



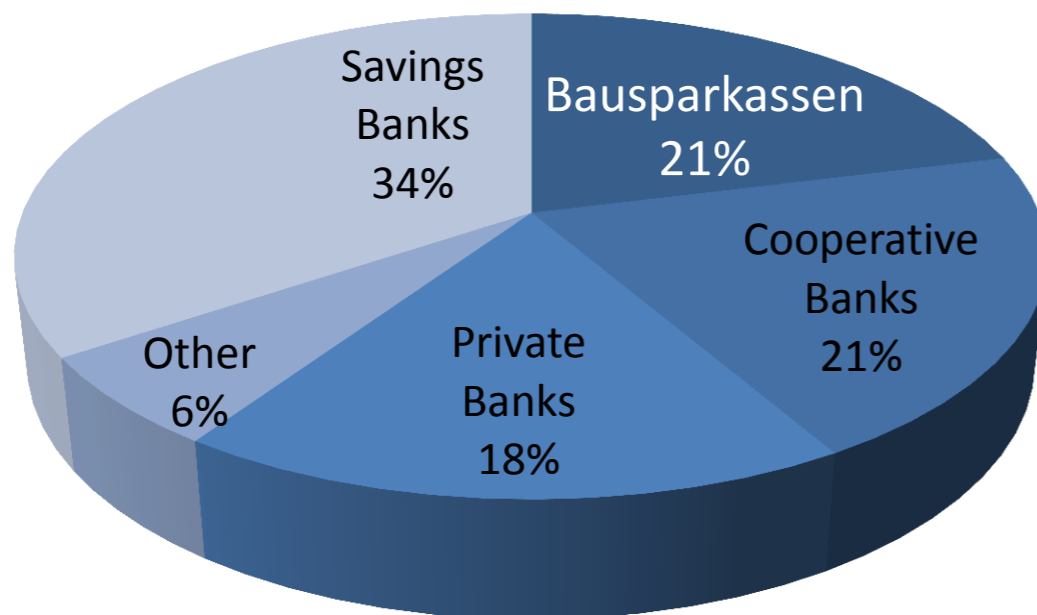
Verband der Privaten
Bausparkassen e.V.

Bausparen – a proven system of housing finance

1. Bausparkassen as key players in the housing finance market

	2013
Total number of contracts	30 million
Total contract sum	848 billion
Contract sum of new contracts	106 billion
Inflow of new savings	30 billion
Total Bauspar deposits	155 billion

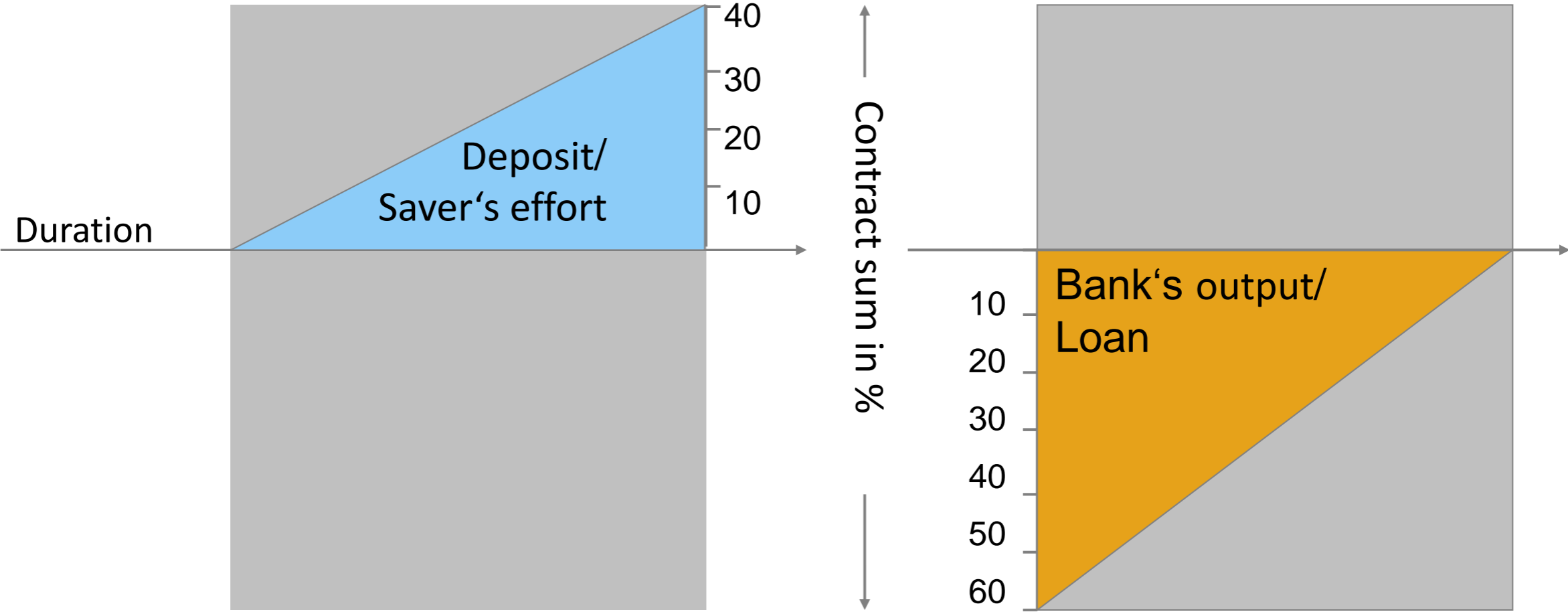
Market share in housing finance (2013)



