Management's Report of PZU for the year 2014

01

1 Brief description of PZU

The Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU", "Issuer", "Company") is one of the largest insurance institutions of non-life insurance in Poland with market share of 31.4% and one of the largest insurance institutions of in Central and Eastern Europe.

PZU stands on the forefront of PZU Group (PZU Group, the Group).

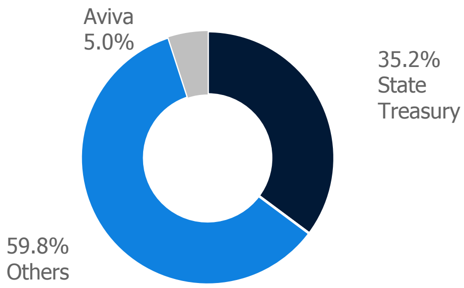
Innovativeness, ethics in operation and adaptation to the increasingly demanding market conditions constitute the basis for PZU's rapid expansion. The year 2014 saw PZU present a clear growing trend in the non-life insurance sector thanks to the changes made to customer service and the implementation of new solutions.

PZU on the capital market

The event, which became an additional catalyst for change and PZU's offensive turn towards modernity, was its IPO in 2010. The value of the public offer was almost 8.1 billion PLN and was the largest IPO not only in the history of the Polish capital market, but also in Central and Eastern Europe since the beginning of the economic transformations, as well as throughout the whole of Europe since 2007. PZU's shares have ended up on the accounts of 250 thousand individual investors.

PZU's strategic investor is the State Treasury, which, at the end of 2014, held a 35.2% share of the Issuer's share capital.

PZU shareholding structure as at 31.12.2014



PZU has been distributing the profit generated to its shareholders since the start of its quotation. The company has a clearly defined dividend policy. The main objective of PZU Group's "Capital and Dividend Policy for the Years 2013–2015", which was adopted in August 2013 and updated in May 2014, is to reduce the cost of capital by optimizing the statement of financial position structure through the conversion of equity to cheaper external capital, while maintaining a high level of security and development funding.

The dividends paid out of the profits for 2010–2013 gave PZU's shareholders high dividend yields compared with other large stock market companies. A shareholder, who acquired PZU's shares from the IPO in May 2010 increased his savings by 101.3%. by the end of 2014.

PZU have had a Standard&Poor's rating at the "A" level since 2009. This is the one of highest rating awarded to companies in Poland

PZU – strong customer orientation

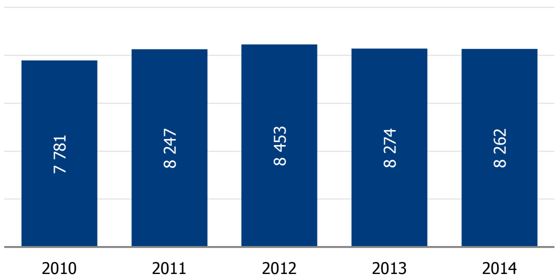
PZU's products accompany individual customers at every stage of life and every stage of development of companies. PZU's products provide comprehensive insurance coverage in all major areas of private, public and business life.

PZU also supports the Polish economy as it insures big infrastructural projects such as investments in the energy industry and construction and modernisation of railway lines.

In 2014, PZU started to offer solutions unprecedented on the Polish market: direct claims handling and its own fleet of replacement cars, ecological hybrid vehicles.

PZU's customers have access to the largest sales and service system among Polish insurers. It includes 414 branches, 6.3 thousand exclusive agents, 3 thousand multiagencies, and electronic distribution channels (helpline, the Internet). It is also implementing a modern IT system, with a view to building closer relationships with the multi-million group of its customers.

Gross written premium (million PLN)

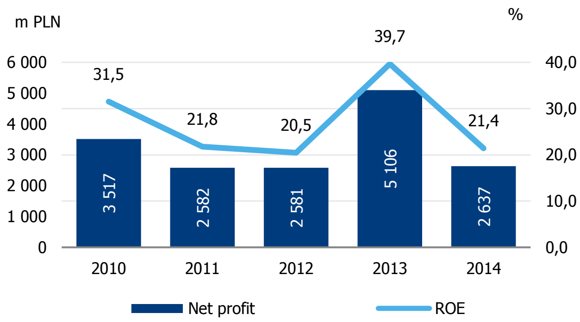


PZU strives to preserve the highest service standards, which cover regular and advanced surveys concerning customer satisfaction. In 2014, they showed that 91.5% of customers (PZU and PZU Życie) are satisfied with the claims handling process. The NPS (Net Promoter Score) among customers who experienced the claims handling process or received a payment of benefits, was as high as 26%. As many as 49% of customers indicated that they are active promoters of PZU.

PZU – high operational efficiency

According to National Accounting Standards, the financial results achieved by PZU in recent years place it among the most profitable financial institutions in the country. They simultaneously contribute to high performance ratios. In 2014, the rate of return on capital was 21.4%. In 2014, the combined ratio (COR) Appendix: GLOSSARY OF TERMS for non-life insurance was 94.7%.

Net profit (million PLN) and ROE (%)

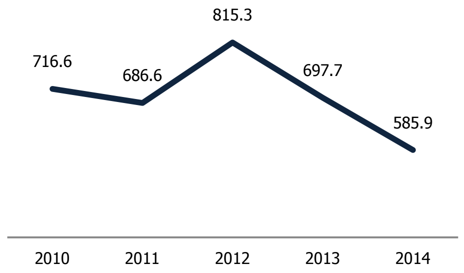


PZU complies with all safety standards of business. Equity amounted to PLN 12,328.7 million as at 31 December 2014. The solvency margin ratio at PZU significantly exceeded the average for the insurance sector (according to Solvency I).

KPI	2014	2013	2012	2011	2010
ROE	21.4%	39.7%	20.5%	21.8%	31.5%
Combined ratio	94.7%	87.3%	92.3%	94.9%	103.7%
Dividend yield*	7.0%	11.1%	5.1%	8.4%	3.1%

* Advance dividend included in the year of payment

Solvency as per Solvency I (%)



PZU's insurance portfolio is not exposed to concentration risk. This results from the considerable portfolio diversity. It largely consists of a substantial share of premiums obtained from the mass market (non-life insurance). At the end of 2014, PZU employed approximately 7.96 thousand employees calculated as FTEs.

PZU Strategy 3.0

In January 2015, PZU passed the new *PZU Business Strategy – PZU 3.0*. **PZU Strategy**

It assumes further expansion of PZU until the year 2020.

Using two different brands (PZU and Link4), the Group will expand its share in the Polish non-life insurance market to at least 35% by the year 2020. Simultaneously, it will become one of the three biggest insurance companies in Central and Eastern Europe (in the countries where it is already present). Furthermore, the Group will consider the possibilities of further acquisitions on prospective markets. The high operating effectiveness will increase the value for the stockholders.

PZU socially responsible

Social responsibility – of the whole firm and every employee – is the foundation of all PZU's activities and a prerequisite for sustainable development.

PZU represents an operating philosophy, which stresses the following three basic values:

- we are Fair.
- we are Effective.
- we are Innovative.

The CSR activities **Appendix: GLOSSARY OF TERMS** undertaken in support of the business objectives apply to the following areas:

Client relations. PZU enforces the *Good Practices in PZU* code, which establishes the standards for ethical business operations. In order to learn the needs and opinions of the clients, we conduct surveys, take advantage of social media, analyse complaints, and conduct quality audits of our communication with the clients.

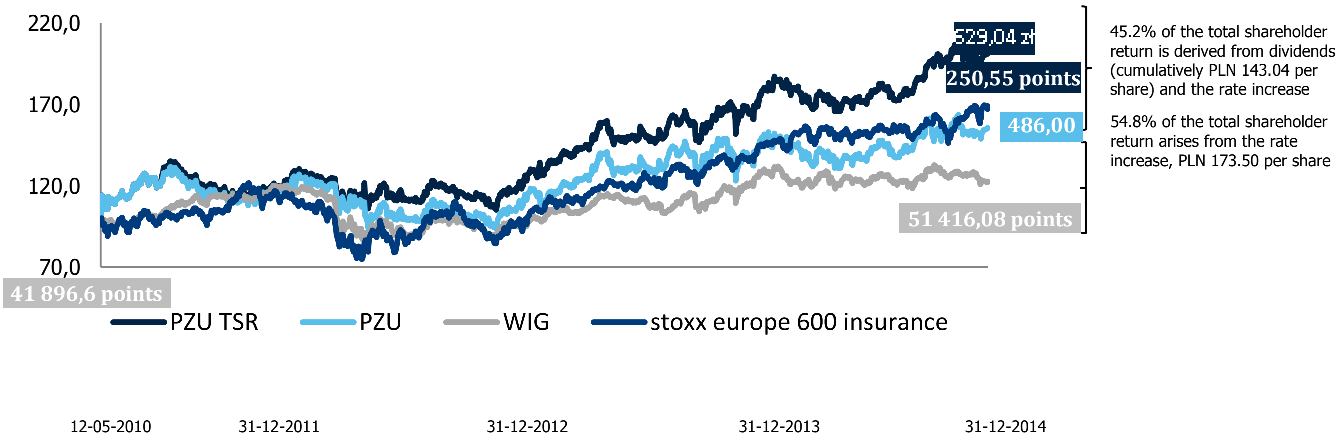
Activities for the community and hence concern for financial awareness and comprehensive safety; PZU sponsors a number of education-oriented ventures. In 2014, PZU also conducted a nationwide campaign to Stop Wariatom Drogowym (stop road rage).

Employee relations - building performance-oriented organizational culture. The year 2014 included the third employee commitment survey. The results of this survey serve as the foundation for the development of PZU's programmes oriented on building organisation culture.

Otwarte PZU, *TalentUp* and *SmartUp* are the three main programmes for PZU's employees. Other than recognising employees with high development potential, they promoted direct and straightforward communication, teamwork, and encouraged the employees to seek innovative solutions.

Environmental impact. PZU's activities take two forms: of responsible internal resource management and of building environmental sensitivity and awareness among stakeholders: employees, clients, business partners, suppliers and representatives of local communities.

Quotation of PZU share prices from its IPO at WSE (12.05.2010=100) until 31.12.2014



PZU TSR - total shareholders' return, including PZU dividend paid

PZU key financial data 2010-2014 (in PLN million)

Data from income statement	2014	2013	2012	2011	2010
Gross written premiums (in PLN million)	8,262	8,274	8,453	8,247	7,781
Net earned premiums (in PLN million)	7,903	8,108	8,277	7,906	7,490
Claims and benefits (in PLN million)	5,231	5,047	5,473	5,387	5,632
Acquisition expenses (in PLN million), including reinsurance fees	1,523	1,367	1,495	1,485	1,466
Administrative expenses (in PLN million)	729	663	676	634	664
Technical result (in PLN million)	564	1,062	640	332	(245)
Net investment result (in PLN million)	2,568	4,633	2,473	2,844	4,234
Gross profit (loss) (in PLN million)	2,855	5,391	2,924	2,742	3,671
Net profit (loss) (in PLN million)	2,637	5,106	2,581	2,582	3,517
Total assets (in PLN million)	34,630	30,137	29,913	27,398	26,350
Financial assets (in PLN million)	31,031	27,609	27,591	24,883	23,832
Equity (in PLN million)	12,329	12,260	13,453	11,745	11,902
Technical provisions (in PLN million)	16,861	15,913	14,933	13,895	13,102

The most important events in 2014

Non-life insurance	Gross written premium at PLN 8,261.8 million, i.e. decrease of 0.1% in relation to 2013. Decline in MTPL premium is offset by an increase in non-motor premiums. Leader on the Polish non-life insurance market with share of 31.4%. Market leader with a share of 34.7% on the motor insurance market (after 3 quarters of 2014). Visible growing tendency of market shares following the second and third quarters of 2014. Introduction of a modified non-motor TPL and household insurance offer (All Risk formula).
Infrastructure	Completed stage I of implementing the new *Everest* IT system for non-life insurance policies. Providing the system to 17.5 thousand end users. Offering a direct claims handling system. Creation of own fleet of replacement cars composed of 300 hybrid vehicles. Establishment of the Organizatorzy Pomocy Poszkodowanym w Wypadkach team (Providers of Assistance to Accident Victims).
Human resources management	At the end of 2014, employment of approximately 7.96 thousand employees calculated as FTEs. Employment restructuring process. Introduction of PZU's bonus system (Wynik-Ocena-Wartości - Result–Rating–Values). Extensive employee training programme. Every employee benefited from an average of 24 hours of onsite training and 7 hours of e-learning in 2014.
Financial results and safety of operations	Net profit at PLN 2,636.7 million, i.e. 48.4% lower than in 2013, mainly due to a lower dividend from PZU Życie. Return on equity 21.4% – a decline of 18.3 p.p. compared with 2013. PLN 4,663.0 million of PZU's net profit paid as dividend. Maintenance of solvency ratios which are higher than the average for the sector.

02

2 External environment in 2014

Contents:

2.1 Main trends in the Polish economy

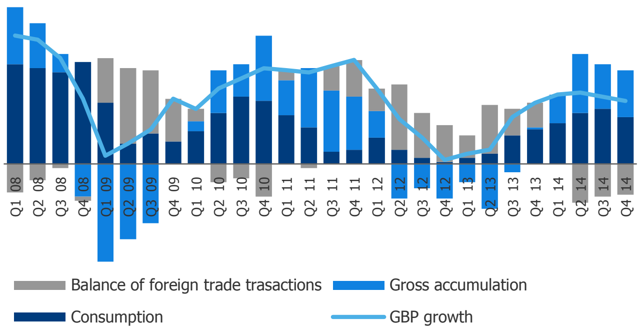
Gross Domestic Product

According to the initial assessment of the CSO, the real GDP in Poland increased by 3.3 % in 2014 compared with 1.7% in the previous year. The GDP growth rate in 2014 remained rather stable, maintaining a level between 3.3% y/y and 3.5% y/y during the first three quarters. In the fourth quarter, the GDP dynamics dropped to 3.1% y/y.

After two years of stagnation, the domestic demand grew considerably in 2014, i.e. by over 4%. A considerable, real increase in household income, with the substantial improvement of the situation on the labour market, allowed a significant growth of consumption. The consumption growth in the household sector was 3.1% (1.1% in 2013). With the biggest growth of public consumption since 2010, the real total consumption grew by 3.0% in comparison to 2013. In the face of sustained relatively favourable economic prosperity indicators, the good financial condition of enterprises benefited their investment growth during the year. The gross investments in tangible assets grew by 9.5% in 2014, the highest growth since 2007. This was also accompanied by the growing dynamics of investment loans.

The stimulation of the domestic demand resulted in a significant growth of import. In effect, with the negative consequences of the Russian-Ukrainian conflict on the Polish export, the impact of net export on the GDP growth was clearly negative in 2014. However, it should be highlighted that despite the issues concerning export to the eastern markets and the relatively weak economic condition in the Euro zone states, the export dynamics improved. The declining export to Russia and Ukraine was compensated by the growing export to other markets.

GBP growth composition in 2008 - 2014



The labour market and consumption

The situation on the labour market improved considerably in 2014. The rate of unemployment registered in December of 2014 was 11.5% compared to 13.4% at the end of the previous year. In 2014, the average monthly employment in the business sector grew by 58 thousand people and its annual dynamics grew to 1.1% y/y in December compared to 0.3% y/y at the end of 2013.

In the light of the very low inflation, the 2014 pressure on salary increases remained relatively low. In 2014, the dynamics of average monthly remuneration in the business sector decreased to 3.4% in comparison to 3.7% in 2013. The real remunerations rose considerably with the very low inflation and the dropping consumer price index (CPI) in the second half of the year. With consideration of the price changes, the average monthly remuneration in the national economy was 3.4% in 2014 in comparison to 2.8% the year before. The average monthly real dynamics of the remuneration fund in this sector in 2014 was 4.5% y/y – the biggest in 6 years. It can be assessed that real disposable income growth in 2014 was considerably higher than in 2013. The consumer financial condition indicators also systematically improved.

As employment grew and unemployment dropped, the improving financial situation of households was beneficial to growing consumption. The dynamics of household consumption in the fourth quarter exceeded 3.1% y/y.

Inflation, monetary policy and interest rates

In 2014, the annual average consumer price index (CPI) did not change in comparison to the 0.9% growth in 2013. The annual consumption index has remained negative from July 2014, reaching -1.0% y/y in December.

Such strong inflation decrease in 2014 resulted mainly from supply factors – primarily the dropping global petroleum prices and the visibly dropping food prices. At the same time, the demand and remuneration pressure on price growth continued to be very weak with the import of low inflation from abroad. Net inflation (CPI excluding food and energy prices) declined to an annual average of 0.6% compared with 1.2% in 2013.

The BP reference rate remained at 2.5% until September of 2014. In the first half of the year, the Monetary Policy Council announced that the interest rates would likely be maintained at the same level, but abandoned any form of *forward guidance* at the July session as the interest rates remained the same. In October, the Monetary Policy Council lowered the reference rate by 50 base points to 2.0%. Additionally, the Council narrowed down the interest rate corridor and set its bottom limit - the rate of interest on the deposits placed by banks in the NBP – at 1%, simultaneously lowering the top limit – the rate of Lombard credit – by 1 percentage point to 3.0%. The promissory note rediscount rate was reduced correspondingly to the reference rate – by 0.5 p.p. to 2.25%. Furthermore, the interest rate for the obligatory provisions, which had previously constituted 0.9% of the NBP rediscount rate, was bound with the same coefficient to the NBP reference rate – entailing reduced interest rate of bank funds. The rates remained at the level established in October of 2014 for the next two months.

Public finance

According to initial estimations, the State Budget deficit for 2014 was approximately PLN 30 billion, which is considerably lower than the planned PLN 47.5 billion This deficit is also considerably lower than that of 2013, which was PLN 42.2 billion. The government believes that the entire deficit of the public finance sector will drop below 3.0% GDP in 2015 from the 3.3% GDP initially assessed in 2014.

Poland had no problems in obtaining debt financing – 30% of borrowing needs planned for 2015 had been financed at the end of 2014.

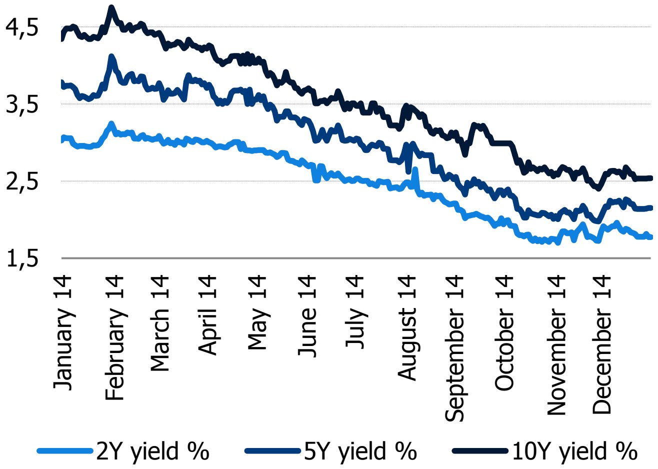
2.2 The Situation on the Financial Markets

The main trends of the global financial markets were strongly associated with the development of the economic situation in the USA and the Euro zone and with their central banks – the Federal Reserve and the European Central Bank. The Russian-Ukrainian conflict and the sudden petroleum price drops also had significant impact on the markets. Despite the reduction of the "quantitative easing" in the USA until its complete end, the country's treasury bonds declined. This was caused by moderate inflation and skilful communication between the Fed and the market, which saw the central bank extinguish the expectations for interest rate rises in the near future. The treasury bonds yields also dropped in the Euro zone in light of the concerns with economic growth and towards the very low inflation. Furthermore, in June 2014, the EBC announced a package of actions to ease the monetary policy and lowered the interest rates in the Euro zone. Additionally, before the end of the year there was a rising belief of the financial markets that the EBC would be forced to expand its operations over purchasing of treasury bonds in the Euro zone. The yields decline in Europe led to the reduction of differences between the interest rates of bonds in Germany and the so-called "peripheral" countries of the Euro zone.

The USA stock market saw a much more significant growth trend than the Euro zone, especially in the second half of 2014 – which was a reflection of the relative condition of the economies of the two regions and the impact of the Russian-Ukrainian conflict on Western Europe.

2014 was not a good one for the Polish stock exchange. The value of the broad market index, WIG, remained virtually unchanged (0.3% growth), but the index of the largest and most liquid companies, WIG20, dropped by 3.5%. In 2014, these indices fluctuated with no clear change direction. The markets began to observe considerable uncertainty – especially in the second half of the year with the escalation of the Russian-Ukrainian conflict. The inflation index was also considerably lower than commonly expected. Additionally, the operating changes of open pension funds entailed the reduction of stock price support from pension funds.

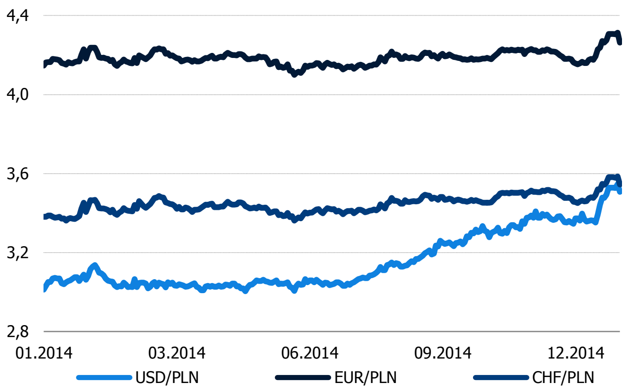
Treasury bond yield in 2014



In 2014, the gradient of the Polish treasury bond yield curve clearly dropped, especially concerning obligations with longer maturity periods. The difference between the yields of 10-year and 1-year treasuries dropped by approximately 100 basis points. The declining yields in Poland was corresponding to the European trend. This was also influenced by the strong drop of the inflation rate in Poland. The 2014 lowering in the NBP reference rate in 2013 was an important factor in the decline in the yields of shorter maturity instruments. For 1-year instruments, this decline amounted to approximately 90 basis points. The 5-year and 10-year bond yields dropped in 2014 by appropriately 120 and 150 basis points.

The most important event on the currency market in 2014 was the trend of the strong apreciation of the US dollar to the euro, which resulted from the clear differences in the conducted monetary policy and the economic condition. In effect, the euro lost 12.2% to the dollar in 2014. The PLN to USD exchange rate also changed – the dollar cost 16.4% more than at the end of 2013. The Polish currency remained rather stable in comparison to the European one, to which it lost approximately 2.8%. The currency rate of the PLN towards the Swiss frank dropped by 4.8%.

PLN exchange rate in 2014



2.3 Regulations regarding the insurance and financial markets in Poland

The year 2014 was a period of intense preparations aimed at the implementation of the requirements of the Solvency II Directive, which will be enforced towards insurance companies from 1 January 2016. The new system focuses on the risk taken by insurance companies.

On 11 March 2014, the European Parliament passed the so-called Omnibus II directive, which modifies the regulations of the Solvency II Directive (2009/138/ECon the taking-up and pursuit of the insurance and reinsurance business). One of the key elements was the authorisation of the European Commission to pass legally binding acts of the tier 2 and 3in scope of the Solvency II system. This means that the individual state legislators do not have to implement detailed regulations in their states. The insurance companies are obliged to obey the requirements passed at the level of the European Commission.

An important document in the Solvency II system is the Level 2 delegated Act, i.e. the Delegated resolution of the Commission (EU) 2015/35 dated 10th October 2014. The delegated Act evolves upon numerous regulations of the Solvency II Directive, which will be enforced from 1st January of 2016 and partially from 1st April 2015. Furthermore, the aforementioned document is a collection of technical recommendations in scope of the calculation of capital requirements and own funds.

In January of 2015, the EIOPA (European Insurance and Occupational Pensions Authority) published the first set of recommendations, i.e. the Level 3 documents.

There is also ongoing work on the draft of the Act on Insurance Activity Appendix: GLOSSARY OF TERMS in connection with the implementation of Solvency II.

According to the Act's project, there will be more capital requirements that should correspond to the specific risk profile of a given insurance company and reinsurance company. The own funds of a company have to be at a level guaranteeing the coverage of the potential losses and the required benefits for the insured and the beneficiaries. The drafted Act expands the requirements in scope of the internal risk management procedures and the informative obligations of the insurance companies regarding capital security and risk management. The companies will be obliged to implement procedures associated not only with insurance risk but also credit, market, liquidity, and operating risk and to report their financial condition to the PFSA (Polish Financial Supervision Authority). The draft also assumes changes to the current regulations concerning the obligations of the insurance companies regarding entering and performing insurance contracts. The Act shall authorise the PFSA to issue recommendations concerning specific insurance and reinsurance activity.

In 2014, PFSA released recommendations concerning flood risk management in the insurance sector, insurance distribution, motor insurance claims handling, outwards reinsurance / retrocession, IT management, and IT security. The recommendations fall under the "apply or explain" rule. Institutions under supervision may not follow the Principles; but if the company fails to implement any of the principles, either permanently or incidentally, it is obliged to inform the market of this fact and justify reasons for non-implementation of a given principle.

Other than the work on implementing the requirements of the Solvency II Directive, there was also work on other regulations, which had or will have impact on the operations of PZU. Some of them are listed below:

The Act dated 30th May 2014 concerning consumer rights (valid from 25 December 2014)

Pursuant to the Act, the deadline for the insured to withdraw from the insurance agreement entered from a distance is 30 days. The consumer is not entitled to withdraw from agreements concerning travel, baggage, and similar insurance if they are established for less than 30 days.

Every action made for purposes of direct marketing (sales) though telephone, computer, mobile devices, and other similar devices requires prior consent of the client – physical or legal entity.

Amendments to the Act dated 22nd May 2003 on insurance agents implemented by the Act dated 9th May 2014 concerning facilitation of access to practicing certain regulated professions (in force from 10th August 2014) – the amendments to the Act on insurance agents concern the deregulation of authorisations to perform brokers and agency actions. The strictly defined circumstances saw the lifting of mandatory exams for brokers and the periodical professional training every three years for both insurance agents and brokers.

