Quarterly Commentary on Macroprudential Policy

January 2020

NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

www.nbs.sk

Published by

Online version
https://www.nbs.sk/en/publications-issued-by-the-nbs/publications-of-financial-market-supervision/quarterly-commentary

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This publication has not been copyedited.

ISSN 2644-5492 (ONLINE VERSION)

SUMMARY OF THE NBS BANK BOARD'S DECISION

ON THE SETTING OF THE COUNTERCYCLICAL CAPITAL BUFFER RATE

Buffer rate remains unchanged	• Credit market risks continue to build up, albeit at a more moderate pace
	  ◦ Household loan growth eased in the third quarter of 2019, while growth in loans to NFCs increased slightly
	  ◦ Factors stimulating loan growth remain present (including labour market pressures, falling interest rates and increasing prices of flats)
	  ◦ The financial cycle indicator increased slightly

Approved buffer rates	• The buffer rate from 1 August 2019: 1.50% • The buffer rate from 1 August 2020: 2.00%

The financial cycle	• The financial market is in a late expansionary phase
	• The build-up of cyclical risk is seen mainly in the following:
	  ◦ excessive growth in loans to households
	  ◦ labour market overheating
	  ◦ continuing pressures in the market for flats
	  ◦ low credit costs and low risk perception
	  ◦ the downward impact of falling risk weights on banks' resilience

Outlook for the next quarter	• No decision to increase the buffer rate is expected to be taken in the next quarter • In the event of adverse financial market developments, in particular a build-up of credit losses in the banking sector, Národná banka Slovenska stands ready to immediately reduce the buffer rate to the extent necessary

CONTENTS

Introduction

A sound financial system is a prerequisite for a well-functioning economy and sustainable economic growth. The financial sector fulfils certain basic and vital functions in the economy (providing financing, enabling saving and investment, operating payment systems, etc.). A financial system cannot be sound unless it is stable, i.e. the financial sector is sufficiently resilient to potential shocks and risks that could in certain circumstances disrupt the sector's functioning and thus have adverse repercussions on the economy. The purpose of macroprudential policy is to deploy various tools to support financial stability, mainly by increasing the financial system's resilience and by mitigating the build-up of systemic risks. To that end, macroprudential policy aims to identify, monitor, assess and reduce systemic risks to the financial system.

The purpose of the Quarterly Commentary on Macroprudential Policy (QCMP) is to monitor current developments in the financial market – focusing mainly on the credit market – and to evaluate systemic risk trends related to these developments. In this edition of the QCMP, the quantitative and qualitative assessment is based on the information available for the third quarter of 2019. The Bank Board of Národná banka Slovenska (NBS) regularly refers to the QCMP when taking its quarterly decision on the setting of the countercyclical capital buffer (CCyB) rate. The QCMP's analytical assessment may also be referred to for decisions on activating or changing other macroprudential policy instruments. The document is divided into three parts:

(i) a brief analysis and evaluation of the most significant systemic-risk-related developments which occurred during the quarter under review;

(ii) the current setting of, and any changes to, macroprudential policy instruments, including the latest decision on the setting of the CCyB rate;

(iii) a table showing the macroprudential policy objectives under review.

1 Assessment of trends in the third quarter of 2019

The easing of the financial cycle's expansionary trends was partly interrupted in the third quarter of 2019, owing mainly to developments in the corporate credit market. Although Slovakia's economic growth has been decelerating amid weakening global demand,[1] the economy continues to operate above potential and the overheating is most pronounced in the labour market.[2] Against a backdrop of a steadily cooling economy and gradual closing of the positive output gap, demand for new loans remains relatively strong, particularly in the household segment. Cyclical risks still remain present in the financial market, though they are building up more slowly than in previous years.

