NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

QUARTERLY COMMENTARY ON MACROPRUDENTIAL POLICY

JULY 2016

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

[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.

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.

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 2016, 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

Bank lending in Slovakia[3] maintained its upward trend in the first quarter of 2016, with an annual growth rate of 10.4%. The rate therefore remained in double digits, albeit slightly lower compared with the previous quarter (11.1%). Growth was observed in both lending to households and lending to non-financial corporations (NFCs). Household loans make up around two-thirds of the total outstanding amount of loans provided to the domestic non-financial private sector. The stock of household loans increased in the first quarter by 12.2% year-on-year, which was similar to the rate recorded in the previous quarter (12.4%) and was the eighth consecutive quarter of double-digit growth. A combination of historically low interest rates, a consistently stable economic outlook and increasing disposable income is having a favourable impact on household sentiment. Amid a revived property market, this trend is stimulating household demand for loans, and in particular for housing loans, which account for approximately three-quarters of loans to households. Credit growth is also reflected in the household debt ratio, which increased in the first quarter 2016 by 0.5 percentage point, to 35.8% of GDP.

The year-on-year increase in the outstanding amount of loans to NFCs was 7.5% in the first quarter of 2016, slightly lower than in the previous quarter (9.0%) but still above its historical average[4]. Growth in lending to NFCs was driven mainly by investment loans, which constitute more than 40% of total loans to firms and are now recording their highest growth rates for five years. The increasing appetite of firms for loans, and in particular investment-related loans, stems from the current low interest rate environment, the recent stable growth in corporate sales, and the relatively favourable economic outlook. Corporate indebtedness fell slightly in the first quarter of 2016, to 48.3% of GDP, which contributed to a moderate drop in the ratio of private sector debt to GDP, by 0.4 percentage point to 84.1%. Since the near-term outlook assumes the continuance of favourable labour market trends, stable economic growth (with an upward impact on corporate sales) and the persistence of lower interest rates, indebtedness is expected to continue increasing in the next period.

As regards the domestic credit-to-GDP$_{trend}$ gap and the standardised credit-to-GDP gap, they remained on divergent paths in the first quarter of 2016. An assessment of the credit market based on the domestic credit-to-GDP$_{trend}$ gap – derived from data on lending by banks in Slovakia to domestic households and domestic NFCs – indicates gradual overheating in the credit market. The domestic credit-to-GDP$_{trend}$ gap for the first quarter was 2.04%, therefore above the 2% threshold at which the ESRB[5] recommends increasing the countercyclical capital buffer rate (Chart 9). On the other hand, the standardised credit-to-GDP gap fell by 0.9 percentage point in the first quarter, to -3.4% (Chart 8), primarily reflecting the most volatile component of corporate debt, namely debt

[3] Loans provided by domestic banks to the household sector (S.14 and S.15) and the non-financial corporation sector (S.11) in Slovakia – source: V (NBS) 33-12.

[4] 6.6%, measured from the fourth quarter of 2003.

[5] Recommendation ESRB/2014/1.

owed to non-residents. This component is, moreover, heavily affected by intra-group funding of international NFCs[6].

Another tool for assessing the market, the Cyclogram, is also signalling a state of gradual overheating. The indicator continued to rise in the first quarter of 2016, albeit more moderately than in the fourth quarter of 2015 (Chart 10). In addition to household credit market trends, the latest rise was driven mainly by growth in loans to NFCs, a low non-performing loan ratio, rising prices of flats, and macroeconomic developments. The Cyclogram reached its highest level in the post-crisis period, a level similar to that recorded in late 2006 and one that also implied the application of a non-zero CCB rate.

Most of the above-mentioned indicators are therefore illustrating the financial cycle's growth phase, characterised not only by an expanding credit market, but also by the lower sensitivity of banks and their customers to credit risk. Hence there is an increasing likelihood of loans being provided to less creditworthy customers or of unduly large loans with looser credit standards. There is therefore a gradual build-up of conditions causal to the emergence of risks associated with cyclical developments, the provisioning for which should be undertaken at such favourable periods in the financial cycle. Increasing the CCB rate in good times will ensure that banks have the capacity to absorb credit risk losses if the situation deteriorates.

Box 1 Additional information about the setting of the countercyclical capital buffer rate

Financial and economic cycle

Given the theory behind the CCB, the rate-setting decision for the CCB is based primarily on financial cycle indicators. The principal indicator is the 'credit gap'[7] (calculated in two versions: the standardised credit-to-GDP gap and the additional domestic credit-to-GDP_{trend} gap), which is centred on growth rates in the credit market. What is therefore relevant for the countercyclical capital buffer is not the ratio of credit-to-GDP itself, but the deviation of this ratio from its long-term trend (credit-to-GDP gap). Here we may draw a parallel between the output gap and the deviation of the debt-to-GDP ratio from its long-term trend (credit-to-GDP gap). Just as the comparison of GDP per capita with that in other countries is not relevant for the interpretation of the output gap, the current indebtedness of the private sector is not relevant for the credit gap calculation.

The financial cycle in other Member States of the European Economic Area

The financial cycle is measurable with several indicators. The principal indicator, introduced by the Capital Requirements Directive IV (CRD IV) and further defined in Recommendation ESRB/2014/1, is the credit gap, which EEA countries calculate in a standardised version and an additional version. All EEA countries are subject to the same requirements in regard to the calculation and publication of these indicators and to their incorporation into the rate-setting process

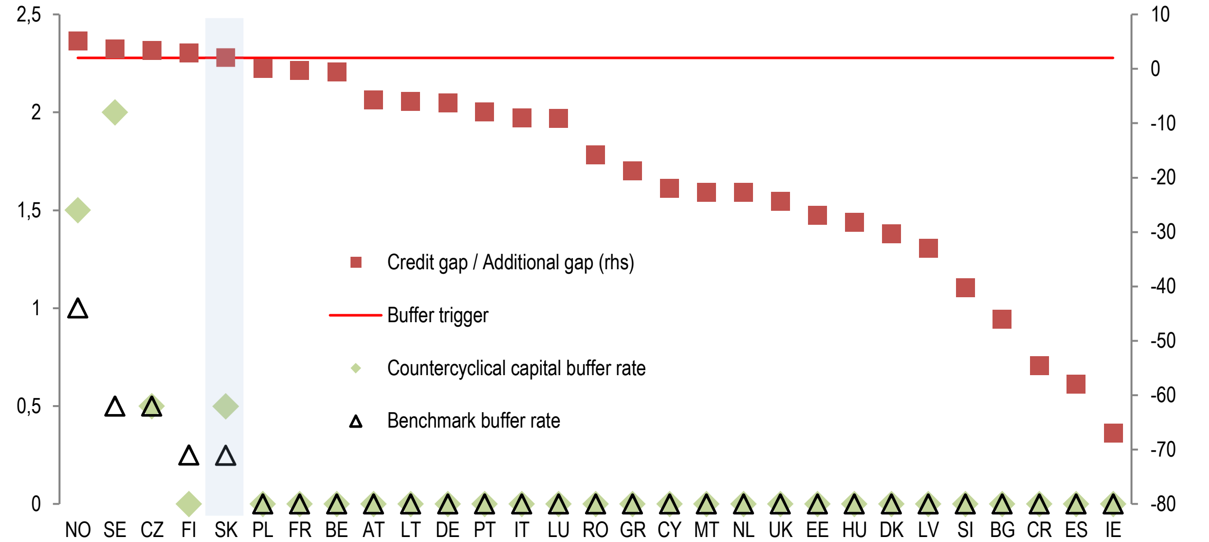
[6] For setting the countercyclical capital buffer (CCB) rate, however, it is more appropriate, for methodological reasons, to take into account a narrower concept, i.e. the domestic credit-to-GDP_{trend} gap, since that covers only banks' domestic exposures to the private sector, i.e. the exposures for which the CCB rate is set.

[7] The credit gap is defined as the deviation of the ratio of total NFC and household credit to GDP from its long-term trend.

for the countercyclical capital buffer. All EEA countries must report these values to the ESRB as a sole mandatory indicator with a single methodology. This indicator may therefore be used to compare financial cycle phases across EEA countries (Chart 1). Among countries where the credit gap has exceeded the 2% threshold for increasing the benchmark CCB rate to a non-zero level are three Scandinavian countries, the Czech Republic and Slovakia.

