

Good old standards

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“Is there any special way of generating profits at times of uncertainty? Should a bank which steadily expands its offer, modernises technology and products really be called conservative” “Polish Market” asks Jan Krzyszytof Bielecki, President of Pekao SA, Poland’s second largest bank.

A: I have been saying time and again for months: the crisis we are witnessing now and in which we participate is the biggest crisis experienced for at least 70 years. In many ways it is extraordinary and unprecedented, primarily in terms of scale, scope and speed of its spread as well as the amount of state assistance and the scale of protectionism. We are having to tackle an entirely new institutional order which is emerging, and not just in the economy. While acknowledging that the crisis is exceptional, the present crisis situation only goes to prove the validity of several good old principles which I have always respected and for which I was criticised by many in times of prosperity.

The past several months have demonstrated that the sole guarantee of stability and growth even at a moment of slump is the traditional banking model. A good, stable bank should have the broadest possible and diversified system of branches. It should manage the accounts of the largest number of individual customers and businesses, safe-keep their deposits, finance their investment requirements in a sensible manner, credit their businesses, take care of its security and of the money entrusted it by customers. And such security can be ensured solely by applying very high, and may I add an important word, conservative, standards of risk assessment. The crisis has taught us one tangible lesson – that loans should be contracted and paid in the same currency in which money is earned; that greed is no good and that a much more important criterion when assessing a company’s growth is definitely not its rising contribution to the market but whether it is developing in a sustainable manner. And also that assets of good quality allow operations to proceed normally even in highly abnormal conditions, without having to change principles applied to customers while the game continues. And that is what is meant by a conservative banking model. The growth of an organisation, adapting it to market requirements, changing it to meet technological progress are entirely different matters. It is evident that even a

conservative bank has to grow, to change, listen to what its customers expect and give it to them. Only in that manner can their loyalty be retained in the future and developed still further.

Q: Last year Pekao S.A. went from strength to strength on the financial market (the largest bank in Central-Eastern Europe, Poland's most valuable company according to AT Kearney,

Financier of the Year award for the President, the Banker prize). What is your recipe to maintain realism in market assessment, of your own possibilities, when a shower of commendations falls upon you?

A: In the simplest of terms – conservatism means, among other things, that you must remain level-headed, never driving to achieve huge profits, thinking you must create more and increasingly complex financial methods and avoiding getting smug. The mentioned distinctions are precisely confirmation of the realism we practice, testifying to the good health which Bank Pekao is experiencing in the present period of global turmoil, largely due to the excellent quality of assets and liquidity. And those are the result of our conservatism, giving clear proof that we are an all-weather bank.

It is something like a game of poker. The time came in mid-2008 to show your hand, who held good cards and who was just bluffing. We hold good cards, which the market appreciates. The most important, however, is we can assure our customers with utter responsibility that they can be sure their money is safe and can count on us no matter what the weather. Let this be confirmed by those of our customers and many Polish corporations whom we continue actively to credit in their operations, allowing them to grow despite unfavourable conditions. That is how we comprehend our responsibility to Poland's economy. We freely admit that in today's troublesome times there are few banks like Pekao.

Q: The company model – an industry leader. The company speaks not only on issues of its sector but also initiates wider discussion. Much has been said about the need to separate politics from business. Business has always had much to tell politics. Together with PKO BP President Jerzy Pruski you have started to speak openly about that issue. Is that just a one-off matter stemming from the crisis or is it an element of a new culture?

A; This is no case of mixing politics with business but, when such a great danger has emerged as the present crisis, all institutions that have anything at all to say on the matter should not stay on the sidelines. Such is our social responsibility. Pekao S.A. is one of the two largest banks on the Polish market, in conjunction with PKO BP representing half of the banking sector. We serve several million Polish citizens. We finance the operations of half of this country's largest companies. I cannot imagine keeping quiet when facing the problems and dangers

we observe for the whole, not only financial, system but the whole economy. The more so that we can fully note from our vantage point all that is taking place in the national economy, how the GDP is changing, but also what is going on in microeconomics, in household budgets of Polish families and the financial performance of Polish businesses.

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