

Hypoteční Banka

Banking

02 Feb 2014



Czech Republic

COMPANY DESCRIPTION

Hypoteční Banka is the Czech Republic's largest mortgage lender with a share of over 25%. Despite being a 100% subsidiary of ČSOB, Hypoteční has kept its distinctive brand name and relatively high level of independence. The numbers suggest that the bank possesses all the right ingredients for success; it is exposed to the fastest-growing area of banking, mortgage lending (its loan book has doubled over the last five years), it is extremely cost-efficient, with costs accounting for less than 16% of revenues, its asset quality remains under good control (with non-performing loans at 3.8% of the total at the end of 2012) and its interest margins are still good (above 200 bp) in spite of the declining interest rates. When adjusted for hefty overcapitalisation, Hypoteční Banka's ROE jumps to a more realistic 20-30%, one of the highest figures in the Czech banking sector.

REVENUES & PROFITS, CZK mil



Main Shareholders: ČSOB (100%)

INCOME STATEMENT

CZK mil	2008	2009	2010	2011	2012
Interest Income	5,696	7,639	8,647	8,880	9,224
Interest Cost	3,681	4,954	4,986	4,547	4,690
Net Interest Income	2,015	2,685	3,662	4,333	4,533
Net Fee Income	298	351	391	455	459
Other Income	25	13	3	-77	-18
Total Revenues	2,338	3,048	4,055	4,711	4,975
Staff Cost	404	386	420	436	484
Depreciation	39	41	52	64	76
Other Cost	240	190	203	229	229
Operating Cost	684	617	676	730	788
Operating Profit	1,654	2,431	3,379	3,982	4,186
Provisions	166	693	1,091	729	737
Extra and Other Cost	0	0	0	0	0
Pre-Tax Profit	1,488	1,738	2,288	3,252	3,450
Tax	317	349	440	622	654
Minorities	0	0	0	0	0
Net Profit	1,171	1,389	1,848	2,631	2,796

BALANCE SHEET

CZK mil	2008	2009	2010	2011	2012
Cash	17,424	19,414	20,726	17,781	20,945
Interbank Loans	16,804	26,949	17,906	17,903	20,239
Customer Loans	119,813	136,760	145,071	162,787	180,678
Debt Securities	1,317	824	0	0	0
Fixed Assets	147	160	157	158	73
Total Assets	138,176	164,812	163,243	181,002	201,176
Shareholders' Equity	17,235	20,560	21,085	24,460	27,857
Liabilities	120,941	144,252	142,158	156,542	173,319
Interbank Borrowing	19,472	32,596	39,700	54,819	68,931
Customer Deposits	593	494	455	696	435
Issued Debt Securities	100,567	110,853	101,566	100,419	103,242
Other Liabilities	309	308	437	608	710
Employees	443	431	427	451	472
Non-Performing Loans	1,348	3,694	5,584	6,715	7,160
Loan Provisions	270	843	1,857	2,330	2,880

Growth Rates

	2008	2009	2010	2011	2012
Revenues	26.4%	30.4%	33.0%	16.2%	5.6%
Operating Profit	37.7%	46.9%	39.0%	17.8%	5.1%
Net Profit	45.4%	18.7%	33.0%	42.4%	6.3%

	2008	2009	2010	2011	2012
Loans	24.3%	14.1%	6.1%	12.2%	11.0%
Deposits	-62.4%	-16.7%	-8.0%	53.0%	-37.5%
Assets	37.6%	19.3%	-1.0%	10.9%	11.1%

RATIOS & OTHER

	2008	2009	2010	2011	2012
ROE	8.4%	7.4%	8.9%	11.6%	10.7%
ROA	1.0%	0.9%	1.1%	1.5%	1.5%
Net Interest Margin	1.7%	1.8%	2.2%	2.5%	2.4%
Interest (As % Of Total Income)	86.2%	88.1%	90.3%	92.0%	91.1%
Fees (As % Of Total Income)	12.7%	11.5%	9.6%	9.7%	9.2%
Staff Cost (As % Of Total Cost)	59.1%	62.4%	62.2%	59.8%	61.4%
Costs (As % Of Assets)	0.6%	0.4%	0.4%	0.4%	0.4%
Costs (As % Of Income)	29.2%	20.3%	16.7%	15.5%	15.8%
Loans (As % Of Deposits)	n.m.	n.m.	n.m.	n.m.	n.m.