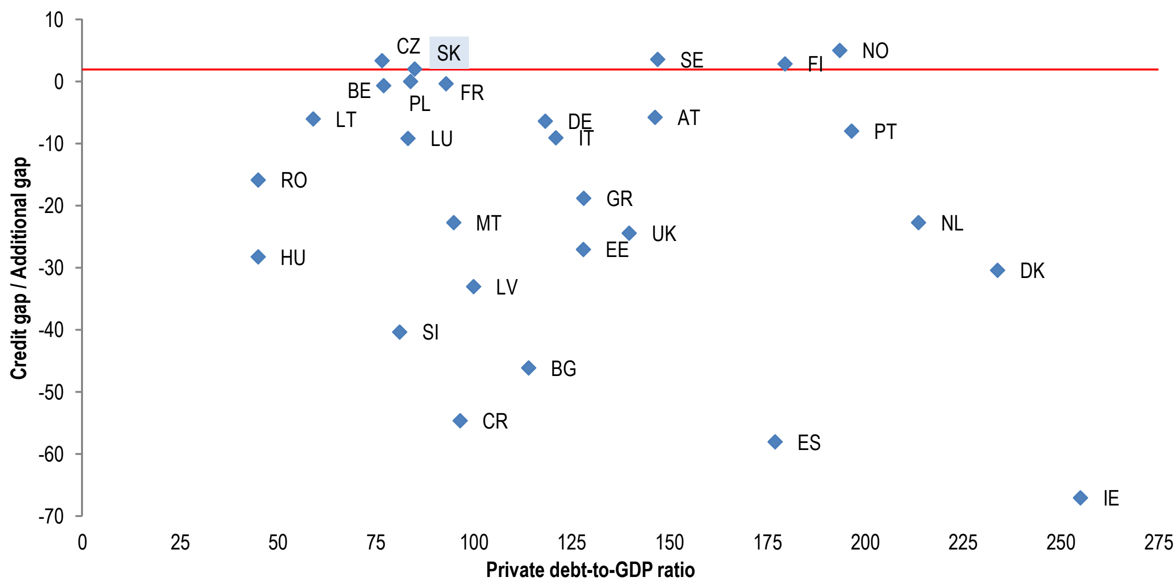
In terms of the credit gap, the principal indicator of the financial cycle, Slovakia ranks fifth in the EEA and second in the euro area. Finland ranks first in the euro area, but in contrast to Slovakia its credit gap has a downward trend.

Chart 1 The CCB rate, benchmark CCB rate and credit gap in EEA countries



Source: ESRB.
Note: The right-hand scale shows the additional credit gap for each country or the standardised credit gap for countries that do not use and publish an additional credit gap.

Chart 2 Private sector debt-to-GDP ratio and the credit gap



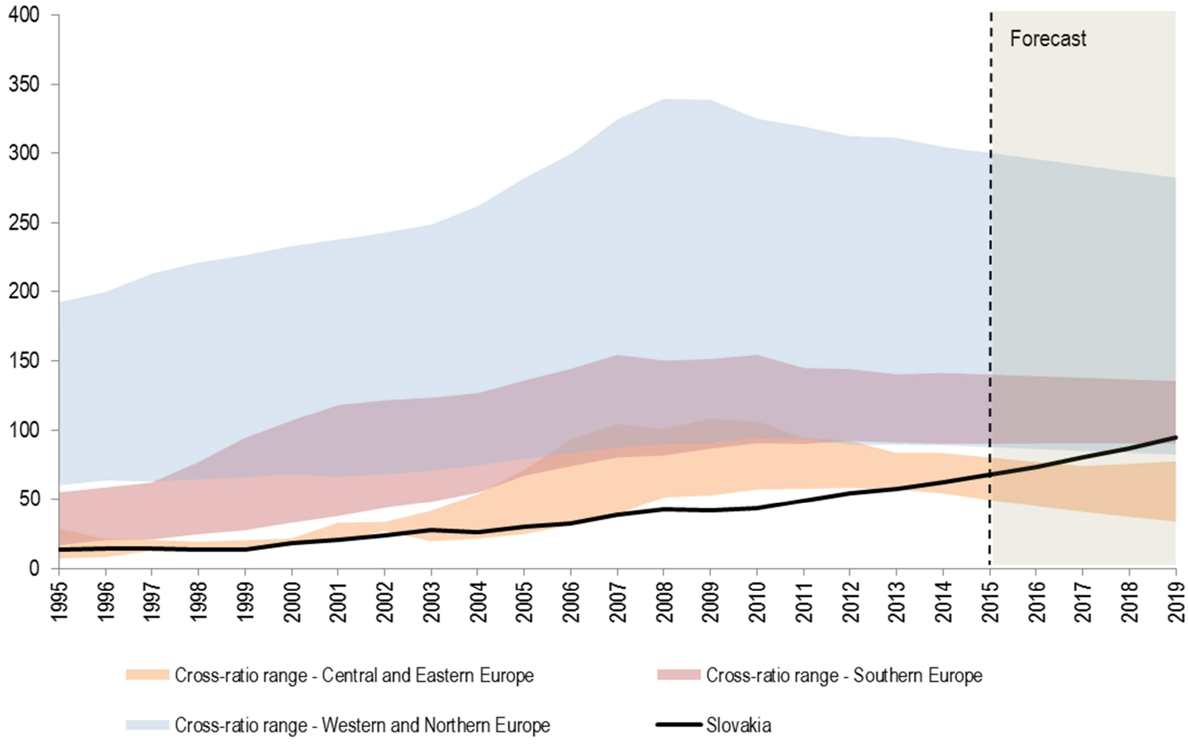
Source: ESRB.
Note: The horizontal scale shows the additional credit gap for each country or the standardised credit gap for countries that do not use and publish an additional credit gap.

No correlation can be shown between the credit gap as the key financial cycle indicator and the private sector debt-to-GDP ratio. The EEA countries are at different stages of the financial cycle regardless of current debt levels (Chart 2).

Private sector indebtedness

The debt-to-disposable income ratio of households in Slovakia is similar to that in surrounding countries and below the average for the EU15 countries (Chart 3). The indebtedness of Slovak households (measured as the ratio of debt to gross disposable income) has been increasing gradually since the end of the 1990s, having previously, in the post-1989 period, been at a low level by international standards. In the period before the financial crisis, most other EU countries were also reporting an upward trend in household debt. In the post-crisis period after 2010, however, the household debt-to-disposable income ratio fell in most EU countries, and more so in the EU15 countries, but it accelerated in Slovakia and in other central and eastern European countries. If these trends were to continue over the medium term, Slovak households could in that time become the most indebted in the region and may even exceed the household debt levels in certain EU15 countries (Germany and Austria).

Chart 3 Household debt-to-net disposable income ratio - trend and forecast

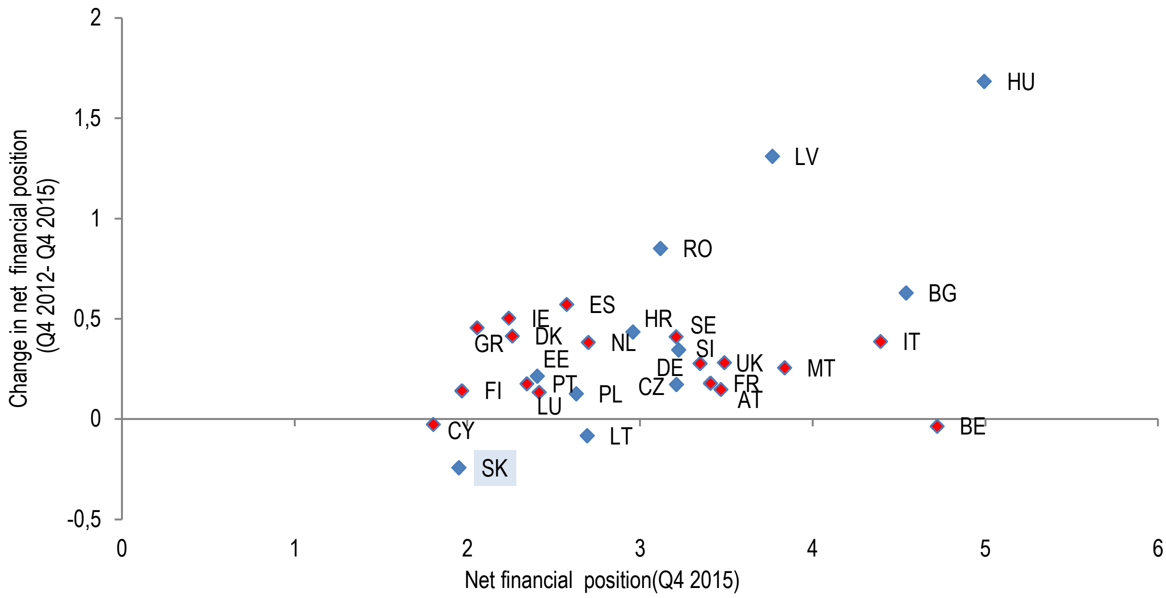


Source: OECD.
Notes: The forecast assumes that the debt growth rate will be the same as that for the past three years, i.e. 2012-2014.
Central and Eastern Europe – Czech Republic, Estonia, Hungary, Poland and Slovenia.
Southern Europe – Greece, Italy, Portugal and Spain.
Western and Northern Europe – Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Netherlands, Sweden and United Kingdom.

Another way to observe household indebtedness is by comparing households' financial assets (cash, bank deposits, fund investments, life insurance and pension accounts) and liabilities (bank and non-bank loans, other financial liabilities). As households increase their ratio of financial assets to liabilities, so too they increase their debt-servicing capacity. In all EU countries, households' financial assets exceed their liabilities despite a high average household debt-to-disposable income ratio. In the last four years, moreover, almost all EU countries have recorded stronger growth in household financial assets than in household liabilities. On this measure, Slovakia has been one of the weakest performers in the EU. For Slovak households, the ratio of financial assets to financial liabilities in December 2015 was the second lowest in the EU (above only Cyprus). Furthermore, this indicator has been falling during the last four years (Chart 4).

