

XIXth European Congress of the EFBS in Prague



CONGRESS OPENING

HAVE WE REACHED A TURNING POINT IN FINANCIAL AND HOUSING MARKETS?

XIXth European Congress of the EFBS in Prague
17th and 18th October 2019

Jan Jeníček

President of the EFBS and

Chairman of the Board, Raiffeisen stavební spořitelna a.s. Czech Republic

WORLD SITUATION IN 2019

- A **trade war between the US and China** and evidence of economic fragility in China,
- An escalating cycle of **tension in the Middle East**
- The **rise of populist governments** in countries as disparate as Brazil and Italy, with consequent uncertainty about their political and economic strategies,
- An **environmental crisis** whose impact can be seen and felt but whose causes are still too often ignored.
- And there is **BREXIT** with chaos in the short term an increasing possibility.

FEDERAL FUNDS RATE



MONEY FOR ZERO

- Key **ECB interest rates** (with effect from 2019 18 Sep.):

– Deposit facility	Main refinancing operations (Fixed rate tenders - Fixed rate)	Marginal lending facility
-0.50	0.00	0.25

(interest rate levels in percentages per annum)

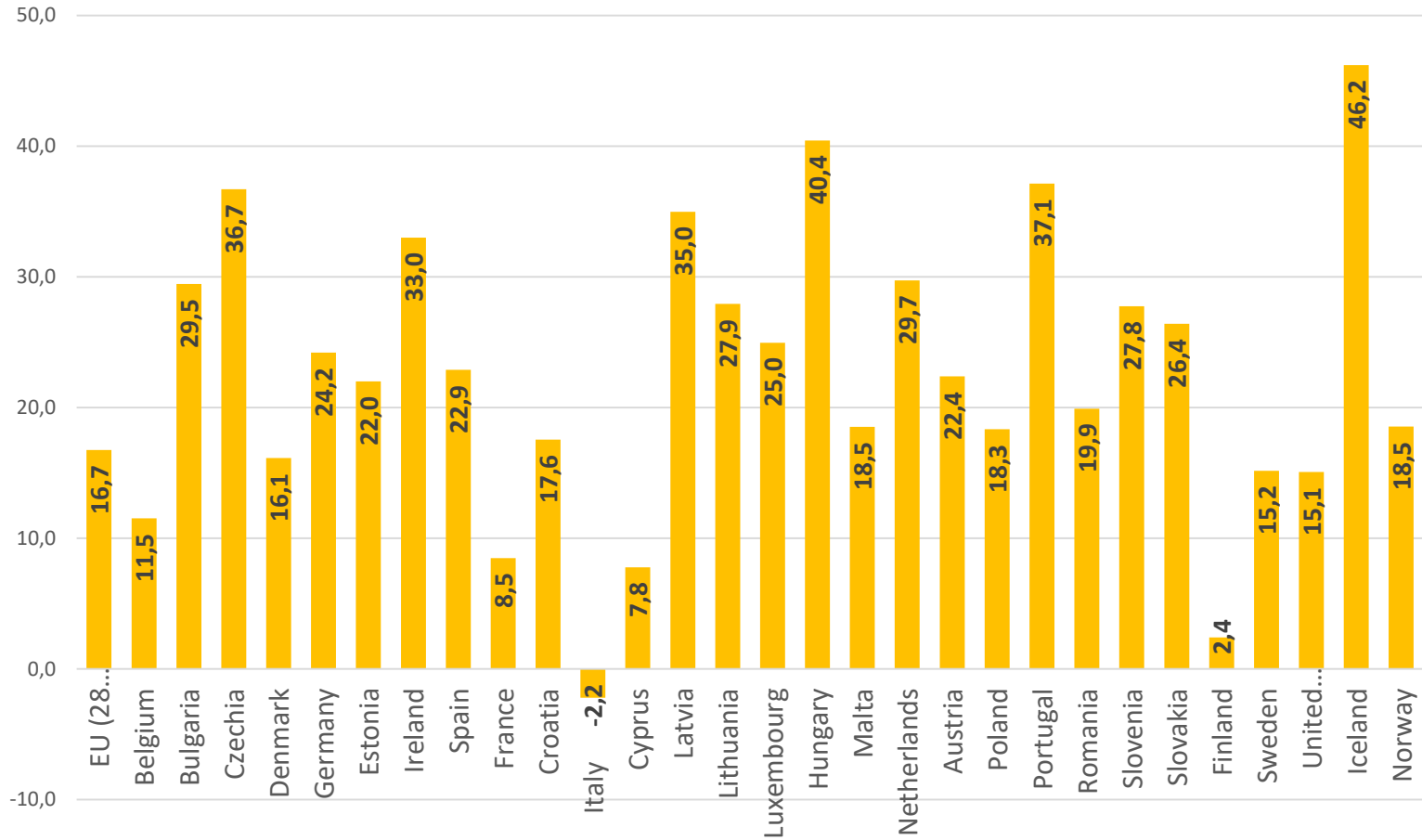
- New euro-denominated deposits from euro area residents
(percentages per annum, period average rates; EUR billions, new business)

	2019 Jan.	2019 Feb.	2019 Mar.	2019 Apr.	2019 May	2019 June	2019 July	2019 Aug.
MFI interest rates								
From households								
Overnight	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
With an agreed maturity of:								
<i>up to 1yr</i>	0.34	0.32	0.29	0.32	0.29	0.30	0.30	0.28
<i>over 1 and up to 2yrs</i>	0.31	0.32	0.36	0.37	0.38	0.39	0.38	0.32
<i>over 2yrs</i>	0.74	0.70	0.76	0.75	0.79	0.82	0.80	0.78

