Quarterly Commentary on Macroprudential Policy

October 2020

NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

www.nbs.sk

Published by

© Národná banka Slovenska 2020

Online version

https://www.nbs.sk/en/publications-issued-by-the-nbs/publications-of-financial-market-supervision/quarterly-commentary

Address

Národná banka Slovenska
Imricha Karvaša 1
813 25 Bratislava

This publication has not been copyedited.

ISSN 2644-5492 (ONLINE VERSION)

SUMMARY OF THE NBS BANK BOARD'S DECISION

ON THE SETTING OF THE COUNTERCYCLICAL CAPITAL BUFFER RATE

The banking sector remains resilient	• As a result of the pandemic crisis, the Slovak economy recorded its largest ever year-on-year contraction in the second quarter of 2020 • Overall loan growth was not seriously affected by the pandemic crisis, owing partly to the impact of relief measures • The banking sector's profit fell sharply, while its solvency remained robust • The current increase in loan loss provisioning is not related to an increase in loan delinquencies, but rather reflects banks' proactive prudential approach • The pandemic's second wave and the expiry of relief measures could lead to a future rise in the non-performing loan ratio
Buffer rate remains unchanged	• The buffer rate remains at 1.00% • This year's two previous buffer rate reductions have created sufficient leeway to cover existing credit losses
The financial cycle	• Financial cycle easing induced by the pandemic and its impact on the real economy and financial sector • No component of the Cyclogram is currently having an upward impact on the indicator • The pandemic's second wave and the rate of increase in credit losses after the expiry of relief measures will have a notable impact on further developments
Outlook for the next quarter	• NBS stands ready to further reduce the buffer rate if necessary • NBS's next decision on the buffer rate will be based mainly on developments in credit risk costs and also on such other factors as non-performing loan ratios, the sufficiency of capital available for lending, etc.

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 second quarter of 2020, as well as information available by mid-October 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 still struggling with the health and economic repercussions of the coronavirus (COVID-19) pandemic. The financial sector in general and banking sector in particular are not exempt from these repercussions; nevertheless, banks have not so far been beset by direct losses on deteriorating loan books. The recent increase in loan loss provisioning - amid little change in the amount of non-performing loans (NPLs) or in the NPL coverage ratio - is more related to the continuing climate of uncertainty. During the first half of 2020, banks were building up their buffers against any future impairment of higher-risk loans. The benefit of the creation or strengthening of these buffers may be seen as early as the next quarter, when the effects of loan repayment deferrals and fiscal stimuli start to fade away. Together with the capital buffers established in previous periods (supported by banks retaining the vast majority of their 2019 earnings), the increase in loan loss provisioning is essential to banks' ability to withstand the adverse shocks and to mitigate the negative effects of the current financial market crisis. Banks currently have a sufficient capital base for their lending activity, as is evident from credit market trends. For now, capital requirements are not constraining lending to the real economy. In view of the still elevated uncertainty coupled with a potential need to further accelerate provisioning in response largely to an increasing NPL ratio, NBS has decided not to alter its CCyB rate.

1 Assessment of trends in Q2 2020 and early in Q3 2020

In the second quarter of 2020, the Slovak economy felt the full impact of the coronavirus (COVID-19) pandemic. The contraction of annual GDP growth by 12.2%[1] was twice as large as any recorded in the crisis year of 2009. Besides foreign trade, which had a notably negative impact on GDP growth even in the first quarter, other components also contributed negatively to the year-on-year rate of change in GDP in the second quarter. After changes in inventories, investment had the largest negative impact. The Slovak economy was, however, helped to a great extent by households, as the annual rate of decrease in their consumption was one of the most moderate in the European Union. The adoption of stringent pandemic containment measures at home and around the world has had a severe impact on corporate sales, which in the second quarter were one-fifth below their level a year earlier. This has also affected the labour market situation, with the number of unemployed increasing by more than 64 thousand over the first eight months of 2020,[2] so pushing the registered unemployment rate up to 7.6%, its highest level since spring 2017. At the same time, the second quarter saw the average wage decline, year on year, by an unprecedented margin of almost 2%. These trends have also weighed heavily on economic sentiment, which by the end of June 2020 was at a historical low.

