



# credit trends

Semi-Annual Report  
Credit Information Bureau

1<sup>st</sup> half-year 2019



BIURO INFORMACJI KREDYTOWEJ

**pp. 3–8 CREDIT MARKET**

Key findings .....	3
The number of borrowers, outstanding debt .....	4
Borrowers by products .....	5
New customers .....	6
Customers of loan companies .....	7
Credit activity of private customers .....	8

**pp. 9–21 CONSUMER CREDITS**

Key findings .....	9
The number of granted credits .....	10
Instalment and cash credits – lending in terms of numbers .....	11
Bank sector. Consumer credit debt, the number of borrowers .....	12
The value of consumer credits granted .....	13
Instalment and cash credits – sales in terms of value .....	14
Consumer credits in amount segments .....	15
Entries into the 30+day-overdue status .....	16
Entries into the 90+day-overdue status and the Consumer Credit Portfolio Health BIK Index .....	17
The quality of consumer credits granted in the bank sector (30+day-overdue status) .....	18
The quality of consumer credits granted (90+day-overdue status) .....	19
Non-bank loans – sales .....	20
The impact of closer cooperation of loan companies with BIK on the reported sales .....	21

**pp. 22–30 HOUSING LOANS**

Key findings .....	22
The number of granted housing loans .....	23
The value of granted housing loans .....	24
The changes in the value structure of granted loans .....	25
The number of borrowers, outstanding debt .....	26
The quality of granted loans .....	27
The quality of housing loans – comparison of the zloty and currency loans .....	28
The quality of the Swiss franc portfolios .....	29
The quality of the Swiss franc loans and the franc exchange rate .....	30

**pp. 31–36 CREDIT CARDS**

Key findings .....	31
The number of credit cards issued .....	32
The value of limits on newly opened accounts .....	33
The number of credit card holders, including the active ones ..	34
Limits on credit card and their use .....	35
Limits and liabilities on card accounts .....	36

**pp. 37–52 MICROENTERPRISE CREDITS**

Key observations .....	37
The number and quality of the credit portfolios of microenterprises and farmers .....	38
The value and quality of the credit portfolios of microenterprises and farmers .....	39
We can observe a systematic growth in the value of the credit portfolios of microenterprises and farmers, with a slight rise in the level of risk though .....	39
The sectoral structure of credit portfolios of microenterprises and farmers .....	40
The sectoral structure of credit portfolios of microenterprises and farmers .....	41
The number and value of financing granted by banks to microentrepreneurs .....	42
The number and value of financing granted by banks to farmers .....	43
The structure of credit sales to microenterprises in terms of value and numbers, by product .....	44
The structure of credit sales to farmers in terms of value and numbers, by product .....	45
Average amounts of credits granted to microentrepreneurs and farmers .....	46
Microentrepreneurs' and farmers' credit risk increases with the number of crediting banks .....	47
Microentrepreneurs' credit risk increases with the number of credits to repay .....	48
Farmers' credit risk does not increase with the number of credits to repay .....	49
Vintage analysis of credits of microentrepreneurs and farmers .....	50
Microentrepreneurs - corporate and private debt .....	51
Credit loyalty of microentrepreneurs as companies and private customers .....	52

## Key findings

- In the first half-year 2019, last year's trends on the retail credit market for private customers were continued, though we could observe also new phenomena.
- In housing loans, the 1<sup>st</sup> quarter was poorer. Admittedly, due to the lack of the MdM programme which drove crediting in the first months of the previous years. The 2<sup>nd</sup> quarter was decisively better. And the first July results show an explicit increase in the number of housing loans granted.
- In instalment and cash credits, as before, we can observe the stability of the number of granted credits and modest increases in amounts of granted credits.
- Poor results of instalment credit sales come as a surprise in view of a clear rise in households' incomes and a growing consumption.
- The number of borrowers is stable, the liabilities of private customers are on the rise, both in housing loans and consumer credits, but the rise in the latter is slightly slower than in 2018.
- In credit cards we note rises, which may be caused by the return to the practises of using card accounts to finance hire purchase.
- The rises in non-bank loans, observed before, were over. The former rises seem to have been caused by a closer cooperation of loan companies with BIK.



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

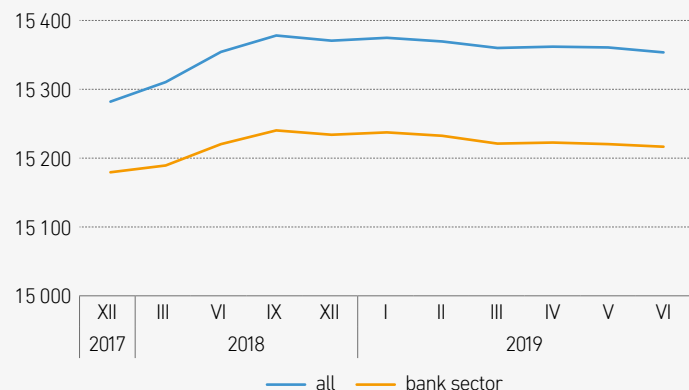
# The number of borrowers, outstanding debt

**The number of borrowers servicing credits/loans has been rising slowly for a long time, their debt has been rising faster.**

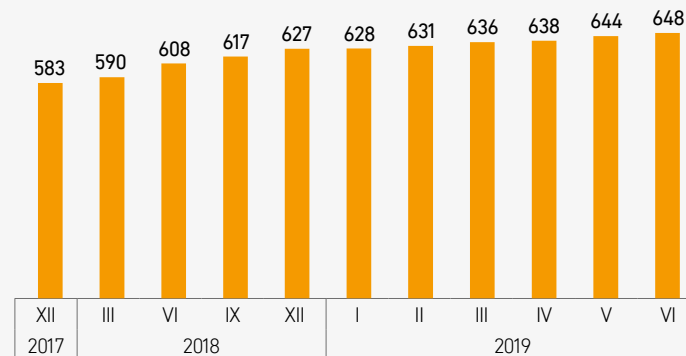
In June 2019, in the BIK database there were 15,353 thousand customers of both sectors (bank and loan companies) having obligations in use. In December 2018, their number was 17 thousand lower (0.1%). There has been a weak but stable downward trend in the number of borrowers since the 4<sup>th</sup> quarter 2018. It occurs in the bank sector; in the loan companies sector, we can observe a rise in the number of customers by 1% (2.5 thousand customers). Generally, the number of private customers servicing instalment and cash credits is stable.

The outstanding debt of households amounted to 648 billion zlotys in June 2019; it rose by 40 billion and 20.5 billion zlotys in comparison with June 2018 and December 2018 respectively. The rate growth is slightly lower than reported in the last Credit Trends report (7.8% YoY in December 2018), but this time the rise in indebtedness was not affected by exchange rate fluctuations. The Swiss franc rate oscillated slightly around 3.85 (+/- 5 groszys). It began to grow only in the 3<sup>rd</sup> quarter 2019.

The number of borrowers (in thousands) with liabilities in the bank and loan sectors



Outstanding debt (in billions of zlotys) jointly in the bank and loan sectors



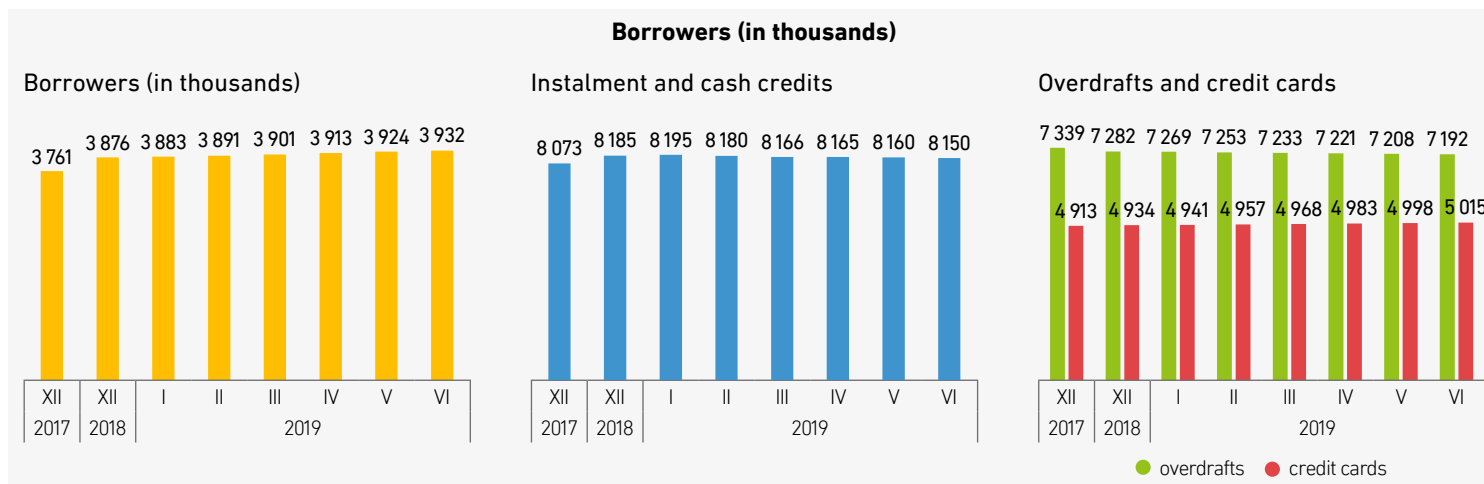
## Borrowers by products

The growth rate of the number of housing loan borrowers amounted to about 3% annually in the years 2017-2019. In June 2019, we noted in the BIK database 3,932 thousand borrowers, 106 thousand (2.8%) more than in June 2018. 101 thousand borrowers, i.e. 2.6% have 90day-overdue accounts. At the end of 2019 the number of borrowers is likely to exceed 4 million.

The number of customers servicing consumer credits is stable; rises/declines are small. In 2018, the number of new customers amounted to 111 thousand (1.3%). In June 2019, there were only 10 thousand of them more in comparison with June 2018 and 35 thousand less than in December 2018.

The number of credit card holders is stable, though slightly rising. At the end of June 2019, the number of credit card holders amounted to 5 million. In the course of 2019, there was a rise of 81 thousand customers (1.6%). In comparison with June 2018, there were 144 thousand new customers.

The number of customers possessing overdraft is on a constant decline. At the end of June 2019, there were 7.2 million of them, i.e. 90 thousand less than in December 2018.



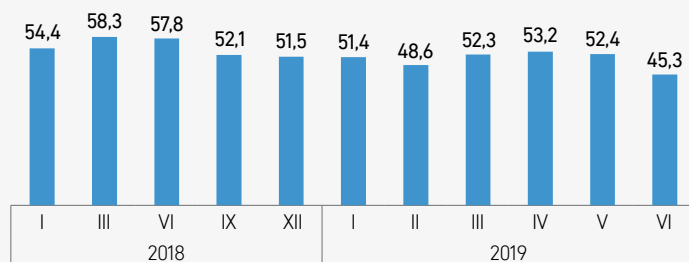
## New customers

**On average, in the 1<sup>st</sup> half 2019, 6.4% of credit transactions were concluded with the new customers in the bank sector**

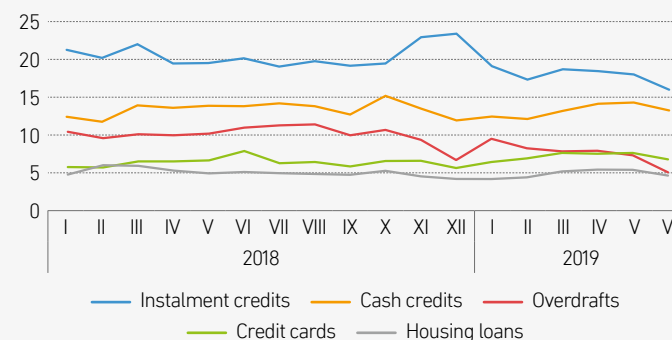
In the 1<sup>st</sup> half 2019, the banking sector concluded an average of 790.6 thousand credit transactions, 50.5 thousand of which with new customers without a credit history in the BIK. New customers made the most transactions for installment credits, they entered the credit market most rarely through housing loans, but this is mainly due to the size of these segments. The popularity of credit products among new customers measured by the share of new customers in the total number of loans granted in the segment looks different.

The largest share of transactions with the new customers belongs to the housing segment and limit products; the smallest to cash credits. In the 1<sup>st</sup> half 2019, we observed fewer new credit customers compared to 2018.

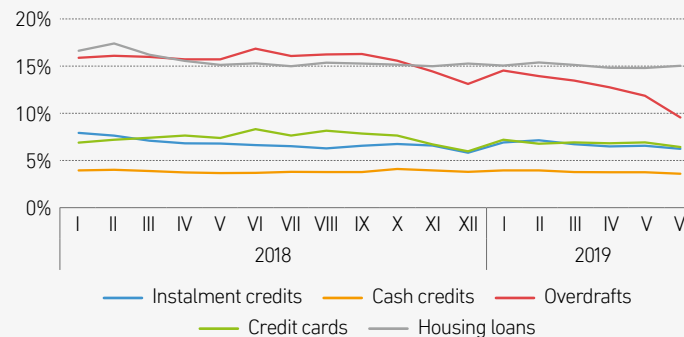
The number of accounts, overdrafts and credit cards (in thousands) opened monthly by the bank sector for new customers



New customers by products (in thousands)



The share of new customers in the bank sector by products



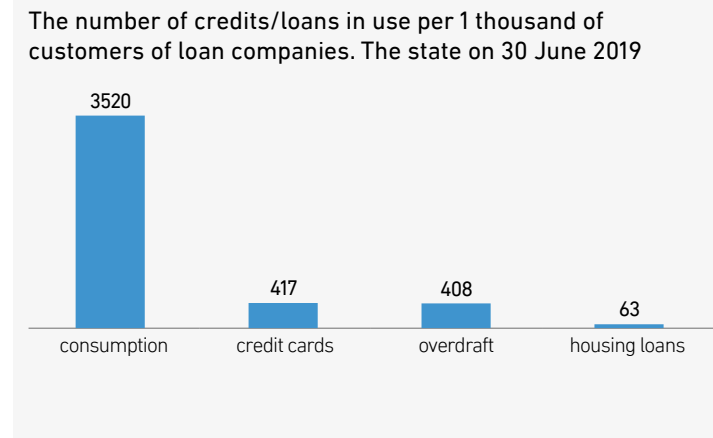
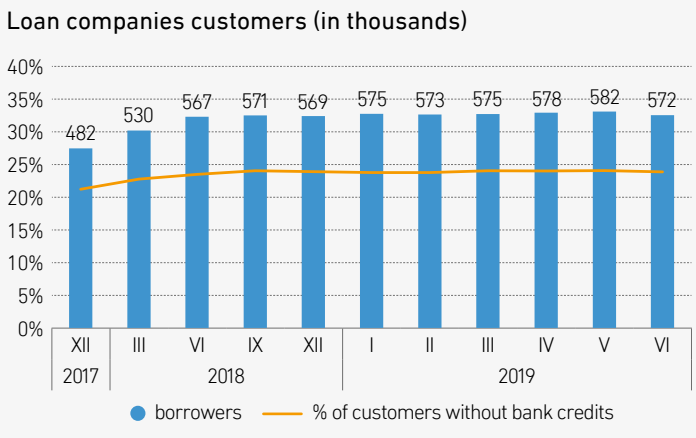


# Customers of loan companies

**The number of non-bank loan customers does not grow.**

2018 saw a considerable rise in the number of customers of loan companies. At the end of 2018, there were 569 thousand borrowers, i.e. 87 thousand more (18%) than a year before. A similar growth was observed in the BIK database in the years 2016-2017. In June 2019, the number of borrowers in the BIK database was twice as high compared to the end of 2015. The number of customers of loan companies grew until June 2018, subsequent increases are insignificant. In June 2019, the number of borrowers was higher than a year before only by 1%. A significant proportion of previous increases did not result from the growth in the lending market but from including new loan companies in the BIK database.

Customers of loan companies are mainly interested in financing their current spending. A single borrower has 3.5 installment or cash loans/credits, but customers of loan companies have few liabilities on account of other banking products. There are only 63 housing loans per 1 thousand borrowers. Only 1% of borrowers service the Swiss franc housing loans, although the servicing of these loans looks worse than by borrowers indebted only in banks; 4.9% of these loans are 90-days overdue, and there are few Swiss franc overdue accounts (321). Thus, franc borrowers do not treat loan companies as a rescue in the payment of housing loans.



## Credit activity of private customers

The credit risk of borrowers is related to the degree of credit activity measured by the amount of liability and the number of crediting banks.

