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 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 December 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 annual growth rate for bank lending in Slovakia accelerated in the fourth quarter of 2015, to more than 11% (from 9% in the previous quarter). This result was accounted for mainly by credit to non-financial corporations, as its year-on-year growth increased by 5.6 percentage points, to 9%. Although the increase was driven mainly by lending to private firms (whether owned by residents or non-residents), borrowing by firms partly or wholly state-owned increased notably towards the year-end. In sectoral terms, the fourth-quarter credit growth was broadly-based across the whole range of sectors, but was more pronounced in the sectors of industry (especially the car industry), energy supply, transportation and storage, administration and support services, retail trade, agriculture, and mining and quarrying. The lending growth was supported by favourable economic trends and the consequent uptick in corporate sales, as well as by the persistence of low interest rates.

Household credit growth was lower in the fourth quarter of 2015 than in the previous quarter, at 12.4%, with housing loan growth slowing by 0.3 percentage point. Despite falling towards the year-end, growth in loans to households for the whole of 2015 was in double digits, supported by growth in employment and disposable income, a recovering property market, and entrenched low interest rates. Overall credit growth pushed up the private sector debt ratio in the fourth quarter, to 84.9% of GDP as at the year-end, after two quarters in which the ratio had remained flat. The increase was accounted for by lending to both households and NFCs, as their respective annual growth rates were 0.6 and 0.7 percentage point higher in the fourth quarter than in the third. The private debt ratio in Slovakia remains low in comparison with that in most other EU countries, although its growth rate has for some time been among the highest in the EU.

As for two other ratios – the domestic credit-to-GDP_{trend} gap and the standardised credit-to-GDP gap – they continued to follow divergent trends in the fourth quarter, but the difference between them moderated somewhat. The domestic credit-to-GDP_{trend} gap, estimated using market data on credit provided by domestic banks, maintained an upward path and reached 1.97%, its highest level since 2009 and close to the 2% threshold that may trigger an increase in the countercyclical capital buffer (CCB) rate (Chart 2). While the standardised credit-to-GDP gap, covering the overall indebtedness of the domestic sector, remained in negative territory in the fourth quarter, its level (-2.33%) was 0.72 percentage point less negative compared with the previous quarter (Chart 1).

1.2 Excessive maturity mismatch and market illiquidity

Liquidity risk trends remained unchanged in the last quarter of 2015. The continuing growth in long-term loans and in household deposits maintained upward pressure on the maturity mismatch between assets and liabilities. There was barely any movement in the ratio between the liquidity gap over one year and total assets, which remained at historically low levels. No significant change was observed in the Slovak financial sector's overall position (net of equity) vis-à-vis resident banks' non-resident parents and other foreign institutions, with Slovak banks maintaining a net creditor position amounting to 4% of total assets.

While the loan-to-deposit ratio remained practically unchanged at historically high levels, it remains on a stable path and quite comfortably above the 100% threshold.

Liquidity risk is still among the most significant risks in regard to the maintenance of financial stability in Slovakia.

1.3 Concentration

A number of risks relating to the concentration of exposures moderated in the last quarter of 2015. Most significantly, exposure to Cyprus as a share of the banking sector's own funds decreased quite sharply, from 15.2% to 8.7%. Furthermore, the risk of that exposure trended downwards during 2015, with the yield spread on Cypriot five-year bonds over German Bunds falling from 5.1 percentage points to 2.8 percentage points. These exposures should still, however, be treated as higher risk, as indicated by the increase in their Bund spread in the first quarter of 2016, to 3.6%. The fourth quarter also saw a decline in the ratio of large exposures[3] to the total amount of own funds in the banking sector, from 114% to 102%, with several individual banks recording a drop in their large exposure ratio. At the same time, however, certain branches of Czech-based banks increased their exposure to their parent institution.

The concentration of exposures to higher-risk segments of the domestic corporate sector also showed a favourable trend in the last quarter of 2015, with credit risk continuing to fall in the portfolios of loans to a number of sectors, including those that had previously been viewed as the most risky (in particular: electricity, water and gas supply; and wholesale and retail trade). On the other hand, the non-performing loan (NPL) ratio for the commercial real estate sector edged up in December 2015, from 9.8% to 10.2%, after falling gradually for almost a year.

1.4 Moral hazard

As in the previous period, no significant changes in moral hazard indicators occurred during the fourth quarter of 2015. The concentration of liabilities in the financial system fell slightly, but remained high. At the same time, concentration increased on the asset side as well. The share of the five largest banks in the banking sector's total assets continued to increase, by 2.6 percentage points to 61%, after increasing by 5.3 percentage points in the previous quarter. This indicator nevertheless remains below the levels recorded from 2006 to 2008 (averaging 70%). An upward jump in the amount of eligible deposits resulted from a methodological change related to an amendment of the Deposit Protection Act[4].

As regards the identification of 'other systemically important institutions' (O-SIIs) in Slovakia and the setting of capital buffers for these banks, NBS is required, under Article 33d(14) of the Banking Act, to review the identification of O-SIIs at least once a year and to notify the respective O-SIIs, the European Commission (EC) and the European Banking Authority (EBA) of the list of O-SIIs as updated after each such review. Even if there are no proposals to adjust the O-SII capital buffer or systemic risk buffer for banks identified as O-SIIs, the banks in question will for statutory reasons still be required to change their capital buffer structure.

1.5 Financial infrastructure and other risks

The special levy on financial institutions remained at 0.2% in the fourth quarter of 2015 and it will stay at that level until the levy receipts, paid into the government financial assets account,

[3] A large exposure is here defined as a bank's exposure to a client or group of connected clients which exceeds 10% of its own funds.
[4] http://www.fovsr.sk/sk/aktualne-informacie/

exceed €750 million. This threshold may be reached towards the end of 2016. Under a law change that came into force in April 2015, the purposes for which these funds may be used was extended to include, in addition to resolution in the banking sector, the provision of support for wholly state-owned enterprises. In November 2015, however, the law was changed again to restore the status quo ante with effect from 1 July 2016, meaning that special levy funds may not be allocated to firms thereafter. In the second half of the year, funds in the account amounting to €20.9 million were allocated as a contribution to the registered capital of the Slovak Restructuring Company (Slovenská reštrukturalizačná spoločnosť).

