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PZU Group's New Strategy in 2021-2024

The most important goals outlined in the new PZU Group Strategy for the next four years presented on 25 March of this year call for delivering considerable growth in all key markets, record-breaking results coupled with a high level of solvency and profitability and regular dividends, a new offering of comprehensive services and leading the green transition on the financial market in Poland.

“Our offering will be the best response to all of the most important needs the most demanding individual clients and businesses currently have at every stage of their private and professional lives. We will provide them and our shareholders with significant benefits in a sustainable, sound and socially and environmentally responsible manner”, announces Beata Kozłowska-Chyła, Ph.D. Hab., CEO of PZU SA.

Rapid and safe growth

The PZU Group's business model has proven to be highly resilient to the crisis precipitated by COVID-19 as evidenced by the [results generated in 2020](#). In the upcoming years we intend to take advantage of the substantial economic rebound anticipated after the pandemic dissipates. Today, every third zloty spent in Poland to buy life and non-life insurance policies is paid to the PZU Group. As the leader of the life and non-life insurance market we want to continue to grow and **ramp up our gross written premium to PLN 26 billion in 2024, or by nearly 10%** versus last year. It is noteworthy that our mutual insurer - T UW PZUW, the top player on the mutual insurance market - is also positing rapid growth. Its ambition is to increase its gross written premium in this period by roughly 62% to PLN 1 billion.

Considering Poles' substantially higher needs in terms of medical and financial security triggered by the pandemic, the PZU Group intends to pursue very rapid development on the private health care and investment markets. During the next four years **PZU Zdrowie plans to grow its revenue by nearly 80% to PLN 1.7 billion**, transforming into a comprehensive client advisor and supplier of a full range of services associated with a healthy lifestyle, medical care and treatment. **The assets under management in the Group, chiefly in TFI PZU, are to climb to PLN 60 billion, or by close to 82%**. In particular, we intend to focus on regular savings products and passive products to mitigate risk and reduce the costs incurred by clients.

“The most important thing is that we want to achieve this growth while maintaining our solvency ratio at a very safe level of no less than 200% and at the same time substantially increasing the profitability of our business. **The return on equity will increase by 6.5 percentage points to 17.4% in 2024** over the period covered by the Strategy”, emphasizes Tomasz Kulik, PZU Management Board Member and the Group's CFO. This is one of the reasons the **PZU Group's planned net profit will ultimately increase by nearly 79%** in 2024 versus 2020 to the level of **PLN 3.4 billion, its highest level from when PZU SA's shares were first listed on the Warsaw Stock Exchange**. We want to be attractive to shareholders and properly tend to their interests; that is why we will regularly share our profits with them. According to the [Strategy](#),

we will earmark at least 50% to 100% of the PZU Group’s consolidated net profit to pay dividends. Retaining profit will hinge on any needs related to organic growth (up to 20%) or mergers and acquisitions following from the Strategy (up to 30%).

Green leader and guide

ESG (environment, social responsibility and corporate governance) is a new area that has been strongly emphasized in the Strategy. **The priority for the entire Group and the measure of its success will be the benefits it generates for its shareholders and clients in a sustainable and responsible manner.** We are aware of how important the phenomena currently taking place against the backdrop of the pandemic are for the present and the future: ranging from climate change to the aging society to the dizzying pace of the technological revolution. That is why we are implementing ESG across the board: in terms of how the Group itself functions, the products we offer and our relations with our surroundings.

We have started with ourselves, having previously undertaken attempts to curtail our own greenhouse gas emissions, including CO₂. One of the most important sources of our emissions is electricity. That is why PZU SA and PZU Życie SA have decided to buy the bulk of their electricity from renewable sources. We will become climate neutral by 2024; in other words, we will consume less energy and we will source it entirely from renewable energy sources (RES), thereby reducing our own emissions commensurately, and where this will not be plausible, we will offset them. At the same time, we will curtail the consumption of other resources in our current operations: water, paper and fuel. In the longer run, **up to 2030, we want to reduce our own carbon footprint to an even greater degree (among others, through the gradual expansion of our fleet of hybrid and electric vehicles) and start reducing emissions in our supply chain, i.e. the entities collaborating with us.** We want our suppliers and other partners to become climate neutral by 2040, and for our insurance and investment clients to do the same by 2050.

