Senior loan officer opinion survey
on bank lending practices and credit conditions
4th quarter 2013
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Summary of the survey results

Corporate loans

**Lending policy:** no significant changes; an increase in spreads on riskier loans; lowering of non-interest loan costs.

**Demand for loans:** a slight increase in demand for short-term loans to small and medium-sized enterprises (SMEs).

**Expectations for the fourth quarter of 2013:** an easing of lending policy towards large enterprises; a rise in demand for corporate loans, most notably in the SME segment.

Housing loans

**Lending policy:** a slight easing of lending standards; an increase in spreads.

**Demand for loans:** a slight increase in demand for loans, discrepant responses.

**Expectations for the fourth quarter of 2013:** a tightening of lending policy and a slight rise in demand.

Consumer loans

**Lending policy:** an easing of lending standards; no significant easing of lending terms.

**Demand for loans:** a significant increase in loan demand.

**Expectations for the fourth quarter of 2013:** an easing of lending policy and a significant rise in loan demand.

Only individual banks chose to revise lending policy in the corporate sector in the third quarter of 2013. There was a decline in the percentage of the banks that tightened their collateral requirements, which may be related to the implementation of the government programme of *De Minimis* portfolio guarantee facility. According to the banks, the programme and lower interest rates led to a pick-up in demand for corporate loans. The lower financing needs for fixed investment continued to negatively affect the demand.

There was a decline in the percentage of *all* banks that reported a tightening of the standards of granting housing loans. At the same time, nearly half of the responding banks raised credit spreads. According to them, the lending policy was tightened on the back of changes in competitive pressure. The banks differed on how to assess changes in demand, as they claimed it largely depended on a continuation or suspension of marketing and sale campaigns. In addition, lower interest rates led to a rise in demand while client expectations for the launch of the *Home for the Young* programme – to a fall in demand.

The need to adapt to the amended Recommendation T and elevated competitive pressure were the major factors influencing lending policy in the consumer loan segment. The easing of lending standards and terms continued to positively affect loan demand.
Results of the survey – overview

The objective of the survey is to define the direction of changes in the lending policy, i.e. the standards and terms of granting loans as well as changes in demand for loans in the Polish banking system. The standards of granting loans are understood as the minimum standards of creditworthiness, set by banks, that the borrower is required to meet to obtain a loan. The terms of granting loans are the features of the loan agreement agreed between the bank and the borrower, including spread, non-interest loan costs, maximum loan size, collateral requirements and maximum loan maturity.

The survey is addressed to the chairpersons of banks’ credit committees. Banks’ responses may not take account of the opinions of banks’ divisions other than the credit divisions. The survey was conducted at the turn of September and October 2013 among 27 banks with a total share of 81% in claims on enterprises and households in the banking sector’s portfolio.

The aggregation of the data behind the results consisted in the calculation of weighted percentages of responses and the net percentage, i.e. the difference between the structures presenting opposite trends. In line with the adopted methodology, words describing quantities (majority, half, considerable, significant, percentage of the banks, etc.) refer to weighted percentages and not to the number of banks. Thus, the phrase “the majority of the banks” should be understood as “the asset-weighted majority of the banks”. Details on the calculation methodology are presented in Appendix 1.

Unless otherwise indicated, the number of the banks, cited in the text, reporting a given change in their lending policies or in demand for loans means the net percentage of the banks.

The next section presents tendencies regarding the banks’ lending policy and changes in demand in the third quarter of 2013 as well as banks’ expectations for the fourth quarter of the year.
Corporate loans

Lending policy towards enterprises did not change significantly in the third quarter of 2013. (see Figure 1). Individual banks slightly eased their lending standards for large enterprises (net percentage of around 11% for short-term loans and around 13% for long-term loans) and tightened lending policy towards SMEs (net percentage of around -9% for short-term loans and around -10% for long-term loans). The banks that reported that they would revise their lending policy termed the revision as insignificant. The responses provided by the banks were close to expectations voiced at the end of the second quarter of 2013.

Figure 1. Corporate credit standards

Note: Figures included in this study present the net percentage. A positive value of net percentage should be interpreted as an easing of lending policy or growth in demand for loans, and a negative value of net percentage – as a tightening of lending policy or a fall in demand for loans. Details concerning the calculation methodology are presented in Appendix 1.

The banks continued to raise spreads for riskier borrowers (net percentage of around -18%, see Figure 2). In parallel, the percentage of the banks that increased collateral requirements declined, compared to the previous quarter (net percentage of around -5%).