The rate of contributions to the Deposit Protection Fund (DPF) in 2015 was set at 0.03% of the amount of eligible deposits. The implementation of the EU's Deposit Guarantee Schemes Directive (DGSD) in September 2015 has entailed significant changes for the deposit guarantee scheme in Slovakia. In particular, from 2016, the contributions of institutions are now calculated on the basis of covered deposits, not eligible deposits. Covered deposits comprise eligible deposits up to a statutory ceiling, which at present stands at €100,000 per depositor per bank. Another change from the preceding regime is that eligible deposits include not only deposits of natural persons but deposits of all non-financial corporations, irrespective of the size of the company and with no requirement to report that their financial statements have not been audited by an external auditor. As a result of these changes, the coverage of covered deposits replaced the coverage of eligible deposits as the object of monitoring from the fourth quarter of 2015, and therefore the coverage ratio increased from 0.58% to 0.68%. Beginning in 2016, contributions will be collected once a year, by 15 June of the respective year. The rate of contributions will be set in such a way as to ensure that the DPF's funds as at 3 July 2024 are equivalent to 0.8% of covered deposits, while the amount contributed by financial institutions will also reflect their risk profile.

Financial institutions began paying contributions to the new National Resolution Fund in December 2015, and these initial contributions for the sector as a whole amounted to €33.51 million. The contributions will be set by the Single Resolution Board from 2016, and will be payable by 15 June of the respective year, unless the Board stipulates otherwise. Banks' contributions for each year from 2016 to 2023 inclusive will be reduced by one-eighth of the contributions they paid in 2015.

2 Decisions in the area of macroprudential policy

2.1 Decision taken by NBS in the quarter under review

Having regard to developments in the domestic credit-to-GDP_{trend} ratio (Chart 2) and the Cyclogram (Chart 3), as well as in the indicators of excessive credit growth and leverage (Annex A), the Bank Board of Národná banka Slovenska decided to set the countercyclical capital buffer rate at 0%[5].

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 (hereinafter 'the Recommendation'). 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[6].

Under an NBS Decision of 26 May 2015[7], an O-SII buffer of 1% of risk-weighted assets applies from 1 January 2016 to the five institutions in Slovakia classified as other systemically important institutions (O-SIIs).

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

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

Planned legislative amendments in the area of retail loans

With regard to ongoing legislative amendments based on EU Directives, preparations are being made to integrate several parts of the Recommendation into primary or secondary Slovak law. 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.

Under the proposed legislative amendments, NBS will be equipped with new tools allowing it to pre-empt the materialisation of financial stability risks related to excessive credit growth. At this time, NBS is considering fine-tuning selected instruments.

Expected setting of capital buffers for systemically important banks

The NBS Bank Board periodically reviews the setting of capital buffers for banks in Slovakia identified as 'other systemically important institutions' (O-SIIs), and its next decision on these settings is scheduled for May 2016. No change is expected in the list of O-SIIs, nor in the total additional capital buffer requirements set for these banks.

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

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

[7] http://www.nbs.sk/_img/Documents/_Legislativa/_FullWordingsOther/EN-Roz-5-2015.pdf

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

Given the trends outlined in Section 1.1, NBS is considering increasing the countercyclical capital buffer rate in its decision scheduled for July 2016.

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

As at December 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	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Note
Macroprudential instruments applicable in Slovakia						
Capital conservation buffer (Article 33b of the Banking Act)	2.5%	2.5%	2.5%	2.5%	2.5%	
Countercyclical capital buffer rate (Article 33g of the Banking Act)	0%	0%	0%	0%	0%	
O-SII buffer (Article 33d of the Banking Act)[8]				1%	1%	Due to be implemented from 1 January 2017
Systemic risk buffer (Article 33e of the Banking Act)[9]						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%	35%	
Risk-weight for exposures fully secured by mortgages on commercial immovable property (Article 124 of the CRR)	50%	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%	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%	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%	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%	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%	15%	

Source: NBS.

[8] O-SII buffer is set for Československá obchodná banka, a.s., Poštová banka, a.s., Slovenská sporiteľňa, a.s., Tatra banka, a.s. and Všeobecná úverová banka, a.s.

[9] Systemic risk buffer is set for Slovenská sporiteľňa, a.s., Tatra banka, a.s. and Všeobecná úverová banka, a.s.

Table 2 Current setting of instruments applicable to foreign exposures

Macroprudential instrument	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Note
Macroprudential instruments applicable abroad						
Countercyclical capital buffer rate for **Czech Republic** (Article 33j of the Banking Act)	0%	0%	0%	0%	0%	To be increased to 0.5 % from 1 January 2017
Countercyclical capital buffer rate for **Sweden** (Article 33j of the Banking Act)	0%	0%	1%	1%	1%	To be increased to 1.0 % from 13 September 2015, and then to 1.5 % from 27 June 2016 and to 2.0 % from 19 March 2017.
Countercyclical capital buffer rate for other EU Member States (Article 33j of the Banking Act)	0%	0%	0%	0%	0%	
Countercyclical capital buffer rate for **Norway** (Article 33j of the Banking Act)	0%	0%	1%	1%	1%	To be increased to 1.5 % from 30 June 2016
Countercyclical capital buffer rate for **Hong Kong** (Article 33i and Article 33j of the Banking Act)	0%	0%	0%	0.625%	0.625%	Level 0.625 % is valid from 1 January 2016 and is about to be increased to 1.25 % since 1 January 2017
Countercyclical capital buffer rate for countries other than EU Member States (Article 33i and Article 33j of the Banking Act)	0%	0%	0%	0%	0%	
Systemic risk buffer for other EU Member States (Article 33f of the Banking Act)	0%	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%	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%	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%	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%	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%	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%	15%	

Source: ESRB.

