NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

Quarterly Commentary on Macroprudential Policy

April 2015

Contents

Foreword

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

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

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

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

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

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

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

[2] The intermediate objectives are set out in line with Recommendation No ESRB/2013/1 of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy.

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

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

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

The Quarterly Commentary on Macroprudential Policy (QCMP) is structured according to these objectives, pursuant to Recommendation ESRB/2013/1. Its main part is a situation analysis (based on the indicators in the annex), which is a basis for NBS decision-making. This edition of the QCMP is based mostly on data as at 31 December 2014, although the qualitative assessment also takes account of information available until the submission date of the QCMP.

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

1 Situation analysis by Národná banka Slovenska

1.1 Excessive credit growth and leverage

The credit market experienced heterogeneous trends during the last quarter of 2014, as retail lending increased sharply and corporate lending remained flat. The growth rate of the outstanding amount of all loans provided by domestic banks continued to fall short of pre-crisis levels.

The Cyclogram values (Chart 3) remained largely unchanged in the last quarter of 2014. Even though several input variables were at high levels (particularly in respect of retail lending), their effect on the overall indicator was cancelled out by developments in corporate lending (a decline in loans from both domestic banks and non-residents, and a subdued increase in the issuance of bonds), as well as by credit standards and average property prices.

Given the deleveraging in the corporate sector, the overall amount of credit did not appear excessive in relation to GDP. The negative credit-to-GDP gap widened in the fourth quarter under each of the methodologies used (Chart 1 and Chart 2).

1.2 Excessive maturity mismatch and market illiquidity

In the fourth quarter of 2014 the maturity mismatch between banks' assets and liabilities continued to reflect the impact of a strong growth trend in long-term loans to households. The mismatch did not, however, increase in comparison with the previous quarter, and the end of its widening trend was related to several factors. On the liability side, the most significant of these factors were the issuance of mortgage bonds with maturities of between two and five years and the increase in deposits from natural persons with maturities of between nine and 12 months. The mismatch in asset-liability maturities of up to one year was further moderated by long-term borrowing from the central bank and the placement of these funds on deposit in current accounts at the central bank.

Furthermore, the loan-to-deposit ratio fell moderately at the end of the year, owing to a decrease in loans to non-financial corporations (NFCs) and an increase in deposits from NFCs. The liquid asset ratio continued to decline in the last quarter of 2014, particularly in banks oriented to lending to households.

1.3 Concentration

Concentration risk remained largely unchanged during the fourth quarter of 2014, although moderate changes were observed in certain components.

The most significant trend in this regard was the banking sector's mounting exposure to Cyprus (especially to the corporate sector), while credit spreads on Cypriot sovereign debt remained at levels indicative of elevated risk. With the exception of this trend, however, the exposure of the Slovak financial sector to stressed countries is relatively low. This includes the sector's exposure to Greece (amounting to 0.75% of own funds), which in view of the quite marked increase in credit spreads on Greek debt during the fourth quarter of 2014, is positive for the stability of the Slovak sector.

The intra-group exposures of Slovak banks also increased moderately, both in gross terms (from 5.2% to 6.0% of total assets) and in net terms after deducting liabilities (from 1.6% to 2.5% of total assets).

On the other hand there continued to be a slight downward trend in the proportion of banks' portfolios taken up by Slovak government bonds, which constitute a relatively substantial concentration in the aggregate balance sheet of the Slovak banking sector.

1.4 Moral hazard

In comparison with the third quarter, no significant changes were observed in moral hazard indicators in the fourth quarter of 2014. In all areas under review, the concentration of the first three to five banks remains relatively high (Table 6), although the only historically high levels appear in the amount of total liabilities in the financial sector. It should be noted, however, that in the case of this indicator and the majority of indicators under review, no significant fluctuations occurred during the fourth quarter. The sole exception was the ratio of investment in domestic government bonds to the total amount of government bonds issued, which shows a long-running downward trend that continued in the last quarter of 2014.

1.5 Financial infrastructures and other risks

In the third and fourth quarters of 2014, banks paid contributions to the Deposit Protection Fund (DPF) at a level of 0.01% of the amount of deposits under guarantee. The level of contributions was reduced from the original 2% by a transitional provision effective from 1 August 2014. The proportion of guaranteed deposits covered by the DPF's funds was unchanged quarter-on-quarter, at around 0.60% as at December 2014. Banks were not required in the fourth quarter to pay the special levy on financial institutions, since the funds accumulated in the government financial assets account was more than €500 million as at July 2014. The result of exceeding this threshold was that the levy was reduced from 0.4% to 0.2% from the first quarter of 2015.

