



The Mortgage Climate

an indicator for evaluation of the mortgage sector
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Press Release

by the Polish Mortgage Credit Foundation
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MORTGAGE CLIMATE GOT BRONZE

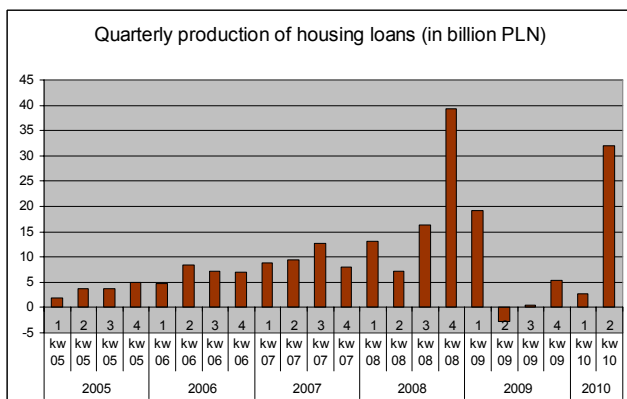
Results of the Mortgage Climate survey carried out by the Polish Mortgage Credit Foundation together with experts from banks, indicate a considerable revival on the mortgage market and, at the same time, an improvement in terms of credit availability indicators, in the 2nd Quarter 2010.

The bankers have assessed the Mortgage Climate in the 2nd Quarter 2010 as BRONZE on the survey scale (Black, Copper, Bronze, Silver, Gold and Platinum).

A growth in housing loans

In the 2nd Quarter 2010, total liabilities due for loans taken to finance the housing property increased by PLN 31,9 billion.

This is a big increase as compared to the previous quarters when the growth of new mortgage loans used to reach only single-digit figures. It must be stressed that the reported figure includes only the new capital inflow to the market, and does not take into account e.g. refinance loans or consolidation loans. It does not refer to the situations when the credit agreement was concluded but the loan has not been granted yet.



Source: The Polish Mortgage Credit Foundation

The mortgage loan market improvement was caused by a number of factors – growing optimism on the market with regard to the future prospects of the economy and the situation on labour market; the average property prices in bigger cities stabilized or sank, what resulted in growing demand for mortgage loans. At the same time, market participants were awaiting the introduction of new restrictions arising from the requirements of Recommendation T, what could accelerate their decisions on taking up the mortgage loan. This effect wasn't however as strong as the one observed in 2006, when the announcement of Recommendation S lead to a significant mortgage boom.

Several banks loosened their lending policies during the 2nd quarter 2010. According to the National Bank of Poland, 70% of banks lowered their loan margins and 14% of banks rose the maximum accepted LTV levels. In the 3rd quarter 2010, further strengthening of the credit policy is expected.

Comments by an expert:

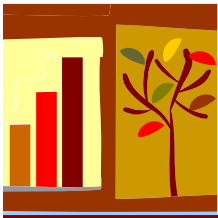


Tadeusz Swat
Head of Real Estate Client Department
PKO BP SA

Since the beginning of 2010 an increase in mortgage lending can be observed. Between January and July 2010 the level of new mortgage loans granted to households increased by 30% (25,5 billion zlotys as compared to 19,3 billion zlotys in 2009, data by the Polish Banking Association).

The demand was positively affected by the smoothing of lending policies. In the 2nd Quarter





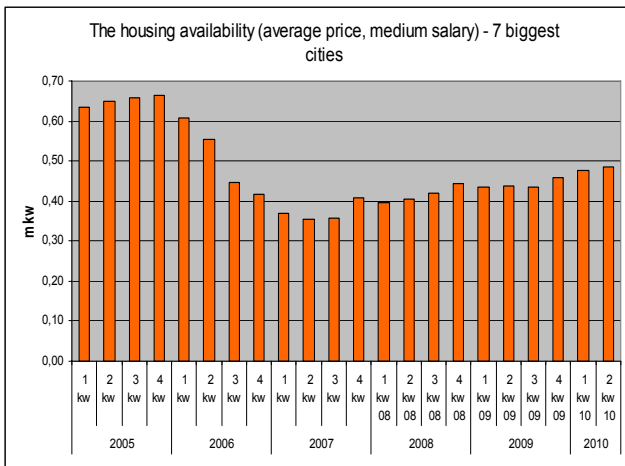
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2010, minor liberalization of the pricing policy could be observed – about 70% of banks lowered both their credit margins as well as the requirements with regard to customers' down payment levels. In the same time, the criteria of creditability assessment were sharpened - as a result of Recommendation T implementation.

The 3rd Quarter 2010 brought significant changes in FX lending offers. The new Recommendation T came into effect, but contrary to the market expectations, only few banks have introduced changes in the maximum amount of mortgage credit granted. Those banks that have so far been focused on offering FX loans, started introducing modifications to their offers in order to change the currency structure if their mortgage portfolios. In the current quarter the increase in FX credit margins (especially EUR denominated), together with lowering PLN credit margins can be observed.

