

Attachment to Resolution No. URN/33/2018
adopted by the PZU SA Supervisory Board on 15
May 2018



PZU SA SUPERVISORY BOARD REPORT ON ITS ASSESSMENT OF PZU SA'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017, THE CONSOLIDATED FINANCIAL STATEMENTS OF THE PZU GROUP FOR THE YEAR ENDED 31 DECEMBER 2017, THE MANAGEMENT BOARD REPORT ON THE ACTIVITY OF THE PZU GROUP AND PZU SA IN 2017 AND THE MANAGEMENT BOARD'S MOTION TO DISTRIBUTE PZU SA'S NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2017

This document constitutes a report of the Supervisory Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna and concerns the following:

- 1) assessment of PZU SA's financial statements for the year ended 31 December 2017;
- 2) assessment of the consolidated financial statements of the PZU SA Group for the year ended 31 December 2017;
- 3) assessment of the Management Board's report on the activity of the PZU Group and PZU SA in 2017;
- 4) assessment of the Management Board's motion to distribute net profit for the year ended 31 December 2017.

I. Assessment of PZU SA's financial statements for the year ended 31 December 2017, consolidated financial statements of the PZU SA Group for the year ended 31 December 2017 and the Management Board report on the activity of the PZU Group and PZU SA in 2017

Pursuant to Article 382 § 3 of the Commercial Company Code, the special duties of the Supervisory Board include assessing the management board report on the company's activity and the financial statements for the previous financial year in terms of their compliance with the ledgers, documents and the facts and of the management board's motion on distribution of profit, and submitting to the shareholder meeting an annual written report on the outcome of such assessment.

Pursuant to the Company's Articles of Association and the Rules and Regulations of the Supervisory Board, by Resolution No. URN/5/2014 of 18 February 2014 the PZU SA Supervisory Board selected KPMG Audyty Sp. z o.o., ("statutory auditor") as the audit firm authorized to audit the annual financial statements of PZU SA and the annual consolidated financial statements of the PZU SA Group and to review the interim standalone financial statements of PZU SA and the interim consolidated financial statements of the PZU SA Group for three consecutive financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 with an option to extend cooperation for two more financial years ending 31 December 2017 and 31 December 2018.

At the same time, in consideration of the need for such statutory auditor to:

- audit the annual financial statements of PZU SA and the annual consolidated financial statements of the PZU SA Group,
- review the interim standalone financial statements of PZU SA and the interim consolidated financial statements of the PZU SA Group,
- audit the annual solvency and financial condition report of PZU SA and the annual solvency and financial condition report of the PZU SA Group,

in the years 2017-2018, the PZU SA Supervisory Board, by Resolution No. URN/26/2017 of 27 April 2017, extended for the years 2017-2018 the agreement entered into on 26 June 2014 with KPMG Audyty Spółka z ograniczoną odpowiedzialnością spółka komandytowa on the review and audit of the standalone financial statements of PZU SA and the consolidated financial statements of the PZU SA Group.

The Company's Management Board is responsible for the preparation of the financial statements of PZU SA and the Management Board report on the activity of the PZU SA Group and PZU SA in compliance with the applicable regulations.

The preparation of the consolidated financial statements of the PZU SA Group in accordance with International Financial Reporting Standards, as endorsed by the European Union ("EU IFRS"), and in compliance with other applicable laws is the responsibility of the parent company's Management Board.

In turn, the Supervisory Board and the Management Board are required to ensure, pursuant to Article 4a of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2018 Item 395, as amended) ("Accounting Act"), that the said financial statements and report satisfy the requirements stipulated in the Accounting Act, the executive regulations issued on its basis and other applicable laws.

The Supervisory Board's Audit Committee, pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017 Item 1089, as amended) ("Statutory Auditor Act"), is required to:

- monitor the financial reporting process, including the audit of the annual financial statements of PZU SA

- monitor the performance of financial audit activities and independence of the statutory auditor and the audit firm

KPMG Audit Sp. z o.o. sp. k. has submitted the independence statement required by the Statutory Auditor Act.

PZU SA's financial statements for the year ended 31 December 2017, the PZU SA Group's consolidated financial statements for the year ended 31 December 2017 and the Management Board report on the activity of the PZU Group and PZU SA in 2017 were assessed in detail by the PZU SA Supervisory Board's Audit Committee at the meeting held on 14 March 2018 and discussed with the Management Board and the Company's statutory auditor at the PZU SA Supervisory Board meeting held on 14 March 2018.

In its report, the statutory auditor warranted that the audit of the financial statements was planned and conducted in such a manner as to obtain reasonable certainty that PZU SA's financial statements do not contain any significant distortions.

