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.

Independent Auditor's Report

To the General Shareholders' Meeting and Supervisory Board of Powszechny Zakład Ubezpieczeń SA

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the accompanying annual consolidated financial statements of Powszechny Zakład Ubezpieczeń SA Group (the "Group"), whose parent entity is Powszechny Zakład Ubezpieczeń SA (the „Parent Entity"), which comprise:

— the consolidated statement of financial position as at 31 December 2020;

and, for the period from 1 January to 31 December 2020:

— the consolidated statement of profit or loss;

— the consolidated statement of comprehensive income;

— the consolidated statement of changes in equity;

— the consolidated statement of cash flows;

and

— the supplementary information and explanations

(the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Group:

— give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;

— comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

Our audit opinion on the consolidated financial statements is consistent with our report to the Audit Committee dated 24 March 2021.

Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Statutory Auditors as National Standards on Auditing (the "NSA") by the resolution no. 3430/52a/2019 dated 21 March 2019 and the resolution no. 1107/15a/2020 dated 8 September 2020; and
- the act on statutory auditors, audit firms and public oversight dated 11 May 2017 (the "Act on statutory auditors"); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the "EU Regulation"); and
- other applicable laws.

Our responsibilities under those regulations are further described in the Auditor's Responsibility for the audit of the consolidated financial statements section of our report.

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

Independence and Ethics

We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") as adopted by the resolution of the National Council of Statutory Auditors, together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Poland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During our audit the key statutory auditor and the audit firm remained independent of the Group in accordance with requirements of the Act on statutory auditors and the EU Regulation.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matters:

Valuation of provisions for outstanding claims and benefits for motor third party liability insurance ("MTPL")

The carrying value of gross technical provisions for MTPL amounted to PLN 15.030 million as at 31 December 2020 and PLN 14 639 million as at 31 December 2019.

Reference to the consolidated financial statements: Note 41.1.1 "Property and personal insurance", Note 41.2.1 "Property and personal insurance", Note 41.3 "Quantitative data" of the supplementary information and explanations to consolidated financial statements.

Key audit matter	*Our response*
Provisions for outstanding claims and benefits for MTPL constitute a significant element of technical provisions presented in the Group's liabilities. Our audit focused particularly on among others the following: — provisions for the annuities claims that existed until the 31 December 2020 and have been reported to the Group ("the annuities"), — provisions for property and casualty claims that existed until the 31 December 2019 but have not yet been reported to the Group, including provisions for pain and suffer claims ("IBNR"). Valuation of the annuities and IBNR is associated with significant uncertainty regarding estimates, as it requires the Management Board of the Parent Entity to develop professional judgment, as well as complex and subjective assumptions. The uncertainty in estimates is particularly related to the development of bodily injury claims, including annuities, as well as pain and suffer claims, as a result of the lack of comprehensive information on past occurrence of such type of claims that still burden the risk of payment. Moreover, there is a natural uncertainty about the ultimate loss value, which results among others from demographic factors and the lack of detailed legal solutions regulating the amount of pain and suffer claims. Relatively insignificant changes in the significant assumptions may have a material impact on the valuation of the annuities and the IBNR. The significant assumptions are: claims development ratios, discount rates, changes in the amount of future annuity payments, the expected payment period and assumed mortality. The calculation of the annuities and IBNR requires the implementation of complex formulas and creation of calculation tools that may not work properly and / or to which may be used incorrect/ incomplete data and/ or assumptions.	Our audit procedures performed with the assistance of our actuarial specialists, included among others: — assessment of the valuation methods of provisions for outstanding claims and benefits for MPTL applied by the Management Board of the Parent Entity, with reference to legal and regulatory requirements, including the applicable financial reporting standards, as well as assessment of the continuity of their application; — testing of the design, implementation and operating effectiveness of key controls embedded in the process of: • establishing and adjusting actuarial assumptions; • verification of quality of the data regarding paid and reported claims, used among others in calculation of IBNR; • verification of quality of the data (i.e. age and sex of annuitants; amount or type of the annuity used for a calculation of the annuities and IBNR); — recalculation of significant IBNR and explanation of all material differences in comparison to the calculations made by the Management Board of the Parent Entity; — recalculation of the significant annuities and explanations of all material differences in comparison to the calculations made by the Parent Entity's Management Board; — in the area of the Parent Entity's Management Board's analyses of the historical utilization of IBNR: • assessment of the assumptions underlying the analyses;

re is a number of acceptable actuarial methods for determining the annuities and IBNR (including provisions for pain and suffer claims), for which the assessment of the appropriateness of implementation of particular methods and assumptions requires a significant judgment of the Management Board of the Parent Entity.

