

8/2023



Dear Colleagues,

Once again, the new issue of CBA NEWS is packed with vital information. This time, we have paid a lot of attention to the topic of mortgages. The CBA commissioned an extensive survey, the results of which were presented to the public last week. We also filmed a new episode of our CBA FOCUS program on this topic, which was aired live on SeznamZpravy.cz. Jakub Seidler, our chief economist, and Michal Straka from IPSOS, the agency that prepared the survey for the CBA, discussed the latest trends in mortgages.

Another topic that resonated in the Association in the past few days was cybersecurity. With the growing number of cyber threats, this problem is becoming increasingly pressing, and we are very aware of the need to protect bank clients from these dangers. That is why Tomáš Salomon, the CBA President, accepted an invitation to Czech Television and took part in the "Questions", a discussion program hosted by Václav Moravec, together with Lukas Kinter, Director of the National Cyber and Information Security Agency.

I wish you pleasant moments with the new issue of the CBA NEWS.



Monika Zahálková

Managing Director of the CBA

News of the Day

Interest in housing loans rose by a third year-on-year. Living costs and the high real estate prices complicate the situation for Czechs.

A fifth of Czechs plan to take out a mortgage in the next few years. This is up by a third, year-on-year. But one half of them have had to postpone their plans because of the higher costs of living and inflation. One in every three Czechs expects real estate prices to rise further in the coming years. This was revealed in a joint survey conducted in April by the Czech Banking Association and the research agency Ipsos.

According to it, almost two-thirds of Czechs live in their own homes - 37% own a house, 28% an apartment. One out of every three lives in a rented house. Those who own a property most often bought it with a mortgage (32%), every fourth used their own savings.

"The mortgage market has been in a significant downturn since the middle of last year and the number of mortgages taken out has reached its lowest level in two decades. While the more favorable March mortgage market figures suggest that mortgage activity is recovering slightly, the volume of mortgages granted this March was still the lowest since 2014," said Jakub Seidler, the Chief Economist of the Czech Banking Association.

While two years ago, the most crucial factor in choosing a mortgage was the recommendation of a financial adviser, today Czechs do not follow it much. The interest rate (46 per cent), the annual percentage rate (APR) (33 per cent) and the monthly repayment (31 per cent) are most important to them, the survey showed.

"The rising costs of living and higher interest rates cut a significant part of the family budget. Every percentage point of interest affects the repayment amount. That is why Czechs clearly prefer lower repayments to the recommendations of financial advisers," said Michal Straka, a specialist in the financial market at Ipsos.

[Read the full article \(only available in Czech\) >>>](#)



From the Market

The number of cyber-attacks is increasing, but their success rate is decreasing.

Although the number of cyber-attacks in the banking sector is increasing, their success rate has been successfully reduced by almost half over the last six months, according to Tomáš Salomon, President of the Czech Banking Association (CBA). He said this in [Václav Moravec's Questions](#). The CBA has said earlier that more than half of the Czech population has experienced online theft. Over the past two years, the number of attacks aimed at extorting money from bank accounts has even quadrupled. According to Tomáš Salomon, this is a logical consequence of the fact that financial crime is increasingly moving to an online environment with greater digitization. *"We are not as used to caution in the digital environment, which is also why attacks are more frequent and pay off for attackers. The good news, however, is that banks, in cooperation with the National Cyber and Information Security Agency and the police, have managed to significantly reduce the number of successful attacks in the last six months,"* adds the CBA President.

Interest in building savings remains stable

Building societies concluded approximately 135,000 new contracts in the first quarter, which is about the same as in the same period last year. The target amount increased by one fourth. In the first three months of the year, savings banks granted loans worth CZK 7.7 billion, down 66.7 percent from the previous year. The decrease mainly relates to loans secured by a mortgage on the immovable property, while unsecured loans remained stable. This is based on data from all five domestic building societies published by ČTK.

A quarter of people go out without their wallets

Czechs' habits are changing. While it used to be unthinkable to leave home without a wallet, today a quarter of the Czech population does so. The wallet has been replaced by the smart mobile phone, which is owned by nine out of ten Czechs. 28% of people pay with a mobile phone because they are not willing to take their card out of their wallet or their wallet out of their pocket or purse, and 21% pay with a mobile phone because they have it in their hand while standing in line at the store. The popularity of paying with a mobile phone or smartwatch in the Czech Republic is increasing year by year. While four years ago only 19% of people ever paid with a mobile phone, last year it was already 39%, according to the latest [Mastercard](#) survey.

