

07/2023

# CBA | NEWS

Dear Colleagues,

I'd like to share a piece of news with you that I am sure will be useful for many of you. The Czech Banking Association has recently launched a new website, the CBA Monitor, which is the only website that provides clear and up-to-date macroeconomic data, as well as statistics for the banking sector and the real estate market in one place. In addition to, for example, data on inflation or banks' profitability, you will also find information on the development of real estate prices over time and by region on the website.

I hope that you will be excited by this innovation and that it will become your essential source of information on the economic development of the Czech Republic and the banking market.

I wish you peaceful spring days and hope that warmer weather will come soon.

Monika Zahálková  
Managing Director of the CBA



# News of the Day

## **CBA launched new website packed with market data**

The Czech Banking Association has launched a new website, the [CBA Monitor](#), which provides a unique overview of macroeconomic and banking data. The website contains important statistics relevant to the Czech economy and users can easily view and compare various indicators.

For example, there are overviews of the developments of key macroeconomic indicators that have an effect on the condition of the economy, such as inflation, GDP, wages and confidence indicators.

In addition, important banking statistics can also be found on the CBA Monitor website. They include bank profitability, bank size, number of employees, a clear overview of the development of loans and deposits, and much more. Users can also track the development of mortgages and real estate prices over time and by region.

The CBA Monitor portal is unique in that it brings together data from several institutions - the Czech National Bank, the Czech Statistical Office and Dataligence - in one place. It can thus be an important source of information for academics, analysts, journalists, entrepreneurs and all those interested in the economy and banking in the Czech Republic.

## Bankovní sektor

Základní ukazatele o vývoji tuzemského bankovního sektoru v ČR z oficiálních statistik České národní banky a povinně uveřejňovaných dat ze strany individuálních bank



### The System of Building Savings is 100% efficient

The system of home-purchase savings, which has been on the market for thirty years, is extremely efficient. According to data from the Ministry of Finance, the ratio of the volume of loans to the amount saved rose to 102.2% at the end of last year, which is the highest level in the history of building savings. All of the funds that building societies receive in deposits from savers are thus lent for housing purposes. Clients are motivated to save not only by the favorable interest rate but also by the state contribution, thanks to which interest rates on home-purchase savings are now above 6.5% per annum. Building societies thus offer one of the most advantageous and safest savings products in times of high inflation. If the state were to abolish the contribution, three quarters of Czechs would no longer be interested in building savings in the future, according to IPSOS research. However, building savings and loans from building societies form a symbiotic relationship where one element supports the other.

### Hello bank! stops operating on the Czech market

Hello bank!!, a branch of the foreign BNP Paribas Personal Finance bank, announced in early April, that after a thorough analysis of all options it has decided to suspend its activities on the Czech market. The cessation of activities will take place in several phases. Since April, the bank no longer offers new products; nothing changes for existing clients at the moment, all the bank's products remain active.

## **EU/EEA banking sector shows strong capital and liquidity ratios**

Last week, the European Banking Authority (EBA) published its quarterly Risk Dashboard (RDB) along with the first edition of the RDB on minimum requirement for own funds and eligible liabilities (MREL). Volatility of EU/EEA banks' equity and debt has been strongly affected by events related to Silicon Valley Bank (SVB) and Credit Suisse, although direct exposures of EU/EEA banks towards these banks were limited, according to indications from supervisory reporting as of Q4 2022. Banks' capital and liquidity ratios remain strong and profitability continues to increase. Banks increased their capital ratios and maintained high liquidity ratios in Q4 2022. The indicators for the Czech Republic are better than the EU average.

# Commentary

## The share of non-performing loans is decreasing

According to the Czech National Bank, only 3.29% of non-performing loans to non-financial corporations were registered at the end of February, which represents a decline to CZK 41.1 billion expressed in Czech crowns. In the case of self-employed persons, the share of non-performing loans has been decreasing for many months, by more than one percentage point year-on-year from 6.09% to 5.06%. For households, the volume of non-performing consumer loans has also decreased from 4.48% to 3.97 points. A separately monitored category is housing loans, which are traditionally among the most reliable in terms of repayment. Year-on-year, the share of mortgages overdue for more than 90 days decreased from 0.71% to 0.57%, matching the previous record set last November.

**Zámečník**  
Advisor of the CBA



**Miroslav**  
Chief

## Interest in loans in euro is growing

Last year, the effects of unlocking the monetary policy rates of the CNB and the European Central Bank, the market rates linked to them and the difference in the price of loans in euros and crowns, became fully apparent. While the dynamics of loans to corporations in total was essentially flat year-on-year (+0.9%), loans in foreign currencies, mainly in euro, increased by EUR 130 billion to CZK 574.4 billion equivalent. Companies are turning some of this into koruna in deposit accounts - corporate deposits rose by more than 16% y-o-y and 2.6% month-on-month. Conversely, households, including self-employed persons, are still not rushing into euro loans, which is good given the exchange rate risk; it makes sense for those who also have foreign currency income.

