

# Key changes in the Polish financial system in recent years<sup>1</sup>

Narodowy Bank Polski

## The size and key characteristics of the Polish financial system at the end of 2022

At the end of 2022, the value of assets of the Polish financial system amounted to PLN 3.6 trillion (around EUR 767 billion; Chart 1). The banking sector remained the largest segment – the value of banks' assets was PLN 2,715.3 billion, i.e. 73% of financial system assets.<sup>2</sup> As for non-bank financial intermediaries, the largest segments were, respectively: (i) investment funds, with assets amounting to PLN 283.0 billion; (ii) insurance corporations – PLN 183.6 billion; and (iii) open pension funds – PLN 156.3 billion.

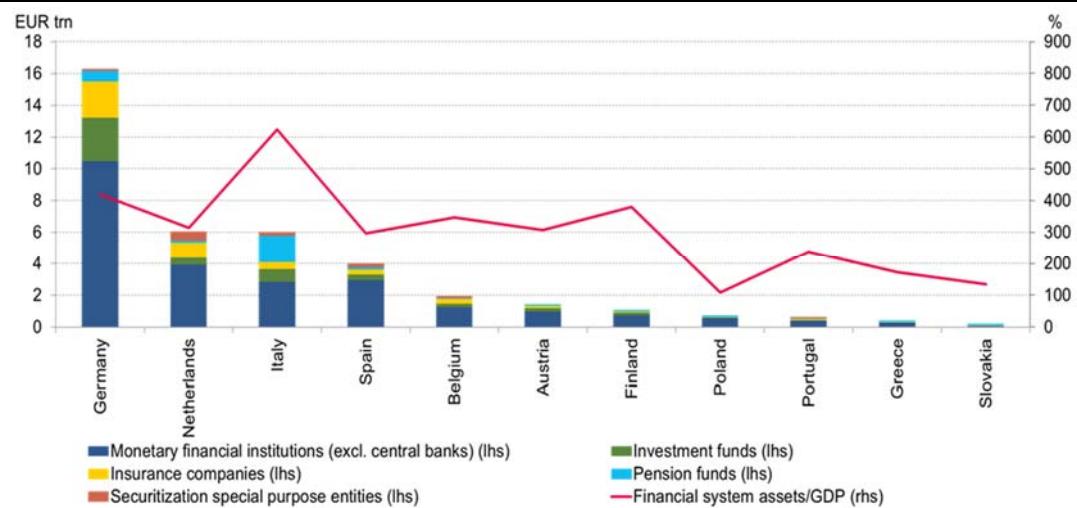
Amid relatively robust economic performance, the ratio of domestic financial system assets to GDP in Poland in 2022 reached merely 117.0%, less than in Hungary (141.1%), Slovakia (138.6%) or Czechia (162.7%). The same measure of financial system development for euro area countries was, on average, 515.6% at the end of 2022, indicating a low to medium level of financial intermediation in Poland, but also in other countries of central and eastern Europe (CEE).

<sup>1</sup> This note is to a large extent based on the Narodowy Bank Polski (NBP) report, *Rozwój systemu finansowego w Polsce w 2022 r.* (*Financial system in Poland 2022*), November 2023.

<sup>2</sup> Share of 73% when counting only financial institutions supervised by state agencies. When institutions which are not supervised (eg leasing, factoring) are included, banks' share is 69%.

## Financial system assets in selected EU countries, 2022

Chart 1

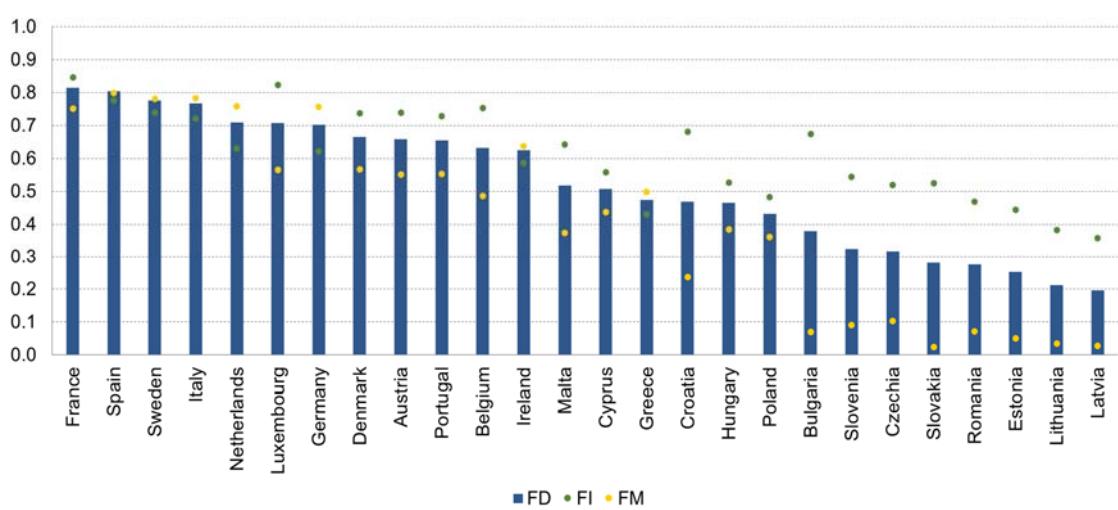


Source: NBP, Financial system in Poland 2022, November 2023.

Similar conclusions can be drawn from the IMF-developed Financial Development Index for Poland, which equals 0.431 in 2021 (the latest available data), situating it in the group of countries with a medium level of financial development<sup>3</sup> (Chart 2).

## Indicator of financial system development, development of financial institutions and financial markets in EU countries, 2021

Chart 2



Source: NBP, Financial system in Poland 2022, November 2023.

<sup>3</sup> The level of development of individual segments of Poland's financial system is reflected by the development of financial institutions (FI) and financial markets (FM) sub-indices, which comprise the overall financial development index (FDI). In recent years, the development of the Polish financial system has been based on financial institutions (banking sector), with financial markets being less important.

The banking sector was the largest provider of non-financial sector (NFS) funding in Poland and lending to this sector constituted the largest part of banks' assets (41.9%). The second largest item in the banks' portfolio was securities (29.9%), mainly Treasury bonds.

The value of bank loans to the NFS in relation to GDP was 37.1% at the end of 2022. The ratio of loans to GDP placed Poland well below the average in the European Union (EU) and CEE (Chart 3). In 2022, this ratio fell faster than in most European countries as a result of the slowdown in lending and the high growth of nominal GDP. The lending activity of banks in Poland, contrary to most EU countries, focused on households (Chart 4). The share of loans to enterprises in the portfolio of loans to the NFS remains one of the lowest in the EU.

Chart 3. Bank credit to non-financial sector/GDP in selected countries/regions of Europe, 2018–22

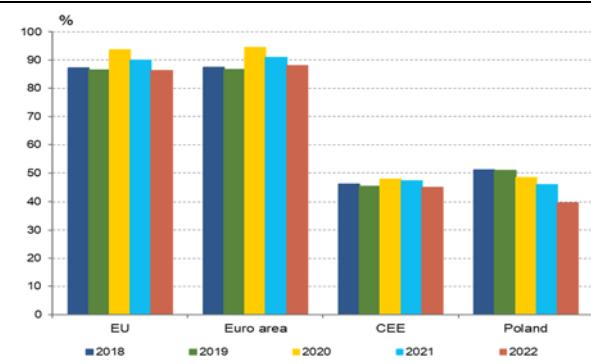
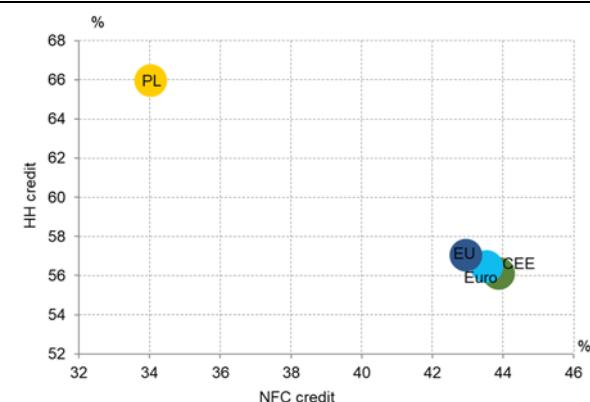


Chart 4. Structure of credit to non-financial sector in selected countries/regions of Europe, 2022



Source: NBP, Financial system in Poland 2022, November 2023.

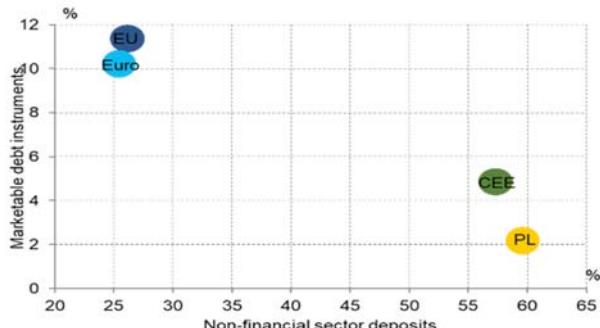
The structure of liabilities of banks operating in Poland was similar to the banking sectors of other CEE countries and many emerging market economies, but differed significantly from the banking sector of the euro area (Chart 5). NFS deposits predominated, and the share of liabilities arising from the issuance of debt securities was among the lowest.

The capitalisation of the domestic equity market at the end of 2022 amounted to PLN 1,114.2 billion, and the ratio of the capitalisation of domestic companies to Poland's GDP was 18.7%. Treasury bonds remained the largest segment of the domestic market for long-term debt securities in 2022, followed by bonds guaranteed by the State Treasury, corporate bonds and municipal bonds. Domestic banks continued to predominate in the investor structure.

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Share of deposits and marketable debt instruments in liabilities of banking sectors of selected countries/regions of Europe, 2022

Chart 5



Source: NBP, Financial system in Poland 2022, November 2023.

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### Key changes in the Polish financial system in 2018–22

In the period 2018–22, the value of Polish financial system assets increased by 37%. However, in relation to GDP the financial system has shrunk by 11.7 pp since 2018, continuing the trend that emerged in 2016–17. The increase in financial sector assets has resulted primarily from the growth in banking sector assets (by 44%) and leasing companies (by 24%). Assets of investment and pension funds, as well as insurance companies, have even decreased nominally (Chart 6; Annex Table 1).

As a consequence, the share of the banking sector in the financial system<sup>4</sup> has risen from 69% to 75% of GDP, while the share of all non-bank financial institutions has decreased by 6 pp (to 25% of GDP).

The key source of growth in banking sector assets was the portfolio of securities, primarily T-bonds and NBP bills, which grew by 84% over the four years. At the same time, bank lending increased by merely 13.5%.

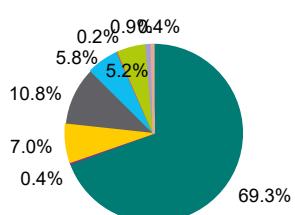
On the liability side, the prime source of funding was deposits by the non-financial sector (households and firms), which grew by 47% over the same period. An important change was a reduction in foreign funding of banks. Much faster growth of deposits than credit related to the domestic non-financial sector resulted in closure of the bank funding gap and, later, a high surplus of deposits over credit (the credit/deposit ratio decreased to 0.7).

<sup>4</sup> Together with non-supervised financial institutions.

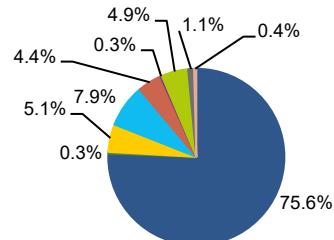
Share of types of financial institutions in Polish financial system assets in 2018 and 2022

Chart 6

A. 2018



B. 2022



- Commercial and cooperative banks
- Credit unions
- Insurance companies
- Investment funds
- Pension funds
- Brokerage houses
- Leasing companies
- Factoring companies
- Financial companies

- Banks
- Credit unions
- Insurance companies
- Investment funds
- Open pension funds
- Brokerage houses
- Leasing enterprises
- Factoring companies
- Lending companies

Source: NBP, Financial system in Poland 2022, November 2023.

