

# Poland

The year 2023 was mixed to both the Polish economy and the Polish banking sector. The economic growth was very moderate in comparison to year 2022. In year 2022 higher growth rate was the result of post pandemic recovery. In year 2023 Polish economy faced the consequences of the outbreak of the war between Russia and Ukraine. The sanctions imposed by the EU on Russia generated the collapse in the trade with this country which had quite important impact on domestic economy. The annual rate of growth was about 0,3% (in comparison with 5,3% in previous year). The war and the economic sanctions have caused the growing inflation

In the banking sector, the picture was also mixed. The higher inflation, higher prices of flat renting and cost of living have caused the limited demand for credit. Banks observed small demand for nearly all types of credit: mortgage credit, consumption credit, investment credit. New public program supporting the credit repayment granted by banks for own housing purpose of creditors, which was set up in the second half of the 2023, allowed to increase total portfolio of mortgage credits in Polish banks.

The result for 2023 indicated the deep decreased share of credit in bank assets and at the same time rapidly growing share of treasure bonds and short-term papers issued by the central bank in order to stabilize the liquidity situation on the financial market.

The growing inflation have caused higher interest rates established by the central bank. Admittedly, in the third quarter the Polish National Central Bank (NBP), unexpectedly for market participants, reduced the interest rates by 100 bp but they remained on very high level. This situation allowed banks to generate higher profits, much higher in comparison to the previous years.

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 2023, the Polish financial landscape was made up of 29 commercial banks, 492 cooperative banks and 34 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 56,4% of the sector's total assets, while 43,6% were controlled by foreign entities (0.9 percentage points more than in 2022).

Due to the requirements of the CRD IV package, and in reference to national regulations, the big majority of cooperative banks are members of the two Institutional Protection Schemes. 7 bigger cooperative banks were not the member of IPS. Despite the large number of this kind of institutions, their market share remains stable at the level of 7% of the sector's total assets.

In 2021, the Polish banking sector's assets totalled €692 billion. The value of the total balance sheet increased by 10,9% comparing to the previous year. However, the size of banking sector,

relative to GDP, remains quite low in comparison to other EU economies (88,6% at the end of 2023) and it was lower than in the previous years (the highest was in 2020 -100%).

The credit portfolio from the non-financial sector plays still dominant position in total assets (36,9%) but its dominant role is not so drastic it was in past. Nowadays, the assets in form of the securities play constantly bigger and bigger role. We can expect that 2024 assets in securities may be bigger than credit portfolio from non-financial sector.

At the same time the bank liabilities from non-financial sector raised by 9,9%. The household deposits represent 69,2% 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 2023 return on equity (ROE) of 12,1% and return on assets (ROA) of 0.97%. Although far from ideal, these results were two times better than those achieved in 2022 and much better than in previous years. 90% of bank income is generated by the interests, only 10% are the non-interest position.

The average TCR in the domestic banking sector remained at the stable level. At the end of 2021 the ratio was 21,7%, and the Common Equity Tier 1 and Tier 1 capital ratios were estimated at 20,1%.

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 to 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.