



NÁRODNÁ BANKA SLOVENSKA

BUILDING SOCIETIES BUSINESS IN SLOVAKIA

**UN-HABITAT AND THE EUROPEAN FEDERATION
OF BUILDING SOCIETIES
BERLIN, 22 SEPTEMBER 2004**

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NATIONAL BANK OF SLOVAKIA**



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- **Building Societies in Slovakia: developments in 1992 - 2004**
- **Legal conditions for establishment and undertaking of BS**
- **State support to housing**
- **Activities of Building Societies: structure and products**
- **Market developments**



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- **Building Societies in Slovakia:
Developments in 1992-2004**



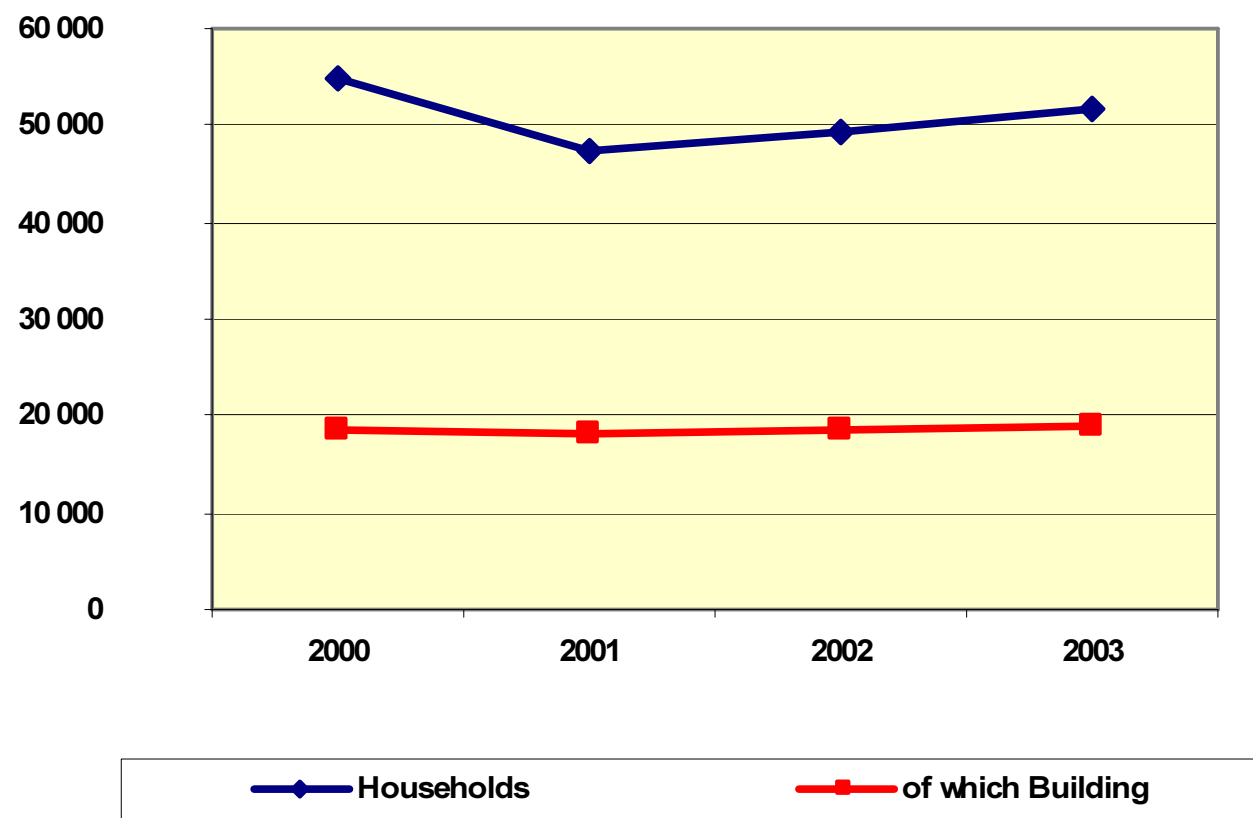
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Basic Indicators of Slovak Economy

