



NARODOWY
BANK POLSKI

Financial System in Poland 2022



Financial System in Poland 2022

Warsaw, 2024

This document contains the summary and the first chapter of a comprehensive report *Rozwój systemu finansowego w Polsce w 2022 r.* [Financial System Development in Poland in 2022], prepared by the Financial Stability Department. The report is available in Polish, together with its previous editions, on the NBP website:
www.nbp.pl/systemfinansowy/rozwoj

Narodowy Bank Polski
00-919 Warszawa
ul. Świętokrzyska 11/21
phone: +48 22 185 10 00
fax: +48 22 185 10 10
www.nbp.pl

© Copyright Narodowy Bank Polski, 2024

Summary

At the end of 2022, the ratio of domestic financial system assets to GDP amounted to 117.0%, which means that it had declined in relation to the previous year due to the faster GDP growth. The Polish financial sector, including the banking sector, is not excessively developed compared to the most economically developed countries. However, the development level of individual segments of the financial system varies. Financial institutions, including the banking sector, are much better developed. Financial markets, by contrast, are relatively less developed.

The analyses of the individual segments of the Polish financial system and of changes in its regulations and infrastructure contained in this report lead to the following conclusions regarding the development of domestic financial institutions and markets.

Financial institutions

- The banking sector was the largest part of the financial system in Poland – at the end of 2022 the value of the assets of commercial and cooperative banks accounted for around 76% of the financial system assets.
- The universal business model of the majority of banks was reflected in the balance-sheet structure of the banking sector, in which operations with non-financial entities and the predominant share of the net interest income from banking activities prevailed. Similarly to the previous years, loans to the non-financial sector (42%) – including in particular loans to households (28%), were the major item in banks' assets. Higher interest rates in the environment of increased inflation and clients' elevated concerns about economic developments had a negative impact on household demand for loans. Corporate loans were the only credit category that increased its value throughout the year. Value-wise, Treasury securities and securities guaranteed by the State Treasury were the second largest item of banks' assets (20%¹).
- Deposits of the non-financial sector were the main source of funding for banking activities (60%). Higher interest rates on deposits contributed to the reversal of the existing trends and to the rise in demand for term deposits from households and enterprises. Despite the entry into force of the MREL requirement that can be partially met through debt instruments, the financing with the use of debt securities issues (2.2%²) was only an insignificant part of the banking sector balance-sheet total. Both the outstanding debt securities and the amount of funds from the foreign financial sector decreased again in 2022.
- The sector's profits and profitability ratios improved in 2022, but remained lower than the long-term average. The improvement was primarily driven by the net interest income, which, amid relatively high interest rates, was significantly higher than the last year. As in 2021, the potential

¹ The data do not include BGK.

² Excluding BGK issues for special purpose funds.

for improving the sector's profits was constrained by substantial provisions for the legal risk associated with FX housing loan portfolios. The banking sector's earnings were also encumbered by high one-off costs associated with the support provided to the borrowers (so-called loan repayment holidays) and the establishment of the Polish Commercial Banks Protection System by the largest banks. Although their profitability improved, banks achieved, on average, lower returns on equity than other financial institutions and non-financial corporations (NFCs) operating in Poland.

- The average capital endowment of the banking sector remained high, and surpluses of capital ensured operating security and did not hamper banking activities development (in December 2022, surpluses of capital over capital buffers and requirements amounted to around 10% of TREA). As the ratio of banks' own funds to the asset value was high, the domestic banking sector operated at low leverage levels (the leverage ratio amounted to 7.6%).
- Cooperative banks remain a significant provider of financial services, especially for local communities. Consolidation in this sector resulted in a decrease in the number of cooperative banks to 496. Only ten banks remained outside the institutional protection scheme (IPS). The sector's net financial result improved markedly and amounted to approx. PLN 3.2 billion. The quality of the loan portfolio of cooperative banks did not change considerably and was still lower than in the sector of commercial banks (especially considering corporate loans). The substantially improved profitability of cooperative banks had a positive effect on their capacity to internally build Tier 1 capital through retained earnings, which resulted in the strengthening of their capital adequacy.
- To assess the prospects of growth of the largest sector of the financial system, lending growth forecasts were prepared. According to the lending growth forecast for the non-financial sector, the annual growth rate is expected to decline to around -4.5% y/y in the third quarter of 2023, and to rebound subsequently to 4% y/y at the end of the forecast horizon (fourth quarter of 2025). However, negative y/y rates of lending growth can be expected until the fourth quarter of 2024.
- Forecasts of credit aggregates in relation to GDP were also prepared for the current edition of the Report. The credit-to-GDP ratio is expected to fall below 30% within the forecast horizon.
- The asset size of the credit unions sector has been gradually increasing for several years, but the scale of their activities remained insignificant in 2022. The number of operating credit unions fell to 19 as a result of consolidation processes, which contributed to a further increase in sectoral concentration. Owing to the high net interest income, credit unions achieved a positive net financial result amid persistent low cost efficiency and incurred costs of credit risk. The capital position of credit unions varied and improved slightly. Nonetheless, at the end of 2022 the solvency ratio for the whole sector ran below the level required by law.
- The year 2022 saw the biggest decrease in the net assets of investment funds (by 12.5%) since the outbreak of the global financial crisis. The decrease was mostly caused by the significant outflow of investor funds (PLN -28.7 billion), which was related, among others, to the war in Ukraine. At the end of December 2022, the sector balance-sheet total less its liabilities reached

PLN 283 billion. Business conditions appeared to be the most difficult for open-ended funds (particularly for debt funds), which recorded the highest outflows. A loss on the sale of debt securities and shares was the main factor of their negative result. The funds were forced to sell off their portfolio components in order to fulfil increased requests to repurchase participation units. In the period under analysis, no investment fund posted positive rates of return, in nominal terms. However, closed-ended funds reported positive results on operations, largely from exchange rate differences. Those entities, unlike open-ended funds, also recorded a profit from the sale of investments, especially shares. Closed-ended funds remained the largest part of the sector under analysis, in terms of the number (over 80%), while the share of both types of investment funds in the sector net assets was similar (51.7% for open-ended and 48.3% for closed-ended funds).

- The year 2022 saw an increase in the number of alternative investment companies, alternative investment company managers and the value of alternative investment company assets. At the end of December, there were 396 operating alternative investment companies. They held assets valued at PLN 9.6 billion, i.e. PLN 1.4 billion more than the previous year. The value of private equity investments in Poland (alternative investment company managers and alternative investment companies are part of this sector) was over two times lower compared to 2021. The decrease may have been the result of a more prudential approach of foreign investors, stemming from the war in Ukraine, and of unfavourable stock market prices.
- Due to the considerable loss on investments, net assets of open pension funds (OFEs) fell by PLN 31.6 billion to PLN 156.3 billion in 2022. In 2022, open pension funds were actively investing on capital markets. The balance of buy and sale transactions on the domestic market of equity instruments was PLN 1.5 billion. The share of the funds in capitalisation and free float increased (to 20.9% and 43.3%, respectively). Despite the fall in funds' assets, pension fund management companies reported a higher profit than in the previous year (PLN 604.0 million) and a higher ROE (25.5%). The long-term results of open pension funds were considerably affected by participant fees. Without them, the assets accumulated in the funds at the end of 2022 would have been 40% higher.
- In 2022, the value of assets accruing as part of contributions to the pension sector on a voluntary basis grew by 12.2% and amounted to PLN 51.9 billion (Employee Pension Plans – PLN 19.1 billion, Individual Retirement Accounts – PLN 14.1 billion, Individual Retirement Security Accounts – PLN 6.6 billion and Employee Capital Plans – PLN 12.0 billion). All the forms of saving for retirement reported a rise in assets, with the fastest rate of growth (56.5%) reported by Employee Capital Plans. When compared to the previous year, more accounts were operated for Pillar III participants (4.9 million) and the value of contributions was higher (PLN 11.9 billion).
- In 2022, the assets of the insurance sector fell by PLN 13.5 billion, to PLN 186.3 billion at the end of the year. The decline was mostly reported by life insurance companies (down by almost 12%). Interest rate increases were the main factor behind the lower value of life insurance sector assets as they contributed to reducing the value of debt instruments held by life insurers. However,

gross written premium increased, from PLN 69.2 billion in 2021 to PLN 72.3 billion in 2022. This increase was reported only by non-life insurance companies (up PLN 3.7 billion), as life insurance undertakings reported a lower gross written premium. The net financial result of the insurance sector in 2022 amounted to PLN 5.7 billion, similarly to 2021. The profit of the life insurance sector rose from PLN 1.6 billion to PLN 2.2 billion, while in the non-life insurance sector it fell to PLN 3.5 billion.

