BANKING MARKET IN POLAND 2017-2019
CEE BANKING SERIES

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Table of contents (1/3)

Slide 1: Executive summary

1. Macroeconomic overview
   Slide 2: Poland - General overview
   Slide 3: Poland vs. other consumer markets in Europe
   Slide 4: Key macroeconomic indicators, 2011-2016
   Slide 5: Foreign trade statistics, C/A balance, FDIs, 2011-2016
   Slide 7: Disposable income in households, 2011-2016; income distribution 2015
   Slide 8: Consumer confidence Index evolution, 2010-Feb.2017

2.1. Banking market - General trends
   Slide 10: CEE banking markets: Size vs. growth matrix, 2014-2016
   Slide 11: CEE banking penetration benchmarks - International comparison, 2016
   Slide 12: Structure of the Polish Banking System, 2016
   Slide 14: Evolution of banking assets by groups of owners (domestic/foreign), 2011-2016
   Slide 15: Top 10 foreign investors in the Polish banking market, 2016
   Slide 16: Banking assets evolution (LCU, EUR), 2011-2016
   Slide 17: Banking assets evolution by groups of banks, 2011-2016
   Slide 18: Top 12 commercial banks, market shares, ownership, 2016
   Slide 19: Evolution of market shares for top commercial banks, 2013-2016
   Slide 20: Concentration of the banking market, 2016 /2015 (Assets, Branches, ATMs, HH Index)
   Slide 21: Deposits of non-financial clients by segment, 2011-2016
   Slide 23: Deposits and loans of financial clients, 2011-2016
   Slide 24: Foreign funding evolution, 2011-2016
   Slide 25: Non-performing loans value and NPL ratios by type of business segment, 2010-2016
   Slide 26: Non-performing retail loans, ratios by type of product, 2006-2016

2.2. Banking market - Regulatory overview
   Slide 27: Regulatory overview: Regulatory bodies in the Polish banking market
   Slide 28: Central Bank interest rates and mandatory reserve policy, 2000-2016
   Slide 29: Inter-bank yield curves, 2011-2016 (WIBOR 3M, Polonia O/N)
   Slide 30: Basel II/CRD implementation status, Capital requirement, own funds and CAR ratio for banks, 2011-2016
   Slide 31: Likely impact of new bank tax (tax on bank assets) on lending margins
   Slide 32: Bank outlets by type of bank, 2012-2017 (q1)
   Slide 33: Employment in commercial banks, bank assets per employee evolution, 2011-2016
   Slide 34: Direct employee costs evolution, 2011-2016
   Slide 35: ATM number and transaction value evolution 2011-2016, ATM players, Feb. 2017
   Slide 36: POS number and transaction value evolution 2011-2016, POS players, 2015 H1
Table of contents (2/3)

3. Retail banking
Slide 37: Demographic trends determining future number of bank clients, 2015-2030F
Slide 38: Retail banking clients by segment - pyramid (mass market, affluent, personal and private banking), 2016
Slide 39: Cash in circulation, cash vs. deposits ratio, 2011-2016
Slide 40: Household deposits evolution, split local vs. foreign currency, 2011-2016
Slide 41: Household deposits by sub-segments, 2015-2016
Slide 42: TOP banks serving household sector, market shares, 2016
Slide 43: Current account penetration in Poland, Bank account holders demography, 2016
Slide 44: Bank account penetration gap: Poland vs. Europe, 2014
Slide 45: Current accounts of individuals (ROR) at major banks, 2014-2016
Slide 46: Internet use and Internet users in Poland, 2016
Slide 47: Number of accounts with online access and number of online accounts actively used, 2011-2016
Slide 48: Mobile devices and mobile banking, top banks and number of users, 2015/2016
Slide 50: Investment funds assets evolution, domestic and foreign funds, 2011-2016
Slide 51: Investment funds - top 10 players, 2016
Slide 53: Loans to household sector by type, evolution, 2011-2016
Slide 54: Mortgage to household sector by currency, 2011-2016
Slide 55: Mortgage to household sector – new sales, outstanding contracts, 2011-2016
Slide 56: Consumer lending evolution, 2011-2016

3.1. Payment cards
Slide 59: Cards issued by type, 2011-2016
Slide 60: Cards payments: Poland vs. Europe, growth vs. market development stage, 2015
Slide 61: Cards payments: International comparison, card payments value, volume, cards issued, 2015
Slide 62: Card transactions by type (cashless, cash), share of cash transactions, 2011-2016
Slide 63: Credit card transactions, values, volumes, per card evolution, 2011-2016
Slide 64: Top players in credit cards business, co-branding partners, 2016

