

Warsaw, 10 May 2023

**Management Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna**

**Motion**

**to the Ordinary Shareholder Meeting of Powszechny Zakład Ubezpieczeń Spółka Akcyjna**

**regarding the distribution of PZU SA's net profit for the year ended 31 December 2022 and the amount transferred from supplementary capital created from the net profit generated for the year ended 31 December 2021**

**Content:**

Pursuant to Article 395(2)(2) of the Commercial Company Code and §18(2) of the Articles of Association of Powszechny Zakład Ubezpieczeń Spółka Akcyjna, a motion is hereby submitted to the PZU SA Ordinary Shareholder Meeting to distribute the net profit for the year ended 31 December 2022 in the amount of PLN 1,636,773,956.28 (one billion six hundred thirty-six million seven hundred seventy-three thousand nine hundred fifty-six and 28/100 Polish zloty), increased by the amount of PLN 1,295,994,643.06 (one billion two hundred ninety-five million nine hundred ninety-four thousand six hundred forty-three and 06/100 Polish zloty) transferred from the supplementary capital created from the net profit for the year ended 31 December 2021, i.e. in total the amount of PLN 2,932,768,599.34 (two billion nine hundred thirty-two million seven hundred sixty-eight thousand five hundred ninety-nine and 34/100 Polish zloty) as follows:

- 1) designate PLN 2,072,455,200.00 (two billion seventy-two million four hundred and fifty-five thousand two hundred and 00/100 Polish zloty), that is PLN 2.40 (two and 40/100 Polish zloty) per share, to be paid as a dividend;
- 2) designate PLN 6,701,000.00 (six million seven hundred and one thousand and 00/100 Polish zloty) for the Company Social Benefit Fund (ZFŚS);
- 3) designate PLN 853,612,399.34 (eight hundred and fifty-three million six hundred and twelve thousand three hundred and ninety-nine and 34/100 Polish zloty) for supplementary capital.

A motion is hereby submitted to set the dividend record date at 7 September 2023 and set the dividend payment date at 28 September 2023.

**Justification:**

Pursuant to a resolution of the PZU SA Management Board, the dividend amount is composed of:

- 1) the amount of PLN 776,460,556.94 (seven hundred seventy-six million four hundred sixty thousand five hundred fifty-six and 94/100 Polish zloty) from the net profit for the year ended 31 December 2022;
- 2) the amount of PLN 1,295,994,643.06 (one billion two hundred ninety-five million nine hundred ninety-four thousand six hundred forty-three and 06/100 Polish zloty) transferred from the supplementary capital created from the net profit for the year ended 31 December 2021.

The dividend amount accounts for 127% of PZU SA's profit generated in 2022 and 61.4% of the PZU Group's net profit attributable to the parent company's shareholders.

On 10 May 2023, the PZU SA Supervisory Board positively evaluates the motion of the PZU SA Management Board to the PZU SA Ordinary Shareholder Meeting regarding the distribution of PZU SA's net profit for the year ended 31 December 2022 and the amount transferred from supplementary capital created from the net profit generated in the year ended 31 December 2021.

**PZU Group's Capital and Dividend Policy ("Policy") adopted by PZU SA Management Board Resolution No. UZ/75/2021 dated 24 March 2021**

On 24 March 2021, PZU SA Management Board adopted a new Dividend Policy for 2021–2024. The main points of the Policy assume that:

- PZU SA remains a dividend company which pays out from 50% to 100% of the profits attributable to the equity holders of the parent company;
- PZU SA, PZU Życie SA and the PZU Group maintain the Solvency II solvency ratios at the level not lower than 200%;

- the financial leverage indicator will not exceed 25%;
- we will procure funds for growth and acquisitions.

The dividend in the amount of PLN 2,072,455,200.00 (two billion seventy-two million four hundred and fifty-five thousand two hundred and 00/100 Polish zloty), that is PLN 2.40 (two and 40/100 Polish zloty) per share constitutes 61.4% of the PZU Group's net profit attributable to the parent company's shareholders for the year ended 31 December 2022. According to analyses, the dividend payment will not result in a decrease in the solvency ratios of PZU SA or the PZU Group below the level provided for in the Policy as at 31 December 2022, or during the medium-term planning horizon of 2023–2025.

### **KNF's recommendations regarding distribution of PZU SA's financial result**

On 6 December 2022, the Polish Financial Supervision Authority (KNF) announced its stance on the Dividend Policy in 2023 ("KNF Recommendations for 2023") in which KNF permitted the disbursement of a dividend:

- in the maximum amount equal to 100% of the amount of profit generated in 2021 (taking into account the dividends disbursed to date from the 2021 profit), and
- up to 50% of the profit generated in 2022,

provided that:

- the insurance undertaking received a good or satisfactory SREP risk score for 2021;
- in no quarter of 2022 did the insurance undertaking experience a shortage of own funds to cover the capital requirement and was not, in 2022, covered by a short-term financial plan or remedial plan;
- for insurance undertakings, reinsurance undertakings and insurance-and-reinsurance undertakings operating in section II – the amount of own funds is at least 150% of the amount of capital requirements as at 31 December 2022 (after deducting the expected dividends from own funds) and 150% for the quarter in which the dividend will be paid;
- for insurance undertakings, reinsurance undertakings and insurance-and-reinsurance undertakings operating in section I – the amount of own funds is at least 175% of the amount of capital requirements as at 31 December 2022 (after deducting the expected dividends from own funds) and 175% for the quarter in which the dividend will be paid.