- In 2022, the insurance sector held high surpluses of own funds over the capital requirements. At the end of December 2022, SCR coverage with eligible own funds was 269% in life insurance and 228% in non-life insurance. The solvency ratio in the entire domestic insurance sector was 241%, which means that it was below the average of 257% for EEA countries.
- In 2022, the value of funding provided by leasing companies amounted to PLN 88.1 billion, merely PLN 0.1 billion more than in 2021. Lease agreements and loans accounted for, respectively, 87% and 13% of the funding. Leasing was mostly used for the purchase of means of transport, while loans primarily served to buy machinery and equipment. In 2022, leasing companies made a net profit of PLN 1.7 billion. Bank loans were the main source of financing.
- In 2022, the value of debt bought back by factoring service providers was PLN 476.9 billion, a 20% rise on the 2021 figure. The debt included 23.9 million invoices bought from 25.5 thousand enterprises. The banks and bank group-owned companies were factoring service providers whose market share stood at around 87%. Polish factoring service providers carried on their operations mostly on the domestic market, mainly as non-recourse factoring.
- According to Statistics Poland data, in 2022 lending companies provided loans in the amount of PLN 17.1 billion (almost 24% more than in 2021), of which PLN 9.1 billion were loan agreements entered with natural persons. In turn, the value of loans and advances granted by banks in cooperation with credit intermediaries amounted to PLN 33 billion, down 39% on the 2021 figure. Mortgage loans as well as cash loans and advances were the most important products offered by the intermediaries.
- Domestic investment firms carried on business mostly on the regulated markets and alternative trading systems organised by the WSE and BondSpot. In 2022, business conditions deteriorated – a slowing pace of economic growth and a strong surge in commodity prices led to high stock price volatility. Investors' interest in the organisation of IPOs and securities issues diminished. In consequence, the provision of basic investment services, involving primarily offering of financial instruments, receiving, transmitting and executing buy and sell orders for such instruments, remained unprofitable. This prompted some brokerage houses to become more active in carrying out operations in financial instruments on their own account, including entering into transactions initiated by retail clients via online forex platforms. As in previous years, profits from such operations in 2022 had the biggest impact on the overall net financial result of brokerage houses.
- Recovery was observed on the debt market in 2022. Debt collection agencies accepted for processing 9.7 million debts of a nominal value of PLN 41.0 billion. Consumer debt prevailed

in the structure of the debts processed. From the point of view of their business type, outsourced debts predominated in the structure of debt accepted for processing.

Financial markets and their infrastructure

- In 2022, developments on the domestic money market were mostly affected by uncertainty related to the war in Ukraine and rising inflation, which triggered higher price volatility on financial markets. From January to September, the Monetary Policy Council (MPC) raised the NBP interest rates eight times, including the NBP reference rate from 1.75% to 6.75%. The Council also took the decision to raise the required reserve ratio, as of 31 March, from 2.0% to 3.5%, which translated into the reduction of the liquidity available to the domestic banking sector.
- The average annual value of outstanding NBP bills, which reflects the scale of excess liquidity in Poland's banking sector, was PLN 198 billion in 2022. This means it was 4% lower than in the previous year. The fall in value of the outstanding instruments was largely driven by the aforementioned required reserve ratio increase. In 2022, the Ministry of Finance did not issue any Treasury bills. In 2022, the domestic corporate debt stemming from short-term securities dropped by PLN 3.9 billion to PLN 9.5 billion at the end of the year. Issues of short-term securities were mainly conducted by leasing enterprises and factoring firms whose parent entities were domestic banks.
- Average daily turnover on the interbank deposits market in 2022 amounted to PLN 4.4 billion, which represented an 18% increase in relation to 2021. The value and term structure of the market turnover were determined by, among others, a small number of its active participants, prudential liquidity requirements and daily changes in liquidity needs. O/N transactions accounted for approx. 94% of the market turnover. Compared to 2021, the average daily value of the transactions and their volume increased. This was accompanied by the above average activity of banks in the segment of transactions with 1 month or longer maturities. Nineteen banks participated in the fixing of POLONIA rate calculated by NBP.
- GPW Benchmark worked on the development of indices that could serve as alternatives to the WIBOR reference rate. The need to develop a risk-free index alternative to WIBOR and to gradually and orderly replace WIBOR with such an index arises from, among others, the implementation of recommendations of international organisations, the structural determinants of the domestic deposit transactions market and measures taken in other jurisdictions. The National Working Group for benchmark reform was established to carry out the process of indices transition. The Group was tasked with the preparation of the road map and a timetable of actions to effectively and smoothly replace the WIBOR benchmark with a new reference rate. In September 2022, the Steering Committee of the National Working Group, taking into account the outcome of consultations and additional analytical work, selected the WIRON index as the alternative benchmark to WIBOR.
- Turnover on the domestic FX swap market of the Polish zloty grew considerably in 2022. The average daily value of transactions was PLN 26.6 billion, that is 39% more than in 2021. This

figure was the result of market participants' growing uncertainty related to Russia's invasion of Ukraine and various expectations of changes in the level of interest rates by individual central banks. Transactions between banks predominated on this market, with transactions with foreign banks accounting for almost 90% of the turnover on the interbank market.

- Activity on the domestic market of conditional transactions in the period under analysis was more robust than in 2021, in particular immediately after the Russian aggression against Ukraine. This may have been linked to a rapid rise in the uncertainty of market participants and to falling Treasury bond prices that accompanied the outbreak of the war. The value of average daily turnover in conditional transactions, which are concluded almost exclusively with the use of Treasury securities, rose by more than 60% in 2022 and amounted to PLN 19.9 billion. As in the previous years, sell-buy-back (SBB) operations, concluded mainly between banks and non-credit financial institutions, prevailed on this market. The amendment to the Act on Tax on Some Financial Institutions excluded from the tax base – as of the beginning of 2023 – the value of assets arising from repo transactions, as long as they were concluded on a regulated market or in an alternative trading system, and were subject to clearing by KDPW_CCP, provided that neither the State Treasury, nor NBP nor BFG (the Bank Guarantee Fund) were parties to these transactions.
- In 2022, the domestic capital market whose major segments are the WSE Main Market that facilitates trading in shares, and the Treasury bond market, functioned in the environment of a substantial surge in uncertainty triggered by both Russia's aggression against Ukraine and rising inflation. Those conditions contributed to the reduction in the prices of bonds and shares listed on the WSE and negatively affected the value of new IPOs and corporate bonds.
- Treasury bonds remained the dominant segment of the domestic market for long-term debt instruments. In 2022, the debt of the State Treasury in the form of these instruments rose by PLN 49.3 billion to PLN 862.9 billion at the end of the year. Domestic banks continued to have the largest share of this market and by the end of the analysed period held PLN 353.8 billion worth of Treasury bonds. Foreign investors and natural persons increased their holdings of the instruments in this period. At the end of 2022, the savings bonds debt grew to a record level of PLN 84.6 billion, primarily due to the popularity of inflation-indexed instruments among individual investors. The average daily value of unconditional transactions in the Treasury bond market amounted to PLN 7.2 billion and was slightly higher than in 2021. At the same time, the average daily value of conditional transactions rose significantly.
- In 2022, BGK issued PLN 7.8 billion worth of State Treasury-guaranteed bonds for the COVID-19 Response Fund and EUR 1.2 billion worth of State Treasury-guaranteed bonds for the Aid Fund. The total domestic debt of BGK and PFR (Polish Development Fund) in the form of State Treasury-guaranteed debt securities increased in the period under analysis by PLN 8.1 billion to PLN 223.8 billion at the end of 2022. Those instruments were mostly bought by domestic banks and NBP that purchased them on the secondary market in 2020–2021 under structural open market operations. BGK bonds for the COVID-19 Response Fund were the most liquid among State Treasury-guaranteed debt securities, also in the segment of conditional

transactions. The liquidity of other types of State Treasury-guaranteed bonds was low. Due to their lower liquidity and tax regulations, yields on those instruments on the secondary market were slightly higher than the yields on Treasury bonds with similar parameters.

- The value of the market for long-term corporate debt securities declined by PLN 6.7 billion to PLN 79.8 billion in 2022. In the period under analysis, these bonds were mostly issued by financial (leasing and factoring) companies, and the value of new bond issues dropped to PLN 9.7 billion, i.e. it was around 40% lower than in the previous year. The market for long-term corporate debt securities was characterised by strong segmentation and a considerable share of non-marketable bonds which were neither listed on organised markets nor traded on the secondary market. The liquidity of the secondary market of corporate bonds remained low. In 2022, corporate bonds were mainly bought by investment funds and banks.
- At the end of 2022, the total value of outstanding municipal bonds (16.3 thousand series thereof), issued by over a thousand local-government units, amounted to PLN 31.6 billion. In the period under analysis, the value of new municipal bonds issued amounted to approx. PLN 4.7 billion. Local-government units used the acquired funds mainly to carry out investment projects, including, among others, projects co-financed with EU funds, and to refinance maturing debt. As a result of the small borrowing needs of the majority of local-government units and the common practice of splitting issues into several series, the market remained strongly fragmented. Domestic banks, which usually organise municipal bond issues, held almost 80% of the value of these securities at the end of 2022. The liquidity of the secondary market of municipal bonds was negligible.
- The capitalisation of the WSE Main Market fell to PLN 1,114.2 billion at the end of 2022 and the ratio of domestic companies capitalisation to the GDP of Poland fell to 18.7%. For most of the period under analysis, significant falls of equity instruments' prices were observed on global stock markets, including the WSE. These price drops were mostly related to Russia's aggression against Ukraine and the deteriorating economic outlook. In 2022, the broad market index WIG declined by 17.1%, with stock prices of companies operating in Ukraine suffering the biggest falls.
- In 2022, the average daily value of stock transactions on the WSE Main Market was PLN 1.2 billion (a 11.5% fall on the 2021 figure). The liquidity index for this market, calculated as the ratio of aforementioned transactions value to the average capitalisation of domestic companies at the beginning and at the end of the year under analysis, dropped to 45.9%, while remaining significantly higher than before 2020. In the period under analysis, individual investors' interest in trading in shares diminished, primarily as a result of falling stock prices and availability of more attractive forms of savings allocation. In 2022, shares of eight companies were floated on the WSE Main Market (they were transferred from NewConnect), and the total value of IPOs amounted to merely PLN 39.7 million. The shares of 22 companies were delisted, mainly due to the decisions of the main shareholders. On the other hand, the value of shares issued by companies already listed on the WSE Main Market (SPOs) was substantially higher

than in the previous year and totalled PLN 8.7 billion (with the five largest issues accounting for 94% of the amount).

