Macroprudential Commentary

September 2025

- The financial cycle continues to recover. Credit market developments were the main driver of its expansion in the second quarter of 2025, with growth in mortgage lending as well as in consumer credit. Both the average size and number of new mortgages rose.
- Lending to non-financial corporations (NFCs) also picked up, mainly in the form of working capital loans, while financing for fixed investment remained flat.
- Growth in housing prices moderated in the second quarter, while housing affordability has stagnated this year.
- Banks' aggregate net profit has increased, thanks mainly to lower deposit costs. The increase in banks' solvency was this time due mainly to a regulatory change. Overall, banks remain well capitalised and maintain sufficient liquidity.

No change in the countercyclical buffer (CCyB) rate

The financial cycle continued to recover in the second quarter of 2025. Housing prices started rising a year earlier, followed by lending to households and, later, lending to NFCs. Demand for new loans has been stimulated by falling interest rates, whose gradual decline began early last year. After two years of contraction, private sector indebtedness has started to edge up. The economy continues to grow, but at a gradually slower pace, while uncertainty remains elevated due to global trade and geopolitical developments. This was reflected in a weakening of economic sentiment in the second quarter, which tempered the financial cycle expansion during that period.

The financial cycle recovery has not so far been accompanied by an excessive build-up of risks. Both the credit market and the financial sector remain in sync with economic fundamentals, with no signs of excessive private sector indebtedness or an accumulation of risky loans. The credit quality of the banking sector's loan portfolio remains stable, with the total amount of non-performing loans (NPLs) and their coverage ratio remaining virtually unchanged in the second quarter. Banks are maintaining their profit-generating capacity, and the sector continues to have sufficient capital headroom. Developments in economic fundamentals are now helping to reduce risks previously accumulated in banks' loan portfolios. Meanwhile, however, uncertainty remains elevated regarding the global and domestic economic outlook, mounting fiscal sustainability concerns in certain EU countries, and the need for the Slovak economy to continue on its consolidation path. The ECB,[1] in a recent statement, called for existing capital buffer requirements to be maintained owing to the rise in global geopolitical uncertainty. Against this backdrop, it is appropriate for Národná banka Slovenska to keep the countercyclical capital buffer rate unchanged at 1.5% of risk-weighted assets.

NBS does not foresee having to adjust the CCyB rate in the next quarter

Given the weakening of economic growth, the recovery of the financial cycle is expected to moderate. No elevated risks are currently emerging that would necessitate raising the CCyB rate.

At the same time, no reduction in the CCyB rate is warranted either, mainly due to heightened uncertainty regarding macroeconomic developments and the need for further fiscal consolidation. The capital already accumulated through the CCyB remains sufficient to absorb potential unexpected losses in banks' loan portfolios.

[1] Governing Council statement on macroprudential policies, European Central Bank, 7 July 2025.

Mortgage borrowing continues to recover

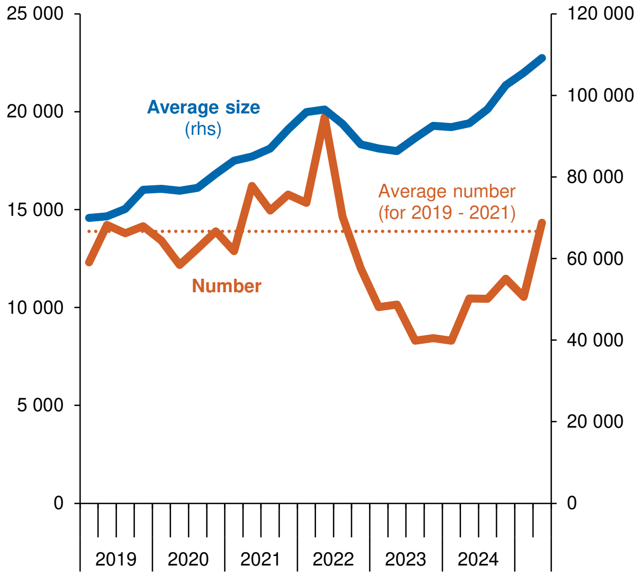
The mortgage market is continuing to recover, even though interest rates have declined only slowly. The number of new mortgages originated in the second quarter of 2025 was back up to the level typical before mortgage rates started rising. The average size of new mortgages has been rising roughly in line with housing prices. The increase in both the number and average size of mortgages has been relatively broad-based across borrower age groups. The mortgage refinancing market has also picked up to some extent.[2] In the second quarter, the number of mortgages refinanced with another bank and with an increase in the outstanding amount approached the level typical before mortgage rates started rising.

