

Powszechny Zakład Ubezpieczeń Spółka Akcyjna

INFORMATION FROM THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018, PREPARED
ELECTRONICALLY¹ IN ACCORDANCE WITH POLISH ACCOUNTING
STANDARDS, IN THE LAYOUT APPLICABLE UNTIL 30 SEPTEMBER
2018



¹ This document presents all data and information contained in the Company's original financial statements prepared in accordance with the requirements specified in Article 45 Section 1g of the Accounting Act in xml format, in the layout applicable prior to the introduction of electronic financial statements on 1 October 2018. Opinion of a statutory auditor dated 12 March 2019 was issued solely for the financial statements prepared in the .xml format.

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Introduction to the financial statements

1. Introduction

Company highlights

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

PZU is entered in the register of commercial undertakings of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division, under file number KRS 0000009831.

According to the Polish Classification of Business Activity and the Statistical Classification of Economic Activities in Europe, the core business of PZU consists of non-life insurance (65.12).

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

Period covered by the standalone financial statements

These standalone financial statements cover the period of 12 months from 1 January to 31 December 2018. Comparative data refer to the period from 1 January to 31 December 2017.

Format of standalone financial statements

The standalone financial statements for 2018 contain financial data presented in the layout set out in Appendix 3 to the Finance Minister's Regulation of 18 October 2005 in the matter of the scope of information posted in financial statements and consolidated financial statements required in prospectuses from issuers with registered offices in the Republic of Poland, to which Polish accounting standards apply (consolidated text: Journal of Laws of 2017, Item 1927, as amended, "regulation on financial statements in prospectuses").

Pursuant to art. 45 sec. 1f and g of the Accounting Act (i.e. Journal of Laws of 2018, Item 395, "Accounting Act"), the standalone financial statements have been prepared in the electronic form conforming to the logic structure and format made available in the Public Information Bulletin on the Finance Ministry's website. Because of the absence of the logical structures exhausting the disclosure requirements prescribed by the regulation on financial statements in prospectuses, the statements have been based on the structures dedicated to insurance undertakings. As a result, some of the information required in the introduction to financial statements of an issuer is presented in the Notes.

Going concern assumption

These standalone financial statements have been prepared under the assumption that PZU remains a going concern in the foreseeable future, i.e. in the period of at least 12 months after the end of the reporting period.

As at the date of signing these standalone financial statements, there are no facts or circumstances that would indicate a threat to the ability of PZU to continue its activity in the period of 12 months after the end of the reporting period as a result of an intentional or an induced discontinuation or a material curtailment of their hitherto activity.

Unit for presentation purposes

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

Discontinued operations

PZU did not discontinue any type of activity in 2018 and in 2017.

Seasonal or cyclical business

PZU's business is subject to any significant seasonality or business cycles.

2. Selected standalone financial data of PZU

Data from the balance sheet	31 December 2018 PLN 000s	31 December 2017 PLN 000s	31 December 2018 EUR 000s	31 December 2017, EUR 000s
Assets	43,566,528	42,365,433	10,131,751	10,157,384
Share capital	86,352	86,352	20,082	20,703
Total equity	13,924,661	13,560,361	3,238,293	3,251,183
Basic and diluted weighted average number of common shares	863,523,000	863,523,000	863,523,000	863,523,000
Book value per common share (in PLN/EUR)	16.13	15.70	3.75	3.76

Data from the revenue account of non-life insurance and the general profit and loss account	31 December 2018 PLN 000s	31 December 2017 PLN 000s	31 December 2018 EUR 000s	31 December 2017 EUR 000s
Gross written premiums	13,002,864	12,433,216	3,047,380	2,929,115
Technical result of non-life insurance	1,538,766	1,218,037	360,629	286,955
Net investment result ¹⁾	2,151,764	1,998,410	504,292	470,801
Net profit (loss)	2,711,879	2,459,029	635,562	579,318
Basic and diluted weighted average number of common shares	863,523,000	863,523,000	863,523,000	863,523,000
Basic and diluted earnings per common share (in PLN/EUR)	3.14	2.85	0.74	0.67

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

Data from the cash flow statement	1 January – 31 December 2018 PLN 000s	1 January – 31 December 2017 PLN 000s	1 January – 31 December 2018, EUR 000s	1 January – 31 December 2017, EUR 000s
Net cash flows from operating activities	1,910,843	1,598,640	447,829	376,620
Net cash flow on investing activity	461,719	(2,677,895)	108,209	(630,880)
Net cash flows from financing activities	(2,176,873)	980,763	(510,177)	231,056
Total net cash flows	195,689	(98,492)	45,862	(23,204)

3. PLN/EUR exchange rates

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

EUR / PLN	1 January – 31 December 2018	1 January – 31 December 2017	31 December 2018	31 December 2017
Mean exchange rate	4.2669	4.2447	4.3000	4.1709
Maximum in the period	4.3978	4.4157	n/a	n/a
Minimum in the period	4.1423	4.1709	n/a	n/a

These FX rates:

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

4. Changes in accounting policies in the financial year

In connection with the introduction of International Financial Reporting Standard 9 replacing International Accounting Standard 39, the Company changed its regulations concerning impairment of available for sale financial assets as described in item 12.2.3 of the Introduction to the financial statements. The amended accounting policy is based on the solutions of the National Accounting Standard no. 4.

This change had no effect on the financial statements for the year ended 31 December 2018 and comparative data.

5. Changes to the method of preparing financial statements and the comparability of data

In 2018, no changes were made to the method of preparing the financial statements. The following changes were made to the comparative period data:

5.1 Amendments to Alior Bank's comparative data

Alior Bank S.A. ("Alior Bank") has adjusted its net assets relating to the comparative data in the consolidated financial statements, by adjusting the income tax settlement for 2012-2017, changing the fair value measurement method of the option embedded in the structured products issued by the bank and by adjusting the recognition of costs on account of a Bank Guarantee Fund fee (the description of adjustments made by Alior Bank is provided in the consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2018 ("Consolidated Financial Statements of the PZU Group"). These changes have caused the need to reflect them in the PZU financial statements in respect to Alior Bank's valuation by the equity method.

5.2 Final settlement of the acquisition of Bank Pekao SA

As a result of the final settlement of the acquisition of Bank Pekao SA ("Pekao", "Bank Pekao") and also of the making of the pertinent adjustments to financial data to make them consistent with the accounting standards applied by PZU, the value of Pekao measured by the equity method as at 31 December 2017 was adjusted.

5.3 Summary of changes

The effect of the impact exerted by the changes described in sections 5.1 and 5.2 on the comparative data in the financial statements has been presented below.

Impact on the balance sheet:

	31 December 2017 <i>Historical data</i>	Change	31 December 2017 <i>Comparative data in financial statements</i>
Assets II.2. Investments in related parties, including:	16,793,206	(22,927)	16,770,279
amendments to Alior Bank's comparative data		(22,811)	
final settlement of the acquisition of Bank Pekao		(116)	
Total assets	42,388,360	(22,927)	42,365,433
Equity and liabilities I. 3 Revaluation reserve, including:	5,824,295	(42,609)	5,781,686
amendments to Alior Bank's comparative data		(42,493)	
final settlement of the acquisition of Bank Pekao		(116)	
Equity and liabilities I. 5 Retained earnings (losses), including:	(19,682)	(5,473)	(25,155)
amendments to Alior Bank's comparative data		(5,473)	
Equity and liabilities I. 6 Net profit (loss), including:	2,433,874	25,155	2,459,029
amendments to Alior Bank's comparative data		25,155	
Total equity and liabilities	42,388,360	(22,927)	42,365,433

Impact on the general profit and loss account:

	31 December 2017 <i>Historical data</i>	Change	31 December 2017 <i>Comparative data in financial statements</i>
XIII. Share of the net profit (loss) of related parties measured by the equity method, including:	9,914	25,155	35,069
amendments to Alior Bank's comparative data		25,155	
XVII. Net profit (loss), including:	2,433,874	25,155	2,459,029
amendments to Alior Bank's comparative data		25,155	

6. Corrections of errors from previous years

No corrections of errors from previous years have been made in the standalone financial statements, except for those described in section 5.

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

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

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

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

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

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

On 28 June 2018, the PZU Życie Ordinary Shareholder Meeting adopted a resolution to distribute net profit for the 2017 financial year totaling PLN 1,260,238 thousand as follows:

- earmark PLN 1,257,483 thousand as a dividend;
- earmark PLN 2,755 thousand to the Company Social Benefit Fund.

The record date was set at 28 June 2018 and the dividend was paid out on 1 October 2018. The amount increased investment income from subordinated entities.

9.2 Dividends paid

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

10. PZU's management and supervisory bodies

10.1 PZU Management Board

From 1 January 2018 to the date of signing the standalone financial statements, the PZU Management Board consisted of the following persons:

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

10.2 PZU Supervisory Board

From 1 January 2018, the PZU Supervisory Board consisted of the following persons:

- Katarzyna Lewandowska – Chairwoman of the Supervisory Board;
- Aneta Fałek – Deputy Chairwoman of the Supervisory Board;
- Alojzy Nowak – Supervisory Board Secretary;
- Bogusław Marian Banaszak – Supervisory Board Member
- Marcin Chludziński – Supervisory Board Member;
- Paweł Górecki – Supervisory Board Member;
- Agata Górnicka – Supervisory Board Member;
- Robert Śnitko – Supervisory Board Member;
- Maciej Zaborowski – Supervisory Board Member.

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

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

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

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

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

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

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

10.3 PZU Group Directors

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

From 1 January 2018 to the date of signing the standalone financial statements, the following persons were PZU Group Directors:

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

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

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

12. Endorsed accounting standards (policies)

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 states may be prepared in accordance with International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission (“IFRS”).

As the PZU Shareholder Meeting has not made the decision referred to in Article 45 Section 1c of the Accounting Act in the matter of preparation of financial statements pursuant to IFRS, PZU’s standalone financial statements have been prepared in accordance with the Polish Accounting Standards (“PAS”) defined in the Accounting Act and in the executive regulations issued on its basis, among others:

- Finance Minister’s Regulation of 12 April 2016 on the special accounting principles for insurance and reinsurance undertakings (Journal of Laws of 2016 Item 562, “regulation on accounting principles for insurers”);
- Finance Minister’s Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and presentation of financial instruments (consolidated text in Journal of Laws of 2017, Item 277).

Other major legal acts applicable to the standalone financial statements include the Act of 11 September 2015 on Insurance and Reinsurance Activity (consolidated text: Journal of Laws of 2019, Item 381, "Insurance Activity Act").

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

12.1 Intangible assets

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

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

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

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

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

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

12.2 Investments

12.2.1. Investments in real property

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

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

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

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

12.2.2. Shares in subordinated entities

Shares in subordinated entities are measured by the equity method.

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

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

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

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

The effects of the equity method measurement of shares in subordinated entities are recognized as follows:

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

Impairment

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

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

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

12.2.3. Financial instruments

Financial instruments are classified upon purchase to the following categories

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

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

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

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

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

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

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

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

Financial instruments held for trading

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

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

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

Financial instruments held for trading are measured at fair value.

Derivatives

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

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

The fair value of derivatives not listed on an active market, including forward contracts and interest rate swaps is measured using the discounted future cash flow method. The rates from OIS curves (overnight indexed swaps), taking into account the currency of the security deposit provided for the instrument, are used to discount cash flows.

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

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

Financial assets held to maturity

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

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

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

Loans granted and own receivables

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

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

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

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

Available for sale financial assets

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

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

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

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

The effects of revaluating available for sale debt instruments to the adjusted purchase price are recognized in the statement of profit or loss.

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

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

Deposits with ceding enterprises

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

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

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

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

Impairment of financial assets

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

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

Objective evidence of impairment includes information on:

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

- adverse changes in the technology, market, economic, legal or other environment in which the issuer of an equity instrument operates indicating that costs of investment in that equity instrument may not be recovered.

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

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

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

- the negative difference between the present value and the purchase value is at least 30% of the purchase value;
- at the end of each of the consecutive 12 months, the value of the asset was lower than the purchase value.

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

International investments

International investments are investments located outside of Poland.

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

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

12.3 Receivables

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

12.3.1. Receivables on direct insurance

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

Receivables from policyholders

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

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

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

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

For receivables before maturity, the value of the receivable that is likely to become due is determined based on a historical analysis of the percentage of the ratio of receivables that are not paid before maturity. The receivables amount calculated in this

manner is reduced by the value of receivables covered by the specific impairment loss. Then, on the remaining amount of receivables, an impairment loss is recognized in the amount corresponding to the uncollectibility ratio of matured receivables for the shortest past due period.

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

12.3.2. Reinsurance receivables

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

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

12.3.3. Other receivables

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

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

12.4 Property, plant and equipment

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

They include in particular:

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

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

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

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

12.5 Cash

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

Cash is recognized at its nominal value.

12.6 Prepayments and accruals

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

In the case of property insurance, deferrals include acquisition commissions and a portion of indirect acquisition expenses related to the signing and renewals of insurance policies, in particular costs related directly to sales processes, which cannot be classified as direct acquisition expenses, in particular costs of activities related to: agreement origination processes and

underwriting processes in sales units (separated by using working time questionnaires), automatic and manual entry of policies into production systems (registration of sales) and contact center operations related to the sales of policies.

12.6.1. Deferred tax assets

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

12.6.2. Prepaid expenses and accrued income

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

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

12.6.3. Accrued expenses

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

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

12.6.4. Deferred income

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

12.7 Equity

12.7.1. Share capital

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

12.7.2. Supplementary capital

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

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

12.7.3. Revaluation reserve

This item captures the effects of:

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

12.7.4. Retained earnings (losses)

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

12.8 Technical provisions

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

12.8.1. Provision for unearned premiums

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

The provision for unearned premiums is created as gross written premium in future reporting periods, pro rata to the period for which the premium is written. The provision for unearned premiums is determined at the end of each reporting period using the individual method, with the precision of one day.

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

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

12.8.2. Provision for unexpired risk

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

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

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

12.8.3. Provision for outstanding claims

Provision for outstanding claims includes:

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

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

The provision for capitalized value of annuities is discounted.

Provision for claims reported but not paid

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

Provision for losses and accidents incurred but not reported

Provision for losses and accidents incurred but not reported ("IBNR", Incurred But Not Reported or "2nd provision") is recognized for losses and claims that are not reported by the balance sheet date, as at which the provision is recognized. IBNR is

calculated using the loss triangle analysis method: a generalized Chain Ladder method and for a small number or value of losses the Bornhuetter-Ferguson method, broken down by the years in which the losses occurred. The calculations are based on the annual triangles of claims paid and claims reported. When calculating the provision, the uncertainty related to bodily injury claims is taken into account. For such claims, changes in the legal environment and uncertain jurisprudence may affect the ultimate amount of benefits paid.

Provision for claims handling costs

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

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

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

Provision for capitalized value of annuities

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

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

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

Both as at 31 December 2018 and 31 December 2017, a technical rate of 3.6% was assumed for all annuities and an annuity growth rate of 3.9%, estimated on the basis of inflation and salary growth forecasts.

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

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

Reinsurers' share in technical provisions

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

12.8.4. Equalization provision

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

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

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

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

12.8.6. Estimated salvage and subrogation

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

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

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

12.9 Other provisions

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

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

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

12.9.1. Provisions for retirement or disability severance pay

Pursuant to the Labor Code Act of 26 June 1974 (consolidated text: Journal of Laws of 2018, Item 917, as amended, “Labor Code”) PZU employees are entitled to a retirement or disability severance pay in the amount equal to one month’s salary at the time of retirement or becoming entitled to disability benefit due to inability to work.

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

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

12.9.2. Provision for unused holidays

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

12.9.3. Provisions for post-mortem benefits

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

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

12.10 Special-purpose liabilities and funds

12.10.1. Liabilities for reinsurers' deposits

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

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

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

12.10.3. Other liabilities

Liabilities are shown in amounts that must be paid.

12.10.4. Special-purpose funds

The "Special-purpose funds" item includes:

- balance of the Company Social Benefit Fund ("ZFŚS"), which is created pursuant to the Company Social Benefit Fund Act of 4 March 1994 (consolidated text: Journal of Laws of 2018 Item 1316, as amended) and charged to costs. The Company Social Benefit Fund may also be increased, among others, by charges to net profit pursuant to resolutions adopted by the Shareholder Meeting;
- balance of the Prevention Fund, which is created from charges to costs, in accordance with the rules laid down in the Insurance Activity Act and the PZU's Articles of Association.

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

12.11 Revenues on the sale of insurance services

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

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

12.12 Investment activity revenues and expenses

12.12.1. Real estate income and real estate maintenance expenses

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

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

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

12.12.2. Income and cost related to debt securities

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

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

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

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

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

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

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

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

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

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

12.12.4. Interest income on term deposits with credit institutions

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

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

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

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

12.12.6. Investment activity expenses

Investment activity expenses are the internal and external expenses arising from the investment activity, including costs of managing investments, commissions charged by banks, commissions charged by brokerage houses and property depreciation and maintenance costs, with the exception of depreciation and maintenance costs of own property classified as administrative expenses.

12.13 Costs of claims and benefits

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

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

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

12.14 Insurance activity expenses

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

12.14.1. Acquisition expenses

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

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

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

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

12.14.2. Administrative expenses

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

12.14.3. Reinsurance commissions and profit participation

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

12.15 Transactions in foreign currencies

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

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

12.16 Income tax

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

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

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

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

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

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

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

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

13.1 Measurement of subordinated entities

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

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

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

13.2 Measurement of properties

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

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

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

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

13.3 Revaluation reserve for property, plant and equipment

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

13.4 Equalization provision in non-life insurance

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

13.5 Prevention fund

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

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

13.6 Company Social Benefit Fund

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

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

13.7 Actuarial gains and losses on employee provisions

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

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

13.8 Estimated salvage and subrogation

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

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

13.9 Reclassification of mutual funds

In the standalone financial statements prepared according to PAS, participation units and investment certificates in mutual funds are classified in the category of financial assets available for sale and the difference between their fair value and purchase price is recognized in the revaluation reserve. In accordance with IFRS 9, the measurement of participation units and investment certificates in mutual funds is posted through the profit and loss account.

13.10 Deferred tax differences

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

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

Description	Item	Net profit 1 January – 31 December 2018	Equity 31 December 2018	Net profit 1 January – 31 December 2017	Equity 31 December 2017
Standalone financial statements according to PAS		2,711,879	13,924,661	2,459,029	13,560,361
Measurement of subordinated entities ¹⁾	13.1	(11,451)	(4,207,099)	(35,069)	(4,498,865)
Measurement of properties	13.2, 13.3	(27,607)	62,548	(7,081)	87,528
Equalization provision in non-life insurance	13.4	34,321	615,885	44,274	581,564
Prevention fund	13.5	(5,527)	22,235	(126)	27,762
Company Social Benefit Fund	13.6	(6,714)	-	(15,000)	-
Actuarial gains and losses on employee provisions	13.7	3,226	-	(939)	-
Estimated salvage and subrogation	13.8	(4,199)	38,944	18,693	43,143
Reclassification of mutual funds	13.9	114,844	-	-	-
Other		(5,479)	(12,930)	(76)	396
Total adjustments		91,414	(3,480,417)	4,676	(3,758,472)
IFRS financial statements		2,803,293	10,444,244	2,463,705	9,801,889

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

Balance sheet and off-balance items

Assets	Note	31 December 2018	31 December 2017
I. Intangible assets, including:	1	334,945	345,437
- goodwill		-	-
II. Investments	2	37,570,748	36,553,057
1. Real property	2.3	347,027	369,702
2. Investments in related parties, including:	2.4	16,056,769	16,770,279
- investments in subordinated entities measured by the equity method		15,671,129	15,957,526
3. Other financial investments	2.5	21,166,952	19,413,076
4. Deposits with ceding enterprises		-	-
III. Net assets for life insurance where the policyholder bears the investment risk		-	-
IV. Receivables	3	2,343,246	2,315,241
1. Receivables on direct insurance	3.1	1,775,294	1,822,002
1.1. From related parties		1,777	11,297
1.2. From other entities		1,773,517	1,810,705
2. Reinsurance receivables	3.2	264,170	152,966
2.1. From related parties		176,656	104,137
2.2. From other entities		87,514	48,829
3. Other receivables	3.3	303,782	340,273
3.1. Receivables from the state budget		3,274	29,518
3.2. Other receivables		300,508	310,755
a) from subordinated entities		46,943	18,910
b) from other entities		253,565	291,845
V. Other assets	4	1,344,267	1,100,090
1. Property, plant and equipment	4.1	122,732	117,938
2. Cash	4.2	1,221,535	982,152
3. Other assets		-	-
VI. Prepayments and accruals	5	1,973,322	2,051,608
1. Deferred tax assets	5.1	-	-
2. Deferred acquisition costs		1,326,590	1,285,837
3. Accrued interest and rents		-	-
4. Other prepayments and accruals	5.2	646,732	765,771
VII. Unpaid share capital		-	-
VIII. Treasury shares		-	-
Total assets		43,566,528	42,365,433

Equity and liabilities	Note	31 December 2018	31 December 2017
I. Equity	7	13,924,661	13,560,361
1. Share capital	7.1	86,352	86,352
2. Supplementary capital	7.3	5,507,572	5,258,449
3. Revaluation reserve	7.4	5,599,176	5,781,686
4. Other reserve capital		-	-
5. Retained earnings (losses)		19,682	(25,155)
6. Net profit (loss)		2,711,879	2,459,029
7. Charges to net profit during the financial year (negative figure)		-	-
II. Subordinated liabilities	8	2,278,509	2,284,674
III. Technical provisions	9	22,443,470	21,235,301
IV. Reinsurers' share in technical provisions (negative figure)	9	(1,339,666)	(1,158,963)
V. Estimated salvage and subrogation (negative figure)	10	(105,532)	(107,710)
1. Gross estimated salvage and subrogation		(107,466)	(108,923)
2. Reinsurers' share in estimated salvage and subrogation		1,934	1,213
VI. Other provisions	11	443,726	476,206
1. Provisions for pension benefits and other compulsory employee benefits	11.1	42,039	42,336
2. Deferred tax liability	11.2	319,333	337,606
3. Other provisions	11.3	82,354	96,264
VII. Liabilities for reinsurers' deposits		-	-
VIII. Other liabilities and special-purpose funds	12	4,963,058	5,146,129
1. Liabilities on direct insurance	12.1	382,261	415,429
1.1. To related parties		3,808	3,999
1.2. To other entities		378,453	411,430
2. Reinsurance liabilities	12.2	248,600	121,981
2.1. To related parties		25,837	9,713
2.2. To other entities		222,763	112,268
3. Liabilities on the issue of own debt securities and drawn loans	12.3	3,677,344	3,558,260
4. Liabilities to credit institutions	12.4	125,349	-
5. Other liabilities	12.5	421,064	933,872
5.1. Liabilities to the state budget		85,770	110,011
5.2. Other liabilities		335,294	823,861
a) to subordinated entities		35,265	13,086
b) to other entities		300,029	810,775
6. Special-purpose funds	12.7	108,440	116,587
IX. Prepayments and accruals	13	958,302	929,435
1. Accrued expenses		909,084	882,458
2. Negative goodwill		-	-
3. Deferred income		49,218	46,977
Total equity and liabilities		43,566,528	42,365,433

Book value	13,924,661	13,560,361
Number of shares	863,523,000	863,523,000
Book value per share (PLN)	16.13	15.70
Diluted number of shares	863,523,000	863,523,000
Diluted book value per share (PLN)	16.13	15.70

Off-balance sheet items	Note	31 December 2018	31 December 2017
1. Contingent receivables, including:	15.1	4,489,902	4,615,722
1.1. Guarantees and sureties received		3,042	2,225
1.2. Other		4,486,860	4,613,497
2. Contingent liabilities, including:	15.2	4,620,124	4,544,743
2.1. Guarantees and sureties given		3,685,634	3,574,120
2.2. Accepted and endorsed bills of exchange		-	-
2.3. Assets subject to the obligation of resale		-	-
2.4. Other liabilities secured on assets or income		-	-
3. Reinsurance collateral instituted in favor of the insurance undertaking		-	-
4. Reinsurance collateral instituted by the insurance undertaking in favor of ceding companies		-	-
5. Third party assets not recognized in assets		109,782	116,361
6. Other off-balance sheet line items		-	-
Total off-balance sheet line items		9,219,808	9,276,826

Revenue account of non-life insurance

Revenue account of non-life insurance	Note	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)		12,085,601	11,180,680
1. Gross written premium	16	13,002,864	12,433,216
2. Reinsurers' share in gross written premium		619,830	523,729
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross		377,799	794,612
4. Reinsurers' share in the movement in provision for unearned premiums		80,366	65,805
II. Net investment income (including costs) transferred from the general profit and loss account		249,833	253,425
III. Other net technical income		160,352	204,219
IV. Claims and benefits (1+2)		7,519,948	7,168,855
1. Net claims and benefits paid		6,829,491	6,699,541
1.1. Gross claims and benefits paid	19	7,076,375	6,942,290
1.2. Reinsurers' share in claims and benefits paid		246,884	242,749
2. Movement in provision for outstanding claims and benefits, net of reinsurance		690,457	469,314
2.1. Movement in provision for outstanding claims and benefits, gross		795,812	634,934
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits		105,355	165,620
V. Movement in other technical provisions, net of reinsurance		-	-
1. Movement in other technical provisions, gross		-	-
2. Reinsurers' share in the movement in other technical provisions		-	-
VI. Net bonuses and discounts including movement in provisions		(495)	2,339
VII. Insurance activity expenses	22	2,993,116	2,812,795
1. Acquisition expenses, including:	22.1	2,371,050	2,137,915
- movement in deferred acquisition costs		(40,752)	(77,211)
2. Administrative expenses	22.2	654,807	692,879
3. Reinsurance commissions and profit participation		32,741	17,999
VIII. Net other technical charges		402,080	381,639
IX. Movement in equalization provision		42,371	54,659
X. Technical result of non-life insurance		1,538,766	1,218,037

General profit and loss account

General profit and loss account	Note	1 January – 31 December 2018	1 January – 31 December 2017
I. Technical result of non-life insurance or life insurance		1,538,766	1,218,037
II. Investment income		2,592,388	2,372,194
1. Investment income on real estate		5,606	6,385
2. Investment income from related parties		1,734,278	1,473,659
2.1. on ownership interests or shares		1,725,346	1,469,407
2.2. on borrowings and debt securities		8,847	4,232
2.3. on other investments		85	20
3. Other financial investment income		485,677	345,306
3.1. on ownership interests, shares, other variable income securities, participation units and investment certificates in mutual funds		11,184	10,748
3.2. on debt securities and other fixed income securities		416,886	349,293
3.3. on term deposits with credit institutions		(2,506)	(8,432)
3.4. on other investments		60,113	(6,303)
4. Gain on revaluation of investments		14,041	1,229
5. Gain on realization of investments		352,786	545,615
III. Unrealized investment gains		143,771	224,184
IV. Net investment income after including costs transferred from the technical life insurance account		-	-
V. Investment activity expenses		511,306	512,696
1. Real estate maintenance expenses		5,833	4,100
2. Other investment activity expenses		38,166	12,277
3. Loss on revaluation of investments		30,651	1,814
4. Loss on realization of investments		436,656	494,505
VI. Unrealized investment losses		84,540	120,341
VII. Net investment income after including costs transferred to the revenue account of non-life insurance		249,833	253,425
VIII. Other operating income	23	227,324	522,191
IX. Other operating expenses	24	674,281	739,655
X. Operating profit (loss)		2,982,289	2,710,489
XI. Extraordinary gains		-	-
XII. Extraordinary losses		-	-
XIII. Share of the profit (loss) of related parties measured by the equity method	27	11,451	35,069
XIV. Profit (loss) before tax		2,993,740	2,745,558
XV. Income tax	26	281,861	286,529
a) current part		327,859	243,107
b) deferred part		(45,998)	43,422
XVI. Other compulsory reductions in profit (increases in losses)		-	-
XVII. Net profit (loss)		2,711,879	2,459,029

Net profit (loss) (annualized)	2,711,879	2,459,029
Weighted average number of common shares	863,523,000	863,523,000
Profit (loss) per common share (PLN)	3.14	2.85
Weighted average diluted number of common shares	863,523,000	863,523,000
Diluted earnings (losses) per common share (PLN)	3.14	2.85

Statement of changes in equity

Statement of changes in equity	1 January – 31 December 2018	1 January – 31 December 2017
I. Equity at the beginning of the period (Opening Balance)	13,583,288	12,219,012
a) changes in the accepted accounting policies	-	-
b) result of the final settlement of the acquisition of an organized part of the business of Bank BPH SA by Alior Bank	-	(101,548)
c) corrections of errors - result of adjustments to comparative data made by Alior Bank	(22,811)	-
d) result of the final settlement of the acquisition of Bank Pekao	(116)	-
I.a. Equity at the beginning of the period (Opening Balance), after adjustments to ensure comparability	13,560,361	12,117,464
1. Share capital at the beginning of the period	86,352	86,352
1.1. Change in share capital	-	-
a) increases	-	-
b) decreases	-	-
1.2. Share capital at the end of the period	86,352	86,352
2. Supplementary capital at the beginning of the period	5,258,449	4,889,182
2.1. Change in supplementary capital	249,123	369,267
a) additions (by virtue of):	249,123	369,267
- distribution of profit (above the statutory minimum)	248,671	369,019
- from revaluation reserve – by disposals of fixed assets	452	248
b) decreases	-	-
2.2. Supplementary capital at the end of the period	5,507,572	5,258,449
3. Revaluation reserve at the beginning of the period	5,824,295	5,650,527
- changes in the accepted accounting policies	-	-
- result of the final settlement of the acquisition of an organized part of the business of Bank BPH SA by Alior Bank	-	(81,866)
- corrections of errors - result of adjustments to comparative data made by Alior Bank	(42,493)	-
- result of the final settlement of the acquisition of Bank Pekao	(116)	-
3.a. Revaluation reserve at the beginning of the period, after adjustments to ensure comparability	5,781,686	5,568,661
3.1. Change in the revaluation reserve	(182,510)	213,025
a) additions (by virtue of):	397,654	486,123
- valuation of financial investments	392,436	484,559
- transfer of impairment losses for available for sale investments	4,517	1,268
- additions by virtue of disposal of available for sale instruments	-	296
- other, including reversals of impairment losses for real estate	701	-
b) reductions (by virtue of)	580,164	273,098
- valuation of financial investments	578,474	233,471
- reductions by virtue of the disposal of instruments available for sale	1,238	39,379
- sale of fixed assets	452	248
- other	-	-
3.2. Revaluation reserve at the end of the period	5,599,176	5,781,686
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	2,433,874	1,592,951
5.1. Retained earnings at the beginning of the period	2,433,874	1,592,951
a) changes in the accepted accounting policies	-	-
b) corrections of errors - result of adjustments to comparative data made by Alior	5,473	(5,473)

Statement of changes in equity	1 January – 31 December 2018	1 January – 31 December 2017
Bank		
c) result of the final purchase price allocation of the acquisition of the organized part of Bank BPH SA by Alior Bank SA	19,682	(19,682)
5.2. Retained earnings at the beginning of the period, after adjustments to ensure comparability	2,459,029	1,567,796
a) increases	-	-
b) decreases	2,433,874	1,592,951
- transfers to supplementary capital	248,671	369,019
- disbursement of dividends	2,158,807	1,208,932
- coverage of retained losses resulting from the final settlement of the acquisition of the organized part of the business of Bank BPH by Alior Bank	19,682	-
- transfers/charges to the Company Social Benefit Fund	6,714	15,000
5.3. Retained earnings at the end of the period	25,155	(25,155)
5.4. Retained losses at the beginning of the period	25,155	-
a) changes in the accepted accounting policies	-	-
b) corrections of errors	-	-
5.5. Retained losses at the beginning of the period, after adjustments to ensure comparability	25,155	-
a) increases	-	-
b) decreases	19,682	-
5.6. Retained losses at the end of the period	5,473	-
5.7. Retained earnings (losses) at the end of the period	19,682	(25,155)
6. Net result	2,711,879	2,459,029
a) net profit	2,711,879	2,459,029
b) net loss	-	-
c) charges to profit	-	-
II. Equity at the end of the period (Closing Balance)	13,924,661	13,560,361
III. Equity after taking into account the proposed distribution of profits (coverage of losses)	13,924,661	13,560,361

Cash flow statement

Cash flow statement	Note	1 January – 31 December 2018	1 January – 31 December 2017
A. Cash flows from operating activities			
I. Proceeds		14,614,281	13,806,271
1. Proceeds on direct activity and inward reinsurance		13,375,604	12,650,607
1.1. Proceeds on gross premiums		13,217,838	12,499,547
1.2. Proceeds on subrogation, salvage and claim refunds		133,370	131,408
1.3. Other proceeds on direct activity		24,396	19,652
2. Proceeds from outward reinsurance		373,382	371,289
2.1. Payments received from reinsurers for their share of claims paid		267,134	297,057
2.2. Proceeds on reinsurance commissions and profit participation		102,197	64,678
2.3. Other proceeds from outward reinsurance		4,051	9,554
3. Other proceeds from operating activity		865,295	784,375
3.1. Proceeds for acting as an emergency adjuster		287,012	293,550
3.2. Sale of intangible assets and non-investment property, plant and equipment		1,971	1,719
3.3. Other proceeds	28	576,312	489,106
II. Expenditures		12,703,438	12,207,631
1. Expenditures on direct activity and inward reinsurance		10,511,228	9,957,458
1.1. Gross premium refunds		319,061	247,992
1.2. Gross claims and benefits paid		6,398,673	6,004,742
1.3. Acquisition expenditures		1,632,359	1,541,322
1.4. Administrative expenditures		1,394,992	1,435,181
1.5. Expenditures for claims handling and pursuit of subrogation		317,272	260,307
1.6. Commissions paid and profit-sharing on inward reinsurance		303,887	322,502
1.7. Other expenditures on direct activity and inward reinsurance		144,984	145,412
2. Expenditures on outward reinsurance		510,675	453,876
2.1. Premiums paid for reinsurance		510,405	453,627
2.2. Other expenditures on outward reinsurance		270	249
3. Expenditures on other operating activity		1,681,535	1,796,297
3.1. Expenditures for acting as an emergency adjuster		209,452	558,658
3.2. Purchase of intangible assets and non-investment property, plant and equipment		101,232	79,582
3.3. Other operating expenditures	28	1,370,851	1,158,057
III. Net cash flows from operating activities (I-II)		1,910,843	1,598,640
B. Cash flows from investing activities			
I. Proceeds		148,405,819	232,583,546
1. Sale of real estate		22,531	22,394
2. Sale of ownership interests and shares in related parties		-	-
3. Sale of ownership interests and shares in other entities and participation units and investment certificates in mutual funds		33,714	283,084
4. Realization of debt securities issued by related parties and amortization of the loans granted to these parties		-	63,040
5. Realization of debt securities issued by other entities		11,602,126	59,985,741
6. Liquidation of term deposits with credit institutions		47,212,285	55,122,177
7. Realization of other investments		87,246,107	114,704,701
8. Proceeds from real estate		7,280	8,037
9. Interest received		538,995	452,645
10. Dividends received		1,725,346	1,925,058
11. Other investment proceeds		17,435	16,669
II. Expenditures		147,944,100	235,261,441
1. Purchase of real estate		3,922	-

