



# PZU's dividend policy



Warsaw, 4 October 2016

# We will build the PZU Group's value by pursuing strategic growth projects ...



**Focus on the high profitability of insurance activity coupled with simultaneous growth in selected market segments**



**Reduce fixed costs by PLN 400 million within 3 years**



**Effectively pursue growth initiatives in Health and Investments**



**Build a large and profitable banking group**



**Create one of the most innovative insurance groups in Europe**



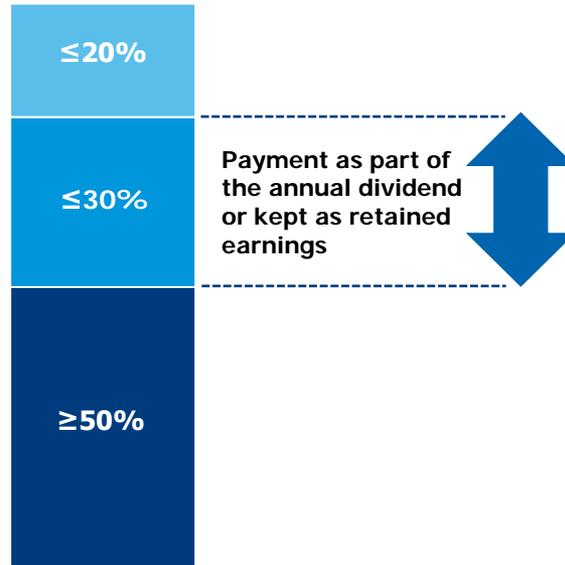
## ... while offering an attractive stream of dividends ...

The dividend proposed by the parent company's Management Board, to be paid by PZU SA for a given financial year, is determined on the basis of the PZU Group's consolidated financial result attributable to the parent company, where:

Profit allocated to organic growth, innovations and implementing growth initiatives

Profit allocated to the capital expenditures related to achieving the targets specified in the PZU Group's Strategy including mergers and acquisitions

**Baseline dividend**  
pay-out ratio 50%



- no more than 20% will be allocated to retained earnings (supplementary capital) for purposes related to organic growth and innovation and to pursue growth initiatives;
- no less than 50% will be subject to payment in the form of an annual dividend;
- the rest will be paid in the form of an annual dividend or will be allocated to retained earnings (supplementary capital) in the event of incurring extensive capital expenditures in a given year related to the pursuit of the targets underpinning the PZU Group's Strategy, including in particular mergers and acquisitions;

### subject to items below:

- according to the Management Board's plans and the parent company own risk and solvency assessment, the own funds of the parent company and the PZU Group, after the declaration or payment of a dividend, will remain at a level ensuring satisfaction of the conditions prescribed by the Capital Policy;
- the regulatory authority's dividend-related recommendations will be taken into consideration when specifying the dividend.



... based on a transparent capital management policy.

**The PZU Group strives to achieve the following objectives:**

- 1) manage capital effectively by optimizing the utilization of capital from the Group's perspective;
- 2) maximize the return on equity from the viewpoint of the parent company's shareholders, in particular while observing the level of security and maintaining capital resources for the purposes of strategic growth through acquisitions;
- 3) ensure sufficient financial resources to cover the Group's obligations to clients.

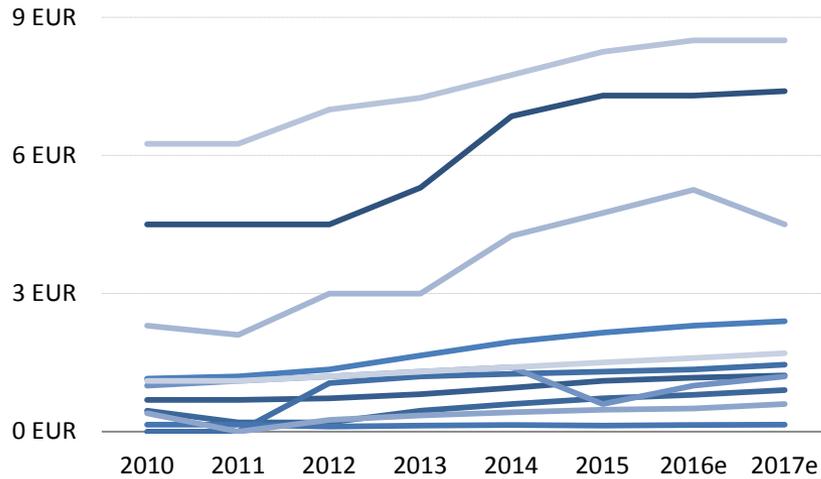
**The Capital Management Policy is based on the following principles:**

- 1) managing the PZU Group's capital (including its excess capital) at the level of PZU SA as the parent company;
- 2) maintaining the target solvency ratios at the level of 200% for the PZU Group, PZU SA and PZU Życie SA (according to Solvency II);
- 3) maintaining the PZU Group's financial leverage ratio at a level no higher than 0.35;
- 4) ensuring funds for growth and acquisitions in the upcoming years;
- 5) having PZU SA refrain from a secondary public offering during the term of validity of the Policy.

