Presentation of PZU's 1Q financial results. 2025 - 15.05.2025

Magdalena Komaracka

Welcome to a conference call to discuss the PZU Group's financial results achieved in 1Q25. The presentation will be led by Mr. Andrzej Klesyk, President of the Management Board of PZU, and Mr. Tomasz Kulik, Member of the Management Board of PZU and PZU Life, CFO of PZU Group. Mr. President, I am passing the floor to you.

Andrzej Klesyk

Good morning to you, a very warm welcome to everyone gathered both here and online and in Poland and abroad, so thank you very much for coming.
Ladies and gentlemen, being an insurer and being in a fairly predictable and boring business, as some people say, our presentation structure does not change, so we will talk about the main achievements and plans, then we will always talk about that, then we will talk about business development, financial results and possibly Group strategy and additional some questions in the last part. Let's start with the main achievements and plans. There will be no bomb like the last meeting concerning the holding company, for example, because it is difficult to come up with something like this every two months. So we will be predictable and hopefully helpful in your analysis. Let's move on to the main achievements. A few figures, which will be discussed in detail by Tomek. First, insurance revenue is 7.5 billion. Year-on-year growth of half a billion zlotys, so we are reasonably satisfied with that. I'll say why reasonably, a little later, but mainly in relation to the market it's not something that meets my ambitions and our ambitions. In terms of profitability, we are very pleased here, as this is the best quarter in PZU's history since the IPO and, I suspect, in PZU's history in general. That's 1.8 billion. In fact, everywhere of the four components we are above what we expected and year-on-year. But I'd like to say right away here that it's not like you can multiply it by four and the year-end result will come out, even though usually the 1Q is not the strongest quarter in insurance. Our capital position fairly boringly remains at 226%. Here there are actually no major movements.
In the Group, we are a little bit below due to the consolidation of various entities, while in PZU S.A. we are at 240%, which is very, very good. As you have heard, you know, the Management Board and then the Supervisory Board approved recommending to the General Meeting of Shareholders what we would pay a dividend of 4.47 per share, which means actually paying out the entire standalone profit of PZU S.A. with a tiny catch, which goes to the social fund, but this is according to Polish law. I can't help but make such a historical analysis. Namely, the turnaround on PZU shares since the IPO, as you may know or remember, 15 years ago and two days, PZU debuted on the stock market, at 312 zlotys there was a debut, then there was a 1 in 10 share split. Since then, the stock has risen very decently. Apart from such a moment of several years of good change, where the stock actually was at a very stable level, it even fell below the debut price for a while, which was a sad event. On the other hand, we have had a very decent market response to what we have been doing for some time. A few days ago the value of PZU shares exceeded 60 zlotys for the first time, today I think it was 62. For the first time in history, PZU's value exceeded 50 billion. At one point it touched 54 billion with a chunk. We are waiting for the 55th. Ladies and gentlemen, the dividend is you know, it is purely a technical issue. Shareholders will get the money in their accounts on 16 October 2025.
As a reminder, the shareholders' meeting is 25 June. It will be convened at this time. Dynamic growth in 1Q earnings. And here we can boast of four fragments, as it were. Namely, the result from insurance services increased by almost half a billion zlotys. This is a very strong growth. The result on the investment portfolio almost by 100 million. Well, you know yourself that this is to