The third quarter, however, brought an expected turnaround. The majority of economic indicators improved in response to the easing of containment measures, and in the summer months some of them[3] were even as high or higher than their 2019 levels. As a result, the Economic Sentiment Indicator also rebounded, making up around half of the ground it lost in the first half of the year. Its recovery was broad-based across all sectors. The nascent economic recovery appears, however, to have been dampened by the onset of the pandemic's second wave at the end of the third quarter of 2020.

The pandemic crisis has not had a major impact on the credit market and is only gradually beginning to affect lending. Although annual growth in loans to the private sector continued to moderate in the second quarter, its rate of 5.9%[4]

[1] GDP at constant prices, adjusted for seasonal effects.
[2] Source: Central Office of Labour, Social Affairs and Family of the Slovak Republic (ÚPSVaR).
[3] Exports and retail sales.
[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).

remained the sixth highest in the EU. This trend was largely underpinned by annual growth in loans to households, which stood at 6.6% in August 2020 (and at 7% in the second quarter of 2020). Despite some tightening of credit standards, housing loans maintained a relatively strong annual growth rate in the second quarter, at 9.2%. By contrast, consumer credit continued its downtrend, recording its largest ever year-on-year decline (-5.3%). Looking at average lending rates for households, their extended downtrend was halted by the onset of the pandemic: the average interest rate on housing loans has gradually stabilised, standing at 1.2% in August, while average consumer credit interest rates have actually increased slightly, up to 8.4% in August. Loans to non-financial corporations (NFCs) increased by 4.3%, year on year, in August, thereby maintaining a stable growth trend that dates back around eighteen months. The impact of the pandemic crisis on lending to the NFC sector is most apparent in the structure of loans, specifically in a sharp rise in demand for working capital loans from firms facing falling sales and increased financing needs. On the other hand, demand for investment loans has decreased. Because of the severe economic contraction and corporate sales slump in the second quarter of 2020, NFC loan trends have become detached from fundamentals.[5] At the same time, firms' increasing need for liquidity has also helped maintain the growth rate of NFC loans. Almost all banks responded to the outbreak of the pandemic crisis by tightening credit standards, which, however, did not have any significant impact on loan growth.

Private sector indebtedness as measured by the credit-to-GDP ratio increased markedly in the second quarter, exceeding 100% for the first time ever.[6] Although that increase was supported by both NFC and household borrowing, it was largely attributable to the contraction of GDP in the second quarter. While the emerging pandemic had a highly adverse impact on the real economy, the private sector debt trend remained largely unchanged and continued its upward path.

The pandemic crisis began having some impact on the property market in the second quarter of 2020. For existing flats, the average offer price per square metre declined in May by 1.4% month on month, which was the largest monthly drop since 2009. Flat prices were broadly the same at the end of the second quarter as at the end of the first quarter. In subsequent months, however, prices gradually rebounded, and in August the average square metre sale price was at a historical high. It cannot yet be said, however, that the growth trend has returned, given that the average sale price of flats fell back again slightly in September.

[5] GDP and corporate sector sales.

[6] Private sector indebtedness increased in the second quarter of 2020 by 4.5 percentage points, to 101.7% of GDP.

Furthermore, housing affordability deteriorated again in the second quarter, as property prices recorded a larger year-on-year increase in this period than did the average wage across the economy.

The banking sector's profitability has fallen sharply. The aggregate net profit of Slovak banks was 64% lower for the first six months of 2020 than for the same period of previous year. The year-on-year decline corrected back to 43% in August, owing mainly to the waiving of bank levy payments for the second half of 2020. The main factors behind the drop in profitability were a doubling of the bank levy as from the start of this year and an increase in banks' loan loss provisioning. As regards the levy, its final impact on the banking sector's profitability for the whole of 2020 is now, in the light of recent legislative developments, quantifiable. By the end of the second quarter of 2020, banks had made bank levy payments totalling €150 million, six million euro more than their total bank levy payments for the whole of 2019. As for loan loss provisions, there remains uncertainty about the economic repercussions of the coronavirus crisis. Net provisioning for the first half of 2020 amounted to €252 million, almost three and a half times more compared with the same period of the previous year and almost twice as much as the net provisioning for the whole of 2019.

