

Krystyna Brzozowska

Position of banks in Poland in the world banking system

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*KRYSTYNA BRZOZOWSKA**

Uniwersytet Szczeciński

POSITION OF BANKS IN POLAND IN THE WORLD BANKING SYSTEM

Summary

Banking sector plays one of the most important roles in nowadays economy. The aim of an article is to present and assess a position of banks in Poland on a background of an European and world banking systems. Article is based on data from The Banker database, European Union database and Polish financial institutions. An evaluation of the place of Polish banks among other EU countries is presented as a share of 5 the biggest banks in total assets of banking system of EU countries, a share of citizens of the country to one ATM, a relation of banks' assets to one banks' employee, a relation of granted loans to GDP. There is also presented a structure of Polish banking system with list of the biggest 15 banks according to equity and assets, incomes and net profits, as well as a position of Polish banks in world ranking of bank brands in 2010.

Keywords: banking sector, Poland, European Union, ranking, banking brand.

* krystyna.brzozowska@wzien.pl.

Introduction

Banking sector plays one of the most important role in nowadays economy. Globalization and technology progress have evolved an enormous demand for funds in various forms: grants, loans, securities, investment funds, private equity funds in one hand, but in other hand – demand for investment opportunities, like bank deposits, securities, investment funds and so on. Commonly banks, with their main task to supply money for corporations and individual needs, are called engines of economic system.

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Top world banks

The main ranking of position of top 1000 banks all over the world is The Banker's classification. According to the amount of assets the biggest 20 banks in 2011 are presented in table 1.

The first 3 positions belonged to European banks from France, the United Kingdom and Germany. The further positions of American banks, regarding to previous years, is an effect and direct consequences of the latest financial crisis. In the list of 20 top world banks as much as a half of listed banks have come from Europe. In should be underlined the forcing position of China banks – for the first time there are 4 Chinese banks as an evidence of very rapid development of China's economy and openness to the world as one of Asian tigers.

There are no Polish banks in the highest positions. The biggest Polish Bank PKO Bank Polski was listed on 180th position, other in further places – near to 1000.

Table 1

The biggest world banks by assets in 2011 (on date of 30th June 2011)

Rank	Bank	Assets (\$ bl)	Country
1.	BNP Paribas	2 792,10	France
2.	HSBC Holdings	2 690, 90	United Kingdom
3.	Deutsche Bank	2 681,30	Germany
4.	Mitsubishi UFJ Financial Group	2 479,50	Japan
5.	Barclays PLC	2 395,30	United Kingdom
6.	Royal Bank of Scotland Group	2 319, 90	United Kingdom
7.	Industrial & Commercial Bank of China	2 304,40	China
8.	Bank of America	2 264,40	USA
9.	JPMorgan Chase	2 246,80	USA
10.	Credit Agricole SA	2 236,80	France
11.	Citigroup	1 956,60	USA
12.	Mizuho Financial Group	1 942,60	Japan
13.	China Construction Bank	1 818,40	China
14.	ING Group	1 798, 60	Netherlands
15.	Banco Santander	1 785,80	Spain
16.	Bank of China	1 776,47	China
17.	Agricultural Bank of China	1 773,11	China
18.	Sumitomo Mitsui Financial Group	1 652,82	Japan
19.	Societe General	1 590,72	France
20.	Lloyds Banking Group	1 570,59	United Kingdom

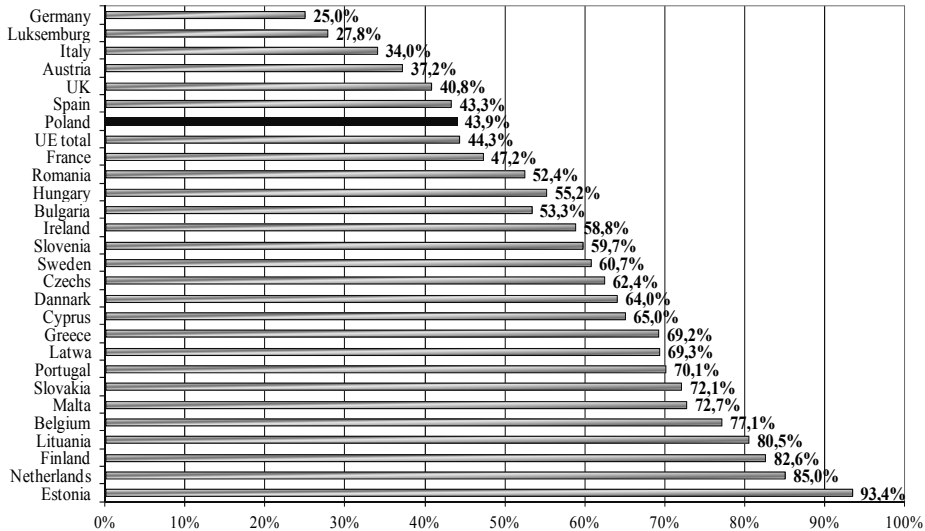
Source: *Top Banks in the World 2011*, www.relbanks.com/worlds-top-banks/assets-2011 (26.01.2012).

