

# credit trends

Semi-Annual Report  
Credit Information Bureau

1<sup>st</sup> half-year 2018



BIURO INFORMACJI KREDYTOWEJ

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The first half-year 2018 saw a clear rise on the credit market, in both consumer credits and housing loans. Thus, the economic boom reached the credit market, so far left behind. There was a substantial rebound on the market of housing loans. If the sales of housing loans follow the cycles observed in previous years (lower sales in the second half-year), the total value of housing loan contracts signed in 2018 may reach 55 billion zlotys, i.e. a 17% YoY rise. It would be the record high of the decade.

The rises in the consumer credits were weaker (YoY 6-8%), but they indicate a substantial rise anyway. We can observe an especially strong annual dynamics in instalment loans. The number of newly concluded credit card

contracts declines all the time, though the number of credit cards in use is stable.

The quality of credits in all products remains on a stable, safe level. There is a worrying possibility of a deterioration of the quality of bank portfolios due to loans taken in loan companies by customers heavily indebted in banks.

Most of the loan companies customers service bank credits at the same time. We can observe the repayment of currency credits all the time, including those in the Swiss franc. The recent data confirm a low

currency credit loss rate. Their holders are better at the repayment of instalments in comparison with borrowers servicing the zloty housing loans.



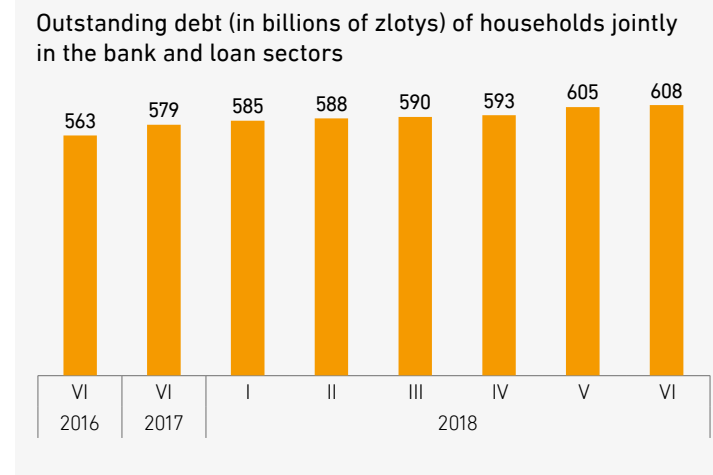
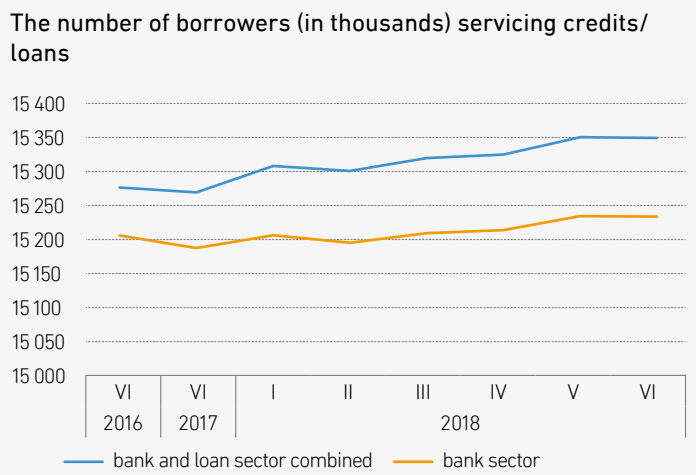
**Andrzej Topiński, PhD**  
**BIK Chief Economist**

# The number of borrowers, outstanding credit

**The number of borrowers servicing credits/loans rises considerably faster in loan companies than in banks. The debt of private customers rises faster than the number of borrowers.**

In June 2018, the number of borrowers with liabilities in use in both sectors (banks and loan companies) amounted to 15,349 thousand in the BIK database. In June 2017, the number was lower by 80 thousand (a rise of 0.5%). The number of bank sector borrowers rose by 46.3 thousand (0.3%) at this time, in the loan sector the number of borrowers rose by 122 thousand (as much as 29.3%). Like in the course of 2017, the rise resulted primarily from granting loans to customers already indebted in banks, but the number of loan companies customers not servicing bank credits amounted to 115.5 thousand in June 2018, i.e. a 41% rise.

The outstanding debt of households amounted to 608.5 billion zlotys in June 2018; in the course of the year it rose by 29.7 billion zlotys (5.1%), divided nearly into halves in the housing loans (by 13 billion) and consumer credits (by 13.6 billion). A relatively small rise in the housing sector results from the repayment of currency loans (there are not many new currency loans) and from the strengthening of the zloty, especially in relation to the Swiss franc.



# Borrowers by products

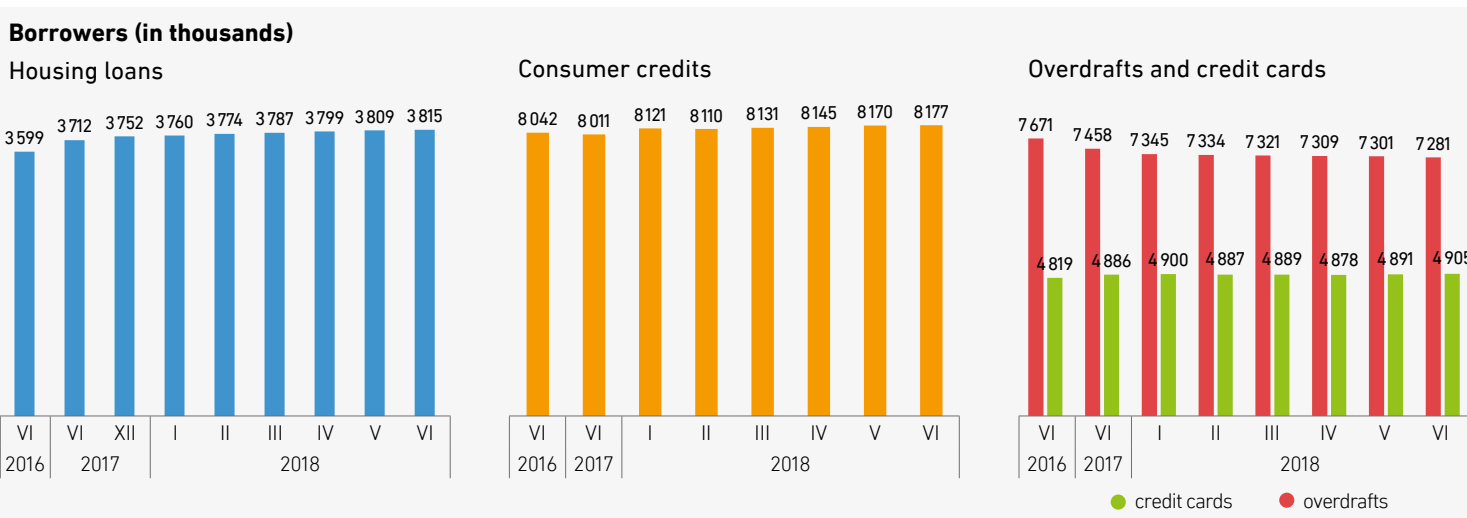
**The number of housing loan borrowers is on the rise. Smaller rises in the number of consumer credits and credit cards borrowers, declines in overdrafts.**

The number of customers servicing housing loans is on the rise all the time. In 12 months, the number of borrowers rose by 102.6 thousand (2.8%). The rises were similar in the previous 12 months (June 2017/2016 – 113 thousand customers). From January to June 2018 the number of borrowers rose by 62.7 thousand. The housing loan YoY debt rose by 3.2% in June 2018.

The rises in the number of customers servicing consumer credits (instalment and cash) are faster. In June 2018 there were 166 thousand (2.1%) of them more than in June 2017. The number of instalment and cash credit borrowers rose by 4.1% and 5.1% respectively.

The number of customers possessing overdraft is on a constant decline. In June 2018, it fell by 117 thousand (2.4%). In the preceding 12 months (June 2017/2016), it declined by 212 thousand.

The number of credit card holders, despite downward trends in card issuance, is stable; there is a slight rising tendency though. In June 2018, the number of credit card holders rose YoY by 0.4%, i.e. 18.5 thousand customers.





# Customers of loan companies

**The number of customers having liabilities to loan companies increased, but most of them simultaneously serviced bank credits. In recent months there were fewer and fewer of them.**

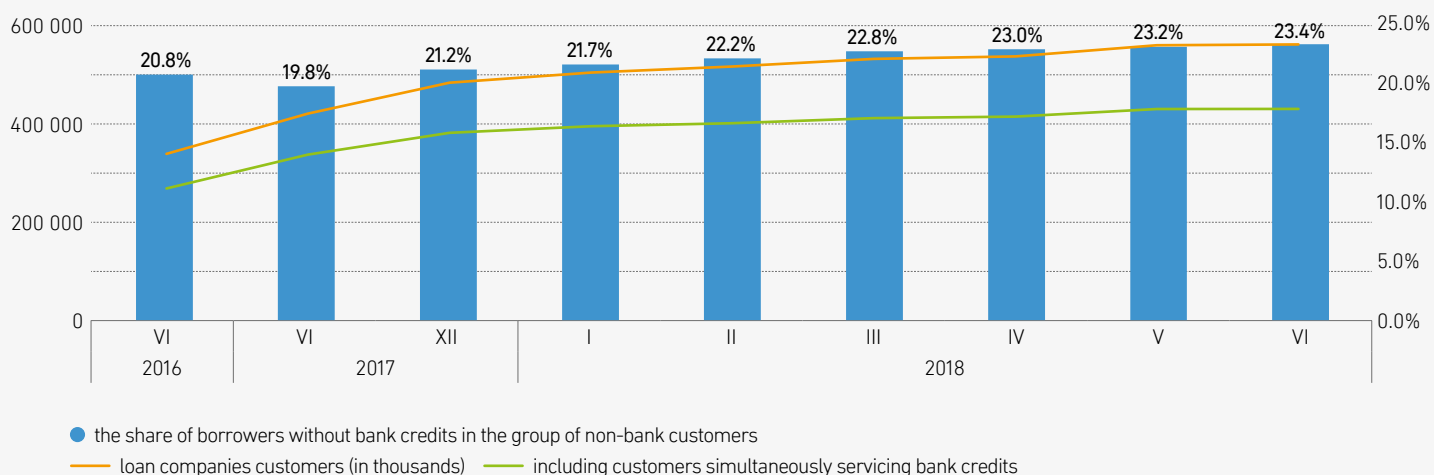
In the first half-year 2018, loan companies cooperating with BIK acquired 77.4 thousand new customers.

It is a noticeable acceleration of the rise in the number of customers. In the former 6 months (June-December 2017), they acquired 63.4 thousand new customers. Most of the loan companies customers continue to service bank credits simultaneously, but in the last 6 months the number of loan borrowers without bank credits rose by 28.5 thousand customers. The rise in the number of loan companies customers does not result only from the development of activities of these companies, but

also from the process of their closer cooperation with BIK. A significant rise in the number of loan companies customers having no liabilities in banks results from a tighter cooperation of loan granting companies with other channels like the Internet.

Slightly more than half of 131 thousand customers of loan companies borrowers are young people below 35 years of age. The young are riskier, but the biggest risk is posed by overactive borrowers simultaneously servicing many loans in both sectors.

Loan companies customers (in thousands), including those simultaneously servicing bank credits

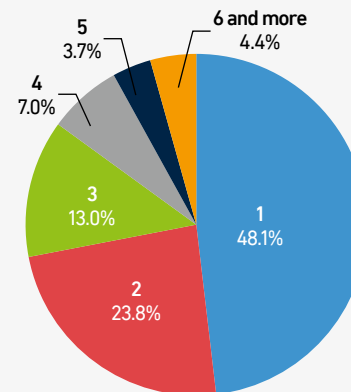


# Customers servicing many credits and loans

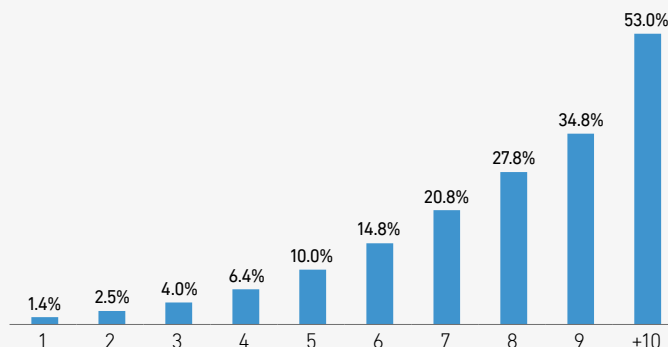
**More than 85% of borrowers service more than three credits and loans, but the number of borrowers with a higher number of liabilities is significant. The number of serviced liabilities has a great impact on a borrower's risk profile.**

There are 2.3 million customers with 4 or more liabilities. The more liabilities in banks and loan companies on the part of customers, the more of them service simultaneously credits and loans. Liabilities in loan companies have a much higher loss rate than bank credits (next page).

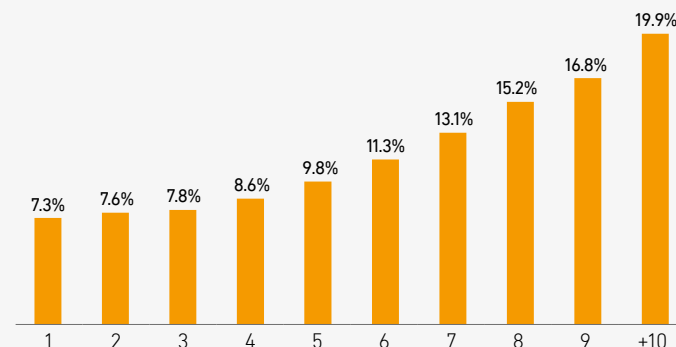
Bank and loan companies customers (15.3 million customers jointly) by the number of serviced liabilities



The share of customers with non-bank liabilities by the number of liabilities serviced in both sectors



The share of borrowers with at least one 90+ day-overdue credit/loan account by the number of serviced liabilities

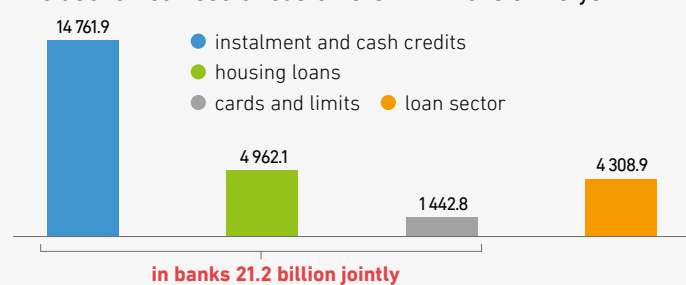


# Joint debt of loan companies customers in banks and loan companies

**The loan companies customers are primarily interested in cash loans, also in banks. A risk transfer between portfolios of banks and loan companies is probable.**

Loan companies customers are indebted in these companies only in 17% of their whole debt, they owe the remaining amount of liabilities to banks. Their bank liabilities are primarily in consumer credits, with relatively few housing loans. The degree of interest in cash credits seems to be a distinguishing feature between loan companies and bank customers. A low share of housing loans in the debt of loan companies customers does not result from a different age structure of borrowers. A high share of consumer credits/loans in loan companies customers' debt may result from the lack of involvement in housing loans, and consequently the related "free" credit capacity may cause a stronger interest in consumer credits. The loan loss rate of is three times higher in comparison with consumer credits, which creates a probability of risk transfer between sectors.

