

Macroprudential Commentary

March 2026

Summary

- ☞ The financial cycle came to the end of its one-and-a-half-year upswing phase in late 2025. The subsequent period is expected to see a neutral phase, with further developments shaped mainly by the credit market.
- ☞ Mortgage growth remained stable around the turn of the year. Lending rates stopped declining, settling at the EU average. Although consumer credit growth moderated, it continued to outpace the EU average.
- ☞ Firms' demand for loans has weakened. Lending to large corporates has seen the most pronounced slowdown, with growth currently in line with the EU average. Growth in loans to industry has flattened, aligning with the prolonged stagnation in lending to the commercial real estate sector. The non-performing loan ratio for non-financial corporations increased slightly in late 2025 but remains close to its historical low.
- ☞ Banks' aggregate net profit for 2025 declined slightly year-on-year. While banks are benefiting from rising net interest income, supported significantly by lower interest expenses, their operating costs are under upward pressure from increasing wages and prices. Banks' capital adequacy improved year-on-year, and their liquidity positions remained sound.

No change in the countercyclical capital buffer (CCyB) rate

The financial cycle's one-and-a-half-year upswing phase came to a halt at the end of 2025. Its development was in line with the economy, whose rate of growth had been moderating for more than a year. The financial cycle recovery was stalled mainly by a combination of weaker economic sentiment, gradually increasing unemployment, and a slowdown in lending to non-financial corporations (NFCs). Interest rates did not change significantly around the turn of the year. Household lending continued to grow, albeit owing mainly to an increase in the median size of newly originated mortgages; the number of new mortgages stagnated. This was also reflected in the housing market, with property prices maintaining double-digit year-on-year growth.

Current developments are marked by mounting uncertainty. In this environment, it is advisable to maintain the countercyclical capital buffer (CCyB) at its present rate. The Slovak financial sector has for some time faced risks related to weakening economic growth, the continuing war in Ukraine, changes in US tariff policy, and the increasingly urgent need to consolidate Slovakia's public finances. More recently, the war in the Middle East has added to these risks, with the potential to trigger a price shock, particularly in energy prices. Such a scenario would have adverse economic repercussions in both Slovakia and Europe and would likely require a monetary policy response. The good news is that Slovak banks have ample capital headroom. Even in the current environment, banks are maintaining sound profitability and liquidity, while non-performing loan ratios remain low. Given their capitalisation and profit-generating capacity, along with a CCyB rate of 1.5% of risk-weighted assets, banks have sufficient room to absorb potential losses under adverse developments, while also reinforcing their ability to finance the economy.

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

Heightened uncertainty and existing risks are likely to persist for some time. Reflecting this, the financial cycle is expected to be in a neutral phase in the coming period, with its further development largely dependent on how the credit market evolves. In this phase of the cycle, there is no excessive build-up of cyclical risks, although risks accumulated in previous years remain present in banks' portfolios.

At present, loan defaults are not elevated, and banks have sufficient capital to lend to the economy. Hence, the countercyclical capital buffer (CCyB) does not need to be adjusted.

Were credit costs to rise as a result of increasing loan defaults, Národná banka Slovenska would be ready to reduce the CCyB rate to give banks room to absorb those higher costs.

