NARODOWY
BANK POLSKI

Senior loan officer opinion survey

on bank lending practices and credit conditions

2nd quarter 2024

Senior loan officer opinion survey

on bank lending practices and credit conditions

2nd quarter 2024

Financial Stability Department
Warsaw, April 2024

Summary of the survey results

In the first quarter of 2024, banks tightened lending policy in all market segments, to the greatest extent for small and medium-sized enterprises (SMEs). The worsening of the economic outlook, a rise in industry-specific risk and a reduction in quality of the loan portfolio were the main factors behind the tighter policy. Those changes in lending policy were accompanied by a significant decline in housing loan demand following the suspension of subsidies under the 2% Safe Mortgage programme. At the same time, the demand for consumer loans and loans to large enterprises increased.

The banks stated that they intend to tighten somewhat their standards on most types of credit and to ease consumer credit standards for the second quarter of 2024. At the same time, the banks expect a rise in the demand for long-term loans to large enterprises and consumer loans, and a fall in demand for housing loans.

Corporate loans

Lending policy: a further tightening of credit standards, especially for SMEs on the back of worse economic situation prospects and worse loan portfolio quality as well as a rise in industry-specific risk, while reducing the maximum loan size.

Demand for loans: a rise in demand for loans, especially long-term-loans, to large enterprises amid no noticeable changes in demand for loans to SMEs; a rise in loan demand explained mainly by higher financing needs for mergers and acquisitions, and a fall in loan demand explained by tighter credit standards

Expectations for the second quarter of 2024: a tightening of lending policy in most segments of the corporate loan market, except for keeping the policy unchanged for long-term loans to SMEs; a rise in demand for all types of corporate loans, except for a fall in demand for short-term loans to SMEs.

Housing loans

Lending policy: no relevant changes in lending standards and terms on housing loans in most of banks, lending policy tightened somewhat, in net terms.

Demand for loans: a significant decrease in loan demand, motivated mostly by the suspension of subsidies under the *2% Safe Mortgage* programme.

Expectations for the second quarter of 2024: keeping the existing lending policy unchanged and a renewed decline in housing loan demand.

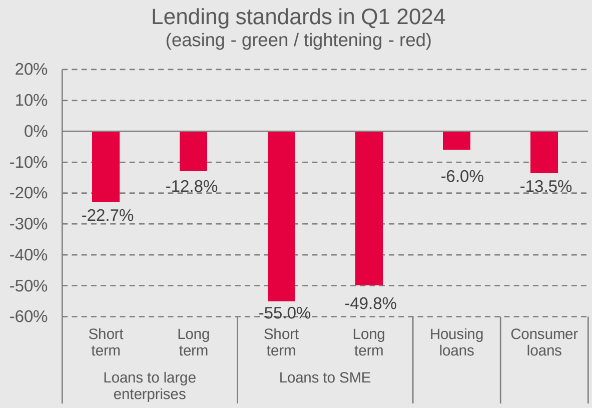
Consumer loans

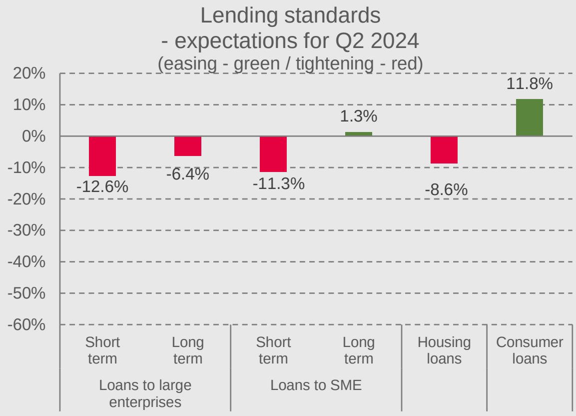
Lending policy: a continued tightening of lending policy standards, while changing some terms on consumer loans, including by, among others, increasing the margin on riskier loans and loan collateral requirements.

Demand for loans: a renewed increase in demand, resulting from, among others, an improvement of the financial standing of households.

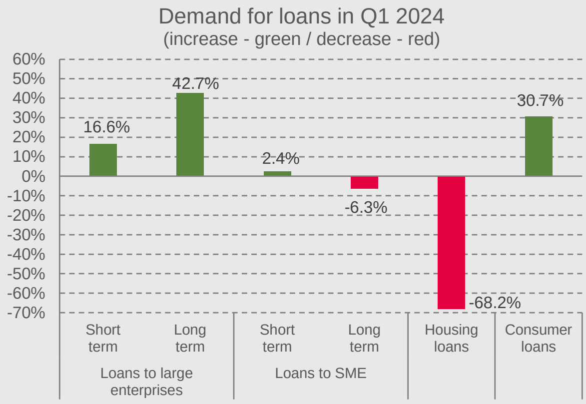
Expectations for the second quarter of 2024: an easing of lending policy and a rise in consumer loan demand.