some extent a function of interest rates and what is happening in the market. So far we have been lucky and everything is very nice. Operating margin very high. I will say frankly that a little more than we expected and planned, but this is what Tomek will talk about. And a mixed indicator. Ladies and gentlemen, an 82.5% blended ratio is unsustainable and it is impossible to maintain in such a competitive market. On the other hand, this mixed ratio at such a level is due to two things. First, here we can say to ourselves that as a country and as a sector we were lucky. Look, there have been no more giant winters or giant floods or tornadoes or anything like that, so catastrophic events have been avoided. And the other thing, also on the corporate side in the 1Q, we didn't have any major damage left on our retainer. Let me give you a kind of philosophy on this slide. These numbers, these figures show the result of a kind of decision made a little earlier to make returns on our portfolio, especially motor insurance. Indeed, this has been done, but we can say that this is at the expense of the dynamics of premiums written, whether it says here: business result or insurance revenue. Ladies and gentlemen, this is a big dilemma for us, market share or premium dynamics versus profitability. At this point, here using such a certain paraphrasing, or in other words, a certain parabola, we said to ourselves that we are now collecting ammunition for further struggle, and indeed we are collecting both profitability and capital for potentially further struggle. Those who fight only for market share and not for profitability will have a much, much harder time and it will be harder for them to fight us. Look at three things that we can fairly brag about, but so that we want to talk about it a little bit. Namely, revenue and contribution from non-commercial activities. The largest part of our portfolio, of course, is motor insurance, which is the auto insurance business, related to cars. On the other hand, the car business, which means non-motor business, is growing very decently for us, with very good profitability. Here, once again, I would like to emphasize that we were a bit lucky, because, as we said to ourselves, there were no catastrophic events this quarter, which of course makes us happy. The second issue, health pillar revenues. Less than 10% growth. In my opinion, this is terribly unambitious, and we need to accelerate revenue here, sales very strongly. On the other hand, we will not accelerate until we have a viable business model. And here Tomek will talk about it, but I will warn here that if we divide our health insurance business into two pieces. One, insurance and subscriptions, i.e. fee-for-service of various kinds, as well as revenue from our own facilities, which are owned by PZU, for example the Gamma company in Warsaw, if you, I hope, do not have a problem with your limbs, if you do, you are welcome. This is our company, and if we subtracted the profits from those five companies we own, we would be in the red. So bringing in additional revenue that generates a loss, then you should, first of all, shareholders kill us, and that's what we don't want. And here let me introduce the man who sits in the front row, who has taken on a very interesting challenge, namely, he has been the President of PZU Health for two weeks, Janek Zimowicz, who is also a Member of the Management Board of PZU S.A. I want to emphasize this, he is a Member of the Management Board of PZU S.A., so he is a Member of the Management Board in the Group holding the management of PZU. And this shows that PZU Health will be and is an integral part of the Group, and not some company managed in one way or another, separately. So let's wish Janek good luck, because he will certainly be supported by all of us, including me.
One last thing, assets under management, that is, not our assets in the Investment Fund Company. We are number one when it comes to the flow of funds, or net inflow to Investment Fund Companies from non-bank funds. You know that due to all sorts of regulations there is a huge advantage for those who have access to the distribution banking network. We do have such access, but not preferentially. Here we are reasonably satisfied with this billion, while we have a bigger appetite. Let's move on. And here is the last slide in my section.
For us it's quite important to maintain the rating, so it's still too early to talk about it, but I think that here, at some point in the near future, because of both this holding structure and our

liabilities and our capital position, Tomek and I will think about various kinds of capital optimization. So it is super, super important to maintain this rating. We are happy that the rating remains at the same level. I suspect that if we were to do a rating of a specific issue of ours, we might be tempted to go even higher in euros, for example. And let's perhaps leave it at a fairly high level behind now, and I'll give the floor to Tomek, who will take you through the various lines of business, as usual and as it usually is, which is the same way as last time. Tomek, I’m giving you the floor.

Tomasz Kulik

Thank you very much. Through this next section summarizing the development of our activities I will try to very briefly click through in order to talk about it later already in the context of the results. Property business on stable upward trajectory in terms of insurance revenues. Taking into account the premium these increases slightly lower, while this difference, a significant difference in these two worlds is related to the specifics on the side of a corporate customer.
Here you see a comparison of two dynamics measured by IFRS 17 revenues, dynamics measured by written premium, which in situations where corporate business is growing, Strategic Customer with coverage of more than 12 months. We just hit quarters where this business, despite being in our portfolio, is not the basis of written premium, because it doesn't go out, it doesn't go to the market, it's not quoted and sold as such, whereas it generates value in the Group all the time, so I pay attention to that. As for life insurance, stable growth on the side of group business individually continued. On the one hand, growth in scale through health insurance, on the other hand, increments in terms of resales and growth in scale on the group insurance side, so that protection above all. When it comes to individual insurance, here two speeds. On the one hand, very dynamic, 78-79% year-on-year growth when it comes to insurance in the banking channel, investment insurance, or guaranteed rate investment products. In our branches, in our distribution network, the protection products are doing very well, both the hybrid product and the flexible product that we talked about some time ago, whose year-on-year growth rate in the 1Q is less than 25%, so that very dynamic growth. A lot has already been said about the health pillar, I'll just point out one thing, the very dynamic redirection and the ability to handle traffic in the 1Q in our facilities, which is important from the point of view of controlling the cost, the average cost of a medical procedure, which later has a very significant impact on what kind of profitability we are able to show with similar utilizations, and the proprietary network is also the ability to control the patient path and influence that very utilization. So that I point out, a significant increase to 43% at the end of the 1Q. In terms of assets under management, what is noteworthy is that TFI PZU is number one among non-bank Investment Fund Companies with the growth of these net new sales at 1 billion share of inflows of more than 9%. And very significant sales increases in the banking channel, which on the whole, generating very high double-digit growth rates, translate into premiums written, year-on-year growth in premiums written, over 135 million. This is the main information. Let's now turn to how the 1Q allowed us to generate value, both from this new business and from how the portfolio evolved during this time. In summary, the CEO has already said, we are growing in terms of top line, insurance revenues, half a billion year on year. On the other hand, as the Chairman said, this is not an expression of our aspiration here. We want more, we hope for more, and in the context of what we talked about in the 36 billion strategy, well that's a very ambitious goal, if these increases were to close at 7-7.5%. So here we definitely need to speed up. On the other hand, so that there was not just a downward pull, even these gains were shaped by areas that had double-digit dynamics. First of all, property insurance, primarily non-life insurance of both segments. We have already talked about individual life insurance, investment insurance,