- In 2022, interest in NewConnect from issuers and investors was lower than in 2021. The net value of stocks traded in this alternative trading system amounted to PLN 2.6 billion (compared to PLN 6.3 billion in 2021 and PLN 14.9 billion in 2020), with individual investors predominating in this market. The capitalisation of NewConnect decreased markedly in 2022.
- In 2022, the spot market for the Polish zloty remained the largest local currency market among Central and Eastern Europe (CEE) countries. The average daily value of transactions was more than two times higher than the Hungarian forint and more than three times higher than the Czech koruna. As indicated by the BIS survey on foreign exchange turnover, the average daily turnover on the global spot market for the Polish zloty in April 2022 was USD 15.5 billion (over 26% more than in April 2019). Over 84% of the spot transactions involving the zloty were concluded on the offshore market, mainly in London and New York. The average daily turnover on the domestic spot market for the Polish zloty stood at around PLN 11.9 billion and was slightly lower than in 2021.
- The average daily net turnover on the global market for zloty-denominated OTC interest rate derivatives in April 2022 amounted to USD 15.0 billion, which means that the Polish zloty was the 18th currency in the world in terms of turnover. This market displayed, among others, much higher liquidity than the market for the corresponding instruments denominated in the Hungarian forint. A substantial rise in the average daily net turnover was observed on the domestic market for Polish zloty-denominated OTC interest rate derivatives in 2022, for the fifth year in a row. In the period under analysis, it stood at PLN 10.0 billion, and was over 22% higher than in the previous year. This increase was primarily driven by the higher interest of market participants in FRAs, caused mainly by their strongly diverse expectations of future interest rate levels in Poland.
- In April 2022, the average daily net turnover on the global market for OTC FX derivatives involving the Polish zloty amounted to over USD 8.8 billion, of which USD 6.9 billion were FX forwards. The significantly higher activity on this market as compared to April 2019 may have been related, among others, to a higher volatility of the zloty exchange rate against base currencies, which contributed to the increased value of operations concluded for speculative purposes. On the other hand, the daily value of operations on the domestic market for OTC FX derivatives in 2022 amounted to PLN 5.1 billion and was by over 26% lower than in the previous year. This was because of activity constraints in its most liquid segment, the FX forwards market, which resulted from the change in the method of obtaining foreign currencies by some non-banking financial institutions.
- According to the results of the BIS survey on turnover on the foreign exchange and OTC derivatives markets, the methods of settling FX transactions applied by domestic entities in April 2022 deviated substantially from global market standards. Domestic banks reduced risks associated with the settlement of FX transactions via netting or the payment vs. payment method to a much lesser extent than their foreign counterparts. Almost two thirds of payments

resulting from transactions on the domestic FX market were executed on a gross basis via correspondent banks, which was largely associated with the currency and entity structure of transactions executed on the domestic FX market. In turn, the viability and efficiency of payments netting were limited by the directional FX position of the domestic banking sector and a very low share of domestic banks in turnover on the global market for the Polish zloty.

- In 2022, the volume of derivatives traded on the WSE amounted to almost 15.6 million contracts and was 30% higher than the previous year. Investor activity on the exchange-traded derivatives market was still substantially lower than on the OTC market and was concentrated in the segment of WIG20 futures. Transactions in WIG20 futures accounted for 89.4% of the total market turnover. Although the turnover in WIG20 futures grew significantly, these derivative contracts still occupied a distant position among corresponding instruments offered by European exchanges.
- In April 2022, KDPW_CCP launched a service of clearing repo transactions secured with Treasury bonds (excluding inflation-indexed bonds) and concluded on the TBSP organised market. The service may contribute to the reduction of counterparty credit risk arising from the transactions and may, in time, support the development of this money market segment which is important for the financial system. Following the launch of GlobalConnect market in the Alternative Trading System formula by the WSE on 4 November 2022, KDPW began registering shares of foreign issuers without entering into contracts with them. In the first stage, shares of five companies from the German market were traded on this market. They were introduced to the alternative trading system by a market maker and registered with KDPW.

1. Directions of the evolution of the financial system in Poland

The ratio of domestic financial system assets to GDP at the end of 2022 amounted to 117.0% and declined compared to the end of 2021 due to the faster growth of GDP than that of financial sector assets. The situation was similar to that in the Czech Republic, Slovakia, Hungary and in the euro area (Table 1.1). The level of financial intermediation development, measured by the ratio of financial system assets to GDP, was relatively low in Poland and other CEE countries, compared to the ratio in euro area countries (Figure 1.1).

Table 1.1. Assets of the financial system¹ as a percentage of GDP in selected CEE countries and in the euro area, 2019–2022 (%)

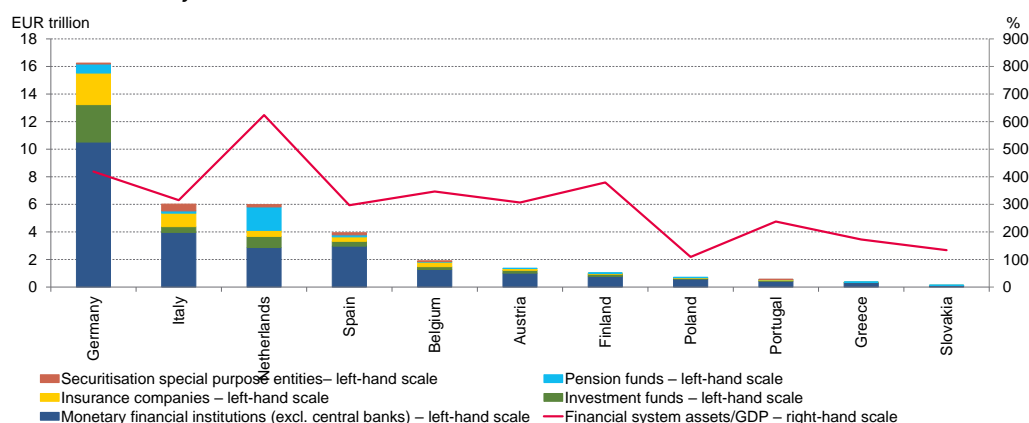
	2019	2020	2021	2022
Poland	124.6	136.6	133.0	117.0
Czech Republic	162.7	173.1	173.0	162.7
Slovakia	128.0	138.7	145.8	138.6
Hungary	121.5	142.6	146.0	141.1
Euro area	508.6	564.3	562.0	515.6

¹ This table comprises assets of the following financial institutions: monetary financial institutions (excluding central banks), insurance companies, investment funds, pension funds, securitisation special purposes entities, leasing companies, factoring firms, lending companies and brokerage houses.

Note: Due to adjustments, some data differ from the data presented in the previous edition of the Report.

Source: For the euro area – ECB Statistical Data Warehouse and Eurostat; for other countries – data provided by national central banks (NCBs) and Statistics Poland.

Figure 1.1. Financial system assets in selected EU countries at the end of 2022

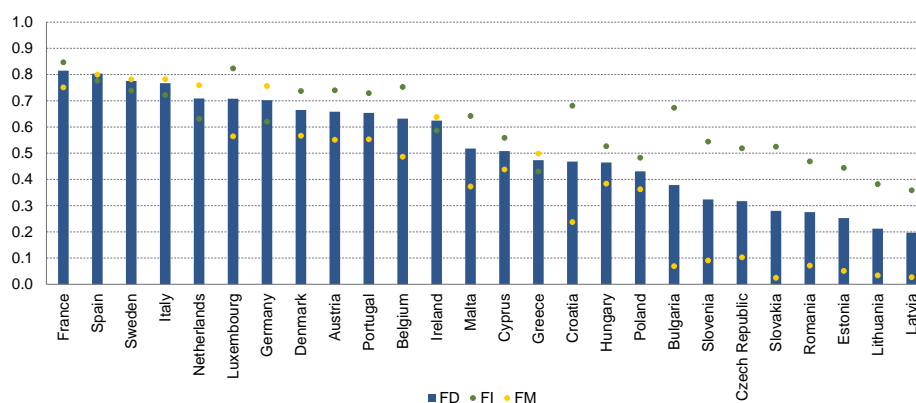


Source: Based on ECB, Eurostat, Statistics Poland and NBP data.

The assessment of the level of financial system development with the use of other indices yields similar conclusions. The IMF-developed Financial Development Index (FD)³ for Poland amounted to 0.431. This helped classify Poland into the group of countries with a medium level of financial development⁴ (Poland was ranked 18th among the group of EU countries⁵). The level of financial development of Hungary (0.464) and Bulgaria (0.379) was similar (Figure 1.2).

