NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

QUARTERLY COMMENTARY ON MACROPRUDENTIAL POLICY

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Contents

Foreword

Financial system stability is essential for a well-functioning economy. It encompasses many areas, ranging from the security of bank deposits and other similar products to the smooth-functioning of the lending market based on the responsible approach of financial institutions and their customers. The purpose of macroprudential policy is to contribute to financial stability, in particular by strengthening the financial sector's resilience during good times, when risks are typically still at an early stage. This purpose also entails preventing the build-up of systemic risks, so as to make the economy less vulnerable in crisis periods.

Macroprudential policy in Slovakia is implemented primarily by Národná banka Slovenska (NBS), with its formal obligation in this regard laid down in Act No 747/2004 Coll. on financial market supervision. In implementing this policy, NBS may use any of several tools (from mitigating a specific risk to increasing capital requirements across the board), and may apply them in different ways (from issuing risk warnings to laying down statutory obligations).[1] The European Central Bank (ECB) has the power to impose further, stricter macroprudential policy settings.

A key element of macroprudential policy implementation is the regular quarterly assessment of developments in the area of financial stability, and any ensuing decision of the NBS Bank Board to apply a specific instrument. The fulfilment of the core objective, i.e. the maintenance of financial stability, is assessed through the monitoring of five intermediate objectives:[2]

1. to mitigate and prevent excessive credit growth and leverage;
2. to mitigate and prevent excessive maturity mismatch and market illiquidity;
3. to limit direct and indirect exposure concentrations;
4. to limit the systemic impact of misaligned incentives with a view to reducing moral hazard;
5. to strengthen the resilience of financial infrastructures.

The **first intermediate objective** is to prevent excessive credit growth and leverage, which has been generally identified as a key driver of the financial and economic crisis. This is a particularly important objective in Slovakia, owing to the traditional nature of the financial market in this country. Most of the significant trends, as well as risks, in the domestic banking sector are related to the market in lending to households and enterprises. Looking at loans to the domestic economy as a share of total assets, the ratio in Slovakia is one of the highest of any country, with banks earning the bulk of their income from such lending.

The **second intermediate objective** relates to excessive maturity mismatch in the assets and liabilities of bank balance sheets. In other words, the maturity of banks' assets should not differ significantly from the maturity of their funding liabilities. Although the role of banks is to intermediate the funding of long-term assets (loans) with short-term liabilities (deposits), experience has shown that an excessive maturity mismatch between assets and liabilities makes the financial system more vulnerable and contributes to a build-up of economic and financial imbalances.

[1] Further details about these instruments can be found on the NBS website, at http://www.nbs.sk/en/financial-market-supervision/macroprudential-policy

[2] The intermediate objectives are set out in line with Recommendation No ESRB/2013/1 of the European Systemic Risk Board on intermediate objectives and instruments of macro-prudential policy.

The **third intermediate objective** is to limit direct and indirect exposure concentrations. Direct concentration risk typically arises from significant exposures to, for example, households, general government, or certain sectors of the economy. Indirect exposures arise from the interconnectedness of financial and non-financial institutions. Elevated concentration is a long-standing structural feature of the domestic financial sector. This is largely attributable to the structure of the Slovak economy, which is heavily dependent on a small number of sectors, as well as to the concentration of bank's claims on and/or sources of funding from certain customers or groups of customers. Another significant feature of the Slovak banking sector is the high share of domestic government bonds in banks' balance sheets.

The **fourth intermediate objective** aims to limit the systemic risk arising from misaligned incentives of financial institutions and their customers. The primary aim here is to reduce the risk of moral hazard related to the presence of systemically important financial institutions. Whereas, in respect of the third intermediate objective, concentration risk is monitored for its potential impact on individual banks or the banking sector, in the case of systemically important institutions concentration is monitored owing to the large impact that potential default of such an institution would have on the financial sector and real economy. Moral hazard may also arise in relation to management remuneration at financial institutions or in the terms of cooperation with financial intermediaries.

The **fifth intermediate objective** is to strengthen the resilience of financial infrastructures. The most important elements of the financial infrastructure in Slovakia are the payment systems (TARGET2, SIPS), the Deposit Protection Fund, and securities settlement systems. Their reliable operation is crucial for the country's financial stability.

The Quarterly Commentary on Macroprudential Policy (QCMP) is structured according to these objectives, pursuant to Recommendation ESRB/2013/1. Its main part is a situation analysis (based on the indicators in the annex), which is a basis for NBS decision-making. This edition of the QCMP is based mostly on data as at 30 September 2014, although the qualitative assessment also takes account of information available until the submission date of the QCMP.

The document is divided into three parts. The first part contains a brief analysis of the most significant developments related to systemic risk which occurred during the quarter under review, broken down into sub-headings that correspond to the above-mentioned intermediate objectives. The second part, focusing on decisions taken in the area of macroprudential policy, includes not only decisions of NBS, but also decisions of the ECB. The third part comprises annexes that include: tables showing indicators used to monitor the intermediate objectives, and reference information for decisions on the countercyclical capital buffer rate.

1 Situation analysis by Národná banka Slovenska

1.1 Excessive credit growth and leverage

Household and corporate lending trends remained heterogeneous in the third quarter of 2014. Lending activity to the corporate sector picked up somewhat but was still subdued, while household credit growth increased even further. In addition to an increase in the annual growth rate of housing loans (the most significant area of household credit), consumer credit growth rose to 19%. In the case of both housing and consumer loans, the annual rate of change in their outstanding amount reached an all-time high, far exceeding even the levels observed between 2006 and 2008. Accompanying such development is the question of its sustainability in the context of macroeconomic fundamentals.

