



Warsaw, 29 August 2019

Press Release

## The PZU Group posts stable business growth and its highest result in the first half of a year in the last five years in H1 2019

### Highlights portraying the PZU Group's growth in H1 2019:

- **PLN 1.48 bn – the highest H1 net financial result** attributed to the parent company in the first half of a year in the five last years
- Numbers of contracts in PZU Zdrowie up **31% y/y**
- **Employee Capital Scheme (ECS)** management contracts signed with **partners employing more than 100 thousand employees**
- Acceleration of **gross written premium growth in individual protection insurance of +37% y/y** in Q2 2019
- **ROE and COR at levels better than the targets defined in the strategy** (ROE for the last four quarters is 23.9%, COR in H1 2019 is 89.2%)
- Shareholder Meeting's decision to pay a dividend of **PLN 2.8** per share
- **PZU's rating outlook raised** by S&P Global Ratings from stable to **positive**, while maintaining PZU's financial strength rating at A-

### Management Board's commentary concerning the condition of the PZU Group in H1 2019

**Paweł Surówka, CEO of PZU SA**

*We have delivered another robust interim period in spite of our challenge-filled environment. The PZU Group's financial result generated in H1 2019 has beaten the result we generated in the first half of last year. The unwavering implementation of the #newPZU strategy has allowed us to leverage our competitive advantages to act efficiently and generate high rates of return for our shareholders, as evidenced, for example, by this year's dividend payment. However, we have much more to offer than rock-solid performance, consistent dividend payments and the support we provide for our clients and business partners to achieve their goals and activities in many different areas. We endeavor for all the activities undertaken by the PZU Group to have more profound meaning than just a business-related dimension; they should be predicated on continuously building shareholder value. This is why we have announced that all our activities will be based on the #10yearslonger goal. This goal involves accepting a challenge together with all Poles to alter behavior across the board so that the PZU Group will act as their partner over their extended lifetime while enjoying greater comfort. The magnitude of the PZU Group's business enables us to think with a very long period in mind. More partners are coming to appreciate this fact as they elect to collaborate*



*with the PZU Group in Employee Capital Schemes. Companies employing a total of more than one hundred thousand employees have accepted the Group's offer in this area. The first half of 2019 has also shown us that we are able to maintain our ability to phase in the changes we posit, such as achieving the successive stages of PZU's digital transformation and conveying our message and offer to millions of Poles.*

### **Tomasz Kulik, CFO of the PZU Group**

*The diversification of the PZU Group's business makes us more resilient to changing market conditions and our financial results are stable and predictable. Even though competition for clients on the motor insurance market has become fiercer, the financial markets have been highly volatile and the costs of the Bank Guarantee Fund charged to the PZU Group's banks have doubled, the Group's profit rose 5% y/y. In H1 2019 our return on equity remained very high at 20.3%, nearly twice as high as the average ROE for other European insurance companies. It is worth noting that while having a safer and more conservative portfolio than our competitors, our investment yield was 4.1% in H1 2019.*

*The combined ratio for non-life insurance in Poland was 89.2% in H1 2019, even though the level of second quarter losses related to weather conditions was relatively high. This was due to our consistent efforts to maintain cost discipline and achieve even better efficiency of processes, also using artificial intelligence and RPA-class tools (robotization). We continue to work on perfecting our price quotation processes so that we can better match prices to client profiles and augment the customer experience PZU Group offers.*

*Our financial results, high security of capital and improving risk management practices (ERM), which give us greater capital resilience and high capital management discipline, persuaded the S&P Global Ratings agency to raise the Group's rating outlook from stable to positive, while leaving the PZU's rating at the very high level of A-. Further improvement of the solvency ratio under the Solvency II regime in Q1 2019 confirms that we manage capital efficiently and our promise to deliver higher dividends to shareholders is indeed realistic.*

### **Roman Pałac, CEO of PZU Życie**

*In life insurance we are pleased with growing faster than the market and ramping up our market share while simultaneously enhancing profitability. Client interest in classic protection life insurance and our health insurance is also a positive trend. In the first half of the year, we sold more than one third more of these products than in the corresponding period of the previous year. In health our steady network expansion is noteworthy: we acquired a sole equity stake in Falck Centra Medyczne and NZOZ Starówka. As a result, we currently have a network of nearly 100 own branches and we cooperate with almost 2,200 medical partners in more than 570 cities and towns, tens of hospitals and with more than half of all the pharmacies in Poland. Taking the above into account, I can say with full accountability that life insurance in the PZU Group is developing in line with the ambitious targets laid down in our strategy.*



## Gross written premium of PLN 12 billion in H1 2019 – stable business growth

- Gross written premium in non-life insurance in Q2 2019: **PLN 3.3 billion** – stable level y/y net of a long-term contract executed in Q2 2018
- Acceleration of the pace of growth in gross written premium on retail non-motor insurance to **6%** y/y in Q2 2019 reflecting robust economic conditions and PZU's strong competitive position
- Growth in the periodic premium in life insurance outpacing the overall market
- Acceleration of gross written premium growth in individual protection insurance of **+37%** y/y in Q2 2019; despite unfavorable market conditions for unit-linked business, the overall life segment has produced positive gross written premium growth for the first time in six quarters
- **Employee Capital Scheme (ECS)** management contracts signed with partners employing in total more than one hundred thousand employees
- Numbers of contracts in PZU Zdrowie up **31%** y/y

## Parent company posts net profit of PLN 1.5 billion in H1 2019

- The H1 2019 result is up **5%** y/y even though the costs of the Bank Guarantee Fund in 2019 charged to the PZU Group's banks are materially higher
- The net result on non-banking business y/y rose to **PLN 622 million** in Q2 2019, despite unfavorable weather conditions in May and June
- The combined ratio in the non-life segment in Poland in H1 2019 was low at **89.2%** while in Q2 2019 it was **91.4%**, which was better than anticipated in the strategy, despite the accumulation of non-motor events
- The operating margin in group and individually continued insurance at the strategic level of **20%** in H1 2019 and **23.2%** in Q2 2019
- Very robust investment performance surpassing our strategic ambitions: the yield on the main portfolio **2.4 p.p. above the risk-free rate** in H1 and **2.2 p.p.** in Q2 2019 while maintaining the portfolio's conservative composition



- ROE of **20.3%** in H1 2019 and **23.9%** YTD for the last four quarters

### **Solvency II ratio of 225% – stability and safety of business**

- S&P raised its rating outlook from stable to **positive** while sustaining its rating of **A-** with a capital strength rating of **AAA**
- Dividend approved by the Shareholder Meeting of **PLN 2.80** per share (75% of consolidated net profit, 89% of standalone profit, dividend yield of **6.8%**)
- Solvency at a stable level; despite the expanding magnitude of business the Solvency II ratio at the end of Q1 2019 was **225%** after incorporating the recommended dividend payout
- Debt stated as a percentage of the funding mix trended downward - bond amortization with a nominal value of EUR 850 million
- More conservative investment portfolio composition; higher percentage of treasury bonds, greater diversification in corporate exposures, smaller percentage of MTM instruments

The PZU Group's interim report is available on PZU's corporate website in the Investor Relations tab, Periodic Reports section: <https://www.pzu.pl/en/investor-relations/reports>