

# Macprudential Commentary

## December 2025

### Summary

- ✎ The financial cycle continues to recover. In the third quarter of 2025, its upturn was driven mainly by the credit market. In the period ahead, a gradual easing of the cycle expansion is expected.
- ✎ Mortgage lending growth remained steady amid a slight reduction in interest rates. The number of mortgage originations stabilised, while the average loan size rose slightly. Housing price growth was slower compared with the beginning of the year. Consumer credit growth remained steady.
- ✎ Lending to non-financial corporations is increasing, although its growth slowed in the autumn. Lending to the commercial real estate sector continues to stagnate. The non-performing loan ratio for the corporate portfolio remains low.
- ✎ Banks' aggregate net profit for the first ten months increased year-on-year by almost one-tenth. Half of this growth reflected a rise in gross pre-tax profit, while the remainder was due to the bank levy reduction. Banks remain sufficiently well capitalised, and their liquidity positions have also improved.

### No change in the countercyclical capital buffer (CCyB) rate

**The financial cycle continues to recover.** In the third quarter of 2025, its upturn phase was driven by the credit market. Demand for loans increased mainly as a result of gradually declining interest rates and positive sentiment in the housing market. Both corporate and household lending are growing, although the growth in lending to non-financial corporations (NFCs) slowed in the third quarter. Also during that period, housing prices continued to rise, albeit more moderately compared with earlier in the year. After two years of decline, private sector indebtedness has risen back to 60% of GDP. The economy is maintaining tentative growth, implying that it will not cause any increased build-up of risks in the near term.

**With the financial cycle in an ongoing upswing, no risks are yet emerging that would require an adjustment to the countercyclical capital buffer (CCyB).** Credit provision and the gradual rise in indebtedness are in line with economic fundamentals that affect them (household disposable income, revenue growth, and economic growth). Newly originated loans are not showing increased riskiness; the share of mortgages with a DSTI<sup>1</sup> ratio close to or above the regulatory limit (within the permitted exemption) has continued to decline gradually. The riskiness of the overall portfolio of loans to NFCs and loans to households remains higher than during the low interest rate period, owing to the higher current DSTI level (in the household portfolio) and the lower interest rate coverage ratio<sup>2</sup> (in the NFC portfolio). Non-performing loan ratios remain near all-time lows, and banks are creating loan loss provisions at a level close to the long-term norm. Banks are maintaining their capital adequacy at a stable, sufficient level, and their profitability is holding up. The current climate of uncertainty rules out a reduction of the CCyB rate. Although some trade tariffs are currently reduced or suspended – alleviating the biggest concerns about their adverse impacts on global trade – uncertainty regarding their potential re-escalation persists. Geopolitical risk also remains a factor, putting pressure on public resources. In addition, the Slovak economy must cope with the ongoing consolidation of public finances towards sustainable levels, as well as with its own structural challenges. Against this backdrop, it is appropriate for Národná banka Slovenska to keep the countercyclical capital buffer rate unchanged.

<sup>1</sup> The debt service-to-income (DSTI) ratio expresses the ratio of monthly loan payments to monthly income.

<sup>2</sup> The interest coverage ratio (ICR) measures a firm's ability to pay interest on its outstanding debt using its operating earnings.

### NBS does not envisage any adjustment to the CCyB rate in the next quarter

The financial cycle is expected to continue recovering, remaining primarily influenced by credit developments. A combination of the anticipated modest economic growth, the weakening of economic sentiment in recent months, and heightened uncertainty implies a certain slowdown in the financial cycle upturn in the period ahead.

In this environment, there is no need to adjust the countercyclical capital buffer (CCyB). Capital requirements, including the current CCyB rate, are not acting as a constraint on lending, as banks' capital headroom is sufficient for lending to the economy and for managing current risks.

