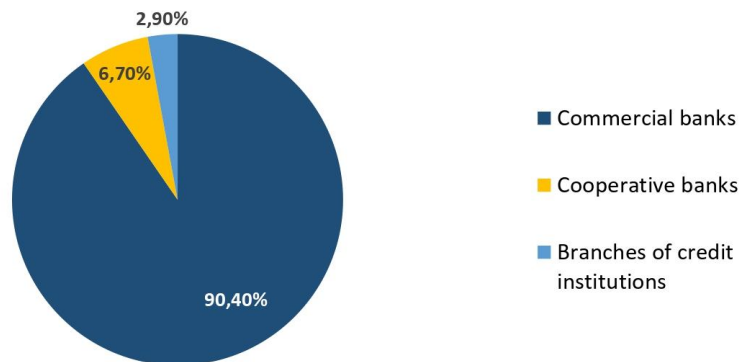




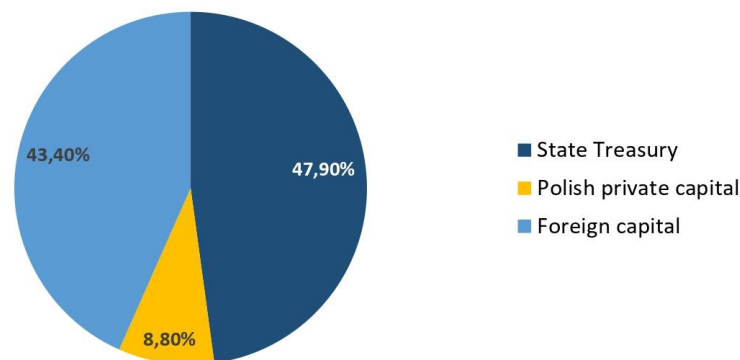
Outlook of the Polish banking sector 2022/2023

Structure of the Polish banking sector

Entity structure (share of assets) January 2023



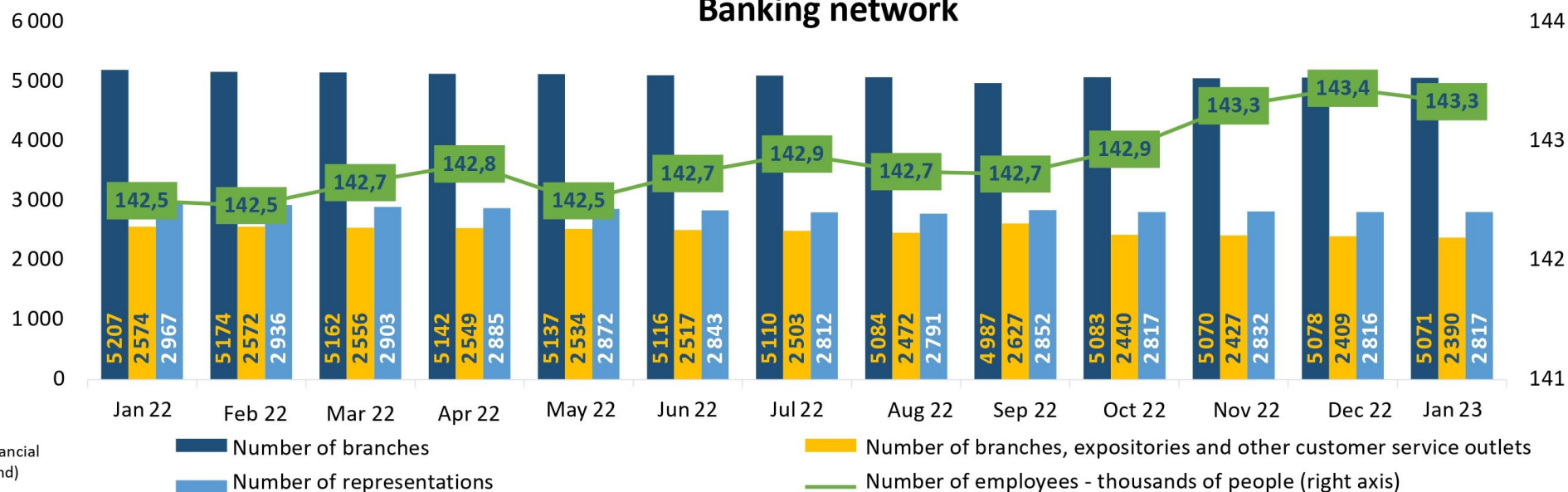
Origin of capital (share in assets) January 2023



As of the end of January 2023 operations in Poland were conducted by:

- 30 commercial banks,
- 493 cooperative banks,
- 34 branches of credit institutions and foreign banks.