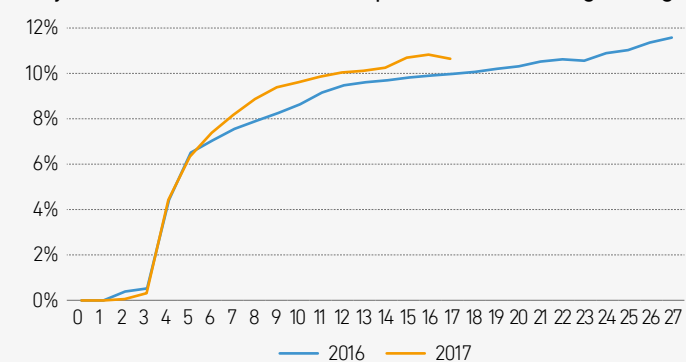
The debt of loan sector customers in millions of zlotys



## Joint credit and loan debt

	bank customers	loan companies customers
consumer credits	26.9%	78.1%
housing loans	69.2%	18.5%
cards	2.3%	2.9%
overdrafts	1.7%	0.5%
	100.0%	100.0%

The share of 90+ days past due non-bank consumer loans in the years 2016 and 2017 in subsequent months after granting





# Overactive customers

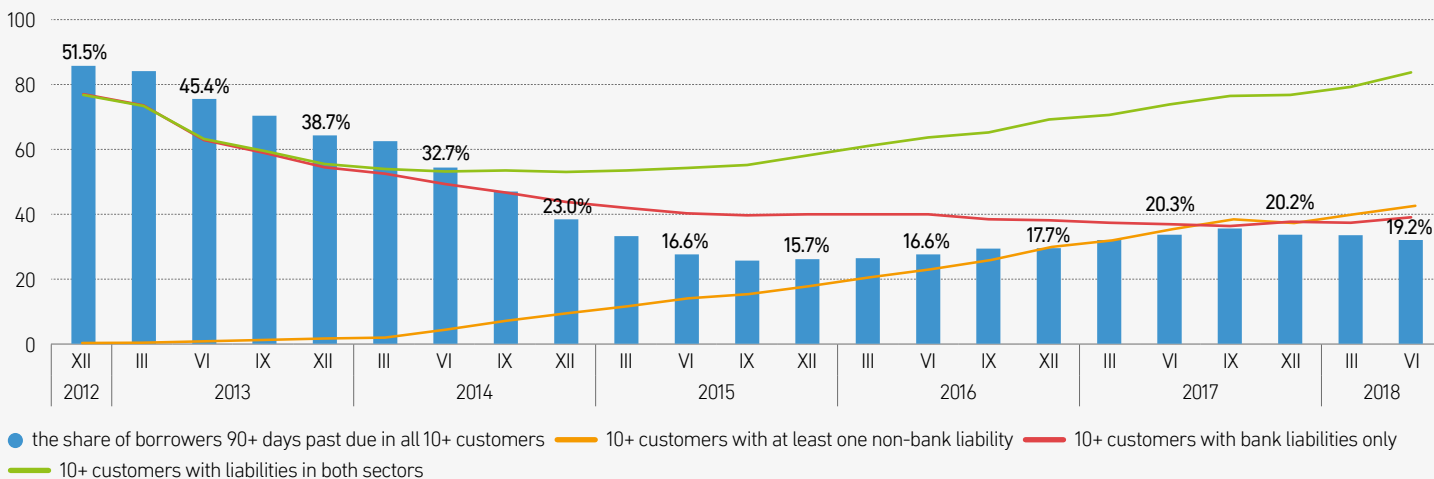
**The number of overactive customers (with 10 or more liabilities) increases in the BIK database to follow the growing number of loan companies transactions entering the base.**

In June 2018, there were 39.6 thousand borrowers having 10 or more liabilities in use in the bank sector, 1.3 thousand more than at the beginning of the year. We can observe stability in the period of 4 years, with a slight falling tendency of the number of 10+ customers in the bank sector. It is to be seen whether a slight rise in the first half-year means a change in the trend. However, the number of borrowers servicing

10 or more credits is on the rise all the time if non-bank loans are taken into account. There were 83.3 thousand customers of this kind in June 2018. In the course of one year, the number of customers servicing 10 or more credits simultaneously rose by 9.5 thousand. A slightly lower annual rise in this category was noted in December 2017 (7.2 thousand of 10+ customers). The customers servicing

10 or more liabilities are referred to as overactive. They are customers of an increased risk profile. It seems that loan companies took over financing of overactive borrowers, whose number is on the rise all the time if borrowers of both sectors are analysed jointly. The rise in the number of overactive customers from the loan sector partially results from a tighter cooperation of these companies with BIK.

The number of overactive customers (in thousands) having at least 10 liabilities in the bank and loan sectors



## Key findings

- The economic recovery in the economy and on the labour market translates into the market of housing loans as well as consumer credits. In the first half-year we noted marked rises in the number and amounts of concluded contracts. So far, we could observe rises only in value, with a stable number of concluded contracts.
- In the first half-year, the sales of hire purchase financing credits rose especially quickly.
- The bank sector returned to low amount credits.
- In the first half-year, the household debt rose at a nearly double digit rate.
- We can observe a substantial rise in non-bank loans. It partially results from a tighter cooperation of the Credit Information Bureau with loan companies. These companies finance customers whose majority already service bank credits. Because the loss rate of loans is three times higher in comparison with bank credits, there is a threat of risk transfer between sectors.
- The quality of consumer credits granted by banks is at a stable, safe level.

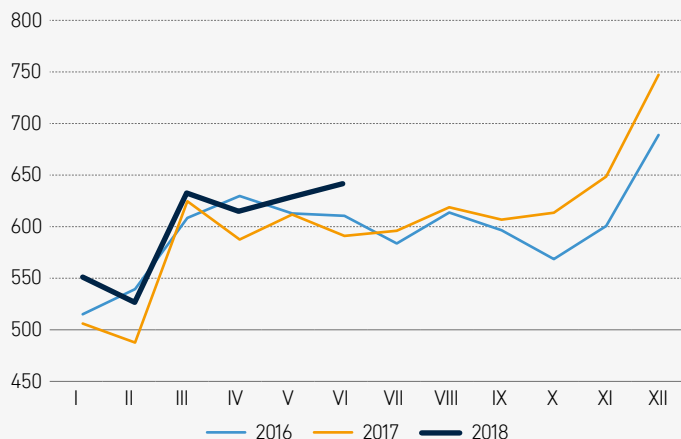
# The number of granted credits

## The number of consumer credits (instalment and cash) granted noticeably rises.

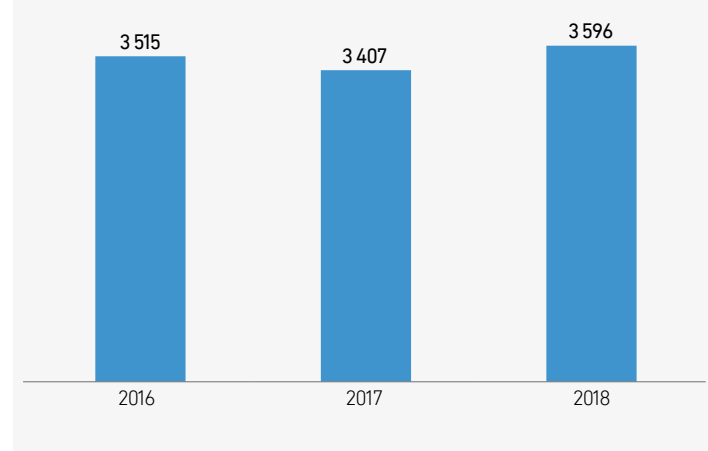
In 2018, every month banks and SKOK credit unions granted more credits than in 2017. March and May saw the weakest dynamics. The previous year's model is repeated: a poor beginning of the year, a rebound of consumer credit sales in March-April, followed by stable of sales till the pre-Christmas period. The July data published in the BIK Newsletter show a decline in the number of consumer credits granted in July in terms of MoM, but a rise in the YoY terms.

In the first half-year 2018, banks and SKOK credit unions granted 3,596 thousand consumer credits. It meant a 5.6% YoY rise. There was a noticeable lending recovery, begun in the 4<sup>th</sup> quarter last year and continued in the first half-year 2018.

Consumer credits (in thousands) granted monthly in 2016-2018



Consumer credits (in thousands) granted in the first half-years in 2016-2018



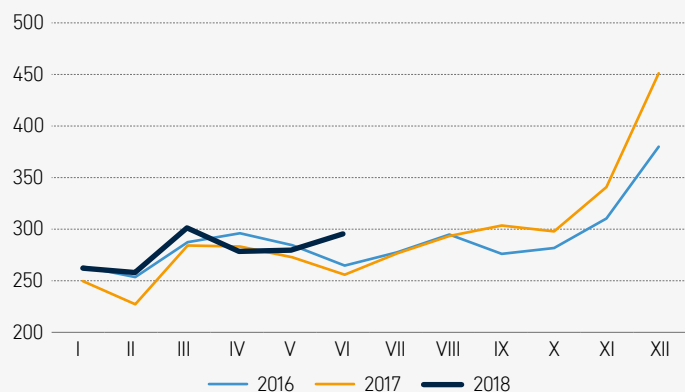
# Instalment and cash credits

**A recovery of the sales of consumer credits is observed in the instalment as well as cash segment.**

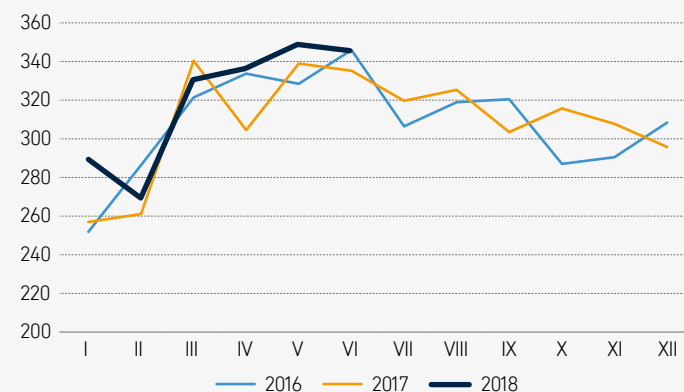
A recovery of bank financing of hire purchase begun in the 4<sup>th</sup> quarter 2017 continued, though the dynamics indicators in the first half-year are lower than in the 4<sup>th</sup> quarter 2017. In the first half-year 2018, banks granted 1.7 m instalment credits, i.e. 6.8% YoY more. It is worth mentioning that the number of instalment credits granted in the first half-year 2017 was lower than in 2016. The sales of instalment credits recovered in the 3<sup>rd</sup> quarter 2017 and the trend continued in the first half-year 2018.

The number of instalment consumer credits granted in the first half-year 2018 was YoY 4.5% higher. In the whole 2017, the sales of cash credits were at the 2016 level, but 5.9% lower in comparison with 2015. Like in the case of instalment credits there was a definite sales trend rebound.

Instalment credits (in thousands) granted monthly in 2016-2018



Cash credits (in thousands) granted monthly in 2016-2018



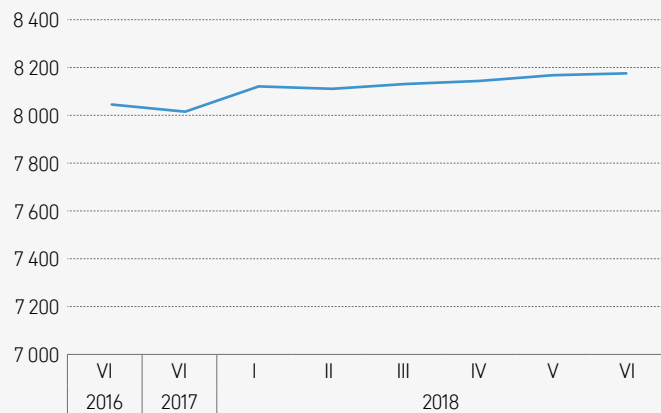
# Outstanding debt, the number of borrowers

**We can observe a growing trend in the number of borrowers in the consumption segment since March 2017. The outstanding debt amount grows faster than the number of borrowers.**

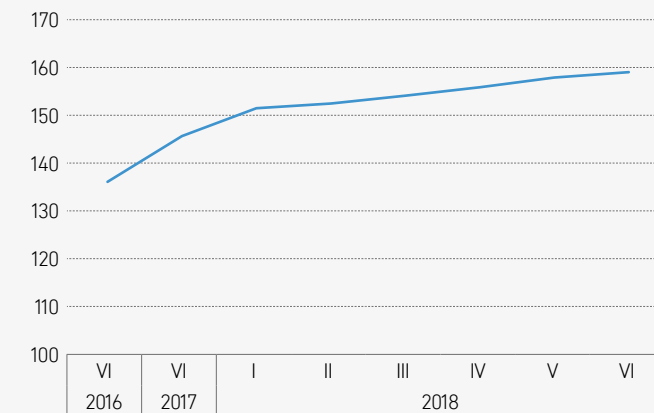
In June 2018, 8,177 thousand customers serviced instalment or cash consumer credits. A year ago, there were 166 thousand (2.1%) borrowers less. 3,712 thousand customers had instalment credits in June 2018 (a 3% YoY rise), and 5,757 thousand customers had cash credits (a rise of 1.5%).

The outstanding debt of retail customers in consumer credits in banks and SKOK credit unions in June 2018 amounted to 159.2 billion zlotys (a 9.3% rise), 17.1 billion of which in instalment credits (a 9.9% rise) and 142.0 billion zlotys in cash credits (a 9.2% rise).

The number of borrowers (in thousands) servicing consumer credits in banks and SKOK credit unions



The consumer credit outstanding debt (in billions of zlotys) in banks and SKOK credit unions



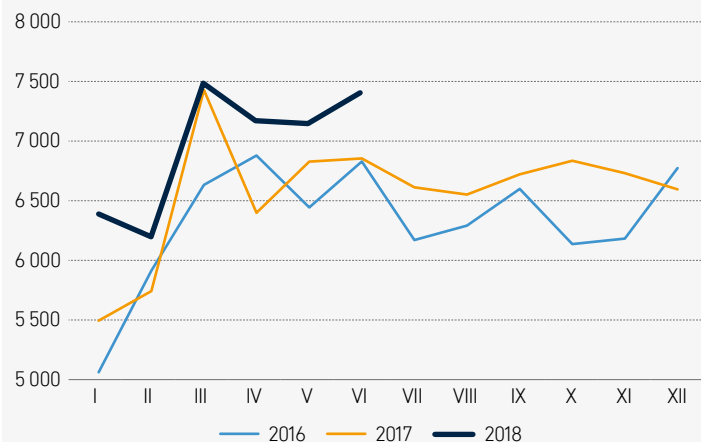
# The value of consumer credits granted

## The value of newly concluded consumer credit contracts continued to grow.

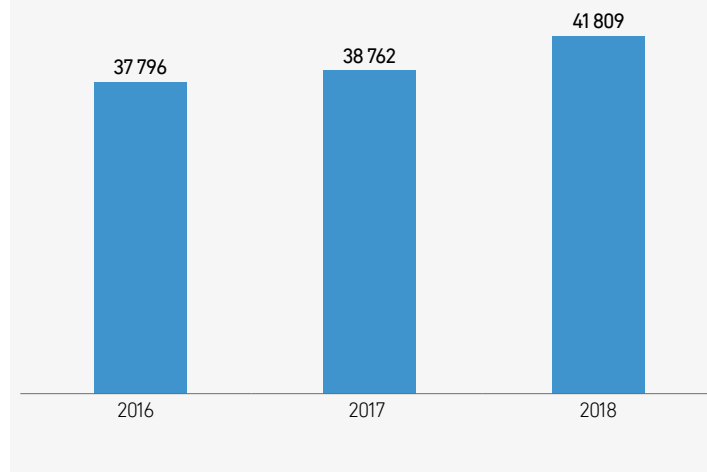
The value of concluded contracts in the 1<sup>st</sup> half-year 2018, especially in the 2<sup>nd</sup> quarter, considerably exceeded the level of the previous year. April saw the highest dynamics (8.2% YoY). In the 1<sup>st</sup> quarter 2018, banks and SKOK credit unions granted credits amounting to 20.1 billion zlotys (a YoY rise of 7.5%), and in the 2<sup>nd</sup> quarter for the amount of 21.7 billion zlotys (a YoY rise of 8.2%).

