



Report on
**CZECH
BANKING
ASSOCIATION**
activities in 2020

The year 2020 was challenging for everyone.

Banks and building societies demonstrated that they were standing by their clients and helping them, and not only them, through hard times.

They have taken an active role in the fight against the pandemic, helping the state, non-profit organisations and individuals.

Pictures from some of the projects are included in this publication. These are just a few examples since there has been much more support.

Thank you to everyone who were not indifferent to what was happening during the pandemic year.

“



AIR BANK a. s.

Air Bank is part of PPF Group, which has provided more than CZK 100 million in direct aid to fight the coronavirus epidemic in the Czech Republic alone.

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PRESIDENT'S FOREWORD



Ladies and gentlemen,

The year 2020 was specific and unique in all respects. We have been exposed to an unprecedented global pandemic, which has tested the flexibility of individual sectors, the quality of their customer relationships and, last but not least, also the resilience of their employees. I am proud that the Czech banking sector has stood the test in this difficult time. The strong capital adequacy and the soundness of the financial sector have enabled us to help our customers and offer support to them. Our thanks are especially due to all the employees in the sector, who were often in the front line and who did a great job.

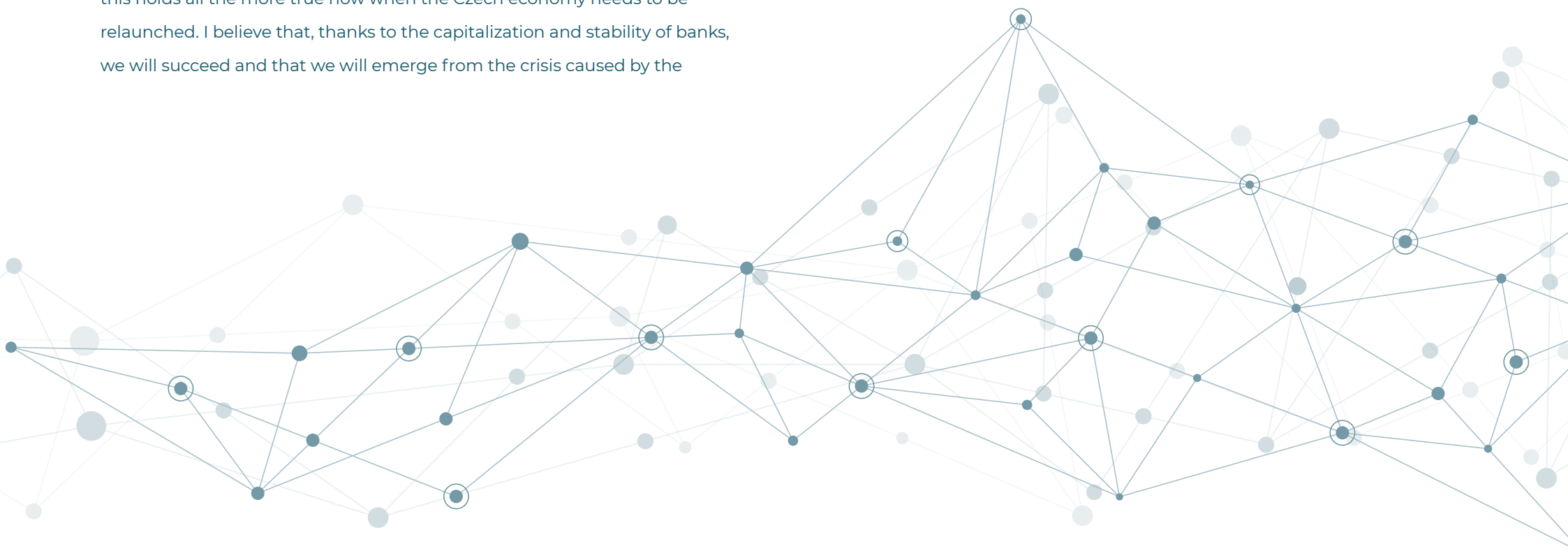
Although 2020 will not go down in history as the most successful year in terms of banks' profitability, I think we can feel good about our work and we should be rightly proud of it. Banks were quick to respond and postponed payments to clients on their own initiative, even before the law required them to do so. They became actively involved in the distribution of guaranteed COVID support programs and they also took giant steps to move forward in the area of digitalization of services. Through the banking identity, we have moved certain key services to the online world for good, thus making life easier for millions of bank clients. At the same time, we have made a significant contribution to a faster digitization of the economy and of state administration with this solution.



In conclusion, let me thank all our members on behalf of the new CBA Executive Board for the trust they have placed in us during the June elections to the CBA's highest governing body. I promise that we will try not to betray their trust and will work actively and for the benefit of the entire banking sector throughout our mandate. The role of the Czech Banking Association is crucial for the development and cultivation of the banking sector - and this holds all the more true now when the Czech economy needs to be relaunched. I believe that, thanks to the capitalization and stability of banks, we will succeed and that we will emerge from the crisis caused by the

coronavirus pandemic as a stronger and more resilient sector.

I wish us all a lot of energy and strength for the next period and a good condition and a better future to the banking sector. Thank you to everyone who have contributed to the development and growth of the financial sector.



MANAGING DIRECTOR'S FOREWORD



Ladies and gentlemen,

as we all know, 2020 was not an easy year. It was full of uncertainty and often of personal tragedies. Yet, many people will remember it as a good year, because it has also brought a number of positive developments. Personally, I am one of those who will remember it well. It was the year when I was given the opportunity to become the Managing Director of the Czech Banking Association. I would like to thank the CBA's Executive Board for the trust placed in me and I promise that I will do my best not to betray it.

I see my new mission as a great opportunity and a challenge, even though I am not faced with the task of creating something new. The reverse is true. The Czech Banking Association has been founded in 1990, and over 30 years, its founders and representatives have created a self-confident and indispensable institution from it, one, which we can today call a traditional institution without hesitating. My task will therefore be to build on the good work of my predecessors, who should be thanked for all the good things they have done for it in recent years, as well as for the work they did in building the country's modern banking system.

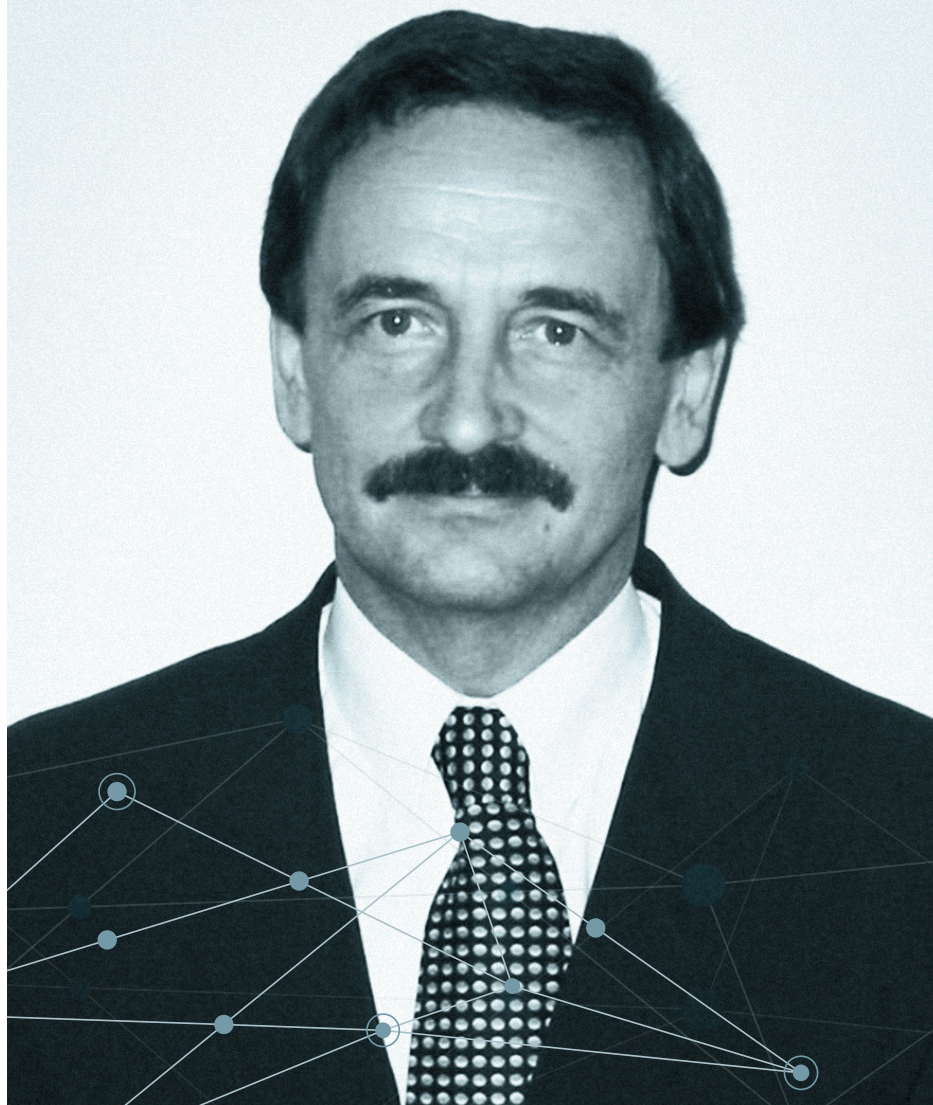


Since its inception, the CBA has been significantly involved in shaping the Czech banking market and the perception of banks. In 2020, it played an important role in the preparation of key projects, such as the Banking Identity, the credit moratorium or the COVID guarantee programs. It has also been involved in drafting and amending laws relating to finance and banking, such as amending the Act on Insolvency and the Civil Procedure Code, known as „Lex Covid“, in comprehensively amending the Civil Procedure Code and the Enforcement Procedure Code, or amending the Act on Protected Account. My colleagues, along with other collaborators from all the member banks, have done a great deal of work and should be thanked for that.

In 2021, too, our main goal will be to support the development and stability of the banking sector and the attractiveness of the business environment in the Czech Republic. Banks operating on the Czech market are no longer traditional, or rigid. They are modern, dynamic, they are leaders in digitization and they can respond quickly to the changing needs of clients. The CBA represents domestic banks, and therefore must keep pace with them. Like them, it must be modern and dynamic, but also open to them and to the public. We will also adapt our strategy for the coming years to this. We plan to introduce a number of projects that will turn the Czech Banking Association into a modern organization that has not only the expertise but also the drive and that keeps pace with innovations and new technologies.

The year 2021 will be more challenging than the previous year. Bringing our lives back to normal, reviving the economy and restarting the Czech economy will require a lot of strength and energy. The CBA has these resources at its disposal. I firmly believe that our work will be successful and that the Czech Banking Association will provide good and responsible guidance on the way out of the crisis.

FOREWORD FROM CHAIRMAN OF THE ETHICS COMMITTEE OF THE CBA EXECUTIVE BOARD



The Ethics Committee is an advisory body to the CBA Executive Board and oversees the administration of client complaints and submissions which relate to compliance with the Financial Market Code and the Ethical Code of the CBA. At the same time, it also monitors compliance with the related codes which focus on certain specifics in the relationship between banks and clients-consumers, for example the Code of Conduct between Banks and Clients.

As in previous years, the number of submissions from clients remained very low. In addition to complaints also questions or requests for clarification of procedures in specific or general cases were addressed to the CBA. In terms of topics, these were most often issues related to payments, account maintenance (current, overdraft and credit accounts) and certain aspects of loans. The Czech Banking Association provided all clients who turned to the Association with clarifications of client submissions, due justification and recommendations on how to proceed further. In relevant cases, cooperation of the institutions concerned was requested and communication was then conducted directly between banks and clients.

The low number of submissions, their diversity and the minimum number of cases that had to be consulted with banks in any way testify to the fact that the approach of the banking sector to handling complaints is systemically very well dealt with. Ombudsman institutions or specialized teams for resolving client complaints are a matter of course in all banks, which is ultimately beneficial not only for clients, but also for the banks themselves.

The Czech Banking Association's approach to education and maximum support for financial education can be considered very valuable. The CBA's activities in this field are absolutely unique, especially in relation to the younger generation, which is the best contribution from the Ethics Committee's point of view.

Members of the Ethics Committee have always been experts in the fields of law and economics, both from the academic community and from among practitioners. The Ethics Committee has been working since its inception under the leadership of prof. Ing. Zdeněk Chytil, CSc., the Chairperson. In 2020, its members were Mrs. Ing. Jitka Pantůčková and Messrs. Mgr. Petr Karel, Ph.D., Ing. Petr Špaček, CSc., prof. JUDr. PhDr. Michal Tomášek, DrSc., and during his tenure at the CBA also Ing. Pavel Kavánek, as representative of the Executive Board of the CBA. At the same time, until the end of October 2020, Ing. Pavel Štěpánek, CSc., was an ex officio member as the Managing Director of the CBA and, since November 2020, Ing. Monika Zahálková, the Managing Director.



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COMMERZBANK

Aktiengesellschaft

Employees of Commerzbank AG, Prague branch, decided to donate a total of CZK 750,000 to three non-profit organisations (People in Need, the Single Mothers' Club and the Hospital of the Sisters of Mercy of St. Charles Borromeo).

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2020: CORONAVIRUS SHOCK AND UNPRECEDENTED ECONOMIC DOWNTURN

There was still consensus in the analytical community at the beginning of 2020 that in the course of the year, the Czech economy would move along the bottom of the economic cycle and that it would rebound to a new expansion from the level of approximately 2% of annual GDP growth. However, when the stream of increasingly worrying news started coming from the capital of the Chinese province Hubei in the first quarter of 2020, the community began to change sharply its way of looking at the balance of external risks. Brexit and the trade wars were swept into oblivion for a time, and by March, it was clear that the world economy had been hit by an external shock of unprecedented proportions in the form of a coronavirus pandemic. Governments responded to the growing health threats in an uncoordinated manner by closing economies and as a result international trade was hampered, economic growth suffered an unprecedented fall and there were enormous pressures to increase unemployment. This was followed by a number of support measures, the effectiveness of which can only be evaluated and compared in the medium term. Although after another three months it seemed that the worst was over, the easing of restrictions in the summer was followed by the second and third waves of increasing infection rates accompanied by new restrictions, which ultimately put the Czech economy deep in the red at the end of the year.

The impact of the pandemic on the economic growth in the Czech Republic and in the world

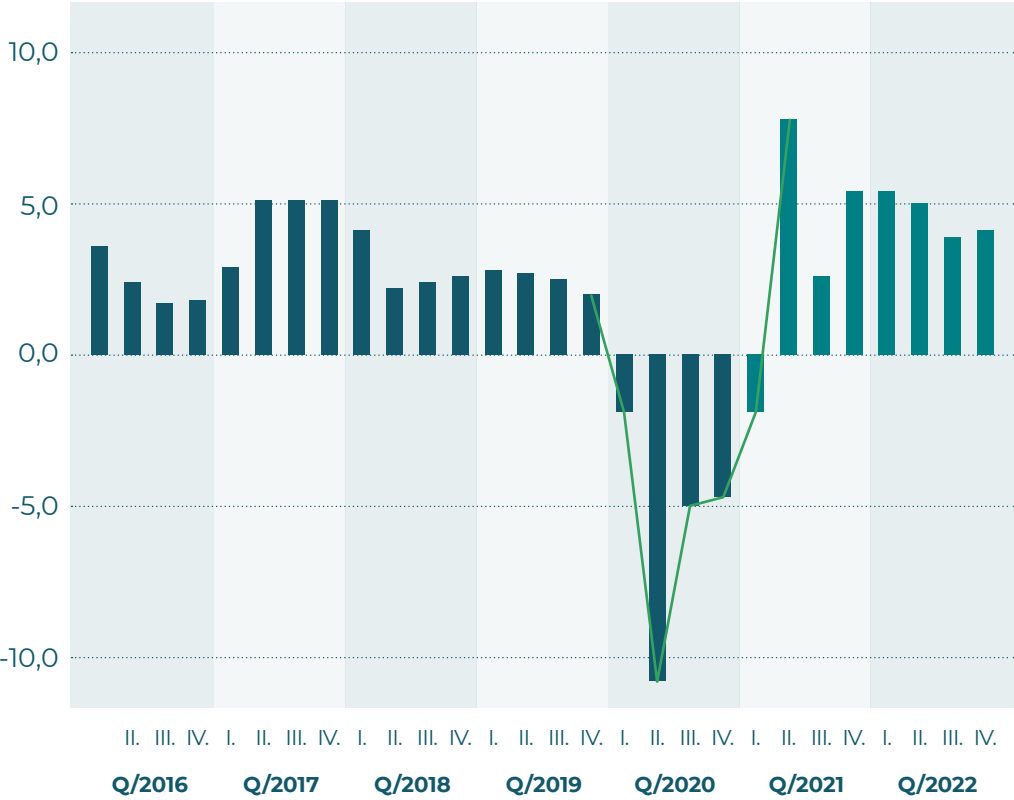
Situation changed, moving backward and forward like a seesaw. Following the deepest contraction in economic activity in Q2 (by almost 11%, y-o-y) and a promising Q3, analysts expected the performance of the Czech economy to get to red numbers again in response to the government's second wave of restrictive measures. In reality, however, this pessimism was not substantiated - GDP grew by 0.6% quarter-on-quarter in Q4 (it declined by 4.7% compared to the same quarter of the previous year). Even so, the result was the deepest year-round decline of 5.6% over the duration of the Czech Republic.

Brighter moments for the economic development of the Czech economy came in connection with a strong increase in foreign demand, especially in Q3 and Q4, while in the opposite direction, domestic demand was significantly subdued with the exception of Q3. During the year, both consumption and investment declined sharply, and government consumption was the only steadily growing „domestic“ component of GDP. Household consumption expenditure and spending on capital formation were the main factors of the year-on-year decline. Household consumption had a negative effect of -1.9 pp, capital formation -3.1 pp, foreign demand -1.2 pp. General government expenditures made a positive contribution (+0.6 pp).

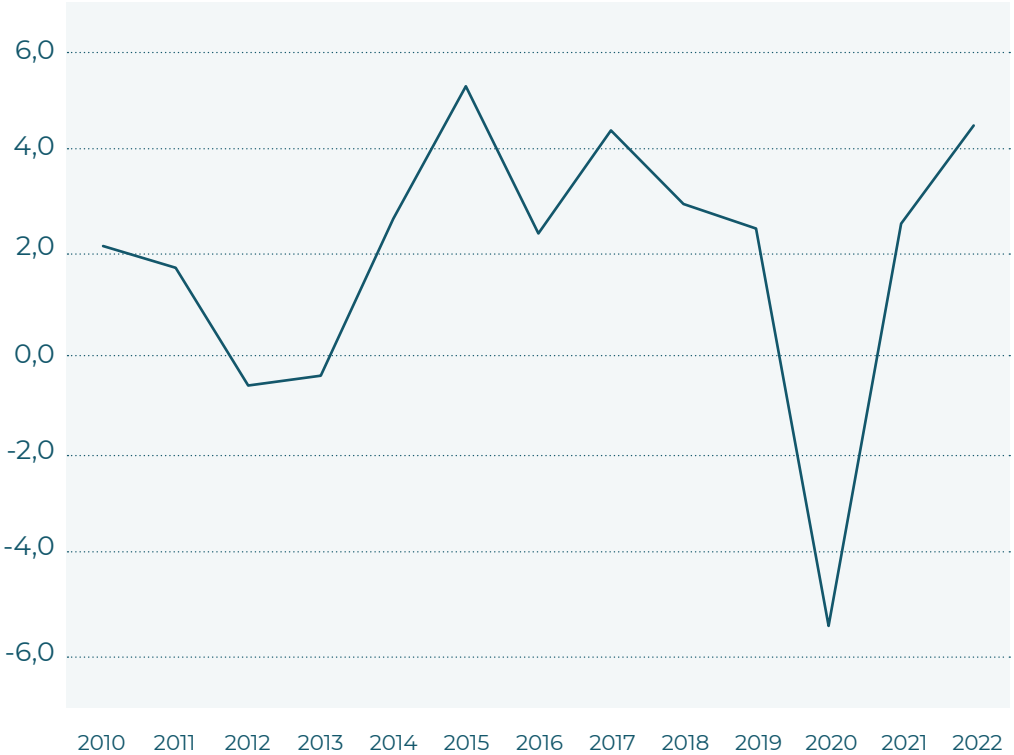
Household final consumption expenditure thus dropped by 5.2%, year-on-year. Gross fixed capital formation was 8.5% lower than in 2019. Investments in the means of transport and in machinery equipment dropped in particular. General government expenditure increased by 2.9%, mainly due to rapidly growing collective consumer expenditure. Foreign trade balance increased by CZK 42.3 billion, year-on-year, to CZK 390.5 billion at current prices.

The course of the cycle is illustrated in the following chart (estimates of GDP growth for 2021 and 2022 are taken from the February CBA forecast).