Annexes

A) Selected indicators broken down by main risk categories

	Excessive credit growth and leverage																				
	Total private debt							Domestic credit							Households sector					Corporate sector	
	Standardised credit-to-GDP gap	Total credit: year-on-year increase	Total households'credit: year-on-year increase	Total corporate credit: year-on-year increase	Total credit-to-GDP: level	Total households'credit-to-GDP: level	Total corporate credit -to-GDP: level	Credit-to-trend_GDP gap	Domestic credit: year-on-year increase	- Households	- Enterprises	Domestic credit-to-GDP: level	- Households	- Enterprises	Domestic credit-to-disposable income: gap	Domestic credit-to-disposable income: level	Domestic credit-to-disposable income: year-on-year increase	LTV on new housing loans [1]	Housing affordability index (interest rate effect excluded)	Total debt-to-trend revenues gap	Domestic credit-to-trend revenues gap
12.15	-2,33%	6%	11%	2%	85%	35%	50%	1,97%	11%	12%	9%	53%	33%	20%	1%	55%	9%	72%	115	-0,5%	0,0%
9.15	-3,05%	3%	12%	-2%	84%	35%	49%	1,42%	9%	13%	3%	52%	33%	20%	1%	54%	10%	71%	115	-0,9%	-0,2%
6.15	-1,30%	5%	12%	0%	85%	34%	51%	0,92%	9%	13%	3%	52%	32%	20%	0%	52%	10%	70%	118	0,0%	-0,2%
3.15	-0,58%	8%	12%	6%	85%	33%	51%	0,11%	7%	13%	-1%	50%	31%	19%	0%	51%	10%	72%	120	0,3%	-0,5%
12.14	-1,74%	6%	12%	3%	83%	33%	50%	-0,42%	6%	12%	-2%	50%	30%	19%	0%	50%	9%	74%	120	-0,2%	-0,8%
9.14	-0,66%	9%	10%	8%	83%	32%	51%	-0,18%	7%	11%	1%	50%	30%	20%	-1%	49%	8%	73%	119	0,5%	-0,6%
6.14	0,08%	14%	9%	17%	83%	31%	52%	-0,66%	6%	11%	0%	49%	29%	20%	-1%	48%	8%	73%	119	0,9%	-0,7%
3.14	-2,06%	10%	9%	10%	80%	30%	50%	-0,81%	6%	10%	0%	48%	28%	20%	-2%	47%	7%	74%	117	0,1%	-0,7%
12.13	-1,76%	8%	9%	7%	80%	30%	50%	-1,05%	4%	9%	-3%	48%	28%	20%	-1%	46%	6%	72%	117	0,4%	-0,8%
9.13	-2,88%	7%	9%	5%	78%	30%	48%	-0,95%	4%	9%	-2%	47%	27%	20%	-2%	45%	6%	72%	114	-0,1%	-0,8%
6.13	-5,89%	3%	9%	0%	74%	29%	45%	-1,06%	4%	9%	-3%	47%	27%	20%	-2%	44%	7%	72%	115	-1,3%	-0,8%
3.13	-5,79%	4%	9%	1%	74%	28%	46%	-1,01%	3%	9%	-4%	47%	26%	20%	-2%	44%	8%	71%	113	-1,1%	-0,8%
12.12	-4,34%	5%	9%	3%	76%	28%	47%	-0,55%	3%	9%	-3%	47%	26%	21%	-1%	43%	7%	71%	112	-0,5%	-0,7%
9.12	-4,87%	5%	8%	3%	75%	28%	47%	-0,34%	2%	9%	-5%	46%	25%	21%	-1%	43%	7%	71%	112	-0,5%	-0,6%
6.12	-5,38%	5%	8%	3%	74%	27%	46%	-0,04%	3%	8%	-2%	46%	25%	21%	-2%	42%	7%	73%	111	-0,7%	-0,5%
3.12	-5,26%	5%	9%	3%	73%	27%	47%	0,42%	7%	9%	4%	46%	25%	22%	-2%	41%	8%	74%	110	-0,6%	-0,3%
12.11	-4,25%	8%	10%	7%	74%	27%	47%	1,02%	9%	10%	7%	47%	24%	22%	-1%	41%	9%	69%	108	-0,3%	-0,1%
9.11	-3,87%	6%	11%	3%	74%	26%	48%	1,77%	9%	11%	8%	47%	24%	23%	-1%	40%	8%	71%	107	-0,3%	0,2%
6.11	-4,50%	6%	11%	3%	73%	26%	47%	1,69%	10%	12%	8%	47%	24%	23%	-1%	39%	8%	69%	105	-0,6%	0,1%
