

Building savings

in
2016

AČSS 

Association of Czech Building Savings Banks

Dear Friends,

The previous year I spoke of our best results for the past 4 years. We are now another year down the line and it gives me great pleasure that I can talk about a 5-year record. Though it is no surprise, as building savings are offering the best conditions in their history.

Most likely you may have noticed steps of the current regulations to require the clients to have a higher amount of savings when taking out loans. In this regard I would like to point out that these are exactly the principles that building savings have been built on for more than 100 years now.

Almost a decade ago during the financial crisis the highest representatives of European building savings banks were emphasising the equitableness of a system that is built on its own savings. Today we are all heading towards modern financing of better housing via a historically proven model. It is also for this reason building savings banks are still irreplaceable and why building savings had another good year. I wish you all, at the least, as good a year this year as was the last.



Vladimír Staňura
Chairman of AČSS

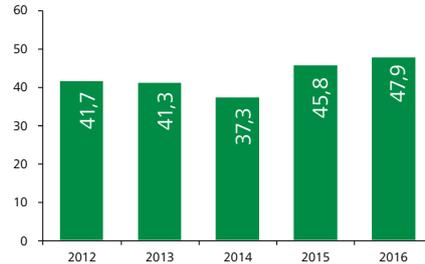


The highest value of loans in the past 5 years

One of the most interesting facts of the past year in the building savings sector is the way the public perceives it. According to public perception, no longer is this mainly a state-subsidised savings product but an assistant in housing finance.

Whether a client saves their finances to have a better starting position when investing in housing or whether they borrow their finances for their housing requirements, building savings banks will provide the appropriate assistance. Currently our clients' deposits are able to cover the loan demands placed on us by our borrowers.

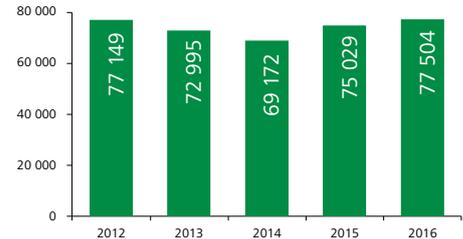
Volume of loans provided (in CZK Billion)



People come to building savings banks for loans for a variety of reasons. Savings banks are able to finance small projects such as a new bathroom through to large projects such as the construction of a new family home. From the view of being able to cover the widest possible spectrum of housing needs, building savings are number one on the market. In 2016 building savings banks lent 47.9 billion CZK in the form of 77 504 loans. The average loan increased to 617 782 CZK (an increase of 7 752 CZK over the previous year).

When it comes to the number of loans and their value, we have the highest numbers

Number of new loans



of the past 5 years. The high demand for financing stems from the current economic situation of affordable loans and very low interest rates. This also applies to building savings banks. Their advantage stems from the loans they are able to offer, for which, for a number of various reasons, there is no alternative product on the market.

With mortgage loans it is necessary to use property as security and its average value is several-fold higher. Also in comparison with consumer loans, savings loans also come out on top as building savings interest rates are half or even a third of that of consumer

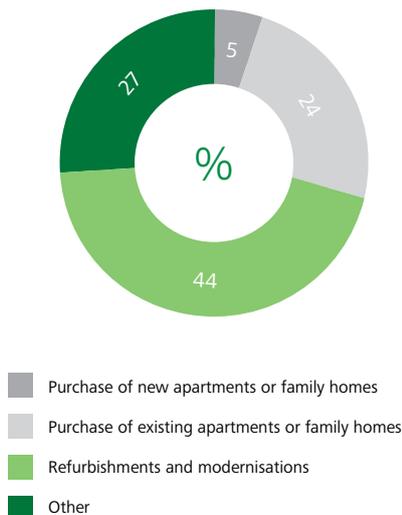
loans. And longer repayment terms allow the consumer to spread out their repayments over a longer term, meaning that they do not burden the home budget as much. For this reason building savings is often the preferred product for people who want to refurbish their homes and only need a few hundred thousand crowns and who at the same time do not want to or cannot use their homes as security.

When it comes to securing a loan the requirement to use property as security only comes into play when larger amounts are being loaned out, usually in conjunction with purchasing a property. Otherwise a loan can be secured with something as simple as a proven savings record, an adequate income or a guarantor.

Building savings is the best option for people who want to refurbish their homes, as the statistics prove, where 'refurbishment and modernization' is the long standing dominant reason people take out loans. In 2016 44% of all loans went towards this

purpose. The other categories are shown in the following graph.

Structure of new loans by building savings banks



In the next few years we can expect further growth for refurbishment purposes. Apart from the overall state of the housing fund,

other aspects that will influence new loans is the growing need for maintenance and improvement of housing built in the last two decades. There will also be a rise in the demand for energy saving technology and the economization of housing.

Without savings there would be no loans

The building savings system is based on our clients' savings. It is with these savings that building savings banks finance the loans they provide. Thus it is necessary to secure a sufficient inflow of deposits from enough clients and the renewal of so-called core clients, i.e. renewed contracts.

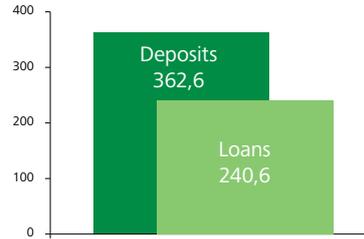
Our clients in 2016 signed 473 712 contracts, of these 403 259 were new contracts and 70 453 were an increase in

the targeted amount to be saved. A slight annual growth of 3% indicates stability and the fulfilment of the above-mentioned conditions. In the past the system experienced changes that unbalanced the equilibrium between savings and loans.

