

Attachment to Resolution No. URN/43/2017
adopted by the PZU SA Supervisory Board on 29
May 2017



PZU SA SUPERVISORY BOARD REPORT ON ITS ASSESSMENT OF PZU SA'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016, THE
MANAGEMENT BOARD REPORT ON PZU SA'S ACTIVITY IN 2016 AND THE
MANAGEMENT BOARD'S MOTION ON DISTRIBUTION OF PZU SA'S NET PROFIT FOR
THE YEAR ENDED 31 DECEMBER 2016

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 2016;
- 2) assessment of the Management Board's report on PZU SA's activity in 2016;
- 3) assessment of the Company's Management Board's motion on distribution of profit.

I. Assessment of PZU SA's financial statements for the year ended 31 December 2016 and the Management Board's report on PZU SA's activity in 2016

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 the above assessment.

Pursuant to the Company's Articles of Association and the Supervisory Board Bylaws the PZU SA Supervisory Board selected KPMG Audyt Sp. z o.o., ("statutory auditor") as an entity authorized to audit financial statements, to audit in particular the annual financial statements of PZU SA and the annual consolidated financial statements of the PZU Group and review the interim standalone financial statements of PZU SA and interim consolidated financial statements of the PZU Group for three consecutive financial years ending on 31 December 2014, 31 December 2015 and 31 December 2016, respectively with an option to extend cooperation for two more financial years ending on 31 December 2017 and 31 December 2018, respectively.

The Company's Management Board is responsible for the preparation of the PZU SA financial statements and the Management Board report on PZU SA's activity compliant with prevailing regulations. In turn, the Supervisory Board and the Management Board are obligated to ensure that the aforementioned financial statements and report satisfy the requirements stipulated by Article 4 of the Accounting Act of 29 September 1994 (consolidated version: Journal of Laws of 2016 Item

1047, as amended) ("Accounting Act") and the executive regulations issued on its basis.

PZU SA's financial statements for the year ended 31 December 2016 and the Management Board report on PZU SA's activity in 2016 were assessed in detail by the PZU SA Supervisory Board Audit Committee at the meeting held on 14 March 2017 and discussed with the Management Board and the Company's statutory auditor at the PZU SA Supervisory Board meeting on 14 March 2017.

In its opinion 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 technical provisions, recognition and valuation of financial instruments, recognition of income and expenses, completeness of liabilities and provisions,
- in the area of banking business, the audit covered the following issues in particular: loss of credit exposures, recognition and valuation of financial instruments, recognition of income, completeness of liabilities and provisions, compliance with regulations and matters under dispute,
- in the area of financial statements and consolidation, the following issues were covered: impairment tests, allocation of the Bank BPH purchase price, completeness and correctness of consolidation, presentation and completeness of disclosures.

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 2016, financial results of the business and cash flows generated during the financial year then ended, in compliance with the accounting standards in force in the Republic of Poland, as set forth in the

Accounting Act and the executive regulations issued on its basis,

- comply, in all material respects, with the provisions of law and the provisions of the Company's Articles of Association affecting the form and content of the financial statements, and have been prepared on the basis of accounting ledgers which, in all material respects, have been properly kept.

The statutory auditor's opinion on the audit of PZU SA's standalone financial statements was issued without qualification on 14 March 2017.

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 2016,
- 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 warranted that the report on PZU SA's activity in the financial year 2016 takes into account the information referred to in Article 49 of the Accounting Act and the provisions of the Finance Minister's Regulation of 19 February 2009 on the 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) and that such information is consistent in all material respects with the information contained in the financial statements. At the same time, the statutory auditor confirmed that the corporate governance statement forming a separate section of the Company's activity report contains the information referred to in § 91 section 5 item 4(a), (b), (j) and (k) of the 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 presented in the financial statements.

The PZU SA Management Board also represented that PZU SA's financial statements for 2016 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 2016, consisting of the following:
 - a) balance sheet prepared as at 31 December 2016, showing total assets and liabilities of PLN 37,418,630 thousand (thirty seven billion four hundred eighteen million six hundred thirty thousand Polish zloty),
 - b) technical non-life insurance account for the period from 1 January to 31 December 2016, showing a technical result to be transferred to the non-technical profit and loss account in the amount of PLN 536,523 thousand (five hundred thirty-six million five hundred twenty-three thousand Polish zloty),
 - c) non-technical profit and loss account for the period from 1 January to 31 December 2016, showing a net profit of PLN 1,592,951 thousand (one billion five hundred ninety-two million nine hundred fifty one thousand Polish zloty),
 - d) statement of changes in equity, showing a decrease in equity during the financial year ended 31 December 2016 by the amount of PLN 159,721 thousand (one hundred fifty-nine million seven hundred twenty-one thousand Polish zloty),
 - e) cash flow statement, showing an increase in cash in the course of the financial year ended 31 December 2016 by PLN 1,082,955 thousand (one billion eighty-two million nine hundred fifty-five thousand Polish zloty),
 - f) notes to the financial statements for the year ended 31 December 2016;
- 2) Statutory auditor's opinion and report dated 14 March 2017;

3) Management Board report on PZU SA's activity in 2016;

made a positive evaluation of the foregoing documents with respect to their consistency with the Company's underlying ledgers and documents and the facts.

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:

- PZU SA's financial statements for the financial year ended 31 December 2016,
- Management Board report on PZU SA's activity in 2016,

in accordance with § 18 item 1 of the Articles of Association of Powszechny Zakład Ubezpieczeń Spółka Akcyjna and Article 395 § 2 Item 1 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 2016

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 2016 presented in PZU SA Management Board resolution no. UZ/142/2017 of 29 May 2017 on accepting the motion to distribute PZU SA's net profit for the year ended 31 December 2016 and recommends to the Ordinary Shareholder Meeting that the profit of PLN 1,592,951,165.89 (one billion five hundred ninety-two million nine hundred fifty-one thousand one hundred sixty-five Polish zloty and 89 grosz) be distributed as follows:

- 1) allocate PLN 1,208,932,200.00 (one billion two hundred eight million nine hundred thirty-two thousand two hundred Polish zloty and 00 grosz), i.e. PLN 1.40 (one Polish zloty and 40 grosz) per share, to the payment of a dividend;
- 2) allocate PLN 369,018,965.89 (three hundred sixty-nine million eighteen thousand nine hundred sixty-five Polish zloty and 89 grosz) to supplementary capital;
- 3) allocate PLN 15,000,000.00 (fifteen million Polish zloty) to the Company Social Benefits Fund (ZFŚS).

The Supervisory Board recommends to the PZU SA Ordinary Shareholder Meeting that the record date be set at 29 September 2017.

Chairwoman of the PZU SA Supervisory Board

Katarzyna Lewandowska

Warsaw, 29 May 2017