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# Independent Auditor's Report

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

### Report on the Audit of the Annual Consolidated Financial Statements

#### Opinion

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

- the consolidated statement of financial position as at 31 December 2022;

and, for the period from 1 January to 31 December 2022:

- the consolidated profit and loss account;
  - the consolidated statement of comprehensive income;
  - the consolidated statement of changes in equity;
  - the consolidated cash flow statement;
- and
- the supplementary information and notes

(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 2022 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 29 March 2023.



## 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 standards and 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.

## 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:

<b>Valuation of provisions for outstanding claims and benefits for motor third party liability insurance (“MTPL”)</b>	
<p>The carrying value of gross technical provisions for MTPL amounted to PLN 15,632 million as at 31 December 2022 and PLN 15,314 million as at 31 December 2021.</p> <p>Reference to the consolidated financial statements: Note 42.1.1 “Non-life insurance”, Note 42.2.1 “Non-life insurance”, Note 42.3.1 “Technical provisions in non-life insurance” of the supplementary information and notes to consolidated financial statements.</p>	
<b>Key audit matter</b>	<b>Our response</b>
<p>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:</p>	<p>Our audit procedures performed with the assistance of our actuarial specialists, included among others:</p> <ul style="list-style-type: none"> <li>— assessment of the valuation methods of provisions for outstanding claims and</li> </ul>

<ul style="list-style-type: none"> <li>- provisions for the annuities claims that existed until the 31 December 2022 and have been reported to the Group ("the annuities");</li> <li>- provisions for property and casualty claims that existed until the 31 December 2022 but have not yet been reported to the Group, including provisions for pain and suffer claims ("IBNR").</li> </ul> <p>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.</p> <p>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 and assumed mortality.</p> <p>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.</p> <p>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.</p> <p>For the above reasons the valuation of provisions for outstanding claims and benefits for MPTL was considered by us as a key audit matter.</p>	<p>benefits for MPTL applied by Management Board of the Entity, with reference to legal and regulatory requirements, including the applicable financial reporting standards, as well as assessment of the continuity of their application;</p> <ul style="list-style-type: none"> <li>— testing of the design, implementation and operating effectiveness of key controls embedded in the process of: <ul style="list-style-type: none"> <li>• establishing and adjusting actuarial assumptions;</li> <li>• verification of quality of the data regarding paid and reported claims, used among others in calculation of IBNR;</li> <li>• 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);</li> </ul> </li> <li>— recalculation of significant IBNR and annuities and explanations of all material significant differences in comparison to the calculations made by the Entity's Management Board;</li> <li>— in the area of the Entity's Management Board's analyses of the historical utilization of IBNR: <ul style="list-style-type: none"> <li>• assessment of the assumptions underlying the analyses;</li> <li>• assessment of the results of the analyses;</li> <li>• application of the results in our assessment of methods and significant assumptions implemented by the Entity in the valuation of IBNR as at 31 December 2022;</li> </ul> </li> <li>— assessment of the completeness and the quality of input data and the adequacy of significant assumptions adopted by the Entity's Management Board to the valuation of the annuities and IBNR, by analysing changes over time in the value of annuities and IBNR, as well as: <ul style="list-style-type: none"> <li>• for a claim development ratios, by comparison with historical data regarding reported and settled claims;</li> <li>• for a discount rate, comparison of the level of discount rate adopted by the Entity to historical return rate of other investment portfolio and available market data and forecasts;</li> <li>• for an assumed change of value of paid annuities (indexation of annuities),</li> </ul> </li> </ul>
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	<p>assessment of results of the analysis of historical changes in amount of paid annuities;</p> <ul style="list-style-type: none"> <li>for adopted mortality tables, comparison to publicly available data regarding annual number of deaths in Poland in each age bucket.</li> </ul>
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Valuation of life insurance provision	
<p>The carrying value of life insurance provision amounted to PLN 17,014 million as at 31 December 2022 and PLN 16,345 million as at 31 December 2021.</p> <p>Reference to the consolidated financial statements: Note 42.1.2 „Life insurance”, Note 42.2.2 „Life insurance”, Note 42.3 „Quantitative data” of the supplementary information and notes to the consolidated financial statements.</p>	
Key audit matter	Our response
<p>The life insurance provision is a significant element of technical provisions recognized in the Group’s liabilities.</p> <p>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.</p> <p>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 and assumptions about mortality, accident rates and morbidity.</p> <p>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.</p> <p>For the above reasons, the valuation of life insurance provision was considered by us as a key audit matter.</p>	<p>Our audit procedures, carried out with the support of our actuarial specialists, included, among others:</p> <ul style="list-style-type: none"> <li>— 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;</li> <li>— testing the design, implementation and operating effectiveness of key controls embedded in the process of: <ul style="list-style-type: none"> <li>• creating and updating actuarial assumptions;</li> <li>• ensuring quality of policy data such as type of insurance, age and sex of the insured, sum and period of the insurance;</li> <li>• calculating the life insurance reserve</li> </ul> </li> <li>— 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 2022, 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 assumptions, particularly the mortality rates, and their inclusion in technical provisions;</li> </ul>