2 Decisions in the area of macroprudential policy

2.1 Decisions taken by NBS in the quarter under review

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

2.2 The current setting of instruments by NBS

On 7 October 2014 the Bank Board of NBS approved Recommendation No 1/2014 of Národná banka Slovenska in the area of macroprudential policy on risks related to market developments in retail lending. The central bank issued the Recommendation in response to developments in the retail loan market, after having repeatedly drawn attention to several imbalances. The Recommendation introduces a number of principles and can be found on the NBS website[4].

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

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

Introduction of capital buffers for systemically important banks

In the January 2015 QCMP Národná banka Slovenska indicated its intention to apply capital buffers for systemically important banks. These additional capital requirements for systemically important banks are due to be implemented from 1 January 2016, and are not expected to exceed 3%[5].

Draft amendments to legislation in the area of housing loans

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

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

The countercyclical capital buffer relates to all exposures. Hence, as a rule, the decision on the countercyclical capital buffer rate takes into account lending trends in all the main segments, in particular loans to non-financial corporations and loans to households. Current trends in the lending market are, however, heterogeneous, with loans to households growing strongly while loans to non-financial corporations remain flat. In the absence of any signs of a robust recovery in corporate lending, Národná banka Slovenska expects the current countercyclical capital buffer rate to be left unchanged at the next decision on its setting, due in July 2015.

[3] http://www.nbs.sk/en/financial-market-supervision/macroprudential-policy/macroprudential-policy-decisions
[4] http://www.nbs.sk/en/financial-market-supervision/macroprudential-policy/current-status-of macroprudential-instruments/current-setting-of-other-instruments-applicable-in-slovakia
[5] http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Quarterly_commentary_2015_January_EN.pdf

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

As at April 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	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Note
Macroprudential instruments applicable in Slovakia					
Capital conservation buffer (Article 33b of the Banking Act)	1.5%*	2.5%	2.5%	2.5%	
Countercyclical capital buffer rate (Article 33g of the Banking Act)		0%	0%	0%	
O-SII buffer (Article 33d of the Banking Act)					Due to be implemented from 1 January 2016
Systemic risk buffer (Article 33e of the Banking Act)					Due to be implemented from 1 January 2017
Risk-weight for exposures fully secured by mortgages for residential property (Article 124 of the CRR Regulation)	35%	35%	35%	35%	
Risk-weight for exposures fully secured by mortgages on commercial immovable property (Article 124 of the CRR Regulation)	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 Regulation)	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 Regulation)	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 Regulation)	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 Regulation)	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 Regulation)	15%	15%	15%	15%	

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

Table 2 Current setting of instruments applicable to foreign exposures

Macroprudential instrument	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Note
Macroprudential instruments applicable abroad					
Countercyclical capital buffer rate for **Sweden** (Article 33h of the Banking Act)	0%	0%	0%	0%	To be increased to 1.0% from 13 September 2015
Countercyclical capital buffer rate for other EU Member States (Article 33h of the Banking Act)	0%	0%	0%	0%	
Countercyclical capital buffer rate for **Norway** (Article 33h of the Banking Act)	0%	0%	0%	0%	To be increased to 1.0% from 1 July 2015
Countercyclical capital buffer rate for countries other than EU Member States (Article 33h and Article 33i of the Banking Act)	0%	0%	0%	0%	
Systemic risk buffer for other EU Member States (Article 33f of the Banking Act)	0%	0%	0%	0%	
Risk-weight for exposures fully secured by mortgages on residential property - other EU Member States (Article 124 of the CRR Regulation)	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** (Article 124 of the CRR Regulation)	100%	100%	100%	100%	
Risk-weight for exposures fully secured by mortgages on commercial immovable property - other EU Member States (Article 124 of the CRR Regulation)	50%	50%	50%	50%	**Romania:** scheduled increase to 100% and conditions to be tightened for application of the 50% risk weight. **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 Regulation)	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 Regulation)	15%	15%	15%	15%	

Source: ESRB.

