ESRB
European Systemic Risk Board
European System of Financial Supervision

EUROPEAN CENTRAL BANK
EUROSYSTEM

Notification template for Articles 133 and 134(5) of the Capital Requirements Directives (CRD) – Systemic risk buffer (SyRB)

Template for notifying the European Central Bank (ECB)and European Systemic Risk Board (ESRB) of the setting or resetting of one or more systemic risk buffer rates pursuant to Article 133(9) CRD and to request that the ESRB issue a recommendation to other Member States to reciprocate the measure under Article 134(5) CRD

Please send/upload this template to

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation[1]);
- DARWIN/ASTRA when notifying the ESRB.

The ESRB will forward the notification to the European Commission, the European Banking Authority (EBA) and the competent and designated authorities of the Member States concerned without delay. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[2].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	Bank of Slovenia
1.2 Country of the notifying authority	Slovenia
1.3 Type of measure (also for reviews of existing measures)	Which SyRB measure do you intend to implement? ☐ Activate a new SyRB ☒ Change the level of an existing SyRB ☐ Change the scope of an existing SyRB (incl. changes to a subset of institutions or exposures) ☐ De-activate an existing SyRB ☐ Reset an existing SyRB (review)

[1] 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 (OJ L 287, 29.10.2013, p. 63).
[2] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure	
2.1 Institutions covered by the intended SyRB	Please indicate whether the SyRB applies to: ☒ All institutions authorised in the Member State *The intended SyRB applies to all banks authorised in Slovenia at the highest level of consolidation in Slovenia.* ☐ One or more subsets of credit institutions in the sector (please provide the names and identifiers (Legal Entity Identifier (LEI) code) of institutions covered) <table><tr><th>Name of institution</th><th>LEI code</th><th>Consolidation level</th></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></table> ☐ A subsidiary whose parent is established in another Member State. (Please provide the names and identifiers (LEI code) of subsidiaries) <table><tr><th>Name of subsidiary</th><th>Name of the parent</th><th>LEI code of the subsidiary</th></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></table> If the SyRB applies to a subset of institutions, please describe the criteria for selection of the relevant institutions.
2.2 Exposures covered by the SyRB **(Article 133(5) CRD)**	Please indicate the exposures to which the SyRB applies: ☐ (a) all exposures located in the Member State that is setting the buffer; ☒ (b) the following sectoral exposures located in the Member State that is setting the buffer: (i) ☒ all retail exposures to natural persons that are secured by residential property; (ii) ☐ all exposures to legal persons that are secured by mortgages on commercial immovable property; (iii) ☐ all exposures to legal persons excluding those specified in point (ii); (iv) ☐ all exposures to natural persons excluding those specified in point (i); ☐ (c) subsets of any of the sectoral exposures identified in point (b). Please specify the subsets in Section 2.3; ☐ (d) all exposures located in other Member States; ☐ (e) exposures located in third countries.

2.3 Subsets of sectoral exposures	Where the systemic risk buffer applies to subsets of any of the sectoral exposures identified (see point 2.2 (c)), please specify: - The elements of the dimensions and subdimensions that were used to identify the subset(s) of sectoral exposures as laid down in the EBA Guidelines on the appropriate subsets of exposures in the application of SyRB: **Dimensions/subdimensions** / **Elements**: 1. Type of debtor or counterparty sector: *1.a Economic activity*: 2. Type of exposure: *2.a Risk profile*: 3. Type of collateral: *3.a Geographical area*: - Assessment conducted in accordance with Section 5 of the EBA Guidelines on the systemic relevance of the risks stemming from this subset, taking into account: (i) size (ii) riskiness (iii) interconnectedness. - Why it would not have been appropriate to set the systemic risk buffer at the level of a sector (as in point 2.2(b)) to cover the risk targeted? - *Not applicable.*
2.4 Exposures located in other Member States and in third countries	If the systemic risk buffer applies to exposures located in other Member States or third countries (see points 2.2(d) and (e)), please include the names of those countries *Not applicable*.
2.5 Buffer rate **(Article 133(9)(e) CRD)**	Specify the intended SyRB rate. If different buffer requirements apply to different exposures or subsets of exposures, please specify for each exposure indicated under 2.2. Please indicate any changes to the list in 2.1 of institutions concerned and in the buffer rates given in point 2.5 as compared to the last notification, and provide an explanation, if applicable.