After a two-year period of uninterrupted deceleration, the annual growth rate for loans to the private sector[3] blipped up in the third quarter of 2019, to 7.3% (from 6.8% in the second quarter). The increase was caused entirely by stronger growth in lending to non-financial corporations (NFCs). Household loan growth continued its gradual downtrend in the third quarter;[4] nevertheless, the rate was still assessed to be excessive as it continued to outpace fundamentals.[5] Household demand for loans remains strongly supported by the favourable labour market situation (represented by historically low unemployment and robust wage growth), the prolonged period of low interest rates, and property market developments. Banks have been spurred to increase lending in order to compensate for interest margin compression and thus to meet shareholders' profit expectations. At the same time, some banks announced further interest cuts in the third quarter, which further intensified competition in the credit market. On the other hand, dampening pressure on loan demand was provided by the gradual tightening of macroprudential policy measures and by the gradual saturation of some segments of the credit market. Credit market developments

[1] Seasonally adjusted annual growth in GDP at constant prices slowed for a fourth successive quarter in the third quarter of 2019, to 1.8% (sources: SO SR, and NBS).
[2] The registered unemployment rate was 4.94% in October 2019 (source: Central Office of Labour, Social Affairs and Family (ÚPSVaR)).
[3] Loans provided by domestic banks to the household sector (S.14 and S.15) and the non-financial corporations sector (S.11) in Slovakia (source: banks' statements - V (NBS) 33 - 12).
[4] The annual growth rate for loans to households was 8.1% in the third quarter of 2019, down from 8.6% in the second quarter.
[5] Growth in GDP and in household gross disposable income.

were also reflected in the household debt ratio, which increased in the third quarter by 0.6 percentage point, to 43.4 % of GDP.

Annual growth in loans to the NFC sector accelerated in the third quarter of 2019, to 5.8%.[6] It is too early, however, to speak of a trend shift in corporate sector lending, given that subsequent months saw NFC loan growth return to previous levels.[7] Furthermore, the loan growth in September was driven by the lending activity of only certain banks, and this activity centred on loans to industrial firms. On the one hand, demand for NFC loans is being dampened by weakening sales, falling economic sentiment, and uncertainty about the economic outlook; on the other hand, it is being supported by the prolonged period of low interest rates. The ratio of NFC debt to GDP therefore increased in the third quarter of 2019 to 52%.

Pressures in the housing loan market are to a large extent due also to property prices, which in the third quarter of 2019 maintained their double-digit growth trend. In the case of offer prices for existing flats, the average price per square metre increased, year on year, by 10.8% in the third quarter.[8] Looking at the supply side of the market, the number of flats advertised for sale increased during the period under review, after being in decline for several years.[9] Furthermore, the housing affordability index rose moderately in the third quarter, so ending a downtrend going back more than four years. This does not mean, however, there is a trend reversal; the affordability indicator remains at levels last seen in the second half of 2007 during the previous expansionary phase.

The banking sector's profitability is reflected in the increasing pressure on the business model of banks in Slovakia. The sector's net profit for the first nine months of 2019 was almost €0.5 billion, which represented a year-on-year decline of 4.8%. Banks' profitability measured by return on equity (ROE) fell to 8%, down from 9.3% for the same period in 2018. In terms of profitability, the banking sector in Slovakia remains on a downward path and its position in the central and eastern European (CEE) region has gone from being one of the most profitable sectors to the lower quartile threshold. Even by growing their loan portfolios, banks are failing to compensate for the impact of interest margin compression in an environment of falling interest rates. In addition, the increase in the bank levy from January 2020 is putting further pressure on the profitability of Slovak banks. The third quarter also saw a decline in the banking sector's solvency, as the aggregate total capital ratio fell by 0.3 percentage point, to 18.1%.

[6] The growth rate in the second quarter was 3.5%.
[7] Its year-on-year rate returned to 3.5% in October and stayed there in November.
[8] The average growth rate in the second quarter of 2019 was 11.8%.
[9] The number of flats advertised for sale increased by 6.8% in the third quarter of 2019.

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The moderate increase in this ratio during the first half of 2019 was therefore wiped out.

Further evidence that the moderating trend in the financial cycle was interrupted in the third quarter of 2019 is provided by the Cyclogram, a composite indicator of the domestic financial cycle. This indicator increased slightly[10] in the third quarter, owing mainly to developments in the corporate credit market. Most of the financial cycle indicators under review remain elevated. As regards for the Cyclogram's use as a guide for the countercyclical buffer rate, the benchmark buffer rate based on this indicator was 1.75% at the end of the third quarter. Risks associated with financial cycle developments are therefore still building up, albeit more moderately than they were in previous years. A simulation of the situation in coming quarters suggests that the Cyclogram's trend will be stable. The indicators significant for determining the buffer's release, in particular the level of credit losses, do not indicate any need for its release.

