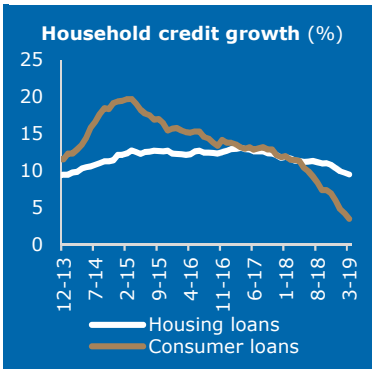


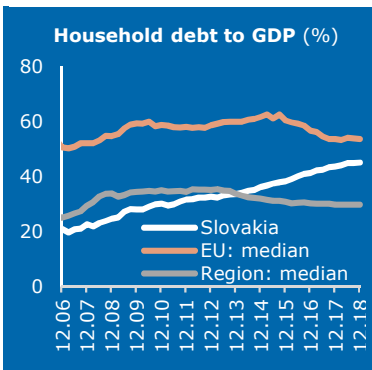


## Risks for financial stability



### Credit growth amid the low rates

- Despite gradual deceleration the housing credit growth is still among the highest in the EU
- Persisting strong factors supporting credit growth
- NBS decrees contribute to the credit growth moderation and decrease the new loans riskiness



### Increasing household indebtedness

- Slovak households are the most indebted in the Central and Eastern Europe region
- Indebtedness growth is lowest in the last five years
- Housing loans are more concentrated in households with relatively lower income



Pressure of low interest rates on **business model sustainability**

### Banks' business model under pressure

- Banks' profit is stable for an extended period
- Increasing sensitivity to future interest margin development and credit risk cost rate
- Higher sensitivity in small and medium banks



**Overheating** of domestic labour market and external **imbalances**

### Macroeconomic imbalances

- Domestic economy growth above its potential may deepen the risks related to the financial stability
- External imbalances (geopolitical risks, situation in international trade, fragile investor confidence, high indebtedness)





## Resilience of the financial sector

Stable banks' profitability and capital adequacy

### Profitability and capital adequacy

- Profitability is sensitive to potential worsening in economic development
- Preserving high capital adequacy is important given the accumulation of risks



Active reaction of NBS macroprudential policy

### Reaction of Národná banka Slovenska

- Gradual tightening of NBS measures
- If the accumulated risks keep elevated, Národná banka Slovenska may consider increasing the rate of countercyclical capital buffer



## Other relevant issues

Worsening of several liquidity indicators, however pace moderated



Most of insurance capital consists of unstable future profits



Competition may influence financial stability

