

credit trends

Credit Information Bureau
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BIURO INFORMACJI KREDYTOWEJ

pp. 3–5 CREDIT MARKET

Key findings	3
The number of borrowers, outstanding credit.	4
Borrowers by products	5

pp. 6–18 CONSUMER CREDITS

Key findings	6
The number of granted credits	7
Outstanding debt, the number of borrowers.....	8
The value of consumer credits granted	9
Consumer credits in amount segments	10
The quality of credits in amount segments	11
Customers of loan companies	12
Overactive customers	13
The Consumer Credit Health BIK Index	14
The Consumer Credit Health BIK Index	15
The quality of consumer credits granted (30+ days past due status)	16
The quality of consumer credits granted (90+ days past due status)	17
The risk of consumer credits/loans. Bank credits vs. loans granted by loan companies	18

pp. 19–27 HOUSING LOANS

Key findings	19
The number of housing loans granted	20
The value of housing loans granted	21
The number of borrowers, outstanding debt.....	22
The quality of granted loans	23
The quality of portfolios: the rate of change	24
The quality of granted loans: the comparison of the zloty and currency loans	25
The quality of the Swiss franc portfolios.....	26
The quality of the Swiss franc loans	27

pp. 28–32 CREDIT CARDS

Key findings	28
The number of credit cards issued	29
The value of credit cards limits	30
The number of credit card holders, including the active ones	31
Limits on card accounts and their utilisation	32

pp. 33–35 MICROENTREPRENEURS

Microentrepreneurs combine corporate and private liabilities	33
Microentrepreneurs' consumer credits and housing loans	34
A considerable share of microentrepreneurs in high amount consumer credits and housing loans.....	35



The 4th quarter 2016 saw the trends observed before reinforced, especially in the 3rd quarter. The number of concluded contracts declined, but due to higher average amounts of granted loans, the value of sales of all products looked better than the numbers. The number of borrowers in the banking systems in the 4th quarter was stable, and the outstanding debt of private borrowers in the banking sector even increased, to a large extent, due to the weaker zloty against foreign currencies though, which resulted in the rise in housing loan outstanding debt. Housing loans declines in number and amounts of granted loans became deeper. Admittedly, in terms of value the sales of housing loans in 2016 were at the previous year's level only due to good results achieved in the first half year (in terms of numbers there was a decline of 4.1%). The fourth quarter was very weak, the YoY sales

of housing credits in the 4th quarter were 9.9% lower in terms of value, and 17% lower in terms of numbers.

The sales of consumer credits in the bank sector in terms of value were 2.3% higher in 2016 than in the previous year, and in terms numbers 2.9% lower. Like in the housing loans, the fourth quarter was weaker, especially in terms of numbers.

Loan companies continued to take over low amount crediting.

We still observed strong YoY declines in the number of newly opened credit card accounts, with a simultaneous distinct rise in the value of limits on the opened accounts. Unlike in the case of consumer credits and housing loans, the 4th quarter results here were better than annual. In the whole 2016 the number of credit card holders increased, though it was stable in the 4th quarter.

In this edition of the Credit Trends we show the data on the loan incurred by micro-entrepreneurs. The development of cooperation between banks in the area of exchange of information about credits granted for business pursuit financing allows for the analysis of trends also on this market. Let us emphasize a strong interdependence between the market of credits granted for entrepreneurs with the market of loans for private customers. A decisive majority of microentrepreneurs (82%) combine corporate and private financing.



Andrzej Topiński, PhD
BIK Chief Economist

The number of borrowers, outstanding credit

After declines in the 1st quarter, the number of borrowers in the bank and loan companies sectors was stable, their outstanding debt rose due to the zloty weakening, especially against the Swiss franc.

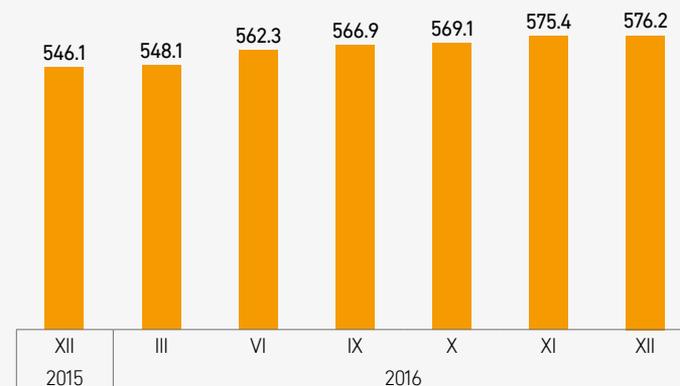
At the end of the 3rd quarter 2016 the number of borrowers amounted to about 15 180 thousand, together with the sector of loan companies. In December there were 15 183,5 thousand of them, 80.2 thousand of whom were indebted only in loan companies. In the 4th quarter the number of borrowers – physical persons fell down by 20 thousand in the BIK database (jointly the bank sector and loan companies). The number of loan companies borrowers not indebted in banks rose by 3.4 thousand.

In the 4th quarter the growth in the value of credit portfolio in the bank sector amounted to 9.3 billion zlotys, but half of this rise resulted from the depreciation of the zloty against the franc between September and December 2016 of as much as 13.7 groszes (3.5%). The exchange rate differences in the franc portfolio amounted to 4.7 bn zlotys between the end of September and December. Generally, the trend of the Swiss franc in 2016, with strong fluctuations, was stable. After a strong appreciation at the turn of 2017, in January 2017, it returned to the level of 4 zlotys (p. 27).

The number of borrowers (in thousands) having credits/loans in the bank and loan sector



Outstanding debt of borrowers in the bank system (in billions zlotys, including SKOK credit unions)



Borrowers by products

A small number of housing loan and consumer credit contracts concluded in the 4th quarter resulted in the stabilisation of the number of customers servicing them. There was a strong decline in the number of customers having overdrafts.

In the 4th quarter the number of customers servicing housing loans declined by 16 thousand. It is substantially less than in previous quarters due to the falling number of the newly opened accounts.

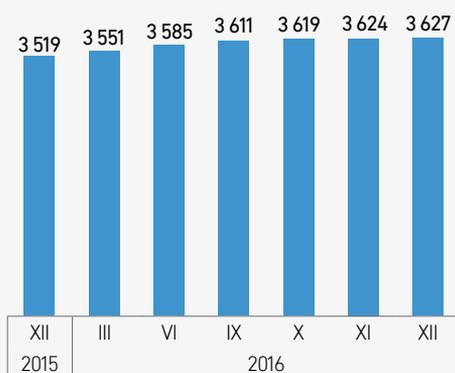
The number of borrowers servicing consumer credits dropped in the 4th quarter despite a seasonal animation of the crediting action in the Christmas period. Like in the case of housing loans it resulted from relatively low sales of these loans in term of numbers in the 4th quarter, especially in the low amount segment (up to 15 thousand zlotys).

The number of customers with overdrafts declined quite fast. In the 4th quarter 71 thousand customers dwindled, and 298 thousand (4%) from the beginning of the year.

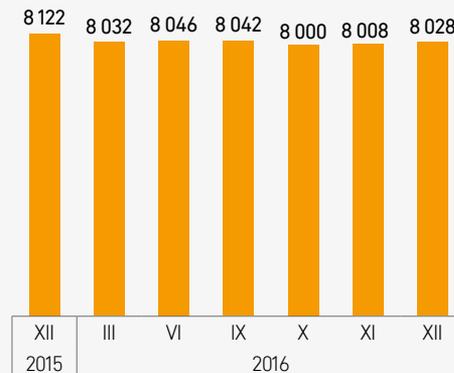
The number of credit card holders grew slowly. In the fourth quarter 2016 there were 13 thousand card holders more, and in the whole year 67 thousand (1.4%).

The number of borrowers (in thousands)

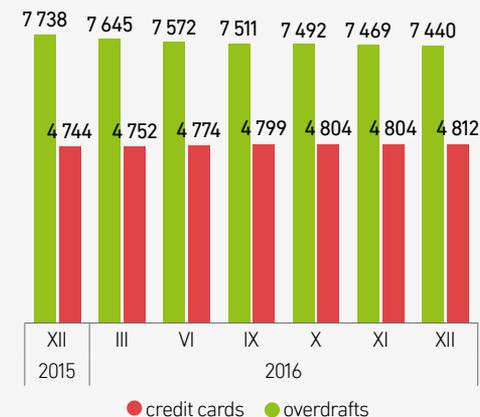
Housing loans



Consumer credits



Cards and overdrafts



Key findings

- With regard to the consumer credits market the 4th quarter was similar to the previous quarter. The number of credits granted was lower than in 2015, and their value was higher. The YoY decline in the number of credits granted amounted to 5.2% in the fourth quarter, and 2.9% in the whole 2016. In terms of value the sales of consumer credits in the 4th quarter was YoY 3.7% higher, and in the whole 2016 higher by 2.3%.
- The number of borrowers servicing consumer credits in banks and SKOK credit unions stopped falling in the 4th quarter. In December it was similar to the September number, but lower by 2.1% than at the beginning of the year. There was a growing number of loan companies borrowers, but most of them serviced credits in the bank sector.
- Despite the decline in the number of borrowers their outstanding debt was on the rise. The average amounts of granted credits were also on the rise.
- The number of low amount bank credits (up to 15 thousand zlotys) continued to fall despite a low loss rate in this segment. The declines in the lowest amount segment of up to 15 000 zlotys were compensated by loan companies.
- The quality of credits granted, measured by the share of past due credits in the number of credits granted in the subsequent years was stable. The number of consumer credits “falling out” of the status of regular servicing in 2016 showed a downward trend. Similarly, the number of entries into the 60+ and 90+ statuses after temporary rises in the 3rd quarter remained at a stable level.
- In comparison with the bank sector there was a continuation of a high loss rate of loans granted outside the bank sector. As a decisive majority of borrowers service simultaneously bank credits, there may be a phenomenon of risk transfer from the loan to the bank sector.

