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The Polish Banking Sector 2016

November 2016





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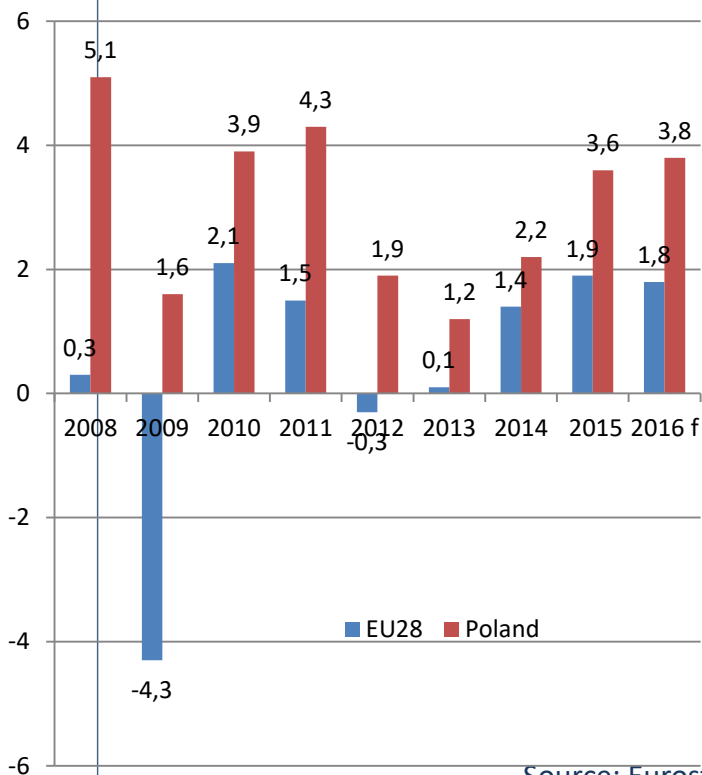
Poland -basic information

Population:	38,4 millions (6th in the EU)
Area:	312 679 km ² (6th in the EU)
GDP:	548,003 bn USD (2014-9th
in the EU)	
GDP	
per capita (PPP):	24 882 USD (2014 68% of EU
average)	

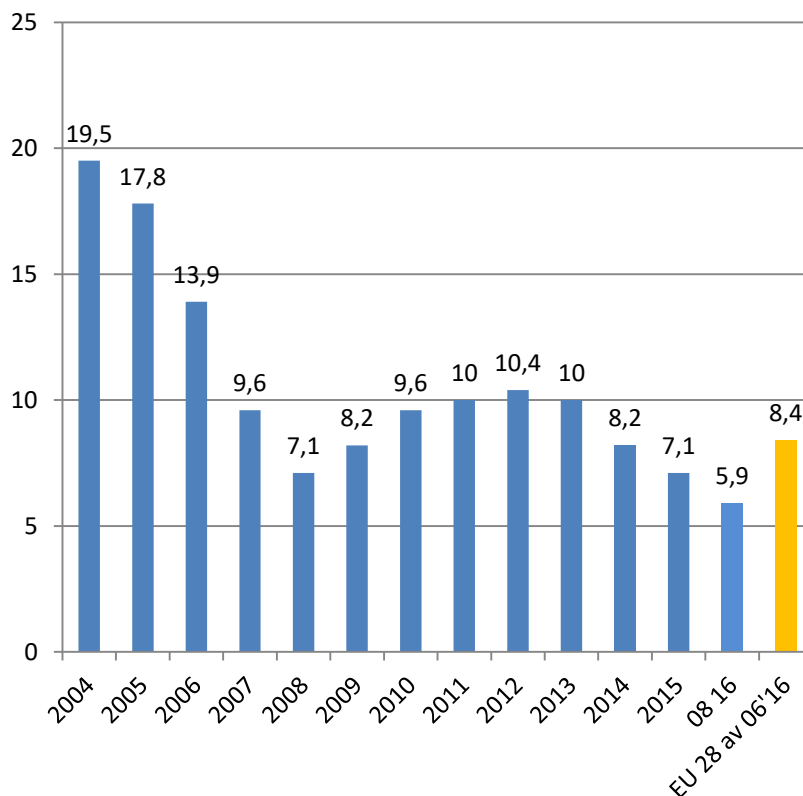
Source: Eurostat, World Bank

Poland -basic information

GDP Growth Poland/ EU



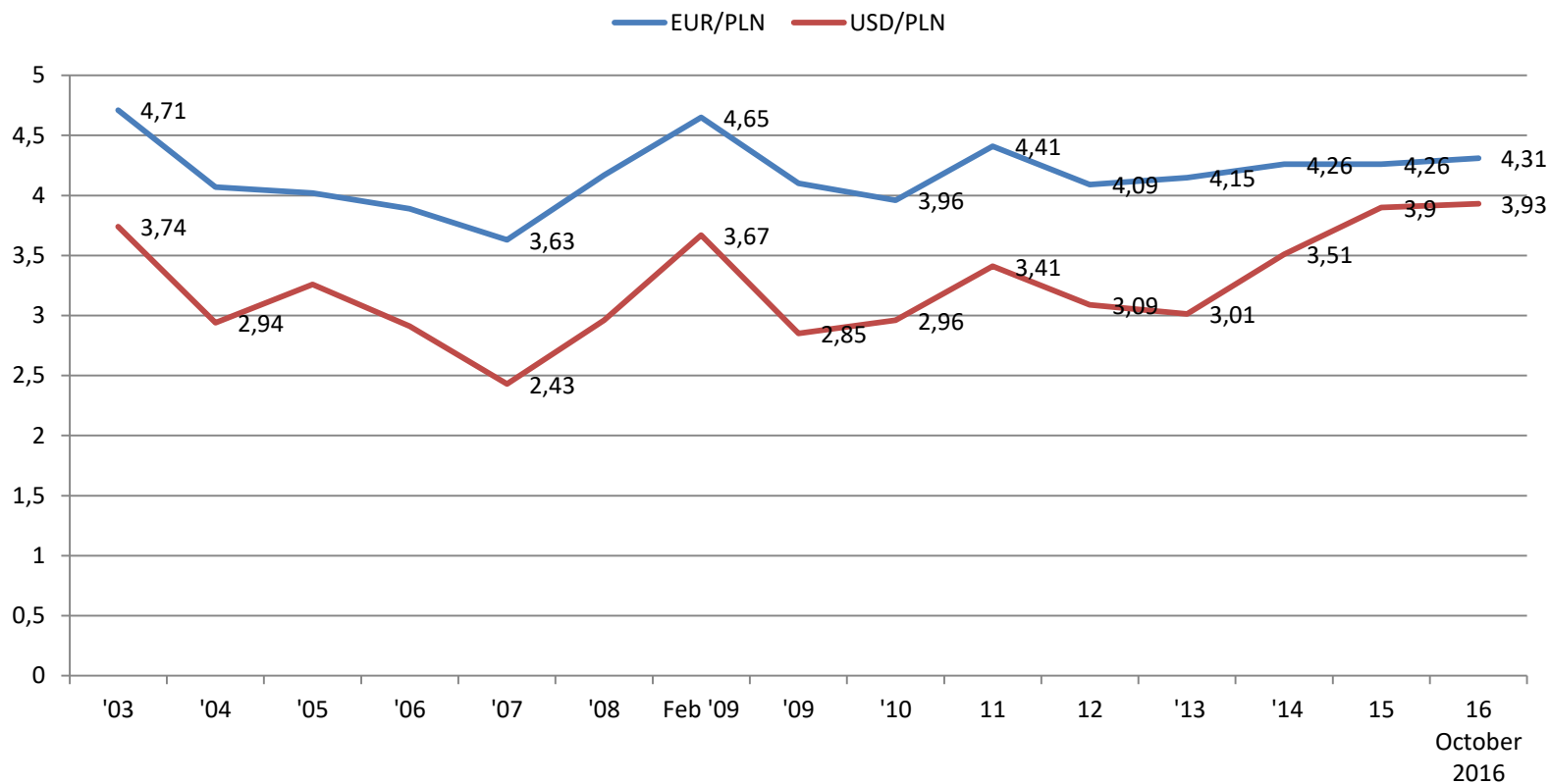
Unemployment Poland/ EU





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Złoty exchange rate

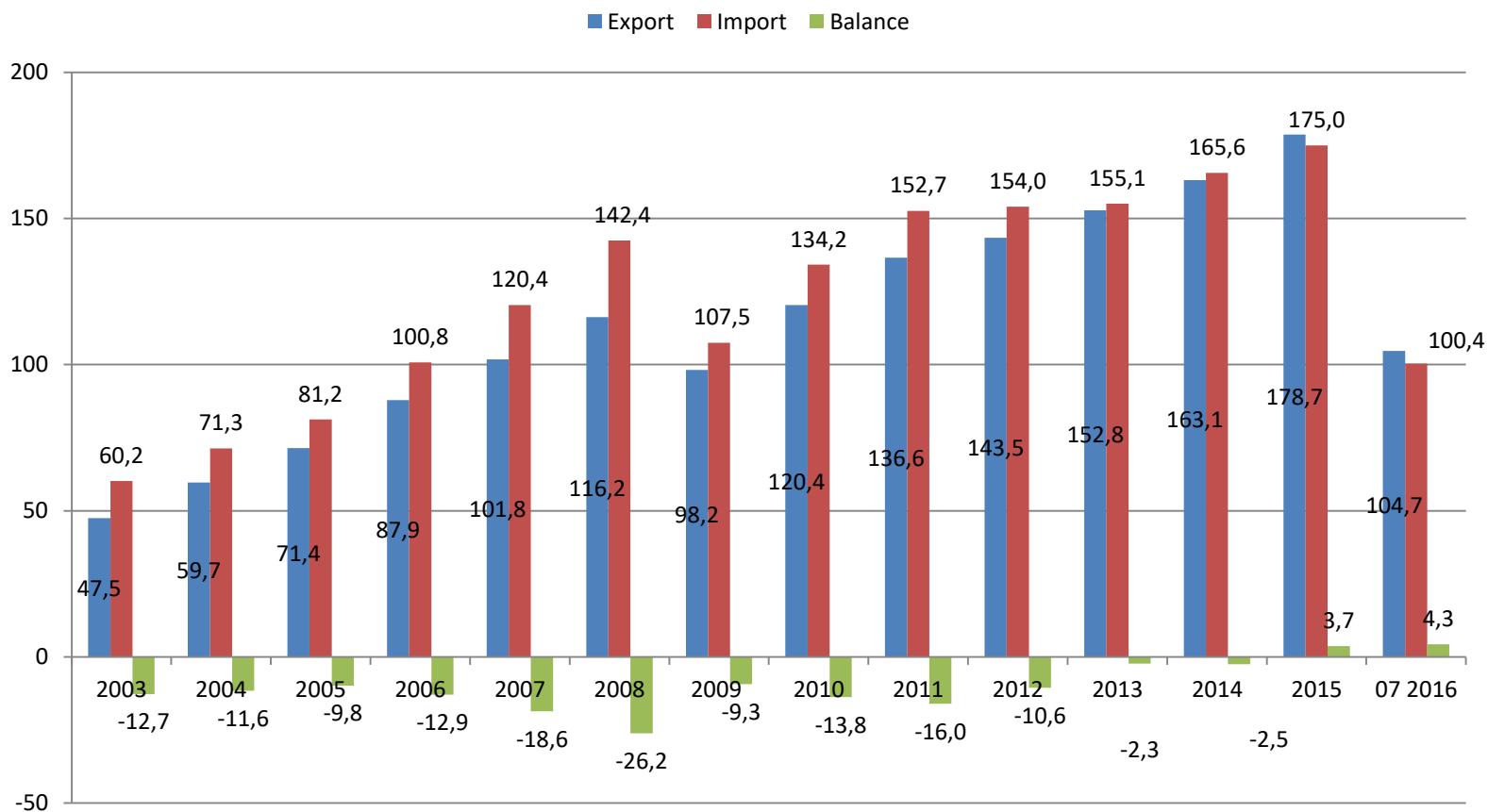


Source: NBP



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Polish Foreign Trade in EUR bn

