

BANKING MARKET IN POLAND 2016-2018

CEE BANKING SERIES

DEMO



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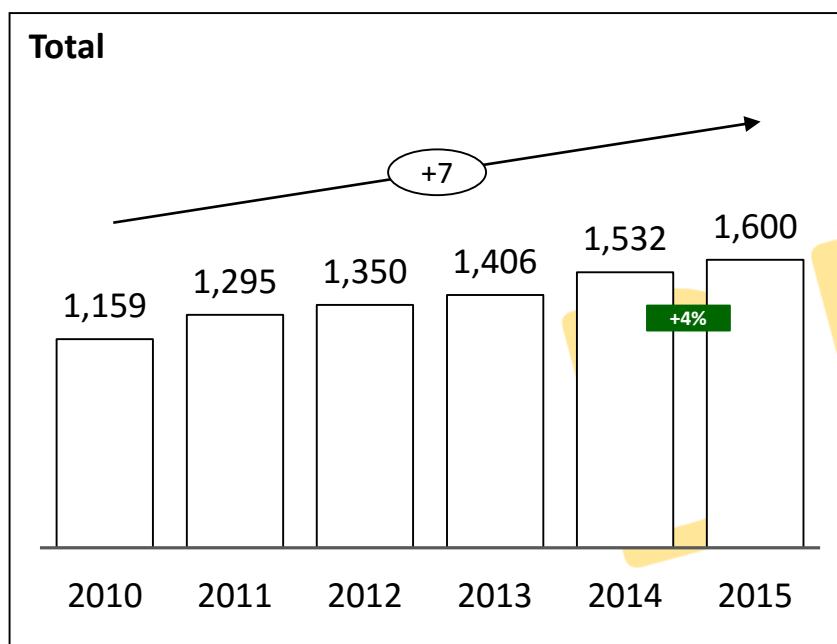
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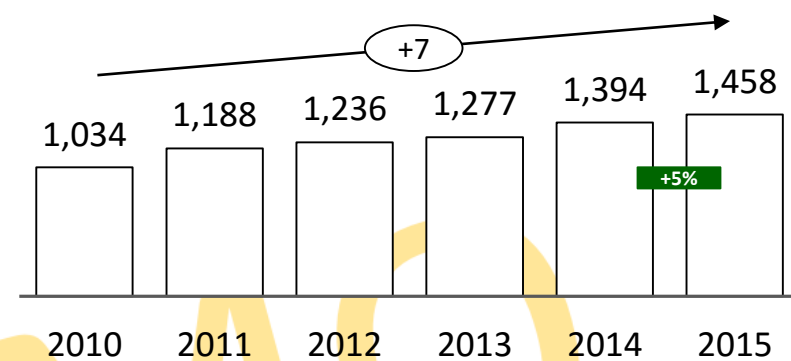
GROWTH IN BANKING ASSETS DECELERATED IN 2015

Banking assets by group of banks, 2010-2015
in PLN billion

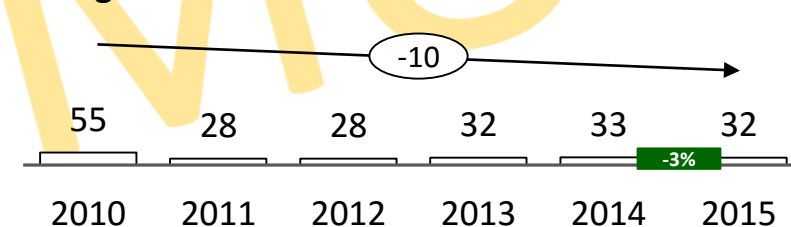


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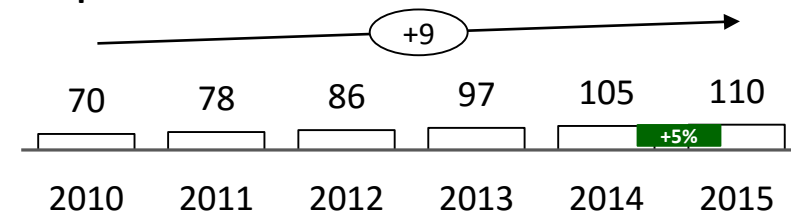
Domestic commercial banks**



