

Macroeconomic Development

In 1989 the former Czechoslovakia had one of the smallest private sectors in the communist world, employing only about 1.2% of the labor force and producing a negligible fraction of the national output. The Czech Republic has within three years of the fall of communism liberalized nearly all prices, privatized much of the economy, decentralized the wage setting, and opened the country to world trade while maintaining a relatively balanced budget, low inflation, and low unemployment (below 4% until 1995). By 1995, the initial recession and the negative impact of the split of Czechoslovakia had ended and the economy grew by almost 6%. In 1996, the economy recorded continuing robust growth of 5%, but by 1997 it was becoming increasingly clear that the macroeconomic success was not based on solid microeconomic foundations.

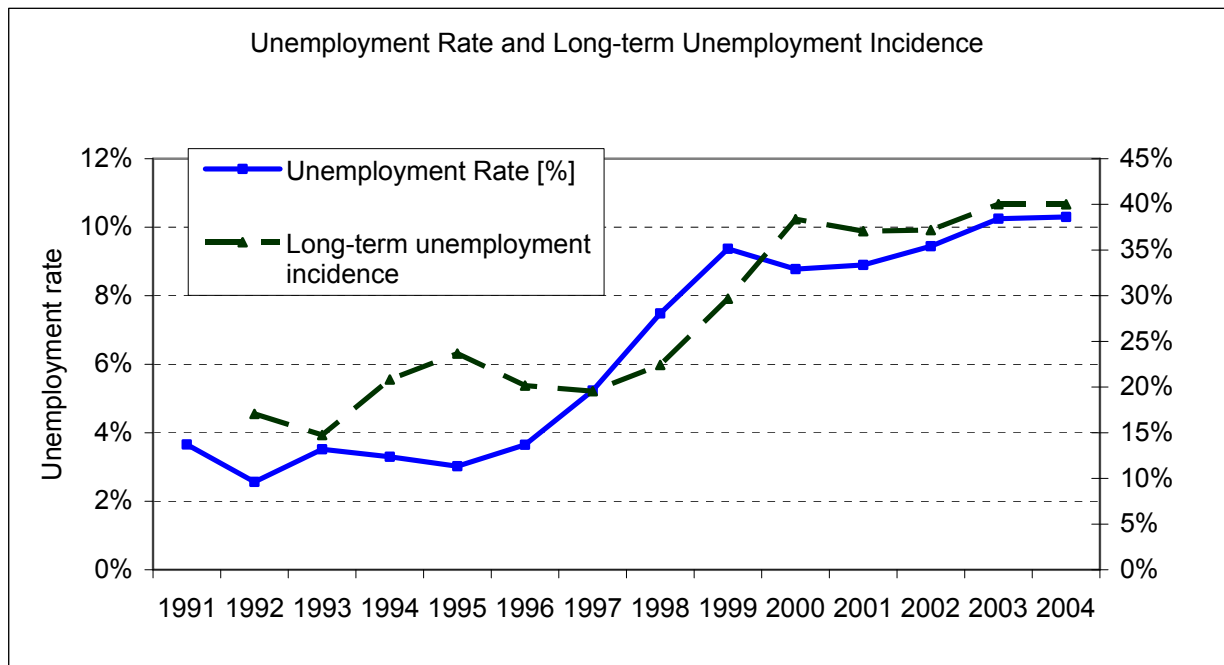
Table Real GDP growth

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
4.2	-0.7	-1.1	1.2	3.9	2.6	1.5	3.2	4.7	4.2

Weak corporate governance allowed wages to grow two times faster than productivity, which led to a higher demand for imports of consumer durables and increasing foreign trade and current account deficits. These were financed by an inflow of short-term foreign capital attracted by high interest rates, themselves locked in by the fixed exchange rate regime. The implicit liabilities of soft loans to large old firms via state controlled banking sector became visible. The worsening performance of the economy led to an increase of the public budget deficit and the government was forced to

implement a strict austerity program. In addition, the Czech currency was under attack and the central bank had to raise interest rates and eventually, after short period of unsuccessful currency defense, switched from peg to float regime. All of this sent the economy deep into recession lasting three years; the other CEECs countries, however, enjoyed period of economic growth. A year later, in 1998, the strict monetary policy was relaxed and the new government revived structural reform and privatization, this time relying on strategic foreign partners. The recession, accompanied with hardening of budget constraints, also served as a trigger to shedding off labor. The unemployment figures have risen substantially and never returned to the below 5% ever since.

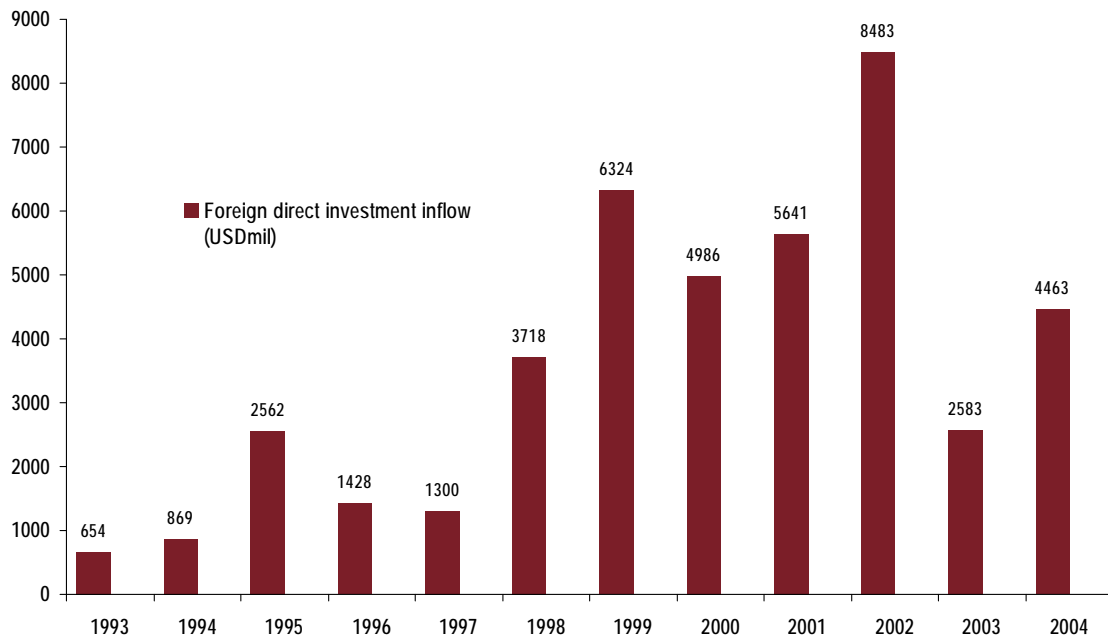
Figure Unemployment



Finally, in 2000 the economy took off. Investments started to grow, primarily due to the surge of FDIs, but domestic firms started to invest more as well. FDI inflow

continued at similar strength during 2001, thanks to both the incentive package and the expected accession of the Czech Republic into the EU.

Figure FDI



The one macroeconomic variable that has been under control throughout the entire Czech transition is inflation. With exception of the year of price liberalization and introduction of VAT it never rose substantially above 10%. These days it is one of the lowest in the region.