	2008	2009	2010	2011	2012
Capital Adequacy Ratio	49.0%	40.2%	38.9%	46.4%	43.5%
Equity (As % Of Assets)	12.5%	12.5%	12.9%	13.5%	13.8%
NPLs (As % Of Loans)	1.1%	2.7%	3.8%	4.1%	3.9%
Provisions (As % Of NPLs)	20.1%	22.8%	33.3%	34.7%	40.2%
Cost Of Risk	0.15%	0.54%	0.77%	0.47%	0.43%
Market Share In Loans	5.8%	5.5%	5.6%	6.0%	7.7%
Market Share In Deposits	0.0%	0.0%	0.0%	0.0%	0.0%
FX To USD (Average)	17.0	19.1	19.1	17.7	19.6
FX To EUR (Average)	25.0	26.4	25.3	24.6	25.1

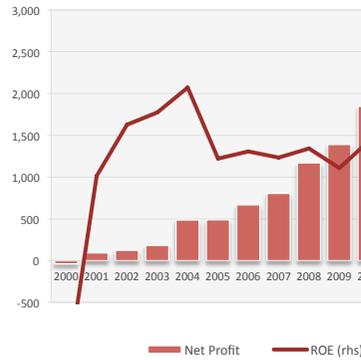
Source: Company data, Helgi Analytics calculation



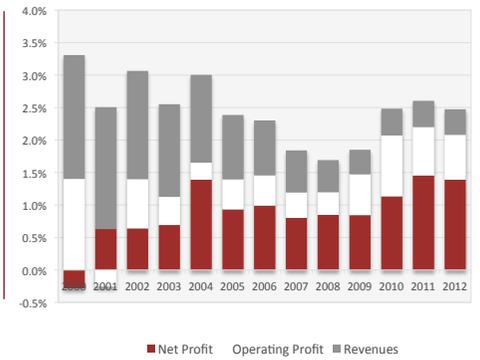
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Financials

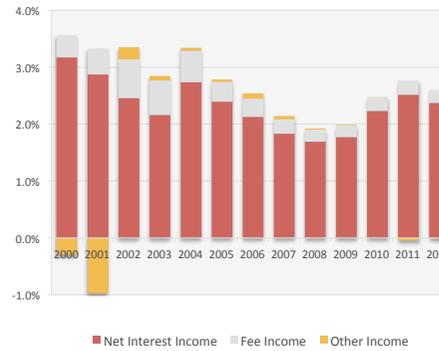
PROFITABILITY (CZK mil)



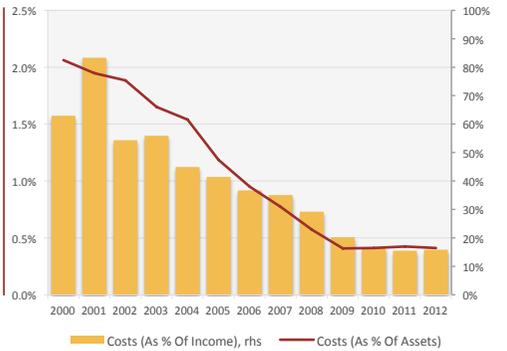
RETURN ON ASSETS



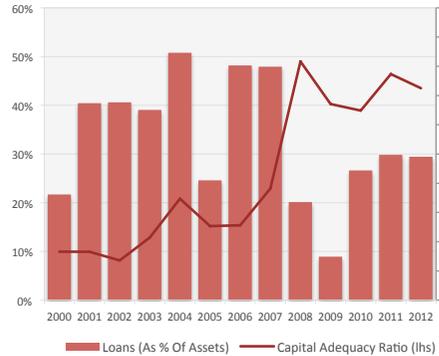
REVENUE BREAKDOWN (AS OF ASSETS)



