

Attachment to Resolution No. URN/47/2019
adopted by the PZU SA Supervisory Board on
16 April 2019



PZU SA SUPERVISORY BOARD REPORT ON ITS ASSESSMENT OF PZU SA'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018, THE CONSOLIDATED FINANCIAL STATEMENTS OF THE PZU GROUP FOR THE YEAR ENDED 31 DECEMBER 2018, THE MANAGEMENT BOARD REPORT ON THE ACTIVITY OF THE PZU GROUP AND PZU SA IN 2018 AND THE MANAGEMENT BOARD'S MOTION TO DISTRIBUTE PZU SA'S NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018;
- 2) assessment of the consolidated financial statements of the PZU SA Group for the year ended 31 December 2018;
- 3) assessment of the Management Board report on the activity of the PZU Group and PZU SA in 2018;
- 4) assessment of the Management Board's motion to distribute net profit for the year ended 31 December 2018.

I. Assessment of PZU SA's financial statements for the year ended 31 December 2018, consolidated financial statements of the PZU SA Group for the year ended 31 December 2018 and the Management Board report on the activity of the PZU Group and PZU SA in 2018

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 Audyt 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 Audyt 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, on the basis of properly kept accounting ledgers, of the financial statements of PZU SA and the Management Board report on the activity of the PZU Group and PZU SA, providing a reliable and clear picture of assets and financial standing in compliance with the applicable regulations, and for internal control, considered necessary to ensure the preparation of financial statements free from any material misstatement due to fraud or error.

The preparation of the consolidated financial statements of the PZU SA Group, providing a reliable and clear picture of the Group's consolidated assets, financial standing and financial performance, in accordance with International Financial Reporting Standards, as endorsed by the European Union ("EU IFRS"), and in compliance with other applicable laws and status, and for internal control, considered necessary to ensure the preparation of consolidated financial statements free from any material misstatement due to fraud or error 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 2019 Item 351) ("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. Supervisory Board Members are responsible for supervising the financial reporting process.

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 the annual financial statements of PZU SA and the consolidated financial statements of the PZU SA Group,
- 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 2018, the PZU SA Group's consolidated financial statements for the year ended 31 December 2018 and the Management Board report on the activity of the PZU Group and PZU SA in 2018 were assessed in detail by the PZU SA Supervisory Board's Audit Committee at the meeting held on 12 March 2019 and discussed with the Management Board and the Company's statutory auditor at the PZU SA Supervisory Board meeting held on 12 March 2019.

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 and the PZU SA Group's consolidated financial statements as a whole do not contain any material misstatement due to fraud or error.

Key audit areas:

- measurement of provisions for outstanding claims in motor TPL insurance,
- measurement of life insurance provisions,
- impairment losses on financial assets and provisions for off-balance sheet liabilities in banking activity,
- effect of the application of IFRS 9 for the first time,
- disputable issues and proceedings pending before regulatory authorities,
- impairment of goodwill,
- measurement of subordinated entities.

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:

- present a reliable and clear picture of the Company's assets and financial standing as at 31 December 2018, 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, in all material respects, 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 laws applicable to the Company 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 12 March 2019 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 12 March 2019, 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 PZU SA Group:

- provide a reliable and clear picture of the PZU SA Group's consolidated assets and financial standing as at 31 December 2018, 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 laws applicable to the Group 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 2018,
- 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 2018 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 § 70 section 6 item 5 of the Regulation of the Minister of Finance of 29 March 2018 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 2018 Item 757, as amended) ("Regulation"). Furthermore, the information referred to in § 70 section 6 item 5(c)-(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 and the PZU SA Group's consolidated financial statements for 2018 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 2018, consisting of the following:
 - a) balance sheet prepared as at 31 December 2018, showing total balance sheet value of PLN 43,566,528 thousand (forty three billion five hundred sixty six million five hundred twenty eight thousand Polish zloty);
 - b) revenue account of non-life insurance for the period from 1 January to 31 December 2018, showing a technical result to be transferred to the general profit and loss account in the amount of PLN 1,538,766 thousand (one billion five hundred thirty eight million seven hundred sixty six thousand Polish zloty),
 - c) non-technical profit and loss account for the period from 1 January to 31 December 2018, showing a net profit of PLN 2,711,879 thousand (two billion seven hundred eleven million eight hundred seventy nine thousand Polish zloty),
 - d) statement of changes in equity, showing an increase in equity during the financial year ended 31 December 2018 by the amount of PLN 364,300 thousand (three hundred sixty four million three hundred thousand Polish zloty),
 - e) cash flow statement, showing an increase in cash in the course of the financial year ended 31 December 2018 by PLN 239,383 thousand (two hundred

