



# The New PZU - More Than Insurance

PZU Group's Updated Strategy and Implementation Plan  
for 2017-2020







## The New PZU - More Than Insurance (1/2)



**Paweł Surówka**  
President of the PZU SA Management Board

The PZU Group is the largest financial group in Central and Eastern Europe. It has nearly 300 bn PLN of assets under management and it enjoys the trust of more than 22 million clients in five countries. Considering the magnitude of our operations and the rapid growth of the business environment driven by technology, the “New PZU” strategy defines the overall Group’s mission and forms the common denominator for both its current actions and its future initiatives.

The New PZU is much more than insurance. Our companies are active not only in life, non-life and health insurance but also in investment, pension, health care and banking products. Moreover, we deliver assistance services to retail clients and businesses through strategic partnerships. The magnitude and variety of our operations paint a broader picture of what PZU is. We are a powerful financial institution, but above all we are a group of service companies for which the operating foundation is the trust our clients place in us. By re-defining the PZU Group’s mission, we have drawn conclusions from our own experience on the one hand, while pointing to the direction in which the entire industry will move on the other hand.

We want to do something different from the classical client relation model that most insurers follow, in which the only contact clients have with their insurer (after buying a policy) is when a claim occurs. We want to do considerably more and effectively help clients solve their problems in many areas at every stage of their lives. PZU’s new approach to building client relations are at the heart of this change.

Our clients make many important decisions that greatly influence their future security, on top of their attempts to afford themselves, their loved ones, their firms and their employees insurance cover in their daily lives. The PZU Group wants to be part of all that – we want to help our clients make wise choices to protect their lives, health, assets, savings and finances. We want to give them tools to help them protect what is the most valuable to them. These types of decisions are not made overnight. This is a process spread over their entire lifetimes with every day bringing new questions to which the right answers must be found. We already know those answers.

In this spirit we have defined the PZU Group’s new mission: we help clients take care of their future. That is why we will be present today when they make decisions on how to tend to their health and financial security, and also at the time when the repercussions of these decisions will be felt. Our outlook is not for the next few months but for many years to come. For that and many other reasons, we organize medical checkups for children in school and we invest in educating people about health care. We also help organize care for older persons. We provide support for innovative techniques to detect tumors and we collaborate effectively with oncology centers.



## The New PZU - More Than Insurance (2/2)

Defining PZU as a service company that helps clients take matters into their own hands, calls for considerable investment in the overall Group's growth. Our client relationships, and our knowledge of our clients, are becoming our main value, while our chief product is our acumen in addressing client needs to build a stable future. That is why we devote so much space in this strategy to initiatives that will enrich our client knowledge and assist us in reaching clients even more quickly. The major vector of change is to unite all the company's areas under a client focus so as to be able to address client needs comprehensively. We place special emphasis on analyzing the information we have – we want to understand and use it better. At the same time, to lend credibility to our profile as a company that anticipates the future, we are dedicating substantial attention to artificial intelligence and working on the largest client database in Poland, which the PZU Group has at its disposal. Gradually, we will move the company's operating model from that of an insurer (pricing and transferring risk) to the model of a service company specializing in harnessing data (risk management consulting and services) as well as caring for the future of clients, retail and business, alike.

We also want to alter the philosophy of how our sales networks operate. We will move from a „product-centric” model to an ecosystem in which our overriding objective will be to manage relations with clients by offering them our solutions in all the avenues that are accessible to them. Accurately anticipating the future, understanding client needs and building ever better methods of becoming part of their daily lives are the logical foundations supporting the key initiatives in PZU's new strategy. Among others, these initiatives include radically simplifying our product offering and preparing our sales network to offer all our products and services, investing in database integration to deliver a full picture of our clients, cross selling, offering a loyalty program and reducing the age of our client base. Tightening cooperation with the Alior and Pekao SA banks is also an important issue whereby we will be able to devise comprehensive financial solutions responding to the needs of retail clients and small and medium-sized companies.

Much will change in PZU under these initiatives. We will fully unleash the potential that is present in the structures of the market's largest player. We would like investors to value us for our discipline and how predictable we are in sharing our profits, and also for them to perceive the element of growth that flows from all the initiatives listed here.

Nevertheless, this strategy does have areas that will not undergo any modification while engaging in a thorough rejuvenation: technological, process-related and operational. Above all, the fact is that PZU will continue to be one of the most stable and profitable financial groups in the world. The values we will retain primarily involve stability: as defined by always keeping our Solvency II ratio above 200%; ROE specified as being above 22%; the promise of sharing the profits that are not needed to finance our rapid growth. Taken together, they form a guarantee that our advertising slogan remains current: not just with respect to our clients and business partners, but also our investors.

You can rely on us.

A blue ink signature of Paweł Surówka.

**Paweł Surówka**

President of the PZU SA Management Board

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- 4. How are we going to measure success?



1.  
How is the environment  
changing?





## We understand how new technologies are changing the insurance industry



### Artificial intelligence

New methods of underwriting and setting tariffs, marketing and customer acquisition, accident prevention and process simplification



### Big data

Access to enormous sets of data, the ability to analyze and utilize them with lightning speed



### Mobile solutions

Products and services accessible to clients whenever and wherever they want them



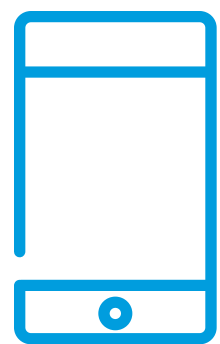
## We are closely tracking rapid social changes



Essential role played by social networks



Necessity to adapt to new legal and regulatory changes



Emergence of digital consumers - active users of the internet and applications



Ageing society - the need for senior health services and care



New types of threats - eg cybercrime



Structural changes on the labour market stemming from process automation



## We will tap into the Polish economy's sound condition

	2016	2017-2020 forecast (average)
Real GDP growth	2,7%	3,6%
Investments in fixed assets (real growth, %)	-7,9%	5,6%
Salary growth (compound annual growth rate)	3,6%	5,5%
Unemployment (annual average)	9,0%	6,2%
Inflation (annual average)	-0,6%	2,2%





## We believe in the further growth of the markets where we operate

### Insurance

- › Market growth correlated to GDP growth and the increasing affluence of the general public
- › New insurance products, e.g. innovative solutions based on telematics and protection against cyberrisk
- › New growth possibilities related to the better usage of data in actuarial and tariff-related processes and in cooperation with clients

### Banks

- › Further anticipated consolidation of the Polish banking sector
- › Forecasted growth rate of deposits nearly twice as high as the pace of GDP growth
- › Rapid development of electronic and mobile banking

### Investments

- › Impact exerted by Employee Capital Schemes on Poles' levels of savings
- › Regulatory changes providing clients a higher level of security and greater transparency
- › Expected consolidation of the Polish asset management market
- › Rising percentage of investment products in the mix of Poles' savings as they accumulate wealth

### Health

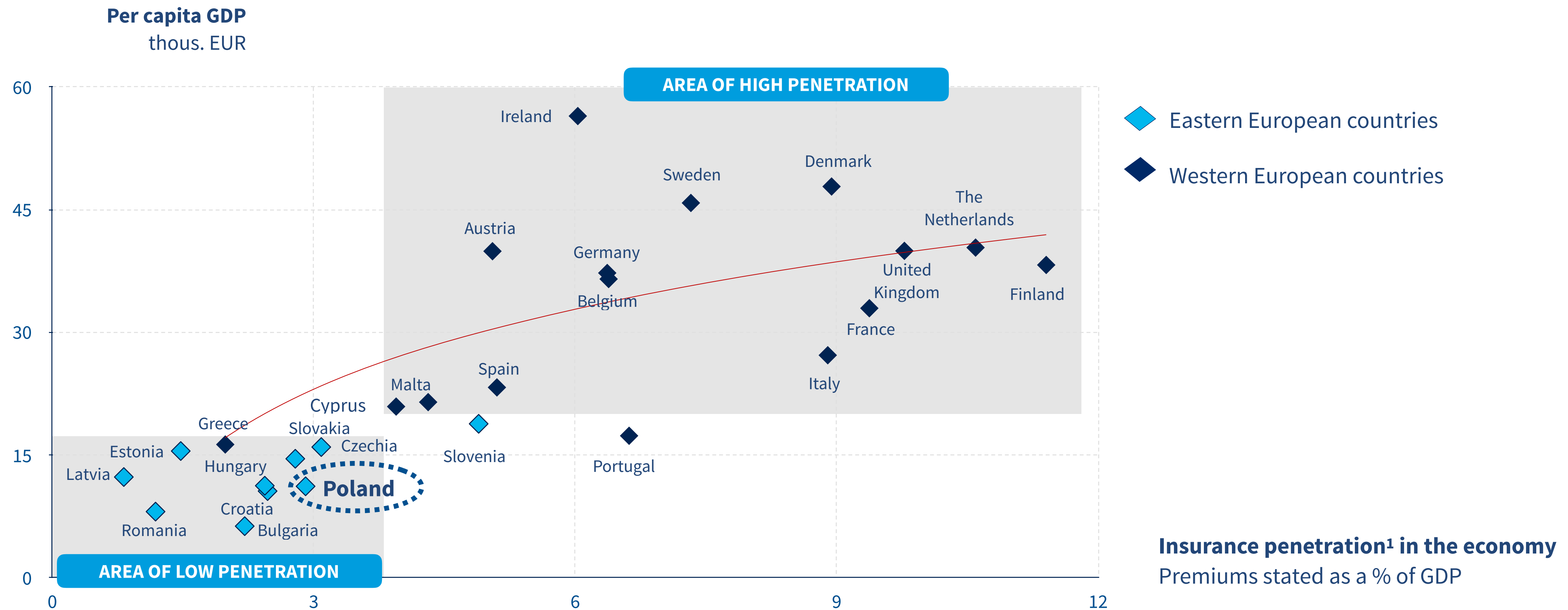
- › Continuation of the double digit pace of growth in the private health insurance market
- › Development of telemedicine and customer service opportunities through remote channels
- › Greater need to provide care to senior citizens

We operate in markets whose growth rate is outstripping the overall pace of GDP growth



# We expect the insurance market to grow in line with economic growth

Insurance penetration and GDP per capita in European Union member states, 2015



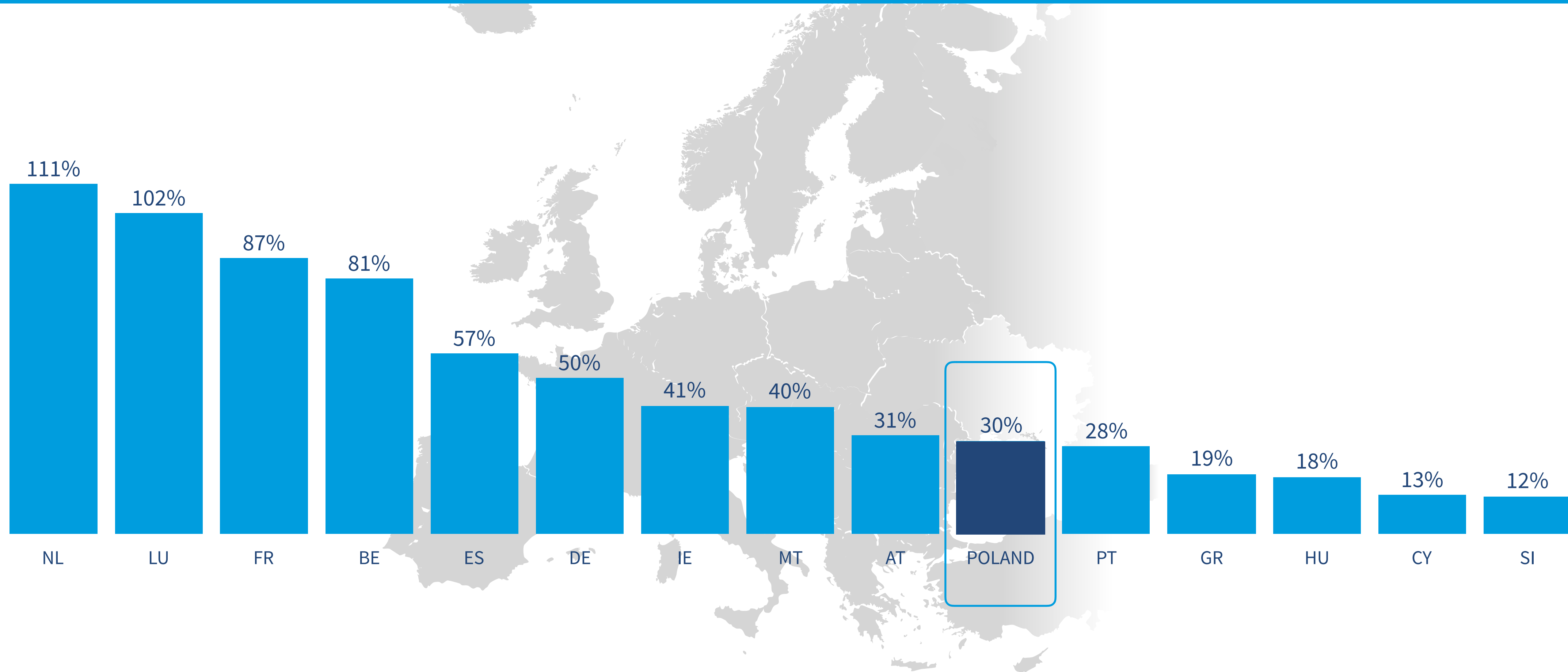
<sup>1</sup> Life and non-life insurance  
Source: Central Statistical Office; Eurostat;



We will actively participate in the development of the capital market and derive benefits stemming from that development



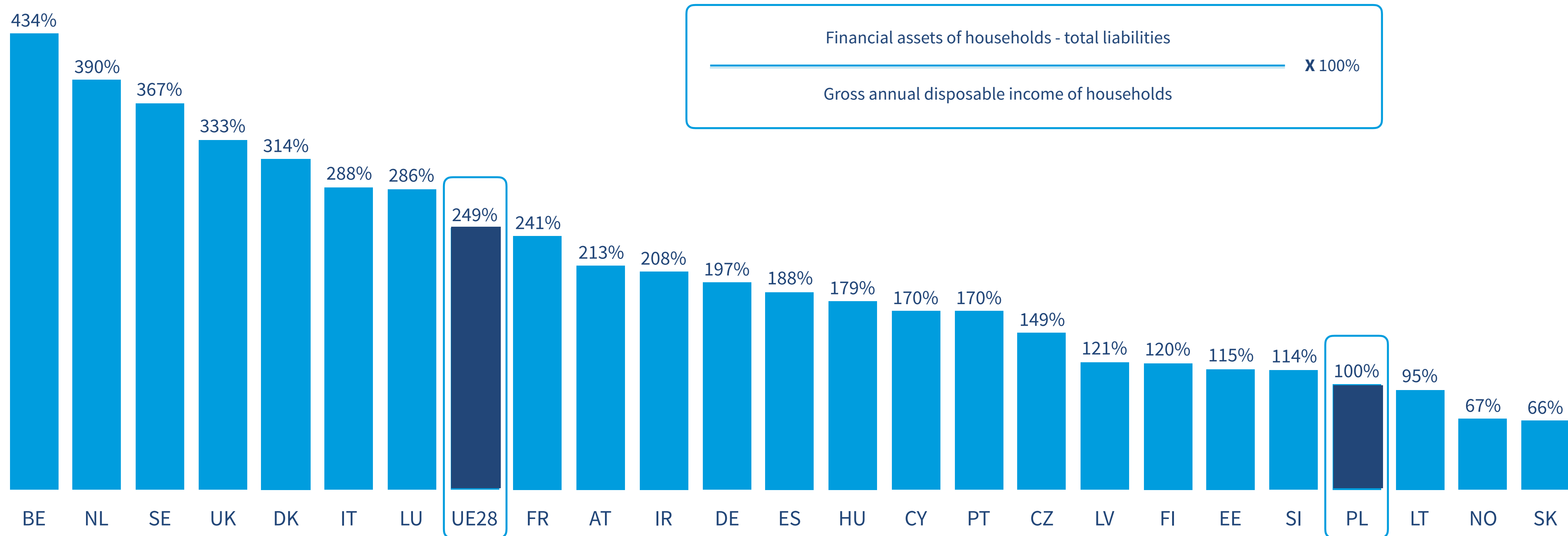
Capitalization of stock exchanges in various countries as a % of GDP, 2016





We perceive potential for growth in Poles' financial assets in connection with the relatively low level of penetration in comparison with other EU countries

Net financial assets of households in EU member states stated as a % of annual disposable income, in %, 2015