GDP y/y – quarterly data



GDP y/y – annual data

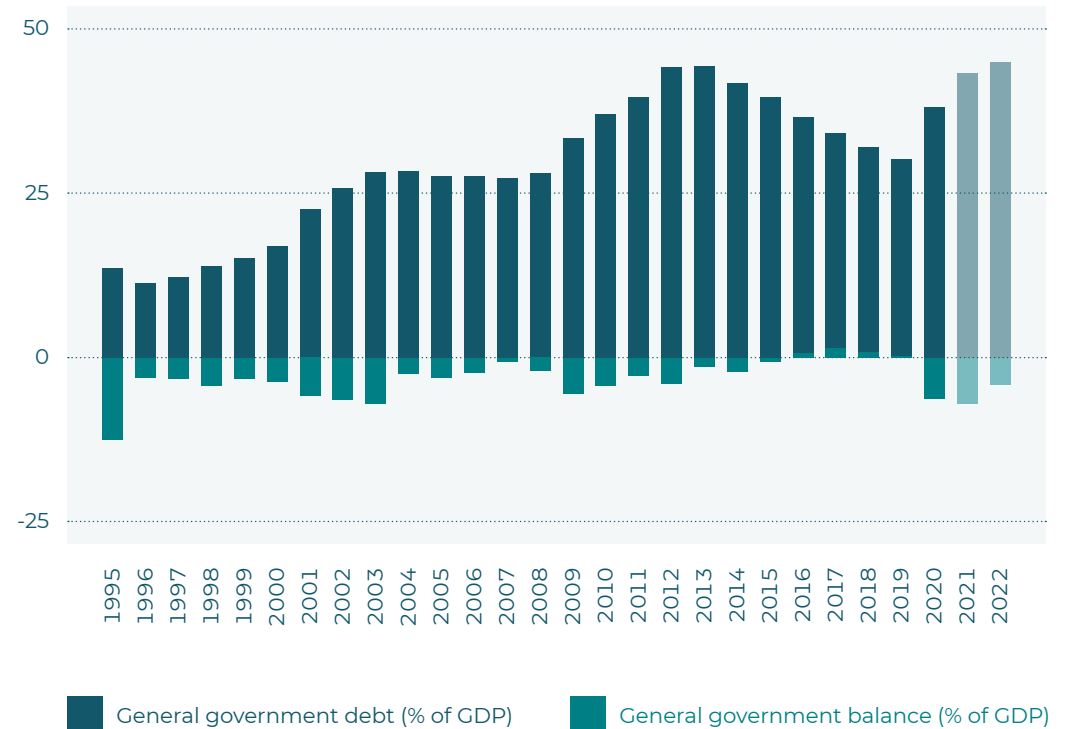


(Source: the Czech Statistical Office, the CBA Forecast, February 2021)

Public finances in the year of the coronavirus pandemic

The deep economic downturn and especially the support measures that were initially adopted chaotically were reflected in the developments of public finances, which, after 4 years of moderate surplus or balanced management, got into an unprecedentedly deep deficit. In 2020, the state budget ran a deficit of 367.4 billion crowns. Public finances as a whole recorded a (seasonally unadjusted) deficit of 6.2 % of GDP. Government debt increased to 38.1% of GDP (i.e., by 7.8 pp) as a result of the government deficit, and in the context of the anticipated worsening of the deficit in the election year 2021, it moved towards a relatively soft debt brake set by the fiscal responsibility law at 55% of GDP. Although the Czech Republic is still one of the best performers in the fiscal area compared to many EU countries, the extent of the Czech state's debt is rapidly deteriorating. It is clear that the populist tax package adopted at the end of the year, which was not properly targeted, appears to be counterproductive from the perspective of the need for future consolidation of public finances. In the long run, the problem is further exacerbated by the unresolved issue of the sustainability of Czech public finances in terms of population aging and the associated need for a fundamental reform of the pension system and the need for health care financing reform which has been brutally exposed by the crisis.

General government debt and balance 1995–2022 (% GDP)



Global economic development and impacts on Czech foreign trade

Business cycles in the major economies were marked by a deep decline with one exception, which was paradoxically China, the country of origin of the coronavirus disease. According to IMF World Economic Outlook estimates revised in January 2021, GDP in advanced economies contracted by 4.9%, of which in the US by 3.4%, in the euro area by 7.2% and in Germany by 5.4%. The decline in developing and emerging economies is estimated at more modest 2.4%, of which only 1.1% in Asia, while China is likely to record a 2.3% GDP growth year-on-year. This is not such bad news for our export-oriented economy, mainly due to the accelerating exports of Germany at the end of the year, also the traditional driver of our exports, to the USA and especially to China.

The deep slowdown in economic activity in Q2 had a negative effect on foreign trade, and exporters tried to catch up in the second half of the year. Last year, total exports of goods and services decreased in real terms by 6.0%¹ and imports by 6.1%. The balance posted a surplus of CZK 390.5 billion, which was CZK 42.3 billion more year-on-year. The improvement was relating exclusively to trade in goods. Increase in the surplus was mainly due to trade in oil and natural gas, while the surplus in trade with motor vehicles decreased. In Q4, foreign trade achieved record results (a surplus of CZK 145.5 billion), in which trade in motor vehicles, on the other hand, played a large part.

¹According to the methodology of quarterly national accounts (export and import FOB/FOB).

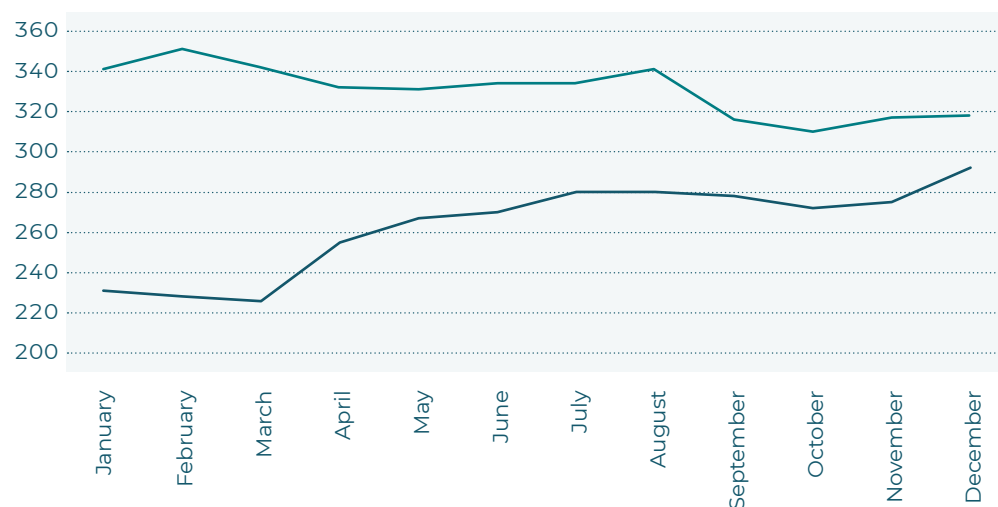
The Czech labor market remains to be marked by structural imbalances

Developments in the Czech labor market seem to have mitigated to a large extent, if not ignored, the effects of the pandemic. The gap between job vacancies and the number of unemployed has been gradually closing since the highest level in March at the beginning of the pandemic, when there were about 124,000 more vacancies than applicants. The December „surplus“ of vacancies was at the level of „only“ 27 thousand. The number of job seekers increased rapidly (66,000), while the offer of vacancies decreased (33,000). Even so, the Czech economy is in a relatively unique situation within the EU and the share of unemployed persons reached only 4% in December (approximately 1 percentage point higher than a year ago).

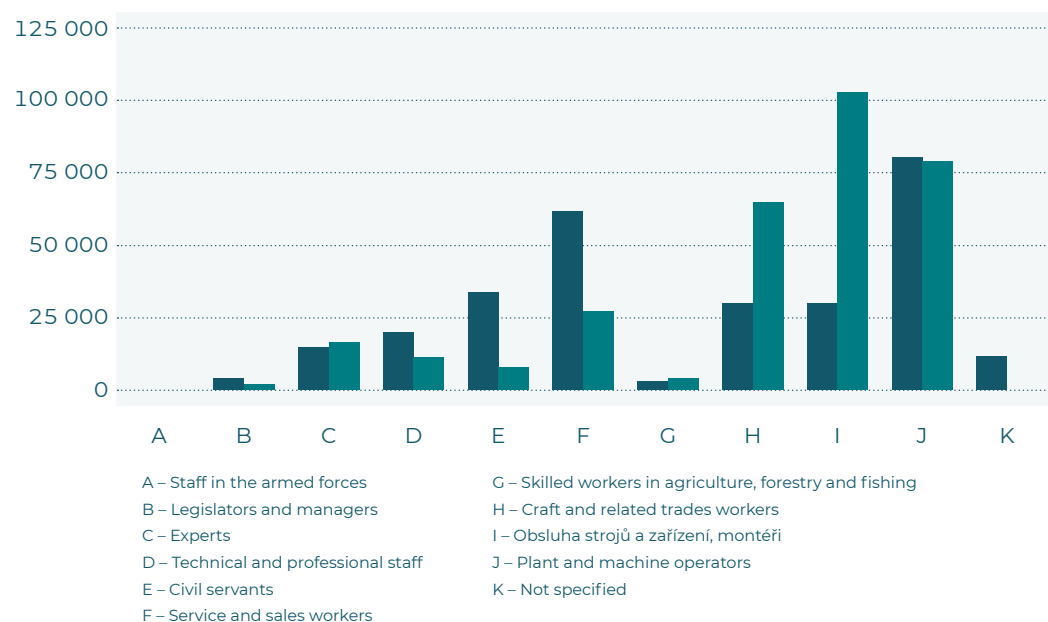
Government support measures (especially the Antivirus program) have effectively prevented higher unemployment. However, in certain sectors, which have been affected by a longer-term loss of perspective, staff drain will continue and former employees will look for job opportunities elsewhere. This creates certain tension in the labor market, especially regionally. The issue on the labor market is still mainly structural - at the end of the year, for example, about 35,000 people were employed in services and sales, or 26,000 people in the administration, but on the other hand, there was a lack of about 74,000 skilled workers able to operate machines and fitters, or 35.5 thousand craft and related trades workers. Supply and demand were roughly balanced in the area of unskilled labor.

■ Job seekers ■ Vacancies

Job seekers versus job vacancies 2020



Structure of job seekers and of vacancies in December 2020

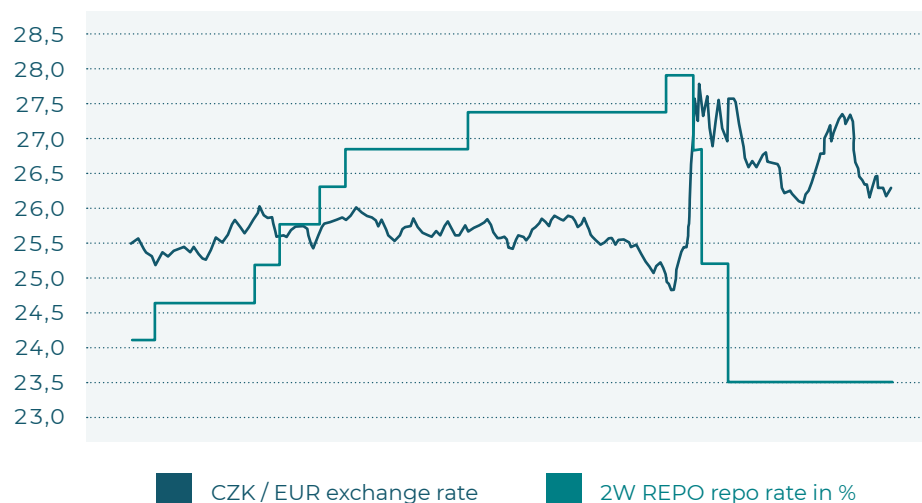


(Zdroj: MPSV)

Inflation and monetary policy

During the crisis year of 2020, the central bank kept monetary policy in a relaxed mode despite inflation, which since April has been not only above the inflation target, but also slightly outside the upper cap of the tolerance band. On average, consumer inflation reached 3.2% last year, but at the end of the year it dropped to 2.3%, year-on-year. Although the Bank Board responded to inflationary pressures at the beginning of the year by raising the 2-week repo rate to 2.25% in February, it only kept reducing the rate for the rest of the first half of the year in response to the deepening crisis, parking it at a technical minimum of 0.25 % until the end of the year. The relaxed monetary policy mode was also matched by the weakening exchange rate (please see the following chart):

Monetary policy tightening and loosening cycle 2018–2020



During 2020, the rising prices of housing, food and non-alcoholic beverages, alcohol and tobacco had the greatest impact on increasing the price growth and their slowdown in the final quarter played a part in easing inflationary pressures. Price developments in the area of transport in particular had the opposite effect. In its analysis, the Czech Statistical Office pointed out that, according to the GDP deflator, the rise in the overall price level last year stood at 4.1%, which is the highest since 2001. Prices of consumption and capital goods grew significantly. Most of the monitored price indices last year were impacted by the decline in the price of oil, which dampened the year-on-year rise of both industrial producer prices and prices of imports.

What future development did the chief economists of banks expect at the beginning of 2021? Due to the third wave of coronavirus infection, the slow start of vaccination and the associated uncertainties, they postponed their initially optimistic expectations to the second half of the year and revised them downwards. Even so, they expected economic growth to resume and gain gradually momentum. The following table summarizes the economic results of 2020 and the forecast of the development of the Czech economy for the years 2021–2022.

Selected indicators for the period 2020–2022 (reality/forecast)

Indicator	2020 (forecast /reality)	2021 (forecast)	2022 (forecast)
Real GDP growth (%)	-5,6	2,6	4,6
Share of unemployed persons (MoLSA): average (%)	3,6	4,4	3,9
Average nominal wage (growth in %)	3,2	2,8	4,4
Inflation rate: CPI (%) average	3,2	2,2	2,1
Government deficit/surplus (% of GDP)	-6,2	-6,9	-4,1
Government debt (% of GDP)	38,1	43,3	45,1
Growth of household consumption (%) in real terms	-5,2	2,5	3,1
Government consumption growth (%) in real terms	2,9	1,3	1,1
Investment growth (%) in real terms	-8,5	1,3	7,0
Growth of exports (%) in real terms	-6,0	5,8	6,4
Growth of imports (%) in real terms	-6,1	5,2	6,2
Real GDP growth in the euro area (%)	-6,9	3,7	3,7
CZK/EUR exchange rate: average	26,46	25,79	25,20
Price of oil (USD per barrel): Brent average	43,00	56,00	58,00
CNB 2T REPO base rate (%): end of period	0,25	0,50	1,00
ECB base rate (%): end of period	0,0	0,0	0,0
3M-PRIBOR (%): average	0,86	0,40	0,9
Growth in bank loans to clients (%)	4,9	4,6	5,3
Growth in bank loans to households (%)	6,5	6,2	6,0
Growth in bank loans to (non-financial) corporations (%)	3,2	1,5	5,0
Total growth in customer bank deposits (%)	10,8	9,0	6,0

Sources: the Czech Statistical Office, the CNB, the CBA forecast (February 2021)

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ČESKÁ SPOŘITELNA, a. s.

Employees contributed not only money in the amount of CZK 350,640 to the Energy to Doctors initiative. They also volunteered to distribute packages.

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CZECH BANKS IN 2020: STABILITY AND CUSTOMER SUPPORT DESPITE THE PANDEMIC

The effects of government restrictions in 2020 that were aimed at managing the coronavirus pandemic did not spare the Czech banking sector either. Despite that, Czech banks continued to be a pillar of financial stability of the distressed economy. Not only did their performance remain “in the black”, although profitability decreased sharply, but the share of non-performing loans in banks’ portfolios remained at relatively reasonable levels, although it increased by the end of the year. In addition, banks maintained a consistently comfortable level of capital in accordance with the Czech National Bank’s recommendations, strengthened by unpaid dividends in 2020.

Monetary policy reacted the fastest to the escalating crisis - despite inflationary pressures that forced the central bank to increase the 2-week repo rate by a quarter of a percentage point to 2.25% in early February, it decreased the rate by half a percentage point to 1.75 % in mid-March in response to the closure of the economy, then by three quarters of a percentage point to 1% after ten dramatic days, and „parked“ it at 0.25%, the „black zero“, on 11 May 2020, until the end of the year. The Bank Board of the CNB was equally resolute in reducing the capital requirements and easing regulation of mortgage loans. It reduced the countercyclical capital buffer rate to 1% at the end of March and

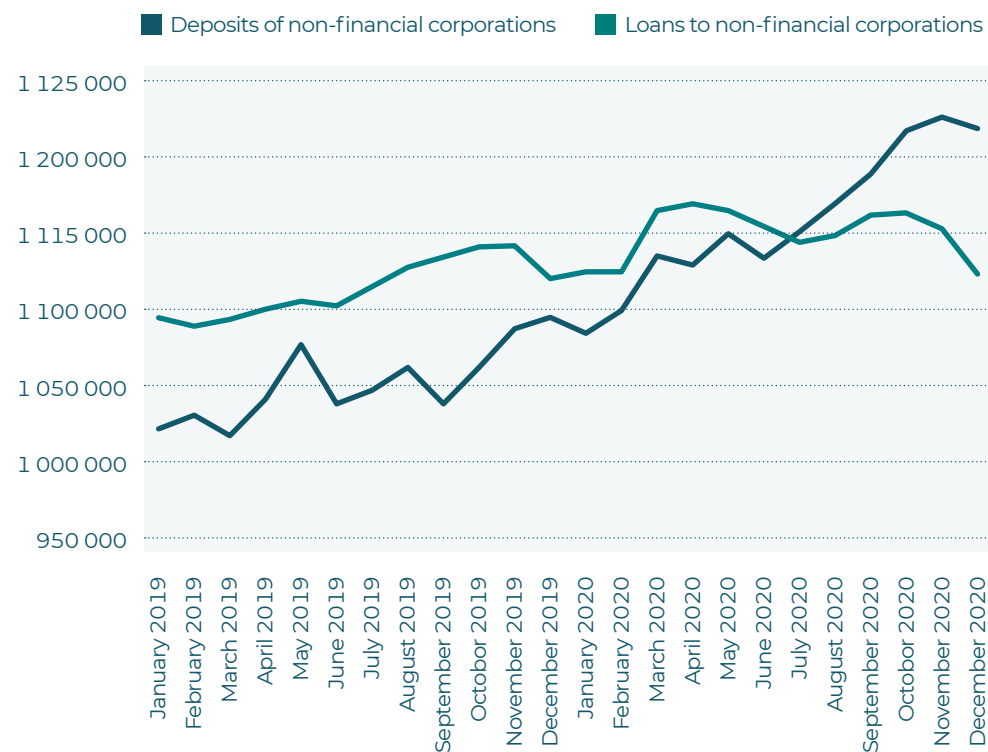
to 0.5% in mid-June, effective 1 July 2020. As of 1 April 2020, it also relaxed the limits of credit indicators for new mortgages - it increased the LTV indicator from 80 to 90%, abolished the DTI limit and in mid-June, it also abolished the DSTI limit. The relaxed economic-political mix was gradually complemented by fiscal policy, as we mention in the macroeconomic part below.

However, restrictions on free movement and entrepreneurship, together with uncertainty about their duration, had a negative impact on the propensity of households and businesses to invest and consume. Household and corporate savings reached historic highs, and corporate debts to banks in December 2020 were lower than corporate savings in banks for the first time in 30 years (please see Charts 1 and 2). In an environment of uncertainty about job stability and future returns, some of the borrowers were losing confidence in their ability to repay debts properly. Despite the pandemic, Czech banks have been very active from the beginning of the crisis in their efforts to support their clients and to prevent issues, whether these related to credit moratoriums and individual approach to clients, or cooperation with the government in preparing and using the COVID III and COVID Plus guarantee programs mentioned in another place.