The level of development of individual segments of Poland's financial system is reflected by the level of FI and FM sub-indices, which comprise the overall index of financial development (FD). In recent years, the development of the Polish financial system has been based on financial institutions (banking sector), with financial markets being less important (Figure 1.3).⁶ This demonstrates the relatively feeble development of Polish financial markets vis-à-vis other countries, especially countries with more developed financial systems.

Figure 1.2. The FD index, the Financial Institutions (FI) index and the Financial Markets (FM) index in EU countries, 2021



Source: Based on IMF data. *Financial Development Index Database*, IMF Data, data updated on 26 July 2023, available at: <https://data.imf.org/?sk=F8032E80-B36C-43B1-AC26-493C5B1CD33B>.

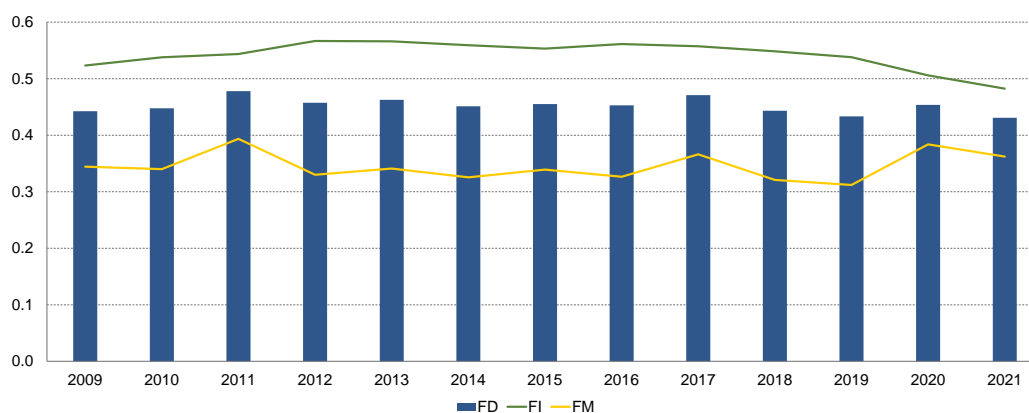
³ The index was developed by the IMF. See Sahay R., Cihak M., N'Diaye P., Barajas A., Pena D.A., Bi R., Gao Y., A' Kyobe, Nguyen L., Saborowski C., Svirydzenka K., Yousefi R., *Rethinking Financial Deepening: Stability and Growth in Emerging Markets*, IMF Staff Discussion Note SDN/15/08, May 2015, IMF and Svirydzenka K., *Introducing a New Broad-based Index of Financial Development*, IMF Working Paper, WP/16/5, January 2016, IMF. The data cited in this study are derived from the IMF database, which contained the 2021 updated values of the FD index and its sub-indices (updated on 26 July 2023) <https://data.imf.org/?sk=F8032E80-B36C-43B1-AC26-493C5B1CD33B>.

⁴ Values of the indicator are in the range of <0;1>. FD-associated data for Poland and other countries are for the year 2021.

⁵ Poland is ranked 23rd in the EU, in terms of GDP per capita in 2021.

⁶ In 2021, the FD index declined (from 0.454 to 0.431) due to the decrease in the FI sub-index from 0.506 in 2020 to 0.483 in 2021 and the FM sub-index from 0.384 in 2020 to 0.362 in 2021. The IMF-developed FD (financial development) index and its sub-indices FI (financial institutions index) and FM (financial markets index) are described in detail in *Financial System in Poland 2014*, Warsaw 2015, NBP, pp. 29–32.

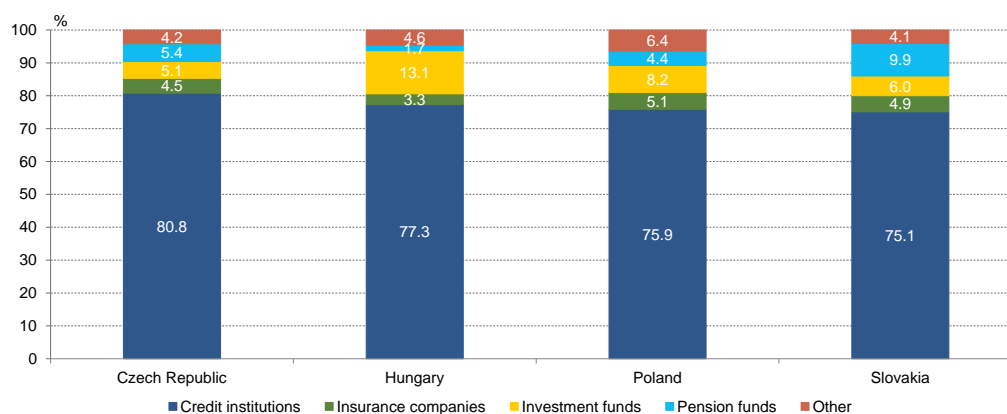
Figure 1.3. The FD index, the Financial Institutions (FI) index and the Financial Markets (FM) index in Poland, 2009–2021



Source: Based on IMF data. *Financial Development Index Database*, IMF Data, data updated on 26 July 2023, available at: <https://data.imf.org/?sk=F8032E80-B36C-43B1-AC26-493C5B1CD33B>.

Credit institutions play a major role in the financial system both in Poland and other countries of the CEE region, accounting for from 75% to 81% of assets of their financial systems. In 2022, the share of these institutions in the financial systems of Poland and Slovakia increased (Figure 1.4).

Figure 1.4. Composition of financial systems in selected CEE countries at the end of 2022, by asset value



Note: The “Other” category includes assets of the following financial institutions: leasing companies, factoring firms, lending companies and brokerage houses.

Source: For the Czech Republic, Hungary and Slovakia – data provided by NCBs; for Poland – data provided by NBP, the Office of the Polish Supervision Authority (UKNF) and Statistics Poland.

Although the value of banking sector assets in CEE countries grew, the year 2022 saw a decline in their ratio to GDP. The level of banking sector development compared to euro area countries remained low (Table 1.2). Domestic banks focused on providing traditional banking services, mainly deposit taking from and lending to non-financial clients.

Table 1.2. Banking sector development levels (commercial and cooperative banks) in selected CEE countries and in the euro area, 2020–2022 (%)

	Assets/GDP			Loans ¹ /GDP			Deposits ² /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
Czech Republic	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 ³	307.1	297.2	292.1	94.5	91.0	88.0	100.1	98.5	94.4

¹ Loans and advances from the banking sector to the non-financial sector in domestic and foreign currency.

² Deposits of the non-financial sector in the banking sector in domestic and foreign currency.

³ Assets, loans and deposits of the sector of monetary financial institutions (excluding Eurosystem).

Note: Due to adjustments, some data are not comparable with data included in the previous edition of the Report. Source: For the euro area – ECB Statistical Data Warehouse; for other countries – data provided by NCBs and Statistics Poland.

At the end of 2022, assets of institutions comprising the Polish financial system amounted to PLN 3.6 trillion and were by 2.6% higher than a year earlier. The asset growth was primarily driven by an increase in the value of banking sector assets. Assets of factoring and leasing enterprises and of lending companies rose substantially, while assets of investment funds and pension funds dropped (Tables 1.3 and 1.4).

Table 1.3. Assets¹ of financial institutions in Poland, 2017–2022 (PLN billion)

	2017	2018	2019	2020	2021	2022
Financial institutions subject to KNF supervision²						
Commercial banks ³	1,603.4	1,704.6	1,790.0	2,117.2	2,320.2	2,475.3
Cooperative and affiliating banks ³	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
Open 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
Total	2,474.5	2,545.4	2,660.5	3,012.2	3,289.1	3,360.5
Other financial institutions⁴						
Leasing companies	122.4	140.9	148.3	140.2	161.5	175.0
Factoring enterprises	20.4	25.1	28.0	28.8	35.6	39.8
Lending companies	11.0	10.3	13.9	12.6	13.1	14.4
Total	153.8	176.3	190.2	181.6	210.2	229.2
Total	2,628.3	2,721.7	2,850.7	3,193.8	3,499.3	3,589.7

¹ Net asset value for banks, investment funds and open pension funds.

² Includes the most important financial institutions subject to KNF supervision.

³ Banks that conduct operating activity. Commercial banks also include branches of credit institutions.

⁴ Includes the most important categories of other financial institutions not subject to KNF supervision, for which statistical data are available.

Note: Due to adjustments, some data may differ from the data presented in the previous edition of the Report. Source: NBP, UKNF and Statistics Poland.

In 2022, banking sector assets increased to a lesser extent than in 2021, but their share in financial sector assets increased to 75.6%. Receivables from the non-financial sector were the largest part of the assets (41.9%). Securities were the second largest item (29.9%). When compared to 2021, their share in banking sector assets increased. The value of loans to the non-financial sector to GDP was lower than in 2021 and amounted to 37.1% at the end of 2022.