Total of new housing loans = €159 billion

With €34 billion of disbursed loans in 2013 and a market share of 21%, Bausparkassen are the second largest player in the German market.

2. Bausparen: how it works



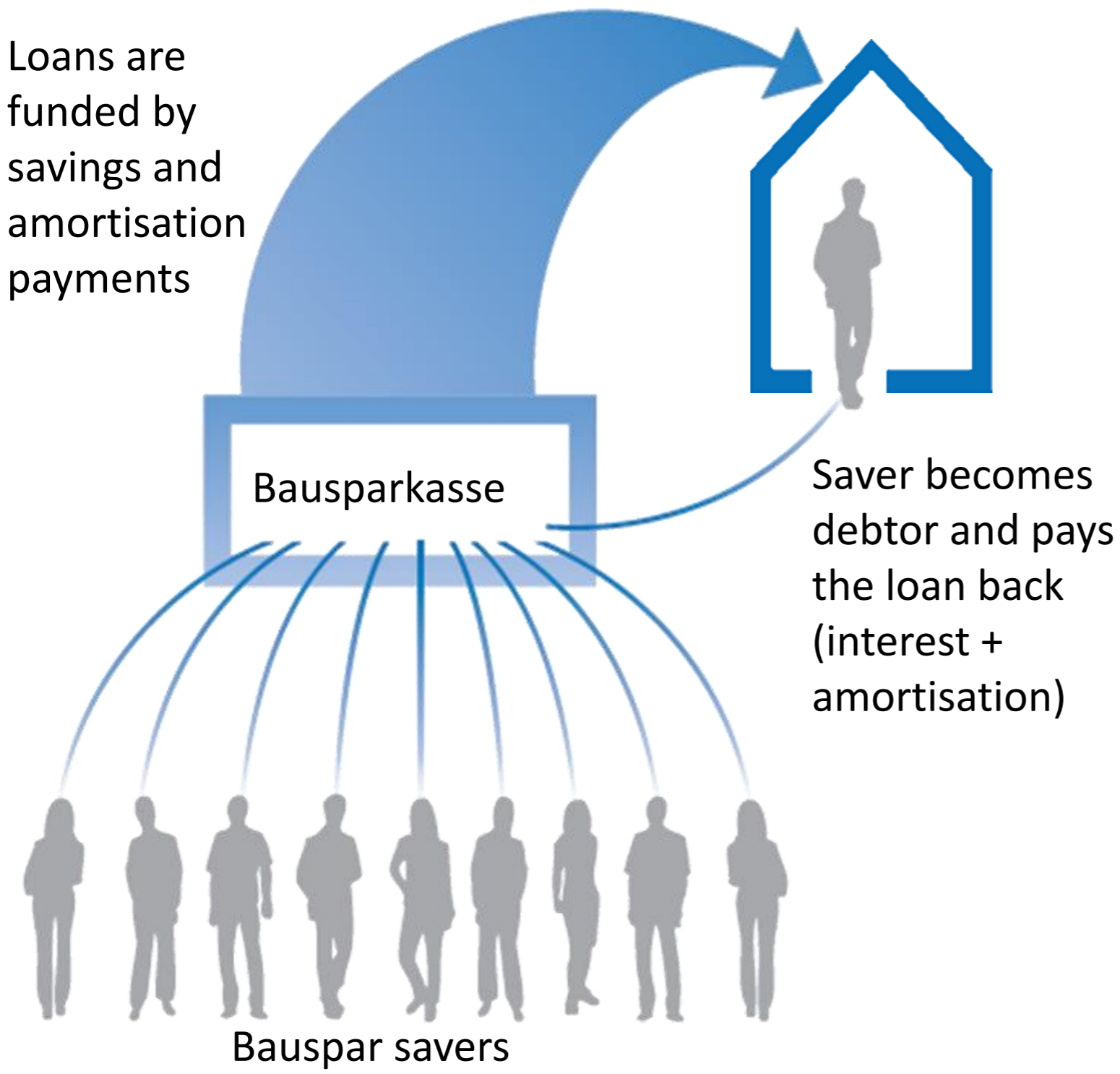
Conclusion of contract

Customer saves and gets interest on deposits

Right to payoff of contract sum (deposit + loan)

