Research Update:

Powszechny Zaklad Ubezpieczen S.A. Group 'A-' Ratings Affirmed; Outlook Remains Positive Despite Poland Outlook Revision

November 12, 2026

Overview

- On Nov. 6, 2026, S&P Global Ratings revised its outlook on Poland to negative from stable. At the same time, S&P Global Ratings lowered its long- and short-term local currency sovereign credit ratings on Poland to 'A-/A-2' from 'A/A-1', and affirmed its 'A-/A-2' long- and short-term foreign currency sovereign credit ratings.
- Powszechny Zaklad Ubezpieczen S.A. (PZU) passes our hypothetical capital and liquidity local currency sovereign default stress test and can therefore be rated up to two notches above our sovereign credit rating on Poland.
- We believe PZU is well advanced in implementing mitigation measures to offset the impact of increasing capital requirements under the updated Solvency II rules coming into effect in January 2027.
- Therefore, we affirmed our 'A-' long-term issuer credit and financial strength ratings on Powszechny Zaklad Ubezpieczen S.A. and its core subsidiaries.
- The outlook remains positive and indicates that we could raise the ratings if the group successfully adapts to the updated Solvency II rules coming into effect in January 2027, and continues to pass our hypothetical local currency sovereign stress test. We also anticipate that PZU's insurance and banking operations will generate strong earnings, with return on equity (ROE) in the range of 16%-20%.

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Rating Action

On Nov. 12, 2026, S&P Global Ratings affirmed its 'A-' long-term issuer credit and financial strength ratings on Poland-based insurer Powszechny Zaklad Ubezpieczen S.A. (PZU) and its core operating subsidiaries: Powszechny Zaklad Ubezpieczen na Zycie S.A. and Towarzystwo Ubezpieczen Wzajemnych Polski Zaklad Ubezpieczen Wzajemnych. We maintained our positive outlook on the long-term ratings on all three entities.

Rationale

The affirmation of the 'A-' ratings and the positive outlook reflect our view that we expect PZU to continue to pass our local currency sovereign capital and liquidity stress tests. This allows us to rate PZU up to two notches above our rating on Poland (A-/Negative/A-2). On Nov. 6, 2026, we revised our outlook on Poland to negative, lowered our long- and short-term local currency sovereign credit ratings to 'A-/A-2', and affirmed our 'A-/A-2' long- and short-term foreign currency sovereign ratings (see "Poland Outlook Revised To Negative; 'A-/A-2' Foreign Currency Ratings Affirmed; Local Currency Lowered To 'A-/A-2'," Nov. 6, 2026)

In our view, PZU would not exhaust its regulatory solvency capital or liquidity position under our hypothetical local currency sovereign stress scenario. PZU's excellent capital adequacy and very strong earnings generation, which reduce the sensitivity of the balance sheet to a sovereign credit event, underpin our view. In addition, PZU's non-life insurance exposure is predominantly concentrated in less sensitive, short-tail risks, while its life insurance segment is primarily composed of asset-light protection products. In our view, this positions the company to withstand our sovereign stress scenario, even though about 88% of PZU's investments are in Polish assets, of which domestic sovereign securities represent about 57% of the group's total invested assets.

We believe that potential currency depreciation with a sovereign stress would not materially dilute PZU's strengths, as the group has no financial obligations in foreign currency and very strong underwriting margins in non-life insurance with a combined ratio of 87.9% and life margins of 27.2% as of the end of first-half 2026.

PZU maintains capital and liquidity buffers in our hypothetical local currency sovereign stress test despite higher stress due to the equalization of Poland's local and foreign currency ratings. Under our stress test assumptions, this equalization of sovereign local and currency ratings indicates a convergence of risk across local and foreign currency sovereign debt instruments and prompts us to assume more severe hypothetical losses on domestic sovereign securities, reducing the capital and liquidity buffers. We think that the underlying resilience of PZU provides some cushion against sovereign volatility. We also think that the Polish government would refrain from intervening in PZU to help it withstand a sovereign stress in light of the systemic importance of PZU for the Polish insurance sector. As such, even though PZU is a government-related entity with the Polish government being the largest owner with 34.2%, we believe its insulation from government intervention allows us to rate PZU up to two notches above our rating on Poland.

PZU demonstrates very strong profitability, which supports robust capital generation. PZU's regulatory solvency capital buffers remained strong at 230% as of the end of first-quarter 2026 (based on the standard formula, no transitional measures) while our S&P Global Ratings' capital model remained significantly above the 99.99% confidence level. PZU's mid-year 2026 performance remains very strong with a trailing 12-month ROE above 19%, underpinned by a robust first-half 2026 net income of Polish zloty (PLN) 3.0 billion (about €700 million). We expect continued strong operating profits through 2026, with earnings in the expected ROE range of 16%-20%. Furthermore, we anticipate that the group will deliver strong earnings in 2027-2028, with net income at or above PLN4.5 billion (€1.05 billion), supporting capital generation.