Such incidents always require a bit of time to stabilize. Past experience has shown that after a government intervention in the amount of state support, the system requires about 8 years to stabilize, which is the average building savings contract cycle.

The majority of indicators indicate that Czech building savings is nearing a long-term balanced equilibrium. The number of old contracts has decreased and a stable inflow of new of contracts are being signed. Czech building savings banks at year end had 3 312 077 savings contracts and 650 214 loans. Also the loan and savings values are converging. Let us remind ourselves that the average loan is 618 000 CZK and the average savings are 110 000 CZK.

Balances of deposits and loan accounts at 2016 year end (in CZK billion)



The ratio of the total loans to deposits has over the last year increased by 3%, to 66%, which is the highest percentage of the past 5 years. Thus two-thirds of all savings deposits were used to fund better housing through loans and currently there are enough funds to fund further loans.

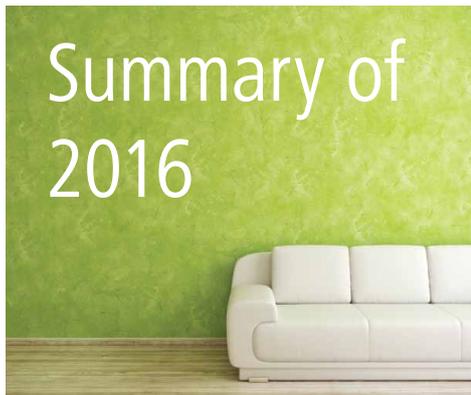
The good news is that repeat surveys show that buildings savings has become the most attractive savings product.

Other events

In the first half of the year the lawmakers were discussing the modifications relating to the termination of contracts for minors through their legal guardians. Now to terminate a contract there is no longer the need for the approval of the custodial court as long as all the parents or guardians are in agreement and the contract is older than 6 years, so the minor does not run the risk of losing their state subsidy entitlement. The AČSS also celebrated success on the diplomatic front when at the autumn congress of the European Federation of Building Societies Jan Jeniček, the AČSS first deputy president, was elected as the President of the federation for a three year period.

From the 1st of December new legislation relating to providing loans

came into effect. The AČSS adopted a new standard, named the calculation methods of Annual Percentage Rates of Costs of building savings. According to this standard all prospective clients who are considering taking out a loan from a building savings bank should have the opportunity to compare various offers from building savings banks and other financial lenders. More information can be found at: www.acss.cz/cz/stavebni-sporeni/metodika-vypoctu-rpsn-uveru-poskytovanych-stavebnimi-sporitelnamii/



Summary of 2016

Low interest rates paved the way for record cheap loans. There were 77 504 loans issued at a total value of 47.9 billion CZK. The average loan reached almost 618 000 CZK.

At year end building savings banks were overseeing 363 billion CZK of their clients' savings, which is 18% of all Czech household savings in the banking sector.

The number of signed contracts was 473 712 and the average amount of savings was almost 110 000 CZK.

There are enough resources for further lending and the system is lending effectively. At year end 66% of deposits had been lent out.

Building savings has become the people's preferred way of saving.

Building savings is the most popular savings product in the Czech Republic.

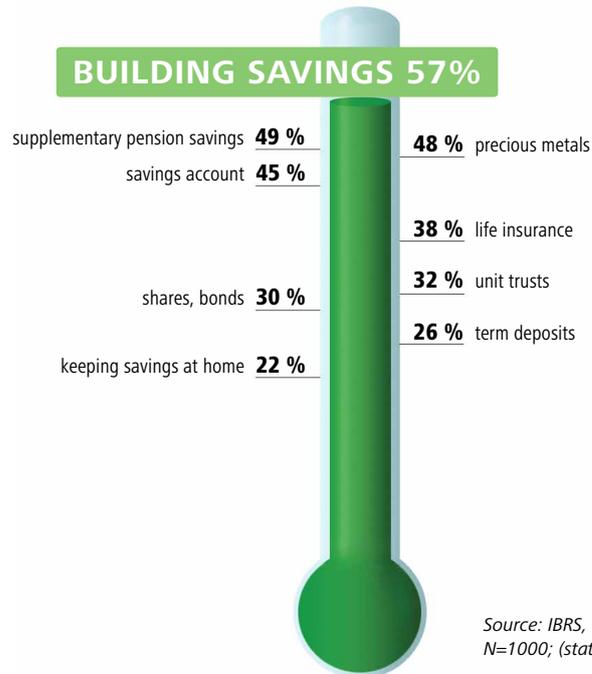
Through 2016 the AČSS conducted 4 surveys where they asked respondents to rate various savings schemes. Every quarter a thousand respondents were asked the following question:

'Regardless of the way you currently save your finances, please note which of the following forms of saving methods you find especially interesting.'

From these results a so-called barometer of savings products is deduced. Building savings was the only product to get more than half the votes and this result was repeated in all of the 4 surveys. During the last survey in November it was favoured by 57% of the respondents.

During the year the overall popularity of all products increased. On average it reached more than 40% whereas at the beginning of the year it was 36.6%. Rather than investing their money in

various savings products, the respondents in their own words would rather purchase a property or block of land. This indicates that Czechs have a very positive view of housing and their related commodities.



Source: IBRS, November 2016
N=1000; (statistical deviation: max. 2.6%)



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

AČSS

Association of Czech Building Savings Banks

Vodičkova 30
110 00 Praha 1

+420 224 422 093

tajemnik@acss.cz

www.acss.cz