Table Inflation

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
10.0	9.1	8.8	8.5	10.7	2.1	3.9	4.7	1.8	0.1	2.8	1.9

Figure Exchange rate

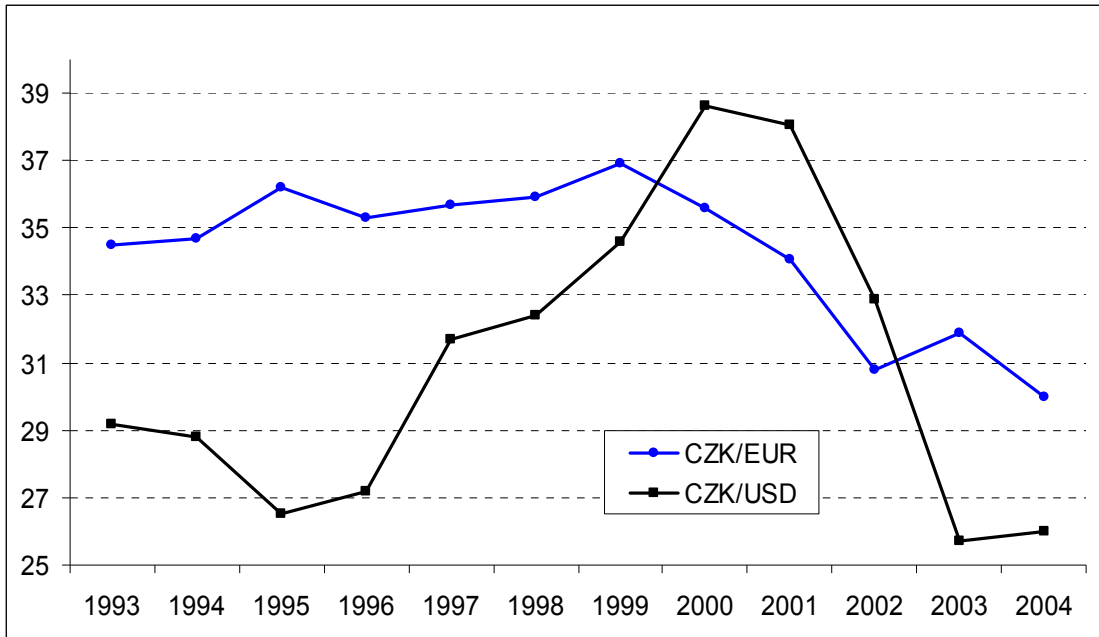
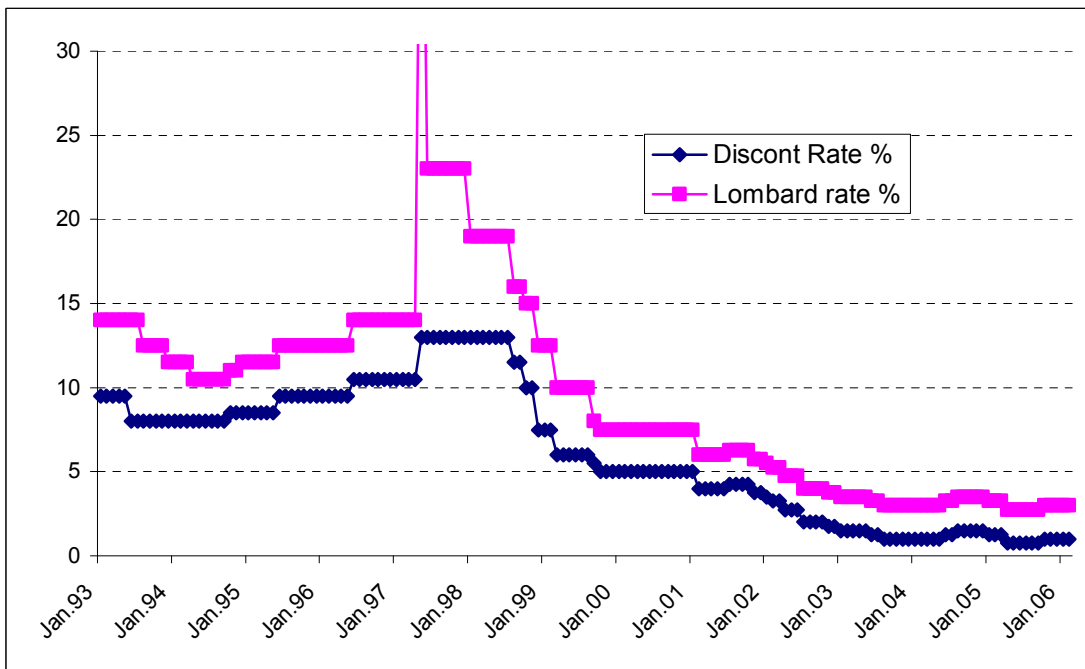
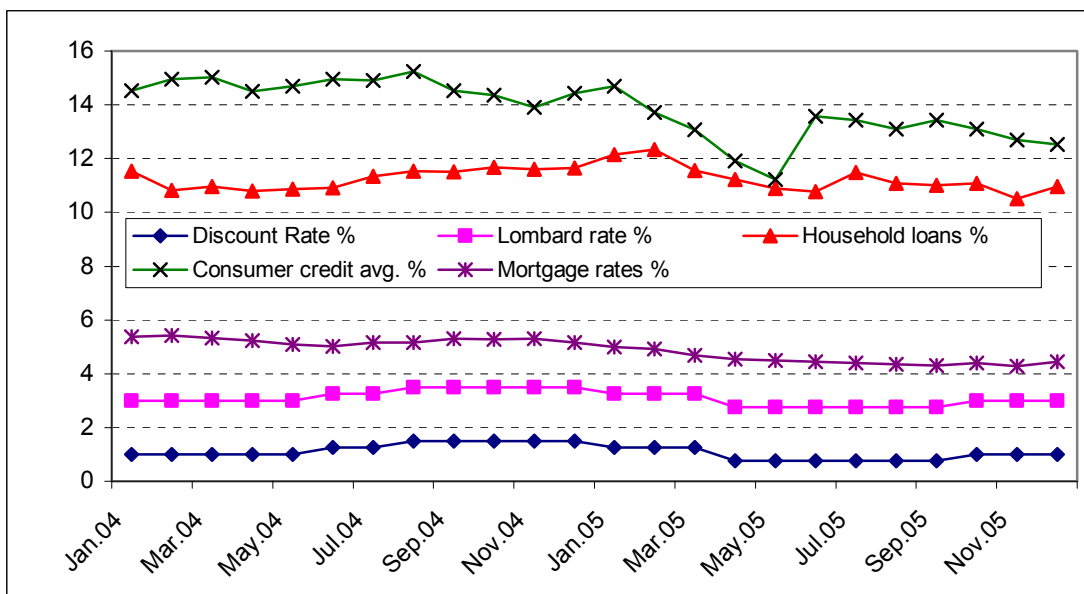