In net terms, the banks slightly lowered non-interest loan costs (net percentage of around 12%). Individual banks reported that they would lower spreads (net percentage of around 6%) and extend maximum maturity (net percentage of around 5%), however, the responses were discrepant. Other terms on corporate loans did not change significantly.

1 The banks have a possibility of grading changes in the standards (terms) of granting loans. In this survey, the banks choose among the following options: standards (terms) were considerably tightened, standards (terms) were somewhat tightened, standards (terms) remained unchanged, standards (terms) were somewhat eased, standards (terms) were considerably eased.
The lending policy-tightening banks justified the move with elevated risk associated with future developments in the economy and industry-specific risk (see Figure 3). In net terms, such a response was provided by around 58% and 53% of the banks, respectively, which represents a significant increase compared to the previous edition of the survey. Construction (i. a. associated with property development and storage area construction), automotive, transport, hotel, catering industries and the renewable energy-related sector were classified by the banks as riskier sections of the economy. Over one third of the banks that identified this factor termed its impact on lending policy as considerable. Individual banks justified the tightening with worsened quality of the corporate loan portfolio. According to the banks surveyed by NBP, other factors had no significant influence on lending policy towards enterprises.

In the third quarter of 2013, the banks experienced a minor increase in demand for short-term loans, mostly from SMEs (see Figure 4). The net percentage of the responses was 18%, however such a response was given by around 28% of all banks, of which all participated in the De Minimis portfolio guarantee facility programme. As regards short-term loans to large enterprises, a rise in demand was reported by 13% of the banks. Demand for long-term loans did not change substantially.

The banks have a possibility of grading the strength of the influence of specific factors on changes in lending policy. In this survey, the banks choose among the following options: considerable influence on lending policy tightening, slight influence on lending policy tightening, no influence on the change in lending policy, slight influence on lending policy easing, and considerable influence on lending policy easing.
According to the banks, the rise in demand was primarily caused by factors unaccounted for in the survey (net percentage of around 54%, see Figure 5), such as the activation of the De Minimis portfolio guarantee facility and lower interest rates.

The banks that reported a fall in demand for corporate loans explained the decrease primarily by lower financing needs for fixed investment (net percentage of around -37%). Around one fourth of the banks
mentioned a decline in financing needs related to debt restructuring. Lower financing needs for mergers and acquisitions was, for the first time in a year, classified as a factor substantially constraining demand (net percentage of around -22%). A similar percentage of the banks indicated the use of alternative funding sources by enterprises, mostly debt securities issuance. The survey-responding banks said the impact of the above factors on corporate loan demand had been insignificant.3

Figure 5. Factors influencing changes in corporate loan demand

In the fourth quarter of 2013, the banks plan to ease lending policy towards large enterprises, in particular with respect to the short-term loan segment (net percentage of around 29%, see Figure 1). For long-term loans, such a response was provided by around 13% of the banks. Lending policy towards SMEs will not change substantially – in net terms, a slight tightening will apply to long-term loans (net percentage of around -9%).

The survey-responding banks expect loan demand to grow in the coming quarter, in particular in the SME segment (see Figure 4). In the case of short-term loans, such expectations were expressed by nearly half of the banks, while in the case of long-term loans, the net percentage of the responses was around 36%. The banks mainly expect demand for short-term loans to large enterprises to grow. The percentage of such responses was around 28%, compared to 14% in the segment of long-term loans.

3 The banks have a possibility of grading the strength of the influence of specific factors on changes in demand for loans. In this survey, the banks choose among the following options: considerable influence on the increase in demand, slight influence on the increase in demand, no influence on the change in demand, slight influence on the decrease in demand, considerable influence on the decrease in demand.
Housing loans

In the third quarter of 2013, the standards of granting housing loans were slightly eased by the banks (net percentage of around 16%, see Figure 6). Compared to the previous edition of the survey, there was a decline in the percentage of all banks that reported a tightening of lending policy in this segment. The banks’ responses were in line with expectations expressed at the end of the previous quarter.

**Figure 6.** Standards of and terms on housing loans

The percentage of the banks reporting a rise in spreads on housing loans increased for the second consecutive quarter (net percentage of around -48%). Other terms on housing loans were not changed substantially in the third quarter of 2013.

The lending policy-tightening banks explained the move primarily by changes in competitive pressure (see Figure 7). Such a response was provided by around 14% of the banks that pointed exclusively to competition from banks. For individual banks, changes in demand for housing loans were the factors that supported lending policy tightening (net percentage of around -7%). Other factors had no substantial impact on lending policy in this segment.