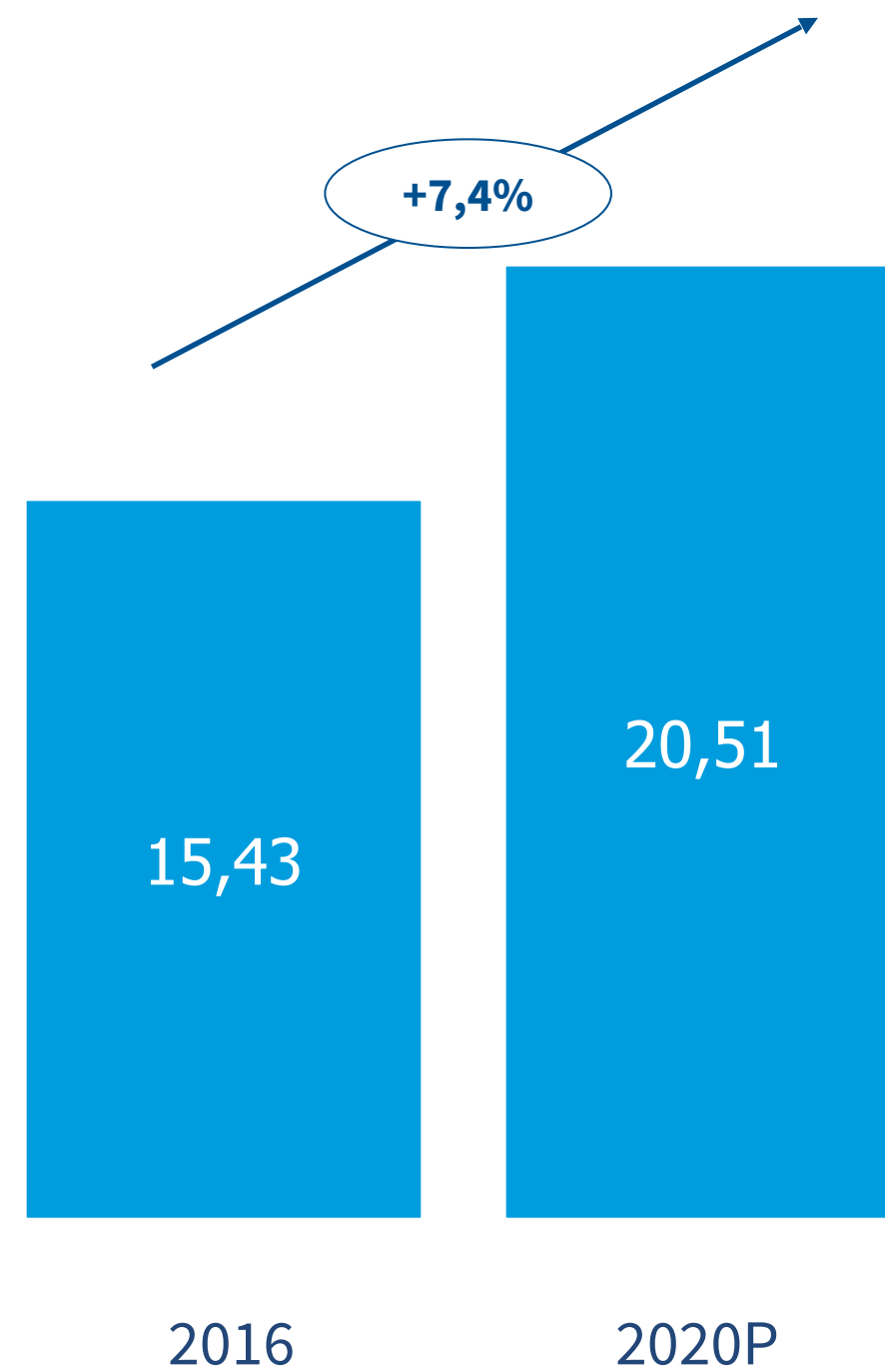




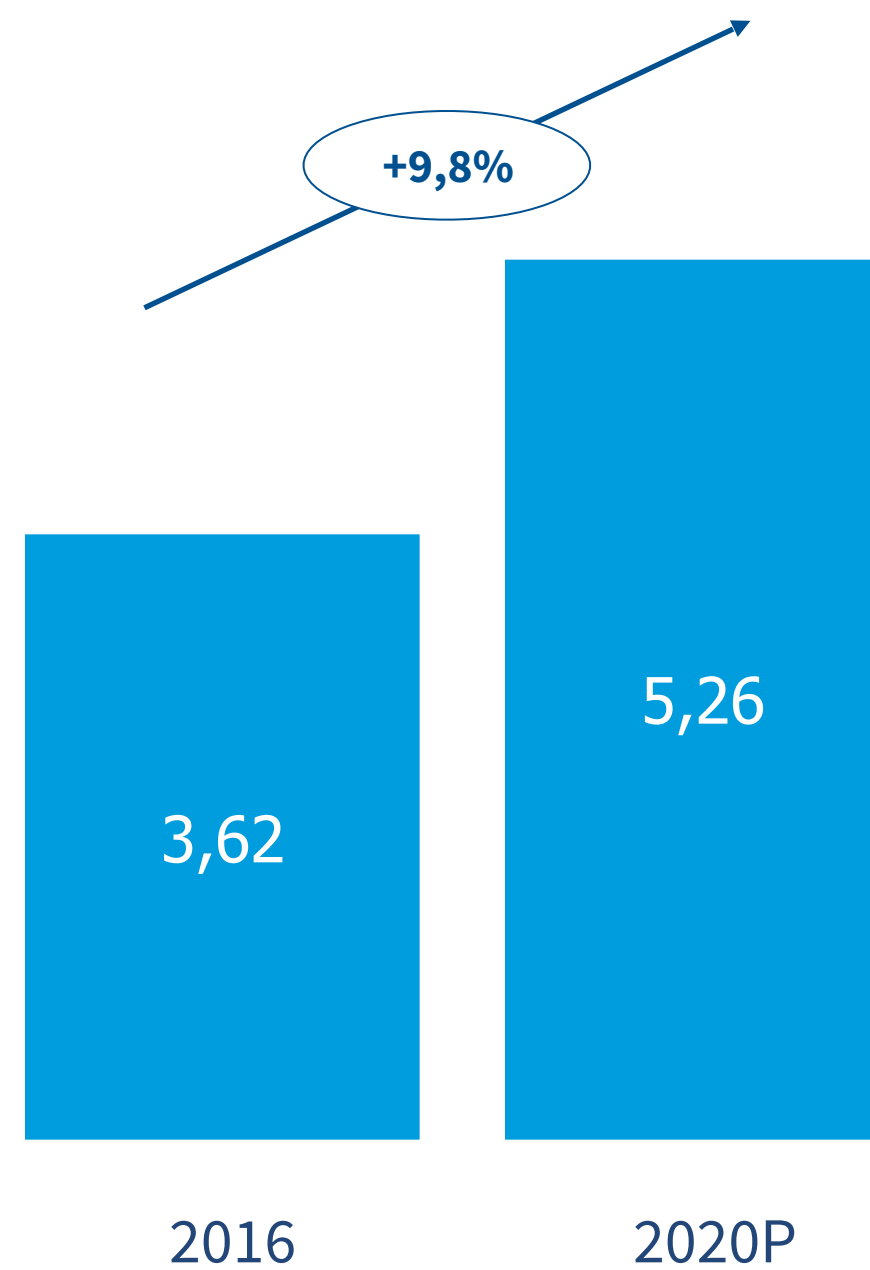


# We will take advantage of the rapid growth in the private health care market

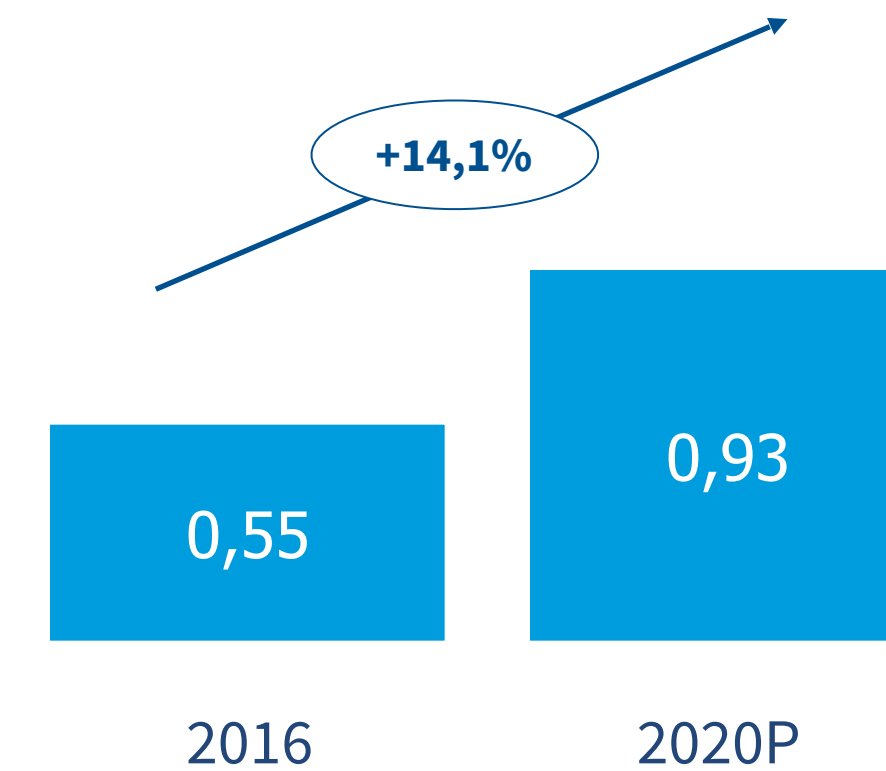
Value of the fee-for-service market in Poland (bn PLN)



Value of the medical subscription market in Poland (bn PLN)



Value of the private health insurance market in Poland (bn PLN)



Compound annual growth rate

2.

What do we want  
to achieve?





2.

What do we want  
to achieve?

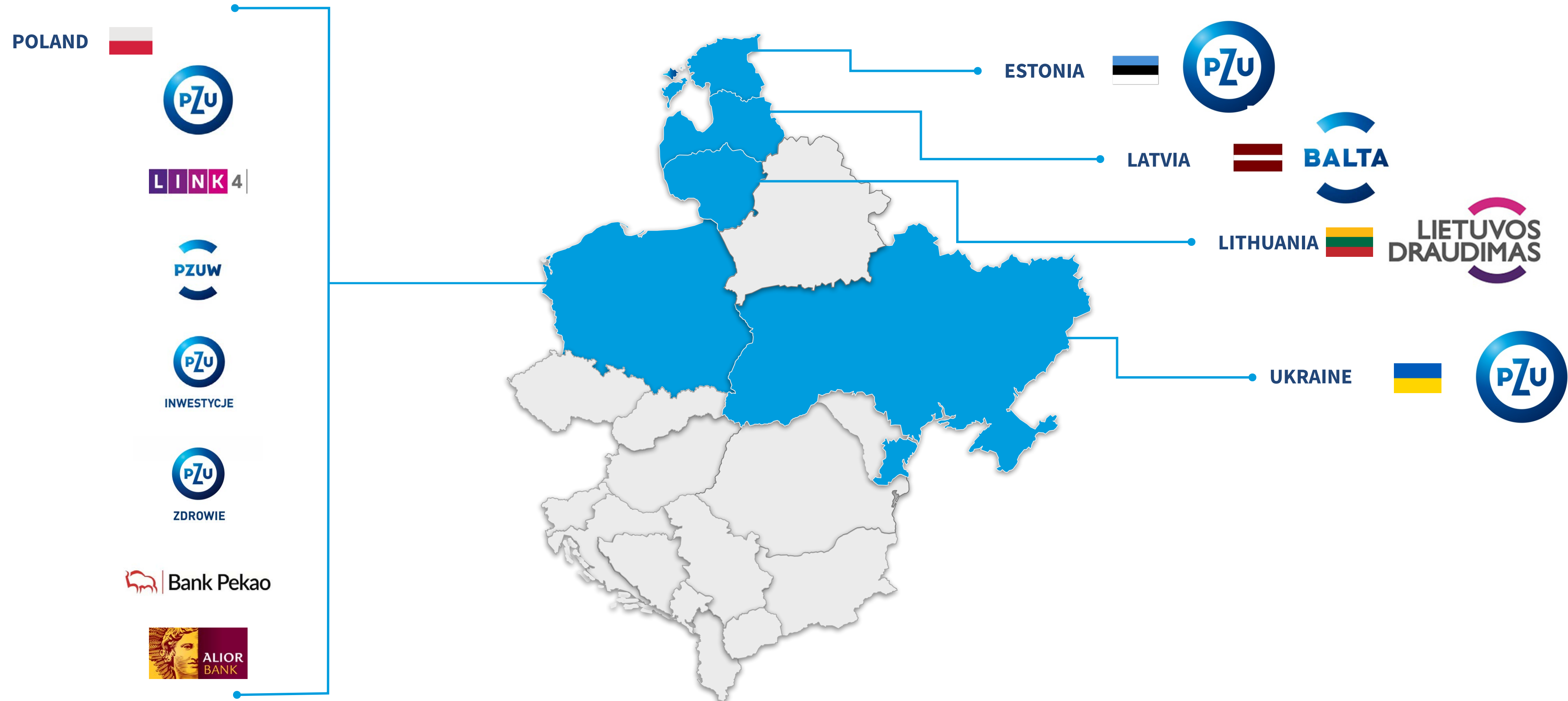
2.1 New operating model



2.1 New operating model



We will unleash the potential of the largest financial group in Central and Eastern Europe



We operate in 5 countries in Europe – more than 22 million loyal clients have placed their trust in us – we have more than 300 bn PLN in assets



2.1 New operating model



# We are changing PZU - we are becoming a lifetime partner

## PZU YESTERDAY

## THE NEW PZU

PZU SA

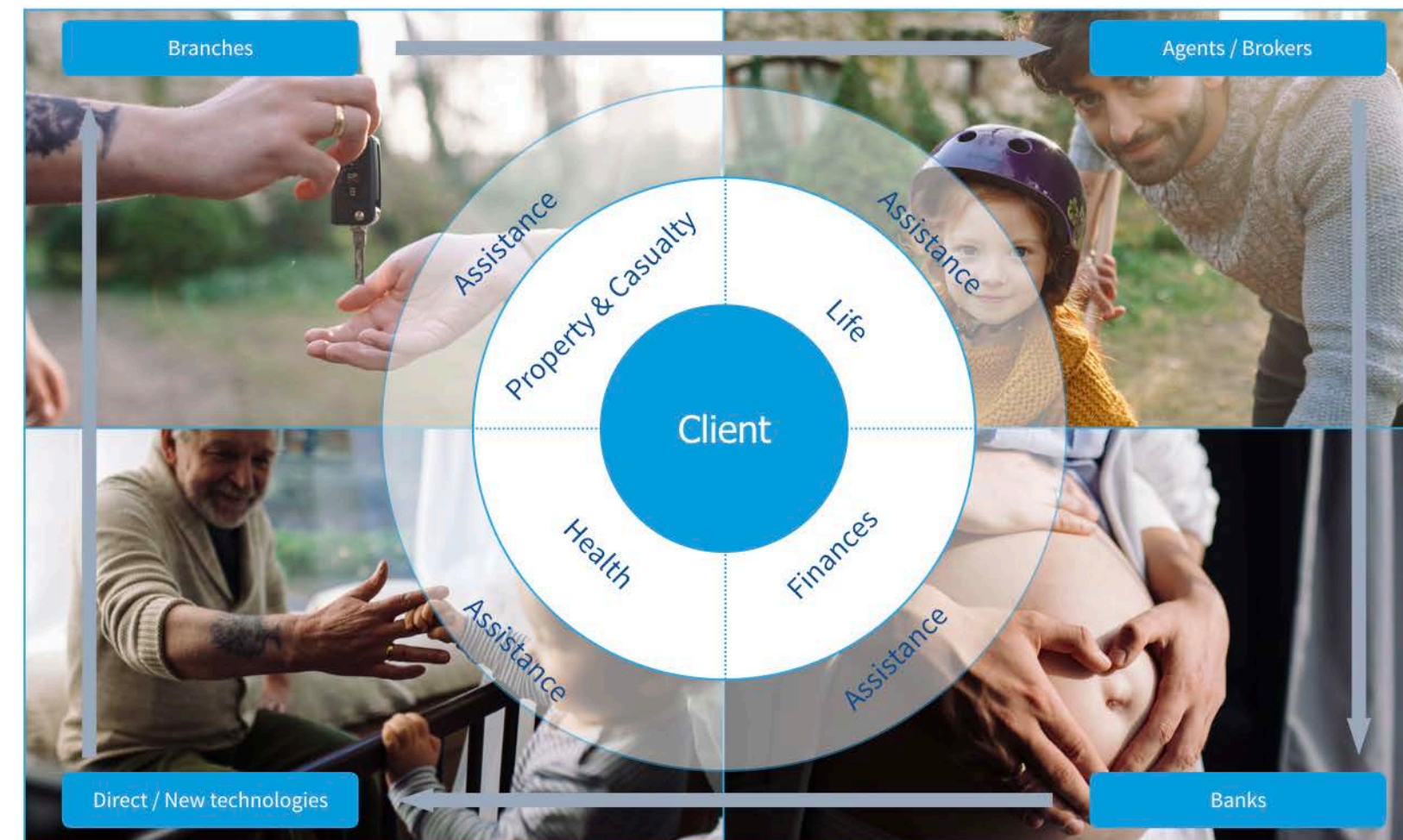
PZU ŻYCIE

PZU ZDROWIE

PZU POMOC

TFI PZU

BANKS

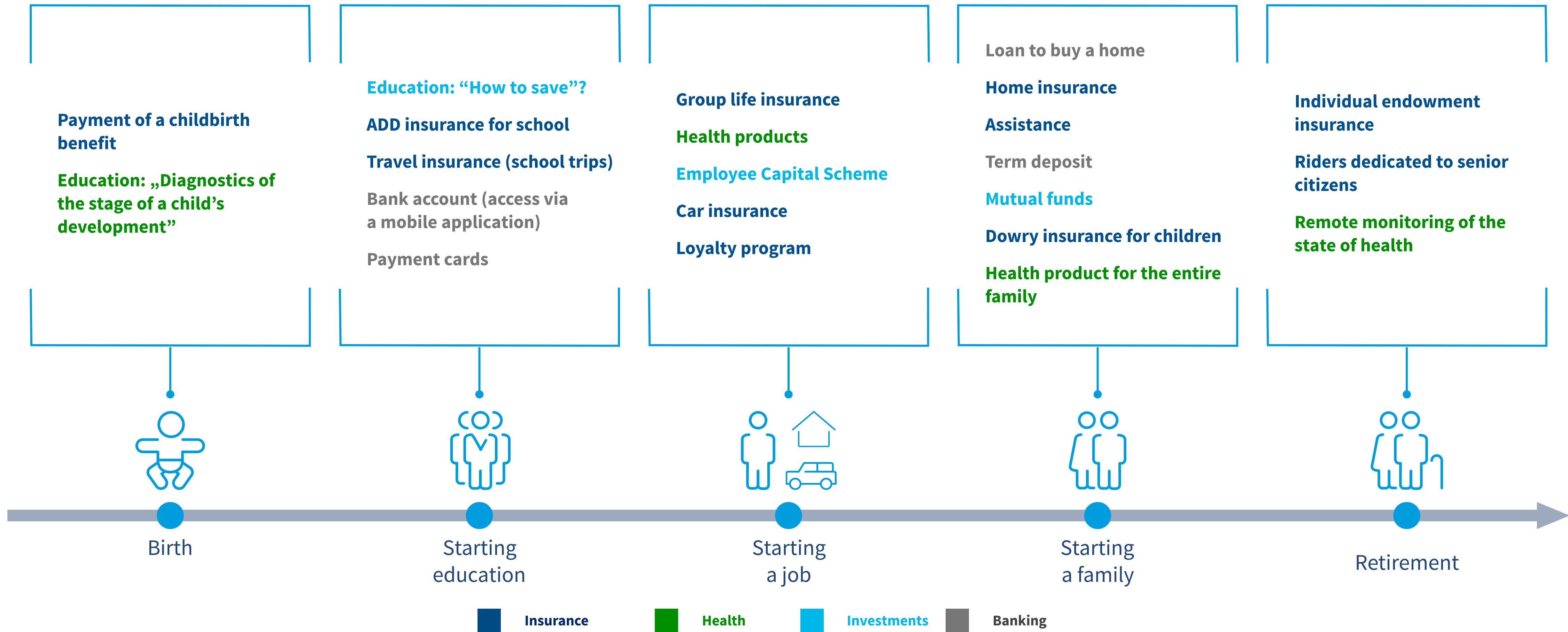


1. We will harness the capabilities afforded by new technologies; we will fully unleash the potential of the largest financial company in Central and Eastern Europe
2. We will combine all the aspects of our operations into a single comprehensive offering focused on client needs and delivering a response to all the questions concerning care for our clients' future
3. Gradually, we will move the company's operating model from an insurer model (pricing and transferring risk) to the model of a service company specializing in utilizing data (risk management consulting and services as well as caring for the future of clients)
4. We will become a long-term partner for our clients. Through the extensive range of our products and services, the scale of our distribution networks and our financial strength, we are cultivating more and more relations with clients and gaining more knowledge about clients so as to better anticipate their needs

2.1 New operating model



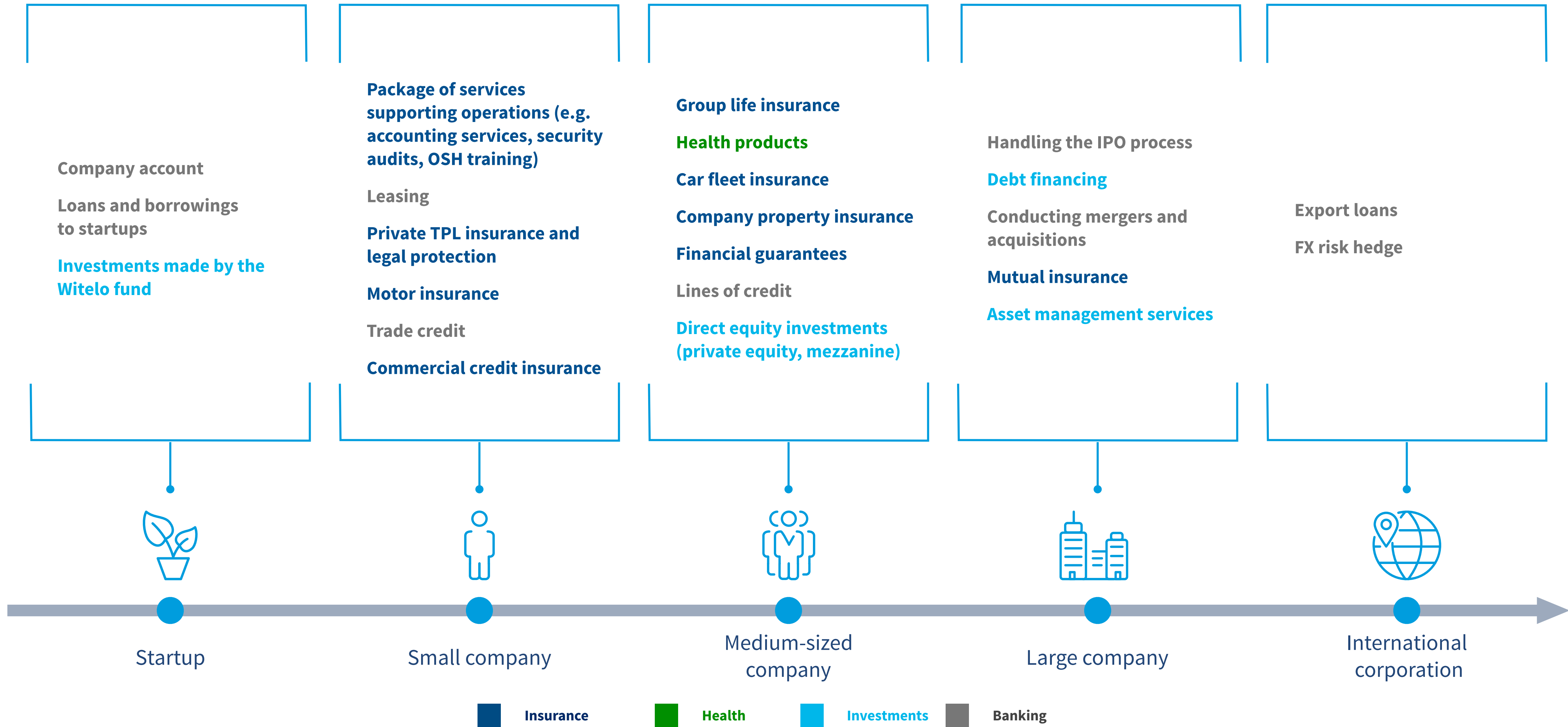
We plan relations with our clients on a long-term basis; we anticipate their needs



2.1 New operating model



We help companies grow by offering them a wide array of products supporting their growth







## We help clients care for their future

The New PZU **is substantially more than just an insurer.** If the rapidly growing ecosystem of strategic partnerships, under which PZU offers a rich array of assistance services, is taken into account, then a much broader picture of the PZU Group can be painted **as a service company based on trust.**

The PZU Group's ambition is to accompany its clients, to make it easier for them to make the right choices to help them protect their lives, health, property, savings and finance. **We want to give them tools to secure their future, tools which they consider to be the most valuable to them.**

These decisions are not non-recurring events. Decisions influencing the future are made every day. That is precisely why the PZU Group would like to tap into its activities and extensive networks to cultivate the **closest possible client relations**, so as to accompany clients whenever they would like to make a decision of material importance to their future.