Foreign bank branches



Cooperative banks

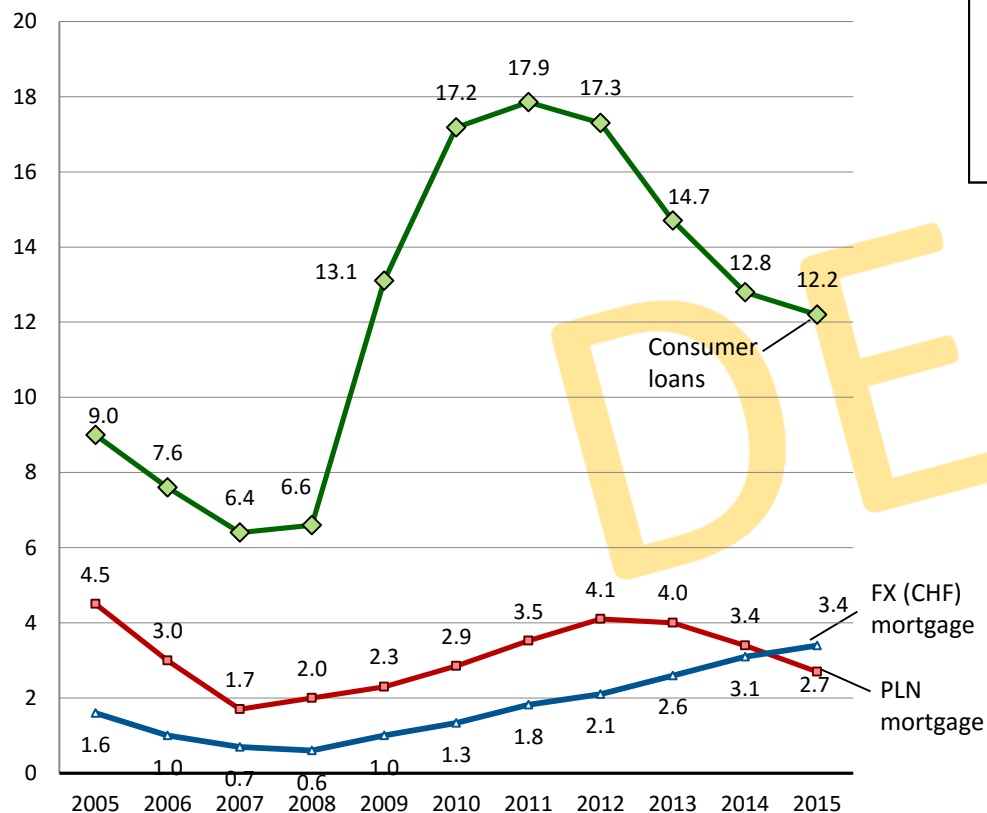


Banking Market in Poland 2016-2018

* Compound Annual Growth Rate
** Banks registered in Poland
Source: KNF, NBP, Inteliace Research

NPL-RATIOS IN CONSUMER LENDING HAVE FALLEN SIGNIFICANTLY SINCE 2011. IN CONTRAST, MORTGAGE LENDING PORTFOLIOS (FX) HAVE DETERIORATED

Share of NPL* in total retail loans by type, 2005-2014, in percent, end of period data



