



Annual Report 2015

Compensa Towarzystwo Ubezpieczeń S.A.
Vienna Insurance Group

Compensa Towarzystwo Ubezpieczeń na Życie S.A.
Vienna Insurance Group



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Letter from the Chairman of the Supervisory Board

Dear Madam / Sir,

Polish VIG companies, having collected total premium of EUR 839 mio in year 2015, strengthened its leading position in the Vienna Insurance Group. Such result enabled VIG Polska companies to achieve 3rd position within the VIG Group in terms of premium volume, right behind Austria and Czech Republic. Polish VIG companies have been also an important contributor to the gross result of the whole VIG Group, achieving EUR 43.4 mio – a quarter of all VIG's gross earnings for last year. The above results are the best proof of the success of the VIG strategy, focused on multibranding, thorough understanding of the local market's characteristics for the purpose of more efficient management and effective usage of common resources between the group companies.

Compensa Life and Compensa Nonlife are among the best examples of this strategic approach and crucial part of the VIG's business activity in Poland, collecting in 2015 total premium in amount constituting half of the premium of the whole VIG Group in Poland for the previous year.

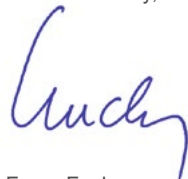
During the previous year Compensa Nonlife managed to expand sales in profitable nonlife lines of business like SME insurances, where an excellent growth of 9% y/y was recorded. This a result which should be appreciated even more given the harsh market environment in which the Company operated in year 2015. Last year was also a time of huge organisational changes like a successful merger with Benefia Nonlife and simultaneous creation of Benefia Ubezpieczenia service company aimed at development of modern sales channels. In previous year a project of exclusion of Compensa's Baltic operations from its activities in Poland was executed as well. Huge investments were also made in order to remain the market leader of service quality.

Compensa Life successfully managed to counteract negative market trends and achieved excellent premium development of 13% y/y in insurances with regular premium. In previous year the Company was concentrating its efforts on the adjustment of products portfolio to the fast changing legal and market landscape.

I would like to thank the Company's management, employees and business partners for the efforts, which enabled Compensa to develop profitable lines of business, as well strengthen its outlook as a company providing high standard of sales and claims services.

Please become acquainted with the detailed information regarding Compensa company and its achievements in 2015, which are presented in the enclosed Annual Report.

Yours Sincerely,



Franz Fuchs
Chairman of the Supervisory Board
Compensa TU S.A. Vienna Insurance Group
Compensa TU na Życie S.A. Vienna Insurance Group





Letter from the CEO

Dear All,

Year 2015 was special for Compensa due to the celebration of the 25th anniversary of the company. A quarter century of presence on the market forces to reflection as well as to draw conclusions from past successes and failures. We celebrated the anniversary with our colleagues across Poland – within visits in the country, the Management Boards met with more than two thousand people. These meetings were very inspiring for us.

During 25 years of operations in the dynamically developing Polish market Compensa evolved into a self-perfecting organization. In 2015, we introduced changes in the organizational structure sales and products, claims handling as well as human resources.

In October of 2015 we finalized the merger with Benefia Nonlife, strengthening the 5th position of Compensa Nonlife on the market. In addition, at the end of the year, portfolio of Lithuanian and Latvian Branch Offices of Compensa Nonlife was transferred to Lithuanian company Compensa VIG UADB, allowing us in 2016 to fully concentrate on the development of business in Poland.

As in previous years, also in 2015 we made a lot of investments in new technologies. As a result, we introduced mobile path for all products sold via Compensa sales portal and began offering fast claims handling services.

We believe that the strength of our company depends on people who create it. That is why we started introducing a number of improvements in order to increase employees' satisfaction, their identification with the company and provide them with the optimal development path within the company structures. In 2015, we worked on a new company image. We introduced a DIALOG strategy, which determines how we communicate with our Customers, Intermediaries and Employees. The strategy was created based on the worked out vision and aspirations of Compensa indicating the company's activities for the upcoming years. We defined critical values of Compensa, which we follow individually and within the organization.

Year 2015 was a year of transition for Compensa but also for the entire industry. Key factors were following: preparations for the introduction of amendments to the law on insurance and reinsurance activities, the Financial Supervision Commission guidelines for the distribution of insurance and claims handling. The 25th anniversary we celebrated during difficult market conditions, which were the culmination of price pressures in motor insurance and chaos around investment policies in life business, where we luckily worked out an agreement with the Office of Competition and Consumer Protection.

In spite of unfavorable market conditions, Compensa Nonlife generated growth in profitable business lines respectively by 20% in the household insurance, 14% in the personal insurance and 9% in the segment of small and medium-sized enterprises. Compensa Life reported a 53% drop in premium due to the extinction of the portfolio of short-term insurance policies with a single premium, working out at the same time a solid 13% increase in the group insurance.

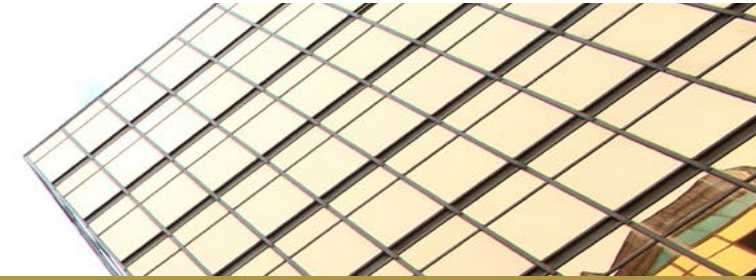
On behalf of the Management Board of Compensa companies I would like to thank our Customers for the confidence they gave us. To our business partners and employees I would like to say thank you for your commitment and contribution to the development of the company and Compensa brand. Together, we provide services of the highest quality. I hope that we maintain this standard in the coming years.

Kind Regards,



Artur Borowiński
CEO
Compensa TU S.A. Vienna Insurance Group
Compensa TU na Życie S.A. Vienna Insurance Group





The Company

As of 31 December 2015.

i Information about the Company

Management Board



Artur Borowiński

President of the Management Board



Ireneusz Arczewski

Deputy President of the Management Board



Michał Gomowski

Deputy President of the Management Board



Jarosław Szwajgier

Deputy President of the Management Board



Wolfgang Stockmeyer

Member of the Management Board

Supervisory Board

Franz Fuchs

Chairman of the Supervisory Board

Dieter Fröhlich

Deputy Chairman of the Supervisory Board

Wolfgang Petschko

Member of the Supervisory Board

Helene Kanta

Member of the Supervisory Board

dr Peter Hagen

Deputy Chairman of the Supervisory Board

Roland Goldsteiner

Member of the Supervisory Board

Andrzej Witkowski

Member of the Supervisory Board

Address of the Headquarters

Compensa Towarzystwo Ubezpieczeń S.A.
Vienna Insurance Group
Al. Jerozolimskie 162
02-342 Warszawa

Company Management Bodies

Pursuant to the articles of association of Compensa TU S.A. Vienna Insurance Group, the Company Management Bodies are:

- The General Assembly,
- The Supervisory Board,
- The Management Board.

As of 31 December 2015.

Compensa TU na Życie S.A.

Date of establishing the Company:
12 February 1990
National Court Register (KRS):
0000006691
TIN (tax identification number):
526 02 14 686
Share capital:
PLN 179 851 975.00 – fully paid

Address of the Headquarters

Compensa Towarzystwo Ubezpieczeń S.A.
Vienna Insurance Group
Al. Jerozolimskie 162
02-342 Warszawa

Company Management Bodies

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- The Management Board.

Information about the Company

Management Board



Artur Borowiński

President of the Management Board



Ireneusz Arczewski

Member of the Management Board



Piotr Tański

Member of the Management Board



Wolfgang Stockmeyer

Member of the Management Board

Supervisory Board

Franz Fuchs

Chairman of the Supervisory Board

Dieter Fröhlich

Deputy Chairman of the Supervisory Board

Wolfgang Petschko

Member of the Supervisory Board

Helene Kanta

Member of the Supervisory Board

dr Peter Hagen

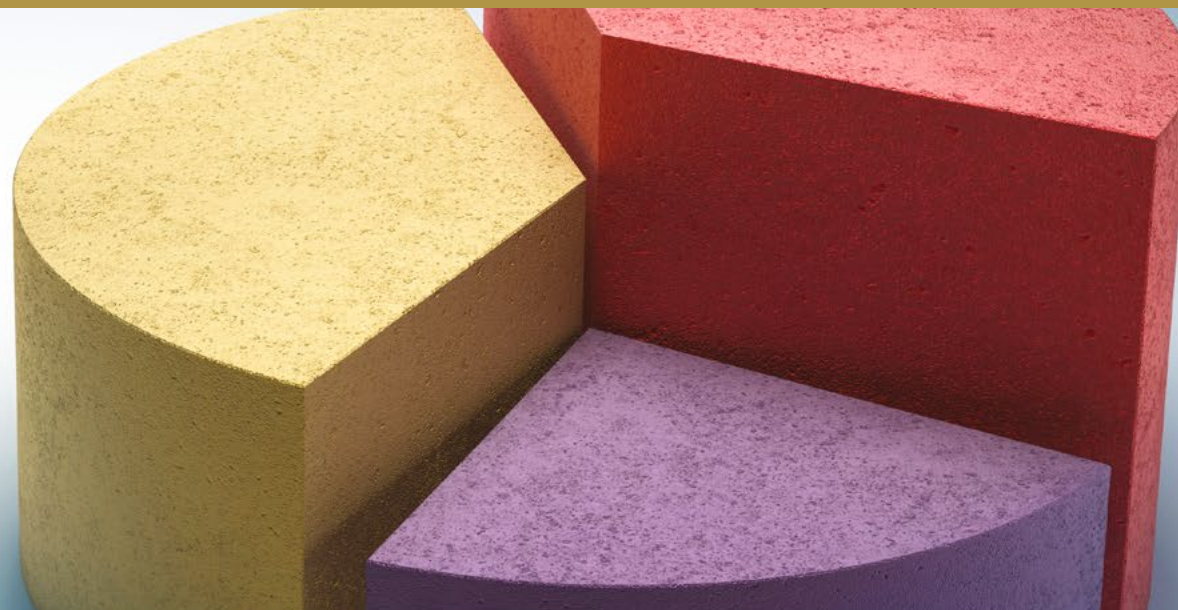
Deputy Chairman of the Supervisory Board

