



中德住房储蓄银行
Sino-German Bausparkasse

New Solutions for Funding China's Housing Market

May, 2014

Brief Introduction of Sino-German Bausparkasse*1

- **Founding Time:** February, 2004
- **Shareholders:** China Construction Bank
Bausparkasse Schwäbisch Hall AG
- **Domicile:** Tianjin
- **Nature of the bank:** A specialized bank who operates home savings and loan (bauspar*2) business introduced from Germany



*1: Bausparkasse = home savings and loan bank

*2: Bauspar = home savings and loan

➤ **Basic purpose of “Bauspar”:**

helping individuals to obtain credit support while improving their own credit worthiness
(first deposit, then loan)

➤ **China’s housing reform:**

allocation by government at the end of last century → privatization of houses (housing
finance supporting)

➤ **Housing financing system:**

Individual mortgage loan + Public Accumulated Fund (PAHF) →
Individual mortgage loan + PAHF + Bauspar-system

Different types of housing financing to be distinguished

	System	Target group	Key elements
Mortgages	Normal business of commercial banks	Urban residents with medium and high income, immediate demand on loan	Floating interest rates Higher costs bigger risks
PAHF (Public accumulated housing fund)	Compulsory housing financing system	Urban residents with stable incomes, demand on loan in short to medium term	Floating interest rates
The home savings and loan system (the German baupar-sytem)	Marketized system guided by the government	Braoader population with demand on loan in medium to long term (lending after savings)	Fixed and low interest rates (lower costs) Locked-up iinterest rate risks

SGB's unique propostions

Before Founding the SGB

- Government premium to the home saver
- Renminbi business allowance (local currency)
- Legal framework (provisional regulations)
- Fixed interest rate (mandatory system)

For the first ten years of SGB (2004-2014)

- Nationwide unified government premium is absent
- No customized regulatory supervision is available (legal reserve)

SGB's present goal

- Leave the provisional status and expand step-by-step to national reach
- Achieving nationwide unified government premium policy (like in Germany, or PAHF system in China)
- Targeted supervision system by the banking supervision authority

Before 2008

- Pilot project: completely new product (must save before loan)
- Interest rates in the country were rather stable
- Housing price increased very fast (no patient to wait)
- Developers did not accept the bauspar funds (development loan connected with mortgage loan)
- Cooperation with other banks was not very promising (small scale of business volume, etc.)

Since 2009 (adding business scope)

- People experienced fluctuation of interest rate; more clients received the fixed rate bauspar loans (reputation ↑)
- SGB launched mortgage loan, and development loan (using market fund; improved market position; removed the barrier set forth by developers)
- Launched combination loan along development (PAHF loan + bauspar loan; mortgage loan + buaspar loan (first mortgage loan, then bauspar loan, etc.) → improved the market adaptability

SGB contributes with several solutions



Savings incentivized with small interest subsidy by local government

Purpose-oriented savings and loans (Bausparen)

Mortgages

Developer loans

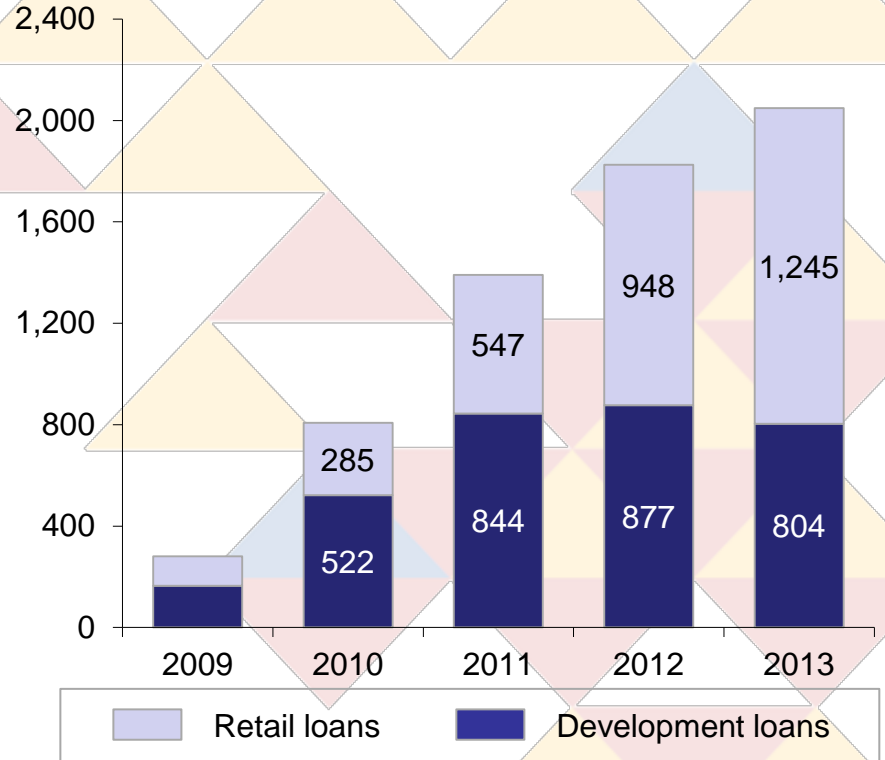
SGB contributes to an increasing extent to China's housing challenge

