



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM



Building Societies in Slovak Banking Sector Remain Stable Even in the Crisis

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17 May 2010



Basic Features

- Creates a supplementary channel for real estate financing; No direct competition with mortgages
- Allows funding of housing finance needs from multiple sources (mortgages, building loans, own resources)
- Allows to obtain a loan even for lower income groups without collateral
- Motivates clients to save same money for financing needs connected with housing
- Re-allocates free sources



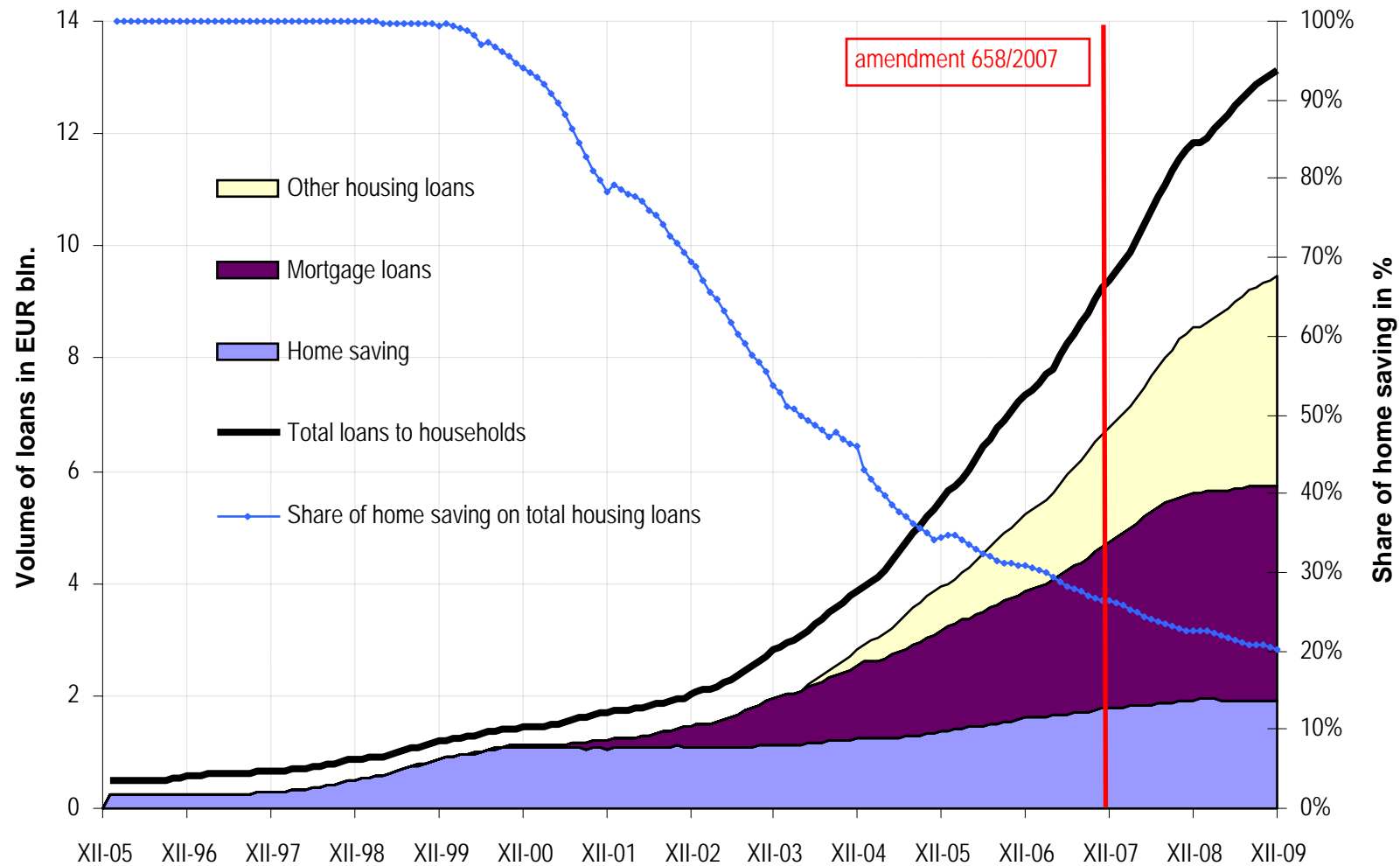
History in Brief

- Launched in 1992
- 3 building societies in operation, the last one since 2000
- Until 2001 the only source for financing of housing / with relatively high level of state subsidy
- Decrease in importance when mortgage market has developed / decrease in state subsidy
- Return to the play in 2009 / In the competition with mortgages which have decreased