FAÚ warns the public against fraud

The Financial Analytical Office [warns of cases](#) when fake representatives of Coinbase and Binance platforms (there may be also other platforms) contact victims of investment fraud by e-mail, stating that the aforementioned platforms have allegedly blocked the fraudulently extracted funds of these persons on their accounts. They make the return of the wrongfully gained funds to them conditional on the sending of further funds to allegedly pay UK tax (there may be other charges or countries referred to by the fraudsters). This is another scam, and the Financial Analytical

Office strongly recommends that no 'additional' funds are paid to anyone.

Government approves National Reform Program

In mid-April, the National Reform Program (NRP) of the Czech Republic 2023 was approved at a meeting of the Government's Committee for the EU. This strategic document describes the reforms and investments that the Government plans to implement in approximately next 12 months. The reforms contained in the NRP are based on the government's program priorities and are linked to strategic and conceptual documents at the national level. This year's NRP contains, among other things, a description of investments to support green and digital transformation, such as building infrastructure for clean mobility or measures aimed at digitizing and speeding up building permission procedures.

EC adopts proposal to strengthen bank crisis management and deposit insurance framework

Last week, the European Commission adopted a proposal to adjust and further strengthen the existing EU bank crisis management and deposit insurance (CMDI) framework in order to protect financial stability and taxpayers and depositors and to increase the effectiveness of the crisis management framework. The proposal focuses on medium-sized and small banks which, when they have run into problems, have often been dealt with outside the resolution framework, including with the help of taxpayers' money. The published proposal will enable authorities to organize the orderly market exit for a failing bank of any size and business model, with a broad range of tools. In particular, it will facilitate the use of industry-funded safety nets to shield depositors in banking crises. The legislative proposal will now be discussed in the European Parliament and the Council.

Commentary

Inflation dropped to 15%

Year-to-year price increase in the Czech Republic slowed to 15% in March from 16.7% in February. The main reason for the decline was a fall in fuel prices due to the high comparison

base following the outbreak of war in Ukraine. They fell by 20% y-o-y and reduced annual inflation by 0.2 pp. Although food prices are slightly anti-inflationary on a year-on-year basis, this is also only an effect of the high comparison base, as food prices continued to rise by 0.3% month-on-month. The Ministry of Finance expects inflation to fall below the 10% threshold in July and to reach this year's low of 7.1% in September. The CBA's outlook is similar, with inflation slightly below 4% at the beginning of next year. However, inflation estimates are now very uncertain.

Jakub Seidler,
Chief Economist of the CBA



Mortgage market revived in March

Banks and building societies granted mortgages in March in the total volume of CZK 12.6 billion, which represents a 60% increase compared to February. This increase is unusually high, although March is traditionally more active than February. The number of units of new mortgages has returned to the level seen in the middle of last year when the market began to weaken, although it remains half the 2020 average. The surge in interest in mortgages probably reflects the fact that many households have realized that high interest rates will persist and so it is not worth waiting for further reductions. Gradually declining house prices may also have been a further impetus. The interest rate on new mortgages fell slightly to 5.86%, the lowest level since last October.

Jakub Seidler,
Chief Economist of the CBA



| From Legislature |



Government approves stricter anti-money laundering law

The government has approved an amendment to the anti-money laundering law. It enlarges the range of entities that are obliged to screen clients for money laundering and increases the upper limit of the fine for violation of this law to CZK 1 million. The amendment also increases the number of entities to which the obligations apply. Insolvency administrators and operators of online lotteries, as well as precious metals traders, would also have to check their clients. The draft also introduces the possibility of exceptionally not performing checks if this would create a risk that the check would act as a warning against possible intervention by the Financial Analytical Office. The Chamber of Deputies will now consider the draft amendment.

The logo for CBA EDUCA is displayed in white, bold, uppercase letters. It is centered within a dark teal rectangular banner that features a faint background image of people in a meeting. The text is flanked by three vertical white lines: one on the left, one on the right, and one on the far right.



The CBA has received accreditation for another 5 years

The CBA was one of the first to receive accreditation to hold professional examinations for the distribution of products on the financial market. The Czech National Bank has extended this accreditation until 2028. If you are planning to take the exam, you can apply [here](#). The exams themselves remain valid for an indefinite period, but the law stipulates that distributors must maintain their proficiency on an ongoing basis. The CBA has prepared an [e-learning course](#) for this purpose.



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Vzdělávací programy

Pro vrcholové manažery i členy volených orgánů

ČBA Strategické řízení pro vrcholové manažery

ČBA Corporate Governance

6 výukových dnů nabitých unikátním obsahem.

Aktuální témata, přesah a kontext. Špičkoví řečníci.

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