

25/2023



Dear Colleagues,

You are reading the last issue of CBA NEWS this year. On the threshold of the New Year, I would like to wish you much success, health, and happiness.

The year ahead will be full of challenges that are shaping modern banking. In an era of digital transformation, it is essential that banks continue to invest in technological innovation, as these steps will not only make banks more efficient, but also improve services for customers. At the same time, with the growing importance of online services, it is essential to focus on safeguarding data security and protection to ensure that we remain equally well positioned to counter cyber threats and maintain customer trust. At the same time, it is important that banking services are as personalized as possible. Technology allows us to better understand our clients' needs and offer them exactly what they are looking for. Development in the areas of sustainability and social responsibility will also be a priority. Banks are committed to supporting green projects and reducing our carbon footprint, which is essential for the future of our sector and the entire planet.

I wish we could all manage these challenges with enthusiasm and contribute to the further development of our sector. Wishing you a successful and prosperous new year.



Monika Zahálková
Managing Director of the CBA

News of the Day

Czechs want to save on Christmas this year, they plan to spend 12 thousand crowns on average

This year's Christmas will cost the average household CZK 12,000. Compared to last year, this is CZK 1,500 less. People plan to spend the most money on Christmas gifts, most often up to CZK 5,000. Almost a third of respondents want to pay up to CZK 3 thousand for food and drink. More people will also save on decorations this year, for which they plan to spend up to CZK 500 (43%). Only 3% of people are considering taking a loan for Christmas presents, mostly from banks. The main reason for borrowing is the unwillingness to wait and save, or a discount on the goods they buy. *"In general, I think that when it comes to Christmas presents, there is a certain skepticism, a certain caution and somehow less willingness to spend or even borrow on nonessentials. As recently as 2021, it was one in ten people who*

considered or outright thought that borrowing for Christmas presents was a clever idea. Last year and this year it is down to just three per cent, a dramatic drop. The important thing is that it is staying at a very low level, and I personally think that's a very rational approach," says Filip Hanzlík, the Chief Lawyer and the Deputy Managing Director of the Czech Banking Association. A third of Czechs who are planning to borrow do not consider their ability to repay their obligations at all and are therefore not worried that they would not be able to repay the loan. On the other hand, around 30% are worried that they might run into repayment difficulties, and 6% of them even consider it a big problem that they do not know how to manage.



From the Market

CBA Hypomonitor: The mortgage market remained at the October level in November, with interest rates falling to 5.67%

Banks and building societies granted mortgage loans worth CZK 16.2 billion in November. Month-on-month, the volume of mortgages granted has stagnated overall, maintaining the stronger activity of October. From a year-on-year perspective, the volume of mortgages granted in November was more than double that of the previous month, which is mainly related to the low comparative base of the second half of last year, when the mortgage market froze. However, the data suggest that activity in the mortgage market is continuing to recover slightly. Interest rates continued to decline in November, falling from 5.71% to 5.67%, the lowest level since the middle of last year. The information is based on data from the CBA Hypomonitor, which captures data from all domestic banks and building societies providing mortgage loans.

Paper trail ends up in prison for 1,013 money mules

Law enforcement authorities from 26 countries, in cooperation with Europol, Eurojust, INTERPOL and several private sector partners, have once again joined forces to fight the key intermediaries in money laundering: money mules and their recruiters. In June, October, and November 2023, 10,759 money mules and 474 recruiters were identified in several phases of the operation, leading to the arrest of 1,013 people worldwide. Operation EMMA is the largest international operation of its kind. In the Czech Republic, 472 people have faced prosecution in connection with money laundering this year.

EIB releases Central, Eastern and South-Eastern Europe Bank Lending Survey

The European Investment Bank (EIB) has recently published a detailed report on the results of its survey on bank lending in the Central, Eastern and South-Eastern Europe (CESEE) region. The report provides a detailed view of the credit situation both at regional level and in individual countries in the region. The survey, developed as part of the Vienna Initiative, is a unique instrument to monitor cross-

border banking activities and deleveraging in the CESEE region. It serves to better understand the determinants influencing credit growth in the region. The report also offers forward-looking insights into the strategies of cross-border banks and market expectations in relation to local financial conditions.

EBA publishes its annual risk assessment of the European banking system

Last week, the European Banking Authority (EBA) published its [annual risk assessment of the European banking system](#). The report is accompanied by the publication of the 2023 EU-wide transparency exercise. The EU banking sector has proven to be resilient in the aftermath of the banking turmoil in March, capitalization remains high with an average common equity tier 1 (CET1) ratio at 16%. Asset quality remains robust, but subdued economic growth and elevated interest rate levels create pockets of risks. Liquidity remains high but it started to normalize from the highest levels reached during the pandemic. The EBA concludes that subdued credit growth may have long-term economic implications and the likelihood of asset quality deterioration is increasing. Interest rate risk needs to be managed prudently. Banks are expected to continue their efforts to develop ESG risk management approaches. ICT and cyber risks should remain a key area of focus for banks.