Mortgage portfolio growth remained strong in July, reaching its July 2022 level. Annual growth in outstanding mortgages stood at 5.8% in July 2025. If, in the coming period, the number of new mortgages remained at the same level as in the second quarter and the average amount of new mortgages increased by 10%, the mortgage portfolio's annual growth rate could approach 8%. Mortgage growth in Slovakia is higher than the EU median, though still lower compared with most other central and eastern European countries. Consumer credit continues to grow, though more slowly than in the past.[3]

Chart 1

The number and average size of newly originated mortgages

The number and average amount (in euro) of mortgages originated in the respective quarter



Source: NBS.

Interest rates on new mortgages have continued to edge down. Between March and July 2025, they fell from 4.0% to 3.7%, one percentage point below their peak of early 2024.

The credit quality of bank loan portfolios has not deteriorated. The non-performing loan (NPL) ratio for the mortgage portfolio remains close to historical lows. As for consumer credit, the NPL ratio for that portfolio did not deteriorate in the second quarter of 2025, after rising slightly in the previous quarter. For the overall household loan portfolio, both the NPL ratio and default rate remained stable.

Growth in corporate revenues and borrowing despite economic uncertainty

Corporate revenues continued to grow in the second quarter of 2025. Their nominal annual growth rate remained close to 6%. Revenue performance was stronger in the sectors of services, wholesale trade, and construction. In industry, however, revenue growth slowed, largely due to a weaker performance in the automotive sector. The second quarter of 2025 was marked by ongoing trade tensions. As these weighed on economic sentiment, the Economic Sentiment Indicator (ESI) continued to decline[4]. Not until August was there any reversal of the downward sentiment trend, following the trade deal between the EU and the United States.

Firms' demand for loans has continued to rise. As of July 2025, annual growth in loans to non-financial corporations (NFCs) stood at 6.3%.[5] But although the year-on-year growth rate accelerated, the monthly flow of new corporate loans was lower in the second quarter than in the first, albeit still above the average of previous years. In July, the flow of new loans was relatively

[2] In the second quarter, the number of mortgages refinanced with another bank and with an increase in the outstanding amount approached the level typical before mortgage rates started rising, while the number refinanced without an increase in the outstanding amount remains subdued.
[3] Annual growth in consumer credit slowed from 7.1% in March 2025 to 6.5% in July 2025.
[4] The ESI, after starting the year around its long-term average, declined by 9.8 points, reaching its lowest level since mid-2023.
[5] Annual growth in NFC loans stood at 3.2% in March 2025.

concentrated. Moreover, the higher annual growth in corporate loans was partly due to a lower comparison base.[6] Overall, firms' demand for loans can be said to have increased. Surveys point to the same conclusion, showing a rising share of firms applying for loans.[7] New borrowing has largely been for working capital needs.[8] July's NFC loan growth was above average by EU standards, although even higher rates were common among other central and eastern European countries.[9]

NFC loan growth is being driven primarily by micro firms and by large borrowings by certain firms. Micro firms are a stable component of overall borrowing activity in the corporate sector.[10] Large, single drawdowns by certain firms – mostly large enterprises – are another major factor in total NFC loan growth. Excluding such borrowings, the amount of loans granted to large firms has been stagnating for two years. Lending to the commercial real estate (CRE) sector has also plateaued, with caution continuing to prevail in that area. Sectorally, the main contributors to total NFC loan growth are selected services, trade, and construction. Lending to industry remains subdued.

