

**The Capital Group of
Powszechny Zakład Ubezpieczeń
Spółka Akcyjna**

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2015**

The opinion contains 3 pages
The supplementary report contains 16 pages
Opinion of the independent auditor
and supplementary report on the audit
of the consolidated financial statements
for the financial year ended
31 December 2015

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting and Supervisory Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna

Opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna (“the Group”), whose parent company is Powszechny Zakład Ubezpieczeń Spółka Akcyjna, with its registered office in Warsaw, al. Jana Pawła II 24 (“the Parent Company”), which comprise the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the year ended 31 December 2015, the consolidated statement of financial position as at 31 December 2015, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year then ended 31 December 2015 and additional information and notes comprising a summary of significant accounting policies and other explanatory information, hereinafter called ‘consolidated financial statements’.

Management’s and Supervisory Board’s Responsibility for the Consolidated Financial Statements

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group’s activities. Management of the Parent Company is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), Management of the Parent Company and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group’s activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act") and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Parent Company, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements of the Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

As required under the Accounting Act, we report that the accompanying report on the Group's activities includes, in all material respects, the information required by article 49 of the Accounting Act, by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the Attachment No. 6 of the Decree of the Minister Finance dated 28 December 2009 on specific accounting principles in insurance and reinsurance companies (Official Journal from 2009, No. 226, item 1825) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Inflancka 4A
00-189 Warsaw

Signed on the Polish original

.....
Marcin Dymek
Key Certified Auditor
Registration No. 9899
Limited Liability Partner with power of attorney

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.

14 March 2016
Warsaw

**The Capital Group of
Powszechny Zakład Ubezpieczeń
Spółka Akcyjna**

**Supplementary report
on the audit of the
consolidated financial
statements
Financial Year ended
31 December 2015**

The supplementary report contains 16 pages
The supplementary report on the audit of the
consolidated financial statements
for the financial year ended
31 December 2015



*The Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
The supplementary report on the audit of the consolidated financial statements
for the financial year ended 31 December 2015*

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1. General

1.1 Identification of the Group

1.1.1 Name of the Group

The Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna ('the Group').

1.1.2 Registered office of the Parent Company of the Group

Powszechny Zakład Ubezpieczeń Spółka Akcyjna with registered office in Warsaw, Al. Jana Pawła II 24 ('the Parent Company').

1.1.3 Registration of the Parent Company in the register of entrepreneurs of the National Court Register

Registration court:	District Court in Warsaw, XII Commercial Department of the National Court Register
Date:	30 April 2001
Registration number:	KRS 0000009831
Share capital as at the end of reporting period:	PLN 86,352 thousand

1.1.4 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

As at the date of this report, the Management Board of the Parent Company was comprised of the following members:

- Michał Krupiński – President of the Management Board
- Przemysław Dąbrowski – Board Member
- Roger Hodgkiss – Board Member
- Beata Kozłowska-Chyła – Board Member
- Dariusz Krzewina – Board Member
- Robert Pietryszyn – Board Member
- Paweł Surówka – Board Member

In the period from 1 January 2015 until the report preparation date, the following changes took place in the composition of the Management Board of the Parent Company:

- On 30 June 2015 Ryszard Trepczyński's mandate of the Member of the Management Board of PZU expired;
- On 8 December 2015 Andrzej Klesyk and Witold Jaworski filed a resignation, with effect from 9 December 2015, whereas the Supervisory Board of PZU appointed Dariusz Krzewina the Acting President of the Management Board;
- On 19 January 2016 Rafał Grodzicki and Tomasz Tarkowski resigned from the Management Board, thus the Supervisory Board of PZU appointed to the Management Board following persons:
 - Michał Krupiński, who was appointed the President of the Management Board;
 - Roger Hodgkiss, who was appointed the Member of the Management Board;

- Beata Kozłowska-Chyła, who was appointed the Member of the Management Board;
- Robert Pietryszyn, who was appointed the Member of the Management Board;
- Paweł Surówka, who was appointed the Member of the Management Board since 20 January 2016,.