Mortgage market growth trend confirmed

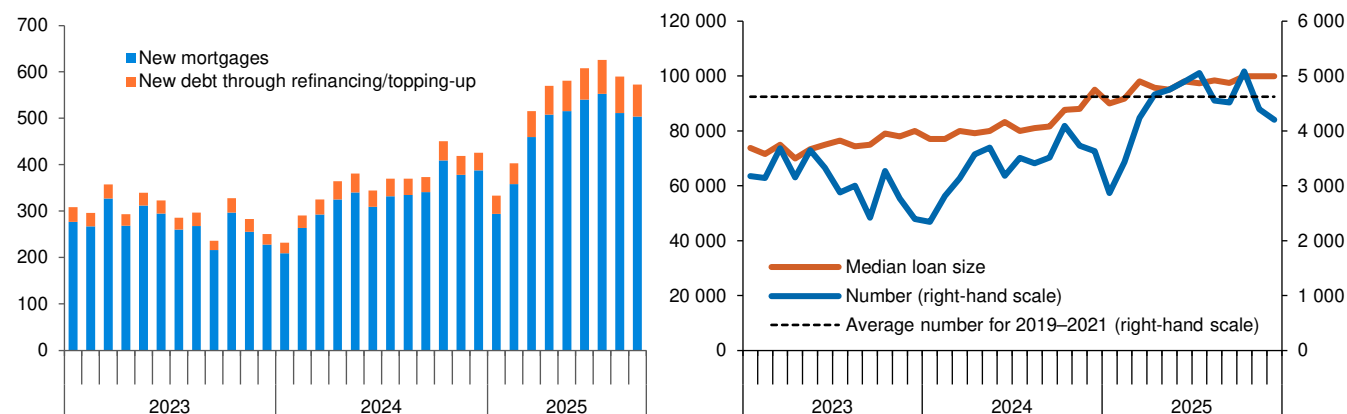
Mortgage market activity remained elevated in late 2025 and early 2026. In October 2025 the number of mortgages granted was the highest in any month in three years, and in subsequent months, including early 2026, mortgage originations remained close to the average recorded before interest rates started rising. The median mortgage amount increased more slowly in the second half of the year, but it still gradually reached the €100,000 mark. The average mortgage rate did not decline further after October, stabilising at 3.5%, slightly above the EU median. Mortgage lending standards were virtually unchanged compared with the previous period. The aggregate mortgage portfolio's year-on-year growth accelerated from 6.6% in September 2025 to 8.0% in February 2026, although it is expected to stabilise gradually in the coming months.

Chart 1

Mortgage production and the median size and number of newly originated mortgages have stabilised

Left panel: Volume of new mortgage production (EUR millions)

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



Source: NBS.

Note: The left panel shows all mortgages; the right panel shows mortgages for house purchase and for renovation

The volume of consumer loan originations has changed only minimally, edging down slightly in the last quarter of 2025.

Not even the gradual increase in consumer prices since 2022 has resulted in stronger consumer credit growth. Lending rates have remained around 9%. After its slight slowdown, annual growth in consumer credit stood at 5.9% in both January and February 2026.

Mortgage defaults remain very rare, and credit quality indicators have not yet shown significant changes. In the consumer credit portfolio, the non-performing loan ratio has increased from an average of 7.3% for the first half of 2025 to 8.1%.

The economic slowdown is affecting domestic firms, particularly the industrial sector

Overall corporate revenues for 2025 (at constant prices) were only 1.6% higher year-on-year. Most key sectors saw an annual improvement in revenues. The exception was retail trade, where sales of everyday consumer goods increased year-on-year, but other sales – including online sales – declined quite significantly. In industry, overall results in 2025 were driven by a strong first quarter, while momentum slowed in the second half of the year. This reflected mainly developments in transport equipment manufacturing, in which production, exports, and new orders declined in the second half of the year. In January 2026, transport equipment production increased year-on-year, while exports declined. The difficult situation in the economy is illustrated by the Economic Sentiment Indicator, which is markedly below its long-term average.

Growth in total loans to non-financial corporations (NFCs) slowed in the last quarter of 2025, and loan growth remained similarly weak at the beginning of 2026. Annual growth in NFC loans stood at 7% in December. Lending activity had been slowing since September, and the net flow of loans in the last quarter of the year was negative. While domestic corporate loan growth was above the EU median, it was among the lower rates across central and eastern European countries. In February 2026, the portfolio's annual growth moderated to 3.3%¹ owing mainly to a base effect² as well as to subdued loan flows early in the year.