Roland Goldsteiner

Member of the Supervisory Board

Andrzej Witkowski

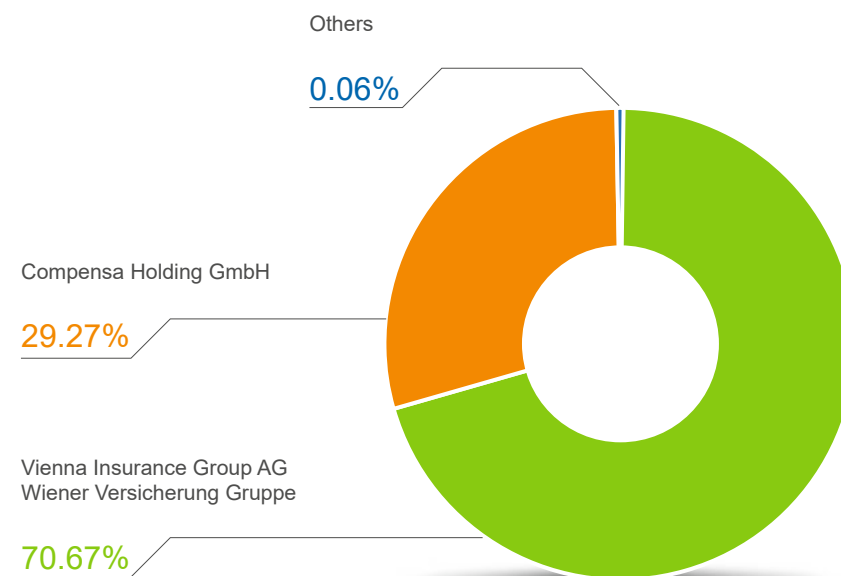
Member of the Supervisory Board



As of 31 December 2015.

Shareholder Structure

SHAREHOLDERS	NUMBER OF SHARES IN PCS.	SHARE IN THE SHARE IN %	NUMBER OF VOTES IN %
Compensa Holding GmbH	9 747 928	29.27	29.27
Vienna Insurance Group AG Wiener Versicherung Gruppe	23 537 282	70.67	70.67
Others	20 708	0.06	0.06
Total	33 305 918	100.00	100.00



As of 31 December 2015.

Shareholder Structure

SHAREHOLDERS	NUMBER OF SHARES IN PCS.	SHARE IN THE SHARE IN %	NUMBER OF VOTES IN %
Compensa Holding GmbH	563 500	21.15	21.15
Vienna Insurance Group AG Wiener Versicherung Gruppe	2 100 719	78.85	78.85
Total	2 664 219	100.00	100.00

Compensa Holding GmbH

21.15%

Vienna Insurance Group AG
Wiener Versicherung Gruppe

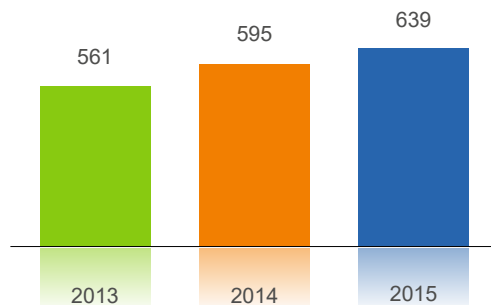
78.85%

As of 31 December 2015.

2015 Compensa in 2015

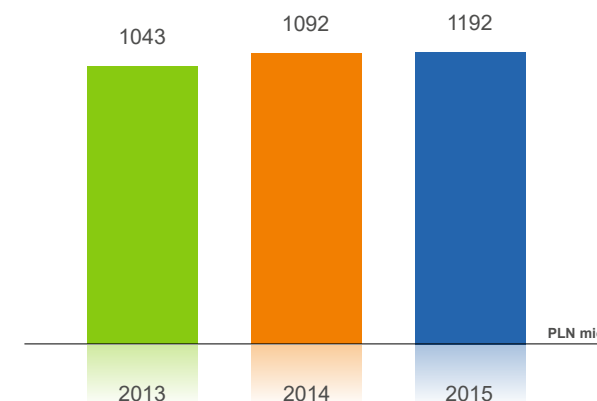
Employment

At the end of 2015, the Company had a total of **639** employees. The number of employees increased by **44** as compared to 2014 mainly as a result of merger with Benefia TU S.A. Vienna Insurance Group.



Gross premium written in PLN million

The gross premium written reached the value of **PLN 1 191 875 thousand**. The company ended the year 2015 with a net profit of **PLN 67 470 thousand**. Similarly as in the preceding years, motor insurance accounted for the major part of the portfolio (**65.2%**). It should be emphasized that the company aims at growth in the share of property insurance in the portfolio. The target segment of Compensa is the individual customer and small and medium-sized enterprises.

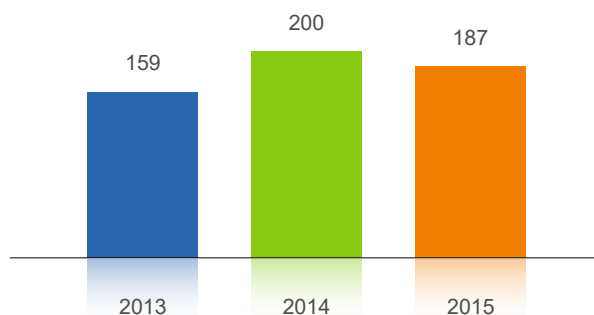


As of 31 December 2015.

Employment

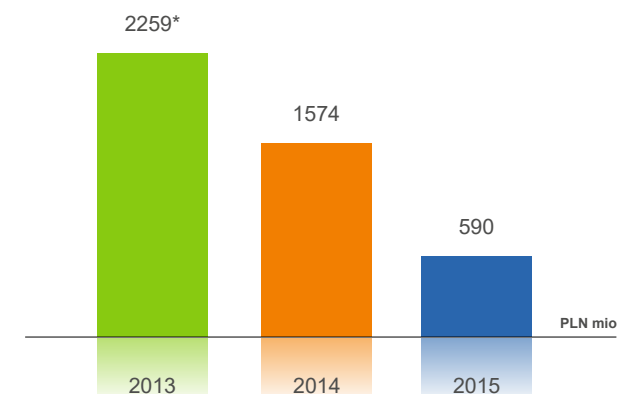
Similarly as in the previous years, the majority of the departments carried out their activities within the whole VIG group.

As of 31 December 2015, the Company had **187** full-time positions, including **181** full-time positions in the Headquarters, and **6** full-time positions in local units. At the end of 2014, the Company had **200** full-time positions; the number of full-time positions decreased by **13**.



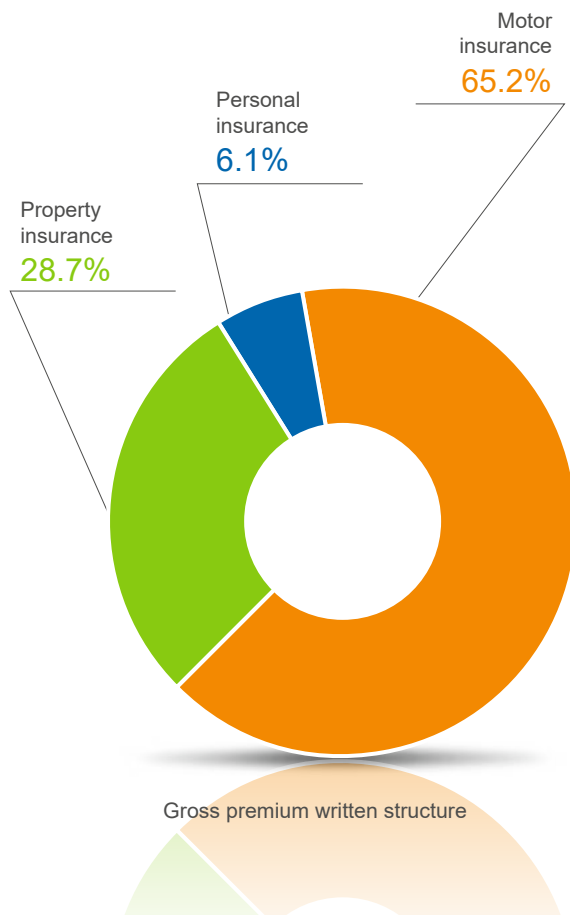
Gross premium written in PLN million

The year 2014 was closed with the gross premium written of **PLN 590 thousand** and with the net profit of **PLN 6003 thousand**. As compared to the preceding year, the premium written fell down by **62.5%**.