The Act dated 10th June 2014 on amending the Act on competition and consumer protection and the Code of Civil Procedures Act. The Act comes into effect on 18 January 2015 and introduces several changes to the Polish anti-monopoly law aimed to strengthen the domestic system of competition and consumers protection. The Act aims to improve the detection of competition limitation, the effectiveness of detection and prosecution of entrepreneurs entering illegal agreements, and strengthen the positions of the weaker players on the market. The Act changes the obligation of notifying about the intention of concentration in instances of acquiring control of an entrepreneur or the property of another entrepreneur.

The Act dated 29 August 2014 on amending the Act on corporate income tax, the Act on personal income tax, and several other acts.

The Act made amendments to the regulations concerning inadequate capitalisation and limits the exception of revenues acquired from investment-related life insurance – structured products.

Jurisdiction and the Abusive Clauses Register

On 27 June of 2014, the Supreme Court (ref. no. III CZP 2/14) confirmed that pursuant to Art 448 of the Civil Code GLOSSARY OF TERMS the closest relative is entitled to compensation from the TPL insurance of motor vehicle owners of for damage resulting from the pain and suffering if the casualty died before 3rd August 2008 and if there was actual relation between the claimant and the casualty, a mental and emotional bond.

Effects: increased accountability of insurance companies offering motor vehicle insurance; confirmation of the obligation of disbursement to the closest relative from the TPL insurance of motor vehicles owners , monetary compensation for damage resulting from pain and suffering if the casualty died before 3 August 2008.

2.4 Macroeconomic factors which can affect the operations of the Polish insurance sector and PZU's activities in 2015

We forecast that the 2015 GDP growth will be similar to that of the last year. Much like in 2014, the main factors of economic growth will be consumption and investment growth. If the real GDP growth is maintained above 3% and the solid dynamics of the domestic demand continue, the conditions for insurance sales should be relatively favourable.

The deflation will likely be maintained at least until halfway through 2015 with a slight annual average drop of consumption prices. This factor will support the preservation of the relatively high remuneration dynamics and thus the purchasing power of households. According to PZU's projections, the 2015 individual consumption growth rate should slightly accelerate as compared to the previous year. However, it is difficult to project the consequences of the maintaining price drop for a longer period as the mechanisms weakening economic growth and having unfavourable impact on the insurance market in this situation cannot be excluded. It should also be noted that the lower fuel prices may entail a higher claims ratio of motor insurance.

The prospects of economic growth in Poland considerably depend on the future situation in the Euro zone. The potential escalation of the Russian-Ukrainian crisis and the associated sanctions create a considerable threat to the economy of the Euro zone, which is having a hard time rising from the crisis, is suffering debts, and is trying to avoid the deflation trap. In this situation, there is a risk of the economic growth in Poland falling below projections – although the direct impact of Ukraine's and Russia's economic problems on the dynamics of the Polish economy has thus far been limited and should remain as such.

The very low yields of bonds will continue to be a challenge in the context of the technical interest rate level

The operations and investment result of PZU may also suffer from the effects of the unstable financial markets, which may have several potential sources in 2015. The first is the perspective of the economic growth in Poland, Europe, and the USA, which forms investment demand, particularly on the stock market. The recent years since the outbreak of the global financial crisis also show the significant impact of the monetary policy of the central banks on the dynamics of the financial markets. The most important thing in 2015 will be the investors' collection of "quantitative ease" in the Euro zone and its stimulation of the real economy and inflation expectations. Risk is the moment and scope of potential tightening of the US monetary policy, which may entail a certain capital outflow from rising markets.

Another risk factor is the PLN FX rate, which has been increasingly variable as of late. A weakened Polish currency can be unfavourable to insurance operations e.g. by raising the prices of car replacement parts.

Geopolitical factors will also have considerable impact on the financial markets in 2015, as they had in 2014. The Russian-Ukrainian conflict and its effects on the economic condition of the Euro zone and risk aversion level on financial markets continues to be a source of risk. The unstable situation in the Middle East continues as a result of, but not limited to, the new threat presented by the Islamic State.

Another important risk factor for 2015 is the level of petroleum price, which considerable drop in the second half of 2014, considerably effected on both financial markets and the global economy. It is difficult to say whether the petroleum prices will rise next year or remain at their current levels. Their dynamics may impact global inflation and economic growth, contributing to the valuation of assets on stock and obligation markets.

Forecasts for the Polish economy	2015P*	2014	2013	2012	2011
Real GDP growth in % (y/y)	3.4	3,3	1.7	1,8	4.8
Increase in individual consumption in % (y/y)	3.3	3,1	1.1	1,0	3.0
Increase in gross expenditure on tangible assets in % (y/y)	7.0	9,5	0.9	(1,5)	9.3
Inflation in % (y/y, end of the year)	1.4	(1,0)	0.7	2,4	4.6
Increase in nominal salaries in the national economy in % (y/y)	4.2	3,4	3.7	3,7	5.6
Rate of unemployment in % (end of the year)	10.5	11,5	13.4	13,4	12.5
NBP base rate in % (end of the year)	1.75	2,00	2.50	4,25	4.50
Annual average EUR/PLN exchange rate	4.20	4,19	4.20	4,19	4.12
Annual average USD/PLN exchange rate	3.81	3,16	3.16	3,26	2.96

Source: PZU Macroeconomic Analysis Bureau

* Forecast of 26th January 2015

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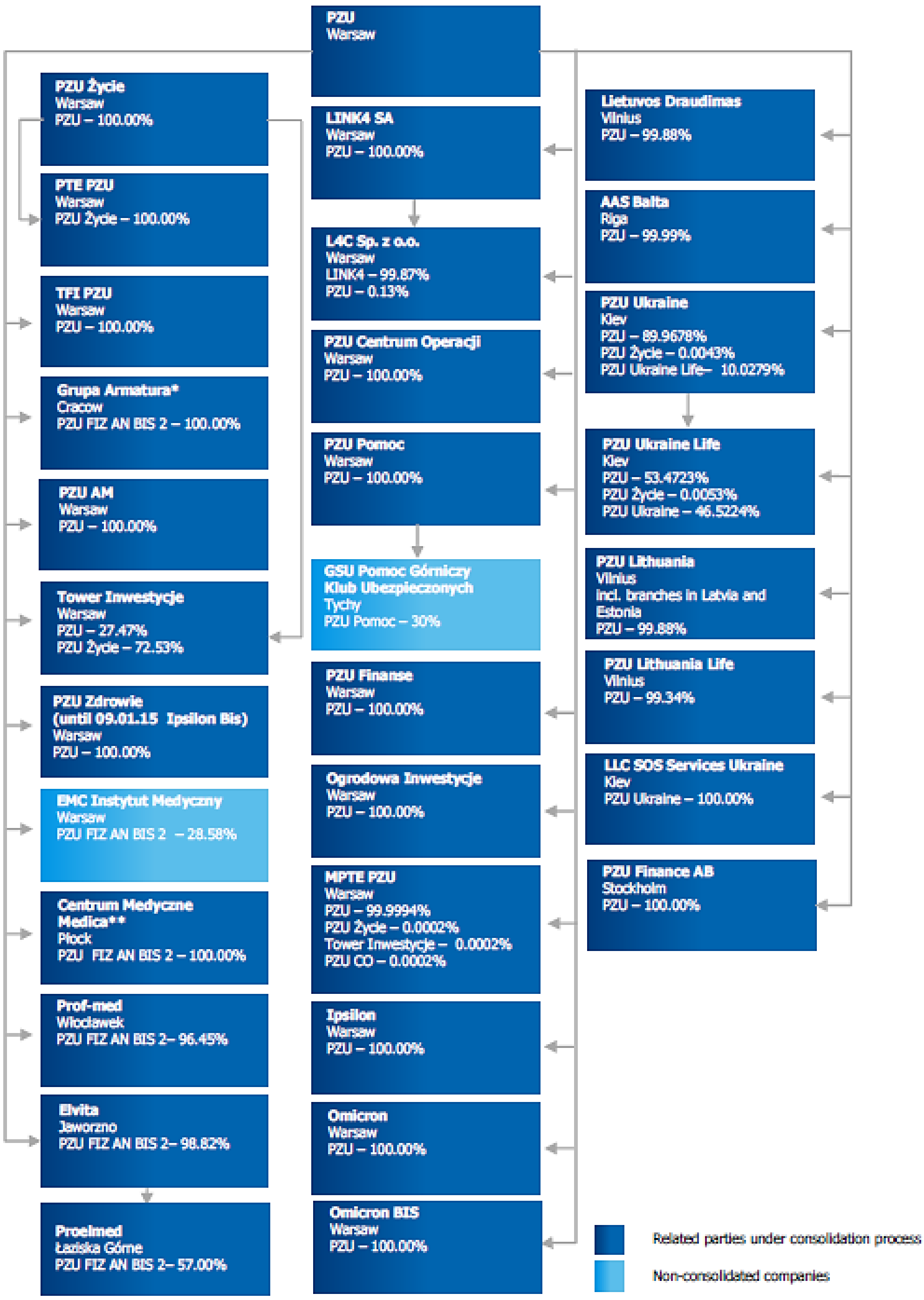
3 PZU’s activities

Contents:

3.1 Structure of PZU group

PZU Group conducts various activities in the area of insurance and finance. The Group's entities provide services in life insurance, other non-life insurance, health insurance, and asset management for customers within the open-ended pension fund and investment funds

Structure of PZU group (as at 31 December 2014)



* As at 31 December 2014, Grupa Armatura included the following entities: Armatura Kraków SA, Armatoora SA, Armaton SA, Armatura Tower Sp. z o.o., Arm Property sp. z o.o., Armagor SA and Armadimp SA.

** Grupa Centrum Medyczne Medica includes the following entities: Centrum Medyczne Medica Sp. z o.o. and Sanatorium Uzdrowiskowe "Krystynka" Sp. z o.o.

The structure does not cover investment funds.

By performing control functions in the supervisory bodies of the companies, PZU – as the parent entity – makes key decisions regarding both the scope of activities and the finances of PZU Group entities. The companies provide mutual services both under market conditions and based on the internal cost allocation model (in scope of the Tax Capital Group) thanks to the expertise of selected companies and by taking advantage of the Tax Capital Group.

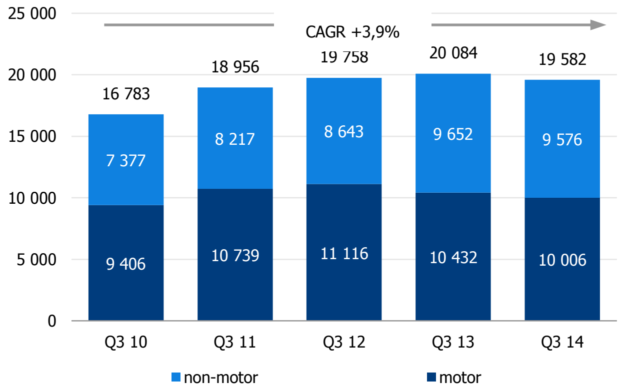
Detailed information concerning changes to the organisational structure of PZU are available in PZU Group's Report of Operations WWW.PZU.PL/RELACJE-INWESTORSKIE/RAPORTY-OKRESOWE-BIEZACE/OKRESOWE

3.2 PZU – operations on the Polish non-life insurance market

Situation on the market

The non-life insurance market in Poland measured by the gross written premium grew by an annual average of 3.9% over the first three quarters of the past 5 years. Nevertheless, the non-life insurance market in 3 quarters of 2014 dropped by a total of PLN 501.8 million (-2.5%) compared with the corresponding period of the previous year). The greatest impact on the lower premium was made by the drop of MTPL insurance sales (by PLN 387.5 million, -6.0% y/y) and insurance of damage caused by forces of nature and of other tangible damage (by PLN 328.8 million, -7.2%), resulting from the strong price competition effective since 2013.
Furthermore, there was a recorded drop in the motor own damage insurance (by PLN 38.2 million, -1.0%) and insurance of legal protection (by PLN 28.4 million, -31.1%). The drop of the entire market's premium was partially compensated by the increase of financial risk insurance sales (by PLN 163.1 million, +20,9%) and insurance of credits and insurance guarantees (by PLN 58.1 million, +9,6%). After 2 years of decline (crash of the construction industry), considerable stimulation of the financial insurance market from 2013 onwards is observed.

Gross written premium - non-life insurance companies in Poland (million PLN)



Source: KNF (www.knf.gov.pl). Biuletyn Kwartalny [PFSA Quarterly Bulletin]. Insurance market 3/2014, Insurance market 3/2013 , Insurance market 3/2012, nsurance market 3/2011, nsurance market 3/2010.

The whole of the non-life insurance market in three quarters of 2014 generated a net profit of PLN 3.0 billion (-48.7% compared with the same period of the previous year). Excluding the dividend from PZU Życie (which constitutes the profit generated by the company in 2013), the net profit of the non-life insurance market dropped by PLN 0.33 billion (-16.4%). The technical result of the non-life insurance market, which largely

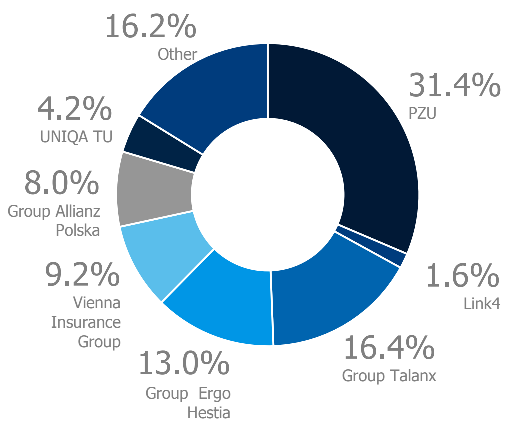
Non-life insurance market - gross written premium (in PLN million)

	1st January – 30th September 2014			1st January – 30th September 2013		
	PZU	Market	Market without PZU	PZU	Market	Market without PZU
Motor own damage insurance	1,492	3,918	2,426	1,502	3,956	2,454
MTPL insurance	1,979	6,088	4,109	2,118	6,476	4,358
Other products	2,684	9,576	6,892	2,617	9,652	7,035
TOTAL	**6,155**	**19,582**	**13,427**	**6,237**	**20,084**	**13,847**

Source: KNF (www.knf.gov.pl). Biuletyn Kwartalny [Quarterly Bulletin].

does not include income on investments and deposits, dropped by PLN 374.0 million, i.e. by 26.6% to the level of PLN 1.0 billion. This change was affected to the greatest extent by the drop in the technical result on MTPL insurance (PLN -256.6 million), other tangible damage (PLN -131.1 million for direct business), motor own damage (PLN -114.5 million) and other TPL insurance (PLN -75.6 million for direct business).

Non-life insurance companies - share in gross written premium in 3 quarters of 2014 (%)



Groups: Allianz – Allianz, Euler Hermes; Ergo Hestia – Ergo Hestia, MTU; Talanx Warta, Europa, HDI; VIG – Compensa, Benefia, Inter-Risk;

Source: KNF Biuletyn Kwartalny [PFSA Quarterly Bulletin]. Rynek ubezpieczeń [Insurance Market] 3/2014

The drop of the technical result in the group of MTPL insurance resulted mainly from the lower earned premium (PLN -305.8 million, i.e. -5.3%) and the increased costs of insurance activity, which resulted from the lower by 46.2% reinsurance commission and the shares in the profits of the reinsurers. Furthermore, the maintaining dropping trend of the average premium, which resulted from the strong price competition ongoing since 2013 also had negative impact on the profitability of this group.

The total value of investments and deposits of the non-life insurance companies (excluding investments in subsidiaries) was PLN 50.4 billion, which was a 8.9% increase since the end of 2013. The instruments issued or guaranteed by the State Treasury and local authorities constituted 45.6% of the aforementioned investment portfolio.

Non-life insurance companies, on aggregate, estimated the value of technical provisions at PLN 39.0 billion, which represented an increase of 4.4% compared with the end of 2013.

The Solvency II project - non-life insurance

The condition of the non-life insurance sector in Poland one year before the requirements of the Solvency II Directive come into effect, i.e. on 1st January 2016, can be graded as positive. According to the quantitative survey conducted by PFSA as at the end of 2013 (QIS2014), the solvency of capital requirements (SCR) established with the standard formula for the non-life insurance market in Poland was 231.8%.

PZU's activities

Over the past years, PZU has been managing approximately 1/3 of the non-life insurance market. After three quarters of 2014, PZU had a 31.4% share of the non-life insurance market compared with 31.1% after three quarters of 2013.

PZU had a strong market position in motor own damage insurance (with a share of 38.1%). Meanwhile, in the case of motor insurance for corporate customers, this share was even higher, amounting to 47.6% for MTPL insurance and 42.2% for motor own damage.

After the first three quarters 2014, the share of PZU's technical result in the market's technical result was 68.3%, which, with a market share of 31.4% calculated using the gross written premium confirming high level of profitability of insurance.

PZU offers a wide range of non-life insurance products,

Technical results	1st January – 30th September 2014			1st January – 30th September 2013		
	PZU	Market	Market without PZU	PZU	Market	Market without PZU
Motor own damage insurance	164	254	90	212	368	156
MTPL insurance	107	(159)	(267)	359	97	(262)
Other products	434	940	505	576	943	367
TOTAL	**706**	**1,034**	**328**	**1,147**	**1,408**	**261**

including motor, property, personal agricultural insurance, as well as general liability insurance. PZU's product range encompassed 200 insurance products at the end of 2014. Motor insurance is the most important group of products offered by PZU, both in terms of the number of valid insurance contracts, as well as the share of the premium to the total value of gross written premiums.

In 2014, PZU made changes to its product offering, with customers in mind, which included basic categories of insurance products addressed to all customer segments.

In 2014, the changes in the offer dedicated to the mass market consisted of:

- Introduction of modified other TPL insurance, household insurance, travel insurance, and accident insurance offer:
- the new household insurance offer allows for protection of private property under the All Risk formula. The new solution provides the clients with the most extensive insurance protection, which covers all events defined for the traditional option, including fire, flooding, destruction, breaking and entering, and all other unusual events that may occur at home;
- travel insurance and accident insurance received a faster and easier way of establishing agreements thanks to the intuitive product modelling and responses depending on e.g. the travel destination. Furthermore, accident insurance was expanded with a broad range of additional benefits, which definitely made the insurance more attractive (e.g. meeting the requirements of the sports market by introducing the clauses of sports agreements into the conditions.
- other TPL insurance dedicated to the companies of the SME sector - introduced numerous optional clauses riders allowing for more flexible adjustment of the insurance to the needs of the client. The occupational TPL product allows for simple conclusion of voluntary TPL insurance for several types of professional activity. There is also the option of including the mandatory TPL insurance in scope of a single policy;
- the scope of the carrier TPL insurance was expanded considerably by additional riders, including the long-awaited cabotage transport insurance in Germany and EU states.
- introduction of the direct claims handling service for MTPL insurance, a free-of-charge service allowing the MTPL client of PZU, who is the victim of an accident caused by a non-PZU client, to report and handle the claim in PZU rather than the perpetrator's insurer.

The Corporate Client Division underwent considerable business transformation in 2014. Changes were made to the organisational structure, the operating model, and there was implementation of several sales tools aimed to improve the effectiveness of the sales network in the long run. These operations were conducted when the business company insurance market was experiencing a difficult situation which saw the decline of the average price in key business lines. Nevertheless, the structures oriented towards the development of the so-called medium and big corporate business were able to raise the premium.

In terms of financial insurance for corporate customers, PZU has been supporting the Polish economy in various areas, including the following:

- securing investments concerning the construction and modernisation of individual railway line segments throughout the country. The realisation of such investments increased traffic capacity, connection quality, and passenger safety;
- supporting the Polish energy and electrical energy industry by guaranteeing return of advance payment and proper performance of the contract for the construction of a new hard coal block in the Jaworzno Power Plant or securing the expansion of the energy transmission networks;

- securing the performance of contracts for the realisation of ventures associated with the design and performance of audience sound systems in prestigious cultural venues.

During the year, following the analysis of the economic situation, the conditions of sales of guarantees to smaller companies operating in sectors related to construction calmed down.

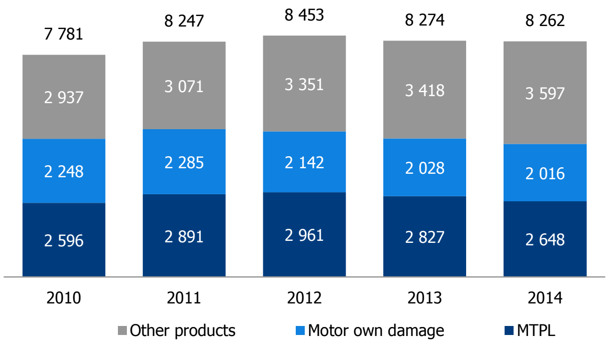
In 2014, PZU cooperated with 8 banks and 6 strategic partners in scope of protective insurance in 2014. The partners of PZU are the leaders in their fields and have customer bases with great potential. The cooperation in scope of strategic partnerships concerned mainly the companies operating in telecommunications and energy, which were used to offer insurance of electronic equipment and assistance services.

The sales of protective property insurance in scope of the *bancassurance* channel covered mainly the insurance of buildings, structures, households, and payment card insurance.

In 2014, PZU collected gross written premiums of PLN 8,261.8 million, which was 0.1% less than in the previous year. At the same time, its structure changed in comparison with the previous year and, therefore:

- The value of MTPL insurance was PLN 2,648.5 million, which was 6.3% lower than in the previous year. This represented 32.1% of the overall portfolio, i.e. its share dropped in comparison to 2013 by 2.1 p.p. The drop in the value of MTPL insurance at PZU resulted mainly from the drop of the average premium and lower sales (strong market competition).
- PZU collected PLN 2,016.3 million from motor own damage insurance, which was 0.6% less than in the previous year. This represented 24.4% of the overall portfolio, i.e. its share remained at a similar level to that of the previous year.
- The rapid growth in sales the following types of insurance: contractual guarantees, corporate

PZU gross written premium (in million PLN)



TPL, PZU DOM contributed to the 5% growth in written premiums from non-motor products. As a result, the share of gross premiums from non-motor insurance to the total premium increased to a level of 43.5% (41.3% in 2013).

Factors, including threats and risk, which will affect the activities of the non-life insurance sector in 2015

Apart from events of a catastrophic nature (such as floods, drought and spring frost), the main factors which can affect the situation of the non-life insurance sector in 2015, include:

- the potential slowdown of the economic growth in Poland resulting from the deteriorating external conditions – the Russian-Ukrainian conflict and the slowdown of economic growth in the euro zone and in Germany. In consequence, the worse financial standing of households can lead to a decline in sales of motor policies (as a result of lower new car sales), lower sales of mortgages and the related mortgage related insurance, as well as lower demand for other property insurance. The worse financial standing of businesses can result in a growth in credit risk and an increase in the level of claims in the financial insurance portfolio.
- the reduction in the development of mortgage campaigns as a result of the stricter requirements of S Recommendation on good practices regarding the management of credit exposures collateralized with mortgages and the small scope of the Mieszkanie dla Młodych [Flat for the Young] Programme. There are plans to amend the Mieszkanie dla Młodych programme in 2015, which will aim to increase the contributions and thus increase the programme's popularity, which could influence the increase of borrower insurance sales in the long run.
- Price pressure from the competition arising from the declining level of motor insurance claims starting in 2013.
- decisions of supreme courts in scope of monetary compensation from to the closest relative from the TPL insurance of owners of motor vehicles for damage resulting from pain and suffering even if the victim died before 3rd August 2008.
- implementation of the Solvency II requirements from January 2016, which is based on risk evaluation and may change the operating model of selected areas of the insurance companies on the market (e.g. the tariff policy).

04

4 Strategy of PZU for the years 2015-2020 – PZU 3.0

Contents:

4.1 Effects of PZU 2.0 Strategy

2014 was the last year of PZU 2.0 - PZU Group's Strategy for the years 2012-2014 – which was approved in December 2011.
When PZU 2.0 Strategy was in effect, the company considerably strengthened its position on the financial market as a result of the following:

- slowdown of the declining share in the non-life insurance market. In the third quarter of 2014, the share of PZU in the gross written premium of non-life insurance companies was established at 33.0% (PZU and Link4). This result was achieved in the conditions of the corporate insurance portfolio restructuring programme aimed to ensure the profitability of such products.
- achievement of above-average profitability. During the years 2012-2014, PZU's average return on equity (ROE) was over 27%, whereas the ROE of the biggest and leading global insurance companies is around 10-15%.

Today, some things seem obvious to us. But we could only dream about them just a couple of years ago.

PZU Strategy 2.0 also provided solid background for further organisational development including:

- innovative IT tools. The first functions of one of the world's most advance policy systems – the Everest system GLOSSARY OF TERMS – were released in November 2013. This new system is used to offer motor, household and some property products. Almost 2.4 million policies were drafted in the Everest system by the end of 2014.
- revitalisation of the branch network. The renovated PZU branches, which no longer have architectural barriers, not only received a new visualization but also began to offer products of the Group's entities;
- cost optimisation. Thanks to the organisational changes (including the centralisation of certain functions), automation of numerous processes, employment restructure, new distribution channels, and a new policy administration system, PZU Group was able to achieve benchmark cost effectiveness. FINANCIAL RESULTS CHAPTER 6.1;
- refreshing the brand. The Group, including PZU, underwent a big business transformation and started to establish the market standards, especially in scope of service. Meanwhile, the previous brand was associated with the traditional PZU operating model, which was appreciated mainly by the current clients. The refreshed PZU brand is a symbol of a company, which offers new products and uses modern technologies to communicate with Customers. In 2014, in scope of implementing innovative solutions, PZU introduced direct claims handling for motor insurance and Poland's first fleet of replacement cars. Today, PZU is seen as a peer of the leading cutting-edge financial institutions;
- strengthening the market position in Central and Eastern Europe. When PZU 2.0 Strategy was in effect, PZU considerably strengthened its presence in international markets. In 2012-2013, PZU used its subsidiary in Lithuania to enter the insurance markets of Latvia and Estonia. In 2014, PZU acquired Link4 (the Polish market leader of direct insurance), the Lithuanian Lietuvos Draudimas AB, the Latvian AAS Balta, and the business of the Estonian Codan Forsikring A/S.