Moreover, in accordance with the KNF Recommendations for 2023, when deciding on the amount of the dividend, account was taken of the capital needs within the period of 12 months from the approval date of the 2022 financial statements, which may result, among others, from changes in the market and legal environment, in particular from the high degree of uncertainty about the macroeconomic outlook for e.g. inflation rate, interest rates, foreign exchange rates, energy commodities or effects of the war caused by Russia's invasion of Ukraine.

The analysis has shown that PZU SA fulfills the conditions set by the KNF and may disburse the dividend in the proposed amount.

### **Guidelines of the Office of the Prime Minister of August 2022 for companies in which the State Treasury has an equity stake that prepare financial statements for 2022 ("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 allowance to the Company Social Benefit Fund in the amount of PLN 6,701,000.00 (six million seven hundred one thousand and 00/100 Polish zloty) results from the limit set in the KPRM Guidelines.

The possibility to use the benefits the type and amount of which depends on the financial, family and housing situation is a real social aid offered by PZU SA for activities supporting employees and their families.

PZU SA 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 2022 could raise justified expectations of third parties (in particular the company's employees) that the company will do the same thing in 2023.

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

**Summary**

The solvency of PZU SA and the PZU Group is high. According to analyses, the dividend payment of PLN 2.40 (two and 40/100 Polish zloty) per share does not threaten the Company's or PZU Group's financial stability as at 31 December 2022 or in the medium-term planning horizon of 2023–2025. Due to the observed volatility of the market environment, including interest rates, high inflation rate, and in connection with the uncertainty related to the war in Ukraine, it is recommended to pay dividend in the amount of PLN 2.40 (two and 40/100 Polish zloty) per share.

**The motion is submitted by:**

*/Piotr Nowak/*

*/Tomasz Kulik/*

**Attachments:**

- 1) draft resolution of the PZU SA Ordinary Shareholder Meeting regarding the distribution of PZU SA's net profit for the year ended 31 December 2022 and the amount transferred from supplementary capital created from the net profit generated for the year ended 31 December 2021.

**RESOLUTION NO. ... /2023**

**ADOPTED BY THE ORDINARY SHAREHOLDER MEETING**

**OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA**

**on ..... 2023**

**regarding the distribution of PZU SA's net profit for the year ended 31 December 2022 and the amount transferred from supplementary capital created from the net profit generated for the year ended 31 December 2021**

Pursuant to Article 395 § 2 Item 2, Article 396 § 5 of the Commercial Company Code and § 18 Item 2 and § 36 of the PZU SA Articles of Association in conjunction with Article 348 of the Commercial Company Code, the Ordinary Shareholder Meeting of PZU SA hereby resolves as follows:

**§ 1**

PZU SA's net profit for the financial year ended 31 December 2022 in the amount of PLN 1,636,773,956.28 (one billion six hundred thirty-six million seven hundred seventy-three thousand nine hundred fifty-six and 28/100 Polish zloty), increased by the amount of PLN 1,295,994,643.06 (one billion two hundred ninety-five million nine hundred ninety-four thousand six hundred forty-three and 06/100 Polish zloty) transferred from the supplementary capital created from the net profit for the year ended 31 December 2021, i.e. in total the amount of PLN 2,932,768,599.34 (two billion nine hundred thirty-two million seven hundred sixty-eight thousand five hundred ninety-nine and 34/100 Polish zloty) is hereby distributed as follows:

- 1) designate PLN 2,072,455,200.00 (two billion seventy-two million four hundred and fifty-five thousand two hundred and 00/100 Polish zloty), that is PLN 2.40 (two and 40/100 Polish zloty) per share, to be paid as a dividend;
- 2) designate PLN 6,701,000.00 (six million seven hundred and one thousand and 00/100 Polish zloty) for the Company Social Benefit Fund (ZFŚS);
- 3) designate PLN 853,612,399.34 (eight hundred and fifty-three million six hundred and twelve thousand three hundred and ninety-nine and 34/100 Polish zloty) for supplementary capital.

**§ 2**

The date as at which the list of shareholders entitled to a dividend referred to in § 1 item 1 (dividend record date) is hereby set for 7 September 2023. The dividend payment date is hereby set for 28 September 2023.

**§ 3**

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

Chairperson

of the Ordinary Shareholder Meeting of PZU SA