Annexes

A) Selected indicators broken down by main risk categories

Table 3 Excessive credit growth and leverage

	12.03	3.04	6.04	9.04	12.04	3.05	6.05	9.05	12.05	3.06	6.06	9.06	12.06	3.07	6.07	9.07	12.07	3.08	6.08	9.08
Total private debt																				
Total Credit-to-trend_GDP gap	0%	0%	0%	0%	0%	-1%	0%	-1%	-1%	3%	4%	1%	-3%	2%	1%	1%	0%	-1%	0%	0%
Private debt: year-on-year increase					17%	19%	17%	17%	13%	29%	32%	28%	22%	17%	13%	19%	27%	17%	19%	19%
- Households					38%	39%	41%	42%	41%	40%	38%	34%	32%	30%	28%	27%	28%	28%	28%	27%
- Enterprises					13%	15%	12%	10%	5%	26%	30%	26%	18%	13%	8%	16%	26%	13%	16%	16%
Debt to GDP: level	46%	44%	47%	47%	49%	48%	50%	50%	50%	57%	60%	58%	55%	59%	60%	61%	62%	62%	65%	66%
- Households	8%	9%	9%	10%	10%	11%	12%	13%	13%	14%	15%	15%	16%	16%	17%	17%	18%	18%	19%	20%
- Enterprises	38%	36%	38%	37%	38%	37%	38%	38%	37%	43%	45%	43%	39%	43%	44%	44%	44%	44%	45%	46%
Domestic credit																				
Credit-to-trend_GDP gap	1%	1%	1%	1%	0%	1%	2%	3%	3%	3%	4%	4%	5%	4%	5%	6%	6%	6%	6%	6%
Loans: year-on-year increase	12%	17%	19%	16%	10%	11%	16%	21%	28%	27%	26%	23%	25%	23%	23%	25%	24%	26%	24%	23%
- Households	37%	41%	44%	42%	38%	39%	41%	42%	41%	40%	38%	34%	32%	30%	28%	27%	28%	28%	28%	28%
- Enterprises	4%	10%	11%	6%	-1%	-1%	4%	11%	21%	19%	20%	15%	20%	18%	19%	24%	22%	24%	21%	20%
Credit to GDP: level	26%	26%	25%	25%	26%	26%	27%	26%	26%	27%	28%	29%	30%	31%	32%	32%	34%	34%	35%	36%
- Households	7%	8%	8%	9%	9%	10%	10%	11%	12%	12%	13%	14%	14%	14%	15%	16%	16%	16%	17%	18%
- Enterprises	18%	19%	18%	18%	16%	17%	17%	18%	18%	18%	19%	18%	19%	19%	20%	20%	21%	21%	22%	22%
Households sector																				
Domestic credit to disposable income: gap	0%	0%	0%	0%	0%	0%	1%	1%	1%	0%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%
Domestic credit to disposable income: level	13%	13%	14%	15%	16%	16%	18%	19%	20%	21%	22%	23%	25%	25%	26%	27%	28%	29%	30%	31%
Domestic credit to disposable income: year-on-year increase	28%	30%	31%	29%	25%	27%	29%	31%	29%	28%	25%	22%	21%	19%	16%	15%	14%	15%	17%	16%
LTV on new housing loans		69%	69%	70%	71%	74%	75%	76%	78%	80%	82%	84%	87%	88%	90%	90%	91%	91%	90%	84%
Housing affordability index						129	136	135	142	144	136	133	123	113	103	94	88	84	87	90
Corporate sector																				
Total debt to revenues trend: gap	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	2%	0%	-1%	0%	0%	0%	0%	0%	0%	0%
Domestic credit to revenues trend: gap	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%	0%