The Warsaw Stock Exchange (WSE) has been the largest stock market in the region. However, the role of capital markets in financing the economy has also decreased in recent years (see Table 2). Between 2018 and 2022, the overall value of equities (domestic and foreign firms) listed on organised markets (primarily the WSE) decreased from EUR 136.3 billion to EUR 122.5 billion, while the ratio of equity market capitalisation to GDP fell even more – from 27.7% to 19.1%. The market value of listed domestic companies decreased from PLN 701.2 billion to PLN 574.7 billion, and its ratio to GDP (18.7%) was the lowest in 20 years.

Similar tendencies occurred in the markets for debt instruments (bonds) issued by banks and non-financial corporations. Conversely, the market for Treasury bonds, as well as bonds guaranteed by the State Treasury, has grown substantially – the former from PLN 627.2 billion to PLN 862.9 billion; the latter from PLN 18.5 billion to PLN 223.8 billion. The only segment of the Polish private capital market which experienced an increase in the value of outstanding instruments was local government bonds, but the value of the issues was quite insignificant.

### Have the tendencies been specific to Poland or region-wide?

Poland lags behind other CEE countries and the euro area as far as the size of the financial system and banking system in relation to GDP are concerned (Table 1 below and Annex Table 2). In the analysed period, this divergence widened. Czechia was the only country where those ratios fell similarly to Poland.

Ratio of financial system assets to GDP in selected CEE countries and the euro area, 2018–22

Table 1

In per cent	2018	2019	2020	2021	2022
Poland	128.7	124.6	136.6	133.0	117.0
Czechia	171.8	162.7	173.1	173.0	162.7
Slovakia	125.8	128.0	138.7	145.8	138.6
Hungary	132.3	121.5	142.6	146.0	141.1
Euro area	466.0	508.6	564.3	562.0	515.6

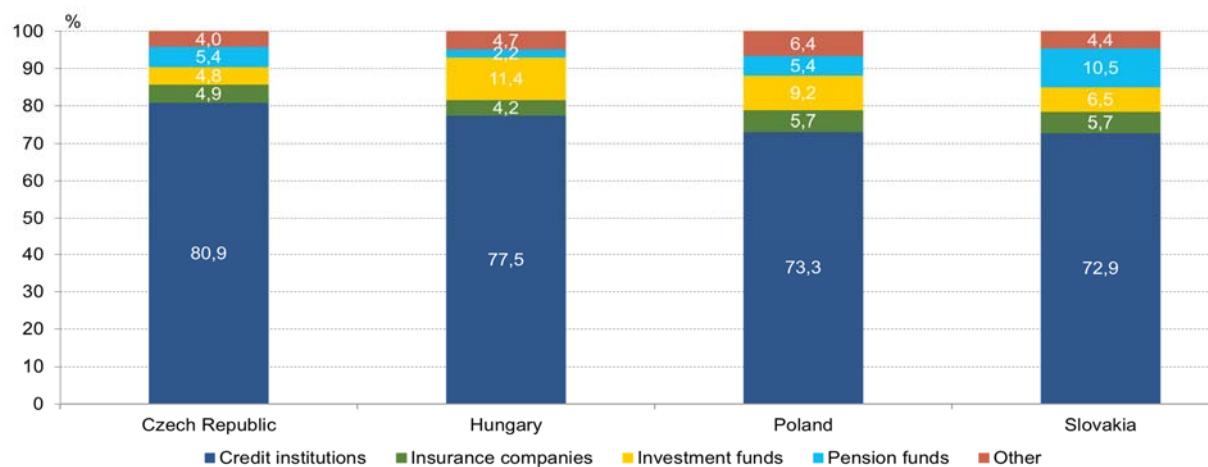
Comprises assets of the following sectors: monetary institutions (excluding central banks), insurance, investment and pension funds, securitisation vehicles, leasing and factoring firms, finance companies, investment companies.

Source: NBP, Financial system in Poland 2022, November 2023.

Credit institutions play a major role in the financial system in CEE countries and Poland alike, accounting for 75–81% of the assets of their financial systems (Chart 7).

Structure of the financial systems of selected EU CEE countries in 2022, by assets

Chart 7



The category "Other" includes assets of leasing, factoring and finance companies, as well as brokerage houses.

Source: NBP, Financial system in Poland 2022, November 2023.

The Polish financial market was the largest in the CEE region both in terms of the value of the instruments and in relation to GDP. Table 2 below compares equity markets in some CEE countries and the euro area.

Characteristics of organised stock markets in selected CEE countries  
and the euro area<sup>1</sup>

Table 2

	Capitalisation of listed domestic companies (EUR bn)			Capitalisation of listed domestic companies in relation to GDP (%)		
	2020	2021	2022	2020	2021	2022
Poland <sup>2</sup>	120.8	156.6	122.5	23.8	27.4	19.1
Czechia	21.8	33.0	26.9	10.1	14.2	9.8
Hungary	22.8	27.8	22.3	16.8	18.3	13.1
Euro area <sup>3</sup>	8,886.6	11,897.8	10,020.3	78.0	97.0	75.0
Liquidity index <sup>4</sup> (%)				Number of listed companies (of which foreign)		
	2020	2021	2022	2020	2021	2022
Poland <sup>2</sup>	50.9	39.2	44.6	806 (54)	810 (51)	794 (48)
Czechia	15.7	13.0	19.6	55 (35)	55 (34)	59 (35)
Hungary	48.7	39.9	44.9	45 (0)	50 (0)	63 (1)
Euro area <sup>3</sup>	58.2	45.0	52.1	7,077 (1,202)	7,635 (1,302)	6,511 (1,289)

<sup>1</sup> Also contains data from alternative trading platforms, if applicable. <sup>2</sup> The values for Poland are based on data from the WSE and Statistics Poland using average exchange rates at the end of specific years. <sup>3</sup> The values for the euro area are based on data from: Athens Exchange, Cyprus Stock Exchange, Deutsche Börse, Euronext, Ljubljana Stock Exchange, Luxembourg Stock Exchange, Malta Stock Exchange, NASDAQ OMX Nordics & Baltics, Spanish Exchanges (BME) and Wiener Börse. <sup>4</sup> The ratio of net turnover to capitalisation of listed domestic companies at the end of the given year.

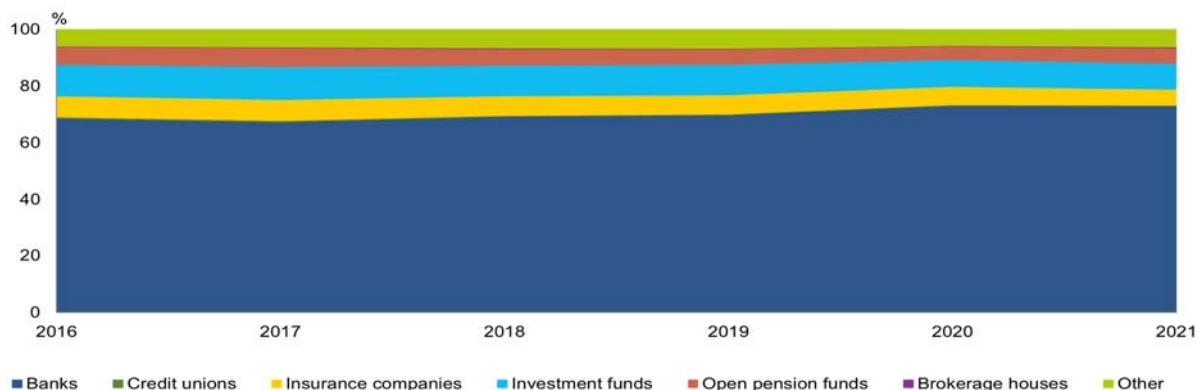
Source: NBP, Financial system in Poland 2022, November 2023.

## The development of non-bank financial intermediaries (NBFI)

The non-bank financial sector did not expand in 2018–22 and its role in the financial system and the economy did not change much (Chart 8). The low interest rate environment encouraged neither Polish households nor firms to diversify their investment and savings. The three largest segments were insurance, investment and pension funds.

Structure of Polish financial system assets, 2016–22

Chart 8



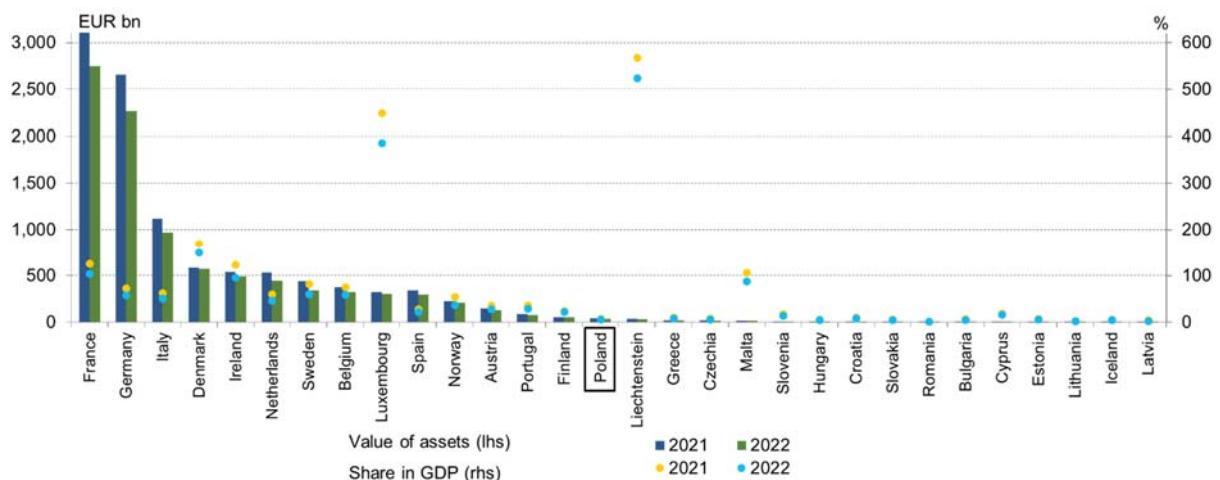
Source: NBP, Financial system in Poland 2022, November 2023.

## Insurance sector

In Poland, the insurance sector did not expand in the analysed period. On the contrary, the value of its assets has fallen by 3.5% since 2018, in spite of the fact that the assets of the domestic insurance sector were already significantly smaller than in Europe (Chart 9). At the end of 2022, the value of assets of domestic insurance companies accounted for only 0.4% of the entire European sector, which placed Poland in 15th place among the EEA countries. Despite this, Poland has been the largest market in CEE. The ratio of assets of insurance companies to GDP at the end of 2022 was 6%, while the EEA average was 57%. Premiums collected by insurance companies active in Poland accounted for approximately 1.1% of the European contribution. Domestic non-life reinsurance activity was also below the European average. Only 6% of the premium came from active reinsurance, while in the EEA countries it was 27%.