## Mortgage market activity comparable to its level before interest rates started rising

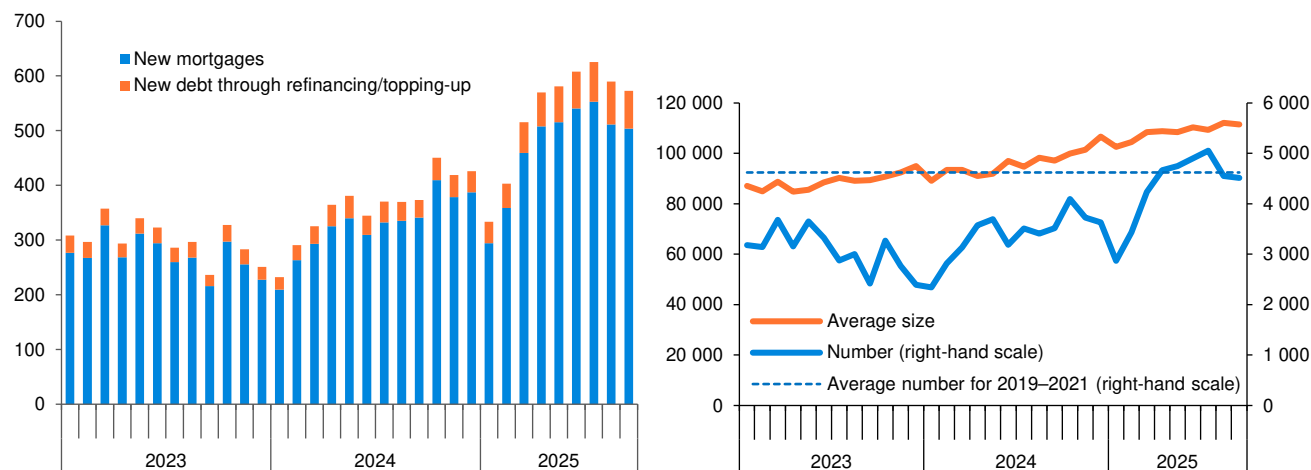
**Mortgage market activity in the third quarter of 2025 was close to the level typical of the period before interest rates started rising.** The number of new mortgage originations was almost the same as in the second quarter. Activity was strongest in July, before declining slightly in August and September. The average size of new mortgages continued to rise in the third quarter, although at a slightly slower pace than before. Moreover, this growth was more pronounced among middle-aged and older borrowers than among younger ones. The slowdown was consistent with housing market developments, which included softer growth in property prices. In October, however, mortgage portfolio growth picked up again, before slowing back down in November. The interest rate on new mortgages declined to 3.5%. Annual growth in the outstanding amount of mortgages stood at 7.1% as of November 2025.

Chart 1

### Mortgage production growth slows, mainly due to stabilisation in new mortgage originations

Left panel: Total amount of newly originated mortgages (EUR millions)

Right panel: Average size of mortgages originated in the given quarter (euro) and number of new mortgages originated in the given quarter



Source: NBS.

**Consumer credit origination remains stable at around the 2024 level.** Annual growth in consumer credit stood at 6.3% in November 2025, while recent months have seen a steady trend in lending rates.

**The credit quality of the mortgage portfolio has not deteriorated.** The non-performing loan (NPL) ratio for the portfolio remains close to its historical lows. As for consumer credit, the overall NPL ratio has increased slightly this year (from 7.6% in May 2025 to 7.8% in October and November).

**The share of mortgage borrowers who are self-employed or entrepreneurs has been increasing over the long term.** Mortgages where more than half of the borrower's declared income comes from self-employment or business activity account for around 27% of all new mortgages (with the share rising up to one-third among mortgages provided by large banks). At the same time, however, this group's sensitivity to economic developments is greater than that of employees. This is reflected in the NPL ratio for this mortgage category, which is around twice as high as the NPL ratio for the rest of the mortgage portfolio.