Looking at the financial and business cycle overall, conditions improved moderately in comparison with the previous period, owing mainly to developments in the household sector. The most marked growth was in the credit market, with a consequent acceleration of household debt growth. On the part of banks there was an easing of credit standards (especially for consumer loans) and an increase in the share of housing loans with a loan-to-value ratio of more than 85%. Growth tendencies in the household sector were also evident in the labour market and in consumer confidence (Chart 3).

Total private debt growth (important from the view of the countercyclical capital buffer) fell moderately quarter-on-quarter; nevertheless, its rate in the third quarter was still higher than in any period since June 2009 (except, of course, the second quarter of 2014). Private debt growth was higher in 2014 owing mainly to an increase in corporate indebtedness, stemming from bond issues and from rising liabilities within the domestic corporate sector. The deviation of the private debt-to-GDP ratio from its long-term trend (the credit-to-GDP gap) remained slightly negative (Charts 1 and 2).

1.2 Excessive maturity mismatch and market illiquidity

The maturity mismatch between the banking sector's assets and liabilities continued to increase in the third quarter of 2014. This trend, closely related to housing loan growth, had elements on the asset side (an increase in long-term loans) and liability side (an increase in short-term deposits used to finance long-term loans). This trend clearly continued in the third quarter. Among assets, financial instruments with a maturity of more than five years continued to report the strongest growth, while the fastest-growing liabilities were those with a maturity of less than seven days. Another consequence of this trend is the fall in the regulatory liquid asset ratio.[3]

A key development observed in the third quarter 2014 was an outflow of short-term corporate deposits, which had an upward effect on the loan-to-deposit ratio (Table 9). The maturity of assets and liabilities did not change, although the share of primary deposits in the banking sector's balance sheet fell to a two-year low. Another significant development in the third quarter was an increase in borrowing from the central bank.

[3] For more information, see the November 2014 Financial Stability Report, page 35, on the NBS website at http://www.nbs.sk/_img/Documents/ZAKLNBS/PUBLIK/SFS/FSR_112014.pdf

The situation in the interbank market was calm during the third quarter. The banking sector remains self-sufficient in liquidity, and vis-à-vis non-residents it is a net provider of liquidity.

1.3 Concentration

The euro area debt crisis may have become less intense, but the risk of its re-escalation is still present. The main risk is the persisting high debt ratios of certain countries. Although the Slovak banking sector has relatively low exposure to such countries, its gradually increasing exposure to Cyprus may represent a mounting risk. This exposure continued to increase during the third quarter of 2014, from 15.3% to 16.4% of the banking sector's own funds, with most of it accounted for by exposures to firms incorporated in Cyprus. The average spread between five-year Cypriot government bonds and German bunds remains at around 500 basis points, by far the highest debt yield spread of any euro area country apart from Greece (which is similarly high). At the same time, this exposure is highly concentrated from the viewpoint of individual banks.

As regards concentration risk, the Slovak banking sector continued to report a relatively high ratio of large exposures (i.e. an exposure to a client or group of connected clients exceeding 10% of the bank's own funds). As at 30 September 2014 this ratio was 111% (down from 124% at the end of the previous quarter), whereas during 2012 and 2013 it had fluctuated at around 100%. The subsequent increase in the ratio was partly attributable to mounting intra-group exposures.

1.4 Moral hazard

None of the indicators under review registered significant movement during the third quarter of 2014 (Table 7). As was noted in October's QCMP, most indicators are associated with a relatively high concentration of the first four or five banks. So also according to these indicators there are four or five banks that can be identified as other systemically important institutions (i.e. O-SIIs) within the Slovak banking sector.

1.5 Financial infrastructures and other risks

In 2014 banks resumed payment of contributions to the Deposit Protection Fund (DPF). Under a transitional legal provision in force from 1 August 2014, the rate of the annual contribution for the third and fourth quarters was reduced from 0.2% to 0.01% of the amount of deposits under guarantee. As at September the proportion of guaranteed deposits covered by the DPF's funds remained unchanged from the previous quarter, at 0.60%. Continuing growth was observed in the government financial assets account, which receives funds collected from the special levy on financial institutions. In July 2014 the funds in this account increased above €0.5 billion, the threshold beyond which the levy is to be reduced from 0.4% to 0.2%. This reduction applies from 2015. In addition, banks are not required to pay the last quarterly instalment of the 2014 levy.

2 Decisions in the area of macroprudential policy

2.1 Decisions taken by NBS in the quarter under review

Having regard to developments in the principal indictors of excessive credit growth and leverage (Table 1) and in the Cyclogram (Chart 3), the Bank Board of Národná banka Slovenska decided to set the countercyclical capital buffer rate at 0%[4].

2.2 The current setting of instruments by NBS

On 7 October 2014 the Bank Board of NBS approved Recommendation No 1/2014 of Národná banka Slovenska in the area of macroprudential policy on risks related to market developments in retail lending. The central bank issued the Recommendation in response to developments in the retail loan market, after having repeatedly drawn attention to several imbalances. The Recommendation introduces several principles and can be found on the NBS website[5].

2.3 Potential application of macroprudential instruments over the medium-term horizon

Introduction of capital buffers for systemically important banks

Národná banka Slovenska has previously announced that certain banks in Slovakia may be categorised as systemically important. Consequently, the NBS is considering applying a capital buffer to cover risks related to the systemic importance of these banks.

The legislation currently in force offers a number of options for activating a buffer for systemically important banks. The first is to apply an O-SII buffer (a buffer for other systemically important institutions); it is an instrument specifically designed for this purpose and will be possible to apply from 1 January 2016. A limiting factor, however, is the maximum level of the buffer that NBS may set for O-SIIs in Slovakia.

A second option is to apply a systemic risk buffer, as several countries have already begun to do. A downside of this approach is that if the buffer is used to the full extent to cover risks related to selected systemically important banks, it cannot be applied for its primary purpose – to cover other risks of a structural nature.