Short history of SGB

1998	BSH rep office in Beijing
2001	Signing of joint venture agreement between BSH and CCB
2003	Operating permit
2004	Sino-German-Bausparkasse is opened in Tianjin
2008	Product offer broadened by development loans and mortgages
2011	Regional expansion to Chongqing
2014	Regional expansion to Dalian and Jinan planned

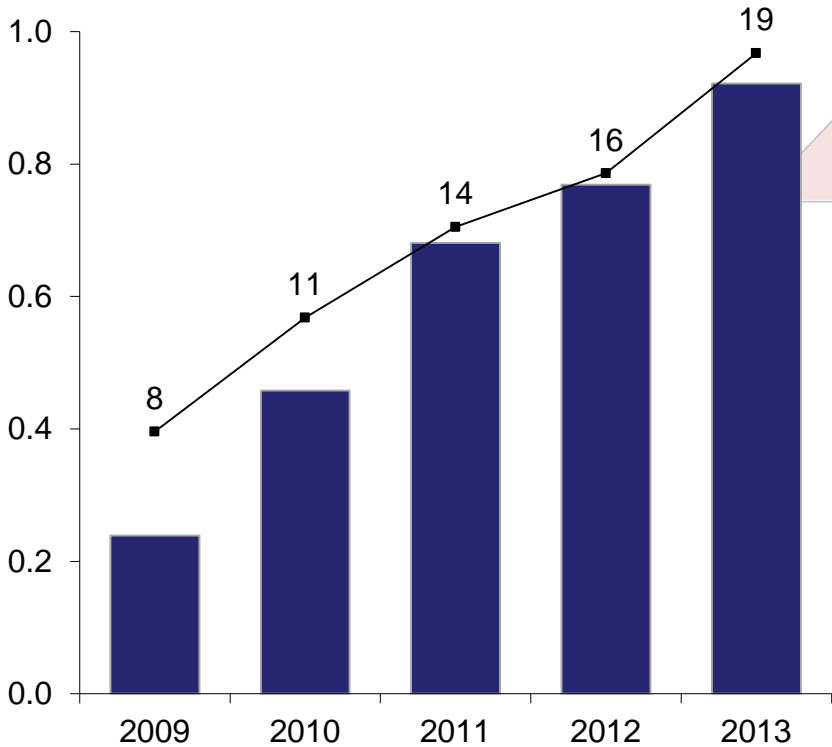
Increasing importance for housing finance

