

## EuroRating affirmed 'BB' credit rating with a positive outlook assigned to the bank Bank Pocztowy S.A.

Public / Private rating	public
Continued / One off rating	continued (monitored rating)
Category	rating for the issuer
Name of the rated entity	Bank Pocztowy S.A.
Type of the rated entity	bank
Type of the credit rating	long-term, international scale
Date of rating affirmation	28.03.2024
Rating level	BB
Rating outlook	positive

**Warsaw, 28 March 2024 – EuroRating credit rating agency has revised the credit rating for the bank Bank Pocztowy S.A. The rating has been affirmed at 'BB' with a positive outlook.**

### KEY RATING DRIVERS

**Satisfactory level of equity:** At the end of 2023 Bank Pocztowy's equity value increased to PLN 816 million and its share in total liabilities increased to 9.1%. EuroRating assesses this level as satisfactory. However, the agency also takes into account the high fluctuations in the value of equity that have occurred in recent years (in mid-2022, equity amounted to PLN 273 million and constituted only 3.2% of total liabilities).

**Stagnant assets value:** Over the past three years, the value of the bank's total assets has fluctuated between approximately PLN 8.5 and 9.2 billion. In real terms (taking inflation into account), this could even be interpreted as a decrease in the scale of the bank's operations.

**Declining loan value:** Since 2019, the value of Bank Pocztowy's loan portfolio has been systematically decreasing (to PLN 3.7 billion, compared to PLN 5.1 billion in 2019). This has resulted in a gradual decline in the share of loans in assets, which at the end of 2023 amounted to only 41.1%.

**Poor quality of the loan portfolio:** The share of non-performing loans (NPLs) in the total loan portfolio has remained at significantly elevated levels in recent years. Although this ratio decreased in 2023 (to 9.0%, compared to 11.4% at the end of 2022), it is still a high level and significantly higher than the sector average.

**High liquidity:** Since 2016, the ratio of deposits collected to loans granted has been on a systematic upward trend. At the end of 2023 this ratio amounted to 2.12, which means that the bank is characterized by even high excess liquidity.

**Improved financial results:** Primarily due to the high interest rates maintained by NBP, Bank Pocztowy has recorded a large increase in interest income in recent quarters. As a result, in 2023 the bank achieved a record net profit of PLN 224 million (compared to PLN 105 million in 2022 and PLN 31 million in 2021). This resulted in the highest ever return on assets (ROA) ratio of 2.6% (compared to 1.2% in 2022 and 0.3% in 2021).

**Improvement in regulatory capital ratios:** Thanks to generated profits, which resulted in the increase in equity value and the simultaneous decrease in risk-weighted assets, there has been a significant improvement in the value of regulatory capital ratios over the past few quarters. TCR ratio increased to a high level of 23.6% (compared to 14.5% at the end of 2022) and Tier 1 ratio increased to 21.7% (compared to 12.0% a year earlier). At the end of 2023 both ratios exceeded the minimum KNF requirements by 12 percentage points and 12.2 percentage points, respectively.

**Negligible share of foreign currency mortgages:** Bank Pocztowy has historically granted foreign currency mortgages to retail clients on a very small scale. As a result, it is one of the few commercial banks that is practically unaffected by the problem of costs associated with the legal risk of this type of loans.

**Poor financial condition of the main shareholder:** The main shareholder of Bank Pocztowy (owning 75% of the shares) is Poczta Polska S.A., which has been in a difficult financial situation for a long time (the company generates high losses and requires large financial support). EuroRating assesses the probability of the bank being supported by the main shareholder in a crisis situation as relatively low.

## POSITIVE RATING OUTLOOK

The positive rating outlook means that, according to current estimates by the EuroRating rating agency, the probability of an upgrade of the bank's assigned rating over the next 12 months is currently greater than 1:3.

## MAIN FACTORS THAT COULD LEAD TO A RATING CHANGE

The most significant potential factors that could (individually or collectively) lead to rating upgrade, EuroRating includes: further increase in equity value and its share in the balance sheet total; remaining regulatory capital ratios at high levels; sustained improvement in financial performance and assets profitability; continued significant decline in the share of non-performing loans; as well as improvement in the financial condition of the main shareholder and/or acquisition of a new credible strategic owner by the bank.

The most significant potential factors that could (individually or collectively) negatively affect the current credit rating, EuroRating includes: potential further decrease in the value of equity and/or its share in the balance sheet total; renewed significant decline in regulatory capital ratios; substantial deterioration in generated financial results (including in particular generating losses); increase in the

share of non-performing loans in the total loan portfolio; as well as deepening financial difficulties of the main shareholder – Poczta Polska S.A.

#### BEST/WORST RATING SCENARIO

The full range of best- and worst-case scenarios for all rating categories spans from 'AAA' to 'D'. Historical long-term statistics on rating migrations (changes between individual rating classes) for entities rated by EuroRating are published in the report on rating statistics, available at: <https://www.eurorating.com/en/ratings/statistics> (annexes No. 6-9).

## REGULATORY DISCLOSURES

### Information on the EuroRating credit rating agency

EuroRating is a fully independent international credit rating agency operating since 2007, specializing in assessing the credit risk of enterprises and financial institutions. EuroRating Sp. z o.o. is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue public credit ratings throughout the European Union (in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision of ESMA.

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### Methodology

The presented credit rating for the bank Bank Pocztowy S.A. is an issuer credit rating – it is a general assessment of the creditworthiness of the assessed entity and concerns the credit risk of its senior, unsecured and unsubordinated financial obligations.

The presented credit rating has been assigned in accordance with the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council on credit rating agencies.

The methodology used in this rating was "Credit rating methodology for banks" published in June 2023 and available at: <https://www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology>

The rating scale of the EuroRating credit rating agency as well as detailed rating definitions are published at: <https://www.eurorating.com/en/ratings/rating-scale>

Historical default statistics for entities assessed by EuroRating are published in the report on rating statistics, available at: <https://www.eurorating.com/en/ratings/statistics>

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: <https://www.eurorating.com/en/ratings/methodology/definition-of-default>

Credit ratings assigned by the EuroRating credit rating agency are not solely estimates of the probability of default of a rated entity, but represent a total estimated assessment of a risk of loss (i.e. the ultimate loss of part or all of the receivables along with any interest) by the creditors of the rated entity in the event of its default. Ratings assigned by EuroRating therefore express a combination of the estimated probability of default of the rated entity and the estimated level of loss of receivables by its creditors in the event of an actual default (Loss Given Default).

### Public status of the credit rating / terms of use

The presented credit rating for the bank Bank Pocztowy S.A. is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published on the EuroRating's website in the section "Credit ratings", in the relevant tab on the rated entity/security.

The terms of use for credit ratings issued by EuroRating are published on the agency's website at: <https://www.eurorating.com/en/ratings/about-credit-ratings/terms-of-use>

**Solicitation status and main sources of information**

The rating assigned to the bank Bank Pocztowy S.A. was not solicited by the rated entity or any related third parties. The rated entity did not participate in the rating process and the EuroRating had no access to internal documents or the management of the rated entity. The analytical process relied solely on publicly available information. Key sources of information included: interim financial statements, presentations and reports from the rated entity, along with media coverage of the economy and relevant industries, as well as public information about the rated entity itself. The assigned credit rating was presented to the rated entity in advance and issued without any changes resulting from this disclosure.

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