	12.08	3.09	6.09	9.09	12.09	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14	12.14
Total private debt																									
Total Credit-to-trend_GDP gap	-1%	-1%	-3%	-4%	-7%	-4%	-8%	-7%	-8%	-7%	-7%	-6%	-6%	-7%	-7%	-6%	-6%	-7%	-7%	-4%	-5%	-4%	-2%	-2%	-3%
Private debt: year-on-year increase	17%	19%	12%	7%	3%	-1%	-1%	1%	3%	5%	6%	6%	8%	5%	5%	5%	5%	4%	4%	7%	5%	8%	12%	7%	7%
- Households	24%	20%	16%	12%	9%	10%	9%	10%	11%	12%	11%	11%	10%	9%	8%	8%	9%	8%	8%	9%	9%	10%	10%	10%	12%
- Enterprises	14%	18%	10%	6%	0%	-6%	-6%	-3%	-1%	2%	3%	3%	7%	3%	3%	3%	3%	2%	1%	6%	3%	7%	13%	5%	4%
Debt to GDP: level	67%	71%	73%	74%	73%	73%	73%	73%	72%	73%	73%	74%	74%	74%	74%	75%	76%	75%	75%	79%	78%	79%	82%	83%	82%
- Households	21%	21%	23%	23%	24%	24%	25%	25%	25%	26%	26%	27%	27%	27%	27%	28%	28%	28%	29%	30%	30%	31%	31%	32%	33%
- Enterprises	46%	50%	50%	51%	49%	49%	48%	48%	46%	47%	47%	48%	48%	47%	47%	47%	48%	46%	46%	49%	48%	49%	51%	51%	49%
Domestic credit																									
Credit-to-trend_GDP gap	5%	5%	3%	3%	1%	1%	0%	0%	0%	0%	1%	1%	0%	-1%	-1%	-2%	-2%	-2%	-3%	-2%	-3%	-2%	-2%	-2%	-2%
Loans: year-on-year increase	18%	15%	9%	6%	3%	2%	3%	4%	6%	7%	10%	9%	9%	7%	3%	2%	3%	3%	4%	4%	4%	6%	6%	7%	6%
- Households	25%	22%	17%	13%	11%	10%	10%	11%	12%	12%	12%	11%	10%	9%	8%	9%	9%	9%	9%	9%	9%	10%	11%	11%	12%
- Enterprises	13%	10%	3%	0%	-3%	-4%	-3%	-1%	0%	3%	8%	8%	7%	4%	-2%	-5%	-3%	-4%	-3%	-2%	-3%	0%	0%	1%	-2%
Credit to GDP: level	37%	38%	39%	40%	41%	42%	43%	44%	45%	45%	45%	45%	45%	46%	47%	47%	47%	47%	46%	46%	47%	47%	47%	48%	48%
- Households	19%	19%	20%	21%	22%	22%	23%	23%	23%	23%	24%	24%	25%	25%	25%	25%	26%	26%	27%	27%	28%	28%	29%	30%	31%
- Enterprises	22%	23%	23%	23%	23%	23%	22%	22%	22%	22%	23%	23%	22%	22%	21%	21%	21%	20%	20%	20%	20%	20%	20%	20%	19%
Households sector																									
Domestic credit to disposable income: gap	0%	0%	0%	0%	-1%	-1%	-1%	-1%	-1%	-2%	-1%	-1%	-1%	-2%	-2%	-1%	-1%	-2%	-2%	-2%	-1%	-2%	-1%	-1%	0%
Domestic credit to disposable income: level	32%	32%	33%	34%	35%	35%	36%	37%	37%	38%	39%	40%	40%	41%	42%	43%	43%	44%	44%	45%	46%	47%	48%	49%	50%
Domestic credit to disposable income: year-on-year increase	14%	12%	10%	9%	9%	9%	8%	8%	8%	7%	8%	7%	8%	7%	7%	8%	7%	8%	7%	6%	6%	7%	8%	8%	8%
LTV on new housing loans	70%	65%	65%	65%	65%	66%	67%	68%	69%	70%	69%	71%	69%	74%	73%	71%	71%	71%	72%	72%	72%	74%	73%	73%	74%
Housing affordability index	95	105	114	119	125	128	129	131	137	134	136	137	137	143	141	147	145	152	152	159	163	169	181	186	195
Corporate sector																									
Total debt to revenues trend: gap	-1%	0%	0%	-1%	-1%	-1%	-2%	-1%	-2%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-2%	0%	-1%	-1%	0%	0%	0%
Domestic credit to revenues trend: gap	0%	0%	0%	0%	-1%	0%	-1%	0%	-1%	0%	0%	0%	0%	0%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%

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

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

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

Table 4 Excessive maturity mismatch and market illiquidity

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

	12.09	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14	12.14
Cummulative liquidity gap of up to 7 days	-32%	-36%	-36%	-36%	-36%	-34%	-35%	-32%	-33%	-29%	-30%	-31%	-32%	-31%	-34%	-36%	-36%	-36%	-38%	-37%	-37%
Cummulative liquidity gap of up to 30 days	-34%	-37%	-39%	-40%	-39%	-38%	-38%	-37%	-35%	-32%	-32%	-33%	-33%	-33%	-36%	-38%	-38%	-38%	-40%	-39%	-37%
Cummulative liquidity gap of up to 1 year	-39%	-40%	-37%	-37%	-38%	-39%	-39%	-40%	-40%	-36%	-36%	-39%	-37%	-40%	-41%	-43%	-43%	-45%	-45%	-46%	-46%
Cummulative liquidity gap of up to 2 years	-31%	-34%	-33%	-33%	-34%	-35%	-37%	-37%	-35%	-32%	-32%	-34%	-33%	-36%	-38%	-40%	-40%	-40%	-41%	-42%	-41%
Pledged securities / Total securities	27%	26%	26%	15%	17%	17%	17%	17%	28%	24%	22%	22%	25%	16%	15%	13%	11%	11%	11%	12%	16%
Bonds maturing in following 12 months	28%	30%	22%	16%	14%	19%	14%	14%	12%	17%	14%	15%	15%	14%	11%	9%	14%	14%	20%	16%	19%
Net foreign position (excluding foreign capital*)	2%	3%	2%	0%	2%	2%	1%	0%	2%	2%	4%	3%	5%	4%	2%	3%	4%	3%	4%	4%	4%

