

# credit trends

Semi-Annual Report  
Credit Information Bureau

The first half-year 2017



93.9

682.4

15,973.84

5,707.60

8,967.51

+2.00%

+3.08%

+2.45%

10

11

12

13

14



BIURO INFORMACJI KREDYTOWEJ

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What came as a major surprise in the 1st half-year 2017 was the continuation of rises on the housing loan market in the 2nd quarter. After a weak 2nd half-year 2016, the rises in the 1st quarter were most often interpreted as a one-time result of the MdM programme. In the 2nd quarter the MdM subsidy limits were used up, but despite it, the sales level was higher than in 2016. In the 2nd half-year the level of housing loan sales will be referred to the falling base of 2016. If the number and amounts of concluded contracts in the 2nd half-year remain at the 2nd quarter level, in the last months of 2017 the monthly YoY indicators may approach 20%.

In all credit products BIK noted rises in average amounts of granted credits/limits. Most banks seem to be reducing low amount loans, making space for loan companies in this area. In the housing loans, a decrease in the number of low amount loans resulting in an average loan statistical rise may be a result of different classification of repair and modernisation loans by some banks. In the case of credit cards, the rise in average granted limits results from a lower interest of banks in cross selling and the resignation of some banks from hire purchase settlement on credit card accounts.

Let us emphasize a high level of concentration of the loan market for retail borrowers. In all products, five leading banks grant more than half of all the loans. The highest concentration is noted in hire purchase financing loans and in housing loans.

A high quality of loans granted to retail borrowers is retained, which is confirmed by the new Credit Health BIK Index.



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

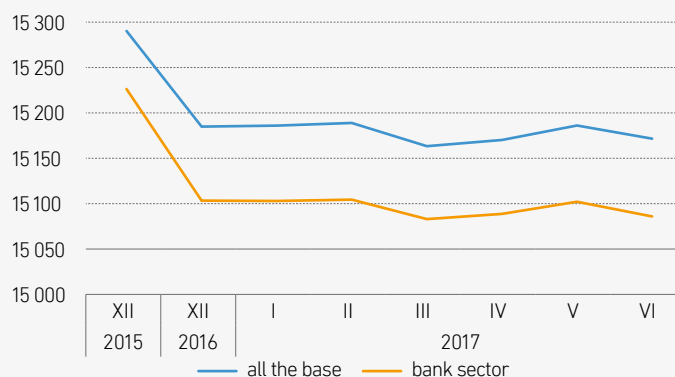
# The number of borrowers, outstanding credit

**Since the beginning of 2016 the number of borrowers in the bank and loan systems has been stable, so has the amount of their debt, though it shows a slight upward trend.**

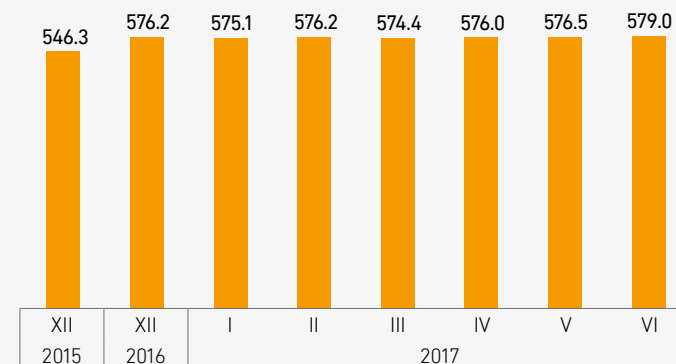
The number of customers of both sectors (bank and loan companies) amounted to 15.2 million in June 2017 in the BIK database. At the beginning of the year it was lower by 15 thousand, but in May 2017 it was the same as at the end of last year. The number of the bank sector borrowers in 2017 has been stable so far, but the number of loan sector customers has been rising. The result is partly due to a closer cooperation of loan companies with BIK. Most loan companies customers are at the same time the bank sector borrowers. The loan companies sector handles 426 thousand customers; only 86 thousand of them were not indebted in the bank sector in June 2016.

The retail customers' debt in both sectors in June 2017, and also in the bank sector, in comparison with the beginning of the year changed slightly (0.5 rise). It amounted to 539 billion zlotys jointly in both sectors. The debt incurred in the loan sector by retail customers not being bank sector borrowers at the time is not substantial as it amounts only to 239 million zlotys.

The number of borrowers (in thousands) in the BIK database, including the bank sector



Outstanding debt (in billions zlotys) of the bank and loan sector customers



# Borrowers by products

**The number of borrowers servicing consumer credits falls. The number of housing loan borrowers is on the rise.**

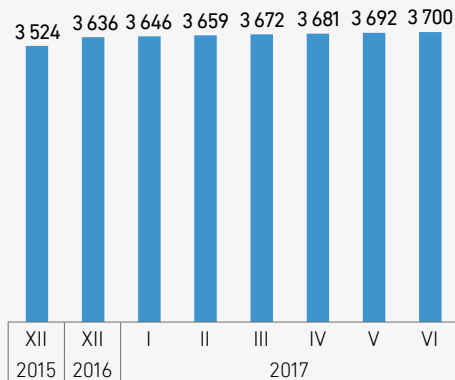
In the 1st half-year 2017 the number of housing loan borrowers rose by 64 thousand, comparably to 2016, when in the whole year, it rose by 112 thousand. The housing loan portfolio is relatively young; hence the number of customers entering the market is higher than that closing their debt.

The number of borrowers servicing consumer credits is slowly declining. In June 2017 in comparison with the beginning of the year it was lower by 14 thousand. It results from a falling number of concluded contracts, especially in the low amount segment (to 4,000 zlotys). The sales decline in the low amount segment accelerated (it amounted to 6.1 YoY % in the 1st half-year).

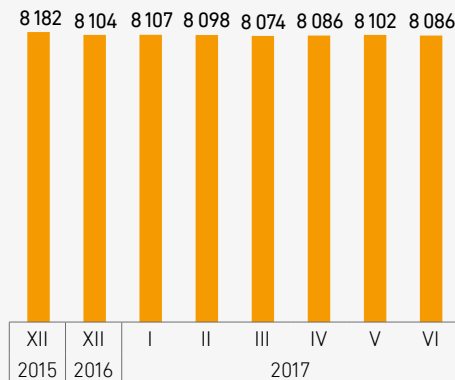
The number of customers possessing overdraft continues to fall. It declined in the 1st half-year 2017 by 114 thousand, 29 thousand in the 2nd quarter, and 298 thousand (4%) since the beginning of the year. In 2017 the number of credit card holders, following the 4th quarter 2016 rises, became stable with a slight falling trend.

**Borrowers (in thousands)**

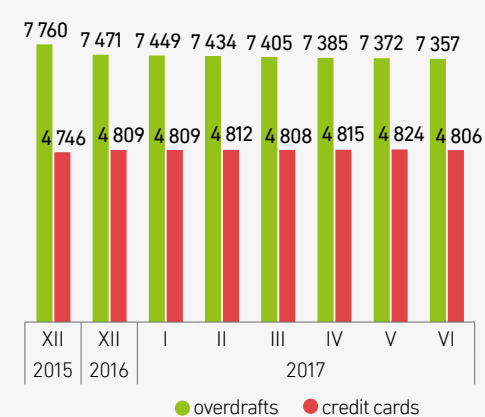
**Housing loans**



**Consumer credits**



**Cards and overdrafts**



# Customers of loan companies

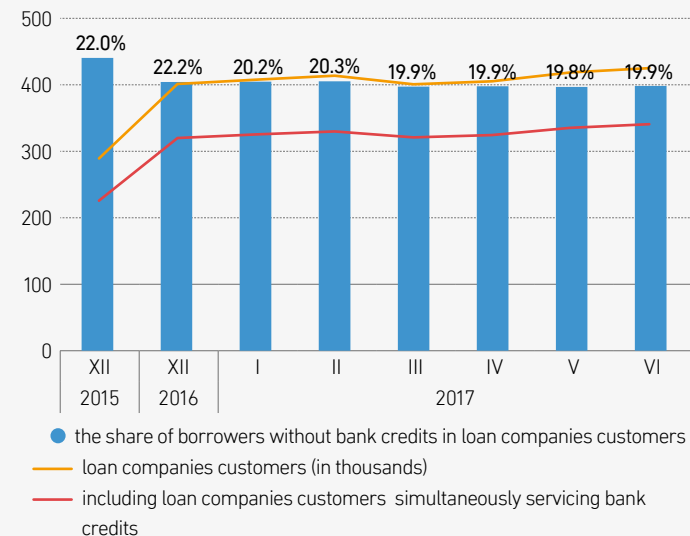
**The number of customers having liabilities to loan companies grows. A decisive majority of them simultaneously service bank credits.**

In the 1st half-year 2017 loan companies cooperating with BIK acquired 24 thousand new customers. This rise occurred in the 2nd quarter; the beginning of the year saw a stable number of about 400 thousand. The rises in the number of borrowers this year are lower than in 2016. 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.

About 80% of customers of loan companies service bank credits at the same time. Only 84% out of 420 thousand customers of the loan sector do not have any bank liabilities. 25% of them are at the age of up to 25, and young customers pose more risk.

Overactive borrowers simultaneously servicing many loans in both sectors are also a group posing an increased risk in the loan sector.

Loan companies customers, including those simultaneously servicing bank credits



# Overactive customers

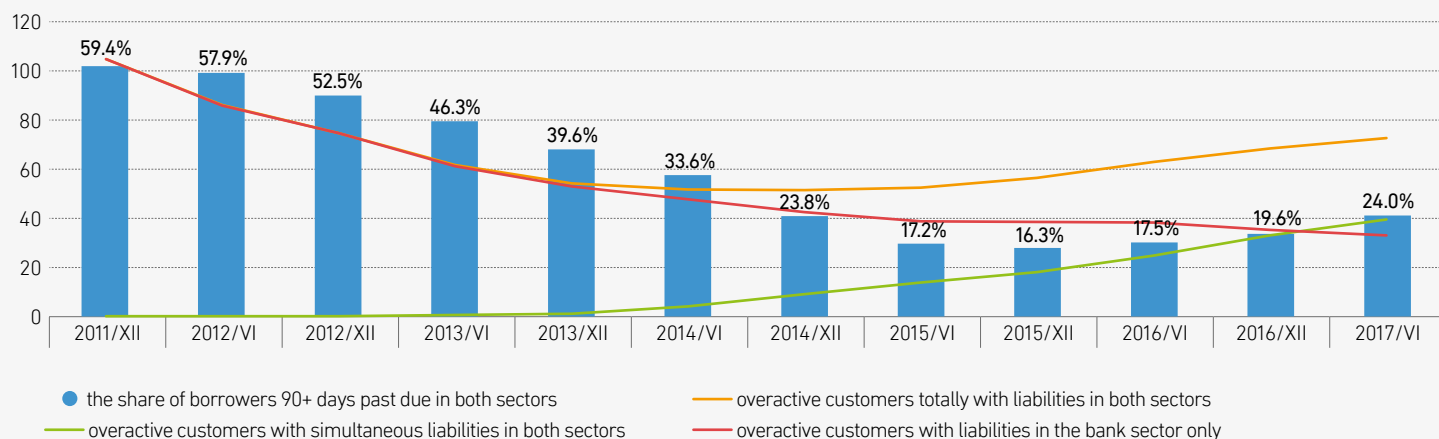
**The number of overactive customers (with 10 or more liabilities) grows as loan companies accept applications made by borrowers servicing many credits in banks.**

The number of borrowers servicing 10 or more credits in banks and SKOK credit unions decreases systematically. The customers servicing 10 or more liabilities are referred to as overactive. They pose a higher credit risk. Banks systematically limit crediting such customers. In June 2017 there were 33 thousand borrowers servicing 10 or more credits in the

bank sector (including SKOK credit unions). Since the beginning of the year the number of such customers has fallen by 1.7 thousand, but the number of those who combine bank credits in their portfolios (having less than 10 of them) with liabilities to loan companies (jointly having more than 10 liabilities) amounted to 39.5 thousand in June, i.e. 5.5 thousand more

than at the end of last year. Loan companies seem to have taken over crediting of overactive bank customers to a large extent; their number, in the joint analysis of borrowers of both sectors, is constantly growing. The rise in the number of overactive customers in the loan sector results partially from a closer cooperation of loan companies with BIK.