Banking network



Financial results of major banks operating in Poland for 2022*

	('000)	Equity	Balance sheet total	Interest income 2022	Commission income 2022	Operating profit 2022	Net profit 2022	Market capitalization as of 17.03.2022	P/E	P/BV	Principal Shareholder
1	PKO BP	35 435 000	430 683 000	20 140 000	6 515 000	4 678 000	3 333 000	33 600 000	11,36	1,07	Skarb Państwa
2	Santander Poland	30 115 338	259 167 215	12 538 584	3 173 217	4 268 898	3 008 775	27 938 558	9,47	0,88	Santander Banco
3	Pekao SA	22 775 012	281 139 032	11 115 376	3 439 002	2 877 522	1 719 491	20 882 116	13,22	1	PZU S.A.
4	ING Bank	9 344 300	217 250 100	8 111 900	2 636 700	2 377 500	1 714 400	20 816 000	12,51	2,29	ING Bank N.V.
5	mBank	12 715 031	209 892 113	9 265 806	3 026 096	-108 019	-702 527	11 686 185		0,99	Commerzbank AG
6	Citi Bank	7 960 245	69 801 402	3 332 804	688 184	1 994 688	1 545 680	10 178 383	6,39	1,24	Citibank Overseas Investment Corporation
7	BNP	11 262 221	151 517 069	6 482 045	1 405 358	871 927	441 497	7 527 251	18,72	0,73	BNP Paribas S.A.
8	Milenium	5 494 406	110 941 969	4 999 879	1 027 745	-730 755	-1 014 566	4 828 205		1,01	Banco Comercial Portugues S.A.
9	Alior Bank	6 169 865	82 877 172	4 962 625	1 636 555	608 483	683 111	4 675 138	6,55	0,73	PZU S.A.
10	BOŚ (Q3 2022) **	1 964 138	22 006	899 990	176 383	181 868	132 620	817 940	6,12	0,4	NFOŚiGW
11	SGB Group ***										Cooperative banks
12	BPS Group ***										Cooperative banks

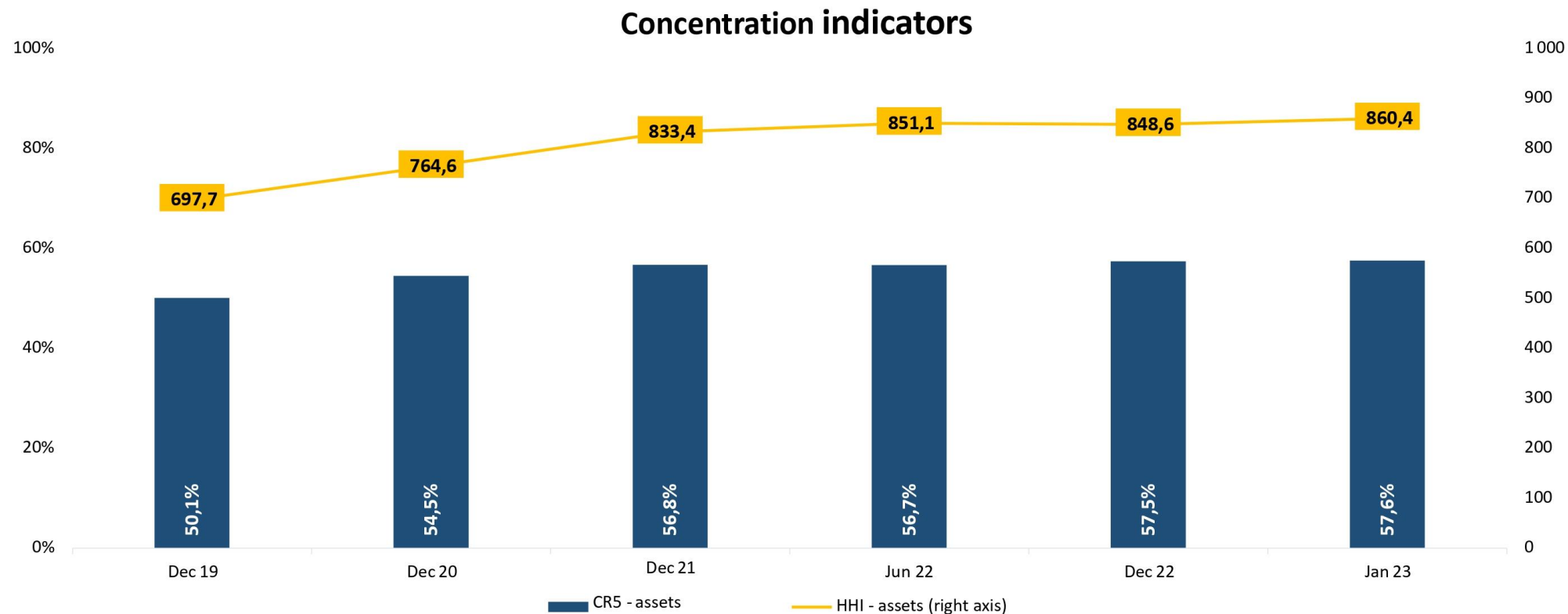
*Data is based on preliminary results published by WSE-listed banks

