

Warsaw, 1 June 2017

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 2016

Content:

1. 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 2016 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) 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).
2. It is requested that the record date be set at 29 September 2017 and it is recommended that the dividend payment date be set at 19 October 2017.

Justification:

The PZU SA Management Board proposes the payment of a dividend of PLN 1,208,932,200.00 (one billion two hundred eight million nine hundred thirty-two thousand two hundred Polish zloty and 00 grosz) representing approx. 76% of PZU SA's standalone net profit (according to Polish Accounting Standards).

The dividend per share will be PLN 1.40.

KNF's recommendations for the distribution of the financial result

In connection with KNF's stance regarding the dividend policy of banks, insurance companies, pension fund companies, brokerage houses and mutual fund companies dated 6 December 2016, a pertinent analysis has been carried out to conclude that all conditions to pay out the dividend in the amount of 100% of the profit generated in 2016 are satisfied.

This PZU SA Management Board motion on the distribution of PZU SA's net profit for the financial year ended 31 December 2016 is consistent with the recommendations issued by the Chairman of the Polish Financial Supervision Authority in that the proposed dividend in the amount of approx. PLN 1,209 million is equal to approx. 76% of PZU SA's standalone net profit (according to Polish Accounting Standards), the amount of PLN 15 million will be allocated to a charge for the Company Social Benefits Fund and the remaining part of the profit (i.e. approx. PLN 369 million) will be allocated to supplementary capital.

PZU Group's Capital and Dividend Policy

The proposed distribution of the financial result is consistent with § 23 of the PZU Group's Capital and Dividend Policy adopted by Management Board Resolution UZ/1/2016 of 5 January 2016 (as amended), according to which:

- 1) The PZU Group endeavors to manage capital effectively and maximize the rate of return on equity for the parent company's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions;
- 2) The dividend amount proposed by the parent company's Management Board which PZU SA pays for a given financial year is determined on the basis of the PZU Group's consolidated financial result attributable to the parent company, where:
 - a. no less than 20% will be earmarked as retained earnings (supplementary capital) for goals associated with organic growth and innovations as well as execution of growth initiatives;
 - b. no less than 50% is subject to payment as an annual dividend;
 - c. the remaining part will be paid in the form of annual dividend or will increase retained earnings (supplementary capital) if in the given year significant expenditures are incurred in connection with execution of the PZU Group Strategy, including in particular, mergers and acquisitions;without prejudice to items 3 and 4 below;
- 3) according to the Management Board's plans and risk and solvency self-assessment of the parent company, the own funds

of the parent company and the PZU Group following the declaration or payment of a dividend will remain at a level that will ensure fulfillment of the conditions specified in the capital policy;

4) when determining the dividend the regulatory authority's recommendations concerning dividends will be taken into consideration.

The proposed dividend represents approx. 62% of the consolidated net profit attributable to the parent company. The amount of the charge for the Company Social Benefits Fund has been increased by PLN 5 million vis-à-vis the previous year to offset the accelerated utilization of funds by PZU SA compared to PZU Życie SA in order to preserve comparability of benefits for PZU SA and PZU Życie SA employees. Due to the Bank Pekao acquisition transaction currently being finalized, the Management Board proposes to allocate the remaining portion of the profit (approx. PLN 369 million) to supplementary capital.

As at the balance sheet date, i.e. 31 December 2016, all safety parameters specified in the PZU Group's Capital and Dividend Policy will be satisfied at both the standalone level and the group level. The Management Board expects that, as a result of the acquisition of Bank Pekao, the PZU Group's solvency ratio as at 30 June 2017 may temporarily decline below the 200% target mark, following which it will be rebuilt from current economic gains and the issue of subordinated debt.

All conditions necessary for the payment of the dividend for 2016 from the legal standpoint and from the economic and financial standpoint have been verified. PZU SA's financial standing is very good. PZU SA recorded a very high financial result in 2016 and has very good capital ratios. After the dividend is paid in the assumed amount, PZU SA will still have a significant surplus of shareholder funds over the solvency capital requirement.

Summary:

The adoption of a resolution by PZU SA on the payment of a dividend in the proposed amount is justified on grounds of the prudent and stable management of PZU SA, assuming that the dividend will be paid on 19 October 2017.

This motion is presented by:

/-/ Tomasz Kulik

/-/ Roger Hodgkiss

Attachments:

- 1) Resolution No. UZ/142/2017 adopted by the PZU SA Management Board on 29 May 2017 on accepting the motion to distribute PZU SA's net profit for the year ended 31 December 2016;
- 2) Resolution No. URN/29/2017 adopted by the PZU SA Supervisory Board on 29 May 2017 on the assessment of the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2016;
- 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 2016



RESOLUTION NO. UZ/142/2017

**ADOPTED BY THE MANAGEMENT BOARD OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA
AKCYJNA**

on 29 May 2017

on accepting the motion to distribute PZU SA's net profit for the year ended 31 December 2016

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

1. It is hereby resolved to submit a motion to the PZU SA Ordinary Shareholder Meeting to distribute PZU SA's net profit for the year ended 31 December 2016 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) 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).
2. It is hereby resolved to submit a motion to the PZU SA Ordinary Shareholder Meeting to set the record date at 29 September 2017 and set the dividend payment date at 19 October 2017.

§ 2

It is hereby resolved to submit a motion to the PZU SA Supervisory Board to issue an opinion on the Management Board's motion referred to in § 1 of this Resolution.

§ 3

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

The vote was taken in an open ballot.

Number of attendees: 4 Number of votes in favor: 4 Number of votes against: 0 Number of abstentions: 0

President of the Management Board

/-/ Paweł Surówka



RESOLUTION NO. URN/29/2017

ADOPTED BY THE SUPERVISORY BOARD OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SA

on 29 May 2017

on the assessment of the Management Board's motion to distribute of PZU SA's net profit for the year ended 31 December 2016

Pursuant to § 25 section 2 item 2 and 19 of the Articles of Association of Powszechny Zakład Ubezpieczeń Spółka Akcyjna and § 13 section 1 item 2 and 19 of the PZU SA Supervisory Board Bylaws the following is hereby resolved:

§ 1

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 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).
2. The Supervisory Board recommends to the PZU SA Ordinary Shareholder Meeting that the record date be set at 29 September 2017 and recommends that the dividend payment date be set at 19 October 2017.

§ 2

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

The vote was taken in an open ballot.

Number of attendees: 8 Number of votes in favor: 8 Number of votes against: 0 Number of abstentions: 0

Chairwoman
of the PZU SA Supervisory Board

/-/ Katarzyna Lewandowska

RESOLUTION NO. .../2017

**ADOPTED BY THE ORDINARY SHAREHOLDER MEETING
OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA**

on ... June 2017

on the distribution of PZU SA's net profit for the year ended 31 December 2016

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 in conjunction with Article 348 § 1 and § 4 of the Commercial Company Code, 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 2016 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) is hereby distributed as follows:

- 1) 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, is allocated to the payment of a dividend;
- 2) PLN 369,018,965.89 (three hundred sixty-nine million eighteen thousand nine hundred sixty-five Polish zloty and 89 grosz) is transferred to supplementary capital;
- 3) PLN 15,000,000.00 (fifteen million Polish zloty) is allocated to the Company Social Benefits Fund (ZFŚS).

§ 2

The date used to prepare the list of shareholders eligible to receive the dividend referred to in § 1 section 1 (record date) is hereby set for 29 September 2017. The dividend payment date is set for 19 October 2017.

§ 3

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

Chairperson
of the Ordinary Shareholder Meeting of PZU SA