NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

QUARTERLY COMMENTARY ON MACROPRUDENTIAL POLICY

JULY 2015

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 of 4 April 2013 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 31 March 2015, 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

The main trends in the credit market remained largely unchanged during the first quarter of 2015. Strong growth continued to be observed in loans to households, in particular housing loans and consumer loans. By contrast, lending to non-financial corporations picked up only slightly. Overall, the annual growth rate of bank loans to customers increased to 7.2%, in the first quarter of 2015, the highest level for three years. Furthermore, corporate bond issuance also increased, and contributed to overall corporate debt growth in the first quarter of 2015.

The Cyclogram values (Chart 3) fell slightly in the first quarter, owing mainly to a tightening of credit standards for consumer loans and for housing loans, as well as to a slight decrease in the average loan–to-value (LTV) ratio for new housing loans in March 2015. The changes stemmed largely from the implementation of an NBS Recommendation. Thus the slight shift in the Cyclogram values reflects both a combination of increasing credit growth and the fact that banks have responded to the NBS Recommendation by taking a more cautious approach in their lending to households.

The overall amount of credit did not appear excessive in relation to GDP, with the credit-to-GDP gap remaining negative under each of the methodologies used (Chart 1 and Chart 2).

1.2 Excessive maturity mismatch and market illiquidity

The maturity mismatch between the banking sector's assets and liabilities maintained its prolonged upward trend in the first quarter of 2015. Assets with a maturity of more than five years continued to grow and maintain their position as the most significant item on the asset side of the balance sheet. Their growth was based mainly on the continuing increase in housing loans and consumer loans. On the liability side, however, there was a strong increase in the shortest maturities, reflecting a pick-up in households' current account balances. A positive aspect of this development is that current account deposits, highly stable for a long time, accounted for the liability side's contribution to the increase in the maturity mismatch.

The sharp growth in current account deposits also contributed to the steadying of the loan-to-deposit ratio, which indicated the banking sector's increased stability in terms of liquidity.

1.3 Concentration

Concentration risk remains one of the most significant risks in the Slovak banking sector at the systemic level. The key indicator in this regard is the ratio of large exposures (i.e. exposures exceeding on an individual basis 10% of the bank's own funds) to the total amount of own funds in the banking sector. In the first quarter of 2015, this ratio increased moderately, from 101% to 107%, which from the long-term view was within the range of normal volatility. On the other hand, the intra-group exposures of Slovak banks decreased slightly in net terms, after increasing in the second half of 2014.

On a positive note, the credit portfolios for commercial real estate and industry – two of the four principal economic sectors that have long constituted a higher credit risk – saw the downward trend in their non-performing loan ratios continue in the first quarter of 2015 (after beginning in mid-2014).

The Slovak banking sector remains increasingly exposed to Cyprus. As for exposure to Greece, in no segment of the Slovak financial market does it constitute more than 0.1% of total assets.

In the first quarter of 2015, the share of banks' portfolios taken up by Slovak government bonds came to the end of a falling trend that dated back to mid-2013, and it did so despite the launch of the ECB's expanded asset purchase programme.

1.4 Moral hazard

In this category of indicators there were hardly any changes in concentration indicators in the first quarter of 2015. In general, in all the areas under review, the concentration level in the banking sector is relatively high. In the context of the historical time series, the most marked increase in recent years has been in the largest banks' share of total net assets and total liabilities in the financial system.

1.5 Financial infrastructures and other risks

The special levy on financial institutions was reduced as of the first quarter of 2015, from its original level of 0.4% to 0.2%, owing to the fact that funds accumulated in the government financial assets account had in the previous year exceeded the threshold of €500 million. An amendment to the law defining this special levy was adopted in order to extend the scope of use of these funds to include the provision of support to business and therefore they won't be earmarked solely for resolution purposes in the banking sector. Banks continued to pay contributions to the Deposit Protection Fund (DPF), with the annual rate for 2015 set at 0.03% of the amount of guaranteed deposits. The proportion of guaranteed deposits covered by the DPF's funds was almost 0.6% as at March 2015.

In 2015 financial institutions will begin paying contributions to the new National Resolution Fund, established for the purpose of resolution funding.

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%[3].

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 a number of principles and can be found on the NBS website[4].

Other currently applicable macroprudential policy instruments, covering mainly the area of capital requirements, are listed in Table 1.