	1993	1997	1998	1999	2000	2001	2002	2003	2004
GDP	-3.7	4.6	4.2	1.5	2.0	3.8	4.4	4.2*	5.5* (Q1)
Share of Priv. Sector on GDP	37.3	82.6	81.0	83.3	83.2	83.4	89.0	89.9	88.5 (Q1)
Annual Inflation Rate	25.1	6.4	5.6	14.2	8.4	6.5	3.4	9.3	8.3 May
Annual Core Inflation					3.55	2.39	1.46	2.27	2.08 May
Unemployment Rate	14.4	12.5	15.6	19.2	17.9	18.6	17.4	15.6	14.5 May
Income in SKK				10728	11430	12365	13511	14365	15471
Exchange Rate EUR/SKK				42.46	43.996	42.760	41.722	41.161	39.734 9July
Basic Interest Rate of the NBS	12	8.8	8.8	8.8	8.8	8.8	6.5	6.0	4.5
Ratings									
Standard and Poor's	-	BBB-	BB+	BB+	BB+	BBB-	BBB	BBB	BBB+
Moody's	-	Baa3	Ba1	Ba1	Ba1	Baa3	A3	A3	A3
Fitch Ratings	-	BBB-	BB+	BB+	BB+	BB+	BBB-	BBB	BBB+
R and I	-	BBB	BBB-	BB+	BB+	BBB-	BBB-	BBB	BBB
Number of Banks	18	25	25	23	21	19	18	18	18
of which: Building Societies	2				3	3	3	3	3