Cash flow statement	Note	1 January – 31 December 2018	1 January – 31 December 2017
2. Purchase of ownership interests and shares in related parties		5,368	7,092,219
3. Purchase of ownership interests and shares in other entities, participation units and investment certificates in mutual funds		493,714	87,379
4. Purchase of debt securities issued by related parties and extension of loans to these parties		23,385	11,768
5. Purchase of debt securities issued by other entities		12,511,549	58,459,268
6. Purchase of term deposits with credit institutions		47,453,136	54,876,563
7. Purchase of other investments		87,374,494	114,684,065
8. Expenditures to maintain real estate		51,308	46,464
9. Other expenditures for investments		27,224	3,715
III. Net cash flows from investing activities (I-II)		461,719	(2,677,895)
C. Cash flows from financing activities			
I. Proceeds		58,419,387	61,166,959
1. Net proceeds from issuing shares and additional capital contributions		-	-
2. Loans, borrowings and issues of debt securities		58,419,387	61,166,959
3. Other financial proceeds		-	-
II. Expenditures		60,596,260	60,186,196
1. Dividends		2,158,807	1,208,932
2. Other expenditures for distribution of profits besides disbursement of dividends		-	-
3. Purchase of treasury shares		-	-
4. Amortization of loans and redemption of own debt securities		58,297,524	58,926,473
5. Interest on loans and borrowings and issued debt securities		139,929	50,791
6. Other financial expenditures		-	-
III. Net cash flows from financing activities (I-II)		(2,176,873)	980,763
D. Total net cash flows (A.III+/-B.III+/-C.III)		195,689	(98,492)
E. Balance sheet change in cash, including:		239,383	(165,879)
- movement in cash due to foreign exchange differences		43,694	(67,387)
F. Cash at the beginning of the period		982,152	1,148,031
G. Cash at the end of the period (F+/-E), including:		1,221,535	982,152
- restricted cash	28.1	43,155	45,756

Revenue accounts – direct insurance

Revenue account – direct insurance – overall

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	11,187,636	10,420,925
1. Gross written premium	11,797,599	11,390,912
2. Reinsurers' share in gross written premium	259,513	261,035
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	346,839	729,442
4. Reinsurers' share in the movement in provision for unearned premiums	(3,611)	20,490
II. Net investment income (including costs) transferred from the general profit and loss account	249,833	253,425
III. Other net technical income	126,919	187,135
IV. Claims and benefits (1+2)	6,863,417	6,663,203
1. Net claims and benefits paid	6,405,854	6,403,562
1.1. Gross claims and benefits paid	6,532,611	6,495,029
1.2. Reinsurers' share in claims and benefits paid	126,757	91,467
2. Movement in provision for outstanding claims and benefits, net of reinsurance	457,563	259,641
2.1. Movement in provision for outstanding claims and benefits, gross	411,980	354,435
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(45,583)	94,794
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	90	1,548
VII. Insurance activity expenses	2,722,910	2,606,189
1. Acquisition expenses, including:	2,099,841	1,933,373
- movement in deferred acquisition costs	(95,535)	(116,164)
2. Administrative expenses	636,052	677,898
3. Reinsurance commissions and profit participation	12,983	5,082
VIII. Net other technical charges	402,488	365,435
IX. Movement in equalization provision	37,511	25,241
X. Technical result of non-life insurance	1,537,972	1,199,869

Revenue account – direct insurance

STATUTORY GROUP 1 Accident insurance, including industrial injury and occupational diseases

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	389,268	393,283
1. Gross written premium	398,828	381,991
2. Reinsurers' share in gross written premium	109	8,744
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	17,468	(11,392)
4. Reinsurers' share in the movement in provision for unearned premiums	8,017	8,644
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	1,731	11,398
IV. Claims and benefits (1+2)	110,185	124,740
1. Net claims and benefits paid	109,744	118,046
1.1. Gross claims and benefits paid	109,744	118,046
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	441	6,694
2.1. Movement in provision for outstanding claims and benefits, gross	441	6,698
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	4
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	(11)
VII. Insurance activity expenses	128,733	123,489
1. Acquisition expenses, including:	87,754	83,446
- movement in deferred acquisition costs	(5,498)	(3,500)
2. Administrative expenses	41,518	39,971
3. Reinsurance commissions and profit participation	539	(72)
VIII. Net other technical charges	3,950	3,398
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	148,131	153,065

Revenue account – direct insurance

STATUTORY GROUP 2 Sickness insurance

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	6,378	6,702
1. Gross written premium	6,280	6,709
2. Reinsurers' share in gross written premium	(2)	1
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(97)	3
4. Reinsurers' share in the movement in provision for unearned premiums	(1)	(3)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	12	43
IV. Claims and benefits (1+2)	2,983	2,972
1. Net claims and benefits paid	3,105	3,053
1.1. Gross claims and benefits paid	3,105	3,053
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(122)	(81)
2.1. Movement in provision for outstanding claims and benefits, gross	(122)	(81)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	2,413	2,465
1. Acquisition expenses, including:	1,549	1,717
- movement in deferred acquisition costs	28	(25)
2. Administrative expenses	864	748
3. Reinsurance commissions and profit participation	-	-
VIII. Net other technical charges	45	28
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	949	1,280

Revenue account – direct insurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	3,093,624	2,878,434
1. Gross written premium	3,230,445	3,114,070
2. Reinsurers' share in gross written premium	8,496	17,024
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	128,278	196,570
4. Reinsurers' share in the movement in provision for unearned premiums	(47)	(22,042)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	22,317	36,500
IV. Claims and benefits (1+2)	1,991,832	1,972,544
1. Net claims and benefits paid	1,954,678	1,886,131
1.1. Gross claims and benefits paid	1,954,904	1,887,098
1.2. Reinsurers' share in claims and benefits paid	226	967
2. Movement in provision for outstanding claims and benefits, net of reinsurance	37,154	86,413
2.1. Movement in provision for outstanding claims and benefits, gross	37,138	85,813
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(16)	(600)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(14)	(16)
VII. Insurance activity expenses	704,428	728,811
1. Acquisition expenses, including:	587,165	597,789
- movement in deferred acquisition costs	(21,981)	(35,099)
2. Administrative expenses	113,292	126,877
3. Reinsurance commissions and profit participation	(3,971)	(4,145)
VIII. Net other technical charges	46,822	40,293
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	372,873	173,302

Revenue account – direct insurance

STATUTORY GROUP 4 Casco insurance of railway rolling stock

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	5,513	4,161
1. Gross written premium	9,246	5,060
2. Reinsurers' share in gross written premium	2,822	891
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	2,292	(155)
4. Reinsurers' share in the movement in provision for unearned premiums	1,381	(163)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	5	47
IV. Claims and benefits (1+2)	3,195	2,286
1. Net claims and benefits paid	3,342	847
1.1. Gross claims and benefits paid	4,519	1,057
1.2. Reinsurers' share in claims and benefits paid	1,177	210
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(147)	1,439
2.1. Movement in provision for outstanding claims and benefits, gross	275	1,651
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	422	212
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(35)	120
VII. Insurance activity expenses	1,414	1,212
1. Acquisition expenses, including:	1,427	1,195
- movement in deferred acquisition costs	(435)	35
2. Administrative expenses	230	222
3. Reinsurance commissions and profit participation	243	205
VIII. Net other technical charges	274	165
IX. Movement in equalization provision	276	(81)
X. Technical result of non-life insurance	394	506

Revenue account – direct insurance

STATUTORY GROUP 5 Casco insurance of aircraft

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	6,642	4,612
1. Gross written premium	7,643	6,378
2. Reinsurers' share in gross written premium	429	2,075
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	613	(245)
4. Reinsurers' share in the movement in provision for unearned premiums	41	64
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	45	157
IV. Claims and benefits (1+2)	1,786	1,228
1. Net claims and benefits paid	3,260	6,505
1.1. Gross claims and benefits paid	3,260	9,342
1.2. Reinsurers' share in claims and benefits paid	-	2,837
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(1,474)	(5,277)
2.1. Movement in provision for outstanding claims and benefits, gross	(1,582)	(5,211)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(108)	66
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(2)	6
VII. Insurance activity expenses	1,465	1,421
1. Acquisition expenses, including:	1,301	1,238
- movement in deferred acquisition costs	(143)	37
2. Administrative expenses	181	184
3. Reinsurance commissions and profit participation	17	1
VIII. Net other technical charges	161	162
IX. Movement in equalization provision	332	231
X. Technical result of non-life insurance	2,945	1,721

Revenue account – direct insurance

STATUTORY GROUP 6 Insurance of maritime and inland waterway vessels

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	19,050	15,539
1. Gross written premium	21,825	17,819
2. Reinsurers' share in gross written premium	1,126	3,825
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	2,789	(2,040)
4. Reinsurers' share in the movement in provision for unearned premiums	1,140	(495)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	3,070	227
IV. Claims and benefits (1+2)	12,179	9,572
1. Net claims and benefits paid	13,173	13,367
1.1. Gross claims and benefits paid	14,213	13,774
1.2. Reinsurers' share in claims and benefits paid	1,040	407
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(994)	(3,795)
2.1. Movement in provision for outstanding claims and benefits, gross	(993)	(4,967)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	1	(1,172)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	94
VII. Insurance activity expenses	4,205	4,096
1. Acquisition expenses, including:	3,685	3,338
- movement in deferred acquisition costs	(376)	233
2. Administrative expenses	599	834
3. Reinsurance commissions and profit participation	79	76
VIII. Net other technical charges	516	3,755
IX. Movement in equalization provision	952	777
X. Technical result of non-life insurance	4,268	(2,528)

Revenue account – direct insurance

STATUTORY GROUP 7 Insurance of goods in transit

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	7,983	7,707
1. Gross written premium	10,912	10,285
2. Reinsurers' share in gross written premium	1,628	2,937
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(101)	(1,221)
4. Reinsurers' share in the movement in provision for unearned premiums	(1,402)	(862)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	69	247
IV. Claims and benefits (1+2)	1,088	2,413
1. Net claims and benefits paid	2,059	2,304
1.1. Gross claims and benefits paid	2,125	2,460
1.2. Reinsurers' share in claims and benefits paid	66	156
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(971)	109
2.1. Movement in provision for outstanding claims and benefits, gross	(973)	152
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(2)	43
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	1	2
VII. Insurance activity expenses	3,944	3,407
1. Acquisition expenses, including:	3,104	2,951
- movement in deferred acquisition costs	(300)	157
2. Administrative expenses	948	651
3. Reinsurance commissions and profit participation	108	195
VIII. Net other technical charges	380	276
IX. Movement in equalization provision	69	(582)
X. Technical result of non-life insurance	2,570	2,438

Revenue account – direct insurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	1,121,431	1,094,837
1. Gross written premium	1,236,539	1,167,244
2. Reinsurers' share in gross written premium	72,409	70,103
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	41,719	16,624
4. Reinsurers' share in the movement in provision for unearned premiums	(980)	14,320
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	4,523	16,577
IV. Claims and benefits (1+2)	410,708	543,872
1. Net claims and benefits paid	442,700	555,332
1.1. Gross claims and benefits paid	453,294	565,509
1.2. Reinsurers' share in claims and benefits paid	10,594	10,177
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(31,992)	(11,460)
2.1. Movement in provision for outstanding claims and benefits, gross	(34,335)	(21,416)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(2,343)	(9,956)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	42	238
VII. Insurance activity expenses	346,925	339,764
1. Acquisition expenses, including:	259,657	241,727
- movement in deferred acquisition costs	(18,991)	(2,036)
2. Administrative expenses	89,848	100,439
3. Reinsurance commissions and profit participation	2,580	2,402
VIII. Net other technical charges	43,185	39,141
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	325,094	188,399

Revenue account – direct insurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	873,952	783,171
1. Gross written premium	952,598	929,794
2. Reinsurers' share in gross written premium	77,732	57,639
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(2,519)	91,500
4. Reinsurers' share in the movement in provision for unearned premiums	(3,433)	2,516
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	5,914	10,415
IV. Claims and benefits (1+2)	384,237	434,112
1. Net claims and benefits paid	376,880	409,189
1.1. Gross claims and benefits paid	434,384	417,456
1.2. Reinsurers' share in claims and benefits paid	57,504	8,267
2. Movement in provision for outstanding claims and benefits, net of reinsurance	7,357	24,923
2.1. Movement in provision for outstanding claims and benefits, gross	(42,633)	91,305
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(49,990)	66,382
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	19	37
VII. Insurance activity expenses	269,689	271,358
1. Acquisition expenses, including:	211,211	201,922
- movement in deferred acquisition costs	(10,398)	(13,286)
2. Administrative expenses	61,547	71,844
3. Reinsurance commissions and profit participation	3,069	2,408
VIII. Net other technical charges	9,810	14,196
IX. Movement in equalization provision	40,611	(6,346)
X. Technical result of non-life insurance	175,500	80,229

Revenue account – direct insurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	4,550,144	4,082,610
1. Gross written premium	4,671,733	4,558,747
2. Reinsurers' share in gross written premium	25,480	23,935
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	94,739	459,863
4. Reinsurers' share in the movement in provision for unearned premiums	(1,370)	7,661
II. Net investment income (including costs) transferred from the general profit and loss account	232,437	235,850
III. Other net technical income	71,787	94,719
IV. Claims and benefits (1+2)	3,375,193	3,020,045
1. Net claims and benefits paid	2,996,579	2,858,495
1.1. Gross claims and benefits paid	3,015,544	2,896,426
1.2. Reinsurers' share in claims and benefits paid	18,965	37,931
2. Movement in provision for outstanding claims and benefits, net of reinsurance	378,614	161,550
2.1. Movement in provision for outstanding claims and benefits, gross	360,104	205,685
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(18,510)	44,135
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(24)	26
VII. Insurance activity expenses	900,250	759,805
1. Acquisition expenses, including:	670,020	539,978
- movement in deferred acquisition costs	(21,694)	(52,659)
2. Administrative expenses	225,149	214,930
3. Reinsurance commissions and profit participation	(5,081)	(4,897)
VIII. Net other technical charges	271,813	243,654
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	307,136	389,649

Revenue account – direct insurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	4,963	3,613
1. Gross written premium	5,993	5,074
2. Reinsurers' share in gross written premium	(612)	2,615
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	796	(578)
4. Reinsurers' share in the movement in provision for unearned premiums	(846)	576
II. Net investment income (including costs) transferred from the general profit and loss account	47	104
III. Other net technical income	68	216
IV. Claims and benefits (1+2)	(1,445)	2,978
1. Net claims and benefits paid	802	2,069
1.1. Gross claims and benefits paid	802	2,069
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(2,247)	909
2.1. Movement in provision for outstanding claims and benefits, gross	(2,435)	936
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(188)	27
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	2,330	2,348
1. Acquisition expenses, including:	1,870	1,821
- movement in deferred acquisition costs	27	(114)
2. Administrative expenses	494	562
3. Reinsurance commissions and profit participation	34	35
VIII. Net other technical charges	171	83
IX. Movement in equalization provision	241	(90)
X. Technical result of non-life insurance	3,781	(1,386)

Revenue account – direct insurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	1,580	1,935
1. Gross written premium	3,023	3,560
2. Reinsurers' share in gross written premium	692	1,822
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	425	603
4. Reinsurers' share in the movement in provision for unearned premiums	(326)	800
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	808	26
IV. Claims and benefits (1+2)	500	523
1. Net claims and benefits paid	591	300
1.1. Gross claims and benefits paid	591	300
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(91)	223
2.1. Movement in provision for outstanding claims and benefits, gross	(212)	384
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(121)	161
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	934	874
1. Acquisition expenses, including:	713	633
- movement in deferred acquisition costs	1	(173)
2. Administrative expenses	226	241
3. Reinsurance commissions and profit participation	5	-
VIII. Net other technical charges	66	976
IX. Movement in equalization provision	-	90
X. Technical result of non-life insurance	888	(502)

Revenue account – direct insurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	652,255	678,628
1. Gross written premium	682,821	657,519
2. Reinsurers' share in gross written premium	22,457	20,692
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	9,082	(42,185)
4. Reinsurers' share in the movement in provision for unearned premiums	973	(384)
II. Net investment income (including costs) transferred from the general profit and loss account	17,349	17,471
III. Other net technical income	7,998	11,343
IV. Claims and benefits (1+2)	370,525	307,577
1. Net claims and benefits paid	297,715	303,181
1.1. Gross claims and benefits paid	303,918	305,364
1.2. Reinsurers' share in claims and benefits paid	6,203	2,183
2. Movement in provision for outstanding claims and benefits, net of reinsurance	72,810	4,396
2.1. Movement in provision for outstanding claims and benefits, gross	114,910	8,430
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	42,100	4,034
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(34)	190
VII. Insurance activity expenses	194,494	206,995
1. Acquisition expenses, including:	159,528	163,595
- movement in deferred acquisition costs	(5,045)	5,087
2. Administrative expenses	37,731	44,619
3. Reinsurance commissions and profit participation	2,765	1,219
VIII. Net other technical charges	16,518	12,210
IX. Movement in equalization provision	-	24,906
X. Technical result of non-life insurance	96,099	155,564

Revenue account – direct insurance

STATUTORY GROUP 14 Credit insurance

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	15,888	20,320
1. Gross written premium	16,927	21,467
2. Reinsurers' share in gross written premium	1,395	2,003
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(611)	(1,040)
4. Reinsurers' share in the movement in provision for unearned premiums	(255)	(184)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	181	356
IV. Claims and benefits (1+2)	2,867	1,684
1. Net claims and benefits paid	2,693	991
1.1. Gross claims and benefits paid	4,305	1,620
1.2. Reinsurers' share in claims and benefits paid	1,612	629
2. Movement in provision for outstanding claims and benefits, net of reinsurance	174	693
2.1. Movement in provision for outstanding claims and benefits, gross	252	486
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	78	(207)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	238	581
VII. Insurance activity expenses	4,077	4,181
1. Acquisition expenses, including:	2,208	2,757
- movement in deferred acquisition costs	(113)	376
2. Administrative expenses	2,220	2,179
3. Reinsurance commissions and profit participation	351	755
VIII. Net other technical charges	60	112
IX. Movement in equalization provision	1,864	2,101
X. Technical result of non-life insurance	6,963	12,017

Revenue account – direct insurance

STATUTORY GROUP 15 Insurance bond

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	8,162	28,306
1. Gross written premium	55,342	63,495
2. Reinsurers' share in gross written premium	29,872	28,043
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	21,412	13,887
4. Reinsurers' share in the movement in provision for unearned premiums	4,104	6,741
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	3,188	(41)
IV. Claims and benefits (1+2)	18,187	11,872
1. Net claims and benefits paid	16,387	17,873
1.1. Gross claims and benefits paid	30,033	35,649
1.2. Reinsurers' share in claims and benefits paid	13,646	17,776
2. Movement in provision for outstanding claims and benefits, net of reinsurance	1,800	(6,001)
2.1. Movement in provision for outstanding claims and benefits, gross	2,505	(9,195)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	705	(3,194)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	9,069	2,783
1. Acquisition expenses, including:	12,705	605
- movement in deferred acquisition costs	(1,053)	(12,723)
2. Administrative expenses	8,027	8,432
3. Reinsurance commissions and profit participation	11,663	6,254
VIII. Net other technical charges	2,886	364
IX. Movement in equalization provision	(5,192)	1,415
X. Technical result of non-life insurance	(13,600)	11,831

Revenue account – direct insurance

STATUTORY GROUP 16 Insurance of various financial risks

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	61,709	58,917
1. Gross written premium	91,390	84,150
2. Reinsurers' share in gross written premium	14,763	18,568
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	12,355	9,940
4. Reinsurers' share in the movement in provision for unearned premiums	(2,563)	3,275
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	4,410	2,614
IV. Claims and benefits (1+2)	4,665	3,943
1. Net claims and benefits paid	4,487	10,629
1.1. Gross claims and benefits paid	20,211	20,556
1.2. Reinsurers' share in claims and benefits paid	15,724	9,927
2. Movement in provision for outstanding claims and benefits, net of reinsurance	178	(6,686)
2.1. Movement in provision for outstanding claims and benefits, gross	(17,433)	(11,827)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(17,611)	(5,141)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(101)	281
VII. Insurance activity expenses	42,491	45,199
1. Acquisition expenses, including:	16,353	13,662
- movement in deferred acquisition costs	(10,360)	1,100
2. Administrative expenses	26,714	32,183
3. Reinsurance commissions and profit participation	576	646
VIII. Net other technical charges	2,789	4,559
IX. Movement in equalization provision	(1,600)	2,946
X. Technical result of non-life insurance	17,875	4,603

Revenue account – direct insurance

STATUTORY GROUP 17 Legal expenses insurance

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	9,580	8,591
1. Gross written premium	9,822	9,400
2. Reinsurers' share in gross written premium	-	-
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	242	809
4. Reinsurers' share in the movement in provision for unearned premiums	-	-
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	8	14
IV. Claims and benefits (1+2)	5,239	4,185
1. Net claims and benefits paid	1,942	1,607
1.1. Gross claims and benefits paid	1,942	1,607
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	3,297	2,578
2.1. Movement in provision for outstanding claims and benefits, gross	3,297	2,578
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	3,890	4,235
1. Acquisition expenses, including:	3,118	3,360
- movement in deferred acquisition costs	119	9
2. Administrative expenses	772	875
3. Reinsurance commissions and profit participation	-	-
VIII. Net other technical charges	62	35
IX. Movement in equalization provision	(42)	(126)
X. Technical result of non-life insurance	439	276

Revenue account – direct insurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	359,514	349,559
1. Gross written premium	386,232	348,150
2. Reinsurers' share in gross written premium	717	118
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	17,957	(1,501)
4. Reinsurers' share in the movement in provision for unearned premiums	(8,044)	26
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	785	2,277
IV. Claims and benefits (1+2)	169,493	216,657
1. Net claims and benefits paid	175,717	213,643
1.1. Gross claims and benefits paid	175,717	213,643
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(6,224)	3,014
2.1. Movement in provision for outstanding claims and benefits, gross	(6,224)	3,014
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	102,159	103,746
1. Acquisition expenses, including:	76,473	71,639
- movement in deferred acquisition costs	677	(3,583)
2. Administrative expenses	25,692	32,107
3. Reinsurance commissions and profit participation	6	-
VIII. Net other technical charges	2,980	2,028
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	85,667	29,405

Revenue accounts – inward reinsurance

Revenue account – direct insurance – inward reinsurance overall

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	897,965	759,755
1. Gross written premium	1,205,265	1,042,304
2. Reinsurers' share in gross written premium	360,317	262,694
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	30,960	65,170
4. Reinsurers' share in the movement in provision for unearned premiums	83,977	45,315
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	33,433	17,084
IV. Claims and benefits (1+2)	656,531	505,652
1. Net claims and benefits paid	423,637	295,979
1.1. Gross claims and benefits paid	543,764	447,261
1.2. Reinsurers' share in claims and benefits paid	120,127	151,282
2. Movement in provision for outstanding claims and benefits, net of reinsurance	232,894	209,673
2.1. Movement in provision for outstanding claims and benefits, gross	383,832	280,499
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	150,938	70,826
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(585)	791
VII. Insurance activity expenses	270,206	206,606
1. Acquisition expenses, including:	271,209	204,542
- movement in deferred acquisition costs	54,783	38,953
2. Administrative expenses	18,755	14,981
3. Reinsurance commissions and profit participation	19,758	12,917
VIII. Net other technical charges	(408)	16,204
IX. Movement in equalization provision	4,860	29,418
X. Technical result of non-life insurance	794	18,168

In 2018 and 2017, PZU conducted inward reinsurance operations in all the accounting classes except for class 9.

Revenue account – inward reinsurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	4,810	13,008
1. Gross written premium	11,088	192
2. Reinsurers' share in gross written premium	158	230
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	6,195	(13,014)
4. Reinsurers' share in the movement in provision for unearned premiums	75	32
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	3,618	899
IV. Claims and benefits (1+2)	7,145	5,821
1. Net claims and benefits paid	6,428	6,245
1.1. Gross claims and benefits paid	6,450	6,245
1.2. Reinsurers' share in claims and benefits paid	22	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	717	(424)
2.1. Movement in provision for outstanding claims and benefits, gross	793	(424)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	76	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	4,034	2,139
1. Acquisition expenses, including:	3,501	1,719
- movement in deferred acquisition costs	(866)	709
2. Administrative expenses	538	421
3. Reinsurance commissions and profit participation	5	1
VIII. Net other technical charges	930	2,467
IX. Movement in equalization provision	(650)	650
X. Technical result of non-life insurance	(3,031)	2,830

Revenue account – inward reinsurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	688,498	605,511
1. Gross written premium	720,585	711,059
2. Reinsurers' share in gross written premium	21,828	17,849
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	10,806	92,613
4. Reinsurers' share in the movement in provision for unearned premiums	547	4,914
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	6,073	1,409
IV. Claims and benefits (1+2)	499,269	408,720
1. Net claims and benefits paid	366,442	219,438
1.1. Gross claims and benefits paid	366,442	219,438
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	132,827	189,282
2.1. Movement in provision for outstanding claims and benefits, gross	156,648	193,924
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	23,821	4,642
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	157	43
VII. Insurance activity expenses	211,456	157,247
1. Acquisition expenses, including:	202,837	151,338
- movement in deferred acquisition costs	(8,356)	(24,475)
2. Administrative expenses	8,733	5,909
3. Reinsurance commissions and profit participation	114	-
VIII. Net other technical charges	987	3,535
IX. Movement in equalization provision	5,852	30,276
X. Technical result of non-life insurance	(23,150)	7,099

Revenue account – inward reinsurance

ACCOUNTING CLASS 3 Other motor insurance (group 3)

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	18,838	18,990
1. Gross written premium	14,156	25,837
2. Reinsurers' share in gross written premium	454	230
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(4,895)	6,661
4. Reinsurers' share in the movement in provision for unearned premiums	241	44
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	3,304	1,230
IV. Claims and benefits (1+2)	14,006	9,781
1. Net claims and benefits paid	13,656	8,245
1.1. Gross claims and benefits paid	13,656	8,245
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	350	1,536
2.1. Movement in provision for outstanding claims and benefits, gross	350	1,536
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	7,729	12,679
1. Acquisition expenses, including:	3,658	8,472
- movement in deferred acquisition costs	4,475	(2,479)
2. Administrative expenses	4,073	4,207
3. Reinsurance commissions and profit participation	2	-
VIII. Net other technical charges	1,186	2,849
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	(779)	(5,089)

Revenue account – inward reinsurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	6,347	2,012
1. Gross written premium	10,978	5,909
2. Reinsurers' share in gross written premium	2,920	1,381
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	3,470	1,107
4. Reinsurers' share in the movement in provision for unearned premiums	1,759	(1,409)
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	319	104
IV. Claims and benefits (1+2)	2,536	6,510
1. Net claims and benefits paid	6,038	1,200
1.1. Gross claims and benefits paid	6,038	1,200
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(3,502)	5,310
2.1. Movement in provision for outstanding claims and benefits, gross	(3,503)	6,012
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(1)	702
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	1,148	499
1. Acquisition expenses, including:	1,179	413
- movement in deferred acquisition costs	(295)	(219)
2. Administrative expenses	63	121
3. Reinsurance commissions and profit participation	94	35
VIII. Net other technical charges	(92)	827
IX. Movement in equalization provision	317	-
X. Technical result of non-life insurance	2,757	(5,720)

Revenue account – inward reinsurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	93,840	61,939
1. Gross written premium	375,043	291,044
2. Reinsurers' share in gross written premium	287,376	213,959
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	57,519	52,484
4. Reinsurers' share in the movement in provision for unearned premiums	63,692	37,338
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	16,286	2,733
IV. Claims and benefits (1+2)	92,410	61,852
1. Net claims and benefits paid	18,765	41,404
1.1. Gross claims and benefits paid	97,392	99,098
1.2. Reinsurers' share in claims and benefits paid	78,627	57,694
2. Movement in provision for outstanding claims and benefits, net of reinsurance	73,645	20,448
2.1. Movement in provision for outstanding claims and benefits, gross	203,988	155,282
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	130,343	134,834
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	(750)	754
VII. Insurance activity expenses	4,659	2,932
1. Acquisition expenses, including:	17,865	11,446
- movement in deferred acquisition costs	(1,865)	(14,526)
2. Administrative expenses	3,377	2,407
3. Reinsurance commissions and profit participation	16,583	10,921
VIII. Net other technical charges	(3,051)	4,812
IX. Movement in equalization provision	-	(3,757)
X. Technical result of non-life insurance	16,858	(1,921)

Revenue account – inward reinsurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	46,966	19,016
1. Gross written premium	68,129	61,528
2. Reinsurers' share in gross written premium	10,558	10,753
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	10,357	34,861
4. Reinsurers' share in the movement in provision for unearned premiums	(248)	3,102
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	138	50
IV. Claims and benefits (1+2)	23,678	12,249
1. Net claims and benefits paid	6,682	4,370
1.1. Gross claims and benefits paid	8,388	4,468
1.2. Reinsurers' share in claims and benefits paid	1,706	98
2. Movement in provision for outstanding claims and benefits, net of reinsurance	16,996	7,879
2.1. Movement in provision for outstanding claims and benefits, gross	21,272	12,656
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	4,276	4,777
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	8	-
VII. Insurance activity expenses	18,104	2,498
1. Acquisition expenses, including:	18,093	2,347
- movement in deferred acquisition costs	(4,670)	(7,378)
2. Administrative expenses	760	640
3. Reinsurance commissions and profit participation	749	489
VIII. Net other technical charges	141	175
IX. Movement in equalization provision	694	475
X. Technical result of non-life insurance	4,479	3,669

Revenue account – inward reinsurance

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

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	(46)	798
1. Gross written premium	6,218	3,566
2. Reinsurers' share in gross written premium	6,309	3,205
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	2,404	(75)
4. Reinsurers' share in the movement in provision for unearned premiums	2,449	362
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	275	158
IV. Claims and benefits (1+2)	71	(194)
1. Net claims and benefits paid	296	4
1.1. Gross claims and benefits paid	2,264	218
1.2. Reinsurers' share in claims and benefits paid	1,968	214
2. Movement in provision for outstanding claims and benefits, net of reinsurance	(225)	(198)
2.1. Movement in provision for outstanding claims and benefits, gross	(277)	1,879
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(52)	2,077
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	329	80
1. Acquisition expenses, including:	1,159	952
- movement in deferred acquisition costs	(765)	(385)
2. Administrative expenses	261	60
3. Reinsurance commissions and profit participation	1,091	932
VIII. Net other technical charges	95	300
IX. Movement in equalization provision	(1)	1
X. Technical result of non-life insurance	(265)	769

Revenue account – inward reinsurance

ACCOUNTING CLASS 8 Assistance (group 18)

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	4,706	3,029
1. Gross written premium	672	(13,124)
2. Reinsurers' share in gross written premium	229	198
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(4,232)	(16,330)
4. Reinsurers' share in the movement in provision for unearned premiums	31	21
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	10	5
IV. Claims and benefits (1+2)	1,433	1,448
1. Net claims and benefits paid	1,392	1,082
1.1. Gross claims and benefits paid	1,392	1,082
1.2. Reinsurers' share in claims and benefits paid	-	-
2. Movement in provision for outstanding claims and benefits, net of reinsurance	41	366
2.1. Movement in provision for outstanding claims and benefits, gross	41	366
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	-	-
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	-
VII. Insurance activity expenses	1,669	1,641
1. Acquisition expenses, including:	830	652
- movement in deferred acquisition costs	761	3,234
2. Administrative expenses	841	989
3. Reinsurance commissions and profit participation	2	-
VIII. Net other technical charges	-	3
IX. Movement in equalization provision	-	-
X. Technical result of non-life insurance	1,614	(58)

Revenue account – inward reinsurance

ACCOUNTING CLASS 10 Miscellaneous (group 16)

Item	1 January – 31 December 2018	1 January – 31 December 2017
I. Premium income (1-2-3+4)	34,006	35,452
1. Gross written premium	(1,604)	(43,707)
2. Reinsurers' share in gross written premium	30,485	14,889
3. Movement in the provision for unearned premiums and provision for unexpired risks, gross	(50,664)	(93,137)
4. Reinsurers' share in the movement in provision for unearned premiums	15,431	911
II. Net investment income (including costs) transferred from the general profit and loss account	-	-
III. Other net technical income	3,410	10,496
IV. Claims and benefits (1+2)	15,983	(535)
1. Net claims and benefits paid	3,938	13,991
1.1. Gross claims and benefits paid	41,742	107,267
1.2. Reinsurers' share in claims and benefits paid	37,804	93,276
2. Movement in provision for outstanding claims and benefits, net of reinsurance	12,045	(14,526)
2.1. Movement in provision for outstanding claims and benefits, gross	4,520	(90,732)
2.2. Reinsurers' share in the movement in the provision for outstanding claims and benefits	(7,525)	(76,206)
V. Movement in other technical provisions, net of reinsurance	-	-
1. Movement in other technical provisions, gross	-	-
2. Reinsurers' share in the movement in other technical provisions	-	-
VI. Net bonuses and discounts including movement in provisions	-	(6)
VII. Insurance activity expenses	21,078	26,891
1. Acquisition expenses, including:	22,087	27,203
- movement in deferred acquisition costs	66,364	84,472
2. Administrative expenses	109	227
3. Reinsurance commissions and profit participation	1,118	539
VIII. Net other technical charges	(604)	1,236
IX. Movement in equalization provision	(1,352)	1,773
X. Technical result of non-life insurance	2,311	16,589

