

Poland

The year 2021, the second year of the Covid-19 global pandemic, was quite kind to both the Polish economy and the Polish banking sector. Thanks to the introduction of a vaccine against this disease, the country's situation has stabilized. The pace of economic growth has clearly increased and the economy recovered from the losses it had suffered a year earlier.

In the banking sector, this progressive stabilization of the economic situation was visible especially in such areas as an increase in lending, a significant improvement in banks' financial results, an increase in their profitability and a significant reduction in the amount of provisions created to cover credit risk. The 2021 was also a period when access to public support funds was definitely limited. For most of the year, banks continued to operate in an environment of very low interest rates, but in the last quarter, due to the dynamic increase in inflation in Poland, the central bank began the process of raising interest rates.

The Polish banking system characterizes by high stability and safety. The Polish Financial Supervision Authority (Komisja Nadzoru Finansowego - KNF) is responsible for state supervision of the national financial market. The institution responsible both for operating the deposit guarantee scheme and resolution processes is the Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny – BFG). The authority responsible for macro-prudential supervision is the Financial Stability Committee (Komitet Stabilności Finansowej – KSF), comprising representatives of the Polish National Central Bank (NBP), the Ministry of Finance, the KNF and the BFG.

At the end of 2021, the Polish financial landscape was made up of 30 commercial banks, 511 cooperative banks and 37 branches of credit institutions. The ownership structure of the Polish banking sector did not change. The number of commercial banks controlled by the Polish capital (including State Treasury) was still 8, whose assets are equal to 41.1% of the sector's total assets, while 42.7% were controlled by foreign entities (0.9% less than in 2020).

Due to the requirements of the CRD IV package, and in reference to national regulations, the most of cooperative banks are members of the two Institutional Protection Schemes. Despite the large number of these institutions, their market share remains stable at the level of 7.2% of the sector's total assets.

In 2021, the Polish banking sector's assets totalled €559.40 billion. The value of the total balance sheet increased by 9.5% comparing to the previous year. However the size of banking sector, relative to GDP, remains quite low in comparison to other EU economies (98.8% at the end of 2021).

The credit portfolio from the non-financial sector plays dominant position in total assets (44.8%). Last year, the growth rate of receivables from this group of entities amounted 5.3% and it was slower than the growth rate of banks' liabilities of this category of customers (8%). In general a similar level of growth rate of banks' claims on households and enterprises was noted (5.6% and 5.8%). However in case of receivables from households the problem of mortgages denominated in foreign currency is still under discussion but this portfolio is diminishing every year. The prudent credit policy have allowed banks to decrease the NPL ratio from 7% to 5.7%.

As mentioned, the year 2021 was characterised by rapid growth of household deposits, which represent 70,2% of all banks' liabilities to the non-financial sector. The ratio of non-financial sector deposits to GDP was estimated at around 60%. However, the share of long-term deposits is limited and term mismatch on the credit and deposit side is significant.

Polish banks registered in 2021 return on equity (ROE) of 3.1% and return on assets (ROA) of 0.24%. Although far from ideal, these results were much better than those achieved in 2020.

The key challenges banks have to face are excessive regulatory and fiscal burdens. E.g. the Polish banking tax which applies to selected financial institutions such as domestic banks and insurance companies, branches of foreign banks and insurance companies operating in Poland (with total assets above EUR 0.9 billion). The tax base comprises the assets of financial institutions. The rate applied to the taxable base is 0.44% annually. In 2021 financial institutions paid around EUR 1 bn as banking tax. The fees paid to the deposit guarantee scheme and to resolution fund are also big burden for banks. Both banking tax and above mentioned fees are not deductible for income tax calculation purpose. Banking tax and fees on the BFG account for more than 40% of the operating costs.

The average TCR in the domestic banking sector remained at the stable level. At the end of 2021 the ratio was 19.3%, and the Common Equity Tier 1 and Tier 1 capital ratios were estimated above 17.3%.

The Polish banking sector is very modern, one among the most modern in economy. Banks played very active role in distribution of public support to enterprises and individuals thanks to their modern infrastructure. During the pandemic time the share of non-cash transaction raised significantly. According the report 'Digital Banking Maturity 2022' (covering 304 banks from 41 countries), published by Deloitte in September 2022, Poland took 6th place in the ranking of digitization leaders. Among the entities participating in the survey, as many as six entities from Poland were placed in the top 30 of the list of digital leaders.