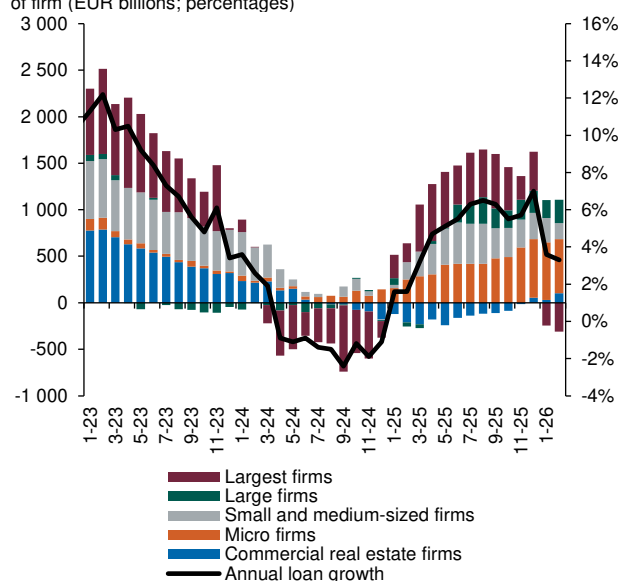
The slowdown in NFC loan growth was concentrated in the category of large firms, while most of the portfolio continued to record relatively solid growth. A decline in lending can be seen in industry. Corporate borrowing in the commercial real estate sector is gradually picking up. The recovery in real estate is seen mainly in lending to construction and real estate activities. Lending to firms in selected market services contributed significantly to overall loan growth. In the breakdown by firm size, micro firms accounted for the largest share.

The non-performing loan (NPL) ratio for the NFC portfolio has remained close to historical lows up to the early part of 2026.³ Across loans to firms in the industry and trade sectors, however, the NPL ratio is increasing, particularly among small and medium-sized firms.⁴ This, however, reflects isolated defaults.⁵

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).

¹ Annual growth slowed sharply, from 7% in December 2025 to 3.6% in January 2026.

² January 2025, which saw a substantially higher flow of loans, dropped out of the year-on-year comparison.

³ The NPL ratio amounted to 2.47% as of February 2026.

⁴ For loans to the industry sector, the NPL ratio stood at 5%, and for loans to the trade sector, at 4%.

⁵ The increase was driven by the default rate measured by loan volume rather than by the number of firms.

Housing prices continued to rise, while housing affordability remained at a lower level

Demand for housing did not cool around the turn of the year. Housing prices in the resale market maintained double-digit year-on-year growth. For flats, the average asking price per square metre was more than 13% higher in February 2026 than in February 2025. This trend was in line with developments in the credit market, where both the average mortgage size and the number of mortgage originations increased year-on-year. In all eight regions of Slovakia, asking prices for flats recorded double-digit growth.⁶ Prices of one-room flats rose most sharply, on average by around one-fifth year-on-year. Prices of houses are also higher than last year, though the increase has been lower – in the region of a few per cent – owing to higher price levels and weaker demand for investment purchases.

The situation is also calmer in the new-build market, where asking prices are around 4% higher year-on-year. At the same time, the number of newly completed flats has slowed significantly, with last year seeing around one-fifth fewer⁷ new flats being issued with an occupancy permit compared with the previous year. In Bratislava, the decline was even more pronounced, falling by almost half. This, however, is a logical and temporary consequence of the situation more than two years ago, when higher interest rates cooled demand in the market and subsequently led to a slowdown in construction. The number of building permits issued at the end of last year was already more than one-third above the long-term average.⁸ The supply of available new flats in Bratislava therefore remains stable and is not putting excessive upward pressure on prices.

Housing affordability remained unchanged over the past year, as rising real wages and, in particular, a decline in interest rates in the first half of the year cancelled out the impact of rising housing prices. As a result, housing affordability has not significantly recovered from its post-pandemic decline. Towards the end of 2025, rental prices also stagnated, standing around 2.5% higher year-on-year, i.e. below the rate of inflation. Renting therefore continues to be an alternative to home ownership.

