Ministerstvo financí
ČESKÉ REPUBLIKY

REPORT ON FINANCIAL MARKET DEVELOPMENTS IN 2024

July 2025

CONTENTS

The data presented in this report were obtained from the specified sources in May 2025 and may differ from data presented in previous editions of this publication because of revisions made in the meantime.

SUMMARY OF DEVELOPMENTS IN 2024

Macroeconomic Situation

Real seasonally adjusted GDP increased by 1.0%. The harmonised index of consumer prices significantly moderated its growth rate, rising by 2.7%. The unemployment rate remained at 2.6%, continuing to be the lowest in the EU. The general government balance improved by 1.5 pp to -2.2% and the general government debt-to-GDP ratio increased by 1.1 pp to 43.6%.

Monetary Policy and Foreign Exchange Market

In response to the declining domestic inflation rate, the CNB cut its key 2W repo rate seven times, by a total of 2.75 pp to 4.0%. The average exchange rate of the Czech koruna against the euro weakened slightly by around 5% to 25.1 CZK/EUR.

Placement of Funds in the Financial Market

The volume of funds placed in the financial market increased by 10.6% to CZK 11.0 trillion. The highest absolute increase in funds was again recorded by deposits with credit institutions (by CZK 519.0 billion), which accounted for approximately 66% of total funds. The highest growth rate was achieved by client assets in investment funds (by 30.8%), thus increasing their share in total funds to 19.3%.

Household Savings Structure

The volume of household savings placed in financial market products or instruments increased by 9.5% to almost CZK 7.0 trillion. Within the structure of household savings, investment funds recorded, as in 2023, the highest absolute and relative growth by CZK 294.1 billion (26.2%) to CZK 1.4 trillion CZK. The volume of demand deposits rose to CZK 3.2 trillion, while the volume of term deposits decreased to approx. CZK 1 trillion after 3 years of relatively strong growth. Overall, over the last 5 years, the share of deposit products with credit institutions in household savings fell to 59.7%, mainly in favour of savings placed in investment funds, whose share rose to 20.3%.

Household Indebtedness

Household indebtedness increased by 5.9% to CZK 2.5 trillion. The growth rate of loans for house purchase increased by 1.2 pp to 5.3%. However, the share of these loans in total household debt fell slightly by 0.4 pp to 74.9% for the second year in a row.

Financial Market Entities

The number of entities in the sector of credit institutions decreased as 3 banks (BNP Paribas Personal Finance SA, odštěpný závod, Max banka a.s., Western Union International Bank GmbH, organizační jednotka) and 1 credit union (České spořitelní družstvo) ceased operations. By contrast, in the capital market area the number of investment companies and funds continued to grow. The number of insurance and reinsurance companies remained unchanged for the fourth year in a row.

Banking Sector

The banking sector (including building savings banks) has as usual reaffirmed its dominant position on the Czech financial market. The volume of assets grew by 7.1% to CZK 10.6 trillion. The total capital ratio, as a key factor of the sector's resilience, remained stable at 22.9%. Profit before tax increased by 16.1% to CZK 142.8 billion.

Interest Rates

The reduction in monetary policy rates was reflected in a decline in average annual CZK interest rates on client deposits and, in the case of non-financial corporations, in a decline in interest rates on loans. By contrast, interest rates on loans to households for house purchase continued to rise to 3.4%, the highest annual average since 2016.

Deposits and Loans

The volume of client bank deposits increased by 7.8% to CZK 7.2 trillion. The volume of client loans increased by 5.3% and reached almost CZK 4.6 trillion, with the dominant household sector showing a similar growth rate (5.9%) as non-financial corporations (5.2%). The non-performing loans ratio in total client loans was essentially unchanged year on year and remained at its long-term low of 1.7%. The client deposit-to-loan ratio in the banking sector rose by 3.5 pp to 157.4%.

Mortgage Market

Mortgage market activity increased significantly, with the total number of newly granted mortgage loans rising by 22.2% to 225.4 thousand and the total volume growing by 38.7% to CZK 882.5 billion. The segment of mortgage loans for residential housing recorded a higher growth (by 54.1%), with purely new mortgage loans granted to the private individuals for residential housing increasing by a more pronounced 90.5% to CZK 212.7 billion. The market recovery was accompanied by an increase in the average amount of loans to the highest levels in the last 5 years, when loans for residential housing reached CZK 2.7 million and loans for non-residential property and other purposes CZK 12.2 million. The total outstanding volume of mortgage loans increased by 5.8% to CZK 2.9 trillion.

Building Saving Banks

The number of newly concluded building savings contracts fell for the second year, by 6.1% to 354.8 thousand contracts. The total number of contracts in the savings phase decreased by 7.8% to 2.7 million contracts, the lowest figure in the last 25 years. In connection with the decrease in the number of contracts, the total savings decreased by 4.8% to CZK 298.5 billion, the lowest amount since 2004. The share of household's deposits with building savings banks in their total deposits with credit institutions decreased to 7.8%. The state paid out CZK 3.8 billion in direct state contributions. The production of new loans, by contrast, increased significantly by 44.7% to CZK 48.2 billion, with the average amount rising by 34.0% to CZK 1,014.7 thousand. The total volume of outstanding loans increased by 1.2% to CZK 352.2 billion, the highest value in the last 5 years.

Credit Unions

Total assets of the credit union sector after two years of growth fell by 6.6% to CZK 9.4 billion and continued to account for only 0.1% of the assets of all credit institutions. The volume of loans granted to credit union members amounted to CZK 3.9 billion and the volume of deposits of members reached CZK 6.5 billion, both of which were the lowest levels in the last 5 years. The share of non-performing loans fell by 4.8 pp to 22.3%. The total capital ratio increased by 0.8 pp to 29.2%. The credit union sector achieved a profit before tax for the fourth year in a row, amounting to CZK 113.1 million.

Non-Bank Financing Providers

The total assets of the non-banking financing providers sector rose by 6.5% to CZK 514.8 billion for the fourth year in a row. The share of the banking sector's total assets remained below 5%. The volume of loans granted increased by 7.0% to CZK 412.4 billion in all three sub-segments, when financial leasing companies recorded an increase by 6.8%, other lending companies by 7.2% and factoring and forfaiting companies by 8.8%.

Regulated and OTC Markets

The main Czech stock index, the PX, rose by 24.5% to 1,760.2 points, i.e. by 7.5 pp more than the MSCI ACWI Global Index. The stock exchange trading volume on the PSE was virtually unchanged year on year at CZK 141.0 billion. Trading volume on the RM-S, which focuses primarily on retail investors, showed a decline of 11.6% to CZK 3.8 billion.

Bond Financing of Non-Financial Corporations

The total outstanding volume of bonds issued by non-financial corporations increased for the second consecutive year, by 27.7% to CZK 396.3 billion, i.e. the highest value since 2020. Through bonds, non-financial corporations received funding equivalent to more than a quarter (27.7%) of the total outstanding volume of loans granted by the domestic banks to non-financial corporations.

Non-Bank Investment Firms and Asset Management

The total client assets in non-bank investment firms increased by 13.1% to CZK 1.8 trillion, the highest value in the last 5 years. In terms of asset structure by category, bonds represented the largest share (46.5%), followed by collective investment securities (29.8%) and equities (16.5%). The total assets of non-bank investment firms rose by 9.6% to CZK 29.9 billion after stagnation in the previous year. The volume of assets entrusted to asset managers increased more significantly, by 34.8% to CZK 3.2 trillion.

Investment Funds

Financial market developments were reflected in an inflow of new funds into investment funds and an increase in the value of assets under their management. Total assets grew by 30.8% and exceeded CZK 2.1 trillion, with the assets of qualified investor funds rising by 40.0% to CZK 860.5 billion, and those of collective investment funds increasing by 25.2% to CZK 1.3 trillion. In terms of the structure of collective investment funds by type, bond funds maintained their dominant share among domestic funds (42.8%), and equity funds among foreign funds (42.2%).

Insurance Companies

Total gross premiums written have followed an upward trend since 2017, rising by 8.1% year on year to CZK 230.4 billion. As in previous years, the growth in total gross premiums written was driven by the non-life insurance segment (up by 8.6%). The volume of premiums written in the life insurance segment also increased (by 6.6%). Gross claims paid increased significantly (by 27.7%) to CZK 138.4 billion. The total number of insurance contracts reached almost 31.3 million. Nearly 3.6 million insured events were recorded during 2024.

Supplementary Pension Insurance and Supplementary Pension Savings

The total number of participants in Pillar III decreased by 5.3% to 4.0 million. The volume of funds managed in pension funds increased by 1.6% to CZK 605.0 billion. However, this was the lowest growth rate in the last 5 years. The change in both the number of participants and the volume of funds was related to the change in the provision of the state contribution, whereby as of 1 July 2024 the state contribution is no longer provided to participants who have been granted a retirement pension. The average monthly participant’s contribution increased by CZK 49 to CZK 841 in the transformed funds and by CZK 72 to CZK 943 in the participation funds. The total amount of state contributions remitted to the participants of Pillar III decreased by CZK 1.1 billion to CZK 6.3 billion as a result of the changes in the provision of the state contribution. The share of contracts with an employer’s contribution increased by 4.7 pp to 30.6%.

Financial Market Legislation

The Act on Motor Third-Party Liability Insurance and the related amending bill, the Act on Non-Performing Loan Market and the related amending bill, and amendments to the Act on Management Companies and Investment Funds, the Act on Insurance and Reinsurance Distribution and the Act on Recovery and Resolution in the Financial Market were adopted. At the European level, the Listing Act package, the Instant Payments Regulation, the legislation reviewing Capital Requirements Directive and Regulation, the Regulation and the Directive EMIR 3 and a directive amending the so-called Daisy Chains were adopted and the legislative process for several proposals under the Capital Markets Union project was completed.

An overview of developments of selected indicators of credit institutions, non-bank financing providers, capital market and insurance companies is included in Table A2.1 in Appendix 2.

1 MACROECONOMIC SITUATION AND EXTERNAL DEVELOPMENTS

1.1 Macroeconomic Situation

The Czech economy returned to growth in 2024, with real gross domestic product (GDP) increasing by 1.0% year on year (Table 1.1). The development of the domestic economy matched the average growth rate in the EU, but was slower compared to the US. Within the Central European countries monitored, Poland and Slovakia showed higher growth rates, while Germany and Austria recorded a slight decline. Cumulatively over the whole reporting period 2019-2024, China (35%), Poland (19%) and the US (15%) grew the most among the economies monitored. The cumulative growth of the Czech Republic (6%) broadly matched that of the euro area (6%) or the EU (7%) as a whole and was clearly higher than that of Germany (1%).

Table 1.1: Annual real GDP growth rate of monitored economies

Annual growth rate (%)	2019	2020	2021	2022	2023	2024
United States	2.6	-2.2	6.1	2.5	2.9	2.8
China	6.2	2.0	8.9	3.1	5.4	5.0
United Kingdom	1.6	-10.3	8.6	4.8	0.4	1.1
European Union	**1.9**	**-5.7**	**6.3**	**3.5**	**0.6**	**1.0**
Euro area	1.6	-6.2	6.3	3.6	0.5	0.8
Germany	1.0	-4.5	3.6	1.4	-0.1	-0.2
Poland	4.5	-2.0	6.8	5.5	0.0	2.8
Austria	1.8	-6.5	5.0	5.4	-0.9	-1.3
Czech Republic	**3.5**	**-5.3**	**4.0**	**2.9**	**0.1**	**1.0**
Hungary	5.1	-4.5	7.1	4.3	-0.8	0.6
Slovakia	2.3	-2.6	5.7	0.4	1.4	2.0

Source: MoF (seasonally adjusted data)

In terms of the expenditure components of domestic GDP (Table 1.2), growth in household consumption (1.0 pp), net exports (0.7 pp) and final consumption expenditure of government (0.6 pp) had a positive effect on its development. On the other hand, gross capital formation had a negative effect (-1.2 pp), due to both a decline in fixed capital formation (-0.3 pp) and a negative contribution from the change in inventories (-0.9 pp).

The unemployment rate remained unchanged year on year and thus stayed at a long-term low level (2.6%). The Czech Republic continued to have the lowest unemployment rate in the EU, well below the EU member states average of 6.0%. The general government balance improved by 1.5 pp year on year to -2.2% and the general government debt-to-GDP ratio rose by 1.1 percentage points to 43.6%.

Table 1.2: Selected macroeconomic and fiscal indicators of the Czech economy

Annual growth rate /as at 31 Dec	2019	2020	2021	2022	2023	2024
Gross domestic product[1] (change in %)	3.6	-5.3	4.0	2.8	-0.1	1.1
of which: final consumption expenditure of households (pp)	1.5	-3.1	2.0	0.3	-1.3	1.0
final consumption expenditure of government (pp)	0.5	0.8	0.3	0.1	0.7	0.6
gross capital formation (pp)	1.5	-2.4	4.6	2.9	-2.0	-1.2
net exports (pp)	0.1	-0.6	-2.8	-0.3	2.6	0.7
Unemployment rate[2] (% annual average)	2.0	2.6	2.8	2.2	2.6	2.6
General government balance (% GDP)	0.3	-5.6	-5.0	-3.1	-3.8	-2.2
General government debt (% GDP)	29.6	36.9	40.7	42.5	42.5	43.6

Source: MoF, CZSO

The consumers price index registered a further slowdown in the average growth rate of price level in 2024 in most of the economies monitored, as the earlier anti-inflationary tightening of monetary policies around the world continued to have an effect. In the Czech Republic, consumer prices as measured by the harmonised index of consumer prices rose by 2.7% year on year. The EU and euro area averages (2.6% and 2.4% respectively) were

[1] Constant prices, not adjusted for the effect of unequal number of working days, GDP figures may therefore differ from Table 1.1.
[2] Measured by the Labour Force Survey Method.

only slightly lower than in the Czech Republic. Higher price level growth in 2024 among the countries monitored was recorded in Hungary, Poland (both 3.7%), Slovakia (3.2%) and Austria (2.9%). Japan (2.7%), the United Kingdom and Germany (both 2.5%) showed comparable growth rate to the Czech Republic. Lower growth rates of price level were recorded in the US (2.0%) and in particular in China (0.2%), where there was almost a year-on-year stagnation for the second year in a row.

Table 1.3: Consumer price indices in selected economies

Annual average (%)	2019	2020	2021	2022	2023	2024
United States	1.4	0.8	5.3	8.7	3.0	2.0
China	3.0	2.6	0.8	1.9	0.2	0.2
Japan	0.5	-0.0	-0.2	2.5	3.3	2.7
United Kingdom	1.8	0.9	2.6	9.1	7.3	2.5
European Union	**1.5**	**0.7**	**2.9**	**9.2**	**6.4**	**2.6**
Euro area	1.2	0.3	2.6	8.4	5.4	2.4
Germany	1.4	0.4	3.2	8.7	6.0	2.5
Poland	2.1	3.7	5.2	13.2	10.9	3.7
Austria	1.5	1.4	2.8	8.6	7.7	2.9
Czech Republic	**2.6**	**3.3**	**3.3**	**14.8**	**12.0**	**2.7**
Hungary	3.4	3.4	5.2	15.3	17.0	3.7
Slovakia	2.8	2.0	2.8	12.1	11.0	3.2

Source: Eurostat, BIS

1.2 Monetary Policy and Foreign Exchange Market

In response to the falling inflation rate and weakening inflationary pressures, the CNB cut its monetary policy interest rates gradually by 2.75 pp over the course of 2024. The main monetary policy rate, the 2W repo rate, consequently fell to 4.0% (see Chapter 5, Graph 5.4).

Central banks around the world have also responded to the decline in inflation by cutting their rates, the speed of this process being somewhat tempered by concerns about the possible persistence of inflationary pressures. The major global central banks in the US, the euro area and the UK began cutting their key policy interest rates during 2024 (see Table 1.4), with the Fed and the ECB cutting their rates the most. Signs of weakening economic growth were then more prominent in the ECB's response. By contrast, the central bank in Japan decided to raise its rates to non-negative territory in response to a stronger rise in inflation, in contrast to the previous two decades when consumer prices faced deflationary pressures and inflation remained largely below the inflation target.

The central banks in Poland and Hungary have taken a different approach to setting their rates in 2024, which has led to a convergence of their rates at the end of the year. In Hungary, a significant 4.25 bps cut to 6.5% was gradually implemented, while the central bank in Poland opted for rate stability.

Table 1.4: Key monetary policy rates of selected central banks

As at 31 Dec (% p.a.)		2019	2020	2021	2022	2023	2024
United States	Fed	1.50–1.75	0–0.25	0–0.25	4.25–4.50	5.25–5.50	4.25–4.50
Euro area	**ECB**	**-0.50**	**-0.50**	**-0.50**	**2.00**	**4.00**	**3.00**
Japan	BoJ	-0.10	-0.10	-0.10	-0.10	-0.10	0.25
United Kingdom	BoE	0.75	0.10	0.25	3.50	5.25	4.75
Poland	NBP	1.50	0.10	1.75	6.75	5.75	5.75
Czech Republic	**CNB**	**2.00**	**0.25**	**3.75**	**7.00**	**6.75**	**4.00**
Hungary	MNB	0.90	0.60	2.40	13.00	10.75	6.50

Source: BIS; in the case of the ECB, the deposit facility rate

The Czech koruna depreciated year on year against all the currencies monitored except the Japanese yen (see Table 1.5). Against the euro, the exchange rate fluctuated during the year between CZK 24.5 and 25.5 per euro. The year-on-year depreciation of the koruna against the euro was mainly due to the actual and expected easing of the CNB's monetary policy stance compared with the later start of monetary easing by the major international central banks, as well as only a gradual recovery of the Czech economy and the fragile global geopolitical environment.

Against the US dollar, the koruna weakened by 4.5% year on year, i.e. by a similar extent as against the euro by 4.6%. However, the most significant depreciation of the koruna against the US currency occurred in the last quarter of 2024, when the US dollar strengthened globally. This was driven by persistent geopolitical risks, the economic and monetary policy divergence of the US economy, particularly vis-à-vis the euro area economy, and the expected inflationary and pro-growth consequences of the policies of US President-elect D. Trump, which led to an increase in monetary policy rates and interest yields on US dollar-denominated assets.

In 2024, the koruna strengthened year on year only against the Japanese yen (by 3.1%), even if a major turnaround in Japan's monetary policy took place, in particular the end of the negative interest rate regime in the country. Against the Swiss franc, by contrast, the koruna weakened for the third year in a row (by 6.7%), which may have been due to the perception of the franc as a safe haven currency in an environment of heightened geopolitical uncertainty. The Polish złoty continued to appreciate against the koruna for the second year (by 10.3%), the most among all currencies monitored on an annual basis. Against the Hungarian forint, the koruna was virtually unchanged year on year.

Table 1.5: Average CZK exchange rates to major global and regional currencies

Average exchange rate		2019	2020	2021	2022	2023	2024	Year-on-year change[3] (%)
United States dollar	CZK/USD	22.9	23.2	21.7	23.4	22.2	23.2	4.5
Euro	**CZK/EUR**	**25.7**	**26.4**	**25.6**	**24.6**	**24.0**	**25.1**	**4.6**
Chinese yuan	CZK/CNY	3.3	3.4	3.4	3.5	3.1	3.2	2.8
Japanese yen	CZK/100 JPY	21.1	21.7	19.8	17.8	15.8	15.3	-3.1
British pound	CZK/GBP	29.3	29.7	29.8	28.8	27.6	29.7	7.5
Swiss franc	CZK/CHF	23.1	24.7	23.7	24.5	24.7	26.4	6.7
Polish złoty	CZK/PLN	6.0	6.0	5.6	5.2	5.3	5.8	10.3
Hungarian forint	CZK/100 HUF	7.9	7.5	7.2	6.3	6.3	6.4	1.1

Source: CNB, MoF calculations

3 A negative value denotes appreciation of the CZK exchange rate; a positive value means depreciation.

2 PLACEMENT OF FUNDS IN THE FINANCIAL MARKET

The volume of funds placed in the financial market[4] continued in its long-term growth, increasing by almost CZK 1.1 trillion (10.6%) to CZK 11.0 trillion in 2024 (Table 2.1), representing an above-average absolute increase and a roughly average growth rate in the volume of these funds in the reporting period since 2019.

Table 2.1: Placement of funds in the financial market

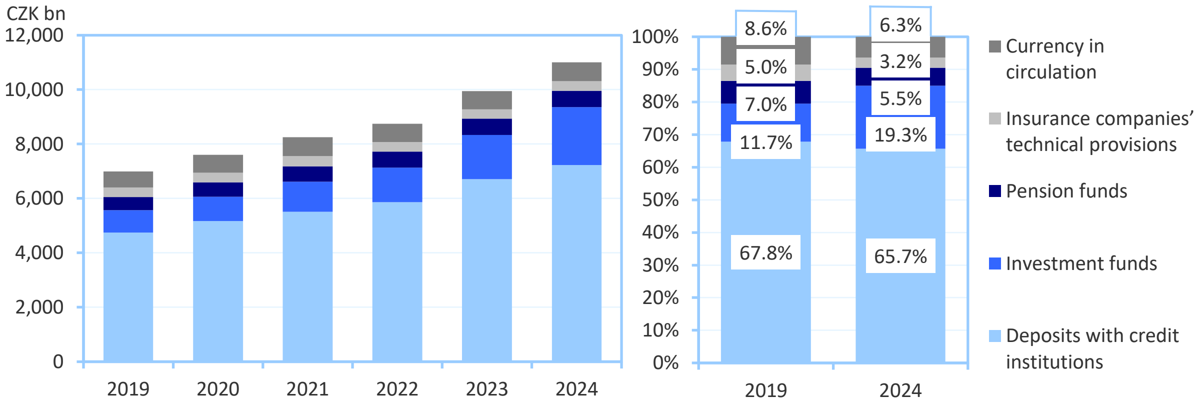
As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Deposits with credit institutions[5]	4,747.4	5,170.1	5,509.5	5,866.3	6,709.0	7,228.0	519.0	7.7
of which: building savings banks	359.7	362.7	366.3	334.7	313.4	298.5	-14.9	-4.8
Investment funds	817.5	894.8	1,110.2	1,271.8	1,624.4	2,124.6	500.2	30.8
Pension funds	487.1	527.9	566.7	584.2	595.5	605.0	9.5	1.6
Insurance companies' technical provisions	348.3	349.8	369.1	348.6	345.8	353.3	7.5	2.2
Currency in circulation	598.9	668.1	691.2	673.4	674.1	694.9	20.8	3.1
Total	6,999.2	7,610.6	8,246.6	8,744.4	9,948.8	11,005.9	1,057.0	10.6

Source: AKAT, APS CR, CNB – ARAD, MoF, MoF calculations

The highest absolute year-on-year increase in the volume of funds was recorded again, as during the whole reporting period, by deposits with credit institutions, which were also the most significant item in terms of volume within the monitored funds placement structure. As it has been the case each year since 2021, investment funds recorded the highest year-on-year growth rate among the categories of funds monitored, at 30.8%, which was also their highest growth rate during the reporting period. However, the above-average appreciation of invested client assets again also contributed to this development.

In terms of the evolution of the funds placement relative structure, only the share of client assets in investment funds increased during the reporting period, by a significant 7.6 pp to 19.3% at the end of 2024 (Graph 2.1). The shares of other categories decreased, with the share of deposits and the share of currency in circulation falling the most since the end of 2019 (equally by 2.2 pp), and both these categories in 2024 reaching their lowest levels during the reporting period (65.7% and 6.3%, respectively). Both the share of participants' assets in pension funds and the share of technical provisions held by insurance companies gradually declined over the reporting period to 5.5% and 3.2%, respectively.

Graph 2.1: Placement of funds in the financial market



Source: AKAT, APS CR, CNB – ARAD, MoF, MoF calculations

Note: The right side of the graph shows the comparison of funds placement structure (in %) between 2019 and 2024.

4 This aggregate indicator is one of the ways used to express the size of the financial market by focusing on the intermediary financial market. It includes the funds of clients of financial institutions (private individuals and legal entities) that are placed in the financial market through the financial products offered by credit institutions, insurance companies, pension management companies and collective investment instruments, as well as currency in circulation (excluding cash held at bank cash counters). It does not include direct investments in securities.

5 Includes the CZK and foreign currency deposits of clients (residents and non-residents) in banks (including building savings banks) and credit unions, but does not include the CNB.

3 HOUSEHOLD SAVINGS STRUCTURE

The volume of household savings placed in financial market products or instruments[6] increased by CZK 607.9 billion (9.5%) year on year to almost CZK 7.0 trillion in 2024 (Table 3.1). The volume of savings thus continued in its long-term growth, with the second highest absolute increase and roughly average growth rate in the reporting period since 2019.

Table 3.1: Household savings structure

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Demand deposits	2,276.6	2,687.9	2,886.4	2,775.6	2,918.7	3,209.2	290.5	10.0
Term deposits	591.1	537.8	570.1	845.8	994.8	962.1	-32.6	-3.3
of which: building savings schemes	350.3	352.0	356.2	328.1	308.6	296.1	-12.5	-4.0
Pension funds	483.7	523.2	560.8	579.6	580.9	586.5	5.6	1.0
Life insurance	267.6	268.4	269.3	245.8	240.6	242.6	2.1	0.9
Investment funds	542.8	583.1	738.6	830.8	1 123.7	1,417.9	294.1	26.2
Debt securities	145.3	158.3	146.1	243.4	276.6	310.4	33.8	12.2
Listed shares	219.9	240.9	269.1	225.3	248.2	262.7	14.5	5.8
Total	4,527.0	4,999.7	5,440.5	5,746.3	6,383.6	6,991.5	607.9	9.5

Source: CNB – ARAD, MoF calculations

Within the household savings structure, investment funds in 2024, as in 2023, recorded the highest absolute and relative growth compared to the other categories of savings monitored, increasing by CZK 294.1 billion (26.2%) to CZK 1.4 trillion. This represented the highest increase and the above-average growth rate of this savings category during the reporting period. The appreciation of household savings held in the investment funds again contributed significantly to this increase. The share of the household savings allocated to investment funds in total household savings thus increased by 2.7 pp year on year, the highest increase among the savings categories monitored. At the same time, the household savings in investment funds also recorded the highest increase in their share in total household savings compared to the end of 2019, rising by 8.3 pp to 20.3% (Graph 3.1).

Household demand deposits increased by CZK 290.5 billion year on year to CZK 3.2 trillion. This represented their second highest year-on-year increase and growth rate (by 10.0%) in the reporting period. Compared to 2023, their share in total household savings increased slightly by 0.2 pp. However, over the entire reporting period, demand deposits showed the highest decline in this share among all categories monitored, by 4.4 pp to 45.9%.

The volume of term deposits decreased by CZK 32.6 billion to CZK 962.1 billion in 2024 after three years of their relatively strong growth. The decline in term deposits alone, excluding building savings schemes, accounted for around 62% of this decrease. Although the share of term deposits excluding building savings schemes in total household savings fell by 1.2 pp year on year, it increased by 4.2 pp compared to the end of 2019, reaching 9.5%. The year-on-year decline in the volume of term deposits may have been driven by the reduction in monetary policy rates, with some banks lowering interest rates on term deposits faster than on current or savings accounts. This may have reduced attractiveness of term deposits. In the case of building savings schemes, as a specific segment of term deposits, the saved amount fell for the third year in a row, although by a lower amount than in 2022 and 2023. Since the end of 2019, the share of this category in total household savings has gradually decreased by 3.5 pp to 4.2%.

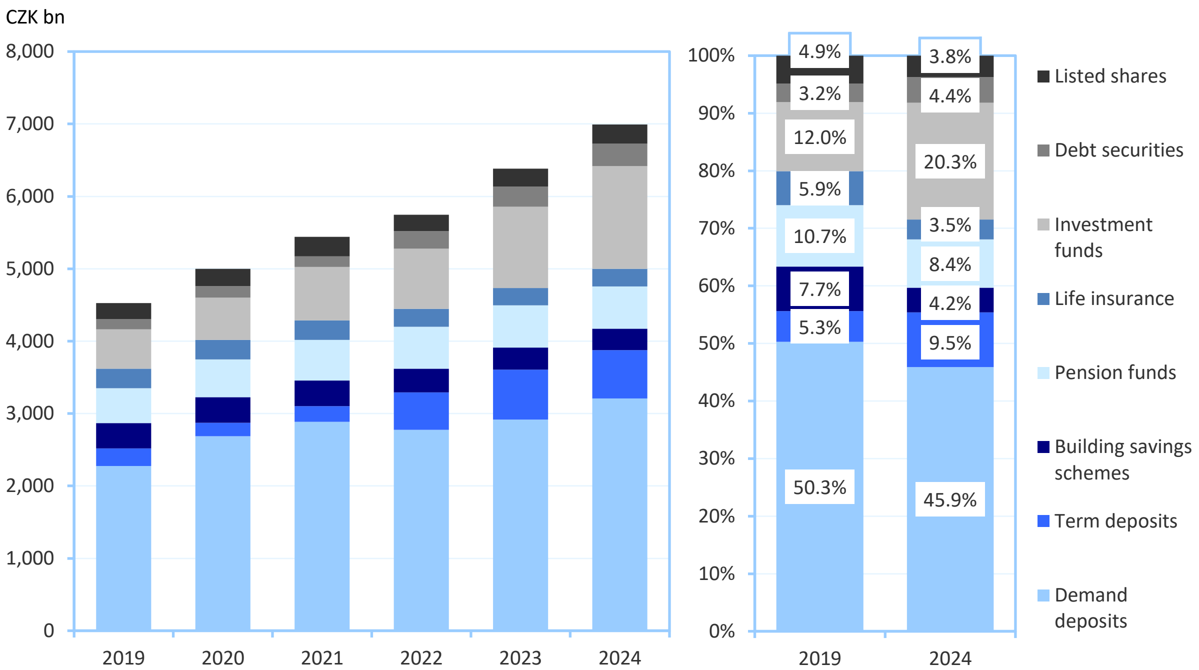
Although the volume of the aggregate category of deposit products increased year on year, the share of demand and term deposits, including building savings schemes, in total household savings fell to 59.7%, i.e. the lowest level in the reporting period.

6 The term “savings” is used throughout the chapter to refer to household financial assets; these include households’ CZK-denominated and foreign-currency funds placed in the financial market through the financial products offered by domestic and foreign credit institutions, insurance companies, pension management companies and management companies, and households’ direct investments in debt securities and listed shares.

Although household savings in pension funds recorded a higher year-on-year increase and growth rate than in 2023, the increase was the second lowest during the reporting period. This development has further weakened the importance of supplementary pension insurance and supplementary pension savings within the household savings structure, with the share of pension funds in total household savings falling by 0.7 pp year on year to 8.4%, while at the end of 2019 amounted to 10.7%. After two years of decline, household savings under life insurance products recorded a slight increase, which, however, failed to reverse the declining trend in the share of this category in total household savings. The share of life insurance thus fell by 0.3 pp year on year and by 2.4 pp over the reporting period to 3.5%.

Debt securities contributed to the increase in total household savings thanks to their above-average absolute year-on-year growth over the reporting period, which was mainly driven by new investments. Their share in total household savings thus increased slightly year on year to 4.4%, rising by 1.2 pp over the reporting period. The volume of listed shares also increased, mainly through new investments, as the predominant impact of the positive repricing still at the end of Q3 2024 was almost entirely eliminated by the negative repricing that occurred during Q4 2024. However, with the exception of a decline in 2022, the volume of listed shares recorded its lowest year-on-year growth rate since 2019, leading to a slight year-on-year decline in their share in total household savings to 3.8%. During the entire reporting period, the share of listed shares fell by 1.1 pp.

Graph 3.1: Household savings structure



Source: CNB – ARAD, MoF calculations

Note: The right side of the graph shows the comparison of household savings structure (in %) between 2019 and 2024.

4 INSTITUTIONAL ASPECTS OF THE FINANCIAL MARKET

4.1 Number of Financial Market Entities

In 2024, there were several changes in the number of financial market entities (Table 4.1).

Table 4.1: Numbers of entities providing services in the financial market

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change
Credit institutions							
Banks	49	49	46	44	46	43	-3
of which: foreign bank branches	25	25	23	23	24	22	-2
of which: building savings banks	5	5	5	5	5	5	0
Credit unions	9	8	7	6	6	5	-1
Capital market							
Management companies	35	39	44	47	47	54	7
Investment funds with legal personality	156	188	213	249	280	319	39
of which: collective investment funds	4	8	9	10	11	16	5
of which: qualified investor funds	152	180	204	239	269	303	34
Mutual funds	252	234	253	284	312	329	17
of which: collective investment funds	158	144	149	167	184	186	2
of which: qualified investor funds	94	90	104	117	128	143	15
Investment firms (incl. foreign branches)	76	77	76	70	78	75	-3
Investment intermediaries	191	163	153	138	111	110	-1
Tied agents	18,409	13,470	14,229	15,178	16,262	18,506	2,244
Pension management companies	8	9	9	9	9	9	0
Pension funds	38	39	42	44	44	45	1
Insurance							
Insurance companies	47	44	41	41	41	41	0
of which: branches of foreign insurance companies	20	17	18	18	18	18	0
Reinsurance companies	1	1	1	1	1	1	0
Insurance intermediaries	38,481	38,001	30,887	32,448	34,670	36,627	1,957

Source: CNB – JERRS, MoF calculations

In the sector of credit institutions, the number of banks and credit unions decreased. In the banking sector 3 entities ceased operations – in June 2024, a branch of the foreign bank BNP Paribas Personal Finance SA, odštěpný závod, and in October 2024, Max banka a.s. as a result of its merger with CREDITAS a.s., and a branch of Western Union International Bank GmbH, organizační jednotka. In the credit union sector, České spořitelní družstvo voluntarily entered into liquidation in July 2024, which reduced the number of entities in this sector to 5.

In the capital market, by contrast, the number of entities increased. There was a significant increase in the number of management companies (by 7 entities), investment funds with legal personality (by 39 entities, of which 34 were qualified investor funds), and mutual funds (by 17 entities, of which 15 were qualified investor funds). Only the number of investment firms (including foreign branches) decreased by 3 entities.

The number of investment intermediaries decreased by 1 entity in 2024. The number of tied agents increased by 2,244 year on year.

As concerns the pension management companies, their number remained unchanged. Pension funds grew by 1 entity when Future alternativní investiční fond Generali penzijní společnosti, a.s. obtained a licence to operate in December 2024.

The number of insurance and reinsurance companies did not change in 2024. The number of insurance intermediaries went up by 1,957 to 36,627.

The number of entities operating on the Czech financial market on the basis of a single European passport increased in 2024 across all sectors (Table 4.2).

Table 4.2: Number of entities operating in the Czech Republic under the single European passport

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change
Credit institutions	469	470	416	455	467	471	4
Insurance companies	985	983	837	850	871	890	19
Investment funds	1,706	1,818	1,904	2,084	2,289	2,576	287
Management companies	52	56	52	52	53	54	1

Source: CNB – JERRS, MoF calculations

4.2 Guarantee Schemes

In the Czech Republic, there are two guarantee systems to strengthen the protection of clients and the financial market. These are the Financial Market Guarantee System and the Investor Compensation Fund.

The Financial Market Guarantee System (FMGS) is an institution that manages financial resources intended to secure and maintain the stability of the financial market in the Czech Republic. The FMGS manages two accountingly separate funds, namely the Deposit Insurance Fund (DIF) and the Crisis Resolution Fund (CRF). The funds of the FMGS can be used to compensate for deposits, as well as avert the potential failure of credit institutions.

DIF guarantees the payment of compensation for deposits held at credit institutions established in the Czech Republic. This compensation covers 100% of deposits including interest. However, the maximum amount of compensation is limited to an amount equivalent to EUR 100,000, per client per institution. In certain cases provided for by law, the maximum compensation may be increased to an amount equivalent to EUR 200,000[7]. FMGS pays compensation from the DIF in the event that a a bank, building savings bank, or credit union is declared insolvent by the CNB or if a court decides that such an institution is insolvent.

In 2024, credit institutions participating in the deposit insurance scheme paid contributions[8] of CZK 1.6 billion (Table 4.3). The total amount of paid compensation decreased to CZK 0.1 billion. The financial reserves of DIF increased significantly year on year by CZK 30.9 billion, with CZK 26 billion being disbursed from DIF in connection with payment to clients of Sberbank CZ, a.s., which ceased to exist in 2022. At the end of 2024, the financial reserves of DIF amounted to CZK 48.5 billion.

Table 4.3: Basic indicators of DIF

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change
Contributions	1.1	1.1	1.3	1.4	1.9	1.6	-0.3
Compensations payments	0.0	0.0	0.1	25.3	0.3	0.1	-0.2
Financial reserves	34.1	35.5	37.3	14.2	17.6	48.5	30.9

Source: FMGS, MoF calculations

The CRF is designed to finance the resolution of banks and selected investment firms. It pools funds for use in the event of a threat to the stability of a financial institution so that, bearing in mind the potential critical

7 Increased compensation applies to deposits earned in specific life situations, such as sale of private immovable property used for housing, divorce settlement, collection of indemnity for injury, sickness, invalidity or death, inheritance, disbursement of a lump-sum pension, severance pay upon dismissal from work, compensation for damage caused by crime, etc.

8 The CNB's method for calculating the amount of the contributions that financial institutions pay to the DIF factors in not only the volume of covered deposits (i.e. deposits up to an insurance limit equivalent to EUR 100,000) but also the level of risk taken by an institution.

functions carried out by such an institution in the financial sector and the economy as a whole, it is not necessary to close it down or, where applicable, initiates the process of deposit compensation to the clients. In 2024, the CRF received contributions of CZK 2.7 billion from mandatory institutions. The total financial reserves of CRF reached CZK 38.8 billion.

Table 4.4: Basic indicators of CRF

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change
Contributions	3.5	3.8	4.3	4.9	4.5	2.7	-1.8
Financial reserves	12.8	16.7	21.2	27.5	34.1	38.8	4.7

Source: FMGS, MoF calculations

The latter of the two guarantee schemes on the financial market in the Czech Republic is the Investor Compensation Fund (ICF). This fund ensures the pay-outs of compensations to clients of investment firms that are unable to meet their obligations towards their clients. However, it does not cover the risk of loss of value of an investment in securities. Clients receive the compensation of 90% of the amount calculated in accordance with the applicable provisions of the Capital Market Business Act, up to a maximum amount equivalent to EUR 20,000.

The main source of the ICF's assets are contributions made by the involved entities, i.e. investment firms and management companies managing clients´ assets. In 2024, ICF received the highest amount of contributions in its history, CZK 400.1 million, as contributions increased by CZK 99.1 million year on year. No compensation was paid from the ICF in 2024, and financial reserves reached CZK 2.2 billion at the end of 2024.