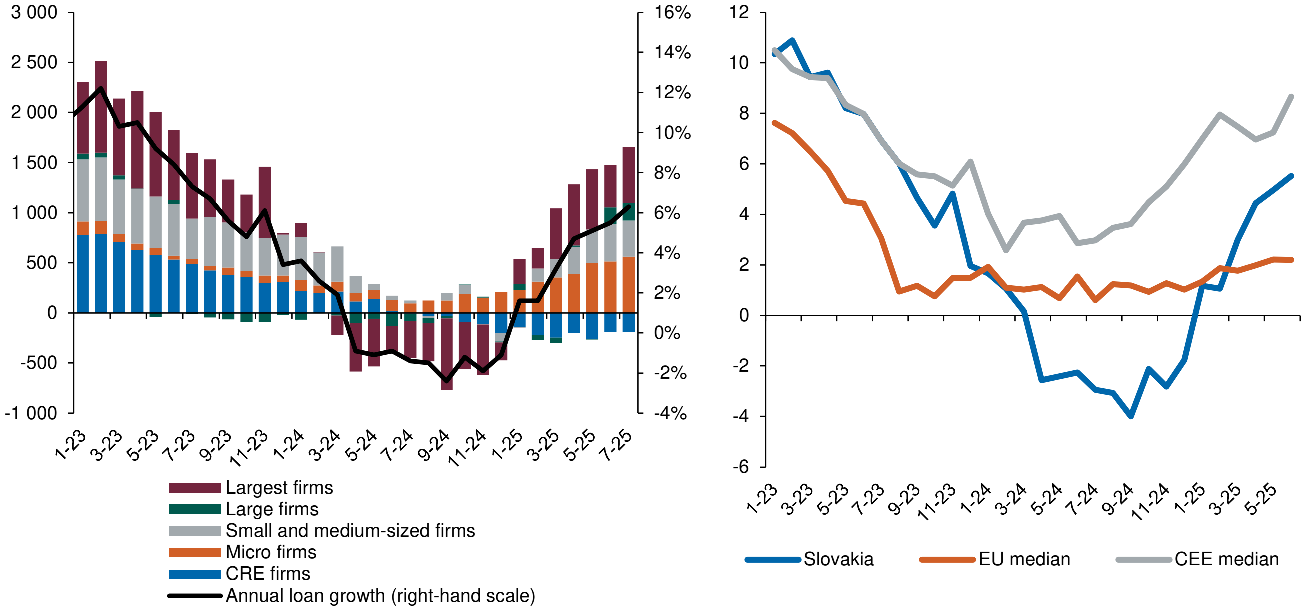
The NPL ratio for corporate loans has not changed significantly in 2025.[11] Some credit quality deterioration has occurred in the portfolio of loans to small and medium-sized enterprises (SMEs).

Chart 2

NFC loan growth driven mainly by micro firms and by certain firms' large drawdowns

Left-hand panel: annual growth in total NFC loans and contributions to that growth by type of firm (EUR billions; percentages)

Right-hand panel: annual NFC loan growth in Slovakia, the EU, and the CEE region (percentages)



Sources: NBS, Register of Bank Loans and Guarantees (RBUZ), and ECB.
Note: CEE stands for central and eastern Europe.

Housing prices continue to grow, but at a slower pace

Housing prices continued rising throughout the summer. Prices of flats increased across all size categories and in most regions of Slovakia, in both urban and rural areas. Prices of houses also rose. Housing market developments were therefore in line with the mortgage market, where both the average number of newly originated mortgages and their average size increased. These trends confirm the long-term relationship between housing price movements and mortgage market trends.

6 In summer 2024, the corporate loan portfolio ended a contracting trend caused by rising interest rates and economic uncertainty. Until then, the comparison base had been decreasing.
7 The Slovak component of the ECB's Survey on the Access to Finance of Enterprises for the period April–June 2025 was conducted on a sample of approximately 500 small and medium-sized enterprises.
8 Firms' stronger demand for loans, mainly for working capital needs, was also confirmed by banks in the Bank Lending Survey conducted in the second quarter of 2025.
9 Loan growth was slower only in Slovenia and Hungary.
10 Lending to micro firms accounts for more than one-third of annual NFC loan growth.
11 The NPL ratio for the overall NFC portfolio stood at 2.42% as of April 2025.