A third option is to apply a combination of these two buffers. This would entail applying an O-SII buffer to the maximum extent possible, and then supplementing it with a systemic risk buffer, up to a level that takes into account the systemic importance of individual banks.

After assessing these options, the most favourable appears to be the third, i.e. **a combination of O-SII and systemic risk buffers**. With this approach, NBS would not be circumscribed by the level of the O-SII buffer, and the systemic risk buffer would make up the rest of the capital requirement for systemically important banks. At the same time, Národná banka Slovenska would remain able to apply a systemic risk buffer for other structural risks.

[4] http://www.nbs.sk/en/financial-market-supervision/macroprudential-policy/about-the-policy/legislation
[5] http://www.nbs.sk/en/financial-market-supervision/macroprudential-policy/current-status-of-macroprudential-instruments/current-setting-of-other-instruments-applicable-in-slovakia

Since it will not be possible to implement an O-SII buffer until 1 January 2016, **the implementation of capital requirements for systemically important banks is expected to begin from that date.** It also assumed that the **additional capital requirement for systemically important banks would not exceed 3%. The buffers would be introduced without a transition period.**

Several countries have already decided to introduce a systemic risk buffer (SRB) for systemically important banks. So far seven countries have notified the ESRB of their implementation of an SRB. Three of them (Bulgaria, Estonia and Croatia) are applying the buffer to all banks, while the other countries (Sweden, the Czech Republic, Denmark, and the Netherlands) are applying it to other systemically important banks. Norway will implement an O-SII buffer directly from 1 July 2015.

Table 1 Application of systemic risk buffers by country

Country	Application	In force from
Netherlands	Applied in combination with an O-SII buffer to four banks identified as O-SIIs – ING Bank, Cooperatieve Centrale Raiffeisen-Boerenleenbank, ABN Amro Bank (with a buffer rate of 3%), and SNS Bank (1%) – for all exposures at the consolidated level. The buffer will be implemented gradually from January 2016 to January 2019.	1 January 2016
Norway	An O-SII buffer is being applied to three institutions (DNB ASA, Nordea bank Norge ASA, Kommunalbanken), with the buffer rate set at 1% until 1 July 2016 and at 2% after 1 July 2016	1 July 2015
Sweden	Applied with a rate of 3% to the four largest banks – Nordea, SEB, Svenska Handelsbanken, Swedbank – for all exposures at the consolidated level.	1 January 2015
Denmark	Applied to six institutions identified by the Danish authorities, on the basis of national methodology, as O-SIIs: Danske bank, Nykredit Realkredit, Nordea Bank Danmark, Jyske Bank, Sydbank, DLR Kredit. The SRB is to be implemented gradually, with a transition period, from 1 January 2015 to 1 January 2019.	1 January 2015
Czech Republic	Applied to the four largest banks – Česká sporiteľňa (with a buffer rate of 3%), ČSOB (3%), Komerční banka (2.5%), UniCredit Bank (1%) – for all exposures at the sub-consolidated level.	1 November 2014
Bulgaria	Applied to all banks, at a rate of 3%, for all domestic exposures.	31 December 2014
Estonia	Applied to all banks, a rate of 2%, for all exposure.	1 August 2014
Croatia	Applied to all banks, at a rate of 1.5% for a first group of less complex banks and at 3% for a second group of complex banks.	19 May 2014

2.4 ECB decisions concerning the Slovak banking sector taken in the quarter under review

As at January 2015 the European Central Bank had not issued any decisions in the area of macroprudential policy.

Table 2 Current setting of instruments applicable in Slovakia

Macroprudential instrument	Q2 2014	Q3 2014	Q4 2014	Note
Macroprudential instruments applicable in Slovakia				
Capital conservation buffer (Article 33b of the Banking Act)	0 %	1,5 %*	2,5 %	
Countercyclical capital buffer rate (Article 33g of the Banking Act)		0 %	0 %	
O-SII buffer (Article 33d of the Banking Act)				Due to be implemented from 1 January 2016
Systemic risk buffer (Article 33e of the Banking Act)				Due to be implemented from 1 January 2016
Risk-weight for exposures fully secured by mortgages for residential property (Article 124 of the CRR Regulation)	35 %	35 %	35 %	
Risk-weight for exposures fully secured by mortgages on commercial immovable property (Article 124 of the CRR Regulation)	50 %	50 %	50 %	Scheduled increase
Minimum exposure-weighted average LGD for all retail exposures secured by residential property and not benefiting from guarantees from central governments (Article 164 of the CRR Regulation)	10 %	10 %	10 %	
Minimum exposure-weighted average LGD for all retail exposures secured by commercial immovable property and not benefiting from guarantees from central governments (Article 164 of the CRR Regulation)	15 %	15 %	15 %	
Risk-weight for exposures fully secured by mortgages on commercial immovable property - other EU Member States (Article 124 of the CRR Regulation)	50 %	50 %	50 %	
Minimum exposure-weighted average LGD for all retail exposures secured by residential property and not benefiting from guarantees from central governments - other EU Member States (Article 164 of the CRR Regulation)	10 %	10 %	10 %	
Minimum exposure-weighted average LGD for all retail exposures secured by commercial immovable property and not benefiting from guarantees from central governments - other EU Member States (Article 164 of the CRR Regulation)	15 %	15 %	15 %	

* Rate applicable from 1 August 2014 to 30 September 2014.