Table 4.5: Basic indicators of ICF

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change
Contributions (CZK mn)	249.5	223.4	281.1	278.0	301.0	400.1	99.1
Compensation payments (CZK mn)	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Financial reserves (CZK bn)	1.1	1.2	1.3	1.5	1.9	2.2	0.0

Source: ICF, MoF calculations

4.3 Financial Arbitrator

The Financial Arbitrator (FA) has been established by the state as an out-of-court resolution body for selected disputes between consumers and financial institutions. The FA operates on the financial market since 2003. Its remit has been gradually expanded, and the FA is entitled to resolve consumer disputes almost across the entire financial market now. The FA's competences include out-of-court resolution of consumer disputes relating to the provision of payment services, non-payment accounts and passbooks, electronic money, building savings, consumer credit (including mortgage loans and building savings loans), collective investment and investment services, foreign exchange incl. dynamic currency conversion, life insurance, supplementary pension insurance, supplementary pension savings, and long-term investment product. However, the FA is not entitled to resolve the non-life insurance[9] disputes and disputes involving shareholders and bondholders.

In 2024, the FA initiated 5,683 new proceedings, and alongside them also dealt with 1,833 previously initiated proceedings (Table 4.6). The number of newly initiated proceedings increased significantly year on year, more than doubled. More than 90% of them concerned consumer credit. In 2024, the number of new consumer credit disputes (5,187 proceedings) increased almost 2.5 times compared to 2023, and represented the highest number in the reporting period since 2019. The payment services recorded the second highest number of newly initiated proceedings, though the number of new procedures decreased by a third year on year to 263 proceedings. The third largest group was represented by proceedings in the area of life insurance, which increased to 153 in total.

[9] The FA does not cover disputes arising from non-life insurance such as property insurance, accident insurance, compulsory liability insurance, or certain non-life insurance of persons (e.g. accident insurance, disability insurance or sickness insurance), even if such insurance is arranged as supplementary insurance to life insurance.

Table 4.6: Number of proceedings commenced and pending in individual years

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change
Proceedings commenced	1,170	1,221	1,699	1,425	2,661	5,683	3,022
of which: payment services	141	179	209	406	373	263	-110
consumer credit	664	786	1,294	825	2,097	5,187	3,090
life insurance	246	172	110	98	83	153	70
Total proceedings pending	3,142	2,425	2,820	2,525	3,324	7,516	4,192

Source: FA, MoF calculations

4.4 Economic Results of Financial Institutions

In 2024, most monitored financial market sectors recorded a positive profit before tax as well as year-on-year profit growth. The exception was insurance companies, which reported a 6.9% decrease in profit (Table 4.7). The profit of the dominant banking sector increased for the fourth consecutive year to CZK 142.8 billion, the highest value since 2008[10]. The profit of pension management companies also grew steadily for the fourth year in a row, reaching CZK 5.6 billion after the strong year-on-year growth of 47%. A strong year-on-year growth reported also management companies (22.8%) and non-bank investment firms (26.8%). Both of these sectors thus recorded growing profits for the fifth consecutive year.

Table 4.7: Profit/loss of financial institutions before tax

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Banks	109.2	57.4	85.5	121.8	123.0	142.8	19.8	16.1
Insurance companies	20.1	17.8	31.3	19.4	23.1	21.6	-1.6	-6.9
Pension management companies	2.3	2.3	2.6	2.7	3.8	5.6	1.8	47.0
Management companies	1.5	1.5	2.0	2.3	2.7	3.3	0.6	22.8
Non-bank investment firms	0.8	1.2	1.4	1.4	1.8	2.2	0.5	26.8

Source: CNB – ARAD, MoF calculations

10 Beginning of the data time series availability.

5 CREDIT INSTITUTIONS AND OTHER PROVIDERS OF ASSET FINANCING

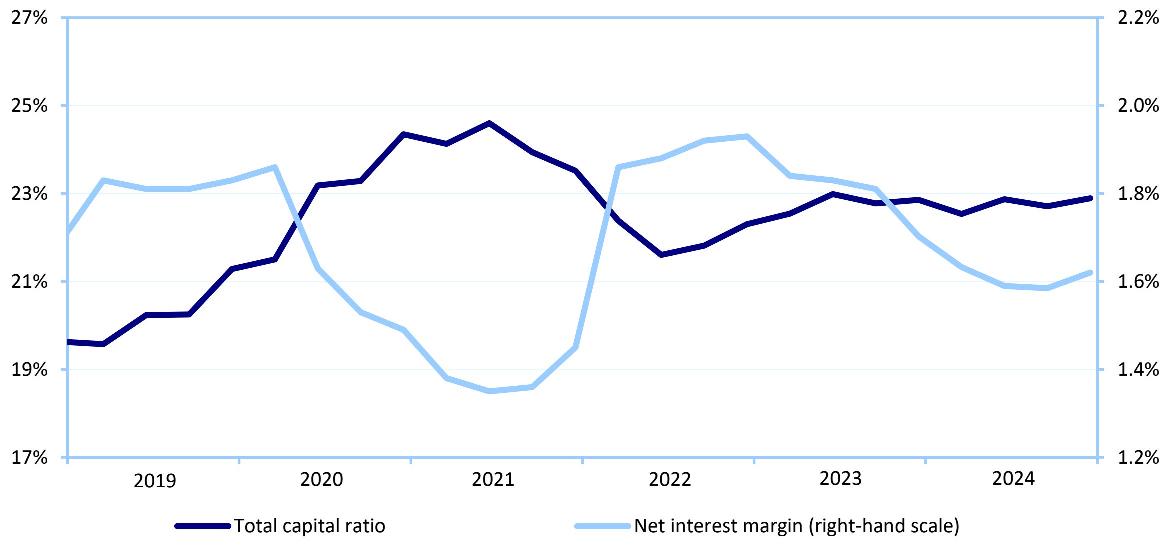
This chapter focuses primarily on credit institutions, i.e. banks (most parts of Chapter 5), including building savings banks (Chapter 5.7) and credit unions (Chapter 5.8). Specific topics are also covered, such as interest rates (Chapter 5.4), client bank deposits and loans (Chapter 5.5) and mortgage loans (Chapter 5.6). Another chapter (Chapter 5.9) covers with the developments of the non-bank financing providers. This sub-sector offers products[11] which are a relatively close substitute for bank loans and, when granted to retail clients, enter into the total household debt indicator, which is the subject of the last chapter (Chapter 5.10).

5.1 Main Developments in the Banking Sector

The banking sector again reported growth in its size in 2024, with total assets, client deposits and loans reaching, as in previous years, new highs. The development of the sector was influenced by a moderate recovery in domestic economic growth (Chapter 1), falling inflation rate and the consequent gradual reduction of interest rates by the central bank. The quality of the banks' loan portfolio remained broadly unchanged year on year after the ratio of non-performing loans had gradually declined to its lowest level on record between 2021 and 2023. The net interest margin (Graph 5.1), one of the key drivers of profitability, declined for the second year in a row, by 0.1 pp year on year to 1.6%, as the increase in assets outweighed the positive impact of the slight increase in net interest income. Profit before tax increased year on year to its highest level since 2008[12], and return on equity returned to levels last seen prior to the COVID-19 pandemic. Long-term factors, including in particular the overall high capital ratio and the long-standing high and rising deposit-to-loan ratio, continued to support the overall resilience of the sector.

The total capital ratio, as a key indicator of the sector's resilience, remained stable at 22.9% in 2024 (Graph 5.1), with a slight decline in 2021 and 2022 over the reporting period, following the relaxation of the dividend payout restrictions introduced in 2020 in response to the potential impact of the COVID-19 pandemic. Similarly, the capital ratio of building savings banks, a sub-segment of the banking sector, remained broadly unchanged year on year, falling slightly by 0.1 pp to 27.1%.

Graph 5.1: Total capital ratio and net interest margin



Source: CNB – ARAD

[11] Some similar services and products (for example, in the area of the payment system or provision of financing) are also offered by other entities that make greater use of information technology, such as peer-to-peer lending, crowdfunding, etc.

[12] Beginning of the data time series availability.

The total assets of the banking sector, including building savings banks (Table 5.1), again reached a new high of CZK 10.6 trillion at the end of 2024.[13] The year-on-year growth rate of 7.1% of assets was close to its average over the reporting period starting since 2019. As in previous years of the reporting period, client deposits were the main driver of the increase in the total balance sheet volume, although their growth rate almost halved year on year by 6.6 pp to 7.8%. The year-on-year growth rate of client loans (5.3%) was again lower than that of deposits, which resulted in a continued increase in the value of the deposit-to-loan ratio by 3,5 pp to 157.4%, i.e. its highest level during the reporting period.

Table 5.1: Banking sector key indicators

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Total assets	7,623.6	8,018.0	8,603.2	8,943.2	9,935.7	10,638.8	703.1	7.1
Client loans	3,450.5	3,595.6	3,847.8	4,071.7	4,356.5	4,589.3	232.8	5.3
Client deposits	4,739.3	5,162.0	5,502.3	5,858.9	6,701.2	7,221.5	520.3	7.8
Deposit-to-loan ratio (%)	137.4	143.6	143.0	143.9	153.8	157.4	3.5	2.3
Total capital ratio (%)	21.3	24.3	23.5	22.3	22.9	22.9	0.0	0.2

Source: CNB – ARAD, MoF calculations

5.2 Banking Sector Assets and the Credit Portfolio Quality

The structure of assets remained largely unchanged year on year in terms of the most significant items (Table 5.2). The dominant component remained loans and other claims on clients, the share of which fell for the second year in a row by 0.7 pp year on year to 43.1% and showed a decline of 2.1 pp over the reporting period since the end of 2019. A quarter of the assets (25.8%) were held by banks in the form of exposures to the central bank[14], with their share remaining almost unchanged year on year but falling by 5.7 pp over the reporting period. By contrast, domestic central government bonds, which accounted for 14.4% of assets at the end of the year, increased their share by 7.9 pp over the reporting period. At the same time, their volume increased by 206.9% over the reporting period, which significantly increased the size of banks' exposure to the government sector.[15]

Table 5.2: Structure of banking sector assets

As at 31 Dec (%)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Loans and other claims on clients	45.3	44.8	44.7	45.5	43.8	43.1	-0.7	-1.6
Deposits (and loans) with central banks	31.5	28.6	27.1	23.1	25.7	25.8	0.1	0.6
Debt securities - central government	6.6	9.9	11.5	12.9	13.8	14.4	0.6	4.0
Other	16.6	16.7	16.6	18.5	16.7	16.6	0.0	-0.1

Source: CNB – ARAD, MoF calculations

Since client loans have long been a key component of bank assets, it is worth taking a closer look at their quality. The non-performing loans ratio for total client loans has remained essentially unchanged year on year (1.7%) after having gradually declined year on year to an all-time low in the previous years of 2021 to 2023. The non-performing loans ratio also remained stable in 2024 in case of most of the client sectors monitored and stayed close to long-term lows (Graph 5.2). The ratio for loans for house purchase has been at 0.7% for more than 2 years. Similarly, the households and non-financial corporations sectors have shown a stable non-performing loans ratio year on year, at 1.3% and 2.5% respectively. The ratio for loans to non-residents recorded a slight year-on-year increase of 0.1 pp to 2.1%.

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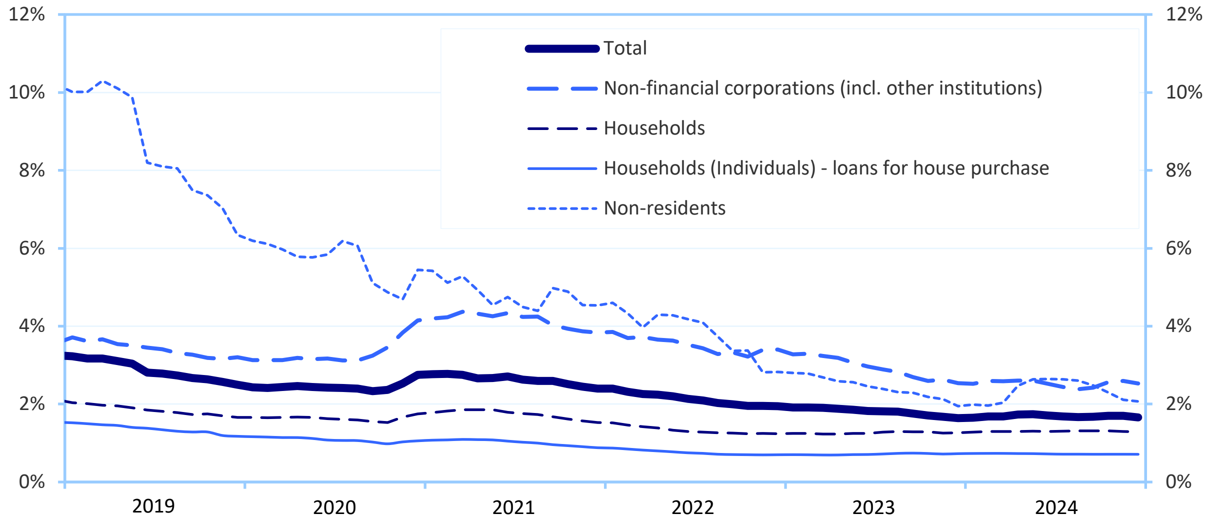
13 These values, published in the CNB's time series ARAD system, differ from the values published by the CNB for example in its Supervisory Report due to different methodologies. These differences then may show up, for example, in the case of ratio indicators.

14 Typically, these are repo operations.

15 As part of its stress test of Czech public finances conducted in the first half of 2024, the CNB assessed these exposures as systemically important, but without the need to require additional capital.

Graph 5.2: Non-performing loans ratio by client sector



Source: CNB – ARAD, MoF calculations

5.3 Economic Results and Profitability of the Banking Sector

The banking sector's total profit before tax for 2024 was CZK 142.8 billion (Table 5.3), increasing by CZK 19.8 billion and reaching the highest result since 2008[16].

Table 5.3: Selected items from the profit and loss accounts of the banking sector

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Net interest income	145.7	126.9	128.9	171.9	167.9	170.0	2.1	1.3
Interest income	225.9	186.1	184.7	431.0	564.4	527.5	-37.0	-6.5
Interest expenses	80.2	59.2	55.8	259.1	396.5	357.5	-39.1	-9.9
Net fee and commission income	33.1	30.9	34.9	38.1	40.1	47.6	7.5	18.7
Fee and commission income	44.3	42.9	48.5	52.7	56.4	65.3	8.9	15.8
Fee and commission expenses	11.2	12.0	13.5	14.5	16.3	17.7	1.4	8.6
Administration costs	77.7	73.3	75.5	79.2	85.9	91.1	5.2	6.0
Other net income	8.1	-27.1	-2.7	-9.0	0.9	16.2	15.3	--
Total profit or (-) loss before tax	109.2	57.4	85.5	121.8	123.0	142.8	19.8	16.1

Source: CNB – ARAD, MoF calculations

All the aggregated net income items monitored had a positive impact on the year-on-year profit development. However, the most significant positive contribution to profit growth was made by the development of other net income (up by CZK 15.3 billion), which was mainly driven by a decline in impairment losses (by CZK 10.8 billion) to the lowest level since 2008, an increase in gains from financial assets for trading (by CZK 6.5 billion) and a positive impact of the decline in banks' contributions to the Crisis Resolution Fund and the Deposit Insurance Fund (by CZK 2.0 billion, see Chapter 4). Conversely, this aggregate item was affected negatively mainly by a decline in gains from exchange rate differences (by CZK 7.0 billion).

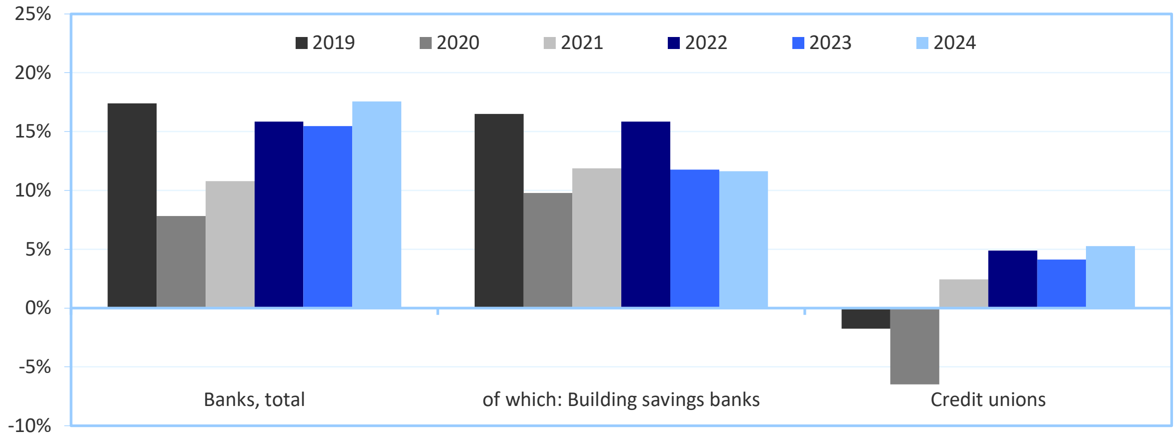
Net fee and commission income also had a significant positive impact on total profit, with year-on-year growth of CZK 7.5 billion, the highest growth rate in the reporting period (18.7%). Net interest income also grew slightly (by CZK 2.1 billion), as interest expenses fell by more than the interest income declined. The year-on-year decline was mainly due to a faster pass-through of the reduction in monetary policy rates to interest rate on banks' funds allocated under repo operations with the central bank and also to interest rates on loans to non-financial corporations. By contrast, the growth in interest rates on the portfolio of loans to households, which generally had a higher share of longer-term and fixed-rate CZK-denominated loans, had the opposite effect. At the same

[16] Beginning of the data time series availability.

time, interest costs fell as interest on deposits declined. Among the aggregate categories (in the Table 5.3), only the renewed increase in banks' administration costs by CZK 5.2 billion had a negative impact on the overall economic result.

The banking sector's return on Tier 1 capital rose by 2.1 pp year on year to 17.6%, returning to the level observed in 2019 (Graph 5.3). There was a slight year-on-year decline in the building savings banks segment (by 0.1 pp to 11.6%), marking the second lowest value for this indicator over the reporting period. By way of comparison, within the credit institutions sector, the credit union sector also showed a slight year-on-year increase in profitability in 2024 (by 1.2 pp to 5.3%), but was still around one-third that of the banking sector.

Graph 5.3: Profit or (-) loss after taxation/Tier 1 capital (%)

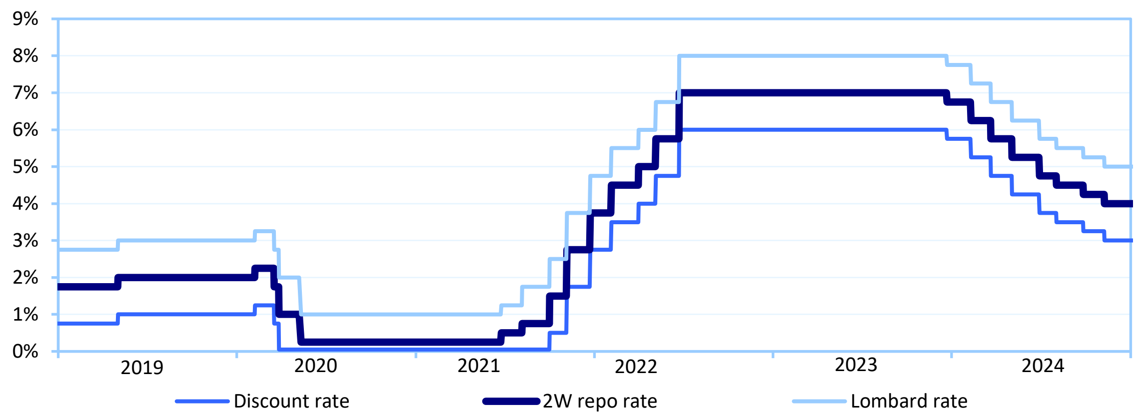


Source: CNB – ARAD, MoF calculations

5.4 Interest Rate Developments

Banking sector interest rates are significantly influenced by the impact of monetary policy tools. During 2024, in the context of weakening inflationary pressures, the CNB continued to gradually reduce monetary policy interest rates, with the easing cycle starting with a first rate cut of 0.25 pp in December 2023. In 2024, there were seven rate cuts, by a total of 2.75 pp, with the base 2W repo rate falling to 4.0%. The relative spread between the individual monetary policy rates, due their level, remained at the usual level of 1 pp, (Graph 5.4).

Graph 5.4: CNB interest rates



Source: CNB – ARAD

The reduction in monetary policy rates was reflected in a year-on-year decline in average annual CZK-denominated interest rates on client deposits and, in the case of loans, on non-financial corporations (Table 5.4). By contrast, interest rates on loans to households for house purchase continued to rise to 3.4%, the highest annual average since 2016. The reason for this divergence can be attributed, among other things, to the different maturity structure and interest rate setting regime of the different loan categories, with implications for the speed and intensity of the pass-through of declining monetary policy rates, as well as the slower pace of decline of longer-term interbank market rates compared to central bank rates in 2024.

Table 5.4: Average interest rate

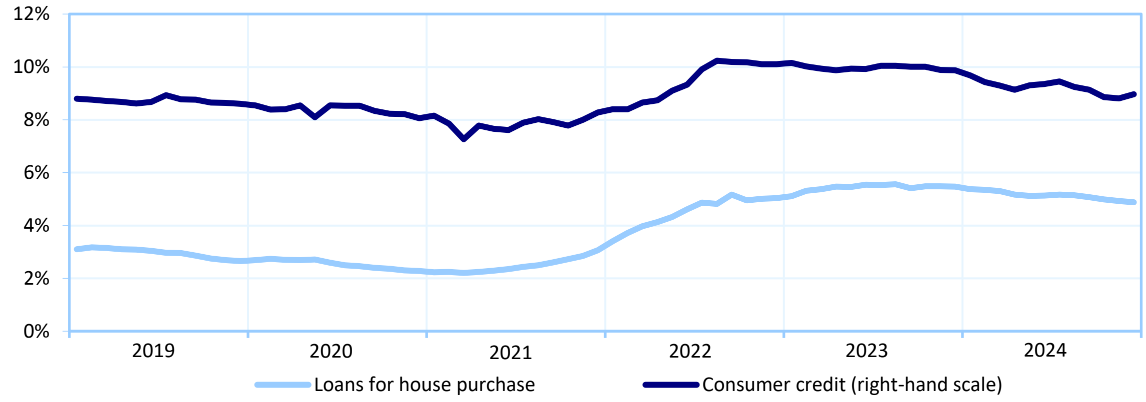
Average for the period (% p.a.)		2019	2020	2021	2022	2023	2024
Deposits	households	0.4	0.3	0.3	1.2	2.1	1.9
	non-financial corporations	0.4	0.2	0.1	2.0	3.3	2.4
Loans	to households	3.7	3.5	3.3	3.4	3.9	4.3
	for consumption	9.5	9.0	8.4	8.3	8.7	8.8
	for house purchase	2.5	2.5	2.4	2.6	3.0	3.4
	to non-financial corporations	3.8	2.9	3.0	6.5	7.4	6.2

Source: CNB – ARAD, MoF calculations

Note: Average rates on total CZK-denominated deposits and loans

In the case of loans to households, in addition to the interest rate as a basic measure of cost of such loans, it is also useful to look at a more comprehensive indicator that includes the additional cost of credit in the form of the APRC.[17] For the first time in three years, the APRC on new loans for house purchase fell by 0.6 pp year on year to 4.9%, returning to the levels observed in summer 2022 (Graph 5.5). In comparison with the CNB's monetary policy rate cuts, this development was more moderate, partly reflecting a more gradual decline in longer-term market rates. The APRC on newly granted consumer credit fell by 0.9 pp to 9.0%, i.e. towards the levels seen at the beginning of the reporting period from 2019.

Graph 5.5: Annual Percentage Rate of Charge (APRC) of CZK loans provided by banks



Source: CNB – ARAD

5.5 Client Bank Deposits and Loans

The outstanding volume of client deposits[18] grew by 7.8% and reached CZK 7.2 trillion (Table 5.5). Thus, the year-on-year growth rate was about half of that in 2023, bringing it back to the average of the reporting period since 2019. The most important sector in terms of volume, households, recorded an year-on-year deposit growth rate near its average for the reporting period. Non-financial corporations, with an year-on-year growth rate of 8.7%, even outperformed their average growth rate of the reporting period by 1.3 pp. Only deposits of financial institutions showed a year-on-year decline, but even so it was their second highest year-end value during the reporting period.

The absolute increase in total client deposits by CZK 520.3 billion was the second highest in the reporting period after the record year of 2023. The highest year-on-year increase was achieved by households (by CZK 260.8 billion), similar to the previous years of the reporting period, except for 2023, when the highest increase was recorded by government institutions. Despite a year-on-year slowdown in 2024, deposits by government institutions again recorded a highest growth rate (19.8%) among the sectors monitored.

[17] The APRC (annual percentage rate of charge) represents the percentage of the amount due that the client must pay over the period of one year in addition to the amortisation of the loan amount, specifically in relation with repayments, administration and other costs associated with using the loan.

[18] Deposits or loans to the central bank and other credit institutions are not included.

The share of household deposits in total deposits fell slightly by 0.3 pp year on year to 54.2%, while remaining above 50% in the long term. The share of non-financial corporations in the breakdown of deposits by sector (22.1%) was virtually unchanged year on year.

Table 5.5: Deposits with banks by client sector[19]

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Households	2,725.5	3,056.8	3,264.7	3,396.4	3,651.2	3,912.0	260.8	7.1
Non-financial corporations (including other institutions)	1,094.8	1,217.9	1,308.9	1,367.0	1,470.1	1,598.7	128.6	8.7
Government institutions	301.7	302.4	325.3	398.6	723.7	867.2	143.4	19.8
Financial institutions	310.8	260.2	273.2	377.5	528.6	481.9	-46.7	-8.8
Non-residents	262.8	274.7	273.9	257.4	263.2	294.8	31.5	12.0
Non-profit institutions	43.8	49.9	56.3	62.0	64.3	67.1	2.7	4.2
Total	4,739.3	5,162.0	5,502.3	5,858.9	6,701.2	7,221.5	520.3	7.8
of which term deposists	1,085.5	889.4	978.7	1,650.7	2,354.8	2,364.6	9.8	0.4

Source: CNB - ARAD, MoF calculations

In terms of the structure of deposits by their maturity, the share of term deposits fell by 2.4 pp to 32.7%. This was, however, the second highest year-end figure for the reporting period, following a near-doubling of this share over the previous two years. This was driven by the persistence of monetary policy rates at elevated levels, resulting in higher interest rates on term deposits, and the associated tendency of some depositors to take advantage of the period of elevated interest rates and to create deposits with longer maturities. The slight decline in the role of term deposits in 2024 can be attributed to a combination of factors, including a decline in the overall appeal of term deposits relative to other banking products or a possible tendency of some clients to take advantage of the market conditions to invest in other asset classes.

The outstanding volume of client loans grew by 5.3% and reached almost CZK 4.6 trillion (Table 5.6), which meant a slight year-on-year decline in growth dynamics by 1.7 pp. Most of the sectors monitored reported a year-on-year loan growth to new highs, with the exception of government institutions, which experienced a slight decline of 1.5%, and non-profit institutions, which posted higher loan volume last time in 2011. Financial institutions and non-residents also reported growth rates below-average in comparison with the year-on-year development of total client loans. The two sectors most important by size exhibited different year-on-year developments, with the growth rate of loans to households increasing year on year (by 1.2 pp), while that of non-financial corporations falling by almost half (by 4.5 pp) to 5.2%.

Table 5.6: Bank loans by client sector[20]

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Households	1,745.0	1,858.7	2,043.4	2,141.1	2,242.0	2,374.8	132.8	5.9
Non-financial corporations (including other institutions)	1,119.9	1,123.0	1,188.3	1,237.1	1,358.1	1,429.2	71.1	5.2
Government institutions	49.3	54.0	58.6	62.0	63.2	62.2	-0.9	-1.5
Financial institutions	213.4	210.5	234.8	284.0	299.5	314.2	14.7	4.9
Non-residents	319.8	345.7	319.3	344.5	390.4	404.9	14.5	3.7
Non-profit institutions	3.0	3.7	3.3	3.0	3.3	3.9	0.5	15.9
Total	3,450.5	3,595.6	3,847.7	4,071.7	4,356.5	4,589.3	232.8	5.3

Source: CNB - ARAD, MoF calculations

19 The table lists bank deposits. The values are therefore different from Table 2.1, which shows deposits with all credit institutions (i.e. including credit unions).

20 A specific factor that influenced the above-mentioned development in bank loans to some extent, especially in 2020 and part of 2021, was the “credit moratoria” (see Box 1 in the Report on Financial Market Developments in 2020).

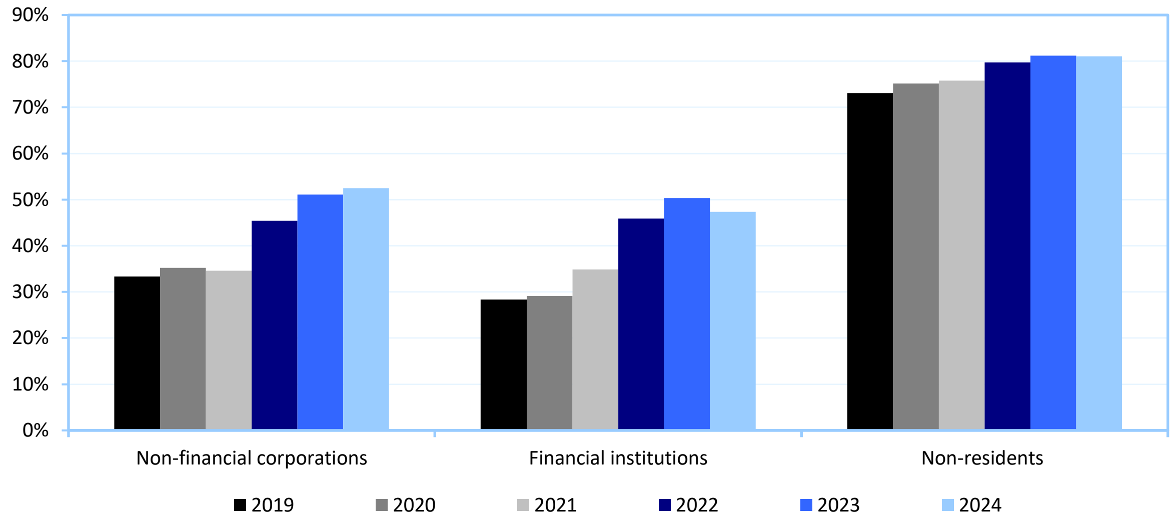
In terms of absolute changes in the individual sectors, the year-on-year increase in loans to households was dominant (by CZK 132.8 billion), but their highest year-on-year increase so far in 2021 has not been surpassed. It was households that also showed the highest year-on-year growth in loan volumes over the whole reporting period since 2019, with the exception of 2023, when the highest increase was registered in case of non-financial corporations.

The share of foreign currency loans in total client loans remained unchanged year on year at 26.9%, despite the fact that this ratio indicator was affected by the depreciation of the Czech koruna against the euro (by about 2%) during 2024, in which most foreign currency loans are denominated.

Non-financial corporations recorded a slight year-on-year increase in the share of foreign currency loans (by 1.3 pp to 52.5%), which was, however, largely influenced by the impact of the depreciating domestic currency on the volume of foreign currency loans in koruna terms. By contrast, the share in case of non-residents (81.0%) remained virtually unchanged and in the case of financial institutions it even declined (by 3.0 pp to 47.4%). Overall, there was a substantial deceleration of the previous growth in the foreign currency loans ratio observed in 2022 and 2023, when the demand for foreign currency financing had been driven by the effect of the significant positive interest rate differential between the CNB's monetary policy rates and, in particular, the ECB rates. During 2024 the differential narrowed due to earlier and faster CNB rate cuts. On the contrary, households maintained a negligible share of foreign currency loans in the long term and also in 2024, which, despite a slight increase by 0.2 pp over the reporting period, amounted to only 0.4% and remained essentially unchanged year on year.

During the reporting period since the end of 2019, the share of the most sizeable category of foreign currency loans, i.e. loans to non-financial corporations increased by 19.1 pp, while the share of foreign currency loans granted to financial institutions increased almost by the same extent, by 19.0 pp over the reporting period.

Graph 5.6: Share of foreign currency loans to selected client sectors



Source: CNB - ARAD, MoF calculations

5.6 Mortgage Market

Mortgage market activity increased significantly year on year in 2024, with the total number of newly[21] granted mortgage loans rising by 22.2% to 225.4 thousand and the volume by 38.7% to CZK 882.5 billion (Table 5.7).

The segment of newly granted mortgage loans for residential housing recorded higher year-on-year growth in both number (of 24.3%) and volume (of 54.1%). The number of concluded contracts, 195.7 thousand, corresponded to the average for the reporting period, whereas the volume of CZK 519.6 billion exceeded the average annual production during the reporting period by approximately 15%. The higher growth was related to rising demand in an environment of falling interest rates reflecting a decline in the CNB's monetary policy

21 Newly granted mortgage loans are purely new (i.e. new to the economy incl. increases), refinanced loans (by another lending institution) and other lending arrangements (in particular interest rate refixations).

rates and subdued inflation pressures, which had a positive impact on real wages and the borrowing capacity of households. Refixations of mortgages granted in previous years played an important role as well. Loans for non-residential property and other purposes also recorded significant growth both in the number (of 10.0%) and volume (of 21.3%). The number of CZK 29.8 thousand and the volume of CZK 362.9 billion were the second highest values recorded during the reporting period. Due to the stronger dynamics of loans for residential housing, the share of loans for non-residential property and other purposes in the total volume of newly granted mortgage loans decreased by 5.9 pp year on year to 41.1%, but this share was still 1.7 pp above the average for the reporting period.

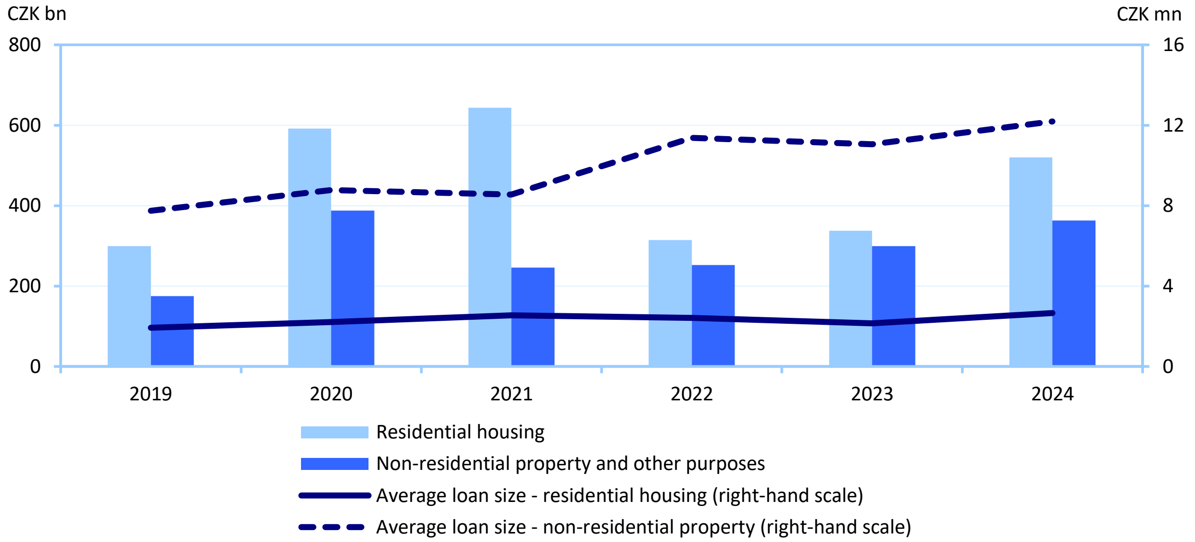
Table 5.7: Newly granted mortgage loans by manner of acquisition

	As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change	
								Abs.	(%)
Residential housing	number (000's)	155.7	268.5	253.3	130.5	157.4	195.7	38.3	24.3
	volume (CZK bn)	299.6	591.4	643.8	314.4	337.1	519.6	182.5	54.1
	share on volume (%)	63.2	60.4	72.3	55.5	53.0	58.9	5.9	11.1
	number (%)	87.3	85.9	89.8	85.5	85.3	86.8	1.5	1.7
	average volume (CZK mn)	1.9	2.2	2.5	2.4	2.1	2.7	0.5	24.0
Non-residential property and other purposes	number (000's)	22.6	44.2	28.8	22.1	27.1	29.8	2.7	10.0
	volume (CZK bn)	174.8	387.7	246.2	252.0	299.2	362.9	63.7	21.3
	share on volume (%)	36.8	39.6	27.7	44.5	47.0	41.1	-5.9	-12.5
	number (%)	12.7	14.1	10.2	14.5	14.7	13.2	-1.5	-10.0
	average volume (CZK mn)	7.7	8.8	8.6	11.4	11.1	12.2	1.1	10.3
Total	number (000's)	178.2	312.7	282.1	152.6	184.4	225.4	41.0	22.2
	volume (CZK bn)	474.4	979.1	890.0	566.4	636.3	882.5	246.2	38.7

Source: CNB – ARAD, MoF calculations

The recovery of the mortgage market was accompanied by an increase in the average amount of a newly granted mortgage loan. The amount of a loan for residential housing rose by almost a quarter year on year to CZK 2.7 million, the highest value in the reporting period. The average amount of a newly granted mortgage loan for non-residential property reached CZK 12.2 million, also the highest value since 2019 (Graph 5.7).

Graph 5.7: Newly granted mortgage loans by manner of acquisition



Source: CNB – ARAD, MoF calculations

Defining mortgage loans for residential housing more narrowly as loans granted to the private individuals[22], a significant increase was observed in both purely new mortgage loans and refinanced loans (Table 5.8).

[22] A household sub-sector (i.e. employees, property income beneficiaries, pension recipients, and recipients of other transfers) excluding sole traders and homeowners' associations.