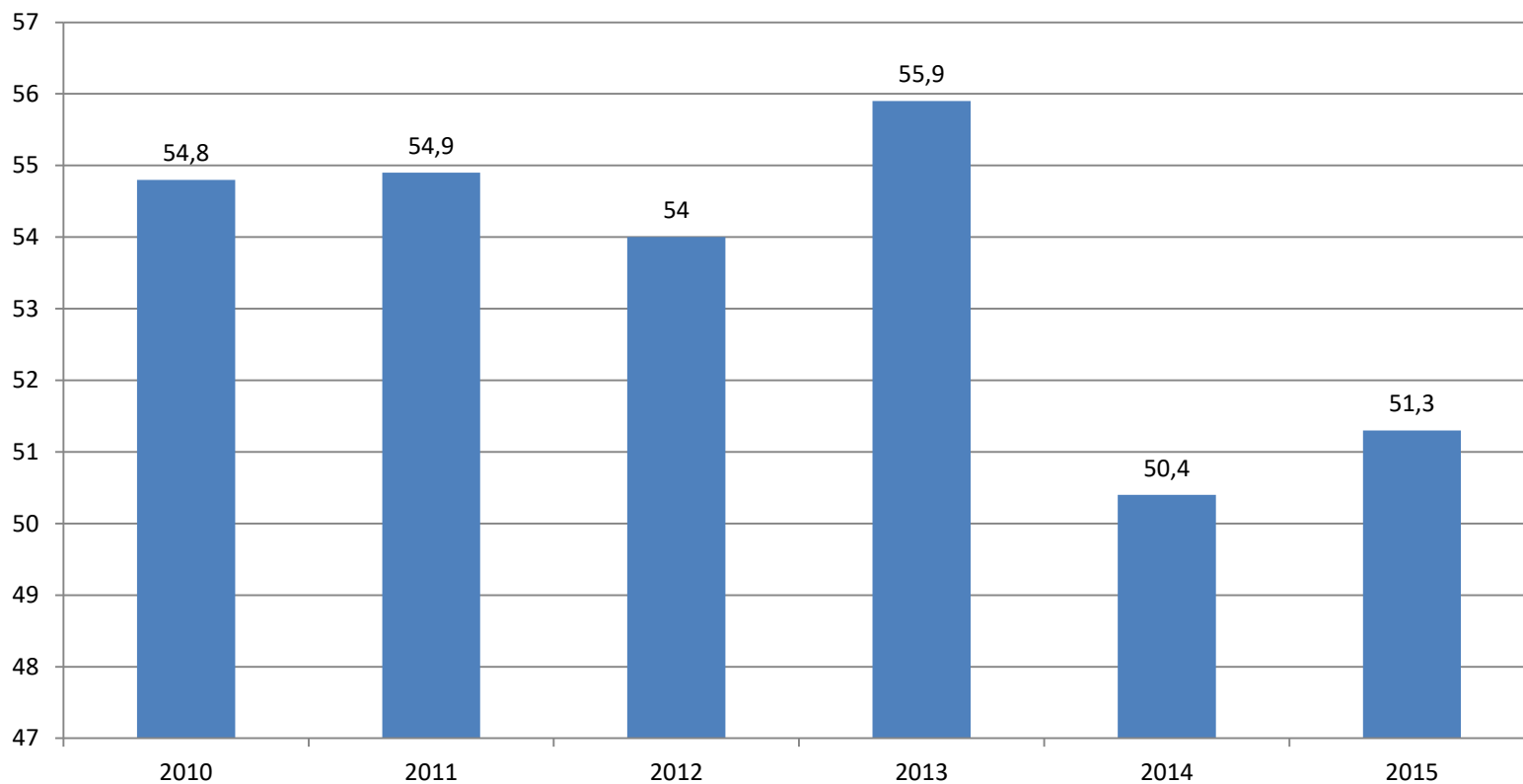


Source: Ministry of Development



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Government Debt vs GDP

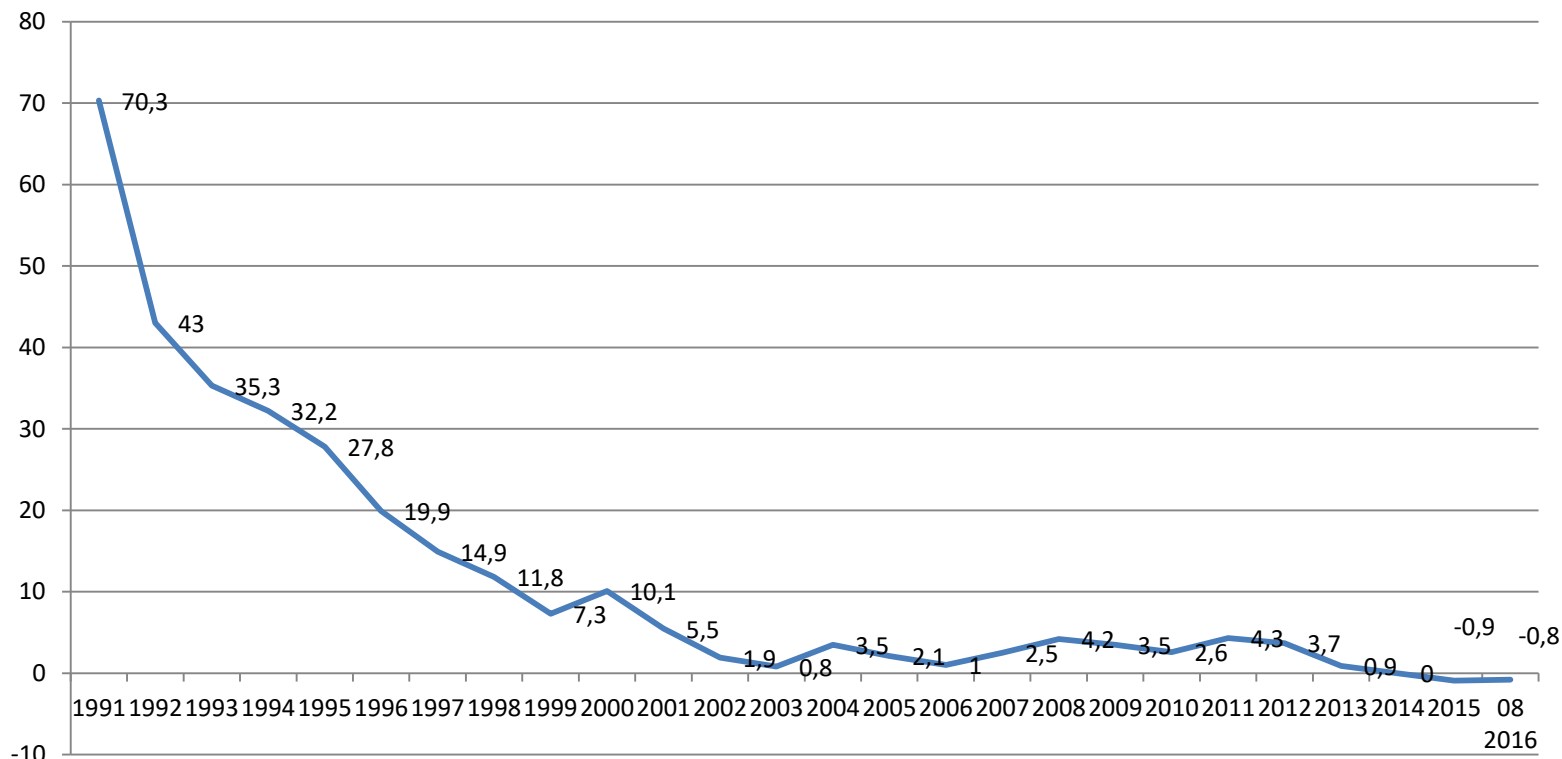


Source: Central Statistical Office (GUS)



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Inflation (CPI) in Poland (y/y)



Source: NBP



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Banks in Poland **2015/2016**

Commercial banks

(including 2 regional co-operative banks):

38/37

Branches of credit institutions:

28/26

Co-operative banks:

561/560

Number of service outlets,

branches, sub-branches, branch offices:

14.496/14.363

Number of employees:

170.936/ 169.062

Market share of five largest banks by assets

48,78%/48,31%

Market share of five largest banks by deposits

54,98%/46,71%

Data by Polish Financial Supervision Authority for the days: **31/12/2015** - 31/08/2016