It is in this spirit that we define our new mission:

**( We help clients care for their future )**

2.

What do we want  
to achieve?

2.2 New ambitions





## We will substantially develop our ability to manage and obtain data...



- Utilization of AI (Artificial intelligence) in all processes related to setting retail tariffs



- 100% interconnected databases (one PZU)
- 55% marketing consents in PZU SA
- 33% marketing consents in PZU Życie



- 5 m accounts in the „moje.pzu.pl” client portal



2.2 New ambitions



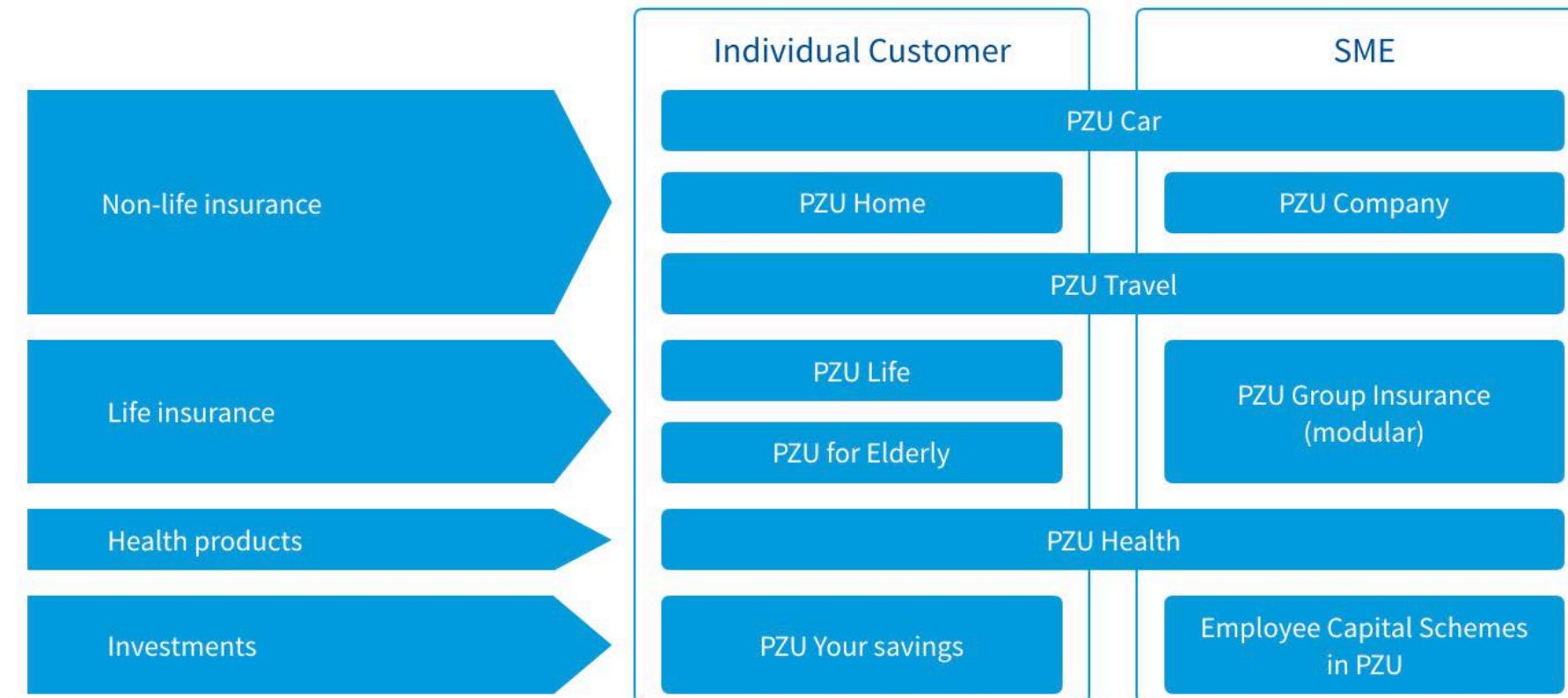
...to strengthen client relations and increase the overall reach to clients using all channels...

50% of sales people are multi-product

10 core products in broad distribution

PZU and Link4 have 50% share of Direct Sales segment

50%



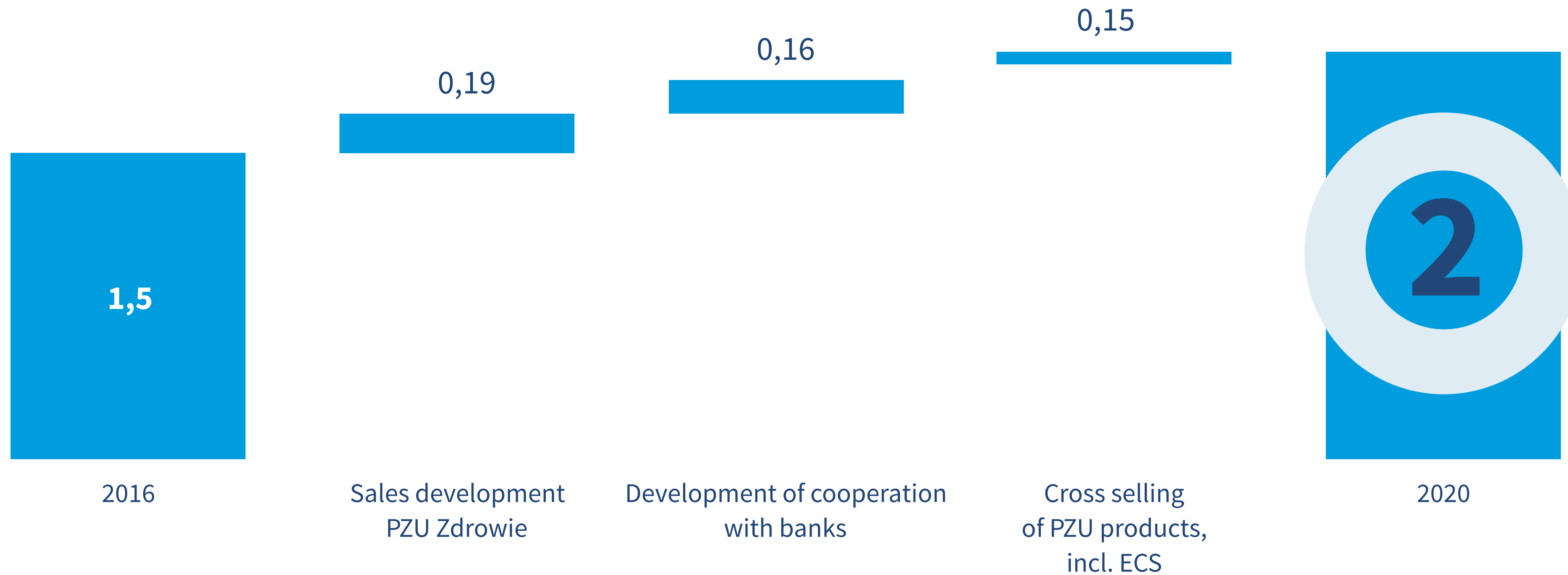
50%

**2.2 New ambitions**



...which will substantially convert into the number of products per client...

Number of products per client in PZU SA and PZU Życie



The growth will be achieved by selling an additional 8.5 m products



... and makes a material contribution to grow new sales...

**1 bn** Incremental premium from cooperating with banks in the PZU Group

**1 m** Clients acquired for the banks in the PZU Group

**1 bn** Revenues generated by PZU Zdrowie

**+70%** New sales in group insurance to SME clients in PZU Życie

2.2 New ambitions

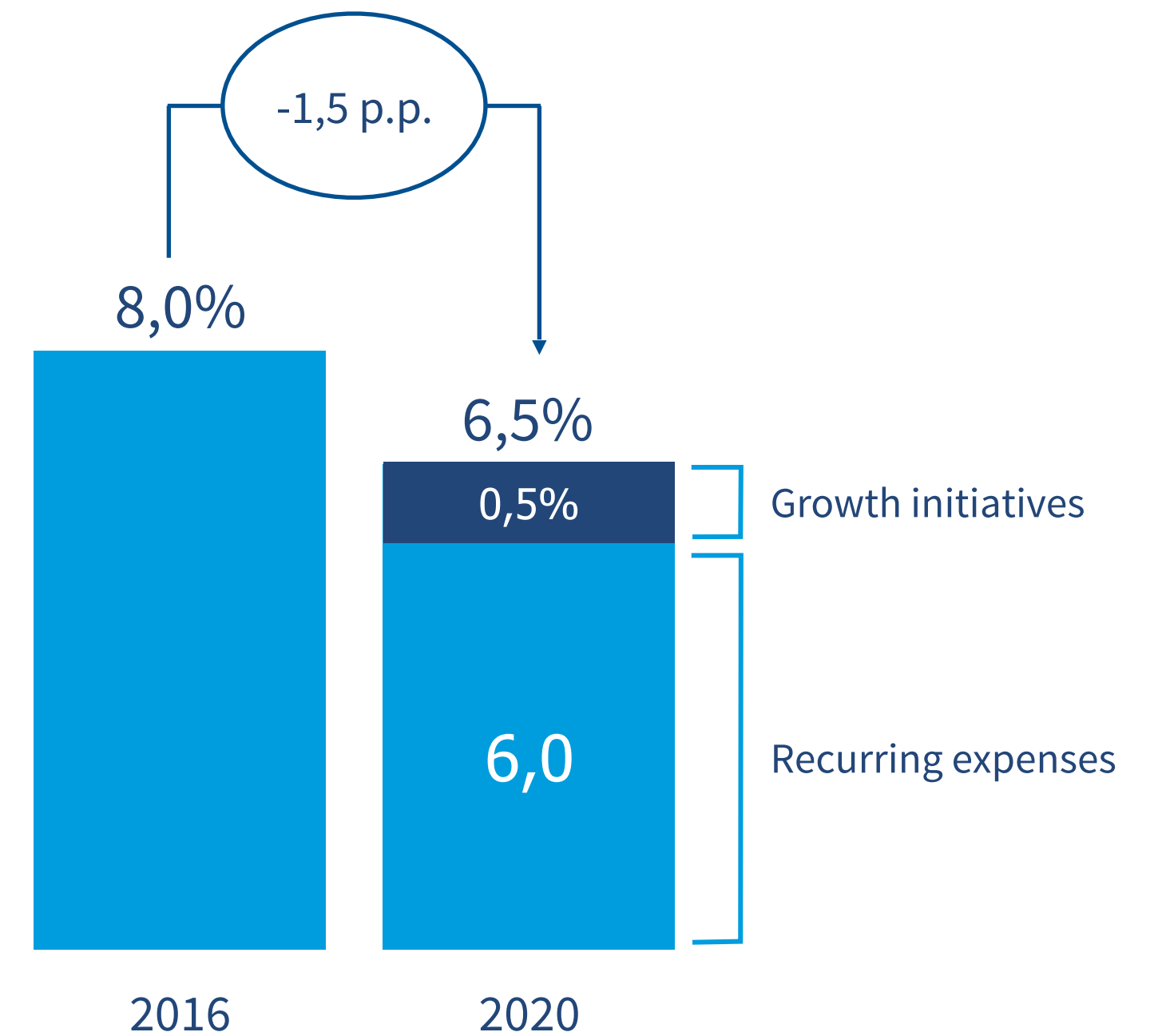
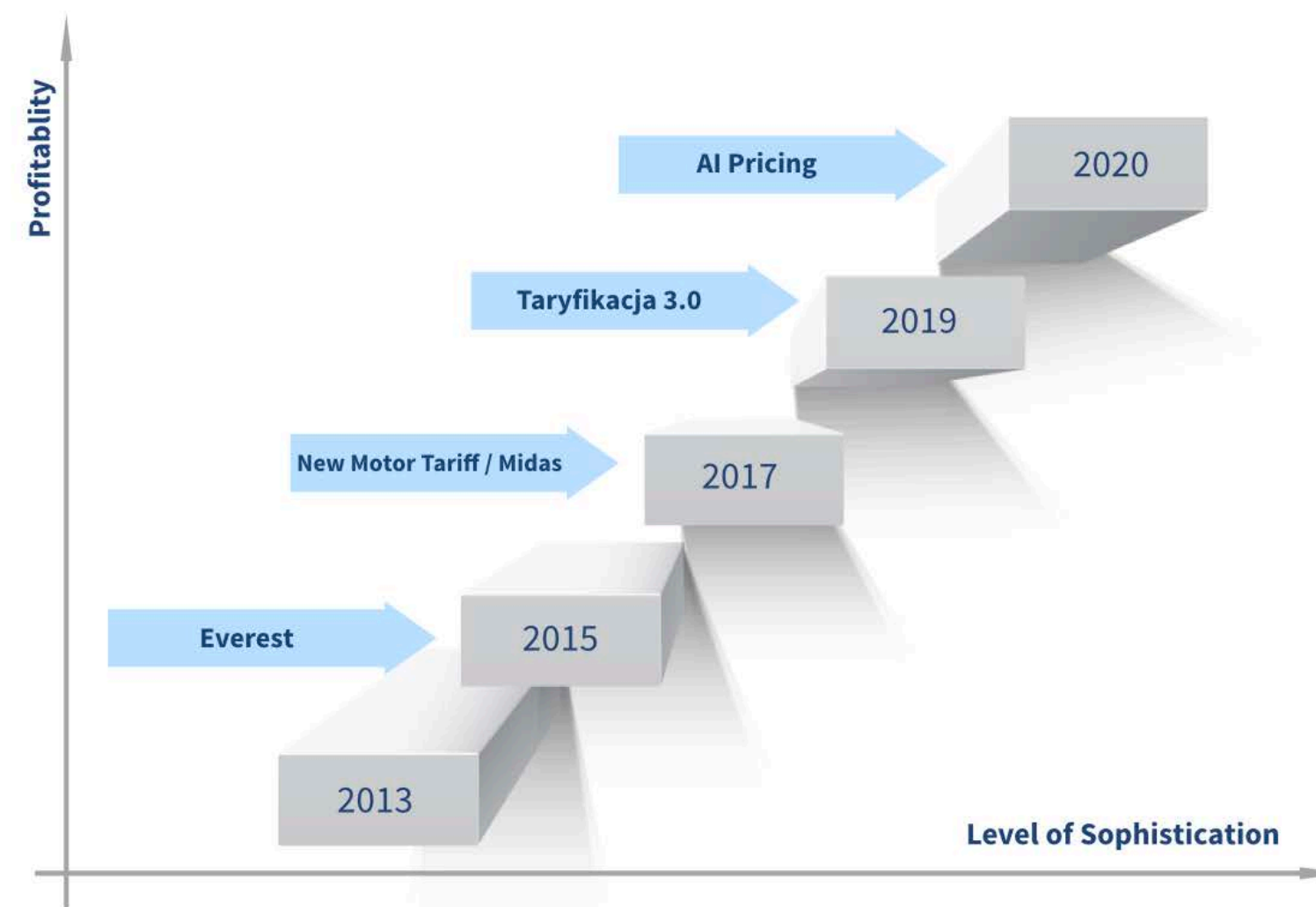
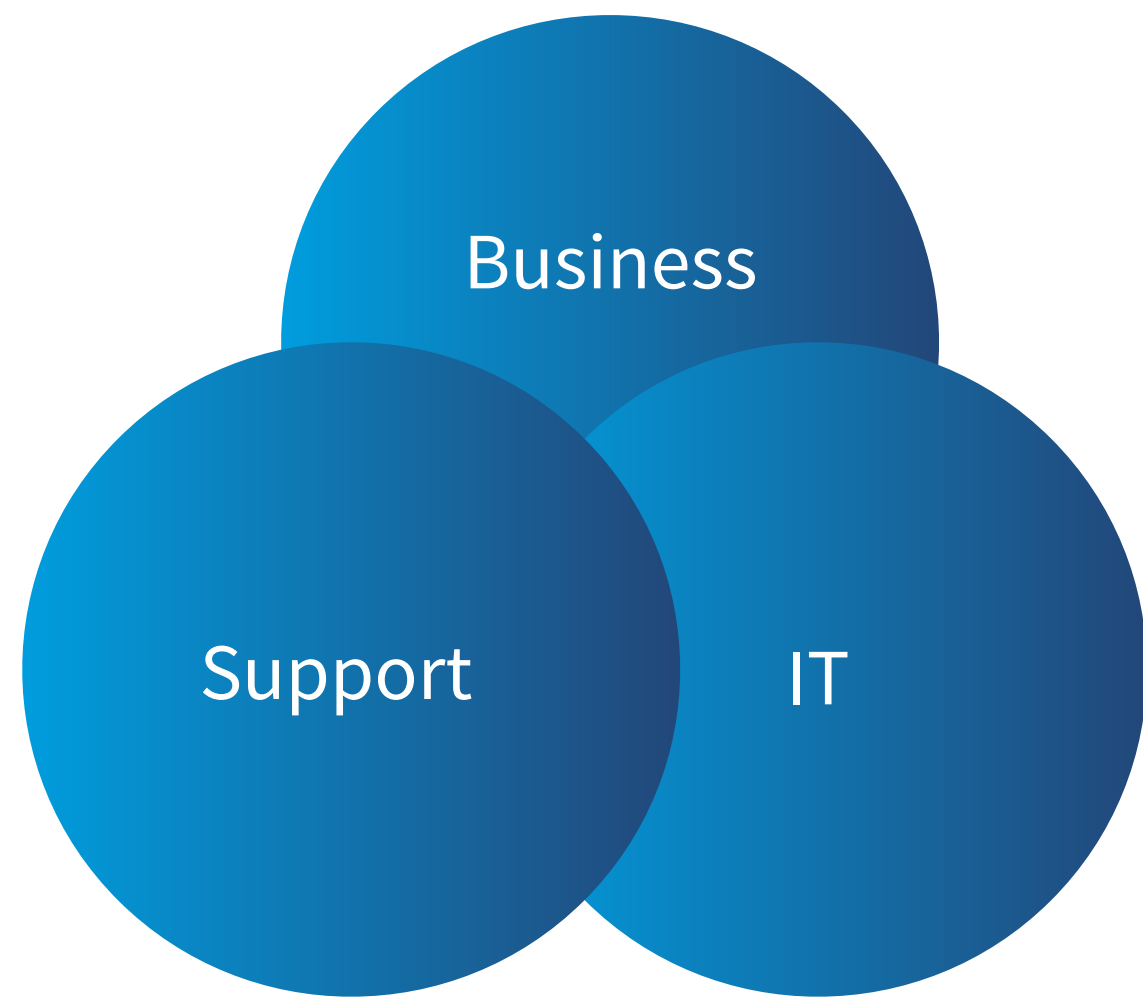


...concurrently, we will enhance our operational agility, pricing processes and cost advantage...

