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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 2021;

and, for the period from 1 January to 31 December 2021:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the statement of changes in consolidated 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 2021 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 23 March 2022.



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”); 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 („NCSA”), 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

Emphasis of Matter

We draw attention to Note 58.5.4 of the supplementary information and explanations to the consolidated financial statements, which describes the Group’s involvement in Ukraine and exposure to markets subject to hostilities or sanctions resulting from the Russian

Federation’s invasion of Ukraine on 24 February 2022, as well as the impact of this event on the Group’s operating activities, financial condition and its financial results. Our opinion is not modified in respect of this matter.

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.. 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 15,314 million as at 31 December 2021 and PLN 15,030 million as at 31 December 2020.

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.

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Key audit matter

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 2021 and have been reported to the Group ("the annuities"),
- provisions for property and casualty claims that existed until the 31 December 2021 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.

Our response

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;

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.

- 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;

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In addition, there 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 2021;
- 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.

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Valuation of life insurance provision

The carrying value of life insurance provision amounted to PLN 16,345 million as at 31 December 2021 and PLN 16,309 million as at 31 December 2020.

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

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

Our response

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:

impact on the valuation of the life insurance provision. The significant assumptions are technical rates 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.

- 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 2021, 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 and the method of recognition in technical provisions.
 - independently recalculating the life insurance provision as at 31 December 2021, for selected key product groups;

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- 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 loan 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 215,008 million as at 31 December 2021 and PLN 197,288 million as at 31 December 2020. The carrying value of impairment allowance for expected credit losses on loan receivables from clients amounted to PLN 13,108 million as at 31 December 2021 and PLN 13,376 million as at 31 December 2020. Provisions for off-balance sheet commitments amounted to PLN 496 million as at 31 December 2021 and PLN 555 million as at 31 December 2020.

Net allowances for expected credit losses in 2021 amounted to PLN -1,867 million, and in 2020 PLN -3,117 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.

| <i>Key audit matter</i> | <i>Our response</i> |
|--|---|
| <p>Loan receivables from clients measured at amortized cost or in fair value through other comprehensive income are presented including impairment allowances based on the expected credit loss model, within a horizon of 12 months or the entire life of the exposure. In the process of estimating allowances, identification of impairment triggers and a significant increase in credit risk is crucial.</p> <p>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. 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.</p> <p>Significant assumptions for the portfolio method are risk parameters such as probability of default (PD), loss given default (LGD) or exposure at default (EAD) or criteria/ allocation thresholds to risk categories (stages), which are determined</p> | <p>Audit procedures conducted with the support of our internal credit risk and IT specialists included i.a.:</p> <ul style="list-style-type: none">— critical assessment of the accounting policy for the recognition of impairment losses on loans and advances in terms of compliance with the requirements of applicable financial reporting standards;— critical assessment of the design and implementation of relevant internal controls (including general IT system controls) applied in the process of estimating allowances for expected credit losses (including monitoring of collateral values) as well as testing the effectiveness of these controls;— analysis of the appropriateness of the Group's identification of impairment triggers and significant increase in credit risk for the purpose of classification into stages, taking into account qualitative and quantitative criteria;— critical analysis of the methodology for estimating risk parameters and the allowances for expected credit losses on |



The measurement of the allowance for expected credit losses requires the Parent Entity's Management Board to use significant judgments and make significant assumptions, including considering the implications of the COVID-19 pandemic,

both individual and portfolio basis in terms of compliance with the requirements of the relevant accounting standards and market practice;

which is continued for another year, particularly with respect to projections of future economic conditions, identification of impairment triggers, significant increase in credit risk and the application of data to calculate the parameters of statistical model. Moreover, for loans that are assessed on an individual basis, significant judgments and assumptions relate to recovery scenarios and collateral valuation. A relatively small change in these assumptions and other relevant model parameters could have a significant impact on the Group's allowances expected credit loss estimate.

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 and significant uncertainty of estimate and, considering the size of the loan portfolio, has a material impact on the consolidated financial statements.