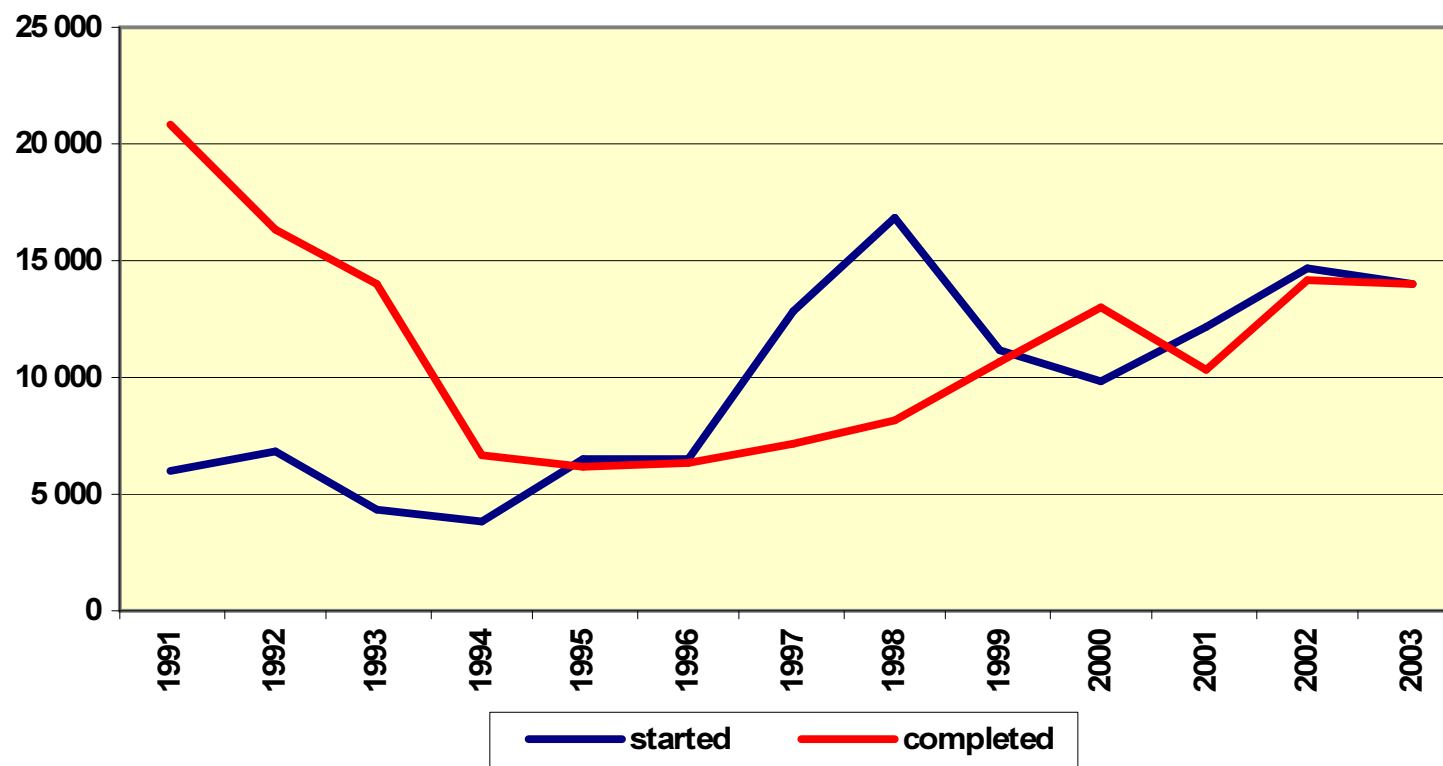
Fixed Capital Formation in million SKK





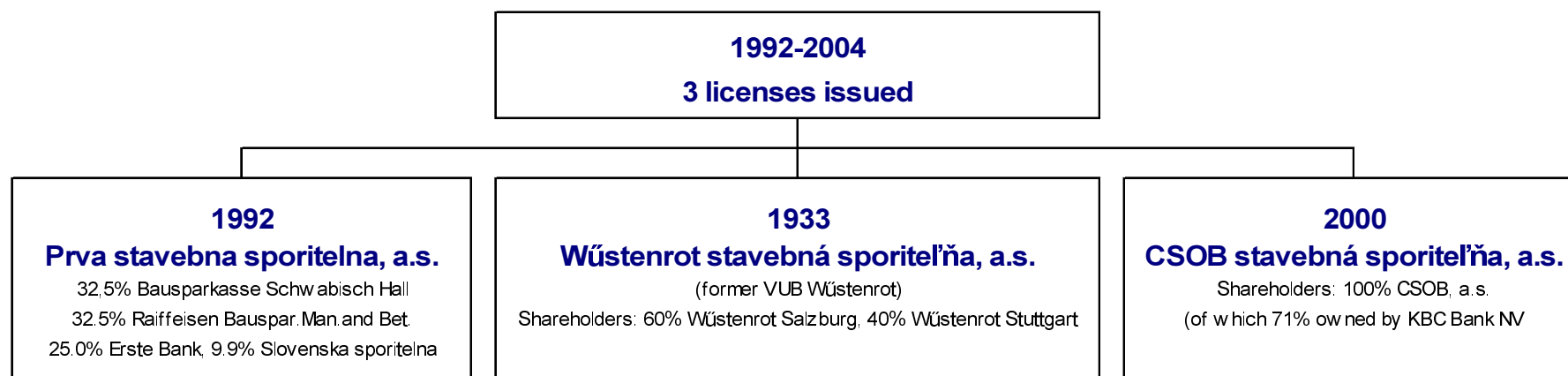
Housing Construction

(in number of units)