Source: ECB MFI interest rate statistics

HOUSE PRICES RISING IN EUROPE

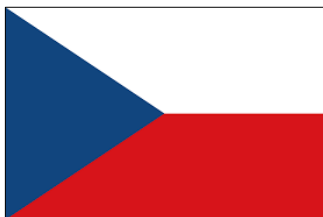
House price change in % (2015 to 2019Q1)



OUTLOOK

- Christine Lagarde, Managing Director of the IMF, is set to head the European Central Bank.
 - She will likely maintain Draghi's course for the foreseeable future. Under her aegis, the IMF regularly urged central bankers to flood the markets with money, so that it is foreseeable that **Lagarde is likely to insist on quantitative easing should inflation remain low.**
- The outlook for the development of mortgage interest rates and house prices is not surprising:
 - **interest rates** are likely to **remain extremely low** and
 - **house prices** are set to **increase further.**
- The latter, however, further **amplifies the risk of housing bubbles** in most European markets.

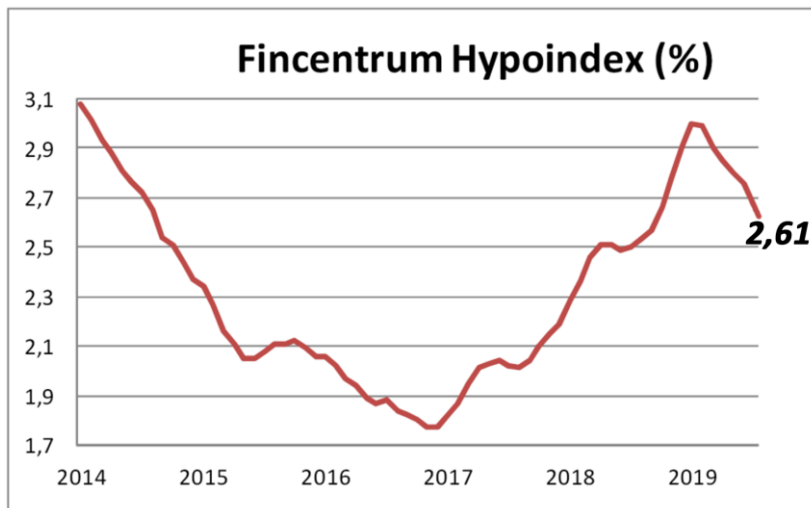
WELCOME TO THE CZECH REPUBLIC



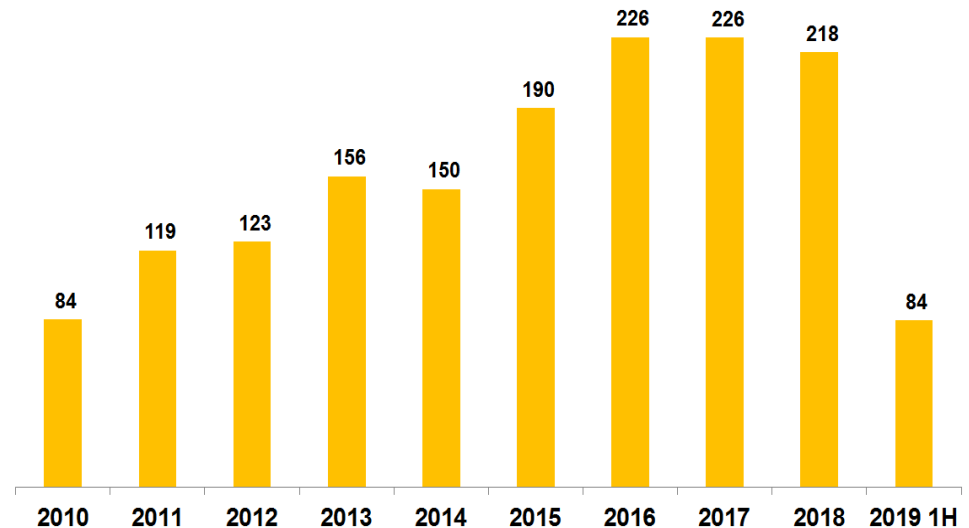
Average gross monthly wages and salaries index (2015H1 to 2019H1)	128.2
House price index (2015 to 2019Q1)	136.7
Debt-to-income ratio of households	56 %
Authority	Czech National Bank