On the positive side, the banking sector's aggregate total capital ratio increased in the first half of 2020. At the end of June, the ratio stood at 19.5%, 0.6 percentage point above its level at the end of March and 0.8 percentage point higher than its level a year earlier. The capital increase was based largely on the retention of earnings for 2019. Banks were also being urged to take this approach by a new NBS Recommendation on capital and profit distribution, in force since August 2020.[7] The increase in the banking sector's capital adequacy was further supported by amendments to the EU's Capital Requirements Regulation (CRR) - the CRR 'Quick Fix' - made in response to the COVID-19 pandemic, in particular the introduction of a revised support factor for exposures to small and medium-sized enterprises.

The financial cycle easing induced by the pandemic and its impact on the real economy and financial sector is also captured by the Cyclogram. This composite indicator of the domestic financial cycle is now back to the level it was at in summer 2016. Its decline in the second quarter of 2020 was largely attributable to macroeconomic developments and, to a lesser extent, household credit market trends and a slowdown in property price growth. At present, none of the component indicators are having a positive impact. The Cyclogram's future movement will depend largely on the progress and effects of the second, and any

[7] http://www.nbs.sk/_img/Documents/_Legislativa/_Vestnik/ODP_1_2020.pdf

further, wave of the pandemic, as well as on credit cost developments following the expiry of the optional moratorium on loan repayments.

As for whether to release the countercyclical capital buffer, a key factor will be developments in loan loss provisioning and loan delinquency. These do not at present indicate the need for a further release of the buffer. Loan delinquencies were stable during the first wave of the pandemic crisis and have even decreased slightly in recent months.

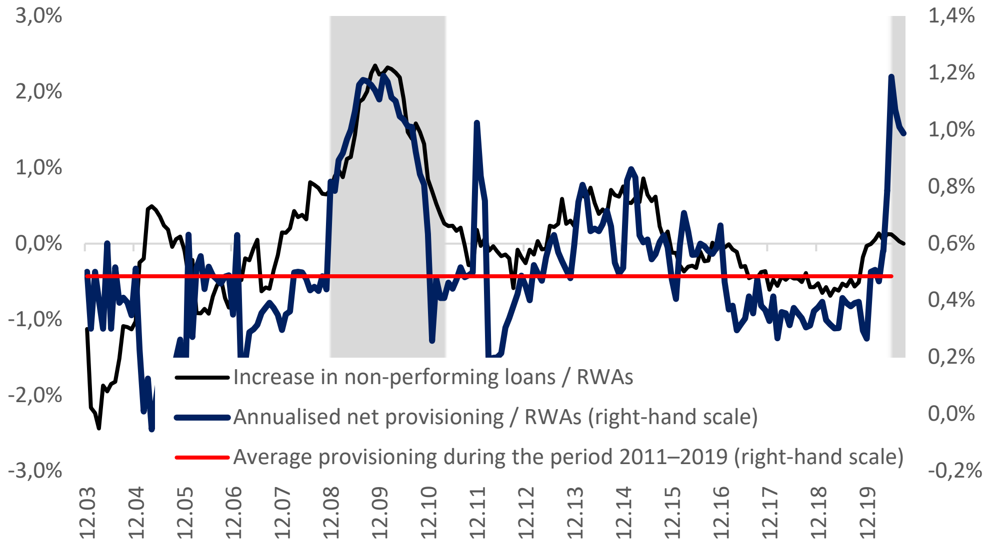
The current nature of loan loss provisioning is therefore not related to loan delinquencies, but rather indicates that banks are preparing for worse times. Given the stability of the aggregate non-performing loan ratio for the Slovak banking sector (3.1%) and of the NPL coverage ratio (67%) during the first half of 2020, provisioning focused on performing loans that have experienced a significant increase in credit risk (Stage 2 loans under IFRS 9). In this portfolio, banks provision for the lifetime expected credit loss (ECL), not only for the 12-month ECL. The sector's aggregate volume of Stage 2 loans almost doubled, year on year, in the second quarter, to stand at €8.7 billion (and then rose to €8.9 billion by the end of August); their share in gross customer loans increased over the year, from 7.3% to 13.4%. The third quarter of 2020 saw a slowdown in pandemic-induced provisioning. Banks are now waiting for potential credit losses to materialise following the expiry of the loan repayment moratorium and possibly for other forms of state aid to be adopted. The second wave of the COVID-19 pandemic and associated measures weighing on the economic recovery are further accentuating the uncertainty around provisioning. At the same time, approaches to provisioning continue to vary across banks. For the first eight months of 2020, the banking sector's aggregate provisioning exceeded the normal level of provisioning to the extent of 0.5% of risk-weighted assets, but that is not the case for each individual bank. The contributions of particular banks to the sectoral trend continue to vary according to the banks' preferred strategies.