Table 1.4. Growth in assets¹ of financial institutions in Poland, 2019–2022 (y/y, %)

	2019	2020	2021	2022
Financial institutions subject to KNF supervision²				
Commercial banks ³	5.0	18.3	9.6	6.7
Cooperative and affiliating banks ³	10.8	9.6	6.7	1.7
Credit unions	-2.1	1.1	5.3	1.0
Insurance companies	0.6	5.5	-3.2	-6.8
Investment funds	3.8	-0.8	7.0	-12.5
Open pension funds	-1.6	-4.0	26.5	-16.9
Brokerage houses	0.0	50.0	44.4	-14.7
Total	4.5	13.2	9.2	2.2
Other financial institutions⁴				
Leasing companies	5.3	-5.5	15.2	8.4
Factoring enterprises	11.6	2.9	23.6	11.8
Lending companies	35.0	-9.4	4.0	9.9
Total	7.9	-4.5	15.7	9.0
Total	4.7	12.0	9.6	2.6

¹ Net asset value for banks, investment funds and open pension funds.

² Includes the most important financial institutions subject to KNF supervision.

³ Banks that conduct operating activity. Commercial banks also include branches of credit institutions.

⁴ Includes the most important categories of other financial institutions not subject to KNF supervision, for which statistical data are available.

Note: Due to adjustments, the data may differ from the data presented in the previous edition of the Report.

Source: NBP, UKNF and Statistics Poland.

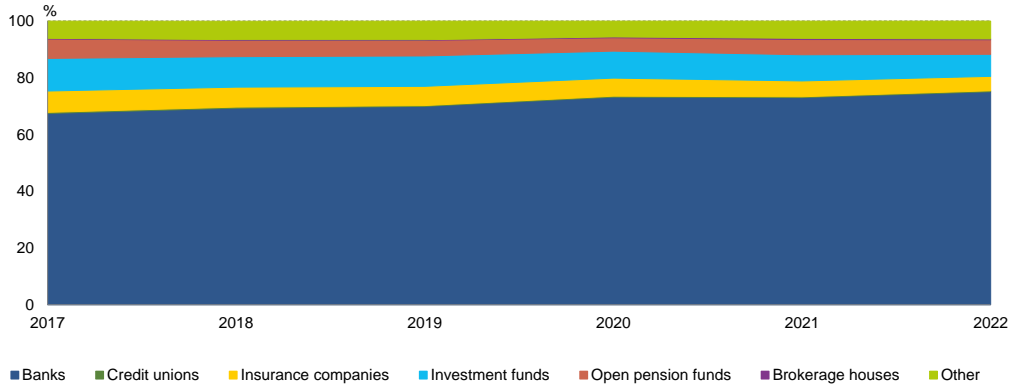
In the period under analysis, investment funds' assets decreased by 12.5% (to PLN 283.0 billion) and their share in financial sector assets declined from 9.2% in 2021 to 7.9% at the end of 2022. Such a big decline can be explained by an outflow of assets from investment funds and by the market valuation of financial instruments.

Assets of open pension funds in 2022 decreased significantly (by almost 17%), which was mainly caused by negative financial results of these funds. The war in Ukraine, the deteriorating growth outlook and rising commodity prices translated into high stock market price volatility, which contributed to a substantial fall in the value of assets of brokerage houses (by almost 15%).

In 2022, the value of insurance companies' assets declined by 6.8%. The decline was mainly due to a decrease in assets of life insurance companies. The lower value of the assets resulted from interest rate hikes which reduced the value of debt instruments.

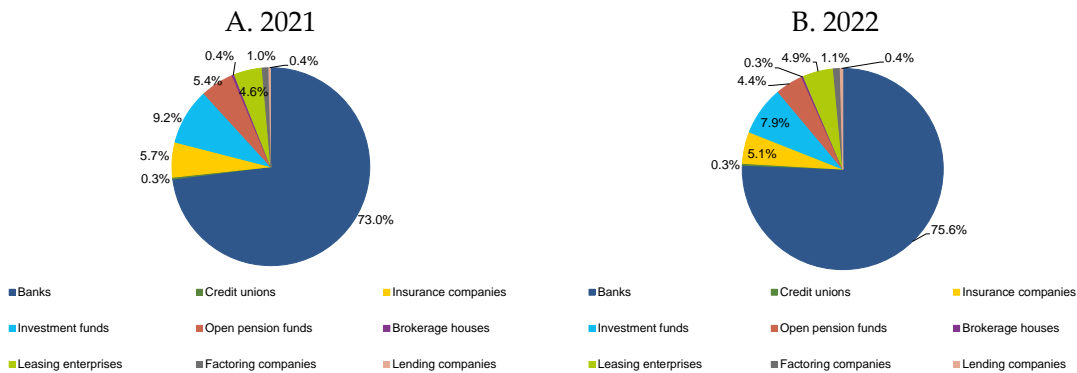
The trends discussed earlier in the text resulted in a higher share of the banking sector in the financial system in 2022. By contrast, the share of investment funds and the share of pension funds dropped considerably (Figures 1.5 and 1.6, Tables 1.3 and 1.4).

Figure 1.5. Asset structure of the Polish financial system, 2017–2022



Source: NBP, UKNF and Statistics Poland.

Figure 1.6. Share of individual financial institutions in the asset structure of the Polish financial system in 2021 and 2022



Source: NBP, UKNF and Statistics Poland.

At the end of 2022, 62 commercial banks, including 34 branches of credit institutions, were operating in Poland. Moreover, 496 cooperative banks and two affiliating banks carried out operations on the domestic market. The number of investment funds shrank markedly (Table 1.5).

In 2022, the NBP bills market was the largest segment of short-term debt securities market. The average annual value of outstanding NBP bills decreased slightly compared to 2021 and amounted to PLN 198 billion. The market of short-term corporate debt securities remained insignificant – these financial instruments were primarily issued by leasing enterprises and factoring companies owned by large banking groups. Like in 2021, the Ministry of Finance did not offer Treasury bills.

Table 1.5. The number of financial institutions in Poland, 2015–2022¹

	2015	2016	2017	2018	2019	2020	2021	2022
Commercial banks ²	63	61	61	61	60	64	65	62
Affiliating banks ²	2	2	2	2	2	2	2	2
Cooperative banks ²	560	558	553	549	538	530	511	496
Credit unions	48	40	34	30	25	23	22	19
Insurance companies ³	57	60	61	60	58	59	55	55
Investment funds ⁴	812	929	905	878	813	737	706	672
Open pension funds	12	12	11	10	10	10	10	9
Brokerage houses	52	46	44	40	38	37	36	33

¹ Comprises the most important financial institutions subject to KNF supervision whose assets were taken into account in Table 1.3. Does not include foreign entities which can pursue cross-border activity (without their legal and organisational presence in Poland), branches of insurance companies and branches of foreign investment companies.

² Banks that conduct operating activities. The number of commercial banks also includes branches of credit institutions. In 2015–2016 – 27, in 2017 – 28, in 2018 – 31, in 2019 – 32, in 2020 – 36, in 2021 – 37, and in 2022 – 34 branches of credit institutions.

³ Entities conducting operating activity in the area of insurance and reinsurance.

⁴ The number of active funds.

Source: NBP and UKNF.

The capitalisation of the Polish stock market in 2022 declined by 15.1% to PLN 1,128.7 billion at the end of the year, primarily as a result of falling share prices on the back of, among others, the growth in market participants' uncertainty after Russia's aggression against Ukraine and the deteriorating macroeconomic environment. In the period under analysis, the broad market index WIG dropped by 17.1%, and the WIG20 decreased by nearly 21.0%. The WSE remained a regional leader despite the fall in the number of listed companies (Table 1.6). The value of trading in shares on the WSE-organised markets fell by 12.3%. Mainly individual investors were less active, as they – more frequently than in the past – used alternative forms of savings (among others, in Treasury bonds).

The Polish Treasury bond market was the largest in CEE and the 8th largest in the EU. At the same time, it was the largest and most liquid segment of the domestic market for long-term debt securities (Table 1.7). Domestic banks were the largest buyers of Treasury bonds, but their share in the investor structure in 2022 decreased slightly to less than 41% at the end of the year. For the first time since 2017, non-residents' investment on the market for Treasury bonds and bonds guaranteed by the State Treasury increased, which may be explained by falling bond prices following Russia's invasion of Ukraine. The share of natural persons on this market also increased on account of the record sales of savings bonds. In 2022, the average daily value of unconditional transactions in Treasury bonds increased somewhat to PLN 7.2 billion.

Table 1.6. Characteristics of stock markets in selected CEE countries and in the euro area, 2020–2022¹

	Capitalisation of domestic companies (EUR billion)			Capitalisation of domestic companies to GDP (%)		
	2020	2021	2022	2020	2021	2022
Poland ²	120.8	156.6	122.5	23.8	27.4	19.1
Czech Republic	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 ³	8,886.6	11,897.8	10,020.3	78.0	97.0	75.0
	Liquidity ratio ⁴ (%)			Number of listed companies (including foreign ones)		
	2020	2021	2022	2020	2021	2022
Poland ²	50.9	39.2	44.6	806 (54)	810 (51)	794 (48)
Czech Republic	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 ³	58.2	45.0	52.1	7,077 (1,202)	7,635 (1,302)	6,511 (1,289)

¹ All values also include alternative trading systems, if such platforms were run by the operator of a given stock exchange.

² Values for Poland calculated based on WSE and Statistics Poland by using the NBP average exchange rates at the end of each year.

³ Indices calculated for the euro area include the following stock exchanges: 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.

⁴ The ratio of annual net turnover value of the shares of domestic companies to stock market capitalisation at the end of the year.

Note: Due to adjustments, some data differ from the data presented in the previous edition of the Report.