Rising costs reduce banks' annual profits

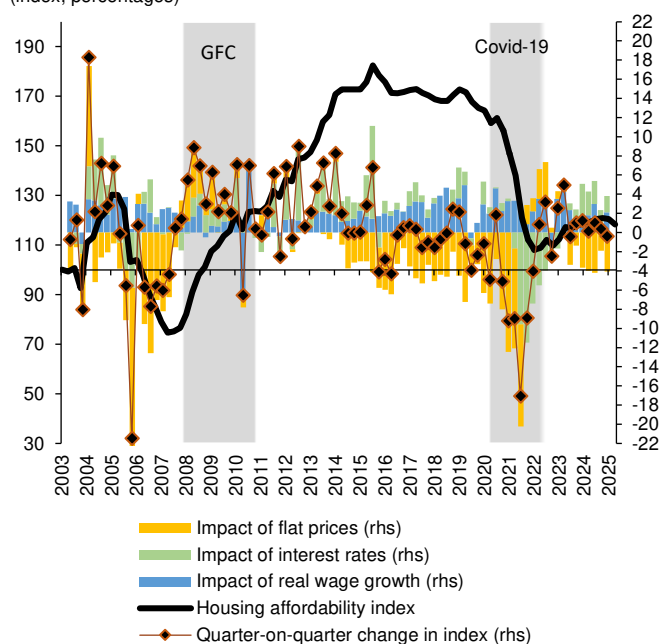
The domestic banking sector's profitability decreased slightly in 2025, but its financial resilience remained strong. Profits for the last quarter of 2025 were negatively affected by one-off events. By contrast, end-of-year capital and liquidity ratios exceeded their long-term historical highs.

Banks' aggregate net profit for 2025 stood at almost €1.1 billion. Net interest income, supported by the decreasing cost of non-retail deposits, was the main driver of profit growth. Another positive contribution came from the reduction in the bank levy rate. On the other hand, profit growth was dampened by an acceleration of credit costs. This was partly related to changes in the provision of subsidies for higher mortgage payments.

Chart 3

Housing affordability has not changed significantly over the past year

Evolution of the housing affordability index and its components (index; percentages)



Sources: United Classifieds, Statistical Office of the Slovak Republic, and NBS.

Notes: Higher values of the housing affordability index indicate better housing affordability, while lower values indicate reduced affordability. MSA stands for minimum subsistence amount.

⁶ The regions with the fastest price growth were Košice, Prešov, and Banská Bystrica.

⁷ A total of 14,259 new flats were certified for occupancy in 2025.

⁸ The average for the period 2015–2024.

The results for 2025 confirmed the importance of retail business as a source of bank income. In absolute terms, retail income continues to grow, although its growth slowed in the fourth quarter, marking a sixth consecutive quarter of deceleration. The main dynamic in retail business is no longer the repricing of loans to higher interest rates, but growth in mortgage originations. Income from the corporate segment recorded a quarter-on-quarter increase in the fourth quarter, with this positive development being driven mainly by portfolio repricing and ending seven quarters of continuous decline.

Credit costs accelerated significantly in the last quarter of 2025,⁹ owing to mortgage valuation adjustments (related to the abolition of a government subsidy for higher mortgage payments and the voluntary assumption of that cost by selected banks) as well as higher provisioning in the retail segment. In net terms, this was the highest level since the pandemic year of 2020. However, the quality of loan portfolios remains stable. By the end of 2025, there had been no significant changes in the category of non-performing loans,¹⁰ while the category of risky but still performing loans¹¹ had risen slightly in both volume and as a share of the total portfolio.

The aggregate capital adequacy ratio on a consolidated basis rose to almost 21% by the end of 2025. The main factors behind its increase in the final quarter were a decrease in risk exposure (+0.7 percentage points), mainly in corporate exposures,¹² and the retention of certain banks' interim profits as capital (+0.3 percentage points). There was also, however, a significant negative impact on the ratio from an increase in total credit exposure (-0.5 percentage points). The leverage ratio declined quarter-on-quarter to 7.5%. The banking sector's capital headroom – i.e. capital held in excess of minimum regulatory requirements, including the minimum requirement for own funds and eligible liabilities (MREL) – remained unchanged quarter-on-quarter at 3.9% of risk-weighted assets, or €1.7 billion.