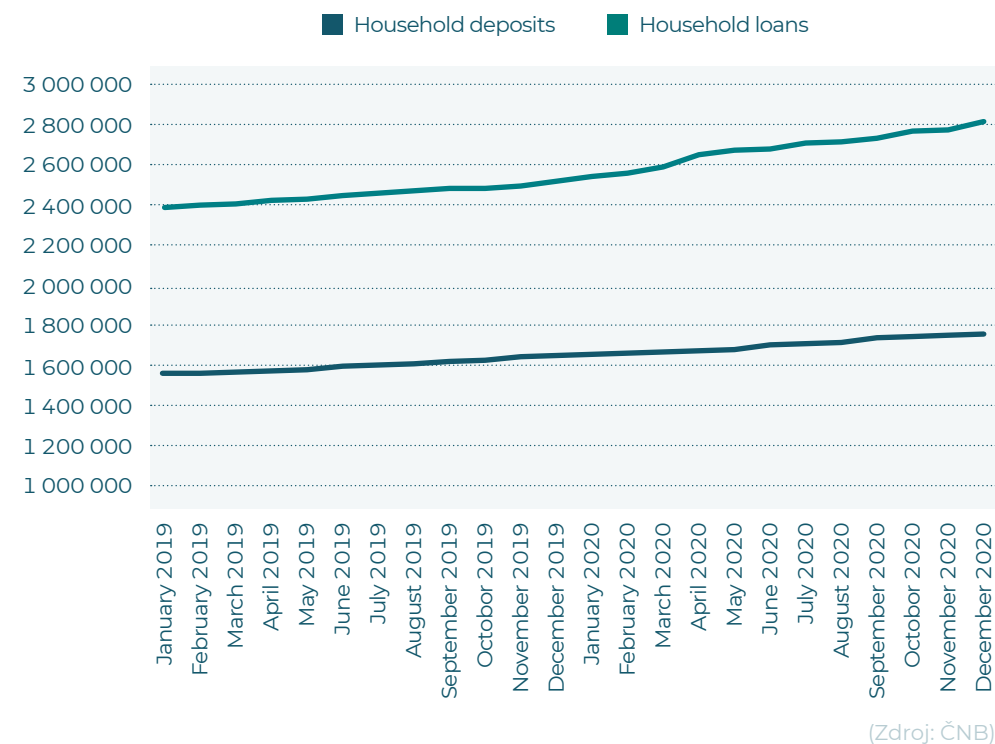
However, Czech banks have not only been able to keep their position among the strongest financial institutions in Europe even in a difficult situation (please see below), but also to continue offering a wide range of quality and modern services for financing the needs of small, medium and large enterprises, to increasingly provide digital but also traditional services to households and public institutions, whether government or municipalities, in addition to almost “invisibly” ensuring seamless and secure payments. The earlier dynamic digitization of banking services has proved to be the right investment for the future, especially in the context of “remote” purchases and payments forced by the pandemics, albeit sooner and in a different way than one might have expected.

The Czech banking sector has been one of the most stable, solidly capitalized banking sectors with higher-than-average profit levels in the European Union’s single market not only in the medium term, but also in 2020 and in international comparison, it would stand the test also from the perspective of financial health characterized by an extremely low share of non-performing loans (NPLs). This is confirmed every year not only by the results of demanding stress tests performed by the Czech National Bank, which tests the resilience of the sector as a whole and of individual institutions on the basis of scenarios with harder impact parameters than those used at European Union level by the European Banking Authority (EBA).

Deposits and loans of non-financial corporations 2019–2020



Deposits and loans of households 2019–2020



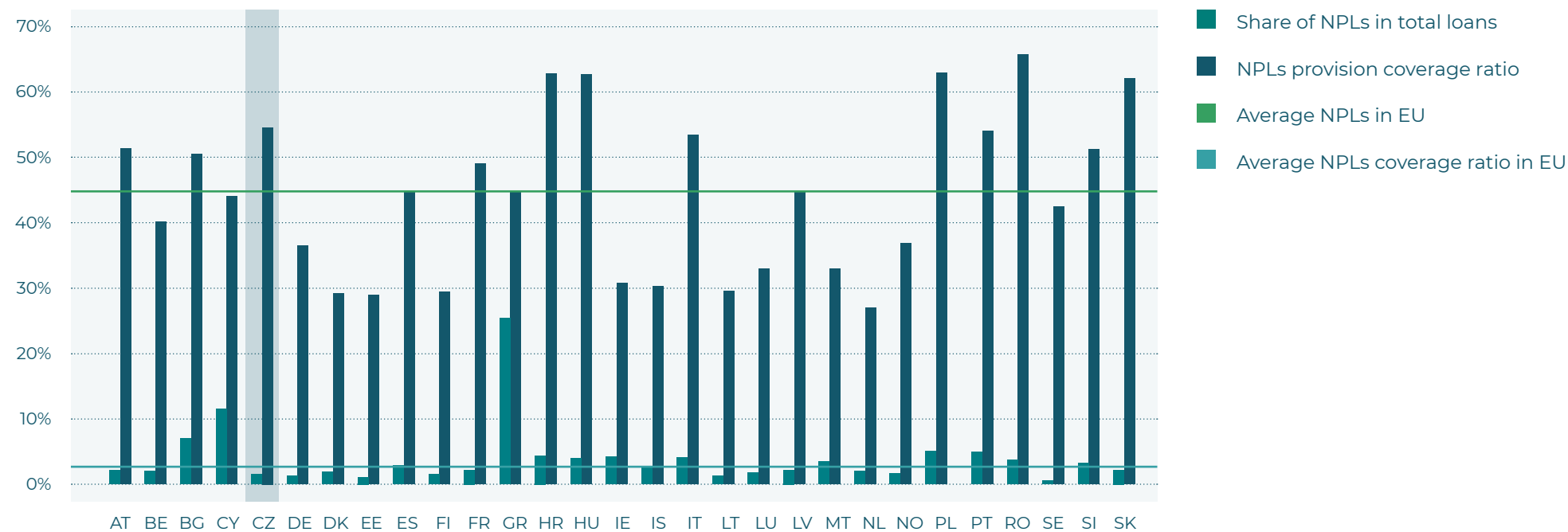
(Zdroj: ČNB)

The values of financial health indicators also testify to this. The aggregate capitalization of the Czech banking sector consistently exceeds regulatory capital requirements and the total capital ratio of banks reached 24.1% according to comparable EBA data (and thus increased by another 3.6 pp in a year), while 98% of capital continued to consist of the highest quality Tier1 capital. In the medium term, one of the main advantages is the comparatively low share of NPLs, the value of which according to the methodology used by EBA increased very slightly to 1.5% against the previous

year, making it one of the lowest among EU member states. The provision coverage ratio of NPLs stood at 54.7% and was thus among the above average ones.

In the medium term, the quality of the loan portfolio and the effective and prudent risk and cost management are the main reasons why Czech banks have remained profitable despite the pandemic and its effects.

Share of NPLs in loans in EU and NPLs provision coverage ratio as at 31 December 2020



(Source: EBA)

Banking sector: basic facts

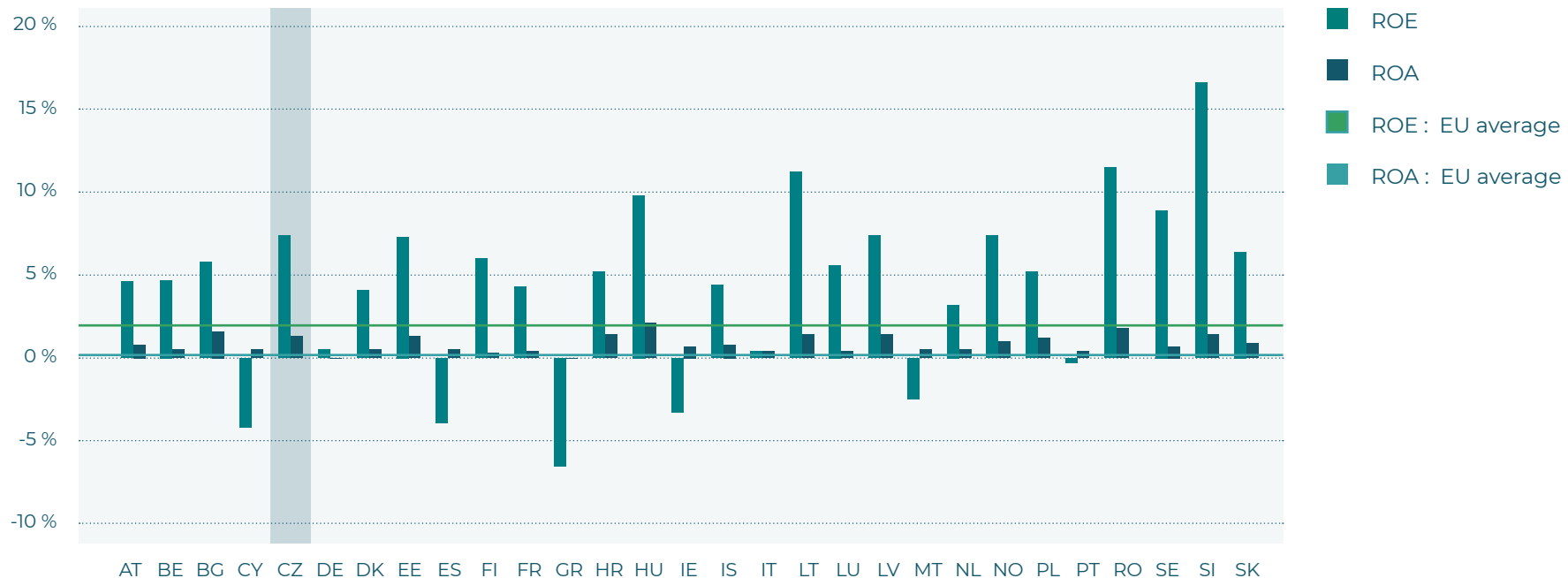
As in the previous two years, there were 49 licensed banks operating in the Czech Republic at the end of 2020. The structure of the banking sector consists of 4 large banks, 5 medium-sized banks, 10 small banks, 25 branches of foreign banks and 5 building societies. 37 entities are falling under the control of foreign owners, of which 12 are banks and 25 are branches. Domestic owners control 12 banks, two of which are co-owned by the state. Cross-border services in the Czech Republic can also be provided by 471 foreign banks operating in the EU's single internal market.

At the end of 2020, the total value of the banking sector's assets increased by

about 5.5%, to CZK 7965 billion. At the end of the year, the volume of assets in relation to GDP stood at about 141%; compared to the previous period, it increased by approximately 6 percentage points reflecting also the decline in the Czech Republic's economic performance caused by the crisis.

Compared to the previous year, net profit for 2020 dropped by 48%, to less than CZK 47.5 billion. According to comparable EBA data, return on capital decreased in the crisis year by more than half to 7.4% (compared to 2% average in the EU) and return on assets also dropped by half to 0.6% (compared with EU average of 0.1%).

Return on equity (ROE) and return on assets (ROA) of banks in EU (Banks' profitability – ROE and ROA in EU as at 31 December 2020)



(Source: EBA)

Banking sector: loans and deposits

At the end of 2020, the total volume of bank loans in the Czech Republic increased by 4.2% compared to the previous year when its growth rate was essentially the same, reaching CZK 3595.7 billion. Banks provided loans to households in the total amount of CZK 1,763.1 billion, which was almost 6.9% more than in the previous year; corporate loans reached the level of CZK 1,123.0 billion at the end of 2020, thus practically stagnating year-on-year. The overall excess of outstanding loans to households over outstanding corporate loans thus increased to 57%, by about 10 percentage points compared to the previous year, thus deepening the current trend, which was about 1.5 multiple thereof. As in the previous period, households borrowed mainly to purchase housing - the outstanding balance of mortgage loans increased year-on-year by 7.8% to CZK 1509.4 billion (i.e., it accounted for almost 86% of the outstanding loan balance of Czech households). Consumer loans increased at a rate of 2.6% and their outstanding balance reached CZK 244.6 billion at the end of the year.

During the year, the impacts of the introduction and easing of restrictive measures were relatively dramatically reflected in the new credit transactions, especially on the mortgage market. Not only the spring lockdown, which limited the supply of newly completed housing, but also

the persistently low interest rates and the temporary elimination of the CNB's mortgage limits played a significant role in this. During the year, households drew new housing loans from banks and building societies worth CZK 548.5 billion, which was 79% (!) more than in 2019, when on the contrary, new mortgages declined year-on-year. However, if we adjust the above-mentioned figure for refinanced mortgages and those with a new interest rate fixation, this impression will not be ultimately so dramatic, though they increased by 34%, highly above average. Once again, however, we should take into account the weak year 2019, reflecting the introduction of the central bank's mortgage limits. It is therefore clear that more than half of the increase is due to the refinancing and refixing of the previously concluded mortgage contracts. The resulting 60% year-on-year increase in the volume of new loans to households was then caused mainly by mortgages, although consumer loans grew at a double rate compared to the previous year, i.e., at 16%.

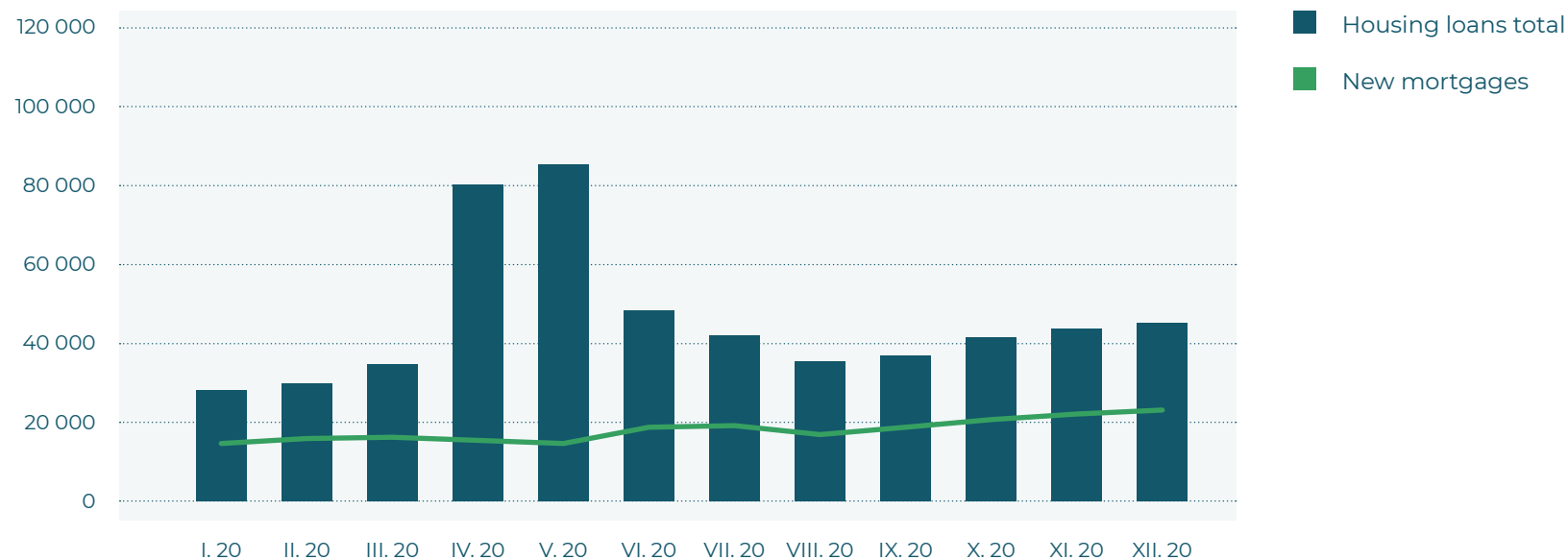
In the area of corporate financing, the increase in new loans was about 13%, which was a rate similar to the previous year. However, due to the stagnation of the total volume of corporate loans, entrepreneurs rather repaid previous liabilities, or banks refinanced some of them.

New transactions in 2020 by category (New transactions by category in 2020 (CZK mil.))



(Zdroj: ČNB, ARAD)

Structure of mortgage business in 2020 (Household loans versus new mortgages in 2020 (CZK mil.) (banks and building societies))



(Zdroj: ČNB, ARAD)

At the end of 2020, the total volume of client deposits reached CZK 5,162.0 billion and exceeded the volume of client loans by 43.5% (a year-on-year-increase of 6.5 pp!). The excess of deposits over loans is traditionally generated by the household sector, where households had 60% more funds deposited in domestic banks than they drew on loans. However, this excess decreased by 5 percentage points in the pandemic year. In the corporate sector, the volume of deposits and loans has been traditionally rather balanced. Nevertheless, at a time of increased uncertainty, corporations had bank account deposits of CZK 1,218 billion for the first time in 30 years, i.e., about 8% more funds than was their CZK 1,123 billion debt to banks.

At the end of 2020, households had CZK 2,822.8 billion deposited with banks, i.e., 2% (!) more than a year earlier. Around 80% of the savings were placed on demand deposits, while a year earlier this ratio was 10 percentage points higher. Households were thus not only increasing their safety reserves because of the uncertain future, but they also tried to deposit part of it on deposit products with slightly more favourable interest rates.

Main indicators of loan developments in 2020

	Absolute amounts (CZK billion)	Year-on-year change (%)
Total volume of loans (as at 31. 12. 2020)	3595,7	4,2
Population – loans (households, residents)	1763,1	6,9
Housing loans	1509,4	7,8
Consumer loans	244,6	2,6
Non-financial corporations (residents) – loans	1123,0	0,0
New loans (2020)		
Population, housing, consumption, other	759,6	59,8
Of which: housing loans	548,5	79,1
Of which: consumer loans	147,0	16,0
Non-financial corporations	590,2	13,3

Outlook for 2021

The slower-than-expected recovery, inhibited by the onset of the third wave of the epidemic and by the very slow take off phase of vaccination, will also be reflected in the dynamics of developments in the banking market. If public support in the form of guarantees for investment loans can be set up appropriately, the economic recovery will also receive an important stimulus in the SME segment. On the other hand, a growing number of insolvencies can be expected in the economy, which will be reflected in an increase in NPLs in banks' balance sheets.

The increase of services related to Banking Identity in connection with the participation of further banking houses will enable, among other things, significant progress in the digitization of state administration, as hundreds of thousands of banking clients will be gradually able to start using eGovernment services which were hitherto difficult to access. Banks will also become increasingly involved in sustainable financing, as evidenced by the CBA Memorandum on Sustainable Financing issued in early March 2021.

The recommended limits in the area of mortgage financing have been newly incorporated into law and the central bank will thus be able to declare them as binding. However, their promulgation can be more likely expected in the second half of the year, depending on the speed of onset and the strength of the expected economic recovery. An even closer link to economic developments exists in the case of the countercyclical capital buffer, which will be only slowly approaching the level covering the normal range of risks from the current 0.5% minimum.

Following the approval of the EU Multiannual Financial Framework 2021-2027 and the approval of the relevant legislation, banks will also be involved in making use of the new programs and instruments to support the economic development of their clients. In the first phase, this will rather relate to the implementation of the National Recovery Plan - calls in the new operational programs can be realistically expected only at the beginning of 2022.





ČESKOMORAVSKÁ ZÁRUČNÍ A ROZVOJOVÁ BANKA, a. s.

CMZRB specifically helped entrepreneurs by providing them with support in the volume of CZK 51 billion in guaranteed loans, which is more than the combined total of the previous record years 2018 and 2019.



DEFERMENTS OF REPAYMENTS

On 12 March 2020, the Executive Committee of the Czech Banking Association decided that, given the anticipated more difficult situation of firms and households in connection with coronavirus measures, it was necessary to offer bank clients a deferment of repayments of their loans. Therefore, the Executive Committee recommended that all Member Banks be accommodating to their clients and defer their repayments. And that is what happened. The banks were helpful to their clients and, before the law on the flat deferment of installments came into force, they positively settled 150,000 deferments of installments on their own initiative.

The act on the flat deferment of repayments entered into force on 17 April 2020. Banks positively processed another 210,000 requests for deferments on the basis of the law. In total, the banks thus provided 360,000 deferments of loan repayments. 43 thousand applications were rejected, i.e., 10.7% of all submitted applications. The reasons were formal deficiencies and the fact that the debtor had installments overdue for more than 30 days. 66% were deferments of consumer loan repayments, 26% were mortgage loans, 5% were corporate loans and 3% were others. Taken together, this accounted for 12% of loans from the entire loan portfolio of banks. Deferred repayments were in place until October 30, 2020. Of the total

number of 360,000 deferred loans, 120,000 clients returned to repaying before the end of October. Of the remaining 240,000 clients, 89%, i.e., 214,000 clients returned to their repayments during November. Banks held individual negotiations with the remaining clients and in most cases mutually agreed on another individual deferment.

The flat deferment of installments was successfully carried out on the initiative of banks and then in accordance with the act on the flat deferment of instalments. At a time when most bank employees were working from home, hundreds of thousands of requests for deferrals had to be processed. This required changes in processes and procedures. At the end of the year, follow-up negotiations on individual deferments took place just as successfully on the basis of another call from the Executive Board. This was also reflected in the share of non-performing loans, both in the case of corporations and households. The shares of non-performing loans remained at historically very low levels throughout the year - at the end of the year at 4.2% for corporations, 5.1% for consumer loans and 0.9% for mortgage loans. Experience has shown that targeted individual assistance is a more effective tool than a flat deferment. Regular contact and regular communication based on individual meetings is a more advantageous model for both parties.

PERSONAL DATA PROTECTION – BANKS AND “SMART QUARANTINE” PROJECT

By the end of February 2020, 18 Member Banks (3 more than in the previous year) committed to comply with the soft standard summarized in the Framework Interpretation of Certain Provisions of GDPR in the Banking Sector (via [link](#)). At the end of February, an initial consultation between the CBA Narrow Working Group for Personal Data Protection and the Office for Personal Data Protection (hereinafter ÚOOÚ) on the issue of dynamic electronic signatures took place. However, with the outbreak of the pandemic, priorities have shifted elsewhere.

