Quarterly Commentary on Macroprudential Policy

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SUMMARY OF THE NBS BANK BOARD'S DECISION

ON THE SETTING OF THE COUNTERCYCLICAL CAPITAL BUFFER RATE

Buffer rate reduced further	• The Slovak economy contracted sharply in the first quarter of 2020 • In the banking sector, the coronavirus crisis has resulted in higher loan loss provisioning, lower profitability, and a tightening of credit standards • The measures adopted so far have mitigated the negative effects of the crisis Once the measures have expired, it is expected that the crisis headwinds will pick up and that loan delinquency will increase
Buffer rate decision	• The buffer rate will be reduced from 1.50% to 1.00% as from 1 August 2020
The financial cycle	• The financial cycle slowdown has so far been limited in extent, due in part to adopted measures • Credit losses and corporate sector developments have been contributing to the slowdown • In the period ahead, the Cyclogram indicator is expected to decline owing to risk materialisation and the dampening of economic and financial trends
Outlook for the next quarter	• If banks' provisioning continues to increase, NBS will further reduce the buffer rate with immediate effect

CONTENTS

Introduction

The purpose of the Quarterly Commentary on Macroprudential Policy (QCMP) is to monitor current developments in the financial market – focusing mainly on the credit market – and to evaluate systemic risk trends related to these developments. In this edition of the QCMP, the quantitative and qualitative assessment is based on the information available for the first quarter of 2020, as well as information available by the end of June 2020. The Bank Board of Národná banka Slovenska (NBS) regularly refers to the QCMP when taking its quarterly decision on the setting of the countercyclical capital buffer (CCyB) rate. The QCMP's analytical assessment may also be referred to for decisions on activating or changing other macroprudential policy instruments. The document is divided into three parts:

(i) a brief analysis and evaluation of the most significant systemic-risk-related developments which occurred during the quarter under review;
(ii) the current setting of, and any changes to, macroprudential policy instruments, including the latest decision on the setting of the CCyB rate;
(iii) annexes.

Slovakia is currently facing the challenge of the coronavirus (COVID-19) pandemic. After having a major impact on the Slovak economy, the crisis is gradually starting to affect the domestic financial sector as well. This sector has not yet felt the full impact of the crisis because the spillover of negative effects from the real economy has been gradual and because crisis relief measures have been adopted. This does not mean, however, that the financial sector will avoid the repercussions of the crisis. These may become more pronounced following the expiry of the measures, in particular the measure allowing borrowers to defer their loan repayments. In this context, it is positive to note that banks began increasing their loan loss provisioning as soon as the crisis broke out, so that they may be better able to cope with any future increase in loan delinquency. The building-up of adequate capital buffers in the pre-crisis period is therefore shown to have been a sensible move that has increased the banking sector's shock-absorption capacity and mitigated the adverse effects of the current crisis on the financial market. Národná banka Slovenska is taking a proactive approach to this situation and seeks to guide the banking sector safely through the current turbulence, with the aim of ensuring that the financial sector's crisis-related losses are as low as possible. It is in this context that NBS has now decided on a further reduction in the countercyclical capital buffer, as a response to the most recent developments in the economy and financial market.

1 Assessment of trends in Q1 2020

Besides its other effects, the coronavirus crisis has been taking a toll on the Slovak economy. The pandemic containment measures adopted by governments across the world, including Slovakia, caused an immediate contraction of GDP. After ten years of uninterrupted growth, the Slovak economy shrank, year on year, by 3.7% in the first quarter of 2020.[1] Although net exports were the main contributor to that decline, the domestic side of the economy also weakened. The imposition of lockdown measures at home and around the world had an adverse effect on the corporate sector, as production was reduced and, in some cases, suspended. Corporate sector sales therefore plummeted and did so most markedly in the services sector, where the year-on-year decline was in the order of tens of per cent. There was, though, also a major impact on the manufacturing sector, including the car industry. The economic slowdown was further reflected in the labour market, which up until that point had been showing signs of overheating. The number of registered unemployed increased by more than 62 thousand over the first five months of this year,[2] so the registered unemployment rate currently stands at 7.2%. Looking ahead, the Slovak economy is projected to contract by 10.3% in 2020[3] and is expected to be operating well below potential. Although economic growth is envisaged to pick up in the period ahead, some of the losses of potential output will be of a permanent nature. These developments will be reflected in the unemployment rate, which is projected to rise both this year and next year, up to 8.5%.