	<ul style="list-style-type: none"> <li>— independently recalculating the life insurance provision as at 31 December 2022, for selected key product groups;</li> <li>— 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.</li> </ul>
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**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 212,693 million as at 31 December 2022 and PLN 215,008 million as at 31 December 2021. The carrying value of impairment allowance for expected credit losses on loan receivables from clients amounted to PLN 14,563 million as at 31 December 2022 and PLN 12.996 million as at 31 December 2021. Provisions for off-balance sheet commitments amounted to PLN 514 million as at 31 December 2022 and PLN 496 million as at 31 December 2021.

Net allowances for expected credit losses in 2022 amounted to PLN -3,068 million, and in 2021 PLN -1,867 million.

Reference to the consolidated financial statements: Note 16 „Movement in allowances for expected credit losses and impairment losses on financial instruments”, Note 35 “Loan receivables from customers”, Note 39 “Expected credit losses and impairment of financial assets”, Note 48 „Provisions” of the additional information and notes to the consolidated financial statements.

<b>Key audit matter</b>	<b>Our response</b>
<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. In the process of estimating allowances, there are two main stages - identification impairment triggers or a significant increase in credit risk, and measurement of expected credit losses.</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. 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 for homogeneous groups of credit receivables based on historical data,</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"> <li>- 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;</li> <li>- 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;</li> <li>- 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;</li> </ul>

<p>taking into account the expected macroeconomic conditions.</p> <p>The credit loss allowance represents an estimate of the credit losses expected to occur on loan receivables at the reporting date over a horizon of 12 months or the entire lifetime of the exposure.</p> <p>The measurement of the allowance for expected credit losses requires the Parent Entity's Management Board to use significant judgments and make significant assumptions, 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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>- 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;</li> <li>- independent recalculation of selected risk parameters and allowances for expected credit losses for a selected sample of exposures determined using the portfolio method on a selected sample of exposures;</li> <li>- 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;</li> <li>- 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.</li> </ul>
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### Conduct risk, including disputes and customer complaints in banking activity

The carrying value of loans granted in CHF to individuals amounted to PLN 413 million on 31 December 2022 and PLN 2.332 million as at 31 December 2021. 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 1,824 million on 31 December 2022 and the entity recognized a provision that amounted to PLN 479 million and PLN 516 million and PLN 132 million as at 31 December 2021, accordingly.

Reference to the consolidated financial statements: Note 8.5.3.2. 'Currency risk', Note 39 'Expected credit losses and impairment of financial assets' and Note 48 'Provisions' of the supplementary information and notes to the consolidated financial statements.