For the above reasons the valuation of provisions for outstanding claims and benefits for MTPL was considered by us as a key audit matter.

- assessment of the results of the analyses;
- application of the results in our assessment of methods and significant assumptions implemented by the Parent Entity's Management Board in the valuation of IBNR as at 31 December 2020;

— assessment of the completeness and the quality of the input data and adequacy of significant assumptions adopted by the Parent Entity's Management Board to the valuation of the annuities and IBNR, in particular:

- for claim development ratios, assessment of how it is determined based on the historical data regarding reported and settled claims;
- for discount rate, comparison of the level of discount rate adopted by the Parent Entity's Management to historical return rate of other investment portfolio and available market data and forecasts;
- for a change of value of paid annuities (indexation of annuities), assessment of results of the analysis of historical changes in amount of paid annuities;
- for adopted mortality tables, comparison to publicly available data regarding annual number of deaths in Poland in each age bucket;

— assessment of the sensitivity of the annuities and IBNR to changes in the significant assumptions in the audited period

— analysis of change of value of the annuities and IBNR over time

— analysis of the impact of the COVID-19 pandemic on the valuation of provisions.

The carrying value of life insurance provision amounted to PLN 16.309 million as at 31 December 2020 and PLN 16.346 million as at 31 December 2019.

Reference to the consolidated financial statements: Note 41.1.2 „Life insurance”, Note 41.2.2 „Life insurance”, Note 41.3 „Quantitative data” of the supplementary information and explanations to the consolidated financial statements.

Key audit matter	*Our response*
The life insurance provision is a significant element of technical provisions recognized in the Group’s liabilities. Valuation of the life insurance provision is associated with significant uncertainty regarding the estimates, as it requires the Parent Entity’s Management Board to develop professional judgments and use complex and subjective assumptions, including those with a long time horizon. These assumptions are treated as input data for valuation models using actuarial methods. Relatively insignificant changes in the significant assumptions may have a material impact on the valuation of the life insurance provision. The significant assumptions are technical rates, mortality tables and assumptions about mortality, accident rates and morbidity. In addition, the calculation of the life insurance provision requires the use of complex formulas and creation of calculation tools that may be incorrectly defined and/ or to which incorrect or incomplete data or assumptions may be used. For the above reasons, the valuation of life insurance provision was considered by us as a key audit matter.	Our audit procedures, carried out with the support of our actuarial specialists, included, among others: — assessment of the significant assumptions applied by the Parent Entity’s Management Board – technical rates, mortality accident and morbidity rates, with reference to legal and regulatory requirements, including the applicable financial reporting standards; — testing the design, implementation and operating effectiveness of key controls embedded in the process of: • creating and updating actuarial assumptions; • ensuring quality of policy data such as type of insurance, age and sex of the insured, sum and period of the insurance; • calculating the life insurance reserve — assessment of the completeness and the quality of the input data and adequacy of significant assumptions adopted by the Parent Entity’s Management Board to valuation of life insurance provision as at 31 December 2020, in particular for a technical rates, mortality tables, accident and morbidity rates by comparison of these assumptions to their historical values and available forecasts or other statistical and market data. The assessment of adequacy included the impact of COVID-19 on the assumption, with particular reference to the interest rate and mortality table and the method of recognition in technical provisions.

— independently recalculating the life insurance provision as at 31 December 2020, for selected key product groups;

— assessment of the adequacy of the life insurance provisions by comparing to the results of liability adequacy test performed by the Parent Entity’s Management Board. Our assessment included the analysis of the appropriateness of the test.