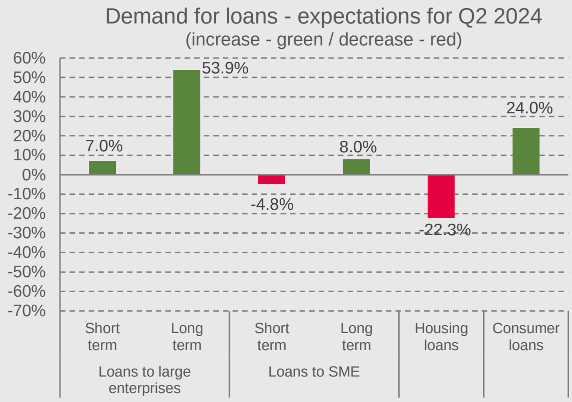
Lending standards





Demand for loans





Introduction

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

This edition of the *Senior loan officer opinion survey* presents trends in banks' lending policy and in demand developments in the first quarter of 2024 as well as their expectations for the second quarter of 2024.

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 in early April 2024 among 23 banks with a total share of around 88% in loans to enterprises and households in the banking sector's portfolio.

The survey results are presented in the form of structures, i.e. the percentage of the banks which chose a given option in response to particular questions. The banks' responses to all questions are weighted with the share of the given bank in the market segment to which a given question relates.

The aggregation of 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 addition, an alternative measure of banks' responses in the form of diffusion index is published. The diffusion index is defined as the net percentage weighted according to the response intensity, i.e. by the weight of "100%" for responses marked as "significantly/significant" and by the weight of "50%" for responses marked as "insignificantly/insignificant". 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. In line with the adopted methodology, words describing quantities (majority, half, 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 of the calculation methodology are presented in Appendix 1.

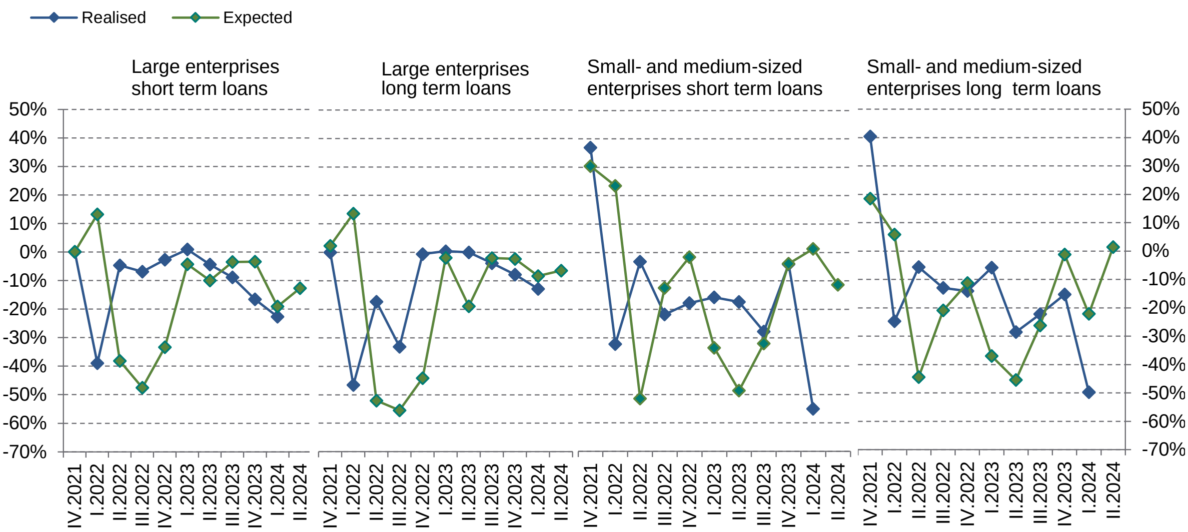
The values of the measures of net percentage and the diffusion index for specific questions are available in separate downloadable files on the NBP website.

Corporate loans

In the first quarter of 2024, the banks continued to tighten their lending standards on short-term and long-term-loans to large enterprises and the SME sector (net percentage of, respectively -23% and -13%, and -55% and -50%, see Figure 1).

They also tightened all the lending terms (included in the survey) on corporate loans. The surveyed banks reduced the maximum loan size and maximum loan maturity (net percent of, respectively, -26% and -13%, see Figure 2) and also raised the margin on regular loans and riskier loans (net percentage for both categories: -12%) and increased non-interest loan costs and loan collateral requirements (net percentage of, respectively, -12% and -9%).

Figure 1. Credit standards on corporate loans



Figures in this study present net percentage. A positive value of net percentage should be interpreted as an easing of lending policy or a rise in loan demand, while a negative value of net percentage should be interpreted as a tightening of lending policy or a drop in loan demand. Details of the calculation methodology are presented in Appendix 1.

According to the survey-participating banks, the tightening of lending policy in the first quarter of 2024 was primarily prompted by a downside risk related to Poland's economic situation, industry-specific risk[1] and the risk of loan portfolio quality loss (net percentage of, respectively, -39%, -35% and -31%, see Figure 3), as well as their worse current or expected capital position (net percentage of -22%). The banks considered a fall in corporate demand for loan financing (net percentage of 14%) to be the factor motivating them to ease their lending policy towards enterprises.

[1] The banks have indicated the following industries: steel industry, construction, manufacture of furniture, real estate activities, and retail trade.