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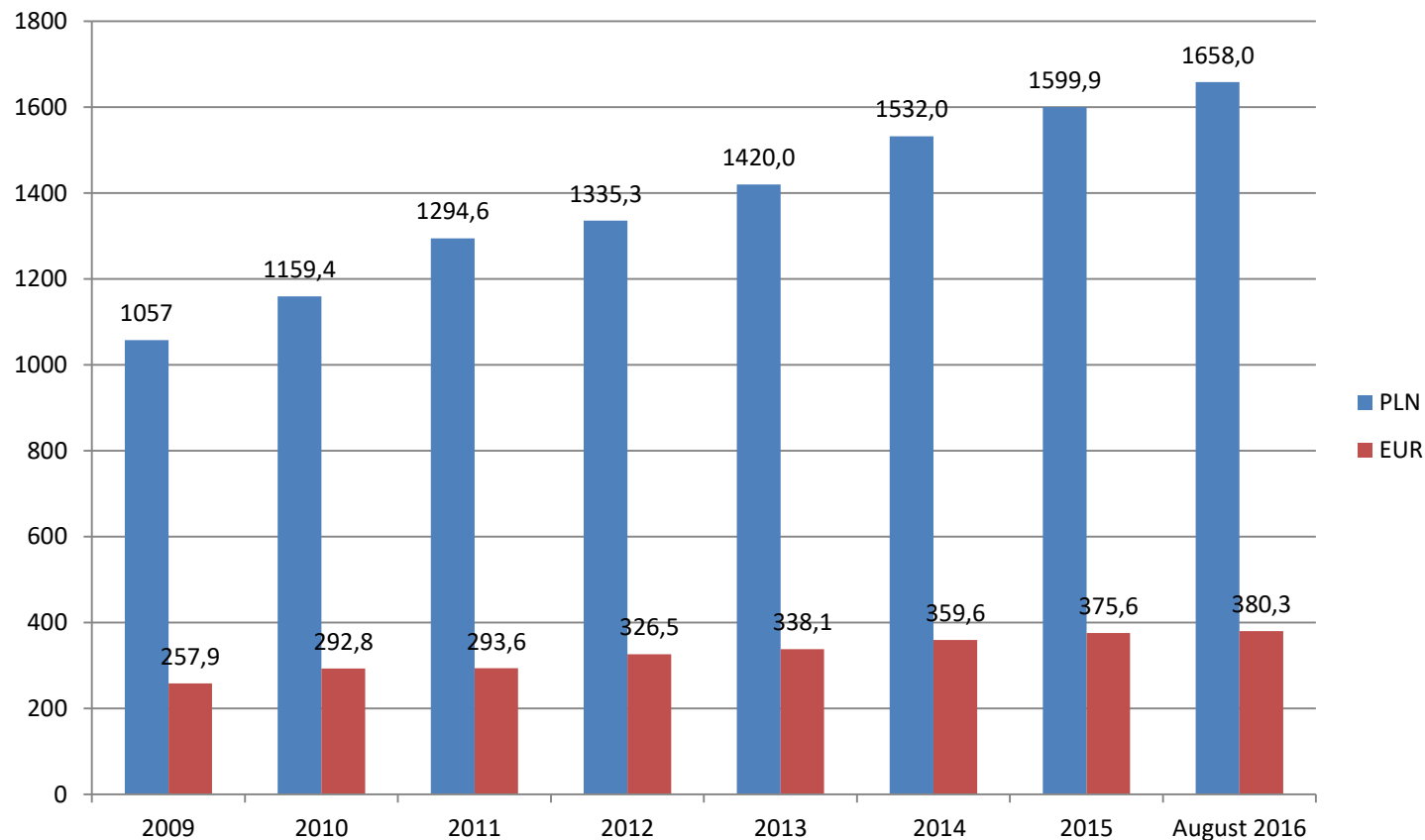
Largest Polish Banks

1. PKO Bank Polski SA
2. Bank Pekao SA (Unicredit Group)
3. BZ WBK (Santander Group)
4. ING Bank Śląski SA (ING Group)
5. mBank SA (Commerzbank Group)



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Polish banks' assets in bn PLN, EUR

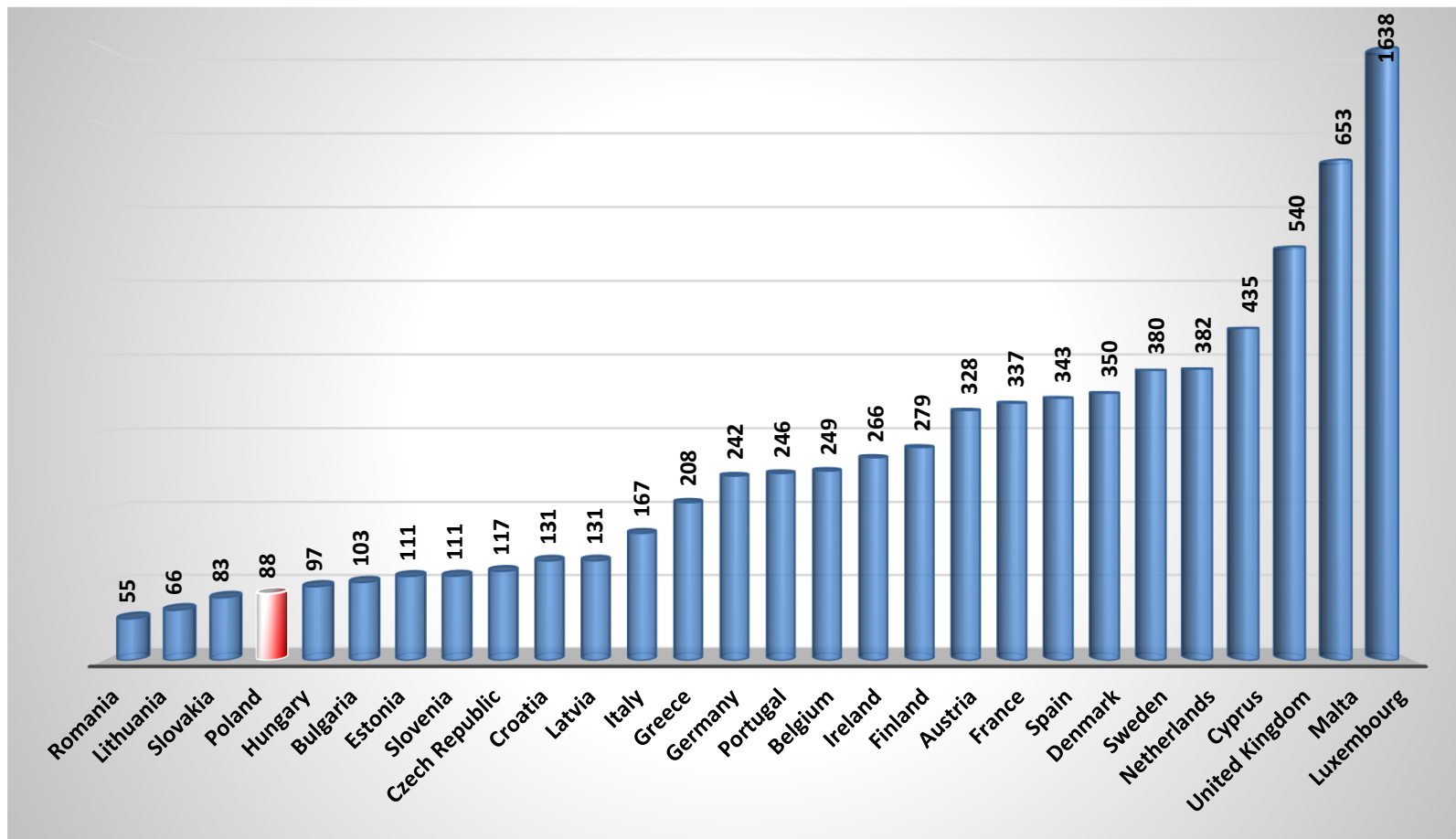


Source: Polish Financial Supervision Authority



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Banking sector Assets/GDP (%) 2014

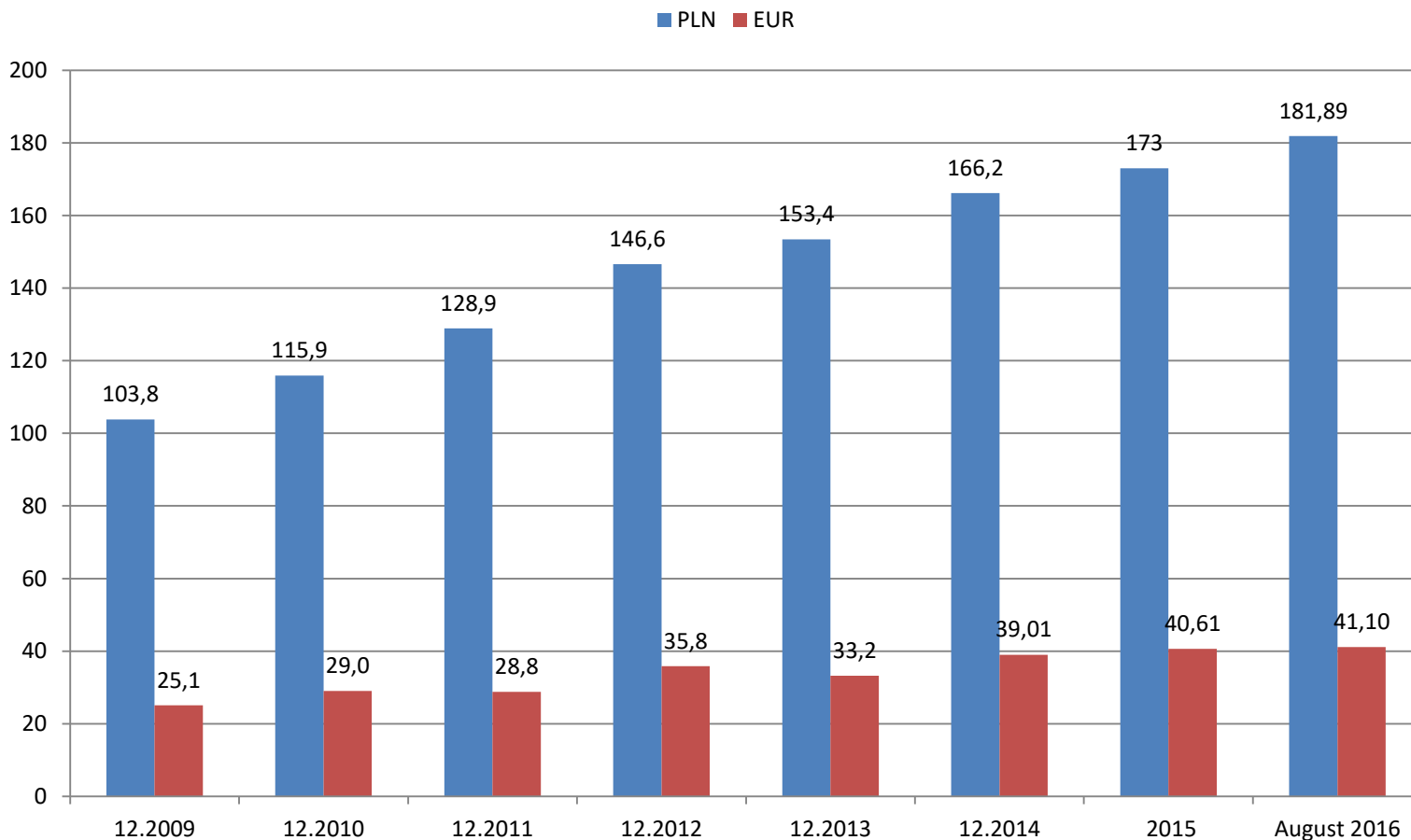


Source: EBC



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Polish banks' own funds (in bn PLN, EUR)