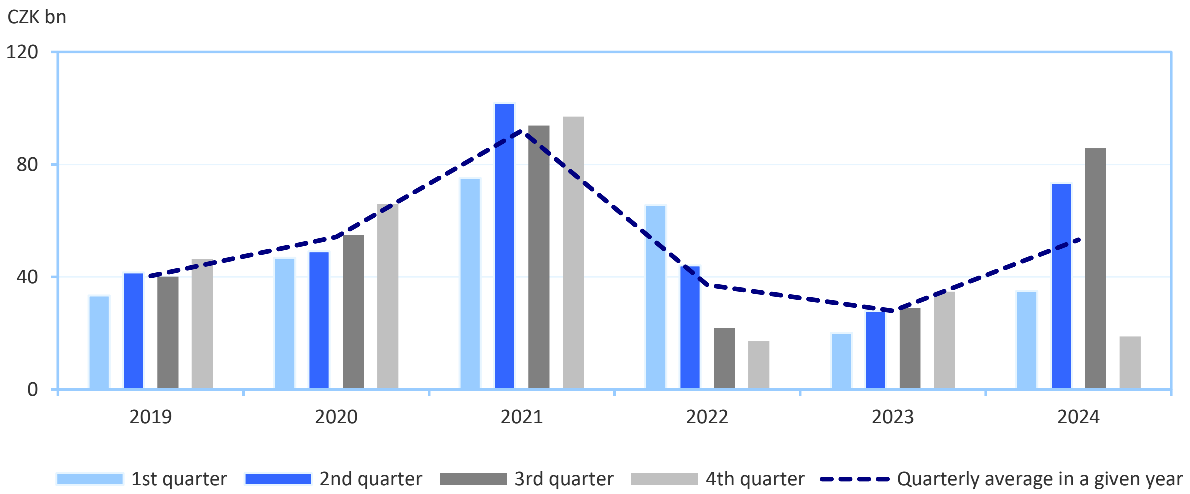
The volume of purely new mortgage loans rose significantly by 90.5% to CZK 212.7 billion. This development reflected a decline in mortgage interest rates, continued limited supply and reduced affordability of housing, while the overvaluation of housing prices remained at elevated levels during 2024.[23] The highest production was achieved in Q3 (Graph 5.8), likely also due to frontloading before the amendment to the Consumer Credit Act came into effect.[24]

Table 5.8: Newly granted mortgage loans (ML) to private individuals for residential housing

As at 31 Dec		2019	2020	2021	2022	2023	2024	Year-on-year change	
								Abs.	(%)
Newly granted ML (CZK bn)	Purely new ML	161.5	216.8	367.9	148.7	111.7	212.7	101.0	90,5
	Refinancing	29.2	49.3	91.4	23.2	18.3	33.7	15.3	83,7
	Other amendments	83.8	237.4	151.9	116.0	174.1	226.8	52.7	30,3
Share on total (%)	Purely new ML	58.8	43.1	60.2	51.7	36.7	45.0	8.2	22,4
	Refinancing	10.6	9.8	15.0	8.0	6.0	7.1	1.1	18,1
	Other amendments	30.5	47.1	24.9	40.3	57.2	47.9	-9.3	-16,3
Total newly granted ML (CZK bn)		274.5	503.6	611.2	287.8	304.1	473.2	169.1	55.6

Source: CNB – ARAD, MoF calculations

Graph 5.8: Purely new mortgage loans to private individuals for residential housing



Source: CNB – ARAD, MoF calculations

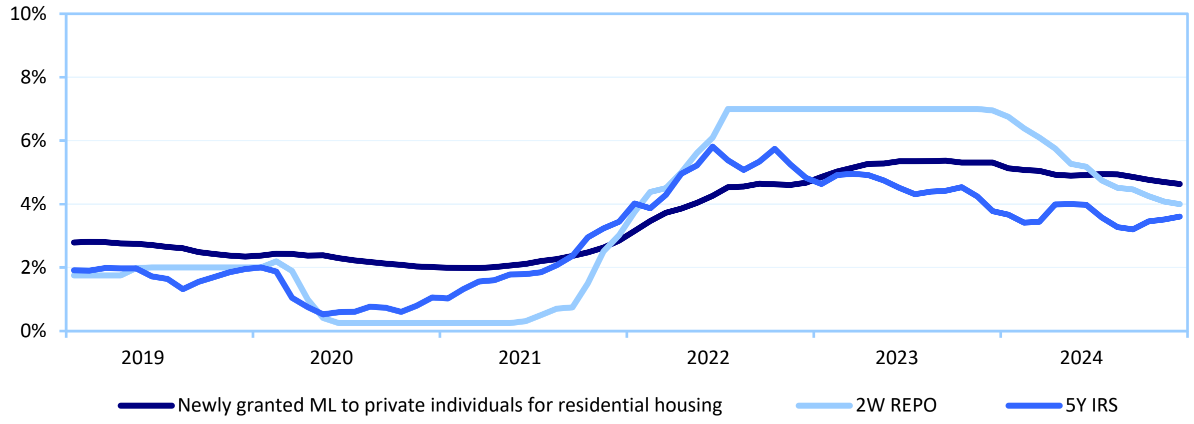
The volume of refinanced loans increased by 83.7% year on year to CZK 33.7 billion (Table 5.7), although it remained about one-fifth lower than the average for the reporting period. Other lending arrangements rose by 30.3% to CZK 226.8 billion, from an already strong base in 2023. Only in 2020 this category reached a higher level, which was primarily influenced by so-called credit moratoria (deferred repayment arrangements) during the COVID-19 pandemic. However, in 2024, as in 2023, refixations of mortgage loans granted in previous years were strongly reflected in other lending arrangements. This category thus accounted for almost half (47.9%) of the volume of newly granted mortgage loans to the private individuals for residential housing (Table 5.7).

During 2024, the average monthly interest rate on newly granted mortgage loans to the private individuals for residential housing fell from 5.1% p.a. in January to 4.6% p.a. in December (Graph 5.9). Since July, it fluctuated above the monthly average of the CNB's key monetary policy rate (i.e. the 2W repo rate).

[23] According to the CNB, the rate of overvaluation of housing prices in the Czech Republic was 60% in 2024.

[24] The conclusion of a mortgage contract before 1 September 2024, i.e. before the amendment to the Consumer Credit Act came into force, due to the modification of the rules on early repayment. Since then the rules allow the lender to take into account in the early repayment fee calculation not only the administrative costs but also a part of its interest loss if it arises as a result of a decrease in market borrowing rates compared to the contractual rate.

Graph 5.9: Selected average monthly interest rates incl. rates of newly granted mortgage loans (ML)



Source: CNB – ARAD, MoF calculations

In 2024, the structure of newly granted mortgage loans by interest rate fixation period was influenced, on the one hand, by continued elevated interest rates on mortgage loans and expectations of their future decline, and on the other hand, by a significant share of refixations of mortgage loans granted in previous years. The volume of the category of fixations of up to 1 year increased again year on year, this time by about one third to CZK 356.1 billion (Table 5.9) and accounted for 40.3% of newly granted loans, which was the second highest share of this category in the portfolio of new loans in the reporting period. The volume of fixations over 1 year to 5 years rose by 57.4% to CZK 462.9 billion. This category thus accounted for the largest share (52.5%) of the newly granted volume, up by 6.2 pp year on year. Longer-term fixations of more than 5 years fell for the third year in a row, this time by 15.4% to CZK 63.5 billion, with their 7.2% share of newly granted loans being the lowest in the reporting period. In terms of the total volume of outstanding mortgage loans, the category of fixations over one year and up to five years strengthened its dominance by 3.1 pp to 41.2%.

Table 5.9: Mortgage loans (ML) by period of interest rate fixation

As at 31 Dec (CZK bn)		2019	2020	2021	2022	2023	2024	Year-on-year change	
								Abs.	%
Newly granted ML	floating/fixed up to 1 year	133.7	320.9	192.4	194.8	263.3	356.1	92.8	35.2
	over 1 and up to 5 years	164.7	307.5	358.9	210.0	294.0	462.9	168.8	57.4
	over 5 and up to 10 years	150.3	316.9	327.7	150.7	74.2	59.8	-14.5	-19.5
	over 10 years	25.6	33.8	10.9	10.9	4.7	3.8	-1.0	-20.3
	Total	474.4	979.1	890.0	566.4	636.3	882.5	246.2	38.7
Total unpaid principal	floating/fixed up to 1 year	466.6	520.3	506.7	527.2	625.7	725.9	100.1	16.0
	over 1 and up to 5 years	871.4	821.6	891.0	916.8	1,029.2	1,176.4	147.2	14.3
	over 5 and up to 10 years	549.9	741.9	899.0	980.4	959.6	870.7	-88.9	-9.3
	over 10 years	98.2	100.3	93.3	85.3	83.5	80.8	-2.7	-3.2
	Total	1,986.1	2,184.1	2,390.0	2,509.7	2,698.1	2,853.9	155.8	5.8

Source: CNB – ARAD, MoF calculations

The total number of outstanding mortgage loans, slightly exceeding 1 million contracts (Table 5.10), remained stable for the third year in a row, at the average value for the reporting period. The total loan volume continued its long-term growth, but its year on year increase slowed down by 1.7 pp to 5.8%. The slower growth was due to an increase in the growth rate of loans for residential housing (of 0.9 pp to 4.9%), and at the same time a decrease in the growth rate of non-residential mortgage loans (of 7.1 pp to 7.4%). Since the end of 2019, the total outstanding amount of mortgage loans for residential housing thus increased by 40.1% to CZK 1.8 trillion, and outstanding amount of loans for non-residential property and other purposes by 50.6% to CZK 1.0 trillion. During the reporting period since 2019, the total volume of mortgage loans increased substantially by 43.7% to

CZK 2.9 trillion, which strengthened its importance in the banking sector assets.[25] Mortgage loans for residential housing remained the dominant segment, both in number and volume. However, since the end of 2019, its share in the total number of loans declined by 1.1 pp to 86.7% and its share in the total outstanding volume decreased by 1.7 pp to 63.9% in favour of the segment of mortgage loans for non-residential loans and other purposes

Table 5.10: Mortgage loans by manner of acquisition

As at 31.12.		2019	2020	2021	2022	2023	2024	Year-on-year change	
								Abs.	(%)
Residential housing	number (000's)	920.8	956.6	979.5	942.1	932.2	930.6	-1.6	-0.2
	volume (CZK bn)	1,301.1	1,413.3	1,589.2	1,670.7	1,737.4	1,822.3	84.9	4.9
	share on volume (%)	65.5	64.7	66.5	66.6	64.4	63.9	-0.5	-0.8
	number (%)	87.8	87.4	87.3	87.1	86.7	86.7	-0.1	-0.1
Non-residential property and other purposes	number (000's)	128.5	137.3	142.7	139.5	142.6	143.2	0.6	0.5
	volume (CZK bn)	685.0	770.8	800.9	839.0	960.7	1,031.5	70.9	7.4
	share on volume (%)	34.5	35.3	33.5	33.4	35.6	36.1	0.5	1.5
	number (%)	12.2	12.6	12.7	12.9	13.3	13.3	0.1	0.5
Total	number (000's)	1,049.3	1,093.9	1,122.2	1,081.6	1,074.8	1,073.8	-0.9	-0.1
	volume (CZK bn)	1,986.1	2,184.1	2,390.0	2,509.7	2,698.1	2,853.9	155.8	5.8

Source: CNB – ARAD, MoF calculations

The volume of non-performing mortgage loans increased by 6.4% to CZK 33.1 billion, growing slightly faster than the total outstanding amount. However, the volume of non-performing loans in the dominant segment of mortgage loans for residential housing increased at a significantly slower pace, by 2.8% to CZK 10.3 billion. The share of non-performing mortgage loans in total mortgage loans (i.e. residential and non-residential) thus remained unchanged year on year, maintaining the lowest level (1.2%) in the reporting period. The share of non-performing loans in the dominant segment of mortgage loans granted to the private individuals for residential housing also reached its lowest level (0.6%) for the third consecutive year (Table 5.11).

Table 5.11: Mortgage loans (ML) by categorisation

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Total outstanding ML	1,986.1	2,184.1	2,390.0	2,509.7	2,698.1	2,853.9	155.8	5.8
of which to private individuals for residential housing	1,236.3	1,342.9	1,507.2	1,579.5	1,641.9	1,721.6	79.7	4.9
Total non-performing ML	33.6	44.0	41.5	35.5	31.1	33.1	2.0	6.4
of which to private individuals for residential housing	11.4	11.9	11.1	9.0	10.0	10.3	0.3	2.8
Share of non-performing ML (%)	1.7	2.0	1.7	1.4	1.2	1.2	0.0	0.6
of which to private individuals for residential housing	0.9	0.9	0.7	0.6	0.6	0.6	0.0	-1.9

Source: CNB – ARAD, MoF calculations

5.7 Building Savings Banks

Building savings banks recorded a decrease in the number of newly concluded building savings contracts for the second year in a row (Table 5.12), with a year-on-year decrease of 6.1% in 2024 being lower than that in the previous year. The number of newly concluded contracts reached 354,8 thousand, which was the lowest in the reporting period since 2019. These developments reflected, on the one hand, a change in the level of the state

[25] Mortgage loans accounted for 62.2% of client bank loans in 2024, an increase of 4.6 pp over the period under review.

contribution[26] and, on the other hand, an environment of falling interest rates, where the attractiveness of alternative savings products was weakened and lending activity recovered. The average target value of newly concluded contracts decreased by about CZK 30 thousand year on year to CZK 843,4 thousand, the second highest value in the reporting period. The number of newly increased contracts[27] fell down by 4.7% to 97.9 thousand and the amount of the average increase declined by 16.4% to CZK 112.0 thousand.

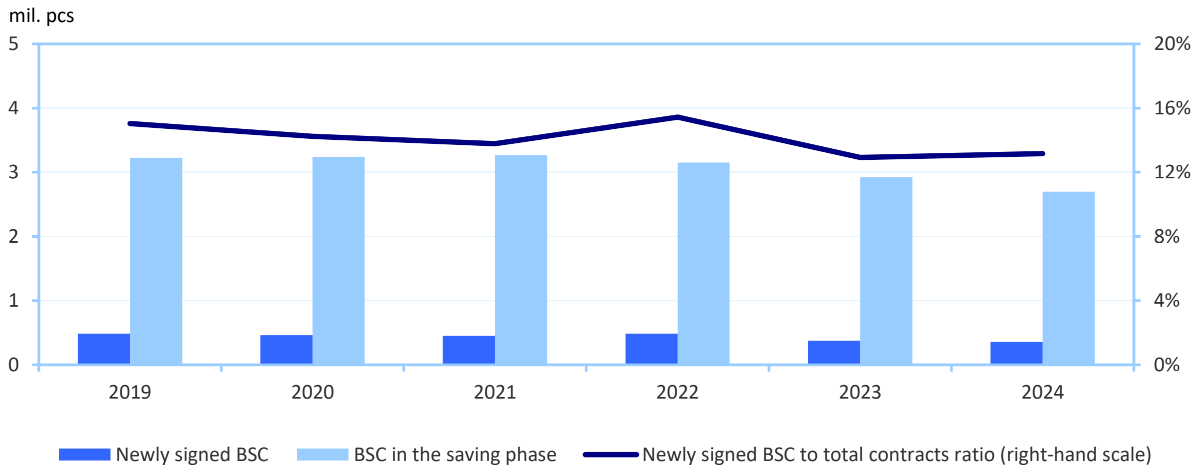
Table 5.12: Main indicators of building savings bank sector – savings

As at 31.12.	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Newly concluded contracts (thousands)	485.2	461.9	449.9	486.5	377.9	354.8	-23.1	-6.1
Average target value (CZK thousands)[28]	430.5	455.9	808.7	629.1	873.3	843.4	-29.9	-3.4
Newly increased contracts (thousands)	60.3	57.8	70.5	85.7	102.7	97.9	-4.9	-4.7
Average increase (CZK thousands)[28]	333.0	271.4	170.0	156.7	134.0	112.0	-21.9	-16.4
Contracts in the saving phase (thousands)	3,226.7	3,242.7	3,265.8	3,152.0	2,923.8	2,696.5	-227.3	-7.8
Savings (CZK bn)	359.7	362.7	366.3	334.7	313.4	298.5	-14.9	-4.8
Average saved amount (CZK thousands)	111.5	111.8	112.1	106.2	107.2	110.7	3.5	3.3
Share of household savings in the building savings banks on total household savings (%)	13.4	12.0	11.4	10.0	8.7	7.8	-1.0	-11.0
State contributions paid (CZK bn)	4.0	4.1	4.2	4.3	4.2	3.8	-0.4	-9.0

Source: Building savings banks, MoF, CNB – ARAD, MoF calculations

The total number of contracts in the savings phase fell for the third time in a row in 2024, by 7.8% to 2.7 million contracts (Table 5.12 and Graph 5.10), the lowest figure in the last 25 years. The share of terminations in the total number of contracts was thus higher than the share of newly concluded contracts, which increased slightly by 0.2 pp year on year to 13.2%, but was still at its second lowest value in the reporting period.

Graph 5.10: Number of building savings contracts (BSC)



Source: Building savings banks, MoF, MoF calculations

[26] Since 1 January 2024 the state contribution is 5% of the annual saved amount with a maximum of CZK 1,000.

[27] A building savings contract is concluded for a specific target amount, which is the sum of deposits and state contribution (including interest) and the building savings loan. By increasing the target amount, the contract is adapted, in particular, to the financing needs when applying for a building savings loan.

[28] Private individuals.

In connection with a decline in the number of contracts, the volume of total savings decreased year on year (Table 5.12), falling by 4.8% to CZK 298.5 billion. This was the lowest amount of savings since 2004. However, the decrease in the number of contracts in the savings phase was more pronounced, increasing the average saved amount by CZK 3.5 thousand to CZK 110,7 thousand. The share of households' deposits with building savings banks in their total deposits with credit institutions has been steadily decreasing since 2019, further falling by 1.0 pp year on year to 7.8% in 2024. The state paid out CZK 3.8 billion in direct state contribution in 2024, which was by 9.0% less than in the previous year. This amount did not significantly reflect the reduction of the maximum amount of the state contribution applicable from January 2024, as it was mainly paid out for claims that originated before that date.

By contrast, the lending activity increased significantly in 2024, with the volume of new loans increasing by 44.7% to CZK 48.2 billion (Table 5.13). However, the strong year-on-year growth was also due to a low benchmark in 2023, influenced by an environment of higher interest rates and generally lower demand for loans for house purchase. The number of new loans increased at a lower growth rate by 8.0% to 47.5 thousand. The average amount of a new loan thus increased by 34.0% to CZK 1,014.7 thousand. Of the new loans, bridging loans accounted for 96.6% of the volume, up by 4.9 pp year on year, but by 0.8 pp below the average for the reporting period. Around 60% of these loans were secured by real estate.

Despite a recovery in the new loan production of building savings banks, the growth rate of the total volume of loans slowed for the third year in a row after falling by 0.7 pp year on year to 1.2%. Nevertheless, the total volume of loans reached the highest level in the reporting period, i.e. CZK 352.2 billion. The average amount of outstanding loans was also the highest, rising by 4.4% year on year to CZK 786.8 thousand. Of the total loans, bridging loans accounted for 61.0%, the smallest share in the reporting period and by 21.7 pp less than at the end of 2019. The ratio of loans to client savings continued to increase during the reporting period, reaching 118.0% at the end of 2024.

Table 5.13: Main indicators of building savings bank sector – loans

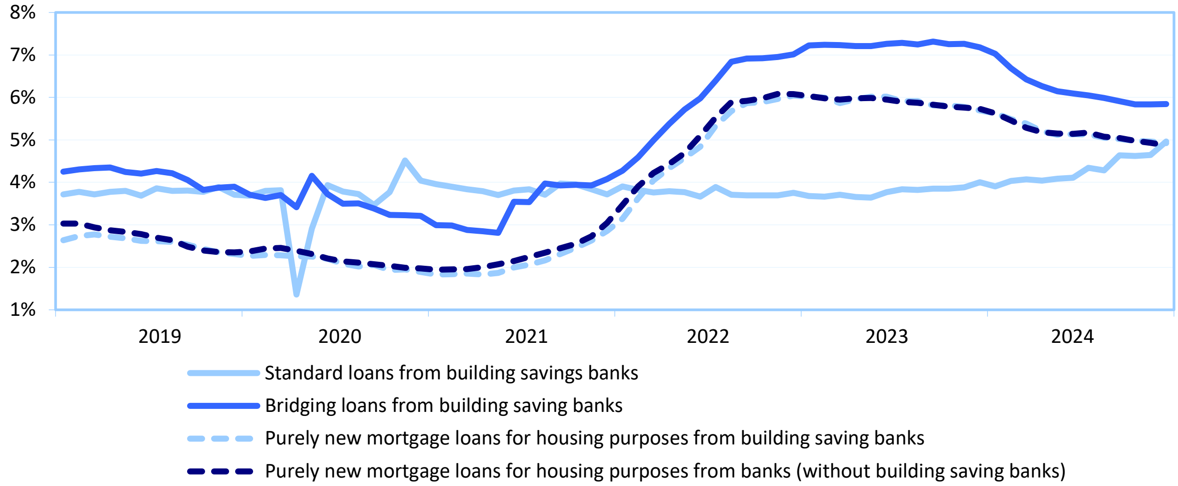
As at 31 Dec		2019	2020	2021	2022	2023	2024	Year-on-year change	
								Abs.	(%)
New loans	volume (CZK bn)	47.8	65.4	109.8	53.4	33.3	48.2	14.9	44.7
	contracts (000's)	54.3	55.0	68.2	51.5	44.0	47.5	3.5	8.0
	average (CZK thousands)	879.5	1,188.5	1,611.0	1,037.3	757.2	1,014.7	257.5	34.0
Total loans	volume (CZK bn)	278.1	293.5	319.3	342.0	348.1	352.2	4.0	1.2
	contracts (000's)	555.4	520.3	490.7	475.9	462.1	447.6	-14.5	-3.1
	average (CZK thousands)	500.8	564.0	650.7	718.5	753.4	786.8	33.4	4.4
Loans-to-savings ratio (%)		77.3	80.9	87.2	102.2	111.1	118.0	6.9	6.2

Source: Building savings banks, MoF, MoF calculations

In an environment of falling interest rates, interest rates on bridging loans declined gradually during 2024 from an initial 7.0% p.a. to 5.8% p.a. (Graph 5.11). Similarly interest rates on loans for housing purposes secured by real estate[29] decreased from 5.6% p.a. in January to 4.9% p.a. in December. These rates kept to levels similar to the average interest rates on mortgage loans for housing purposes from commercial banks. Interest rates on standard loans from building savings banks increased gradually from 3.9% p.a. in January to 5.0% p.a. in December.

[29] Loans from building savings banks (standard and bridging) are special-purpose loans (for housing purposes) and can be secured by real estate, e. g. mortgage loans.

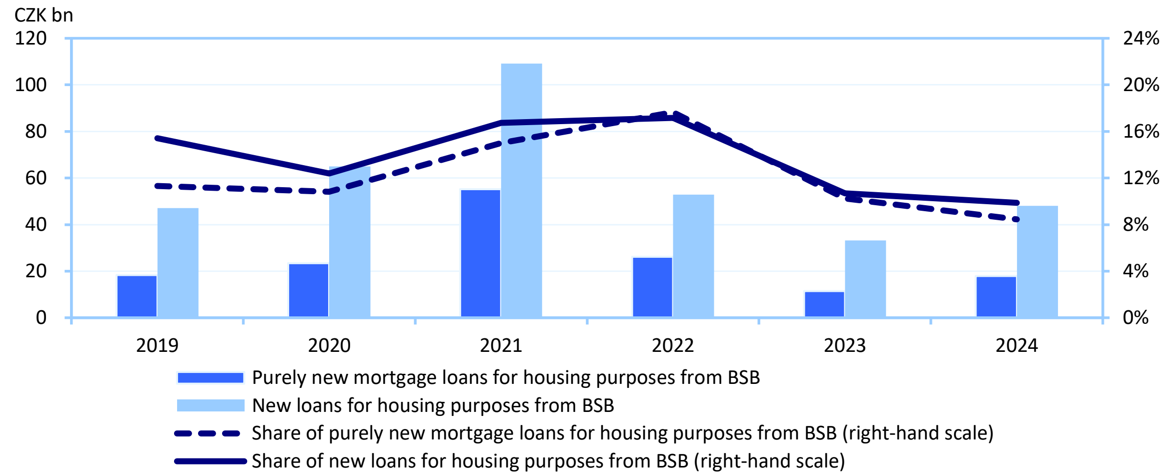
Graph 5.11: Interest rates of new loans for housing purposes from banks and building saving banks



Source: CNB – ARAD

The market share of building savings banks in new loans for housing purposes decreased for the second time in a row in 2024, though less markedly (by 0.8 pp) than in 2023. The achieved share of 9.9% was the lowest in the reporting period (Graph 5.12). As regards purely new mortgage loans for housing purposes, the share of building savings banks declined again year on year to 8.4%, the lowest level in the reporting period, compared with 17.6% in 2022, the highest level since 2014[30].

Graph 5.12: Market shares of building savings banks (BSB)



Source: Building savings banks, MoF, CNB – ARAD, MoF calculations

More detailed information about the building savings bank sector is published quarterly on the MoF's website at www.mfcr.cz/cs/financni-trh (refer also to Table A2.2 in Appendix 2).

5.8 Credit Unions

The total assets of the credit union sector decreased by CZK 0.7 billion to CZK 9.4 billion in 2024 after a two year growth (Table 5.14), returning to its 2022 level. Credit unions continued to account for only 0.1% of the assets of all credit institutions at the end of 2024 , as was the case throughout the entire reporting period since 2019. In 2024, the volume of loans granted to credit union members decreased by CZK 0.4 billion year on year to CZK 3.9 billion, while the volume of deposits of members fell even more significantly by CZK 1.3 billion to CZK 6.5 billion. In the case of both loans and deposits, these were their lowest levels in the reporting period. Given the higher year-on-year rate of decline in deposits than in loans, the deposit-to-loan ratio fell by 13.6 pp year on year to 166.4%, its second lowest level in the reporting period.

30 Beginning of the data time series availability.

Table 5.14: Selected indicators of the credit union sector

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Total assets (CZK bn)	10.2	10.0	9.1	9.4	10.0	9.4	-0.7	-6.6
Loans granted to members (CZK bn)	4.5	4.4	4.3	4.8	4.4	3.9	-0.4	-9.9
Deposits of members (CZK bn)	8.1	8.1	7.2	7.5	7.8	6.5	-1.3	-16.7
Deposit-to-loan ratio (%)	179.0	183.9	169.0	155.0	179.9	166.4	-13.6	-7.5
Non-performing loans ratio (%)[31]	24.1	28.9	26.1	25.6	27.1	22.3	-4.8	-17.6
Total capital ratio (%)	29.2	26.7	24.5	24.8	28.4	29.2	0.8	2.8
Profit or (-) loss before tax (CZK mn)	-30.3	-109.6	45.8	99.7	100.9	113.1	12.1	12.0
Return on Tier 1 capital (%)	-1.7	-6.5	2.4	4.9	4.1	5.3	1.2	28.9
Number of members (000's)	12.2	12.0	11.4	11.8	12.2	11.1	-1.1	-8.8

Source: CNB – ARAD, MoF calculations

In terms of selected ratios that may indicate the financial situation and resilience of the credit union sector, there was a significant year-on-year decline in the share of non-performing loans by 4.8 pp to 22.3%, with a decrease in the share of non-performing loans to both households and non-financial corporations. Although this was the lowest share of non-performing loans in the credit union sector in the reporting period, it was still significantly higher than the value of this indicator in the banking sector (see Chapter 5.2). The total capital ratio increased by 0.8 pp to 29.2% in 2024, reaching the same level as in 2019, which was the highest in the reporting period. Given the reduction in the sector's total risk exposure and lower total capital requirements, the amount of credit unions' capital surplus also increased year over year.

The credit union sector achieved a profit before tax for the fourth year in a row in 2024, which moreover continued its upward trend. Both the profit of CZK 113.1 million and the return on Tier 1 capital were the highest in the reporting period. However, the increase in profit was mainly due to higher year-on-year gains from exchange rate differences and lower impairment losses on financial assets. Both net interest income and net fee and commission income decreased year on year.

In connection with the transformation of credit unions into banks and the voluntary entry of some credit unions into liquidation, the number of credit union members declined gradually year on year from 2017 until 2022, when membership grew year on year for the first time, and this growth continued in 2023.[32] However, in 2024, alongside a significant reduction in deposits and loans, the number of credit union members fell significantly to 11.1 thousand, the lowest level in the reporting period.

5.9 Non-Bank Financing Providers

Non-bank financing providers offer an option for obtaining debt financing, alternative to traditional credit institutions.[33] The sector's total assets continued to grow for the fourth consecutive year, rising by 6.5% year on year to CZK 514.8 billion (Table 5.15), surpassing the record level of 2023. Still it remained below 5% of the banking sector's total assets,[34] and this ratio slightly decreased year on year (by 0.02 pp) to 4.8%, the lowest value since 2005[35].

The sector is divided into three sub-segments: financial leasing companies, other lending companies, and factoring and forfaiting companies. The shares of these segments in the sector's total assets have remained

[31] The ratio of non-performing loans is relative to the total exposure of loans other than those held for trading, measured by gross book value, excluding exposures to the central bank. Loans granted to members, expressed in the table in CZK billions, are presented at their net book value, i.e. at their value adjusted for provisions and accumulated depreciation.

[32] The decline in the number of credit union members in 2020 and 2021 was partly influenced by the voluntary entry of Družstevní záložna PSD into liquidation in 2020 and the voluntary entry of Československé úvěrní družstvo into liquidation in 2021. The voluntary entry into liquidation of 2 other credit unions in the following years (Družstevní záložní Kredit in 2022 and České spořitelní družstvo in 2024) did not have a significant impact on the changes in the number of members as they were the smallest entities within the sector with very low numbers of members.

[33] They offer products similar to banks (instalment sales, non-purpose credit, revolving products), but also have specific products or distribution models (leasing, peer to peer loans, reverse mortgages, and various forms of online short-term borrowings).

[34] The banking sector's assets at the end of 2024 stood at CZK 10.6 trillion.

[35] Beginning of the data time series availability.

stable over the long term, with financial leasing companies being the dominant segment. This segment recorded a year-on-year increase in assets by 6.4% to CZK 402.4 billion, and its share in the sector's total assets remained stable at 78%. The share of other lending companies also stabilised at 14.7%, as their assets increased (by 6.3%) to CZK 75.4 billion. The assets of factoring and forfaiting companies increased by 8.4% to CZK 37.0 billion, and this segment maintained its approximately 7% share in the sector's total assets.

Table 5.15: Structure of assets by segments in the non-bank financing provider sector

As at 31 Dec		2019	2020	2021	2022	2023	2024	Year-on-year change	
								Abs.	(%)
Assets (CZK bn)	Financial leasing companies	345.3	327.9	323.4	339.7	378.1	402.4	24.3	6.4
	Other lending companies	66.7	66.7	66.4	68.4	71.0	75.4	4.5	6.3
	Factoring and forfaiting companies	25.9	24.7	31.0	32.9	34.1	37.0	2.9	8.4
Share of sector's assets (%)	Financial leasing companies	78.8	78.2	76.9	77.0	78.3	78.2	-0.1	-0.1
	Other lending companies	15.2	15.9	15.8	15.5	14.7	14.7	0.0	-0.2
	Factoring and forfaiting companies	5.9	5.9	7.4	7.5	7.1	7.2	0.1	1.7
Total assets (CZK bn)		437.9	419.3	420.8	440.9	483.1	514.8	31.6	6.5

Source: CNB – ARAD, MoF calculations

The total volume of loans granted by the non-bank sector grew steadily for the fourth consecutive year, and after a year-on-year growth of 7.0% reached CZK 412.4 billion, the highest value since 2005 (Table 5.16). Of this loan volume, the loans from financial leasing companies accounted for CZK 317.6 billion, from other lending companies for CZK 59.9 billion, and from factoring and forfaiting companies for CZK 34.9 billion.

Table 5.16: Structure of loans by segments in the non-bank financing provider sector

As at 31 Dec		2019	2020	2021	2022	2023	2024	Year-on-year change	
								Abs.	(%)
Loans (CZK bn)	Financial leasing companies	254.5	249.7	246.4	266.2	297.4	317.4	20.2	6.8
	Other lending companies	51.1	49.9	49.9	52.2	55.9	59.9	4.0	7.2
	Factoring and forfaiting companies	24.0	22.8	29.0	30.8	32.1	34.9	2.8	8.8
Share of the sector's loans (%)	Financial leasing companies	77.2	77.4	75.7	76.2	77.2	77.0	-0.2	-0.2
	Other lending companies	15.5	15.5	15.3	14.9	14.5	14.5	0.0	0.1
	Factoring and forfaiting companies	7.3	7.1	8.9	8.8	8.3	8.5	0.1	1.7
Total loans granted (CZK bn)		329.6	322.4	325.3	349.1	385.4	412.4	27.0	7.0

Source: CNB – ARAD, MoF calculations

5.10 Household Indebtedness

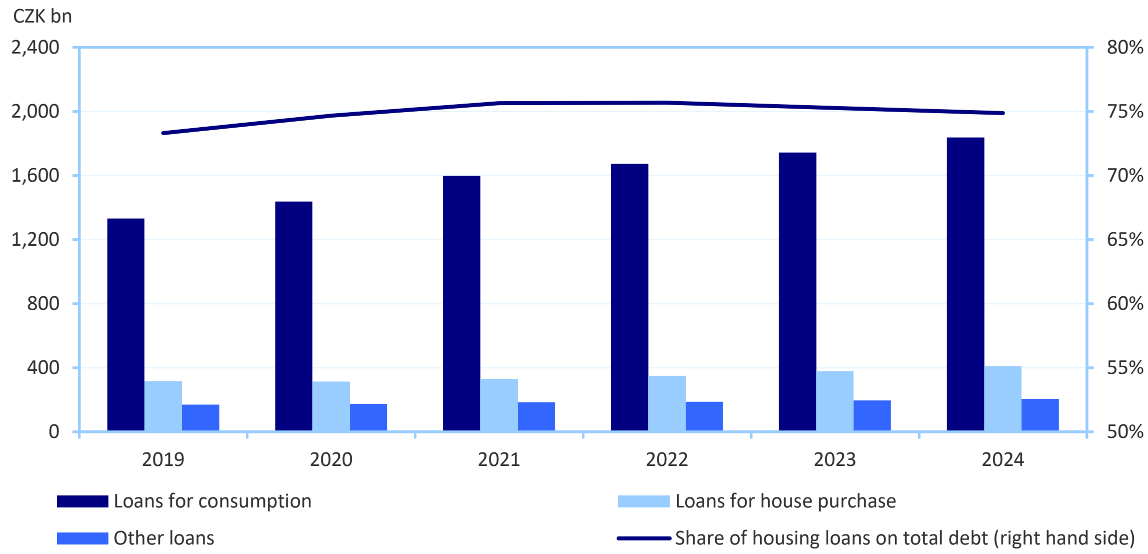
Households have long been a key client sector for banks, accounting for more than half of total bank client loans (Chapter 5.5), and it is therefore appropriate to take a broader look beyond their engagement with the banking sector. Total household debt with banks and non-bank financial institutions increased by CZK 136.1 billion to almost CZK 2.5 trillion (Graph 5.14), i.e. an all-time high. The yeaar-on-year growth rate of total debt (5.9%) increased slightly by 1.1 pp compared to 2023, but was almost in line with the average over the reporting period from 2019.

In terms of the structure of total debt by its purpose, loans for house purchase[36] (CZK 1.8 trillion) have long dominated, followed by loans for consumption (CZK 410.2 billion) and other loans (CZK 206.2 billion), which mainly include loans granted to self-employed persons for business purposes. The year-on-year growth rate of

[36] These data differ from indicators in Chapter 5.6 as they include not only mortgage loans but also all loans provided by building savings banks and some consumer loans. Another reason for the difference in the data is inclusion of loans granted by non-bank financing providers to households (i.e. private individuals, sole traders, associations of apartment owners and non-profit institutions serving households).

housing loans rose by 1.2 pp to 5.3% after two previous years of decline, but this was still lower than the average growth rate over the reporting period (6.6%). The growth rate of loans for consumption (8.8%) increased and was the highest over the reporting period, while the growth rate of other loans (5.1%) also increased. The share of loans for house purchase in total household debt in 2024 fell for the second year in a row over the reporting period, by 0.4 pp year on year to 74.9%.

Graph 5.13: Total household indebtedness



Source: CNB – ARAD, MoF calculations

6 CAPITAL MARKET

6.1 Developments in Global Capital Markets

Several opposing factors influenced developments in the global capital markets in 2024. In particular, the prevailing easing of inflationary pressures and the related expectation of further monetary policy easing by the world's major global central banks had a positive impact on equity indices' growth (see Chapter 1). Optimism about the growing importance and application of modern technology in the economy, particularly the so-called artificial intelligence, also had a positive effect. Conversely, geopolitical risks and the uncertainty about the pace and persistence of the disinflation had the opposite effect. Consequently, most of the equity indices monitored showed year-on-year growth (Table 6.1), marking a continuation of the trend from 2023, i.e. a recovery after the 2022 decline due to the anti-inflationary monetary policy tightening and the acute energy crisis manifestations. The MSCI ACWI Global Index rose by 17.0% in 2024, driven, as in 2023, primarily by the growth of the main US equity index, the S&P 500 (up 23.3%), supported by favourable stock price development of the technology companies included in it.

The growth rate of the main index of the euro area, the Euro Stoxx 50 (8.3%), was less than half that of the US, as it was negatively influenced by, among other things, uncertainty in the development of some industrial sectors, positive investor sentiment towards US technology equities and a possible weakening of the growth dynamics of the Chinese economy with an impact on the export activity of the affected European companies. On the other hand, the rise in the share prices of the European banks, supported by the increased net interest rate margins and a largely calm macroeconomic environment, had a positive effect. The German DAX equity index grew at more than twice the rate of growth in the euro area, boosted by companies in the software and defense sectors, as well as in the banking sector.

In China, although the SSE Index showed a 12.7% year-on-year growth after the previous two years of decline, it was lower in global comparison, reflecting to some extent the ongoing structural challenges in the local economy, including uncertainty in the real estate sector. In Japan, by contrast, the Nikkei 225 index recorded a lower year-on-year growth rate, gaining 19.2%, with the overall return from the perspective of foreign investors being dampened by the continued depreciation of the Japanese yen. In the UK, the main FTSE 100 index again posted the lowest growth rate among the major developed markets, rising at 5.7%. The implications of Brexit for the London financial market and the continued global dominance of US equity markets thus contributed to the underperformance of this index relative to other markets monitored.