In the 1<sup>st</sup> half-year 2018, banks and SKOK credit unions granted instalment and cash credits amounting to 41.8 billion zlotys, i.e. 7.9% more than a year ago. The consumer credit sales rising trend seems permanent. The YoY sales dynamics in terms of value is higher than in terms of numbers, but the difference became smaller in the first half-year.

The amount (in millions of zlotys) of consumer credits granted monthly in the years 2016–2018



Consumer credits (in millions of zlotys) granted in the 1<sup>st</sup> half-years in 2016–2018





# The value of instalment and cash credits

**A substantial rise in the sales of consumer credits. In the instalment segment there was a double digit rise in the first half-year.**

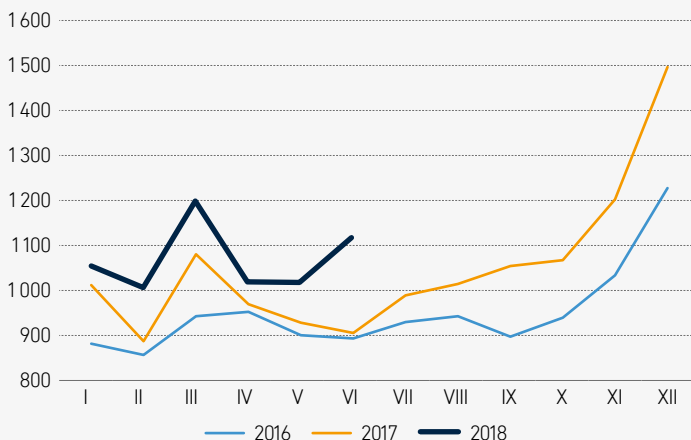
In the 1<sup>st</sup> half-year 2018, banks and SKOK credit unions granted instalment credits amounting to 6.4 billion zlotys, i.e. 11% more than a year before. In the 2<sup>nd</sup> quarter, the YoY rise amounted to 12.6%, and in June to as much as 23.7%. In terms of numbers the instalment credit sales rose a little more slowly. In the first half-year, the YoY rise amounted to 6.8%, in the 2<sup>nd</sup> quarter to 5.5% and in June to 16.1%.

A good situation in the instalment as well as the cash segment seems to be stabilising.

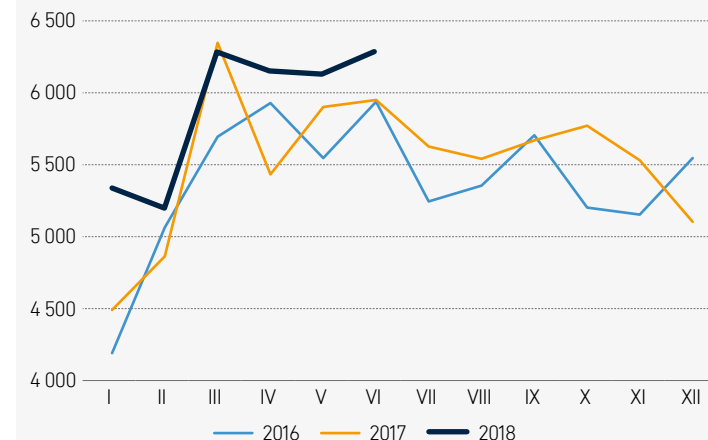
The value of cash credit contracts in the first half-year amounted to 35.4 billion zlotys, and was YoY higher by 7.3%; similarly, in the 2<sup>nd</sup> quarter by 7.5%; June, unlike in the case of instalment credits was poorer: the YoY dynamics amounted to 5.7%.

In terms of numbers, the dynamics of sales of cash credits in the first half-year was lower than in terms of value. The YoY rise in the number of credits granted in the first half-year amounted to 4.5%, to 5.4% in the 2<sup>nd</sup> quarter, and to 3.1% in June.

Instalment credits (in millions of zlotys) granted monthly in 2016-2018



Cash credits (in millions of zlotys) granted monthly in 2016-2018



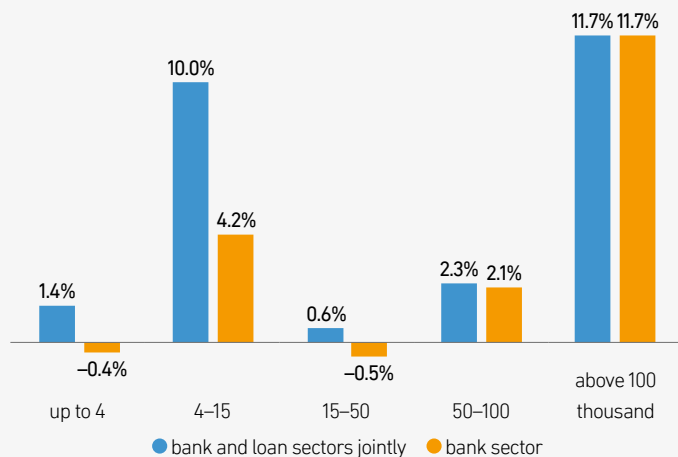
# Consumer credits in amount segments

**In 2018, the number of low amount credits granted rose, also in the bank sector. It is a new phenomenon. High amount credits rose more slowly than a year ago.**

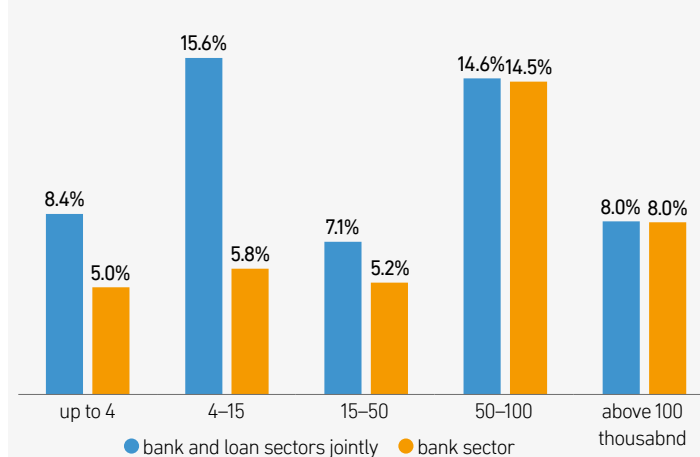
In 2016 the YoY dynamics of credits in terms of numbers granted by the bank sector for the amounts of up to 50 thousand zlotys was negative. In 2017, bank credits for the amounts within the 4-15 thousand range rebounded, with the remaining ranges below 50 thousand being slightly negative at the end of 2017. Banks definitely focused on higher amount ranges, leaving the low amount sector to loan companies.

The numerical structure of consumer credit sales in terms of amount in the first half-year 2018 was different. Bank credits in ranges up to 50 thousand zlotys rose noticeably in comparison with the whole 2017, though the dynamics for the amounts up to 50 thousand zlotys is higher in loan companies than in the bank sector. The recovery of sales of credits for lower amounts in the bank sector results from a good situation in the instalment segment.

The YoY rises in the number of consumer credits/loans granted in 2017 in amount segments



The YoY rises in the number of consumer credits/loans granted in the first half 2018 in amount segments



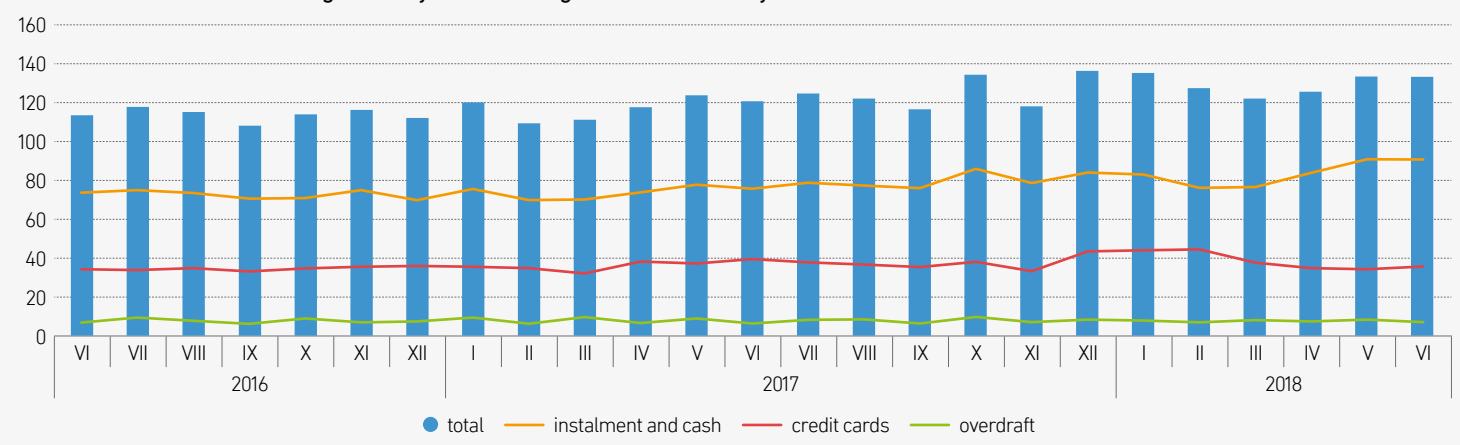
# Entries into the 30+day-overdue status

**The rise in number of entries into the status 30 + days past due of consumer credit accounts and credit card accounts accelerates.**

The number of entries into the 30+day-overdue status may be treated as the first signal of the portfolio quality deterioration. In the first half-year 2018, on the average, 129.6 thousand consumer credit, credit card and limit accounts shifted from the regular servicing status to the status of 30 days+ overdue. It is much more (10.6%) than in the first half-year 2017. In credit cards, the YoY rise in entries into the status of 30 days+ overdue amounted to 13.9%; only in limit products we noted a decline in entries (by 4,1%). The number of entries into the

status of 30 days+ overdue rose much faster the number of accounts in the regular status whose number in June 2018 was 4.8% higher than a year before. This comparison is worrying, but at the time being, we cannot observe a significant rise in entries into the status of 90 days+ overdue (next slide). The rise in entries into the status of 30 days+ overdue may relate to the rise in fast rotating instalment credits. Their loss rate is low, but high turnover causes higher residues.

Credits (in thousands) shifting monthly from the regular to the 30+day-overdue status



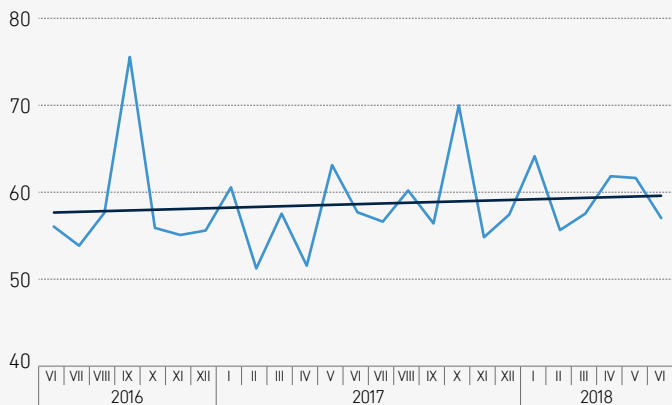
# Entries into the 90+day-overdue status and the Consumer Credit Portfolio Health BIK Index

**The number of entries into the 90+day-overdue status and the Consumer Credit Health Index based on them are stable.**

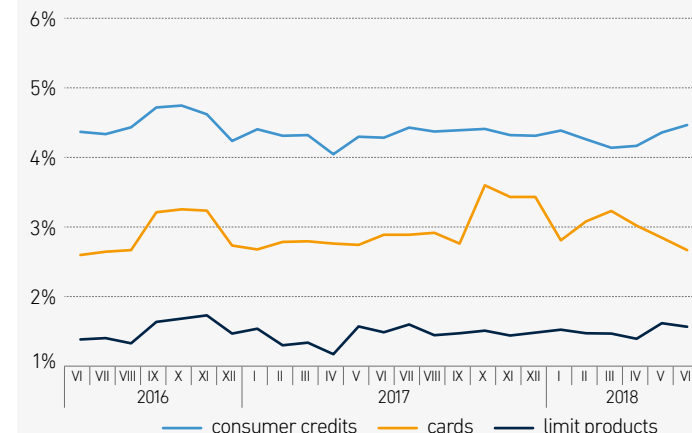
At the time being, the rise in the number of shifts to 30+day-overdue status does not translate into the rise in the number of shifts to 90+day-overdue status. The quality of portfolios measured with the number of shifts to 90+day-overdue status is stable; a slight rise of 4.9% results from the rise in the number of accounts in use. Also, the quotations of indices of consumer credit quality, published every month in the BIK Newsletters, are based on the number of shifts to the 90+day-overdue status, are on

a stable level. The rise in the shifts to the 30+day-overdue status may move to the 90+day-overdue status quotations in the following months. At present, the dynamics of shifts to the 60+day-overdue status is already at a higher level than the dynamics of accounts in use. In the first half-year 2018, on average 10.4% YoY more consumer credit accounts shifted monthly to the 60+day-overdue status (instalment and cash credits jointly) and nearly 7% more card and 7% more credit limit accounts.

The number of entries (in thousands) into the 90+ day-overdue status in June 2018 and in the preceding 23 months, in portfolios of consumer credits, credit cards and overdrafts



The BIK Consumer Credit Health Index – quotations in June 2018 and in the preceding 23 months



# The quality of consumer credits granted in the bank sector (30+day-overdue status)

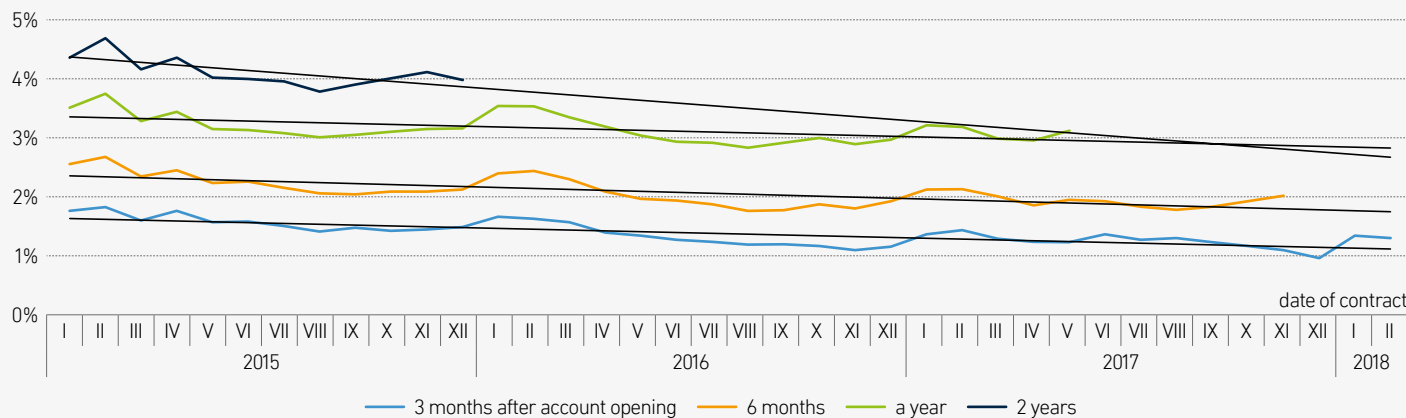
## The lending quality improves – the younger the cohort, the lower the loss rate.

A relatively low number of accounts entering overdue statuses, in particular the 90+day-overdue status, in servicing consumer credits, indicated on the preceding pages, resulted from a low level of loss rate of the subsequent generations of credits. The graph below shows that the loss rate of subsequent credit generations, regardless of the seasonal factor, shows a falling trend. The subsequent generations deteriorate linearly over time (lines are nearly parallel), which may be interpreted

as the lack of impact of the business cycle factors (e.g. income factors) on the repayment of credits.

The so-far experience indicates that about half of the accounts entering monthly the past due status of 30+ days return to the status of regular servicing in the following month. Hence, the quality of crediting measured with the percentage of the cohort accounts, which in their history had at least once the 30+day-overdue status, is nearly twice as high.