Banks in Slovakia have sufficient available capital, and capital requirements are not constraining their lending to the real economy. At the same time, this year's two previous CCyB rate reductions have created sufficient leeway to cover existing credit losses. Hence there is no current need for a further reduction of the CCyB rate.

Chart 1

Non-performing loans and annualised provisioning in the banking sector

(percentage of risk-weighted assets)



Source: NBS.

Notes: The grey areas of the chart denote periods of stress in the Slovak financial market (the global financial crisis and the COVID-19 pandemic crisis). RWA – risk-weighted assets.

2 Macroprudential policy decisions

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

At its meeting on 27 October 2020, the NBS Bank Board decided to keep the countercyclical capital buffer (CCyB) rate at 1.00% beyond 1 November 2021.

NBS considers that its previous CCyB rate decisions have freed up sufficient capital. On the one hand, loan loss provisioning across the banking sector as a whole has so far been fully commensurate with the CCyB rate reductions. On the other hand, banks have a management capital buffer that provides them significant leeway for lending to firms and households. In this regard, NBS also appreciates banks' decisions to retain their 2019 earnings until such time as the pandemic-related risks have dissipated.

At the same time, the incoming second wave of infections is again increasing risks and the uncertainty surrounding further developments, since it is not yet possible to accurately predict what containment measures will have to be taken in the period ahead, nor the duration or extent of such measures. These will also affect developments in the financial and banking sector. Given the uncertainty about what will happen after the expiry of the optional moratorium on loan repayments, including the possibility that loan delinquencies will accelerate, NBS considers it appropriate to leave the CCyB rate at a level that allows leeway for the absorption of a potential future increase in credit costs.

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]

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 was 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

[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.

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

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).

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.

A government bill now before the Slovak Parliament will amend the Banking Act[10] so as to implement changes resulting from the EU's amended Capital Requirements Regulation and Directive (CRR II/CRD V). Some of the amendments concern capital buffers for systemically important banks and the systemic risk buffer. The amendments are due to take effect from the end of 2020 and will apply to the capital buffer decisions for 2022 which NBS adopts in spring 2021.

[10] Government bill amending Act No 483/2001 on banks (and amending certain laws), as amended, and amending certain other laws: https://www.nrsr.sk/web/Default.aspx?sid=zakony/sslp&Text=z%c3%a1kon%20o%20bank%c3%a1ch&CisObdobia=8&FullText=False&StateID=&CategoryID=-1&PredkladatelID=-1&Predkladatel=&PredkladatelPoslanecId=-1&Ciastka=&CisloZz=

Regulatory requirements for retail lending

The current regulatory requirements for retail lending as laid down by the NBS Consumer Loan Decree, as amended,[11] and the NBS Housing Loan Decree, as amended,[12] are summarised in the following table:

TABLE 3 REGULATORY LENDING LIMITS

Indicator	Calculation	Parameter	Limit
Debt service-to-income (DSTI) ratio	total debt service obligatic / net income – minimum subsister	Maximum DSTI ratio	60% [2)]
		Maximum share of new loans with a DSTI ratio > 60%	5% + 5% [3)]
Loan-to-value (LTV) ratio [4)]	amount of loan / value of collateral	Maximum LTV ratio	90%
		Maximum share of new loans with an LTV ratio > 80%	20%
Debt-to-income (DTI) ratio	total debt / 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 loans	8 years

Source: NBS.

Notes: 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 term not exceeding five years.
4) The limit applies only to housing loans.

---

[11] 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.

[12] 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.

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 Tables 4 to 6 in the Annex.