Most of the current risks to the financial market outlook are cyclical in nature. These risks relate to the possibility that the business and financial cycles will moderate sooner and more markedly than currently projected. This situation will depend mainly on developments in global demand and in foreign financial markets, on the extent to which currently mounting geopolitical risks materialise, on the post-Brexit developments and relations between the United Kingdom and European Union, and on the further unfolding of protectionist measures in world trade.

[10] In November 2019 the Slovak Statistical Office (SO SR) conducted a periodical review of the national accounts time series. As a result – compared with the October 2019 Quarterly Commentary on Macroprudential Policy – there was a change in the quarterly GDP data used in estimating the Cyclogram, as well as an adjustment of the time series values for the Cyclogram and for the benchmark buffer rate based on it.

2 Macroprudential policy decisions

2.1 Latest NBS decision taken with respect to developments in the quarter under review

On 28 January 2019 the NBS Bank Board decided not to change the current settings of the countercyclical capital buffer (CCyB) rate, which include its increase to 2.00% from 1 August 2020. In taking its decision on the CCyB rate, the NBS Bank Board gave due consideration to the views of the European Central Bank (ECB) in accordance with Article 5 of the SSM Regulation.[11]

2.2 NBS's current macroprudential policy instrument settings

Countercyclical capital buffer

The CCyB rate was set at 1.50% as from 1 August 2019 and at 2.00% as from 1 August 2020, under, respectively, NBS Decision No 6/2018 of 3 July 2018[12] and NBS Decision No 15/2019 of 23 July 2019.[13]

TABLE 1 COUNTERCYCLICAL CAPITAL BUFFER RATES FOR SLOVAK EXPOSURES

Period of application	Rate
1 August 2019 – 31 July 2020	1.50%
1 August 2020 –	2.00%

Source: NBS.

An overview of current and future CCyB rate settings in other countries is given in Table 6 in the Annex.

[11] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.
[12] https://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/WEB_rozhodnutie_vankus__TRA-EN_July_2018.pdf
[13] https://www.nbs.sk/_img/Documents/_Legislativa/_Vestnik/WEB_rozhodnutie_vankus__TRA-EN_Jul_2019.pdf

Buffers for significant banks

Under NBS Decision Nos 5/2017 and 6/2017 of 30 May 2017, banks in Slovakia identified as 'other systemically important institutions' (O-SIIs) have been required since 1 January 2018 to maintain a total additional capital buffer (comprising an O-SII buffer and in some cases also a systemic risk buffer (SRB)) of between 1% and 2% of risk-weighted exposures. Under NBS Decision Nos 3/2019 and 4/2019 of 28 May 2019, the total additional capital buffer requirements will remain unchanged from 1 January 2020.

TABLE 2 OVERVIEW OF RATES FOR O-SII BUFFERS AND SYSTEMIC RISK BUFFERS

	O-SII buffers effective from 1 January 2018	SRBs effective from 1 January 2018
Československá obchodná banka, a.s.	1.00%	-
Poštová banka, a.s.	1.00%	-
Slovenská sporiteľňa, a.s.	1.00%	1.00%
Tatra banka, a.s.	0.50%	1.00%
Všeobecná úverová banka, a.s.	1.00%	1.00%

Source: NBS.

Regulatory conditions for retail lending

On 17 December 2019 the NBS Bank Board approved a Decree amending the NBS Consumer Loan Decree[14] and a Decree amending the NBS Housing Loan Decree.[15]

The main purpose of the amending Decrees is to protect banks' customers from risks associated with excessive borrowing and thus to reduce the negative impact of any potential economic downturn on households. In order to mitigate the risks associated with retail loan growth, which may be further accentuated by the return to monetary policy easing, the limit on the debt-service-to-income (DSTI) ratio has been tightened from 80% to 60%,[16] while at the same time providing for some exceptions.

[14] Decree No 9/2019 of Národná banka Slovenska of 17 November 2019 amending Decree No 10/2017 of Národná banka Slovenska laying down detailed provisions on the assessment of borrowers' ability to repay consumer loans, as amended by Decree No 6/2018 of Národná banka Slovenska.