Although it appears from these figures that the household sector in Slovakia has a lower amount of liquid financial assets with which to cover its financial liabilities, the interpretation of this indicator is complicated by a lack of information on the distribution of financial assets and liabilities between individual households and by the higher rate of home ownership in Slovakia.

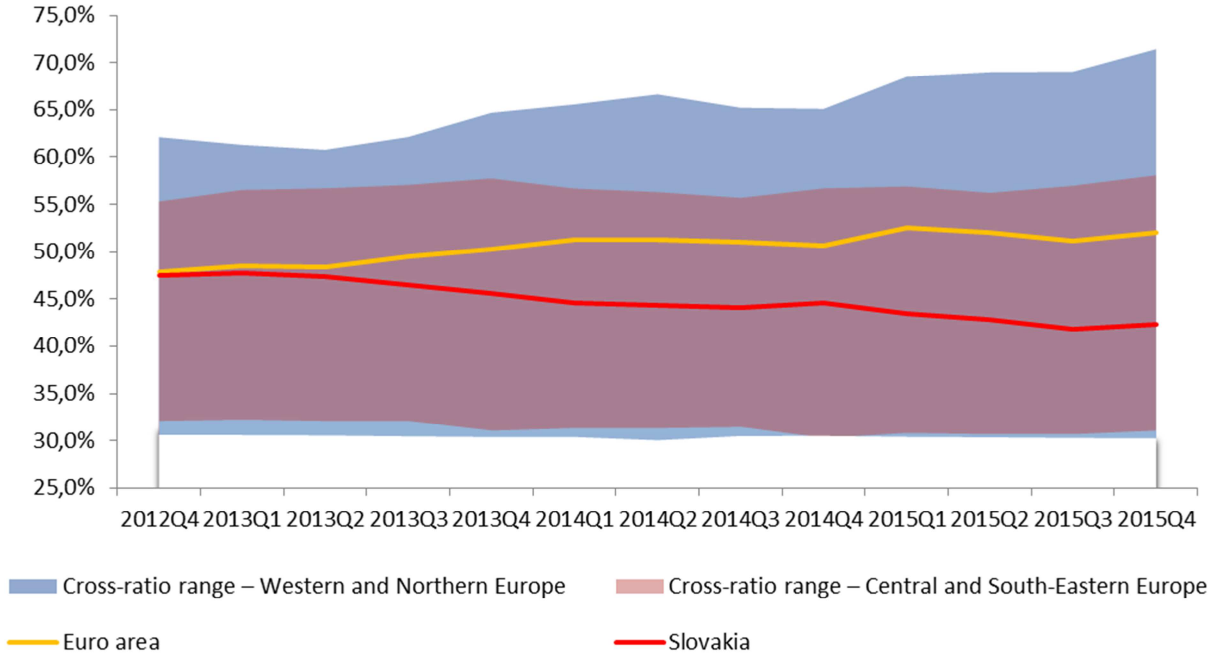
Chart 4 Net financial position of households



Source: Eurostat.
Notes: Net financial position is calculated as the ratio of household financial assets to household financial liabilities.
CEE countries are marked blue.

Increasing indebtedness is also to be observed in the non-financial corporations sector. In 2012 the ratio of own funds to total liabilities across firms in Slovakia was similar to the euro-area average, but over the past three years it has been falling gradually, while the euro-area average has increased (Chart 5). Slovak firms are more reliant on borrowings for the funding of their activities than they were three years ago. At the same time, firms in Slovakia are more indebted than firms in most other EU countries and they are the most indebted in the CEE region (at the end of 2015, only eight EU countries had a lower ratio of firms' own funds to liabilities compared with Slovakia).

Chart 5 Ratio of own funds to total liabilities for firms in Slovakia and in EU countries (percentages)



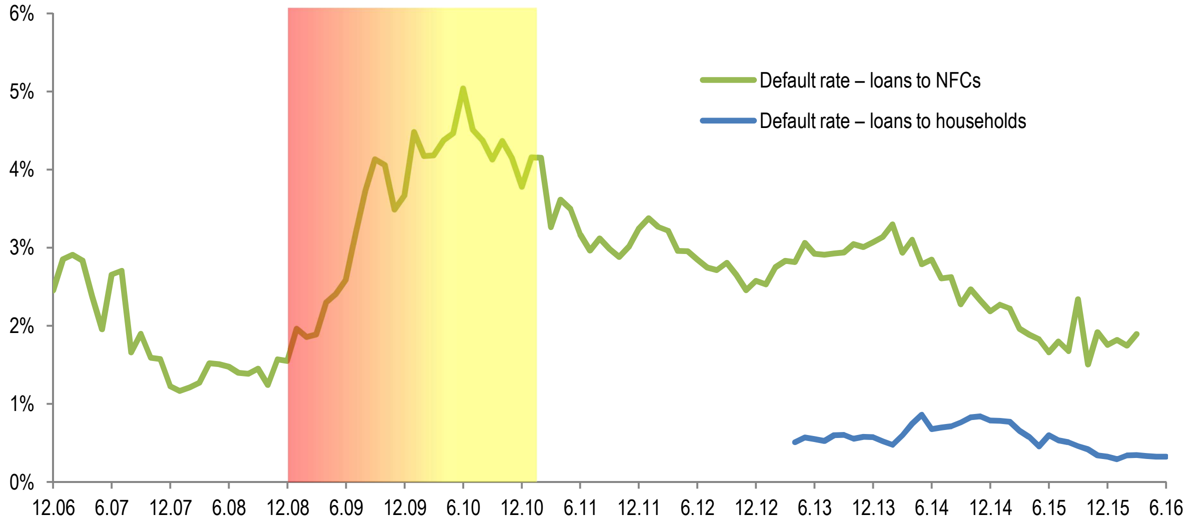
Source: Eurostat.
Notes:
Central and South-Eastern Europe – Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia and Romania.
Western and Northern Europe – Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom, Greece, Malta and Cyprus.

Non-performing loans

The ratio of non-performing loans (NPLs) to the outstanding amount of loans in the Slovak banking sector is now at its lowest level in the post-crisis period (4.85%). It is lower than the weighted average NPL ratio for the EU (5.7%) and higher than the all-time lowest NPL ratio for the Slovak banking sector (2.4%, recorded in July 2007).

Falling NPL ratios in the corporate and household loan portfolios are also consistent with declining default rates in both segments. A longer time series is available only for the non-financial corporations sector (Chart 6). As regards the financial cycle and the setting of the countercyclical capital buffer rate, both NPL and default rate trends are very important indicators, and they are also components of the Cyclogram. Their significance stems from the main purpose of the countercyclical capital buffer, i.e. to ensure that banks accumulate, during periods of economic growth, a sufficient capital base to absorb losses in stressed periods. The only criterion for assessing the suitability and effectiveness of a countercyclical capital buffer is the extent to which credit risk losses are covered by the buffer accumulated in the previous period. Since the CCB is expected to be reduced or completely released at times of increasing NPLs and increasing default rates, the CCB must be activated when NPL ratios and default rates are falling.

Chart 6 Default rates



Source: NBS.

Note: The default rate is calculated as the amount of standard loans that became impaired or non-performing within a 12-month period as a ratio of the amount of standard loans at the beginning of that period.

1.2 Excessive maturity mismatch and market illiquidity

The liquidity trends noted in previous quarters continued in the first quarter. Amid strong growth in household loans, comprising mainly housing loans, long-term assets remained on an upward path. Assets with a maturity of more than five years increased their share of total assets to 37%, despite a fall in government bond investments. On the other hand, household current account balances increased further, contributing to an increase in ratio of liabilities maturing within seven days to total liabilities (to 49%). The combination of these trends was reflected in the net 12-month liquidity position (cumulative), which fell to its second lowest ever level. At the same time as the maturity mismatch between assets and liabilities was widening, the principal source of liquid assets – government bonds – was accounting for a falling share of total assets. A favourable trend, however, from the view of the Slovak banking sector's business model, is that stable household deposits are making up an increasing (albeit short-term) component of total liabilities.

The domestic banking sector continues to be self-sufficient in liquidity. Despite strong credit growth, the aggregate loan-to-deposit ratio remained stable in the first quarter, at 83.5%.

1.3 Concentration

As regards concentration risk, the most significant change in the first quarter was an increase in the ratio of large exposures[8] to own funds, from 102% to 119%, its highest level since June 2014. The majority of banks reported an increase in this ratio, with the principal cause being increases in exposures to non-resident banks and in exposures to domestic non-financial corporations.

Aggregate exposure to lower-rated countries remains a factor. The highest such exposure is to Cyprus, but after decreasing sharply in the last quarter of 2015, it fell moderately in the first quarter of 2016, to 8.3% of own funds (from 8.7%). On the other hand, spreads on sovereign debt over German Bunds increased slightly in almost all EU countries in the first quarter, possibly indicative of

[8] A large exposure is here defined as an exposure exceeding 10% of own funds net of credit risk mitigation instruments and with the exception of exposures to government.

an overall heightening of systemic risk. In the non-financial corporations sector, credit risk trends remained favourable. In each sectoral sub-portfolio of the aggregate NFC loan book, the non-performing loan ratio maintained a downward path. The only sub-portfolio to have an NPL ratio above 10% is the construction sector, but banks' total exposure to that sector is relatively low (1.2% of total assets).