Credit volume of SGB in Mio. €

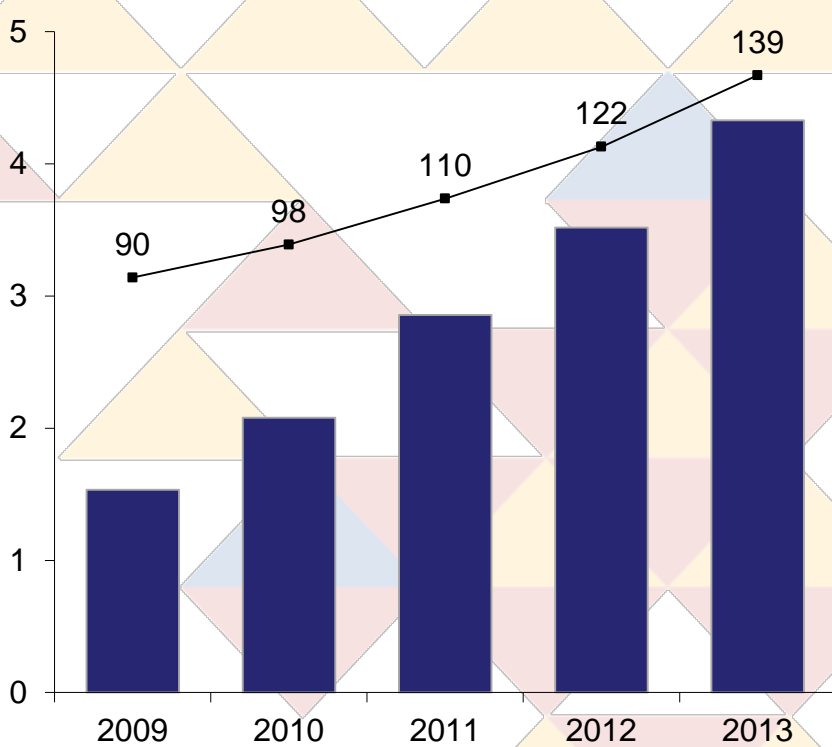


Significant growth in Bauspar funds

New business



Stock of bauspar contracts

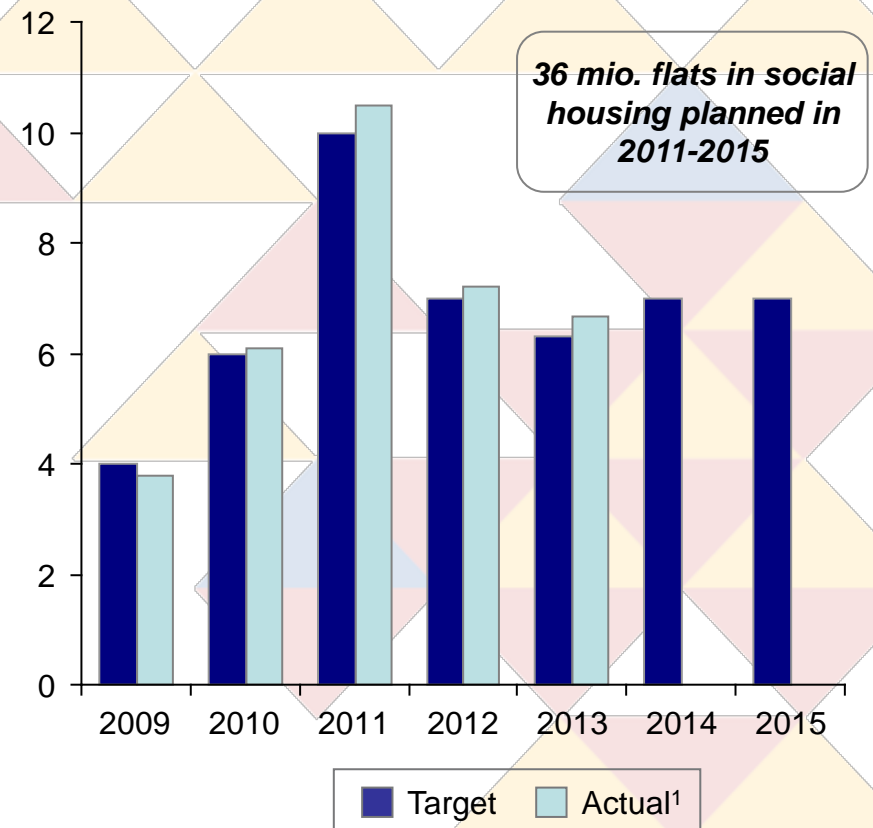


Contractual sum in bio. € Number of contracts in thds.