Shortening average time-to-market to 5 months thanks to effective cooperation between Business and IT

92% combined ratio by upgrading pricing capability and constantly optimising tariffs

Improving cost effectiveness - reduce the administrative expense ratio to 6.5%<sup>1</sup>



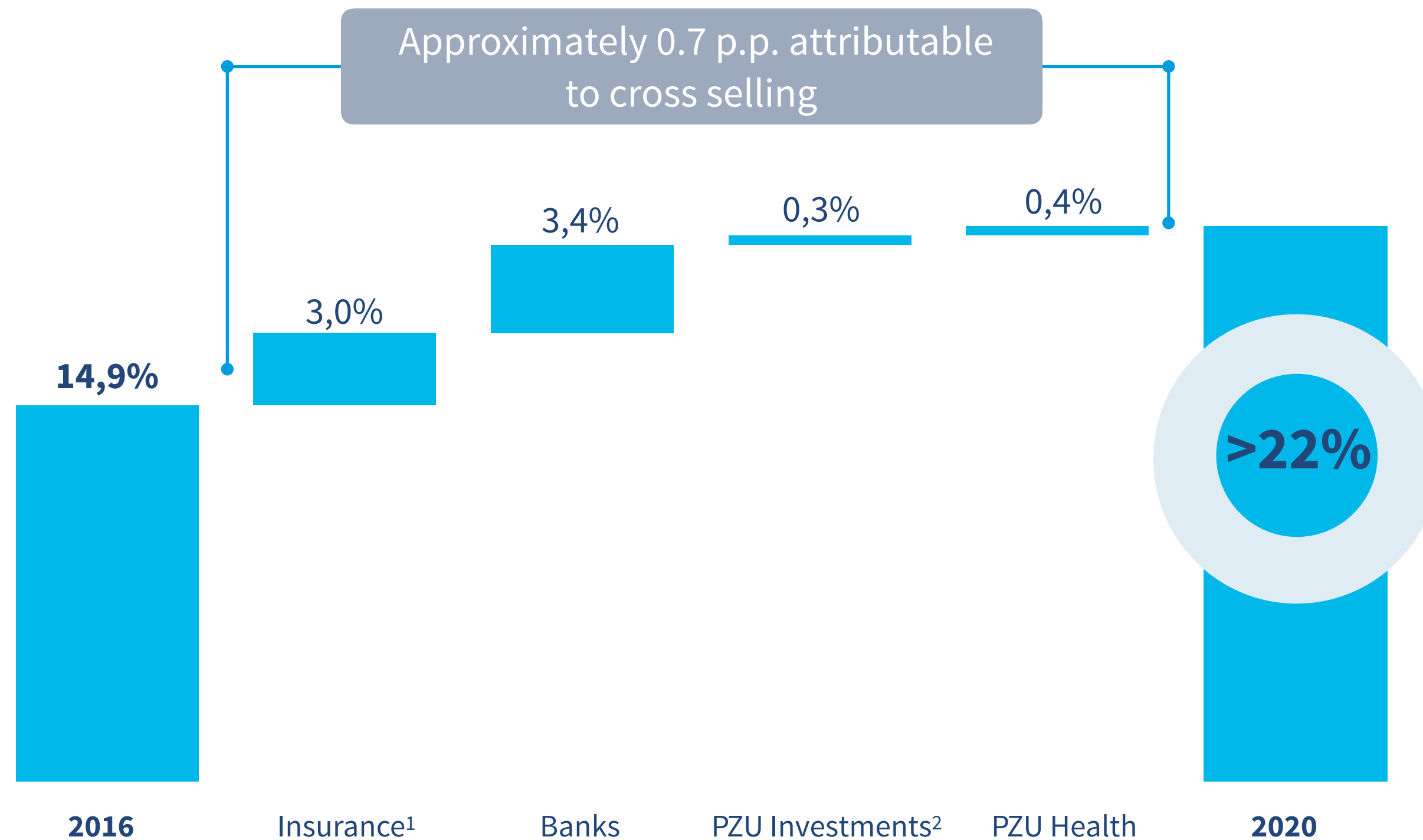
<sup>1</sup> This indicator pertains to PZU SA and PZU Życie SA





...which will translate into higher profitability

Contribution of the various lines of business to ROE growth



- > Streamlining processes in insurance activities, including better price to risk matching, and also by improving the investment result (benefits from Project Alpha)
- > Growth in the banking segment's contribution as the banks generate a higher net result and deliver synergy effects with PZU
- > Higher volume of assets under management and merger of the investment fund management companies (TFI) within the PZU Group to facilitate achievement of synergies
- > High growth rate in the number of health clients stemming from greater sales activity and reaching new market segments

We will develop all lines of business, while retaining our ability to generate an above average level of profitability

<sup>1</sup> Taking into account the investment activity in our own portfolio and net of the health insurance presented by PZU Zdrowie

<sup>2</sup> Pertains to third party asset management (giving consideration to all PZU Group entities)



## The New PZU means new ambitions

### Data collection and management

- > Utilization of artificial intelligence in all processes related to setting retail tariffs

### Client relations

- > 50% of the multi-product salespersons in proprietary networks
- > 10 core products in broad distribution
- > 50% share of insurance sales on the direct market

### Number of products per client

- > 2 products per client

### New sales

- > 1 bn PLN of incremental premium from cooperating with the banks in the PZU Group
- > 1 m clients acquired for the banks in the PZU Group
- > 1 bn PLN in revenues of PZU Zdrowie
- > 70% growth of new sales in group insurance to SME clients in PZU Życie

### Operating efficiency

- > Time-to-market - 5 months on average to implement changes to IT systems
- > 92% combined ratio in non-life insurance<sup>1</sup>
- > 6.5% administrative expense ratio in insurance activity<sup>2</sup>

### Group profitability

- > >22% return on equity (ROE)

<sup>1</sup> PZU SA jointly with TUW PZUW and Link4

<sup>2</sup> This indicator pertains to PZU SA and PZU Życie SA

3.

How are we going  
to achieve that?



3.

How are we going  
to achieve that?

3.1 Key initiatives - more  
than insurance





3.1 Key initiatives - more than insurance



# The execution of 12 key initiatives forms the foundation of the New PZU



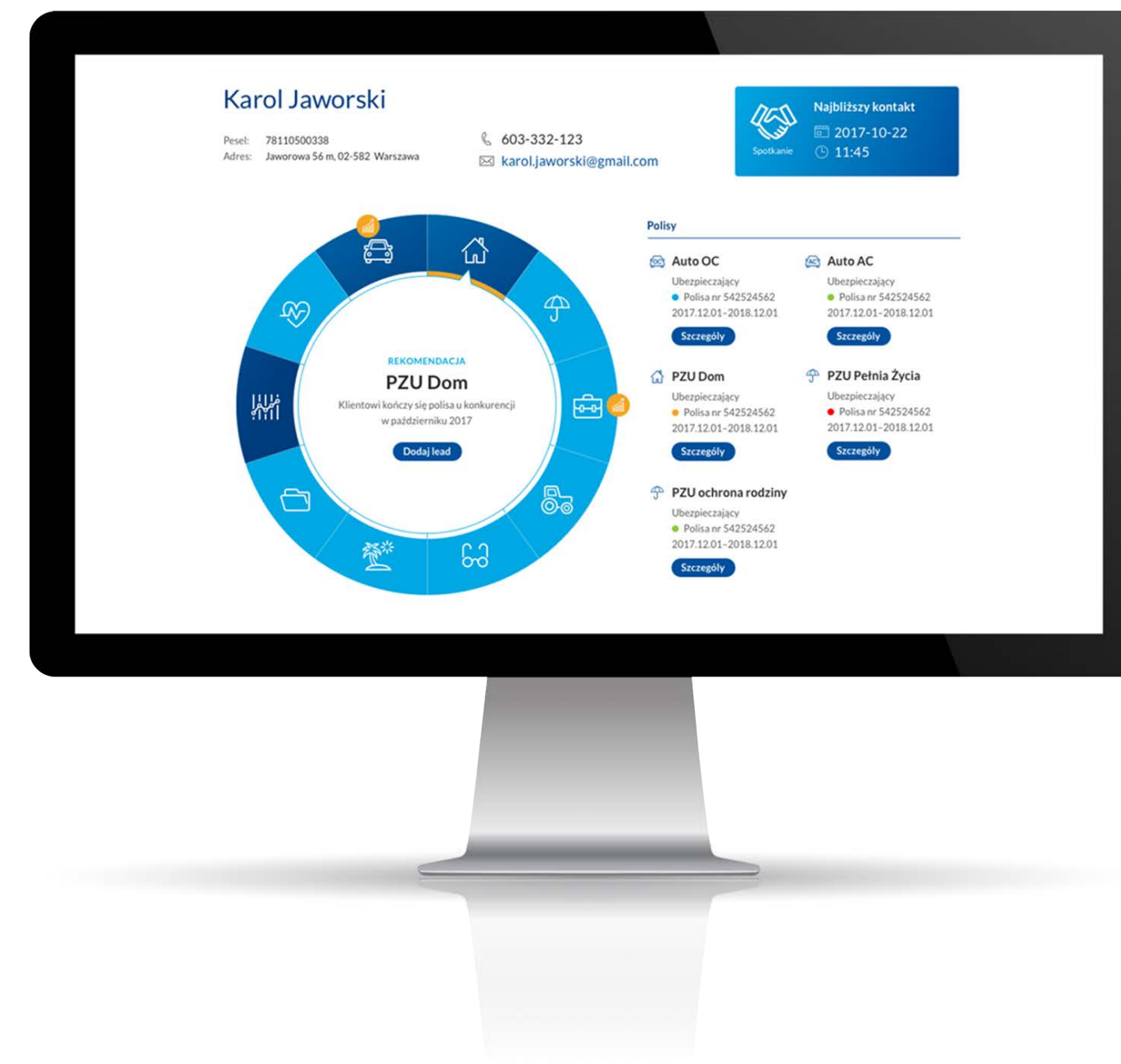
## 3.1 Key initiatives - more than insurance

# #1: Data base merger and creation of a single joint CRM system in the PZU Group / full client picture (360 degree view)



## Client

- Offering customized to needs
- Price matched better to risk
- Faster procurement process
- More efficient service processes
- Clients will obtain up-to-date information about the products they hold from the overall PZU Group and will utilize the assistance of advisors



## PZU Group

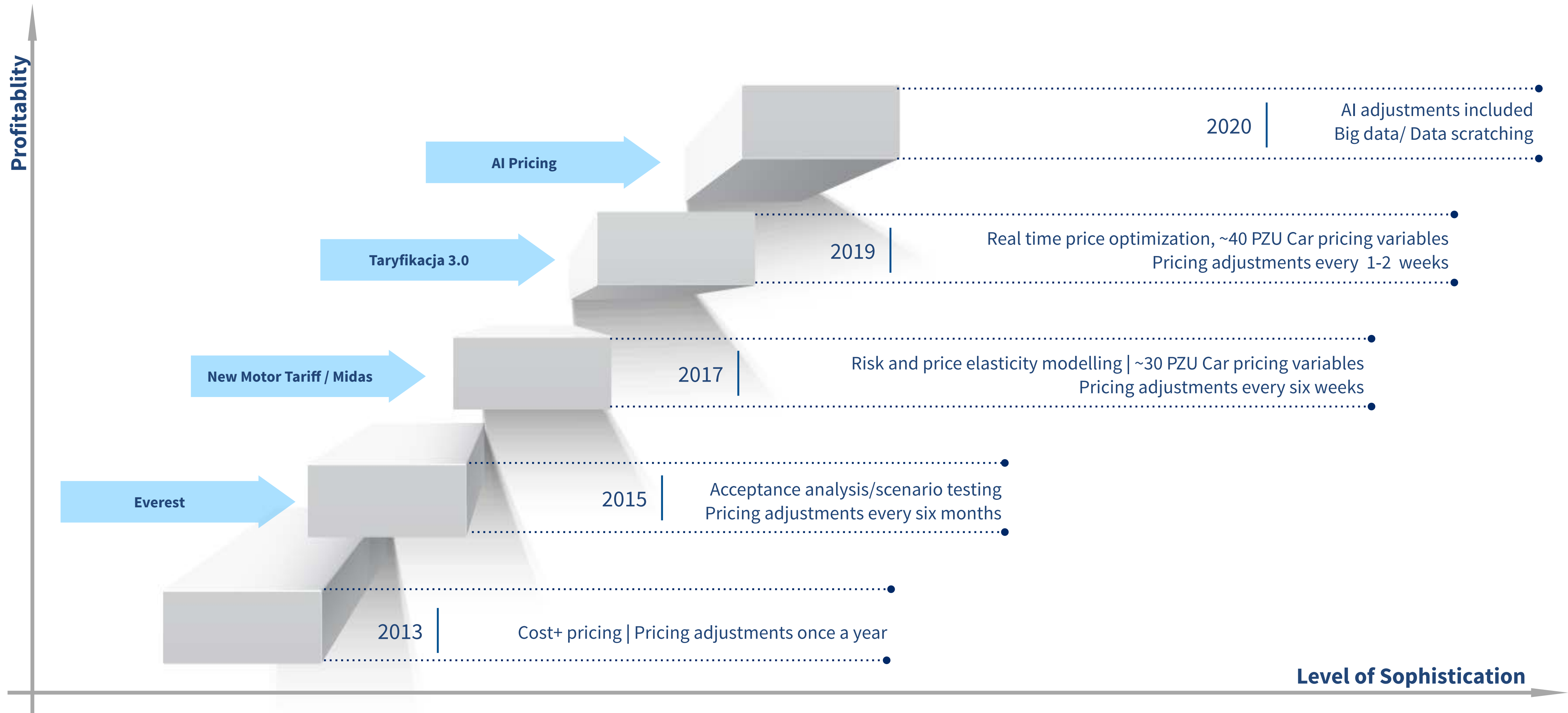
- Standardization of processes
- More client information
- Faster underwriting processes
- Mutual flow of clients and shared base of “leads”
- Actively offering the PZU Group’s products
- Higher product penetration
- Effective monitoring and sales management

The 360 degree view helps build relations with clients and forms the basis for growing cross selling in the PZU Group

3.1 Key initiatives - more than insurance



## #2: Better matched price to risk and pricing optimisation (Taryfikacja 3.0)







## #3: Implementation of solutions employing artificial intelligence



- Implementation of sophisticated underwriting methods in tariff setting (utilizing machine learning)
- Support for cross selling initiatives
- Higher client retention ratio in the various lines of business
- Analysis of pictures and images in claims and benefits handling processes (e.g. comparison in real time of the picture of the claim and the cost estimate received)
- Smart solutions in medical diagnostics
- Higher efficiency in detecting insurance fraud
- Risk management advisory services for companies
- Launch of the PZU Data Lab - center for the creation of innovations based on data and artificial intelligence

We will use the know-how and the best technological solutions functioning in the PZU Group and we will collaborate effectively with the startup community (insurtech, fintech, technological firms)





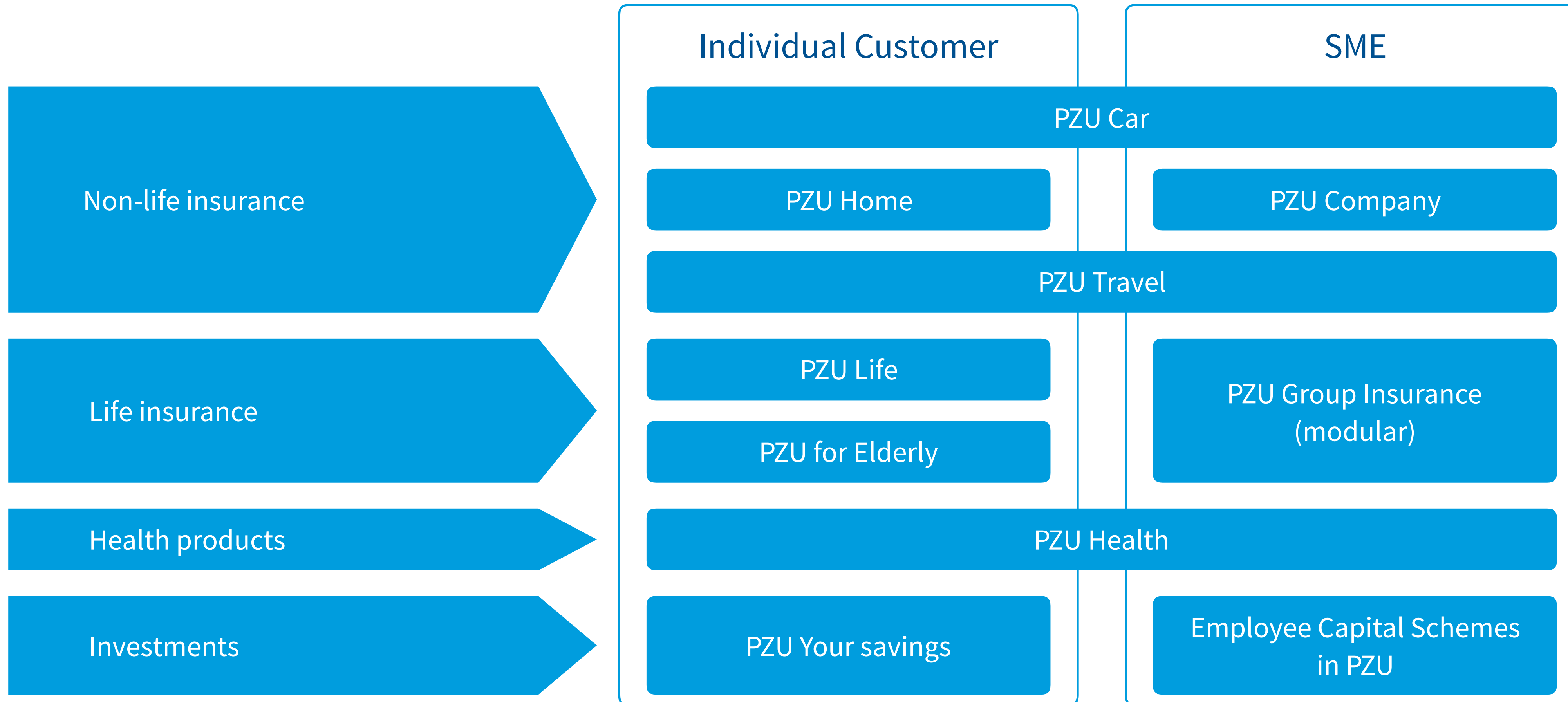
# #4 Development of cooperation with banks



Action	Insurance sales	Client acquisition by the banks	Savings
Description	Sales of PZU's life and non-life insurance under the bancassurance model to the clients of the Group's banks	Acquisition of the Group's insurance clients by the banks	Achievement of synergies in procurement, IT and real estate
Objective for 2020	1 bn PLN of gross written premium	1 m new clients	Cut costs by 100 m PLN



