

21/2023



Dear Colleagues,

the role of banks in the economy is crucial. The Czech Banking Association represents almost all banks in the Czech Republic that finance more than 80% of our economy. Last week, *Hospodářské noviny* published an interview with Mr. Jan Juchelka, the President of our Association, in which a number of current issues related to the banking sector were addressed. One of the key points addressed by the President of the CBA in the interview is the proposal for greater involvement of PPP projects in financial investment in infrastructure, combining public and private capital. The Czech Republic has great potential in this area, not only in transport, but also in digitalization and public housing projects. The National Development Bank, which is owned by the state through three ministries and so far focuses mainly on supporting small and medium-sized enterprises, can also help with financing. For this reason, its balance sheet should also be significantly increased - from the current several billion up to 100 billion.

Another important topic of the interview was the early repayment of mortgages and the costs associated with it. The situation has been unresolved for years and ultimately, paradoxically, goes against the clients. This could lead to a reduction in long-term interest rate fixing and, in the extreme case, banks could stop offering fixing altogether. Banks bear too many risks related to the volatility of interest rates on the

market. Longer-term fixations bring stability to family budgets and protect clients from sudden increases in monthly payments. Last but not least, the conversation also touched on the current topic of the green agenda. According to a study by the Boston Consulting Group, we will need significant investment to move the Czech Republic from a carbon-intensive economy to a green and sustainable one. This is a big challenge that also brings many opportunities for the banking sector.

We have unlocked the full [INTERVIEW](#).

I wish you a pleasant reading.

Monika Zahálková
Managing Director of the CBA



News of the Day

Bankers go to schools again

Bankers Go to Schools, the popular financial education project of the Czech Banking Association (CBA), started its tenth year this October. Pupils in the 8th and 9th grades of primary schools and students in the 1st and 2nd years of secondary schools can once again obtain important information on financial literacy and cyber security during live meetings with bankers. The interest in participating in the project increases every year and this year is no different. Almost 150 schools and 290 bankers have joined the project.

The Czech Banking Association has long been dedicated to improving financial literacy not only among the rising generations. The Bankers Go to Schools project is organized in close cooperation with member banks, which send

their volunteers-bankers to schools. They advise pupils and students on how to manage their personal finances and warn them about possible online threats. Financial literacy has been part of the primary and secondary school curriculum for several years. Thanks to the seminars organized under the Bankers Go to Schools project, pupils and students deepen their knowledge in an attractive way.

Schools can choose from two types of seminars - General Financial Literacy and Cyber Security. Cyber Security is a major topic across the various CBA activities. That is why the Association has prepared an educational Cyber Game for pupils and students (www.kyberhra.cz), which is part of the current national awareness campaign #nePINdej! It will introduce them to the most common types of cyber threats and show how to defend themselves. The cyber game is open not only to pupils and students who have participated in the Bankers Go to Schools project, but to all children interested in the topic of cyber security.

In addition to the CBA, volunteers- bankers from thirteen member banks took part in the Bankers Go to Schools project this year: Air Bank, banks CREDITAS, Česká spořitelna, Commerzbank, ČSOB, Hello bank!, Komerční banka, Max banka, mBank, MONETA Money Bank, PPF Bank, Raiffeisenbank and UniCredit Bank.



From the Market

Digital payments can curb the growth of grey economy in the Czech Republic

Grey economy in the Czech Republic's will exceed the one trillion CZK threshold for the first time this year, equivalent to 13.9% of GDP. The increase is linked to the inability to pay by card or smartphone, which increases costs for retailers and reduces their profits. These figures were presented in a study by Kearney management consulting firm in collaboration with Visa. According to the study, digital payments in the Czech Republic are below the EU average, which shows a negative correlation with the size of the grey economy. A one per cent increase in digital payments can bring up to five billion crowns in GDP and two billion crowns in tax collection. Visa's research also found that digital payment processing is seven times faster compared to cash, with the average transaction taking around six seconds. At the same time, 45 per cent of SMEs saw an average 12 per cent increase in sales after they started accepting digital payments. And 57 percent of them report that customers spend more when they use cards.

Partners Bank to offer services to the public in March 2024

Partners Banka, a new player on the banking scene, will offer its products and services to the public in March next year, and will start providing loans in autumn 2024. Partners Banka will work closely with the financial advisory firm Partners. It will use its branch network and its branches will carry the Partners Bank brand. The bank is building on the concept of innovative advisory banking, thanks to which clients do not have to limit themselves to the offers of one financial institution. Partners Bank's equity capital amounts to CZK 3 billion. The bank is 100% in the hands of its Czech owners, which include about 1,000 advisors, managers, directors, and employees of the Partners Group. There are now a total of 45 banks and savings banks on the Czech market.

CLFA has a representative in the top management of Eurofinas

The Czech Leasing and Finance Association (CLFA) will have representatives on the Board of Directors of Eurofinas, the European Federation of Finance House Associations, for the next two years. Jana Hanušová, Chair of the Board of Directors of the CLFA, and Jaroslav Krutilek, Secretary General of the CLFA, were elected to the Board of Directors of the most important European association in the financial sector. Eurofinas represents 16 national associations and represents 490 financial institutions with nearly €1.3 trillion in funding.

IMF revised global economic growth outlook for 2024 downwards

The International Monetary Fund (IMF) has updated its autumn forecast for global economic growth. While the outlook for this year remains unchanged at a projected 3% growth, the IMF has slightly lowered its growth estimate for 2024 by 0.1 percentage point. GDP is therefore expected to grow by 2.9% in 2024. The key reasons for the slowing growth are the long-term effects of the covid-19 pandemic, tensions related to the Russian invasion of Ukraine and increasing geo-economic fragmentation. Also, extreme weather conditions and tightening monetary policy to curb inflation are playing a role in the slow economic recovery.

