

RETAIL MORTGAGE LENDING IN POLAND 2006



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Methodological notes

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EXECUTIVE SUMMARY – RETAIL MORTGAGE IN POLAND 2006

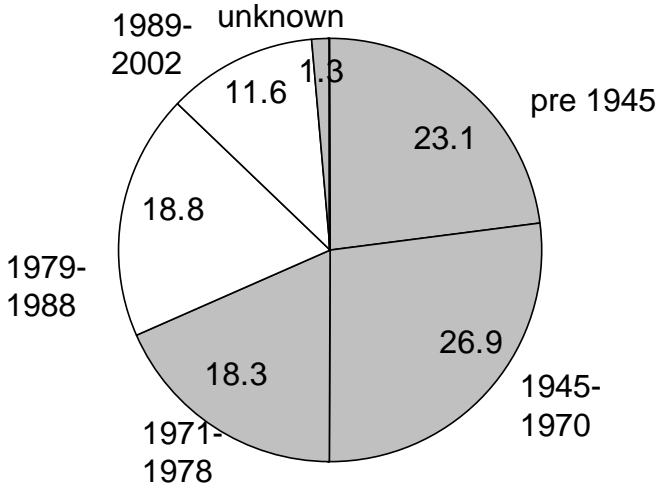
- **Deficit of residential real estate.** There is a severe deficit of residential real estate in Poland. Around 38 million inhabitants or 13,8 million households live nowadays in ~11.6 million populated dwellings which means a deficit of at least 2 million dwellings. The situation is even worse taking into consideration that the existing infrastructure is quite old, partially devastated and in many cases lacking running water, canalization or sewage system. The current supply of ~110 thousand new dwellings p.a. is by large insufficient to satisfy the demand
- **Rapid growth of demand for mortgage lending.** Starting from very low levels mortgage lending is nowadays almost exploding in Poland. Favorable macroeconomic situation and interest rates on their lowest levels since many years make mortgage more accessible than ever for an average bank client. Many people renting flats are encouraged to buy own real estate as rental rates do not differ significantly from mortgage payments and booming real estate prices make it an attractive investment
- **Supply of mortgage lending.** The mortgage lending market is extremely competitive. Especially smaller banks offer very competitive products with margins on mortgage loans going as low as below 1%. Banks usually offer extensive help in the whole process and cover all related expenses as real estate valuation etc. There are also many intermediaries on the market - Expander, Open Finance etc. helping clients to directly compare banks offers and to pick the most attractive solution
- **Great perspectives.** Very low penetration of mortgage lending (6% of GDP) indicates that the market is still in the initial phase of development. The housing deficit will have to be covered within next 10-20 years and mortgage lending will be the most important source of funding it. Current limitations of FX-denominated loans are not expected to have a major impact on the overall demand for loans. In fact another upcoming legislative initiative assuming subsidizing of loan interest from the State funds is likely to increase the demand for mortgage loans

THE HOUSING STOCK IS OLD. ALMOST 50% POPULATION HAS STILL TO SHARE THEIR ROOMS

Inhabited dwellings structure, as of 2002

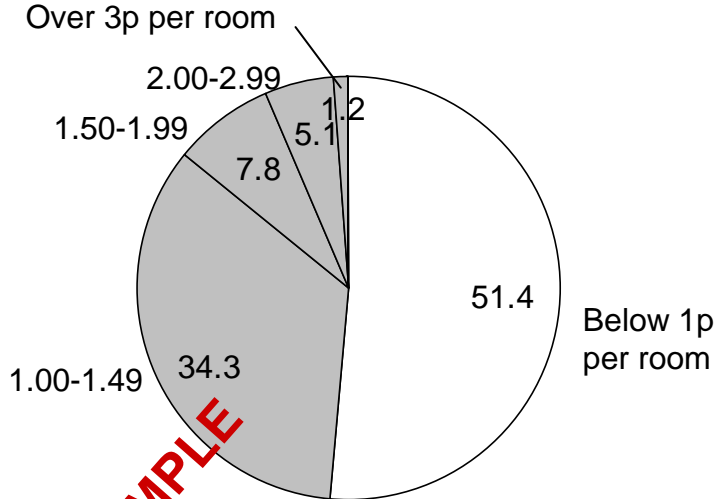
in percent, 100% = 11,6 million

By the year of construction



Most flats are relatively old

By the average number of people per one room



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Almost 50% of people share their room with others

