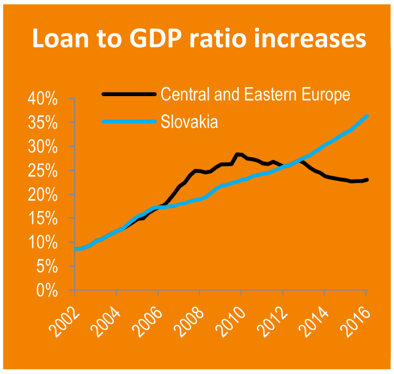
FINANCIAL STABILITY REPORT

MAY 2017

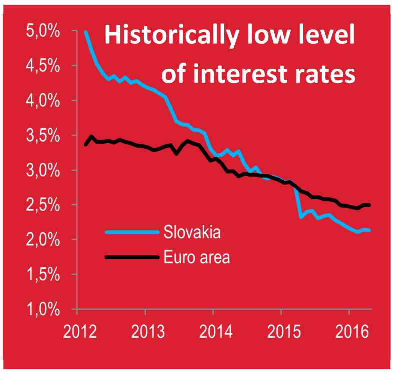
NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

Financial stability **risks**



Rise in household debt

- Growth of household loans is the highest in the EU
- Indebtedness has doubled in the post crisis period
- Slovak households have **low savings in comparison with their debts**



Impact of low interest rates

- Negative impact on banking and insurance sector business models
- Pressures to **ease credit standards**
- Amplification of financial institutions´ sensitivity on financial market development

Increasing impact of legislative changes

Regulation

- Regulation weighs on financial institutions´ profitability
- Tendency to loosen liquidity and capital regulation for foreign banks´ subsidiaries

Domestic economy affected by **external environment**

Macroeconomic risks

- Macroeconomic development has strong impact on quality of loan portfolio
- Negative impact of protectionist measures on global financial stability
- Increasing real estate market imbalances

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Financial sector **resilience**

Capital adequacy ratio of Slovak banks is currently below the EU level

Banks´ profitability and capital

- After adjustment for one-off effects, the banking sector profitability fell by 15%
- Macro-stress testing has proved **resilience of Slovak banks to adverse scenarios**
- Higher banks´ sensitivity to negative developments

Active response of the NBS´s macroprudential policy

Response of the NBS

- NBS's measures focused on lending practices mitigate the risks of future losses
- Higher resilience of banking sector – increase in countercyclical capital buffer

Other relevant issues

Pick-up -of high credit growth in commercial real estate

Gradual amplification of liquidity risk in the banking sector

Risks stemming from possible interest rates´ increase