China faces huge challenges

Economic growth	> 6% p.a. real GDP growth forecasted until 2020 – growth model to be revised
Urbanization	13 Mio. new urban citizens p.a. until 2030
Lack of social housing	One third of urban population has social housing demand
Demographics	Ageing population due to one-child policy

No. of flats in social housing in mio. (building commenced)



1. Until November for 2013

Source: IMF (2012): China 2030; IMF (2012): World Economic Outlook; Oliver Wyman; BBVA (2012): Real Estate Outlook

To set up a multi-tier housing financial system

Housing construction

- Establish policy-support financial institutions for urban infrastructure and social houses construction (government will play dominant role: State Development Bank)

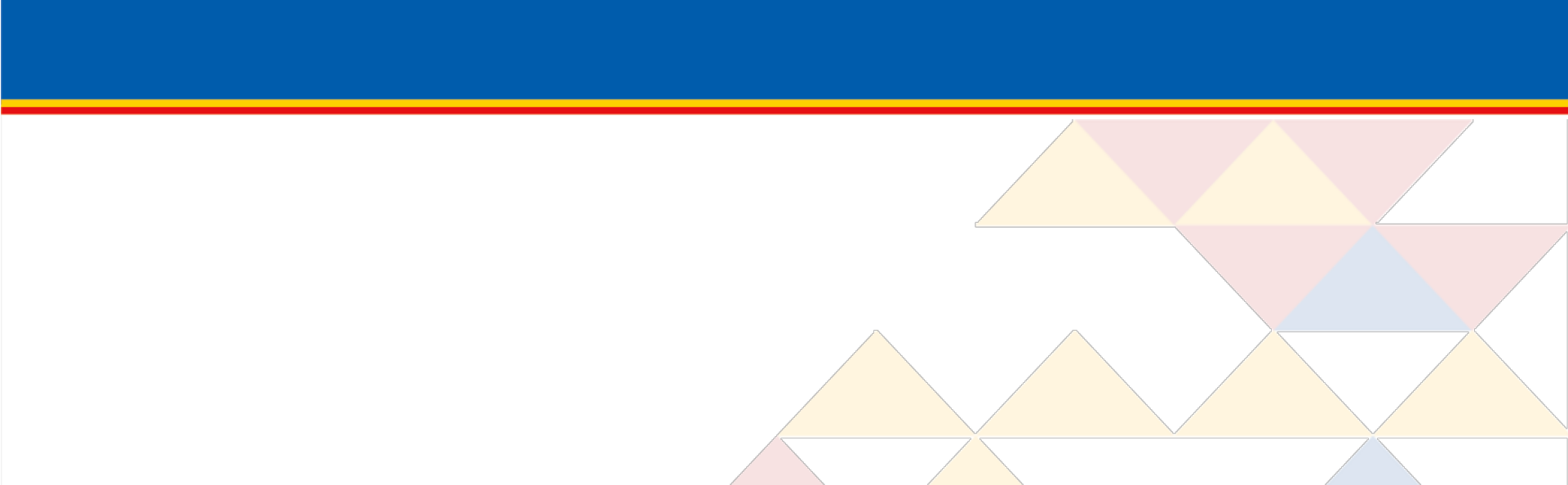
Housing consumption

- Strengthen targeted support in fiscal, tax and financial means for supporting residents in purchasing houses (government will play a guiding role through formulating preferential policies to attract more institutions as housing finance provider, instead of putting all the burden on its own shoulder)
- Bauspar-system will play a greater role in China's housing market (immigrants moved to the cities/towns do not possess PAHF accounts; no credit record and therefore not be the targeted customers of universal bank; they are suitable customers of bauparkasse)