History of Slovak Building Societies Establishment

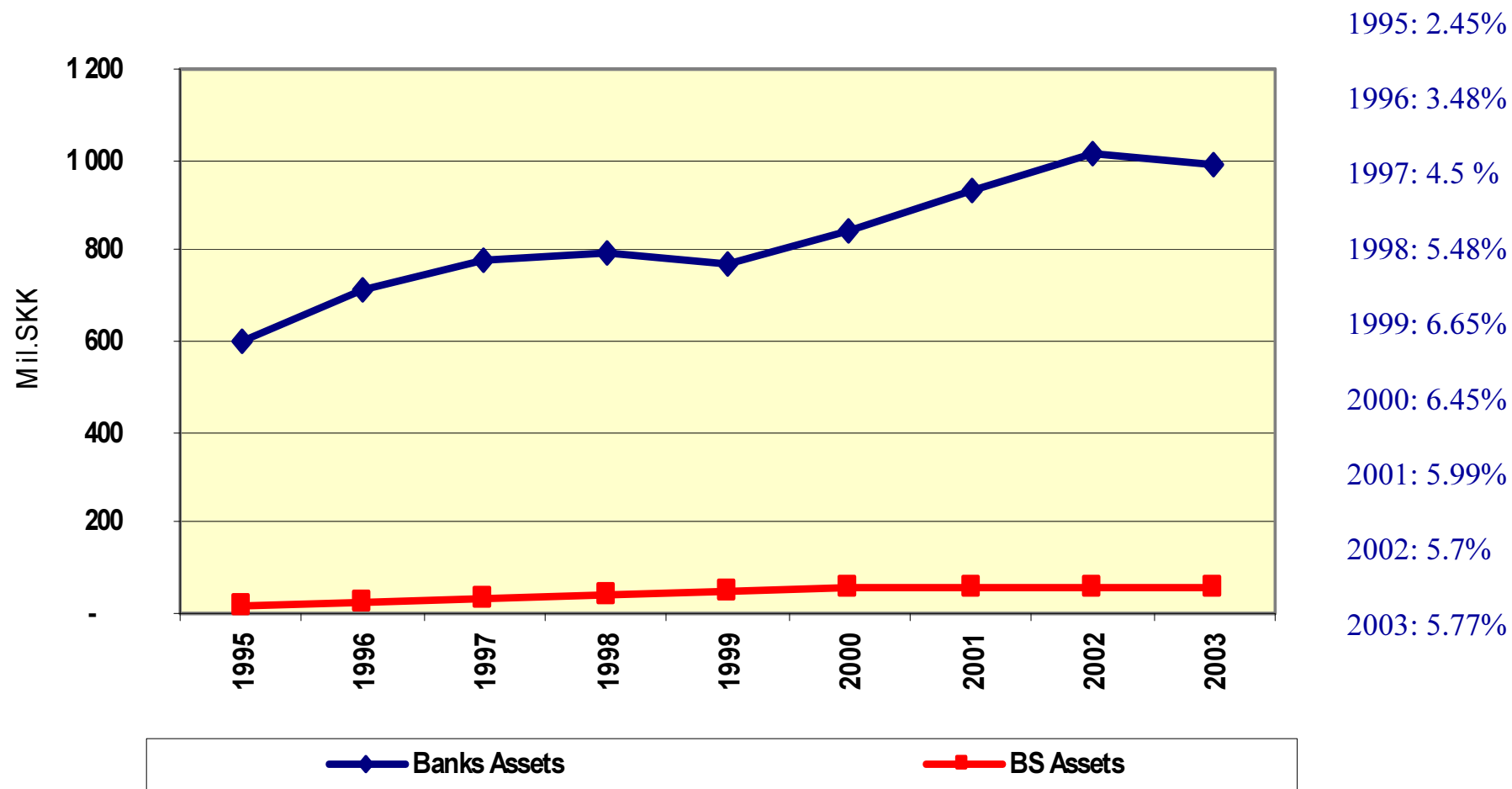


Prva stavebna sporitelna, a.s.: established by Slovenska sporitelna - the former state ow ned bank (35%)

VUB Wüstenrot, a.s.: established by Vseobecna uverova banka - the former state ow ned bank (50%)



Building Societies' Share in the Banks' Activities





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2. Legal Conditions for Establishment and Undertaking of Building Societies



Building Societies Relevant Laws

- ***Building Societies Act*** No. 310/1992 Coll. in amendments
- ***Banking Act*** No. 483/2001 Coll. in amendments
- ***National Bank of Slovakia Act*** No. 566/1992 Coll. in amendments
- ***Deposit Protection Act*** No. 118/1996 Coll. in amendments
- ***State Budget Act*** (for a particular year)



Banking Act



- Licensing (i.a. initial capital of SKK 500m)
- Prudential regulation and supervision (incl. secondary legislation)

Home Savings Act



- Framework for undertaking
 - Definitions
 - Operations and Activities
 - Conditions (incl. % of government bonus from year deposit: in 2004: 15%, in 2003: 20%, ...)



State Budget Act



- Maximum amount of government bonus per year
(in 2004: SKK 2500, in 2003: SKK 3000, ...)
- Total amount of state support for home savings
(since Oct. 1999)

National Bank of Slovakia Act



- Conditions for operations with banks
(also building societies as banks in accordance with the Banking Act)
- Minimum reserve requirements
(since 2004: 2%, until 2003: 3%; banks: from 4 to 9% till 2002; bearing interest of 1.5%)
- Banking supervision

Deposit Protection Act



Contributions to Deposit Protection Fund:

- Initial contribution (SKK 1m.)
- Annual contribution
(from 0.1% to 0.75% of deposits protected; building societies different from banks until 2004; downpaid on a quarterly basis)
- Extraordinary contribution

Protection of home-savers

- From 1.5.2004: 20 000EUR max., max.90 % of deposits protected; until 2004: 30x of average wage, max.90 %; until 2001: 60x of average wage



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3. State Support to Housing



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State Support to Housing in SR



Home savings (Building Societies)