Spain's economy minister Nadia Calviño is to be next President of the European Investment Bank

Nadia Calviño Spain's current economy minister, is likely to become [the new President of the European Investment Bank \(EIB\)](#). She would be the first woman to hold the role. Nadia Calviño is due to take up the post at the beginning of January, replacing Werner Hoyer of Germany, who has led the bank since 2012. Calviño's appointment has yet to be officially confirmed, DPA reported.

Commentary

Inflation has dropped again in November

November inflation fell from 8.5% to 7.3%. According to Reuters, analysts expected 7.2%, while the CNB's earlier estimate was 7.1%. Year-on-year inflation was mainly dragged down by energy and food prices, which also fell slightly month-on-month, and lower fuel prices, with imputed rent prices acting in the opposite direction. On a month-on-month basis, prices rose by 0.1%, which was also slightly above expectations. Annualized seasonally adjusted monthly inflation excluding administrative prices fell from 1.7% to 1.2%, confirming that inflationary pressures continue to gradually subside, and that today's slightly higher headline inflation will thus not be an obstacle for the Bank Board to cut rates slightly already at the December 21 meeting.

Jakub Seidler,
Chief Economist of the CBA



Banking statistics for October 2023: HATTRICK!

The banking statistics for October, released by the CBN, bring a hat-trick that no one would have expected at a time when the economy is experiencing a second recession, namely a further reduction in the share of non-performing corporate loans to 2.61%. Thus, for the third time in a row, a new historic low has been reached in the entire time series since January 2002. Notwithstanding inflation and the increase in bank balance sheets over the last 10 years, there are also half less non-performing loans to households "in the system" today as there were in October 2013. Non-performing residential mortgages are now at 0.6 % near the absolute lows reached this year, and consumer loans are at 4 % non-performing, which is also a historically excellent value.

Miroslav Zámečník,
Chief Advisor of the CBA



From Legislature



Anti-money laundering rules to be tightened, Chamber of Deputies passes new law without changes

The Chamber of Deputies is about to adopt an amendment to the anti-money laundering law in January that expands the range of entities required to screen clients and increases fines for violating the rules tenfold. The proposal also includes access by banks and insurance companies to the register of asset notifications of public officials and tightens rules on the use of forged documents in opening accounts. The AML law, aimed at detecting the real owners of companies and suspicious transactions, now also applies to insolvency practitioners and online lotteries. The upper limit of the fine for individuals is increased to one million crowns. Entities subject to the law will have to notify the FAU of suspicious transactions even if they do not carry out a client check.



Chamber of Deputies prepares new law on NPL administration with stricter rules and CNB licenses

A new bill to regulate NPL administrators and traders is ahead of its 3rd reading, with no amendments tabled during the 2nd reading on 12/12/2023. Under this proposal, NPL servicers will now need a licence from the Czech National Bank (CNB) and will have to meet specific conditions. The law tightens the rules for NPL trading, which was previously governed only by the Civil Code, and requires traders to have a trade licence. The move is intended to create a single European market for NPLs and at the same time to cultivate the NPL recovery environment. Only a trustworthy corporation with transparent and sound financing can be the servicer of a non-performing loan. The law also requires servicers and dealers to deal with borrowers in a fair and competent manner, without harassment or undue influence. They will be supervised by the CNB, to which servicers will regularly report the number of loans transferred to dealers.

CBA EDUCA

A dark teal banner with the text "CBA EDUCA" in white, bold, sans-serif font. The banner features faint background images of people in a meeting and is framed by vertical white lines.

Don't be a money mule 2023

From 8 to 19 December, the international awareness campaign #Don'tBeAMule is running again. The campaign, initiated by Europol in cooperation with other organizations, is running on social media to highlight the issue of "money mules", the dangers of money laundering and to prevent criminals from exploiting innocent victims. In the Czech Republic, the umbrella organization is once again the CBA together with the Czech Police and the Supreme State Prosecutor's Office.

We are launching a new year of CBA training programs

We are launching a new year of educational management programs. How to better manage a company is brought to you by the program for members of statutory bodies, management, lawyers or compliance officers, called "CBA Corporate Governance". The "CBA Strategic Management for Top Managers", which includes 6 meetings with top business and academic leaders, will guide you through the trends that move the world. More at www.cbaeducaplus.cz.



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- Celoroční vzdělávací programy
 - ČBA Corporate Governance
 - ČBA Strategické řízení pro vrcholové manažery
- Určeno pro manažery
- Aktuální témata
- Špičkoví lektoři z byznysové a akademické sféry