Source: Eurostat, FESE, WSE, Ljubljana Stock Exchange and Statistics Poland.

BGK and PFR bonds prevailed on the market for non-Treasury debt securities, and they were mainly bought by domestic banks. A strong rise in market participants' uncertainty following the Russian invasion of Ukraine and a deterioration of the macroeconomic environment contributed to a substantial fall in the value of new corporate bond issues. The markets for long-term corporate securities and for municipal bonds were characterised by negligible liquidity, and large part of the instruments was still not marketable.

In 2022, the value of average daily turnover on the interbank deposit transactions market grew by 64% from 2021, to PLN 13.9 billion. More robust activity of domestic banks was reported in all segments of the market, i.e. conditional transactions, FX swaps and unsecured deposits markets. The strongest increases were recorded on the market of repo/SBB transactions, which led to a considerable rise in the share of these operations in the structure of deposit transactions in Poland (Table 1.7).

Table 1.7. Average daily net turnover on the domestic financial market, 2019–2022 (PLN million)

	2019	2020	2021	2022
Equity and debt instruments market				
Shares and allotment certificates	793.5	1 293,9	1,337.0	1,178.1
Treasury bonds	28,078.4	18,782.4	20,514.6	28,834.7
Treasury bills	0.0	445.1	99.5	0.0
Deposit transactions market				
FX swap transactions	16,602.3	16,424.6	19,157.2	26,604.1
Repo/SBB transactions	16,999.1	11,667.2	12,365.9	19,904.0
Unsecured interbank deposits	3,306.5	3,660.7	3,725.4	4,408.9
Derivatives market				
FX forwards	2,075.4	1,842.8	5,550.4	3,864.5
Currency options	472.4	323.0	984.9	881.7
CIRS transactions	273.0	213.8	326.0	358.1
FRAs	1,834.8	2 531.3	4,074.8	5,979.5
IRs	3,344.2	3,747.4	4,046.6	4,044.5
OISs	1.3	0.0	0.0	0.0
Interest rate options	43.5	25.5	27.4	16.4
WIG20 futures	700.5	844.1	930.0	1,322.1
Spot FX market	7,422.3	7,514.6	12,051.4	11,884.8

Notes:

1. Average daily net turnover means the value of transactions (turnover calculated individually). In the case of the FX swap market, turnover value was calculated for only one currency of the transaction.
2. The value of turnover on the Treasury bond and bills market takes into account unconditional and conditional transactions (repo and sell-buy-back), including transactions between non-residents. In 2019, the average daily value of unconditional transactions on the Treasury bond market amounted to PLN 10.7 billion, in 2020 to PLN 7.1 billion, in 2021 to PLN 7.0 billion and in 2022 to PLN 7.2 billion.
3. The value of conditional transactions (repo and sell-buy-back) was calculated according to the initial exchange value. For FX swap transactions, the net turnover value was calculated according to the initial exchange value.
4. For the following markets: FX swap, spot FX, FX forwards, currency options and interest rate derivatives, the value represents the value of an exchange transaction involving the Polish zloty or PLN-denominated instruments.
5. The turnover in shares includes the value of both session and block transactions.
6. The turnover in WIG20 futures was calculated according to settlement values, taking into account both session and block transactions.
7. The turnover on the FX market and the OTC derivatives market includes domestic transactions only. It does not include the offshore market.
8. The turnover in the markets for interest rate derivatives refers to domestic money market rate instruments.

Note: Due to adjustments, some data differ from the data published in the previous edition of the Report.

Source: Based on data from WSE, Ministry of Finance and NBP.

As in previous years, most Polish zloty exchange transactions and transactions in OTC FX derivatives were concluded on the offshore market, mainly in London. Operations in which at least one of the counterparties was a domestic bank had little impact on the zloty exchange rate. In the case of derivatives, the Polish OTC market was much better developed in terms of turnover value and variety of transactions than the regulated market. Average daily turnover on the OTC market in 2022 was several times higher than the turnover in derivatives transactions on the WSE, among which WIG20 futures were the most liquid instruments.

2. Households and enterprises on the financial market in Poland

In 2022, inflation was the main factor affecting the situation of households and enterprises on the financial market. The substantial impact of the COVID-19 pandemic in previous years was fading away. However, a new factor influencing the situation of households and enterprises emerged, i.e. the war in Ukraine. The government had continued to provide the shielding programmes aimed at counteracting the economic fallout of the pandemic, although as economic activity restrictions were being relaxed, the value of the available funding provided was lower than in 2020 and 2021. Programmes aimed at cushioning the economic impact of inflation were also launched.

2.1. Financial assets of households

In 2022, the economic condition of households worsened, in real terms, as a result of inflation, despite a nominal increase in the average monthly available income.⁷ When compared to 2021, households' nominal income as well as expenditure were higher. The average monthly available income per capita in households⁸ rose to PLN 2,250 (in nominal terms, it was higher by 11.4%), while, in real terms, it was lower by 2.6% than the 2021 available income level. The real level and structure of expenditure changed to a small extent. The average monthly expenditure per capita in households in 2022 rose by 15.2% (in real terms, by 0.7%) to PLN 1,475. The share of expenditure on restaurants and hotels, transportation, energy carriers or food and non-alcoholic beverages increased in the structure of expenditure, whereas the share of expenditure on alcoholic beverages, tobacco products, home furnishings, household management and telecommunications decreased. The surplus of available income over expenditure rose, in nominal terms, from PLN 731 in 2021 to PLN 775 in 2022 (Figure 2.1). However, it means that the excess liquidity decreased by more than 5%.

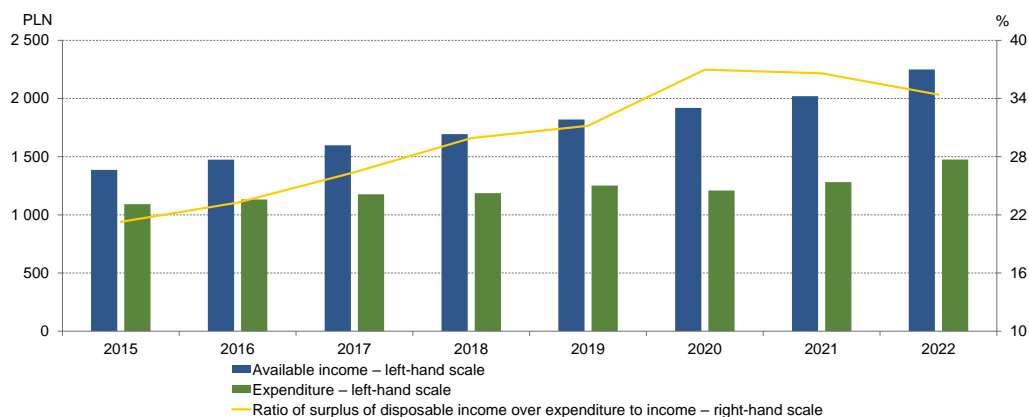
The subjective evaluation of the financial situation of households was worse. In 2022, 49.9% of households rated their financial situation as good or rather good (compared to 53.0% in 2021). The

⁷ *The situation of households in 2022 on the basis of results of the Household Budget Survey*, Warsaw, 31 May 2023, Statistics Poland.

⁸ "Households' available income is defined as the sum of households' current income from various sources reduced by prepayments on personal income tax made on behalf of taxpayers by the tax-remitters (...), by tax on income from property, taxes paid by self-employed persons, including those in free professions and individual farmers, and by social security and health insurance premiums. (...) Available income is allocated to expenditure and savings increase". *Methodological notes on household budget surveying*, Warsaw, 2011, Statistics Poland, pp. 30–31.

percentage of households perceiving it as bad or rather bad increased (to 5.9% in 2022 from 5.1% in 2021).

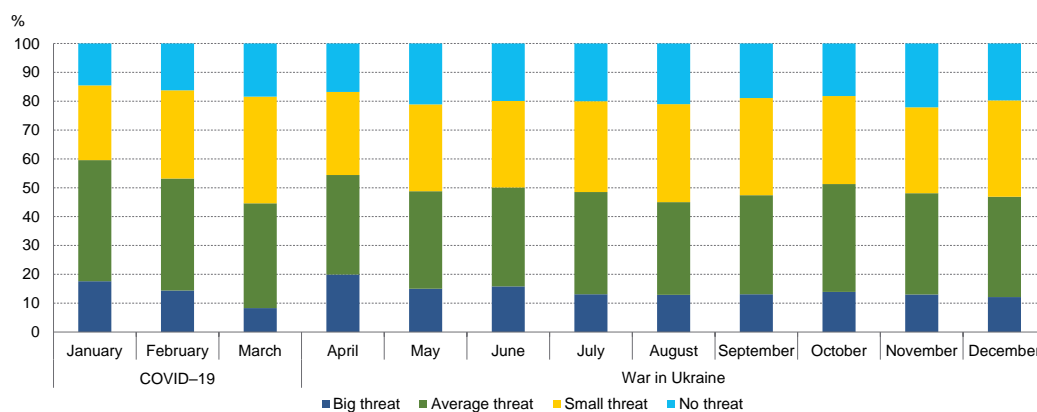
Figure 2.1. Financial situation of households in Poland, 2015–2022



Source: Based on Statistics Poland data.