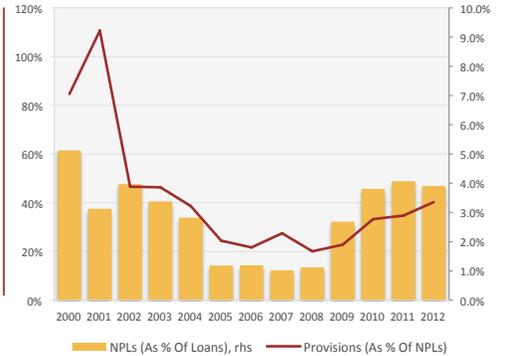
COST EFFICIENCY



LIQUIDITY & CAPITALIZATION



ASSET QUALITY



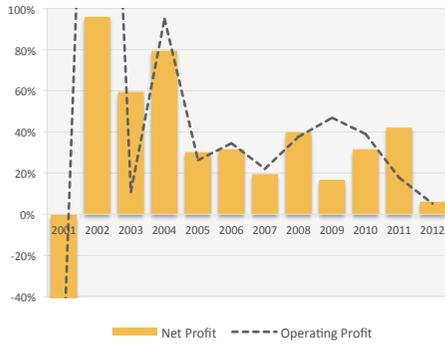
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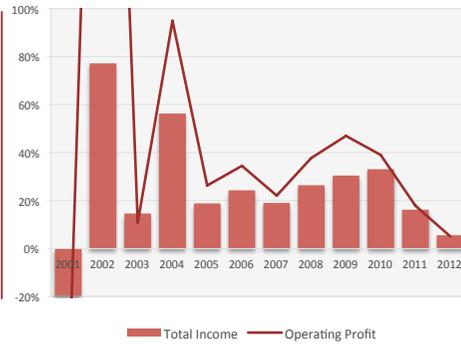
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Momentum

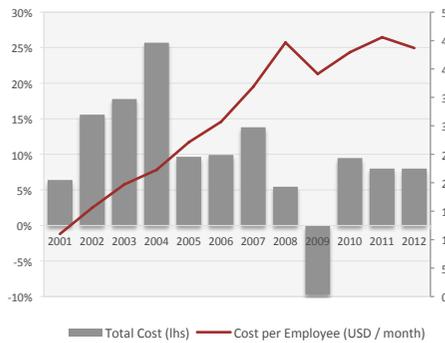
PROFIT GROWTH



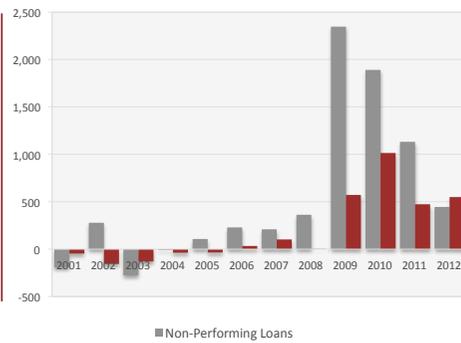
SALES GROWTH



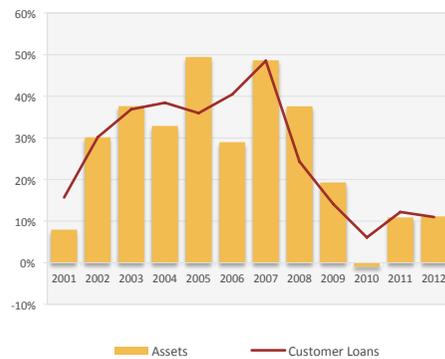
COST GROWTH



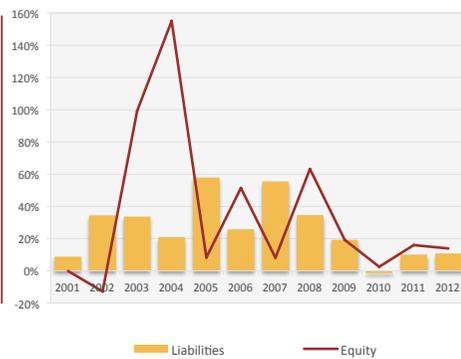
INCREASE IN NON-PERFORMING LOANS (CZK mil)



ASSET GROWTH



LIABILITY GROWTH



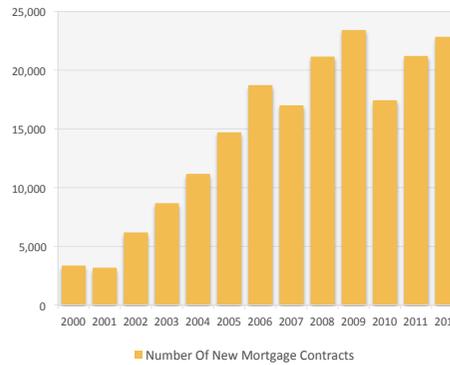
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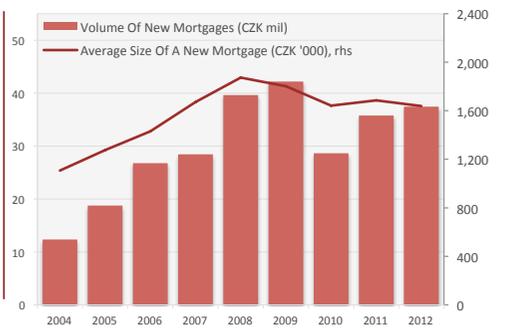
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Business Specifics