Table 3 Current setting of instruments applicable to foreign exposures

Macroprudential instrument	Q2 2014	Q3 2014	Q4 2014	Note
Macroprudential instruments applicable abroad				
Countercyclical capital buffer rate for Sweden (Article 33h of the Banking Act)	0 %	0 %	0 %	To be increased to 1.0% from 15 September 2015
Countercyclical capital buffer rate for other EU Member States (Article 33h of the Banking Act)	0 %	0 %	0 %	
Countercyclical capital buffer rate for Norway (Article 33h of the Banking Act)	0 %	0 %	0 %	To be increased to 1.0% from 30 June 2015
Countercyclical capital buffer rate for countries other than EU Member States (Article 33i and Article 33j of the Banking Act)	0 %	0 %	0 %	
Systemic risk buffer for other EU Member States (Article 33f of the Banking Act)	0 %	0 %	0 %	
Risk-weight for exposures fully secured by mortgages on residential property - other EU Member States (Article 124 of the CRR Regulation)	35 %	35 %	35 %	
Risk-weight for exposures fully secured by mortgages on commercial immovable property - other EU Member States (Article 124 of the CRR Regulation)	50 %	50 %	50 %	
Minimum exposure-weighted average LGD for all retail exposures secured by residential property and not benefiting from guarantees from central governments - other EU Member States (Article 164 of the CRR Regulation)	10 %	10 %	10 %	
Minimum exposure-weighted average LGD for all retail exposures secured by commercial immovable property and not benefiting from guarantees from central governments - other EU Member States (Article 164 of the CRR Regulation)	15 %	15 %	15 %	

Annexes

A Selected indicators broken down by main risk categories

Table 4 Excessive credit growth and leverage

	12.03	3.04	6.04	9.04	12.04	3.05	6.05	9.05	12.05	3.06	6.06	9.06	12.06	3.07	6.07	9.07	12.07	3.08
Total private debt																		
Total credit-to-trend GDP gap	0%	0%	0%	0%	1%	-1%	0%	0%	-1%	4%	4%	1%	-3%	1%	1%	1%	0%	-1%
Private debt (year-on-year increase)					17%	19%	17%	17%	13%	29%	32%	28%	22%	17%	13%	19%	27%	17%
- households					38%	39%	41%	42%	41%	40%	38%	34%	32%	30%	28%	27%	28%	28%
- enterprises					10%	15%	12%	10%	5%	26%	31%	26%	18%	12%	8%	16%	27%	13%
Debt-to-GDP ratio	46%	44%	47%	47%	49%	48%	50%	50%	50%	57%	60%	58%	55%	59%	60%	61%	62%	62%
- households	8%	9%	9%	10%	10%	11%	12%	13%	13%	14%	15%	15%	16%	16%	17%	17%	18%	18%
- enterprises	38%	36%	38%	37%	38%	37%	38%	38%	37%	43%	45%	43%	39%	43%	44%	44%	44%	44%
Domestic bank credit																		
Credit-to-trend GDP gap	0%	0%	0%	0%	1%	-1%	0%	0%	-1%	4%	4%	1%	-3%	1%	1%	1%	0%	-1%
Loans (year-on-year increase)	12%	17%	19%	16%	10%	11%	16%	21%	28%	27%	26%	23%	25%	23%	23%	25%	24%	26%
- households	37%	41%	44%	42%	38%	39%	41%	42%	41%	40%	38%	34%	32%	30%	28%	27%	28%	28%
- enterprises	4%	10%	11%	6%	-1%	-1%	4%	11%	21%	19%	20%	15%	20%	18%	19%	24%	22%	24%
Credit-to-GDP ratio	26%	26%	25%	25%	26%	26%	27%	26%	26%	27%	28%	29%	30%	31%	32%	32%	34%	34%
- households	7%	8%	8%	9%	9%	10%	10%	11%	12%	12%	13%	14%	14%	14%	15%	16%	16%	16%
- enterprises	18%	19%	18%	18%	16%	17%	17%	18%	18%	18%	19%	18%	19%	19%	20%	20%	21%	21%
Household sector																		
Bank debt to disposable income: gap	0%	0%	0%	0%	0%	0%	1%	1%	1%	0%	1%	1%	1%	0%	0%	0%	0%	0%
Bank debt to disposable income: ratio	13%	13%	14%	15%	16%	16%	18%	19%	20%	21%	22%	23%	25%	25%	26%	27%	28%	29%
Bank debt to disposable income: year-on-year increase	28%	30%	31%	29%	25%	27%	29%	31%	29%	28%	25%	22%	21%	19%	16%	15%	14%	15%
LTV ratio for new housing loans		69%	69%	70%	71%	74%	75%	76%	78%	80%	82%	84%	87%	88%	90%	90%	91%	91%
Housing affordability index						134	141	144	143	143	139	134	129	127	124	116	109	104
Corporate sector																		
Total debt-to-trend revenues gap	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	2%	0%	-1%	0%	0%	0%	0%	0%
Bank loans-to-trend revenues gap	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%