Credit risk is strongly correlated with the borrowers' debt amount and the number of banks/SKOK credit unions which granted loans to them. The percentage of customer who are 90-days overdue in servicing among customers credited by 5 and more banks is 24.2%, i.e. three times more than those credited by 1 – 2 banks. It is difficult to find out to what extent the increase in risk arises from the number of crediting banks or from the amount of customer's debt. Presumably, both factors: the number of crediting banks and the amount of debt are positively correlated. Customers indebted in 5 and more banks have debts five times higher than customers having liabilities in only

one bank. 87% of borrowers have loans, at most, in two banks. The share of customers credited by 4 banks amounts to 2.7% of the total of borrowers, and 1.5% by 5 banks. The number of customers posing a higher risk caused by the use of credit offers from many banks is relatively small, but the amount of their overdue debt is a problem. The impact of housing loans on the amount of debts of customers indebted in many banks is limited. The share of housing loan customers in groups credited by 2 and more banks is 33-41% and does not clearly grow together with the number of banks.

Number of banks crediting a borrower	Number of borrowers	Indebtedness per person	The share of 90+day-overdue customers in all borrowers	% of housing loan borrowers in all borrowers
1	9 685 439	26 345	6,2%	20,4%
2	3 616 603	58 031	7,7%	33,5%
3	1 287 131	82 519	9,3%	38,5%
4	417 146	104 733	12,4%	41,1%
5 and more	233 755	138 089	24,2%	34,2%



## Key findings

- In the first half 2019, fewer consumer credits were granted than in the previous year, but for higher amounts.
- In the cash segment, we observed a slight increase (1.7%), in the instalment segment - a clear decline in the number of granted credits.
- In terms of value, in the instalment segment there was a YoY increase of 2% of the amount of credits granted, in the cash segment a rise of 7.7%.
- There was a surprisingly poor dynamics of instalment credits in view of higher incomes of people. A part of crediting of hire purchase of goods and services is made by credits cards, but anyway hire purchase financing by the bank sector is left far behind the quickly rising incomes of population. Some consumers may use cash credits to finance purchases, only some banks grant credits classified as instalment.
- The consumer credit debt rose in the 1<sup>st</sup> half-year 2019 by 5.4%, below the dynamics of the income growth of the population. It means a slowdown in the debt rise in consumer credits compared to the 2018 results (11.11% YoY in December).
- The rises in non-bank loans, previously observed in the BIK databases, are over. The main reason is the stabilisation of the number of companies participating in the exchange of information – we attempt to measure the scale of impact of this factor on the sales of the lending sector in recent years. The poor results of the lending sector may also be affected by the unfavourable regulatory environment.
- The quality of consumer credits granted by banks was at a stable, safe level. From the portfolio perspective, we observed a slight rise in the number of accounts entering the overdue status in 2018, and in the 1<sup>st</sup> half-year 2019 there was a slight decline in the number of accounts entering the overdue status.

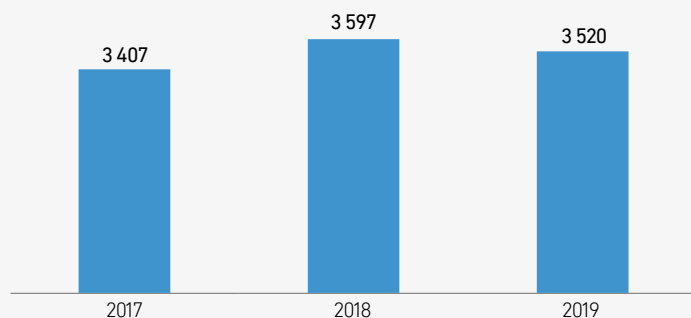
# The number of granted credits

## The low dynamics of sales of consumer credits in terms of numbers continues.

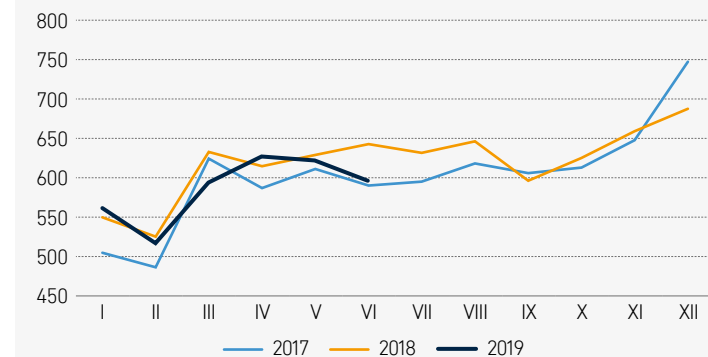
In the 1<sup>st</sup> half-year of 2019, banks and SKOK credit unions granted slightly fewer (2.1%) consumer credits compared to the previous year (cash and instalment). Like every year, sales at the beginning of the year were poor (January-February), there was a rebound in spring, shifted over time in 2019 due to later Easter. The sales of consumer credits are likely to remain at the level of 630-640 thousand transactions monthly until November. In December, we expect growths, especially in the instalment segment.

In the 1<sup>st</sup> half-year of 2019, banks and SKOK credit unions granted 3.5 million consumer credits, i.e. 2.1% less than last year. The decline in the number of credits granted in the 1<sup>st</sup> half-year of 2019 compared to the 2<sup>nd</sup> half-year of 2018 was deeper, i.e. 8.5%, but it is connected with a seasonal factor. The first half-year is usually weaker as far as the number of granted consumer credits is concerned, generally due to a weak beginning of the year and good ending of the preceding year.

Consumer credits (in thousands) granted in the 1st half-years in 2017-2019



Consumer credits granted monthly in 2017-2019



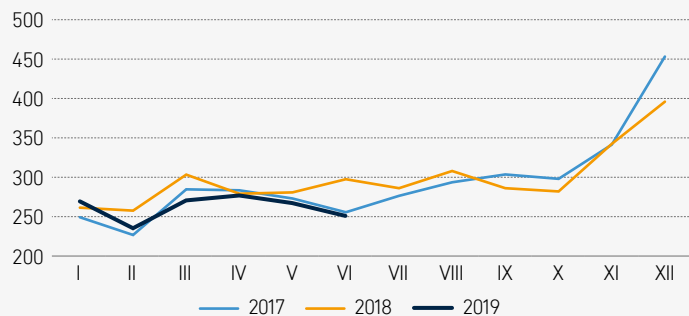
# Instalment and cash credits – lending in terms of numbers

## A clear credit sales slowdown in the instalment segment in the 1<sup>st</sup> half-year.

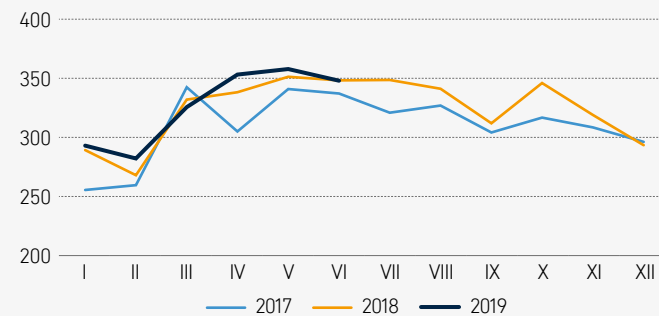
The sales of credits financing hire purchase of goods and services since the 4<sup>th</sup> quarter of 2018 have been on a lower level compared to the analogous months of the previous year. In the 1<sup>st</sup> half-year of 2019, there were YoY 109 thousand (6.5%) less instalment credit granted. It results probably, partly from a product innovation introduced by some banks. They grant instalment credits within a credit card account. In consequence, the sales of instalment credits reported to BIK are understated, and the issuance of credit cards overstated.

The number of cash credits granted in the first half of 2019 was YoY 1.7% higher. In the first half-year of 2019, banks and SKOK credit unions granted 1.9 million cash credits. The dynamics of cash credit sales measured with the number of credits granted in the 1<sup>st</sup> half-year of 2019 was lower than the result of 2018, when the annual indicators exceeded 4%.

Instalment credits (in millions of zlotys) granted monthly in 2017-2019



Cash credits (in millions of zlotys) granted monthly in 2017-2019



## Bank sector. Consumer credit debt, the number of borrowers

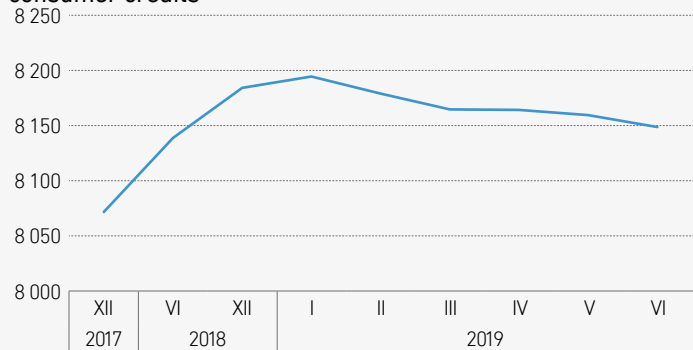
**The number of customers servicing consumer credits slightly declined in the first half-year, but their debt was clearly on the rise.**

In June 2019, 8,150 thousand customers serviced instalment or cash consumer credits. A year before, there were 35 thousand borrowers less (a decline of 0.5%). We observed slight rises in the number of borrowers in the consumer segment in 2018, while in the 1<sup>st</sup> half-year of 2019 equally small declines. Generally, the number of borrowers in the consumer segment is stable.

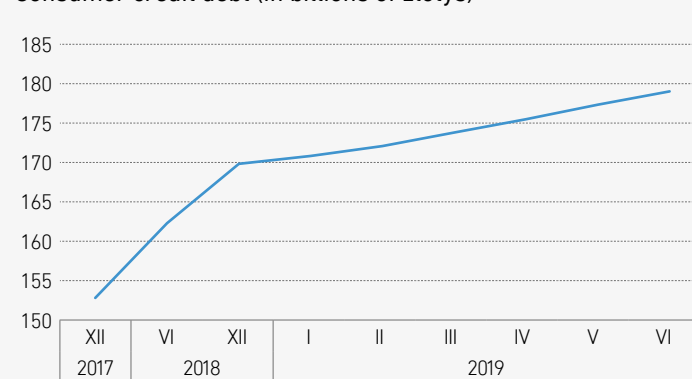
And the consumer credit debt systematically grows. At the end of June 2019, it amounted to 179 billion zlotys, i.e. 5.4% more than in December 2018. In the previous six months, between December and June 2018,

the dynamics amounted to 4.7%. The rate growth of indebtedness of private credit customers accelerates. Probably, taking into account a seasonal character of crediting, the rise in consumer credit growth will be even higher in the next six months. This pattern of dynamics indicators means a growing amount of an average debt. It results from a few factors: longer crediting periods, rise in average amounts of granted credits and also higher dynamics of cash credits compared to instalment credits. Cash credits are granted for amounts on average four times higher than instalment credits.

The number of borrowers (in thousands) servicing consumer credits



Consumer credit debt (in billions of zlotys)



# The value of consumer credits granted

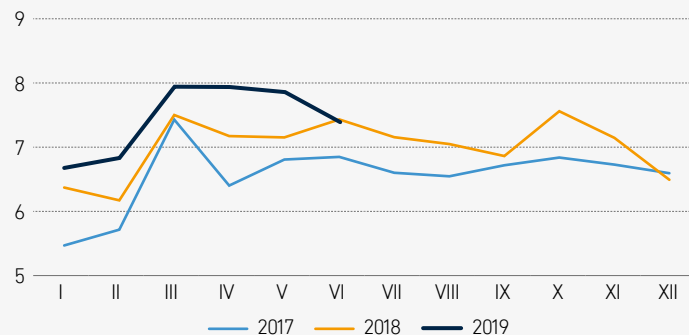
**The value of consumer credit contracts is on the rise all the time.**

The value of concluded consumer credit contracts is on the rise all the time. We observed a clear upward trend in 2018, and it was continued in the first half-year of 2019.

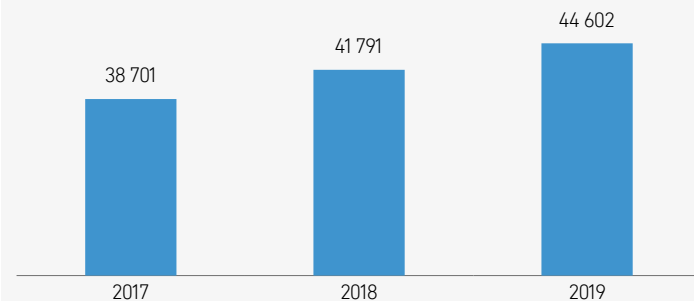
Nearly in all the months in the years 2018-2019, the amount of consumer credits granted exceeded the level of the previous year. Weaker sales, at the previous year level, were reported in June 2019. We expect growths to come back in the following months. In July, the annual dynamics rate amounted to 15% (BIK Credit Newsletter).

In the 1<sup>st</sup> half-year 2019, banks and SKOK credit unions granted installment and cash credits amounting to 44.6 billion zlotys, i.e. 6.7% more than a year before. The growth rate was weaker, in the 1<sup>st</sup> half-year of 2018, it was 1.2 pps higher, an upward trend in consumer credit sales seems stable though. The YoY sales dynamics in terms of value is higher than in terms of numbers, but the difference between these indicators increases all the time. In the in first half-year of 2019, it amounted to 7 pps, against 2.3 in the first half-year of 2018 and 5.1 in the second.

The amount (in billions of zlotys) of consumer credits granted monthly in 2017–2018



Consumer credits (in millions of zlotys) granted in 1st half-years of 2017–2019



## Instalment and cash credits – sales in terms of value

**Weak growths in the value of instalment credits granted in the 1<sup>st</sup> half-year of 2019, while cash credits sales increased dynamically.**

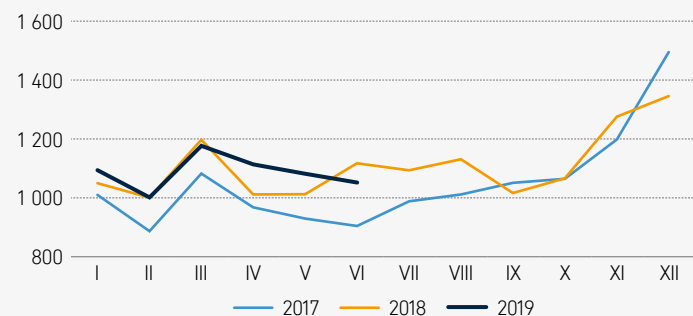
Since September 2018, there have been slight growths in instalment credit sales. In terms of value, in the 1<sup>st</sup> half-year, instalment credits were granted for 1.06 billion zlotys, i.e. 2% more compared to the 1<sup>st</sup> half-year of 2018, when this indicator amounted to 10.5%.

In terms of numbers, there was a decline in instalment credits granted in the 1<sup>st</sup> half-year of 2019. A weak dynamics of the instalment credit market in the period of boom and increase in the income of people may be surprising. It may be caused by the ownership changes in banks, consumer finance groups resulting in the revision of business strategies, and also sales of instalment credits in some banks through credit cards.

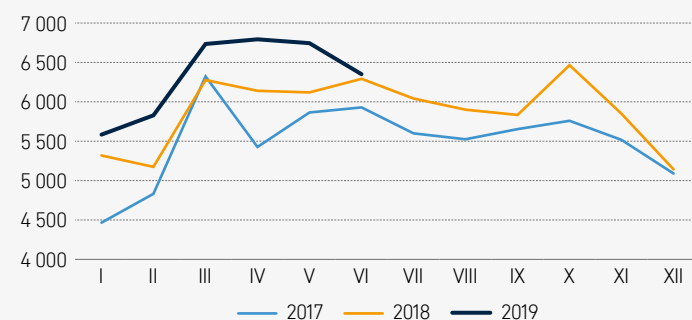
There is still a high dynamics of cash credit sales in terms of value, though in terms of numbers sales were higher in the first half-year only by 1.7%. The 1<sup>st</sup> half-year 2019 the bank sector granted cash credit for the amount of 6.3 billion zlotys YoY higher (7.7%). We recorded a similar annual dynamics rate in the 1<sup>st</sup> half-year 2018.

Like in the case of instalment credits, June was weaker, but the sales of cash credits are likely to exceed the 2018 level in the 2<sup>nd</sup> half-year of 2019.

Instalment credits (in millions of zlotys) granted monthly in 2017-2019



Cash credits (in millions of zlotys) granted monthly in 2017-2019



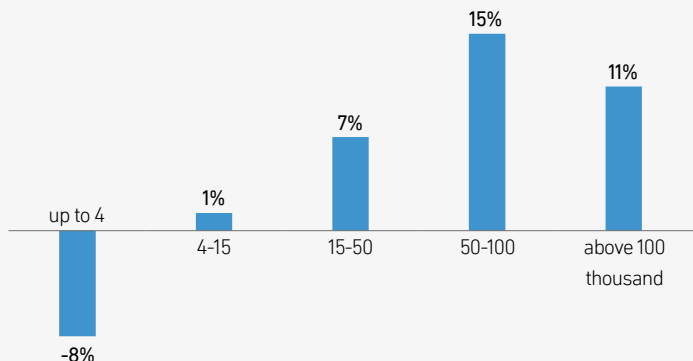


## Consumer credits in amount segments

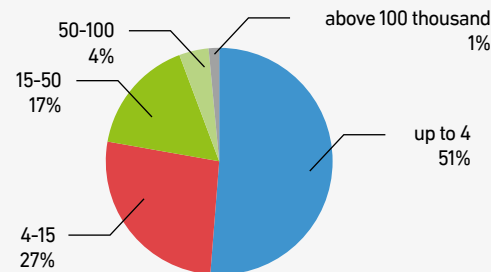
In 2019, a decline in number of credits granted by the bank sector for low amounts returned.