The evolution of the COVID-19 pandemic in 2022, followed by the outbreak of war in Ukraine, also affected consumer sentiment and the way households evaluated the risks to their financial condition. The assessment of the scale of the risks changed in the subsequent months of the year. While the impact of the pandemic was fading away, the household assessment of the threat of war, following a surge in April, remained at an elevated level, slightly lower than in April, until the end of the year (Figure 2.2).⁹

Figure 2.2. Impact assessment of the COVID-19 pandemic, January 2021–March 2021, and of the war in Ukraine, April 2022–December 2022, on the financial situation of households

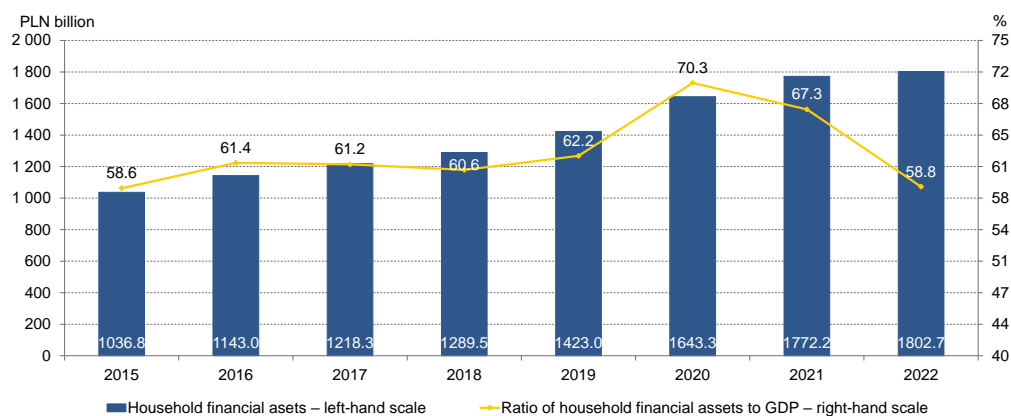


Source: Based on Statistics Poland data.

⁹ In the *Consumer tendency* survey conducted by Statistics Poland, respondents were requested to answer the question: “What is the threat of the current epidemiological situation (COVID-19 coronavirus) for your personal financial situation?”. *Consumer tendency*, Statistics Poland, January–December 2021.

In 2022, household financial assets that can be used relatively freely¹⁰ grew to a lesser extent than in 2021 (by PLN 30.5 billion, i.e. by 1.7%) and amounted to PLN 1,802.7 billion at the end of December. Their ratio to GDP fell to 58.8% due to the faster pace of nominal GDP growth (Figure 2.3). The asset growth was mainly driven by the changing value of Treasury securities, cash in circulation and bank deposits. On the other hand, the value of shares listed on the WSE and life insurance funds held by households diminished (Table 2.1).

Figure 2.3. Household financial assets¹, 2015–2022



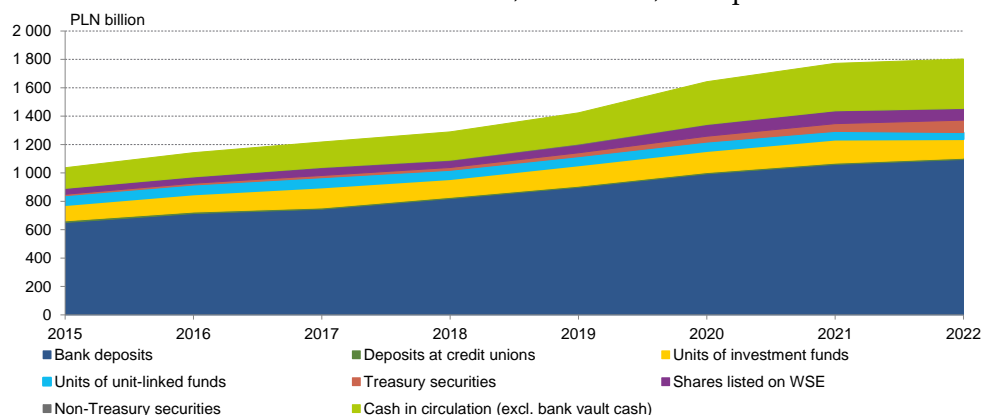
¹ The analysis takes into account household financial assets that can be used relatively freely (see footnote 10).

Note: Due to adjustments, the data may differ from data included in the previous edition of the Report. Due to methodological changes in the valuation of life insurance assets, arising from the implementation of the provisions of the Solvency II Directive, data since 2017 have not been fully comparable with data for previous years.

Source: Based on data from Statistics Poland, UKNF and NBP.

Bank deposits and cash prevailed in the structure of assets held by households, as was the case in previous years. In 2022, the growth in bank deposits was lower than in 2021, but the percentage of deposits in assets grew to 60.7%. This growth was related to a substantial fall in household demand for investment fund units and life insurance. The growing share of cash and a very high share of bank deposits indicated the preference of Polish households for safe financial surplus management methods (Figure 2.4). At the end of 2022, deposits at banks and credit unions accounted for a total of 61.2% of household financial assets, and as much as 80.5% (Table 2.1), if cash accumulated by the households was taken into account.

¹⁰ The following financial assets that households can freely use were considered in this analysis: deposits at banks and credit unions, investment fund units purchased by households, life insurance assets (including unit-linked assets), Treasury securities, stocks quoted on the WSE-organised markets, cash in circulation (excluding bank vault cash) and non-Treasury debt securities. Not considered in this analysis were the funds kept in accounts at open pension funds (OFE), assets of occupational pension schemes and voluntary pension schemes or funds transferred to the Social Insurance Institution by OFE in February 2014, as the nature of these assets differs from the point of view of how freely they can be used by households.

Figure 2.4. Structure of household financial assets¹, 2015–2022, as at period-ends

¹ The analysis takes into account household financial assets that can be used relatively freely (see footnote 10).

Notes: For the years 2014–2016, “Units of unit-linked funds” category is presented jointly with life insurance saving premiums. Since 2017, life insurance assets (including unit-linked assets). Due to the asset valuation based on the provisions of the Solvency II Directive, data since 2017 have not been fully comparable with data for previous years. Source: Study based on data from UKNF and NBP.

Table 2.1. Value of household financial assets¹ and their structure, 2019–2022, as at period-ends

	2019	2020	2021	2022
Value of household financial assets (PLN billion)				
Bank deposits	898.1	993.8	1,059.9	1,094.4
Deposits at credit unions	8.7	8.9	9.4	9.3
Units of investment funds	147.0	152.1	165.6	134.4
Life insurance assets (including unit-linked assets) ²	60.9	62.7	57.5	45.9
Treasury securities	27.4	40.8	55.1	87.9
Non-Treasury securities	5.6	3.2	1.5	2.7
Shares listed on the WSE	56.2	80.8	89.0	80.3
Cash in circulation (excluding bank vault cash)	219.1	301.0	334.1	347.8
Total	1,423.0	1,643.3	1,772.2	1,802.7
Structure of household financial assets (%)				
Bank deposits	63.1	60.5	59.8	60.7
Deposits at credit unions	0.6	0.5	0.5	0.5
Units of investment funds	10.4	9.3	9.4	7.5
Life insurance assets (including unit-linked assets) ²	4.3	3.8	3.2	2.5
Treasury securities	1.9	2.5	3.1	4.9
Non-Treasury securities	0.4	0.2	0.1	0.1
Shares listed on the WSE	3.9	4.9	5.0	4.5
Cash in circulation (excluding bank vault cash)	15.4	18.3	18.9	19.3

¹ The analysis takes into account household financial assets that can be used relatively freely (see footnote 10).

² The value of life insurance assets (including unit-linked assets) is calculated in compliance with the Solvency II Directive and includes technical provisions of the life insurance sector.

Note: Due to adjustments, the data may differ from the data presented in the previous edition of the Report.

Source: Based on data from UKNF and NBP.

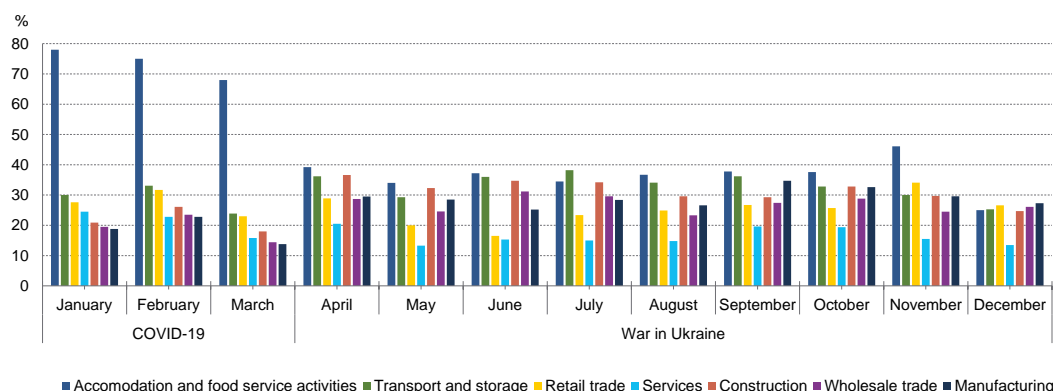
On the other hand, the low interest rates on bank deposits prompted households to seek more profitable forms of capital investment than deposits. As a result, in 2022 households invested more in Treasury securities (a PLN 87.9 billion increase).

