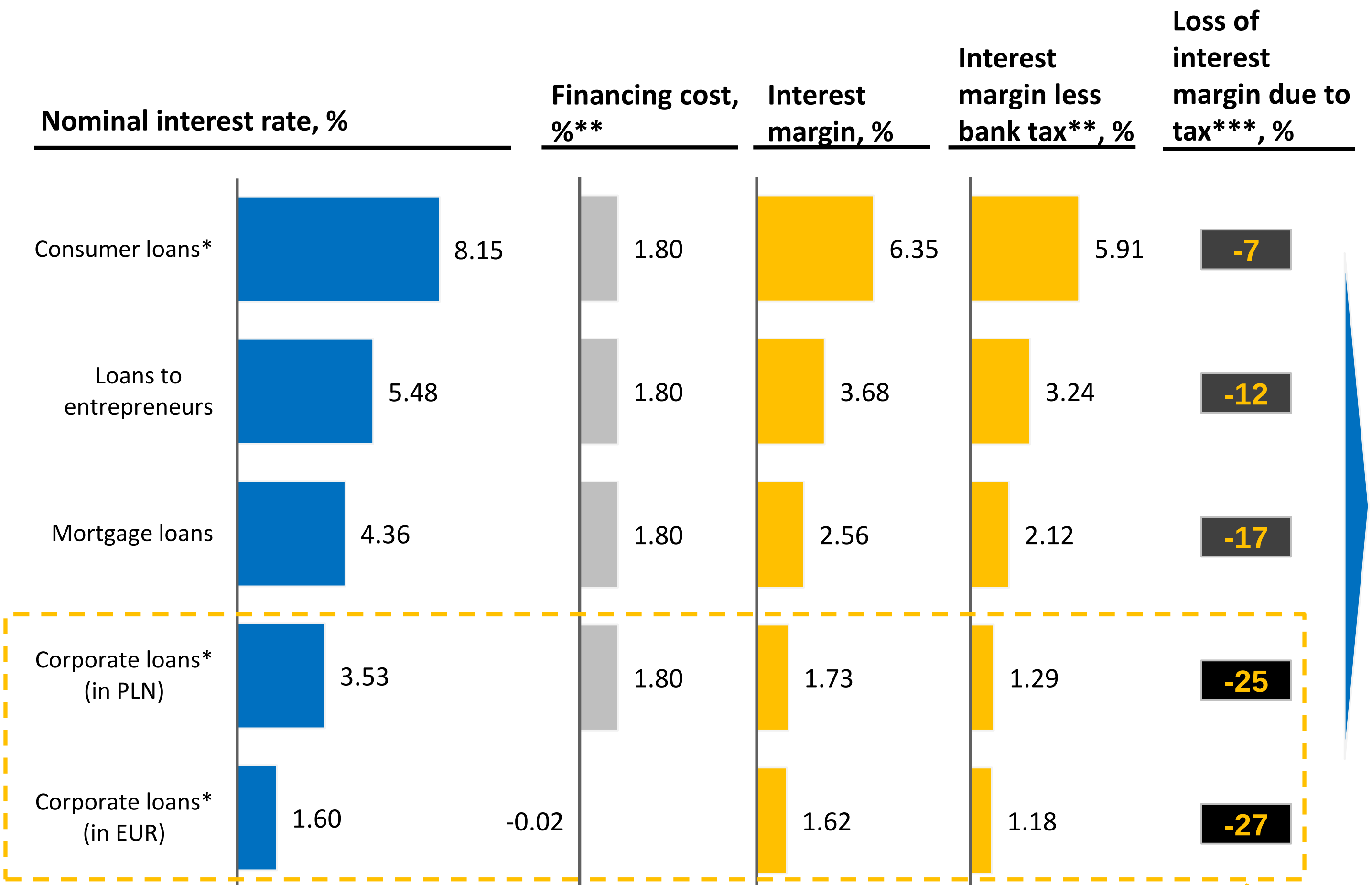
Unintended consequences of a new bank tax in Poland

Poland: Lending margins by product/segment , November 2015



- The new bank tax*** will reduce interest margins at major banks by 7% to 27%, and will particularly affect corporate loans (large) and mortgage loans, where margins are the lowest.
- The design of the tax, does not differentiate loans by credit risk and it will encourage banks to reduce low margin engagements (loans to businesses and residential), and simultaneously will encourage consumer loans (highest margins), which seems to be an unfortunate outcome from the macroeconomic perspective.
- It is also likely that financing of largest enterprises will be gradually taken over by foreign banks operating from abroad.
- Taxation of assets in connection with a tax-free amount of PLN 4 billion and exclusion of government securities will promote small banks and conserve lower efficiency in the Polish banking sector.

In the corporates segment , the new bank tax will reduce interest margin by 25%+.

* With exception of C/A loans
** Respectively: WIBOR6M and LIBOR EUR6M for November 2015
*** Tax rate of 0.4392% p.a. ; in force since February 2016
Source: NBP, Inteliace Research