Notes and explanations

1. Intangible assets

Intangible assets	31 December 2018	31 December 2017
a) costs of completed development works	-	-
b) goodwill	-	-
c) acquired concessions, patents, licenses and similar values, including:	286,711	313,996
- computer software	284,917	311,827
d) other intangible assets	-	-
e) advance payments for intangible assets	48,234	31,441
Total intangible assets	334,945	345,437

Total changes in intangible assets	31 December 2018	31 December 2017
a) gross value of intangible assets – at the beginning of the period	822,069	784,364
b) additions (by virtue of)	109,904	114,768
- purchase	58,662	49,813
- transfers	46,562	62,409
- other (including estimations)	4,680	2,546
c) reductions (by virtue of)	104,583	77,063
- sale	-	-
- liquidation	58,021	14,654
- transfers	46,562	62,409
- other (including estimations)	-	-
d) gross value of intangible assets – at the end of the period	827,390	822,069
e) accumulated depreciation – at the beginning of the period	474,909	405,106
f) depreciation for the period (due to)	15,925	69,803
- current year charges	72,777	83,052
- sale	-	-
- liquidation	(57,089)	(14,562)
- other	237	1,313
g) accumulated depreciation – at the end of the period	490,834	474,909
h) impairment losses – at the beginning of the period	1,723	1,723
- additions	-	-
- reductions	112	-
i) impairment losses – at the end of the period	1,611	1,723
j) net value of intangible assets – at the end of the period	334,945	345,437

Intangible assets – ownership structure	31 December 2018	31 December 2017
a) owned	334,945	345,437
b) used based on lease, rental or other agreement	-	-
Total intangible assets	334,945	345,437

Movement in intangible assets for the year ended 31 December 2018 (by groups)	a) costs of completed development works	b) goodwill	c) acquired concessions, patents, licenses and similar values	- including computer software	d) other intangible assets	e) advance payments and intangible assets under construction	Total intangible assets
a) gross value of intangible assets – at the beginning of the period	-	-	788,892	777,526	13	33,164	822,069
b) additions (by virtue of)	-	-	46,661	45,817	-	63,243	109,904
- purchase	-	-	31	31	-	58,631	58,662
- transfers	-	-	46,562	45,767	-	-	46,562
- other (including estimations)	-	-	68	19	-	4,612	4,680
c) reductions (by virtue of)	-	-	58,021	57,232	-	46,562	104,583
- sale	-	-	-	-	-	-	-
- liquidation	-	-	58,021	57,232	-	-	58,021
- transfers	-	-	-	-	-	46,562	46,562
d) gross value of intangible assets – at the end of the period	-	-	777,532	766,111	13	49,845	827,390
e) accumulated depreciation – at the beginning of the period	-	-	474,896	465,699	13	-	474,909
f) depreciation for the period (due to)	-	-	15,925	15,495	-	-	15,925
- current year charges	-	-	72,777	71,609	-	-	72,777
- sale	-	-	-	-	-	-	-
- liquidation	-	-	(57,089)	(56,302)	-	-	(57,089)
- other	-	-	237	188	-	-	237
g) accumulated depreciation – at the end of the period	-	-	490,821	481,194	13	-	490,834
h) impairment losses – at the beginning of the period	-	-	-	-	-	1,723	1,723
- additions	-	-	-	-	-	-	-
- reductions	-	-	-	-	-	112	112
i) impairment losses – at the end of the period	-	-	-	-	-	1,611	1,611
j) net value of intangible assets – at the end of the period	-	-	286,711	284,917	-	48,234	334,945

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

2. Investments

2.1 Geographic structure of investments

Geographic structure of investments as at 31 December 2018	Domestic				Foreign – EU countries				Foreign – other countries				Total			
	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss
I. Real property ¹⁾	730,664	492,004	347,027	136,944	-	-	-	-	-	-	-	-	730,664	492,004	347,027	136,944
II. Investments in subordinated entities ²⁾	10,664,931	22,206,297	14,884,355	7,821	1,072,058	674,861	1,124,243	-	176,250	48,171	48,171	-	11,913,239	22,929,329	16,056,769	7,821
III. Other financial investments	17,461,341	19,719,447	18,951,757	16,687	1,065,987	1,124,204	1,124,147	-	1,117,569	1,091,048	1,091,048	-	19,644,897	21,934,699	21,166,952	16,687
1. Shares and other variable income securities	18,818	2,197	2,197	12,500	-	-	-	-	-	-	-	-	18,818	2,197	2,197	12,500
- measured at fair value	6,303	2,182	2,182	-	-	-	-	-	-	-	-	-	6,303	2,182	2,182	-
- measured at cost	12,515	15	15	12,500	-	-	-	-	-	-	-	-	12,515	15	15	12,500
2. Participation units and investment certificates in mutual funds	5,437,678	6,840,438	6,840,438	4,187	40,985	47,701	47,701	-	22,821	28,325	28,325	-	5,501,484	6,916,464	6,916,464	4,187
3. Debt securities and other fixed income securities	9,730,312	10,593,888	9,832,236	-	941,560	926,488	926,291	-	1,094,218	1,056,190	1,056,190	-	11,766,090	12,576,566	11,814,717	-
- measured at fair value	4,764,409	4,827,713	4,827,713	-	918,306	901,872	901,872	-	1,094,218	1,056,190	1,056,190	-	6,776,933	6,785,775	6,785,775	-
- measured at adjusted purchase price or cost	4,965,903	5,766,175	5,004,523	-	23,254	24,616	24,419	-	-	-	-	-	4,989,157	5,790,791	5,028,942	-
4. Participation in investments pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Mortgage-backed loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Other loans	1,403,692	1,412,609	1,406,571	-	83,442	83,441	83,581	-	-	-	-	-	1,487,134	1,496,050	1,490,152	-
7. Term deposits with credit institutions	870,841	869,488	869,488	-	-	-	-	-	-	-	-	-	870,841	869,488	869,488	-
8. Other investments	-	827	827	-	-	66,574	66,574	-	530	6,533	6,533	-	530	73,934	73,934	-
IV. Deposits with ceding enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	28,856,936	42,417,748	34,183,139	161,452	2,138,045	1,799,065	2,248,390	-	1,293,819	1,139,219	1,139,219	-	32,288,800	45,356,032	37,570,748	161,452

¹⁾ The presented fair value of real properties results from valuations performed in 2018, which were based mostly on the income method.

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

Investment structure as at 31 December 2018	Domestic – Net carrying amount	Foreign – EU countries – Net carrying amount	Foreign – other countries – Net carrying amount	Total
I. Real property	347,027	-	-	347,027
II. Investments in subordinated entities	14,884,355	1,124,243	48,171	16,056,769
- with unlimited transferability, listed on exchanges	8,795,874	-	-	8,795,874
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	6,088,481	1,124,243	48,171	7,260,895
- with limited transferability	-	-	-	-
III. Other financial investments	18,951,757	1,124,147	1,091,048	21,166,952
1. Shares and other variable income securities	2,197	-	-	2,197
- with unlimited transferability, listed on exchanges	2,182	-	-	2,182
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	15	-	-	15
- with limited transferability	-	-	-	-
2. Participation units and investment certificates in mutual funds	6,840,438	47,701	28,325	6,916,464
- with unlimited transferability, listed on exchanges	-	-	-	-
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	6,840,438	47,701	28,325	6,916,464
- with limited transferability	-	-	-	-
3. Debt securities and other fixed income securities	9,832,236	926,291	1,056,190	11,814,717
- with unlimited transferability, listed on exchanges	9,694,893	901,872	1,056,190	11,652,955
- with unlimited transferability, quoted on OTC markets	137,343	-	-	137,343
- with unlimited transferability, not quoted on a regulated market	-	24,419	-	24,419
- with limited transferability	-	-	-	-
4. Participation in investments pools	-	-	-	-
- with unlimited transferability, listed on exchanges	-	-	-	-
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	-	-	-	-
- with limited transferability	-	-	-	-
5. Mortgage-backed loans	-	-	-	-
6. Other loans	1,406,571	83,581	-	1,490,152
7. Term deposits with credit institutions	869,488	-	-	869,488
8. Other investments	827	66,574	6,533	73,934
- with unlimited transferability, listed on exchanges	-	215	5,070	5,285
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	827	66,359	1,463	68,649
- with limited transferability	-	-	-	-
IV. Deposits with ceding enterprises	-	-	-	-
Total	34,183,139	2,248,390	1,139,219	37,570,748

Geographic structure of investments as at 31 December 2017	Domestic				Foreign – EU countries				Foreign – other countries				Total			
	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss	Purchase price	Fair value	Net carrying amount	Impairment loss
I. Real property ¹⁾	741,635	568,755	369,702	125,988	-	-	-	-	-	-	-	-	741,635	568,755	369,702	125,988
II. Investments in subordinated entities ²⁾	11,094,772	24,659,488	15,693,266	7,821	1,068,673	565,099	1,059,507	-	176,250	17,506	17,506	-	12,339,695	25,242,093	16,770,279	7,821
III. Other financial investments	15,584,896	17,675,978	17,006,184	14,567	831,915	967,866	966,605	-	1,463,723	1,440,287	1,440,287	-	17,880,534	20,084,131	19,413,076	14,567
1. Shares and other variable income securities	18,818	3,894	3,894	12,500	-	-	-	-	-	-	-	-	18,818	3,894	3,894	12,500
- measured at fair value	6,303	3,879	3,879	-	-	-	-	-	-	-	-	-	6,303	3,879	3,879	-
- measured at cost	12,515	15	15	12,500	-	-	-	-	-	-	-	-	12,515	15	15	12,500
2. Participation units and investment certificates in mutual funds	4,999,273	6,275,312	6,275,312	2,067	39,836	39,114	39,114	-	-	-	-	-	5,039,109	6,314,426	6,314,426	2,067
3. Debt securities and other fixed income securities	8,928,542	9,663,192	8,996,484	-	792,079	773,469	772,208	-	1,463,723	1,435,408	1,435,408	-	11,184,344	11,872,069	11,204,100	-
- measured at fair value	3,863,270	3,879,549	3,879,549	-	745,641	724,906	724,906	-	1,463,723	1,435,408	1,435,408	-	6,072,634	6,039,863	6,039,863	-
- measured at adjusted purchase price or cost	5,065,272	5,783,643	5,116,935	-	46,438	48,563	47,302	-	-	-	-	-	5,111,710	5,832,206	5,164,237	-
4. Participation in investments pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Mortgage-backed loans	884,676	954,896	954,033	-	-	-	-	-	-	-	-	-	884,676	954,896	954,033	-
6. Other loans	567,789	562,108	559,885	-	-	-	-	-	-	-	-	-	567,789	562,108	559,885	-
7. Term deposits with credit institutions	185,798	185,761	185,761	-	-	-	-	-	-	-	-	-	185,798	185,761	185,761	-
8. Other investments	-	30,815	30,815	-	-	155,283	155,283	-	-	4,879	4,879	-	-	190,977	190,977	-
IV. Deposits with ceding enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	27,421,303	42,904,221	33,069,152	148,376	1,900,588	1,532,965	2,026,112	-	1,639,973	1,457,793	1,457,793	-	30,961,864	45,894,979	36,553,057	148,376

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

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

Investment structure as at 31 December 2017	Domestic – Net carrying amount	Foreign – EU countries – Net carrying amount	Foreign – other countries – Net carrying amount	Total
I. Real property	369,702	-	-	369,702
II. Investments in subordinated entities	15,693,266	1,059,507	17,506	16,770,279
- with unlimited transferability, listed on exchanges	9,061,016	-	-	9,061,016
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	6,632,250	1,059,507	17,506	7,709,263
- with limited transferability	-	-	-	-
III. Other financial investments	17,006,184	966,605	1,440,287	19,413,076
1. Shares and other variable income securities	3,894	-	-	3,894
- with unlimited transferability, listed on exchanges	3,879	-	-	3,879
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	15	-	-	15
- with limited transferability	-	-	-	-
2. Participation units and investment certificates in mutual funds	6,275,312	39,114	-	6,314,426
- with unlimited transferability, listed on exchanges	-	-	-	-
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	6,275,312	39,114	-	6,314,426
- with limited transferability	-	-	-	-
3. Debt securities and other fixed income securities	8,996,484	772,208	1,435,408	11,204,100
- with unlimited transferability, listed on exchanges	8,784,814	724,906	1,435,408	10,945,128
- with unlimited transferability, quoted on OTC markets	186,489	-	-	186,489
- with unlimited transferability, not quoted on a regulated market	25,181	47,302	-	72,483
- with limited transferability	-	-	-	-
4. Participation in investments pools	-	-	-	-
- with unlimited transferability, listed on exchanges	-	-	-	-
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	-	-	-	-
- with limited transferability	-	-	-	-
5. Mortgage-backed loans	954,033	-	-	954,033
6. Other loans	559,885	-	-	559,885
7. Term deposits with credit institutions	185,761	-	-	185,761
8. Other investments	30,815	155,283	4,879	190,977
- with unlimited transferability, listed on exchanges	-	13,755	4,879	18,634
- with unlimited transferability, quoted on OTC markets	-	-	-	-
- with unlimited transferability, not quoted on a regulated market	30,815	141,528	-	172,343
- with limited transferability	-	-	-	-
IV. Deposits with ceding enterprises	-	-	-	-
Total	33,069,152	2,026,112	1,457,793	36,553,057

2.2 Movement in financial instruments, by portfolio

Movement in financial instruments, by portfolio for the year ended 31 December 2018	Beginning of the period	Additions, including:		Reductions, including:		End of the period
		Acquisition	Increase in value	Sale or redemption	Decrease in value	
a) financial assets held for trading, including:	6,230,840	10,846,706	163,240	11,430,672	44,645	5,765,469
Shares and other variable income securities, participation units and investment certificates in mutual funds	-	-	-	-	-	-
Debt securities and other fixed income securities	6,039,863	10,843,245	156,364	11,308,260	39,677	5,691,535
Other investments	190,977	3,461	6,876	122,412	4,968	73,934
b) financial liabilities held for trading	161,630	346,972	51,009	408,989	70,638	79,984
c) loans granted and own receivables, including:	1,827,024	123,279,351	21,628	122,637,094	3,933	2,486,976
Debt securities and other fixed income securities	127,345	-	1,440	1,449	-	127,336
Mortgage-backed loans	954,033	-	-	954,033	-	-
Other loans	559,885	77,609,659	19,994	76,697,025	2,361	1,490,152
Term deposits with credit institutions	185,761	45,669,692	194	44,984,587	1,572	869,488
d) financial assets held to maturity, including:	5,036,892	87,596	120,170	333,313	9,740	4,901,605
Debt securities and other fixed income securities	5,036,892	87,596	120,170	333,313	9,740	4,901,605
e) financial assets available for sale, including:	6,318,320	1,619,216	236,489	73,409	87,714	8,012,902
Shares and other variable income securities, participation units and investment certificates in mutual funds	6,318,320	497,009	218,509	38,251	76,926	6,918,661
Debt securities and other fixed income securities	-	1,122,207	17,980	35,158	10,788	1,094,241
Total assets in other entities	19,413,076	135,832,869	541,527	134,474,488	146,032	21,166,952
Investments in related parties	15,957,526	5,368	357,671	-	649,436	15,671,129
Loans granted to subordinated entities	335,540	23,385	6,100	171	1,213	363,641
Other investments in subordinated entities	477,213	1,783,444	-	2,238,658	-	21,999
Total investments in subordinated entities	16,770,279	1,812,197	363,771	2,238,829	650,649	16,056,769
Total liabilities	161,630	346,972	51,009	408,989	70,638	79,984

Movement in financial instruments, by portfolio for the year ended 31 December 2017	Beginning of the period	Additions, including:		Reductions, including:		End of the period
		Acquisition	Increase in value	Sale or redemption	Decrease in value	
a) financial assets held for trading, including:	7,069,958	110,149,886	146,857	111,027,703	108,158	6,230,840
Shares and other variable income securities, participation units and investment certificates in mutual funds	-	-	-	-	-	-
Debt securities and other fixed income securities	6,870,414	110,052,211	93,815	110,875,035	101,542	6,039,863
Other investments	199,544	97,675	53,042	152,668	6,616	190,977
b) financial liabilities held for trading	223,905	1,440	27,711	86,270	5,156	161,630
c) loans granted and own receivables, including:	2,512,009	143,357,169	27,580	144,069,671	63	1,827,024
Debt securities and other fixed income securities	20,405	507,904	1,458	402,418	4	127,345
Mortgage-backed loans	951,450	100,000	23,985	121,344	58	954,033
Other loans	620,477	87,872,702	2,128	87,935,421	1	559,885
Term deposits with credit institutions	919,677	54,876,563	9	55,610,488	-	185,761
d) financial assets held to maturity, including:	5,453,117	2,367,738	106,149	2,877,711	12,401	5,036,892
Debt securities and other fixed income securities	5,453,117	2,367,738	106,149	2,877,711	12,401	5,036,892
e) financial assets available for sale, including:	6,389,629	2,512,604	178,663	2,713,990	48,586	6,318,320
Shares and other variable income securities, participation units and investment certificates in mutual funds	6,349,634	79,539	178,663	240,930	48,586	6,318,320
Debt securities and other fixed income securities	39,995	2,433,065	-	2,473,060	-	-
Total assets in other entities	21,424,713	258,387,397	459,249	260,689,075	169,208	19,413,076
Investments in related parties	9,173,109	7,092,219	1,127	-	308,929	15,957,526
Loans granted to subordinated entities	389,421	11,768	1,794	67,443	-	335,540
Other investments in subordinated entities	-	788,406	5,530	311,198	5,525	477,213
Total investments in subordinated entities	9,562,530	7,892,393	8,451	378,641	314,454	16,770,279
Total liabilities	223,905	1,440	27,711	86,270	5,156	161,630

2.3 Investments in real property

Investments in real property (by group)	31 December 2018	31 December 2017
a) own land	18,613	16,462
- at purchase price	25,228	20,176
- at current value	51,286	69,891
b) perpetual usufruct right to land	385	1,554
c) buildings and structures	323,638	346,453
- at purchase price	673,200	677,218
- at current value	340,427	339,192
d) cooperative ownership right to a unit	3,574	4,942
e) construction investments	817	291
f) advance payments for construction investments	-	-
Total investments in real property (by group)	347,027	369,702

Movement in investments in real property	31 December 2018	31 December 2017
a) gross value – at the beginning of the period	741,635	759,214
b) additions (by virtue of)	8,435	10,323
- investments	4,502	5,636
- direct purchase	3,933	4,687
- other	-	-
c) reductions (by virtue of)	19,406	27,902
- liquidation	42	-
- sale	15,430	23,215
- donations	-	-
- other	3,934	4,687
d) gross value – at the end of the period	730,664	741,635
e) accumulated depreciation – at the beginning of the period	245,945	242,758
f) depreciation for the period (due to)	748	3,187
- depreciation charges for the current year	14,728	15,317
- accumulated depreciation of fixed assets liquidated	-	-
- accumulated depreciation of fixed assets sold	(9,962)	(12,130)
- accumulated depreciation of fixed assets donated	-	-
- other	(4,018)	-
g) accumulated depreciation – at the end of the period	246,693	245,945
h) impairment losses – at the beginning of the period	125,988	128,666
- additions	24,157	5
- reductions	13,201	2,683
i) impairment losses – at the end of the period	136,944	125,988
j) net value – at the end of the period	347,027	369,702

Movement in real property value for the year ended 31 December 2018 (by group)	Land and perpetual usufruct right	Buildings and structures, facilities	Rights to residential and commercial space	Construction investments	Advance payments for construction investments	Total real property
a) gross value – at the beginning of the period	54,562	677,218	9,564	291	-	741,635
b) additions (by virtue of)	-	3,933	-	4,502	-	8,435
- investments	-	-	-	4,502	-	4,502
- direct purchase	-	3,933	-	-	-	3,933
- other	-	-	-	-	-	-
c) reductions (by virtue of)	5,387	7,951	2,092	3,976	-	19,406
- liquidation	-	-	-	42	-	42
- sale	5,387	7,951	2,092	-	-	15,430
- donations	-	-	-	-	-	-
- other	-	-	-	3,934	-	3,934
d) gross value – at the end of the period	49,175	673,200	7,472	817	-	730,664
e) accumulated depreciation – at the beginning of the period	31,756	209,567	4,622	-	-	245,945
f) depreciation for the period (due to)	(8,194)	9,666	(724)	-	-	748
- depreciation charges for the current year	1,169	13,364	195	-	-	14,728
- accumulated depreciation of property liquidated	-	-	-	-	-	-
- accumulated depreciation of property sold	(5,345)	(3,698)	(919)	-	-	(9,962)
- accumulated depreciation of property donated	-	-	-	-	-	-
- other	(4,018)	-	-	-	-	(4,018)
g) accumulated depreciation – at the end of the period	23,562	219,233	3,898	-	-	246,693
h) impairment losses – at the beginning of the period	4,790	121,198	-	-	-	125,988
- additions	2,900	21,257	-	-	-	24,157
- reductions	1,075	12,126	-	-	-	13,201
i) impairment losses – at the end of the period	6,615	130,329	-	-	-	136,944
j) net value – at the end of the period	18,998	323,638	3,574	817	-	347,027

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

Real property (by purpose)	31 December 2018	31 December 2017
a) real property used for own purposes	326,828	350,215
b) other property	20,199	19,487
Total real property (by purpose)	347,027	369,702

Investments in real property	31 December 2018	31 December 2017
a) short-term	15,170	20,867
b) long-term	331,857	348,835
Total investments in real property	347,027	369,702

Investments in real property (by currency)	31 December 2018	31 December 2017
a) Polish currency	347,027	369,702
b) foreign currencies (by currency and translated to PLN)	-	-
Total investments in real property	347,027	369,702

Investments in real property	31 December 2018	31 December 2017
Value of land in perpetual usufruct not used for own purposes	63	75
Total value of land in perpetual usufruct not used for own purposes	63	75

2.4 Investments in subordinated entities

Investments in subordinated entities (carrying amount)	31 December 2018	31 December 2017
a) shares in subsidiaries, of which:	15,671,129	15,957,526
- long-term investments	15,671,129	15,957,526
b) shares in co-subsidiaries, of which	-	-
- long-term investments	-	-
c) shares in associates, of which:	-	-
- long-term investments	-	-
d) loans granted to subsidiaries, of which:	363,641	335,540
- long-term investments	326,917	335,540
e) loans granted to co-subsidiaries, of which:	-	-
- long-term investments	-	-
f) loans granted to associates, of which:	-	-
- long-term investments	-	-
g) debt securities of subsidiaries, of which:	-	-
- long-term investments	-	-
g) debt securities of co-subsidiaries, of which:	-	-
- long-term investments	-	-
i) debt securities of associates, of which:	-	-
- long-term investments	-	-
j) other investments (by type), of which:	21,999	477,213
- long-term investments	-	-
Total investments in subordinated entities	16,056,769	16,770,279

Investments in subordinated entities measured by the equity method	31 December 2018	31 December 2017
a) shares, of which:	15,671,129	15,957,526
- in subsidiaries	15,671,129	15,957,526
- in co-subsidiaries	-	-
- in associates	-	-
b) loans granted, of which:	363,641	335,540
- to subsidiaries	363,641	335,540
- to co-subsidiaries	-	-
- to associates	-	-
c) debt securities, of which:	-	-
- subsidiaries	-	-
- co-subsidiaries	-	-
- associates	-	-
j) other (by type), of which:	21,999	477,213
- in subsidiaries	21,999	477,213
- in co-subsidiaries	-	-
- in associates	-	-
Total investments in subordinated entities measured by the equity method	16,056,769	16,770,279

Investments in subordinated entities measured by the equity method, including:	31 December 2018	31 December 2017
a) goodwill of subordinated entities	3,032,679	3,271,448
- subsidiaries	3,032,679	3,271,448
- co-subsidiaries	-	-
- associates	-	-
b) negative goodwill of subordinated entities	-	-
- subsidiaries	-	-
- co-subsidiaries	-	-
- associates	-	-

Movement in goodwill – subsidiaries	31 December 2018	31 December 2017¹⁾
a) gross goodwill at the beginning of the period, including:	3,586,004	1,651,281
- UAB PZU Lietuva Gyvybes Draudimas	81	81
- PrJSC IC PZU Ukraine	4,361	4,361
- PrJSC IC PZU Ukraine Life Insurance	1,595	1,595
- Lietuvos Draudimas AB	436,809	436,809
- Link4 SA	221,377	221,377
- Pekao	1,757,491	-
- AAS Balta	89,559	89,559
- Alior Bank	1,074,731	897,499
b) additions (by virtue of)	941	1,934,723
- Alior Bank	941	177,232
- Pekao	-	1,757,491
c) reductions (by virtue of)	-	-
d) gross goodwill at the end of the period	3,586,945	3,586,004
- UAB PZU Lietuva Gyvybes Draudimas	81	81
- PrJSC IC PZU Ukraine	4,361	4,361
- PrJSC IC PZU Ukraine Life Insurance	1,595	1,595
- Lietuvos Draudimas AB	436,809	436,809
- Link4 SA	221,377	221,377
- Pekao	1,757,491	1,757,491
- AAS Balta	89,559	89,559
- Alior Bank	1,075,672	1,074,731
e) charges to goodwill at the beginning of the period	339,352	159,991

Movement in goodwill – subsidiaries	31 December 2018	31 December 2017¹⁾
- UAB PZU Lietuva Gyvybes Draudimas	81	81
- PrJSC IC PZU Ukraine	4,361	4,361
- PrJSC IC PZU Ukraine Life Insurance	1,595	1,595
- Lietuvos Draudimas AB	83,203	47,948
- Link4 SA	49,195	34,436
- Pekao	51,260	-
- AAS Balta	19,347	8,612
- Alior Bank	130,310	62,958
f) charges to goodwill for the period	214,913	179,361
- Lietuvos Draudimas AB	34,541	35,255
- Link4 SA	14,758	14,759
- Pekao	87,874	51,260
- AAS Balta	4,123	10,735
- Alior Bank	73,617	67,352
g) charges to goodwill at the end of the period	554,265	339,352
- UAB PZU Lietuva Gyvybes Draudimas	81	81
- PrJSC IC PZU Ukraine	4,361	4,361
- PrJSC IC PZU Ukraine Life Insurance	1,595	1,595
- Lietuvos Draudimas AB	117,744	83,203
- Link4 SA	63,953	49,195
- Pekao	139,134	51,260
- AAS Balta	23,470	19,347
- Alior Bank	203,927	130,310
h) net goodwill at the end of the period	3,032,680	3,246,652
- Lietuvos Draudimas AB	319,065	353,606
- Link4 SA	157,424	172,182
- Pekao	1,618,357	1,706,231
- AAS Balta	66,089	70,212
- Alior Bank	871,745	944,421

¹⁾ Comparative data

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

In 2018, the acquisition of Bank Pekao was finally settled. The table below shows the figures resulting from the final settlement.

Calculation of goodwill – Pekao	As at the date of purchase
Assets	168,445,513
Goodwill from Bank Pekao's own books	(55,520)
Intangible assets identified – trademark	340,000
Measurement of properties	305,096
Valuation of entities measured by the equity method	400,360
Valuation of privately held shares and assets held to maturity	169,373
Valuation of the credit portfolio	(1,277,784)
Remeasurement of receivables	(16,000)
Deferred tax on the adjustments	133,714
Liabilities	(146,936,963)
Estimation of provisions (holiday leave and dispute provisions)	(86,000)
Measurement of liabilities on the issue of debt securities	(43,084)
Commissions relating to credit cards	(157,362)
Fair value of net assets acquired	21,221,343
Percentage of share capital held	20%
Fair value of acquired net assets acquired, pro rata to the percentage of share capital held	4,244,269
Fair value of the payment made – cash	6,001,760
Goodwill	1,757,491

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

Calculation of goodwill – Alior Bank	As at the 6th tranche purchase date
Assets	70,538,243
Intangible assets identified – trademark	81,111
Revaluation of loans	(431,707)
Elimination of an intangible asset from the balance sheet – relations with BPH clients	(29,342)
Recognition of negative goodwill on the purchase of BPH	(236,660)
Goodwill written off from Alior Bank books	(107,957)
Deferred tax on the adjustments	73,217
Liabilities	(64,201,780)
Rent liabilities	(5,415)
Fair value of net assets acquired	5,679,710
Percentage of share capital held	0.0372%
Fair value of acquired net assets acquired, pro rata to the percentage of share capital held	2,115
Fair value of the payment made – cash	3,056
Goodwill	941

Movement in investments in subordinated entities (by type)	31 December 2018	31 December 2017
a) at the beginning of the period	16,770,279	9,562,530
- shares in subordinated entities	15,957,526	9,173,109
- loans granted	335,540	389,421
- other	477,213	-
b) additions (by virtue of)	2,175,968	7,900,844
- acquisition	1,812,197	7,892,393
- revaluation adjustments	363,771	8,451
- other	-	-
b) reductions (by virtue of)	2,889,478	693,095
- sale or buyout	2,238,829	378,641
- revaluation adjustments	650,649	314,454
- other	-	-
d) at the end of the period	16,056,769	16,770,279
- shares in subordinated entities	15,671,129	15,957,526
- loans granted	363,641	335,540
- other	21,999	477,213

Shares and securities in subordinated entities	31 December 2018	31 December 2017
a) admitted to trading on a regulated market	8,795,874	9,061,016
b) not admitted to trading on a regulated market	6,875,255	6,896,510
Total shares and securities in subordinated entities	15,671,129	15,957,526

Shares and other financial instruments in related parties (long-term investments), by transferability	31 December 2018	31 December 2017
A. With unlimited transferability, quoted on exchanges (carrying amount)	8,795,874	9,061,016
a) shares (carrying amount):	8,795,874	9,061,016
- revaluation adjustments (for the period)	(265,142)	6,891,294
- value at the beginning of the period	9,061,016	2,169,722
- value at purchase price	8,752,305	8,749,250
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-

Shares and other financial instruments in related parties (long-term investments), by transferability	31 December 2018	31 December 2017
B. With unlimited transferability, quoted on OTC markets (carrying amount)	-	-
a) shares (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
C. With unlimited transferability, not quoted on a regulated market (carrying amount)	7,238,896	7,232,050
a) shares (carrying amount):	6,604,839	6,627,760
- revaluation adjustments (for the period)	(22,921)	(109,232)
- value at the beginning of the period	6,627,760	6,736,992
- value at purchase price	2,515,890	2,515,890
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	634,057	604,290
shares in subordinated entities (carrying amount)	270,416	268,750
- revaluation adjustments (for the period)	1,666	2,355
- value at the beginning of the period	268,750	266,395
- value at purchase price	265,542	263,230
loans granted (carrying amount)	363,641	335,540
- revaluation adjustments (for the period)	28,101	(53,881)
- value at the beginning of the period	335,540	389,421
- value at purchase price	353,644	330,259
other investments (carrying amount)	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
D. With limited transferability (carrying amount)	-	-
a) shares (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
Total value at purchase price	11,887,381	11,858,629
Total value at the beginning of the period	16,293,066	9,562,530
Total revaluation adjustments (for the period)	(258,296)	6,730,536
Total carrying amount	16,034,770	16,293,066

Shares and other financial instruments in related parties (short-term investments), by transferability	31 December 2018	31 December 2017
A. With unlimited transferability, quoted on exchanges (carrying amount)	-	-
a) shares (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
B. With unlimited transferability, quoted on OTC markets (carrying amount)	-	-
a) shares (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
C. With unlimited transferability, not quoted on a regulated market (carrying amount)	-	-
a) shares (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
D. With limited transferability (carrying amount)	21,999	477,213
a) shares (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other – other investments (carrying amount):	21,999	477,213
- fair value	21,999	477,213
- market value	21,999	477,213
- value at purchase price	21,999	477,207
Total value at purchase price	21,999	477,207
Total value at the beginning of the period	477,213	-

Shares and other financial instruments in related parties (short-term investments), by transferability	31 December 2018	31 December 2017
Total revaluation adjustments (for the period)	(455,214)	477,213
Total carrying amount	21,999	477,213

2.4.1. Acquisition of additional blocks of shares in Alior Bank

In September 2018, PZU acquired from PZU Życie a total of 48,614 shares representing 0.04% of Alior Bank's share capital for the price of PLN 3,055 thousand. As a result, PZU's stake in the share capital and votes at the Shareholder Meeting of Alior Bank reached 31.91% as at 31 December 2018. Additionally, PZU holds indirectly, through its controlled mutual funds and subsidiary, 0.02% of Alior Bank's share capital and of the total number of votes at the Shareholder Meeting of Alior Bank.

2.4.2. Acquisition of shares in Bank Pekao

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

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

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

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

PZU's stake in the share capital and votes at the Shareholder Meeting of Pekao was 20% as at 31 December 2018. PZU holds indirectly, through its controlled mutual funds, 0.03% of the Bank's share capital and of the total number of votes at its Shareholder Meeting.

2.4.3. Loans granted to subsidiaries

Loan granted to PZU Zdrowie SA

On 23 March 2015, a loan agreement was entered into between PZU and PZU Zdrowie SA for the amount of up to PLN 200,000 thousand. The first installment in the amount of PLN 90,000 thousand was paid out on 26 March 2015, the second installment of PLN 40,000 thousand on 29 September 2015 and the third installment of PLN 70,000 thousand on 4 July 2016. The loan should be repaid in 120 equal installments, no later than on 31 December 2030. On 23 April 2018, Annex 1 to the Loan Agreement was signed, providing for the interest rate equal to WIBOR 6M without a margin. By Annex 2 of 1 August 2018, the available loan amount was increased to PLN 295,000 thousand. The fourth tranche of the loan in the amount of PLN 20,000 thousand was paid out on 31 December 2018. As at 31 December 2018, the loan value was PLN 222,326 thousand (as at 31 December 2017: PLN 200,000 thousand).

Loan granted to TUV PZUW

On 9 November 2016, PZU and Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych ("TUV PZUW") concluded an agreement to grant a subordinated loan of PLN 80,000 thousand maturing on 4 January 2027, with interest rate determined on an arm's length basis (6M WIBOR plus 300 bps). As at 31 December 2018, the loan value was PLN 80,006 thousand (as at 31 December 2017: PLN 80,027 thousand).