Mortgage Loans



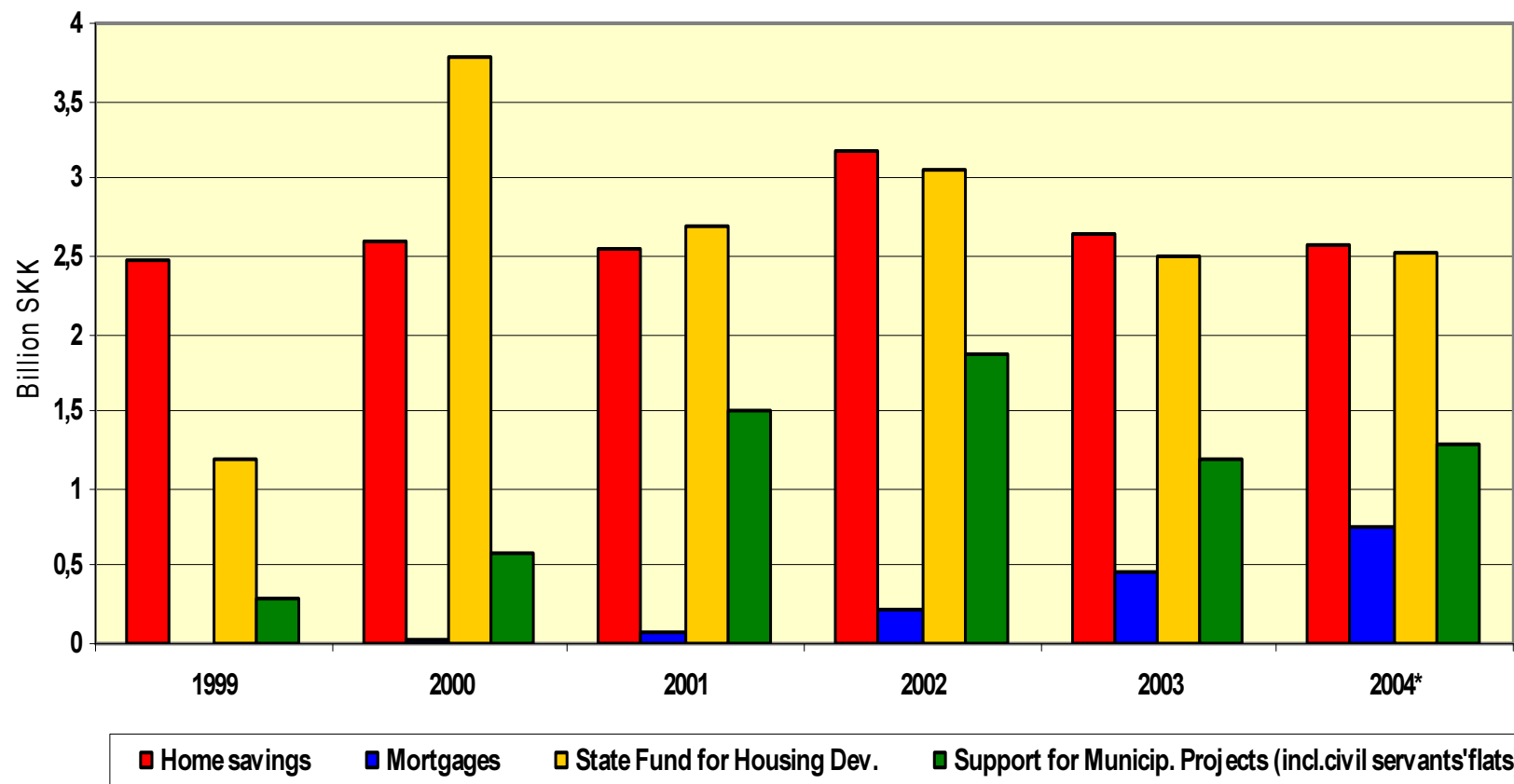
State Fund for Housing Development



State Support for Municipal Housing Projects
(incl.flats for civil servants)



State Funds Distribution





Tools of State Policy Support (of Home Savings)