An extraordinary measure taken by the Ministry of Health (hereinafter “MZ”) on 19 March 2020 imposed an obligation on banks to provide information on the location and time of use of electronic means of payment of banks' clients. The data should then be provided for the purpose of creating tracking maps within the so-called Smart Quarantine. Based on intensive cooperation with the MZ, ÚOOÚ, the Czech National Bank, the Covid19.cz civic initiative and the Association of Mobile Network Providers, the Narrow Working Group for Personal Data Protection (which initiated the cooperation) and the CBA's GDPR Implementation Team, managed to satisfactorily define conditions for protecting and securing bank clients' personal data in a way that enabled banks to start fulfilling the obligations imposed on them at the beginning of May.

Due to the fact that during the following quarter, infected persons in the order of only lower dozens of cases granted their consents for providing location data from banks, MZ decided to terminate cooperation with banks on 1 August 2020. However, both sides evaluated it as very beneficial and confirmed that they were open to renewing it should the situation so require. Even after this date, call centers of selected banks and telephone operators continue to help the Ministry, or rather the hygienic stations, on an individual basis when contacting infected clients.

At the end of the summer, it was therefore possible to return to the discussion on a number of current topics, such as assessing the impacts of the case law of the European Court of Justice in the Schrems II judgement, the issues of sharing personal data to non-EU countries under the conditions of the Czech banking sector, or cooperation with the Data & Privacy Working Group of the European Banking Federation in preparing opinions on the guidelines of the European Data Protection Board (EDPB) and the like. At the same time, the process of revising the above-mentioned soft standard has been launched with the aim of publishing its update during the first half of 2021.

DIGITIZATION AND BANKING IDENTITY

The financial services business is connected with tough competition compelling individual entities to seek effective procedures and such solutions that would bring savings and enable their use in investment in innovations. Due to the gradual commoditization of financial products, banks have long focused on improving their customers' experience, or rather the user experience of customers, including in the field of using new technologies while maintaining maximum security. From the customer's perspective, banks have been making every effort to focus on the speed, user friendliness and simplicity of services that the customer needs and demands in various life situations. Therefore, they have been devoting considerable efforts to digitizing their services for a long time, which was the case also in 2020, at the end of which first banks were ready to launch a key digitization project – the Banking Identity - and thus make a significant contribution to digitizing the Czech state.

SONIA Project - completion of the first stage

At the beginning of the year, the framework for the provision and authentication of electronic / digital identities by banks to persons who want to use eGovernment services or private providers' services electronically in an electronic form has been anchored in legislature. The amendments to

the Act on Banks and to the Act on Select Measures against Legitimization of Proceeds from Criminal Activity and the Financing of Terrorism (the AML Act) were discussed by both chambers of the Parliament of the Czech Republic and after signature by the President published in the Collection of Laws under No. 49/2020, with deferred effect as of 1 January 2021. This marked the end of the almost two-year first stage of one of the most important achievements of the Czech Banking Association, called the SONIA Project (Private-Law National Identity Agency).

In accordance with the Act on Electronic Identification and eIDAS (European Union Regulation No. 910/2014 on electronic identification and trust services in the European single market), banks have consequently gained the possibility to provide electronic Banking Identity, including related services: provision of electronic identification and authentication, provision of trust-building services and provision of services related to electronic identification, authentication and trust-building services. An equally important part of the amendment was the implementation of the act on basic registers, which, already since 2017 has given banks the right to access the state's basic registers; the amendment precisely defines the scope of access and its form - through the bank's (agenda) information system.

The second phase of the SONIA project - Banking Identity and updating of bank clients' data

From the beginning of the year and in accordance with the mandate of the Executive Board of the CBA, the CBA has focused mainly on reaching a consensus (of the Ministry of Finance, the Financial Analytical Unit, the Czech National Bank and the Ministry of the Interior) to fulfill Resolution No. 840 of the Chamber of Deputies of the Parliament of the Czech Republic on the question of delivering the Banking Identity to clients who have opened an account without being physically present by using the “crown payments”, and the implementation of the second phase, the implementation phase of the SONIA Project, or rather the Banking Identity, as an identification method.

In the course of the ten months before the law has come into force, it was also necessary to discuss, agree, set up and finally implement a number of yet non-existent procedural, technical and security standards. All this was happening in the difficult conditions of the covid epidemic and in close cooperation with the partners from the Ministry of the Interior, the Administration of Basic Registers, the Ministry of Finance, the Czech National Bank and NAKIT (the National Agency for Communication and Information Technologies, state enterprise). We consider the negotiations to complement the document by specific minimum requirements on qualified electronic identification systems and on the electronic identification means issued and used within them (connecting banks to the National Identification Authority), “DKP IDP MV”, as well as the commencement of talks with security authorities on the topic of applying the provisions of the act on the registration protection of persons, to be one of the most important activities.

Another and no less important activity was the preparation of the test environment and related procedural and operational rules for access to the basic registers through the so-called Central Service Point, which is operated for the state by NAKIT.

With the approaching effective date of the law and use of the Banking Identity, the CBA has initiated a dialogue with the Ministry of the Interior on planned communication promotion activities with a view to finding agreement not only on the uniform use of terminology in the field of electronic identification, but especially in promoting the electronic services of the state, eGovernment, where the use of the Banking Identity is anticipated.

Partnership of the banking sector and the state in the digitization of the Czech Republic

The Banking Identity, as an identification method, is a fundamental contribution of the banking sector to the digitization of public administration and thus of the Czech Republic. Its development and interlinkage with other services is important not only for bank clients, public administration, but also for private service providers. It thus becomes a starting point for the development of further cooperation between the private sector and the state, this time at partner level. The CBA therefore sought to find a suitable platform that would allow the banking sector to discuss other strategic digitization projects of the state. To strengthen this dialogue, the CBA Executive Board took a decision to establish a Commission on Digitization, through which members of the Association have an opportunity to present their proposals in the area of digital market development to representatives of the state, the professional public and to other professional and sectoral organizations.

FINANCIAL MARKET GUARANTEE SYSTEM

The year 2020 posed historically unprecedented challenges to the Guarantee System in terms of providing for the functioning of the organization under the state of emergency and under the measures taken by the Czech government and the Ministry of Health in connection with the covid-19 pandemic. The Guarantee System had to take a number of technical and organizational measures with regard to the emergency situation and coped with managing it in such a way that, in principle, there were no restrictions on the activities of the Guarantee System and no suspension or slowing down of the ongoing projects.

In the first half of the year, another round of IT audit was carried out, focusing mainly on GDPR, website security and administration, change management and incident management, software and access control. In May, a due diligence audit of the Guarantee System for 2019 took place, which was carried out remotely for the first time due to the pandemic situation.

On the basis of a public procurement order placed for securing the payout of deposits compensations, which was announced in mid-September in

the form of procedural proceedings with publication, the Guarantee System entered into a new agreement with a new provider of the service for a further four years at the beginning of 2021.

Due to the outbreak of the pandemic, the regular spring round of testing the readiness of banks, building societies and credit unions¹ to provide data to the Guarantee System according to the Decree of the Ministry of Finance No. 71/2011 Coll² was cancelled. The testing of the banks was carried out in the period from September to November 2020 and took place under strict security measures related to the covid-19 pandemic. A complete client database of 32 entities was thus tested, of which were 20 banks, 5 were building societies and 7 were savings and credit unions. No serious deficiencies were found in the tested institutions.

In cooperation with the Czech National Bank, supporting documents were prepared for the carrying out of the fourth stress test of the European Banking Authority (EBA) „Use of Deposit Insurance Fund resources for the purposes of the resolution“. The test itself was performed in early 2021.

¹In accordance with Section 41c, paragraph 10 and Section 41n, paragraph 1, Act No 21/1992, Coll., the Act on Banks, as amended.

²In accordance with Decree No 431/2016, Coll., amending Decree 71/2011, Coll., on the form, structure and method of keeping and providing data that a bank and a branch of a foreign bank must keep, and which must be provided to the Financial Market Guarantee System.

The Guarantee System cooperated in developing processes related to resolving a possible crisis on the financial market, namely in creating a “resolution manual” prepared by Ernst & Young based on the CNB assignment. At the same time, the Guarantee System participated after its completion in the test of resolution processes taking in view of the involvement of funds managed by the Fund in the Crisis Resolution Fund.

In the middle of 2020, a new website was launched, which meets the very demanding requirements for the accessibility of new websites.³ On this occasion, the editorial content of the pages was also completely revised and updated, and their graphic form was modified so as to enable the user to get the answer to the basic questions as quickly as possible, namely where and to what extent the deposits are insured. At the same time, a license agreement was concluded with the National Library of the Czech Republic, which will enable the National Library to permanently archive the content of these websites and include them in selected Czech web resources intended for regular and long-term web archiving with the aim of preserving them for future historical and research purposes.

In 2020, no payouts of deposits compensations were started or made.

In January 2020, the Guarantee System concluded another bilateral specification for the Agreement on cooperation in the cross-border payout

of deposit claims, this time with the Hungarian National Deposit Insurance Fund.⁴ In the area of cross-border cooperation, the Guarantee System also created internal manuals for the payouts of deposits compensations, containing individual steps and their timing, always in relation to a specific bilateral specification with the partner system. In connection with these internal manuals, a set of document templates was prepared for possible cross-border payouts of deposits compensations in Slovakia, where the Guarantee System is in the position of a national deposit guarantee scheme and the Slovak Deposit Protection Fund, to which the documents were handed over for translation into Slovak, would make the payments.

During the year, the Guarantee Scheme participated in meetings organized by the EBA (Task Force DGS) regarding the forthcoming amendment to Directive 2014/49/EU on deposit guarantee schemes. Due to the coronavirus crisis, most negotiations took place remotely. Meetings of committees, working groups and annual meetings of international organizations EFDI (European Forum of Deposit Insurers) and IADI (International Association of Deposit Insurers) were also held by videoconference due to the coronavirus crisis.

³Act No. 99/2019 Sb., on accessibility of websites and mobile applications and related European rules.

⁴Országos Betétbiztosítási Alap (OBA).

BANKING REGULATION

Banking package

An important subject in the field of banking regulation are regulatory measures to reduce risks and increase resilience in the banking sector, the “banking package” (amendment to the BRRD¹ and CRD²/CRR³), which was published in the EU Official Journal on 7 June 2019 and entered into force on 27 June 2019. Although the Ministry of Finance assumed the transposition of the directives in the Czech Republic as provided for by the directive, i.e., with effect from 29 December 2020, as a result of the covid-19 epidemic and of other priorities addressed by deputies, the implementation deadline set by the directives has not been met.

The Czech Banking Association (CBA) used the opportunity to present opinions on national discretions in the amendments to the CRD and BRRD to the Ministry of Finance so that alternatives suitable from the point of view of the banking sector are selected during implementation in the Czech Republic. The views held by the CBA are similar to those of the Ministry

of Finance and the CNB. The close cooperation of the Ministry of Finance with the CNB and the CBA in the implementation of prudential regulation into the Czech legal order is important in order to take due account of the specifics of the Czech banking sector and it is in the interest of the appropriate use of national discretions.

Significant areas of the BRRD amendment for Czech banks include the home-host relationship, the calibration of the minimum requirement for own funds and eligible liabilities (MREL), the subordination of MREL, the sale and cross-holding of MREL. As regards the CRD/CRR amendments, they include changes related to capital reserves, proportionality in the application of requirements, reporting and disclosure. Increasing requirements on the scope and frequency of reporting and disclosure, with no clear added value for users, place high demands on capacity and are also associated with high costs.

¹ Directive (EU) 2019/879 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms

² Directive (EU) 2019/878 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures .

³ Regulation (EU) 2019/876 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements

LEGISLATIVE ACTIVITIES

Defending proportionality and rationality in the shadow of pandemic

Like all other areas of life, legislative activities in 2020 were profoundly determined by the impacts and threats of the pandemic. The Czech Banking Association sought to accommodate all rational measures to mitigate the effects of the pandemic crisis on the one hand, while not allowing it to be misused for enforcing measures on the other hand (especially in the state of legislative emergency) that would have nothing to do with the effects of the pandemic materially and would be aimed at achieving long-unfulfilled political goals. In this context, the Czech Banking Association actively participated, for example, in drafting the law on the deferral of payments or the law on certain measures to mitigate the impacts of the SARS-CoV-2 coronavirus epidemic on persons participating in the legal proceedings, aggrieved persons, victims of crime and legal persons as well as in amending the Act on Insolvency and the Civil Procedure Code, known as „Lex Covid“.

We should thank the members of the Legal Commission and the CBA Workout Commission for their tremendous efforts in reviewing and co-drafting these regulations in an absolutely hectic atmosphere of the first months of the pandemic.

For most of 2020, the CBA was engaged in difficult debates on a reasonable and feasible legal regulation of the “protected account”. There was never dispute on whether such an institute makes sense in the Czech legal system, but the debate related to its specific concept. The CBA's concerns about the Chamber of Deputies version of the protected account have been acknowledged and supported by the Senate, but the Chamber of Deputies later unfortunately maintained its position. Based on CBA's initiative, it at least agreed to postpone the effective date of the protected account by three months, so that banks have a chance at all to prepare for the provision of the account.

The government's proposal for a comprehensive amendment to the Civil Procedure Code and to the Enforcement Procedure Code, and in particular the enormous quantity of amendments made to the draft, also became a long-lasting topic last year. The amendments were mostly distinguished by a clear inclination to strengthen the position of debtors. The CBA has robustly opposed the introduction of any form of territoriality of distrainers and of any inadequate increase in the cost of the recovery process for creditors.

The year 2020 was also associated with efforts to clarify the necessary rules for charging costs reasonably incurred for the early repayment of consumer mortgage credits. The CBA believes that these costs are far from being exhausted in the form of administrative costs on the part of mortgage lenders.

Last year also witnessed the launch of a major legal and political debate on the form of a partial implementation of the European directive on preventive restructuring frameworks and the “second chance”. The CBA considers it necessary and, for a number of reasons, appropriate to ensure that the implementation in the area of debt relief for natural persons – entrepreneurs does not go beyond the scope defined by the directive, and that it is thus not used for ill-considered and far-reaching changes to the debt relief process in its entirety.

In 2020, the CBA, together with the Czech Insurance Association, achieved consent of the Chamber of Deputies with postponing the deadline from which ID cards are to be issued without giving birth numbers by two years, which will allow space for all stakeholders, both commercial and state, to properly process the abandonment of the birth number and its replacement by other unique identifiers of natural persons and to reflect this in their systems.



COMPLIANCE

Banks are facing constant challenges posed by extensive international and national regulatory activities, which are becoming more and more intensive. For this reason, the Compliance Commission has been established upon the request of Member Banks at the end of 2019 and started to effectively operate only in 2020.

The Commission's work was marked by the coronavirus crisis; however, several important objectives have been achieved. Cooperation was established with the CNB's Financial Market Supervision Department and with the Czech Compliance Association. Three working groups have managed to prepare soft standards for the activities of the compliance function in the area of the subject and scope of the compliance function's activities, remuneration and the monitoring of new legislation.

Members of the Commission participated in comment proceedings and consultations on regulations both at the level of Czech legislation (draft law on the protection of whistleblowers; proposal of deputies to issue an act amending Act No. 170/2018, Coll., on the Distribution of Insurance and Reinsurance as amended by Act No. 119/2020, Coll.; draft law on a pan-European Personal Pension Product (PEPP) and, at the European

level (for instance, consultations of the European Banking Authority / European Supervisory Market Authority on the review of the assessment of the suitability of members of the management body and the filling of key functions, EBA consultations on the review of its guidelines on internal governance, EBA consultations on remuneration policies).

In the following period, the Commission will further focus on discussing the developed soft standards with the regulator and on the continued support to Member Banks in the preparation of other soft standards focusing on other key areas under the responsibility of the compliance function or, on the fulfilment of the compliance function across the institution. Another significant component of the Commission's activities is to exchange practical experience with the aim of mutually sharing experience that has impact on the further anchoring and standardization of the role of compliance. In order to strengthen the knowledge and experience of employees of compliance functions, and thus contribute to the stability of the banking environment in the Czech Republic, an important aspect of the Commission's further activities will also be to consider supporting the training of compliance staff. We anticipate that the scope of the Commission's work will be continuously supplemented in the spirit of the CBA's flexible response to market needs.

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ČESKOSLOVENSKÁ OBCHODNÍ BANKA a. s.

CSOB employees decided to help University Hospital Hradec Králové and provided it with face masks.

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INTERNAL AUDIT

The activities of the CBA's Internal Audit Commission, like the whole society, were marked by the coronavirus crisis last year. We moved the planned meetings and seminars to the online environment; however, the focus remained the same as in previous years - education, information sharing and discussion of current issues related to the implementation of new legislation. The banking industry has been facing endless challenges posed by international and national activities in the field of regulation. Its implementation is demanding and it is subsequently subjected to checks carried out by various competent authorities. It is therefore important to constantly learn and be informed of the laws/measures that have been adopted.

We prepared a meeting for auditors in cooperation with the Czech Institute of Internal Auditors (the CIIA) and Deloitte audit company, which focused on the current developments in the field of risk regulation at banks and financial institutions. Representatives of the audit company introduced the PCI DSS (Payment Card Industry Data Security Standard), i.e., a set of international security standards (norms), the aim of which is to prevent the leakage of payment card holders' sensitive data. There are basically 12 requirements. These are applied to organizations that process, transmit or store data on

payment card holders and transactions. In addition, representatives of the audit company paid attention to the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR) and related risks.

Following changes in macroprudential policy, representatives of Member Banks' audit teams were given an opportunity to meet with the Deputy Executive Director of the Financial Stability Department, who introduced the Macroprudential Policy Division and acquainted the participants with the CNB's strategy in this area, its opinion on systemic risks and with the instruments of macroprudential policy applied in the Czech Republic.

Last year, the field of Anti Money Laundering (AML, for instance, implementation of the European directive into Czech law) was also quite resonant and the topic was thus also present at the Commission's meeting in the form of a presentation on Evidence-based AML Risk Assessment by a representative of the audit firm PwC.

In seminars organized in cooperation with the CNB, we focused on the presentation of new Guidelines on ICT and Security Risk Management, which was attended by a wide range of employees of Member Banks.

ACCOUNTING AND REPORTING

Banks faced a number of challenges in the field of reporting in 2020 in connection with the migration of the Czech National Bank to the new SDAT collection system and the introduction of new reporting obligations. As a result of moving the validity of the individual parts of the European Banking Authority (EBA) reporting, data collection through the two systems (SDAT and MtS-ISL-SUD-SDNS information system) was performed concurrently.

The Commission has been continuously and intensively working with the CNB on proposals to amend the migration schedule for reporting to the SDAT system in relation to current developments and proposed to move deadlines both in order to implement the modification outside the critical period and also to minimize duplicate work in data processing. Representatives of the Commission also took part in the meetings that preceded the introduction of the CZEONIA01 report. With effect from 1 July 2020, the CZEONIA reference rate is calculated from statistical data submitted by banks and foreign bank branches to the Czech National Bank on a daily basis pursuant to Decree No. 346/2013, Coll.

In the field of accounting, we actively participated in the consultation process on the draft bill of the Accounting Act. The draft was approved by the government in October 2020 and the Ministry of Finance has been asked to draft the Accounting Act and submit it to the government before 30 June 2022. We will continue to monitor the developments intensively.

The activities of the working group on AnaCredit continued in 2020 and were focused on the quality of reported data of legal entities and the preparation of the reporting of reporting of receivables from natural persons entrepreneurs. This is a project of the European Central Bank aimed at creating transnational datasets of detailed (individual) data on loans and credit risk, which the CNB has voluntarily joined.

In connection with the migration to SDAT, another joint CBA/CNB working group has been established for MKT (capital markets). The aim of the working group is to make use of the lessons learned from the implementation of MKT reporting in recent years, to take into account the specific aspects of this reporting in a timely manner when creating the new CNB collection system, and thus facilitate the migration of the MKT methodology as much as possible. At the end of the year, the CNB submitted a methodology for the migration of reporting; most of the Commission's members actively participated in the consultation process.

In the European Banking Federation, we took part in discussions of the Accounting Committee, the Working Group on Reporting & Statistics, which focused last year, for instance, on the ITS (Implementing Technical Standards), Sustainability Reporting, Non-Financial Reporting Standards, MREL reporting (minimum capital requirement and eligible liabilities) and on TLAC (total loss-absorbing capacity).

TAXES

The topics considered by the Tax Commission and its activities in 2020 were markedly affected by the epidemiological situation. Part of its activities focused on involvement in consultation processes on tax laws, which responded to the complicated situation of taxable entities in connection with the pandemic situation and which were adopted in a state of legislative emergency.