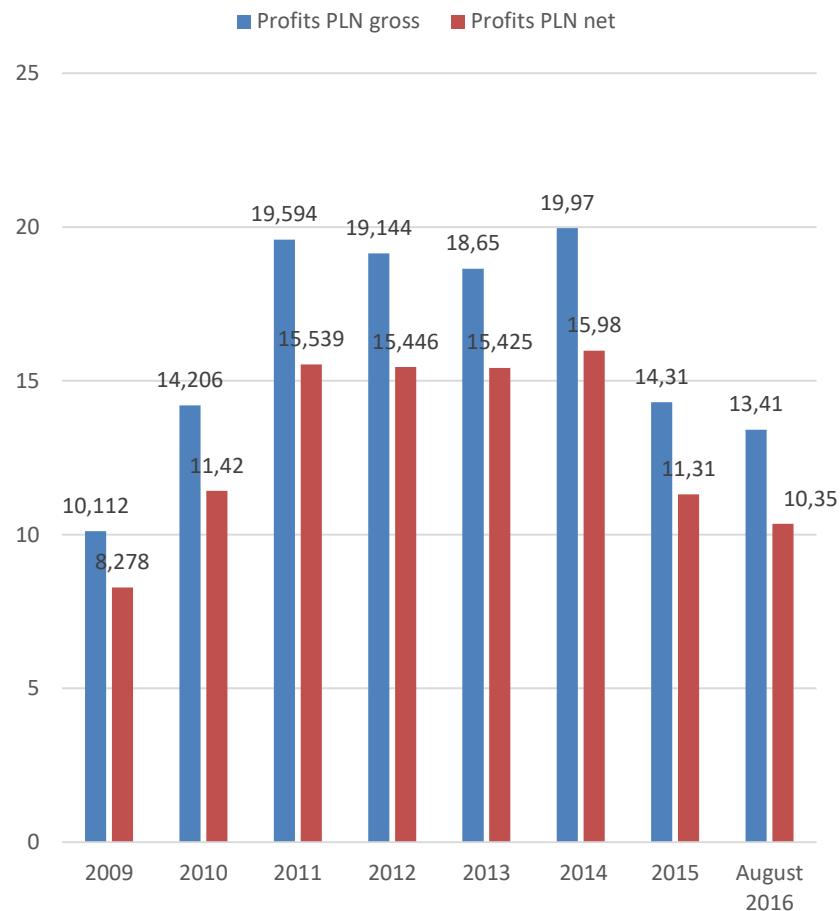
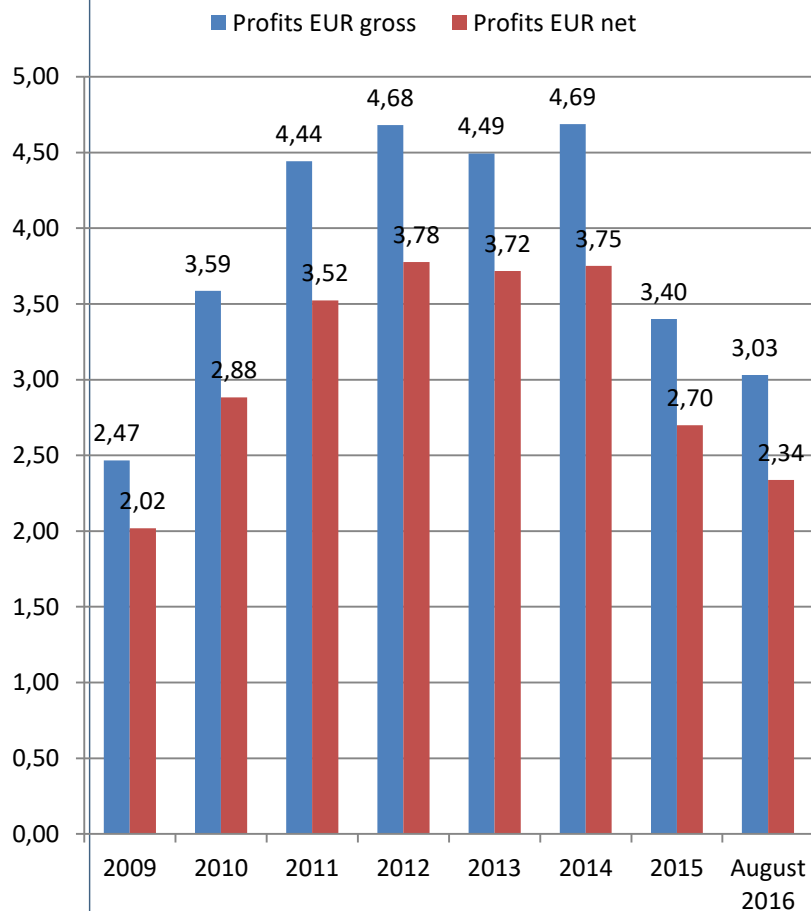


Source: Polish Financial Supervision Authority



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Net and gross profits (EUR, PLN bn)

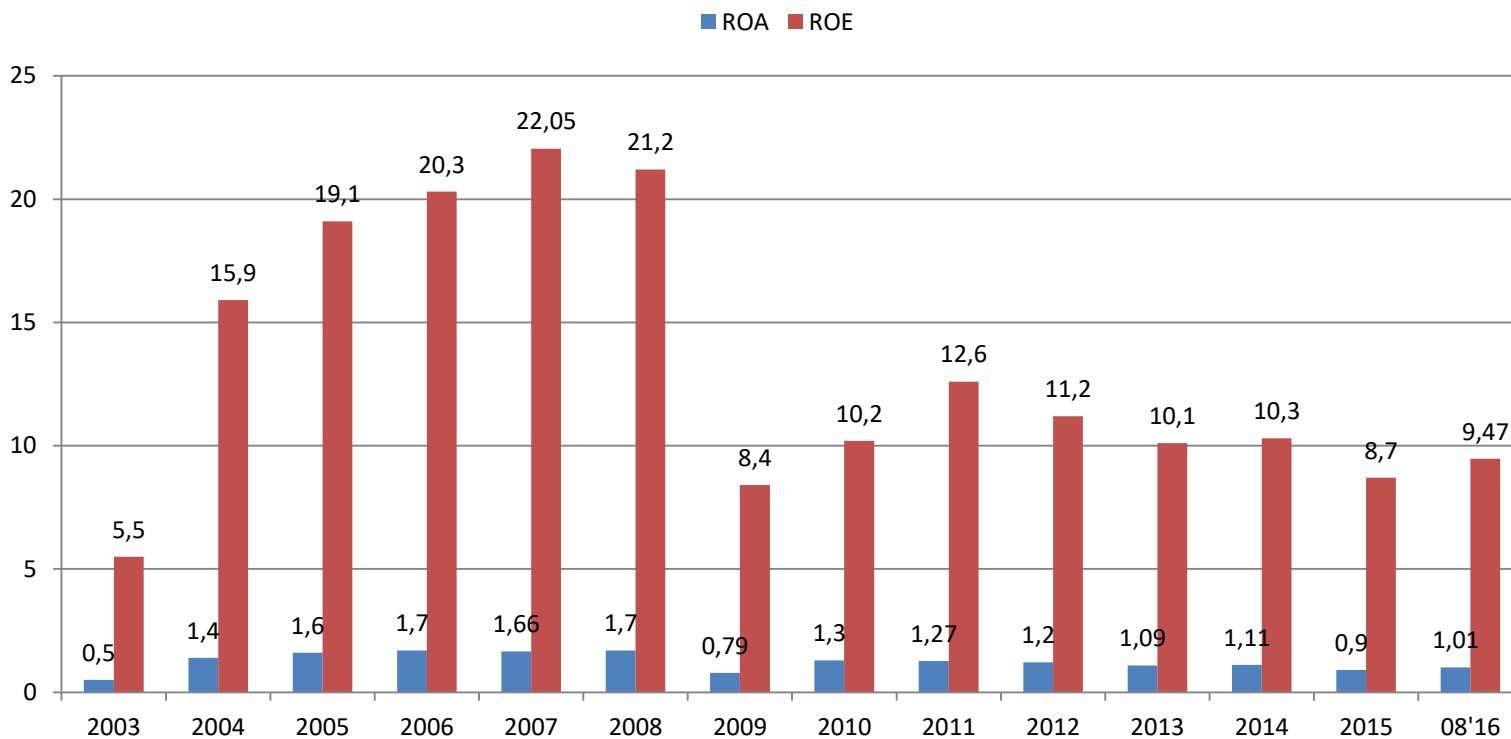


Source: Polish Financial Supervision Authority



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ROA, ROE in Polish banking sector



Source: Polish Financial Supervision Authority data for 2015 without SK Bank

Stable Country-Robust banking sector

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- During the recent financial crisis Polish banks have not required any public support.
- The sector is stable, healthy and with good perspectives for growth.
- The sector remained highly profitable in 2014. Profits were visibly lower in 2015.
- Profits in 2016 will be most likely at the higher than the ones in 2015
- Risks, if any, are generally of external i.e. cross-border character

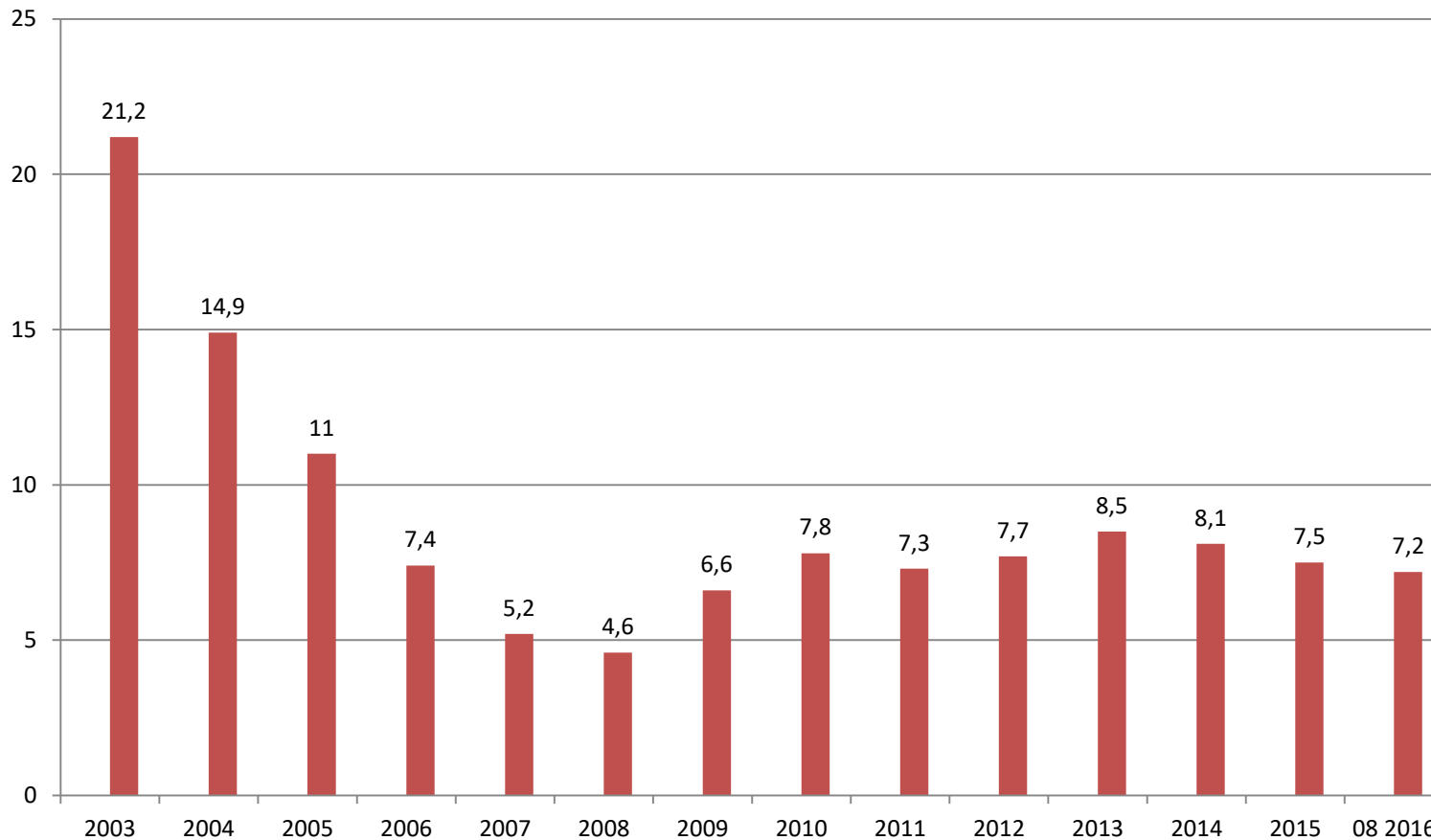
Source: Polish Financial Supervision Authority





