

INSURANCE, ASSET MNG. & PENSIONS

Helgi's Pocket Guide

December 2012

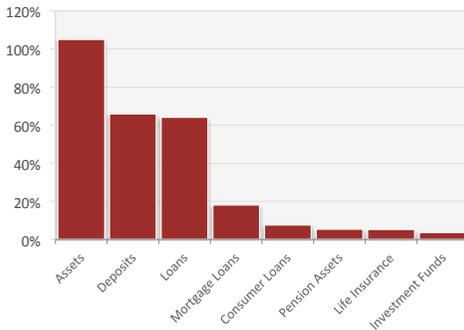
Czech Republic

CZECH INVESTMENTS AT A GLANCE

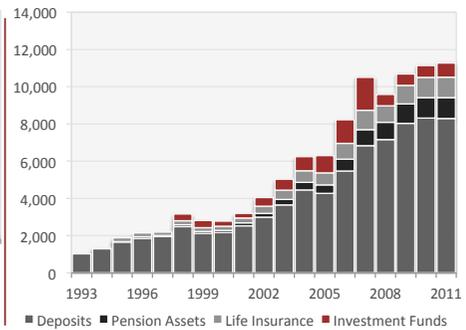
	1995	2000	2005	2010
Life & Non-Life Insurance Reserves (USD mil)	2,723	3,151	8,643	14,943
Life & Non-Life Insurance Reserves (As Of GDP)	4.7%	5.4%	6.6%	7.5%
Insurance Net Profit (USD mil)	0	104	335	1,115
Households' Pension Fund Assets (USD mil)	437	1,286	4,604	10,922
Households' Pension Fund Assets (As Of GDP)	0.8%	2.2%	3.5%	5.5%
Assets In Investment Funds (USD mil)	2,901	821	7,804	10,199
Assets In Investment Funds (As Of GDP)	5.0%	1.4%	6.0%	5.2%
Assets In Life Insurance Reserves Per Capita (USD)	169	195	655	1,175
Households' Pension Fund Assets Per Capita (USD)	42	125	449	1,040
Assets In Investment Funds Per Capita (USD)	281	80	761	971
Dwellings Assets Per Capita (USD)	4,005	4,644	8,973	14,689
Market Capitalisation Of Listed Companies (USD mil)	15,664	11,002	38,345	43,056
Market Capitalisation Of Listed Companies (As Of GDP)	27%	19%	30%	22%



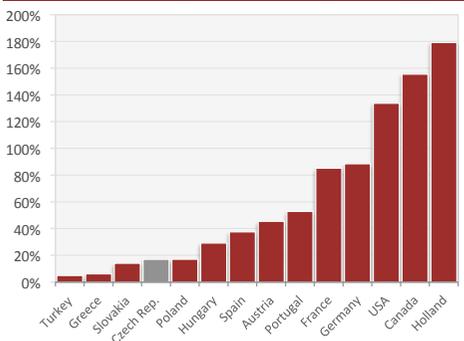
FINANCIAL PENETRATION (As Of GDP), 2011



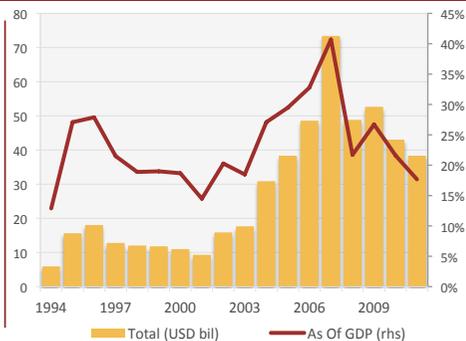
HOUSEHOLDS' ASSETS PER CAPITA (Current USD)



