

## Risks to financial stability

### Negative external development

- Impact of COVID-19 pandemics
- Global economic contraction
- Negative development on financial markets
- Recession in Slovak economy and increase in unemployment

### Loans default risk

- Deterioration in financial condition of households and firms
- SMEs, self-employed and employees of sensitive sectors are the most endangered
- Loan moratoria significantly decreased loans default risk; it may materialise when moratoria end
- Banks can resist negative scenario because of strong capital adequacy

### Potential deterioration in real economy financing

- Capital and liquidity of banks is high enough for providing loans
- Availability of loans decreased in consequence of economic deterioration
- Loans flow in banking sector will depend on availability of government guarantee schemes

### Current risks in other sectors

- Increase in claims in some lines of business, decrease in new production and negative impact of financial market uncertainty
- Decrease in value of financial assets in pension and investment funds
- Redemption risk has materialised only to a limited extent yet

## Resilience of financial sector

<b>Resilience of banking sector</b>	<ul style="list-style-type: none"><li>• High resilience of banking sector – capital adequacy almost doubled compared to the last crisis</li><li>• Retained 2019 profit strengthened capital position</li><li>• Banks are sensitive to negative trends - decrease in profit in the first quarter of 2020 by 61 %</li></ul>
<b>Resilience of other sectors</b>	<ul style="list-style-type: none"><li>• Insurers expect decrease in profit by one quarter, their resilience was confirmed by stress test</li><li>• Pension and investment funds observed losses, impact on management companies has been limited</li></ul>

## Measures for financial stability preserving

<b>Initial reaction to coronacrisis</b>	<ul style="list-style-type: none"><li>• Massive capital requirement release and bank financing support from ECB and NBS</li><li>• Decrease of countercyclical capital buffer rate (CCyB)</li><li>• Retained 2019 profit</li><li>• Loan moratoria on household and corporate loans</li></ul>
<b>Other necessary steps</b>	<ul style="list-style-type: none"><li>• Bank levy repeal</li><li>• Conservative dividend policy on 2020 profit</li><li>• NBS is ready to release CCyB if necessary</li><li>• Need for appropriate and adequate government guarantee schemes for corporate loans</li><li>• Households should prepare for resumption of loan instalments by creating financial reserves</li></ul>