Overactive customers (in thousands) servicing 10+ credits/loans and the share of 90+ past due borrowers in this group



# Concentration on the credit market

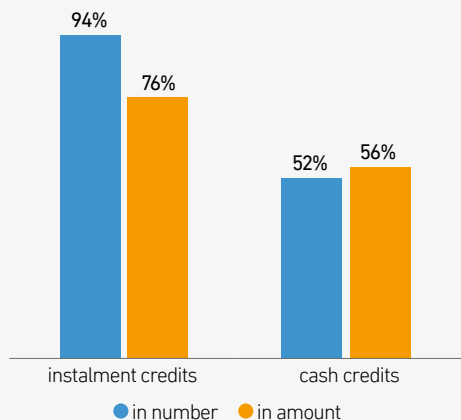
## Concentration on the credit market for retail customers.

The crediting of retail customers in the bank sector is strongly concentrated. Measured with the market share of 5 leaders, the highest concentration is noted on the market of

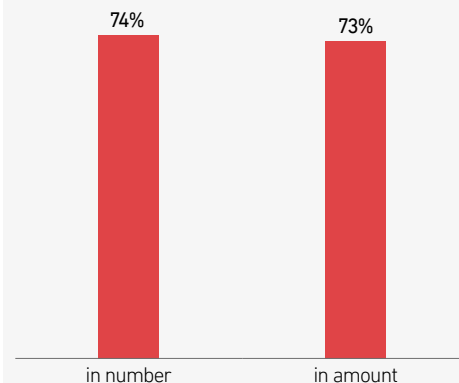
credits financing sales of goods and services (especially with regard to the number of concluded contracts). In housing loans four banks are to be distinguished, the share of the fifth

bank amounts to about 5%. The leaders in the number of concluded contracts are not always leaders in the amount rating.

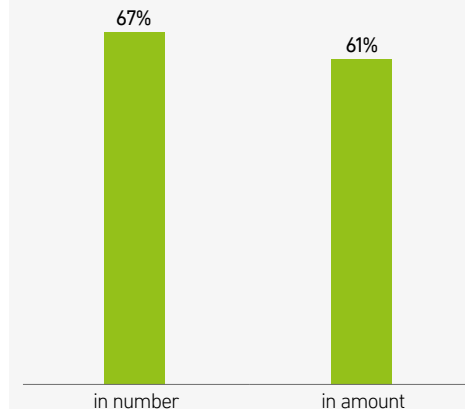
Consumer credits. The share of 5 largest banks in the sales.



Housing loans. The share of 4 largest banks in sales.



Credit cards. The share 5 largest banks in sales of.





## Key findings

- The number of granted consumer credits continues to decline as a result of the withdrawal of banks from crediting the low amount segment. This segment is being taken over by loan companies. In the 1st half-year of 2017 the number of credits below 4,000 zlotys was lower than a year before, even with loan companies transactions included.
- The number of borrowers servicing the consumer segment is stable. A decisive majority of loan companies customers simultaneously service bank credits. There is a threat to some borrowers of falling into a debt spiral through subsequent liabilities incurred by them in loan companies.
- The value (amount) of granted credits, despite the decline in their number, was higher in the 1st half-year 2017 than a year before.
- The quality of consumer credits granted in recent years has remained at a good, stable level. It is confirmed by a newly calculated Consumer Credit Health BIK Index.
- Granting credits to young customers poses an increased risk.

# The number of granted credits

## The number of consumer credits granted (instalment and cash) continues to fall.

In all the months of the 1st half-year 2017, except for March, banks and SKOK credit unions concluded fewer contracts for consumer credits than a year before.

The declines in the number of concluded contracts continue, which was noted already in 2016.

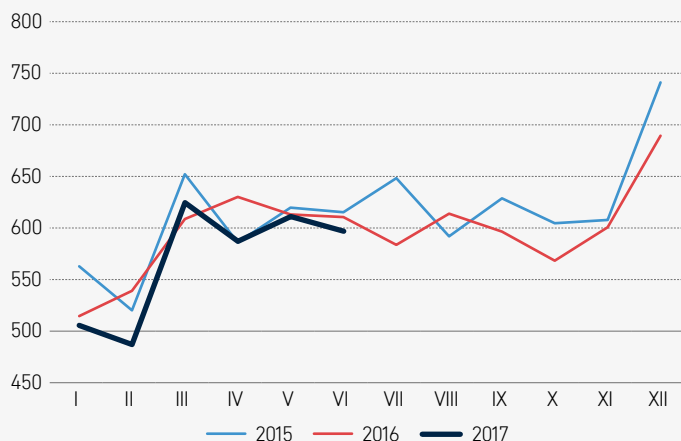
Banks grant higher amount credits to compensate for the falling numbers.

In the 1st half-year 2017 banks and SKOK credit unions granted 3,412 thousand instalment and cash credits, i.e. 3% less than a year before. We observed a similar decline in the 1st half-year 2016.

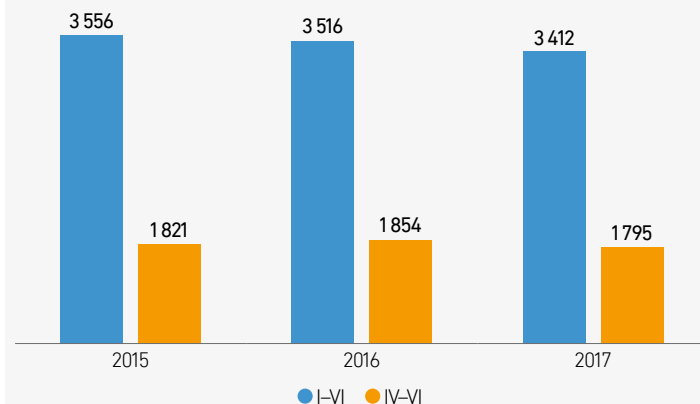
Taking into account the transactions reported by loan companies, the YoY decline in the total number of granted consumer credits or loans in the 1st half-year 2017 amounted only to 0.7%.

Loan companies granted 962 thousand loans in the 1st half-year 2017, i.e. 9.4% more than a year before. Part of the rise results from a closer cooperation of loan companies with BIK.

Consumer credits granted monthly in 2015-2017 (in thousands)



Consumer credits (in thousands) granted in the years 2015-2017



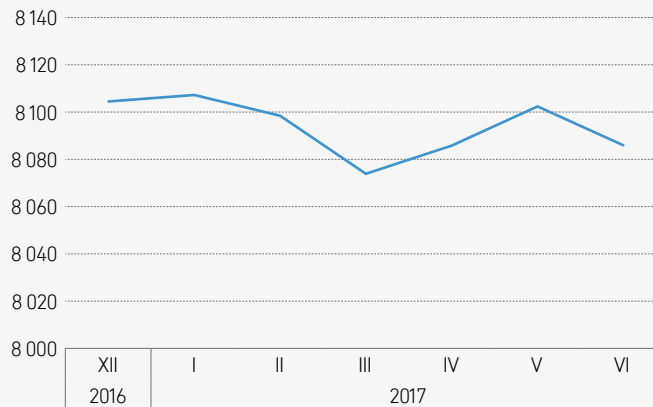
# Outstanding debt, the number of borrowers

**A permanent outstanding debt rise in consumer credits of retail customers, with a stable number of borrowers.**

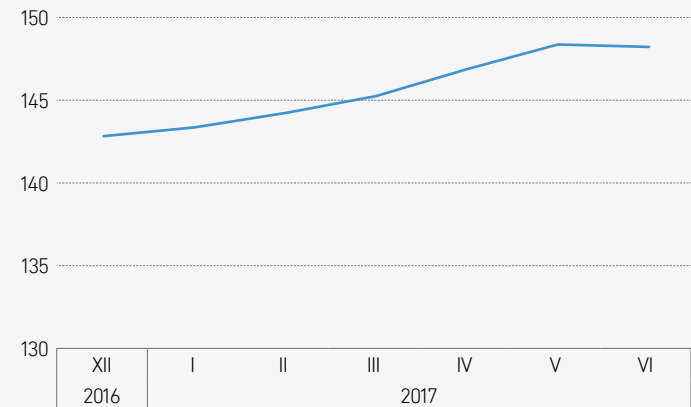
The consumer credit outstanding debt in 2017 (except for June) has been growing month by month, with a stable number of borrowers. In June retail customers owed 148.2 billion zlotys to banks and SKOK credit unions, i.e. 3.7% more than at the beginning of the year.

The rise in the debt amount results from a higher number of credits granted for higher amounts (to be discussed later) and longer crediting periods.

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



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



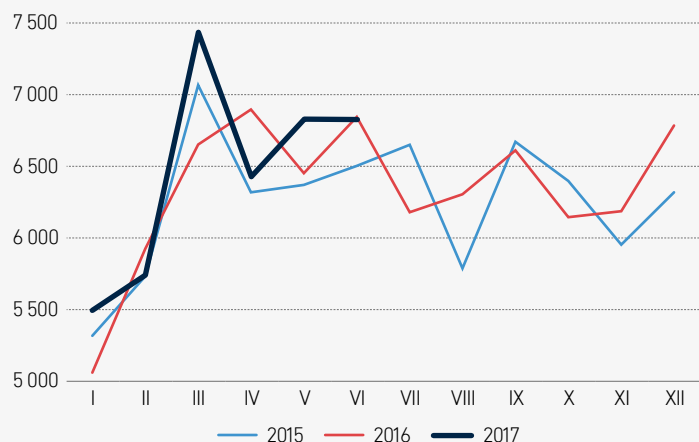
# The value of consumer credits granted

**The trend: the value of consumer credit contracts grows from year to year, while their number falls.**

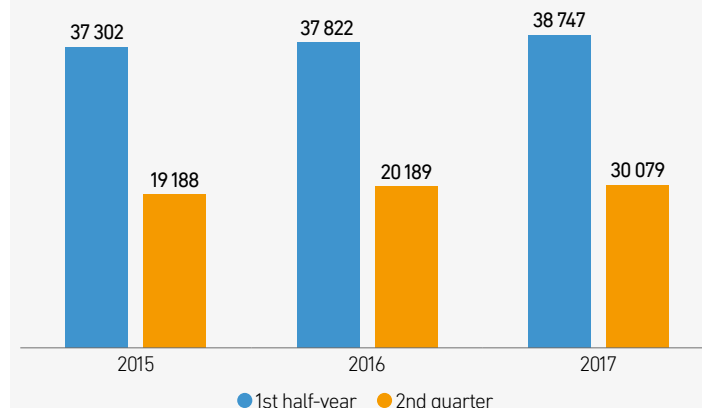
The value of credits granted in March (7,433 billion) is one of the highest monthly sales results in the years 2006-2017. This result was affected to a slight extent by high amount credits; in March there were fewer of them than usual. In 2017, Easter came a week later than in 2016, i.e. at the beginning of April. It did not shift the consumer credit spring sales peak though.

The consumer credit contract value in the 1st half-year was YoY 2.4% higher, but in the 2nd quarter nearly identical (0.5% decline). Generally, we observe a permanent slightly upward trend in the amounts of granted consumer credits connected with the rise in average transaction amounts.