After a short break in 2018, a decline in the number of credits for low amounts granted by banks returned. Credits for up to 4 thousand zlotys amounted to 51% of all credits granted in the 1<sup>st</sup> half-year, but their share in terms of amounts granted is only 8%. The segment of up to 4 thousand zlotys has only a 3.4% share in amounts to be repaid. The next segment, 4-15 thousand did not show any growth in the first half-year. It has a 27% share in terms of the number of granted credits and 16% in terms of amount. In terms of amounts granted, credits in the segment of 15-100 thousand had the highest share in sales, nearly 60%.

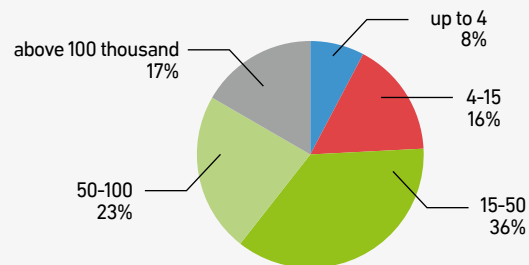
The YoY dynamics of the number of consumer credits granted in the 1<sup>st</sup> half-year of 2019



The numerical structure of consumer credits granted in the 1<sup>st</sup> half-year of 2019



The value structure of consumer credits granted by the bank sector in the 1<sup>st</sup> half-year of 2019



## Entries into the 30+day-overdue status

**In the 1<sup>st</sup> half-year, the number of entries of consumer credit accounts into the 30+day-overdue status decreased.**

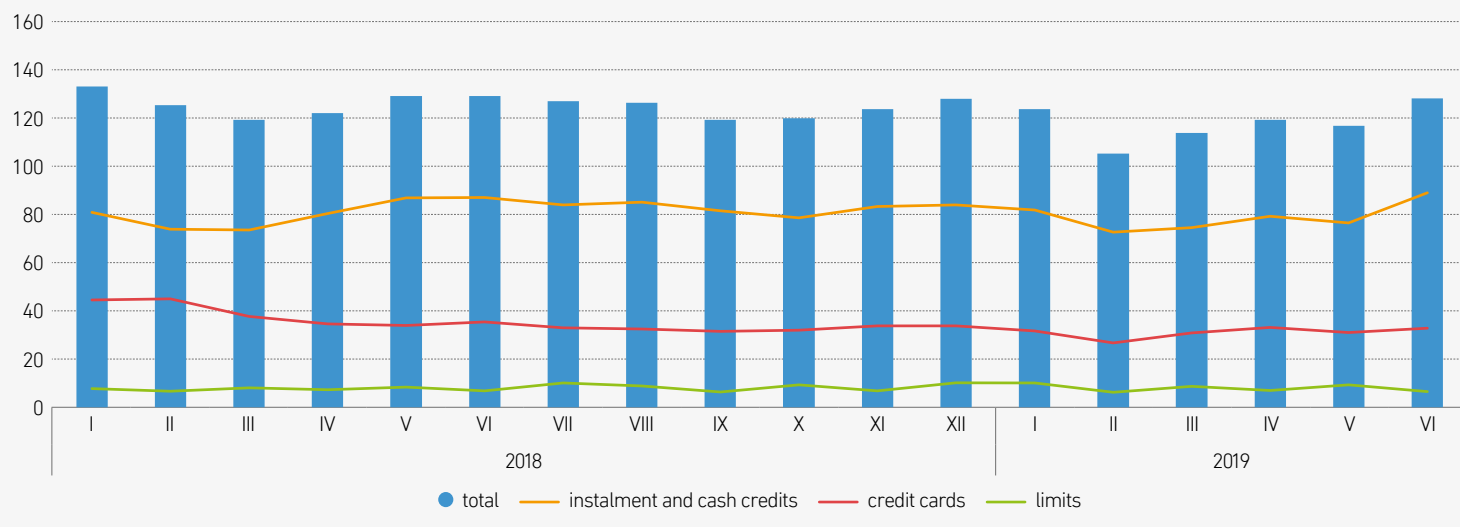
The number of entries into the 30+day-overdue status may be treated as the first signal of the portfolio quality deterioration. In the first half-year 2019, the number of entries into the 30+day-overdue status clearly declined. On average, every month in the 1<sup>st</sup> half-year, the owners of 117.5 thousand accounts fell into the first trouble, i.e. 7% less compared to the 1<sup>st</sup> half-year of 2018. There were also fewer entries compared to the 2<sup>nd</sup> half-year 2018.

The portfolio of credit cards looked especially good in the first half-year in which, on average, every month 17% accounts less entered

the status 30+ days overdue in the 1<sup>st</sup> half-year of 2019 compared to the 1<sup>st</sup> half-year of 2018. The declines occurred despite the YoY rise in number of accounts in use; in the 1<sup>st</sup> half-year in the bank sector, in all consumer credit products there were 2.1% accounts more than a year before, in instalment and cash credits 3.4% more.

It was different in 2018, when the number of shifts to the status 30+ days overdue clearly rose, especially in the 1<sup>st</sup> half-year, which translated into the shifts to the status 90+ days overdue in the second half-year.

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

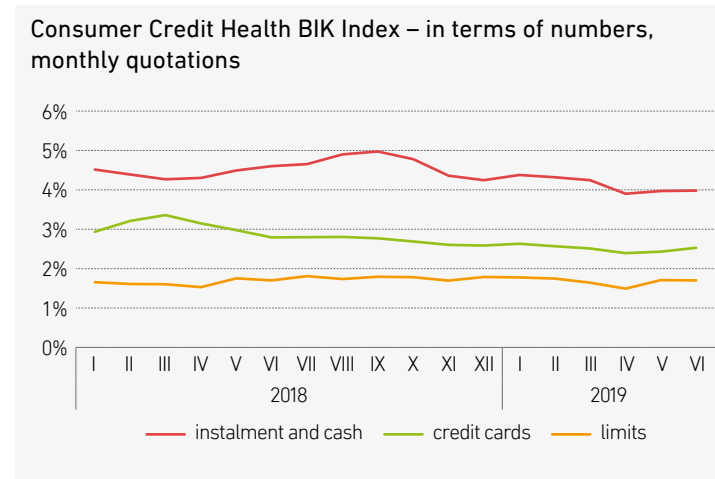
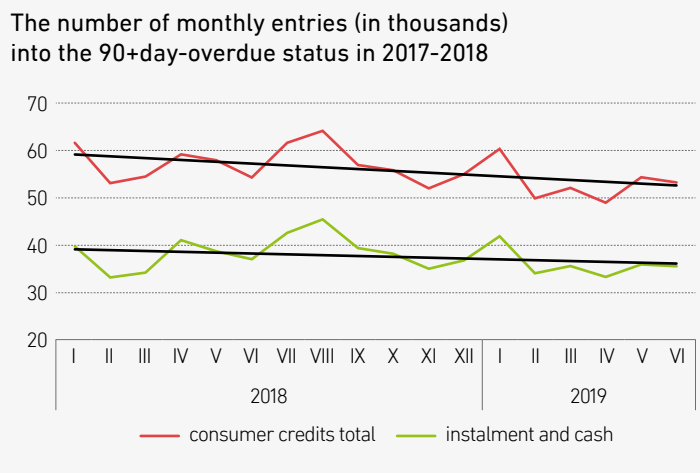


# Entries into the 90+day-overdue status and the Consumer Credit Portfolio Health BIK Index

**The number of entries into the 90+day-overdue status and the Consumer Credit Health Index based on them began to show a better quality of portfolios.**

In 2018, especially in the 2<sup>nd</sup> half-year, we observed growths in the number of entries into the 90+day-overdue status, which was reflected in the deterioration (growth) of the Consumer Credit Health BIK Index. In 2019, the trends, as seen in the graphs, reversed. The number of entries into the 90+day-overdue status is on the decline, and the Consumer Credit Health BIK Index shows an improved quality of consumer credit portfolios.

In the 1<sup>st</sup> half-year 2019, 53.1 thousand accounts, 8.7% less than in the 1<sup>st</sup> half-year 2018, on average entered the 90+day-overdue status every month. The number of entries into the 90+day-overdue status amounted to 45.2% of entries into the 30+day-overdue status, 1 pp less than in the 1<sup>st</sup> half-year 2018. Simplifying to a certain extent, it may be said that more than half of servicing delays is compensated in the following months. The biggest progress in declines in entries into the 90+day-overdue status in the 1<sup>st</sup> half-year was recorded in credit cards (15.5%).



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

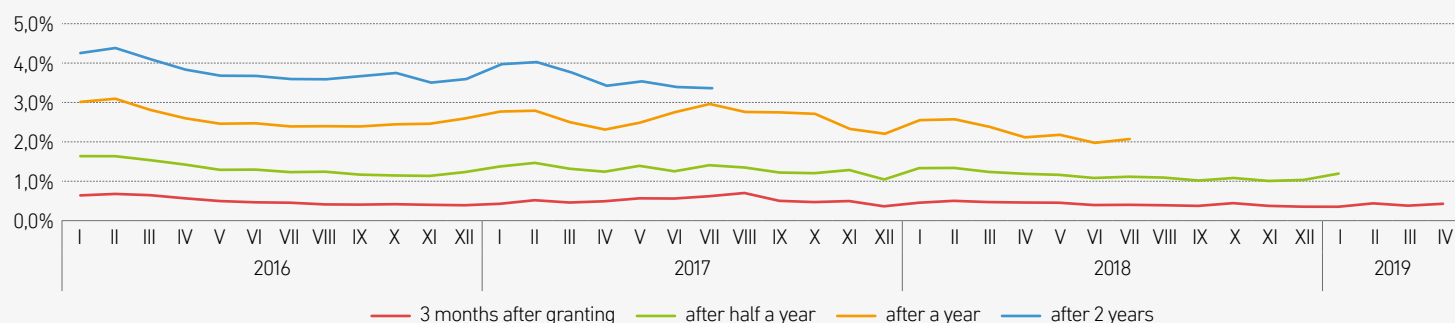
**The lending quality improved – the younger the cohort, the lower the loss rate, as measured with the number of accounts in the 30+day-overdue status.**

The younger the cohort, the lower the share of 30+day-overdue accounts in all the accounts opened in the cohort measured in comparable periods. The graph below shows that the loss rate of subsequent credit generations, disregarding the seasonal factor, shows a downward trend. The observation that the younger the cohort, the lower the loss rate concerns especially the measurement of the loss rate in the long term. The loss rate of cohorts measured in the first months after granting improves more slowly in younger cohorts. Prompt entries into

an overdue status may reflect a fraudulent character of the granted credit. A weak downward trend of a loss rate measured three months after opening the account (blue line) may indicate a stable but low share of credit extortion.

In the previous CREDIT TRENDS report we indicated that the observation the later the generation, the lower the loss rate of cohorts does not apply to the consumer credits for over 50 thousand zlotys.

The share of 30+day-overdue accounts in the number accounts opened in monthly cohorts in 2016-2019



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

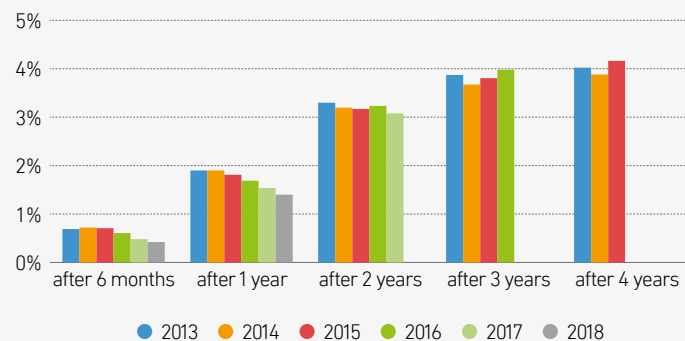
The loss rate of bank consumer credits measured with vintage indicators – the share of overdue credits in the number of granted credits in the cohort in a comparable period follows the principle: the younger the cohort, the lower the loss rate, but measured only in the first year after granting the credit. Measured in the following years, does not show such a clear relationship. Consumer credits have the highest loss rate 5 years after granting. In these years, most credits have already been repaid. In the generation 2016, i.e. three years after opening the accounts in June, 16.4% of accounts opened in this generation are still being repaid. 74.6% of the principal has already been repaid. The process of “deterioration” occurs on a seriously thinned out sample. Credits in use in the fourth and fifth years were granted for higher

amounts, and high amount credits, as indicated in the previous CREDIT TRENDS issue, have an explicitly higher loss rate than credits granted for lower amounts. Credits for higher amounts have increasingly bigger shares in consumer credit sales.

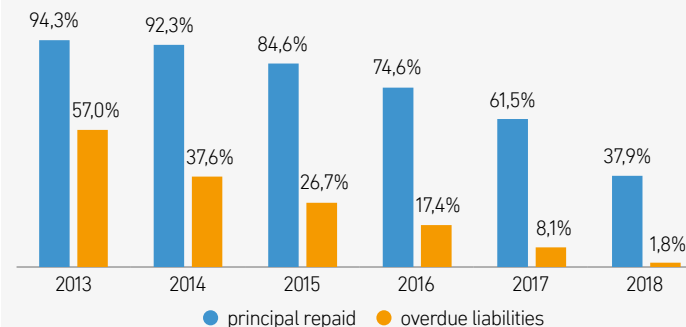
The share of credits for amounts over 50 thousand zlotys in the number of credits granted in the 1<sup>st</sup> half-years in 2013-2019

2013	2014	2015	2016	2017	2018	2019
4.0%	3.4%	4.0%	4.3%	4.7%	5.0%	5.6%

The share of 90+day-overdue credits in the number of credits opened in 2014-2018



The principal repaid in the % of initial principal in generation 2013-2018 and % of 90+day-overdue liabilities in liabilities being repaid

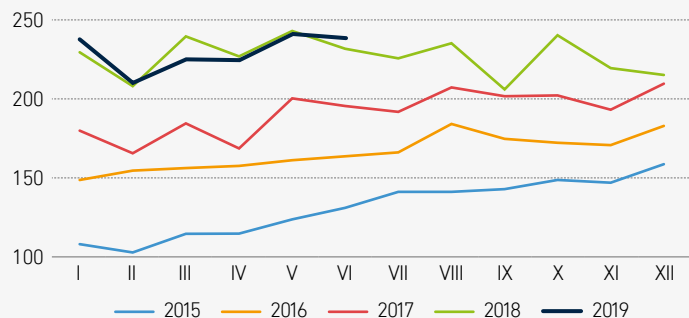


## Non-bank loans – sales

**In the 1<sup>st</sup> half-year of 2019, loan companies reported sales at a level close to the 1<sup>st</sup> half-year of 2018.**

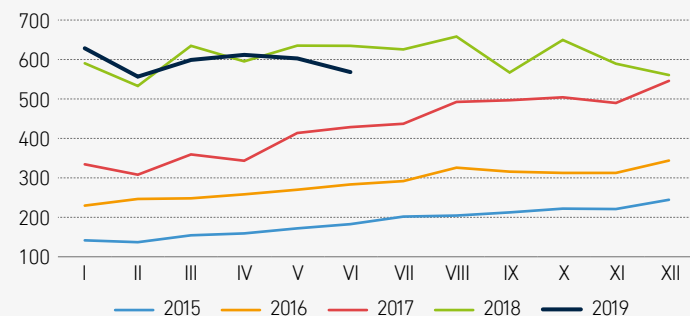
In the 1<sup>st</sup> half-year 2019, loan companies reported to BIK granting 1.4 million loans for the total amount of 3.7 billion zlotys. The results are similar to those of the 1<sup>st</sup> half-year of 2018; in terms of numbers, they mean a YoY decline of 0.1%, in terms of value a rise of 1%. The number and amounts of transactions reported by loan companies rapidly grew in 2015-2017, which we informed about in the previous issues of CREDIT TRENDS. During these years, the value of granted loans increased five times. We also emphasized that most probably a considerable part of these growths resulted from a tighter cooperation of loan companies with BIK, as a consequence of which some of these growths resulted from the disclosure of transactions of the new participants of information exchange. We are trying to assess the scale of this phenomenon on the next page.