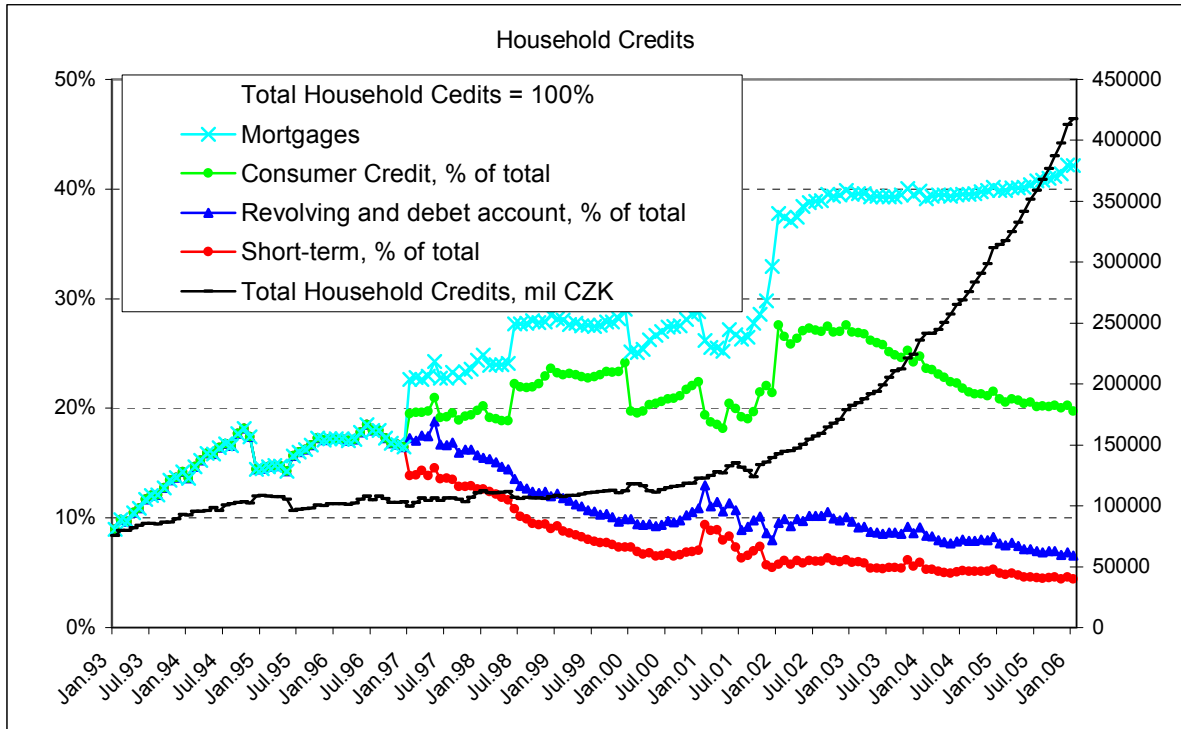
Figure Central Bank Rates





In sum, after 1999, the Czech economy successfully emerged from recession with GDP growth rates around 3%. The recovery was driven by private investments, primarily FDI, which also financed the widening trade deficit. While inflation was low, real wage growth resumed after the recession and was in line with productivity growth. Unemployment stayed in the neighborhood of 9%. In May 2005, Czech Republic entered the EU, it is expected to join the Schengen system in 2007 and the government targeted Euro adoption for 2010; however, given the speed of economic convergence (most of it is now using currency appreciation as a valve to steam out) and pace of progress, later date is more likely.

Figure: Household Credit Volume and Composition

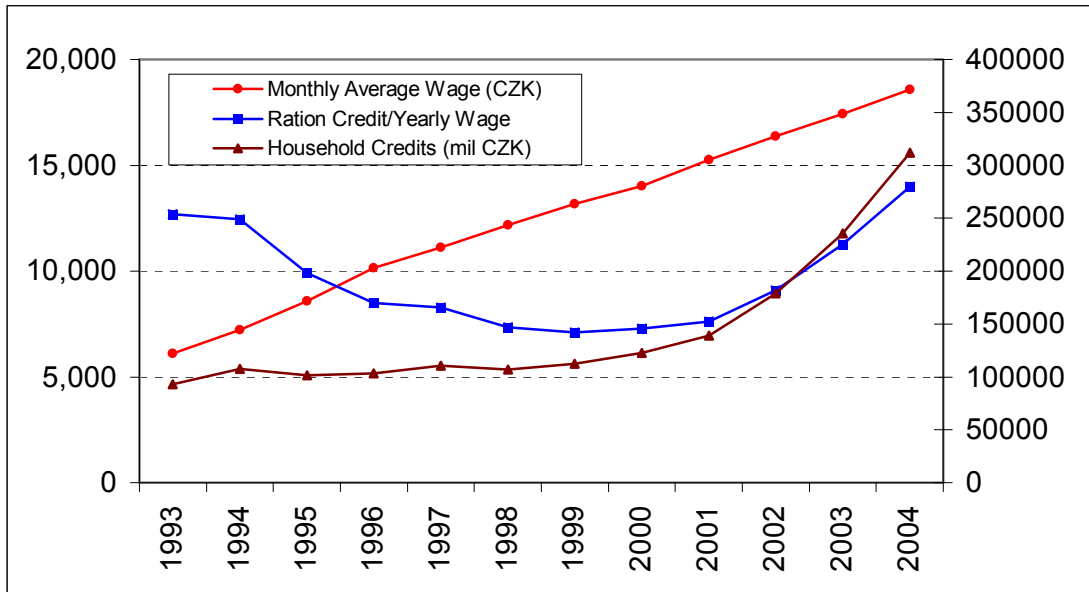


In general, since 1993 the volume of household credit stagnated (or, the growth was minimal) even in nominal terms. In real term, taking the share of household credit per GDP (current prices) or compared to monthly wages, decreased. The change came about in 2001 when the banks were privatized and started seeking new sources of income. The retail market was undeveloped and consumer loans became the welcome counterpart to enterprise lending.

The household debt composition monitoring has changed in 1996, therefore, since January 1997 we can trace short-term loans in more detailed composition as well as mortgages were added. We can observe several interesting features. First of all, the share of revolving credit (account overdraft) accounts for about 5% of total household credits and is stable over time. The classical short-term credit loans are replaced with consumer loans and the share of consumer loans was first rising to about 20% of total household

credit volume and now is slightly declining. The most buoyant are mortgages, from less than 5% share on household loans in 1997 their share rose to over 20% by the end of 2005 and the trend is still positive as the interest rates are low and are not expected to rise in near future.

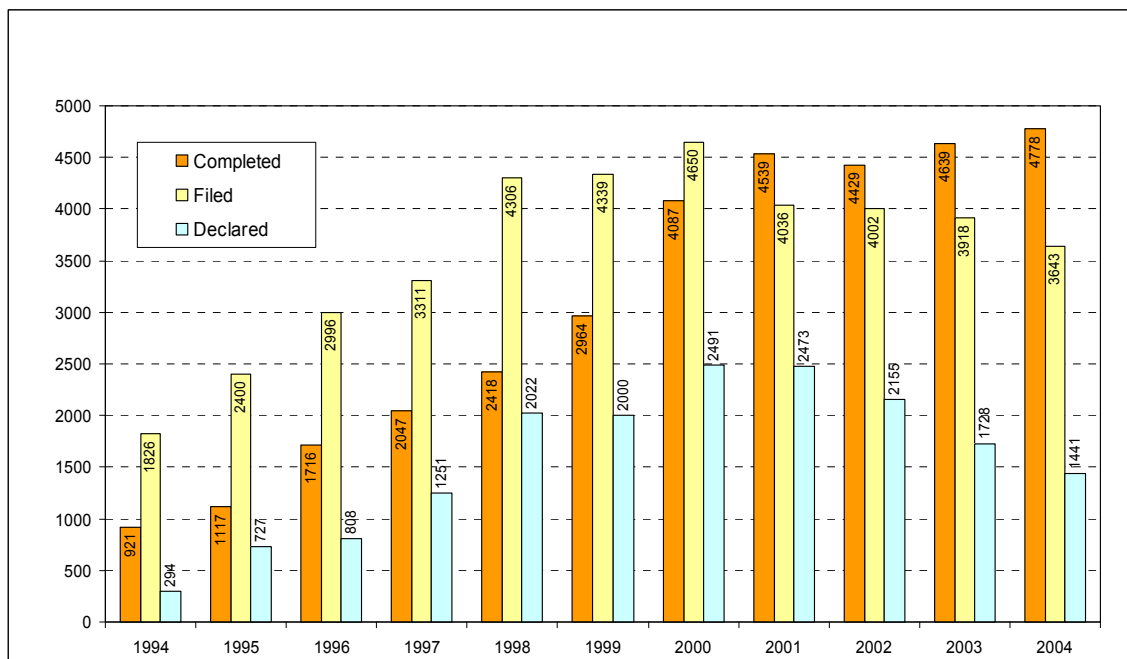
Figure: Wage and Household Credit



The major problem associated with credit provision is related to bankruptcy laws. The bankruptcy law is the weakest part of company laws. In addition, the law enforcement is quite a serious obstacle in the Czech Republic. This statement can be illustrated not only by survey results (Doing Business, World Bank, etc.) but can be also well-documented using aggregate figures. In the Czech Republic the economic crisis occurred in 1997, yet it was not really reflected in the evolution of bankruptcies. On the contrary, we observe an opposite pattern, during the period of economic growth (till 1997) the number of bankruptcies rises substantially while does not rise and starts to stagnate in times of recession (1997-1998). After the rapid growth in the mid-nineties, the pace of filed and