The number of granted credits

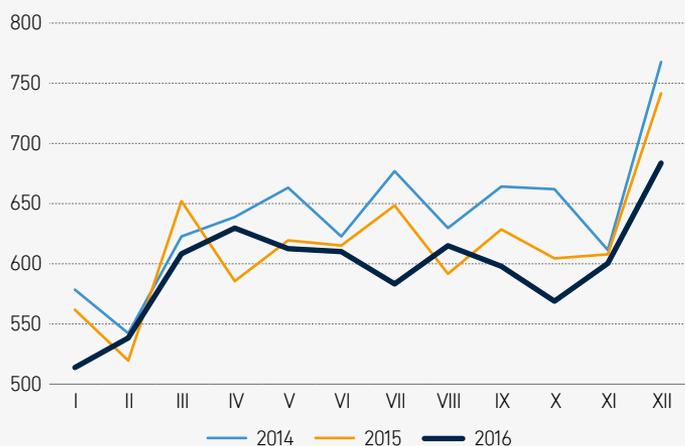
The number of consumer credits granted (instalment and cash) continued to fall.

In the 4th quarter banks and SKOK credit unions granted 1,794 thousand instalment and cash credits, i.e. 5.2% less than in 2015 (in the 4th quarter there were two working days less). The Christmas sales rebound in December was weaker than in 2015, which resulted also from a lower number of working days (1 day). Banks compensated a lower number of granted credits by higher amounts.

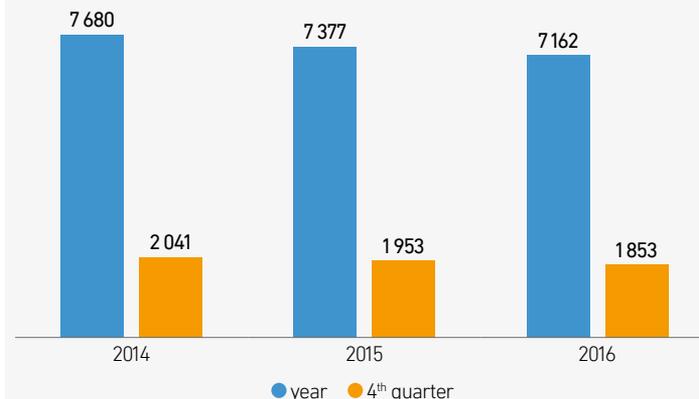
The decline in the number of consumer credits granted hastened. In the whole 2016 there were 2.9% concluded contracts less, after 3 quarters we informed about a YoY decline of 2.1%. In the 4th quarter itself banks and SKOK credit unions granted 1,853 thousand credits, i.e. 5.2 % less than a year before.

Taking into account the transactions reported by loan companies, the YoY decline in the total number of granted consumers credits or loans amounted to 2.5%. Loan companies granted 525.3 thousand loans in the 4th quarter.

Consumer credits granted monthly in 2014–2016 (in thousands)



Consumer credits granted in the years 2012–2016, including those in the 4th quarters in these years (in thousands)



Outstanding debt, the number of borrowers

A slower rise was observed in consumer credit outstanding debt than in the previous quarters.

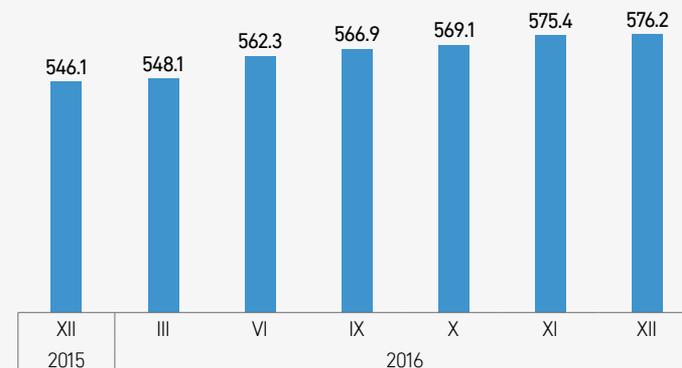
In November and December banks compensated for the October decline in the number of borrowers in the consumer segment. As a result, the number of borrowers in December was only 14 thousand lower compared to September. In December the number of borrowers increased, but it was seasonal in character; in January 2017 the number of borrow-

ers is likely to fall. In the 4th quarter the consumer credit outstanding debt in the bank sector continued to grow, though more slowly than in the previous quarters. In the 4th quarter the rise in the outstanding debt amounted to 9.3 bn zlotys, compared to the rises of 4.7 bn zlotys in the 3rd quarter and 14.4 bn zlotys in the 2nd quarter.

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



The outstanding debt (in billions zlotys) of borrowers in the bank system (including SKOK credit unions)



The value of consumer credits granted

Despite a smaller number of contracts concluded compared to 2015, the amounts of the concluded contracts grow from year to year; in the 4th quarter the rise accelerated.

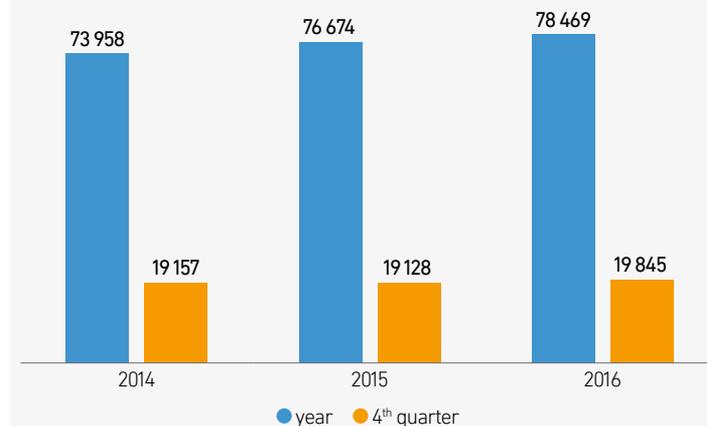
Despite a smaller number of working days in the 4th quarter the amount of concluded consumer credit contracts was 3.7% higher than in 2015. After the 3rd quarter the rise in the amount of granted credits rose by 1.2%. Poor sales of consumer credits in terms of numbers in November and December were accompanied by a rise in terms of value.

In 2016 banks and SKOK credit unions granted consumer credits of 78.5 bn zlotys (YoY rise of 2.3%). The rise in amounts of granted credits means that banks concentrated on crediting customers from higher income segments.

The value (in millions zlotys) of consumer credits granted monthly in the years 2014–2016



The value consumer credits (in millions zlotys) granted in the years 2014–2016, including those in the 4th quarters of these years

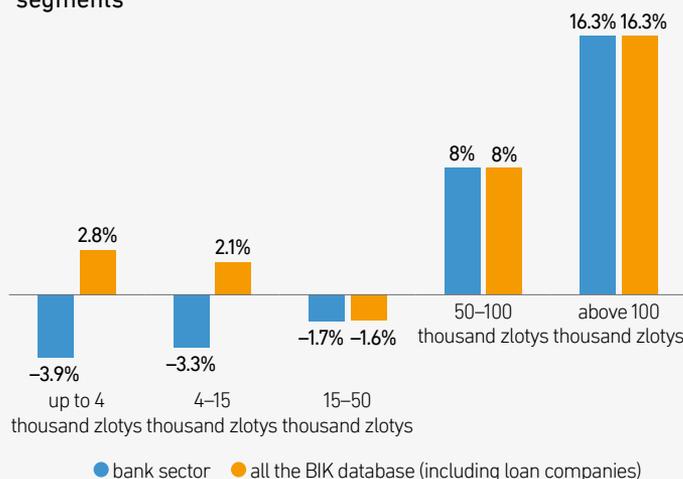


Consumer credits in amount segments

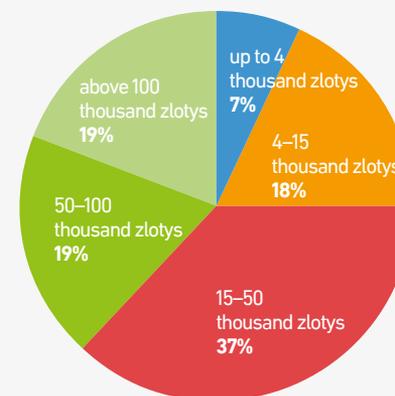
In the 4th quarter we observed the continuation of decline in the number of consumer credits concluded by banks and SKOK credit unions for the amount below 50 thousand zlotys. The bank sector definitely focused its consumer credit (and not only) offer on higher amount segments making space for loan companies in the lower segments. We showed these trends in the former Credit Trends editions. In the 3rd quarter loan companies transactions completed the number of concluded contracts in comparison with 2015 only in the lowest amount segment i.e. up to

4 thousand zlotys. In the whole 2016 the rise in the number of loans made by companies corresponded to the decline in bank credits in the segment of 4–15 thousand zlotys. A poor interest of most banks in low amount consumer credit segments is connected with a relatively small share of these credits in bank sector portfolios. The share of liabilities up to 15 thousand zlotys in the consumer credit portfolios in banks and SKOK credit unions accounts only for 25%.

The rise in 2016 in the number of consumer credits in amount segments



The share of bank and SKOK credit unions receivables on account of consumer credits in amount segments



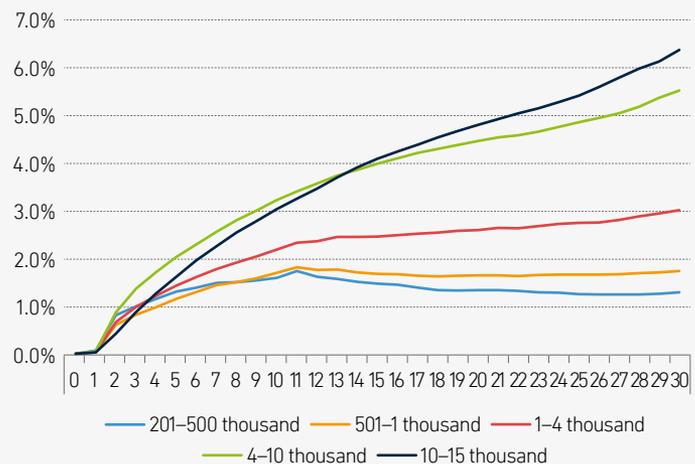
The quality of credits in amount segments

The loss rate grows together with the credit principal.