4. Corporate banking
Slide 65: Corporate subjects by size, number, employment, revenues and profits, 2015
Slide 66: Corporate subjects, revenue and profit evolution, 2011-2016
Slide 67: Number of firms by turnover (with 10+ employees), 2015
Slide 68: Corporate subjects, regional distribution, 2016
Slide 69: Corporate deposits and loans evolution, 2011-2016
Slide 70: Top players in the corporate banking market, market shares in deposits and loans, 2016
Slide 71: Brokerage business, top players, shares of investors groups, 2011-2016
Slide 72: Leasing market, structure by industry, top players, 2011-2016
Slide 73: Factoring market, top players, 2011-2016
Slide 74: Non-treasury debt securities market, 2011-2016
Table of contents (3/3)

5. Banks’ profitability
Slide 75: Nominal rates on loans and deposits by segment, implied interest margins, 2014-2016
Slide 76: Commercial banks - profitability tree, 2013-2016
Slide 77: Commercial banks - revenue, costs and profits composition, 2016
Slide 78: Top 5 commercial banks profitability tree – peers comparison, 2016
Slide 79: Segment reporting (1/2): volumes, revenues and profit by segment (retail, corporate, other), 2016
Slide 80: Segment reporting (2/2): volumes, revenues and profit by segment (retail, corporate, other), 2016

6. Banks’ valuation and M&A activity
Slide 81: Share price performance in the stock market for key listed banks in Poland, 2015-2017 Q1
Slide 82: Market multiples for major listed banks in Poland, 2017 Q1
Slide 83: Strategic control map for major listed banks in Poland, 2017 Q1
Slide 84: Efficiency of top banks in Poland - Cost to income, Assets/Personnel/Branches benchmarks, 2016
Slide 85: Acquisition transactions in the Polish banking market (1/3), 2005-2008
Slide 86: Acquisition transactions in the Polish banking market (2/3), 2009-2011
Slide 87: Acquisition transactions in the Polish banking market (3/3), 2012-2016

7. Top 5 banks - Profiles
Slide 89-90: Bank profiles: PKO Bank Polski
Slide 91-92: Bank profiles: Bank Pekao
Slide 93-94: Bank profiles: BZ WBK
Slide 95-96: Bank profiles: mBank
Slide 97-98 Bank profiles: ING Bank Śląski

8. Mid-term forecasts
Slide 99: Forecast - household loans & deposits, 2017-2019
Slide 100: Forecast - corporate loans & deposits, 2017-2019
Slide 101: Forecast - banking assets, 2017-2019

9. Notes on methodology
Banking asset penetration in Poland is close to CEE averages

Banking assets/capita, 2016
EUR `000

<table>
<thead>
<tr>
<th>Country</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Rep.</td>
<td>20.9</td>
</tr>
<tr>
<td>Slovenia</td>
<td>19.5</td>
</tr>
<tr>
<td>Estonia</td>
<td>18.6</td>
</tr>
<tr>
<td>Latvia</td>
<td>15.0</td>
</tr>
<tr>
<td>Slovak Rep.</td>
<td>13.6</td>
</tr>
<tr>
<td>Croatia</td>
<td>13.0</td>
</tr>
<tr>
<td>Hungary</td>
<td>11.2</td>
</tr>
<tr>
<td>Poland</td>
<td>10.1</td>
</tr>
<tr>
<td>Lithuania</td>
<td>8.9</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>6.6</td>
</tr>
<tr>
<td>Romania</td>
<td>4.4</td>
</tr>
<tr>
<td>Macedonia</td>
<td>4.3</td>
</tr>
<tr>
<td>Albania</td>
<td>3.7</td>
</tr>
<tr>
<td>Serbia</td>
<td>3.6</td>
</tr>
<tr>
<td>BiH</td>
<td>3.4</td>
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</tbody>
</table>

Banking assets/GDP, 2016
percent

<table>
<thead>
<tr>
<th>Country</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Rep.</td>
<td>126.5</td>
</tr>
<tr>
<td>Croatia</td>
<td>120.5</td>
</tr>
<tr>
<td>Latvia</td>
<td>117.9</td>
</tr>
<tr>
<td>Estonia</td>
<td>116.7</td>
</tr>
<tr>
<td>Slovenia</td>
<td>101.0</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>99.4</td>
</tr>
<tr>
<td>Hungary</td>
<td>97.7</td>
</tr>
<tr>
<td>Albania</td>
<td>97.4</td>
</tr>
<tr>
<td>Poland</td>
<td>92.4</td>
</tr>
<tr>
<td>Slovak Rep.</td>
<td>90.9</td>
</tr>
<tr>
<td>Macedonia</td>
<td>89.4</td>
</tr>
<tr>
<td>BiH</td>
<td>86.5</td>
</tr>
<tr>
<td>Serbia</td>
<td>75.5</td>
</tr>
<tr>
<td>Lithuania</td>
<td>66.7</td>
</tr>
<tr>
<td>Romania</td>
<td>52.1</td>
</tr>
</tbody>
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CEE 15* weighted average: 9.7
CEE 15* weighted average: 93

* Major 15 CEE countries. Russia, Ukraine and Belarus not included
** Assets as of Q3 2016
Source: Central banks, IMF, Inteliace Research
Growth in banking assets accelerated again in 2016

