FINANCIAL STABILITY REPORT

May 2021 - SUMMARY

NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

Risks for financial stability

Impact of COVID-19 on financial sector

Financial sector handled the crisis well

- Banks remained stable despite profit decrease
- Most of debtors resumed repayment after moratorium without bigger problems
- Insurers and funds proved their resilience against the crisis
- Investors' sentiment restored its pre-crisis level

Risks remain elevated

Credit risk remained as the main risk

- Larger sensitivity of corporates highly affected by pandemic to loan default risk
- Economic development in the next years is uncertain
- Banks are strongly exposed to commercial real estate market
- Continuing intensive growth of residential real estate prices and household indebtedness

Long-term risks persist

Low interest rates environment

- Long-term low interest rates have impact on bank business model sustainability
- Due to the crisis, government and corporate indebtedness grew
- Risk appetite on financial markets increased
- Risk of selected assets price correction

Financial sector contributes to economic recovery

Bank loans accelerated in crisis

- Bank financing compensated lapses in sales
- Important contribution of government guarantees
- Housing loans grew almost as before crisis
- Demand for consumer financing weakened

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Resilience of the financial sector

Banking sector remains resilient despite risks

Strengthening of banks' capital position

- Banking sector is ready to handle with significant and extraordinary losses
- Banks have enough capital and liquidity to continue financing of domestic economy

Mitigation of economic shocks

Supporting measures played crucial role

- Loan moratoria and corporate loans guarantees helped overcome economic shocks
- NBS is ready to further decrease countercyclical capital buffer if necessary

Other relevant issues

Housing loans with maturity in retirement age are increasing

Households' investments into corporate bonds represent higher risk

Increasing importance of climate risk in banks