PZU and Bank Pekao will Merge and Create a New Banking and Insurance Group

On 1 June 2025, PZU SA and Bank Pekao SA signed a memorandum of understanding aimed at reorganizing and enhancing the efficiency of the capital group. The potential transaction outlined in the memorandum—subject to a number of conditions and required approvals—could release a capital surplus of up to PLN 20 billion. The merged banking and insurance group will become one of the largest financial institutions in Europe. Its capacity to finance the needs of Polish households and enterprises, including sectors strategic to the economy, will significantly increase.

The memorandum follows the letter of intent signed on 2 December last year, which initiated efforts to reorganize the PZU Group's assets to fully leverage the potential of all its subsidiaries. It also reflects an analysis of the impact of regulatory changes relevant to the financial sector, including the CRR regulation and the Solvency II directive. The planned transaction is intended to further unlock synergies and support the continued development of both PZU and Bank Pekao.

"The PZU and Pekao brands deserve a bold vision that matches their potential and ambitions. We are launching a project that goes beyond internal restructuring—it is the result of thoughtful analysis and the work of a broad team of experts, managers, and financial market stakeholders. We will create a more transparent, diversified, resilient, and operationally efficient entity, while unlocking significant capital surplus. This will benefit shareholders and facilitate financing of key investments needed by the Polish economy, including in energy, defence, and new technologies," said Andrzej Klesyk, Acting CEO of PZU.

"The signed agreement is the result of effective cooperation within our capital group. We are facing a unique opportunity to create a major banking and insurance player on the European scale. Together, we have developed a concept that is attractive to shareholders, effectively leverages the strengths of PZU and Bank Pekao, and optimizes capital allocation across both organizations. This will significantly enhance our capacity to support the Polish economy," said Cezary Stypułkowski, CEO of Bank Pekao.

The combined entity—formed by the merger of Poland's largest insurer and its second-largest bank—will have approximately PLN 200 billion more in lending capacity compared to the current group structure.

Both brands will retain their identity, independence, and operational autonomy within their respective business areas, as they have for years within the PZU Group. However, the new group will be led by the bank, not the insurer. To achieve this, **PZU SA will first be split into a holding company and a 100%-owned subsidiary conducting non-life insurance. The holding company will then merge with Bank Pekao SA** as the acquiring entity. Ultimately, a single company with significantly higher market capitalization and liquidity will be listed on the Warsaw Stock Exchange, increasing its attractiveness to investors and the capital market.

The memorandum **outlines a roadmap for preparing the transaction, which is preliminarily scheduled for completion in mid-2026**. **The transaction remains subject to several conditions**, including the negotiation of transaction documentation, legislative changes, regulatory approvals, and corporate consents from the general meetings of PZU and Pekao shareholders. **The parties also intend to develop an optimal strategy for the future of Alior Bank.**

Key benefits of the proposed transaction model include:

- **simplification of the group's ownership structure** in line with European market standards,
- **improved corporate governance** and organizational transparency,
- **increased cross-selling** of the group's whole product offering and **full utilization of the bank's distribution channels for insurance products,**
- creation of a diversified financial group **with strong revenue streams** and **high dividend potential.**

The reorganization of the group according to the scenario indicated in the memorandum of understanding is essential to achieve a capital relief. A key benefit will be the application of the so-called Danish Compromise at the group level, as defined in the CRR regulation of the European Parliament and Council (2013) and reaffirmed in CRR3, effective from early 2025. This will allow the bank to risk-weight its insurance holdings rather than deduct them from own funds when calculating capital adequacy ratios.

In practice, this will enable the merged entity—led by the bank—to **release a capital surplus of PLN 15–20 billion**. This would not be possible under the current PZU Group structure, as new capital adequacy and solvency requirements under the amended Solvency II directive will take effect in early 2027, increasing capital requirements for insurers holding stakes in banks. PZU Group would lose the ability to utilize the majority of its current PLN 6 billion surplus.

The surplus generated through the planned restructuring may be used by the new group to increase **financing for development-oriented projects** in the Polish economy and **enhance the dividend potential of the combined institutions**. The final decision on the allocation of the surplus will rest with the shareholders.

The management boards of PZU SA and Bank Pekao SA, under the leadership of their respective CEOs, are preparing a detailed action plan to implement the memorandum and will present it publicly in the near future.