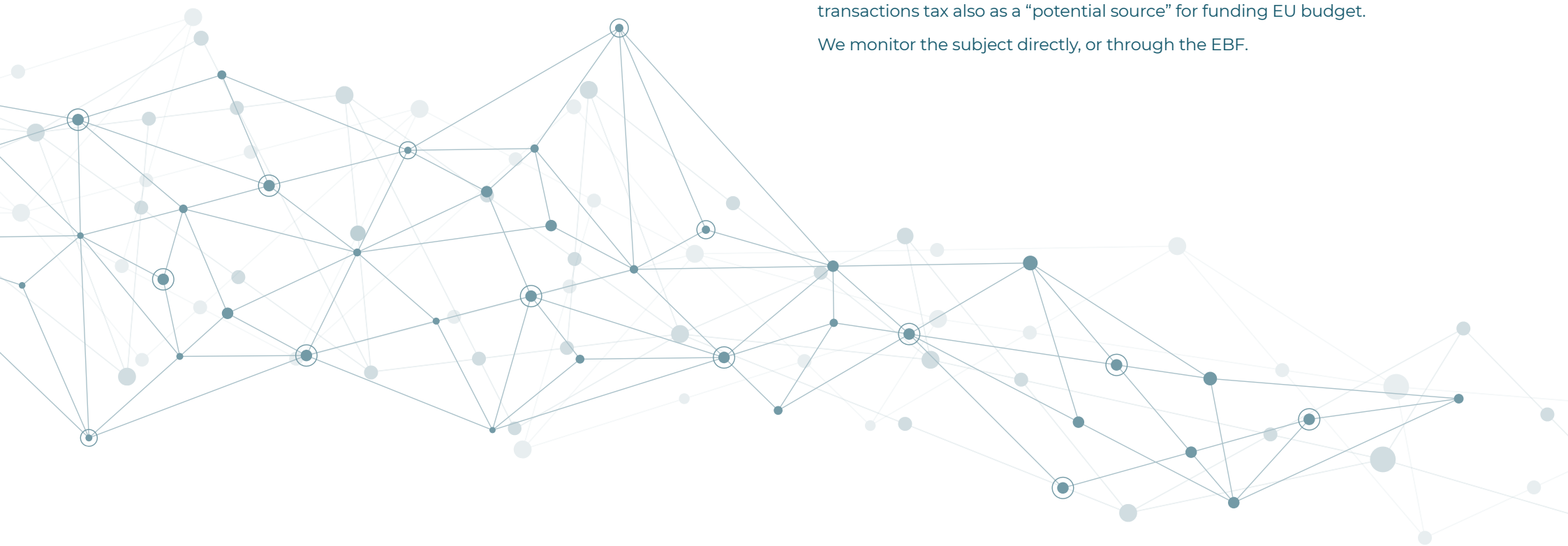
Part of its activities focused on postponing the effectiveness of certain laws. The Commission was extensively involved in the communication concerning postponement of the notification obligation as regards automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements under Council Directive (EU) 2018/822 ("DAC6"). Member States were to implement it before 31 December 2019 and apply its provisions from 1 July 2020. In connection with the coronavirus crisis, a draft amendment to the Directive was approved at EU Council level, which, among other things, delayed deadlines for compliance with the notification obligation under DAC6 Directive by approximately 6 months ("COVID-19 DAC Directive"). Finally, the government postponed the implementation of the notification obligation in the Czech Republic until 2021 by its decree on extraordinary extension of deadlines.

As probably every year, the biggest challenge was the approval of the „2021 tax package“ and its entry into force. A significant number of amendments were delaying the approval of the bill, thus taking up the time needed to prepare for the implementation of the approved changes. Finally, the amendment was published in the Collection of Laws on 31 December 2020. Members of the Commission took part in discussions, consultation processes and debates on the amendments.

Another topic addressed by the Tax Commission included taxation of income from the sale of shares paid by a subsidiary, which is a tax resident of the Czech Republic, but its parent company is not. We drew attention in the comment procedure to the fact that, in our opinion, the proposal is in breach of Council Directive 2011/96 / EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States. The government took a dissenting position on this proposal. The discussion of the proposal continues in the Chamber of Deputies in 2021 and the Commission will continue to monitor the developments.

Together with the Czech Leasing and Finance Association, we have opened with the Ministry of Finance the subject of applying lower tax-deductible finance costs on loans from related parties in accordance with the low-capitalization test, than banks can deduct. A solution has been proposed which will be the subject of further negotiations.

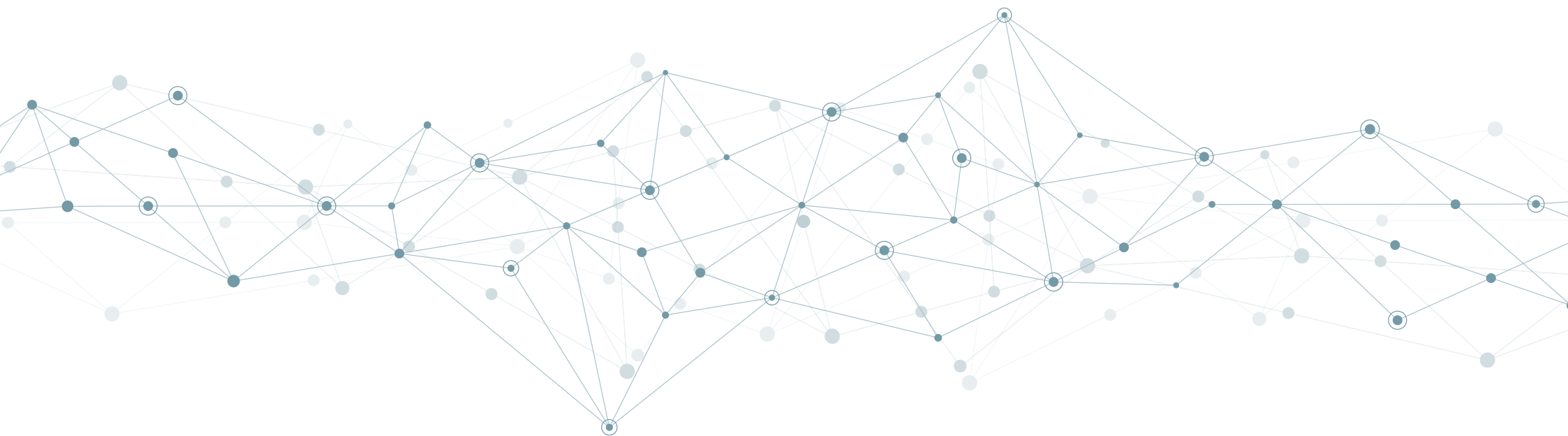
In the context of our participation in the working groups of the European Banking Federation (EBF), we took part in discussing topics such as FATCA (The Foreign Account Tax Compliance Act), VAT (Value Added Tax), digital tax or financial transaction tax. In the summer of 2020, the European Commission approved the Multiannual Financial Framework (MFF) for 2021-2027, under which it tentatively envisages the introduction of a European digital tax from 2023. At the same time, it is considering to take up the question of financial transactions tax also as a “potential source” for funding EU budget. We monitor the subject directly, or through the EBF.



CONSUMER AFFAIRS

In 2020, the Consumer Affairs Commission dealt with evaluating the functioning of the European Union's Consumer Credit Directive (CCD), which is to result in a proposal for a revision by the European Commission of the Directive in 2021. The Consumer Affairs Commission prepared the answers of the Czech Banking Association to the new consultations of the European Commission in the field of consumer policy, specifically

the answers to the questions concerning the revision of the EU Consumer Credit Directive. The Commission also prepared a proposal to update the CBA Standard of Banking Activities No. 19 - The Code of Conduct in Relations between Banks and Clients, the aim of which was to properly reflect the legal changes in the last five years.



MORTGAGE LOANS

In 2020, intensive talks between the CBA and representatives of the Czech National Bank and the Ministry of Finance continued regarding the amount of compensation of costs incurred by mortgage credit providers in case of an early repayment of housing loans. The CNB is of the opinion that in accordance with Act No. 257/2016, Coll., the Act on Consumer Credit, banks may not demand the costs incurred in relation to the procurement of money (refinancing) from the consumer in connection with early repayment. However, this is inconsistent with the explanatory memorandum to the draft bill prepared by the Ministry of Finance. According to banks, the refinancing costs should be borne by clients who decide to refinance a mortgage loan when market rates are cut. Should the refinancing costs be borne solely by banks, stability of the financial system is threatened due to a massive switch from loans offered with longer-term interest rate fixations to loans with very short-term interest rate fixations or loans carrying floating rates, which would also pose a higher risk to consumers. As soon as the CNB declared that a solution to the abovementioned situation is only through relevant legislative changes (amending the Act on Consumer Credit), the Mortgage Banking Commission drafted a proposal which was submitted to the Ministry of Finance after consultations with the CNB. The proposal is based on a comparison of the interest rate on an early repaid loan and the interest rate at which the creditor can reinvest the funds from the loan with early repayment at the given moment. Based on CNB's request, the proposal also includes a cap on the costs. The proposal is now awaiting

discussion by the Chamber of Deputies as a parliamentary amendment to another law in the field of banking. Due to the high number of pandemic-related laws (which enjoy procedural preference according to the Rules of Procedure of the Chamber of Deputies) and also due to the upcoming elections to the Chamber of Deputies, it has been extremely difficult to persuade the top echelons of the Ministry of Finance to press for this sensitive consumer-related agenda in the Parliament.

The Commission has been involved in a number of public consultations organized by the European Commission to evaluate the EU Mortgage Credit Directive (MCD), in particular in several investigations with respect to switching. Work on the revision of the Directive is delayed due to the pandemic, but it looks like the Directive is likely to be revised from a sustainability and digitization perspective. As regards the compensation of costs to creditors for the early repayment of housing loans, the European Commission is examining the various arrangements in each Member State and is considering capping the amount of compensation.

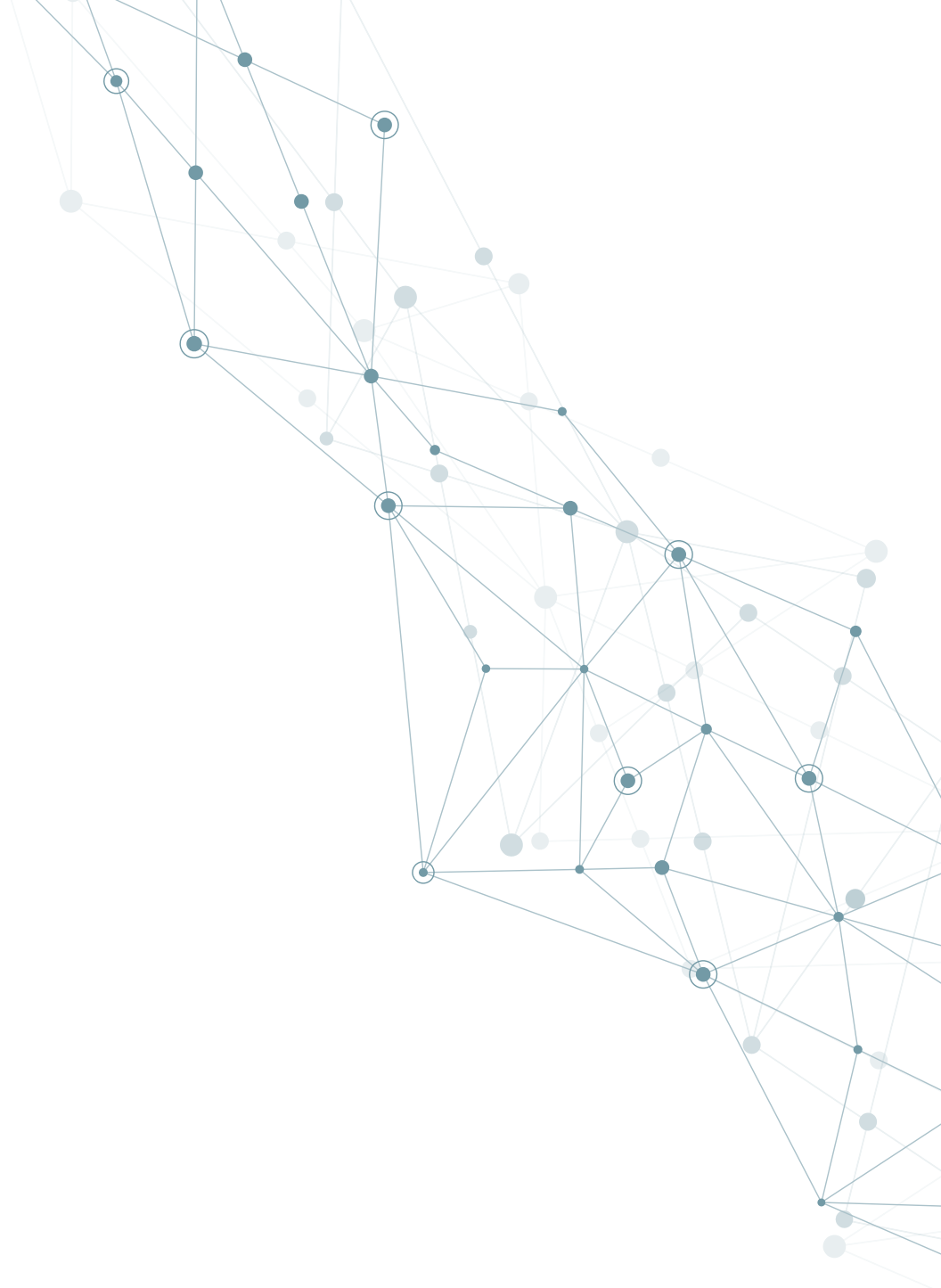
The Commission was briefed in detail on the initiative of the European Mortgage Federation (EMF) 'Energy Efficient Mortgages Initiative' (EEMI), within which the EMF wants to press for reflecting the provision of energy-efficient mortgages in the regulatory requirements relating to banks' capital adequacy. The CBA will therefore continue to monitor the development of this initiative.

PROPERTY APPRAISAL

Last year was marked by the updating of laws and regulations that have an effect on the process of property appraisal. The Working Group for Property Appraisal participated in the interdepartmental consultation process on amending the implementing Decree No. 441/2013, Coll., to Act No. 151/1997, the Property Valuation Act. Thanks to intensive communication, cooperation and the organization of interbank workshops with the Ministry of Finance, representatives of the working group managed to amend the wording of the decree and thus save banks considerable funds.

Another decree, in the consultation of which the working group participated, was Decree No. 505/2020 Coll., which sets out a list of expert disciplines in the individual branches of expertise, other certificates of professional competence, certificates issued by professional chambers and specialization studies for disciplines and branches of expertise.

There are also two government bills which are discussed by the Chamber of Deputies - the EU Building Act and the bill in connection with the adoption of the EU Building Act. The draft Building Act introduces a new system of state construction administration, regulates the establishment of information systems of state construction administration and within the framework of spatial planning, it changes the form of urban and regional planning to a legal regulation (government regulations and generally binding decrees of municipalities and regions). We continue to monitor this important regulation intensively.



PAYMENT SERVICES

As in previous years, services related to what we collectively call the payment services have been in the center of interest of all those who in some way participate in them.

They include, on the one hand, clients of banks, i.e., active users, who expect both a seamless provision of traditional payment services as well as their development. They make this clear on the one hand by taking it for granted that despite the issues caused by the global covid-19 pandemic, payment services will always work without any failure, and on the other by their interest in innovations in this area, including in particular the significant growth in the use of “instant payments”. Payments, which from the client's perspective are accomplished at any time, 24 hours a day, 7 days a week, i.e., also on weekends or holidays and even, let's say, at two o'clock after midnight. The number of these payments has been steadily rising throughout the year.

In addition to banks' clients and the banks themselves, very active attention to payment services has been also paid by regulators. v. In our conditions, they include in particular the Czech National Bank, the Ministry of Finance and also the National Cyber and Information Security Agency. In the European Union, they include, in particular, the European Commission (EC),

the European Central Bank and the European Banking Authority (EBA). Long-term cooperation with all these institutions takes place through the Czech Banking Association. Its aim is to prepare high-quality and clear legislation for all, as well as to try to explain to regulators that too broad regulation can, in certain cases, even hinder the development of certain services. The activities described above took place also throughout 2020, both at home and in Europe, where we cooperate with the European Banking Federation and with the European Payments Council; a representative of the CBA is also among the EC's external payment services consultants (Payment Systems Market Expert Group).

It should be noted that ensuring the continuous operation of the payment systems of all banks is not an easy thing and that it involves a large number of people, experts at banks' branches and their headquarters. It was not always easy to provide everything needed when home- office prevails and business premises are closed. We also managed to successfully solve many of such problems together at the CBA, where (of course mainly in the form of video conferences) a number of solutions were commonly found and started to be used instead of those procedures used for many years, but impossible to be used recently.

Despite the impossibility of having personal meetings, work on a number of projects has not stopped either. An area of open banking has been developing, the Czech Open Banking Standard, which has been used for several years, was supplemented and extended by new functions. Work has been completed on the description of features of a project, the aim of which would be to make it possible to enter a payment in the future where the payer would indicate the payee's mobile phone number instead of the payee's account number. In this context, cooperation has been started with the Czech National Bank, which confirmed that it was ready to cooperate with the CBA in the implementation of the said project. A number of talks also dealt with thoughts on whether and how the area of cash handling, which is a very costly area for banks, could be modified.

It can therefore be concluded that 2020 was a more than challenging year for the payment services and that banks, with the help of their Association, have managed to cope with all the issues and maintain a high standard of availability and security of the services that they provide in the area.



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EQUA BANK a. s.

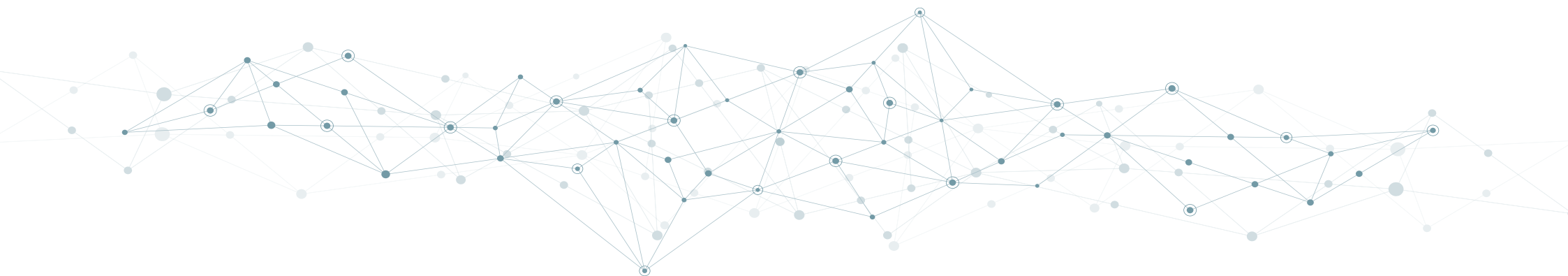
Equa bank organised a Volunteer Day for the benefit of the Helppes training centre for assistance dogs, a non-profit organisation, and helped to improve the appearance of retirement homes with flower boxes.

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COHESION POLICY AND FINANCIAL INSTRUMENTS

Until practically the beginning of March, the first quarter of the year was marked by preparations for the new programming period of the European Structural & Investment Funds (hereinafter ESIF) for the period of 2021-2027. Through its Working Group for Cohesion and Financial Instruments, the CBA actively participated in the preparatory work for the support program for entrepreneurship (the Operational Program Technologies and Application for Competitiveness, the managing authority is the Ministry of Industry and Trade), for the environment (the Operational Program Environment, the managing authority is the Ministry of the Environment) and in the inter-ministerial working group for the support of financial instruments (the managing authority is the Ministry of Regional Development). Preparations continued throughout the whole year with certain interruptions.

However, priorities had to be fundamentally reassessed in early March due to the coronavirus pandemic. Unlike in previous years when guarantee programs, in contrast to subsidies and direct loans from public institutions (the Czech-Moravian Guarantee and Development Bank or the State Environmental Fund), were essentially on the fringes of state interest, they became one of the main tools to mitigate the effects of restrictive measures on the business sector during the first half of the year. In this situation, banks subscribed to their social responsibility and participated in their intensive preparation together with the guarantor, the Czech-Moravian Guarantee and Development Bank (hereinafter CMZRB).