Redemption of loan

3. Bausparen: the basic idea

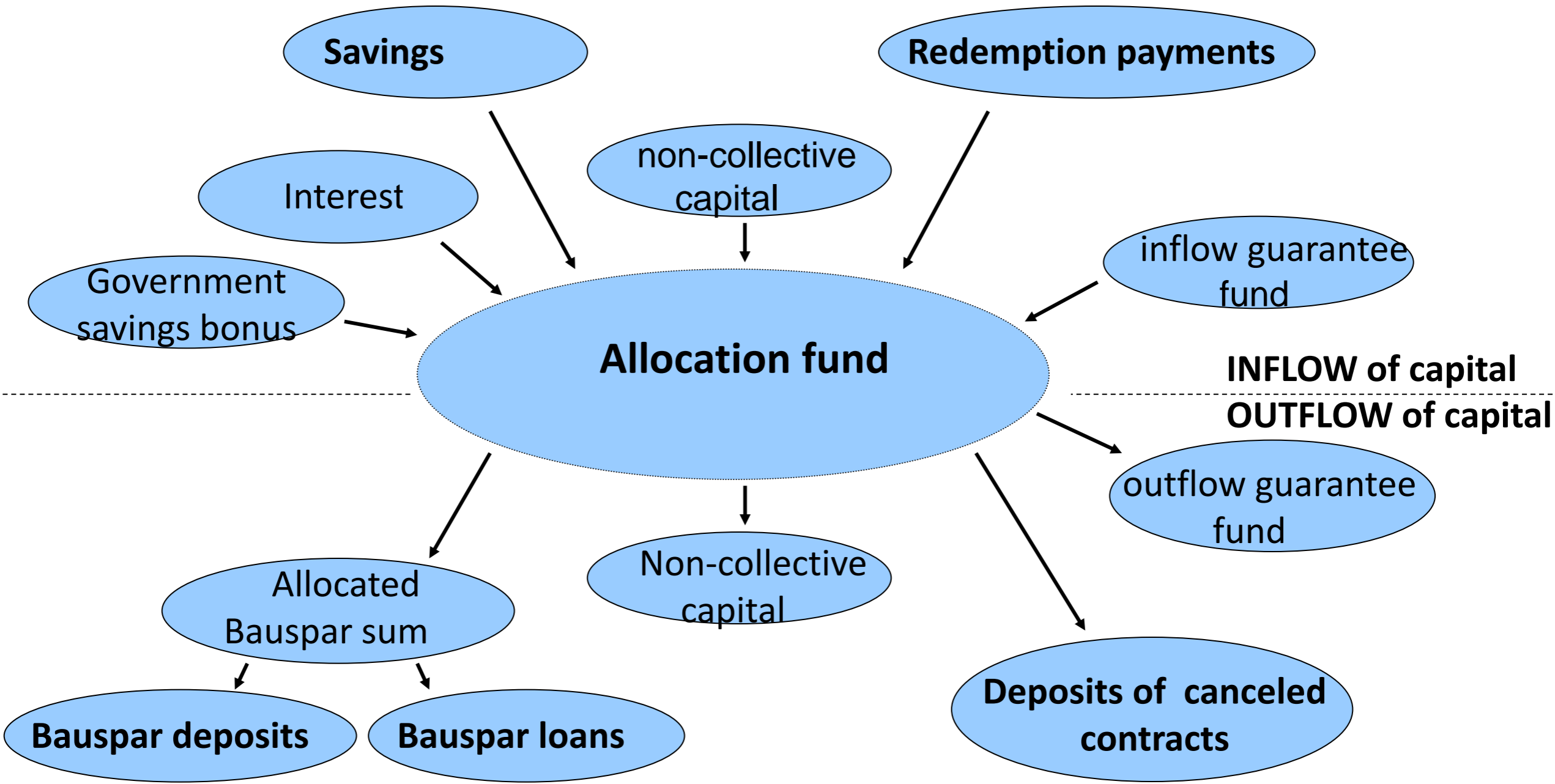


Loans are funded only by savings and amortisation payments
→ closed circuit

Special regulation and tight supervision

Excess liquidity can be invested only within narrow limits (gilt-edged investments)
→ safety is the top priority.

4. Management of the collective: the key to success



5. Bausparen: the advantages

Unique selling point of Bauspar contracts:

- Interest rates on deposits and loans are usually below capital market rates
- Waiving of interest in the savings phase is the “option premium” of the customer for the guaranteed low fixed interest rate in the loan phase