	6.08	9.08	12.08	3.09	6.09	9.09	12.09	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14
Total private debt																										
Total credit-to-trend GDP gap	1%	0%	-1%	0%	-2%	-4%	-6%	-6%	-7%	-6%	-7%	-6%	-6%	-5%	-5%	-6%	-6%	-5%	-5%	-6%	-6%	-3%	-4%	-3%	-1%	-2%
Private debt (year-on-year increase)	19%	19%	17%	19%	12%	7%	3%	-1%	-1%	1%	3%	5%	6%	6%	8%	5%	5%	5%	5%	4%	4%	7%	5%	8%	12%	7%
- households	28%	27%	24%	20%	16%	12%	9%	10%	9%	10%	11%	12%	11%	11%	10%	9%	8%	8%	9%	8%	8%	9%	9%	10%	10%	10%
- enterprises	15%	15%	11%	17%	8%	5%	0%	-7%	-6%	-5%	-2%	1%	4%	3%	6%	4%	2%	2%	4%	1%	2%	4%	2%	7%	6%	0%
Debt-to-GDP ratio	65%	66%	67%	71%	73%	74%	73%	73%	73%	73%	72%	73%	73%	74%	74%	74%	74%	75%	76%	75%	75%	79%	78%	79%	82%	83%
- households	19%	20%	21%	21%	23%	23%	24%	24%	25%	25%	25%	26%	26%	27%	27%	27%	27%	28%	28%	28%	29%	30%	30%	31%	31%	32%
- enterprises	45%	46%	46%	50%	50%	51%	49%	49%	48%	48%	46%	47%	47%	48%	48%	47%	47%	47%	48%	46%	46%	49%	48%	49%	51%	51%
Domestic bank credit																										
Credit-to-trend GDP gap	1%	0%	-1%	0%	-2%	-4%	-6%	-6%	-7%	-6%	-7%	-6%	-6%	-5%	-5%	-6%	-6%	-5%	-5%	-6%	-6%	-3%	-4%	-3%	-1%	-2%
Loans (year-on-year increase)	24%	23%	18%	15%	9%	6%	3%	2%	3%	4%	6%	7%	10%	9%	9%	7%	3%	2%	3%	3%	4%	4%	4%	6%	6%	7%
- households	28%	28%	25%	22%	17%	13%	11%	10%	10%	11%	12%	12%	12%	11%	10%	9%	8%	9%	9%	9%	9%	9%	9%	10%	11%	11%
- enterprises	21%	20%	13%	10%	3%	0%	-3%	-4%	-3%	-1%	0%	3%	8%	8%	7%	4%	-2%	-5%	-3%	-4%	-3%	-2%	-3%	0%	0%	1%
Credit-to-GDP ratio	35%	36%	37%	38%	39%	40%	41%	42%	43%	44%	45%	45%	45%	45%	45%	46%	47%	47%	47%	47%	46%	46%	47%	47%	47%	48%
- households	17%	18%	19%	19%	20%	21%	22%	22%	23%	23%	23%	23%	24%	24%	25%	25%	25%	25%	26%	26%	27%	27%	28%	28%	29%	30%
- enterprises	22%	22%	22%	23%	23%	23%	23%	23%	22%	22%	22%	22%	23%	23%	22%	22%	21%	21%	21%	20%	20%	20%	20%	20%	20%	20%
Household sector																										
Bank debt to disposable income: gap	0%	0%	0%	0%	0%	0%	-1%	-1%	-1%	-1%	-1%	-2%	-1%	-1%	-1%	-2%	-2%	-1%	-1%	-2%	-2%	-2%	-1%	-2%	-1%	-1%
Bank debt to disposable income: ratio	30%	31%	32%	32%	33%	34%	35%	35%	36%	37%	37%	38%	39%	40%	40%	41%	42%	43%	43%	44%	44%	45%	46%	47%	48%	49%
Bank debt to disposable income: year-on-year increase	17%	16%	14%	12%	10%	9%	9%	9%	8%	8%	8%	7%	8%	7%	8%	7%	7%	8%	7%	8%	7%	6%	6%	7%	8%	8%
LTV ratio for new housing loans	90%	84%	70%	65%	65%	65%	65%	66%	67%	68%	69%	70%	69%	71%	69%	74%	74%	71%	72%	72%	71%	73%	72%	74%	72%	74%
Housing affordability index	100	100	102	114	121	127	135	137	140	142	149	149	151	151	150	156	153	160	156	164	167	180	179	180	192	206
Corporate sector																										
Total debt-to-trend revenues gap	0%	0%	-1%	0%	0%	-1%	-1%	-1%	-2%	-1%	-2%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-2%	0%	-1%	-1%	0%	0%
Bank loans-to-trend revenues gap	1%	0%	0%	0%	0%	0%	-1%	0%	-1%	0%	-1%	0%	0%	0%	0%	0%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%

Gap: deviation of the respective indicator from its long-term trend

Credit-to-GDP gap: deviation of private debt-to-GDP ratio from its long-term trend

Note: the darker the colour, the greater the probability of imbalances with relevance for macroprudential policy.

Table 5 Excessive maturity mismatch and market illiquidity

	3.06	6.06	9.06	12.06	3.07	6.07	9.07	12.07	3.08	6.08	9.08	12.08	3.09	6.09	9.09
Cumulative position of up to 7 days	-28%	-23%	-26%	-28%	-27%	-28%	-28%	-33%	-29%	-27%	-30%	-23%	-29%	-31%	-30%
Cumulative position of up to 30 days	-24%	-26%	-27%	-31%	-26%	-31%	-30%	-32%	-30%	-30%	-30%	-23%	-32%	-35%	-34%
Cumulative position of up to 1 year	-28%	-27%	-30%	-31%	-28%	-28%	-29%	-29%	-30%	-28%	-28%	-28%	-35%	-36%	-38%
Cumulative position of up to 2 years	-23%	-22%	-24%	-25%	-24%	-23%	-24%	-24%	-25%	-23%	-24%	-24%	-30%	-30%	-30%
Pledged securities / Total securities									4%	5%	7%	21%	15%	25%	24%
Bonds maturing in next 12 months	4%	5%	5%	10%	13%	13%	7%	14%	20%	22%	22%	12%	15%	16%	22%
Net foreign position (excluding foreign capital*)	-16%	-14%	-7%	-8%	-12%	-11%	-11%	-12%	-12%	-13%	-13%	-14%	5%	6%	5%

	12.09	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14
Cumulative position of up to 7 days	-32%	-36%	-36%	-36%	-36%	-34%	-35%	-32%	-33%	-29%	-30%	-31%	-32%	-31%	-34%	-36%	-36%	-36%	-38%	-37%
Cumulative position of up to 30 days	-34%	-37%	-39%	-40%	-39%	-38%	-38%	-37%	-35%	-32%	-32%	-33%	-33%	-33%	-36%	-38%	-38%	-38%	-40%	-39%
Cumulative position of up to 1 year	-39%	-40%	-37%	-37%	-38%	-39%	-39%	-40%	-40%	-36%	-36%	-39%	-37%	-40%	-41%	-43%	-43%	-45%	-45%	-46%
Cumulative position of up to 2 years	-31%	-34%	-33%	-33%	-34%	-35%	-37%	-37%	-35%	-32%	-32%	-34%	-33%	-36%	-38%	-40%	-40%	-40%	-41%	-42%
Pledged securities / Total securities	27%	26%	26%	15%	17%	17%	17%	17%	28%	24%	22%	22%	25%	16%	15%	13%	11%	11%	11%	12%
Bonds maturing in next 12 months	28%	30%	22%	16%	14%	19%	14%	14%	12%	17%	14%	15%	15%	14%	11%	9%	14%	14%	20%	16%
Net foreign position (excluding foreign capital*)	2%	3%	2%	0%	2%	2%	1%	0%	2%	2%	4%	3%	5%	4%	2%	3%	4%	3%	4%	4%