Figure 2. Terms on corporate loans

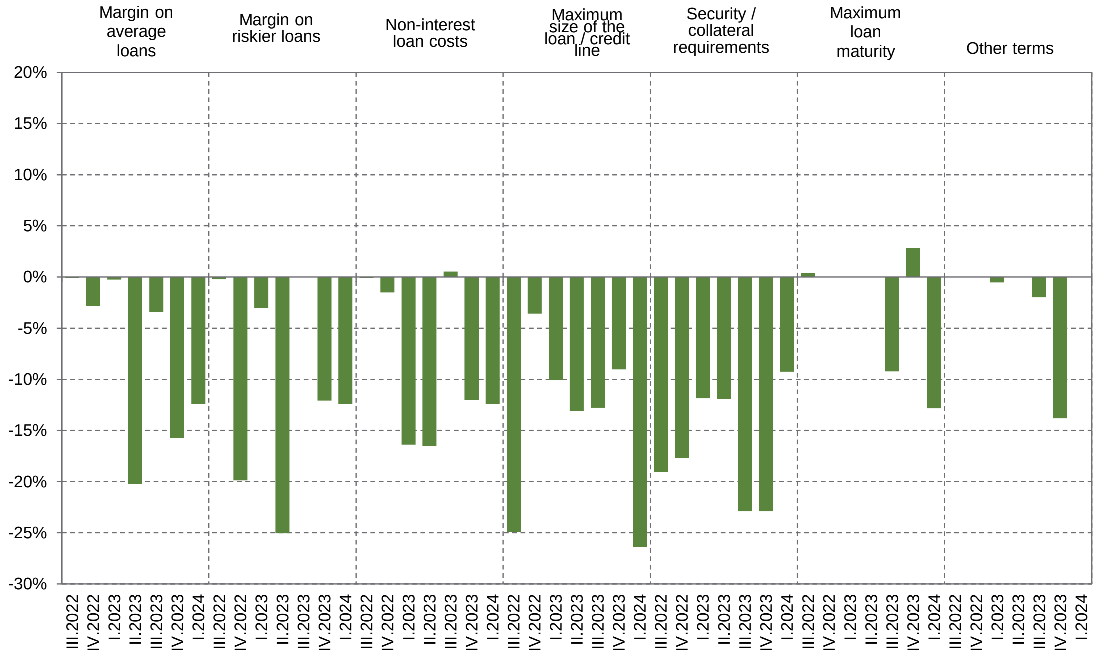
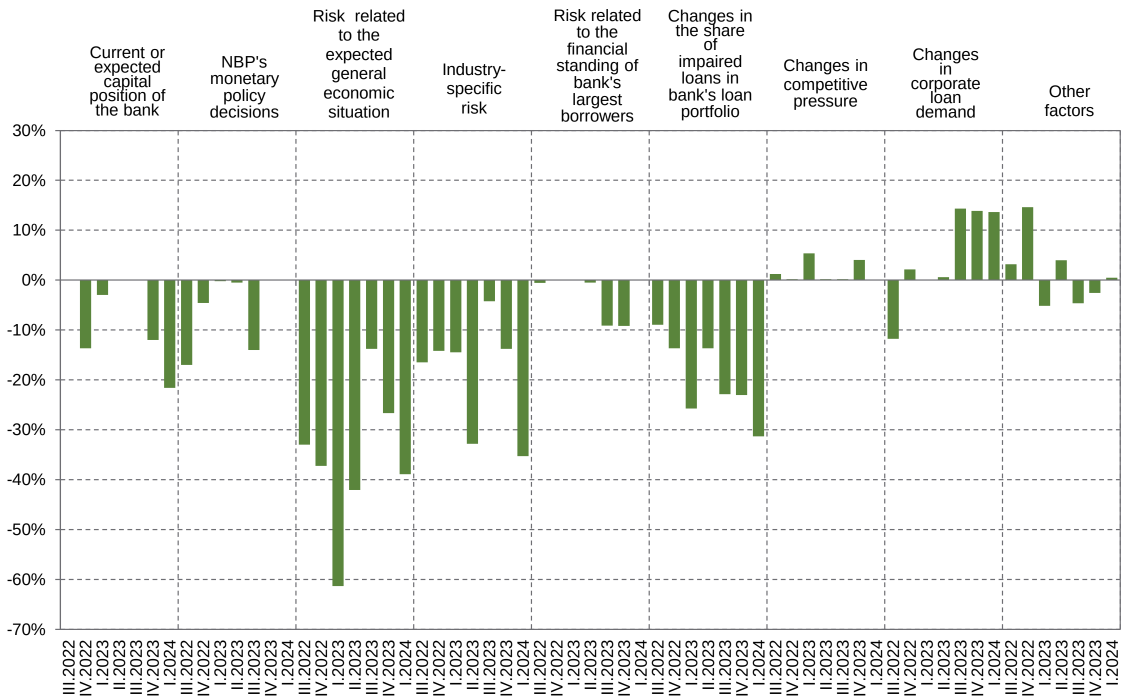