declared bankruptcies stagnated and after 2000 started to fall. The actual growth from 1998 to 1999 was 0.8%. In 1999 there were 4339 filings in total, while from 1997 to 1998 their growth was approximately 30%. Moreover, the declared number of bankruptcies decreased by 1.1% to exactly 2000 in total in 1999. In 2000, there was a 7.2% increase in the number of filings and the number of bankruptcies and the filings peaked. The success rate was 46.1% in 1999, compared to 47% in 1998, and grew to 53.4% in 2000. A major change can be observed in the rate of rulings made by the courts. While in the mid nineties the rate was approximately 50% and slowly increased to 60% in 1997 and then to 70% in 1999, it reached 88% in 2000 and in 2001 for the first time the number of rulings exceeded the number of filings (so the reduction of backlog has started). This is clear evidence that the bankruptcy code was slowing down the decision process and that the amendments made in 2000 achieved their goal, since the economy started to grow and the recession was over. As mentioned earlier, despite the changes made, the bankruptcy procedures remains a real problem and the typical length of the firm closure – 9 years – just underscores the prolonged problems with firms' exits.

Figure Bankruptcies



Banking Sector Development and Privatization

The privatization program in the Czech Republic was carried out in the first half of the 1990s under three different schemes: restitution, small-scale privatization, and large-scale. The first two schemes started in 1990 and were important during the early years of the transition. Large-scale privatization, by far the most important scheme, began in 1991 and was completed in early 1995.

One brief comment on the link between property rights and privatization is necessary to understand the development in the nineties. An agreeable way of privatization ensuring most of the desired principles, i.e., fair to all citizens, fast, and for small amount of money, was followed by no property right protection. This is a surprising paradox. The most politically suitable way of transfer of state property to citizens in order to create private property is followed with no protection of the property rights. Naturally, normal sequencing would be just the opposite, first create institutions that protect the property

rights and then privatize. As a result, the privatization effect (both in gain distribution as well as psychological perceptions on the whole process) was similar to unfair means of distribution of the state property from the very beginning.

The Czech banking sector reform has started with a new law separating central banking activities from commercial banks in 1989. In January 1990, the Czechoslovak monobank transferred its commercial banking activities to three newly established banks: Komerční banka (KB), and Investiční banka (IP, which merged with post office banks in 1993, forming IPB, i.e. Investiční a poštovní banka).¹ Together with Česká spořitelna² (ČS) these banks dominated the newly developing banking markets. The two other incumbents on the market were Československá obchodní banka (ČSOB) and Živnostenská banka; these, however, specialized in international trade financing and handled large private clients. Once the private banks could emerge, the number of banks operating in the market grew most rapidly. Many small banks, as well as branches and subsidiaries of foreign banks, were established and by the end of 1995 the number of banks had reached 55. Following a period of optimism and large credit expansion, the Czech banking sector experienced a period of insufficient capital adequacy, nontransparent ownership structure, related lending, asset stripping, and a huge bad loan problem.

¹ Všeobecná úvěrová banka (VUB), another bank that has emerged from the late state monobank, was active mostly in Slovakia.

² In Slovak Republic the counterpart was Slovenská sporiteľňa, which was in operation since 1969.

The first Czech bank privatized was Živnostenská banka. Already in 1992, 52% of its shares had been sold to foreign investors, while the remainder was sold under voucher privatization. However, after this transaction, the transfer of state ownership of banks to private hands came to a halt for a number of years. Although large portions of shares of KB, ČS and IPB were privatized via vouchers, in 1996 the state still held major stakes in each of the four big commercial banks (KB, ČS, IPB, and ČSOB). This stop was not due to split of Czechoslovakia in 1993.

With the sale of a 60% stake of Komerční banka to Societé Generale (France) in July 2001, the privatization of the banking sector in the Czech Republic has been completed. As a result, about 95% of total banking assets became controlled by foreign owners, significantly more than in any other neighboring transition economy. The path was to this outcome was not straightforward and it took more than 10 years to eliminate the direct state influence via ownership control channels over banking sector.

Back in 1989, there were five major banks controlled by the state – Komerční banka, Česká spořitelna, Investiční a poštovní banka, Živnostenská banka, and ČSOB. All five have been part of the voucher privatization program. The state, however, retained a significant controlling stake in all of them. The first bank to be privatized was Živnostenská banka in 1993, when 40% of its assets were sold to Germany BHP-bank, 12% to IFC, and the remaining 48% were owned by investment funds and private individuals. The majority owner of ŽB, Bankgesellschaft Berlin (85.16%) was experiencing financial problems and these days the ŽB is controlled by Unicredito (it is

not known yet how the 2005 merger of Unicredito and HVB Bank will affect operation of ŽB's and HVB Bank's separate networks in the Czech Republic).

The second large privatization episode happened in 1998 with Japanese Nomura acquiring 36% of IPB. In the summer of 2000, the bank experienced a significant liquidity crisis and after a short period of forced administration the assets and liabilities were transferred to ČSOB.

During 1999 a second major bank was privatized. After IPB, which became part of the Nomura Group in the beginning of 1998, ČSOB was sold to the Belgian bank KBC. The deal was sealed on March 31st and the final price paid for the majority stake was 40 billion CZK. ČSOB itself was privatized in early 1999, when the government sold its 65% stake to Belgian KBC bank and IFC acquired 4.3%. KBC has consequently increased its stake to over 74%. Despite the significant problems related to the restructuring of IPB's bad assets, ČSOB is currently the largest bank in the country in terms of the volume of consumer deposits.

The remaining two major Czech banks, KB and ČS, were still controlled by the state by means of the NPF. In the fall of 1999, the government decided to privatize the state share of 52.07 per cent of ČS to Erste Bank (Erste Bank der Österreichischen Sparkassen).

The year 2000 has been again quite erratic for the Czech banking sector. In early 2000, the government selected Austrian Erste bank to be the new owner of Česká spořitelna. In February, the privatization of Česká spořitelna to the Austrian Erste Bank Sparkassen was finished, having been preceded by the carve-out of low quality credits of 33 billion CZK in nominal value. The majority stake, 52% of the shares of the bank, were

transferred to EB in exchange for cash payment and a complicated set of additional obligations from capital increase to support for small business and housing programs. It is estimated that the state spent about 33 bln. CZK on ČS rescue programs before its privatization. With Česká spořitelna, Erste acquired a company with a strong position in retail and a large growth potential not only in the consumer sector.