Housing Loans Market in Slovakia



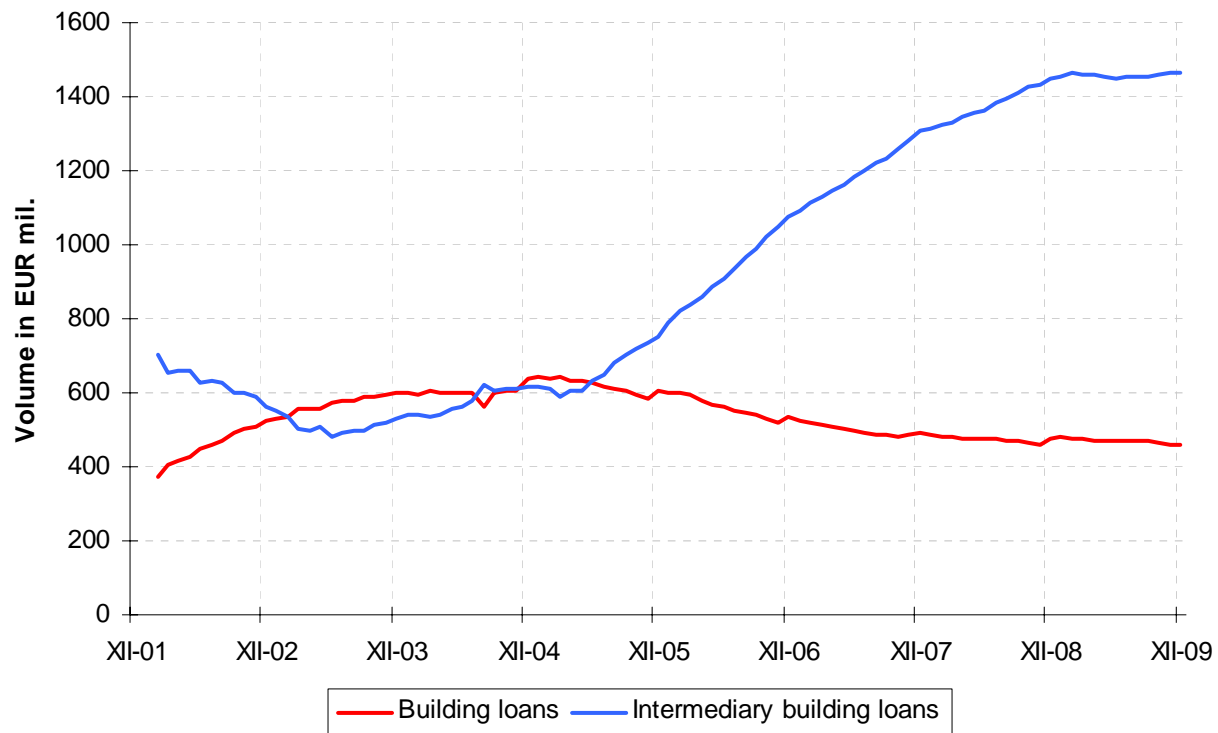
History in Brief



Housing Loans Market in Slovakia



History in Brief



- Rapid growth of intermediary housing loans during economic growth and boom of the real estate market



Euro-Currency Introduction & Financial Crisis

- Due to Euro-currency adoption in 1 Jan 2009 there was a substantial increase in deposits by the end of 2008
- In 2009 the reason for savings passed by – and together with the impact of crisis one could expect worse results of home saving business
- But: Lessons from autumn 2008, impact of crisis and growing fear of the future results in lower ability to borrow and increase in savings
- Building societies return to the play



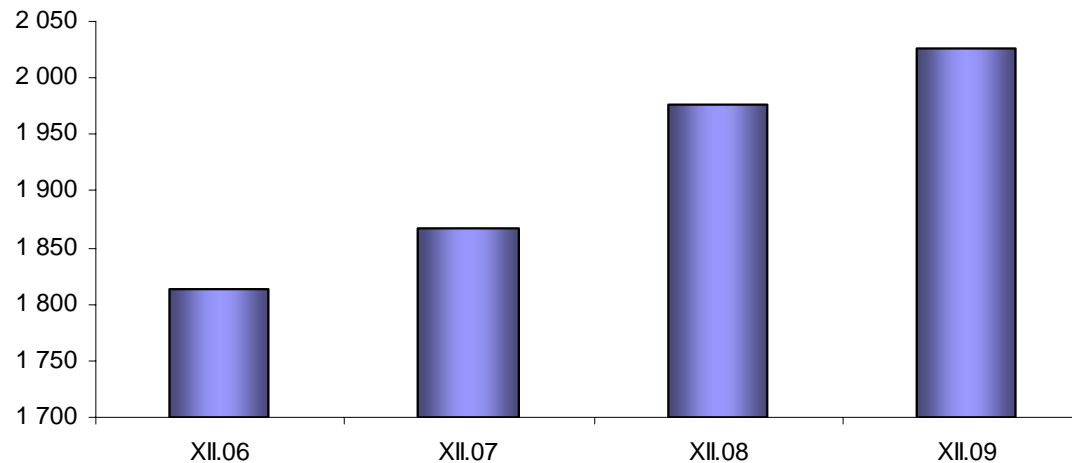
Building Societies Doesn't Complain About the Crisis

