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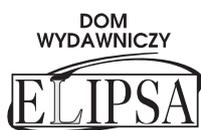
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A WORD FROM THE EDITOR

The nineteenth year of publishing “Safe Bank” magazine comes to a close. During this period, the magazine’s profile evolved from the narrow subject of deposit guarantee and bank security to the financial stability and financial market instruments themes. These 19 years of the Safe Bank presence constitute over 60 percent of the transformation period of the Polish banking system, which has been initiated at the National Bank of Poland in 1986. However, the subject matter of studies of no 69 do not concern issues considered from the perspective of the 30th anniversary of transformation. Nevertheless, observing the processes taking place in these years, it is worth to briefly recall the most important characteristics of the banking system in Poland.

In contrast to many banking systems in Europe and in the world, the Polish banking system is distinguished by a specific path of transformation - not only in the last three decades but also in secular terms. Without touching the history of banks on Polish territory before the 17th century the development of the three system-wide banking infrastructures with clear influence of the occupants, i.e. Austria, Prussia and Russia until the beginning of the 20th century needs to be mentioned. This affected primarily the capital weakness of financial institutions that began to develop in Poland after 1918. Another important system discontinuity were the events and regulations related to the Second World War and the destruction of the relatively young financial services market that was successfully built during the Second Republic of Poland in the years 1918–1939. In comparison to other market economy countries it is impossible to treat the period 1945–1990 as one in line with the development of the market banking system in Poland. This is where the system of the centralized economy reigned supreme with the typical accounting role of cash, and above all the lack of capital accumulation, propensity to save or credit history.

The banking reform begun in 1986 by Prof. Władysław Baka – the President of the National Bank of Poland – gave rise to the intensive development of credit institutions in Poland during the systemic transformation. This concerned, in the first place, the separation of nine commercial banks from the structure and

resources of the Polish central bank. In this period, apart from transforming several state-originated banks into market-based business rules, new and relatively numerous commercial banks have been also established. This was favored, amongst others, liberal licensing policy. In this period, apart from transforming several state-owned banks into market rules, there were also new and relatively numerous commercial banks. This was favoured, among others, by liberal licensing policy. In the peak of expansion, over 100 commercial banks had a business operations license. A lot of changes took place also in the state-cooperative organizational structure of cooperative banks, the number of which at the beginning of the market transformation constituted ca. 1650. The dynamics of system changes in Poland and the lack of experience in the functioning of banks quickly led to numerous insolvency crises in both commercial and cooperative banks. Initially, the weakness of the safety net and, in addition, the inability to quickly recapitalize problematic commercial banks favored the acquisition of industry foreign investors, who ensured the stability of the acquired entities. On the other hand the cooperative banks benefited mainly from various reliefs and assistance from state bodies and mergers and acquisitions. The banking supervision policy was aimed at diversification of the presence of foreign capital in the Polish banking sector. In the then system conditions, the cost of a financial institution takeover together with the market potential for a foreign industry investor was relatively low. However, it helped to overcome the banking crisis of the 1990s. A special emphasize should be put on the fact that the Polish banking system did not require a real-life intervention during the global financial crisis in the first decade of the 21st century. During this period, not only that no bank collapsed, but there was even no need to use the funds accumulated in the Bank Guarantee Fund for the restructuring of even one credit institution. Yet, the creation of legal infrastructure and prudential standards limiting the potential consequences of problems in banks in Poland echoed the turbulence triggered on foreign financial markets.

For a number of years, consolidation processes are being noticeable in the Polish sector, which apart from typical business processes in the domestic market constituted a consequence of consolidation of foreign parent companies of daughter banks in Poland, especially after 2008. In this context, it is worth pointing out that after 2015, the purchase of foreign investors' shares in banks was initiated by subsidiaries of the State Treasury, as a part of the so-called banks repolonization policy while Law and Justice ("Prawo i Sprawiedliwość") government.

Apparently it concerned the purchase of 33 percent of shares of Bank PeKaO S.A., the second largest bank in Poland, from the Italian Uni Credit, as well as increasing the share of a state-owned investor in the largest Polish bank PKO BP S.A. In the banking community, we also talk about the merger, in 2018, of the two largest banks in Poland into one entity. It would give 26.3 percent. market share of around 15 million clients. Such a merged bank would also be the largest

company on the Warsaw Stock Exchange with a capitalization of approximately PLN 84,000 million (ca. EUR 20,000 million). According to projections, the second largest bank BZ WBK SA (dependent on the Spanish Santander Bank), even after the possible takeover of Deutsche Bank Polska would have to satisfy with 10 percent share in the assets of the Polish banking sector; likewise the next one: ING Bank Śląski (dependent on the Dutch ING Bank). In comparison to other markets of Central and Eastern European countries, the projected changes in Poland will still not cause a serious increase in the concentration of three or five largest domestic banks. While PKO BP and PeKaO merger will trigger that the newly created entity will significantly improve its position in the European banks ranking.

In the presented issue of «Safe Bank», the subject matter of structural changes in the Polish banking sector is not tackled, at least in historical terms. We publish seven studies on various topics, concerning the banking system and banking-related institutions, not only in the Polish perspective. We also hope that the review of Henryk Dembiński's book entitled «Ethics and responsibility in the world of finances» will contribute to popularization of its content not only among Polish readers.

With wishes of fruitful reading

Jan Szambelańczyk
Editor-in-Chief