## #5: Simplifying the product offering, and simple language

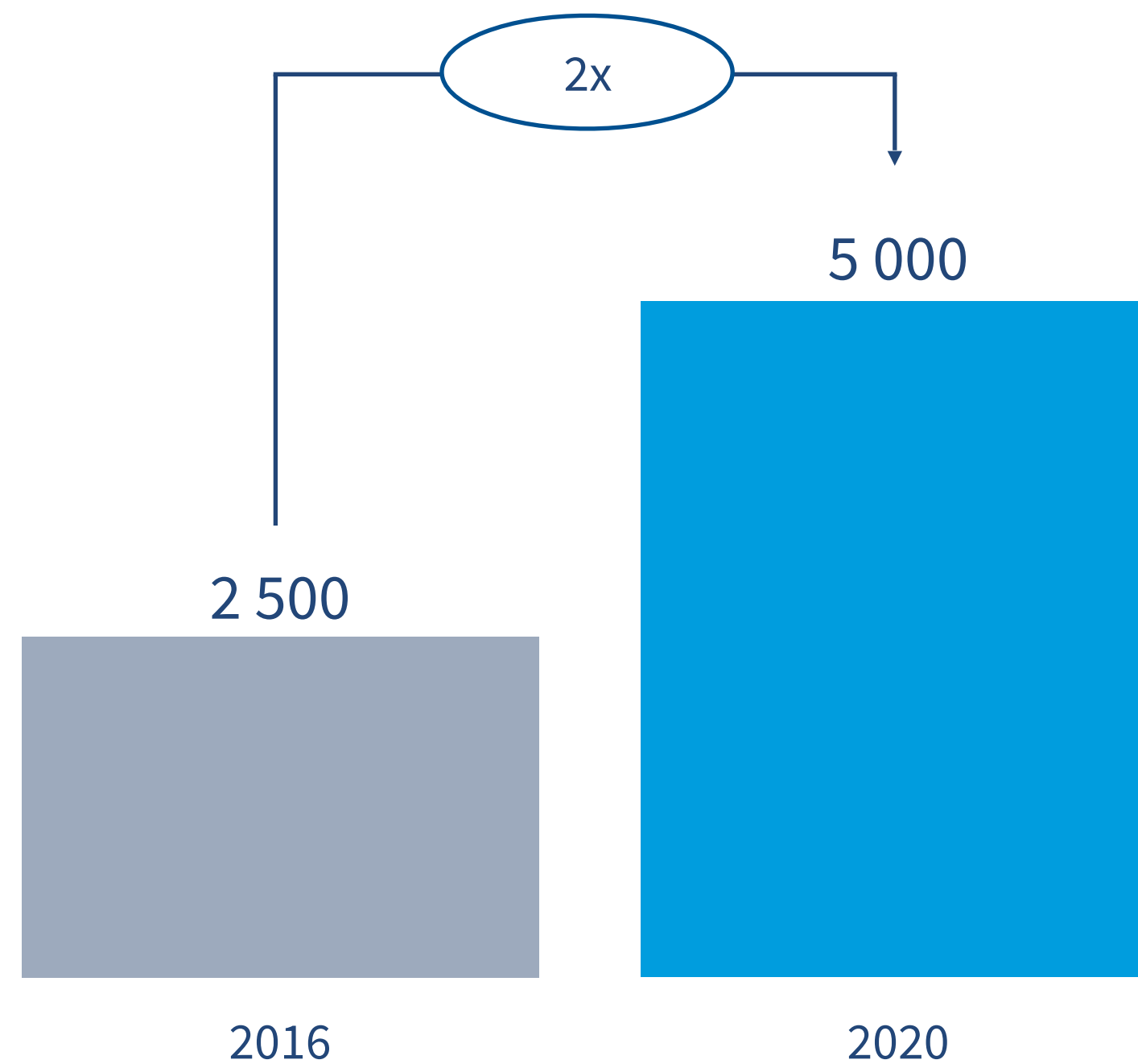


We will simplify products to make it easier for multi-product salespersons to do their work and to help clients make a decision



## #6: Convert the sales network into a multi-product sales network

### Number of multi-product salespersons



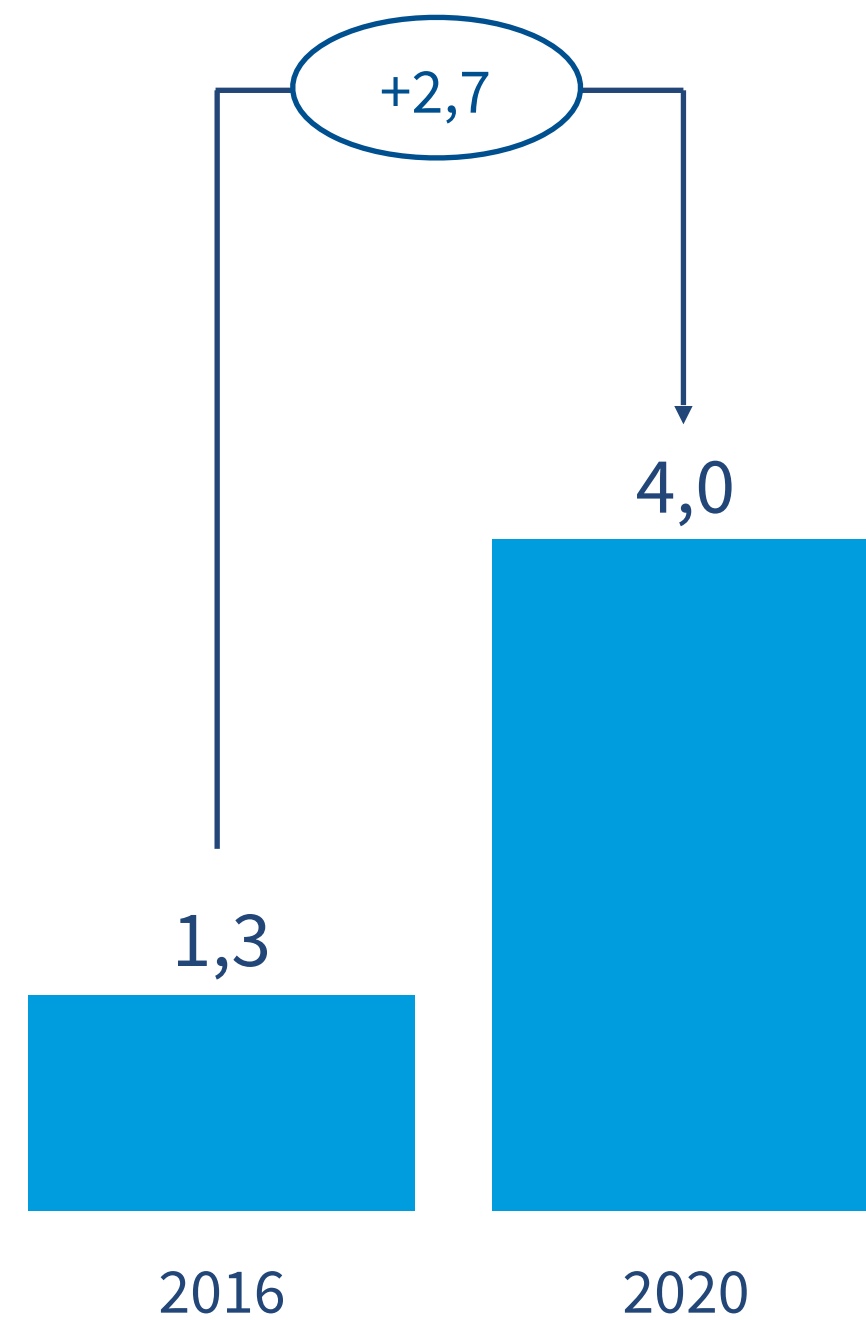
- › Ultimately, 5 thousand multi-product salespersons in the proprietary network (roughly 50% of the salespersons)
- › Proprietary network understood to mean channels fully controlled by the PZU Group: branches, tied agents in life and non-life insurance and the corporate sales network
- › A multi-product salesperson will offer products from at least 3 of the 5 lines of business (life insurance, non-life insurance, medical care, investment products, banking products)

We will utilize the potential of the Polish financial market's largest proprietary distribution network

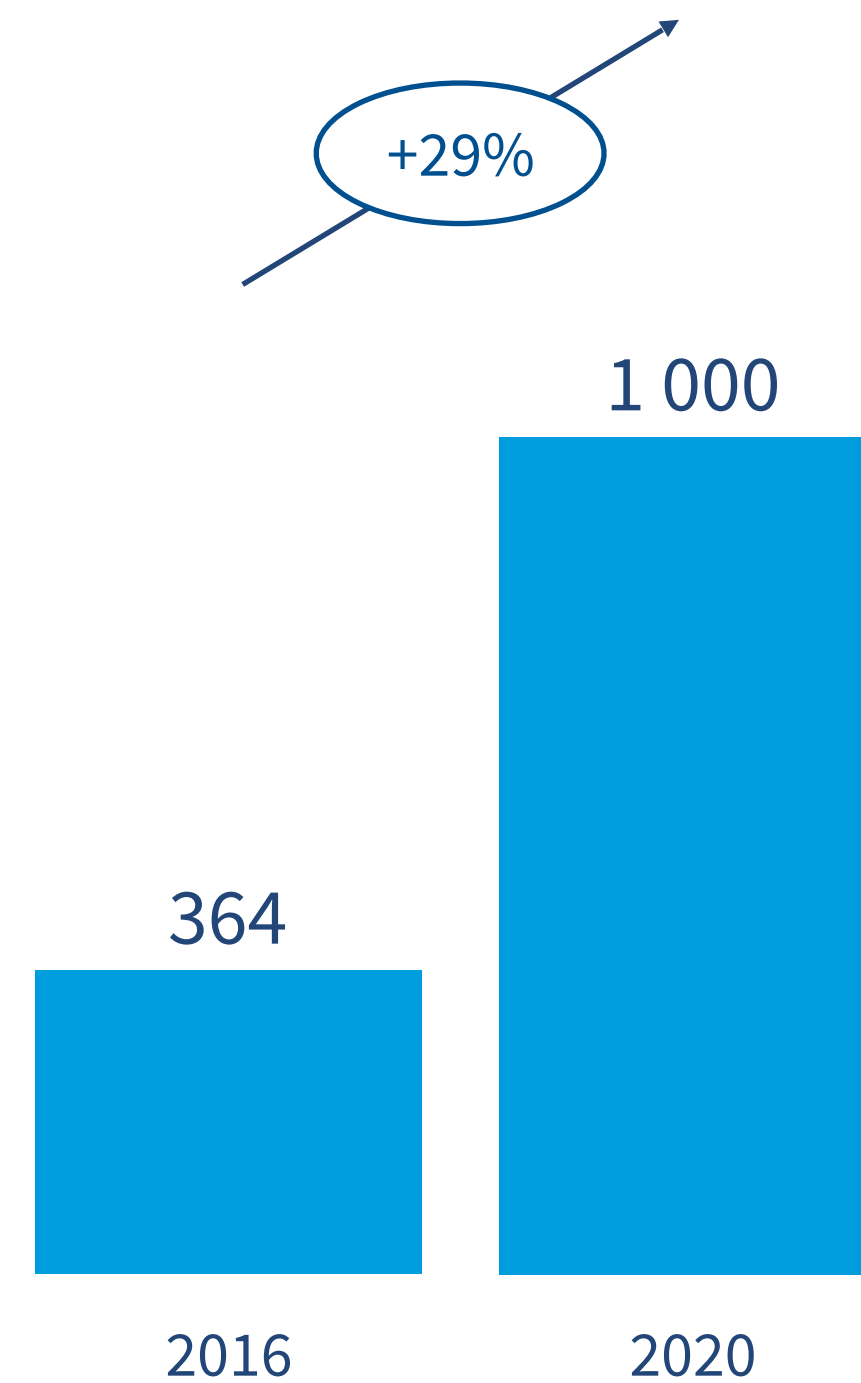


## #7: Development of sales in PZU Health

Number of agreements (m)



Revenues (m PLN)



- > Development of new health insurance products and expansion of the “traditional” offering to include unique riders
- > Activation of the sales network and tapping into the full potential rooted in the PZU Group’s client base
- > Modern patient service process, giving consideration to the best practices on the market, innovative technological and medical solutions and quality of service standards, including VIP care
- > Development of a network of proprietary centers through greenfield and M&A projects

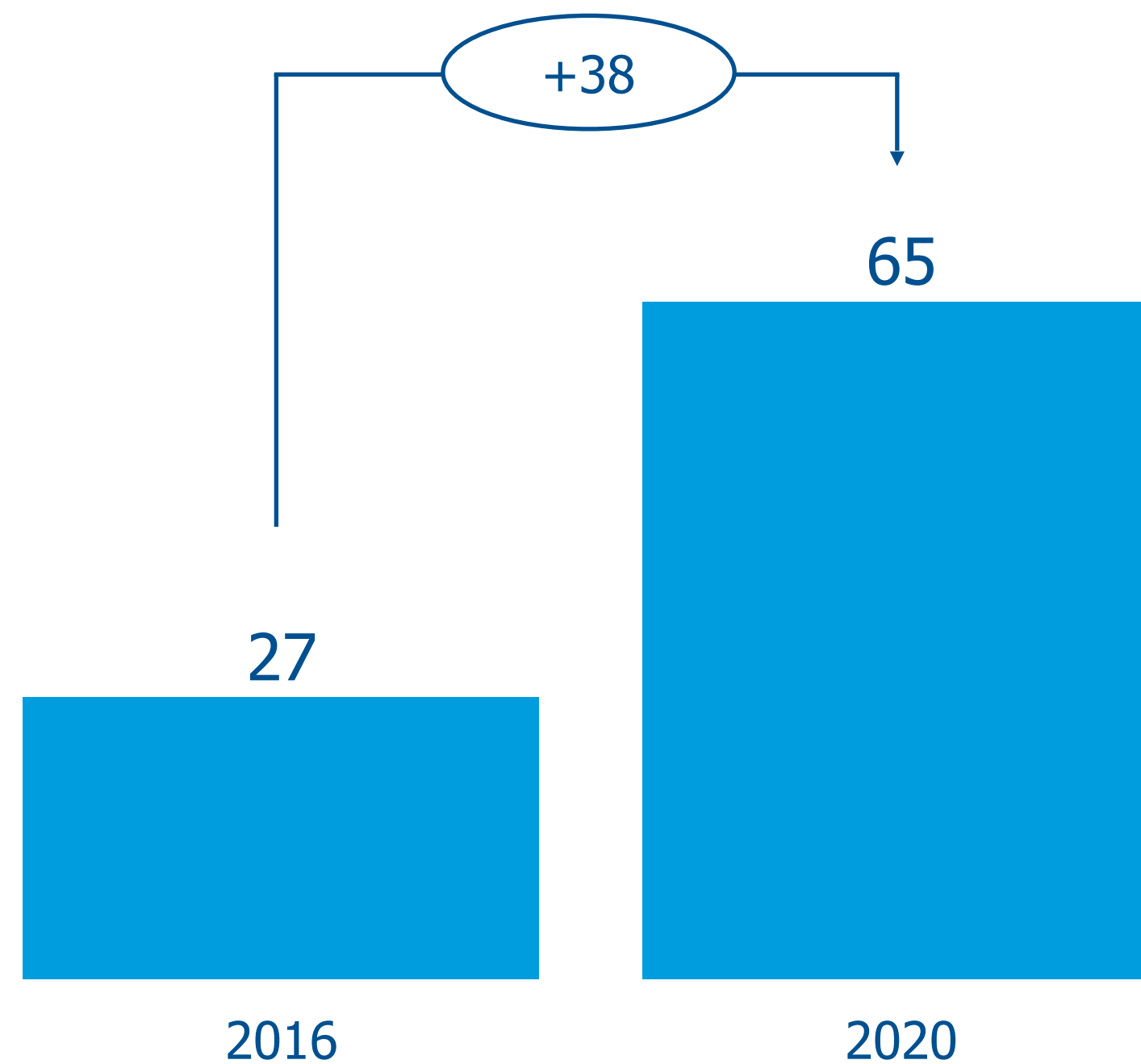
Compound annual growth rate





## #8: Development of sales and consolidation in PZU Investments

Third party assets (bn PLN)



- Uniform asset management structure in the PZU Group making it possible, among others, to achieve cost synergies (one factory of investment products)
- Utilization of the changes arising from the reform of the pension system - Employee Capital Schemes (achieving a 15% market share measured by assets)
- Development of new investment products (inter alia, lifecycle funds and low-cost passive funds) and new distribution channels (direct); also entering international markets



## #9: Implementation of a new „moje.pzu.pl” portal

All of PZU's services available in a single application

The screenshot displays a dashboard with four quadrants, each representing a different service area:

- Majątek (Assets):**
  - Auto: Toyota Yaris
  - Najbliższa rata: 2018.01.31 - 1 105 zł
  - Zapłać >
  - Dom: ul. Różana 6/12, Warszawa
  - Koniec polisy: 24.01.2018
  - Wznów >
- Zdrowie (Health):**
  - Najbliższa wizyta: 15.01.2018
  - Laryngolog - Enelmed
  - Odwołaj >
  - Szczepienie przeciw grypie w specjalnej cenie
  - Sprawdź >
- Życie (Life):**
  - Indywidualna Kontynuacja ubezpieczenia na Życie
  - Specjalna oferta Twojego ubezpieczenia czeka na Ciebie:
  - Sprawdź szczegóły polisy >
- Finanse (Finance):**
  - Sprawdź swoje siły w inwestowaniu
  - Dowiedz się czym są fundusze inwestycyjne
  - Wirtualny przewodnik >
  - Bank Pekao logo
  - Stan Twojego konta: 11 800,99 zł
  - Twoje konto >

- > Thanks to the extensive scope of the Group's operations, „moje.pzu.pl” will become a one-of-a-kind dashboard enabling clients to familiarize themselves with their insurance cover at any given moment in time, manage their health cover and deadlines and manage their investments - also to include banking in the future
- > Entering an agreement through the direct online channel will mean that this application will ultimately be available to and used by all PZU clients
- > 5 m clients will open an account in the „moje.pzu.pl” portal by 2020

Radical change in interactions with PZU's current client portfolio (11 m clients in life insurance and 6 m clients in non-life insurance)

3.1 Key initiatives - more than insurance



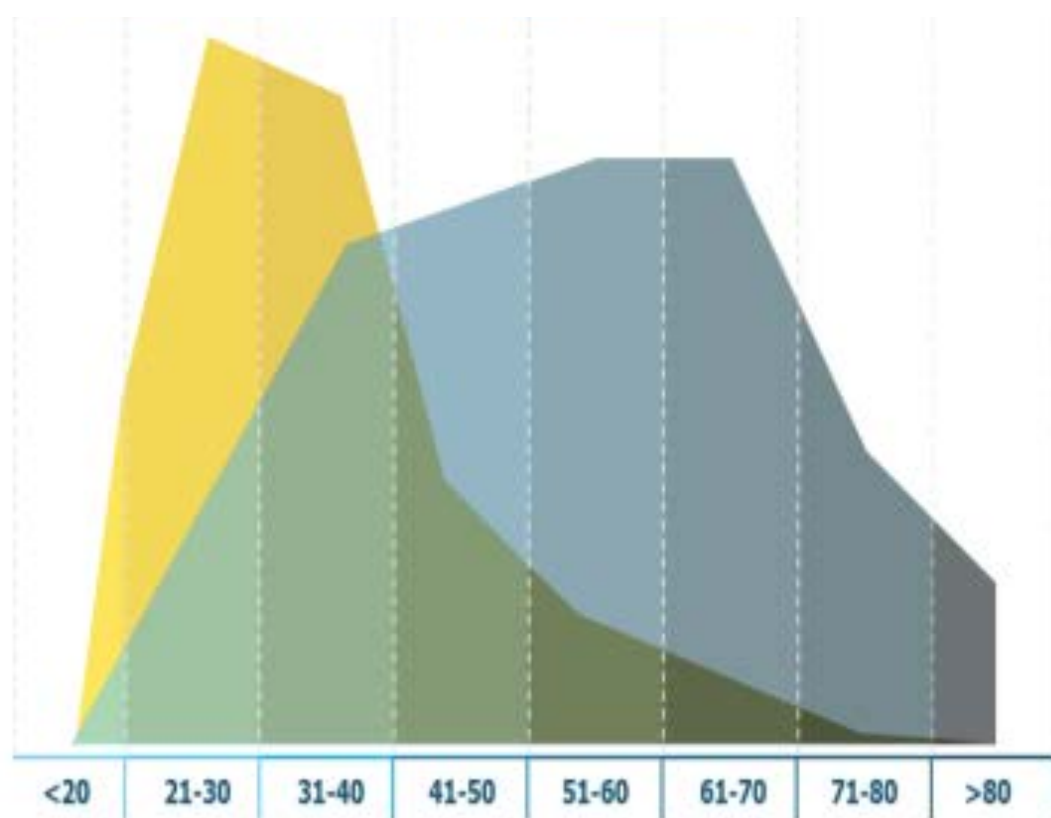
# #10: Development of the direct offering