3.11	-3,77%	5%	12%	2%	73%	26%	47%	0,95%	7%	12%	3%	45%	23%	22%	-2%	38%	7%	70%	103	-0,5%	-0,1%
12.10	-4,65%	3%	11%	-1%	72%	25%	46%	0,77%	6%	12%	0%	45%	23%	22%	-1%	37%	7%	69%	106	-1,1%	-0,3%
9.10	-2,62%	1%	10%	-3%	73%	25%	48%	1,10%	4%	11%	-1%	45%	23%	22%	-1%	37%	8%	68%	105	-0,6%	-0,3%
6.10	-2,53%	-1%	9%	-6%	72%	25%	48%	0,87%	3%	10%	-3%	45%	23%	22%	-1%	36%	8%	67%	104	-1,1%	-0,4%
3.10	-0,80%	-1%	10%	-6%	73%	24%	49%	1,47%	2%	10%	-4%	45%	22%	23%	-1%	35%	9%	66%	103	-1,0%	-0,4%
12.09	0,23%	3%	9%	0%	73%	24%	49%	1,39%	3%	11%	-3%	45%	22%	23%	-1%	35%	9%	65%	103	-1,2%	-0,5%
9.09	2,66%	7%	12%	6%	74%	23%	51%	2,29%	6%	13%	0%	44%	21%	23%	-1%	34%	9%	65%	102	-0,4%	-0,3%
6.09	2,71%	12%	16%	10%	73%	22%	50%	2,79%	9%	17%	3%	43%	20%	23%	0%	33%	10%	65%	98	-0,3%	-0,3%
3.09	2,88%	19%	20%	18%	71%	21%	50%	3,83%	15%	22%	10%	42%	19%	23%	0%	32%	12%	65%	92	0,2%	0,0%
12.08	-0,07%	17%	24%	14%	67%	21%	46%	4,57%	18%	25%	13%	41%	19%	22%	0%	32%	14%	70%	85	-0,6%	0,1%
9.08	0,31%	19%	27%	16%	66%	20%	46%	5,45%	23%	28%	20%	40%	18%	22%	0%	31%	16%	84%	79	0,0%	0,4%
6.08	0,08%	19%	28%	16%	64%	19%	45%	5,55%	24%	28%	21%	39%	17%	22%	0%	30%	17%	90%	75	0,0%	0,5%
3.08	-1,10%	17%	28%	13%	62%	18%	44%	5,31%	26%	28%	24%	38%	16%	21%	0%	29%	15%	91%	72	-0,4%	0,5%
12.07	-0,33%	27%	29%	26%	62%	18%	44%	5,55%	24%	28%	22%	37%	16%	21%	0%	28%	14%	91%	74	-0,2%	0,6%
9.07	0,06%	19%	29%	16%	61%	17%	44%	4,98%	25%	27%	24%	36%	16%	20%	0%	27%	15%	90%	81	0,0%	0,5%
6.07	0,26%	14%	30%	8%	60%	17%	44%	4,80%	23%	28%	19%	35%	15%	20%	0%	26%	16%	90%	89	0,0%	0,5%
3.07	0,41%	18%	32%	13%	59%	16%	43%	4,01%	23%	30%	18%	34%	14%	19%	0%	25%	19%	88%	99	0,2%	0,3%
12.06	-2,93%	21%	30%	18%	55%	16%	39%	4,52%	25%	32%	20%	34%	14%	19%	1%	25%	21%	87%	110	-1,4%	0,5%
9.06	0,45%	28%	33%	26%	58%	15%	43%	3,65%	23%	34%	15%	32%	14%	18%	1%	23%	22%	84%	121	0,1%	0,2%
6.06	3,77%	31%	37%	30%	60%	15%	45%	3,97%	26%	38%	20%	32%	13%	19%	1%	22%	25%	82%	124	1,5%	0,4%
3.06	3,57%	29%	40%	26%	57%	14%	43%	3,09%	27%	40%	19%	31%	12%	18%	0%	21%	28%	80%	124	1,4%	0,3%
12.05	-0,36%	13%	43%	5%	50%	14%	37%	2,93%	28%	41%	21%	30%	12%	18%	1%	20%	29%	78%	124	-0,5%	0,3%
9.05	-0,08%	17%	43%	10%	50%	13%	38%	2,45%	21%	42%	11%	29%	11%	18%	1%	19%	31%	76%	123	-0,3%	0,2%
6.05	0,38%	17%	41%	12%	50%	12%	38%	1,72%	16%	41%	4%	28%	11%	17%	1%	18%	29%	75%	122	0,0%	0,1%
3.05	-0,28%	19%	39%	15%	48%	11%	38%	0,71%	11%	39%	-1%	27%	10%	17%	0%	16%	27%	74%	121	-0,2%	-0,1%
12.04	0,44%	17%	38%	13%	49%	10%	38%	-0,02%	10%	38%	-1%	26%	9%	16%	0%	16%	25%	71%		0,2%	-0,5%
9.04	0,13%				47%	10%	37%	0,72%	16%	42%	6%	26%	9%	18%	0%	15%	29%	70%		0,0%	-0,2%
6.04	0,00%				47%	9%	38%	1,15%	19%	44%	11%	27%	8%	18%	0%	14%	31%	69%		0,0%	0,0%
3.04	0,00%				44%	9%	36%	1,31%	17%	41%	10%	26%	8%	19%	0%	13%	30%	69%		0,0%	0,2%
12.03	0,00%				46%	8%	38%	0,78%	12%	37%	4%	26%	7%	18%	0%	13%	28%			0,0%	0,1%

