

Czech Republic

Dominant foreign banks with hands-off parent banks

The bank branch landscape of the Czech Republic is similar to its neighbors with respect to the prevalence of localities serviced by foreign-owned banks, mainly from Western Europe (Chart 1). When questioned about competitors in 2011, respondent banks identified foreign-owned banks as strong competitors in lending to retail, small and medium-sized enterprise (SME) and large enterprise customers. In this competitive market, Czech banks rate new information technology and training of staff as very important for attracting new clients.

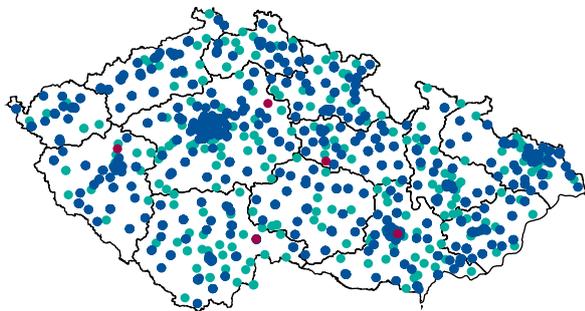
Compared to other CEB countries, parent banks exert a stronger influence on their subsidiaries in Czech banks in some business areas than in others, particularly with regards to shaping credit risk assessments and credit risk portfolio management (Chart 2). Despite this, Czech banks are below the regional average in terms of parent bank influence on corporate governance and the strategic choice of clients. In terms of funding and credit growth targets,

foreign bank subsidiaries in the Czech Republic are among the most independent in the region.

A further interesting element of parent-subsiary relationship in the Czech Republic is the share of banks that provided their parent bank at least once with internal credit lines/liquidity during 2007-2012 (Chart 3). Not only does the Czech Republic have the highest share of subsidiaries that sent liquidity to their foreign headquarters, but it is also the only country in the EBRD region that reports more banks providing than receiving financial support from their parent.

The institutional environment at present is not as challenging for Czech banks as for their regional counterparts. When asked to look ahead and consider uncertainty over future laws and regulations, the Czech Republic has one of the smallest portions of banks reporting they are disposed to hold more liquid assets or restrict credit due to regulatory uncertainty (Chart 4). The majority of banks also agree with the description of the banking regulator as fair and impartial, as well as able to enforce its decisions.

Chart 1 Bank localities by ownership



- Localities with domestic banks only
- Localities with foreign banks only
- Localities with both domestic and foreign banks

Chart 2 Areas of parent bank influence

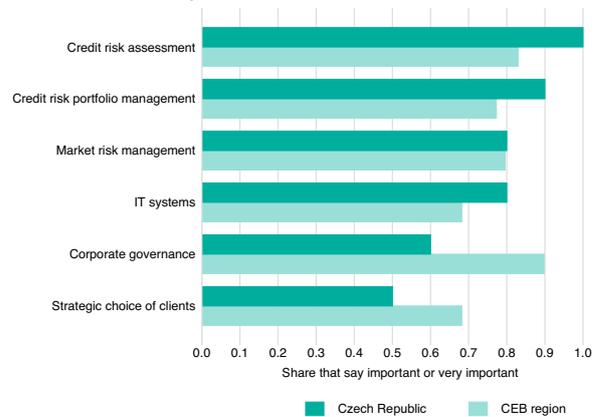


Chart 3 Providing or receiving funding from parent

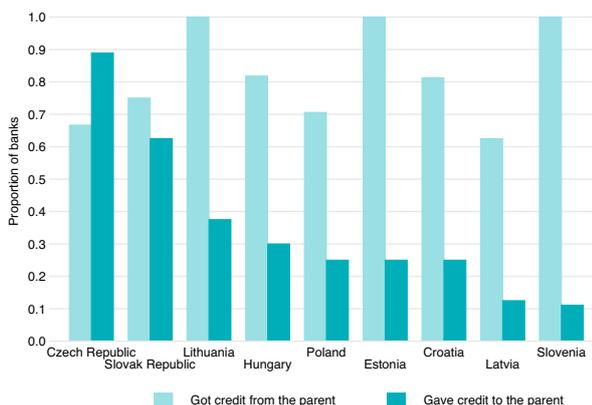


Chart 4 Uncertainty over future laws leads to...

