

Banking System in the Czech Republic

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Overview

- History
- Double-stage banking system
- Czech National Bank
- Banks
- Special kinds of banks
- Deposit Insurance Fund
- Credit Registers
- Credit Unions
- Market overview

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HISTORY

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History

- 1918 Czechoslovak Republic
(new state, new currency)
- 1926 Czechoslovak National Bank
+ 100 Banks
+ 200 Credit Unions
- 1939 Protectorate of Bohemia and Moravia (part of Nazi
Germany) – National Bank for Bohemia and Moravia
- 1945 – 1948 nationalization of banks – National Bank of
Czechoslovakia (public entity)
- 1950 – Czechoslovak State Bank – single-stage banking
system

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History

- 1990 – political changes -> banking reform
 - double-stage banking system
(separation of central and commercial banking)
 - Czechoslovak State Bank turns into central bank
 - Splitting of the Czechoslovak State Bank,
existing state banks turns into corporations
(state owned)
 - new commercial banks established

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History – State owned banks

- What to do, with state owned banks?
- State is not a good manager
- Solution : privatization
- 1991 established Consolidation Bank
objective: to overtake "bad loans"
- Intervention of the state, different ways of
privatization

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History

- 1.1.1993 dissolution of Czechoslovakia
- constitution of the Czech Republic
- Czech National Bank (central bank)

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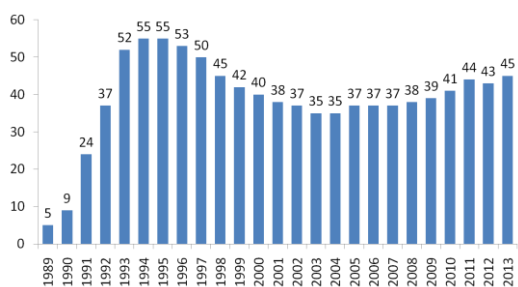
History - Privatization

- 1992 - Živnostenská banka (Berliner Handels und Frankfurter Bank, today Uni Credit Group)
- 1998 – Investiční a Poštovní banka (Nomura Europe, plc., today ČSOB)
- 1999 – ČSOB (KBC Bank)
- 2000 – Česká spořitelna (Die Erste Bank)
- 2001 – Komerční banka (Société Générale)

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Number of Banks in CR



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DOUBLE STAGE BANKING SYSTEM

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Banking System

- double-stage banking system

CNB – central Bank

objective: price stability

Bank

Bank

Bank

Bank

objective:
profit for shareholders

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Banks Classification

- Czech National Bank
- Big Banks (Balance over CZK 250 b)
- Medium Banks (CZK 50 – 250 b)
- Small Banks (below CZK 50 b)
- Foreign bank branches
- State owned banks
- Construction Saving Banks
- Credit Unions (not a bank!)

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Banks in CR as of 30.9.2013

Nr. of Banks	45
of which:	
State-owned banks	2
Czech-controlled banks	6
Foreign-controlled banks	15
Foreign bank branches	22

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Banks in CR as of 30.9.2013

Assets	CZK 4 758 b
Profit	CZK 51 b
Profit /Total average assets (ROAA)	1.42 %
Interest rate spread	2.53 %
Number of employees	38,417
Per employee	
Total assets	CZK 123.9 m
Profit or loss after taxation	CZK 1.8 m
Administration costs	CZK 1.7 m
Staff expenses	CZK 0.89 m

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The biggest banks in CR

Bank	Balance (Millions CZK)
Česká spořitelna	958 178
ČSOB	943 284
Komerční banka	795 808
UniCredit Bank	316 264
Raiffeisenbank	190 056

Data as of 30.6.2013

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CZECH NATIONAL BANK

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Czech National Bank

- Established under the Constitution of the Czech Republic
- The supreme governing body of the CNB is the **Bank Board**, consisting of the CNB Governor, two Vice-Governors and four other Bank Board members
- All Bank Board members are appointed by the President of the Czech Republic for a maximum of two six-year terms

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CNB - objectives

- primary objective: **price stability**
- supports the general economic policies of the government and the general economic policies in the European Union – **but without prejudice to its primary objective**

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CNB - objectives

- monetary policy
- issuing of banknotes and coins
- supervision of the banking sector, the capital market, the insurance industry, pension funds, credit unions, electronic money institutions and bureaux de change
- processing of the statistical informations
- banking services to the state and the public sector

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CNB- instruments

- interest rates (repo (2w), discount, lombard)
- reserve requirement
- liquidity rules
- foreign exchange interventions (FX interventions in Nov 2013)

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BANKS

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Bank

- stock-company (corporation)
- financial institution that
 - accepts deposits and
 - channels those deposits into lending activities
- supervised by CNB (Banking Licence)

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Banking Licence

- granted by CNB
- prerequisite must be fulfilled (equity min. CZK 500 m, bussiness plan, financial plan, auditing system, expertise of management etc).
- since 2004 – Single Banking Licence

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Single Banking Licence

- licence allowing the holder to carry on licensed activities in the territory of the state whose authority issued such licence at the same time allows the holder to carry on such activities in the territory of another EU Member State without having to apply for a licence with the competent authority of that state.