Table 6.1: Annual performance of selected equity indices

As at 31 Dec (%)	Index	2019	2020	2021	2022	2023	2024
World	MSCI ACWI	25.2	14.1	20.1	-19.5	21.8	17.0
USA	S&P 500	28.9	16.3	26.9	-19.4	24.2	23.3
China	SSE Index	22.3	13.9	4.8	-15.1	-3.7	12.7
Japan	Nikkei 225	18.2	16.0	4.9	-9.4	28.2	19.2
United Kingdom	FTSE 100	12.1	-14.3	14.3	0.9	3.8	5.7
Euro area	**Euro Stoxx 50**	**24.8**	**-5.1**	**21.0**	**-11.7**	**19.2**	**8.3**
Germany	DAX	25.5	3.5	15.8	-12.3	20.3	18.8
Poland	WIG	0.2	-1.4	21.5	-17.1	36.5	1.4
Austria	ATX	16.1	-12.8	38.9	-19.0	9.9	6.6
Czech Republic	**PX**	**13.1**	**-7.9**	**38.8**	**-15.7**	**17.7**	**24.5**
Hungary	BUX	17.7	-8.6	20.5	-13.7	38.4	30.9
Slovakia	SAX	5.6	-1.7	15.1	-15.8	-6.4	-5.8

Source: Market organisers, MoF calculations

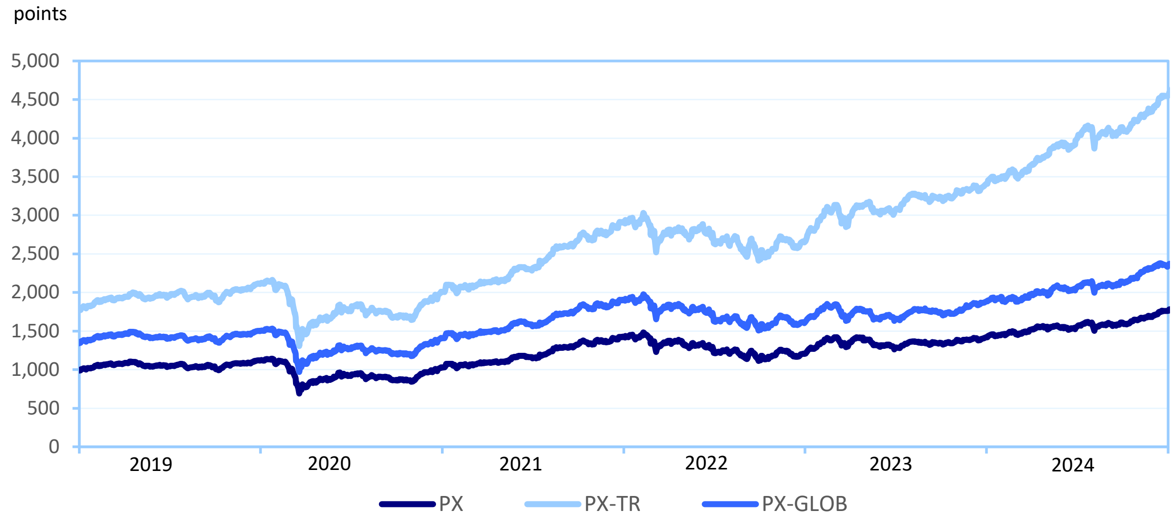
Note: The figures show year-on-year changes in the closing prices of the given indices.

In the Central European region, Poland saw a correction of the strong growth achieved in 2023, with the value of its equity index virtually unchanged in 2024 (up 1.4%). Hungary reported the highest growth rate among the indices monitored (30.9%), but this was accompanied by a significant depreciation of the domestic currency. For the second year in a row, the stock index in Austria recorded a below-average annual growth rate (6.6%). In a global comparison, the Prague Stock Exchange index showed above-average appreciation (up 24.5%) and also generated a significant dividend yield for investors (Chapter 6.2). The Slovak index was the only one among the monitored indices to decline year on year (by 5.8%), for the third consecutive year. This decline was also related to the relatively low importance of the local stock market, or in other words, the relatively low aggregate capitalisation of traded equities relative to GDP.

6.2 Regulated and OTC Market in the Czech Republic

The main stock index at the Prague Stock Exchange (PSE), the PX index, reported in 2024 the second highest annual growth rate since the end of 2019. It increased by 24.5% to reach 1,760.2 points. Following a decline in 2022, the index thus continued to grow, returning to levels last seen in January 2008. The PX-GLOB index, which includes a broader range of stocks traded on the PSE, increased by 24.4% reaching 2,332.8 points. The PX-TR index outperformed the main PX index as it takes into account other returns (mainly dividend) in addition to capital gains. It grew by 33.8% year on year, reaching 4,544.4 points. During the six-year reporting period (Graph 6.1), the PX index rose by 78.4%, the PX-Glob index by 73.8% and the PX-TR index even by 157.3%.

Graph 6.1: Daily closing values of the PSE indices



Source: PSE

The total capitalisation[37] of the Prague Stock Exchange shares (Table 6.2) increased by 12.4% year on year to CZK 21.0 billion. However, more than 90% of this increase was accounted for by the Free Market segment, which includes mainly foreign equities without active participation of issuers (unsponsored listing) with low trading volume. Therefore, to assess the capitalisation of domestic or more frequently traded shares, it is more appropriate to look at the capitalisation of all the remaining segments, i.e. to exclude the Free Market segment. In the latter case, the capitalization increased by 23.8% to CZK 1.6 trillion due to growth in the capitalization of the dominant Prime segment, which comprises the most important and most liquid shares.

Table 6.2: Market capitalization of PSE market segments

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	Abs.
Free Market	20,804.1	12,370.6	14,307.2	15,545.8	17,390.5	19,397.5	2,006.9	11.5
Prime Market	1,072.9	934.5	1,301.2	983.3	1,205.6	1,508.6	302.9	25.1
Other	177.3	197.6	50.8	56.1	51.6	48.2	-3.4	-6.6
Total	22,054.2	13,502.7	15,659.2	16,585.2	18,647.7	20,954.2	2,306.5	12.4
Total w/o Free Market	1,250.1	1,132.1	1,351.9	1,039.4	1,257.2	1,556.7	299.5	23.8

Source: PSE, MoF calculations

37 Market capitalisation represents the aggregate market value of all shares traded on an exchange or within a given segment of an exchange.

The total trading volume on the PSE (Table 6.3) remained essentially unchanged year on year. However, in terms of structure, the volume of trading in shares declined for the second consecutive year, dropping by 12.6% to CZK 107.9 billion, the lowest level in over 20 years. This year-on-year decline occurred despite the rise in the value of the PX index, i.e. share prices. Thus, the proportion of shares trading in the total trading volume fell significantly by 10.9 pp year on year to 76.5%, while other asset classes registered growth in trading volume at the stock exchange. Corporate bond trading volumes recorded a modest 7.5% growth, continuing for the second year in a row a gradual return to the volumes seen at the beginning of the reporting period in 2019. The aggregate category of other assets showed a sharp year-on-year growth of 171.5%, largely attributable to an increase in exchange trading of qualified investor funds. During the reporting period since 2019, total exchange trading volume increased by 16.6%, driven by growth in the other assets category.

Table 6.3: Total trading volume on the PSE

Annual (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Shares	108.8	125.3	140.5	166.2	123.5	107.9	-15.5	-12.6
Corporate debt securities	11.9	8.5	7.0	6.3	9.3	10.0	0.7	7.5
Other assets[38]	0.3	0.6	7.2	8.5	8.5	23.1	14.6	171.5
Total	120.9	134.4	154.7	180.9	141.3	141.0	-0.2	-0.2

Source: PSE, MoF calculations

The number of registered issues traded on the PSE increased by 18 year on year to 351 (Table 6.4), thus reaching the highest level in the reporting period, to which, with the exception of shares and financial sector bonds, contributed growth across all other asset classes and sectors monitored. The number of structured products showed the highest increase, followed by corporate bonds. The number of government bonds traded also continued its long-term upward trend, thanks to a slight year-on-year increase.

Table 6.4: Number of registered issues on the PSE

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Shares	54	55	55	59	61	61	0	0.0
Debt securities	118	105	110	110	126	130	4	3.2
of which: public sector	21	24	25	28	33	35	2	6.1
corporate sector	63	51	60	61	69	76	7	10.1
financial sector	34	30	25	21	24	19	-5	-20.8
Structured products	84	73	91	95	107	121	14	13.1
Investment funds	33	32	36	34	39	39	0	0.0
Other	3	-	-	-	-	-	-	-
Total	292	265	292	298	333	351	18	5.4

Source: PSE, MoF calculations

Within RM-SYSTÉM, the Czech stock exchange (RM-S) that primarily focuses on retail investors, trading volumes have long been several order of magnitude lower than those on the PSE (Table 6.5). The dominant trading in shares declined for the second consecutive year, at an annual rate (12.3%) comparable to the PSE, bringing the volume to CZK 3.7 billion in 2024. In contrast, bond trading grew by more than two-thirds, but the share of bonds in the total trading volume on RM-S remained marginal compared to equities.

Table 6.5: Trading volume on the RM-S

Annual (CZK mn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Shares	2,183.7	4,557.3	4,823.5	6,417.6	4,237.5	3,716.5	-521.0	-12.3
Debt securities	6.0	0.3	0.5	75.2	34.2	57.9	23.7	69.3
Total	2,189.7	4,557.6	4,824.1	6,492.7	4,271.7	3,774.5	-497.2	-11.6

Source: RM-S, MoF calculations

[38] These include financial sector bonds, structured products (investment certificates and warrants) and investment funds.

The volume of over-the-counter (OTC) trading settled within the Central Securities Depository Prague (CSDP) has long been an order of magnitude higher than the trading volume on the PSE (Table 6.6).[39] Year-on-year growth has been recorded throughout the reporting period, reaching 36.8% in 2024. This resulted in the highest volume of OTC transactions during the reporting period, at CZK 16.2 trillion. In terms of trading volume structure by asset category, 96.1% of the trades were bonds, with 95.6% being government bonds and 0.6% corporate bonds. Shares represented 3.8% of the total trading volume, decreasing by 1.8 pp over the reporting period.

Table 6.6: OTC trading volume within the CSDP

Annual (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Shares	246.1	252.7	593.7	683.2	589.2	618.1	28.9	4.9
Debt securities	4,116.0	4,643.1	8,527.7	9,691.6	11,254.8	15,577.3	4,322.5	38.4
Other	3.2	1.9	3.7	14.5	2.3	9.3	7.0	305.0
Total	4,365.3	4,897.7	9,125.1	10,389.4	11,846.3	16,204.7	4,358.4	36.8

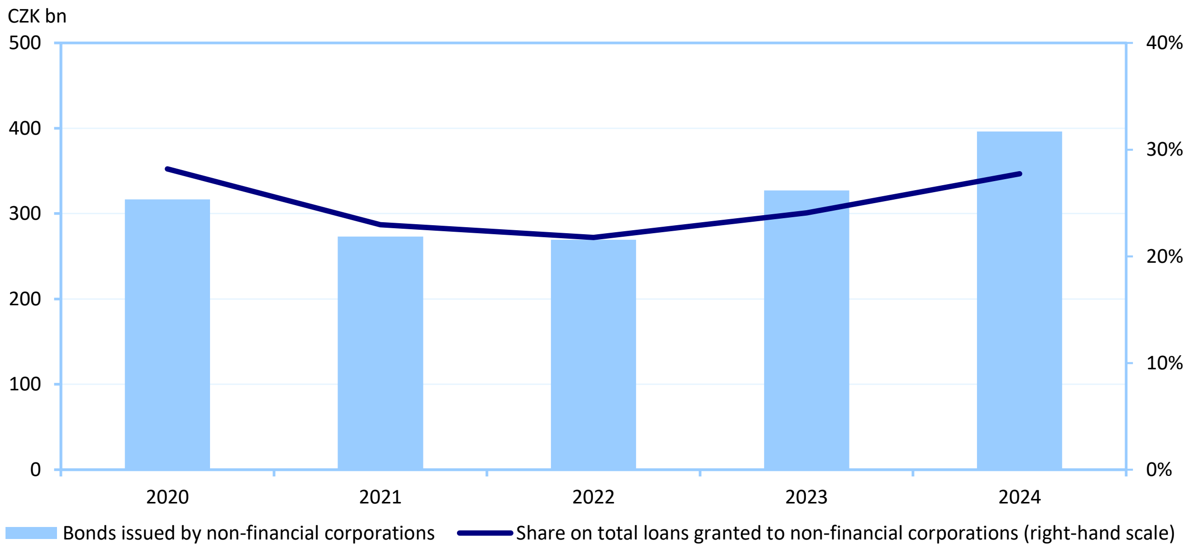
Source: CSDP, MoF calculations

6.3 Bond Financing of Non-Financial Corporations

Bonds are an additional source of financing for non-financial corporations, i.e. companies whose primary activity is production of goods and provision of non-financial services. The total volume of bonds issued by non-financial corporations increased by 27.7% year on year, reaching CZK 396.3 billion, i.e. the highest level since 2020 (Graph 6.2)[40]. On the supply side, the recovery in the last two years can be attributed, among other things, to the unwinding of earlier restrictions and uncertainties related to the COVID-19 pandemic and the acute phase of the energy crisis, as well as to the realisation of issuances postponed in 2022 amid rising interest rates at that time. On the demand side, this increase could be due to investors preferring assets with the potential for higher fixed returns in anticipation of a future decline in interest rates in the economy.

To compare the volume of financing provided, the total outstanding volume of loans granted by banks to non-financial corporations at the end of 2024 amounted to CZK 1.4 trillion (see Chapter 5.5). Bond financing thus provided non-financial corporations with financial resources equivalent to 27.7% of the total loan volume granted by the domestic banking sector to this sector. From 2020 onwards, the evolution of this ratio mainly reflected changes in the volume of bonds, as it fell to a low of 21.8% in 2022, and then rose by 5.8 pp cumulatively over 2 years towards the end of 2024.

Graph 6.2: Non-financial corporations bonds – outstanding volume



Source: ECB, CNB – ARAD, MoF calculations

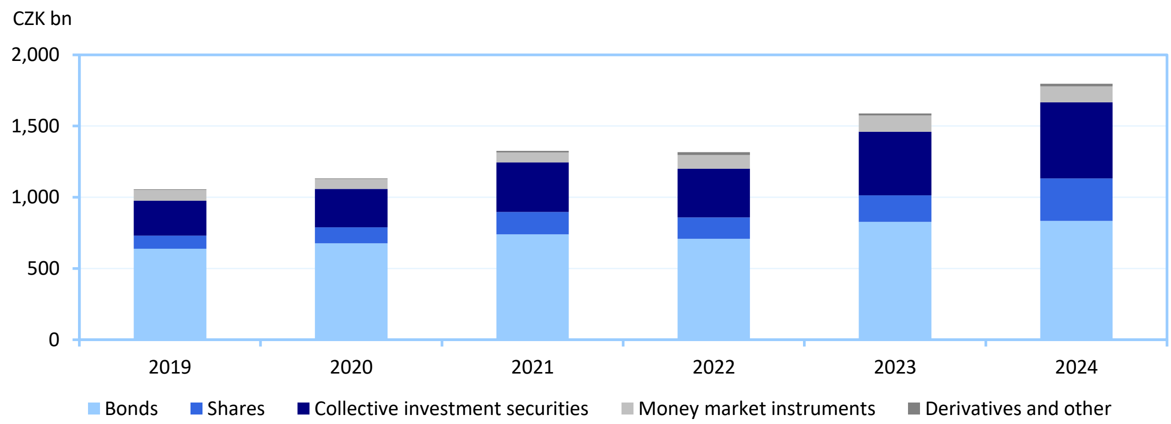
[39] OTC transactions are tracked under the broader CSDP reporting framework due to the discontinuation of reporting by the PSE.

[40] Year 2020 is the beginning of the relevant time series in the ECB database.

6.4 Non-Bank Investment Firms and Asset Management

Total client assets in the non-bank investment firm sector increased by 13.1% in 2024, reaching CZK 1.8 trillion, the highest value in the reporting period since the end of 2019 (Graph 6.3). In terms of the structure by asset category, the volume of the most represented category, bonds, remained virtually flat, rising by only 0.8% to CZK 835.3 billion. The share of bonds in total client assets thus decreased by 5.6 pp year on year to 46.5%. The importance of bonds gradually decreased during the entire reporting period, with their share falling by 13.4 pp compared to 2019. Collective investment securities were the second most represented category of client assets, reaching CZK 535.9 billion after a strong year on year growth of 20.1 pp. The share of this category in total client assets rose by 1.8 pp year on year to 29.8% and by 6.1 pp since the end of 2019. Shares recorded the fastest growth in 2024, by a significant 59.6% to CZK 296.9 billion. Shares and similar securities thus accounted for 16.5% of total client assets, up by 4.8 pp year on year, and by 6.1 pp since the end of 2019.

Graph 6.3: Client assets in non-bank investment firms



Source: CNB, MoF calculations

After stagnation in the previous year, the volume of total assets of non-bank investment firms rose by 9.6% year on year to CZK 29.9 billion (Table 6.7). Profit before tax increased by 26.8% to CZK 2.2 billion, the highest value in the reporting period since 2019.

Table 6.7: Non-bank investment firms

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Total Assets	26.3	29.6	25.0	27.2	27.3	29.9	2.6	9.6
Total profit or (-) loss before tax	0.8	1.2	1.4	1.4	1.8	2.2	0.5	26.8

Source: CNB – ARAD, MoF calculations

The volume of assets entrusted to the members of the Capital Market Association of the Czech Republic (AKAT) rose significantly year on year by 34.8% to a total of CZK 3.2 trillion (Table 6.8). This growth rate was the highest in the reporting period since 2019, with an average annual growth rate of around half of this value (15.5%). Industry concentration in terms of asset allocation among the most important managers also increased, with the three largest asset managers, who are also members of AKAT, managing 56.5% of total assets. This concentration was the highest observed in the reporting period since 2019. The top five entities then accounted fo 72.7% of total assets under management.

Table 6.8: Volume of assets under management by AKAT members

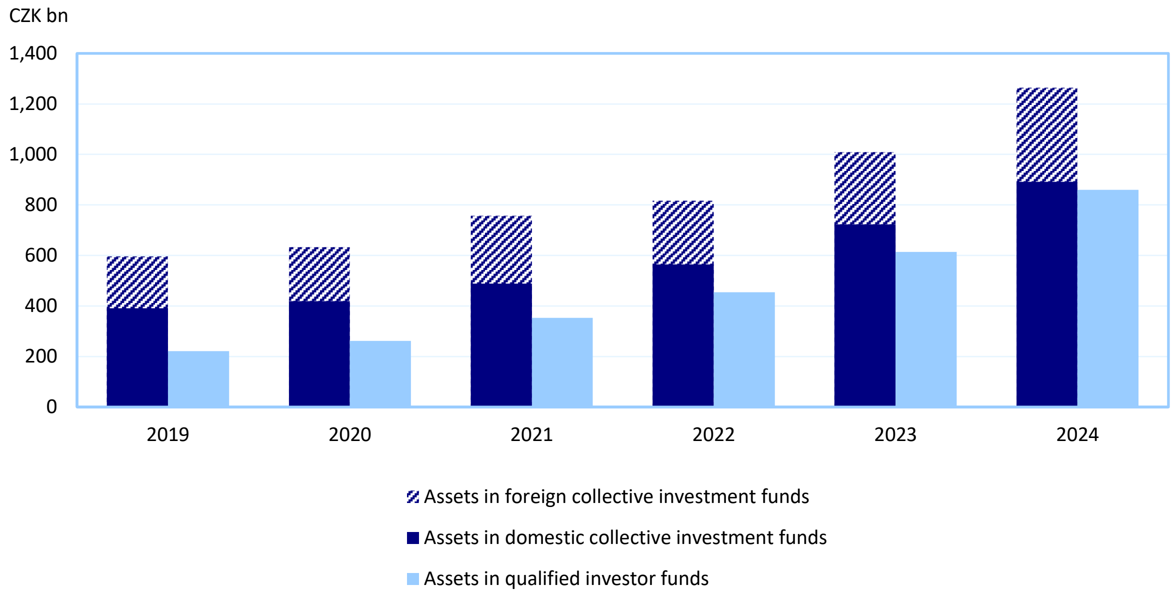
As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Total	1,565.0	1,655.8	1,831.7	1,910.4	2,346.1	3,162.1	816.0	34.8

Source: AKAT, MoF calculations

6.5 Investment Funds

Total assets managed by investment funds grew by a third (30.8%) year on year, exceeding CZK 2.1 trillion (Graph 6.4).[41] The volume of assets in collective investment funds increased by a quarter (25.2%) to CZK 1.3 trillion, and assets in qualified investor funds rose significantly by 40.0% to CZK 860.5 billion.[42] Overall, this strong growth was due to both net inflows and an increase in the value of managed assets, in the context of a gradual decline in central bank interest rates worldwide, and the associated expectations thereof.

Graph 6.4: Structure of investment funds



Source: AKAT, CNB

Among the collective investment funds, the volume of assets increased more moderately in the case of domestic funds (by 23.4% to CZK 891.5 billion) compared to foreign funds (by 29.8% to CZK 372.6 billion), which recorded the highest annual growth rate in the reporting period since the end of 2019. Still, the average year-on-year growth of the asset volume during this five-year period was faster for domestic funds (18.8%) than foreign funds (12.6%). Thus, during the reporting period the volume of assets in domestic funds increased cumulatively by 128.0%, while in the case of foreign funds the growth rate (by 81.2%) was about a third lower.

In 2024, differences persisted between domestic and foreign collective investment funds in terms of the structure of the collective investment funds allocations by fund type (Table 6.9). Within domestic funds the bond funds maintained their dominant share for the third consecutive year, though it fell slightly by 0.7 pp year on year to 42.8%. Yet, during the reporting period the share of domestic bond funds rose by 11.8 pp. The mixed funds, that were predominant until 2021, increased their share by 1.2 pp year on year to 27.1%. However, they reported a decrease of 9.5 pp during the reporting period. The share of domestic equity funds fell by 0.5 pp to 16.7%, the lowest level since the end of 2019. Domestic real estate funds maintained their 13% share year on year.

Foreign collective investment funds continued to be dominated by equity funds, whose share rose by 0.6 pp year on year to 42.2%. These funds continued to grow throughout the entire reporting period, increasing their representation by 10.9 pp. Bond funds also increased their share year on year, by 1.0 pp to 22.1%, which thus returned approximately to the value at the beginning of the reporting period. By contrast, the share of mixed funds fell for the third consecutive year, by 2.1 pp to 24.2%, and by 8.2 pp during the reporting period. The continued increase in yields on short-term debt assets drove investors' appetite for foreign money market funds, whose share increased slightly year on year by 0.3 pp to 5.8%.

41 In contrast to previous editions of the Report on Financial Market Developments, CNB data was used for the domestic funds and the AKAT Czech Republic data for foreign funds.

42 Collective investment funds collect money from the public for the purpose of collective investment and further management of invested assets. Qualified investor funds collect money and valuables from professional clients and other qualified investors (with a minimum investment of CZK 1 million) for the purpose of co-investment and further management of these assets.

Table 6.9: Assets in individual types of collective investment funds by domicile

As at 31 Dec (CZK bn)	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Domestic	**390.9**	**418.5**	**488.9**	**564.4**	**722.7**	**891.5**	**168.8**	**23.4**
bond	121.0	113.5	111.2	204.3	314.1	381.5	67.5	21.5
equity	76.3	88.4	110.0	105.8	124.0	148.5	24.5	19.8
mixed	143.1	159.2	194.4	165.2	187.4	242.0	54.6	29.1
real estate	48.5	56.4	71.9	86.8	94.5	117.8	23.3	24.7
others	2.0	1.0	1.4	2.3	2.8	1.7	-1.1	-39.6
Foreign	**205.6**	**214.6**	**267.9**	**252.6**	**287.1**	**372.6**	**85.5**	**29.8**
bond	45.7	49.1	51.8	51.3	60.5	82.3	21.8	36.0
equity	64.3	73.6	107.4	105.1	119.6	157.3	37.7	31.5
mixed	66.5	67.2	85.3	74.2	75.3	90.0	14.8	19.6
money market	4.5	3.5	2.8	4.8	15.8	21.5	5.7	36.1
real estate	0.4	0.9	1.4	2.1	3.0	3.9	0.9	31.4
others	24.1	20.5	19.2	15.2	13.0	17.7	4.7	35.8
Total	**596.6**	**633.1**	**756.8**	**817.0**	**1,009.8**	**1,264.2**	**254.3**	**25.2**

Source: AKAT, CNB, MoF calculations

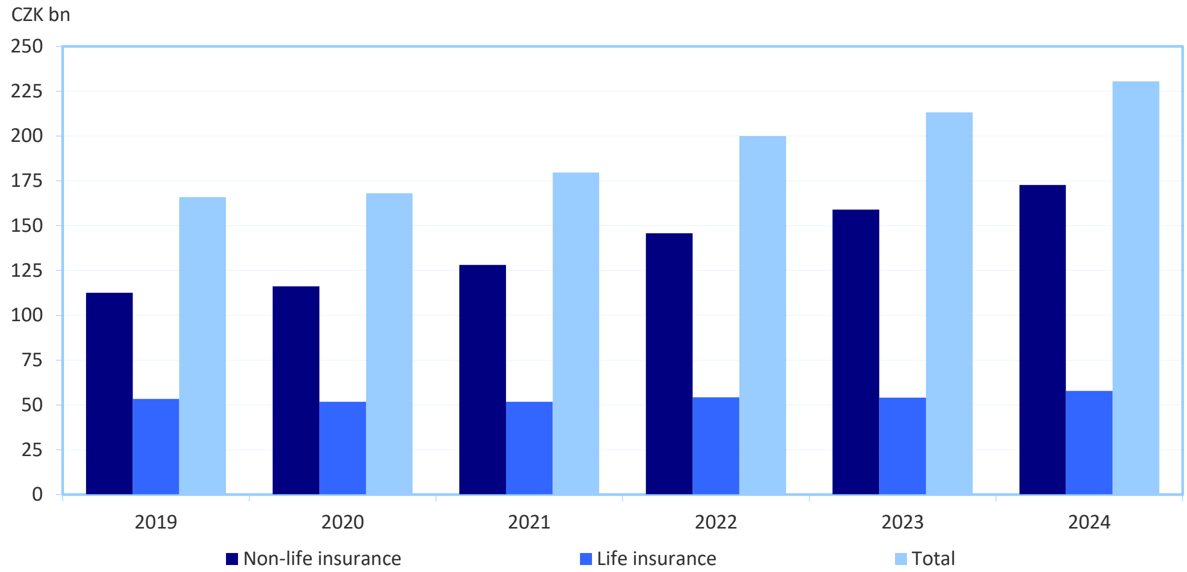
Qualified investor funds recorded a significant 40% year-on-year growth in assets, reaching CZK 860.5 billion. This was the highest growth in the reporting period. As a result, these funds increased their share of total assets in the overall investment fund sector by 2.7 pp year on year to 40.5%, and up by 13.5 pp compared to the end of 2019. The reason is that the volume of assets in qualified investor funds, which stood at CZK 220.9 billion at the end of 2019, increased nearly fourfold during the reporting period until the end of 2024, whereas the volume of assets in collective investment funds increased only two-fold.

7 INSURANCE

7.1 Insurance Companies

In terms of gross premiums written in 2024, the insurance sector continued the upward trend started in 2017. As in previous years, the growth in premiums written (8.1%) was driven by growth of non-life insurance (8.6%), but after decline in 2023, the life insurance segment also grew (6.6%). Gross premiums written totalled CZK 230.4 billion (Graph 7.1), of which non-life insurance amounted to CZK 172.7 billion and life insurance CZK 57.7 billion. The largest share of premiums written growth in the non-life segment in 2024 was due to increases in premiums for insurance against fire and other property damage (by 10.8%), other motor vehicle insurance (by 11.5%) and motor third-party liability insurance (by 6.5%). The total insurance penetration increased by 0.1 pp to 2.9% of GDP.

Graph 7.1: Volume of gross premiums written



Source: CNB – ARAD

The non-life insurance segment has long maintained a strong position on the domestic market. At the end of 2024 the share of non-life and life insurance in gross premiums written remained relatively stable at 75 : 25% in favour of non-life insurance segment. Other Visegrad Four countries showed similar developments, unlike Western European countries, where the life insurance segment remained dominant.[43]

In terms of the number of insurance contracts, the non-life segment recorded growth of 2.8% (Table 7.1), which followed the upward trend observed in the previous year. The number of newly concluded contracts of the non-life insurance segment continued the upward trend observed since 2021, increasing by 4.7%. In the life insurance segment, the number of insurance contracts remained almost unchanged, although the number of newly concluded contracts increased by 5.6%. The growth in the total number of newly concluded contracts of 4.8% was mainly driven by the non-life segment.

The last main indicator, the gross claims paid, increased by 27.7% year on year to CZK 138.4 billion. This development was caused mainly by the non-life insurance segment, whose gross claims paid increased significantly by 38.3% year on year to CZK 103.0 billion. However, there was also partial increase in gross claims paid in the life insurance segment, by 4.5% to CZK 35.5 billion. The increase in the gross claim paid in the non-life insurance segment was due to exceptional natural events, in particular extreme rainfall and subsequent floods caused by storm Boris in September 2024. The total value of gross claims paid related to the floods amounted to CZK 17.9 billion.

[43] According to EIOPA statistics for 2024, the shares of non-life and life insurance segment in other European countries were as follows: France 37 : 63%; Germany 42 : 58%; Hungary 61 : 39%; Slovakia 62 : 38%; Poland 73 : 27%.

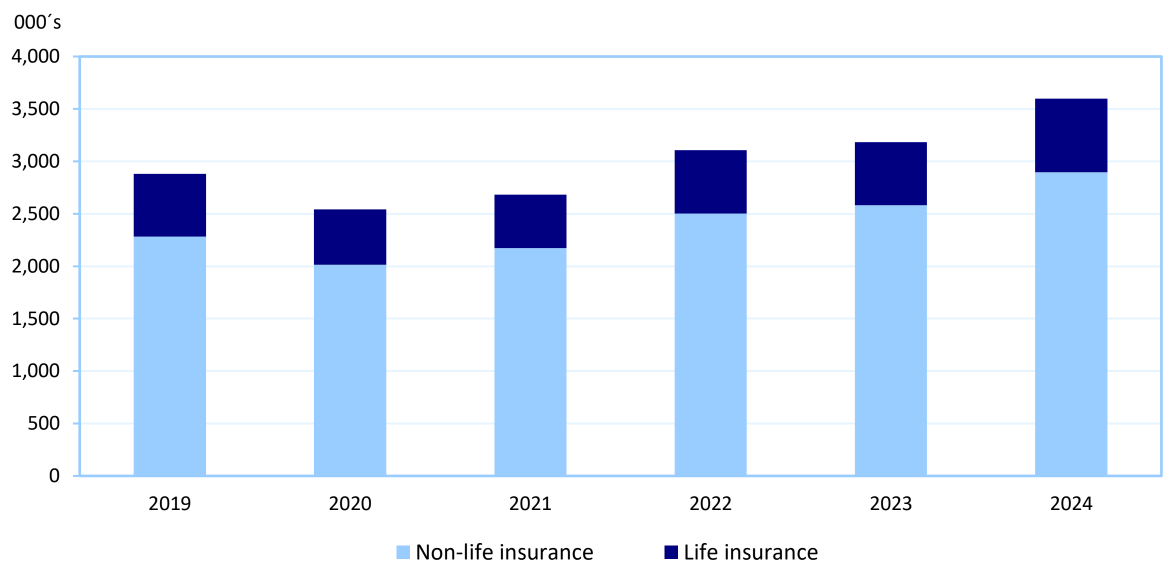
Table 7.1: Main indicators of the insurance market

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Total insurance contracts (000´s)	28,514	28,363	30,391	29,814	30,568	31,291	723	2.4
of which: non-life insurance	23,144	23,098	24,838	24,562	25,437	26,151	714	2.8
life insurance	5,370	5,264	5,553	5,252	5,131	5,140	9	0.2
Newly concluded contracts (000´s)	12,651	9,584	10,181	12,515	14,345	15,028	682	4.8
of which: non-life insurance	12,108	9,120	9,682	11,952	13,765	14,415	649	4.7
life insurance	543	464	499	564	580	613	33	5.6
Total gross premiums written (CZK bn)	165.9	168.0	179.7	200.1	213.1	230.4	17.3	8.1
of which: non-life insurance	112.5	116.1	128.0	145.8	159.0	172.7	13.7	8.6
life insurance	53.4	51.8	51.7	54.3	54.1	57.7	3.6	6.6
Gross claim paid (CZK bn)	101.2	92.0	102.0	117.1	108.4	138.4	30.0	27.7
of which: non-life insurance	58.0	54.5	62.5	69.9	74.5	103.0	28.5	38.3
life insurance	43.2	37.5	39.6	47.2	34.0	35.5	1.5	4.5
Total insurance penetration (% GDP)	2.8	2.9	2.8	2.8	2.8	2.9	0.1	-

Source: CNB – ARAD, MoF calculations

In 2024, insurance companies recorded an increase of 13.1% in the number of reported insurance claims to almost 3.6 million. Non-life insurance increased in the number of claims for the fourth year in a row, with an increase of 12.2% in 2024 to almost 2.9 million. In the life insurance segment the number of claims also increased by 16.8% to 0.7 million.

Graph 7.2: Number of insurance claims



Source: CNB – ARAD

The insurance sector recorded an year-on-year increase in total assets at the end of 2024 by 0.3% to CZK 517.3 billion (Table 7.2). The most significant asset item was the volume of investments where policyholders do not bear the investment risk. This item decreased by 3.3% year on year to CZK 301.4 billion in 2024, which also reduced its share in total assets by 2.2 pp to 58.3%. By contrast investment where policyholders bear the investment risk rose by 6.8% to CZK 117.2 billion.

On the liability side of the balance sheet, the amount of technical provisions increased by 0.4% to CZK 252.1 billion. Growth was also recorded for technical provision where policyholders bear the investment risk, rising by 6.7% year on year to CZK 101.2 billion.

Table 7.2: Main items of the balance sheet and profit and loss account of the insurance market

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Total assets	**487.1**	**493.0**	**524.5**	**492.9**	**515.6**	**517.3**	**1.7**	**0.3**
Investments	326.1	324.7	329.0	299.5	311.7	301.4	-10.3	-3.3
of which bonds	238.9	240.8	245.8	209.6	216.9	210.2	-6.7	-3.1
Investments for life insurance where policyholders bear the investment risk	98.3	100.1	110.7	97.1	109.7	117.2	7.5	6.8
Technical provisions[44]	**250.0**	**249.7**	**258.3**	**251.6**	**251.0**	**252.1**	**1.1**	**0.4**
Technical provisions for life insurance where policyholders bear the investment risk	98.3	100.1	110.7	97.0	94.8	101.2	6.4	6.7
Profit or (-) loss before tax	**20.1**	**17.8**	**31.3**	**19.4**	**23.1**	**21.6**	**-1.6**	**-6.9**
Result of technical account for non-life insurance	4.1	8.4	16.1	7.9	11.1	9.0	-2.2	-19.4
Result of technical account for life insurance	10.1	8.3	14.7	9.5	16.0	14.3	-1.7	-10.7

Source: CNB – ARAD, MoF calculations

In terms of economic performance, the insurance sector achieved a profit before tax of CZK 21.6 billion in 2024, but it decreased by 6.9% year on year. The result of the technical account for non-life insurance decreased by 19.4% to CZK 9.0 billion. The decrease was mainly due to a rise in gross claims paid (by 30.0%). The result of technical account for life insurance also recorded a decrease of 10.7% to CZK 14.3 billion, led by an increase of gross claims paid, including the change of technical provisions net of reinsurance (by 6.2%) and also a decrease in the value of investments (by 14.4%) and other technical income net of reinsurance (by 4.0%).

The profitability of the insurance sector is largely determinated by the ability of individual insurance companies to effectively detect insurance fraud. According to data from the Czech Insurance Association, a total of 13,827 suspicious insurance claims were investigated in 2024, of which 7,327 cases were proven (Table 7.3). Out of the total number of claims investigated, insurance fraud was detected in the volume of almost CZK 1.8 billion, which is 5.4% more year on year. The average amount of insurance fraud detected fell by 10.2% year on year to CZK 239.4 thousand.

Table 7.3: Development of investigated and detected insurance fraud

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Volume of detected fraud (CZK mn)	1,133.2	1,231.4	1,248.9	1,422.7	1,664.4	1,754.2	89.8	5.4
Average amount (CZK)	230,653	288,306	249,180	230,763	266,644	239,419	-27,225	-10.2
Suspicious incidents (pcs)	8,474	9,632	11,407	13,820	15,574	13,827	-1,747	-11.2
of which proven fraud	4,913	4,271	5,012	6,165	6,242	7,327	1,085	17.4

Source: CAP, MoF calculations

7.2 Insurance Intermediation

At the end of 2024, a total of 36.6 thousand persons authorised to act as insurance intermediaries[45] were registered, i.e. almost 2,000 more entities year on year. However, the number of independent intermediaries

[44] It includes a provision for life insurance, a provision for unearned premiums and a provision for outstanding claims.

[45] Besides insurance intermediaries, persons in the position of policyholders may also offer insurance to customers on a commercial basis (so-called fleet insurance). Insurance companies are required to register these persons with the CNB, but the CNB does not publish their numbers. However, the regulation of fleet insurance has undergone changes, new (with effect of the amendment to the Act from 1 July 2025) the same policyholders will be considered as insurance intermediaries.

fell slightly by 1.6% to 809. The overall growth was thus driven only by an increase in the number of tied agents of 6.1% to 34.2 thousand. The number of supplementary insurance intermediaries (1.6 thousand) remained unchanged. The development of the number of insurance intermediaries from 2019 has been significantly affected by the changes in the regulatory framework for insurance and reinsurance distribution[46] adopted in 2018. These changes resulted in a decline in number of persons authorised to intermediate insurance and reinsurance between 2018 and 2019, with more than 185 thousand authorisations recorded at the end of 2018.