The share of 30+day-overdue accounts in the number accounts opened in 2015-2018

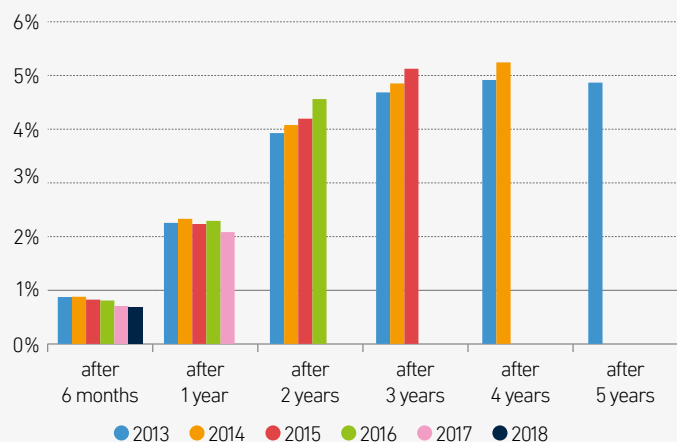


## The quality of cash credits (90+day-overdue status)

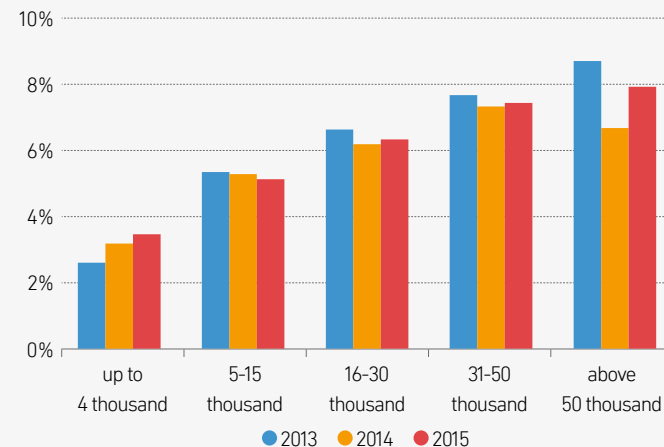
The loss rate of bank cash credits measured with vintage indicators – the share of overdue credits in the number of granted credits in the cohort. The younger the cohort, the lower the loss rate, but measured only in the first year after granting the credit. Measured in the following years, on the contrary: the later the generation, the higher the percentage of 90+day-overdue credits, in the comparable time after granting. Cash credit have the highest loss rate 5 years after granting. The vintage indicator of overdue cash credits comes up to

5% then; and it does not grow later. Analysing closely the generation 2015, on which we have information about overdue servicing in the third year after granting, and this generation with two former ones, we can notice that in the group of credits granted for the amounts of up to 4 thousand zlotys, the younger the generation, the higher the loss rate. In credits for higher amounts, generations 2013-2015 have a similar share of lost credits.

The share of 90+ day-overdue cash credits in the number of credits granted in 2013-2018; in the subsequent months and years after granting



The share of 90+ day-overdue cash credits measured in the 36<sup>th</sup> month after granting in generation 2013-2015 by the credit amount



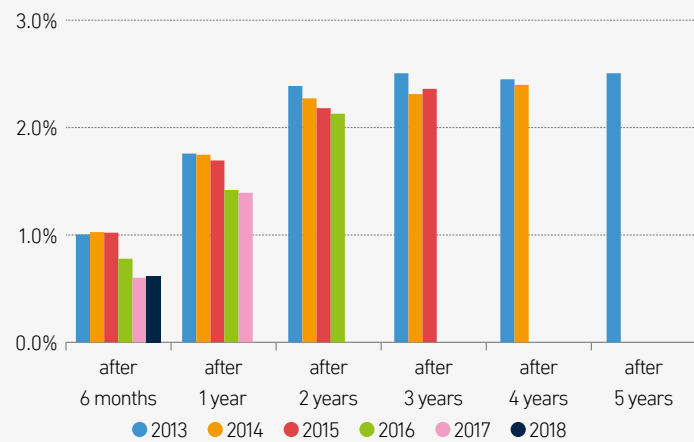


# The quality of instalment credits (90+day-overdue status)

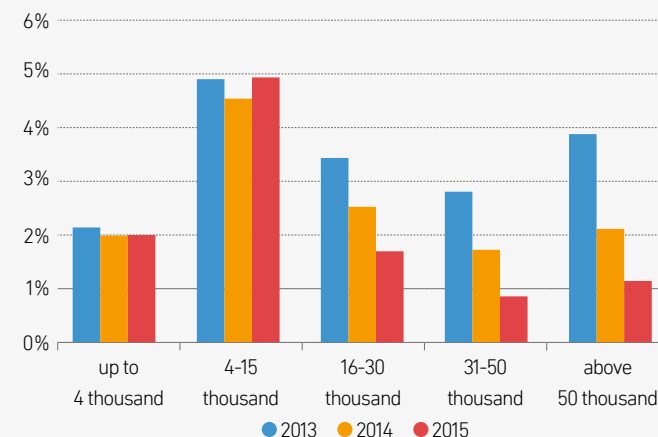
The instalment credit loss rate, measured three years after granting, is two times lower compared to cash credits. About 2.5% of accounts opened in 2013-2015 appeared to be lost. It is possible that the following generations will be similar. We can observe in all generations that the later they are, the lower the loss rate is in comparison with earlier generations. The lowest loss rate is shown by small instalment credits (up to 4 thousand zlotys). The share of this segment in the sales

of instalment credits amounts to about 80% in terms of numbers and 40% in terms of amounts. The lowest loss rate is seen in the amount segment of 4-15 thousand zlotys; its share in the sales accounts for about 16% of the number of granted credits and 26% of the amounts granted. A low loss rate of higher amount credits may result from their collateral (vehicles).

The share of instalment credits 90+ past due in servicing in the number of credits granted in 2013-2018 in the subsequent months and years after granting



The share of instalment credits 90+ past due in servicing in the number of credits granted in 2013-2015 in the subsequent months and years after granting

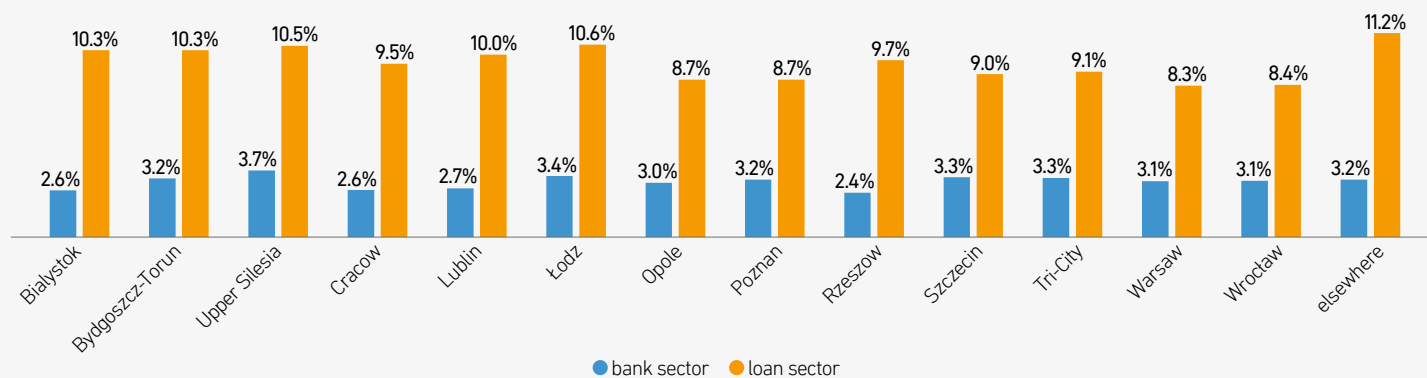


## The quality of credits and loans in conurbations and elsewhere

The loss rate of bank credits in conurbations does not differ significantly from the loss rate of credits granted to customers elsewhere. In the credit amount segment of up to 15 thousand zlotys, the share of 90+day-overdue credits in all credits granted in the years 2015-2018 accounts for 3.15% in conurbations, and 3.16% in the whole country. We analyse the segment of consumer credits of up to 15 thousand zlotys as it may be compared to loan companies. All consumer credits have a similarly measured loss rate at the level of 0.5% higher in comparison with the segment of credits for the amount of up to 15 thousand

zlotys. The loss rate of non-bank loans is considerably higher than bank credits and is different in conurbations and elsewhere; there are also discrepancies in the loss rate of loans granted to customers in different conurbations. On the average, the share of lost loans in conurbations amounts to 9.4% in loans granted in the years 2015-2018, and 10.4% elsewhere. The highest risk is posed by credits and loans in the Upper Silesian and Lodz conurbations. The lowest risk is posed by credits and loans in Rzeszow and Lublin conurbations. However, they have an above average loss rate in non-bank loans.

The share of 90+ past due accounts in the number of accounts opened in the years 2015-2018 for the amounts of up to 15 thousand zlotys 30 months after granting in conurbations and elsewhere



## Key findings

- The first half-year saw the highest sales of housing loans in the last few years (in terms of numbers 7.8% YoY and in terms of value 16.7% YoY). The value dynamics of sales may have been significantly affected by the rise in prices of flats.
- An explicit impact of the MdM programme on the course of contract conclusion in the first half-year, especially in the 2<sup>nd</sup> quarter. In the years 2016-2017, the sales of housing loans were of a specific cyclical character: high sales in the 1<sup>st</sup> half-year (in particular in the 1<sup>st</sup> quarter), poorer in the 2<sup>nd</sup> half-year. And it is likely to be like this in 2018. Admittedly, it results from the MdM subsidies.
- The number of currency accounts in use and the liabilities amounts decline, partly due to the strengthening of the zloty against other currencies, especially the Swiss franc. The strengthening of the zloty, observed since the beginning of 2017 (although the 2<sup>nd</sup> quarter saw its weakening), was accompanied by curbing the rise in the share of overdue servicing of credits in the currency portfolio.
- At present, few currency credits are being granted (about 3 thousand annually), but many more than in 2013-2014, directly after imposing strict supervision standards in relation to these credits.
- We estimate that about 50-70 thousand people invested funds from credits in flats for commercial sales or rent.

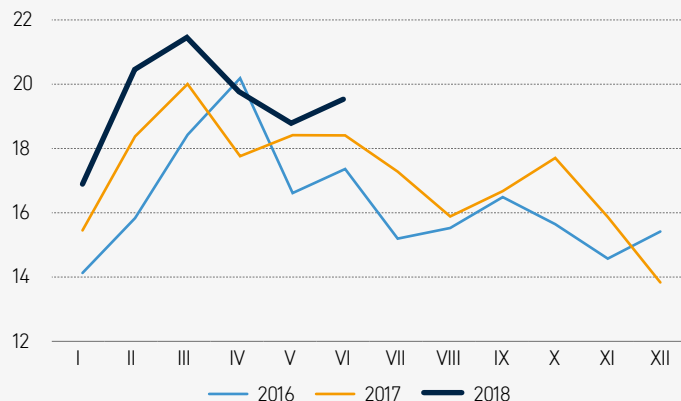
# The number of granted housing loans

**In the first half-year 2018 high rises in the number of housing loans granted continued.**

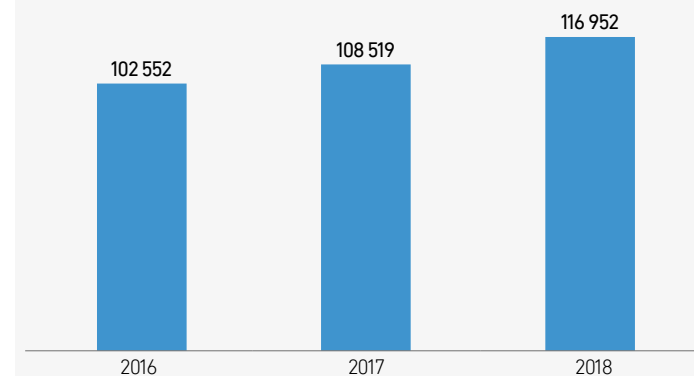
Every month in the first half-year 2018, the sales of housing loans exceeded the previous year's level. From January to April the YoY dynamics indicators of the number of granted housing loans oscillated around 10%. In May and June, the dynamics declined and amounted to YoY 1.9% and 6.1% respectively. In the last years, lending was clearly seasonal in character, there was a strong beginning of the year and then a poorer 2<sup>nd</sup> half-year. In 2016 and 2017, the 2<sup>nd</sup> half-years saw about a 10% decline in granted credits compared to the first half-years. Admittedly, this specific seasonal character results from the depleting MmM subsidy limits after the 1<sup>st</sup> quarter.

In the 1<sup>st</sup> half-year 2018, banks granted 117 thousand housing loans, i.e. 7.8% more than in 2017. It is the highest half-yearly sales result in the last five years. At the end of 2017 the dynamics declined. In the 4<sup>th</sup> quarter the number of granted loans exceeded the 2016 results only by 2.1%. The 8% dynamics of the number of granted loans is close to the dynamics of 8.9%, presently reported by GUS, of the number of new flats provided in the 1<sup>st</sup> quarter in the category of flats for sale and rent.

Housing loans (in thousands) granted monthly in 2016–2018



Housing loans (in thousands) granted in the first half-years in 2016–2018

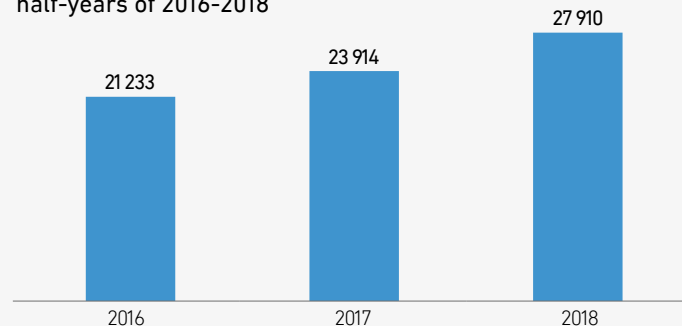


# The value of granted housing loans

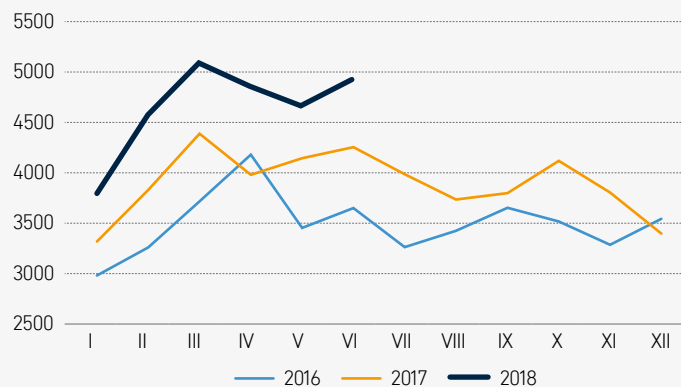
**Housing loan sales in terms of value continue to grow twice as fast as sales in terms of numbers; thus, the average amounts of granted loans keep growing.**

In the 1<sup>st</sup> half of 2018, banks granted housing loans for the amount of nearly 27.9 billion zlotys, which meant a rise of 16.7% compared to 2017. It is nearly twice as high as in terms of numbers. It was similar in 2017. At present, the difference in the dynamics in terms of numbers and value may result from the rise in prices of flats. If the sales of housing loans in the 2<sup>nd</sup> half-year are similar to those in 2017, the 2018 sales may approach the amount of 55 billion (a forecast YoY rise of 17%). It would be a record high of the current decade.