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

Draft amendments to legislation in the area of retail loans

With regard to ongoing legislative amendments based on EU Directives, preparations are being made to integrate into primary or secondary Slovak law several parts of Recommendation No 1/2014 of Národná banka Slovenska in the area of macroprudential policy on risks related to market developments in retail lending. The key benefit of such a change will be to extend the regulatory framework to entities other than banks. The legislation in this area will bring greater certainty to all banks and non-bank entities about the equality of business conditions in the retail lending market.

Expected developments in the countercyclical capital buffer rate in the next quarter

The countercyclical capital buffer relates to all exposures. Hence, as a rule, the decision on the countercyclical capital buffer rate takes into account lending trends in all the main segments, in particular loans to non-financial corporations and loans to households. The recent subdued state of the corporate lending market has precluded Národná banka Slovenska from raising the countercyclical capital buffer (CCB) rate, notwithstanding the strong indications of excessive credit growth in the household sector.

The first quarter of 2015 saw lending to non-financial corporations pick-up to some extent. Should this trend continue in the quarters ahead, in conjunction with excessive growth in household loans, Národná banka Slovenska will consider the possibility to raise the CCB rate.

The next decision on the setting of the CCB rate is due to be taken in October 2015.

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[3] http://www.nbs.sk/en/financial-market-supervision/macroprudential-policy/macroprudential-policy-decisions

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

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

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

Table 1 Current setting of instruments applicable in Slovakia

Macroprudential instrument	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Note
Macroprudential instruments applicable in Slovakia					
Capital conservation buffer (Article 33b of the Banking Act)	2.5%*	2.5%	2.5%	2.5%	
Countercyclical capital buffer rate (Article 33g of the Banking Act)	0%	0%	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 2017
Risk-weight for exposures fully secured by mortgages for residential property (Article 124 of the EU's Regulation on prudential requirements for credit institutions and investment firms –hereinafter "the CRR")	35%	35%	35%	35%	
Risk-weight for exposures fully secured by mortgages on commercial immovable property (Article 124 of the CRR)	50%	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)	10%	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)	15%	15%	15%	15%	
Risk-weight for exposures fully secured by mortgages on commercial immovable property - other EU Member States (Article 124 of the CRR)	50%	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)	10%	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)	15%	15%	15%	15%	

Source: NBS.

Table 2 Current setting of instruments applicable to foreign exposures

Macroprudential instrument	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Note
Macroprudential instruments applicable abroad					
Countercyclical capital buffer rate for **Sweden** (Article 33h of the Banking Act)	0%	0%	0%	0%	To be increased to 1.0% from 13 September 2015, and then to 1.5% from 27 June 2016
Countercyclical capital buffer rate for other EU Member States (Article 33h of the Banking Act)	0%	0%	0%	0%	
Countercyclical capital buffer rate for **Norway** (Article 33h of the Banking Act)	0%	0%	0%	1%	To be increased to 1.5% from 31 December 2015
Countercyclical capital buffer rate for countries other than EU Member States (Article 33 and Article 33h of the Banking Act)	0%	0%	0%	0%	
Systemic risk buffer for other EU Member States (Article 33f of the Banking Act)	0%	0%	0%	0%	
Risk-weight for exposures fully secured by mortgages on residential property - other EU Member States (Article 124 of the CRR)	35%	35%	35%	35%	**Ireland, Croatia, Malta:** conditions to be tightened for application of the 35% risk weight
Risk-weight for exposures fully secured by mortgages on commercial immovable property – **Sweden** and Romania (Article 124 of the CRR)	100%	100%	100%	100%	**Romania:** conditions to be tightened for application of the 50% risk weight
Risk-weight for exposures fully secured by mortgages on commercial immovable property - other EU Member States (Article 124 of the CRR)	50%	50%	50%	50%	**United Kingdom:** conditions to be tightened for application of the 50% risk weight
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)	10%	10%	10%	10%	
Minimum exposure-weighted average LGD for all retail exposures secured by residential property and not benefiting from guarantees from central governments – Norway (Article 164 of the CRR)	20%	20%	20%	20%	
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)	15%	15%	15%	15%	

Source: ESRB.