individual protection insurance in our network. So all this allowed us to pull DM upwards. On the side of foreign companies, lower values. On the other hand, significantly reduced by the appreciation of the zloty. I will remind you that these are markets where sales are denominated in euros, and therefore, despite much higher dynamics in the functional currency, in the local currency, when converted to zlotys slightly lower parameters. As for the cost of insurance services, what draws attention this quarter is both year-on-year and quarter-on-quarter in absolute terms lower costs. And this situation consisted of, you could say, four effects. The first is cost efficiency, lower fixed costs, which later translate into lower administrative costs, through indirect acquisition costs to lower distribution costs, or lower benefit claims costs. So cost efficiency is one element. The second element is a definite improvement in the quality of the insurance business as seen through two items. The first is the very large amortization component of this loss component recognized in prior periods, which offsets the payouts handled in the current period. And, on the other hand, a very small component of the new loss component, or revaluation of what was on the opening balance sheet. Therefore, all this shows the quality of the portfolio in this 1Q we are talking about. Very, very positive information. The whole is completed by a one-time event recognized on the corporate portfolio side. Here we are talking about the release of a higher year-on-year net reserve surplus. From prior periods above the current value of damage payments, the impact of which on the 1Q results was about 100 million zlotys. This allows us to close results from insurance services at a very high 1 billion 250, 59% above last year, above even the fourth very strong quarter. Taking into account net income, net financial income, which consists of, on the one hand, financial costs from insurance, here mainly the cost of money over time and recognizing the fact that we are talking about a standard in which flows are discounted, to which revenues from portfolios are applied, the main purpose of which is to cover precisely the technical provisions. The sum of these two components, which additionally grew positively year-on-year by 16%, allows the company to close the 1Q with a result, excluding banks, of 1, 267 billion. Very, very high growth rates, 67%, adding the share of the banking segment, which is flat year-on-year, we end up at 1,760 billion. Some relevant information. First of all, the return on equity, this adjusted return on equity, by other comprehensive income, through which the changes in reserves between the rate of this locked-in rate, which we value the flows in the income statement, and the current rate. So that very, very high return on capital. Significant improvement in claims, improved cost efficiency, lower combined ratio, i.e., improved profitability in property insurance by 7.6 percentage points and margins on individually continued group insurance. These are the key pieces of information from the perspective of profitability in the 1Q. Now a very brief summary of how the various segments contributed to this. As for property insurance, the mass segment, increases 8.3% and here the increases are mainly due to the rather high dynamics of the amortization of insurance liabilities on the side of non-motor products
13.6 percent with flat net insurance service costs, which consisted largely of an improvement in terms of motor insurance topics and precisely this effect related to the lower creation of new and higher depreciation of loss components from previous quarters, which positively, in total, contributed to the current quarter's costs of more than 100 million. This means, with improved cost efficiency, an increase in operating profit by 100% to 584 million and an improvement in the combined ratio in virtually every dimension, both in terms of civil liability insurance and in terms of own damage insurance, as well as in terms of non-motor insurance. Since we often get questions about what's going on in this motor insurance market, we'll try to tell you, while at the same time making it very clear that we're now in this world where we're able to gather information in the local market, and we're only able to gather it in a local standard, so PSR. I point this out for the sake of not putting such a direct equals sign between the two standards. The differences are in the recognition of both revenue and costs over time, while, of course, at the end, when we talk