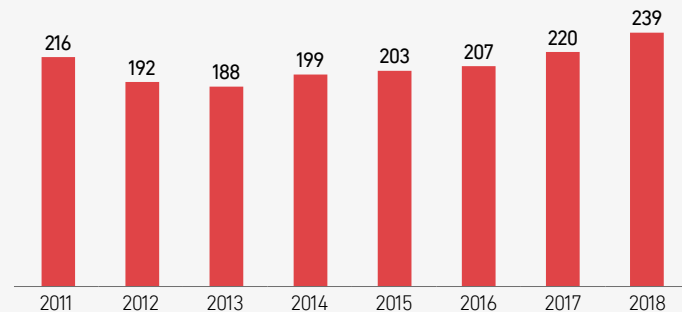
Housing loans (in millions of zlotys) granted in the 1<sup>st</sup> half-years of 2016-2018



Housing loans (in millions of zlotys) granted monthly in 2016-2018



An average amount of a housing loan (in thousands of zlotys) granted in the 1<sup>st</sup> half-years in 2015-2017

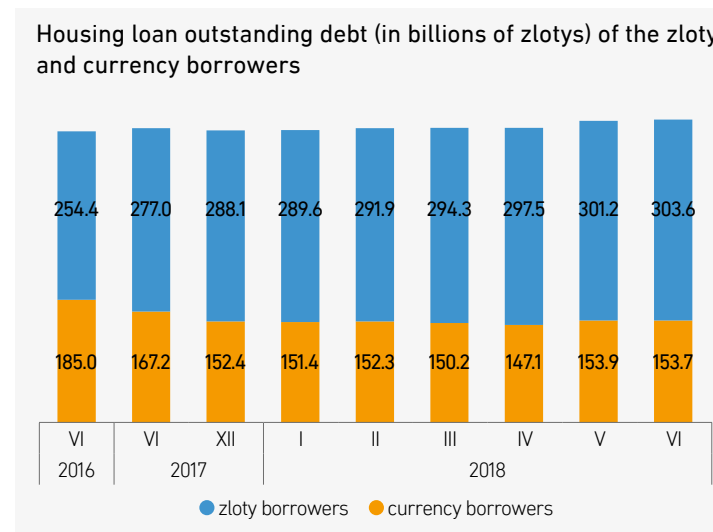
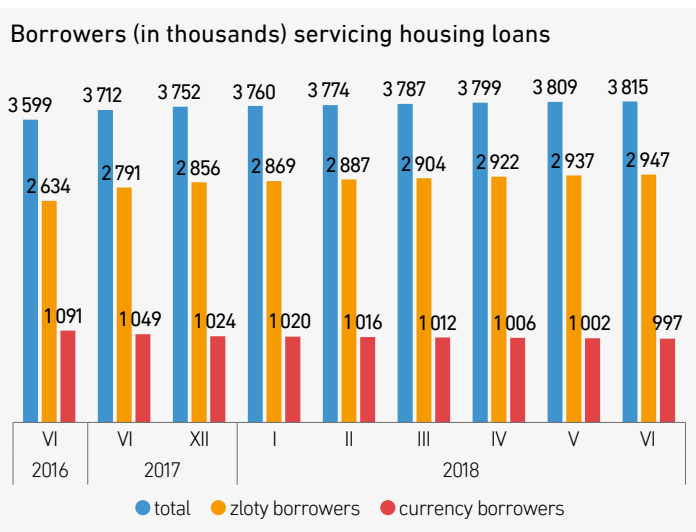


# The number of borrowers, outstanding debt

**The number of housing loan borrowers was on the rise. The amount of their liabilities also rose.**

There were 3,815 thousand borrowers with housing loans in use in June 2018. The number of borrowers increased by 102.6 thousand new customers in comparison with June 2017. The number of the new zloty loan borrowers increased by 155.6 thousand, and the number of hard currency borrowers declined by 52 thousand. The increases/declines in the number of borrowers in 12 months are similar to those reported in the previous Credit Trends issue according to the state at the end of December 2017 despite a definite acceleration of housing loans sales in the 1<sup>st</sup> half-year 2018. The zloty and currency loans are simultaneously serviced by 129 thousand customers.

In June 2018, the housing loan outstanding debt of households amounted to 420.6 and was higher by 13 billion zlotys than in June 2017. The outstanding debt of zloty borrowers was 26.6 billion higher than a year before, while the debt of currency borrowers was 13.6 billion lower. The changes in the level of debt, especially that of currency borrowers came as a result of exchange rate differences and repayment of loans. The rate of Swiss franc was lower by 9.6 (2.6%) groszes than in June 2017, and compared to December 2017 it gained 20.3 groszes (5.8%). The outstanding debt of Swiss franc borrowers, compared with June 2017, declined in June 2018, as calculated in the zloty, by 10.3%, and in comparison with December 2017 it rose slightly (by 0.6%).





# The quality of granted housing loans

## The process of rise in the share of overdue loans along with the age of loans continues to be slow.

The loss rate measured with the share of overdue loans in the number of loans granted in the year/cohort rises linearly over time, though at a different pace.

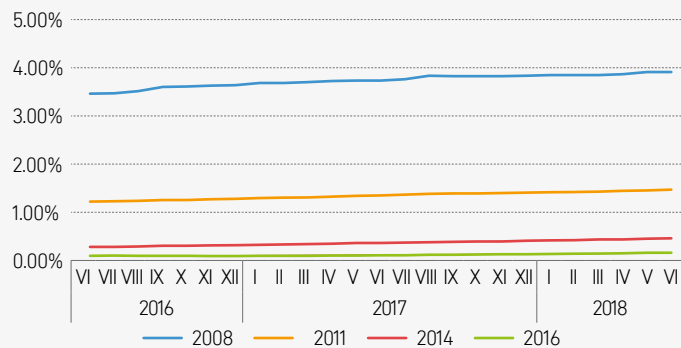
The highest loss rate measured in June 2018 with the share of loans overdue in servicing refers to the crisis year of 2008 (3.94%). The following years have a much lower loss rate, though over time they deteriorate, and certainly they will not achieve of the level of the generations from the previous decade.

The rises in the share of overdue loans in the last 12 and 24 months in generations 2005-2014 are shown in the graph below. The year 2008

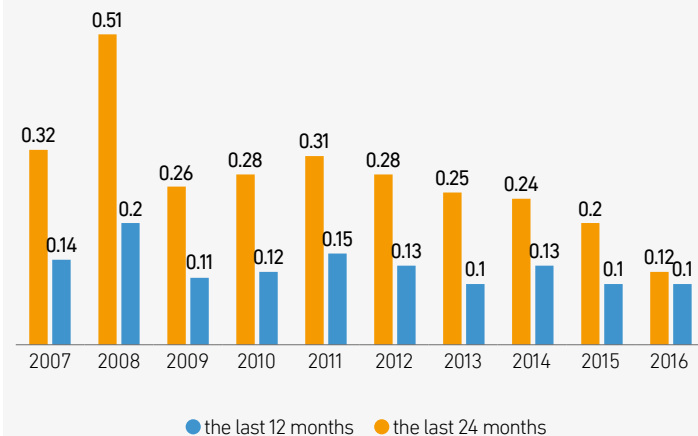
does not only have the highest loss rate but deteriorates fastest, the remaining generations (up to 2016) deteriorate, except for the oldest ones, at a similar pace.

In order to assess a loss rate, we use the relation of the number of overdue accounts to the number of loans granted. In older generations many loans have already been repaid, for example: half in the 2005 generation. Thus, the relation, especially in the case of older loan generations, of overdue loans to accounts in use is considerably higher.

The share of accounts overdue > 90 days in the number of loans granted in selected generations. Bank sector without SKOK credit unions



The rises (in percentage points) in loans overdue > 90 days in the number of granted loans in the generations 2007-2016



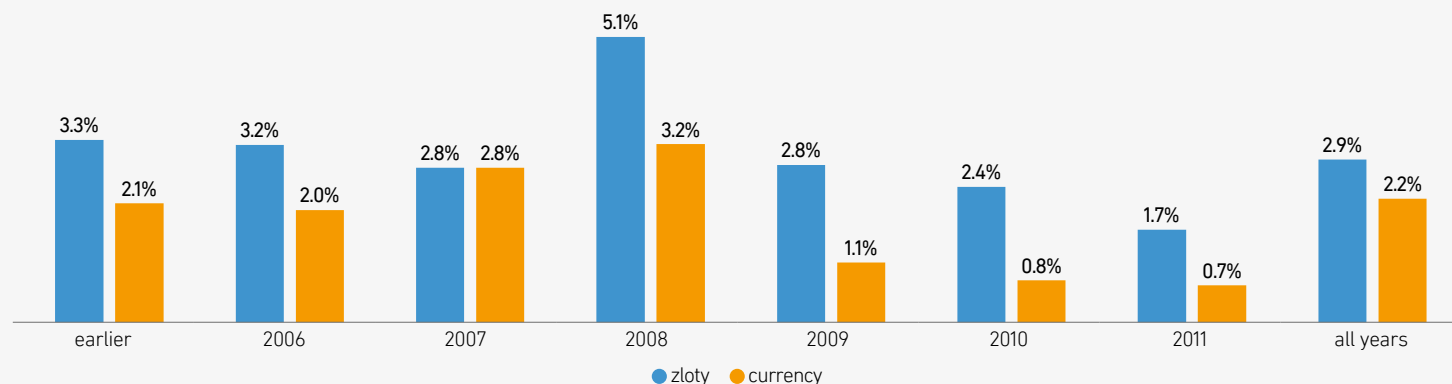
# The quality of granted housing loans: the comparison of the zloty and currency loans

The comparison of the currency and zloty loans looks different depending on the adopted measure. In the graph below, we show the shares of the number of 90+day-overdue loans in portfolios in June 2018 in the number of loans granted in the generation. The numerator and denominator of this indicator include also loans already closed in the regular or overdue servicing status. The number of loans granted and overdue in servicing in the currency portfolio is enlarged by the accounts

converted into the zloty in the mode of debt recovery/restructuring of loans, while in the zloty portfolio they are reduced.

With the application of this measure, currency loans indicate a lower loss rate than zloty loans in nearly all generations. It refers to nearly all the generations; only in the year 2007 (in which the zloty loans prevailed) the shares of past due loans, after the conversion adjustment, were similar.

The share of loans 90+ days past due in servicing in the number of loans, by the year of granting. The state of zloty and currency portfolios in June 2018 after conversion adjustment



# The quality of the Swiss franc portfolios

**The quality of the zloty and currency portfolios improved, measured with the percentage of loans entering the first overdue status (> 30 days).**

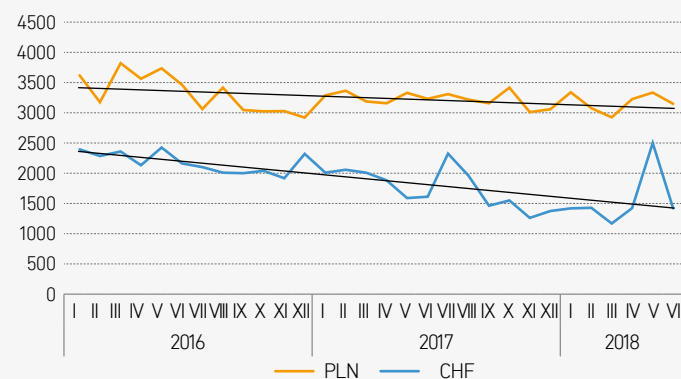
The number of accounts entering the first overdue status of 30+ days decreases, in both zloty and franc portfolios. The declines in the zloty portfolio are even (the trend line) faster, but it results from the decline in the number of accounts in use. Since the beginning of 2016, the number of regularly serviced franc accounts decreased by 9%, after the conversion adjustment, but the number of monthly shifts to the 30+day-overdue status decreased more, i.e. by 25%.

The number of zloty accounts increased by 18% at that time, the number of shifts to the 30+day-overdue status declined by 9%.

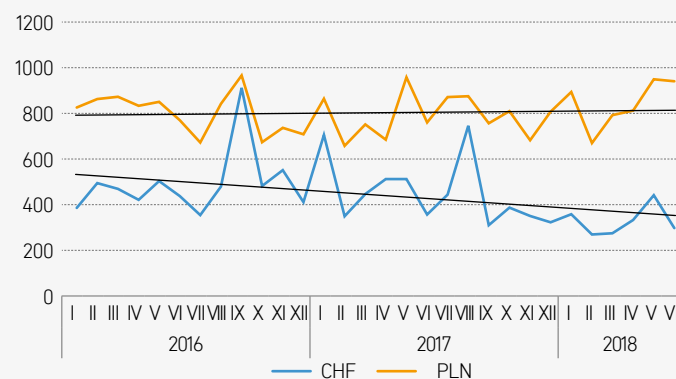
In the 1<sup>st</sup> half-year 2018, an average monthly number of entries into 90+day-overdue status in the zloty portfolio amounted to 844 accounts, 8.5% more compared to the 1<sup>st</sup> half-year 2017.

In the 2<sup>nd</sup> quarter 2018, an average monthly number of entries into 90+day-overdue status in the currency portfolio amounted to 458 accounts, which means a decline of 33% compared to the 1<sup>st</sup> quarter 2016. In June 2018, the number of accounts in use in the zloty portfolio was YoY 7% higher, and in the currency portfolio 5% lower.

Monthly shifts to the status > 30 days past due in the zloty and franc portfolios. Monthly data from 2016-2018



Monthly shifts to the status > 90 days past due in the zloty and franc portfolios. Monthly data from 2016-2018



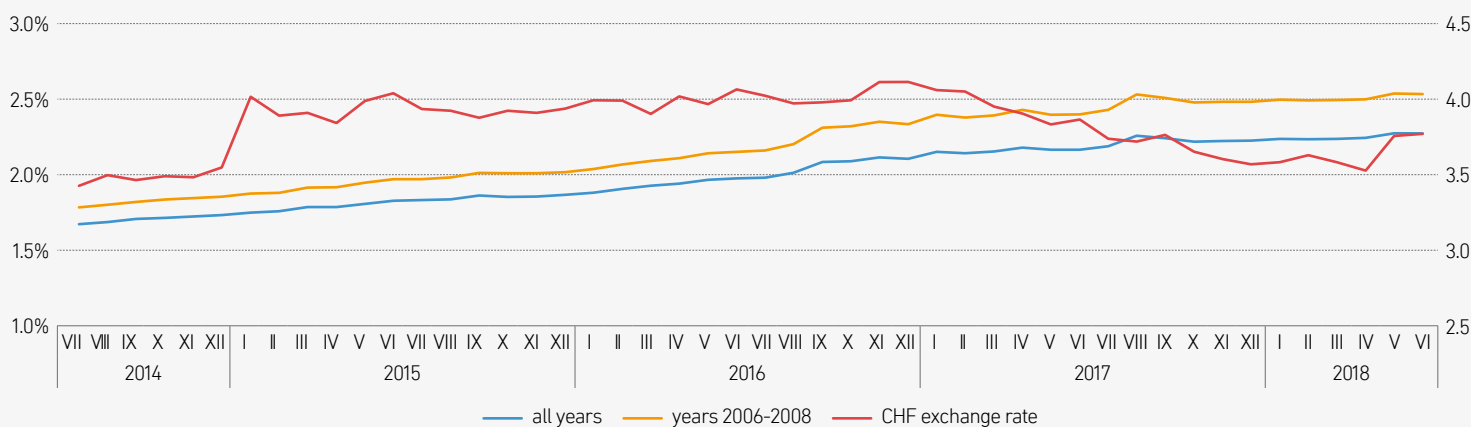
# The quality of the Swiss franc loans and the franc exchange rate

**The Swiss franc exchange rate has a weak impact on repayment of loans in this currency. Since the middle of 2017 the number of overdue accounts has not grown. A result of a lower franc value?**

Three years ago, in January 2015 the franc exchange rate was unpegged. As a result, it went up from 3.4 zlotys to 4 zlotys in June 2015. In the following 18 months it fluctuated, with a growing trend, in the range of 3.9 to 4.2 zlotys per franc. As indicated in the graph, from July 2014 to January 2017, neither the strong appreciation of the exchange rate in 2015 nor the later fluctuations had an impact of the repayment of loans by franc borrowers. The rise of the indicator of overdue accounts was of linear character at that time. In 2017 the zloty began to make up for the loss against the franc. With a half-yearly delay, in the middle of 2017, the

share of overdue accounts in the Swiss franc portfolio stopped growing. The shares of overdue accounts presented in the graph were adjusted (increased) by the overdue loans converted from the franc to the zloty. In June 2018, according to the information we possess, there were 11.3 thousand currency accounts 90+days overdue or closed in this status. We add 5.5 thousand loans to this number, presently zloty loans, having been converted from the franc when overdue in servicing. Most overdue franc loans (10.3 thousand after the conversion adjustment) come from the generations 2006-2008.