SITUATION IN THE CZECH REPUBLIC

Average Mortgage Rate 2.61 %
in August 2019

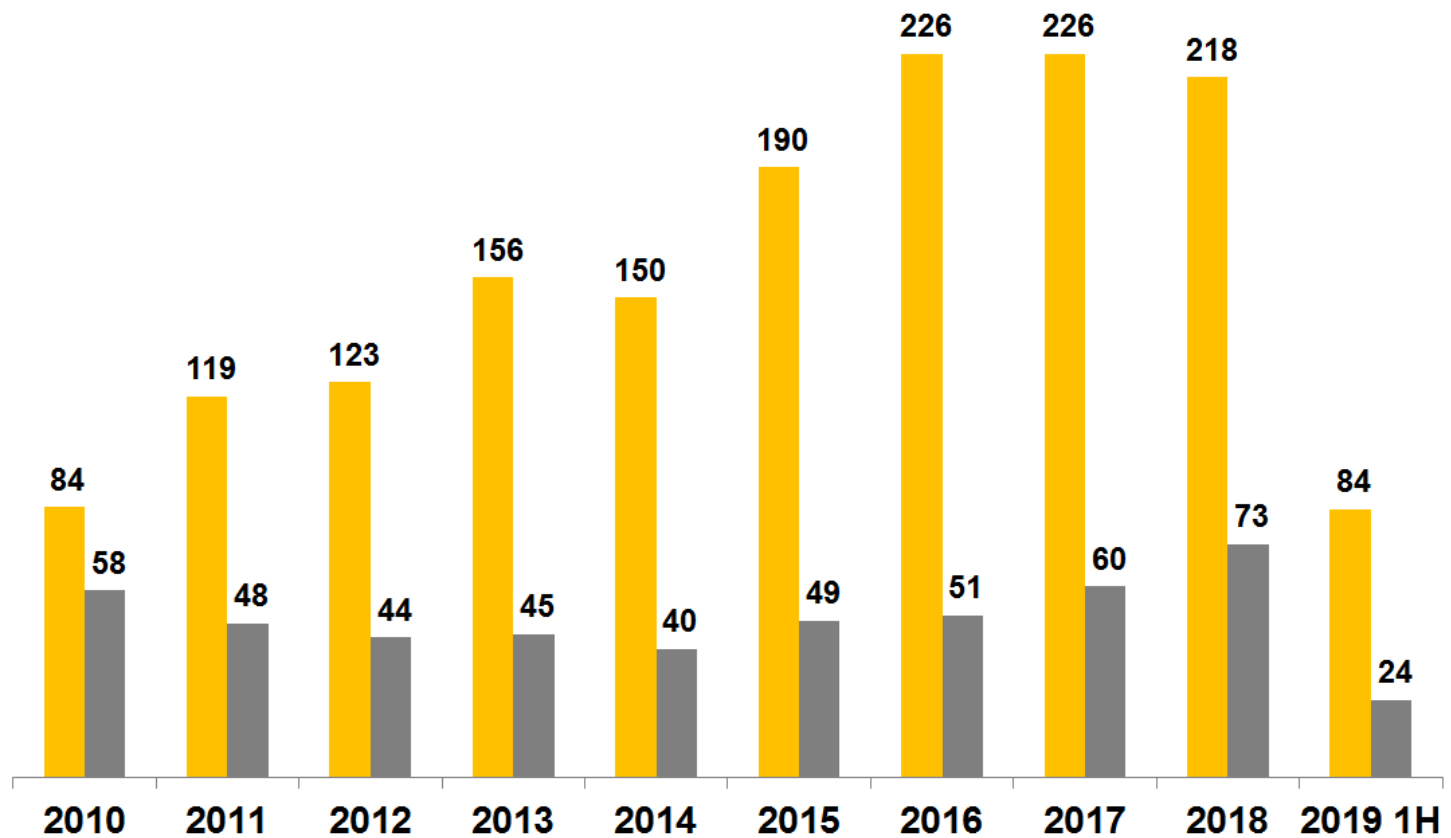


Volume of Mortgages down by
20 % in 2019 (B CZK)



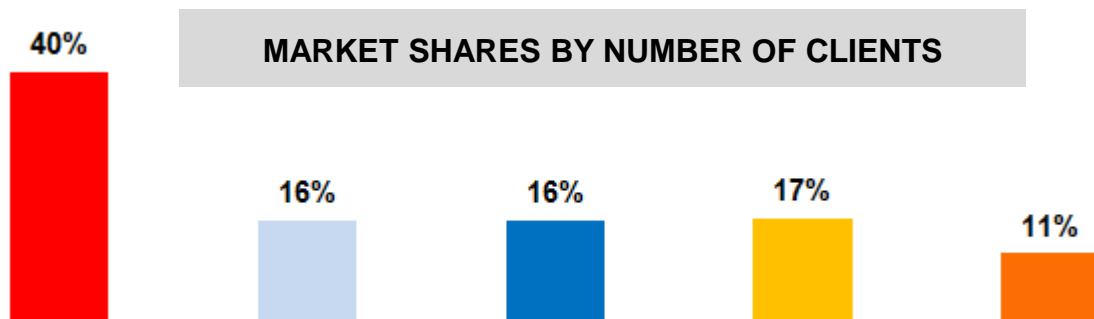
SITUATION IN THE CZECH REPUBLIC

Volume of Mortgages and Building Savings Credits (B CZK)



BUILDING SAVINGS SYSTEM IN THE CZECH REPUBLIC

- Started 1993
- 5 building savings banks on the market



- 3.2 million clients, **30 % of the population**
- 355 B CZK (13,7 B EUR) on deposit, **15 % of all Czech deposits**
- 600 thousand active loans, every fifth client takes a loan
- 263 B CZK (10,2 B EUR) in loans, **20 % of all Czech housing loans**

**Every fifth client takes a loan.
Loan to deposit ratio is 77 %.**



Českomoravská stavební spořitelna, a.s.



Stavební spořitelna České spořitelny, a. s.



Modrá pyramida stavební spořitelna, a.s.



Raiffeisen stavební spořitelna a.s.

