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Panel 2: Outsourcing rules for CB issuers.

Introductory remarks to the Panel discussion.

Kamil Liberadzki, Director of Regulatory Affairs, Polish FSA, Warsaw.

24th Central European Covered Bond Conference.

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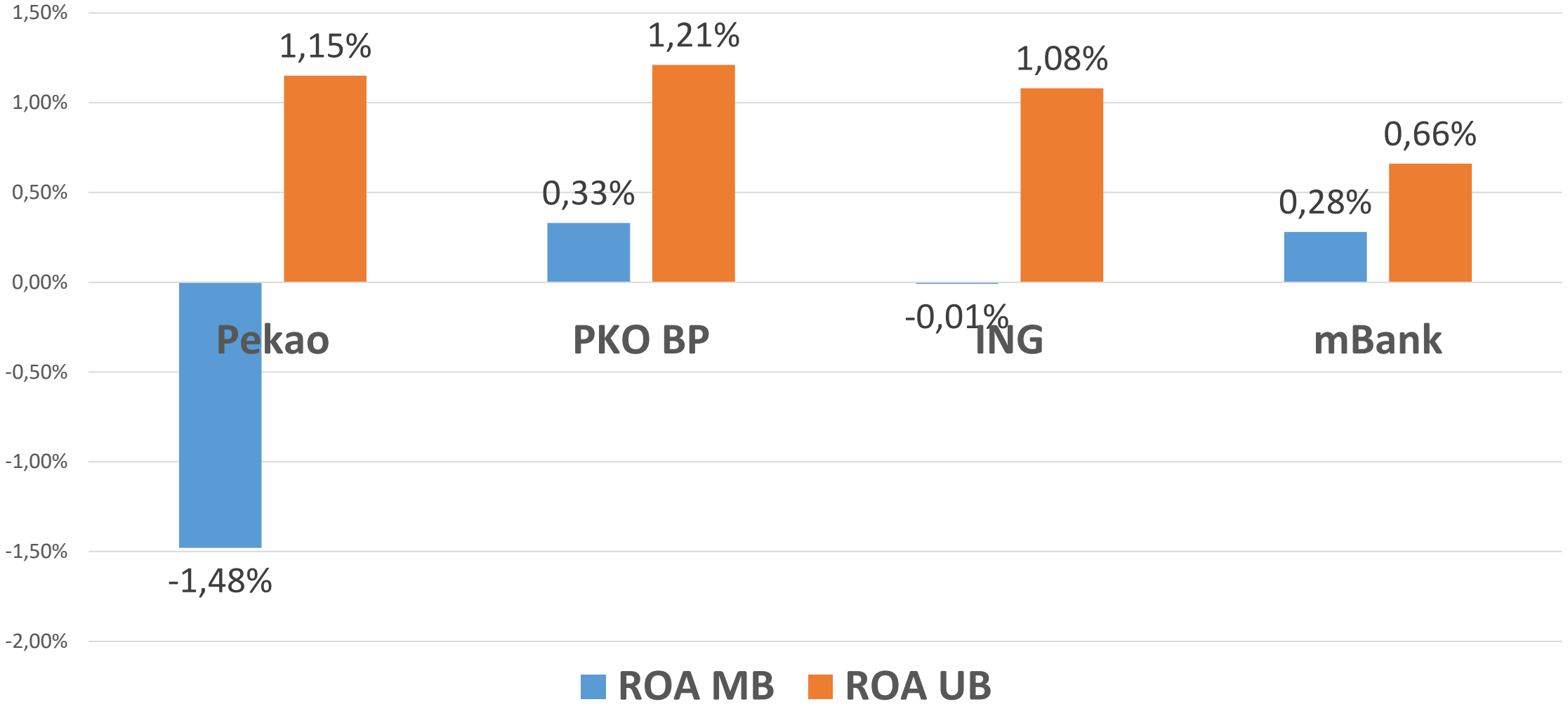
I. ROA in mortgage vs. universal banks - 2019