- thirty nine million three hundred eighty three thousand Polish zloty),
- f) notes to the Financial statements for the year ended 31 December 2018;
- 2) Independent statutory auditor's report on the audit of the annual financial statements issued on 12 March 2019;
- 3) Consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2018, prepared in accordance with the International Financial Reporting Standards, comprised of:
- a) consolidated statement of financial position as at 31 December 2018, showing assets and liabilities and equity totaling PLN 328,554 million (three twenty eight billion five hundred fifty four million Polish zloty),
- b) consolidated profit and loss account for the period from 1 January to 31 December 2018, showing a net profit of PLN 5,368 million (five billion three hundred sixty eight million Polish zloty),
- c) consolidated statement of comprehensive income for the period from 1 January to 31 December 2018, showing net comprehensive income of PLN 5,270 million (five billion two hundred seventy million Polish zloty),
- d) consolidated statement of changes in equity for the period from 1 January to 31 December 2018, showing a decrease in equity by PLN 153 million (one hundred fifty three million Polish zloty),
- e) consolidated cash flow statement for the period from 1 January to 31 December 2018, showing an increase in cash by PLN 8,774 million (eight billion seven hundred seventy four 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 12 March 2019;
- 5) Management Board report on the activity of the PZU Group and PZU SA in 2018;
- 6) Non-financial report of the PZU Group and PZU SA for 2018;
- issued a positive opinion on the said documents.

Consequently, the PZU SA Supervisory Board resolves 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 2018,
 - consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2018;
 - Management Board report on the activity of the PZU Group and PZU SA in 2018,
- 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 2018.

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 2018 presented in PZU SA Management Board Resolution No. UZ/99/2019 of 16 April 2019 on accepting the motion to distribute PZU SA's net profit for the year ended 31 December 2018 and recommends to the Ordinary Shareholder Meeting that the profit of PLN 2,711,878,874.91 (two billion seven hundred eleven million eight hundred seventy eight thousand eight hundred seventy four Polish zloty and 91 grosz) be distributed as follows:

1. allocate PLN 2,417,864,400.00 (two billion four hundred seventeen million eight hundred sixty four thousand four hundred Polish zloty and 00 grosz), i.e. PLN 2.80 (two Polish zloty and 80 grosz) per share, to the payment of a dividend;
2. allocate PLN 7,323,000 (seven million three hundred twenty three thousand Polish zloty and 00 grosz) to the Company Social Benefit Fund (ZFŚS);
3. allocate PLN 286,691,474.91 (two hundred eighty six million six hundred ninety one thousand four hundred seventy four Polish zloty and 91 grosz) to supplementary capital.

The Supervisory Board hereby issues a positive opinion on the PZU SA Management Board's

motion to the PZU SA Ordinary Shareholder Meeting to transfer to supplementary capital PLN 19,681,287.17 (nineteen million six hundred eighty one thousand two hundred eighty seven Polish zloty and 17 grosz) of retained earnings resulting from the purchase price allocation of

the acquisition of the organized part of Bank BPH SA by Alior Bank SA;

The Supervisory Board recommends to the PZU SA Ordinary Shareholder Meeting that the record date be set at 14 August 2019.

Chairman of the PZU SA Supervisory Board

/-/ Maciej Łopiński

Warsaw, 16 April 2019