Value of insurance sector assets and its relation to GDP in EEA countries, 2021–22

Chart 9

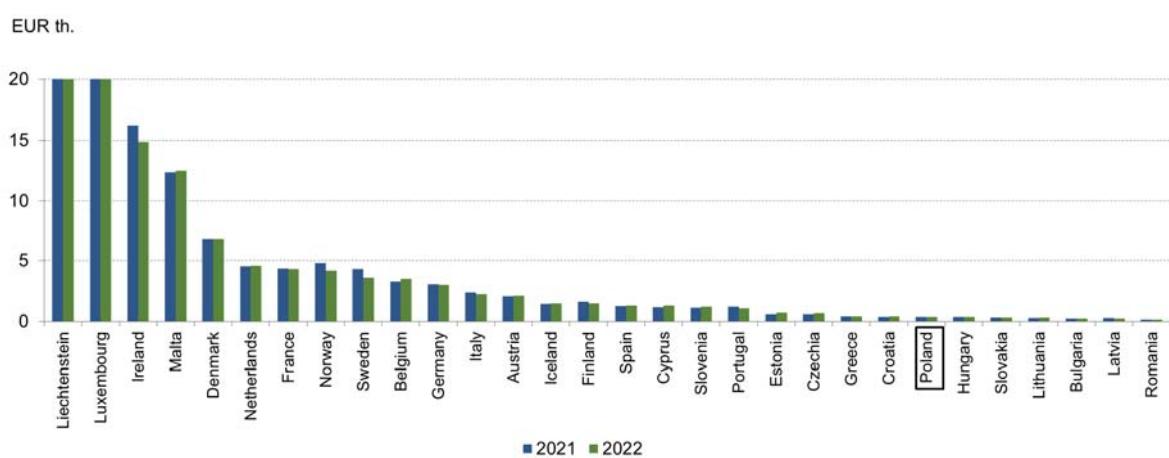


Source: NBP, Financial system in Poland 2022, November 2023.

The small size of the insurance sector was associated with the fact that Poland had one of the lowest insurance penetration rates; only seven EEA countries had a lower contribution to GDP ratio. In 2022, the contribution per capita in Poland was approximately EUR 390, while in the EEA it was EUR 2,600 (Chart 10).

Gross written premiums per capita in EEA countries, 2021–22

Chart 10



Premiums presented relate only to direct insurances. Outside the chart, data are for Liechtenstein (EUR 90.5 thousand and EUR 101.3 thousand), as well as Luxembourg (EUR 67.8 thousand and EUR 63.1 thousand).

Source: NBP, Financial system in Poland 2022, November 2023.

In recent years, premiums have increased in Poland, mainly due to property insurance, while life insurance premiums have decreased. Non-life insurance is generating more than twice as much revenue as life insurance. In other CEE countries, there has also been a predominance of non-life insurance premiums over life

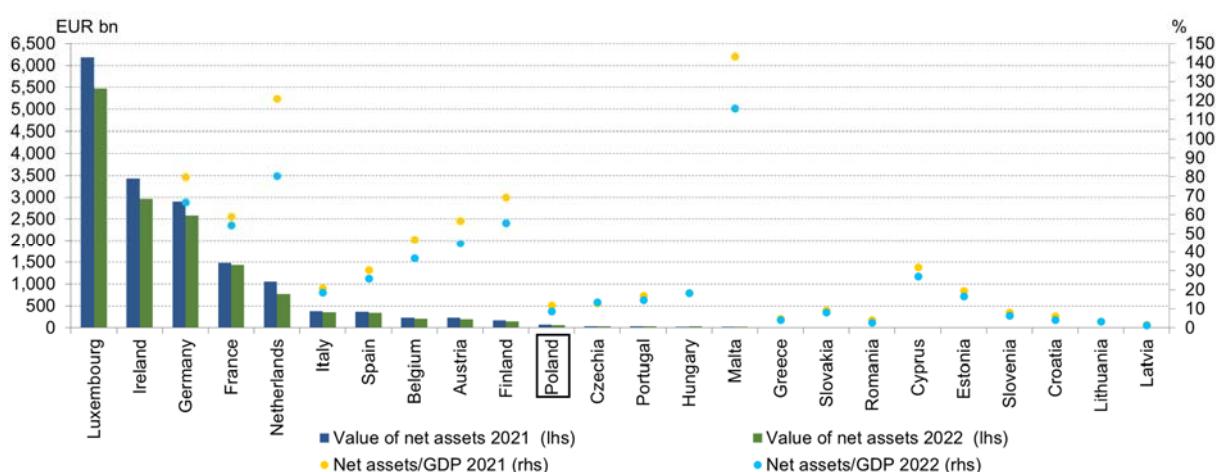
insurance premiums. The key source of growth of property insurance in Poland has been a compulsory third-party liability insurance for motor vehicle owners. Insurance of houses has been much less popular.

### Investment fund sector

Poland has the largest share in the European market of investment funds among the countries that joined the EU in 2004, but the dynamics of growth in domestic sector net assets in the last 10 years was lower than in the other countries from this group. The growth rate of domestic investment funds' assets has slowed down visibly since 2015. A significant fall occurred in 2022, when the value of investment fund assets in relation to GDP slid to 9%, from 12% in 2021. At the end of 2022, the share of Polish investment funds in the European sector amounted to only 0.4% (Chart 11). Specifically, the value of assets of equity and mixed investment funds in relation to the capitalisation of the WSE has been several times lower than in the EU.

Net assets of investment funds of selected EU countries and relation to GDP, 2021–22

Chart 11



The data do not include money market funds, as they are part of the monetary financial institutions sector. The relation of net fund assets to GDP for Luxembourg and Ireland was 7,005% and 585%, respectively at the end of 2022 and 8,551% and 790% at the end of 2021.

Source: NBP, Financial system in Poland 2022, November 2023.

In the analysed period, the rate of decline in the value of net assets of Polish investment funds was higher than the EU average. The main reason for the reduction in EU countries was valuation effects, while in Poland the outflow of investors was more important.

### Pension funds sector

In Poland, dedicated savings for retirement take three forms (pillars):

- Individual retirement accounts in the public social insurance fund (ZUS – Pillar I);

- Obligatory retirement savings in open pension funds (OFE – Pillar II); and
- Voluntary retirement schemes which are offered by various financial institutions to employees (PPE, PPK – Pillar III) and individual savers (IKE, IKZE – Pillar III).

Pillar III schemes differ primarily with regard to tax reliefs and the maximum value of contributions paid.

At the end of 2022, the net assets (NAV) of open pension funds were 15.2% lower than a year earlier and amounted to PLN 156.3 billion. Their value had decreased due to the fall in the valuation of their assets.

In 2022, voluntary retirement savings increased to PLN 51.9 billion (by 12.2%), and thus accounted for 2.9% of household financial assets. Among all institutions, the most pension funds were accumulated in investment funds (PLN 31.5 billion). In addition, insurance companies managed voluntary pension savings worth PLN 7.1 billion, followed by entities conducting brokerage activities and banks.

## The role of non-bank financial intermediaries in placing household savings/investments as well as financing the economy

### Household savings

In 2022, the ratio of financial assets held voluntarily<sup>5</sup> by Polish households to GDP reached 58.6%, having fallen by 2.3 percentage points in the period 2018–22. The structure of household sector financial assets is presented in Chart 12 and Annex Table 3.

Polish households have been generally risk-averse and preferred safe ways of managing financial surpluses by keeping their savings primarily in the form of bank deposits and cash. This approach has not changed despite the fact that low interest rates on bank deposits should have encouraged households to look for more profitable forms of capital investment than deposits. The share of cash and bank deposits has even increased slightly, compared to the pre-Covid period, to reach 80%. In 2022, the increase in bank deposits was lower than in the previous year, but the share of deposits in assets increased to 60.7%.

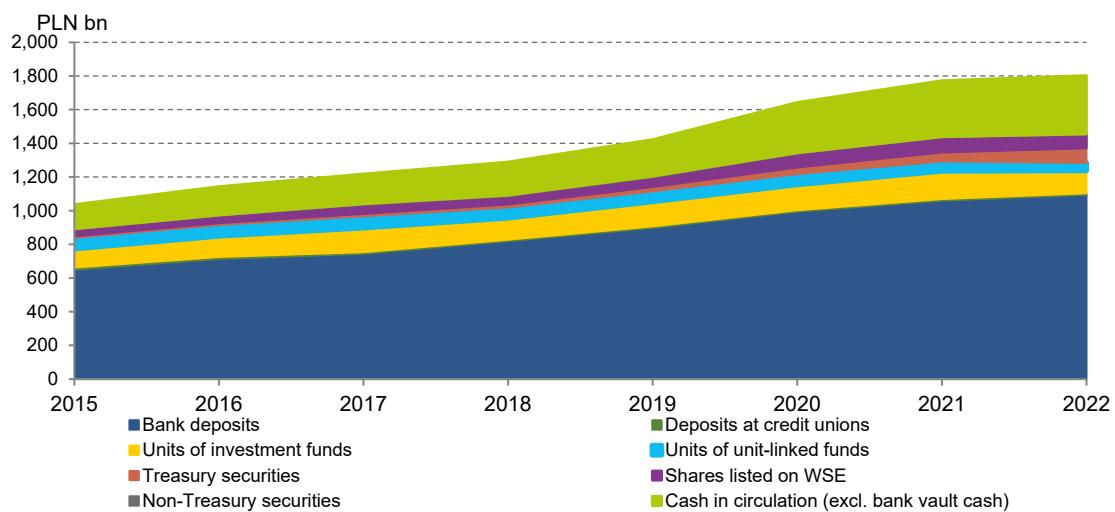
There was a significant decline in household interest in investment fund participation units and life insurance products, whose share in household savings fell by over 30% in 2018–22, to only 10% at the end of 2022. This resulted from the redemption of funds, as well as a decline in the valuation of assets. Such behaviour was primarily the result of high uncertainty related to the pandemic (2020–21) and political risk in the region connected with the Russian-Ukrainian war (February 2022–present). Major outflows from investment funds occurred in March 2020 as a consequence of disruptions in global financial markets, as well as in February–March 2022, when the war in Ukraine erupted. As a result, the ratio of funds accumulated by

<sup>5</sup> Excluding obligatory retirement savings in open pension funds.

households in investment funds to the value of bank deposits decreased from approximately 16% to 12.4%.

The structure of households' financial assets<sup>1</sup> in 2015–22, end of year

Chart 12



<sup>1</sup> Only financial assets held on a voluntary basis.

Source: NBP, Financial system in Poland 2022, November 2023.

The value of life insurance products in the household portfolio fell – unit-linked insurance premiums (UfK) specifically. Withdrawal of funds from UfK products has been the result of, *inter alia*, abuses in the distribution of these products, like offering long-term investment insurance to elderly people, and excessive fees, in particular liquidation fees for customers withdrawing from UfKs. The Office of Competition and Consumer Protection has imposed fines on insurance companies several times for applying these liquidation fees. Recently, in addition to valuation effects, the dominant factor limiting the development of the UfK sector has been the product intervention by the Polish Financial Supervision Authority (PFSA) in force since 1 January 2022. This has primarily had an impact through a lower inflow of new premiums.

Direct holdings of financial instruments by households in the form of Treasury bonds and equities have increased in recent years. As regards the former, its share in the household portfolio has risen from 1.9% to 4.9%. This was the result of a search for yield (2020–21) and inflation protection (2022). The rise of interest in direct holdings of equities by households could probably be attributed to the high cost of participation in equity investment funds.

## Non-financial enterprises' savings

The role of the non-banking financial sector as a vehicle for managing financial assets of non-financial corporations shrank in the period 2018–22, while the importance of banks increased.

Firms invested their surpluses in banks, investment funds and bonds. The largest share of funds was placed in banks – the value of firms' (current and term) deposits has grown by 61% since 2018, reaching PLN 464.6 billion in 2022.

Firms also bought share units and investment certificates issued by investment funds. However, the role of these vehicles for firms has significantly decreased in the last few years. This particularly concerns their investments in closed-end investment funds – the share of firms as buyers of investment certificates fell from 40.2% in 2018 to 22.3% in 2022. An important factor was the change of regulations affecting the possibility of tax optimisation. A statistical factor also played some role – the change to the statistical qualification of some enterprises. As regards the use of open-ended investment funds, Polish enterprises were less important investors, with a quite stable 3–4% share in the sector's assets. Enterprises were also buyers of corporate bonds. These were primarily issues conducted by another entity of the same capital group.

## Household financing

Again, banks have been playing a dominant role. They have been practically the sole provider of mortgage loans. Among non-banking financial institutions, only finance companies and credit unions have provided financing to the household sector, but they were financing other household needs. In the analysed period, the share of these vehicles in the financing of consumer needs was rather small and relatively stable.