Exposures	New SyRB rate		Previous SyRB rate	
	All institutions (SyRB rate)	**Set of institutions** (range of SyRB rates)	**All institutions** (SyRB rate)	**Set of institutions** (range of SyRB rates)
(a) All exposures located in the Member State that is setting the buffer	N/A	N/A		
(b) *The following sectoral exposures located in the Member State that is setting the buffer:*				
(i) All retail exposures to natural persons that are secured by residential property	*0.5%*	N/A	*1%*	
(ii) All exposures to legal persons that are secured by mortgages on commercial immovable property	N/A	N/A		

(iii) All exposures to legal persons excluding those specified in point (ii)	N/A	N/A		
(iv) All exposures to natural persons excluding those specified in point (i)	*0.5%*	N/A	*0.5%*	
(c) All exposures located in other Member States	N/A	N/A		
(e) Exposures located in third countries	N/A	N/A		
(f) *Subsets of any of the sectoral exposures identified in point (b):*				
(i) Please specify the subset [Dimension/subdimensions]	N/A	N/A		

If different buffer requirements apply to different subsets of institutions, please specify for each institution mentioned under 2.1.

Set of institutions				
Exposures	**Name of institution**	**LEI code**	**New SyRB rate**	**Previous SyRB rate**
			%	
			%	
			%	

3. Timing for the measure

3.1 Timing for the decision	What is the date of the official decision? For SSM countries when notifying the ECB: provide the date on which the decision referred to in Article 5 of the Single Supervisory Mechanism Regulation (SSMR) will be taken. 19/12/2023
3.2 Timing for publication	What is the proposed date of publication of the notified measure? *The publication of the notified measure is intended by the second half of December 2023* 01/01/2024
3.3 Disclosure	Information about the strategy for communicating the notified measure to the market. Do you also intend to publish the justification for the SyRB? If not, why do you consider that publication could jeopardise the stability of the financial system? *Yes, Bank of Slovenia intends to publish a justification for the SyRB on its webpage.*
3.4 Timing for application	What is the intended date of application of the measure? 01/01/2025
3.5 Phasing in	What is the intended timeline for phase-in of the measure (if applicable)? *The new sectoral SyRB rate of 0.5% for all retail exposures to natural persons that are secured by residential property will be applicable from 1.1.2025 onwards.*

3.6 Review/deactivation of the measure	Until when will the measure presumably be in place? What are the conditions for its deactivation? On what indicators would the decision be based? Please specify whether you intend to review the measure before the maximum period of two years foreseen in Article 133(8)(b) CRD. *The impact assessment and the review of the existing sectoral SyRB rates, more specifically, of (i) the sectoral SyRB for all retail exposures to natural persons that are secured by residential property, and of (ii) the sectoral SyRB for all exposures to natural persons excluding those specified in point (i), will be carried out regularly, at least once a year. The measure is expected to remain in place until targeted risks materialise or disappear.*
4. Reasons for the notified SyRB	
4.1 Description of the macroprudential or systemic risk in your Member State **(Article 133(9)(a) of the CRD)**	Where applicable, please classify the risks targeted by the notified SyRB under the following categories: (i) risks stemming from the structural characteristics of the banking sector - Size and concentration of banks - Ownership structure - Other structural risks (ii) risks stemming from the propagation and amplification of shocks within the financial system - Exposure concentration/asset commonality - Commonality in bank business models - Financial interconnections and contagion (iii) risks to the banking system stemming from either the real economy or specific sectors - Economic openness - Sectoral risks from the private non-financial sector, households and the public sector (iv) Other risks *Risks not covered by the existing macroprudential restrictions on consumer lending* Please specify: - Whether these risks are widespread across the whole financial sector? - Or whether they are concentrated only in one or more subsets of the sector? ***The previous level of sectoral SyRB for real estate exposures****, apart from the risk stemming from the recalibration of the BBMs, addressed (i) risks stemming from the overvaluation of RRE, as well as (ii) risks stemming from the prolonged LIRE.* ***i. Risks stemming from the RRE price dynamics*** *In the time of the activation of the sectoral SyRB, the overvaluation of RRE prices presented a broad risk to financial stability. The risks that were stemming from the Slovenian real estate market were assessed as elevated. In 2021 (especially towards the end of the year), the growth in RRE prices significantly accelerated resulting to, according to the majority of indicators, an overvaluation of RRE of around 15 p.p. with no signs of slowing down. At that point the nominal RRE prices have exceeded the pre-crises 2008 peak*

in 2019, while the real prices surpassed the 2008 peak and at the end of 2021 stood 5 p.p. above the previous peak. In the second half of 2021 an acceleration in the growth of housing loans was also observed.

