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Independent Auditor's Report

To the Supervisory Board of Powszechny Zakład Ubezpieczeń SA

Report on the audit of the solvency and financial condition report

Opinion

We have audited the accompanying solvency and financial condition report of the capital group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("the Group") whose parent company is Powszechny Zakład Ubezpieczeń SA ("the Parent Company"), prepared as at 31 December 2018 (the "Solvency and Financial Condition Report").

The Management Board of the Parent Company prepared the Solvency and Financial Condition Report based on:

- the Act on Insurance and Reinsurance Activities dated 11 September 2015 (Official Journal from 2019 item 381) (the "Act on insurance and reinsurance activities"), and
- title I and title II of the Delegated Regulation of the European Commission (EU) 2015/35 dated 10

October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (Official Journal of the EU, item 12 from 17 January 2015, with amendments) ("the Regulation").

hereafter called together the 'Basis of preparation'.

The Solvency and Financial Condition Report was prepared to fulfil the requirements of art 412 of the Act on insurance and reinsurance activities..

In our opinion, the accompanying Solvency and Financial Condition Report of the Group as at 31 December 2018 and for the year then ended was prepared, in all material respects, in accordance with the Basis of preparation.

Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the resolution of the National Council of Certified Auditors as National Standards on Auditing (the “NSA”); and
- Decree of Minister of Development and Finance dated 4 December 2017 on audit of solvency and financial condition report of insurer and reinsurer by audit firm (Official Journal dated 8 December 2017,

item 2284) (“Decree on audit of the solvency and financial condition report”).

Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of solvency and financial condition report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Ethics

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (“IFAC code”) issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of

the National Council of Certified Auditors, as well as other applicable ethical requirements. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC code.

Emphasis of matter – Basis of preparation

We draw attention to the basis of preparation disclosed in the Summary of the Solvency and Financial Condition Report. The Solvency and Financial Condition Report was prepared to fulfil the requirements of art. 412 of the Act on

insurance and reinsurance activities and may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

Responsibility of the Management Board of the Parent Company and those charged with governance for the Solvency and Financial Condition Report

The Management Board of the Parent Company is responsible for preparation of the Solvency and Financial Condition Report in accordance with the Basis of preparation and for such internal control as the Management Board of the Parent Company determines is necessary to enable the preparation of Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Management Board of Parent Company is responsible for assessing

the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of Parent Company either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the audit of the Solvency and Financial Condition Report

Our objectives are to obtain reasonable assurance about whether the Solvency and Financial Condition Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Solvency and Financial Condition Report.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Company;
 - conclude on the appropriateness of the Management Board of the Parent Company use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the Solvency and Financial Condition Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the financial statements. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

General information about the Group

The Parent Company of the Group is Powszechny Zakład Ubezpieczeń Spółka Akcyjna with its registered office in Warsaw, Jana Pawła II 24. The Parent Company conducts its business in all property and personal insurance groups listed in the Attachment to the Act on insurance and reinsurance activities for section II. The Parent Company was registered on 30 April 2001 in District Court for Capital City Warsaw in

Warsaw, XII Commercial Department of the National Court Register, under number KRS 0000009831. The initial capital as at 31 December 2018 amounted to PLN 86 352,3 thousand.

Furthermore, the Group conducts business in life insurance, banking, investment and pension products and healthcare.

Statement on obtaining required information, data, explanations and representations

During our audit of the Solvency and Financial Condition Report we obtained required

information, data, explanations and representations from the Parent Company.

Other statements required by the Decree on audit of the Solvency and Financial Condition Report

Insurance groups are obligated to comply with solvency requirements adopted by the Act on insurance and reinsurance activities as well as title II of the Regulation. The Management Board of the Parent Company is responsible for compliance with the above regulations, in particular for valuation of assets of the Group for solvency purposes, technical provisions of the Group for solvency purposes and liabilities other than technical provisions of the Group for solvency purposes, calculation of the consolidated solvency capital requirement and the consolidated minimum capital requirement, as well as assessment of the quality and valuation of own funds at the Group level in accordance with applicable regulations.

Our responsibility was to audit the Solvency and Financial Condition Report as a whole. In accordance with Decree on audit of the solvency and financial condition report the scope of our audit included, in particular, audit procedures with respect to the valuation and recognition of assets of the Group for solvency purposes, technical provisions of the Group for solvency purposes and liabilities other than technical provisions of the Group for solvency purposes, calculation of the consolidated solvency capital requirement and the consolidated minimum capital requirement, as well as the Management Board of the Parent Company assessment of the quality and valuation of own funds at the Group level, including coverage of the consolidated solvency capital requirement and consolidated minimum capital requirement and disclosure of explanations regarding significant differences in the bases and methods used for the valuation of assets of the Group for solvency purposes, technical provisions of the Group for solvency purposes and liabilities other than technical provisions of the Group for solvency purposes, in comparison with the bases and methods used for valuation of assets, technical provisions for accounting purposes and other liabilities in the Group's annual consolidated financial statements in accordance with the Act on insurance and reinsurance activities and the Regulation. However, the purpose of our audit was not to provide a separate opinion on them.

In accordance with the Decree on audit of the solvency and financial condition report, based on our audit we inform that the Management Board of the Parent Company as at 31 December 2018, in all material respects:

- determined the value of assets of the Group for solvency purposes in accordance with art. 223, paragraph 1 of the Act on insurance and reinsurance activities, section II in title I of the Regulation and section I in title II of the Regulation;
- determined the value of liabilities other than technical provisions of the Group for solvency purposes in accordance with art. 223, paragraph 2 and 3 of the Act on insurance and reinsurance activities, section II in title I of the Regulation, and section I in title II of the Regulation;
- determined the value of technical provisions of the Group for solvency purposes in accordance with art. 224-235 of the Act on insurance and reinsurance activities, section III in title I of the Regulation and section I in title II of the Regulation;
- calculated the consolidated solvency capital requirement in accordance with art. 251 of the Act on insurance and reinsurance activities, section V and X in title I of the Regulation and section I in title II of the Regulation;
- calculated the consolidated minimum capital requirement in accordance with art. 271-275 of the Act on insurance and reinsurance activities, section VII and X in title I of the Regulation and section I in title II of the Regulation;
- assessed the quality of own funds and determined the amount of eligible own funds at the Group level to meet the consolidated solvency capital requirement and eligible own funds at the Group level to meet the consolidated minimum capital requirement in accordance with art. 238 and art. 240-248 of the Act on insurance and reinsurance activities, section IV in title I of the Regulation and section I in title II of the Regulation;
- presented complete explanations concerning material differences in the bases and methods used for the valuation of assets of the Group for solvency purposes, technical provisions of the Group for solvency purposes and liabilities other than technical provisions of the Group for solvency purposes and those used for the valuation of assets, technical provisions for accounting purposes and other liabilities in the Group's annual financial statements as



at 31 December 2018 and for the year then ended.

Furthermore, we inform that the Group as at 31 December 2018, in all material aspects, owned:

- eligible own funds at the Group level not lower than the consolidated solvency capital requirements,
- eligible basic own funds at the Group level no lower than the consolidated minimum capital requirement.

On behalf of audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Marcin Dymek

Certified Auditor
Registration No. 9899
Limited Partner, Proxy

Warsaw, 27 May 2019

Signed on the Polish original

Stacy Ligas

Member of the Management Board of
KPMG Audyt Sp.z o.o., entity which is the
General Partner of KPMG Audyt Spółka z
ograniczoną odpowiedzialnością sp.k.