- **Government bonus
of year deposits**

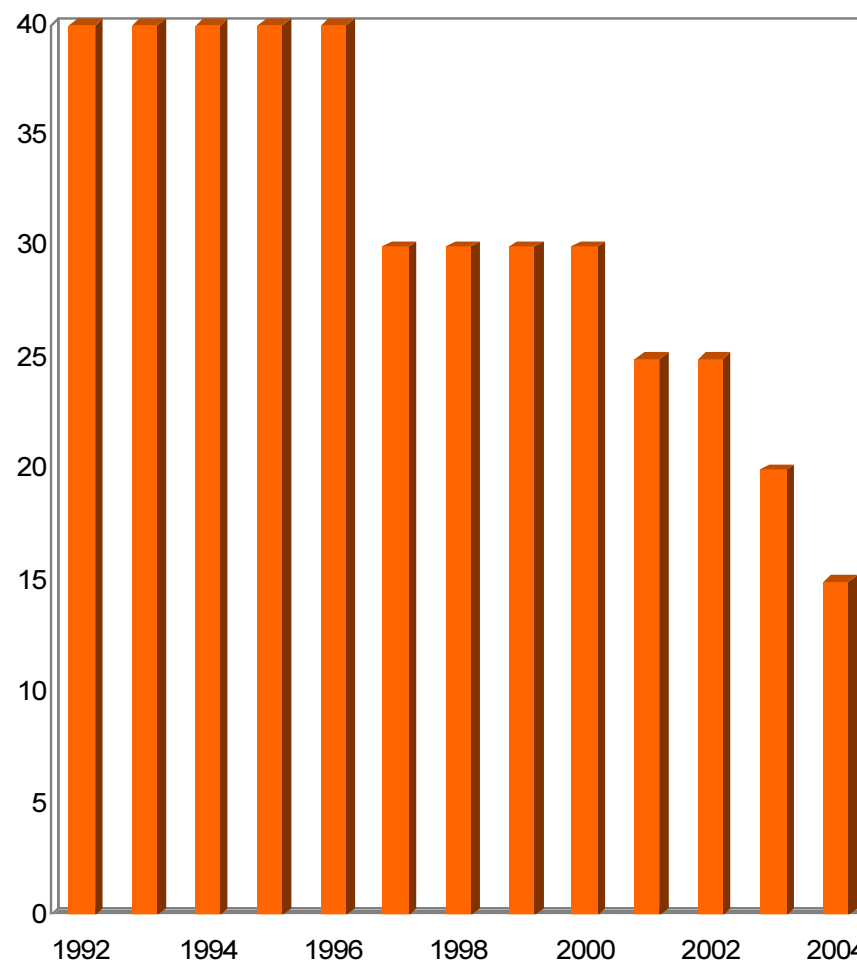
–1992 - 1996: 40 %

–1997 – 2000: 30 %

–2001 – 2002: 25 %

–2003: 20 %

–2004: 15 %





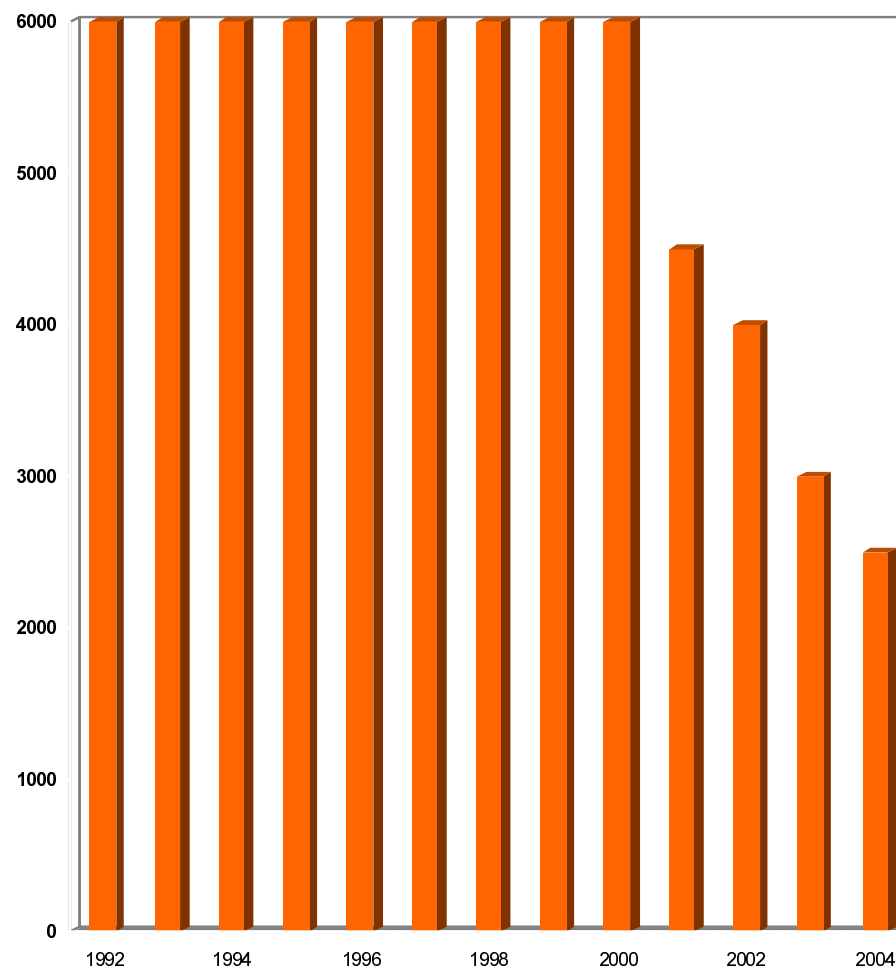
Tools of State Policy Support (of Home Savings)

- **Government bonus:**
maximum amount per year

- 1992 - 2000: **6000 SKK**
- 2001: **4500 SKK**
- 2002: **4000 SKK**
- 2003: **3000 SKK**
- 2004: **2500 SKK**

- **Tax exemption:**

- until 2003: **0% tax**
(banks: 15%)
- 2004: **19% tax**





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Duty to Deposit Protection Fund

(of Building Societies)