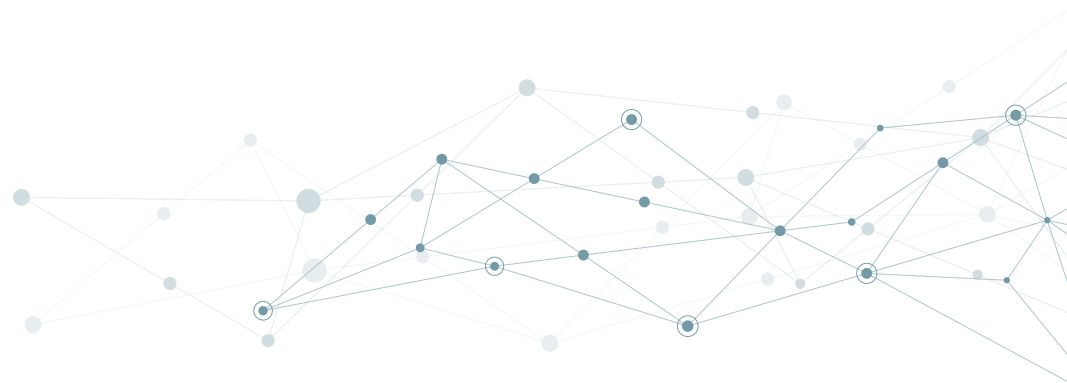
Centralized guarantee schemes were quickly congested and became exhausted

The epidemiological measures adopted by the government (lockdown) led to the halt of a substantial part of the economy in March 2020. As could be anticipated, the consequence was the interruption of the existing supply and demand chains, the reduced ability of individual businesses to pay and a decrease in the available liquidity in the economy. As a result, this meant a significant reduction in the operational funding of firms, which is very often regulated in a standard situation (directly or indirectly) by their receivables or inventories.

The government first tried to cope with the situation by using standard tools through the Czech-Moravian Guarantee and Development Bank. Gradually, it opened the following programs, in particular to the self-employed persons and to small and medium-sized enterprises:

- Guarantee program COVID I (16 March 2020, with commercial co-financing in the amount of CZK 600 mil.).
- Guarantee program COVID II (2 April 2020, allocation of CZK 1,5 billion was exhausted in 2 hours, additional allocation of CZK 3,5 billion, lending capacity of approximately CZK 15 billion).
- Guarantee program COVID Prague (21 April 2020, allocation of CZK 600 mil., the lending capacity of CZK 1,5 billion was exhausted within minutes).

While COVID I and II were intended only for entrepreneurs outside Prague due to the use of EU funds from the Operational Program Enterprise and Innovation for Competitiveness (OP EIC), COVID Prague used the limited volume of Operational Program Prague - Growth Pole. However, due to huge uncertainties, the same scenario was realized in all cases. Within the first minutes or hours after the opening of the program, the programs were „sold out“ due to the huge excess of interest over available resources, systems were clogged, CMZRB with its five branches was administratively blocked, entrepreneurs' applications were often rejected for purely administrative reasons (premature submission on the order of minutes, formalities) and at the end, despite the restrictions on the free movement of persons, entrepreneurs who succeeded had to collect their guarantee documents at CMZRB branches in person.



The CBA proposed to the state to use an innovative decentralized model of portfolio guarantees

In this situation, already during the preparation of the COVID II guarantee program, the CBA which was heavily involved in the preparation of the program, proposed a transformation to a decentralized guarantee model to the state, represented by the MIT and by CMZRB. Banks have long been using the model in cooperation with the European Investment Fund. To put it more simply, CMZRB would not issue guarantees for an individual loan included in an eligible portfolio, but would guarantee the portfolio as a whole to a limited extent, while banks would include loans in it based on the established criteria. This would make it possible to make full use of their dense branch network, expertise and knowledge of clients. The second significant element in the preparation of the COVID III program was the decision taken by the government of the Czech Republic to use national public funding in the unprecedented amount of CZK 150 billion as a clear signal that this time, there were enough resources and that „standing in line“ would be unnecessary. The lending capacity of approximately CZK 500 billion (for comparison, it was an equivalent of the volume of new loans in 2019 in total, i.e., not only to SMEs) was thus intentionally “overrated” from the very beginning. The program was launched after demanding negotiations with the signing of agreements between CMZRB and banks in early June.

Immediately afterwards there was an online wave of applications, which were processed by banks within hours. The process was accommodating, there were no „queues“, or closing/reopening, there were no negative reactions from firms as they entered the process, as was the case in previous programs. In the following weeks, the number of applications was more stable. The sufficient financial volume of the program had a positive psychological effect on the target group - the panic from the COVID I, COVID II and COVID Prague programs was not repeated. It also became clear that the innovative principle of distribution of funds, i.e., a decentralized one, through the commercial network of banks, had a clear positive effect on the administrative capacity of the entire system. This contributed to the „smooth“ flow of the first wave, and banks and beneficiaries generally consider it a step in the right direction.

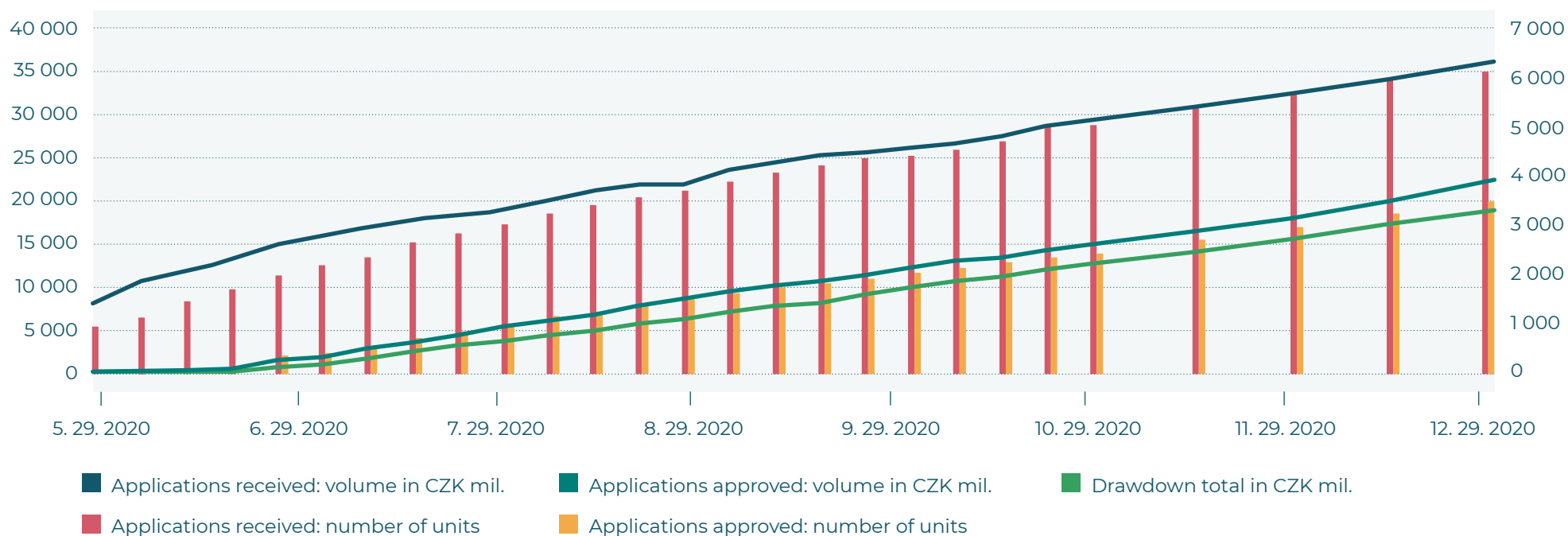
Status and progress of drawing from COVID guarantee programs

Drawdown of guaranteed operating loans from the COVID III program was lower than expected and it did not grow steeply even after the end of the credit moratorium at the end of October. The main reasons include a relatively sufficient liquidity in the corporate sector, the temporary overlap with the moratorium on repayments and subsidy programs such as Antivirus, the reluctance of companies to get deeper into debt in an uncertain situation (associated with efforts to offset current expenses against the order book) and the associated waiting strategy as to how the epidemiological situation and related measures would develop in the next period.

Ke konci roku bylo čerpání následující (pro srovnání i program COVID Plus, viz exportní financování):

Status as at 31 Dec 2020	APPLICATIONS				Drawdown total (cumulative in CZK mil.)
	APPLICATIONS RECEIVED		APPLICATIONS APPROVED		
	Units (cumulative)	Volume (cumulative) in CZK mil.	Units (cumulative)	Volume (cumulative) in CZK mil.	
Loans and receivables COVID II	x	x	3 122	14 115	12 876
Loans and receivables COVID PRAGUE	x	x	284	1 470	1 396
Loans and receivables COVID III	6 068	36 174	3 452	22 256	19 133
Loans and receivables COVID EGAP	91	13 520	66	9 514	8 104

Progress of drawing from COVID III (volume of applications in CZK million on the left axis, number of applications on the right):



Preparations of COVID Invest guarantee program for investment loans

During the summer, when the epidemiological situation seemed to calm down for a while, the MIT approached banks with the intention of creating a specific guarantee scheme for investment loans to small and medium-sized enterprises, which would help realize the government's intention to „get out from the crisis by making investments“. The CBA repeatedly used arguments based on experience gained in cooperation with the European Investment Fund on the basis of 50/50 risk sharing; however, for many months, the source of financing was not clarified by the state and the negotiations kept going round and round. In the meantime, despite strong recommendations from the CBA, the state unfortunately did not take even the opportunity to join the Pan-European Guarantee Fund (EGF) administered by the European Investment Bank Group.

Following the amendment to the EU's State aid Temporary Framework, which extended the horizon of EU emergency measures until 30 June 2021, the amendment to Act No. 228/2020, Coll., on the provision of the state guarantee of the Czech Republic to secure the debts of the Czech-Moravian Guarantee and Development Bank, a.s., arising from guarantees for debts from loans in connection with the mitigation of negative impacts

caused by the SARS CoV-2 virus, came into force on 3 November 2021. The minimalist changes consisted in extending the period in which it is possible to apply for a loan guarantee until 30 June 2021, prolonging the guarantee period until the end of 2027, and the extension of the scope of the subjects of the guarantee to include also investment loans, besides operating loans for enterprises with up to 500 employees.

Thus, after almost half a year of discussions between the CBA, the MIT and the MoF, the source of funding for the COVID Invest program was specified – however, negotiations on its detailed parameters continued throughout the first half of 2021.



EXPORT FINANCE

Comparative analysis of export support systems in 10 comparable economies

The Commission for Export Finance of the CBA (hereinafter KEF) has established four expert groups already in 2019 for discussions with the state on the settings and principles of operation of state support of export. The aim was to provide the Ministry of Finance with a practical perspective of banks regarding export insurance compared to foreign competition and with their view on agreement with the management of Export Guarantee and Insurance Corporation (EGAP) to define the space available to the state for financing exports in order to avoid the crowding out private entities from the market.

Revision of EGAP insurance products

Several expert groups within KEF performed an analysis of EGAP insurance products. EGAP management gradually received the proposals for the revision of insurance products - the first set of inputs at the end of 2019, the remaining two in the first half of March 2020.

Conceptual discussion on defining the market gap in export financing

The following policy debate on the issue of defining the market gap between KEF's management and EGAP's Board of Directors has already taken place by teleconference. Representatives of the CBA reiterated that they recognised EGAP as a key institution for the support of Czech exports, however, maintaining the possibility of direct funding by the state in the event of market failure is also important. In the opinion of KEF, nevertheless, there is no need for a separate institution for this (now Czech Export Bank - CEB). By directly financing exports, the state, in particular:

- should not compete with the commercial sector,
- in the national interest, it should only take part in transactions which cannot be financed by the commercial sector,
- should provide refinancing to the commercial banking sector,
- should participate in syndicated transactions and club deals (not arrange them) if invited by banks due to lack of resources or lack of appetite.

The financing of the SME segment should be provided by the commercial market, which fully services the segment, and not through CEB. EGAP should provide simple, automated, digitized, transparent and fast insurance to commercial banks for the SME segment. The development of the coronavirus crisis interrupted the conceptual debate for a time.

COVID and COVID Plus guarantees

The coronavirus epidemic has also produced another topic - the provision of guarantee programs to support entrepreneurs and enterprises affected by coronavirus. In parallel with the preparation of the COVID II and later COVID III guarantee schemes for small and medium-sized enterprises and self-employed persons, the CBA was invited by the Export Guarantee and Insurance Corporation, the Ministry of Finance and the Ministry of Industry and Trade, to cooperate in the preparation of COVID Plus guarantees for larger exporting enterprises and their suppliers (more than 250 employees). In this case, the state decided - unlike in the COVID III program - not to take the path of a state guarantee for EGAP's commitments, but to create space for its provision by amending Act 58/1995 Coll., on Insurance and Financing of Exports with State Support, on the one hand, and by increasing the capital of the export insurance corporation by CZK 4 billion on the other hand, which has created space for the provision of guarantees in the amount of CZK 50 billion. The essence of the program was the creation of a guarantee fund (for loans in the amount of approximately CZK 142 billion) administered by EGAP, designed to guarantee commercial loans to exporters (export content of at least 20%), or their subcontractors, directly or indirectly affected by measures against the spread of coronavirus disease. The amount of guaranteed loans ranges from CZK 5 million to a maximum of CZK 2 billion, while individual guarantees could reach a maximum of 70% to 80%, depending on the debtor's rating. The maximum guarantee period was 3 years for operating loans and 5 years for investment loans.

Unlike in the COVID III program, whose individual steps, including the preparation of the notification to the European Commission, or the wording

of the law on the provision of a state guarantee were consulted with banks in detail, the key parameters of the program indicated in the relevant government decree and in the notification to the European Commission were set up taking into account the views of the banks, but not necessarily reflecting them. The program was announced on May 6, 2020, and on the same date, software was made available on EGAP's website, in which banks can enter structured guarantee applications on behalf of their clients. However, the above-mentioned approach was subsequently reflected in a delay of more than one month between the de jure announcement of the program and its de facto launch, which was caused by the difficult and lengthy negotiation of contractual terms between the financing banks and EGAP, as the guarantor. The program was thus effectively launched in the second half of June 2020.

The prolongation of the State Aid Temporary Framework of the European Commission by half a year (with a possible extension until the end of 2021 after the revision in spring 2021) gave an impetus to KEF to propose parametric adjustments based on banks' experience and feedback from clients which the Association forwarded to deputy ministers of the MIT, MF and to EGAP management. At the beginning of December, in addition to extending the COVID Plus program until 30 June 2021, the government of the Czech Republic, for example, extended the maturity by one year or increased the coverage of outstanding principal by up to 90 percent, compared to the current 80 percent. This fully corresponds to some of the suggestions sent by us and banks consider this as a crucial step for the further implementation of the program in the right direction.

Subsequent discussions on the institutional set-up of state aid to export, adjustments of selected parameters of support and parameterized refinancing for commercial banks

Following the difficult negotiations of the innovative COVID Plus guarantee program and its launch at the turn of summer and autumn 2020, the Commission for Export Finance was able to partially resume the debate on the proposals to review the insurance products, which had been submitted by EGAP before the pandemic broke out and to refresh topics discussed in the medium-term, such as the need intensely felt by banks to change the definition of the Czech share in exports in terms of the eligibility for cover, next steps in the institutional interconnection of EGAP and CEB into the form of an Export Credit Agency (following the pattern of a number of the most developed countries) or the debate with CEB on refinancing the commercial sector.

In connection with these discussions, CEB opened a pilot project of parameterized refinancing for commercial banks in the course of October 2020, stating that the transactions proposed for the program must be in the order of higher tens of millions of euros and they must bring a demonstrable measurable benefit to exporters with a demonstrable national interest. Based on the results, CEB will possibly fix sample parameters for further transactions.

International activities - cooperation with the European Banking Federation

In the international field, KEF continued to actively participate in discussions on a possible revision of the Basel regulations CRD IV and CRR or in discussions on modifications to the OECD Consensus, risk free rates, etc., as part of its involvement in the relevant structures of the European Banking Federation.

BANKING SECURITY

Banking and financial security is one of the cornerstones of the functioning of the banking sector and financial services. Without any exaggeration, one can say that every project, whether systemic (Banking Identity) or focused on the development of products, payments, their user friendliness and technological availability, starts and ends with security. It is therefore not the only, but an absolutely essential and indispensable condition for the project's successful completion and implementation.

It is then immediately followed by an equally important but a very sensitive phase of working with users, whether employees and service staff, or clients. It is not enough to understand the meaning of the security principles and to know them, it is necessary to respect them without any exception, and above all to behave according to them, all this in an extremely difficult time for all, which since the beginning of 2020 has meant moving the vast majority of supporting processes to a virtual environment and significantly accelerating a number of planned digitization projects, not only in the banking sector, due to the spread of the covid epidemic.

For the above reason, the trends of recent years have intensified in the area of banking and financial security in 2020. The number of aggressive attacks against banks and their facilities continued to decline, and at the same time there was an accelerating trend of cyberattacks, which banks and especially their clients will face in the future. In general, it can be noted that the pandemic has changed the understanding of security to a large extent not only on the part of banks, but especially on the part of clients - the barriers of physical security have significantly moved into the field of digital security. The security of technologies and the principles of their use have thus become a matter of strategic importance, not only for banks (the protection of critical infrastructure), but especially for their clients.



Physical security

In the area of physical security, the number of bank robberies decreased slightly year-on-year. Compared to 2019, the number of ATM and card skimming cases also dropped dramatically, probably in direct connection with travel restrictions i.e., also restricted access to the territory of the Czech Republic. On the contrary, there was an increase in so-called black box attacks. (Black box means such conduct of offenders, which allows to control the ATM with appropriate software so that the ATM issues the required cash, until the entire amount of money stored in the ATM is withdrawn. In most cases, the body of the ATM is physically damaged to gain access to its IT technologies.) In combating this type of crime, the speed of cooperation between the bank operating the ATM which was attacked and the relevant bodies of the Police of the Czech Republic remains crucial. The organizational prerequisites enabling such cooperation have been created already in the past and their current functionality can be described as being very good.

Cyber security

As has been mentioned above, the number of attacks in 2020, aimed at controlling the bank's client's computer and smartphone, at gaining security features that allow access to the client's Internet banking, and subsequent theft of the client's funds increased. In 2020, which was accompanied by several lockdowns and a possibility to purchase the vast majority of goods only on the Internet, cases of creating fake „e-shops“, offering goods at great discounts to attract as many clients as possible reappeared as one of the most widely used forms of phishing. If the cardholder entered his or her personal data and payment card details in such a place, then these were usually misused in a very short time.

Cyber-attacks have gradually moved from the area of classic phishing attacks to their more sophisticated form - vishing attacks. Their insidiousness is multiplied by the way they appeal to clients' emotions. The most commonly used modus operandi were cases of fraudulent calls to bank clients from fictitious telephone lines pretending to be bank customer service lines with warnings that clients' funds were threatened and with the aim to obtain the necessary cooperation from clients to gain their access rights, payment card numbers, confirmation codes and other confidential information, allowing offenders to get access to bank clients' financial funds. For the year as a whole, we can certainly talk about thousands of such calls, unfortunately causing even damage to bank clients in some cases.

Cooperation with regulators

In 2020, too, banks continued to have a standard, very good cooperation with the Financial Analysis Unit (FAU) in accordance with the Act on Selected Measures against Legitimation of Proceeds of Crime and Financing of Terrorism (the AML act). It is understandable that the pandemic also affected the typology of this type of crime and its proceeds. Crime has shifted to the abuse of state aid (unauthorized payment of benefits from anti-covid government programs) and, furthermore, to fraud related to the selling of scarce commodities, such as medical supplies (fake e-shops offering face masks, respirators, false medication). Closely related to this area is misuse of identity to establish virtually anonymous accounts, through which attempts were made to legalize the proceeds of crime. The main form of their legalization was their transformation into cryptocurrencies, providing considerable anonymity, the use of Money Muling to transfer money to other accounts abroad and, last but not least, obtaining completely new accounts established on purpose by these persons for a fee, including payment cards issued to them, which were then sent together with access data to offenders to addresses abroad and subsequently misused for transfers and withdrawals of funds which were stolen by them and which were transferred to these accounts.

An important step in the fight against money laundering has been the new registers (register of bank accounts, register of beneficial ownership), the data of which have been used by entities involved in the process of combating money laundering to check suspicious clients. The role of these registers needs to be further strengthened by interconnecting them across the EU.

Another important cooperation with the above-said unit related in particular to the transposition of the 5th EU anti-money laundering Directive into the amendment to Act 253/2018, Coll., on Selected Measures against Legitimation of Proceeds of Crime and Financing of Terrorism. Unfortunately, the epidemiological situation in the Czech Republic last year made it impossible to organize the 24th year of the Financial Crime Prevention seminar in its traditional, in-person format.

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EXPOBANK CZ a. s.

Expobank contributed to summer camps for children on the autistic spectrum from socially disadvantaged families affected by the consequences of the COVID-19 pandemic.



 Expobank

věnuje šek v hodnotě

44 000 Kč

Národnímu ústavu pro autismus, z.ú.
na organizaci akce „Tábory 2020“

SITUAN

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COMMUNICATIONS AND PUBLIC RELATIONS

The year 2020 was also absolutely unique in terms of communications.

A number of topics had to be communicated on behalf of the entire banking sector in the context of the outbreak of the global pandemic in order to strengthen public confidence in banks operating on the Czech market. Assistance provided by banks in connection with the coronavirus epidemic, digitization and the Banking Identity, financial literacy and education were the focus themes for 2020. The role of the Czech Banking Association was key in communicating these topics.