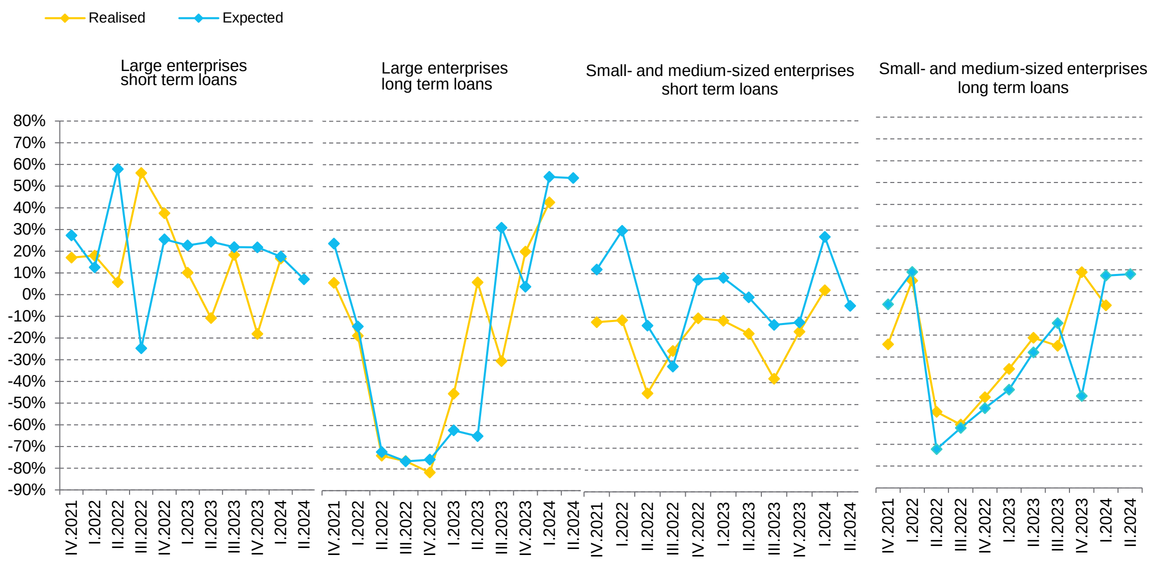
Figure 3. Factors influencing changes in lending policy



* Banks assess changes in competitive pressure from other banks, non-bank financial institutions and financial markets. This figure shows the arithmetic mean of these assessments.

In the opinions of the survey-responding banks, the demand for short-term and long-term loans from large enterprises grew in the first quarter of 2024 (net percentage of, respectively, 17% and 43%, see Figure 4)**, and it did not change considerably in the SME sector** (net percentage of, respectively, 2% and -6%). Similarly to the previous quarter, the banks' opinions on the direction of change in the SME sector's demand for short-term and long-term loans varied: i.e. 32% and 18% of the banks, respectively, indicated that the demand will grow, as 30% and 24% of the banks, respectively, said that it will fall.

Figure 4. Corporate loan demand

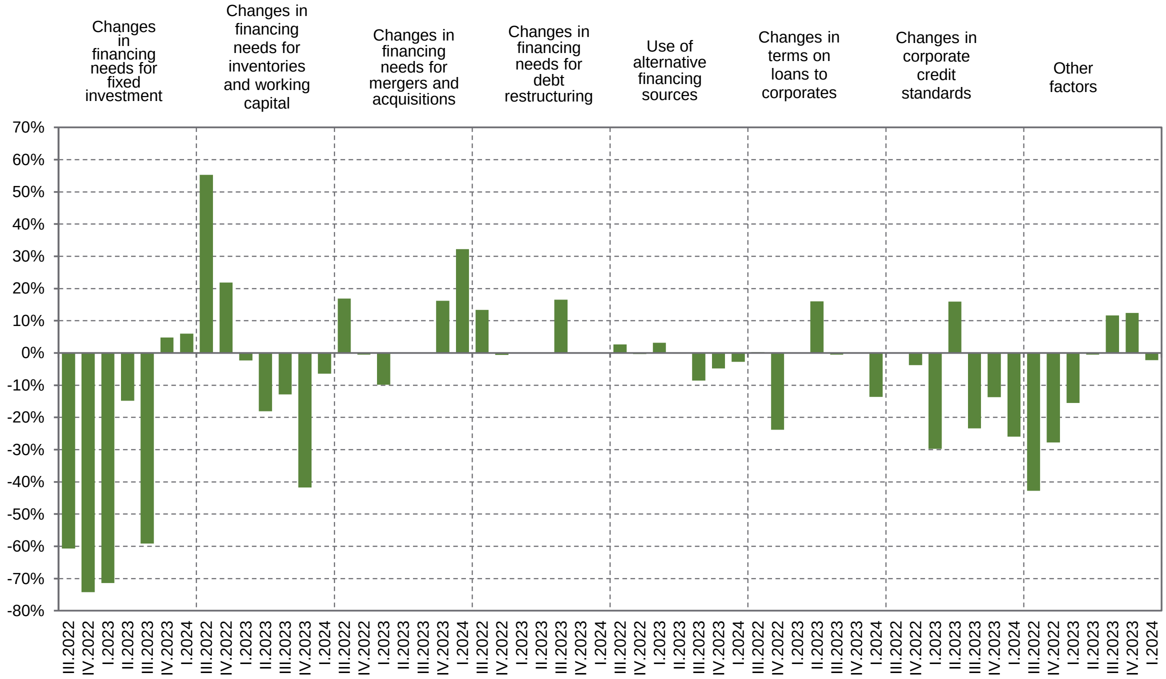


The banks explain growing corporate loan demand primarily with higher financing needs for mergers and acquisitions (net percentage of 32%, see Figure 5) and for fixed investment (net percentage of 6%[2]). **According to the banks, the fall in loan demand was driven by tighter lending standards** and terms (net percentage of, respectively, -26% and -14%), as well as the greater use of alternative financing sources (net percentage of -3%), including loans from other banks (net percentage of -14%) and lower financing needs for inventory and working capital (net percentage of -6%).