Key audit areas:

- in the area of insurance business, the audit covered the following issues in particular: valuation of provisions for unpaid claims in motor TPL insurance, valuation of life insurance provisions,
- In the area of banking activity, the audit covered the following issues in particular: impairment of loans granted to clients, recognition of revenues from received interest, commissions and fees,
- in the area of reports and consolidation, the audit covered the following issues: exercise of control over subsidiaries, settlement of the purchase price of Pekao shares, impairment of goodwill, valuation of subsidiaries.

The evidence obtained during the audit constitutes a sufficient and appropriate basis for expressing an opinion.

In the opinion of the independent statutory auditor, PZU SA's audited standalone financial statements:

- provide a reliable and clear picture of the Company's assets and financial standing as at 31 December 2017, financial results of the

business and cash flows generated during the financial year then ended, in compliance with the Accounting Act, the executive regulations issued on its basis and the adopted accounting principles (policy),

- have been drawn up on the basis of accounting ledgers duly kept in all material respects,
- are consistent in all material respects as to form and content with the applicable laws and the provisions of the Company's Articles of Association.

The statutory auditor's report on the audit of PZU SA's standalone financial statements issued on 14 March 2018 contains an unqualified opinion.

Moreover, the statutory auditor declared that the opinion on the audit of the financial statements is consistent with the additional report for the Audit Committee prepared by KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa. On 14 March 2018, the PZU SA Supervisory Board's Audit Committee issued a positive opinion about the said report.

At the same time, in the opinion of the independent statutory auditor, the audited consolidated financial statements of the PZUSA Group:

- provide a reliable and clear picture of the PZU SA Group's consolidated assets and financial standing as at 31 December 2017, consolidated financial results of the business and consolidated cash flows generated during the financial year then ended, in accordance with EU IFRS and the adopted accounting principles (policy).
- are consistent in all material respects as to form and content with the applicable laws and the provisions of the parent company's articles of association.

Moreover, the statutory auditor confirmed that:

- the financial statements have been drawn up under the assumption that PZU SA will be a going concern for the foreseeable future, i.e. for a period of at least 12 months after the balance sheet date, i.e. 31 December 2017,
- as at the date of signing the financial statements, there are no facts or circumstances that would indicate a threat to PZU SA's ability to continue its activity over the 12 months after the balance sheet date as a result of intentional

or an induced discontinuation or material curtailment of its hitherto activity,

The statutory auditor also confirmed that the report on the activity of the PZU Group and PZU SA in 2017 in all material respects:

- has been prepared in compliance with the applicable provisions of law,
- is consistent with the information provided in the financial statements and the consolidated financial statements.

Moreover, the statutory auditor declared that in the light of its knowledge about the Company and the Company's Group and its environment obtained during the audit of the financial statements and the consolidated financial statements, no significant distortions were identified in the activity report.

At the same time, the statutory auditor confirmed that the declaration on the application of corporate governance, which is a separate part of the report on the Company's activity, contains the information specified in § 91 section 5 items 4 (a), (b), (g), (j), (k) and (l) of the Regulation of the Minister of Finance of 19 February 2009 on Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (Journal of Laws of 2014 Item 133, as amended) ("Regulation"). Furthermore, the information referred to in § 91 section 5 item 4(c), (d), (e), (f), (h) and (i) of the Regulation, as presented in the corporate governance statement, in all material respects:

- has been prepared in compliance with the applicable provisions of law; and
- is consistent with the information provided in the financial statements and the consolidated financial statements.

Moreover, the statutory auditor confirmed that the Company has prepared a separate report on non-financial information of the kind referred to in Article 49b Section 9 and Article 55 Section 2c of the Accounting Act together with a separate report on non-financial information of the Group.

The PZU SA Management Board also represented that PZU SA's financial statements for 2017 were prepared in an accurate manner and correctly reflect the business events in the Company and are

free of irregularities resulting from intentional actions or errors.