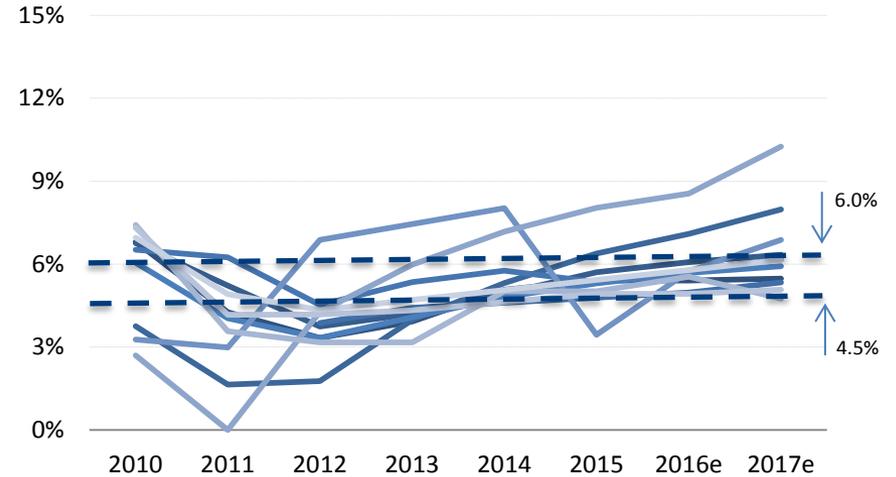


# We will maintain a competitive dividend yield ...

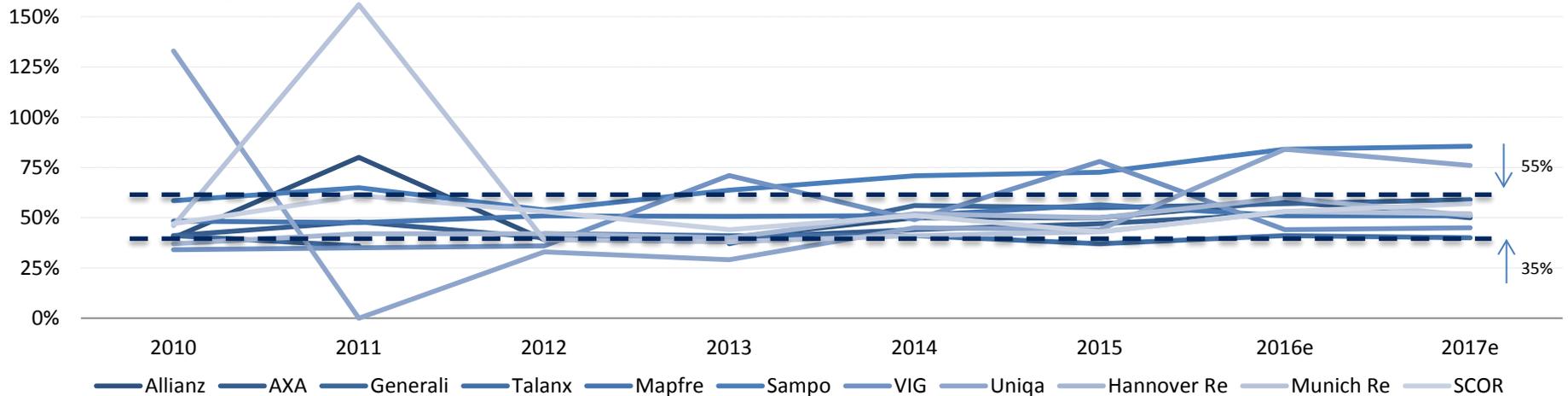
**Dividend per share (DPS)**



**Dividend yield (DY)**



**Dividend payout ratio**



Source: Bloomberg, websites and annual reports of companies, sell-side analysts' estimates, PZU's analysis

... and we will achieve one of the highest ROEs in the financial sector in Poland and abroad.