As at 31 December 2022 provision for partial refund of fees and commissions expense obtained from customers due to consumer loans granted, which were prepaid amounted to PLN 127 million and PLN 120 million as at 31 December 2021. Reference to the consolidated financial statements: Note 48 'Provisions' of the supplementary information and notes to the consolidated financial statements.

Key audit matter	Our response
<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 2022, 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 48 „Provisions”.</p> <p><b>CJEU decision of 11 September 2019</b></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. 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 be refunded.</p> <p><b>CJEU decision of 3 October 2019</b></p> <p>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. A relatively insignificant change in</p>	<p>Our audit procedures included among others:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• tests 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;</li> <li>• assessment of the appropriateness and reliability of the relevant input data used for the estimation of provisions for risks arising from the CJEU decision and provision for commission refund by reconciling them to the Group's relevant IT systems and the register of disputes;</li> <li>• 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 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;</li> <li>• independent recalculation, on a selected sample of CHF loans, of the allowance /provision amount;</li> <li>• 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.: <ul style="list-style-type: none"> <li>- analysis of legal letters received from external legal counsels representing the Group and their assessment of the financial impact resulting from these cases;</li> <li>- assessment of the appropriateness and correctness of using the statistical</li> </ul> </li> </ul>

<p>significant model assumptions may have a material impact on the level of the Group's result.</p> <p>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.</p>	<p>function to project the number of future lawsuits;</p> <ul style="list-style-type: none"> <li>- assessment of the estimated financial consequences for the Group in case of application of a out-of-court settlement scenario with customers;</li> <li>- sensitivity analysis of the CHF allowance to changes in significant assumptions and an assessment of whether the assumptions applied indicate bias of the Parent Entity's Management Board;</li> <li>• analysis of claims and complaints reported by customers and their impact on the financial statement of the Group;</li> <li>• reasonableness assessment of the assumptions applied on the number of expected customer claims on the basis of observed trends in this respect at the Group;</li> <li>• assessment of the completeness and adequacy of the disclosures required by the relevant financial reporting standards regarding the estimation of risk provisions resulting from the CHF loan portfolio.</li> </ul>
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<b>Impairment of goodwill</b>	
<p>The carrying value of goodwill amounted to PLN 2,808 million as at 31 December 2022 and PLN 2,778 million as at 31 December 2021.</p>	
<p>Reference to the consolidated financial statements: Note 28 "Goodwill" of supplementary information and notes to the consolidated financial statements.</p>	
<b>Key audit matter</b>	<b>Our response</b>
<p>As at 31 December 2022, goodwill in the amount of PLN 2,808 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</p>	<p>Our audit procedures, carried out with the support of our valuation specialists, in relation to the models of value in use measurement applied by the Management Board of the Parent Entity, included, among others:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• analysis of the recoverable amount calculation models for each CGU (verification of mathematical correctness and logical consistency);</li> <li>• evaluation of the reasonableness of the adopted discount rates by comparing</li> </ul>

<p>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 risk-free rate, risk margin and beta parameter.</p> <p>For the above reasons, impairment of goodwill was considered by us as a key audit matter.</p>	<p>them to existing the risk-free rates, and also risk margin, beta parameter adapted to the specifics of the business of the tested CGU;</p> <ul style="list-style-type: none"> <li>• evaluation of the reasonableness of the forecasted financial results of each CGU by comparing them to historical financial results and the accuracy of budgeting in previous periods to their subsequent implementation</li> <li>• evaluation of reasonableness of the applied growth rates by comparing to market data within a residual term.</li> </ul>
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### 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 IFRS EU, 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 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 comprises:

- the selected financial data;
- the Management report on activities of the PZU Capital Group and PZU SA for the year ended 31 December 2022 (the "report on activities") prepared together with Management report on activities of the Parent Entity, including the corporate governance statement, which is a separate part of the report on activities and including the letter of the President of the Management Board to the Shareholders and the statement of the Management Board of the Parent Entity regarding the preparation of the financial statements and the report on the activities;

- the separate report on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act;
- the Supervisory Board's assessment of the financial statements and the report on activities;
- the statement of the Supervisory Board regarding the Audit Committee;
- the information from the Parent Entity's Management Board on the selection of an audit firm (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 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 the information required by the applicable laws and regulations, and in relation to specific information indicated in those laws or regulations, to determine whether it complies with the applicable laws and is consistent with the consolidated financial statements and to inform whether the Group prepared a separate report on non-financial information.