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Laws and regulations

- Act on Banks (21/1992 Coll.)
- Act on Credit Unions (87/1995 Coll.)
- Act on Building Savings (96/1993 Coll.)
- Regulation(EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

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SPECIAL KINDS OF BANKS

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Construction Saving Banks

- German Bausparkassen principle (closed system with state subsidy)
- Saving and Loan in single product
- Act 96/1993 - objective: to support housing finance
- 5 banks
- Total Balance CZK 470 b

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Mortgage Bank

- 14 universal banks grants mortgage loans
- only one bank is specialized in mortgage loans (Hypotéční banka).

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State-owned Banks

Českomoravská záruční a rozvojová banka, a. s
100% shareholder is Czech Republic

- Objectives
 - support of SME (credits with state and EU subsidies)
 - favoured credits for municipalities
- Balance CZK 120 b

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State-owned Banks

Česká exportní banka, a. s
80 % shareholder is Czech Republic,
20 % EGAP – state entity

- Objective: support of export
- Balance CZK 91 b

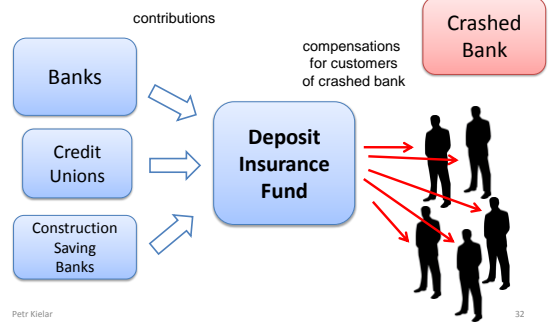
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DEPOSIT INSURANCE FUND

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Deposit Insurance Fund



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Deposit Insurance Fund

- Based on Act on Banks (21/1992)
- Insured are the deposits of both individuals (natural persons) and companies (legal entities) that are kept at banks, building societies, or credit unions in CZK or in foreign currencies, including interest
- The full amount of deposit is insured (100%) up to EUR 100 000.

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Deposit Insurance Fund

- Contributions depends on the average volume of the insured receivables from insured deposits.
- Banks and credit unions: 0.04 %
- Building societies: 0.02 %
- Contribution rate can be adjusted if necessary

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CREDIT REGISTER

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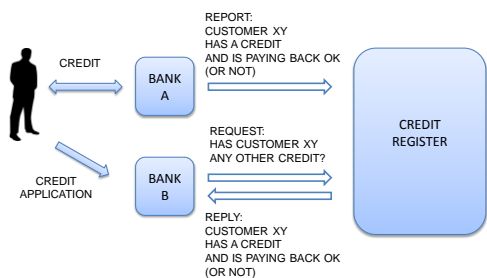
Credit Register

- Entity collecting and supplying information about credit commitment of the clients

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Credit Register



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Credit Registers in CR

Central Credit Register

- Prepared by the CNB in co-operation with the Czech Banking Association
- Exchange of informations between banks on the credit commitments of their clients (legal entities and individual entrepreneurs)
- Launched 2002

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Credit Registers in CR

BRKI (english: CBCB)

Banking Register of Customer Informations

- Established in 2002 by **CBCB - Czech Banking Credit Bureau, a.s.**
- Shareholders of CBCB are banks
Česká spořitelna, Československá obchodní banka, GE Money Bank, Komerční banka, a UniCredit Bank Czech Republic and Slovakia

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Credit Registers in CR

Another banking registers for non-banking subjects (and banks)

- SOLUS
- NRKI (english: CNCB - Czech Non-Banking Credit Bureau)

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CREDIT UNIONS

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Credit Unions

- Origins in 19th century (Raiffeisen, Kampelík)
- Member-owned financial cooperative (not corporation! not Bank!)
- Democratically controlled by its members (members vote the board members)

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Credit Unions - Handbook

SPORITELNY
PO FARSKÝCH KOLLATURÁCH
ORBE, REMESLU
ZE SVIZELO POMOHOU.