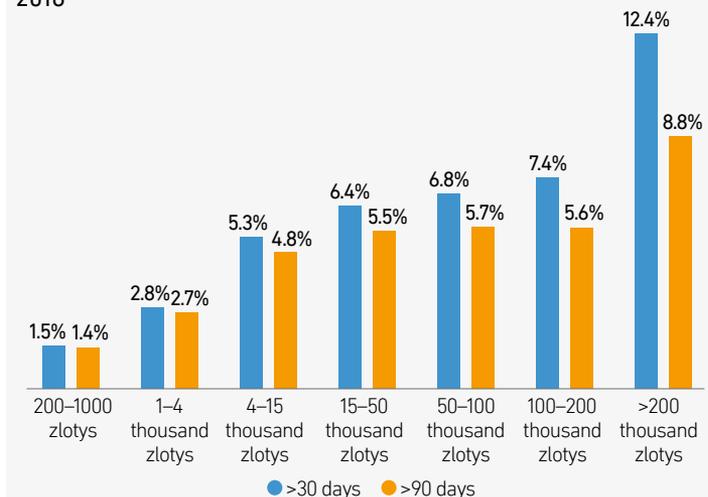
Credit risk grows together with the rise in credit principal. The lowest loss rate characterizes credits for a few hundred zlotys. The higher the amount, the higher the loss rate measured in the third year after the account opening. The chart on the left shows the 2014 vintage lines in

amount segments (without SKOK and loan companies). The chart on the right shows the share of past due accounts according to the state at the end of December 2016. The final loss rate of credits for higher amounts will continue to grow, as many of these credits are still being repaid.

Consumer credits past due 30+ days in % of the credits granted in 2014 by credit amount in subsequent months after opening the account



Consumer credits past due 30+ and 90+ days granted in 2014 in % of the credits granted. The state at the end of December 2016



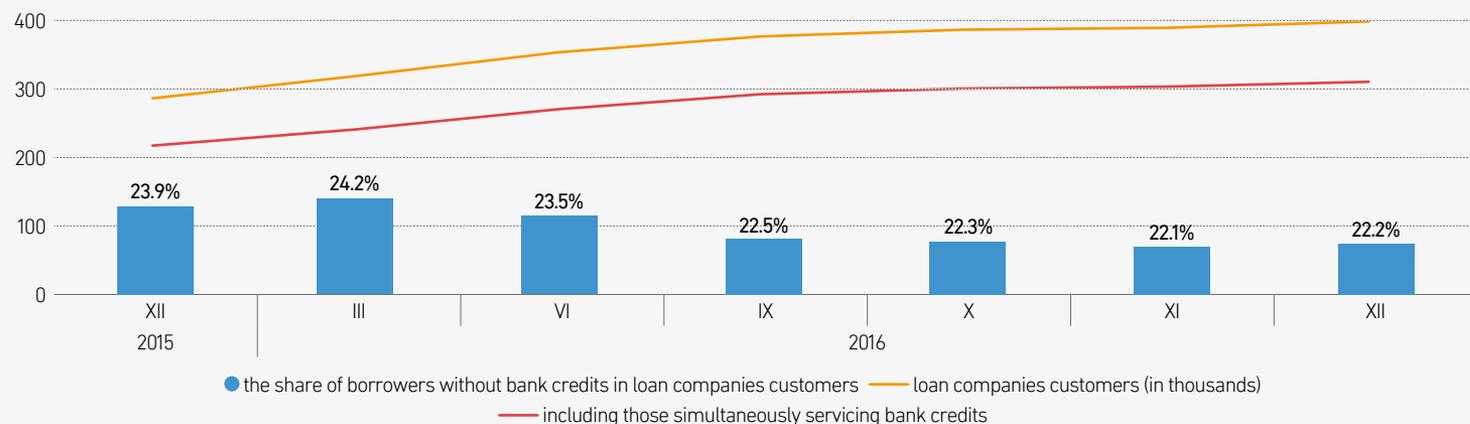
Customers of loan companies

The number of borrowers in loan companies grows, but a decisive majority of them at the same time service bank credits.

In the 4th quarter we recorded a further growth (of 21.1 thousand) in the number of loan companies customers. A similar rise in the number of borrowers was recorded in the 3rd quarter. About 80% of customers of loan companies still serviced bank credits at the same time. These customers are likely to be in a credit trap – they cannot obtain a bank credit in order to service their current debt – they turn to loan companies and bear the cost of debt servicing.

Only 88.5% out of 398.5 thousand customers of the loan sector did not have any bank liabilities. Nearly 23% of them are at the age of up to 24, and younger customers pose more risk. In the bank sector the share of this age group accounts for only 4% in the number of borrowers servicing consumer credits. The share of the next age group (25–34) in the number of customers using only loan companies amounts to 30.6%, and to 21.5% in banks.

Loan companies customers, including those simultaneously servicing bank credits



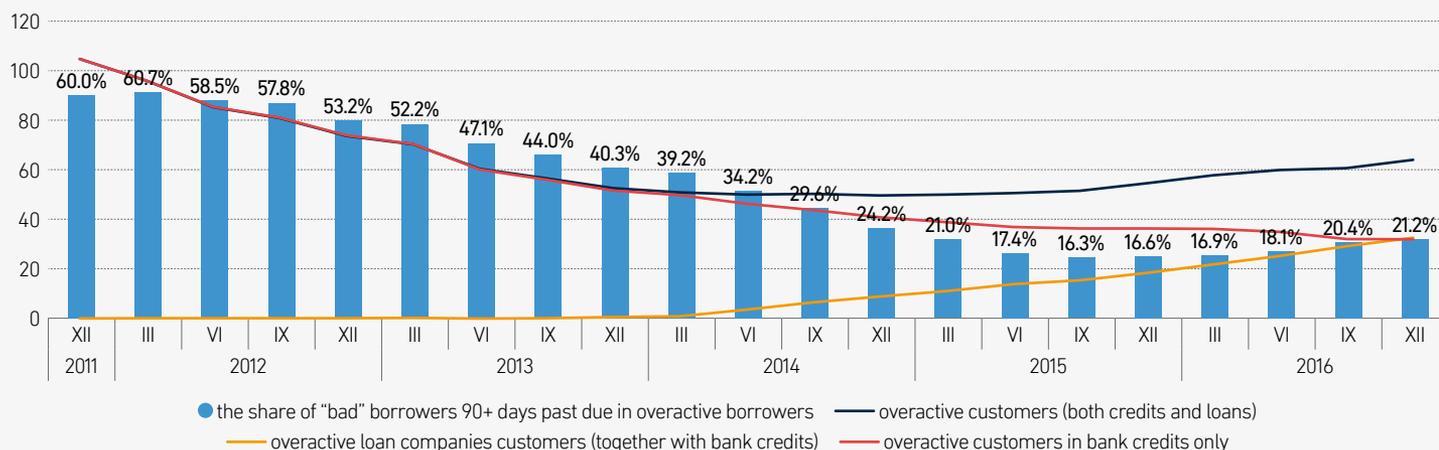
Overactive customers

The number of overactive customers (combining liabilities in banks and loan companies) grows as loan companies accept applications made by borrowers servicing many credits.

The number of borrowers servicing 10 and more credits decreases systematically. These customers are referred to as overactive. They pose a higher risk. Banks systematically limit crediting such customers. At the end of December we identified 32.7 thousand of them. We found nearly as many borrowers combining their liabilities in the bank and

loan sectors. Loan companies seem to have taken over overactive bank customers; their number, if borrowers of both sectors are analysed jointly, constantly grows: since the beginning of 2014 the number of such customers has risen by 11.1 thousand (21%).

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



The Consumer Credit Health BIK Index

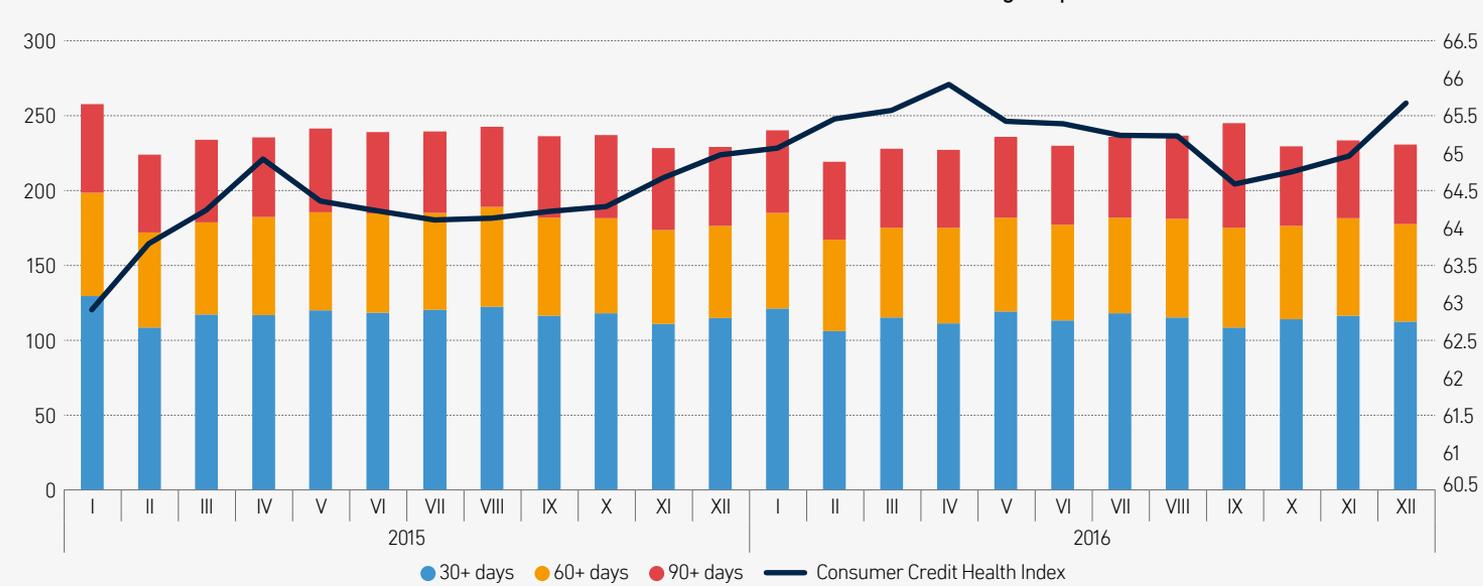
Consumer credit portfolios are of good quality. In the 4th quarter, their condition improved after the Index decline in the 3rd quarter indicated in the former Credit Trends edition.

In December 2016 the Consumer Credit Health BIK Index was at the level of 65.6 points.