The last bank to be privatized was Komerční banka. The privatization of Komerční banka has been postponed by the government due to serious problems (several cases of enormous illegal activities were uncovered at the end of 1999 and at the beginning of 2000) and as a consequent there has been a change in the bank's management. Four large European banks have been chosen to perform due diligence before submitting their preliminary bids in early 2001: Societe Generale, Credit Agricole, Hypovereinsbank and Unicredito. In February 2000, bad assets worth 60 billion CZK were carved out from Komerční banka's balance sheet. In December additional aid of 20 billion CZK was approved. The agreement with French Societé Generale for the sale of a 60% stake was reached in June 2001 and the transaction completed in October 2001.

Shares to Privatize

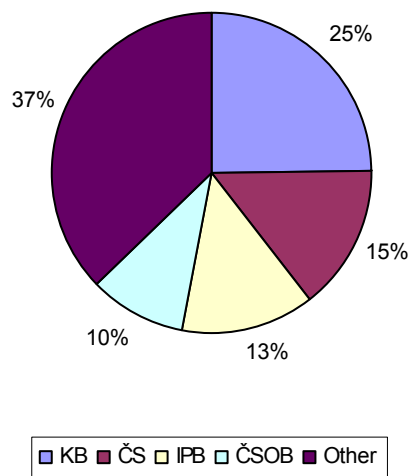
Bank	State Share (total)
Komerční banka (KB)	49.23%
Česká spořitelna (ČS)	45.00%
Československá obchodní banka (ČSOB)	89.82%

Bank ownership structure before privatization (KB example)

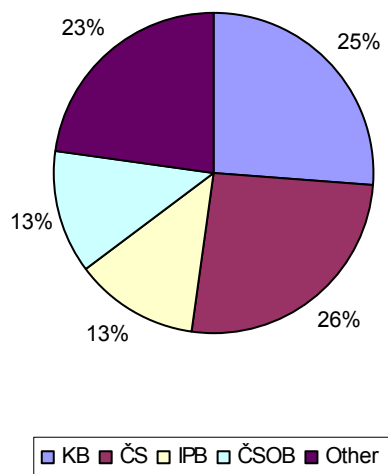
KB	%
National Property Fund	60.00
The Bank of New York	10.68
Chase Ireland [Nominees] Limited	1.81
ČSOB, a. s. – IPB division	1.71
Chase Nominees Limited	1.46
State Street Bank & Trust Company	1.22
Other shareholders	23.12

Market Share of Banks before Privatization

Total Customer Loans



Total Customer Deposits



Bank ownership structure immediately after privatization in 2000-2001

KB	%
Société Generale (France)	60
Bank of New York	6.68
Others	33.32
ČSOB	%
KBC (Belgium)	71.24
EBRD	7.47
KB AB CERA	5.55
KBC Verzekeringen	5.55
IFC	4.39

Other Czech Shareholders	4.45
Other Slovak Shareholders	1.35
ČS	%
<hr/>	
Erste Bank (Austria)	52.1
Česká pojišťovna	8.1
Municipalities	7.4
EBRD	5.9
Other	26.5

The estimated costs and revenues of bank privatization at time of privatization in the Czech Republic (CZK bln.) in the second half of the 1990s and CEECs comparison

Bank	Revenues	Cost
Komerční banka	40	97,7
ČSOB	40	56,5
Česká spořitelna	19	46,7
IPB	3	16,1*
Total	102	217

* Not included: a current estimated loss of CZK 170 bln. that the state guaranteed to pay and transferred to ČSOB after taking over the IPB business in mid-2000, international arbitration of dispute of additional CZK 11 bln. and its settlement is still not finished.

	Domestic Credit/GDP, 2000	Bad Loans, 1999 (%)	Hypothetical Share of Credit
Hungary	0.54	2.8	0.54
Slovenia	0.47	10.2	0.44
Czech Republic	0.57	31.4	0.41
Estonia	0.4	3.1	0.4
Slovak Republic	0.6	40	0.38
Poland	0.38	14.5	0.33
Romania	0.14	36.6	0.09

Insert Table COSTS of banking sector

Firm Credit Development

The necessity of bank restructuring due to the large amount of non-performing, formerly soft, loans stemmed from unfinished privatization of banks. While privatization of small firms was completed successfully in the early 1990's, the privatization of large companies, including banks, was much slower – despite the fact that a significant share of these companies was distributed to the public in voucher privatization. In fact, when the current minority government came into power in 1998, most large strategic companies were under state control – either directly or indirectly through state-owned banks. This led to incestuous ownership relations. There is now micro evidence available on the poor

economic performance and increasing indebtedness of joint stock companies controlled by investment funds which were owned by semi-state banks that provided soft loans to these firms, closing a full circle.

Investment studies performed on enterprise panel data from 1992-98 estimates support the hypothesis that the transition economies have an imperfectly functioning legal system that permits firms not to honor commitments to their partners (i.e., a form of soft budget constraints) and that this phenomenon affects investment. In particular, Lizal and Svejnar (2001 and 2002) found that receivables overdue are associated with lower investment and payables overdue with higher investment, suggesting that firms do not expect these commitments to be honored.

A credit rationing can partly explain aggregate economic performance and the behavior of firms in the transition economies. Yet, a massive rollover of bank loans has allowed firms in these economies to continue operating under a soft budget constraint. The analysis of investment during the transition, focusing on the issues of whether firms are credit rationed or subject to a soft budget constraint, and whether their behavior resembles that of a profit-maximizing firm, is a key issue to evaluate the pursued economic policies in transition countries. The econometric findings on Czech industrial firms suggest that cooperatives and small to medium sized private firms are credit rationed, but that other firms are not. Given the large volume of non-performing bank loans to firms and the high rate of investment of large state owned and private firms, this finding strongly suggests that larger domestic firms tend to operate under a soft budget constraint.

Card Development

The credit cards were used even prior the communism fall, however, these were not meant for ordinary use. Thus, these were accepted at hotels or banks (all major types including JCB). With the emergence of private banking sector the situation started to develop rapidly. Payment cards have been used in the Czech Republic since 1990.

Today banks mostly issue debit cards of Eurocard/MasterCard and Visa type (KB also issues debit form of American Express). The credit card market for residents started to develop around 2000. The Diners Club International and American Express also issue credit cards in the Czech Republic. Some non-bank institutions issue various types of card (e.g., prepaid, credit and loyalty); interesting are cards that are linked to consumer credit account (these emerged from classical consumer-loan instruments when the companies either started to issue their own cards linked with existing consumer accounts or merged their products with existing financial institution).

Table: Card Market Summary

	Issued cards (1000)	Installed ATM	Outlets	EFT POS
1988			554	
1989	1	3	635	
1990	10	7	743	
1991	121	100	925	
1992	193	214	1 175	
1993	375	564	3 100	
1994	528	795	5 930	4
1995	839	979	8 200	65
1996	1 285	1 156	12 000	200
1997	1 415	1 337	13 500	2 985
1998	1 861	1 424	20 050	4 838
1999	2 539	1 502	24 730	6 887

2000	3 961	1 589	26 330	10 283
2001	4 659	1 909	34 016	16 816
2002	5 296	2 350	40 224	25 439
2003	6 374	2 669	48 723	31 678
2004	6 867	2 850	51 393	37 394
2005/Q2	7 085	2 796	52 593	40 663

2004	No. of Transactions	Volume of Transactions (mil. CZK)
MC	19795	28045
MC Elec.	34	37
Maestro	13470	13143
VISA	24977	36446188
Electron	18192	15212
AmEx	469	1471851
DC	171	611
JCB	8	35
Other	21960	22977

2001	No. of transactions	Volume of Transactions (mil. CZK)
MC	8445	15648
MC Elec.	n.a.	n.a.
Maestro	5365	5088
VISA	8726	18065
Electron	3437	3457
AmEx	235	710
DC	72	383
JCB	14	88
Other	<1	<1

Debit cards

All banks in the Czech Republic issue Eurocard/MasterCard and/or Visa debit cards. These were the first types belonging to international system to be issued. Prior these

international types, CS had its own system of off-line ATMs and cards. The banks also issued Eurocheques with a card at the beginning of nineties but as the checking system was not used in retail banking at all, this was soon replaced with more flexible debit cards. In the second half of nineties KB has acquired a license to issue Amex debit cards from America Express. These Amex, EC/MC and Visa cards can be used for both cash withdrawals and payments through a nationwide network of ATMs and POS terminals.