Unlike the crisis in 2008, the current shock stems not from the financial market, but from the real economy. The economy was already cooling in the first quarter of 2020, but the financial cycle will probably turn only gradually, given the implications of economic trends for the financial sector. By the end of the first quarter of 2020, the coronavirus crisis was not yet having a significant impact on the credit market. Total loans to the private sector[4] increased, year on year, by 6.5% in the first quarter of 2020, so maintaining the level of growth recorded in late 2019; this rate was the fourth highest in the euro

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[1] Source: Statistical Office of the Slovak Republic (SO SR) - annual rate of change in GDP at constant prices.

[2] Source: Office of Labour, Social Affairs and Family of the Slovak Republic / Ústredie práce, sociálnych vecí a rodiny Slovenskej republiky (ÚPSVaR SR).

[3] NBS's June 2020 Medium-Term Forecast (MTF-2020Q2).

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

area, which reported average private sector loan growth of 2.6%.[5] The stable trend in Slovakia was seen in both loans to households and loans to non-financial corporations (NFCs). Annual growth in total household loans stood at 7.8% in the first quarter of 2020, which was higher than the rate implied by fundamentals, in particular by household gross disposable income and GDP. Household loans maintained their growth rate despite a tightening of regulatory limits on the debt service-to-income (DSTI) ratio.[6] This was because the respective legislation allowed loans whose origination had begun in 2019 to be assessed according to the old conditions; hence it supported the increase in loan business in the first months 2020, when lending activity reached a peak. Nor did the coronavirus crisis weigh on NFC loan growth in the first quarter of 2020, which, at 3.7% year on year, was similar to the average rate for the whole of the previous year. There was, however, a change in the composition of NFC loan growth, as the growth in investment loans fell and demand for working capital loans increased, possibly because sales losses were increasing firms' need to finance their operations. Because of these developments, private sector indebtedness, as measured by the ratio of loans to GDP, increased by 1.1 percentage points in the first quarter of 2020, to 63%.

The onset of the coronavirus crisis triggered a supply-side response from banks, as they tightened credit standards for NFC loans by the largest margin since the crisis year of 2008. At the same time, however, banks are expecting an increase in loan demand. On the supply-side, credit standard tightening has not yet been reflected in a broad increase in interest rates.

The banking sector's profitability has also been affected by the coronavirus crisis. Banks' aggregate net profit after tax for the first quarter of 2020 was 60% (€100 million) lower compared with first quarter of 2019, when the sector made a profit of €164 million. The decline was largely attributable to two factors. The first was an increase in loan loss provisioning, with the amount of provisions as at the end of March 2020 being twice as high as it was a year earlier. This was clearly linked to the arrival of the crisis period. The second factor was a statutory doubling of the bank levy as from January 2020. This accounted for around one-third of the year-on-year decline in the banking sector's profit. Banks' profit-generating capacity has therefore been severely weakened for the time being. A

[5] Source: ECB.

[6] The limit on the DSTI ratio (where the income component is reduced by the minimum subsistence amount) was reduced from 80% to 60%, subject to certain exceptions applicable in the first quarter of 2020 (15% of the total amount of new housing and consumer loans could have a DSTI ratio of up to 80%, and a further 5% of consumer loans with a maturity not exceeding five years could have a DSTI ratio of up to 70%).

bank levy reduction planned for the second half of 2020 is expected to ease the pressures on the sector's profitability.

On the positive side, Slovak banks went into the current crisis with a solvency position that strengthened in the first quarter: their aggregate total capital ratio increased by 0.7 percentage point, to 18.8%. Furthermore, with the agreement of their shareholders, banks' to a large extent retained their earnings for 2019 and refrained from paying dividends to the extent customary in previous years. Taking these facts into account, the total capital ratio would increase by a further one percentage point. Hence the decision to retain earnings has increased the banking sector's resilience.

The property market is starting to show signs of being affected by the coronavirus crisis. Although offer prices for existing flats are still recording double-digit annual growth, their month-on-month rate of increase stagnated in April and May 2020. The average square metre price of existing flats even fell by 1.5% in May 2020, which was its second-largest monthly drop since 2009. The downtrend was broad-based across Slovak regions and sizes of flats. At the same time, the supply of flats for sale fell in the first quarter of 2020 by around 15% year on year. While for now these developments cannot be called a trend shift and may be just a blip, the crisis is clearly having some impact on the property market.

In the first quarter of 2020, the adverse effects of the coronavirus crisis on the financial market were not yet being captured to any significant extent by the Cyclogram, a composite indicator of the domestic financial cycle. Several of the component indicators were not notably affected by the onset of the crisis in the first quarter, so the overall Cyclogram reading remained largely unchanged from its level at the start of the year. Looking at some of the component contributions, credit risk changes had a downward impact (as well as NFC loans have had for some time), while property prices continued to have an upward impact in the first quarter of this year. The Cyclogram is expected to decline sharply this year given the repercussions of the coronavirus crisis for the financial market.

