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Press release

## **PZU Group's results after Q1 2020**

**In Q1 2020, the PZU Group recorded good sales results. Especially the first two months of the year were successful – both in the branches and in the tied agent network, the PZU Group outperformed the planned sales levels.**

The gross written premium growth was driven by the non-motor business and individual protection insurance. Especially the group insurance portfolio turned out very resilient to the slowdown caused by the lockdown in the last weeks of March.

With increasing revenues the PZU Group recorded good results in its insurance business. The life insurance result increased 29 percent y/y, and the non-life insurance result by 12 percent. – The stable market leader position makes PZU resilient to unexpected events. This offers good prospects for the future, which is confirmed by the high sales and profitability of insurance. This is accompanied by a significant increase of margins in the group and individually continued insurance and the high profitability of insurance in the non-life segment in Poland. The combined ratio stood at 87.4 percent and was 4.6 pp higher than assumed in the strategy, says Beata Kozłowska-Chyła, acting President of the Management Board of the PZU Group. In the first three months of 2020, the operating margin in PZU's key business – group and individually continued insurance, reached 22.4 percent, which is unprecedented for the first quarter. This is much above the strategic targets, noted Beata Kozłowska-Chyła.

In life insurance, the sales increase was nearly 6 percent and, despite the shrinking market, reached a growth rate that was by half higher than the year before. – We are the leader in sales growth, not only in the group business but also in individual insurance. Especially in the period of increased uncertainty, clients come to the national insurer, who guarantees stable protection and ensures safety, emphasizes Aleksandra Agatowska, acting President of the PZU Życie.

PZU is also one of the largest medical operators in Poland. The sales growth in PZU Zdrowie in Q1 exceeded 40 percent, and an increase in interest, in addition to increasing sales of medical insurance and subscriptions, was noticeable also in the area of the services sold in medical centers.

In non-life insurance, the premium increased 2 percent, compared to 0.4 percent in Q1 last year. The sale of property non-motor insurance, despite a market downturn, increased 12 percent, while the year before the increase was four times lower. – What is noteworthy, is the increasing level of renewals in our property portfolio. In these times of uncertainty and volatility clients like to stay with a tested partner, like PZU and the agents cooperating with PZU, says Elżbieta Häuser-Schöneich, PZU SA Management Board Member.

Also in investment activity the PZU Group has, ahead of time, prepared a portfolio for a potential economic slowdown. – Despite significant declines in the financial markets, profitability on PZU's main



portfolio reached 3.5 percent and was 186 basis points higher than the risk-free rate, emphasized Tomasz Kulik, PZU Group's Vice-President for Financial Matters. – The way we manage the assets and the rates of return we earn are also appreciated by other clients of TFI PZU, which is the only mutual fund management company in the market that recorded a net asset inflow in Q1 2020, while in the entire market outflows reached nearly PLN 19 billion, noted PZU Group's Deputy CEO, Financial Affairs.

In the face of a global pandemic, the stable market position of the national insurer has made it possible to provide immediate help to Poles. The PZU Group earmarked over PLN 20 million for this purpose. This money was used to purchase medical equipment for hospitals, personal protection equipment for medical staff, police and fire brigade, and 200 cars for transport of laboratory test samples. Infectious disease hospitals also received nearly one thousand modern units which remotely monitor the patients' life parameters. In addition, as of the beginning of March, PZU launched free medical tele-consultations for all Poles, offered free legal aid to its clients and, additionally, free psychological help to health care professionals.

In Q1 2020, the PZU Group reached a comparable net result of PLN 805 million (excluding COVID-19-related events and the goodwill impairment), compared to PLN 747 million the year before. However, already by the end of March 2020, the Polish banking sector felt the negative effects of the pandemic, which also affected the banks operating in the PZU Group.

Deteriorating economic prospects and interest rate cuts by the Monetary Policy Council have translated into a lower valuation of the Alior Bank stake in PZU's ledgers and, as a consequence, led to recognition of goodwill impairment. In addition, additional provisions were recognized for potential unpaid loans in Bank Pekao. The above results coupled with unrealized FX differences on the instruments hedging the real estate portfolio have translated into PZU Group's accounting net profit at the end of Q1 2020 in the amount of PLN 116 million.

The Solvency II ratio at the end of 2019, reaching 245 percent in the PZU Group, 267 percent in PZU SA and 463 percent in PZU Życie, is one of the highest among European insurers.

#### **PZU Group's key accomplishments in the first quarter of 2020:**

- high gross written premium in Q1 – PLN 6.1 billion, up 3.3 percent y/y, reflecting PZU's strong competitive position
- life insurance growth, despite the shrinking market in Poland, by 6 percent, i.e. PLN 2.2 billion
- gross written premium on property insurance at PLN 3.4 billion, up 2 percent y/y
- 12 percent increase in the non-motor insurance sales growth rate, despite deteriorating market conditions
- significant growth of gross written premium in individual life insurance in Poland: 27 percent,
- PZU Group's net profit, excluding the factors caused by the pandemic and goodwill impairment, nearly 8 percent higher y/y – PLN 805 million



- return on equity, without non-recurring events, at 19.5 percent – one of the highest among European insurers
- return on investments – 1.9 p.p. above the risk-free rate, despite the turmoil in the financial markets, while maintaining the portfolio's safe composition
- high operating margin in group and individually continued insurance – 22.4 percent,
- profitability in non-life insurance in Poland – the combined ratio was 87.4%,
- one of the highest Solvency II ratios among European insurers at the end of 2019, reaching 267 percent in PZU (245 percent for the entire Group)
- increase in PZU Zdrowie's top line by 41 percent y/y, expansion of the product and rider portfolio
- significant growth of new sales of life protection insurance in bancassurance
- TFI PZU – the only mutual fund management company in the market with a net asset inflow (compared to nearly PLN 19 billion outflows for the entire market)
- rapid response to the Covid-19 pandemic threat through switching to offering services in remote channels: increase in the number of users of the myPZU platform by 32 percent over less than two months and transaction rates of agents at myPZU by 455 percent, increase in the number telemedicine services in PZU Zdrowie by 76 percent, introduction of the possibility of entering into Employee Capital Scheme agreements by phone
- launch of free legal aid to clients, in connection with the pandemic, offering support regarding labor law and the use of the government's "anti-crisis shield"

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