*Capital: own funds of foreign banks' subsidiaries

Note: the darker the colour, the greater the probability of imbalances with relevance for macroprudential policy

Table 6 Concentration

	3.06	6.06	9.06	12.06	3.07	6.07	9.07	12.07	3.08	6.08	9.08	12.08	3.09	6.09	9.09	12.09	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14
Large exposures (total) as a share of own funds									179%	168%	155%	164%	146%	121%	111%	110%	111%	101%	99%	110%	110%	135%	139%	117%	90%	95%	100%	108%	109%	106%	94%	99%	105%	124%	111%
Exposures to the Slovak Republic as a share of total assets	16%	16%	16%	19%	14%	18%	18%	18%	17%	15%	14%	14%	18%	19%	21%	21%	22%	23%	23%	21%	21%	20%	20%	20%	20%	21%	21%	20%	20%	21%	20%	18%	18%	18%	18%
Assets from own financial group as a share of total assets	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	3%	5%	6%	4%	3%	4%	5%	5%	6%	6%	5%	4%	5%	6%	6%	6%	5%	5%	5%	5%	4%	5%	5%
Liabilities to own financial group as a share of total assets	7%	7%	4%	5%	9%	8%	8%	10%	9%	13%	12%	10%	4%	4%	4%	4%	4%	4%	7%	5%	6%	6%	6%	4%	2%	2%	2%	1%	2%	3%	3%	3%	3%	4%	4%
Assets fair-valued through profit and loss	4%	6%	5%	10%	10%	12%	11%	10%	12%	10%	9%	10%	5%	5%	5%	5%	5%	5%	5%	4%	4%	4%	4%	3%	4%	3%	4%	2%	2%	2%	2%	2%	2%	1%	2%
Liabilities fair-valued through profit and loss	7%	7%	5%	6%	7%	7%	6%	6%	6%	5%	6%	6%	3%	3%	3%	2%	3%	3%	2%	2%	2%	2%	2%	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Nominal value of derivatives as a share of total assets	110%	131%	126%	113%	114%	110%	107%	105%	111%	108%	112%	69%	48%	46%	43%	42%	40%	40%	38%	37%	39%	41%	38%	37%	37%	36%	34%	31%	34%	35%	34%	31%	31%	33%	31%
Exposures to countries with high or increasing spreads, as a share of own funds																																			
Greece													0%	0%	0%	0%	20%	19%	18%	18%	16%	15%	14%	13%	3%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Cyprus													3%	4%	6%	5%	4%	4%	4%	8%	10%	7%	7%	10%	10%	11%	12%	12%	14%	13%	14%	15%	14%	15%	16%
Loans to corporate segments with a high or increasing NPL ratio, as a share of own funds																																			
Construction	1%	1%	1%	2%	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Commercial real estate	2%	2%	3%	3%	3%	4%	4%	4%	4%	4%	4%	5%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	5%	6%	6%	6%	6%	5%	5%	5%	5%
Wholesale and retail trade	4%	4%	5%	5%	5%	5%	5%	6%	6%	6%	6%	6%	7%	6%	6%	6%	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	4%
Industry	6%	6%	6%	6%	7%	7%	7%	6%	7%	7%	6%	6%	7%	7%	6%	6%	6%	6%	6%	5%	5%	6%	5%	6%	5%	5%	5%	5%	5%	5%	4%	4%	4%	4%	4%

* Increase in spread of more than 2 p.p. for the previous year, or spread of more than 4 p.p. Spread is calculated as the difference between yields of government bonds of the respective country and yields of German government bonds.

** Increase in NPL ratio of more than 1 p.p. for the previous year, or NPL ratio of more than 10%.

Note: the darker the colour, the greater the probability of imbalances with relevance for macroprudential policy.