Table 7.4: Number of insurance intermediaries

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Independent intermediaries	1,164	1,121	829	822	822	809	-13	-1.6
Tied agents	35,049	34,648	28,473	30,048	32,258	34,228	1,970	6.1
Supplementary insurance intermediaries	2,268	2,232	1,575	1,578	1,590	1,590	0	0.0
Total	38,481	38,001	30,877	32,448	34,670	36,627	1,957	5.6

Source: CNB – JERRS, MoF calculations

46 Act No. 170/2018 on insurance and reinsurance distribution, as amended.

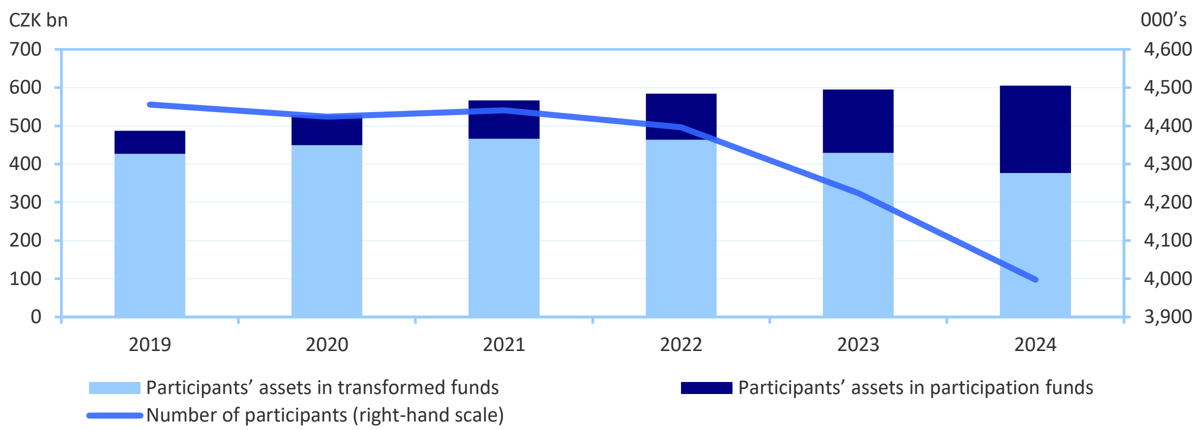
8 PRIVATE PENSION SYSTEM

8.1 Supplementary Pension Insurance and Supplementary Pension Savings

Participants' Assets and Number of Participants

The volume of funds managed in Pillar III[47] grew at its lowest year-on-year growth rate in the reporting period since 2019, increasing by 1.6% to reach CZK 605.0 billion at the end of 2024 (Graph 8.1). The slowdown in the year-on-year growth rate occurred for the fifth year in a row. The Pillar III consists of supplementary pension insurance and supplementary pension savings schemes. Since 2013, only the latter has been available to new participants. Following the 2013 reform of the private pension system, the savings of participants in the supplementary pension insurance scheme were automatically transferred to the transformed funds with the original terms of the supplementary pension insurance contracts being maintained (particularly the guarantee of non-negative annual appreciation). Since then, no new participants can join the transformed funds. Although the majority of participants' assets (62.1%) managed in Pillar III were placed in the transformed funds in 2024, their share decreased throughout the reporting period. In 2024, participants' assets in the transformed funds declined for the third year in a row, showing the highest year-on-year rate of decline in the reporting period, when their volume decreased by 12.3% to CZK 376.5 billion, in connection with an all-time high year-on-year decline in the number of participants in the transformed funds. By contrast, participants' assets in the supplementary pension savings scheme increased by 37.6% to CZK 228.5 billion in 2024, i.e. at almost the same growth rate as in 2023. This was largely due to the record high volume of participants' assets transferred to the supplementary pension savings scheme from the transformed funds (Graph 8.4).

Graph 8.1: Participants' assets and number of participants in Pillar III



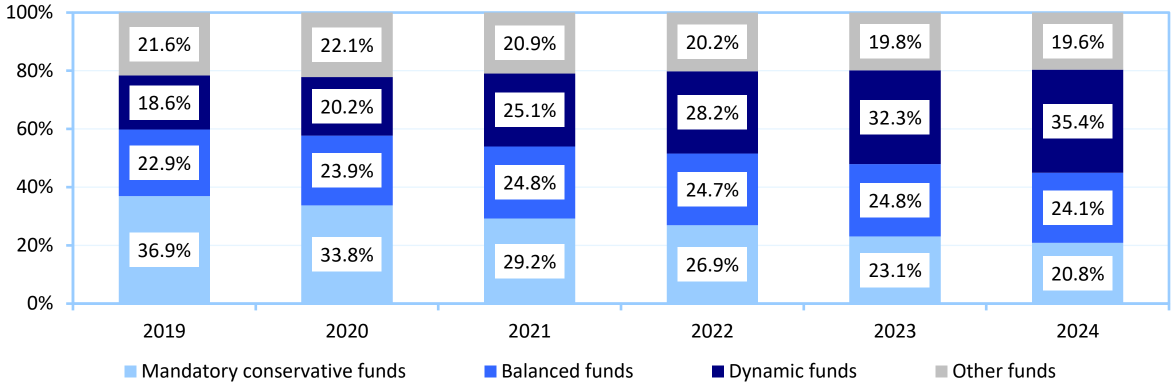
Source: APS CR, MoF

In the supplementary pension savings scheme, participants' assets are managed in different types of participation funds according to an investment strategy chosen in advance by the participants from among those offered by the pension management company.[48] In terms of the structure of the allocation of participants' assets in individual types of participation funds, dynamic funds held the highest share at the end of 2024. These funds mainly invest in shares and units of equity funds. Since the end of 2019, the share of dynamic funds in the total participants' assets in participation funds increased by 16.9 pp to 35.4%, mostly at the expense of mandatory conservative funds, whose share fell by 16.1 pp during the reporting period. At the end of 2024, dynamic funds, together with balanced funds that invest partly in shares, accounted for almost 60% of the total participants' assets in the supplementary pension savings scheme (Graph 8.2). This development could be related to the increasing share of participants aged under 49 (Graph 8.3), who may prefer more dynamic investment strategies with the potential for higher investment returns, given that they have longer time until they reach retirement age. Additionally, the generally higher returns of dynamic funds compared to other types of participation funds have also contributed to the increase in the share of dynamic funds in the total volume of participants' assets managed in participation funds (Graph 8.7).

[47] Pillar I represents a mandatory pay-as-you-go pension system financed by the state. Pillar II, which was represented by voluntary retirement savings scheme, was started in 2013 and in 2016 was discontinued.

[48] In contrast to the supplementary pension insurance scheme, where the guarantee of non-negative annual appreciation means that a choice of investment strategy is not possible.

Graph 8.2: Structure of participants' assets managed in different types of participation funds

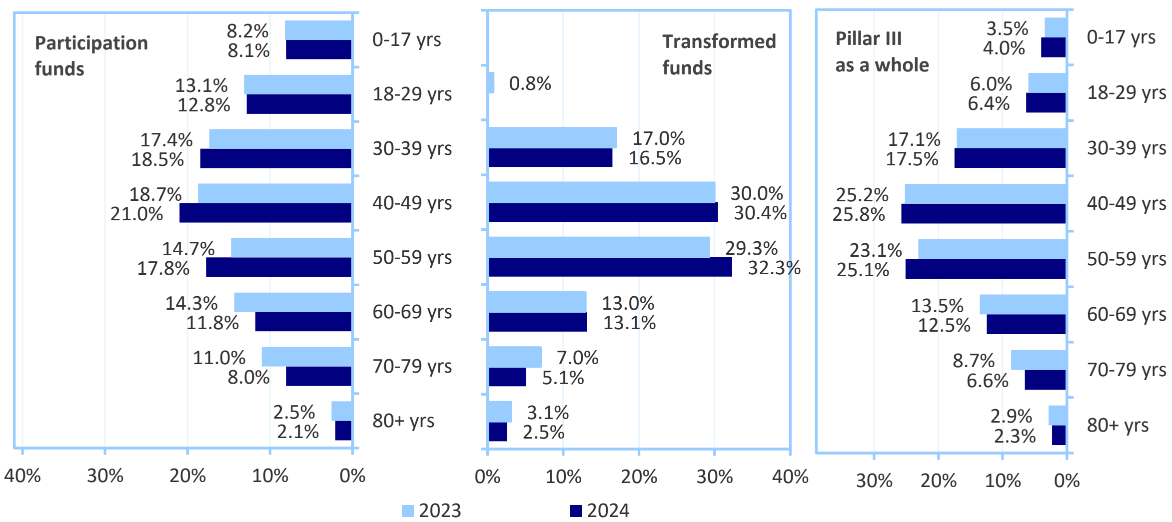


Source: APS CR, MoF calculations

The total number of participants in Pillar III at the end of 2024 was 4.0 million (Graph 8.1). This represented the higher year-on-year decline in the total number of participants during the reporting period, both in absolute (by 226 thousand) and relative (by 5.3%) terms. This decrease was mainly due to a change in the provision of the state contribution, whereby as of 1 July 2024 the state contribution is no longer provided to participants who have been granted a retirement pension, as participants aged over 60 accounted for around 92% of the decrease in the total number of participants. In 2024, 415.5 thousand participants exited the transformed funds, the highest number in the history of the transformed funds since 2013. This reduced the number of participants in the supplementary pension insurance scheme by 17.1% to 2.02 million. Conversely, the number of new entrants to the participation funds increased to almost 398.6 thousand in 2024, which was the highest number in the participation funds' history. Of these, 124.6 thousand participants transferred their savings from the transformed funds to the participation funds, which was also the highest number in the participation funds' history and around 122% more than in 2023. However, the total number of participants in the participation funds increased only by 189.7 thousand year on year, reaching 1.98 million, due to older participants also exiting these funds. This 10.6% increase was 0.4 pp higher than in 2023.

Traditionally, the age structure of participants in Pillar III as a whole was dominated by participants aged 40 to 49. Their share increased slightly by 0.6 pp to 25.8% compared to 2023 (Graph 8.3). However, the higher representation of this age group may also be influenced by the fact that it is generally the largest demographic cohort. In both the participation and transformed funds, the share of participants aged over 60 fell again in 2024, but this time to a greater extent than in previous years. The share of participants aged over 60 also declined significantly among new entrants into participation funds, by almost 13 pp to 10.2%. The more intense decline in the share of older participants is likely to be related to the newly introduced withdrawal of entitlement to the state contribution for those participants who have been granted a retirement pension.

Graph 8.3: Age structure of participants in Pillar III



Source: MoF

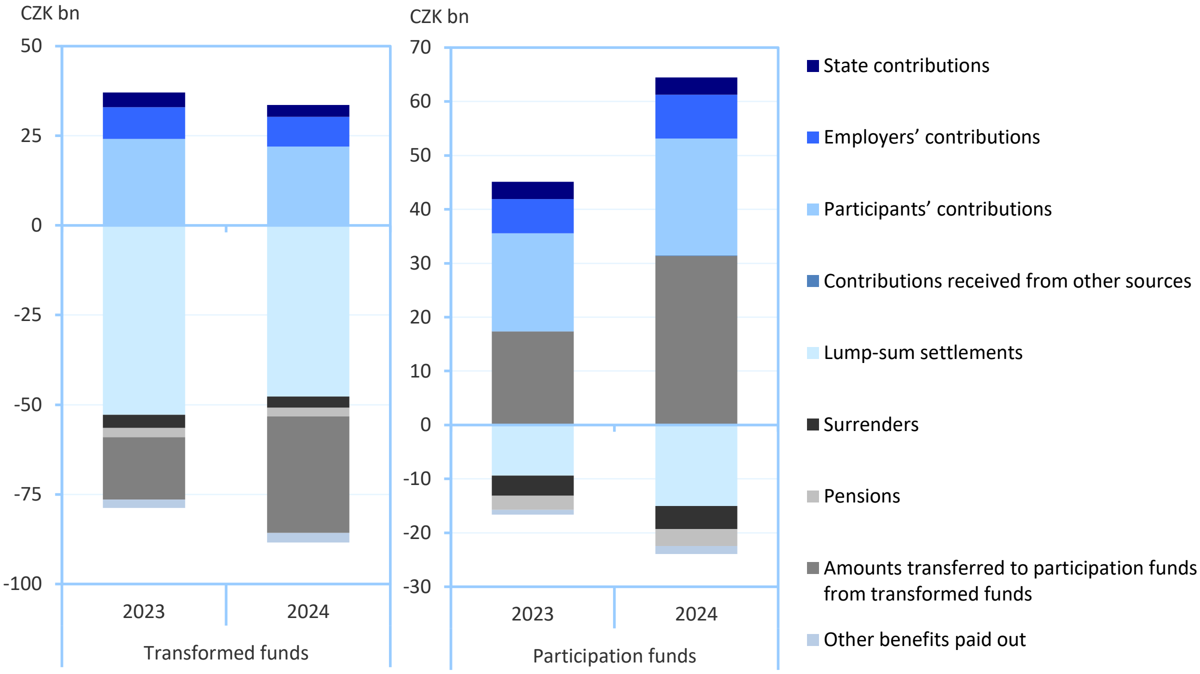
Contributions and Benefits Paid Out

In 2024, the transformed funds reported a negative balance between contributions received and benefits paid out for the third year in a row, which deepened by CZK 13.1 billion to reach CZK -54.8 billion due to a year-on-year increase in the number of participants who exited the funds. By contrast, for participation funds, the contributions received exceeded the volume of benefits paid out by CZK 40.6 billion, with the contributions received increasing by CZK 19.4 billion year on year to CZK 64.5 billion, mainly due to the record volume of participants' assets transferred from the transformed funds to the participation funds (Graph 8.4).

The evolution of the structure of contributions received during the reporting period was similar for both types of pension funds, with the overall share of participants' contributions gradually decreasing during the reporting period and then increasing slightly to 65.4% in 2024, but decreasing by 2.4 pp since the end of 2019. By contrast, the share of employers' contributions increased gradually by 4.9 pp to 24.7% during the reporting period. The remaining share representing state contributions decreased by 2.5 pp to 9.8%.

Benefits from transformed funds were most often paid out in the form of lump-sum settlements. The share of this dominant method of disbursement increased by 0.2 pp year on year to 89.5% of the total volume of benefits paid out from the transformed funds[49]. However, the volume of lump-sum settlements of CZK 47.7 billion was by CZK 5.1 billion lower in 2024 than in 2023. The volume of pensions paid out from transformed funds also decreased slightly, by CZK 0.1 billion to CZK 2.5 billion, but their share in the benefits paid out increased slightly year on year by 0.2 pp to 4.6%. The share of lump-sum settlements in the total volume of benefits paid out from the participation funds (excluding other benefits paid out shown in Graph 8.4 due to their random development) increased by 7.0 pp to 66.8%, reaching its highest level in the history of the participation funds, while the volume of lump-sum settlements increased by CZK 5.6 billion to CZK 15.0 billion. The volume of pensions paid out from participation funds also increased, by CZK 0.6 billion to CZK 3.2 billion, but their share in the benefits paid out decreased by 2.3 pp to an all-time low of 14.2%.

Graph 8.4: Contributions received and benefits paid out in transformed and participation funds



Source: CNB – ARAD, MoF calculations

The year-on-year changes in the average monthly participant's contribution and the monthly state contribution in 2024 were influenced by changes in the provision of the state contribution effective as of 1 July 2024, which consisted in setting the linear amount of the state contribution at 20% of the participant's contribution, increasing the minimum amount of the participant's contribution for granting the state contribution from CZK 300 to CZK 500, and raising the maximum amount of the participant's contribution, above which the state

[49] Excluding funds transferred to participation funds, as well as other benefits paid out listed in Graph 8.4 due to their random development, which include, for example, funds paid out as inheritance and funds returned to the state budget.

contribution does not increase further, from CZK 1,000 to CZK 1,700. The maximum amount of the state contribution has thus increased from CZK 230 to CZK 340. The aim of these changes was to motivate participants to increase their contributions, which has already partially occurred in the second half of 2024, when the average monthly participant's contribution increased by CZK 49 to CZK 841 in the transformed funds and by CZK 72 to CZK 943 in the participation funds (Table 8.1). This was the highest absolute and relative increase in the amount of the participant's contribution for both categories of funds during the reporting period. However, not all participants responded to the change in the provision of the state contribution by increasing their contribution. This was reflected in a decrease in the average state contribution in both transformed and participation funds in 2024. As regards the employer's contribution, the increase in this contribution in 2024 was the second highest in the reporting period for the transformed funds, whereas its increase in the participation funds recorded the lowest level since 2019.

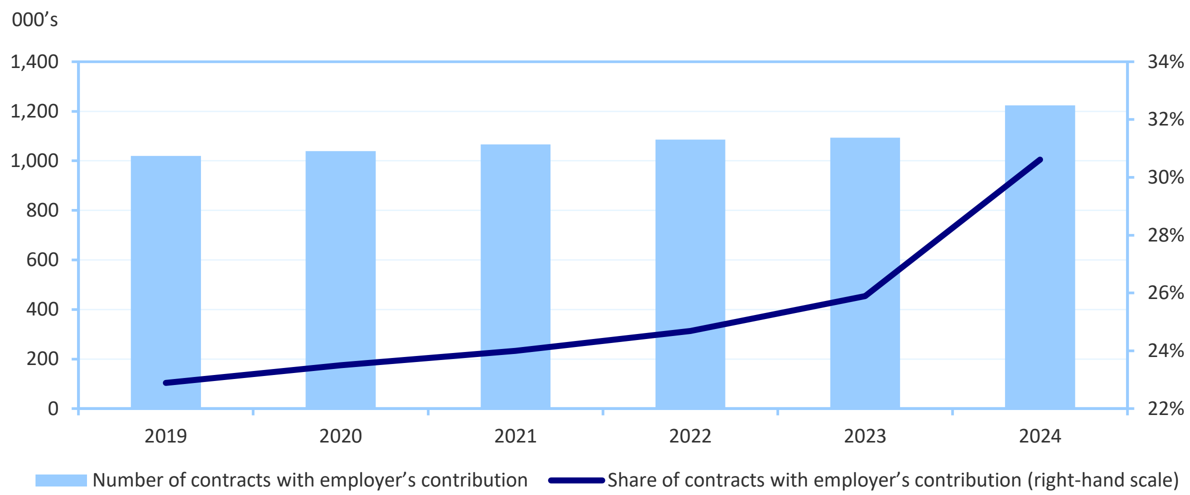
Table 8.1: Average monthly contributions in transformed funds (TF) and participation funds (PF)

	Average CZK/month	2019	2020	2021	2022	2023	2024	Year-on-year change	
								Abs.	(%)
TF	Participant's contribution	722	754	781	795	792	841	49	6.2
	Employer's contribution	914	1,017	1,055	1,095	1,142	1,202	60	5.3
	State contribution	133	137	140	141	140	125	-15	-10.7
PF	Participant's contribution	800	812	829	853	871	943	72	8.3
	Employer's contribution	989	1,099	1,143	1,213	1,286	1,302	16	1.2
	State contribution	160	161	161	162	161	140	-21	-13.0

Source: APS CR, MoF, MoF calculations

The number of participants whose employer contributed to their pension savings in Pillar III grew by an average year-on-year growth rate of 2.4% during the reporting period until 2023. In 2024, however, this number increased by almost 12%, with 1 223.8 thousand participants having an employer's contribution in their pension account at the end of the year (Graph 8.5). This substantial increase in the number of participants with an employer's contribution, alongside the continuing decline in the total number of participants in Pillar III, resulted in a relatively sharp year-on-year increase in the share of contracts with an employer's contribution of 4.7 pp to 30.6%.

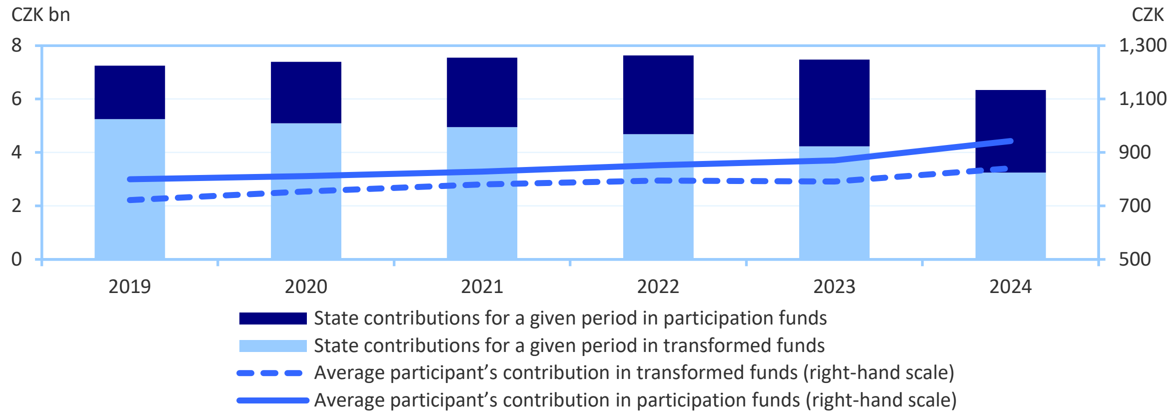
Graph 8.5: Contracts in Pillar III with an employer's contribution



Source: MoF

The total amount of state contributions remitted to the participants of Pillar III was CZK 6.3 billion, falling for the second year in a row. However, the year-on-year decline of CZK 1.1 billion was much larger than the decline of CZK 0.2 billion in 2023 (Graph 8.6), and was caused by changes in the provision of the state contribution. The share of state contributions remitted to participants in the supplementary pension savings scheme relative to the total amount of direct state support continued to increase gradually, reaching 48.8% in 2024 and thus increasing by 21.2 pp since the end of 2019.

Graph 8.6: State contributions and average monthly participant's contribution in transformed and participation fund



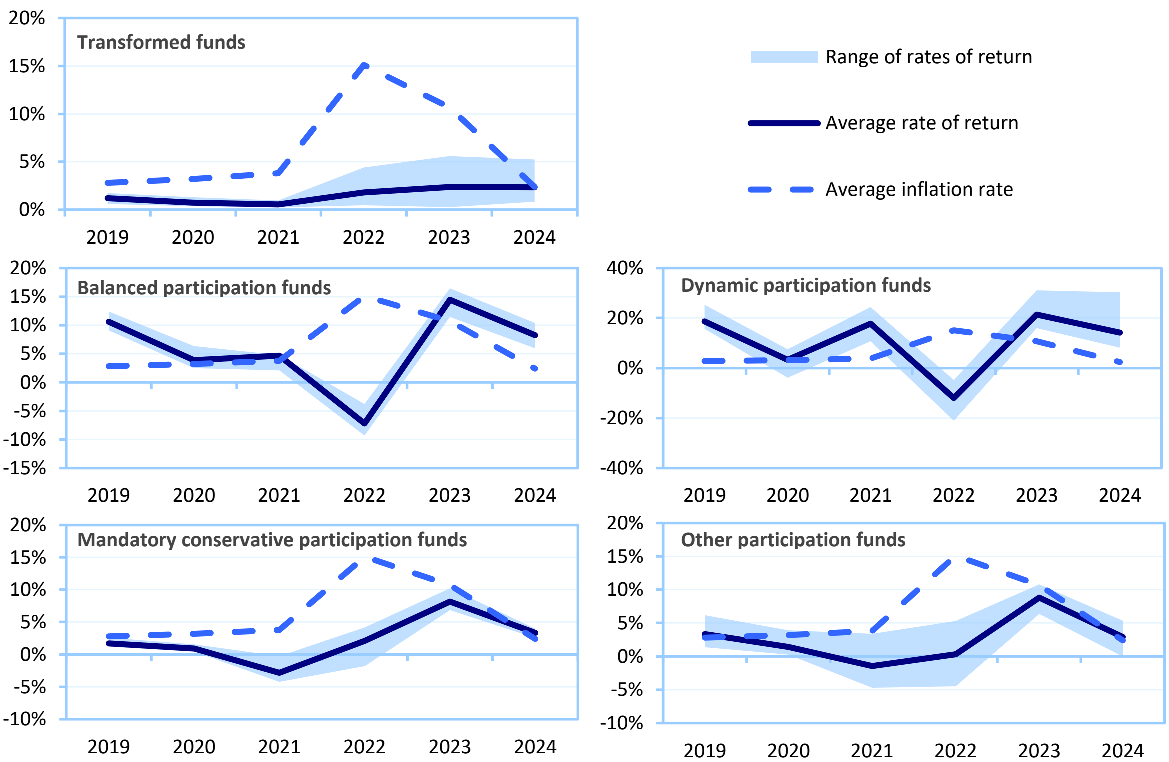
Source: MoF

Profitability and Investment Portfolio Structure

Although the total profit of pension funds decreased by CZK 7.2 billion to CZK 21.3 billion in 2024 after reaching its peak in 2023, it was still the second highest total profit achieved since the reform of the private pension system in 2013, thanks to the continued growth of global financial markets. The profit of the transformed funds fell by 16.3% to CZK 8.4 billion. The participation funds recorded highest year-on-year decline in profit, falling by 30.1% to CZK 12.9 billion.

All types of pension funds performed well in 2024. The average rate of return for the transformed funds remained almost unchanged from 2023 at 2.3%, which was 0.1 pp below the average annual inflation rate in 2024, which, however, was outperformed by only 2 of the 8 transformed funds. By contrast, the average annual inflation rate was exceeded not only by all dynamic and balanced participation funds as in 2023, but also for the first time since 2016 by all mandatory conservative participation funds, whose average rate of return reached 3.3%. While the average rates of return for both dynamic (14.2%) and balanced (8.3%) participation fund strategies were lower than in 2023 (Graph 8.7), the difference to the average annual inflation rate was larger in both cases.

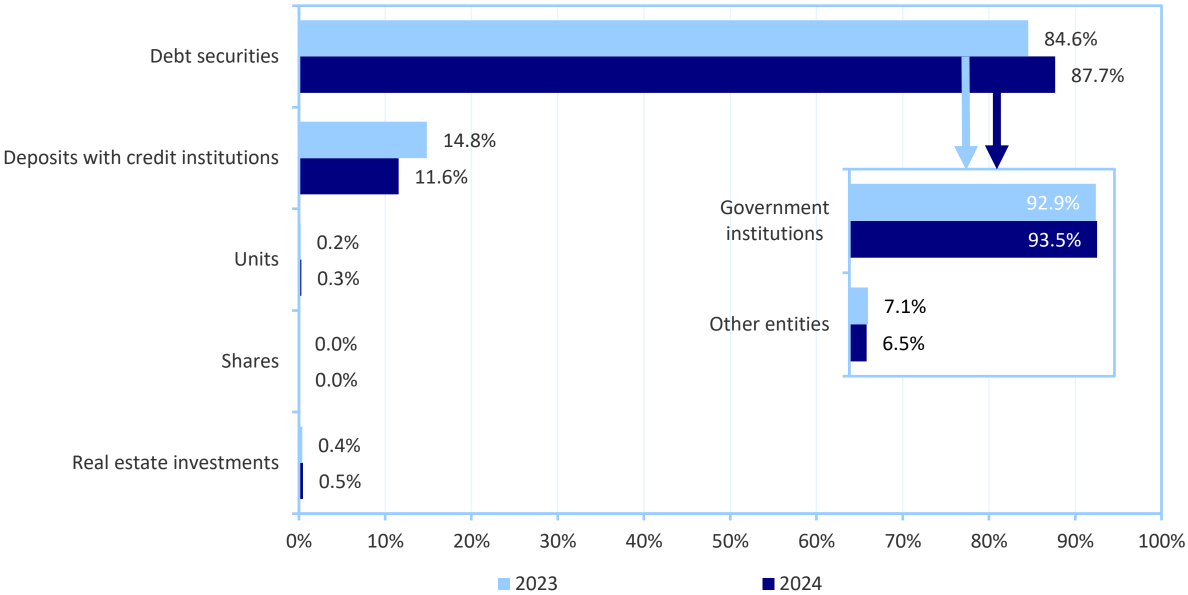
Graph 8.7: Average rate of return in different types of pension funds



Source: APS CR, MoF calculations

Within the very conservative investment portfolio of the transformed funds, there was a contrasting development in 2024 compared to 2023, namely an increase in the share of debt securities and a decrease in the share of deposits with credit institutions. The shares of these items thus returned to the levels seen at the end of 2022. However, as in 2023, the share of government bonds in the bond portfolio increased slightly again at the expense of other issuers (Graph 8.8).

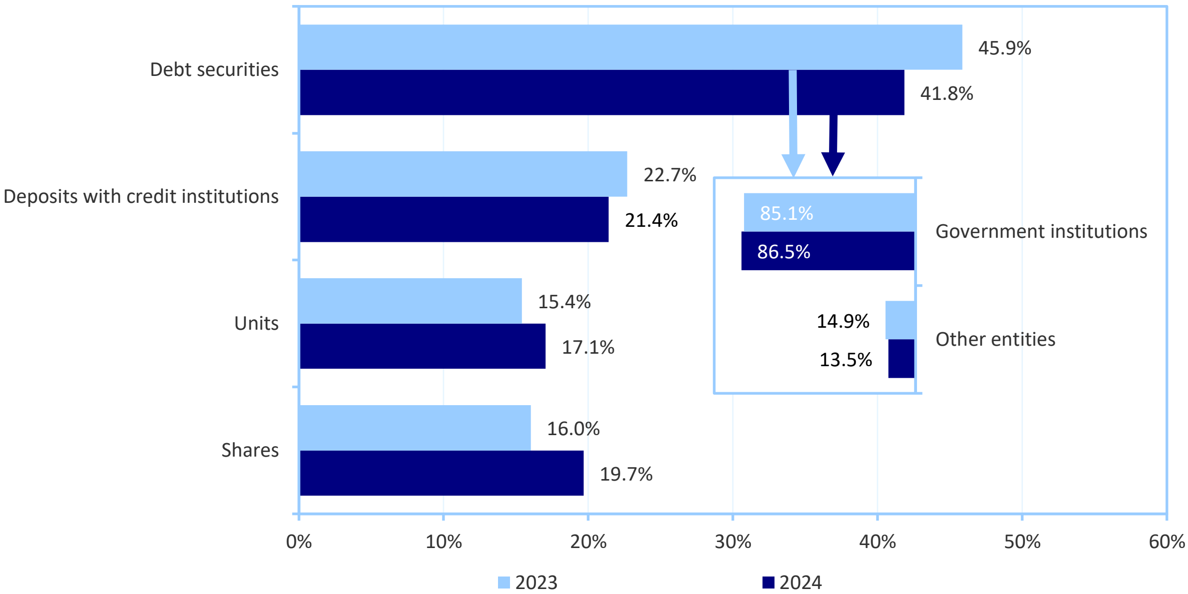
Graph 8.8: Investment portfolio structure of transformed funds and structure of debt securities by issuer



Source: CNB – ARAD, MoF calculations

The share of debt securities in the investment portfolio of participation funds fell again and the share of deposits with credit institutions also declined compared to 2023, in favour of an increase in riskier asset classes in the form of shares and units (Graph 8.9). However, this development also could be partly due to the higher price growth of shares and units. As in the case of the transformed funds, there was again a slight increase in the share of government bonds in the portfolio of debt securities.

Graph 8.9: Investment portfolio structure of participation funds and structure of debt securities by issuer



Source: CNB – ARAD, MoF calculations

Some of the more detailed information about the supplementary pension insurance and supplementary pension savings sector, which is regularly published on the MoF website www.mfcr.cz/cs/financni-trh, is included in Tables A2.3 and A2.4 in Appendix 2.

8.2 Pension Management Companies

Pension management companies have been active on the financial market since 2013, acting as administrators of assets registered in participants' personal pension accounts in participation and transformed funds. Profit before tax in the pension management company sector grew at the highest growth rate in the reporting period, by 47.0% to CZK 5.6 billion in 2024 (Table 8.2). As in 2023, the increase in profit was mainly due to a year-on-year increase in the total amount of remuneration paid to pension management companies, especially the remuneration for gains in value of pension funds' assets, which increased by almost 2.5 times to CZK 2.7 billion. The remuneration for the management of pension funds' assets increased by 10.1% to CZK 5.8 billion.

The ratio of pension management companies' regulatory capital to their total capital requirement continued to show an increasing trend during the reporting period, and in 2024 it reached its highest level (451.6%) in the history of pension management companies. This was due, on the one hand, to a significant increase in the volume of capital and, on the other hand, to a further decline in the capital requirements of pension management companies.

Table 8.2: Selected indicators of the pension management company sector

As at 31 Dec	2019	2020	2021	2022	2023	2024	Year-on-year change	
							Abs.	(%)
Profit or (-) loss before tax (CZK bn)	2.3	2.3	2.6	2.7	3.8	5.6	1.8	47.0
Equity, total (CZK bn)	10.4	12.5	12.8	10.9	11.1	14.2	3.1	27.9
Capital ratio (%)	167.8	215.9	254.8	268.2	309.1	451.6	142.5	46.1

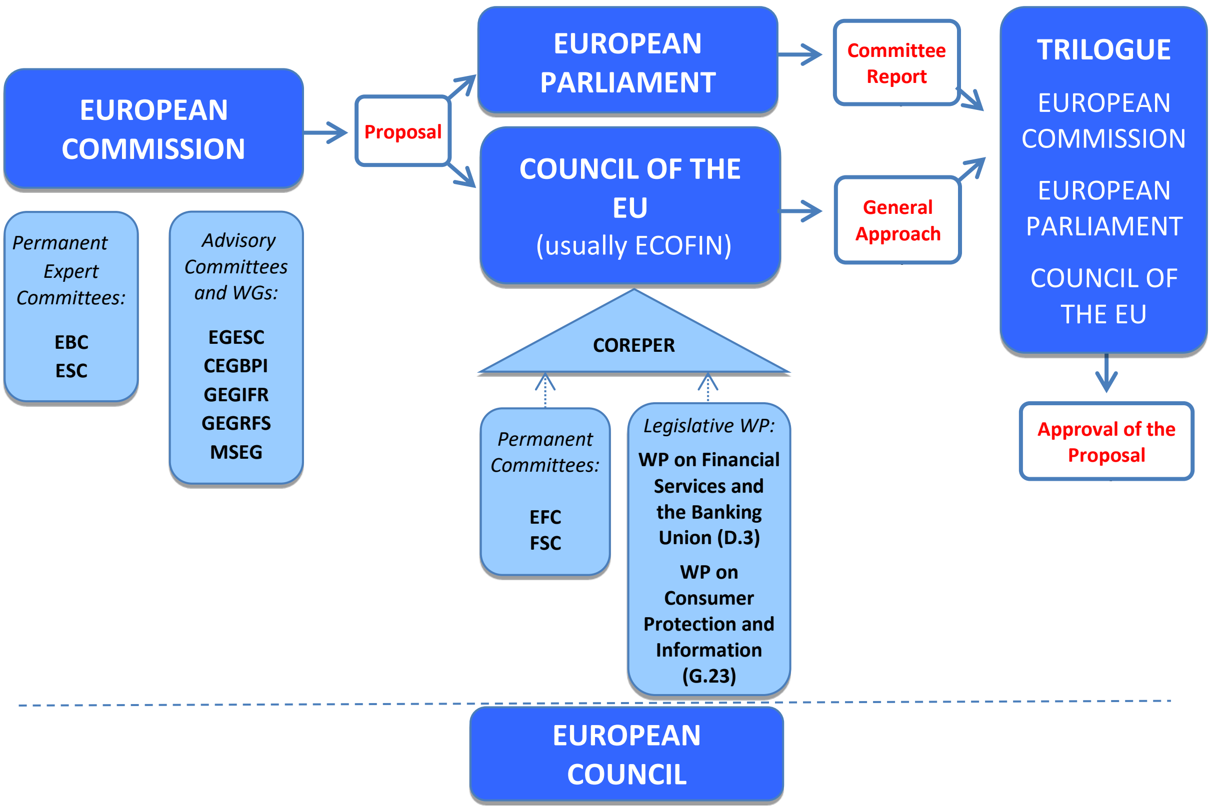
Source: CNB – ARAD, MoF calculations

9 FINANCIAL MARKET ACTIVITIES OF THE MOF AND FINANCIAL MARKET LEGISLATION

9.1 Ministry of Finance's Activities at the European Level

The MoF's activities at the European level are associated with the legislative process of discussing and approving the directives and regulations governing the financial market. Scheme 9.1 provides a basic description of this process. The preparation of legislative proposals falls within the competence of the European Commission (the "Commission"), which holds an "initiative monopoly" within this particular area. In a number of cases, the Commission discusses its plans and the text of its proposals at an expert level with representatives from the Member States using the platforms provided by the permanent expert committees (referred to as Level 2 Committees), expert advisory committees, and working parties. The Commission's proposals are subsequently finalised, published on the Commission's website, and forwarded for the parallel discussion by the European Parliament and the Council of the European Union (Council). At the level of the European Parliament, the proposals are discussed by the appropriate committee (proposals affecting the financial market are discussed by the Committee on Economic and Monetary Affairs – ECON Committee). The output from the discussions is the approved Committee Report that includes a proposal for amendments to the Commission´s proposal. As far as the Council is concerned, the proposals are discussed by the representatives of the Member States within the relevant working party (WP) (in the case of financial services they are the D.3 WP on Financial Services and the Banking Union or the G.23 WP on Consumer Protection and Information), and various ad hoc working parties that are established as required. The result from the meetings consists of a proposal of revised version that is submitted for approval in the form of a General Approach, first to the Permanent Representatives Committee (usually COREPER II), and then to the Council (most often in its ECOFIN configuration). The General Approach and the Report prepared by the appropriate committee of the European Parliament are the input materials for a "trilogue" – a tripartite meeting during which a compromise version of the directive or regulation is negotiated by three parties, specifically the Commission, the Council, and the European Parliament. The final version is then formally approved by the Council and the European Parliament and subsequently published in the Official Journal of the European Union (the Journal).

Scheme 9.1: Basic structure of the European institutions within the context of the legislative proces



Source: Prepared internally

The following sections of Chapter 9.1 provide information about the topics discussed by the various structures of the Commission and the Council. More details about the individual proposals for directives and regulations are provided in Chapter 9.3.

Commission

The Commission is one of the EU's organs, which acts independently of the Member States and promotes the Union's interests. The term "Commission" is used in two different ways: either in the sense of the College of Commissioners or to also include the full administrative body. The Commission participates at almost all decision making levels and it has the largest administrative and expert apparatus of the EU institutions. Most importantly, the Commission is the "guardian of the treaties", which means that it ensures compliance with the basic treaties establishing the European Union and one of the Commission's official obligations is to take legal actions if any breach of these treaties is discovered. Another key competence of the Commission consists of its participation in the EU legislation. In this respect, it holds an "initiative monopoly" – only the Commission has the right to submit legislative proposals. Other powers entrusted to the Commission include the publishing of recommendations and opinions, the exercise of delegated power (delegated legislative power), and representing the EU externally, including maintaining diplomatic relations and negotiating international treaties. The Commission is also responsible for managing a majority part of the EU budget.

Various working groups and committees function within the Commission as its advisory bodies. Their meetings are held with the participation of representatives from the Member States. As far as financial services are concerned, these are usually representatives from the ministries and, in some situations, also from the central banks. In some cases representatives from the European Central Bank (ECB), European System of Financial Supervision – European Insurance and Occupational Pensions Authority (EIOPA), European Banking Authority (EBA), and European Securities and Markets Authority (ESMA), as well as representatives of the countries of the European Free Trade Association (EFTA), European Economic Area (EEA) and the candidate countries for EU membership participate as observers.

Permanent Expert Committees and other selected Commission platforms

European Securities Committee (ESC)

The ESC is a committee of representatives of Member States that votes on implementing acts of the Commision within regulatory procedure with scrutiny (this does not apply to technical standards, which the Commission only formally approves). In 2024 the Committee did not convene or vote on any proposals, either in person or by written procedure.

Expert Group of the European Securities Committee (EGESC)

In 2024, meetings of the ESC Expert Group were organised in the form of teleconferences. In May, Member States' views on the issue of the forthcoming implementing regulation for the ELTIF Regulation were discussed. In July, the Expert Group discussed the issue of set-up of identifiers for OTC derivatives under the MiFIR Regulation, focusing on whether ISIN or UPI+ should be used. The final meeting of the group in 2024 took place in December and concerned the sharing of information among Member States on the use of investment accounts or products, as well as the exchange of positive and negative experiences regarding the implementation and configuration of support schemes for such accounts.