	Excessive maturity mismatch and market liquidity							Concentration										
															Exposures to countries with high or increasing spreads, as a share of own fu[nds] [3]		Loans to corporate segments with a high increasing NPL ratio, as a share of total assets [4]	
	Cummulative liquidity gap of up to 7 days	Cummulative liquidity gap of up to 30 days	Cummulative liquidity gap of up to 1 year	Cummulative liquidity gap of up to 2 years	Pledged securities / Total securities	Bonds maturing in next 12 months / Total bonds issued	Net foreign position (excluding foreign capital [2])	Large exposures (total) as a share of own funds	Exposures to the Slovak Republic as a share of total assets	Assets from own financial group as a share of total assets	Liabilities to own financial group as a share of total assets	Assets fair-valued through profit and loss	Liabilities fair-valued through profit and loss	Nominal value of derivatives as a share of total assets	Greece	Cyprus	Construction	Commercial real estates
12.15	-40%	-40%	-46%	-40%	16%	14%	4%	102%	15%	6%	4%	1%	1%	29%	0%	9%	1%	5%
9.15	-39%	-40%	-46%	-39%	15%	16%	5%	114%	16%	5%	3%	1%	1%	28%	0%	15%	2%	5%
6.15	-39%	-41%	-47%	-41%	14%	17%	4%	112%	17%	5%	3%	1%	1%	29%	1%	17%	2%	5%
3.15	-38%	-39%	-46%	-42%	14%	18%	5%	107%	17%	5%	3%	1%	1%	30%	1%	17%	1%	5%
12.14	-37%	-37%	-46%	-41%	16%	19%	4%	101%	17%	6%	3%	1%	1%	29%	1%	16%	1%	5%
9.14	-37%	-39%	-46%	-42%	12%	16%	4%	111%	18%	5%	4%	2%	1%	31%	1%	16%	2%	5%
6.14	-38%	-40%	-45%	-41%	11%	20%	4%	124%	18%	5%	4%	1%	1%	33%	1%	15%	2%	5%
3.14	-36%	-38%	-45%	-40%	11%	14%	3%	105%	18%	4%	3%	2%	1%	31%	1%	14%	2%	5%
12.13	-36%	-38%	-43%	-40%	11%	14%	4%	99%	18%	5%	3%	2%	1%	31%	1%	15%	2%	5%
9.13	-36%	-38%	-43%	-40%	13%	9%	3%	94%	20%	5%	3%	2%	1%	34%	1%	14%	2%	6%
6.13	-34%	-36%	-41%	-38%	15%	11%	2%	106%	21%	5%	3%	2%	1%	35%	1%	13%	2%	6%
3.13	-31%	-33%	-40%	-36%	16%	14%	4%	109%	20%	5%	3%	2%	1%	34%	1%	14%	2%	6%
12.12	-32%	-33%	-37%	-33%	25%	15%	5%	108%	20%	6%	1%	2%	1%	31%	1%	12%	2%	6%
9.12	-31%	-33%	-39%	-34%	22%	15%	3%	100%	21%	6%	2%	4%	1%	34%	1%	12%	2%	5%
6.12	-30%	-32%	-36%	-32%	22%	14%	4%	95%	21%	6%	2%	3%	1%	36%	1%	11%	2%	6%
3.12	-29%	-32%	-36%	-32%	24%	17%	2%	90%	20%	5%	2%	4%	2%	37%	3%	10%	2%	6%
12.11	-33%	-35%	-40%	-35%	28%	12%	2%	117%	20%	4%	4%	3%	1%	37%	13%	10%	2%	6%
9.11	-32%	-37%	-40%	-37%	17%	14%	0%	139%	20%	6%	6%	4%	2%	38%	14%	7%	2%	6%
6.11	-35%	-38%	-39%	-37%	17%	14%	1%	135%	20%	6%	6%	4%	2%	41%	15%	7%	2%	6%
3.11	-34%	-38%	-39%	-35%	17%	19%	2%	110%	21%	6%	6%	4%	2%	39%	16%	10%	2%	6%
12.10	-36%	-39%	-38%	-34%	17%	14%	2%	110%	21%	5%	5%	4%	2%	37%	18%	8%	2%	6%
9.10	-36%	-40%	-37%	-33%	15%	16%	0%	99%	23%	5%	4%	5%	2%	38%	18%	4%	2%	6%
6.10	-36%	-39%	-37%	-33%	26%	22%	2%	101%	23%	4%	4%	5%	3%	40%	19%	4%	2%	6%
3.10	-36%	-37%	-40%	-34%	26%	30%	3%	111%	22%	3%	4%	5%	3%	40%	20%	4%	2%	6%
12.09	-32%	-34%	-39%	-31%	27%	28%	2%	110%	21%	4%	4%	5%	2%	42%	0%	5%	2%	6%
9.09	-30%	-34%	-38%	-30%	24%	22%	5%	111%	21%	6%	4%	5%	3%	43%	0%	6%	2%	6%
6.09	-31%	-35%	-36%	-30%	25%	16%	6%	121%	19%	5%	4%	5%	3%	46%	0%	4%	2%	6%
3.09	-29%	-32%	-35%	-30%	15%	15%	5%	146%	18%	3%	4%	5%	3%	48%	0%	3%	2%	6%
12.08	-23%	-23%	-28%	-24%	21%	12%	-14%	164%	14%	2%	10%	10%	6%	69%			2%	5%
9.08	-30%	-30%	-28%	-24%	7%	22%	-13%	155%	14%	1%	12%	9%	6%	112%			2%	4%
6.08	-27%	-30%	-28%	-23%	5%	22%	-13%	168%	15%	1%	13%	10%	5%	108%			2%	4%
3.08	-29%	-30%	-30%	-25%	4%	20%	-12%	179%	17%	1%	9%	12%	6%	111%			2%	4%
12.07	-33%	-32%	-29%	-24%		14%	-12%		18%	1%	10%	10%	6%	105%			2%	4%
9.07	-28%	-30%	-29%	-24%		7%	-11%		18%	1%	8%	11%	6%	107%			2%	4%
6.07	-28%	-31%	-28%	-23%		13%	-11%		18%	1%	8%	12%	7%	110%			2%	4%
3.07	-27%	-26%	-28%	-24%		13%	-12%		14%	1%	9%	10%	7%	114%			1%	3%
12.06	-28%	-31%	-31%	-25%		10%	-8%		19%	1%	5%	10%	6%	113%			2%	3%
9.06	-26%	-27%	-30%	-24%		5%	-7%		16%	1%	4%	5%	5%	126%			1%	3%
6.06	-23%	-26%	-27%	-22%		5%	-14%		16%	1%	7%	6%	7%	131%			1%	2%
3.06	-28%	-24%	-28%	-23%		4%	-16%		16%	0%	7%	4%	7%	110%			1%	2%
12.05																		
9.05																		
6.05																		
3.05																		
12.04																		
9.04																		
6.04																		
3.04																		
12.03																		