Expected credit losses for receivables from clients and provisions for off-balance-sheet liabilities in banking activity

The carrying value of loan receivables from clients in banking activity amounted to PLN 197.288 million as at 31 December 2020 and PLN 194.868 million as at 31 December 2019. The carrying value of impairment allowance for expected credit losses on loan receivables from clients amounted to PLN 13.376 million as at 31 December 2020 and PLN 11.704 million as at 31 December 2019. Provisions for off-balance sheet commitments amounted to PLN 555 million as at 31 December 2020 and PLN 358 million as at 31 December 2019.

Net allowances for expected credit losses in 2020 amounted to PLN -3.117 million, and in 2019 PLN -2.148 million.

Reference to the consolidated financial statements: Note 15 „Change in the value of net allowances for expected credit losses and impairment losses on financial instruments”, Note 34 “Loans to customers”, Note 38 “Impairment of financial assets and receivables”, Note 47 „Other provisions” of the additional information and notes.

Key audit matter	*Our response*
Loan receivables from clients are measured at amortized cost or fair value through other comprehensive income including allowances for expected credit losses The procedures to estimate expected credit losses (ECL) comprise two major phases – identification of the impairment triggers or significant increase of credit risk and measurement of expected credit losses. The impairment triggers and significant increase of credit risk are identified mainly on the basis of payment delinquencies, economic and financial standing of the debtor and the current probability of default level as compared to the date of initial recognition of the exposure, while allowances for expected credit losses are estimated individually and collectively for homogenous loan portfolios with the use of statistical methods on the basis of the risk parameters.	As part of our audit procedures, we performed a critical assessment of the process and accounting policies regarding the allowances for expected credit losses on loan receivables from clients for compliance with the requirements of the relevant financial reporting standards. Our audit procedures conducted with the support of our internal credit risk and IT specialists included i.a.: — assessment of the design and implementation of relevant internal controls (including general IT system controls) in the process of the classification of loan exposures into stages and the estimation of allowances for expected credit losses (including collateral value monitoring) as well as testing the operating effectiveness of those controls.

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Significant assumptions for the portfolio method are risk parameters such as probability of default (PD), loss given	— assessment of methodology used for estimating risk parameters and allowances for expected credit

default (LGD) or exposure at default (EAD) or criteria/ allocation thresholds to risk categories (stages), which are determined homogenous groups of loan exposures on the basis of the historical performance, taking into account the expected macroeconomic conditions.

Allowances represent estimate of credit losses expected to be incurred on loan receivables at the reporting date over a 12 month horizon or within the lifetime of the exposure.

As required by the applicable accounting standard, the measurement of expected credit losses includes forecasts of future economic conditions. Making assumptions about expected macroeconomic scenarios and the likelihood of their occurrence requires Management Board of the Parent Entity to use a significant dose of judgement.

The main risk area comprises the failure to identify existing impairment triggers and the significant increase of credit risk as well as the application of inappropriate data to calculate the parameters of statistical model, which include the use of inappropriate macroeconomic assumptions, which may not adequately reflect the expected credit losses existing at a given reporting date. For loans that are assessed on an individual basis there is a risk of applying inappropriate assumptions regarding recovery scenarios and valuation of collateral.

Moreover, there is a risk of errors and risk of fraud occurring during the ECL allowances calculation process. A relatively insignificant change in significant assumptions and model parameters such as data and methods, could have a material impact on the expected credit loss estimate.