## Non-financial enterprises' financing

The level of domestic debt of non-financial enterprises in Poland has been moderate. Bank credit has been a prime domestic source of financing of Poland's non-financial sector. The role of non-banking financial institutions and capital markets has been very limited, with the exception of leasing (especially in the case of small and medium-sized enterprises (SMEs)). An important role of foreign financing and, recently, public sector financing is presented in the following subsections.

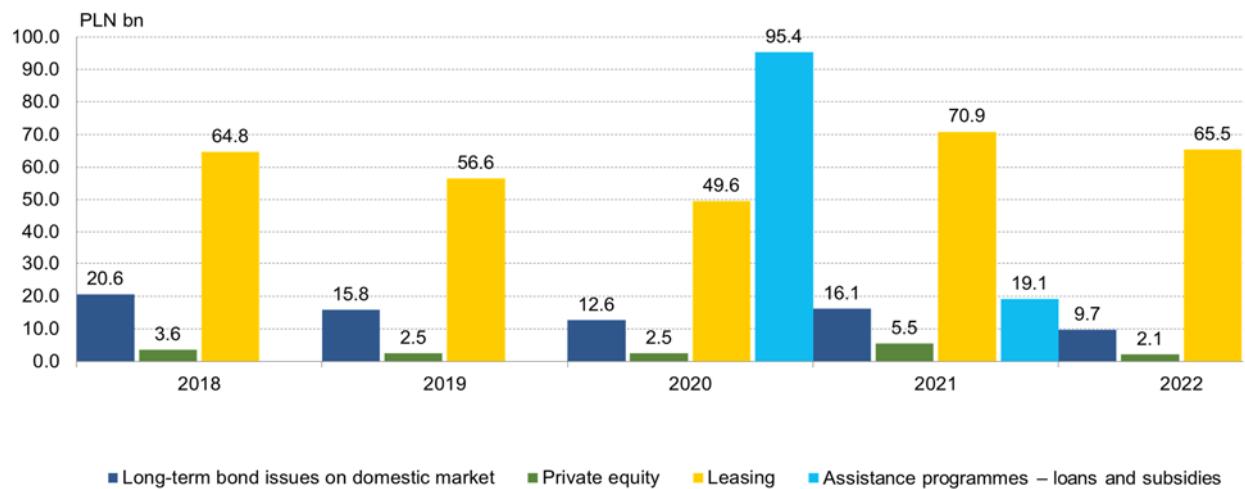
In 2018–22, the value of bank financing of enterprises increased very moderately. Bank credit increased by 11.7%, reaching the level of PLN 375.7 billion. This slow increase was mainly due to demand factors resulting from high uncertainty in the economic environment. Due to the slow growth of credit and high growth of deposits, non-financial corporations became net lenders to banks.

Leasing, trade credit and current credit<sup>6</sup> were the most important external sources of financing for SMEs in Poland in 2022 (for non-banking sources see Chart 13). According to research conducted by the European Commission (SAFE), 40.2% of SMEs used leasing, which placed Poland in first place in the EU (the EU average was 21.5%), 34.1% used trade credit (third place in the EU; the EU average was 15.1%) and 33.1% used current loans (10th position in the EU; the EU average was 27.5%; Chart 14).

<sup>6</sup> In the form of credit lines, bank overdrafts and credit card overdrafts.

### Selected non-bank sources of financing of Polish enterprises, 2018–22

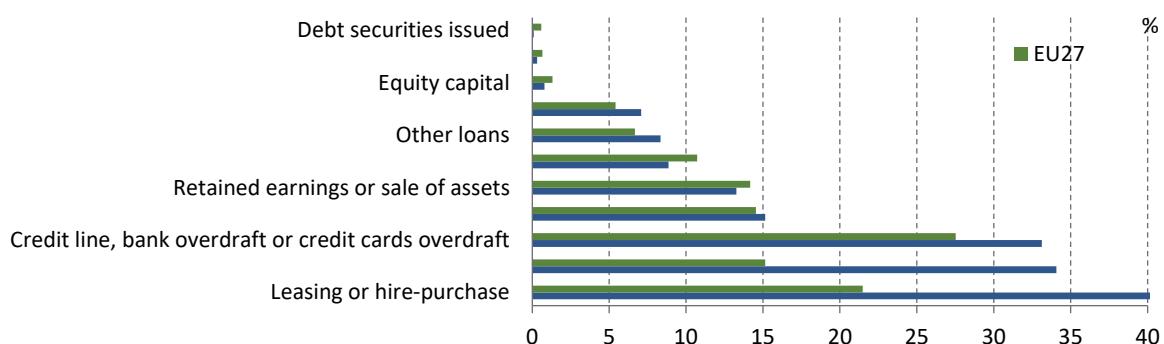
Chart 13



Source: NBP, Financial system in Poland 2022, November 2023.

### Share of SMEs utilising specific sources of funding (Poland and EU 27 countries, 2022)

Chart 14

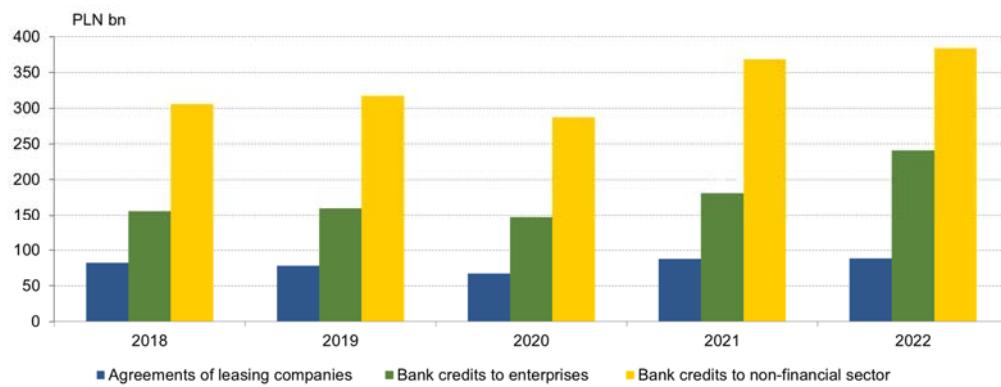


Source: NBP, Financial system in Poland 2022, November 2023; data based on European Commission, Survey on the access to finance of enterprises (SAFE) 2022, December.

The financing provided by leasing companies in 2022 accounted for approximately 37% (close to 50% in 2021) of the value of new loans to enterprises (Chart 15). This ratio was rather stable during the recent period.

Value of new bank credits to enterprises and whole of the non-financial sector vs new leasing agreements, 2018–22

Chart 15



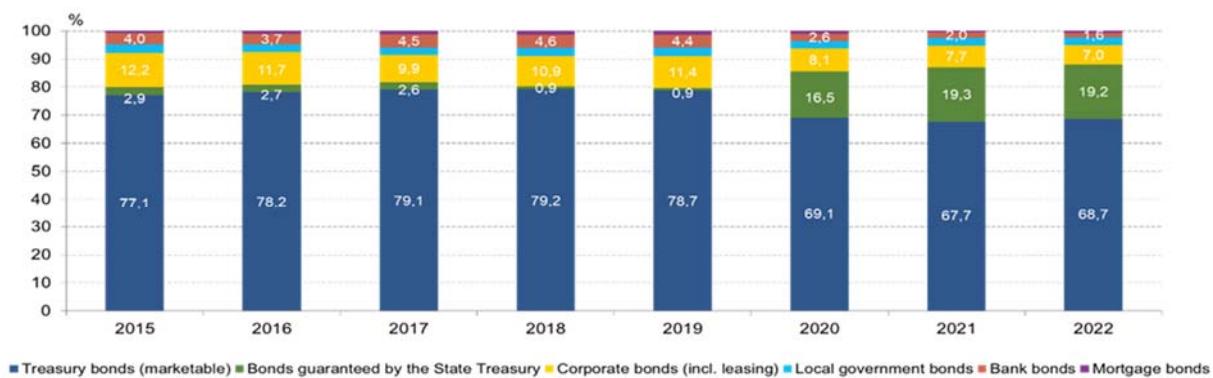
Credit in all currencies, but without renegotiated credit.

Source: NBP, Financial system in Poland 2022, November 2023.

The ratio of corporate bond debt to GDP in 2022 decreased to 2.6%, while in the euro area it was approximately 40%. The outstanding value of corporate bonds issued by non-financial enterprises in 2022 was PLN 66.5 billion, while the value of new issues of long-term corporate debt securities decreased from PLN 20.6 billion in 2018 to PLN 9.7 billion in 2022. The key reasons for this were a deterioration of macroeconomic prospects and a significant increase in uncertainty following Russia's aggression against Ukraine, as well as a substantial rise in market funding costs in 2022. The bond market was dominated by Treasury bond issues (Chart 16).

Structure of issuers of marketable bonds in the Polish domestic market, 2015–22 (outstanding, end of period)

Chart 16



The "Treasury bonds" category does not include savings bonds.

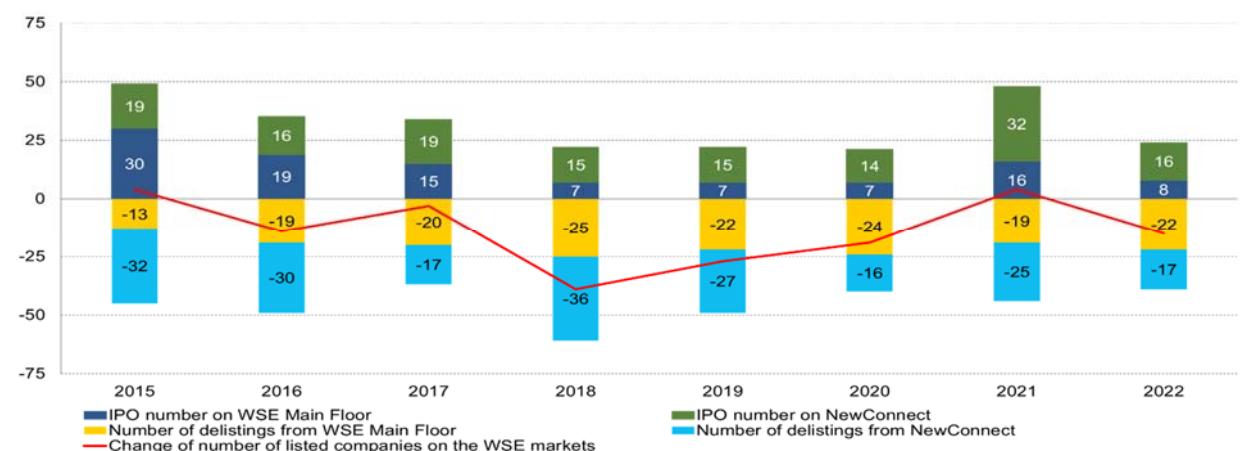
Source: NBP, Financial system in Poland 2022, November 2023.

The Polish capital market, despite being the largest among CEE countries, has contributed only modestly to financing long-run growth in recent years. The

capitalisation of the WSE Main Market declined to PLN 1,114.2 billion at the end of 2022 and was lower by 2% compared to the end of 2018. The ratio of the capitalisation of domestic companies to GDP fell from 27% to 19.1%, the lowest level in 20 years. Global equity markets, including the WSE, experienced a significant decline in the prices of equity instruments, chiefly due to the war in Ukraine, a rise of financing costs and the deteriorating economic outlook. The WIG20 market index declined by 10% in 2020 and 17.1% in 2022, rising in the meantime by 15% in 2021. In 2022, shares of only eight companies were admitted to trading on the WSE Main Market (Chart 17) – all graduated from the parallel market (NewConnect) – and the total value of IPOs amounted to merely PLN 39.7 million (Chart 18). By contrast, shares of 22 entities were withdrawn from trading, most often as a result of a decision of the main shareholder. In 2022, both issuers and investors were less interested in the NewConnect market than in previous years. All these figures indicate that the importance of the stock exchange as a source of funding for Polish enterprises has decreased in recent years.