Reaching clients who prefer digital channels

10 products in the online channel

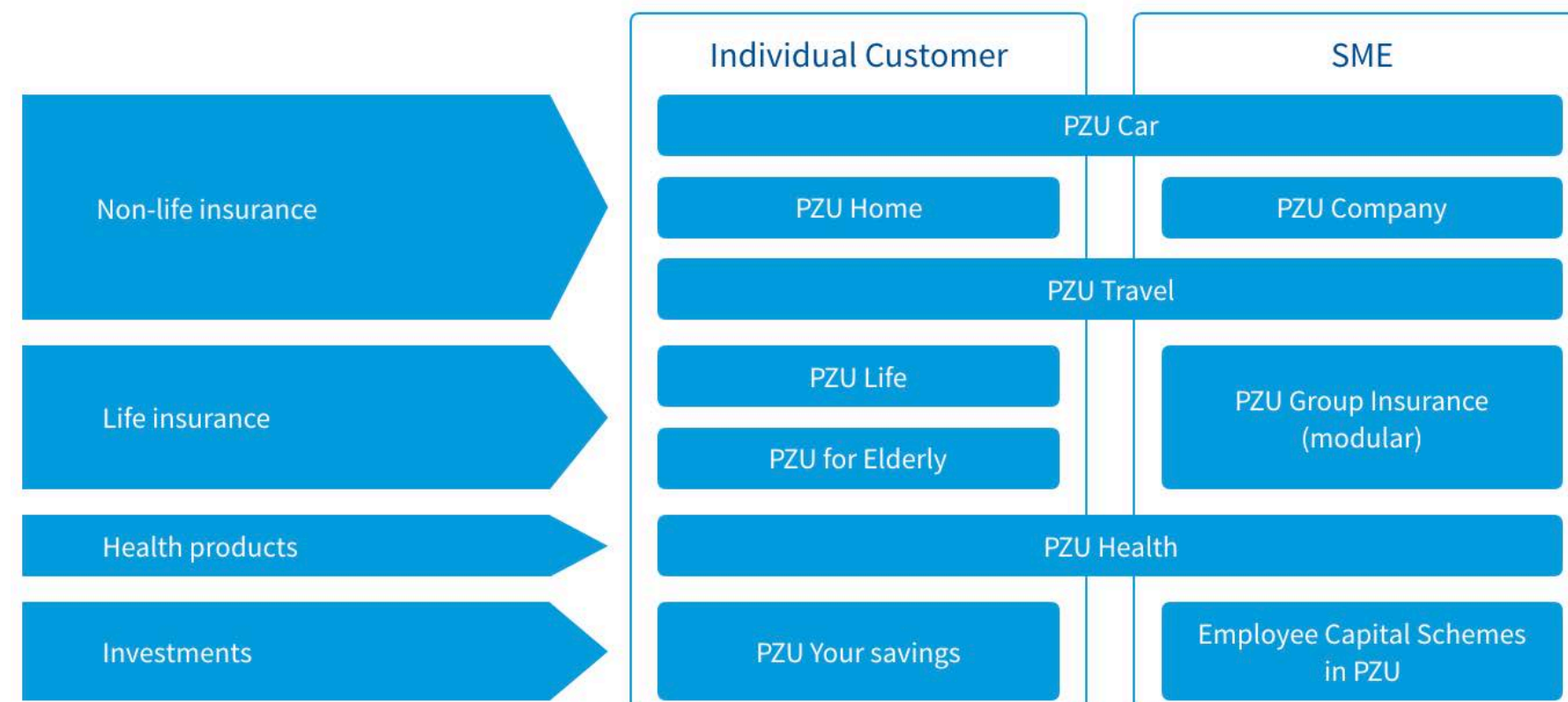
Unchallenged leader in the sales of insurance on the direct market

Simulation of the preferences of age groups in 2020-2025



Clients who prefer digital channels

Clients who prefer traditional channels



# 50%

Development of the best sales site in the online channel among European insurers

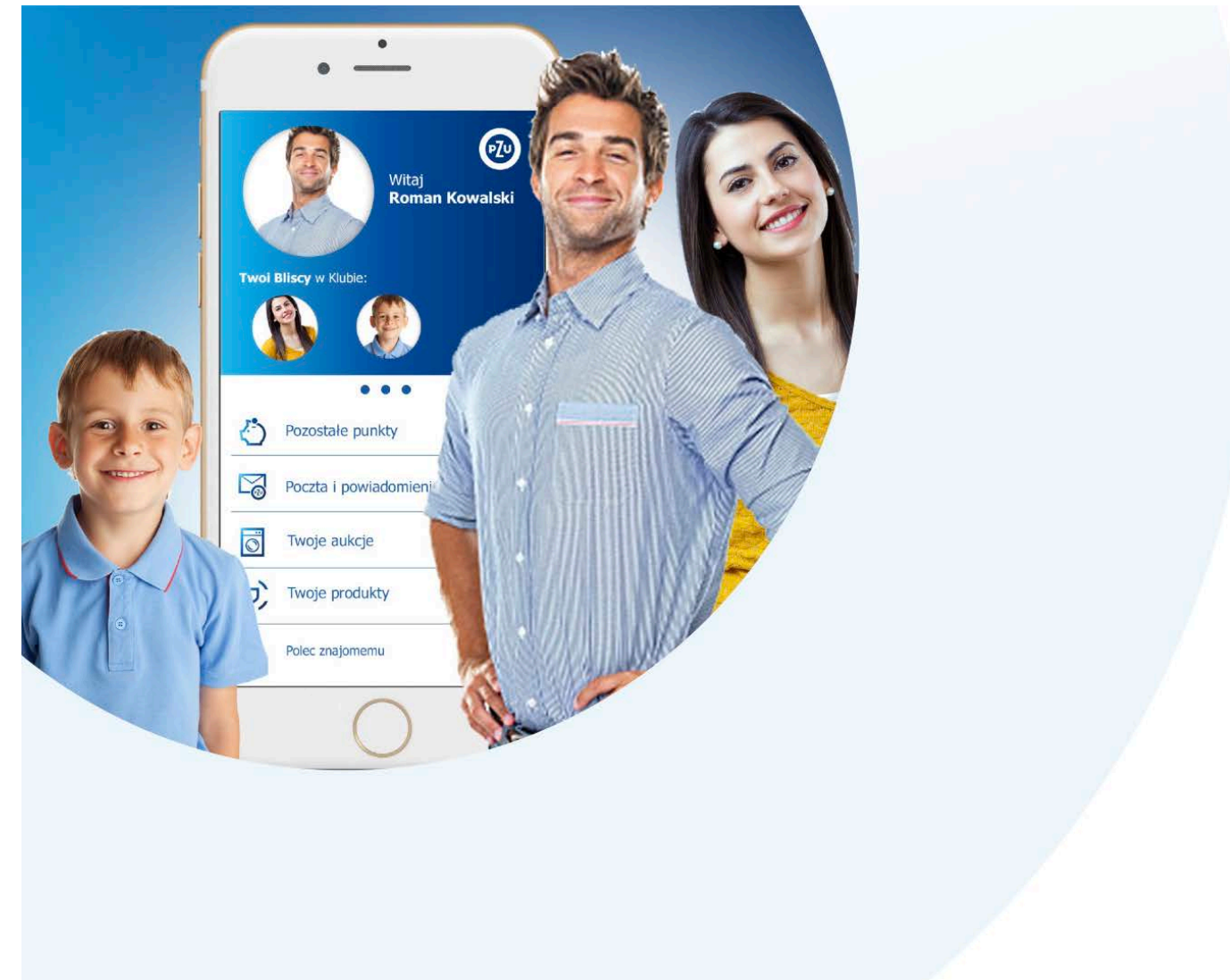




## #11: Implementation of a loyalty program at the PZU Group level

### Client

- > Rich offer of partners
- > Points for PZU products
- > Bonus for recommending the program to a friend
- > Auctions between program participants
- > Birthday present
- > Bonus for being accident-free
- > Share points with your family
- > Possibility of providing support in the execution of local social initiatives
- > Dedicated video content



### PZU Group

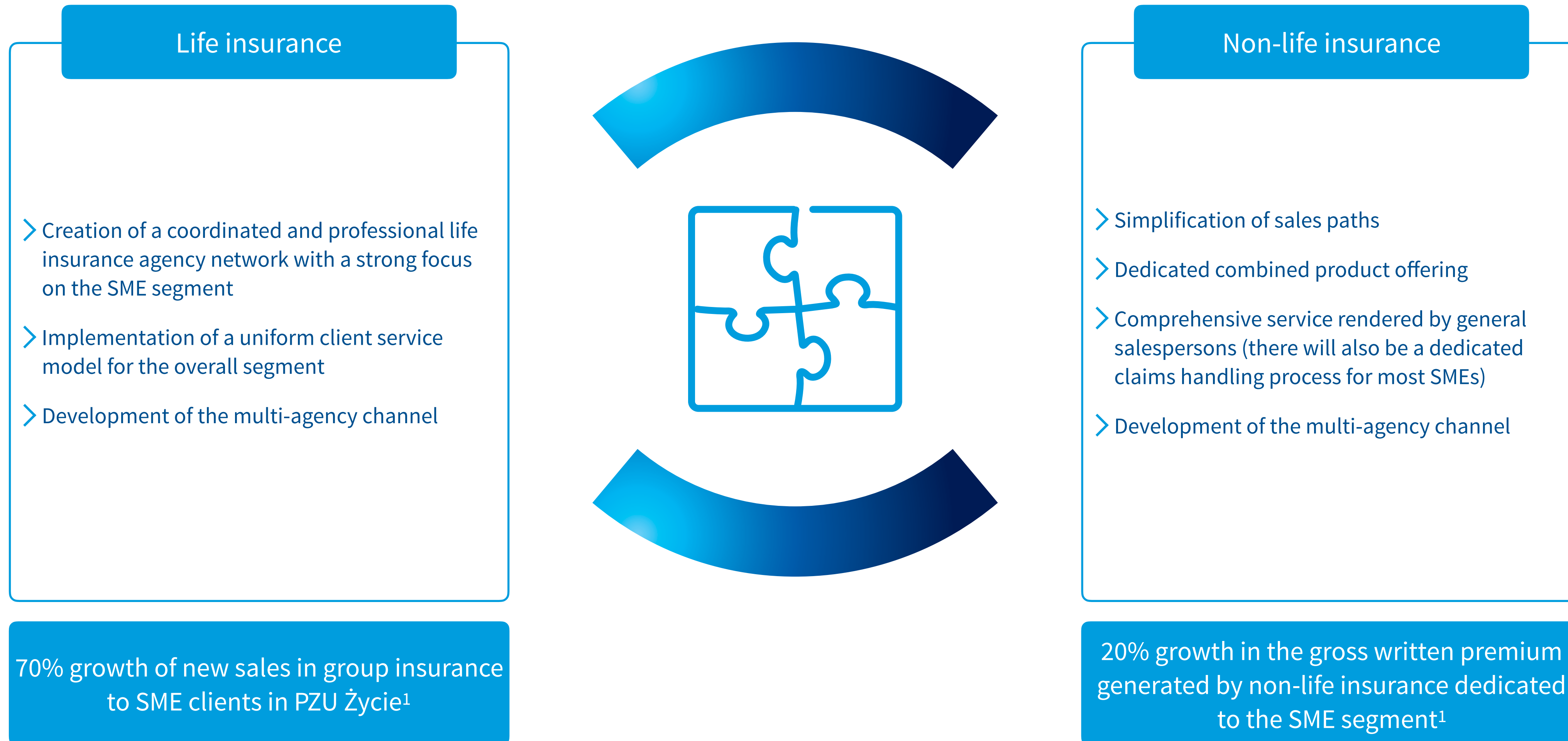
- > Growing the number of interactions with clients
- > Image of an innovative brand giving consideration to client needs
- > Expanding the range and reach to find new target client groups
- > Client segmentation and personalized offering
- > Support for the development of all lines of business

We will cultivate long-standing long-term relations with communities that identify with similar values to the ones espoused by the PZU Group





## #12: Integrated service model for SMEs



<sup>1</sup> Value generated in 2020 compared with 2016

3.

How are we going  
to achieve that?

3.2 Banking



3.2 Banking



We will leverage our investments in the banking sector to develop the PZU Group and the capital market



Sound investment of surplus capital

Increase the Group's profitability by 2020: improve ROE by 3.4 p.p.

Comprehensive financial service for clients

Offering clients a complementary palette of financial solutions through bancassurance and assurbanking supported by technological integration

Cost synergies

Cost synergies in procurement, real estate and IT

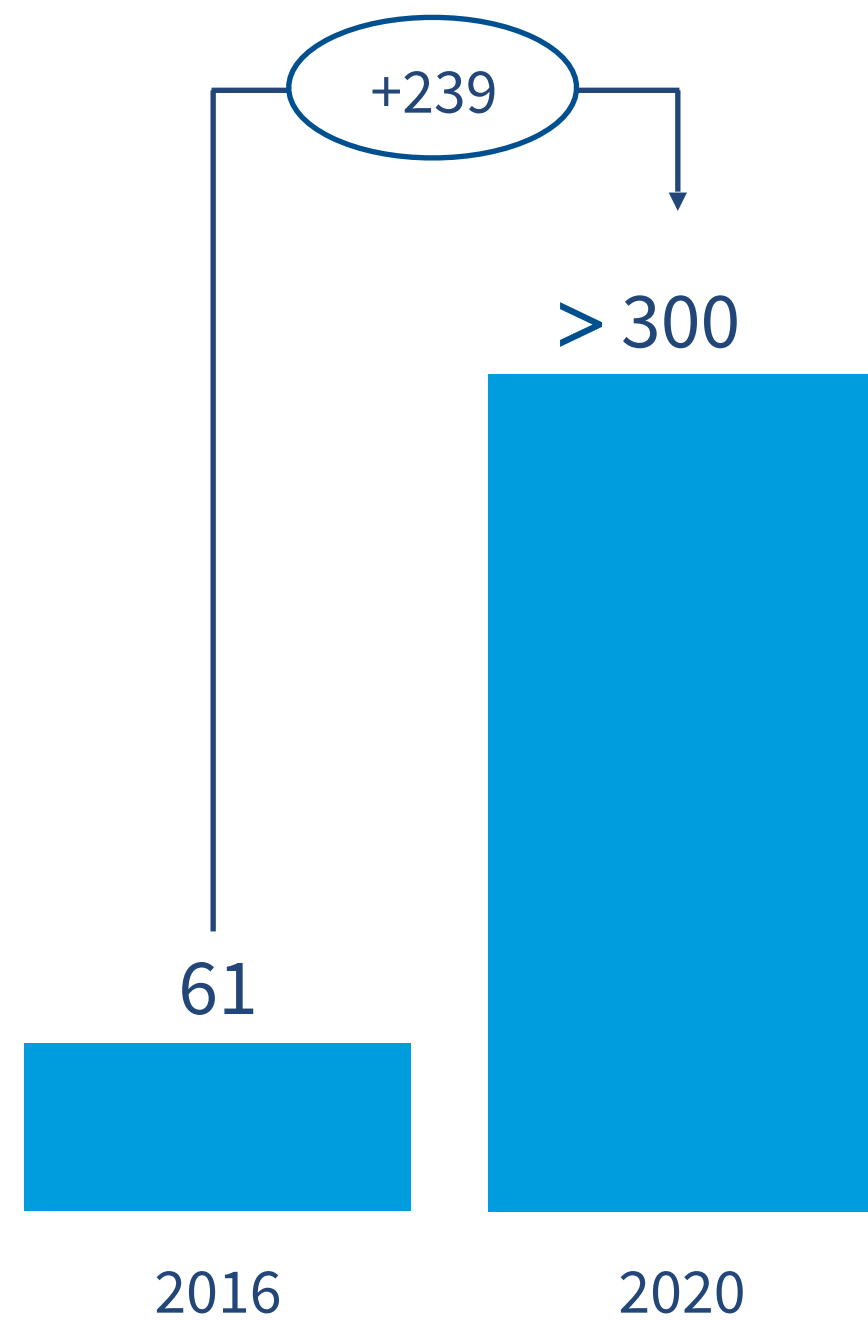
Capital market development

Co-financing large investment projects, joint Corporate Venture Capital and promotion of the Polish capital market abroad

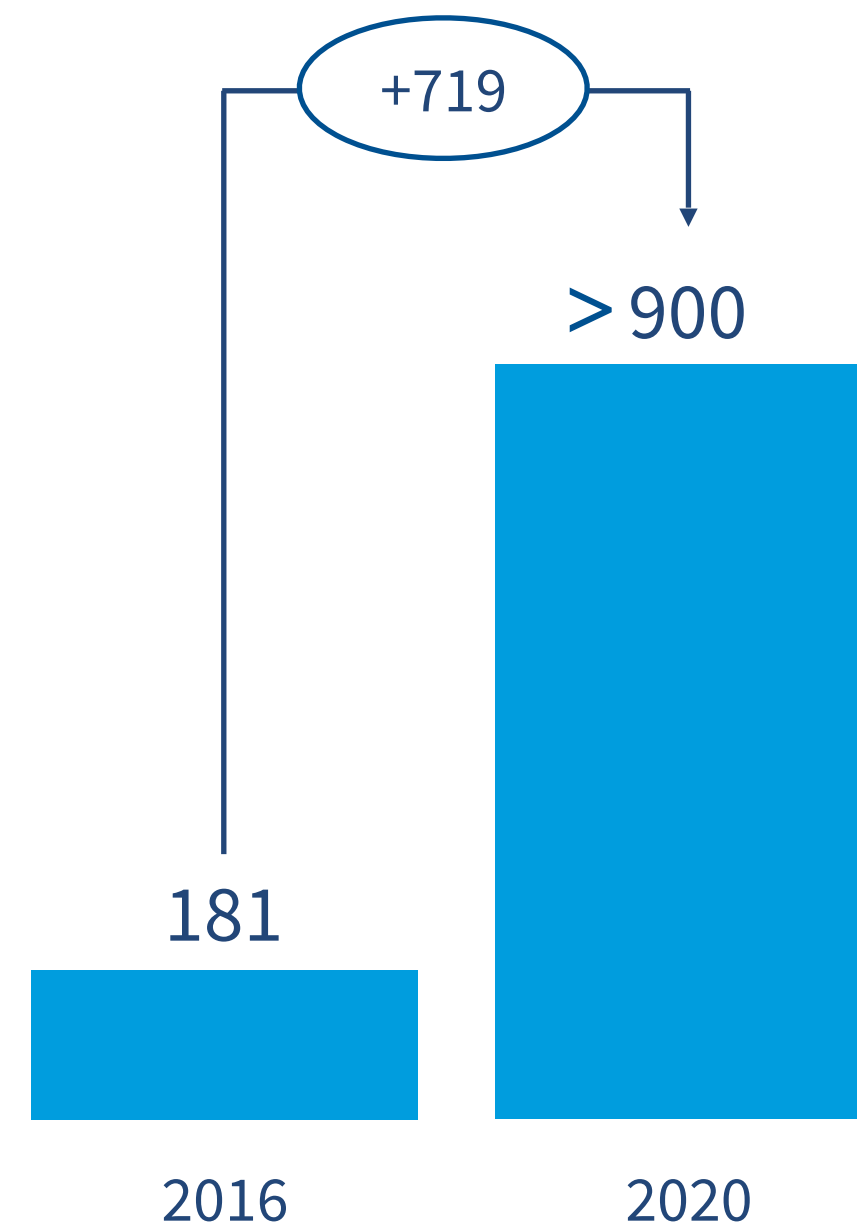


## We will materially improve the PZU Group's result through our position in the banking segment

Assets (bn PLN)



Net financial result attributed to the PZU Group (m PLN)



- PZU Group's long-term strategic objective is to retain its leading position in the banking sector in Poland
- By 2020 we will have at least 300 bn PLN in assets, while this segment's net financial result contribution to the PZU Group's result will be at least 900 m PLN
- These targets refer to the banking segment in the PZU Group, regardless of the model of cooperation between the banks in the Group
- Prospective scenarios for cooperation between the banks will be assessed by the PZU Group in the context of their contribution to achieving the PZU Group's objectives





## We will launch a comprehensive product offering jointly with our banks



### Bancassurance

- Boost sales by utilizing bank channels in line with client preferences
- Dedicated product offering for various segments, including retail clients and SMEs
- Availability of insurance products linked to bank products (insurance for loans and borrowings, personal bank account)
- Implementation of an insurance offer to supplement the offering of banking products (life insurance, health insurance, assistance)
- Broad offering of investment products (TFI), pension products (ECS, IRA, IRSA) and unit-linked products dedicated to the premium segment

### Assurbanking

- Offering bank products in the course of insurance-related contacts (sales and service), including “lead generation” through PZU’s sales network
- Sales efforts directed to PZU’s clients in connection with the occurrence of specific life events such as childbirth, the purchase of a car, a motor claim or a property claim
- Special offers for PZU clients (discounts / cash back) and strategic partnerships

Regardless of the distribution channels used in our offering, we will offer only „sound” products to our clients

3.

How are we going  
to achieve that?