The value (in millions zlotys) of consumer credits granted monthly in the years 2015–2017



The consumer credits (in millions zlotys) granted in the 1st half-years of 2015–2017, including those in the 2nd quarters of these years



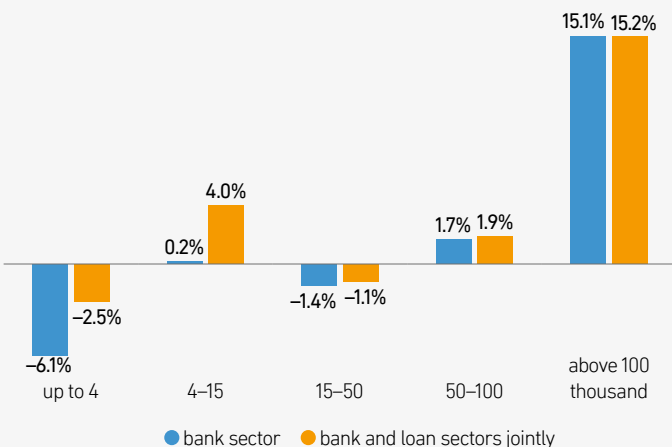
# Consumer credits in amount segments

In the 1st half-year 2017 we observe the continuation of the decline in the number of consumer credits concluded by banks and SKOK credit unions for the amounts below 50 thousand zlotys. The bank sector clearly focuses in its consumer credit offer (and not only) on higher amount segments making space for loan companies in the lower segments, but the half-yearly results show, also after the inclusion of non-bank loans in the calculation, that in the 1st half-year there were fewer transactions

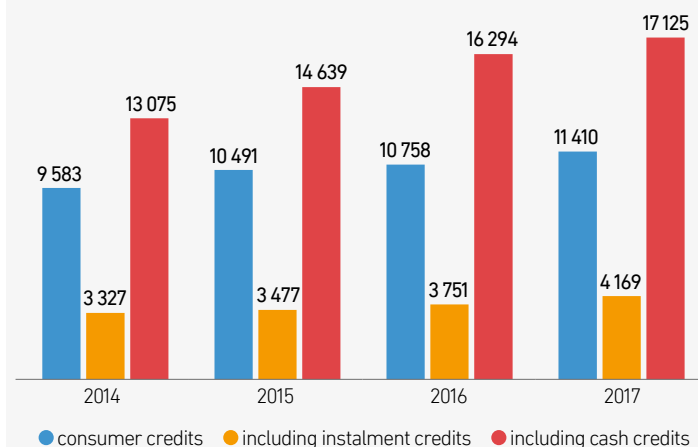
concluded for amounts up to 4,000 zlotys. In the bank sector we observe a strong increase in the number of granted consumer credits only in the amount segment of above 100 thousand zlotys.

As a result, the amount of an average credit is on a constant rise, in instalment (for the purchase of goods and services) as well as in cash credits. The rising trends in average amounts are also observed in other products financing consumption, i.e. cards and overdrafts.

The YoY rises in the 1st half-year 2017 in the number of consumer credits in amount segments



The average amount of consumer credits in the bank sector in the 1st half-years of 2014-2017



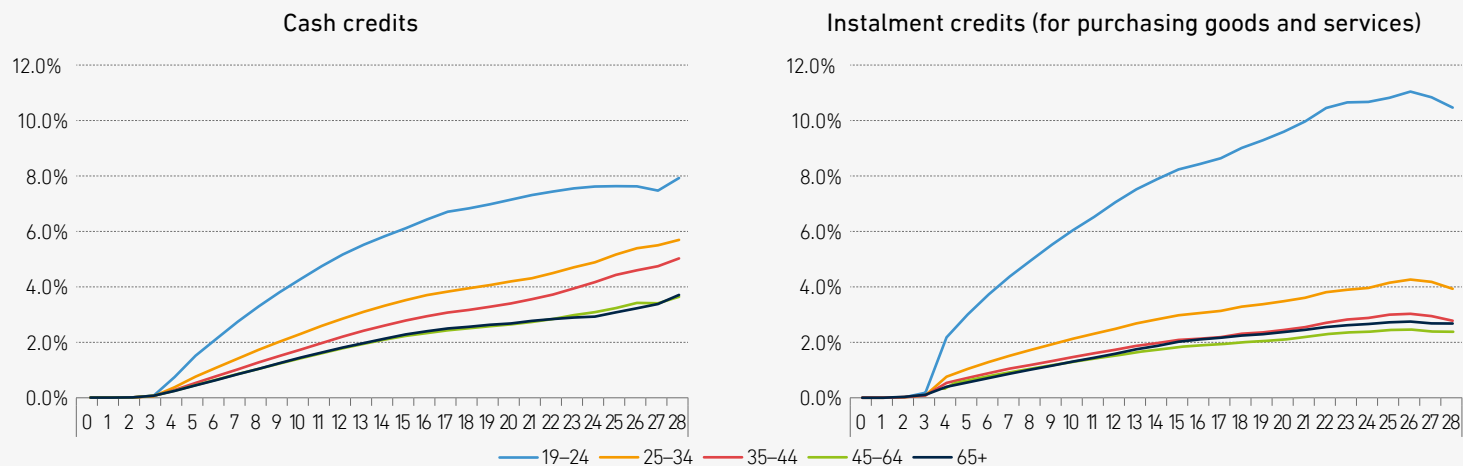
# The quality of credits in age groups (the age on the date of contract conclusion)

**Credits granted to the youngest customers indicate the highest loss rate. The default probability declines with the borrower's age.**

In the previous edition of CREDIT TRENDS we showed the consumer credit loss rate depending on the credit amount (the higher the credit amount, the higher the loss rate). Presently, we show the dependence of the loss rate on the borrower's age. The youngest customers pose the highest risk, especially in credits financing the purchase of goods and

services (instalment). Admittedly, there are not many of them (about 6% of all borrowers). Interestingly, there is an increased loss rate in the next age group (25-34 years), which consists of 4 times more borrowers in comparison with the group of 19-24 years of age.

Consumer credits. The share of accounts past due 90+ days in the number of the credits granted in years 2012-2014 in age groups in subsequent months after granting



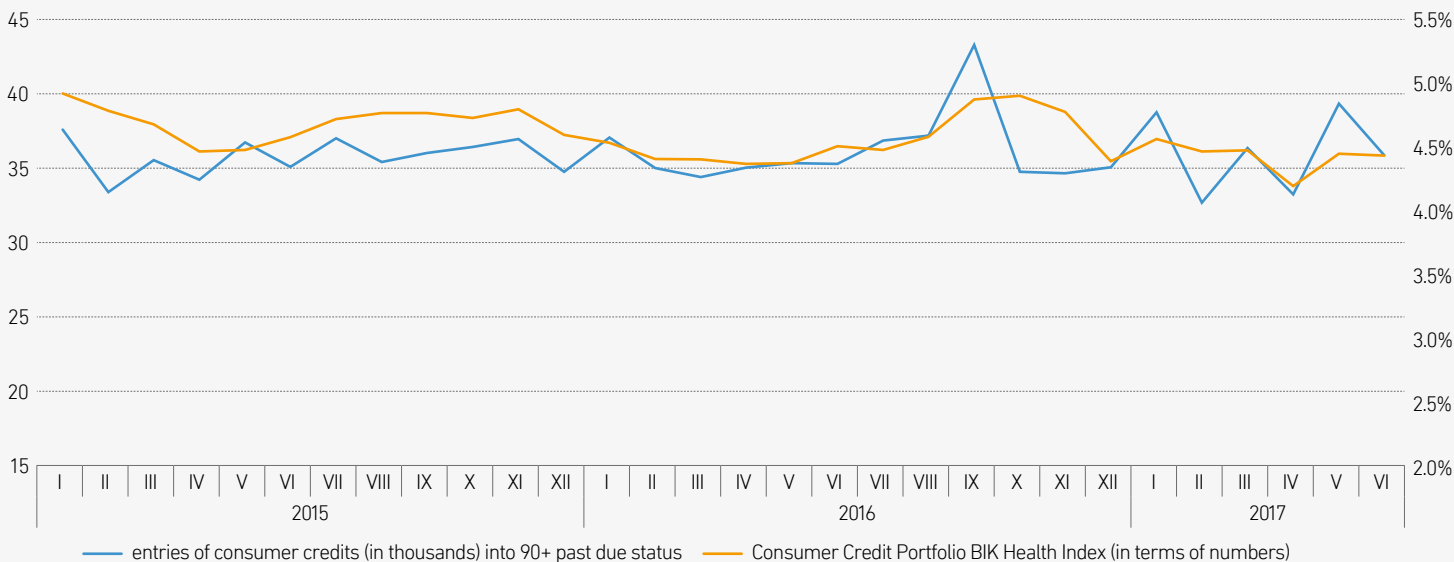
# The Consumer Credit Portfolio Health BIK Index

**A new Consumer Credit Health Index prepared by BIK confirms the conclusions from the vintage analysis on the final loss rate of the consumer credit portfolio.**

The Consumer Credit Health Index is a forecast of the portfolio loss rate based on the calculation of the relation of the number of credits in the portfolio (here: consumer credits) entering monthly the 90 + day past due status to the number of accounts in use in lower statuses. The past due ratio calculated in this way is analysed in order to show the trend.

The Index-based portfolio loss rate forecast of at the level of 4.5% is convergent with the vintage analyses shown in the following slides. BIK publishes (newsletter [www.bik.pl](http://www.bik.pl)) an analogous index based on similar time series in terms of value, also with regard to the remaining credit products.

The Consumer Credit Health Index and the number of shifts (in thousands) to the 90+ past due status



# Entries into the status 30 + days past due in servicing

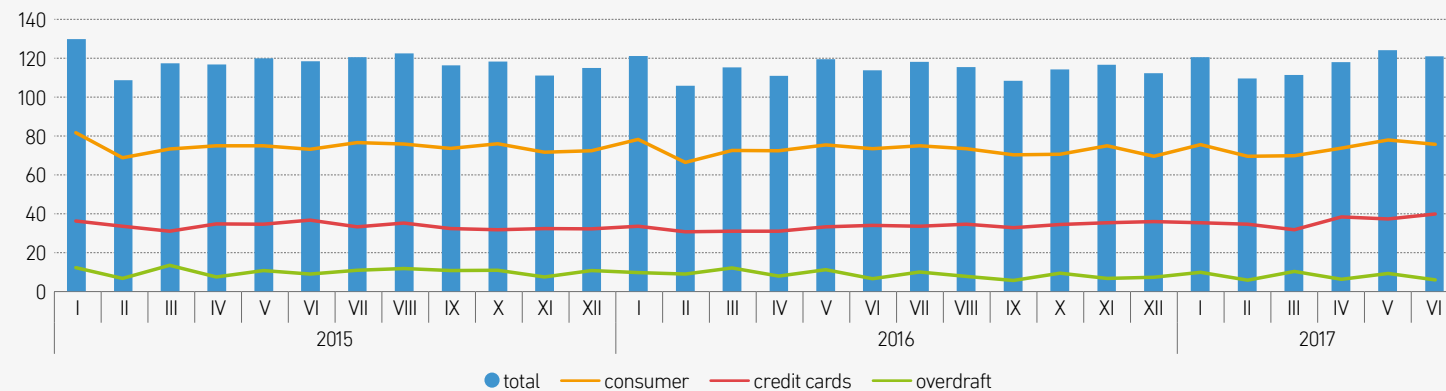
**In the 1st half-year the number of entries into the first status (30 + days) increased.**

The number of entries into the status 30+ days past due in servicing may be treated as the first signal of the portfolio quality deterioration. In the 1st half-year 2017 the number of entries into the 30+ day past due status indicated a rising trend in the consumer portfolios. It might, however, have been a phenomenon seasonal in character. Also in the two preceding years the number of these entries in the first half-years rose. It may have resulted from a worse quality of granted credits at the beginning of the calendar year, especially in the first quarter, which

we indicated many times. On average, in the 1st half-year 2017 every month 117 thousand accounts shifted into to status 30+ days, i.e. 3 thousand more than in 2016, and 1 thousand less in comparison with the 1st half-year 2015.