**Miroslav Zámečník**  
Advisor of the CBA



**Chief**

# From Legislature



## President signed an amendment to reporting obligations of funds' managers

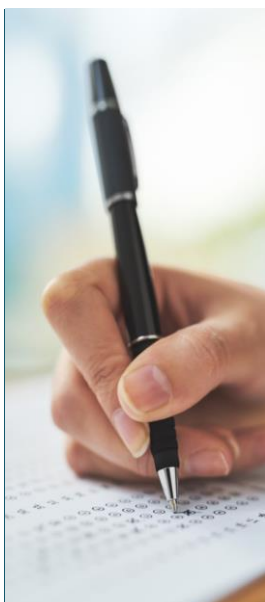
President Petr Pavel signed an amendment to the [act on management companies and investment funds](#), according to which managers of selected collective investment funds will no longer have to provide investors with certain key information twice. The amendment introduces a rule under which certain key information can be provided under a different EU law than before. This is a technical change which does not affect the substance of the legal regulation. The proposed change had to be introduced by the Czech Republic in order to implement the European legislation, otherwise it would have exposed itself to the risk of proceedings by the European Commission and a fine.

CBA EDUCA



## Global Money Week in the Czech Republic for the sixth time

In the week of 20 March 2023, the OECD Global Money Week campaign took place in the CR and in 176 other countries. The aim of the initiative is to fight poverty, raise awareness of the importance of financial education and ensure that people acquire the skills necessary to make good financial decisions from an early age. The theme of this year's event was "[Plan your Money, Plant your Future](#)". Over 31 338 participants took part in the event in the CR. The European Money Quiz, organized in the CR by the CBA, was part of this initiative.



## Pension product distribution proficiency tests for the third time

At the end of May 2023, 10 years will have passed since the end of the transitional period for the obligation to demonstrate proficiency in the distribution of supplementary pension savings (SPS). The CBA is accredited to hold this type of examination until 2028. The examination for the distribution of SPS is the only one that must be repeated every five years. In the first quarter of 2023 alone, nearly 2,200 users took the CBA's pension distribution exam, and this type of exam accounted for nearly 38% of all exams taken.

# Topic

## **Building societies play a key role in financing sustainable renovations**

**Discussions about the future of building savings have gained momentum in recent months. Intensive negotiations are underway on the form of the state contribution and on the involvement of building societies in the energy transformation of households. We asked Libor Vošický, Chairperson of the Association of Czech Buildings Savings Banks and Chairperson of the Board of Directors of the Building Savings Bank of Česká spořitelna (Buřinka), about the role that building societies could play in state savings.**

**How do you perceive the state's efforts to save money in the budget even at the cost of abolishing the state contribution to building savings?**

The Ministry of Finance's efforts to save money on the expenditure side of the state budget is a commendable step. However, it should not include unreasoning cuts without thinking through their impacts. The situation in the energy market over the past year has clearly shown the vulnerability of households. The state pays out up to 8 billion a year in housing benefits because of expensive energy. 60% of Czech homes are energy inefficient. We are wasting heat, but we are paying dearly for it. The European Union is therefore coming up with a plan for a massive wave of renovations, which, in simple terms, consist of better insulation and greater use of renewable sources. In order to meet our climate protection commitments, at least 3% of the housing stock needs to be renovated every year, which, according to experts, means an annual cost of CZK 60 billion. Nevertheless, subsidies will only cover part of these costs.

**However, there is not enough money in the state budget that could be used for these reconstructions beyond subsidies. Building societies have already announced several times that they are ready to help in this respect. What do you think this could look like?**





The basis for financing sustainable renovations is the involvement of private capital (e.g., small savers' deposits with building societies). European guidelines for energy efficiency in buildings even oblige countries to create conditions for public-private cooperation. Cooperation with building societies is a prime example. Now, thanks to support of CZK 4.2 billion a year, the state has a say in where regular annual investments of approximately CZK 60 billion from small savers go. All the money people deposit with building societies is used to provide loans specifically linked to housing. At the same time, about 60 % of deposits in buildings savings are used for housing after the end of the commitment period. Most of the money is therefore used to support housing twice. If state support were to be withdrawn, the state would lose this instrument.

**What could be the role of building societies in the future?**

Rather than building a new product and distribution infrastructure and providing funds for housing stock regeneration from the state budget, it will be more efficient for the state to work with building societies and use private capital from small savers. I am convinced that in this case, the effectiveness of the state support spent on building savings is multiplied, not to mention the possibility of using it for the targeted distribution of subsidies from European funds.