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Impaired loans ratio in %



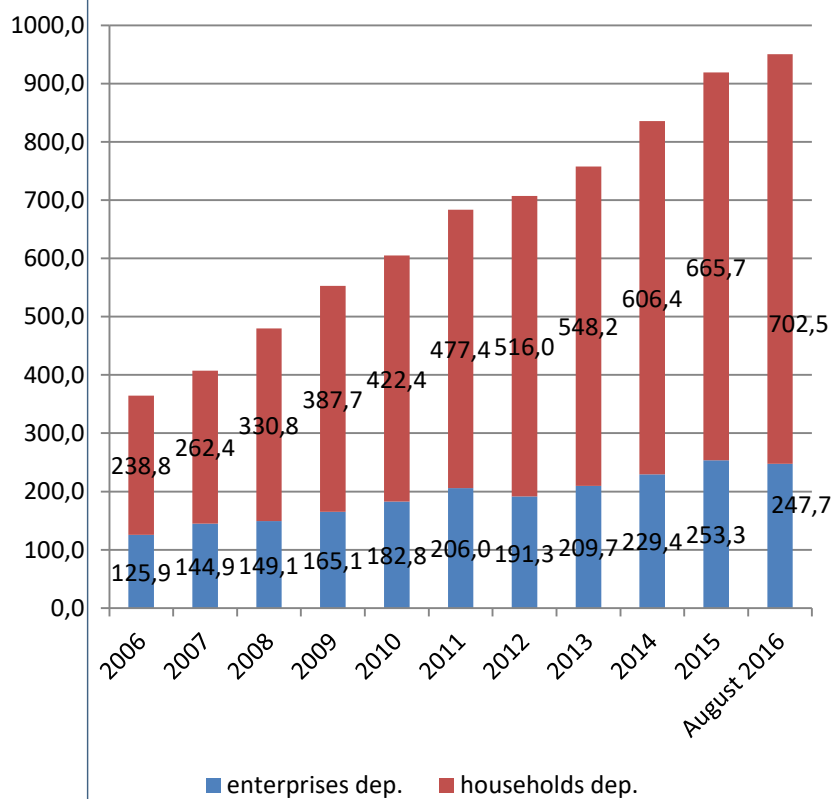
Source: Polish Central Bank, Polish FSA



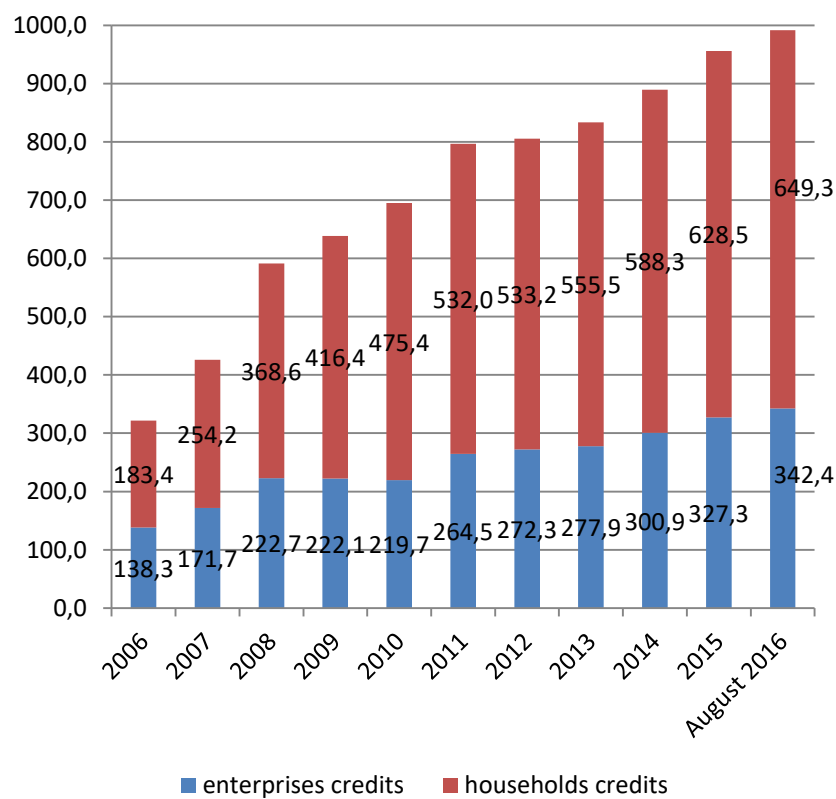
Credits and deposits non financial sector in PLN bn

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Deposits non-financial sector



Credits non-financial sector



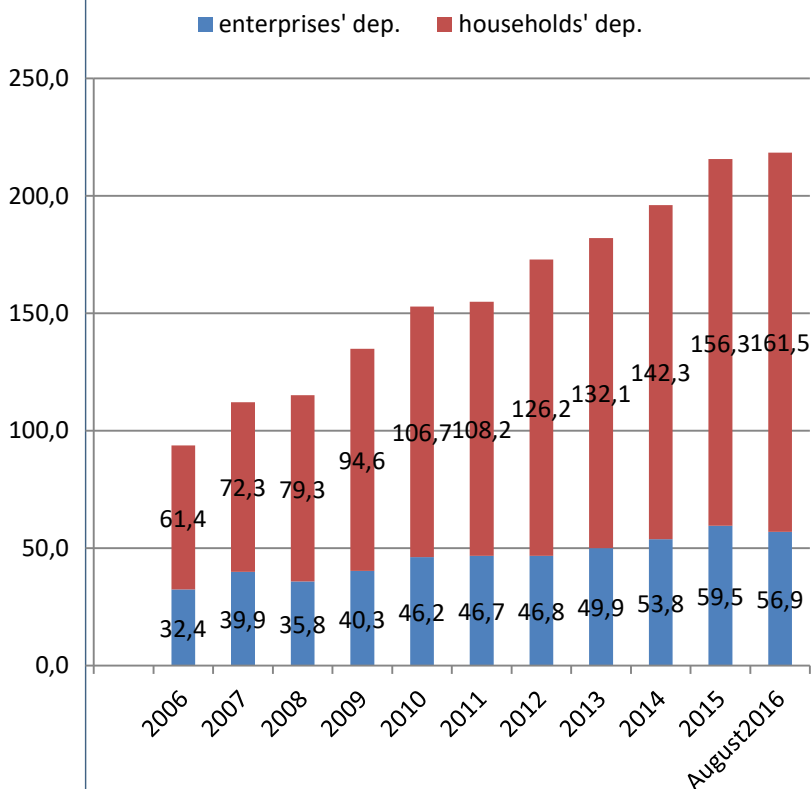
Source: Polish Financial Supervision Authority



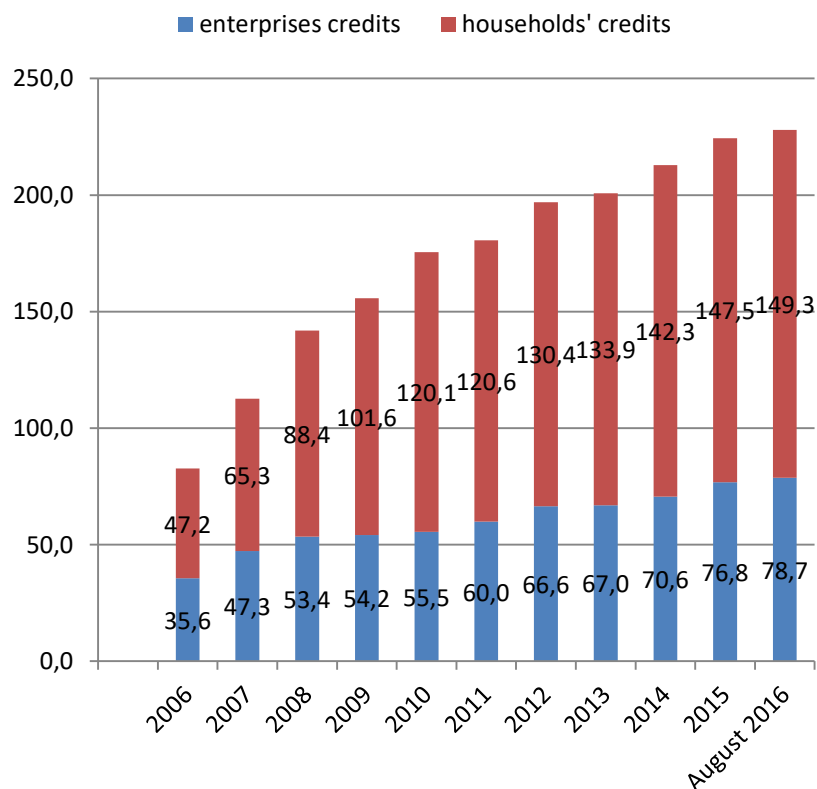
Credits and deposits non financial sector in EUR bn

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Deposits non-financial sector