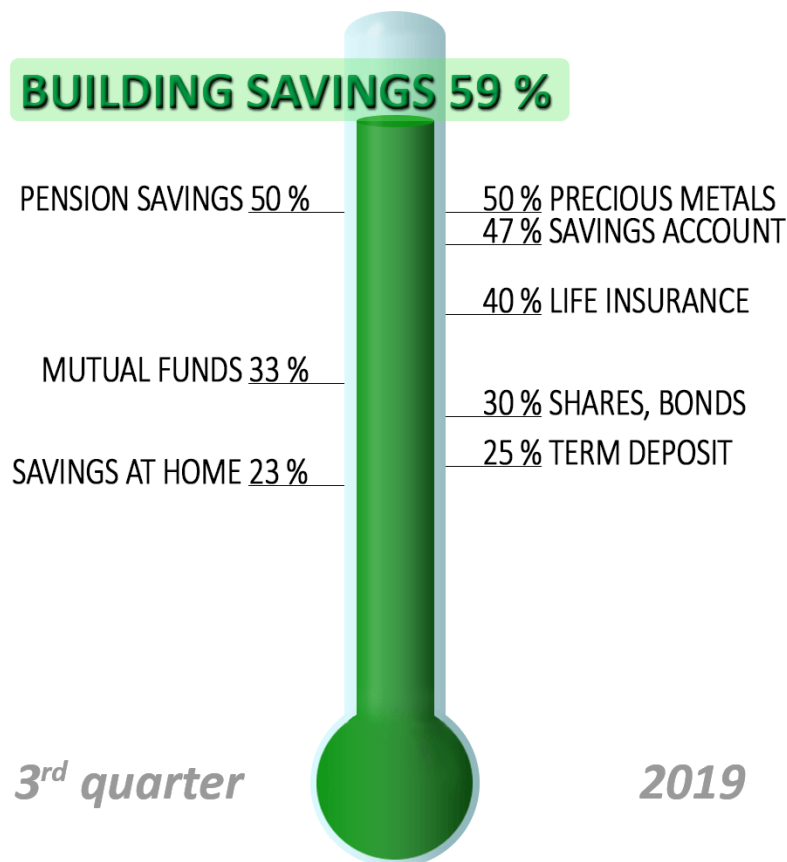


wüstenrot

Wüstenrot - stavební spořitelna a.s.



BUILDING SAVINGS SYSTEM IN THE CZECH REPUBLIC

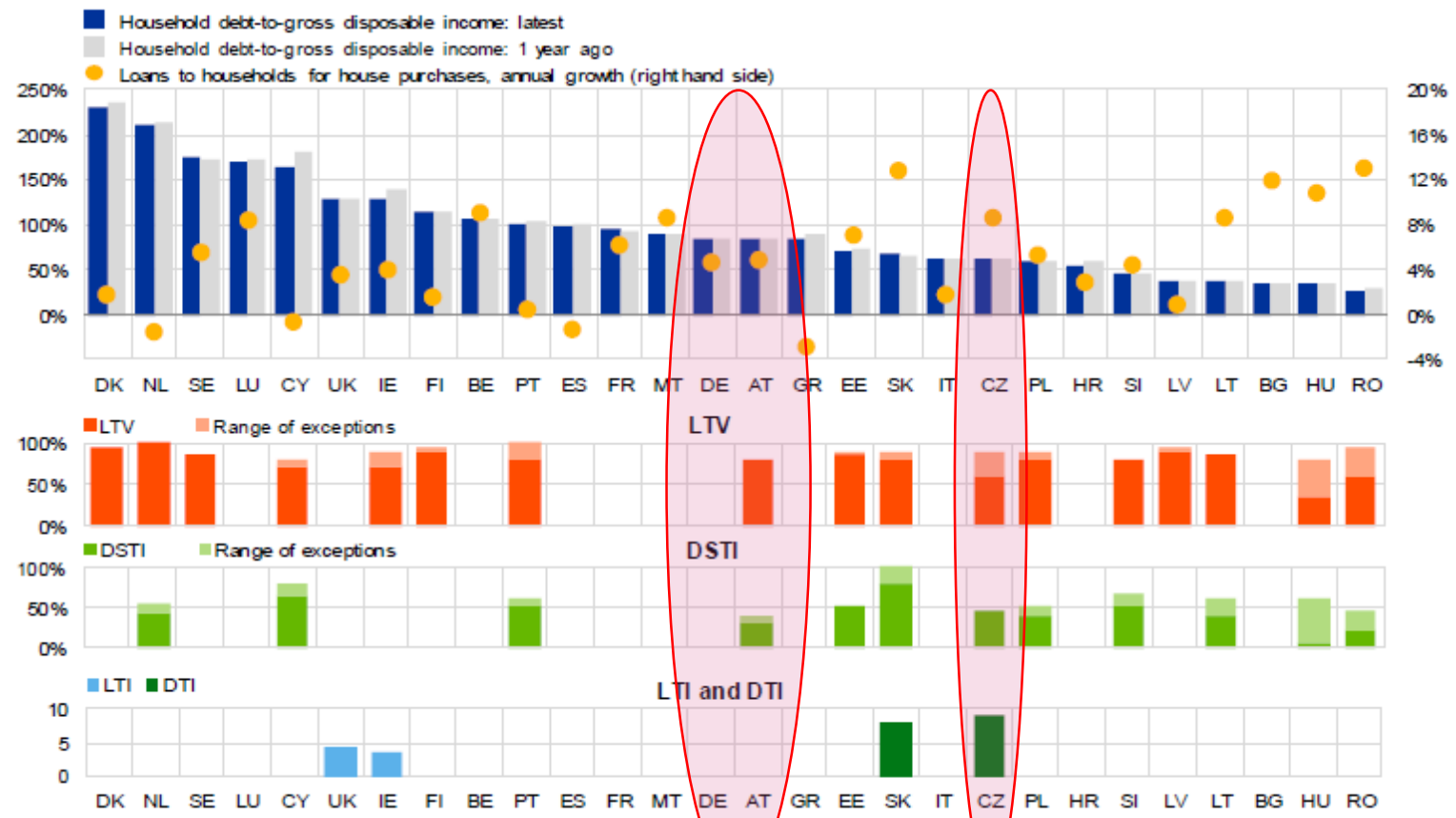


Building savings is the most popular savings product in the Czech Republic, according to an industry survey.