Annexes

A) Selected indicators broken down by main risk categories

Table 3 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	6.08	9.08
Total private debt																				
Total credit-to-GDP_{trend} gap	0%	0%	0%	0%	0%	-1%	0%	-1%	-1%	3%	4%	1%	-3%	2%	1%	1%	0%	-1%	0%	0%
Total credit: year-on-year increase					17%	19%	17%	17%	13%	29%	32%	28%	22%	17%	13%	19%	27%	17%	19%	19%
- Households					38%	39%	41%	42%	41%	40%	38%	34%	32%	30%	28%	27%	28%	28%	28%	27%
- Enterprises					13%	15%	12%	10%	5%	26%	30%	26%	18%	13%	8%	16%	26%	13%	16%	16%
Total credit-to-GDP: level	46%	44%	47%	47%	49%	48%	50%	50%	50%	57%	60%	58%	55%	59%	60%	61%	62%	62%	65%	66%
- Households	8%	9%	9%	10%	10%	11%	12%	13%	13%	14%	15%	15%	16%	16%	17%	17%	18%	18%	19%	20%
- Enterprises	38%	36%	38%	37%	38%	37%	38%	38%	37%	43%	45%	43%	39%	43%	44%	44%	44%	44%	45%	46%
Domestic credit																				
Domestic credit-to-GDP_{trend} gap	1%	1%	1%	1%	0%	1%	2%	3%	3%	3%	4%	4%	5%	4%	5%	6%	6%	6%	6%	6%
Domestic credit: year-on-year increase	12%	17%	19%	16%	10%	11%	16%	21%	28%	27%	26%	23%	25%	23%	23%	25%	24%	26%	24%	23%
- Households	37%	41%	44%	42%	38%	39%	41%	42%	41%	40%	38%	34%	32%	30%	28%	27%	28%	28%	28%	28%
- Enterprises	4%	10%	11%	6%	-1%	-1%	4%	11%	21%	19%	20%	15%	20%	18%	19%	24%	22%	24%	21%	20%
Domestic credit-to-GDP: level	26%	26%	25%	25%	26%	26%	27%	26%	26%	27%	28%	29%	30%	31%	32%	32%	34%	34%	35%	36%
- Households	7%	8%	8%	9%	9%	10%	10%	11%	12%	12%	13%	14%	14%	14%	15%	16%	16%	16%	17%	18%
- Enterprises	18%	19%	18%	18%	16%	17%	17%	18%	18%	18%	19%	18%	19%	19%	20%	20%	21%	21%	22%	22%
Households sector																				
Domestic credit-to-disposable income: gap	0%	0%	0%	0%	0%	0%	1%	1%	1%	0%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%
Domestic credit-to-disposable income: level	13%	13%	14%	15%	16%	16%	18%	19%	20%	21%	22%	23%	25%	25%	26%	27%	28%	29%	30%	31%
Domestic credit-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%	17%	16%
LTV on new housing loans		69%	69%	70%	71%	74%	75%	76%	78%	80%	82%	84%	87%	88%	90%	90%	91%	91%	90%	84%
Housing affordability index						129	136	135	142	144	136	133	123	113	103	94	88	84	87	90
Corporate sector																				
Total credit-to-$revenues_{trend}$: gap	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	2%	0%	-1%	0%	0%	0%	0%	0%	0%	0%
Domestic credit-to-$revenues_{trend}$: gap	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%	0%