Nevertheless, irrespective of the monthly data fluctuations, the number of entries into the status 30+ days overdue is stable and does not seem to threaten the portfolio stability.

Credits (in thousand) shifting monthly from the regular to 30+ days overdue status





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

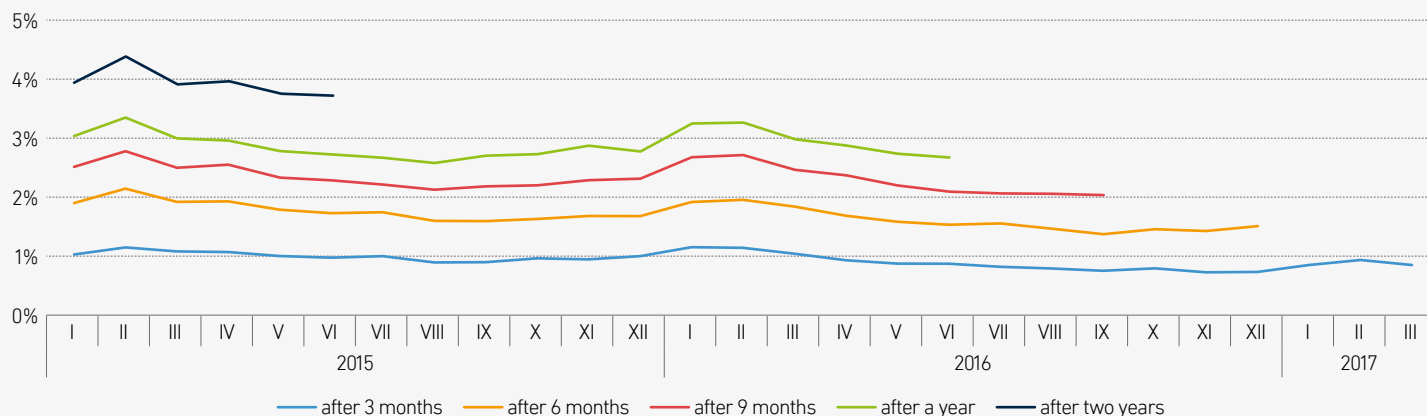
**A good and stable quality of consumer credits granted in the years 2015-2017 continues.**

A relatively low number of accounts entering the first (30+) past due status in servicing consumer credits indicated on the preceding pages results from a low level of loss rate of the credit subsequent generations. The graph below shows that the loss rate of subsequent credit generations, regardless of the seasonal factor, is on a constant level (vintage lines on the chart are horizontal). The subsequent generations deteriorate linearly over time (lines are 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 experience so far indicates that about half of the accounts entering the past due status of 30+ days return to the status of regular servicing in the following month. Hence, the quality of crediting in the cohort accounts, which in their worst ever history had the status of 90+, is twice higher.

The share of 30+ past due accounts in the number of credits granted in a particular month

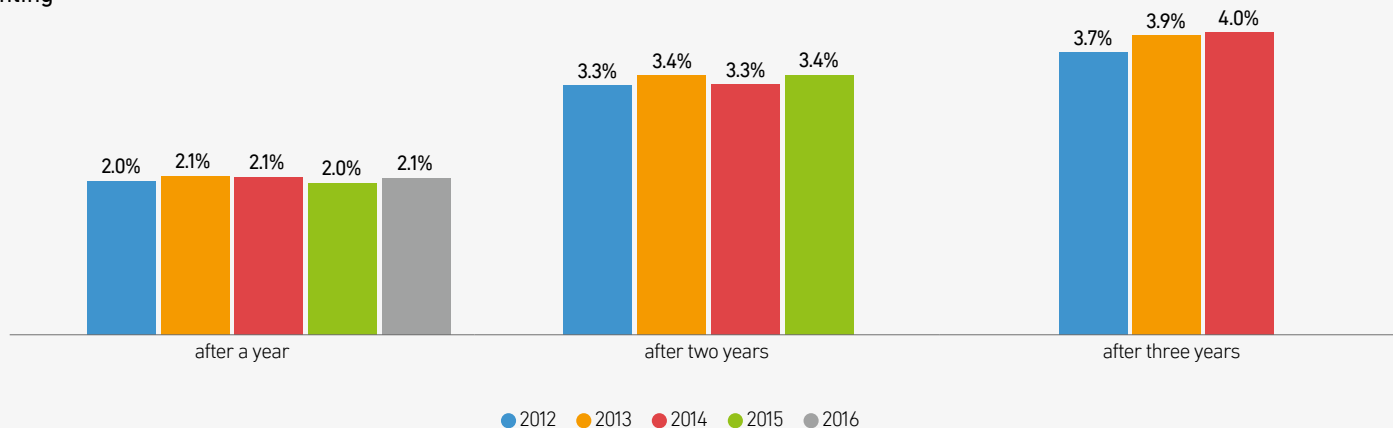


# The quality of granted consumer credits (90+ day past due status)

Consumer credits vintage indicators of credits permanently past due (90+ days) increase for 36 months of granting. In the following months these indicators become stable. The years 2012-2014, whose loss rate may be assessed from the 36 month perspective, show the share of 90+ days past due at the level of 4% at the end of 2016. This share is not likely to grow in the following months, so it may be treated as the

final level. The following generations 2015-2016 reach maturity at a similar pace to the preceding ones, which is seen in the results after two years after granting. So it may be assumed that their final loss rate will not substantially diverge from the level of 4%. It would be a level three times lower than that of the crisis year of 2008.

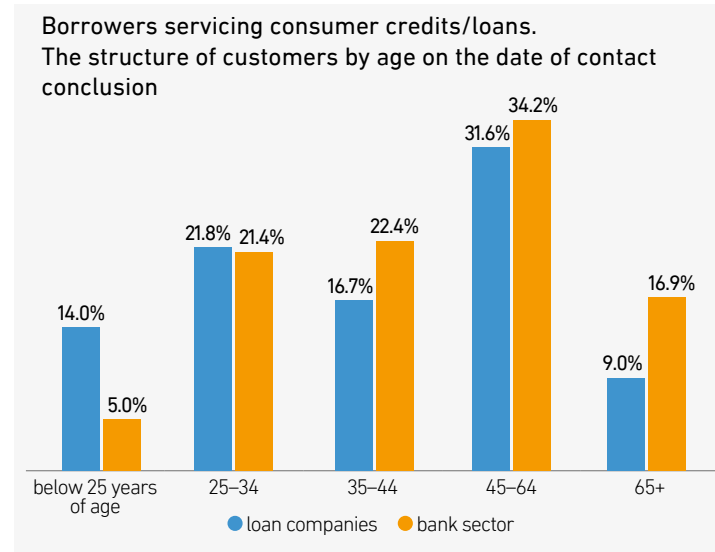
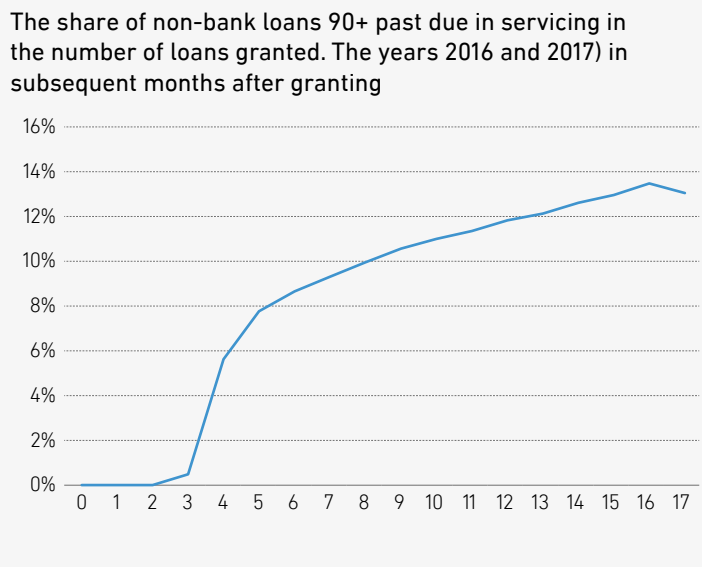
The share of 90+ past due accounts in the number of credits granted in selected years 2012-2016; 12, 24 and 36 months after granting



# The loss rate of non-bank consumer loans

Loan company business models assume the acceptance of a higher credit risk. The graph below indicates that loss rate (measured with the share of 90+ day past due credits in the number of credits granted in the whole year) is in the loan companies at present three times higher than in the bank sector. One of the reasons is the acceptance of credit applications from overactive borrowers (p.7).

Another reason for a higher risk of non-bank loans is granting credits to the youngest customers, due to a high loss rate in this group (p.14). The share of the youngest borrowers in the number of loan companies customers is nearly three times higher than in the bank sector. The youngest often incur their first liability in a loan company. And the customers aged 35-44 (the stabilization phase), similarly to the oldest customers constitute a less numerous group than in the bank sector.



## Key findings

- A major surprise of the 1st half-year 2017 is the retained high number contracts concluded for housing loans. After a weak 2nd half-year of 2016, good results of the 1st quarter of 2017 were generally connected with the MdM programme. If it had been a major cause of animation of sales of these credits, in the 2nd quarter the rise would have died out together with the using up of the subsidy pool. However, the rise in the 2nd quarter continued.
- Unsurprisingly, the currency portfolios dwindle among other things due to the strengthening of the zloty. Credits are well repaid, on average better than the zloty credits. Exchange rate fluctuations do not seem to have a clear impact on the repayment of currency credits.
- The number of borrowers servicing housing loans and the amount of their outstanding debt are on the rise, but it refers only to the zloty credits. The number of currency borrowers fall all the time. The quality of housing loans portfolios is stable, the number of accounts leaving the regular servicing status decreases monthly more quickly in the zloty than in the currency portfolio.

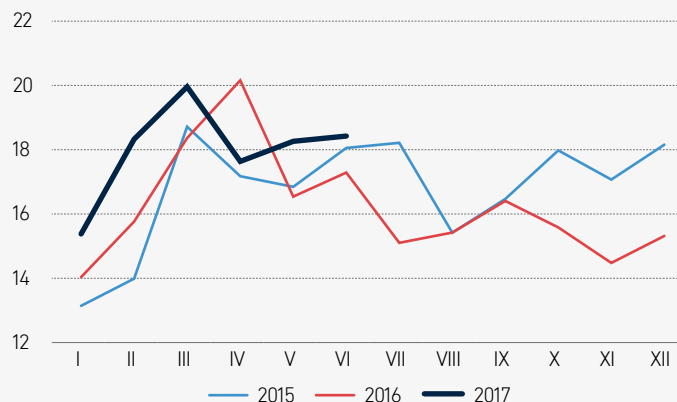
# The number of housing loans granted

**A higher number of housing loan contracts this year than a year ago was seen not only in the 1st quarter, when it could have resulted from the MdM programme, but also in the 2nd quarter, when the subsidy pool was used up.**

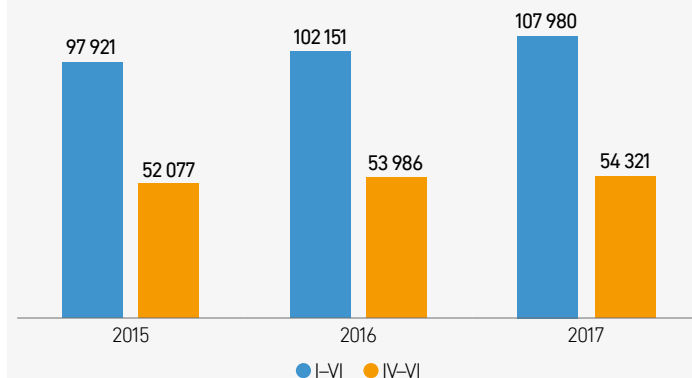
On the market of housing loans, after a very weak 2nd quarter of 2016, we observe a revival. Except for April, in all the months of the 1st half-year 2017 more housing loans were granted than last year. A high number of concluded contracts was maintained in the 2nd quarter, whose results were not likely to be affected by the MdM programme. Good results of sales of flats announced by developer companies in 2016 are affecting now the upswing on the loan market.