**Results available only for Q3 2022.

***Data is not publicly available

Source: DFCM compilation based on banks' financial statements

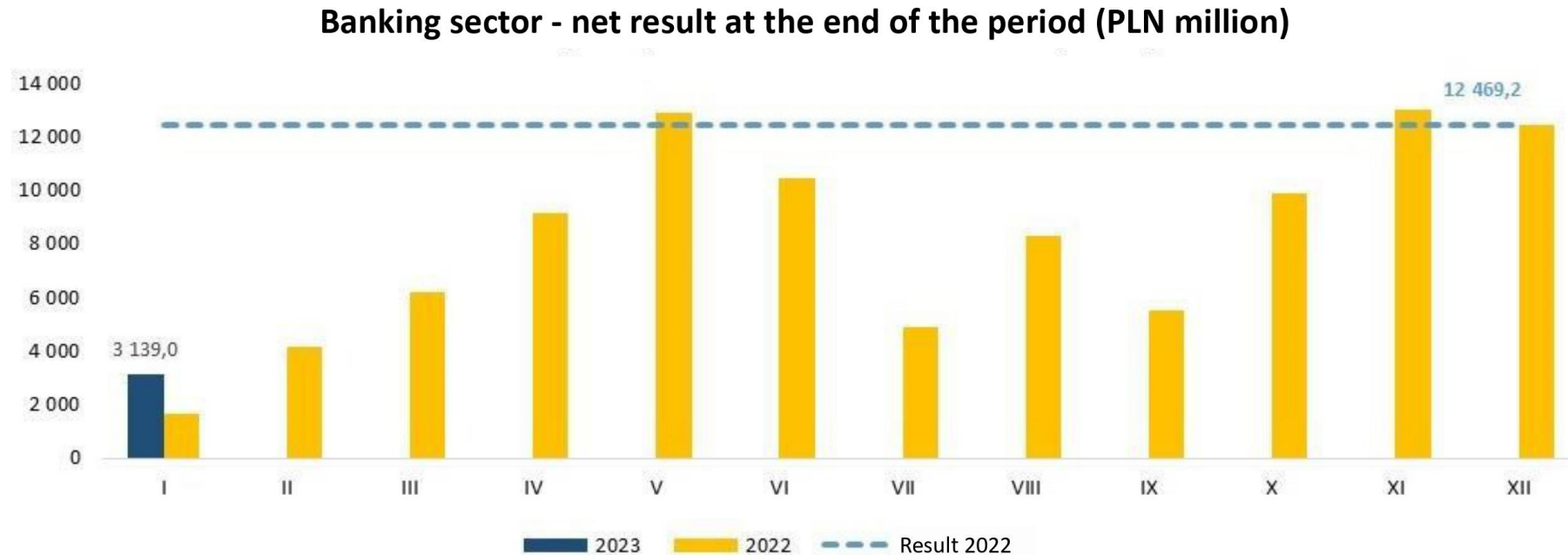
Banking sector concentration



HHI - the Herfindahl-Hirschman index (sum of squares of banks' shares of banking sector assets) is a measure of market concentration. This indicator takes into account not only the number of entities, but also their relative size. CR5 assets - an indicator that determines the share of the 5 banks with the highest total assets.

The HHI of 860.4 describes a competitive market.