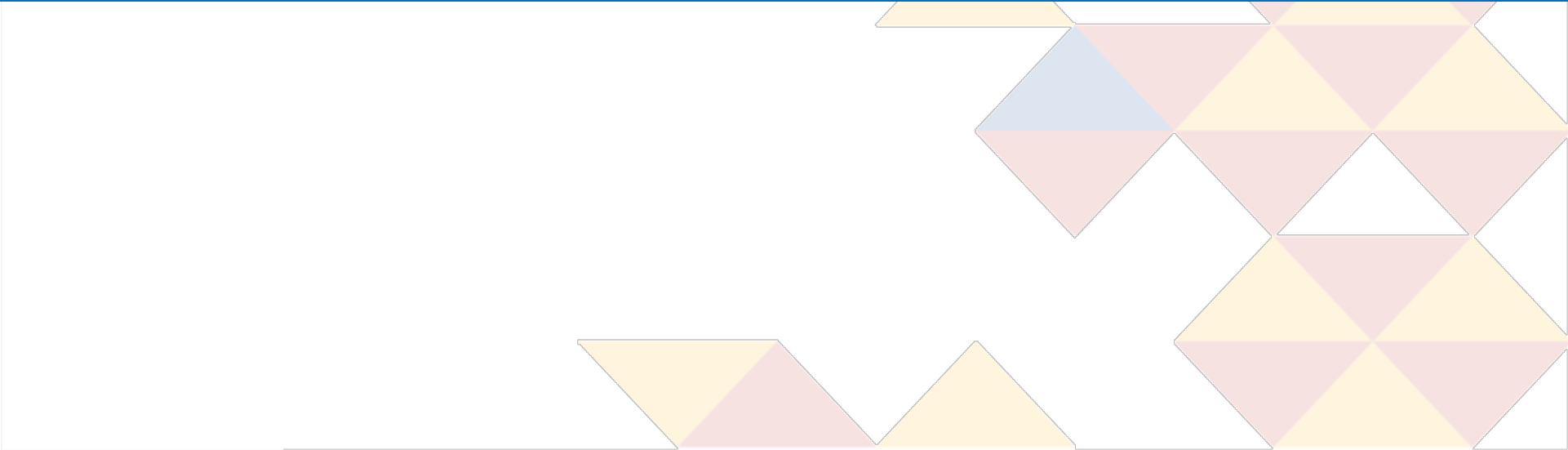
- ✓ **Specialized housing finance providers are an important contributor in many markets**
- ✓ **Specialized housing finance providers mobilizes investments into housing: Money stays in the economy / country**
- ✓ **Specialized housing finance providers touch a very emotional topic for many clients: one's own flat / house**
 - .
 - .
- ✓ **Specialized housing finance providers stabilizes the financial industry - there is a value in diversity of financial solutions**
 - Low default rates, e.g. because clients build own funds
 - Specialized knowledge on the sector
- ✓ **Chinese government is open to learn from Germany, other countries could do the same while innovating its own housing financing system**

A decorative background pattern consisting of various triangles in shades of yellow, pink, and light blue, arranged in a complex, overlapping geometric design. The triangles are of different sizes and orientations, creating a dynamic and colorful composition. The pattern is set against a white background with a blue header bar at the top and a thin red and orange border at the bottom.