In net terms, the responding banks experienced an increase in demand for housing loans (net percentage of around 13%, see Figure 8). Approximately one fourth of the banks that provided such a response consid-
Housing loans

ered the increase as considerable. However, the responses were very discrepant— a fall in demand was reported by around 24% of all banks, of which nearly three fourths considered it as considerable. In net terms, the changes in demand were in line with expectations expressed in the previous edition of the survey.

**Figure 7. Factors influencing changes in lending policy — housing loans**

As in the previous quarter, the changes in demand were primarily explained by factors not accounted for in the survey. In net terms, these factors triggered a higher demand (net percentage 32%), however the demand-constraining factors were classified as factors unaccounted for in the survey by 34% of all banks. According to the banks, the higher demand for housing loans was triggered by low interest rates and the strengthened sales system (i.e. training for advisors, cooperation with intermediaries). Borrowers’ expectations for the launch of the *Home for the Young* scheme, putting the active sale of housing loans on hold and ending marketing campaigns in the second quarter of 2013 had an opposite impact on demand. In addition, favourable housing market forecasts and the easing of terms on housing loans (net percentage of around 16% and around 10%, respectively) were classified by individual banks as demand-supporting factors.

In comparison with the previous quarter, there was a rise in the percentage of the banks that explained the decline in demand by changes in the economic standing of households (net percentage -19%). Indi-

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4 The banks have a possibility of grading the strength of changes in demand for loans. In this survey, the banks choose among the following options: a considerable increase in demand, a slight increase in demand, no change in demand, a slight decrease in demand and a considerable decrease in demand.
Individual banks also indicated tighter terms on housing loans (net percentage of around -7%). Other factors had no significant impact on demand in this category of household loans.

**Figure 8. Demand for housing loans and factors influencing its changes**

Lending policy in the housing loan segment is expected to be tightened in the fourth quarter of 2013 (net percentage of around -24%, see Figure 6). At the same time, almost three fourths of all banks expect no changes in this respect.

According to the responding banks, demand for housing loans will grow in the coming quarter (see Figure 8). However, the percentage of the banks that responded in that way was insignificant (net percentage of around 18%). The majority of all banks expect no changes in demand.

**Consumer loans**

In the third quarter of 2013, one fifth of the banks eased the terms on consumer loans (see Figure 9). In the previous edition of the survey, the banks had announced a larger scale easing of lending policy.

Over half of the banks indicated that they would ease the terms unaccounted for in the survey, including, first of all, adjusting their range of products following implementation of the amended Recommendation T. Compared to the previous quarter, there was a decline in the percentage of the banks that extended loan maturity and reduced spreads on consumer loans (in both cases, net percentage amounted to around 7%). Other terms on consumer loans did not change substantially.

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9 According to the definition used in this survey, some of the examples of lending policy tightening cited by the banks relate to the standards of granting loans. Due to their incorrect classification by the banks, they are presented under the category “Other terms” in Figure 9.
The banks that eased their lending policies explained the move mainly by factors unaccounted for in the survey (see Figure 10). As in the previous quarter, these factors included primarily amendments to the provisions of Recommendation T. Compared to the previous edition of the survey, the significance of changes in competitive pressure increased. The net percentage of such responses amounted to around 16%, with increased pressure experienced by other banks and non-bank institutions. In addition, individual banks indicated a positive impact of the NBP monetary policy decisions (net percentage of around 11%). According to the responding banks, other factors had no major influence on lending policy in the segment of consumer loans.

**Figure 9. Standards of and terms on consumer loans**

Demand for consumer loans grew in the third quarter of 2013 (net percentage of around 43%, see Figure 11). The growth was in line with the banks’ expectations from the previous edition of the survey.

As in the previous quarter, the banks explained the higher demand primarily by an easing of the standards of and terms on consumer loans (net percentage of around 57% and 83%, respectively). Individual banks also indicated a rise in financing needs for durable goods (net percentage of around 11%). Other factors had no significant impact on demand in this credit segment.

Approximately one fifth of the banks announce that the terms on consumer loans will be eased in the coming quarter (see Figure 9). At the same time, the majority of all banks expect no changes in this respect.
Housing loans

Over half of the banks expect demand for consumer loans to rise in the fourth quarter of 2013 (see Figure 11).

Figure 10. Factors influencing changes in lending policy – consumer loans

Figure 11. Demand for consumer loans and factors influencing its changes
Appendix 1

Methodology

The results of surveys are presented in the form of structures, i.e. the percentages of banks, which chose a given option in response to particular questions. Banks’ responses are weighted with the share of the given bank in the market segment to which a given question relates. Weighing of responses is a solution frequently applied in preparation of results of qualitative surveys.¹

The importance of particular banks in a given market segment is represented by the share of loans outstanding of a given bank in the loan portfolio of all 27 banks responded to the survey, broken down by particular types of loans. The following table presents the market segment to which particular questions refer, and the type of loans outstanding which was used to calculate the shares of particular banks in a given market segment.