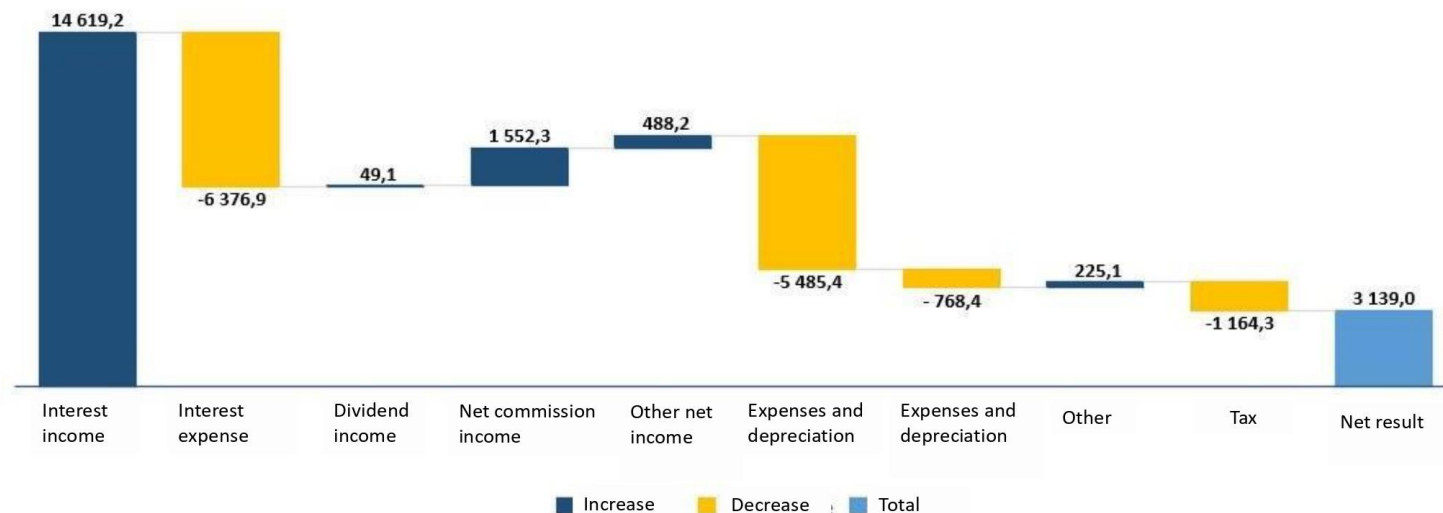
Banking sector performance 2022 vs 2023



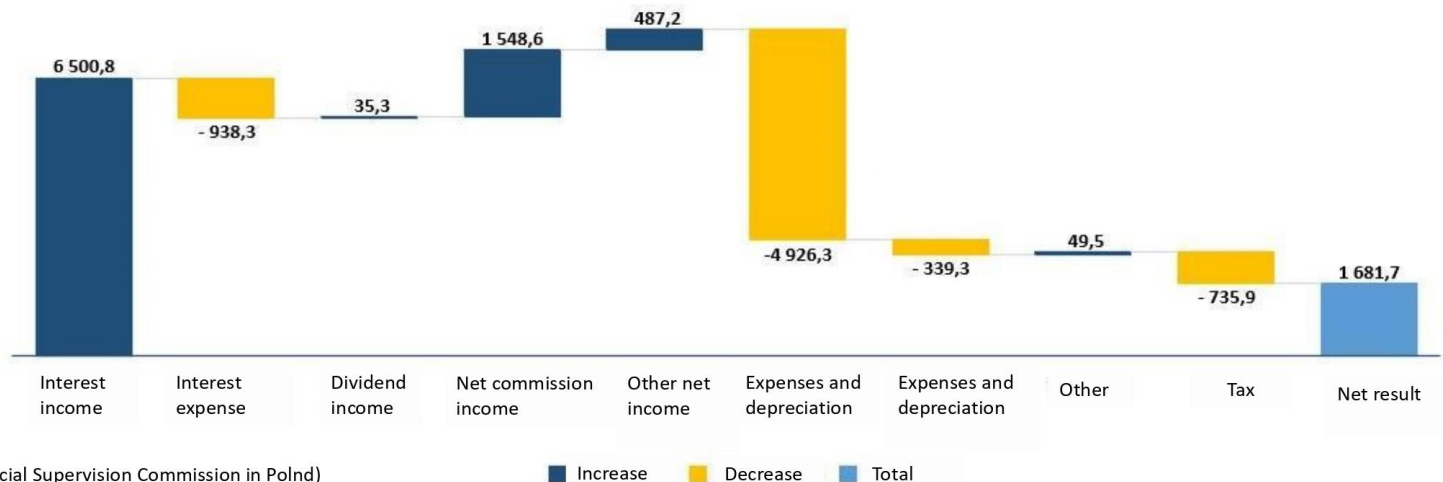
The net financial result at the end of January 2023 was PLN 3.1 billion. This result was higher by PLN 1.5 billion (+86.7% y/y) from the result achieved at the end of January 2022.

Banking sector performance 2023 v 2023

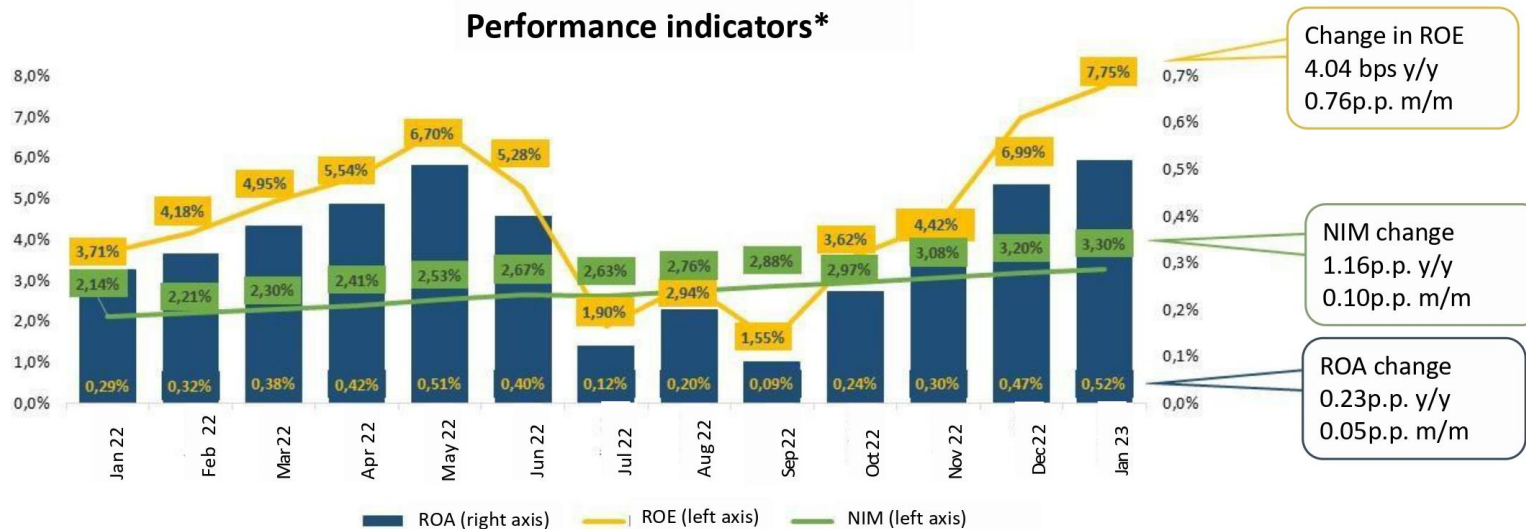
Banking sector - components of financial result (PLN million); January 2023