Immediately after the outbreak of the pandemic, banks started looking for ways to help clients in these difficult times. Most banks began to defer loan repayments at the request of clients on their own initiative, even before the statutory moratorium came into force. The CBA was the communication liaison between the Ministry of Finance and the banks. It collected data on deferred instalments published from the market on an ongoing basis, it consolidated them and communicated them both to the Ministry of Finance and to the public. The CBA also participated in the creation of an information leaflet for the public on what to do after the expiry of the moratorium. At the same time, it continuously communicated topics that were related to covid-19 for the banking sector as a whole, such as the Smart Quarantine, operation of branches and compliance with sanitary measures,

drawing on COVID guarantee programs, talks between banks and the Ministry of Finance, the Czech-Moravian Guarantee and Development Bank (ČMZRB) or, the Ministry of Industry and Trade. It was the impartiality of the CBA, its expertise and its general knowledge of the entire sector that were key to the objective communication of these topics.

However, 2020 was not just a year of the covid. Banks have taken giant steps to move forward in the area of digitalization. The key project was the launch of the Banking Identity that occurred at the beginning of 2021. The CBA was the initiator and coordinator of all communications in this area. It has developed an educational website, created an information leaflet and launched an information campaign, both in the media and on social networks.

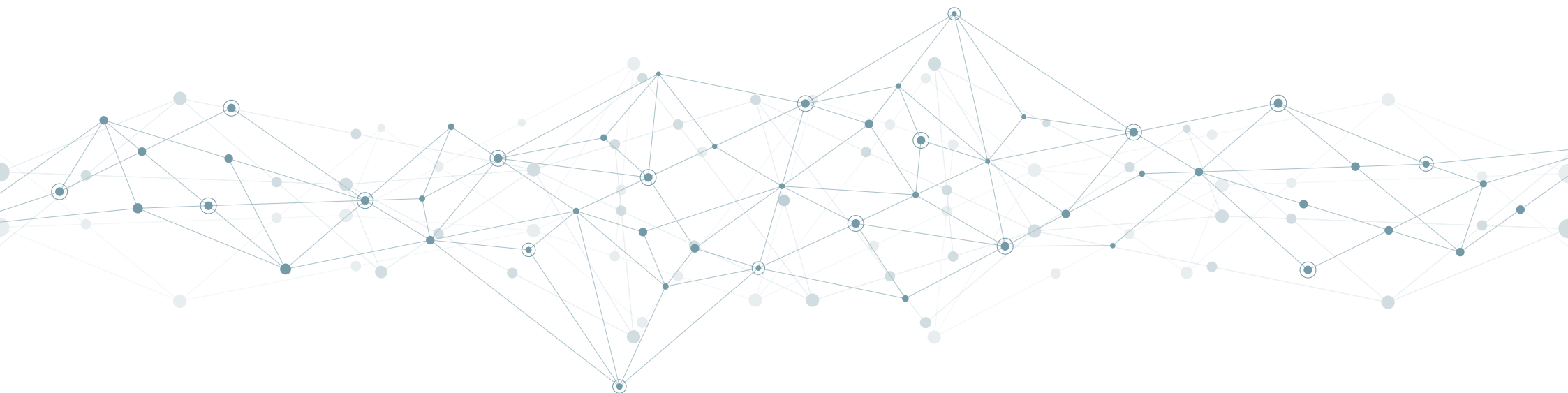
The CBA also paid no little attention to the promotion of financial literacy and of financial education. In cooperation with SeznamZpravy.cz, an educational project “Talking to Kids About Money Always Pays Off” was created. Part of the project was the creation of a special website with tips for parents on how to educate children in finance, at different ages of the children. The project also included rhymes for children about money, an entertaining quiz or a CBA survey on children's education in the field of finance.

During the year, key legislative topics were also supported in the media, such as, for example, the government's proposal for a comprehensive amendment to the Civil Procedure Code, the Enforcement Procedure Code, and others. Representatives of the CBA, as experts in their field who know the priorities of the banking sector (including the communications priorities), also took part in a number of expert discussions, conferences and seminars in 2020, mostly online. Presentations of the leading representatives of the Association in the committees and clubs of the Chamber of Deputies or the Senate of the Czech Republic on legislative issues, which were aimed at decision-makers, were no exception.

In addition to sending its representatives to professional external events, the CBA also organizes its own conferences, seminars or workshops in connection with internal demand from its membership base or, due to the topicality of the theme.

Economic forecasts and comments are an indispensable part of the CBA's communication, which also aims to build the credibility of the banking sector. In 2020, economic experts from the CBA member banks prepared three macroeconomic forecasts and presented them to the media. Comments from the CBA experts on banking statistics, the development of the non-performing loans market and of the mortgage market were also issued on a regular basis.

All communication activities implemented by the CBA in 2020 contributed to attaining long-term communication goals - building a positive image and strengthening the credibility of the entire banking industry, contributing to an atmosphere of trust in society, raising awareness of the fact that Czech banks are healthy, stable and responsible and that they make a significant positive contribution to the functioning of the entire Czech economy and, last but not least, to increasing financial literacy.



CORPORATE SOCIAL RESPONSIBILITY

The Czech Banking Association is aware of its corporate social responsibility (CSR), resulting from the importance of banks for the economy and society. The strategic emphasis on the social responsibility dimension in the CBA's activities was defined by its annual Assembly of Members in 2011 and, since then, the Association has been consistently fulfilling its mandate.

It is gratifying to note that the CBA Member Banks, too, are aware of their social role and responsibility and consider the CSR agenda to be an important part of their activities and of their own presentation. That is far from merely financing charity projects - although they too play a clearly identifiable role in building a positive image of the banking industry - but first and foremost, it means introducing the element of human touch to the entire range of their relationships with the client community and business partners. The ethics of these relationships stand high in the hierarchy of banks' approaches.

Banks' approach to environmental protection and to the development of sustainable finance is not an entirely new element of banks' social responsibility - they have evolved from a marginal theme into one of the main trends in banking over the last four years; the attitude of many large banking groups towards climate change is clearly proactive. The Association also closely monitors this topic and sustainable finance has become one of its important activities in 2020 and in the following years.

Financial education represents another major CSR topic for the Association and for its Member Banks. More than a decade ago, the CBA has been one of the first entities developing activities in the field of strengthening financial literacy. In 2020, too, it implemented a number of financial-educational projects and campaigns, which moved to the online world due to the coronavirus pandemic. Unfortunately, some of the projects, such as "Bankers Go to Schools", have been canceled due to the continuing lockdown.

Financial education is also an important topic at European level. In coordination with the European Banking Federation and under its auspices, the CBA has once again prepared the national round of the European Money Quiz children's financial literacy competition, which took place unconventionally online, but there was still great interest in it.

Another CBA activity focused on the development of children's knowledge is methodological support to the "Banknotes Family", the Czech Television feature series. In 2020, the television broadcasted its third series.

The Association, however, does not forget about other age categories either. A series of articles on "How to Handle Money", which the Association is preparing for the i60.cz portal, aims to educate seniors. The public can then find independent relevant information and advice on finance on the portals www.financnivzdelavani.cz and www.bezpecnebanky.cz.

SUSTAINABLE FINANCE

Sustainable financing in a broader sense refers to the consideration of environmental, social and governance aspects (ESG) when making investment decisions in the financial sector, which, as a result, should lead to increased long-term investment in sustainable economic activities and projects. The topic of sustainable finance has developed into one of the main trends in banking over the last five years. Many banks have become very active in this area, including in the Czech Republic. Therefore, in response to a call from the Executive Board of the Czech Banking Association, the CBA Platform for Sustainable Finance has been established by experts nominated by five presidial banks in November 2020. During November and December, five more banks have gradually joined them, so that at the end of the year, 10 Member Banks out of the total 37 banks were represented in the Platform.

Given that environmental protection is one of the key priorities in the new EU programming period, in addition to economic recovery from the coronavirus crisis and digitization, this is a topic that will not only pose a number of challenges for banks in the future, but also open up new

opportunities. Both meetings of the Platform, which took place before the end of the year, discussed the focus of its activities, its goals, international cooperation with the European Banking Federation (EBF) or V8 countries, where the V4 countries added four more states in 2017, and further steps. The crucial point is that it is a professional initiative, not a political one, which quite clearly predetermines the nature of its activity and its objectives. The first planned output for the public in this sense was to be the publication of the Memorandum prepared by the CBA in the field of sustainable finance. The participating banks also agreed to consider the need and possibilities for the gradual development of soft standards for banks' involvement in this area. Key topics for international cooperation include, in particular, emerging regulatory technical standards in the field of taxonomy, public consultations launched by the European Banking Authority (EBA) on the incorporation of ESG risks in banks' risk management or expert participation in a number of joint projects arising in cooperation with the EBF and UNEP-FI (United Nations Environment Program Finance Initiative).

CBA EDUCA

For four years now, CBA EDUCA has been an educational center of the Czech Banking Association, which was built in order to ensure an effective and financially minimalistic opportunity to meet new legislative requirements for proving proficiency in the financial market, especially for the Member Banks. Today, the CBA in its role of an accredited person offers proficiency examinations in all areas of the financial market, preparatory courses, continuing professional training programs and other related services for cooperating institutions and the general professional public. The portal www.cbaeduca.cz is not only used for conducting exams and for effective preparation, but also as an administration system for banks' HR teams.

The project has far exceeded original expectations. In the long run, it has brought fundamental changes, which were immensely reflected not only in the costs but also in the way exams are conducted throughout the market (a possibility to take exams from different areas within one exam date, remote supervision by commissioners, fully transparent and systemically tested testing and evaluation processes, etc.), to which most other accredited persons have gradually adapted.

In 2020, the holding of examinations completely remotely became an entirely new service, which the CBA managed to prepare and push through in relation to regulatory bodies. It was in the difficult period of restrictions related to the pandemic that the Association offered the first online solution which is not only safe and comfortable, but also very economical from the point of view of users and especially of employers.

In 2020, more than 23,000 exams were conducted under the CBA umbrella, of which almost 16,000 were successful, which represents an overall average success rate of about 70% in all areas. In terms of success, a distinction can be made between relatively simpler exams for the distribution of pensions, which are repeated regularly every five years, while combined exams of insurance and tests for financial market traders are among the most demanding. A total of over 73,000 participants took part in the examinations organized by the CBA as part of its accredited person's activities by the end of 2020, and almost 50,000 of them can boast a certificate of having successfully passed an exam at CBA EDUCA.

The Czech Banking Association has thus built a brand under the CBA EDUCA trademark, which has currently become a benchmark in the education of financial market professionals and which is used by virtually all banks and represents a stable basis for further development in many directions.

CBA SCIENTIFIC COUNCIL

The CBA Scientific Council is an advisory body to the Association. It is structured around the top economists from the leading academic institutions, banks and business. Moderated discussions on current issues with possible direct or indirect impacts on Czech banking take place at the meetings of the Council. It met three times in the „Covid“ year 2020.

The February debate focused on possible alternatives, the way to proceed, and on the expected impacts of Brexit on the Czech economy. Among other things, results of a sample survey of the Czech Chamber of Commerce among Czech enterprises were presented at the meeting. Another opportunity to meet came only at the end of June - there was a debate about the relations between Germany and the Czech Republic, the degree of economic integration and economic dependence, which was evaluated, among other things, in terms of global input-output tables. The third meeting took place at the beginning of December and could only be organized as a virtual one. Its topic was the development, status and outlook of Czech public finances framed by a current presentation „Report on the Long-Term Sustainability of Public Finances from the Perspective of Preparing the 2021 Budget“.

CBA forecasting panel outputs

Members of the CBA Scientific Council include the chief economists and economic analysts of selected banks, who together form the CBA Forecasting Panel. Based on their inputs and subsequent debates, the Association publishes forecasts of the Czech Republic's economic development in the individual quarters of the year over a two-year horizon (2020, 2021).

Towards the end of the first quarter of 2020, the global economy was hit by the effects of governments' anti-pandemic measures which, in an effort to protect the population from the spreading viral disease, reduced economic activity at national and international levels to a greater or lesser extent. Although the first CBA forecast was carried out on 23 January 2020 in the traditional format, the predictability of economic development at the turn of the first and second quarters proved so difficult that the CBA Forecasting Panel decided not to publish the numerical forecast and to share its views with the public in a debate in the form of an on-line videoconference on April 30, 2020. The remaining two forecasts were then presented again in the standard manner on 23 July and 29 October 2020. All four forecasts are available on the CBA website, including press conference records.

“

KOMERČNÍ BANKA a. s.

Komerční banka was the first bank in the Czech Republic to enable free COVID-19 testing to its employees from November 2020.



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EXECUTIVE BOARD BEFORE 24th JUNE 2020



PRESIDENT

Pavel Kavánek

Chairman of the
Supervisory Board

Československá
obchodní banka, a. s.



Tomáš Salomon

Chairman of the Board
of Directors

Česká spořitelna, a. s.



Jakub Dusílek

Chairman of the Board
of Directors & CEO

UniCredit Bank Czech
Republic and Slovakia, a.s.



Isold Heemstra

CEO

ING Bank
Česká republika



Jan Jeníček

Chairman of the Board
of Directors

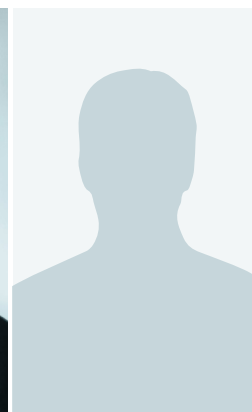
Raiffeisen
stavební spořitelna a.s.



Jan Juchelka

Chairman of the Board
of Directors & CEO

Komerční banka, a. s.



Petr Marsa

Chairman of the
Supervisory Board

Fio banka, a. s.



Igor Vida

Chairman of the Board
of Directors & CEO

Raiffeisenbank a.s.

EXECUTIVE BOARD FROM 24th JUNE 2020



PRESIDENT

Tomáš Salomon

Chairman of the Board
of Directors

Česká spořitelna, a.s.



1ST VICE PRESIDENT

Jan Juchelka

Chairman of the Board
of Directors & CEO

Komerční banka, a.s.



VICE PRESIDENT

Michal Strucula

Chairman of the Board
of Directors & CEO

Air Bank a.s.



Jakub Dusílek

Chairman of the Board
of Directors & CEO

UniCredit Bank CZ and
SK, a. s.



Zdeněk Tůma

Chairman of the
Supervisory Board

Československá
obchodní banka, a. s.

SUPERVISORY BOARD



**CHAIRMAN OF THE
SUPERVISORY BOARD**

Petr Řehák

Chairman of the Board
of Directors & CEO

Equa bank, a.s.



Jiří Feix

Chairman of the Board
and CEO

Hypoteční banka, a.s.



Tomáš Kořínek

Chairman of the Board

ČSOB
Stavební spořitelna, a.s.



Libor Vošický

Chairman of the Board

Stavební spořitelna
České spořitelny, a.s.

COMMISSIONS AND WORKING GROUPS	CHAIRPERSON	CBA STAFF SUPPORT
Banking Regulation Commission	Monika Laušmanová Stavební spořitelna České spořitelny, a. s.	Petr Vojáček
Compliance Commission	Michal Pokorný Československá obchodní banka, a. s.	Eva Štorková
Tax Commission	Petra Pospíšilová Československá obchodní banka, a. s.	Eva Štorková
Export Finance Commission	Lenka Tomanová Česká spořitelna, a. s.	Petr Procházka
Banking and Financial Security Commission	Petr Barák Air Bank, a. s.	Ladislav Pauker
Financial Market Commission	Pavel Řezníček Commerzbank AG, pobočka Praha	Petr Vojáček
Mortgage Banking Commission	Vladimír Vojtíšek Hypoteční banka, a. s.	Věra Svobodová
Working Group for Land Register	Martin Javorek Hypoteční banka, a. s.	
Communication and CSR Commission	František Bouc Česká spořitelna, a. s.	Monika Petrásková
Payment Systems Commission	Martin Kadorík Komerční banka, a. s.	Tomáš Hládek
Working Group on Payments on Mobile Numbers	Ivan Richter Komerční banka, a. s.	
Working Group on Digitisation of Payment Complaints	Tomáš Prušinovský Československá obchodní banka, a. s.	
Working Group for Inovative Payments	Tomáš Fíla Komerční banka, a. s.	
Working Group for Instant Payments	Miloslav Peřina Česká spořitelna, a. s.	

KOMISE A PRACOVNÍ SKUPINY	PŘEDSEDA	ODBORNÝ GESTOR ČBA
Working Group for Cash	Milan Smyčka Komerční banka, a. s.	Tomáš Hládek
Working Group for Open Banking Standards	Petr Michalík Česká spořitelna, a. s.	
Working for Group XML Standards	Ludovít Halas UniCredit Bank, a. s.	
Working Group for SEPA	Ludovít Halas UniCredit Bank, a. s.	
Working Group for Switching	Hana Tichavská Equa bank a. s.	
Legal Commission	Martin Berdych Komerční banka, a. s.	Filip Hanzlík
Consumer Affairs Commission	Milena Brabcová Československá obchodní banka, a. s.	Věra Svobodová
Working Group for Consolidation / Refinancing	Alena Nekulová Air Bank, a. s.	
Accounting and Reporting Commission	Aleš Rieger Komerční banka, a. s.	Eva Štorková
Working Group for MKT	Aleš Rieger Komerční banka, a. s.	
Working Group for AnaCredit	Aleš Rieger Komerční banka, a. s.	
Internal Audit Commission	Sylva Floríková Česká spořitelna, a. s.	Eva Štorková
Workout Commission	Jaroslav Schönfeld Česká spořitelna, a. s.	Filip Hanzlík
The Platform for Sustainable Finance	Hana Kovářová Komerční banka, a. s.	Petr Procházka

WORKING GROUPS	CHAIRPERSON	CBA STAFF SUPPORT
Working Group for Cohesion Policy	Jan Hanuš Komerční banka, a. s.	Petr Procházka
Working Group for Property Appraisal	David Dušek UniCredit Bank Czech Republic and Slovakia, a. s.	Eva Štorková
Working Group for Personal Data Protection	Margit Doležalová Československá obchodní banka, a. s.	Petr Procházka

“



RAIFFEISENBANK a. s.

*What does culture mean to you?
This is what the Raiffeisenbank
campaign was about.*

*The bank turned several thousand
comments on Facebook into
CZK 336,600 which were provided
to support the National Theatre.*

”

CZECH BANKING ASSOCIATION AND INTERNATIONAL INVOLVEMENT

The Czech Banking Association continually monitors events and initiatives in the European Union, engaging at all stages of drafting legislation, either directly or by providing inputs for the opinions of the European Banking Federation. Information on the practices and positions of other Member States is also important for banks. The CBA uses carefully analysed information and contacts obtained to engage as effectively as possible in the process of drafting both the EU and national legislations (of not only transposing, but also of a purely national nature) so that the banking sector can prepare well and effectively for planned changes.

CBA and activities vis-a-vis the structures and institutions of the EU

The Czech Banking Association closely cooperates in European or Basel topics, already at the stage when they are drafted and at an expert level, with the Ministry of Finance of the Czech Republic as a regulator, with the CNB and with representatives of the Permanent Representation of the Czech Republic to the European Union in Brussels. The CBA Secretariat also actively participates in public consultations of the European Commission (EC), or the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), and works together with representatives of the European Parliament, or the European Investment Bank.

CBA and European Regional Cooperation

In 2012, the Czech Banking Association initiated the establishment of an informal platform of banking associations of the Visegrad Group countries, which has grown to V8 in 2017. Membership also includes the banking associations of Bulgaria, Croatia, Hungary, Poland, Slovakia, Slovenia and Romania. Regular half-yearly meetings of the V8 were taking place only virtually in the „coronavirus“ year 2020 and focused mainly on the exchange of current information and experience regarding the impact of the pandemic on the economy, on the banking sector, banks' contribution in managing it, including repayment moratoriums and steps taken by banks to accommodate their clients. There was also a debate on the common position of the V8 associations in the debate on governance in the European Banking Federation.

Cooperation issues regarding the development of services in accordance with SEPA standards are also regularly discussed in online discussions of experts on payment transactions of the Central European region (Czech Republic, Croatia, Hungary, Austria, Slovakia).

CBA as member of the European Banking Federation

Since the Czech Republic joined the EU in 2004, the CBA has been a member of the European Banking Federation (EBF), which brings together national associations of commercial banks in the EU countries, United Kingdom, Switzerland, Norway and Iceland (www.ebf-fbe.eu).

Through the EBF Executive Committee, the CBA co-decides on conceptual issues and key opinions of the EBF, not only on proposals for new European Union legislation. Most CBA expert committees and some of its working groups have representatives in the EBF's working bodies, allowing the CBA to take the opportunity of participating in formulating and harmonising positions within the European banking sector, including responses to EC or EBA public consultations.