Credits non-financial sector



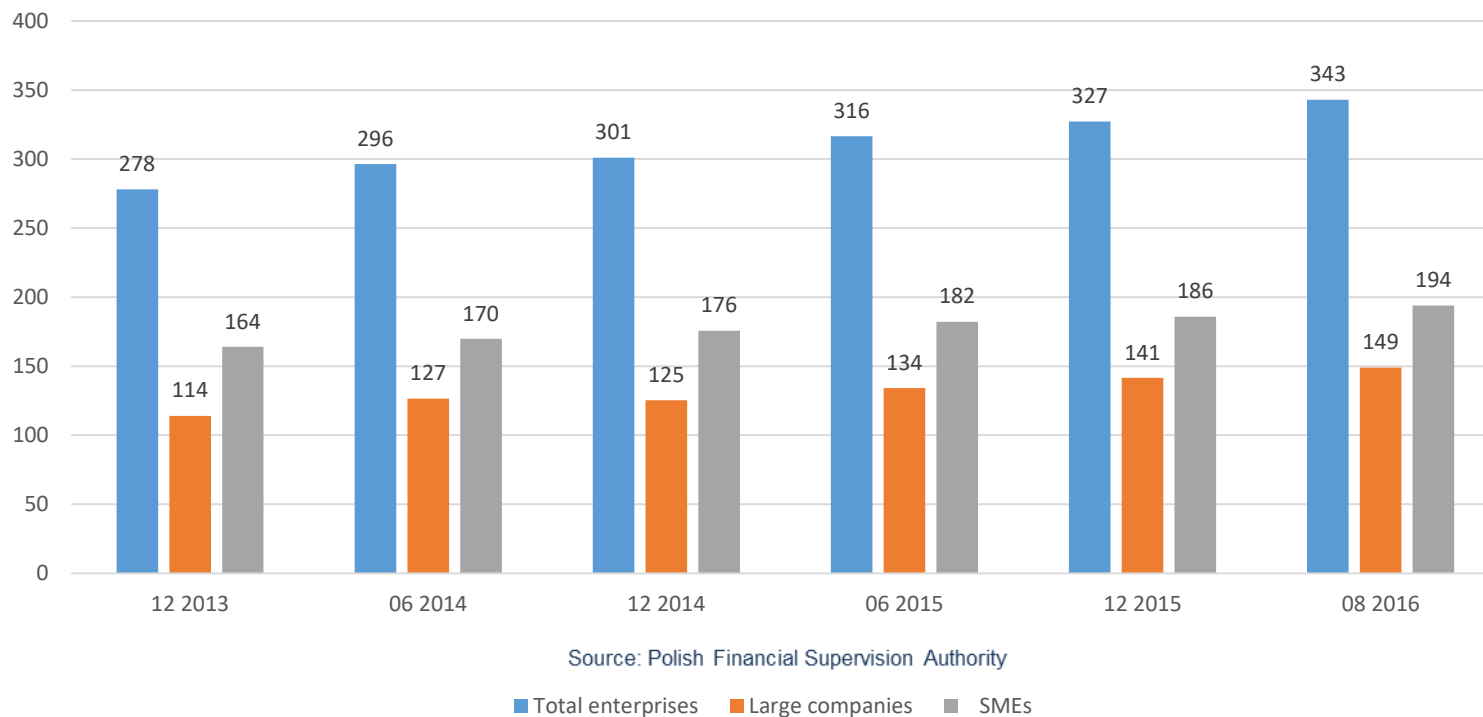
Source: Polish Financial Supervision Authority



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Credits for Enterprises PLN bn

Credits for enterprises in PLN Bn

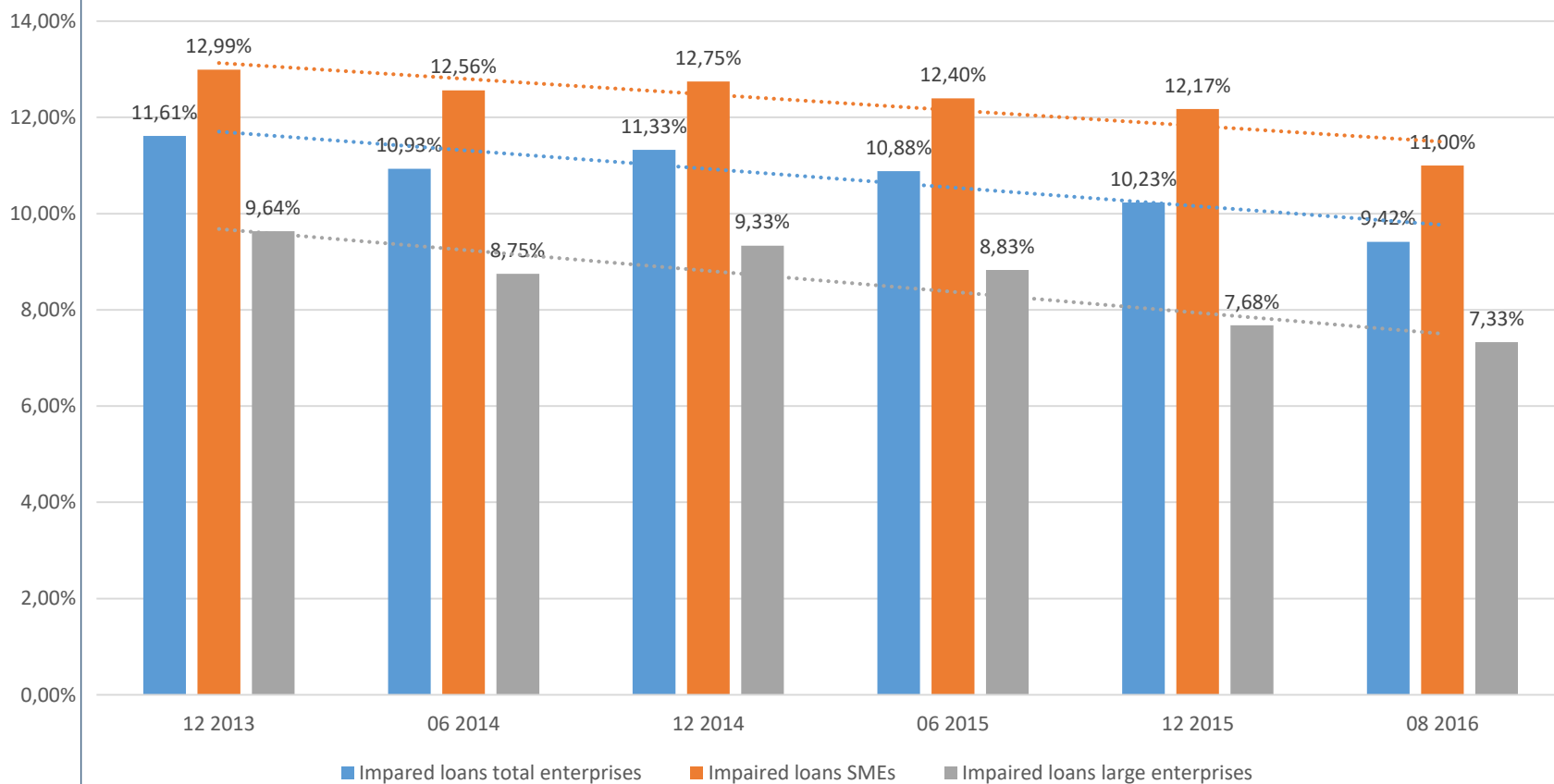




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Impaired loans enterprises

Impaired loans for enterprises



Source: Polish Financial Supervision Authority



De minimis Portfolio Guarantee Line, PLD

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The government aid scheme for SMEs, or “De minimis Guarantees” (Portfolio de minimis Guarantee Scheme, PLD), was launched in spring 2013 in response to the economic slowdown that particularly affected micro, small and medium-sized entrepreneurs (SME).

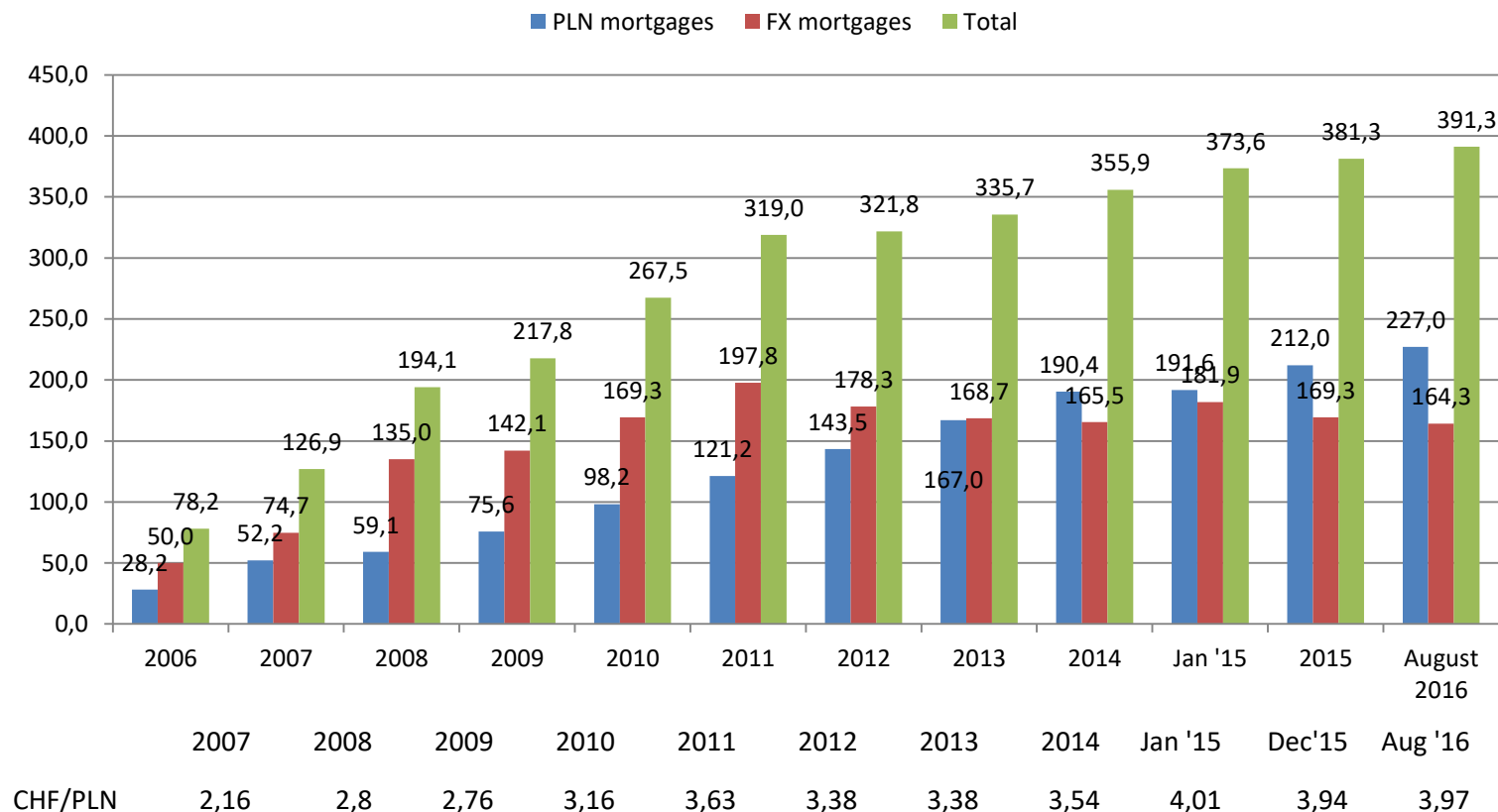
According to the BGK survey the De minimis Guarantee is responsible for $\frac{3}{4}$ of new credits awarded during the Scheme period.