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

Complete list of the consolidated subsidiaries have been disclosed in point 1.6 of this report and in the Note 2.2 of the additional information and notes to the consolidated financial statements.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2015, as a result of the Parent Company acquiring a controlling interest:

- Aquaform SA, Aquaform Badprodukte GmbH, Aquaform Ukraine TOW, Aquaform Romania SRL, Morehome.pl sp. z o.o. – subject to consolidation from 15 January 2015,
- Rezo-Medica sp. z o.o. – subject to consolidation from 23 April 2015,
- Nasze-Zdrowie sp. z o.o. – subject to consolidation from 26 August 2015,
- PZU FIZ Surowcowy – subject to consolidation from 3 September 2015,
- Centrum Medyczne Gamma sp. z o.o. – subject to consolidation from 8 September 2015,
- Medicus w Opolu sp. z o.o. – subject to consolidation from 30 September 2015,
- PZU Sejf+ – subject to consolidation from 30 September 2015,
- Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych – subject to consolidation from 20 November 2015,
- PZU FIZ Akcji Focus – subject to consolidation from 10 December 2015,
- Alior Bank SA – subject to consolidation from 18 December 2015,
- Alior Services sp. z o.o. – subject to consolidation from 18 December 2015,
- Centrum Obrotu Wierzytelnościami sp. z o.o. – subject to consolidation from 18 December 2015,
- Alior Leasing sp. z o.o. – subject to consolidation from 18 December 2015,
- Meritum Services ICB SA – subject to consolidation from 18 December 2015,
- Money Makers SA – subject to consolidation from 18 December 2015,
- New Commerce Services sp. z o.o. – subject to consolidation from 18 December 2015.



The following subsidiaries were consolidated during the reporting period until the date control by the Parent Company ceased:

- UAB DK PZU Lietuva – subject to consolidation in the period from 1 January 2015 to 30 September 2015,
- PZU Fundusz Inwestycyjny Zamknięty Forte – subject to consolidation in the period from 1 January 2015 to 30 June 2015.

1.2.2 Entities excluded from consolidation

As at 31 December 2015, the following subsidiary was not consolidated as a result of lack of controlling interest by the Parent Company: Syta Development sp. z o.o. w likwidacji.

1.3 Key Certified Auditor and Audit Firm Information

1.3.1 Key Certified Auditor information

Name and surname: Marcin Dymek
Registration number: 9899

1.3.2 Audit firm information

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. (“KPMG Audyt”)
Address of registered office: ul. Inflancka 4A, 00-189 Warsaw
Registration number: KRS 0000339379
Registration court: District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register
NIP number: 527-26-15-362

KPMG Audyt is entered in the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.4 Prior period consolidated financial statements

The financial statements of the Group as at and for the year ended 31 December 2014 were audited by KPMG Audyt who expressed an unmodified opinion on those financial statements dated 16 March 2015.

The financial statements as at and for the year ended 31 December 2014 were approved at the General Meeting of the Parent Company on 30 June 2015.

The financial statements as at and for the year ended 31 December 2014 were submitted to the Registry Court on 6 July 2015.

1.5 Audit scope and responsibilities

This report was prepared for the General Meeting and Supervisory Board of the Parent Company and relates to the consolidated financial statements comprising: the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the year ended 31 December 2015, the consolidated statement of financial position as at 31 December 2015, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year ended 31 December 2015 and additional information and notes comprising a summary of significant accounting policies and other explanatory information.

The Parent Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

The consolidated financial statements were audited in accordance with the contract dated 26 June 2014, concluded on the basis of the resolution of the Supervisory Board dated 18 February 2014 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”) and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance.

We audited the consolidated financial statements at the Group entities during the period from October to November 2015 (interim audit) and from January to March 2016 (final audit).

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and with other applicable regulations and preparation of the report on the Group’s activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the financial statements.

The Management Board of the Parent Company submitted a statement, dated as at the same date as this report, as to the true and fair presentation of the accompanying consolidated financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All required statements, explanations and information were provided to us by Management of the Group and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt.

The Key Certified Auditor and KPMG Audyt fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2015, item 1011 with amendments).



1.6 Information on audits of the financial statements of the consolidated companies

1.6.1 Parent Company

The separate financial statements of the Parent Company for the year ended 31 December 2015 were audited by KPMG Audyt, audit firm number 3546, and received an unmodified opinion.