Commission Expert Group on Banking, Payments and Insurance (CEGBPI)

The CEGBPI was established in 2013 and to a large extent replaced the European Insurance and Occupational Pensions Committee (EIOPC) and the European Banking Committee (EBC). Its objective is to provide the Commission with support and advice during the preparation of legislative proposals and delegated acts relating to banking, payment services, and the insurance sector. The CEGBPI also functions as a platform for communication and the exchange of opinions between the Member State authorities and the Commission.

The Commission uses the CEGBPI in its banking formation, i.e. on matters of banking regulation and supervision, inter alia to consult on forthcoming delegated acts based on the CRD[50] and on the CRR[51]. Meetings on the upcoming revision of the macroprudential framework for banks took place in February and October 2024, to discuss, among other things, measures to simplify the macroprudential framework, enhance consistency in the

[50] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended.

[51] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended.

use of macroprudential tools, and increase the usability of capital buffers to support lending to the economy. In July 2024, a meeting of this formation was held to discuss the possible postponement of the implementation of the new framework for the calculation of market risk capital requirements (FRTB) by one year until 1 January 2026. The EBA's report on the application of derogations regarding remuneration provisionswas also presented at the meeting. In October 2024, a two-day transposition workshop on CRD VI took place, aiming to address questions from Member States' representatives regarding problematic areas encountered by Member States during the legislative process for the transposition of CRD VI.. On the topic of the financial market crisis management framework, in December 2024, a revision of the relevant regulation was discussed to adjust the parameters for the calculation of the ex-ante contributions to the resolution funds[52].

The formation for payment services and payments met twice in 2024. In March, the working group was held via videoconference and initiatives and new payment solutions for digital payments were presented, selected Member States presented national strategies on payment services, and the use of the European Digital Identity Wallet in the area of payments was also presented in the expert working group. In October, the expert group met in person. The issue of reviewing the cross-border Regulation payments was included on the agenda and Member States shared their experiences with the application of the Regulation. Furthermore, issues related to the implementation of the Regulation on instant credit transfers in euro were addressed, with Member States presenting the current state of national implementating regulations. The last item on the agenda was the issue of payment fraud, under which Member States discussed current experiences with payment fraud and some Member States presented projects aimed at preventing payment fraud.

In the insurance formation, the expert group met twice by videoconference. The first meeting took place in May 2024 and focused on the revision of the delegated act[53] supplementing the revised Solvency II Directive and laying down technical rules, particularly in relation to capital requirements. Given the breadth and complexity of the issue, the topics discussed were divided into key review topics that are being addressed as a matter of priority (long-term investments, equity and interest rate risk, risk margin) and extended topics that will only be addressed by the subsequent Commission in 2025 (sustainability risks, crypto-assets, securitisation, disclosure and reporting requirements). The second meeting in December 2024 followed up on key topics that were elaborated at the May meeting and further discussed risk mitigation techniques, mortgage lending, the treatment of state/public/public-law collateral, as well as remuneration, group supervision, and other topics related to capital requirements.

The Expert Group in the Derivatives and Market Infrastructure formation met in September 2024 to discuss the shortening of the securities settlement cycle from two working days from trade conclusion to one working day.

Government Expert Group on the Interchange Fee Regulation (GEGIFR)
The Expert Group was established in 2015 in connection with the implementation of the Interchange Fees for card-based payment transaction Regulation (IFR)[54] and is mainly focused on discussing issues that have arisen during the implementation process. The meetings are also an opportunity for member States to present their observations and experiences, and to discuss mutual cooperation. In 2024, the Expert Group met in June via videoconference. The Commission presented to the Member States the latest developments in the card market. Member States also shared the latest knowledge and experiences related to the implementation of the IFR.

Government Expert Group on Retail Financial Services (GEGRFS)
The GEGRFS, composed of representatives of Member States and the Commission, was established in 2007 to deal with issues related to the provision and regulation of retail financial services. Since 2018, the main agenda has been the revision of the Mortgage Credit Directive (MCD)[55], the revision of the Payment Accounts Directive (PAD) [56], financial education and, more recently, the preparation of the Retail Investments legislativePackage. In 2024, the Expert Group conducted a questionnaire survey on certain aspects of the provision of payment

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[52] Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements.

[53] Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

[54] Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions.

[55] Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010, as amended.

[56] Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features.

services (fees, switching, access to payment accounts) in the Member States. The Expert Group did not meet in person in 2024.

Member States Expert Group on Sustainable Finance (MSEG)
In order to support the implementation of the Action Plan: Financing Sustainable Growth and the Transition to a Sustainable Economy across the Member States, an expert group on sustainable finance was established in April 2018. Within this expert group, Member States assist the Commission in the drafting of legislative proposals and policy initiatives. Additionally, they contribute to the implementation of EU laws and policies, sharing and negotiating their national positions. The expert group meets irregularly several times a year, depending on the stage of preparation of regulations and initiatives.

In 2024, the expert group discussed further upcoming initiatives and proposals, in the presence of representatives of the Platform on Sustainable Finance, the International Platform on Sustainable Finance, and EFRAG.

In 2024, the expert Group also discussed and commented on a number of new regulations and initiatives issued by the Commission in June 2023 as a package of measures. With this package, the Commission has complemented the EU Sustainable Finance Framework to support the necessary additional financial flows into sustainable investments.

Council of the European Union / ECOFIN Council

The Council of the European Union (the Council of the EU or the Council) brings together the ministers from the Member States, who meet and discuss or adopt proposals of legislative acts and other legal acts and coordinate the functioning of individual policies. The key tasks performed by the Council of the EU include approving the EU's legislation, coordinating the main direction of the economic policies of the Member States, ratification of agreements between the EU and other countries, approving the annual budget, developing the EU's foreign and defence policies, and coordinating the co-operation between the judicial organs and the police authorities in the Member States. The Council of the EU meets in ten various configuration according to the area to which the discussed materials belong. Each of the Member States sends its representative (minister) responsible for a particular area of policy to each of the meetings of the Council of the EU. The Presidency of the Council of the EU rotates every six months according to a pre-approved sequence (in 2024, the Presidency was held by Belgium and Hungary, in the first half of 2025 by Poland, which will be followed by Denmark). The Council of the EU does not have any permanent members, however, there is an exception, the Foreign Affairs Council (FAC), chaired by the High Representative of the Union for Foreign Affairs and Security Policy. This office is currently held by Kaja Kallas.

The ECOFIN Council is the Council of the EU configuration consisting of the economics and finance ministers from the Member States (if budget issues are on the agenda to be discussed, the budget ministers also attend the meetings). The competencies of the ECOFIN Council include the adoption of measures in areas such as the coordination and supervision of economic policies; the monitoring of budgetary policy and the state of public finances in the Member States; the euro as the single currency; taxes; the financial markets; the free movement of capital; and economic cooperation with third countries. In addition, every year the ECOFIN Council works in cooperation with the European Parliament to prepare and approve the EU budget. As a rule, the ECOFIN Council meets once a month. In addition, the economics and finance ministers meet informally in the presiding country once during its term. The governors of the central banks also participate in these informal meetings. In addition, budgetary ECOFIN Council is usually convened once a year.

The preparatory committee for the Council of the EU meetings is the COREPER, which also has two configurations — COREPER II has subject-matter competence over the area of financial markets, COREPER I over the area of consumer protection.

There are a number of permanent or ad hoc working parties as well as expert committees within the structure of the Council of the EU, which prepare the ECOFIN Council agenda including pending legislative proposals. In the case of financial services, these comprise the Economic and Financial Committee, the Financial Services Committee, and the Working Party on Financial Services and the Banking Union (referred to as D.3).

The approval of legislative proposals in all Council of the EU configurations has the same weight — where there is consensus on a proposal of all Member States at lower levels (Working Party, COREPER), the proposal may be referred to the Council of the EU for approval without discussion (as an A point). It can then be approved by any configuration of the Council of the EU (usually the one that meet first); on the contrary, proposals falling under *the competence of other Council of the EU configurations may also appear on the ECOFIN Council agenda as "A points".*

In the course of 2024, the ECOFIN configuration of the EU Council approved the general approaches to the Commission's proposals, which were discussed by the Working Party on Financial Services and the Banking Union. Ministers were also regularly informed at meetings on progress in the negotiation of legislative proposals in the area of financial services and on the state of implementation of already adopted financial market legislation at national level.In addition, the ECOFIN Council:

- was informed by the Belgian Presidency of the work programme for the first half of 2024, noted the current situation regarding the economic and financial consequences of the military conflict in Ukraine, and approved the recommendations on euro area economic policy for 2024 (16 January 2024)
- during its informal meeting in Ghent discussed the deepening of the Capital Markets Union, the issue of reducing the regulatory burdens, and strategies to strengthen financial literacy (23-24 February 2024)
- discussed the economic and financial consequences of the military conflict in Ukraine; was informed about the main outcomes of the meeting of G20 Finance Ministers and Central Bank Governors (12 March 2024);
- endorsed the EU Terms of Reference for the G20 Finance Ministers and Central Bank Governors meeting, took note of the current situation regarding the economic and financial impact of the military conflict in Ukraine (12 April 2024);
- endorsed the conclusions on financial literacy, which aim to contribute to the completion of the Capital Markets Union and which provide guidance to the Commission and the Member States on how to improve citizens' financial knowledge in order to help them make more informed financial decisions and incentivise them to invest in European and financial markets (14 May 2024);
- was informed about the economic and financial situation in Ukraine and the implementation of the Ukraine Facility (21 June 2024)
- was informed by the Hungarian Presidency of the work programme for the second half of 2024, took a note of the current situation regarding the economic and financial consequences of the military conflict in Ukraine, endorsed the EU Terms of Reference for the meeting of G20 Finance Ministers and Central Bank Governors (16 July 2024)
- at the informal meeting of finance ministers and central bank governors in Budapest, focused on issues related to addressing demographic challenges and financing a sustainable green transition, which have a significant impact on the EU's competitiveness (13-14 September 2024);
- noted the current situation regarding the economic and financial consequences of the military conflict in Ukraine; endorsed the EU Terms of Reference and statement for the meeting of the International Monetary and Financial Committee in view of the meeting of G20 Finance Ministers and Central Bank Governors and for the IMF annual meeting (8 October 2024);
- noted the current situation regarding the economic and financial consequences of the military conflict in Ukraine; adopted without debate two legislative acts amending the Solvency II Directive and introducing new rules on recovery and resolution procedures of insurance undertakings (5 November 2024);
- was informed by the Commission of the current situation regarding the economic and financial consequences of the military conflict in Ukraine (10 December 2024)

Permanent Committees and Working Parties of the Council

<u>Financial Services Committee (FSC) and Economic and Financial Committee (EFC)</u>
The Financial Services Committee (FSC) and the Economic and Financial Committee (EFC) are two of ECOFIN's permanent committees. They have a permanent chairpersonship and do not apply a rotating chairperson rule. The FSC provides a forum for the preliminary higher-expert level discussion of issues associated with financial services and, together with the EFC, takes part in preparations of individual ECOFIN Council meetings. Representatives of the finance ministries of EU Member States, the Commission, the ECB, and the European supervisory authorities (ESAs – the EBA, ESMA, and EIOPA) participate in the activities of the FSC. The FSC is also involved in the EU-US regulatory dialogue, in which the EU is represented by the Commission. The EFC's activities

primarily consist of monitoring the economic and financial situation of Member States of the euro area and the EU as a whole, reporting to ECOFIN Council and the Commission, and participating in the preparation of the Council of the EU's activities in the economic and financial sector. The themes covered by the EFC are therefore much broader than those tackled by the FSC. The EFC meetings are attended by representatives of the finance ministries of EU Member States, the Commission, the ECB, and the national central banks.

Financial market topics discussed in these committees during 2024 included regular analyses of financial sector risks, reports by European Supervisory Authorities on supervisory convergence and consumer trends, ESRB reports on vulnerabilities in the commercial real estate sector, climate stress tests of Institutions for occupational retirement provision (IORPs), EIOPA's reinsurance and sustainability risk management activities, Banking and Capital Markets Union matters, the digital euro, securitisation, crypto-assets, shortening the settlement cycle in the EU to the day after the trade date (T+1), greenwashing (misleading practices related to the promotion of sustainability aspects, especially the environmental attributes of products or services), macroprudential policies for non-bank financial intermediation, accounting framework for SMEs, sustainable finance, cybersecurity, reports on the equivalence of third country regulatory regimes, dialogue with the US on financial market regulation, the results of the EU joint stress tests and recent developments in relations with the UK.

Working Party on Financial Services and the Banking Union (D.3)

The Working Party on Financial Services and the Banking Union is one of the EU Council's preparatory bodies. It discusses the Commission's relevant financial market legislative proposals before they are submitted to COREPER and ECOFIN Council. The working party thus covers a wide range of topics, which vary according to the current stage of negotiations regarding a particular legislative proposal and in case any new proposals have been published. Experts from each Member State attend the meetings of this working party. The party is chaired by a representative from the country currently holding the Presidency. Member States are represented by their financial attachés from their Permanent Representation in Brussels particularly during later phases of the discussion on proposals.

In 2024, negotiations were underway on the Instant Payments Regulation, the Listing Act package, the Financial Data Access Framework Regulation (FIDA), the Benchmarks Regulation Review (BMR), the review of the regulation of central counterparties (EMIR 3), the review of the financial sector crisis management and deposit insurance framework (CMDI), the Payments package, the Digital Euro package, the Retail investment package (RIP), and the proposal for a regulation on transparency and integrity of environmental, social and governance (ESG) rating activities.

For more information on the individual proposals under discussion, see Chapter 9.3.

Working Party on Consumer Protection and Information (G.23)

The Working Party on Consumer Protection and Information is one of the EU Council's preparatory bodies. It discusses the Commission's relevant consumer protection legislative proposals before they are submitted to COREPER II and COMPET. The working party thus covers a wide range of topics, which vary according to the current stage of negotiations regarding a particular legislative proposal and in case any new proposals have been published. In the Czech Republic, some topics are covered by the Ministry of Industry and Trade and others by the Ministry of Finance (consumer credit, consumer financial services provided remotely). The meetings of this working party include the participation of experts from individual EU Member States, with an expert from the chairing country heading the party. There were no negotiations on the MoF's agenda in 2024.

For more information on the individual proposals under discussion, see Chapter 9.3.

European Council

The European Council (EC) is the European Union's body and comprises the highest representatives from the Member States (heads of state and prime ministers), the President of the EC and the President of the Commission. The EC meets at least four times a year and defines the general political directions for the EU. The EC does not perform any legislative functions. The outcomes of a meeting are the EC conclusions. Their purpose is to identify specific issues that are important for the EU, and to outline specific measures to be adopted or objectives to be achieved. The EC conclusions may also set a deadline for reaching agreement on a certain matter or for presenting a legislative proposal. The EC may thus influence the EU's political agenda and determine its direction. The EC has a permanent president (this office is currently held by António Costa); however, neither the permanent president nor the Commission President participates in EC voting. Decision making of the EC takes place, with a few exceptions, through consensus. After each of its meetings it is obliged to submit a report on its meeting to *the European Parliament. The EP also receives an annual written report prepared by the EC regarding the progress achieved (this will be discussed by both the Council of the EU and the European Parliament).*

As in the previous year, the EC meetings during 2024 were greatly affected by the military conflict in Ukraine. In February 2024, an extraordinary session was held in which EU leaders approved additional funding for the Multiannual Financial Framework 2021-2027 and discussed the support for Ukraine through the establishment of the Instrument for Ukraine 2024-2027 to help the country recover, rebuild and modernise on its path towards EU accession. At the March meeting, leaders confirmed the policy priorities set out in the Annual Sustainable Growth Survey and endorsed the Council's draft recommendations on the economic policy for the euro area. In April 2024, in an extraordinary meeting, leaders stressed the urgent need for the Council and the Commission to move forward swiftly on all the measures identified as necessary to create truly integrated European capital markets, such as harmonising national insolvency frameworks for companies, revitalising the European securitisation market, improving convergence and efficiency of supervision, improving conditions for equity investment, introducing a simple and efficient cross-border investment savings product for retail investors, strengthening the financial literacy of citizens and simplifying the regulatory framework to reduce bureaucracy. In June 2024, leaders reviewed progress on initiatives to increase the EU's competitiveness, ensure its economic resilience and achieve the full potential of the Single Market. In October 2024, leaders encouraged all EU institutions, Member States and stakeholders to take forward work in response to the challenges identified in Enrico Letta's report "Much more than a market" and in Mario Draghi's report "The future of European competitiveness". Then, at the December 2024 meeting, leaders held a strategic discussion on the EU's global engagement and priorities in the current geopolitical context and addressed the question of how to strengthen the EU's resilience and preparedness and its ability to prevent and respond to crises.

9.2 Ministry of Finance's Activities at the International Level

OECD

The Organisation for Economic Co-operation and Development is an intergovernmental organisation of the worlds' thirty-eight economically most developed countries, which have all adopted the principles of democracy and a market economy. The OECD was established in 1961 through the transformation of the Organisation for European Economic Co-operation (OEEC). The OEEC was originally established in 1948 to help administer the post-war Marshall Plan. The main objectives of the OECD include policy coordination for the long-term economic development of member and non-member countries. The OECD coordinates the cooperation of its members in the sphere of economic and social policy negotiates new investments, and because the OECD brings together economically the most important countries in the world, it also has an important role to play in promoting the liberalization of international trade. The OECD's objectives are to facilitate further economic development; to suppress unemployment; and to stabilise and develop the international financial markets. The most important bodies within the OECD structure include the Council comprising the ambassadors from the OECD member countries, the Executive Committee, the Secretariat led by the Secretary – General, and several expert committees.

Some of the OECD's activities transcend the national boundaries of its member countries. The International Network on Financial Education (INFE) is only one example. It consists of 130 countries.

Committees and other selected OECD platforms

<u>Committee for Financial Markets (CFM)</u>
The CFM is the OECD's main body involved in financial market issues. It provides a platform to discuss the trends in financial markets and the relevant measures for enhancing their functioning both in individual countries as well as at a broader supranational level. The members of the CFM consist of representatives from the finance ministries, central banks, and other regulatory and supervisory authorities. Representatives from international financial institutions, such as the International Monetary Fund, the World Bank, and the Bank for International Settlements in Basel, also participate in the committee's meetings, along with representatives from associated emerging economies. The CFM therefore facilitates a geographically broader platform for debate and sharing of experience than is provided by other mechanisms, such as discussions among EU Member States. A very specific characteristic of the committee's activities is the regular meetings with representatives from the private financial sector, at which important topics of common interest to both the public sector and the private sector are discussed, particularly developments about trends in the global financial markets and other current topics.

Meetings in 2024 focused primarily on OECD activities in the areas of sustainable finance (sustainability reporting and monitoring of the transition to carbon net zero economy within the financial sector) and digitalization of the financial sector (risks and opportunities of artificial intelligence for the financial sector, asset tokenization and the use of distributed ledger technology). Global financial market developments, corporate bond and real estate markets issues and trends in non-bank financial intermediation were also important topics of discussion.

Committee on Financial Markets' Experts Group on Finance and Digitalisation (EGFD)
The EGFD is an expert group that focuses on decentralised finance and the crypto-asset market, selected aspects of central bank digital money, approaches in the development of open finance and other topics related to the digital transformation of the financial market. The EGFD did not meet or vote on any proposals in 2024.

Advisory Task Force on the OECD Codes of Liberalisation (ATFC)
The Advisory Task Force on the OECD Codes of Liberalisation was established with the aim of finding solutions to reap the benefits of capital flows while mitigating the risks associated with their volatility in a shifting global financial system. The OECD Code of Liberalisation of Capital Movements, to which 38 countries have signed up, including twelve G20 countries, is a multilateral agreement between the parties that addresses openness, transparency and international cooperation across the full range of cross-border capital flows. ATFC meetings are attended by government experts from OECD countries (including some members of the OECD Investment Committee, the OECD Financial Markets Committee and the IPPC) and non-OECD countries, and experts from relevant international organisations, such as the IMF and the WTO. Discussions in 2024 focused mainly on national financial market measures with a potential impact on capital flows and some other issues related to the developments of capital flows and the rules for their liberalisation, such as geopolitical risks and the implications of a potential introduction of so-called digital currencies by central banks.

Insurance and Private Pensions Committee (IPPC)
The IPPC is the main OECD body addressing insurance market issues, the supervision of the insurance sector, and private pension issues, i.e. non-public sector of pension security schemes.[57] The IPPC contributes to international cooperation, coordination, and a higher level of compatibility with regard to the regulation of the aforementioned sectors of the financial market. The committee comprises of representatives of the finance ministries and those state administration authorities who are responsible for the insurance sector and private pensions. Meetings are also attended by representatives of the supervisory bodies of OECD member countries. Open meetings are also attended by market or trade union representatives. In 2024, the IPPC met twice. The June meeting focused on ESG risks, which translate into financial risks, and setting the balance between these risks. The Committee also discussed cyber risks and gaps in their insurance coverage. The Committee also addressed catastrophic risks, in particular flood and forest fire risks. Together with the issue of assessing these risks, the discussion then covered options for reducing them. The December meeting followed up on the issue of catastrophic risks and discussed options for expanding insurance coverage, preventing and reducing catastrophic risks, and sharing risks through public-private partnerships. Global insurance market trends were presented based on OECD data collection. Part of the meeting was shared with the Working Party for Private Pensions, with a roundtable discussing selected topics related to the participation of insurance undertakings and pension funds in capital markets and their potential contribution to economic growth and long-term financing. Discussions included investment opportunities in alternative assets, portfolio diversification, balance between risks and guarantees, profitability of funds, support for innovation and SMEs to enter financial markets and contribution of insurance undertakings and pension funds to digital and green transformation.

Working Party for Private Pensions (WPPP)
The WPPP addresses topics similar to those covered by the IPPC, but places a greater emphasis on the sector of pension funds, their asset managers, and the participants in private pension schemes (both individual and occupational pension schemes). The WPPP met twice in 2024. The June meeting focused on issues related to the supervision of pension fund investments, the creation and set-up of individual pension dashboards, and the evaluation of the long-term results of pension fund investments in private capital compared to other investment strategies, proposing guidelines to ensure that participants in defined contribution plans are adequately protected from longevity risk, options to improve access to asset-backed pension plans through multi-employer arrangements, and a proposal for a project to help pension funds and insurance undertakings integrate ESG risks and factors into investment decisions. The December meeting covered, among other things, an update of the recommendation on the principles of private pension regulation and proposals for projects to focus on financial

57 The topic of private pensions is dealt with by the WPPP under the IPPC.

advice for retirement planning or to ensure that pension plan participants make sufficient contributions to achieve their retirement income goals. The OECD Pensions Outlook 2024 was presented and projects for the next period were discussed.

Task Force on Financial Consumer Protection (TFFCP)
The objective of the TFFCP is to prepare international standards of consumer protection in the financial market, particularly in the area regarding the supervisory architecture, the rules for dealing with customers, the resolution of consumer disputes, financial education, and financial inclusion. These high-level principles to a large extent reflect examples of already functioning regulatory practice in the EU. However, the process also acts retroactively as a model for fledgling regulation (particularly for the OECD countries that are not EU Member States). In 2024, the TFFCP dealt with organisational matters (mandate, programme of work, the candidature of Peru for membership), monitoring the implementation of its recommendations on consumer credit in member countries, issues related to the protection of vulnerable consumers, access to cash, and the approach to measuring financial well-being.

International Network on Financial Education (INFE)
The International Network on Financial Education is a platform including the institutions (typically, the finance ministries and central banks) of not only the OECD member countries. Its role is to create global strategy documents. The network's website[58] provides a gateway to information about financial education and data, resources, research, and reports. The MoF has been an INFE member and national coordinator since the network's establishment in 2008.

In October 2024, the final version of the Policy Note on Financial Well-being was approved. INFE also addressed the topic of sustainability, in particular current trends and risks in sustainable finance and greenwashing. In 2024, The Working Group on digital financial literacy and the Working Group on financial literacy standards has been developing questionnaires to assess the current state of play in member countries. INFE also announced its intention to revise the mandate of its Research Committee to be more in line with the current direction of INFE and to better support the working groups. Research and data should be accessible to all (full) members. In November 2024, the final results of the PISA measurement (testing the knowledge of 15 year olds) were published.

G20

The G20 brings together the finance ministers and the central bank governors from nineteen countries and two regional groupings – the African Union and the EU (which is represented by the presiding member state and the ECB). The G20 was established in 1999 as a forum in which the leading world economies are able to exchange their opinions regarding key issues related to the global economy. The Czech Republic is not a member of the G20 but is de facto represented by the representative of the European Union.

In 2024, G20 leaders met for a two-day summit hosted by the Brazilian G20 Presidency in Rio de Janeiro under the motto "Building a Just World and a Sustainable Planet", where G20 leaders focused on the three main priorities of the Brazilian Presidency: social inclusion and the fight against hunger and poverty, reform of the institutions of global governance, and sustainable development and energy transition.

FSB

The creation and functioning of the Financial Stability Board (FSB) is closely linked to the G7 and G20. The FSB's immediate predecessor, the Financial Stability Forum (FSF), was established by the G7 in 1999. In April 2009, the FSB was established on the initiative of the G20. In addition to promoting financial stability, it focused on promoting reforms in financial regulation and supervision. In practice, the transformation of the FSF into the FSB expanded the number of member countries participating in the work of this organisation. Individual countries are represented in the FSB by the authorities that aim to maintain financial stability (ministries of finance, central banks, supervisory and regulatory authorities). In addition, international financial institutions (the BIS, IMF, OECD, and World Bank) and international standard-setting bodies (Basel Committee on Banking Supervision, Committee on Payments and Market Infrastructure, Committee on the Global Financial System, International Organization of Securities Commissions, etc.) attend meetings.

In order to ensure the global reach of the FSB, six Regional Consultative Groups (RCGs) have been established. The Czech Republic is represented in RCG Europe.

58 www.oecd.org/finance/financial-education/

In 2024, representatives from FSB member countries met regularly both at the plenary level and within the individual Regional Consultative Groups. The Regional Consultative Group for Europe discussed current global and regional financial stability issues and their potential impact on European economies, developments in commercial real estate and their implications for financial stability, challenges with implementing of the FSB Global Regulatory Framework for Crypto-Assets in Europe, the impact of technology and social media on depositor behaviour in times of market stress, the preliminary findings of the FSB evaluation on the securitization reforms, the role of artificial intelligence in a changing financial system and financial stability implications from private credit.

Priorities for the FSB's work programme in 2024 included supporting global cooperation on financial stability, enhancing the resilience of the non-bank financial intermediation sector, enhancing cross-border payments, harnessing the benefits of digital innovation while containing its risks, addressing financial risks from climate change, and completing resolution reforms.

In the area of enhancing the resilience of the non-bank financial intermediation, the FSB published a report containing recommendations to enhance the liquidity preparedness of non-bank market participants for margin and collateral calls in centrally and non-centrally cleared derivatives and securities markets, and submitted for consultation a report containing draft recommendations to address financial stability risks from leverage in non-bank financial intermediation. The FSB also reviewed the measures taken by FSB member countries to enhance the resilience of money market funds and issued a report describing the structure and functioning of the commercial paper and negotiable certificates of deposit markets in the EU, Japan, the UK and the US. As in previous years, the FSB provided a progress report on the implementation of reforms to strengthen the regulation and supervision of non-bank financial intermediation entities and a report assessing global trends in the non-bank financial intermediation.

As part of the initiative to enhance cross-border payments, the FSB published recommendations to strengthen consistency in the regulation and supervision of banks and non-banks in the provision of cross-border payment services and recommendations to promote greater alignment and interoperability across data frameworks related to cross-border payments (i.e. laws, rules and regulatory requirements for data collection, storage and management). The FSB also provided a progress report on the G20 roadmap for achieving cheaper, faster, more transparent and more accessible cross-border payments, highlighting progress on harmonising data requirements, extending of operating hours and interlinking of fast payment systems, and a progress report on meeting the key performance indicators for cross-border payments.

On the topic of harnessing the benefits of digital innovation while containing its risks, the FSB explored the financial stability implications of the use of artificial intelligence (AI) in the financial system and the potential factors leading to higher levels of activity related to global stablecoins linked to foreign currency in emerging market and developing economies, and offered reflections on addressing the associated financial stability risks and regulatory challenges. The FSB also presented a report on the progress made by FSB member countries in implementing the global regulatory framework on crypto-assets and a report on the financial stability implications of tokenisation. The OECD and the FSB held a roundtable with experts from the public and private sectors and with academics to discuss current trends in the adoption of AI in finance, existing and potential use cases for financial institutions and supervisors, the opportunities and risks associated with AI, and emerging best practices regarding policy frameworks.

In terms of addressing climate-related financial risks, the FSB issued a report on the progress made by FSB member countries, standard-setting bodies and international organisations towards achieving globally consistent and comparable climate-related disclosures at the corporate level. At the request of G20 Finance Ministers and Central Bank Governors, the FSB also prepared a report summarising regulatory and supervisory initiatives on the identification and assessment of nature-related financial risks.

In the area of resolution and crisis management, the FSB issued a standard on financial resources and tools to facilitate orderly resolution of systemically important central counterparties (CCPs) and, in this context, also revised guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution. In addition, the FSB provided additional clarification for financial institutions and authorities on the implementation of the guidance on arrangements to support operational continuity in resolution, given the increased dependencies of financial institutions on third-party service providers in supporting critical shared services and the digitisation of these services.

The FSB also issued a statement to clarify the importance of preparedness for resolution of banks that may only be considered systemically important in the event of their failure, and examined the impact of technology, social media and interest rates on depositor behaviour. As part of a report outlining the work the FSB has done to address the remaining lessons for the resolution framework from the 2023 bank failures and to advance the resolution framework for insurers and CCPs, the FSB published for the first time a list of insurers reported by FSB member authorities as being subject to resolution planning standards consistent with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions. The FSB plans to publish this list on an annual basis to provide transparency to markets and the wider public that the reported insurers and relevant authorities are working to be prepared for resolution. As it does every year, the FSB published an updated list of global systemically important banks (G-SIBs), including the level of additional capital buffer rates they should meet in the future.

Other FSB activities included issuing a report on the progress made by FSB member countries in implementing remuneration tools for financial institutions, a report for consultation on the interim results of the evaluation of the effects of the G20 financial regulatory reforms on securitisation and a proposal for a common format for the exchange of reports on operational incidents, including cyber incidents, among financial institutions and authorities.

BCBS

The Basel Committee on Banking Supervision (BCBS), which operates under the Bank for International Settlements (BIS), is a global standard-setting body for the regulation of banks and a forum for cooperation on banking supervision matters, for which the BCBS also develops standards and recommendations. The best-known standards are the international standards on capital adequacy or the Basel Core Principles for Effective Banking Supervision. BCBS standards are not formally binding, but are respected and implemented in the national legislation of many countries, not just member states. The BCBS was created by the central banks of the G10 countries in 1974. Its 45 members include central banks and supervisors from 28 countries, but it also consults within a broader group called the Basel Consultative Group, which includes representatives of other non-member countries, including the CNB. The Czech Republic is not a member of the BCBS, but is de facto represented by joint representatives of some EU institutions.

The BCBS work programme in 2024, as in 2023, focused on identifying and assessing emerging risks and vulnerabilities in the global banking system, as well as activities related to the digitalisation of finance, climate-related financial risks and monitoring and assessing the implementation of the Basel III framework.

Besides the annual review of the impact of Basel III standards on banks and the regular assessment of their implementation across the selected member countries, the BCBS also published a report containing an analysis of the dynamics of liquidity risk observed in the banking sector between March and May 2023 in the context of the failures of Silicon Valley Bank, Signature Bank and First Republic Bank in the US and Credit Suisse in Switzerland. In other reports issued in 2024, the BCBS examined the different jurisdictional frameworks for implementing a positive neutral countercyclical capital buffer, the operation of the buffer and approaches to its calibration, and addressed the implications for banks and supervisors of the use of key innovative technologies such as application programming interfaces (APIs), artificial intelligence and machine learning, distributed ledger technology (DLT) and cloud computing. The BCBS also published working papers during 2024 looking at the operation of the framework for global systemically important banks in the 10 years after its introduction, examining the risks posed by permissionless blockchains, or providing an overview of the growing number of economic studies on financial technology and competition for banking services.

Regarding the development and modification of the regulatory framework, the BCBS has revised the structure and content of the Basel Core Principles for Effective Banking Supervision, which represent minimum standards for the sound prudential regulation and supervision of banks, to better reflect recent developments in bank regulation and supervision. The BCBS also made adjustments to its standard on interest rate risk in the banking book regarding the calibration and methodology for calculating interest rate shocks and published new guidelines for counterparty credit risk management. The BCBS specified in its prudential standard on banks' exposures to crypto-assets the requirements for banks' exposures to stablecoins, made technical amendments relating to the standardised approach to credit risk and banks' exposures to crypto-assets, and established a framework for the disclosure of information on banks' exposures to crypto-assets, which includes a standardised table and a set of templates for the disclosure of this information.

In 2024, the BCBS launched a consultation on several regulatory framework proposals. These include proposed principles for the sound management of third-party risk in the banking sector and proposals for technical amendments to the treatment of collateral and credit derivative hedging in the context of counterparty credit risk. Consultations were also opened to address the window-dressing behaviour of some banks in relation to the framework for global systemically important banks, as some banks take steps towards regulatory arbitrage at the end of the year and temporarily reduce the values of some indicators used to assess their systemic importance, which may subsequently be understated. The BCBS, together with the Committee on Payments and Market Infrastructure (CPMI) and the International Organization of Securities Commissions (IOSCO), provided for consultation proposals to increase the resilience of central clearing markets in terms of initial margin calculations and potential future margin requirements. In addition, the BCBS and IOSCO launched a consultation on recommendations to participants in non-centrally cleared markets to encourage the implementation of good market practices related to variation margin processes and the responsiveness of initial margin models. The BCBS also sought feedback from market participants on a number of topics relating to the practical use of climate scenario analysis and its role in strengthening the management and supervision of climate-related financial risks.

9.3 European Financial Market Legislation

European Deposit Insurance Scheme (EDIS)
In November 2015, the Commission published a proposal for a regulation supplementing the Single Resolution Mechanism Regulation (SRMR)[59] with a view to establishing a European Deposit Insurance Scheme (EDIS). The system created is intended to complement the existing pillars of the banking union, increase depositor protection across participating countries, strengthen financial stability, and gradually reduce the problematic link between banks and national governments. The EDIS proposal should apply to deposit guarantee schemes in Member States participating in the banking union and to credit institutions associated with them. Based on the EU Council conclusions from June 2016, work on EDIS continued on a purely technical level.

The resumption of the political debate took place at the turn of 2019 and 2020. Leaders at the Eurosummit in December 2020, in an inclusive format, called on the Eurogroup in an inclusive format to prepare a "stepwise and time-bound work plan" on all elements necessary to complete the banking union. Due to persistent disagreements among Member States over particular elements, the June 2022 Eurogroup leaders' agreement was directly limited to strengthening the bank crisis management framework and deepening the harmonisation of national deposit insurance schemes. Subsequently, the state of the banking union should be reassessed and agreement on possible next steps should be reached by consensus.

In March 2024, discussions on EDIS resumed in the European Parliament, while in April 2024, the ECON Committee report was adopted. In its March 2025 Communication on the Savings and Investment Union Strategy, the Commission highlighted the incompleteness of the Banking Union and committed to taking decisive steps to further develop the Banking Union, including setting out the way forward on EDIS.

Solvency II
In September 2021, the Commission published a proposal for a directive amending the Solvency II Directive. This directive is a crucial legal instrument for the smooth functioning of the single market within the insurance sector. In particular, the review of Solvency II aims to provide better incentives for long-term sustainable financing of the national and EU economies, address a potential increase in systemic risk in the insurance sector, maintain a stable overall level of capital requirements for the insurance sector, ensure more effective application of the proportionality principle, adjust reporting requirements and improve the quality, consistency and coordination of supervision of insurance and reinsurance undertakings within a group and cross-border activities. In addition, the review considers modifications to existing exemptions from the scope of Solvency II and proposes a new concept of small and non-complex undertakings and groups within a proportionality framework.

Negotiations on the proposal of the review of the Solvency II Directive have been ongoing in the EU Council Working Party since October 2021. The general approach of the EU Council was approved in June 2022, and was followed by political and technical trilogues. The European Parliament approved the final draft text in October

[59] Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended.

2024 and it was then submitted to COREPER. The Directive[60] was published in the Official Journal in January 2025.

The approval of the review of the Directive is closely linked to the delegated act, which was discussed in parallel during 2024 in the CEGBPI expert group meetings and negotiations are continuing in 2025.

Recovery and Resolution of Insurance and Reinsurance Undertakings (IRRD)
In September 2021, the Commission published a proposal for a directive governing the framework for the recovery and resolution of insurance and reinsurance undertakings (IRRD). The aim of the proposal is to establish a minimum harmonised framework for dealing with the consequences when an insurance or reinsurance undertaking is in financial difficulties. The establishment of harmonised policies and procedures will contribute to the timely and orderly resolution of an insurer's distress without disrupting the financial system or the real economy, while minimising the impact on policyholders. Minimum harmonisation, including the definition of a common approach to the basic components of recovery and resolution procedures, will eliminate current inconsistencies and facilitate cross-border cooperation. At the same time, room will be left for Member States to adopt additional measures at national level, as long as these measures are compatible with the principles, minimum requirements and objectives set at EU level. The proposal for the Directive is closely linked to the revision of the Solvency II Directive, in particular as regards the rules on prudential supervision.

Negotiations on the proposal in the EU Council working group started in October 2021. A general approach of the EU Council was achieved under the Czech Presidency in December 2022. Subsequently, political and technical trilogues took place. The European Parliament approved the final draft text in October 2024 and it was then submitted to COREPER. The Directive[61] was published in the Official Journal in January 2025.

Basel III International Standards (CRR III/CRD VI)
In June 2024, the legislation reviewing Capital Requirements Directive and Regulation, known as CRD VI and CRR III, was published in the Official Journal[62], which implemented into European law the remaining part of the international standard Basel III, including, among other things, a new regulation of output floors (designed to reduce the variability of capital requirements calculated on the basis of "internal models"), the treatment of a standardised approach to measuring credit risk (increasing the risk sensitivity of this approach), an internal-rating-based approach to credit risk measurement, the establishment of a minimum capital requirement for CVA risk (the treatment of derivative valuations taking account of counterparty credit risk), the setting of a minimum capital requirement for operational risk, and the regulation of the minimum capital requirement for market risk. The legislation also includes certain topics beyond Basel III, including revisions to the treatment of administrative sanctions, revisions to supervisory powers in relation to acquisitions of qualifying holdings, significant transfers of assets or liabilities and mergers or divisions of obliged entities, the regulation of the assessment of sustainability factors in the context of ESG risks, regulation in the fit-and-proper field, and the harmonised treatment of third country branches and partial revision to macroprudential tools.