[15] Decree No 10/2019 of Národná banka Slovenska of 17 November 2019 amending Decree No 10/2016 of Národná banka Slovenska laying down detailed provisions on the assessment of borrowers' ability to repay housing loans, as amended by Decree No 7/2018 of Národná banka Slovenska.

[16] The minimum subsistence amount is deducted from the income component of the DSTI ratio.

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Up to 5% of the total amount of new housing loans and new consumer loans may have a DSTI ratio of up to 70%. For the first three months of 2020, these exemptions will be broadened, so that up to 15% of new loans may have a DSTI ratio of up to 80%.

In addition to these exemptions, the DSTI ratio limit is capped at 70% for a further 5% of the total amount of consumer loans with a term not exceeding five years. These exemptions for consumer loans are without prejudice to other exemptions currently applicable to such loans. The amending Decrees took effect on 1 January 2020.

TABLE 3 REGULATORY LENDING LIMITS

Indicator	Calculation	Parameter	Limit
Debt-service-to-income (DSTI) ratio	$\frac{\text{total debt service obligations}^{1)}}{\text{net income – minimum subs. amount}}$	Maximum DSTI ratio	60%[2)]
		Maximum share of new loans with a DSTI ratio > 60%	5% + 5% [3), 4)]
Loan-to-value (LTV) ratio[5)]	$\frac{\text{amount of loan}}{\text{value of collateral}}$	Maximum LTV ratio	90%
		Maximum share of new loans with an LTV ratio > 80%	20%
Debt-to-income (DTI) ratio	$\frac{\text{total debt}}{\text{annual net income}}$	Maximum share of new loans with a DTI ratio > 8	5% + 5%[6)]
Maximum term of loan		Loan secured by immovable property or provided by a home savings bank	30 years[7)]
		Other	8 years

Source: NBS.
Note: Compliance with the limits is checked only when granting a new loan, or when significantly increasing the total amount of an existing loan. The measures do not apply to loans that are to be used to refinance one or more existing loans, nor to loans that are to be topped up, provided that the amount of the loan applied for does not exceed €2000 or 5% of the outstanding amounts, whichever is lower.
1) The amount of loan instalments takes into account interest rate increases.
2) DSTI ratios may exceed 100% in the following cases:
- consumer loans where the sum of the loan applied for and the borrower's existing debt does not exceed the borrower's annual net income;
- leasing contracts that include a down payment of at least 20% and where the sum of the lease and the borrower's existing debt is not greater than 1.5 times the borrower's annual income.

3) The first part of the limit (5 % of new loans) applies without additional conditions. The second part of the limit (additional 5 % of new loans) only applies to consumer loans with a term not exceeding five years. In both cases, DSTI ratio is capped at 70 %.
4) Transitional periods:
- First quarter of 2020: a DSTI ratio limit of 80% for up to 15% of all new loans + a DSTI ratio limit of 70% for up to 5% of consumer loans with a term not exceeding five years;
- Second quarter of 2020: a DSTI ratio limit for up to 5% of all new loans (limit of 80 % for housing loans and 70% for consumer loans) + a DSTI ratio limit of 70% for up to 5% of consumer loans with a term not exceeding five years.

5) The limit applies only to housing loans.

6) For the first 5%, no additional conditions apply. For the second 5%, the loans provided must be housing loans, the borrower must not be older than 35 years, the borrower's income must not exceed 1.3 times the average wage, and the DTI ratio may not be greater than 9.

7) Up to 10% of new loans secured by immovable property may exceed this limit.

Other currently applicable macroprudential policy instruments, covering mainly the area of capital requirements, are listed in Tables 5 to 7 in the Annex.

2.3 Potential application of macroprudential policy instruments over the medium term

Retail lending

Národná banka Slovenska has adopted several measures in regard to retail lending (outlined above), the purpose of which is to contain the build-up of risks related to excessive credit growth. The first half of 2020 will see the phasing-in of changes to regulatory limits on the provision of housing loans and consumer loans in accordance with NBS Decree Nos 9/2019 and 10/2019.

Národná banka Slovenska is carefully analysing credit developments and is paying particular attention to the housing loan market, which saw a further decrease in lending rates in the third quarter of 2019. If risks continue to build up, NBS is ready to adjust the regulatory limits on selected credit standards.