Annual contribution

- **band set by the law:**

- ✓ **0.1 % - 0.75 % (until 2001: 0.1 % - 0.3 %)**

- ✓ **Building societies half of the band (until Nov. 2001)**

- **level determined by the Fund**

- ✓ **1996-2001: 50 % of 0.3 %**

- ✓ **2002: 50 % of 0.75 %**

- ✓ **2003: 75 % of 0.75 %**

- ✓ **2004: 90 % of 0.75 %**

- ✓ **since 2005* 100 % of 0.75 %**



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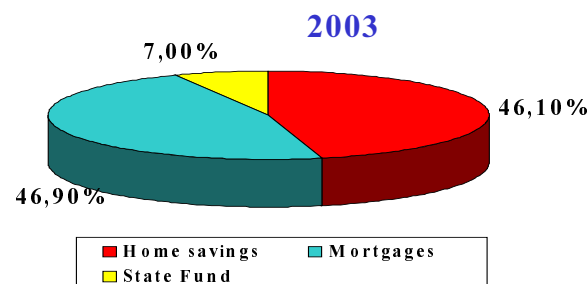
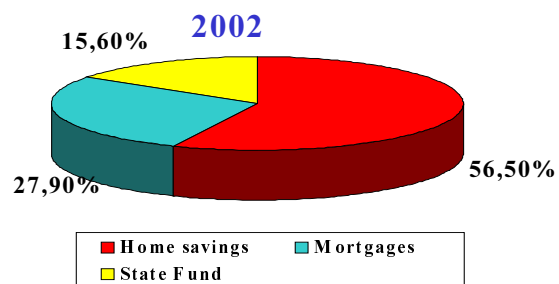
4. Activities of Building Societies: Structure and Products



Building Societies hold around 46 % of Housing Market

Funds provided (in ml. SK):

	2002	2003
Home savings	18 808	18 590
Mortgages	9 283	18 938
State Fund for Housing Development	5 200	2 844





Structure of Assets and Liabilities

(of Building Societies)

Assets



- **Loans to home-savers**
- **Investments in securities, (mortgage, municipal and govern. bonds, T-bills, NBS-bills)**
- **Inter-bank assets**
- **Claims against state budget**
- **Others**

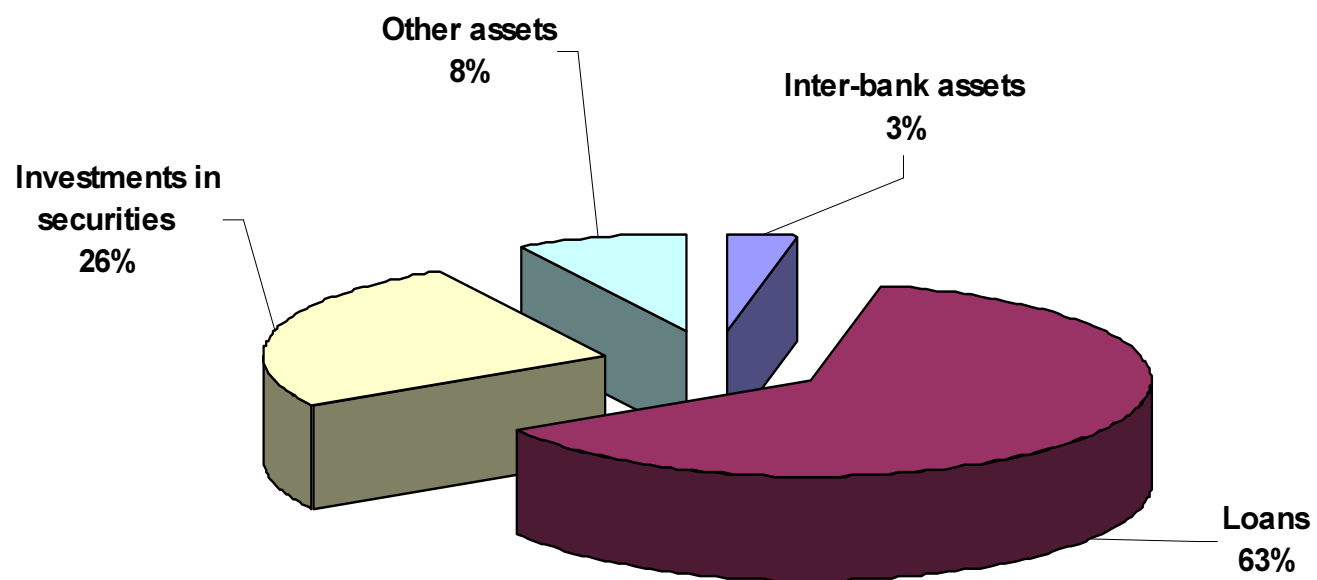
Liabilities



- **Home-savers' deposits**
- **Equity Capital**
- **Obligations to state budget**
- **Inter-bank liabilities**
- **Others**