	Moral hazard												Financial infrastructure				Resilience of financial system			
	Total net assets		Guaranteed deposits		Investments in domestic government bonds as a share of the total amount domestic government bonds issued		Loans to retail sector (outstanding amount)		Total assets within financial system		Total liabilities within financial system		Coverage of covered deposits [5]	Assets from the bank levy as share of total assets [6]	Change in TARGET2 balance of the Slovak Republic (EUR millions)	TARGET2 balance of the Slovak Republic as a ratio to NBS assets	CET1 ratio	Own funds ratio	Liquid asset ratio [7]	Loan-to-deposit ratio
	C5	HHI	C5	HHI	C5	HHI	C5	HHI	C5	HHI	C5	HHI								
12.15	72%	1 250	75%	1 416	24%	1 739	79%	1 583	61%	1 008	87%	1 572	0,7%	0,9%	988	3%	18%	17%	1,64	90%
9.15	72%	1 237	69%	1 273	24%	1 772	79%	1 580	58%	845	89%	1 641	0,6%	0,9%	-1 602	-3%	17%	16%	1,53	91%
6.15	71%	1 231	70%	1 283	24%	1 757	79%	1 580	53%	791	87%	1 615	0,6%	0,9%	807	7%	18%	16%	1,49	91%
3.15	71%	1 230	70%	1 283	25%	1 759	79%	1 571	53%	867	86%	1 550	0,6%	0,8%	-1 973	2%	17%	16%	1,58	90%
12.14	71%	1 221	70%	1 279	25%	1 772	79%	1 564	53%	878	86%	1 587	0,6%	0,8%	-2 149	12%	17%	16%	1,6	91%
9.14	71%	1 226	70%	1 276	26%	1 817	80%	1 571	50%	807	84%	1 538	0,6%	0,8%	1 602	22%	16%	17%	1,36	91%
6.14	70%	1 218	70%	1 278	26%	1 832	80%	1 568	55%	961	83%	1 534	0,6%	0,8%	-3 699	16%	16%	17%	1,36	90%
3.14	70%	1 205	70%	1 276	26%	1 764	80%	1 558	53%	1 038	82%	1 508	0,6%	0,7%	3 800	30%	16%	17%	1,44	89%
12.13	70%	1 214	70%	1 284	27%	1 788	80%	1 559	55%	987	84%	1 605	0,5%	0,6%	-4 256	16%	15%	17%	1,42	89%
9.13	71%	1 223	73%	1 354	27%	1 771	81%	1 577	52%	980	84%	1 596	0,5%	0,5%	-395	32%	15%	17%	1,42	89%
6.13	71%	1 213	73%	1 360	27%	1 689	82%	1 610	49%	857	86%	1 627	0,5%	0,4%	2 527	33%	15%	16%	1,46	88%
3.13	71%	1 220	73%	1 361	28%	1 824	83%	1 641	48%	783	87%	1 654	0,5%	0,3%	3 923	23%	15%	16%	1,5	87%
12.12	71%	1 221	73%	1 371	30%	1 797	83%	1 644	49%	750	86%	1 656	0,5%	0,3%	2 439	5%	13%	16%	1,51	88%
9.12	72%	1 254	73%	1 386	32%	1 848	83%	1 643	55%	882	86%	1 688	0,5%	0,2%	3 718	-8%	13%	16%	1,47	90%
6.12	72%	1 250	73%	1 383	31%	1 827	83%	1 659	56%	905	84%	1 644	0,5%	0,1%	2 779	-27%	12%	16%	1,47	89%
3.12	71%	1 222	73%	1 359	33%	1 734	84%	1 672	55%	853	82%	1 550	0,5%	0,0%	5 574	-39%	12%	15%	1,51	89%
12.11	72%	1 254	73%	1 389	34%	1 777	84%	1 672	57%	914	81%	1 537	0,5%	0,0%	-2 617	-63%	12%	13%	1,36	90%
9.11	71%	1 220	75%	1 458	37%	1 766	84%	1 661	59%	882	79%	1 409	0,4%	0,0%	3 128	-55%	13%	13%	1,36	88%
6.11	71%	1 221	75%	1 454	36%	1 746	84%	1 659	57%	905	78%	1 395	0,4%	0,0%	-2 350	-72%	13%	13%	1,35	87%
3.11	71%	1 220	75%	1 458	38%	1 789	84%	1 665	62%	1 027	78%	1 448	0,3%	0,0%	1 529	-63%	12%	13%	1,36	86%
12.10	72%	1 237	75%	1 478	40%	1 839	84%	1 682	62%	1 077	74%	1 375	0,3%	0,0%	1 140	-67%	12%	13%	1,37	85%
9.10	72%	1 252	75%	1 508	45%	1 844	85%	1 694	59%	942	74%	1 373	0,2%	0,0%	587	-74%	12%	13%	1,39	87%
6.10	73%	1 275	76%	1 513	47%	1 808	85%	1 698	60%	1 034	75%	1 266	0,2%	0,0%	-572	-71%	12%	13%	1,35	83%
3.10	72%	1 265	76%	1 517	47%	1 805	85%	1 698	63%	1 168	77%	1 331	0,1%	0,0%	54	-73%	11%	12%	1,39	86%
12.09	72%	1 273	77%	1 536	47%	1 909	85%	1 683	62%	1 135	74%	1 316					11%	12%	1,31	85%
9.09	72%	1 266	78%	1 590	47%	1 924	85%	1 678	62%	1 050	74%	1 259					11%	12%	1,30	84%
6.09	70%	1 214	76%	1 571	45%	1 891	83%	1 638	61%	1 032	66%	1 075					12%	12%	1,32	83%
3.09	69%	1 187	76%	1 575	46%	1 920	82%	1 618	62%	945	65%	1 053					12%	11%	1,40	83%
12.08	72%	1 197	76%	1 605	38%	1 701	82%	1 611	61%	910	71%	1 149					12%	11%	1,46	78%
9.08	68%	1 090	74%	1 512	34%	1 913	82%	1 619	62%	960	69%	1 097					13%	11%		85%
6.08	67%	1 083	74%	1 571	33%	2 026	82%	1 613	69%	1 095	66%	1 060					13%	12%		84%
3.08	67%	1 086	74%	1 576	37%	2 071	82%	1 606	62%	982	67%	1 090					13%	11%		83%
12.07	68%	1 085	75%	1 573	40%	2 306	82%	1 587	68%	1 076	65%	1 056					13%	12%		77%
9.07	68%	1 075	75%	1 582	40%	2 404	82%	1 595	65%	1 005	66%	1 124					14%	13%		74%
6.07	68%	1 086	75%	1 579	39%	2 366	81%	1 599	67%	1 091	70%	1 188					14%	13%		71%
3.07	66%	1 065	76%	1 597	40%	2 309	81%	1 593	62%	984	64%	1 049					15%	13%		73%
12.06	67%	1 127	76%	1 594	44%	2 175	81%	1 584	65%	1 035	61%	965					15%	13%		72%
9.06	65%	1 096	76%	1 612	47%	2 193	81%	1 589	67%	1 063	63%	996					16%	14%		68%
6.06	67%	1 110	76%	1 614	47%	2 195	81%	1 601	70%	1 204	69%	1 137					18%	14%		68%
3.06	66%	1 037	76%	1 622	45%	2 050	81%	1 605	62%	954	67%	1 125					18%	14%		66%
12.05	68%	1 071	75%	1 593	52%	2 377	81%	1 606	66%	1 060	67%	1 194					19%	15%		66%
9.05	67%	1 094	75%	1 625	52%	2 368	81%	1 622	63%	1 022	67%	1 113					21%	16%		63%
6.05	67%	1 121	75%	1 644	51%	2 052	81%	1 621	61%	1 008	68%	1 176					22%	17%		58%
3.05	67%	1 104	75%	1 658	50%	1 936	81%	1 625	63%	1 048	66%	1 107					21%	18%		56%
12.04	66%	1 147	75%	1 671	61%	2 065	81%	1 640	64%	1 009	63%	1 025						19%		57%
9.04	66%	1 136	75%	1 684	62%	2 043	81%	1 664	64%	1 196	62%	986						21%		54%
6.04	66%	1 178	76%	1 710	61%	2 038	81%	1 676	67%	1 125	67%	1 046						22%		55%
3.04	65%	1 164	77%	1 803	66%	2 088	81%	1 720	67%	1 128	62%	999						22%		56%
12.03																				55%