Due to the COVID-19 pandemic and its impact on the macroeconomic environment, the uncertainty in the estimation of expected credit losses increased significantly compared to previous years. The increased uncertainty caused by the sudden negative change in the macroeconomic situation required the Parent Entity's Management Board to apply temporary qualitative changes to the existing credit risk models, which were developed based on the analysis of observed loss parameters in the past supplemented with expert assessment. These changes were necessary as the models used in the Group, due to their design and the scope of data they were built on, could not fully reflect the impact of a sudden change in the economic environment on expected credit losses.

losses, both on the individual and portfolio basis in terms of compliance with the relevant accounting standard and the best market practice;

- analysis of the structure and dynamics of changes in the balance of the loan receivables from clients of risk parameters reflecting the quality ratios and to the level of allowances for expected credit losses in order to identify groups of loans with underestimated allowances for expected credit losses;
- including the results of historical assessment of the model validity performed by the Group, a critical assessment of significant assumptions and input data used in the estimation of expected credit loss models for particular key credit risk parameters, such as the transfer logic between stages, probability of default (PD), exposure at default (EAD) or loss given default (LGD);
- assessment of the adequacy of the allowances for credit losses expected within 12 months by the reference to credit losses actually realized on individual homogenous portfolios in the past;
- analysis of the accuracy of allocation of loan receivables from clients to stages, taking into account qualitative and quantitative criteria;
- evaluation of the correctness of the ECL model parameters' assignment to particular loan receivables from clients on the basis of homogenous portfolio characteristics, e.g. rating class, past due status;
- a critical assessment of the significant assumptions of the model, as well as the temporary qualitative changes to the model aiming to capture the impact of the COVID-19 pandemic on expected credit losses, including: (i) the reasonableness of the assumptions regarding the macroeconomic scenarios, (ii) the appropriateness of the loss parameters in the context of the assumed macroeconomic scenarios (iii) the appropriateness of changes in the methodology for calculating the parameters of ECL, (iv) the appropriateness of the treatment of granted borrower consents from the perspective of allocation to risk categories;
- independent recalculation of selected risk parameters and ECL allowances using the portfolio

We considered this area to be a key audit matter because estimating the allowances for expected credit losses involves significant inherent risks of error and fraud as well as uncertainty and requires Parent Entity's Management Board to use significant judgment and, considering the size of the loan portfolio, has a material impact on the consolidated financial statements.

method; including selected components of the methodology aiming to capture the impact of the COVID-19 pandemic;

- for significant loan receivables assessed individually on the basis of a selected sample including the impact of COVID-19 on the financial situation of borrowers – assessment of the appropriateness of identification of significant increase in credit risk and impairment triggers and for impaired assets – critical assessment of relevant assumptions adopted by the Group and independent recalculation of allowances;
- assessment of the completeness and appropriateness of disclosures in the consolidated financial statements regarding significant judgments and estimates of expected credit losses, including uncertainty arising from the possible impact of the COVID-19 pandemic, as well as a sensitivity analysis of the level of expected credit losses relative to significant assumptions used in the model.

Conduct risk, including disputes and customer complaints in banking activity

The carrying value of loans granted in CHF to individuals amounted to PLN 2.617 million on 31 December 2020 and PLN 2.695 million as at 31 December 2019. Due to the risk related to the current and potential legal claims with borrowers who have been granted in the past mortgage loans denominated or indexed to CHF, the carrying amount of loan portfolio was reduced by PLN 345 million on 31 December 2020 and the entity recognized a provision that amounted to PLN 91 million and PLN 37 million and PLN 22 million as at 31 December 2019, accordingly.

Reference to the consolidated financial statements: Note 7.5.3.2. 'Currency risk', Note 38 'Impairment of financial assets' and Note 47 'Provisions' of the supplementary information and explanations to the consolidated financial statements.

As at 31 December 2020 provision for partial refund of fees and commissions expense obtained from customers due to consumer loans granted, which were prepaid amounted to PLN 128 million and PLN 254 milion as at 31 December 2019.

Reference to the consolidated financial statements: Note 47 'Provisions' of the supplementary information and explanations to the consolidated financial statements.

Key audit matter	*Our response*
The entities of the Group operating on regulated market is exposed to the risk of changes in law rulings and events (other than those arising from credit risk) that may result in lower than contractual cash flows	Our audit procedures included among others: — assessment of the design, implementation and effectiveness of key internal controls with respect to

from financial contracts with customers or in an obligation or liability arising from past events, the settlement of which will require outflow of resources embodying economic benefits ("risk amount").