- critical assessment of significant assumptions and input data used in the expected credit losses models for individual key credit risk parameters used on the portfolio basis, such as in particular transfer logic between stages, probability of default (PD), exposure at default (EAD) or loss given default (LGD), or the impact of forecasts of future economic conditions on risk parameters;
- independent recalculation of selected risk parameters and allowances for expected credit losses for a selected sample of exposures;
- for significant loans and advances to customers assessed individually for a selected sample – 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 in the calculation of the allowances, including the amount and period of recovery and independent recalculation of impairment allowances;
- an assessment of the completeness and appropriateness of disclosures in the financial statements regarding significant judgments and estimates of expected credit losses, also including a sensitivity analysis of the level of expected credit losses relative to key assumptions used in the model.



The carrying value of loans granted in CHF to individuals amounted to PLN 2,332 million on 31 December 2021 and PLN 2,617 million as at 31 December 2020. 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 516 million on 31 December 2021 and the entity recognized a provision that amounted to PLN 132 million and PLN 345 million and PLN 91 million as at 31 December 2020, 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 2021 provision for partial refund of fees and commissions expense obtained from customers due to consumer loans granted, which were prepaid amounted to PLN 120 million and PLN 128 million as at 31 December 2020. Reference to the consolidated financial statements: Note 47 'Provisions' of the supplementary information and explanations to the consolidated financial statements.

| <i>Key audit matter</i> | <i>Our response</i> |
|---|---|
| <p>In connection with its operations in regulated markets, the Group is exposed to the risk of changes in law rulings and events that may result in lower than contractual cash flows 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").</p> <p>As at 31 December 2021, in particular it refers to the impact of two decisions of the Court of Justice of the European Union ("CJEU") 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”.</p> <p>CJEU decision of 11 September 2019</p> <p>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.</p> <p>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 number of customer claims and individual amounts to</p> | <p>Our audit procedures included among others:</p> <ul style="list-style-type: none"> — assessment of the methodology for estimate by the Group of the financial effects of CJEU decision and legal claims, as well as accounting policy in this area; — assessment of the design, implementation and effectiveness of key internal controls with respect to 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; — assessment of the appropriateness and reliability of the relevant input data used for the estimation of provisions for risks arising from the CJEU decision by reconciling them to the Group's relevant IT systems; — analysis of the external 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 |



number and the amount of refund claims as well as the possible evolution of market practice or the position of the regulator. 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 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

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;

- reasonableness assessment of significant assumptions provisions adopted by the Group in the estimation of risk provisions resulting from the CJEU decision, 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. This procedure also included i.a.:
 - analysis of complaints and claims submitted by clients in relation to the CJEU decision and their impact on the Group;
 - 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;
 - assessment of the estimated financial consequences for the Group in case of application of a settlement scenario with customers;
 - sensitivity analysis of estimation of the provisions for risks resulting from the CJEU decision to changes in significant assumptions and an assessment of whether the level of those assumptions indicates bias of the Parent Company's Management Board;
- assessment of the completeness and adequacy of the disclosures required by the relevant financial reporting standards regarding the estimation of risk

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.

provisions resulting from the CJEU decision.



Impairment of goodwill

The carrying value of goodwill amounted to PLN 2,778 million as at 31 December 2021 and PLN 2,776 million as at 31 December 2020.

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

| <i>Key audit matter</i> | <i>Our response</i> |
|---|---|
| <p>As at 31 December 2021, goodwill in the amount of PLN 2,778 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.</p> <p>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.</p> <p>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 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</p> | <p>Our audit procedures, carried out with the support of our valuation specialists, included, among others:</p> <ul style="list-style-type: none">— in relation to the models of value in use measurement applied by the Management Board of the Parent Entity:<ul style="list-style-type: none">• 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;• 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 |

risk-free rate, risk margin and beta parameter.

For the above reasons, impairment of goodwill was considered by us as a key audit matter.