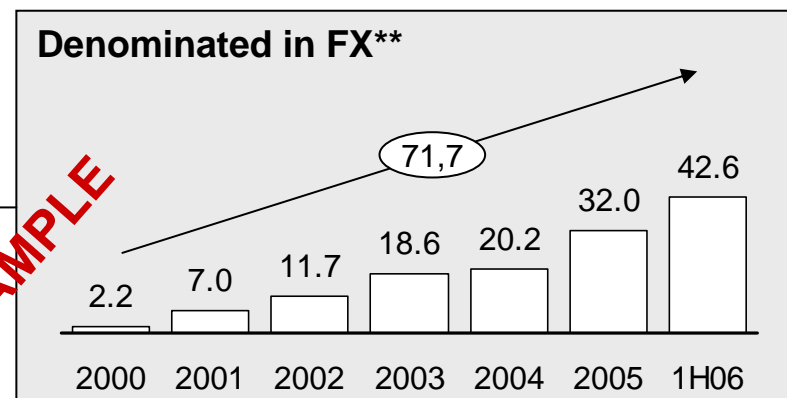
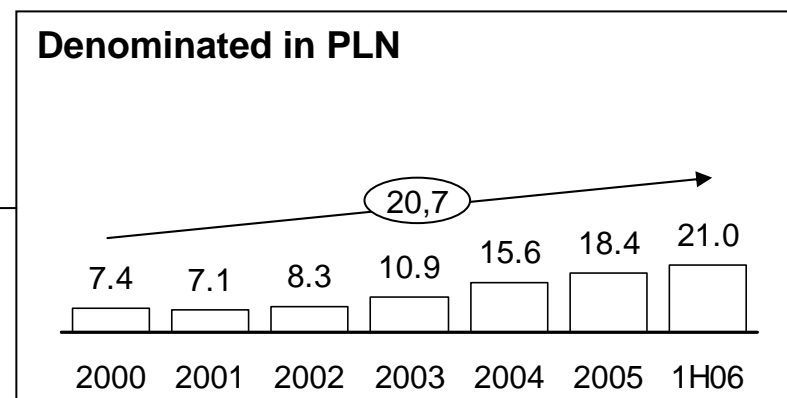
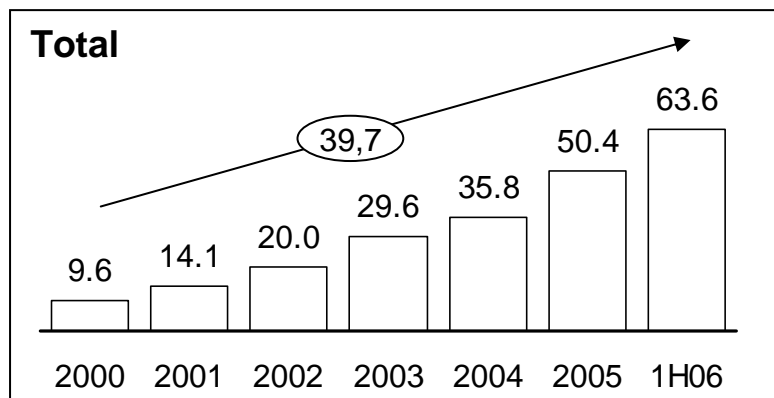