In the 1st half-year 2017 banks granted 108 thousand housing loans, i.e. 5.7% more than in 2016. In the 2nd half-year the YoY based indicators will be high due to a low base of the 2nd half-year 2016. If, what seems likely, the housing loan sales in the 2nd half-year remain on the 2nd quarter level, the dynamics indicator for the whole 2017 will amount to 11.6%, and in the 4th quarter even to 19.7%. Because of the impact of a low base of the 2nd half-year 2016, the data on the YoY loan dynamics in the 2nd half-year 2017 should be cautiously interpreted.

The number of housing loans (in thousands) granted monthly in 2015–2017



The number of housing loans (in thousands) granted in the 1st half-years of 2015–2017, including those in the 2nd quarter



# The value of housing loans granted

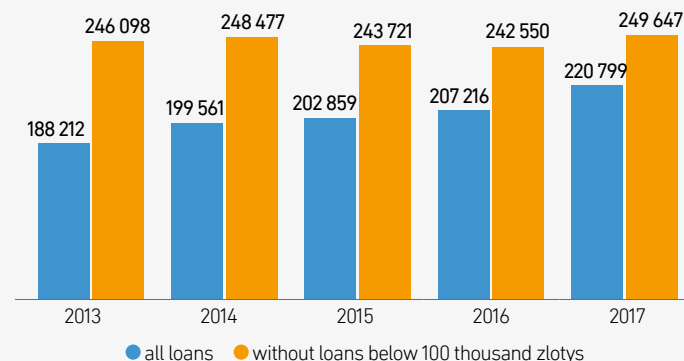
**Housing loan sales in terms of value grow twice as fast as sales in terms of numbers.**

In the 1st half-year banks granted housing loans for the amount of nearly 23.8 billion zlotys, which means a rise of 12.7% compared to 2016. It is nearly twice as much in term of numbers, but the difference results from a considerable decline in loans granted for low amounts. If loans granted for amounts below 100 thousand are not taken into account, the YoY dynamics of loans granted in the 1st half-year in terms of numbers or value are similar (10.5 and 13.8 respectively). If the 2nd quarter the crediting level is maintained in the 2nd half-year, the sales result will amount to 48.5 billion in 2017, i.e. a 16.3% YoY rise.

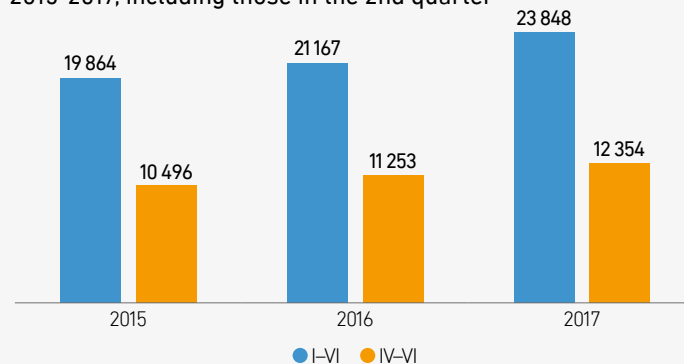
The value (in millions zlotys) of housing loans granted monthly in 2015–2017



An average amount of loan granted in the 1st half-years of 2013–2017



Housing loans (in millions zlotys) granted the 1st half-years of 2015–2017, including those in the 2nd quarter



# The number of borrowers, outstanding debt

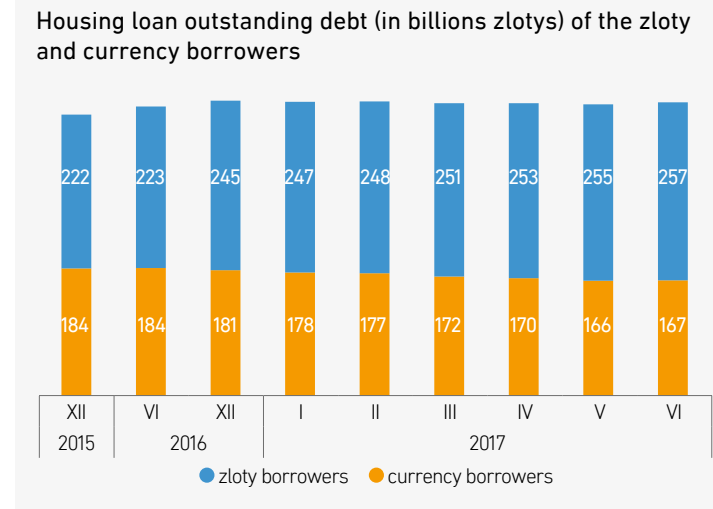
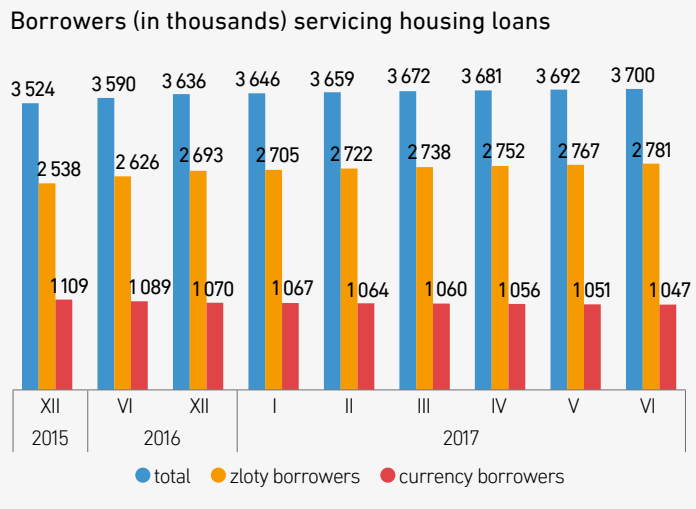
**The number of housing loan borrowers is on the rise, so is the amount of their liabilities.**

The 1st half-year 2017 saw 64 thousand new borrowers servicing housing loans. The number of new zloty loan borrowers amounted to 88 thousand, and the number of hard currency borrowers declined by 23 thousand. In the 2nd quarter the number of housing loan borrowers rose by 28.7 thousand (the zloty loan rise of 42 thousand, and currency loan decline of 13 thousand).

Loans in the status 90+days overdue converted from a foreign currency to the zloty did not significantly affect the decline in the number of

currency borrowers. In the 1st half-year 226 loans of this kind were converted.

In June 2017 the outstanding debt of currency housing loan borrowers was 14.6 billion lower (12.5%) than at the beginning of the year. Half of this decline may be attributed to exchange rate differences. The Swiss franc dropped between June and December by 25 groszes (6.1%).



# The quality of granted loans

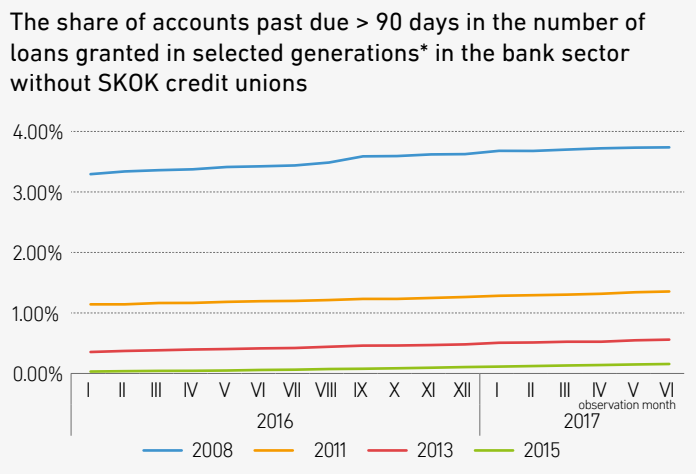
**We observe a slow process of rise in the share of overdue loans together with the age of loans.**

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

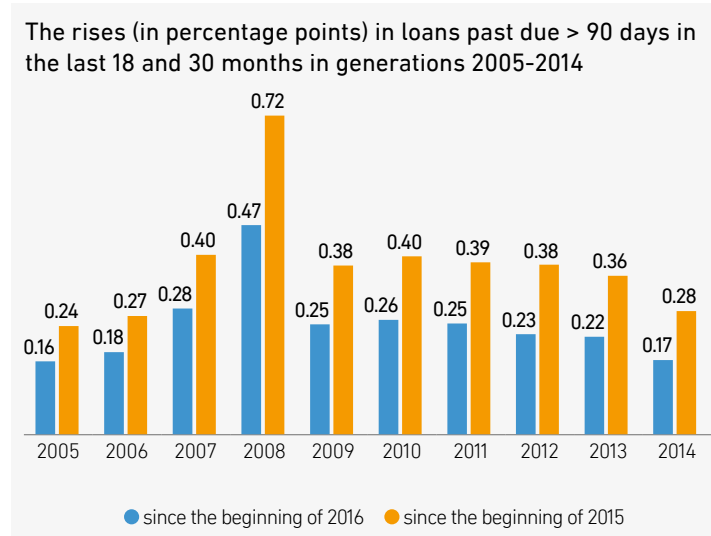
The highest loss rate measured in June 2017 with the share of loans overdue in servicing refers to the crisis year of 2008 (3.7%), slightly lower in “neighbouring” years of 2007 (2.6%) and 2009 (2.3%). The following years have a much lower loss rate, though over time they deteriorate, and certainly they will not achieve of the level of the years from the previous decade.

The rises in the share of past due loans in the last 18 and 30 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 2014) deteriorate at a similar pace.

In order to assess the loss rate we use the relation of the number of past due 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 past due loans to accounts in use is considerably higher.



\* Applying this measure we take into account, both in the numerator and denominator, all the accounts opened in a given year, also those closed on the date of analysis.



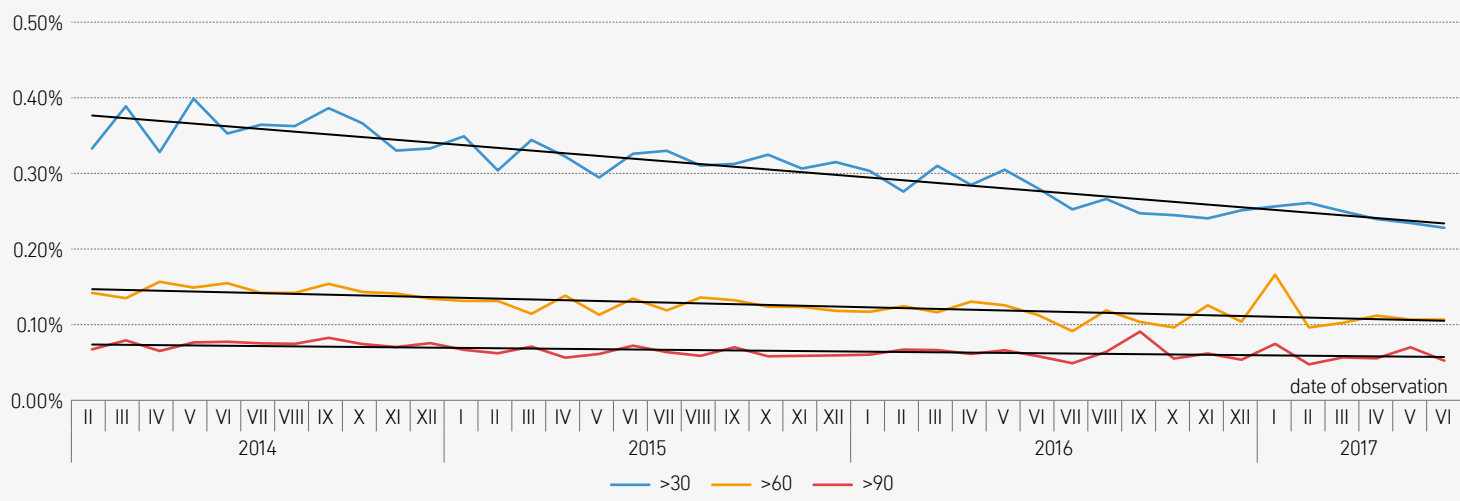


# The quality of housing loan portfolios: the pace of change

The number of accounts entering monthly the first past due status (30+ days) shows clearly a downward trend. The rise in this number in the 4th quarter 2016 observed in the previous CREDIT TRENDS and continued in the 1st quarter 2017 proved temporary. In the 2nd quarter on average 0.23% of accounts entered monthly the status 30+ days past due, in the 2nd quarter 2017 0.29%. Thus, a downward trend is clear.