The key determinant of whether to release the countercyclical capital buffer will be developments in loan delinquency and loan loss provisioning. Although the level of loan delinquency has not increased significantly since the onset of the coronavirus crisis, banks' provisioning has been accelerating in recent months. The fact that the non-performing loan (NPL) ratio has not changed significantly during the first months of the coronavirus crisis may be ascribed to the impact of the crisis relief measures, in particular the decision to allow borrowers to defer their loan repayments. Only after the impact of the measures has faded will it be fully clear how many borrowers have difficulty servicing their debts. Following the expiry of the repayment moratorium, we may expect a certain correction and an increase in the NPL ratio. Banks have already begun increasing their loan loss provisioning, and in April and May in particular their provisioning exceeded the average level during calm times. The loan loss provisions created by the banking sector in the first five months of 2018 and the same period in 2019 amounted to €59 million and €46 million respectively, while those created in the first five months of 2020 amounted to €146 million, exceeding the total for the whole of 2019.

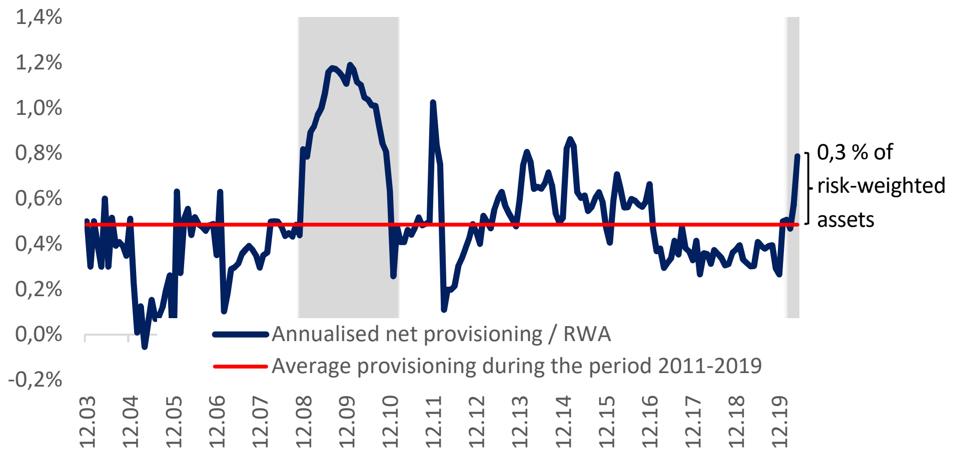
In the post-crisis period from 2011 to 2019, the average annual level of loan loss provisioning in the banking sector was 0.5% of risk-weighted assets, whereas, on an annualised basis, the amount of provisioning in May 2020 stood at almost 0.8% of risk-weighted assets, almost 30 basis points higher than the standard level during non-crisis periods (see Chart 1). **The upcoming reduction in the CCyB rate by almost 50 basis points will therefore free up almost twice as much capital as the current situation requires.**

Another reason for this year's increase in loan loss provisioning has been the deterioration of the macroeconomic outlook in provisioning models produced in accordance with the IFRS 9 accounting standard. The current elevated provisioning therefore does not reflect losses incurred, but rather results from an estimation of future losses based on various parameters. It is expected that, until the end of the year, banks will continue assessing loans with deferred repayments on a case-by-case basis, so as to more accurately gauge credit risk, and that they will begin reviewing the macroeconomic components of their provisioning. This will increase pressure on the banking sector's profitability and capital adequacy. In this regard, it is crucial that banks retain sufficient capital with which to fund potential future increases in provisioning.

Chart 1

Loan loss provisioning in the banking sector

(percentage of risk-weighted assets)



Source: NBS and SO SR.
Note: The chart does not include data for foreign bank branches.

There is at present substantial uncertainty about future developments. The main question is to what extent the problems of the real economy will spill over to the financial sector and credit market. Declining corporate sector sales, household income losses, and increasing unemployment will weigh on the debt servicing capacity of the firms and households affected. The main area of uncertainty concerns the extent and speed of the economic recovery. Any second wave of the pandemic could cause the situation to worsen again, further amplifying the adverse impact of the crisis on the financial sector.

2 Macroprudential policy decisions

2.1 Latest NBS decision taken with respect to developments in the quarter under review

At its meeting on 14 July 2020 the NBS Bank Board decided to reduce the countercyclical capital buffer (CCyB) rate from 1.50% to 1.00% as from 1 August 2020.[7] The main purpose of the rate reduction is to allow banks to use their capital buffer for further loan loss provisioning and to ensure they have sufficient available capital for increasing their lending activity.