## Economic slowdown reflected in weaker corporate loan growth

**Corporate revenues continued to grow in the third quarter, albeit more slowly than in the first half of the year.** The nominal year-on-year growth in revenues of non-financial corporations (NFCs) moderated to 4.3%.<sup>3</sup> A decline in revenues in August played the main role in this slowdown, while the other months were broadly in line with the first half of the year. The slowdown in revenue growth, as well as the August decline,<sup>4</sup> was most pronounced in industry, especially in the automotive sector. September, however, brought an upside surprise as revenues fully rebounded from the August slump. Revenue growth has remained robust in construction, wholesale trade, and selected market services. In October, a drop in revenues in the automotive manufacturing<sup>5</sup> had a negative impact on overall revenue growth, which slowed to 2.4%. The Economic Sentiment Indicator deteriorated in October and November, against a backdrop of adverse trends in orders and expected production.

**In line with revenue developments, month-on-month growth in total NFC loans has moderated.** While corporate loan growth was lower in the third quarter of 2025 than in the strong first quarter, it was almost zero in October and turned negative in November. This was also reflected in the annual rate of change, which slowed to 5.7%<sup>6</sup> in November.

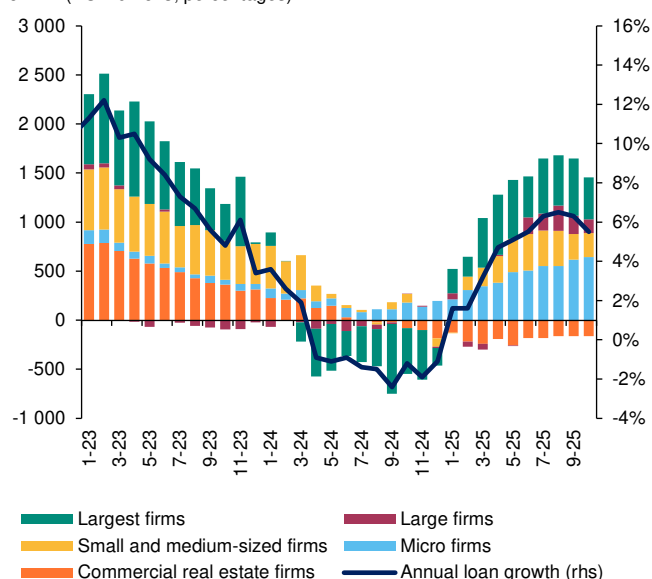
**NFC loan growth is being driven primarily by micro firms, while the decline in lending to industrial firms is becoming more pronounced.** Almost half of total corporate loan growth in October was accounted for by micro firms. Conversely, the portfolio of loans to industrial firms is contracting at an increasing pace, because of declining lending to large firms and, to a lesser extent, small and medium-sized firms. Even in industry, however, micro firms are contributing positively to overall credit growth. The contraction of the industrial loan portfolio stems from a halt in growth of working capital financing as well as a deepening decline in long-term loans. Lending to the commercial real estate (CRE) sector remains flat, while lending to other sectors is in line with overall corporate loan growth.

**The non-performing loan ratio for the NFC portfolio did not change in the third quarter of 2025.<sup>7</sup>** For the subcategory of small and medium-sized firms, the ratio even improved, after previously showing some deterioration.

Chart 2

### NFC loan growth driven mainly by micro firms

Annual growth in total NFC loans and contributions to that growth by type of firm (EUR billions; percentages)



Sources: NBS, and Register of Bank Loans and Guarantees (RBUZ).

<sup>3</sup> Compared with the average year-on-year growth for the first half of 2025, this represented a decline of 1.5 percentage points.

<sup>4</sup> September saw a relatively broad-based improvement in revenues across the industry sector. The lowest annual revenue growth in this sector (1.4%) was observed in the manufacture of transport equipment, which still managed to record an increase in revenues despite a temporary production shutdown at the Jaguar Land Rover (JLR) carmaker. Non-JLR exports of transport equipment increased by 28% year-on-year.

<sup>5</sup> In October, annual revenue growth in the manufacture of transport equipment declined by 15.7% year-on-year, partly reflecting reduced production at the Jaguar Land Rover plant.