HOUSEHOLDS' ASSETS, EXCL. DEPOSITS (As Of GDP), 2009

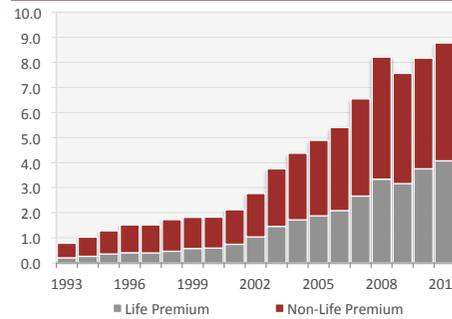


STOCK MARKET CAPITALISATION

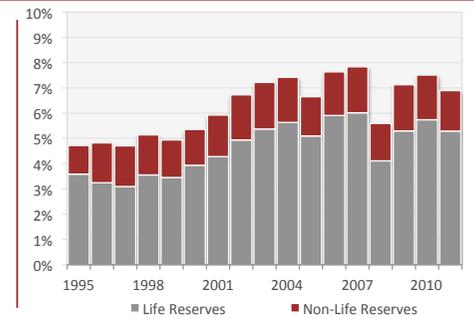


Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation

INSURANCE PREMIUM WRITTEN (USD bil)

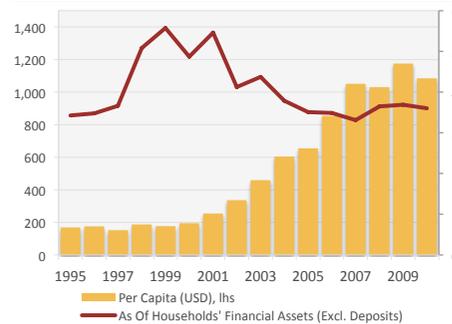


INSURANCE RESERVES (As Of GDP)

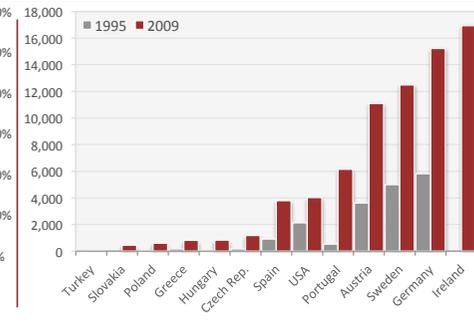


The sales of the insurance sector have increased eightfold over the last 20 years to around USD 8 bil a year, but overall penetration of insurance products remains relatively low. Life & non-life insurance reserves account for less than 8% of GDP, compared to 30% in Austria or over 50% in most European countries.

LIFE INSURANCE RESERVES PER CAPITA (USD)

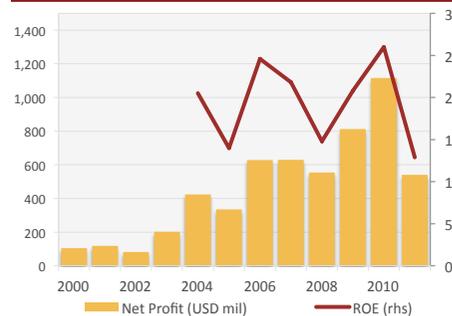


LIFE INSURANCE RESERVES (As Of GDP), 2009

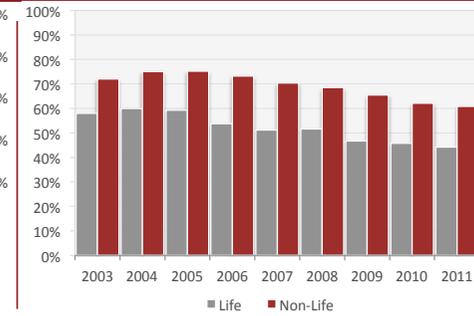


Czechs have nearly USD 1,200 per capita in life insurance products, compared to more than USD 10,000 in the most advanced world economies. This is partly a result of the relatively smaller development of the Czech economy and financial services, but also because of Czech conservatism. With nearly USD 12,000 of financial assets per capita, Czechs have invested only 10% of their assets into life insurance, while 75% of the total is left as bank deposits.

PROFITABILITY OF INSURANCE COMPANIES



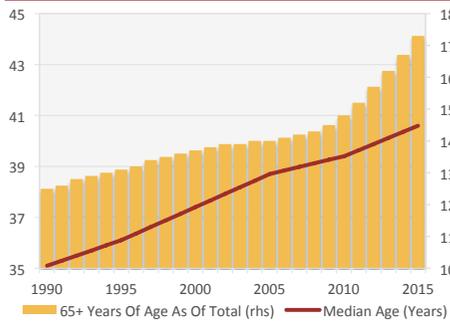
MARKET SHARE OF 3 LARGEST INSURANCE COMPANIES