Loans classification rules

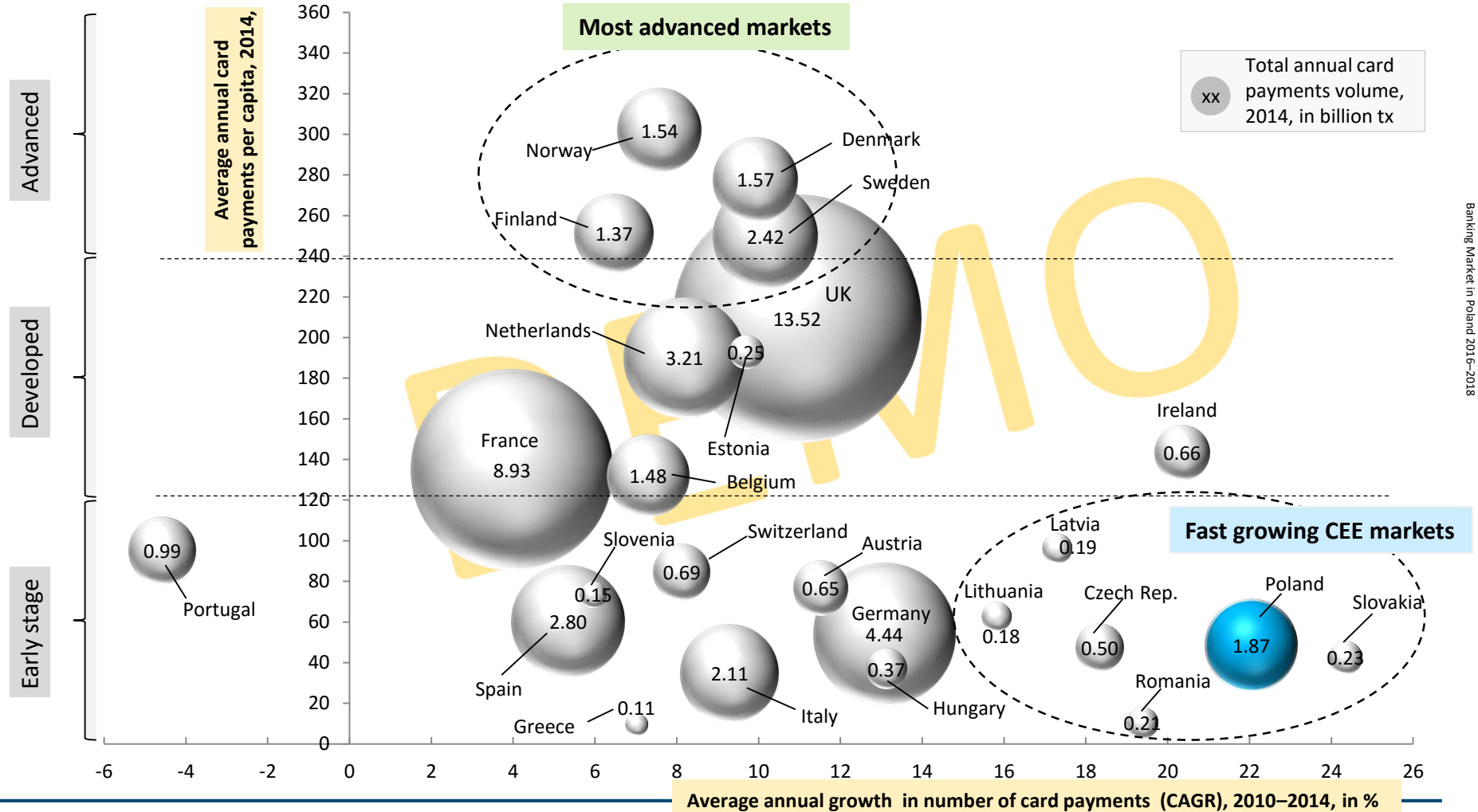
Class of loans (by repayment delay)	Standard		Non Performing		
	A normal	B watch	C below standard	D doubtful	E lost
• Consumer Loans	<6M	-	-	-	>6M
• Mortgage & other retail loans	<1M	1-3M	3M-6M	6M-1Y	>1Y
• Corporate loans	< 1M	1-3M	3M-6M	6M-1Y	>1Y

Remarks

- A rapid growth in bad consumer loans has been observed during 2008-2010. The situation has improved since 2011 as a result of tighter lending rules applied by banks.
- The stricter lending regime imposed by KNF (banking regulator) since 2011, pushed low quality clients to the shadow banking sector - unregulated lending providers.
- The quality of mortgage loans remains high in absolute terms (2.7 to 3.4% NPL). However, older lending **portfolios (CHF-denominated) deteriorate** steadily.