As a responsible leader we want to help businesses in the process of adjusting to a low emission economy. Our objective is for at least **55% of PZU’s largest corporate insurance clients to undergo an ESG analysis.** We will encourage them to devise plans on achieving climate neutrality and reducing their carbon footprint.

“By setting a good example and through our product offering we will promote the green transition among our business partners, clients and social partners. We will lead them in running this major change effectively and safely”, explains the CEO of PZU SA. One component will take the form of the appropriate insurance offer to support, among others, low emission transport, environmentally-friendly photovoltaic installations, heat pumps, small and large windfarms, advisory services and audits for clients engaged in decarbonization. We will **ramp up the PZU Group’s exposure to investments supporting the climate and energy transition, including windfarms by PLN 500 million** during the Strategy execution period. We will extend our mutual funds offering to include ESG funds and we will devise a long-term strategy to develop a sustainable portfolio while consistently increasing our investments in the green sectors.

Modern product and service ecosystems

As was emphasized during the [online conference](#) to present the new Strategy, the PZU Group wants to supply overall solutions to help clients lead a healthy life and operate a sustainable business, provide medical care to their families and employees, protect their assets and help them grow their assets, give them a feeling of stabilization and taking good care of their relatives regardless of what the future brings. Health is an example of such an “ecosystem” in which we will offer services relating to **healthy nutrition and physical activity through an offering ranging from prophylactic tests to full medical care**: in the form of insurance, subscriptions and services for a fee. We will improve teleconsultations and remote patient monitoring and treatment at home while at the same time giving all of the interested parties rapid direct access to physicians in PZU Zdrowie’s proprietary outlet network that is constantly growing and undergoing integration.

We are cognizant of the demographic changes taking place and their significance; we will prepare an **exceptional offer for senior citizens**. This offer will include the following: insurance corresponding to their expectations in terms of scope and sales and service channels, medical services with special emphasis placed on remote care at home and treatment in health spas, special safe bank and investment products and also a package of services to support senior citizens in their day-to-day life and community activities: ranging from assistance in traveling to see a physician, delivering medicines, organizing physical therapy, to household repairs or participation in sports classes and courses.

In the near future we will also create an **integrated ecosystem of employee benefits unrelated to their salaries** that will be attractive to corporate and individual clients alike. These benefits will include, among others, **insurance and health packages, PZU Sport membership cards and sports and recreational subscriptions, easy and convenient loans from PZU Cash to be expanded to include mortgage products in the future** and a system of discounts on purchases from partners.

Our **new platform for drivers** will serve as another example of a comprehensive approach to reduce the burden placed on current and future clients and support them. In a single venue they will be able to obtain support in buying and financing or selling their car, insuring and maintaining it, selecting a garage and doing the necessary repairs and assistance in the event of a breakdown or an accident and legal assistance.

At the same time, we will maintain an effective model of complementary brands, products and distribution channels in the offering for drivers. We plan to **grow Link4’s gross written premium by more than 22% to PLN 1.3 billion in 2024**. Link4’s share in the domestic motor TPL market will increase to more than 6%, while its share of the overall non-life insurance market will increase to approximately 3%.

Nor will we refrain from developing highly specialized programs for corporate clients such as “Safe Assets” as part of which PZU LAB will provide advisory services and technological solutions to businesses to mitigate the risk of occurrence or reduce the quantum of losses (e.g. fire in a production plant).

Strength of synergy

During the execution of the Strategy 2021-2024 **we will fully leverage the potential ensuing from the synergy between the PZU Group entities, especially in collaboration with Bank Pekao SA and Alior Bank SA.** We will extend the offering of insurance sold in banks tied to their products and standalone products such as motor, health and travel insurance policies. We delivered on our previous promise of generating PLN 1 billion in revenue on cooperation with the PZU Group's banks. The current Strategy calls for the cumulative **gross written premium generated on collaboration with Pekao and Alior to grow by 200% to roughly PLN 3 billion** by 2024. In turn, bank products will be an integral part of the ecosystems created for the clients of the insurance pillar and offered in all of PZU's distribution channels. As part of *assurbanking* new solutions will also be developed such as the offering of PZU Cash's financial benefits, the BLIK system for the rapid payment of claims to people's telephones, etc.