Expectations for the CCyB rate in the next quarter

Current trends indicate that risks associated with financial cycle developments are building up more slowly than they were in previous years. But although the intensity of risk accumulation is falling, the cyclical risks created during the recently fading expansionary phase remain embedded in the banking sector's loan book and will be removed only gradually, through the long-term servicing of loans provided during the period of loose credit and financial conditions. **Given current trends, it seems that the existing settings of the CCyB rate are appropriate and that, for now, no decision to increase the rate will need to be taken in the next quarter.** At the same time, however, the level of credit losses remains low, so it does not indicate any need to release the countercyclical capital buffer. **In the event of a materialisation of risks – in particular any significant build-up of credit losses in the banking sector – NBS stands ready to reduce the countercyclical capital buffer rate or to release the buffer.**

2.4 Recent ECB decisions concerning the Slovak banking sector

As of 22 January 2020, the European Central Bank had not issued any macroprudential policy decision concerning the Slovak banking sector.

3 Macroprudential policy objectives

TABLE 4 MACROPRUDENTIAL POLICY OBJECTIVES		
Objectives	Risks	NBS response
To mitigate and prevent excessive credit growth	Household and NFC debt growth; lending to the NFC sector, including commercial real estate lending; risks related to macroeconomic developments at home and abroad and to financial market trends	· Activated countercyclical capital buffer (set at 1.25% until 31 July 2019, at 1.5% from 1 August 2019 and at 2.00% from 1 August 2020) · Decrees concerning the prudential provision of housing loans and consumer loans (introduction of lending limits and tightening of LTV ratios)
To strengthen the resilience of the financial system	Business model sustainability; macroeconomic developments at home and abroad	· Capital conservation buffer implemented at a rate of 2.5% · Activated countercyclical capital buffer (set at 1.25% until 31 July 2019, at 1.5% from 1 August 2019 and at 2.00% from 1 August 2020) · Application of O-SII buffers, and in some cases also an SRB, to the five largest banks · Decrees concerning the prudential provision of housing loans and consumer loans (introduction of lending limits and tightening of LTV ratios)
To mitigate and prevent excessive maturity mismatch in banks' balance sheets and market illiquidity	Increasing maturity mismatch between assets and liabilities; increase in long-term assets as a result of credit growth; rising loan-to-deposit ratios	· A new legislative framework for the issuance of covered bonds, with a potential positive impact on the stability of banks' long-term funding
To limit direct and indirect exposure concentrations	Relatively high concentration in (part of) the portfolio, or higher intra-group exposure, in certain institutions or funds	· Additional capital buffers applied to the five largest banks on grounds of their systemic importance – comprising O-SII buffers and in some cases also a SRB
To limit the systemic impact of misaligned incentives with a view to reducing moral hazard	Existence of banks that are too large from the view of the global/domestic economy; increasing linkages between financial entities and financial brokers; under the EU's banking union, the potential relaxing of EU regulatory rules for banks that are subsidiaries of foreign banks, particularly in the areas of liquidity, capital, and large exposures; risks in non-bank sectors	· Application of O-SII buffers, and in some cases also an SRB, to the five largest banks · The Housing Loan Act and Consumer Credit Act require financial institutions to take a prudential approach when cooperating with financial brokers · Supervision of non-bank lenders · Since 2015, significant strengthening of NBS's competences and supervisory powers in regard to financial consumer protection
To strengthen the resilience of financial infrastructures	Functioning of payment systems; level of deposit coverage; impact on financial stability of digital innovation in financial services	

Note: Legend for the importance of the objectives:

High Medium Low.

4 Annex

TABLE 5 CAPITAL BUFFER RATES CURRENTLY APPLIED IN SLOVAKIA		
Macroprudential instrument	Value	Note
Capital conservation buffer (Article 33b of the Banking Act)	2.5%	
Countercyclical capital buffer rate (Article 33g of the Banking Act)	1.5%	To be increased to 2.00% from 1 August 2020
O-SII buffer (Article 33d of the Banking Act)[1]	0.5% to 1%	
Systemic risk buffer (Article 33e of the Banking Act)[2]	1%	

Source: NBS.

Notes:

[1] An O-SII buffer is applied to Československá obchodná banka, a.s., Poštová banka, a.s., Slovenská sporiteľňa, a.s., Tatra banka, a.s. and Všeobecná úverová banka, a.s

[2] A systemic risk buffer is applied to Slovenská sporiteľňa, a.s., Tatra banka, a.s. and Všeobecná úverová banka, a.s.