Position of Polish banks in the European Union

An evaluation of the place of Polish banks among other EU countries will be presented in form of:

- a share of 5 the biggest banks in total assets of banking system of EU countries (graph 1),
- a share of citizens of the country to one ATM (graph 2),

- a relation of banks' assets to one banks' employee (graph 2),
- a relation of granted loans to GDP (Gross Domestic Product) (graph 3).



Graph 1. Five commercial banks with the largest value of assets (2009)

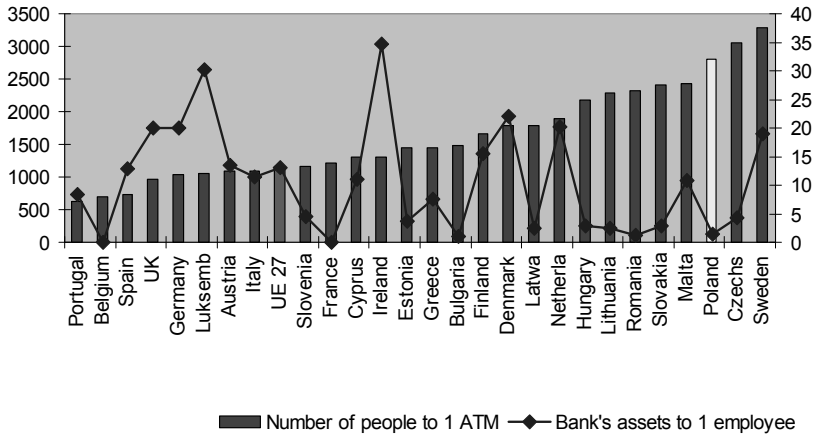
Source: by own based on *Monitoring of banks 2005–2010*, Statistical Analysis and Studies, Central Statistical Office, Warsaw 2010.

The biggest concentration of banks belongs to Estonia – more than 90% that means that 5 banks create almost a whole banking system in the country, and further the Netherlands, Finland, Lithuania, and Belgium. An average to the whole EU has amounted 44,3%. A share of % the biggest banks in Poland is on a level of average EU – 43,9%. It seems that 5 banks in the first positions according to assets have almost a half of the total assets of banking system, and further it evolves that a dispersion of banks in Poland is not huge, but much bigger than, for example, in Estonia, the Netherlands.

Two indicators of banking sector capacity in EU countries show a position and efficiency of banks in various countries. The first of them – a number of people to one ATM indicate that the best situation was in such countries as Portugal, Belgium, Spain with +/- 500 persons to 1 ATM, and worse in Sweden and Czech Republic with more than 3000 persons to 1 ATM. Poland is also in far position – with a little less than 3 000 person to 1 ATM.