ii. Risks stemming from LIRE

The declining yields caused by the low interest rate environment (LIRE) have lead to increased vulnerability of banks and other financial intermediaries. In that environment the lower yields spanning several years have put pressure on the ability of banks to generate stable income. The associated gradual decline in the net interest income and margin, first from 2014 and again from 2020 onwards, has negatively impacted the traditional business models of banks.

Based on the current risk analysis, we assess that the risks stemming from real estate have subsided. *The Slovenian residential RE market peaked in the first quarter of 2022 and it has been cooling down ever since. This normalisation is reflected in a further slowdown in the residential property price growth (Figure 1) and a decline in the number of sales (Figure 3). The price correction in the market is taking place in a controlled manner and does not seem to entail the realisation of expected risks to financial stability. The overvaluation indicators also show a moderating and declining trend (Figure 2).*

Figure 1. Residential real estate price growth

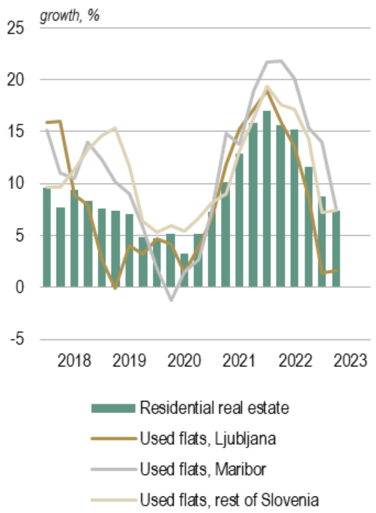
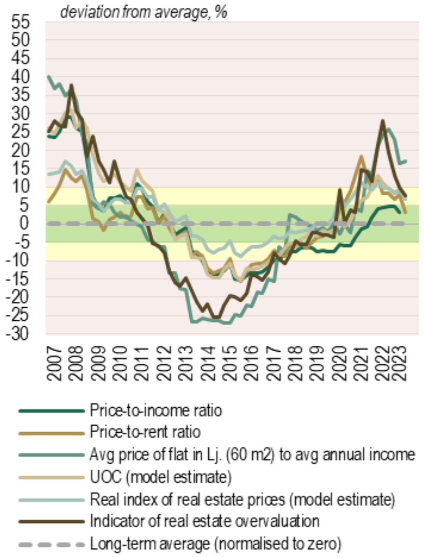


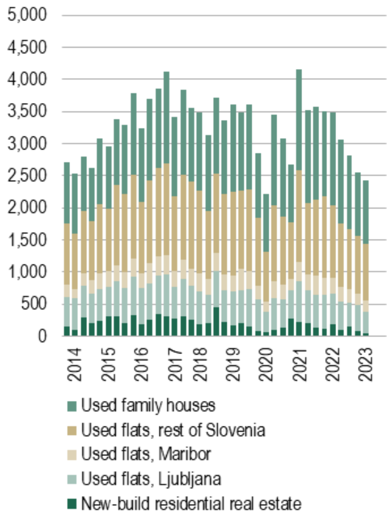
Figure 2. Indicators of overvaluation of residential real estate



Note: On the tight figure the indicators of housing price alignment with fundamentals are normalised around their own long-term averages, which are assigned a value of zero. Each indicator's deviation from the long-term average illustrates the overvaluation or undervaluation of residential real estate. The indicators are illustrated up to the second quarter of 2023, with the exception of the ratio of real estate prices to disposable income, which is illustrated to the first quarter of 2023
Source: SORS, SMARS, Banka Slovenije calculations