Shares in subordinated entities (long-term investments) as at 31 December 2018, including financial data

	a) Name and legal form	b) Registered office	c) Line of business	d) Type of relationship	e) Consolidation method/measurement by the equity method or indication that the entity is not consolidated/measured by the equity method	f) Date of obtaining control/joint control/significant influence	g) Value of shares at purchase price	h) Valuation adjustments (total) ¹⁾	i) Carrying amount of shares	j) Percentage of share capital directly or indirectly held by PZU	k) Percentage of total votes held at the Shareholder Meeting	l) Source of control/joint control/significant influence if other than in j) and k)
1.	Bank Pekao SA	Warsaw	Banking business	subsidiary	full consolidation	07.06.2017	6,001,761	63,033	6,064,794	20.00%	20.00%	n/a
2.	PZU Życie	Warsaw	Life insurance business	subsidiary	full consolidation	18.12.1991	295,088	4,155,923	4,451,011	100.00%	100.00%	n/a
3.	Alior Bank	Warsaw	Banking business	subsidiary	full consolidation	18.12.2015	2,750,544	(19,464)	2,731,080	31.91%	31.91%	n/a
4.	Lietuvos Draudimas AB	Vilnius, Lithuania	Non-life insurance business	subsidiary	full consolidation	31.10.2014	807,166	24,545	831,711	100.00%	100.00%	n/a
5.	Link4 Towarzystwo Ubezpieczeń SA ("Link4")	Warsaw	Non-life insurance business	subsidiary	full consolidation	15.09.2014	518,482	(109,158)	409,324	100.00%	100.00%	n/a
6.	TUW PZUW	Warsaw	Non-life insurance business	subsidiary	full consolidation	20.11.2015	325,850	16,297	342,147	100.00%	100.00%	n/a
7.	Apdrošināšanas Akciju Sabiedrība Balta ("AAS Balta")	Riga, Latvia	Non-life insurance business	subsidiary	full consolidation	30.06.2014	200,776	33,008	233,784	99.99%	99.99%	n/a
8.	Towarzystwo Funduszy Inwestycyjnych PZU SA ("TFI PZU")	Warsaw	Creation, representing and management of mutual funds	subsidiary	full consolidation	27.09.2011	38,403	121,450	159,853	100.00%	100.00%	n/a
9.	Ogrodowa - Inwestycje Sp. z o.o. ("Ogrodowa Inwestycje")	Warsaw	Business and management consultancy activities, business of a holding company	subsidiary	full consolidation	15.09.2004	142,255	(2,254)	140,001	100.00%	100.00%	n/a
10.	Tower-Inwestycje Sp. z o.o. ("PZU Tower")	Warsaw	Other financial service activities, except insurance and pension funding	indirect subsidiary	full consolidation	17.08.1999	112,900	3,013	115,913	27.47%	27.47%	n/a
11.	PZU Pomoc SA	Warsaw	Provision of assistance services	subsidiary	full consolidation	18.03.2009	18,566	25,310	43,876	100.00%	100.00%	n/a
12.	PrJSC IC PZU Ukraine	Kiev, Ukraine	Non-life insurance business	subsidiary	full consolidation	01.07.2005	143,666	(105,104)	38,562	83.23%	83.23%	n/a

a) Name and legal form	b) Registered office	c) Line of business	d) Type of relationship	e) Consolidation method/measurement by the equity method or indication that the entity is not consolidated/measured by the equity method	f) Date of obtaining control/joint control/significant influence	g) Value of shares at purchase price	h) Valuation adjustments (total) ¹⁾	i) Carrying amount of shares	j) Percentage of share capital directly or indirectly held by PZU	k) Percentage of total votes held at the Shareholder Meeting	l) Source of control/joint control/significant influence if other than in j) and k)
13. PZU Centrum Operacji SA ("PZU CO")	Warsaw	Activities auxiliary to insurance and pension funding	subsidiary	full consolidation	27.09.2011	40,645	(5,841)	34,804	100.00%	100.00%	n/a
14. UAB PZU Lietuva Gyvybes Draudimas	Vilnius, Lithuania	Life insurance business	subsidiary	full consolidation	08.04.2004	40,235	(10,193)	30,042	99.34%	99.34%	n/a
15. Pekao Financial Services Sp. z o.o. ("PFS")	Warsaw	Other financial service activities, except insurance and pension funding	subsidiary	full consolidation	4.06.2018	2,267	9,224	11,491	33.50%	33.50%	n/a
16. PrJSC IC PZU Ukraine Life Insurance	Kiev, Ukraine	Life insurance business	subsidiary	full consolidation	01.07.2005	32,584	(22,975)	9,609	53.47%	53.47%	n/a
17. Ardea Alba SA in liquidation ("Ardea Alba")	Warsaw	Provision of managed account services	subsidiary	full consolidation	12.07.2001	11,463	(3,854)	7,609	100.00%	100.00%	n/a
18. PZU Zdrowie SA ("PZU Zdrowie")	Warsaw	Provision of medical services	subsidiary	full consolidation	02.09.2011	40,664	(33,511)	7,153	100.00%	100.00%	n/a
19. PZU Finance AB	Stockholm, Sweden	Financial services	subsidiary	full consolidation	02.06.2014	236	3,884	4,120	100.00%	100.00%	n/a
20. PZU Finanse Sp. z o.o.	Warsaw	Other financial service activities, except insurance and pension funding	subsidiary	full consolidation	30.10.2013	4,050	(1,085)	2,965	100.00%	100.00%	n/a
21. PZU LAB SA	Warsaw	No business conducted	subsidiary	full consolidation	13.09.2011	1,700	(728)	972	100.00%	100.00%	n/a
22. Omicron BIS SA	Warsaw	No business conducted	subsidiary	full consolidation	21.08.2014	150	(37)	113	100.00%	100.00%	n/a
23. Battersby Investments SA	Warsaw	No business conducted	subsidiary	full consolidation	15.09.2017	115	(34)	81	100.00%	100.00%	n/a
24. Sigma BIS SA	Warsaw	No business conducted	subsidiary	full consolidation	19.08.2015	100	(33)	67	100.00%	100.00%	n/a
25. Tulare Investments Sp. z o.o.	Warsaw	No business conducted	subsidiary	full consolidation	15.09.2017	56	(20)	36	100.00%	100.00%	n/a
26. Ipsilon sp. z o.o.	Warsaw	Provision of assistance services and medical services	subsidiary	full consolidation	02.04.2009	52	(42)	10	100.00%	100.00%	n/a
27. PZU Corporate Member Limited	London, UK	Investment activity	subsidiary	full consolidation	28.09.2017	1	-	1	100.00%	100.00%	n/a
28. Syta Development Sp. z o.o. in liquidation ("Syta Development")	Warsaw	Buying and selling real estate, intermediacy in buying and selling, administration of real estate	subsidiary	unconsolidated	29.04.1996	3,962	(3,962)	-	100.00%	100.00%	n/a
Total						11,533,737	4,137,392	15,671,129			

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

²⁾ Alior Bank was recognized as a subsidiary under the conditions described in section 2.2 of the Consolidated financial statements of the PZU Group.

³⁾ Pekao was recognized as a subsidiary under the conditions described in section 2.2 of the Consolidated financial statements of the PZU Group.

Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Information from the financial statements for the year ended 31 December 2018
(in thousands of PLN)

a) Name and legal form		m) Equity, including:						n) Liabilities and provisions for liabilities, including:		o) Receivables:		p) Total assets	r) Sales revenues	s) Amount of shares not paid up by the issuer	t) Dividend for the last financial year received or receivable from the entity
		- share capital	- unpaid share capital (negative value)	- supplementary capital	- other equity, including:			- non-current liabilities	- current liabilities	- non-current	- current				
					- other equity	- retained earnings (losses)	- net profit (loss)								
1.	Bank Pekao SA ^{1) 2)}	262,470	-	9,500,933	11,364,984	(619,470)	2,287,810	9,369,866	158,175,019	95,588,152	36,446,702	191,089,805	8,966,455		414,703
2.	PZU Życie ²⁾	295,000	-	3,076,676	(255,551)	-	1,334,885	21,703	539,877	460	173,112	27,555,871	8,278,961	-	1,257,483
3.	Alior Bank ^{1) 2)}	1,305,540	-	5,386,828	223,793	(1,143,409)	713,373	6,320,047	60,445,187	35,986,177	18,887,322	73,419,887	4,618,106	-	-
4.	Lietuvos Draudimas AB ¹⁾	48,537	-	9,707	37,779	441,491	68,928	241	133,743	6,472	227,375	1,683,970	1,080,029	-	27,400
5.	Link4 ²⁾	111,356	-	278,626	6,108	(197,661)	30,342	42	332,718	234	108,511	1,023,053	1,028,482	-	-
6.	TUW PZUW ²⁾	324,900	-	2,348	4,362	325	10,212	109,149	445,038	46,778	391,265	971,459	551,975	-	-
7.	AAS Balta ¹⁾	34,182	-	5,488	23,362	110,994	26,766	16,753	47,730	387	82,616	810,911	446,838	-	-
8.	TFI PZU	13,000	-	63,150	0	(468)	84,169	311	41,914	-	33,448	197,934	234,278	-	15,628
9.	Ogrodowa Inwestycje	142,255	-	-	-	3	(2,256)	938	2,196	-	1,142	143,286	21,305	-	2,773
10.	PZU Tower	411,000	-	805	5,350	7	4,809	50	1,288	11	2,900	423,572	-	-	7,359
11.	PZU Pomoc SA	4,886	-	27,150	-	-	11,839	-	7,264	11	11,250	50,890	56,637	-	-
12.	PrJSC IC PZU Ukraine ¹⁾	7,430	-	1,647	169,690	(140,275)	7,842	-	75,894	-	67,821	295,836	201,754	-	-
13.	PZU CO	500	-	30,858	(90)	656	2,880	-	43,665	264	15,098	75,116	336,148	-	-
14.	UAB PZU Lietuva Gyvybes Draudimas ¹⁾	29,309	-	1,162	1,369	(2,033)	435	387	2,382	65	99	208,812	64,669	-	-
15.	PFS	6,767	-	-	23,609	-	3,926	169	6,641	-	6,652	42,780	53,897		
16.	PrJSC IC PZU Ukraine Life Insurance ¹⁾	7,153	-	595	21,707	(15,231)	3,747	625	6,119	-	1,322	111,208	54,935	-	-
17.	Ardea Alba	5,000	-	2,684	-	5	(79)	-	159	-	2	7,828	-	-	-
18.	PZU Zdrowie	10,650	-	29,945	36	(23,134)	(10,344)	222,425	36,193	113	32,109	264,847	185,176	-	-
19.	PZU Finance AB ¹⁾	219	-	-	24	2,780	1,097	-	3,676,036	297	288	3,680,151	-	-	-
20.	PZU Finanse Sp. z o.o.	50	-	-	4,000	(1,365)	280	-	222	-	409	3,336	2,663	-	-
21.	PZU LAB SA	260	-	1,440	-	(247)	(481)	-	82	-	243	1,077	468	-	-
22.	Omicron BIS SA	150	-	-	-	(29)	(8)	-	4	-	2	116	-	-	-
23.	Battersby Investments SA	100	-	-	-	(7)	(11)	-	4	-	2	85	-	-	-
24.	Sigma BIS SA	100	-	-	-	(14)	(14)	-	3	-	-	70	-	-	-
25.	Tulare Investments Sp. z o.o.	5	-	-	45	(2)	(9)	-	4	-	1	39	-		
26.	Ipsilon sp. z o.o.	50	-	-	-	(34)	(6)	-	4	-	1	11	-	-	-
27.	PZU Corporate Member Limited ¹⁾	-	-	-	-	-	(14)	15,326	-	-	-	15,312	-	-	-
28.	Syta Development	831	-	9,908	(285)	(10,598)	-	-	151	-	-	8	-	-	-

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

¹⁾ IFRS figures

²⁾ For insurance companies, the "sales revenues" item presents gross written premium and other technical revenues; for Alior Bank and Bank Pekao SA, it shows interest income and fee and commission income.

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

a) Name and legal form	b) Registered office	c) Line of business	d) Type of relationship	e) Consolidation method/measurement by the equity method or indication that the entity is not consolidated/measured by the equity method	f) Date of obtaining control/joint control/significant influence	g) Value of shares at purchase price	h) Valuation adjustments (total) ¹⁾	i) Carrying amount of shares	j) Percentage of share capital directly or indirectly held by PZU	k) Percentage of total votes held at the Shareholder Meeting	l) Source of control/joint control/significant influence if other than in j) and k)
1. Bank Pekao SA	Warsaw	Banking business	subsidiary ³⁾	full consolidation	07.06.2017	6,001,761	215,898	6,217,659	20.00%	20.00%	n/a
2. PZU Życie	Warsaw	Life insurance business	subsidiary	full consolidation	18.12.1991	295,088	4,362,361	4,657,449	100.00%	100.00%	n/a
3. Alior Bank	Warsaw	Banking business	subsidiary ²⁾	full consolidation	18.12.2015	2,747,489	95,868	2,843,357	32.19%	32.19%	n/a
4. Lietuvos Draudimas AB	Vilnius, Lithuania	Non-life insurance business	subsidiary	full consolidation	31.10.2014	807,166	(2,205)	804,961	100.00%	100.00%	n/a
5. Link4	Warsaw	Non-life insurance business	subsidiary	full consolidation	15.09.2014	518,482	(123,326)	395,156	100.00%	100.00%	n/a
6. TUW PZUW	Warsaw	Non-life insurance business	subsidiary	full consolidation	20.11.2015	325,850	3,222	329,072	100.00%	100.00%	n/a
7. AAS Balta	Riga, Latvia	Non-life insurance business	subsidiary	full consolidation	30.06.2014	200,776	1,609	202,385	99.99%	99.99%	n/a
8. Ogródowa Inwestycje	Warsaw	Business and management consultancy activities, business of a holding company	subsidiary	full consolidation	15.09.2004	142,255	2,775	145,030	100.00%	100.00%	n/a
9. PZU Tower	Warsaw	Other financial service activities, except insurance and pension funding	indirect subsidiary	full consolidation	17.08.1999	112,900	8,104	121,004	27.47%	27.47%	n/a
10. TFI PZU	Warsaw	Creation, representing and management of mutual funds	subsidiary	full consolidation	27.09.2011	38,403	52,907	91,310	100.00%	100.00%	n/a
11. PZU CO	Warsaw	Activities auxiliary to insurance and pension funding	subsidiary	full consolidation	27.09.2011	40,645	(1,363)	39,282	100.00%	100.00%	n/a
12. PZU Pomoc SA	Warsaw	Provision of assistance services	subsidiary	full consolidation	18.03.2009	18,566	13,470	32,036	100.00%	100.00%	n/a

a) Name and legal form	b) Registered office	c) Line of business	d) Type of relationship	e) Consolidation method/measurement by the equity method or indication that the entity is not consolidated/measured by the equity method	f) Date of obtaining control/joint control/significant influence	g) Value of shares at purchase price	h) Valuation adjustments (total) ¹⁾	i) Carrying amount of shares	j) Percentage of share capital directly or indirectly held by PZU	k) Percentage of total votes held at the Shareholder Meeting	l) Source of control/joint control/significant influence if other than in j) and k)
13. UAB PZU Lietuva Gyvybes Draudimas	Vilnius, Lithuania	Life insurance business	subsidiary	full consolidation	08.04.2004	40,235	(11,471)	28,764	99.34%	99.34%	n/a
14. PZU Zdrowie	Warsaw	Provision of medical services	subsidiary	full consolidation	02.09.2011	40,664	(23,169)	17,495	100.00%	100.00%	n/a
15. PrJSC IC PZU Ukraine	Kiev, Ukraine	Non-life insurance business	subsidiary	full consolidation	01.07.2005	143,666	(132,812)	10,854	83.23%	83.23%	n/a
16. Ardea Alba	Warsaw	Provision of managed account services	subsidiary	full consolidation	12.07.2001	11,463	(3,773)	7,690	100.00%	100.00%	n/a
17. PrJSC IC PZU Ukraine Life Insurance	Kiev, Ukraine	Life insurance business	subsidiary	full consolidation	01.07.2005	32,584	(25,932)	6,652	53.47%	53.47%	n/a
18. PZU Finance AB	Stockholm, Sweden	Financial services	subsidiary	full consolidation	02.06.2014	236	2,688	2,924	100.00%	100.00%	n/a
19. PZU Finanse Sp. z o.o.	Warsaw	Other financial service activities, except insurance and pension funding	subsidiary	full consolidation	30.10.2013	4,050	(1,359)	2,691	100.00%	100.00%	n/a
20. PZU LAB SA	Warsaw	No business conducted	subsidiary	full consolidation	13.09.2011	1,700	(246)	1,454	100.00%	100.00%	n/a
21. Omicron BIS SA	Warsaw	No business conducted	subsidiary	full consolidation	21.08.2014	150	(30)	120	100.00%	100.00%	n/a
22. Battersby Investments SA	Warsaw	No business conducted	subsidiary	full consolidation	15.09.2017	115	(23)	92	100.00%	100.00%	n/a
23. Sigma BIS SA	Warsaw	No business conducted	subsidiary	full consolidation	19.08.2015	100	(26)	74	100.00%	100.00%	n/a
24. Ipsilon sp. z o.o.	Warsaw	Provision of assistance services and medical services	subsidiary	full consolidation	02.04.2009	52	(38)	14	100.00%	100.00%	n/a
25. Tulare Investments Sp. z o.o.	Warsaw	No business conducted	subsidiary	full consolidation	15.09.2017	11	(11)	-	100.00%	100.00%	n/a
26. PZU Corporate Member Limited	London, UK	Investment activity	subsidiary	full consolidation	28.09.2017	1	-	1	100.00%	100.00%	n/a
27. Syta Development	Warsaw	Buying and selling real estate, intermediacy in buying and selling, administration of real estate	subsidiary	unconsolidated	29.04.1996	3,962	(3,962)	-	100.00%	100.00%	n/a
Total						11,528,370	4,429,156	15,957,526			

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

²⁾ Alior Bank was recognized as a subsidiary under the conditions described in section 2.2 of the Consolidated financial statements of the PZU Group.

³⁾ Pekao was recognized as a subsidiary under the conditions described in section 2.2 of the Consolidated financial statements of the PZU Group.

Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Information from the financial statements for the year ended 31 December 2018
(in thousands of PLN)

a) Name and legal form		m) Equity, including:						n) Liabilities and provisions for liabilities, including:		o) Receivables:		p) Total assets	r) Sales revenues	s) Amount of shares not paid up by the issuer	t) Dividend for the last financial year received or receivable from the entity
		- share capital	- unpaid share capital (negative value)	- supplementary capital	- other equity, including:			- non-current liabilities	- current liabilities	- non-current	- current				
					- other equity	- retained earnings (losses)	- net profit (loss)								
1.	Bank Pekao SA ^{1) 2)}	262,470	-	9,491,652	11,069,525	(30,962)	2,475,129	8,077,103	153,525,679	90,758,585	29,918,687	185,465,570	8,304,279	-	-
2.	PZU Życie ²⁾	295,000	-	3,076,663	25,547	-	1,260,238	15,082	761,123	2,784	175,649	28,320,044	8,564,875	-	1,429,346
3.	Alior Bank ^{1) 2)}	1,292,636	-	4,820,048	197,768	(92,579)	471,570	2,776,495	55,772,169	34,090,172	18,078,097	69,515,982	4,406,734	-	-
4.	Lietuvos Draudimas AB ¹⁾	48,537	-	9,707	22,652	417,688	46,823	1,606	119,696	7,191	200,737	1,491,601	968,530	-	17,136
5.	Link4 ²⁾	111,356	-	278,626	8,516	(208,224)	10,825	35,121	407,164	221	120,213	1,733,970	1,018,711	-	-
6.	TUW PZUW ²⁾	324,900	-	14	550	325	2,304	80,027	265,390	-	265,585	719,268	384,509	-	-
7.	AAS Balta ¹⁾	34,182	-	5,488	14,570	87,697	26,585	10,882	40,237	613	70,121	516,487	377,447	-	8,485
8.	Ogrodowa Inwestycje	142,255	-	-	-	-	2,775	1,931	2,243	-	60,719	150,300	20,827	-	496
9.	Tower	411,000	-	-	1,901	-	805	-	332	-	2,510	441,286	-	-	-
10.	TFI PZU	13,000	-	47,522	(468)	-	32,777	-	14,096	-	20,637	123,112	174,189	-	13,944
11.	PZU CO	500	-	35,681	464	369	2,268	-	41,786	5	17,146	77,863	340,750	-	-
12.	PZU Pomoc SA	4,886	-	18,232	-	-	8,919	-	3,020	-	13,597	39,471	52,247	-	-
13.	UAB PZU Lietuva Gyvybes Draudimas ¹⁾	29,309	-	1,162	471	(3,269)	1,282	46	2,332	-	142	182,377	57,860	-	-
14.	PZU Zdrowie	10,650	-	29,945	-	(14,227)	(8,873)	200,178	24,167	178	27,516	252,000	139,484	-	-
15.	PrJSC IC PZU Ukraine ¹⁾	7,430	-	1,482	143,807	(139,754)	76	-	59,019	-	57,064	181,218	180,549	-	-
16.	Ardea Alba	7,672	-	-	(61)	-	79	-	3	-	3	7,962	-	-	-
17.	PrJSC IC PZU Ukraine Life Insurance ¹⁾	7,153	-	453	18,823	(17,055)	3,086	44	4,750	-	921	84,132	42,037	-	-
18.	PZU Finance AB ¹⁾	219	-	-	-	1,672	1,108	3,509,068	47,586	3,558,262	304	3,560,059	-	-	-
19.	PZU Finanse Sp. z o.o.	50	-	-	4,000	(1,273)	(86)	-	131	-	383	3,000	2,011	-	-
20.	PZU LAB SA	260	-	1,440	-	(27)	(220)	-	-	-	71	1,558	36	-	-
21.	Omicron BIS SA	150	-	-	-	(19)	(11)	-	-	-	3	124	-	-	-
22.	Battersby Investments SA	100	-	-	-	-	(8)	-	-	-	1	96	-	-	-
23.	Sigma BIS SA	100	-	-	-	(14)	(12)	-	-	-	-	78	-	-	-
24.	Ipsilon sp. z o.o.	50	-	-	-	(29)	(7)	-	-	-	2	18	-	-	-
25.	Tulare Investments Sp. z o.o.	5	-	-	-	-	(5)	-	-	-	-	1	-	-	-
26.	PZU Corporate Member Limited ¹⁾	-	-	-	-	-	-	11,750	-	-	-	11,750	-	-	-
27.	Syta Development	831	-	9,908	(285)	(10,486)	(112)	-	151	-	-	8	-	-	-

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

¹⁾ IFRS figures

²⁾ For insurance companies, the "sales revenues" item presents gross written premium and other technical revenues; for Alior Bank and Bank Pekao SA, it shows interest income and fee and commission income.

Investments in subordinated entities (by currency)	31 December 2018	31 December 2017
a) Polish currency	15,122,259	15,693,266
b) foreign currencies (by currency and translated to PLN)	934,510	1,077,013
b1. UAH 000s	354,982	141,634
PLN 000s	48,171	17,506
b2. EUR 000s	202,494	251,201
PLN 000s	870,723	1,047,734
b3. GBP 000s	3,260	2,505
PLN 000s	15,616	11,773
Investments in subordinated entities, total	16,056,769	16,770,279

2.5 Other financial investments

Other financial investments	31 December 2018	31 December 2017
a) shares and other variable income securities	2,197	3,894
b) participation units and investment certificates in mutual funds	6,916,464	6,314,426
c) debt securities and other fixed income securities	11,814,717	11,204,100
d) participation in investments pools	-	-
e) mortgage-backed loans, including:	-	954,033
- additionally backed with policies	-	-
f) other loans, including:	1,490,152	559,885
- for insureds for whom a policy is the main collateral	-	-
- for insureds who do not hold policies as collateral	-	-
g) term deposits with credit institutions	869,488	185,761
h) other investments (by type)	73,934	190,977
- derivatives	73,934	190,977
Other financial investments, total	21,166,952	19,413,076

Movement in other financial investments (by type)	31 December 2018	31 December 2017
a) at the beginning of the period	19,413,076	21,424,713
Shares and other variable income securities, participation units and investment certificates in mutual funds	6,318,320	6,349,634
Debt securities and other fixed income securities	11,204,100	12,383,931
Other investments	1,890,656	2,691,148
b) additions (by virtue of)	136,374,396	258,846,646
- acquisition	135,832,869	258,387,397
- revaluation adjustments	541,527	459,249
- other	-	-
c) reductions (by virtue of)	134,620,520	260,858,283
- sale or buyout	134,474,488	260,689,075
- revaluation adjustments	146,032	169,208
- other	-	-
d) at the end of the period	21,166,952	19,413,076
Shares and other variable income securities, participation units and investment certificates in mutual funds	6,918,661	6,318,320
Debt securities and other fixed income securities	11,814,717	11,204,100
Other investments	2,433,574	1,890,656

Other financial investments	31 December 2018	31 December 2017
a) long-term	16,940,385	18,092,479
a) short-term	4,226,567	1,320,597
Other financial investments, total	21,166,952	19,413,076

Other financial investments (by currency)	31 December 2018	31 December 2017
a) in PLN	17,951,721	16,260,654
b) foreign currencies (by currency and translated to PLN)	3,215,231	3,152,422
b1. EUR 000s	425,152	330,178
PLN 000s	1,828,154	1,377,139
b2. USD 000s	353,353	456,110
PLN 000s	1,328,502	1,587,857
b3. HUF 000s	1,844,781	3,625,251
PLN 000s	24,709	48,756
b4. other currencies PLN 000s	33,866	138,670
Other financial investments, total	21,166,952	19,413,076

Other financial investments by portfolio classification	31 December 2018	31 December 2017
a) financial assets held for trading	5,765,469	6,230,840
b) loans granted and own receivables	2,486,976	1,827,024
c) financial assets held to maturity	4,901,605	5,036,892
d) financial assets available for sale	8,012,902	6,318,320
Other financial investments, total	21,166,952	19,413,076

Other financial investments in financial instruments	31 December 2018	31 December 2017
a) issued by the State Treasury or international organizations in which the Republic of Poland is a member	10,833,419	10,140,550
- long-term investments	9,626,884	10,073,096
- short-term investments	1,206,535	67,454
b) guaranteed by the State Treasury or international organizations in which the Republic of Poland is a member	763,143	603,833
c) issued by NBP	-	-
d) guaranteed by NBP	-	-
e) issued by a local government or an association of such local governments or the capital city of Warsaw	10,520	26,253
e) guaranteed by a local government or an association of such local governments or the capital city of Warsaw	-	-
g) other	9,559,870	8,642,440
Other financial investments in financial instruments, total	21,166,952	19,413,076

Securities (other financial investments)	31 December 2018	31 December 2017
a) admitted to trading on a regulated market	11,655,137	10,949,007
b) not admitted to trading on a regulated market	6,048,790	5,962,503
Total securities (other financial investments)	17,703,927	16,911,510

Shares and other variable income securities (carrying amount)	31 December 2018	31 December 2017
a) shares, of which:	2,197	3,894
- long-term investments	15	15
b) debt securities, of which:	-	-
- long-term investments	-	-
c) other (by type)	-	-
Total shares and other variable income securities	2,197	3,894

Movement in investments in shares and other variable income securities (by type)	31 December 2018	31 December 2017
a) at the beginning of the period	3,894	15
Shares and other variable income securities	3,894	15
b) additions (by virtue of)	-	6,303
- acquisition	-	6,303
- valuation adjustment	-	-
- other	-	-
c) reductions (by virtue of)	1,697	2,424
- disposal	-	-
- valuation adjustment	1,697	2,424
- other	-	-
d) at the end of the period	2,197	3,894
Shares and other variable income securities	2,197	3,894

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

Shares and other variable income financial instruments (long-term investments) – by transferability	31 December 2018	31 December 2017
A. With unlimited transferability, quoted on exchanges (carrying amount)	-	-
a) shares (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
covered bonds (carrying amount)	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
participation units in open-end mutual funds (carrying amount)	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
B. With unlimited transferability, quoted on OTC markets (carrying amount)	-	-
a) shares (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
C. With unlimited transferability, not quoted on a regulated market (carrying amount)	6,918,661	6,318,320
a) shares (carrying amount):	2,197	3,894
- revaluation adjustments (for the period)	(1,697)	3,879
- value at the beginning of the period	3,894	15
- value at purchase price	18,818	18,818
b) bonds (carrying amount):	-	-

Shares and other variable income financial instruments (long-term investments) – by transferability	31 December 2018	31 December 2017
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	6,916,464	6,314,426
participation units and investment certificates in mutual funds (carrying amount)	6,916,464	6,314,426
- revaluation adjustments (for the period)	602,038	(35,193)
- value at the beginning of the period	6,314,426	6,349,619
- value at purchase price	5,501,484	5,039,109
loans (carrying amount)	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
D. With limited transferability (carrying amount)	-	-
a) shares (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) bonds (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
c) other – by group (carrying amount):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
Total value at purchase price	5,520,302	5,057,927
Total value at the beginning of the period	6,318,320	6,349,634
Total revaluation adjustments (for the period)	600,341	(31,314)
Total carrying amount	6,918,661	6,318,320

In 2018 and in 2017 there were no shares and other variable income financial instruments that would also be short-term investments.

2.5.1. Other loans

Other loans	31 December 2018		31 December 2017	
	Carrying amount	Collateral type	Carrying amount	Collateral type
Buy-sell-back transactions	1,111,090	Debt securities	301,249	Debt securities
Non-mortgage asset-backed loans	379,062	Mainly pledges on shares, accounts receivable portfolios and on bank accounts, other loans or otherwise	258,636	Mainly pledges on shares, accounts receivable portfolios and on bank accounts, other loans or otherwise
Total other loans	1,490,152		559,885	

2.5.2. Debt securities issued by corporations and local government units

Debt securities by issuer	31 December 2018	31 December 2017
Domestic local governments	10,520	26,253
Foreign banks	53,197	60,384
Manufacturing	15,034	6,295
Companies from the WIG-Banks Index	127,336	152,526
Energy and fuel	115,040	130,535
Mining and quarrying (including companies included in the WIG-Mining index)	34,700	76,765
Other	21,353	6,958
Total	377,180	459,716

2.5.3. Debt securities issued by governments other than the government of the Republic of Poland

Country	31 December 2018	31 December 2017
Portugal	225,640	-
Ireland	225,076	-
Spain	215,421	-
Indonesia	67,055	156,384
Russia	64,033	45,890
Hungary	63,746	130,493
Romania	60,003	47,402
Croatia	59,371	26,373
Brazil	52,940	86,852
Turkey	50,131	143,115
Germany	44,530	449,248
Dominican Republic	38,602	29,694
Uruguay	37,753	-
Egypt	37,750	-
Oman	37,541	30,599
Philippines	36,960	40,650
Columbia	36,609	92,620
Argentina	35,639	49,439
Panama	32,471	30,587
Peru	31,595	62,721
South Africa	30,982	118,192
Kazakhstan	26,429	25,942
Sri Lanka	25,540	24,824
Serbia	25,480	9,533
Nigeria	20,754	5,867
Mexico	17,175	64,007
Jamaica	15,347	13,880
Costa Rica	12,082	11,070
Côte d'Ivoire	11,082	9,768
Kenya	10,775	5,021
Ghana	9,383	-
Mongolia	9,087	-
Lithuania	8,085	12,633
Belarus	7,877	-
Vietnam	7,806	-
Morocco	7,562	3,687
Jordan	7,285	7,388
Senegal	6,754	2,960
Paraguay	5,904	5,685

Trinidad and Tobago	5,670	5,099
Guatemala	5,228	3,019
Honduras	4,041	-
Namibia	3,768	-
Ethiopia	3,627	-
Bolivia	3,275	-
Azerbaijan	3,184	9,762
Armenia	2,422	-
Cameroon	1,937	-
Chile	1,758	11,126
United States	-	111,048
Slovenia	-	38,726
Uruguay	-	26,527
Slovakia	-	20,032
Pakistan	-	9,888
Zambia	-	8,071
Total	1,753,165	1,985,822

2.5.4. Term deposits with credit institutions

Term deposits with credit institutions (by maturity) – remaining time to maturity from the balance sheet date	31 December 2018	31 December 2017
a) up to 3 months	439,488	185,761
b) from 3 months to 1 year	430,000	-
c) from 1 to 5 years	-	-
d) over 5 years	-	-
Total term deposits with credit institutions	869,488	185,761

Term deposits with credit institutions (by currency)	31 December 2018	31 December 2017
a) in PLN	166,841	176,167
b) in foreign currencies with domestic banks (by currency and translated to PLN)	702,647	9,594
b1. EUR 000s	162,254	2,288
PLN 000s	697,691	9,542
b2. USD 000s	240	15
PLN 000s	904	52
b3. CZK 000s	-	-
PLN 000s	-	-
b4. other	4,052	-
c) in foreign currencies with foreign banks (by currency and translated to PLN)	-	-
Total term deposits with credit institutions	869,488	185,761

2.5.5. Derivatives

In 2018 and 2017, PZU did not apply hedge accounting and had no derivatives to hedge the value of technical provisions.

In its investing activities, PZU uses various types of derivatives to effectively manage the portfolio or mitigate risk. For the purposes of its investing activity, PZU sets investment limits and a catalog of permitted instruments in specified investment portfolios. For derivatives, this catalog includes: FRAs, futures for treasury bonds, short interest rate futures, stock index futures, share futures, interest rate swaps, standard commodity futures and standard derivatives.

The use of derivatives for effective portfolio management does not materially affect the PZU's risk profile and does not cause additional risk exposure, because derivatives and their underlying instruments are subject to aggregate investment limits. The Company does not conclude transactions on derivatives, for which the underlying instruments are not covered by the risk management system.

