

Commentary on the Decisions designating domestic systemically important banks and calibrating their capital buffers

Summary

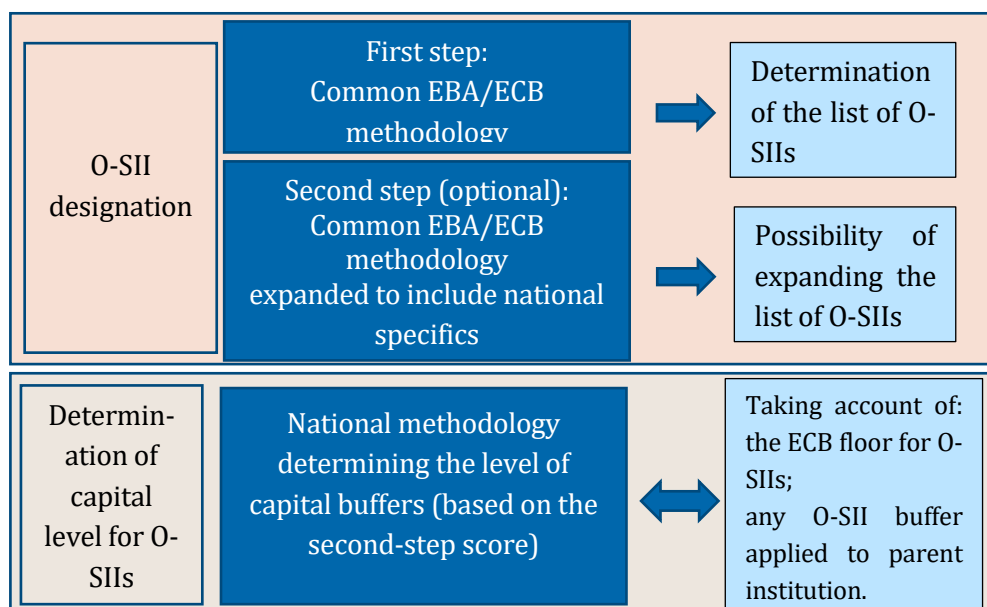
The buffer applied to ‘other systemically important institutions’ (O-SIIs)¹ in Slovakia is intended to cover risks arising from their significance for the local financial sector and the domestic economy. Together with other capital buffers, specifically the countercyclical capital buffer (CCyB), the capital conservation buffer (CCoB) and the systemic risk buffer (SyRB), it creates an additional pillar of resilience for the Slovak banking sector.

Based on end-2023 data, five banks have been designated as O-SIIs with effect from 1 January 2025. Compared with 2024, the list of O-SIIs has been reduced by one institution (365 banka), which will therefore no longer be subject to an O-SII buffer (currently set at 0.25% for this bank). As for the O-SII buffer calibrations, the buffer rate applied to Československá obchodná banka, a.s. (ČSOB) has been reduced by 0.25 pp with effect from 1 January 2025. The other rates remain unchanged.

The list of O-SIIs is reduced by one bank

The O-SII designations and O-SII buffer calibrations for 2025 were made in two separate NBS Decisions issued on 22 April 2024. In the first Decision, the designation of O-SIIs was made on the basis of scores calculated for domestic banks. The purpose of the second Decision was to set an O-SII buffer rate for each O-SII (Figure 1).

Figure 1 O-SII decision-making process



Source: NBS.

Note: The ECB floor is the minimum level of the O-SII buffer set according to the ECB methodology.

¹ Other systemically important institutions as defined in Section 33a(1)(c) of Act No 483/2001 on banks and in Article 131(1) of Directive No 2013/36/EU of the European Parliament and of the Council of 26 June 2013.

The inclusion of individual banks in the list of O-SIIs occurs in two steps. In the first step, NBS calculates a score for each domestic bank using a methodology laid down by the European Banking Authority (EBA).² In the second step, banks are scored according to nine indicators determined by NBS in order to identify specific risks in the Slovak banking sector. The relationship between these methodologies is hierarchical (Figure 1).

In the first step of the 2024 assessment exercise, five banks and two foreign bank branches exceeded the threshold score of 350 basis points.³ For the first time in such an exercise, 365.bank did not exceed the threshold score. In the second step, the banks exceeding the threshold score (350 points) were the same as did so in the first step, so no other banks were identified as O-SIIs. Since the second step is focused on specificities of the business model common to Slovak banks, the scores and ranking of O-SIIs differ slightly compared with the first step.

Following an assessment based on banks' data as at end-2023, the list of O-SIIs in effect from 1 January 2025 was determined as follows:

- **Československá obchodná banka, a.s.**
- **Prima banka Slovensko, a.s.**
- **Slovenská sporiteľňa, a.s.**
- **Tatra banka, a.s.**
- **Všeobecná úverová banka, a.s.**

² EBA Guidelines of 14 December 2014 ([EBA/GL/2014/10](#)).

³ The foreign bank branches were UniCredit Bank Czech Republic and Slovakia, a.s. and mBank S.A. Buffer requirements cannot be set for foreign bank branches.