Table 7 Moral hazard

		3.04	6.04	9.04	12.04	3.05	6.05	9.05	12.05	3.06	6.06	9.06	12.06	3.07	6.07	9.07	12.07	3.08	6.08	9.08	12.08	3.09	6.09	9.09	12.09	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14
Total net assets	C5	65%	66%	66%	66%	67%	67%	67%	68%	66%	67%	65%	67%	66%	68%	68%	68%	67%	67%	68%	72%	69%	70%	72%	72%	72%	73%	72%	72%	71%	71%	71%	72%	71%	72%	72%	71%	71%	71%	71%	70%	70%	70%	71%
	HHI	1 164	1 178	1 136	1 147	1 104	1 121	1 094	1 071	1 037	1 110	1 096	1 127	1 065	1 086	1 075	1 085	1 086	1 083	1 090	1 197	1 187	1 214	1 266	1 273	1 265	1 275	1 252	1 237	1 220	1 221	1 220	1 254	1 222	1 250	1 254	1 221	1 220	1 213	1 223	1 214	1 205	1 218	1 226
Guaranteed deposits	C5	77%	76%	75%	75%	75%	75%	75%	75%	76%	76%	76%	76%	76%	75%	75%	75%	74%	74%	74%	76%	76%	76%	78%	77%	76%	76%	75%	75%	75%	75%	75%	73%	73%	73%	73%	73%	73%	73%	73%	70%	70%	70%	70%
	HHI	1 803	1 710	1 684	1 671	1 658	1 644	1 625	1 593	1 622	1 614	1 612	1 594	1 597	1 579	1 582	1 573	1 576	1 571	1 512	1 605	1 575	1 571	1 590	1 536	1 517	1 513	1 508	1 478	1 458	1 454	1 458	1 389	1 359	1 383	1 386	1 371	1 361	1 360	1 354	1 284	1 276	1 278	1 276
Investments in domestic government bonds	C5	81%	81%	81%	82%	79%	80%	83%	83%	80%	82%	81%	81%	82%	85%	85%	84%	82%	81%	81%	82%	85%	87%	89%	87%	87%	87%	87%	87%	85%	84%	85%	83%	83%	83%	84%	84%	84%	83%	85%	86%	85%	86%	86%
	HHI	2 088	2 038	2 043	2 065	1 936	2 052	2 368	2 377	2 050	2 195	2 193	2 175	2 309	2 366	2 404	2 306	2 071	2 026	1 913	1 701	1 920	1 891	1 924	1 909	1 805	1 808	1 844	1 839	1 789	1 746	1 766	1 777	1 734	1 827	1 848	1 797	1 824	1 689	1 771	1 788	1 764	1 832	1 817
Loans to retail sector (outstanding amount)	C5	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	82%	82%	82%	82%	82%	82%	82%	83%	85%	85%	85%	85%	85%	84%	84%	84%	84%	84%	84%	83%	83%	83%	83%	82%	81%	80%	80%	80%	80%
	HHI	1 720	1 676	1 664	1 640	1 625	1 621	1 622	1 606	1 605	1 601	1 589	1 584	1 593	1 599	1 595	1 587	1 606	1 613	1 619	1 611	1 618	1 638	1 678	1 683	1 698	1 698	1 694	1 682	1 665	1 659	1 661	1 672	1 672	1 659	1 643	1 644	1 641	1 610	1 577	1 559	1 558	1 568	1 571
Total assets within financial system	C5	67%	67%	64%	64%	63%	61%	63%	66%	62%	70%	67%	65%	62%	67%	65%	68%	62%	69%	62%	61%	62%	61%	62%	62%	63%	60%	59%	62%	62%	57%	59%	57%	55%	56%	55%	49%	48%	49%	52%	55%	53%	55%	50%
	HHI	1 128	1 125	1 196	1 009	1 048	1 008	1 022	1 060	954	1 204	1 063	1 035	984	1 091	1 005	1 076	982	1 095	960	910	945	1 032	1 050	1 135	1 168	1 034	942	1 077	1 027	905	882	914	853	905	882	750	783	857	980	987	1 038	961	807
Total liabilities within financial system	C5	62%	67%	62%	63%	66%	68%	67%	67%	67%	69%	63%	61%	64%	70%	66%	65%	67%	66%	69%	71%	65%	66%	74%	74%	77%	75%	74%	74%	78%	78%	79%	81%	82%	84%	86%	86%	87%	86%	84%	84%	82%	83%	84%
	HHI	999	1 046	986	1 025	1 107	1 176	1 113	1 194	1 125	1 137	996	965	1 049	1 188	1 124	1 056	1 090	1 060	1 097	1 149	1 053	1 075	1 259	1 316	1 331	1 266	1 373	1 375	1 448	1 395	1 409	1 537	1 550	1 644	1 688	1 656	1 654	1 627	1 596	1 605	1 508	1 534	1 538

Note: the darker the colour, the greater the probability of imbalances with relevance for macroprudential policy.

C5: The overall share of the five institutions that have the highest share in the banking sector's total volume of that item for the respective quarter.

HHI: Herfindahl-Hirschman Index

Table 8 Financial infrastructure

	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14
Coverage of guaranteed deposits	0,1%	0,2%	0,2%	0,3%	0,3%	0,4%	0,4%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,6%	0,6%	0,6%
Assets from the bank levy as share of total assets	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%	0,2%	0,3%	0,3%	0,4%	0,5%	0,6%	0,7%	0,8%	0,8%
Change in TARGET2 balance of the Slovak Republic (EUR millions)	54	-572	587	1 140	1 529	-2 350	3 128	-2 617	5 574	2 779	3 718	2 439	3 923	2 527	-395	-4 256	3 800	-3 699	1 602
TARGET2 balance of the Slovak Republic as a ratio to NBS assets	-73%	-71%	-74%	-67%	-63%	-72%	-55%	-63%	-39%	-27%	-8%	5%	23%	33%	32%	16%	30%	16%	22%

Funds accumulated in the Deposit Protection Fund as a ratio to the total amount of guaranteed deposits in the given quarter.

Funds accumulated from the special levy on financial institutions, pursuant to Act No 384/2011 Coll. as a ratio to the banking sector's total net assets in the given quarter.

Note: the darker colour in the first two lines indicates a greater probability of imbalances with relevance for macroprudential policy.

Table 9 Resilience of the financial system

	12.03	3.04	6.04	9.04	12.04	3.05	6.05	9.05	12.05	3.06	6.06	9.06	12.06	3.07	6.07	9.07	12.07	3.08	6.08	9.08	12.08	3.09	6.09	9.09	12.09	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14
CET1 ratio						21%	22%	21%	19%	18%	18%	16%	15%	15%	14%	14%	13%	13%	13%	13%	12%	12%	12%	11%	11%	11%	12%	12%	12%	12%	13%	13%	12%	12%	12%	13%	13%	15%	15%	15%	15%	16%	16%	16%
Own funds ratio		22%	22%	21%	19%	18%	17%	16%	15%	14%	14%	14%	13%	13%	13%	13%	12%	11%	12%	11%	11%	11%	12%	12%	12%	12%	13%	13%	13%	12%	13%	13%	13%	15%	16%	16%	16%	16%	16%	17%	17%	17%	17%	17%
Liquid asset ratio																					1,46	1,4	1,32	1,3	1,31	1,39	1,35	1,39	1,37	1,36	1,35	1,36	1,36	1,51	1,47	1,47	1,51	1,5	1,46	1,42	1,42	1,44	1,36	1,36
Loan-to-deposit ratio	55%	56%	55%	54%	57%	56%	58%	63%	66%	66%	68%	68%	72%	73%	71%	74%	77%	83%	84%	85%	78%	83%	83%	84%	85%	86%	83%	87%	85%	86%	87%	88%	90%	89%	89%	90%	88%	87%	88%	89%	89%	89%	90%	91%

Note: the darker the colour, the lower the resilience of the banking sector with relevance for macroprudential policy.