Prospective ability to pass the sovereign stress test is contingent on maintenance of its robust regulatory capitalization. The group is actively working on various measures to offset the effect of the updated Solvency II rules coming into effect in January 2027. The group assessed that the

impact of the combined buffer requirements as of 2025 would amount to negative 33 points of solvency. In our view, the group has made tangible progress over recent weeks, notably by receiving shareholder approval on Nov. 3, 2026, for the potential issuance of up to PLN3.0 billion Tier 2 qualifying hybrid capital. We believe the successful execution of these measures should safeguard robust capitalization under Solvency II and allow the group to maintain buffers to sustainably pass our local currency sovereign stress tests. We understand that a structural reorganization of the group involving a merger with Bank Pekao ("Bulletin: PZU And Pekao Ratings Unchanged Following Announced Reorganization Memorandum," June 2, 2025) appears unlikely as it would require some necessary legal changes.

Outlook

The positive outlook reflects our view that the group will successfully adapt to the upcoming Solvency II update due for January 2027 and will continue to withstand a hypothetical local currency sovereign stress of Poland. Additionally, we anticipate that PZU's insurance and banking operations will continue to generate strong earnings, with ROE in the range of 16%-20%. We aim to review the ratings as soon as the mitigation measures have been implemented, which we expect until latest end of first-half 2027.

Downside scenario

We could consider revising the outlook within the next 12 months if, contrary to our current expectations, PZU does not pass our local currency hypothetical sovereign stress test due to:

- A significant increase in investment risk exposure to Polish sovereign bonds or the Polish banking sector, or
- A combination of heightened regulatory capital requirements and material capital and earnings volatility.

Upside scenario

Within the next 12 months, we could consider raising the ratings if:

- The group continues to sustainably pass our hypothetical local currency sovereign stress test, and
- Insurance performance remains resilient, with an ROE range of 16%-20%, and
- Banking investments provide a stable profit contribution to PZU.

Rating Component Scores	
Business Risk Profile	**Strong**
Competitive position	Very strong
IICRA	Moderately high risk
Financial Risk Profile	**Strong**
Capital and earnings	Very strong
Risk exposure	Moderately high
Funding structure	Neutral
Anchor	**a-**
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	A-/Positive/--
Foreign currency financial strength rating	--
Local currency issuer credit rating	A-/Positive/--
Foreign currency issuer credit rating	A-/Positive/--

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Research Update: Bank Polska Kasa Opieki S.A. Outlook Revised To Negative Following Rating Action On Poland; Ratings Affirmed, Nov. 9, 2026
- Research Update: Poland Outlook Revised To Negative; 'A-/A-2' Foreign Currency Ratings Affirmed; Local Currency Lowered To 'A-/A-2', Nov. 6, 2026
- Research Update: Alior Bank Upgraded To 'BBB-/A-3' From 'BB+/B' On Improving Risk Profile; Outlook Stable, Feb. 24, 2026
- Insurance Industry And Country Risk Assessment: Poland Life, Dec. 9, 2025

- Insurance Industry And Country Risk Assessment: Poland Property/Casualty, Dec. 9, 2025
- Bulletin: Economic Risks For Polish Banks Unchanged Amid Rising Fiscal Risks In The Country, Nov. 10, 2025
- Research Update: Poland 'A-/A-2' Foreign Currency And 'A/A-1' Local Currency Ratings Affirmed; Outlook Stable, Nov. 7, 2025
- Alior Bank S.A. Full Analysis, July 9, 2025
- Bulletin: PZU And Pekao Ratings Unchanged Following Announced Reorganization Memorandum, June 2, 2025
- Research Update: Alior Bank Affirmed At 'BB+/B' On Gradually Improving Risk Profile; Outlook Positive, May 26, 2025
- European Bancassurers Are On The Offensive, April 8, 2025
- Bulletin: PZU Group CEO Change Should Not Lead To Change In Focus On Robust Performance And Capital Position, Jan. 29, 2025
- Bulletin: Potential Reorganization Of PZU's Banking Participations Would Likely Be Neutral For The Ratings On All Entities, Dec. 12, 2024
- Research Update: Bank Polska Kasa Opieki Upgraded To 'A-' On Additional Loss-Absorbing Capacity; Outlook Stable, Sept. 13, 2024
- Research Update: Poland-Based PZU Group Outlook Revised To Positive On Ongoing Robust Performance And Capital Position; Affirmed At 'A-', May 28, 2024

Ratings List

Ratings List	
Ratings Affirmed	
Powszechny Zaklad Ubezpieczen S.A.	
Issuer Credit Rating	A-/Positive/--
Powszechny Zaklad Ubezpieczen na Zycie S.A.	
Issuer Credit Rating	
Local Currency	A-/Positive/--
Powszechny Zaklad Ubezpieczen S.A.	
Powszechny Zaklad Ubezpieczen na Zycie S.A.	
Towarzystwo Ubezpieczen Wzajemnych Polski Zaklad Ubezpieczen Wzajemnych	
Financial Strength Rating	
Local Currency	A-/Positive/--

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