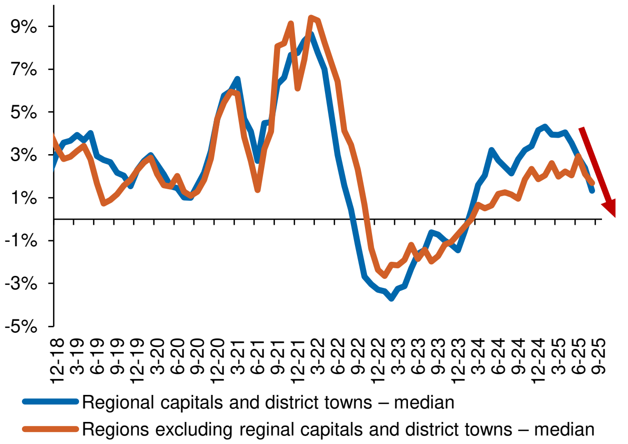
In August 2025, annual growth in flat prices stood at 12%, but the month-on-month growth was slower than at the beginning of the year. Most regions and regional capitals in Slovakia also recorded slower growth compared with May, with increases of around 1.5%.

In the capital Bratislava, prices of new-build flats rose more sharply towards the end of last year. After a slight correction in the early part of this year, the average asking price of new-builds began edging up again in recent months, largely because more expensive luxury flats remain overrepresented in the supply. Compared with the same period last year, the number of new flats sold is significantly – almost 70% – higher. The number of new flats sold in Bratislava has now returned to the levels seen before interest rates started rising in 2022. Although the number of new flats completed in Bratislava Region in the second quarter of 2025 was almost 60% below the long-term average, the total number of new flats on the market remains higher than in 2022.

Chart 3

The quarter-on-quarter rise in flat prices slowed during the summer

Quarter-on-quarter change in the average asking price for resale flats (percentages)



Sources: United Classified, and NBS.

Housing affordability has remained largely unchanged below long-term average levels. The second quarter saw only a marginal improvement in housing affordability. While rising household incomes had a positive impact, the decline in interest rates – which had been boosting households' purchasing capacity since 2024 – slowed. Nevertheless, income growth and the decline in mortgage rates were sufficient to fully offset the impact of rising housing prices. This means that for households buying property, the mortgage repayment burden was slightly lower in the second quarter than in the first.

Bank profit narrative remains unchanged in 2025

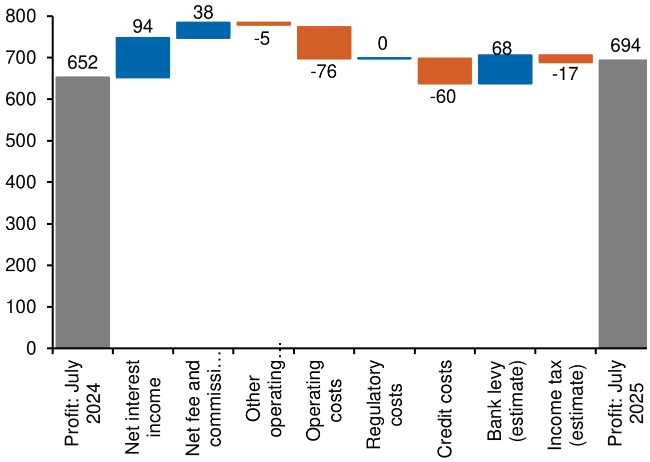
For the first seven months of 2025, the aggregate net profit of banks in Slovakia increased to almost €694 million.[12] Net interest income rose by 7% year-on-year, though its growth was driven entirely by savings on interest expenses, which offset a decline in interest income.[13] Profit growth was also supported by what has traditionally been the second pillar of profitability – net fee and commission income[14] – and by a year-on-year decline in the tax and levy burden.[15] Net provisioning continued its rising trend in 2025.[16] Banks in Slovakia improved their profitability in the first half of 2025, recording an increase in their return on equity.[17]

The credit quality of banks' loan portfolios remained largely unchanged in the three months to July. From April 2025 there was hardly any shift in either the volume of non-performing

Chart 4

Banks' aggregate net profit for the first seven months of 2025 rose slightly year-on-year

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



Source: NBS.