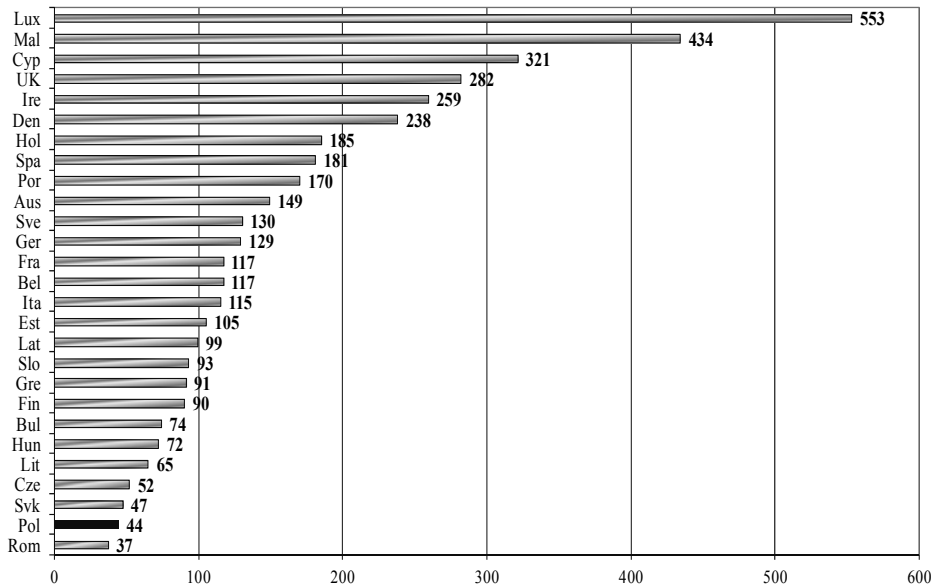
A second – bank's assets to 1 bank employee confirmed the first indicator, because a value of it for Poland present one of lowest levels in the whole Europe,

among with other Central Eastern EU countries, like Slovakia, Romania, Lithuania, etc. Absolute leaders were Luxemburg and Ireland.



Graph 2. EU banking sector capacity indicators in 2009

Source: by own based on *Monitoring of banks 2005–2010...*



Graph 3. A relation of loans to GDP (%) in EU countries (2008)

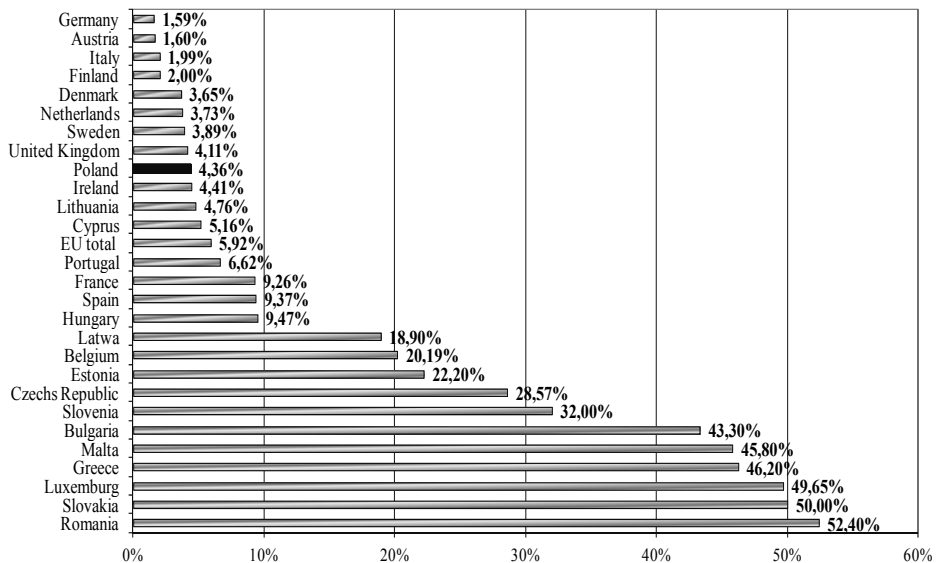
Source: K. Pietraszkiewicz, *20 years of Polish banking sector*, www.zbp.pl (20.04.2011).

Differently than such countries like Luxemburg, Malta, Cyprus, the United Kingdom, which are the leaders of the highest level of that ratio (with relation 5- 3 times higher than GBP), Romania (37%) and Poland (44%) have the lowest ratios – on the level of less than 50% in the EU countries.

The presented data affirmed that Polish banking system are still quite far to more developed banking systems in EU countries.

Like other European banks in Poland there is an open access for foreign capital entry into the banking system. A share of foreign capital in banking system in Poland has changed for years and in 2005–2009 an average share varied from 61,1% in 2005 to 61,4 % in 2009. In other CEE countries the ratio, apart Slovenia, is much higher, for example in Czechs Republic 97,60%, Slovakia 96,40%, and Hungary 82,0%.