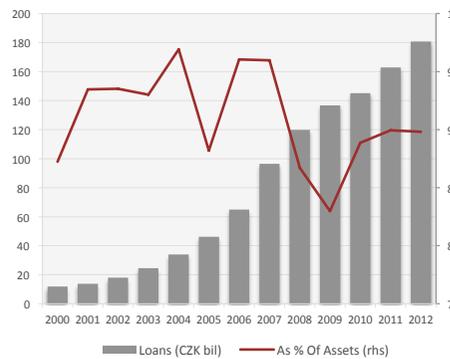
NUMBER OF NEW MORTGAGES SOLD



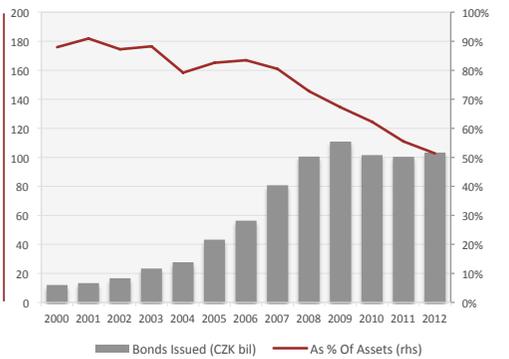
VOLUME & SIZE OF NEW MORTGAGES GRANTED



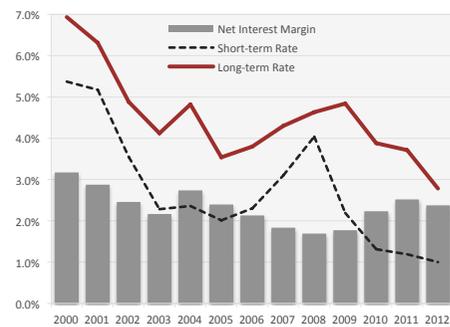
HYPOTEČNÍ BANKA'S CUSTOMER LOANS



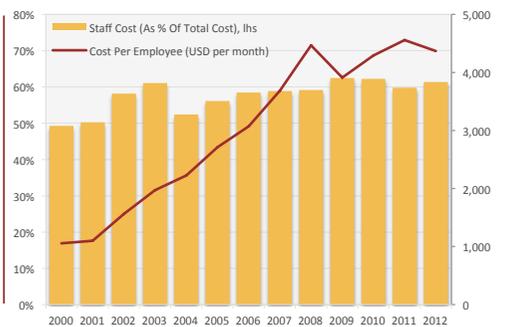
HYPOTEČNÍ BANKA'S ISSUED BONDS



INTEREST RATES & NET INTEREST MARGIN



HYPOTEČNÍ BANKA WORKFORCE



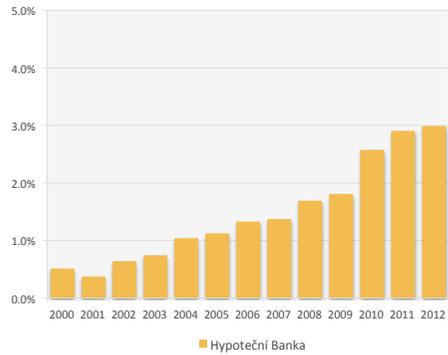
Source: Company data, Helgi Analytics calculation



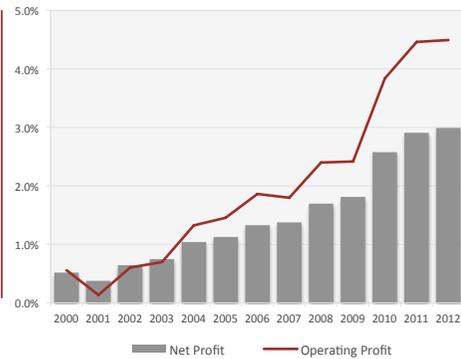
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Market Share