1.6.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Subject to consolidation			
1. Powszechny Zakład Ubezpieczeń na Życie SA	KPMG Audyt	31 December 2015	unqualified
2. Link 4 Towarzystwo Ubezpieczeń SA	KPMG Audyt	31 December 2015	audit not completed
3. Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych	not audited	31 December 2015	-
4. Lietuvos Draudimas AB	KPMG Baltics UAB	31 December 2015	audit not completed
5. Apdrošināšanas Akciju Sabiedrība Balta AAS BALTA	KPMG Baltics SIA	31 December 2015	audit not completed
6. PrJSC IC PZU Ukraine	JSC KPMG Audit	31 December 2015	audit not completed
7. PrJSC IC PZU Ukraine Life Insurance	JSC KPMG Audit	31 December 2015	audit not completed
8. UAB PZU Lietuva Gyvybes Draudimas	KPMG Baltics UAB	31 December 2015	audit not completed
Subject to consolidation – Capital Group of Alior Bank			
9. Alior Bank SA	PricewaterhouseCoopers sp. z o.o.	31 December 2015	unqualified
10. Alior Services sp. z o.o.	not audited	31 December 2015	-
11. Centrum Obrotu Wierzytelnościami sp. z o.o.	not audited	31 December 2015	-
12. Alior Leasing sp. z o.o.	PricewaterhouseCoopers sp. z o.o.	31 December 2015	audit not completed
13. Meritum Services ICB SA	not audited	31 December 2015	-
14. Money Makers SA	Ernst & Young Audyt Polska sp. z o.o. sp. k.	31 December 2015	audit not completed
15. New Commerce Services sp. z o.o.	not audited	31 December 2015	-
Subject to consolidation - other			
16. Powszechnie Towarzystwo Emerytalne PZU SA	KPMG Audyt	31 December 2015	unqualified
17. PZU Centrum Operacji SA	KPMG Audyt	31 December 2015	audit not completed
18. Towarzystwo Funduszy Inwestycyjnych PZU SA	KPMG Audyt	31 December 2015	unqualified
19. PZU Pomoc SA	KPMG Audyt	31 December 2015	audit not completed
20. PZU Finance AB	KPMG Sweden	31 December 2015	audit not completed
21. PZU Finanse Sp. z o.o.	not audited	31 December 2015	-
22. Tower Inwestycje Sp. z o.o.	KPMG Audyt	31 December 2015	audit not completed
23. Ogrodowa-Inwestycje Sp. z o.o.	KPMG Audyt	31 December 2015	audit not completed
24. PZU Zdrowie SA	Sandren Biuro Audytorskie sp. z o.o.	31 December 2015	unqualified
25. Centrum Medyczne Medica Sp. z o.o.	Sandren Biuro Audytorskie sp. z o.o.	31 December 2015	unqualified
26. Specjalistyczna Przychodnia Przemysłowa Prof-med sp. z o.o.	Sandren Biuro Audytorskie sp. z o.o.	31 December 2015	unqualified
27. Sanatorium Uzdrowiskowe Krystynka Sp. z o.o.	Sandren Biuro Audytorskie sp. z o.o.	31 December 2015	unqualified
28. Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o. („Elvita”)	Sandren Biuro Audytorskie sp. z o.o.	31 December 2015	unqualified
29. Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o. („Proelmed”)	Katarzyna Walewska Biuro Rachunkowe Biegłego Rewidenta Sandren Biuro Audytorskie sp. z o.o.	31 December 2015	unqualified
30. Rezo-Medica sp. z o.o.	Sandren Biuro Audytorskie sp. z o.o.	31 December 2015	unqualified