POLAND IS STILL AT AN EARLY STAGE IN TERMS OF CARD PAYMENTS

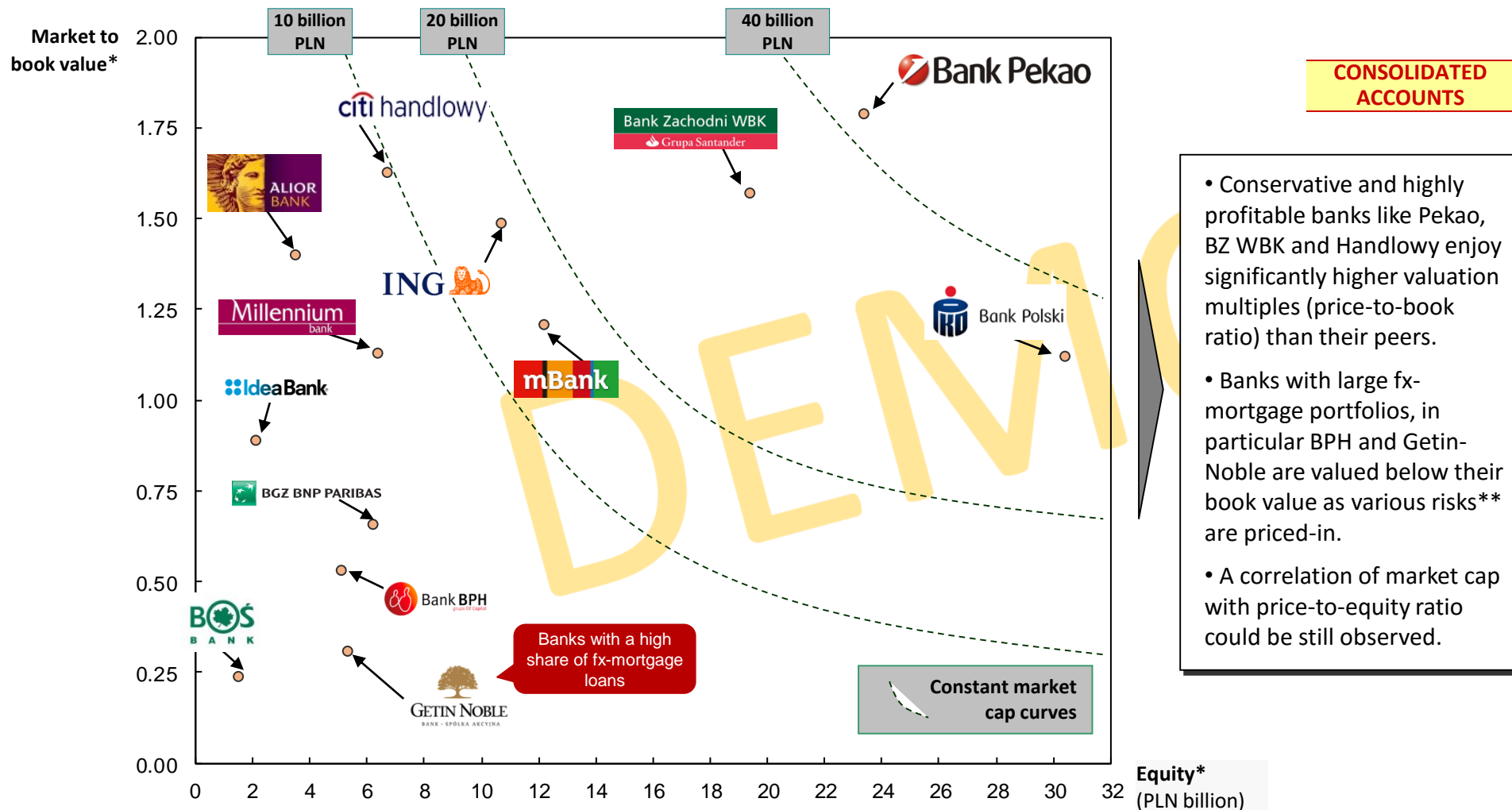
Card payments landscape in Europe, 2014



Source: ECB, SNB, NB, Eurostat, Inteliace Research

PEKAO, BZ WBK AND CITI HANDLOWY ENJOY HIGHEST VALUATION PREMIUMS

Strategic control map (March 14, 2016)



* Based on consolidated results for Q3 or Q4 2015; Ratios as of March 14, 2016

** Including a risk of fx-loan holders bailout and a forced conversion into PLN at a non-market exchange rate.

Source: banks, press, 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
- Exchange rates used in the report:

EUR / PLN	2008	2009	2010	2011	2012	2013	2014	2015
End of year	4.17	4.11	3.96	4.42	4.09	4.15	4.26	4.26
Average	3.52	4.33	3.99	4.12	4.19	4.20	4.19	4.18

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.