The housing availability



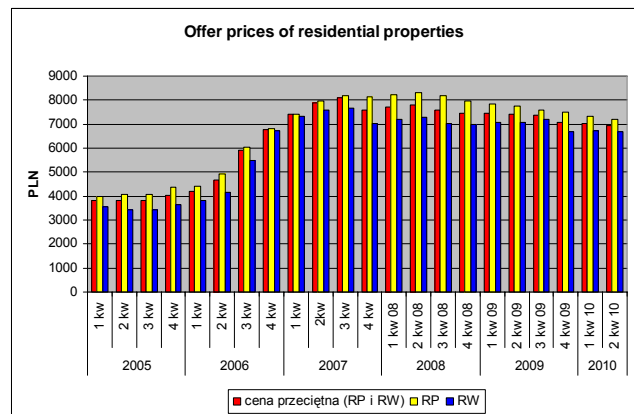
Source: The Polish Mortgage Credit Foundation

The housing availability index measures the number of square meters that can be purchased at an average price (in 7 big cities) for an average monthly salary (minus the social minimum).

In the 2nd quarter 2010, the housing availability amounted to 0,49 sq.m. It means that an average customer can buy less than a half sq.m. of flat for their monthly salary. This result is still very low, but it has to be noticed the index has constantly been

growing since the end of 2007. This result is also by 2% better than in the previous quarter.

The indicator of housing availability is influenced by the changes in price levels. In 7 biggest Polish cities, the offer price (the average for the primary and secondary markets) in the 2nd quarter 2009 amounted to PLN 6946/sq.m., which meant a decrease by 7% as compared to the 2nd quarter 2009. It should be emphasized that it is the first time for 14 quarters when the average price of flat did not exceed the limit of PLN 7000 / sq.m (last time – in the 4th Q 2006 – PLN 6773).



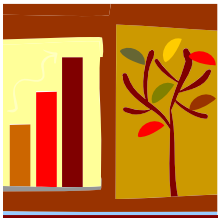
the average price (the primary market and the secondary market)
RP - the primary market
RW - the secondary market

Source: The Polish Mortgage Credit Foundation

The credit availability

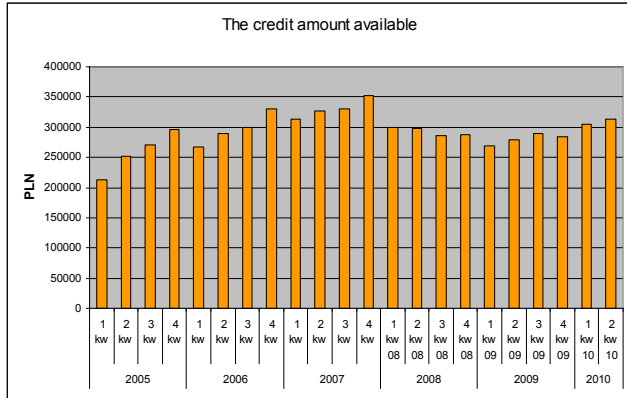
The credit availability is an indicator measuring the amount of a loan that can be obtained by a borrower with an average salary on average credit terms. In the 2nd quarter 2010 the amount of credit available was nearly PLN 313 000. This result is by 2% higher than in the 1st Q 2010.





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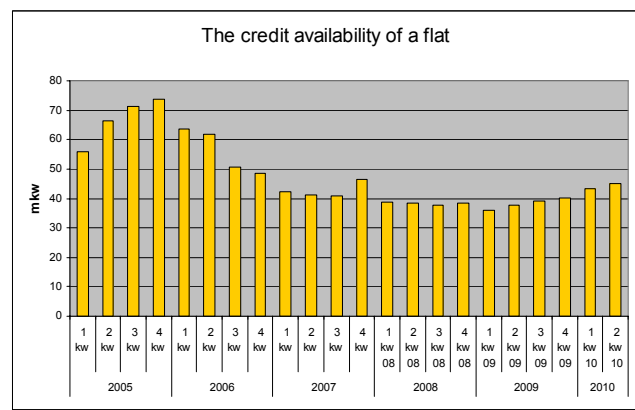
Source: The Polish Mortgage Credit Foundation

Availability of housing for a loan

Availability of housing for a loan is an indicator measuring what flat (at an average price) can be bought by a customer who obtained an average amount of credit available.

In the 2nd Q 2010 the above indicator slightly improved – a customer could buy over 45 sq.m. of

a flat (as compared to 43 sq.m. in the previous quarter). The indicator is however far from reaching the levels observed before the credit boom (in 2005 a customer using an average credit could buy over 60 sq. m.), but its improvement has been observed since the end of 2008. The future market developments after the introduction of Recommendation T (and probably – the novelty of Recommendation S II) will show how long-lasting this trend can be.



Source: The Polish Mortgage Credit Foundation

Macroeconomic situation in Poland – 2nd quarter 2010

According to estimates by IBnGR, GDP as at the end of the 2nd quarter 2010 was at + 3.9% as compared to the 2nd quarter 2009 (it increased by 0.9 p.p. as compared to the previous quarter). Main factors contributing to the growth were total consumption (growth of 2,7% as compared to the previous quarter). The fastest growing sector of the economy in the 2nd Q 2010 was the industry; the value added grew by 11,9% in the 2nd quarter 2010.

The registered unemployment was at 11.6% at the end of the 2nd quarter 2010 which means that it decreased by 1,3 p.p. as compared to the previous quarter. The real growth of the average gross salary was at 2,7% (it increased by 1,6 p.p. as compared to the previous quarter). The average gross salary amounted to PLN 3433,32 (as of July 2010).

The inflation rate at the end of the 2nd quarter 2010 was at 2,3% (end of June 2010: 2,3%).

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