TABLE 6 COUNTERCYCLICAL CAPITAL BUFFER (CCYB) RATES CURRENTLY APPLIED TO EXTERNAL EXPOSURES (ARTICLES 33I AND 33J OF THE BANKING ACT) AND CHANGES SCHEDULED FOR THESE RATES IN COMING QUARTERS

	Country	31 Dec. 2018	31 Mar.2019	30 Jun. 2019	30 Sep. 2019	31 Dec. 2019	31 Mar.2020	30 Jun. 2020	30 Sep. 2020	31 Dec. 2020	Note
2020EEA countries	**Belgium**	0	0	0	0	0	0	0.5	0.5	0.5	↑ to 0.25% from 1 July 2020
	Bulgaria	0	0	0	0.5	0.5	1	1	1	1	↑ to 0.5% from 1 October 2019 and to 1% from 1 April 2020
	Czech Republic	1.25	1.25	1.5	1.5	1.75	1.75	2	2	2	↑ to 1.75% from 1 January 2020 and to 2% from 1 July 2020
	Denmark	0.5	0.5	1	1	1	1.5	1.5	2	2	↑ to 1.5% from 30 June 2020 and to 2% since 30 December 2020
	France	0	0	0.25	0.25	0.25	0.5	0.5	0.5	0.5	↑ to 0.5% from 2 April 2020
	Ireland	0	0	1	1	1	1	1	1	1	↑ to 1% from 5 July 2019
	Lithuania	0.5	1	1	1	1	1	1	1	1	
	Luxemburg	0	0	0	0	0.25	0.25	0.25	0.25	0.25	↑ to 0.25% from 1 January 2020
	Germany	0	0	0	0	0	0	0.25	0.25	0.25	↑ to 0.25% from 1 July 2020
	United Kingdom	1	1	1	1	1	1	1	1	1	
	Sweden	2	2	2.5	2.5	2.5	2.5	2.5	2.5	2.5	
Non-EEA	**Iceland**	1.25	1.75	1.75	1.75	2	2	2	2	2	↑ to 2% from 1 February 2020
	Hong Kong	2.5	2.5	2.5	2	2	2	2	2	2	↓ to 2% from 14 October 2019
	Norway	2	2	2	2.5	2.5	2.5	2.5	2.5	2.5	↑ to 2.5% from 31 December 2019

Sources: ESRB and BIS.
Notes: The table shows only countries where a non-zero CCyB rate has been set.
The scheduled rates are based on decisions currently in force; they may, however, be changed by subsequent decisions.

TABLE 7 BUFFERS AND PARAMETERS WHICH ARE CURRENTLY APPLIED TO EXPOSURES TO FOREIGN COUNTRIES AND ARE ALSO APPLIED TO SLOVAK BANKS

Country	Macroprudential instrument	Value
Estonia	Systemic risk buffer (Article 33f of the Banking Act)	1%
Sweden, Romania	Risk weight for exposures fully secured by mortgages on commercial immovable property (Article 124 of the EU's 2013 Capital Requirements Regulation/CRR)	100%
Norway	Minimum value of the exposure weighted average loss given default (LGD) for all retail exposures secured by residential property and not benefiting from guarantees from central governments (Article 164 of the CRR)	20%

Sources: NBS and ESRB.