The number of non-bank loans (in thousands) granted monthly in 2015-2019

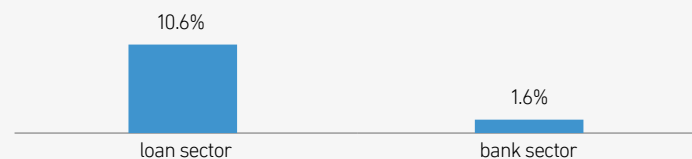


Presently, there are no growths in the number of reported transactions. No growths in the sector, besides the stabilisation of the level of cooperation of the companies with BIK, may be connected with an unfavourable regulatory environment for the loan companies.

The value of contracts (in millions of zlotys) for non-bank loans granted monthly in 2015-2019



The share of 90+day-overdue accounts in the number of accounts opened for amounts up to 15,000 zlotys in generation 2017 after 12 months





## The impact of closer cooperation of loan companies with BIK on the reported sales

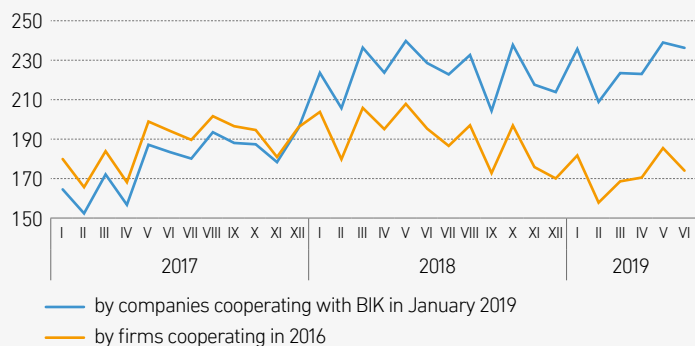
**In 2019, the cooperation of loan companies with BIK was stabilised.**

In the 1<sup>st</sup> half-year of 2019, loan companies reported sales of 1,376 thousand transactions (at the level close to the 1<sup>st</sup> half-year of 2018). This number means a two-yearly rise in the number of transactions compared with the 1<sup>st</sup> half-year of 2017 of 25.8%. This rise did not result only from the rise in sales, but also from joining the system of information exchange by the companies not cooperating before. And the sales of companies cooperating with BIK from 2016 were in

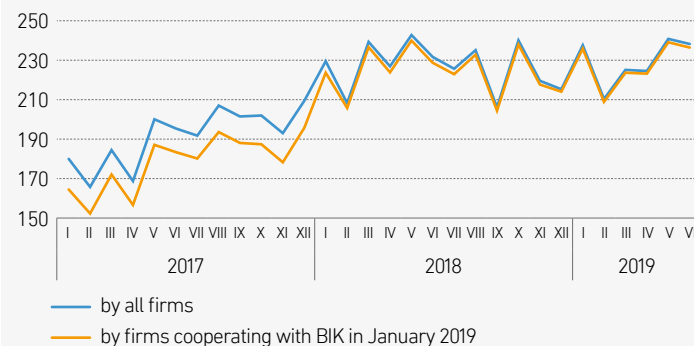
the 1<sup>st</sup> half-year of 2019 even 4.8% lower than two years before. The group of companies Thus, the rise in the number of transactions in the years 2017-2018 resulted most probably from the beginning of cooperation of new companies with BIK.

But, the cooperation launched by companies with BIK in 2019 did not have any impact on the statistics of loan sales in 2018 and in the 1<sup>st</sup> half of 2019.

The sales of non-bank loans (in thousands) reported in 2017-2019



The sales of non-bank loans (in thousands) reported in 2017-2019



## Key findings

- The sales of housing loans in the 1<sup>st</sup> half-year of 2019 remained on a record high level though compared to the 1<sup>st</sup> half-year of 2018 especially in terms of numbers the growth was relatively small. In terms of numbers, the sales result is YoY lower by 1.3% compared to 2018, in terms of value there is an increase of 10.9%. The poor result was primarily caused by poor 1<sup>st</sup> quarter sales. It may have been an effect of the lack of the MdM programme in 2019. The 2<sup>nd</sup> quarter was decisively above 2018, in terms of numbers by 7.4%, in terms of value by 17.6%.
- The high dynamics of housing loan sales, disregarding the 1<sup>st</sup> quarter, is not compliant with information provided by developers about a decrease in housing sales situation on the primary market. The information is not confirmed by GUS.
- The average amount of the granted housing loans grows quickly, in the 1<sup>st</sup> half-year 2019 by 12%. Certainly, it is affected by the rise in the prices of flats, but strong growths in the average amount of granted loans were also reported in the period of stable prices. A part of the growths in average credit amounts results from the requalification by banks of renovation credits reported before as housing and presently as instalment credits. In the 1<sup>st</sup> half-year of 2019, 0.2% of housing loans were granted for amounts to 50 thousand zlotys, in 2012 their share amounted to 2.1%. The share of loans for amounts up to 200 thousand zlotys also declines rapidly.
- The quality of housing loan remains at a good level. Currency loans, including the franc loans, show a lower loss rate than the zloty loans.

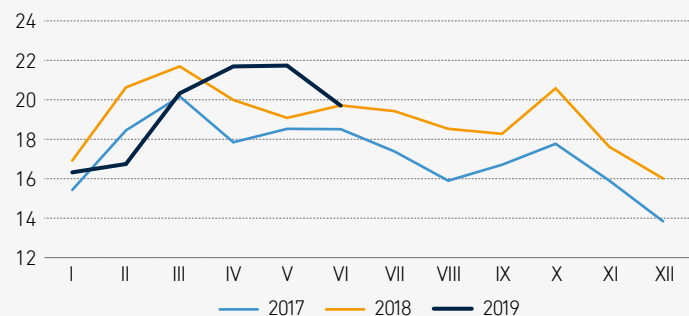
## The number of granted housing loans

**In the first half-year 2019, the high dynamics of the number of housing loans granted was over.**

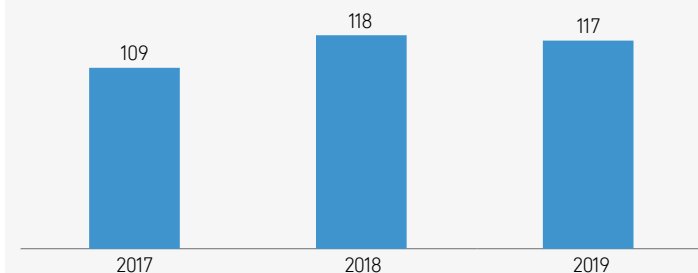
The sales of housing loans in terms of numbers was poor in the 1<sup>st</sup> quarter of 2019, they were lower by 9.8%. It may have been caused by the base effect; in previous years the credit sales were driven by the MdM programme. In April and May, the market revived, but June was worse again, at the level of 2018. In July, beyond the scope of the present analysis, the housing loan sales increased, also in terms of numbers; cf. BIK Credit Newsletter. The weakening of loan sales concerns only the numbers, the value of loans compared to 2018 was decisively higher in the 1<sup>st</sup> half-year 2019, more on this later.

In the 1<sup>st</sup> half-year 2019, banks granted 117 thousand housing loans, i.e. 1.3 less than in the 1<sup>st</sup> half-year 2018. The growths in the number of granted loans were over, but the sales level is all the time record high. More housing loans than in the years 2018-2019 were granted in the 1<sup>st</sup> half-year of 2011. The lending forecast for the 2<sup>nd</sup> half-year is not easy. The information about the situation in the housing construction is not explicit. Developers inform about the weakening of the flat sales primary market, but GUS does not confirm it, according to it in the 1<sup>st</sup> half-year of 2019, 22% more flats were commissioned than a year ago for sale and rent.

Housing loans (in thousands) granted monthly in 2017–2019



Housing loans (in thousands) granted in the 1st half-years in 2017-2019



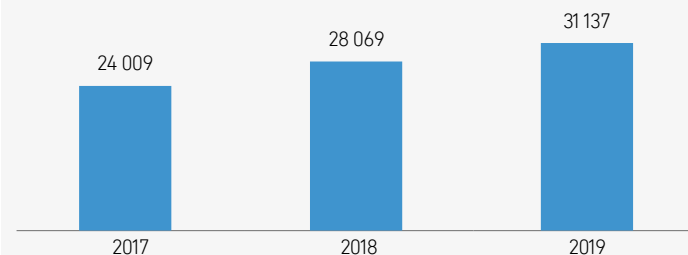
# The value of granted housing loans

## Housing loan sales in terms of value continue to grow dynamically.

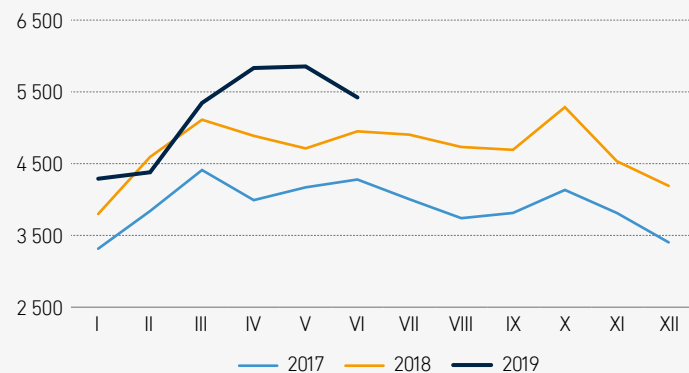
In the 1<sup>st</sup> half-year of 2019, except for February and March the YoY dynamics indicators were double digit, March saw 24.2%. In the 1<sup>st</sup> half-year, banks and SKOK credit unions granted housing loans for the amount of 31.1 billion zlotys; only at the peak of boom the amount of granted loans was nominally slightly higher, in 2007 it was 31.5 billion, in 2008 33.7 billion zlotys. Prices of flats seem to come close to the level of those years. Average amounts of loans are higher compared with those in the boom period.

The YoY dynamics of the value of granted loans, with stable numbers of granted loans, in the 1<sup>st</sup> half-year amounted to 10.9%; thus, average amounts of loans grow, driven by market prices of flats and decline in sales of low amount loans.

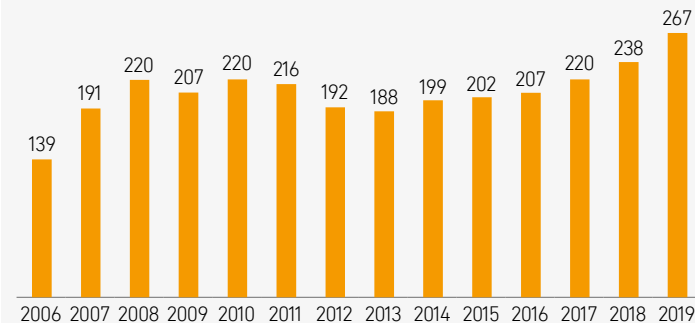
Housing loans (in millions of zlotys) granted in the first half-years of 2017-2019



Housing loans (in millions of zlotys) granted monthly in 2017-2019



Average amounts of housing loans (in thousands of zlotys) granted in the 1st half-years of 2006-2019



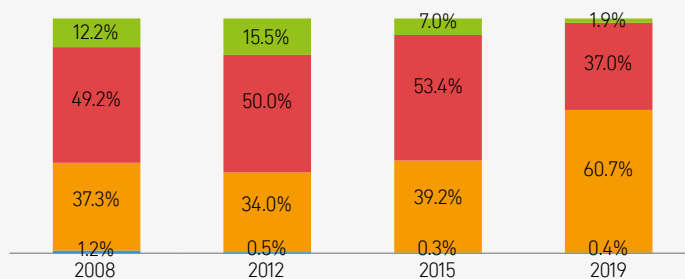
## The changes in the value structure of granted loans

**The share of loans in the amount segment of 200 thousand – 1 million zlotys is on the rise at the expense of loans granted for lower and lowest amounts.**

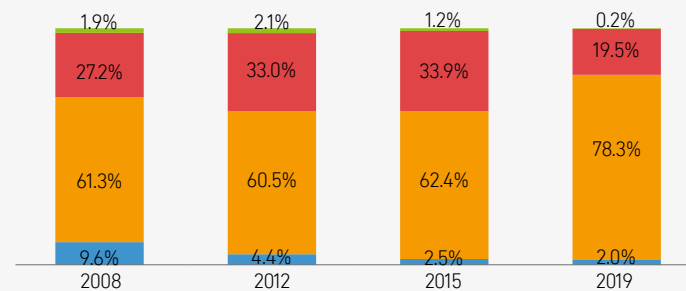
The average amounts of housing loans granted clearly increased YoY by 12.3% in the 1<sup>st</sup> half of 2019, faster than average wages. This entails changes in the structure of the loans granted, in the 1<sup>st</sup> half-year 2019 loans for amounts > 200 thousand had a 61% share in the number of housing loans granted, in terms of value it was 80%. At the same time, low amount loan shares are rapidly declining. Currently (the 1<sup>st</sup> half-year 2019), 39% of loans are granted for amounts below 200 thousand zlotys. It indicates a YoY decrease of 8pp in the share of this segment. A separate issue, which may give rise to interpretative misunderstandings, is a practical disappearance of loans granted for amounts up to 50 thousand zlotys. In the 1<sup>st</sup> half-year 2019, only 2.1 thousand of them

were granted, i.e. 43% less than a year before, over three times less than in 2015. It seems that a considerable part of these loans may be classified as instalment loans related to modernisation of housing, not necessarily mortgage backed (installation of pv panels, household sewage treatment plants, etc.). Currently, the majority of banks withdraw from classifying these loans as housing loans, hence the decline in this segment. These declines result in a statistical increase in the amount of the average housing loans granted. In the period 2015-2019, an average housing loan rose by 32%, an average loan calculated for the segments above 50 thousand zlotys by 6pp less.

The numerical structure of housing loans granted in the 1<sup>st</sup> half-years of selected years



The value structure of housing loans granted in amount segments in the 1<sup>st</sup> half-years of selected years



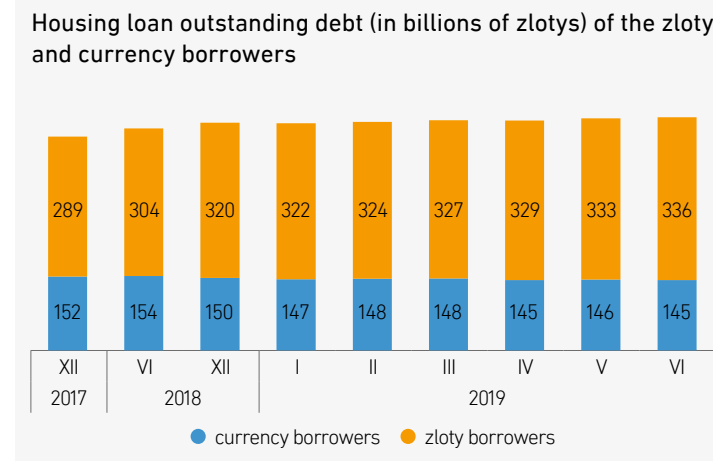
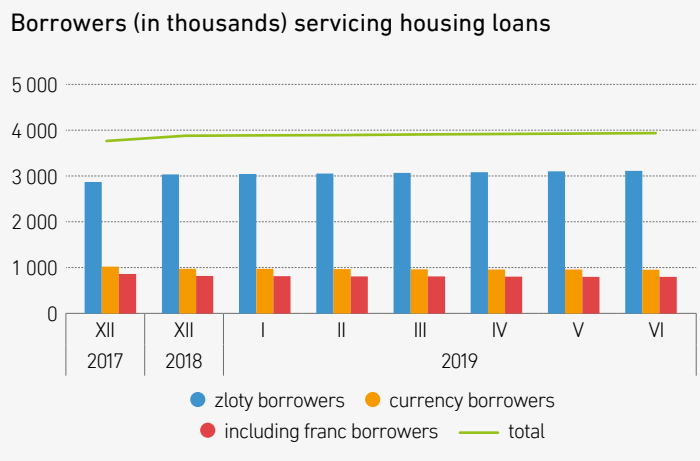
● above 1 million ● 200 thousand – 1 million ● 50 – 200 thousand ● up to 50 thousand

# The number of borrowers, outstanding debt

**The number of housing loan borrowers is on the rise. The amount of their liabilities also rises.**

There were 3,932 thousand borrowers servicing housing loans in June 2019. It means a rise of 106.2 thousand compared to June 2018 and 55.9 thousand compared to December 2018. There are 150.6 thousand zloty loan borrowers more than in June 2018, and 77.4 thousand more than in December 2018. There are fewer currency borrowers: 42.8 thousand and 20.8 thousand respectively. The changes in the numbers of zloty and currency borrowers servicing loans are stable. Many borrowers promptly repay loans, loans are often of a bridge character, they serve financing real property until the former one is sold.

