

Banking measures in response to Covid-19

Slovak Banking Association,

04/05/2020

Agenda

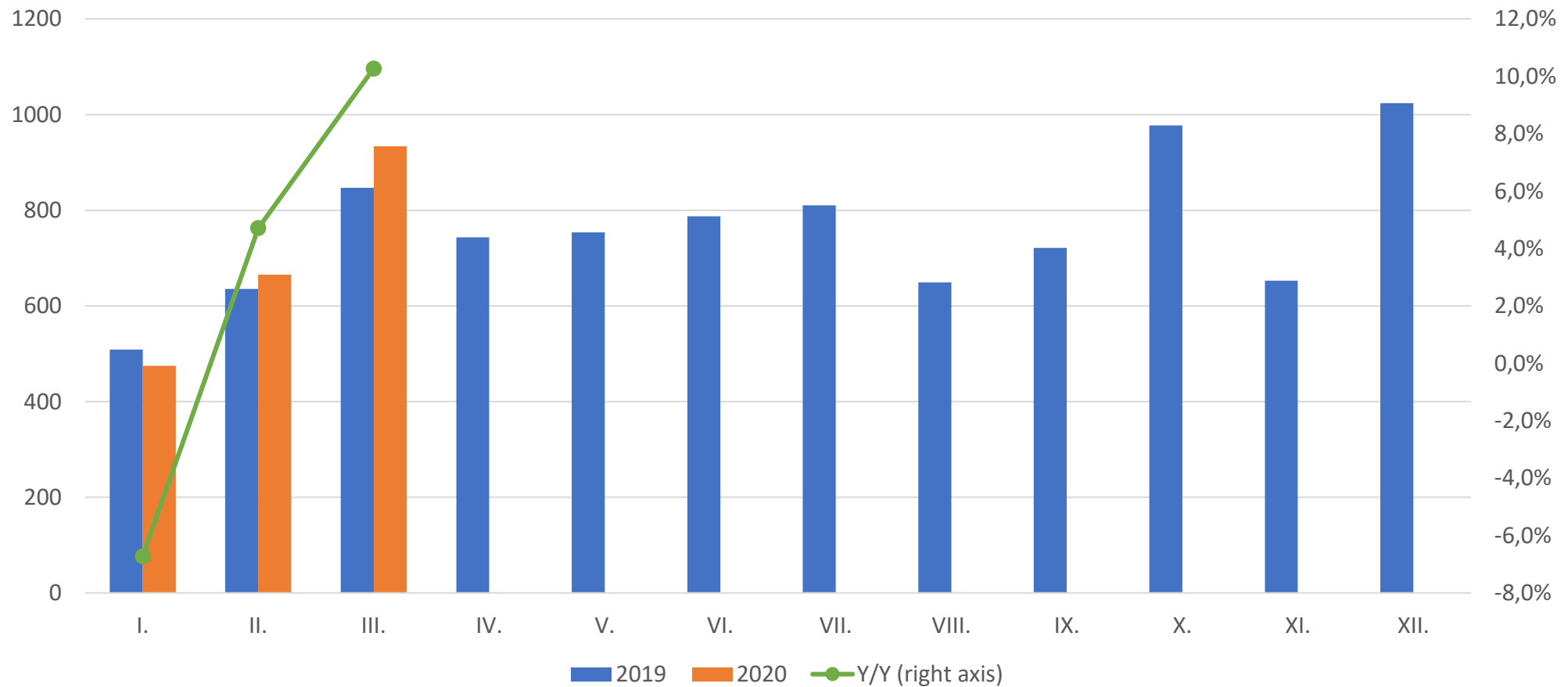
- Slovak banking industry: current state and outlook on credit market
- Moratoria on loan repayments applied in the light of the Covid-19 crisis
- New state guarantee scheme (not only) for SMEs loans

Slovak Banking Industry: current state and outlook

- Healthy and stable banking sector
- Well capitalized banks (CAR is 18,21%)
- Enough liquidity
- Low level of non-performing loans (2,91% in 2019)

- Risks
 - Corona crisis –potential growth of NPL
 - Low profitability (ROE 8,73% in 2019)
 - Banking levy

New credits to non-financial corporation



Moratoria on loan repayments

- Close cooperation with Central bank and Ministry of Finance
- SBA and its members had started to prepare first common banking measurement – moratoria for loan repayment in early stages of corona crisis (mid-March)
- The law was passed by parliament in mid-April
- More than 100 000 received application from households and more than 6000 received application from corporations