<sup>6</sup> Annual growth in NFC loans stood at 6.3% at the end of September 2025.

<sup>7</sup> The non-performing loan ratio for the overall NFC portfolio amounted to 2.40% as of October 2025.

## Housing prices growing more moderately

**Housing prices continued to rise in autumn 2025, but at a slower pace than earlier in the year.** This was the trend in most of Slovakia's eight regions, with weaker price pressure in areas experiencing population decline. Price growth is being driven not only by economic fundamentals, but also by sentiment, to which flat prices are proving more sensitive than house prices. The housing market has also been supported by a decline in mortgage rates, with the number of mortgages having already started to rise significantly in 2024.

**Annual growth in flat prices in the resale market stood at 13% in November 2025.** Price growth was more pronounced in Košice and Prešov. Nevertheless, flat prices in all regional capitals have risen more slowly over the past six months compared with the turn of the year. In certain segments of the flat market, prices are rising moderately because of a greater share of higher-quality flats, while older flats in their original condition are less represented in the supply.

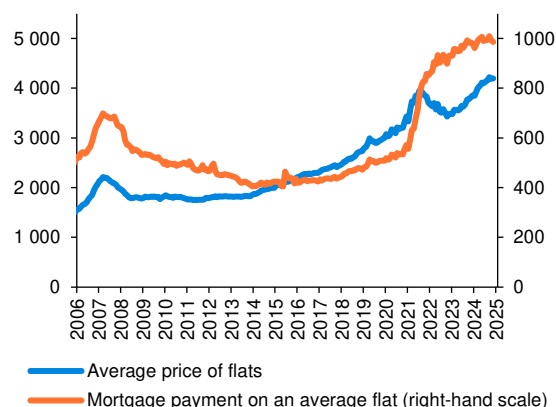
**Prices of new-build flats in Bratislava have continued to rise moderately.** After mortgage rates started declining in the second half of last year, the number of sales of new flats also started to increase. Sentiment remained positive in autumn 2025, with the result that sales volumes remained at elevated levels. While prices of new-build flats outside premium developments have increased slightly, prices of premium new flats have tended to stagnate over the past year, owing to their already high nominal levels.

**Housing affordability is gradually improving but still remains at relatively low levels below the long-term average.** The improvement has been supported not only by rising household incomes and lower interest rates, but also by slower growth in housing prices. As a result, home buyers now face a slightly lower debt servicing burden than they did in previous quarters.

Chart 3

### Flat price growth moderates, while mortgage payments on an average flat rise even more slowly

Average asking price for resale flats in Bratislava and mortgage payment on an average flat in Bratislava (euro)



Sources: United Classifieds, and NBS.

Note: The mortgage payment on an average flat is based on the average price and area (65 m<sup>2</sup>) of flats listed for sale, using the average interest rate on new mortgages and a loan-to-value (LTV) ratio of 80%.

## Banks' financial position largely unchanged in the third quarter

The financial position of banks in Slovakia did not change significantly between June and October 2025, continuing the trend observed in the first half of the year. Banks' aggregate net profit for the first ten months of 2025 exceeded €1 billion, while their year-on-year profit growth has been accelerating slightly over the course of the year.<sup>8</sup> Profit growth has been driven mainly by net interest and fee income, as well as by a reduction in the bank levy.

**Annual growth in net interest and fee income has remained close to 7% throughout the year.** Its growth rate (as well as net profit growth) has been notably higher across the largest domestic banks.<sup>9</sup> As regards the contribution of different client bases to income generation, the retail segment continues to strengthen its position,<sup>10</sup> benefiting from strong growth in new lending and the ongoing resetting of mortgage rates. By contrast, banks' income from corporate loans fell in the third quarter for a seventh consecutive quarter. The profitability of both segments is also significantly supported by the decreasing cost of deposits.