Figure 3. Number of sales of residential real estate

Figure 4. New housing loans

	 *Source: SORS, Banka Slovenije*
4.2 Reasons why the dimension of the macroprudential or systemic risks threatens the stability of the financial system in your Member State **(Article 133(9)(b) CRD)**	Reasons why the macroprudential or systemic risks threaten financial stability and justifying the systemic risk buffer rate. *Please refer to 4.1. regarding the risk analysis on basis of which we are intending to recalibrate the sectoral SyRB for RE exposures from 1% to 0.5%* ***Risks stemming from the relaxation of the BBMs*** *We assess that the risks related to the allowed deviations within the BBMs i.e. the lower threshold for credit worthiness still remain. The banks are able to issue loans to persons who were previously not credit worthy under the macroprudential restrictions (BBMs), but are according to banks' internal assessment deemed creditworthy. Those loans are assessed as riskier than the rest of the stock. To cover the additional risks arising from recalibration of the BBMs Banka Slovenije will maintain the capital requirements arising from the sectoral systemic risk buffers in place calibrated at 0.5%. The risk arising from relaxation of borrower based measures for housing loans will be covered by the buffer applied to all retail exposures to natural persons that are secured by residential property. The risk arising from relaxation of borrower based measures for consumer loans will be covered by the buffer applied to all retail exposures to natural persons except for those secured by residential property.*
4.3 Indicators used for activation of the measure	Provide the indicators triggering activation of the measured. When notifying the ECB, please provide the data on which the decision is based, if possible (preferably in an Excel file). *The following indictors were considered during the risk assessment that lead to the decision for recalibration of the sectoral SyRB for RE exposures:* • *Price dynamics of residential real estate* • *The ratio between real estate prices and disposable income* • *The ratio between real estate prices and rent prices* • *The overvaluation indicator of residential real estate* • *The ratio between the average price of a flat in Ljubljana (60m2) and average annual salary* • *Index of real estate prices (model estimate)* • *UOC indicator (model estimate)* • *Exposure of banks to the real estate market*

<table>
<tr><td></td><td>We also considered the output gap, voluntary management buffers, and the profitability of crisis in the banking system..</td></tr>
<tr><td>4.4 Effectiveness and proportionality of the measure

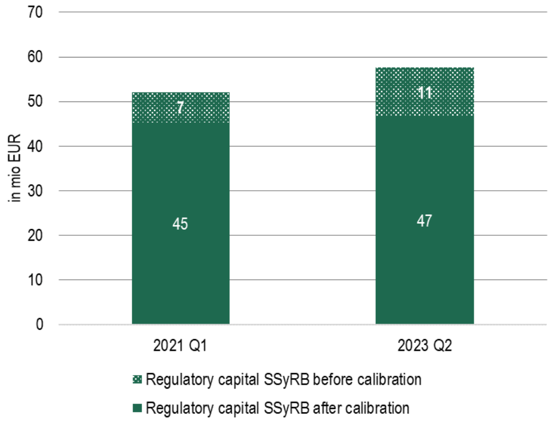
(Article 133(9)(c) CRD)</td><td>Explanation why the draft measures are deemed likely to be effective and proportionate to mitigate the risk. E.g. how will the effectiveness of the measure be assessed? Based on which indicators? What are the expected transmission mechanisms?

Capital impact assessment

The measure is effective in maintaining banks’ resilience in a context of persisting vulnerabilities. On the basis of our risk analysis, we have noted a reduction in the cyclical (and to some extent also structural) risks identified at the time of the introduction of the sectoral buffers. This has led to the decision to recalibrate the instrument. The recalibration lowers the rate of the sectoral SyRB for exposures secured by real estate rate and relaxes the capital requirements that were designed to address risks arising from the real estate market.

Figure 5 shows the estimated effects on banks' capital at the current sectoral SyRB rates and after the proposed recalibration of the instrument. With recalibration of the sectoral SyRB for RE exposures, the released capital is estimated at 11 mio EUR.

Figure 5. Estimation of capital requirements from the sectoral systemic risk buffers before and after recalibration of the instrument.



Note: The data for 2021 Q1 simulate a hypothetical situation before the introduction of sectoral SyRBs. Otherwise, banks were required to maintain a buffer from 1 January 2023.
Source: Banka Slovenije</td></tr>
<tr><td>4.5 Reason why the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD

(Article 133(9)(f) CRD)</td><td>Where the systemic risk buffer rate applies to all exposures, please justify why the authority considers that the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD.