The level of household debt (upper chart) vis-à-vis the implementation of borrower-based measures (bottom three charts) across Member States

(%; multiples (LTI and DTI))



ARE THE HOUSING LOANS ATTRACTIVE FOR CLIENTS IN THE CZECH REPUBLIC?



- Low interest rates
- Banking innovations



- House prices
- Own Funds (LTV)
- Affordability (DTI, DSTI)
- Administrative burden



CAN WE MAKE OUR CLIENTS HAPPY?

- Housing loan to be **easy, simple and quick**



Source: www.granburybaptist.org

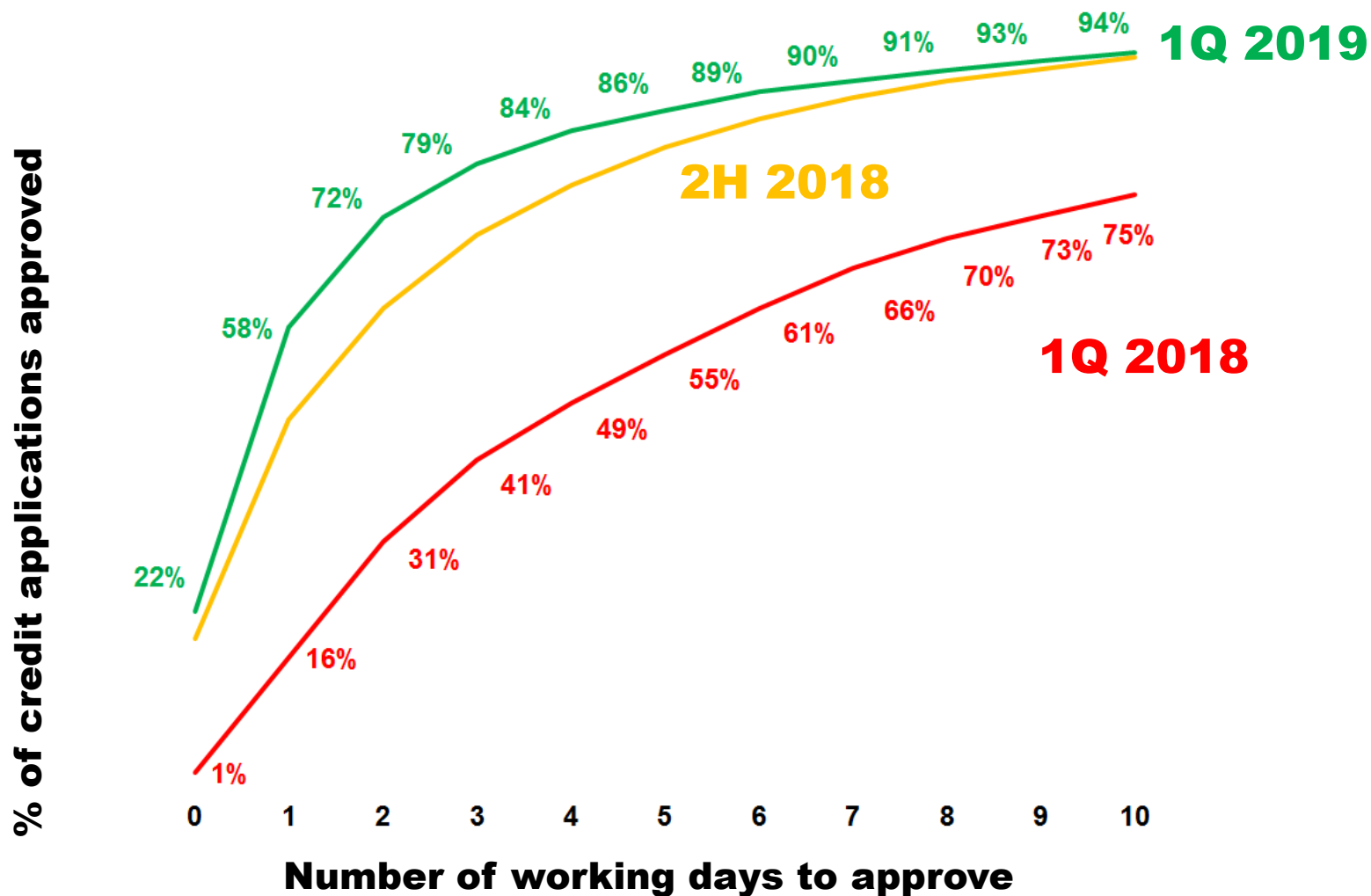
RAIFFEISEN STAVEBNÍ SPOŘITELNA

- Top priority is given to digital processing, automation and biometric signing.



	Paper form	Semi digital form	Digital form	Total
New savings contracts	16%	29%	55%	19 778
Amendments	11%	19%	69%	13 082
Terminations	21%	15%	64%	21 160
Credit applications	5%	0%	95%	4 166
Credit contracts	68%	0%	32%	4 726
Total	20%	18%	62%	62 912
<i>Steps of HQ</i>	<i>Digitalization, Typing, Checking</i>	<i>Digitalization, Checking</i>	<i>Checking</i>	

TIME TO APPROVAL 1Q 2019



Average number of working days to approval decreased by 64 %, from 8.4 to 3.0 days.