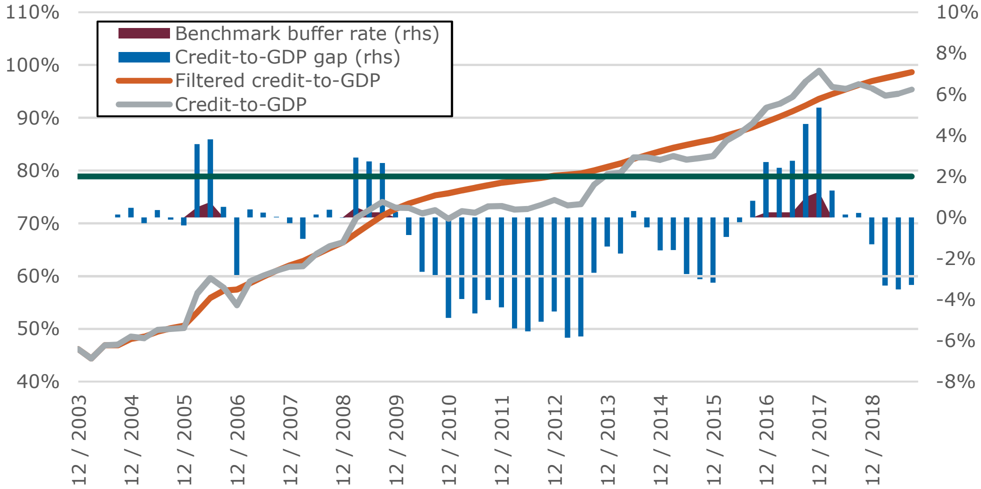
TABLE 8 MACROPRUDENTIAL MEASURES CURRENTLY IN FORCE IN OTHER EU COUNTRIES BUT NOT APPLIED TO SLOVAK BANKS ON GROUNDS OF LOW EXPOSURE

Country	Macroprudential instrument	Value
Belgium	A risk-weight add-on for retail exposures secured by residential immovable property located in Belgium, applied to banks using the internal ratings-based (IRB) approach (Article 458(2)(d)(vi) of the CRR)	5 p.p. + 33% of average risk weight
Finland	A floor for the average risk weight for exposures secured by residential immovable property located in Finland, applied to banks using the IRB approach (Article 458(2)(d)(vi) of the CRR)	15%
France	A tightening of the large exposure limit applicable to exposures to highly indebted large nonfinancial corporations having their registered office in France, applied to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) (Article 458(2)(d)(ii) of the CRR) **In this regard, NBS warns that there are systemic risks associated with the increased leverage of large NFCs having their registered office in France**[17]	5% of eligible capital
Sweden	A floor for the average risk weight for the portfolio of retail exposures to obligors residing in Sweden secured by immovable property, applied to banks using the IRB approach (Article 458(2)(d)(vi) of the CRR)	25%

Sources: NBS and ESRB.

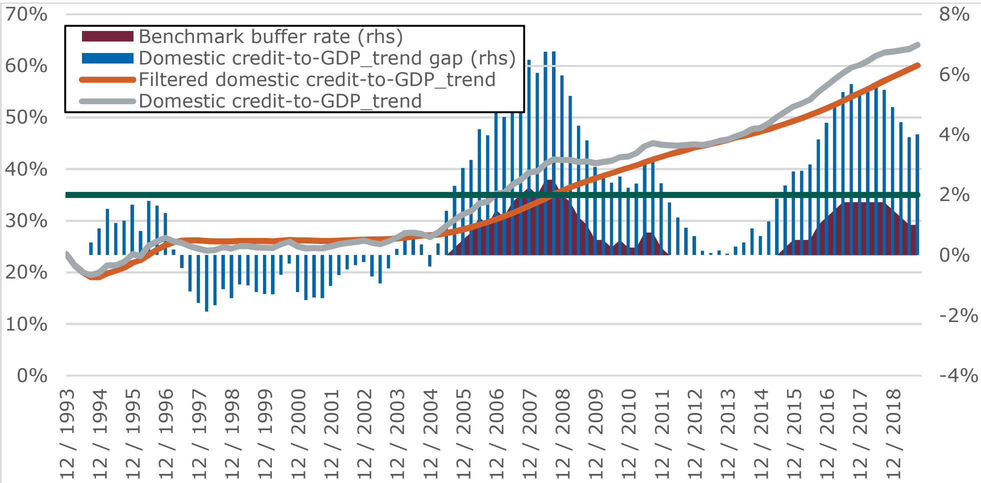
[17] Signalling in accordance with Recommendation ESRB/2015/2.

Chart 1
Standardised credit-to-GDP gap[18]



Sources: NBS and SO SR.
Notes: In the standardised credit-to-GDP gap, credit refers to the total outstanding amount of debt of NFCs and households.
The benchmark buffer rate is calibrated in accordance with Part 2 of the Annex to Recommendation No ESRB/2014/1.
The trigger value for a non-zero CCyB and the values of the 'gap' are shown on the right-hand scale.