In the second quarter of 2024, the banks intend to tighten lending policy in the segments of short-term and long-term loans to large enterprise and in the segment of short-term loans to SMEs (net percentage of, respectively, -13%, -6% and -11%, see Figure 1) and not to change the policy regarding long-term loans to SMEs (net percentage of 1%). **The banks also expect a rise in loan demand – primarily for long-term loans to large enterprises** (net percentage of 54%, see Figure 4) **and much smaller changes in the remaining segments** (net percentage for short-term loans to large enterprises: 7%, for long-term loans to the SME sector: 8%, and for short-term loans to SMEs: -5%).

[2] The banks' opinions were multi-directional: 35% of the banks indicated that corporate financing needs for fixed investment will increase and 29% that they will decrease.

Figure 5. Factors influencing changes in corporate loan demand

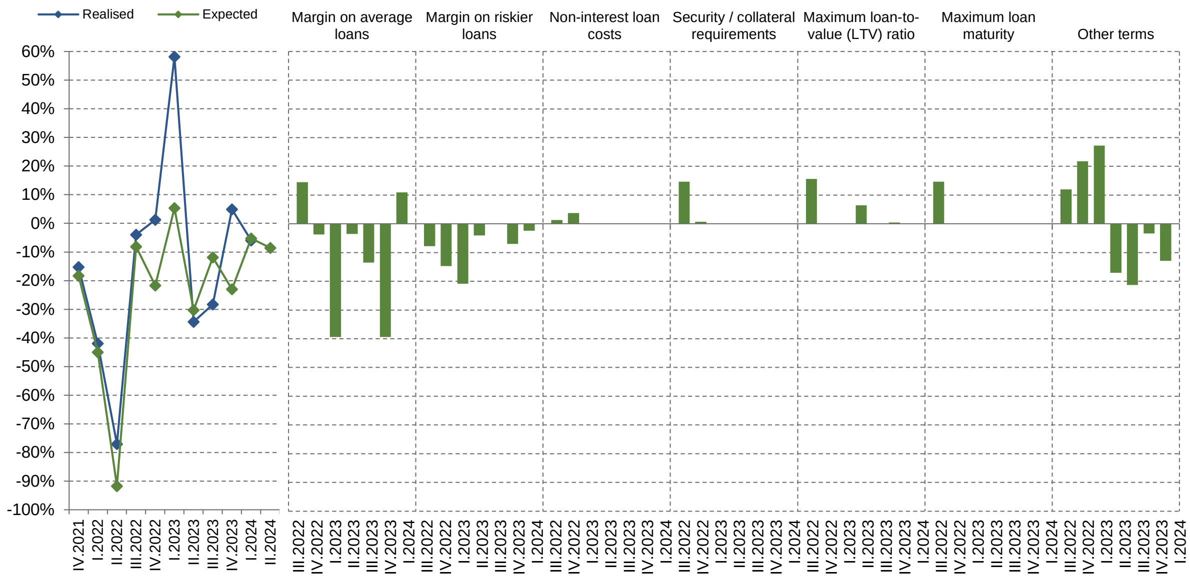


Loans to households

Housing loans

The first quarter of 2024 did not see a noticeable change in the banks' lending standards (net percentage of -6%, see Figure 6), **and also in most terms on housing loans,** except for a decrease in the credit margin (net percentage of 11%). However, at the same time among changes in lending terms not included in the survey the banks identified, among others, an increase in the fixed interest rate and periodically fixed interest rate on housing loans (net percentage of -13%).[3]

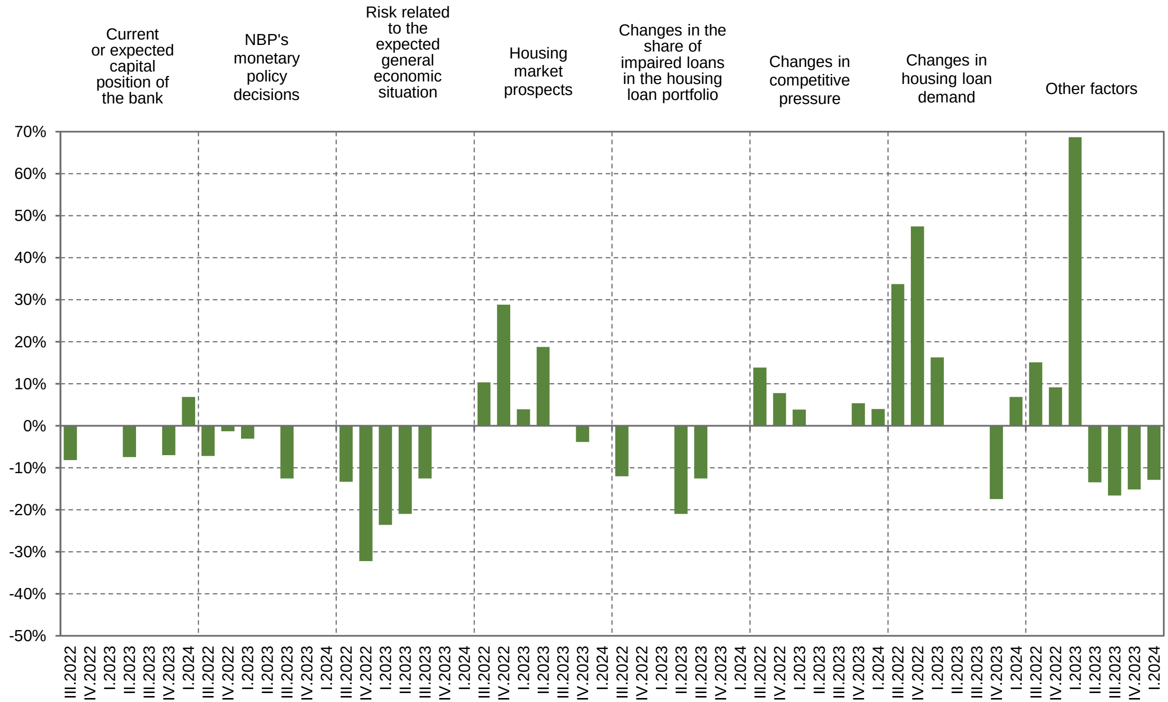
Figure 6. Standards and terms on housing loans