Change in the number of listed companies on WSE markets, 2015–22

Chart 17

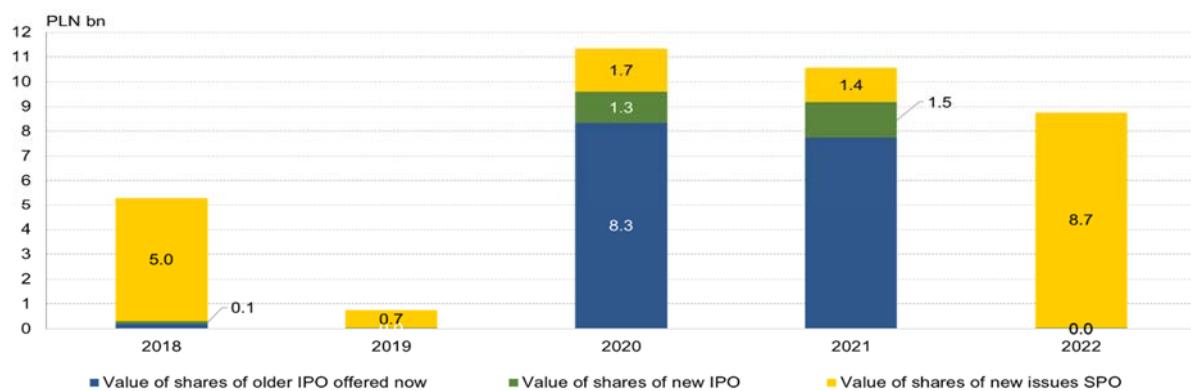


The number of IPOs on the WSE Main Market and the number of de-listings from NewConnect take into account those companies which were graduated from NewConnect to the WSE Main Market.

Source: NBP, Financial system in Poland 2022, November 2023.

## Value of shares admitted to trading on the WSE Main Market, 2018–22

Chart 18

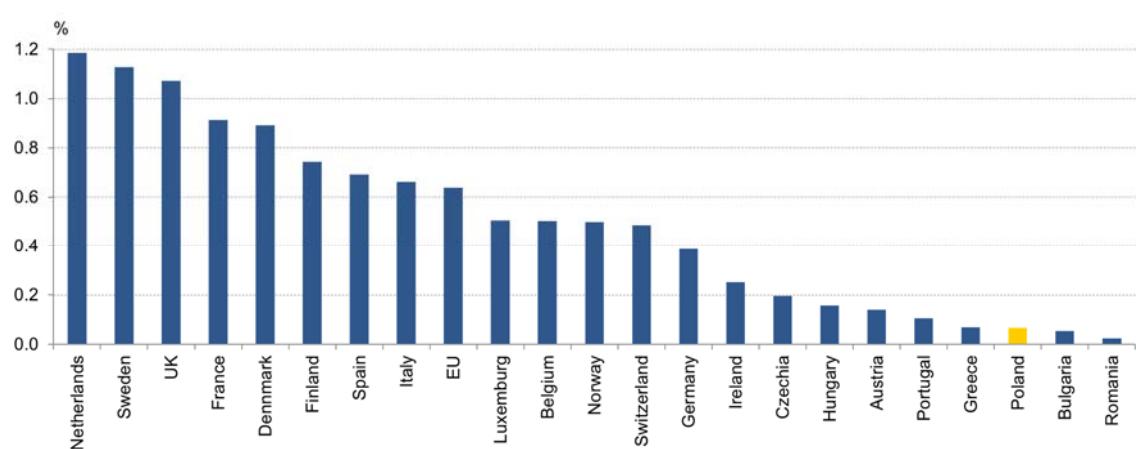


Source: NBP, Financial system in Poland 2022, November 2023.

Private equity<sup>7</sup> firms were the smallest, but a not unimportant source of funding for the corporate sector in the analysed period. The size of financing has remained small (just 0.1% of GDP in 2022; Chart 19), but more than 75% of these enterprises have been in the initial stages of development (the so-called seed and startup stages), so their investments should be classified as venture capital. In the analysed period, financing was provided to nearly 100 domestic enterprises from the information and telecommunications technology industry, i.e. those primarily specialising in the production of goods and services enabling electronic recording and processing of information. The public sector was an important source of funds for private equity investments. In 2022, more than 40% of the funds obtained for private equity investments came from this source.

## Value of private equity investments in selected European countries to GDP, 2022

Chart 19



Source: NBP, Financial system in Poland 2022, November 2023.

<sup>7</sup> In Poland, this sector is characterised by a variety of structures and business models used to conduct business.

Insurance companies have not financed the real economy on a large scale. At the end of 2022, debt instruments issued by non-financial sector entities and loans granted to these entities accounted for only 3% of insurance companies' investments. Compared to the end of 2021, the value of financing granted decreased from PLN 6.3 billion to PLN 5.5 billion. More than half of this value was the debt of foreign entities. Investments in real estate were not very popular either – most of these consisted of properties for insurance companies' own use.

The value of bonds of non-financial enterprises held by investment funds shrank by over 17%. At the end of the year, it amounted to PLN 30.9 billion (compared to PLN 37.3 billion a year earlier), of which PLN 10.5 billion was in open-end funds and PLN 20.4 billion in closed-end funds. More than 60% of this portfolio consisted of securities of domestic enterprises.

### Key factors inhibiting development of the non-bank financial sector in Poland

Two types of factors have affected the development of the non-bank financial sector since 2018 – long-term structural and short-term cyclical factors.

The key longer-term factor negatively affecting the development of the whole non-bank financial sector has been the low savings rate in Poland and relatively low level of financial wealth. According to Eurostat data, in the years 2010–19 the savings rate in Poland ranged between 2 and 5%, while at the same time in the EU it was 11–13%. At the same time, Poles have up to four times less in financial assets in relation to GDP than people living in western European countries. This shortage of financial buffers contributed to household risk aversion and caused more than half of their assets to remain invested in bank deposits. Another structural factor has been the still low level of financial awareness, especially when it comes to long-term saving, despite efforts on the side of governments to promote more active savings for future retirement.

The factor which contributes to slow growth of investment funds and asset managers is dominance of conservative-type investors in Poland. Except for bank deposits, the largest part of household savings is invested in debt funds (equity funds in the EU). Polish investors have rather short investment horizons and keep fund participation titles, on average, a much shorter time than investors from other EU countries. The behaviour of households is an important barrier as this type of investor dominates the structure of buyers of participation units in Poland (as opposed to institutional investors in the euro area).

Another important factor is the level of fees paid by investment fund participants, which are still much higher compared to other European funds. High costs borne by retail investors can be a result of the fragmentation of the domestic investment fund sector (a large number of funds with relatively small assets), while in the euro area there is a growing importance of very large funds. The cost aspect has been relevant especially in the low interest rate and low growth environment. In other countries, this has caused a strong increase in the offer of low-cost funds. Unfortunately, the rapid development of exchange-traded funds observed globally has been absent in Poland due to existing domestic legal barriers.

Another barrier is the existing model of fund distribution (mainly by banks and within the same capital groups). The model in which the adviser will look for the cheapest solution for the client has not developed due to lack of investor trust. Investor confidence has been severely damaged by some events in the investment fund sector, especially related to closed-end funds. Poland was second among European countries in terms of the total amount of penalties imposed by the supervisor on managers of alternative investment funds in the period 2013–22.

As far as insurance companies are concerned, an important factor slowing the growth of the sector has been a lack of some types of insurance products, like annuities, which are very important in other countries. Insurance companies operating in Poland have generally not managed longevity risk. There are also no domestic reinsurance companies. On the other hand, some products – like group life insurance – that do not actually exist in other countries affect the growth of premiums negatively as they are insurances for low amounts.

Another issue is the high cost of insurance as well as a low overall efficiency of investments made in unit-linked products. EIOPA<sup>8</sup> research has shown that management fees in unit-linked products in Poland have been among the highest in Europe. According to this EU agency, for IKE and IKZE retirement schemes in the form of life insurance contracts with UFK providers, the weighted average net return on investment in 2017–21 was actually lower than the costs incurred; domestic research has also indicated that the rates of return (after taking into account fees) in unit-linked products were lower than those on risk-free investments. All this has heavily impacted the growth of unit-linked products, which has been an important element of life insurance business.

Investor confidence in the life insurance sector has already been shaken by cases of product abuses – numerous penalties have been imposed by the Office of Competition and Consumer Protection, while some products have been withdrawn only after product intervention by the PFSA (supervisory authority).

Slowing demand for products offered by investment funds and insurance companies has been a result of economic uncertainty and increased investment risk, as well as falling real household income. The first factor has been present for the whole period since the start of the pandemic. The second materialised in March 2020 and February–April 2022, when investors' and markets' response was highly negative. The last was related to the inflationary environment. All of these factors made Poles prefer liquid, low-risk assets – bank deposits, as well as inflation-indexed Treasury bonds.

## Lending by state-owned banks and development banks/institutions

The definition of state-owned banks differs across jurisdictions and in the academic literature. In this note, state-owned banks are defined as banks effectively controlled by the state or its agencies regardless of the size of their participation in the capital.

<sup>8</sup> European Insurance and Occupational Pensions Authority.

In this note, this category comprises only commercial banks and does not include an existing development bank. The development bank in Poland, Bank Gospodarstwa Krajowego SA (BGK), was established in 1924 as a state development bank from the very beginning.

In Poland, state-owned banks are typical commercial banks which realise the same objectives as other universal banks. They have neither special roles/privileges, nor a different regulatory framework – they are subject to all EU banking regulations. Their balance sheet structure or profit and loss account are similar to those of other private domestic or foreign commercial banks. As they are not special, this part of the note will focus on BGK activities only.

BGK differs clearly from commercial banks. It is one of the largest banks in the country, with assets close to PLN 207 billion (Table 3). It is formally exempted from EU banking directives. However, the PFSA requires it to comply with supervisory requirements. It finances mainly the corporate sector and its activity is carried out to a large extent through so-called “flow funds”. Flow funds were established at BGK under separate laws. These funds are unincorporated. Their resources are expended based on financial plans agreed with the Minister of Finance and approved by ministers competent for the scope of a given fund. In accordance with BGK’s Articles of Association as well as separate legislation and other legal acts, BGK keeps separate records and assumes responsibility for the preparation of the financial position statement and profit or loss statement of the funds, but their assets and liabilities are not disclosed in BGK’s financial position statement and profit or loss statement. Under the relevant laws, the BGK acts as the operator of the flow funds and may incur liabilities on behalf of some of them in the form of bond issues, credit facilities or loans, but it does not control them and does not bear credit risk related to their assets.<sup>9</sup>

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### BGK balance sheet, 2022

In billions of zlotys

Table 3

Assets		Liabilities	
Interbank deposits	9.9	Interbank deposits	4.5
Loans and advances	36.9	Deposits of customers	153.8
Securities held	137.2	Securities issued	3.9
Other investments	3.8	Other liabilities	14.1
Other assets	19.0	Equity	30.5
Balance sheet	206.8	Balance sheet	206.8

Source: BGK financial statements the financial year from 1 January to 31 December 2022.

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<sup>9</sup> See BGK, Report of the Management Board on the activities of the Bank Gospodarstwa Krajowego Group in 2022: integrated report.