More details in separate file



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Mortgage Credits in PLN bn



Source: Polish Financial Supervision Authority

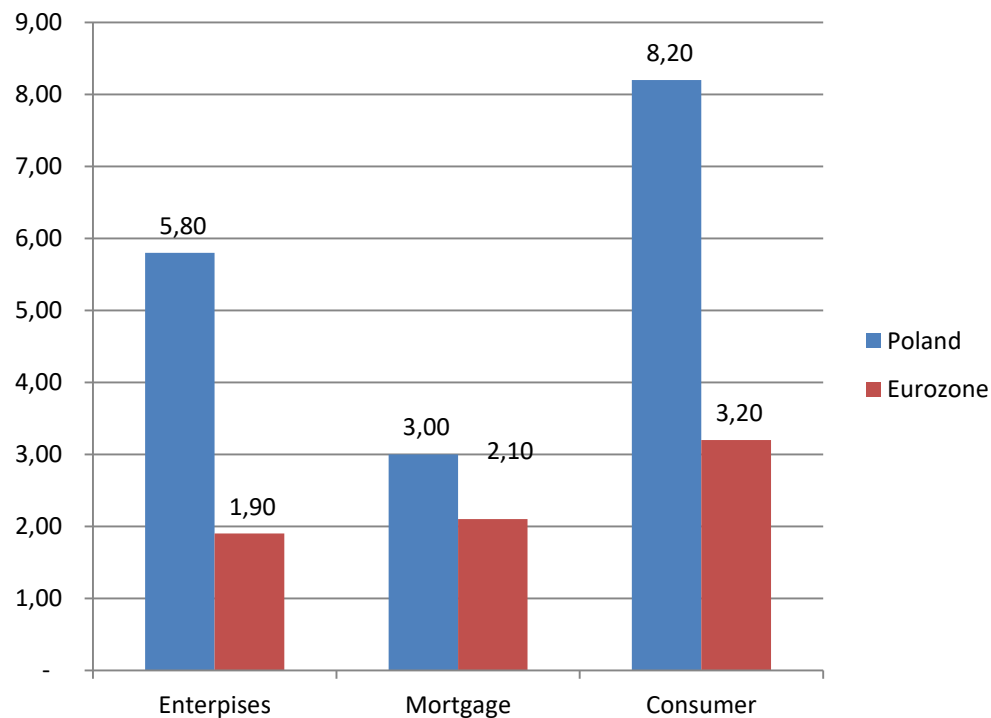


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Credit growth rate in 2Q 2016

The rate of enterprise, mortgage credit & consumer credit growth in Poland was visibly higher than in the Eurozone

Credit growth rate (%) in Poland & Eurozone in 2Q 2016

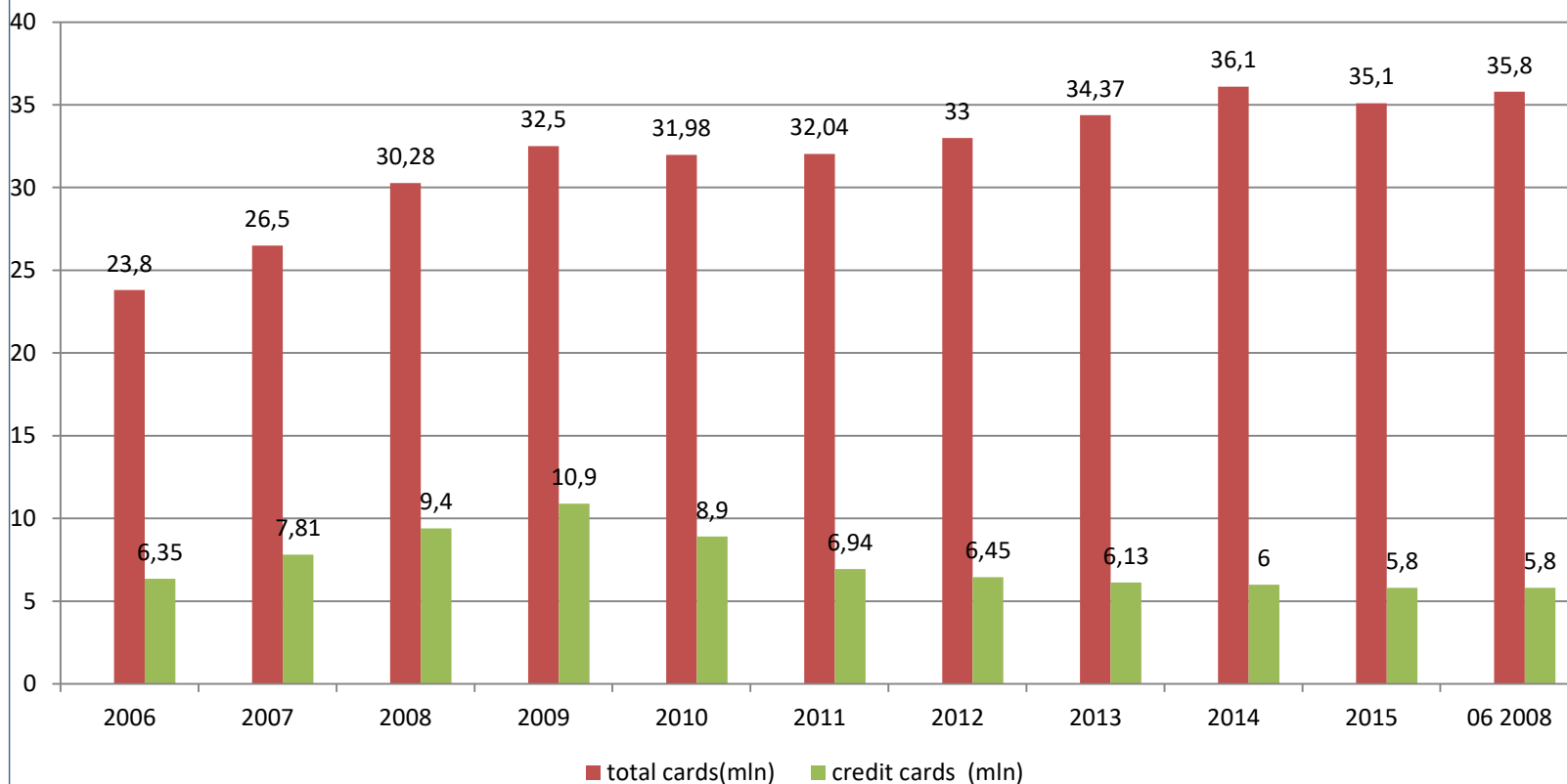


Source: Polish Financial Supervision Authority



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Banking cards in Poland



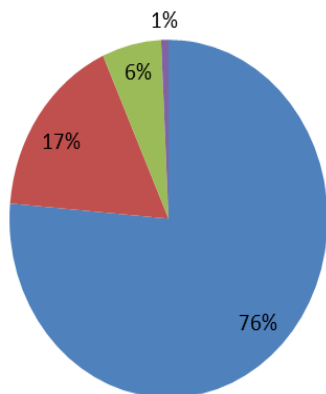
Source: NBP Polish Central Bank



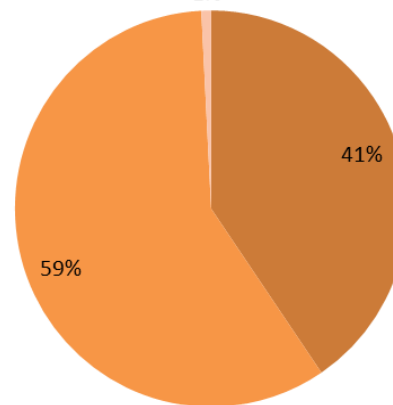
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Structure of Polish card market 2015

■ debit cards ■ credit cards ■ pre-paid ■ charge



1%

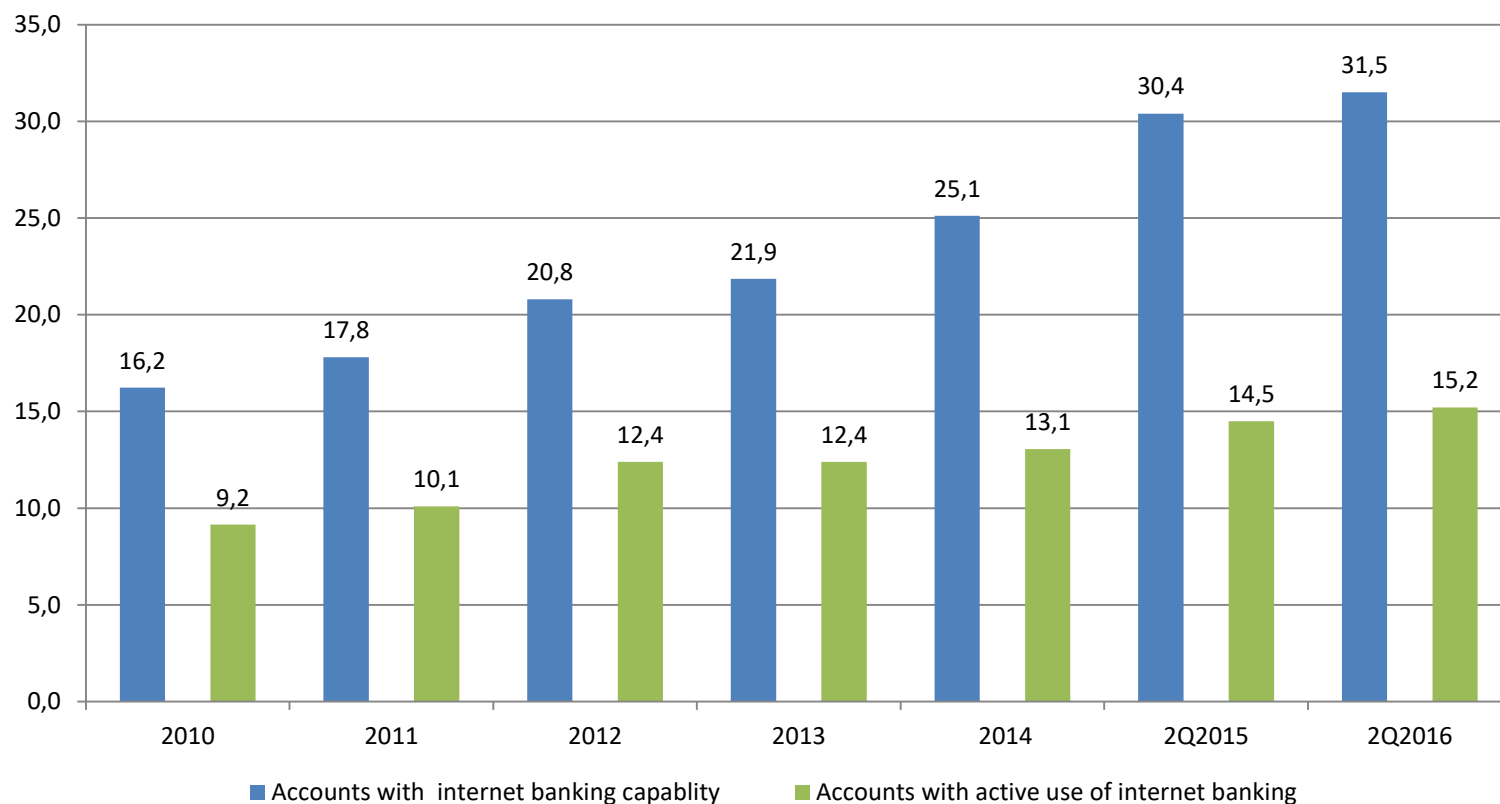


■ Master Card
■ Visa
■ other



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Internet banking in Poland



Source: Polish Bank Association



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State-of the-art mobile banking technology

