

Building savings

in 2015

AČSS 

Association of Czech Building Savings Banks

Dear Friends,

Usually it is not easy to summarize a whole year in a single word. But for the year 2015 it's quite simple: loans.

Interest rates have reached rock bottom, which for building savings has meant the lowest loan prices in history. Our clients heard the call of borrowing cheap money to finance their housing needs, and in turn borrowed the most money for the past four years.

All the indicators show that the situation will not change in the next few years. And it cannot. For reconstructions and modernisations, building savings are entirely unsubstitutable. Whoever borrows money elsewhere is making a mistake that is costing them money on unnecessarily high interest rates.

Low interest rates are also having an impact on savings contracts. Although interest rates have fallen, building savings are still offering the best returns amongst comparable products, with practically zero risk factor.

It gives me great pleasure that building savings has proved that it has something to offer in every economic situation. Its full strength will be shown when interest rates begin to rise again. That is when the positive effects of fixed interest rates on signing a savings contract will be fully evident.



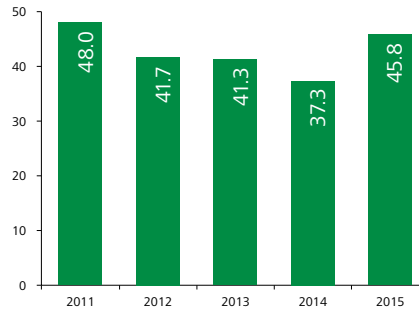
Vladimír Staňura
Chairman of AČSS



The highest value of new loans in the past 4 years

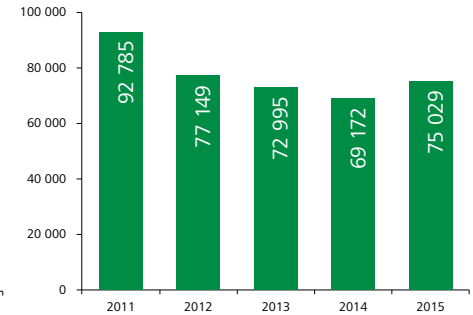
In many instances building savings is the most sensible way to borrow money for better housing. Statistics show that the demand for loans from building savings banks is growing. A 23% volume increase from last year is the most obvious evidence that building savings banks, even in times of low interest rates, have been able to create demand for their loan products. Thanks to the lowest interest rates in history, this is the best time to finance for better housing.

Volume of loans provided (in CZK billion)



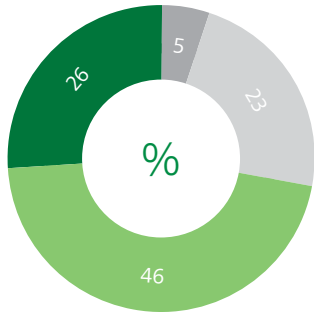
More important than the volume of money lent is the actual number of loans provided, or in other words, the actual number of households that have improved their housing needs, and 75 000 improvements in one year is a solid result. Building savings have displayed another reason for its existence. It has offered favourable loans to the widest number of clients and has improved its results over the two previous years.

Number of new loans



To be precise let's add that the average loan has for the first time in history exceeded the 600 000 CZK barrier and reached an average of 610 030 CZK. The fact that loans of this size are ideal for financing home refurbishments and similar modifications is also proved by our clients. Over the long term the most common reason for people taking out loans has been for home refurbishments. Last year, 46% of all loans were used for this purpose.

Structure of new loans provided by building savings banks in 2015



- Purchase of new apartments or family homes
- Purchase of existing apartments or family homes
- Refurbishments and modernisations
- Other

The attractiveness of our refurbishment and modernisation loans, first and foremost, is that there is no alternative product on the market. For mortgage loans it is necessary to use property as security and its average value is severalfold higher.

Also, in comparison with consumer loans, savings loans also come out on top as their interest rates are a third to 50% lower. And longer repayment terms allow the consumer to spread out their repayments over a longer term, meaning that they do not burden the home budget as much.

People also approach building savings banks for loans to purchase cooperative apartments or renovate their leased apartments. Because it is impossible to pledge such apartments as security with the banks, a loan from building savings banks is often their only option.

Total deposits are still able to cover the loan demands

A necessary requirement for financing loans is our clients' savings deposits. It is

only with these funds that savings banks finance the loans that they lend out. Therefore over the long term the total deposits must cover, preferably exceed, the total amount of money being lent out.

Such a position ensures building savings banks a lower dependency on the financial markets. If building savings banks had to get their funds on the money market, they would have to behave as standard banks, and would not be able to guarantee, over the long term, their clients above standard conditions.

In 2015 there were 458 566 contracts signed, of these 373 096 were new contracts and 85 470 were an increase in the targeted amount to be saved. Even though this is a reduction over the previous 3 years, the AČSS views it neutrally.

We do not live in a void, and thus we must not forget the fact that an environment with practically zero interest rates and nominally lower returns naturally decreases people's motivation

to save. It simply looks like the banks are not paying high returns, and this is even in the case where actual interest returns are paradoxically better than a few years ago. That is the case in the Czech Republic.