In recent years, the Polish government has also used other development institutions in the form of a special development vehicle – the Polish Development Fund (Polski Fundusz Rozwoju SA – PFR). PFR SA is a joint stock company owned by the state, not a financial institution. However, it has provided funds to non-financial firms, for example during the Covid-19 pandemic, thus implementing the policy of the state. Besides common objectives, there have been strong organisational links between PFR and BGK, but also other public development institutions (forming the so-called PFR Group) defined by a dedicated legal act.<sup>10</sup> In accordance with the common strategy, the PFR Group focuses on the six most important areas of development activities, assigning each a leading institution: in investments this role has been played by PFR, in banking, BGK, in export insurance, KUKE,<sup>11</sup> in foreign trade, PAIH,<sup>12</sup> in industry, ARP<sup>13</sup> and in entrepreneurship development, PARP.<sup>14</sup>

### The role of public and state-owned development institutions in crisis financing during Covid-19

BGK and PFR were key vehicles used as part of the crisis management measures during the Covid-19 pandemic. Prior to the pandemic, financing of the economy by BGK and other development institutions was rather limited. Since the outbreak of Covid-19, own lending activities of BGK (i.e. not related to flow funds) have been more or less in line with those of commercial banks – they have increased by 11% to PLN 33.9 billion. Much more important were the financing activities of BGK and PFR channelled through dedicated flow funds, which have been mainly financed by issuing bonds. The funds have been set up to provide financial support for the implementation of tasks related to combating Covid-19 (BGK) and counteracting the consequences of the socioeconomic crisis caused by the pandemic (PFR). Financing by PFR has been part of the package of measures under the government's so-called Anti-Crisis Shield. The aim of this programme has been to protect the labour market and provide companies with financial liquidity during the period of serious economic disruptions. As a result of the Financial Shield 1.0 programme, SMEs have received a total of almost PLN 61 billion in partially non-refundable financial support. During the second wave of the pandemic, Financial Shield 2.0, worth PLN 13 billion, was launched in the form of subsidies of up to 100% for companies from over 50 industries.

At the end of 2022, the value of BGK and PFR bonds guaranteed by the State Treasury, which were issued mainly during the Covid-19 pandemic, amounted to PLN 223.8 billion (including the value of PFR bonds amounting to PLN 73.9 billion).

The available data show that at the end of 2022 other domestic banks held around PLN 90 billion of these bonds, approximately 55% of PFR bonds and approximately 35% of BGK bonds, in terms of value. The bonds were also purchased

<sup>10</sup> The Act of 4 July 2019 on the system of development institutions (*Ustawa z dnia 4 lipca 2019 r. o systemie instytucji rozwoju*).

<sup>11</sup> Korporacja Ubezpieczeń Kredytów Eksportowych (Export Credit Insurance Corporation).

<sup>12</sup> Polska Agencja Inwestycji i Handlu (Polish Investment and Trade Agency).

<sup>13</sup> Agencja Rozwoju Przemysłu (Industrial Development Agency).

<sup>14</sup> Polska Agencja Rozwoju Przedsiębiorczości (Polish Agency for Enterprise Development).

from those banks by NBP on the secondary market as part of its structural open market operations (QE) carried out in 2020–21. At the end of 2022, NBP held BGK and PFR bonds with a total value of almost PLN 61.9 billion, approximately 30% of the total issue. BGK and PFR bonds were also present in the portfolios of investment funds (PLN 23.2 billion at the end of 2022) and insurance companies (PLN 26.7 billion).

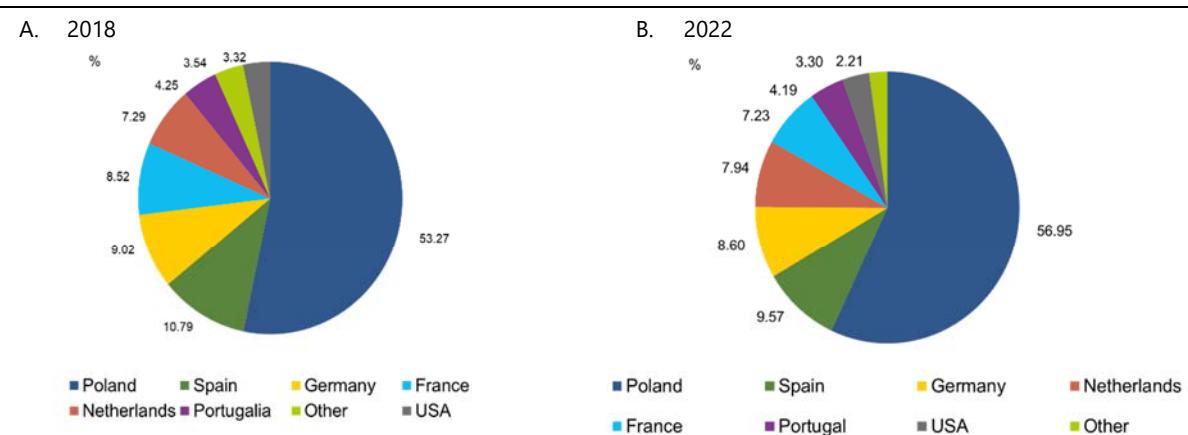
## Foreign capital in financing of the Polish economy

Foreign capital is an important source of financing of the Polish economy. Altogether, this source is responsible for around 20% of the financing. Foreign financing also increased during the analysed period (Annex Table 4). Rising uncertainty and risk aversion have resulted in an outflow of portfolio capital which, however, has been fully compensated by other inflows, primarily direct investments.

The share of foreign-owned entities in the banking sector in Poland (in terms of assets) decreased from 46.8% to 43.1% in the period 2018–22, as a result of the faster growth of assets of domestic banks and the withdrawal of some banking entities. Thus, more than half of the banking sector's assets were controlled by domestic investors, including approximately 48% with the participation of the State Treasury (Chart 20). At the end of 2022, 17 banks with foreign ownership operated in Poland as joint stock companies and 34 as branches of foreign banks.

The origin of investors controlling the banking system in Poland (by assets)

Chart 20



Source: NBP, Financial system in Poland 2022, November 2023.

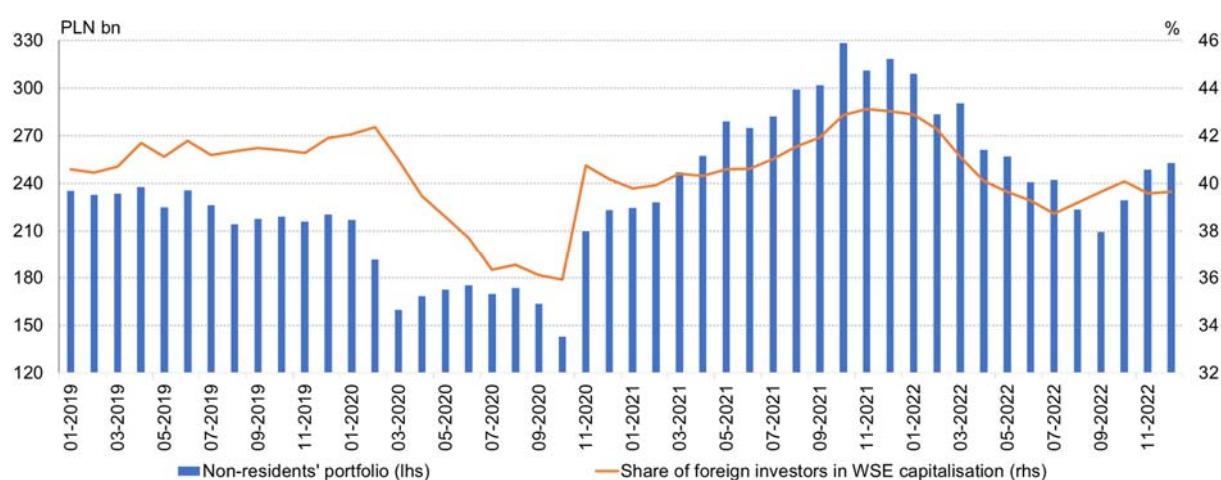
The insurance sector was dominated by entities with a high share of foreign capital, mainly insurance holding companies. The share of companies with foreign capital in the gross written premium in 2022 did not change significantly and amounted to 57.4%. At the end of 2022, insurance activities in Poland under the principle of freedom to provide services were carried out by 595 entities from the EU and other EEA countries, while four life insurance companies, 21 property insurance companies and one reinsurance company operated in the form of a branch.

Asset management companies are part of capital groups comprising banks and insurance companies as well as other financial institutions. The assessment of the share of foreign ownership depends on the definition and structure of the group. However, after excluding the entities that are controlled by purely domestic capital, the foreign share is close to 50%.

In the period 2018–22, the share of foreign investors in the capitalisation of domestic companies listed on the WSE Main Market was approximately 40%. This share decreased after the outbreak of Covid-19 (from 42% to 36%) and, on a smaller scale, after Russia's aggression against Ukraine (from 43% to 39%; Chart 21). The value of the portfolio of equity instruments held by non-residents decreased to PLN 252.9 billion at the end of 2022. The decline in the involvement of foreign investors resulted mainly from the decline in share prices.

Share of foreign investors in WSE Main Market capitalisation, 2019–22

Chart 21



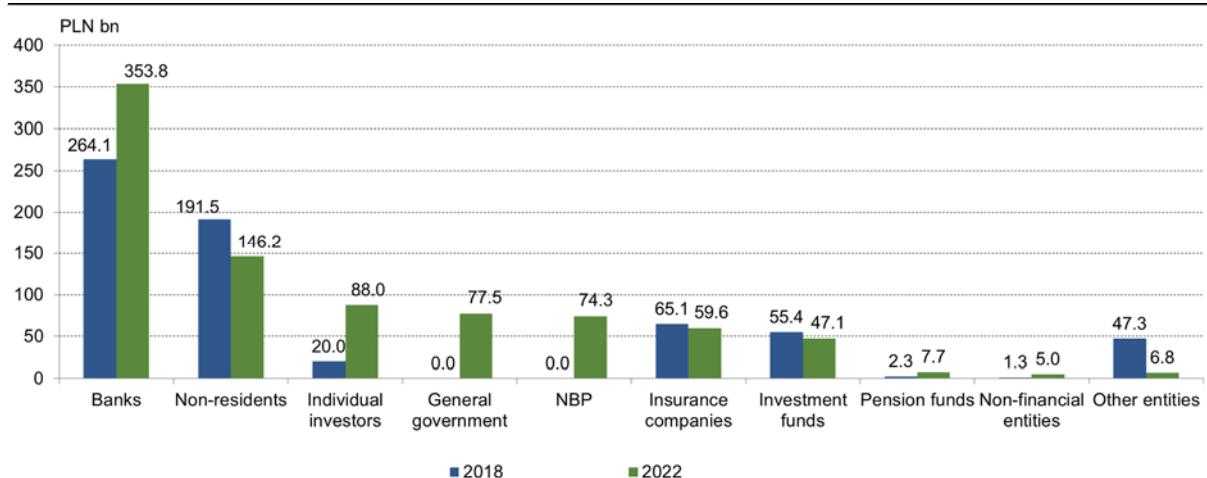
Source: NBP, Financial system in Poland 2022, November 2023.

In the analysed period, foreign investors had the largest share in trading in equities on the WSE Main Market (56–64%). The moderate importance of domestic institutional investors might result from their relatively long investment horizon. In turn, the importance of individual investors increased significantly in 2020, but since then the share of this group of market participants has decreased.

The Treasury bond market has been dominated by domestic banks. In the years 2018–22, the value of domestic banks' portfolios increased by almost 36% to PLN 353.8 billion, while the value of these instruments held by non-residents decreased by around 23% to PLN 146.2 billion (Chart 22).

## Structure of investors on the domestic bond market at the end of 2018 and 2022

Chart 22



Source: Polish Ministry of Finance.

At the end of 2022, approximately 45% of Treasury bonds in foreign investors' portfolios were held by central banks, public institutions, insurance companies and pension funds; the rest was in the portfolios of foreign financial institutions and so-called collective accounts.

At the end of 2022, the value of BGK and PFR bonds guaranteed by the State Treasury, which were issued mainly during the Covid-19 pandemic, amounted to PLN 223.8 billion (including the value of PFR bonds amounting to PLN 73.9 billion). At the end of 2022, 3.7% of BGK bonds were held by foreigners, while in the case of PFR bonds this share was only 0.1%.