* According to the merger of Compensa TU na Žycie S.A. Vienna Insurance Group and Benefia TU na Žycie S.A. Vienna Insurance Group in 2014, financial data as of 2013 are presented jointly, for comparative purposes.

Compensa TU S.A.



Insurance Products

In 2015, Compensa TU S.A. offered insurance products aimed at individual and corporate customers. The offer included both insurance individual risk coverage insurance and insurance packages providing comprehensive insurance.

Changes in the insurance offer resulted from the need for product adaptation to the changing needs of customers, continuous development of products and the application of best experience in their sale.

Motor insurance

Compensa Komunikacja

- MTPL
- Motor hull insurance
- AC Mini
- Green Card
- Assistance
- Baggage insurance
- Motor legal protection insurance
- Insurance for entrepreneurs
- Protection against discounts losses at MTPL and motor hull insurance
- Legal assistance insurance
- Financial loss insurance
- Windscreen and car windows insurances
- Personal accident insurance for drivers and passengers
- Direct claims handling

Property insurance

Household insurance

- Compensa Rodzina
- Compensa Mój Dom
- Twoja Inwestycja – insurance of construction projects

Agricultural insurance

- Compulsory agricultural civil liability insurance
- Compulsory farm buildings insurance
- Farm property insurance

Insurance for businesses

- Compensa Firma – insurance package for middle-sized enterprises
- Mój Biznes – insurance package for small-sized enterprises
- Property fire insurance and insurance of other risks with BI option
- Property all risk insurance extended with BI option
- Property robbery and burglary insurance
- Machinery insurance extended with BI option
- All risks construction machinery and equipment insurance
- All risks electronic equipment insurance
- Construction all risks insurance
- Assembly all risks insurance
- National and international cargo insurance
- TPL insurance
- Carrier's TPL
- Casco for rail vehicles

Personal insurance

Personal insurance

- Compensa Voyage – travel insurance
- Accident insurance
- Personal Accident for school

Health insurance

- Compensa Zdrowie
- Compensa Zdrowie z Refundacją (with refund)

Compensa TU na Życie S.A.



The Company is licensed to provide insurance activities in groups 1–5 of section I of the appendix to the Act on Insurance Activities (life insurances, dowry insurance, maintenance of children, if unit-linked insurance, Life Insurance with benefit based on dedicated index or base value, annuity insurance, accident and health insurance, if they supplement insurances mentioned in groups 1–4).

Individual life insurance

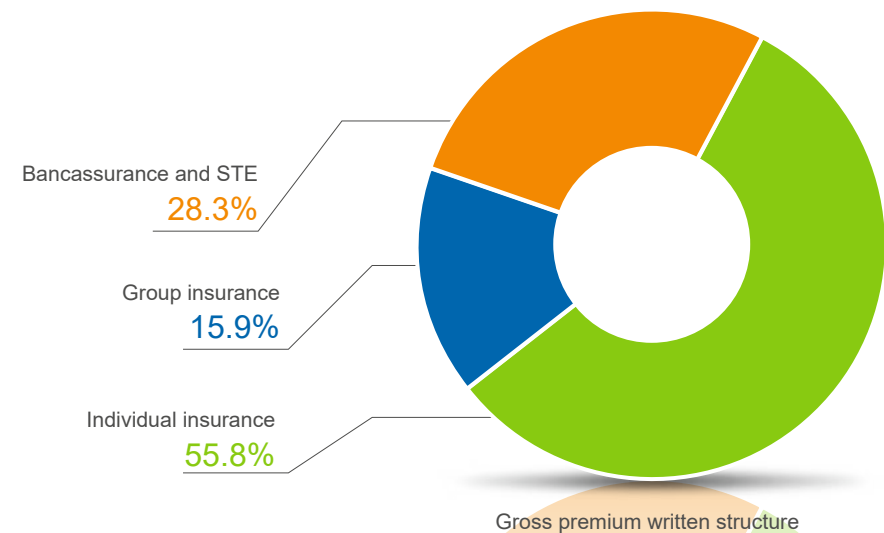
- Gwarancja Ochrona – individual term life insurance
- Gwarancja Komfort – individual endowment insurance
- Gwarancja Renta – individual life insurance with guaranteed lifetime annuity
- Flexi Plus – individual unit-linked insurance
- Compensa Perspektywa – individual unit-linked insurance
- Compensa Prestiż – individual unit-linked insurance
- Compensa Atut – individual unit-linked insurance
- Compensa IKZE – individual unit-linked insurance
- Godne Pożegnanie – individual term life insurance with regular premium payment
- Godne Pożegnanie – individual term life insurance with single premium payment
- Między Nami – individual term life insurance
- Optimum+ – individual term life insurance
- Start z Plusem – insurance for children

Group life insurance

- Bezpieczna Grupa – group life insurance
- Pakiet Bezpieczna Grupa – group life insurance
- Compensa Firma Życie – group life insurance

Bancassurance

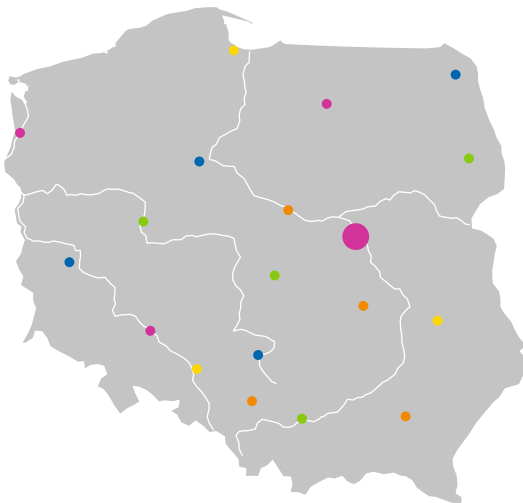
- Credit life insurance
- Lessee's life insurance
- Personal account holder's life insurance
- Credit card holder's life insurance
- Group unit-linked insurance
- Group term annuity Insurance Strategia Bezpieczny Horyzont





Branch Offices

Branch Offices



Headquarters

Al. Jerozolimskie 162, 02-342 Warszawa

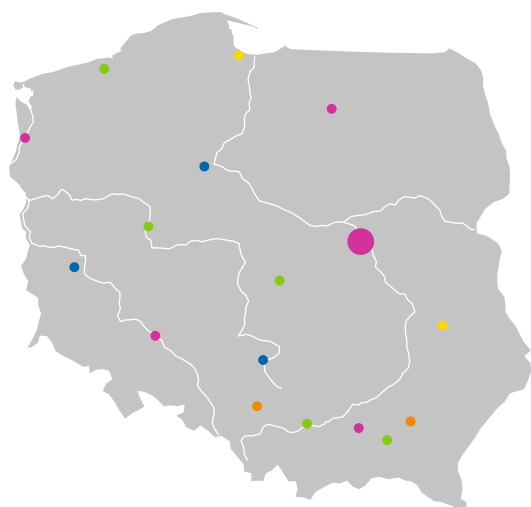
Białystok	ul. Mazowiecka 48
Bydgoszcz	ul. Wspólna 1
Częstochowa	ul. Kawia 4/16
Katowice	ul. św. Floriana 15
Kraków	ul. K. Kordylewskiego 1
Kraków II	ul. Rusznikarska-Deptak 2/8
Lublin	ul. T. Zana 32
Łódź	al. E. Rydza-Śmigłego 20
Łódź II	ul. Nawrot 85A/3
Olsztyn	ul. S. Wyszyńskiego 1
Opole	ul. Luboszycka 36
Płock	ul. Miodowa 1

Poznań	ul. Szelągowska 29
Radom	ul. F. Focha 14
Rzeszów	ul. Bernardyńska 2
Sopot	ul. Rzemieślnicza 33
Suwałki	ul. T. Noniewicza 85C
Szczecin	ul. Mieszka I 82–83
Warszawa	Al. Jerozolimskie 162
Warszawa II	ul. L. Rydygiera 21A
Wrocław	ul. Grabiszyńska 208
Wrocław II	ul. R. Traugutta 144
Zielona Góra	ul. Wiśniowa 19A

Compensa TU na Życie S.A.



Insurance Representations



Headquarters

Al. Jerozolimskie 162, 02-342 Warszawa

INDIVIDUAL INSURANCE REPRESENTATIONS

Katowice	ul. św. Floriana 15
Kraków	ul. K. Kordylewskiego 1
Krosno	ul. Tysiąclecia 14
Lublin	ul. T. Zana 32
Łódź	al. E. Rydza-Śmigłego 20
Olsztyn	ul. T. Kościuszki 43
Poznań	ul. Szelągowska 30
Rzeszów	ul. Bernardyńska 2/7
Sopot	ul. Rzemieślnicza 33
Szczecin	ul. Mieszka I 82-83
Tarnów	ul. Krakowska 26/3
Warszawa	ul. L. Rydygiera 21A
Wrocław	ul. Grabiszyńska 208
Zielona Góra	ul. Wiśniowa 19A

GROUP INSURANCE REPRESENTATIONS

Bydgoszcz	ul. Wspólna 1
Częstochowa	ul. Kawia 4/16 I p.
Katowice	ul. św. Floriana 15
Koszalin	ul. Zwycięstwa 40 box 70
Kraków	ul. K. Kordylewskiego 1
Rzeszów	ul. Bernardyńska 2/7
Sopot	ul. Rzemieślnicza 33
Warszawa	Al. Jerozolimskie 162
Wrocław	ul. Grabiszyńska 208



Results

of Compensa TU S.A.