On-line ATMs are connected through four different networks, which accept payment cards from Eurocard/MasterCard and Visa. Some ATMs also accept American Express cards and Diners Club. In 2003, there were about 2500 ATMs accepting domestic and foreign payment cards of various types. Retail outlets (hotels, shops, restaurants etc) accept cards using either paper-based procedures (infrequently) or terminals that are connected to the network with online authorization. In 2003, there were over 30000 EFTPOS terminals. Customer fees and terms and conditions for merchants differ across banks.

Credit cards

Credit cards have been issued in the Czech Republic since 1997. There were above 200,000 credit cards issued by banks in 2003 and since that year all major players are engaged in aggressive marketing. As already mentioned, several non-bank institutions issue their own credit cards with consumer credit function.

All standard-types of credit and debit cards use the same payment system. Therefore, we can assess the development of the card market by the volume of transactions but we cannot easily differentiate between credit and debit transactions.

The major differences compared to developed markets are in terms and conditions of card use and issue. In general, the terms are less favorable. For example, it is not common for both credit and debit cards the client is not liable in case of card loss. Sometimes the client is liable even after he or she has reported the lost card. The issue of a new card as well as stop listing is often associated with hefty fees. At the very beginning it was not uncommon the bank has asked for a deposit in the amount of agreed credit line and these finances became effectively frozen on the customer's account (i.e., in practice the client was crediting the bank, not that the bank was crediting the client). The credit and maintenance fees are often so unclear that even the issuing bank itself is not able to tell exactly how much the client owes and/or how much the service costs.³ It is not that rare that clients are actually opening bank accounts outside Czech Republic as, even with the

³ For example, the bank charges issuing fee, maintenance fee and there is no grace period. In addition the client is, in practice, required to open a checking account with the bank (levied with another maintenance fee) and each transfer between credit and checking accounts induces per item fees. Not to mention withdrawal fees to home bank and ATM operating bank.

My personal experience is exactly the same – when I was closing credit card after several months I asked for final settlement (there were no outstanding transactions) and cleared the account on the spot. Mysteriously, after one month I received by mail a money order in amount of 5 USD as the bank was apparently not capable to calculate the real outstanding balance itself.

unfavorable exchange rate, the Austrian or German banks are offering services for lower fees and total costs.⁴

Card schemes

Visa cards are cleared in the card payment clearing house for Visa.

A service company called MUZO (formerly Mechanizační ústředna zahraničního obchodu, a company already established during central planning) provides ATM and EFTPOS terminal services for most banks in the Czech Republic. It also carries out the functions of an authorization centre and of the card payment clearing house for Eurocard/MasterCard.

Domestic Eurocard/ MasterCard transactions are cleared by this service company as well and settled by the “CERTIS” system (inter-banking system operated by the central bank). Domestic Visa card transactions are settled by the CERTIS system or a bilateral agreement may exist between some banks. According to Blue Book, two Czech banks provide their own ATM network, one of which includes EFTPOS terminals and an authorization centre (most likely CS).

⁴ As anecdotal evidence serves this, not uncommon, story: A North-American client has opened an account and deposited amount in an order of 1000USD in mid nineties. Ten years later, during which he made not a single transaction, after arrival into the Czech republic he found his account in debit, and the bank was asking late fees and penalty interest as he even was overdrafting the credit line the bank has automatically issued when the account reached zero.

As can be seen from the following tables, the number of cards was steadily rising from 1993 on. The yearly growth rates were double digits and mostly between 30% and 50%. The credit cards have even higher dynamics but their appearance before 2000 was negligible. These days it is the most rapidly growing part of the market as the debit card market is already saturated.

The major feature is that the number of transactions per inhabitant and per card is still steadily increasing. Also, the average value of ATM transaction measured in Euro is increasing (not only both the nominal and real the wages go up, but as inflation is low and currency is appreciating the same nominal transaction in CZK has higher Euro value). However, on the contrary, as the cards became more common in retail we can observe decreasing value of transaction at POS terminals (retail trade).

Retail credit, debit and checking systems

Credit transfers and direct debits within one bank (i.e., both sending and receiving parties are customers of the same bank) are settled by the bank itself within a bank's internal network. The interbank payments are settled using CERTIS.

As the checks are not widespread and their usage diminishes rapidly, no separate check clearing center exists in the Czech Republic. Likewise other payments, if the payee and payer are customers of the same bank, checks are processed within the bank itself. A standard credit transfer has to be used for interbank check clearance.

Financial institutions in the Czech Republic have followed recent trends by increasing their efforts to move towards electronic banking.

Czech Republic	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of cards with a cash function (thousands)	193.70	328.10	467.90	569.90	408.90	1,590.20	2,784.50	3,976.60	4,556.30	5,768.90	6,510.00
Number of ATMs with a cash dispensing function	474.00	787.00	1,063.00	1,169.00	1,322.00	1,463.00	1,499.00	1,602.00	1,923.00	2,254.00	2,500.00
Volume of transactions (millions)	6.32	12.91	25.14	38.63	49.40	59.10	70.00	85.80	100.70	106.80	130.00
Value of transactions (CZK billions)	5.81	13.26	27.45	48.86	67.34	91.30	128.00	175.50	232.70	285.40	n.a.
Number of cards with a debit function (thousands)	377.20	651.20	919.90	1,288.00	1,478.70	1,881.80	2,790.00	3,960.40	4,516.30	5,658.30	5,980.00
Number of EFTPOS terminals	20.00	161.00	668.00	1,100.00	2,985.00	6,628.00	8,962.00	13,187.00	17,931.00	25,358.00	30,180.00
Volume of transactions (millions)	-	0.09	0.32	0.92	1.39	2.80	6.00	14.50	26.60	41.00	50.00
Value of transactions (CZK billions)	-	0.41	1.74	2.42	3.90	8.40	14.00	27.00	44.70	52.50	n.a.
Number of cards with a credit function (thousands)	-	-	-	-	1.70	3.60	5.60	38.70	53.20	113.20	210.00
Number of terminals	-	-	-	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Volume of transactions (millions)	-	-	-	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Value of transactions (CZK billions)	-	-	-	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total number of cards in circulation (thousands),	570.90	979.30	1,387.80	1,857.90	1,909.80	3,503.60	5,619.20	7,983.60	9,126.20	11,540.40	12,700.00
of which:											
cards with a check guarantee function (thousands)	-	-	-	-	20.50	28.00	39.10	7.90	0.40	n.a.	n.a.

Source: Blue Book, payment and settlement systems in the accession countries / European Central Bank. - Frankfurt am Main:

European Central Bank, 2002, 2004, 2005.