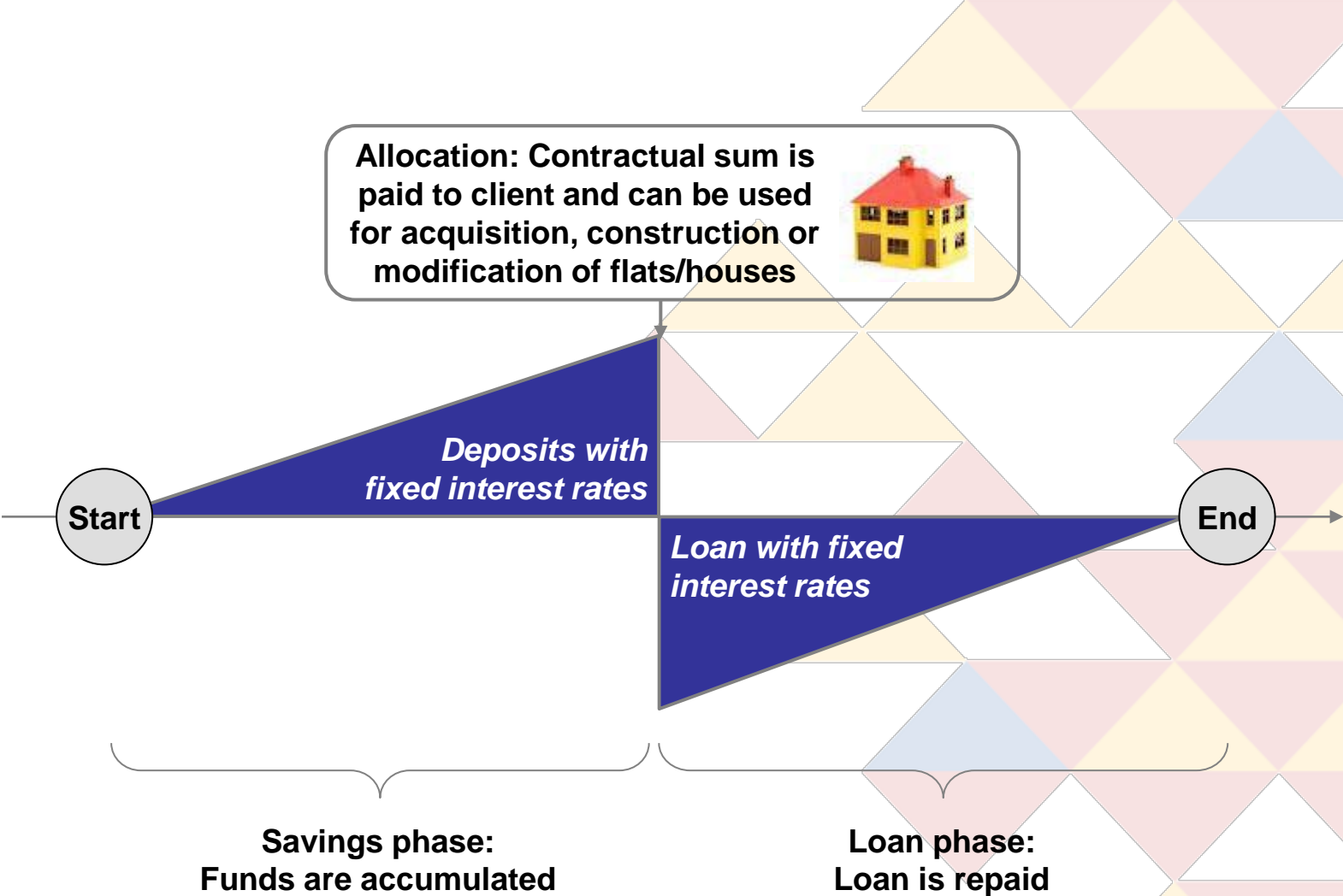
Thank You for your attention!



Backup



Short reminder: Bausparen is "Saving before Loan"



“Bauspar” - promotion in different countries (2009)

	Germany (1952)	Germany	Austria	Slovakia	Czech Republic	Hungary	Croatia	Romania	Kazakhstan	China (Tianjin)
	D	D	A	SK	CZ	H	HR	RO	KZ	PRC
Maximum of savings amount promoted p.a.	DEM1,143 (approx. €584)	€1,024 married €512 single	€1,200	SKK16,000 (approx. €531)	CZK20,000 (approx. €750)	HUF240,000 (approx. €906)	HRK5,000 (approx. €680)	€1,000	KZT254,600 (approx. €1,495)	unlimited
Income limits	none	€51,200 married €25,600 single	none	none	none	none	none	none	none	none
Promotion	35 %	8.8 %	4 %	12.5 %	15 %	30 %	15 % since 08/2005	25 %	20 %	Since 08/2006 1.5 % in addition to deposit interest rate
Bonus p.a.	DEM400 (approx. €204)	€90 married €45 single	€48	SKK2,000 (approx. €66)	CZK3,000 (approx. €113)	HUF72,000 (approx. €272) HUF324,000 ⁶ (approx. €1,223)	HRK750 (approx. €102)	€250 ¹	KZT50,920 (approx. €299)	depending on deposit interest accumulated
Commitment period	from 1954 5 years	none as of 01.01.2009 (for new contracts)	6 years	6 years	6 years	8 years	5 years	5 years	5 years	none
Average monthly salary of an employee (in gross terms)	DEM280 (approx. €143)	€3,225	approx. €2,370	SKK21,700 (approx. €721)	CZK23,144 ⁵ (approx. €868)	HUF195,000 (approx. €736)	HRK7,500 (approx. €1,020)	RON1,700 (approx. €424)	KZT59,722 ² (approx. €351)	RMB1,104 (approx. €110)
Bonus in relation to average monthly salary	approx. 143 %	approx. 3 %	approx. 2 %	approx. 9 %	approx. 13 %	approx. 37 %	approx. 10 %	approx. 59 %	approx. 85 %	depending on deposit interest accumulated
Exchange rates (end-of-month quotation) in relation to €, end of 2008⁴	-	-	-	SKK30.11	CZK26.65	HUF264.9	HRK7.352	RON4.011	KZT170.3	RMB9.621

¹ The Law defines the bonus as an amount in Euro.