3.3 Health





# We will build a modern operating model as part of our care for the health of our clients



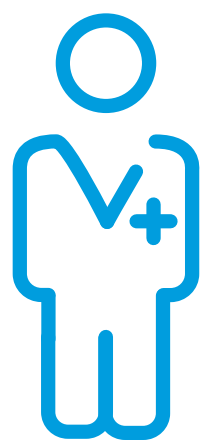
### Health Products Center

- > Recognizing client needs by building a comprehensive product offering
- > Relying on the PZU Group's current and new sales channels



### Integrated medical operator

- > Building a service and contact model based on quality, standards and specialized tools
- > Creation of an integrated network of proprietary medical centers
- > Implementation of a cost effective and competitive model for managing patient traffic



### Innovative startup

- > Utilizing pioneering solutions in patient services and telemedicine, e.g. by launching a medical diagnostic service based on artificial intelligence (symptom checker)



### Promoter of preventive activity and a healthy lifestyle

- > Promotion and execution of dedicated health prevention programs
- > Popularization of a healthy lifestyle and healthy behaviors

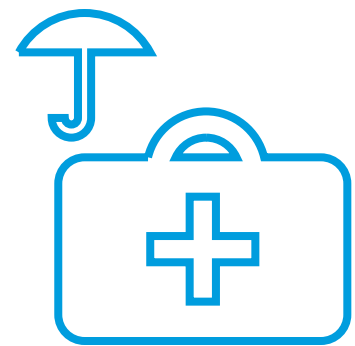


Synergy with the PZU GROUP



PZU Zdrowie's vision for this area

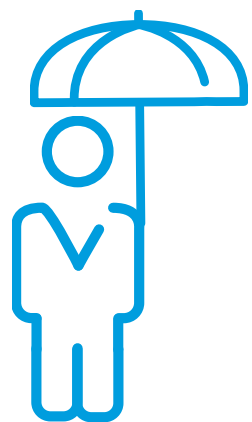
While tapping into the PZU Group's potential, we intend to focus on developing those elements that offer the greatest value to clients



Unique offering on the market combining health insurance cover with the option to take advantage of an extensive package of additional medical services (fee-for-service)



Integrated network of proprietary and cooperating centers



New patient care model providing for optimum quality and the utilization of new technology



Building brand awareness for PZU Zdrowie as a medical operator involved in caring for Poles' health





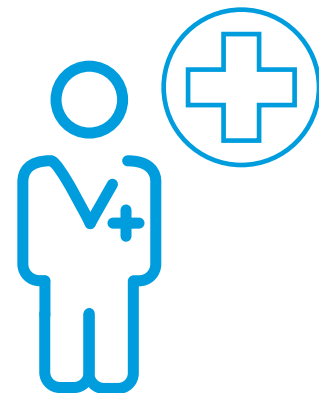
## We deliver value to clients that will be difficult to copy



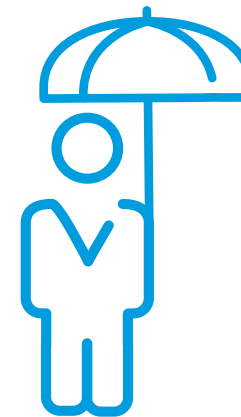
We guarantee accessibility to physicians  
(2 days to a primary care physician, 5 days  
to a specialist)



Nearly 2,000 medical centers



Treatment option with a trusted physician  
(freedom to choose)



Offering enriched with  
prevention activities



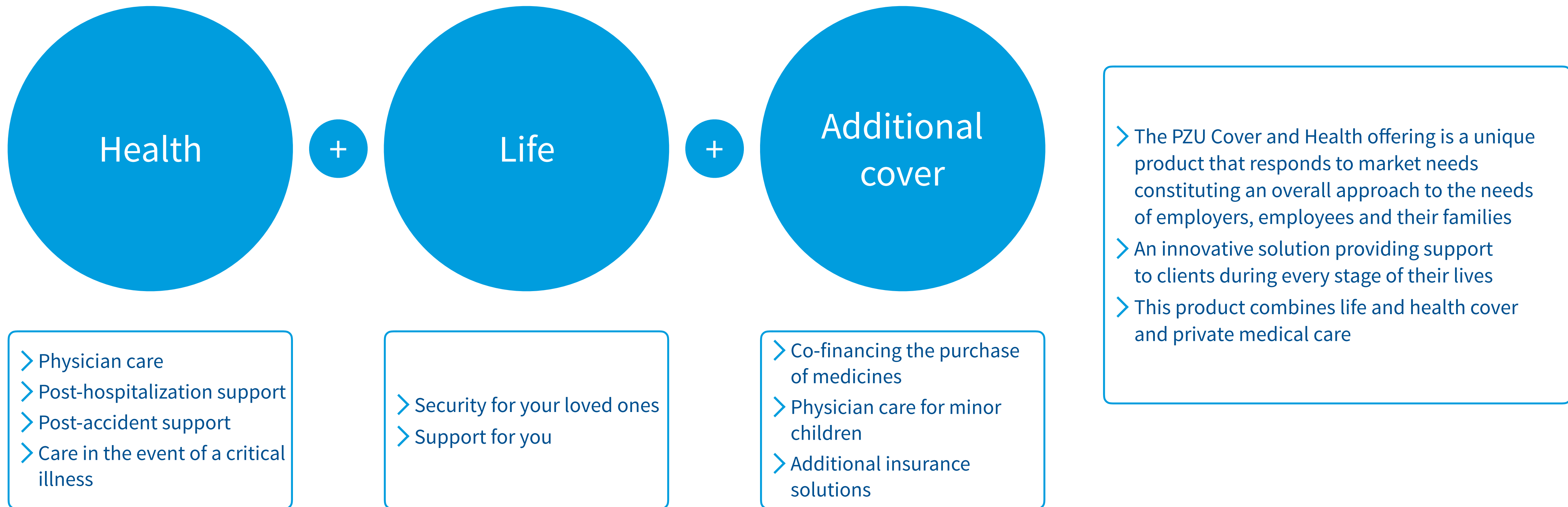
We honor referrals for tests from  
physicians outside the PZU Zdrowie  
network



Usage of the PZU Group's synergy  
in recognizing client needs



# We will offer unparalleled solutions blending insurance cover with medical care



3.

How are we going  
to achieve that?

3.4 International operations





We are betting on organic growth in the Baltic States and we are monitoring the market with an eye to attractive acquisition targets

### Organic growth

- The PZU Group's objective is to generate 8% of the Group's overall premium by 2020 in the form of the gross written premiums written in international markets
- This will be attained by retaining our strong position in the Baltic States and by continuing organic growth of subsidiaries
- The PZU Group's long-term strategic objective is to be in the leadership position on every market where it operates

### Approach to expansion

- Insurance companies will be the fundamental acquisition targets within the framework of international expansion provided that they satisfy the following conditions:
  - a company is in the TOP3 on a given market
  - its operations are in Central and Eastern Europe
  - it has satisfactory financial performance
- Acquisitions of entities from outside the insurance sector (e.g. asset management companies, banks, health care entities, intermediaries in financial services) will also be considered



3.

How are we going  
to achieve that?

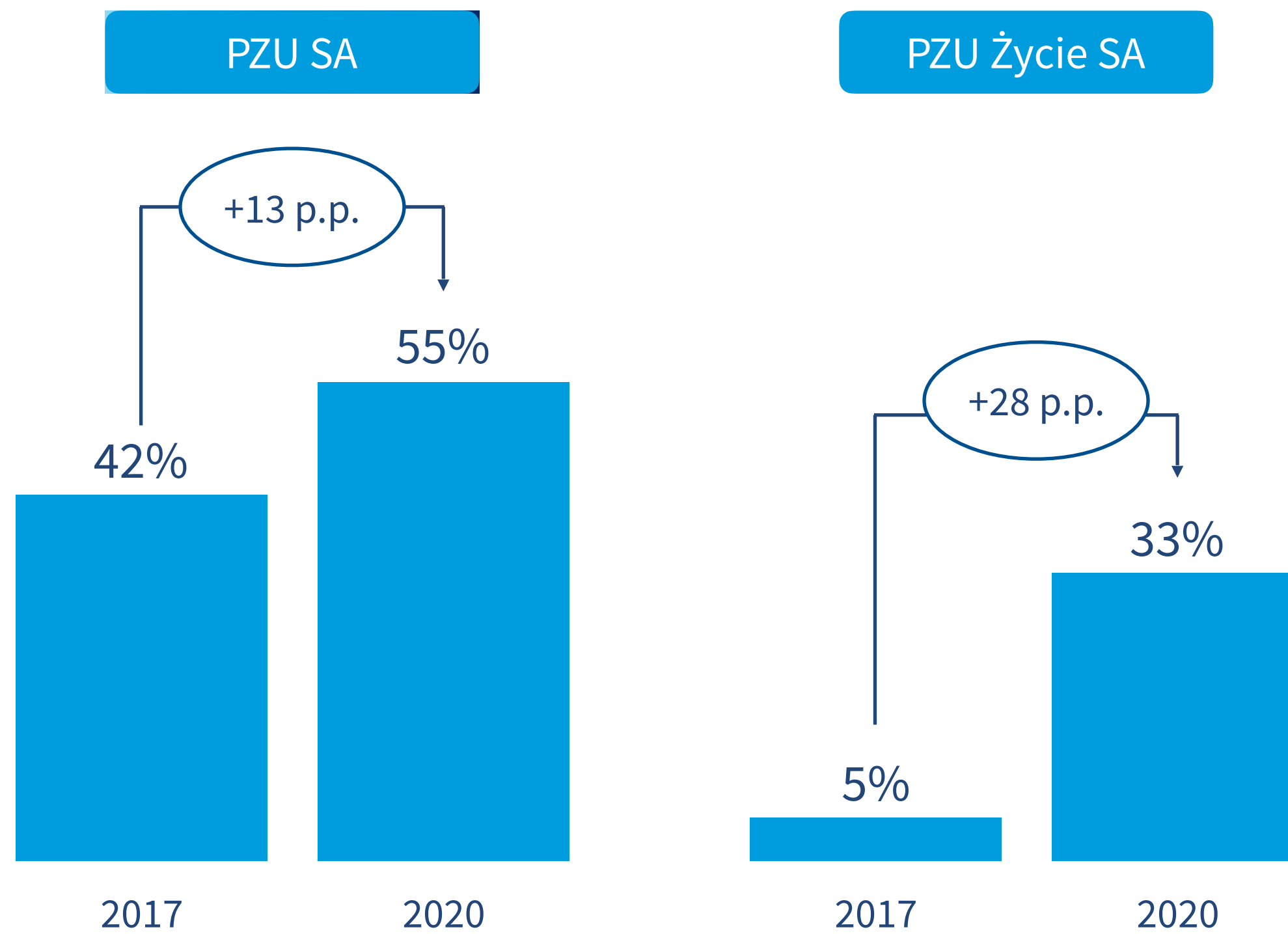
3.5 Support for strategy  
implementation





## We will unleash data potential

Percentage of marketing consents and client contact data obtained in PZU SA and PZU Życie SA



- > Expansion of the single client account - [moje.pzu.pl](https://moje.pzu.pl)
- > Training salespersons on the significance and consequences of marketing consents
- > Marketing consent benefits for clients

We will maintain the highest level of quality of claims and benefits handling whereby we will shorten the time to perform processes



### **Notify PZU of your claim**

and find out what amount of indemnity you will receive wherever and whenever you want

#### We solve client problems efficiently and fairly

- 75% of non-life insurance cases and 90% of life insurance cases will be handled during a single contact
- Understandable service processes enabling clients to participate in the process of handling insurable events (online access to the case status, arranging for inspection in line with expectations)
- Implemented and tested procedures for emergency claims handling during crises (e.g. torrential rains)
- Ability to allocate resources flexibly (human and technical resources) to the magnitude of needs expressed by the number of contacts

You can rely on us

3.5 Support for strategy implementation



We will shorten implementation timelines by providing for effective cooperation between our business and IT areas

Close cooperation between IT and Business (from idea to implementation)

- > Working together in development teams
- > Applying agility methods
- > Specified capacity and scalability

**Time-to-market in 2020:**

- > IT's total TTM for large priority changes (new product): 6 months
- > IT's total TTM for small priority changes (addition to a product): 4 months

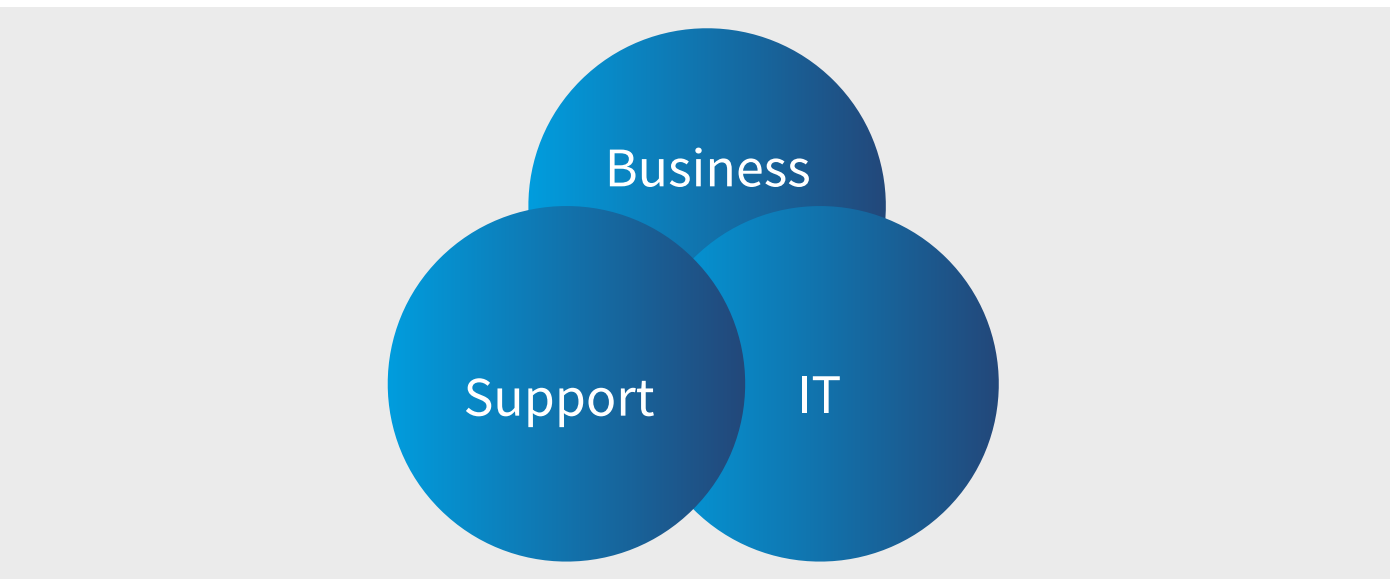
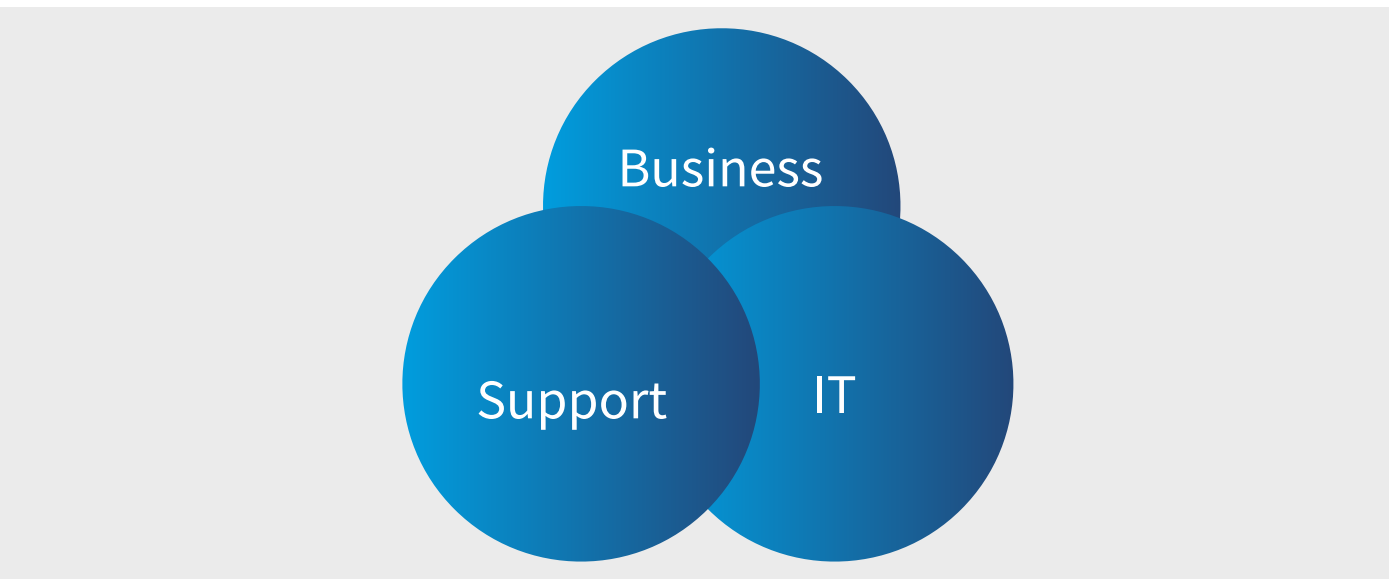
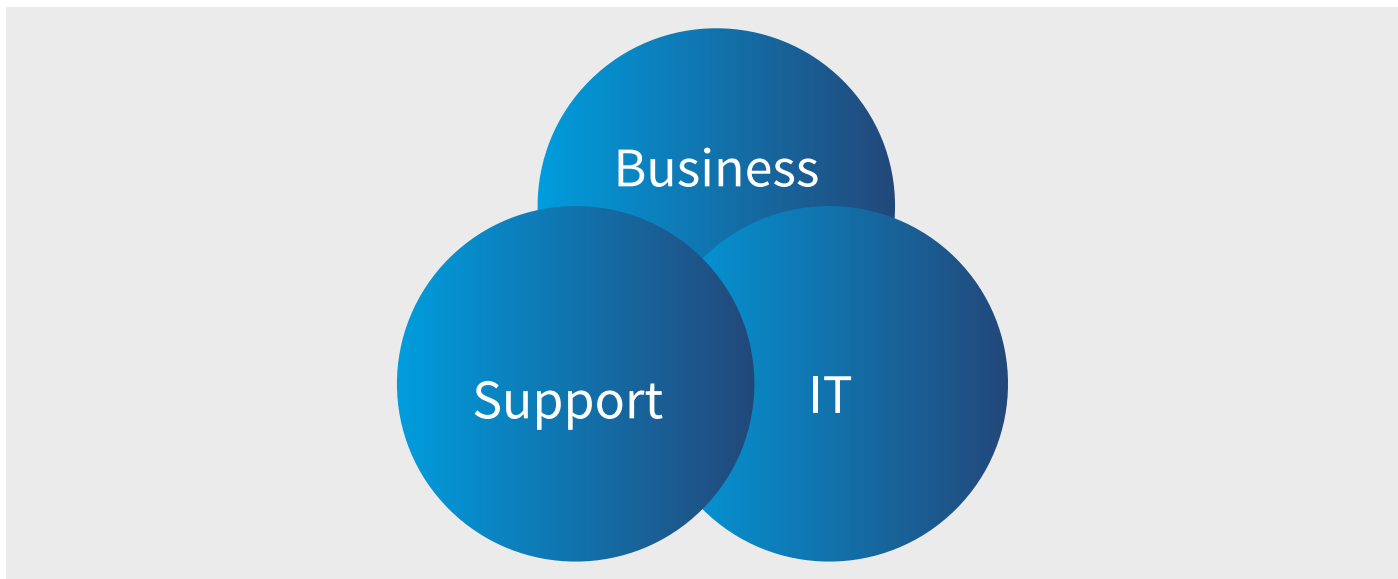
Optimization of the software development process

- > Automation of tests
- > Automation and integration of environments
- > Possible higher frequency of software releases in the calendar

Non-life insurance

Life insurance

Claims and benefits handling



IT's co-shared resources (system maintenance and development)