Recent changes in sources:

- Since 2015, we have been using KNF reporting instead of previously used NBP time series when illustrating **evolution and structure of key banking volumes, including: deposits and loans by client segment and by type**. As a consequence, historical figures for years: 2010-2014 might not match figures presented in previous versions of this report.
- The above described change affected in particular slides on pages: **28, 29, 53, 66, 67, 69, 84** as well as forecasts on pages: **118-120**

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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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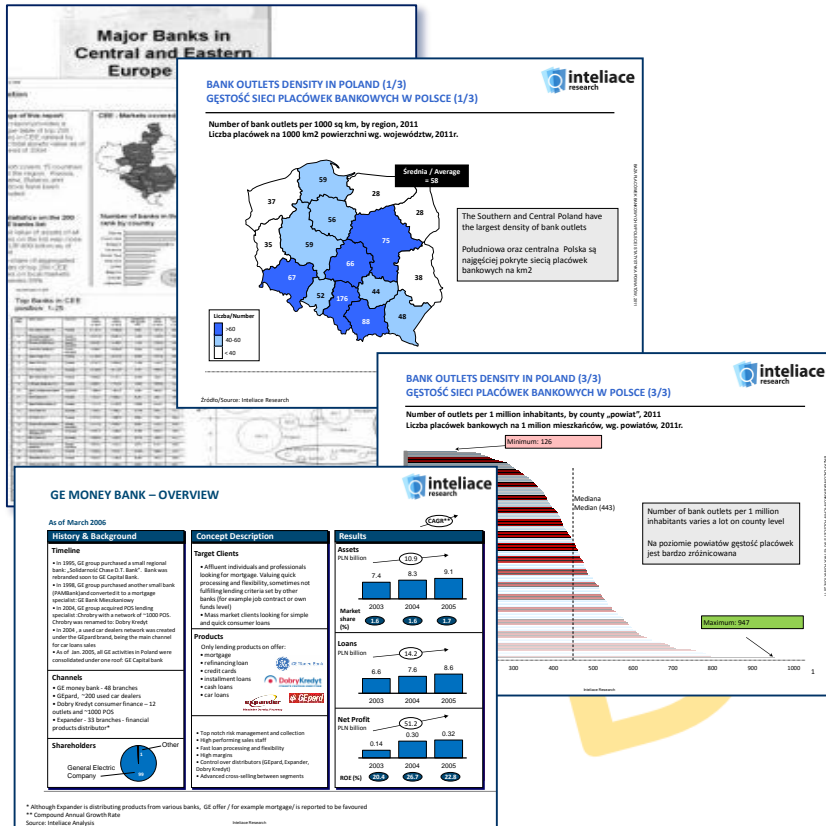
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