1.4 Moral hazard

The recent trends in moral hazard indicators continued in the first quarter of 2016. The concentration of total net assets increased further, up to relatively high levels. The share of domestic government bonds in banks' total assets continued to fall, and holdings of these bonds within the sector became more concentrated. The elevated concentration of liabilities in the financial system moderated somewhat, but nevertheless remains close to historical highs. The concentration of assets in the system increased again, but is quite far below its previous highest levels.

1.5 Financial infrastructure and other risks

Cumulative receipts from the special levy on financial institutions stood at more than €600 million by the end of the first quarter of 2016. The levy rate must by law remain at 0.2% until the cumulative receipts, paid into the government financial assets account, exceed €750 million. As from 1 July 2016 it is no longer permitted to use levy funds to provide support for wholly state-owned enterprises. The applicable law[9] had previously been amended to allow the use of the funds for that purpose, but was subsequently amended again to restore the status quo ante. The levy funds used for the expanded purpose comprised €20.9 million allocated as a contribution to the share capital of Slovak Restructuring Company (Slovenská reštrukturalizačná spoločnosť). A draft amendment to the statutory method for calculating the rate of the special levy was submitted for inter-institutional consultations in July 2016. It is proposed to set a fixed rate of 0.2% for the period 2017 to 2020 (with the rate to be set at 0% after 2020), where the law as it currently stands requires the rate to be reduced gradually, depending on the amount of levy receipts accumulated. This increase in the rate, in addition to mandatory contributions to the Deposit Protection Fund and the Single Resolution Fund, will have a negative impact on banks' profits and consequently on the stability of the banking sector.

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[10]. In accordance with the DGSD, the amount of contributions to the Deposit Protection Fund (DPF) in 2016 has been set in such a way that ensures the DPF's funds as at 3 July 2024 will be equivalent to 0.8% of covered deposits, while also taking account of the risk profile of financial institutions. The banking sector's total contribution to the DPF in 2016 was approximately €9.5 million, covering 0.65% of covered deposits.

Banks' contributions to the Single Resolution Fund are set by the Single Resolution Board, beginning from 2016. The contributions for 2016 totalled almost €22 million.

[9] Act 384/2011 Coll. on a special levy on selected financial institutions and amending certain laws.

[10] Further information on changes to the deposit guarantee scheme in Slovakia are provided in the following article: Šuja, R., "Ochrana vkladov, významné zmeny v ochrane vkladov na Slovensku", *Biatec*, No 10, Národná banka Slovakia, Bratislava, 2015, available online at: http://www.nbs.sk/_img/Documents/_PUBLIK_NBS_FSR/Biatec/Rok2015/10-2015/biatec_10_2015_web.pdf

2 Decisions in the area of macroprudential policy

2.1 Decision taken by NBS in the quarter under review

On 28 June 2016 the Bank Board of Národná banka Slovenska approved a preliminary Decision on the setting of the countercyclical capital buffer rate, which increases the rate from zero to 0.5% with effect from 1 August 2017. The preliminary Decision was sent for consultation to the ECB, and on 12 July 2016, after the secretariat of the ECB's Financial Stability Committee (FSC) had confirmed its agreement with it, the preliminary Decision was referred to the ECB's Governing Council in written procedure. The Governing Council did not raise any objections to the preliminary Decision and its stance was officially communicated to NBS on 19 July 2016.

The Bank Board's preliminary Decision[11] to increase the CCB rate to 0.5% was based on developments in the domestic credit-to-GDP_{trend} gap (Chart 9) and the Cyclogram (Chart 10), as well as in the indicators of excessive credit growth and leverage (table in Annex A).

NBS was from the end of 2015 publicly suggesting that a non-zero CCB rate might need to be applied if current trends in selected indicators continued. This stance was reported in previous QCMPs and in the May 2016 Financial Stability Report.

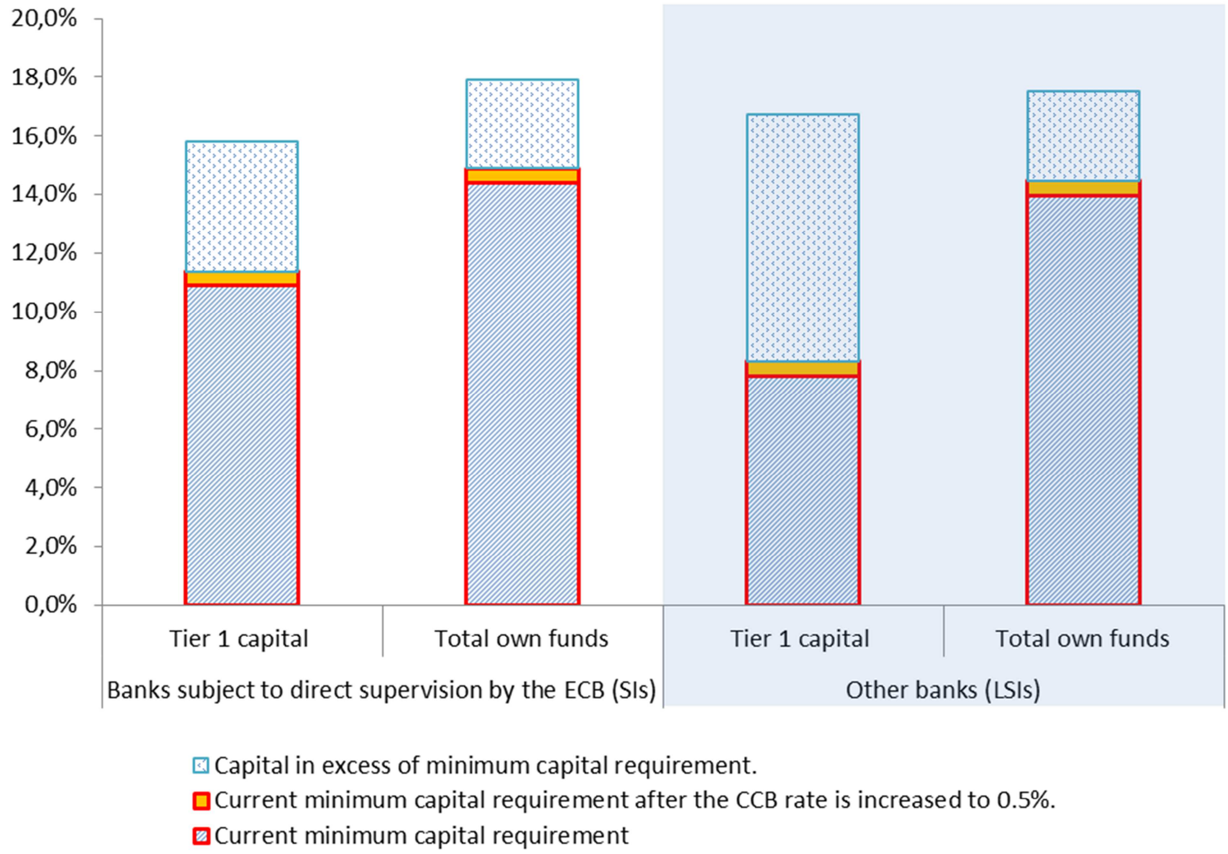
The increase in the CCB rate, which is an increase in capital requirements, will not have a significant impact on the Slovak banking sector since all banks in Slovakia have a capital ratio comfortably higher than the regulatory requirement (Chart 7). Thus the lending activity of the Slovak banking sector is not expected to be affected by the CCB rate increase. It is rather the case that the higher CCB rate is expected to increase the resilience of the Slovak banking sector at a time when there is scope to provision for future risks. In order to meet future capital requirements, however, some banks may have to retain a proportion of their earnings.

Ahead of its final approval of the Decision to increase the CCB rate, the NBS Bank Board took note of the ECB's stance on the preliminary Decision in accordance with Article 5 of the SSM Regulation[12]. The increase in the CCB rate is consistent with the expectations of the European Systemic Risk Board and the recommendations of the International Monetary Fund.

[11] http://www.nbs.sk/en/financial-market-supervision1/macroprudential-policy/macroprudential-policy-decisions

[12] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (hereinafter referred to as "the SSM Regulation".

Chart 7 Simulated impact of the CCB rate increase on the Slovak banking sector (percentages of risk-weighted assets)



Source: NBS.
Note: SIs – significant Institutions; LSIs – less significant institutions.

2.2 The current setting of instruments by NBS

On 7 October 2014 the NBS Bank Board 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[13].

