



03/2024

News of the Day

Buildings in the Czech Republic are extremely energy-inefficient

High operating costs for owners, building operators and tenants are the consequences of energy inefficient buildings, of which there is a remarkably high percentage in the country. The data result from a unique TOP 15 % study. All these buildings will need to be renovated in the near future to make them more energy efficient and, in particular, to reduce their operating costs and their ecological footprint associated with, among other things, heating. Last but not least, owners would not have to obtain funding from banks for trading in comparable properties due to their inefficiency, so they should invest in repairs.



From the Market

The CNB reduced the base interest rate by half a percentage point

The Czech National Bank's Bank Board cut the base interest rate by half a percentage point to 6.25 percent. The central bank thus accelerated the easing of monetary policy it started last December, by cutting rates by a quarter percentage point. The current rate is at its lowest level since June 2022. The CNB Governor Aleš Michl said that both cost and demand inflationary pressures are fading in the domestic economy. The central bank's new forecast expects a rapid decline in market interest rates this year.

Banks remain strong, quality of assets could be affected by the level of interest rates

European banks remained well capitalized in Q3 last year (CET 1 ratio stood at 15.8%) and maintained strong liquidity. This was noted by the European Banking

Authority in its regular Risk Dashboard. However, banks expect asset quality to deteriorate due to the impact of higher interest rates on borrowers. Credit risk indicators and asset quality indicators and profitability reported for the Czech Republic are better than the EU average. Information on MREL for Q2 2023 is also included.

[More here >>>](#)

Can you tell the difference between a real and a fake request from the bank?

Recently, banks have seen an increasing number of attacks on customers, with e-scammers requesting sensitive data. But what can a bank really ask of you and which cases does this apply to? Typically, the information is related to identification under the so-called AML law, where the client is asked to provide ID for identity verification. Another example is the verification of the client's creditworthiness, in which case the questions concern the source and amount of income and expenses in order to assess the ability to repay the requested loan. Banks may also verify card payments (most often abroad) to check for misuse. They may also ask about the amount of the client's available funds - for example, when providing asset appreciation products. However, banks never ask for electronic banking access data or credit card details in these queries.

European financial markets are very resilient

Markets covered by the European Securities and Markets Authority (ESMA) remained remarkably resilient in H2 2023, despite the risk accumulation that prevailed throughout the year. Overall, risks remain at high or remarkably high levels. Financial stability and investors will be impacted by higher interest rates persisting for a longer period, which will have a negative impact on credit quality and property valuations. Greenwashing entails a risk limiting the role that finance can play in the transition to a more sustainable future. Retail investors are increasingly receiving information through social media and ESMA reiterates that they need to be aware of the risk of receiving false or misleading information through these media.

[More here >>>](#)

Commentary

Households and businesses are sitting on cash. Repayment continues to be exemplary.

December brought a return to an all-time low of 2.61% of non-performing corporate loans for the entire time series since January 2002. In the case of households, several months were better last year, but by a slight margin of second place after the decimal point. While this is looking in the rearview, there is no indication yet that households' ability to repay will deteriorate going forward with real incomes expected to rise and unemployment still very low. This might be a bit of a stretch in the case of businesses, but I daresay that there will not be any deterioration in the share of non-performing loans in the order of a few percentage points this year either.

[More here>>>](#)

Miroslav Zámečník,
CBA Chief Advisor



CNB reduced interest rate, koruna weakens against euro

The press conference following the CNB monetary policy meeting was held in a dovish tone towards the market. This was due to a combination of several factors. Firstly, the fact that one board member voted in favor of a more significant 0.75 bp rate cut. At the same time, the CNB's new forecast revised down GDP growth this year noticeably (from 1.2% to 0.6%), while the trajectory of interest rates was lowered further. As a result, the koruna weakened to CZK 25.2 to the euro following the outcome of the conference and the interest rate outlook moved 5-15 points lower. Thus, the expectation that the CNB's key rate could be around the 3% mark at the end of the year is now reflected in the rates.

[More here>>>](#)

Jakub Seidler,
CBA Chief
Economist



From Legislature



The Ministry of Finance has sent a draft law on the National Development Bank to the inter-ministerial consultation procedure

The draft envisages the NDB as a joint-stock company in 100% state ownership or in the ownership of another joint-stock company whose sole shareholder is the state. The draft law defines the objectives and role of the NDB, which should support economic growth and social development in the Czech Republic in the areas of small and medium-sized business, housing, digitalization, and infrastructure projects. The NDB would continue to be a bank supervised by the CNB after the adoption of the law but would be exempted from the scope of Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD). According to the customary European practice for development banks, the NDB would not be allowed to accept deposits from the public, except for the continuous issuance of bonds and comparable securities. The draft law is expected to take effect on 1 January 2025

CBA EDUCA

Apply for the Cybersecurity seminar

The latest data from the Cyber-Test, the most common types of fraud, current threats including spoofing (phone number spoofing) and the misuse of AI to commit crime are all part of the **Cyber Security** Seminar on 13 March 2024. We will advise on how to monitor and respond to fraud in cyberspace. We will go through legislation and expose the work of ethical hackers. We will conclude with a discussion on current cyber threat issues.

Registration forms and more information can be found on the website <https://lnkd.in/ekiVM5um>.