In the 4th quarter it rose by 1.06 points. The Index decline in the 3rd quarter, in particular in September, resulted from a growing number of

entries into the 60+ and 90+ statuses, with a generally falling number of entries into the 30+ status. The 4th quarter saw the biggest rise in early delays (30+) and declines in shifts into higher statuses, which may have resulted from a high level of September shifts.

The Consumer Credit Health Index and the number of shifts (left scale in thousands) to a higher past due status



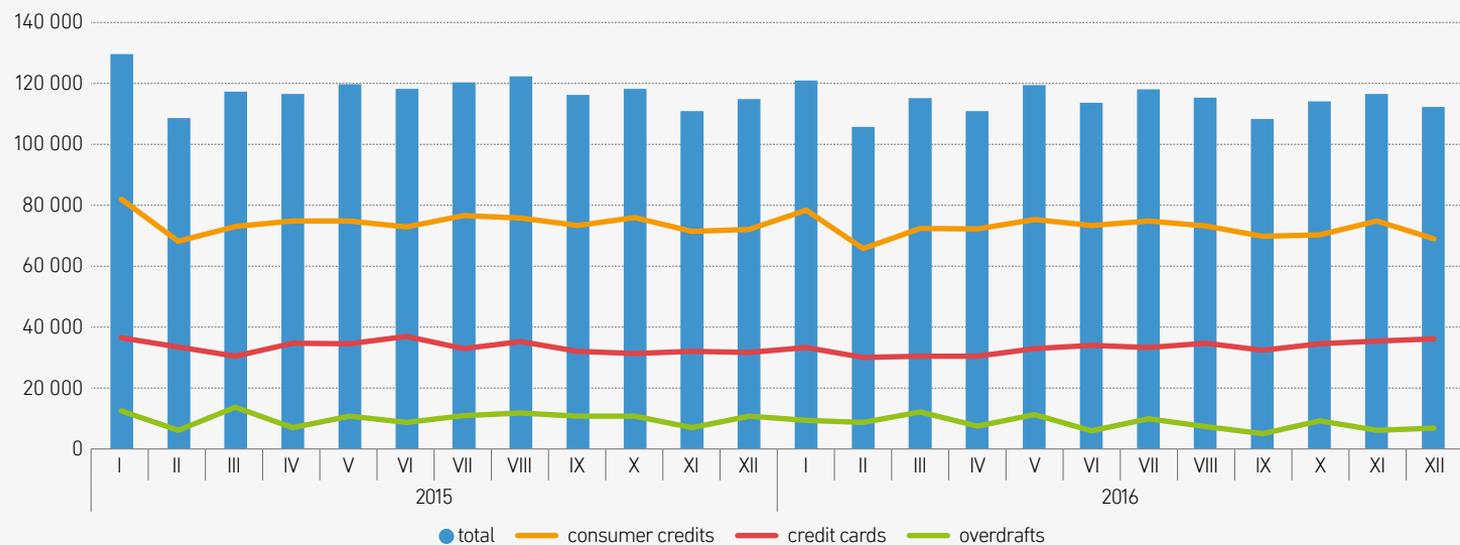
The Consumer Credit Health BIK Index

In the 4th quarter the number of shifts from regular servicing to 30+ past due status was at the monthly average of the whole 2016.

In the 4th quarter an average shift from regular servicing to past due 30+ days amounted to 114 thousand consumer credit, card and overdraft accounts. A similar average level of shifts was observed in the whole year 2016. Within instalment and cash credits as well as overdrafts

the number of such shifts in the 4th quarter was lower than the 2016 average. However, with regard to credit cards, in the 4th quarter an average monthly shift from regular servicing to the status of 30+ days amounted to 35 thousand accounts, i.e. 6% more than the 2016 average.

Monthly shifts of credits from the regular status to 30+ days past due (in thousands)



The quality of consumer credits granted (30+ days past due status)

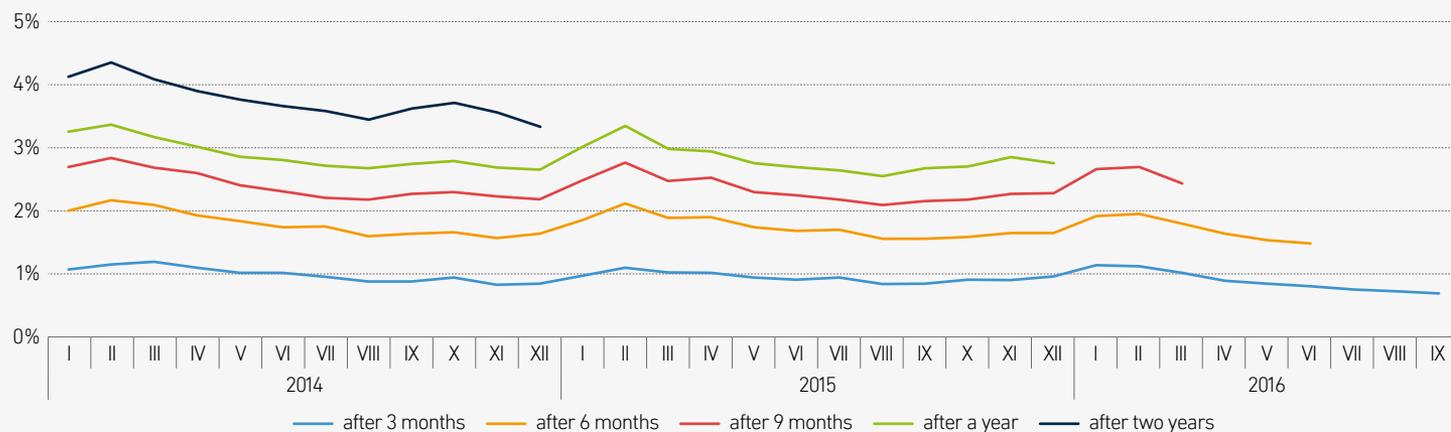
Good and stable quality of consumer credits granted in the years 2012–2016.

A relatively low number of accounts entering the first past due status (30+) in servicing consumer credits indicated on the preceding pages results from a low level of loss rate of the credit subsequent generations. The chart 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 inter-

preted 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 measured with the percentage of cohort accounts which in their worst ever history had the status of 30+, is nearly twice higher.

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

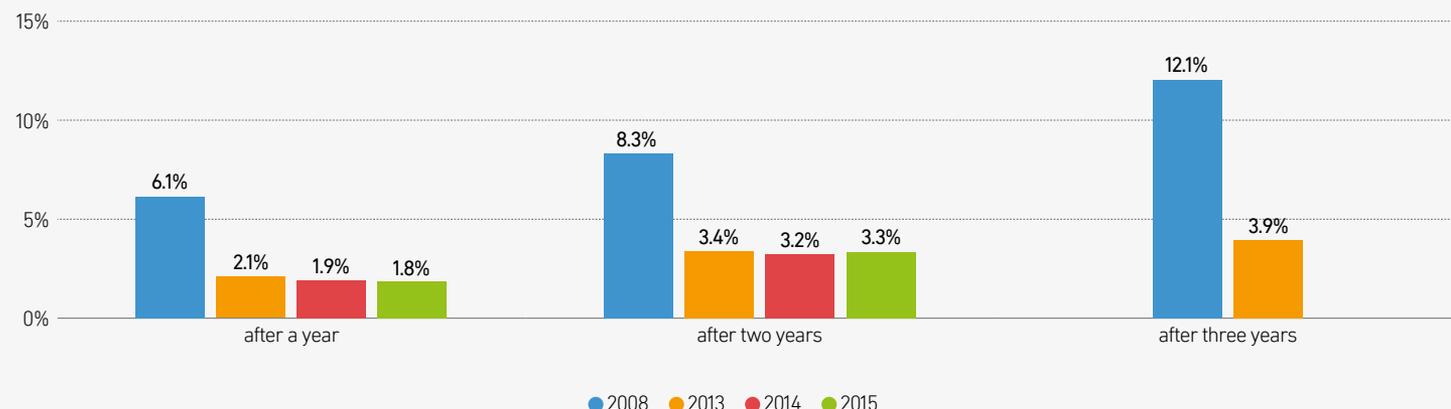


The quality of consumer credits granted (90+ days past due status)

Consumer credits vintage indicators of credits permanently past due (90+ days) go up for 36 months of granting. In the following months these indicators become stable. The year 2013, whose loss rate may be assessed from the 36 month perspective, shows the share of 90+ days past due at the level of 3.93% 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. Generations 2014–2016 reach maturity at a similar pace to 2013, 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 12, 24 and 36 months after granting

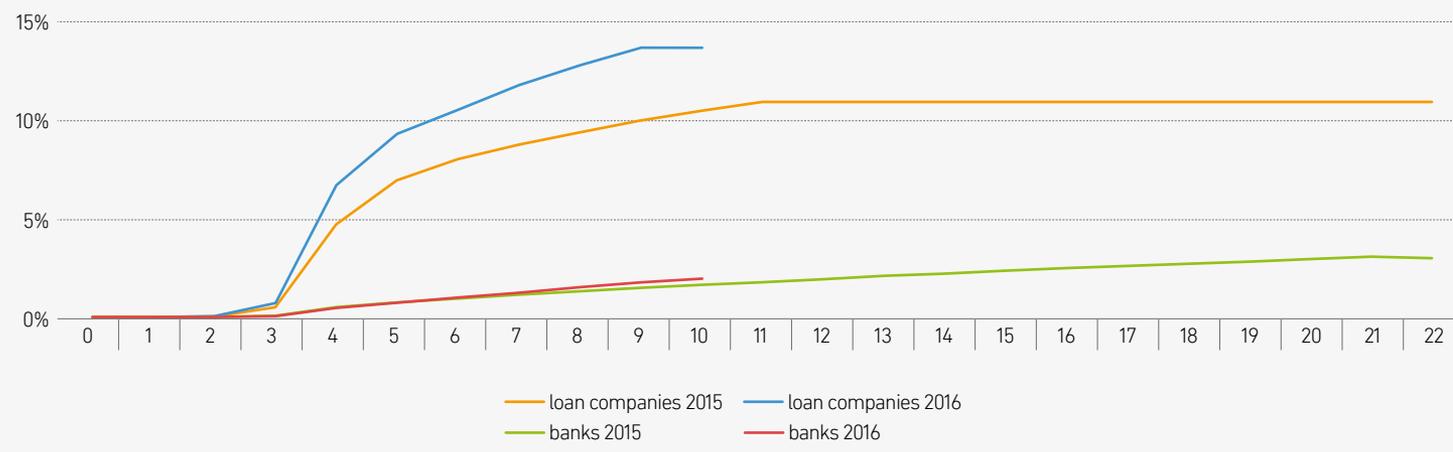


The risk of consumer credits/loans. Bank credits vs. loans granted by loan companies

Loan company business models assume the acceptance of a higher credit risk. The chart below indicates that loss rate (measured with the share of 90+ days 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. We estimate the final loss rate of consumer credits granted presently by banks at about 4% of the number of concluded contracts, while in loan companies at 12–13%. In banks this level of loss rate was characteristic of the crisis years of 2008–2009.