As part of its regular annual review of systemically important institutions in Slovakia, NBS did not change the list of banks identified as other systemically important institutions (O-SIIs), keeping it the same as the list laid down in NBS Decision No 4/2015 of 26 May 2015. The five O-SIIs in Slovakia are subject to an O-SII buffer of 1% of risk-weighted assets from 1 January 2016. At the same time, under NBS Decision Nos 18/2016 and 19/2016 of 24 May 2016, adjustments have been made to the structure of the O-SII buffers and SRBs while maintaining the same targeted sum of the O-SII buffer

[13] http://www.nbs.sk/en/financial-market-supervision1/macroprudential-policy/current-status-of-macroprudential-instruments/current-setting-of-other-instruments-applicable-in-slovakia

and the SRB for each bank. The change was made in response to the activation of O-SII buffers for parent institutions of certain O-SIIs[14].

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. At the same time, certain related limits may be changed.

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. In this regard, NBS is considering whether to fine-tune selected instruments.

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

Based on current indicator trends, the countercyclical capital buffer rate is not expected to be increased again within the near term.

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

As at July 2016 the European Central Bank had not issued any macroprudential policy decision concerning the Slovak banking sector.

[14] Further details on the change in the buffer composition and on the reasons for the change may be found in the commentary on NBS Decision Nos 18/2016 and 19/2016, at: http://www.nbs.sk/en/financial-market-supervision1/macroprudential-policy/macroprudential-policy-decisions

Table 1 Current setting of instruments applicable in Slovakia

Macroprudential instrument	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 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%	To be increased to 0.5% since 1 August 2017.
O-SII buffer (Article 33d of the Banking Act)[15]			1%	1%	1%	To be set at the level of 1% and 2% for selected banks from 1 January 2017.
Systemic risk buffer (Article 33e of the Banking Act)[16]			0%	0%	0%	Activated since 1 January 2016, to be increased to 1% for selected banks since 1 January 2017 and to 1% - 2% since 1 January 2016.
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.

[15] 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.
[16] 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	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 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%	1%	1%	1%	1.5%	Buffer rate was increased to 1.5 % from 27 June 2016, and will be further increased 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%	1%	1%	1%	1.5%	
Countercyclical capital buffer rate for **Iceland** (Article 33j of the Banking Act)	0%	0%	0%	0%	0%	To be increased to 1 % from 1 March 2017
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 and to 1.875% since 1 January 2018.
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%	

Souce: ESRB.

Annexes

A) Selected indicators broken down by main risk categories

Excessive credit growth and leverage

	Total private debt: 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	Domestic credit 9): Credit-to-trend GDP gap	Domestic credit: year-on-year increase	- Households	- Enterprises	Domestic credit-to-GDP level	- Households	- Enterprises	Households sector: Domestic credit-to-disposable income: gap	Domestic credit-to-disposable income: level	LTV on new housing loans 1)	Housing affordability index (interest rate effect excluded)	Corporate sector: Total debt-to-trend revenues gap	Domestic credit-to-trend revenues gap	Cyclogram 2)
3.16	-3,40%	4%	11%	-1%	84%	36%	48%	2,04%	10%	12%	8%	54%	34%	20%	1%	56%	74%	113	-0,9%	0,0%	6,2
12.15	-2,51%	5%	11%	2%	85%	35%	49%	1,97%	11%	12%	9%	53%	33%	20%	1%	55%	72%	115	-0,6%	0,0%	6,1
9.15	-2,54%	4%	12%	-1%	84%	35%	49%	1,42%	9%	13%	3%	52%	33%	20%	1%	54%	71%	115	-0,6%	-0,2%	5,5
6.15	-2,46%	3%	12%	-2%	83%	34%	49%	0,92%	9%	13%	3%	52%	32%	20%	0%	52%	70%	118	-0,5%	-0,2%	5,3
3.15	-1,50%	7%	12%	4%	84%	33%	50%	0,11%	7%	13%	-1%	50%	31%	19%	0%	51%	72%	120	-0,1%	-0,5%	4,9
12.14	-1,74%	6%	12%	3%	83%	33%	50%	-0,42%	6%	12%	-2%	50%	30%	19%	0%	50%	74%	120	-0,2%	-0,8%	4,6
9.14	-0,66%	9%	10%	8%	83%	32%	51%	-0,18%	7%	11%	1%	50%	30%	20%	-1%	49%	73%	119	0,5%	-0,6%	4,4
6.14	0,08%	14%	9%	17%	83%	31%	52%	-0,66%	6%	11%	0%	49%	29%	20%	-1%	48%	73%	119	0,9%	-0,7%	4,1
3.14	-2,06%	10%	9%	10%	80%	30%	50%	-0,81%	6%	10%	0%	48%	28%	20%	-2%	47%	74%	117	0,1%	-0,7%	3,7
12.13	-1,76%	8%	9%	7%	80%	30%	50%	-1,05%	4%	9%	-3%	48%	28%	20%	-1%	46%	72%	117	0,4%	-0,8%	3,3
9.13	-2,88%	7%	9%	5%	78%	30%	48%	-0,95%	4%	9%	-2%	47%	27%	20%	-2%	45%	72%	114	-0,1%	-0,8%	3,6
6.13	-5,89%	3%	9%	0%	74%	29%	45%	-1,06%	4%	9%	-3%	47%	27%	20%	-2%	44%	72%	115	-1,3%	-0,8%	3,1
3.13	-5,79%	4%	9%	1%	74%	28%	46%	-1,01%	3%	9%	-4%	47%	26%	20%	-2%	44%	71%	113	-1,1%	-0,8%	3,1
12.12	-4,34%	5%	9%	3%	76%	28%	47%	-0,55%	3%	9%	-3%	47%	26%	21%	-1%	43%	71%	112	-0,5%	-0,7%	3,1
9.12	-4,87%	5%	8%	3%	75%	28%	47%	-0,34%	2%	9%	-5%	46%	25%	21%	-1%	43%	71%	112	-0,5%	-0,6%	3,6
6.12	-5,38%	5%	8%	3%	74%	27%	46%	-0,04%	3%	8%	-2%	46%	25%	21%	-2%	42%	73%	111	-0,7%	-0,5%	3,9
3.12	-5,26%	5%	9%	3%	73%	27%	47%	0,42%	7%	9%	4%	46%	25%	22%	-2%	41%	74%	110	-0,6%	-0,3%	4,2
12.11	-4,25%	8%	10%	7%	74%	27%	47%	1,02%	9%	10%	7%	47%	24%	22%	-1%	41%	69%	108	-0,3%	-0,1%	4,8
9.11	-3,87%	6%	11%	3%	74%	26%	48%	1,77%	9%	11%	8%	47%	24%	23%	-1%	40%	71%	107	-0,3%	0,2%	4,9
6.11	-4,50%	6%	11%	3%	73%	26%	47%	1,69%	10%	12%	8%	47%	24%	23%	-1%	39%	69%	105	-0,6%	0,1%	5,2
3.11	-3,77%	5%	12%	2%	73%	26%	47%	0,95%	7%	12%	3%	45%	23%	22%	-2%	38%	70%	103	-0,5%	-0,1%	4,7
12.10	-4,65%	3%	11%	-1%	72%	25%	46%	0,77%	6%	12%	0%	45%	23%	22%	-1%	37%	69%	106	-1,1%	-0,3%	4,2
9.10	-2,62%	1%	10%	-3%	73%	25%	48%	1,10%	4%	11%	-1%	45%	23%	22%	-1%	37%	68%	105	-0,6%	-0,2%	3,7
6.10	-2,53%	-1%	9%	-6%	72%	25%	48%	0,87%	3%	10%	-3%	45%	23%	22%	-1%	36%	67%	104	-1,1%	-0,4%	3,3
3.10	-0,80%	-1%	10%	-6%	73%	24%	49%	1,47%	2%	10%	-4%	45%	22%	23%	-1%	35%	66%	103	-1,0%	-0,4%	3,2
12.09	0,23%	3%	9%	0%	73%	24%	49%	1,39%	3%	11%	-3%	45%	22%	23%	-1%	35%	65%	103	-1,2%	-0,5%	3,0
9.09	2,66%	7%	12%	6%	74%	23%	51%	2,29%	6%	13%	0%	44%	21%	23%	-1%	34%	65%	102	-0,4%	-0,3%	4,1
6.09	2,71%	12%	16%	10%	73%	22%	50%	2,79%	9%	17%	3%	43%	20%	23%	0%	33%	65%	98	-0,3%	-0,3%	4,9
3.09	2,88%	19%	20%	18%	71%	21%	50%	3,83%	15%	22%	10%	42%	19%	23%	0%	32%	65%	92	0,2%	0,0%	6,1
12.08	-0,07%	17%	24%	14%	67%	21%	46%	4,57%	18%	25%	13%	41%	19%	22%	0%	32%	70%	85	-0,6%	0,1%	6,6
9.08	0,31%	19%	27%	16%	66%	20%	46%	5,45%	23%	28%	20%	40%	18%	22%	0%	31%	84%	79	0,0%	0,4%	7,7
6.08	0,08%	19%	28%	16%	64%	19%	45%	5,55%	24%	28%	21%	39%	17%	22%	0%	30%	90%	75	0,0%	0,5%	7,9
3.08	-1,10%	17%	28%	13%	62%	18%	44%	5,31%	26%	28%	24%	38%	16%	21%	0%	29%	91%	72	-0,4%	0,5%	7,8
12.07	-0,33%	27%	29%	26%	62%	18%	44%	5,55%	24%	28%	22%	37%	16%	21%	0%	28%	91%	74	-0,2%	0,6%	7,7
9.07	0,06%	19%	29%	16%	61%	17%	44%	4,98%	25%	27%	24%	36%	16%	20%	0%	27%	90%	81	0,0%	0,5%	8,0
6.07	0,26%	14%	30%	8%	60%	17%	44%	4,80%	23%	28%	19%	35%	15%	20%	0%	26%	90%	89	0,0%	0,5%	7,6
3.07	0,41%	18%	32%	13%	59%	16%	43%	4,01%	23%	30%	18%	34%	14%	19%	0%	25%	88%	99	0,2%	0,3%	6,8
12.06	-2,93%	21%	30%	18%	55%	16%	39%	4,52%	25%	32%	20%	34%	14%	19%	1%	25%	87%	110	-1,4%	0,5%	7,1
9.06	0,45%	28%	33%	26%	58%	15%	43%	3,65%	23%	34%	15%	32%	14%	18%	1%	23%	84%	121	0,1%	0,2%	6,1
6.06	3,77%	31%	37%	30%	60%	15%	45%	3,97%	26%	38%	20%	32%	13%	19%	1%	22%	82%	124	1,5%	0,4%	6,0
3.06	3,57%	29%	40%	26%	57%	14%	43%	3,09%	27%	40%	19%	31%	12%	18%	0%	21%	80%	124	1,4%	0,3%	5,6
12.05	-0,36%	13%	43%	5%	50%	14%	37%	2,93%	28%	41%	21%	30%	12%	18%	1%	20%	78%	124	-0,5%	0,3%	5,4
9.05	-0,08%	17%	43%	10%	50%	13%	38%	2,45%	21%	42%	11%	29%	11%	18%	1%	19%	76%	123	-0,3%	0,2%	5,0
6.05	0,38%	17%	41%	12%	50%	12%	38%	1,72%	16%	41%	4%	28%	11%	17%	1%	18%	75%	122	0,0%	0,1%	4,7
3.05	-0,28%	19%	39%	15%	48%	11%	38%	0,71%	11%	39%	-1%	27%	10%	17%	0%	16%	74%	121	-0,2%	-0,1%	3,5
12.04	0,44%	17%	38%	13%	49%	10%	38%	-0,02%	10%	38%	-1%	26%	9%	16%	0%	16%	71%		0,2%	-0,5%	3,9
9.04	0,13%				47%	10%	37%	0,72%	16%	42%	6%	26%	9%	18%	0%	15%	70%		0,0%	-0,2%	3,9
6.04	0,00%				47%	9%	38%	1,15%	19%	44%	11%	27%	8%	18%	0%	14%	69%		0,0%	0,0%	4,4
3.04	0,00%				44%	9%	36%	1,31%	17%	41%	10%	26%	8%	19%	0%	13%	69%		0,0%	0,2%	4,5
12.03	0,00%				46%	8%	38%	0,78%	12%	37%	4%	26%	7%	18%	0%	13%			0,0%	0,1%	4,0

