

15/2023



Dear Colleagues,

it has become a tradition for us to publish the Financial Literacy Index of the Czech Banking Association at this time and this year is not different. I am glad that positive trends are emerging in the financial behavior of our population. Compared to last year, for example, we have seen an increase in the number of people trying to better protect their savings and understand their own budgets. At the CBA, we have been dealing with financial literacy for a long time. Our goal is to actively participate in its promotion and to provide all-round support and education to the general public as well as, for example, to primary and secondary schools that also teach financial literacy as part of their school curriculum. We therefore organize or participate in a number of educational projects each year. For example, in the area of cybersecurity, we are organizing the #nePINdej! campaign for the second year in a row, the central element of which is a playful but educational cyber-test. We have also been running the Bankers Go to Schools project for ten

years, which has already been attended by thousands of primary and secondary school pupils. We are delighted that our projects are reaching all generations and helping them to be better prepared to meet financial challenges and be better able to plan for their financial future.

Have a great summer,

Monika Zahálková  
Managing Director of the CBA



## News of the Day

### **CBA Financial Literacy Index: increasingly more people protect their savings from devaluation**

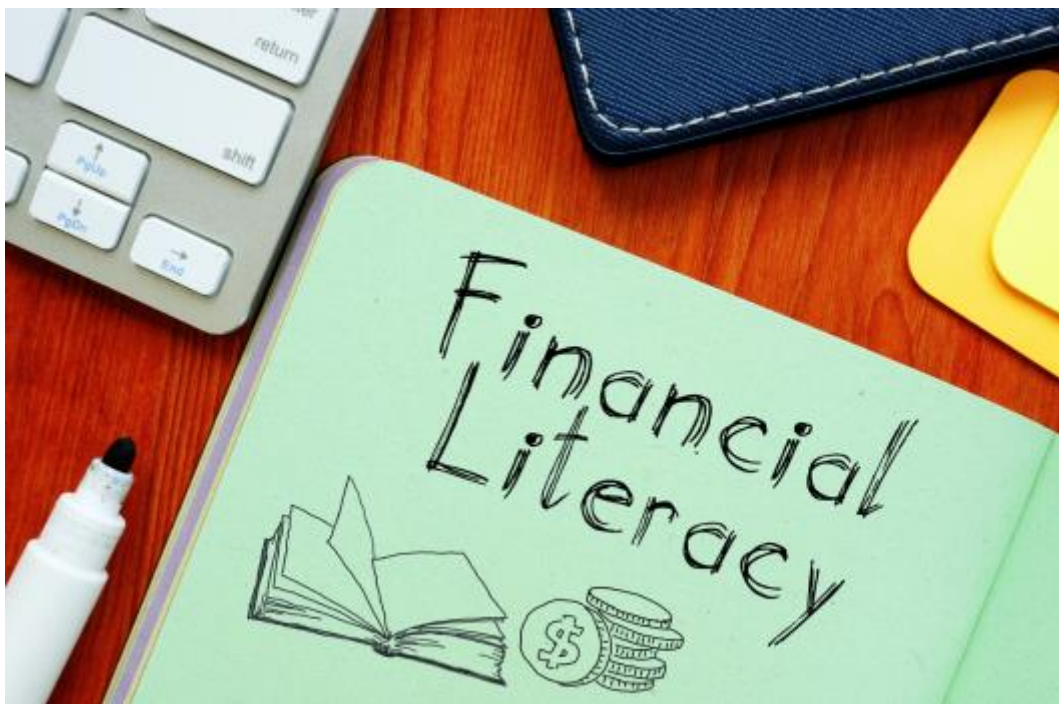
The Financial Literacy Index of the Czech Banking Association (CBA) remained unchanged compared to last year and remained at 56 points this year again. Compared to last year, there are more people who are trying to protect their savings by transferring them to advantageous savings accounts or using them to make investments. A larger portion of the population has begun looking for a new source of income or reduced their spending. This has been indicated by a new survey by the CBA and Ipsos Agency, conducted in early July and involving 1,013 respondents aged 18-79.