B Countercyclical capital buffer

Deviation of the credit-to-GDP ratio from its long-term trend[6]

Chart 1 Credit-to-GDP

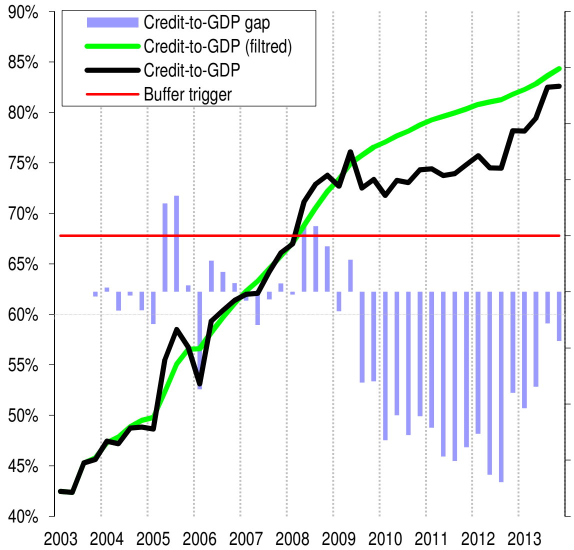
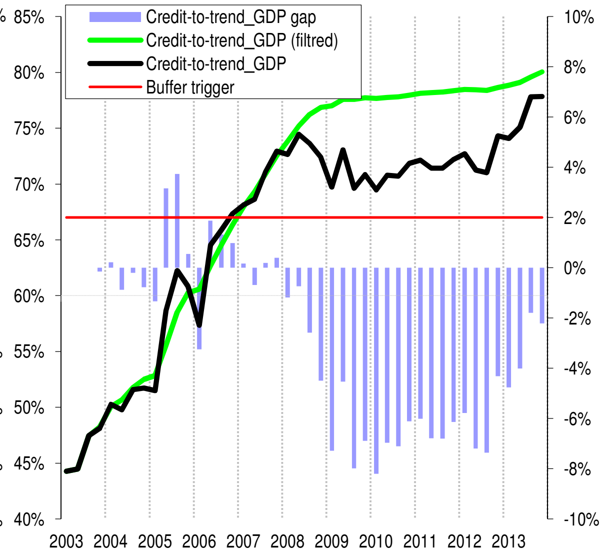


Chart 2 Credit-to-trend GDP

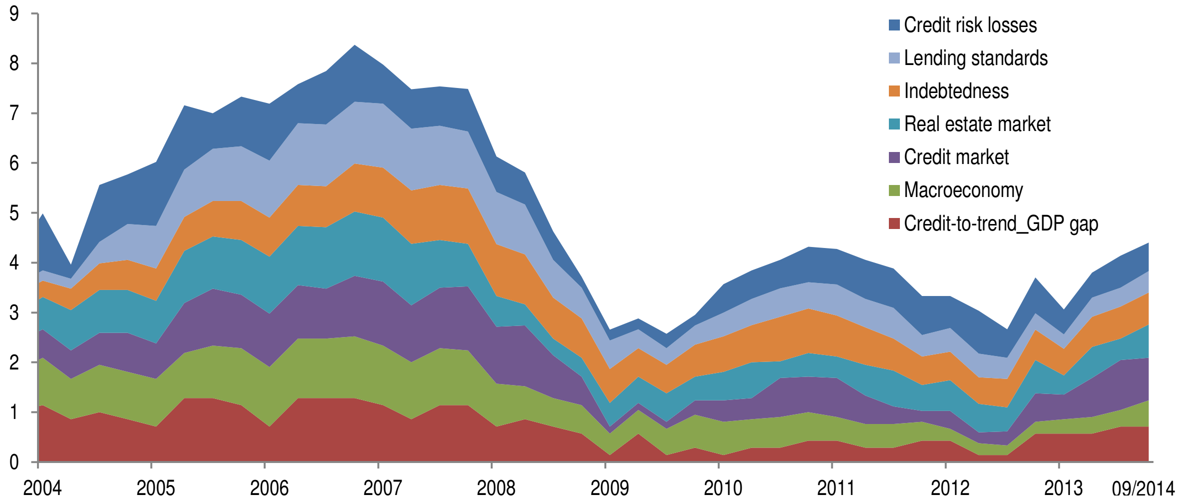


Countercyclical capital buffer trigger values and gap values are shown on the right-hand scale.
Source: NBS, SO SR.

Benchmarks for the countercyclical capital buffer[7]

Benchmark basis	Benchmark rate as at 30 September 2014
Credit-to-GDP gap	0 %
Credit-to-trend GDP gap	0 %

Chart 3 Cyclogram[8]



Source: NBS, SO SR, CMN.

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[6] Ratio pursuant to Article 33g(2)(a) of the Banking Act.
[7] Obligation laid down in Article 33g(2) of the Banking Act; calculation made in accordance with Recommendation of the ESRB No ESRB/2014/1 of 18 June 2014 on guidance for setting countercyclical buffer rates.
[8] Pursuant to Article 33g(1c) of the Banking Act.