The share of consumer credits/loans (years 2015 and 2016) 90+ past due in servicing in banks and loan companies in subsequent months after the account opening



Key findings

- Such a low number of housing loan accounts as the one concluded in the 4th quarter has not been recorded for a dozen years. In the 4th quarter the YoY decline in the number of granted housing loans amounted to 17%, compared with 4.1% in the whole 2016, thanks to good sales results at the beginning of the year. The amount of concluded contracts in the 4th quarter was YoY 9.9% lower, and 0.4 higher in the whole year. Low sales in the 4th quarter may have partly resulted from the postponement of signing transactions till the beginning of 2017 in anticipation of the MdM subsidy limits resumption.
- The number of borrowers servicing zloty housing loans as well as the amount of their outstanding debt were on the rise. The number of currency borrowers fell all the time, their outstanding debt changed due to exchange rate fluctuations, but on the whole it remained at the same level.
- The quality of housing loans portfolios was stable, the number of accounts leaving the regular servicing status decreased monthly more quickly in the zloty than in the currency portfolio.
- The Swiss franc borrowers were all the time resistant to the exchange rate fluctuations. In 2016 the rate of the zloty against the Swiss franc, despite fluctuations, stayed at a similar level.

The number of housing loans granted

A record low number of housing loan accounts opened in the 4th quarter.

In the 4th quarter banks granted only 44 thousand housing loans. Such low sales have not been recorded for a dozen years. In the current decade (2011–2015) in every 4th quarter 52.4 thousand loans have been granted on the average. The decline in housing loan sales compared to previous years was seen in the whole second half year, but in the 4th quarter it intensified. Simultaneously, developers informed about the record high sales of new flats; there were low interest rates.

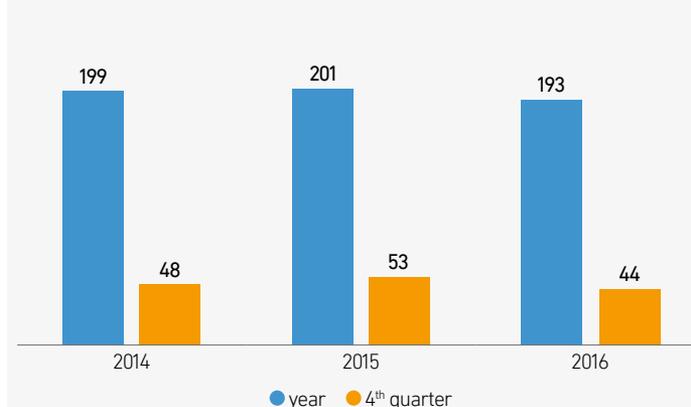
They said it was due to a high number of cash transactions, but where was the source of this cash?

Thanks to the good results of the 1st half year, especially the 1st quarter, there was a slight decline in the number of housing loans granted in 2016 compared to 2015; it amounted to only 4%, but in the 4th quarter alone it came up to nearly 17%. Poor results in the 4th quarter may have resulted from the anticipation of borrowers for the launching of a new tranche of MdM programme subsidies at the beginning of 2017.

The number of housing loans granted monthly in 2014–2016 (in thousands)



The number of housing loans granted in 2014–2016 (in thousands), including those in the 4th quarter



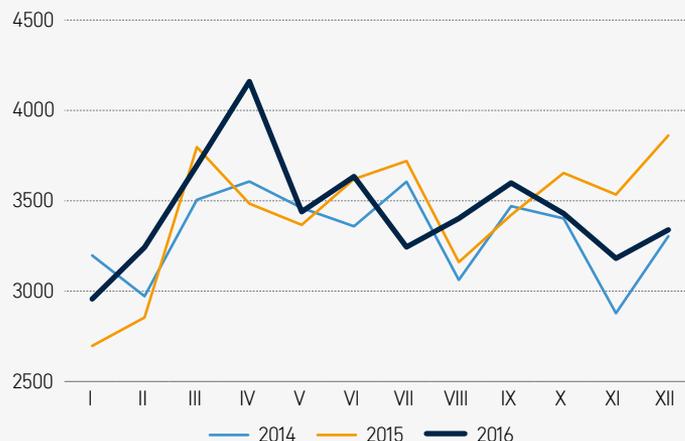
The value of housing loans granted

The value of housing loan contracts concluded in the 4th quarter 2016 looks a little better than the sales in terms numbers.

In the 4th quarter banks granted loans for the amount of nearly 10 billion zlotys, which meant a decline of 10% compared to 2015. A lower amount of contracts concluded in the 4th quarters was reported by banks in 2012 and 2014. An average amount of housing loan sales in the current decade (2011–2015) in the 4th quarter amounted to 10.5 billion zlotys.

In the whole 2016 the amount of concluded housing loan contracts exceeded the 2015 results by 0.4%, but in the 4th quarter itself it was 10% lower. An average amount of a housing loan contract in the 4th quarter amounted to 225.7 thousand zlotys, and was 8.6% higher than a year before and 8.6% higher compared to the 4th quarter 2014.

The value of housing loans granted monthly in 2014–2016 (in millions zlotys)



Housing loans granted in 2014–2016 (in millions zlotys), including those in the 4th quarter



The number of borrowers, outstanding debt

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

The 4th quarter saw 16.4 thousand new borrowers servicing housing loans. There was an increase of 26,2 thousand in the number of zloty borrowers and a decline of 9.5 thousand in the number of currency borrowers in December compared to September; there were 8.5 thousand Swiss franc borrowers less.

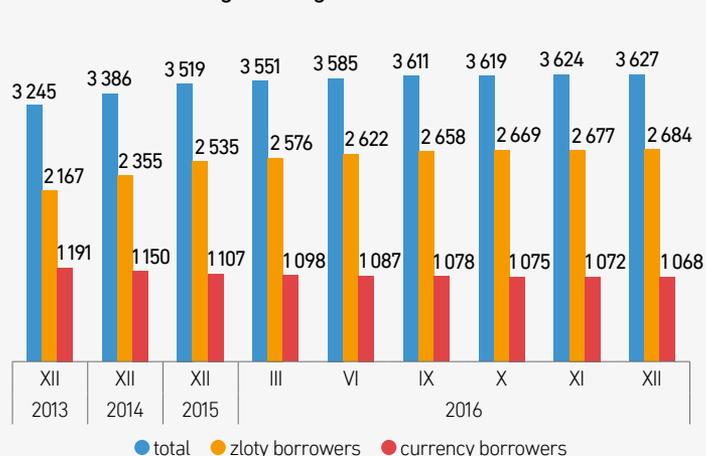
The number of borrowers servicing currency loans fell all the time. In 2016 it fell by 39 thousand (3.5%), including 33 thousand Swiss franc borrowers. In December 2016 the outstanding debt of zloty borrowers was 6 billion zlotys higher than in September; it rose from the beginning of the year by

24 billion zlotys. The amount of outstanding debt of currency borrowers was not subject to substantial changes in 2016 due to the Swiss franc fluctuations.

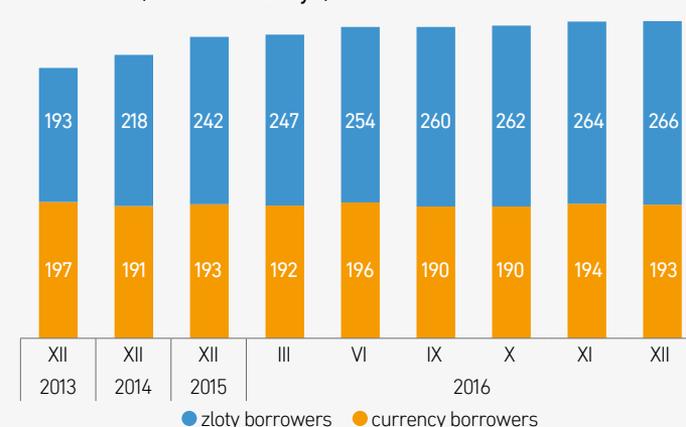
At the end of 2016 the Swiss franc was 16 groszes more expensive than a year before, though in the course of 2016 the trend of the rate (with considerable fluctuations) was flat (cf. p. 27).

There were 125 thousand borrowers with the outstanding debt of 38 billion zlotys servicing zloty and currency housing loans.