Capital Markets Union (CMU)
In 2024, the legislative process for a package of further legislative proposals under the capital markets union (CMU) project was completed, which aims to integrate capital markets. Four proposals were published as part of this legislative package: a proposal to create a European Single Access Point (ESAP); a proposal for a review of the Regulation on European Long-Term Investment Funds (ELTIF); a proposal for a review of the Alternative Investment Fund Managers Directive (AIFMD); and a proposal for a review of the Markets in Financial Instruments Regulation (MiFIR).

60 Directive (EU) 2025/2 of the European Parliament and of the Council of 27 November 2024 amending Directive 2009/138/EC as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks and group and cross-border supervision, and amending Directives 2002/87/EC and 2013/34/EU.

61 Directive (EU) 2025/1 of the European Parliament and of the Council of 27 November 2024 establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 and Regulations (EU) No 1094/2010, (EU) No 648/2012, (EU) No 806/2014 and (EU) 2017/1129.

62 Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor, and Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks.

Legislation establishing a single European access point to publicly available information on financial services, capital markets and sustainability (ESAP) and a regulation reviewing the regulation that governs European Long-Term Investment Funds (ELTIFs) were published in the Official Journal already in 2023.[63]

In March 2024, a Directive[64] was published in the Official Journal amending the Alternative Investment Fund Managers Directive (AIFMD) and the Undertakings for Collective Investment in Transferable Securities Directive (UCITS). In particular, the Directive aims to harmonise the legal framework for liquidity management tools, for funds that provide credit and for outsourcing.

In March 2024, a regulation and accompanying directive[65] were published in the Official Journal as a review of the Markets in Financial Instruments Regulation (MiFIR), which touched in particular on enhancing data transparency, as according to the Commission only a market based on high-quality market data can function well. Specifically, this involved new provisions for the so-called "consolidated tape" (CT), a tool to ensure that EU trading data from trading systems, especially from regulated markets (exchanges), are collected, consolidated and distributed in one place. All investors, whether retail or professional, thus have access to consolidated data across EU markets, regardless of the financial instruments involved. The receipt of payment for routing the flow of orders (PFOF) is now prohibited.

Instant Payments

In March 2024, the Instant Payment Regulation[66] was published in the Official Journal amending the SEPA[67] Regulation and the Cross-Border Payments Regulation[68] and introducing mandatory provision of euro-denominated instant payments. The aim of the regulation is to ensure the availability of instant euro payments across the EU (365/24/7), within 10 seconds. The regulation should help to increase the number of instant payments made in euro and allow users to benefit from the advantages of such payments as an alternative to card payments or mobile apps. Instant euro payments must be offered by all payment service providers that currently offer euro payments. The fees for making instant euro payments must not be higher than for regular euro payments.

The regulation also introduced the "IBAN-name check", i.e. the obligation to verify whether the IBAN (International Bank Account Number) matches the name of the intended payee that the payer provides when entering the payment order. In addition, the regulation amended the implementation of "sanction screening", i.e. checking whether the user to whom the instant payment is sent is not on the sanctions list, so that this verification does not cause excessive non-execution of instant payments. The regulation also established penalties for breaches of the regulation's obligations and set deadlines for payment service providers to accept and send instant payments in euro, with significantly longer time limits for Member States outside the euro area.

63 Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability, Regulation (EU) 2023/2869 of the European Parliament and of the Council of 13 December 2023 amending certain Regulations as regards the establishment and functioning of the European single access point and Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and functioning of the European single access point, and Regulation (EU) 2023/606 of the European Parliament and of the Council of 15 March 2023 amending Regulation (EU) 2015/760 as regards the requirements pertaining to the investment policies and operating conditions of European long-term investment funds and the scope of eligible investment assets, the portfolio composition and diversification requirements and the borrowing of cash and other fund rules.

64 Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024 amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, the provision of depositary and custody services and loan origination by alternative investment funds.

65 Regulation (EU) 2024/791 of the European Parliament and of the Council of 28 February 2024 amending Regulation (EU) No 600/2014 as regards enhancing data transparency, removing obstacles to the emergence of consolidated tapes, optimising the trading obligations and prohibiting receiving payment for order flow; Directive (EU) 2024/790 of the European Parliament and of the Council of 28 February 2024 amending Directive 2014/65/EU on markets in financial instruments.

66 Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro.

67 Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009, as amended.

68 Regulation (EU) 2021/1230 of the European Parliament and of the Council of 14 July 2021 on cross-border payments in the Union (codification).

Listing Act Package

In November 2024, a Listing Act package was published in the Official Journal, consisting of a directive to make capital markets more attractive[69], a regulation to make capital markets more attractive[70] and a directive on multiple-voting shares[71] (the last proposal falls within the portfolio of the Ministry of Justice). The package aims to make it easier for enterprises, in particular for small and medium-sized, to enter and remain on the capital market. The package seeks to simplify and harmonise the requirements for a prospectus, including exemptions from the obligation to publish a prospectus (amendments to the Prospectus Regulation), the regulation of the list of insiders and the regime for the publication of inside information, including possible sanctions for breach of the obligation (amendments to the MAR[72]), the introduction of a system of information and data sharing between national supervisory authorities and the strengthening of cooperation between supervisory authorities (amendments to the MAR and MiFIR), the modification of the legal framework for investment research and the abolition of the unbundling rules (prohibition of bundled payments, amendments to the MiFID II), and the modification of the free-float requirement (abolition of the Listing Directive and transfer of the relevant provisions to the MiFID II).

European Market Infrastructure Review (EMIR 3)

In December 2024, the Regulation and Directive EMIR 3[73] was published in the Official Journal aimed at increasing the attractiveness and resilience of CCP clearing services in the EU, promoting open strategic autonomy in the EU and preserving financial stability. The legislation aims to reduce the regulatory burden, in particular for CCPs in obtaining certain authorisations, as well as to expand the portfolio of products offered, as the procedures involved have proven to be very complicated and slow. In addition, the legislation seeks to increase support for clearing in the EU and to encourage market participants to clear their derivatives trades primarily in the EU, thereby building a resilient market infrastructure. The legislation also responds to the situation that arose in energy markets following the outbreak of the war in Ukraine by increasing the transparency of margin calls so that market participants can better anticipate them. Last but not least, the legislation aims to reduce the EU's reliance on clearing with CCPs established in third countries. The legislation amends the CRR and the Money Market Fund Regulation (MMFR)[74] as well as the Capital Requirements Directive (CRD) and the Investment Firm Directive (IFD)[75].

Crisis Management and Deposit Insurance (CMDI)

In April 2023, the Commission published proposals to amend the framework for crisis management in the financial sector and deposit insurance (CMDI). The overall objective of this framework is to strengthen the resilience of the banking sector and to amend the crisis resolution tools to ensure that bank failures do not endanger financial stability, public funds and depositor confidence. The following elements underpin the current revision of the CMDI framework: 1) clarification and harmonization of the public interest assessment to examine whether the resolution of the particular bank would be necessary or whether insolvency or liquidation procedures would apply, 2) extension of the resolution tools application to small and medium sized banks with the corresponding financing arrangements, in particular through MREL and safety nets funded by the banking sector, 3) deepening harmonisation of the use of national Deposit Guarantee Schemes (DGS) in crisis management and ensuring adequate flexibility to facilitate the exit of failing banks from the market in a way

[69] Directive (EU) 2024/2811 of the European Parliament and of the Council of 23 October 2024 amending Directive 2014/65/EU to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises and repealing Directive 2001/34/EC.

[70] Regulation (EU) 2024/2809 of the European Parliament and of the Council of 23 October 2024 amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises.

[71] Directive (EU) 2024/2810 of the European Parliament and of the Council of 23 October 2024 on multiple-vote share structures in companies that seek admission to trading of their shares on a multilateral trading facility.

[72] Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, as amended.

[73] Regulation (EU) 2024/2987 of the European Parliament and of the Council of 27 November 2024 amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets and Directive (EU) 2024/2994 of the European Parliament and of the Council of 27 November 2024 amending Directives 2009/65/EC, 2013/36/EU and (EU) 2019/2034 as regards the treatment of concentration risk arising from exposures towards central counterparties and of counterparty risk in centrally cleared derivative transactions.

[74] Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds, as amended.

[75] Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

that preserves the value of the bank's assets; 4) a harmonised Least-Cost Test (LCT) to govern the use of DGS funds beyond the payout of insured deposits to ensure consistent, credible and predictable outcomes; The LCT should take due account of the specificities of national banking sectors, including the maintenance of a functioning framework of institutional protection schemes (widely implemented in Germany and Austria); (5) aligning the treatment of DGSs and all depositors under insolvency law, (6) harmonising and clarifying the deposit insurance framework to ensure equal treatment of depositors and to increase their level of protection by removing the existing differences in the application of the Directive across Member States, in particular as regards the scope of deposit protection and the process of payment of compensations. The European Parliament adopted its position in April 2024. The EU Council's mandate for negotiations with the European Parliament was approved at COREPER in June 2024. Trilogues have been ongoing since December 2024.

Daisy Chains II

In April 2024, a directive[76] was published in the Official Journal amending the so-called Daisy Chains regulating indirect subscription chains of the internal minimum requirement for own funds and eligible liabilities (MREL). The Directive was discussed in a fast track process and the proposal was part of the CMDI package.

Retail Investment Package (RIP)

In May 2023 the Commission published a proposal for a legislative package on rules to protect retail investors, the so-called Retail Investment Package (formerly Retail Investment Strategy). The aim of the legislation is to boost European retail consumers' demand for investment services and to make investor protection more effective in an era of digitalisation and commitments to the sustainable development of internal market economies. The package consists of amendments to 5 financial market directives - the UCITS Directive (on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities), Solvency II (on the taking-up and pursuit of the business of Insurance and Reinsurance), AIFMD (on alternative investment fund managers), MiFID II (on markets in financial instruments) and IDD (on insurance distribution). A separate part of the package is the amendment to the PRIIPs-KID Regulation (on the key information provided to retail investors).

The proposed legislation covers various elements of the provision and intermediation of investment services and insurance products with an investment component, in particular the permissible ways of remuneration of intermediaries, product governance (the value for money concept and the use of benchmarks), rules for the conduct of business with investors (information requirements, marketing rules, suitability and appropriateness tests), professional standards for investment distributors, categorisation of investors, strengthening of supervisory powers or mandatory financial education of investors.

Discussions within the EU Council working party were ongoing since July 2023. The general approach of the EU Council was reached in June 2024, before that the European Parliament also approved its position. Trilogues were only started during the Polish Presidency in March 2025.

Transparency and Integrity of ESG Rating Activities

In December 2024, the Regulation on Transparency and Integrity of Environmental, Social and Governance (ESG) Rating Activities was published in the Official Journal[77], to regulate ESG rating providers through requirements on their organization, rules for the issuance of authorisations authorisation to provide the services and the establishment of a supervisory mechanism, with ESMA acting as the supervisory authority. At the same time, it requires ESG rating providers to use rigorous, systematic, independent and justifiable methodologies, which should be reviewed periodically (at least once a year). The Regulation also aims to increase the transparency of ESG ratings themselves by requiring the disclosure of a minimum amount of information on methodologies and data sources to the general public and more comprehensive information to the ESG ratings users and the rated companies.

Digital Euro Package

In June 2023, the Commission published a package of legislative proposals aimed at establishing a legal framework for mandatory acceptance of euro cash and the possible adoption of a digital euro that the ECB could issue in the future as a complement to cash. The core of the package consists of the proposal for a regulation on legal tender status of euro banknotes and coins and a proposal for a regulation on the establishment of the

[76] Directive (EU) 2024/1174 of the European Parliament and of the Council of 11 April 2024 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities.

[77] Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities, and amending Regulations (EU) 2019/2088 and (EU) 2023/2859.

digital euro. The package also includes a proposal for a regulation on the provision of digital euro services by payment services providers established under the law of the Member States whose currency is not the euro. The stated aim of the proposal, which sets the legal framework for a possible digital euro, is to ensure that individuals and businesses have an additional option (besides the current private solutions) that would allow them to pay in a widely accepted, cheap, secure and resilient form of public money in the euro area. The aim is to create an appropriate legal framework, but it will be up to the ECB to decide whether and when to issue a digital euro. The digital euro, would be available alongside existing national and international private payment instruments, just as cash is today. People should be able to use it at any time and anywhere in the euro area, including offline payments, which should ensure a high level of privacy and data protection. A digital euro should be distributed to people and businesses across the EU through banks and other payment service providers, with basic services provided free of charge. The proposal also addresses the issue of financial inclusion, where individuals who do not have a bank account should be able to open an account, for example, at a post office or other public body. A digital euro should take the form of legal tender whereby retailers across the euro area, with the exception of very small retailers, should be obliged to accept a digital euro. Since July 2023, discussions at the EU Council working group have been ongoing.

Open Finance: Financial Data Access (FIDA)
In June 2023, the Commission published a package containing a proposal for a regulation on the Financial Data Access (FIDA). The FIDA Regulation seeks to establish a legal framework regulating the access to and use of customer financial data, without prejudice to strict privacy requirements. The legislation includes a proposal for access to, processing and sharing of financial data between companies and between companies and customers, so that customers can better benefit from financial products and services that meet the current consumer and market needs. The regulation is based on the principle of customers' voluntary consent to access their financial data. Thus, according to the Commission, the aim of the FIDA proposal is to support and accelerate the digital transformation by expanding the options for sharing customer data in the financial market. The Commission also envisages that the adoption of the proposed regulation will make it easier for financial market entities to develop accessible personalised products and services that better suit customers' specific needs. Since July 2023, discussions of the EU Council working group had been ongoing. The mandate of the EU Council for negotiations with the European Parliament was approved in December 2024. Trilogues were launched in the first half of 2025.

Payment Services Package (PSD3/PSR)
In June 2023, the Commission published a package of proposals on payment services. The package includes the PSR Regulation and PSD3 Directive. The proposed legislation is the result of a review process of the existing legislation (PSD2), which has been in effect since 2018. The aim is to address the identified weaknesses of the current legal texts. In a follow-up to the experience gained so far and the analysis carried out, the Commission now considers it appropriate to give partial priority to the legal form of a regulation. While the Directive deals with licensing procedures, the Regulation addresses private law issues such as payment service providers' liability towards users, strong authentication or open banking. Since July 2023, discussions at the EU Council working group have been ongoing.

Review of the Benchmarks Regulation (BMR)
In October 2023, the Commission published a proposal for a regulation amending the Benchmarks Regulation (BMR)[78]. The aim of the review is to streamline the process of authorisation and registration for indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (also referred to as benchmarks) and to alleviate the burden on EU companies, in particular SMEs. Furthermore, this legislative proposal aims to review the scope of BMR, address its shortcomings and bring targeted improvements to the functioning of the Regulation. The negotiations of the proposal in the EU Council working party started in November 2023. The EU Council's mandate for negotiations with the European Parliament was adopted in December 2023. Trilogues were started in November 2024, with the compromise text of the proposal being approved at COREPER in December 2024. The Regulation[79] was published in the Official Journal in May 2025.

[78] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, as amended.

[79] Regulation (EU) 2025/914 of the European Parliament and of the Council of 7 May 2025 amending Regulation (EU) 2016/1011 as regards the scope of the rules for benchmarks, the use in the Union of benchmarks provided by an administrator located in a third country, and certain reporting requirements.

Information Sharing and Disclosure by Supervisory Authorities
In October 2023, the Commission issued a proposal for a regulation amending the existing regulation on the European Systemic Risk Board (ESRB) and the regulation on the European Supervisory Authorities (ESAs – EBA, ESMA and EIOPA) and a regulation establishing the InvestEU programme. The proposal aims at streamlining reporting requirements and reducing administrative burden. The proposal should facilitate the exchange of information between supervisory authorities in order to avoid duplication of reporting requirements in a situation where several authorities have the power to collect certain data from financial institutions at the same time, and it is not legally established to enable them to share information among themselves. According to the proposal, the Commission should also have more access to the data. The sharing of information with those with a legitimate interest will then be allowed under strict conditions also for research and innovation purposes. The proposal also changes the frequency (from semi-annual to annual) for reporting to the Commission under the InvestEU Programme in order to reduce the workload and administrative burden. The discussion of the legislative proposal in the EU Council working party started in February 2024. The general approach of the EU Council was reached in June 2024. Trilogues were started in November 2024, with a preliminary political agreement reached in December 2024. This agreement was endorsed by COREPER in April 2025 and the linguistic review on the final draft text and translations started.

9.4 National Financial Market Legislation

Management Companies and Investment Funds
In 2024, the legislative process for the bill amending the Act on Management Companies and Investment Funds, and other related laws, was completed. It responds to the findings of the interpretation and application practice in the field of fund financing and follows the National Strategy for the Development of the Capital Market in the Czech Republic. The main proposed measures include the regulation of so-called unlicensed managers, also referred to as "under-limit funds", "mini-funds" or "fifteeners" according to the section number that regulates them. These are legal entities that can perform an activity comparable to asset management without being subject to extensive regulation by law or to supervision by the CNB. Experience has shown that it is advisable to limit investments through these entities, as retail investors mistakenly believe that these are relatively safe investments. The bill therefore increases the obligation to provide information to investors, explicitly sets a minimum investment amount for each investor at EUR 125,000 and introduces the sanctioning deletion of unlicensed managers from the list maintained by the CNB. The bill also allows the limited liability company with investment certificates and the closed-end joint-stock company (which are investment funds) to create sub-funds, which should help increas the attractiveness of these legal forms. The transfer of the assets of a management company to a unit fund is also expressly provided for as one of the possible ways of converting to a unit fund. Furthermore, certain administrative fees are adjusted to reflect the costs associated with the corresponding administrative procedures. The bill also narrows the scope of assets that must be held in custody by the depositary, merges the lists of foreign investment funds maintained by the CNB, unifies deadlines for certain licensing procedures, and clarifies the procedural aspects of the liquidation of a unit fund. The bill was published as Act No 163/2024 and took effect on 1 July 2024.

Gender Balance in the Management of Listed Companies
In 2024, the legislative process continued on the draft bill transposing the Directive on improving the gender balance among directors of listed companies[80], which, though being drafted by the Office of the Government, mostly amends the Act on Capital Market Business. The aim of the draft bill is to promote a more balanced representation of men and women in the high managerial positions of the largest listed companies. The expected date of entry into force of the new regulation was set at 28 December 2024, when the transposition deadline expired. The proposal was approved by the government in June 2024 and referred to the Chamber of Deputies for discussion.

Motor Third-Party Liability Insurance
In 2024, the legislative process for the bill on motor third-party liability insurance and the bill amending certain laws in connection with the adoption of the Act on Motor Third-Party Liability Insurance was completed. The proposed legislation introduces some fundamental changes, such as a new definition of a vehicle for the purposes of liability, alternative liability insurance for organisers of motorsport events, the transfer of the obligation to take out liability insurance from the owner of the vehicle to its operator, the abolition of proving

80 Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures.

liability insurance with a green card when operating a vehicle in the Czech Republic, along with the related simplification of registration when changes are made in the register of road vehicles, and an increase in the minimum amounts of insurance coverage. The bills were published as No 30/2024 and No 31/2024, and are effective as of 1 April 2024, with the exception of selected provisions which are effective as of 1 October 2024 (respectively 23 April 2024). At the same time, Decree No 69/2024 of MoF on the implementation of the bill on the motor third-party liability insurance was published, with most of its provisions entering into force on 1 April 2024.

Non-Performing Loan Market

In 2024, the legislative process for the bill concerning the Act on Non-Performing Loan (NPL) Market, and for the bill amending certain laws in relation to the adoption of the NPL Market Act, was completed. The Act on NPL implements the NPL Directive, which aims to create a single European market for a portfolio of bank loans that are classified as non-performing, i.e. loans that have not been repaid for a certain period of time or are otherwise at risk of default. The bill covers public law regulation of the management of NPLs, which have so far been subject only to general civil law regulation. It establishes new entities in the financial market, namely the credit trader and the NPL manager. The NPL managers must obtain authorisation from the CNB. By contrast, the activity of a credit trader does not require specific authorisation from the CNB, but is nevertheless supervised by the CNB. A credit trader is a person to whom NPLs are transferred in the course of the business. The bill also regulates the cross-border management of NPLs within the European single market, as well as the rules for dealing with the debtor. The bill also modifies the CNB’s supervisory powers.

The accompanying amending bill, which only transposed and not changed the Czech law more than was required by the EU law, transposed the NPL Directive. The Code of Civil Procedure was amended to ensure the protection of the funds entrusted to the manager of NPLs. The Act on Banks and the Act on Credit Unions were amended so that the activities of credit institutions also cover the management of NPLs. The Administrative Fees Act newly defines an administrative fee for the receipt of an application for authorisation as a NPL manager. The Consumer Credit Act newly allows a non-bank consumer credit provider to perform the administration of NPLs and has introduced additional rules following the revision of the MCD and CCD1 Directives by the NPL Directive. The Act on Payments specifies the transposition of the Second Payment Services Directive into Czech law. The bills were published as Acts No 84/2024 and No 85/2024, and took effect on 1 May 2024.

Consumer Credit

In 2024, the new rules on the early repayment of consumer credits for housing came into effect, which were approved under the Act No 462/2023. The amendment aimed to strengthen the balance of the regulation of the early repayment of mortgage credits during the fixation period and to establish the method of determining the amount of costs effectively incurred by the provider in connection with the early repayment of these credits. This method now also takes into account the so-called interest rate gap. The bill sets a ceiling on the amount that can be reimbursed for these costs. Additionally, the range of situations in which the law allows for early repayment of credit free of charge was extended (newly to include situations such as the sale of property associated with a mortgage loan or the settlement of matrimonial property). And at the same time, the right of a provider to a limited compensation for costs effectively incurred due to interest losses was established. The new rules on early repayment came into effect on 1 September 2024. They apply to newly granted credits for housing from the date the amendment took effect, and to existing credits with a fixed interest rate if the early repayment occurs during the fixation period starting after the date the amendment took effect.

Digitalisation of the Financial Market

In 2024, legislative work continued on a draft bill implementing the EU regulations in the area of financial market digitalisation (Financial Market Digitalisation Act), which contains provisions implementing the DORA and MiCA regulations. The DORA Regulation lays down uniform rules on digital operational resilience for the financial sector that financial institutions falling under its scope must comply with. Until now, the regulation of digital operational resilience has been fragmented into sectoral regulations. The DORA Regulation is accompanied by a sector-specific directive, which is transposed in the amending bill. The MiCA Regulation is the first comprehensive regulation governing the offering of crypto-assets to the public and the provision of crypto-asset services. Crypto-asset service providers will now be a licensed entities.

The draft bill mainly concerned the regulation of offences and the powers of the CNB as a supervisory authority. Some other provisions addressed the MiCA Regulation, aiming to ensure a smooth application of this regulation in the Czech Republic, such as a specific regime for the reserve of assets pertaining to the issuers of asset-linked tokens or electronic money tokens. Along with this draft bill, a draft bill amending certain laws in connection with the implementation of EU regulations in the fields of financial market digitalisation and sustainable finance was prepared. This draft bill contained further amendments to laws related to these two regulations and the implementation of the European green bond regulation. Penalties for breaches of this regulation were set out, and the CNB was designated as the supervisory authority. The amendment bill also implemented the regulation on euro instant payments, which amends the SEPA regulation, which sets out the rules for executing euro instant payments and allows non-bank payment service providers to access payment systems with irrevocable settlement. In April 2024, the government approved the draft bills and submitted them to the Chamber of Deputies, which approved them in December 2024. The Senate approved the bills in January 2025. The bills were published as Acts No 31/2025 and No 32/2025, taking effect on 15 February 2025.

National Development Bank

During the first months of 2024, work continued on drafting the National Development Bank Act and its associated amendment bill. These were approved by the government in May 2024, by the Chamber of Deputies in December 2024, and by the Senate in January 2025. The bills were published as Act No 34/2025 and Act No 35/2025, effective from 19 February 2025. The Act on the National Development Bank and the related amendment bill respond to the government resolution No. 909 of 29 November 2023, which proposed to initiate the integration process of the National Development Bank (Národní rozvojová banka, a.s.) and the Czech Export Bank (Česká exportní banka, a.s.), as well as to the exemption of the National Development Bank from the scope of the CRD.

The National Development Bank Act establishes the legal framework governing the bank's activities and oversight. The bill also regulates the provision of state guarantees for some of the bank's debts, enabling the bank to more easily and cheaply obtain medium- and long-term foreign funds for its further activities. The bill also introduces an obligation for the National Development Bank to keep the funds collected by the bank from the state budget in accounts subordinate to the Ministry of Finance. The amendment bill incorporates the changes to the law brought about by the National Development Bank Act into the legal system, and allows for the transfer of Czech Export Bank shares to the National Development Bank, so that the ownership structure of these two state-owned banks can be adjusted in the future.

Insurance and Reinsurance Distribution

In 2024, the legislative process to amend the Insurance and Reinsurance Distribution Act was underway. The amendment responded to the Court of Justice of the European Union judgment EU C-633/20 on the interpretation of the Insurance Distribution Directive. According to this judgment, the activity of insurers offering for remuneration to participate in so-called fleet insurance is insurance intermediation within the meaning of the Insurance Distribution Directive, and so all the rules set out in this directive should be applied to it. Insurers, like other insurance intermediaries, will now have to obtain a business licence granted by the CNB, establish internal rules and procedures and comply with all the rules laid down by law. The bill was published as No 396/2024, effective from 1 July 2025. Transitional periods were set for demonstrating professional knowledge and skills (12 months), acquiring general knowledge (48 months), and for obtaining a business licence (24 months).

European Single Access Point

In 2024, the legislative work began on a draft bill amending certain capital market laws in relation to the establishment and functioning of the European Single Access Point (ESAP). The draft bill addresses a partial implementation of European regulations[81] that establish the ESAP, which provides centralised access to publicly available information on financial services, capital markets and sustainability. The ESAP aims to integrate capital markets across the EU, more specifically to make funding more accessible to European companies, enable individuals to invest safely over the long term, and integrate national capital markets into the single market. The ESAP is being set up by ESMA and will collect information on companies and investment products. It will not be an entirely new complete database, as it is not intended to replace existing European and national systems, but rather to complement them. It will only hold information that is already compulsorily made publicly available, but not communicated to the supervisory authorities. At the level of the individual Member States, national authorities will collect information and be responsible for the automated validation of its basic technical

[81] Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability, Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and functioning of the European single access point and Regulation (EU) 2023/2869 of the European Parliament and of the Council of 13 December 2023 amending certain Regulations as regards the establishment and functioning of the European single access point.

characteristics and subsequent transmission to the ESAP. No new information obligations will be introduced in terms of content; only the location will be centralised, and the format of the data already compulsorily disclosed by the entities under the various relevant rules concerned will be harmonised. The government approved the bill in July 2024 and submitted it to the Chamber of Deputies, which approved it in May 2025.

At the same time legislative work began on Phase II, i.e. on the draft bill amending certain financial market laws in connection with the establishment and operation of the ESAP. This implements the remaining provisions of the above-mentioned European regulations. The reason for the two-phase implementation was the gradual ramp-up of the ESAP according to the European regulations and the different transposition deadlines. The government approved the bill in February 2025 and submitted it to the Chamber of Deputies, which approved it in May 2025.

Daisy Chains II
In 2024, the legislative process for the draft bill amending the Act on Recovery and Resolution in the Financial Market[82] was underway. This technical amendment implemented the Directive which regulates the ability of resolution authorities responsible for crisis management to set MREL on a sub-consolidated basis and simplifies the administrative process for those subject to liquidation. The draft bill was approved by the Chamber of Deputies in September 2024 and by the Senate in November 2024. The bill was published as Act No 397/2024 and took effect on 17 December 2024.

Capital Market
In 2024, work continued on a draft amendment to the Act on Capital Market Business, which transposes the Directive revising MiFID II and adapts to the Regulation revising MiFIR. The Directive and the Regulation are both part of the Capital Markets Union project, which aims to promote the use of capital markets as an alternative to bank financing, hence giving the EU economy the necessary impetus to develop and finance innovation. The government approved the bill in November 2024 and submitted it to the Chamber of Deputies, which approved it in May 2025.

In April 2024, legislative work began on transposing the Directive amending the AIFMD and UCITS Directives as concerns the mandates, liquidity risk management, reporting for supervisory purposes, and the provision of depositary and custody services, as well as lending by alternative investment funds. In April 2024, MoF organized a roundtable with market representatives. In May 2025, an inter-ministerial comment procedure on the draft bill began.

In December 2024, preparatory work began to transpose the Listing Act package into national law, specifically concerning the transposition of the Directive to make capital markets mor attractive, and the adoption of the regulation to make capital markets more attractive. Consultations with the private sector were carried out from December 2024 to January 2025, and evaluated in February 2025. Legislative work on the bill proposal began in March 2025.

Credit Institutions
In May 2024, legislative work began on a draft bill amending certain financial market laws in relation to the regulation of the activities of branches of foreign banks from non-member states, the regulation of certain administrative sanctions, and the strengthening of the powers of the supervisory authority and its independence. The Bill transposes CRD VI, which, together with the amendment of the directly applicable CRR (CRR III), represents the final step towards the implementation of Basel III in the EU in order to strengthen the resilience of the European banking sector. In particular, the draft bill introduces changes in the areas of administrative sanctions, the framework governing requirements for third-country branches, the oversight authorities' powers regarding asset and liability transfers, the acquisitions and disposals of significant holdings by credit institutions, the mergers and divisions, the capital requirements and capital buffers, with new provisions addressing the so-called output floor, the environmental, social and governance risks, as well as the governance arrangements and the fit and proper assessment of members of the management body and key function holders. The government approved the bill in February 2025 and submitted it to the Chamber of Deputies, which approved it in May 2025.

[82] Act No 374/2015 Coll., on Recovery and Crisis Resolution Procedures in the Financial Market, as amended.

Supplementary Pension Savings

In 2024, several changes to supplementary pension savings were approved in connection with the adoption of an amendment to the Pension Insurance Act[83]. The adjustment of investment limits for the participation funds was loosened to more closely resemble the adjustment of investment limits for standard funds. When investing in bonds whose issuer or guarantor is the Czech Republic or the CNB, the minimum diversification requirement no longer applies. For the alternative participation funds, the rules were additionally relaxed so that they could also realistically invest in, for example, infrastructure or real estate projects. In addition, the rules for safeguarding participants' funds against a sudden drop in value in the 5 years before retirement age were modified. It is now possible to automatically transfer funds of a participant from one participation fund to another with the same or lower risk (compared to the mandatory conservative fund), which may also meet the requirements for protecting the value of funds of participants (e.g. some bond funds). This is subject to the condition that the remuneration paid to the pension company is not higher for such a fund than for a mandatory conservative fund. At the same time, the time limit for participants to opt out of having their funds transferred to this type of fund has been increased from 60 days to 1 year.

In the second half of 2024, the MoF and Members of Parliament collaborated on drafting a bill on mandatory contributions to retirement savings products. This bill introduces an obligation for employers to pay contributions to their employees performing hazardous work classified in the third category of selected factors defining working conditions. Furthermore, draft amendments were being prepared to regulate the investment of the participation funds, so that they could be invested in housing.

9.5 Non-Legislative Financial Market Activities

Financial Education

The National Strategy for Financial Education 2.0, approved by the government in 2020, sets out the general direction that financial education in the Czech Republic should take in the future. The Financial Education Working Group is involved in the implementation of the tasks arising from the Strategy. The members of the working group are representatives of the public sector, professional associations operating on the financial market, entities implementing financial education projects (non-profit organisations, consumer associations and debt advisory centres), academia and education experts. The MoF manages activities of this working group and its sub-groups. The role of the MoF is also to run the National Financial Education Projects Register and to coordinate the financial education event Global Money Week, which took place for the 13th time in 2024 and was thematically focused on security of personal finances. Pupils, students and teachers from hundreds of schools, as well as children and caregivers from dozens of children's residential homes, took part in the activities of Global Money Week in March across the Czech Republic, expanding their knowledge and skills in the world of finance through games, competitions, lectures and personal meetings with practitioners. In 2024, the MoF also ensured the preparation of a sociological survey mapping the level of financial literacy of the adult population in the Czech Republic, which has been conducted regularly every five years since 2010.

Financial Literacy Portal

The MoF runs the financial literacy portal "Financial Literacy or Why Should You Financially Educate Yourself?" available at financnigramotnost.mfcr.cz, which is designed for both the general public and professionals. The portal covers information about the functioning and risks of the financial market and the financial education system in the Czech Republic and abroad in one place. The content includes, among other things, family finances, including how to set-up a household budget; the structure, institutions and products of the financial market; the contact details of consumer and debt advisory centres, which provide free assistance in the event of disputes with financial market institutions or, for example, in a difficult life situation; dispute resolution, advice and guidance, mainly focused on over-indebtedness, debt repayment and foreclosures; and links to useful websites with projects, games and calculators in the Czech Republic and abroad. The portal also includes the National Register of Financial Literacy Projects. The MoF also uses the portal to regularly inform about its legislative and non-legislative activities in the field of consumer protection and financial education, as well as about the latest developments in related European legislation.

[83] Act No 417/2024 Coll., amending Act No 155/1995 Coll., on Pension Insurance, as amended, and other related acts.

Capital Guide Portal
The MoF continuously updates the news on the "Capital Guide" website, which is available at www.kapitalovypruvodce.cz and is designed for SMEs and informs them about the possibilities to finance their business through the capital market via debt or equity instruments.

Exam Sets for the Professional Examinations of Distributors of Financial Products
The MoF, in cooperation with the CNB, provides and updates exam sets for sectoral professional competence examinations that are organised by accredited persons for distributors of financial services. Updates of the exam sets are done on an ongoing basis, following legislative changes, suggestions from previous examinations and in close cooperation with sectoral professional associations. In 2024, updated exam sets conducted under the Insurance and Reinsurance Distribution Act and the Act on Capital Market Business were published.

Platforms on Sustainable Finance
In July 2023, the MoF established Platforms on Sustainable Finance to discuss key topics with both the public and private sectors, share important information and documents, and provide feedback that will contribute to the effective implementation of the concept of sustainable finance and corporate sustainability in the Czech Republic. The platforms held a meeting in February 2024. In particular, the business sector will face challenges in the coming years related to sustainability reporting, including information according to the EU taxonomy. At the same time, it can be expected that financial market participants (or investors in general), who rely on this data to meet their own reporting obligations and who are the primary providers of private capital, will need to process the data. Dialogue with representatives of the business and financial sectors is therefore crucial and should primarily lead to the identification of specific barriers and obstacles. Cooperation across individual ministries and other state institutions (e.g. interpretation of the EU taxonomy) is then essential to overcome and address these barriers and obstacles. Although the concept of sustainable finance was primarily developed to harmonise rules for the private sector, it also offers significant potential for the public sector. Individual elements of the EU Sustainable Finance Framework, especially the EU taxonomy and its associated financial instruments, can significantly accelerate the decarbonisation of the Czech economy.

Sustainable Finance Policy Options Project
The MoF is the primary beneficiary of the "Sustainable Finance Policy Options" project, funded by the EU through the Technical Support Instrument (TSI). This project started in October 2023 and was concluded in May 2025. The aim of the project was to mobilise the Czech public and private sector towards the use of sustainable finance instruments and to prepare high-quality supporting materials for the public administration based on good international practices and feedback from relevant stakeholders. One of the main outputs of 2024 was the Good Practice Report, which summarizes foreign experiences with the development of sustainable finance and their applicability in the Czech context. Another key output of the project was the Diagnostic Report, which focused on identifying key weaknesses and risks that need to be addressed to strengthen the capacity of the Czech financial market and mobilise financial resources more effectively. It also serves as a starting point for the development of policy options in the next phase of the project.

The project also includes awareness workshops for representatives of the private sector, public administration and local governments, which are actively contributing to the capacity-building process in the field of sustainable finance. The project is also expected to contribute to the creation of a coherent and effective national sustainable finance ecosystem.

EU Taxonomy Mapping
In October 2024, the MoF started the “EU Taxonomy Mapping” project, which aims to clarify the interpretation of the EU taxonomy. The project is divided into several phases, with the first phase, which focused on the identification of the administrators or gestors of the different parts of the EU taxonomy in the Czech Republic, completed in December 2024. Within the project, a user-friendly tool in MS Excel format was created that consolidates the annexes of all relevant delegated acts and is freely available to the public together with an accompanying manual. This tool is intended to facilitate orientation in the requirements of the taxonomy and to support its practical use across the market.

Website on Sustainable Finance
In 2024, the MoF launched a website (www.mfcr.cz/cs/ministerstvo/financovani-udrzitelnosti) dedicated to sustainable finance, which provides a holistic view with the aim of mobilising private capital and using public funds more effectively. The website serves as a key source of information for the financial sector, businesses and public administrations. It includes updated overviews of EU legislative frameworks, sectoral analyses, guidelines and other materials to support the transition to a low-carbon and resilient economy. They also

provide an overview of recent developments in EU and national legislation. The aim is to provide consistent and comprehensible information to support the effective integration of sustainability principles into financial management and investment decisions. The new website is designed as an open, continuously updated portal that will serve as the main information channel of the MoF in the area of sustainable finance, aiming to enhance transparency, information and sharing of best practices.