The sectoral SyRB applies to sectoral exposures located in Slovenia</td></tr>
<tr><td colspan="2">5. Sufficiency, consistency and non-overlap of the policy response</td></tr>
<tr><td>5.1 Sufficiency of the policy response</td><td>For a macroprudential policy to be ‘sufficient’, the policy responses must be deemed to significantly mitigate, or reduce the build-up of, risks over an appropriate time horizon with a limited unintended impact on the general economy.</td></tr>
</table>

	Note that the ESRB will use this assessment of the macroprudential stance as relevant input in assessing the sufficiency of the macroprudential policy in the Member States. Please provide any additional information that the ESRB should consider in assessing the sufficiency of the policy response. *The Bank of Slovenia considers the intended measure sufficient and appropriate for the observed level of the systemic risk. Please see Section 4.1. for the risk analysis.*
5.2 Consistency of application of the policy response	For a macroprudential policy to be 'consistent', the policy instruments must be deemed to meet their respective objectives as outlined in ESRB/2013/1[3] and must be implemented in accordance with the common principles set out in the relevant legal texts. Note that the ESRB assessment of consistency will consider whether the same systemic risks are addressed in a similar way across and within the Member States over time. Please provide any additional information that the ESRB should consider in assessing the consistency of the policy response. *The recalibration of the sectoral systemic risk buffer for real estate exposures is a part of a package of macroprudential measures, namely the introduction of the positive-neutral rate for the CCyB, which is higher than the existing CCyB rate.*
5.3 Non-overlap of the policy response	For a policy instrument to be 'non-overlapping', it should aim to address a systemic risk that either differs to the risk addressed by other active tools in the same Member State, or to be complementary to another tool in that Member State which addresses the same systemic risk. - Are other policy instruments used to address the same systemic risk? - If yes, please explain the need for more than one instrument to address the same systemic risk and how the different instruments interact with each other. *The sectoral SyRBs complement the existing borrower-based measures (DSTI, maturity limits, and LTV recommendation) with the aim of preventing excessive credit growth, excessive leverage and exposures thus increasing the resilience of the financial system through increased capital requirements towards banks that will increase or have already increased their exposures in the housing market and natural persons in general. The macroprudential restrictions on household lending reduce the risk of new (mortgage) loans, by making indebted households more resilient to negative shocks, limiting household indebtedness and encouraging responsible lending practices, while the sectoral SyRBs address the risks stemming from banks' exploitation of the exemptions embedded in the borrower-based measures.* *Other currently active measures (the O-SII buffer and the CCyB) address different risks than the sectoral SyRBs.*
6. Cross-border and cross-sector impact of the measure	

[3] Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) (OJ C 170, 15.6.2013, p. 1).

6.1 Assessment of cross-border effects and the likely impact on the Internal Market **(Article 133(9)(d) of the CRD and Recommendation ESRB/2015/2[4])**	Assessment of the cross-border effects of implementation of the measure. a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macroprudential Policy in the Banking Sector[5] and the [Framework to assess cross-border spillover effects of macroprudential policies]() of the ECB Task Force on cross-border spillover effects of macroprudential measures can be used. b. Assessment of the: o cross-border effects of implementation of the measure in your own jurisdiction (inward spillovers); o cross-border effects on other Member States and on the Single Market of the measure (outward spillovers); o overall impact on the Single Market of implementation of the measure. *Since the implementation of the macroprudential measure, Banka Slovenije has not observed any signs of negative impact on the Internal Market that would outweigh the financial stability benefits resulting in a reduction of the macroprudential or systemic risk identified. There is no reason to expect this observation to change when reducing the size of the sectoral SyRB.*
6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	Referring to your Member State's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction (i.e. circumvention of the measure/leakages to other parts of the financial sector)? Is there scope for "leakages and regulatory arbitrage" in other jurisdictions? *See Section 6.1.*
6.3 Request for reciprocation by other Member States **(Article 134(5) CRD and Recommendation ESRB/2015/2)**	Does the authority intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure in accordance with Article 134(5) CRD? No - If yes, please provide in Section 6.4. the justification for that reciprocity. - If no, what are the reasons for not requesting reciprocation? *The potential for cross-border effects of measures is stronger the higher the share of loans that Slovenian households receive from foreign financial service providers. Since these loans currently represent a very small share of the market (around 2%), it is assessed as unlikely that cross-border effects emerge at least over a one year horizon. Therefore, reciprocation is deemed unnecessary at present.*
6.4 Justification for the request for reciprocation by other Member States	To request reciprocation, please provide the following: - a concise description of the measure to be reciprocated; - the financial stability considerations underlying the reciprocity request, including the reasons why the reciprocity of the activated measure is deemed necessary for its effectiveness;