RISK DASHBOARD

DATA AS OF Q1 2019

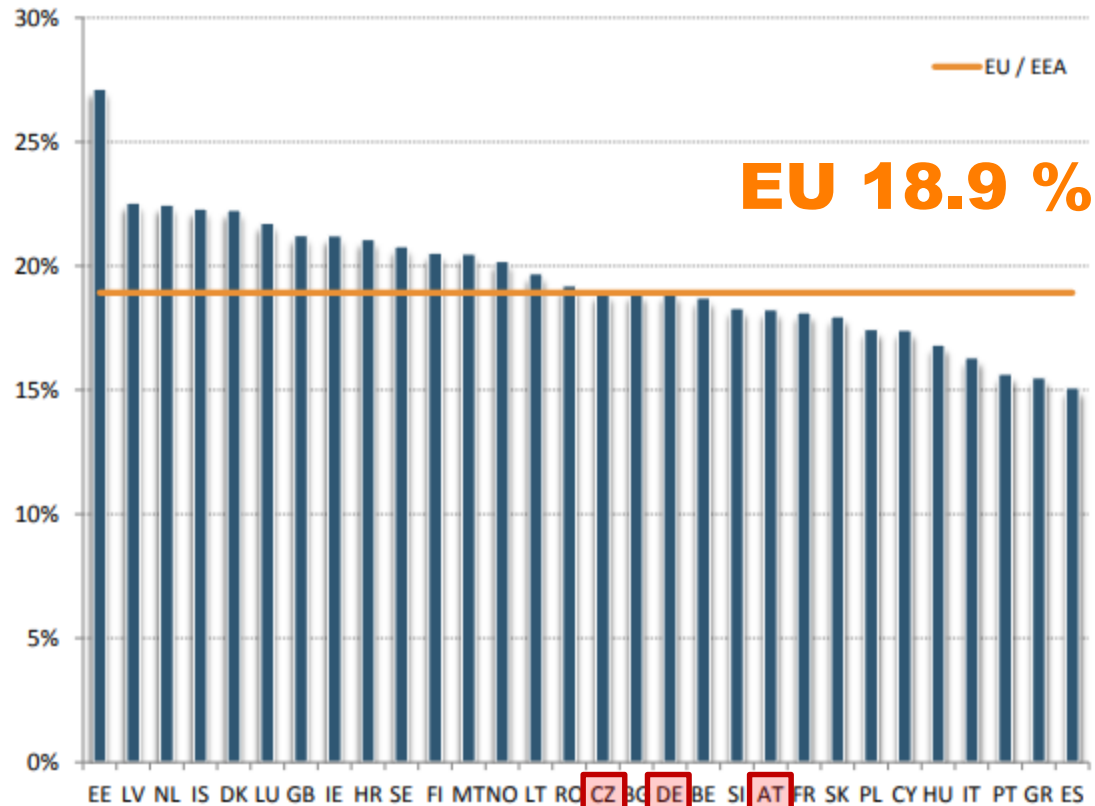


EUROPEAN
BANKING
AUTHORITY

RSTS figures as of June 2019

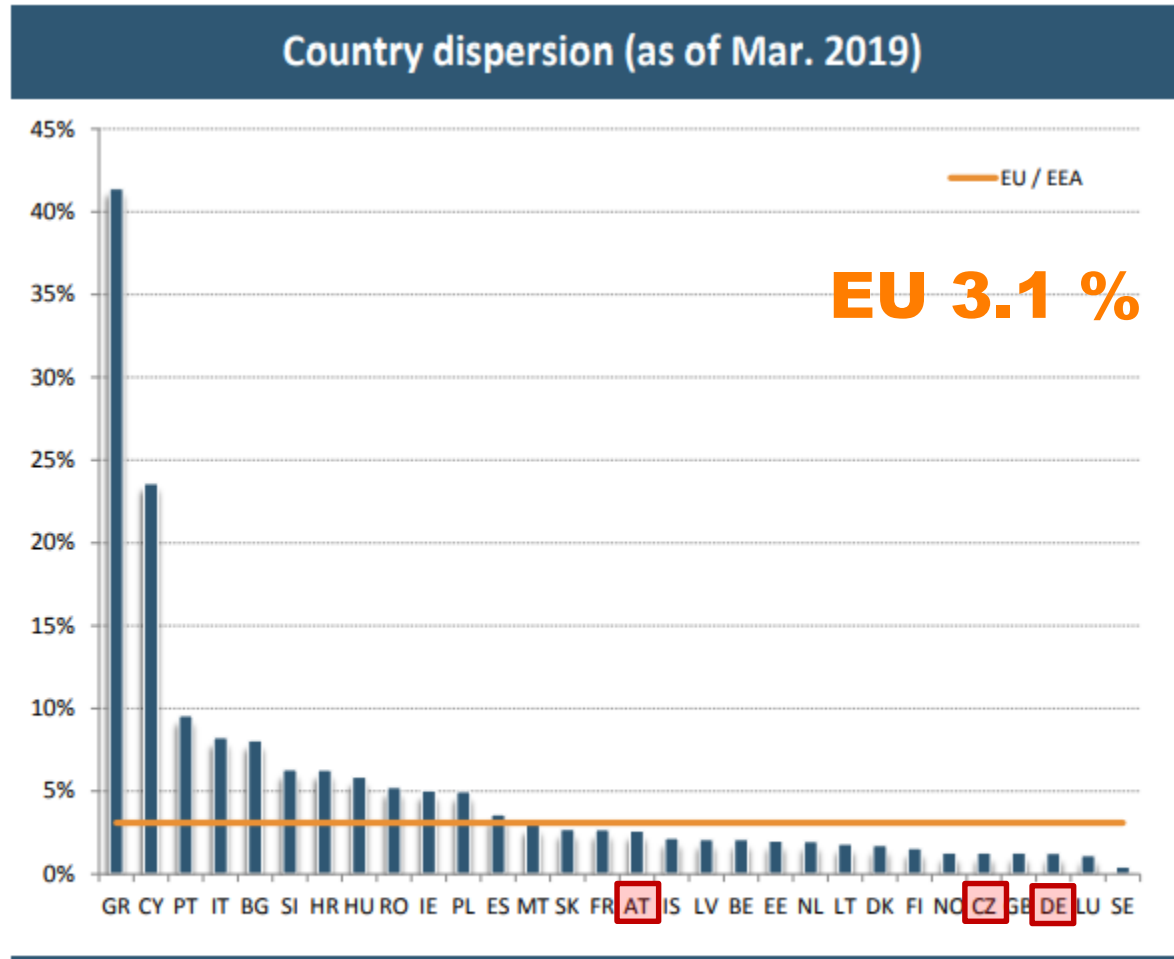