Approval of an NBS Recommendation concerning capital distribution

With the aim of maintaining the Slovak banking sector's capital adequacy, NBS has approved a Recommendation concerning capital distribution in the banking and insurance sectors.[13] The purpose of the Recommendation is, amid the pandemic fallout, to urge the banking sector to continue performing its role vis-à-vis the real economy, 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. The NBS Recommendation will be in force until the end of 2020. Discussions are underway at the European level on extending the validity of the ESRB Recommendation, either in its full extent or in an amended version.

2.3 Potential application of macroprudential policy instruments over the medium term

Retail lending

Despite the ongoing crisis, the aggregate volume of lending to the household sector remains stable. But while growth in housing loans remains strong, unfavourable trends in consumer credit growth have become even more pronounced owing to the current economic downturn. Demand for consumer credit, which was faltering even before the pandemic crisis, has weakened still further, and the banking sector's consumer credit portfolio has been shrinking from month to month. As for monthly flows of housing loans, they weakened only in spring 2020, but have since rebounded to the levels of previous years. There has also been a change of approach among banks, as they have recently begun

[13] Recommendation No 1/2020 of Národná banka Slovenska on capital and profit distribution by banks and insurance undertakings during the COVID-19 pandemic: http://www.nbs.sk/_img/Documents/_Legislativa/_Vestnik/ODP_1_2020.pdf

easing credit standards again after previously tightening them, especially during the early part of the pandemic crisis.

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 saw 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. We are now experiencing such an adverse period, and initial data already indicate that, owing in part to NBS measures, households are more resilient.

NBS considers its instrument settings to be appropriate for now. In the case of certain parameters, banks' risk management response to the current crisis has actually been stricter than required under NBS Decisions. NBS is now assessing the impact of the current crisis on households. This includes assessing the impact on households' resilience of NBS regulatory lending limits. At present we do not think it is necessary or appropriate for NBS to ease these limits to any significant extent. An important factor in regard to the riskiness of new loans is that developments in several indicators (the labour market, household income, the property market) remain subject to great uncertainty. Any negative trends in these indicators could erode households' debt servicing capacity.

Expectations for the CCyB rate in the next quarter

NBS considers that its previous two decisions on the CCyB rate have freed up sufficient capital to adequately meet current provisioning needs. At the same time, banks have sufficient capital to fund their lending to the real economy. Going forward, CCyB rate decisions will be affected in particular by the level of loan delinquencies and developments in credit risk costs, which will reflect mainly the impact of the following:

i) The adverse impact on Slovakia's economy and banking sector of the second wave of COVID-19 infections and the related pandemic containment measures adopted in Slovakia and the rest of the world;

ii) The current schedule for ending relief measures adopted in the first wave of the crisis, including an optional moratorium on loan repayments. This could quite soon result in several relief measures expiring simultaneously, creating a cliff effect that would be detrimental to borrowers' debt servicing capacity.

NBS stands ready to further reduce the CCyB rate if necessary, while paying particular regard to developments in credit risk costs and in loan delinquency. Among the other factors it is looking at are the sufficiency of banks' available capital for their lending activity and the financial situation of firms and households. A prerequisite for any further reduction in the

CCyB rate is that banks maintain conservative dividend policies and an adequate level of capital.

2.4 Recent ECB decisions concerning the Slovak banking sector

As of 21 October 2020, the European Central Bank had not issued any macroprudential policy decision concerning the Slovak banking sector.

3 Annex

TABLE 3 CAPITAL BUFFER RATES CURRENTLY APPLIED IN SLOVAKIA		
Macroprudential instrument	Value	Note
Capital conservation buffer (Article 33b of the Banking Act)	2.50%	
Countercyclical capital buffer rate (Article 33g of the Banking Act)	1.00%	↓ 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]	1.00%	

