchange differences	1,722	5,944	(705)
F. Cash at the beginning of the period	65,076	47,001	47,001
G. Cash at the end of the period (F+/-E), including:	62,509	65,076	80,453
- restricted cash	57,476	60,646	77,431

7. Introduction

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

8. Key accounting principles (accounting policy)

Detailed accounting principles (policy) are presented in the standalone financial statements of PZU for 2015.

9. Changes in accounting principles (policy)

No changes were made to the accounting principles (policy) in the 9-month period ended 30 September 2016.

Signatures of the PZU Management Board Members:

First and last name	Position / Function	
Michał Krupiński	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)
Andrzej Jaworski	Member of the PZU Management Board	.... (signature)
Maciej Rapkiewicz	Member of the PZU Management Board	.... (signature)

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

Katarzyna Łubkowska	Director Accounting Department	.... (signature)

Warsaw, 10 November 2016