Moratorium for corporates- characteristics

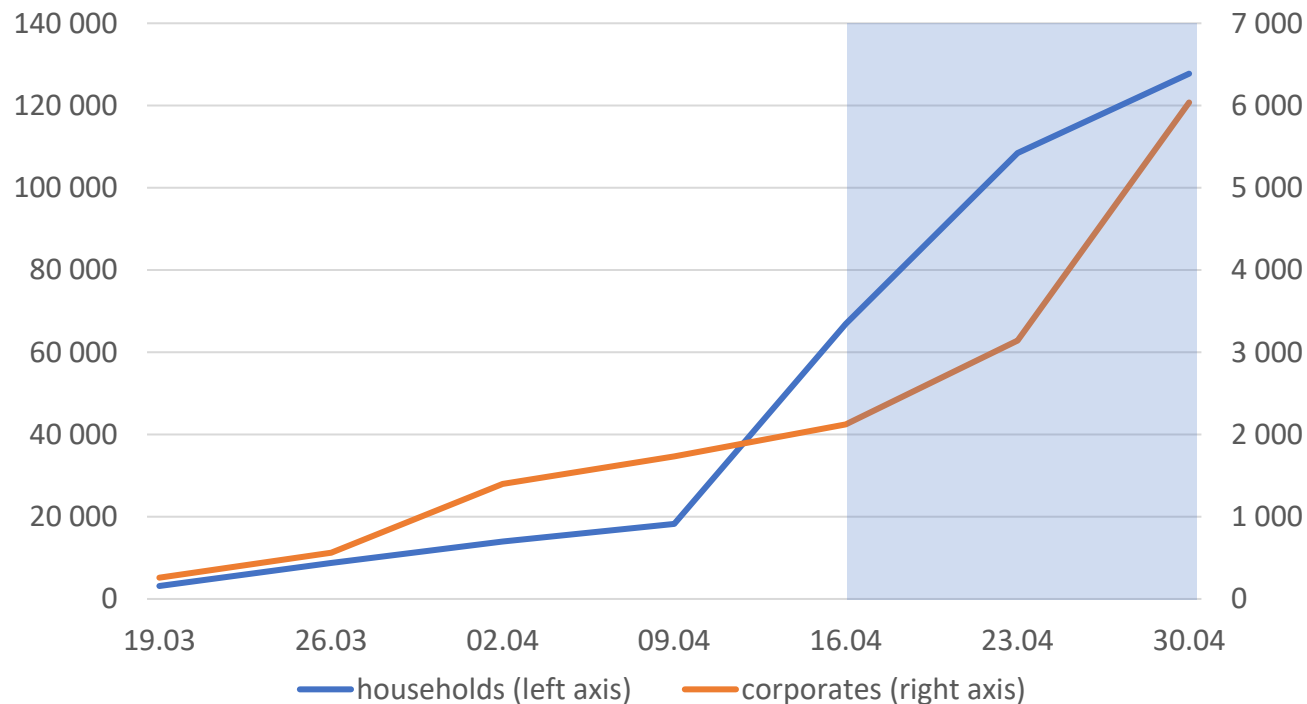
- For SME
- installment loans (no credit cards and overdraft loans)
- Deferment period – up to 9 month (banks) 3+3 month (e.g. leasing)
- Client is not delinquent for more than 30 days
- Deferment repayments does not impair the credit quality of the borrower
- Deferment of loan repayment:
 - Deferment of the loan principal
 - Deferment of the loan principal and interest
 - Deferment of the maturity of one-off loan

Moratorium - SME definition

Thresholds (Article 2)

Enterprise category	Headcount: annual work unit (AWU)	Annual turnover	or	Annual balance sheet total
Medium-sized	< 250	≤ EUR 50 million	or	≤ EUR 43 million
Small	< 50	≤ EUR 10 million	or	≤ EUR 10 million
Micro	< 10	≤ EUR 2 million	or	≤ EUR 2 million

Moratorium - Number of Applications



- More than 127 000 received applications from households
- Grow rate has decreased
- More than 6000 received applications from corporates
- Grow rate has increased
- 91% of corporates applications are from SME

Sources

- Amendment of the law 67/2020 Z.z. - [Lex Korona](#) (in SK only)
- QaA (in SK only) - National Bank of Slovakia - [Odklad splátok – podnikatelia](#)
- SME definition – Annex 1 of EU regulation [\(EU\) No 651/2014](#)
- SME definition - [User guide to the SME definition](#)

New State Guarantee Scheme

- New scheme – new loans with state guarantee
- Close cooperation with Ministry of Finance
- Aim: to provide more liquidity for corporate sector
- Based on the European Temporary framework for State aid measures
- The bill was approved by the government last week
- The Parliament is likely to pass the amendment of the law (Lex korona) this week

New State Guarantee Scheme - characteristics

- Programme for any corporate (not only for SME),
 - which is not in a default or bankruptcy or restructuring process.
 - which has no arrears on social insurance contributions older than 90 days
- The program will be active by the end of the year 2020
- Total volume of the scheme – € 500 m. per month
- Administrator: Funds of Slovak Investment Holding and Eximbanka
- Financial intermediaries: commercial banks
- Loans for working capital (no investment loans)
- Maturity: up to 6 years
- Interest rates: (probably) 1,9 % and 3,9% (micro corporations)
- Grace period: 1 Year
- Maximum loan value: not set, but the loan with more than € 20 m. will be approved by Ministry of finance.
- The coverage of the guarantees: 80% and 90% of (up to 6)
- Fee for guarantee: (probably) 0,26% (SME's) and 0,51% (large companies)

Sources:

- [Temporary framework](#) for State aid measures
- [Amendment of the law](#) (Lex korona)

Thank you.