Financial results

The Company closed the year 2015 with the net profit of PLN **67 470** thousand. The result decreased by PLN **18 155 tys** thousand compared to the preceding year.

Detailed specification of results

	31.12.2014 (PLN thous.)*	31.12.2015 (PLN thous.)
Gross premium written	1 323 064	1 191 875
Net return on investments	102 650	82 382
Gross claims	846 424	943 727
Change in gross technical provisions	25 458	-124 977
Acquisition and administrative costs	371 526	365 212
Technical result	39 554	-19 449
Net financial result	85 626	67 470

* According to the merger of Compensa TU S.A. Vienna Insurance Group and Benefia TU S.A. Vienna Insurance Group in 2015 financial data as of 2014 are presented jointly, for comparative purposes.

Solvency declaration ratios and parameters

	31.12.2015 (PLN thous.)
Solvency margin	154 247
Own funds to cover solvency margin	376 481
Coverage of solvency margin by own assets	244,08%



Technical account

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Premiums	963 658	949 716
Gross premiums written	1 323 064	1 191 875
Reinsurers' share in premium written	344 201	288 528
Change in gross provisions for unearned premiums and provision for unexpired risk	21 523	-56 578
Reinsurers' share in change in provisions for premiums	6 318	-10 209
Revenues of net investments transferred from P&L account	27 945	21 399
Other technical income – net of reinsurance	5 829	5 901
Claims	615 623	664 934
Claims paid – net of reinsurance	655 795	711 585
– Gross claims paid	846 424	943 727
– Reinsurers' share in claims paid	190 629	232 141
Change in provisions for outstanding claims – net of reinsurance	-40 172	-46 651
– Change in gross provisions for outstanding claims	3 342	-67 505
– Reinsurers' share in change in provisions for outstanding claims	43 514	-20 854
Change in other technical provisions – net of reinsurance	0	0
Bonuses and discounts including change in provisions for bonuses and rebates – net of reinsurance	0	254
Costs of insurance activities	308 523	304 382
Acquisition costs	320 362	301 829
Administrative costs	51 165	54 383
Reinsurance commissions and reinsurers' profit sharing	63 003	51 830
Other technical costs – net of reinsurance	33 138	27 789
Change in provisions for claims outstanding	594	-895
Balance on technical account	39 554	-19 449

General profit and loss account

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Technical account – non-life insurance or technical account life insurance	39 554	-19 449
Return on investments	108 597	102 624
Unrealized gains on investments	12 142	3 515
Investments charges	14 279	14 272
Unrealized losses on investments	3 811	9 486
Net returns on investments including costs transferred to the technical non-life insurance account	27 945	21 399
Other operating income	4 236	55 075
Other operating expenses	13 032	14 481
Profit (loss) on operating activities	105 464	82 128
Extraordinary profits	0	8
Extraordinary losses	0	0
Gross profit (loss)	105 464	82 135
Income tax	19 838	14 665
Other statutory reductions in profit (increases in loss)	0	0
Net profit (loss)	85 626	67 470

Compensa TU S.A.

Cash flow statement

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Cash flows from business activities	-31 724	-191 141
Proceeds	1 582 352	1 665 406
Direct insurance and reinsurance activities proceeds	1 338 905	1 272 801
Outwards reinsurance proceeds	224 402	369 538
Proceeds on other operating activities	19 045	23 066
Expenses	1 614 076	1 856 547
Direct insurance and reinsurance expenses	1 319 787	1 417 664
Outwards reinsurance expenses	284 911	403 941
Expenses on other operating activities	9 378	34 942
Cash flows from investment activities	98 487	238 282
Proceeds	4 802 410	2 360 412
Expenses	4 703 923	2 122 130
Cash flows from financial activities	-62 778	-66 676
Total net cash flows	3 985	-19 535
Balance sheet change in cash	3 985	-19 535
Opening balance of cash	24 524	28 509
Closing balance of cash	28 509	8 974

Compensa TU S.A.

Balance sheet: assets

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Intangible assets	34 524	31 581
Investments	1 917 578	1 627 027
Land and buildings	46 471	45 212
Investments in subordinated undertakings	0	3 927
Other financial investments	1 871 108	1 577 888
Deposit debtors from credit undertakings	0	0
Net assets of life insurance when the investment risk is borne by the policyholder		
Debtors	275 444	311 228
Direct insurance debtors	259 173	223 254
Reinsurance debtors	4 444	11 038
Other debtors	11 826	76 936

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Other asset components	34 341	13 416
Tangible assets	5 424	4 443
Cash	28 509	8 974
Other assets	408	0
Prepayments and accrued income	256 744	202 857
Deferred income tax assets	29 176	9 299
Deferred acquisition costs	226 349	192 695
Accrued interest and rent	0	0
Other prepayments and accrued income	1 220	863
TOTAL ASSETS	2 518 632	2 186 110

Balance sheet: liabilities

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)		31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Equity	435 702	387 530	Estimated gross recourses and claims returns	19 849	22 797
Share capital	143 985	179 852	Reinsurers' share in estimated recourses and claim returns	1 108	1 424
Supplementary capital	143 271	127 885	Other provisions	81 692	57 915
Revaluation reserve	51 825	1 035	Provisions for pensions and other workforce entitlements	9 871	8 075
Other reserve capitals	17 867	17 867	Deferred income tax provision	59 775	38 912
Profit (loss) from previous years	-6 872	-6 579	Other provisions	12 045	10 928
Net profit (loss)	85 626	67 470	Creditors arising out of reinsurers' investments	453 772	385 883
Subordinated creditors	29 836	29 831	Other creditors and special funds	114 264	101 032
Technical provisions	1 949 087	1 695 155	Creditors arising out of direct insurance	73 117	63 624
Provision for unearned premiums and provision for unexpired risk	927 519	809 770	Creditors arising out of reinsurance	30 903	26 944
Provisions for outstanding claims	1 020 502	885 214	Other creditors	9 455	10 425
Equalization provisions	1 066	171	Special funds	788	40
Reinsurers' share in technical provisions (negative value)	600 121	513 443	Prepayments and accrued income	73 140	63 580
Reinsurers' share in provision for unearned premiums and provision for unexpired risk	191 262	158 820	TOTAL LIABILITIES	2 518 632	2 186 110
Reinsurers' share in outstanding claims	408 859	354 623			
Estimated recourses and claim returns (negative value)	18 740	21 373			



KPMG Audyt
Spółka z ograniczoną
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ul. Inflancka 4A
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Poland

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Fax +48 22 528 10 09
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Internet www.kpmg.pl

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 of Compensa Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group

Opinion on the Financial Statements

We have audited the accompanying financial statements of Compensa Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group with its registered office in Warsaw, Alje Jerozolimskie 162 ("the Company"), which comprise the introduction to the financial statements, the balance sheet as at 31 December 2015, the technical account of property and casualty insurance, the general profit and loss account, the statement of changes in equity and the cash flow statement for the year then ended and the supplementary information and explanations, and:

- 1) the amount of own assets to cover solvency margin;
- 2) the amount of solvency margin;
- 3) the surplus of own assets to cover solvency margin;
- 4) the amount of technical provisions;
- 5) the amount of admissible assets to cover technical provisions;
- 6) the surplus of admissible assets to cover technical provisions.

Management's and Supervisory Board's Responsibility for the Financial Statements

Management of the Company is responsible for the correctness of the accounting records, the preparation and fair presentation of these financial statements and preparation of the Report on the Company's activities in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act") and related bylaws, and other applicable regulations. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act, Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the report on the Company'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 financial statements, and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free from material misstatement.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., a Polish limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. jest spółką spółką komandytową i członkiem sieci KPMG składającej się z niezależnych spółek członkowskich stowarzyszonych z KPMG International Cooperative ("KPMG International"), podmiotem prawa szwajcarskiego.

Spółka zarejestrowana w Sądzie Rejonowym dla m.st. Warszawy w Warszawie, XI Wydział Gospodarczy Krajowego Rejestru Sądowego.

KRS 0000339379
NIP 527 361 53 62
REGON 142078120

Compensa TU S.A.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 Company, as well as evaluating the overall presentation of the 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 financial statements of Compensa Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group have been prepared and present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and of its financial performance and its cash flows for the year then ended, in accordance with the accounting principles applicable to the territory of the Republic of Poland as set out in the Accounting Act and related bylaws, are in compliance with the respective regulations and the provisions of the Company's statute that apply to the Company's financial statements and have been prepared from accounting records that in all material respects have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Company's Activities

As required under the Accounting Act we report that the accompanying Report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act 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 with amendments) 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

.....
Agnieszka Witkowska
Key Certified Auditor
Registration No. 12435

Signed on the Polish original

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

10 March 2016



Report of the Supervisory Board's activity in 2015

and assessment of the Financial Statements for the financial year ended 31 December 2015, evaluation of the Management Board 2015 Report and the Management Board motion on distribution of net profit for the financial year ended 31 December 2015.