*Capital: Own funds of foreign banks´ subsidiaries

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

Table 5 Concentration

	3.06	6.06	9.06	12.06	3.07	6.07	9.07	12.07	3.08	6.08	9.08	12.08	3.09	6.09	9.09	12.09
Large exposures (total) as a share of own funds									179%	168%	155%	164%	146%	121%	111%	110%
Exposures to the Slovak Republic as a share of total assets	16%	16%	16%	19%	14%	18%	18%	18%	17%	15%	14%	14%	18%	19%	21%	21%
Assets from own financial group as a share of total assets	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	3%	5%	6%	4%
Liabilities to own financial group as a share of total assets	7%	7%	4%	5%	9%	8%	8%	10%	9%	13%	12%	10%	4%	4%	4%	4%
Assets fair-valued through profit and loss	4%	6%	5%	10%	10%	12%	11%	10%	12%	10%	9%	10%	5%	5%	5%	5%
Liabilities fair-valued through profit and loss	7%	7%	5%	6%	7%	7%	6%	6%	6%	5%	6%	6%	3%	3%	3%	2%
Nominal value of derivatives as a share of total assets	110%	131%	126%	113%	114%	110%	107%	105%	111%	108%	112%	69%	48%	46%	43%	42%
Exposures to countries with high or increasing spreads*, as a share of own funds																
Greece													0%	0%	0%	0%
Cyprus													3%	4%	6%	5%
Loans to corporate segments with a high or increasing NPL ratio, as a share of own funds																
Construction	1%	1%	1%	2%	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Commercial real estate	2%	2%	3%	3%	3%	4%	4%	4%	4%	4%	4%	5%	6%	6%	6%	6%
Wholesale and retail trade	4%	4%	5%	5%	5%	5%	5%	6%	6%	6%	6%	6%	7%	6%	6%	6%
Industry	6%	6%	6%	6%	7%	7%	7%	6%	7%	7%	6%	6%	7%	7%	6%	6%

	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14	12.14
Large exposures (total) as a share of own funds	111%	101%	99%	110%	110%	135%	139%	117%	90%	95%	100%	108%	109%	106%	94%	99%	105%	124%	111%	101%
Exposures to the Slovak Republic as a share of total assets	22%	23%	23%	21%	21%	20%	20%	20%	20%	21%	21%	20%	20%	21%	20%	18%	18%	18%	18%	17%
Assets from own financial group as a share of total assets	3%	4%	5%	5%	6%	6%	5%	4%	5%	6%	6%	6%	5%	5%	5%	5%	4%	5%	5%	6%
Liabilities to own financial group as a share of total assets	4%	4%	7%	5%	6%	6%	6%	4%	2%	2%	2%	1%	2%	3%	3%	3%	3%	4%	4%	3%
Assets fair-valued through profit and loss	5%	5%	5%	4%	4%	4%	4%	3%	4%	3%	4%	2%	2%	2%	2%	2%	2%	1%	2%	1%
Liabilities fair-valued through profit and loss	3%	3%	2%	2%	2%	2%	2%	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Nominal value of derivatives as a share of total assets	40%	40%	38%	37%	39%	41%	38%	37%	37%	36%	34%	31%	34%	35%	34%	31%	31%	33%	31%	29%
Exposures to countries with high or increasing spreads*, as a share of own funds																				
Greece	20%	19%	18%	18%	16%	15%	14%	13%	3%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Cyprus	4%	4%	4%	8%	10%	7%	7%	10%	10%	11%	12%	12%	14%	13%	14%	15%	14%	15%	16%	16%
Loans to corporate segments with a high or increasing NPL ratio, as a share of own funds																				
Construction	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%
Commercial real estate	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	5%	6%	6%	6%	6%	5%	5%	5%	5%	5%
Wholesale and retail trade	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	4%	4%
Industry	6%	6%	6%	5%	5%	6%	5%	6%	5%	5%	5%	5%	5%	5%	4%	4%	4%	4%	4%	4%

