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Press release

## **PZU Group's results in Q3 2020**

**PZU Group's demonstrated in Q3 2020 how resilient its business model is in challenging business conditions. Gross written premium totaled PLN 5.6 billion while net profit attributable to the parent company was PLN 890 million.**

*"In the third quarter we encountered a situation in which the PZU Group's business diversification proved to be a major driver of its performance. On one hand, we posted lower sales on motor insurance triggered by the slowdown on the car sales market, while on the other hand, sales of life insurance were on the rise, mainly due to the climbing demand for protection insurance. As a result, the lower proceeds on the non-life market were offset by the higher proceeds generated by the life business. The sales results in Q3 2020 were comparable to Q3 of last year when the economic circumstances were totally different. The fact that the Group's conglomerate structure enables us to offset adverse demand-side changes in various product lines, even in the face of such demanding conditions such as the ones precipitated by the pandemic is of no small consequence. In addition, flexible distribution structures and the capability of rapidly adjusting offers based on digital models allows us to harness this advantage effectively in terms of the net profit generated. Profitability measured by ROE in Q3 was 20.4%, an above average result on the Polish and European markets", says **Beata Kozłowska-Chyła, Ph.D. Hab.**, CEO of PZU SA.*

In Q3 the net profit attributed to the parent company totaled PLN 890 million (up 1% y/y); the result on underwriting business alone was PLN 785 million, signifying growth of 12% y/y.

*"PZU's insurance business showed its excellent resilience to the adverse effects of the pandemic and its great ability to adapt to clients' evolving needs. Net of impairments to banking assets and additional provisions the Group generated a net profit of PLN 2.8 billion in the first three quarters of the year, up 17% year on year. The growth rate of underwriting and investment performance was even higher and came in at 24% y/y. This stems from business development, strict cost control and efficiency measures in digitalization, among others. Year-to-date the margin on group insurance totaled 25.7%, while the combined ratio in non-life insurance was 88.7%. PZU Group's investment portfolio has been prepared very well for economic slowdown and generated a return that outpaced the risk-free rate by 3.3 percentage points. All these ratios are materially superior versus last year and the targets defined in the strategy", says **Tomasz Kulik**, CFO of the PZU Group.*

PZU is one of the largest medical operators in Poland. At the end of Q3 2020, PZU Zdrowie had signed 2.7



million contracts. PZU's customers had access to 2,200 cooperating medical partners, the PZU Group's 130 locations, 48 hospitals and 2,200 physicians.

*"In past quarters we focused on strengthening our leadership position on the life insurance market. At the end of the first half of the year we attained a 42.4% market share in this segment and in the third quarter we posted record-breaking gross written premium in individual insurance totaling PLN 476 million. PZU Zdrowie also posted excellent performance in the first nine months of 2020. It generated revenue of PLN 685 million, representing growth of 23% y/y. This was possible thanks to selling more health riders to protection products offering, among others, access to specialist physicians, ambulatory rehabilitation, selected tests and procedures. Having regard for the development of the pandemic we have also gradually expanded the magnitude of remote medical services, which is presently an important part of building our competitive edge",* highlights **Aleksandra Agatowska**, who is the acting CEO of PZU Życie.

The PZU Group earmarked over PLN 20 million to counter the effects of the pandemic. This money was used to purchase, among other things, medical equipment for hospitals, personal protection equipment for healthcare workers, the police and the border guard. Infectious disease hospitals also received nearly one thousand modern units to monitor patients' life parameters remotely. PZU also operates assistance lines for senior citizens and medical personnel.

The PZU's capital position remains strong. The Solvency II ratio at the end of Q2 2020 was 258% and was markedly higher than the average for European insurers. On 27 August 2020 S&P Global Services affirmed our A- rating with a stable outlook.

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

- **PZU Życie's record-breaking life insurance market share** in Poland of 42.4%, up 2.9 p.p. y/y (data as at the end of Q2)
- Retention of its **leadership position** in **periodic premium life insurance** (market share of 45.6%) (data as at the end of Q2)
- **Record-breaking gross written premium on individual insurance** (PLN 476 million), with life protection insurance as the driver (gross written premium up +33% y/y)
- Continued dynamic **growth in the demand for private medical services; PZU Zdrowie's revenue up 23% y/y** in the first three quarters of 2020
- **TFI PZU – one of the leaders in the sales of funds and growth of assets under management** - nearly 0.6 bn PLN obtained from clients while withdrawals on the overall market in the first three quarters totaled nearly **PLN 9 billion**
- **Further strengthening of collaboration with banks** leading to significant growth of new sales of life



protection insurance in bancassurance and the number of insureds

- **Operating margin** in group and individually continued insurance at 24.7% in Q3 2020 and 25.7% year-to-date - **above the strategic targets**
- **Improved profitability in motor insurance** in Poland - combined ratio down **2.8% y/y after lifting lockdown**; despite the losses related to atmospheric phenomena in the non-motor segment, the total profitability in non-life insurance in Poland at levels better than the targets in the strategy
- **High return on the main portfolio**: 3.9 p.p. above the risk-free rate in 3Q 2020 and 3.3 p.p. year-to-date, outpacing strategic ambitions despite the more demanding situation on the financial markets
- **Costs under strict control** – despite pressure to raise wages and other costs related to the COVID-19 pandemic, the cost ratio was 6.3% in Q3 2020
- **Return on equity of 20.4% in Q3**; PZU among the insurers generating the highest ROE in Europe

mIn zł	III kw. 2019	II kw. 2020	III kw. 2020	Zmiana r/r	Zmiana kw/kw
<b>GRUPA PZU Z WYŁĄCZENIEM ALIOR BANK I BANK PEKAO</b>					
Składki ubezpieczeniowe przypisane brutto <sup>1</sup>	5 662	5 594	5 600	(1,1%)	0,1%
Odszkodowania i świadczenia ubezpieczeniowe netto	(3 991)	(4 010)	(4 061)	1,8%	1,3%
Wynik na działalności inwestycyjnej (z wyłączeniem banków)	404	1 106	484	19,8%	(56,2%)
Koszty administracyjne <sup>1</sup>	(406)	(457)	(411)	1,1%	(10,1%)
Koszty akwizycji <sup>1</sup>	(864)	(812)	(819)	(5,2%)	0,9%
Zysk (strata) z działalności operacyjnej	917	1 438	935	1,9%	(35,0%)
<b>Zyski (straty) netto przypisane właścicielom jednostki dominującej</b>	<b>700</b>	<b>1 111</b>	<b>785</b>	<b>12,1%</b>	<b>(29,4%)</b>
<b>Odpis wartości firmy oraz wartości niematerialnych i prawnych</b>	<b>-</b>	<b>(827)</b>	<b>-</b>	<b>x</b>	<b>x</b>
<b>BANKI: ALIOR I PEKAO</b>					
<b>Zyski (straty) netto przypisane właścicielom jednostki dominującej</b>	<b>179</b>	<b>(99)</b>	<b>105</b>	<b>(41,3%)</b>	<b>x</b>
<b>WYNIK NETTO PRZYPISANY JEDNOSTCE DOMINUJĄCEJ</b>	<b>879</b>	<b>116</b>	<b>890</b>	<b>1,3%</b>	<b>667,2%</b>
<b>WYNIK NETTO PRZYPISANY JEDNOSTCE DOMINUJĄCEJ bez uwzględniania odpisów wartości firmy i WNIP</b>	<b>879</b>	<b>943</b>	<b>890</b>	<b>1,3%</b>	<b>(5,6%)</b>

#### Additional information:

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