Objective

Implementation of Strategy 2.0 for the years 2012 – 2014.

Summary of the performed operations and accomplishments

Business pillars:

Mass-market customer

Profitable maintenance of the position in non-life insurance (in Poland)

1. Technical result in the mass-market insurance segment in 2014 was 65.7% higher than in 2011.
2. According to the PFSA data, the market leader in the mass-market category after three quarters of 2014 - 34.5% in motor own damage, 27.0% in MTPL insurance, and 47.4% in other insurance.
3. Release of further products on the Everest platform (PZU Auto, PZU Dom, PZU NNW, OC w Życiu Prywatnym, Wojażer).
4. Acquisition of Link4, the leader of the Polish direct insurance market. During three quarters of 2014, it held 1.6% of the gross written premiums of the non-life insurance companies in Poland.

The corporate customer

Regaining market position and maintaining profitability (in Poland)

1. Technical result for 2014 in the corporate insurance segment was 89.5% higher than in 2011.
2. According to the PFSA data, the market leader after three quarters of 2014 in the category of "enterprises and other entities" in terms of value of gross premium written - 42.2% in motor own damage 47.6% in MTPL insurance, 19.0% in other insurance.

Other areas of activity

Effective capital and investment policy

1. PLN 4,663.0 million of PZU's net profit paid as dividend.
2. Continuation of the work aimed at preparing PZU Group for comply with the regulatory requirements related to the Solvency II Directive.

Conditions for implementation

Modern and integrated customer service model and effective operations

1. Implementation of direct claims handling.
2. 91.5% of customers were satisfied with the claims handling process (a customer satisfaction survey conducted on a sample of approximately 24 thousand people in 2014).
3. First insurance company on the Polish market to introduce a fleet of replacement cars (300 hybrid vehicles available throughout the country).
4. Introduction of new functions of the Everest policy system. By the end of 2014 the Everest platform was used to issue 27 thousand policies daily.
5. Establishment of the Organizatorzy Pomocy Poszkodowanym w Wypadkach team (Providers of Assistance to Accident Victims).

HR: business partner / committed employees / results-oriented culture

1. Another survey of PZU employee commitment was held. The 2013 involvement index was 48%, compared to 40% in the prior year.
2. Refreshment and introducing the same standards in the branches and changing customer service model on several levels.
3. Introduction of an e-learning training module dedicated to PZU.
4. Start of the next round of practices and internships in PZU group. The campaign "Upoluj najlepszy staż w mieście *(Hunt Down the Top Internship in Town)* was held.
5. Inauguration of the Menedżer 2.0 development programme which is a part of "Lider 2.0"
6. The "PZU. Przyciągamy najlepszych" *(PZU, We Attract the Best)* campaign was conducted to help the company acquire the best candidates.

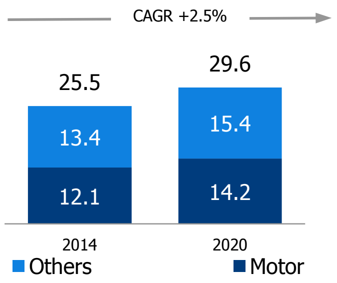
The rate of return on equity confirms the legitimacy of the directions of development for PZU Group assumed in PZU 2.0 Strategy. The TSR Appendix: GLOSSARY OF TERMS index from the IPO (i.e. 12th May 2010) until the end of 2014 was 101.3%.

4.2 Projected external situation

From PZU's perspective, the strategy for the development of the Group until the year 2020 was created with the following assumption concerning the condition of the Polish economy and insurance sector:

- moderate economic growth pace in Poland. According to PZU's projections, the Polish economy will develop at the approximate annual pace of 3-4% in the near future. One of the main contributors of the growth of the Polish economy will still be individual consumption, which will grow at the annual pace of 2.6-3.3%.
- low inflation. The year 2015 will record a 0.5% price growth. Then the inflation index will slowly accelerate and may reach the target assumed by the monetary Policy Council by 2018 (i.e. 2.5% annually).
- historically low interest rates. The projections for the first years of the strategy state that the interest rates will drop to unprecedented lows. In 2015, the average annual WIBOR6M may drop below 2.0% and should rise to approximately 3.5% within the strategy's horizon;
- aging of the society. The Polish population is projected to decline and the share of the elderly in the population structure is projected to increase;
- introduction of regulative changes, including implementation of the following:
  - Solvency II. Appendix: GLOSSARY OF TERMS The Solvency II Directive will come into effect on 1st January of 2016 and some of its regulations on 1st April 2015. It will have impact on the capital requirements of insurance companies and introduce new risk management standards.
  - U Recommendation Appendix: GLOSSARY OF TERMS of the Financial Supervision Authority concerning best practices in scope of bancassurance. It is projected that it may temporarily slow down the development of the sales of insurance via bancassurance chanell.
- growth of the claims ratio in non-life insurance in the long run;
- moderate perspectives in scope of the development of the Polish insurance market. It is projected to develop at the annual pace of 2.5%. Due to the low growth of vehicle numbers, the premiums for motor insurance will grow at a rather slow pace (annual average of approximately 2.3%). The price war on this market is projected to continue during the first years of the strategy (with maintenance of a low claims ratio). Projections state that the non-motor insurance market will grow at a somewhat faster pace (2.7% annually). This will result from the growth of corporate tangible assets, the growing wealth of individual clients, and the greater interest in additional insurance.

Property insurance market - gross written premium in billion PLN*



* The forecast in the fourth quarter of 2014

4.3 Strategy of PZU Group for the years 2015-2020 – PZU 3.0 Strategy

PZU Strategy for the years 2015-2020 – PZU 3.0 – was approved by the Supervisory Board of PZU in January **2015.** **WWW.PZU.PL/RELACJE-INWESTORSKIE/SPOLKA/STRATEGIA**

Mission

The operations of PZU Group until the year 2020 have the following mission:

"We are PZU! We ensure peace and a sense of security."

The PZU Group entities have a common operating philosophy, which emphasises the following three basic values:

- we are Fair. We play fair with our clients, employees, and shareholders. Our rules are clear and our offer is transparent and satisfies the real expectations of the clients;
- we are Effective. We control the costs and make sure the processes are optimal. We offer our clients friendly service and competitive prices.
- we are Innovative. We keep searching for ways to improve and continually adapt to the changing needs of the clients.

Main strategic objectives

The main strategic objective for the period until 2020 is to transform the institution from an insurance company into the Group based on three strong pillars, i.e.:

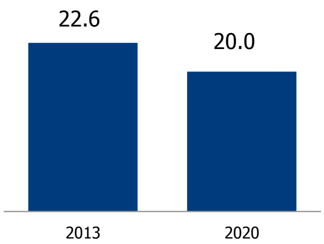
- insurance,
- asset management, and
- health care.

By raising the market share in selected segments, PZU will completely reverse the trend and acquire a bigger segment of the Polish market. Together with Link4, PZU will expand its share of the Polish non-life insurance market to at least 35%.

The Group will also ensure a competitive rate from invested capital. In the conditions of low interest rates with an unfavourable effect on investment activity, the 2020 rate of return (ROE) of PZU Group will be not lower than 20%.

Clients	• Our role is to provide our Clients with peace and a sense of security. Our Clients can always count on us. We know our Clients very well and that is why we are ready to satisfy their needs and meet their justified expectations. Thanks to a large scale of our business and effectiveness, we provide them with top quality services at reasonable price. • As a result of our position on the market, we serve as "market watchdogs". Our actions are beneficial for entire market and the clients, we actively influence market development and set high-quality standards in customer service.
Shareholders	• As a leader on the Central and Eastern European market, we continue to deliver extraordinary profits to our shareholders.
Employees	• PZU is a workplace which inspires the people to try their bests and enables them to keep work-life balance at the same time.

PZU Group ROE by IFRS (ROE) in %



The 2020 net result of PZU Group will be achieved during PZU's high insurance business profitability: The mixed index for PZU will be at a level 3 p.p. better than the competition.

Further information concerning Strategy 3.0 is available in PZU Group's Report of Operations

WWW.PZU.PL/RELACJE-INWESTORSKIE/RAPORTY-OKRESOWE-BIEZACE/OKRESOWE

05

5 Organization, infrastructure, and human resources

Contents:

5.1 Sales and service channels

PZU has the largest network of sales and service branches on the Polish insurance market. The organization of the sales network has the objective of guaranteeing sales effectiveness, while simultaneously assuring a high quality of services provided.

At the end of 2014, PZU distribution network included:

- exclusive agents. PZU's own agency network consisted of 5,758 exclusive agents. The agency channel conducts sales of mainly all types of insurance, especially motor and non-life insurance and individual insurance (life insurance);
- multiagencies. 2,963 multiagencies work with PZU Group to make sales mainly to the mass market (insurance of all types is sold through this channel, especially motor insurance and non-life insurance);
- insurance brokers. PZU, in particular the Corporate Customer Division, worked with approximately 900 insurance brokers;
- PZU employees. Thousands of PZU employees sold insurance at their own branch offices, which underwent a metamorphosis in 2014. They are well-advertised, in attractive locations, have no architectural barriers, and provide convenient access to all Clients.
- bancassurance and strategic partnership programmes. PZU cooperated with 8 banks and 6 strategic partners in scope of protective insurance in 2014. The partners of PZU Group are the leaders in their fields and have customer bases with great potential. The cooperation in scope of strategic partnerships concerned mainly the companies operating in telecommunications and energy, which were used to offer insurance of electronic equipment and assistance services.
- direct. PZU sells products to individual customers by telephone and over the Internet.

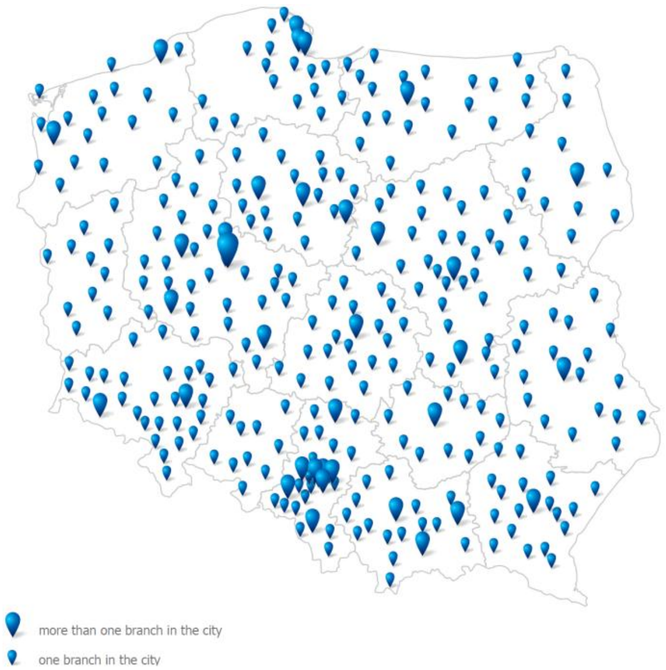
PZU's customers can file claims:

- via the Internet;
- by telephone via the Contact Centre;
- personally at a selected Branch or garage belonging to PZU Repair Network or PZU Pomoc mobile office;
- in writing (sent by post, e-mail or fax).

The claims handling process is conducted at 8 Regional Claims Centres located throughout the country and at the central unit – the Operational Centre for Claims and Benefits. Since the process is based mainly on electronic information and there is no connection of the servicing with the place of residence of the insured/event, the model of an equal workload of individual claims handling units that is automated within the SLS system has been implemented.

In 2014, in the field of claim handling, new measures were introduced to improve the quality of claims handling and customer satisfaction.
The biggest innovation on the market was the start of Poland's first direct claims handling service. Thanks to this, the clients of PZU with MTPL insurance can file and handle the vehicle damage claims when the perpetrator is insured in a different company.
PZU takes care of all claims handling operations, including compensation payout, and then files for the return of the paid compensation to the insurance company of the perpetrator.
PZU was also the first to introduce its own fleet of replacement cars to the insurance market. The offer covers 300 hybrid Toyota Auris cars, which guarantee comfort and safe and ecological use. This provides a high replacement car availability standard according to market rates, which is dedicated for all PZU clients.
The next measure adopted to improve the customer experience was the establishment of the Organizatorzy Pomocy Poszkodowanym w Wypadkach [Providers of Assistance to Accident Victims] – Client Caregivers. They are mobile employees who conduct personal interviews with the victims. Their role is to determine the actual life situation and the needs arising from the

accident that the victims suffered from, for which PZU is liable. The provided assistance includes, among others, the broadly defined assistance in organising medical, social, vocational and psychological rehabilitation. The Assistance Providers advise the victims how to adjust their housing and vehicles to meet the needs of a disabled person, as well as how to choose the proper systems that compensate for dysfunctions and disabilities. They also provide assistance in completing all the formalities connected with claims handling. They assist in obtaining the benefits and government and institutional assistance (from PFRON [National Disabled Persons Rehabilitation Fund], ZUS [Social Insurance Institution], KRUS [Farmer's Social Security Fund], MOPS [Municipal Social Services Centre] and MOPR [Municipal Family Support Centre]). They also provide psychological support to the immediate family members of the victim, if he or she suffered death as a result of the accident.



Claims handling, for the customer, is the moment of truth in contacts with the insurer and an opportunity to check the quality of the purchased product. Satisfying his or her expectations in the claims handling process is the key to building the ties with PZU. Therefore, in 2014, extensive measures were taken to improve and shorten the process, such as the implementation of a LEAN culture and the expansion of an automatic and simplified process of claims handling.

The quality of the claims handling process at PZU is very highly assessed by customers – according to PZU's survey on a sample of more than 24 thousand customers, the satisfaction index in 2014 was 91.5% (PZU and PZU Group). In turn the NPS (Net Promoter Score) recommendation index, which is the difference between the proportion of promoters and critics participating in the survey for the liquidation area was as high as26% while 49% of consumers surveyed indicated that they are active promoters of PZU.

PZU's research indicates that, apart from price, crucial to customer loyalty is the process of claims handling and payment of benefits. The implantation of improved claims handling procedures for TPL and non-life insurance further reduces the average time of claims handling in comparison to previous years.

IT and operations

By realising the strategy, PZU is consequently implementing projects oriented on the needs of the Clients. The biggest project – the implementation of the new Everest policy system – is carried out under close IT and business cooperation and is ongoing from 2013.

By implementing the new online IT system, PZU is providing the departments and employees with knowledge allowing for better understanding of the needs of people purchasing insurance and presenting them with complex offers.

PZU consequently trained successive end users of the system throughout 2014. The total of 17.5 thousand users started work under the Everest system until the end of 2014, including all branch employees, exclusive agents, and office agents.

In 2014, according to the assumed schedule, PZU introduced motor, home, and some property products into the system and thus successfully completed the first stage of the project.

The other products offered to individual, corporate, and SME clients will be activated during successive stages falling to the years 2015 and 2016. Full implementation of the new policy system is planned by the middle of 2016.

In 2014, in addition to operating activities, the Technology Division implemented internal strategic initiatives, which consisted in the development of a series of activities supporting the key business initiatives, as well as an optimised technical infrastructure and related processes, specifically the following:

- in scope of the integration with the newly acquired companies in Poland and the Baltic States, an analysis of IT synergy was conducted and – in selected areas - the companies were entered into the central infrastructure (PZU and PZU Życie).
- in the field of infrastructure consolidation, a comprehensive strategy for the Groups' technical and system infrastructure was developed for the subsequent five years. Its implementation will reduce the maintenance expenses of the technical infrastructure;
- in the field of the system and IT infrastructure capacity management, a systematic infrastructure monitoring was introduced, a strategy for the capacity of critical systems and initiatives was established, and an infrastructure development plan was drawn up;
- critical systems and business applications at PZU Group were included in the monitoring, which enabled the elimination of the risk of long-term failure and the simultaneous reduction in downtime of critical systems.

5.2 Human resources management

Level of employment

At the end of 2014, employment in PZU in FTEs was 7.96 thousand and was 0.5% higher than a year earlier. Most of the employees were women, who composed over 60% of all employees.

On 8th September 2014, the Management Boards of PZU and PZU Życie announced their intention to make group redundancies, in accordance with the Act on the detailed principles of terminating employment for reasons not attributable to employees of 13th March 2003. The employment restructuring programme was carried out in the fourth quarter of 2014. Ultimately, it encompassed 642 people at PZU, while the employment downsizing applied to 170 employees.

The people who were dismissed or who did not accept the changes in the terms and conditions of employment (just as during all stages of employment restructuring, namely in 2010–2013) were offered more favourable conditions of leaving than those provided for by law in similar situations. The amount of additional redundancy pay depended on the length of service with PZU Group and the salary of each employee.

Salary policy

In 2014, the process of writing up and valuing positions at PZU was completed and its results were implemented through adjustment of individual conditions of remuneration for employees who did not fall within the ranges of projected salaries. The results of position valuing will be used in the salary system, which will take into account the competencies, skills required for a given position and market standards. In addition, the WOW (Wynik – Ocena – Wartości [Result – Rating –

Table: Employment in PZU: *

	2014	2013	2012	2011	2010
PZU	7.96	7.92	8.34	8.66	9.36

**data in thousands of jobs, everyone employed without any exclusions – as at 31st December of the given year*

Values]) appraisal system has been introduced. Its objective is to improve the efficiency of the whole organization, in accordance with the slogan We Reward Results. WOW is a bonus system based on the assessment of the extent to which objectives are achieved, consisting of the employee's annual appraisal and the annual development plan.

Recruitment, training and building an image of the preferred employer

Work at PZU is related to stability of employment and, simultaneously, to substantial development opportunities within the Company.

The following have been organised to support employees in improving their skills, which are required at the given work post:

- *PLUS Training programme.* Training is selected for the employee on the basis of his *DNA appraisal*, which has the objective of developing the areas which constitute his weaknesses. Every programme contains a dozen or so training modules, which develop all the new skills implemented in the organization, such as, for instance, team management, personal effectiveness and building customer relationships;
- *Leader 2.0 programme*, the aim of which is to strengthen key managers at PZU in the role of all-round leaders;
- coaching for the top management with the aim to support individual development;
- other forms of training: postgraduate studies and specialized forms of professional development, language courses.

Furthermore, 2014 saw the introduction of the Menedżer 2.0 programme, which expands the Lider 2.0 programme over mid-level management.

Every employee benefited from an average of 24 hours of classroom training and 7 hours of e-learning in 2014.

In addition, three projects were inaugurated as a part of the development of the new organizational culture:

- *Otwarte PZU [Open PZU]* is a programme designed to build employees' awareness in the area of openness. Its aim is to lay the foundations for innovation. The programme promotes: direct and simple communication, feedback providing strategies, team cooperation, partner relations and research of innovative solutions;
- *TalentUp* is a programme addressed to specialists and aims to prepare the employees to work more important roles within the organisation;
- *SmartUp* is a General MBA development programme addressed to managers and directors who exhibit high potential. It has been designed in cooperation with the Warsaw University of Technology Business School.

In addition to salaries, employees have additional benefits, such as the P Plus and Pełnia Życia [Fullness of Life] Group Employee Insurance, an Employee Pension Programme, Health Insurance – Medical Insurance, Drug Insurance and discounts on insurance offered by PZU.

In terms of employer branding, a number of activities dedicated to students were conducted. Inwestycja w Przyszłość [Investment in the Future] and Studencki Projekt Roku [Student Project of the Year] contests, participation in job fairs, Ambasador PZU [Ambassadors of PZU] programme or the management of the fourth largest Facebook profile dedicated to career opportunities are just a few examples of activities addressed to students. In 2014, for the second time in a row, a centralized programme of internships and traineeships dedicated to third year and higher students, as well as young graduates, was organised. Within this programme, three-month traineeships, six-month internships and nine-month internships were organized for talents, the so-called High Potentials.

PZU also has mechanisms for entry into and exit from the organization. The assumption to the process of introducing a new employee is to build commitment and loyalty in an atmosphere of openness and cooperation. However, anyone parting with the organization by mutual consent is asked for his opinion on working for PZU Group and the reasons why he decided to change employer.

5.3 Marketing

In 2014, PZU Group made several wide-ranging advertising campaigns, including:

- the "Rewolucja w OC *(TPL Revolution)*" campaign concerning direct claims handling;
- the "Stop Wariatom Drogowym (Stop Road Rage)" social campaign – the "Kochasz? Powiedz STOP Wariatom Drogowym" [If you love, say no to road rage] campaign enforces PZU's "możesz na nas polegać" [you can trust us] slogan. Instead of presenting the shocking effects of dangerous driving, the campaign focuses on a positive message. The educational activities are intended to encourage the passengers to react to dangerous behaviour and show how to calm the driver. PZU blue heart was a key tool and symbol of the campaign.

In 2014, PZU launched the cooperation with Marcin Dorociński – one of the most prominent Polish actors. His image reflects the peace and harmony that PZU provides its customers with.

PZU's marketing campaigns received numerous awards in 2014. The leading winner was the "Mocno pomocni agenci PZU" [Strongly Helpful PZU Agents] campaign.

Other Employer Branding campaigns that were acknowledged include: "#dorenifera" [#dearreindeer] and the "Kura" [Hen] movie. The awards included:

- 3 Innovation Awards/Media Trendy awards;
- 3 KTR (the Polish festival of advertising creation) awards;
- The Golden Effie award for the "Mocno pomocni agency PZU" [Strongly Helpful PZU Agents] campaign;
- the Golden Drum award at the 21st Golden Drum festival in Portorož, Slovenia. The blue hearts of PZU won the golden award in the important "Integrated Communication Campaigns" category, scoring victory over projects from a number of the New Europe countries.

In 2014, PZU exclusive agent offices were presented with service standards. A visual concept of the agency, cohesive with PZU sales network, was developed. This allowed for the implementation of standards in both labelling and the interior design of the agencies. The project provides guidelines on the customer service, as well as the display of advertising materials.

PZU is a modern company, which finds its reflection in the "Prosty Język" [Simple Language] project. For an average Pole, the majority of insurance documents, sales materials or even advertisements are too specialised, difficult and confusing. This was the reason why one of the major marketing projects in 2014 aimed at improving the transparency of communication messages.

06

6 Financial results

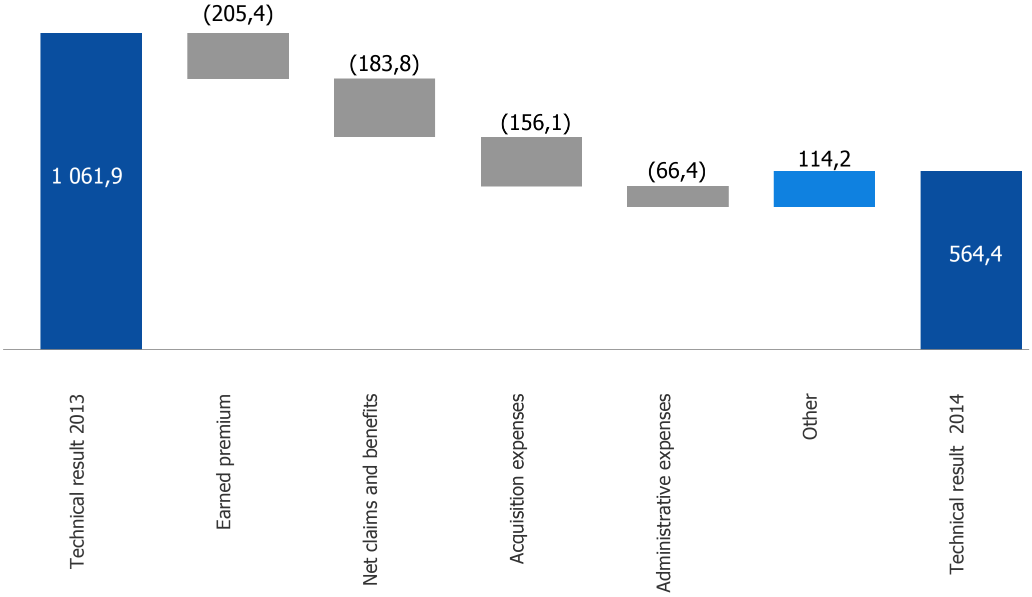
6.1 Key factors affecting the financial results achieved

PZU achieved technical profit in 2014 at the level of PLN 564.4 million compared with PLN 1,061.9 million in the prior year (decrease of 46.8%). Net profit amounted to PLN 2,636.7 million, compared with PLN 5,106.3 million in 2013 (a 48.4% decrease). The net profit excluding dividends received from PZU Życie amounted to PLN 576.7 million and was lower by PLN 686.7 million in comparison to 2013.

Within particular items of the net result, PZU recorded:

- The decrease in the gross written premiums to PLN 8,261.8 million in comparison to the previous year (lower by 0.1%), mainly in the motor insurance, which was the result of a strong price competition. After accounting for the share of reinsurers and the change in unearned premium provision, the net premium earned amounted to PLN 7,902.6 million, which was 2.5% lower than in 2013;
- higher amount of claims and benefits. The claims and benefits amounted to PLN 5,230.9 million, which means that they increase by 3.6% compared with 2013 mainly in MTPL insurance in relation to significantly higher level of claims provisions from the previous years' accident;
- lower net investment result (by PLN 2,065.3 million). In 2013, PZU recorded high income from dividends from PZU Życie in the amount of PLN 3,842.9 million, of which PLN 2,000 million consisted of the payment of a part of the supplementary capital created from the previous years' profit of the company;
- higher acquisition expenses (increase of PLN 70.1 million), mainly as a result of a change in the commission rates for motor insurance packages;
- an increase in administrative expenses to the level of PLN 729.1 million compared with PLN 662.7 million in 2013, related mostly to higher costs of projects, including the strategy implementation, IT, as well as personnel costs and the costs of customer service training;
- lower reinsurance commissions as a result of the recognition of the effect of the settlement agreement with the reinsurer of the Zielona Karta product and recognition of one-off income of PLN 73.3 million (the total positive effect on the gross profit/loss – PLN 53.2 million in 2013) in the previous year's results.