The number of shifts to the past due higher statuses (60+ and 90+) also shows a downward trend, though the pace of declines in the number of accounts entering higher past due statuses is lower. In the 1st half-year 2017 the number of accounts which entered the status 30+ days past due fell by 23% than in 2014, the status 60+ by 19%, and 90+ by 18.5%. All this indicates that housing loan portfolios are in good condition.

Loans entering monthly higher past due statuses in % of loans in lower statuses monthly in 2014-2017

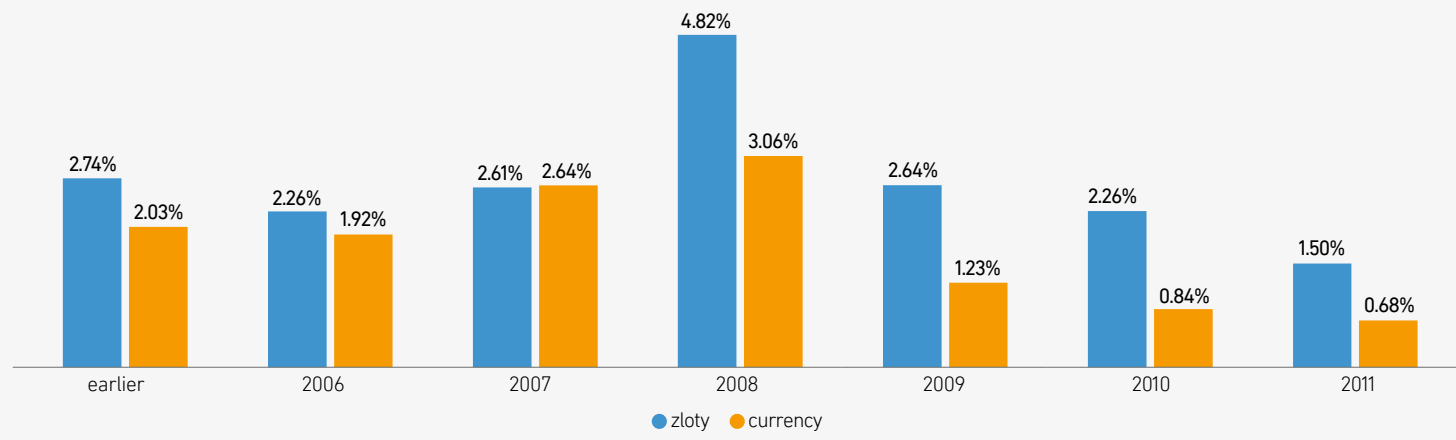


# The quality of granted loans: the comparison of the zloty and currency loans

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 past due loans in portfolios in June 2017 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 past due servicing status. The number of loans granted and past due in servicing in the currency portfolio is enlarged by the accounts converted into the zloty in the mode of debt recovery/restructuring of loans.

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, are similar.

The share of loans 90+ days past due in servicing in the number of loans granted in generations (up to 2011) in the zloty and currency portfolios, currency past due loans are conversion adjusted in June 2017



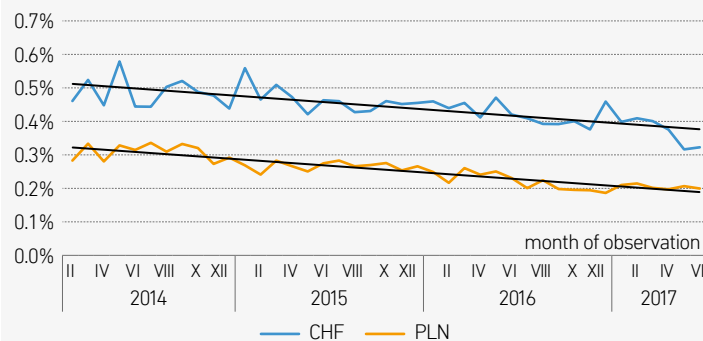
# The quality of the Swiss franc portfolios

The quality of zloty and currency portfolios is being improved, measured with the percentage of loans entering the first past due status (30+ days). In the Swiss franc portfolio the percentage of entries into the 90+ day status is on the rise.

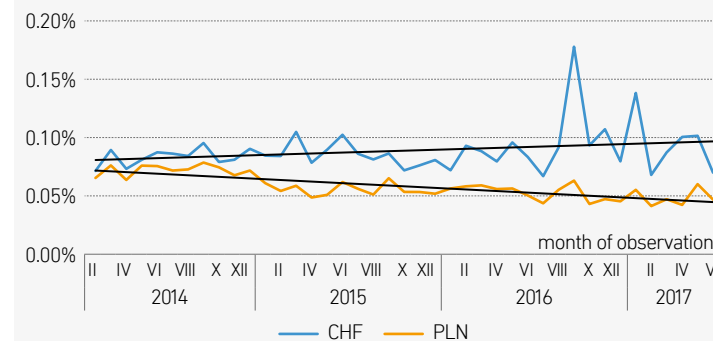
The number of currency accounts in use decreases in the bank portfolios, while the number of zloty accounts is on the rise. The number of accounts referred to them, entering the first past due 30+ status in a given month declines. In four years (2014-2017) the absolute number of entries into the status fell in the franc portfolio by 44% and in the zloty portfolio by 15%. Based on the assessment of early past due statuses, the condition of both portfolios is good.

In the franc portfolio the percentage of accounts entering monthly the past due 90+ status is on the rise, which results to a certain extent from the ageing of the portfolio, only a slight inflow of new accounts and the decline in the number of accounts in use in the denominator. In the zloty portfolio the percentage of accounts entering monthly the past due 90+ status declines. In terms of absolute numbers in four years (2014-2017) the number of entries into the status 90+ days in the zloty portfolio decreased by 5.5%, and in the currency portfolio by 14.4%.

Monthly shifts into the status past due > 30 days in 2014-2017 in % of accounts from the status of regular servicing



Monthly shifts into the status past due > 90 days in 2014-2016 in % of accounts from statuses lower than > 90 days



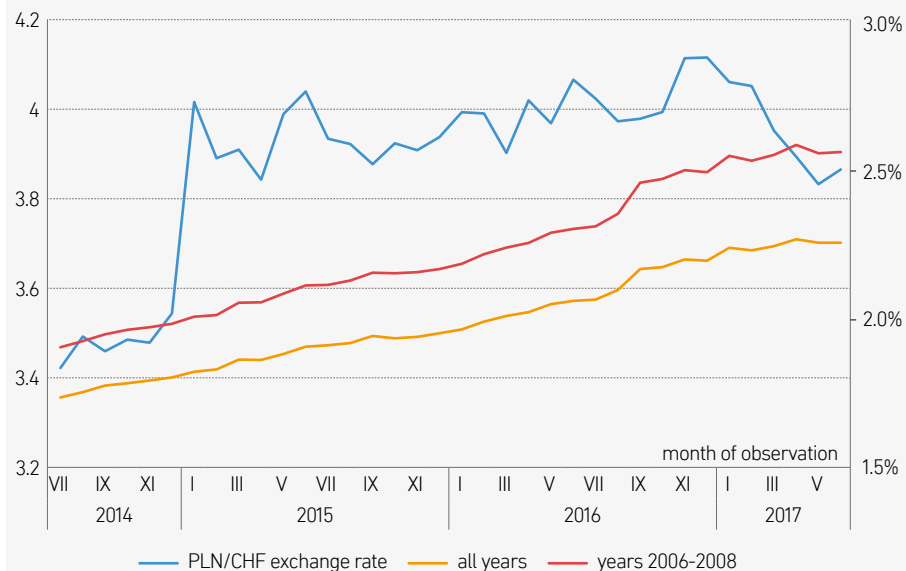
# The quality of the Swiss franc loans vs. the franc exchange rate

**The Swiss franc exchange rate has a weak impact on repayment of loans in this currency.**

Two 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 in the range of 3.9 to 4.2 zlotys per franc. As indicated in the graph, 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. We noted a slight acceleration of franc loan shifts from regular servicing in the 2nd half of 2016. It might have been connected with the borrowers' expectations of favourable franc loan conversion.

The shares of past due accounts presented in the graph are adjusted (increased) by the loans past due in servicing converted from the franc to the zloty. At the end of June 2017 in bank portfolios there were 11.5 thousand franc loans 90+ days past due in servicing. We add to 5.5 thousand loans to this number; they are presently zloty loans, converted from the franc when they were past due in servicing. In the 1st half-year banks converted 175 irregularly serviced loans from the franc to the zloty.

The share of 90+ past due accounts in the number of accounts opened in the Swiss franc. Statuses in the subsequent months in the years 2014-2017 shown with the Swiss franc exchange rate



## Key findings

- Poles prefer debit cards, with credit cards enjoying less popularity. There are a few times more debit than credit cards. The number of credit card holders and also the number of holders using cards are stable, the latter is not subject to significant changes, even if the issuance of new cards decreases. Every fifth holder does not use the card.
- For three years the number of newly opened credit card accounts has been falling. The decline in card issuance has a few reasons. On the part of the banks, it may be a lower profitability (lower interchange rates). Besides, a few banks issued credit cards to customers taking instalment credits and settled their credits on the accounts of these credits – recently this practice has been dying out. On the part of demand, the principle of including the full credit limit in their creditworthiness (DTI) makes credit applicants close old credit card accounts not opening the new ones.
- The limits on credit cards grow. It concerns newly opened accounts as well as an average limit on cards in use. Banks seem to withdraw from using cards in cross selling, concentrating on issuing cards to their proven customers.

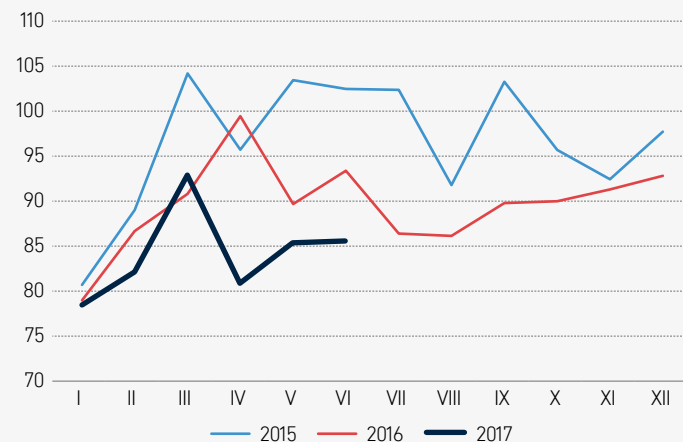
# The number of credit cards issued

**The 1st half-year saw a record low number of newly opened credit card accounts.**

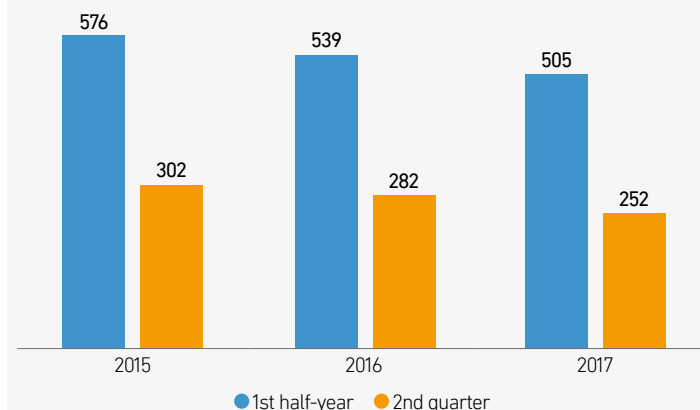
In the 1st half-year 2017 there were 6.2% newly opened accounts less than a year before. In each month the annual indicators were different, from +2.3% in March to -18.7% in April. A clearly downward trend has been observed for three years now. In terms of value (the amounts of credit limits granted on opened accounts), which is to be discussed later, the situation is different. A distinct rise in limits on the issued cards results from it.