about earned zlotys, well, the sum of those earned zlotys, no matter what we measure, is exactly the same. In the meantime, on the other hand, situations are changing quite significantly. So how does this market behave, once again, measured by Polish standards?
What we see on the civil liability insurance side is a continuation of dynamics, while dynamics that are losing their momentum. As for the 1Q, this is PIU data, so it is not the full market. Slowing to 7.6%, that's down about a percentage point compared to the 4Q. As far as Own Damage is concerned, we have remained in such a corridor between 3.5 - 4% for the past, so to speak, 12 months, which in both one product and the other, given the dynamics of cost growth, does not allow us to generate value. And while the Own Damage product is a profitable product all the time, you can see on this graphic with the technical results, or technical profitability, once again, we are in Polish standards, you can also see that the 4Q is already losses of almost 7 percentage points. What we have been trying to achieve at this time, and what can also be seen through the top line, is to bet on rebuilding profitability in this area after the losses we generated last year, which were particularly fraught for us in terms of 2Q and 3Q. So we've been trying for the last while, kind of hoping to generate an upward momentum in the market, pulling this market upward. On the other hand, it turns out that not everyone has the appetite for this, and there are those who focus on building their market share all the time, so it's still a market under price pressure. Today, you can't see it yet. Today, we also do not report it this standard 17. On the other hand, we see some risk associated with the fact that given this situation, given the situation related to the unprofitability of liability insurance, that this situation or margin depreciation may at some point also affect Own Damage. What is good news, on the other hand, is that the number of traffic incidents, or the frequency of damage in this regard, was favorable, and therefore it did not increase, so this time it was the inflationary elements that influenced the formation of this cost part. Out of obligation, I will remind you what the differences between the two standards are, because after the last conference there were a couple of studies that, as I mentioned, put an equal sign between the two dimensions. They are not equal over the life of the insurance, while no matter how they are measured over the life of the cohort, policies or portfolio at the end they must yield the same PLN. So I'm pointing out that, unlike in the PSRs, the IAS, as a standard that is more conservative, tells us to recognize what is nicely called a loss component, which is the part of the portfolio where the price is not able to cover current costs, and to recognize this part as a losing part when it is acquired into the portfolio. In the PSRs you don't see this, in the PSRs these two streams, the profitable stream and the loss stream are added, and therefore there are situations where, despite the loss in this international standard, the local dimension is profitable. If there are later repricings, price increases or continued sales in subsequent periods, in subsequent years, losses once recognized, well they can't be recognized in subsequent periods, so we are sort of, in quotes of course, the beneficiary of this very high conservatism from year one, which of course you don't see again in the PSRs, where the loss portions of the portfolio are offset by the gain portions, and as a result, we again have quite a large difference in the yields of the two pieces, while, as you can see, these curves, they show that after each successive step the yields begin to converge to show exactly the same values in nominal terms at the end of the story. So that I remind and sensitize.
Turning to the situation in the corporate segment, here we are growing. Another quarter with double-digit dynamics, they are, of course, much higher on the non-motor insurance side over 11%, motor insurance 9.4%, which allows us to close with revenues at double-digit levels all the time. In terms of costs, costs are falling, while as I mentioned earlier, this is mainly a matter of releasing a higher excess of net loss reserves from previous years over the present value of payments, which had a one-time effect on the compensation position in the period. This is an impact of about 100 million zlotys, and therefore the profitability on non-motor insurance is very high, 50% we all realize is not sustainable in the long term. With increasing cost efficiency, we are