<table>
<thead>
<tr>
<th>Questions no.</th>
<th>Market segment</th>
<th>Type of loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1, 4, 6, 7</td>
<td>Short-term loans to small and medium enterprises</td>
<td>Loans outstanding from small and medium enterprises with the basic term to maturity of up to one year, together with the outstanding on the current account</td>
</tr>
<tr>
<td>1, 4, 6, 7</td>
<td>Short-term loans to large enterprises</td>
<td>Loans outstanding from large enterprises with the basic term to maturity of up to one year, together with the outstanding on the current account</td>
</tr>
<tr>
<td>1, 4, 6, 7</td>
<td>Long-term loans to small and medium enterprises</td>
<td>Loans outstanding from small and medium enterprises with the basic term to maturity above 1 year</td>
</tr>
<tr>
<td>1, 4, 6, 7</td>
<td>Long-term loans to large enterprises</td>
<td>Loans outstanding from large enterprises with the basic term to maturity above 1 year</td>
</tr>
<tr>
<td>2, 3, 5</td>
<td>Total corporate loans</td>
<td>Total amount of loans outstanding from state-owned enterprises and companies, private enterprises and companies as well as cooperatives and sole traders</td>
</tr>
<tr>
<td>8, 9, 10, 13, 14, 16, 17</td>
<td>Housing loans to households</td>
<td>Housing loans to persons</td>
</tr>
<tr>
<td>8, 11, 12, 13, 15, 16, 17</td>
<td>Consumer and other loans to households</td>
<td>Total loans outstanding from persons less housing loans to persons</td>
</tr>
</tbody>
</table>

Note: All types of claims relate to residents only.
Source: NBP.

Thus a weight, corresponding to a given bank’s share in a given market segment is assigned to particular responses. At the calculations of weights the average amount of claims of a given type in the two first months covered by the survey, was taken into account. Where a bank marked “Not applicable” in the response options, a weight of 0 was assigned. Thus while calculating the structures for particular questions, only banks being active in a particular market segment were taken into account.

Apart from structures, the so-called net percentage was calculated for each response, that is the difference between the percentages of responses showing opposing directions of changes. This magnitude indicates a general tendency in the specific market segment. The method of calculating the net percentage for particular questions is presented in the following Table 2.

### Table 2. Method of calculating the net percentage

<table>
<thead>
<tr>
<th>Questions no.</th>
<th>Definition of net percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1, 2, 8, 9, 11</td>
<td>The difference between the percentage of responses „Eased considerably” and „Eased somewhat” and the percentage of responses “Tightened considerably” and “Tightened somewhat”. A negative index indicates a tendency of tightening the credit standards.</td>
</tr>
<tr>
<td>3, 10, 12</td>
<td>The difference between the percentage of responses “Contributed considerably to the easing of lending policies” and “Contributed somewhat to the easing of lending policies” and the percentage of responses “Contributed considerably to the tightening of lending policies” and “Contributed somewhat to the tightening of lending policies”. A negative index indicates a given factor’s greater contribution to the tightening than to the easing of lending policies.</td>
</tr>
<tr>
<td>4, 13</td>
<td>The difference between the percentage of responses „Increased considerably” and „Increased somewhat” and the percentage of responses „Decreased considerably” and „Decreased somewhat”. A positive index indicates an increase in demand.</td>
</tr>
<tr>
<td>5, 14, 15</td>
<td>The difference between the percentage of responses „Contributed considerably to higher demand” and „Contributed somewhat to higher demand” and the percentage of responses „Contributed considerably to lower demand” and „Contributed somewhat to lower demand”. A positive index means that a given factor contributed to an increase in demand, and a negative one – to a decrease in demand.</td>
</tr>
<tr>
<td>6, 16</td>
<td>The difference between the percentage of responses „Ease considerably” and „Ease somewhat” and the percentage of responses „Tighten considerably” and „Tighten somewhat”. A positive index indicates the expected easing of the lending policies.</td>
</tr>
<tr>
<td>7, 17</td>
<td>The difference between the percentage of responses „Increase considerably” and „Increase somewhat” and the percentage of responses „Decrease considerably” and „Decrease somewhat”. A positive index indicates the expected increase in demand.</td>
</tr>
</tbody>
</table>

Source: NBP.

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2 No data on claims loans of particular banks in the third month of the period are available at the time of analysing the results of the survey, due to an about three-week delay in reporting.