Bausparen has many advantages:

- Bausparen is flexible and offers many options for the customer
- Long-term fixed interest rates on deposits and loans
- Saving regularly means more equity means smaller loans means less risk
- No prepayment penalty
- Small loan amounts common and without surcharge
- Bauspar savers save considerably more (low substitution effect) and are wealthier
- Bauspar savers achieve the goal of home ownership earlier than non-Bauspar savers
- Bauspar loans are second lien loans leaving space for a first lien

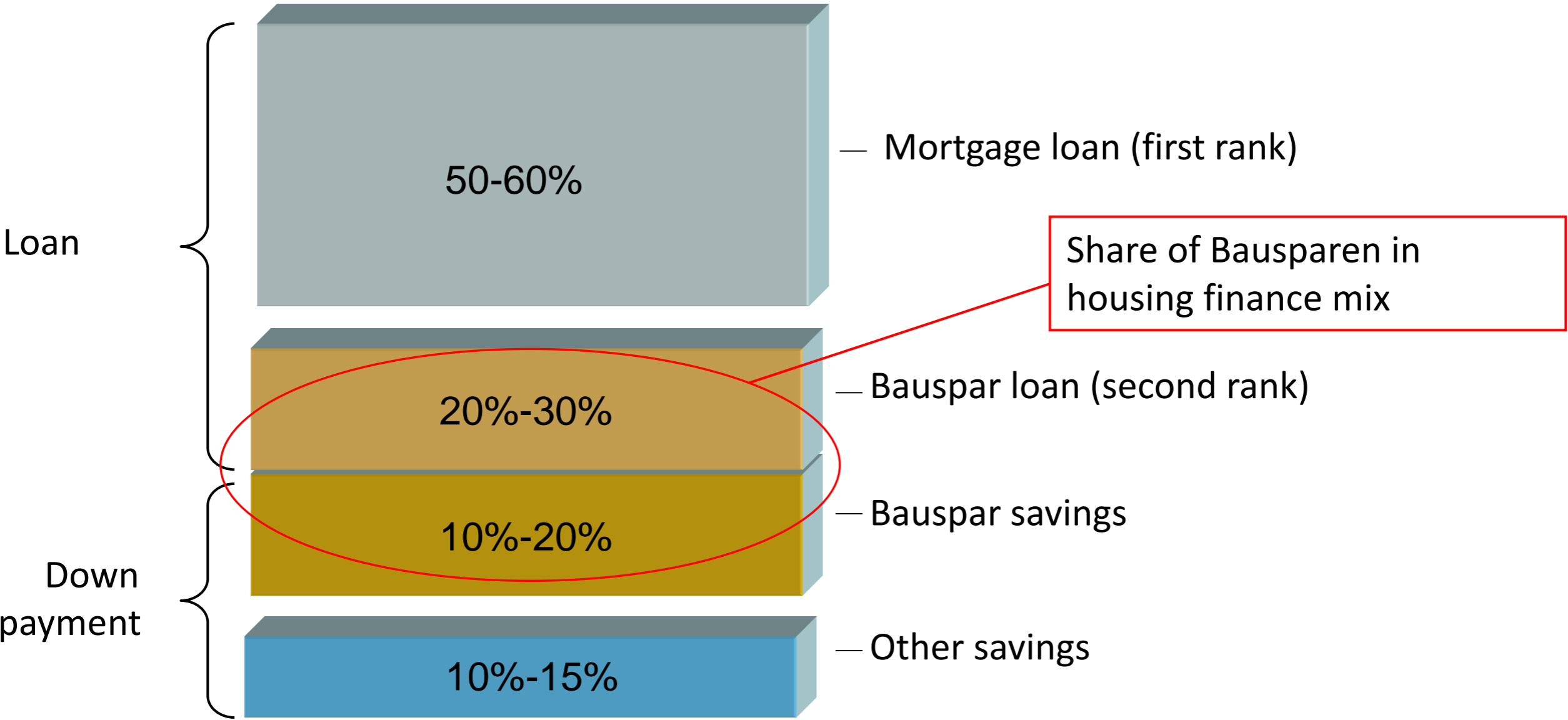
6. Customer options: Bauspar contracts as flexible product