**Banks' net provisioning has slowed in the second half of 2025.** The average monthly level of loan loss provisioning is approximately one-third of that recorded in the first half of 2025. While the provisioning ratio for non-performing loans has not changed in the second half of 2025,<sup>11</sup> the ratio for performing loans has declined notably.<sup>12</sup>

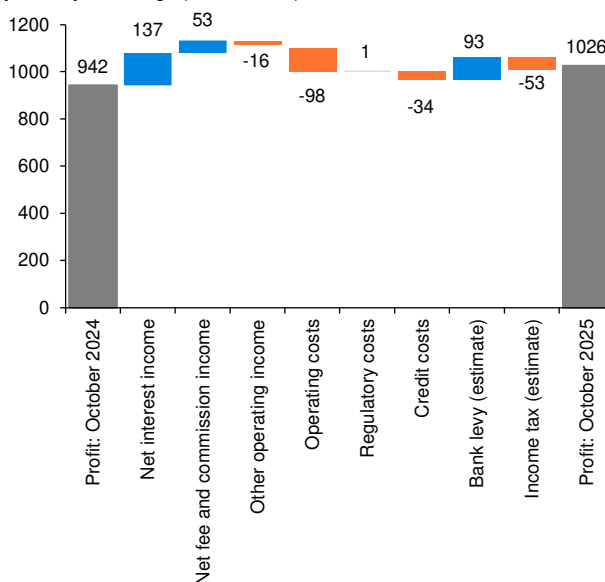
**All capital ratios decreased slightly in the third quarter.** The aggregate capital adequacy ratio on a consolidated basis edged down to 20.5%. The main factors determining its level were growth in lending – mainly mortgages – and a decline in risk weights for corporate exposures, with their effects ultimately almost offsetting each other. The leverage ratio dipped to 7.8%. Capital headroom – i.e. capital held in excess of minimum regulatory requirements, including the minimum requirement for own funds and eligible liabilities (MREL) – amounted to 3.9% of risk-weighted assets, or €1.7 billion.

**In terms of liquidity, banks did not experience any significant changes in the third quarter.** The October figure for the liquidity coverage ratio (LCR, a regulatory measure of short-term liquidity resilience) and the September figure for the structural net stable funding ratio (NSFR) stood at 184% and 131%, respectively, just above their post-pandemic average levels. Balance sheet developments from the end of June to October 2025 were relatively calm. At the aggregate level, banks stable funding from deposits and issued bonds was only slightly lower than the volume of loans provided. As a result, the ratio of loans to deposits and issued bonds increased slightly, to 90.4% as of October.

Chart 4

### Banks' net profit for the first ten months of 2025 rose slightly year-on-year

The banking sector's aggregate net profit after tax and contributions to its year-on-year change (EUR millions)



Source: NBS.

<sup>8</sup> The sector's net profit for the first ten months of 2025 increased by almost 9% year-on-year, while profit before bank levy payments and taxation rose by almost 3%.

<sup>9</sup> Systemically important banks (accounting for around 75% of total assets) contributed more than 100% of the total year-on-year increase in net interest and fee income, while other banks recorded an aggregate decline in such income.

<sup>10</sup> The retail segment's share in net interest and fee income increased from 44% in the second quarter of 2025 to 57% in the third quarter, while the NFC segment's share fell from 41% to 34%.

<sup>11</sup> Compared with the first half of 2025, there has been no change in the total volume of non-performing loans (€1.8 billion), the NPL ratio for the overall loan portfolio (2.0%), or the provisioning ratio for the portfolio (57%).

<sup>12</sup> The share of total loans classified as Stage 2 – i.e. as having experienced a significant increase in credit risk since initial recognition – has increased slightly, from 6.8% in June 2025 to 7%. Despite loan portfolio growth, there has been a net reversal of provisions amounting to €20 million and the provisioning ratio has declined from 5.4% to 5%. The Stage 1 portfolio, comprising performing loans that have not experienced a significant increase in credit risk, has increased by almost €2 billion since mid-2025, while the provisions for these loans have declined by €10 million.