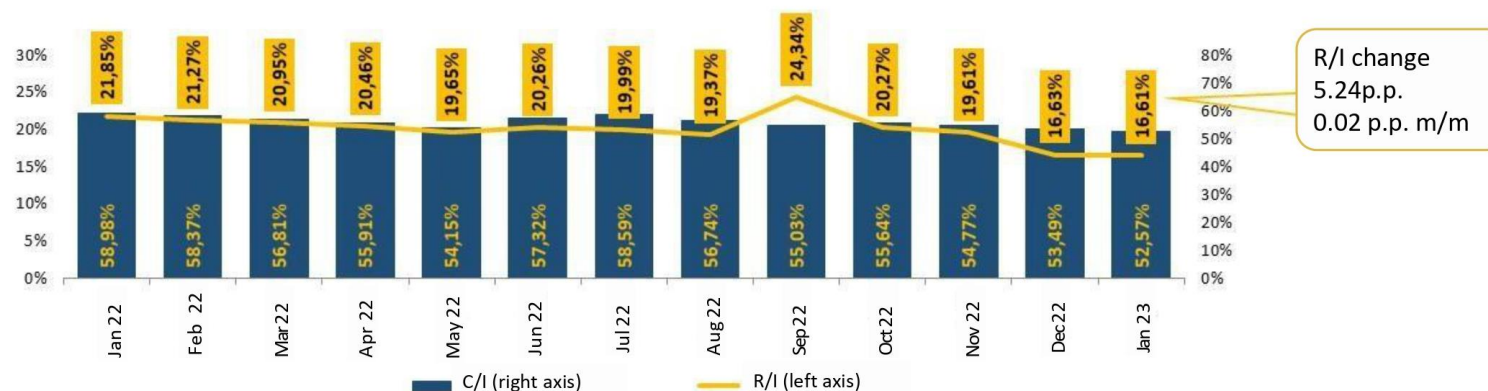
Banking sector - components of financial result (PLN million); January 2022



Banking sector efficiency



Ratios of the banking sector's operating income charge to expenses (C/I) and provisions and write-downs (R/I)**



*/ ROA and ROE ratios - the ratio of the sum of the financial result for 12 consecutive months to the average assets and average capital, respectively, for the same period for 13 consecutive months. ROE refers to the aggregate of the commercial and cooperative bank sector (excluding branches of credit institutions), ROA refers to the entire banking sector.

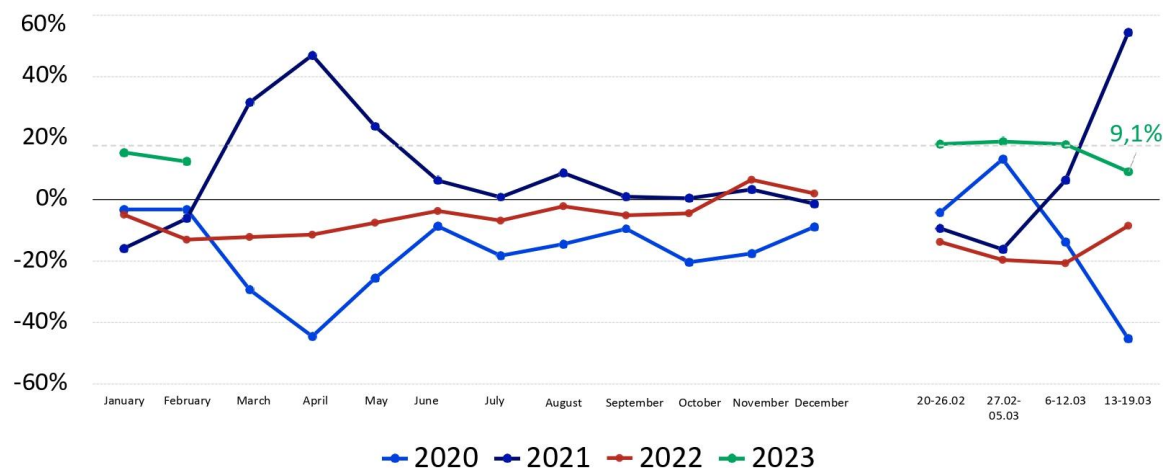
NIM ratio - the ratio of interest income from 12 consecutive months to average interest assets in the same period from 13 consecutive months.

**/ C/I ratio - the ratio of expenses (operating expenses+amortization of fixed and intangible assets) to income (total operating income-net) - moving average of 12 months.

