Template for notifying of the intended use of a systemic risk buffer (SRB)

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 Type of measure intended (also for reviews of existing measures)	Activation of a new Systemic Risk Buffer (SRB)
2.2 Buffer level	CET1 at the level of 1%. The percentages refer to the risk exposures located in Slovakia but will not be applied to exposures outside Slovakia.
2.3 Institutions covered by the intended SRB	SRB will be applied for the following banks: Všeobecná úverová banka, a.s. 1% Slovenská sporiteľňa, a.s. 1% Tatra banka, a.s. 1%
3. Reasons for the intended SRB	
3.1 Description of the structural systemic risk (Article 133(1) of the CRD)	The Slovak financial market is dominated by the banking sector with a share on total assets being 70% as at the end of 2014. The banking sector is also relatively concentrated; the share of assets of the three banks listed above on the total assets of the banking sector is more than 50%. 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.
3.2 Analysis of the potential to have serious negative consequences for the financial system and the real economy in your Member State	The banks listed are key players on the Slovak financial markets. They have a dominant role on the retail loan market, on the market with bonds issued by domestic banks (mainly mortgage bonds), they have a high share of deposits covered by the deposit guarantee scheme and are also 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.
3.3 Indicators used for activation of the measure	The institutions identified as O-SIIs were identified based on the methodology published by the EBA on 16 December 2014 in the 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).

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<tr><td>3.4 Justification of the scope of the SRB</td><td>The O-SII buffer for these institutions is not effective enough in the view of the NBS and complemented by the SRB buffer. NBS identified 5 O-SIIs based on the EBA methodology. 4 institutions are subsidiaries of foreign parent institutions located in EU that can be potentially identified as O-SII. It means that the possibilities to use the O-SII buffer can be further constrained, due to Article 131(8) CRD IV.</td></tr>
<tr><td>3.5 Suitability, effectiveness and proportionality of the measure</td><td>The SRB in combination with the O-SII buffer is suitable given the circumstances in case of the Slovak banking sector to decrease systemic risk arising from the high concentration in the banking sector and thus increase financial stability. The suitability is underlined also by the fact that the list of banks was decided based on the EBA methodology, thus the level playing field is also taken into consideration. For similar reasons, a total SRB and O-SII buffer above 3% is not taken into consideration.</td></tr>
<tr><td>3.6 Assessment of the likely impact of the measure</td><td>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.
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.</td></tr>
<tr><td colspan="2">4. Combination of the SRB with other buffers and timing of the measure</td></tr>
<tr><td>4.1 Combination with G-SII buffers (Article 133(4) and (5) of the CRD)</td><td>N/A – none of the Slovak banks is identified as G-SII</td></tr>
<tr><td>4.2 Combination with O-SII buffers (Article 133(4) and (5) of the CRD)</td><td>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 133(5) applies. It means that the systemic risk buffer is cumulative to the O-SII buffer for these 3 banks.</td></tr>
<tr><td>4.3 Combined buffer requirement (Article 133(6) and (7) of the CRD)</td><td>Due to the reasons described in 4.2, Article 133(7) applies. However, currently none of the parent companies is identified as O-SII or G-SII.</td></tr>
<tr><td>4.4 Timing of the measure</td><td>The SRB will be applied gradually as follows:
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<tr><td></td><td>from 1 January 2017</td><td>form 1 januray 2018</td></tr>
<tr><td>Všeobecná úverová banka, a.s.</td><td>0%</td><td>1%</td></tr>
<tr><td>Slovenská sporiteľňa, a.s.</td><td>0%</td><td>1%</td></tr>
<tr><td>Tatra banka, a.s.</td><td>0.5%</td><td>1%</td></tr>
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<tr><td>4.5 Review of the measure</td><td>The SRB buffer will be reviewed annually.</td></tr>
<tr><td colspan="2">5. Miscellaneous</td></tr>
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5.1 Publication (Article 133(16) of the CRD)	All the information about the SRB will be disclosed to the public on the NBS's website: www.nbs.sk, http://www.nbs.sk/en/financial-market-supervision/macroprudential-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	