Declines in the number of issued cards result primarily from the change in the method of crediting hire-purchase by some banks. These banks used to run instalment credit accounts on card accounts. Without considering the bank leaders of hire-purchase crediting, the YoY dynamics of the number of credit cards issued by other banks in 2017 has been slightly positive (+1%).

The number (in thousands) of credit cards issued monthly in the years 2015–2017



The number of credit cards (in thousands) issued in the 1st half-years of 2015–2017, including those issued in the 2nd quarters in these years



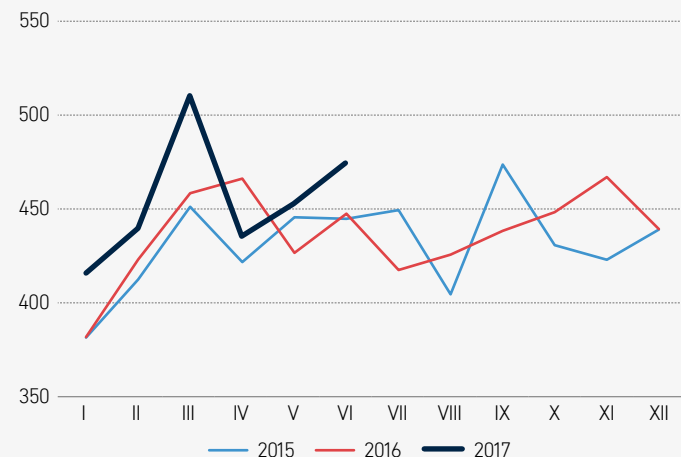
# The value of limits on the opened accounts

**The value of limits granted on newly opened credit card accounts is on the rise although fewer cards have been issued.**

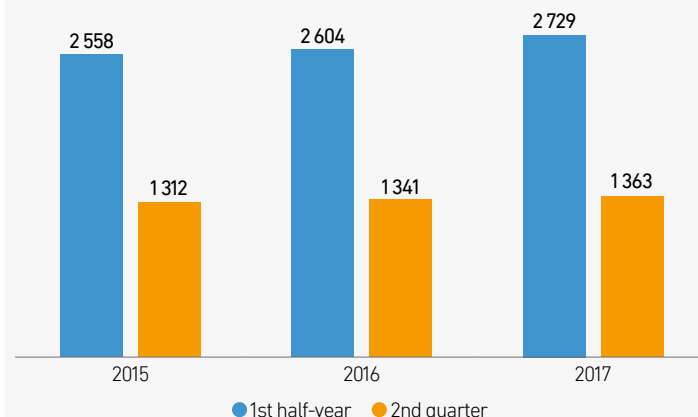
The amount of credit limits on newly opened accounts was 4.8% higher in the 1st half-year 2017 than a year before, and in the 2nd quarter the rise in the amount of granted limits amounted to 1.7% YoY. In view of the falling number of issued cards, it means a strong rise in an average limit on an opened card. In the 2nd quarter an average limit amounted to 5,413 zlotys, in the annual comparison it was 14.1% higher than in 2016 and 24.4% higher than in 2015.

The aforementioned change in the method of running hire-purchase accounts also affects the amount of limits granted on credit cards in the 1st half-year 2017. Disregarding the bank leaders of hire-purchase crediting, the dynamics of the limits on the card accounts opened by other issuers doubles (up to 9.2% YoY).

Limit amounts (in millions zlotys) granted on credit card accounts opened monthly in 2015–2017



The value of granted limits on credit card accounts opened in the 1st half-years of 2015–2017 (in millions zlotys)



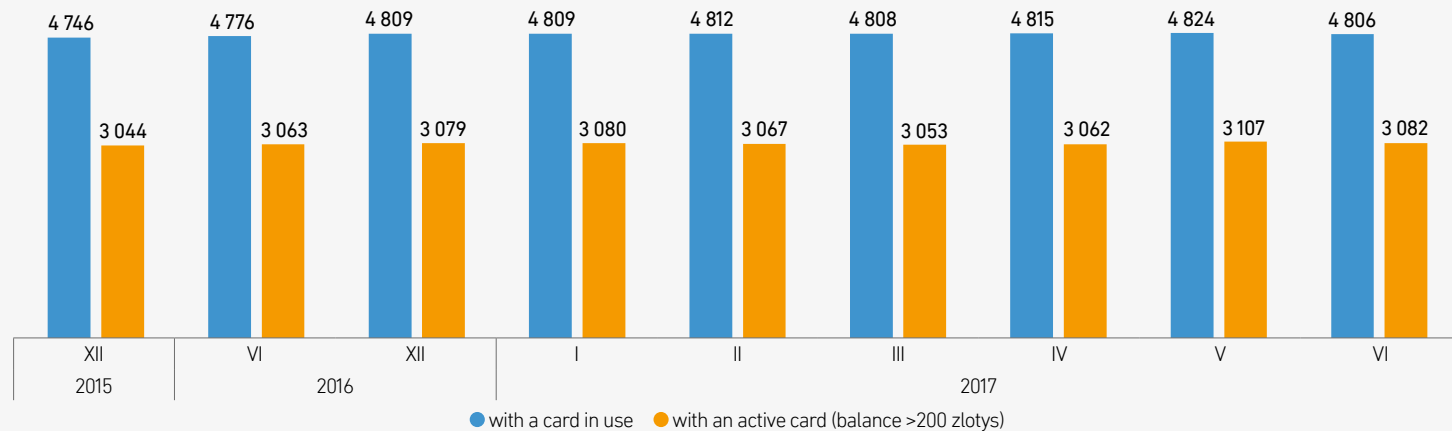
# The number of credit card holders, including the active ones

**In the 1st half-year 2017 the number of credit card holders did not change considerably.**

In the previous edition of CREDIT TRENDS, summing up the 2016 results, we observed that after years of declines, the number of credit card holders and the number of active card holders rose. In the 1st half-year these rises did not continue. In June 2017 the number of credit card holders was similar to that at the beginning of the year. For a longer time the active card holders index (the relation of active holders to all holders) has been stable.

This index in June 2017 amounted to 64.1%; in the previous two years it fluctuated slightly from month to month. The number of card holders may have stopped growing because some banks stopped issuing credit cards to settle instalment credits. The observed weak dynamics of the credit card market is accompanied by a considerably higher interest of customers in debit cards; according to the National Bank of Poland their number is growing.

The number of credit card holders (in thousands), including those with an active card





# Limits on card accounts and their utilisation

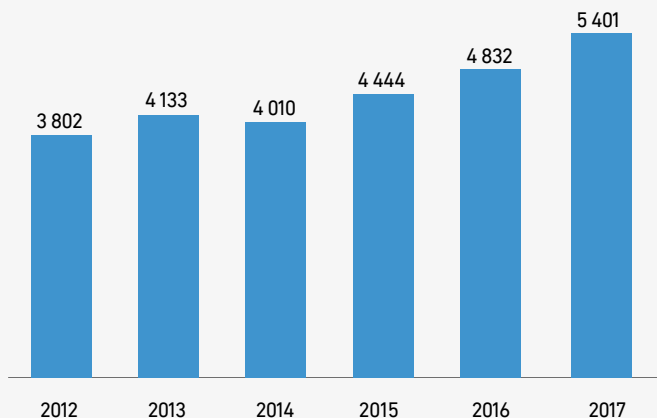
**We observe increasingly higher limits on the newly opened credit card accounts, the average limits on accounts in use (opened earlier) are also on the rise.**

Strong declines in the number of credit cards issued, with the amounts of granted limits kept at a similar level, indicate a growth in an average limit amount. There is an important change in the strategy of card issuers behind this arithmetic relationship. Most of them seem to offer the product primarily to the proven customers they know.

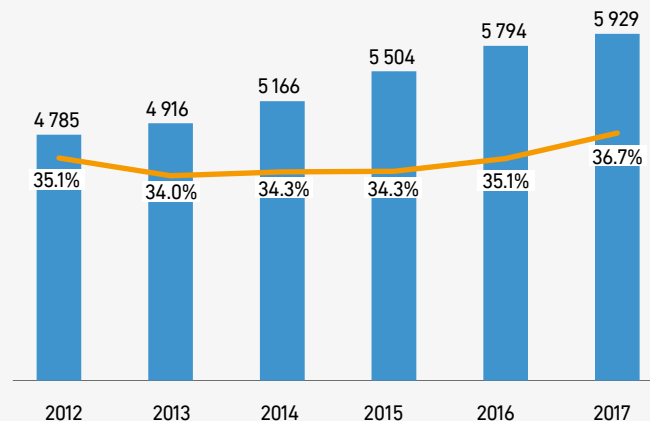
The rise in limit amounts is affected also by then resignation of some banks from the settlement of low amount credits financing hire-purchase on card accounts.

An average limit on the accounts in use is higher than that on the newly opened accounts. An average limit on cards in use in June 2017 exceeded that on the newly opened accounts in 2017 by 11%. Lower limits are granted on the newly opened accounts. Low limit accounts are closed sooner. In June 2017 card holders made use of 36.7% of the credit limit granted to them, which means a 1.6% growth in comparison with June 2016. In December 2016 (previous CREDIT TRENDS) the utilization of limits was higher (by 37.4%), which may have been affected by the seasonal factor (Christmas).

An average limit on credit cards opened in the 1st half-years of 2012-2017



An average limit on a credit card account in use in June, 2012-2017



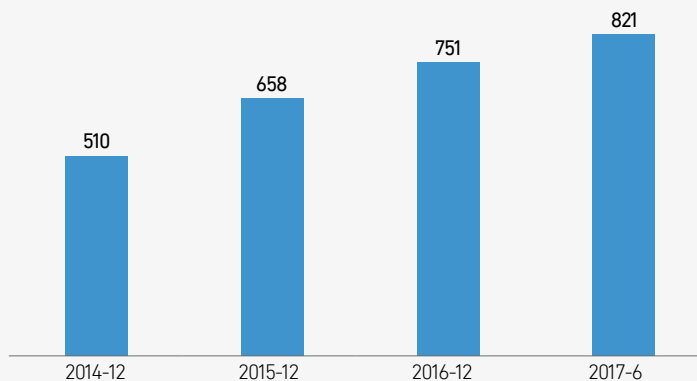
## Key observations

- The number and value of credits incurred by microentrepreneurs are on the rise. At the end of 2017 the value of microentrepreneurs' credits in the BIK Entrepreneur base rose to the amount of 62 billion zlotys.
- There is a considerable difference in the creditisation of microentrepreneurs in different regions (voivodeships). Microentrepreneurs most often make use of credits in the Opole and Silesian voivodeships, and least often in Lublin and Świętokrzyskie voivodeships.
- In the 1st half-year 2017 banks granted 115 thousand corporate credits to microentrepreneurs for the amount of 11 billion zlotys.
- The crediting of current activities is dominating in bank financing and accounts for 67% of the amount of credits granted in the 1st half-year 2017. Revolving credits account for 42% of the value of the credits granted to microentrepreneurs, with 24.7% of credits on current accounts.
- The share of microentrepreneurs' credits 90+ days past due in servicing has been stable for 3 years in bank portfolios, remaining at the level of 11% in terms of value.