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 4 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	31 Dec. 2019	31 Mar.2020	30 Jun. 2020	30 Sep. 2020	31 Dec. 2020	31 Mar.2021	30 Jun. 2021	30 Sep. 2021	31 Dec. 2021	Note
2020EEA countries	**Belgium**	0	0	0	0	0	0	0	0	0	↓ to 0% from 1 April 2020
	Bulgaria	0.5	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	1.75	1	0.5	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	0	0	0	0	0	0	0	0	↓ to 0% from 12 March 2020
	France	0.25	0.25	0	0	0	0	0	0	0	↓ to 0% from 2 April 2020
	Ireland	1	1	0	0	0	0	0	0	0	↓ to 0% from 1 April 2020
	Lithuania	1	1	0	0	0	0	0	0	0	↓ to 0% from 1 April 2020
	Luxemburg	0	0.25	0.25	0.25	0.25	0.5	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
	Sweden	2.5	0	0	0	0	0	0	0	0	↓ to 0% from 16 March 2020
Non-EEA	**United Kingdom**	1	0	0	0	0	0	0	0	0	↓ to 0% from 11 March 2020
	Iceland	1.75	0	0	0	0	0	0	0	0	↓ to 0% from 18 March 2020
	Hong Kong	2	1	1	1	1	1	1	1	1	↓ to 2% from 14 October 2019 and to 1% from 16 March 2020
	Norway	2.5	1	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 5 BUFFERS AND PARAMETERS WHICH ARE CURRENTLY APPLIED TO EXPOSURES TO FOREIGN COUNTRIES AND ARE ALSO APPLIED TO SLOVAK BANKS

Country	Macroprudential instrument	Value
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.

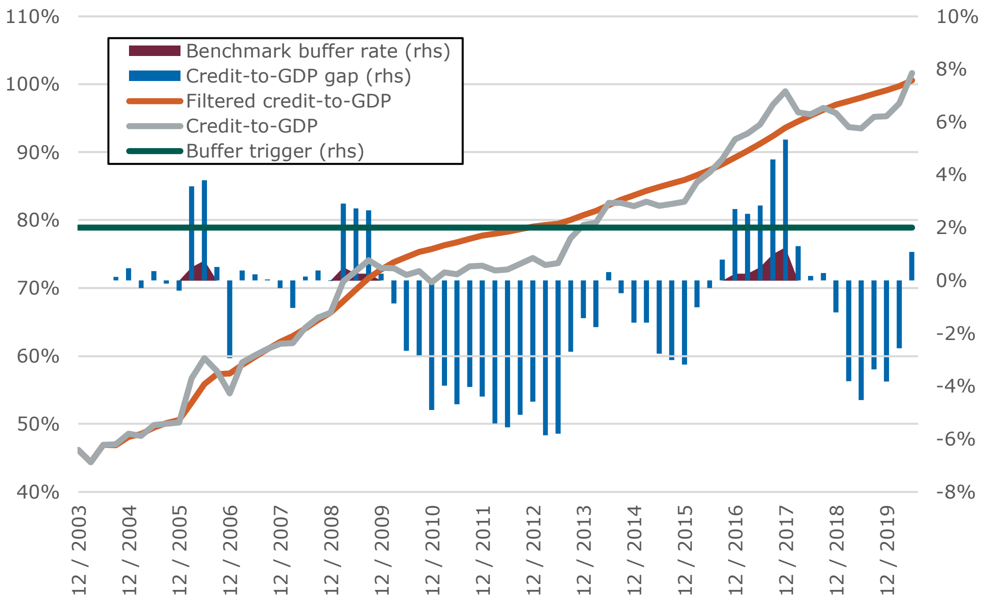
TABLE 6 MACROPRUDENTIAL MEASURES CURRENTLY IN FORCE IN OTHER EU COUNTRIES BUT NOT APPLIED TO SLOVAK BANKS ON GROUNDS OF LOW EXPOSURE

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**[14]	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.