Typical options for customers offered by a Bauspar contract

... in the savings phase	... at the allotment	... in the loan phase
<ul style="list-style-type: none">■ Customer can change savings intensity■ Many options to change contract details (increasing contract sum, merging of contracts, etc.)■ Right of cancellation at all times	<ul style="list-style-type: none">■ Early allotment and/or request for higher loan■ Take up of loan and disbursement of deposits at a later point in time■ Customer forgoes loan	<ul style="list-style-type: none">■ Prepayment option (full or partly) at all times without penalty

7. Bausparen: a complementary product

Housing finance in Germany usually consists of three tiers. Bauspar loans are in the second rank.



8. Bausparen: cross-selling opportunities

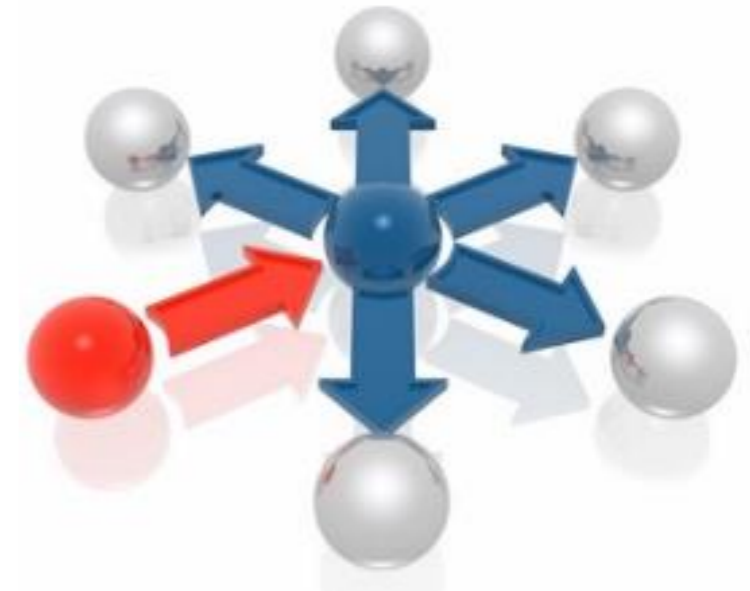


Bausparkassen are usually part of a corporate group. Private banks, insurance companies, savings banks or cooperative banks own them.

Bauspar contract as important cross-selling anchor:

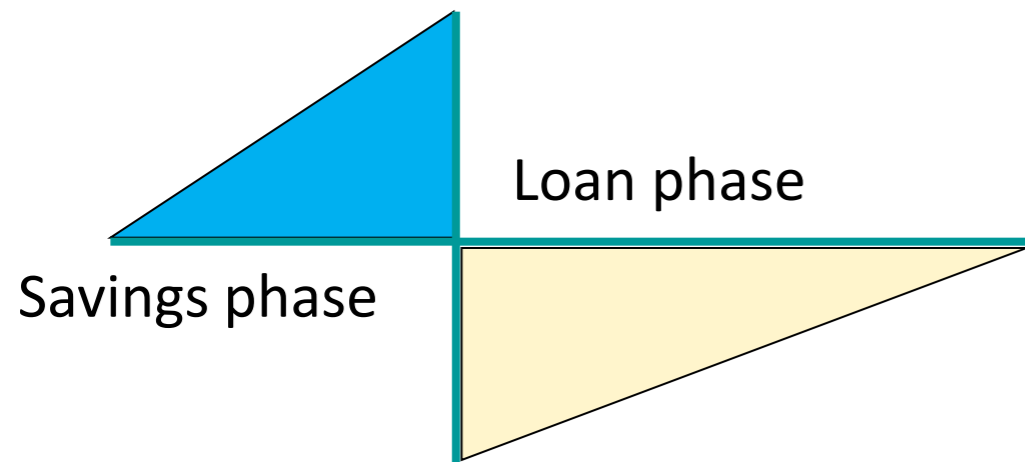
- Product for whole life cycle
- Customer service receives critical information throughout various contract stages
- Targeted placement of secondary products easier
- Customers get excellent counselling from a single source