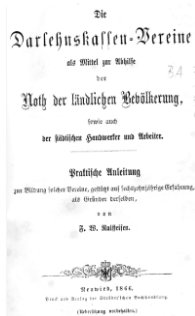
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„Ce jednotno smatko, za vsem dobrovolno mahto.“

Vydal
Doc. FRANT. CYRILL KAMPELIK.

V BRADCI KRALOVÉ 1911.

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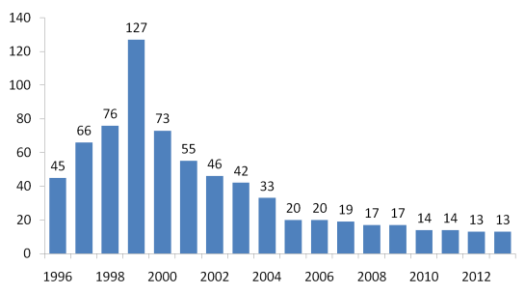
Credit Unions after 1989

- In CR re-established in 1996 (Act 87/1995)
- Insufficient regulation and supervision
- Majority of credit unions established in 1996-1999 have crashed

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Number of Credit Unions



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Consolidation of Credit Unions

- Since 2005 consolidation
- Since 2006 under supervision of CNB
- Participation on the Deposit Insurance Fund
- The biggest Credit Unions were transformed into Banks
- Today: (30.9.2013):
 - 13 subjects, 66 800 members
 - Total Balance CZK 45 b

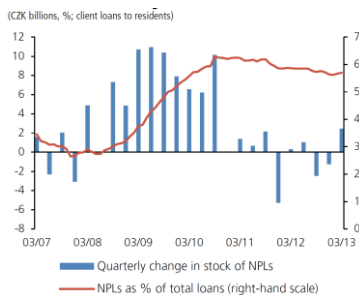
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MARKET OVERVIEW

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Non-performing loans

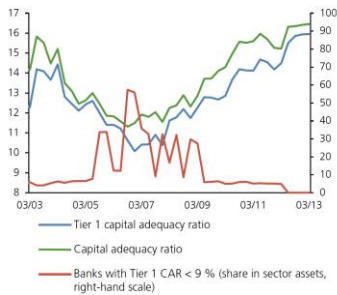


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Česká národní banka, Financial stability report, 2012-2013

Capital adequacy

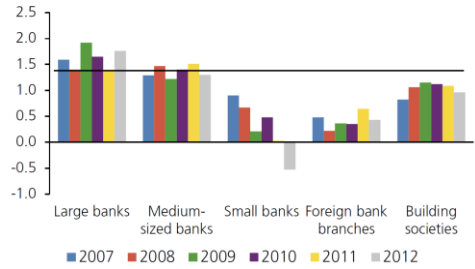


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Return on assets (ROA)

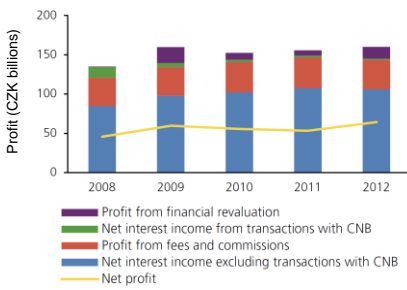


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Key components of profit from financial activities

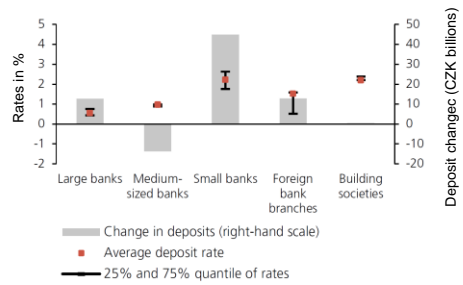


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Changes in household deposits in 2012 and average interest rates

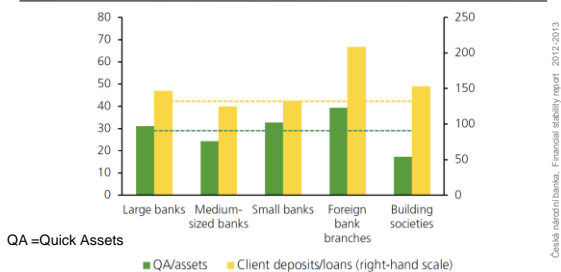


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Liquidity situation in the banking sector 2012

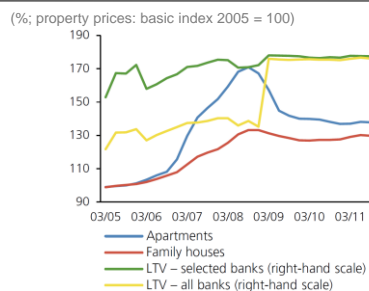


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LTV ratios and property prices



Česká národní banka, Financial stability report 2012-2013

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END

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