

22/2023



Dear Colleagues,

It is a little less than two months before the end of the year and this time is traditionally linked with the bestowing of prestigious awards in the field of finance. One of them is the "Best Bank - Hospodářské noviny" Award, where I had the honor to present the award in the "Most Customer Friendly Bank" category. By right, customer focus is the key to successful transformation in today's rapidly changing banking environment. Gone are the days when banks could rely only on internal priorities. In the digital age, it is essential to understand our customers' wishes and challenges, which exceed standard banking needs.

When we look at the successes of large technology companies and their relentless focus on the customer, it is clear that European banks should adopt a similar level of commitment to remain competitive.

Understanding our clients' life goals, challenges and dreams is the foundation for future success.

I am glad that the 'Most Customer Friendly Bank' Award exists, as it provides valuable feedback to banks and points them in the right direction to improving their services. Only banks that truly put the customer first and demonstrate that customer experience is not just a mere slogan, but a living organism, have a chance to succeed in the

tough competition.

Have a good November,

Monika Zahálková  
Managing Director of the CBA



## News of the Day

### **Czech banks introduce a joint ESG questionnaire for more effective corporate reporting**

Six leading Czech banks - Česká spořitelna, ČSOB, ING Bank, Komerční banka, Raiffeisenbank and UniCredit Bank - have come up with an innovative solution for their corporate clients in the area of ESG reporting. The joint ESG questionnaire, developed in cooperation with the Czech Banking Association and CRIF (Czech Credit Bureau), will now permit companies to simplify the process of sustainability reporting and improve their understanding of ESG indicators. For banks, the questionnaire will be a useful tool to fulfil mandatory regulatory requirements in the area of sustainability reporting and, thanks to the possibility of mutual sharing, it will significantly reduce the administrative burden for companies.

*"For many clients, the transition to a sustainable economy is a great opportunity and if they can exploit that opportunity correctly, it will certainly put them in a better position for future growth. The questionnaire is a good introduction to ESG issues and is also an abbreviated form of what many companies already know from regulation of non-financial reporting (NFDR or*

CSRD)," says Monika Zahálková, the Managing Director of the Czech Banking Association.

Hana Kovářová, Chairperson of the CBA Commission for Sustainable Finance, adds: *"The shared ESG questionnaire is the result of more than one year of joint efforts of banks and is unique in the European context. We would very much like to see this standardization and facilitation of ESG reporting for companies move further towards reporting outside the banking sector, especially within supply chains, and therefore to SMEs. The benefits of such an enlargement would both bring much needed education and also provide a strong competitive advantage for this business segment in the future."*

The project is crucial for assessing the sustainability of companies and supporting their transition to an environmentally responsible business. Key topics of the questionnaire include questions relating to the use of fossil fuel, energy efficiency, renewable energy, waste management and circular economy.

The questionnaire is available on [Synesgy](#) digital platform and offers an automated solution for sharing information. This allows companies to complete the questionnaire only once and the data is immediately available to all participating banks. The platform provides many features, including structured questions with pre-defined draft answers, the ability to attach supporting documents and the calculator of greenhouse gas emissions according to the GHG Protocol.



## From the Market

### **Let us defend long-term fixed rate mortgages**

The debate on fixing mortgage interest rates will focus on the balance between stable conditions for clients and the protection of banks against market risks. Long fixations of rates are beneficial for households, but there are concerns about the possibility of early repayment and its impact on banks. In the Czech Republic, 90% of mortgages have long-term rate fixation. When interest rates go down, clients can repay early, which may cause banks to suffer losses. The amendment to the law aims to fix this situation. If the new rules are not approved, banks may stop offering long-term fixed rates, which could reduce housing affordability for many. Please read [more in a commentary](#) by Filip Hanzlik, the Deputy Managing Director of the CBA.

### **Warning: the new wave of fraud targets online banking users**

E-scammers have come up with a new method of fooling bank customers, posing as bankers and asking for access details to online banking. Phishing SMS messages lure people with fictitious allowances and benefits, while containing links to fake websites pretending to be legitimate bank pages with loggings into bank accounts. Immediately after entering details on the fake website, a 'banker' contacts the victim, often from a phone number that looks like the bank's official phone line, claiming that the victim has entered details on a fake website and that immediate deactivation is required to protect the account. This is allegedly achieved by using an activation code, obtained at an ATM, which the client is supposed to provide back to the fraudster, unknowingly allowing him full access to online banking. Česká spořitelna drew attention to this new type of fraud last week. The CBA points out that banks never ask for sensitive information by phone or SMS and warns against dictating any codes to unknown persons. In case of suspicion, it is important to contact the bank immediately through official channels.