The main foreign investors in Poland have come from Belgium (20%), Germany (15%), Italy, USA, and France (8% each), and the Netherlands (5%). A share of number of banks with majority of foreign capital in Poland achieved level above 4%, due to a great number of cooperative banks with only domestic capitals. It gives Poland a far position in European after such countries like Romania, Slovakia, Luxemburg, Malta, Bulgaria, Slovenia, and others (see graph 4).



Graph 4. Number of banks with majority of foreign capital – 2009 (%)

Source: by own based on *Monitoring of banks 2005–2010...*

In well developed countries, like Germany, Austria, Italy, Denmark, Sweden, The United Kingdom, this ratio is on lower levels.

Structure of banking system in Poland

After more than 20 years of new banking sector there are 645 banks in Poland, besides National Bank of Poland as a central bank. Table 2 presents changes in number of banks in Poland during years.

Table 2

Number of banks in Poland in 2005–2010

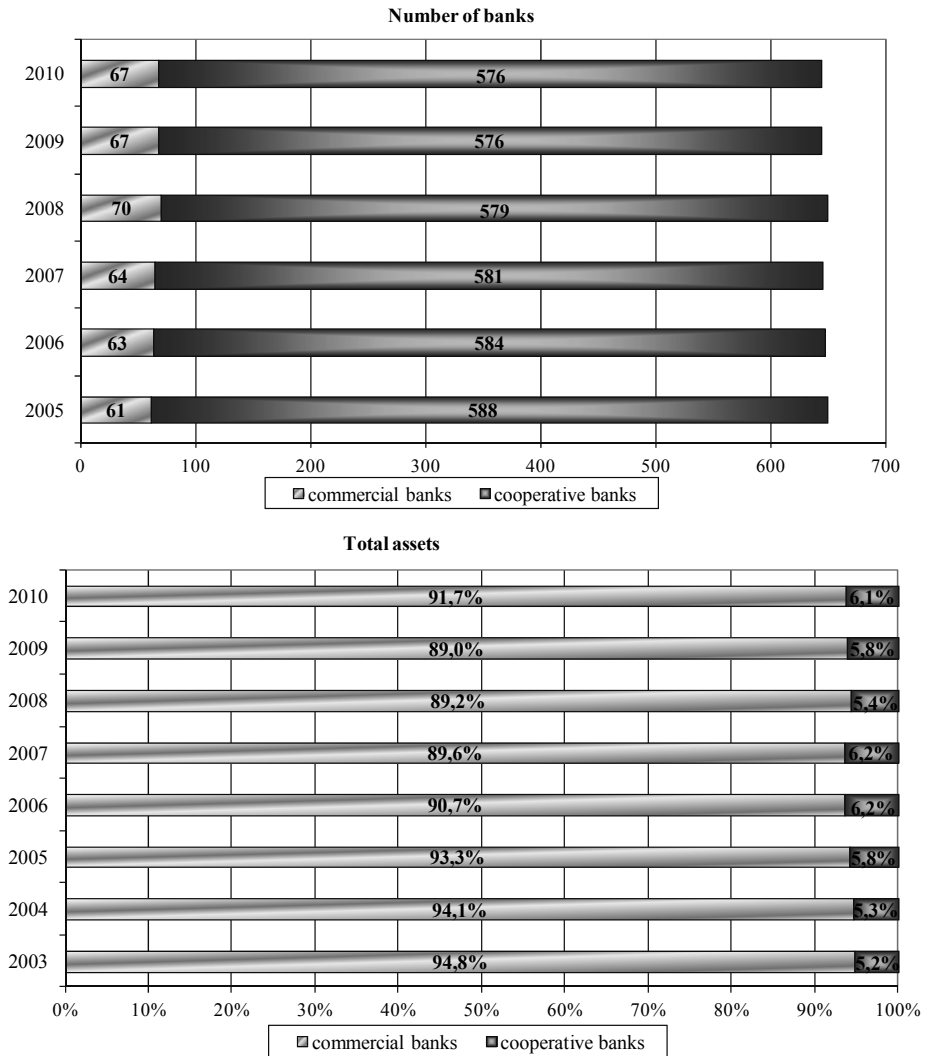
Type of banks	2005	2006	2007	2008	2009	2010
Commercial banks	61	63	64	70	67	67
Cooperative banks	588	584	581	579	576	576
Total	649	647	645	649	643	643

Source: *Financial and statistical data of Polish Financial Supervisory Authority, Financial System Development in Poland 2010*, NBP, Warsaw 2011, p. 101.