² Statistical Office Republic of Kazakhstan: average salary in January 2008

³ bfai, own research

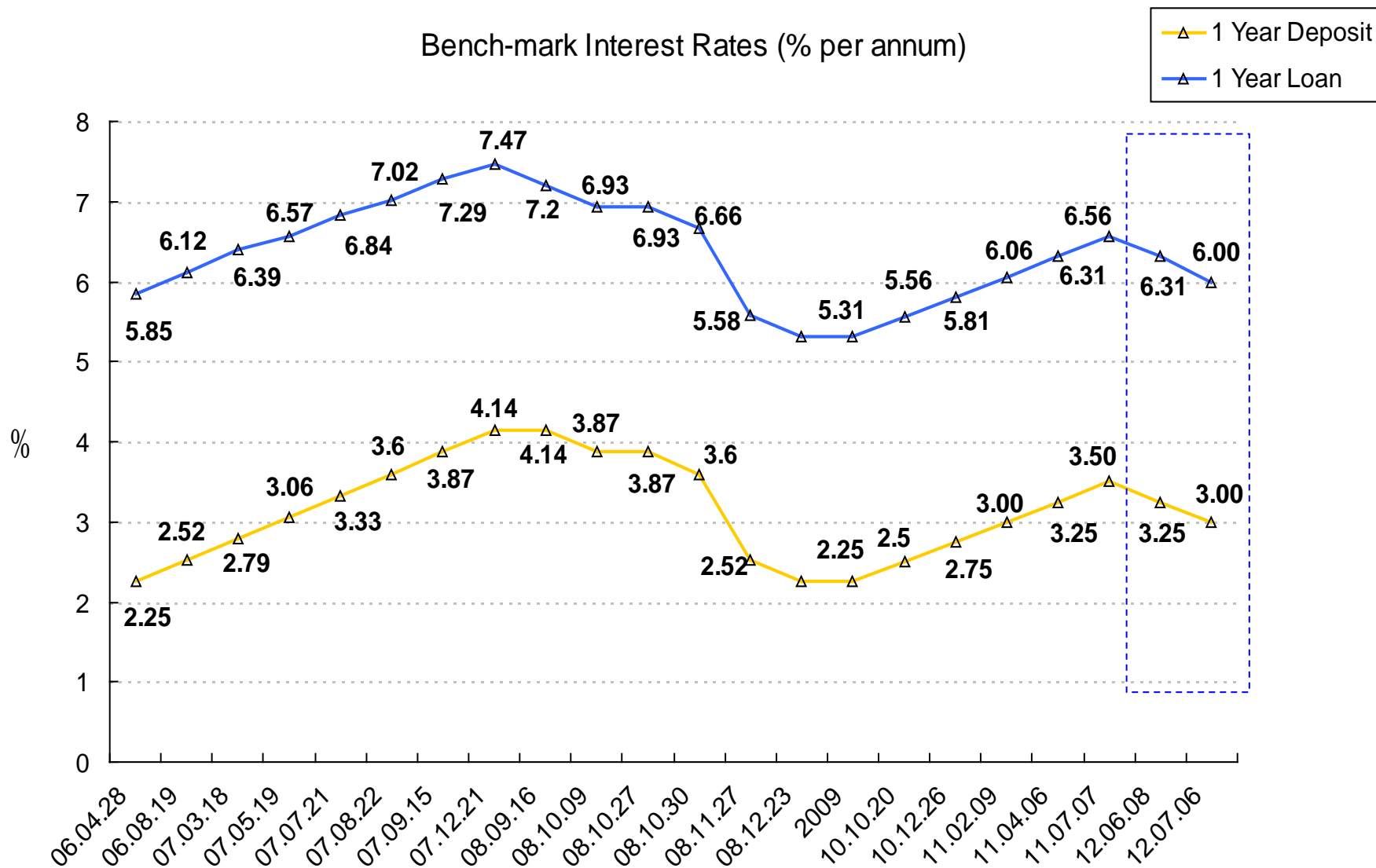
⁴ www.deutsche-boerse.com

⁵ Czech Statistical Office (CSV)