	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	12.14	3.15
Total private debt																										
Total credit-to-GDP_{trend} gap	-1%	-1%	-3%	-4%	-7%	-4%	-8%	-7%	-8%	-7%	-7%	-6%	-6%	-7%	-7%	-6%	-6%	-7%	-7%	-4%	-5%	-4%	-2%	-2%	-3%	0%
Total credit: year-on-year increase	17%	19%	12%	7%	3%	-1%	-1%	1%	3%	5%	6%	6%	8%	5%	5%	5%	5%	4%	4%	7%	5%	8%	12%	7%	7%	11%
- Households	24%	20%	16%	12%	9%	10%	9%	10%	11%	12%	11%	11%	10%	9%	8%	8%	9%	8%	8%	9%	9%	10%	10%	10%	12%	12%
- Enterprises	14%	18%	10%	6%	0%	-6%	-6%	-3%	-1%	2%	3%	3%	7%	3%	3%	3%	3%	2%	1%	6%	3%	7%	13%	5%	4%	10%
Total credit-to-GDP: level	67%	71%	73%	74%	73%	73%	73%	73%	72%	73%	73%	74%	74%	74%	74%	75%	76%	75%	75%	79%	78%	79%	82%	83%	82%	86%
- Households	21%	21%	23%	23%	24%	24%	25%	25%	25%	26%	26%	27%	27%	27%	27%	28%	28%	28%	29%	30%	30%	31%	31%	32%	33%	33%
- Enterprises	46%	50%	50%	51%	49%	49%	48%	48%	46%	47%	47%	48%	48%	47%	47%	47%	48%	46%	46%	49%	48%	49%	51%	51%	49%	52%
Domestic credit																										
Domestic credit-to-GDP_{trend} gap	5%	5%	3%	3%	1%	1%	0%	0%	0%	0%	1%	1%	0%	-1%	-1%	-2%	-2%	-2%	-3%	-2%	-3%	-2%	-2%	-2%	-2%	-2%
Domestic credit: year-on-year increase	18%	15%	9%	6%	3%	2%	3%	4%	6%	7%	10%	9%	9%	7%	3%	2%	3%	3%	4%	4%	4%	6%	6%	7%	6%	7%
- Households	25%	22%	17%	13%	11%	10%	10%	11%	12%	12%	12%	11%	10%	9%	8%	9%	9%	9%	9%	9%	9%	10%	11%	11%	12%	13%
- Enterprises	13%	10%	3%	0%	-3%	-4%	-3%	-1%	0%	3%	8%	8%	7%	4%	-2%	-5%	-3%	-4%	-3%	-2%	-3%	0%	0%	1%	-2%	-1%
Domestic credit-to-GDP: level	37%	38%	39%	40%	41%	42%	43%	44%	45%	45%	45%	45%	45%	46%	47%	47%	47%	47%	46%	46%	47%	47%	47%	48%	48%	48%
- Households	19%	19%	20%	21%	22%	22%	23%	23%	23%	23%	24%	24%	25%	25%	25%	25%	26%	26%	27%	27%	28%	28%	29%	30%	31%	31%
- Enterprises	22%	23%	23%	23%	23%	23%	22%	22%	22%	22%	23%	23%	22%	22%	21%	21%	21%	20%	20%	20%	20%	20%	20%	20%	19%	19%
Households sector																										
Domestic credit-to-disposable income: gap	0%	0%	0%	0%	-1%	-1%	-1%	-1%	-1%	-2%	-1%	-1%	-1%	-2%	-2%	-1%	-1%	-2%	-2%	-2%	-1%	-2%	-1%	-1%	0%	0%
Domestic credit-to-disposable income: level	32%	32%	33%	34%	35%	35%	36%	37%	37%	38%	39%	40%	40%	41%	42%	43%	43%	44%	44%	45%	46%	47%	48%	49%	50%	51%
Domestic credit-to-disposable income: year-on-year increase	14%	12%	10%	9%	9%	9%	8%	8%	8%	7%	8%	7%	8%	7%	7%	8%	7%	8%	7%	6%	6%	7%	8%	8%	8%	9%
LTV on new housing loans	70%	65%	65%	65%	65%	66%	67%	68%	69%	70%	69%	71%	69%	74%	73%	71%	71%	71%	72%	72%	72%	74%	73%	73%	74%	72%
Housing affordability index	95	105	114	119	125	128	129	131	137	134	136	137	137	143	141	147	145	152	152	159	163	169	181	186	195	194
Corporate sector																										
Total credit-to-$revenues_{trend}$: gap	-1%	0%	0%	-1%	-1%	-1%	-2%	-1%	-2%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-2%	0%	-1%	-1%	0%	0%	0%	0%
Domestic credit-to-$revenues_{trend}$: gap	0%	0%	0%	0%	-1%	0%	-1%	0%	-1%	0%	0%	0%	0%	0%	-1%	-1%	-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 credit-to-GDP ratio from its long-term trend

The data on LTV ratios for new loans for the period 2004–2008 are based on an expert estimation

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

Table 4 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	12.09
Cummulative liquidity gap of up to 7 days	-28%	-23%	-26%	-28%	-27%	-28%	-28%	-33%	-29%	-27%	-30%	-23%	-29%	-31%	-30%	-32%
Cummulative liquidity gap of up to 30 days	-24%	-26%	-27%	-31%	-26%	-31%	-30%	-32%	-30%	-30%	-30%	-23%	-32%	-35%	-34%	-34%
Cummulative liquidity gap of up to 1 year	-28%	-27%	-30%	-31%	-28%	-28%	-29%	-29%	-30%	-28%	-28%	-28%	-35%	-36%	-38%	-39%
Cummulative liquidity gap of up to 2 years	-23%	-22%	-24%	-25%	-24%	-23%	-24%	-24%	-25%	-23%	-24%	-24%	-30%	-30%	-30%	-31%
Pledged securities / Total securities									4%	5%	7%	21%	15%	25%	24%	27%
Bonds maturing in following 12 months	4%	5%	5%	10%	13%	13%	7%	14%	20%	22%	22%	12%	15%	16%	22%	28%
Net foreign position (excluding foreign capital*)	-16%	-14%	-7%	-8%	-12%	-11%	-11%	-12%	-12%	-13%	-13%	-14%	5%	6%	5%	2%