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FX-DENOMINATED HOUSING LOANS ARE PREFERRED



Housing loans to households by currency PLN billion



+

FX denominated loans are more and more popular

Share of FX-denominated loans in total mortgage lending

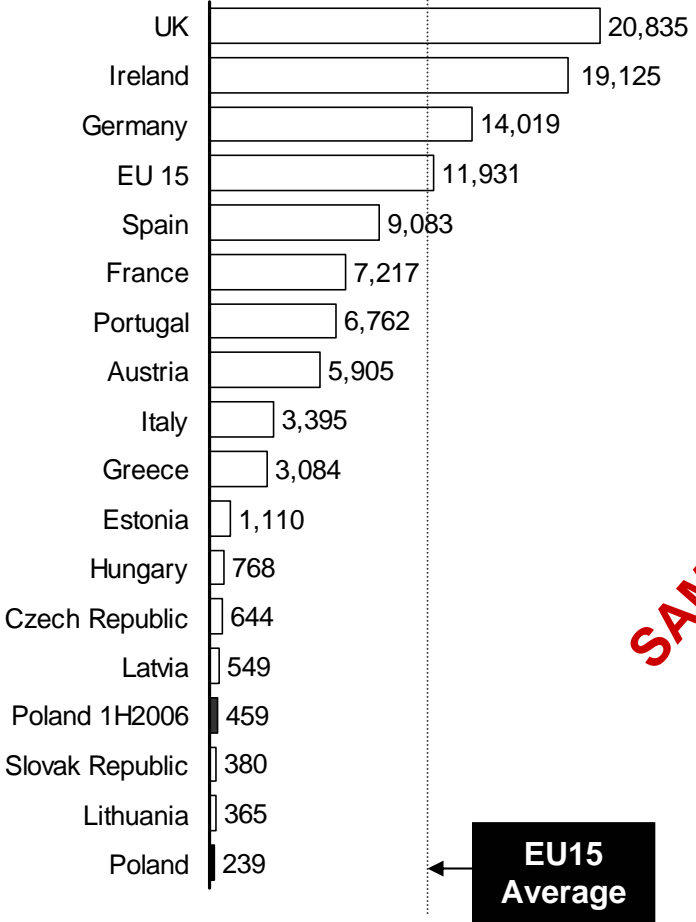
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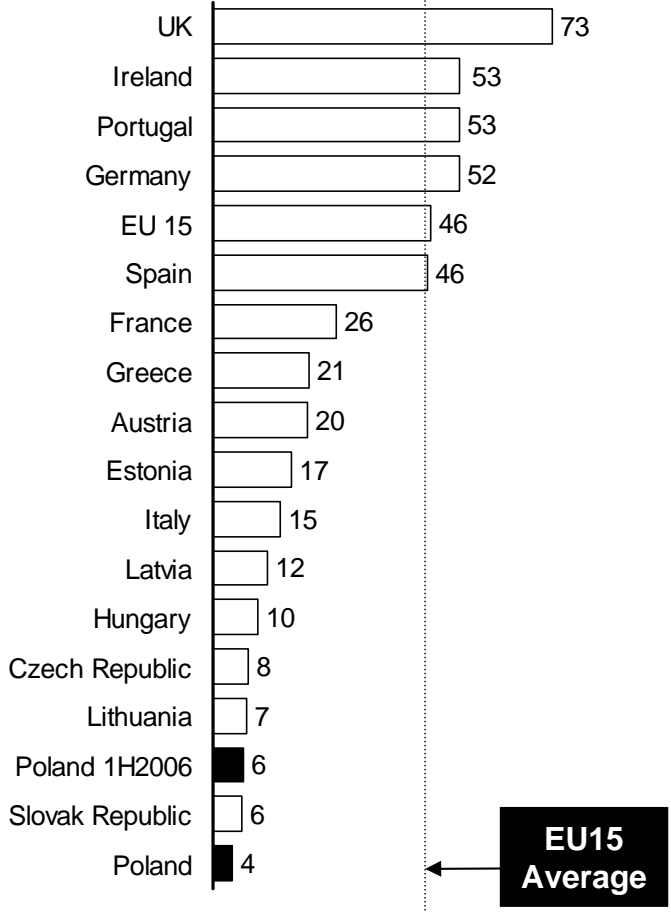
* Compound Annual Growth Rate
 ** Usually denominated in CHF
 Source: NBP, Intelace Analysis, GUS