- There was the crisis that woke up the interest of the conservative method of recovery of financial funds
- In comparison with previous year:
- The amount of deposits for home savings has increased / mostly due to safety and state subsidy
- The total number of loan contracts has decreased but the average loan amount has increased by 27 %
- The number of new loans has increased as well as target amount of new contracts



Development of the Deposits

Volume deposit /2006 - 2009/ in ths. €



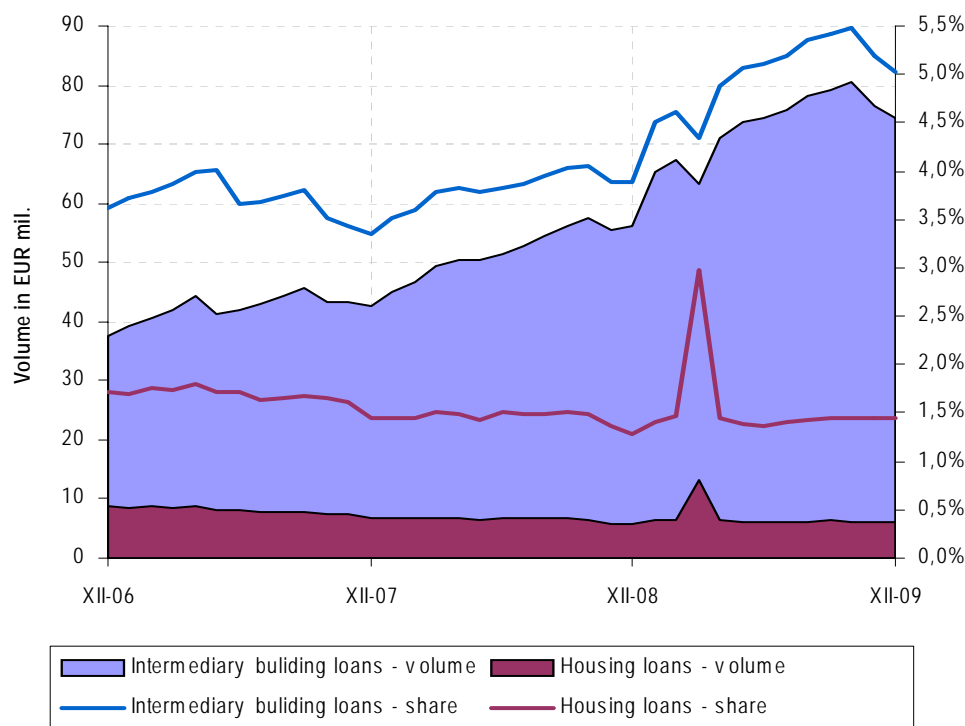
Source: NBS

- Deposits increased continually in the building societies
- Motivation of the clients: fixed interest rate, conservative access, state subsidy and guarantee