PZU technical result in 2014 (PLN million)



Basic amounts of the profit or loss account:

	2014	2013	2014/2013	
	in PLN million	in PLN million	in PLN million	in %
Gross written premiums	8,261.8	8,273.9	(12.1)	(0.1)%
Net earned premiums	7,902.6	8,108.0	(205.4)	(2.5)%
Net claims and benefits	(5,230.9)	(5,047.1)	183.8	3.6%
including gross claims and benefits paid	(4,427.3)	(4,301.9)	125.4	2.9%
Acquisition expenses, including reinsurance fees	(1,522.9)	(1,366.8)	156.1	11.4%
Administrative expenses	(729.1)	(662.7)	66.4	10.0%
Technical result	564.4	1,061.9	(497.5)	(46.8)%
Net investment result	2,568.0	4,633.3	(2,065.3)	(44.6)%
Gross profit (loss)	2,854.5	5,390.9	(2,536.4)	(47.0)%
Net profit (loss)	2,636.7	5,106.3	(2,469.6)	(48.4)%

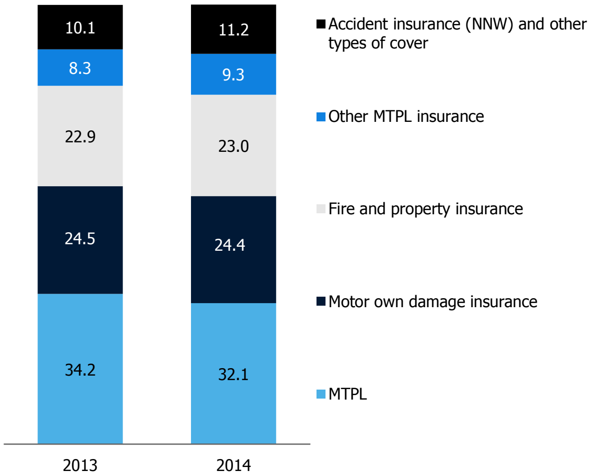
6.2 Gross written premium

Premiums

In 2014, PZU collected gross premiums of PLN 8,261.8 million, i.e. 0.1% lower than in 2013. They comprised mainly:

- MTPL insurance. This comprised 32.1% of PZU's insurance portfolio (34.2% in the prior year). In 2014, its value was 6.3% lower than in the prior year. This was the effect of a decline in policy prices as a result of strong competition on the market and lower car sales;
- Motor own damage insurance. This type of insurance had a 24.4% share of PZU's total gross written premium (i.e. 0.1 p.p. less than in the prior year), a decrease caused by price pressure from the competition;
- Fire and property insurance – this type of insurance represented 23.0% of total premiums. Its value increased by 0.1% compared with the prior year, foremost because of the upsale of the basic types of risk in household insurances;
- accident insurance premiums and other premiums, which had a 11.2% share, which meant a 1.1 p.p. increase compared with 2013. In this insurance category, the most significant increase was recorded in the value of financial insurance in relation to the issuing of large insurance guarantees.

PZU gross written premium structure (%)



6.3 Net investment result

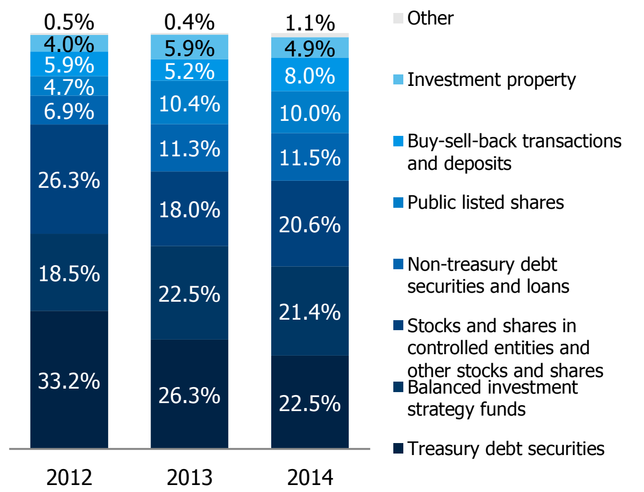
In 2014, PZU's net investment result amounted to PLN 2,568.0 million compared with PLN 4,633.3 million in 2013 (decrease of 44.6%). Excluding the dividend received from PZU Życie, the net investment result amounted to PLN 508.0 million in comparison to PLN 790.4 million in the previous year.
The following factors had the greatest impact on the decrease of the income:

- lower dividend received from PZU Życie;
- decrease in the level of assets settled through profit and loss due to the transfer of certain assets to investment funds in accordance with the investment policy;
- sale of the assets from the Available-for-Sale portfolio had a positive impact on the previous year's financial result;
- lower profitability of the Held-to-Maturity portfolio;
- impairment of intangible assets and the newly acquired companies' goodwill, as well as a drop in the value of the subsidiaries in Ukraine.

In December 2014 the value of PZU's investments portfolio amounted to PLN 31,030.9 million compared with PLN 27,609.4 million as at the end of 2013.

Investing activities of PZU are conducted in compliance with the statutory requirements, ensuring an appropriate degree of safety, liquidity and profitability. For this reason, debt securities issued by the State Treasury held by PZU directly or through investment funds, accounted for the largest part of the investment portfolio. As at 31st December 2014, the Company held Treasury debt securities and TFI funds investing in the aforesaid assets in the amount of PLN 6,979.1 million[1].

Structure of financial assets (in %)[2]



Stock and shares in subsidiaries, as well as other stock and shares, accounted for a significant part of PZU's investment portfolio. They increased to 20.6% (in comparison to 18.0% at the end of 2013), mainly as a result of the acquisition of the Baltic companies and Link4, a company operating on the Polish market, in 2014.

In 2014, the share of non-treasury debt securities, loans and TFI funds investing in such assets, was at the level similar to that of 2013 and amounted to 11.5% (11.3% at the end of 2013)[1].

The share in deposits and *buy-sell-back* transactions increased to 8.0% at the end of 2014, compared to 5.2% in the previous year.

As at the end of 2014, the share of TFI PZU equity funds amounted to 10.0% (compared to 10.4% in the previous year[1]. The share in investment property and TFI funds investing in the aforesaid assets dropped from 5.9% at the end of 2013 to 4.9% at the end of

[1] Excluding the funds with a balanced investment strategy, i.e. with both equity and debt securities.

[2] Individual investment categories are presented jointly with TFI funds of a similar risk profile. The comparable data was presented for the year 2012.

2014, which was partially caused by a redemption of shares of investement property funds which, in accordance with the primary investment policy, were put into liquidation.

Compared with the end of the previous year, the currency structure of the investment portfolio was changed, it happened mainly due to an increase of the value of the assets portfolio denominated in EUR and the acquisition of the companies in the Baltic States, due to, among others, a loan granted by PZU Finance AB in the total amount of EUR 500.0 million in July 2014. According to the strategy, a further diversification of the investment portfolio is planned by increasing the share of corporate debt and alternative assets at the expense of the share of treasury debt securities as well as the growth of investment property.

6.4 Claims and technical provisions

In 2014, the net value of claims and benefits, as well as the increase in PZU's technical provisions amounted to PLN 5,230.9 million, compared with 2013, the value of claims including the change in provisions was higher by 3.6%. The following factors also contributed to the increase in the net value of claims and benefits:

- a higher level of claims in MTPL insurance, in particular caused by a significantly higher level of technical provisions from previous years;
- an increase in the level of claims in other TPL insurance, as well as in fire and other non-life insurance, which is a result of a higher level of claims technical provisions related to several individually significant claims;
- a higher level of claims in the agricultural insurance group caused by weather conditions.

6.5 Acquisition expenses and administrative expenses

In 2014, acquisition expenses, excluding the reinsurance commission, amounted to PLN 1,511.9 million and increased by 4.9% compared with 2013. The increase was caused mainly due to changes of commission rates for motor insurance packages and activities promoting sales in the multiagency channel, mainly in the retail client insurance segment.

In 2014, PZU's administration expenses were at a level of PLN 729.1 million, which was 10.0% higher than in the previous year. Their value was also influenced by higher costs of projects, including the strategy implementation, IT, as well as personnel costs and the costs of customer service training, with two systems coexisting simultaneously – the effect of implementing projects from previous years which will make it possible to change the philosophy of customer relations management.

Higher costs of insurance activities resulted from a lower level of reinsurance commissions as a result of the settlement agreement with the reinsurer and recognition of one-off income of PLN 73.3 million in the financial result of 2013.

6.6 Other operating income/expenses (net)

In 2014, the balance of other net operating income and expenses was negative and amounted to PLN 112.3 million compared with 2013, when the result was higher by PLN 150.6 million. The main factors that had an impact on the result:

- the lack of the prevention fund write-off in the current year
- lower impairment losses on other receivables in 2014.

In 2014, the balance of other net operating income and expenses was negative and amounted to PLN 74.0 million compared with the positive balance for 2013 in the amount of PLN 7.1 million. Since the middle of 2014, the balance of other operating expenses was charged with interest and the cost related to the changes due to exchange differences of the loan granted by PZU Finance AB in the total amount of EUR

500 million. In 2014, interest expenses amounted to PLN 16.6 million. Due to the depreciation of the PLN, the loss of PLN 58.8 million has been included due to exchange differences.

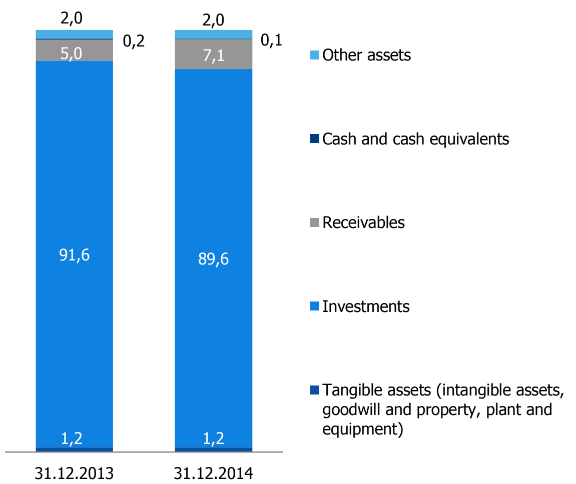
6.7 Structure of assets and liabilities

As at 31 December 2014, total assets of PZU amounted to PLN 34,629.8 million and were 14.9% higher than as at the end of 2013.

Assets

The key components of PZU's assets were investments. In total, these assets amounted to PLN 31,030.9 million and were 12.4% higher than at the end of the prior year. They represented 89.6% of PZU's total assets compared with 91.6% at the end of 2013. Excluding investments in subsidiaries, the level was higher by 8.4%.

PZU assets structure (%)



PZU receivables amounted to PLN 2,437.8 million and they represented 7.1% of total assets. For comparison, at the end of 2013, they amounted for PLN 1,496.6 million (5.0% of PZU's assets) and their increase was mainly due to the receivables received from PZU Życie from the advance dividend expected at the end of 2014 in the amount of PLN 730 million.

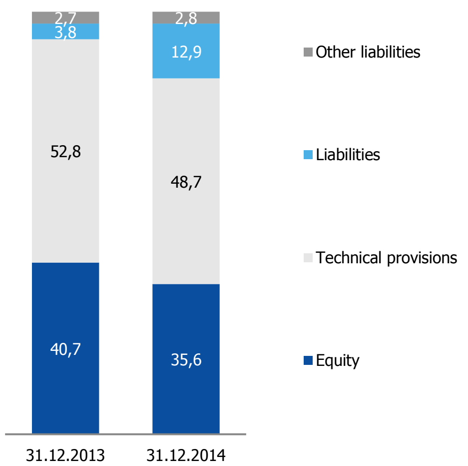
Non-current assets – in the form of intangible assets, goodwill and property, plant and equipment – were disclosed in the statement of financial position at PLN 408.6 million. They comprised 1.2% of total assets.

As at 31st December 2014, PZU's cash and cash equivalents amounted to PLN 47.0 million (0.1% of total assets). A year earlier, they amounted to PLN 75.0 million.

Liabilities

At the end of 2014, the main component of PZU's equity and liabilities was technical provisions. They amounted to PLN 16,861.2 million, which represented 48.7% of total equity and liabilities. Their share in the statement of financial position slightly decreased in comparison with the previous year, while their value increased by PLN 948.2 million, in particular due to higher claims provisions in motor insurance in the segment of mass-market insurance;

PZU liabilities structure (%)



At the end of 2014, equity amounted to PLN 12,328.7 million and they it was at the level similar to the one from the end of 2013 (a 0.6% increase).

The balance of other liabilities and special funds as at the end of 2014 amounted to PLN 4,598.6 million, which accounts for 13.3% of PZU's assets. The increase of the balance by PLN 3,318.2 million compared with 2013 resulted mostly from the loan received from PZU Finance AB in the total amount of EUR 500 million and the dividend receivables to the shareholders for the profit from 2013, which is payable in 2015 in the amount of PLN 1,468.0 million.

WWW.PZU.PL/RELACJE-INWESTORSKIE/AKCJE-PZU-NA-GPW/DYWIDENDA

Cash Flow Statement

Total net cash flows generated by operating activities as at the end of 2014 amounted to PLN 804.1 million and decreased by PLN 271.9 million compared with the previous year.

Off-balance sheet items

Contingent receivables amounted to PLN 9,846.0 million and were lower by 26.7% than in the previous year. They included:

- promissory notes related to insurance guarantees given;
- bank guarantees (bid bonds and contractual guarantees) required for tenders for insurance services.

The balance of contingent receivables amounted to PLN 2,255.1 million in comparison to the previous year as a result of granting of an unconditional loan by PZU to its controlled entity, PZU Finance AB. The guarantee applies to the receivables arising from the bonds issued by the company in July 2014. Under the terms of the issuance, the maturity of bonds, and thus of the guarantee itself, was scheduled for July 2019.

Credits and loans incurred and granted

At the end of 2014, PZU debt ratio increased to 14.7%[3].

On 7th July 2014, the Issuer took a loan from PZU Finance AB (publ) in a total amount of EUR 500 million with an interest rate of 1.425% per year. The loan will be paid back on 28th June 2019.

[3] Debt ratio calculated as Liabilities from received loans/(Equity + Liabilities from received loans).

6.8 Share of the industry segments in the results

For management purposes, PZU has been divided into the following industry segments:

- corporate insurance (non-life). This segment encompasses a wide range of non-life insurance, other TPL and motor insurance, which are adapted to customer needs and, with individually valued risks, offered by PZU to large business entities.
- Mass-market insurance (non-life). This segment comprises property, accident, other TPL and motor insurance. PZU provides the insurance to individuals and entities from the SME sector.

Corporate insurance

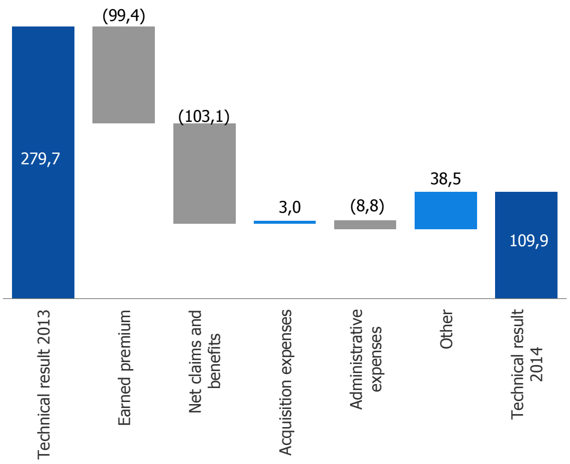
In 2014, the corporate insurance segment earned a technical result of PLN 109.9 million, which is 60.7% less than in the previous year.

The following factors primarily had a key impact on this segment result in 2014:

- a decrease in the premium earned by 6.4% despite an increase of the gross written premium by 4.5% compared with 2013. In 2014 there was an increase in the other TPL insurance group (increased by PLN 65.2 million) as a result of acquiring several strategic Clients and entering into contracts for the period longer than one year. A difficult situation on the business insurance market and a decline in prices resulted in the greater inclination to enter into long-term contracts – this tendency was already observed last year. What is more, the sales structures oriented towards the development of the so-called medium and big corporate business were able to raise the premium and significantly increase the number of insurance policies. Additionally, several big insurance guarantees were granted in the category of financial insurance (an increase of PLN 57.6 million). The increase in the written premium was partially offset by the decrease in the motor insurance group (a decrease of PLN 37.7 million), which was the result of a strong price competition;

- the total amount of claims and benefits was PLN 957.2 million and it was PLN 103.1 million higher than in the prior year. Claims and benefits in 2014 increased by 12.1% in comparison with 2013, which, considering a 6.4% decline in the net premium earned, means that the loss ratio decreased by 10.8 p.p.

Technical result in corporate segment (million PLN)



The increase was recorded mainly in other non-life insurance (increase in the value of claims of 16.6%) as a result of several claims of high unit value, in particular, in miscellaneous financial loss insurance and in insurance covering property damage and damage caused by forces of nature. As far as motor insurance is concerned, despite a decline in the frequency of losses, the level of claims and benefits increased (by 9.4% y/y) as a result of the higher average claim payment and the increase in the technical provisions for bodily injury claims.

In 2014, the loss ratio in corporate insurance amounted to 65.7% compared with 54.9% in the previous year.

- a significant increase in acquisition expenses of PLN 4.5 million, i.e. 1.5%, compared with 2013, was caused mainly by higher indirect acquisition expenses and the inward reinsurance commission, partially offset by an increase in the deferred acquisition expenses for multiyear contracts;
- an increase in administrative expenses to the level of PLN 124.6 million, i.e. 7.6 %, compared with the previous year, as a result of implementation of projects aiming to change the philosophy of customer relations management and improving the key servicing processes, which in the long term are to lead to higher effectiveness of the sales network.

Mass insurance – non-life

In 2014, the technical result in the mass-market insurance segment amounted to PLN 454.5 million (a 41.9% decrease compared with the prior year).

The following factors primarily had a key impact on this segment result in 2014:

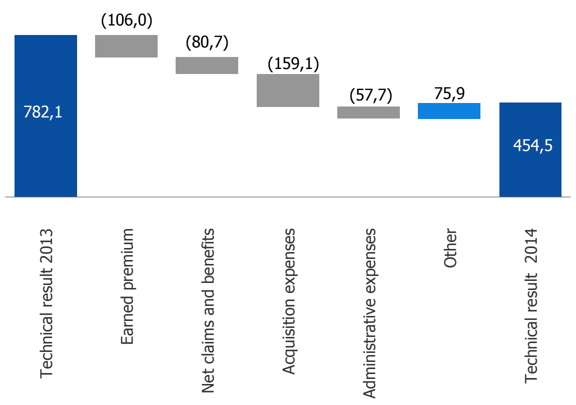
- gross written premium amounted to PLN 6,443.6 million, i.e. it was 1.4% lower than in the previous year. In this, the motor insurance premium was lower by 3.8% as a result of price pressure from the competition. The effect was partially offset by higher sales of insurance concerning damages caused by forces of nature (an increase of PLN 20.7 million) and other TPL insurance (an increase of PLN 18.4 million) – mostly household insurance because of the upsale of the basic types of risk (movable to immovable property and the other way around) and TPL insurance as additional insurance. The premium earned amounted to PLN 6,446.3 million, i.e. it was 1.6% lower than in the previous year.
- claims amounted to PLN 4,273.6 million, i.e. they increased by 1.9% in comparison to 2013. A deterioration of the results with respect to the

previous year was brought about by higher amount of claims and benefits in the motor insurance group, determined mainly by an increase in the technical provisions for bodily injury claims, including claims concerning pain and suffer claims pursuant to Article 448 of the Civil Code for the damages incurred before 3rd August 2008 (justification of the judgement of the Supreme Court of 2014 – catalogue number III CZP 2/14). What is more, the damage caused by forces of nature (mostly frost) was higher in agricultural insurance, which also had a negative impact. The adverse events were partially offset by a lower level of mass claims in non-life insurance and a low level of individualy significant claims.

- acquisition expenses amounted to PLN 1,207.1 million, i.e. they were 5.7% higher compared with the previous year. The primary type of costs that increased were direct costs which grew mainly as a result of a change in the commission rates for motor insurance packages;
- administrative expenses which amounted to PLN 604.5 million, increased by 10.5% compared with 2013. The higher costs were caused by the implementation of projects aiming to change the philosophy of customer relations management (customer centricity). The increase applies mainly to the IT and personnel costs, as well as the costs of customer service training.

What is more, a one-off effect from 2013 had a significant impact on comparability of the results, the event in question being the one-off gross profit on the settlement agreement with the reinsurer on the Green Card insurance of PLN 53.2 million (of which PLN 73.3 million was recognized in the reinsurance commission and the shares in the profits).

Technical result in mass segment (million PLN)



6.9 Operating efficiency ratios

In 2014, PZU's return on equity amounted to 21.4%. ROE was 18.3 p.p. lower than in the previous year.

In 2012-2014, the rate of return on equity (ROE) was almost 27%.

One of the key operating ratios of an insurance company is the combined ratio (COR), which is calculated for the non-life sector (Sector II) because of its specific nature.

The combined ratio of PZU has remained in the last few years at the level which guarantees high profitability. Simultaneously, the ratio increased in 2014. It was caused to a large extent by a higher loss ratio in motor own damage insurance resulting from an increase in the claims provision from the previous years.

Operating efficiency ratios by segments were also presented in Appendix: Financial data

Key profitability ratios of PZU	2014	2013	2012	2011	2010
Return on Equity (ROE) (annualised net profit / average equity) x 100%	21.4%	39.7%	20.5%	21.8%	31.5%
Return on Assets (ROA) (annualised net profit / average assets) x 100%	8.1%	17.0%	9.0%	9.6%	12.8%
Administrative expense ratio (administrative expenses / premium earned net of reinsurance)	9.2%	8.2%	8.2%	8.0%	8.9%
Return on Sale (net income / gross written premium) x 100%	31.9%	61.7%	30.5%	31.3%	45.2%

Operating efficiency ratios	2014	2013	2012	2011	2010
1 Claims and benefits ratio gross *(claims and benefits gross / written premium gross) x 100%*	65.5%	61.2%	66.4%	66.7%	79.6%
2 Claims and benefits ratio net of reinsurance *(claims and benefits net of reinsurance / premium earned net of reinsurance) x 100%*	66.2%	62.2%	66.1%	68.1%	75.2%
3 Insurance activity costs ratio *(costs of insurance activity / premium earned net of reinsurance) x 100%*	28.5%	25.0%	26.2%	26.8%	28.4%
4 Acquisition expense ratio* *(acquisition expenses / premium earned net of reinsurance) x 100%*	19.3%	16.9%	18.1%	18.8%	19.6%
5 Administrative expense ratio *(administrative expenses / premium earned net of reinsurance) x 100%*	9.2%	8.2%	8.2%	8.0%	8.9%
6 Combined ratio *(claims and benefits + costs of insurance activity / premium earned net of reinsurance) x 100%*	94.7%	87.3%	92.3%	94.9%	103.7%

** including reinsurance commission*

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7 Risk management

Contents:

7.1 Risk management

Risk management at PZU is aimed at:

- increasing the value of PZU through active and conscious change in the amount of risk assumed;
- preventing acceptance of risk at a level which could threaten the financial stability of PZU.

Risk management at PZU is shared by the whole PZU Group.

Risk management in PZU Group is based on risk analysis of all processes and units, and it is an integral part of the management process.

The main elements of risk management are consistent for all companies of PZU Group and implemented in a way which ensures the implementation of both strategic plans of individual companies and business objectives of the whole PZU Group.

They include, among others:

- systems of limits and restrictions of the acceptable risk level, including the level of appetite for risk;
- the processes of identifying, measuring and assessing, monitoring and controlling, reporting and managing actions with respect to the individual risks;
- organisational structure of risk management, in which Management Boards and Supervisory Boards of companies as well as dedicated Committees play the key role.

The risk management system of PZU Group is based on:

- organisational structure – including division of responsibilities and tasks performed by statutory bodies, committees as well as individual organisational units in the risk management process;
- the risk management process, including the methods of identification, measurement and assessment, monitoring and control, reporting risk and taking management action.

The risk management system organisational structure is consistent in PZU Group and in individual companies and includes four competence levels.
The first three are as follows:

- the Supervisory Board, which supervises the risk management process and assesses its adequacy and effectiveness as part of its decision-making powers defined in the given company's Articles of Association and the Supervisory Board rules and regulations;
- the Management Board, which organizes the risk management system and ensures its functionality through approving the strategy and policies and defining the appetite for risk, the risk profile and tolerance for individual categories of risk;
- Committees which make decisions on reducing individual risks to a level determined by the risk appetite. The Committees implement the procedures and methodologies for mitigating the individual risks and accept individual risk limits.

The fourth competence level relates to operational actions and is divided between the three lines of defence:

- the first line of defence – ongoing risk management at the business unit and organizational unit level and decision-making as part of the risk management process;
- the second line of defence – denotes risk management by specialised units responsible for risk identification, monitoring and reporting as well as controlling limits;
- the third line of defence – comprises internal audit, which conducts independent audits of the elements of the risk management system, as well as control activities embedded in the activity.