Excessive maturity mismatch and market liquidity / **Concentration**

	Cumulative liquidity gap up to 7 days	Cumulative liquidity gap up to 30 days	Cumulative liquidity gap up to 1 year	Cumulative liquidity gap up to 2 years	Pledged securities / Total securities	Bonds maturing in next 12 months / Total bonds issued	Net foreign position (excluding foreign capital 3))	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	Exposures to countries with high or increasing spreads as a share of own funds 4): Greece	Cyprus	Loans to corporate segments with high or increasing NPL as a share of total assets 5): Construction
3.16	-39%	-39%	-46%	-42%	14%	9%	4%	119%	14%	6%	4%	1%	1%	32%	0%	8%	1%
12.15	-40%	-40%	-46%	-40%	16%	14%	4%	102%	15%	6%	4%	1%	1%	29%	0%	9%	1%
9.15	-39%	-40%	-46%	-39%	15%	16%	5%	114%	16%	5%	3%	1%	1%	28%	0%	15%	2%
6.15	-39%	-41%	-47%	-41%	14%	17%	4%	112%	17%	5%	3%	1%	1%	29%	1%	17%	2%
3.15	-38%	-39%	-46%	-42%	14%	18%	5%	107%	17%	5%	3%	1%	1%	30%	1%	17%	1%
12.14	-37%	-37%	-46%	-41%	16%	19%	4%	101%	17%	6%	3%	1%	1%	29%	1%	16%	1%
9.14	-37%	-39%	-46%	-42%	12%	16%	4%	111%	18%	5%	4%	2%	1%	31%	1%	16%	2%
6.14	-38%	-40%	-45%	-41%	11%	20%	4%	124%	18%	5%	4%	1%	1%	33%	1%	15%	2%
3.14	-36%	-38%	-45%	-40%	11%	14%	3%	105%	18%	4%	3%	2%	1%	31%	1%	14%	2%
12.13	-36%	-38%	-43%	-40%	11%	14%	4%	99%	18%	5%	3%	2%	1%	31%	1%	15%	2%
9.13	-36%	-38%	-43%	-40%	13%	9%	3%	94%	20%	5%	3%	2%	1%	34%	1%	14%	2%
6.13	-34%	-36%	-41%	-38%	15%	11%	2%	106%	21%	5%	3%	2%	1%	35%	1%	13%	2%
3.13	-31%	-33%	-40%	-36%	16%	14%	4%	109%	20%	5%	2%	2%	1%	34%	1%	14%	2%
12.12	-32%	-33%	-37%	-33%	25%	15%	5%	108%	20%	6%	1%	2%	1%	31%	1%	12%	2%
9.12	-31%	-33%	-39%	-34%	22%	15%	3%	100%	21%	6%	2%	4%	1%	34%	1%	12%	2%
6.12	-30%	-32%	-36%	-32%	22%	14%	4%	95%	21%	6%	2%	3%	1%	36%	1%	11%	2%
3.12	-29%	-32%	-36%	-32%	24%	17%	2%	90%	20%	5%	2%	4%	2%	37%	3%	10%	2%
12.11	-33%	-35%	-40%	-35%	28%	12%	2%	117%	20%	4%	4%	3%	1%	37%	13%	10%	2%
9.11	-32%	-37%	-40%	-37%	17%	14%	0%	139%	20%	5%	6%	4%	2%	38%	14%	7%	2%
6.11	-35%	-38%	-39%	-37%	17%	14%	1%	135%	20%	6%	6%	4%	2%	41%	15%	7%	2%
3.11	-34%	-38%	-39%	-35%	17%	19%	2%	110%	21%	6%	6%	4%	2%	39%	16%	10%	2%
12.10	-36%	-38%	-38%	-34%	17%	14%	4%	110%	21%	5%	5%	4%	2%	37%	18%	8%	2%
9.10	-36%	-40%	-37%	-33%	15%	16%	0%	99%	23%	5%	7%	5%	2%	38%	18%	4%	2%
6.10	-36%	-39%	-37%	-33%	26%	22%	2%	101%	23%	4%	4%	5%	3%	40%	19%	4%	2%
3.10	-36%	-37%	-40%	-34%	26%	30%	3%	111%	22%	3%	4%	5%	3%	40%	20%	4%	2%
12.09	-32%	-34%	-39%	-31%	27%	28%	2%	110%	21%	4%	4%	5%	2%	42%	0%	5%	2%
9.09	-30%	-34%	-38%	-30%	24%	22%	5%	111%	21%	6%	4%	5%	3%	43%	0%	6%	2%
6.09	-31%	-35%	-36%	-30%	25%	16%	6%	121%	19%	5%	4%	5%	3%	46%	0%	4%	2%
3.09	-29%	-32%	-35%	-30%	15%	15%	5%	146%	18%	3%	4%	5%	3%	48%	0%	3%	2%
12.08	-23%	-23%	-28%	-24%	21%	12%	-14%	164%	14%	2%	10%	10%	6%	69%			2%
9.08	-30%	-30%	-28%	-24%	7%	22%	-13%	155%	14%	1%	12%	9%	6%	112%			2%
6.08	-27%	-30%	-28%	-23%	5%	22%	-13%	168%	15%	1%	13%	10%	5%	108%			2%
3.08	-29%	-30%	-30%	-25%	4%	20%	-12%	179%	17%	1%	9%	12%	6%	111%			2%
12.07	-33%	-32%	-29%	-24%		14%	-12%		18%	1%	10%	10%	6%	105%			2%
9.07	-28%	-30%	-29%	-24%		7%	-11%		18%	1%	8%	11%	6%	107%			2%
6.07	-28%	-31%	-28%	-23%		13%	-11%		18%	1%	8%	12%	7%	110%			2%
3.07	-27%	-26%	-28%	-24%		13%	-12%		14%	1%	9%	10%	7%	114%			1%
12.06	-28%	-31%	-31%	-25%		10%	-8%		19%	1%	5%	10%	6%	113%			2%
9.06	-26%	-27%	-30%	-24%		5%	-7%		16%	1%	4%	5%	5%	126%			1%
6.06	-23%	-26%	-27%	-22%		5%	-14%		16%	1%	7%	6%	7%	131%			1%
3.06	-28%	-24%	-28%	-23%		4%	-16%		16%	0%	7%	4%	7%	110%			1%
12.05																	
9.05																	
6.05																	
3.05																	
12.04																	
9.04																	
6.04																	
3.04																	
12.03																	