Indicators of the use of various cashless payment instruments in Czech Republic: value of transactions (CZK billions)

	1996	1997	1998	1999	2000	2001	2002	2003
Payments by debit card	n.a.	3.90	8.40	14.00	27.00	44.70	52.50	n.a.
Credit transfers	n.a.	23,863.30	45,330.80	37,184.30	47,724.40	81,918.80	64,987.90	n.a.
Direct debits	n.a.	385.70	372.20	267.70	465.40	2,476.00	2,004.00	n.a.
Total	n.a.	24,987.90	46,255.30	37,685.20	48,448.10	84,633.50	67,058.30	

Cards with a cash function and ATMs

	Number of ATMs per 1000000 inhabitants (end of year)							
	1996	1997	1998	1999	2000	2001	2002	2003
Czech Republic	113.0	128.0	142.0	146.0	156.0	188.0	221.0	250.0
Slovakia	146.0	162.0	179.0	187.0	201.0	219.0	254.0	280.0
	Number of transactions per inhabitant							
Czech Republic	4.0	5.0	6.0	7.0	8.0	10.0	10.0	13.0
Slovakia	0.1	0.1	0.2	0.4	1.1	2.0	3.0	5.6
	Average value per transaction (EUR)							
Czech Republic	37	38.0	43.0	50.0	57.0	68.0	87.0	101.0
Slovakia	26	27.0	30.0	30.0	39.0	43.0	49.0	57.0

Cards with a debit function and POS terminals

	Number of POS per 1000000 inhabitants (end of year)							
	1996	1997	1998	1999	2000	2001	2002	2003
Czech Republic	107.0	290.0	644.0	871.0	1284.0	1754.0	2486.0	3018.0
Slovakia	72.0	203.0	557.0	857.0	1171.0	1778.0	2269.0	2572.0
	Number of transactions per inhabitant							
Czech Republic	0.1	0.1	0.3	1.0	1.0	3.0	4.0	5.0
Slovakia	0.0	0.1	0.2	0.4	1.1	2.0	3.0	5.3
	Average value per transaction (EUR)							
Czech Republic	77.0	78.0	83.0	63.0	52.0	49.0	42.0	46.0
Slovakia	33.0	30.0	33.0	33.0	29.0	26.0	26.0	22.0

Use of cashless payment instruments, Payments by credit/debit cards

	Total number of transactions, millions							
	1996	1997	1998	1999	2000	2001	2002	2003
Czech Republic	1.0	1.0	3.0	6.0	15.0	27.0	41.0	56.0
Slovakia	0.3	1.0	1.0	2.0	6.0	11.0	16.0	30.0
	Number of transactions per inhabitant							
	2000	2001	2002	2003	2000	2001	2002	2003
Czech Republic	0.1	0.1	0.3	0.6	1.4	2.6	4.0	5.5
Slovakia	0.1	0.1	0.2	0.4	1.1	2.0	3.0	5.6

Number of cards (end of year, per 1000 inhabitants)

	Cards with a cash function				Cards with a debit function				Cards with a credit function			
	2000	2001	2002	2003	2000	2001	2002	2003	2000	2001	2002	2003
Czech Republic	387.0	445.0	566.0	651.0	386.0	441.0	555.0	598.0	4.0	5.0	11.0	21.0
Slovakia	318.0	366.0	450.0	562.0	317.0	362.0	402.0	473.0	1.0	3.0	47.0	87.0

Use of cards (end of year), Average number of

	Cards withdrawals per card with a cash function				Payments per card with a debit function				Payments per card with a credit function			
	2000	2001	2002	2003	2000	2001	2002	2003	2000	2001	2002	2003
Czech Republic	21.6	22.1	18.5	20.2	3.7	5.9	7.2	9.2	n.a.	n.a.	n.a.	n.a.
Slovakia	29.0	26.0	24.3	21.2	10.0	12.6	7.7	11.2	70.0	53.0	n.a.	3.2

APPENDIX – Credit Card Comparison, Fall 2005, complete market

Bank/Firm	Product	Issuing Fee
Essox s.r.o.	Global Card	0 Kč
Česká pojišťovna, a.s.	ČP Kreditní karta	0 Kč
GE Money Multiservis	O.K. karta	0 Kč
Home Credit Finance, a.s.	Kreditní karta YES	0 Kč
HVB Bank, a.s.	VISA Classic	0 Kč
Živnostenská banka, a.s.	VISA Credit Classic	0 Kč
Živnostenská banka, a.s.	VISA Credit Gold Čedok	0 Kč
Živnostenská banka, a.s.	VISA Golf	0 Kč
Komerční banka, a.s.	Visa Electron	0 Kč
Česká spořitelna, a.s.	Kredit+ Visa Electron	120 Kč
Cetelem, ČR	AURA MasterCard Electronic	150 Kč
HVB Bank, a.s.	VISA Elektron iDNES	200 Kč
CCS Česká společnost pro platební karty a.s.	CCS Kredo	200 Kč
ČSOB	MasterCard Unembossed	250 Kč
HVB Bank, a.s.	VISA Škoda Auto	250 Kč
Hypoteční banka	Kreditní karta k hypotéce	250 Kč
HVB Bank, a.s.	VISA Generali	280 Kč
GE Money Multiservis	MoneyCard	299 Kč
Česká spořitelna, a.s.	Kredit+ VISA Classic Partner	300 Kč
Česká spořitelna, a.s.	Kredit+ MC Partner	300 Kč
Komerční banka, a.s.	Kreditní karta Inter Card	350 Kč
HVB Bank, a.s.	T-Mobile Club	360 Kč
HVB Bank, a.s.	VISA Credit Suisse	360 Kč
HVB Bank, a.s.	VISA iDNES	380 Kč
ČSOB	MasterCard Standard	400 Kč
Poštovní spořitelna	Kreditka Poštovní Spořitelny	400 Kč
Raiffeisenbank, a.s.	Visa Classic	420 Kč
HVB Bank, a.s.	VISA/ČSA	500 Kč
Citibank, a. s.	Stříbrná kreditní karta	500 Kč
Raiffeisenbank, a.s.	Karta National Geographic	540 Kč
Raiffeisenbank, a.s.	Visa Gold	1440 Kč
Citibank, a. s.	Zlatá kreditní karta	2000 Kč
Česká spořitelna, a.s.	Kredit+ VISA Gold	3000 Kč
ČSOB	MasterCard Gold	3000 Kč
HVB Bank, a.s.	VISA Gold	3000 Kč
Česká spořitelna, a.s.	Kredit+ MC Gold	3000 Kč
Diners Club Czech, s. r. o.	Diners Club	5000 Kč
Diners Club Czech, s. r. o.	Diners Club/ČSA	6000 Kč
Diners Club Czech, s. r. o.	Diners Club/Golf	6000 Kč