Trends in the Slovak economy and financial market have started to be affected by the coronavirus (COVID-19) pandemic. Besides a contracting economy, a gradually deteriorating labour market and weakening credit market trends, this period has also been characterised by exceptionally high uncertainty.

When deciding to cut the CCyB rate, NBS pays particularly close attention to developments in loan loss provisions, including their potential increase. The key principal is to ensure that the capital requirement does not constrain lending activity.

A number of banks have already begun increasing their loan loss provisioning. The loan loss provisions created by the banking sector in the first five months of 2018 and the same period in 2019 amounted to €59 million and €46 million respectively, while those created in the first five months of 2020 amounted to €146 million. Compared with the non-crisis period from 2011 to 2019, when the level of loan loss provisioning averaged 0.5% of risk-weighted assets, the annualised amount of provisioning in May 2020 stood at almost 0.8% of risk-weighted assets, almost 30 basis points higher.

[7] At the same time, NBS does not plan to increase the CCyB rate before 1 August 2021 at the earliest.

At the same time, banks' current capital positions appear to be adequate, supported also by the recent decisions of their shareholders not to pay dividends for the previous year. Banks' lending activity is not being restricted by any capital limits.

Therefore, having regard to current credit risk trends, NBS decided to reduce the CCyB rate. The reduction will free up a volume of capital greater than that so far allocated to the recent non-standard level of loan loss provisioning. In this way, NBS wants to give banks sufficient leeway for any further provisioning that may be necessary, and so also provide them with the conditions necessary to maintain lending to the real economy.

Given the ongoing credit loss risks and the uncertainty about their future trend after the loan repayment moratorium expires, NBS considers the reduced CCyB rate to be appropriate; at the same time, it appreciates the importance of leaving room for further rate cuts in the period ahead. Since it is not clear what will happen to NPL ratios in the period ahead, NBS is taking a cautious approach to capital requirement reduction.

Another reason for not reducing the CCyB rate further is the continuing risk of capital flight from domestic banks.

In taking its decision on the CCyB rate, the NBS Bank Board gave due consideration to the views of the European Central Bank (ECB) in accordance with Article 5 of the SSM Regulation.[8]

[8] 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.

2.2 NBS's current macroprudential policy instrument settings

Countercyclical capital buffer

Under an NBS Decision of 14 July 2020 the countercyclical capital buffer (CCyB) rate will be reduced from 1.50% to 1.00% as from 1 August 2020.[9]

TABLE 1 COUNTERCYCLICAL CAPITAL BUFFER RATES FOR SLOVAK EXPOSURES

Period of application	Rate
1 August 2019 – 31 July 2020	1.50 %
1 August 2020 –	1.00 %

Source: NBS.

An overview of current and future CCyB rate settings in other countries is given in Table 5 in the Annex.

Capital buffers for significant banks

Under NBS Decision Nos 5/2017 and 6/2017 of 30 May 2017, banks in Slovakia identified as 'other systemically important institutions' (O-SIIs) have been required since 1 January 2018 to maintain a total additional capital buffer (comprising an O-SII buffer and in some cases also a systemic risk buffer (SyRB)) of between 1% and 2% of risk-weighted exposures. Under NBS Decision Nos 3/2019 and 4/2019 of 28 May 2019, the total additional capital buffer requirements remained unchanged after 1 January 2020. In May 2020 the O-SII buffer rates and SyRB rates to be applied in 2021 were laid down in, respectively, NBS Decision No 9/2020 and NBS Decision No 10/2020 (see Table 2).

[9] https://www.nbs.sk/en/financial-market-supervision1/macroprudential-policy/current-status-of-macroprudential-instruments/current-setting-of-capital-buffers-in-slovakia

TABLE 2 OVERVIEW OF RATES FOR O-SII BUFFERS AND SYSTEMIC RISK BUFFERS

	In effect from 1 January 2020		In effect from 1 January 2021	
	O-SII buffer rates	SyRB rates	O-SII buffer rates	SyRB rates
Československá obchodná banka, a.s.	1.00%	-	1.00%	-
Poštová banka, a.s.	1.00%	-	0.25%	-
Slovenská sporiteľňa, a.s.	1.00%	1.00%	1.00%	1.00%
Tatra banka, a.s.	0.50%	1.00%	0.50%	1.00%
Všeobecná úverová banka, a.s.	1.00%	1.00%	1.00%	1.00%

Source: NBS.