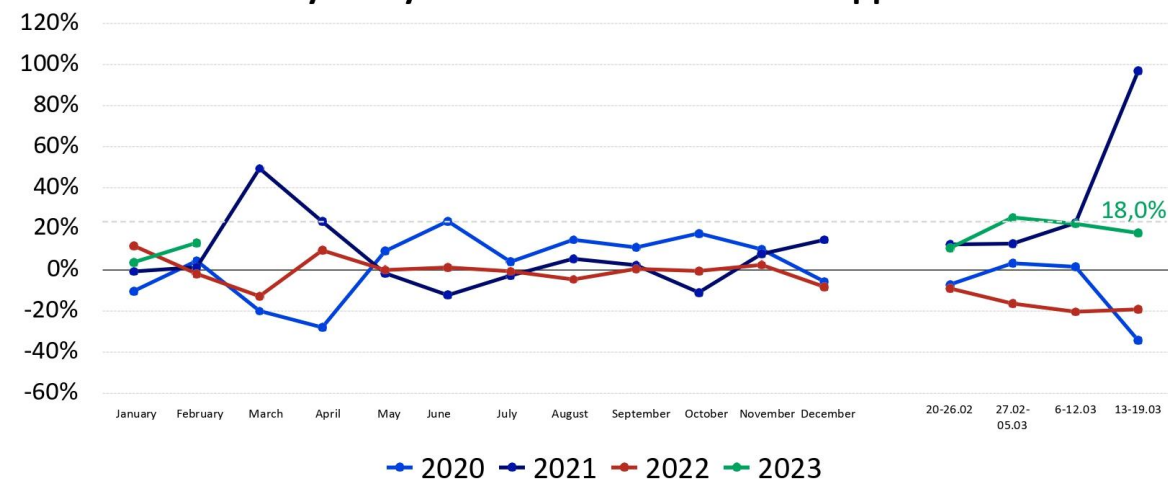
**/ R/I ratio - ratio of allowances and provisions (provisions+loss of value or reversal of impairment) to revenue (total operating income-net) - rolling average of 12 months.

Credits for individual customers (y/y dynamics)

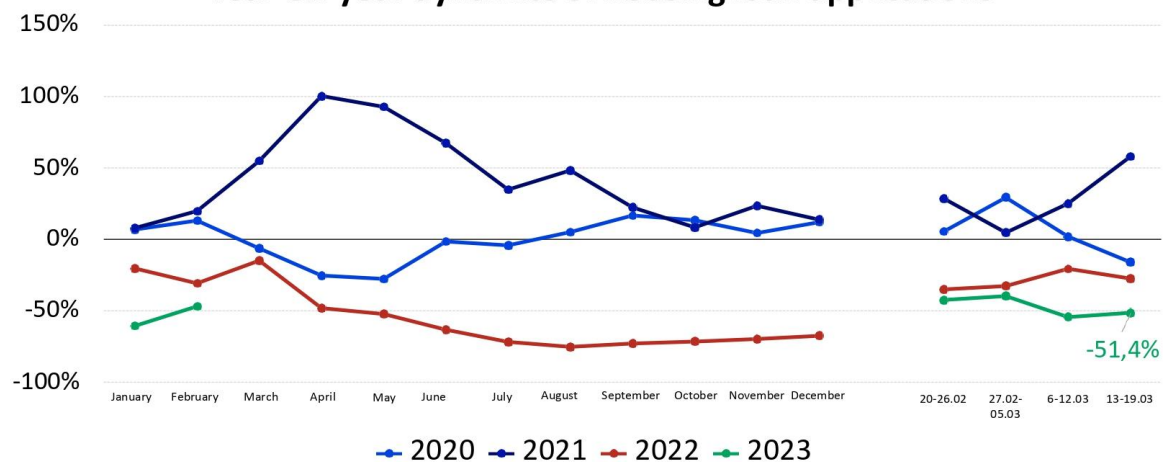
Year-on-year dynamics of cash loan applications



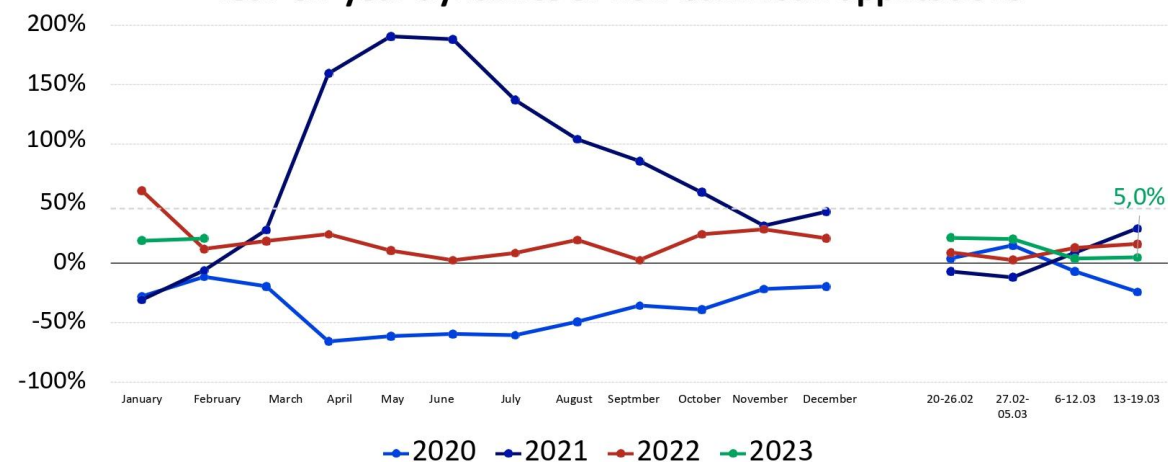
Year-on-year dynamics of installment loan applications