Again, this year, Czechs had the most trouble with the question of the profitability of loans. Only 32% of respondents answered it correctly, compared to 31% last year. Fewer than half of people also correctly answered questions about deposits with 'peer-to-peer' lenders or the definition of an equity payment, which comprises capital payments and interest payments.

Conversely, most people, namely 80%, were able to correctly answer the question about household budget deficits.

The survey also confirmed that education plays a significant role in financial literacy. People with primary education scored 47 on the Index, while those with a higher vocational or university degree scored 64. People with completed upper secondary education scored an average of 56 points, which corresponds to the overall score. *"Younger people often have big problems and are therefore very vulnerable,"* said Monika Zahálková, the Managing Director of the Czech Banking Association.

Two out of three Czechs are convinced of their adequate skills in managing money. Three quarters of respondents believe they have mostly sufficient knowledge about finances. More than half of them are most confident in managing their household budget. In terms of saving and building up reserves, 36% are confident, while 24% of respondents feel confident in protecting their money in relation to cyber security. When it comes to credit and borrowing, more than a fifth are confident, and when it comes to investing, 13% are confident. Conversely, only 5% admit that they have no experience in financial matters at all.



# From the Market

## **CBA has been awarded the status of a top educational institution**

The Czech Banking Association has been awarded the status of an A-rated educational institution by the International Education Society and by the International Certification Institute, thus becoming a top educational institution with international experience. This was announced, among others, by the European Banking Federation (EBF). The prestigious international certification has also been awarded to the **CBA Corporate Governance** management training programs and the brand new **CBA Finance for Non-Financial Managers**, which starts at the beginning of September. Graduates of both programs will receive an IES / ICI certificate in both Czech and English languages.

## **The number and sophistication of attacks in online banking is increasing**

The number of attacks in online banking has increased significantly in recent years and the sophistication of the fraudulent methods used is increasing. Last year, cybercrime accounted for more than ten percent of all registered criminal cases in the Czech Republic. The target of attacks was mainly the public. Attackers often use fraudulent phone calls, known as "vishing," or fake links in chat applications, text messages or emails, known as "phishing." The Czech National Bank published this information in its 2022 Financial Market Supervision Report. The main methods used by attackers are manipulative techniques that force victims to provide their personal security information or connect fraudulent devices to their bank accounts. In this way, attackers can empty accounts and, in some cases, even arrange consumer loans in the victim's name. The CNB warns that fraud often takes place with the cooperation of the defrauded clients themselves, who incorrectly provide their login details for payment transactions.

## **The number of people in foreclosure decreased in the first half of 2023**

Statistics from the Chamber of Distrainers for the first six months of 2023 show that the number of people in foreclosure continues to fall. At the end of 2022, there

were 666,420 people in foreclosure, and now there are 660,177, a total decrease of more than 6,000 borrowers. However, on the other hand, the number of foreclosures filed against private persons has increased slightly. With the end of 2022, 4,029,280 foreclosures were registered, and as of the beginning of this July, this number has increased to 4,077,921, an increase of almost 49 thousand proceedings. The average age of the Czech debtor in the first half of 2023 has slightly increased from 46.4 to 46.5 years, which is in line with the natural demographic trend. The Chamber of Distrainers had already predicted a slight increase in the number of foreclosures in the spring due to the unfavorable economic situation in the Czech Republic, and the current figures show that its estimate has so far been confirmed.

## **EU/EEA banking sector shows rising profitability, but asset quality and profitability related risks are looming**

The European Banking Authority (EBA) has published its Q1 2023 quarterly [Risk Dashboard](#) (RDB). The publication presents the results of the EBA's latest risk assessment questionnaire (RAQ), which was conducted among 85 banks (CS, CSOB and KB for the Czech Republic) in spring this year. According to the EBA, banks' profitability continued to increase (average return on capital reached 10.4%, CET1 capital ratio reached 15.7%), and their capital, funding and liquidity ratios remain strong. Bank debt issuance has resumed after a temporary halt due to the Silicon Valley Bank (SVB) and Credit Suisse (CS) induced turmoil.