Franc loans. The share of 90+day-overdue accounts opened in the Swiss franc in the number of accounts opened vs. CHF/PLN rate. The state of the BIK base: July 2014 - June 2018



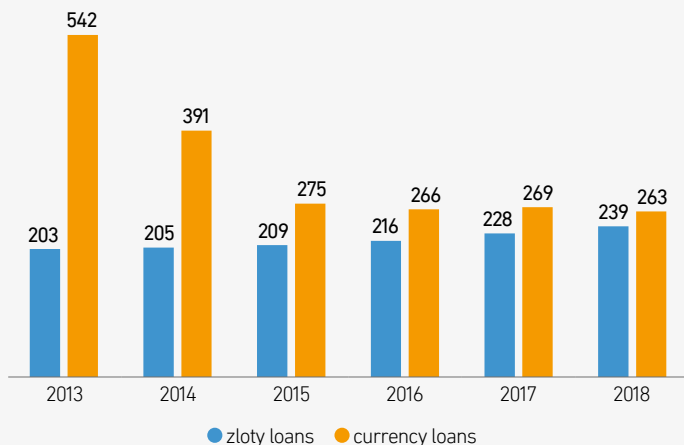
# New contracts for currency loans

**Few currency contracts are being granted, but their number has increased.**

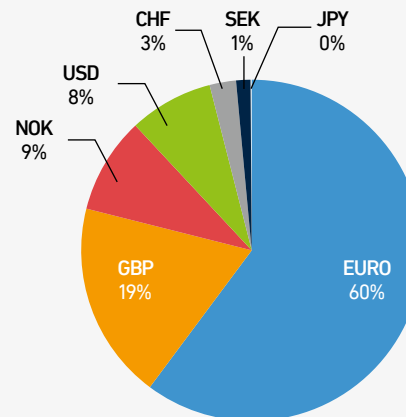
In the years 2015-2018, banks granted 10 thousand currency loans, which amounts to 1.5% of all contracts concluded for housing loans in these years. According to the regulations, borrowers taking these loans should possess incomes in the loan currency. The share of currency loans in terms of numbers is similar the share of the zloty loans. Since 2015 banks have granted about 3 thousand loans yearly, in the years 2013-2014 their number was three times lower.

The contracts for currency loans are signed nearly exclusively by Polish citizens. The share of foreigners amounts to below 1%. The currency structure of the concluded contracts suggests that the borrowers are Poles working abroad. The euro dominates, the British pound comes second, Norwegian krone third, followed by the dollar, franc and Swedish kroner, sporadically the yen.

An average amount of loan granted in the zloty and foreign currencies (after conversion into the zloty) in the years 2013-2018



The shares of currencies in the number of housing loans granted in foreign currencies in the years 2015-2018



## Borrowers by the number of housing loans taken

**About 85% of borrowers have taken 1-2 loans (we consider jointly accounts in use and closed). 3 or more loans have been taken by 263.5 thousand customers, 4 or more loans by 70 thousand customers. Capital investment?**

On the basis of these data, it is possible to estimate the number of customers who leverage housing investment in sales or rent in the range of 50-70 thousand customers. Capital investment in flats for sale or rent on a smaller scale (the third loan was taken by 194 thousand customers has certainly a wider scope. There is some information in the BIK database about customers who have taken several dozen housing loans. We spotted 20 customers with 23 loans. The record holder concluded 66 loans, 44 of which are still being served; all of them were concluded with the same bank.

The more concluded contracts, the higher the loss rate.

The number of housing loans taken by the borrower	The number of borrowers	The number of loan accounts	Accounts in use in July 2018	% of accounts in use 90+days overdue
1	3 879	2 146	1 588	1.2%
2	823	919	525	1.5%
3	194	329	165	1.8%
4	48.6	111.9	51.0	2.2%
5	13.7	40.3	17.5	3.3%
6	4.5	16.4	7.0	4.5%
7	1.6	6.9	3.0	4.8%
8	0.7	3.4	1.5	6.0%
9	0.3	1.9	0.9	8.2%
10 or more	0.5	3.8	1.6	12.9%
<b>TOTAL</b>	<b>4 965</b>	<b>3 578</b>	<b>2 361</b>	<b>1.4%</b>



# Multi-loan borrowers

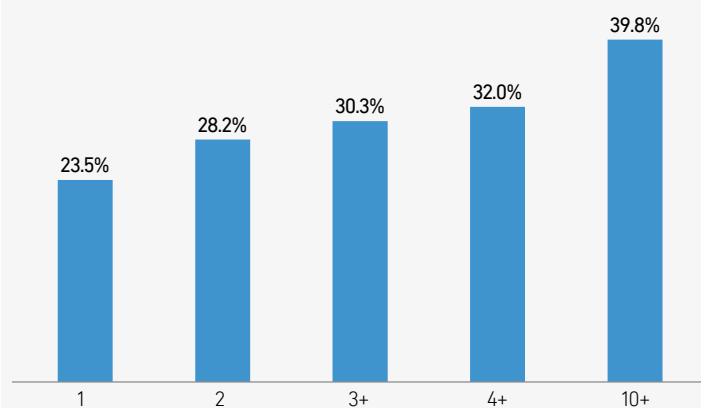
The customers who have taken many housing loans constitute an important, though not a dominating niche of the housing loan market.

The more loans taken by the borrower, the higher the share of currency loans in his transactions.

The crediting of housing investment intended for commercial rent or sale is dealt with by few banks. There are 472 borrowers who took 10

or more loans in the BIK database, 55% of them cooperated with only three banks. The record holders with several dozen loans most often cooperated with only one bank. However, part of the analysed loans may have been mortgage loans.

The share of currency loans in the number of housing loans taken depending on the number of opened accounts



	3 or more loans	4 or more loans
in the number of borrowers	5.3%	1.4%
in initial loan amounts	17.8%	7.3%
in liabilities in July 2018	13.7%	5.2%
in the number of loans	14.4%	5.2%
including active loans	10.5%	3.5%

How many banks (in %) did multi-borrowers (10+ contracts for housing loans) cooperate with?

	1	2	3	4	5	6 or more	TOTAL
structure	14.0%	19.5%	21.6%	21.4%	13.8%	9.7%	100%
the number of customers	66	92	102	101	65	46	472

## Key findings

- A downward trend in the number of newly opened credit card accounts continues. Declines refer also to the limit amounts on the newly opened accounts.
- An average limit on an opened account in the first half-year 2018 was slightly lower than in 2017. Before, average limits on newly opened accounts were on the rise.
- Declines in the card issuance do not translate into the number of cards in use. We can observe stabilisation here. The number of active accounts does not change either. The number of credit card holders is also stable.
- The limits on card in use as well as on active cards are on the rise.

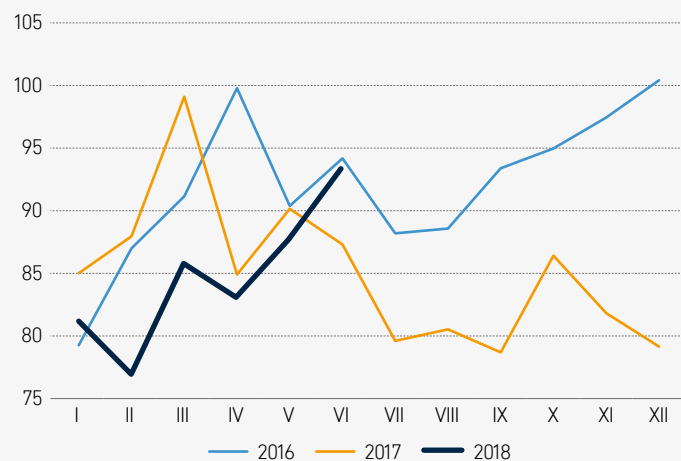
# The number of credit cards issued

## The number of newly opened credit card accounts declines; we noted a rise in June 2018.

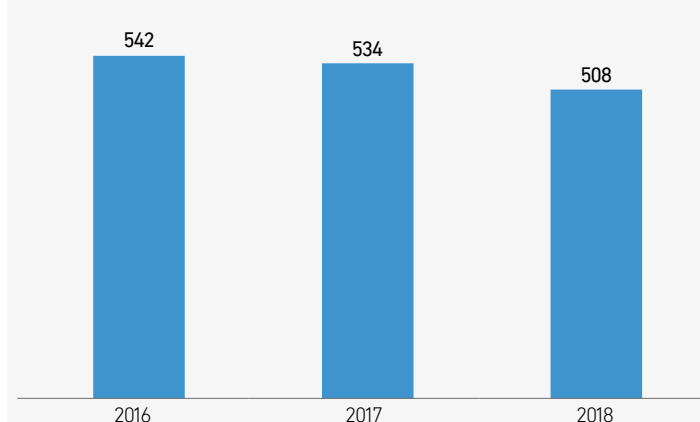
In June 2018, after many months of declines, banks reported a rise in the number of newly opened credit card accounts (7% YoY, 6% MoM). In previous months in 2018, fewer cards were issued in comparison with analogous months in 2017. The June rise does not have to mean stopping downward trends in the issuance of credit cards. It may have come as a result of methodological changes made in some banks. In July 2018, the number of newly opened accounts fell again down to 79.4 thousand (BIK Newsletter).

In the 1<sup>st</sup> half-year 2018, the number of issued cards declined by 4.9% compared to 2017; on the average, 84.7 thousand cards were opened every month. In July 2017 the number of concluded credit card contracts began to stabilise on the level of 80-85 thousand monthly. In 2017, on the average, 90 thousand accounts were opened monthly, and 97 thousand in 2016. It seems that a few important issuers on the market revised their business models, possibly in relation to the interchange rate reform.

The number (in thousands) of credit cards issued monthly in the years 2016–2018



The number of credit cards (in thousands) issued in the 1<sup>st</sup> half-years of 2016–2018



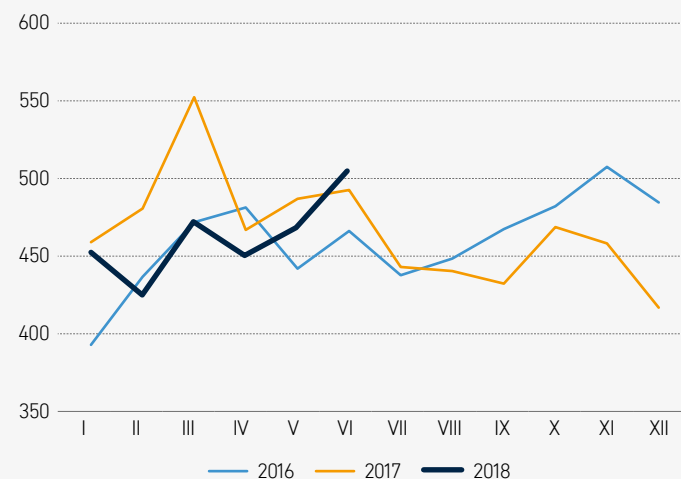
# The value of limits on the opened accounts

## The value of limits granted on newly opened credit card accounts declines, for the first time more than the number of newly opened accounts

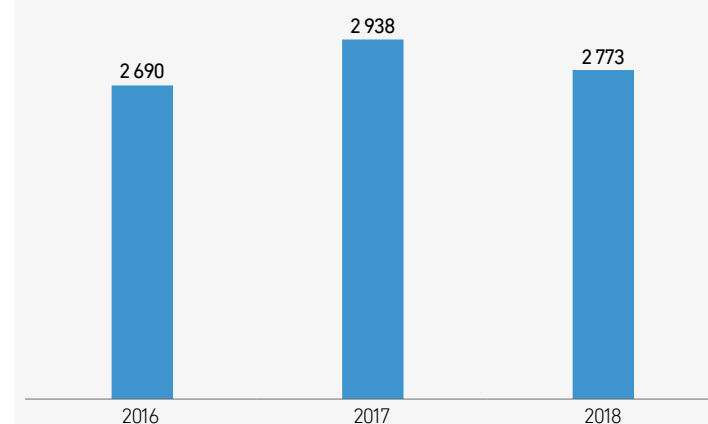
The amount of credit limits on newly opened accounts began to stabilise in 2016 at a monthly level of 450-500 million zlotys, and in June exceeded 500 million zlotys. We treat the June results with scepticism, they do not have to mean the change of the trend. The July data do not confirm a rising tendency in the card issuance in terms of numbers or value (BIK Newsletter).

The limit amount on the newly opened credit card accounts in the 1<sup>st</sup> half-year 2018 was 5.4% lower than a year before. In the years 2015-2017, the falling number of newly issued cards went together with the rise in the granted limit amounts. In the 1<sup>st</sup> half-year we can observe declines on a similar scale in terms of numbers and value. In terms of value a little stronger, which also means a decline in an average limit granted on newly opened accounts.

Limit amounts (in millions of zlotys) granted on credit card accounts opened in 2016–2018



Limit amounts (in millions of zlotys) on newly opened credit card accounts in the 1<sup>st</sup> half-years in 2016-2018

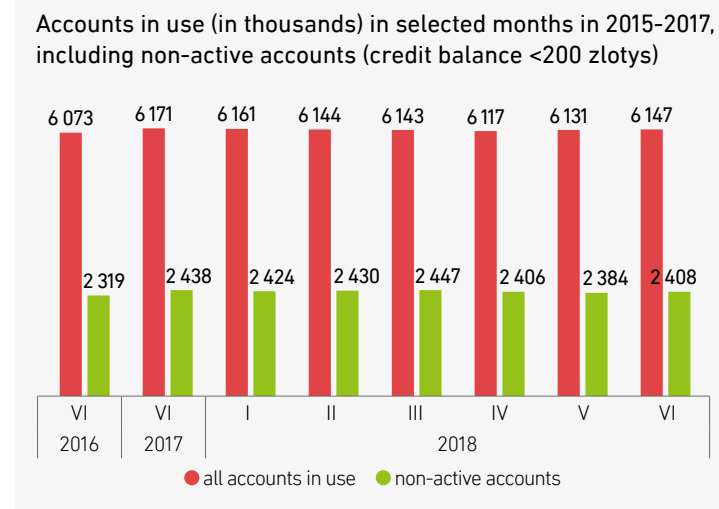
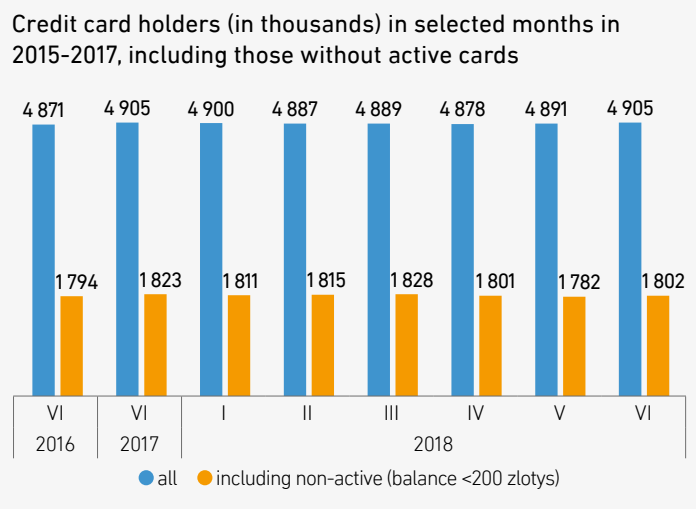


# The number of credit card holders, including the active ones

**In the 1<sup>st</sup> half-year 2018, the number of credit card holders was close to the previous year's level.**

At the end of June 2018, the number of credit card holders was the same as in December 2017 and nearly identical as in June 2017. There was a slight decline in the number of customers possessing cards but not using them. They are the customers whose credit balance does not exceed 200 zlotys on their cards. The number of active card holders increased in June by 20.8 thousand (0.6%) more than a year before. 63.3% of card holders are, according to the adopted criteria, active customers.