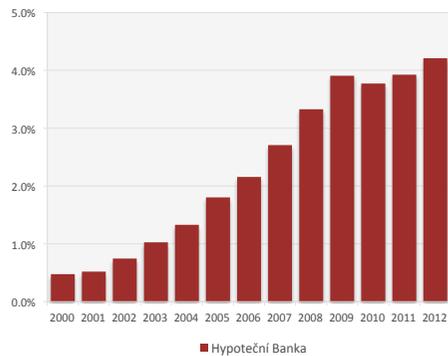
TOTAL REVENUES



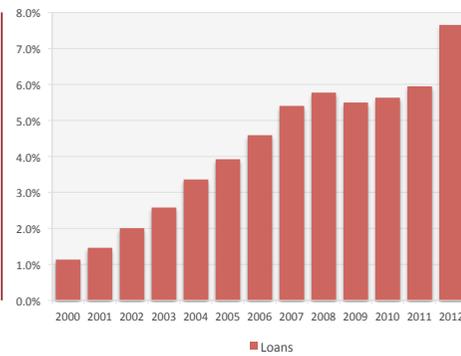
PROFITABILITY



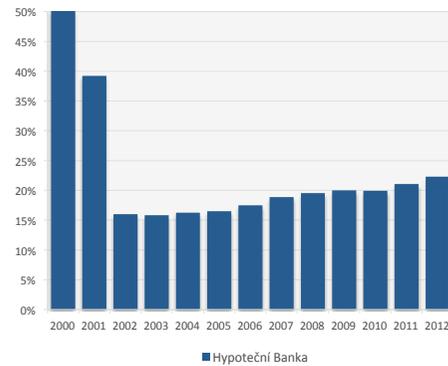
ASSETS



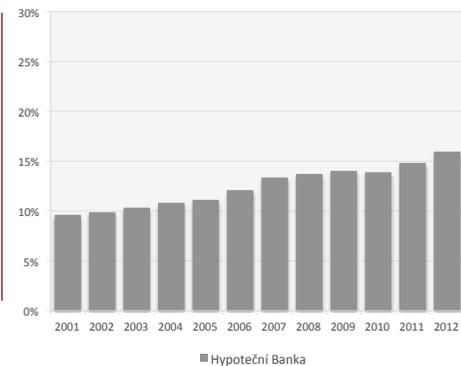
CUSTOMER LOANS



MORTGAGE LOANS



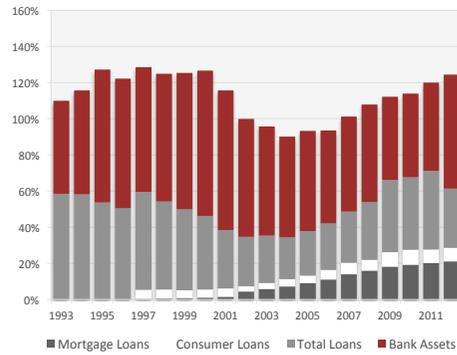
RETAIL LOANS



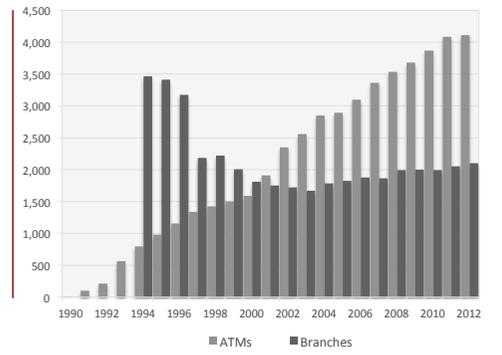
Source: Company data, Helgi Analytics calculation

Market Overview

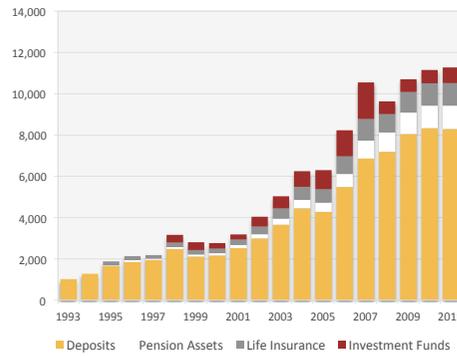
BANKING PENETRATION (AS % OF GDP)