TOTAL CAPITAL RATIO

Country dispersion (as of Mar. 2019)



Weighted Averages by country.

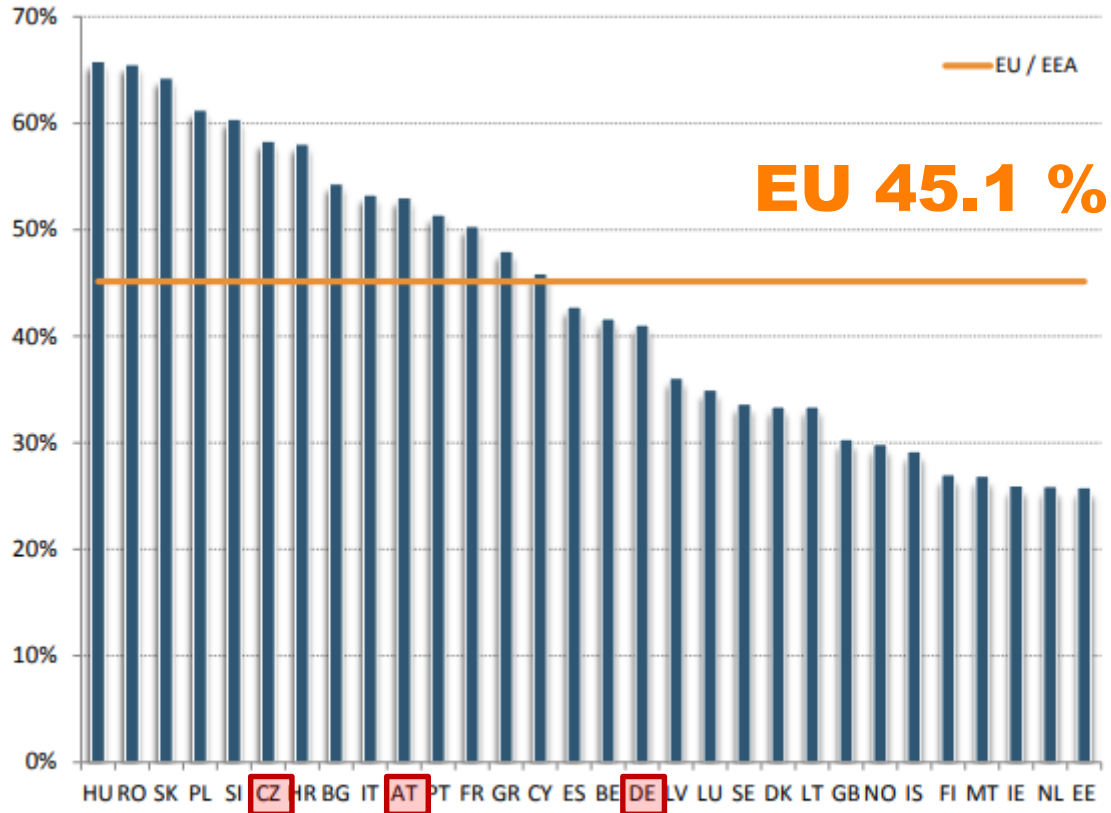
RATIO OF NON-PERFORMING LOANS



Weighted Averages by country.