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

As at 31 December 2018, PZU held the following derivatives and achieved the following results on transactions with such instruments in 2018:

Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or equity and liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2018 in the currency 000s	Par value as at 31 December 2018 converted to PLN in PLN 000s	Quantity as at 31 December 2018	Position as at 31 December 2018 (short/long)	Assets – carrying amount in PLN 000s	Liabilities – carrying amount in PLN 000s	Gains/losses realized in 2018 in PLN 000s	Gains/losses not realized in 2018 in PLN 000s
FX risk	commercial	Forward	CZK	2019-01-23	Yes	None	None	87,000	14,555	1	n/a	-	47	-	(47)
FX risk	commercial	Forward	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(4,281)	-
FX risk	commercial	Forward	TRY	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	660	-
FX risk	commercial	Forward	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(50,015)	-
FX risk	commercial	Forward	ZAR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	409	-
Interest rate risk	commercial	Interest rate forward	EUR	2019-03-07	Yes	None	None	689	2,963	1	Short	215	401	(230)	(186)
Interest rate risk	commercial	Interest rate forward	EUR	2020-12-14	Yes	None	None	20,950	90,083	1	Short	-	266	13	(266)
Interest rate risk	commercial	Interest rate forward	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(12,329)	-
Interest rate risk	commercial	Interest rate forward	USD	2019-12-18	Yes	None	None	27,385	102,960	1	Short	3,807	1,499	1,503	2,126
Interest rate risk	commercial	Interest rate forward	USD	2019-03-20	Yes	None	None	1,080	4,059	1	Long	336	114	503	223
Interest rate risk	commercial	Interest rate forward	USD	2019-03-29	Yes	None	None	4,183	15,728	1	Short	-	226	-	(226)
Interest rate risk	commercial	Interest rate forward	USD	2018-12-31	Yes	None	None	-	-	1	n/a	-	-	20	-
Interest rate risk	commercial	Interest rate forward	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(2,090)	-
Interest rate risk	commercial	Option	USD	2019-03-15	Yes	None	None	-	-	1	n/a	926	-	(282)	396
Interest rate risk	commercial	Option	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(366)	-
Interest rate risk	commercial	IRS	BRL	2019-01-02	Yes	None	None	-	-	1	n/a	-	-	(672)	-
Interest rate risk	commercial	IRS	BRL	2020-01-02	Yes	None	None	591,629	573,111	1	n/a	6,316	10,409	-	(4,093)
Interest rate risk	commercial	IRS	BRL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(878)	-
Interest rate risk	commercial	IRS	EUR	2021-05-26	Yes	None	None	1,000	4,300	1	n/a	-	18	(19)	(18)
Interest rate risk	commercial	IRS	HUF	2019-11-24	Yes	None	None	-	-	1	n/a	-	-	425	-
Interest rate risk	commercial	IRS	HUF	2020-04-30	Yes	None	None	2,000,000	26,788	1	n/a	3,131	-	(3,212)	3,131
Interest rate risk	commercial	IRS	HUF	2020-05-11	Yes	None	None	2,000,000	26,788	1	n/a	-	3,304	3,393	(3,304)
Interest rate risk	commercial	IRS	HUF	2022-11-24	Yes	None	None	-	-	1	n/a	-	-	(4,091)	-
Interest rate risk	commercial	IRS	HUF	2023-12-19	Yes	None	None	7,050,000	94,428	1	n/a	306	-	1,735	306
Interest rate risk	commercial	IRS	HUF	2024-02-24	Yes	None	None	6,826,000	91,427	1	n/a	2,214	11,792	12,929	(9,579)
Interest rate risk	commercial	IRS	HUF	2024-04-08	Yes	None	None	7,000,000	93,758	1	n/a	19,059	-	(21,455)	19,059
Interest rate risk	commercial	IRS	HUF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(3,036)	-
Interest rate risk	commercial	IRS	ILS	2021-11-23	Yes	None	None	121,000	121,097	1	n/a	160	-	-	160
Interest rate risk	commercial	IRS	ILS	2021-11-22	Yes	None	None	-	-	1	n/a	-	-	(146)	-
Interest rate risk	commercial	IRS	MXN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	1,434	-
Interest rate risk	commercial	IRS	PLN	2023-06-20	Yes	None	None	130,000	130,000	1	n/a	-	14,242	10,340	(14,242)
Interest rate risk	commercial	IRS	PLN	2023-09-09	Yes	None	None	130,000	130,000	1	n/a	18,351	-	-	4,174

Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or equity and liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2018 in the currency 000s	Par value as at 31 December 2018 converted to PLN in PLN 000s	Quantity as at 31 December 2018	Position as at 31 December 2018 (short/long)	Assets – carrying amount in PLN 000s	Liabilities – carrying amount in PLN 000s	Gains/losses realized in 2018 in PLN 000s	Gains/losses not realized in 2018 in PLN 000s
Interest rate risk	commercial	IRS	PLN	2023-11-20	Yes	None	None	22,100	22,100	1	n/a	-	424	-	(424)
Interest rate risk	commercial	IRS	PLN	2023-11-26	Yes	None	None	18,000	18,000	1	n/a	-	285	-	(285)
Interest rate risk	commercial	IRS	PLN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	46	-
Interest rate risk	commercial	IRS	USD	2023-01-08	Yes	None	None	44,500	167,307	1	n/a	-	5,502	6,793	(5,502)
Interest rate risk	commercial	IRS	USD	2023-01-30	Yes	None	None	25,000	93,993	1	n/a	-	3,224	3,950	(3,224)
Interest rate risk	commercial	IRS	USD	2023-03-12	Yes	None	None	69,500	261,299	1	n/a	10,562	-	(12,572)	10,562
Interest rate risk	commercial	IRS	USD	2023-05-14	Yes	None	None	111,000	417,327	1	n/a	-	12,414	15,662	(12,414)
Interest rate risk	commercial	IRS	USD	2023-05-21	Yes	None	None	114,000	428,606	1	n/a	-	3,373	(1,466)	(3,373)
Interest rate risk	commercial	IRS	ZAR	2022-09-20	Yes	None	None	637,500	166,643	1	n/a	2,363	-	(4,623)	2,363
Interest rate risk	commercial	IRS	ZAR	2022-10-01	Yes	None	None	637,500	166,643	1	n/a	-	3,027	5,172	(3,027)
Interest rate risk	commercial	IRS	ZAR	2025-08-25	Yes	None	None	1,150,000	300,610	1	n/a	3,668	-	-	(2,624)
Interest rate risk	commercial	IRS	ZAR	2025-09-11	Yes	None	None	1,150,000	300,610	1	n/a	-	7,003	-	2,495
Interest rate risk	commercial	IRS	ZAR	2019-01-07	Yes	None	None	40,900	10,691	1	n/a	230	-	-	230
Interest rate risk	commercial	IRS	ZAR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	1,232	-
FX risk	commercial	FX Swap	EUR	2019-02-27	Yes	None	None	6,000	25,800	1	n/a	70	-	(28)	70
FX risk	commercial	FX Swap	EUR	2019-02-21	Yes	None	None	911	3,918	1	n/a	-	27	1	(27)
FX risk	commercial	FX Swap	EUR	2019-02-28	Yes	None	None	4,018	17,277	1	n/a	-	159	(18)	(159)
FX risk	commercial	FX Swap	EUR	2019-01-10	Yes	None	None	10,000	43,000	1	n/a	-	1,500	97	(1,500)
FX risk	commercial	FX Swap	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(8,479)	-
FX risk	commercial	FX Swap	HUF	2019-01-29	Yes	None	None	419,040	5,613	1	n/a	-	57	4	(57)
FX risk	commercial	FX Swap	HUF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	580	-
FX risk	commercial	FX Swap	PLN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(34)	-
FX risk	commercial	FX Swap	RON	2019-01-04	Yes	None	None	13,919	12,846	1	n/a	-	54	1	(54)
FX risk	commercial	FX Swap	RON	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(172)	-
FX risk	commercial	FX Swap	TRY	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	1,447	-
FX risk	commercial	FX Swap	USD	2019-02-19	Yes	None	None	2,900	10,903	1	n/a	96	-	(36)	96
FX risk	commercial	FX Swap	USD	2019-03-04	Yes	None	None	63,000	236,861	1	n/a	840	102	(867)	738
FX risk	commercial	FX Swap	USD	2019-06-10	Yes	None	None	256,450	964,175	1	n/a	882	340	932	542
FX risk	commercial	FX Swap	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	(55,579)	-
FX risk	commercial	FX Swap	ZAR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	759	-
FX risk	commercial	FX Swap	JPY	2019-01-10	Yes	None	None	292,375	9,977	1	n/a	-	175	(16)	(175)
FX risk	commercial	FX Swap	JPY	2019-01-09	Yes	None	None	621,136	21,196	1	n/a	402	-	(102)	402
FX risk	commercial	FX Swap	JPY	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	1,977	-
TOTAL												73,934	79,984	(115,077)	(17,733)

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

Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or equity and liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2017 in the currency 000s	Par value as at 31 December 2017 translated to PLN in PLN 000s	Quantity as at 31 December 2017	Position as at 31 December 2017 (short/long)	Assets – carrying amount in PLN 000s	Liabilities – carrying amount in PLN 000s	Gains/losses realized in 2017 in PLN 000s	Gains/losses not realized in 2017 in PLN 000s
FX risk	commercial	Forward	USD	2018-03-28	Yes	None	None	9,700	33,769	1	n/a	1,909	-	-	1,909
FX risk	commercial	Forward	USD	2018-12-10	Yes	None	None	84,214	293,175	1	n/a	7,546	-	-	7,546
FX risk	commercial	Forward	USD	2018-12-10	Yes	None	None	84,214	293,175	1	n/a	7,546	-	-	7,546
Interest rate risk	commercial	Interest rate forward	EUR	2018-03-20	Yes	None	None	154,887	646,020	1,056	Short	7,528	-	947	7,528
Interest rate risk	commercial	Interest rate forward	EUR	2018-03-20	Yes	None	None	22,649	94,468	163	Short	1,912	-	(451)	1,912
Interest rate risk	commercial	Interest rate forward	EUR	2018-03-20	Yes	None	None	44,785	186,794	267	Short	4,315	-	-	4,315
Interest rate risk	commercial	Interest rate forward	EUR	2018-03-08	Yes	None	None	n/a	n/a	n/a	n/a	-	-	194	-
Interest rate risk	commercial	Interest rate forward	USD	2018-12-18	Yes	None	None	86,450	300,958	350	Short	2,879	-	-	(47)
Interest rate risk	commercial	Interest rate forward	USD	2019-12-18	Yes	None	None	90,503	315,067	370	Short	550	-	-	550
Interest rate risk	commercial	Interest rate forward	USD	2018-03-20	Yes	None	None	20,824	72,495	125	Short	-	462	-	(462)
Interest rate risk	commercial	Interest rate forward	USD	2018-03-20	Yes	None	None	31,502	109,669	253	Short	1,060	647	823	412
Interest rate risk	commercial	Interest rate forward	USD	2018-03-20	Yes	None	None	3,910	13,613	85	Long	391	-	-	391
Interest rate risk	commercial	Interest rate forward	USD	2018-03-20	Yes	None	None	n/a	n/a	n/a	n/a	-	-	418	-
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	114,026	119,842	1	n/a	-	1,952	-	2,079
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	114,650	120,497	1	n/a	6,865	-	-	(2,571)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	84,996	89,331	1	n/a	-	108	-	2,045
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	81,213	85,355	1	n/a	-	1,415	-	2,079
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	179,632	188,793	1	n/a	-	5,514	-	(3,678)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	266,953	280,567	1	n/a	2,041	-	-	5,319
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	256,666	269,756	1	n/a	-	10,988	-	(4,218)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	949,795	998,235	1	n/a	-	19,450	-	(14,852)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	497,704	523,087	1	n/a	-	8,995	-	(7,433)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	170,303	178,989	1	n/a	-	3,034	-	(2,548)
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	464,692	488,391	1	n/a	2,378	-	-	2,378
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	609,232	640,303	1	n/a	2,172	-	-	2,172
Interest rate risk	commercial	IRS	BRL	2019-01-02	Yes	None	None	292,207	307,109	1	n/a	-	17,570	-	(16,616)
Interest rate risk	commercial	IRS	BRL	2020-01-02	Yes	None	None	182,371	191,672	1	n/a	16,067	-	-	15,427
Interest rate risk	commercial	IRS	BRL	2020-01-02	Yes	None	None	192,860	202,696	1	n/a	16,299	-	-	16,300
Interest rate risk	commercial	IRS	BRL	2020-01-02	Yes	None	None	84,562	88,875	1	n/a	7,153	-	-	7,143
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	n/a	n/a	n/a	n/a	-	-	5,494	-

Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or equity and liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2017 in the currency 000s	Par value as at 31 December 2017 translated to PLN in PLN 000s	Quantity as at 31 December 2017	Position as at 31 December 2017 (short/long)	Assets – carrying amount in PLN 000s	Liabilities – carrying amount in PLN 000s	Gains/losses realized in 2017 in PLN 000s	Gains/losses not realized in 2017 in PLN 000s
Interest rate risk	commercial	IRS	BRL	2018-01-02	Yes	None	None	n/a	n/a	n/a	n/a	-	-	2,226	-
Interest rate risk	commercial	IRS	EUR	2021-05-26	Yes	None	None	1,000	4,171	1	n/a	6	-	(2)	6
Interest rate risk	commercial	IRS	HUF	2024-04-08	Yes	None	None	3,500,000	47,072	1	n/a	12,889	-	(10,368)	12,890
Interest rate risk	commercial	IRS	HUF	2024-04-08	Yes	None	None	3,500,000	47,072	1	n/a	13,085	-	(10,568)	13,086
Interest rate risk	commercial	IRS	HUF	2020-05-11	Yes	None	None	1,000,000	13,449	1	n/a	-	2,584	2,522	(2,584)
Interest rate risk	commercial	IRS	HUF	2020-05-11	Yes	None	None	1,000,000	13,449	1	n/a	-	2,580	2,518	(2,580)
Interest rate risk	commercial	IRS	HUF	2023-12-19	Yes	None	None	7,050,000	94,815	1	n/a	-	2,988	(2,160)	(2,988)
Interest rate risk	commercial	IRS	HUF	2024-02-24	Yes	None	None	3,500,000	47,072	1	n/a	-	15,540	13,359	(15,540)
Interest rate risk	commercial	IRS	HUF	2024-02-24	Yes	None	None	3,326,000	44,731	1	n/a	357	-	-	357
Interest rate risk	commercial	IRS	HUF	2019-11-24	Yes	None	None	41,000,000	551,409	1	n/a	153	-	-	153
Interest rate risk	commercial	IRS	HUF	2022-11-24	Yes	None	None	41,000,000	551,409	1	n/a	264	-	-	264
Interest rate risk	commercial	IRS	HUF	2020-04-30	Yes	None	None	2,000,000	26,898	1	n/a	4,884	-	(4,748)	4,884
Interest rate risk	commercial	IRS	HUF	2024-02-24	Yes	None	None	n/a	n/a	n/a	n/a	-	-	2,091	-
Interest rate risk	commercial	IRS	ILS	2018-08-14	Yes	None	None	n/a	n/a	n/a	n/a	-	-	527	-
Interest rate risk	commercial	IRS	MXN	2018-08-08	Yes	None	None	1,195,000	211,276	1	n/a	-	3,244	2,758	(3,244)
Interest rate risk	commercial	IRS	MXN	2018-08-09	Yes	None	None	2,350,000	415,480	1	n/a	-	6,524	5,423	(6,524)
Interest rate risk	commercial	IRS	MXN	2026-07-30	Yes	None	None	570,000	100,776	1	n/a	11,917	-	(12,940)	11,917
Interest rate risk	commercial	IRS	PLN	2023-09-09	Yes	None	None	130,000	130,000	1	n/a	14,177	-	-	1,041
Interest rate risk	commercial	IRS	PLN	2018-07-12	Yes	None	None	112,500	112,500	1	n/a	2,982	-	(2,827)	2,982
Interest rate risk	commercial	IRS	PLN	2023-06-20	Yes	None	None	130,000	130,000	1	n/a	-	9,180	-	(907)
Interest rate risk	commercial	IRS	PLN	2018-07-31	Yes	None	None	125,000	125,000	1	n/a	-	3,032	2,850	(3,032)
Interest rate risk	commercial	IRS	USD	2023-01-08	Yes	None	None	44,500	154,918	1	n/a	-	6,776	-	1,809
Interest rate risk	commercial	IRS	USD	2023-03-12	Yes	None	None	69,500	241,950	1	n/a	12,446	-	-	(2,841)
Interest rate risk	commercial	IRS	USD	2023-05-14	Yes	None	None	111,000	386,424	1	n/a	-	17,462	-	1,509
Interest rate risk	commercial	IRS	USD	2023-05-21	Yes	None	None	114,000	396,868	1	n/a	1,409	-	-	1,409
Interest rate risk	commercial	IRS	USD	2023-01-30	Yes	None	None	25,000	87,033	1	n/a	-	3,913	-	1,009
Interest rate risk	commercial	IRS	ZAR	2022-10-01	Yes	None	None	637,500	180,540	1	n/a	-	6,930	-	(7,089)
FX risk	commercial	IRS	ZAR	2025-09-11	Yes	None	None	575,000	162,840	1	n/a	-	6,865	-	(5,152)
FX risk	commercial	IRS	ZAR	2025-09-11	Yes	None	None	575,000	162,840	1	n/a	-	2,633	-	(2,633)
FX risk	commercial	IRS	ZAR	2022-09-20	Yes	None	None	637,500	180,540	1	n/a	6,139	-	914	6,139
FX risk	commercial	IRS	ZAR	2025-08-25	Yes	None	None	1,150,000	325,680	1	n/a	6,292	-	-	6,292
FX risk	commercial	FX Swap	EUR	2018-02-15	Yes	None	None	1,789	7,463	1	n/a	64	-	(37)	64
FX risk	commercial	FX Swap	EUR	2018-01-25	Yes	None	None	3,672	15,316	1	n/a	73	-	4	73
FX risk	commercial	FX Swap	EUR	2018-01-18	Yes	None	None	4,237	17,673	1	n/a	189	-	53	189
FX risk	commercial	FX Swap	EUR	2018-01-18	Yes	None	None	76,271	318,119	1	n/a	3,395	-	950	3,395
FX risk	commercial	FX Swap	RON	2018-01-31	Yes	None	None	10,030	8,980	1	n/a	83	-	(2)	83
FX risk	commercial	FX Swap	USD	2018-01-31	Yes	None	None	15,000	52,220	1	n/a	1,576	-	(31)	1,576
FX risk	commercial	FX Swap	USD	2018-08-31	Yes	None	None	20,000	69,626	1	n/a	2,101	-	(41)	2,101
FX risk	commercial	FX Swap	USD	2018-03-01	Yes	None	None	110,000	382,943	1	n/a	7,388	-	408	7,388
FX risk	commercial	FX Swap	ZAR	2018-01-18	Yes	None	None	58,400	16,539	1	n/a	-	1,244	(62)	(1,244)
FX risk	commercial	FX Swap	ZAR	2018-01-18	Yes	None	None	27,390	7,757	1	n/a	497	-	98	497
FX risk	commercial	FX Swap	ZAR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(229)	-

Risk hedged	Purpose of purchase/issue	Scope and nature of instrument	Currency	Date of pricing, maturity, expiry or realization	Early settlement option – period or day, if any	Option to replace with or exchange for other asset or equity and liability	Additional collateral accepted or provided for the instrument	Par value as at 31 December 2017 in the currency 000s	Par value as at 31 December 2017 translated to PLN in PLN 000s	Quantity as at 31 December 2017	Position as at 31 December 2017 (short/long)	Assets – carrying amount in PLN 000s	Liabilities – carrying amount in PLN 000s	Gains/losses realized in 2017 in PLN 000s	Gains/losses not realized in 2017 in PLN 000s
FX risk	commercial	Forward	CZK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(973)	-
FX risk	commercial	Forward	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21,014	-
FX risk	commercial	Forward	GBP	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(2,331)	-
FX risk	commercial	Forward	TRY	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(2,809)	-
FX risk	commercial	Forward	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	11,012	-
Interest rate risk	commercial	Interest rate forward	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(67,825)	-
Interest rate risk	commercial	Interest rate forward	GBP	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,163	-
Interest rate risk	commercial	Interest rate forward	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(9,701)	-
Interest rate risk	commercial	Option	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(78)	-
Interest rate risk	commercial	Option	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(5,381)	-
Interest rate risk	commercial	IRS	BRL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,092	-
Interest rate risk	commercial	IRS	CZK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(70)	-
Interest rate risk	commercial	IRS	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(539)	-
Interest rate risk	commercial	IRS	MXN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(763)	-
Interest rate risk	commercial	IRS	ILS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,277	-
Interest rate risk	commercial	IRS	PLN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(540)	-
Interest rate risk	commercial	IRS	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	944	-
FX risk	commercial	IRS	ZAR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,148	-
FX risk	commercial	FX Swap	CZK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(762)	-
FX risk	commercial	FX Swap	EUR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(4,776)	-
FX risk	commercial	FX Swap	GBP	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(1,476)	-
FX risk	commercial	FX Swap	HUF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	275	-
FX risk	commercial	FX Swap	RON	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(246)	-
FX risk	commercial	FX Swap	RUB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(1,543)	-
FX risk	commercial	FX Swap	TRY	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,544	-
FX risk	commercial	FX Swap	USD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	34,813	-
TOTAL												190,977	161,630	(19,420)	59,381

2.6 Risk exposure of investments

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

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

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

Based on the Company's internal regulations, the Supervisory Board, Management Board and the Committees supervise the process of implementing the key risk management policy objective, which is to increase the effectiveness of the task performance and goal achievement by applying appropriate control mechanisms and obtaining the information about the risks to the achievement of the goals and performance of the tasks set. The risk appetite and the accompanying system of limits incorporate all material factors related to investment risk. The key investment risk management tools used by the Company include, among others:

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

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

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

2.6.1. Interest rate risk

Interest rate risk is defined as the possibility of a loss incurred as a result of a change in the value of financial instruments or assets and a change in the present value of the forecast liability flows as a consequence of changes in the interest rate term structure or fluctuations in the volatility of risk-free market interest rates. The table below presents financial instruments exposed to interest rate risk.

Interest rate risk	31 December 2018 (PLN million)	31 December 2018 (% of investments)	31 December 2017 (PLN million)	31 December 2017 (% of investments)
Financial instruments in the held-for-trading portfolio and the available-for-sale portfolio	10,136.7	27.36%	9,349.8	25.8%
Financial instruments in the held-to-maturity portfolio	4,901.6	13.2%	5,036.9	13.9%
Debt securities in the loans portfolio	219.5	0.6%	462.9	1.3%
Debt and cash mutual funds	10.1	0.03%	20.4	0.1%

For the above financial instruments measured at fair value, a decline in value caused by a 100 bps increase in interest rates is PLN 176 million (PLN 263 million as at 31 December 2017). An increase in value caused by a 100 bps decrease in interest rates is PLN 189 million (PLN 292 million as at 31 December 2017).

2.6.2. Equity risk

Equity risk is defined as a possibility of a loss incurred as a result of a change in the value of assets, liabilities and financial instruments as a consequence of changes in market share prices or fluctuations in the volatility of market share prices.

Equity risk	31 December 2018 (PLN million)	31 December 2018 (% of investments)	31 December 2017 (PLN million)	31 December 2017 (% of investments)
Financial instruments exposed to equity risk, including	16,867.1	45.5%	17,065.9	47.1%
- unquoted shares	7,967.4	21.4%	7,612.3	21.0%
- quoted shares	9,055.6	24.3%	9,367.5	25.9%
- other investments	-	-	-	-
- equity funds	25.1	0.1%	86.1	0.2%

2.6.3. Property price risk

Property price risk is defined as a possibility of a loss incurred as a result of a change in the value of assets, liabilities and financial instruments as a consequence of changes in market property prices or fluctuations in the volatility of market property prices.

Property price risk	31 December 2018 (PLN million)	31 December 2018 (% of investments)	31 December 2017 (PLN million)	31 December 2017 (% of investments)
Value of investments exposed to property price risk, including:	347.0	0.9%	369.7	1.0%
- real property	347.0	0.9%	369.7	1.0%

2.6.4. Credit risk

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

The tables below present the value of credit risk assets, broken down by rating grades, as at 31 December 2018 and 31 December 2017. The following assumptions have been made:

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

Credit risk assets as at 31 December 2018 (PLN million)	AAA	AA	A	BBB	BB	below BB or unrated	Total
Debt securities	45	-	10,651	1,458	747	2,355	15,256
- held to maturity	-	-	4,867	-	-	34	4,901
- available for sale	-	-	132	450	303	209	1,094
- measured at fair value	45	-	5,652	881	444	2,020	9,042
- loans	-	-	-	127	-	92	219
Bank deposits and repo transactions on treasury securities	-	-	57	2,410	-	201	2,668
Mortgage loans	-	-	-	-	-	1,163	1,163
Other loans	-	-	-	-	-	743	743
Derivatives	-	32	37	6	-	6	81
Reinsurers' share in net claims provisions	-	-	-	-	-	-	-
Deposits with ceding enterprises	-	-	-	-	-	-	-
Reinsurance receivables	-	-	-	-	-	-	-
Total credit risk assets	45	32	10,745	3,874	747	4,468	19,911

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

As at 31 December 2018, PZU's maximum potential credit loss was PLN 1,493.3 million (PLN 1,468.9 million as at 31 December 2017). The amount was calculated based on the average accumulated probability ratios regarding insolvency within a 10-year horizon for a given rating grade, published by Standard&Poor's and presented in the table below:

Credit risk assets	AAA	AA	A	BBB	BB	below BB or unrated
Calculation ratios as at 31 December 2018 (%)	0.71	0.76	1.34	3.58	12.77	24.95
Calculation ratios as at 31 December 2017 (%)	0.72	0.77	1.41	3.76	13.33	25.43

2.6.5. Concentration risk

Concentration risk	31 December 2018 (PLN million)	31 December 2018 (% of investments)	31 December 2017 (PLN million)	31 December 2017 (% of investments)
Treasury securities issued by the Treasury of the Republic of Poland and repo transactions on such securities	11,800.8	31.9%	9,276.9	25.6%

2.6.6. Foreign exchange risk

Foreign exchange risk is defined as a possibility of a loss incurred as a result of a change in the value of assets, liabilities and financial instruments as a consequence of changes in exchange rates or fluctuations in the volatility of exchange rates.

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

Foreign exchange risk	31 December 2018 (PLN million)	31 December 2017 (PLN million)
Value of assets denominated in foreign currencies	5,953.1	5,326.8
Amount of net technical provisions denominated in foreign currencies	960.1	743.4
Liabilities for borrowings from PZU Finance AB (publ.) funded by receipts under debt securities issued by PZU Finance AB (publ.)	3,677.1	3,558.3
Currency mismatch	1,315.7	1,025.1

3. Receivables

Geographic structure of receivables	31 December 2018				31 December 2017			
	Domestic	Foreign – EU countries	Foreign – other countries	Total	Domestic	Foreign – EU countries	Foreign – other countries	Total
I. Receivables on direct insurance	1,730,837	17,789	26,668	1,775,294	1,791,798	15,088	15,116	1,822,002
1. Receivables from policyholders	1,612,469	16,394	26,668	1,655,531	1,651,176	13,402	15,115	1,679,693
2. Receivables from intermediaries	99,230	48	-	99,278	119,805	5	-	119,810
3. Other receivables	19,138	1,347	-	20,485	20,817	1,681	1	22,499
II. Reinsurance receivables	207,035	45,125	12,010	264,170	129,507	15,551	7,908	152,966
III. Other receivables	183,325	119,629	828	303,782	164,483	113,901	61,889	340,273
1. Receivables from the state budget	3,274	-	-	3,274	29,518	-	-	29,518
2. Other receivables	180,051	119,629	828	300,508	134,965	113,901	61,889	310,755
Total receivables	2,121,197	182,543	39,506	2,343,246	2,085,788	144,540	84,913	2,315,241

3.1 Receivables on direct insurance

Receivables on direct insurance	31 December 2018	31 December 2017
a) receivables from policyholders, including:	1,655,531	1,679,693
- from subordinated entities	1,762	11,289
- domestic	1,762	11,289
- foreign	-	-
- from other entities	1,653,769	1,668,404
- domestic	1,610,707	1,639,887
- foreign	43,062	28,517
b) receivables from insurance intermediaries, including:	99,278	119,810
- from subordinated entities	15	8
- domestic	15	8
- foreign	-	-
- from other entities	99,263	119,802
- domestic	99,215	119,797
- foreign	48	5
c) other receivables, including:	20,485	22,499
- from subordinated entities	-	-
- domestic	-	-
- foreign	-	-
- from other entities	20,485	22,499
- domestic	19,138	20,817
- foreign	1,347	1,682
Receivables on direct insurance (net), total	1,775,294	1,822,002
d) impairment losses	620,660	544,759
Receivables on direct insurance (gross), total	2,395,954	2,366,761

Receivables on direct insurance, by remaining time to maturity from the balance sheet date	31 December 2018	31 December 2017
a) up to 3 months ¹⁾	1,176,692	1,229,581
b) from 3 months to 1 year	551,189	549,799
c) from 1 to 5 years	47,376	42,603
d) over 5 years	37	19
Receivables on direct insurance, total	1,775,294	1,822,002

¹⁾ As at 31 December 2018, the net amount of overdue receivables on direct insurance was PLN 476,929 thousand (PLN 430,793 thousand on 31 December 2017).

Receivables on direct insurance (net)	31 December 2018	31 December 2017
a) from subsidiaries	1,777	11,297
b) from co-subsidiaries	-	-
c) from associates	-	-
d) from a major investor	-	-
e) from a shareholder in a co-subsidiary	-	-
f) from the parent company	-	-
g) other	1,773,517	1,810,705
Receivables on direct insurance, total	1,775,294	1,822,002

Receivables on direct insurance (by currency)	31 December 2018	31 December 2017
a) in PLN	1,767,090	1,808,451
b) foreign currencies (by currency and translated to PLN)	8,204	13,551
b1. EUR 000s	1,500	2,698
PLN 000s	6,448	11,255
b2. USD 000s	461	658
PLN 000s	1,734	2,290
b3. other	22	6
Receivables on direct insurance, total	1,775,294	1,822,002

Balance of co-insurance settlements	31 December 2018	31 December 2017
Balance of co-insurance settlements	70,404	69,991

3.2 Reinsurance receivables

Reinsurance receivables	31 December 2018	31 December 2017
a) current receivables in inward reinsurance, including:	181,235	109,349
- from domestic cedents	173,366	104,265
- from international cedents	7,869	5,084
b) current receivables in outward reinsurance, including	50,301	28,538
- from domestic reinsurers	5,460	10,567
- from international reinsurers	44,841	17,971
c) current receivables from retrocessionaires, including:	32,634	15,079
- domestic	28,209	14,675
- foreign	4,425	404
d) receivables by virtue of the reinsurance commission spread over time	-	-
e) receivables for reinsurers' share in paid claims	-	-
Reinsurance receivables (net), total	264,170	152,966
f) impairment losses	5,450	6,994
Reinsurance receivables (gross), total	269,620	159,960

Reinsurance receivables	31 December 2018	31 December 2017
a) from subsidiaries	176,656	104,137
b) from co-subsiaries	-	-
c) from associates	-	-
d) from a major investor	-	-
e) from a shareholder in a co-subsiary	-	-
f) from the parent company	-	-
g) other	87,514	48,829
Reinsurance receivables, total	264,170	152,966

Reinsurance receivables	31 December 2018	31 December 2017
a) current receivables in inward reinsurance, including:	181,235	109,349
- from cedents who are subsidiaries	176,656	104,137
- from cedents who are co-subsiaries	-	-
- from cedents who are associates	-	-
- from a cedent who is a major investor	-	-
- from a cedent who is a shareholder in co-subsiary	-	-
- from a cedent who is the parent company	-	-
b) current receivables in outward reinsurance, including	50,301	28,538
- from reinsurers who are subsidiaries	-	-
- from cedents who are co-subsiaries	-	-
- from reinsurers who are associates	-	-
- from a reinsurer who is a major investor	-	-
- from a reinsurer who is a shareholder in co-subsiary	-	-
- from a reinsurer who is the parent company	-	-
c) current receivables from retrocessionaires, including:	32,634	15,079
- from subsidiaries	-	-
- from cedents who are co-subsiaries	-	-
- from associates	-	-
- from a major investor	-	-
- from a shareholder in co-subsiary	-	-
- from the parent company	-	-
d) other	-	-
Reinsurance receivables, total	264,170	152,966

Reinsurance receivables (net), by remaining time to maturity from the balance sheet date	31 December 2018	31 December 2017
a) up to 3 months	129,317	86,229
b) from 3 months to 1 year	124,562	63,603
c) from 1 to 5 years	10,291	3,134
d) over 5 years	-	-
Reinsurance receivables (net), total	264,170	152,966

Reinsurance receivables (by currency)	31 December 2018	31 December 2017
a) in PLN	252,038	144,245
b) foreign currencies (by currency and translated to PLN)	12,132	8,721
b1. EUR 000s	17	253
PLN 000s	75	1,054
b2. USD 000s	1,895	1,098
PLN 000s	7,123	3,821
b3. UAH 000s	33,331	25,825
PLN 000s	4,523	3,192
b4. other currencies	411	654
Reinsurance receivables, total	264,170	152,966

3.3 Other receivables

Other receivables	31 December 2018	31 December 2017
a) receivables from the state budget	3,274	29,518
b) settlements for guarantees and letters of credit	-	-
c) other receivables, including:	300,508	310,755
receivables from unsettled investment transactions and security deposits	141,349	166,008
settlements of the Company Social Benefit Fund	54,275	52,268
receivables from direct claims handling on behalf of other insurance undertakings	34,361	36,081
settlements of prevention activities	12,585	18,563
receivables for acting as an emergency adjuster	14,114	12,735
receivables on account of settlements within the Tax Group	30,853	10,893
bailiff seizures	4,400	5,917
security deposits withheld	2,127	2,686
receivables due to shortages and damages	2,821	2,120
prepayments for suppliers	868	1,372
Other receivables (net), total	303,782	340,273
d) impairment losses	16,933	10,989
Other receivables (gross), total	320,715	351,262

Other receivables	31 December 2018	31 December 2017
a) from subsidiaries	46,943	18,910
b) from co-subsidiaries	-	-
c) from associates	-	-
d) from a major investor	-	-
e) from a shareholder in a co-subsidiary	-	-
f) from the parent company	-	-
g) other	256,839	321,363
Other receivables, total	303,782	340,273

Other receivables, by remaining time to maturity from the balance sheet date	31 December 2018	31 December 2017
a) up to 3 months	244,396	283,518
b) from 3 months to 1 year	2,073	1,193
c) from 1 to 5 years	23,408	22,538
d) over 5 years	33,905	33,024
Other receivables, total	303,782	340,273

Other receivables (by currency)	31 December 2018	31 December 2017
a) in PLN	161,414	176,960
b) foreign currencies (by currency and translated to PLN)	142,368	163,313
b1. EUR 000s	17,539	24,177
PLN 000s	75,418	100,841
b2. USD 000s	17,795	16,998
PLN 000s	66,902	59,176
B3. HUF 000s	-	214,588
PLN 000s	-	2,886
B4. GBP 000s	10	87
PLN 000s	48	410
b5. other currencies	-	-
Other receivables, total	303,782	340,273

3.4 Other information on receivables

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

Movement in impairment losses on receivables, by type of receivable	31 December 2018	31 December 2017
a) at the beginning of the period (by type of receivable)	562,742	542,577
impairment losses on receivables on direct insurance	544,759	524,532
impairment losses on reinsurance receivables	6,994	7,968
impairment losses on other receivables	10,989	10,077
b) additions (by virtue of)	145,958	113,900
impairment losses on receivables on direct insurance	139,113	111,664
impairment losses on reinsurance receivables	785	1,309
impairment losses on other receivables	6,060	927
b) reductions (by virtue of)	65,657	93,735
- utilized impairment losses	1,445	13,608
impairment losses on receivables on direct insurance	1,445	13,608
impairment losses on reinsurance receivables	-	-
impairment losses on other receivables	-	-
- reversal of impairment losses due to repayment and other	64,212	80,127
impairment losses on receivables on direct insurance	61,767	77,829
impairment losses on reinsurance receivables	2,329	2,283
impairment losses on other receivables	116	15
d) at the end of the period (by type of receivable)	643,043	562,742
impairment losses on receivables on direct insurance	620,660	544,759
impairment losses on reinsurance receivables	5,450	6,994
impairment losses on other receivables	16,933	10,989

3.4.2. Information on past due receivables (by type)

Past due receivables (by type)	31 December 2018	31 December 2017
a) up to 3 months	295,751	286,646
- receivables on direct insurance	262,451	269,764
- reinsurance receivables	27,706	14,447
- other receivables	5,594	2,435
b) over 3 months	216,198	201,217
- receivables on direct insurance	191,621	161,029
- reinsurance receivables	9,240	9,141
- other receivables	15,337	31,047
Total past due receivables (by type), of which:	511,949	487,863
a) up to 3 months	295,751	286,646
b) over 3 months	216,198	201,217

As at 31 December 2018, the value of receivables more than 1 year past due was PLN 86,099 thousand (PLN 56,987 thousand on 31 December 2017).