|                         |  | ROE <sup>1</sup>   |                        |
|-------------------------|--|--|------------------------|
|                         |  | 2015   | 2020                   |
|                         |  | 18%  | 18%                    |
| BUSINESS SIZE           | <b>NON-LIFE INSURANCE</b>  | <b>PZU Group's market share<sup>2</sup></b>                      |                        |
|                         |  | 2015   | 2020                   |
|                         |  | 33.9%  | 35%                    |
|                         | <b>LIFE INSURANCE</b>  | <b>Number of Customers in PZU Życie (million)</b>                |                        |
|                         |  | 2015   | 2020                   |
|                         |  | 11.4   | 11.0                   |
| BUSINESS PROFITABILITY  | <b>INVESTMENTS</b>   | <b>Assets of third party Customers under management (PLN bn)</b> |                        |
|                         |  | 2015   | 2020                   |
|                         |  | 25.3   | 50                     |
|                         | <b>HEALTH</b>  | <b>Revenues (PLN m)</b>  |                        |
|                         |  | 2015   | 2020                   |
|                         |  | 259.5  | 1000                   |
|                         | <b>BANKING</b>   | <b>Assets (PLN bn)</b>   |                        |
|                         |  | 2015   | 2020                   |
|                         |  | 40   | 140                    |
|                         |  | <b>Combined ratio<sup>3</sup></b>                                | 2015                   |
|                         | 94.0%  | 92%  |                        |
|                         | <b>Operating margin in group insurance and individual continuation</b> | 2015   | 2020                   |
|                         | 22.4%  | >20%   |                        |
|                         | <b>Reduction of fixed expenses (PLN m)</b>                             | 2015   | 2018                   |
|                         | 0  | 400  |                        |
|                         | <b>Surplus rate of return on own portfolio above the RFR</b>           | 2015   | 2016-2020 <sup>4</sup> |
|                         | 2.2 p.p.   | 2.0 p.p.   |                        |
| <b>GROUP OBJECTIVES</b> |  | <b>Solvency II solvency ratio<sup>5</sup></b>                    |                        |
|                         |  | 2015   | 2020                   |
|                         |  | 285%   | >200%                  |
|                         |  | <b>NPS for Retail Customer vs. competition</b>                   |                        |
|                         |  | 2015   | 2020                   |
|                         |  | +8.6 p.p.  | > competitors          |
|                         |  | <b>Number of products per Retail Customer</b>                    |                        |
|                         |  | 2015   | 2020                   |
|                         |  | 1.49   | 1.64                   |
|                         |  | <b>Employee Engagement Index</b>                                 |                        |
|                         |  | 2014 <sup>6</sup>  | 2020                   |
|                         |  | 49%  | 55%                    |

1 ROE attributable to the parent company

2 Without reinsurance premium

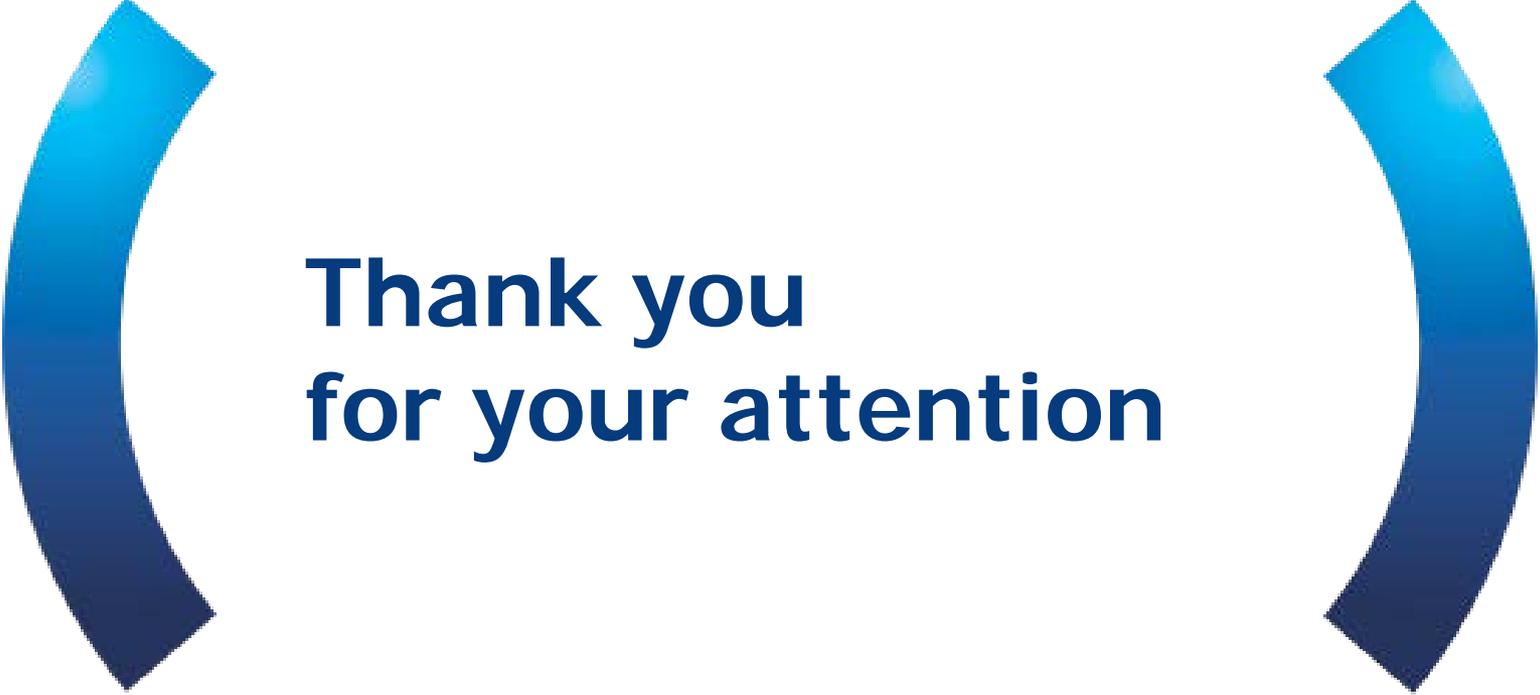
3 Including PZUW TUW and Link4

4 Average from 2016 to 2020

5 Onw funds decreased by expected dividends and tax on assets

6 Last survey





**Thank you  
for your attention**