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

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

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

Table 6 Moral hazard

		3.04	6.04	9.04	12.04	3.05	6.05	9.05	12.05	3.06	6.06	9.06	12.06	3.07	6.07	9.07	12.07
Total net assets	C5	65%	66%	66%	66%	67%	67%	67%	68%	66%	67%	65%	67%	66%	68%	68%	68%
	HHI	1,164	1,178	1,136	1,147	1,104	1,121	1,094	1,071	1,037	1,110	1,096	1,127	1,065	1,086	1,075	1,085
Guaranteed deposits	C5	77%	76%	75%	75%	75%	75%	75%	75%	76%	76%	76%	76%	76%	75%	75%	75%
	HHI	1,803	1,710	1,684	1,671	1,658	1,644	1,625	1,593	1,622	1,614	1,612	1,594	1,597	1,579	1,582	1,573
Investments in domestic government bonds as a share of the total amount of domestic government bonds issued	C5	66%	61%	62%	61%	50%	51%	52%	52%	45%	47%	47%	44%	40%	39%	40%	40%
	HHI	2,088	2,038	2,043	2,065	1,936	2,052	2,368	2,377	2,050	2,195	2,193	2,175	2,309	2,366	2,404	2,306
Loans provided to retail sector (outstanding amount)	C5	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	82%	82%
	HHI	1,720	1,676	1,664	1,640	1,625	1,621	1,622	1,606	1,605	1,601	1,589	1,584	1,593	1,599	1,595	1,587
Total assets within financial system	C5	67%	67%	64%	64%	63%	61%	63%	66%	62%	70%	67%	65%	62%	67%	65%	68%
	HHI	1,128	1,125	1,196	1,009	1,048	1,008	1,022	1,060	954	1,204	1,063	1,035	984	1,091	1,005	1,076
Total liabilities within financial system	C5	62%	67%	62%	63%	66%	68%	67%	67%	67%	69%	63%	61%	64%	70%	66%	65%
	HHI	999	1,046	986	1,025	1,107	1,176	1,113	1,194	1,125	1,137	996	965	1,049	1,188	1,124	1,056

		3.08	6.08	9.08	12.08	3.09	6.09	9.09	12.09	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11
Total net assets	C5	67%	67%	68%	72%	69%	70%	72%	72%	72%	73%	72%	72%	71%	71%	71%	72%
	HHI	1,086	1,083	1,090	1,197	1,187	1,214	1,266	1,273	1,265	1,275	1,252	1,237	1,220	1,221	1,220	1,254
Guaranteed deposits	C5	74%	74%	74%	76%	76%	76%	78%	77%	76%	76%	75%	75%	75%	75%	75%	73%
	HHI	1,576	1,571	1,512	1,605	1,575	1,571	1,590	1,536	1,517	1,513	1,508	1,478	1,458	1,454	1,458	1,389
Investments in domestic government bonds as a share of the total amount of domestic government bonds issued	C5	37%	33%	34%	38%	46%	45%	47%	47%	47%	47%	45%	40%	38%	36%	37%	34%
	HHI	2,071	2,026	1,913	1,701	1,920	1,891	1,924	1,909	1,805	1,808	1,844	1,839	1,789	1,746	1,766	1,777
Loans provided to retail sector (outstanding amount)	C5	82%	82%	82%	82%	82%	83%	85%	85%	85%	85%	85%	84%	84%	84%	84%	84%
	HHI	1,606	1,613	1,619	1,611	1,618	1,638	1,678	1,683	1,698	1,698	1,694	1,682	1,665	1,659	1,661	1,672
Total assets within financial system	C5	62%	69%	62%	61%	62%	61%	62%	62%	63%	60%	59%	62%	62%	57%	59%	57%
	HHI	982	1,095	960	910	945	1,032	1,050	1,135	1,168	1,034	942	1,077	1,027	905	882	914
Total liabilities within financial system	C5	67%	66%	69%	71%	65%	66%	74%	74%	77%	75%	74%	74%	78%	78%	79%	81%
	HHI	1,090	1,060	1,097	1,149	1,053	1,075	1,259	1,316	1,331	1,266	1,373	1,375	1,448	1,395	1,409	1,537