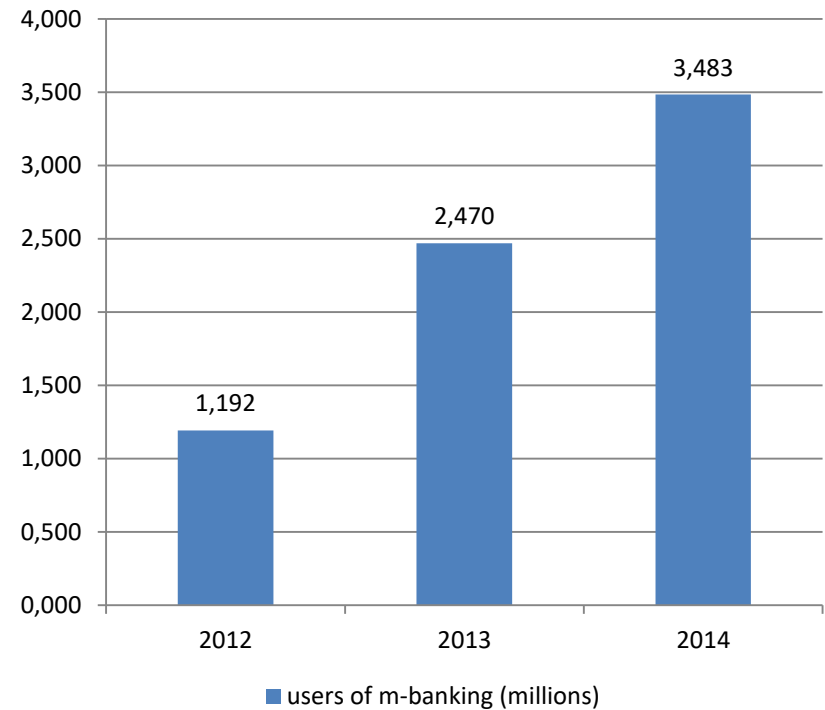
BLIK standard

BLIK- new standard of mobile payments in Poland-common project of seven banks: **Alior Bank, Bank Millennium, Bank Zachodni WBK, ING Bank Śląski, mBank, PKO BP Credit Agricole PL and National Clearing Chamber KIR SA.**

- solution allows for payment in brick-and-mortar and internet shops and for withdrawing money from ATMs
- launched in February 2015
- currently 2 million customers

Steady growth of m-banking users

users of m-banking (millions)

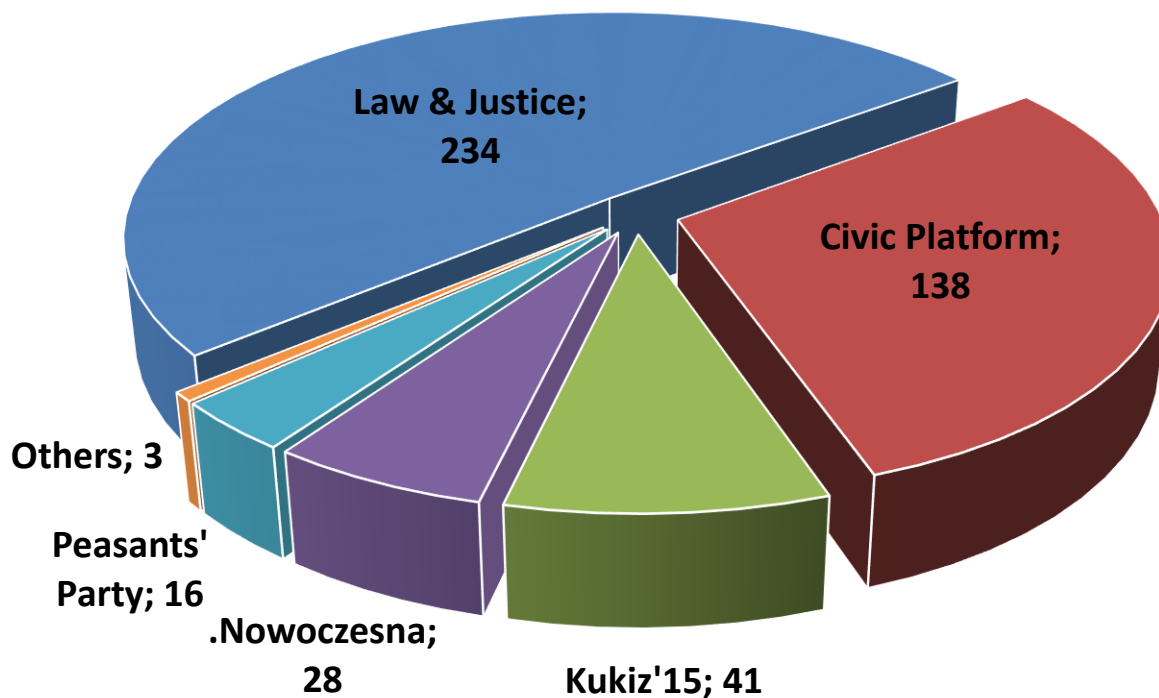




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Recent developments in politics (after elections in October 2015)

Distribution of seats in the Sejm



Source: The Sejm.

Recent developments in politics

Key players



Mateusz Morawiecki

- Deputy Prime Minister, Minister of Development and Minister of Finance in the cabinet of Beata Szydło.
- From 2007 to 2015 he served as chairman of Poland's 3rd. largest bank, Santander's Bank Zachodni WBK.



Adam Glapiński

Governor of the Polish Central Bank since 21 June 2016

Professor of Economics (SGH)

Member of Monetary Policy Council 2010-2016

Member of the NBP Board (Feb.-June 2016)



Financial institutions levy in Poland-I

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On January 15, 2016, the act on tax on assets of certain financial institutions was introduced in Poland. It came into force on February 1, 2016.

The law introduces a wealth tax, in which subject to taxation are assets of certain financial institutions, i.e.:

- domestic banks,
- branches of foreign banks,
- branches of credit institutions,
- cooperative banks,
- domestic insurance companies,
- domestic reinsurance companies,
- branches and main branches of foreign insurers and reinsurers,
- loan institutions.



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Financial institutions levy in Poland-II

The tax base thresholds :

- banks, branches of banks, credit institutions and cooperative banks – assets exceeding the value of PLN 4 billion (however decreased by banks' own funds and certain financial assets like e.g. treasury bonds, gathered by banks),
- insurers, reinsurers and their branches – exceeding PLN 2 billion (that value is calculated jointly for all taxpayers related or co-related directly or indirectly to one entity or a group of related entities),
- loan institutions – exceeding PLN 200 million (that value is calculated jointly for all taxpayers related or co-related directly or indirectly to one entity or a group of related entities).

Polish state banks and financial institutions being subject to liquidation, bankruptcy or compulsory administration are exempt from the tax

The tax is collected on a monthly basis (beginning from February 2016) and the tax rate is set at the level of 0,0366% of the tax base. The total collections from the four months (February – June) are PLN 1, 465 bilion.



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Basic Bank Account –implementation in Poland

Legislative process is underway, the Bill on amendment of the Payment Services Act has left the lower chamber on 21 October and awaits discussion and vote in Senate on 3-4 November 2016.



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Basic Bank Account-implementation in Poland

essential provisions-I

The essential provisions:

All banks, branches of credit institutions and credit unions offering payment services for consumers are obliged to offer a basic bank account.

Basic bank account is offered only for consumers who have no other bank account in Poland. Banks are allowed to verify this information using the Accounts Registry service.

The account is to be opened within 10 working days

Scope of services offered:

- Opening , managing and closing of the account
- Making deposits and receiving payments
- Withdrawing cash (with the use of debit card-if required)
- Carrying out payments (with credit and debit cards)



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Basic Bank Account-implementation in Poland

essential provisions-II

Obligation to refuse :

Suspicion of financing terrorism/ money laundering/criminal activity

Possibility of refusal:

- The consumer has already an account in Poland
- The consumer is on sanction list or on list of public warning issued by KNF
- No valid ID
- The previous payment account agreement was dissolved due to the breach of contract on the part of the consumer
- The Consumer has no legal right to remain on the Member Country territory
- Consumer has no domicile or postal address in Poland



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Basic Bank Account-implementation in Poland fees

- The account is to be maintained free of charge
- The account fee may be charged if more than 5 national payment transactions, have been made by the consumer within one month
- The withdrawal fee may be charged if more than 5 cash withdrawals/deposits using ATMs of other service providers have been made by consumer within one month
- The fees are not be than fees most often charged by the provider for transactions made in connection of any other payment account offered by the provider.



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Polish consumer protection authority and banks

A story of a difficult love relationship

Piotr Gałązka



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Early repayment of consumer credit

- Art. 16 section 1 of the CCD: in case of **early repayment**, consumer is entitled to a reduction in the total cost of the credit, such reduction consisting of the interest and the costs for the remaining duration of the contract.
- UOKiK's opinion in 2016: the abovementioned reduction shall be made by reducing **all possible costs of such credit**, regardless of their nature and regardless of the fact, when those costs were actually incurred by the borrower.
- I.e. any **initial/preparatory fees** need to be proportionally reimbursed.
- Our position is that reduction applies to costs and interests which should be due for the period after the early repayment



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Negative interest rates in credits

- Mortgage credits were offered denominated in foreign currencies (mostly EUR & CHF)
- In 2015 interest rates became negative
- Banks decided to treat them as zero % rate and added the margin
- UOKiK made a decision penalising this and forced banks to take into calculation the negative interest rate
- In extreme cases the credit was free – consumer were paid for having the credit (when margin smaller than the negative interest)



Definition of „durable medium”

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- Many EU consumer regulations allow to provide the consumer with terms and conditions on the durable medium instead of paper (i.e. PRIIPs)
- Definition not clear – i.e. UCITS (used also by PRIIPs): *instrument which enables to store information addressed personally to that person in a way that is accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored*
- One bank provided the information for download in the e-banking system – UOKiK stated that e-banking system cannot be treated as durable medium and initiated procedure against the bank



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Thank you for your attention

Questions, comments: pawel.pniewski@zbp.pl