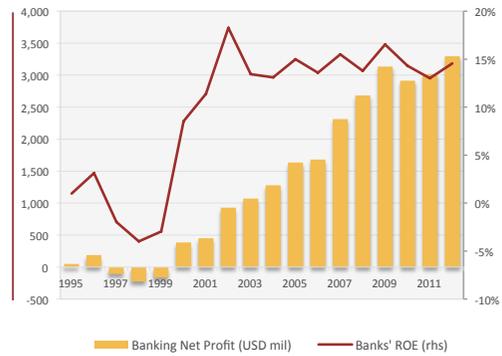
BANKING INFRASTRUCTURE



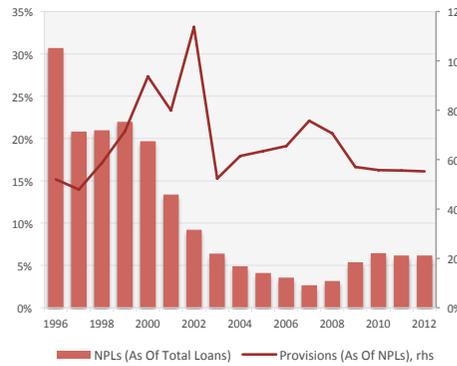
HOUSEHOLDS' ASSETS PER CAPITA (USD)



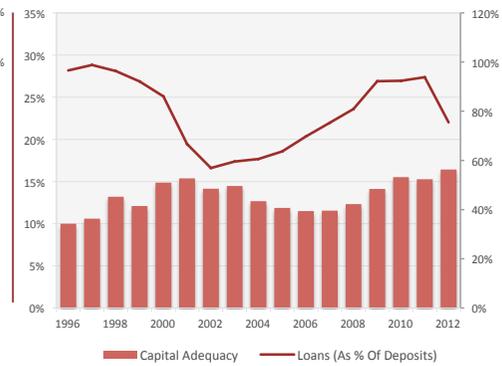
PROFITABILITY OF THE BANKING SECTOR



ASSET QUALITY OF THE BANKING SECTOR



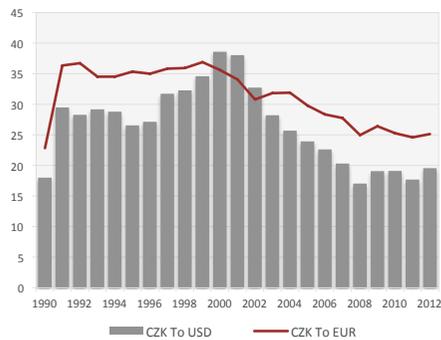
LIQUIDITY AND CAPITALISATION OF THE BANKING SECTOR



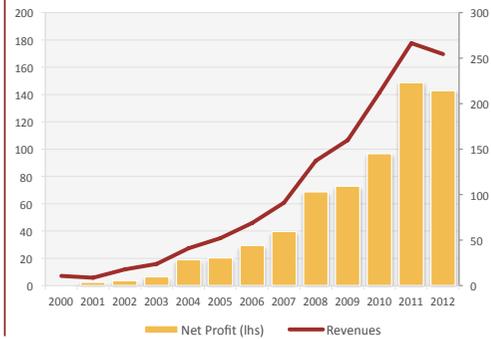
Source: Company data, Helgi Analytics calculation

Financials (USD)

FX RATES (Annual Average)



REVENUES & PROFITS (USD mil)



