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CBA | NEWS

Dear Colleagues,

this year is my third year at the head of the Czech Banking Association. So far, each year was a great challenge for me personally, but also for the entire banking sector. The issues we solved have not been easy. From the covid measures, to the war in Ukraine and the end of Sberbank, to the bank tax. Let us all hope that this year will finally be much calmer. We all deserve it. On behalf of the CBA, I can promise that we will continue to bring you interesting information in the CBA NEWS, which we have improved and enriched with new sections.

I wish you pleasant reading.

Monika Zahálková
Managing Director of the CBA



News of the Day

Time to check wallets. Millions of expired banknotes are still in circulation

Czechs still have millions of invalid banknotes in their wallets. At the end of June last year, the Czech National Bank decided to withdraw certain versions from circulation. These are the ones with a thin silver stripe from 1995 to 1999 - the exception being the CZK 5 000 banknotes, which remain valid. The largest number of invalid banknotes is the CZK 100 banknote, of which 22 million are still in circulation.

"I recommend checking wallets or other places where people put their money. More than 1/3 of the total number of CZK 100 banknotes in circulation are invalid. As for the 200 banknotes, it is more than one-fifth. According to the CNB data, there are dozens of millions of invalid banknotes in total," says Tomáš Hládek, the CBA expert on payments and money circulation. Banks will exchange invalid banknotes until June 2024. After that, this will only be possible at the CNB branches.

1000 Kč neplatný vzor



1000 Kč platný vzor



From the Market

Mortgage early repayment rules may change

The Ministry of Finance is preparing changes to the rules for early repayment of mortgages. Banks will now be able to charge part of the interest in addition to administrative costs. This will be calculated as the difference between the interest agreed until the end of the fixation period and the reference interest rate, which will be published by the CNB every month. Under the proposed draft, however, the borrower will not pay more than 2% of the principal amount of the loan repaid early. Furthermore, the list of exceptions or life situations where a mortgage can be repaid early for free will be extended. The draft amendment to the Act on Consumer Credit, which is part of the wider draft legislation, has already been subject to a comment procedure and the comments are currently being settled.

NDB supported the economy with CZK 24 billion

The National Development Bank (NDB) supported the economy with almost CZK 24 billion in 2022, a third more than in 2021 under the regular non-covid support. It provided support to entrepreneurs in the amount of CZK 22.5 billion in guaranteed or directly granted loans and another CZK 232 million in the form of guarantees for coinsurance guarantees that travel agencies must deposit when taking out compulsory insurance against bankruptcy. In total, it financed 4,077 projects for entrepreneurs. It provided almost CZK 1 billion for the development of public infrastructure.

Households' interest in loans declines, businesses prefer short-term loans

Household demand for housing and consumer loans declined in Q4 last year. This was mainly due to the increased cost of living for households and the level of interest rates. For non-financial firms, demand for long-term loans for investment decreased, while demand for short-term loans to finance operations and inventories rose. This was revealed by a regular survey of the Czech National Bank. According to the CNB, banks do not expect significant changes in demand for loans in Q1 of this year, but they expect an increase in credit losses in all segments this year.

Insurance companies uncovered over CZK 1 billion in frauds last year

The volume of detected insurance fraud in 2022 exceeded CZK 1 billion, up from the previous year. In some insurance companies, it has reached its highest level

ever so far. This was revealed by a CTK survey of the largest domestic insurance companies. According to them, the most fraud is committed in property and vehicle liability insurance. The highest number of frauds was traditionally in Prague.

EBA publishes regular risk dashboard

The European Banking Authority (EBA) has published its regular quarterly dashboard. European banks maintained robust capital and liquidity ratios (CET1 14.8%, LCR 162.5% and NSFR 126.9%). The NPL ratio declined slightly to just below 1.8%. However, banks' asset quality expectations have deteriorated further, notably for SME and consumer finance. All main indicators for the Czech Republic are better than the EU average.



Confidence in the Czech economy grew

Economic confidence increased in January. This was surprising in the case of households, where the increase was strong and confidence reached its highest level in a year. The decline in consumer concerns about inflation is also good news. Even so, household confidence is at the historically low level and still indicates a weakening willingness and ability to spend. Among firms, confidence increased slightly, mainly due to more favorable expectations in industry. The January indicators thus provide a relatively mixed impression and, despite more optimistic households' outlook, confirm weakening economic activity and a mild recession.

Jakub Seidler,
Chief Economist of the CBA



Koruna is the strongest since 2008

The koruna continued to strengthen, holding at its strongest level against the euro since 2008 in January. In the context of risks in the global and domestic economy, this is rather surprising, although the koruna had appreciated above expectations at the beginning of the year before, but did not hold at these levels thereafter. The domestic economy is facing a significant deficit in the balance of payments;

according to preliminary figures, the annual accumulated deficit was about 6% of GDP. This development is likely to improve this year, but the deficit will remain in the units of percentages of GDP; the koruna will gradually return to CZK 24.5/EUR.

Jakub Seidler,
Chief Economist of the CBA



From Legislature



Data boxes now mandatory for the self-employed, foundations and associations

On 1 January 2023, an amendment to the [Act on Electronic Acts and Documents Authorized Conversion](#) came into force. It extends the category of persons for whom data boxes are established automatically by law. All legal entities registered in public registers and all natural persons engaged in business must now have data boxes. Voluntary establishment of a data box remains only for natural persons. New data boxes should be established by the Ministry of the Interior by 31 March 2023. Currently, access data are sent to legal entities and natural persons engaged in business by letter.

CBA EDUCA



23 February 2023: ESG expert seminar

Sustainability, which is hidden under the acronym ESG, resonates not only with society as such, but also with the financial sector and companies. Therefore, the Czech Banking Association is organizing a one-day expert seminar on climate change on Thursday 23 February for banks and the commercial sector. Its content will include, among other things, the impact of the European CSRD on the market. At the end, a panel discussion with representatives of banks, commercial companies and the public sector will take place.

Proficiency tests were in full swing in 2022

Last year was the first year for CBA EDUCA when only new candidates for distribution of financial products took the exams. This was reflected in a lower demand for the examinations. Despite this, more than 1,150 exam dates were held, with over 18,000 tests taken. For the full year 2022, a total of 11,931 examination pass certificates were issued. Practice has shown that the distance mode of examination has found a permanent place in the market, with 70% of the CBA EDUCA dates being organized remotely, even though the health restrictions associated with the coronavirus epidemic had passed.



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