Moral hazard

	Total net assets: C5	HHI	Guaranteed deposits: C5	HHI	Investments in domestic government bonds as a share of the total amount of government bonds issued: C5	HHI	Loans to retail sector (outstanding amount): C5	HHI	Total assets within financial system: C5	HHI	Total liabilities within financial system: C5	HHI
3.16	73%	1 248	75%	1 410	22%	1 857	79%	1 587	62%	908	86%	1 553
12.15	72%	1 250	75%	1 416	24%	1 739	79%	1 583	61%	1 008	87%	1 572
9.15	72%	1 237	69%	1 273	24%	1 772	79%	1 580	58%	845	89%	1 641
6.15	71%	1 231	70%	1 283	24%	1 757	79%	1 580	53%	791	87%	1 615
3.15	71%	1 230	70%	1 283	25%	1 759	79%	1 571	53%	867	86%	1 550
12.14	71%	1 221	70%	1 279	25%	1 772	79%	1 564	53%	878	86%	1 587
9.14	71%	1 226	70%	1 276	26%	1 817	80%	1 571	50%	807	84%	1 538
6.14	70%	1 218	70%	1 278	26%	1 832	80%	1 568	55%	961	83%	1 534
3.14	70%	1 205	70%	1 276	26%	1 764	80%	1 558	53%	1 038	82%	1 508
12.13	70%	1 214	70%	1 284	27%	1 788	80%	1 559	55%	987	84%	1 605
9.13	71%	1 223	73%	1 354	27%	1 771	81%	1 577	52%	980	84%	1 596
6.13	71%	1 213	73%	1 360	27%	1 689	82%	1 610	49%	857	86%	1 627
3.13	71%	1 220	73%	1 361	28%	1 824	83%	1 641	48%	783	87%	1 654
12.12	71%	1 221	73%	1 371	30%	1 797	83%	1 644	49%	750	86%	1 656
9.12	72%	1 254	73%	1 386	32%	1 848	83%	1 643	55%	882	86%	1 688
6.12	72%	1 250	73%	1 383	31%	1 827	83%	1 659	56%	905	84%	1 644
3.12	71%	1 222	73%	1 359	33%	1 734	84%	1 672	55%	853	82%	1 550
12.11	72%	1 254	73%	1 389	34%	1 777	84%	1 672	57%	914	81%	1 537
9.11	71%	1 220	75%	1 458	37%	1 766	84%	1 661	59%	882	79%	1 409
6.11	71%	1 221	75%	1 454	36%	1 746	84%	1 659	57%	905	78%	1 395
3.11	71%	1 220	75%	1 458	38%	1 789	84%	1 665	62%	1 027	78%	1 448
12.10	72%	1 237	75%	1 478	40%	1 839	84%	1 682	62%	1 077	74%	1 375
9.10	72%	1 252	75%	1 508	45%	1 844	85%	1 694	59%	942	74%	1 373
6.10	73%	1 275	76%	1 513	47%	1 808	85%	1 698	60%	1 034	75%	1 266
3.10	72%	1 265	76%	1 517	47%	1 805	85%	1 698	63%	1 168	77%	1 331
12.09	72%	1 273	77%	1 536	47%	1 909	85%	1 683	62%	1 135	74%	1 316
9.09	72%	1 266	78%	1 590	47%	1 924	85%	1 678	62%	1 050	74%	1 259
6.09	70%	1 214	76%	1 571	45%	1 891	83%	1 638	61%	1 032	66%	1 075
3.09	69%	1 187	76%	1 575	46%	1 920	82%	1 618	62%	945	65%	1 053
12.08	72%	1 197	76%	1 605	38%	1 701	82%	1 611	61%	910	71%	1 149
9.08	68%	1 090	74%	1 512	34%	1 913	82%	1 619	62%	960	69%	1 097
6.08	67%	1 083	74%	1 571	33%	2 026	82%	1 613	69%	1 095	66%	1 060
3.08	67%	1 086	74%	1 576	37%	2 071	82%	1 606	62%	982	67%	1 090
12.07	68%	1 085	75%	1 573	40%	2 306	82%	1 587	68%	1 076	65%	1 056
9.07	68%	1 075	75%	1 582	40%	2 404	82%	1 595	65%	1 005	66%	1 124
6.07	68%	1 086	75%	1 579	39%	2 366	81%	1 599	67%	1 091	70%	1 188
3.07	66%	1 065	76%	1 597	40%	2 309	81%	1 593	62%	984	64%	1 049
12.06	67%	1 127	76%	1 594	44%	2 175	81%	1 584	65%	1 035	61%	965
9.06	65%	1 096	76%	1 612	47%	2 193	81%	1 589	67%	1 063	63%	996
6.06	67%	1 110	76%	1 614	47%	2 195	81%	1 601	70%	1 204	69%	1 137
3.06	66%	1 037	76%	1 622	45%	2 050	81%	1 605	62%	954	67%	1 125
12.05	68%	1 071	75%	1 593	52%	2 377	81%	1 606	66%	1 060	67%	1 194
9.05	67%	1 094	75%	1 625	52%	2 368	81%	1 622	63%	1 022	67%	1 113
6.05	67%	1 121	75%	1 644	51%	2 052	81%	1 621	61%	1 008	68%	1 176
3.05	67%	1 104	75%	1 658	50%	1 936	81%	1 625	63%	1 048	66%	1 107
12.04	66%	1 147	75%	1 671	61%	2 065	81%	1 640	64%	1 009	63%	1 025
9.04	66%	1 136	75%	1 684	62%	2 043	81%	1 664	64%	1 196	62%	986
6.04	66%	1 178	76%	1 710	61%	2 038	81%	1 676	67%	1 125	67%	1 046
3.04	65%	1 164	77%	1 803	66%	2 088	81%	1 720	67%	1 128	62%	999
12.03												

Financial infrastructure / **Resilience of financial system**

	Coverage of covered deposits 6)	Assets from the bank levy as share of total assets 7)	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 8)	Loan-to-deposit ratio
3.16	0,6%	0,9%	-1 079	-3%	17%	16%	1,69	90%
12.15	0,7%	0,9%	988	3%	18%	17%	1,64	90%
9.15	0,6%	0,9%	-1 602	-3%	17%	16%	1,53	91%
6.15	0,6%	0,9%	807	7%	18%	16%	1,49	91%
3.15	0,6%	0,9%	-1 973	2%	17%	16%	1,58	90%
12.14	0,6%	0,8%	-2 149	12%	17%	16%	1,6	91%
9.14	0,6%	0,8%	1 602	22%	16%	17%	1,36	91%
6.14	0,6%	0,8%	-3 699	16%	16%	17%	1,36	90%
3.14	0,6%	0,7%	3 800	30%	16%	17%	1,44	89%
12.13	0,5%	0,6%	-4 258	16%	15%	17%	1,42	89%
9.13	0,5%	0,5%	-395	32%	15%	17%	1,42	89%
6.13	0,5%	0,4%	2 527	33%	15%	16%	1,46	88%
3.13	0,5%	0,3%	3 923	23%	15%	16%	1,5	87%
12.12	0,5%	0,3%	2 439	5%	13%	16%	1,51	88%
9.12	0,5%	0,2%	3 718	-8%	13%	16%	1,47	90%
6.12	0,5%	0,1%	2 779	-27%	12%	16%	1,47	89%
3.12	0,5%	0,0%	5 574	-39%	12%	15%	1,51	89%
12.11	0,5%	0,0%	-2 617	-63%	12%	13%	1,36	90%
9.11	0,4%	0,0%	3 128	-55%	13%	13%	1,36	88%
6.11	0,4%	0,0%	-2 350	-72%	13%	13%	1,35	87%
3.11	0,3%	0,0%	1 529	-63%	12%	12%	1,36	86%
12.10	0,3%	0,0%	1 140	-67%	12%	13%	1,37	85%
9.10	0,2%	0,0%	587	-74%	12%	13%	1,39	87%
6.10	0,2%	0,0%	-572	-71%	12%	13%	1,35	83%
3.10	0,1%	0,0%	54	-73%	11%	12%	1,39	86%
12.09					11%	12%	1,31	85%
9.09					11%	12%	1,30	84%
6.09					12%	12%	1,32	83%
3.09					12%	11%	1,40	83%
12.08					12%	11%	1,46	78%
9.08					13%	11%		85%
6.08					13%	12%		84%
3.08					13%	11%		83%
12.07					13%	12%		77%
9.07					14%	13%		74%
6.07					14%	13%		71%
3.07					15%	13%		73%
12.06					13%	13%		72%
9.06					16%	14%		68%
6.06					13%	14%		68%
3.06					18%	14%		66%
12.05					19%	15%		66%
9.05					21%	16%		63%
6.05					22%	17%		58%
3.05					21%	18%		56%
12.04						19%		57%
9.04						21%		54%
6.04						22%		55%
3.04						22%		56%
12.03								55%