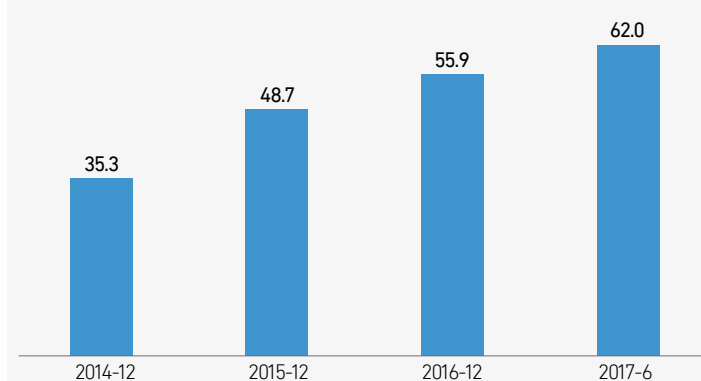
# Microentrepreneurs' portfolios

The rise in credit portfolios for microentrepreneurs in terms of numbers and value. In the 1st half-year 2017 the portfolio volume rose by 9.3% and the value by 11%.

The number of credits in the credit portfolio for microentrepreneurs (in thousands)



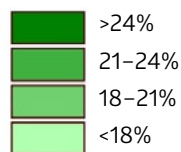
The value of credits in the credit portfolio for microentrepreneurs (in billions zlotys)



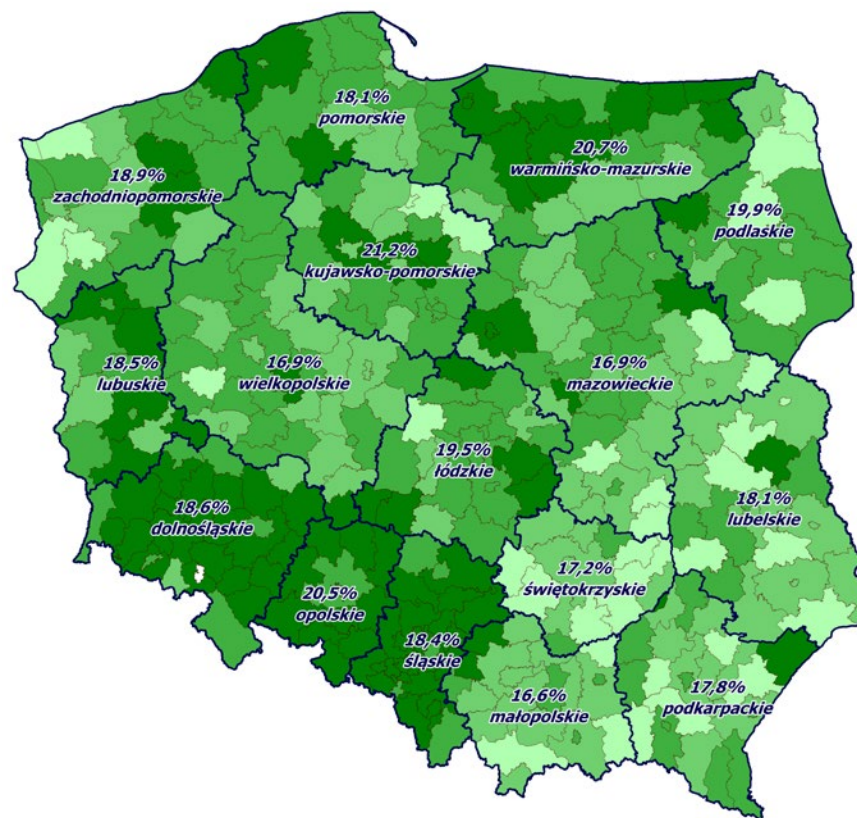
# The creditisation of microentrepreneurs

Microentrepreneurs incur bank credits most often in the Upper and Lower Silesia, least often in the Kielce region. From the geographical perspective a considerable diversity may be observed in the level of credit financing used by microentrepreneurs.

The share of microentrepreneurs (active in business) making use of bank credits:



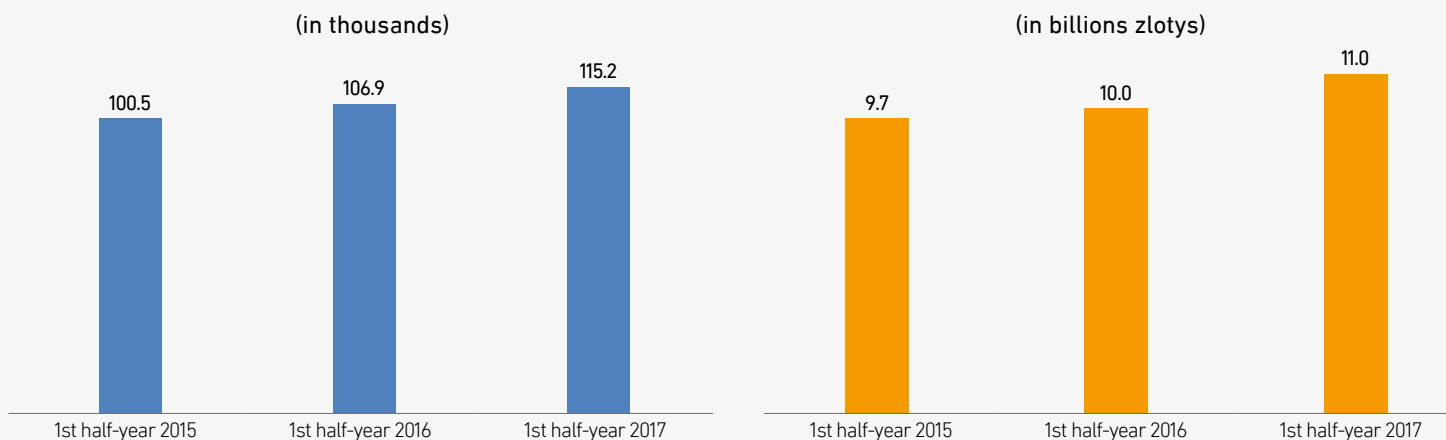
Poland's average: 21.7%



## Credit contracts (2015-2017)

The growing number and value of credits granted to microentrepreneurs. In the 1st half-year 2017 banks granted 7.7% more credits for the amount 9.7% higher than in the 1st half-year 2016. In the 1st half-year 2017 banks granted credits for about 1 billion zlotys more.

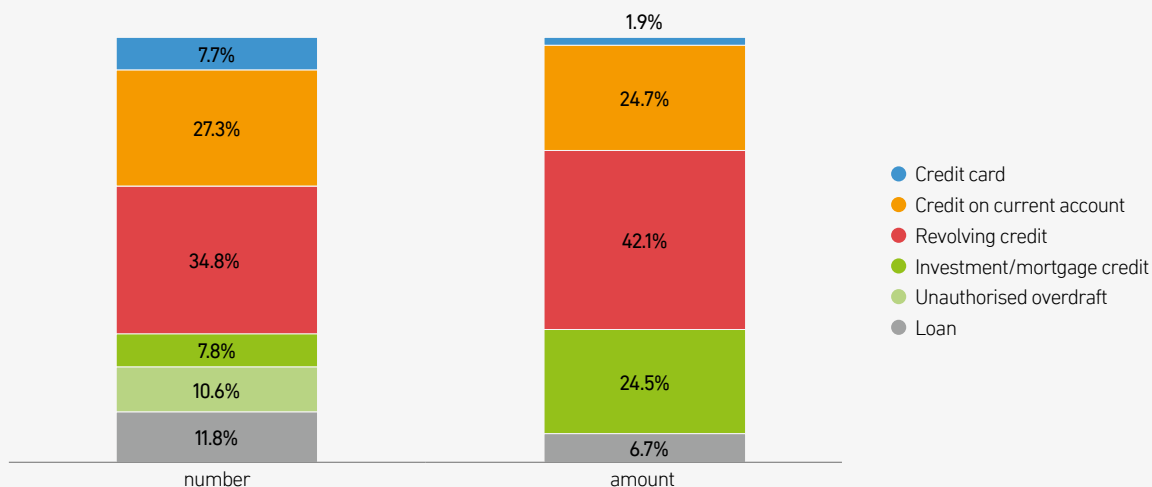
Microentrepreneurs' credit contracts in the 1st half-years, 2015-2017



# Product structure

Credits financing of operational activities are dominating in the structure of credits granted to microentrepreneurs in the 1st half-year 2017. Revolving credits and credits on current accounts amount to 66.8% in terms of value and 62.1% in terms of numbers.

The structure of number and amount of credits to microentrepreneurs in the 1st half-year 2017

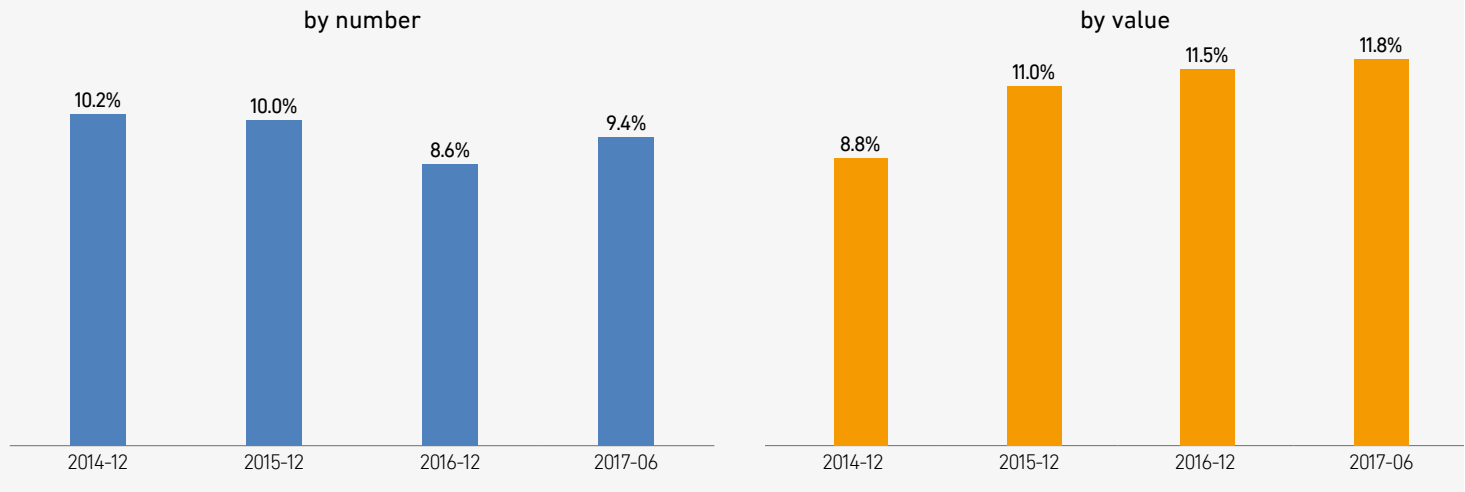




# Portfolio quality

A stable share of microentrepreneurs' 90+ day past due credits. For 4 years about 10% of microentrepreneurs have had 90+ day past due corporate credits. In terms of value the NPL ratio is on the level of 11%.

Microentrepreneurs' credits. The share of 90+ day past due credits in the portfolio



## CREDIT TRENDS Credit Information Bureau Semi-Annual Report

Developed by the Business Intelligence Department at the Credit Information Bureau.

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