## The financial cycle upturn continues

**The financial cycle's upturn phase continued in the third quarter of 2025.** The main driver of its expansion in this period was credit market developments, with growth in both loans to households and loans to NFCs. This was also reflected in a rise in private sector indebtedness. After a period of contraction, the outstanding amount of loans to the real economy has risen back to 60% of GDP for the first time in two years. Housing price growth also continued in the third quarter, while improved economic sentiment during the summer months further contributed to the financial cycle's recovery. None of the components of the financial cycle indicator weakened in the third quarter.

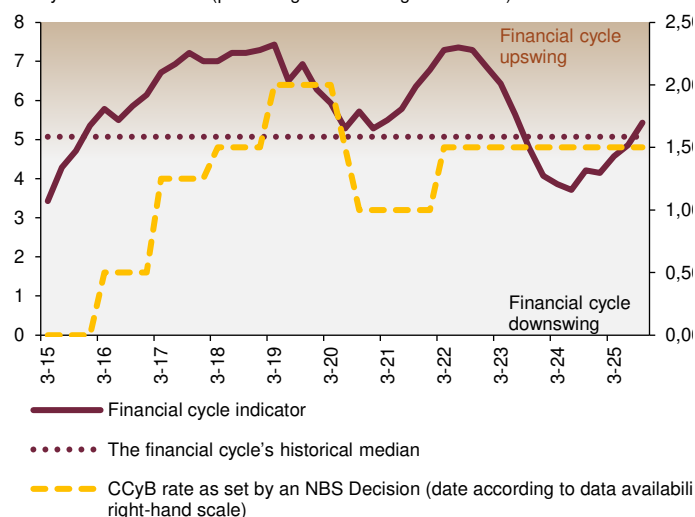
**Going forward, the credit market is likely to remain the most significant determinant of financial cycle developments.** At this stage, the cycle's upturn should not be driven by macroeconomic developments, with this component expected to record rather moderate growth. The weakening of economic sentiment over the past two months<sup>13</sup> also implies that the cycle's upturn may become more tentative in the period ahead. In this environment, there is no excessive build-up of risks in banks' loan portfolios.

New loans are not exhibiting elevated risk parameters, and non-performing loan ratios remain close to historical lows. The provisioning ratio for the risk-weighted loan portfolio remains at normal levels.

Chart 5

### Financial cycle upturn continued during the summer

Financial cycle indicator (index) and the countercyclical capital buffer rate as set by an NBS Decision (percentage of risk-weighted assets)



Source: NBS.

Note: Higher financial cycle indicator values imply a strong build-up of imbalances.

<sup>13</sup> The Economic Sentiment Indicator (ESI) declined in both September and October 2025.

# What's new in the world of macroprudential policy

## How will digital currency impact bank deposit holdings?

This question is tackled in a new BIS-published study.<sup>14</sup> By combining survey evidence and estimates obtained from a structural DSGE model, the authors conclude that there is substantial demand for central bank digital currency (CBDC). That demand is likely to lead to substitution away from other forms of money – partly out of cash, but especially out of bank deposits. CBDC competes with bank deposits in normal times, reducing the liquidity premium obtainable by banks on their deposits. This leads to a decline in bank deposits and reduced run-risk, which is a particular benefit when the banking sector is not sufficiently strong. In this respect, CBDC enhances financial stability. In the event of banking distress, however, CBDC may exacerbate problems because, being perceived as a safe and easily convertible asset with the scope to be held in large quantities (offering *storage-at-scale*), it becomes attractive to run to. As a result, during times of stress, it can reduce the banking sector's financial stability. The solution proposed by the authors is to introduce a holding limit on CBDC, with the optimal limit level estimated to range between €1,500 and €2,500.

## The financial stability implications of generative AI

This relationship is examined in a paper published by the US Federal Reserve.<sup>15</sup> Using large language models, the authors show that AI agents make more rational investment decisions than humans. This is because human investors are prone to herd behaviour, whereby they disregard private information to follow market trends. By contrast, AI agents rely predominantly on private information over market trends, leading to fewer asset price bubbles arising from herd behaviour. This advantage of AI is not, however, unequivocal, since AI agents explicitly guided to make profit-maximising decisions exhibit signs of herd behaviour, thereby heightening risks to financial stability. According to the authors, AI agents are not purely algorithmic, but have inherited some elements of human conditioning and bias.