Regulatory requirements for retail lending

The current regulatory requirements for retail lending as laid down by the NBS Consumer Loan Decree, as amended,[10] and the NBS Housing Loan Decree, as amended,[11] are summarised in the following table:

[10] Decree No 9/2019 of Národná banka Slovenska of 17 November 2019 amending Decree No 10/2017 of Národná banka Slovenska laying down detailed provisions on the assessment of borrowers' ability to repay consumer loans, as amended by Decree No 6/2018 of Národná banka Slovenska.

[11] Decree No 10/2019 of Národná banka Slovenska of 17 November 2019 amending Decree No 10/2016 of Národná banka Slovenska laying down detailed provisions on the assessment of borrowers' ability to repay housing loans, as amended by Decree No 7/2018 of Národná banka Slovenska.

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TABLE 3 REGULATORY LENDING LIMITS

Indicator	Calculation	Parameter	Limit
Debt service-to-income (DSTI) ratio	$\frac{\text{total debt service obligations}^{1)}}{\text{net income – minimum subsistence amount}}$	Maximum DSTI ratio	60% [2]
		Maximum share of new loans with a DSTI ratio > 60%	5% + 5% [3]
Loan-to-value (LTV) ratio [4]	$\frac{\text{amount of loan}}{\text{value of collateral}}$	Maximum LTV ratio	90%
		Maximum share of new loans with an LTV ratio > 80%	20%
Debt-to-income (DTI) ratio	$\frac{\text{total debt}}{\text{annual net income}}$	Maximum share of new loans with a DTI ratio > 8	5% + 5% [5]
Maximum maturity of loan		Loan secured by immovable property or provided by a home savings bank	30 years [6]
		Other	8 years

Source: NBS.

Note: Compliance with the limits is checked only when granting a new loan, or when significantly increasing the total amount of an existing loan. The measures do not apply to loans that are to be used to refinance one or more existing loans, nor to loans that are to be topped up, provided that the amount of the loan applied for does not exceed €2000 or 5% of the outstanding amounts, whichever is lower.

1) The amount of loan instalments takes into account interest rate increases.

2) DSTI ratios may exceed 100% in the following cases:

- consumer loans where the sum of the loan applied for and the borrower's existing debt does not exceed the borrower's annual net income;
- leasing contracts that include a down payment of at least 20% and where the sum of the lease and the borrower's existing debt is not greater than 1.5 times the borrower's annual income.

3) The 70% DSTI ratio limit applies without additional conditions to the first 5% of new loans, and it additionally applies only to 5% of the total amount of consumer loans with a maturity not exceeding five years.

4) The limit applies only to housing loans.

5) For the first 5%, no additional conditions apply. For the second 5%, the loans provided must be housing loans, the borrower must not be older than 35 years, the borrower's income must not exceed 1.3 times the average wage, and the DTI ratio may not be greater than 9.

6) Up to 10% of new loans secured by immovable property may exceed this limit.

Other currently applicable macroprudential policy instruments, covering mainly the area of capital requirements, are listed in TabLE 4 to Table 6 in the Annex.

2.3 Potential application of macroprudential policy instruments over the medium term

Retail lending

Following the outbreak of the coronavirus crisis, the market for new loans to households has changed substantially. Demand has fallen sharply and there has also been a change of approach from banks, with lending conditions having become tighter in the recent period.

Národná banka Slovenska has adopted several measures in regard to retail lending (outlined above), the purpose of which is to contain the build-up of risks related to excessive credit growth. The first half of 2020 has seen the phasing-in of changes to regulatory limits on the provision of housing loans and consumer loans in accordance with NBS Decree Nos 9/2019 and 10/2019.

One purpose of these measures is to increase the resilience of households, so that they are able to service their loans even during bad economic times. Such a time is now here, and we expect that household resilience will be stronger thanks in part to NBS measures.

At present we consider the instrument settings to be appropriate. In the case of certain parameters, banks' risk management response to the current crisis has actually been stricter than required under NBS Decisions.

Expectations for the CCyB rate in the next quarter

The reduced CCyB rate of 1.00% not only covers banks' current provisioning requirements, but also gives them room to increase provisioning in the period ahead.

NBS stands ready, if necessary, to further reduce the CCyB rate with immediate effect, while paying particular regard to credit risk cost trends. As for the recovery of the domestic economy, it is also important that capital requirements do not constrain lending activity. A prerequisite for any further reduction in the CCyB rate is that banks maintain conservative dividend policies.

NBS does not foresee any need to raise the CCyB rate before the end of July 2021.