	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	12.14	3.15
Cummulative liquidity gap of up to 7 days	-36%	-36%	-36%	-36%	-34%	-35%	-32%	-33%	-29%	-30%	-31%	-32%	-31%	-34%	-36%	-36%	-36%	-38%	-37%	-37%	-38%
Cummulative liquidity gap of up to 30 days	-37%	-39%	-40%	-39%	-38%	-38%	-37%	-35%	-32%	-32%	-33%	-33%	-33%	-36%	-38%	-38%	-38%	-40%	-39%	-37%	-39%
Cummulative liquidity gap of up to 1 year	-40%	-37%	-37%	-38%	-39%	-39%	-40%	-40%	-36%	-36%	-39%	-37%	-40%	-41%	-43%	-43%	-45%	-45%	-46%	-46%	-46%
Cummulative liquidity gap of up to 2 years	-34%	-33%	-33%	-34%	-35%	-37%	-37%	-35%	-32%	-32%	-34%	-33%	-36%	-38%	-40%	-40%	-40%	-41%	-42%	-41%	-42%
Pledged securities / Total securities	26%	26%	15%	17%	17%	17%	17%	28%	24%	22%	22%	25%	16%	15%	13%	11%	11%	11%	12%	16%	14%
Bonds maturing in following 12 months	30%	22%	16%	14%	19%	14%	14%	12%	17%	14%	15%	15%	14%	11%	9%	14%	14%	20%	16%	19%	18%
Net foreign position (excluding foreign capital*)	3%	2%	0%	2%	2%	1%	0%	2%	2%	4%	3%	5%	4%	2%	3%	4%	3%	4%	4%	4%	5%

*Capital: Own funds of foreign banks´ subsidiaries

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

Table 5 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	12.14	3.15
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%	101%	107%
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%	17%	17%
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%	6%	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%	3%	3%
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%	1%	1%
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%	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%	29%	30%
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%	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%	16%	17%
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%	1%	1%
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%	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%	4%	4%

*Annual increase of spread by more than 2 p.p. or spread exceeding 4 p.p. Spread is calculated as a differance between yields of goverment bonds of respective country and yields of German goverment bonds

** Annual increase of NPL ratio by more than 1 p.p. or level of NPL ratio exceeding 10%

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

Table 6 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	12.14	3.15
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%	71%	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	1,221	1,230
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%	73%	73%	73%	73%	73%	73%	73%	70%	70%	70%	70%	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	1,279	1,283
Investments in domestic government bonds as a share of the total amount of domestic government bonds issued*	C5	66%	61%	62%	61%	50%	51%	52%	52%	45%	47%	47%	44%	40%	39%	40%	40%	37%	33%	34%	38%	46%	45%	47%	47%	47%	47%	45%	40%	38%	36%	37%	34%	33%	31%	32%	30%	28%	27%	27%	27%	26%	26%	26%	25%	25%
	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	1,772	1,759
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%	79%	79%
	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	1,564	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%	53%	53%
	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	878	867
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%	86%	86%
	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	1,587	1,550

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

*C5 expresses the overall share of investments in domestic government bonds for the five banks that have the largest shares in the total amount of domestic government bonds issued.

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

Table 7 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	12.14	3.15
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%	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%	0.8%	0.9%
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	-2,149	-1,973
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%	12%	2%

*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 8 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	12.14	3.15
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%	17%	17%
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%	16%	16%
Liquid asset ratio*																					1.46	1.40	1.32	1.30	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	1.50	1.46	1.42	1.42	1.44	1.36	1.36	1.60	1.58
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%	91%	90%

* The methodology for calculating the ratio was changed from December 2014

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[5]