In June 2019 housing loan household debt amounted to 443 billion zlotys (the debt of borrowers servicing simultaneously currency and zloty loans amounted to 37.8 billion). The debt was higher by 21.9 billion zlotys compared to June 2018. The zloty loan borrowers' debt was 31.3 billion zlotys higher than a year before, and currency borrowers' debt was lower by 8.5 billion. The currency rate differences had a small impact on the currency borrowers' debt in the last 12 months, unlike in 2018. The franc went up only by 6 groszes (1.64%). In comparison with December 2018, the zloty housing loan borrowers' debt was 15.6 billion higher, currency borrowers' 4.6 billion lower.





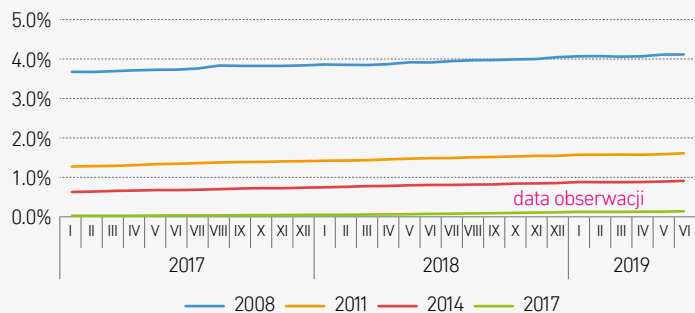
# The quality of granted loans

**The process of rise in the share of overdue loans along with the age of loans is still 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 2019 with the share of loans overdue in servicing occurred in the crisis generation of 2008 (4.14%). The post-crisis years have a much lower loss rate, though they deteriorate over time, they certainly will not achieve of the level of the generations from the previous decade.

The share of 90+day-overdue accounts in the number of opened accounts in selected generations

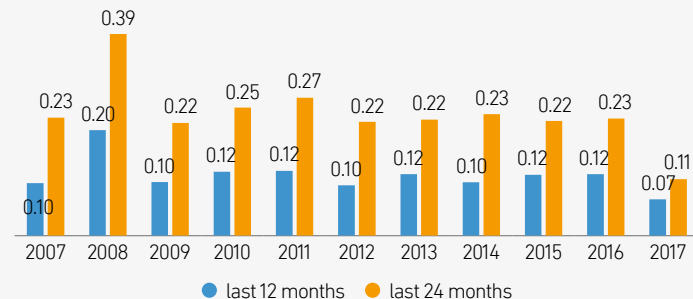


The rises in the share of overdue loans in the last 12 and 24 months in generations 2007-2017 are shown in the graph below. The year 2008 does not only have the highest loss rate but it deteriorates fastest, the remaining generations (up to 2015) deteriorate at a similar pace, about 0.1 pp annually.

In order to assess the loss rate of a generation, we take into account 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: nearly half in the 2007 generation. Thus, the relation, especially in the case of older loan generations, of overdue loans to accounts in use (NPL) is different.

The rises (in percentage points) in 90+day-overdue accounts in the number of opened accounts in generations 2007-2017



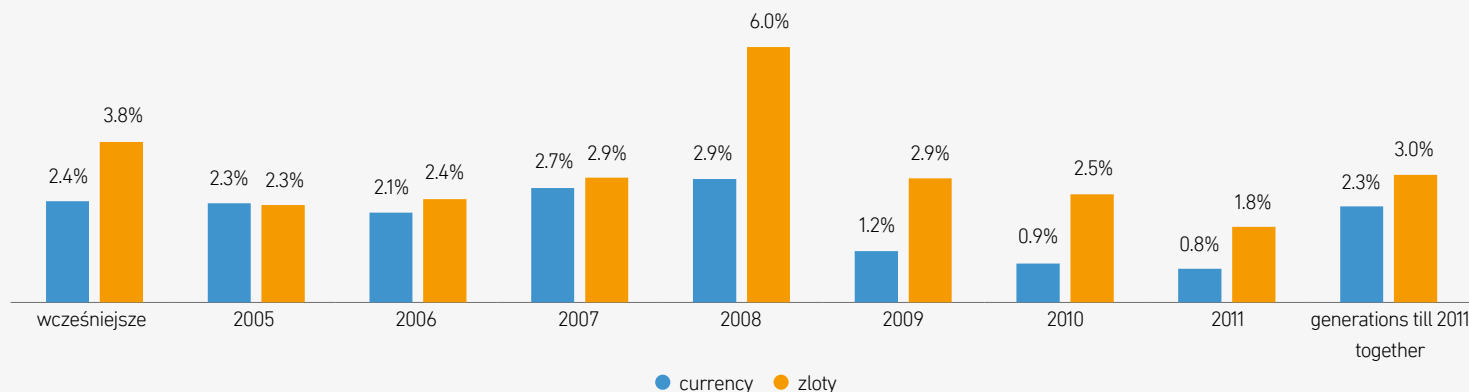
## The quality of housing loans – comparison of the zloty and currency loans

The comparison of the currency and zloty loans looks different depending on the adopted measure, though most measures indicate a better quality of currency portfolios/loans compared to the zloty ones. In the graph below, we show the shares of the number of 90+day-overdue loans (acc. to the BIK database in June 2019) in the number of loans granted in a 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 (reduced in the zloty portfolio).

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 generation 2005 (in which the zloty loans prevailed) the shares of overdue loans, after the conversion adjustment, are similar.

The loss rate of the 2008 zloty generation increases quickly; it also includes most conversions. In generation 2008, especially in the 1<sup>st</sup> half-year currency loans were prevailing, but in spite of this, zloty loans of this generation deteriorate more quickly than currency loans.

The share of loans 90+days overdue in servicing in the number of housing loans granted in generations till 2011. The state of the BIK database at the end of June 2019 after conversion adjustment



## The quality of the Swiss franc portfolios

**The quality of the zloty and currency portfolios improves, 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 declines. The declines in the franc portfolio in 2017-2019 are even faster (the trend line), but it results from the decline in the number of accounts in use.

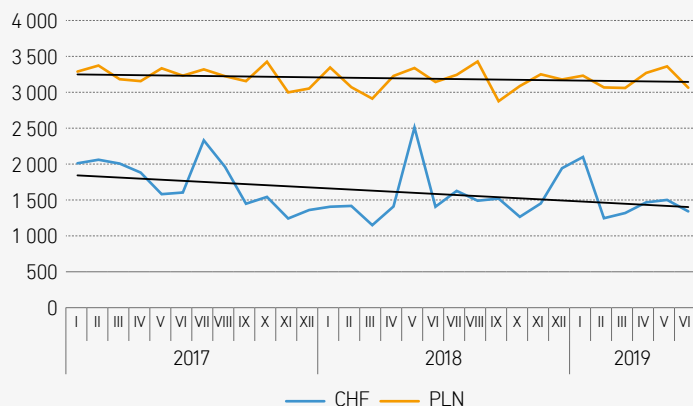
Referring to the number of shifts from regular servicing to the 30+day-overdue status to the number of accounts in use, we noted in 2019 an average monthly shift of 0.17% in the zloty portfolio, and 0.33% in the Swiss franc portfolio.

In the 1<sup>st</sup> half-year of 2019, an average monthly number of entries into 90+day-overdue status in the zloty portfolio amounted to 803 accounts, 5% less compared to 2017.

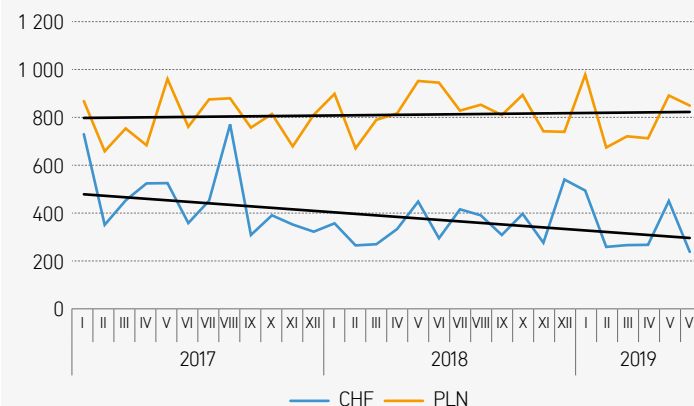
In the franc portfolio, in the 1<sup>st</sup> half-year 2019, an average monthly number of entries into 90+day-overdue status amounted to 324 accounts, i.e. the same as a year before but as much as 32% less compared to the first half-year of 2017.

In relation to the number of accounts in use in the zloty portfolio these entries account for 0.044% (YoY decline of 0.005 pp), and in the currency portfolio 0.071% (growth of 0.0004pp).

Monthly shifts to the 30+day-overdue status in the zloty and franc portfolios. Monthly data from 2017-2019



Monthly shifts to the 90+day-overdue status in the zloty and franc portfolios. Monthly data from 2017-2019



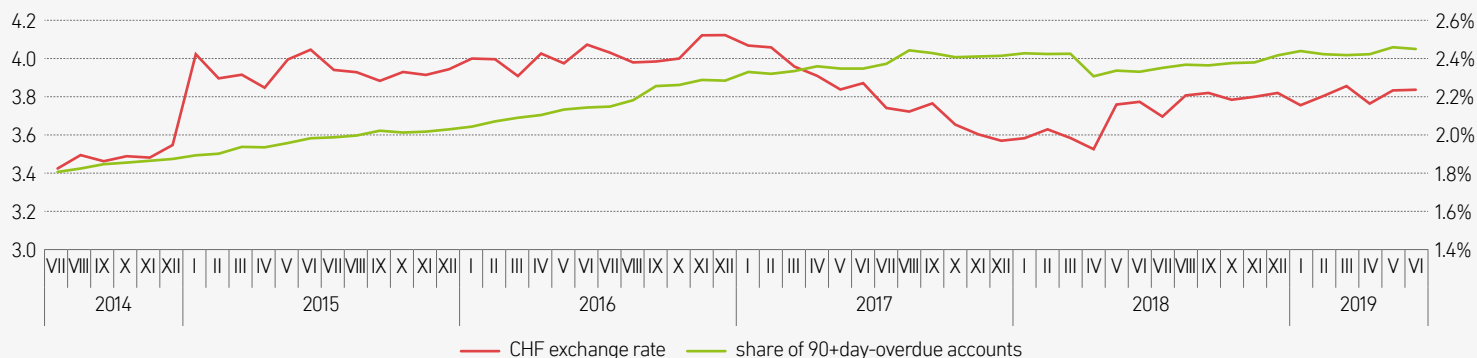
# The quality of the Swiss franc loans and the franc exchange rate

**The Swiss franc exchange rate has an insignificant impact on the repayment of loans in this currency.**

The unpegging of the Swiss franc in 2014 did not affect significantly the quality of the franc portfolio. The share of overdue accounts in the franc portfolio rose linearly till August 2017, then this share stabilised at the level of 2.5%. The stabilisation of the share of overdue loans may have resulted from the trend the weakening franc against the zloty which started at the beginning of 2017. In April 2018, the zloty fell again, but the loss rate of loans opened in the franc remained at the level of 2.5%. In the 2<sup>nd</sup> half-year of 2019, we may expect a rise in the loss rate in the portfolio, especially because the weakening of the zloty accelerated in the summer. The susceptibility of the portfolio quality to the franc exchange rate is moderate all the time.

The shares of overdue accounts presented in the graph were adjusted (increased) by the overdue loans converted from the franc to the zloty. BIK has been informed about 11.6 thousand currency accounts 90+days overdue or closed in this status in June 2019 (the same as in December 2018). We add 5.9 thousand loans to this number, presently zloty loans, having been converted from the franc when overdue in servicing (together 17.5 thousand). Most overdue franc loans come from the 2006-2008 generations.

Swiss franc loans. The share of 90+day-overdue accounts in the number of accounts opened (all generation).



## Key findings

- In the 1<sup>st</sup> half-year of 2019, the credit card issuance revived and the number of card holders increased.
- These growths to a large extent result from using credit cards by some issuers to finance hire purchase of goods and services (instalment credits).
- Bank dues on account of credit cards explicitly increase.
- The limits on the newly opened accounts are on the rise all the time; hence the dynamics of the card market in terms of value, as before, exceeds the dynamics of the market in terms of numbers.
- The average limits on cards in use are on the rise.

## The number of credit cards issued

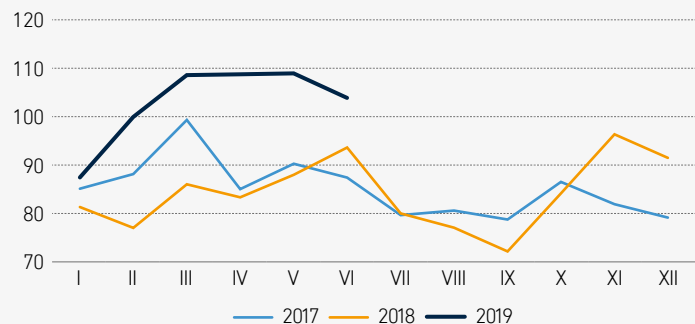
**The number of newly opened credit card accounts in the 1<sup>st</sup> half-year of 2019 considerably exceeded the results of the 1<sup>st</sup> half-year of 2018**

In 2017 and until November 2018, the number of newly opened credit card accounts oscillated around 85 thousand a month. Before, in 2015-2016, it was higher and approached the level of 100 thousand. In November 2018, the issuance of credit cards came close to 100 thousand again, and in the 2<sup>nd</sup> quarter of 2019 there were on average over 107 thousand credit cards opened every month. The annual sales dynamics indicators exceeded 30%. These growths, however, result from the methodology of reporting transactions by banks. Some banks involved in instalment loans run them in card accounts.

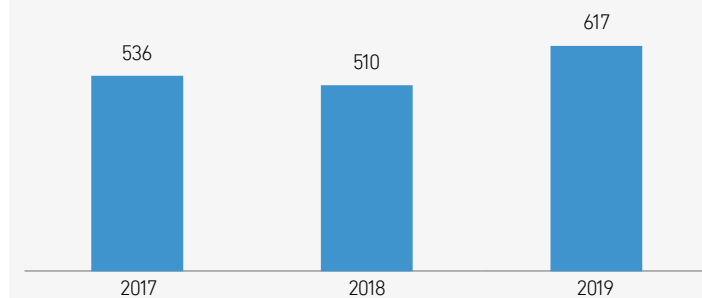
In the 1<sup>st</sup> half-year 2019, 617 thousand credit card accounts were opened, i.e. 21.1% more than a year before, which means on the average 102.9 thousand opened accounts every month. The level is higher than in the 1<sup>st</sup> half-years of 2015 (on average 96.7 thousand monthly) and 2016 (90.4 thousand).

Strong growths in the number of opened accounts since November 2018 result primarily from offering by some banks loans financing of hire purchase of goods and services on credit card accounts. We will analyse this issue on the next pages.

Credit card accounts (in thousands) opened monthly in 2017–2019



Credit card issuance 2017–2019 (in thousands of accounts)



## The value of limits on newly opened accounts

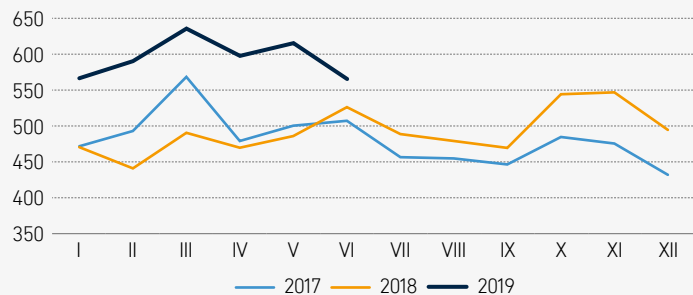
**The value of limits granted on newly opened credit card accounts in 2018 slightly increased.**

In the previous issues of CREDITS TRENDS, we described declines in numbers of opened accounts accompanied by growths in the amounts on the accounts. Presently, in the 1<sup>st</sup> half-year of 2019, the dynamics of the number of opened credit card accounts and the granted limits on them are similar. In terms of numbers, the dynamics in the 1<sup>st</sup> half-year comes up to 21.1% and in terms of amount to 23.8%. The latter was decisively higher in January and February than the former. In the 1<sup>st</sup> half-year 2019, on the newly opened accounts limits of 3,568 million zlotys were granted, i.e. 23.8% more than a year before. In the

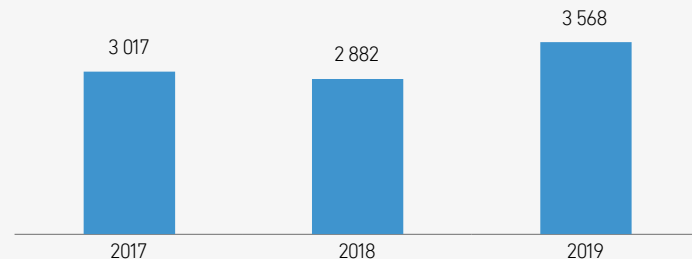
2<sup>nd</sup> half-year of 2018, the granted limit amount was YoY 9.8% higher, but in the whole 2018 only 1.8%.