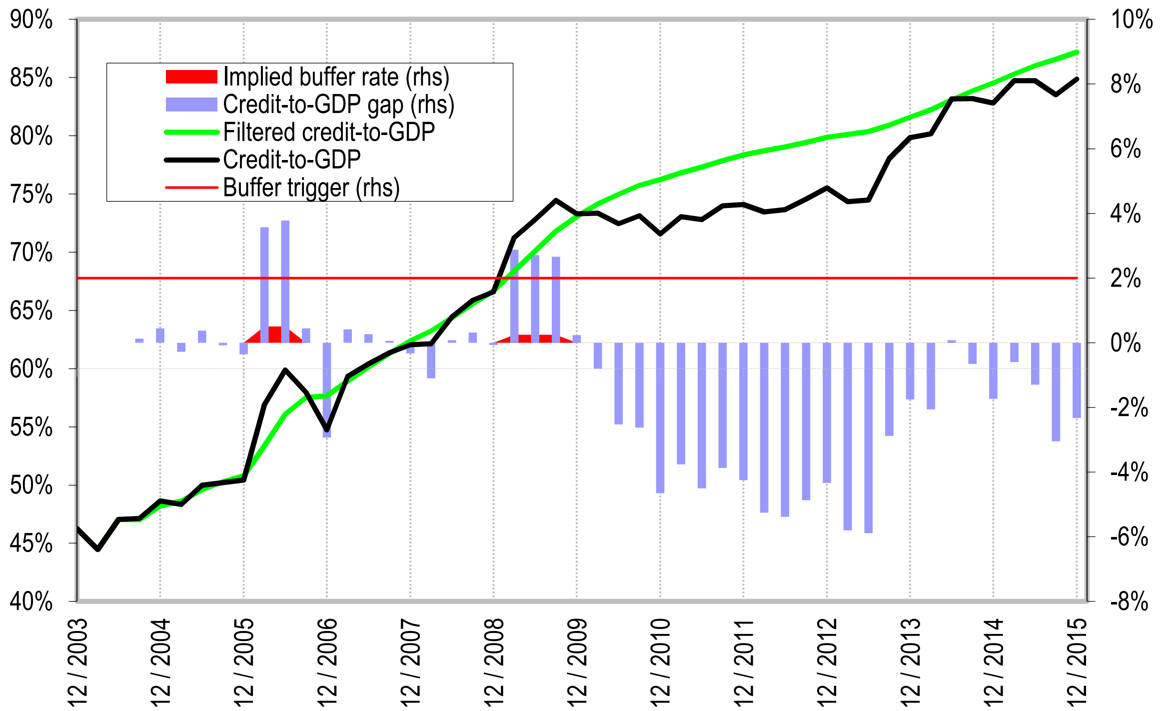
Note: The darker the colour, the greater the probability of imbalances with relevance for macroprudential policy. Gap: deviation of the respective indicator from its long-term trend. Credit-to-GDP gap: deviation of credit-to-GDP ratio from its long-term trend. C5: the overall share of the five institutions that have the highest share in the banking sector's total volume of that item for the respective quarter. HHI: Herfindahl-Hirschman index.