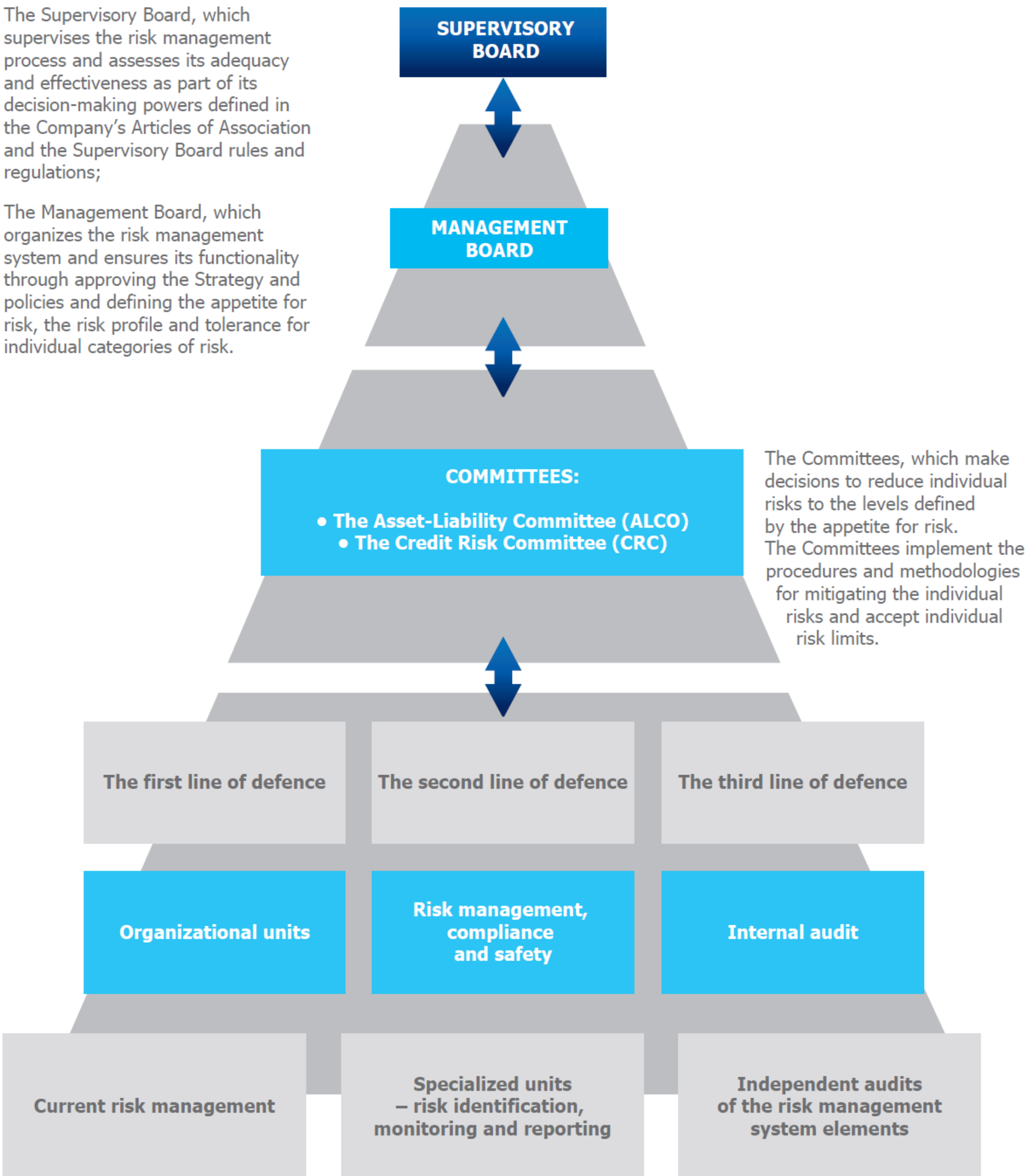
The diagram below illustrates the organizational structure of the risk management system in each insurance entity of PZU Group.

Detailed information on risk management, risk appetite and the risk management process is presented in chapter 7 of PZU Group's Report on the Activities.
WWW.PZU.PL/RELACJE-INWESTORSKIE/RAPORTY-OKRESOWE-BIEZACE/OKRESOWE

7.2 Reinsurance operations

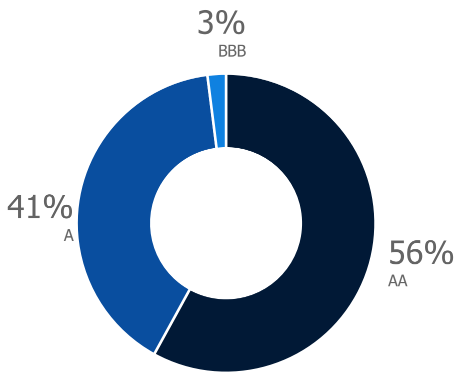
Reinsurance coverage secures the insurance activity, reducing the consequences of the occurrence of catastrophic phenomena which could adversely affect the financial standing of insurance companies.

PZU uses the reinsurance contracts it enters into to mitigate its exposure to catastrophic losses (e.g. flood, hurricane) among other things through a catastrophic non-proportional excess loss contract and to the consequences of large one-off losses in non-



proportional reinsurance contracts protecting property, technical, marine, aviation, TPL and MTPL portfolios.

Reinsurance premium from PZU obligatory contracts as per Standard & Poor's rating



PZU's risk is also mitigated through reinsurance of the financial insurance portfolio.

The main partners that provided PZU with the obligatory reinsurance coverage in 2014 included: Swiss Re, Hannover Re, Munich Re, Scor and Lloyd's. Reinsurance partners have high S&P/AM Best ratings, which gives the company the certainty of the reinsurer's good financial standing.

PZU's activity in the area of inward reinsurance includes foreign companies of PZU Group. As a result of the new acquisitions, in 2014 years the commitment to the protection of subsidiaries increased, and so did the related written premium. In addition, PZU obtains a gross written premium from inward reinsurance from activity on the domestic and foreign market, mainly through optional reinsurance.

7.3 Capital management

PZU has a solid capital base, which is much higher than the capital requirements and the average values for the insurance sector in Poland.

In accordance with the Act on Insurance Activity Appendix: GLOSSARY OF TERMS, an insurance company with its registered office on the territory of Poland is obliged to maintain its own funds at an amount of no less than the required solvency margin and no less than the guarantee capital. The required solvency margins and own funds were calculated on the basis of Polish GAAP and the requirements of the Regulation of 28th November 2003 on the method of calculating the required solvency margin and the minimum amount of guarantee capital for insurance categories and groups (Journal of Laws of 2003, No. 211/2003 item 2060, as amended).

The capital requirement calculation model will be changed when Solvency II Appendix: GLOSSARY OF TERMS into force.

PZU also maintains assets for covering technical reserves in excess of the required level. At the end of 2014, the assets to technical provisions ratio amounted to: 118.3%. The details are presented in the **APPENDIX.**

Calculation of own funds for required solvency margin coverage	31st December 2014	31st December 2013	31st December 2012	31st December 2011	31st December 2010
Amount of PZU's own funds (in PLN million)	7,981	9,506	10,956	9,192	9,593
PZU's required solvency margin coverage with own funds	585.9%	697.7%	815.3%	686.6%	716.6%

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8 PZU on the capital and debt market

Contents:

1. PZU quotations and capital market ratios
2. Investor relations
3. Analysts' recommendations
4. Dividend policy
5. Rating

8.1. PZU quotations and capital market ratios

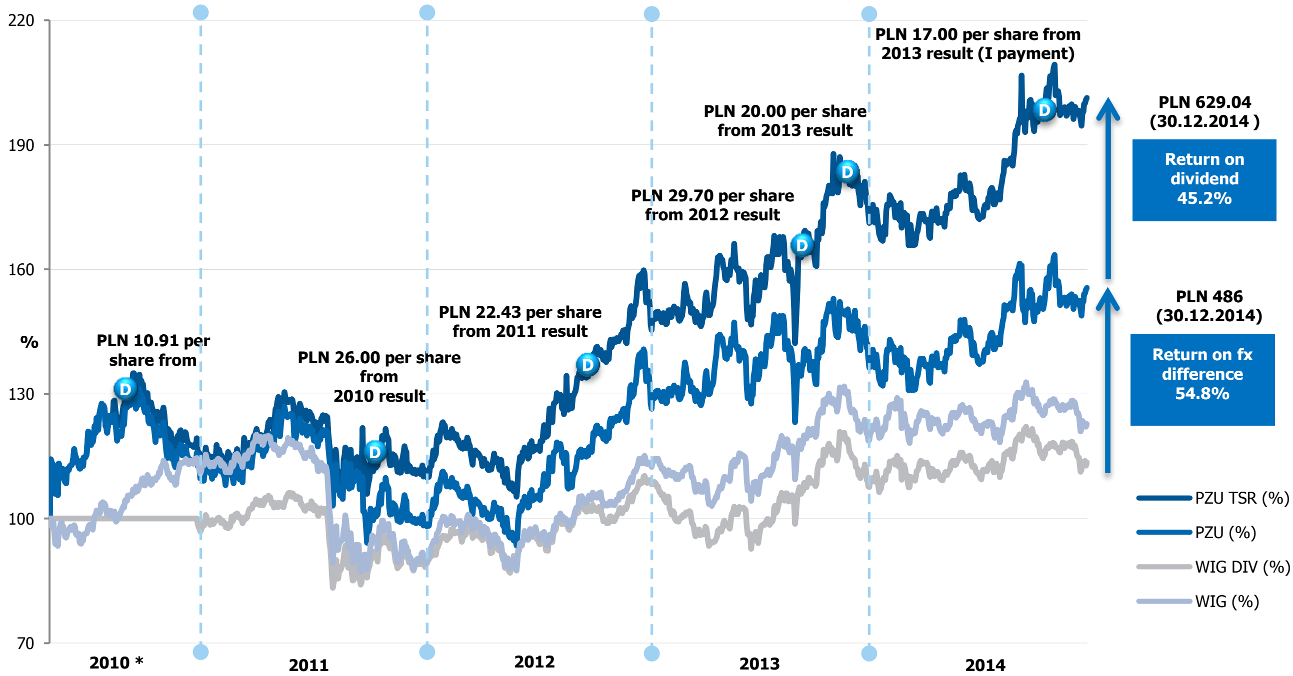
PZU debuted on the Warsaw Stock Exchange on 12th May 2010 and since its IPO it has been included in the WIG20 index. With capitalization of nearly PLN 42 billion at the end of 2014, PZU was the second largest listed company in Poland, and PZU's share in WIG20 portfolio was 14.4%.

PZU was also included in the following indices of the WSE: WIG, WIG30, WIG-Poland, RESPECT Index and WIGdiv. Sine 2012 PZU's shares are also included in the sustainable development index CEERIUS Appendix: GLOSSARY OF TERMS.

The price/book value ratio (in accordance with PAS) was 3.40, making PZU one of the best-valued companies in the financial market listed with WSE.

A detailed analysis of the share prices in 2014 in relation to the economic events is shown in PZU Group's Report on the Activities **www.pzu.pl/relacje-inwestorskie**

PZU share quotation (PLN) dynamics (%) compared to MSCI indices (USD)



*Source: PZU data. * Quotation as of 12 May 2010 (PZU's IPO at WSE).*

8.2. Investor relations

Meeting stringent information governance requirements for public companies and fulfilling information needs of different groups of stakeholders, the Management Board of PZU undertakes various investor relations activities aimed at improving transparency of the company. Therefore, PZU has consistently applied "Rules for PZU information policy towards participants in the capital market".

We create value through proactive communication with capital market participants, building trust and caring for good relationships.

Detailed information concerning investor relations and the shareholding structure is presented in PZU Group's Report on the Activities **www.pzu.pl/relacje-inwestorskie**

8.3. Analysts' recommendations

In 2014, recommendations for PZU stock were issued by 20 domestic and foreign financial institutions.

The summary of the statistics of PZU recommendations and a sell-side analyst list are presented in PZU Group's Report on the Activities **www.pzu.pl/relacje-inwestorskie**

IR Vision: We provide honest information everywhere and at all times – this helps to better understand the company and ensures peace of mind and security to those who invest in PZU shares. We set directions for development of inwestor relations in Poland.

8.4. Dividend policy

In May 2014, the Capital Structure and Dividend Policy of PZU Group for the years 2013-2015 (Policy), approved on 26th August 2013, was updated. Due to the implemented changes, on 19th November 2013 an advance paid towards the dividend expected at the end of the 2013 financial year in the amount of PLN 1.727 million, that is, PLN 20 per share, was recognized as part of the payment of the surplus capital of PZU Group.

The key objective of the implementation of the Policy is reduction of the cost of capital through optimization of the statement of financial position structure by way of replacing equity with less expensive borrowed capital at the same time ensuring high security and maintaining funds for development.

The policy aims to increase the total shareholder return (TSR) Appendix: GLOSSARY OF TERMS and is based on the following principles:

- maintaining the own funds of PZU Group, excluding the subordinate debt, at the level not lower than 250% of the required solvency margin (according to Solvency I Appendix: GLOSSARY OF TERMS) of PZU Group and an attempt to maintain the own funds of PZU Group, including the subordinate debt, at the level of about 400% of the required solvency margin (pursuant to Solvency I at the end of the financial year) in order to maintain the financial security of the Group;
- maintaining assets to cover the provisions of

PZU quotations and capital market ratios (PAS)	31st December 2014	31st December 2013	31st December 2012	31st December 2011
Market price per share/book value per share (P/BV)	3,40	3,16	2,81	2,27
Book value per share	142,77	141,98	155,79	136,01
Market price per share/profit per share (P/E) EPS (PLN)	15,92	7,59	14,62	10,33
Profits (losses) per share/number of shares DY Dividend yield (%)	30,53	59,13	29,89	29,90

individual companies of PZU Group at a level no lower than 110%;

- obtaining an optimal financing structure by replacing the capital surplus with subordinated debt up to an amount no higher than PLN 3 billion, not to exceed a 25% cap of shareholder funds to cover the required solvency margin as referred to in article 148 of the Insurance Activity Act Appendix: GLOSSARY OF TERMS.
- maintaining the equity level corresponding to Standard & Poor's AA rating;
- providing funds for development and acquisitions in upcoming years;
- no equity issues by PZU in the upcoming years.

The policy assumes dividend payment calculated based on:

- the consolidated net profit, where the amount of the dividend paid cannot be lower than 50% or higher than 100% of the net profit shown in PZU Group's consolidated financial statements compliant with IFRS; and
- surplus capital, where the total amount of dividends paid from surplus capital in 2013-2015 cannot exceed PLN 3 billion.

Payment of dividends for 2013

In December 2013, all insurance companies operating on the Polish market received a Recommendation of the Head of Polish Financial Supervision Authority (KNF) Appendix: GLOSSARY OF TERMS regarding restrictions on dividend payment. The supervisory body recommended that the insurance companies continue their prudent dividend policy using the generated profit to enhance their capital standing. At the same time, when deciding on the dividend amount, the insurance companies should include additional capital needs within the 12 months of the date of approving 2013 financial statements, among others arising from the growth of costs caused by changes in market and legal conditions and capital needs arising from the necessity to achieve compliance with Solvency II Appendix: GLOSSARY OF TERMS.

The supervisory body recommended the dividend to be paid only by insurance companies that meet all the set financial criteria.

At the same time, it recommended limiting the dividend payment (when meeting the criteria) to the maximum of 75% of the 2013 profit maintaining the capital requirement coverage ratio after dividend of at least 110%. The supervisory body allowed for the payment of dividend from the entire profit generated in 2013, as long as the capital requirements cover will stay at the level higher than the one defined in the recommendation after the payment of dividends.

On 17th June 2014 the General Shareholders' Meeting of PZU adopted the resolution on distribution of the net profit for the year ended 31st December 2013, in which it decided to allocate to the dividend payment the amount of PLN 4.663 million, that is PLN 54.00 per share.

Given the payment made on 19th November 2013 on the account of advance payments towards the dividend expected at the end of 2013 in the amount of PLN 1.727 million, i.e. PLN 20.00 per share, the remaining part of the dividend payable for the year which ended on 31st December 2013 amounted to PLN 2.936 million, i.e. PLN 34.00 per share.

17th September 2014 was chosen as the date according to which the list of shareholders entitled to other parts of the dividend payment for the year ended 31st December 2013 was established.

The following payment dates of the above-mentioned dividends were set:

- 8th October 2014 – PLN 1.468 million, that is, PLN 17.00 per share;

- 15th January 2015 – PLN 1.468 million, that is, PLN 17.00 per share.

Because all the key solvency ratios are met and due to the dividend policy, on 19th November 2013 an advance dividend for 2013 was paid in the amount of PLN 1.727 million, and was disclosed as part of the payment from the surplus capital of PZU Group, according to the IFRS.

Payment of dividends for 2014

Following the Recommendation regarding dividend payment by insurance companies from profit generated in 2013, the supervisory body issued a recommendation regarding the payment of dividend from 2014 profit. In a letter of 3rd December 2014 the supervisory body recommended that the insurance companies continue their prudent dividend policy using the generated profit to enhance their capital standing.

The supervisory authority has recommended that dividend should be paid exclusively by insurance companies that meet designated financial criteria and that the payment of dividends should be limited to a maximum of 75% of the profit generated in 2014. The coverage ratio of capital requirements after dividends should remain at a level of at least 110%. At the same time, the supervisory body allows for the payment of dividend from the entire profit generated in 2014, as long as the capital requirements cover will stay at the level higher than the one defined in the recommendation after the payment of dividends.

By the date of preparing this Report on the activities of PZU, the Company's Management Board had not adopted a resolution concerning distribution of profit for 2014.

8.5. Rating

PZU is regularly rated by Standard & Poor's Ratings Services (S&P). The rating assigned to PZU results from an analysis of the financial information, competitive position, management and corporate strategy as well as country financial situation. It also includes outlook, i.e.an assessment of the future position of the Company in the event of specific circumstances. As at the date of the report, PZU had the financial strength rating and the credit rating (awarded by S&P on 16 July 2009) at the A level, with a stable outlook. This is the top S&P rating available for a Polish company. The long-term credit rating in the local currency as at the date of the report was A with a stable outlook, while the credit rating of Poland for a foreign currency to A- with a stable outlook.

Dividend rate	2014	2013	2012	2011	2010
Consolidated net profit of PZU Group (in PLN million)	2967,6	3295,0	3253,8	2343,9	2439,2
Standalone income of PZU (in PLN million)	0,0	5 106,3	2 580,7	2 582,3	3 516,7
Dividend paid per year (in PLN million)	-	4 663,0	2 564,7	1 936,9	2 245,2
Dividend per share per year (in PLN)	-	54,00	29,70	22,43	26,00
Dividend rate (%)*	7,0%	11,1%	5,1%	8,4%	3,1%
Dividend payout ratio from PZU's income per year	b.d.	91,3%	99,4%	75,0%	63,8%

*rate calculated as dividend as at the date of establishing dividend right versus share price at the end of the given year

Company name	Currently		Previously	
	Rating and outlook	Date on which the rating was awarded/updated	Ratng and outlook	Date on which the rating was awarded/updated
PZU				
Financial strength rating	A /stable/	25th March 2014	A /CreditWatch/	26th November 2013
Credit rating	A /stable/	25th March 2014	A /CreditWatch/	26th November 2013
Republic of Poland				
Credit rating (long-term in local currency)	A /positive/	2nd February 2015	A /stable/	8th August 2014
Credit rating (long-term in foreign currency)	A - / positive /	2nd February 2015	A- /Stable/	8th August 2014
Credit rating (short-term in local currency)	A–1 / positive /	2nd February 2015	A–1 /stable/	8th August 2014
Credit rating (short-term in foreign currency)	A–2 / positive /	2nd February 2015	A-2 /stable/	8th August 2014

8.6. Schedule of main corporate events in 2015

Date	Event
15 January	Payment of second part of dividend for 2013 PLN 17 per share
17 March	Annual Report 2014
13 May	Report for 1Q 2015
29-31 May	19. WallStreet Conference for individual investors
26 August	Reports for H1 2015
10 November	Reports for 3Q 2015

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9 Corporate governance

Contents:

9.1 Corporate governance principles applied by PZU

Since the IPO of PZU on a regulated market the Issuer has followed the corporate governance rules laid down in Good practices of companies listed on WSE.

The document was accepted by WSE Council on 4 July 2007 and has undergone several modification since then. The document accepted by the Resolution of WSE Council regarding amendments to the Good Practices of Companies Listed on WSE of 21 November 2012 has been effective since 1 January 2013. The current contents are available on the website devoted to corporate governance of WSE- listed entities WWW.CORP-GOV.GPW.PL and on PZU's corporate website (www.pzu.pl) in the section dedicated to PZU's shareholders – "Investor Relations".

Code of Good Insurance Practices adopted on 8th June 2009 by the General Meeting of the Polish Chamber of Insurance ("PIU"), an organization associating insurance companies operating in the Polish market is another document determining the manner of business operations and of developing relations with stakeholders. The document is available on the website:

http://piu.org.pl/

Further, stakeholder relations are based on our internal PZU Code of Good Practices. The document is available on the website:

http://www.pzu.pl/

On 22nd July 2014, Polish Financial Supervision Authority issued Corporate Governance Rules for Supervised Institutions ("Rules").

The rules are a set of guidelines (soft law standards) which should be used by supervised entities from 1st January 2015 under the applicable law and with respect to the principle of proportionality.

The rules and information on how to use them can be found on PZU's website:

http://www.pzu.pl/grupa-pzu/pzu-sa/zasady-ladu-korporacyjnego

9.2 Application of Best Practice of WSE Listed Companies

In 2014, PZU complied with the principles included in Good Practices of Companies Listed on WSE except from the one referred to in Section IV.10 and Section I.5, I.9 and I.12.

With regard to the principle referred to in Section IV.10, regarding enabling shareholders' participation in general meetings using IT tools to allow mutual real-time communication and participating in discussions during the meeting for shareholders who are physically absent at the meeting venue, please note that in our opinion, there are a number of technical and legal factors that may affect the course of a general meeting, and therefore the appropriate application of the above rule. Moreover, in our view, the company's principles concerning participation in shareholders' meetings applicable in PZU allow for exercising rights from shares and protect interests of all shareholders. The communication regarding non-compliance with the principle included in Section VI.10 was submitted by the Issuer on 29th January 2013.

The following issues mentioned in section I of Good practices of companies listed on WSE defining Recommendations concerning good practices of companies listed on WSE should be emphasized:

- as for the recommendation included in Section 1.5 concerning the policy of remunerating members of management and supervisory bodies, remunerations of members of the Supervisory Board are determined by the General Shareholders' Meeting and those of the Management Board are set based on a resolution of the Supervisory Board.
- policy of remunerating members of the management and supervisory bodies of PZU does not include all elements indicated in the recommendation of the European Commission of 14th December 2004 fostering an appropriate regime for the remuneration of directors of exchange listed companies (2004/913/EC), supplemented by recommendation of EC of 30th April 2009

(2009/385/EC). Moreover, PZU did not present a declaration presenting remuneration policy on its corporate website. The decision concerning future compliance with the said rule will be taken by the Supervisory Board and the General Shareholders' Meeting.

- at the same time, please note that implementing the Ordinance on current and periodic information[1], the Issuer discloses information regarding remuneration, awards or bonuses for each member of the managing and supervisory bodies in PZU in the annual report.
- as for the recommendation specified in Section I.9 concerning gender parity principle to be followed in the Company's management and supervisory bodies, PZU has always pursued the policy of appointing competent, creative, experienced and educated people to the Company's bodies. The composition of the Management and Supervisory Board is determined based on a decision of the Supervisory Board or a General Shareholders' Meeting, respectively and other factors, such as sex, are not taken into account.
- with regard to the recommendation referred to in Section IV.12, regarding enabling shareholders' participation in general meetings using IT tools to allow mutual real-time communication and participating in discussions during the meeting for shareholders who are physically absent at the meeting venue, please note that in our opinion, there are a number of technical and legal factors that may affect the course of a general meeting, and therefore the appropriate application of the above rule. Moreover, in our view, principles concerning participation in shareholders' meetings applicable in PZU allow for exercising rights from shares and protect interests of all shareholders.

[1] Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information submitted by issuers of instruments and conditions for recognizing as equivalent information required by the laws of a non-member state.

The announcement on non-compliance with these recommendations was not issued in line with the waiver of the obligation to publish issuers' reports with respect to corporate governance principles set forth in Section I of Good practices of companies listed on WSE, in accordance with the resolution 1014/2007 of the Management Board of WSE dated 11 December 2007 regarding partial waiver of the obligation to publish reports on corporate governance adopted on the WSE Main Market.

9.3 Application of Corporate Governance Principles to Supervised institutions

The Management Board and the Supervisory Board of PZU declared their readiness to apply the Principles to the furthest objectively possible extent, taking into account the principle of proportionality and the "comply or explain" rule, arising from their content. These statements of the Management Board and the Supervisory Board of PZU were confirmed by their appropriate resolutions.

Detailed information about the application of the Rules by PZU can be found on PZU's website. That includes the principles whose application is partial, that is

- in relation to the principle contained in § 8.4 of the Principles, facilitating the participation of all shareholders in the General Shareholders' Meeting i. a. by ensuring the active electronic participation in meetings; it should be emphasized that the current shareholders of PZU can follow the broadcast of the meeting, but the Company decided not to introduce the so-called e-GSM; in the assessment of PZU, there are many technical and legal factors that could affect the proper conduct of the General Shareholders' Meeting. The legal concerns are related to the possibility of identifying shareholders and inspecting the ID cards of the GSM's participants; the risk of technical problems, e.g. with the Internet connection or a potential intrusion into information systems, can disrupt the work of the General Shareholder's Meeting and raise doubts about the effectiveness of the resolutions adopted during the meeting; the occurrence of the above-mentioned risks may affect the correct application of the principle in full;

- in relation to the principle contained in § 12.2 of the Principles, which states that in the composition of the supervisory body there should be a separate function of a chairperson who manages the works of the supervisory body and that the choice of the chairperson of the supervisory body should be made based on the experience and team leadership skills, taking into account the criterion of independence; it must be emphasized that, in accordance with the Code of Commercial Companies Appendix: GLOSSARY OF TERMS and the Articles of Association of PZU, there is a separate function of a chairperson in the Supervisory Board of PZU; the composition of the Supervisory Board of PZU, including the function of the chairperson, are shaped according to the criterion of independence set out in the Act on statutory auditors Appendix: GLOSSARY OF TERMS; the election of the chairperson of the Supervisory Board is made on the basis of their knowledge, experience and skills, which confirm that the chosen person has the competencies necessary for the proper performance of their supervising duties; the application of the criterion of independence in the case of the chairperson in accordance with the PFSA's explanation of the principle may raise doubts about the potential conflicts of law relating to shareholders' rights;
- in relation to the principle specified in § 49.3 of the Good Governance Principles concerning appointment and dismissal in supervised institutions of the person heading the internal audit unit or the person heading the compliance unit, it should be noted that PZU complies with the principles specified in § 14 of the Principles fully, which means that PZU's Management Board is the only one entitled to and responsible for management of the operations of the company; furthermore, in accordance with the provisions of the labour law, the activities related to the labour law are performed by the governing body; in view of the above, PZU adopted a solution according to which the decision about appointment and dismissal of the person heading the internal audit unit is made, taking into account the opinion of the Audit Committee of the Supervisory Board; the same applies to the appointment and dismissal of the person heading the compliance unit; the Management Board consults the Audit Committee about such decisions.