NBS preparing recommendation on capital distribution

In order to ensure that the Slovak banking sector remains sufficiently solvent, NBS is drafting a recommendation on capital distribution. The purpose of this recommendation is to step up pressure on the banking sector as regards the fulfilment of its remit vis-à-vis the real economy amid the pandemic fallout, as well as to support the financial sector's resilience. NBS is thus responding to the European Systemic Risk Board, which in May 2020 issued a similar recommendation for all competent authorities of EU Member States.

2.4 Recent ECB decisions concerning the Slovak banking sector

As of 8 July 2020, the European Central Bank had not issued any macroprudential policy decision concerning the Slovak banking sector.

3 Annex

TABLE 4 CAPITAL BUFFER RATES CURRENTLY APPLIED IN SLOVAKIA		
Macroprudential instrument	Value	Note
Capital conservation buffer (Article 33b of the Banking Act)	2.5%	
Countercyclical capital buffer rate (Article 33g of the Banking Act)	1.5%	↓ to 1% from 1 August 2020
O-SII buffer (Article 33d of the Banking Act)[1]	0.5% to 1%	Change since 1 January 2021: 0.25% to 1%
Systemic risk buffer (Article 33e of the Banking Act)[2]	1%	

Source: NBS.

Notes:

[1] An O-SII buffer is applied to Československá obchodná banka, a.s., Poštová banka, a.s., Slovenská sporiteľňa, a.s., Tatra banka, a.s. and Všeobecná úverová banka, a.s

[2] A systemic risk buffer is applied to Slovenská sporiteľňa, a.s., Tatra banka, a.s. and Všeobecná úverová banka, a.s.

TABLE 5 COUNTERCYCLICAL CAPITAL BUFFER (CCYB) RATES CURRENTLY APPLIED TO EXTERNAL EXPOSURES (ARTICLES 33I AND 33J OF THE BANKING ACT) AND CHANGES SCHEDULED FOR THESE RATES IN COMING QUARTERS

	Country	30 Sep. 2019	31 Dec. 2019	31 Mar.2020	30 Jun. 2020	30 Sep. 2020	31 Dec. 2020	31 Mar.2021	30 Jun. 2021	30 Sep. 2021	Note
2020EEA countries	Belgium	0	0	0	0	0	0	0	0	0	↓ to 0% from 1 April 2020
	Bulgaria	0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	Repealed decision to ↑ to 1% and to 1.5% from 1 April 2020
	Czech Republic	1.5	1.5	1.75	1	0.5	0.5	0.5	0.5	0.5	↓ to 1% from 1 April 2020 and ↓ to 0.5% from 1 July 2020
	Denmark	1	1	0	0	0	0	0	0	0	↓ to 0% from 12 March 2020
	France	0.25	0.25	0.25	0	0	0	0	0	0	↓ to 0% from 2 April 2020
	Ireland	1	1	1	0	0	0	0	0	0	↓ to 0% from 1 April 2020
	Lithuania	1	1	1	0	0	0	0	0	0	↓ to 0% from 1 April 2020
	Luxemburg	0	0	0.25	0.25	0.25	0.25	0.5	0.5	0.5	↑ to 0.5% from 1 January 2021
	Germany	0	0	0	0	0	0	0	0	0	Repealed decision to ↑ to 0.25% from 1 July 2020
	United Kingdom	1	1	0	0	0	0	0	0	0	↓ to 0% from 11 March 2020
	Sweden	2.5	2.5	0	0	0	0	0	0	0	↓ to 0% from 16 March 2020
Non-EEA	Iceland	1.75	1.75	0	0	0	0	0	0	0	↓ to 0% from 18 March 2020
	Hong Kong	2.5	2	1	1	1	1	1	1	1	↓ to 2% from 14 October 2019 and to 1% from 16 March 2020
	Norway	2	2.5	1	1	1	1	1	1	1	↓ to 1% from 13 March 2020

Sources: ESRB and BIS.
Notes: The table shows only countries where a non-zero CCyB rate has been set.
The scheduled rates are based on decisions currently in force; they may, however, be changed by subsequent decisions.

TABLE 6 BUFFERS AND PARAMETERS WHICH ARE CURRENTLY APPLIED TO EXPOSURES TO FOREIGN COUNTRIES AND ARE ALSO APPLIED TO SLOVAK BANKS

Country	Macroprudential instrument	Value
Estonia	Systemic risk buffer (Article 33f of the Banking Act)	1%
Sweden, Romania	Risk weight for exposures fully secured by mortgages on commercial immovable property (Article 124 of the EU's 2013 Capital Requirements Regulation/CRR)	100%
Norway	Minimum value of the exposure weighted average loss given default (LGD) for all retail exposures secured by residential property and not benefiting from guarantees from central governments (Article 164 of the CRR)	20%

Sources: NBS and ESRB.