		3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14	12.14
Total net assets	C5	71%	72%	72%	71%	71%	71%	71%	70%	70%	70%	71%	71%
	HHI	1,222	1,250	1,254	1,221	1,220	1,213	1,223	1,214	1,205	1,218	1,226	1,221
Guaranteed deposits	C5	73%	73%	73%	73%	73%	73%	73%	70%	70%	70%	70%	70%
	HHI	1,359	1,383	1,386	1,371	1,361	1,360	1,354	1,284	1,276	1,278	1,276	1,279
Investments in domestic government bonds as a share of the total amount of domestic government bonds issued	C5	33%	31%	32%	30%	28%	27%	27%	27%	26%	26%	26%	25%
	HHI	1,734	1,827	1,848	1,797	1,824	1,689	1,771	1,788	1,764	1,832	1,817	1,772
Loans provided to retail sector (outstanding amount)	C5	84%	83%	83%	83%	83%	82%	81%	80%	80%	80%	80%	79%
	HHI	1,672	1,659	1,643	1,644	1,641	1,610	1,577	1,559	1,558	1,568	1,571	1,564
Total assets within financial system	C5	55%	56%	55%	49%	48%	49%	52%	55%	53%	55%	50%	53%
	HHI	853	905	882	750	783	857	980	987	1,038	961	807	878
Total liabilities within financial system	C5	82%	84%	86%	86%	87%	86%	84%	84%	82%	83%	84%	86%
	HHI	1,550	1,644	1,688	1,656	1,654	1,627	1,596	1,605	1,508	1,534	1,538	1,587

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-Hirschmanov index

In the case of the third indicator, C5 expresses the overall share of investments in domestic government bonds for the five banks that have the largest shares in the total amount of domestic government bonds issued.

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

Table 7 Financial infrastructure

	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14	12.14
Coverage of guaranteed deposits	0.1%	0.2%	0.2%	0.3%	0.3%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%
Assets from the bank levy as share of total assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.3%	0.3%	0.4%	0.5%	0.6%	0.7%	0.8%	0.8%	0.8%
Change in TARGET2 balance of the Slovak Republic (EUR millions)	54	-572	587	1,140	1,529	-2,350	3,128	-2,617	5,574	2,779	3,718	2,439	3,923	2,527	-395	-4,256	3,800	-3,699	1,602	-2,149
TARGET2 balance of the Slovak Republic as a ratio to NBS assets	-73%	-71%	-74%	-67%	-63%	-72%	-55%	-63%	-39%	-27%	-8%	5%	23%	33%	32%	16%	30%	16%	22%	12%

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

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

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

Table 8 Resilience of the financial system

	12.03	3.04	6.04	9.04	12.04	3.05	6.05	9.05	12.05	3.06	6.06	9.06	12.06	3.07	6.07	9.07	12.07	3.08	6.08	9.08	12.08
CET1 ratio						21%	22%	21%	19%	18%	18%	16%	15%	15%	14%	14%	13%	13%	13%	13%	12%
Own funds ratio		22%	22%	21%	19%	18%	17%	16%	15%	14%	14%	14%	13%	13%	13%	13%	12%	11%	12%	11%	11%
Liquid asset ratio*																					1.457
Loan-to-deposit ratio	55%	56%	55%	54%	57%	56%	58%	63%	66%	66%	68%	68%	72%	73%	71%	74%	77%	83%	84%	85%	78%

	3.09	6.09	9.09	12.09	3.10	6.10	9.10	12.10	3.11	6.11	9.11	12.11	3.12	6.12	9.12	12.12	3.13	6.13	9.13	12.13	3.14	6.14	9.14	12.14
CET1 ratio	12%	12%	11%	11%	11%	12%	12%	12%	12%	13%	13%	12%	12%	12%	13%	13%	15%	15%	15%	15%	16%	16%	16%	17%
Own funds ratio	11%	12%	12%	12%	12%	13%	13%	13%	12%	13%	13%	13%	15%	16%	16%	16%	16%	16%	17%	17%	17%	17%	17%	16%
Liquid asset ratio*	1.4	1.32	1.3	1.31	1.39	1.35	1.39	1.369	1.36	1.35	1.36	1.356	1.51	1.47	1.47	1.51	1.5	1.46	1.42	1.42	1.44	1.36	1.36	1.60
Loan-to-deposit ratio	83%	83%	84%	85%	86%	83%	87%	85%	86%	87%	88%	90%	89%	89%	90%	88%	87%	88%	89%	89%	89%	90%	91%	91%