 ČESKÁ CZECH BANKOVNÍ BANKING ASOCIACE ASSOCIATION

**ČESKÁ BANKOVNÍ ASOCIACE**

STATUS VZDĚLÁVACÍ INSTITUCE

**VZDĚLÁVACÍ PROGRAMY**

ČBA CORPORATE GOVERNANCE  
ČBA FINANCE PRO NEFINANČNÍ MANAŽERY

MEZINÁRODNÍ CERTIFIKACE

# Commentary

## **Czech economy grew slightly in the second quarter**

According to the preliminary estimate of the CZSO, the Czech economy grew by 0.1% quarter-on-quarter in the 2Q of this year, while it declined by 0.6% year-on-year. The preliminary estimate does not yet specify the details of GDP development, the CZSO only said that the year-on-year GDP development was negatively affected by household consumption and lower investment, while domestic demand contributed to the slight quarter-on-quarter growth, with household consumption stagnating. The main contributors to the year-on-year growth in gross value added were industry and ICT services, while the trade, transport, accommodation and food services sectors contributed to the decline. Risks to future developments persist, which foreshadows the outlook for the second half of the year, when the economy should start to grow slightly in quarter-on-quarter terms, but for the whole of this year it will mean mostly stagnant GDP or only very slight growth.

**Jakub Seidler,**  
**Chief Economist of the CBA**

## **Economic confidence increased in July**

Economic confidence increased in July both among households and slightly among businesses. While the improvement among households was driven by less concern about the future economic situation, the situation among entrepreneurs was more varied. Confidence decreased in construction and services, while it increased in retail and industry, which had dragged down overall confidence in recent months. The improvement in industry was driven by a less negative outlook for manufacturing in the coming months, possibly indicating an improvement in the outlook for the automotive sector in particular. However, despite the July improvement, industrial confidence, along with June, remains the lowest since the pandemic closures in Q2 2020. For households, confidence increased relatively strongly in July, and the overall confidence indicator has reached the level of early 2022 but remains well below average overall.

**Jakub Seidler,**  
**Chief Economist of the CBA**



# From Legislature



## The Chamber of Deputies approved changes in pensions

Early retirement rules are likely to be stricter and the regular January pension indexation is set to slow down. The current extraordinary increase in pensions, which occurs with higher price growth, should be replaced by a temporary allowance. This change could be implemented as early as September, thanks to a government amendment approved by coalition MPs in the Chamber of Deputies last Wednesday. The opposition failed to enforce the rejection of the draft law, referring it back for a second reading, or any amendments. The Senate will now consider the draft. According to their authors, the proposed changes introduced by the government are necessary for the long-term sustainability of the pension system and debt reduction. They are also intended to prevent the mass early retirements that happened last year. Opposition MPs, on the other hand, claim that they are about saving on pensioners or even robbing or impoverishing them.

CBA EDUCA



## Liquidity Management in autumn

On Tuesday, 19 September, we are preparing an expert seminar for you, this time on the topic of Liquidity Management. The content of the half-day seminar has been prepared by [Leo Javorek](#), a legal expert from DLA Piper Attorneys, while the second part of the program will belong to representatives from the Czech National Bank, who will focus on explaining supervisory procedures and their expectations. You can register for the seminar [HERE](#). Keep an eye on the [web](#) site, for updates on all CBA training programs and seminars.

# LIQUIDITY MANAGEMENT

- Hlavní ukazatele prahových hodnot
- Zpřístupnění informací o likviditě
- Výpočty a regulatorní reporting



19. září 2023, 9:00–14:00  
ČBA, Italská 69, Praha 2



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REGISTRUJTE SE NYNÍ NA  
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