O-SII buffer rates

The only bank whose O-SII buffer rate was changed was ČSOB. This bank scored significantly lower in the 2024 assessment than in previous assessments, with its latest score corresponding to a buffer rate of 1% (down from 1.25%). The overall second-step⁴ scores of other banks also changed year-on-year, but not to an extent that implied any need to adjust their buffer rate (Table 1)

Table 1 O-SII buffer rates

Bank	O-SII buffer rate as from 1 January 2024	O-SII buffer rate as from 1 January 2025
Slovenská sporiteľňa, a.s.	2.00%	2.00%
Všeobecná úverová banka, a.s.	1.75%	1.75%
Tatra banka, a.s.	1.50%	1.50%
Československá obchodná banka, a.s.	1.25%	1.00%
Prima banka, a.s.	0.25%	0.25%
365.bank, a.s.	0.25%	-

Source: NBS, and ECB.

Note: O-SII - other local systemically important institution; ECB - European Central Bank.

The overall capital adequacy of the Slovak banking sector remains at a very sound level. The aggregate total capital ratio increased in 2023 to reach 20.5% of risk-weighted assets at the year-end. The sector's capital headroom, i.e. surplus of capital resources above minimum regulatory requirements,⁵ amounted to €1.7 billion at end-2023 (4.1% of risk-weighted assets). The banking sector thus has sufficient available capital to ensure a smooth flow of credit to the domestic economy. Since the changes in O-SII capital requirements are confined to two banks, they will not affect the resilience of the Slovak banking sector.

⁴ O-SII buffers are calibrated according to the overall score in the second step. These indicators better reflect the nature of systemic risk in the Slovak banking sector. The O-SII buffer rates that will take effect from 1 January 2025 are set according to the new interval scale adopted under the revised NBS methodology in 2023.

⁵ Not including the minimum requirement for own funds and eligible liabilities (MREL).

Annexes

Annex 1

Legislative framework

Under Section 33d(1) of Act No 483/2001 on banks, as amended ('the Banking Act'), NBS is required to identify domestic systemically important banks that are to be designated as O-SIIs and is required to publish the list of these O-SIIs on its website. In addition, based on Section 33d(6) of the Banking Act, NBS may decide to set for each O-SII an O-SII buffer requirement.

Under Section 33d(14) of the Banking Act, NBS is required annually to reassess the identification of O-SIIs and report the assessment results to the systemically important institutions concerned and the European Systemic Risk Board. These decisions are usually submitted to the NBS Bank Board in April or May.

Pursuant to Section 33d(10) of the Banking Act, where an O-SII is a subsidiary of either a global systemically important institution (G-SII) or an O-SII which is an EU parent institution and subject to an O-SII buffer on a consolidated basis, the buffer that applies at individual or sub-consolidated level for the O-SII may not exceed the lower of:

- a) the sum of the higher of the G-SII or the O-SII buffer rate applicable to the group on a consolidated basis and 1% of the total risk exposure amount calculated in accordance with the applicable legislation;
- b) 3% of the total risk exposure amount calculated in accordance with the applicable legislation, or the O-SII buffer rate the European Commission has authorised to be applied to the group on a consolidated basis.

The level of the capital buffer applied to O-SIIs is therefore effectively capped at either 3% or at the O-SII/G-SII buffer applicable to the parent institution plus 1%.

Annex 2

Methodological framework

For identifying O-SIIs, NBS uses the methodology set out in EBA Guidelines (EBA/GL/2014/10), whereby the O-SII identification process is divided into two steps. The first step consists of calculating scores for 10 indicators for each bank. A bank's overall score is calculated on the basis of the weights set for these indicators, with the cut-off score for identifying O-SIIs set at 350 basis points.

The second step has undergone changes. In 2023 NBS revised the methodology used in the second step and specified a new list of nine indicators for calculating banks' overall scores, as follows: total assets, retail loans, retail deposits, business loans, corporate deposits, government bonds, interbank claims, interbank liabilities, and covered bonds. These indicators better reflect the nature of systemic risk in the Slovak banking sector, with the indicator weights distributed evenly across the different segments of the banking sector. The cut-off score for identifying O-SIIs was set at 350 basis points. The list of indicators and their weights constituting the methodology for identifying O-SIIs are shown in Table 2.

Table 2 O-SII identification methodology

Indicator	First step - weight	Second step - weight
Total assets	25.00%	20.00%
Value of domestic payment transactions	8.33%	
Private sector deposits from depositors in the EU	8.33%	
Private sector loans to recipients in the EU	8.33%	
Value of OTC derivatives (notional)	8.33%	
Cross-jurisdictional liabilities	8.33%	
Cross-jurisdictional assets	8.33%	
Intra-financial system liabilities	8.33%	
Intra-financial system assets	8.33%	
Debt securities outstanding	8.33%	
Retail loans		10.00%
Retail deposits		10.00%
Business loans		10.00%
Corporate deposits		10.00%
Government bonds		10.00%
Interbank claims		7.50%
Interbank liabilities		7.50%
Covered bonds		15.00%

Source: EBA, and NBS.

Note: Note: O-SII – other systemically important institution; EU – European Union; OTC derivatives – over-the-counter derivatives; EBA – European Banking Authority.