As at 31 December 2020, in particular it refers to the impact of two decisions of the Court of Justice of the European Union ("CJEU") of 11 September 2019 (Case C-383/18) and of 3 October 2019 (Case C-260/18). Although none of these decisions referred directly to the Group, they have resulted in consequences described below and in Note 47 „Provisions"

CJEU decision of 11 September 2019

The decision changed the interpretation of the provisions of the Consumer Credit Act of 12 May 2011 as regards the obligation to refund a part of fees and commissions collected on customer loans in the case of loan being repaired before the contractual maturity date.

identification, monitoring and estimate of risk resulting from complaints and disputes with clients;

— analysis of the correspondence, reports and post-inspection recommendations received by the Group from the regulatory authorities;
— assessment of the Group's internal analyses and reports with respect to compliance and conduct risks;
— analysis of claims and complaints reported by customers and their impact (also potential) on the Group's consolidated financial statements;
— analysis of confirmations of legal claims received from external legal counsels representing the Group and their assessment of the financial impact resulting from these cases;

The Group made an estimate of the most expected amount of the expenses to be incurred in connection with the above and which relate to expected refund claims due to the consumer loans which were prepaid in the past

Estimates of the risk resulting from CJEU decision bear significant uncertainty in respect of significant assumptions made. A relatively insignificant change in significant assumptions may have a material impact on the level of the Group's result.

CJEU decision of 3 October 2019

As a result of the decision, the number of court claims against the Group filed by the borrowers who were granted mortgage loans denominated or indexed to CHF ("CHF loans") in the past years increased. The Group assessed that this growth may continue for some time in the future, which in the absence of a single court ruling in this respect may result in lower expected cash flows from CHF loans than those resulting from the contractual agreements. In order to determine an estimate of new expected cash flows from the CHF loan

— analysis of the legal opinion which include assessment of the impact of the CJEU decision of 3 October 2019 on the Group in the light of other judgments of common courts made in Poland in similar cases after the CJEU decision date, taking into account the characteristics of the practices and loan agreements templates used by the Group for CHF loans as well as probability assessment of the possible scenarios defined by the Group in terms of future court decisions;
— reasonableness assessment of the significant assumptions such as probability of adopted scenarios, the number of expected lawsuits from customers, the probability of losing, the probability of possible settlements by the courts based on the trends observed to date in the Group and in the market;
— assessment of the correctness of assumptions and estimation of financial consequences for the

portfolio, the Group made scenario analysis regarding future possible events, taking into account both litigation and customer settlements and making significant assumptions regarding the number of lawsuits, the probability of losing and the probability of possible verdicts of the courts, as well as estimating the size of possible settlements with customers.

Estimates of the risk resulting denominated or indexed to CHF and possible courts' decisions bear significant uncertainty as regards the assumptions made. A relatively insignificant change in significant model assumptions may have a material impact on the level of the Group's result.
For the above reasons, we consider making a reliable estimate of the amount of risk and appropriate disclosures in this respect in the Group's consolidated financial statements to be a key audit matter.

Group in case of application of a settlement scenario with customers;

— sensitivity analysis of estimates to changes in significant assumptions and an assessment of whether the level of those assumptions indicates bias of the Parent Entity's Management Board;

— assessment of the completeness and adequacy of the disclosures required by the International Financial Reporting Standards, which are related to the estimates presented.

Impairment of goodwill

The carrying value of goodwill amounted to PLN 2.776 million as at 31 December 2020 and PLN 4.034 million as at 31 December 2019.

Reference to the consolidated financial statements: Note 27 "Goodwill" of supplementary information and explanations to the consolidated financial statements.

Key audit matter

As at 31 December 2020, goodwill in the amount of PLN 2.776 million was recognized in the consolidated financial statements of the Group. Each goodwill was allocated by the Management Board of the Parent Entity to the cash-generating units ("CGU") and for each CGU a test for impairment has been performed.

These tests consisted of comparing the carrying amount of a given CGU with its recoverable amount, estimated using the value in use which is the present value of future estimated cash flows.