4. Other assets

4.1 Property, plant and equipment

Property, plant and equipment	31 December 2018	31 December 2017
a) plant and machinery	49,700	50,422
b) means of transport	49,466	40,361
c) other fixed assets	14,469	16,630
d) fixed assets under construction	8,898	10,119
e) advances for fixed assets under construction	-	-
f) inventories	-	-
g) salvage after damages	199	406
Total property, plant and equipment	122,732	117,938

Property, plant and equipment – ownership structure	31 December 2018	31 December 2017
a) owned	122,732	117,938
b) third party	-	-
Total property, plant and equipment	122,732	117,938

Fixed assets (on balance sheet) – ownership structure	31 December 2018	31 December 2017
a) owned	122,732	117,938
b) used based on lease, rental or other agreement	-	-
Total fixed assets (on balance sheet)	122,732	117,938

Fixed assets (off balance sheet)	31 December 2018	31 December 2017
a) used based on lease, rental or other agreement, including:	109,782	116,361
lease	109,782	116,361
Total fixed assets (off balance sheet)	109,782	116,361

In 2018 and in 2017 PZU did not incur production costs of fixed assets under construction and fixed assets for internal purposes.

Movement in fixed assets (by types) for the year ended 31 December 2018	Plant and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Advances for fixed assets under construction	Inventories	Salvage after damages	Total property, plant and equipment
a) gross value of fixed assets – at the beginning of the period	212,143	79,849	64,747	10,119	-	-	406	367,264
b) additions (by virtue of)	18,027	21,577	3,728	35,070	-	-	1,641	80,043
- investments	-	-	-	-	-	-	-	-
- direct purchase	2,875	-	1,907	34,374	-	-	-	39,156
- transfers	15,136	19,140	1,777	-	-	-	-	36,053
- other (including estimates)	16	2,437	44	696	-	-	1,641	4,834
c) reductions (by virtue of)	35,471	11,183	1,936	36,291	-	-	1,848	86,729
- liquidation	33,773	-	1,601	238	-	-	-	35,612
- sale	1,490	11,183	106	-	-	-	1,848	14,627
- transfers	-	-	-	36,053	-	-	-	36,053
- other	208	-	229	-	-	-	-	437
d) gross value of fixed assets – at the end of the period	194,699	90,243	66,539	8,898	-	-	199	360,578
e) accumulated depreciation – at the beginning of the period	161,721	39,488	48,117	-	-	-	-	249,326
f) depreciation for the period (due to)	(16,722)	1,289	3,953	-	-	-	-	(11,480)
- depreciation charges for the current year	18,652	7,066	5,753	-	-	-	-	31,471
- accumulated depreciation of fixed assets liquidated	(33,697)	-	(1,527)	-	-	-	-	(35,224)
- accumulated depreciation of fixed assets sold	(1,485)	(7,541)	(106)	-	-	-	-	(9,132)
- other	(192)	1,764	(167)	-	-	-	-	1,405
g) accumulated depreciation – at the end of the period	144,999	40,777	52,070	-	-	-	-	237,846
h) impairment losses – at the beginning of the period	-	-	-	-	-	-	-	-
- additions	-	-	-	-	-	-	-	-
- reductions	-	-	-	-	-	-	-	-
i) impairment losses – at the end of the period	-	-	-	-	-	-	-	-
j) net value of fixed assets – at the end of the period	49,700	49,466	14,469	8,898	-	-	199	122,732

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

4.2 Cash

Cash	31 December 2018	31 December 2017
a) cash on hand and on bank accounts	1,221,535	982,152
b) other cash	-	-
Total cash	1,221,535	982,152

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

The high balance of cash as at 31 December 2018 and 31 December 2017 resulted from a trading liquidity strategy for the portfolio denominated in EUR for which it was decided to leave cash on a current bank account, since it was unprofitable to make term deposits at negative interest rates.

Cash, by currency	31 December 2018	31 December 2017
a) in PLN	68,390	70,358
b) foreign currencies (by currency and translated to PLN)	1,153,145	911,794
b1. EUR 000s	255,804	208,016
PLN 000s	1,099,956	867,615
b2. USD 000s	13,411	11,696
PLN 000s	50,421	40,717
b3. HUF 000s	168,658	206,781
PLN 000s	2,259	2,781
b4. GBP 000s	6	1
PLN 000s	30	7
b6. other	479	674
Total cash	1,221,535	982,152

5. Prepayments and accruals

5.1 Deferred tax assets

Movement in deferred tax assets	31 December 2018	31 December 2017
1. Deferred tax assets – at the beginning of the period, including:	459,896	474,314
a) recognized in the financial result ¹⁾	458,480	473,638
b) recognized in equity ²⁾	1,416	676
c) recognized in goodwill or negative goodwill	-	-
2. Additions	39,559	16,646
a) recognized in the financial result of the period in connection with deductible temporary differences (by virtue of)	22,932	15,906
- occurrence of temporary differences, including:	22,932	15,906
accrued expenses	9,962	5,323
financial instruments	-	-
impairment losses on real property	1,767	-
other provisions	11,203	10,583
- changes in tax rates	-	-
- unrecognized temporary difference from the previous period	-	-
b) recognized in the financial result of the period in connection with tax loss (by virtue of)	-	-
c) recognized in equity in connection with deductible temporary differences (by virtue of)	16,627	740
- occurrence of temporary differences, including:	16,627	740
financial instruments	16,627	740
- changes in tax rates	-	-
- unrecognized temporary difference from the previous period	-	-
d) recognized in equity in connection with tax loss (by virtue of)	-	-
e) recognized in goodwill or negative goodwill in connection with deductible temporary differences (by virtue of)	-	-
3. Reductions	16,696	31,064
a) recognized in the financial result of the period in connection with deductible	16,696	31,064

temporary differences (by virtue of)		
- reversed temporary differences, including:	16,696	31,064
insurance receivables	145	3,683
financial instruments	8,970	18,967
other provisions	2,749	503
accrued expenses	4,188	6,835
other temporary differences	644	1,076
- changes in tax rates	-	-
- impairment losses on deferred tax assets	-	-
b) recognized in the financial result of the period in connection with tax loss (by virtue of)	-	-
c) recognized in equity in connection with negative temporary differences (by virtue of)	-	-
- reversed temporary differences, including:	-	-
financial instruments	-	-
- changes in tax rates	-	-
- impairment losses on deferred tax assets	-	-
d) recognized in equity in connection with tax loss (by virtue of)	-	-
e) recognized in goodwill or negative goodwill in connection with deductible temporary differences (by virtue of)	-	-
4. Total deferred tax assets – at the end of the period, including:	482,759	459,896
a) recognized in the financial result³⁾	464,716	458,480
b) recognized in equity²⁾	18,043	1,416
c) recognized in goodwill or negative goodwill	-	-

¹⁾ Refers to accumulated changes in deferred tax assets recognized in the financial result of 2017 and previous years.

²⁾ Refers to revaluation reserve.

³⁾ Refers to accumulated impact of changes in deferred tax assets recognized in the financial result of 2018 and previous years.

Assets and deferred tax liability are presented after setting off the relevant amounts resulting from negative and taxable temporary differences.

Additional information regarding deductible temporary differences	31 December 2018	31 December 2017
a) deductible temporary differences – at the beginning of the period, including:	2,420,507	2,496,389
financial instruments	814,846	910,779
accrued expenses	1,020,338	1,028,298
insurance receivables	393,270	380,424
other temporary differences	8,282	8,696
impairment losses on real property	121,682	123,615
other provisions	62,089	44,577
b) deductible temporary differences – at the end of the period, including:	2,540,839	2,420,507
financial instruments	855,145	814,846
accrued expenses	1,050,725	1,020,338
insurance receivables	444,554	393,270
other temporary differences	10,303	8,282
impairment losses on real property	130,984	121,682
other provisions	49,128	62,089
deductible temporary differences expiring within 1 year	1,915,647	1,822,592
deductible temporary differences expiring in more than 1 year	625,192	597,915

5.2 Other prepaid expenses and accrued income

Other prepayments and accruals	31 December 2018	31 December 2017
a) reinsurance accruals ¹⁾	548,907	669,209
b) expenses related to direct claims handling expenses	55,635	59,649
c) IT expenses	29,589	26,954
d) other	12,601	9,959
Other prepayments and accruals, total	646,732	765,771

¹⁾ "Reinsurance accruals" include mainly gross accrued premium on inward reinsurance in the amount of PLN 511,073 thousand (PLN 597,059 thousand as at 31 December 2017).

6. Movements in impairment losses

Movement in impairment losses for financial assets in the year ended 31 December 2018.

Item	Impairment losses as at 1 January 2018, including:		Recognized, of which:		Reversed, of which:		Utilized, of which:		Impairment losses as at 31 December 2018, including:	
	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity	recognized in the financial result	recognized in equity
I. Intangible assets	1,723	-	-	-	-	-	(112)	-	1,611	-
II. Investments	145,325	3,051	30,651	209	(14,041)	(911)	(2,832)	-	159,103	2,349
1. Real property	122,937	3,051	25,380	209	(13,287)	(911)	(435)	-	134,595	2,349
2. Investments in subordinated entities	7,821	-	-	-	-	-	-	-	7,821	-
3. Other financial investments	14,567	-	5,271	-	(754)	-	(2,397)	-	16,687	-
a) shares and other variable income securities	12,500	-	-	-	-	-	-	-	12,500	-
b) participation units and investment certificates in mutual funds	2,067	-	5,271	-	(754)	-	(2,397)	-	4,187	-
c) debt securities and other fixed income securities	-	-	-	-	-	-	-	-	-	-
d) participation in investments pools	-	-	-	-	-	-	-	-	-	-
e) mortgage-backed loans	-	-	-	-	-	-	-	-	-	-
f) other loans	-	-	-	-	-	-	-	-	-	-
g) term deposits with credit institutions	-	-	-	-	-	-	-	-	-	-
h) other investments (by type)	-	-	-	-	-	-	-	-	-	-
4. Deposits with ceding enterprises	-	-	-	-	-	-	-	-	-	-
III. Net assets for life insurance where the policyholder bears the investment risk	-	-	-	-	-	-	-	-	-	-
IV. Receivables	562,742	-	145,958	-	(64,212)	-	(1,445)	-	643,043	-
1. Receivables on direct insurance	544,759	-	139,113	-	(61,767)	-	(1,445)	-	620,660	-
2. Reinsurance receivables	6,994	-	785	-	(2,329)	-	-	-	5,450	-
3. Other receivables	10,989	-	6,060	-	(116)	-	-	-	16,933	-
3.1. Receivables from the state budget	-	-	-	-	-	-	-	-	-	-
3.2. Other receivables	10,989	-	6,060	-	(116)	-	-	-	16,933	-
V. Other assets, including:	-	-	-	-	-	-	-	-	-	-
1. Property, plant and equipment	-	-	-	-	-	-	-	-	-	-
2. Other assets	-	-	-	-	-	-	-	-	-	-
VI. Prepayments and accruals	1,067	-	-	-	(751)	-	-	-	316	-
1. Deferred tax assets	-	-	-	-	-	-	-	-	-	-
2. Deferred acquisition costs	-	-	-	-	-	-	-	-	-	-
3. Accrued interest and rents	-	-	-	-	-	-	-	-	-	-
4. Other prepayments and accruals	1,067	-	-	-	(751)	-	-	-	316	-

Movement in impairment losses in the year ended 31 December 2017.

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

6.1 Carrying amount of interest accrued on impaired assets

As at 31 December 2018 and 31 December 2017, no interest has accrued on impaired assets.

7. Equity

7.1 Share capital

Share capital structure as at 31 December 2018

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

Share capital structure as at 31 December 2017

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

Shareholder structure as at 31 December 2018

No.	Shareholder's name	Number of shares and votes	Percentage held in the share capital and in the total number of votes at the Shareholder Meeting
1.	State Treasury ¹⁾	295,217,300	34.1875%
2.	Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale Nederlanden Dobrowolny Fundusz Emerytalny	43,825,000	5.0751%
3.	Other shareholders	524,480,700	60.7374%
	Total	863,523,000	100.0000%

¹⁾ According to the Current Report No. 21/2018 on the list of shareholders holding at least 5% of the number of votes at the PZU Ordinary Shareholder Meeting of 28 June 2018.

Shareholder structure as at 31 December 2017

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

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

7.2 Dividends

7.2.1. Dividend paid from the 2017 profit

On 15 May 2018, 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 2017 in the amount of PLN 2,433,874 thousand as follows:

- designate PLN 2,158,807 thousand, i.e. PLN 2.50 per share, for a dividend payment;
- designate PLN 19,682 thousand to cover retained losses resulting from the final settlement of the acquisition of the organized part of the business of Bank BPH by Alior Bank SA;
- designate PLN 248,671 thousand for supplementary capital;
- designate PLN 6,714 thousand for the Company Social Benefit Fund.

On 28 June 2018, the Ordinary Shareholder Meeting of PZU adopted a resolution on distribution of net profit for the year ended 31 December 2017, in accordance with the motion submitted by the PZU Management Board.

The record date was set at 12 September 2018 and the dividend was paid out on 3 October 2018.

7.2.2. Proposed distribution of the 2018 profit

As at the date of signing these standalone financial statements, the PZU Management Board has not adopted a resolution in the matter of the proposed distribution of the 2018 profit.

7.3 Supplementary capital

Supplementary capital	31 December 2018	31 December 2017
a) share premium account	538,139	538,139
b) statutory	28,784	28,784
c) created under articles of association or contractually above the (minimum) amount required by law	4,933,811	4,685,140
d) from shareholder contributions	-	-
e) other	6,838	6,386
Total supplementary capital	5,507,572	5,258,449

7.4 Revaluation reserve

Revaluation reserve	31 December 2018	31 December 2017
a) revaluation of fixed assets	10,166	9,917
b) deferred tax	(270,136)	(242,412)
c) exchange differences from translation of foreign branches	-	-
d) other (by type):	5,859,146	6,014,181
- due to remeasurement of financial investments measured by the equity method	4,436,005	4,736,795
- due to remeasurement of financial investments classified in the portfolio of available-for-sale financial assets	1,423,141	1,277,386
Total revaluation reserve	5,599,176	5,781,686

Revaluation reserve on financial instruments (gross)	1 January – 31 December 2018	1 January – 31 December 2017
1. Opening balance	6,014,181	5,778,667
2. Additions due to:	786,226	735,631
a) effects of revaluation of available-for-sale financial assets, including:	786,226	735,631
- remeasurement gains	778,256	733,700
- amounts deducted as at the derecognition data (e.g. sale)	2,393	365
- impairment losses posted to the profit and loss account if impairment is determined	5,577	1,566
- valuation gains determined as at the date assets are reclassified to available for sale (from held to maturity)	-	-
- amounts settled when assets are reclassified to held to maturity (reclassified to HTM for the second time after the elapse of the period referred to in par. 8.4 of the regulation on financial instruments)	-	-
b) arising from the application of hedge accounting:	-	-
- amounts settled when fair value of an interest-bearing financial instrument is hedged	-	-
- periodic measurement of hedged items and hedging instruments related to cash flow hedges	-	-
- periodic measurement of hedged items and hedging instruments related to hedges of net assets of foreign entities	-	-
c) other	-	-
d) calculation, revaluation and charging to financial result of the provision and deferred tax assets	-	-
3. Reductions due to:	941,261	500,117
a) effects of revaluation of available-for-sale financial assets, including:	941,261	500,117
- remeasurement losses	939,733	451,501
- amounts deducted as at the derecognition data (e.g. sale)	1,528	48,616
- valuation losses determined as at the date assets are reclassified to available for sale (from held to maturity)	-	-
- amounts settled when assets are reclassified to held to maturity (reclassified to HTM for the second time after the elapse of the period referred to in par. 8.4 of the regulation on financial instruments)	-	-
b) arising from the application of hedge accounting:	-	-
- amounts settled when fair value of an interest-bearing financial instrument is hedged	-	-
- periodic measurement of hedged items and hedging instruments related to cash flow hedges	-	-
- periodic measurement of hedged items and hedging instruments related to hedges of net assets of foreign entities	-	-
c) other	-	-
d) calculation, revaluation and charging to financial result of the provision and deferred tax assets	-	-
4. Closing balance	5,859,146	6,014,181

8. Subordinated liabilities

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

Parameters of outstanding bonds:

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

The bonds are not in the form of documents and are registered in the securities depository maintained by Krajowy Depozyt Papierów Wartościowych SA [National Depository for Securities] and quoted in alternative trading systems run by BondSpot SA and the Warsaw Stock Exchange. The carrying amount of the subordinated bonds at 31 June 2018 was PLN 2,278,509 thousand, while their fair value was PLN 2,277,374 thousand (as at 31 December 2017: the carrying amount was PLN 2,284,674 thousand and the fair value was PLN 2,334,948 thousand).

9. Technical provisions

Technical provisions	31 December 2018	31 December 2017
a) provision for unearned premiums:	6,950,715	6,653,282
- gross provisions	7,450,610	7,072,811
- reinsurers' share	499,895	419,529
b) provision for unexpired risk:	-	-
- gross provisions	-	-
- reinsurers' share	-	-
c) life insurance provision:	-	-
- gross provisions	-	-
- reinsurers' share	-	-
d) provision for outstanding claims and benefits:	13,390,284	12,702,006
- gross provisions	14,230,047	13,435,693
- reinsurers' share	839,763	733,687
e) provisions for bonuses and discounts for insureds:	2,453	3,069
- gross provisions	2,461	8,816
- reinsurers' share	8	5,747
f) equalization provision	760,352	717,981
g) provisions for reimbursement of premiums to members	-	-
h) other technical provisions specified in the articles of association	-	-
- gross provisions	-	-
- reinsurers' share	-	-
i) life insurance provisions for where the policyholder bears the investment risk	-	-
- gross provisions	-	-
- reinsurers' share	-	-
Total technical provisions	21,103,804	20,076,338
Technical provisions – gross (by currency)	31 December 2018	31 December 2017
a) provision for unearned premiums:	7,450,610	7,072,811
- in PLN	7,450,610	7,072,811
- in foreign currencies (by currency and translated to PLN)	-	-
b) provision for unexpired risk:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
c) life insurance provision:	-	-

Technical provisions – gross (by currency)	31 December 2018	31 December 2017
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
d) provision for outstanding claims and benefits:	14,230,047	13,435,693
- in PLN	13,046,761	12,564,587
- in foreign currencies (by currency and translated to PLN)	1,183,286	871,106
d1. EUR 000s	223,289	208,848
PLN 000s	960,143	871,085
d2. GBP 000s	38,255	-
PLN 000s	183,222	-
d3. CZK 000s	238,619	-
PLN 000s	39,921	-
d4. USD 000s	-	6
PLN 000s	-	21
e) provisions for bonuses and discounts for insureds:	2,461	8,816
- in PLN	2,461	8,816
- in foreign currencies (by currency and translated to PLN)	-	-
f) equalization provision:	760,352	717,981
- in PLN	760,352	717,981
- in foreign currencies (by currency and translated to PLN)	-	-
g) provisions for reimbursement of premiums to members:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
h) other technical provisions specified in the articles of association:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
i) provisions for life insurance where the investment risk is borne by the policyholder:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
Total technical provisions	22,443,470	21,235,301
Reinsurers' share in technical provisions (by currency)	31 December 2018	31 December 2017
a) reinsurers' share in the provision for unearned premiums:	499,895	419,529
- in PLN	499,895	419,529
- in foreign currencies (by currency and translated to PLN)	-	-
b) reinsurers' share in the provision for unexpired risk:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
c) reinsurers' share in the life insurance provision:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
d) reinsurers' share in the provision for outstanding claims and benefits:	839,763	733,687
- in PLN	562,630	605,951
- in foreign currencies (by currency and translated to PLN)	277,133	127,736
d1. EUR 000s	56,036	22,437
PLN 000s	240,953	93,581
d2. USD 000s	5,644	5,806
PLN 000s	21,220	20,213
d3. UAH 000s	99,941	38,762
PLN 000s	13,562	4,791
d4. other	1,398	9,151
e) reinsurers' share in the provision for bonuses and discounts for insureds:	8	5,747
- in PLN	8	5,747
- in foreign currencies (by currency and translated to PLN)	-	-
f) reinsurers' share in other technical provisions defined in the articles of association:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-

Reinsurers' share in technical provisions (by currency)	31 December 2018	31 December 2017
g) reinsurers' share in the life insurance provision where the policyholder bears the investment risk:	-	-
- in PLN	-	-
- in foreign currencies (by currency and translated to PLN)	-	-
Reinsurers' share in technical provisions, total	1,339,666	1,158,963

9.1 Provision for unearned premiums and provision for unexpired risk

Provision for unearned premiums and provision for unexpired risk	31 December 2018	31 December 2017
a) provision for unearned premiums:	6,950,715	6,653,282
- gross provisions	7,450,610	7,072,811
- reinsurers' share	499,895	419,529
b) provision for unexpired risk:	-	-
- gross provisions	-	-
- reinsurers' share	-	-
Total provision for unearned premiums and provision for unexpired risk	6,950,715	6,653,282

9.2 Provision for outstanding claims and benefits

9.2.1. Gross provision for outstanding claims and benefits

Gross provision for outstanding claims and benefits	Provisions as at 31 December 2018	Provisions for claims relating to the reporting period
Accident and sickness insurance (class 1, 2)	114,880	65,658
Motor TPL (class 10)	10,575,134	2,022,650
Other TPL (class 3)	624,111	415,107
Marine, aviation and transport (class 4, 5, 6, 7)	46,439	17,989
Fire and other damage to property (class 8, 9)	865,218	508,289
TPL insurance (classes 11, 12, 13)	1,827,709	322,510
Credit and suretyship (class 14, 15)	21,868	7,519
Assistance (class 18)	48,556	34,582
Legal expenses insurance (class 17)	8,809	3,723
Other (class 16)	97,323	43,973
Total gross provision for outstanding claims and benefits	14,230,047	3,442,000

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

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

Reinsurers' share in the provision for outstanding claims and benefits	Provisions as at 31 December 2018	Provisions for claims relating to the reporting period
Accident and sickness insurance (class 1, 2)	82	82

Motor TPL (class 10)	302,140	9,360
Other TPL (class 3)	60	-
Marine, aviation and transport (class 4, 5, 6, 7)	2,407	1,495
Fire and other damage to property (class 8, 9)	348,305	229,010
TPL insurance (classes 11, 12, 13)	118,732	12,173
Credit and suretyship (class 14, 15)	9,773	3,317
Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	58,264	23,638
Total reinsurers' share	839,763	279,075

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

9.3 Provision for the capitalized value of annuities

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

Provision for the capitalized value of annuities before discounts and impairment losses (gross)	Provisions as at 31 December 2018	Reinsurers' share
Accident and sickness insurance (class 1, 2)	-	-
Motor TPL (class 10)	9,220,255	284,618
Other TPL (class 3)	-	-
Marine, aviation and transport (class 4, 5, 6, 7)	-	-
Fire and other damage to property (class 8, 9)	-	-
TPL insurance (classes 11, 12, 13)	751,703	4,568
Credit and suretyship (class 14, 15)	-	-
Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	-	-
Total gross provisions	9,971,958	289,186

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

Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	-	-
Total gross provisions	9,706,759	300,940

10. Estimated subrogation, salvage and subsidies

10.1 Gross estimated subrogation, salvage and subsidies

Gross estimated subrogation, salvage and subsidies	31 December 2018	31 December 2017
Accident and sickness insurance (class 1, 2)	-	-
Motor TPL (class 10)	54,638	50,437
Other TPL (class 3)	36,105	42,528
Marine, aviation and transport (class 4, 5, 6, 7)	-	-
Fire and other damage to property (class 8, 9)	12,862	12,638
TPL insurance (classes 11, 12, 13)	-	516
Credit and suretyship (class 14, 15)	3,861	2,804
Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	-	-
Total gross estimated subrogation, salvage and subsidies	107,466	108,923

10.2 Reinsurers' share in estimated subrogation, salvage and subsidies

Reinsurers' share in estimated subrogation, salvage and subsidies	31 December 2018	31 December 2017
Accident and sickness insurance (class 1, 2)	-	-
Motor TPL (class 10)	70	61
Other TPL (class 3)	4	7
Marine, aviation and transport (class 4, 5, 6, 7)	-	-
Fire and other damage to property (class 8, 9)	47	42
TPL insurance (classes 11, 12, 13)	-	9
Credit and suretyship (class 14, 15)	1,813	1,094
Assistance (class 18)	-	-
Legal expenses insurance (class 17)	-	-
Other (class 16)	-	-
Total reinsurers' share	1,934	1,213

11. Other provisions

11.1 Provisions for pension benefits and other compulsory employee benefits

Provisions for pension benefits and other compulsory employee benefits	31 December 2018	31 December 2017
a) provisions for pension benefits	10,310	12,055
b) other compulsory employee benefits (by type):	31,729	30,281
provisions for holidays	22,111	20,603
provisions for post-mortem benefits	9,618	9,678
Provisions for pension benefits and other compulsory employee benefits, total	42,039	42,336

Movement in provisions for pension benefits and other compulsory employee benefits	31 December 2018	31 December 2017
a) provisions at the beginning of the period (by type)	42,336	44,131
provisions for pension benefits	12,055	12,845
provisions for holidays	20,603	19,751
provisions for post-mortem benefits	9,678	11,535
b) additions (by virtue of)	2,802	3,181
provisions for pension benefits	-	-
provisions for holidays	2,802	3,181
provisions for post-mortem benefits	-	-

Movement in provisions for pension benefits and other compulsory employee benefits	31 December 2018	31 December 2017
c) utilization (by type)	1,825	3,350
provisions for pension benefits	531	776
provisions for holidays	1,294	2,329
provisions for post-mortem benefits	-	245
d) reversal (by type)	1,274	1,626
provisions for pension benefits	1,214	14
provisions for holidays	-	-
provisions for post-mortem benefits	60	1,612
e) provisions at the end of the period (by type)	42,039	42,336
provisions for pension benefits	10,310	12,055
provisions for holidays	22,111	20,603
provisions for post-mortem benefits	9,618	9,678

Provisions for pension benefits and other compulsory employee benefits (by currency)	31 December 2018	31 December 2017
a) in PLN	42,039	42,336
b) foreign currencies (by currency and translated to PLN)	-	-
Provisions for pension benefits and other compulsory employee benefits, total	42,039	42,336

11.2 Deferred tax liability

Assets and deferred tax liability are presented after setting off the relevant amounts resulting from negative and taxable temporary differences.

Movement in the deferred tax liability	31 December 2018	31 December 2017
1. Deferred tax liability – at the beginning of the period, including:	797,502	746,257
a) recognized in the financial result ¹⁾	553,674	525,410
b) recognized in equity ²⁾	243,828	220,847
c) recognized in goodwill or negative goodwill	-	-
2. Additions	52,896	65,838
a) recognized in the financial result of the period in connection with taxable temporary differences (by virtue of)	8,545	42,857
- occurrence of temporary differences, including:	8,545	42,857
prepayments and accruals	7,743	17,252
other temporary differences	802	7,941
financial instruments	-	17,664
- changes in tax rates	-	-
- unrecognized temporary difference from the previous period	-	-
b) recognized in equity in connection with taxable temporary differences (by virtue of)	44,351	22,981
- occurrence of temporary differences, including:	44,351	22,981
financial instruments	44,351	22,981
- changes in tax rates	-	-
- unrecognized temporary difference from the previous period	-	-
c) recognized in goodwill or negative goodwill in connection with taxable temporary differences (by virtue of)	-	-
3. Reductions	48,306	14,593
a) recognized in the financial result of the period in connection with taxable temporary differences (by virtue of)	48,306	14,593
- reversed temporary differences (utilization of the deferred tax liability), including:	48,306	14,593
financial instruments	48,306	14,593
- changes in tax rates	-	-
- reversal of the provision due to the impossibility to utilize it	-	-
b) recognized in equity in connection with taxable temporary differences (by virtue of)	-	-
- reversed temporary differences (utilization of the deferred tax liability)	-	-

Movement in the deferred tax liability	31 December 2018	31 December 2017
financial instruments	-	-
- changes in tax rates	-	-
- reversal of the provision due to the impossibility to utilize it	-	-
c) recognized in goodwill or negative goodwill in connection with taxable temporary differences (by virtue of)	-	-
4. Total deferred tax liability – at the end of the period	802,092	797,502
a) recognized in the financial result³⁾	513,913	553,674
b) recognized in equity²⁾	288,179	243,828
c) recognized in goodwill or negative goodwill	-	-

¹⁾ Refers to accumulated changes in deferred tax liability recognized in the financial result of 2017 and previous years.

²⁾ Refers to revaluation reserve.

³⁾ Refers to accumulated impact of changes in deferred tax liability recognized in the financial result of 2018 and previous years.

Additional information regarding taxable temporary differences	31 December 2018	31 December 2017
a) taxable temporary differences – at the beginning of the period	4,197,381	3,927,670
financial instruments	1,845,452	1,631,529
prepayments and accruals	2,099,479	2,085,488
other temporary differences	252,450	210,653
b) taxable temporary differences – at the end of the period, including:	4,221,539	4,197,381
financial instruments	1,964,754	1,845,452
prepayments and accruals	2,000,112	2,099,479
other temporary differences	256,673	252,450
taxable temporary differences expiring within 1 year	3,964,866	3,959,920
taxable temporary differences expiring in more than 1 year	256,673	237,461

Deferred tax liability (by currency)¹⁾	31 December 2018	31 December 2017
a) in PLN	319,333	337,606
b) foreign currencies (by currency and translated to PLN)	-	-
Total deferred tax liability	319,333	337,606

¹⁾ Deferred tax liability is recognized net of the deferred tax asset presented in item 5.1 of Notes and explanations.

11.3 Other provisions

Other provisions	31 December 2018	31 December 2017
a) provision for the cash penalty imposed by the Office of Competition and Consumer Protection	56,605	56,605
b) provisions for reinsurance settlements	7,822	12,191
c) provision for disputed claims and potential liabilities on account of concluded insurance contracts	767	732
d) provision for restructuring expenses	6,715	18,936
e) provision for other administrative proceedings	4,904	2,305
f) other provisions	5,541	5,495
Total other provisions	82,354	96,264

The disputable matter concerning the penalty imposed by the Office of Competition and Consumer Protection is described in item 30.2 of Notes and explanations.