The nominal value of corporate bonds issued domestically (excluding bank bonds and PFR) at the end of 2022 can be estimated at PLN 79.8 billion, compared to PLN 85.9 billion at the end of 2018. Its ratio to GDP decreased from 3.8% in 2018 to 2.6% in 2022. The biggest buyers of these instruments were domestic banks and domestic investment funds (approximately one third each). The importance of foreign investors in this segment of the capital market is small – it grew from approximately 3% to around 6% in the years 2018–22. The low share of foreign investors has been a result of low secondary market liquidity.

## The impact of the pandemic on the Polish financial system and financing of the economy

The Covid-19 pandemic, followed by the increase of geopolitical risks resulting from the war in Ukraine (near Polish borders) and the related inflationary pressures have affected the financial system primarily through a fall in demand for financial services and a change in household preferences towards particular financial products. This has impacted the structure of the Polish financial system. The higher risk perception,

together with lower disposable income, has resulted in an alteration of the structure of demand for financial products among households. It has increased the demand for very liquid assets (cash, bank deposits – mostly current accounts) but also for assets protecting against inflation risk (real estate and inflation-indexed Treasury bonds). The tendency towards increasing use of internet-based brokers to speculate on the stock exchange (observed, for example, in the United States) has not been observed in Poland.

These shocks, by strongly increasing uncertainty, have contributed to a slowdown of bank credit growth, a limited supply of corporate securities and an absence of IPOs on equity markets. These tendencies have been amplified by a strong increase in public financing of the economy, to a large extent via public development institutions – banking (BGK) and non-banking (PFR). The scale and nature of public support – with an important share of non-repayable funds – not only helped to lessen the impact of the pandemic on the Polish economy and maintain borrowers' ability to withstand the shock, but also replaced private financing of firms. Banks became net borrowers from non-financial firms. Thus, the pandemic strengthened some, not always welcome, tendencies observed earlier – the fall of the credit/GDP ratio and the fall of capitalisation of the WSE. The pandemic has not halted the growth of the banking sector balance sheet, but this was primarily due to a substantial increase in the value of its T-bond portfolio. Despite the outflow of portfolio capital, Covid-19 has not made a strong and lasting impact on the foreign financing of the Polish corporate sector's FDIs, and intragroup lending was not impacted.

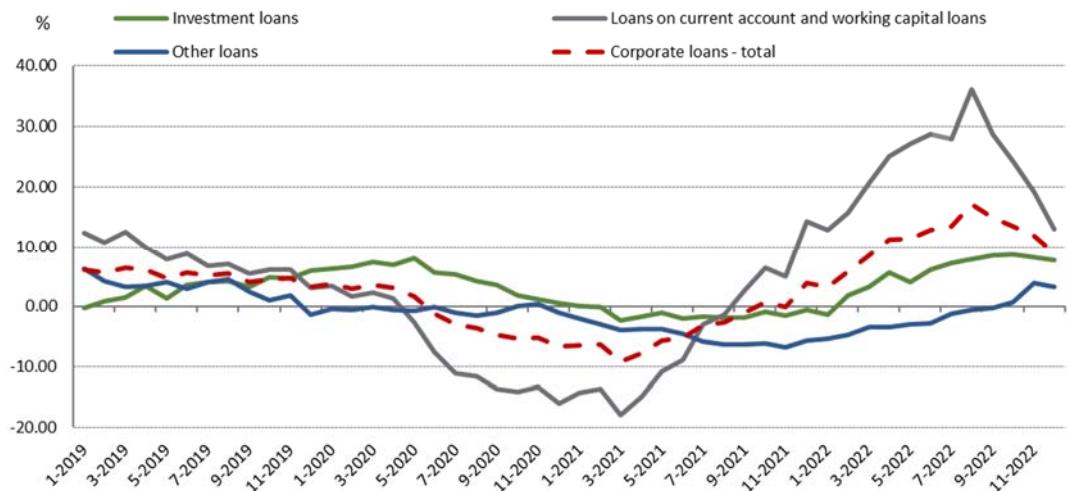
For many years, the ratio of credit to non-financial enterprises to GDP in Poland was low, but remained at a relatively stable level of approximately 15–16%. Since the outbreak of Covid-19, the ratio has decreased and at the end of September 2023 it amounted to around 12%. The year-on-year growth rate of loans to Polish enterprises began to decline significantly as the pandemic evolved. After reaching its lowest value in March 2021 (–9.24% year on year), it began to gradually recover and in August 2022 reached a record high level not seen since 2009 before becoming negative again (Chart 23).

The ratio of credit to non-financial enterprises to GDP in Poland has reached one of the lowest levels in the EU for years and at the end of June 2023 it amounted to approximately 12% compared to 36%, on average, in the EU.

The pandemic has not changed much in terms of credit allocation between households and non-financial firms and its allocation within the non-financial corporate sector portfolio.

## Bank credit to non-financial enterprises – growth (year on year)

Chart 23

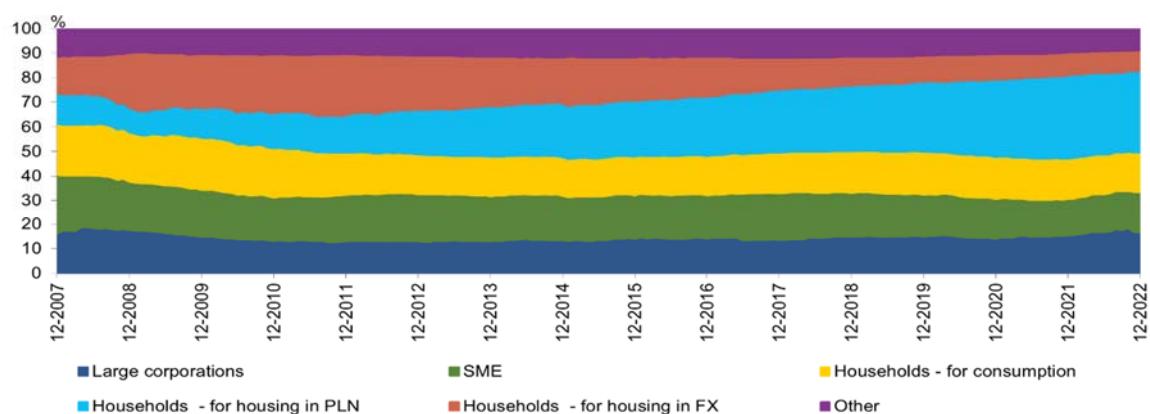


Source: NBP.

The structure of loans to the non-financial sector has displayed low variability over time. Among other factors, this has been the result of the long-term nature of a significant part of these assets (Chart 24). At the end of 2022, the value of loans to households (private individuals, farmers and individual entrepreneurs) was twice as high as the value of loans to enterprises. In recent years, the most visible change in the loan structure has been an increase in the share of housing loans in domestic currency (from approximately 27% to 33% in 2018–22) and a decrease in the share of foreign currency housing loans (from approximately 12% to 8.5%).

## Structure of the bank credit portfolio by type of non-financial borrower, 2007–22

Chart 24



Monetary data (for residents).

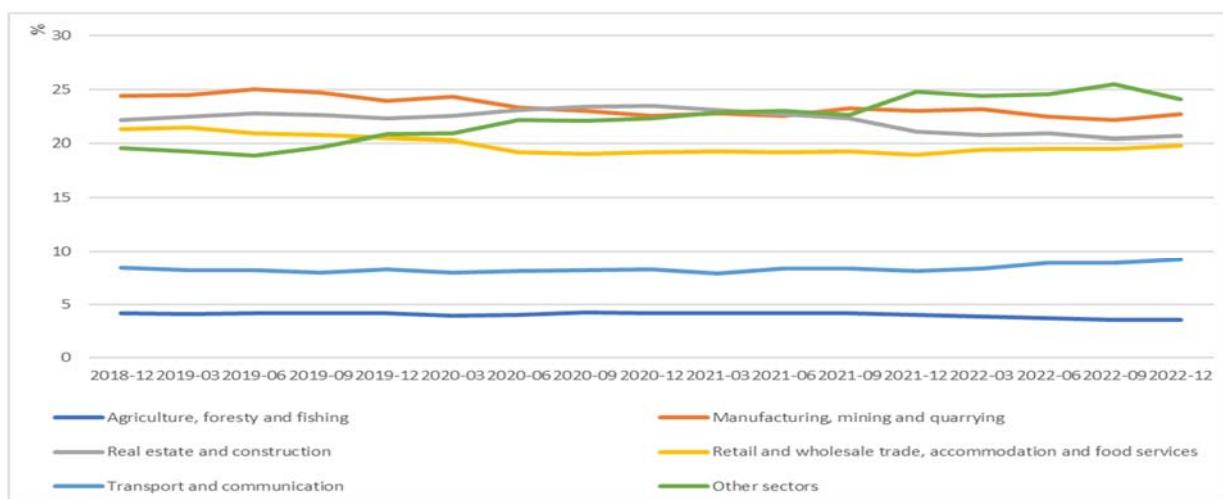
Source: NBP, Financial system in Poland 2022, November 2023.

In the analysed period, there were not many changes regarding the share of lending to specific groups of industries in Polish banks' corporate credit portfolios

either. The only visible tendency was an increase in the allocation of credit to industries whose share in the past had been smaller (Chart 25).

Allocation of bank credit to specific industries, 2018–22

Chart 25



Bank exposures to the corporate sector, based on large exposures statistics, in PLN (unit value of loan  $\geq$  PLN 500,000).

Source: NBP.

By negatively affecting the real disposable income of households, the pandemic and other phenomena of 2020–22 have contributed to slowing the demand for insurance and investment products. The inflow of retail deposits has diminished banks' demand for wholesale funding, primarily from abroad. The pandemic has not had any negative impact on the foreign financing of Polish enterprises, despite the fall of the share of foreigners in the Polish capital markets.

## Going forward

### Could lending to the public sector and to state-owned enterprises crowd out lending to the private sector over the long term?

The substantial increase in lending by public development institutions during the Covid-19 pandemic was rather a unique crisis management action which has not been experienced before. The rise of the share of Treasury bonds and bonds guaranteed by the State Treasury in universal banks' assets up to 25% was also not a sign of crowding-out of credit to the private sector, but rather a result of the coincidence of low demand for credit and strong growth of non-financial sector deposits. This was associated with increased public sector lending and transfers, as well as strong demand for more liquid assets by households. Nonetheless, some of the increase in T-bond holdings was a result of the special tax treatment of these instruments (exclusion from the base of the so-called tax on assets; credit has not been excluded). The growth of state-owned commercial banks' lending to publicly owned or controlled firms has not increased more than that of their private sector peers.

To what extent such trends might continue going forward will be to a large extent a government decision. There is no doubt that Poland will face important financing challenges in the future. They will be related to an increase in, for example, public investment related to climate change and defence, as well as the rapidly growing share of the population moving to retirement. Whether these expenditures will be met by mobilised private funds, EU funds, or public funds will depend on future government decisions and the market environment. The future role of development institutions has to be decided too, although the growth of new financing arranged by these institutions has slowed down since 2021.

The international experience has shown that the phenomenon of crowding-out of lending to the private sector has usually been connected to capital shortages in the banking sector. The NBP *Financial Stability Report* issued in December 2023 confirms that banks have sufficient capital and ample liquidity to finance the economy. It concludes that even under stressful conditions the banking sector in Poland maintains comfortable capital surpluses over regulatory and supervisory requirements.

### **The long-run consequences of recent changes in terms of the economy and financial system's ability to withstand shocks**

One of the preconditions for the economy's resilience to shocks is its diversification. This concerns both the real and financial sectors. The real sector in Poland is well diversified, adaptive and very resilient – this has been proved many times when it faced different types of shocks since the beginning of the economic transformation in 1990. The level of leverage in the Polish economy is relatively low and dependence on foreign financing is falling. All this creates a supportive environment towards development of financial institutions.