Moreover, the following rules do not apply to PZU:

- rule specified in § 11.3:

  "In the event that the decision concerning a transaction with a related party was made by the General Shareholders' Meeting, all shareholders should have access to any information necessary for assessment of the terms on which the transaction is to be executed and its impact on the situation of the supervised institution."

  – in PZU the General Shareholders' Meeting does not make decisions concerning transactions with related parties;

- rule specified in § 49.4:

  "In a supervised institution, where there is no internal audit unit or compliance unit, the entitlements referred to in items 1-3 shall be held by the people responsible for performance of those functions."

  – there is both an internal audit unit and a compliance unit in PZU;

- rule specified in § 52.2:

  "In a supervised institution, where there is no audit unit or compliance assurance unit, and where no unit responsible for that area has been appointed, the information referred to in item 1 shall be submitted by the people responsible for fulfilling those functions."

– there is both an internal audit unit and a compliance unit in PZU;

- rules specified in Chapter 9 – Execution of Rights Resulting from Assets Acquired at Client's Risk, as PZU offers no products which involve managing assets at client's risk.

9.4 Control system applied during preparation of the financial statements

Financial statements are prepared within PZU Finance Division including PZU Head Office (the Accounting Office) and central units operating based on applicable regulations. PZU Finance Division is supervised by a Member of the Management Board of PZU.

The elements which facilitate completing the process are the accounting principles (policy), the chart of accounts with a commentary and other detailed internal regulations approved by the Management Board of PZU specifying the key rules of recording business events in PZU and dedicated reporting systems.

Data is prepared in the source systems using formal operating and acceptance procedures which specify the competencies of individual persons.

The reporting process is controlled by appropriately qualified, skilled and experienced staff.

PZU monitors the changes in the external regulations concerning e.g. the accounting policy (procedures) and reporting requirements of insurance undertakings and carries out appropriate adaptation processes.

The accounting records are closed and financial statements are prepared in accordance with detailed schedules, including the key activities and control points with assigned liability for timely and correct completion.

The key controls during preparation of the financial statements include:

- controls and permanent monitoring of the quality of input data, supported by the financial systems with defined rules of data correctness, in accordance with PZU internal regulations concerning the control of correctness of the accounting data;
- data mapping from the source systems to financial statements supporting appropriate presentation of data;
- analytical review of financial statements by specialists to compare them with the business knowledge and business transactions;
- formal review of the financial statements to confirm compliance with the valid legal regulations and market practice in terms of required disclosures.

PZU internal audit periodically reviews the organization and the process of preparing the financial statements.

Audit Committee

In accordance with the Articles of Association of PZU, the Supervisory Board of PZU appoints an Audit Committee composed of three members, with at least one of them qualified in accounting or auditing as understood by the Act on statutory auditors Appendix: GLOSSARY OF TERMS. The Audit Committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the supervision of the correctness of financial reporting, effectiveness of internal control, including internal audit and risk management.

Activities within the consolidated financial reporting are coordinated through the organizational structure of the Finance Division in the PZU and PZU Życie Head Offices which is shared, i.e. organized based on a personal union. PZU controls all the consolidated subsidiaries through Management Boards and Supervisory Boards of the companies.

The process of consolidated financial reporting is regulated by a number of internal acts. The acts regulate the accounting principles (policy) adopted by the PZU Group and applied accounting standards. Additionally, the process is also subject to detailed schedules including the key activities and control points with assigned liability for timely and correct completion.

9.5 Entity authorized to audit financial statements

On 18th February 2014 the Supervisory Board of PZU appointed KPMG Audyt Sp. z o.o. sp. k., with the registered office in Warsaw, ul. Chłodna 51, 00-867 Warsaw, entered on the list of entities authorized to audit financial statements under no. 3546 by the National Chamber of Statutory Auditors as the entity authorized to audit financial statements, with whom an agreement on audit and review of financial statements will be concluded.

The scope of the agreement will include:

- audit of annual separate financial statements of PZU and of annual consolidated financial statements of PZU Group;
- review of interim separate financial statements of PZU and of interim consolidated financial statements of PZU Group.

The work referred to above will include three subsequent financial years ending, respectively, on: 31st December 2014, 31st December 2015 and 31st December 2016 with an option to extend the agreement for further two financial years ending, respectively, on: 31st December 2017 and 31st December 2018.

Former cooperation of PZU with KPMG Audyt included mostly tax advisory services provide by KPMG Audyt.

Fee of the entity authorized to audit financial statements (in PLN '000, VAT included)	2014	2013
Statutory audit of annual separate/consolidated financial statements	714	633
Other attestation services including review of separate/consolidated financial statements	248	887
Tax advisory services	-	416
Other services	27	34
Total	**989**	**1970**

9.6 Share capital and shareholders of PZU; stock held by members of its authorities

The share capital of PZU is divided into 86,352,300 ordinary shares with the face value of PLN 1 each, giving right to 86,352,300 votes on the General Shareholders' Meeting.

As at 31st December 2014 the shareholders of PZU with significant blocks of shares were: State Treasury holding 30,385,253 shares, i.e. 35.2% of the share capital of PZU and the right to 30,385,253 votes at the General Shareholder's Meeting, and Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK holding 4,317,691 shares, i.e. 5.00%% of the share capital of PZU and the right to 4,317,691 votes at the General Shareholder's Meeting.

There was one significant change in the ownership structure of blocks of PZU shares in 2014.

On 29th May 2014, Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA presented PZU with a notice concerning a change in the ownership of PZU shares by Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK ("Aviva OFE"), informing that as the result of the transaction of purchase of the Company's shares on 22nd May 2014, as at 27th May 2014, Aviva OFE increased its volume of shares held in the Company to 5.0% of PZU share capital, which constitutes 5.0% of the total votes at the General Shareholders Meeting of PZU.

The Management Board of PZU has no knowledge about concluded agreements which may result in changes in the proportion of shares held by the shareholders.

PZU did not issue, redeem or repay any debt or equity instruments that would provide its shareholders with special control rights.

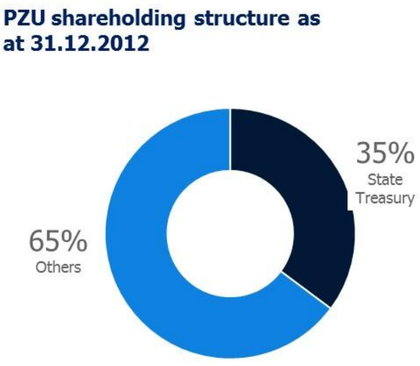
In 2013 and 2014 no employee stock ownership plans existed in PZU.

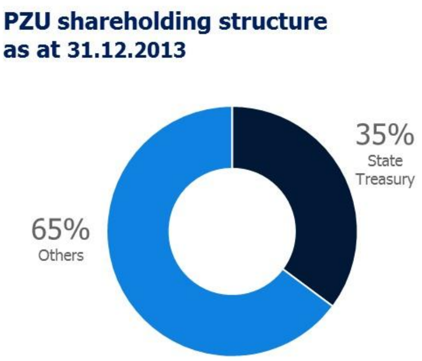
In line with PZU's Articles of Association the voting right of the shareholders is restricted in a way that none of them can exercise more than 10% of the total number of votes at PZU at the date of the General Shareholder's Meeting, with the reservation that for the purpose of determining obligations of parties acquiring material blocks of shares provided for in the Act on public offering and the Act on insurance activity, such voting restrictions are considered non-existent. The restrictions do not apply to:

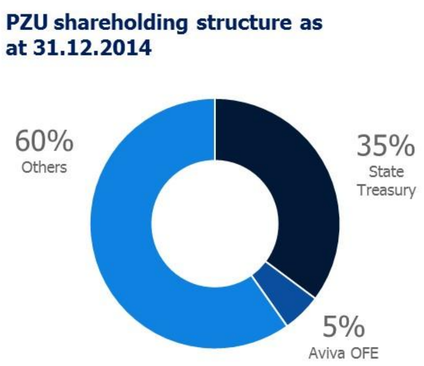
- Shareholders who held shares entitling to more than 10% in the total number of votes in the Company as at the date of adopting a resolution of the General Shareholders' Meeting;
- Shareholders co-acting with shareholders defined in the point above based on agreements concerning joint voting rights attached to the shares.

For the purposes of voting rights restrictions, the votes of the shareholders being parent companies or subsidiaries will be added up in line with the principles specified in the Articles of Association.

In case of any interpretation doubts with respect to the voting restrictions, Article 65.2 of the Civil Code will







apply Appendix: GLOSSARY OF TERMS.

In line with PZU's Articles of Association, the above voting restrictions will expire starting from the moment when a share of a shareholder who, at the date of adopting a resolution of the Shareholders' Meeting introducing the restriction held shares entitling him to more 10% in the total number of votes in the Company, drops below 5% of the share capital.

9.7 Articles of association of PZU

Amendments to the Articles of Association

The Articles of Association of PZU can be amended by the General Shareholders' Meeting in the form of a resolution passed by a majority of three fourths of votes. In cases specified in the Act on Insurance Activity such change must be approved by the PFSA and then recorded in the National Court Register. The Supervisory Board can approve the unified amended text of the Articles of Association.

In 2014 the Articles of Association of PZU were not amended.

9.8 General Shareholders' Meeting, Supervisory Board and Management Board

General Shareholders' Meeting

The General Shareholders' Meeting is the highest body of PZU. The general operational principles and the rights of the General Shareholders' Meeting have been determined by the Code of Commercial Companies Appendix: GLOSSARY OF TERMS and the Articles of Association.

The Articles of Association are available on PZU's corporate website (WWW.PZU.PL) in the "Investors relations" section, tab: "Company".

The General Shareholders' Meeting did not issue its Regulations.

The General Shareholders' Meeting is a body authorized to make decisions concerning issues related to the organization and operations of the issuer. Resolutions of the General Shareholders' Meeting are adopted by an absolute majority of votes, except for cases specified in the Code of Commercial Companies Appendix: GLOSSARY OF TERMS or the Articles of Association.

The competencies of the General Shareholders' Meeting, in addition to those specified in the Commercial Companies Code and the Articles of Association of PZU, include passing resolutions concerning the following:

- examination and approval of the Management's Report, financial statements for the previous financial year and acknowledgement of the fulfilment of duties by members of the company's authorities;
- profit distribution or loss coverage;
- making decisions concerning claims for redressing damage inflicted upon formation of the Company or exercising management or supervision;
- disposal of the enterprise or its organized part or its lease or establishment of a limited property right;
- redemption of shares or issue of bonds;
- creating reserve capitals and making the decision whether to use them and, if so, how;
- division of the company, its combination with another company, its liquidation or dissolution;
- appointing and dismissing members of the Supervisory Board, subject to the right granted to the State Treasury to appoint and dismiss one member of the Supervisory Board;
- establishing the rules of remunerating members of the Supervisory Board;
- acquisition or sale by the issuer of property, perpetual usufruct or share in property or in perpetual usufruct with a value exceeding the equivalent of a gross amount of EUR 30.0 million (thirty million euro).

Shares or rights to shares held by management and supervisory personnel, and PZU Group Directors

No.	Body / Name and surname	Number of shares / rights to shares as of the date of submitting these annual financial statements (i.e. 5 March 2015)	Number of shares / rights to shares as of the date of submitting these annual financial statements (i.e. 12 March 2014)	The resulting change in the period between these dates
	Management Board			
1	Andrzej Klesyk	-	-	-
2	Przemysław Dąbrowski	-	-	-
3	Dariusz Krzewina	-	-	-
4	Barbara Smalska	-		
5	Tomasz Tarkowski	80	80	-
6	Ryszard Trepczyński	-	-	-
	Group Directors			
1	Rafał Grodzicki	-	-	-
2	Przemysław Henschke	-	-	-
3	Sławomir Niemierka	-		
4	Tobiasz Bury	50	50	-
	Supervisory Board			
1	Aleksandra Magaczewska	-	n/a	-
2	Waldemar Maj	n/a	30	-
3	Zbigniew Ćwiąkalski	-	-	-
4	Tomasz Zganiacz	-	-	-
5	Dariusz Daniluk	n/a	-	-
6	Zbigniew Derdziuk	-	-	-
7	Dariusz Filar	-	-	-
8	Dariusz Kacprzyk	nd	n/a	-
9	Jakub Karnowski	28	n/a	-
10	Włodzimierz Kiciński	nd	30	-
11	Alojzy Nowak	-	-	-
12	Maciej Piotrowski	-	-	-
Total		**158**	**190**	

In accordance with the Articles of Association, a majority of three fourths of votes is required to pass the General Shareholders' Meeting's resolutions on the following:

- amendments in the Articles of Association;
- decrease in the share capital;
- disposal of the enterprise or its organized part or its lease or establishment of a limited property right

A majority of 90% of votes at the General Shareholders' Meeting is required to pass resolutions relating to the following:

- preference shares;
- issuer's business combination by transferring all its assets to another company;
- its merger by forming a new company;
- dissolving the company (also as a result of moving its seat or the head office abroad);
- its liquidation, transformation or reduction in the share capital through redemption of a portion of shares without a similar capital increase.

The General Shareholders' Meeting is held:

- as an Ordinary General Shareholders' Meeting which should be held within six months from the end of each financial year;

- as an Extraordinary General Shareholders' Meeting which is convened in cases specified in the generally applicable law and the Articles of Association.

The General Shareholders' Meetings are held in Warsaw and convened by placing an appropriate announcement on PZU's website in accordance with the method for providing current information specified in the Act on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies of 19th July 2005, i.e. in the form of current reports. Such announcement should be made not later than 26 days before the date of the General Shareholders' Meeting. From the date of convening the General Shareholders' Meeting the announcement with materials presented to shareholders at the General Shareholders' Meeting are available on PZU's corporate website (WWW.PZU.PL) in section "Investors relations", tab "General Shareholders' Meeting". A duly called General Shareholders' Meeting is deemed valid regardless of the number of attending shareholders or number of represented shares.

The General Shareholders' Meeting is opened by the Chairman of the Deputy Chairman of the Supervisory Board and then the Chairman of the Shareholders' Meeting is elected. In the absence of the Chairman and Deputy Chairman of the Supervisory Board, the General Shareholders' Meeting is opened by the President of the Management Board or a person designated by the Management Board.

The General Shareholders' Meeting may adopt resolutions regardless of the number of attending shareholders or number of represented shares. Resolutions are passed in an open ballot. The secret ballot vote is used when appointing and dismissing members of the issuer's bodies or liquidators, in cases of their personal responsibility towards the issuer and in personal cases, except when an open ballot method is required by the applicable law, upon request of any shareholder present or represented at the General Shareholders' Meeting.

The rights of the shareholders and the method of exercising thereof at the General Shareholders' Meeting are specified in the Code of Commercial Companies Appendix: GLOSSARY OF TERMS and the Articles of Association.

Only persons who were shareholders of the issuer 16 days before the date of the General Shareholders' Meeting have the right to participate in the Meeting (date of registration of attendance at the Meeting). Shareholders may attend the General Shareholders' Meeting and exercise the right to vote personally or through a proxy. The power of attorney to participate in the General Shareholders' Meeting and to exercise the voting right may be granted in writing or in an electronic form.

One share of PZU gives the right to a single vote at the General Shareholders' Meeting, including restrictions with respect to exercising the voting rights described in the Company's Articles of Association. The shareholder has the right to vote in a different manner under each share held.

During the General Shareholders' Meeting each shareholder may provide resolution drafts concerning items on the agenda.

In accordance with the Code of Commercial Companies Appendix: GLOSSARY OF TERMS, detailed procedures concerning participation in the General Shareholders' Meeting and exercising the voting rights are always presented in an announcement of the General Shareholders' Meeting published on the date of convening the Shareholders' Meeting on PZU's corporate website (WWW.PZU.PL), section "Investors relations", tab "General Shareholders' Meeting".

Composition, powers and functioning of the Supervisory Board

Composition

The Supervisory Board is composed of seven to eleven members. The number of members is specified at the General Shareholders' Meeting.

Members of the Supervisory Board are appointed by the General Shareholders' Meeting for a shared term which includes three consecutive full financial years.

At least one member of the Supervisory Board must be qualified in accounting or auditing, as understood by the Act on statutory auditors and their self-governing body, auditing firms and on public oversight. Furthermore, at least one member of the Supervisory Board should meet the independence criteria specified in the Articles of Association (Independent Member) concerning e.g. professional and personal relations, especially with members managing or supervising PZU and entities in PZU Group. The Independent Member has to present a written statement that all independence criteria provided for in the Articles of Association have been met and inform the company when the criteria are no longer met. In addition, the Articles of Association give the State Treasury the right to appoint and dismiss one member of the Supervisory Board by way of a written statement submitted to the Management Board. The right will expire once the State Treasury ceases to be the Company's shareholder.

Composition of the Supervisory Board of PZU as at 1st January 2014:

- Waldemar Maj – Chairman of the Board;
- Zbigniew Ćwiąkalski – Vice-Chairman of the Board;
- Tomasz Zganiacz – Secretary of the Board;
- Dariusz Daniluk – Member of the Board;
- Zbigniew Derdziuk – Member of the Board;
- Dariusz Filar – Member of the Board;
- Włodzimierz Kiciński – Member of the Board;
- Alojzy Zbigniew Nowak – Member of the Board;
- Maciej Piotrowski – Member of the Board.

The criteria of an Independent Member of the Supervisory Board were met by Dariusz Daniluk and Dariusz Filar.

On 17th June 2014, effective from 18th June 2014, the General Shareholders' Meeting of PZU removed from the Supervisory Board of the company Waldemar Maj, the former chairman of the Supervisory Board, as well as Dariusz Daniluk and Włodzimierz Kiciński. At the same time, on 18th June 2014, the General Shareholders' Meeting of PZU Życie appointed the following people to the Supervisory Board: Dariusz Kacprzyk, Jakub Karnowski and Aleksandra Magaczewska.

On 15th July 2014 Aleksandra Magaczewska was appointed the Chairwoman of the Supervisory Board.

Therefore, since 15th July 2014, composition of the Supervisory Board of PZU has been as follows:

- Aleksandra Magaczewska – Chairperson of the Board;
- Zbigniew Ćwiąkalski – Deputy Chairman of the Board;
- Tomasz Zganiacz – Secretary of the Board;
- Zbigniew Derdziuk – Member of the Board;
- Dariusz Filar – Member of the Board;
- Dariusz Kacprzyk – Member of the Board;
- Jakub Karnowski – Member of the Board;
- Alojzy Zbigniew Nowak – Member of the Board;
- Maciej Piotrowski – Member of the Board.

The criteria of an Independent Member of the Supervisory Board were met by Dariusz Kacprzyk and Dariusz Filar.

The current term of office of the Supervisory Board of PZU started on 30th June 2011 and will end after the lapse of three financial years. The mandates of members of the Supervisory Board expire not later than on the date of the General Shareholders' Meeting approving the financial statements for the last full financial year of their term, i.e. on the date of the General Shareholders' Meeting in 2015.

Aleksandra Magaczewska – Chairperson of the Supervisory Board of PZU

Aleksandra Magaczewska is a graduate of the Faculty of Law and Administration at the University of Silesia. The President of the Management Board of the Industrial Development Agency. Aleksandra Magaczewska has gained knowledge and professional experience at various positions in the Ministry of Economy where she worked for 11 years (2000-2011). Her work there included i.a. ownership supervision over companies in the steel and mining industry, and special economic zones. Later, as the Director of the Mining Department, she was responsible for the state aid for the mining companies. She took part in the setting-up of Polskie Huty Stali S.A., Kompania Węglowa S.A. and the IPO of Jastrzębska Spółka Węglowa S.A. She worked in the Ministry of Treasury as Director of the Department of Restructuring and State Aid since the beginning of 2012. As the head of the department, she exercised ownership supervision over dozens of state-owned companies, including LOT S.A., defence sector companies and the Industrial Development Agency. Previously she was the Chairwoman of the Supervisory Board of Kompania Węglowa S.A, PERN "Przyjaźń" S.A., KGHM Polska Miedź S.A. and a Member of the Supervisory Boards of the following companies: Katowicki Holding Węglowy S.A., Centrum Bankowo-Finansowe "Nowy Świat" S.A., GRABINEX Sp. z o.o., Centrum Informatyki Sp. z o.o.

Zbigniew Ćwiąkalski – Deputy Chairman of the Supervisory Board

He graduated from the Faculty of Law and Administration at the Jagiellonian University in Kraków. An academic teacher and a professor of criminal law at the Jagiellonian University and the School of Law and Public Administration in Przemyśl/Rzeszów. Since 1988, he has been a partner in one of the leading law firms specialising in business law T. Studnicki, K. Płeszka, Z. Ćwiąkalski, J. Górski, sp. k. He is a Member of the Supevisory Board of PLL LOT SA. He was a Member of the Supervisory Board of Bank Przemysłowo-Handlowy in Kraków, and from 16 November 2007 to 21 January 2009, he served as the Minister of Justice – Attorney General in PM Donald Tusk's Cabinet.

Tomasz Zganiacz – Secretary of the Supervisory Board

He is an engineer and MBA graduate. From 2009 he was the Director in the Ministry of Treasury in charge of capital market transactions and ownership supervision over financial institutions. He is an experienced and highly qualified manager with advanced knowledge of tools for restructuring, efficiency improvement, especially in financial management and investment valuation. Until 2009, before he became the CEO of the public listed development company Triton Development S.A., Mr. Tomasz Zganiacz was the Deputy Chairman and CFO of i.a. the public listed company Arksteel, head of credit department at Societe Generale bank, a researcher and a lecturer at the Faculty of Production Engineering of the Warsaw University of Technology, and was a participant in the National Investment Funds programme. Tomasz Zganiacz has been involved in many projects carried out by enterprises from various industries; cooperating with commercial and investment banks, i.a. brokerage offices and other capital market players. He has been in charge of finance management, preparation and implementation of investment projects and has co-authored development strategies. He has broad experience in managing commercial companies; among others, he was a Member of the WSE Supervisory Board. Currently, he is a Member of the Supervisory Board of PKO BP SA.

Zbigniew Derdziuk – Member of the Supervisory Board

He has a degree from the Faculty of Sociology of the University of Warsaw. In 1996, he received a postgraduate diploma in the field of organization and management. A graduate of AMP IESE Business School Programme. He has completed numerous training courses in finance and management. He has many years of experience working in middle and senior management positions, including i.a.: the Deputy Head of the Marketing Department in Polski Bank Inwestycyjny; the Deputy Head of the Promotion and Information Department in PKO BP SA, and the Deputy CEO of the Management Board of Bank Pocztowy SA. He has moreover gained broad experience in administration during i.a. his employment as the Director of the Chancellery of the Sejm; the Secretary of State in the Chancellery of the Prime Minister, including the Deputy Head of the Chancellery – Member of the Cabinet; the Head of the Standing Committee of the Cabinet; the Secretary of the Capital City of Warsaw. Since 2009, he has been the CEO of ZUS. His extensive experience as member of supervisory bodies extends to numerous companies, including i.a.: PKP Polskie Linie Kolejowe SA, Bank Gospodarstwa Krajowego, Totalizator Sportowy sp. z o.o., PKO BP SA.

Dariusz Filar – Member of the Supervisory Board

In 1973, he began working as a lecturer at the Faculty of Economics of the University of Gdańsk; since 1992 he has been professor extraordinarius. He was a visiting professor at the Centre for Russian and East European Studies (CREES), University of Michigan, Ann Arbor (USA) in 1992-1995 and a lecturer at the Central European University in 1998-2001. In 1980s, he contributed to the underground political publications and published commentaries in The Wall Street Journal. Since 1988, he has cooperated with the editorial team of the quarterly Przegląd Polityczny. He also publishes articles and comments on economic matters in Rzeczpospolita and Gazeta Wyborcza daily newspapers. In 1999 - 2004 he was the Chief Economist of Bank Pekao S.A. In 2004 – 2010 he served as a Member of the Monetary Policy Council of the National Bank of Poland. From March 2010 to December 2014 he was a Member of the Economic Council to the Chairman of the Council of Minister.

Dariusz Kacprzyk – Member of the Supervisory Board

He completed his studies at the Faculty of Internal Commerce and Services at the Warsaw School of Economics (former SGPiS) and the post-graduate MBA program at the Leon Koźmiński University. Furthermore, Dariusz Kacprzyk is a graduate of IESE – University of Navarra, Advanced Management Program. He has worked in the banking industry for more than 25 years. He has gained knowledge and experience while holding managerial positions in leading financial institutions on the Polish market. In 2011 – 2013 he served as the CEO of Bank Gospodarstwa Krajowego, and before that, he worked in BRE Bank SA as the Director of the Corporate Cooperation Department while simultaneously sitting on the Bank's Management Board's Credit Committee. Even earlier, from 2007 to 2009, he worked at Bank Pekao SA as the Managing Director of the Corporate Banking, Real Estate Financing and International Markets Division and as a Member of its Credit Committee. He also worked in Bank BPH SA and Powszechny Bank Kredytowy SA prior to the merger with BPH SA, as well as in PKO Bank Polski S.A. He was the coordinator of the Municipal Development Program organized by the World Bank and the Municipal Development Agency (Foundation of the Minister of Finance). Since 21 June 2013 Mr. Dariusz Kacprzyk has been a Supervisory Board Member of the WSE.