In the past period, the CBA representatives have been active in the following committees and working groups of the EBF (*in brackets, please find a selection of key topics in which they cooperated*):

■ **The Legal Committee** (*legal aspects of sustainable financing, draft Directive on Preventive Restructuring, Second Chance, legislative proposals within the framework of the “New Deal for Consumers”, collective actions, implementation of Basel III + proposals*)

■ **The Banking Supervision Committee** (*CRD IV/CRR and BRRD amendment*)

■ **The Steering Committee for Financing Growth** (*links together a number of strategic topics, such as, for instance, Principles for Responsible Banking, or the contribution of banks to implement the EC Action Plan to create the Capital Markets Union; in 2020, it addressed the contribution made by banks to cope with the economic impacts of the pandemic*)

■ **The Business Finance Committee** (*several rounds of discussion of the EC on the contribution made by banks to cope with the economic impacts of the pandemic*)

■ **The Export Credit Working Group**

(reform of OECD Consensus in particular)

■ **The Sustainable Development Working Group**

(implementation of taxonomy in banking products – joint UNEP-FI project, inputs into public consultations of the European Commission (EC) and European Supervisory Authorities (ESAs) in the area of Sustainable Finance)

■ **The Economic and Monetary Affairs Committee**

■ **The Chief Economists' Working Group**

(processing of the Country Data for the CR, inputs into the EBF Facts & Figures, discussions on the impacts of the pandemic on economy and on the banking sector)

■ **The Fiscal and Tax Affairs Committee** (*International exchange of information in the field of tax evasion prevention in particular, VAT issues*)

■ The Communication Committee

- **The Financial Education Project Group** (*participation in the European Money Quiz within the European Money Week*)

- **The Payment Systems Committee** (*clarification of issues associated with the implementation of PSD2 and related standards, responses to EBA's interpretative opinions in this area, new legislation related to the prevention of VAT frauds*)

- **The Cyber Security Working Group** (*cooperation with Europol and its EC3 [European CyberCrime Center] Team, preparing the next year of EMMA [European Money Mule Action], discussions with the EC on upcoming legislative changes*)

- **The Expert Group for the Implementation of the EU Directive on Payment Services**

- **The Retail Committee** (*initiatives to implement the EC Action Plan on Retail Financial Services, evaluation of the Consumer Credit Directive and the Distance Marketing of Consumer Financial Services Directive, EBA's draft guidelines on loan origination and monitoring, EC public consultation on the New Deal for Consumers*)

- **The AML & Financial Crime Committee** (*AMLD IV implementation, AMLD V transposition, issues connected with the register of beneficial ownership, risks connected with concealment of beneficial ownership, proposals to improve cooperation between AML and prudential supervision, proposals to strengthen the powers of the EBA in the field of enforcement*)

- **The Physical Security Working Group** (*sharing data on robberies and attacks on ATMs*)

- **The Expert Group on Data and Privacy** (*discussion on the guidelines published by the European Data Protection Board and on cases dealt with by the European Court of Justice, especially Schrems II*)

- **The Working Group on Reporting and Statistics** (*the area of supervisory reporting, ANACREDIT, MREL and TLAC*)

- **Accounting Committee** (*the area of IFRS*)

Other European banking associations and CBA' international cooperation

The European Banking Federation, together with the European Savings and Retail Banking Group, the European Association of Co-operative Banks, and other specialized banking and financial associations form the European Banking Industry Committee (EBIC). The committee provides representative and coordinated positions of the industry, particularly on matters of common interest, during the process of drafting, adopting, implementing and enforcing EU financial legislation (www.ebic.org).

The European Banking Federation is also a member of the International Banking Federation (IBFed), which aims to represent the interests of groups of national banking associations in individual continents at a global level, to influence legislative, regulatory and other initiatives having an impact on the global banking industry (www.ibfed.org).

Membership in the European Payments Council (EPC) is important. The Council is the supreme self-regulating European body of the commercial sector in the payment system, serving as an umbrella for banks, savings banks, cooperative banks and three relevant European banking federations, or associations. The CBA represents Czech institutions on the Board and in the EPC Plenary, its representatives are active in the most important working groups - for SEPA payment schemes and in the Cards Working Group (www.europeanpaymentscouncil.eu).

The Czech Banking Association is also represented in the Payment Systems Market Expert Group at the Directorate-General for Financial Stability, Financial Services and Capital Markets Union www.ec.europa.eu/info/departments/financial-stability-financial-services-and-capital-markets-union_en).

Since 2006, the CBA has been a member of the European Money Markets Institute - EMMI, Euribor®, www.emmi-benchmarks.eu/euribor-org/about-euribor.html.

The CBA Mortgage Banking Commission is a member of the European Mortgage Federation, EMF) (www.hypo.org), where it is represented in the Executive Committee and the Legal Affairs Committee; it participates in the preparation of EMF's opinions on EU legislative proposals, the sharing of experience with the regulation of mortgage loans at the national level and in the preparation of the national chapter for the publication on the development of European mortgage and real estate markets. In 2020, much attention was paid to the review of the Mortgage Credit Directive being prepared and the EMF's initiative regarding energy efficient mortgages is also being monitored.

Representatives of the CBA member organizations are involved in the activities of other European bodies based on the individual memberships of their own institutions. Five building societies (members of the CBA) are thus involved in the European Association of Building Societies (www.efbs.org) as part of the autonomous Association of Czech Buildings Savings Banks.

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Czech Banking Association performs the tasks which are due to it under the CBA Articles, i.e., in particular it:

- Supervises the material aspects of activities of the Association;
- Supervises compliance with the resolutions adopted by the Executive Board;
- Inspects the Association's financial management; and
- Reviews the draft budget of the Association prior to its discussion by the Executive Board and before it is submitted for approval to the annual Members' Assembly.

In the course of 2020, the Supervisory Committee was composed as follows:

- Petr Řehák – Chairperson, Equa bank
- Jiří Feix – Hypoteční banka
- Tomáš Kořínek – ČMSS
- Libor Vošický – SSČS

The Supervisory Committee regards the activities of the Czech Banking Association in the year 2020 to be compliant with the strategic intentions as expressed in the Articles and further specified by the CBA Executive Board. Moreover, the Supervisory Committee views positively the activity of the Czech Banking Association in connection with the government decrees and laws, which were adopted in response to the situation influenced by the coronavirus epidemic. It appreciates the work performed by the CBA as a whole and also of individuals who took part in the results achieved in the past period.

The Supervisory Committee also conducted an audit of the financial management for the year 2019, it examined the implementation of the budget and its individual chapters and found them to be free of any defects. At the Assembly of Members held on 22 June 2020, the Supervisory Committee recommended the financial statements of the CBA with the economic results for the year of 2019 for approval.

Petr Řehák

Chairperson of the Supervisory Committee

“



UNICREDIT BANK

Czech Republic
and Slovakia, a. s.

UniCredit Bank and its employees supported hospitals with CZK 4.9 million. With this money, the hospitals bought protective equipment for doctors and devices to fight COVID - 19.

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BASIC DATA ABOUT MEMBERS AS AT 31. 12. 2020



Air Bank a. s.

člen skupiny PPF

Address: Evropská 2690/17, 160 00 Praha 6

Phone: +420 224 174 222

Fax: +420 224 174 222

Web: www.airbank.cz

E-mail: info@airbank.cz

Bank code: 3030

BIC: AIRA CZ PP

Michal Strcula

Chairman of the Board of Directors & CEO



Banka CREDITAS a.s.

Address: Sokolovská 675/9, 186 00 Praha 8

Phone: +420 800 888 009

Web: www.airbank.cz

E-mail: info@credits.cz

Bank code: 2250

BIC: CTAS CZ 22

Ing. Vladimír Hořejší, MBA

Chairman of the Board of Directors & CEO



Bank of China

(Hungary) Close Ltd. Prague branch,
odštěpný závod

Address: Na Florenci 2116/15, 110 00 Praha 1

Phone: +420 225 986 666

Fax: +420 225 986 699

Web: www.bankofchina.com

E-mail: service.cz@bankofchina.com

Bank code: 8250

BIC: BKCH CZ PP

Wenbo HOU

General Manager



BNP PARIBAS

BNP Paribas S.A.

pobočka Česká republika

Address: Ovocný trh 8, 117 19 Praha 1

Phone: +420 225 436 000

Fax: +420 225 436 028

Web: www.bnpparibas.com

Bank code: 6300

BIC: GEBA CZ PP

Florian Korallus

General Manager



**BNP PARIBAS
PERSONAL FINANCE**



BNP Paribas Personal Finance SA

odštěpný závod

Address: Karla Engliša 3208/5, 150 00 Praha

5 Phone: +420 257 080 080

Fax: +420 257 080 128

Web: www.hellobank.cz

Bank code: 3050

BIC: BPPF CZ P1

Bruno Leroux

General Manager



Citibank Europe plc

organizační složka

Address: Bucharova 2641/14, 158 02 Praha 5

Phone: +420 233 061 111

Fax: +420 233 061 617

Web: www.citibank.cz

Bank code: 2600

BIC: CITI CZ PX

Michal Nebeský

General Manager



COMMERZBANK Aktiengesellschaft

pobočka Praha

Address: Jugoslávská 1, 120 00 Praha 2

Phone: +420 221 193 111

Fax: +420 221 193 699

Web: www.commerzbank.cz

E-mail: info@commerzbank.cz

Bank code: 6200

BIC: COBA CZ PX

Michael Thomas Krüger

General Manager



Česká exportní banka, a. s.

Address: Vodičkova 34/701,

P. O. Box 870, 111 21 Praha 1

Phone: +420 222 841 100

Fax: +420 224 226 162

Web: www.ceb.cz

E-mail: ceb@ceb.cz

Bank code: 8090

BIC: CZEE CZ PP

Jaroslav Výborný

Chairman of the Board of Directors & CEO



Česká spořitelna, a. s.

Address: Olbrachtova 1929/62, 140 00 Praha 4

Phone: +420 956 711 111

Web: www.csas.cz

E-mail: csas@csas.cz

Bank code: 0800

BIC: GIBA CZ PX

Tomáš Salomon

Chairman of the Board of Directors



**Českomoravská stavební
spořitelna, a. s.**

Address: Vinohradská 3218/169, 100 17 Praha 10

Phone: +420 225 221 111

Fax: +420 225 225 999

Web: www.cmss.cz

E-mail: info@cmss.cz

Bank code: 7960

Tomáš Kořínek

Chairman of the Board of Directors



**Českomoravská záruční a rozvojová
banka, a. s.**

Address: Jeruzalémská 964/4, 110 00 Praha 1

Phone: +420 255 721 111

Fax: +420 255 721 110

Web: www.cmzrb.cz

E-mail: info@cmzrb.cz

Bank code: 4300

BIC: CMZR CZ P1

Jiří Jirásek

Chairman of the Board & CEO



Československá obchodní banka, a. s.

Address: Radlická 333/150, 150 57 Praha 5

Phone: +420 224 111 111

Web: www.csob.cz

E-mail: info@csob.cz

Bank code: 0300

BIC: CEKO CZ PP

John Hollows

Chairman of the Board & CEO



**Deutsche Bank Aktiengesellschaft
Filiale Prag**

organizační složka

Address: Jungmannova 24/745,
P.O. Box 829, 111 21 Praha 1

Phone: +420 221 191 111

Fax: +420 221 191 411

Web: www.deutsche-bank.cz

Bank code: 7910

BIC: DEUT CZ PX

Dagmar Linder

Chief Country Officer



Equa bank a. s.

Address: Karolinská 661/4, 186 00 Praha 8

Phone: +420 222 010 111

Fax: +420 222 010 444

Web: www.equabank.cz

E-mail: info@equabank.cz

Bank code: 6100

BIC: EQBKCZPP

Petr Řehák

Chairman of the Board of Directors & CEO



Expobank

Expobank CZ a. s.

Address: Budova Trimaran,
Na Strži 2097/63, 140 00 Praha 4

Phone: +420 233 233 233

Fax: +420 233 233 299

Web: www.expobank.cz

E-mail: info@expobank.cz

Bank code: 4000

BIC: EXPN CZ PP

Lubomír Lízal

Chairman of the Management Board



Fio banka, a. s.

Address: V Celnici 10, 117 21 Praha 1

Phone: +420 224 346 111

Fax: +420 224 346 110

Web: www.fio.cz

E-mail: fio@fio.cz

Bank code: 2010

BIC: FIOB CZ PP

Jan Sochor

Chairman of the Board of Directors and CEO



HSBC France

pobočka Praha

Address: Florentinum, Na Florenci 2116/15,
110 00 Praha 1

Phone: +420 225 024 555

Fax: +420 225 024 550

Web: www.hsbc.cz

Bank code: 8150

BIC: MIDL CZ PP

Richard Keery

Chief Executive Officer



Hypoteční banka, a. s.

Address: Radlická 333/150, 150 57 Praha 5

Phone: +420 224 116 515

Web: www.hypotecnibanka.cz

E-mail: info@hypotecnibanka.cz

Bank code: 2100

Jiří Felix

Chairman of the Board of Directors & CEO



**Industrial and Commercial Bank
of China Limited**

Prague Branch, odštěpný závod

Address: Na Strži 1702/65, 140 00 Prague 4

Phone: +420 237 762 888

Fax: +420 237 762 899

Web: www.icbc-cz.com

E-mail: info@cz.icbc.com.cn

Bank code: 8265

BIC: ICBK CZ PP

Yu Yang

General Manager



ING Bank N. V.

Address: Českomoravská 2420/15, 190 00 Praha 9

Phone: +420 257 474 111

Fax: +420 257 474 582

Web: www.ingbank.cz

E-mail: klient@ing.cz

Bank code: 3500

BIC: INGB CZ PP

Isold Heemstra

CEO ING Bank Czech Republic



J&T BANKA, a. s.

Address: Pobřežní 297, 186 00 Praha 8

Phone: +420 221 710 111

Fax: +420 221 710 211

Web: www.jtbank.cz

E-mail: info@jtbank.cz

Bank code: 5800

BIC: JTBP CZ PP

Patrik Tkáč Chairman of the Board

Štěpán Ašer General Manager



Komerční banka, a. s.

Address: Václavské náměstí 796/42, 114 07 Praha 1

Phone: +420 955 511 111

Web: www.kb.cz

E-mail: mojebanka@kb.cz

Bank code: 0100

BIC: KOMB CZ PP

Jan Juchelka

Chairman of the Board & CEO



mBank S.A.

organizační složka

Address: Pernerova 691/42, 186 00 Praha 8

Phone: +420 221 854 100

Fax: +420 221 854 102

Web: www.mbank.cz

E-mail: kontakt@mbank.cz

Bank code: 6210

BIC: BREX CZ PP

Pawel Kucharski

General Manager



**Modrá pyramida stavební
spořitelna, a. s.**

Address: Bělehradská 128, 120 00 Praha 2

Phone: +420 222 824 111

Fax: +420 222 824 111

Web: www.modrapyramida.cz

Web: www.radcenafinance.cz

E-mail: info@modrapyramida.cz

Bank code: 7990

Pavel Jiráček

Chairman of the Board and General Manager



MONETA Money Bank, a. s.

Address: BB Centrum, Vyskočilova 1442/1b,
140 28 Praha 4

Phone: +420 224 441 111

Fax: +420 224 441 500

Web: www.moneta.cz

Bank code: 0600

BIC: AGBA CZ PP

Tomáš Spurný

Chairman of the Board & CEO



MUFG Bank (Europe) N. V.

Prague Branch

Address: Klicperova 3208/12, 150 00 Praha 5

Phone: +420 257 257 911

Fax: + 420 257 257 957

Web: www.nl.bk.mufg.jp

E-mail: MUFG-PRAGUE@cz.mufg.jp

Bank code: 2020

BIC: BOTKCZPP

Hiroshi Katsumata

Chief Executive Officer



Oberbank AG

pobočka Česká republika

Address: nám. I. P. Pavlova 5, 120 00 Praha 2

Phone: +420 224 190 100

Fax: +420 224 190 138

Web: www.oberbank.cz

E-mail: paha@oberbank.cz

Bank code: 8040

BIC: OBKL CZ 2X

Robert Pokorný

Director



Poštová banka, a. s.

pobočka Česká republika

Address: Prosecká 851/64, 190 00 Praha 9

Phone: +420 222 330 400

Web: www.postovabanka.sk

Web: www.postovabanka.cz

E-mail: info@pabk.sk

Bank code: 2240

BIC: POBN CZ PP

Miroslav Halička

Director



PPF banka a. s.

Address: Evropská 17/2690, 160 41 Praha 6

Phone: +420 224 175 888

Fax: +420 224 175 980

Web: www.ppfbanka.cz

E-mail: info@ppfbanka.cz

Bank code: 6000

BIC: PMBPCZPP

Petr Jirásko

Chairman of the Board & CEO



Raiffeisenbank a. s.

Address: Hvězdova 1716/2b, 140 78 Praha 4

Phone: +420 234 405 222

Web: www.rb.cz

E-mail: info@rb.cz

Bank code: 5500

BIC: RZBC CZ PP

Igor Vida

Chairman of the Board of Directors & CEO



Raiffeisen stavební spořitelna a.s.

Address: Koněvova 2747/99, 130 45 Praha 3

Phone: +420 271 031 111

Fax: +420 222 581 156

Web: www.rsts.cz

E-mail: rsts@rsts.cz

Bank code: 7950

Jan Jeníček

Chairman of the Board of Directors



Sberbank CZ, a. s.

Address: U Trezorky 921/2, 158 00 Praha 5

Phone: +420 221 969 911

Fax: +420 221 969 951

Web: www.sberbankcz.cz

E-mail: mail@sberbankcz.cz

Bank code: 6800

BIC: VBOE CZ 2X

Edin Karabeg

Chairman of the Board of Directors & CEO



**Stavební spořitelna
České spořitelny, a. s.**

Address: Vinohradská 180/1632, 130 11 Praha 3

Phone: +420 224 309 111

Fax: +420 224 309 112

Web: www.burinka.cz

E-mail: sekretariat@burinka.cz

Bank code: 8060

Libor Vošický

Chairman of the Board

TRINITY BANK

TRINITY BANK a. s.

Address: Senovážné náměstí 1375/19,

110 00 Praha 1

Phone: +420 800 678 678

Web: www.trinitybank.cz

E-mail: info@trinitybank.cz

Bank code: 2070

BIC: MPUBCZPP

Dušan Benda

Chairman of the Board



UniCredit Bank Czech Republic and Slovakia, a. s.

Address: Želetavská 1525/1, 140 95 Praha 4

Phone: + 420 955 911 111

Fax: +420 221 112 132

Web: www.unicreditbank.cz

E-mail: info@unicreditgroup.cz

Bank code: 2700

BIC: BACX CZPP

Jakub Dusílek

Chairman of the Board & CEO



**Volksbank Raiffeisenbank
Nordoberpfalz eG**

Volksbank Raiffeisenbank Nordoberpfalz eG

pobočka Cheb

Address: Kubelíkova 4, 350 02 Cheb

Phone: +420 354 524 511

Fax: +420 354 524 519

Web: www.vr-nopf.cz

E-mail: info@vr-nopf.cz

Bank code: 8030

BIC: GENOCZ21

Rainer Lukas

Head of VR NOPF Branch



Všeobecná úverová banka, a. s.

pobočka Praha

Address: Pobřežní 3, 186 00 Praha 8

Phone: +420 221 865 111

Fax: +420 221 865 555

Web: www.vub.cz

E-mail: infovub@vub.cz

Bank code: 6700

BIC: SUBA CZ PP

Stefano Burani

General Manager



Waldviertler Sparkasse Bank AG

Address: Klášterská 126/II,
377 01 Jindřichův Hradec

Phone: +420 384 344 111

Fax: +420 384 344 108

Web: www.wspk.cz

E-mail: info@wspk.cz

Bank code: 7940

BIC: SPWT CZ 21

Franz Prucker

Chairman of the Board



Wüstenrot hypoteční banka, a. s.

Address: Na Hřebenech II 1718/8, 140 00 Praha 4

Phone: +420 257 092 775

Web: www.wuestenrot.cz

E-mail: kontakt@wuestenrot.cz

Bank code: 7980

Andrew Gerber

Chairman of the Board & General Manager

Od 1. 1. 2021 součástí České spořitelny, a.s.

Od 1. 4. 2020 součástí skupiny Moneta Money Bank,
fúze dokončena k 31. 12. 2020



Wüstenrot – stavební spořitelna, a. s.

Address: Na Hřebenech II 1718/8, 140 00 Praha 4

Phone: +420 257 092 775

Web: www.wuestenrot.cz

E-mail: kontakt@wuestenrot.cz

Bank code: 7970

Andrew Gerber

Chairman of the Board & General Manager

Note

Bank code

Code Stipulated by CNB
(domestic payments)

BIC

Bank Identifier Code
Provided by S.W.I.F.T.

Od 1. 4. 2020 součástí Moneta Money Bank