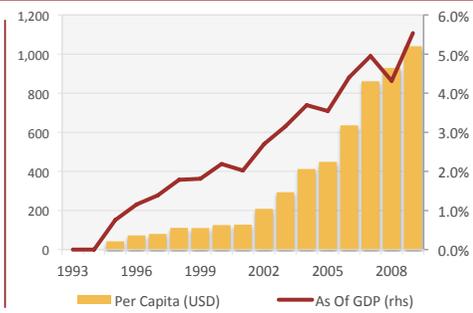
Similarly to the Czech banking sector, insurance companies are strong and profitable. The business benefits from the low penetration of insurance products, the solid macroeconomic picture and also from the high level of concentration of the market. The three largest companies occupied 44% of the life and 61% of the non-life insurance market at the end of 2011. The former dominant state insurer Ceska Pojistovna still dominates the market, with over a 30% share.

Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation

GETTING OLD

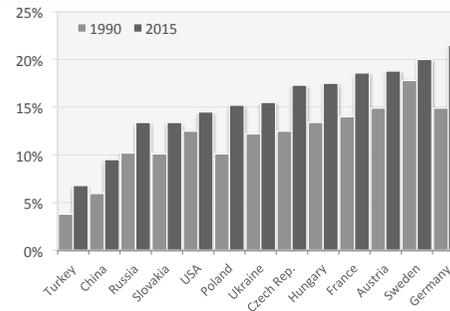


HOUSEHOLDS' PENSION FUND ASSETS

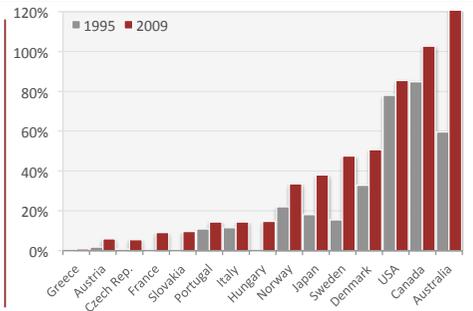


More than 40% of Czechs have been investing with autonomous pension funds, but their role remains relatively marginal. Total pension assets reached USD 11.5 bil at the end of 2010, or around USD 1,000 per capita. This represents the equivalent of two months' worth of average state pensions, or less than 4% of households' assets.

SHARE OF AGED 65+ YEARS OLD (As Of Population)

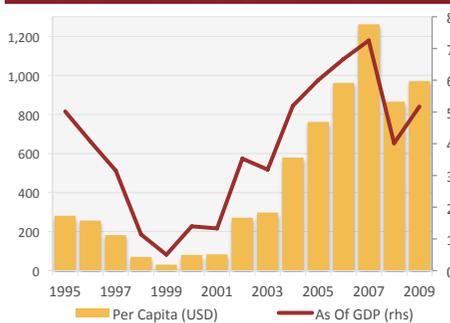


HOUSEHOLDS' PENSION FUND ASSETS (As Of GDP), 2009

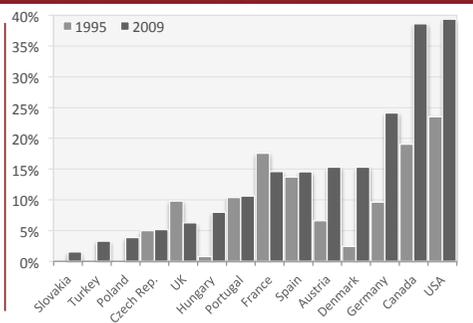


Similarly to other European countries, the need for a change in the pension system remains obvious. The Czech state-sponsored pay-as-you-go system ran a deficit exceeding USD 2 bil in 2011 only, life expectancy continues to increase and the share of people aged 65+ years old in the total population is expected to increase by 5% since 1990 to 17.3% in 2015. But Czech savings in pension funds are a fraction compared to what households in the most developed countries in the world saved.

HOUSEHOLDS' ASSETS IN INVESTMENT FUNDS



HOUSEHOLDS' ASSETS IN INVESTMENT FUNDS



Similarly to life insurance or pension fund assets, Czechs are relatively little exposed to institutional investing. The average Czech has some USD 1,000 in investment funds, which represents around 5% of his/her total financial assets. This is around a third of the level in Continental Europe, or a tenth when compared to the US or Canada.

Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation

STOCK MARKET CAPITALISATION

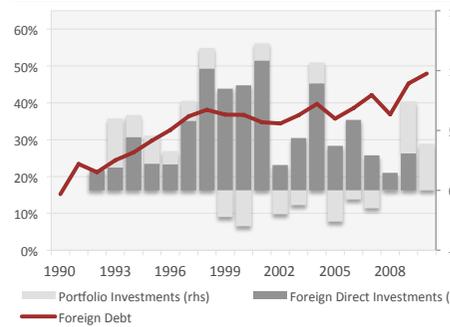


STOCK MARKET ACTIVITY

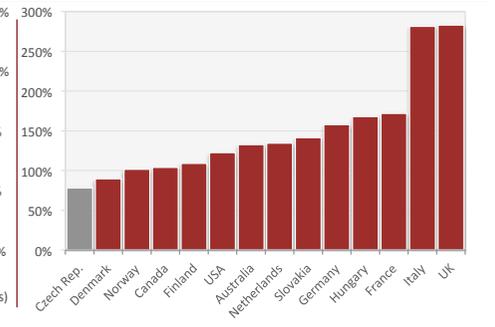


Following the voucher privatisation in the middle of 1990's, the number of listed companies dropped from thousands to less than 20 now. With market capitalisation at around 20-30% of GDP only, foreign direct investments remain more important driver of economic growth than domestic stock market. Limited investment opportunities at home could also be one of the reasons why Czechs leave relatively a lot of money with banks.

DIRECT & PORTFOLIO INVESTMENTS

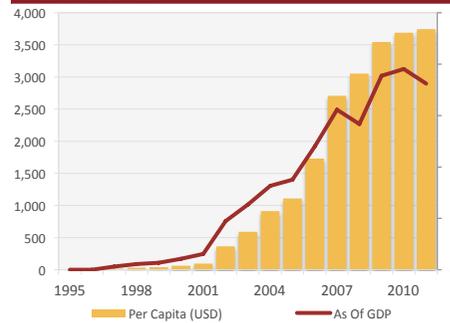


HOUSEHOLDS' DWELLINGS ASSETS (As Of GDP), 2009

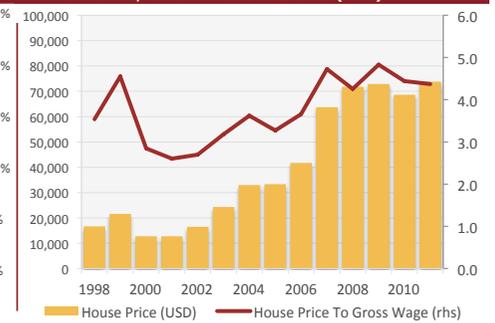


Czechs have around USD 150 bil in residential dwellings, or USD 15,000 per capita, according to the Central Bank and the OECD. Although this is not much when compared to the more developed economies (both absolutely as well as relatively), dwellings represent 68% of Czech households' total financial assets (incl. deposits). With mortgage penetration low and limited investment opportunities, Czech real estate should expect good times.

MORTGAGE LOANS



HOUSE PRICES, NATIONWIDE AVERAGE (USD)



Czech real estate prices have tripled over the last decade in USD terms. The average dwelling (a 64 sqm flat) costs around USD 70,000. In Prague, the Czech capital city, however, you would pay over USD 150,000 for a flat of the same size. The affordability of housing has improved in recent years, especially when lower interest rates on mortgages are taken into account. To buy a flat, it would take an average earner over four annual gross salaries now.

Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation

POPULATION & AGING		2003	2004	2005	2006	2007	2008	2009	2010	2011
Population	mil	10.21	10.22	10.25	10.29	10.38	10.47	10.51	10.53	10.50
Population (As % Of World Population)	%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.15%	0.15%	0.15%
Persons Per Household	persons	2.49	2.49	2.49	2.49	2.46	2.42	2.41	2.38	2.35
Share Of Population (0-14 Years Of Age)	%	15.6%	15.2%	14.9%	14.7%	14.4%	14.2%	14.1%	14.0%	14.1%
Share Of Population (15-64 Years Of Age)	%	70.5%	70.8%	71.0%	71.2%	71.4%	71.5%	71.4%	71.1%	70.7%
Share Of Population (65+ Years Of Age)	%	13.9%	14.0%	14.0%	14.1%	14.2%	14.3%	14.5%	14.8%	15.2%
Median Age	years	38.2	38.4	38.7	38.8	39.0	39.1	39.3	39.4	39.6
Old Age Dependency Ratio	%	19.7%	19.7%	19.8%	19.8%	19.9%	20.1%	20.4%	20.9%	21.5%
Youth Dependency Ratio	%	22.1%	21.5%	21.0%	20.6%	20.2%	19.8%	19.7%	19.7%	19.9%
Life Expectancy, both sexes	years	75.2	75.7	75.9	76.5	76.7	77.0	77.1	77.4	
Life Expectancy At 65, both sexes	years	15.7	16.1	16.3	16.8	17.0	17.3	17.2	17.4	
Total Fertility Rate	children	1.18	1.23	1.28	1.33	1.44	1.50	1.49	1.49	

HOUSEHOLDS' ASSETS		2003	2004	2005	2006	2007	2008	2009	2010	2011
Households' Pension Fund Assets	USD mil	3,002	4,206	4,604	6,537	8,934	9,722	10,922		
Households' Pension Fund Assets (As Of GDP)	%	3.1%	3.7%	3.5%	4.4%	4.9%	4.3%	5.5%		
Households' Pension Fund Assets Per Capita	USD	294	412	449	635	861	929	1,040		
Households' Assets In Investment Funds	USD mil	3,035	5,916	7,804	9,883	13,091	9,051	10,199		
Households' Assets In Investment Funds (Of GDP)	%	3.2%	5.2%	6.0%	6.7%	7.3%	6.0%	5.2%		
Households' Assets In Investment Funds Per Capita	USD	297	579	761	961	1,261	865	971		
Households' Assets In Life Insurance	USD mil	4,691	6,171	6,713	8,789	10,904	10,776	12,349		
Households' Assets In Life Insurance (As Of GDP)	%	4.9%	5.4%	5.2%	5.9%	6.0%	4.8%	6.3%		
Households' Assets In Life Insurance Per Capita	USD	459	604	655	854	1,050	1,030	1,175		
Households' Assets In Dwellings	USD mil	79,688	96,416	91,985	113,576	140,476	142,845	154,334		
Households' Dwellings Assets (As Of GDP)	%	84%	85%	71%	77%	78%	63%	78%		
Households' Dwellings Assets (As Of GDP)	%	7,804	9,434	8,973	11,040	13,532	13,647	14,689		
Households' Assets In Land	USD mil	5,092	6,051	5,846	10,244	13,356	15,324	16,610		
Households' Land Assets (As Of GDP)	%	5.3%	5.3%	4.5%	6.9%	7.4%	6.8%	8.4%		
Households' Land Assets Per Capita	USD	499	592	570	996	1,287	1,464	1,581		
Total Household Assets Incl. Deposits	USD mil	132,783	164,225	160,757	205,305	257,680	262,699	288,820		
Total Household Assets Incl. Deposits (As Of GDP)	%	139%	144%	124%	138%	143%	117%	146%		
Total Household Assets Incl. Deposits Per Capita	USD	13,003	16,068	15,682	19,957	24,822	25,096	27,489		
Net Household Assets Incl. Deposits	USD mil	121,173	146,850	139,029	175,338	209,590	209,180	229,560		
Net Household Assets Incl. Deposits (As Of GDP)	%	127%	129%	107%	118%	116%	93%	116%		
Net Household Assets Per Capita Incl. Deposits	USD	11,866	14,368	13,562	17,044	20,190	19,984	21,849		