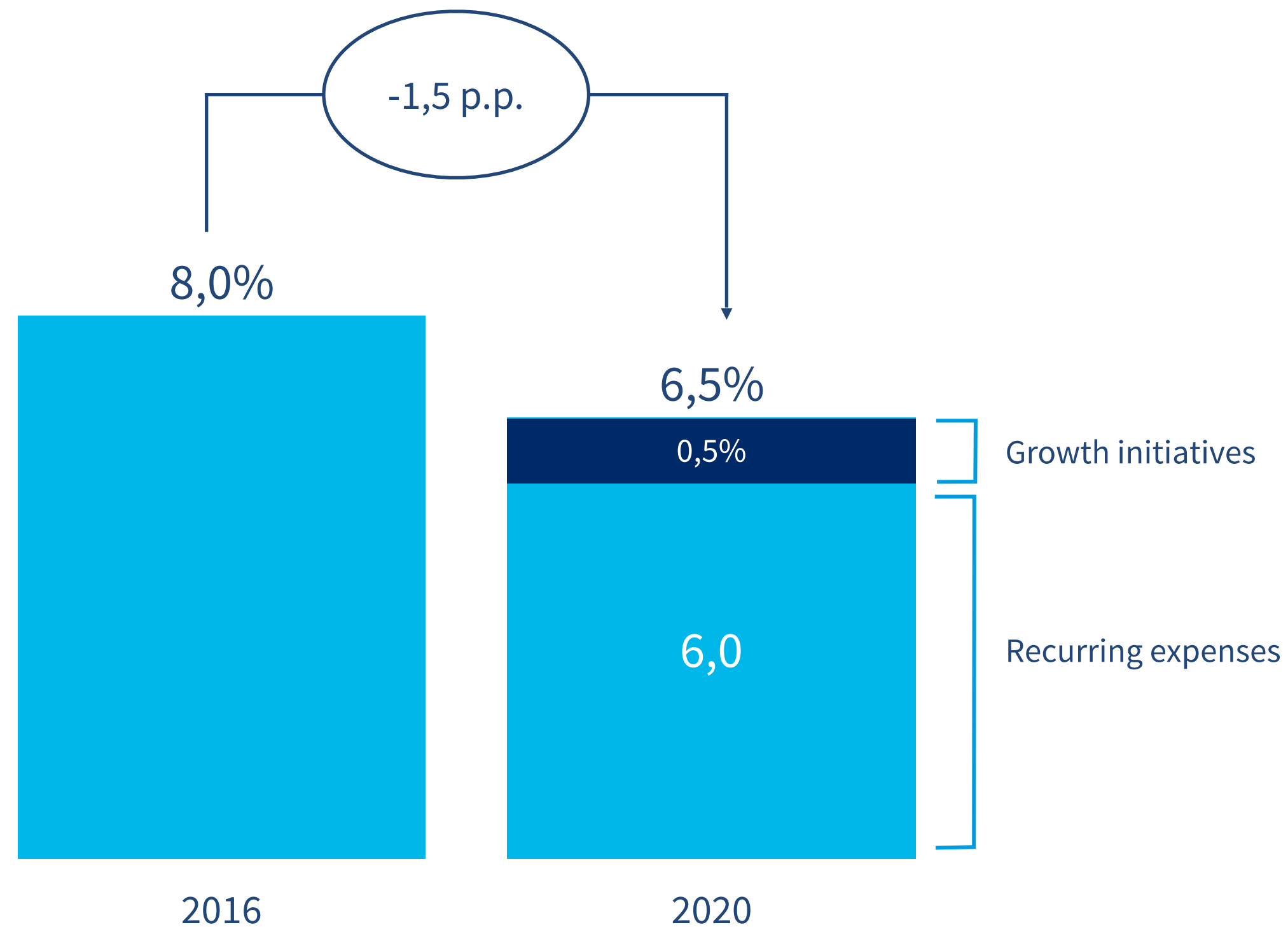
IT infrastructure





## We will improve our cost effectiveness in our insurance businesses

Administrative expense ratio - the ratio of administrative expenses to net earned premium in PZU SA and PZU Życie SA (%)



- Reducing the administrative expense ratio in insurance activity in PZU SA and PZU Życie by 1.5 p.p. by 2020
- Cost policy focused on improving the efficiency of insurance activities (objective: aligning the level of expenses to the current market capabilities of business development)
- More than 250 m PLN of expenditure to pursue initiatives involving innovation, digitalization and data utilization with the targeted level of benefits outside the current strategy horizon causes this ratio to grow by 0.5 p.p.

We intend to develop our insurance businesses while consciously managing the level of expenses



# We will be the best employer on the markets where we operate

Recruitment

Commitment

Retention

How we will know that we have achieved success

Employer of first choice in the financial industry

The best and most committed staff on the market

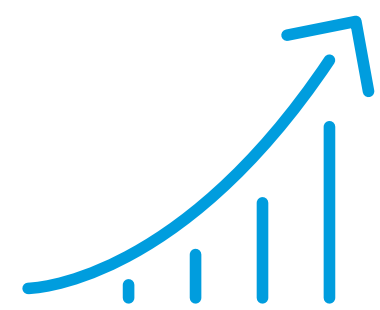
High level of retention of the most talented people in the organization

How we will achieve that

- > We offer transparent development paths
- > We will facilitate development within the framework of the largest financial institution in Poland and Central and Eastern Europe
- > We will implement new quality in our organizational culture
- > We will promote entrepreneurship, innovativeness and teamwork
- > We will improve our response time to reported resignations
- > We will develop the established set of actions to retain key employees



## We will minimize risks by utilizing an effective risk management system



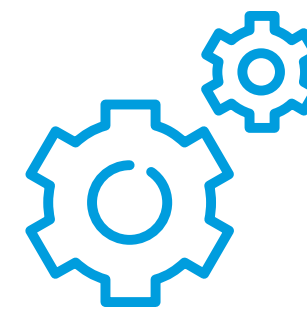
Protect sustainable growth in the PZU Group's value



Contribute to enhancing the level of satisfaction of internal clients and key stakeholders



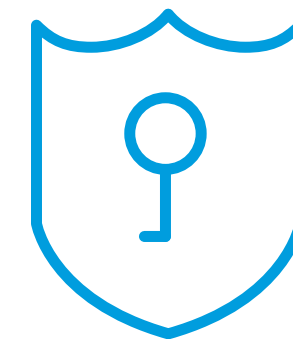
Co-manage the level of financial, operational and regulatory security



Optimizing PZU's reinsurance cover



Protect the PZU Group's values and reputation

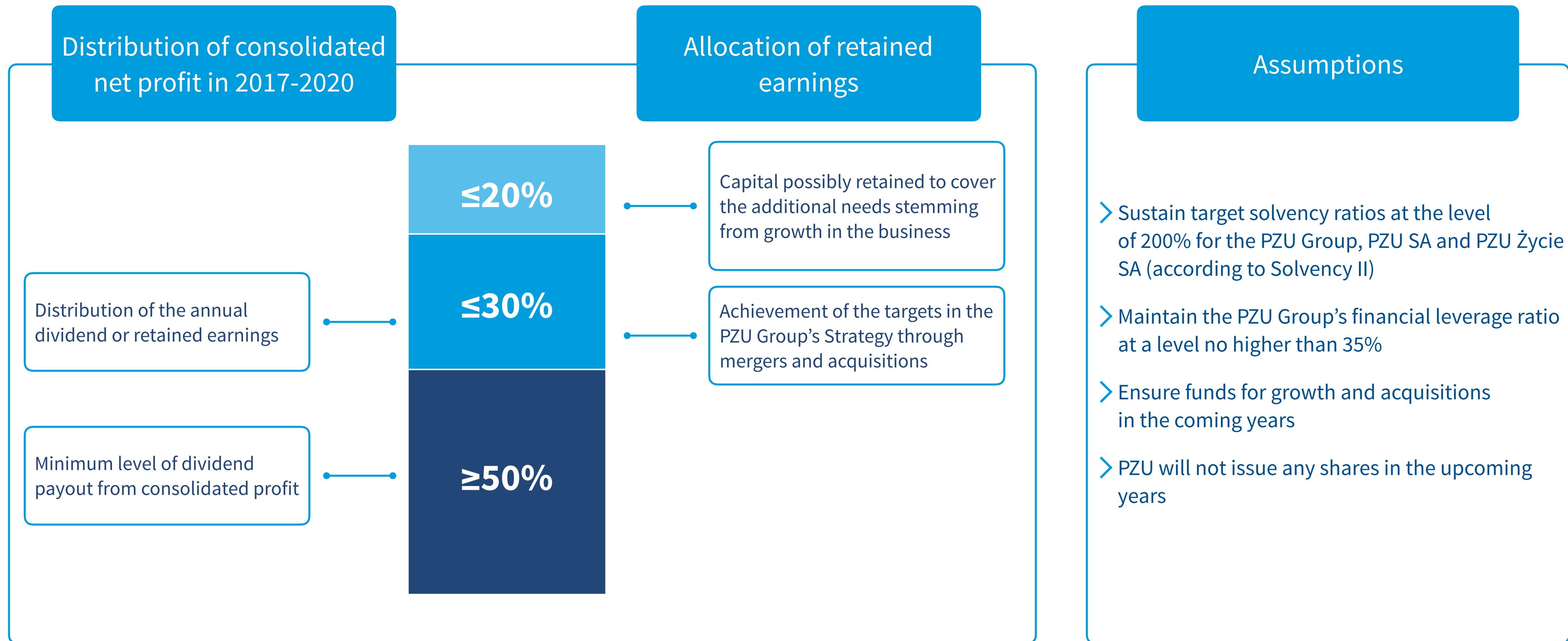


Ensure that the highest standards of conduct are observed in all the areas of PZU's activity

The mission for the risk management system is to support the execution of the PZU Group's Strategy



## We will optimise capital utilisation within the PZU Group



We are consistently pursuing the capital and dividend policy enacted in 2016





# Values by which we are guided in our actions

## Stability

What that means for clients

- > We run this business safely - you can trust us
- > We are keen on the long-term development of the markets on which we operate - we offer only products in which we believe

What that means for employees

- > We care about employee development and we create career opportunities in the PZU Group
- > We offer safe forms of employment

## Honesty

What that means for clients

- > We follow transparent rules for client communication - we fulfill our obligations
- > Clients can always rely on us

What that means for employees

- > We discharge our obligations
- > We apply clear principles in the operation of our organization



# You can rely on us

## Innovation

What that means for clients

- > We are well-versed with client needs and we are incessantly looking for new solutions
- > We set the trends on the financial services market

What that means for employees

- > We think outside the box and we break the mould
- > We actively endeavor to streamline how our company functions

## Responsibility

What that means for clients

- > We feel responsible for our clients at every stage of their lives
- > We help people make conscious decisions by providing education and conducting prevention activities

What that means for employees

- > We give consideration to the impact our decisions exert on employees
- > We engage employees in our corporate social responsibility activities





## We manage our business responsibly



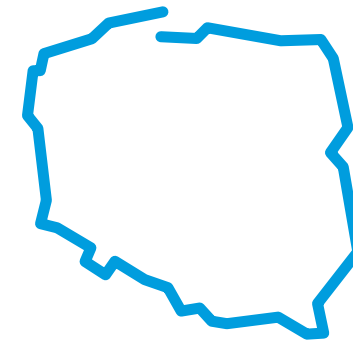
We respond to the needs of our clients



We are devising new standards in relations with suppliers



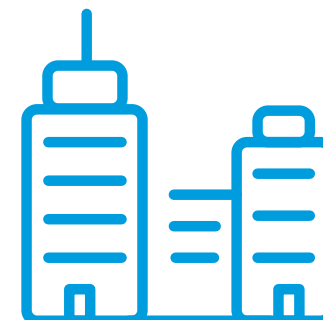
We create an inspiring place of work



We are a leader in social activities focusing on security



We cultivate a culture of ethics and compliance



We manage our environmental impact in a deliberate manner

The Group's value growth should be aligned to the needs of the environment and rely on sustainable and responsible resource utilization

4.

How are we going  
to measure success?





## Key financial indicators

ROE <sup>1</sup>	
2016	2020
<b>14,9%</b> <sup>9</sup>	<b>&gt;22%</b>

INVESTMENTS	
Assets under management for third party clients (bn PLN)	
2016	2020
<b>27,0</b>	<b>65</b>

INVESTMENTS	
Net result on third party asset management (m PLN) <sup>6</sup>	
2016	2020
<b>83,4</b>	<b>200</b>

HEALTH	
Revenues (m PLN) <sup>7</sup>	
2016	2020
<b>363,8</b>	<b>1 000</b>

HEALTH	
EBITDA margin <sup>8</sup>	
2016	2020
<b>7,2%</b>	<b>12%</b>

BANKING	
Assets (bn PLN)	
2016	2020
<b>61</b>	<b>&gt;300</b>

BANKING	
Net financial result attributed to the PZU Group (m PLN)	
2016	2020
<b>181<sup>9</sup></b>	<b>&gt;900</b>

BUSINESS SIZE

BUSINESS PROFITABILITY

NON-LIFE INSURANCE		LIFE INSURANCE	
PZU Group's market share <sup>2,3</sup>		Number of clients of PZU Życie (m)	
2016	2020	2016	2020
<b>35,4%</b>	<b>38%</b>	<b>11,2</b>	<b>11,0</b>
Combined ratio <sup>3</sup>		Operating margin in group and individually continued insurance	
2016	2020	2016	2020
<b>95%</b>	<b>92%</b>	<b>25,8%</b>	<b>&gt;20%</b>
Administrative expense ratio <sup>4</sup>		Surplus yield on its own portfolio above the RFR	
2016	2020	2016	2017-2020
<b>8,0%</b>	<b>6,5%</b>	<b>0,3 p.p.</b>	<b>2,0 p.p.</b>

### GROUP OBJECTIVES

- ROE attributable to the parent company
- Direct business
- PZU jointly with TUW PZUW and Link4
- Administrative expenses in PZU SA and PZU Życie SA
- Own funds after subtracting anticipated dividends and asset taxes
- PZU Investments' consolidated net result
- Annualized revenues of proprietary centers and branches including revenues from PZU Zdrowie
- Net of the transaction costs related to mergers and acquisitions; profitability computed using the sum of revenues generated by branches and earned premium
- Restated data

Solvency II solvency ratio <sup>5</sup>	
2016	2020
<b>247,0%</b>	<b>&gt;200%</b>

Number of products per client	
2016	2020
<b>1,5</b>	<b>2,0</b>



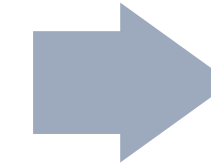


## Operational indicators and initiatives supporting their execution (1/2)

### Strategic initiatives

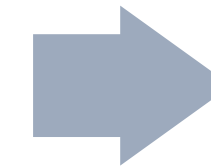
1

Data base merger and creation of a single joint CRM system in the PZU Group / full client picture (360 degree view)



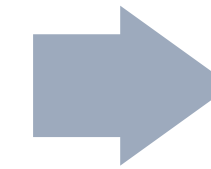
2

Better matched price to risk and pricing optimisation (Taryfikacja 3.0)



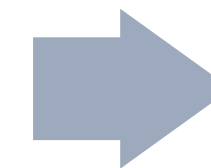
3

Implementation of solutions employing artificial intelligence



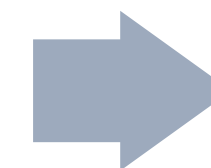
4

Development of cooperation with banks



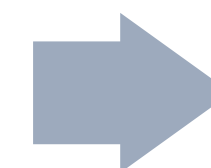
5

Simplifying the product offering, and simple language



6

Conversion of the sales network into multi-product sales network



### Ambitions in 2020

> 55% of the clients in PZU SA and 33% of the clients in PZU Życie SA will give marketing consent

> 92% combined ratio

> 6 innovative solutions which at least 100 thousand clients of the PZU Group will use

> 1 m clients acquired for the banks in the PZU Group  
> 1 bn PLN of incremental premium obtained from the bank channel  
> Cut costs by 100 m PLN

> 10 core products in broad distribution

> 50% of salespersons sell multiple products in proprietary networks

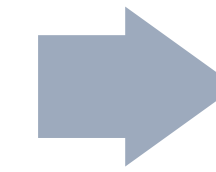


## Operational indicators and initiatives supporting their execution (2/2)

### Strategic initiatives

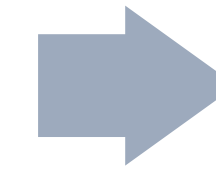
### Ambitions in 2020

7 Development of sales in PZU Health



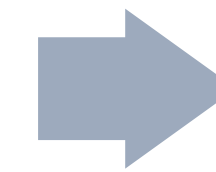
- > 1 bn in revenues of PZU Health
- > 12% EBITDA margin

8 Development of sales and consolidation in PZU Investments



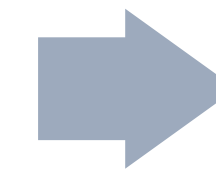
- > 65 bn PLN of third party assets under management
- > 200 m PLN of net profit on third party asset management
- > 15% share of assets on the Employee Capital Schemes market<sup>1</sup>

9 Implementation of a new „moje.pzu.pl” portal



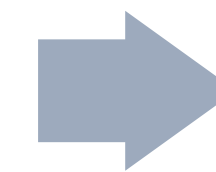
- > 5 m accounts established by clients

10 Development of the direct offering



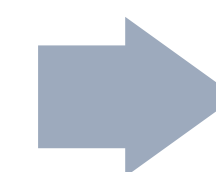
- > 10 products available in the direct channel
- > 50% market share held by PZU SA and Link4 of non-life insurance sold in the direct channel

11 Implementation of a loyalty program at the PZU Group level



- > 3 m participants

12 Integrated service model for SMEs



- > 70% growth of new sales in group insurance to SME clients in PZU Życie
- > 20% growth in the gross written premium generated by non-life insurance dedicated to the SME segment

<sup>1</sup> Objective to be confirmed after the enactment of the Act on Employee Capital Schemes



## Key indicators in corporate social responsibility

### Ambitions in 2020

Building our CSR position in the industry	<ul style="list-style-type: none"> <li>&gt; Membership in the Respect Index of listed companies observing corporate social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Membership in the index at least at average level for the industry</li> </ul>
Clients	<ul style="list-style-type: none"> <li>&gt; NPS for retail clients in insurance versus the competition</li> <li>&gt; Indicator concerning the timeliness of examining complaints</li> </ul>	<ul style="list-style-type: none"> <li>&gt; &gt; the competition</li> <li>&gt; 95% to 28 days</li> </ul>
Employees	<ul style="list-style-type: none"> <li>&gt; Employee commitment index</li> <li>&gt; % of women in managerial positions</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 55%</li> <li>&gt; at least 50%</li> </ul>
Environment	<ul style="list-style-type: none"> <li>&gt; Implementation of the Group's "Green PZU" standard</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Fully implemented (100%)</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>&gt; Risk assessment framework score (BION) for PZU and PZU Życie</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Good</li> </ul>
Social activities	<ul style="list-style-type: none"> <li>&gt; Financial commitment to social activity</li> </ul>	<ul style="list-style-type: none"> <li>&gt; &gt; 50 m PLN per annum</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>&gt; Percentage of suppliers adhering to the "Code of CSR Best Practices for PZU's Suppliers"</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 90% of contracts contain an obligation to adhere to the "Code of CSR Best Practices for PZU's Suppliers"</li> </ul>



## Other operational indicators

### Ambitions in 2020

#### HR

- > Place in the Forbes best employer ranking
- > Number of applications per position in the internship program
- > Employment conversion after completion of the internship program

- > Top5
- > 100 applications
- > 66%

#### Claims and benefits handling

- > Percentage of non-life insurance cases handled during a single contact
- > Percentage of non-life insurance cases in which a decision is made within 7 days
- > Percentage of life insurance cases handled during a single contact<sup>1</sup>
- > Percentage of life insurance cases in which a decision is made on the date of notification

- > 75%
- > 75%
- > 90%
- > 85%

#### Operations and IT

- > Reducing the consumption of paper in sales, service and archive-related processes
- > IT's time-to-market for large priority changes (new product)
- > IT's time-to-market for small priority changes (addition to a product)
- > Number of clients using PZU's mobile application

- > 50%<sup>2</sup>
- > 6 months
- > 4 months
- > 1 m

#### Expenses

- > Cutting IT maintenance expenses
- > Cutting recurring procurement expenses<sup>3</sup>

- > 5% as an annual average
- > 5% as an annual average

Note: pertains to PZU SA and PZU Życie

<sup>1</sup> Pertains to group life insurance, individually continued insurance net of life benefits (births and deaths), <sup>2</sup> Under the assumption of there not being any additional regulatory obligations, <sup>3</sup> Pertains to the cost reduction for agreements renewed in the same year computed using contract value as the base