Chart 1 Credit-to-GDP

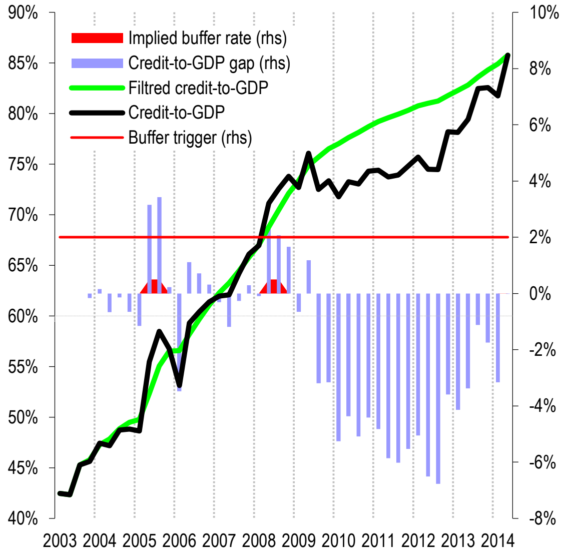
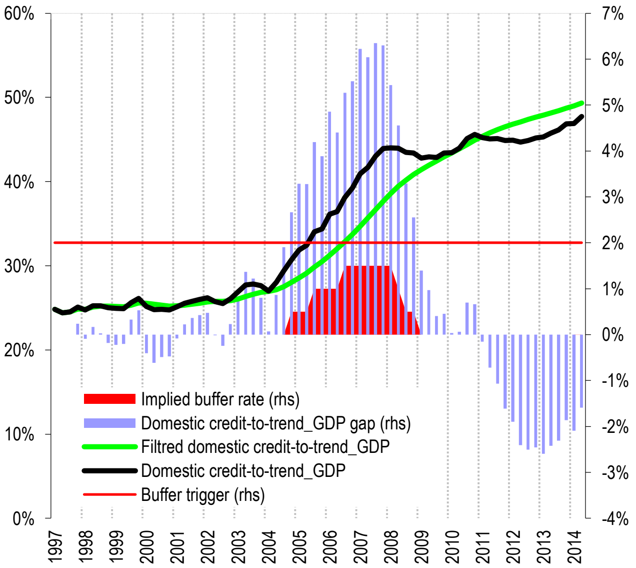


Chart 2 Domestic credit-to-GDP$_{trend}$

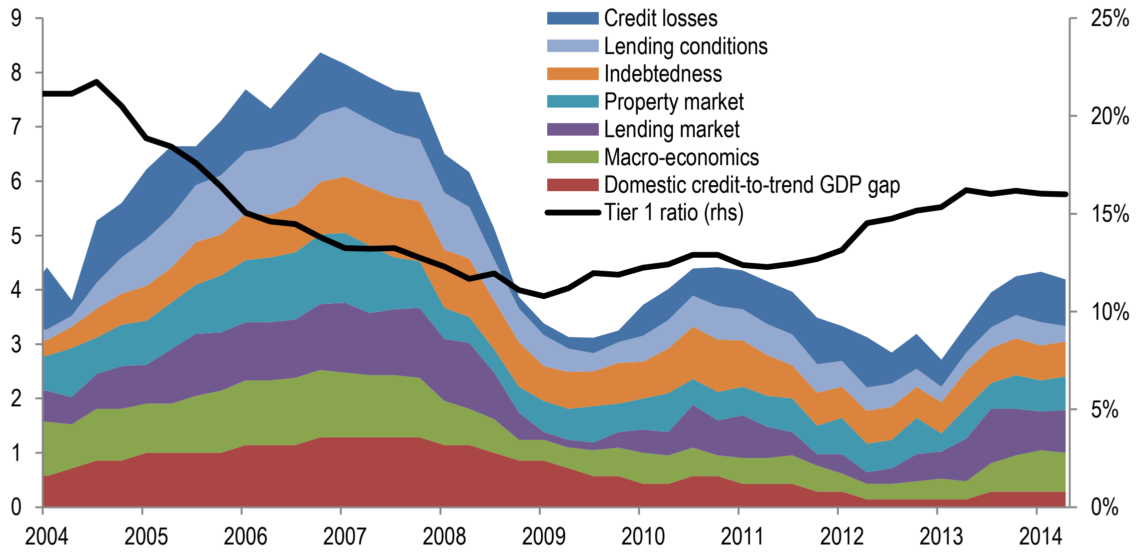


Countercyclical capital buffer trigger values and gap values are shown on the right-hand scale.
Source: NBS, SO SR.

Buffer guide for the countercyclical capital buffer[6]

Buffer guide basis	Buffer guide as at 31 March 2015
Credit-to-GDP gap	0%
Domestic credit-to-GDP$_{trend}$ gap	0%

Chart 3 Cyclogram[7]



Source: NBS, SO SR and CMN.

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