EBA publishes Q2 2023 quarterly Risk Dashboard (RDB) and Work Program for 2024

In early October, the European Banking Authority (EBA) published its regular Q2 2023 quarterly Risk Dashboard. It contains information on the minimum requirements for own funds and eligible liabilities (MREL). Banks' profitability and capital ratios increased further, while macroeconomic and geopolitical uncertainty remained. Asset quality remains high on average, although several countries reported an increase in non-performing loans (NPLs) and data indicate that asset quality could deteriorate faster in the future for some portfolios. Cyber risks are among the main risk factors. The credit risk and asset quality and profitability indicators reported for the Czech Republic are better than the EU average. In early October, EBA also published its work program for 2024, which sets out the following key strategic areas : (i) implementation of the EU banking package (Capital Requirements Regulation - CRR III / Capital Requirements Directive - CRD VI), (ii) monitoring financial stability and sustainability against a backdrop of elevated interest rates and uncertainty, (iii) providing a data infrastructure to stakeholders, (iv) developing oversight and supervisory capacity for the Digital Operational Resilience Act (DORA) and the Markets in Crypto Assets Regulation (MiCAR), and (v) increasing focus on innovation and consumers (including access

to financial services) while preparing the transition to the new anti-money laundering and countering the financing of terrorism (AML/CFT) framework.

Commentary

Mortgage market grew year-on-year in September

According to the CBA Hypomonitor, banks and building societies granted mortgages to households in the amount of CZK 13.6 billion in September of this year. The volume of mortgages granted thus decreased by CZK 0.5 billion month-on-month, which represents a 3.5% decrease compared to August. However, after adjusting the data for seasonality, the volume would have risen slightly month-on-month in September. On a year-on-year basis, the effect of a lower comparison base was evident, with the data being compared with a very weak September last year. Mortgage volumes were up by 90% y-o-y. The interest rate on actual new mortgage originations decreased further slightly to 5.74% in September, remaining the lowest since July last year, i.e., for the last year. Market interest rates for longer maturities have been very volatile this year, with several periods of increasing and decreasing interest rates. The same applies to developments in the last month when the relevant rates rose sharply in line with interest rate developments abroad but started to decrease again in early October.

Jakub Seidler,
Chief Economist of the CBA



Most producer prices increased in September

Producer prices gave a mixed impression again in September. Industrial producer prices rose by 0.3% month-on-month and decreased slightly short of market expectations. The month-on-month increase was mainly driven by rising prices of coke and refined petroleum products, which was related to the rise in oil prices on world markets during September. Furthermore, food prices fell by 1.1% month-on-month, the most this year, and were already broadly flat year-on-year. This is positive news in terms of further developments in prices of food for households. Agricultural producer prices increased by 1.7% month-on-month due to the strong price growth of plant production (+4.1%). This is the first month-on-month increase in agricultural producer prices since January this year. Construction prices rose marginally m-o-m, with year-over-year growth remaining at 3.7%, which is the average growth rate in 2020. Construction material prices have now been decreasing for 6 months in a row, and year-over-year growth has turned slightly negative for the first time since late 2020.

Jakub Seidler,
Chief Economist of the CBA



From Legislature



Government approves introduction of Digital Award of Power to Represent Register

In early October, the government approved the creation of a digital award of power to represent register, which will bring the possibility of digital representation. The aim is to simplify citizens' communication with the authorities, while traditional paper forms of authorization will be retained.

Thanks to the new register, citizens will be able to grant the power to represent them in various dealings with the authorities, allowing parents, for example, to conveniently act on behalf of their children. The system will offer not only a register of these authorizations, but also forms for easily creating them. A citizen's digital identity, including a bank identity, will be sufficient for signing.

One of the main benefits is the possibility to create a digital authorization from any location and, if necessary, to revoke it remotely. The new system should also eliminate problems with errors in documents. Public administration will also appreciate the possibility of automating certain processes, which should lead to a faster processing of the overall agenda. For those who prefer traditional forms, paper authorizations, including the notarized ones, will still be available.



News from the world of ESG at the specialized seminar

For 28 November, we have prepared another in our series of ESG expert seminars. It will focus on new developments in the CSRD Directive, EU taxonomy, non-financial reporting and the ESG Banking Questionnaire. The content has been prepared by O. Veselovský (CCB), D. Houska (University of Economics) and J. Kračúnová (Deloitte Legal). The panel discussion will feature a brand-new topic - the National Climate and Energy Plan.

CNB regulates rules for the distribution of insurance

The CNB has [issued a new opinion](#) on financial market regulation concerning the proving of proficiency and skills for insurance distribution. The employer is now obliged to examine whether the employee has had a continuous interruption in the practice of insurance distribution for 3 years. The employee is required to prove this with documentation, such as an employment contract, a co-operation agreement, or a certificate from the employer.



ESG II: NAVAZUJÍCÍ SEMINÁŘ

- Novinky v CSRD, ESG bankovní dotazník, EU taxonomie, udržitelné finance
- Praktické ukázky a networking
- Odborníci z oboru
- Panelová diskuse: Národní klimaticko-energetický plán ČR



Ondřej Veselovský,
CRIF



Daniel Houska,
VŠE v Praze



Jaroslava Kračúnová,
Deloitte Legal



28. listopadu 2023
9.00–17.00, ČBA

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