This rapid acceleration of card issuance is connected with running instalment credits on card accounts. An average limit on the opened card accounts in the 1<sup>st</sup> half-year was 5.8 thousand zlotys; in instalment credits an average credit was only 4.2 thousand zlotys, but banks use cards to finance hire purchase most probably with regard to smaller amounts only.

Limit amounts (in millions of zlotys) on card accounts opened in 2017–2019. Monthly data



Limit amounts (in millions of zlotys) on credit card accounts opened in the 1<sup>st</sup> half-years of 2017-2019



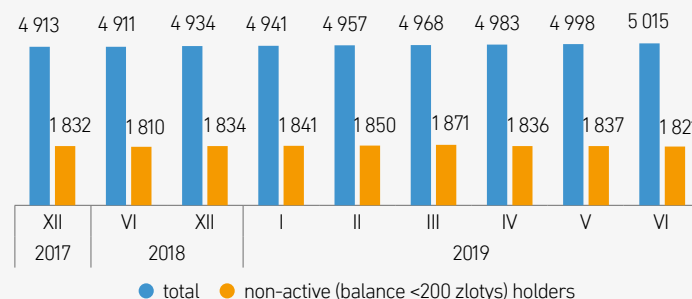


# The number of credit card holders, including the active ones

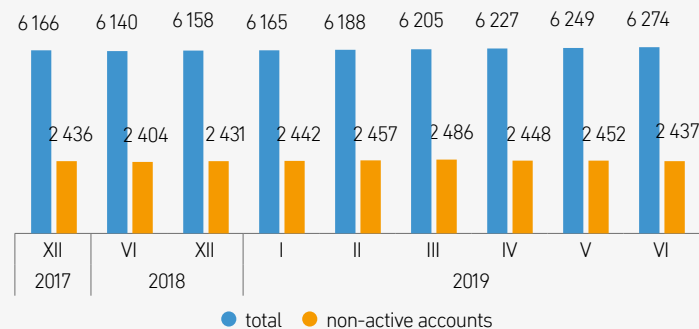
The number of credit card holders began to grow in 2018; especially in the group of active

In the previous issue of CREDIT TRENDS report we informed about the stabilisation the credit card holders number. In the whole 2018, there were 33 thousand new holders; all the growth occurred in the second half-year. In the 1<sup>st</sup> half-year of 2019, 81 new users were recorded (1.6% from December), with only 10 thousand among them described here as non-active (having a balance of below 200 zlotys on their accounts). There were 115.7 thousand new card accounts in use in the course of the 1<sup>st</sup> half-year. The 2<sup>nd</sup> half-year of 2018 saw only 18.4 thousand new accounts, and in the 1<sup>st</sup> half-year of 2018 we recorded a decline of 18.4 thousand of cards in use. Nearly all the growth in cards in use refers to active cards, there were only 6 thousand new non-active cards in the 1<sup>st</sup> half-year. The emergence of growths in the number of users and the number of active cards should be related to using credit cards by some banks to finance hire purchase of goods and services. Such cards (some refer to then as instalment cards), were used in the bank system a few years ago, later the practice was abandoned. Now, the instalment cards have returned. This hypothesis is confirmed by the fact that nearly all the growth occurred in the group of active cards – instalment cards are active as a matter of principle.

Credit card holders (in thousands) in selected months in 2017-2019, including those without active cards



The number of credit card accounts in use, including non-active accounts



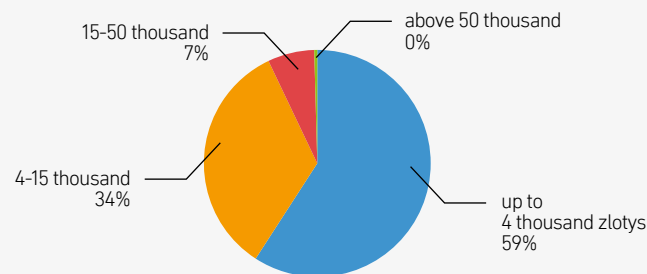
## Limits on credit card and their use

**In the issuance of credit cards, low limits prevail, but in the group of cards with low limits, the use of limits is the highest.**

Credit limits of nearly 60% of issued cards do not exceed 4,000 zlotys, an amount slightly over an average net pay. Only 7% of cards were issued with limits above 15,000 zlotys in the years 2017-2018. Such low limits indicate that users give a clear priority to the card transactional function over its credit function.

Cards with low limits are characterised by the highest use of the granted limit (the relation on debt of the card account to the height of limit). In the case of cards with limits of up to 4,000 zlotys, the limit is used in 60% on average. Interestingly, after 12 months of using the card, the use of the limit in this group decreases by 10pp. It results from the emergence of cards financing hire purchase. A 12-month long period of functioning in the table below concerns cards issued in the 1<sup>st</sup> half-year of 2018 and before. There were no instalment cards yet. Cards opened for hire purchase as a matter of principle begin a high level of limit use, hence the growing use of limits on younger cards. The higher the limit, the lower its use; this rule does not apply to the cards with the highest limits, above 50 thousand zlotys, but there are not many of them. The users already in the third month after opening the account, stabilise the way the card is used, and in the next months the use of the limit does not grow.

The structure of credit cards opened in the years 2017-2018 by the height of limits granted



The use of limits on a credit card accounts opened in the years 2017-2018 depending on the height of granted limits and the time since the opening of the account

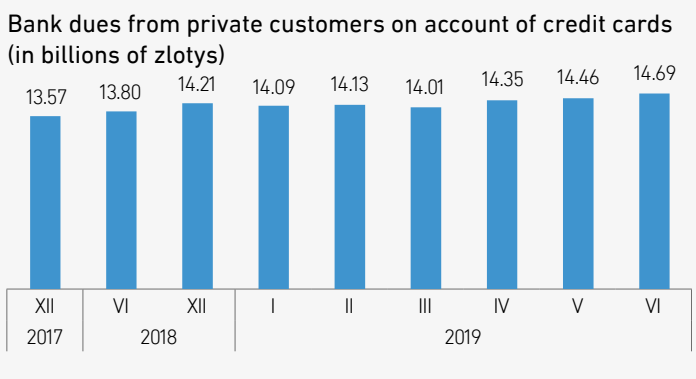
	up to 4 thousand zlotys	4-15 thousand	15-50 thousand	above 50 thousand
after 3 months	58%	42%	25%	36%
after 6 months	61%	46%	30%	39%
after a year	51%	42%	32%	41%

## Limits and liabilities on card accounts

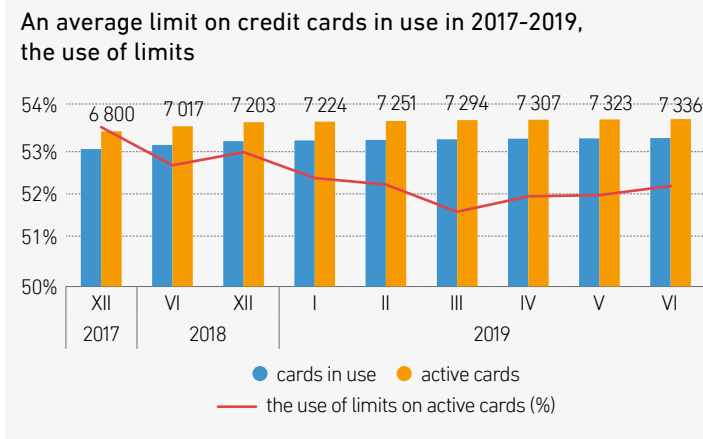
### Bank dues and limits on accounts are on the rise.

Bank dues from credit card accounts run by them increase, we have observed growths in this dimension before.

In June 2019, bank YoY card dues were 6.5% higher. At the end of December 2018, they 4.8% YoY higher and 3.7% in the course of 2017, so the growth in dues clearly accelerated. more than a year before. This growth results to a lesser degree for instalment credits in cards, it is connected rather with the continuation of strategy pursued by some banks consisting in the concentration of card issuance on the segment of customers well-known to them.



The credit card limits increase. It concerns an average limit on cards in use as well as an average limit granted on newly opened accounts. We observe the highest limits on active cards, on which in June 2019 an average limit amounted to 7,336 zlotys and was 4.5% higher than a year before. We noticed a similar rise in limits on all accounts in use (4.9%). The use of limits on active cards fell slightly, by 0.5pp.



## Key observations

- We can observe a decline in credit sales to microentrepreneurs in the 1<sup>st</sup> half-year of 2019: 5.7% in terms of value and 8% in terms of numbers compared to the 1<sup>st</sup> half-year of 2018. In the case of credits granted to farmers, the financing declined by 6.3% in terms of value and 6.2% in terms of numbers in comparison with the 1<sup>st</sup> half-year of 2018.
- There is still a high sectoral concentration of the credit portfolio of microentrepreneurs. Two sectors are dominating: trade and services, which is to a large extent related to the sectoral structure of Polish microenterprises. However, agriculture and services have the largest share in the portfolio of microentrepreneurs and farmers.
- The quality of credit portfolio measured with the NPL indicator in the 1<sup>st</sup> half of 2019 deteriorated at the level of the number of credit accounts as well as in terms of value, in relation to both micro-entrepreneurs and farmers. At the end of June 2019, in terms of numbers, it amounted to 11.3% for microentrepreneurs and 2.6% in the case of farmers. In terms of value, it amounted to 13.8% and 4.6% respectively.
- The portfolio of credits granted to farmers is of a much better quality than microentrepreneurs'.
- The risk of crediting microentrepreneurs and farmers is determined by the number of credits serviced and the number of banks providing credits. The more credits repaid simultaneously, or the more banks which provide financing, the higher the credit risk.

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

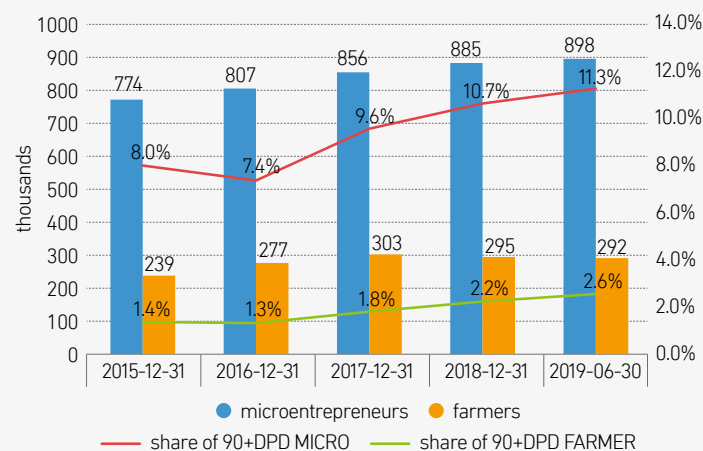
**In the 1<sup>st</sup> half-year of 2019, we can still observe only a slight rise in the number of credit accounts in the microenterprise credit portfolio and a decline in the number of credits of farmers, with a deterioration of the quality of portfolios of microentrepreneurs of 0.6pp and farmers of 0.4 pp.**

At the end of June 2019, the number of microenterprise credit accounts in use amounted to 897,52; it increased by 12.42 thousand (1.4%) during the 1<sup>st</sup> half-year. 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 in comparison with December 2018 by 0.6 pp and amounted to 11.3%.

The number credit accounts in use in the credit portfolio of farmers at the end of June 2019 amounted to 291.79, i.e. 3.34 thousand less than at the end of December 2018 (a decline of 1.1%).

Despite a slight deterioration of 0.4 pp in the 1<sup>st</sup> half-year of 2019, the portfolio quality of credit accounts (quantitative NPL) of farmers was high and amounted to 2.6%. In comparison with the quality of microentrepreneurs credit quality, the credit portfolio for farmers had 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

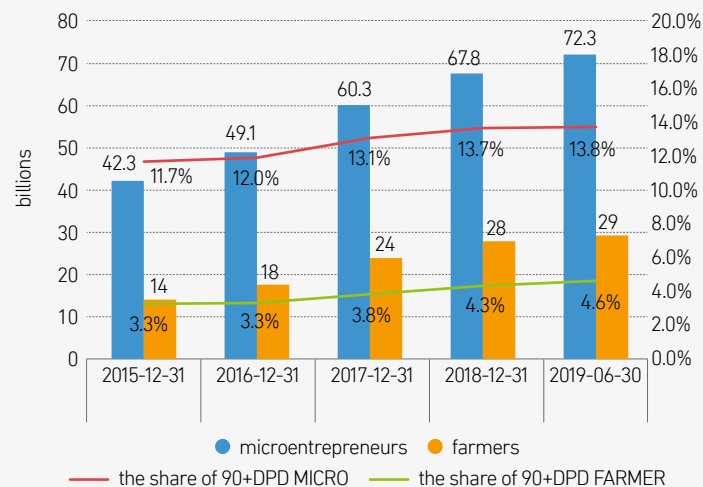
**We can observe a systematic growth in the value of the credit portfolios of microenterprises and farmers, with a slight rise in the level of risk though.**

At the end of June 2019, the value of microentrepreneurs credit portfolio amounted to 72.3 billion zlotys and it increased by 4.47 billion zlotys (6.6%) in comparison with December 2018. In the same period the quality of the portfolio measured with the value share of 90+day-overdue accounts in the value of accounts in use (NPL) deteriorated by 0.1pp compared to December 2018 and amounted to 13.8%.

The value of farmers credit portfolio amounted to 29.35 billion zlotys at the end of June 2019, i.e. 1.39 billion more than at the end of December 2018 (a rise of 5%). Despite a portfolio quality deterioration of 0.3 pp in the 1<sup>st</sup> half-year 2019, the portfolio quality of credit accounts (qualitative NPL) of farmers is high and amounts to 4.6%.

In comparison with the quality of microentrepreneurs credits, the credit portfolio of 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 / %)



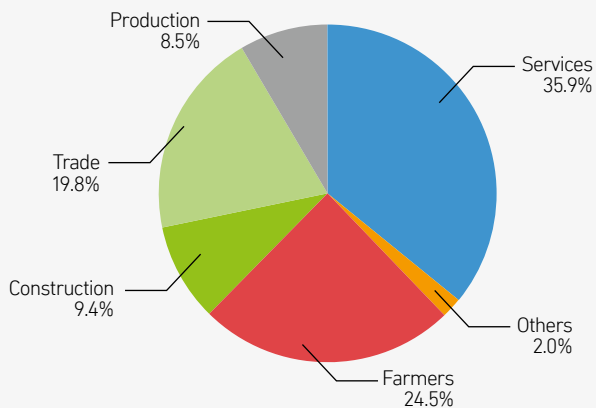
# The sectoral structure of credit portfolios of microenterprises and farmers

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

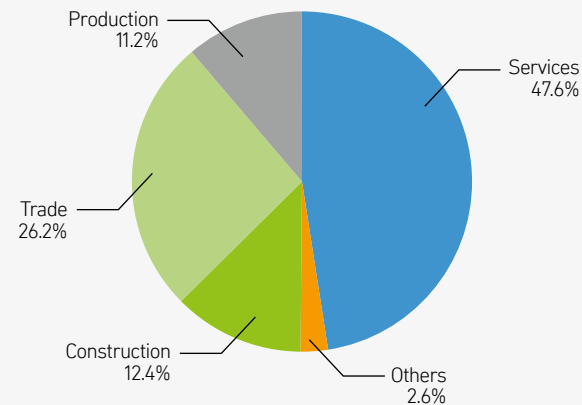
At the end of June 2019, service companies possessed 35.9% of all the credit accounts in use held by microentrepreneurs and farmers. Farmers serviced 24.5% of credits in use and retail and wholesale companies serviced 19.8% of them. The structure is stable over time. It reflects a sectoral demand for credit in the segment of SMEs and farmers. The credit structure to a large extent reflects the sectoral structure of the Polish economy.

In the sectoral structure of microentrepreneurs portfolio (without farmers) nearly half (47.6%) of credit accounts in use belong to microentrepreneurs rendering services. 26.2% of all credit accounts in use belong to microentrepreneurs in the sector of retail and wholesale trade, and 12.4% credits in use belong to construction firms.

Sectoral quantitative structure of the portfolio of microentrepreneurs and farmers



Sectoral quantitative structure of the portfolio of microentrepreneurs





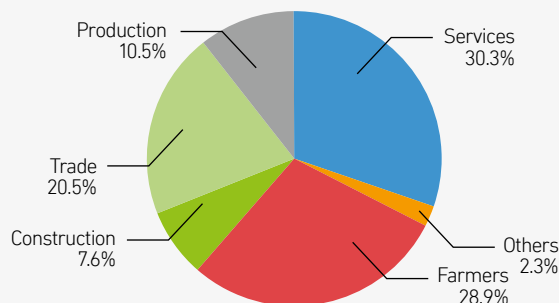
## The sectoral structure of credit portfolios of microenterprises and farmers

**There is also a high sectoral concentration of credit portfolios in terms of value. Three kinds of activities are dominating: agriculture, services and trade, which account for nearly 80% of the value of the portfolio of farmers and microentrepreneurs.**

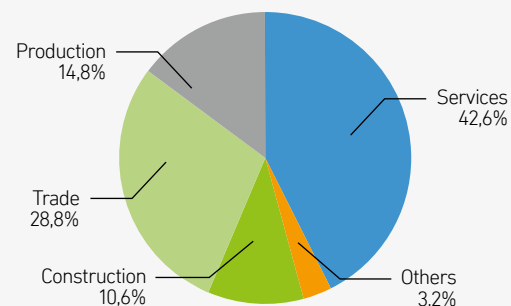
At the end of June 2019, service companies had 30.3% of the credit portfolio in terms of value. Farmers accounted for 28.9% of the portfolio value, and value of credits of firms in the sector of retail and wholesale trade amounted to 20.5%.

