

13/2023



Dear colleagues,

In the middle of June, members of the Czech Banking Association elected their new representatives in the Association's governing bodies. I am honoured that you have put your trust in me and elected me as head of the Association, where I will be replacing Tomáš Salomon, who will become the Association's first vice-president. The CBA has come a long way in the last three years, we have a great deal to build on, and I would like to take this opportunity to thank everyone who played a part in this. This year has brought a number of challenges for banks and we still have lots more ahead of us. The Czech economy is affected by soaring inflation, we are seeing a decline in household consumption, and banks' deposit costs are increasing. Although 2023 is a difficult year in many ways, there is no reason to be overly pessimistic. The Czech Republic needs to make smart investments to fight to keep its place on the European and world economic and business scene. The Czech banking system is highly stable and the CBA plays a key and irreplaceable

role. I approach the management of our Association with a great deal of respect, and as its head, I and my other colleagues from the presidium will focus on deepening dialogue and cooperation between the private sector, the state and the regulator, as well as on digitisation, innovation and sustainability.

As the summer is upon us I would like to wish you all an enjoyable and relaxing holiday with your loved ones, and I look forward to working with you over the next three years.

Jan Juchelka
President of the CBA



News of the Day

The Ministry of Finance, the Ministry of the Environment and building societies have agreed to collaborate in funding household energy savings

Most residents of the Czech Republic will have the opportunity to save on housing-related energies

The Ministry of Finance of the Czech Republic, the Ministry of the Environment and the Association of Czech Building Societies will collaborate on supporting the energy transformation of Czech households. They will work together to draft a systemic solution that will speed up green transformation, reduce energy demand and modernise apartments and houses. The aim is to ensure that citizens of the Czech Republic will gain access to access to available loans

advice and subsidies for investments in energy savings, all in one place. Last week, the customs representatives of these institutions officially confirmed the plan by signing a Memorandum of Cooperation for the energy transformation of Czech households.

"We want to increase the number of people who, through the subsidy programmes of the State Environmental Fund of the Czech Republic and available building society loans, will be able to make energy-saving renovations to their homes and thus reduce their monthly energy costs. This will reduce the number of households that are at risk of energy poverty and will also help to improve the quality of the environment. Particularly by reducing air emissions of pollutants and greenhouses gases generated by heating using fossil fuels. We will thus be supporting the modernisation of housing stock in the Czech Republic as well as the government's strategic objective in relation to housing and sustainability. Our aim is to increase the rate of renovation to 3 % a year," said Petr Hladík, Minister of the Environment, after signing the Memorandum.

"This collaboration will boost the energy self-sufficiency of Czech households and thus that of the Czech Republic as a whole. We will see a reduction in the number of households experiencing or at risk of energy poverty. Cooperation with building societies makes a lot of sense for the Ministry of Finance, as it enables it to use the existing network of the building society sector to provide services to citizens involving the provision of information and assistance in negotiating subsidy support and loans intended for investments in household energy savings," explained Zbyněk Stanjura, Minister of Finance.

"Building societies have long been committed to social responsibility in relation to the green transformation of the Czech Republic. By signing the Memorandum, they become a key partner for the state in the energy transformation of households, thus opening the way for citizens of the Czech Republic to make more effective use of subsidy programmes for energy savings through the existing building society infrastructure," said Libor Vošický, president of the Association of Czech Building Societies.

"Citizens will now have the opportunity to obtain generous funding, advice and assistance in obtaining subsidies from the relevant subsidy programmes, all in one place," adds Michael Pupala, 1st Vice-chair of the Association of Czech Building Societies.



From the Market

How to enjoy a peaceful holiday?

Lots of people are getting ready to go abroad during the holidays. However, before you cross the border it's a good idea to consider how you intend to pay your way on holiday, the risks you could encounter, and plan for your journey accordingly. The Czech Banking Association has therefore prepared some [useful advice for travellers](#) on how to enjoy your holiday and avoid unpleasant situations when paying for things, either in cash or by credit card.

The police have issued a warning about investment fraud from alternative funds

In a recent [report](#) the National Organised Crime Agency warned about cases of fraud by alternative investment funds. These mini-funds are not overseen by the Czech National Bank, although they often use their supervisory authority to win clients' trust. According to the report, at the beginning of May 2023 the list of alternative investment funds published on the CNB website included a total of 403 entities. It is evident that there has been a rapid surge in the number of these entities in recent years, indicating that this problem will continue to be a major challenge in the future. The police have also pointed out that most of these mini-funds are based in Prague and Brno. These entities are also often registered at the same addresses in the centre of Prague, which raises further questions concerning their operation and transparency.