The PZU SA Supervisory Board, having reviewed the following documents submitted by the Management Board:

- 1) Financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2017, consisting of the following:
 - a) balance sheet prepared as at 31 December 2017, showing total assets and liabilities of PLN 42,388,360 thousand (forty-two billion three hundred eighty-eight million three hundred sixty thousand Polish zloty),
 - b) revenue account of non-life insurance for the period from 1 January to 31 December 2017, showing a technical result to be transferred to the general profit and loss account in the amount of PLN 1,218,037 thousand (one billion two hundred eighteen million thirty-seven thousand Polish zloty),
 - c) general profit and loss account for the period from 1 January to 31 December 2017, showing a net profit of PLN 2,433,874 thousand (two billion four hundred thirty-three million eight hundred seventy-four thousand Polish zloty),
 - d) statement of changes in equity showing an increase in equity during the financial year ended 31 December 2017 by the amount of PLN 1,465,824 thousand (one billion four hundred sixty-five million eight hundred twenty-four thousand Polish zloty),
 - e) cash flow statement, showing a decrease in net cash during the financial year ended 31 December 2017 by PLN 165,879 thousand (one hundred sixty-five million eight hundred seventy-nine thousand Polish zloty),
 - f) notes to the financial statements for the year ended 31 December 2017;
- 2) The independent statutory auditor's report on the audit of the annual financial statements issued on 14 March 2018;
- 3) The PZU SA Group's consolidated financial statements for the year ended 31 December 2017 consistent with the International Financial Reporting Standards encompassing:
 - a) consolidated statement of financial position as at 31 December 2017, showing assets

- and liabilities and equity totaling PLN 317,405 million (three hundred seventeen billion four hundred five million Polish zloty),
- b) consolidated profit and loss account for the period from 1 January to 31 December 2017, showing net profit of PLN 4,233 million (four billion two hundred thirty-three million Polish zloty),
 - c) consolidated statement of comprehensive income for the period from 1 January to 31 December 2017, showing net comprehensive income of PLN 4,299 million (four billion two hundred ninety-nine million Polish zloty),
 - d) statement of changes in consolidated equity for the period from 1 January to 31 December 2017, showing an increase in equity by PLN 20,517 million (twenty billion five hundred seventeen million Polish zloty),
 - e) consolidated cash flow statement for the period from 1 January to 31 December 2017, showing an increase in cash by PLN 5,343 million (five billion three hundred forty-three million Polish zloty),
 - f) notes including information on the accepted accounting policy and other notes and explanations;
- 4) The independent statutory auditor's report on the audit of the annual consolidated financial statements issued on 14 March 2018;
 - 5) The Management Board's report on the activity of the PZU Group and PZU SA in 2017 together with the non-financial report of the PZU Group and PZU SA for 2017;
- issued a positive opinion on the said documents.

Consequently, the PZU SA Supervisory Board resolved to submit this assessment to the PZU SA Ordinary Shareholder Meeting.

The Supervisory Board recommends that the PZU SA Shareholder Meeting approve:

- financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2017,
- consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2017;

- The Management Board's report on the activity of the PZU Group and PZU SA in 2017 together with the non-financial report of the PZU Group and PZU SA for 2017;

in accordance with § 18 item 1 of the Articles of Association of Powszechny Zakład Ubezpieczeń Spółka Akcyjna and Article 395 § 2 Item 1 and Article 395 § 5 of the Commercial Company Code.

II. Assessment of the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2017

The Supervisory Board hereby issues a positive opinion on the PZU SA Management Board's motion to the PZU SA Ordinary Shareholder Meeting to distribute PZU SA's net profit for the year ended 31 December 2017 presented in PZU SA Management Board resolution no. UZ/148/2018 of 15 May 2018 on accepting the motion to distribute PZU SA's net profit for the year ended 31 December 2017 and recommends to the Ordinary Shareholder Meeting that the profit of PLN 2,433,874,473.43 (two billion four hundred thirty three million eight hundred seventy four thousand four hundred seventy three zloty 43 grosz) be distributed as follows:

- 1) allocate PLN 2,158,807,500.00 (two billion one hundred fifty eight million eight hundred seven thousand five hundred Polish zloty and 00 grosz), i.e. PLN 2.50 (two Polish zloty and 50 grosz) per share, to the payment of a dividend;
- 2) allocate PLN 6,714,000.00 (six million seven hundred fourteen thousand Polish zloty and 00 grosz) to the Company Social Benefit Fund (ZFŚS);
- 3) allocate PLN 19,681,287.17 (nineteen million six hundred eighty one thousand two hundred eighty seven Polish zloty and 17 grosz) to cover retained losses resulting from the final purchase price allocation of the acquisition of the organized part of Bank BPH SA by Alior Bank SA;
- 4) allocate PLN 248,671,686.26 (two hundred forty eight million six hundred seventy one thousand six hundred eighty six Polish zloty and 26 grosz) to the supplementary capital.

The Supervisory Board recommends to the PZU SA Ordinary Shareholder Meeting that the record date be set at 12 September 2018.

Chairman of the PZU SA Supervisory Board

Maciej Łopiński

Warsaw, 15 May 2018