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

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

B) Countercyclical capital buffer

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

Chart 1 Credit-to-GDP

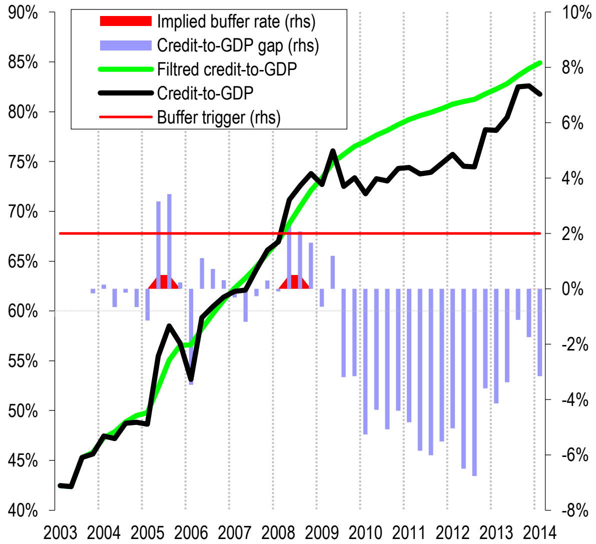
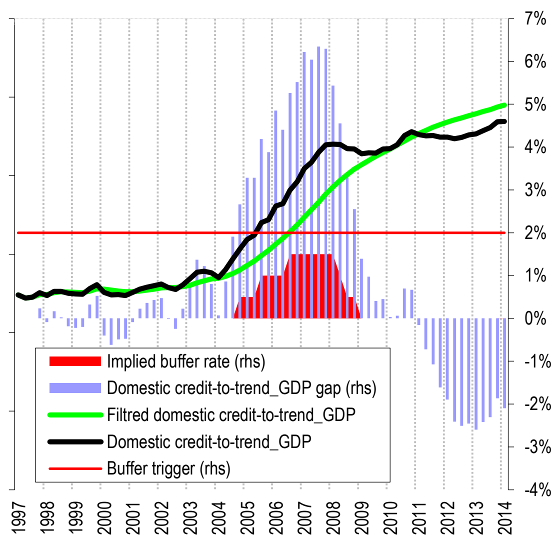


Chart 2 Domestic credit-to-trend_GDP

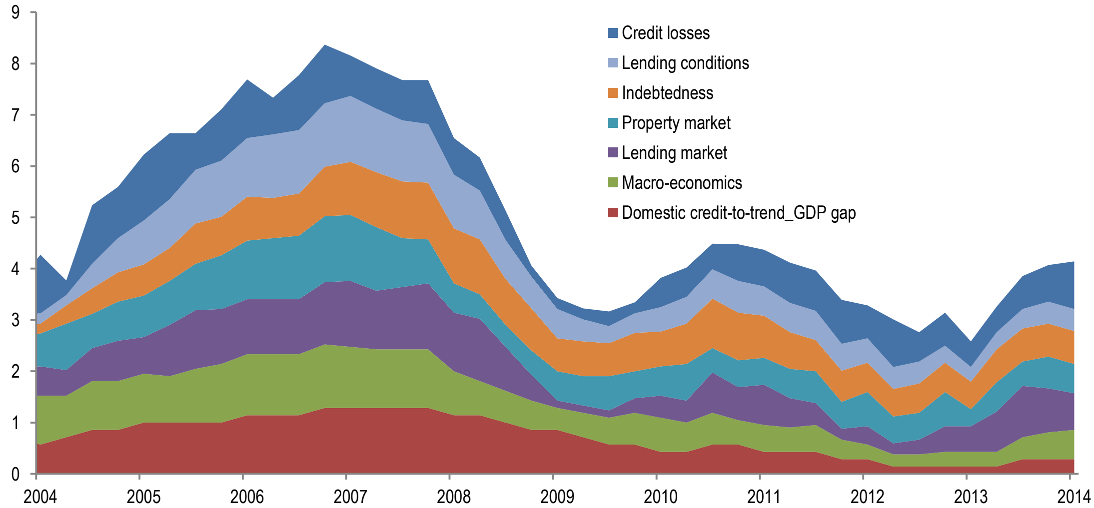


Countercyclical capital buffer trigger values and gap values are shown on the right-hand scale.
Source: NBS, SO SR.
Implied buffer rate is calculated according to the ESRB recommendation 2014/1

Buffer guide for the countercyclical capital buffer[7]

Buffer guide basis	**Buffer guide as at 31 December 2014**
Credit-to-GDP gap	0%
Domestic credit-to-trend GDP_gap	0%

Chart 3 Cyclogram[8]



Source: NBS, SO SR, CMN.

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