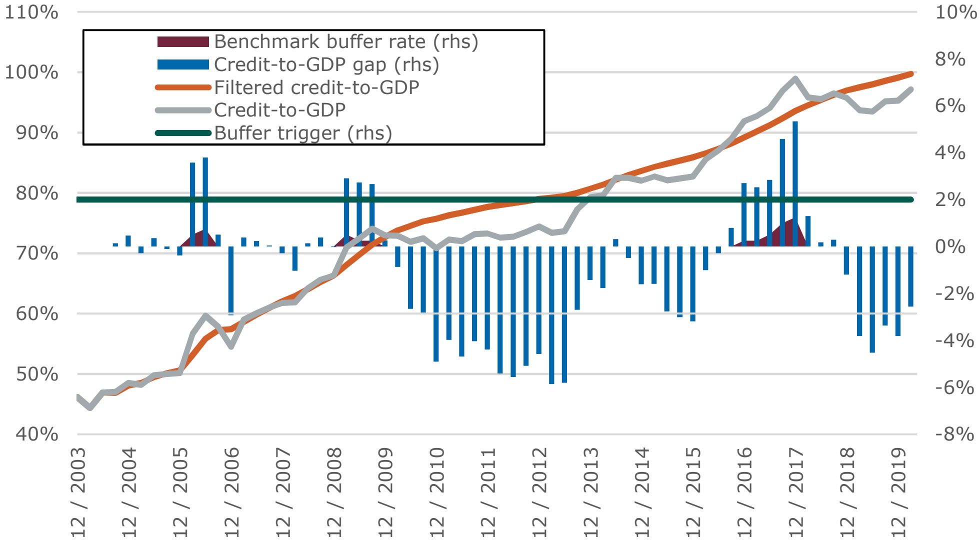
TABLE 7 MACROPRUDENTIAL MEASURES CURRENTLY IN FORCE IN OTHER EU COUNTRIES BUT NOT APPLIED TO SLOVAK BANKS ON GROUNDS OF LOW EXPOSURE

Country	Macroprudential instrument	Value
Belgium	A risk-weight add-on for retail exposures secured by residential immovable property located in Belgium, applied to banks using the internal ratings-based (IRB) approach (Article 458(2)(d)(vi) of the CRR)	5 p.p. + 33% of average risk weight
Finland	A floor for the average risk weight for exposures secured by residential immovable property located in Finland, applied to banks using the IRB approach (Article 458(2)(d)(vi) of the CRR)	15%
France	A tightening of the large exposure limit applicable to exposures to highly indebted large nonfinancial corporations having their registered office in France, applied to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) (Article 458(2)(d)(ii) of the CRR) **In this regard, NBS warns that there are systemic risks associated with the increased leverage of large NFCs having their registered office in France**[12]	5% of eligible capital
Sweden	A floor for the average risk weight for the portfolio of retail exposures to obligors residing in Sweden secured by immovable property, applied to banks using the IRB approach (Article 458(2)(d)(vi) of the CRR)	25%

Sources: NBS and ESRB.

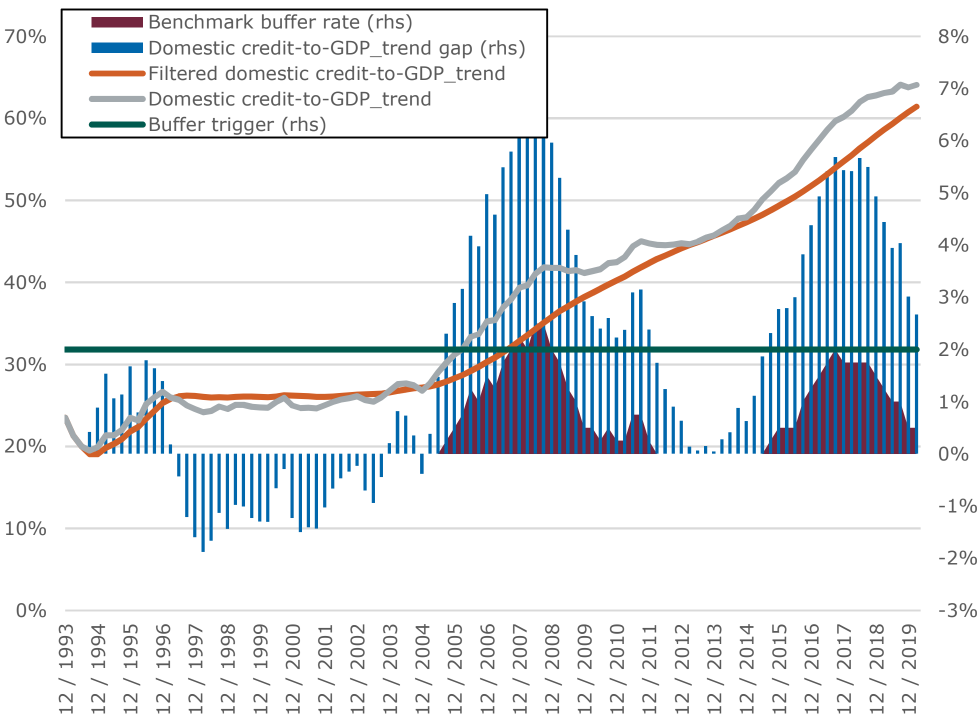
[12] Signalling in accordance with Recommendation ESRB/2015/2.