The value of life insurance assets in household portfolios¹¹ in 2022 decreased by 20.2% to PLN 45.9 billion. This was because of an outflow of funds and a fall in the valuation of investments.

2.2. External sources of financing of Polish enterprises

The percentage of enterprises that indicated serious or threatening company's stability effects of the COVID-19 pandemic was diminishing in 2022. Enterprises in the accommodation and food service activities sector were most heavily affected by the pandemic's negative consequences. At the beginning of the year, a new factor influencing corporate stability emerged – the war in Ukraine. Its most negative impacts were experienced by enterprises of the sectors of accommodation and food service activities, transport and storage and construction (Figure 2.5).

Figure 2.5. Shares of businesses foreseeing “serious” impacts, impacts that “threaten company's stability” of the COVID-19 pandemic¹ and of the war in Ukraine, January–December 2022



¹ The respondents answered questions concerning: “The negative effects of the coronavirus pandemic/war in Ukraine and its impact on your business activity in the current month...”, choosing only one answer: 1. “minor”, 2. “serious”, 3. “a threat to company's stability” and 4. “lack of negative effects”.

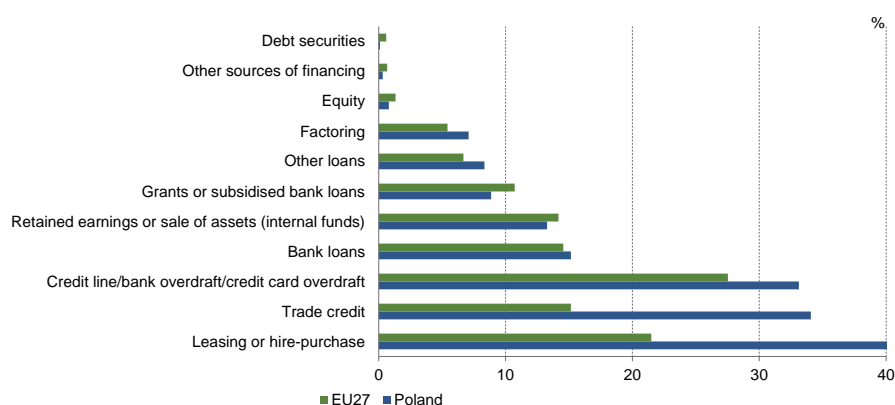
Source: Based on *Wpływ pandemii COVID-19 na koniunkturę gospodarczą – oceny i oczekiwania (dane szczegółowe oraz szeregi czasowe)*, Annex to the release (May 2022), 31 May 2022, Statistics Poland; *Pogłębione pytania o aktualne zagadnienia gospodarcze oraz wpływ wojny w Ukrainie na koniunkturę – oceny i oczekiwania*, Annex to the release (April 2023), 27 April 2023, Statistics Poland.

The value of lending to enterprises rose (a 9% rise y/y) throughout 2022, mainly due to a strong rise in current loans. Although the percentage of loan applying enterprises was relatively low and uncertainty in the economic environment was high, the pace of investment lending was gradually growing during the year (to 7.7% y/y in December 2022).

¹¹ The value of life insurance assets (including unit-linked assets) is calculated as the value of technical provisions for the purposes of solvency, valued in accordance with the provisions of the Solvency II Directive, i.e. Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Re-insurance (Official Journal of the European Union L335, p. 1).

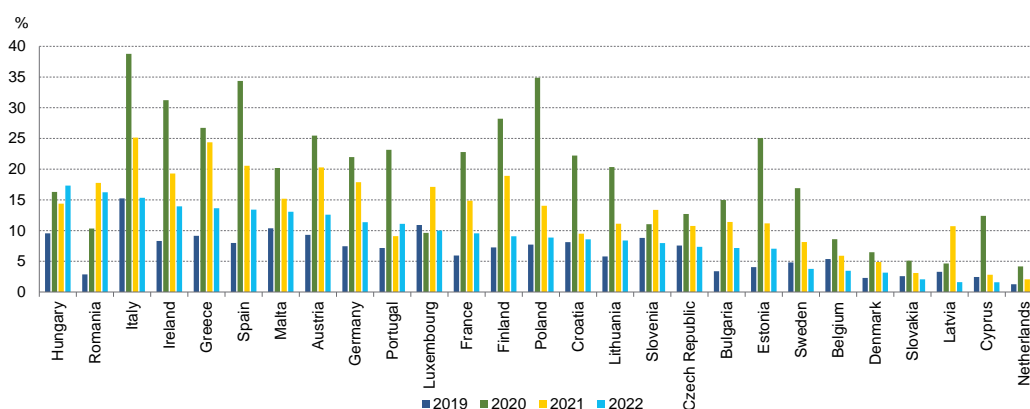
According to the results of the European Commission Survey on Access to Finance of Enterprises (SAFE)¹², leasing, trade credit and current loans were the major non-banking sources of financing for small and medium-sized enterprises (SMEs) in Poland in 2022.¹³ Leasing was used by around 40.2% of SMEs, which made Poland an EU leader (the EU average was 21.5%). Trade credit was sought by 34.1% of SMEs (3rd place in the EU, the EU average was 15.1%). Current loans were used by 33.1% of SMEs (10th place in the EU, the EU average – 27.5%) (Figure 2.6).

Figure 2.6. Percentage of SMEs using a selected financing source (in Poland and in EU, 2022)



Source: Based on *Survey on the Access to Finance of Enterprises (SAFE) 2022*, European Commission.

Figure 2.7. Percentage of SMEs using a grant or a subsidised bank loan in EU countries, 2019–2022



Source: Based on *Survey on the Access to Finance of Enterprises (SAFE)*, 2019, 2020, 2021 and 2022 survey issues, European Commission.

In 2022, the percentage of SMEs using grants or subsidised bank loans as sources of finance decreased substantially (from 34.9% in 2020, 14.0% in 2021 to 8.9% in 2022). This decrease was related to the dwindling scale of government assistance programmes as the COVID-19 pandemic

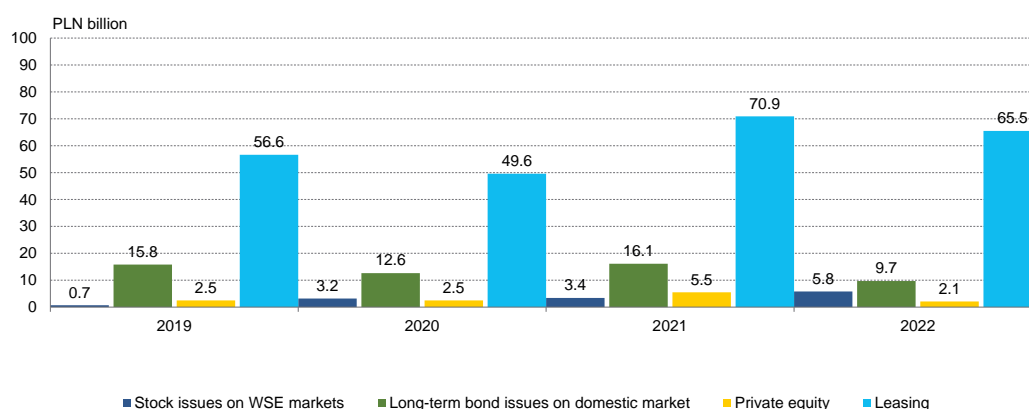
¹² *Survey on the access to finance of enterprises (SAFE). Analytical Report 2022*, European Commission, Brussels, December 2022. The report is available at: https://single-market-economy.ec.europa.eu/system/files/2023-01/SAFE%20Analytical_Report%202022.pdf.

¹³ Credit line, overdraft credit or credit card overdraft.

was fading away. A similar trend could be observed in the entire EU (the EU average dropped to 24.2% in 2020, 16.2% in 2021 and 10.7% in 2022). The year 2022 saw an increase in the rate at which SMEs used grants or subsidised bank loans in only two out of 27 EU countries (Figure 2.7).

As in previous years, leasing was the main non-banking source of financing of enterprises in 2022 (Figure 2.8). However, the volume of financing provided by leasing enterprises was lower than in 2021. Also as in previous years, means of road transport, including passenger cars, prevailed in the structure of assets financed by leasing enterprises.

Figure 2.8. Selected non-banking external sources of financing of Polish enterprises, 2019–2022



Source: Based on data from Fitch Polska, Statistics Poland, KDPW, WSE, Invest Europe and NBP.

In 2022, enterprises raised financing on the domestic bond market to a far lesser extent than in 2021, and the main contributing factors were the worse macroeconomic outlook, a surge in uncertainty following Russia's aggression against Ukraine as well as a considerable rise in market financing costs. The value of new corporate bond issues fell from PLN 16.1 billion in 2021 to PLN 9.7 billion in 2022. This fall resulted in a decrease in new corporate debt of NFCs to PLN 66.5 billion at the end of December.

The value of new share issues admitted to trading on the WSE-organised markets (WSE Main Market and NewConnect) in 2022 increased from 2021 to PLN 5.8 billion. Amid the record low value of IPOs, the increase resulted from new share issues of companies listed on the WSE (so-called secondary public offerings). Shares of 24 domestic enterprises were floated (eight IPOs on the WSE Main Market and six IPOs on NewConnect), with all companies making debut on the WSE Main Market being transferred from the alternative trading market to the regulated market.

www.nbp.pl

