

11/2023



Dear Colleagues,

Summer is knocking at the door and with it comes the time that all festival enthusiasts are eagerly waiting for - the time of music festivals. This is the first time ever that the Czech Banking Association will also take part in some of the music festivals with our educational cybercampaign #nePINdej!. Whether you are headed for Rock for People or Colors of Ostrava, you'll have the unique opportunity to stop by our stand and practice the festival version of the cyber-test.

For the Czech Banking Association, this opportunity is a premiere and a great challenge. It is a unique chance to try out our own educational campaign at an event where thousands of music enthusiasts of different ages and diverse interests gather. The #nePINdej! stand will be the place where visitors will have the opportunity to learn more about cybersecurity and current frauds that are flooding not only the Internet. I would like to thank the member banks for this great opportunity. Their support will allow the campaign to be introduced in the field and through direct interaction with festival goers.

I wish everyone wonderful warm summer days, don't forget to enjoy the festival atmosphere, but most importantly #nePINdej!te.

Monika Zahálková
Managing Director of the CBA



News of the Day

CNB relaxed rules for mortgage lending

The Czech National Bank has decided to relax the rules for mortgage lending that have been in force since April last year. The relaxation concerns the Debt Service to Income Indicator (DSTI), i.e., the limit on the maximum monthly loan repayment in relation to the borrower's net monthly income. The CNB has abolished this parameter, which until now could not exceed 45% and 50% for borrowers under the age of thirty-six. *"The reason for the CNB's action is the significant decline in mortgage lending over the past year and the fact that the high interest rate is currently a sufficiently limiting factor. However, the change is likely to increase activity on the mortgage market only to a limited extent; the main obstacle is still the size of mortgage rates, which for now are mostly stagnant near the 6% bound,"* said Jakub Seidler, the Chief Economist of the Czech Banking Association.

The DSTI parameter was very restrictive in terms of the amount of income needed compared to the Debt to Income (DTI) indicator, which would be converted to monthly income. For example, the acquisition of a 7 million property at the current interest rate of 5.89% required a net monthly income of loan applicants of CZK 74 thousand per month. The CNB now leaves the maximum DSTI to the discretion of the banks themselves. They must assess whether or not the stated amount of the monthly mortgage repayment is risky in relation to the applicant's income. *"The abolition of the DSTI limit will rather help a specific group of mortgage seekers who were not allowed to get a mortgage due to the official validity of this limit, but the bank, after an individual assessment, evaluated that a mortgage with these parameters is manageable for them. This is for example a self-employed person using a 60% flat rate for costs, whose actual costs are lower,"* added Jakub Seidler.

The other parameters (DTI and LTV) were not changed by the CNB. The DTI (debt-to-income) parameter remains at 8.5, i.e., the total amount of loans (debt) of applicants should not exceed 8.5 times their net annual income (for younger applicants at 9.5). The LTV (loan-to-value) parameter, the ratio of the size of the loan to the value of the mortgaged property, remains at 80%, where it was in the form of a recommendation even before the pandemic arrived. For applicants who are younger than 36 years of age, it is 90%.



From the Market

Interest in building savings is growing, the number of agreements has increased

Building societies concluded 113,705 new building savings agreements in the first quarter, an increase of 1.6% compared to last year. The total value of new agreements reached CZK 75.5 billion. The average target amount of new agreements was CZK 663,600, an increase of 23% compared to Q1 last year. The total number of building savings agreements at the end of March reached 3.1 million, a decrease of 53,000 compared to the end of last year. The volume of loans granted rose to CZK 343.7 billion, with the loan-to-savings ratio reaching 105.9%, the Ministry of Finance announced.

The CNB published its Financial Market Supervision Report

The Czech National Bank has published its 2022 Financial Market Supervision Report. As a result of the Russian aggression in Ukraine and its impact on the global economy, the Czech financial market and its individual sectors were exposed to unprecedented external influences and risks arising from uncertainty about the future development of inflation, interest rates and economic growth during this period. The CNB had to take these risks into account when supervising the financial market. In its supervision of credit institutions, the CNB focused on the development of the quality of individual banks and credit unions' loan portfolios, maintaining sufficient capital endowment and provisions to cover potential losses, changes in credit standards and risk attitude, and the profitability and viability of their business models.

Eurofi High-Level Seminar this time in Stockholm

Sweden took over the Presidency of the Council of the EU from the Czech Republic and, together with it, organized a meeting of representatives of the financial industry, regulators, and central banks under the auspices of the Eurofi think-tank at the end of April. Against the background of higher inflation in the EU, ways to kick-start productive investment and support the recovery were discussed, while the European financial market remains fragmented. One option is to complete the banking union and create a capital markets union. Participants also agreed that the European banking sector has recovered from the major financial crisis of 2007-2009 and that the continent's banks are healthy, banks' capital positions are strong, and banks are resilient to shocks thanks to regulatory and institutional reforms.