INCOME STATEMENT

USD mil	2008	2009	2010	2011	2012	USD mil	2008	2009	2010	2011	2012
Interest Income	334.4	400.8	452.5	502.1	471.6	Cash	907.4	1,056.3	1,106.1	904.8	1,101.8
Interest Cost	216.1	260.0	260.9	257.1	239.8	Interbank Loans	875.1	1,466.4	955.6	911.0	1,064.7
Net Interest Income	118.3	140.9	191.6	245.0	231.8	Customer Loans	6,239	7,441	7,742	8,283	9,505
Net Fee Income	17.5	18.4	20.4	25.7	23.5	Debt Securities	68.6	44.8	0.0	0.0	0.0
Other Income	1.5	0.7	0.1	-4.3	-0.9	Fixed Assets	7.7	8.7	8.4	8.0	3.8
Total Revenues	137.3	160.0	212.2	266.4	254.3	Total Assets	7,196	8,968	8,712	9,210	10,583
Staff Cost	23.7	20.2	22.0	24.7	24.7	Shareholders' Equity	897.5	1,118.7	1,125.2	1,244.6	1,465.4
Depreciation	2.3	2.2	2.7	3.6	3.9	Liabilities	6,298	7,849	7,586	7,966	9,117
Other Cost	14.1	10.0	10.6	13.0	11.7	Interbank Borrowing	1,014.0	1,773.6	2,118.6	2,789.4	3,626.2
Operating Cost	40.1	32.4	35.4	41.3	40.3	Customer Deposits	31	27	24	35	23
Operating Profit	97.1	127.6	176.8	225.1	214.0	Issued Debt Securities	5,237.0	6,031.7	5,420.1	5,109.7	5,431.1
Provisions	9.8	36.4	57.1	41.2	37.7	Other Liabilities	16.1	16.8	23.3	30.9	37.3
Extra and Other Cost	0.0	0.0	0.0	0.0	0.0	Employees	443	431	427	451	472
Pre-Tax Profit	87.4	91.2	119.7	183.9	176.4	Non-Performing Loans	70.2	201.0	298.0	341.7	376.6
Tax	18.6	18.3	23.0	35.2	33.5	Loan Provisions	14.1	45.9	99.1	118.6	151.5
Minorities	0.0	0.0	0.0	0.0	0.0						
Net Profit	68.7	72.9	96.7	148.7	142.9						

Growth Rates (USD-denominated)

	2008	2009	2010	2011	2012		2008	2009	2010	2011	2012
Revenues	50.7%	16.5%	32.6%	25.5%	-4.5%	Loans	17.7%	19.3%	4.0%	7.0%	14.7%
Operating Profit	64.2%	31.4%	38.6%	27.3%	-4.9%	Deposits	-64.4%	-12.9%	-9.8%	45.9%	-35.3%
Net Profit	73.3%	6.1%	32.6%	53.8%	-3.9%	Assets	30.3%	24.6%	-2.9%	5.7%	14.9%

RATIOS & OTHER

	2008	2009	2010	2011	2012		2008	2009	2010	2011	2012
ROE	8.4%	7.4%	8.9%	11.6%	10.7%	Capital Adequacy Ratio	49.0%	40.2%	38.9%	46.4%	43.5%
ROA	1.0%	0.9%	1.1%	1.5%	1.5%	Equity (As % Of Assets)	12.5%	12.5%	12.9%	13.5%	13.8%
Net Interest Margin	1.7%	1.8%	2.2%	2.5%	2.4%	NPLs (As % Of Loans)	1.1%	2.7%	3.8%	4.1%	3.9%
Interest (As % Of Total Income)	86.2%	88.1%	90.3%	92.0%	91.1%	Provisions (As % Of NPLs)	20.1%	22.8%	33.3%	34.7%	40.2%
Fees (As % Of Total Income)	12.7%	11.5%	9.6%	9.7%	9.2%	Cost Of Risk	0.15%	0.54%	0.77%	0.47%	0.43%
Staff Cost (As % Of Total Cost)	59.1%	62.4%	62.2%	59.8%	61.4%	Market Share in Loans CZK	5.8%	5.5%	5.6%	6.0%	7.7%
Costs (As % Of Assets)	0.6%	0.4%	0.4%	0.4%	0.4%	Market Share in Deposits	0.0%	0.0%	0.0%	0.0%	0.0%
Costs (As % Of Income)	29.2%	20.3%	16.7%	15.5%	15.8%	FX To USD (Average)	17.04	19.06	19.11	17.69	19.56
Loans (As % Of Deposits)	n.m.	n.m.	n.m.	n.m.	n.m.	FX To EUR (Average)	24.96	26.43	25.29	24.59	25.13

Source: Company data, Helgi Analytics calculation



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ABOUT HELGI ANALYTICS

Helgi Analytics is a consulting company based in the Czech Republic. The company mainly provides consultancy in the area of financial services and real estate and focuses primarily on the region of Central and Eastern Europe.

Helgi Analytics also runs a web application called Helgi Library, which is a database/library offering data and analyses on more than 95% of the world's economy and population. The Library aims to bring interesting statistical data and analyses to a wide audience under affordable conditions. If you wish to get more details, please visit www.helgilibrary.com or contact us at info@helgianalytics.com.

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