

Template for notifying of the intended use of an O-SII buffer

1. Notifying national authority (If several designated authorities, please mention all of them)	
1.1 Name of the notifying authority	National Bank of Slovakia
2. Buffer levels and the institutions to which they apply	
2.1 Categorisation of measures	O-SII buffer
2.2 Concerned institution or group of institutions	a) Všeobecná úverová banka, a.s. b) Slovenská sporiteľňa, a.s. c) Tatra banka, a.s. d) Československá obchodná banka, a.s. e) Poštová banka, a.s.
2.3 Level of the buffer applied	Všeobecná úverová banka, a.s. 2% Slovenská sporiteľňa, a.s. 2% Tatra banka, a.s. 1.5% Československá obchodná banka, a.s. 2% Poštová banka, a.s. 2%
2.4 Firm level at which the buffer is applied	Individual as well as sub-consolidated level.
2.5 Information on other buffers already in application	a) The capital conservation buffer of 2.5% of RWA is already applied for all Slovak banks b) The countercyclical capital buffer is applied with a rate of 0% c) Systemic risk buffer with the following level to be applied gradually on all domestic exposures only from 1 January 2017: Všeobecná úverová banka, a.s. 1% Slovenská sporiteľňa, a.s. 1% Tatra banka, a.s. 1%
2.6 Annual review of the G-SII or O-SII (Articles 131(6) and (12) of CRD)	N/A – this is the first intention to activate the O-SII buffer
3. Rational for activation of the O-SII buffer	
3.1 Description of the O-SII (Article 131(3) of CRD)	The 5 O-SIIs were identified based on the methodology published by the EBA on 16 December 2014 in the <i>Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (RCD) in relation to the assessment of other systemically important institutions (O-SIIs)</i>
3.2 Indicators used for designation of the O-SII (Article 131(3) of CRD)	The scoring process established in the guideline was used without any further optional indicator (Annex 2 in the Guidelines). The threshold was set to 425 basis points due to the relatively small number of banks in the Slovak banking sector.

<p>3.3 Suitability, effectiveness and proportionality of measure (Article 131(7) of CRD)</p>	<p>The Slovak financial market is dominated by the banking sector with a share on total assets being 70% as at the end of 2014. As the capital market is by size negligible in Slovakia, the banking sector is practically the only source of financing for the real economy.</p> <p>In addition, the banking sector is highly concentrated; the share of assets of the five banks identified as O-SIIs on total assets of the banking sector is more than 70%. These banks are key players on the Slovak financial market. They have a dominant role on the retail loan market, an important role in the domestic non-government bond market. They have a high share of deposits covered by the deposit guarantee scheme and are major investors to domestic government bonds. Therefore, the failure of any of the banks can seriously affect the whole financial sector and the real economy.</p> <p>Furthermore, as Slovakia is a small and open economy, it is sensitive to the development of the global economy and to the economic development of its main export partners. This sensitivity was also visible in 2009, when the drop in the GDP in case of Slovakia (in terms of the difference between economic growth in 2008 and 2009) was among the highest in the EU. It means that in case of a deterioration of the global economy we expect a worsening of the debt servicing capacity of the non-financial sector, mainly non-financial corporations. Furthermore, while the negative impact of the previous recession on the clients' debt servicing capacity was partly mitigated by decreasing interest rates; such a mitigating factor is not in place at the moment. It is therefore crucial that the most important banks have sufficient capital buffers to withstand deterioration in the credit quality of their loan portfolios.</p>
<p>3.4 Assessment of likely impact on the internal market (Article 131(6) of CRD)</p>	<p>The activation of the O-SII and SRB buffer for the most important players on the Slovak financial market is expected to increase the resilience of these institutions and thus the financial sector as a whole.</p> <p>NBS does not expect any negative impact of the activation of the O-SII and SRB buffer on the institutions or the financial system as a whole. The limited impact is also underlined by the fact that based on the results of the Bank Lending Survey; banks so far haven't seen capital requirements as a constraint for their lending activities. Despite this fact, the capital buffers will be phased in gradually to prevent any possible negative impact on the lending market in Slovakia, as the aim of the intended measure is solely to increase the resilience of the institutions and not to constraint lending activities. Based on the results of end-2014 macro-stress testing of the Slovak banking sector, the largest banks in Slovakia are expected to generate profit in the next 2 years even under the scenario of negative economic development. It means that banks should be able to continue to maintain their capital level well above combined requirements while maintaining credit growth.</p>
<p>4. Combination and timing of the O-SII buffer notified</p>	
<p>4.1 Combination between G-SII and O-SII buffers (Article 131(14) of CRD)</p>	<p>N/A – none of the Slovak banks is identified as G-SII</p>

4.2 Combination with SRB buffers (Article 131(14) and (15) of CRD)	For 3 banks (see 2.6) the systemic risk buffer is intended to be activated. Due to the fact that the SRB will be applied to all exposures located in Slovakia but will not be applied to exposures outside Slovakia, Article 131(15) applies. It means that the systemic risk buffer is cumulative to the O-SII buffer for these 3 banks.																		
4.3 Combined buffer requirement (Article 131(16) and (17) of the CRD)	Due to the reasons described in 4.2, Article 131(17) applies. However, currently none of the parent companies is identified as O-SII or G-SII.																		
4.4 Timing of the measure	<p>The O-SII buffer will be applied gradually as follows:</p> <table border="1" data-bbox="608 555 1430 757"> <thead> <tr> <th></th> <th>from 1 January 2016</th> <th>from 1 January 2017</th> </tr> </thead> <tbody> <tr> <td>Všeobecná úverová banka, a.s.</td> <td>1%</td> <td>2%</td> </tr> <tr> <td>Slovenská sporiteľňa, a.s.</td> <td>1%</td> <td>2%</td> </tr> <tr> <td>Tatra banka, a.s.</td> <td>1%</td> <td>1.5%</td> </tr> <tr> <td>Československá obchodná banka, a.s.</td> <td>1%</td> <td>2%</td> </tr> <tr> <td>Poštová banka, a.s.</td> <td>1%</td> <td>2%</td> </tr> </tbody> </table>		from 1 January 2016	from 1 January 2017	Všeobecná úverová banka, a.s.	1%	2%	Slovenská sporiteľňa, a.s.	1%	2%	Tatra banka, a.s.	1%	1.5%	Československá obchodná banka, a.s.	1%	2%	Poštová banka, a.s.	1%	2%
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4.5 Review of the measure	The O-SII buffer will be reviewed annually.																		
5. Miscellaneous																			
5.1 Disclosure	All the information about the list of O-SII and the O-SII buffer will be disclosed to the public on the NBS's website: www.nbs.sk , http://www.nbs.sk/en/financial-market-supervision/macprudential-policy																		
5.2 Contact person(s) at notifying authority	Ján Klacso, +421 2 5787 2899 jan.klacso@nbs.sk																		
5.3 Any other relevant information																			