closing with an operating result that is growing year-on-year by one-third, improving profitability in every dimension also in Civil Liability and Own Damage in line with international standards. On the group, individually continuing insurance side, we are growing by less than 5%, while we are growing when it comes to the top line, considering mainly two aspects. The first, and most important, is the higher contribution and release of contract margins. The increase in this element is quite significant. The second such parameter is the 60 million higher expected compensation and benefits from both the indexation of benefits and the aging of the individual continuation portfolio. On the cost side, almost flat, less than 1.5% growth, and here again there is an improvement in the quality of the portfolio. As you can see, these two components, which are such a litmus test of what profitability looks like, i.e. the creation of the loss component and its depreciation and amortization, behave incomparably better on a quarter-on-quarter, year-on-year basis, resulting in these costs practically not increasing.
Given the improvement in cost efficiency, we are in a position where we are reporting very high profitability, an increase in operating profit of almost 25%, which is a component of just the improvement in technical profitability through this loss component prism, and a higher contract margin contribution of almost 20 million. Mortality during this period has unfortunately behaved negatively for us, that is, the mortality rate is increasing about 6% year-on-year. On the other hand, we also point out that when it comes to the mix of mortality to the frequency of benefits paid, with a positive change in this mix, we pay fewer and fewer benefits per registered death, which allows us to be a partial beneficiary of the change in this structure. And this is probably the most important information we would like to convey. On the individual protection insurance side, here we have already said a lot, costs are growing quite linearly with revenue growth, which translates into a 10% increase in operating profit. What's gratifying is that we are able to generate value, as you can see in the slide just displayed. Contract margins in both individual, group and individual protection insurance are growing. A gain of more than 2% during the quarter. This shows that on the one hand we sell, on the other hand we are able to resell, saturate the portfolio, or index in a value-creating way. In terms of the investment portfolio, it can be said that virtually every asset class has added to the growth. Very high interest result. The improvement, in terms of equity instruments, in terms of real estate strategies, is all further supported by the positive effect of temporary exchange rate differences from real estate valuation. As you remember, in each of the 1Q and 3Q we have such transitional differences due to the fact that twice a year we only do valuation by appraisal reports. This portfolio today gives us an annualized yield of 6.3%. Solvency at the end of 2024 at the level of 226 million, which is a very good position considering the proposed very high dividend, practically at the level of the 2027 strategy. So I'm all the more pleased that we are able to demonstrate a level of solvency that will allow us to generate value in the future while generating high returns for shareholders. Strategic objectives and strategy summary. As I mentioned earlier, a challenge when it comes to the top line, a very good situation when it comes to the profitability of the core business, both on the life and non-life side, as well as on the asset side. A certain malaise when it comes to the contributions of the various segments, especially from the point of view of scale. This is a good opening, while an opening in which, as the CEO has already said, we feel like a lot more, and here I would pass the floor to the CEO. Thank you very much.

Andrzej Klesyk

Ladies and gentlemen, indeed here these strategic goals are the official strategy, which has not yet been or changed by the Management Board, so we must refer to it. Today I will be referring to it. A few comments that you may find useful when it comes to long-term thinking. First, insurance

revenues, if you see in the very top corner. If we did an extrapolation, 36 billion would be very hard to achieve. However, we must do everything to increase the dynamics of our sales.
And lately, over the past few months, the company, especially the property business, has been focusing on making the business unprofitable. We've raised capital, we've raised ammunition, and now I think we're ready to start fighting for the market. In a profitable way, to be clear. We don't want to squander money. Second issue. As for the solvency ratio, it's a kind of proxy and rather on that, I wouldn't put too much weight on it, because the holding and regulatory issues of 2027 will turn all that upside down. On the other hand, we will certainly want to maintain very decent solvency ratios. As for COR at the bottom, a mixed indicator, as the CEO has said. First, the quarter was incredibly kind and friendly to us.
Keeping CORs at such a low level, with such a competitive market, is virtually impossible. On the other hand, offsetting the potential increase in COR must also be done by increasing revenues. And this is a bit of a dilemma that we will be facing in the near future. But it must be a long-term decision, not just, as if to say, from band to band. And the last thing, health. I even specifically asked President Jan to come here. 3 billion, well that's unambitious to me. When setting up PZU Health probably 12 years ago, I talked about 3 billion in 3 years. Well, and we have PZU Health after 12 years and 2 billion, which is mostly unprofitable. And this is something that Tomek talked about just a bit. Namely, if we took, split the health business into two parts. Our own facilities, that is, those we invested in or bought, and the insurance and subscription business, the latter business, the typical insurance business that brings us a gigantic majority of revenue, is unprofitable. That is, on the verge of zero. So now increasing revenues simply wouldn't make economic sense. We would just grind money. We are not for grinding money, we are for making money. And here the President already has some ideas, but I think he will talk about them already at the next meeting, since he will already be a little responsible for health results then, too. And that's basically it, I think, in terms of strategy.
We will definitely be coming back to you with some kind of revision of the strategy. Especially since the holding will allow all sorts of different choices than they were before. I think that's where we'll end.

Magdalena Komaracka

We have some questions from the Internet, but why don't we try to answer questions from the floor first? So, the first two questions are about the holding company, and the first one asked by Trigon is whether, after further analysis, you think you will be able to convert the company into a holding company by the end of 2026?