Chart 2
Domestic credit-to-GDP$_{\text{trend}}$ gap[18]



Sources: NBS and SO SR.
Notes: Domestic credit-to-GDP$_{\text{trend}}$ gap, domestic credit refers to total outstanding amount of credit provided by the domestic banking sector to NFCs and households.
Domestic credit-to-GDP$_{\text{trend}}$ gap is calculated in accordance with Article 33g(2a) of the Banking Act and with Recommendation B 2, of Recommendation No ESRB/2014/1.
The trigger value for a non-zero CCyB and the values of the 'gap' are shown on the right-hand scale.

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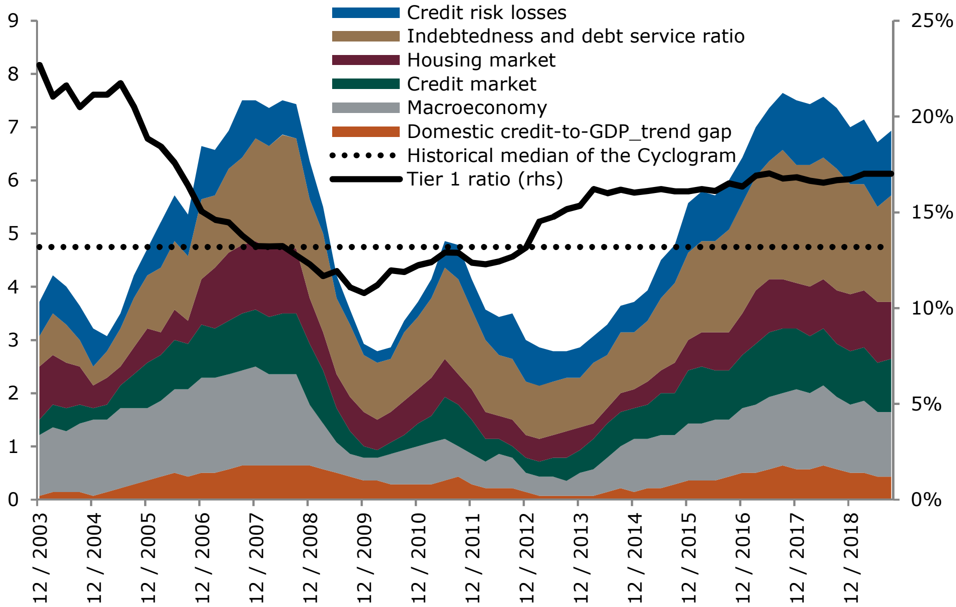
[18] In November 2019 the Slovak Statistical Office (SO SR) conducted a periodical review of the national accounts time series. As a result – compared with the October 2019 Quarterly Commentary on Macroprudential Policy – there was a change in the quarterly GDP data used credit-to-GDP gap indicators. As a result historical values of relevant indicators have been adjusted.

Chart 3
Cyclogram



Sources: NBS, SO SR and CMN.
Notes: The indicator is calculated in accordance with Article 33g(1c) of the Banking Act and with Recommendations C and D of Recommendation ESRB/2014/1.
In November 2019 the Slovak Statistical Office (SO SR) conducted a periodical review of the national accounts time series. As a result – compared with the October 2019 Quarterly Commentary on Macroprudential Policy – there was a change in the quarterly GDP data used in estimating the Cyclogram, as well as an adjustment of the time series values for the Cyclogram and for the benchmark buffer rate based on it.

TABLE 9 HEADLINE INDICATORS FOR THE COUNTERCYCLICAL CAPITAL BUFFER AS AT 30 SEPTEMBER 2019

Indicator	Benchmark buffer rate	Credit-to-GDP ratio	Deviation of the creditto-GDP ratio from its long-term trend
Standardised credit-to-GDP gap (Chart 1)	0.00%	95.4%	-3.29%
Domestic credit-to-GDP$_{trend}$ gap (Chart 2)	1.00%	62.3%	4.01%
Cyclogram (Chart 3)	1.75%	-	-

Source: NBS.
Notes: The table is compiled on the basis of requirements arising from Article 33g(2) of the Banking Act and in accordance with Part II of the Annex to Recommendation ESRB/2014/1.
Owing to its short time series, the standardised credit-to-GDP gap does not yet provide a meaningful value for the countercyclical capital buffer.