Among factors that made banks ease their lending policy, they identified, among others, a decline in housing loan demand and an improvement in their current or expected capital position (net percentage for both categories: 7%, see Figure 7). The banks were prompted to tighten lending policy by, among others, the following factors (not included in the survey): borrowers' higher use of funding from the Borrower Support Fund and a greater likelihood of banks' top-up payments to that fund (net percentage of -13%).

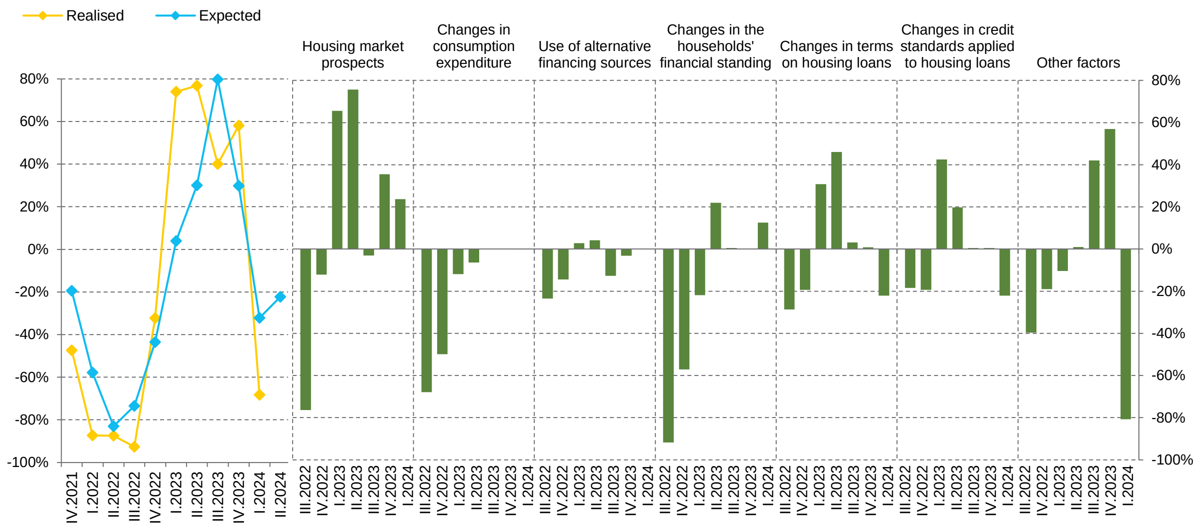
[3] Taking this information into account, the net percentage for the credit margin would change only slightly.

Figure 7. Factors influencing changes in lending policy – housing loans



* Banks assess changes in competitive pressure from other banks, non-bank financial institutions and financial markets. This figure shows the arithmetic mean of these assessments.

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



In the first quarter of 2024, the survey-responding banks reported a significant fall in housing loan demand (net percentage of -68%, see Figure 8). **The banks considered the suspension of subsidies under the 2%** ***Safe Mortgage*** **programme** (net percentage of -81%) **to be a major factor behind the fall in demand,**

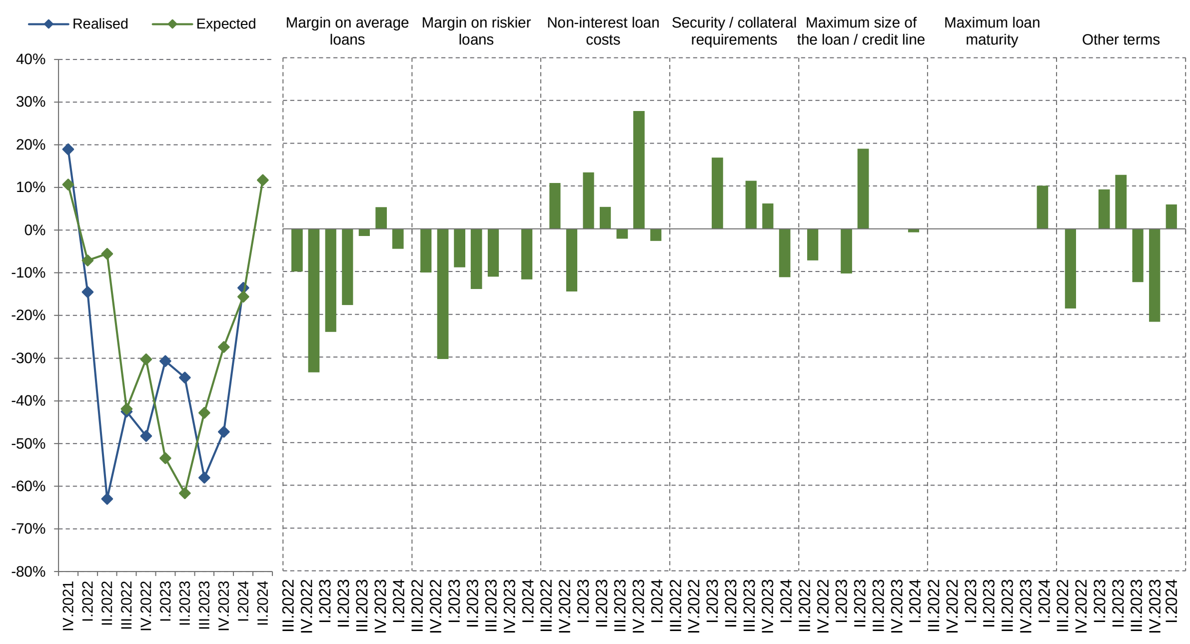
and the tightening of standards as well as terms on housing loans in earlier periods to be additional factors behind the fall (net percentage for both factors: -22%). **On the other hand, in the opinions of the banks, housing loan demand was supported by housing market prospects** and the improvement of the financial standing of households (net percentage of, respectively, 24% and 13%).