Estimation of the recoverable amount is a complex process which requires the Management Board of the Parent Entity to develop professional judgement, as well as complex and subjective assumptions. Relatively insignificant changes in the significant assumptions may have a

Our response

Our audit procedures, carried out with the support of our valuation specialists, included, among others:

— assessment of identification of the CGU carried out by the Management Board of the Parent Entity, including to which CGU goodwill has been allocated and at the level of which the impairment test for particular assets was carried out;

— in relation to the models of value in use measurement applied by the Management Board of the Parent Entity:

  - assessment of whether the models used by the Management Board of the Parent Entity to estimate the value in use of individual CGU meet the requirements of applicable reporting standards;

material impact on the valuation of the recoverable amount. Significant assumptions in the process of valuation of the recoverable amount are: value of the future cash flows, growth rates in the residual period, discount rates including the risk-free rate, risk margin and beta parameter. For the above reasons, impairment of goodwill was considered by us as a key audit matter.	• analysis of the recoverable amount calculation models for each CGU (verification of mathematical correctness and logical consistency); • evaluation of the reasonableness of the adopted discount rates by comparing them to existing the risk-free rates, and also risk margin, beta parameter adapted to the specifics of the business of the tested CGU; • assessment of the forecasted financial results of each CGU by comparing them to historical financial results and the accuracy of budgeting in previous periods; • evaluation of reasonableness of the applied growth rates by comparing to market data within a residual term.

Responsibility of the Management Board and Supervisory Board of the Parent Entity for the Consolidated Financial Statements

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Parent Entity's articles of association and for such internal control as the Management Board of the Parent Entity determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board of the Parent Entity is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Parent Entity either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

According to the accounting act dated 29 September 1994 (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Parent Entity are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

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

The scope of audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent Entity has conducted or will conduct the affairs of the Group.

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

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

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Entity;

— conclude on the appropriateness of the Management Board of the Parent Entity'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the consolidated financial statements to the related disclosures in the consolidated financial

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— statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the consolidated financial statements. However, future events or conditions may cause the Group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Parent Entity 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 provide the Audit Committee of the Parent Entity with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of the Parent Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the consolidated financial statements 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

The other information comprise:

- Selected financial data;
- The report on activities of the PZU Capital Group and PZU SA for the year ended 31 December 2020 (the "Report on activities"), prepared together with the report on activities of the Parent Entity ("Report and activities"), including the corporate governance statement, which is a separate part of the Report on activities and containing a letter from the President of the Management Board to the Shareholders and a statement of the Parent Entity's Management Board regarding the preparation of the consolidated financial statements and the Report on activities;
- the separate Statement on non-financial information of the PZU Capital Group and PZU SA for the year ended 31 December 2019, referred to in art. 55 paragraph 2c of the Accounting Act prepared together with the statement on non-financial information of the Parent Entity;
- The Statement of the PZU SA Supervisory Board regarding the assessment of the Management Board's report on the activities of the PZU Capital Group and PZU SA as well as the separate and consolidated financial statements;
- The Statement of the PZU SA Supervisory Board regarding the functioning of the Audit Committee in connection with the publication of the individual and consolidated annual report for the year 2020;
- Information of the Parent Entity's Management Board regarding the appointment of the audit company

(together the "Other information").

Responsibility of the Management Board and Supervisory Board

The Management Board of the Parent Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the Report on activities of the Group for the year ended 31 December 2020 (the "Report on activities"), including the corporate governance statement and the separate, including the corporate governance statement and the report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our opinion on the consolidated financial statements does not cover the Other information.

In connection with our audit of the consolidated financial statements, our responsibility was to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on statutory auditors our responsibility was to report if the Report on activities was prepared in accordance with applicable laws and the information given in the Report on activities is consistent with the consolidated financial statements.

Moreover, in accordance with the requirements of the Act on statutory auditors our responsibility was to report whether the Group included in the statement on corporate governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the consolidated financial statements and to inform whether the Group prepared a separate report on non-financial information.

