

Warsaw, 28.04.2020

Management Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna

Motion

**to the Shareholder Meeting of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
on the distribution of net profit of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
for the financial year ended 31 December 2019**

Content:

Pursuant to Article 395 § 2 Item 2 of the Commercial Company Code and § 18 item 2 of the Articles of Association of Powszechny Zakład Ubezpieczeń Spółka Akcyjna, a motion is hereby submitted to the Ordinary Shareholder Meeting of PZU SA to distribute the net profit earned by PZU SA in the financial year ended 31 December 2019 of PLN 2,651,012,097.38 (two billion six hundred fifty one million twelve thousand ninety-seven Polish zloty and 38 grosz) as follows:

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

Justification:

Pursuant to the draft resolution of the PZU SA Management Board on the distribution of PZU SA's net profit for the year ended 31 December 2019, it is recommended to earmark the profit for 2019 to supplementary capital and to the Company Social Benefit Fund.

Expectations of the KNF about distribution of financial result

The President of the Polish Financial Supervision Authority ("KNF") in its letter of 26 March 2020 sent to Management Boards of insurance undertakings, expressed the expectation that in connection with the state of epidemic announced in Poland and its possible adverse economic consequences, insurance undertakings should retain the entirety of profit earned in previous years.

By doing so, the Authority changed its position presented in KNF's Communication of 3 December 2019 concerning the regulatory authority's position on assumptions of the dividend policy of commercial banks, cooperative banks and affiliation banks and insurance and reinsurance undertakings in 2020, according to which the possibility of dividend payment up to the entire profit earned depended on the BION assessment, solvency level in 2019 and capital needs within twelve months from the moment of approving the financial statements for 2019. The solvency requirements have been set at the same level as in the previous years

The KNF's expectations are consistent with the recommendation issued by EIOPA (European Insurance and Occupational Pensions Authority) on 2 April 2020, where the authority recommends temporary suspension of dividends by European insurance undertakings.

PZU Group's Capital and Dividend Policy ("Policy" adopted by the Management Board's Resolution UZ/367/2016 of 20 September 2016)

PZU SA has maintained a very high level of solvency. The standalone solvency ratio of PZU SA as at 31 December 2019 was 267%. The PZU Group's solvency ratio as at 31 December 2019 was 245% (unaudited data which may change which auditing the solvency and financial condition report of the PZU Group).

The solvency ratios of PZU SA and the PZU Group as at 31 December 2019 exceed 200%, or the target level defined in the Policy. Even if dividend is disbursed in the amount corresponding to the entire profit of PZU SA for 2019, the solvency would be higher than the target level.

The Company fulfills all the requirements defined in KNF's Communication of 3 December 2019 on assumptions of the dividend policy in 2020 with regard to the current and forecasted solvency. Because of the KNF's position of 26 March 2020, where the Authority expects the entire profit earned in the previous year to be retained, the Management Board recommends earmarking the profit for 2019 to supplementary capital. After the uncertainty connected with the COVID-19 pandemic is removed and consent is obtained from the KNF, the capital may be used to disburse dividend pursuant to Article 348 § 1 of the Commercial Company Code.

The proposed distribution of the financial result complies with § 23 section 4 of the Policy, according to which when determining the dividend the regulatory authority's recommendations concerning dividends are taken into consideration.

Guidelines of the Office of the Prime Minister regarding companies in which the State Treasury has an equity stake that draw up financial statements for 2019 issued in September 2019 ("KPRM Guidelines")

According to the KPRM Guidelines, for insurance institutions, the dividend level should be set, taking into consideration the ratio of coverage of capital requirements defined by the Polish Financial Supervision Authority as well as other regulatory requirements concerning the capital standing of insurance institutions.

The absence of a dividend declaration fulfills the requirements of the KPRM Guidelines by taking into consideration the KNF's expectations regarding capital standing.

The charge for the Company Social Benefit Fund in the amount of PLN 7 million results from the limit set in the KPRM Guidelines.

PZU has earmarked part of net profit to the Company Social Benefit Fund every year since 2012. The practice to date and the high net profit earned in 2019 could raise justified expectations of third parties (in particular the company's employees) that the company will do the same thing in 2020. The cash earmarked for the Company Social Benefit Fund will be used, among others, for activities supporting PZU employees and their families, injured by the coronavirus pandemic prevailing in Poland, partly relieving the State itself in its measures.