⁶ Once: Housing Cooperatives/Community Houses depending from number of flats, maximum HUF 324,000 (about €1,223) (> 240 flats)

China's Macroeconomic Situation - Interest Rates Development

Bench-mark Interest Rates (% per annum)

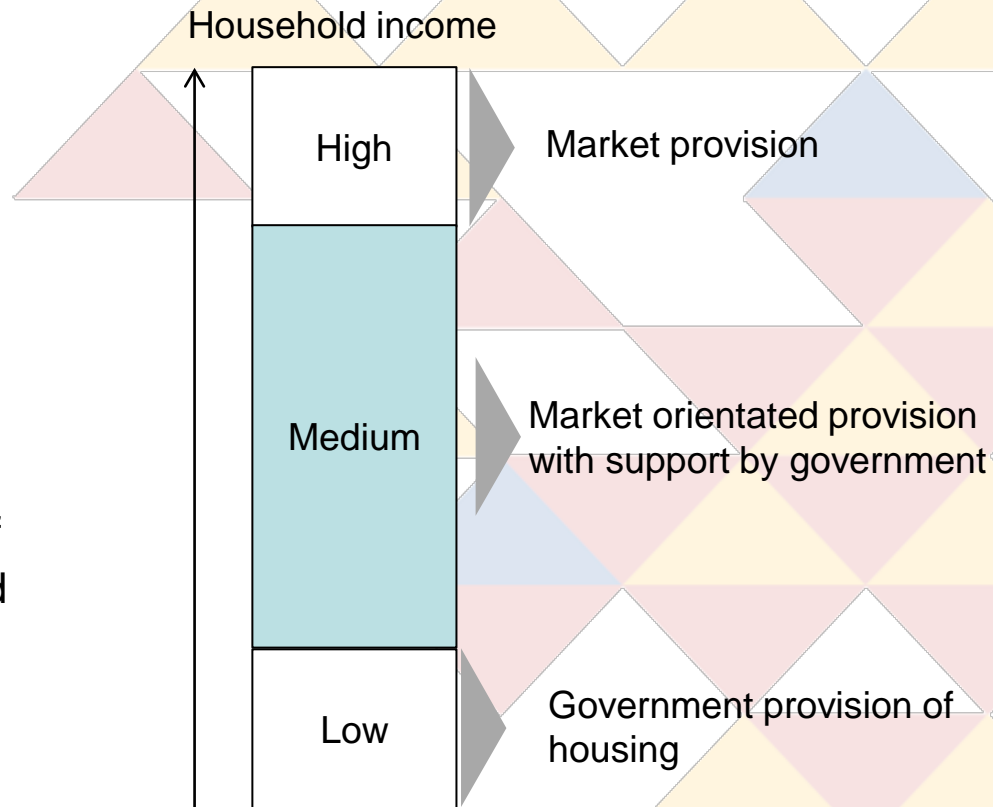


Data Source : People's Bank of China.

Framework of China's housing supply policies

To establish a housing supply system featured by a combination of market allocation and government support

- Market shall play a dominant role in satisfying the multi-level needs
- Government plays the role of providing the basic safeguard for low income and low- to mid-level income families



Step-by-step expansion of regional coverage

2004



Tianjin

2011



Chongqing

This year potentially

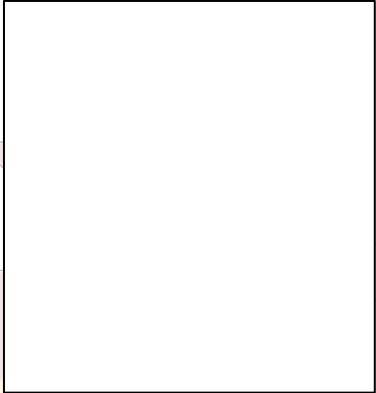


Jinan



Dalian

...



???