Banking assets by group of banks, 2011-2016
in PLN billion

** Domestic commercial banks**

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<thead>
<tr>
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<tbody>
<tr>
<td>Value (IN PLN billion)</td>
<td>1,188</td>
<td>1,236</td>
<td>1,277</td>
<td>1,394</td>
<td>1,458</td>
<td>1,554</td>
</tr>
<tr>
<td>% change in the period</td>
<td>+6</td>
<td>+7%</td>
<td></td>
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** Foreign bank branches**

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<tbody>
<tr>
<td>Value (IN PLN billion)</td>
<td>28</td>
<td>28</td>
<td>32</td>
<td>33</td>
<td>32</td>
<td>37</td>
</tr>
<tr>
<td>% change in the period</td>
<td>+5</td>
<td>+15%</td>
<td></td>
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</table>

** Cooperative banks**

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</thead>
<tbody>
<tr>
<td>Value (IN PLN billion)</td>
<td>78</td>
<td>86</td>
<td>97</td>
<td>105</td>
<td>110</td>
<td>121</td>
</tr>
<tr>
<td>% change in the period</td>
<td>+9</td>
<td>+10%</td>
<td></td>
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</tr>
</tbody>
</table>

* Compound Annual Growth Rate
** Banks registered in Poland
Source: KNF, NBP, Inteliace Research
Market interest rates have stabilized since 2015

Warsaw Interbank Offered Rate 6-months [WIBOR6M]
In percent

• Since Q4 2008, the WIBOR* rate has ceased to represent real cost of money in the market, as deposit-rich banks have not been eager to lend money for maturities over 1W to other banks. Most banks have imposed strict counterparty limits.
• Banks with deficit of own deposits have been forced to look for alternative funding or to pay for deposits much more than before.
• Polonia rate has become a better indicator for price of o/n funds.

POLONIA O/N RATE**
In percent

* Warsaw Interbank Offered Rate — rate used frequently for loan indexing
** Polonia rate indicates the real cost of short term funds (O/N), derived from market transactions
Source: NBP, Inteliace Research
In 2016, banks recorded almost PLN 55 billion in total revenues and earned nearly PLN 13 billion (EUR 3 billion) in net profits.

### Commercial banks - Profit and loss accounts, 2016

**PLN billion**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>COMMERCIAL BANKS*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>34.5</td>
<td></td>
</tr>
<tr>
<td>Net fees &amp; commissions</td>
<td>11.3</td>
<td></td>
</tr>
<tr>
<td>FX, trade &amp; other banking revenue</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td>Net banking revenue (NBR)</td>
<td>54.2</td>
<td></td>
</tr>
<tr>
<td>Other op. revenue &amp; costs</td>
<td>-0.4</td>
<td></td>
</tr>
<tr>
<td>Operating revenue</td>
<td>54.6</td>
<td></td>
</tr>
<tr>
<td><strong>Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel costs</td>
<td>12.4</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>Other operating costs</td>
<td>14.6</td>
<td></td>
</tr>
<tr>
<td>Costs of risk (net reserves)</td>
<td>7.8</td>
<td></td>
</tr>
<tr>
<td><strong>Profits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax &amp; other items</td>
<td>17.2</td>
<td></td>
</tr>
<tr>
<td>Taxes &amp; other items</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>13.0</td>
<td></td>
</tr>
</tbody>
</table>

In % of NBR

64 21 16 100 1 101 23 5 27 14 32 8 24

*Excluding foreign bank branches operating in Poland

Source: NBP, KNF, GUS, Inteliace Research
Notes on methodology

FX rates:

- As a general rule all “end of year” balances like: assets, deposits, loans and similar volumes have been converted from the local currency into Euro using **end of year** exchange rate

- All results achieved during a period of time like: profits, revenues, new sales etc. have been converted from the local currency into Euro using **average** exchange rate

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</thead>
<tbody>
<tr>
<td>End of year</td>
<td>4.17</td>
<td>4.11</td>
<td>3.96</td>
<td>4.42</td>
<td>4.09</td>
<td>4.15</td>
<td>4.26</td>
<td>4.26</td>
<td>4.42</td>
</tr>
</tbody>
</table>

Source: NBP

Estimates and Forecasts:

- In some cases, recent or verified data was not available. Therefore, necessary short-term estimations have been done to fill the gaps. Estimates are always indicated with the letter “E”

- When preparing forecasts “F” we have built models using latest observed trends, available forecasts of main economic indicators, seasonal changes observed in the past and other specific factors considered important.

Multiple sources:

- In some cases multiple sources of similar data exist. In this situation we always try to select the most appropriate one /in our view/. The source is indicated in the footer area of each slide. Nevertheless in specific cases, before interpreting the data it is recommended to get a good understanding on the methodology of data collection by contacting the authors.
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Our company specializes in value-added research services and tailored business intelligence solutions.

Through our customized research services we help our clients to better understand their customers, competitors and overall market dynamics.

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