In the sectoral structure of microenterprise portfolio (without farmers) 42.6% of the debt value belongs 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 microentrepreneurs amounts to 14.8%.

Sectoral qualitative structure of the portfolio of microentrepreneurs and farmers



Sectoral value structure of the portfolio of microentrepreneurs

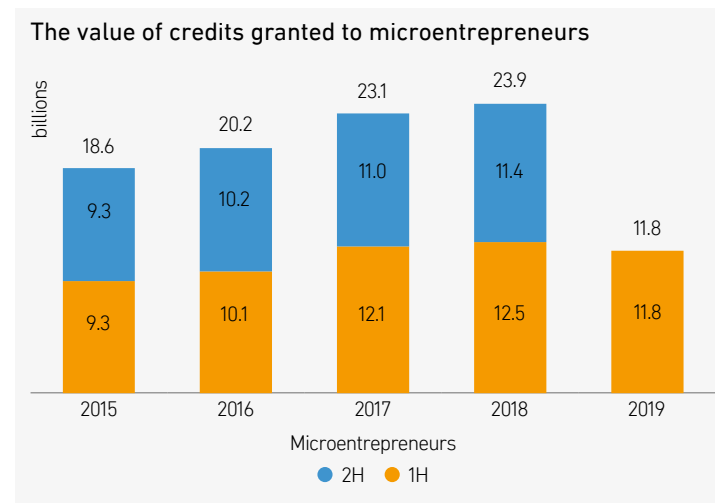
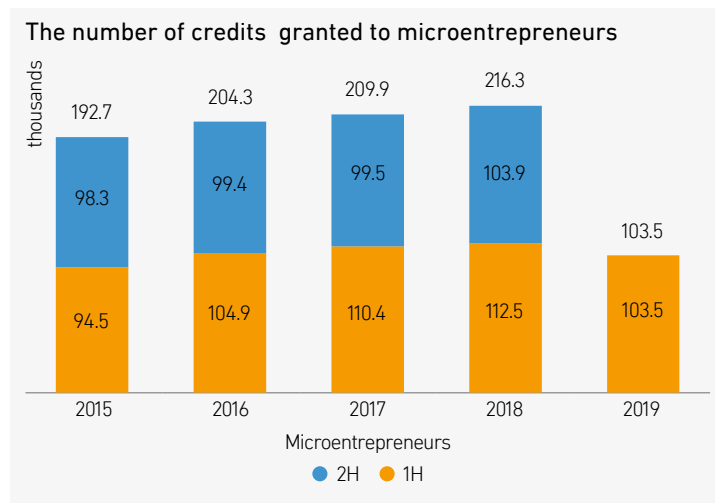


## The number and value of financing granted by banks to microentrepreneurs

In the 1<sup>st</sup> half 2019, we can observe a decline in lending addressed to microentrepreneurs, in terms of numbers as well as value compared to the 1<sup>st</sup> half of 2018. The sales in the 1<sup>st</sup> half-year of 2019 in terms of numbers were the lowest in the last four years and amounted to 103.5 thousand credits granted. In terms of value, the sales in the 1<sup>st</sup> half-year of 2019 was lower than the sales in the 1<sup>st</sup> half-years of both 2017 and 2018.

In the first half-year 2019, banks granted totally 103.5 thousand credits to microenterprises, i.e. 8.97 thousand (8%) less than in the 1<sup>st</sup> half-year of 2018. The 1<sup>st</sup> half-year sales are the lowest in the last 4 years.

In the 1<sup>st</sup> half-year 2019, banks credited microenterprises with the total amount of 11.8 billion zlotys, i.e. 0.709 billion less (-5.7%) than in the period January-June 2018.

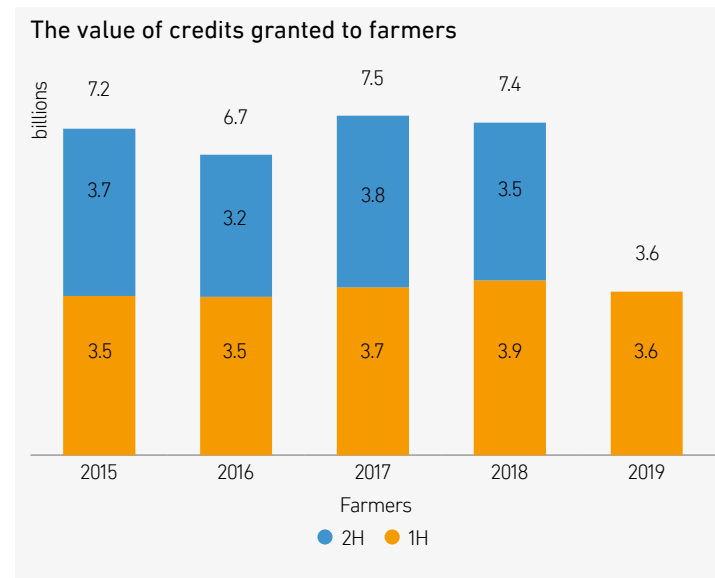
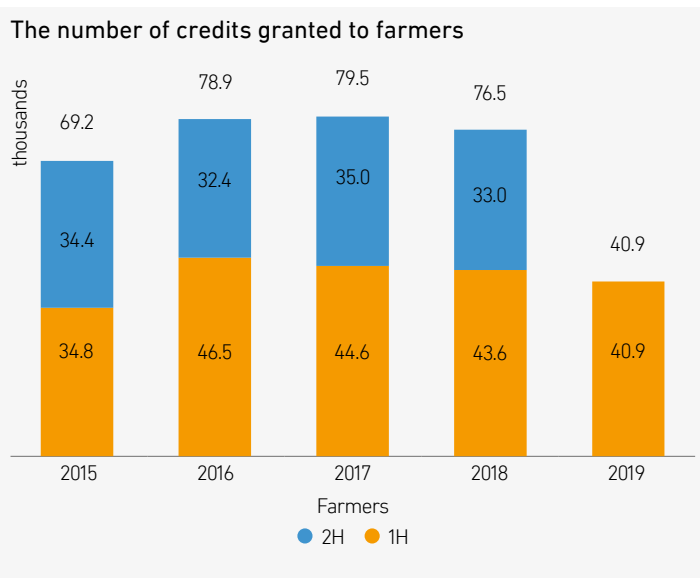


## The number and value of financing granted by banks to farmers

**In the 1<sup>st</sup> half-year 2019, we can observe a decline in lending addressed to farmers, in terms of numbers as well as value. In the 1<sup>st</sup> half-year 2019, banks granted credits to farmers for the value 6.3% lower than that in the 1<sup>st</sup> half-year 2018.**

In the 1<sup>st</sup> half-year 2019, banks granted totally 40.9 thousand credits to farmers; about 2.7 thousand less than in the same period a year before. In percentages, banks granted 6.2% less credits to farmers. It is the worst result in the last four years.

In the 1<sup>st</sup> half of 2019, banks credited farmers with the total amount of 3.6 billion zlotys only. It was 0.245 billion (6.3%) less than in the same period a year before. Thus, the decline in terms of value is comparable to the decline in the numbers of granted credits.



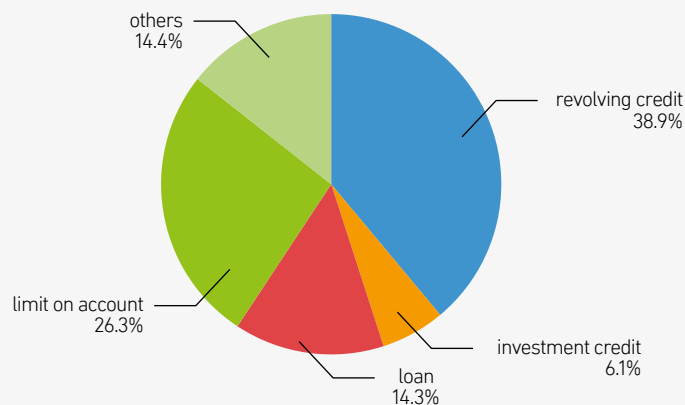
## The structure of credit sales to microenterprises in terms of value and numbers, by product \*

In credit sales, in terms of value there are two dominant basic classical kinds of credit products used to finance the current operational activity: revolving credit and credit limit on account. The structure has been stable for a few years. It may be stated then that it is a durable trend. Two thirds of credits are used by entrepreneurs to finance their current activity. They use only 6% of credits to finance development.

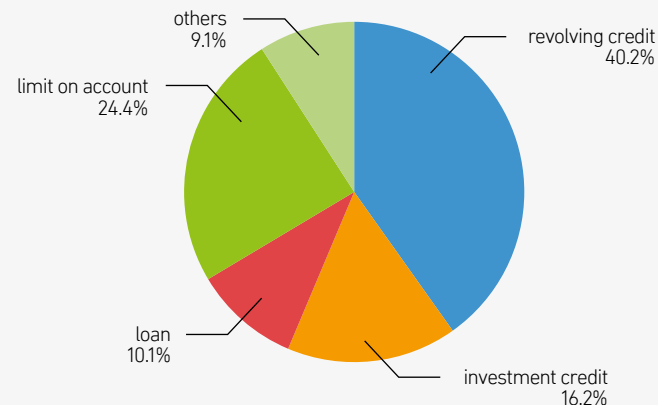
In the 1<sup>st</sup> half-year of 2019, more than one third of financing granted to microenterprises concerned financing in the form of revolving credits. Both credits used to finance the current operational activity amounted to 65.3% of the granted financing. Investment credits amounted to only 6.1% of credits granted from January to June 2019.

In terms of value, revolving credits and limits on current accounts also had the highest share (64.4%), which does not come as a surprise taking into account their specific character connected with financing current activities. Investment credits had a 17% share in credit sales. A much higher share of investment credits in the sales value than the number of granted credits results from a higher average amount of investment credits granted.

Microentrepreneurs - the quantitative structure of sales by the kind of product in the 1st half of 2019



Microentrepreneurs - the value structure of sales by the kind of product in the 1st half of 2019



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

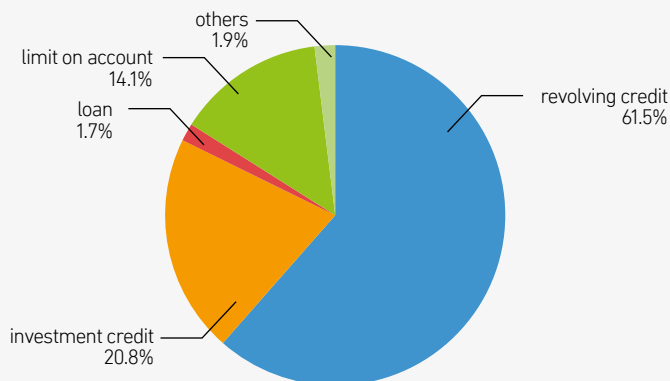
**In credit sales to farmers, in terms of numbers there are three dominant basic classical kinds of credit products: revolving credit, investment credit and credit limit on account. Investment credits are dominating in terms of value.**

In the 1<sup>st</sup> half of 2019, more than 60% of financing granted to farmers were implemented in the form of revolving credits. Investment credits accounted for 20.8% of credits granted from January to June 2019. The share of investment credits in the sales of credits in the 1<sup>st</sup> half-year 2019 was much higher in comparison with entrepreneurs.

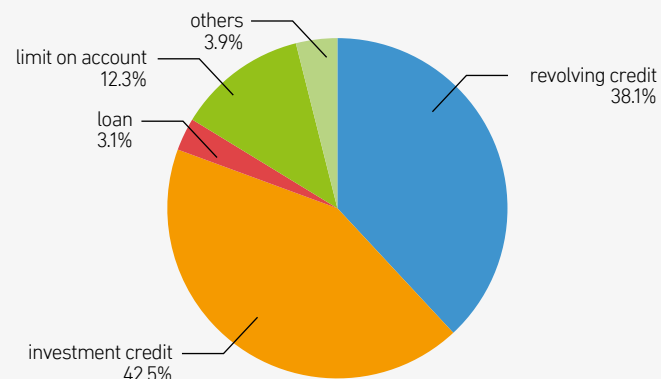
In terms of value, investment credits had the highest share (42.5%) in the sales in the 1<sup>st</sup> half of 2019. Furthermore, revolving credits had a share of 38.1% in the sales in terms of value.

A higher share of investment credits than revolving credits in sales in terms of value compared to the sales in terms of numbers results from higher amounts of the incurred investment credits than revolving credits.

Farmers - the quantitative structure of sales by the kind of product in the 1st half of 2019



Farmers - the value structure of sales by the kind of product in 2019



# Average amounts of credits granted to microentrepreneurs and farmers

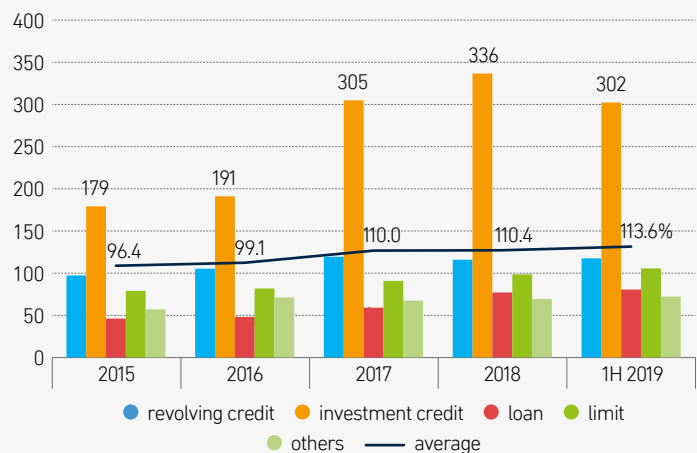
**In the 1<sup>st</sup> half-year of 2019, there was a rise in the average amount of credits granted to microentrepreneurs and farmers in comparison with previous years.**

In the 1<sup>st</sup> half of 2019, an average value of financing granted by banks to microenterprises amounted to 113.6 thousand zlotys and was insignificantly higher (by 2.9%) than the average amount in 2018. In the 1<sup>st</sup> half-year of 2019, compared to 2018, an average amount of investment credit granted to microentrepreneurs fell by 34.32 thousand zlotys

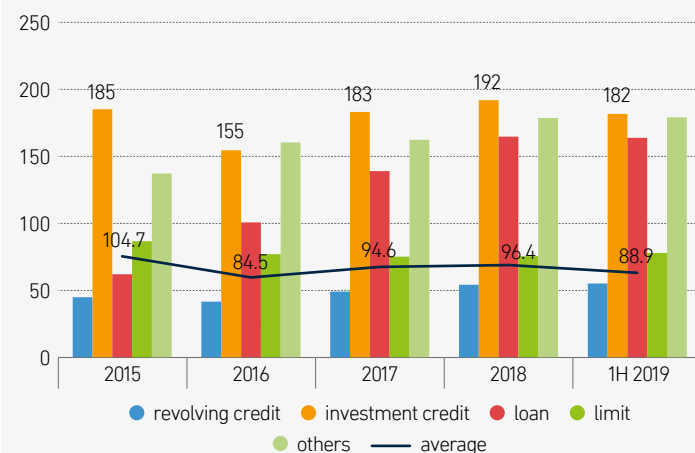
(10.2%). And an average amount of revolving credit granted increased by 1.45 thousand zlotys (1.3%).

In the 1<sup>st</sup> half of 2019, an average value of financing granted by banks to farmers decreased by 7.5 thousand zlotys (-7.8%) compared to 2018 and amounted to 88.93 thousand zlotys. In the period January-June 2019, the amount of investment credit decreased by 10 thousand zlotys (-7.8%).