Andrzej Klesyk

We have no other choice and we will make it.

Magdalena Komaracka

And the second question comes from Autonomus, and that is, can you share information regarding the swap plans, this we have already answered, and the second question is, does the Group have any preference regarding whether or not to maintain a 20% stake in PKO Bank?

Andrzej Klesyk

I would like to emphasize that so far we have an agreement with PFR, which says 30% plus split, and this agreement allows us to consolidate PKO S.A. I think that as we decide on the structure of the holding company, then we will consider the level of our involvement in both banks.

Magdalena Komaracka

And a question about Solvency 2 and a holding in total also from Trigon. Do you maintain the estimated impact of the new regulations from 2027, presented during the previous presentation?

Andrzej Klesyk

Yes, but I would give the floor to Tomasz, because there are some nuances related to the timing and the way this indicator is calculated. Tomasz, if you would.

Tomasz Kulik

Yes, of course. If nothing changes, that is, the situation as it is today and we are in 2027, the same business, the same scale, etc., etc., etc., we will recognize the following effects.
On the one hand, a significant increase in the capital requirement related to the fact of having banks for which today's requirements do not proportionally take into account safety buffers. Therefore, here we are talking about quite significant increments on this banking part. On the other hand, we have changes that can negatively affect solvency levels ranging 5-6%, and these are refinements, changes in the cost of capital, these kinds of stories,
which again this change will incorporate. The third thing, and we have also talked about this, we are constantly working on an internal model in terms of how to calculate the capital requirement in this insurance part. Why is this important? This is important to us for two reasons. The first, due to the fact that by counting this requirement in a way that reflects the specifics of the business, we are able to achieve certain better match items. Well, because what is the standard formula? The standard formula is such a classic one size fits all approach. Therefore, it must be good for everyone and, abstracting from certain specifics or certain markets, give a level of
capital, a capital requirement that must be maintained by all and, being maintained, guarantee security at both the plant and market levels. So we're assuming that the implementation of the internal model will free up some capital, but it's probably even more important to implement this internal model to better match insurance risk to price.
Today, this price assumes a certain element of capital inefficiency, precisely as a result of what I have mentioned. Therefore, here we should be a beneficiary in three ways, to be able to better reflect the price, to better understand the profit of our own risk, and on the third hand already so very instrumental to be a beneficiary of this from the point of view of the decrease in the capital requirement, especially when it comes to catastrophic risk.

Magdalena Komaracka

I still have one more clarifying question about the banks from Trigon, are there any moves being considered in the bank holdings prior to conversion into a holding company?

Andrzej Klesyk

I think that if we would look at ourselves, assume from the thick of our fingers that the holding is a matter of next year, somewhere in time, then we as a Management Board must have very clear recommendations on the future ownership of our shares in both banks.
It just doesn't make sense otherwise. So the sequence will be that most likely, as we promised you at the very beginning of the 3Q or around the 3Q, we will get back to you with details of both the holding company and our involvements in the banks.

Magdalena Komaracka

I have two questions about motor insurance and the first question is also from Trigon. What was the slowdown in revenue growth in motor insurance in the mass segment caused by: volumes or prices?

Andrzej Klesyk

I'll be the one to start but Tomasz will give the details... I think it's even about a specific slide. Ladies and gentlemen, we had a gigantically unprofitable business in several segments, especially in the distribution channel it's not even about the product just the distribution channel, called multiagencies. The amount of cash, so to speak colloquially, that PZU was burning through, without any positive impact on the result, was gigantic, and this was stopped
and the giant majority was the price and not the number of policies, Tomasz?

Tomasz Kulik

Yes, I can absolutely confirm here we are in a situation where as you remember this slide I will try to quickly click to it is probably so simple so I will click to speak. The market in the 1Q fell in terms of price dynamics to about 7.6% well that's it, in terms of civil liability. We, for the last six months at least, have been trying to generate for the market a fairly significant impulse that would translate into an attempt to repeat the cycle we witnessed in 2015, 2016. It is probably not necessary on such strong dynamics, while what is happening today is price dynamics replicate burning cost, or the cost of doing this business underrating risk. So given our position in the various distribution channels, in a situation in which the market, as you can see in each successive quarter of last year went lower and lower with this profitability, we were forced, not wanting to behave irresponsibly, to limit this growth, and as a result we have a situation in which, being the leader in this last period in terms of price increases, we generated dynamics measured by premiums written, because we are in the PSR ranging 2-3% so it is known that the balancing figure is a portfolio and exposure that, given the gigantically unprofitable and loss-making impact on the entire civil liability insurance portfolio, has disappeared from our portfolio at this time. Is this a desirable situation? No, it isn’t. Here we will try to balance this situation with profitability growth in a way that will allow us to create value all the time.