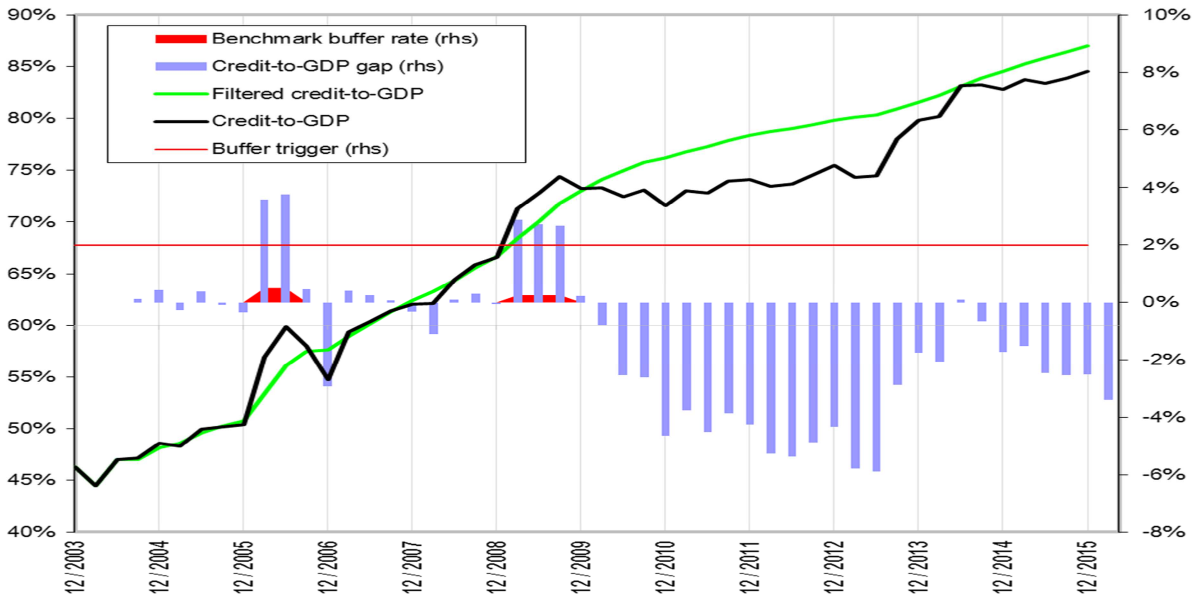
Note: The darker the colour, the greater the probability of imbalances with relevance for macroprudential policy. Gap: deviation of the respective indicator from its long-term trend. Credit-to-GDP gap: deviation of credit-to-GDP ratio from its long-term trend. C5: the overall share of the five institutions 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) Cyclogram time series are recalculated with every extension of time series for the new period, due to this fact the values of the entire time series change between respective vintages. 3) Capital: Own funds of foreign banks' subsidiaries. 4) 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. 5) Annual increase of NPL ratio by more than 1 p.p. or level of NPL ratio exceeding 10%. 6) 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. 7) 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. 8) The methodology for calculating the ratio was changed from December 2014. 9) Credit provided by domestic banks to households´sector (S.14 and S.15) and nonfinancial corporation sector (S.11) operating at the domestic market, source: V(NBS) 33-12.

B) Countercyclical capital buffer

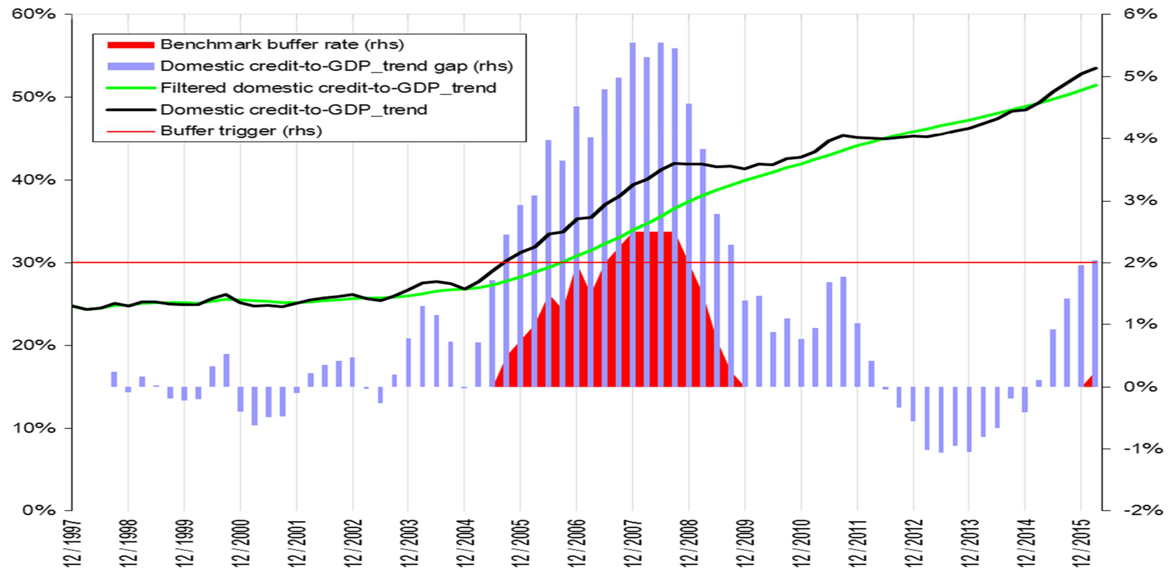
Deviation of the credit-to-GDP ratio from its long-term trend[17]

Chart 8 Credit-to-GDP gap



Source: NBS, SO SR.
Credit-to-GDP gap is estimated on outstanding amount of debt of NFCs and households.
Countercyclical capital buffer trigger values and gap values are shown on the right-hand scale.

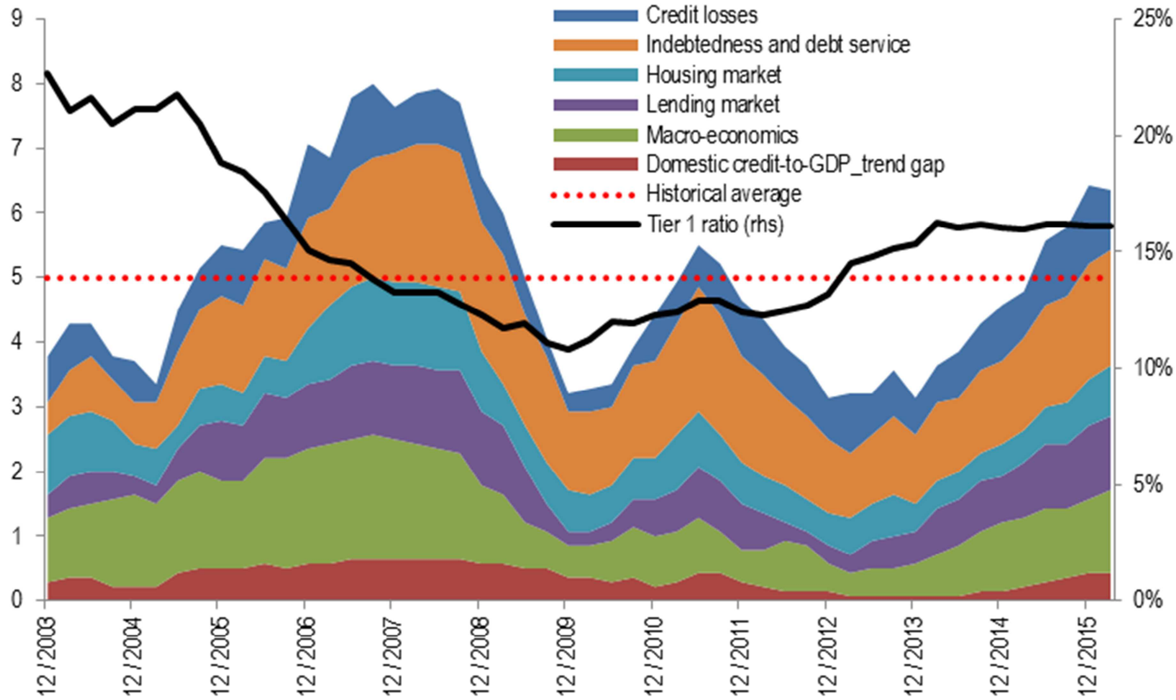
Chart 9 Domestic credit-to-GDP$_{trend}$ gap



Source: NBS, SO SR.
Countercyclical capital buffer trigger values and gap values are shown on the right-hand scale.
Domestic credit-to-GDP gap is estimated on credit provided by domestic banking sector to NFCs and households.

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

Chart 10 Cyclogram[18]



Source: NBS, SO SR and CMN.

Table 3 Buffer guide for the countercyclical capital buffer[19]

Buffer guide basis	**Buffer guide as at 31 March 2016**
Credit-to-GDP gap	0%
Domestic credit-to-GDP_{trend} gap	0.25%

Source: NBS.

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

[19] 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.