➔ Cross selling quotes higher for Bauspar customers in Germany



9. Bausparkassen: specialists for housing finance

- Traditional Bauspar loan



- Bridge / advance loans
- Annuity housing loans

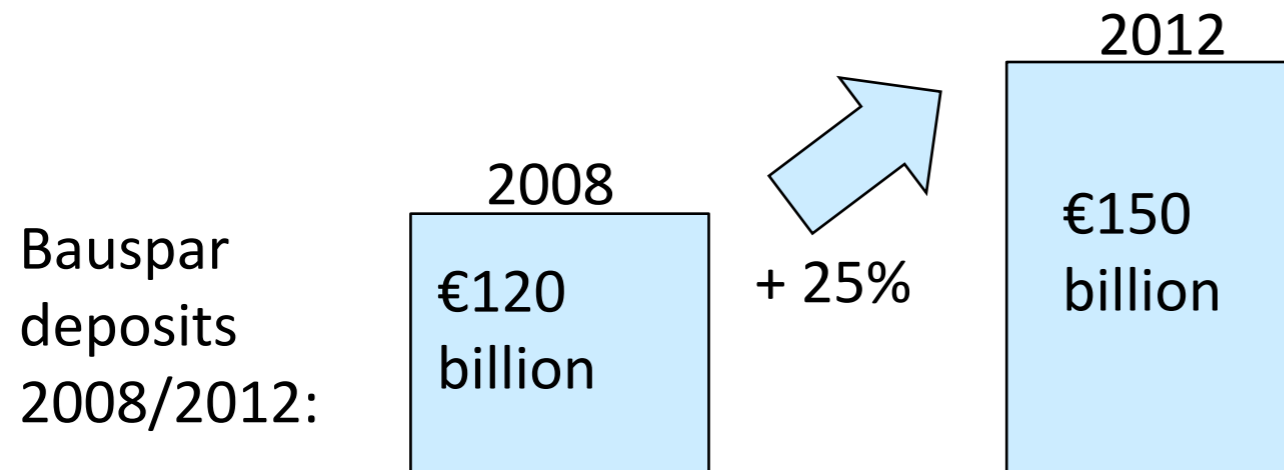
- Capital market investments only in very safe instruments (gilt-edged)

Exemplary balance sheet:

<i>Assets</i>	<i>Liabilities</i>
Bauspar loans/ collective loans	Bauspar deposits
Non-collective loans	Other liabilities
Investments	Equity



10. Bausparen: attractive product in low-interest environment



Bausparkassen attract many new customers in low-interest rate environment:

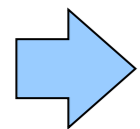
- „Option premium“ (interest rate on bank deposits vs. Bauspar deposits) very narrow for customers
- Bauspar contracts offer customers the possibility of escaping uncertainty about interest rate development – they can secure the interest rates of today for the future

11. Bausparkassen are resilient...

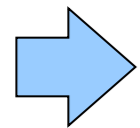
The German financial supervisor (BaFin) stress tested the Bausparkassen in 2012:

Stress scenarios:

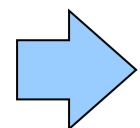
- Continuation of low interest rate environment for further 20 years
AND
- Sharp increase of interest rates (5% within 2 years)



Bausparkassen have different options for countermeasures



Result: All Bausparkassen passed the stress scenarios



Pressure on margins but business model is resilient and sustainable

12. ...and well-positioned for the megatrends of the future

The product portfolio of Bausparkassen has answers for the challenges of today and the future:

