

Attachment to Resolution No. URN/45/2020
Adopted by the PZU SA Supervisory Board on
28.04.2020



PZU SA SUPERVISORY BOARD REPORT ON ITS ASSESSMENT OF PZU SA'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019, THE CONSOLIDATED FINANCIAL STATEMENTS OF THE PZU GROUP FOR THE YEAR ENDED 31 DECEMBER 2019, THE MANAGEMENT BOARD REPORT ON THE ACTIVITY OF THE PZU GROUP AND PZU SA IN 2019 AND THE MANAGEMENT BOARD'S MOTION TO DISTRIBUTE PZU SA'S NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2019

This document is a report prepared by the Supervisory Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna and refers to:

- 1) assessment of PZU SA financial statements for the year ended 31 December 2019;
- 2) assessment of the consolidated financial statements of the PZU SA Group for the year ended 31 December 2019;
- 3) assessment of the Management Board report on the activity of the PZU Group and PZU SA in 2019;
- 4) assessment of the Management Board's motion to distribute net profit for the year ended 31 December 2019.

I. Assessment of PZU SA's financial statements for the year ended 31 December 2019, consolidated financial statements of the PZU SA Group for the year ended 31 December 2019 and the Management Board report on the activity of the PZU Group and PZU SA in 2019.

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. Next, by Resolution No. URN/58/2019 of 23 May 2019, the PZU SA Supervisory Board selected again KPMG Audyt Sp. z o.o. sp. k. 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, to review the interim standalone financial statements of PZU SA and the interim consolidated financial statements of the PZU SA Group as well as to audit the annual consolidated solvency and financial condition reports of PZU SA and the annual consolidated solvency and financial condition reports of the PZU SA Group for two consecutive financial years ending on 31 December 2019 and 31 December 2020 respectively.

It is the Company's Management Board that 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 SA Group, 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.

It is the parent company's Management Board that is responsible for 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.

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 (consolidated text: Journal of Laws of 2019 Item 1421, as amended) ("Act on Statutory Auditors"), 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 Act on Statutory Auditors.

PZU SA's financial statements for the year ended 31 December 2019, the PZU SA Group's consolidated financial statements for the year ended 31 December 2019 and the Management Board report on the activity of the PZU Group and PZU SA in 2019 were assessed in detail by the PZU SA Supervisory Board's Audit Committee at the meeting held on 11 March 2020 and discussed with the Management Board and the Company's statutory auditor at the PZU SA Supervisory Board meeting held on 11 March 2020.

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,
- risk of conducting business activity, including disputes and clients' complaints in the banking activity,
- impairment of goodwill,
- measurement of subordinated entities,
- recognition of revenues from received interest, commissions and fees in the banking activity,
- exercising supervision of subsidiaries,
- valuation of unquoted financial instruments,
- recognition of expenses and revenues,
- completeness of recognition of provisions and liabilities,
- completeness and correctness of consolidation,
- adequacy of disclosures and presentation,

- implementation of new standards (IFRS 16)
- evasion of control by the management.

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

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

- present a reliable and clear picture of the Company's assets and financial standing as at 31 December 2019, 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 duly kept accounting ledgers, in accordance with provisions of Chapter 2 of the Accounting Act,
- are consistent in all material respects as to form and content with the laws applicable to the Company and the Company's Articles of Association.

The statutory auditor's report on the audit of PZU SA's standalone financial statements issued on 11 March 2020 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 11 March 2020, 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 2019, 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 parent company's articles of association.

The statutory auditor also confirmed that the report on the activity of the PZU Group and PZU SA in 2019 in all material respects:

- have been prepared in compliance with provisions of law applicable to the activity of the PZU Group and PZU SA in 2019,
- 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 Group's and 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.

Furthermore, 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 Supervisory Board, having familiarized itself with the documents presented by the Management Board:

- 1) The financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2019, comprised of:
 - a. balance sheet prepared as at 31 December 2019, showing total balance sheet value of PLN 41,596,414 thousand (say: forty one billion five hundred ninety six million four hundred fourteen thousand Polish zloty),
 - b. revenue account of non-life insurance for the period from 1 January to 31 December 2019, showing a technical result to be transferred to the general profit and loss account in the amount of PLN 1,405,434 thousand (one billion four hundred five million four hundred thirty four thousand Polish zloty),
 - c. general profit and loss account for the period from 1 January to 31 December 2019, showing a net profit of PLN 2,651,012 thousand (say: two billion six hundred fifty one million twelve thousand Polish zloty),
 - d. statement of changes in equity, showing an increase in equity during the financial year ended 31 December 2019 by the amount of PLN 1,032,201 thousand (say: one billion thirty two million two hundred one thousand Polish zloty),
 - e. cash flow statement, showing a decrease in cash in the course of the financial year ended 31 December 2019 by PLN 1,095,394 thousand (say: one billion ninety five million three hundred ninety four thousand Polish zloty),
 - f. notes to the financial statements for the year ended 31 December 2019;
- 2) Independent statutory auditor's report on the audit of the annual financial statements issued on 11 March 2020;
- 3) Consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2019, prepared in accordance with the International Financial Reporting Standards, comprised of:
 - a. consolidated statement of financial position as at 31 December 2019, showing assets and equity and liabilities and equity totaling PLN 343,340 million (say: three hundred forty three billion three hundred forty million Polish zloty),
 - b. consolidated profit and loss account for the period from 1 January to 31 December 2019, showing a net profit of PLN 5,185

- million (say: five billion one hundred eighty five million Polish zloty),
- c. consolidated statement of comprehensive income for the period from 1 January to 31 December 2019, showing net comprehensive income of PLN 5,681 million (say: five billion six hundred eighty one million Polish zloty),
 - d. consolidated statement of changes in equity for the period from 1 January to 31 December 2019, showing an increase in equity by PLN 1,881 million (say: one billion eight hundred eighty one million Polish zloty),
 - e. consolidated cash flow statement for the period from 1 January to 31 December 2019, showing a decrease in cash by PLN 9,292 million (say: nine billion two hundred ninety two 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 11 March 2020;
 - 5) The Management Board report on the activity of the PZU Group and PZU SA in 2019;
 - 6) The non-financial report of the PZU Group and PZU SA for 2019;
- issued a positive opinion on the said documents.

Therefore, the PZU SA Supervisory Board resolves to submit this opinion to the Ordinary Shareholder Meeting of PZU SA.

The Supervisory Board recommends the PZU SA Ordinary Shareholder Meeting to approve:

- financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2019,

- consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2019;
- Management Board report on the activity of the PZU Group and PZU SA in 2019,
- Non-financial report of the PZU Group and PZU SA for 2019

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 2019.

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 2019 presented in PZU SA Management Board Resolution No. UZ/113/2020 of 21 April 2020 on accepting the motion to distribute PZU SA's net profit for the year ended 31 December 2019 and recommends to the Ordinary Shareholder Meeting that the profit of PLN 2,651,012,097.38 (say: two billion six hundred fifty one million twelve thousand ninety-seven Polish zloty and 38 grosz) be distributed as follows:

1. allocate PLN 7,273,000.00 (say: seven million two hundred seventy-three thousand Polish zloty and 00 grosz) to the Company Social Benefit Fund (ZFŚS);
2. allocate PLN 2,643,739,097.38 (say: two billion six hundred forty-three million seven hundred thirty-nine thousand ninety-seven Polish zloty and 38 grosz) to supplementary capital.

Chairman of the PZU SA Supervisory Board

/-/ Maciej Łopiński

Warsaw, 28 April 2020