After the challenging year of 2020 during which the pandemic led to new sector regulations, historically low interest rates and thus to a slump in interest income and impairment losses, the position of the banks will improve considerably during the Strategy execution period. Their own operating profitability will grow while the **contribution of Bank Pekao and Alior Bank to the overall PZU Group's net result will climb sevenfold to PLN 0.8 billion in four years.**

Flexible sales and service

Today, various generations make up our clientele: clients ranging from early adults who are representatives of the digital "Generation Z" to a growing body of senior citizens. We have to be flexible to adapt to their expectations and the model of their activity in life. That is why we will implement a new vision for designing and distributing products.

Already today the PZU Group wants to embellish its strong position in all of its sales channels: it has more than 400 branches and 1,500 agent offices, it cooperates with many multiagencies, brokers and 7 banks as well as the leaders on the growing e-commerce market and energy suppliers. In total, more than 70 thousand salespersons operate in this network. We are intensively growing our digital channel in the form of the **myPZU platform which is already used by more than 1.5 million clients.** By implementing the new Strategy we want our clients to be able to shape the various stages and the overall purchase process to their liking. This will give them a **host of available distribution channels and the freedom to choose from among them.** For instance, clients can obtain product information during a meeting with an agent, learn about the details and additional opportunities by visiting a branch and complete their purchase through the web in myPZU or they can do something totally different.

"Every year we want to allocate PLN 100 million to investments, inter alia, digitization, better utilization of the enormous client knowledge we glean from other sources, implement an integrated CRM system, conduct an in-depth analysis of client expectations and satisfaction levels in all of their interactions with us", says Tomasz Kulik. This will give PZU's clients the best experience regardless of which contact, purchase or service channels they use, and at which stage.

We will continue to be the industry leader in cooperation with innovative startups and in the implementation of modern technologies to streamline the operation of the PZU Group,

support our employees and agents and make it easier for our clients to maneuver the green world of finance. Among other things, we want to raise considerably the share of claims handling and the payment of claims done without involving any people at PZU. **We will utilize artificial intelligence (AI) and roboticized algorithms to a greater extent to automate processes**, e.g. to assess the scope of damage, propose and price the method of repairs, look for the best suppliers of a given service, read and check information from various documents, anonymize photos and other client data and segregate electronic correspondence.

Primacy in the region

At present, the PZU Group is the largest insurance and banking entity in Central and Eastern Europe. It has a footprint in 5 countries and assets of PLN 380 billion, i.e. exceeding the GDP of ten of the European Union member states. We have 22 million unique clients in Poland where we are the unchallenged top player on the insurance market, the vice leader on the banking and investment markets and the third and fastest growing player on the health care market. In a short period we have also acquired a strong position among the insurance leaders on the Lithuanian, Latvian, Estonian and Ukrainian markets. This Strategy assumes that in the next few years **we will maintain the gross written premium generated in foreign markets stated as a percentage of the PZU Group's total growing gross written premium at 8% at least**. We intend to retain our position as the leader of non-life insurance in Lithuania and Latvia and join the top three players in Estonia. Our goal is also to be on the podium in life insurance in Lithuania and Ukraine.

We will monitor foreign markets with an eye to potential acquisitions. Companies with good prospects from Central and Eastern Europe operating in at least one of the PZU Group's key segments and a leader in a segment in a given country are of interest to us. Nor do we rule out acquisitions in Poland, including attractive entities operating on the mutual funds market.

“The PZU Group is already a success story. For us, however, this is just the starting point. Executing the PZU Group's Strategy in 2021-2024 will move us to a higher business, technological, social and environmental level. We will deliver major benefits to our shareholders and all of the stakeholders in our surroundings”, Beata Kozłowska-Chyła, Ph.D. Hab., CEO of PZU SA says in summary.