

01/2023

CB A | NEWS

Dear Colleagues,

we are likely to have another adventurous and eventful year ahead of us, and I sincerely look forward to it! The crises and unexpected challenges that the world and the Czech Republic have faced in recent years can always be seen as changes that keep us going forward. I think it's a healthier and more rational approach to life and business than constantly predicting the apocalypse. And I am also convinced that, thanks to you in particular, the banking sector is in great shape not only financially but also as regards our people. If together we try to convey the positive perception of change in our relationship with our clients, we will increase our added social value and the prosperity of our clients. I keep my fingers crossed for us in this regard and wish you all the best in 2023!

Tomáš Salomon
President of Czech Banking Association



News of the Day

Total volume of mortgages granted in the whole year 2022 decreased by 60% year-on-year

Banks and building societies granted mortgage loans in the volume of CZK 7.8 billion in December last year. The interest rate on genuinely new mortgages, excluding refinancing, reached 5.98% in December. Actual interest rates have been stagnating in recent months, as have offered interest rates. In the whole year 2022, banks and building societies granted mortgage loans in the volume of CZK 197 billion, of which the volume of genuine new loans (without refinancing) amounted to CZK 162 billion, which represents a year-on-year decline of around 60%. This information is based on data from the CBA Hypomonitor, which captures data from all domestic banks and building societies providing mortgage loans.

"As expected, the end of last year did not bring a significant improvement in the activity on the mortgage market either; the volumes of mortgages granted in the last months of 2022 were the weakest since the beginning of 2014, and the number of units of mortgages granted was even the weakest in the last 20 years. Given that most of the factors behind the weak demand persist, we cannot expect a significant turn for the better in the near term," says Jakub Seidler, the Chief Economist of the CBA.



From the Market

Air Bank and UniCredit Bank will join ATM sharing

As of 1 February, Air Bank and UniCredit Bank will join the shared ATM network of Komerční banka and Moneta Money Bank, which have been cooperating in this way since last June. Clients of KB, Moneta, Air Bank and UniCredit Bank will thus be able to withdraw cash from the shared ATM networks under the same conditions as from their own bank's ATMs.

Interest in building savings increased year-on-year

Last year, building societies concluded 572,000 contracts, which is 10% more than in 2021. In the past year, they provided loans worth CZK 56.7 billion, down by a half, more or less, compared to the preceding record year and a return to the long-term average before 2020, when the volume of loans from building societies ranged between CZK 50bn and CZK 60bn. This was revealed in the data provided by savings banks to the Czech News Agency.

CNB publishes preliminary results of its performance

The Czech National Bank showed a loss of CZK 411.8 billion last year. This follows from the data published on the CNB's balance sheet. The economic results are preliminary and do not include all additional operations for 2022. In 2021, the CNB had a loss of CZK 37.7 billion. The central bank's loss is not an issue from a technical point of view; the CNB can operate in the long term with a loss, which it will gradually amortize from its future profits. In the long run, the central bank will always be profitable, as the amount of money on which it receives interest payments, is always higher than the amount of money on which it pays interest.

EGAP started providing guarantees to exporters affected by the war in Ukraine

Since the end of last year, the Export Guarantee and Insurance Corporation (EGAP) has been accepting applications for guarantees under a program designed to help export companies in difficulty as a result of the war in Ukraine. EGAP offers guarantees for loans up to a total of CZK 6.25 billion. The issuance of guarantees under this program will end at the end of 2023.

EBA warns about the impact of the deteriorating macroeconomic environment

Late last year, the European Banking Authority (EBA) published its [annual risk assessment of the European banking system](#). The report is accompanied by the publication of the 2022 pan-European Transparency Survey, which provides detailed information for 122 banks across 26 EEA / EU countries. Banks should prepare for a likely deterioration in asset quality and strengthen their screening systems and controls to ensure a strict compliance with sanctions to prevent legal and reputational risks.

Commentary

Inflation decreased to 15.8%, prices have been stagnant

Year-on-year inflation dropped to 15.8% in December from 16.2%, with prices stagnating month-on-month. Since October, inflation is still largely influenced by the government measures, notably the energy saving tariff and the waiver of the renewable energy charge.

"For 2022, inflation averaged 15.1%, the highest since 1993. Attention now shifts to January inflation, which will affect the year-round trajectory and show how noticeably firms have passed on increased costs to their prices at the start of the year. For 2023, we now estimate inflation at about 10%."

Jakub Seidler,
hlavní ekonom ČBA



Share of bad household loans dropped but increased in corporate loans

The share of overdue loans to households dropped in November, even reaching a record low of 0.57% for mortgages, while the share of consumer loans dropped to 3.9%. Bad loans to businesses rose to 3.39%. This is indicated by the CNB data. "Since the incursion of Russian troops into Ukraine, we have been anxiously watching how the economic consequences of the conflict will be reflected in banking statistics. Back in October, the market seemed to defy all predictions. But in November, the volume of non-performing loans rose slightly."

Miroslav Zámečník,
hlavní poradce ČBA



From Legislature



The Ministry of Finance is likely to get the right to break bank secrecy due to OLAF investigation

The Ministry of Finance is likely to be granted the new right to request transaction statements from banks and credit unions and to obtain information in the central register of accounts in cooperation with the European Anti-Fraud Office (OLAF). The power will be anchored in the [draft law](#) on the Czech Republic's cooperation with OLAF, including a related [amendment](#) to other laws, which was approved by the Chamber of Deputies in its third reading in mid-December. The draft will be referred to the Senate for its consideration.

CBA EDUCA



CBA EDUCA Education Programs in 2023

The CBA EDUCA training programs - the **CBA Strategic Management for Top Managers** and the **CBA Corporate Governance** - will continue this year from April to November with a break for the summer. Once a month, interested parties will meet and discuss with lecturers and among themselves current and pressing topics that resonate not only in the company or corporation they manage, but also in society as a whole. A new feature will be the **CBA Financial Management for Non-Financial Managers** program, which will run from April to June.

30 January 2023: Climate Stress Testing Expert Seminar

CBA EDUCA is co-hosting a half-day seminar on **climate stress testing** with the Czech National Bank. Interested participants will learn not only about the CNB's intentions in this area, but also about the results, experiences and plans of the European Central Bank. The seminar will be attended by Christoffer Kok, Director of the ECB's Stress Tests Division, and representatives of the CNB's Financial Stability Department. The seminar will take place on **30 January, from 13:00**, in the CNB Visitors' Centre, and it will be possible to visit the exhibition afterwards. You can register for the seminar [here](#).



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