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31. Centrum Medyczne Gamma sp. z o.o.	Sandren Biuro Audytorskie sp. z o.o.	31 December 2015	unqualified
32. Nasze-Zdrowie sp. z o.o.	Sandren Biuro Audytorskie sp. z o.o.	31 December 2015	unqualified
33. Medicus w Opolu sp. z o.o.	Sandren Biuro Audytorskie sp. z o.o.	31 December 2015	unqualified
34. Arm Property sp. z o.o.	not audited	31 December 2015	-
35. Ipsilon Sp. z o.o.	not audited	31 December 2015	-
36. PZU Asset Management SA	KPMG Audyt	31 December 2015	audit not completed
37. Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA w likwidacji	not audited	31 December 2015	-
38. Omicron SA	not audited	31 December 2015	-
39. Omicron Bis SA	not audited	31 December 2015	-
40. Sigma BIS SA	MG Profit sp. z o.o.	31 December 2015	audit not completed
41. LLC SOS Services Ukraine	not audited	31 December 2015	-
42. L4C sp. z o.o.	not audited	31 December 2015	-
Subject to consolidation – the Capital Group of Armatura			
43. Armatura Kraków SA	KPMG Audyt	31 December 2015	audit not completed
44. Armatoora SA	KPMG Audyt	31 December 2015	audit not completed
45. Armaton SA	KPMG Audyt	31 December 2015	audit not completed
46. Aquaform SA	KPMG Audyt	31 December 2015	audit not completed
47. Aquaform Badprodukte GmbH	not audited	31 December 2015	-
48. Aquaform Ukraine TOW	not audited	31 December 2015	-
49. Aquaform Romania SRL	not audited	31 December 2015	-
50. Morehome.pl sp. z o.o.	not audited	31 December 2015	-
Subject to consolidation – investment funds			
51. PZU SFIO Universum	KPMG Audyt	31 December 2015	unqualified
52. PZU FIZ Dynamiczny	KPMG Audyt	31 December 2015	unqualified
53. PZU FIZ Sektora Nieruchomości ¹	KPMG Audyt	31 December 2015	unqualified
54. PZU FIZ Sektora Nieruchomości 2 ¹	KPMG Audyt	31 December 2015	unqualified
55. FIZ Aktywów Niepublicznych BIS1	KPMG Audyt	31 December 2015	unqualified
56. FIZ Aktywów Niepublicznych BIS2	KPMG Audyt	31 December 2015	unqualified
57. PZU FIZ Surowcowy	KPMG Audyt	31 December 2015	unqualified
58. PZU Sejf+	KPMG Audyt	31 December 2015	unqualified
59. PZU Dłużny Rynków Wschodzących (Globalnej Alokacji)	KPMG Audyt	31 December 2015	unqualified
60. PZU Akcji Rynków Wschodzących	KPMG Audyt	31 December 2015	unqualified
61. PZU Akcji Spółek Dywidendowych	KPMG Audyt	31 December 2015	unqualified
62. PZU FIO Gotówkowy	KPMG Audyt	31 December 2015	unqualified
63. PZU FIZ Akcji Focus	KPMG Audyt	31 December 2015	unqualified

¹The Capital Group od PZU also includes subsidiaries, having the character of special purpose vehicles investing in particular properties, which are in the portfolios of the following funds: PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2, the number of which for particular funds amounted to, respectively, 24 and 11. Out of the total number of those companies 24 special purpose vehicles with a property in its portfolio are subject to audit by KPMG Audyt, and until the date of this report these audit have not been completed.



2 Financial analysis of the Group

2.1 Summary analysis of the consolidated financial statements

2.1.1 Consolidated statement of profit or loss

	1.01.2015 - 31.12.2015	% gross premium written	1.01.2014 - 31.12.2014	% gross premium written
	PLN thousand		PLN thousand	
Gross written premiums	18,359,044		16,884,639	0.0%
Reinsurer's share in the written premiums	(366,702)	2.0%	(349,912)	2.1%
Net written premium	17,992,342	98.0%	16,534,727	97.9%
Change in net unearned premium reserve	(607,471)	3.3%	(105,357)	0.6%
Net earned premiums	17,384,871	94.7%	16,429,370	97.3%
Revenue from commissions and fees	242,799	1.3%	350,764	2.1%
Net investment income	1,571,268	8.6%	1,704,649	10.1%
Net result on realization and impairment losses on investments	(223,239)	1.2%	427,147	2.5%
Net change in the fair value of assets and liabilities measured at fair value	391,248	2.1%	515,111	3.1%
Other operating income	803,432	4.4%	537,633	3.2%
Claims, benefits and change in technical provisions	(12,282,925)	66.9%	(11,733,228)	69.5%
Reinsurer's share in claims, benefits and change in technical provisions	425,823	2.3%	191,520	1.1%
Net claims and benefits	(11,857,102)	64.6%	(11,541,708)	68.4%
Interest expense	(117,433)	0.6%	(147,285)	0.9%
Acquisition costs	(2,376,305)	12.9%	(2,147,024)	12.7%
Administrative expenses	(1,657,878)	9.0%	(1,527,699)	9.0%
Other operating expenses	(1,222,276)	6.7%	(907,740)	5.4%
Operating profit	2,939,385	16.0%	3,693,218	21.9%
Share in net profit (loss) of entities measured using the equity method	4,348	0.0%	(1,525)	0.0%
Gross profit	2,943,733	16.0%	3,691,693	21.9%
Income tax	(601,537)	3.3%	(724,066)	4.3%
Net profit, including:	2,342,196	12.8%	2,967,627	17.6%
- profit attributable to equity holders of the parent entity	2,342,355	12.8%	2,967,731	17.6%
- profit (loss) attributable to non-controlling interest	(159)	0.0%	(104)	0.0%