Background information

In the year 2015 the Supervisory Board performed its activities in line with the Articles of Association of Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group adopted by the General Shareholders' Meeting last amended on 11.09.2015 and based on Supervisory Board By-laws adopted by the Supervisory Board by Resolution no. 09/2013 of 17.09.2013. Additionally members of the Supervisory Board: Franz Fuchs, Peter Hagen and Roland Goldsteiner were acting as a members of the Audit Committee established on 24.06.2014 and acting on base of By-laws adopted by the resolution of the Supervisory Board no. 15/2014 on 24.06.2014 and later changed by the resolution no. 17/2015 from 03.09.2015.

Composition of the Supervisory Board in 2015

On 31.12.2015 the Supervisory Board was composed of the following members:

- 1) **Franz Fuchs** – Chairman,
- 2) **Peter Hagen** – Deputy Chairman,
- 3) **Dieter Fröhlich** – Member,
- 4) **Roland Goldsteiner** – Member,
- 5) **Wolfgang Petschko** – Member,
- 6) **Andrzej Witkowski** – Member,
- 7) **Helene Kanta** – Member.

Additionally, during the Supervisory Board meeting on 17.12.2015 Mr. Peter Hagen informed about his resignation from his positions of Vice Chairman of the Supervisory Board of Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group due to the fact that his leaving his position as CEO of VIG Group.

Detailed information of the activity and decisions of the Supervisory Board in 2015

The Supervisory Board took decisions by way of Resolutions at its meeting and by circulation in line with § 5 of Supervisory Board By-laws as of 17.09.2013 in the period 1.01.2015–31.12.2015 Supervisory Board meetings were held 4 times. Over the reporting period the Supervisory Board adopted 26 resolutions in line with § 5 of Supervisory Board By-laws as of 17.09.2013.

The Supervisory Board exercised constant monitoring of the company's operations and assessed the company's operations

from the standpoint of financial security standards prescribed by the Insurance Activity Act. During its meetings in the period 2015 the Supervisory Board analyzed detailed information as provided by the Management Board regarding results recorded within the reporting period, in particular financial, sales and investment management results in comparison to the results from previous year, plans approved by previous Supervisory Board resolutions and their influence on the company's current and future financial standing.

Quarterly monitored reports

The Supervisory Board also monitored in quarterly manner the Management Board reports of financial results including esp. profit and loss account, balance sheet, technical account and cash flow statements. The Supervisory Board analyzed detailed information as provided by the Management Board on the current situation on the insurance market, company's gross premium written, gross and net premium earned and claims development, separately for motor third-party liability insurance, motor own damage insurance, property insurance, personal insurance and other lines of business.

The Supervisory Board also monitored the reported level of administration costs, direct and indirect acquisition costs, claims handling costs, asset management and other technical costs compared to the previous year and the approved budget. The activities of the Supervisory Board in the area of investments focused on the analysis of the internally and externally managed asset portfolio in terms of its volume, structure and profitability. The Supervisory Board paid special attention to the compliance of the investment portfolio structure with the in-force investment and risk strategy as approved by the Supervisory Board and Asset Management Department of Vienna Insurance Group. The Supervisory Board reviewed biggest sale and purchase transactions of financial instruments and top positions in the investment portfolio by asset class.

Furthermore, the Supervisory Board monitored the current technical results of the company in total and per line of business as well as the bottom line figures for the corresponding reporting periods. The Supervisory Board also regularly considered the movements on the gross technical reserves including in particular the claims reserves (IBNR/RBNP) and premium reserve by key product lines and types of claims (material,

personal, pain and suffering, annuity). The Supervisory Board also accordingly monitored the company's activity in Lithuania and Latvia branch offices and was informed regarding the project of separating Baltic operations in result of which the Supervisory Board of Compensa TU S.A. Vienna Insurance Group gave permission for sale by the Company of the organized part of the business constituting its branch Latvia and Lithuania to the company named Compensa VIG UADB including transfer of insurance portfolio of those branches.

Moreover the Supervisory Board fulfilling the recommendation of Polish Supervision Authority concerning motor claims handling has regularly monitored MTPL and MOD claims handling process in the Company including number and average value of reported claims, number and value of domestic and foreign claims, number and value of material and personal reopened claims, total paid domestic and foreign claims, number and value of payments (advance payment, extra payment and first decision payment), time of domestic material and personal claims handling (reported and closed claims) and loss ratio improvement initiatives.

In addition to regularly reported business topics, the Supervisory Board discussed and monitored the status of merger with Benefia Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group and status of implementation of Polish Supervision Authority recommendations in the area of corporate governance, motor claims handling, risk flood management, distribution, IT security and reinsurance.

Corporate Governance Rules

On 10.03.2015 the Supervisory Board adopted Corporate Governance Rules as laid down by Polish Supervision Authority on 22.07.2014 including principles of limitation the conflict of interest of the members of the Management Board and remuneration policy. The Supervisory Board adopted Corporate Governance Rules except:

- principle expressed in § 21 sec. – in accordance with the Company's Statute the Supervisory Board members are nominated by the General Shareholders Meeting. The composition of the Supervisory Board includes the function of the Chairman who directs the works of the Board. The selection of the Chairman is made based on experience and team leading skills. It should be stressed that the Chairman is elected by the Members of the Supervisory Board (previously nominated by the General Shareholders Meeting) from amongst themselves.
- principle expressed in § 22 sec. 1 and 2 – one of the members of the Supervisory Board and the Audit Committee fulfills independence criterion in accordance with art. 56 of the law of 07.05.2009 "on chartered accountants and their society, entities entitled to examine financial statements and public supervision". By stating "relevant participation of independent members" the principle raises interpretational doubts therefore the Supervisory Board decides to explain herein.

– principle expressed in § 24 sec. 1 – in order to secure optimal efficiency of the Supervisory Board the meetings are held in English. Each member possesses sufficient command of the language. It should be underlined that a translator is present at all times in order to translate into Polish any matters if required. The minutes and resolutions are made in two languages – one of them is Polish.

– principle expressed in § 49 sec. 3 – the Supervisory Board is of the opinion that its consent for nominating persons managing internal audit department and compliance department could be regarded as an excessive interference in managing prerogatives of the management board. The Remuneration Policy however imposes on the Management Board an obligation to immediately notify the Supervisory Board about nominations and/or dismissal of such persons.

In the same time the Supervisory Board recommended the General Shareholders to declare adopting the Corporate Governance Rules in the widest possible extent bearing in mind the rule of proportionality resulting from the scale, nature of the activity and specificity of the Company excluding :

- rule described in § 12 sec. 1 and 2 – rules of recapitalization of the financial institution are sufficiently regulated by the binding laws. The Supervisory Board considers that additional statements in this respect are excessive.
- rule described § 19 sec. 4 (in relation to command of Polish)
- the Supervisory Board is of the opinion that persons holding supervisory functions should have the relevant experience and knowledge of the Polish financial market. Command of Polish shall be desirable.

2014 financial statement audit findings

In the course of its activity in 2015, the Supervisory Board assessed the financial statement for the year 2014. The Supervisory Board was accordingly informed and acknowledged the auditor's findings concerning esp. premium recognition, acquisition costs, DAC, insurance receivables, technical provisions, investment activity and IT. The auditor confirmed that the company's financial statement for 2014 was in line with Polish accounting law, that no fraud or illegal acts were identified, and issued an unqualified auditor opinion. The Supervisory Board also obtained a relevant statement of independence from the auditor.

Risk management and Solvency II

The Supervisory Board acknowledged information provided to the Audit Committee concerning risk management and status of implementation of Solvency II requirements. In particular the following issues were discussed:

- results of calculation of SCR (Solvency Capital Requirement) according to Solvency II requirements at 31.12.2014 and at 30.09.2015,

Compensa TU S.A.



- results of risk inventory and analysis of internal control system, including information about biggest risks to which the Company is exposed,
- results of stress tests at 31.12.2014 performed annually according to KNF requirements,
- information about BION (KNF evaluation of insurance company) given by KNF for 2014,
- results of Own Risk and Solvency Assessment for years 2015–2017 and for years 2016–2018, including projection of solvency ratio over the horizon of the financial planning,
- status of tasks in Solvency II implementation project,
- status of preapplication process with KNF, that is preparation to place a motion for approval of partial internal model, including critical errors identified by KNF in the partial internal model.

Internal Audit

In 2015 the Supervisory Board acknowledged regular information reported by Internal Audit Bureau, containing Internal Audit activities in reporting period, internal audit plan fulfillment, main findings, recommendations and implementation thereof, and audit plan for the following periods.

Assessment of the Company's Financial Statements and Management Board's Activity Report

Following the provisions of art. 382 of the Commercial Company Code the Supervisory Board assessed:

Financial Statements for the financial year ended 31 December 2014, comprising:

- introduction to the financial statements,
- balance sheet,
- technical insurance account,
- profit and loss account,
- cash flow statement,
- statement of changes in equity,
- Management Board 2014 Activity Report,
- Management Board motion on allocating the net profit for the year ended 31 December 2014.