Jakub Karnowski – Member of the Supervisory Board

He is a doctor of economics and a graduate of the Warsaw School of Economics and the University of Minnesota, as well as a former fellow of The Margaret Thatcher Foundation in the London School of Economics. He holds the title of Chartered Financial Analyst confirming his qualifications in investment advisory services. He works as an assistant professor in the College of Economic Analyses at the Warsaw School of Economics. From 1997 to 2000 he was the Chief of the political office and an advisor of the Minister of Finance. He later worked as an advisor on macroeconomic matters at PKPP "Lewiatan" in the years 2000-2001. In the years 2001-2003 he was an advisor to the President of the National Bank of Poland and also in the same period the Director of its Foreign Department. From 2003 to 2008, he worked at the World Bank Group in Washington, DC as a Deputy Executive Director. From 2008 to 2012 he held the position of the CEO of PKO TFI, and in the years 2010-2013 he was a Member of the Board of the CFA Society of Poland. Since April 2012 he has held the position of the CEO of the Management Board of Polskie Koleje Państwowe S.A.

Alojzy Zbigniew Nowak - Member of the Supervisory Board

In 1984, he graduated from the present Warsaw School of Economics (former SGPiS) and, in 1992, from the University of Illinois at Urbana - Champaign, USA, M.A. in the field of economics. In 1993, he completed studies in banking, finance and capital markets at Exeter University, UK, and in 1996 economic studies at Free University of Berlin, whereas in 1997 in the field of International Economics at RUCA. In 2002, he gained the title of Professor of Economics. He has won a number of prestigious awards, including Rector Award for Scientific Achievements (annually since 1997), Award of the Minister of Education for a book "Integracja europejska. Szansa dla Polski?" and a book titled "Banki a gospodarstwa domowe - dynamika rozwoju". Member of numerous scientific organizations and professional editing boards of periodicals, among others Member of Foundations of Management, Editor in Chief of Journal of Interdiscciplinary, Yearbook on Polish European Studies, Mazovia Regional Studies, Gazeta Bankowa and a reviewer in PWE SA. A long-term Competition Jury Member of Teraz Polska Emblem and Scientific Council Member. He gained his professional knowledge and experience working as the Head of International Business Relations Section at Management Faculty, University of Warsaw, the Head of National Economy Unit at Management Faculty, University of Warsaw, the Director of European Centre at University of Warsaw, the Deputy Dean in charge of foreign cooperation at Management Faculty, University of Warsaw, the Dean at Management Faculty, University of Warsaw and the Deputy Rector in charge of scientific research and cooperation, University of Warsaw. Apart from being a lecturer at University of Warsaw, he also lectures in France, UK, USA, Russia, China and Korea. Furthermore, he served as: advisor to the Prime Minister, to the Minister of Agriculture, the President of University Sports Association at University of Warsaw, a Member of the Advisory Committee NewConnect at Management Board of WSE, a Member of the Foundation Council of the National Bank of Poland, the Chairman of the Scientific Council of the National Bank of Poland. Over the years he held positions in supervisory boards, among others: PTE WARTA S.A., PKO BP S.A., JSW S.A., the Chairman and the Deputy Chairman of the Supervisory Board of EUROLOT S.A.

Maciej Piotrowski - Member of the Supervisory Board

In 1989 Maciej Piotrowski graduated from the master studies at the Faculty of Fundamental Problems of Technology at Wrocław University of Technology. In 1998-1990, he was a student at post-graduate Foreign Trade courses at Wrocław University of Economics; from 1990 to 1991, he was a student at a post-graduate

Finance course at the same University, and in the years 1990-1994, he participated in Ph.D. studies at Wrocław University of Technology. Moreover, in 1995-1997, he participated in Master of Business Administration Program at the University of Illinois at Urbana-Champaign USA co-organized with the University of Warsaw (M.A. in Management and Marketing). Participated in a number of domestic and foreign seminars and courses on banking, finance and capital markets. In 1991, he obtained a security broker license (in 1992, he won WSE President Award for the best broker) and, in 2004, he obtained a license for candidates for supervisory board members in state owned companies. In 1991-1997 he gained professional knowledge and experience working i.a. as a securities broker, the Deputy Director in a Brokerage Office, the Managing Director in Charge of Investment Banking in Bank Gdański S.A. From 1997 to 1999, he was the Investment Banking Director in Bank of America (Poland) S.A. In 2000-2002 he was the Managing Director in charge of investment project funding and the Vice President Global Corporate & Investment Banking in Bank of America (Poland) S.A., then, from 2002 to 2007, he held the following positions: Management Board Chairman in TP Invest Sp. z o.o. and CEO in Towarzystwo Emerytalne Telekomunikacji Polskiej S.A. within Telekomunikacja Polska S.A. Capital Group. In 2008-2013, he was the Deputy CEO in charge of finance and administration in Polska Agencja Żeglugi Powietrznej, and, in 2013, he temporarily acted as its CEO. Later, he served as the Deputy CEO of the Supervisory Board of Bank Gospodarstwa Krajowego, and he currently works for the WSE Capital Group as the General Director of the Polish Power Exchange SA. Over the years, he has held positions in supervisory boards of numerous institutions, to include i.a.: Supervisory Board Chairman in Bank Gospodarstwa Krajowego, Member of the Compulsory Supervisory Board of Bank Przemysłowy in Łódź established by National Bank of Poland, Supervisory Board Member in Metro Warszawskie sp. z o.o., and since 2013 Supervisory Board Member in Enea Wytwarzanie SA. Mr. Maciej Piotrowski has also served as a Member of the Advisory Committee to the Chairman of the Polish Securities and Exchange Commission (present PFSA).

Competencies

The Supervisory Board exercises constant supervision over the company's activities in all aspects of its business.

In accordance with the Articles of Association, the powers of the Supervisory Board include:

- review of the Management's Report and financial statements for the previous financial year in terms of their compliance with the accounting records, documents and facts;
- review of the motions of the Management Board concerning profit distribution or loss coverage;
- presenting the General Shareholders' Meeting with a written report on the results of the review described above and submitting a brief annual assessment of the situation of the company, including internal controls and key risk management and an annual report on the work of the Supervisory Board;
- concluding, terminating and amending the agreements with members of the Management Board and setting the terms and conditions of remuneration and the amount of remuneration;
- appointing, suspending and dismissing the President of the Management Board, members of the Management Board or the entire Management Board, as well as making decision to stop the suspension;
- agreeing to transfer the entire or portion of the insurance portfolio;
- accepting motions of the Management Board concerning acquisition, assumption or disposal of shares in companies, as well as the company's participation in other entities - the Supervisory Board may specify the amount, terms and conditions and the way in which the Management Board may carry out the activities without the acceptance of the Supervisory Board;
- delegating members of the Supervisory Board to temporarily perform the functions of members of the Management Board who have been dismissed, resigned or cannot perform their functions for other reasons;
- accepting instructions concerning votes being cast by the company's representatives during the General Shareholders' Meeting of PZU Życie, concerning: an increase and decrease in the share capital, bonds issue, disposal and lease of a PZU Życie enterprise or establishment of a usufruct right, division of PZU Życie, combination of PZU Życie with a different company, liquidation or termination of PZU Życie;
- selection of the entity authorized to audit the financial statements which will audit the annual financial statements of the company;
- approval of the long-term plans for the development of the company and annual financial plans drafted by the Management Board;
- approval of the regulations of the Management Board;
- examination and evaluation of issues submitted by the Management Board for discussion during the General Shareholders' Meeting.

Moreover, the Supervisory Board grants consent to:

- acquisition or disposal of a real property, perpetual usufruct or share in the real property or in perpetual usufruct exceeding the equivalent of EUR 3.0 million.
- conclusion of a material agreement by the company and its related party, as understood by the Ordinance on current and periodic information, excluding standard agreements concluded by the

company on an arm's length basis as part of its operating activities;

- conclusion of the agreement by the issuer with the underwriter referred to in Article 433.3 of the Code of Commercial Companies Appendix: GLOSSARY OF TERMS;
- advance payment against expected dividend;
- creation and closing of regional and foreign branches.

Mode of operation

The Supervisory Board adopts the regulations of the Supervisory Board specifying its organization and the manner of performing activities. The regulations of the Supervisory Board were adopted by its Resolution of 9th October 2012 and specify its composition and the way in which its members are appointed, the tasks and the scope of its activities and the manner of calling the Supervisory Board and conducting debates.

The Articles of Association stipulate that the Supervisory Board should meet at least once every quarter. The Supervisory Board may delegate its members to fulfil specific supervising activities on their own and to this effect appoint temporary committees.

The scope of responsibility of a delegated member of the Supervisory Board and the committee is specified in a resolution of the Supervisory Board.

Resolutions of the Supervisory Board are adopted by an absolute majority of votes. In the event of a voting tie, the Chairman of the Supervisory Board has the casting vote. The resolutions of the Supervisory Board may be adopted using means of direct distant communication and in a written form.

Additionally, the Articles of Association stipulate that a vote may be cast in writing through another member of the Supervisory Board.

In accordance with the Articles of Association, the resolutions of the Supervisory Board are adopted in an open ballot, except for resolutions concerning appointment of the chairman, Deputy Chairman and the Secretary of the Supervisory Board, delegation of members of the Supervisory Board to temporarily fill in for members of the Management Board and for resolutions with respect to appointing, suspending and dismissing the President of the Management Board, members of the Management Board or the entire Management Board as well and taking decision to stop such suspension which are adopted in a secret ballot. Moreover, a secret ballot may be chosen on request of a member of the Supervisory Board.

The Supervisory Board appoints the Chairman and the Deputy Chairman of the Supervisory Board from its members and it may also select the Secretary of the Supervisory Board. In accordance with the Regulations of the Supervisory Board, apart from appointing the audit committee and promotion and compensation Committee, provided for in the Articles of Association to properly perform its supervision, the Supervisory Board may appoint other permanent advisory and consultative committees whose competencies, composition and way of work is specified by regulations adopted by the Supervisory Board. The regulations of the Supervisory Board stipulate that the Supervisory Board and the appointed committees may use the services of experts and advisory companies.

Members of the Management Board, employees of the company competent for the discussed issue, selected by the Management Board and other persons invited by the Supervisory Board may take part in the meetings of the Supervisory Board, however, they cannot cast votes. In specific cases, the Supervisory Board of PZU may also invite members of the management board or a supervisory board of a different company in PZU Group. Moreover, members of the Supervisory Board, upon consent of the Supervisory Board, may select one advisor authorized to take part in the meetings of the Supervisory Board devoted to reports and financial statements, and give their advice, provided that such person respects confidentiality and signs a confidentiality statement.

At present, the following committees work as part of the Supervisory Board of PZU:

- Audit Committee;
- Promotion and Compensation Committee;

- Strategy Committee.

The Articles of Association provide for appointing an Audit Committee by the Supervisory Board. The Committee is composed of three members, including at least one independent members qualified in accounting or auditing. Detailed tasks and terms and conditions of appointing members of the Audit Committee and its functioning have been specified in a resolution of the Supervisory Board, which views relevant competencies and experience of the candidates for members of the Committee.

In accordance with the Regulations of the Audit Committee adopted by a resolution of the Supervisory Board, the Audit Committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the supervision of the correctness of financial reporting, effectiveness of internal control, including internal audit and risk management, exercised by the Supervisory Board. Moreover, the Audit Committee may apply to the Supervisory Board for commissioning specific controls in the company to be exercised by an internal or external entity.

The Supervisory Board appointed the Audit Committee on 3rd June 2008. Composition of the Audit Committee as at 1st January 2014:

- Dariusz Filar – Chairman of the Committee;
- Dariusz Daniluk – Member of the Committee;
- Tomasz Zganiacz – Member of the Committee.

Dariusz Filar was indicated by the Supervisory Board as an independent member, having accounting and audit qualifications as defined in Article 86.4 of the Act on statutory auditors Appendix: GLOSSARY OF TERMS.

On 17th June 2014, effective from 18th June 2014, the General Shareholders' Meeting of PZU removed Dariusz Daniluk from the Supervisory Board of PZU. Therefore, on 15th July 2014, the Supervisory Board of PZU added Dariusz Kacprzyk to the Audit Committee.Accordingly, as at 31st December 2014 the composition of the Audit Committee was as follows:

- Dariusz Filar – Chairman of the Committee;
- Dariusz Kacprzyk – Member of the Committee;
- Tomasz Zganiacz – Member of the Committee.

In accordance with the Regulations of the Supervisory Board, once the company's shares are listed on a regulated market, as understood by the Act on trading in financial instruments of 29th July 2005, the Supervisory Board my appoint a Promotion and Compensation Committee.

In accordance with the Articles of Association, detailed responsibilities and the method of appointing members of the Promotion and Compensation Committee, the way it works and remuneration are specified in a resolution of the Supervisory Board. The Committee should include at least one independent member. If the Supervisory Board includes five members elected in a vote, the Promotion and Compensation Committee is not appointed and its tasks are carried out by the entire Supervisory Board.

According to the regulations of the Promotion and Compensation Committee adopted by a resolution of the Supervisory Board of 4th April 2013, it is an advisory and consultative body to the Supervisory Board and is to improve efficiency of the Board's supervisory activities related to establishing the management structure, including organizational issues, remuneration system, remuneration principles and selection of properly qualified staff.

The Supervisory Board decided that the promotion and compensation committee would be composed of five persons. Composition of the Promotion and Compensation Committee as at 1st January 2014:

- Zbigniew Ćwiąkalski – Chairman;
- Zbigniew Derdziuk – Member;
- Dariusz Filar – Member;
- Maciej Piotrowski – Member;
- Tomasz Zganiacz – Member.

As at 31st December 2014 the composition of the Committee had not changed.

The Committee is dissolved once five members of the Supervisory Board are elected in a vote in groups and its rights are then taken by the entire Supervisory Board.

According to the regulations of the Strategy Committee adopted by a resolution of the Supervisory Board of 4th

April 2013, it is an advisory and consultative body to the Supervisory Board and is to improve efficiency of the Board's supervisory activities related to consulting of all strategic documents presented by the Management Board (in particular, the company development strategy) and presenting the Supervisory Board with recommendations on planned investments that materially impact the company's assets.

Composition of the strategy committee as at 1st January 2014:

- Waldemar Maj – Chairman of the Committee;
- Zbigniew Derdziuk – Member of the Committee;
- Alojzy Z. Nowak – Member of the Committee;
- Maciej Piotrowski – Member of the Committee.

On 14th January 2014 the Supervisory Board added Włodzimierz Kiciński to the Strategy Committee.

On 17th June 2014, the General Shareholders' Meeting of PZU effective from 18th June 2014 removed from the Supervisory Board of PZU Waldemar Maj and Włodzimierz Kiciński. Therefore, on 15th July 2014, the Supervisory Board of PZU established the composition of the strategy committee:

- Alojzy Zbigniew Nowak – Chairman of the Committee;
- Dariusz Kacprzyk – Member of the Committee;
- Aleksandra Magaczewska – Member of the Committee;
- Maciej Piotrowski – Member of the Committee;

On 8th September 2014 the Supervisory Board added Jakub Karnowski to the Strategy Committee.

As at 31st December 2014 the composition of the Committee had not changed.

Management Board

Composition

In accordance with the Articles of Association of PZU, the Management Board is composed of three to seven members appointed for a shared term which includes three consecutive full financial years. Members of the Management Board, including the President of the Management Board, are appointed and dismissed by the Supervisory Board; however, members of the Management Board are appointed and dismissed by the Supervisory Board at the request of the President of the Management Board. The President of the Management Board of the new term appointed before the end of the current term may apply to

the Supervisory Board for appointing other members of the Management Board of the new term before the end of the current term.

Management Board of PZU as at 1 January 2014 consisted of:

- Andrzej Klesyk - Chairman of the Board;
- Przemysław Dąbrowski - Member of the Board;
- Dariusz Krzewina – Member of the Board.
- Barbara Smalska – Member of the Board;
- Tomasz Tarkowski – Member of the Board;
- Ryszard Trepczyński – Member of the Board.

On 6th October 2014, Barbara Smalska resigned from the position of Member of the Management Board of PZU as at 31st December 2014.

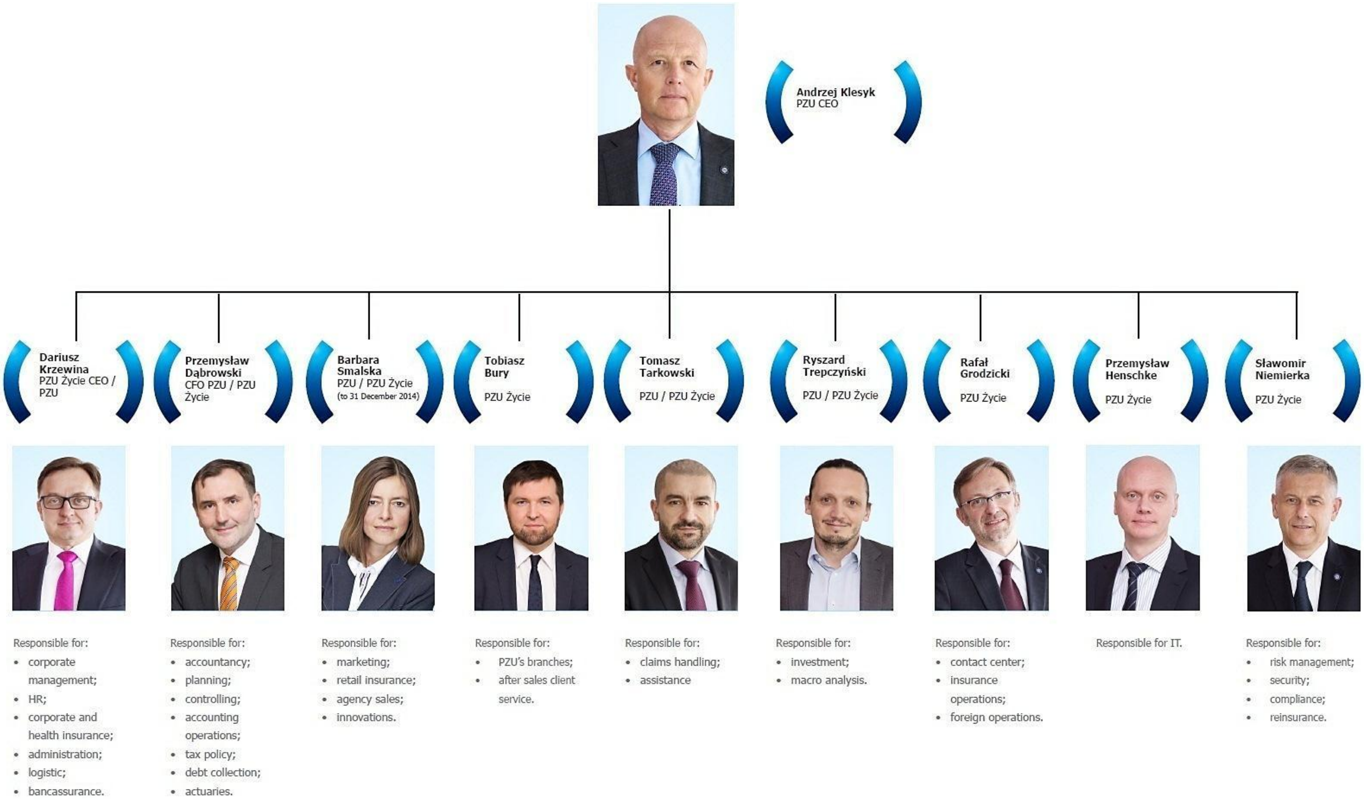
Therefore, since 1st January 2015, composition of the Management Board has been as follows:

- Andrzej Klesyk - Chairman of the Board;
- Przemysław Dąbrowski - Member of the Board;
- Dariusz Krzewina – Member of the Board;

- Tomasz Tarkowski – Member of the Board;
- Ryszard Trepczyński – Member of the Board.

The current term of the Management Board of PZU started on 1 July 2011 and will last until the end of three consecutive financial years. The mandates of members of the Management Board expire not later than on the date of the General Shareholders' Meeting approving the financial statements for the last full financial year of their term.

Roles and responsibilities:



Andrzej Klesyk – CEO of PZU

Andrzej Klesyk has been the Chairman of the Management Board of PZU since December 2007. From 2003 to 2007 he was a Partner and Managing Director of The Boston Consulting Group in Warsaw, where he collaborated with PZU in performing insurance projects. Created and managed Inteligo, a pioneer Internet banking project. Managed a team creating Handlobank, the consumer banking division of Bank Handlowy w Warszawie SA. From 1993 to 2000 he worked in the London branch of McKinsey. In 1991 Andrzej Klesyk went to the USA, where he worked for Kidder, Peabody and Coopers & Lybrand, New York. Andrzej Klesyk graduated from the Faculty of Economy of the Catholic University of Lublin. He was one of the first Poles to complete a two-year MBA course at Harvard Business School, USA. He is a member of: the Board of Trustees of the National Museum, the Programme Board of the Institute of Public Affairs, the Geneva Association – a non-profit organisation associating eighty Board Chairmen from top world insurance companies – as well as a member of the European Advisory Board at Harvard Business School. He represents PZU at annual meetings of the World Economic Forum in Davos.

Dariusz Krzewina – CEO of PZU Życie, PZU Management Board Member

Dariusz Krzewina graduated from the Economy and Sociology Department of the University of and post-graduate studies in insurance at Warsaw School of Economics. He has worked in the insurance industry for many years. From September 1993 to August 1998 he was employed in PZU as a Sales Department Head, Deputy Director and Director of the Insurance Office. From September 1997 to September 1998 he was a Member of the Management Board of PZU Życie. In the period from September 1998 to March 2000 he was the General Sales Director and from April 2000 to August 2001 a Member of the Management Board of STUnŻycie ERGO HESTIA SA. From April 2002 he was a Sales Director and from October 2002 to June 2004 he was the Chairman of the Management Board and the Sales Director at SAMPO Towarzystwo Ubezpieczenia SA. In August 2004 he was appointed the Director of the Group Insurance Office Director in PZU and since January 2006 he was the Coordinating Director in charge of Corporate Clients. He has been in the Management Board of PZU since March 2007 and since August 2007 he has held the position of the Chairman of the Management Board. From 1 February 2010 to 14 March 2013 Director in PZU Group. Member of the Management Board of PZU from 15 March 2013. He is in charge of corporate governance, HR, corporate insurance, administration and logistics, bancassurance and reinsurance.

Barbara Smalska – PZU / PZU Życie Management Board Member until 31 December 2014

Barbara Smalska studied particle physics and holds a PhD of Warsaw University, the Physics Department and the Institute of Deutsches Elektronen Synchrotron (DESY) in Hamburg. In the years 2002-2008 she worked at the Warsaw office of the Boston Consulting Group. As a strategic advisor to top Polish banks, insurance and telecommunication companies she specialized in business strategies, operational models, distribution strategy, organization and activation of the sales network – in particular in the consumer and SME sectors. She joined PZU Group in 2008 and worked as a Director of the Product Management Office, Managing Director in charge of Mass Client Sector and Managing Director in charge of Marketing and Individual Products. She joined the Management Board of PZU on 1 February 2013. On 5 February 2013 she was appointed a Director of PZU Group and held the position until 14 March 2013. Member of the Management Board of PZU from 15 March 2013. She was in charge of marketing and innovations.

Przemysław Dąbrowski – PZU / PZU Życie Management Board Member

Przemysław Dąbrowski graduated from Warsaw University, Information Technology Department and a Post-Graduate Management Course. He graduated from MBA studies at the University of Illinois and from the Warsaw-Illinois Executive MBA program. He has vast experience in financial management services for the insurance sector, in managing financial investments and large financial transactions. He has knowledge and experience in accounting, tax and actuarial issues. He started his professional career in 1993. From 1993 to 1998 he worked at Whirlpool Polska Sp. z o.o. as an analyst and financial controller. In 1998-2000 he was the Treasurer at AIG Poland. In the years 2000-2001 he was the Financial Director and a Member of the Management Board of Creative Team SA (the Elektrim Group). From 2001 to 2006 he was the Planning and Controlling Director at PZU. In 2006-2008 he worked at AT Kearney and Accenture as a Manager and a Senior Manager. From October 2008 to March 2009 he held the function of the Director – Financial Division Deputy Head in the Head office of PZU and PZU Życie. From November 2008 to February 2009 he was the Planning and Controlling Director in the Head office of PZU and PZU and in March 2009 he was appointed the Information Management Director in the Head office of PZU and PZU Życie. He has been a Member of the Management Board of PZU since January 2010. He has held the position of a Member of the Management Board of PZU since December 2010. He is in charge of the Financial Division.

Rafał Grodzicki – PZU Życie Management Board Member, PZU Group Director

Rafał Grodzicki graduated from Warsaw School of Economics. He has extensive management experience in the banking and insurance sector gained in numerous Polish and foreign institutions. He joined PZU Group in February 2004 holding the following positions: Director of the SME Insurance Office, Coordinating Director in charge of Agency Network Development and Managing Director in charge of Insurance Products – Head of the Mass Client Function. He has been in the Management Board of PZU Życie since 2008. He became a Director of PZU Group in February 2010. He is in charge of insurance activities, foreign operations (international activities) and the area of business health.