12 This represents a year-on-year increase of 6%. The sector's aggregate profit before bank levy payments and corporate income tax decreased slightly, from €1.07 billion to €1.06 billion.
13 Interest expenses decreased by 17% year-on-year, while interest income fell by 5%.
14 Its annual growth as of July 2025 stood at 8%.
15 The effective tax and levy rate decreased by 4.5 percentage points, from 39.4% to 34.8%, largely because the bank levy rate was reduced in 2025 from 30% to 24.96%. For entities with taxable income exceeding €5 million, the corporate income tax rate was raised in 2025 from 21% to 24%.
16 Aggregate net provisioning for the first seven months of 2025 increased by 114% year-on-year. Most of the net provisioning – nearly 90% – was allocated to the retail segment. The allocation to the corporate segment increased by 7% year-on-year.
17 The aggregate return on equity of banks headquartered in Slovakia (on a consolidated basis) increased from 10.15% in December 2024 to 10.61% in June 2025. The rise was due to net profit growth outpacing equity growth.

loans or their coverage ratio.[18] During this period, however, the dynamics observed in the Stage 2 loan portfolio at the end of 2024 resumed. [19]

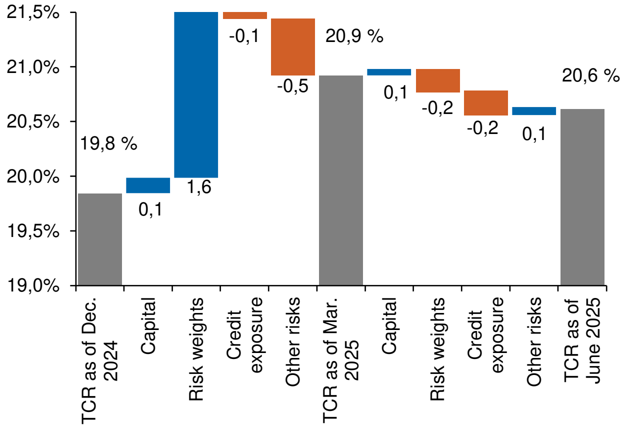
The banking sector's total capital ratio jumped between the end of 2024 and June 2025, owing to the implementation of the EU's CRR3/CRD6 banking package.[20] As of June 2025, on a consolidated basis, the aggregate total capital ratio stood at 20.6%[21] and the leverage ratio amounted to 7.97%.[22] The increase in the total capital ratio was due primarily to a marked decline in risk-weighted assets, which stemmed from a reduction in risk weights for selected exposure classes under the revised capital rules.[23]

The banking sector's capital headroom – i.e. the surplus of capital resources above capital requirements, leverage ratio requirements, and the minimum requirement for own funds and eligible liabilities (MREL) – increased markedly in the first half of 2025, to stand at €1.8 billion, or 3.98% of risk-weighted assets, as of June 2025.[24] This was mainly due to a decline in risk-weighted assets and an increase in capital, the combined effect of which offset a decline in eligible liabilities and a rise in the minimum MREL requirement.

Chart 5

Banks' total capital ratio jumped after the implementation of new rules

Aggregate total capital ratio and contributions to its change over the quarter (percentages; percentage point contributions)



Source: NBS.
Note: TCR stands for total capital ratio.

The liquidity position of domestic banks has remained largely unchanged since the end of 2024. The sector's structural net stable funding ratio (NSFR) and its liquidity coverage ratio (LCR) – a regulatory measure of short-term liquidity resilience – remained close to their three-year averages of 130% and 185%, respectively.[25] The ratio of loans to deposits and issued bonds stood at 89.5% as of July 2025,[26] having increased by two percentage points since the start of the year as a result of loans growing by almost €4 billion and deposits and issued bonds rising by half that amount. The share of securities in banks' aggregate liquidity buffer continued to increase at the expense of the cash reserves, including deposits with central banks.[27] Overall, the volume of bonds held by banks rose by €4 billion over the first seven months of 2025.[28]

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[18] After declining marginally over the three months to July 2025, the total volume of non-performing loans before provisions stood at €1.75 billion. The NPL ratio for the banking sector's aggregate loan portfolio edged down over this period, from 2.07% to 2.02%, as a result of portfolio growth. The NPL provisioning ratio remained at 57%.

[19] The volume of Stage 2 loans – i.e. performing loans that have experienced a significant increase in credit risk since initial recognition – fell from €7.2 billion in July 2025 to €6.2 billion in August. Their share in the overall loan portfolio declined from 8.4% to 7.6%. The Stage 2 coverage ratio rose moderately, to 5.6%.