COVERAGE RATIO OF NPL

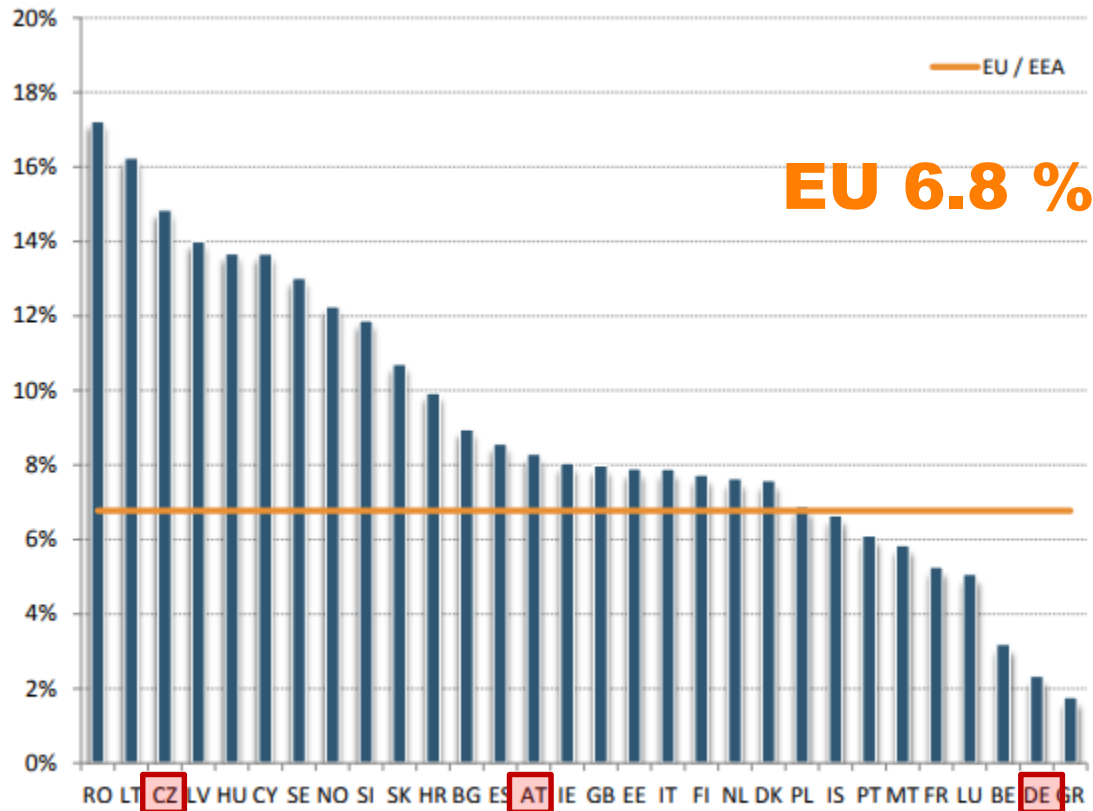
Country dispersion (as of Mar. 2019)



Weighted Averages by country.

RETURN ON EQUITY

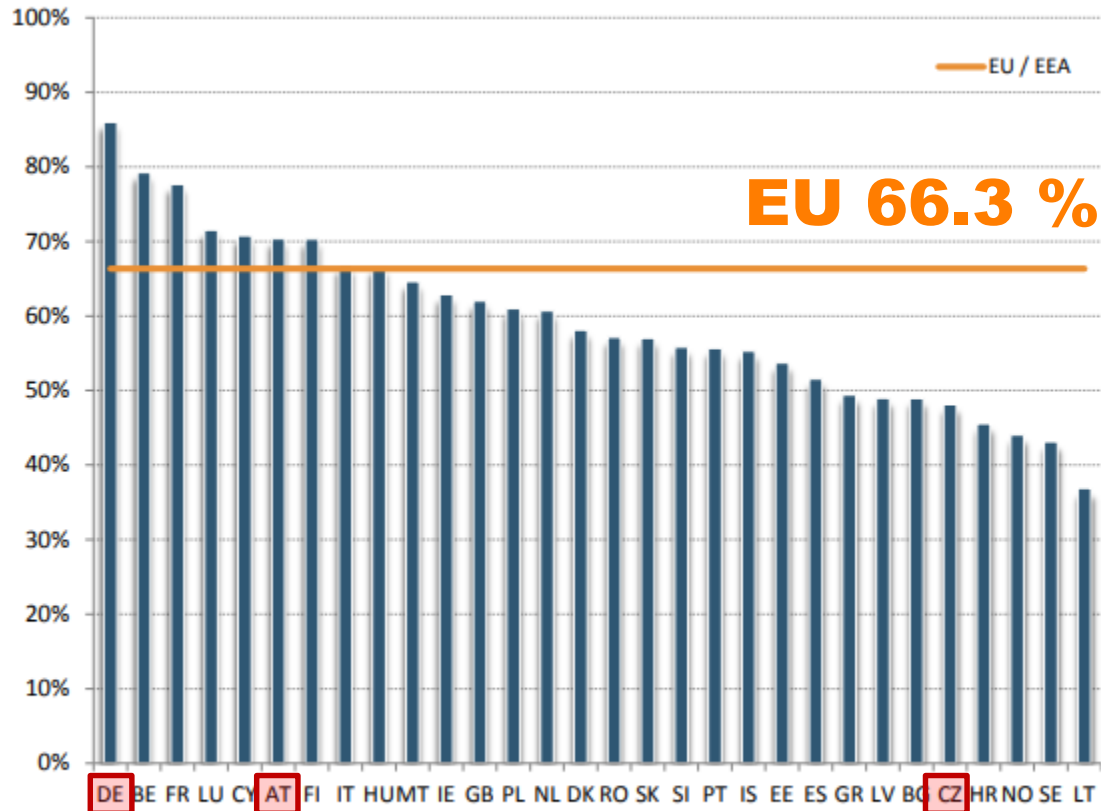
Country dispersion (as of Mar. 2019)



Weighted Averages by country.

COST TO INCOME RATIO

Country dispersion (as of Mar. 2019)



Weighted Averages by country.

THANK YOU FOR YOUR ATTENTION

As a chairman of the Association of Czech Building Savings Banks I am pleased to invite you to the **evening event** at the historic Rudolfinum building.

