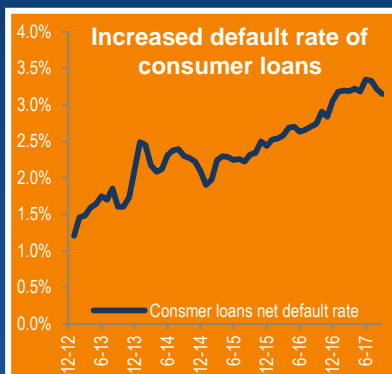


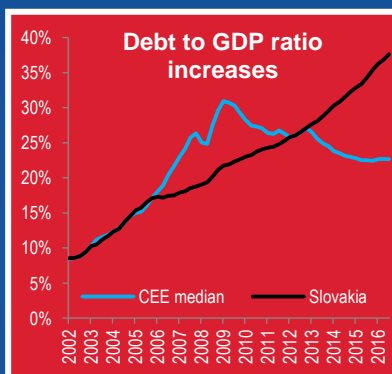


## Risks for financial stability



### Credit growth in the low rates period

- Significant impact of low rates on credit growth
- Credit standards easing – average loan parameters are riskier
- High default rate of consumer loans



### Increasing household indebtedness

- Slovak household indebtedness is the highest in the Central and Eastern Europe
- Excessive growth of indebtedness in Slovakia
- Higher indebtedness implies higher sensitivity of households on possible economic downturn

Introduction of Europe-wide regulation easing **liquidity risk requirements**

### Liquidity risk has increased

- Banks are more dependent on stability of deposits
- Growth in deposits is slower than in long term loans
- New Europe-wide liquidity risk requirements will be less strict than actual Slovak regulation

**Accumulation of risks** in period of positive economic development

### Increasing vulnerabilities

- Investors underestimate the risk of financial asset price fall on the global markets
- Risk of overheating of domestic economy
- Persisting imbalances in the real estate market



## Resilience of financial sector

Increase in capital adequacy of banks

### **Banks' profitability and capital**

- Stable trend in profitability in the next years only under assumption of credit growth
- Increasing sensitivity of banks to negative development in credit portfolios quality

Active reaction of NBS macroprudential policy

### **Reaction of Národná banka Slovenska**

- NBS decrees on housing loans (January 2017) and consumer loans (January 2018)
- Increase in Countercyclical capital buffer rate to 1.25% as of August 2018

## Other relevant issues

High banks' exposure to commercial real estate loans

Significant increase in corporate financing

Increasing impact of legislative changes