## **Volume of cashless payments to grow to 1.3 trillion in 2023**

The volume of global cashless transactions is expected to reach 1.3 trillion before the end of 2023, an increase of 16.6% from the previous year. The volume is expected to grow to 2.3 trillion by 2027. This growth is driven by the development of digital payments infrastructure, open banking, and new legislation. According to the [World Payments Report](#), new methods such as instant payments, QR code payments and digital wallets are expected to account for up to 30% of all non-cash transactions by 2027. The Czech Republic is following the same trend. The Bank Card Association (BCA) has reported a 16% increase in cashless transactions at retailers in the Czech Republic in the second quarter of 2023.

## **The EBA sets priority areas for prudential supervisors for 2024**

On 19 October 2023, the European Banking Authority (EBA) published the European Supervisory Examination Program for 2024. The program identifies three key topics for the supervision of EU banks on the basis of its risk analysis and the practical experience of supervisory authorities: liquidity and funding risk, interest rate risk and hedging, and recovery operationalization. The program aims to strengthen financial stability and transparency in the EU banking sector.

# Commentary

## The CNB left rates unchanged

The Czech National Bank left interest rates unchanged last week. At the press conference, which was held in a relatively hawkish tone, Governor Michl indicated that the Bank Board would continue to decide on the basis of new data and that a rate cut might not occur at the upcoming meeting in December. According to the Governor, there were several reasons for keeping rates at their current levels, namely the slight depreciation of the koruna so far, the outlook for continued increased core inflation next year, and concerns about the unstable inflation expectations, which may be supported by the upcoming higher October inflation values. The press conference thus did not provide any further clues on the timing of the first reduction of rates and the final decision will depend on incoming data. At present, we thus can see that there are similar chances for the first reduction of rates to be made in December or as late as in February next year.

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



## Loan portfolio is healthy despite the recession

Although the Czech economy was coping with a technical recession in September, the banking sector is showing remarkable resilience. This is evidenced by the newly set all-time low in the share of non-performing loans of corporations, which has fallen to 2.7%. This figure suggests that even in tough economic times, Czech firms are able to repay their debts. The population has also demonstrated financial reliability by making timely and regular mortgage repayments while increasing deposits with banks. Particularly significant is the increase in non-term deposits, where the balance rose by almost CZK 12 billion to CZK 2.622 trillion compared to August. Confirming the conservatism of Czech households is the fact that although non-term deposits have shown negative real appreciation for many years, their volume has fallen by

only 5% in nominal terms compared to the all-time record CZK 2.75 trillion in September 2021. We simply keep our money at hand whether there is inflation or not.

**Miroslav Zámečník,**  
**Chief Advisor of the CBA**



## From Legislature



### **The CNB will be able to regulate credit institutions' capital adequacy outside the Czech Republic**

The Czech National Bank (CNB) is likely to have extended powers to set minimum capital requirements not only for domestic credit institutions and investment firms, but also for those that are part of international networks and are based outside the Czech Republic. The change follows from the amendment to the Act on Recovery and Resolution in the Financial Market, approved by the Chamber of Deputies. According to the new legislation, the CNB will be able to intervene in cases where it becomes the competent resolution authority, even for those entities that are based outside the Czech Republic but are part of global networks. The [amendment](#) is a transposition of an updated European directive into Czech law and is still pending approval by the Senate and signature by the President.



### **EU Consumer Credit Directive enters into force in mid-November**

Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC ("CCD2") has been published in the [Official Journal of the European Union](#) and thus enters into force on 19 November. Thereafter, a two-year

transposition period begins, within which the CCD2 novelties should be implemented in the Czech legal system, in particular in Act No. 257/2016, Coll., on Consumer Credit. The main changes brought by the CCD2 relate to the scope of advertising, the limitation of advertising, the introduction of a ban on unsolicited provision of credit, changes to pre-contractual information, the assessment of creditworthiness or the extension of consumer rights in the event of default (offer of relief measures).



### **News from ESG at a seminar**

On 28 Nov, the CBA will host a panel discussion on the National Energy and Climate Plan of the CR. Representatives from the banking, corporate, government and non-profit sectors have accepted the invitation. The discussion is part of a full one-day ESG seminar in which we will present news from the CSRD, non-financial reporting, EU taxonomy and sustainable finance. Greenwashing and the corporate banking questionnaire will also be a topic.



# ESG ODBORNÝ 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



ČESKÁ  
BANKOVNÍ  
ASOCIACE



28. listopadu 2023  
9.00–17.00, ČBA

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