Therefore, it is recommended to make the charge for the Company Social Benefit Fund.

Because of the special nature of the resolution on distribution of the financial result, a solvency analysis will not be presented in the form of a separate document.

Summary

The solvency of PZU SA and the PZU Group is high. The solvency ratios as at 31 December 2019 exceed the target level defined in the Policy. It is not recommended though that dividend should be disbursed because of the uncertainty associated with the state of the epidemic and possible adverse economic consequences of the state as well as in connection with the KNF's expectations about the distribution of the result.

The motion is submitted:

/Beata Kozłowska-Chyła/

/Marcin Eckert/

Attachments:

- 1) Resolution No. UZ/113/2020 adopted by the PZU SA Management Board on 21.04.2020 on accepting the motion to distribute PZU SA's net profit for the year ended 31 December 2019;
- 2) Resolution No. URN/44/2020 adopted by the PZU SA Supervisory Board on 28.04.2020 on the assessment of the Management Board's motion on the distribution of PZU SA's net profit for the year ended 31 December 2019;
- 3) draft resolution to be adopted by the PZU SA Shareholder Meeting on the distribution of PZU SA's net profit for the year ended 31 December 2019



RESOLUTION NO. UZ/113/2020

ADOPTED BY THE MANAGEMENT BOARD OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA

on 21 April 2020

on accepting the motion to distribute PZU SA's net profit for the year ended 31 December 2019

Pursuant to § 4 item 5 in conjunction with § 4 items 20 and 21 of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Management Board Bylaws, the following is hereby resolved:

§ 1

It is hereby resolved to submit a motion to the Ordinary Shareholder Meeting of PZU SA to distribute PZU SA's net profit for the year ended 31 December 2019 in the amount of PLN 2,651,012,097.38 (say: two billion six hundred fifty one million twelve thousand ninety seven Polish zloty and 38 grosz) 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) earmark 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.

§ 2

A motion shall be submitted to the PZU SA Supervisory Board to assess the Management Board motion referred to in § 1 of the resolution.

§ 3

1. Information on the adoption of this resolution is regarded as inside information within the meaning of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (hereinafter: "Market Abuse Regulation").
2. PZU SA shall publish the inside information on the date of adoption of this resolution.

§ 4

This Resolution shall come into force on the date of its adoption.

The ballot was held in an open procedure.

Number of attendees: 7 Number of votes in favor: 7 Number of votes against: 0 Number of abstentions: 0

Acting President of the Management Board

Beata Kozłowska-Chyła



RESOLUTION NO. URN/44/2020

ADOPTED BY THE SUPERVISORY BOARD OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA

on 28 April 2020

on the assessment of the Management Board's motion to distribute of PZU SA's net profit for the year ended 31 December 2019

Pursuant to § 13 section 1 items 2 and 19 of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Supervisory Board Bylaws, the following is hereby resolved:

§ 1

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/...../2020 of 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) earmark 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.

§ 2

This resolution comes into force on the date of its adoption.

The ballot was held in an open procedure.

Number of attendees: 9 Number of votes in favor: 9 Number of votes against: 0 Number of abstentions: 0

Chairperson
of the PZU SA Supervisory Board

Maciej Łopiński

RESOLUTION NO. ... /2020

ADOPTED BY THE ORDINARY SHAREHOLDER MEETING

OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA

on 26 May 2020

on the distribution of the net profit earned by PZU SA in the financial year ended 31 December 2019

Pursuant to Article 395 § 2 Item 2 of the Commercial Company Code and § 18 Item 2 and § 36 of the PZU SA Articles of Association, the Ordinary Shareholder Meeting of PZU SA hereby resolves as follows:

§ 1

The net profit earned by PZU SA in the financial year ended 31 December 2019 of PLN 2,651,012,097.38 (two billion six hundred fifty one million twelve thousand ninety seven Polish zloty and 38 grosz) is hereby 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) earmark 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.

§ 2

This resolution shall come into force at the time of its adoption.

Chairperson

of the Ordinary Shareholder Meeting of PZU SA