In the second quarter of 2024, the banks have no plans to considerably change their terms on housing loans[4] (net percentage of -9%, see Figure 6), **but they expect the demand for the loans to grow further** (net percentage of -22%, see Figure 8).

Consumer loans

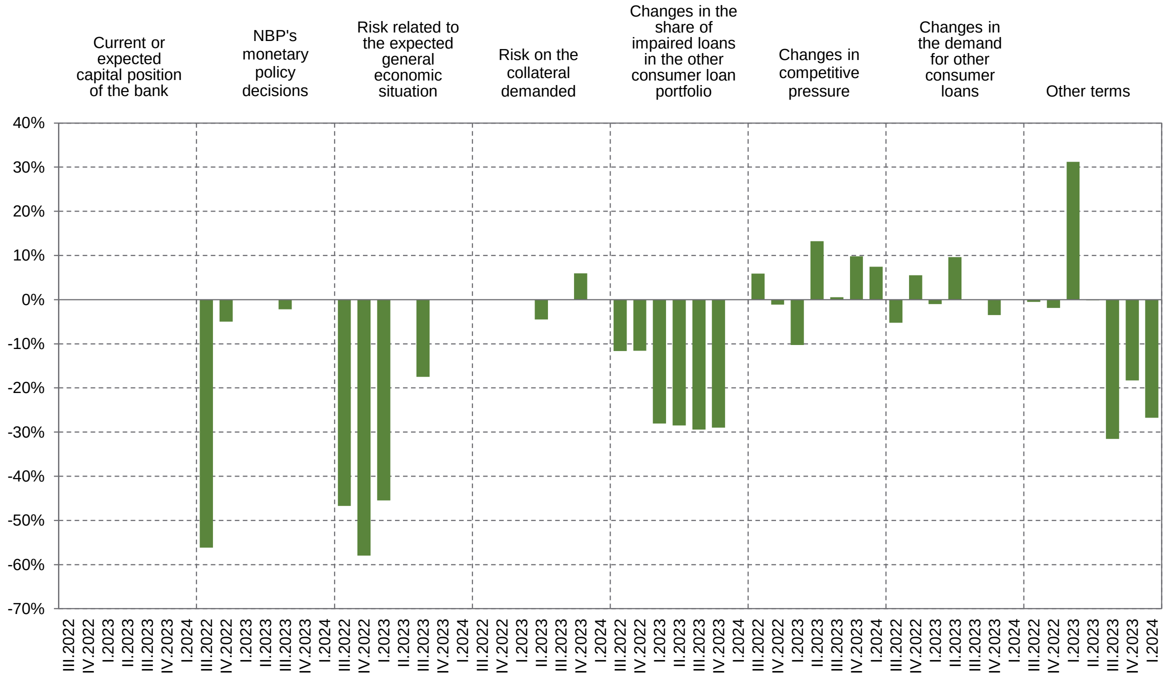
In the first quarter of 2024, **the banks continued to tighten the standards on consumer loans, a process which originated in the first quarter of 2022** (net percentage of -14%, see Figure 9). At the same time, **they altered some lending terms,** by raising the margin on riskier loans and by increasing the loan collateral requirements (net percentage of, respectively, -12% and -11%). Changes in lending terms not included in the survey but mentioned by the banks were, among others, incorporating benefits under the *Family 800+* programme into the credit worthiness assessment of borrowers (net percentage of 6%), and factors contributing to a lending policy tightening were related to strategy adjustments to the changing conditions (net percentage of -27%, see Figure 10). The banks considered a rise in competitive pressure (net percentage of 8%), including from non-bank financial institutions (net percentage of, respectively, 15%), to be a lending policy-easing factor.

Figure 9. Standards and terms on consumer loans



[4] The banks' opinions were multi-directional: 33% on the banks plan to tighten lending policy and 24% plan to ease it.