Building Societies in the Crisis



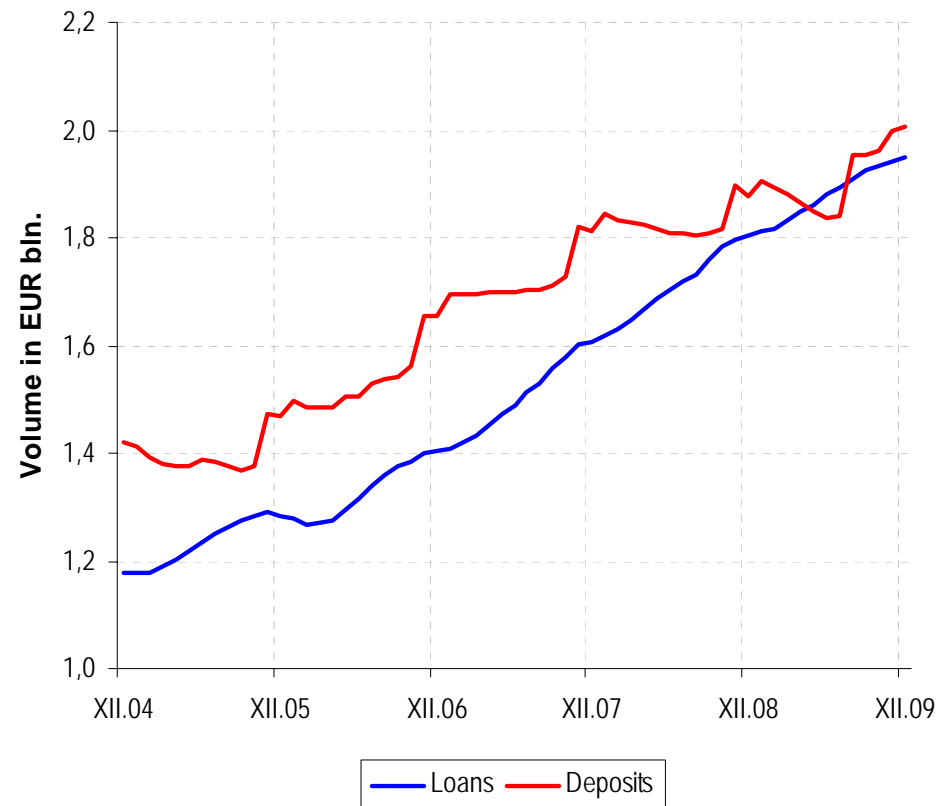
Development of the Credit Risk in Building Loans



- Increase of volume and share of the defaulted building loans (mainly new intermediary housing loans; some of them are guaranteed only personally)



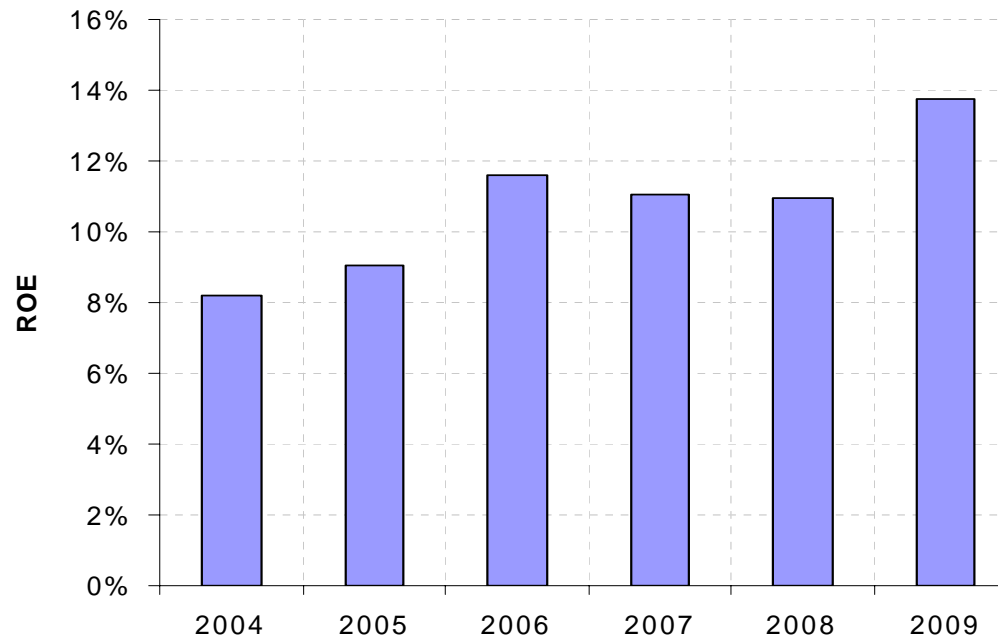
Development of the Liquidity



- Loans increased faster than deposits => rising pressure on the (long-term) liquidity



Development of the Profitability



- Building societies increased their profitability despite of crisis due to decrease of interest costs and increase of interest revenues



Some Pros & Cons (1)

(+)

- Building Societies had positive contribution to the stability of the financial market during the crisis
- Housing finance saving allocates free financial resources and supports economic growth
- For the ordinary client it is easier now to get the building loan with the building society
- Interest rate is fixed until maturity of the loan



Some Pros & Cons (2)

(+)

- More advantageous for small housing investments than mortgages –
 - e.g.: reconstruction, modernization, etc.
- Lower annuity repayment (it depends on type of the products)

(-)

- Recent decrease of interest rates for mortgages and easier access to mortgage loans decreases the attractiveness of housing finance saving



Thank you for your attention