Opinion on the Report on Activities

Based on the work undertaken in the course of our audit of the consolidated financial statements, in our opinion, the accompanying Report on activities, in all material respects:

— has been prepared in accordance with applicable laws, and

— is consistent with the consolidated financial statements.

Opinion on the Statement on Corporate Governance

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (the "decree").

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

— has been prepared in accordance with applicable laws; and

— is consistent with the consolidated financial statements.

Information about the Statement on Non-financial Information

In accordance with the requirements of the Act on statutory auditors, we report that the Group has prepared a separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act.

We have not performed any assurance procedures in relation to the separate report on non-financial information and, accordingly, we do not express any assurance conclusion thereon.

Statement on Other Information

Furthermore, based on our knowledge about the Capital Group and its environment obtained in the audit of the consolidated financial statements, we have not identified material misstatements in the Report on activities and the Other information.

Report on Other Legal and Regulatory Requirements

Information on Compliance with Prudential Regulations

The Management Board of the Parent Entity is responsible for the Group's compliance with the applicable prudential regulations defined in separate laws, in particular whether the Group has recognised technical provisions for accounting purposes in the amount sufficient to fully cover the amount of current and future liabilities arising from insurance or reinsurance contracts as well as having own funds in an appropriate amount and correct calculation of the solvency margin.

Our responsibility was to inform in our auditor's report whether the Group complies with the applicable prudential regulations defined in separate laws, in particular:

- whether as at 31 December 2020 the Group has recognised technical provisions for accounting purposes referred to in art. 277 of the act on insurance and reinsurance activities dated 11 September 2015, in the amount sufficient to fully cover the amount of current and future liabilities arising from insurance or reinsurance contracts
- for life insurance companies within the meaning of the Act of 28 August 1997 on the organization and functioning of pension funds (Journal of Laws of 2017, item 870, as amended) ("Act on the organization and functioning of pension funds") whether such an insurance company correctly calculated the solvency margin and has own funds as referred to in art. 106j paragraph 3 point 3 of that Act, in the amount not lower than the solvency margin and not lower than the guarantee capital.

The audit objective was not to express an opinion on the Group's compliance with the applicable prudential regulations and therefore we do not express such an opinion.

Based on our audit of the consolidated financial statements of the Group, we inform that:

- we have not identified any instances of non-compliance, in the period from 1 January 2020 to 31 December 2020, of the Group with the applicable prudential regulations, defined in separate laws, in particular in respect of the recognition of the technical provisions for the accounting purposes in the amount sufficient to fully cover the amount of current and future liabilities arising from insurance or reinsurance contracts, that could have significant impact on the financial statements of the Entity
- until 31 December 2020, none of the life insurance companies with head office in Poland included in the Capital Group concluded agreements with employee pension funds for accepting contributions referred to in art. 2 para. 4 of the Act on the Organization and Operation of Pension Funds, under which it would take over all biometric risks or guarantees related to the implementation of the foreign employer's retirement program. Thus, the Group was not required to calculate the solvency margin, as well as to have own funds referred to in art. 106j of the Act on the organization and functioning of pension funds.

Opinion on the compliance of the consolidated financial statements prepared in the single electronic reporting format with the requirements of the regulations on technical standards on the specification of a single electronic reporting format

As part of our audit of the consolidated financial statements we were engaged to perform a reasonable assurance engagement in order to express an opinion on whether the consolidated financial statements of the Group as at 31 December 2020 and for the year then ended prepared in the single electronic reporting format included in the reporting package named pzu-2020-12-31.zip (the 'consolidated financial statements in the ESEF format') were tagged in accordance with the requirements specified in the Commission Delegated Regulation (EU) of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format and other Commission Delegated Regulations (EU) with respect to updates of the taxonomy laid down in the regulatory technical standards for the single electronic reporting format, hereinafter jointly referred to as regulatory technical standards on ESEF (the 'ESEF RTS') and meet the technical conditions of a single electronic reporting format which are specified in these regulations.

Responsibility of the Management Board and Supervisory Board of the Parent Entity

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements in the ESEF format in accordance with the tagging requirements and technical conditions of a single electronic reporting format which are specified in the ESEF RTS. Such responsibility includes the selection and application of appropriate XBRL tags using the taxonomy specified in the ESEF RTS.