INSURANCE		2003	2004	2005	2006	2007	2008	2009	2010	2011
Life Insurance Premium	USD mil	1,457	1,719	1,877	2,089	2,665	3,340	3,159	3,755	4,072
Life Insurance Premium (As Of GDP)	%	1.5%	1.5%	1.4%	1.4%	1.5%	1.5%	1.6%	1.9%	1.9%
Non-Life Insurance Premium	USD mil	2,296	2,654	3,012	3,312	3,878	4,869	4,406	4,408	4,697
Non-Life Insurance Premium (As Of GDP)	%	2.4%	2.3%	2.3%	2.2%	2.1%	2.2%	2.2%	2.2%	2.2%
Life & Non-Life Insurance Premium	USD mil	3,753	4,373	4,889	5,401	6,543	8,209	7,565	8,163	8,768
Total Insurance Premium (As Of GDP)	%	3.9%	3.8%	3.8%	3.6%	3.6%	3.6%	3.8%	4.1%	4.0%
Insurance Net Profit (Current USD)	USD mil	202	424	335	628	629	554	812	1,115	540
Insurance Return On Equity (ROE)	%		20.5%	14.0%	24.6%	21.8%	14.8%	20.8%	26.0%	12.9%
Insurance Return On Assets (ROA)	%	2.7%	4.5%	3.0%	4.9%	4.2%	2.9%	4.5%	5.7%	2.4%
Gross Life Insurance Reserves	USD mil	5,116	6,413	6,626	8,765	10,857	9,260	10,448	11,425	11,470
Life Insurance Reserves (As Of GDP)	%	5.4%	5.6%	5.1%	5.9%	6.0%	4.1%	5.3%	5.7%	5.3%
Non-Life Insurance Reserves	USD mil	1,764	2,039	2,017	2,564	3,289	3,333	3,603	3,518	3,496
Non-Life Insurance Reserves (As Of GDP)	%	1.9%	1.8%	1.6%	1.7%	1.8%	1.5%	1.8%	1.8%	1.6%
Life & Non-Life Insurance Reserves	USD mil	6,880	8,452	8,643	11,329	14,147	12,593	14,050	14,943	14,966
Life & Non-Life Insurance Reserves (As Of GDP)	%	7.2%	7.4%	6.6%	7.6%	7.8%	5.6%	7.1%	7.5%	6.9%
Insurance Assets	USD mil	8,648	11,548	11,484	14,115	17,281	17,503	19,494	20,665	20,225
Insurance Assets (As Of GDP)	%	9.1%	10.1%	8.8%	9.5%	9.6%	7.8%	9.9%	10.4%	9.3%
Market Share Of 3 Largest Life Insurers	%	58%	60%	59%	54%	51%	52%	47%	46%	44%
Market Share Of 5 Largest Life Insurers	%	75%	75%	74%	73%	73%	73%	66%	66%	65%
Market Share Of 10 Largest Life Insurers	%	95%	95%	94%	93%	93%	92%	91%	91%	91%
Market Share Of 3 Largest Non-Life Insurers	%	72%	75%	75%	73%	70%	69%	66%	62%	61%
Market Share Of 5 Largest Non-Life Insurers	%	82%	84%	85%	84%	82%	81%	78%	75%	74%
Market Share Of 10 Largest Non-Life Insurers	%	95%	95%	95%	95%	93%	93%	92%	90%	89%
Accident & Health Insurance Premium	USD mil	88		107	108	124	143	140	168	
Third Party Liability Insurance Premium Per Vehicle	USD	891		1,544	1,823	2,264	2,460	2,388	2,387	
Fire & Other Damage To Property Insur. Premium	USD mil	556	485	483	508	580	700	676	834	
General Liability Insurance Premium	USD mil	233	274	336	399	470	474	532		

Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation. For more details, description and explanation of particular indicators, please, visit www.helgilibrary.com

STOCK MARKET & CAPITAL FLOW		2003	2004	2005	2006	2007	2008	2009	2010	2011
Number Of Listed Domestic Companies	companies	63	54	36	29	32	18	16	16	15
Market Capitalisation Of Listed Companies	USD mil	17,663	30,863	38,345	48,604	73,420	48,850	52,688	43,056	38,352
Stock Market Capitalisation (As Of GDP)	%	18.5%	27.1%	29.5%	32.8%	40.7%	21.7%	26.7%	21.6%	17.7%
Stocks Traded, Total Value	USD bil	8.8	17.7	41.0	32.9	41.9	43.0	20.6	14.1	15.5
Stocks Traded (As Of Market Capitalisation)	%	52%	73%	119%	76%	69%	70%	41%	29%	38%
Stocks Traded (As Of GDP)	%	9.2%	15.5%	31.6%	22.2%	23.2%	19.1%	10.4%	7.1%	7.1%
Institutional Investors' Assets (Investment Funds)	USD mil	5,994	7,716	9,474	12,986	18,318	6,399	6,475	6,724	7,937
Institutional Investors' Assets (As Of GDP)	%	6.3%	6.8%	7.3%	8.8%	10.1%	2.8%	3.3%	3.4%	3.7%