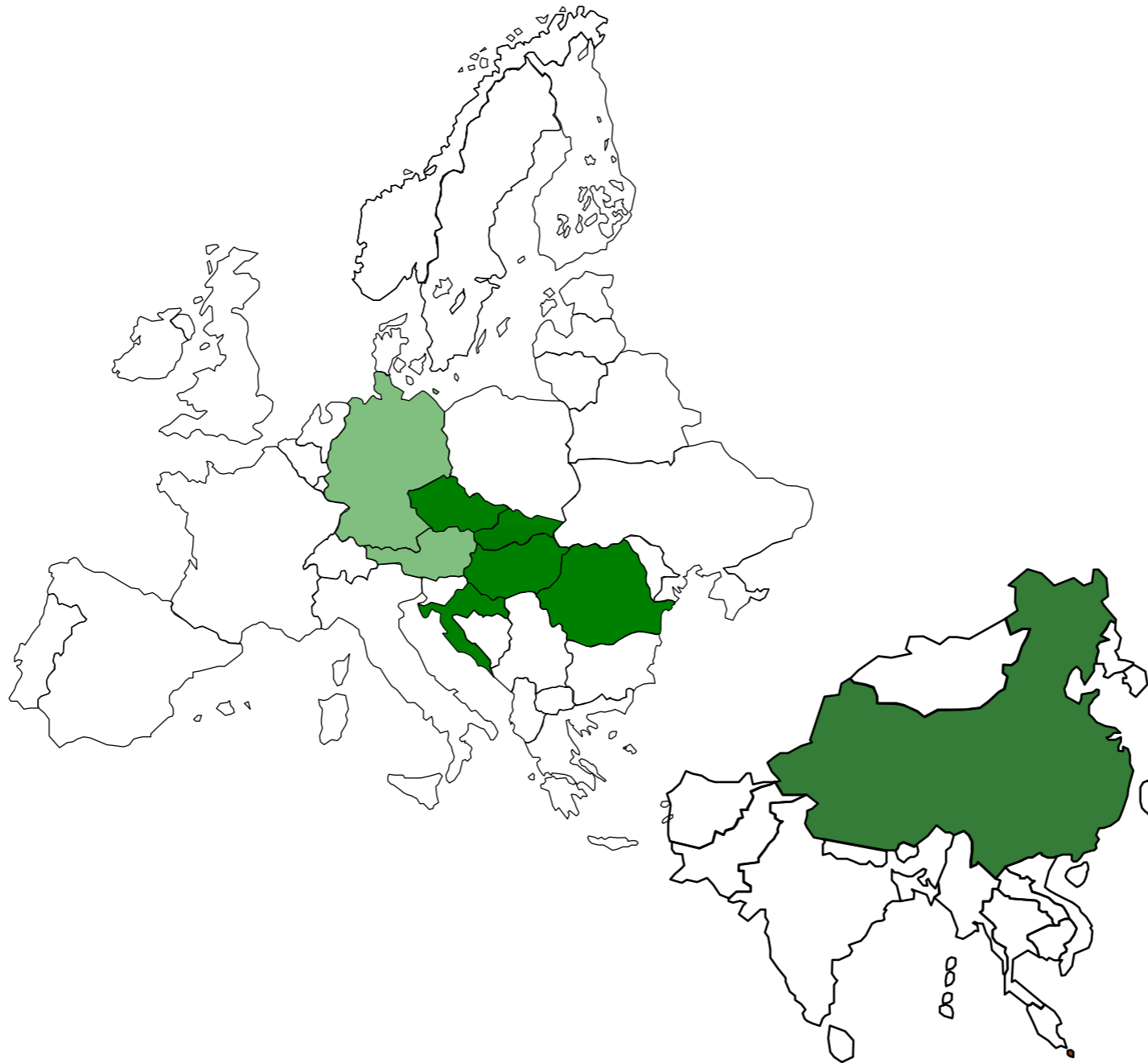
- Backlog of housing in metropolitan areas in Germany
- Energy-efficient refurbishment (green mortgages)
- Refurbishment for old-age



13. Bausparen in the world

Implemented in

- Austria
- China
- Croatia
- Czech Republic
- Germany
- Hungary
- Kazakhstan
- Luxembourg
- Romania
- Slovakia



Under discussion in

- Russia
- Poland
- Belarus
- Azerbaijan
- Armenia
- South Africa
- Vietnam
- Thailand
- Nigeria
- Chile
- Switzerland

The interest in Bausparen has increased after the crisis

Questions?



Bausparen –
for everyone

**Thank you for your
attention!**

Contact :

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