Having familiarized itself with the presented documents and the auditor's opinion on the audited Company's financial statements for the financial year ended 31 December 2014 the Supervisory Board concluded that the Financial Statements and the Management Board Report are fully in line with the accounting

ledgers and documents as well as with the actual state of affairs, and in particular:

- give a fair view of any information relevant to assessment of the Company's activities in 2014, in particular profitability, financial result of its operations, and its financial and asset value position as at 31 December 2014,
- are compliant, with regard to form and content, with applicable provisions of law and the Company's Articles of Association,
- the financial statements were drawn up in compliance with the prevailing accounting principles and on the basis of duly kept accounting ledgers,
- the financial statements and the audit carried out by chartered auditors, were in line with the provisions of the Accounting Act of 29 September 1994 and the applicable audit standards as defined by the National Audit Board in Poland.

Assessment of the motion on covering the loss from previous years and motion on distribution of profit

The Supervisory Board believes that coverage of losses of the previous years by the spare capital and the allocation of the 75% of 2015 net profit to pay dividend for 2015 and 25% of 2015 net profit to increase the spare capital - as proposed by the Management Board – is fully in line with the Company's current needs and fulfill statutory requirements and the criteria of Recommendation issued by the Financial Supervisory Commission KNF.

The Supervisory Board recommends that the Ordinary Shareholders' Meeting of the Company resolves on the approval of the financial statements for the financial year ended 31 December 2015, the Management Board Activity Report for 2015, covering the loss from previous years by the spare capital and allocating the 75% of net profit generated in 2015 to pay dividend for 2015 and 25% of net profit generated in 2015 to increase the spare capital.



Franz Fuchs
Chairman of the
Supervisory Board



dr Peter Hagen
Deputy Chairman
of the Supervisory
Board



Dieter Fröhlich
Member of the
Supervisory Board



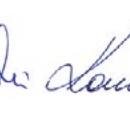
Roland Goldsteiner
Member of the
Supervisory Board



Wolfgang Petschko
Member of the
Supervisory Board



Andrzej Witkowski
Member of the
Supervisory Board



Helene Kanta
Member of the
Supervisory Board



Results

of Compensa TU na Życie S.A.

Compensa TU na Žycie S.A.



Financial results

The year 2014 was closed with gross premium written at the level of **PLN 590 273 thousand** and with the net profit of **PLN 6003 thousand**. As compared to the previous year, premium written decreased by **62,5%**.

Main items of the profit and loss account

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Gross premium written	1 573 737	590 273
Net return on investments	70 897	-11 477
Gross claims	1 619 145	570 854
Change in gross technical provisions	-392 545	-232 823
Acquisition and administrative costs	397 709	228 040
Technical result	9 794	12 484
Net financial result	-28 832	6 003

Solvency declaration ratios and parameters

	31.12.2015 (PLN thous.)
Solvency margin	78 528
Own funds to cover solvency margin	210 856
Coverage of solvency margin by own assets	268%

Compensa TU na Życie S.A.

Technical account

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Premiums	1 556 693	574 823
Gross premiums written	1 573 737	590 273
Reinsurers' share in gross premium written	17 093	15 288
Changes in provisions for premiums and risk	-54	150
Revenue on investments	78 659	51 647
Return on other financial investments	58 570	35 345
– from stock, shares, other securities with variable amount of income and units of participation and investment certificates in investment funds	9 830	9 649
– from debt securities and other securities with fixed amount of income	22 236	20 968
– from term deposits in credit institutions	25 234	3 821
– from other deposits	1 270	907
Positive balance on realized investments	20 088	16 303
Unrealized gains on investments	57 808	52 572
Other technical income – net of reinsurance	3 950	2 990
Claims	1 514 909	575 346
Claims paid – net of reinsurance	1 516 440	562 550
– gross claims paid	1 619 145	570 854
– reinsurers' share in claims paid	102 705	8 304
Change in provisions for claims outstanding – net of reinsurance	-1 530	12 796

Compensa TU na Žycie S.A.

Technical account

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
– gross provisions	-2 890	11 818
– reinsurers' share	-1 360	-978
Change in other technical provisions – net of reinsurance	-288 548	-244 722
Change in provisions for life insurance – net of reinsurance	-390 166	-283 467
Change in technical provisions – net of reinsurance for life insurance when the investment risk is borne by the policyholder	101 618	38 745
Bonuses and discounts including change in provisions – net of reinsurance	-2 933	-82
Net operating expenses	389 653	221 075
Costs of acquisition	346 405	180 416
Administrative costs	51 304	47 624
Reinsurance commissions and profit participation	8 056	6 965
Investments charges	19 063	26 126
Property maintenance costs	0	0
Other costs of deposit activities	7 620	7 933
Negative result on deposit indexation	4 147	
Negative result on realized investments	7 296	18 192
Unrealized losses on investments	46 507	89 570
Other technical costs – net of reinsurance	8 665	2 234
Revenue on net investments transferred to profit and loss account	0	0
Result on technical life insurance account	9 794	12 484

Compensa TU na Žycie S.A.

General profit and loss account

	1.01.2014– 31.12.2014 (PLN thous.)	1.01.2015– 31.12.2015 (PLN thous.)
Technical account – non-life insurance or technical account life insurance	9 794	12 484
Return on investments	0	0
Unrealized gains on investments	0	0
Net returns on investments including costs, transferred from the technical life insurance account	0	0
Investments charges	0	0
Unrealized losses on investments	0	0
Net returns on investments including costs transferred to the technical non-life insurance account	0	0
Other operating income	6 561	110
Other operating expenses	35 684	5 093
Profit (loss) on operating activities	-19 329	7 500
Extraordinary profits	0	0
Extraordinary losses	0	0
Gross profit (loss)	-19 329	7 500
Income tax	9 503	1 497
Other statutory reductions in profit (increases in loss)	0	0
Net profit (loss)	-28 832	6 003

Compensa TU na Žycie S.A.

Cash flow statement

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Cash flows from business activities	-443 822	-222 203
Proceeds	583 950	606 960
Direct insurance and reinsurance activities proceeds	579 578	589 610
Outwards reinsurance proceeds	8	15 269
Proceeds on other operating activities	4 364	2 081
Expenses	1 027 772	829 163
Direct insurance and reinsurance expenses	1 017 468	801 433
Outwards reinsurance expenses	4 769	15 853
Expenses on other operating activities	5 535	11 878
Cash flows from investment activities	459 376	230 094
Proceeds	9 627 059	3 278 098
Expenses	9 167 683	3 048 005
Cash flows from financial activities	-15 727	0
Proceeds	0	0
Expenses	15 727	0
Total net cash flows	-173	7 891
Balance sheet change in cash	-173	7 891
Opening balance of cash	9 697	9 525
Closing balance of cash	9 525	17 415

Balance sheet: assets

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Intangible assets	19 644	17 537
Investments	896 344	613 365
Land and buildings	0	0
Investments in subordinated undertakings	0	0
Other financial investments	896 344	613 365
Deposit debtors from credit undertakings	0	0
Net assets of life insurance when the investment risk is borne by the policyholder	808 610	847 355
Debtors	29 943	15 584
Direct insurance debtors	10 800	13 819
Reinsurance debtors	0	0

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Other debtors	19 143	1 765
Other asset components	10 328	18 208
Tangible assets	803	793
Cash	9 525	17 415
Other assets	0	0
Prepayments and accrued income	69 943	87 164
Deferred income tax assets	5 461	7 253
Deferred acquisition costs	64 450	79 775
Accrued interest and rent	0	0
Other prepayments and accrued income	32	136
TOTAL ASSETS	1 834 811	1 599 213

Compensa TU na Žycie S.A.

Balance sheet: liabilities

	31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)		31.12.2014 (PLN thous.)	31.12.2015 (PLN thous.)
Equity	216 247	215 162	Estimated recourses and claim returns (negative value)	0	0
Share capital	167 846	167 846	Other provisions	44 423	33 921
Supplementary capital	258 780	258 780	Provisions for pensions and other workforce entitlements	3 808	3 720
Revaluation reserve	6 196	-892	Deferred income tax provision	28 728	19 387
Other reserve capitals	8 696	8 696	Other provisions	11 887	10 815
Profit (loss) from previous years	-196 439	-225 271	Creditors arising out of reinsurers' investments	1 663	1 575
Net profit (loss)	-28 832	6 003	Other creditors and special funds	49 796	57 722
Subordinated creditors	20 555	20 551	Creditors arising out of direct insurance	26 532	32 863
Technical provisions	1 506 249	1 273 426	Creditors arising out of reinsurance	1 606	1 085
Provision for unearned premiums and provision for unexpired risk	4 037	4 187	Other creditors	21 093	23 285
Provision for life insurance	653 106	369 651	Special funds	565	489
Provisions for outstanding claims	40 291	52 109	Prepayments and accrued income	0	0
Provisions for bonuses and rebates for the policyholders	205	123	TOTAL LIABILITIES	1 834 811	1 599 213
Provision for the benefit of life insurance policyholders who bear the investment risk	808 610	847 355			
Reinsurers' share in technical provisions (negative value)	4 121	3 143			

* According to the merger of Compensa TU na Žycie SA Vienna Insurance Group and Benefia TU na Žycie SA Vienna Insurance Group in 2014, financial data as of 2013 are presented jointly, for comparative purposes.