The selected financial data, the report on activities, the report on non-financial information, and the information from the Parent Entity's Management Board on the selection of an audit firm we obtained before the date of this audit report, whereas the Supervisory Board's assessment of the financial statements and the report on activities, as well as the statement of the Supervisory Board regarding the Audit Committee will be available after that date. If we find a significant distortion in the Supervisory Board's assessment of the financial statements or in the statement of the Supervisory Board regarding the Audit Committee, we are obliged to inform the Supervisory Board of the Parent Entity.

#### *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 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 Entity 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.

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 2022 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 and for life insurance companies, in the meaning of the act on the organization and operation of pension funds dated 28 August 1997, (“act on pension funds”), whether such entities appropriately determined the solvency margin and has appropriate level of own assets referred to in Art. 106j paragraph 3 point 3 of that act not lower than the solvency margin and 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 2022, of the Group with the applicable prudential regulations, defined in separate laws, in particular in respect of the recognition as at 31 December 2022 of technical provisions for accounting purposes in the amount sufficient to fully cover the value of current and future liabilities arising from insurance or reinsurance contracts, that could have a material impact on the consolidated financial statements of the Group and that by 31 December 2022 none of the life insurance companies based in Poland that are part of the Group has not entered into agreements with occupational pension funds for premium collection referred to in Art. 2 paragraph 4 of the act on pension funds, where the Group would provide cover against biometric risks or guarantees connected with realization of pension schemes of foreign



employer. Thus, the Group was not obliged to calculate solvency margin and possess own funds referred to in Art. 106j of the act on pension funds..

### **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 in point 59.1 „ Remuneration of the audit firm conducting the audit of the financial statements” of the supplementary information and explanations to 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 2022. Our period of total uninterrupted engagement is 9 years, covering the periods ended 31 December 2014 to 31 December 2022.

### **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 2022 and for the year then ended prepared in the single electronic reporting format included in the reporting package named pzu-2022-12-31.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 that regulation.

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 with requirements specified in the ESEF Regulation, 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 Regulation.

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 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.

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

### *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 on a selected sample 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 standards regarding the specification of a single electronic reporting format,
- assessing the completeness of tagging with respect to:
  - all numbers in a declared currency disclosed in the consolidated financial statements in the ESEF format, and
  - notes comprising a summary of significant accounting policies and other explanatory information on a sample of XBRL tags, in particular block tags, in accordance with the mandatory elements of the core taxonomy contained in Annex II of ESEF Regulation,
- inspecting the block tagging to assess whether the regulatory technical standards 'requirement has been correctly applied to include the relevant data within the scope of the digital tag, on a sample basis
- assessing whether the XBRL tags from the core taxonomy specified in the ESEF Regulation were properly applied, and whether the taxonomy extensions were used in situations where the closest core taxonomy element could misrepresent the accounting meaning of the disclosure on a sample basis,



- assessing the correctness of anchoring of the applied taxonomy extensions in the core taxonomy specified in the ESEF Regulation on a sample basis.
- inspecting how the data is presented within the digital tag to assess whether the presentation is reasonable within the boundaries of the technical capabilities connected with block tagging, on a sample basis.

#### *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 behaviour 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 2022 and for the year then ended was tagged, in all material respects, in accordance with the requirements of the ESEF Regulation.

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, 29 March 2023