However, the recent changes in the structure of the financial system in Poland have reversed some trends towards a more diversified structure. The share of the banking sector in the financial system has increased, while the share of all non-bank financial institutions and capital markets has fallen. This might negatively affect the resilience of the economy if a shock hits Poland's banking sector in the future. However, the results of stress tests carried out regularly by central banks reveal that the resilience of the banking sector in Poland to materialisation of stressful scenarios is sufficient, and experience has confirmed that assessment.

Overall, changes in the structure of financial intermediation seem to be rather temporary and should not affect the capacity of the Polish economy to withstand domestic and external shocks, as well as support financial system growth. The very low level of the banking corporate credit to GDP ratio seems to be more a coincidence of various temporary factors than evidence of constraints on the supply side. There are no capital or liquidity barriers to stronger banking credit growth. Given the fact that the scale of investment (eg related to climate change, energy transformation and technological progress) to be financed or co-financed (like projects funded by the EU Reconstruction Fund) by the banking sector is high, lending activity should increase above the level observed prior to the Covid-19 pandemic.

The fact that the role of capital markets in the economy has been reduced is more problematic. There were cyclical and on-off factors present, but there are some

more structural obstacles to the development of market financing in Poland which are described in the next paragraph.

### **Policy measures to support the allocation of finance for long-term growth, including by further developing capital markets**

One of the future policy objectives should be a more diversified financial system with the non-banking sector playing a more important role in financing the economy. This would help reduce output volatility and maximise long-run growth.

In order to identify which policy measures are needed to support the allocation of finance for long-term growth in Poland, one needs to answer two questions: which markets need to be developed and what are the key obstacles to achieving this objective?

The initial sections of this note have clearly shown that the Polish private capital markets, like the stock market or corporate debt market, are underdeveloped and still do not play a major role in financing the Polish economy. Despite this, Poland's economic growth in the past has been adequate and not different from other countries in the region. However, future challenges will require more rapid development of these markets. As the capital market infrastructure and legal framework as well as supervision are well developed in Poland, the authorities must focus on such areas as:

First, increasing the domestic supply of and demand for financing. Unfortunately, both the savings rate of Polish households and the investment rate of Polish firms is very low (−0.8% and 16.7% of GDP, respectively, in 2022). This means that there is not much finance to be intermediated. The government policies aiming to increase both savings and investment rates need to be implemented effectively. To this end, mobilisation of savings for retirement needs to be a priority to increase overall savings and provide long-term funding.

Second, households prefer to keep their savings in bank deposits. Thus, the postulate of increasing the, still limited, economic literacy of potential individual investors remains valid.

Third, cost of intermediation. Low inflation and a low interest rate would support more risk-taking behaviour, but this has to be combined with a low cost of entering the market for both lenders and borrowers. This is not the case for Polish capital markets. The legal barriers to the development of low-cost investment funds need to be eliminated.

Fourth, special attention should be paid to SME market financing. There is a relatively large number of companies with small capitalisation in the economy and on the WSE. For small companies, costs associated with organising the issue of shares, admitting them to trading on the regulated market and then fulfilling the disclosure obligations are too high.

Fifth, investors need to be assured that the rules of the game are stable and respected by all market participants. However, in the past minority investors have complained about corporate governance in companies controlled by state agencies as well as private owners.

Sixth, Polish entrepreneurs are generally reluctant to reveal information on their companies to competitors. Thus, they are afraid of entering the organised market and being subject to regular reporting requirements. In order to overcome this, simplified reporting frameworks have to be available for SMEs entering organised markets.

In order to overcome these barriers and further enhance the depth and diversity of the financial system and thus improve the efficient allocation of capital, a comprehensive long-term strategy is required. Some of these and other barriers have been identified and addressed by the so-called Capital Market Development Strategy, which became an official governmental document in 2019. Many legal changes required by the Strategy entered into force in 2023.

The currently pending package of changes to EU regulations (within the EU "Capital Market Union" project) aimed at increasing the attractiveness of public capital markets in the EU for enterprises and facilitating access to capital for SMEs provides, *inter alia*, for: simplifying prospectus procedures for small companies (the so-called EU growth prospectus) and introducing the so-called follow-on prospectus. Adopting these changes could encourage smaller entities, including companies already present on the capital market, to utilise this source of financing more actively.

Corporate bond market development may be supported by changes in national legislation (eg introduction of the concept of "transformation bonds") and European regulations (green bond standard regulation). The Polish supervision authorities promote the issuance of mortgage bonds to limit the maturity transformation in the banking sector. Further actions to increase transparency and liquidity of the secondary market could contribute to the development of the domestic corporate bond market (from the demand side – bond quotations on the Catalyst platform,<sup>15</sup> simplification of its structure, activities of market-makers, a greater role of rating agencies, covering some issues with guarantees). It is also worth mentioning that the amendment to the "Act on public offering and conditions for introducing financial instruments to organized trading and on public companies" increased the threshold exempting entities from the obligation to prepare an issue prospectus from the domestic currency equivalent of EUR 2.5 million to EUR 5.0 million, which may contribute to increasing the supply of non-Treasury bonds.

<sup>15</sup> Catalyst is the first organised debt securities market in Poland and the only one in the CEE region. This system facilitates and optimises the issuance of bonds by enterprises and local government units. Catalyst is part of the WSE.

## Annex

### Assets<sup>1</sup> of financial institutions in Poland, 2017–22

In billions of zlotys

Table 1

	2017	2018	2019	2020	2021	2022
<b>Financial institutions subject to PFSA supervision<sup>2</sup></b>						
Commercial banks <sup>3</sup>	1,603.4	1,704.6	1,790.0	2,117.2	2,320.2	2,475.3
Cooperative and affiliating banks <sup>3</sup>	173.4	182.1	201.8	221.2	236.1	240.0
Credit unions	10.2	9.6	9.4	9.5	10.0	10.1
Insurance companies	198.4	191.8	193.0	203.6	197.1	183.6
Investment funds	302.8	293.4	304.6	302.2	323.4	283.0
Pension funds	179.5	157.3	154.8	148.6	188.0	156.3
Brokerage houses	6.8	6.6	6.6	9.9	14.3	12.2
<b>Subtotal</b>	<b>2,474.5</b>	<b>2,545.4</b>	<b>2,660.5</b>	<b>3,012.2</b>	<b>3,289.1</b>	<b>3,360.5</b>
<b>Other financial institutions<sup>4</sup></b>						
Leasing companies	122.4	140.9	148.3	140.2	161.5	175.0
Factoring companies	20.4	25.1	28.0	28.8	35.6	39.8
Financial companies	11.0	10.3	13.9	12.6	13.1	14.4
<b>Subtotal</b>	<b>153.8</b>	<b>176.3</b>	<b>190.2</b>	<b>181.6</b>	<b>210.2</b>	<b>229.2</b>
<b>Total</b>	<b>2,628.3</b>	<b>2,721.7</b>	<b>2,850.7</b>	<b>3,193.8</b>	<b>3,499.3</b>	<b>3,589.7</b>

<sup>1</sup> For banks, investment funds and pension funds – net assets. <sup>2</sup> Representation of key types of supervised financial institutions. <sup>3</sup> Only fully operational banks. Bank branches are included in "Commercial banks". <sup>4</sup> Representation of key types of financial institutions which are not supervised and for which statistical data are available.

Source: NBP, Financial system in Poland 2022, November 2023.

### Development of the banking sector in selected CEE countries and the euro area, 2020–22

In per cent

Table 2

	Assets/GDP			Credit <sup>1</sup> /GDP			Deposits <sup>2</sup> /GDP		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Poland	100.0	97.1	88.5	47.1	43.8	37.1	60.9	58.4	53.4
Czechia	139.7	139.7	131.4	52.3	53.0	49.2	74.9	74.9	70.2
Hungary	109.6	111.3	108.0	35.0	34.67	32.8	48.0	49.6	42.2
Euro area <sup>3</sup>	307.1	297.2	292.1	94.5	91.0	88.0	100.1	98.5	94.4

<sup>1</sup> Credits and loans of banks to the non-financial sector in all currencies. <sup>2</sup> Deposits of the non-financial sector in all currencies. <sup>3</sup> Assets, credits and deposits of monetary financial institutions (excl. Euro system central banks).

Source: NBP, Financial system in Poland 2022, November 2023.

Value and structure of Polish households' financial assets,<sup>1</sup> 2019–22 (end of period)

Table 3

	2018	2019	2020	2021	2022
<b>Value of households' financial assets (PLN bn)</b>					
Bank deposits	818.9	898.1	993.8	1,059.9	1,094.4
Deposits in credit unions	9.0	8.7	8.9	9.4	9.3
Investment fund participation titles	129.2	147.0	152.1	165.6	134.4
Life insurance policies (incl unit-linked) <sup>2</sup>	61.3	60.9	62.7	57.5	45.9
Treasury bonds	20.0	27.4	40.8	55.1	87.9
Non-treasury debt securities	4.8	5.6	3.2	1.5	2.7
Listed equity shares	47.7	56.2	80.8	89.0	80.3
Cash (outside bank vaults)	198.6	219.1	301.0	334.1	347.8
<b>Total</b>	<b>1,289.5</b>	<b>1,423.0</b>	<b>1,643.3</b>	<b>1,772.2</b>	<b>1,802.7</b>
<b>Share of types of financial assets in households' voluntary savings (%)</b>					
Bank deposits	63.5	63.1	60.5	59.8	60.7
Deposits in credit unions	0.7	0.6	0.5	0.5	0.5
Investment fund participation titles	10.0	10.4	9.3	9.4	7.5
Life insurance policies (incl unit-linked) <sup>2</sup>	4.8	4.3	3.8	3.2	2.5
Treasury bonds	1.6	1.9	2.5	3.1	4.9
Non-treasury debt securities	0.4	0.4	0.2	0.1	0.1
Listed equity shares	3.7	3.9	4.9	5.0	4.5
Cash (outside bank vaults)	15.3	15.4	18.3	18.9	19.3

<sup>1</sup> Only financial assets held on a voluntary basis. <sup>2</sup> The value of assets related to life insurances is presented in line with the provisions of the Solvency II Directive.

Source: NBP, Financial system in Poland 2022, November 2023.

Scale and structure of foreign financing of the Polish economy, 2018–22

In millions of zlotys

Table 4

	2018	2019	2020	2021	2022	Change 2018–22 (PLN)	Change 2018–22 (%)
<b>Total liabilities</b>	2,233,030	2,261,566	2,353,775	2,595,572	2,759,165	526,135	24%
<b>1. Direct investment</b>	1,029,157	1,088,816	1,149,256	1,317,706	1,410,817	381,660	37%
*Equity and investment fund shares	662,396	717,991	745,631	867,456	901,734	239,338	36%
*Debt instruments	366,761	370,825	403,625	450,250	509,083	142,322	39%
<b>2. Portfolio investment</b>	641,054	587,183	560,138	535,441	506,827	-134,227	-21%
*Equity securities	193,098	179,344	161,422	190,209	159,244	-33,854	-18%
*Bonds and notes	447,917	407,798	397,664	345,222	347,548	-100,369	-22%
*Money market instruments	39	41	1,052	10	35	-4	-10%
<b>3. Financial derivatives</b>	12,660	14,496	27,549	50,036	67,104	54,444	430%
<b>4. Other investment</b>	550,159	571,071	616,832	692,389	774,417	224,258	41%
*Monetary authorities	47,284	52,771	54,660	69,744	88,395	41,111	87%
*General government	85,509	81,627	110,033	138,407	157,819	72,310	85%
*MFIs	176,337	162,340	177,804	174,076	185,448	9,111	5%
<b>*Financial corporations</b>	55,427	76,832	68,413	73,518	76,347	20,920	38%
<b>*Non-financial corporations</b>	185,602	197,501	205,922	236,644	266,408	80,806	44%

Source: NBP, international investment position statistics.