Bank/Firm	Product	Interest (monthly)
Česká pojišťovna, a.s.	ČP Kreditní karta	1.00 %
Živnostenská banka, a.s.	VISA Golf	1.28 %
Živnostenská banka, a.s.	VISA Credit Classic	1.28 %
Živnostenská banka, a.s.	VISA Credit Gold Čedok	1.28 %
Hypoteční banka	Kreditní karta k hypotéce	1.50 %
Komerční banka, a.s.	Kreditní karta Inter Card	1.58 %
HVB Bank, a.s.	VISA/ČSA	1.58 %
HVB Bank, a.s.	VISA iDNES	1.58 %
HVB Bank, a.s.	VISA Elektron iDNES	1.58 %
HVB Bank, a.s.	VISA Škoda Auto	1.58 %
HVB Bank, a.s.	VISA Credit Suisse	1.58 %
ČSOB	MasterCard Unembossed	1.60 %
Essox s.r.o.	Global Card	1.60 %
ČSOB	MasterCard Standard	1.60 %
Poštovní spořitelna	Kreditka Poštovní Spořitelny	1.60 %
ČSOB	MasterCard Gold	1.60 %
Česká spořitelna, a.s.	Kredit+ VISA Classic Partner	1.65 %
GE Money Multiservis	MoneyCard	1.65 %
Česká spořitelna, a.s.	Kredit+ MC Partner	1.65 %
Česká spořitelna, a.s.	Kredit+ VISA Gold	1.65 %
Česká spořitelna, a.s.	Kredit+ MC Gold	1.65 %
Česká spořitelna, a.s.	Kredit+ Visa Electron	1.65 %
Cetelem, ČR	AURA MasterCard Electronic	1.78 %
Komerční banka, a.s.	Visa Electron	1.83 %
CCS Česká společnost pro platební karty a.s.	CCS Kredo	1.89 %
Raiffeisenbank, a.s.	Visa Gold	1.89 %
Raiffeisenbank, a.s.	Karta National Geographic	1.89 %
Raiffeisenbank, a.s.	Visa Classic	1.89 %
GE Money Multiservis	O.K. karta	1.89 %
HVB Bank, a.s.	VISA Classic	1.95 %
HVB Bank, a.s.	VISA Generali	1.95 %
HVB Bank, a.s.	T-Mobile Club	1.95 %
HVB Bank, a.s.	VISA Gold	1.95 %
Citibank, a. s.	Stříbrná kreditní karta	2.20 %
Citibank, a. s.	Zlatá kreditní karta	2.20 %
Home Credit Finance, a.s.	Kreditní karta YES	2.22 %
Diners Club Czech, s. r. o.	Diners Club/Golf	2.50 %
Diners Club Czech, s. r. o.	Diners Club/ČSA	2.50 %
Diners Club Czech, s. r. o.	Diners Club	2.50 %

Bank/Firm	Product	Max. Credit
Citibank, a. s.	Zlatá kreditní karta	600000 Kč
Česká spořitelna, a.s.	Kredit+ VISA Gold	500000 Kč
Česká spořitelna, a.s.	Kredit+ MC Gold	500000 Kč
Raiffeisenbank, a.s.	Visa Gold	500000 Kč
ČSOB	MasterCard Gold	500000 Kč
HVB Bank, a.s	VISA Gold	250000 Kč
ČSOB	MasterCard Standard	250000 Kč
Poštovní spořitelna	Kreditka Poštovní Spořitelny	250000 Kč
ČSOB	MasterCard Unembossed	250000 Kč
HVB Bank, a.s	T-Mobile Club	180000 Kč
HVB Bank, a.s	VISA/ČSA	180000 Kč
HVB Bank, a.s	VISA iDNES	180000 Kč
HVB Bank, a.s	VISA Škoda Auto	180000 Kč
HVB Bank, a.s	VISA Credit Suisse	180000 Kč
HVB Bank, a.s	VISA Classic	180000 Kč
HVB Bank, a.s	VISA Generali	180000 Kč
Česká pojišťovna, a.s.	ČP Kreditní karta	150000 Kč
Živnostenská banka, a.s.	VISA Credit Gold Čedok	150000 Kč
Raiffeisenbank, a.s.	Visa Classic	150000 Kč
Živnostenská banka, a.s.	VISA Golf	150000 Kč
Česká spořitelna, a.s.	Kredit+ MC Partner	149000 Kč
Česká spořitelna, a.s.	Kredit+ VISA Classic Partner	149000 Kč
Home Credit Finance, a.s.	Kreditní karta YES	100000 Kč
Komerční banka, a.s.	Kreditní karta Inter Card	100000 Kč
Živnostenská banka, a.s.	VISA Credit Classic	80000 Kč
Essox s.r.o.	Global Card	75000 Kč
GE Money Multiservis	O.K. karta	75000 Kč
GE Money Multiservis	MoneyCard	75000 Kč
CCS Česká společnost pro platební karty a.s.	CCS Kredo	70000 Kč
Cetelem, ČR	AURA MasterCard Electronic	60000 Kč
Hypoteční banka	Kreditní karta k hypotéce	50000 Kč
Komerční banka, a.s.	Visa Electron	40000 Kč
Česká spořitelna, a.s.	Kredit+ Visa Electron	24000 Kč
HVB Bank, a.s	VISA Elektron iDNES	10000 Kč
Diners Club Czech, s. r. o.	Diners Club/Golf	individ
Citibank, a. s.	Stříbrná kreditní karta	individ
Raiffeisenbank, a.s.	Karta National Geographic	n.a.
Diners Club Czech, s. r. o.	Diners Club	individ
Diners Club Czech, s. r. o.	Diners Club/ČSA	individ

Bank/Firm	Product	Monthly Maintenance Fee
HVB Bank, a.s	VISA Generali	0 Kč
Citibank, a. s.	Stříbrná kreditní karta	0 Kč
Citibank, a. s.	Zlatá kreditní karta	0 Kč
Česká pojišťovna, a.s.	ČP Kreditní karta	0 Kč
Česká spořitelna, a.s.	Kredit+ VISA Classic Partner	0 Kč
Česká spořitelna, a.s.	Kredit+ VISA Gold	0 Kč
ČSOB	MasterCard Unembossed	0 Kč
HVB Bank, a.s	VISA Gold	0 Kč
Česká spořitelna, a.s.	Kredit+ Visa Electron	0 Kč
ČSOB	MasterCard Standard	0 Kč
Poštovní spořitelna	Kreditka Poštovní Spořitelny	0 Kč
Česká spořitelna, a.s.	Kredit+ MC Partner	0 Kč
Česká spořitelna, a.s.	Kredit+ MC Gold	0 Kč
Raiffeisenbank, a.s.	Visa Classic	0 Kč
Raiffeisenbank, a.s.	Visa Gold	0 Kč
GE Money Multiservis	MoneyCard	0 Kč
Diners Club Czech, s. r. o.	Diners Club	0 Kč
Diners Club Czech, s. r. o.	Diners Club/ČSA	0 Kč
Diners Club Czech, s. r. o.	Diners Club/Golf	0 Kč
Raiffeisenbank, a.s.	Karta National Geographic	0 Kč
ČSOB	MasterCard Gold	0 Kč
Essox s.r.o.	Global Card	0 Kč
Hypoteční banka	Kreditní karta k hypotéce	0 Kč
Komerční banka, a.s.	Kreditní karta Inter Card	20 Kč
HVB Bank, a.s	VISA Elektron iDNES	20 Kč
Cetelem, ČR	AURA MasterCard Electronic	25 Kč
Home Credit Finance, a.s.	Kreditní karta YES	27 Kč
CCS Česká společnost pro platební karty a.s.	CCS Kredo	30 Kč
HVB Bank, a.s	VISA/ČSA	30 Kč
HVB Bank, a.s	VISA iDNES	30 Kč
Komerční banka, a.s.	Visa Electron	30 Kč
HVB Bank, a.s	T-Mobile Club	30 Kč
HVB Bank, a.s	VISA Credit Suisse	30 Kč
GE Money Multiservis	O.K. karta	40 Kč
HVB Bank, a.s	VISA Škoda Auto	50 Kč
Živnostenská banka, a.s.	VISA Credit Classic	50 Kč
Živnostenská banka, a.s.	VISA Golf	50 Kč
HVB Bank, a.s	VISA Classic	60 Kč
Živnostenská banka, a.s.	VISA Credit Gold Čedok	160 Kč