A structure of Polish banking system according to number of banks and assets seems to be quite interesting as it is showed at graph 5.

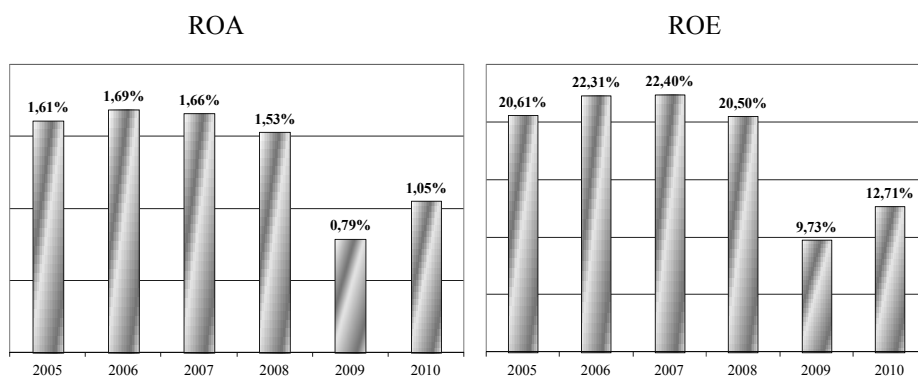
Upon number of banks an average share of commercial banks is about 10% and the rest belongs to cooperative banks, but upon amount of assets less than 10% of total banking system in Poland belongs to cooperative banks and more than 90 % to commercial banks. It is an evidence that cooperative banks are rather small capitals and play a role of regional banks all over a country. Profitable ratios (ROA, ROE) are in recommended by BIS levels (graph 6).

In 2009 both ratios declined considerably (ROA almost 2 times, and ROE – more than 2 times compared to 2008) as a result of quite difficult situation at financial market because of repercussions of financial crunch 2008. The next year 2010 was much better in category of banks profitability but still below numbers from earlier years.



Graph 5. Structure of Polish banking system up to number of banks and total assets

Source: by own based on *Financial and statistical data of Polish Financial...*



Graph 6. Profitability ratios of Polish banking system 2005–2010

Source: by own on *Monitoring of banks 2005–2010...*

Taking into consideration an amount of assets and equity a ranking of the biggest banks in Poland is presented in table 3.

Table 3

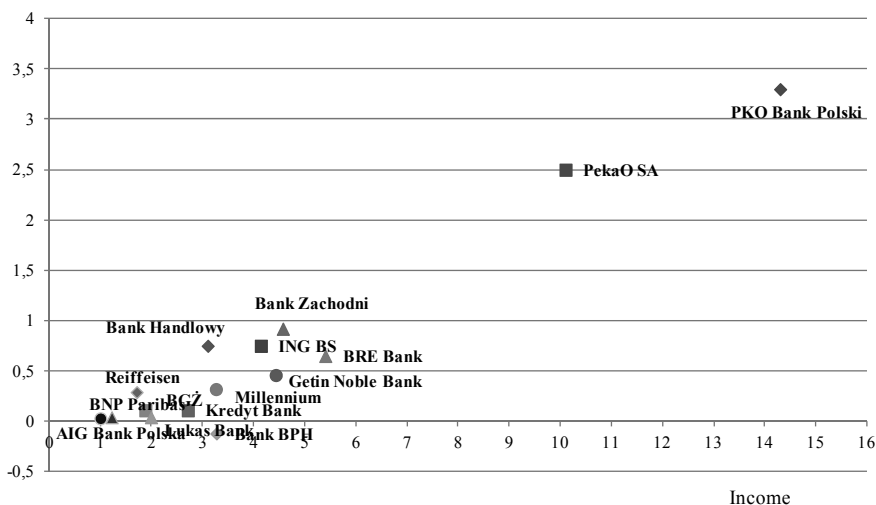
Top 15 banks in Poland 2010 (mln PLN)