Borrowers servicing housing loans (in thousands)



Housing loans outstanding debt of the zloty and currency borrowers (in billions zlotys)



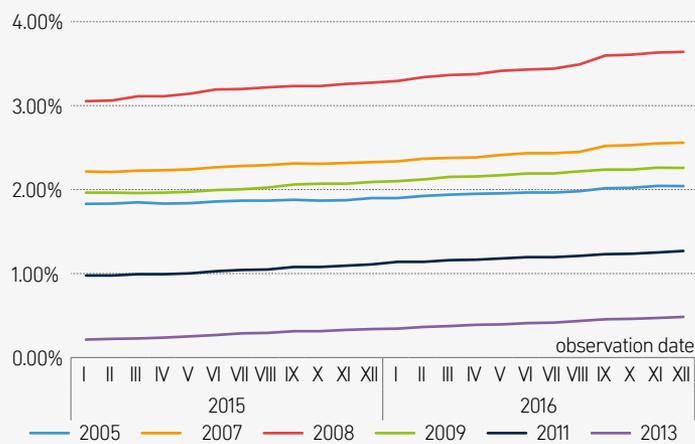
The quality of granted loans

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

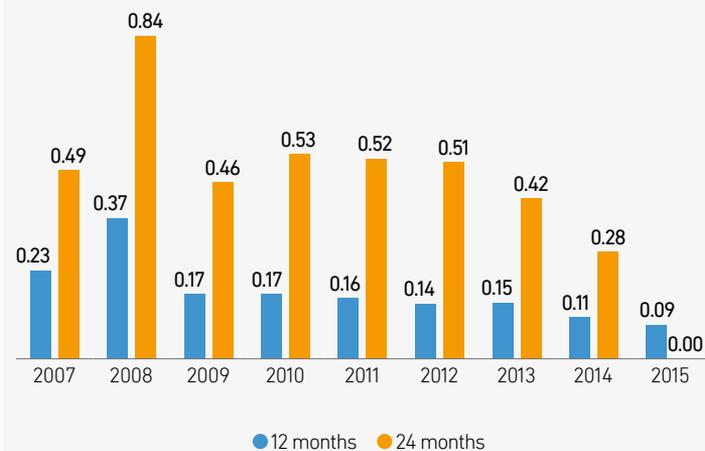
The loans granted in the crisis years of 2007–2009 are of the worst quality (three highest lines in the graph), the level of loss rate is higher than that of an older generation of 2005 – the yellow line (higher also than that of 2006, not shown in the graph). The highest loss rate (3.64%) occurred in December 2016 in the 2008 generation.

The growth rate of share of past due loans is shown in the graph below. In the last 12 and 24 months the share grows in the years 2007–2012 deteriorate at a similar pace (except for 2008). In the first two years after granting (generations 2014 and 2015) the growth rate of past due loans was lower. The worst year of 2008 all the time deteriorates more quickly, in comparison with both earlier and later generations.

The share of accounts past due >90 days in the number of loans granted in selected generations*. The bank sector without SKOK credit unions



The growth (in percentage points) in loans past due >90 days in the last 12 and 24 months (till the end of December 2016)



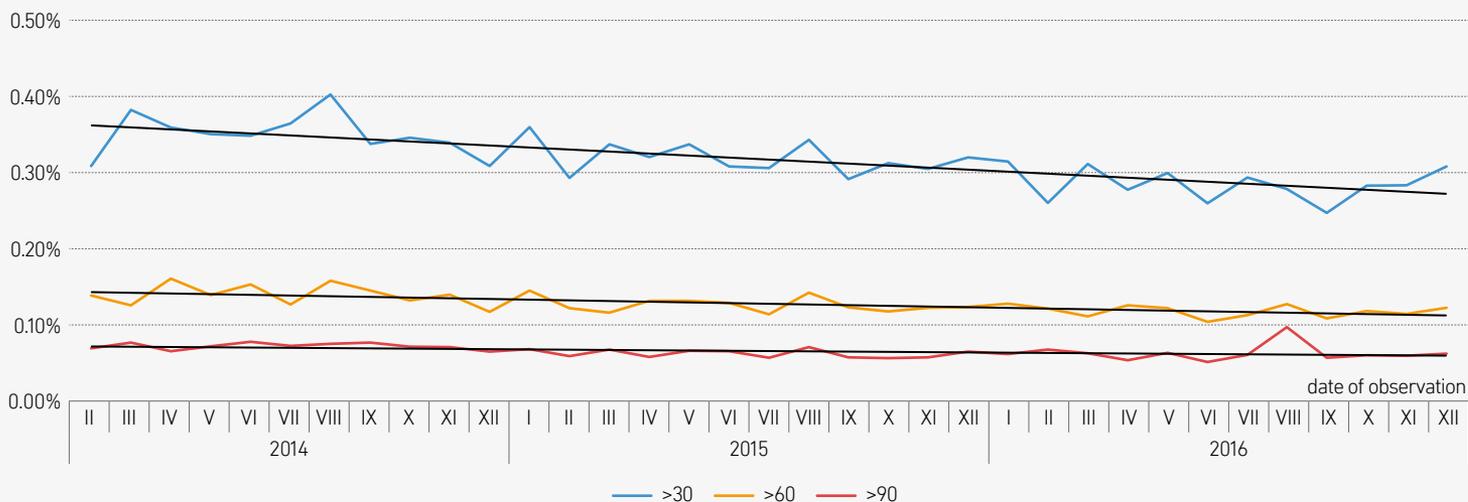
* Applying this measure we take into account, both in the numerator and denominator, all the accounts opened in a given year, also those closed on the date of analysis.

The quality of portfolios: the rate of change

The number of accounts entering the first past due status (30+ days) showed clearly a downward trend, though in the 4th quarter the number of such shifts slightly rose. In the 3rd quarter the 30+ day past due status was entered monthly by 0.27% of accounts in use, and 0.29% in the 4th quarter. However, it is less than in the 4th quarter 2015.

The number of shifts to the past due higher statuses also showed a downward trend. All this indicates that housing loan portfolios are in good condition.

Loans entering monthly higher past due statuses in % of loans in use in 2014–2016



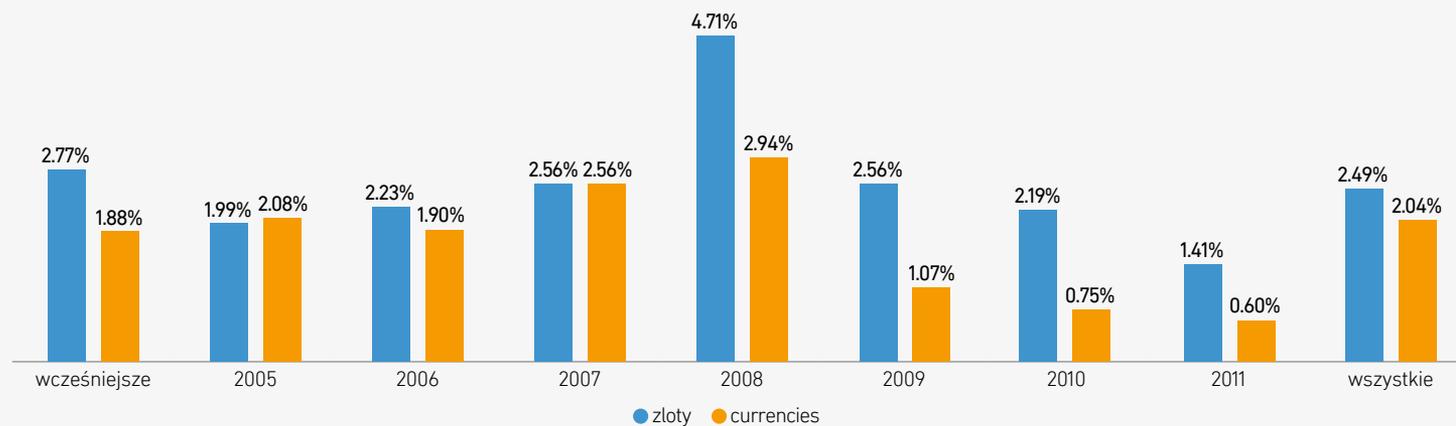
The quality of granted loans: the comparison of the zloty and currency loans

The comparison of currency and zloty loans looks different depending on the adopted measure. In the graph below we show the shares of the number of 90+ past due loans in portfolios in December 2016 in the number of loans granted in a given year. In the numerator and denominator of this indicator there are 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.

On the contrary in the zloty portfolio: the converted loans are deducted when the past due indicator is calculated.

With the application of this measure, currency loans indicate a lower loss rate than zloty loans. It refers to all the years during which currency loans were granted on a large scale. In the year 2005, when currency loans dominated, the loss rate of these loans is presently a little higher than that of zloty loans; and in the year 2007, in which zloty loans prevailed, it was the same.

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



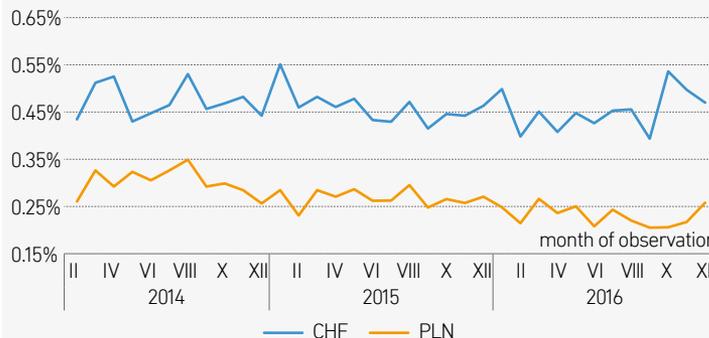
The quality of the Swiss franc portfolios

There was an improvement in the quality of zloty and currency portfolios 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+ status was on the rise.

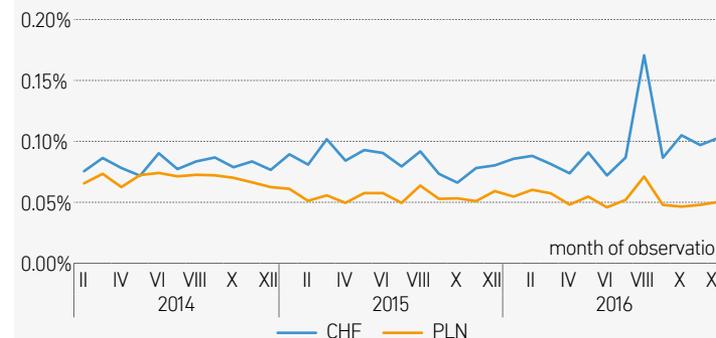
The number of accounts in use decreased in the bank portfolios, while the number of zloty accounts was on the rise. The number of accounts referred to them, entering the first past due 30+ status in a given month declined in both portfolios, but in the zloty portfolio a little faster due to the rise in denominator. In both portfolios in the 4th quarter we recorded a slight rise in the percentage of accounts entering the 90+ past due status. On the whole however, the scale of early delays indicated that the condition of the portfolios was good.

In the currency portfolio the percentage of accounts entering monthly the past due 90+ status is on the rise, which reflects to a certain extent the ageing of the portfolio, a slight inflow of new accounts and the decline in the number of accounts in use.