1) The data on LTV ratios for new loans for the period 2004–2008 are based on an expert estimation. 2) Capital: Own funds of foreign banks´ subsidiaries. 3) Annual increase of spread by more than 2 p.p. or spread exceeding 4 p.p. Spread is calculated as an average differance between yields of goverment bonds of respective country and yields of German goverment bonds for the respective quarter. 4) Annual increase of NPL ratio by more than 1 p.p. or level of NPL ratio exceeding 10% . 5) Funds accumulated in the Deposit Protection Fund as a ratio to the total amount of covered deposits in the given quarter. The increase of the coverage ratio in december 2015 is caused by methodology change given by implementation of Act No 239/2015 Coll. Following the implementation, the contributions of institutions are calculated on the basis of covered deposits, not eligible deposits. 6) 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. 7) The methodology for calculating the ratio was changed from December 2014.

B) Countercyclical capital buffer

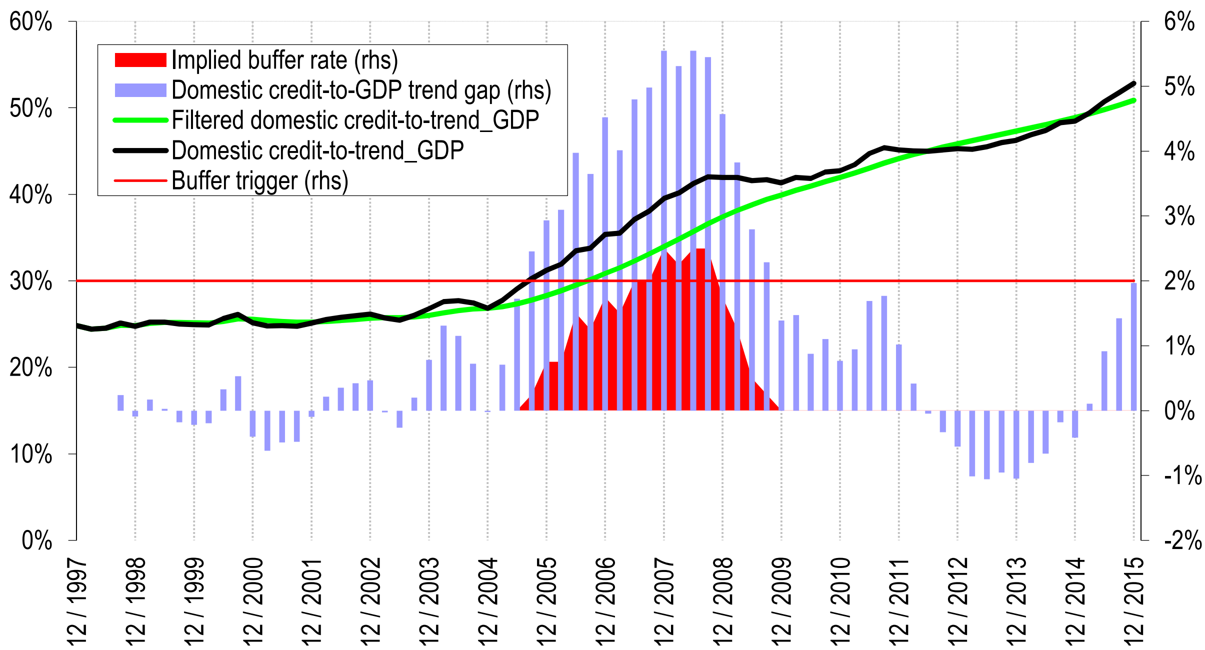
***Deviation of the credit-to-GDP ratio from its long-term* trend**[10]

Chart 1 Credit-to-GDP gap



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

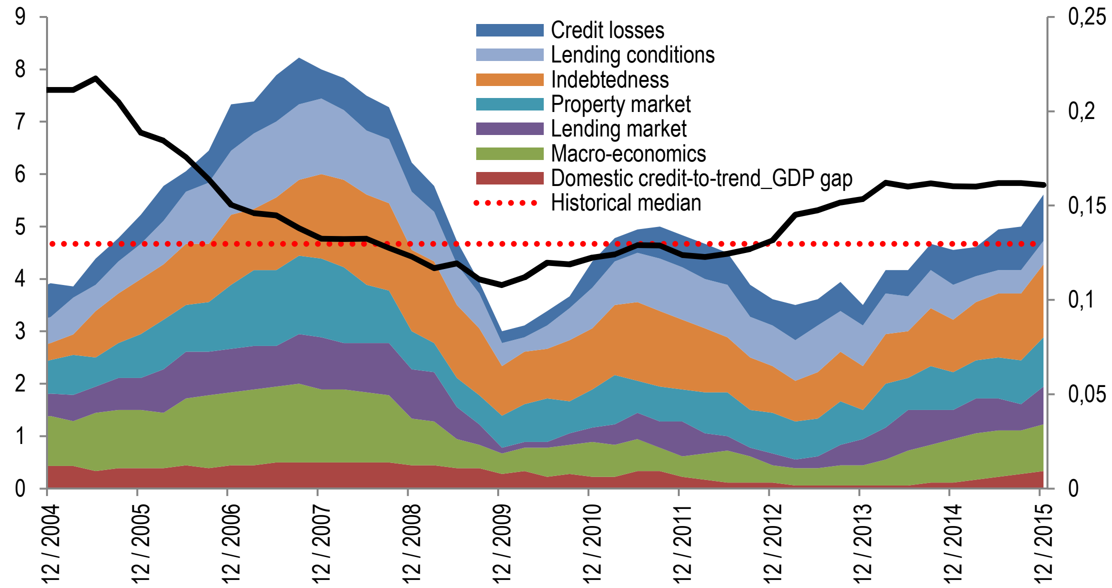
Chart 2 Domestic credit-to-GDP$_{trend}$ gap



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

[10] Ratio pursuant to Article 33g(2)(a) of the Banking Act.

Chart 3 Cyclogram[11]



Source: NBS, SO SR and CMN.

Table 3 Buffer guide for the countercyclical capital buffer[12]

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

Source: NBS.

[11] Pursuant to Article 33g(1c) of the Banking Act.

[12] 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.