This percentage was subject to slight fluctuations. Similarly, the number of credit card accounts in use totally and divided into active and non-active accounts, has been subject to slight changes in the last 12 months. It means that the observed changes in the number of issued cards were absorbed by changes, on a similar scale, in the number of accounts closed.



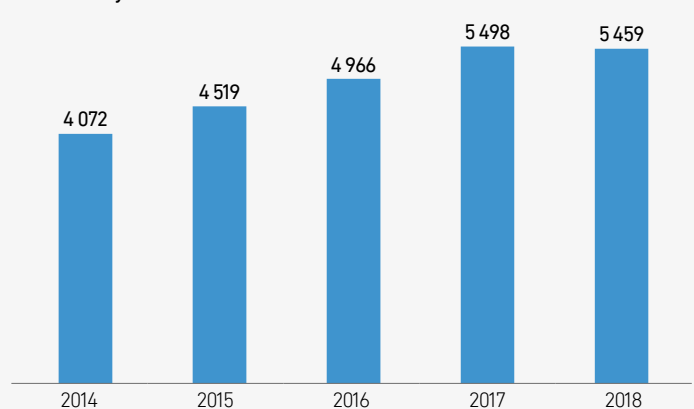
## Limits on card accounts and their use

**In the 1<sup>st</sup> half-year 2018, for the first time there was a decline in an average amount on a newly opened credit card account. The limits on credit cards in use continued to grow.**

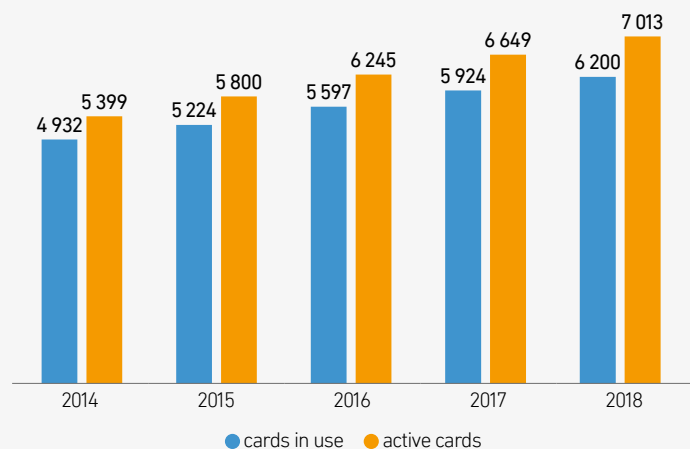
So far, every year limits on newly opened credit card accounts have been on the rise. The last declines took effects 10 years ago (in the years 2006-2009) in the time of the financial crisis. The decline of 0.7% in the 1<sup>st</sup> half-year 2018 is slight and does not mean an important trend change. On the other hand, the limit on credit cards in use continues to grow and is considerably higher than the limit on newly opened card accounts.

An average limit on active cards in use in June 2018 considerably exceeded an average limit on the new accounts opened in in the 1<sup>st</sup> half-year 2018 by 28%. The rise in limit amounts on credit cards in use is affected by closing down the accounts opened in order to service hire purchase instalments.

An average limit (in zlotys) on credit cards opened in 1<sup>st</sup> half-years in 2014-2018



An average limit (in zlotys) on a credit card account in use and active cards in 2014-2017 (December) and in June 2018





## Key observations

- In the 1<sup>st</sup> half-year 2018, we could observe a stable level of credit sales to microentrepreneurs, in terms of numbers and value.
- There is a high sectoral concentration of the credit portfolio of microentrepreneurs. Two sectors are dominating: trade and services, which is closely related to the sectoral structure of Polish microenterprises. However, agriculture has the largest share in the microentrepreneurs' portfolio. It results from higher amounts of granted credits in this sector in comparison with other sectors.
- An average amount of credits granted in the 1<sup>st</sup> half-year 2018 was stable. The only rise was recorded in the average amount of investment credits.
- In the 1<sup>st</sup> half-year 2018, the quality of the credit portfolio measured with the NPL factor was stable and at the level of credit accounts amounted to 13.5%.
- The portfolio of credits granted to farmers is of a very good quality.
- In the 1<sup>st</sup> half-year 2018, revolving credits were dominating in terms of numbers and value of credits granted to microentrepreneurs. Their share in sales amounted to 36.3% and 38% respectively.

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The groups of microentrepreneurs and farmers discussed in this chapter, are identified by us according to the following definitions:

**Microentrepreneurs** are entrepreneurs registered in the Central Register and Information on Economic Activity (CEiDG), without farmers running their farms, who are registered in CEiDG.

**Farmers** are private individuals running their farms not registered in CEiDG and farmers running their farms and registered in CEiDG and in the register of civil partnerships.



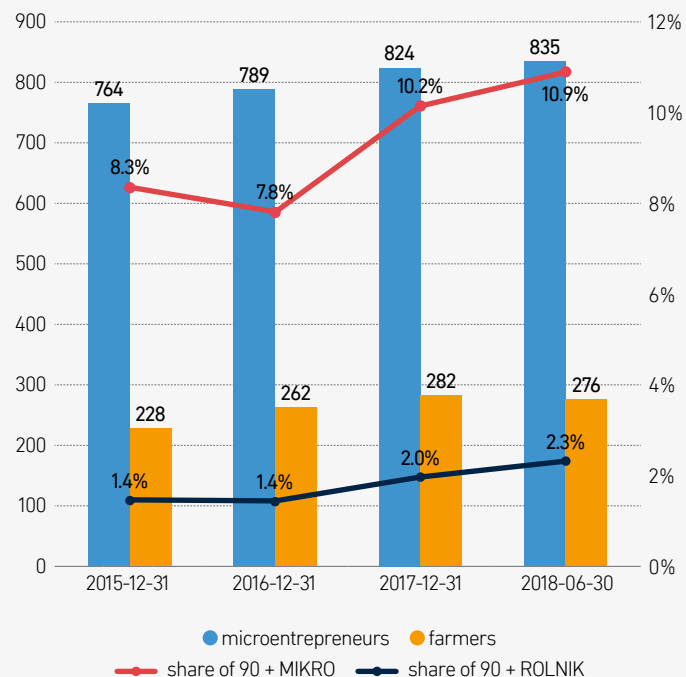
# The number and quality of the credit portfolios of microenterprises and farmers

**We can observe an increasingly high number of accounts in the microenterprise and farmers' credit portfolio, with a slight deterioration in the quality of the portfolio.**

At the end of June 2018, the number of microenterprise credit accounts in use amounted to 835 thousand; it increased in the 1<sup>st</sup> half-year by 11 thousand (1.3%). In the same period the quality of the portfolio measured with share of 90+day-overdue accounts in the number of accounts in use (NPL) deteriorated slightly in comparison to December 2017 and amounted to 10.9%.

The number credit accounts in use in the credit portfolio of farmers at the end of July amounted to 276 thousand, i.e. 5.6 thousand less than at the end of December 2017 (a decline of 2%). Despite a slight deterioration of 0.3 percentage points of the portfolio quality in the 1<sup>st</sup> half-year 2018, the portfolio quality of credit accounts (NPL with regard to numbers) of farmers is high and amounts to 2.3%. In comparison with the quality of microentrepreneurs credit quality, the credit portfolio for farmers has a few times lower loss rate.

The state and quality of the microenterprise and farmers' credit portfolio in terms of numbers (in thousands / %)



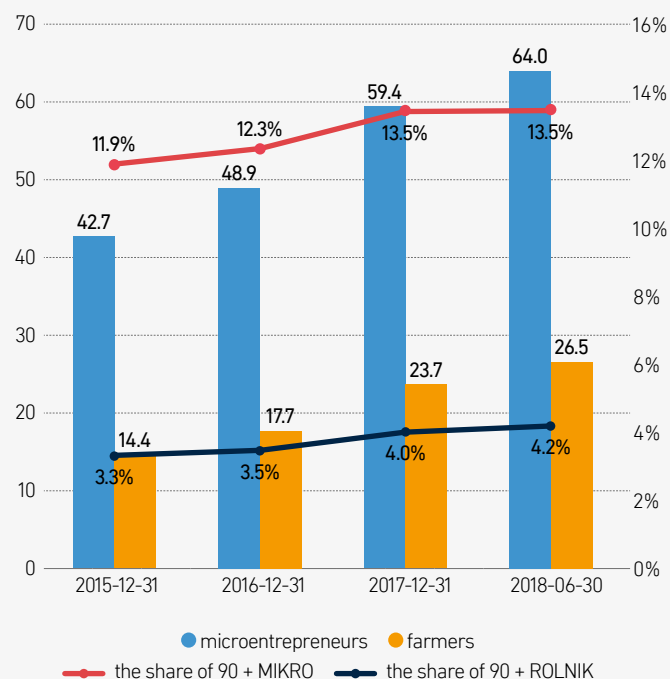
# The value and quality of the credit portfolios of microenterprises and farmers

**We can observe an increasingly high number of accounts in the credit portfolios of microenterprises and farmers, with a stable level of value.**

At the end of June 2018, the value of microenterprise credit accounts in use amounted to 64.0 billion zlotys; it increased in the 1<sup>st</sup> half-year by 4.6 billion zlotys (7.8%). In the same period the quality of the portfolio measured with share of 90+day-overdue accounts in the number of accounts in use (NPL) remained at the level of December 2017 (13.7%).

The value of farmers credit portfolio amounted to 26.5 billion at the end of June 2018, i.e. 2.8 billion more than at the end of December 2017. Despite a slight portfolio quality deterioration of 0.2 percentage points in the 1<sup>st</sup> half-year 2018, the portfolio quality of credit accounts (NPL with regard to value) of farmers is high and amounts to 4.2%. In comparison with the microentrepreneurs credit quality, the credit portfolio for farmers has a few times lower loss rate.

The state and quality of the microenterprise and farmers' credit portfolios in terms of value (in billions of zlotys / %)



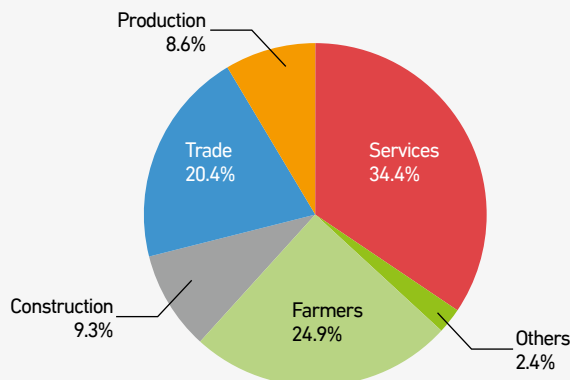
# The sectoral structure of credit portfolios of microenterprises and farmers

**There is a high sectoral concentration of credit portfolios in terms of the number of serviced credits. Three kinds of activity are dominating: services, agriculture and trade.**

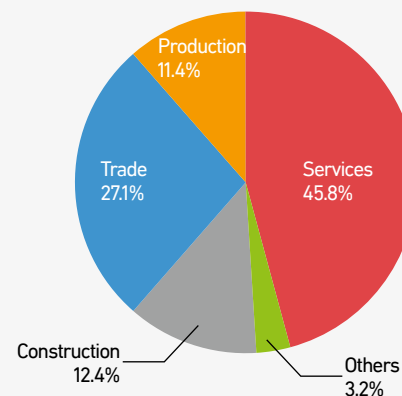
At the end of June 2018, service companies possessed 34.4% of all the credit accounts in use. Farmers serviced 24.9% of credits in use and retail and wholesale companies serviced 20.4%. In the sectoral structure of microenterprise portfolio (without farmers) as many as 45.8% of credit

accounts in use belong to microentrepreneurs rendering services. 27.1% of credit accounts in use belong to microentrepreneurs in the sector of retail and wholesale trade, and 12.4% to construction firms.

Sectoral structure of the portfolio of microentrepreneurs and farmers in terms of numbers



Sectoral structure of the portfolio of microentrepreneurs in terms of numbers



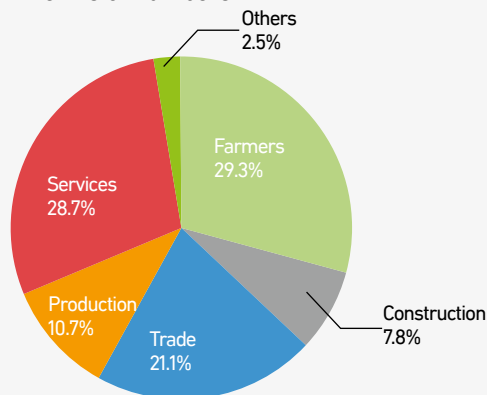
# The sectoral structure of credit portfolios of microenterprises and farmers

**There is also a high sectoral concentration of credit portfolios in terms of value. Three kinds of activities are dominating: agriculture, services and trade.**

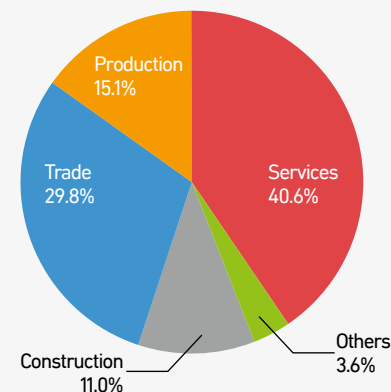
At the end of June 2018, service companies possessed 28.7% of the credit portfolio in terms of value. Farmers accounted for 29.3% of the portfolio value, and value of credits of microenterprise in the sector of retail and wholesale trade amount to 21%. In the sectoral structure of microenterprise portfolio (without farmers) as much as 40.6% of the

debt value belong to microentrepreneurs rendering services. Financing of microentrepreneurs in the sector of retail and wholesale trade accounts for nearly 30% of debt. The value of credit portfolio belonging to construction entrepreneurs comes up to 15.1%.

Sectoral structure of the portfolio of microentrepreneurs and farmers in terms of numbers



Sectoral structure of the portfolio of microentrepreneurs in terms of value

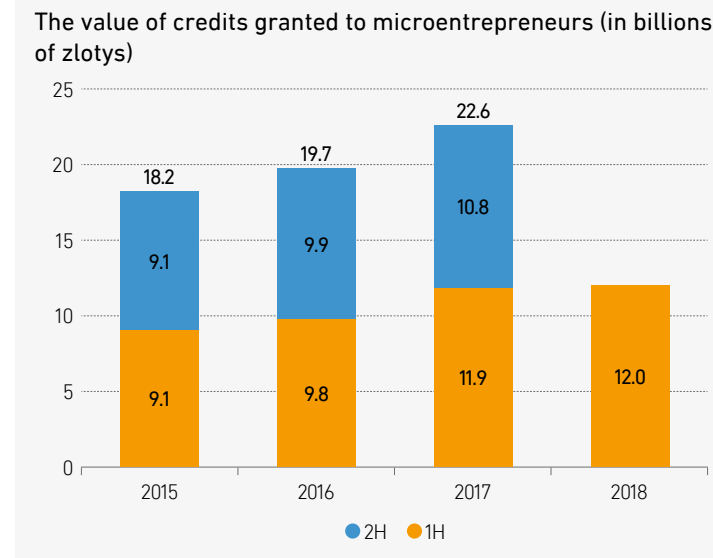
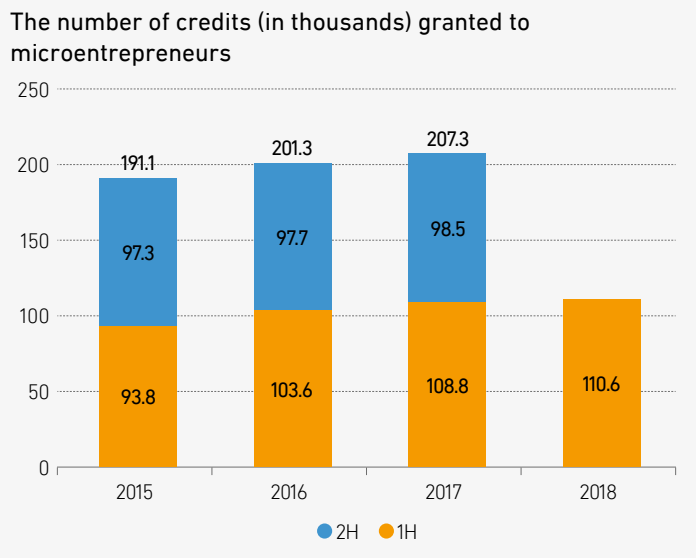


# The number and value of financing granted by banks to microentrepreneurs

**In the first half-year 2018 we could observe stable lending addressed to microentrepreneurs, in terms of numbers as well as value.**

In the 1<sup>st</sup> half-year 2018, banks granted totally 110.6 thousand credits to microenterprises, only 1.8 thousand more than in the first half-year 2017.