Joint Committee of the European Supervisory Authorities publishes its annual report for 2022

At the end of May, the Joint Committee of the European Supervisory Authorities published its 2022 Annual Report, which provides an account of its work completed in the past year. The Joint Committee continued to play a coordinating role to facilitate discussions and the exchange of information between the EBA, ESMA and EIOPA and the European Commission and the European Systemic Risk Board (ESRB). The Joint Committee focused on joint risk assessment, sustainable finance, digitalization, consumer protection, securitization, financial conglomerates,

and central clearing. The Committee's main deliverables concerned the Sustainable Finance Disclosure Regulation (SFDR) and the Digital Operational Resilience Act (DORA).

Commentary

Economy stagnated in Q1

The domestic economy stagnated in the first quarter of this year, according to a revised estimate, with the first preliminary estimate suggesting moderate quarter-on-quarter growth of 0.1%. On a year-on-year basis, GDP contracted by 0.4% (preliminary estimate: -0.2% YoY). Although these figures are slightly worse than initially expected, they are still more favorable than the initial market estimates, which had predicted a downturn in the economy and a continued recession at the beginning of the year. Exports provided a positive impetus to growth thanks to improved supplier relations, while household consumption continued to decline. For the whole of this year, the domestic economy is expected to grow moderately, with a more moderate growth of around 2% expected for next year, also in view of the consolidation package.

Jakub Seidler,
Chief Economist of the CBA



The era of euro loans is slowly coming to an end

The central bank governor has repeatedly emphasized his fondness for the strong koruna, describing its exchange rate as an aid in reducing inflation. It is therefore of great importance to watch how non-financial corporations try to work with high koruna interest rates by borrowing in euros. This is because if everyone who can afford to do so from a risk management point of view reaches for a euro loan, it weakens the CNB's efforts. On the other hand, the most glorious era of euro loans is probably behind us: on the one hand, the interest rate differential between koruna and euro loans is narrowing as the ECB raises rates, and on the other hand, no further

appreciation of the koruna is on the horizon. And a possible depreciation of the koruna, even by just a koruna, could make the whole bet on how I will save on interest quite expensive.

Miroslav Zámečník,
Chief Advisor of the CBA



From Legislature



EC adopts package of strategies for consumer investors

The European Commission has adopted a long-awaited ambitious [Retail Investment Package](#) of strategies for retail investors including amendments to the MiFID II, IDD, UCITS, AIFMD and Solvency II Directives as well as the PRIIPs Regulation. It aims to empower retail investors, ensure that they are treated fairly, and increase their confidence in investment decisions. The main measures include enhancing the level of information and financial literacy of retail investors, increasing transparency and comparability of costs of investment products, the obligation to provide consumers with an annual overview of their portfolio performance, protection from misleading marketing, including where it is made via social media, or via celebrities (influencers), and others. A major novelty for ensuring the best interests of retail investors is the proposal to address conflicts of interest in the distribution of investment products by banning inducements for "execution-only" sales (i.e., where no advice is provided to the consumer). The approved package is intended to increase protection and awareness of retail investors, reduce unjustified costs, reduce risks, and promote fair and safe investments in EU capital markets.

CBA EDUCA



CBA awarded the best teams of the national round of EMQ 2023

On Monday, 29 May, the CBA held an award ceremony at the CNB Visitors' Centre to present prizes to the three most successful student teams in the national round of the European Money Quiz 2023 competition. The third place went to the students of the fourth-grade class G of the Dvořák High School in Kralupy nad Vltavou, the second place went to the students of the Na Dědině Primary School in Ostrožská Nová Ves, and the highest number of points and thus the first place went to the students of the fourth grade of Jan Kepler High School.

The new CBA Finance training program starts in September

The CBA is launching a new management training program CBA Finance for Non-Finance Managers suitable for team leaders, managers, and directors of non-finance departments. The program will include four sessions, during which renowned lecturers from Prague University of Economics and Business will discuss the topics of financial reporting, financial statements, international reporting, and taxes. The program is scheduled for the IES / ICI international certification. More information can be found [HERE](#).



KYBERBEZPEČNOST PRO LAIKY

- Jaké jsou nejčastější podvody?
- Jak se kyberútoky změnilly v čase?
A jaké očekávat do budoucna?
- Jaký vliv bude mít umělá
inteligence?

14. ČERVNA 2023
od 9 do 17 hodin v ČBA



REGISTRUJTE SE NYNÍ NA
WWW.CBAEDUCAPLUS.CZ



David Března,
ESET



Marek Macháček,
Komerční banka



Tomáš Ščerba,
advokát



Jan Marek,
Cyber Rangers



Kateřina Zemanová,
Policie ČR



Petr Barák,
ČBA, Air Bank



Jan Krob,
Accenture



Pavel Kolář,
ČBA