An average amount of credit granted to microentrepreneurs by the kind of product (in thousands of zlotys)



An average amount of credit granted to farmers by the kind of product (in thousands of zlotys)



## Microentrepreneurs' and farmers' credit risk increases with the number of crediting banks

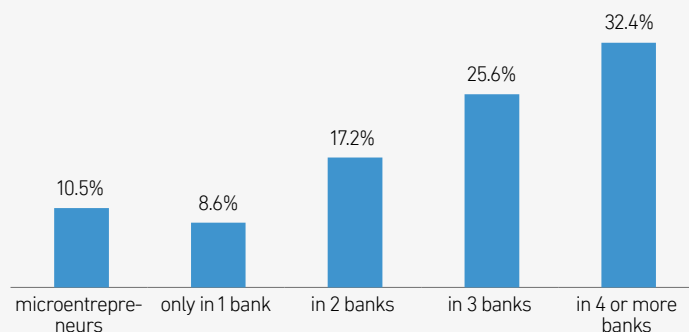
The number of banks used by microentrepreneurs or farmers in financing their business pursuit has a significant impact on the timely repayment of their credits and as a consequence on the level of loss rate of credits of microenterprises or farmers. On average, 10.5% of entrepreneurs and 2.6% of farmers have overdue repayment liabilities.

About 85% of firm owners running a one man company make use of credits taken only in one bank. As a rule, it is not the one they have to do with as private borrowers, for example making use of consumption credits, housing loans of private account limits.

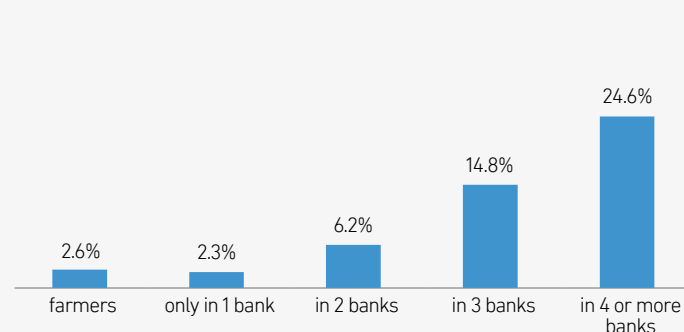
Having credit liabilities to only one bank, only 8.6% of entrepreneurs and 2.3% of farmers have 90+overdue repayment liabilities. When a

microentrepreneur or a farmer obtains financing from two banks, the share increases up to 17.2% and 6.2% respectively. And in the case of credit products provided by 4 or more banks, every third microentrepreneur or nearly every third farmer has at least one 90+day-overdue liability. The number of crediting banks determines the level of credit risk.

The share of microentrepreneurs with a 90+day-overdue credit by the number of crediting banks



The share of farmers with a 90+day-overdue credit by the number of crediting banks





## Microentrepreneurs' credit risk increases with the number of credits to repay

**243 thousand, i.e. nearly 60% of Polish microentrepreneurs possessing bank credits repay only one credit at present. Among these firms, only 3.1% have 90+day-overdue credits. 7 thousand microentrepreneurs (1.5%) repay more than 7 credits. The level of loss rate amounts to as much as 16,1% in this case.**

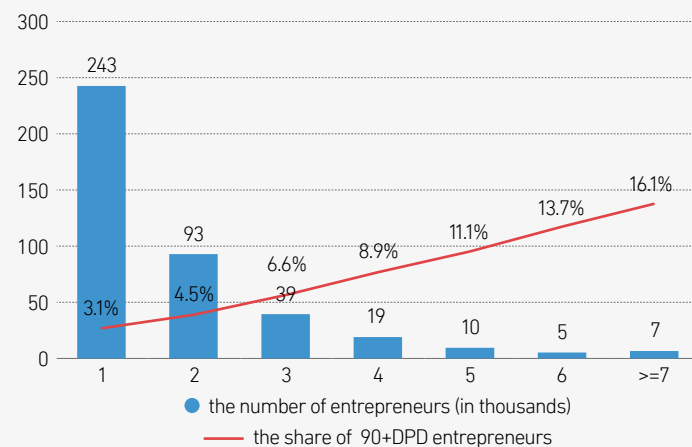
On 30 June 2019, 416 thousand microentrepreneurs had a bank credit in use, i.e. every fifth active microentrepreneur. BIK analyses suggest that the more credits serviced by microentrepreneurs at the same time, the higher the share of microentrepreneurs who have difficulty with a timely repayment of them.

1.5% of Polish entrepreneurs having credits in use repay as many as 7 or more corporate credits. Among them, as many as 16.1% have 90+day-overdue repayments.

The group of overactive microentrepreneurs in terms of credit which should include microentrepreneurs with 7 or more credits to repay, generate an above average level of credit risk.

Thus, an analysis of credit risk should include the number of serviced credits as an important risk factor.

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



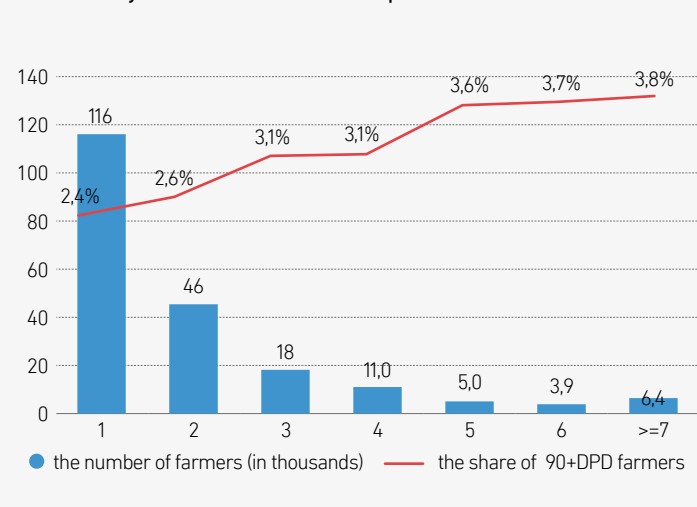
## Farmers' credit risk does not increase with the number of credits to repay

**116 thousand, i.e. over 55% of farmers possessing bank credits repay only one credit at present. Among them, only 2.4% have 90+day-overdue credits. 6.4 thousand farmers (3.1%) repay more than 7 credits. The level of loss rate amounts to 3.8% in this case.**

On 30 June 2019, 206 thousand farmers had a bank credit in use. BIK analyses suggest that the growth in the number of credits serviced by farmers at the same time does not significantly affect the level of loss rate. Even those farmers with a high number of credits to repay, repay them on time.

The group of overactive farmers in terms of credit which should include farmers with 7 or more credits to repay, do not generate an above average level of credit risk as it is the case with microentrepreneurs.

Farmers by the number of credits possessed\*



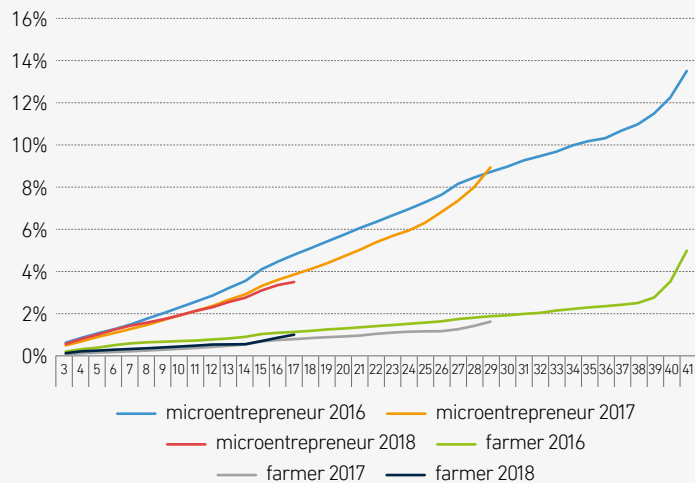
# Vintage analysis of credits of microentrepreneurs and farmers

**Vintage analysis presenting the share of 90day+overdue credits in subsequent months after granting confirms earlier conclusions drawn from the loss rate analysis based on NPL indicators stating that farmers repay their credits much more reliably than microentrepreneurs.**

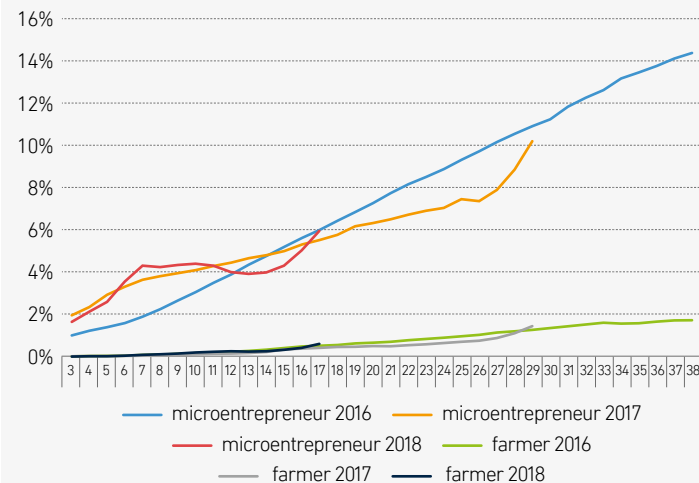
The loss rate level of credits taken by microentrepreneurs in 2016 amounts to 12-14%, while in the case of farmers 1.6-2.9%. It is a few times lower for farmers than microentrepreneurs. Thus, it is confirmed that farmers are a far less risky segment to credit than microentrepreneurs.

The phenomenon is even more conspicuous in investment credits in which credits incurred by farmers have a loss rate more than 30 months after granting up to 2%, and for microentrepreneurs' credits taken in generations 2017 and 2018 the same loss rate occurs already three months after granting.

Products total – the share of 90+ accounts in the number of credits granted in subsequent months after granting

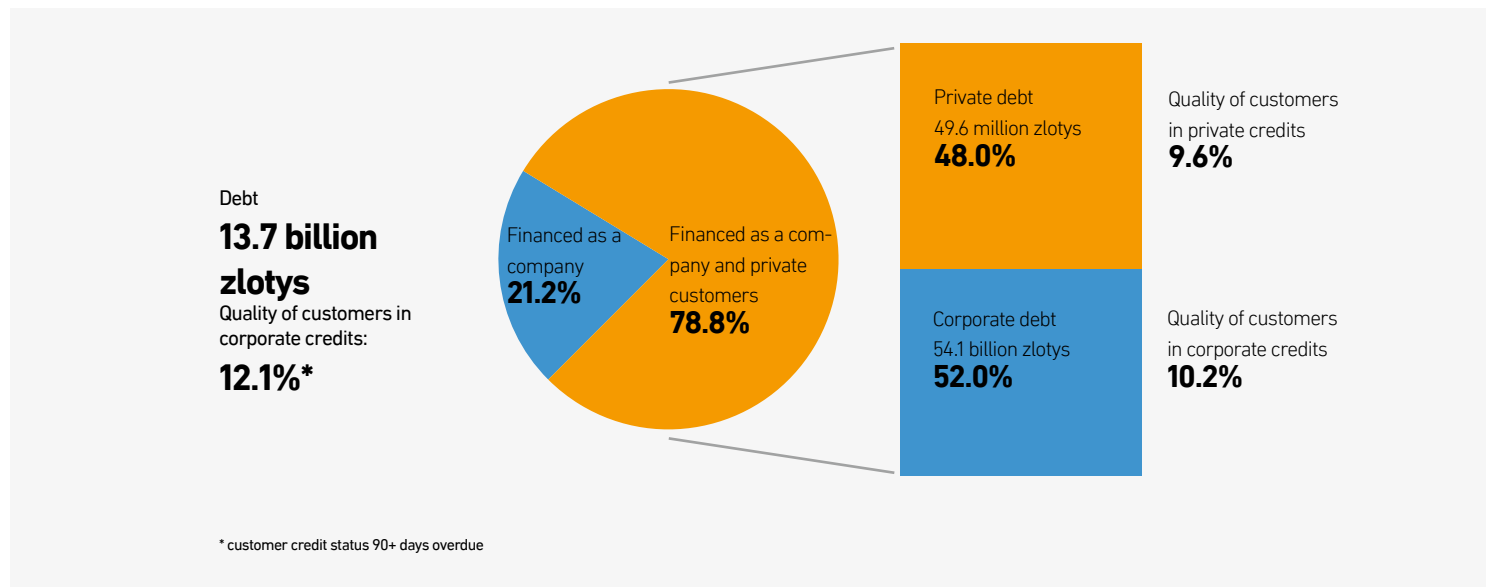


Investment credits – the share of 90+ accounts in the number of credits granted in subsequent months after granting

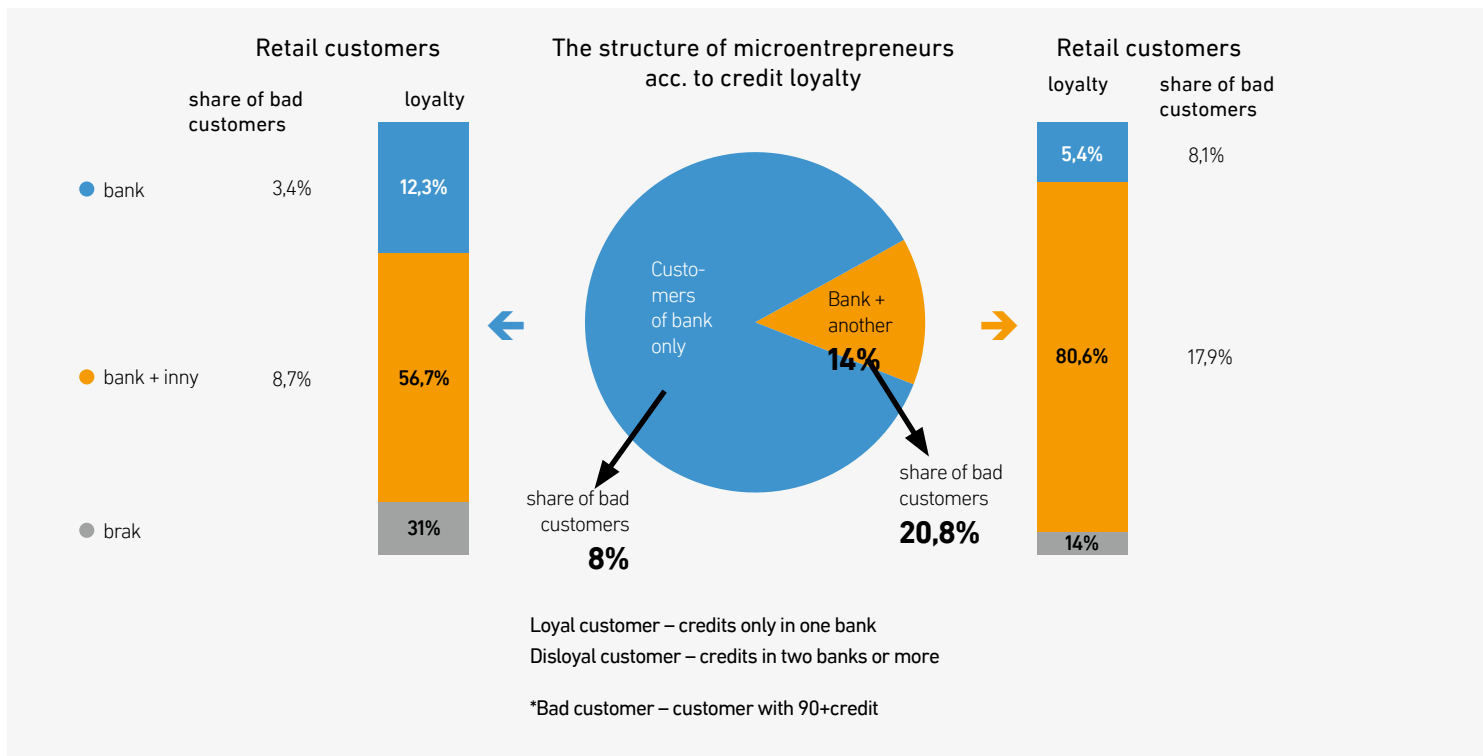


# Microentrepreneurs – corporate and private debt

Financing structure – the entire sector of microentrepreneurs (500 thousand)



# Credit loyalty of microentrepreneurs as companies and private customers





## Semi-Annual Report Credit Information Bureau CREDIT TRENDS

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

Any comments or questions concerning this publication are to be addressed to Sławomir Grzybek (tel. 22 348 4240) or Andrzej Topiński (tel. 22 348 4269), Waldemar Rogowski (tel. 22 348 42 60) or mailed to [kredyttrendy@bik.pl](mailto:kredyttrendy@bik.pl).

Graphic design: Pracownia Register  
Cover photo: suriyapong / Adobe Stock

The statistical information presented in the material results from the current state of the BIK database, which is based on the data provided by financial institutions. The data collected in the BIK database may be updated by the financial institutions that own them. BIK claims that such an update may also include historical data that have already been published, which may cause a change in the value of historical data. BIK makes every effort to make the data used in preparation of the publication complete and up-dated but may not be held responsible for business decisions based on this information.

All rights reserved.

This publication is protected by copyright laws. All authors' economic rights to the materials contained in the CREDIT TRENDS report belong to BIK S.A. Any use thereof, understood as disseminating, copying, modifying, distributing, transmitting, publishing and presenting, in whole or in part, requires the disclosure of information that BIK S.A. is the source.