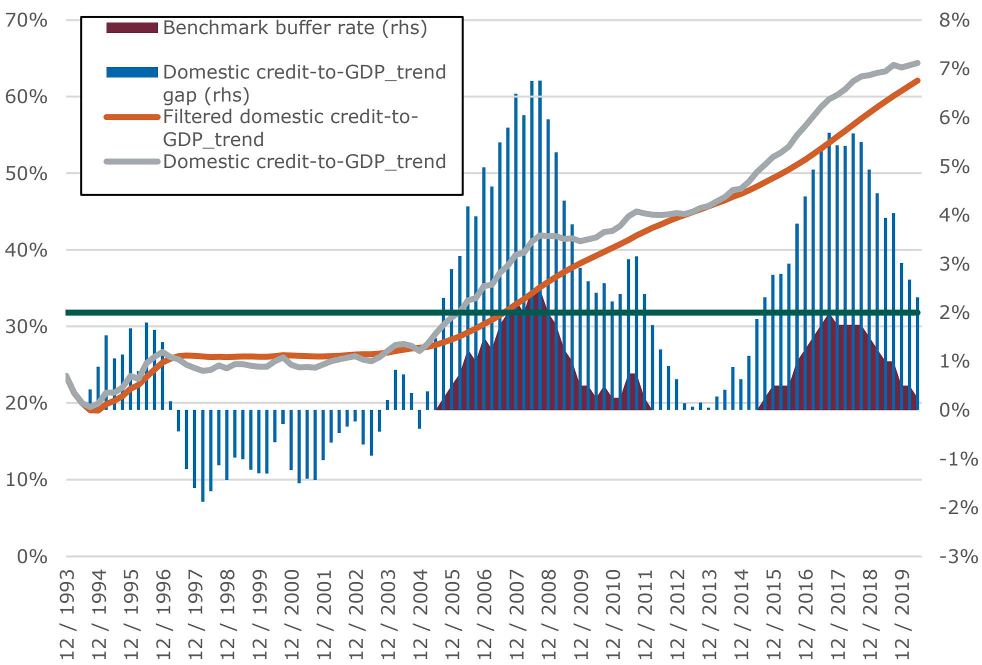
[14] Signalling in accordance with Recommendation ESRB/2015/2.

Chart 2
Standardised credit-to-GDP gap



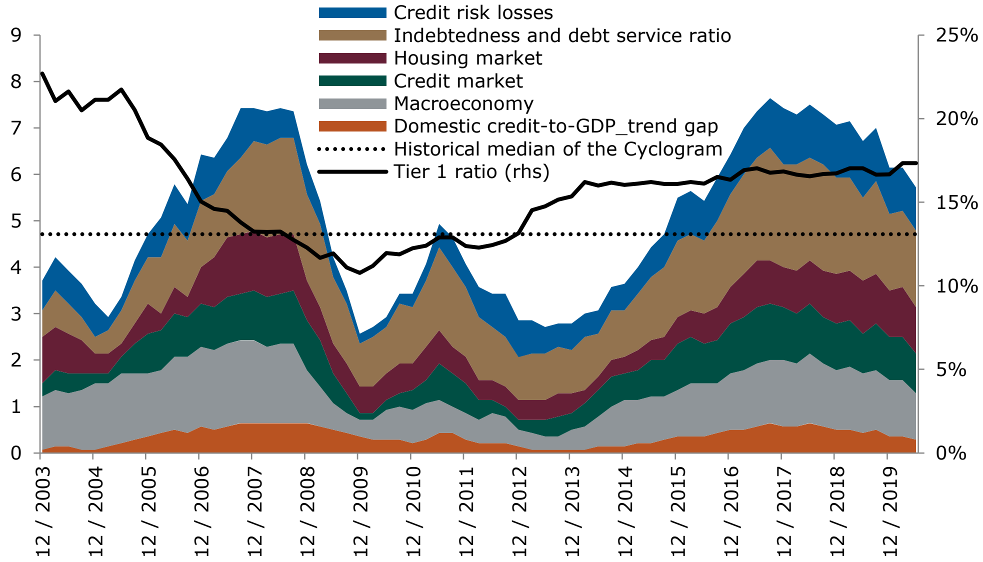
Sources: NBS and SO SR.
Notes: In the standardised credit-to-GDP gap, credit refers to the total outstanding amount of debt of NFCs and households.
The benchmark buffer rate is calibrated in accordance with Part 2 of the Annex to Recommendation No ESRB/2014/1.
The trigger value for a non-zero CCyB and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

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



Sources: NBS and SO SR.
Notes: Domestic credit-to-GDP$_{trend}$ gap, domestic credit refers to total outstanding amount of credit provided by the domestic banking sector to NFCs and households.
Domestic credit-to-GDP$_{trend}$ 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 7 HEADLINE INDICATORS FOR THE COUNTERCYCLICAL CAPITAL BUFFER AS AT 30 JUNE 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%	101.7%	1.08%
Domestic credit-to-GDP$_{trend}$ gap (Chart 3)	0.25%	65.4%	2.31%
Cyclogram (Chart 4)	0.50%	-	-

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.