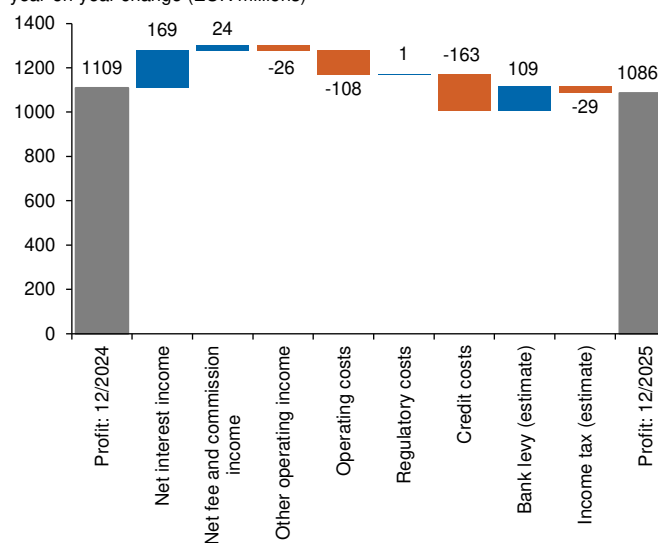
Banks' liquidity was boosted at the end of 2025 by a seasonal inflow of deposits, which sufficed to meet the demand arising from an increase in lending. The liquidity coverage ratio (LCR, a regulatory measure of short-term liquidity resilience) and the structural net stable funding ratio (NSFR) have both risen to long-term highs, with the LCR reaching 192% as of January 2026 and the NSFR standing at 135% as of December 2025. Overall, however, in 2025 banks recorded an increase in lending volume that slightly exceeded the increase in their stable funding (deposits and issued bonds). By the end of the year, the ratio of loans to deposits and issued bonds had edged up year-on-year, from 87.4% to 88.4%.

In an international comparison of capital and liquidity ratios, domestic banks were still underperforming slightly as of the third quarter of 2025. On a positive note, their gross return on equity has been at the EU median since early 2025 (although their weaker result in the last quarter of 2025 has not yet been reflected in the international comparison).¹³ Given the longer interest rate sensitivity of their loan portfolios, domestic banks can be expected to gradually improve their position relative to European competitors. For both the LCR and NSFR ratios, domestic banks remain just below the EU median,¹⁴ while in terms of their capital adequacy ratio, they have fallen slightly further behind the EU median.¹⁵ However, both their liquidity and capital ratios showed highly positive developments in the last quarter of 2025, which should help improve their standing relative to banks in other European countries.

Chart 4

Year-on-year decline in bank profits due mainly to credit costs

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



Source: NBS.

⁹ Total credit costs amounted to €250 million in 2025, which is nearly three times the exceptionally low level recorded in 2024. Net provisioning was highest since 2011, except for the pandemic year of 2020 (€348 million). Relative to the size of banks' balance sheets, net provisioning in 2025 stood at 0.18%, only slightly above the average for 2017–2024 (0.16 %).

¹⁰ The volume of non-performing loans (NPL) and their share in the total portfolio remained unchanged compared with the first half of 2025 (€1.8 billion; 2.0 %), while the NPL provisioning ratio fell slightly (from 57% to 56%). A modest increase in NPL flows was observed mainly in the consumer credit portfolio, which rose from 7.5% as of June 2025 to 8.1% as of December 2025.

¹¹ The share of total loans classified as Stage 2 – i.e. as having experienced a significant increase in credit risk since initial recognition – decreased from 7.9% as of June 2025 to 7.1% as of December 2025. At the same time, the Stage 2 coverage ratio increased from 5.4% to 5.6%.

¹² The average risk weight of corporate exposures decreased from 70.8% as of June 2025 to 67.5% as of December 2025.