MACROECONOMIC ROUND-UP		2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP	USD bil	95.3	114.0	130.1	148.3	180.5	225.4	197.2	198.9	217.0
GDP Growth	%	3.8%	4.7%	6.8%	7.0%	5.7%	3.1%	-4.5%	2.5%	1.9%
GDP Per Capita	USD	9,336	11,157	12,706	14,446	17,467	21,627	18,806	18,910	20,579
Industrial Production Growth	%	1.6%	10.4%	3.9%	8.3%	10.6%	-1.8%	-13.6%	10.3%	6.9%
Retail Sales Growth	%									
Government Budget Balance (As % Of GDP)	%	-4.9%	-3.2%	-3.7%	-2.4%	-0.7%	-2.2%	-5.8%	-4.8%	-3.1%
Public Debt (As % Of GDP)	%	20%	29%	28%	28%	28%	29%	34%	38%	41%
Unemployment Rate	%	7.8%	8.3%	7.9%	7.1%	5.3%	4.4%	6.7%	7.3%	6.7%
Gross Average Monthly Wage	USD	638	759	847	951	1,124	1,405	1,256	1,289	1,407
Foreign Debt (As % Of GDP)	%	37%	40%	36%	39%	42%	37%	45%	48%	
Imports (As % Of GDP)	%	60%	62%	62%	64%	66%	62%	55%	63%	69%
Exports (As % Of GDP)	%	59%	63%	64%	67%	68%	64%	59%	67%	73%
Current Account Balance (As % Of GDP)	%	-6.3%	-5.2%	-1.3%	-2.5%	-4.4%	-2.1%	-2.5%	-3.8%	-3.0%
Foreign Exchange Reserves (Including Gold)	USD bil	27.0	28.5	29.6	31.5	34.9	37.0	41.6	42.5	40.3
Foreign Exchange Reserves (As % Of Imports)	%	47%	40%	37%	33%	29%	26%	38%	34%	27%
Foreign Direct Investments	USD bil	2.0	5.0	11.6	5.5	10.6	6.6	2.9	6.1	5.4
Foreign Direct Investments (As % Of GDP)	%	2.1%	4.4%	8.9%	3.7%	5.9%	2.9%	1.5%	3.1%	2.5%
Foreign Direct Investments (As % Of CA Deficit)	%	33%	83%	704%	149%	134%	137%	59%	80%	84%
Workers' Remittances, Received (As % Of GDP)	%	0.5%	0.7%	1.1%	1.1%	1.1%	0.9%	1.0%	1.0%	0.8%
Portfolio Investments (As % Of GDP)	%	-1.2%	1.7%	-2.6%	-0.8%	-1.5%	0.0%	4.4%	3.9%	0.2%
Development Assistance (As % Of GDP)	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

INFLATION, FOREX & INTEREST RATES		2003	2004	2005	2006	2007	2008	2009	2010	2011
Inflation, CPI (Average)	%	0.1%	2.8%	1.8%	2.5%	2.9%	6.4%	1.0%	1.5%	1.9%
Long-Term Interest Rate (10-Year Gov. Bond Yield)	%	4.1%	4.8%	3.5%	3.8%	4.3%	4.6%	4.8%	3.9%	3.7%
Short-Term Interbank Interest Rate (3-Month)	%	2.3%	2.4%	2.0%	2.3%	3.1%	4.0%	2.2%	1.3%	1.2%
Interest Spread To USD, 10-Year Gov. Bond	%	0.1%	0.5%	-0.7%	-1.0%	-0.3%	1.0%	1.6%	0.7%	0.9%
Interest Spread To USD, 3M IBOR	%	1.1%	0.8%	-1.5%	-2.9%	-2.2%	0.8%	1.3%	0.8%	0.8%
FX Rate To USD (Average)	per USD	28.2	25.7	23.9	22.6	20.3	17.0	19.1	19.1	17.7
FX Rate To EUR (Average)	per EUR	31.8	31.9	29.8	28.3	27.8	25.0	26.4	25.3	24.6

Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation. For more details, description and explanation of particular indicators, please, visit www.helgilibrary.com

ABOUT HELGI ANALYTICS

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