Year-on-year dynamics of housing loan applications

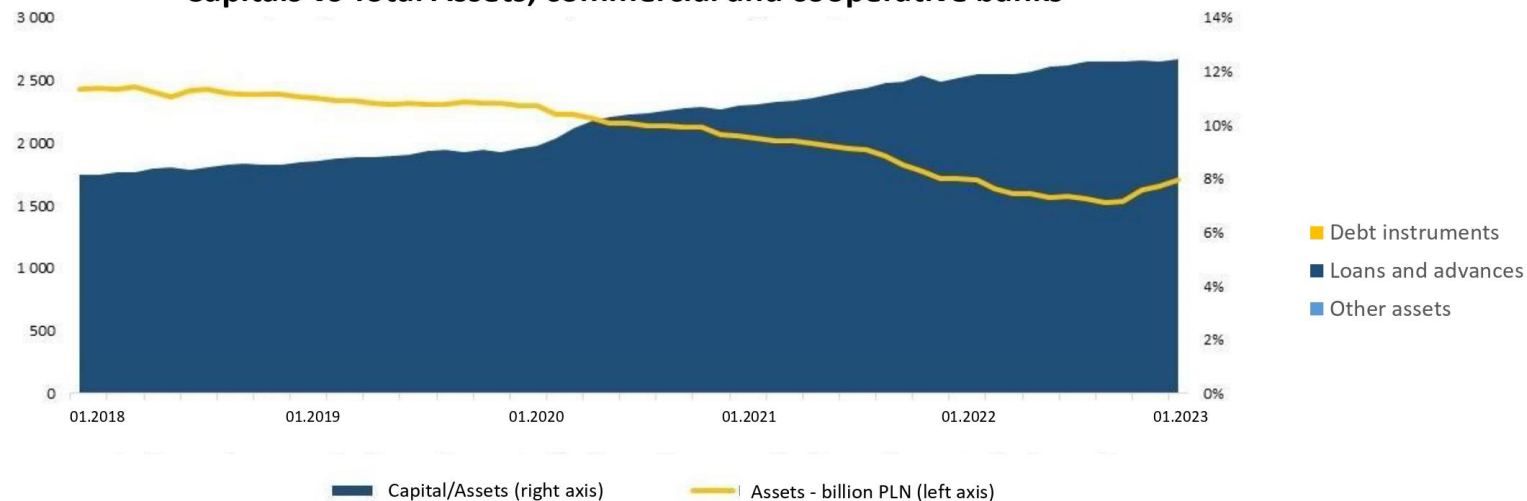


Year-on-year dynamics of non-bank loan applications

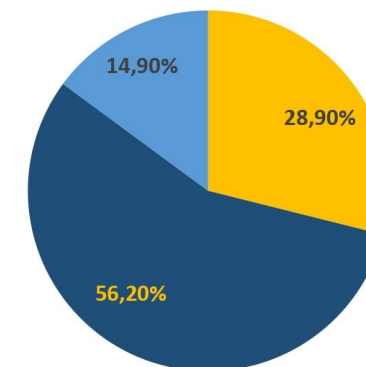


Total balance sheet structure

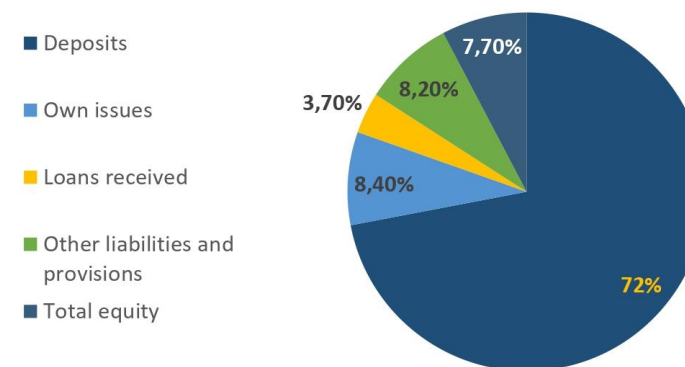
Capitals vs Total Assets; commercial and cooperative banks



Structure of banking sector assets; January 2023
(PLN billion)