The ECB will be unable to announce an end to interest rate in the foreseeable future

The European Central Bank, headed by Christine Lagarde, will probably be unable to announce an end to its cycle of increasing interest rates at any time in the near future. [According to Lagarde](#), members of the monetary committee will continue their trend of tightening up monetary policy, although they are likely to hold off on raising interest rates in the coming months. Most economists believe the ECB will stop putting up borrowing costs after the next rate hike, expected in July, when the deposit rate is expected to reach 3.75 percent. The money markets also expect that the deposit rate could peak at around four percent this year.

The ESMA publishes its annual report

The European Securities and Markets Authority (ESMA) recently published its [2022 Annual Report](#), which presents an overview of this authority's key successes in fulfilling its remit – protecting investors and supporting stable and orderly financial markets in the European Union (EU) during the transition year. One of the ESMA's main achievements in 2022 was the development of a new strategy to guide its activities from 2023 to 2028. During 2022 the ESMA also carried out extensive work in response to the consequences of the Russian invasion of Ukraine. This expected development had an impact on the entire financial sector and called for rapid and effective measures to be taken. The ESMA has played an active part in resolving this situation, collaborating with other relevant entities and organisations within the EU.

Commentary

Confidence in the Czech economy has plummeted

Confidence in the economy fell significantly during June, particularly in industry, when it reached its lowest level since the Covid-related closures in the second quarter of 2020. The situation has also deteriorated in the service and retail sectors, while it has improved slightly in the construction industry. There was also a decline in household confidence due to the worsening economic outlook. Expectations of price rises have not changed month-on-month; they remain low in industry, but in the rest of the economy more than a quarter of respondents expect to see further price hikes in the coming months.

Jakub Seidler,
Chief Economist of the CBA



Non-performing loans deteriorated slightly

According to the CNB statistics, corporate loans have remained in good shape despite adverse circumstances, with the share of non-performing loans falling to 3.07%. This was last reached in December 2007, before the global financial crisis. In consumer credit, the share of non-performing loans decreased year-on-year but increased to 3.93% month-on-month. The share of mortgages over 90 days past due increased from 0.57% to 0.58% in May. The deterioration cannot be considered a fundamental change; mortgages have been extremely low for almost a year.

Miroslav Zámečník,
Chief Advisor of the CBA



From Legislature



The Chamber of Deputies approved the first reading of a bill on the compensation of costs for the discontinuation of futile execution proceedings

The state will probably pay executors flat-rate compensation for the costs they will incur in discontinuing so-called fruitless execution proceedings commenced prior to January 1 this year. The amendment to the Enforcement Code, approved by the Chamber in its first reading, sets out flat-rate compensation of 750 crowns for each case, including value added tax of 905.5 crowns. According to the explanatory report, the Ministry of Justice will need 862 million crowns to cover these compensation payments this year. The draft is now being passed to the senate for consideration. According to the legislation on the discontinuation of futile execution proceedings originally adopted, executors would not receive any compensation, which they intended to contest at the Constitutional Court. According to estimates made by the Chamber of Executors, the discontinuation of futile execution proceedings as introduced in January this year would end the forced recovery of debts for 50,000 to 80,000 people. This applies to execution proceedings that have yielded no results in the last six years and that do not involve real estate. The executor calls upon creditors to express their consent to the suspension of the execution proceedings. If a creditor does not grant consent and fails to pay the deposit to cover the continuation of the proceedings, the executor will halt the property seizure process. A deposit can be paid to extend the six-year period by a further three years, no more than twice. The total duration of futile execution proceedings may not exceed 12 years.

CBA EDUCA



Banks are proudly advocating the principles of corporate governance

The CBA has become a proud partner of the new Methodical Manual of the Corporate Governance Code of the Czech Republic, a practical guide that offers comprehensible explanation of how these principles can be incorporated into the administration and management of companies. In doing so, the CBA has committed itself to supporting corporate governance and helping to make the Czech business environment more transparent. If you are interested in the manual, please contact [Vendula Vlková](#).

ČBA FINANCE PRO NEFINANČNÍ MANAŽERY

NOVINKA
certifikovaný vzdělávací
manažerský program



GARANT PROGRAMU
doc. Ing. Ladislav Mejzlík, Ph.D.
Proděkan FFÚ VŠE
Prezident Komory auditorů ČR



I. modul: Základy finančního reportingu a jeho regulace
12. září 2023



II. modul: Účetní závěrka - zdroj informací o firmě
26. září 2023



III. modul: Mezinárodní pravidla reportingu
10. října 2023



IV. modul: Daně a jak na ně
24. října 2023