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

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

Movement in other provisions	31 December 2018	31 December 2017
a) balance at the beginning of the period (by type)	96,264	69,770
provision for restructuring expenses	18,936	254
provisions for reinsurance settlements	12,191	8,289
provision for the cash penalty imposed by the Office of Competition and Consumer Protection	56,605	56,605
other provisions	8,532	4,622
b) additions (by virtue of)	12,706	57,024
provision for restructuring expenses	-	41,558
provisions for reinsurance settlements	7,134	9,472
provision for the cash penalty imposed by the Office of Competition and Consumer Protection	-	-
other provisions	5,572	5,994
c) utilization (by type)	13,729	23,601
provision for restructuring expenses	12,221	22,876
provisions for reinsurance settlements	-	-
provision for the cash penalty imposed by the Office of Competition and Consumer Protection	-	-
other provisions	1,508	725
d) reversal (by type)	12,887	6,929
provision for restructuring expenses	-	-
provisions for reinsurance settlements	11,503	5,570
provision for the cash penalty imposed by the Office of Competition and Consumer Protection	-	-
other provisions	1,384	1,359
e) balance at the end of the period (by type)	82,354	96,264
provision for restructuring expenses	6,715	18,936
provisions for reinsurance settlements	7,822	12,191
provision for the cash penalty imposed by the Office of Competition and Consumer Protection	56,605	56,605
other provisions	11,212	8,532

Other provisions (by currency)	31 December 2018	31 December 2017
a) in PLN	82,354	96,264

Other provisions (by currency)	31 December 2018	31 December 2017
b) foreign currencies (by currency and translated to PLN)	-	-
Total other provisions	82,354	96,264

12. Other liabilities and special-purpose funds

Geographic structure of liabilities	31 December 2018				31 December 2017			
	Domestic	Foreign – EU countries	Foreign – other countries	Total	Domestic	Foreign – EU countries	Foreign – other countries	Total
I. Liabilities for reinsurers' deposits	-	-	-	-	-	-	-	-
II. Liabilities on direct insurance	336,835	43,970	1,456	382,261	370,658	43,232	1,539	415,429
1. Liabilities to policyholders	76,615	129	196	76,940	60,979	170	91	61,240
2. Liabilities to insurance intermediaries	156,445	698	-	157,143	177,966	580	-	178,546
3. Other insurance liabilities	103,775	43,143	1,260	148,178	131,713	42,482	1,448	175,643
III. Reinsurance liabilities	190,985	43,306	14,309	248,600	96,496	19,435	6,050	121,981
IV. Liabilities on the issue of own debt securities and drawn loans	-	3,677,344	-	3,677,344	-	3,558,260	-	3,558,260
V. Liabilities to credit institutions	125,349	-	-	125,349	-	-	-	-
VI. Other liabilities	294,081	114,911	12,072	421,064	712,908	198,457	22,507	933,872
1. Liabilities to the state budget	85,770	-	-	85,770	110,011	-	-	110,011
2. Other liabilities	208,311	114,911	12,072	335,294	602,897	198,457	22,507	823,861
Total liabilities	947,250	3,879,531	27,837	4,854,618	1,180,062	3,819,384	30,096	5,029,542

12.1 Liabilities on direct insurance

Liabilities on direct insurance	31 December 2018	31 December 2017
a) liabilities to policyholders, including:	76,940	61,240
- to subordinated entities	83	547
- domestic	83	547
- foreign	-	-
- to other entities	76,857	60,693
- domestic	76,532	60,432
- foreign	325	261
b) liabilities to insurance intermediaries, including:	157,143	178,546
- to subordinated entities	2,345	117
- domestic	2,345	117
- foreign	-	-
- to other entities	154,798	178,429
- domestic	154,100	177,849
- foreign	698	580
c) other insurance liabilities, including:	148,178	175,643
- to subordinated entities	2,327	3,335
- domestic	1,277	3,072
- foreign	1,050	263
- to other entities	145,851	172,308
- domestic	102,498	128,641
- foreign	43,353	43,667
Liabilities on direct insurance, total	382,261	415,429

Liabilities on direct insurance	31 December 2018	31 December 2017
a) subsidiaries	4,755	3,999
b) co-subsidiaries	-	-
c) associates	-	-
d) a major investor	-	-
e) a shareholder in a co-subsidiary	-	-
f) the parent company	-	-
g) other	377,506	411,430
Liabilities on direct insurance, total	382,261	415,429

Liabilities on direct insurance, by remaining time to maturity from the balance sheet date	31 December 2018	31 December 2017
a) up to 3 months	382,261	415,429
b) from 3 months to 1 year	-	-
c) from 1 to 5 years	-	-
d) over 5 years	-	-
Liabilities on direct insurance, total	382,261	415,429

Liabilities on direct insurance (by currency)	31 December 2018	31 December 2017
a) in PLN	336,735	370,403
b) foreign currencies (by currency and translated to PLN)	45,526	45,026
b1. EUR 000s	8,362	8,894
PLN 000s	35,958	37,094
b2. USD 000s	140	145
PLN 000s	525	506
b3. GBP 000s	1,294	1,072
PLN 000s	6,200	5,039
b4. CHF 000s	148	228
PLN 000s	566	813
b5. other currencies in PLN 000s	2,277	1,574
Liabilities on direct insurance, total	382,261	415,429

12.2 Reinsurance liabilities

Reinsurance liabilities, total	31 December 2018	31 December 2017
a) current accounts in inward reinsurance, including:	26,265	11,010
- domestic cedents	21,210	7,331
- international cedents	5,055	3,679
b) current accounts in outward reinsurance, including:	58,810	27,598
- domestic reinsurers	10,572	9,642
- international reinsurers	48,238	17,956
c) retrocession liabilities, including:	163,525	83,373
- domestic retrocessionaires	159,203	79,523
- international retrocessionaires	4,322	3,850
d) liabilities for reinsurance premiums spread over time	-	-
Reinsurance liabilities, total	248,600	121,981

Reinsurance liabilities	31 December 2018	31 December 2017
a) current liabilities in inward reinsurance, including:	26,265	11,010
- cedents who are subsidiaries	25,837	9,713
- cedents who are co-subsiaries	-	-
- cedents who are associates	-	-
- a cedent who is a major investor	-	-
- a cedent who is a shareholder in co-subsiary	-	-
- a cedent who is the parent company	-	-
b) current liabilities in outward reinsurance, including:	58,810	27,598
- reinsurers who are subsidiaries	-	-
- reinsurers who are co-subsiaries	-	-
- reinsurers who are associates	-	-
- a reinsurer who is a major investor	-	-
- a reinsurer who is a shareholder in co-subsiary	-	-
- a reinsurer who is the parent company	-	-
c) current liabilities to retrocessionaires, including to:	163,525	83,373
- retrocessionaires who are subsidiaries	-	-
- retrocessionaires who are co-subsiaries	-	-
- retrocessionaires who are associates	-	-
- a retrocessionaire who is a major investor	-	-
- a retrocessionaire who is a shareholder in co-subsiary	-	-
- a retrocessionaire who is the parent company	-	-
d) other	-	-
Reinsurance liabilities, total	248,600	121,981

Reinsurance liabilities, by remaining time to maturity from the balance sheet date	31 December 2018	31 December 2017
a) up to 3 months	111,285	66,822
b) from 3 months to 1 year	123,464	50,615
c) from 1 to 5 years	13,851	4,544
d) over 5 years	-	-
Reinsurance liabilities, total	248,600	121,981

Reinsurance liabilities (by currency)	31 December 2018	31 December 2017
a) in PLN	223,762	113,952
b) foreign currencies (by currency and translated to PLN)	24,838	8,029
b1. EUR 000s	98	65
PLN 000s	423	272
b2. USD 000s	5,175	1,184
PLN 000s	19,458	4,123
b3. UAH 000s	36,050	28,600
PLN 000s	4,892	3,535
b4. other currencies	65	99
Reinsurance liabilities, total	248,600	121,981

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

Liabilities on the issue of own debt securities and drawn loans	31 December 2018	31 December 2017
a) liabilities convertible into shares of the insurance undertaking	-	-
b) other (by type):	3,677,344	3,558,260
- loans from PZU Finance AB (publ.) funded by receipts under debt securities issued by PZU Finance AB (publ.)	3,677,344	3,558,260
Liabilities on the issue of own debt securities and drawn loans, total	3,677,344	3,558,260

Liabilities on the issue of own debt securities and drawn loans, by remaining time to maturity from the balance sheet date	31 December 2018	31 December 2017
a) up to 3 months	-	-
b) from 3 months to 1 year	3,677,344	25,883
c) from 1 to 5 years	-	3,532,377
d) over 5 years	-	-
Liabilities on the issue of own debt securities and drawn loans, total	3,677,344	3,558,260

Liabilities on the issue of own debt securities and drawn loans (by currency)	31 December 2018	31 December 2017
a) in PLN	-	-
b) foreign currencies (by currency and translated to PLN)	3,677,344	3,558,260
b1. EUR 000s	855,196	853,116
PLN 000s	3,677,344	3,558,260
Liabilities on the issue of own debt securities and drawn loans, total	3,677,344	3,558,260

12.3.1. Loans from PZU Finance AB (publ.)

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

As at 31 December 2018, the carrying amount of the loan from PZU Finance AB (publ.) was PLN 3,667,344 thousand (PLN 3,558,260 thousand as at 31 December 2017), while its fair value was PLN 3,706,116 thousand (PLN 3,639,624 thousand as at 31 December 2017).

On 3 July 2014, PZU granted a guarantee in connection with the issue of unsubordinated bonds by PZU Finance AB (publ.) 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 par value of the bonds is EUR 850,000 thousand and their maturity date is 3 July 2019. The maximum value of the guarantee was not specified. The guarantee expires on the expiration of the bondholders' claims against PZU Finance AB (publ.).

12.4 Liabilities to credit institutions

Liabilities to credit institutions, by remaining time to maturity from the balance sheet date	31 December 2018	31 December 2017
a) up to 3 months	125,349	-
b) from 3 months to 1 year	-	-
c) from 1 to 5 years	-	-
d) over 5 years	-	-
Liabilities to credit institutions, total	125,349	-

Liabilities to credit institutions, by remaining time to maturity from the balance sheet date	31 December 2018	31 December 2017
a) in PLN	125,349	-
b) in foreign currencies (by currency and translated to PLN)	-	-
Liabilities to credit institutions, total	125,349	-

12.5 Other liabilities

Other liabilities	31 December 2018	31 December 2017
a) liabilities to the state budget	85,770	110,011
corporate income tax	55,929	79,638
liabilities for the tax referred to in the Act of 15 January 2016 on the tax on some financial institutions (consolidated text: Journal of Laws of 2017, Item 1410, "Tax on some financial institutions")	15,694	15,273
personal income tax	9,749	11,365
VAT tax	4,162	3,500
other	236	235
b) other liabilities	335,294	823,861
liabilities for outstanding investment transactions and security deposits	36,042	456,455
measurement of derivatives - liabilities held for trading	79,984	161,630
estimated non-insurance liabilities	69,996	72,056
liabilities on account of donations	25,967	28,326
security deposits withheld	26,132	22,083
liability to the Insurance Indemnity Fund	15,493	15,011
settlements for direct claims handling	29,848	14,112
ZUS contributions and benefits	12,896	11,792
liabilities for the Tax Group's settlements	3,865	5,535
liabilities for building the Central Records of Vehicles and Drivers (CEPiK)	3,544	3,855
liabilities on account of trial-related representation	2,374	2,975
dividend-related settlements with shareholders	2,667	2,667
other	26,486	27,364
Other liabilities, total	421,064	933,872

Other liabilities	31 December 2018	31 December 2017
a) subsidiaries	35,265	13,086
b) co-subsidiaries	-	-
c) associates	-	-
d) a major investor	-	-
e) a shareholder in a co-subsidiary	-	-
f) the parent company	-	-

g) other	385,799	920,786
Other liabilities, total	421,064	933,872

Other liabilities, by remaining time to maturity from the balance sheet date	31 December 2018	31 December 2017
a) up to 3 months	421,064	933,872
b) from 3 months to 1 year	-	-
c) from 1 to 5 years	-	-
d) over 5 years	-	-
Other liabilities, total	421,064	933,872

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

Other liabilities (by currency)	31 December 2018	31 December 2017
a) in PLN	388,826	721,596
b) foreign currencies (by currency and translated to PLN)	32,238	212,276
b1. BRL 000s	-	65,675
PLN 000s	-	69,024
b2. USD 000s	4,385	15,550
PLN 000s	16,487	54,133
b3. EUR 000s	3,662	9,056
PLN 000s	15,746	37,772
b4. HUF 000s	-	1,761,692
PLN 000s	-	23,693
b5. ZAR 000s	-	62,398
PLN 000s	-	17,671
b6. MXN 000s	-	55,255
PLN 000s	-	9,769
b7. CZK 000s	-	-
PLN 000s	-	-
b9. other currencies PLN 000s	5	214
Other liabilities, total	421,064	933,872

12.6 Other information on liabilities

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

As at 31 December 2018 and 31 December 2017, there were no liabilities secured on the issuer’s assets.

12.6.2. Information on past due liabilities

As at 31 December 2018 and 31 December 2017, there were no past due liabilities.

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

As at 31 December 2018 and 31 December 2017, there were no liabilities to the state budget or local government units related to the acquisition of ownership titles to buildings and structures.

12.7 Special-purpose funds

Special-purpose funds	31 December 2018	31 December 2017
a) Prevention Fund	27,450	34,273
b) Company Social Benefit Fund	80,990	82,314
Special-purpose funds, total	108,440	116,587

13. Prepayments and accruals

Prepayments and accruals	31 December 2018	31 December 2017
a) accrued expenses, including:	909,084	882,458
- long-term	18,159	21,630
- short-term (by title):	890,925	860,828
- accrued reinsurance income and expenses	439,440	446,622
- accrued expenses of direct insurance commissions	297,412	269,705
- accrued payroll expenses	92,377	84,360
- accrued employee bonuses	39,726	34,979
- other postings	21,970	25,162
b) negative goodwill	-	-
c) deferred income, including:	49,218	46,977
- deferred reinsurance commissions	46,625	42,393
- investment income	1,804	3,407
- perpetual usufruct right to land obtained gratuitously	320	396
- other	469	781
Total accruals and deferred income	958,302	929,435

Movement in accrued expenses and deferred income	31 December 2018	31 December 2017
At the beginning of the period (by type)	929,435	942,786
accrued expenses	882,458	904,276
deferred income	46,977	38,510
a) additions (by virtue of):	3,673,670	3,927,074
accrued expenses	3,146,136	3,510,967
deferred income	527,534	416,107
b) reductions (by virtue of)	3,644,803	3,940,425
accrued expenses	3,119,510	3,532,785
deferred income	525,293	407,640
At the end of the period (by type)	958,302	929,435
accrued expenses	909,084	882,458
deferred income	49,218	46,977

14. Solvency of the insurance company

Pursuant to art. 284 section 1 and art. 488 section 3 item 1 of the Insurance Activity Act, PZU is obligated to prepare and publish an annual solvency and financial condition report prepared in accordance with the principles of Solvency II. For the 2018 report, the publication deadline is no later than 16 weeks after the year end, i.e. until 22 April 2019 (effectively, the next business day – 23 April 2019). Pursuant to art. 290 section 1 of the Insurance Activity Act, a solvency and financial condition report of an insurance company is audited by an audit firm.

15. Off-balance sheet items

15.1 Contingent receivables

Contingent receivables	31 December 2018	31 December 2017
a) guarantees and sureties received, of which:	3,042	2,225
- from subsidiaries	-	65
- other (by type):	4,486,860	4,613,497
- promissory notes related to extended insurance guarantees	9	9
- other promissory notes, of which:	45,712	16,725
- from subsidiaries	-	-
- other contingent receivables ¹⁾	4,441,139	4,596,763
Total contingent receivables	4,489,902	4,615,722

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

Contingent receivables (by currency)	31 December 2018	31 December 2017
a) guarantees and sureties received:	3,042	2,225
- in PLN	3,042	2,225
- in foreign currencies (by currency and translated to PLN)	-	-
- other (by type):	4,486,860	4,613,497
- in PLN	3,940,186	4,506,895
- in foreign currencies (by currency and translated to PLN)	546,674	106,602
b1. EUR 000s	127,133	25,559
PLN 000s	546,674	106,602
Total contingent receivables	4,489,902	4,615,722

15.1.1. Guarantees received

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

Bank	Date of the guarantee facility agreement	Amount of guarantee facility	Facility renewable	Amount of active guarantees as at 31 December 2018	Amount of active guarantees as at 31 December 2017
Bank Millennium SA	7 September 2013	15,000	Yes	7,072	5,324
Alior Bank	12 February 2016	15,000	Yes	116	146
Bank Pekao SA	28 September 2018	15,000	Yes	61	-
Total				7,249	5,470

15.2 Contingent liabilities

Contingent liabilities arising from	31 December 2018	31 December 2017
a) guarantees and sureties extended, of which:	3,685,634	3,574,120
- from subsidiaries	177	146
b) accepted and endorsed promissory notes	-	-
c) assets subject to the obligation of resale	-	-
d) other liabilities secured on assets or income	-	-
e) other (by type):	934,490	970,623
- disputed claims not accepted by the insurer and pursued by creditors through litigation	761,862	880,876
- contingent liabilities arising from securities placing agreements	-	-
- other contingent liabilities ¹⁾	172,628	89,747
Total contingent liabilities	4,620,124	4,544,743

¹⁾ As at 31 December 2018, the "other contingent liabilities" item included primarily liabilities arising from undrawn loan tranches in the total amount of PLN 121,467 thousand (PLN 88,745 thousand on 31 December 2017) and potential liabilities resulting from tax risks associated with different interpretations of the provisions of the Swedish tax law pertaining to taxation on foreign exchange differences realized on repayment of loans granted in a currency other than the functional currency of the company granting the loan, which may result in a need for recapitalization.

Contingent liabilities (by currency)	31 December 2018	31 December 2017
a) guarantees and sureties extended ¹⁾ :	3,685,634	3,574,120
- in PLN	5,712	4,682
- in foreign currencies (by currency and translated to PLN)	3,679,922	3,569,438
a1. EUR 000s	855,796	855,796
PLN 000s	3,679,922	3,569,438
b) accepted and endorsed promissory notes	-	-
c) assets subject to the obligation of resale	-	-
d) other liabilities secured on assets or income (by type)	-	-
e) other (by type):	934,490	970,623
disputed claims not accepted by the insurer and pursued by creditors through litigation	761,862	880,876
- in PLN	761,862	880,876
- in foreign currencies (by currency and translated to PLN)	-	-
other contingent liabilities:	172,628	89,747
- in PLN	172,628	89,747
- in foreign currencies (by currency and translated to PLN)	-	-
Total contingent liabilities	4,620,124	4,544,743

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

15.3 Other off-balance sheet line items

Other off-balance sheet line items arising from	31 December 2018	31 December 2017
Other off-balance sheet line items (by type):	109,782	116,361
third party assets not recognized in assets, including:	109,782	116,361
- to subsidiaries	13,187	12,997
Total other off-balance sheet line items	109,782	116,361

Other off-balance sheet line items (by currency)	31 December 2018	31 December 2017
a) in PLN	109,782	116,361
b) foreign currencies (by currency and translated to PLN)	-	-
Total other off-balance sheet line items	109,782	116,361

16. Premiums in non-life insurance

Gross written premiums in non-life insurance	1 January – 31 December 2018	1 January – 31 December 2017
a) in direct insurance, including:	11,797,599	11,390,912
- from contracts concluded outside the Republic of Poland, including:	44,610	35,550
- from contracts concluded in EU member states	16,333	13,443
b) in indirect insurance	1,205,265	1,042,304
Total gross written premiums	13,002,864	12,433,216

16.1 Gross written premium in direct insurance

Gross written premium in direct non-life insurance (by accounting class)	1 January – 31 December 2018	1 January – 31 December 2017
a) accident and sickness insurance (groups 1 and 2)	405,108	388,700
b) motor third party liability insurance (group 10)	4,671,733	4,558,747
c) other motor insurance (group 3)	3,230,445	3,114,070
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	49,626	39,542
e) fire and other property damage insurance (groups 8 and 9)	2,189,137	2,097,038
f) TPL insurance (groups 11, 12, 13)	691,837	666,153
g) credit and suretyship (groups 14, 15)	72,269	84,962
h) assistance (group 18)	386,232	348,150
i) legal protection (group 17)	9,822	9,400

Gross written premium in direct non-life insurance (by accounting class)	1 January – 31 December 2018	1 January – 31 December 2017
j) other (group 16)	91,390	84,150
Total gross written premiums in direct insurance (by accounting class)	11,797,599	11,390,912
Gross written premium received in direct non-life insurance from mandatory TPL insurance, by insurance group	1 January – 31 December 2018	1 January – 31 December 2017
Group 10	4,567,907	4,465,334
Group 11	1,481	2,373
Group 13	216,429	229,662
Total gross written premium received in direct non-life insurance from mandatory TPL insurance, by insurance group	4,785,817	4,697,369

16.2 Gross written premium in indirect insurance

Gross written premium in indirect non-life insurance	1 January – 31 December 2018	1 January – 31 December 2017
a) accident and sickness insurance (groups 1 and 2)	11,088	192
b) motor third party liability insurance (group 10)	720,585	711,059
c) other motor insurance (group 3)	14,156	25,837
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	10,978	5,909
e) fire and other property damage insurance (groups 8 and 9)	375,043	291,044
f) TPL insurance (groups 11, 12, 13)	68,129	61,528
g) credit and suretyship (groups 14, 15)	6,218	3,566
h) assistance (group 18)	672	(13,124)
i) legal protection (group 17)	-	-
j) other (group 16)	(1,604)	(43,707)
Total gross written premiums in indirect insurance (by accounting class)	1,205,265	1,042,304
Gross written premium received in indirect non-life insurance from mandatory TPL insurance, by insurance group	1 January – 31 December 2018	1 January – 31 December 2017
Group 10	716,836	711,028
Group 11	-	344
Group 13	30,143	28,785
Total gross written premium received in indirect non-life insurance from mandatory TPL insurance, by insurance group	746,979	740,157

17. Gross earned premium

17.1 Gross earned premium in direct insurance

Gross earned premium in direct non-life insurance (by accounting class)	1 January – 31 December 2018	1 January – 31 December 2017
a) accident and sickness insurance (groups 1 and 2)	387,737	400,089
b) motor third party liability insurance (group 10)	4,576,994	4,098,884
c) other motor insurance (group 3)	3,102,167	2,917,500
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	44,033	43,203
e) fire and other property damage insurance (groups 8 and 9)	2,149,937	1,988,914
f) TPL insurance (groups 11, 12, 13)	681,534	708,313
g) credit and suretyship (groups 14, 15)	51,468	72,115
h) assistance (group 18)	368,275	349,651
i) legal protection (group 17)	9,580	8,591
j) other (group 16)	79,035	74,210
Total gross earned premium in direct non-life insurance	11,450,760	10,661,470
Gross earned premium received in direct non-life insurance from mandatory TPL insurance, by insurance group	1 January – 31 December 2018	1 January – 31 December 2017
Group 10	4,477,867	4,014,779

Group 11	1,551	4,210
Group 13	227,120	261,845
Total gross earned premium received in direct non-life insurance	4,706,538	4,280,834

17.2 Gross earned premium in indirect insurance

Gross earned premium in indirect non-life insurance (by accounting class)	1 January – 31 December 2018	1 January – 31 December 2017
a) accident and sickness insurance (groups 1 and 2)	4,893	13,206
b) motor third party liability insurance (group 10)	709,779	618,446
c) other motor insurance (group 3)	19,051	19,176
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	7,508	4,802
e) fire and other property damage insurance (groups 8 and 9)	317,524	238,560
f) TPL insurance (groups 11, 12, 13)	57,772	26,667
g) credit and suretyship (groups 14, 15)	3,814	3,641
h) assistance (group 18)	4,904	3,206
i) legal protection (group 17)	-	-
j) other (group 16)	49,060	49,430
Total gross earned premium in indirect non-life insurance	1,174,305	977,134

Gross earned premium received in indirect non-life insurance from mandatory TPL insurance, by insurance group	1 January – 31 December 2018	1 January – 31 December 2017
Group 10	707,463	616,566
Group 11	(56)	288
Group 13	36,740	7,455
Total gross earned premium received in indirect non-life insurance	744,147	624,309

18. Reinsurance settlements

Reinsurance settlements	1 January – 31 December 2018	1 January – 31 December 2017
a) insurance premiums received from abroad	141,012	117,651
b) reinsurance premiums transferred abroad	293,847	262,082
c) balance of settlements in outward reinsurance	(335,912)	(221,367)
d) balance of settlements on inward reinsurance	439,215	425,834
e) receivables and liabilities arising from outward reinsurance, including:	(139,400)	(67,354)
- receivables from reinsurers secured by guarantees from financial institutions	-	-
f) receivables and liabilities arising from inward reinsurance, including:	154,970	98,339
- value of liabilities to cedents secured by insurance undertaking's guarantees	-	-
- value of liabilities to retroceding insurance undertakings secured by insurance undertaking's guarantees	-	-

19. Gross claims and benefits paid

Gross claims and benefits paid	1 January – 31 December 2018	1 January – 31 December 2017
a) on direct insurance, including:	6,532,611	6,495,029
- claims handling expenses	693,155	690,957
b) on indirect insurance, including:	543,764	447,261
- claims handling expenses	25,897	14,339
Total gross claims and benefits paid	7,076,375	6,942,290

19.1 Gross claims and benefits paid

Gross claims and benefits paid in direct non-life insurance (by accounting class)	1 January – 31 December 2018	1 January – 31 December 2017
a) accident and sickness insurance (groups 1 and 2)	112,849	121,099
b) motor third party liability insurance (group 10)	3,015,544	2,896,426
c) other motor insurance (group 3)	1,954,904	1,887,098
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	24,117	26,633
e) fire and other property damage insurance (groups 8 and 9)	887,678	982,965
f) TPL insurance (groups 11, 12, 13)	305,311	307,733
g) credit and suretyship (groups 14, 15)	34,338	37,269
h) assistance (group 18)	175,717	213,643
i) legal protection (group 17)	1,942	1,607
j) other (group 16)	20,211	20,556
Gross written gross claims and benefits paid in direct insurance (by accounting classes), total	6,532,611	6,495,029

Gross claims and benefits paid in indirect non-life insurance (by accounting class)	1 January – 31 December 2018	1 January – 31 December 2017
a) accident and sickness insurance (groups 1 and 2)	6,450	6,245
b) motor third party liability insurance (group 10)	366,442	219,438
c) other motor insurance (group 3)	13,656	8,245
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	6,038	1,200
e) fire and other property damage insurance (groups 8 and 9)	97,392	99,098
f) TPL insurance (groups 11, 12, 13)	8,388	4,468
g) credit and suretyship (groups 14, 15)	2,264	218
h) assistance (group 18)	1,392	1,082
i) legal protection (group 17)	-	-
j) other (group 16)	41,742	107,267
Gross written gross claims and benefits paid in indirect insurance (by accounting classes), total	543,764	447,261

19.2 Claims handling expenses

Claims handling expenses in direct non-life insurance (by accounting class)	1 January – 31 December 2018	1 January – 31 December 2017
a) accident and sickness insurance (groups 1 and 2)	20,000	21,691
b) motor third party liability insurance (group 10)	380,378	338,991
c) other motor insurance (group 3)	118,860	118,921
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	1,381	2,675
e) fire and other property damage insurance (groups 8 and 9)	84,526	99,372
f) TPL insurance (groups 11, 12, 13)	59,532	59,322
g) credit and suretyship (groups 14, 15)	3,475	3,082
h) assistance (group 18)	23,534	45,459
i) legal protection (group 17)	1,111	955
j) other (group 16)	358	489
Claims handling expenses in direct insurance (by accounting classes), total	693,155	690,957

Claims handling expenses in indirect non-life insurance (by accounting class)	1 January – 31 December 2018	1 January – 31 December 2017
a) accident and sickness insurance (groups 1 and 2)	402	837
b) motor third party liability insurance (group 10)	22,548	10,939
c) other motor insurance (group 3)	407	254
d) marine, aviation and transport insurance (groups 4, 5, 6, 7)	67	8
e) fire and other property damage insurance (groups 8 and 9)	727	550
f) TPL insurance (groups 11, 12, 13)	1,284	618
g) credit and suretyship (groups 14, 15)	-	-
h) assistance (group 18)	395	233
i) legal protection (group 17)	-	-
j) other (group 16)	67	900
Total claims handling expenses in indirect insurance (by accounting classes)	25,897	14,339

20. Supplementary data to the revenue account

20.1 Supplementary data to the revenue account for the year ended 31 December 2018

Total direct and indirect insurance for the year ended 31 December 2018	Gross written premium	Gross earned premium	Gross claims and benefits (paid)	Claims handling expenses	Subrogation, salvage and subsidies	Net reinsurance settlements	Acquisition and administrative expenses
Accident and sickness insurance (class 1, 2)	416,196	392,630	99,041	20,402	144	90	135,724
Motor TPL (class 10)	5,392,318	5,286,773	3,011,048	402,926	31,988	103,328	1,106,739
Other TPL (class 3)	3,244,601	3,121,218	1,893,271	119,267	43,978	(11,914)	708,188
Marine, aviation and transport (class 4, 5, 6, 7)	60,604	51,541	28,819	1,448	112	(2,442)	12,717
Fire and other damage to property (class 8, 9)	2,564,180	2,467,461	921,152	85,253	21,335	(3,733)	643,505
TPL insurance (classes 11, 12, 13)	759,966	739,306	253,770	60,816	887	15,421	219,415
Credit and suretyship (class 14, 15)	78,487	55,282	41,028	3,475	7,901	(6,155)	26,580
Assistance (class 18)	386,904	373,179	153,793	23,929	613	(1,723)	103,836
Legal expenses insurance (class 17)	9,822	9,580	832	1,111	1	-	3,890
Other (class 16)	89,786	128,095	61,572	425	44	10,431	65,263
Total direct and indirect insurance	13,002,864	12,625,065	6,464,326	719,052	107,003	103,303	3,025,857

Direct insurance in the year ended 31 December 2018	Gross written premium	Gross earned premium	Gross claims and benefits (paid)	Claims handling expenses	Subrogation, salvage and subsidies	Net reinsurance settlements	Acquisition and administrative expenses
Accident and sickness insurance (class 1, 2)	405,108	387,737	92,993	20,000	144	(198)	131,685
Motor TPL (class 10)	4,671,733	4,576,994	2,667,154	380,378	31,988	(33,310)	895,169
Other TPL (class 3)	3,230,445	3,102,167	1,880,022	118,860	43,978	(12,693)	700,457
Marine, aviation and transport (class 4, 5, 6, 7)	49,626	44,033	22,848	1,381	112	(5,914)	11,475
Fire and other damage to property (class 8, 9)	2,189,137	2,149,937	824,487	84,526	21,335	(262,282)	622,263
TPL insurance (classes 11, 12, 13)	691,837	681,534	246,666	59,532	887	(21,767)	200,562
Credit and suretyship (class 14, 15)	72,269	51,468	38,764	3,475	7,901	(8,214)	25,160
Assistance (class 18)	386,232	368,275	152,796	23,534	613	(937)	102,165
Legal expenses insurance (class 17)	9,822	9,580	832	1,111	1	-	3,890
Other (class 16)	91,390	79,035	19,897	358	44	9,403	43,067
Total direct insurance	11,797,599	11,450,760	5,946,459	693,155	107,003	(335,912)	2,735,893

Indirect insurance in the year ended 31 December 2018	Gross written premium	Gross earned premium	Gross claims and benefits (paid)	Claims handling expenses	Subrogation, salvage and subsidies	Net reinsurance settlements	Acquisition and administrative expenses
Accident and sickness insurance (class 1, 2)	11,088	4,893	6,048	402	-	288	4,039
Motor TPL (class 10)	720,585	709,779	343,894	22,548	-	136,638	211,570
Other TPL (class 3)	14,156	19,051	13,249	407	-	779	7,731
Marine, aviation and transport (class 4, 5, 6, 7)	10,978	7,508	5,971	67	-	3,472	1,242
Fire and other damage to property (class 8, 9)	375,043	317,524	96,665	727	-	258,549	21,242
TPL insurance (classes 11, 12, 13)	68,129	57,772	7,104	1,284	-	37,188	18,853
Credit and suretyship (class 14, 15)	6,218	3,814	2,264	-	-	2,059	1,420
Assistance (class 18)	672	4,904	997	395	-	(786)	1,671
Legal expenses insurance (class 17)	-	-	-	-	-	-	-
Other (class 16)	(1,604)	49,060	41,675	67	-	1,028	22,196
Total indirect insurance	1,205,265	1,174,305	517,867	25,897	-	439,215	289,964

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

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

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

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

21. Information on the course of claims handling processes.

Information on the course of claims handling processes for the year ended 31 December 2018 (data for direct insurance)	Average claims handling period in days	Losses occurring in the reporting period on account of insurance agreements concluded in that period, including:	
		Claims and benefits paid on account of such losses	Provision recognized at the end of the financial year for outstanding claims and benefits
Accident and sickness insurance (class 1, 2)	12.87	21,798	30,954
Motor TPL (class 10)	21.97	594,566	687,482
Other TPL (class 3)	15.88	667,585	245,986
Marine, aviation and transport (class 4, 5, 6, 7)	61.45	8,432	10,691
Fire and other damage to property (class 8, 9)	13.40	316,643	109,032
TPL insurance (classes 11, 12, 13)	23.21	45,085	135,029
Credit and suretyship (class 14, 15)	60.99	2,783	3,218
Assistance (class 18)	30.47	69,013	23,511
Legal expenses insurance (class 17)	19.36	99	1,072
Other (class 16)	23.33	592	3,225
Total (average)	17.70	1,726,596	1,250,200

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

22. Insurance activity expenses

Insurance activity expenses, net of reinsurance	1 January – 31 December 2018	1 January – 31 December 2017
a) in direct insurance	2,722,910	2,606,189
b) in indirect insurance	270,206	206,606
Total insurance activity expenses, net of reinsurance	2,993,116	2,812,795

Insurance activity expenses (by type)	1 January – 31 December 2018	1 January – 31 December 2017
I. Administrative expenses	654,807	692,879
1. internal:	425,701	421,526
a) consumption of materials and energy	17,544	16,982
b) salaries and insurance and other benefits	363,376	346,046
c) amortization and depreciation	42,307	55,763
d) other administrative expenses	2,474	2,735
2. external:	229,106	271,353
a) third party services	114,776	138,616
b) commission for premium collection	58,975	85,743
c) advertising	38,236	31,439
d) other expenses	17,119	15,555
II. Acquisition expenses	2,371,050	2,137,915
1. internal:	372,315	363,335
a) consumption of materials and energy	16,485	15,932
b) salaries and insurance and other benefits classified as acquisition expenses	308,349	306,183
c) commissions on direct activity	-	-
d) amortization and depreciation	47,481	41,220
e) other acquisition expenses	-	-
2. external:	2,039,487	1,851,791
a) salaries and insurance and other benefits classified as acquisition expenses	-	-
b) commission on direct activity, including:	1,710,159	1,563,858
- acquisition commissions	761,060	667,987
- policy extension commissions	874,250	843,302
- commissions for servicing insurance and reinsurance agreements	74,849	52,569
c) commissions on indirect activity	215,150	164,710
d) third party services	74,988	79,778
e) advertising	25,253	25,961
f) other expenses	13,937	17,484
3. movement in deferred acquisition costs	(40,752)	(77,211)
III. Claims handling and subrogation collection expenses	719,052	705,296
1. internal:	340,527	290,808
a) consumption of materials and energy	3,270	10,245
b) salary of experts, adjusters and other salary associated with claims handling and pursuit of subrogation claims	303,860	248,978
c) amortization and depreciation	33,397	31,585
2. external:	378,525	414,488
a) third party services	199,976	196,290
b) other costs	178,549	218,198
IV. Investment activity expenses	511,306	512,696
1. internal:	8,457	9,274
a) consumption of materials and energy	950	1,275
b) salary and insurance and other benefits to employees	6,173	6,498
c) amortization and depreciation	1,334	1,501
2. external:	502,849	503,422
a) third party services	31,271	6,077
b) other costs ¹⁾	471,578	497,345

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

22.1 Acquisition expenses

Acquisition expenses	1 January – 31 December 2018	1 January – 31 December 2017
a) incurred in the financial period, of which:	2,411,802	2,215,126
- acquisition commission on direct insurance	1,710,159	1,563,858
b) deferred to future reporting periods	1,326,590	1,285,837

22.2 Administrative expenses

Administrative expenses	1 January – 31 December 2018	1 January – 31 December 2017
a) consumption of materials and energy	17,544	16,982
b) third party services	114,776	138,616
c) taxes and charges	11,843	10,231
d) salaries	285,198	275,447
e) insurance and other benefits	78,178	70,599
f) depreciation and amortization	42,307	55,763
g) other, including:	104,961	125,241
premium collection commission	58,975	85,743
advertising	38,236	31,439
business trips	2,474	2,735
insurance of property	869	616
Administrative expenses, total	654,807	692,879

23. Other operating income

Other operating income	1 January – 31 December 2018	1 January – 31 December 2017
a) financial income ¹⁾	3,635	219,932
b) income for acting as an emergency adjuster	12,079	8,747
b) income for direct claims handling	191,038	204,375
d) other operating income, including:	20,572	89,137
positive foreign exchange differences	8,906	76,885
indemnities received	1,949	4,325
re invoiced expenses	2,633	2,361
income on reversal of a provision for impairment losses and provisions for future costs	417	1,186
other	6,667	4,380
Total	227,324	522,191

¹⁾ "financial income" includes revenue from foreign exchange differences on loans received from PZU Finance AB (publ.) in the amount of PLN 1,121 thousand (in 2017: PLN 217,344 thousand).