This responsibility of the Management Board of the Parent Entity includes designing, implementing and maintaining internal control relevant to the preparation of the consolidated financial statements in the ESEF format that is free from material non-compliance, whether due to fraud or error.

The members of the Parent Entity's Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in the format required by applicable law.

Auditor's Responsibility

Our objective is to issue an opinion about whether the consolidated financial statements in the ESEF format were tagged in accordance with the requirements specified in the ESEF RTS and meet the technical conditions of a single electronic reporting format specified in those regulations.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (revised), 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' as adopted by the National Council of Statutory Auditors ('NCSA') by resolution no. 3436/52e/2019 dated 8 April 2019 as National Standard on Assurance Engagement 3000 (revised) ('KSUA 3000 (Z)'). That standard requires that the auditor plan and perform procedures to obtain reasonable assurance about whether the consolidated financial statements in the ESEF format were prepared in accordance with specified criteria.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with KSUA 3000 (Z) will always detect material non-compliance with requirements specified in the ESEF RTS.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with

requirements specified in the ESEF RTS, whether due to fraud or error.

In making those risk assessments, the auditor has considered internal controls relevant to the preparation of the consolidated financial statements in the ESEF format in accordance with the specified criteria in order to design procedures that are appropriate, which provide the auditor with sufficient and appropriate evidence under the circumstances. The assessment of internal controls was not performed for the purpose of expressing an opinion thereof. The procedures performed by the auditor also included assessing the appropriateness of the subject matter and the suitability of the criteria used under the circumstances.

Our procedures included, in particular:

- obtaining an understanding of the process of selection and application of XBRL tags by the Parent Entity and maintaining compliance with the ESEF RTS, including an understanding of the operation of internal control relevant to this process,
- assessing compliance with the technical conditions on the specification of a single electronic reporting format, including the use of the XHTML format,
- agreeing the tagged information included in the reporting package containing the consolidated financial statements in the ESEF format to the consolidated financial statements of the Group presented in human-readable format,
- evaluating the completeness of tagging of information in the consolidated financial statements in the ESEF format using XBRL tags,
- assessing whether the XBRL tags from the taxonomy specified in the ESEF RTS used by the Parent Entity were properly applied and that taxonomy extensions were used where the relevant elements have not been

identified in the primary taxonomy specified in the ESEF RTS, including whether the applied taxonomy extensions were correctly anchored in the primary taxonomy specified in the ESEF RTS.

The firm applies International Standard on Quality Control 1 as adopted by National Council of Statutory Auditors by resolution no 2040/37a/2018 dated 3 March 2018 (with subsequent amendments) as national standard on quality control and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the IESBA Code which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior as well as other independence and ethical requirements, applicable to this assurance engagement in Poland.

Defining the criteria

The criteria for assessing compliance of the consolidated financial statements in the ESEF format are defined in the ESEF RTS.

Opinion

Our opinion has been formed on the basis of, and is subject to, the matters outlined above.

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

In our opinion, the consolidated financial statements in the ESEF format as at 31 December 2020 and for the year then ended was prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Statement on Services Other than Audit of the Financial Statements

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second subparagraph of the EU Regulation and art. 136 of the act on statutory auditors.

Services other than audit of the financial statements, which were provided to the Group and entities under the control of the Parent Entity in the audited period are listed in note 58.1 „Remuneration of the audit company” of the consolidated financial statements.

Appointment of the Audit Firm

We have been appointed for the first time to audit the annual consolidated financial statements of the Group by resolution of the Supervisory Board dated 18 February 2014 and reappointed in the following years, including the resolution dated 23 May 2019, to audit the annual consolidated financial statements for the year ended 31 December 2020. Our period of total uninterrupted engagement is 7 years, covering the periods ended 31 December 2014 to 31 December 2020.

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546

Signed on the Polish original

Justyna Zań

Key Statutory Auditor
Registration No. 12750
Limited Partner, Proxy

Warsaw, 24 March 2021