¹³ The aggregate return on equity of banks in Slovakia stood at 10.9% as of September 2025 (or 16.3% before the bank levy and tax), while the EU median was 13.3% (16.3%).

¹⁴ The domestic banking sector's aggregate liquidity coverage ratio stood at 177% as of September 2025, below the EU median of 180%, while its NSFR stood at 131%, 6 percentage points below the EU median.

¹⁵ The aggregate capital adequacy ratio of domestic banks stood at 20.5% as of September 2025, while the EU median was 21.6%.

The current geopolitical situation suggests that 2026 will not be any easier for banks than 2025. Some relief will come from the reduction of the bank levy rate from 24.96% to 20%. The outlook for net interest income can also be assessed with cautious optimism. The potential for cheaper deposits is gradually diminishing, but banks are supported by the ongoing repricing of loan portfolios and higher demand for housing loans. However, loan demand, the cost of bond financing, and loan loss provisioning may come under significant negative pressure from geopolitical risks and the resulting slowdown in global economic growth. Among other factors with a potential adverse impact is the ongoing need for domestic fiscal consolidation.

The financial cycle upswing has halted

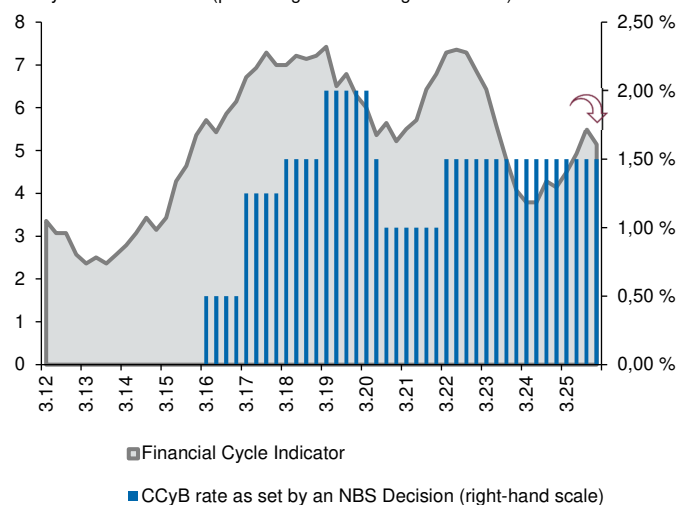
The financial cycle's gradual recovery came to a halt at the end of 2025 after running for one and a half years. While economic activity was gradually slowing from the summer of last year, the financial cycle maintained a modest upswing. However, by the end of the year, the financial cycle had entered a neutral phase. Upward pressure on the cycle came from stable growth in loans to households and the ongoing rise in housing prices. On the other hand, weakened sentiment, an increase in the unemployment rate, and the moderation of corporate loan growth late in the year checked the financial cycle's upturn.

The financial cycle cannot currently be said to have turned downwards. The outlook for the coming year rather suggests a neutral phase of the financial cycle at current levels. The key determinant of its future direction will be credit market developments. The good news is that private sector indebtedness is not increasing sharply, and the ratio of outstanding loans to GDP has been oscillating around 60% for almost two years. The economy has sufficient resources available to finance growth, as evidenced by stable loan growth. Meanwhile, credit market dynamics remain consistent with economic developments, meaning that excessive risks are not building up in banks' portfolios. As for the slight acceleration in provisioning towards the end of last year, it was largely compensating for the low level of provisioning in the previous period.

Chart 5

The upturn of the financial cycle has come to a halt

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 stronger build-up of imbalances.

What's new in the world of macroprudential policy

What are the experiences from implementing the LCR requirement?

