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Independent Auditor's Report

To the General Shareholders' Meeting and Supervisory Board of Powszechny Zakład Ubezpieczeń S.A.

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the accompanying annual financial statements of Powszechny Zakład Ubezpieczeń S.A. (the "Entity"), which comprise:

- the introduction to the financial statements;
- the balance sheet as at 31 December 2023;

and, for the period from 1 January to 31 December 2023:

- the technical account of property and casualty insurance;
- the general profit and loss account;
- the statement of changes in equity;
- the cash flow statement;

and

- the supplementary information and explanations

(the "financial statements").

In our opinion, the accompanying financial statements of the Entity:

- give a true and fair view of the financial position of the Entity as at 31 December 2023 and of its financial performance and its cash flows for the financial year then ended in accordance with the accounting act dated 29 September 1994 (the "Accounting Act"), related bylaws and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Entity's articles of association;
- have been prepared, in all material respects, on the basis of properly maintained accounting records in accordance with chapter 2 of the Accounting Act.

Our audit opinion on the financial statements is consistent with our report to the Audit Committee dated 20 March 2024.



Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Statutory Auditors and the Council of Polish Agency for Audit Oversight 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 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 Entity in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”) as adopted by the resolution of the National Council of Statutory Auditors, together with the ethical requirements that are relevant to our audit of the 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 Entity 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 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 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 provisions for outstanding claims and benefits for MTPL amounted to PLN 12,117,361 thousand as at 31 December 2023 and PLN 11,954,605 thousand as at 31 December 2022.

Reference to the financial statements: Note 12.8.3 “Provisions for outstanding claims and benefits”, Note 9.2.1 “Gross value of provisions for outstanding claims and benefits”, Note 9.3 “Total provisions for the capitalized value of annuities before discounts and gross allowances”.

Key audit matter

Provisions for outstanding claims and benefits for MTPL constitute significant element of technical provisions presented in the liabilities of the Entity’s

Our response

Our audit procedures performed with the assistance of our actuarial specialists, included among others:

balance sheet. Our audit focused particularly on among others the following:

- provisions for the annuities claims that existed until the 31 December 2023 and have been reported to the Entity ("the RBNP for annuities"),
- provisions for property and casualty claims that existed until the 31 December 2023 but have not yet been reported to the Entity, including provisions for pain and suffer claims ("IBNR").

Valuation of the RBNP for annuities and IBNR is associated with significant uncertainty regarding estimation, as it requires the Management Board of the Entity to develop professional judgment, as well as complex and subjective assumptions. The uncertainty in estimation 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 an uncertainty about the ultimate loss value, which results among others from demographic factors and the lack of detailed legal solutions regulating the amount of pain and suffer claims.

Relatively insignificant changes in the significant assumptions may have a significant impact on the valuation of the RBNP for annuities and the IBNR. The key assumptions are: claims development ratios, discount rates and assumed mortality.

The calculation of the abovementioned provisions requires 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. In addition, there is a number of acceptable actuarial methods for determining the RBNP for 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 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 valuation methods of provisions for outstanding claims and 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;
- testing of the design, implementation and operating effectiveness of selected controls embedded in the process of estimation of the RBNP for annuities and IBNR, including those over :
 - establishing and adjusting significant actuarial assumptions;
 - verification of completeness and accuracy of data;
 - calculation of provisions;
- recalculation of the RBNP annuities and IBNR and explanations of all material significant differences in comparison to the calculations made by the Entity's Management Board for a selected sample;
- performing a retrospective assessment of the Entity's Management Board estimation of IBNR by comparing the prior year's estimate with the actual outcomes and application of its results to evaluate methods and significant assumptions used by the Management Board of the Entity to estimate IBNR as at 31 December 2023;
- assessment of the appropriateness and reliability of input data and the reasonableness of significant assumptions adopted by the Entity's Management Board to the valuation of the RBNP for annuities and IBNR, by analysing changes over time in the value these provisions, as well as, where applicable:
 - for a claim development ratios, by comparison with historical data regarding reported and settled claims;
 - for a discount rate, by comparison of the level of discount rate adopted by the Entity to historical return rate on the investment portfolio and available market data and forecasts;
 - for an assumed change of value of paid annuities (indexation of annuities), by reference to historical changes in amount of paid annuities;