Monthly shifts into the status past due >30 days in 2014–2016 in % of accounts in use in a given month



Monthly shifts into the status past due >90 days in 2014–2016 in % of accounts serviced in a given month

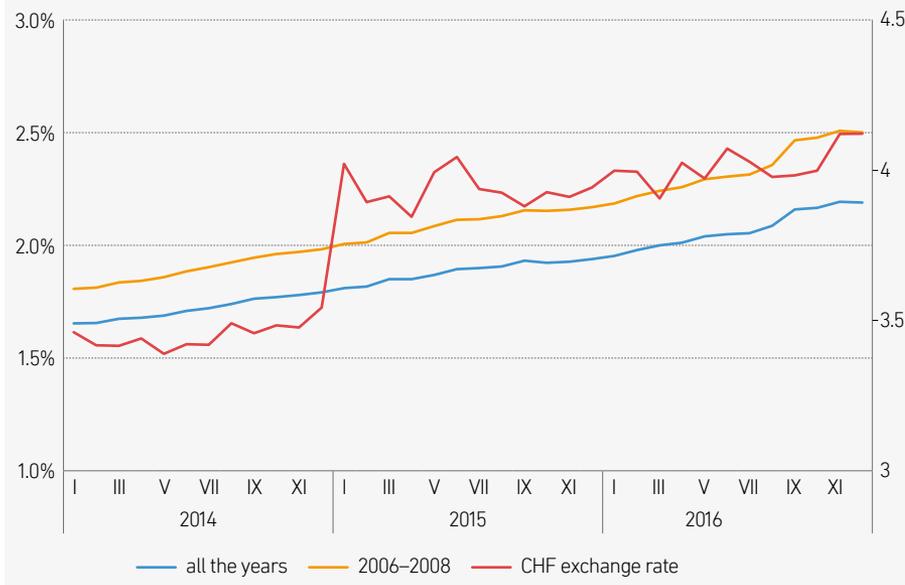


The quality of the Swiss franc loans

In the 4th quarter Swiss franc borrowers still showed a considerable resistance to a high Swiss franc exchange rate.

In the 4th quarter the exchange rate of the Swiss franc to the zloty rose from 3.98 at the end of September to 4.12 at the end of 2016, but in January 2017 the zloty appreciated. These fluctuations of the exchange rate, like the appreciation of the franc at the end of 2014 had a limited impact on the repayment of Swiss franc loans. The share of Swiss franc loans past due in servicing in the number of loans granted rose a little faster in August and September, which we indicated in the former edition of Credit Trends. We add to the accounts serviced in the Swiss franc, considering the past due indicator, in the numerator and denominator the accounts converted from the franc to the zloty if the initial franc account was in the status 90+ at the time of conversion. In the BIK base, we found 129 converted accounts of this kind, i.e. 16 more than in the 3rd quarter.

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 2014–2016 and the Swiss franc exchange rate



Key findings

- In the issuance of credits cards we can observe, even more clearly than in consumer credits, a similar direction of change: a decline in the number of opened accounts with a simultaneous rise in the granted limits on newly opened accounts. The number of newly opened credit card accounts in the 4th quarter was YoY 5% lower, but the amount of limits on the newly opened cards was 3.5% higher.
- The number of credit card holders rose in the course of 2016, but in the 4th remained at a stable level.
- The limits on credit cards grew; it concerned newly opened accounts as well as all cards in use.
- In 2016 there was a rise in the card utilisation degree (relation of outstanding debt to limits granted). Before this relation had not undergone substantial changes.

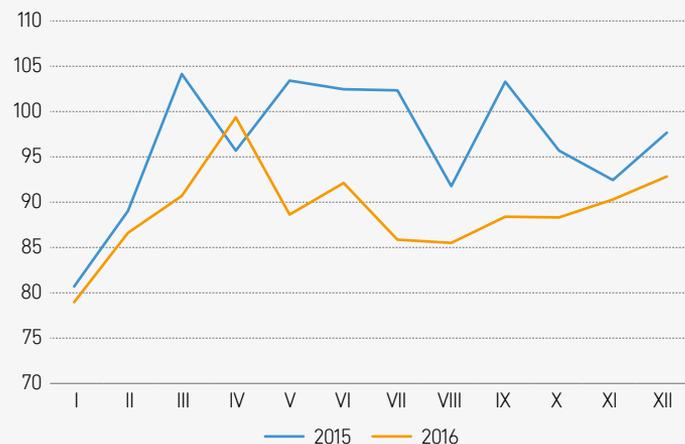
The number of credit cards issued

A decline in the number of newly opened credit card accounts continued.

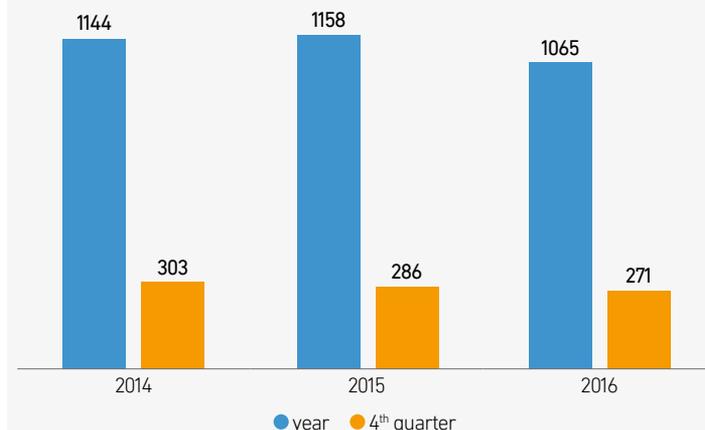
A downward tendency in the number of credit cards issued continued, though in the 4th quarter, especially in November and December, the declines were smaller in comparison with 2015. Strong declines in the issuance of cards in 2016 must have resulted from the change in business models pursued by some banks in the area of card issuance. Cards were less often offered to customers having no relations with the bank.

In 2016 banks opened 1,065 thousand credit cards, i.e. 8.1% less than a year before. In the 4th quarter the decline was smaller: 5% YoY. The same YoY decline was recorded in December.

The number of credit cards issued monthly in the years 2015–2016 (in thousands)



Credit card accounts opened in 2014–2016 (in thousands), including those opened in the 4th quarters in these years



The value of credit cards limits

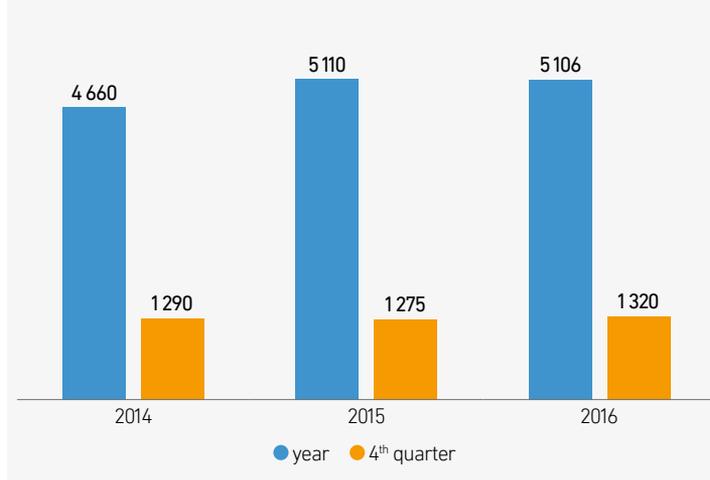
The 4th quarter 2016 saw a YoY 3.5% rise in limit amounts on newly opened credit card accounts despite declines in the number of issued cards and two working days less in the 4th quarter 2016. An average limit on an opened account in the 4th quarter 2016 amounted to 4,866 zlotys and was 9% higher compared to the 4th quarter 2015.

On the scale of the whole year the value of limits on newly opened credit card accounts was nearly the same as a year before. Looking at the chart on the left we cannot be sure whether we observe the beginning of an upward trend in the amounts of granted limits; we had better speak about stabilisation. And the observation that banks compensate a lower number of opened accounts by granting higher limits seems to be well founded.

Limit amounts on credit card accounts opened monthly in 2015–2016 (in millions zlotys)



Credit cards issued in 2014–2016 (value of granted limits in millions zlotys), including those issued in the 4th quarter



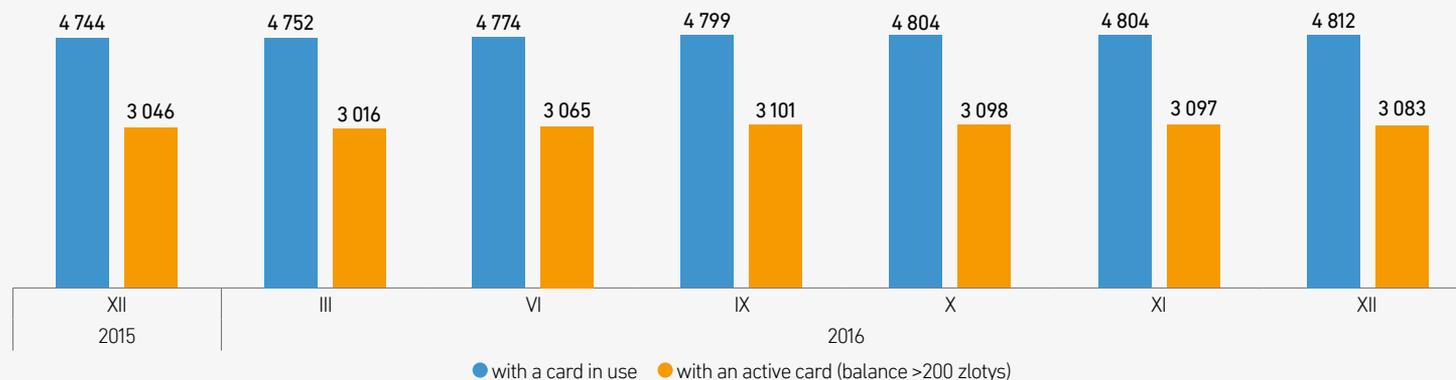
The number of credit card holders, including the active ones

In 2016, despite the decline in the number of accounts in use and the decline in the number of newly opened accounts, the number of credit card holders increased. Importantly, the number of holders of active account also increased.

In the last years the number of credit card holders has fallen. In the years 2012–2015 it dropped by 258 thousand. Primarily, these were the people who did not use the cards they possessed. The number of active card holders (we define them by an outstanding debt on their account of over 200 zlotys) was stable in this period. In 2016 we recorded a rise in the number of card holders as well as customers actively using them.