## The impact of capital requirements on bank capital

In a study published by the ECB,<sup>16</sup> the authors use data on other systemically important institutions (O-SIIs) in the euro area to examine how banks respond to higher capital requirements. By studying the liability side of banks' balance sheets, the authors seek to determine whether banks facing higher capital requirements respond by raising new equity, adjusting their balance sheets, or reducing their voluntary capital buffers (the capital headroom maintained above the regulatory requirement). The study finds that banks offset about half of higher capital requirements by cutting their voluntary buffers rather than raising new equity. The offsetting effect is more pronounced among banks with weaker balance sheets, particularly those with higher levels of non-performing loans. These results indicate that regulation aimed at strengthening resilience may be only partially effective, as banks use existing voluntary buffers when subject to higher requirements rather than building new ones. This may be particularly problematic for weaker banks. In recommending how to address such cases, the authors argue that capital requirements aimed at strengthening banks' capital positions may require targeting the absolute amount of new capital to be raised.

## The sustainability level of government debt and the credit market's potential response to fiscal consolidation

This topic is addressed in two papers recently published by the International Monetary Fund. The first study,<sup>17</sup> based on a sample of 170 countries and employing the p-theory framework, estimates the average maximum sustainable debt across countries in 2024 to be around 124% of GDP for advanced economies (AEs), 76% of GDP for emerging markets (EMs), and 57% of GDP for low-income countries (LICs). While AEs often benefit from relatively stable financing conditions and access to capital markets, EMs and LICs typically face higher financing costs, greater economic volatility, and a higher likelihood of sudden debt surges from contingent liabilities. According to the authors, current debt levels for many EMs and LICs are already close to their estimated sustainable debt levels, suggesting limited fiscal space for additional borrowing without endangering debt sustainability. The second study<sup>18</sup> examines the potential credit market response to fiscal consolidation, using a sample of 32 AEs and EMs. The results show that in countries with high sovereign debt risk, consolidation announcements "crowd-in" bank

credit, particularly credit to the corporate sector, whereas countries with low initial risk experience credit contractions. According to the authors, the composition of fiscal consolidation matters: expenditure-based consolidations are associated with a more favourable bank credit response than revenue-based ones. Furthermore, bank credit responds more favourably to fiscal consolidations in countries with flexible exchange rate regimes, lower levels of household indebtedness, and when consolidations are announced during periods of robust economic activity.

---

<sup>14</sup> Bidder, R., Jackson, T. and Rottner, M., "CBDC and banks: disintermediating fast and slow", *BIS Working Papers*, No 1270, Bank for International Settlements, July 2025.

<sup>15</sup> Hansen, A.L. and Lee, S.J., "Financial Stability Implications of Generative AI: Taming the Animal Spirits", *Finance and Economics Discussion Series*, No 2025-053, Board of Governors of the Federal Reserve System, Washington DC, September 2025.

<sup>16</sup> Abbondanza, A., Albertazzi, U., Marques, A.P. and Travaglini, G.L., "The impact of capital requirements on bank capital", *Working Paper Series*, No 3128, European Central Bank, Frankfurt am Main, October 2025.

<sup>17</sup> Cao, Y., Jiang, W., Lam, W.R. and Wang, N., "Maximum Sustainable Debt Across Countries: An Assessment using P-Theory", *IMF Working Papers*, No 2025/223, International Monetary Fund, Washington DC, October 2025.

<sup>18</sup> David, A.C., Pienknagura, S. and Yépez, J., "Credit where Credit is Due: Fiscal Consolidations, Sovereign Risk and Bank Credit", *IMF Working Papers*, No 2025/206, International Monetary Fund, Washington DC, October 2025.