	Bank	Total assets	Total equity
1.	PKO Bank Polski	167 238,9	16 563,1
2.	PekaO SA.	134 089,9	16 819,9
3.	BRE Bank	90 042,4	8 790,9
4.	ING Bank Śląski	64 517,5	4 844,0
5.	Bank Zachodni WBK	52 034,8	5 503,9
6.	Bank Millennium	46 984,4	4 573,8
7.	Kredyt Bank	43 000,3	3 562,2
8.	Getin Noble Bank	42 797,8	2 890,0
9.	Bank BPH	37 290,8	3 903,0
10.	Bank Handlowy w Warszawie	36 701,7	4 121,3
11.	Bank BGŻ	28 629,6	2 263,8
12.	Nordea Bank Polska	24 832,4	2 012,1
13.	Reiffeisen Bank Polska	22 757,3	2 352,0
14.	BNP Paribas Bank Polska	18 539,1	1 836,7
15.	Bank Polskiej Spółdzielczości	16 553,7	576,9

Source: *50 największych banków w Polsce*, „Bank” 2011, nr 7–8, s. 17.

The two first banks – PKO BP and PekaO SA – outstand the rest of the group in total assets and equity; the third bank – BRE Bank – is considerably smaller. The rest from 15 top banks are quite similar.

Similar results can be achieved from survey of relation between two other variables: net profit and income of 15 top banks in Poland (graph 7).



Graph 7. Position of top 15 banks of Poland in relation to financial results and incomes

Source: by own based on *50 największych banków w Polsce...*, p. 8.

According to first two positions – situation is similar to relation assets and equity: PKO BP and Pekao SA. It seems interesting to notice that 13 top banks from 3 –15 places have been placed together closer to the corner of a chart.

Recently, apart of ranking of banks according to assets, equity, profit or incomes, the approach to the evaluation of value of bank brand becomes more and more important. A brand is a very comprehensive term evidencing the market position of certain bank. In The Banker ranking of top bank brands Polish banks have been placed below 100 position. In table 4 positions of Polish bank brands are inserted for 2011 and 2010.

Table 4

Top Polish bank brands in 2010

2010	2009	Bank	Value of a Brand (USD mln)
129	149	PKO BP	1 060
136	164	Pekao SA	978
276	281	Bank Zachodni WBK SA	338
289	322	BRE Bank	320
297	364	Getin Bank	307
303	304	Citi Handlowy	300
308	357	ING Bank	298
342	.	Bank BPH	226
367	398	Bank Millennium	205
401	458	Kredyt Bank	173

Source: *Top 500 Banking Brands*, "The Banker", February 2010.

All Polish banks in ranking of the best bank brands, improved their places. The biggest jump was made by private Getin Noble Bank – about 67 positions, Kredyt Bank – 57 positions, ING Bank – 49 positions. All listed in ranking banks boosted their value of brand. Relatively the biggest increase have been achieved by 3 banks: Getin Bank – about 136,2%, ING Bank – about 124% and BRE Bank – about 102,3%. Other listed banks achieved lower increase of a value of bank brand, but on a level near to doubling.

In comparison – a value of bank brand of a ranking leader HSBC increase in the same time about 12%, and Bank of America about 23,7%.

Conclusions

Banking system in Poland have been changed diametrically from 1989, but all the time is "waving" because of domestic and world economy influence. A review of a structure of banking system in Poland confirmed its stable financial position representing by ROA and ROE ratios, a considerable share of foreign capital, a leader positions of 2 banks: PKO BP and Pekao SA, and much further positions of the other banks.

A ranking of top bank brands also confirmed that the position of Polish banks is not the highest' however it showed that Polish banks increased their market value considerably. It can be an evidence to possibilities for further development.

POZYCJA BANKÓW W POLSCE NA TLE ŚWIATOWEGO SYSTEMU BANKOWEGO

Streszczenie

Sektor bankowy ma bardzo duże znaczenie w gospodarce świata. Celem artykułu jest zbadanie pozycji polskich banków na tle Unii Europejskiej i świata. W artykule przedstawiono ranking 25 największych banków świata za 2011 rok pod względem wielkości aktywów i ROA, pozycję banków polskich w rankingu pięciu największych banków w krajach europejskich pod względem aktywów, efektywności działania, liczby banków z większościowym udziałem kapitału zagranicznego. Zaprezentowano także strukturę polskiego sektora bankowego, w tym listę 15 największych banków komercyjnych pod względem kapitałów własnych i aktywów oraz przychodów i zysków netto oraz pozycji polskich banków w światowym rankingu najcenniejszych marek bankowych w 2010 roku.

Słowa kluczowe: sektor bankowy, Polska, Unia Europejska, ranking, marka banku.