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LIST OF ACRONYMS AND ABBREVIATIONS

Abs.	absolute
AI	Artificial Intelligence
AIFMD	Alternative Investment Fund Managers Directive
AKAT	Czech Capital Market Association (Asociace pro kapitálový trh ČR)
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
APIs	Application programming interfaces
APRC	Annual Percentage Rate of Charge
APS CR	Association of Pension Management Companies of the Czech Republic (Asociace penzijních společností České republiky)
ARAD	Czech National Bank's time series database
a.s.	joint-stock company (akciová společnost)
ATFC	Advisory Task Force on the OECD Codes of Liberalisation
ATX	Austrian Traded Index
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlement
BMR	Benchmarks Regulation Review
bn	billion
BoE	Bank of England
BoJ	Bank of Japan
BSB	building savings bank
BSC	building savings contract
BUX	Budapest Stock Exchange Index
CAP	Czech Insurance Association
CCD	Consumer Credit Directive
CCP	central counterparty
CEGBPI	Commission Expert Group on Banking, Payments and Insurance
CFM	Committee for Financial Markets OECD
CMDI	Crisis Management and Deposit Insurance
CMU	Capital Markets Union
CNB	Czech National Bank
CNY	Chinese yuan – International currency code
COMPET	Competitiveness Council
COREPER	Comité des Représentants Permanents
CPMI	Committee on Payments and Market Infrastructures
CRD	Capital Requirements Directive
CRF	Crisis Resolution Fund
CRR	Capital Requirements Regulation
CSDP	Central Securities Depository Prague
CT	Consolidated tape
CVA	credit valuation adjustment
CZK	Czech koruna (crown) – International currency code
CZSO	Czech Statistical Office
D.3	Working Party on Financial Services and the Banking Union
DAX	Deutscher Aktienindex (German stock index)
DGS	Deposit Guarantee Scheme
DIF	Deposit Insurance Fund
DLT	distributed ledger technology
DORA	Digital Operational Resilience Act
EBA	European Banking Authority
EBC	European Banking Committee
EC	European Council
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
ECON	Committee on Economic and Monetary Affairs
EDIS	European Deposit Insurance Scheme

EEA	European Economic Area
EFC	Economic and Financial Committee
EFRAG	European Financial Reporting Advisory Group
EFTA	European Free Trade Association
EGESC	Expert Group of the European Securities Committee
EGFD	Experts Group on Finance and Digitalisation
EIOPA	European Insurance and Occupational Pensions Authority
EIOPC	European Insurance and Occupational Pensions Committee
ELTIF	European Long-Term Investment Funds
EMIR	European Market Infrastructure Regulation
EP	European Parliament
ESAP	European Single Access Point
ESAs	European supervisory authorities
ESC	European Securities Committee
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
EU	European Union
EUR	Euro – International currency code
Euro Stoxx 50	Stock index tracking the performance of 50 blue-chip companies in the euro area
Eurostat	Statistical office of the European Union
FA	Financial Arbitrator
FAC	Foreign Affairs Council
Fed	Federal Reserve System
FIDA	Financial Data Access Regulation
FMGS	Financial Market Guarantee System (Garanční systém finančního trhu)
FRTB	Fundamental Review of the Trading Book
FSB	Financial Stability Board
FSC	Financial Services Committee
FSF	Financial Stability Forum
FTSE 100	Financial Times Stock Exchange 100 Index
G.23	Working Party on Consumer Protection and Information
G10	Group of Ten (group of countries that agreed to participate in the General Arrangements to Borrow, an agreement to provide the International Monetary Fund with additional funds to increase its lending ability)
G20	Group of Twenty (group of the world's biggest economies)
G7	Group of Seven (group of the largest economically developed countries)
GBP	British pound – International currency code
GDP	Gross Domestic Product
GEGIFR	Government Expert Group on the Interchange Fee Regulation
GEGRFS	Government Expert Group on Retail Financial Services
G-SIB	global systemically important bank
HUF	Hungarian forint – International currency code
CHF	Swiss franc – International currency code
IBAN	International Bank Account Number
ICF	Investor Compensation Fund (Garanční fond obchodníků s cennými papíry)
IDD	Insurance Distribution Directive
IFD	Investment Firms Directive
IFR	Interchange Fee Regulation
IMF	International Monetary Fund
INFE	International Network on Financial Education
IORP	Institutions for Occupational Retirement Provision
IOSCO	International Organization of Securities Commisssions
IPPC	Insurance and Private Pensions Committee
IRRD	Insurance Recovery and Resolution Directive
IRS	Interest Rate Swap
ISIN	International Securities Identification Numbering

JERRS	Regulated institutions and registered financial market entities lists published by the CNB
JPY	Japanese yen – International currency code
LCT	Least-Cost Test
MAR	Market Abuse Regulation
MCD	Mortgage Credit Directive
MiCA	Markets in Crypto-Assets
MiFID II	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
ML	mortgage loan
MMFR	Money Market Funds Regulation
mn	million
MNB	Magyar Nemzeti Bank
MoF	Ministry of Finance
MREL	minimum requirement for own funds and eligible liabilities
MSCI ACWI	Morgan Stanley Capital International All Country World Index
MSEG	Member States expert group on sustainable finance
NBP	National Bank of Poland
Nikkei 225	Japanese Nikkei 225 Stock Average
NPL	non-performing loans directive
NPLs	non-performing loans
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
OTC	over-the-counter
p.a.	per annum
PAD	Payment Account Directive
pcs	pieces
PF	participation fund
PFOF	payment for order flow
PISA	Programme for International Student Assessment
PLN	Polish złoty – International currency code
pp	percentage point
PRIIPs-KID	Regulation on Key Information Documents for Packaged Retail and Insurance-based Investment Products
PSD	Payment Service Directive
PSE	Prague Stock Exchange
PSR	Payment Services Regulation
PX	Primary PSE index
PX-GLOB	PSE index with wide base
PX-TR	PSE Total Return Index
RCGs	Regional Consultative Groups (Financial Stability Board)
RIP	Retail Investment package
RM-S	RM-SYSTÉM, česká burza cenných papírů a.s. (Czech stock exchange)
S&P 500	Standard and Poor's 500
SAX	Slovak Share Index (Slovenský akciový index)
SEPA	Single Euro Payments Area
SME	small or medium-sized enterprise
SRMR	Single Resolution Mechanism Regulation
SSE Index	Shanghai Stock Exchange Composite Index
TF	transformed fund
TFFCP	Task Force on Financial Consumer Protection
Tier 1	The core capital of a credit institution that includes equity capital and disclosed reserves.
TSI	Technical Support Instrument
UCITS	Undertakings for Collective Investment in Transferable Securities
UK	United Kingdom
UPI	Unique Produt Identifier
US	United States
USD	United States dollar – International currency code

WG	working group
WIG	Warsaw Stock Exchange (Warszawski Indeks Giełdowy)
WP	working party
WPPP	Working Party on Private Pensions
WTO	World Trade Organization
YoY	year-on-year
2W	two-week
5Y	five-years

APPENDIX 1: FINANCIAL MARKET LEGISLATION

The following changes were made to the financial market legislation of the Czech Republic and of European Union in 2024:

A1.1 Cross-Sectoral Financial Market Regulations

1) European legislation and other initiatives published in 2024:

- Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008, (EU) No 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828 (Artificial Intelligence Act);
- Regulation (EU) 2024/3228 of the European Parliament and of the Council of 19 December 2024 repealing Regulation (EU) No 524/2013, and amending Regulations (EU) 2017/2394 and (EU) 2018/1724 with regard to the discontinuation of the European Online Dispute Resolution Platform;
- Commission Delegated Regulation (EU) 2024/595 of 9 November 2023 supplementing Regulation (EU) No 1093/2010 of the European Parliament and of the Council with regard to regulatory technical standards specifying the materiality of weaknesses, the type of information collected, the practical implementation of the information collection and the analysis and dissemination of the information contained in the Anti-money laundering and counter terrorist financing (AML/CFT) central database referred to in Article 9a(2) of that Regulation;
- Commission Delegated Regulation (EU) 2024/895 of 13 December 2023 amending Delegated Regulation (EU) 2015/63 as regards the calculation of eligible liabilities and the transitional regime;
- Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859;
- Directive (EU) 2024/1174 of the European Parliament and of the Council of 11 April 2024 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities;
- Decision of the EEA Joint Committee No 28/2024 of 2 February 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1544].

2) Pending European legislation (including legislation published after 31 December 2024) and other initiatives of the European Commission:

- Proposal for a Regulation of the European Parliament and of the Council on a framework for Financial Data Access and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010, (EU) 1095/2010 and (EU) 2022/2554;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1286/2014 as regards the modernisation of the key information document;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1092/2010, (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2021/523 as regards certain reporting requirements in the fields of financial services and investment support;
- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 806/2014 as regards early intervention measures, conditions for resolution and funding of resolution action;
- Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU and (EU) 2016/97 as regards the Union retail investor protection rules;
- Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/11/EU on alternative dispute resolution for consumer disputes, as well as Directives (EU) 2015/2302, (EU) 2019/2161 and (EU) 2020/1828;
- Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/59/EU as regards early intervention measures, conditions for resolution and financing of resolution action;
- EBA submission of the draft regulatory technical standards under Article 9a (1) and (3) of Regulation (EU) No 1093/2010 setting up an AML/CFT central database (EBA-2021-D-3737).

3) Acts that took effect in 2024:

- Act No 462/2023 Coll. amending some acts in connection with the development of the financial market and with the old age security support (in effect as of 1 January 2024, 1 April 2024, 1 September 2024 and 1 January 2025);
- Act No 397/2024 Coll., amending Act No. 374/2015 Coll., on Recovery and Resolution in the Financial Market, as amended (in effect as of 17 December 2024).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2024):

- Draft lawl amending certain laws in the field of capital market as regards the establishment and functioning of the European Single Access Point;
- Draft law amending certain laws in the field of financial market as regards the establishment and functioning of the European Single Access Point.

5) Secondary legislation:

- none

A1.2 Capital Market Legislation

1) European legislation and other initiatives published in 2024:

- Regulation (EU) 2024/791 of the European Parliament and of the Council of 28 February 2024 amending Regulation (EU) No 600/2014 as regards enhancing data transparency, removing obstacles to the emergence of consolidated tapes, optimising the trading obligations and prohibiting receiving payment for order flow;
- Regulation (EU) 2024/2809 of the European Parliament and of the Council of 23 October 2024 amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises;
- Regulation (EU) 2024/2987 of the European Parliament and of the Council of 27 November 2024 amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets;
- Directive (EU) 2024/790 of the European Parliament and of the Council of 28 February 2024 amending Directive 2014/65/EU on markets in financial instruments;
- Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024 amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, the provision of depositary and custody services and loan origination by alternative investment funds;
- Directive (EU) 2024/2810 of the European Parliament and of the Council of 23 October 2024 on multiple-vote share structures in companies that seek admission to trading of their shares on a multilateral trading facility;
- Directive (EU) 2024/2811 of the European Parliament and of the Council of 23 October 2024 amending Directive 2014/65/EU to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises and repealing Directive 2001/34/EC;
- Directive (EU) 2024/2994 of the European Parliament and of the Council of 27 November 2024 amending Directives 2009/65/EC, 2013/36/EU and (EU) 2019/2034 as regards the treatment of concentration risk arising from exposures towards central counterparties and of counterparty risk in centrally cleared derivative transactions;
- Commission Delegated Regulation (EU) 2024/911 of 15 December 2023 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to regulatory technical standards specifying the information to be notified in relation to the cross-border activities of management companies and undertakings for collective investment in transferable securities (UCITS);
- Commission Delegated Regulation (EU) 2024/912 of 15 December 2023 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the information to be notified in relation to the cross-border activities of managers of alternative investment funds;

- Commission Delegated Regulation (EU) 2024/920 of 13 December 2023 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying the performance-related triggers and the criteria for the calibration of those triggers;
- Commission Delegated Regulation (EU) 2024/1700 of 5 March 2024 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying, for simple, transparent and standardised non-ABCP traditional securitisation, and for simple, transparent and standardised on-balance-sheet securitisation, the content, methodologies and presentation of information related to the principal adverse impacts of the assets financed by the underlying exposures on sustainability factors;
- Commission Delegated Regulation (EU) 2024/1703 of 11 March 2024 amending Delegated Regulation (EU) 2020/1732 as regards harmonisation of certain aspects of fees charged by the European Securities and Markets Authority to securitisation repositories;
- Commission Delegated Regulation (EU) 2024/1705 of 11 March 2024 amending Delegated Regulation (EU) 2022/805 as regards harmonisation of certain aspects of fees charged by the European Securities and Markets Authority to certain benchmark administrators;
- Commission Delegated Regulation (EU) 2024/1706 of 11 March 2024 amending Delegated Regulation (EU) No 272/2012 as regards harmonisation of certain aspects of fees charged by the European Securities and Markets Authority to credit rating agencies;
- Commission Delegated Regulation (EU) 2024/1771 of 13 March 2024 on supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the scope and methods for prudential consolidation of an investment firm group;
- Commission Implementing Regulation (EU) 2024/910 of 15 December 2023 laying down implementing technical standards for the application of Directive 2009/65/EC of the European Parliament and of the Council with regard to the form and content of the information to be notified in respect of the cross-border activities of undertakings for collective investment in transferable securities (UCITS), UCITS management companies, the exchange of information between competent authorities on cross-border notification letters, and amending Commission Regulation (EU) No 584/2010;
- Commission Implementing Regulation (EU) 2024/913 of 15 December 2023 laying down implementing technical standards for the application of Directive 2011/61/EU of the European Parliament and of the Council with regard to the form and content of the information to be notified in respect of the cross-border activities of alternative investment fund managers and the exchange of information between competent authorities on cross-border notification letters.

2) Pending European legislation (including legislation published after 31 December 2024) and other initiatives of the European Commission:

- Regulation (EU) 2025/914 of the European Parliament and of the Council of 7 May 2025 amending Regulation (EU) 2016/1011 as regards the scope of the rules for benchmarks, the use in the Union of benchmarks provided by an administrator located in a third country, and certain reporting requirements.

3) Acts that took effect in 2024:

- Act No 163/2024 Coll., amending Act No 240/2013 Coll., on management companies and investment funds, as amended, and other related laws (in effect as of 1 July 2024).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2024):

- Draft law amending Act No. 256/2004 Coll., on Capital Market Business, as amended, and other related acts in connection with the promotion of balanced representation of women and men in the management bodies of certain issuers;
- Draft law amending Act No 256/2004 Coll., on Capital Market Business, as amended;
- Draft law amending Act No. 240/2013 Coll., on Management Companies and Investment Funds, as amended, and other related acts.

5) Secondary legislation:

- Decree of the Czech National Bank No 178/2024 Coll., amending Decree No. 247/2013 Coll., on applications under the Act on Management Companies and Investment Funds, as amended (in effect as of 1 July 2024);
- Decree of the Czech National Bank No 351/2024 Coll., amending Decree No. 267/2020 Coll., on reporting data by the manager and administrator of an investment fund and a foreign investment fund to the Czech National Bank (in effect as of 1 January 2025);
- Decree of the Czech National Bank No 389/2024 Coll., amending Decree No. 314/2013 Coll., on the submission of reports to the Czech National Bank by persons belonging to the financial institutions sector, as amended (in effect as of 1 July 2024).

A1.3 Banking Sector Legislation, Including Building Savings Schemes and Credit Unions

1) European legislation and other initiatives published in 2024:

- Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor;
- Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks;
- Commission Delegated Regulation (EU) 2024/397 of 20 October 2023 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards on the calculation of the stress scenario risk measure;
- Commission Delegated Regulation (EU) 2024/856 of 1 December 2023 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the supervisory shock scenarios, the common modelling and parametric assumptions and what constitutes a large decline;
- Commission Delegated Regulation (EU) 2024/857 of 1 December 2023 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying a standardised methodology and a simplified standardised methodology to evaluate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution’s non-trading book activities;
- Commission Delegated Regulation (EU) 2024/1085 of 13 March 2024 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards on the assessment methodology under which competent authorities verify an institution’s compliance with the requirements to use internal models for market risk;
- Commission Delegated Regulation (EU) 2024/1728 of 6 December 2023 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying in which circumstances the conditions for identifying groups of connected clients are met;
- Commission Delegated Regulation (EU) 2024/1780 of 13 March 2024 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the conditions under which institutions are allowed to calculate KIRB in relation to the underlying exposures of a securitisation transaction;
- Commission Delegated Regulation (EU) 2024/2795 of 24 July 2024 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the date of application of the own funds requirements for market risk;
- Commission Implementing Regulation (EU) 2024/348 of 19 January 2024 amending the implementing technical standards laid down in Commission Implementing Regulation (EU) 2016/2070 as regards benchmark portfolios, reporting templates and reporting instructions for the reporting referred to in Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council;
- Commission Implementing Regulation (EU) 2024/796 of 4 March 2024 amending the implementing technical standards laid down in Implementing Regulation (EU) No 650/2014 as regards the information to be disclosed by competent authorities in accordance with Directive 2013/36/EU of the European Parliament and of the Council;

- Commission Implementing Regulation (EU) 2024/855 of 15 March 2024 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/451 as regards rules on the supervisory reporting of interest rate risk in the banking book;
- Commission Implementing Regulation (EU) 2024/1618 of 6 June 2024 amending Implementing Regulation (EU) 2021/763 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council and Directive 2014/59/EU of the European Parliament and of the Council with regard to the supervisory reporting and public disclosure of the minimum requirement for own funds and eligible liabilities;
- Commission Implementing Regulation (EU) 2024/1872 of 1 July 2024 amending the implementing technical standards laid down in Implementing Regulation (EU) 2016/1799 as regards the mapping tables specifying the correspondence between the credit risk assessments of external credit assessment institutions and the credit quality steps set out in Regulation (EU) No 575/2013 of the European Parliament and of the Council;
- Commission Implementing Regulation (EU) 2024/3117 of 29 November 2024 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Commission Implementing Regulation (EU) 2021/451 /451;
- Commission Implementing Regulation (EU) 2024/3172 of 29 November 2024 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to public disclosures by institutions of the information referred to in Part Eight, Titles II and III, of that Regulation, and repealing Commission Implementing Regulation (EU) 2021/637;
- Council Implementing Decision (EU) 2024/742 of 20 February 2024 on the extension of the term of office of the Chairperson of the European Banking Authority (EBA);
- Decision of the EEA Joint Committee No 301/2021 of 29 November 2021 amending Annex IX (Financial services) to the EEA Agreement [2024/531];
- Decision of the EEA Joint Committee No 302/2021 of 29 November 2021 amending Annex IX (Financial services) to the EEA Agreement [2024/563];
- Decision of the EEA Joint Committee No 184/2023 of 5 July 2023 amending Annex IX (Financial services) to the EEA Agreement [2024/802];
- Decision of the EEA Joint Committee No 183/2023 of 5 July 2023 amending Annex IX (Financial services) to the EEA Agreement [2024/810];
- Decision of the EEA Joint Committee No 26/2024 of 2 February 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1529];
- Decision of the EEA Joint Committee No 25/2024 of 2 February 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1538];
- Decision of the EEA Joint Committee No 100/2024 of 26 April 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1924];
- Decision of the EEA Joint Committee No 99/2024 of 26 April 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1925];
- Decision of the EEA Joint Committee No 213/2024 of 23 September 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/3034];
- Decision of the EEA Joint Committee No 214/2024 of 23 September 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/3035];
- Decision of the EEA Joint Committee No 212/2024 of 23 September 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/3044].

2) Pending European legislation (including legislation published after 31 December 2024) and other initiatives of the European Commission:

- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 806/2014 in order to establish a European Deposit Insurance Scheme;
- Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/49/EU as regards the scope of deposit protection, the use of DGS funds, cross-border cooperation and transparency.

3) Acts that took effect in 2024:

- Act No 349/2023 Coll., amending certain acts in connection with the consolidation of public budgets (in effect as of 1 January 2024).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2024)

- Act No 34/2024 Coll., on the National Development Bank (in effect as of 19 February 2025);
- Act No 35/2025 Coll., amending certain laws in connection with the adoption of the National Development Bank Act (in effect as of 19 February 2025);
- Draft law amending certain financial market laws in relation to the regulation of branches of foreign banks from non-member states, the regulation of certain offences and the strengthening of the powers of the supervisory authority and its independence.

5) Secondary legislation:

- none

A1.4 Payment Services and Market Infrastructure Legislation

1) European legislation and other initiatives published in 2024:

- Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro;
- Regulation (EU) 2024/1624 of the European Parliament and of the Council of 31 May 2024 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing;
- Regulation (EU) 2024/2987 of the European Parliament and of the Council of 27 November 2024 amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets;
- Directive (EU) 2024/2994 of the European Parliament and of the Council of 27 November 2024 amending Directives 2009/65/EC, 2013/36/EU and (EU) 2019/2034 as regards the treatment of concentration risk arising from exposures towards central counterparties and of counterparty risk in centrally cleared derivative transactions;
- Commission Delegated Regulation (EU) 2024/363 of 11 October 2023 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2015/2205 as regards the transition to the TONA and SOFR benchmarks referenced in certain OTC derivative contracts;
- Commission Delegated Regulation (EU) 2024/818 of 28 November 2023 amending the regulatory technical standards laid down in Delegated Regulation (EU) No 153/2013 as regards the extension of temporary emergency measures on CCP collateral requirements;
- Commission Delegated Regulation (EU) 2024/1702 of 11 March 2024 amending Delegated Regulation (EU) No 1003/2013 as regards harmonisation of certain aspects of fees charged by the European Securities and Markets Authority to trade repositories;
- Commission Delegated Regulation (EU) 2024/1704 of 11 March 2024 amending Delegated Regulation (EU) 2019/360 as regards harmonisation of certain aspects of fees charged by the European Securities and Markets Authority to trade repositories;
- Commission Delegated Regulation (EU) 2024/1772 of 13 March 2024 supplementing Regulation (EU) 2022/2554 of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for the classification of ICT-related incidents and cyber threats, setting out materiality thresholds and specifying the details of reports of major incidents;
- Commission Delegated Regulation (EU) 2024/1773 of 13 March 2024 supplementing Regulation (EU) 2022/2554 of the European Parliament and of the Council with regard to regulatory technical standards specifying the detailed content of the policy regarding contractual arrangements on the use of ICT services supporting critical or important functions provided by ICT third-party service providers;
- Commission Delegated Regulation (EU) 2024/1774 of 13 March 2024 supplementing Regulation (EU) 2022/2554 of the European Parliament and of the Council with regard to regulatory technical standards specifying ICT risk management tools, methods, processes, and policies and the simplified ICT risk management framework;
- Commission Implementing Regulation (EU) 2024/2494 of 24 September 2024 laying down implementing technical standards for the application of Regulation (EU) 2023/1114 of the European

Parliament and of the Council with regard to standard forms, templates and procedures for the cooperation and exchange of information between competent authorities and EBA and ESMA;
- Commission Implementing Regulation (EU) 2024/2545 of 24 September 2024 laying down implementing technical standards for the application of Regulation (EU) 2023/1114 of the European Parliament and of the Council with regard to standard forms, templates and procedures for the cooperation and exchange of information between competent authorities;
- Commission Implementing Regulation (EU) 2024/2861 of 12 November 2024 laying down implementing technical standards for the application of Regulation (EU) 2023/1114 of the European Parliament and of the Council with regard to the technical means for the appropriate public disclosure of inside information and for delaying the public disclosure of that information;
- Commission Implementing Regulation (EU) 2024/2902 of 20 November 2024 laying down implementing technical standards for the application of Regulation (EU) 2023/1114 of the European Parliament and of the Council with regard to reporting related to asset-referenced tokens and to e-money tokens denominated in a currency that is not an official currency of a Member State;
- Commission Implementing Regulation (EU) 2024/2956 of 29 November 2024 laying down implementing technical standards for the application of Regulation (EU) 2022/2554 of the European Parliament and of the Council with regard to standard templates for the register of information;
- Commission Implementing Regulation (EU) 2024/2984 of 29 November 2024 laying down implementing technical standards for the application of Regulation (EU) 2023/1114 of the European Parliament and of the Council with regard to forms, formats and templates for the crypto-asset white papers;
- Decision of the EEA Joint Committee No 182/2023 of 5 July 2023 amending Annex IX (Financial services) to the EEA Agreement [2024/803];
- Decision of the EEA Joint Committee No 185/2023 of 5 July 2023 amending Annex IX (Financial services) to the EEA Agreement [2024/809];
- Decision of the EEA Joint Committee No 27/2024 of 2 February 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1547];
- Decision of the EEA Joint Committee No 30/2024 of 2 February 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1518];
- Decision of the EEA Joint Committee No 70/2024 of 15 March 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1594];
- Decision of the EEA Joint Committee No 101/2024 of 26 April 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1918];
- Decision of the EEA Joint Committee No 102/2024 of 26 April 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1916];
- Decision of the EEA Joint Committee No 103/2024 of 26 April 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/1929];
- Decision of the EEA Joint Committee No 168/2024 of 5 July 2024 amending Annex IX (Financial services) to the EEA Agreement [2024/2567];
- Decision of the EEA Joint Committee No 170/2024 of 5 July 2024 amending Annex XII (Free movement of capital) to the EEA Agreement [2024/2537].

2) Pending European legislation (including legislation published after 31 December 2024) and other initiatives of the European Commission:

- Proposal for a Regulation of the European Parliament and of the Council on payment services in the internal market and amending Regulation (EU) No 1093/2010;
- Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro;
- Proposal for a Regulation of the European Parliament and of the Council on the legal tender of euro banknotes and coins;
- Proposal for a Regulation of the European Parliament and of the Council on the provision of digital euro services by payment services providers incorporated in Member States whose currency is not the euro and amending Regulation (EU) 2021/1230 of the European Parliament and the Council;
- Proposal for a Directive of the European Parliament and of the Council on payment services and electronic money services in the Internal Market amending Directive 98/26/EC and repealing Directives 2015/2366/EU and 2009/110/EC;

- Commission Delegated Regulation (EU) 2025/212 of 13 September 2024 correcting Commission Delegated Regulation (EU) 2017/2055 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for the cooperation and exchange of information between competent authorities relating to the exercise of the right of establishment and the freedom to provide services of payment institutions;
- Commission Implementing Decision (EU) 2025/215 of 30 January 2025 determining, for a limited period of time, that the regulatory framework applicable to central counterparties in the United Kingdom of Great Britain and Northern Ireland is equivalent, in accordance with Regulation (EU) No 648/2012 of the European Parliament and of the Council.

3) Acts that took effect in 2024:

- Act No 84/2024 Coll., on the non-performing loans market (in effect as of 1 May 2024);
- Act No 85/2024 Coll., amending certain laws in connection with the adoption of the Non-Performing Loans Market Act (in effect as of 1 May 2024).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2024):

- Act No 31/2025 Coll., on the implementation of EU acts in the area of financial market digitalization (Act on Financial Market Digitalization) (in effect as of 15 February 2025);
- Act No 32/2025 Coll., amending certain laws in connection with the implementation of EU acts in the area of financial market digitalisation and sustainable finance (in effect as of 15 February 2025).

5) Secondary legislation:

- Decree No 86/2024 Coll., on the implementation of the Non-Performing Loans Market Act (in effect as of 1 May 2024);
- Decree No 394/2024 Coll. amending Decree No. 1/2022 Coll. on applications and notifications for the performance of activities under the Payments Act, as amended by Decree No 151/2022 Coll. and Decree No 7/2018 Coll. on certain conditions for the performance of activities of a payment institution, payment account information administrator, small-scale payment service provider, electronic money institution and small-scale electronic money issuer, as amended (in effect as of 17 January 2025).

A1.5 Insurance and Private Pension Systems Legislation

1) European legislation and other initiatives published in 2024:

- Commission Implementing Regulation (EU) 2024/456 of 7 February 2024 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 December 2023 until 30 March 2024 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance;
- Commission Implementing Regulation (EU) 2024/1289 of 13 May 2024 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 March 2024 until 29 June 2024 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance;
- Commission Implementing Regulation (EU) 2024/1855 of 3 July 2024 laying down rules for the application of Directive 2009/103/EC of the European Parliament and of the Council as regards the template for the claims-history statement;
- Commission Implementing Regulation (EU) 2024/2147 of 6 August 2024 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 June 2024 until 29 September 2024 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance;
- Commission Implementing Regulation (EU) 2024/2883 of 18 November 2024 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 September 2024 until 30 December 2024 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance;

- Commission Implementing Regulation (EU) 2025/216 of 6 February 2025 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 December 2024 until 30 March 2025 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance;
- Commission Implementing Regulation (EU) 2025/863 of 8 May 2025 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 March 2025 until 29 June 2025 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance.

2) Pending European legislation (including legislation published after 31 December 2024) and other initiatives of the European Commission:

- Directive (EU) 2025/1 of 27 November establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU, (EU) 2017/1132 and Regulations (EU) No 1094/2010, (EU) No 648/2012, (EU) No 806/2014 and (EU) No 2017/1129;
- Directive (EU) 2025/2 of 27 November 2024 amending Directive 2009/138/EC as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks and group and cross-border supervision, and amending Directives 2002/87/EC and 2013/34/EU.

3) Acts that took effect in 2024:

- Act No 30/2024 Coll., on the motor third-party liability insurance (in effect as of 1 April 2024, 1 October 2024 and 23 April 2024);
- Act No 31/2024 Coll., amending laws in connection with Act on the Motor Third-Party Liability Insurance (in effect as of 1 April 2024 and 1 October 2024).

4) Pending legislation (including acts already adopted that have taken effect or will take effect after 31 December 2024):

- Act No 396/2024 Coll., amending Act No 170/2018 Coll., on insurance and reinsurance distribution, as amended (in effect as of 1 July 2025);
- Act No 417/2024 Coll., amending Act No 155/1995 Coll., on Pension Insurance, as amended, and other related acts (contains an amendment to the Act on Supplementary Pension Savings) (in effect as of 1 January 2025).

5) Secondary legislation:

- Decree No 69/2024 Coll., on the implementation of the Motor Third-Party Liability Insurance Act (in effect as of 1 April 2024);
- Decree of the Czech National Bank No 218/2024 Coll., amending Decree No 117/2012 Coll., on the detailed regulation of the activities of a pension company and a participation fund, as amended (in effect as of 17 July 2024);
- Decree of the Czech National Bank No 352/2024 Coll., amending Decree No 305/2016 Coll., on the submission of reports by insurance and reinsurance companies to the Czech National Bank, as amended by Decree No 289/2021 Coll. (in effect as of 1 January 2025).

APPENDIX 2: SUPPLEMENTARY TABLES

Table A2.1: Overview of selected indicators in sector of credit institutions, non-bank financing providers, capital market and insurance companies

Banks	2023	YoY change		2024	YoY change	
Balance sheet	CZK 9,935.7 bn	11.1%	⬆	CZK 10,638.8 bn	7.1%	⬆
Total capital ratio	22.9%	0.6 pp	⬆	22.9%	0.0 pp	⇔
NPL ratio	1.6%	-0.3 pp	⇩	1.7%	0.1 pp	⬆
Client deposits	CZK 6,701.2 bn	14.4%	⬆	CZK 7,221.5 bn	7.8%	⬆
Client loans	CZK 4,356.5 bn	7.0%	⬆	CZK 4,589.3 bn	5.3%	⬆
Ratio of client deposits to loans	153.8%	9.9 pp	⬆	157.4%	3.5 pp	⬆

Building savings banks	2023	YoY change		2024	YoY change	
Number of contracts	2.9 million	-7.2%	⇩	2.7 million	-7.8%	⇩
Savings	CZK 313.4 bn	-6.4%	⇩	CZK 298.5 bn	-4.8%	⇩
State contributions	CZK 4.2 bn	-3.1%	⇩	CZK 3.8 bn	-9.0%	⇩
Total loans	CZK 348.1 bn	1.8%	⬆	CZK 352.2 bn	1.2%	⬆
New loans	CZK 33.3 bn	-37.6%	⇩	CZK 48.2 bn	44.7%	⬆
Loan-to-savings ratio	111.1%	8.9 pp	⬆	118.0%	6.9 pp	⬆

Mortgage loans	2023	YoY change		2024	YoY change	
Purely new mortgage loans to private individuals for housing	CZK 111.7 bn	-24.9%	⇩	CZK 212.7 bn	90.5%	⬆
Total loans	CZK 2,698.1 bn	7.5%	⬆	CZK 2,853.9 bn	5.8%	⬆
of which to private individuals for housing	CZK 1,641.9 bn	4.0%	⬆	CZK 1,721.6 bn	4.9%	⬆

Credit unions	2023	YoY change		2024	YoY change	
Balance sheet	CZK 10.0 bn	6.2%	⬆	CZK 9.4 bn	-6.6%	⇩
Total capital ratio	28.4%	3.6 pp	⬆	29.2%	0.8 pp	⬆
NPL ratio	27.1%	1.5 pp	⬆	22.3%	-4.8 pp	⇩

Non-bank financing providers	2023	YoY change		2024	YoY change	
Balance sheet	CZK 483.1 bn	9.6%	⬆	CZK 509.0 bn	5.4%	⬆
Total loans	CZK 385.4 bn	10.4%	⬆	CZK 407.8 bn	5.8%	⬆

Regulated and OTC market	2023	YoY change		2024	YoY change	
PX index	1,414.0 points	17.7%	⬆	1,760.2 points	24.5%	⬆
Trading volume on the PSE	CZK 141.3 bn	-21.9%	⇩	CZK 141.0 bn	-0.2%	⇩
Trading volume on the RM-S	CZK 4.3 bn	-34.2%	⇩	CZK 3.8 bn	-11.6%	⇩
Volume of OTC transactions (CSDP)	CZK 11,846.3 bn	14.0%	⬆	CZK 16,204.7 bn	36.8%	⬆

Investment funds	2023	YoY change		2024	YoY change	
Assets in collective investment funds	CZK 1,009.8 bn	23.6%	⬆	CZK 1,264.2 bn	25.2%	⬆
Assets in qualified investor funds	CZK 614.6 bn	35.1%	⬆	CZK 860.5 bn	40.0%	⬆

Insurance companies	2023	YoY change		2024	YoY change	
Balance sheet	CZK 515.6 bn	4.6%	⬆	CZK 517.3 bn	0.3%	⬆
Total gross premiums written	CZK 223.1 bn	6.5%	⬆	CZK 230.4 bn	8.1%	⬆
Gross claim settlement costs	CZK 108.4 bn	-7.4%	⇩	CZK 138.4 bn	27.7%	⬆
Total insurance penetration	2.8%	0.0 pp	⇔	2.9%	0.1 pp	⬆

Pension funds	2023	YoY change		2024	YoY change	
Number of participants	4,223.5 thousand	-3.9%	⇩	3,997.7 thousand	-5.3%	⇩
Participants' assets	CZK 595.5 bn	1.9%	⬆	CZK 605.0 bn	1.6%	⬆
Share of contracts with an employer's contribution	25.9%	1.2 pp	⬆	30.6%	4.7 pp	⬆
Participant's average monthly contribution in transformed funds	CZK 792	-0.4%	⇩	CZK 841	6.2%	⬆
Participant's average monthly contribution in participation funds	CZK 871	2.1%	⬆	CZK 943	8.3%	⬆
State contributions	CZK 7.5 bn	-2.1%	⇩	CZK 6.3 bn	-15.1%	⇩

Source: AKAT, APS CR, CNB – ARAD, MoF, MoF calculations

Table A2.2: Main indicators of the building savings bank sector

As at 31 Dec		2019	2020	2021	2022	2023	2024
New building savings contracts	number	485,176	461,885	449,899	486,532	377,865	354,762
	change (%)	15.0	-4.8	-2.6	8.1	-22.3	-6.1
Average target value for new building savings contracts with private individuals	value (CZK thousands)	430.5	455.9	808.7	629.1	873.3	843.4
	change (%)	-8.4	5.9	77.4	-22.2	38.8	-3.4
Building savings contracts in savings phase	number	3,226,733	3,242,740	3,265,839	3,152,006	2,923,782	2,696,473
	change (%)	1.9	0.5	0.7	-3.5	-7.2	-7.8
Paid state contributions	value (CZK bn)	4.0	4.1	4.2	4.3	4.2	3.8
	change (%)	1.6	3.5	2.9	2.1	-3.2	-9.0
Average state contribution[84]	value (CZK)	1,434	1,461	1,497	1,475	1,470	-
	change (%)	2.6	1.9	2.5	-1.5	-0.3	-
Savings	value (CZK bn)	359.7	362.7	366.3	334.7	313.4	298.5
	change (%)	1.3	0.8	1.0	-8.6	-6.4	-4.8
Loans in total	number	555,368	520,333	490,714	475,935	462,083	447,567
of which: building savings loans	number	267,225	254,630	234,675	235,171	257,339	264,593
bridging loans[85]	number	288,143	265,703	256,039	240,764	204,744	182,974
	change (%)	-5.6	-6.3	-5.7	-3.0	-2.9	-3.1
Loans in total	value (CZK bn)	278.1	293.5	319.3	342.0	348.1	352.2
of which: building savings loans	value (CZK bn)	48.2	60.0	64.1	81.0	120.6	137.4
bridging loans[85]	value (CZK bn)	229.9	233.5	255.2	261.0	227.6	214.7
	change (%)	5.8	5.5	8.8	7.1	1.8	1.2
Loans-to-savings ratio	ratio (%)	77.3	80.9	87.2	102.2	111.1	118.0

Source: Building savings banks, MoF

[84] The value is published in the course of the subsequent year.

[85] Under Section 5(5) of Act No. 96/1993 Coll., on building savings schemes and state contribution for building savings schemes, as subsequently amended.

Table A2.3: Basic indicators of the supplementary pension insurance in transformed funds

As at 31 Dec		2019	2020	2021	2022	2023	2024
Supplementary pension insurance contracts[86]	number	3,327,507	3,154,028	2,988,958	2,774,757	2,436,050	2,020,554
	change (%)	-4.8	-5.2	-5.2	-7.2	-12.2	-17.1
State contributions for a given period	value (CZK bn)	5.3	5.1	5.0	4.7	4.2	3.2
	change (%)	-2.3	-2.9	-2.7	-5.3	-9.7	-23.4
Participants' contributions[87]	value (CZK bn)	28.2	27.7	27.3	26.0	23.6	21.4
	change (%)	-0.6	-1.9	-1.6	-4.5	-9.2	-9.4
Average monthly state contribution	value (CZK)	133	137	140	141	140	125
	change (%)	3.9	3.0	2.2	0.7	-0.7	-10.7
Average monthly participant's contribution	value (CZK)	722	754	781	795	792	841
	change (%)	6.2	4.4	3.6	1.8	-0.4	6.2

Source: MoF

Table A2.4: Basic indicators of the supplementary pension savings in participation funds

As at 31 Dec		2019	2020	2021	2022	2023	2024
Supplementary pension savings contracts[86]	number	1,128,131	1,269,989	1,451,812	1,621,853	1,787,464	1,977,125
	change (%)	17.9	12.6	14.3	11.7	10.2	10.6
New supplementary pension savings contracts	number	257,666	228,142	283,959	306,579	336,639	398,573
	change (%)	-1.7	-11.5	24.5	8.0	9.8	18.4
State contributions for a given period	value (CZK bn)	2.0	2.3	2.6	2.9	3.2	3.1
	change (%)	20.8	14.5	13.1	13.4	10.1	-4.3
Participants' contributions[87]	value (CZK)	10.0	11.6	13.3	15.5	17.5	21.0
	change (%)	21.5	15.8	15.2	16.2	12.8	20.1
Average monthly state contribution	value (CZK)	160	161	161	162	161	140
	change (%)	0.0	0.6	0.0	0.6	-0.6	-13.0
Average monthly participant's contribution	value (CZK)	800	812	829	853	871	943
	change (%)	1.3	1.5	2.1	2.9	2.1	8.3

Source: MoF

86 Data reflects number of policies, which are not closed in the relevant MoF records.
87 Participants' contributions are reported without the contributions paid by employers for their employees.

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