24. Other operating expenses

Other operating expenses	1 January – 31 December 2018	1 January – 31 December 2017
a) financial costs ¹⁾	163,117	121,883
b) expenses for acting as an emergency adjuster	569	1,346
c) expenses of direct claims handling	206,904	215,664
d) tax on some financial institutions	190,042	177,637
e) other operating expenses, including:	113,649	223,125
negative foreign exchange differences	80,322	152,257
costs of recognizing the restructuring provision	-	41,558
donations	12,304	8,090
employment restructuring costs	137	6,477
other	20,886	14,743
Total	674,281	739,655

¹⁾ "financial costs" item contains costs of interest on loans received from PZU Finance AB (publ.) in the amount of PLN 62,705 thousand (PLN 59,159 thousand in 2017).

25. Interest income and expenses

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

25.1 Interest income calculated using contractual interest rates

Interest income calculated using contractual interest rates in 2018	Interest accrued and realized in 2018	Interest accrued but not realized in 2018 (by maturity from the balance sheet date)		
		up to 3 months	3 to 12 months	over 12 months
a) Investments in related parties	4,045	-	4,887	-
b) Other financial investments, including:	321,044	13,706	139,742	-
- debt securities and other fixed income securities	274,086	3,058	139,742	-
- participation in investments pools	-	-	-	-
- mortgage-backed loans	31,446	-	-	-
- other loans	16,640	12,026	-	-
- term deposits with credit institutions	(1,128)	(1,378)	-	-
- other investments	-	-	-	-
c) Receivables	-	-	-	-
Total interest income	325,089	13,706	144,629	-

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

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

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

25.2 Interest expenses calculated using contractual interest rates

Interest expenses calculated using contractual interest rates in 2018	Interest accrued and realized in 2018	Interest accrued but not realized in 2018 (by maturity from the balance sheet date)		
		up to 3 months	3 to 12 months	over 12 months
a) Liabilities for reinsurers' deposits	-	-	-	-
b) Other liabilities, including:	76,589	-	181,590	-
- liabilities on direct insurance	-	-	-	-
- reinsurance liabilities	-	-	-	-
- liabilities on the issue of own debt securities and drawn loans	73,083	-	181,590	-
- liabilities to credit institutions	3,506	-	-	-
- other liabilities	-	-	-	-
Total interest expenses in 2018, including:	76,589	-	181,590	-
- liabilities held for trading	-	-	-	-
- current liabilities	3,506	-	-	-
- non-current liabilities	73,083	-	181,590	-

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

26. Income tax

26.1 Tax Group

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

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

26.2 Current income tax

Income tax – information required by logical structures	1 January – 31 December 2018	1 January – 31 December 2017
A. Profit (loss) before tax for the year	2,993,740	2,745,558
B. Revenue exempt from taxation (permanent differences between the profit/loss for accounting purposes and the income/loss for tax purposes), including:	1,962,106	1,663,062
Dividends	1,697,946	1,452,271
Revenue included in the tax base in the previous year	199,865	192,634
Other financial income – discount on loans obtained	1,675	-
Other operating income	4,312	(8,851)
Revenue from refunded overpaid tax on assets	63	389
Unrealized investment gains	48,590	19,042
Cancellation of impairment/write-off of insurance receivables	121	128
Reversal of provisions for certain or probable losses	11,920	6,720
Gain from sale of real properties	(2,243)	745
Subrogation	(126)	(16)
Other	(17)	12
C. Non-taxable revenue in the current year, including:	321,440	455,451
Unrealized investment gains	338,339	443,773
Positive reinsurance items posted	(114,019)	(88,785)
Posted statutory and contractual interest on receivables	18,796	5,396
Reversal of the restructuring provision	110	-
Reversal of the provision for compensatory benefits	361	-
Profit on sale of a property/liquidation of a fixed asset or intangible asset	16,078	2,877
Posted income for direct claims handling	(3,997)	11,067
Other revenue posted	778	481
Reversal of impairment losses on receivables	65,004	80,634

Other	(10)	8
D. Taxable revenue in the current year, recognized in the accounting ledgers in previous years, including:	235,495	170,117
Change in taxable income due to the realization of the posted valuation of investments made in previous years	249,999	104,424
Increases in tax revenues due to unexplained payments	(57,233)	65,459
Prevention fund – increases/decreases due to interest charged by the bank	300	234
Allocation of revenues	42,429	
E. Non-deductible expenses (permanent differences between the profit/loss for accounting purposes and the income/loss for tax purposes), including:	(555,314)	(532,848)
Unrealized investment losses	(40,223)	(23,737)
Direct acquisition expenses	1,234	154
Impairment losses on receivables	(28,696)	(8,751)
Employee compensation (including mandate agreements, ZUS, EPP)	116	(235)
Estimated liabilities on non-insurance activity	(230)	(173)
Accrued expenses - administrative expenses	(888)	(1,501)
Ex gratia benefits	(2,387)	(1,726)
Contributions to organizations	(3,869)	(385)
Fines and penalties	(525)	(62)
PFRON disability fund	(6,395)	(6,313)
Car insurance above EUR 20,000	(118)	(56)
Taxes and charges	(200,482)	(177,637)
Representation	(1,521)	(4,900)
Donations	(12,304)	(8,090)
Receivables written down	(13,090)	(24,027)
Provisions for certain or probable losses	(11,633)	(12,738)
Loss on sale of property/liquidation of a fixed asset or intangible asset	(6,333)	(9,748)
Compensatory benefits	(26)	-
Depreciation and amortization	(5,192)	(8,881)
Other costs	14,645	(11,114)
Other prepaid expenses	(446)	998
Tax-deductible expenses applicable to previous year's revenue	(236,953)	(233,926)
Other	2	-
F. Costs not recognized as tax-deductible expenses in the current year, including:	(343,321)	(201,758)
Unrealized investment losses	(195,584)	(219,305)
Negative reinsurance items posted	(220)	46,505
Accrued acquisition expenses	40,752	77,211
Direct acquisition expenses	(28,908)	(18,008)
Impairment losses on receivables	(117,261)	(107,357)
Employee compensation (including mandate agreements, ZUS, EPP)	(18,166)	(6,687)
Restructuring costs	9,550	(18,749)
Provision for retirement severance pays	1,745	789
Provisions for holidays	(2,801)	(3,181)
Provisions for post-mortem benefits	59	1,857
Estimated liabilities on insurance and non-insurance activity	445	2,700
estimated liabilities on non-insurance activity	23	1
Liabilities to consultants	54	373
Accrued expenses - administrative expenses	3,930	(2,233)
Costs of direct claims handling	2,511	(879)
Impairment losses on real property	(25,380)	(944)
Compensatory benefits	82	(631)
Depreciation and amortization	7,616	45,529
Other costs	(19,180)	(2,561)
Other prepaid expenses	(1,999)	4,278
Accrued expenses – accrued fees for the lead co-insurer	(200)	(466)
Estimated liabilities on emergency adjustment services	(389)	-
G. Costs recognized as tax-deductible expenses in the current year, recognized in	(136,587)	(174,248)

the accounting ledgers in previous years, including:		
Change in tax-deductible expenses due to the realization of the posted valuation of investments made in previous years	(27,567)	(87,726)
Increase in tax-deductible expenses due to employee compensations	(3,855)	(3,954)
Increase in tax-deductible expenses due to insurance receivables written off as impairment losses	2,171	(12,992)
Realization of other expenses – non-deductible tax for VAT on representation	(560)	(466)
Other changes in tax-deductible expenses	(28)	(24)
Increase in tax-deductible acquisition expenses	-	(46)
Allocation of acquisition costs	(106,748)	(69,040)
H. Retained losses, including:	-	-
I. Other changes in the tax base, including:	(17,839)	77,995
Deductions from income – donations	14,365	13,243
Submission/correction of a tax return	(32,204)	65,248
Dividend tax subject to deduction / and national dividends not subject to deduction	-	(496)
J. Income tax base	1,725,576	1,279,525
K. Income tax	327,859	243,110

Since the item “Tax increases, waivers, exemptions, deductions and reductions” does not exist in the logical structures, the taxable base in the logical structures is presented in a different amount that would ensue from the regulation on financial statements in prospectuses. The table below presents the income tax information required by the regulation on financial statements in prospectuses.

Current income tax	1 January – 31 December 2018	1 January – 31 December 2017
1. Profit (loss) before tax	2,993,740	2,745,558
2. Income tax base	1,693,371	1,344,264
3. Income tax at the 19% rate	321,740	255,410
4. Tax increases, waivers, exemptions, deductions and reductions	6,119	(12,303)
5. Current income tax included in tax returns for the period, including:	327,859	243,107
- posted in the profit and loss account	327,859	243,107
- relating to items that are charged or credited to equity;	-	-
- relating to items that are charged or credited to goodwill or negative goodwill	-	-

Income tax, by type of activity	1 January – 31 December 2018	1 January – 31 December 2017
Differences between profit (loss) before tax and the income tax base	(1,300,369)	(1,401,294)
- arising from technical activities	48,153	50,346
- arising from extraordinary profits and losses	-	-
- other	(1,348,522)	(1,451,640)
Income tax base	1,693,371	1,344,264

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

26.3 Deferred tax

Deferred tax recognized in the profit and loss account	1 January – 31 December 2018	1 January – 31 December 2017
- reduction (increase) relating to the origination and reversal of temporary differences	(45,998)	43,422
- reduction (increase) relating to changes in tax rates	-	-
- reduction (increase) relating to previously unrecognized tax loss, tax credit or temporary difference of a prior period	-	-
- reduction (increase) relating to impairment losses on deferred tax assets or inability to use deferred tax liability	-	-
- other deferred tax items	-	-
Total deferred tax	(45,998)	43,422

In 2018 and 2017, there was no income tax relating to discontinued operations or extraordinary transactions.

Deferred tax recognized outside the profit and loss account	1 January – 31 December 2018	1 January – 31 December 2017
Total deferred tax amount:	270,136	242,412
- recognized in equity	270,136	242,412
- recognized in goodwill or negative goodwill	-	-

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

Share of the net profit (loss) of related parties measured by the equity method	1 January – 31 December 2018	1 January – 31 December 2017
Share of the net profit (loss) of related parties measured by the equity method, including:	11,451	35,069
- impairment recognized on goodwill of related parties	(214,913)	(60,304)
- impairment recognized on negative goodwill of related parties	-	-
- impairment loss on net asset measurement	226,364	95,373

28. Notes to the cash flow statement

The item “Other proceeds from operating activity” includes:

Other proceeds from operating activity – highlights	1 January – 31 December 2018	1 January – 31 December 2017
Refund of CIT advances – participation in the Tax Group	364,770	320,172
Proceeds to the Company Social Benefit Fund and the Labor Fund	4,478	4,928
Other proceeds	207,064	164,006
Total other proceeds from operating activity	576,312	489,106

The item “Other operating expenditures” includes:

Other operating expenditures – highlights	1 January – 31 December 2018	1 January – 31 December 2017
Corporate income tax	432,322	357,140
Expenditures for CIT advances – participation in the Tax Group	311,828	313,869
Tax on certain financial institutions	189,621	175,879
Expenditures from the Company Social Benefit Fund and the Labor Fund	57,380	50,361
Donations	10,865	13,200
Expenditures on account of VAT	20,477	11,651

Other expenditures	348,358	235,957
Total other operating expenditures	1,370,851	1,158,057

28.1 Restricted cash

The cash flow statement includes restricted cash items related to the resources of the Prevention Fund, the Company Social Benefit Fund and cash in the split-payment account. The restriction results from the fact that according to the Polish law and PZU's internal regulations, which are based on that law, these resources may be expended only for specific purposes, such as prevention or social activity or VAT settlements.

29. Other notes and explanations

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

Capital expenditures incurred in the financial year	2018	2017
Capital expenditures incurred, of which:	107,394	88,375
- expenditures for non-financial non-current assets	44,008	33,875

Capital expenditures planned for the 12 months following the balance sheet date¹⁾	31 December 2018	31 December 2017
Capital expenditures planned for the 12 months following the balance sheet date, including:	122,744	111,673
- expenditures for non-financial non-current assets	47,208	111,673

¹⁾ Data not audited by a statutory auditor.

30. Disputes

PZU participates in numerous court and arbitration disputes and administrative proceedings. Typical litigation involving PZU includes disputes pertaining to concluded insurance contracts, disputes concerning employment relationships and disputes relating to contractual obligations. Typical administrative proceedings involving PZU include proceedings related to the possession of property. Such proceedings and litigation are of a typical and repetitive nature and usually no particular case is of material importance to PZU.

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

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

In 2018 and by the date of signing the standalone financial statements, PZU was not involved in any material proceedings conducted before a court, an arbitration body or a public administration authority concerning any PZU liabilities.

As at 31 December 2018, the aggregate value of the subject matter of litigation in all 146,551 cases (145,931 cases as at 31 December 2017) pending before courts, arbitration bodies or public administration authorities in which PZU takes part, was PLN 3,482,359 thousand (PLN 3,473,748 thousand as at 31 December 2017). Out of this amount, PLN 3,059,677 thousand pertained to PZU's liabilities (PLN 3,070,828 thousand as at 31 December 2017) and PLN 422,682 thousand (PLN 402,920 thousand as at 31 December 2017) pertained to PZU's receivables.

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

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

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

- PLN 3,260,883 thousand to supplementary capital;

- PLN 20,000 thousand to the Company Social Benefit Fund.

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

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

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

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

On 17 December 2013, the Regional Court passed a judgment in which it accepted the claim in its entirety and awarded the costs of proceedings from PZU to MSC. On 4 March 2014, PZU filed an appeal against the above judgment, contesting it in its entirety. On 11 February 2015, the Appellate Court in Warsaw handed down a judgment that changed the judgment of the Regional Court of 17 December 2013 in its entirety, dismissed MSC's claim and charged MSC with the court expenses. The Appellate Court's judgment is final and non-appealable. MSC challenged the Appellate Court's judgment in its entirety in a cassation appeal of 9 June 2015. PZU filed its reply to the cassation appeal.

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

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

On 23 September 2015, a copy of the statement of claim with enclosures was delivered to PZU in the case launched by MSC against PZU for payment of PLN 169,328 thousand with statutory interest from 2 January 2015 to the date of payment. The statement of claim includes a demand to pay compensation for depriving MSC and J.P. Morgan (MSC acquired the claim from J.P. Morgan) as minority shareholders of PZU of their share in profits for the financial year 2006 in connection with the adoption of resolution no. 8/2007 on 30 June 2007 by the PZU Ordinary Shareholder Meeting. The case is pending before the Regional Court in Warsaw. On 18 December 2015, PZU's attorney replied to the statement of claim, requesting to dismiss it in its entirety. On 1 April 2016, MSC filed a pleading in which it responded to PZU's assertions, allegations and petitions and raised new arguments in the case. On 30 June 2016, PZU filed a response to MSC's most recent pleading along with requests for evidence. In its decision of 21 July 2016, the Court referred the case to a mediation procedure, to which PZU did not agree. In subsequent court sessions, evidentiary hearings have taken place.

The Management Board of PZU believes that MSC's claims are groundless. As a result, as at 31 December 2018, no changes were made to the presentation of PZU's equity that could potentially stem from the repeal of resolution no. 8/2007 adopted by the PZU Ordinary Shareholder Meeting on the distribution of profit for the financial year 2006, including the line items "Supplementary capital" and "Retained earnings (losses)", and the funds in the Company Social Benefit Fund were not adjusted.

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

On 13 November 2018 the Regional Court in Warsaw served a copy of the statement of claim lodged by Wspólna Reprezentacja SA in restructuring, which pertained to a claim against PZU for payment of PLN 34,117 thousand with statutory interest from 1 October 2015 to the payment date with court expenses. The claim comprises a claim for payment of damages for depriving the shareholders of their share of profits for the 2006 financial year. The plaintiff claims that the claims for damages were transferred by the shareholders to the plaintiff based on mandate agreements together with a fiduciary transfer of receivables and the claim pursued by the statement of claim is the total damage caused to the shareholders. PZU does not accept the claims as unjustified and replied to the statement of claim, requesting to dismiss it in its entirety.

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

30.2 Proceedings regarding a penalty imposed by the Office of Competition and Consumer Protection (“UOKiK”)

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

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

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

- no agreement (other than a brokerage agreement) was entered into between PZU and Maximus Broker;
- the President of the Office of Competition and Consumer Protection misunderstands the principles of execution of insurance 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 27 March 2015, the Regional Court in Warsaw issued a judgment in which it repealed the decision of the UOKiK President of 30 December 2011. By judgment of 6 December 2016, following an appeal of the UOKiK President, the Appellate Court in Warsaw repealed the judgment issued by the Regional Court in Warsaw and referred the case for re-examination. On 31 July 2017, the Regional Court issued a judgment in which it repealed the decision of the UOKiK President of 30 December 2011. On 4 October 2017, the UOKiK President filed an appeal with the Appellate Court in Warsaw. The Appellate Court in Warsaw, by its judgment of 23 January 2019, dismissed the appeal put forward by the UOKiK President. The judgment is final. The UOKiK President may file a cassation appeal with the Supreme Court against the final judgment.

PZU held a provision for this fine, in the amount of PLN 56,605 thousand as at 31 December 2018 and 31 December 2017.

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

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

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

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

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

Following the execution of the composition and reduction of claims to 20.93% of the reported figures, PZU received 206,139 PBG’s bonds with the nominal value of PLN 20,614 thousand and 24,241,560 PBG shares with the nominal value of PLN 24,242 thousand. The carrying amount of PBG’s shares as at 31 December 2018 was PLN 2,182 thousand (PLN 3,879 thousand as at 31 December 2017). Bonds – on 31 December 2018 and on 31 December 2017, they were recognized in off-balance sheet records only and the carrying amount of bonds was zero.

The first list of claims presented by Hydrobudowa's receiver to the judge commissioner contained PZU SA's claim for PLN 16,198 thousand. The fourth supplementary list of claims contained a claim for PLN 15,944 thousand. In respect of PZU's claims for the amount of PLN 66,699 thousand, on 24 October 2018 PZU filed an objection to the judge commissioner against the refusal to accept the submitted claim. The final list of claims submitted against the bankruptcy estate of Hydrobudowa has not been determined yet. Bankruptcy proceedings against Hydrobudowa are pending and the determination of the final list of claims is merely an initial step in these proceedings that precedes the drafting of the distribution plan (after the liquidation of the bankruptcy estate).

30.4 Miscellaneous

30.4.1. Inspections by the KNF Office

Between 5 April and 4 May 2018, a supervisory visit of KNF representatives to PZU was held, focusing on the system to manage operational risk related to the distribution of insurance products, in particular on the fraud prevention measures.

In the period from 19 June to 17 August 2018, a KNF inspection was conducted pertaining to claims handling and entering into short-term insurance contracts.

On 31 December 2018, the supervisory authority issued two key post-audit recommendations for the claims and benefits handling area and one recommendation regarding the execution of short-term insurance agreements with the deadline of 31 January 2019. The recommendations were fulfilled within the deadline.

The PZU Management Board is of the opinion that the results of the audit did not exert any impact on the standalone financial statements.

31. Headcount

Average headcount, by employee group	1 January - 31 December 2018		1 January - 31 December 2017	
	Average headcount (FTEs)	Average number of employees (persons)	Average headcount (FTEs)	Average number of employees (persons)
a) Supervisory Board	-	9	8	8
b) Management Board	-	5	5	5
c) Total headcount, including:	7,224	9,203	7,360	8,921
– management	335	546	349	552
– advisors	1	3	2	3
– actuaries	2	2	3	3
– other employees	6,886	8,652	7,006	8,363
– including agents on employment contracts	-	-	1	1
d) Number of agents without employment contracts (persons)	n/a	8,621	n/a	8,906

32. Agreements to audit and review financial statements

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

Audit fee payable to the audit firm auditing the financial statements	1 January – 31 December 2018	1 January – 31 December 2017
a) statutory audit of annual standalone/consolidated financial statements	609	4,950
b) other assurance services, including review of standalone/consolidated financial statements	759	1,793
c) tax advisory services	-	-
d) other services	-	-
Total	1,368	6,743

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

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

On 18 February 2014, the PZU Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw, ul. Inflancka 4A, 00-189 Warsaw, entered by the National Chamber of Statutory Auditors in the list of audit firms under no. 3546 as an entity auditing financial statements for the years 2014-2016, and on 27 April 2017, the PZU Supervisory Board exercised the option of extending this cooperation to include the years 2017-2018.

33. Related party transactions

33.1 Transactions with members of the PZU Management Board and the PZU Supervisory Board

In 2018 and in 2017, there were no transactions between PZU and the PZU Management Board Members, PZU Supervisory Board Members and persons who are in cohabitation with them, their spouses, relatives by blood or by marriage up to the second degree, persons related to them by adoption, guardianship or custody or other persons personally related to the PZU Management Board or Supervisory Board Members, other than following from executed non-life insurance agreements entered into on an arm's length principle.

In 2018 and in 2017, there were no material transactions between PZU and the entities, in which PZU Management Board Members, PZU Supervisory Board Members and persons who are in cohabitation with them, their spouses, relatives by blood or by marriage up to the second degree, persons related to them by adoption, guardianship or custody hold directly or indirectly at least 20% votes at the shareholder meeting, other than those following from executed non-life insurance agreements entered into on an arm's length principle.

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

In 2018 and 2017 there were no outstanding advances, loans, guarantees, sureties or other agreements with performance obligations pertaining to PZU Management Board Members or PZU Supervisory Board Members. There were also no obligations arising from old-age benefits or similar benefits in favor of former members of management boards, supervisory boards or administration bodies, or obligations incurred in connection with those old-age benefits.

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

Compensation of Management Board members, senior managers and members of the PZU Supervisory Board who discharged their functions for at least one day in 2018 or 2017.

Compensation and other short-term employee benefits paid by PZU	1 January – 31 December 2018 (000s PLN)		1 January – 31 December 2017 (000s PLN)	
		including bonuses and special awards:		including bonuses and special awards:
Management Board, of which:	3,857	-	6,870	2,042
Paweł Surówka	793	-	683	74
Rodger Hodgkiss	766	-	1,171	412
Tomasz Kulik	766	-	319	-
Maciej Rapkiewicz	766	-	1,152	379
Małgorzata Sadurska	766	-	421	-
Michał Krupiński	n/a	n/a	2 086 ¹⁾	895
Andrzej Jaworski	n/a	n/a	945 ²⁾	282
Marcin Chludziński	n/a	n/a	93	-

Compensation and other short-term employee benefits paid by PZU	1 January – 31 December 2018 (000s PLN)		1 January – 31 December 2017 (000s PLN)	
High-level managers (PZU Group Directors), including:	1,451	11	5,138	1,381
Aleksandra Agatowska	203	-	854	254
Tomasz Karusewicz	307	-	1,031	356
Bartłomiej Litwińczuk	307	-	754	122
Roman Pałac	317	-	986	378
Dorota Macieja	317	11 ³⁾	501	-
Paweł Surówka	n/a	n/a	261 ⁴⁾	72
Sławomir Niemierka	n/a	n/a	751	199
Supervisory Board, of which:	1,420	-	1,344	-
Maciej Łopiński	169	-	-	-
Paweł Górecki	170	-	131	-
Alojzy Nowak	170	-	154	-
Marcin Chludziński	156	-	133	-
Agata Górnicka	156	-	133	-
Robert Jastrzębski	127	-	-	-
Katarzyna Lewandowska	157	-	115	-
Robert Śnitko	156	-	105	-
Maciej Zaborowski	156	-	146	-
Aneta Falek	3	-	114	-
Bogusław Banaszak	n/a	-	142	-
Marcin Gargas	n/a	-	18	-
Paweł Kaczmarek	n/a	-	48	-
Eligiusz Krześniak	n/a	-	13	-
Jerzy Paluchniak	n/a	-	39	-
Piotr Paszko	n/a	-	13	-
Radosław Potrzeszcz	n/a	-	13	-
Łukasz Świerzewski	n/a	-	27	-

¹⁾ including non-competition fee of PLN 600 thousand

²⁾ including non-competition fee of PLN 276 thousand

³⁾ bonus for the Sponsoring Director function discharged from 1 January to 14 March 2017

⁴⁾ compensation for the period of discharging the PZU Group Director's function until 12 April 2017

As at 31 December 2018, the benefits for 2017 and for 2018 for PZU Management Board members under the variable compensation system have not been awarded. According to the compensation system in place, these persons may be entitled to a bonus for 2017 and 2018, which can be distributed in subsequent periods. Accordingly, a provision has been recognized for the payment of the bonus for 2017-2018 with the total amount of PLN 9,054 thousand as at 31 December 2018 (including the employer's burdens; PLN 2,625 thousand as at 31 December 2017).

Compensation and other short-term employee benefits paid by other PZU Group entities	1 January – 31 December 2018 (000s PLN)		1 January – 31 December 2017 (000s PLN)	
		including bonuses and special awards:		including bonuses and special awards:
Management Board, of which:	90	-	2,835	801
Paweł Surówka	90 ¹⁾	-	499	214
Rodger Hodgkiss	-	-	491	214
Tomasz Kulik	-	-	840	103
Maciej Rapkiewicz	-	-	446	135
Michał Krupiński	n/a	-	67 ²⁾	-
Andrzej Jaworski	n/a	-	492 ³⁾	135
High-level managers (PZU Group Directors), including:	2,206	6	3,030	706
Aleksandra Agatowska	344	-	509	137
Tomasz Karusewicz	460	-	604	192
Bartłomiej Litwińczuk	460	-	455	66
Roman Pałac	476	-	604	204

Dorota Macieja	466	6 ⁴⁾	319	-
Sławomir Niemierka	n/a	n/a	539	107

¹⁾ remuneration for the function of Pekao Supervisory Board Member discharged from 1 January to 20 June 2018

²⁾ remuneration for the function of Alior Bank's Supervisory Board Member discharged from 1 January to 14 June 2017

³⁾ including non-competition fee of PLN 149 thousand (PZU Życie)

⁴⁾ bonus for the Sponsoring Director function discharged from 1 January to 14 March 2017

Total estimated value of non-cash benefits granted by PZU and PZU's subsidiaries	1 January – 31 December 2018 (000s PLN)	1 January – 31 December 2017 (000s PLN)
Management Board, of which:	515	701
Paweł Surówka	149	62
Rodger Hodgkiss	115	144
Tomasz Kulik	77	76
Maciej Rapkiewicz	64	107
Małgorzata Sadurska	110	15
Michał Krupiński	n/a	162
Andrzej Jaworski	n/a	135
High-level managers (PZU Group Directors), including:	525	924
Aleksandra Agatowska	111	201
Tomasz Karusewicz	89	138
Bartłomiej Litwińczuk	118	151
Roman Pałac	129	168
Dorota Macieja	78	119
Sławomir Niemierka	n/a	147

Compensation of PZU Management Board Members, PZU Group Directors and PZU Supervisory Board Members paid, payable or potentially payable	1 January – 31 December 2018	1 January – 31 December 2017
a) Charged to costs	10,064	20,845
b) Arising from the issuer's share-based incentive or bonus schemes	-	-

33.2 Transactions with subsidiaries

Transactions with subsidiaries	1 January – 31 December 2018	1 January – 31 December 2017
1. Gross written premium on direct and inward reinsurance, including:	1,186,627	1,094,930
- from Link4	674,332	690,790
- from TUW PZUW	406,586	337,766
- from PrJSC IC PZU Ukraine	48,229	19,379
- from Lietuvos Draudimas AB	30,019	24,033
- from Alior Bank	3,492	2,636
- from AAS Balta	15,651	8,326
- from PZU Zdrowie	4	1,967
- from Bank Pekao	3,318	8,726
2. Dividend revenue, including:	1,725,346	1,469,407
- from PZU Życie	1,257,483	1,429,346
- from Bank Pekao	414,703	-
- from TFI PZU	15,628	13,944
- from AAS Balta	-	8,485
- from Lietuvos Draudimas AB	27,400	17,136
- from PZU Tower	7,359	-
- from Ogrodowa Inwestycje	2,773	496
3. Other income, including:	31,963	240,558
- foreign exchange differences on loans from PZU Finance AB	1,121	217,344
- refund of part of the management fee for financial assets from TFI PZU	10,106	10,748
- rents in buildings leased to PZU Group companies	1,670	2,850
- foreign exchange differences on loans extended to PZU Group entities	461	2,841
- re-invoicing of costs from subsidiaries	1,938	1,823

Transactions with subsidiaries	1 January – 31 December 2018	1 January – 31 December 2017
4. Gross claims and benefits paid, including:	465,142	338,516
- to Link4	337,662	209,518
- to PZU Pomoc SA	130	26,268
- to PrJSC IC PZU Ukraine	27,167	22,561
- to AAS Balta	2,250	213
- to Lietuvos Draudimas AB	12,910	55,204
- to TUW PZUW	84,175	23,783
5. Other expenses, including:	470,141	307,033
- foreign exchange differences on loans from PZU Finance AB	111,408	2,196
- reinsurance commissions for Link4	175,727	143,641
- interest expenses on loans from PZU Finance AB	62,706	69,306
- IT services rendered by PZU CO	37,140	37,424
- reinsurance commissions to PrJSC IC PZU Ukraine	10,888	8,737
- lease of space from Ogrodowa Inwestycje	4,101	5,216
- mass printing services provided by PZU CO	2,326	4,680
- profit sharing for PrJSC IC PZU Ukraine	2,498	1,039
- reinsurance commissions for TUW PZUW	25,809	10,806

Transactions with subsidiaries	31 December 2018	31 December 2017
1. Receivables, including:	225,376	134,344
- CIT receivable – Tax Group	30,853	10,893
- receivables on inward reinsurance - premium from TUW PZUW	172,121	100,917
- other receivables from Link4	5,101	3,821
- insurance premium receivables from Alior Bank	253	2,484
- receivables on inward reinsurance - premium from PZU Ukraine	4,356	3,120
- insurance premium receivables from Bank Pekao	505	7,750
2. Liabilities, including:	3,742,254	3,585,058
- liabilities from a loan from PZU Finance AB (publ)	3,677,344	3,558,260
- other insurance liabilities to Alior Bank	30	-
- CIT liability – Tax Group	3,865	5,535
- inward reinsurance liabilities - to TUW PZUW	20,925	6,178
- inward reinsurance liabilities - to PZU Ukraine	4,892	3,534
- other liabilities to PZU CO	6,927	7,744
3. Contingent (off-balance sheet) receivables arising from a guarantee extended to Alior Bank	100,000	100,000
4. Contingent liability (off-balance sheet) for the extended guarantee to Alior Bank	116	146

33.2.1. Loans from PZU Życie

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

In 2017, PZU Życie granted loans in the total amount of PLN 500,000 thousand. As at 31 December 2017, all the loans have been repaid. In 2018, PZU did not grant any loans to PZU Życie and did not receive any loans from PZU Życie.

33.2.2. Granting of sureties or guarantees for loans or borrowings by PZU or its subsidiaries

In 2018, neither PZU nor its subsidiaries granted any sureties for a loan or borrowing or gave guarantees to any single entity or any subsidiary of such an entity if the total amount of outstanding sureties or guarantees would be significant, except for the first guarantee securing loan repayment by a subsidiary with a guarantee sum in favor of the lender of PLN 495,000 thousand after conversion.

33.2.3. Loans granted to related parties

Loans granted to related parties are described in section 2.4.3.

33.3 Transactions with associates

In 2018 and in 2017, PZU had no associates.

Signatures of the PZU Management Board Members:

Name	Position	
Paweł Surówka	President of the PZU Management Board	signed by qualified electronic signature
Tomasz Kulik	Member of the PZU Management Board	signed by qualified electronic signature
Roger Hodgkiss	Member of the PZU Management Board	signed by qualified electronic signature
Maciej Rapkiewicz	Member of the PZU Management Board	signed by qualified electronic signature
Małgorzata Sadurska	Member of the PZU Management Board	signed by qualified electronic signature

Person responsible for keeping the accounting ledgers

Katarzyna Łubkowska	Director of the Accounting Department	signed by qualified electronic signature
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Actuary supervising the actuarial division

Paweł Chadysz	Director of Insurance Risk	signed by qualified electronic signature
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Warsaw, 12 March 2019