Chart 2
Standardised credit-to-GDP gap



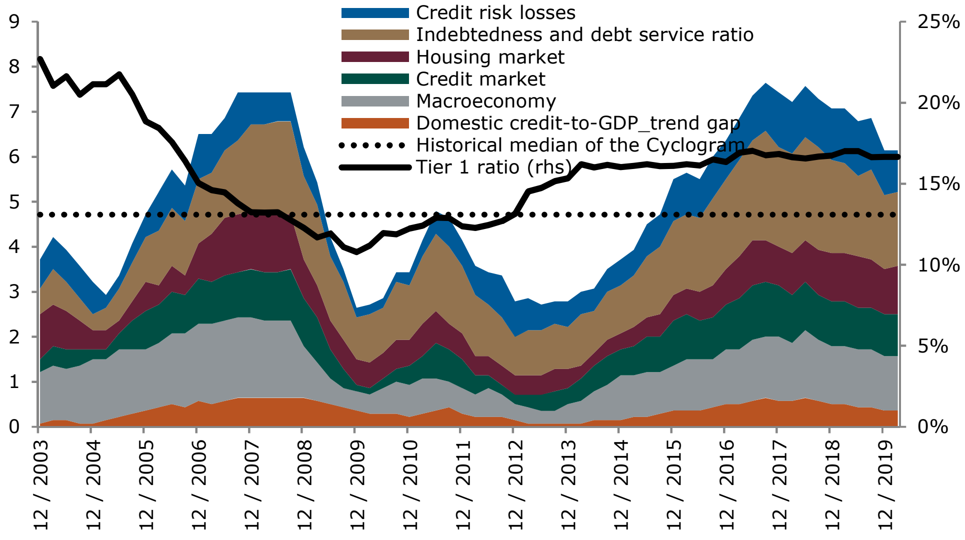
Sources: NBS and SO SR.
Notes: In the standardised credit-to-GDP gap, credit refers to the total outstanding amount of debt of NFCs and households.
The benchmark buffer rate is calibrated in accordance with Part 2 of the Annex to Recommendation No ESRB/2014/1.
The trigger value for a non-zero CCyB and the values of the 'gap' are shown on the right-hand scale.

Chart 3
Domestic credit-to-GDP$_{\text{trend}}$ gap



Sources: NBS and SO SR.
Notes: Domestic credit-to-GDP$_{\text{trend}}$ gap, domestic credit refers to total outstanding amount of credit provided by the domestic banking sector to NFCs and households.
Domestic credit-to-GDP$_{\text{trend}}$ gap is calculated in accordance with Article 33g(2a) of the Banking Act and with Recommendation B 2, of Recommendation No ESRB/2014/1.
The trigger value for a non-zero CCyB and the values of the 'gap' are shown on the right-hand scale.

Chart 4
Cyclogram



Sources: NBS, SO SR and CMN.
Notes: The indicator is calculated in accordance with Article 33g(1c) of the Banking Act and with Recommendations C and D of Recommendation ESRB/2014/1.

TABLE 8 HEADLINE INDICATORS FOR THE COUNTERCYCLICAL CAPITAL BUFFER AS AT 31 MARCH 2020

Indicator	Benchmark buffer rate	Credit-to-GDP ratio	Deviation of the credit to-GDP ratio from its long-term trend
Standardised credit-to-GDP gap (Chart 2)	0.00%	97.2%	-2.56%
Domestic credit-to-GDP$_{trend}$ gap (Chart 3)	0.50%	63.0%	2.67%
Cyclogram (Chart 4)	1.00%	-	-

Source: NBS.
Notes: The table is compiled on the basis of requirements arising from Article 33g(2) of the Banking Act and in accordance with Part II of the Annex to Recommendation ESRB/2014/1.
Owing to its short time series, the standardised credit-to-GDP gap does not yet provide a meaningful value for the countercyclical capital buffer.