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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 of Compensa Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna Vienna Insurance Group

Opinion on the Financial Statements

We have audited the accompanying financial statements of Compensa Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna Vienna Insurance Group with its registered office in Warsaw, Aleje Jerozolimskie 162 ("the Company"), which comprise the introduction to the financial statements, the balance sheet as at 31 December 2015, the technical account of life insurance, the general profit and loss account, the statement of changes in equity and the cash flow statement for the year then ended and the supplementary information and explanations, and:

- 1) the amount of own assets to cover solvency margin;
- 2) the amount of solvency margin;
- 3) the surplus of own assets to cover solvency margin;
- 4) the amount of technical provisions;
- 5) the amount of admissible assets to cover technical provisions;
- 6) the surplus of admissible assets to cover technical provisions.

Management's and Supervisory Board's Responsibility for the Financial Statements

Management of the Company is responsible for the correctness of the accounting records, the preparation and fair presentation of these financial statements and preparation of the Report on the Company's activities in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act") and related bylaws, and other applicable regulations. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act, Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the report on the Company'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 financial statements, and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free from material misstatement.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. a Polish limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. jest polską spółką komandytową i członkiem sieci KPMG składającą się z niezależnych spółek członkowskich stowarzyszonych z KPMG International Cooperative ("KPMG International"), podmiotem prawa szwajcarskiego.

Spółka zarejestrowana w Sądzie Rejonowym dla m.st. Warszawy, XII Wydział Gospodarczy Krajowego Rejestru Sądowego.

KRS 0000390379
NIP 527-261-63-62
REGON 142078130

Compensa TU na Życie S.A.



Expert Auditor's Opinion



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 Company, as well as evaluating the overall presentation of the 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 financial statements of Compensa Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna Vienna Insurance Group have been prepared and present fairly, in all material respects, the financial position of the Company as at 31 December 201 and of its financial performance and its cash flows for the year then ended, in accordance with the accounting principles applicable to the territory of the Republic of Poland as set out in the Accounting Act and related bylaws, are in compliance with the respective regulations and the provisions of the Company's statute that apply to the Company's financial statements and have been prepared from accounting records that in all material respects have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Company's Activities

As required under the Accounting Act we report that the accompanying Report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act 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 with amendments) 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

.....
Agnieszka Witkowska
Key Certified Auditor
Registration No. 12435

Signed on the Polish original

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

8 March 2016

Report of the Supervisory Board's activity in 2015

and assessment of the Financial Statements for the financial year ended 31 December 2015, evaluation of the Management Board 2015 Report and the Management Board motion on distribution of net profit for the financial year ended 31 December 2015.

Background information

In the year 2015 the Supervisory Board performed its activities in line with the Articles of Association of Compensa Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group adopted by the General Shareholders' Meeting last amended on 25.07.2014 and based on Supervisory Board By-laws adopted by the Supervisory Board by Resolution no. 09/2013 of 17.09.2013.

Composition of the Supervisory Board in 2015

On 31.12.2015 the Supervisory Board was composed of the following members:

- 1) **Franz Fuchs** – Chairman,
- 2) **Peter Hagen** – Deputy Chairman,
- 3) **Dieter Fröhlich** – Member,
- 4) **Roland Goldsteiner** – Member,
- 5) **Wolfgang Petschko** – Member,
- 6) **Andrzej Witkowski** – Member,
- 7) **Helene Kanta** – Member.

Additionally, during the Supervisory Board meeting on 17.12.2015 Mr. Peter Hagen informed about his resignation from his positions of Vice Chairman of the Supervisory Board of Compensa Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group due to the fact that his leaving his position as CEO of VIG Group.

Detailed information of the activity and decisions of the Supervisory Board in 2015

The Supervisory Board took decisions by way of Resolutions at its meeting and by circulation in line with § 5 of Supervisory Board By-laws as of 17.09.2013 in the period 1.01.2015–31.12.2015 Supervisory Board meetings were held 4 times. Over the reporting period the Supervisory Board adopted 23 resolutions in line with § 5 of Supervisory Board By-laws as of 17.09.2013.

The Supervisory Board exercised constant monitoring of the company's operations and assessed the company's operations from the standpoint of financial security standards prescribed by the Insurance Activity Act. During its meetings in the period 2015 the Supervisory Board analyzed detailed information as provided by the Management Board regarding

results recorded within the reporting period, in particular financial, sales and investment management results in comparison to the results from previous year, plans approved by previous Supervisory Board resolutions and their influence on the company's current and future financial standing.

Quarterly monitored reports

The Supervisory Board also monitored in quarterly manner the Management Board reports of financial results including esp. profit and loss account, balance sheet, technical account and cash flow statements. The Supervisory Board analyzed detailed information as provided by the Management Board on the current situation on the insurance market, company's gross premium written, gross and net premium earned and claims and benefits development, separately for single and regular premium products in retail, group and bancassurance lines of business. The Supervisory Board also monitored the reported level of administration costs, direct and indirect acquisition costs, claims handling costs, asset management and other technical costs compared to the previous year and the approved budget. The activities of the Supervisory Board in the area of investments focused on the analysis of the internally and externally managed asset portfolio in terms of its volume, structure and profitability. The Supervisory Board paid special attention to the compliance of the investment portfolio structure with the in-force investment and risk strategy as approved by the Supervisory Board and Asset Management Department of Vienna Insurance Group. The Supervisory Board reviewed biggest sale and purchase transactions of financial instruments and top positions in the investment portfolio by asset class.

Furthermore, the Supervisory Board monitored the current technical results of the company in total and per line of business as well as the bottom line figures for the corresponding reporting periods. The Supervisory Board also regularly considered movements on the gross technical reserves including in particular the mathematical reserve, unit-linked reserve, claims reserves, DAC, and premium reserve by key product lines and types of claims and benefits paid.



In addition to regularly reported business topics, the Supervisory Board discussed and monitored the status of changes in insurance activity law, status of reducing number of IT systems in the Company, action plan to offset losses carried forward and status of UOKiK's proceedings.

Corporate Governance Rules

On 10.03.2015 the Supervisory Board adopted Corporate Governance Rules as laid down by Polish Supervision Authority on 22.07.2014 including principles of limitation the conflict of interest of the members of the Management Board and remuneration policy. The Supervisory Board adopted Corporate Governance Rules except:

- principle expressed in § 21 sec. – in accordance with the Company's Statute the Supervisory Board members are nominated by the General Shareholders Meeting. The composition of the Supervisory Board includes the function of the Chairman who directs the works of the Board. The selection of the Chairman is made based on experience and team leading skills. It should be stressed that the Chairman is elected by the Members of the Supervisory Board (previously nominated by the General Shareholders Meeting) from amongst themselves.
- principle expressed in § 22 sec. 1 and 2 – one of the members of the Supervisory Board and the Audit Committee fulfills independence criterion in accordance with art. 56 of the law of 07.05.2009 "on chartered accountants and their society, entities entitled to examine financial statements and public supervision". By stating "relevant participation of independent members" the principle raises interpretational doubts therefore the Supervisory Board decides to explain herein.
- principle expressed in § 24 sec. 1 – in order to secure optimal efficiency of the Supervisory Board the meetings are held in English. Each member possesses sufficient command of the language It should be underlined that a translator is present at all times in order to translate into Polish any matters if required. The minutes and resolutions are made in two languages – one of them is Polish.
- principle expressed in § 49 sec. 3 – the Supervisory Board is of the opinion that its consent for nominating persons managing internal audit department and compliance department could be regarded as an excessive interference in managing prerogatives of the management board. The Remuneration Policy however imposes on the Management Board an obligation to immediately notify the Supervisory Board about nominations and/or dismissal of such persons.

In the same time the Supervisory Board recommended the General Shareholders Meeting to declare adopting the

Corporate Governance Rules in the widest possible extent bearing in mind the rule of proportionality resulting from the scale, nature of the activity and specificity of the Company excluding :

- rule described in § 12 sec. 1 and 2 – rules of recapitalization of the financial institution are sufficiently regulated by the binding laws. The Supervisory Board considers that additional statements in this respect are excessive.
- rule described § 19 sec. 4 (in relation to command of Polish) – the Supervisory Board is of the opinion that persons holding supervisory functions should have the relevant experience and knowledge of the Polish financial market. Command of Polish shall be desirable.

2014 financial statement audit findings

In the course of its activity in 2015, the Supervisory Board assessed the financial statement for the year 2014. The Supervisory Board was accordingly informed and acknowledged auditor's findings concerning esp. premium recognition, acquisition costs, insurance receivables, technical provisions and DAC, investment activity, IT and merger of Compensa TU na Życie S.A. Vienna Insurance Group and Benefia TU na Życie S.A. Vienna Insurance Group. The auditor confirmed that the company's financial statement for 2014 was in line with Polish accounting law, that no fraud or illegal acts were identified, and issued an unqualified auditor opinion. The Supervisory Board also obtained a relevant statement of independence from the auditor.