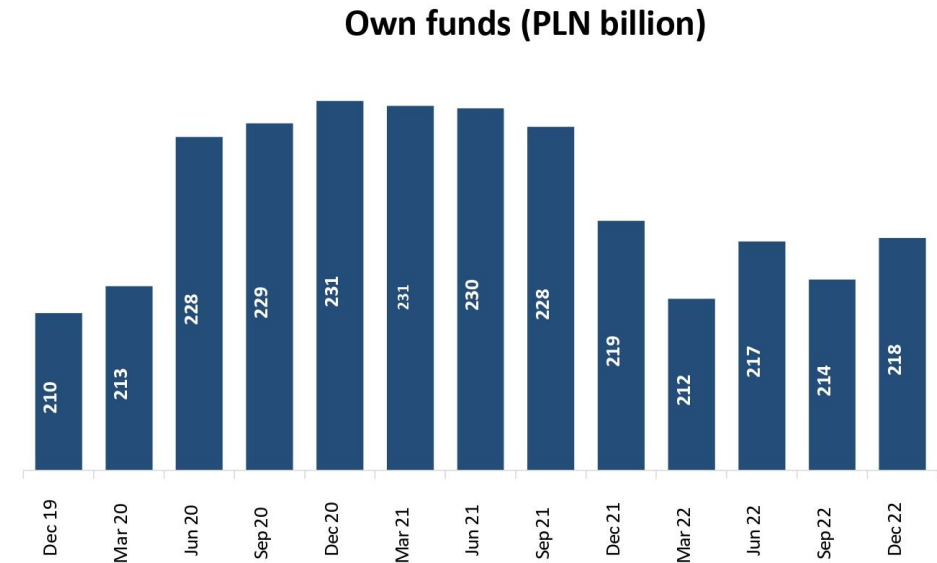
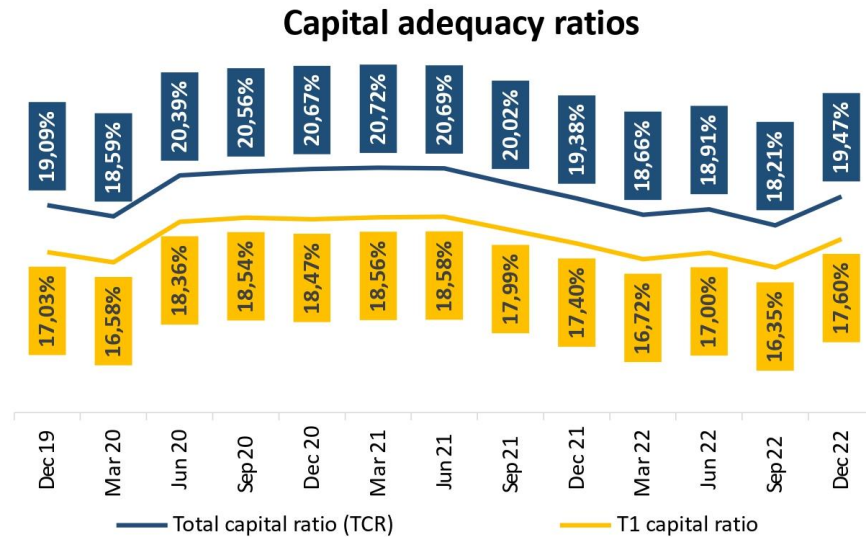


Structure of banking sector liabilities; January 2023



Balance sheet total of the banking sector (PLN billion)	Balance sheet total January 2023	Change in the month	y/y change (%)
Banking sector	2745,40	12,10	0,06
Commercial banks	2482,50	16,10	0,06
Cooperative banks	184,60	-1,70	-0,01
Branches of credit institutions	78,30	-2,20	0,03

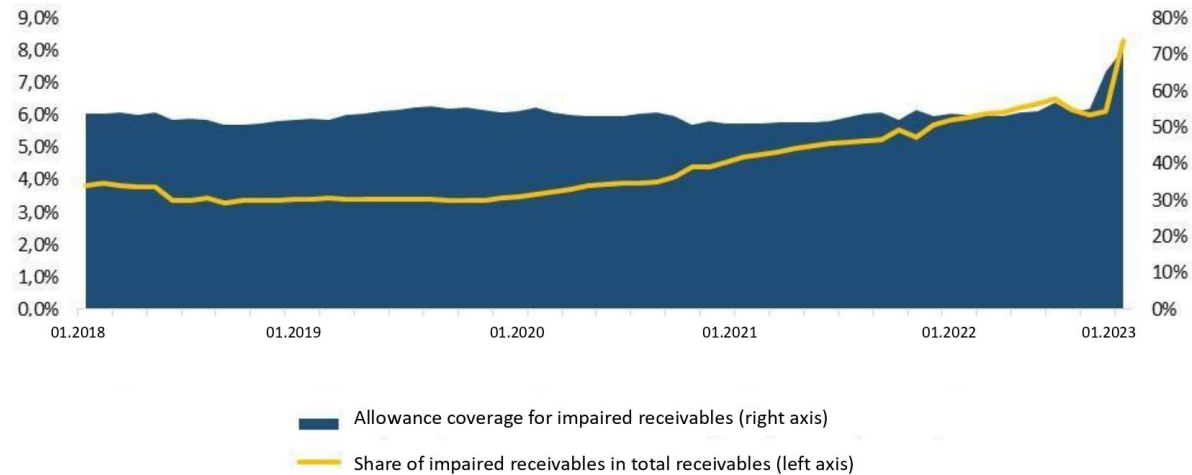
Capital adequacy - commercial and cooperative banks



- At the end of December 2022, the sector's capital adequacy ratios were at 19.47% (TCR) and 17.60% (T1).

The main challenge of the polish banks - CHF mortgage portfolio

Portfolio quality and write-down coverage of CHF housing loans to households



Number and volume of housing loans in CHF



Opportunities and challenges of the Polish banking sector 2023

Opportunities

- ☐ High level of central bank interest rates
- ☐ Positive development of interest margins (high net spread)
- ☐ Potential upswing in GDP growth in the end of 2023
- ☐ Access to EU funds accelerating growth of investments in the second part of the year
- ☐ Still low unemployment rate and positive outlook
- ☐ Growing efficiency of the banks (digital transformation)
- ☐ New products and services enhanced by modern strategies of the banks

Challenges

- ☐ Russian-Ukrainian war and its legacy
- ☐ High inflation level and negative consequences in valuation of bonds
- ☐ Potential consequences of CHF mortgage portfolio settlement (TSUE guidelines)
- ☐ Growing provisions as credit risk deteriorates (GDP slow down)
- ☐ Lower demand on banking products as business activities deteriorate
- ☐ Tax, other charges and fees imposed by the government on the banking sector



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