A necessary requirement for the long term success of building savings is an equilibrium between loans lent out and savings collected. Let's remind ourselves that the average loan lent is 610 000 CZK and the average savings are 110 000 CZK. At year end building savings banks had 3 503 349 savings contracts and 695 439 loan contracts.

This suffices for the long term equilibrium prerequisite. To fund 1 average loan client, building savings banks require roughly 4 other clients that merely save their funds and do not take out loans.

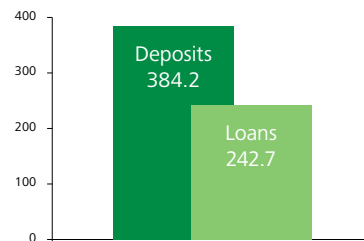
The challenge for the sector as a whole is to sustain the current adequate inflow of funds, especially from a sufficient number of clients and newly signed contracts. From this point of view it is good news

that more and more people turning to building savings are past clients. During the time they were not saving with building savings banks, they were trying to find a better product.

Soon though, the customers found that building savings is an irreplaceable option, because apart from experienced investors and financial speculators, it offers the best returns with practically zero risks involved. If building savings manage to attract new clients, especially the younger generation, then it will be able to secure enough resources for the near future.

A way of effectively assessing the stability of the system is the ratio between the total loans to deposits. Values between 60% - 80% in the building savings world are regarded as very good. It's a sign that most of the disposable deposits were invested in refurbishments or obtaining housing through loans. The stated ratio shows that building savings banks still have sufficient funds available to lend to new customers.

Balances of deposit and loan accounts at 2015 year end (in CZK billion)

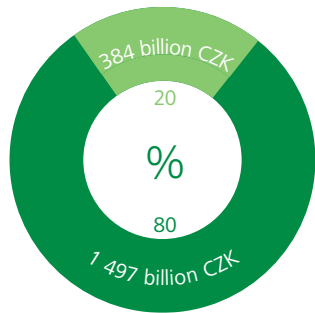


Czech building savings with a value of 63.2% falls into the given category. It has improved by 3% over last year's results.

The significance of building savings

The importance of building savings is exemplified by the statistic that Czech households entrusted 20% of their savings with building savings banks.

Savings deposits in banks and building savings banks at the end of 2015



- Building savings banks
- Banks (without building savings)

Building savings has a positive effect on the state economy because the transparency of the loans helps to prevent tax avoidance. A considerable multiplying effect in the building industry and other related industries ensures income for the economy in the billions of Czech Crowns. The creation of employment opportunities saves the state expenses on unemployment

and social benefits, and on top of that the actual government assistance or subsidies of building savings clients is also decreasing over the long term.

The amount of state support in individual years (in CZK billion)

2010	2011	2012	2013	2014	2015
11,7	10,7	5,3	5,0	4,8	4,6

Building savings in the Czech Republic

Building savings was introduced in the Czech Republic more than 20 years ago as a reaction to the new situation on the housing market. In relation to the changes in housing financing and the management of the housing fund, the state was looking for a suitable instrument to finance these. The Czech Republic copied a system that has worked

outstandingly for decades in Germany and Austria.

The founding idea is to accumulate capital through the cooperation of many savers and then under favourable conditions make these funds available as long term loans designated strictly for housing, and in Austria for example, also for tertiary education.

Over the years, building savings has evolved to be the favourite financial product of Czechs, and which almost every household has. It helps considerably in increasing the quality of the housing fund and brings in billions of crowns in the form of new building opportunities.

Building savings increases the measure of self initiative and responsibility for one's own future and contributes to solving housing needs. Because of this it will always be a driving factor in the housing dilemma. That is why the Czechs have learned to perceive it, first and foremost, as an assistant in the housing solution.

Very low interest rates helped to offer record cheap loans. There were 75 029 loans issued at a total value of 45.8 billion CZK. The average loan reached 610 000 CZK.

At year end, building savings banks were overseeing 384 billion CZK of their clients' savings, which is 20% of all Czech household savings in the banking sector.

The number of signed contracts in 2015 was 458 566.

The average amount of savings increased to practically 110 000 CZK.

There are enough resources for further lending and the system is lending effectively. At the end of 2015, 63% of deposits had been lent out.

We expect that the interest in building savings, due to the above average savings returns and increasing demand for better housing, will keep growing. In 2016 the number of loans should grow by 12% and the number of new savings contracts by 5%.

Summary of 2015





Na těchto základech můžete stavět

Českomoravská stavební spořitelna, a.s.
www.cmss.cz



Stavební spořitelna České spořitelny, a. s.
www.burinka.cz



Modrá pyramida stavební spořitelna, a.s.
www.mpss.cz



Raiffeisen stavební spořitelna a.s.
www.rsts.cz

wüstenrot

Wüstenrot - stavební spořitelna a.s.
www.wustenrot.cz



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