Risk management and Solvency II

The Supervisory Board acknowledged information provided to the Audit Committee concerning risk management and status of implementation of Solvency II requirements. In particular the following issues were discussed:

- results of calculation of SCR (Solvency Capital Requirement) according to Solvency II requirements at 31.12.2014 and 30.09.2015,
- results of risk inventory and analysis of internal control system, including information about biggest risks to which the Company is exposed,
- results of stress tests at 31.12.2014 performed annually according to KNF requirements,
- information about BION (KNF evaluation of insurance company) given by KNF for 2014,
- results of Own Risk and Solvency Assessment for years 2015–2017 and for years 2016–2018, including projection of solvency ratio over the horizon of the financial planning,
- status of tasks in Solvency II implementation project.



Internal Audit

In 2015 the Supervisory Board acknowledged regular information reported by Internal Audit Bureau, containing Internal Audit activities in reporting period, internal audit plan fulfillment, main findings, recommendations and implementation thereof, and audit plan for the following periods.

Assessment of the Company's Financial Statements and Management Board's Activity Report

Following the provisions of art. 382 of the Commercial Company Code the Supervisory Board assessed:

Financial Statements for the financial year ended 31 December 2014, comprising:

- introduction to the financial statements,
- balance sheet,
- technical insurance account,
- profit and loss account,
- cash flow statement,
- statement of changes in equity,
- Management Board 2014 Activity Report,
- Management Board motion on allocating the profit for the year ended 31 December 2014.

Having familiarized itself with the presented documents and the auditor's opinion on the audited Company's financial statements for the financial year ended 31 December 2014 the Supervisory Board concludes that the Financial Statements and the Management Board's Report are fully in line with the accounting ledgers and documents as well as with the actual state of affairs, and in particular:

- give a fair view of any information relevant to assessment of the Company's activities in 2014, in particular profitability, financial result of its operations, and its financial and asset value position as at 31 December 2014,
- are compliant, with regard to form and content, with applicable provisions of law and the Company's Articles of Association,
- the financial statements were drawn up in compliance with the prevailing accounting principles and on the basis of duly kept accounting ledgers,

- the financial statements and the audit carried out by chartered auditors, were in line with the provisions of the Accounting Act of 29 September 1994 and the applicable audit standards as defined by the National Audit Board in Poland.

Assessment of the motion on covering the loss from previous years and motion on distribution of profit

The Supervisory Board believes that coverage of losses of the previous years by the spare capital and the allocation of the 75% of 2015 net profit to pay dividend for 2015 and 25% of 2015 net profit to increase the spare capital – as proposed by the Management Board – is fully in line with the Company's current needs and fulfill statutory requirements and the criteria of Recommendation issued by the Financial Supervisory Commission KNF.

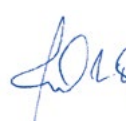
The Supervisory Board recommends that the Ordinary Shareholders' Meeting of the Company resolves on the approval of the financial statements for the financial year ended 31 December 2015, the Management Board Activity Report for 2015, covering the loss from previous years by the spare capital and allocating the 75% of net profit generated in 2015 to pay dividend for 2015 and 25% of net profit generated in 2015 to increase the spare capital.



Franz Fuchs
Chairman of the
Supervisory Board



dr Peter Hagen
Deputy Chairman
of the Supervisory
Board



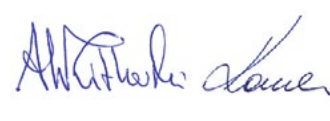
Dieter Fröhlich
Member of the
Supervisory Board



Roland Goldsteiner
Member of the
Supervisory Board



Wolfgang Petschko
Member of the
Supervisory Board



Andrzej Witkowski
Member of the
Supervisory Board



Helene Kanta
Member of the
Supervisory Board



VIG

Vienna Insurance Group

Company profile Vienna Insurance Group

The Group has operated in Central and Eastern Europe (CEE) for more than 25 years and is one of the leading listed insurance Groups in the region. VIG generated more than EUR 9 billion in premiums in 2015, making it number 1 in its core markets again. With close to 23,000 employees and around 50 Group companies in 25 countries, the Group offers an extensive customer-oriented portfolio of products and services across all lines of business (property and casualty, life and health insurance).

Expansion into Central and Eastern Europe

VIG's roots in Austria reach back to 1824. Since that time, the Company has developed from a locally based insurer to a leading international insurance Group. Wiener Städtische set the course for the international expansion. In 1990, it became one of the first Western European insurance companies to recognise the growth potential of Central and Eastern Europe and to take a chance on entering the market in the former Czechoslovakia. The past 25 years saw a series of further expansions, including Hungary (1996), Poland (1998), Croatia (1999) and Romania (2001). After entering the market in Moldova in 2014, VIG now operates in a total of 25 countries.

Number 1 in its core markets

VIG's core markets are Austria, the Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Hungary, Serbia and Ukraine. A market share of more than 18% makes VIG the clear number 1 insurer in this group of countries.

The strategic decision that was made in 1990 to expand into Central and Eastern Europe has proven to be very successful. In 2015, nearly half of VIG's total premiums of more than EUR 9 billion were generated in CEE markets. VIG is convinced that the economic growth of the region as well as the demand for insurance there will continue to rise.

The CEE region's importance as a growth market for VIG is also shown by the decision to locate the registered office of its reinsurance company VIG Re (established in 2008) in the Czech Republic.

Customer proximity is VIG's trump card in 25 markets

VIG's success is primarily based on local entrepreneurship and customer proximity. This is reflected in the regional ties, multi-brand strategy and wide variety of distribution channels used. The Group made a conscious decision to rely on regionally established brands united under the Vienna Insurance Group umbrella. VIG's success as a corporate Group is also due to the individual strengths of these brands and local expertise of around 50 Group companies.

Its core business is the key of VIG's success

VIG's activities are clearly focused on its core business, the insurance business. It operates as a progressive and highly risk-conscious insurer. Reliability, trustworthiness and solidarity are qualities that benefit the Group not only in its relationships with customers, but also with business partners, employees and shareholders. Values such as honesty, integrity, diversity, equal opportunity and customer-orientation form the basis for business decisions at VIG.

The effects of this fundamental approach are shown in its strategy of continuous sustainable growth, as well as its excellent creditworthiness. VIG's development is confirmed by the international rating agency Standard & Poor's which has awarded the Group a rating of A+ with a stable outlook for years. As a result, VIG has the best rating of all companies in the ATX, the leading index of the Vienna Stock Exchange.

VIG and Erste Group: a strong team

Erste Group has strong ties to Austria and is one of the leading banking Groups in Central and Eastern Europe. VIG and Erste Group entered into a strategic partnership in 2008 that benefits both of them in the region: Erste Group branches distribute VIG insurance products, and in return VIG Group companies offer Erste Group bank products.



COMPENSA 
VIENNA INSURANCE GROUP

VIG

Stable dividend policy of the Group

VIG has been listed since October 1994 and is now one of the top companies in the “Prime Market” segment of the Vienna Stock Exchange. The company has an attractive dividend policy that offers shareholders a dividend of at least 30% of Group profit (after taxes and non-controlling interests). Its listing on the Prague Stock Exchange in February 2008 also emphasises the great importance of the Central and Eastern European economic area for VIG. As in Vienna, VIG is also one of the top companies in the Prague stock market.

Around 70% of VIG's shares are held by its principal shareholder Wiener Städtische Versicherungsverein. The remaining shares are in free float.

An attractive employer in Austria and Central and Eastern Europe

In addition to being number 1 for insurance products, VIG also wants to be the number 1 choice as an employer and attract the most talented and the smartest employees. Identifying and developing individual employee skills are a central priority in the Company's modern human resources management. Diversity is seen as an opportunity and is part of the day-to-day life at VIG. The Group also places great importance on creating an environment that promotes the development of its employees. This is because Vienna Insurance Group is aware that its success is based on the dedication of its around 23,000 employees.

Further information on Vienna Insurance Group is available at www.vig.com, or in the VIG Group Annual Report.

THE LEADING INSURANCE SPECIALIST IN AUSTRIA AND CEE

VIG
VIENNA INSURANCE GROUP
Wiener Versicherung Gruppe



AUSTRIA VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	SLOVAKIA VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	BULGARIA VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	UKRAINE VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	MOLDOVA VIENNA INSURANCE GROUP	MACEDONIA VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP
ITALY BRANCH VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	POLAND VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	CROATIA VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	GEORGIA VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	BELARUS VIENNA INSURANCE GROUP	MONTENEGRO VIENNA INSURANCE GROUP
SLOVENIA BRANCH VIENNA INSURANCE GROUP	HUNGARY VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	ESTONIA VIENNA INSURANCE GROUP	ARMENIA VIENNA INSURANCE GROUP	BOSNIA HERZEGOVINA VIENNA INSURANCE GROUP	
CZECH REPUBLIC VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP 	ROMANIA VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	GERMANY VIENNA INSURANCE GROUP	LATVIA VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	TURKEY VIENNA INSURANCE GROUP	LIECHTENSTEIN VIENNA INSURANCE GROUP
		SERBIA VIENNA INSURANCE GROUP	LITHUANIA VIENNA INSURANCE GROUP	ALBANIA VIENNA INSURANCE GROUP VIENNA INSURANCE GROUP	



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