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 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

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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 2021 (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 2021, 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 2021;
- 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,

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 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:

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”).

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.

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

- has been prepared in accordance with applicable laws, and
- is consistent with the consolidated financial statements.

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.

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 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 2021 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 to 31 December 2021, of the Group with the applicable prudential regulations, defined in separate laws, in particular in respect of the recognition as at 31 December 2021 of technical provisions for accounting purposes in the value sufficient to fully cover the amount of current and future liabilities arising from insurance or reinsurance contracts, that could have material impact on the financial statements of the Group.
- until 31 December 2021, 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 compliance of the consolidated financial statements prepared in the single electronic reporting format with the requirements of the regulatory 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 2021 and for the year then ended prepared in the single electronic reporting format included in the reporting package named pzu-2021-12-31.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 (the “ESEF Regulation”).

Defining the Criteria and Description of the Subject Matter of the Service

The consolidated financial statements in the ESEF format have been prepared by the Management Board of the Parent Entity to meet the tagging requirements and technical requirements for the specification of a single electronic reporting format, which are defined in the ESEF Regulation. The subject of our

assurance service is the compliance of the tagging of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and the requirements set out in these regulations are, in our opinion, appropriate criteria for our opinion.

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 Regulation. Such responsibility includes the selection and application of appropriate XBRL tags using the taxonomy specified in the this regulation.

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

This responsibility of the Management Board of the Parent Entity includes designing,

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 Regulation.

Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” as adopted by the NCSA as the National Standard on Assurance Engagement 3000 (Revised) (“NSAE 3000 (R)”). These standards requires that the auditor plans and performs procedures to obtain reasonable assurance about whether the consolidated financial statements in the ESEF format were prepared in accordance with specified criteria.

We conducted our engagement in accordance with the National Standard on Assurance Services Other than Audit or Review 3001PL “Audit of financial statements prepared in a single electronic reporting format” as adopted by the NCSA (“NSAE 3001PL”) and where applicable, in accordance with the International

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with NSAE 3001PL and where applicable, in accordance with NSAE 3000 (R) will always detect material misstatement.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements, 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

Summary of the Work Performed

Our procedures planned and performed included, among others:

- obtaining an understanding of the process of preparing the consolidated financial statements in the ESEF format, including selection and application of XBRL tags by the Parent Entity and ensuring compliance with the ESEF Regulation, including an understanding of the mechanisms of internal control relevant to this process,
- reconciling the tagged information included in the consolidated financial statements in the ESEF format to the audited consolidated financial statements,
- assessing, by using a specialized IT tool, compliance with the regulatory technical

circumstances. The assessment of internal controls was not performed for the purpose of expressing an opinion thereon.

- standards regarding the specification of a single electronic reporting format,
- assessing the completeness of tagging of information in the consolidated financial statements in the ESEF format with XBRL tags,
- assessing whether the XBRL tags from the taxonomy specified in the ESEF Regulation were properly applied and whether the taxonomy extensions were used where the relevant elements were not identified in the core taxonomy specified in the ESEF Regulation,
- assessing the correctness of anchoring of the applied taxonomy extensions in the core taxonomy specified in the ESEF Regulation.

Requirements of the Quality Control and Ethical Requirements, including Independence

The firm applies International Standard on Quality Control 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" as adopted by the NCSA as national standard on quality control, which requires us to implement and maintain 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 as adopted by the resolution of the NCSA, 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.

Opinion on Compliance with the Requirements of ESEF Regulation

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 compliance with the requirements of the ESEF Regulation.

In our opinion, the consolidated financial statements in the ESEF format as at 31 December 2021 and for the year then ended was tagged, in all material respects, in accordance with the requirements of the ESEF Regulation.

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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 28 May 2020, to

audit the annual consolidated financial statements for the year ended 31 December 2021. Our period of total uninterrupted engagement is 8 years, covering the periods ended 31 December 2014 to 31 December 2021.

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
Proxy

Warsaw, 23 March 2022