The answer was explored by the authors of a BIS-published paper¹⁶ analysing the liquidity coverage ratio (LCR). This indicator, introduced as part of the Basel III regulatory reform, aims to ensure that banks hold sufficient high-quality liquid assets to withstand short-term funding stress. This allows valuable time (30 days) for the situation to stabilise or for bank management and supervisors to take appropriate corrective actions. The analysis shows that the LCR can raise welfare by mandating banks to hold more liquid assets or rely less on fragile short-term funding. However, it can crowd out lending and induce greater risk-taking. The authors conclude, first, that banks typically comply with the LCR by increasing their high-quality liquid assets (HQLAs), in particular through higher reserve and government bond holdings. Balance sheet shrinkage is rare. Second, from a longer-term perspective, funding structures adjust, but to a much smaller extent than assets: short-term wholesale liabilities contract, while retail deposits and longer-maturity sources expand somewhat. Third, liquidity regulation, by lowering bank profits, can lead to increases in banks' asset opacity or shifts into harder-to-value and riskier assets.

Has the US Federal Reserve's asset purchase programme affected lending in the euro area?

In a study published by the US Federal Reserve,¹⁷ using panel data of European banks, the authors conclude that the Federal Reserve affects credit provision in the euro area through a channel that they refer to as the 'international bank capital channel' of unconventional monetary policy. According to the authors, the shock of the Federal Reserve's large-scale asset purchases (LSAPs) steepens the US Treasury yield curve, while banks in the euro area have substantial outright holdings of US Treasuries that have a maturity of more than five years. As a result, the banks' holdings of these securities are revalued. This leads to a worsening of capital ratios, since banks incur unrealised losses. Unless these losses are hedged with instruments such as derivatives or swaps, they are deducted from capital for accounting purposes (either directly through revaluation reserves or through profit and loss). Consequently, banks with less regulatory capital contract their lending relative to banks that are better capitalised.

How do changes in lending affect firms' investment decisions?

This topic was examined in a recent ECB-published paper.¹⁸ Using detailed corporate loan information, the authors show that idiosyncratic bank shocks (i.e. changes unique to individual banks) play a significant role in shaping firms' investment behaviour, particularly for smaller firms that rely heavily on bank loans. These firms have limited access to alternative forms of financing such as capital markets, issuing their own bonds, or intragroup financing. In contrast, larger firms with diversified financial resources are less affected. Firms in the manufacturing sector are more vulnerable to bank supply shocks. Intangible investment is relatively unaffected by bank supply shocks because firms must rely on internal financing, given the non-collateralisable nature of these assets. According to the authors, changes in lending are mainly driven by the behaviour of individual banks and firms, while changes in firms' investment behaviour are more closely attributed to shifts in economic trends and overall demand for financing.

To set an energy price cap or not? Energy crises in a currency union

This question is addressed in a study published by the US Federal Reserve.¹⁹ During the energy crisis in 2022 some euro area countries introduced price caps on energy, while others did not, leading to about 30 percentage points higher energy inflation in uncapped countries. The paper uses a two-country currency union model to investigate the trade-offs of an energy price cap. The results suggest that, from the perspective of overall welfare, the optimal outcome is for neither country to impose a price cap, since the cap is a costly market distortion. However, capping allows a country to avoid a crisis at the cost of negative spillovers on the uncapped country, characterised by high inflation and lower output. According to the study, spillovers from price caps contributed about 10 percentage points to energy inflation and about 0.5 percentage points to headline inflation in the uncapped euro area countries in 2022.

¹⁶ Doerr, S. and Drehmann, M., "The Liquidity Coverage Ratio a decade on: a stocktake of the literature", *BIS Working Papers*, No 164, Bank for International Settlements, January 2026.

¹⁷ Graziano, M., Koechlin, M. and Tischbirek, A., "The Spillovers of LSAPs on Banks in the Euro Area", *Finance and Economics Discussion Series*, No 2026-005, Board of Governors of the Federal Reserve System, Washington DC, January 2026.

¹⁸ Kocabaş, S. and Saiz, L., "Navigating credit dynamics: does it matter for firm-level investment? Evidence from AnaCredit", *Working Paper Series*, No 3173, European Central Bank, Frankfurt am Main, January 2026.

¹⁹ Komatsu, M., "To Cap or Not to Cap? Energy Crises in a Currency Union", *International Finance Discussion Papers*, No 1428, Board of Governors of the Federal Reserve System, Washington DC, December 2025.