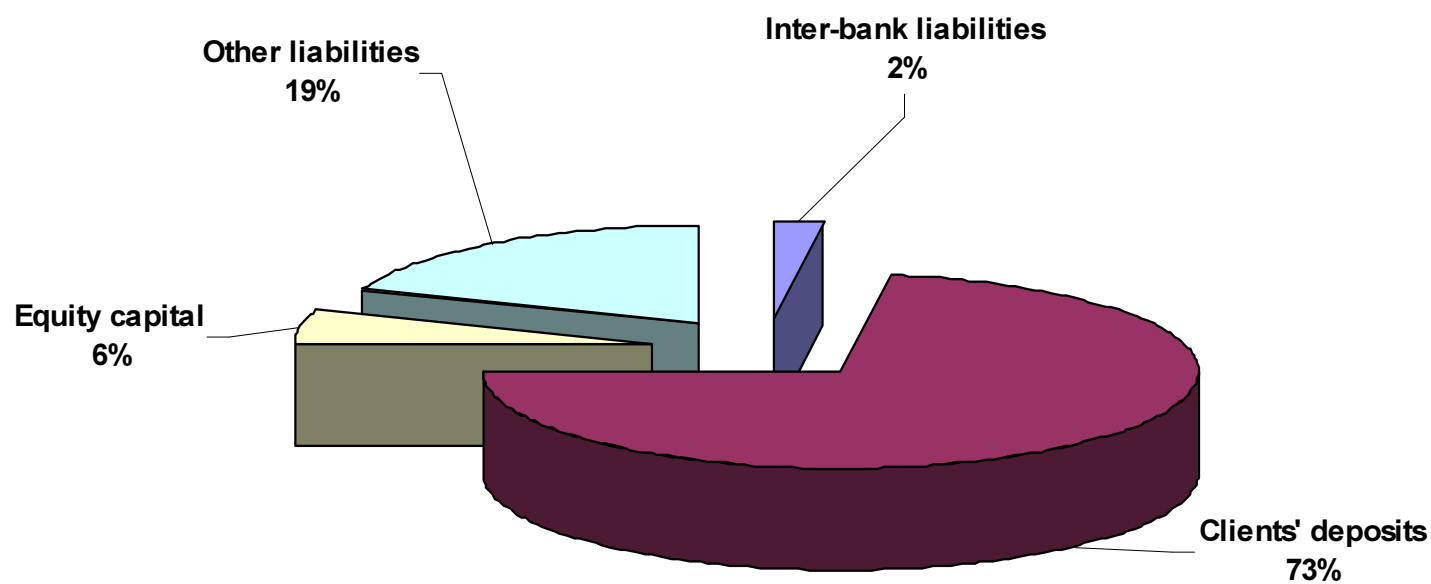


Building Societies - Asset Structure as of 31.12.2003





Building Societies - Liabilities Structure as of 31.12.2003





Developments in Activities and Operations

(as specified in the Act)

- **Subjects covered**

- **1992** home-savers: individuals (home-savers)
- **1999** + legal entities (home-savers) ¹⁾

- **Activities**

- **1992** acceptance of deposits
provision of loans
- **1999** + provision of guaranties to banks (for home-loans,
mortgage and municipal loans)
+ deposit acceptance from banks,
+ further extension of trading for BS' own account (in MBS,
municipal bonds, state bonds, T-bills, NBS-bills)*,
+ payments and settlements, clearing (for home-savings purpose on only)
+ advisory services (for home-savings purpose on only)
- **2001** + advisory services in insurance (for home-savings purpose on only)
- **2003** + investments in securities*

1) special conditions in case of contracts, loans, no bonus, etc.



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Interest Rates and Products

(as specified in the Act)

Interest Rates:

- **1992 –2003** difference between deposit/lending rates 3 % as a maximum
- **Since 2003** repealed

Products:

- **1992** home loans (from home savings fund)
home loans under commercial conditions
(from temporarily free funds)
- **1999** + advisory services (for home-savings purpose on only)
+ guaranties to banks (for home-loans, mortgage and municipal loans)
- **2001** + advisory services in insurance (for home-savings purpose on only)



Capital Market in Slovakia

- **Savings Products**

- Interest rates on savings 2 % - 3 %
- Interest rates on deposits 4.5 % - 5 %
- Interest rates on home savings 2 % - 4.5 % (also 0% if on loans 2.75%)

- **Credits**

- Interest rates on loans
 - Mortgage loans 7 % - 9 %
(government contribution in 2004: 1 %)
 - Commercial loans 8 % - 12 %
- Interest rates on home loans 2.75% - 6 % (also 7 %)



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5. Market developments



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Home Savings Act - Draft Amendment

(June 2004)

•New approach to government bonus policy

- abolishment of bonus amount (set by the act) and its replacement by a formula (formula to be determined by the act: interest rates on state bonds, BRIBOR rates, index)

•Extension of investments and trading for BS' own account:

- in financial instruments of money and capital markets, conditioned by prior consent of the NBS

•Increased opportunities for home-savers -- legal entities

- increased share of legal entities on the total loan volume disbursement (from 5 % to 10 % of contracts, from 10 % to 15 % of inter-loans)