IF COMPARED TO OTHER COUNTRIES, POLISH MORTGAGE PENETRATION BENCHMARKS ARE EXTREMELY LOW

Mortgage debt per capita, 2004
EUR



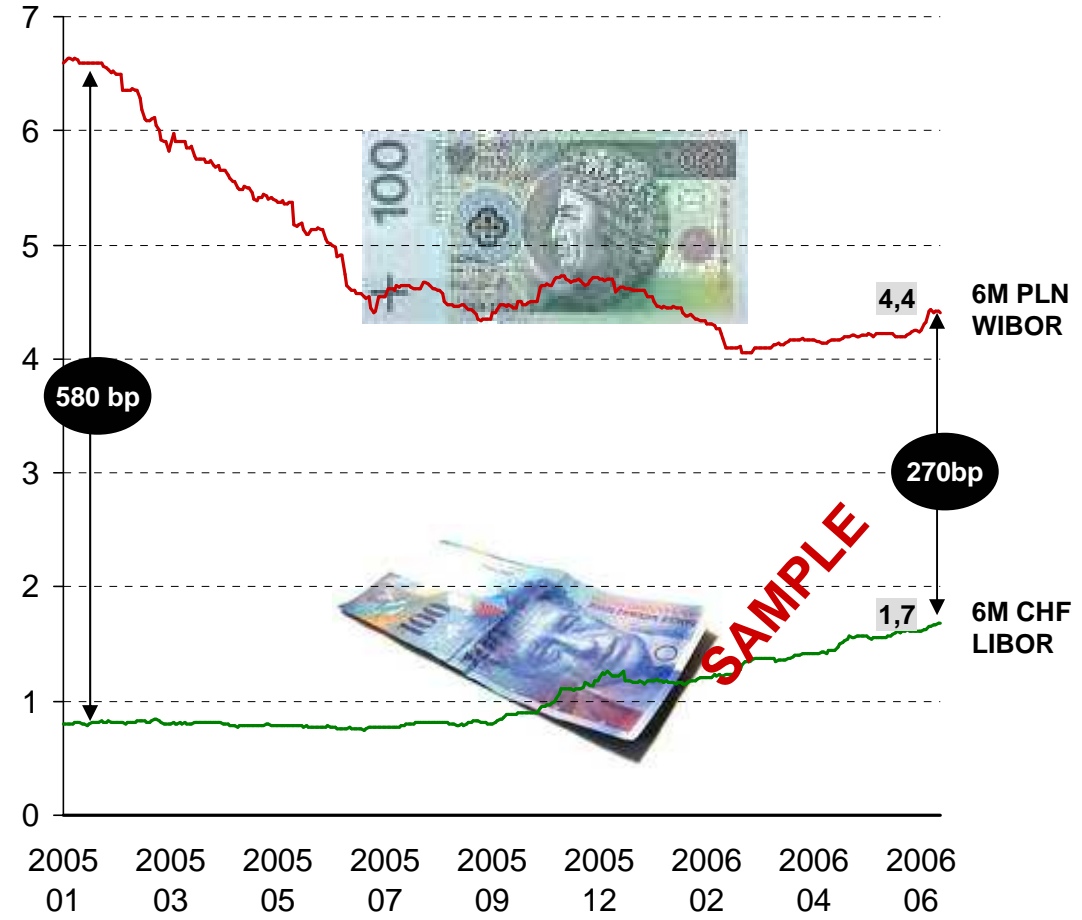
Mortgage debt/GDP, 2004
percent



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THE CHF/PLN INTEREST RATE SPREAD IS SHRINKING , HOWEVER IT IS STILL SIGNIFICANT TO JUSTIFY THE CHOICE OF SWISS FRANK

Interbank interest rates



- The spread between PLN and CHF 6M interbank rates fell almost by 50% since January 2005, nevertheless it is still significant (270 bp.)
- The interest spread is likely to keep falling in the mid-term perspective

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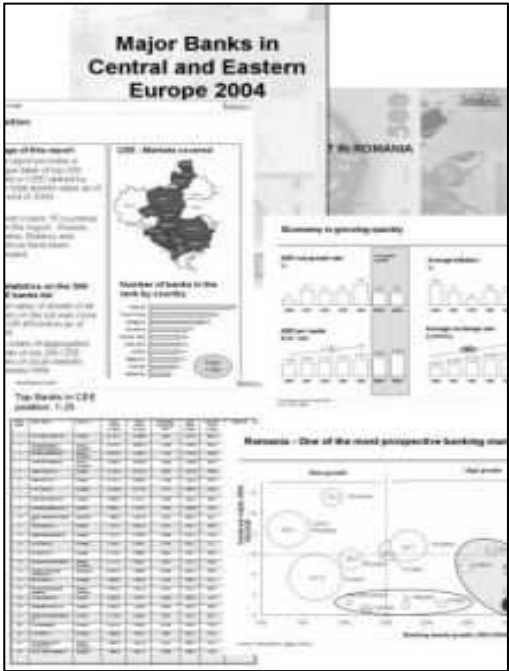
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