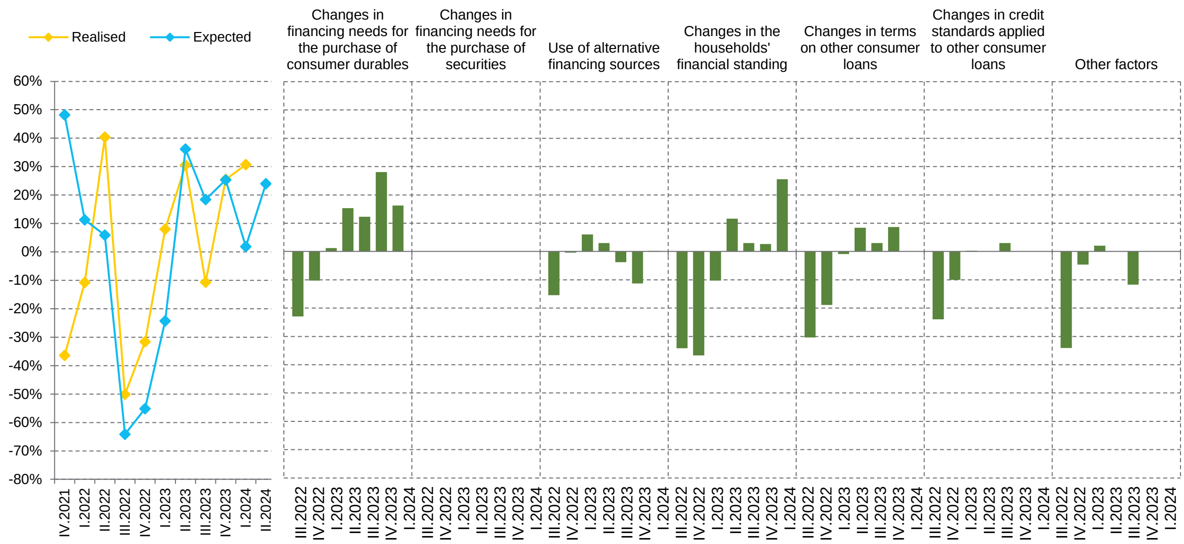
Figure 10. Factors influencing changes in lending policy – consumer loans



* Banks assess changes in competitive pressure from other banks and non-bank financial institutions. This figure shows the arithmetic mean of these assessments.

In the first quarter of 2024, the banks again observed a rise in demand for consumer loans (net percentage of 31%, see Figure 11). **According to the lending institutions' opinions, the rising demand in consumer loans was primarily driven by an improvement in the financial standing of households** and higher financing needs for purchases of durable goods (net percentage of, respectively, 26% and 16%).

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



In the second quarter of 2024, the banks plan to continue to tighten lending standards (net percentage of 12%, see Figure 9) and **expect consumer loan demand to grow** (net percentage of 24%, see Figure 11).

Appendix 1

Methodology

The survey results are presented in the form of structures, i.e. the percentages of banks which chose a given option in response to particular questions. The responses are weighted with the share of the given bank in the market segment to which a given question relates.[5]

The importance of particular banks in each market segment is represented by the share of loans outstanding of a given bank in the loan portfolio of all the 23 survey-responding banks, broken down by particular types of loans. The table below 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 1. Market segment and the respective type of loans taken into account in calculation of the weights

Question no.	Market segment	Type of loans
1, 4, 6, 7	Short-term loans to small and medium-sized enterprises	Loans outstanding from small and medium-sized enterprises with the basic term to maturity of up to one year, together with an overdraft on the current account
1, 4, 6, 7	Short-term loans to large enterprises	Loans outstanding from large enterprises with the basic term to maturity of up to one year, together with an overdraft on the current account
1, 4, 6, 7	Long-term loans to small and medium-sized enterprises	Loans outstanding from small and medium-sized enterprises with the basic term to maturity above one year
1, 4, 6, 7	Long-term loans to large enterprises	Loans outstanding from large enterprises with the basic term to maturity above one year
2, 3, 5	Total corporate loans	Total amount of loans outstanding from enterprises
8, 9, 10, 13, 14, 16, 17	Housing loans to households	Housing loans to individuals
8, 11, 12, 13, 15, 16, 17	Consumer loans and other loans to households	Total loans outstanding from individuals less housing loans to individuals

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

[5] Weighing of responses of particular entities is a solution frequently applied in the preparation of results of qualitative surveys. See M. Bieć, "Business survey. Methods, techniques, experience", Papers and Materials of the Research Institute for Economic Development, No. 48, SGH Warsaw School of Economics, 1996, pp. 71-114 (in Polish only).

Thus, individual responses to *all questions* are assigned a weight corresponding to a given bank's share in a given market segment. When calculating the weights, the average amount of claims of a given type in the first two months covered by the survey was taken into account.[6]

In addition to structures, the so-called net percentage was calculated for each response, i.e. the difference between the percentages of responses that show the opposite direction of change, and the diffusion index defined as the net percentage weighted according to the response intensity, i.e. by the weight of "100%" for responses marked as "significantly/significant" and by the weight of "50%" for responses marked as "insignificantly/insignificant". This magnitude indicates a general tendency in the specific market segment. The method of calculating the net percentage for particular questions is presented in Table 2.

Table 2. Method of calculating the net percentage

Question no.	Definition of net percentage
1, 8	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.
2, 9, 11	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 terms of loans.
3, 10, 12	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 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.
4, 13	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.
5, 14, 15	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.
6, 16	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 an expected easing of lending policy.
7, 17	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 an expected increase in demand.

Source: NBP.

[6] Due to a delay in reporting of around three weeks, no data on loans of particular banks in the third month of the period are available at the time of analysing the results of the survey.

www.nbp.pl