ROE in mortgage vs. universal banks – 2018, 2019KNF

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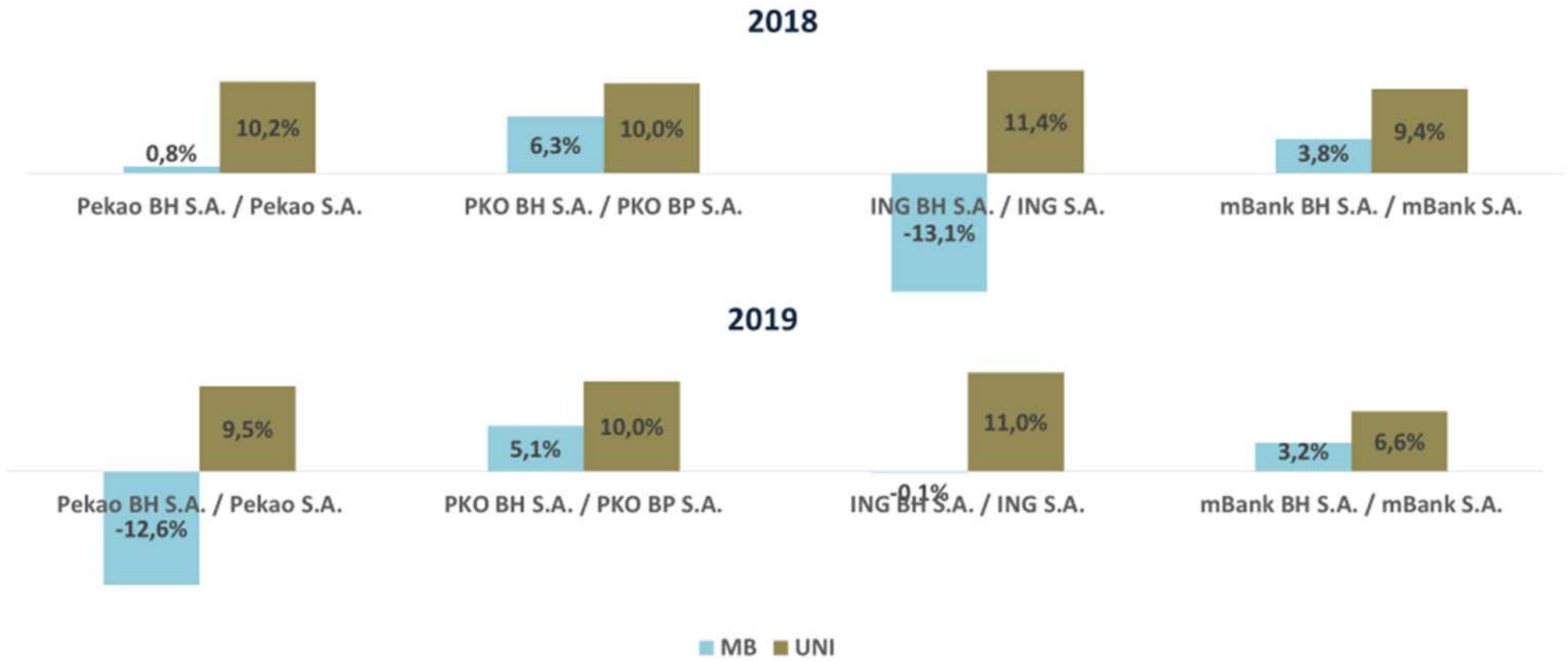

- **Average ROE in mortgage banks in 2018: 4,4%, in 2019: 2,8%**
- The most significant in 2019 was the loss in Pekao BH S.A. (addtional credit risk reserves). The change in the profitability of ING BH S.A. was practically insignificant for the profitability of the sector.

III. 3 potential scenarios of MB regulatory model. The assumptions of the cost analysis for individual scenarios

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	Scenario 1 MB with maximum level of outsourcing (as per banks' assumptions)	Scenario 1a MB with maximum level of outsourcing after the revision of the personnel costs	Scenario 2 Incorporation
Employment (Board + others), FTE	Reduction of personnel costs by 74%	Reduction of personnel costs by 50%	Reduction of personnel costs by 94%
Regulatory costs, including:			
BFG	Yes	Yes	Yes + lack of 50% discount
KNF	Yes	Yes	Yes
Banking tax	Yes	Yes	Yes + lack of deductions in MB
Outsourcing costs, including:			
present (existing), net	Yes	Yes	Yes
new/additional, net	Yes; 50% saved personnel costs	Yes; 50% saved personnel costs	Yes, 25% saved personnel costs
VAT	Yes	Yes	Brak
Other general costs (including amortisation)	Yes	Yes	The fall to the level of 155% personnel costs in Scenario 1[1]

[1] the indicator level for the most effective MB in Scenario 1

IV. ROE in MB 2019 - Scenarios

MORTGAGE BANKS SECTOR				
In PLN thousand		Net income	The change in Scenario result (saving or inefficiency)	Net ROE
Scenario	"0"	88 363	0	2,80%
Scenario	"1"	107 663	19 300	3,41%
Scenario	"1a"	101 463	13 100	3,22%
Scenario	"2"	55 663	-32 700	1,76%

The impact on the MB sector results

The change in MB total cost and its impact on MB sector ROE.