In the 1<sup>st</sup> half-year 2018, banks credited microenterprises with the total amount of 12 billion zlotys, i.e. only 0.1 billion more than in the same period a year before.



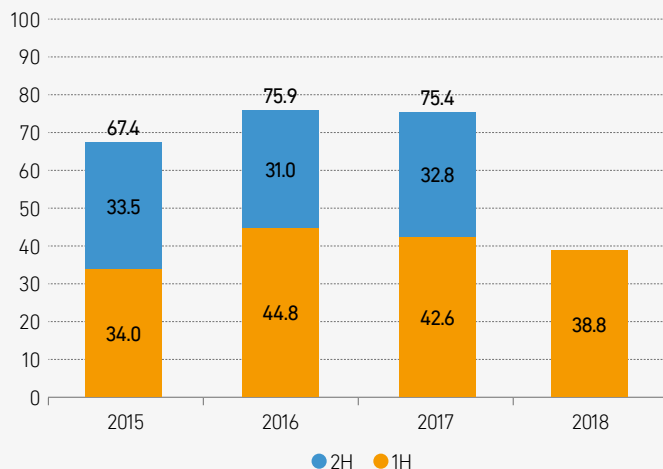
# The number and value of financing granted by banks to farmers

**In the first half-year 2018 we could observe a decline in lending addressed to farmers, in terms of numbers as well as value.**

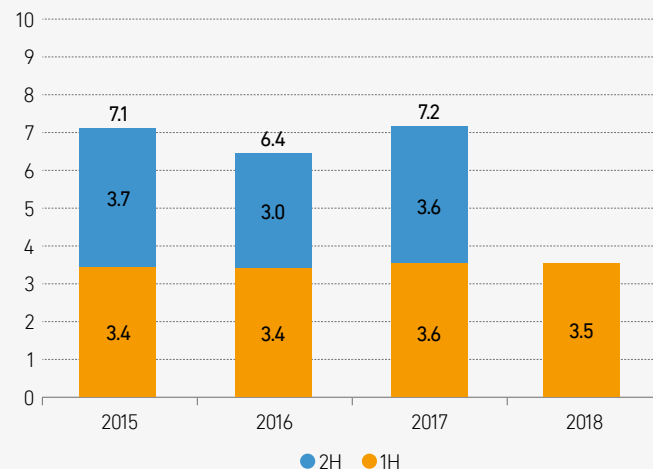
In the 1<sup>st</sup> half-year 2018, banks granted the total amount of 38.8 thousand of credits to farmers; about 3.8 thousand less than in the same period a year before.

In the 1<sup>st</sup> half-year 2018, banks credited farmers with the total amount of 3.5 billion zlotys, i.e. 0.1 billion less than in the same period a year before.

The number of credits (in thousands) granted to farmers



The value of credits granted to farmers (in billions of zlotys)



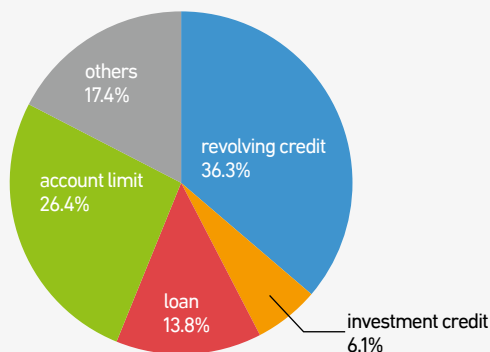
# The structure of credit sales to microenterprises in terms of value and numbers, by product

**In credit sales, in terms of value there are three dominating classical kinds of credit products: revolving credit, account credit limit and investment credit.**

In the first half-year 2018, one third of financing granted to microenterprises concerned financing in the form of revolving credits. Investment credits amounted to only 6% of credits granted from January to June 2018.

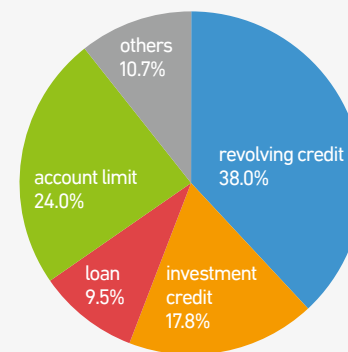
In terms of value, revolving credits and account limits had the highest share, which does not come as a surprise taking into account their specific character connected with financing current activities. Investment credits had a 17.8% share in credits sales, which results from a higher average amount of granted investment credits.

Microentrepreneurs - the structure of sales in terms of numbers by the kind of products in the first half-year 2018



\*A loan granted by a bank

Microentrepreneurs - the structure of sales in terms of value by the kind of product in the first half-year 2018





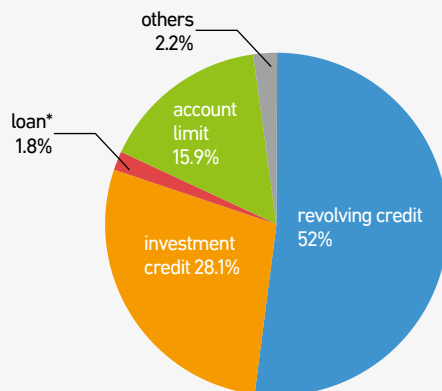
# The structure of credit sales to farmers in the first half 2018 in terms of value and numbers, by product

**In credit sales, in terms of value there are three dominating classical kinds of credit products: revolving credit, account credit limit and investment credit.**

In the first half-year 2018, more than half of financing granted to farmers concerned financing in the form of revolving credits. 28% of credits granted from January to June 2018 were investment credits.

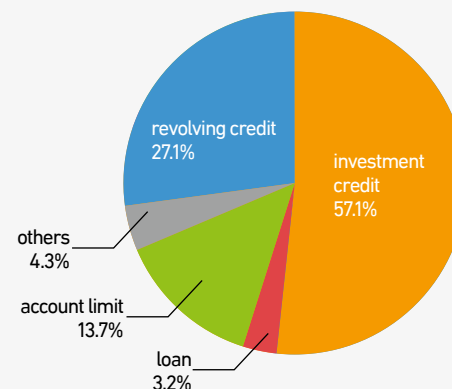
In terms of value, revolving credits and account limits had the highest share in the sales in the 1<sup>st</sup> half-year 2018, which results from a much higher amount of investment than revolving credit. Furthermore, corporate account limits had a share of 27% in the sales in terms of value.

Farmers - the structure of sales in terms of numbers by the kind of products in the first half-year 2018



\*A loan granted by a bank

Farmers - the structure of sales in terms of value by the kind of product in the first half-year 2018



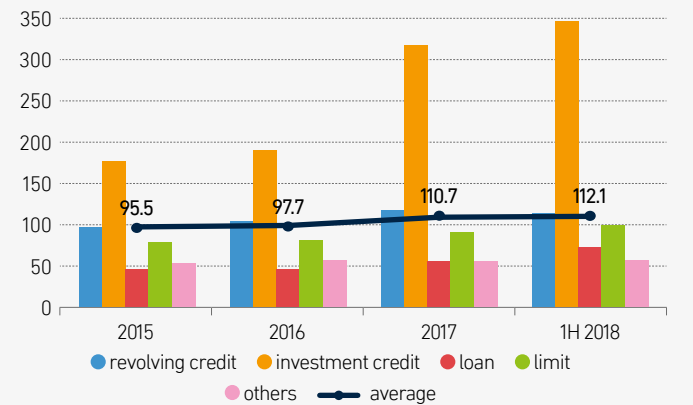
# Average amounts of credits granted to microentrepreneurs and farmers

**Except for investment credits we did not observe in the period 2015-2018 a conspicuous rise in the average value of financing granted by banks to microenterprises.**

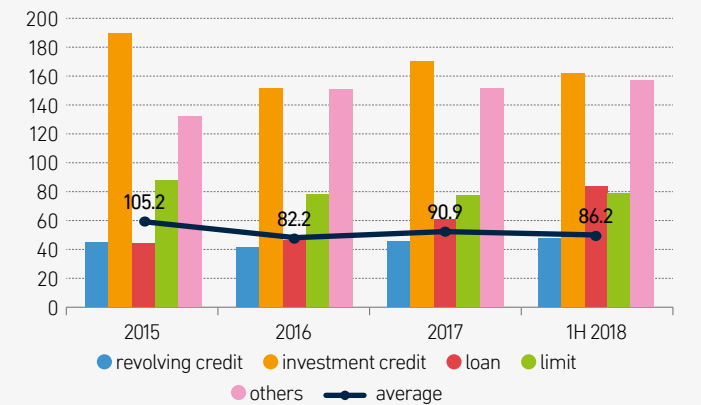
In the 1<sup>st</sup> half-year 2018, the average value of financing granted by banks to microentrepreneurs amounted to 112.1 thousand zlotys and was insignificantly higher than (by 1.3%) than the average amount in 2017. Interestingly, in that period, there was a considerable rise of 9% in the value of the investment credit granted. In the 1<sup>st</sup> half-year 2018, the average value of investment credit granted to microentrepreneurs amounted to 346 thousand zlotys.

In the 1<sup>st</sup> half-year 2018, the average value of financing granted by banks to farmers was stable and amounted to 86.2 thousand zlotys. It is worth noting that this amount is 25% lower than average amount of financing granted to microentrepreneurs. In the group of other products, the most important one is the provided guarantee.

The average amount (in thousands of zlotys) of credits granted to microentrepreneurs by the kind of product



The average amount (in thousands of zlotys) of credits granted to farmers by the kind of product

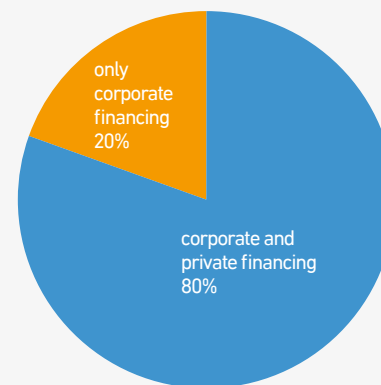


# Mutual penetration of private and corporate financing

**Mutual penetration of private and corporate financing is a characteristic feature of microenterprise operation. 80% of microentrepreneurs financing their business with corporate credits, also make use of private credits**

One of the major features of credit acquisition by Polish microentrepreneurs is the mutual penetration of private financing (the microenterprise in relations with the bank acts as a private individual) and corporate financing (the microenterprise in relations with the bank acts as a company). 8 out of 10 microentrepreneurs besides corporate credits are also involved in private credits. As a rule, private credits taken by entrepreneurs, both consumer and housing, are high amount credits. A total amount of private and corporate credits to repay by microentrepreneurs comes up to 100 billion zlotys. The structure of the debt is divided nearly into half, i.e. private credits amount to 48%, and corporate credits to 52%. Interestingly, private credits are taken by entrepreneurs in a different bank than the ones that granted a corporate credit to them.

Mutual penetration of private and corporate financing share of Polish microentrepreneurs



# Microentrepreneurs and farmers credit risk and the number of banks crediting microentrepreneurs

**The number of banks used by a microentrepreneur or farmer in their business pursuit has a significant impact on the timely repayment of their credits and as a consequence on the quality of microenterprise credits.**

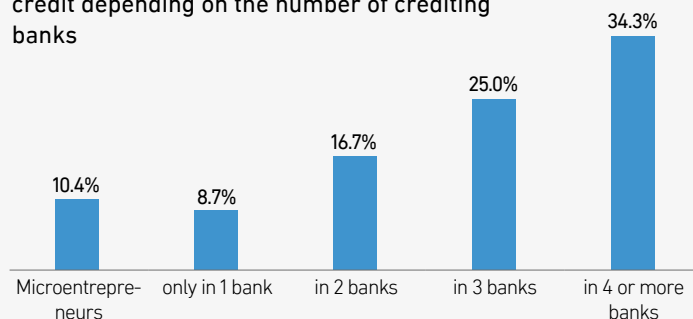
As many as 85% of firm owners running a one man company make use of credits taken in one bank. It is not the one they have to do with as private individuals.

Having liabilities to one bank, only 8.7% entrepreneurs have 90+overdue repayments.

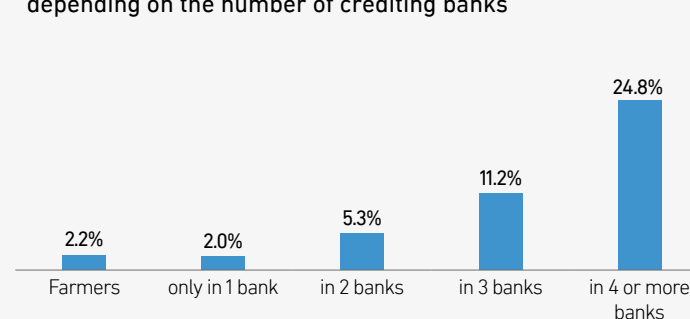
When a firm gets financing from two banks, the share nearly doubles up to 16.7%. And in the case of making use of credit products in 4 or more banks, every third microentrepreneur has at least one 90+day-overdue liability. A similar phenomenon refers to farmers.

## The more the banks granting credits, the worse the customer - microentrepreneur value

The share of microentrepreneurs with a 90+ credit depending on the number of crediting banks



The share of farmers with a 90+ credit depending on the number of crediting banks

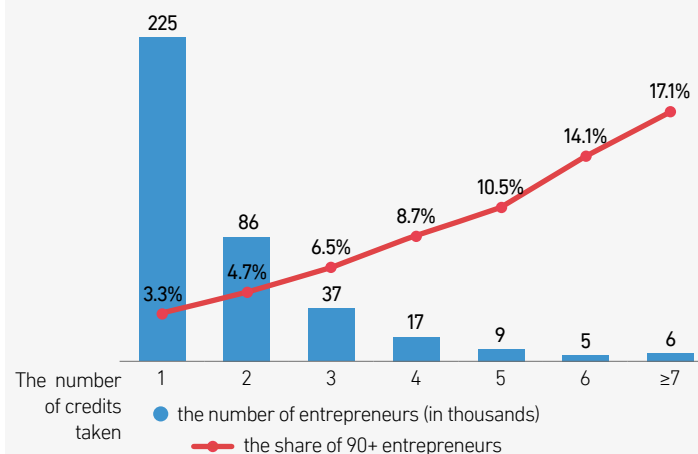


# Microentrepreneurs risk grows together with the number of credits to repay

**Nearly 60% of Polish microentrepreneurs repay only one credit at present. Among these firms, only 3.3% have of 90+day-overdue credits.**

BIK analyses suggest that the more credits taken, the higher the share of microentrepreneurs having difficulties with a timely repayment of them. 1.5% of Polish entrepreneurs repay as many as 7 or more corporate credits. Among them, as many as 17.1% have 90+day-overdue repayments. Overactive microentrepreneurs, which should include entities with 7 or more credits to repay, generate an above average level of credit risk. The more credit accounts the entrepreneur has, the lower his consumer quality. Thus, the analysis of credit risk should include the number of serviced credits.

Microentrepreneurs (active in business) by the number of taken credits\*



\* Excluding customers with unauthorised overdrafts only

## Semi-Annual Report Credit Information Bureau CREDIT TRENDS

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