In 2016 the number of credit card holders grew slowly. In 2016 the number of card holders increased by 67 thousand (1.4%), while the number of those using their cards rose by 37 thousand (1.2%). And 64% of the holders had a credit balance on the account of >200 zlotys, which we refer to as active accounts. The rise in the number of active card holders took effect primarily in the summer (in the 2nd and 3rd quarters). Some customers may use their cards only during their holiday trips.

The number of credit card holders (in thousands), including those with active cards in 2016

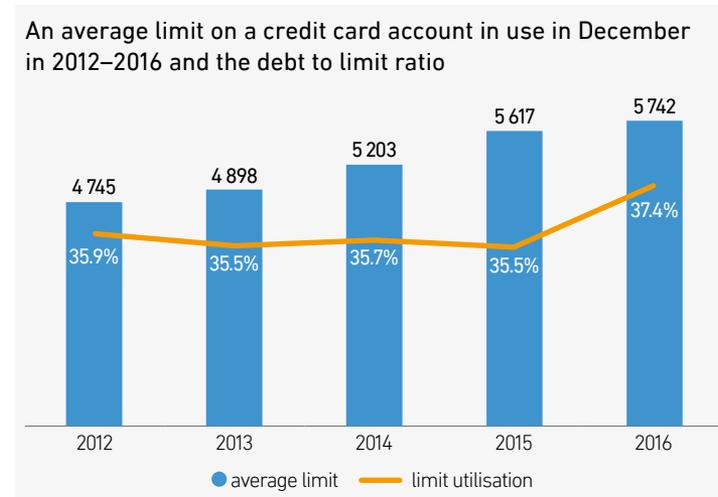
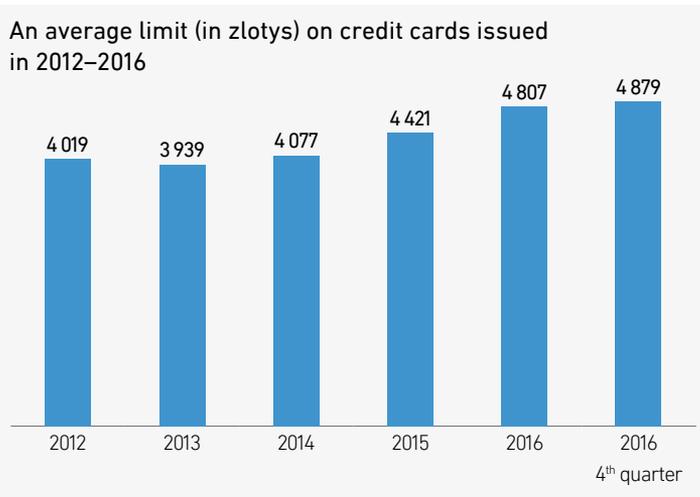


Limits on card accounts and their utilisation

In the last 2 years issuers have granted higher limits on the newly opened credit card accounts, the average limits on accounts in use 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.

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 September 2016 exceeded that on the newly opened accounts in 2016 by nearly 20%. Lower limits are granted on the newly opened accounts. Low limit accounts are closed sooner. In December 2016 card holders made use of 37.4% of the credit limit granted to them, which means a 1.9% growth in comparison with December 2015. The growth in the degree of utilization of limits in 2016 is a new phenomenon.



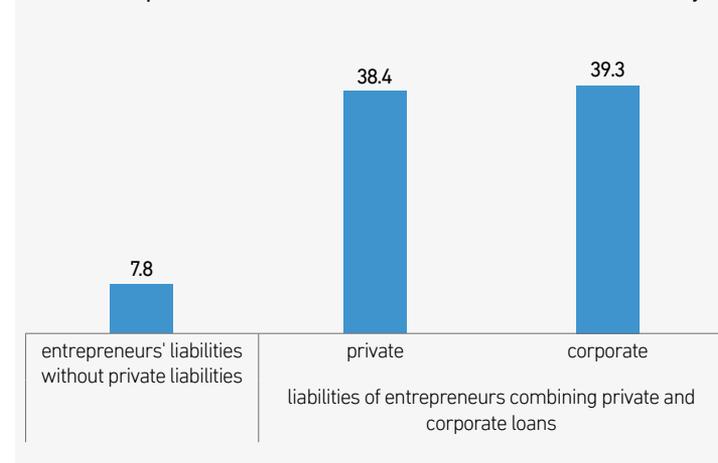
Microentrepreneurs combine corporate and private liabilities

In the database managed by the Ministry of Development called the Central Registration and Information on Business - Centralna Ewidencja i Informacja o Działalności Gospodarczej (CEIDG) in 2016 there were 2,063 thousand people classified as physical persons pursuing business activity. 371 thousand of them (18%) have corporate liabilities to the bank sector recorded in the BIK base Entrepreneur. Another 60 thousand people having liabilities incurred as one man companies deregistered or suspended business, continuing to service the corporate loans incurred before.

The borrowers servicing corporate loans appear most often (85%) in the BIK databases simultaneously with private debts in consumer credits and housing loans. The evaluation of risk credit connected with crediting one man firms requires the examination of the history and level of their liabilities in both bases managed by BIK – private customers (KI) and entrepreneurs – i.e. integrated approach.

Only 66.5 thousand entrepreneurs servicing corporate debts did not service private debts at the same time. A decisive majority of loans serviced by microentrepreneurs were long term liabilities (entrepreneurs' investment – 24 billion zlotys and housing loans incurred by private customers – 29.9 billion zlotys).

Microentrepreneurs' liabilities – December 2016 (billions zlotys)





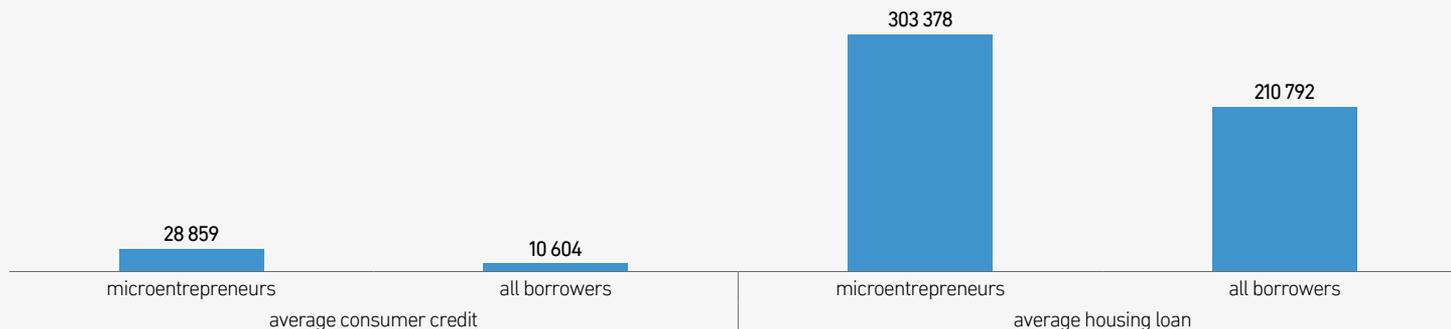
Microentrepreneurs' consumer credits and housing loans

Microentrepreneurs incur credits as private customers for higher amounts than consumers.

The customers analysed here as microentrepreneurs (simultaneously seen as corporate borrowers in the BIK database and entrepreneurs in the CEIDG database) service housing loans and consumer credit together with corporate credits. Microentrepreneurs account for 2.5% of people revealed in the BIK databases. Their shares in the number, and especially

in the amount of granted credits are higher. The average amounts of housing loans and consumer credits incurred by entrepreneurs acting as private customers towards banks are decisively higher in comparison with all the consumer credits and housing loans granted in 2016.

An average amount (in zlotys) of credit granted to private customers in 2016



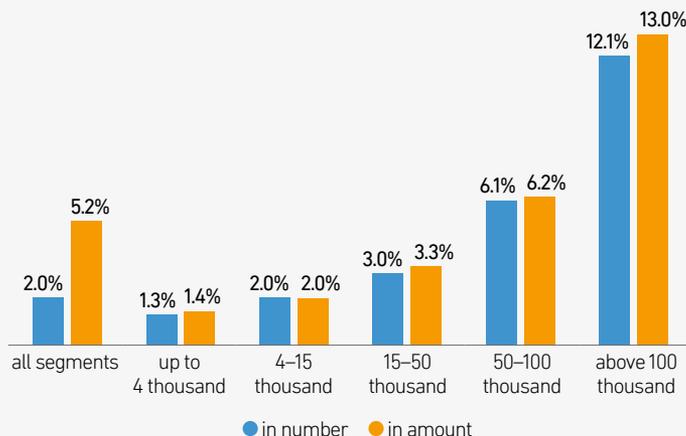


A considerable share of microentrepreneurs in high amount consumer credits and housing loans

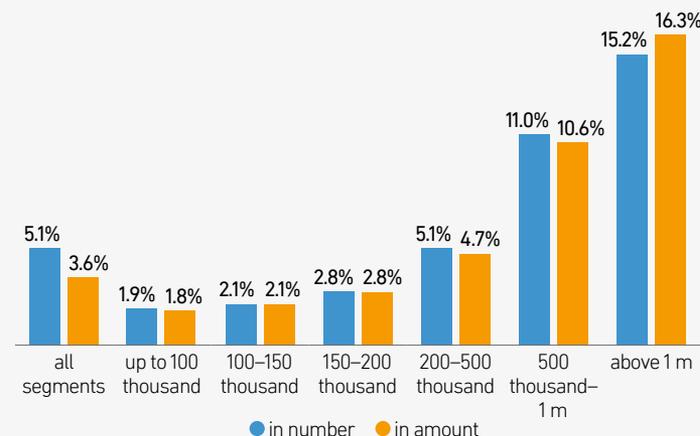
The share of microentrepreneurs in the numbers and amounts of consumers credits and housing loans in lower amount segments is similar to the share of this category of borrowers in whole group of borrowers. In two highest amount segments, in consumer credits as well as housing

loans the share of entrepreneurs is decisively higher than it could result from the number of borrowers. A considerable part of these credits must be used for business activity.

The shares of microentrepreneurs in numbers and amounts of consumer credits incurred in 2016 in amount segments



The shares of microentrepreneurs in numbers and amounts of housing loans incurred in 2016 in amount segments



CREDIT TRENDS Credit Information Bureau Quarterly Report

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