Przemysław Henschke – PZU Życie Management Board Member, PZU Group Director

He graduated from Warsaw University of Technology. He has more than 20 years of experience in financial services for the IT industry. He worked as a technology provider (as a Project Manager and an advisor) and also represented clients (IT Architect, CIO). His first important engagement was the implementation project for Handlobank, which he managed as a Project Manager of the provider. He was one of the co-founders and creators of Inteligo, where he was the IT Architect and Project Manager of the implementation and then the CIO. He also acted as the CIO in Lucas Bank, where he managed the replacement of the banking system and IT reorganization in the Credit Agricole Group in Poland. The next stage in his career was the launch of Polbank EFG, where he acted as a CIO responsible for the IT structure implementation in the Polish branch and he co-designed universal IT infrastructure for the CEE as a part of the EFG Group. After the launch of Polbank in 2007 he supported Management Boards and CIOs of top banks and insurance companies from Europe and the Middle East as a strategic advisor at McKinsey. He focused on optimization of operations and IT costs, supported reorganization projects, developing IT strategies and architecture and streamlining communication and mutual understanding between the Business and the IT functions. Later, as the Group CIO in Banque Audi, one of the top banking groups operating in the Middle East and headquartered in Beirut, he developed an IT strategy and architecture for the group and started the implementation. Przemysław Henschke joined the Management Board of PZU Życie on 3 February 2012. On 7 February 2012 he was appointed a Director of PZU Group. He is in charge of IT.

Sławomir Niemierka – PZU Życie Management Board Member, PZU Group Director

He graduated from the Faculty of Law and Administration at the University of Warsaw and Harvard Business School. He is a qualified legal counsel and a co-authored a number of publications on financial law and bank supervision. He was an academic teacher at post-graduate courses at Polish Academy of Sciences, Warsaw University and the Academy of Insurance and Finance. For many years he worked in the National Bank of Poland, where he headed the Inspection Office responsible for inspections carried out in banks. Member of a Steering Committee of the General Inspectorate of Banking Supervision in charge of the implementation of the second Basel Accord, supervision over risk models, operational risk and accounting standards. He was in a Team in charge of the development of the risk management system in the National Bank of Poland. As a Member of the Management Board of the Bank Guarantee Fund, he supervised the operational risk management system. He joined PZU Group in 2008 and was appointed the Managing Director in charge of auditing. On 19 March 2012 he was appointed a Member of the Management Board of PZU Życie and the Director of PZU Group. He is in charge of risk management, reinsurance, compliance and safety.

Tomasz Tarkowski – PZU / PZU Życie Management Board Member

Tomasz Tarkowski graduated from the Faculty of Automotive and Construction Machinery Engineering at the Warsaw University of Technology and from the Academy of Finance (formerly Academy of Insurance and Banking). He also completed an Advanced Management Program at IESE Business School University of Navarra and post-graduate studies in road traffic safety, business insurance and management psychology. He has been collaborating with PZU Group since 1996. Initially, he worked in internal control and insurance fraud departments. Since 2002, he specialises in claims handling. He was the Director of the Claims Handling Centre of PZU in Warsaw. In 2007-2011 he was a Member of the Management Board of PZU Ukraine, where he supervised the Claims Handling, product management and risk assessment departments. He has held the position of a Member of the Management Board of PZU since April 2011 and the position of a Member of the Management Board of PZU Życie - since July 2011. He is in charge of Claims Handling and assistance functions.

Ryszard Trepczyński – PZU / PZU Życie Management Board Member

Ryszard Trepczyński graduated from Warsaw School of Economics, the Management and Marketing Department. Since the beginning of his professional career he was focused on the capital market. He has vast experience in developing and implementing investment strategies and drawing up investment policies. He has experience in managing large and diverse asset portfolios. He participated in building management structures for strategic allocation of assets, liquidity and investment risk. In 1994-1006 he worked as a broker in the Capital Transactions Centre of Bank Handlowy w Warszawie SA. In the years 1996 – 2002 he was employed in the Financial Investment Office of PZU – initially as an Asset Manager and subsequently as the Head of the Debt Instruments Portfolio Management Department. From December 2002 to June 2011, he worked at Pioneer Pekao Investment Management S.A., where he successively held the positions of the Director of Debt Securities Department, Director of the Asset Management Department and the Deputy Chairman of the Management Board in charge of investments. He has held the position of a Member of the Management Board of PZU and PZU Życie since July 2011. He is in charge of the Investment Division.

Tobiasz Bury – PZU Życie Management Board Member, PZU Group Director

Tobiasz Bury graduated from Warsaw School of Economics, Kellogg School of Management w USA and Harvard Business School Advanced Management Program. He joined PZU Group in 2009. He held the position of Director Managing the Agency Network and Director in Charge of Mass Sales in PZU Życie since May 2010, he held the position of the Director Managing the Network in PZU Group and Head of the Network Division in the Group. On this position, he was in charge of the network of branches in PZU and PZU Życie and of client service in the network and in the Client Center of PZU Group. On 16 January 2014 he was appointed a Member of the Management Board of PZU Życie and a Director of PZU Group. He is in charge of mass-market insurance, management of the network of PZU Branches, sales channels, contact centre services and post-sale support.

The Management Board exercises all management rights which have not been reserved by the provisions of law or provisions of the Articles of Association for the General Shareholders' Meeting or the Supervisory Board.

The company may be represented by two members of the Management Board acting jointly or one member of the Management Board acting with a commercial proxy.

The Management Board adopts its regulations which are approved by the Supervisory Board. The regulations of the Management Board were adopted by the Management Board on 2nd October 2012 and amended with a Resolution of the Board of 8th April 2013 and approved by a resolution of the Supervisory Board of 16th April 2013.

The regulations of the Management Board determine:

- the scope of Management Board's competencies and activities that require approval or confirmation by the Supervisory Board;
- competencies of the Chairman and Members of the Management Board;
- principles and organization of Board's activities, including its meetings and decision making procedures;
- rights and obligations of Board members upon dismissal.

In accordance with the regulations of the Management Board, resolutions of the Management Board are especially required for:

- adoption of a long-term plan for development and operations of the company;
- adoption of an action and development plan for PZU Group;
- adoption of an annual financial plan and a report on its implementation;
- approval of the financial statements for the previous financial year and the Management's Report;
- approval of a motion concerning profit distribution or loss
    - coverage;
- determination of premiums in the compulsory and voluntary insurance and general voluntary insurance terms and conditions;
- determination of the scope and size of outward reinsurance and the tasks for inward reinsurance;
- adoption of an annual audit and control plan and a report on its implementation with conclusions;
- determination of the terms and conditions of investments, prevention and sponsoring;
- giving sureties and guarantees (excluding insurance operations) and taking out and giving credit facilities or loans by the company (excluding credit facilities and loans given from the company's Social Benefits Fund);
- appointment of a commercial representation.

In accordance with the regulations, meetings of the Management Board are held at least once a fortnight. The work of the Management Board is administered by the President of the Management Board whose powers include in particular:

- defining the scope of responsibility of each member of the Management Board;
- calling meetings of the Management Board;
- setting the agenda of the meeting of the Management Board;
- applying to the Supervisory Board for appointing and dismissing members of the Management Board;
- designating a person to administer the work of the Management Board during the absence of the Chairman.

The work of the Management Board is administered by the President of the Management Board who defines the scope of responsibility of each member of the Management Board.

Resolutions of the Management Board are adopted only in the presence of the President of the Management Board or a person designated to administer the work of the Management Board during their absence and if the meeting is attended by at least half of the members of the Management Board.

Resolutions of the Management Board are adopted by an absolute majority of votes and in the event of a voting tie, the President of the Management Board has the casting vote. The Management Board, upon consent of the Chairman, may adopt resolutions in writing, on paper or in an e-form (i.e. using means of distant communication and a qualified electronic signature). The Articles of Association also provide that the meetings of the Management Board may be held using means of direct distant communication.

The President of the Management Board takes decisions in the form of orders and official instructions. Other members of the Management Board administer the operations of the company within the scope specified by the President of the Management Board.

The Articles of Association of PZU do not provide for any special rights of the Management Board concerning decisions to issue or redeem shares.

9.9 Remuneration of the members of the Group's bodies

Employment contracts concluded with the Chairman and the members of the Management Board, approved by resolution of the Supervisory Board, do not include compensation for resignation or dismissal from their positions without a valid reason, or if the dismissal results from a business combination through an acquisition of the issuer.

Separate non-competition agreements regulate among others refraining from post-employment competition with PZU in exchange for damages. In 2013-2014, PZU Group companies included in consolidation did not grant any loans or similar benefits to members of their management boards, higher level managers or members of their supervisory boards.

Rules of granting annual bonuses to the Members of the Management Board

The bonuses of the Management Board's Members are dependent on their performance for the financial year. They are awarded by the Supervisory Board after the approval of the financial statements for the year.

Remuneration and other employee benefits paid by PZU	**1st January – 31st December 2014**		**1st January – 31st December 2013**	
		including bonuses and special prizes:		including bonuses and special prizes:
Management Board, including:	**8,226**	**2,812**	**9,503**	**3,024**
Andrzej Klesyk	2,714	914	2,780	980
Przemysław Dąbrowski	1,054	313	1,135	336
Dariusz Krzewina	1,314	534	642	-
Barbara Smalska [1)]	1,088	399	593	-
Tomasz Tarkowski	891	228	1,102	336
Ryszard Trepczyński	1,165	424	1,535	736
Bogusław Skuza [2]	-	-	1,716	636

High level management (Directors of PZU Group), including:	**3,717**	**1,193**	**3,263**	**1,122**
Rafał Grodzicki	936	312	874	250
Przemysław Henschke	936	312	804	180
Dariusz Krzewina [3)]	**-**	**-**	291	180
Sławomir Niemierka	860	199	863	200
Barbara Smalska [3)]	-	-	431[4)]	312[5)]
Tobiasz Bury	985	370[6)]	**-**	**-**
Supervisory Board, including:	**1,221**	**-**	**1,224**	**-**
Aleksandra Magaczewska	97	-	-	-
Waldemar Maj	90	-	192	-
Zbigniew Ćwiąkalski	168	-	168	-
Tomasz Zganiacz	144	-	144	-
Dariusz Daniluk	57	-	120	-
Zbigniew Derdziuk	120	-	120	-
Dariusz Filar	120	-	120	-
Dariusz Kacprzyk	64	-	-	-
Jakub Karnowski	64	-	-	-
Włodzimierz Kiciński	57	-	120	-
Alojzy Nowak	120	-	120	-
Maciej Piotrowski	120	-	120	-

Remuneration and other employee benefits paid by other entities of PZU	**1st January – 31st December 2014**		**1st January – 31st December 2013**	
		including bonuses:		including bonuses:
Management Board, including:	**2,942**	**996**	**3,826**	**1,224**
Andrzej Klesyk	-	-	320	-
Przemysław Dąbrowski	599	200	654	255
Dariusz Krzewina	553	133	1,121	561
Barbara Smalska [1)]	596	225	327	-
Tomasz Tarkowski	536	179	510	153
Ryszard Trepczyński	658	259	654	255
Bogusław Skuza [2]	-	-	240	-
High level management (Directors of PZU Group), including:	**1,844**	**478**	**2,235**	**1,071**
Rafał Grodzicki	455	119	742	357
Przemysław Henschke	455	119	742	357
Sławomir Niemierka	427	70	751	357
Tobiasz Bury	507	170 [6)]	-	-

Total estimated valued of benefits in kind allocated by PZU and its subsidiaries	1st January – 31st December 2014	1st January – 31st December 2013
Management Board, including:	**1307**	**1 343**
Andrzej Klesyk	282	251
Przemysław Dąbrowski	186	167
Dariusz Krzewina [3]	217	214
Barbara Smalska [1] [3]	205	151
Tomasz Tarkowski	191	181
Ryszard Trepczyński	226	166
Bogusław Skuza [2]	-	213
High level management (Directors of PZU Group), including:	**908**	**401**
Rafał Grodzicki	170	183
Przemysław Henschke	203	55
Sławomir Niemierka	358	163
Tobiasz Bury	177	-

[1] On 06 October 2014, Barbara Smalska resigned from the position as at 31 December 2014.

[2] Bogusław Skuza on 27 December 2013 resigned with effective date on 31 December 2013.

[3] On 12 March 2013, the Supervisory Board of PZU Dariusz Krzewina and Barbara Smalska were appointed to the position of Members of the Management Board effective from 15 March 2013. (additionally Dariusz Krzewina and Barbara Smalska were Directors of PZU Group respectively till 14 March 2013 and from 5 January 2013 till 14 March 2013).

[4] The aforementioned amount includes a bonus for 2012 as well as remuneration for performance of other functions at PZU and PZU Życie until the date of appointment as the Group's Director.

[5] Amount representing the value of benefits for 2012 from other offices held in PZU and PZU Życie.

[6] Amount representing the value of benefits for 2013 from other offices held in PZU and PZU Życie

The bonus amount depends on the performance of the business area supervised by the given Member of the Management Board, however, the areas that affect business results have much greater impact on remuneration than the support areas.

Group Directors

Positions of PZU Group Directors were established in relation to the implementation of the management model, according to which members of the Management Board of PZU Życie as Group Directors are in charge of the same business areas and functions in PZU and PZU Życie. The positions of Group Directors are established based on Organizational Regulations of PZU (paragraph 20, item 3).

As at 1st January 2014, Group Directors of PZU Capital Group were the following:

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

On 16th February 2014 the Management Board of PZU appointed Tobiasz Bury Director in PZU Group. On 16th January 2014 Tobiasz Bury was appointed a Member of the Management Board of PZU Życie.

As at 31st December 2014, Group Directors of PZU Capital Group were the following:

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

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10 Management Board's Representation

Correctness and reliability of presented financial statements

The Management Board of PZU declares that to the best of their knowledge, the financial statements and comparable data of PZU have been prepared in accordance with the applicable accounting principles and provide a true, fair and clear view of the economic and financial position and the financial profit or loss of PZU and the Management's Report of PZU presents a true picture of the development and achievements, as well as the situation of PZU Group, including a description of the main risks and threats.

Selection of the entity authorized to audit financial statements

The Management Board of PZU represents that the entity authorized to audit financial statements - KPMG Audyt Sp. z o.o. sp. k. - which audited the financial statements was selected in accordance with the provisions of law and that the entity and certified auditors which audited the financial statements met the requirements to express an unbiased and independent opinion on the audited financial statements, in accordance with the applicable provisions of law and professional standards.

Cooperation with international public institutions

PZU cooperates with the EIOPA (European Insurance and Occupational Pensions Authority) in the context of Solvency II.

Information on agreements significant to the operations of PZU, including those concluded between shareholders

By the date of preparation this Management's Report of PZU, there were no agreements (including those concluded after the end of the financial year), which could result in future changes in proportions of shares held by the existing shareholders.

Information on significant contracts concluded

On 3rd July 2014 PZU issued a guarantee in relation to the liabilities of PZU Finance AB arising from the bonds issueance. The maximum value of the guarantee was not established. The guarantee issued by PZU is irrevocable and unconditional and will expire on the expiry of the bondholders' claims against PZU Finance AB. PZU is not entitled to receive any remuneration for the issuance of the guarantee.
On 7th July 2014 the Issuer took a loan from PZU Finance AB with a total value of EUR 500 million and the the interest rate of 1.425% per year. The loan is to be paid back on 28th June 2019.

Related party transactions

On 7th July 2014 the Issuer took a loan from PZU Finance AB, as described above. The loan was granted at arm's length.
PZU Group's companies provide services to each other, as part of their capital and business ties. With the exception of companies of the Tax Capital Group, transactions are concluded at arm's length.

Seasonal or cyclical business

Operations of PZU are not of a seasonal or cyclical nature to the extent that would justify application of the suggestions presented in International Financial Reporting Standards.

Evaluation of financial resources management including the ability to meet incurred liabilities and definition of possible threats and activities, undertaken or planned by the issuer to counteract these threats

The Issuer has a very good financial position and meets all the security requirements imposed by the Act on Insurance Activity and PFSA. A stable rating outlook of the Issuer confirms that PZU has a strong business position, high level of equity and remains a competitive entity in the insurance market.

Disputes

In 2014 and by the date of preparation of this Management's Report of PZU there were no proceedings before court, body competent to hear arbitration proceedings or public authority body concerning receivables or receivables of PZU or its direct and indirect subsidiaries with the value of at least 10% of the equity of PZU.

The description on court cases and preceedings before the President of OCCP are presented in the financial statements of PZU for 2014.

As at 31st December 2014, the total value of all 55,124 cases heard by courts, bodies competent to hear arbitration proceedings or public authority bodies involving PZU was PLN 2,593.4 million. The amount includes PLN 2,275.1 million of receivables and PLN 318.4 million of receivables of PZU, which accounted for 18.45% and 2.58% of the equity of PZU calculated in line with PAS, respectively.

This Management's Report of PZU for 2014 includes 99 pages with sequential numbers.

Signatures of Members of PZU S.A. Management Board

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Andrzej Klesyk – President of the Board

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Przemysław Dąbrowski – Member of the Board

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Dariusz Krzewina – Member of the Board

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Tomasz Tarkowski – Member of the Board

____

Ryszard Trepczyński – Member of the Board

Warsaw, 16th March 2015

Appendix: Financial data

Data from income statement **(in PLN '000)**	**2014**	**2013**	**2012**	**2011**	**2010**
Gross written premiums	8,261,752	8,273,900	8,453,498	8,247,241	7,780,501
Net earned premiums	7,902,639	8,108,036	8,277,136	7,906,271	7,490,079
Claims and benefits	5,230,864	5,047,077	5,473,011	5,386,563	5,632,235
Acquisition expenses, including reinsurance fees	1,522,886	1,366,807	1,494,696	1,484,866	1,466,483
Administrative expenses	729,142	662,694	676,296	633,907	663,715
Technical result	564,429	1,061,855	640,118	332,297	(244,725)
Net investment result	2,568,038	4,633,302	2,472,660	2,843,963	4,234,061
Gross profit (loss)	2,854,524	5,390,880	2,924,381	2,741,606	3,670,748
Net profit (loss)	2,636,733	5,106,345	2,580,720	2,582,303	3,516,709

Main balance sheet items **(in PLN '000)**	**31st December 2014**	**31st December 2013**	**31st December 2012**	**31st December 2011**	**31st December 2010**
ASSETS, including:	**34,629,778**	**30,136,572**	**29,913,216**	**27,397,857**	**26,349,819**
Financial assets	31,030,939	27,609,398	27,591,485	24,882,946	23,832,035
Receivables	2,437,819	1,496,637	1,473,952	1,487,399	1,543,565
LIABILITIES, including:	**34,629,778**	**30,136,572**	**29,913,216**	**27,397,857**	**26,349,819**
Equity	12,328,724	12,259,761	13,452,581	11,745,410	11,902,186
Technical provisions	16,861,181	15,912,942	14,933,110	13,895,347	13,101,608
Other liabilities and special funds	4,598,574	1,280,359	810,652	826,280	674,552
Accruals and deferred income	576,129	518,282	498,518	517,914	342,747

Assets to cover technical provision in PZU (PLN thousands)

Item	Total	% of technical provisions	Maximum limit %
A. Technical provisions	**17,543,431**	**100.0%**	
B. Assets to cover technical provisions, total	**20,755,548**	**118.3%**	
1. Debt issued or guaranteed by the State Treasury and international organizations to which the Republic of Poland belongs	7,828,696	44.6%	without limits
2. Bonds issued or guaranteed by local authorities or associations of local authorities	26,252	0.1%	without limits
3. Other fixed revenue instruments	565,582	3.2%	10%
4. Investment fund units	6,646,834	37.9%	40%
5. Mortgage loans	660,869	3.8%	25%
6. Other loans	358,689	2.0%	5%
7. Investment certificates in investment funds	1,749,456	10.0%	10%
8. Property or its part excluding property or its part for own use	76,421	0.4%	25%
9. Bank deposits	1,368,226	7.8%	without limits
10. Receivables	407,735	2.3%	25%
11. Receivables from the State Budget	1,953	0.0%	without limits
12. Tangible assets, other than property, if amortized using the prudence principle	111,520	0.6%	5%
13. Cash	1,064	0.0%	3%
14. Deferred acquisition expenses compliant with the principles of determining provision for unearned premium in section I of the attachment to the Act and in compliance with the unearned premium reserve calculation in section II	568,502	3.2%	without limits
15. Reinsurers' share in technical provisions	341,126	1.9%	25%
16. Mortgage bonds	42,623	0.2%	10%
C. Surplus (shortage) of assets covering technical provisions	**3,212,117**	**18.3%**	x

One-off events in PZU

(in PLN ’000)

	2014	2013	2012	2011	2010
Change in the rates for annuity provision			(234,2)		
Provisions for employee benefits due to the termination of the Collective Bargaining Agreement			147,8		
Technical result on contract bonds Insurance in the corporate insurance segment			(93,2)		
Provision for the Office of Competition and Consumer Protection penalties				(67,9)	
Reinsurance settlements in the scope of the Green Card cover		53,2		(91,8)	
Claims and benefits arising from snowfall and flood damages					(369,4)
Dividend financing costs					(58,7)

APPENDIX: GLOSSARY OF TERMS

insurance agent - an entrepreneur performing agency activities under an agreement concluded with the insurance company. The agents' activities focus on: customer acquisition, entering into insurance contracts, participating in the administration and performance of insurance contracts and organizing and supervising the agency activities of the agency

insurance broker - an company authorized to pursue brokerage activities. A broker performs activities in the name of or on behalf of a person or company seeking insurance coverage

CEERIUS (CEE Responsible Investment Universe) – a Vienna stock Exchange index for Central and Eastern European (CEE) companies. It is composed of companies that meet social and ecological quality requirements

COR – *Combined Ratio* - a combined expense ratio calculated for the non-life insurance sector (class II). It is the ratio of all the expenses related to insurance administration and payment of claims to earned premium in a given period.The combined ratio should not exceed 100% as that would signify that the revenues from the sales of insurance are insufficient to cover claims and claims handling expenses.

CSR – *Corporate Social Responsibility*

Everest – system for managing non-life insurance which is being implemented at PZU

KC – Civil Code Act of 23 April 1964 (Journal of Laws of 1964, no. 16 item 93, as amended)

PFSA – Polish Financial Supervision Authority, www.knf.gov.pl.

Code of Commercial Companies – Act of 15th September 2000 – Code of Commercial Companies (Journal of Laws of 2000, No. 94, item 1037, as amended).

Required solvency margin – the amount of an insurance undertaking's shareholder funds no lower than the minimum guarantee fund which is required to ensure that the undertaking remains liquid.

Payout ratio – a dividend payout ratio, i.e. the quotient of the dividend paid and the company's net result stated as a percentage.

S&P rating - a credit risk assessment performed by Standard & Poor's. An A rating means that issuers of debt securities have a high capability of servicing their obligations giving consideration to the emergence of factors diminishing that capability.

reinsurance – yielding all or a portion of an insured risk or a group of risks along with the commensurate portion of the premiums to some other insurance company – a reinsurer. As a result of reinsurance, there is a secondary split of the risks making it possible to minimize the risks to the insurance market.

outward reinsurance – reinsurance activity entailing an insurer (ceding company) yielding a portion of the executed insurance contracts to a reinsurer/reinsurers in the form of a reinsurance contract.

inward reinsurance – reinsurance activity entailing a reinsurer or reinsurers accepting a portion of the insurance or groups of insurance yielded by the ceding company.

U Recommendation – a recommendation of PFSA concerning good practices in scope of bancassurance.

technical provisions – provisions which should ensure full coverage of all current and future receivables that may arise from insurance contracts. Technical provisions include: Technical provisions include in particular: unearned premiums reserve, provision for unpaid claims and benefits, unexpired risks reserve, provision where the investment risk is borne by the policyholders, provision for bonuses and rebates for the policyholders.

Ordinance on Current and Periodic Information – Ordinance of the Minister of Finance of 19th February 2009 on current and periodic information submitted by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws. 2009 no 33 item 259).

gross written premium – a gross amount of premiums (without including the reinsurers' share) due on the insurance contracts executed in a financial year, regardless of the term of liability established by these contracts.

earned premium – a written premium in a given period giving consideration to the settlement of revenues (premiums) over time through movement in premium provision.

Solvency I – the required solvency margin for insurance companies. The system was introduced in the European Union in 1970s.

Solvency II – capital requirements for European insurance companies based on the risk undertaken. The requirements become effective on 1st January 2016.

technical rate – the interest rate used to discount technical provisions in life insurance and provisions for capitalized annuities in third party liability insurance.

According to the Finance Minister's ordinance of 28th December 2009 on the special accounting standards for insurance and reinsurance undertakings, the technical rates used by an insurance undertaking may not be higher than 80% of the weighted-average rate of return on investments covering technical provisions during the most recent three financial years.

PFSA calculates and announces the maximum technical rate by 31st January of every year.

sum insured – the cash amount for which an insured object is insured. In non-life insurance the sum insured ordinarily constitutes the upper limit of the insurer's liability.

(TSR) Total shareholder return (market price of shares at end of period - market price of shares at the beginning of the period + dividend paid in the period) / market price of shares at beginning of period.

underwriting – the process of selecting and classifying risks declared for insurance to estimate and accept, according to suitable terms and conditions, or reject an insurance risk.

unit-fund – fund of life insurance where the investment risk is borne by the policyholders.

Act on statutory auditors – Act on statutory auditors and their self-governing body, auditing firms and on public oversight of 7th May 2009 (Journal of Laws of 2009, No. 77, item 649, as amended).

OCCP – Office of Competition and Consumer Protection, ww.uokik.gov.pl.

Act on Insurance Activity – Act on Insurance Activity of 22nd May 2003 (Journal of Laws of 2013, No. 950, item 1151, as amended).

WIBOR6M - a reference interest rate on a six-month-long loan on the Polish interbank market.

WIG20TR – the WIG20 index including the dividends paid by companies.

solvency margin coverage ratio – a statutory ratio specifying the level of capital security for the business conducted by an insurer; by law, this ratio should be above 100