[4] Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).
[5] Available on the ESRB's website at www.esrb.europa.eu.

(Article 134(5) CRD and Recommendation ESRB/2015/2)	- the proposed materiality threshold and justification for that level. If the ESRB deems the request for reciprocation to be justified, the description provided will form the basis for translation into all EU official languages for the purposes of an update of Recommendation ESRB/2015/2. *Not applicable*
7. Combination of the SyRB with other buffers	
7.1 Combination with G-SII and/or O-SII buffers **(Article 131(15) CRD)**	Is the sum of the systemic risk buffer rate and the higher of the O-SII/G-SII buffer rates to which the same institution is subject above 5%? *No.* Please provide a list of the institutions subject to a G-SII or an O-SII buffer, indicating the G-SII or O-SII buffer and the sum of the G-SII/O-SII and SyRB buffers (a combined buffer rate of over 5% requires authorisation by the Commission).

Name of institution	G-SII/O-SII buffer rate	O-SII consolidation level	Sum of G-SII/O-SII and SyRB rates
NLB	1.25%	Consolidated level (highest level of consolidation in Slovenia)	2.25%
NKBM*	0.50%	Consolidated level (highest level of consolidation in Slovenia	1.50%
SID*	0.25%	Individual level	1.25%
SKB	0.25%	Sub-consolidated level	1.25%
Intesa Sanpaolo	0.25%	Sub-consolidated level	1.25%
Unicredit banka*	0.25%	Sub-consolidated level	1.25%
BKS	0.00%		1.50%
Sberbank	0.00%		1.50%
Gorenjska banka	0.00%		1.00%
Addiko bank	0.00%		1.00%
Bank Sparkasse	0.00%		1.00%
Delavska hranilnica	0.00%		1.00%
DBS	0.00%		1.00%
RCI banque société anonimé	0.00%		1.00%
Hranilnica Lon	0.00%		1.00%
Hranilnica Vipava	0.00%		1.00%

*Note: * This year's O-SII identification and buffer calibration process resulted in increase of the buffer rate for three banks (NKBM, SID, and Unicredit) for 0.25 p.p. The banks, as per well-established practice, will be given 12 months phase-in period to meet the new capital requirements. The affected banks are legally bound to hold the fully phased in O-SII buffers on 01.01.2025.*

Name of institution	G-SII/O-SII buffer rate	O-SII consolidation level	Sum of G-SII/O-SII and SyRB rates
	%		%
	%		%
	%		%
	%		%
	%		%
	%		%
	%		%

7.2 Combination with other systemic risk buffers **(Article 133(11) and (12) CRD)**	Indicate all sets or subsets of exposures that would be subject to one or more systemic risk buffers with a combined systemic risk buffer rate in the ranges below: - above 3% and up to 5% - above 5% Indicate whether any subsidiaries of a parent in another EU Member State would be subject to a combined systemic risk buffer rate above 3% *With the recalibration of the sectoral SyRB for exposures to private individuals secured by residential property to 0.5% and the sectoral SyRB for other exposures to natural persons remaining 0.5%, the total SyRB rate will not exceed 3 %.* .
8. Miscellaneous	
8.1 Contact person(s)/mailbox at notifying authority	Contact person(s) (name, phone number and e-mail address) and mailbox for further inquiries. Monika Tepina, +386 (1) 4719-368, monika.tepina@bsi.si Črt Lenarčič, +386 (1) 4719-693, crt.lenarcic@bsi.si Marija Drenkovska, +386 (1) 4719-678, marija.drenkovska@bsi.si
8.2 Any other relevant information	/
8.3 Date of the notification	Please provide the date on which this notification was uploaded/sent. 05/12/2023