



TRANSLATORS' EXPLANATORY NOTE

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Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Aegon Towarzystwo Ubezpieczeń na Życie S.A.

Report on the audit of annual financial statement

Our opinion

In our opinion, the attached annual financial statements of Aegon Towarzystwo Ubezpieczeń na Życie S.A. ("the Company"):

- give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with the applicable provisions of the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2019, item 351, as amended) and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Company and the Company's Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act.

Our opinion is consistent with our additional report to the Audit Committee and Supervisory Board issued on the date of this report.

What we have audited

We have audited the annual financial statements of Aegon Towarzystwo Ubezpieczeń na Życie S.A. which comprise:

- balance sheet as at 31 December 2019; and the following prepared for the financial year from 1 January to 31 December 2019:
- the technical income statement;
- the profit and loss statement;
- the cash flows statement;
- the statement of changes in equity, and
- the additional information, including description of the adopted accounting policies and additional explanations.

Basis for opinion

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as adopted as National Standards on Auditing by the National Council of Statutory Auditors ("NSA") and pursuant to the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight ("the Act on

Registered Auditors" – Journal of Laws of 2019, item 1421, as amended) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities ("the EU Regulation" – Journal of Laws EU L158). Our responsibilities under those NSA are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence and ethics

We are independent of the Company in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants ("the IFAC Code") as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are

relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC's Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

Our audit approach

Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 3.700 thousand, which represents 1% of the annual gross premium written.
- We have audited the annual financial statement of the Company for the period ended 31 December 2019.
- Uncertainty related to the valuation of life insurance reserve.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if, individually or in aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as presented below. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in



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accordance with the audit standards and the registered auditor's professional judgement.

Overall materiality PLN 3.700 thousand in 2019, PLN 3.860 thousand in 2018

Basis for determination 1% of gross written premium

Rationale for the materiality benchmark applied We have gross written premium as a benchmark for materiality because in our view this is a common measure to assess the Company's performance by the financial statements users. Additionally, gross written premium together with profit before tax are key financial performance indicators for assessing the effectiveness of the Company. We assumed materiality at the level of 1%, because it falls within the thresholds of materiality accepted by the auditing standards..

We agreed with the Company's Audit Committee and Supervisory Board that we would report to them of misstatements identified during our audit of the financial statements above PLN 185

thousand , as well as any misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These

matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters.

Key audit matters

How our audit addressed the key audit matter

Uncertainty related to valuation of life insurance reserve

Assessment of the life insurance reserve is a matter that requires professional judgement. Life reserve is estimated on a basis of calculation methods and long term assumptions on realization of future insurance events like mortality as well as economic assumptions like discount rate. There is a risk that reserve is calculated incorrectly, incompletely and based on wrong assumptions.

The rules for creating life reserves are presented in point A.7 of the Accounting Policy, while the breakdown of life reserve are presented in the note no. A.10 in Additional informations and explanations.

We have analysed the accounting policy regarding the creation of life insurance reserve. We have evaluated this policy.

We have analysed and assessed key actuarial assumptions like: mortality, discount rate and methods applied by the Company to estimate life insurance reserve for a sample of products chosen by value or a risk of error.

We have verified key reports containing data used by the Company for the calculation of the life insurance reserve.

We have developed our own calculations models, based on which we have calculated the life insurance reserve for the selected insurance products based on their value and their share in total balance of the reserve.

We have also assessed the correctness and completeness of the disclosures in the Financial Statement.



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Responsibility of the Management and Supervisory Board for the financial statements

The Management Board of the Company is responsible for the preparation, based on the properly maintained books of account of annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with the reserves of the Accounting Act, the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for

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

The Company's Management Board and members of its Supervisory Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

The scope of the audit does not cover an assurance on the Company's future profitability or the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board.
- Conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying



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transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Report on the operations

Other information

Other information comprises a Report on the Company's operations for the financial year ended 31 December 2019 ("the Report on the operations").

Responsibility of the Management and Supervisory Board

The Management Board of the Company is responsible for preparing Other Information in accordance with the law.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the Company's operations including its separate parts complies with the requirements of the Accounting Act.

Registered auditor's responsibility

Our opinion on the audit of the financial statements does not cover the Report on the operations.

In connection with our audit of the financial statements, our responsibility is to read the Report on the operations and, in doing so, consider whether it is materially consistent with the information in the financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on

the work performed, we identified a material misstatement in the Report on the operations, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual financial statements.

Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and Article 54(2) of the Regulation of the Minister of Finance of 12 April 2016 on specific accounting policies for insurance and reinsurance companies ("Regulation" – Journal of Laws of 2016, No 562);
- is consistent with the information in the financial statements.

Moreover, based on the knowledge of the Company and its environment obtained during our audit, we have not identified any material misstatements in the Report on the operations.

Report on other legal and regulatory requirements

Information on compliance with prudential regulations

The Management Board of the Company is responsible for complying with the applicable

prudential regulations set out in separate legislation and for creating technical-insurance reserves in an amount enabling it to fully meet its current and future liabilities under the insurance or reinsurance agreements concluded.



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Technical and insurance reserves created as at 31 December 2019 have been disclosed in Note A.10 of Additional information and explanations of the financial statement.

We are obliged to give information in our report on the audit of the financial statements as to whether the Company has complied with the applicable prudential regulations set out in separate legislation, and in particular, whether the Company created technical-insurance reserves for accounting purposes in an amount enabling it to fully meet its current and future liabilities under insurance or reinsurance agreements concluded, in accordance with separate legislation. For the purposes of this information, separate legislation is understood to be the Act of 11 September 2015 on insurance and reinsurance activities ("the Act on insurance activities" – Journal of Laws of 2019, item 381, as amended).

It is not the purpose of an audit of the financial statements to present an opinion on compliance with the applicable prudential regulations specified in the separate legislation specified above, and in particular, on the correct determination of technical reserves, and therefore, we do not express such an opinion.

Based on the work performed by us, we inform you that we have not identified:

- any cases of non-compliance by the Company with the applicable prudential regulations set out in the separate legislation referred to above, in the period from 1 January to 31 December 2019;
- any irregularities in the determination by the Company of technical reserves for accounting purposes in an amount enabling it to fully

meet its current and future liabilities under insurance or reinsurance agreements concluded, as at 31 December 2019, in accordance with the separate legislation referred to above, which would have a material impact on the financial statements.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

The non-audit services which we have provided to the Company in the audited period are disclosed in Note J of the Additional Information and Explanations to Company's Financial Statement and relate to the audit of the consolidation package for the purposes of audit of the consolidated financial statement of the Aegon Group and relate to the audit of the Company's solvency and financial condition report.

Auditor's appointment

We have been appointed to audit the annual financial statements of the Company by Resolution of the Supervisory Board no. 16/2019 dated 29 October 2019. We have been auditing the Company's financial statements without interruption since the financial year ended 31 December 2014, i.e. for the six consecutive years.



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The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Adam Celiński.

Adam Celiński

Key Registered Auditor

No. 90033

Warsaw, 24 April 2020 r.