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Press Release

Another record-breaking quarter for the PZU Group – Q1 2019 results

In Q1 2019 PZU beat its own record by generating a higher level of gross written premium than in the corresponding quarter of 2018. It is, therefore, another instance of posting the best quarter in the company's history, which, in its management board's opinion, portends well for the full year.

The PZU Group generated a gross written premium in excess of PLN 5.9 billion versus more than PLN 5.8 billion in Q1 2018. The company also generated a higher net profit than in Q1 2018, despite the higher burdens placed on the banking sector.

The most important accomplishments in Q1 2019:

- The parent company's net profit improved from PLN 627 million to PLN 747 million, or by 19.1% year on year, despite the higher burdens charged by the Bank Guarantee Fund, thereby translating into significant growth in return on equity
- Best first quarter measured by gross written premium in the PZU Group's history (PLN 5.9 billion)
- High profitability in non-life insurance in the PZU Group's Polish companies – the combined ratio was 87.0%.
- In the life insurance segment, there was a stable level of business in group insurance coupled with profitability up year on year by 0.2 p.p.
- Numbers of contracts in PZU Zdrowie up 46% year on year
- Very high yield in the main portfolio of 4.5% on an annualized basis – investment performance has improved by more than 50% year on year
- The PLN 2.80 dividend per share the Management Board is recommending to the Shareholder Meeting implies a dividend yield of 6.8%

Paweł Surówka, CEO of PZU SA

Our Q1 results are proof of how we are executing the strategy for 2017-2020 we adopted and publicized. We have earned a record-breaking gross written premium this quarter while simultaneously growing our net result substantially. The very pronounced growth in investment performance deserves special emphasis as it is up by more than 50%. The 46% growth in the number of clients in health insurance also deserves mention. This shows that the PZU Group has a rock-solid foundation and very robust prospects



for the full year of 2019.

Apart from measures focusing on profitable growth and building the group's shareholder value, in Q1 of this year we steadfastly pursued projects in innovation and new technology. This has enabled us to launch the sales of our product with the PZU GO device as we announced at the beginning of this quarter. We have also devoted an equally extensive amount of work to building our employee capital accumulation scheme.

Tomasz Kulik, CFO of the PZU Group

We are very happy with the PZU Group's results which we have achieved despite the price pressure permeating non-life insurance. We continued to command high margins in our underwriting with our combined ratio being 87%. In our investing activity in the main portfolio we delivered an above average rate of return of 4.5%, or 2.7 p.p. above the risk-free rate. This translated into the result realized in the non-banking segment growing by 30% y/y.

Our client numbers and magnitude of business are on the rise, while we observe a high level of discipline in administrative expenses and acquisition expenses whose percentage of gross written premium has fallen by 0.5 p.p. versus the previous quarter. This makes it possible to build shareholder value on a consistent basis while preserving attractive pricing for our products.

This high business result coupled with curtailing the portfolio's capital intensity directly translates into higher own funds and SII solvency of 222%, or y/y growth of 14 p.p. Such a strong capital position enables us to take an optimistic view of strategy execution and recommend the payment of a high dividend to shareholders. The proposal presented by the Management Board and endorsed by the Supervisory Board for distributing the 2018 result will enable our investors to generate a high dividend yield of 6.8%.

Roman Pałac, CEO of PZU Życie

We are pleased with another very robust quarter for the PZU Group. The commitment shown by our employees and associates in delivering very high targets is worth emphasizing. The growth in PZU Życie's periodic premium is very important from the perspective of life insurance, a topic of particularly great interest to me. This growth is faster than what other market players are experiencing. Our market share in the key periodic premium market has stayed at a very high level of 45.9% in 2018, while the profitability of group and individually continued insurance was 16.8%.

We have also invariably directed our efforts to deliver very strong growth and improve the quality of customer service. We are doing this, among other things, by automating processes and employing the



most sophisticated tools. We are able to offer our clients an extensive health care offer. In March we announced our intent to acquire Falck Centra Medyczne and NZOZ Starówka, and in May of this year we received consent from the Office of Competition and Consumer Protection. The acquisition of this nationwide network will significantly enlarge PZU Zdrowie's medical infrastructure. For several years this company has been engaged in acquiring and building medical centers under its own brand. PZU Zdrowie is a medical operator that has its own network, which after incorporating the Falck deal will have 97 centers. Additionally, it collaborates with more than 2,100 partner centers in 550 cities in Poland and 50 hospitals and more than half of the pharmacies in Poland.