Magdalena Komaracka

The second question from Autonomus is, of course, are the price increases in motor liability insurance sufficient to cover claims inflation?

Tomasz Kulik

To cover claims inflation yes but not to cover claims inflation to take us out of this space below zero, and as you can see we are no longer talking about a delta of 2.5 or 3% we are talking about a problem reaching 6-7%. This is a picture at the end of last year. So on the one hand, yes, these are dynamics that allow to replicate what is happening on the cost side, no, these are not dynamics that allow to pull this situation above zero.

Magdalena Komaracka

Now a question about life also from Autonomus, it's probably a question about slide 24, that's what I infer from the content: excluding the change in assumptions and variances, the contract margin in life increased less than 1% in the 1Q25. Does this worry you and what do you plan to do to accelerate this growth?

Tomasz Kulik

Well, the first part of the answer is that while I understand this thinking from the point of view of what portfolio in PZU we are talking about is not legitimate, because the bulk of the variance we are talking about here simply includes upselling to the portfolio mainly to the individual continuation, that's the way this business model is, which are not part of the recognition of this CSM at the time of the new sale. This has been the business idea for many years, where, while trying to create a new relationship, we don't want to be too aggressive with sales. Therefore, this package this offer from the point of view of coverage is slimmer, and later in the life of this product is simply saturated, productized with additions, additional riders. Therefore, you should always look at these two items together in our case because they together show what generating new value looks like from the point of view of reaching the customer and upselling, or new sales. So if it was like the question, the answer would probably have to be negative. If we realize that this is not 100% of our sales, the situation gets a little different already we are not talking about one but more than 2% on a quarterly basis, and in this connection, this is a situation that is perhaps not a situation of over-optimism whereas given the structure of the portfolio... because, ladies and gentlemen, we cannot talk about this again in isolation. We have a portfolio of 10 million customers of which the lion's share is of a very mature age, so if we wanted to maintain that value in the way we have this portfolio at the other end of the policy life cycle behaves, well, we are talking about gigantic increments of new sales that are difficult to replicate. We can say here we are to some extent a limitation on ourselves. That's why new formulas are so important to us, that's why the flexible product, that's why the hybrid we talked about is completely new thinking and new value for the customer, but again, milling an entire portfolio this way is years, it's not a question of a quarter or a year.

Magdalena Komaracka

Back to the topic of solvency here was a question from PKO BP Securities. In your opinion, will the FSC agree to a less conservative requirement in the internal model?

Tomasz Kulik

I can answer. It is not a matter of a less conservative requirement. It is a matter of requirement that replicates the risk profile of this portfolio. This is like asking whether the FSC will agree... maybe not the FSC... whether in a sports club the coach will agree that an athlete should run in custom-fitted shoes and not everyone should fly in size 44 shoes, because this is exactly the same discussion. You run (a) faster in custom-fitted shoes,
(b) you score more points and that's the whole answer.

Magdalena Komaracka

And a question about the holding. When should we expect a law to be passed that will allow PZU to create a holding structure, or is something like lex PZU already being created?

Andrzej Klesyk

No, I would like to emphasize that a lex PZU law will definitely not be created, because it makes no sense. On the other hand, the law that is needed to create a holding company is a matter of supplementing the Insurance Business Law, or the Insurance Business Law, with an identical provision to that in the Banking Law regarding the division of a company. That's all and only that. These are not any paragraphs it is most likely the addition of a few words to make insurance law analogous to banking law, which is the standard in the European Union and actually world-wide.

Magdalena Komaracka

I have no more questions from the Internet so I pass the floor to the President.

Andrzej Klesyk

Well, since there are no more questions, thank you again for following us, thank you very much for your analysis, but also thank you very, very much for your comments, which we read, some of which we agree with very strongly, some of which we also agree with, and they are a kind of, as if to say, stimulant for us to think further and develop further, so once again, thank you very much and I encourage you to get in touch with our fellows from IR. Thanks very much and have a great afternoon and weekend.