	<ul style="list-style-type: none"> — for adopted mortality, by comparison to publicly available data regarding annual number of deaths in Poland in each age bucket.
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Valuation of the subordinated entities	
<p>The carrying value of the shares in subordinated entities amounted to PLN 17,577,487 thousand as at 31 December 2023 and PLN 14,118,751 thousand as at 31 December 2022.</p> <p>Reference to disclosures in the financial statements: Note 12.2.2 „Ownership interest or shares in related parties”, Note 2.4 „Investments in subordinate entities”.</p>	
Key audit matter	Our response
<p>As at 31 December 2023, shares in subordinated entities in the amount of PLN 17,577,487 thousand was recognized in the financial statements of the Entity.</p> <p>At the end of each financial year and whenever there are impairment indicators identified, investments in shares of subordinated entities of significant value are tested for impairment by the Management Board of the Entity. These tests consisted of comparing the carrying amount of investment in a given subordinated entity/ Cash Generating Unit (“CGU”) with its recoverable amount, estimated using the value in use, which is present value of estimated future cash flows.</p> <p>Estimation of recoverable amount is a complex process which requires the Management Board to develop professional judgement, as well as complex and subjective assumptions. Relatively insignificant changes in the significant assumptions may have a significant impact on the estimation of the recoverable amount. Significant assumptions in the process of the recoverable amount estimation are: future value of the cash flows, growth rates in the residual period and the level of discount rates.</p> <p>For the above reasons, testing of investments in subordinated entities for impairment was considered by us as a key audit matter.</p>	<p>Our audit procedures, carried out with the support of our internal valuation specialists, included, among others:</p> <ul style="list-style-type: none"> • testing the design and implementation of selected internal controls within the process of testing investments in subordinated entities for impairment, including those over key assumptions and data; • challenging the appropriateness of the grouping of assets and allocation of goodwill into CGUs; • In respect of the Entity’s value-in-use method and model: <ul style="list-style-type: none"> — assessing whether the method meets the requirements of the applicable financial reporting standards and the model is mathematically correct and logically consistent; — challenging the key assumptions used therein, as follows: <ul style="list-style-type: none"> ○ the forecasted financial results and cash flows of each CGU tested - by reference approved budgets, historical data and considering the accuracy of budgeting in previous periods; ○ growth rates in the residual period - by reference to market data; ○ discount rates - among other things, by reference to publicly available data, reflecting the characteristics of a given CGU.



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

The Management Board of the Entity is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view in accordance with the Accounting Act, related bylaws, the adopted accounting policy, the applicable laws and the provisions of the Entity's articles of association and for such internal control as the Management Board of the Entity determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board of the Entity is responsible for assessing the Entity'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 Entity either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

According to the Accounting Act, the Management Board and members of the Supervisory Board of the Entity are required to ensure that the financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Entity are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

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 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 Entity'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 Entity;
- conclude on the appropriateness of the Management Board of the 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 Entity'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 financial statements to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the financial statements. However, future events or conditions may cause the Entity to cease to continue as a going concern;



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

We communicate with the Audit Committee of the 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 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 Entity, we determine those matters that were of most significance in the audit of the 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 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 2023 (the "report on activities") prepared together with Management report on activities of the 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 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 actuary's opinion

(together the "other information").

Responsibility of the Management Board and Supervisory Board

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

The Management Board and members of the Supervisory Board of the 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. 49b paragraph 9 of the Accounting Act are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility was to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements.

Moreover, in accordance with the requirements of the Act on statutory auditors our responsibility was to report whether the Entity 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 financial statements and to inform whether the Entity prepared a separate report on non-financial information.

The selected financial data, the report on activities, the report on non-financial information, the information from the Entity's Management Board on the selection of an audit firm and the actuary's opinion 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 Entity.

Opinion on the Report on Activities

Based on the work undertaken in the course of our audit of the 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 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 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 Entity has prepared a separate report on non-financial information referred to in art. 49b paragraph 9 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 Entity and its environment obtained in the audit of the 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 Entity is responsible for the Entity'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 Entity complies with the applicable prudential regulations defined in separate laws, in particular whether as at 31 December 2023 the Entity 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.

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

Based on our audit of the financial statements of the Entity, we inform that we have not identified any instances of non-compliance, in the period from 1 January to 31 December 2023, of the Entity with the applicable prudential regulations, defined in separate laws, in particular in respect of the recognition as at 31 December 2023 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 financial statements of the Entity.

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 point 32.1 „Remuneration of the audit firm conducting the audit of the financial statements” of the supplementary information and explanations to the financial statements.

Appointment of the Audit Firm

We have been appointed for the first time to audit the annual financial statements of the Entity 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 financial statements for the year ended



31 December 2023. Our period of total uninterrupted engagement is 10 years, covering the periods ended 31 December 2014 to 31 December 2023.

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, 20 March 2024