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2.1.2 Consolidated statement of other comprehensive income

	1.01.2015 - 31.12.2015	% net profit	1.01.2014 - 31.12.2014	% net profit
	PLN thousand		PLN thousand	
Net profit	2,340,767		2,967,627	
Other comprehensive income	5,766	0.2%	17,193	-0.6%
Amounts subject to subsequent transfer to statement of profit or loss:				
Measurement of available-for-sale financial instruments	(3,165)	-0.1%	10,580	-0.4%
Exchange differences from translation	2,492	0.1%	8,475	-0.3%
Other comprehensive income of entities measured using the equity method	(6,574)	-0.3%	2,287	0.1%
Other comprehensive income of entities measured using the equity method	917	0.0%	(182)	0.0%
Amounts not subject to subsequent transfer to statement of profit or loss:				
Property reclassified from property, plant and equipment to investment property	8,931	0.4%	6,613	0.2%
Actuarial gains and losses from remeasurements of defined benefit liabilities	7,201	0.3%	13,504	0.5%
Actuarial gains and losses from remeasurements of defined benefit liabilities	1,730	-0.1%	(6,891)	-0.2%
Total net comprehensive income	2,346,533	100.2%	2,984,820	100.6%
Comprehensive income attributable to equity holders of the parent entity	2,346,707	100.3%	2,984,916	100.6%
Comprehensive income attributable to non-controlling interest	(174)	0.0%	(96)	0.0%



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2.1.3 Consolidated statement of financial position

ASSETS	31 Dec 2015	%	31 Dec 2014	%
	PLN thousand	assets	PLN thousand	assets
Goodwill	1,506,445	1.4%	769,044	1.1%
Intangible assets	1,393,168	1.3%	868,692	1.3%
Other assets	698,964	0.7%	235,250	0.3%
Deferred acquisition costs	1,154,742	1.1%	712,066	1.1%
Estimated subrogations and salvages	114,229	0.1%	127,262	0.2%
Reinsurer's share in technical provisions	1,096,852	1.0%	753,115	1.1%
Property, plant and equipment	1,299,788	1.2%	1,001,609	1.5%
Investment property	1,171,721	1.1%	2,236,062	3.3%
Companies measured using the equity method	54,065	0.1%	66,311	0.1%
Financial assets	89,305,847	84.7%	56,759,976	84.0%
Financial instruments held to maturity	17,370,126	16.5%	19,983,689	29.6%
Financial instruments available for sale	7,744,689	7.3%	2,985,322	4.4%
Financial instruments measured at fair value through profit or loss	20,648,403	19.6%	19,096,484	28.3%
Derivatives	139,578	-	-	-
Loans and receivables	43,403,051	41.2%	14,694,481	21.7%
Deferred tax assets	349,189	0.3%	26,957	0.0%
Receivables, including insurance receivables	3,270,793	3.1%	3,085,432	4.6%
Current income tax receivables	67,295	0.1%	368	0.0%
Cash and cash equivalents	2,439,863	2.3%	324,007	0.5%
Assets held for sale	1,506,048	1.4%	606,610	0.9%
Total assets	105,429,009	100.0%	67,572,761	100.0%



The Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
The supplementary report on the audit of the consolidated financial statements
for the financial year ended 31 December 2015
TRANSLATION

EQUITY AND LIABILITIES	31 Dec 2015	%	31 Dec 2014	%
	PLN thousand	assets	PLN thousand	assets
Equity				
Issued share capital and other equity attributable to the equity holders of the parent entity	12,923,719	12.3%	13,166,336	19.5%
Share capital	86,352	0.1%	86,352	0.1%
Other capitals	10,141,607	9.6%	9,885,791	14.6%
Unappropriated profit	2,695,760	2.6%	3,194,193	4.7%
Retained earnings	353,405	0.3%	226,462	0.3%
Net profit	2,342,355	2.2%	2,967,731	4.4%
Non-controlling interest	2,255,188	2.1%	1,292	0.0%
Total equity	15,178,907	14.4%	13,167,628	19.5%
Liabilities				
Technical provisions	41,280,321	39.2%	40,166,885	59.4%
Provisions for employee benefits	117,398	0.1%	120,070	0.2%
Other provisions	108,109	0.1%	191,206	0.3%
Deferred tax liabilities	509,157	0.5%	398,433	0.6%
Financial liabilities	44,487,823	42.2%	9,403,244	13.9%
Other liabilities	3,678,011	3.5%	3,819,511	5.7%
Current income tax liabilities	69,283	0.1%	53,770	0.1%
Liabilities directly associated with assets held for sale	-	0.0%	252,014	0.4%
Total liabilities	90,250,102	85.6%	54,405,133	80.5%
Total equity and liabilities	105,429,009	100.0%	67,572,761	100.0%



2.2 Selected financial ratios

	2015	2014	2013
Sales profitability ratio = Net profit (loss) / Gross written premium	12.8%	17.6%	20.0%
Profitability ratio of investment activity = Investment income / Average investments' value	2.4%	4.9%	4.5%
Gross loss ratio = (Gross claims and benefits paid + change in gross provision for outstanding claims) / Gross earned premium	69.2%	72.5%	67.9%
Net loss ratio = (Net claims and benefits paid + change in net provision for outstanding claims) / Net earned premium	68.2%	70.3%	68.7%
Premium retention ratio = Net written premium / Gross written premium	98.0%	97.9%	98.4%
Claims retention ratio = Net claims and benefits paid / Gross claims and benefits paid	96.5%	98.4%	99.7%
Acquisition cost ratio = Acquisition costs ¹ / Net earned premium	15.4%	13.4%	12.4%
Administration cost ratio = Administration costs / Net earned premium	9.0%	9.0%	8.5%
Net operating expenses ratio = General insurance costs ² / Net earned premium	23.2%	22.4%	21.1%

¹ Acquisition costs include accrued amounts without the change in deferred acquisition costs.

² General insurance costs include acquisition costs (with change in deferred acquisition costs) and administration costs.

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in Note 5 of the additional information and notes to the consolidated financial statements to the extent required by IFRS.

In view of the fact that not all entities being part of the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Group were prepared in accordance with IFRS and other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation.

3.3 Method of consolidation

The method of consolidation is described in Note 5.2 of additional information and notes to the consolidated financial statements.

3.4 Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in Notes 2.4, 5.4, 6.2.2 and 26 of additional information and notes to the consolidated financial statements.

3.5 Consolidation of equity and calculation of non-controlling interest

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The relevant data for consolidation eliminations was based on the accounting records of subsidiaries consolidated on the full consolidation basis, which have been subject to an audit or other revision procedures, and agreed with information received from the subsidiaries.

3.7 Notes to the consolidated financial statements

All information included in additional information and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the consolidated financial statements.

3.8 Report of the Management Board of the Parent Company on the Group's activities

The report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by article 49 of the Accounting Act, by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and Attachment No. 6 to the Decree of the Minister of Finance dated 28 December 2009 on specific accounting principles in insurance and reinsurance companies (Official Journal from 2009, No. 226, item 1825) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Inflancka 4A
00-189 Warsaw

Signed on the Polish original

.....
Marcin Dymek
Key Certified Auditor
Registration No. 9899
Limited Liability Partner with power of attorney

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.

Warsaw, 14 March 2016