[20] The new banking package, comprising amendments to the Capital Requirements Regulation and Directive (CRR3/CRD6), started to apply from January 2025, with the first reporting period covering the first quarter of 2025. It essentially completes the implementation of Basel III – the third iteration of the internationally recognised banking standards developed by the Basel Committee on Banking Supervision under the auspices of the Bank for International Settlements – particularly with respect to capital requirements within the European Union.

[21] The total capital ratio rose by 77 basis points compared with December 2024 (while declining by 31 basis points compared with March 2025). The combination of a half-yearly decline in the volume of risk-weighted assets and an increase in capital raised the voluntary capital buffer above the minimum capital requirement, from 3.66% to 4.28%. The combined buffer requirement (CBR) edged down from 5.34% to 5.30%, owing mainly to a reduction in the buffer requirement for certain domestic systemically important banks. If the new output floor had been fully phased in, the total capital ratio would have declined by 33 basis points by the end of June (from 20.6% to 20.3%).

[22] The leverage ratio increased slightly, by 2 basis points compared with December 2024 (while decreasing by 7 basis points compared with March 2025).

[23] The decline in credit risk weights is largely due to a more risk-sensitive allocation of risk weights for real estate–secured retail loans under the standardised approach (depending on the loan-to-value ratio), and to lower risk weights for corporate exposures under the internal ratings-based approach – primarily owing to the elimination of the scaling factor and a reduction in the loss given default parameter.

[24] Compared with December 2024, this represented an increase of €280 million or 71 basis points.

[25] As of June 2025, the NSFR stood at 130% (unchanged compared with December 2024; down by 3 percentage points year-on-year). As of July 2025, the LCR stood at 182% (unchanged compared with December 2024; down by 14 percentage points year-on-year).

[26] The narrower loan-to-deposit ratio stood at 105%. Both ratios reached their historical peaks in early 2024.

[27] Among banks required to meet the LCR at the local level, the aggregate liquidity buffer fell by €0.5 billion from the end of 2024. The share of cash reserves, including deposits with central banks, decreased by almost half, from 37% to 19%, while the share of securities rose from 63% to 81%.

[28] Slovak government bonds accounted for 60% (€2.4 billion) of the total increase; Czech government bonds for 20% (€0.8 billion); and other EU sovereign bonds for 27% (€1.1 billion). Conversely, banks' holdings of bonds issued by other financial institutions, primarily banks, declined naturally (by €0.2 billion) due to maturity. Nearly 73% of new purchases consisted of bonds with a residual maturity of five to ten years. The entire portfolio's weighted yield to maturity increased from 2.44% in December 2024 to 2.62% in July 2025.

The financial cycle recovery continues

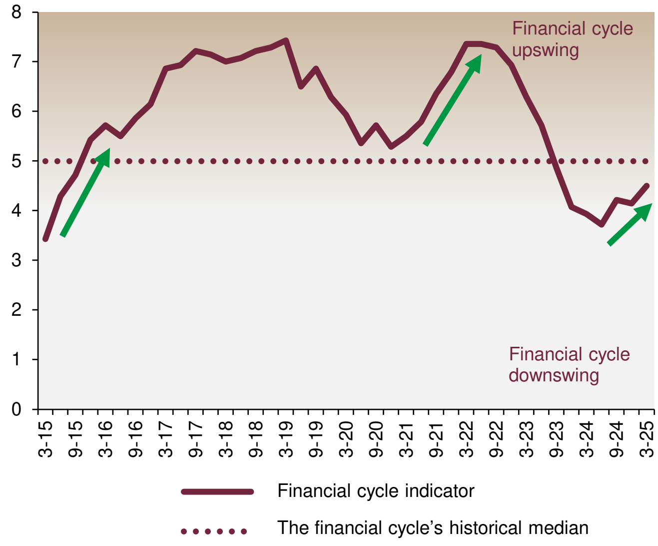
The financial cycle accelerated further in the second quarter of 2025. Its recovery, which began a year earlier, has so far maintained momentum. The main driver of its expansion in the second quarter was the credit market, as lending to both firms and households increased. At the same time, private sector indebtedness edged up after a period of decline. The outstanding loan debt of households and firms relative to GDP has increased slightly in 2025, approaching 60% by the end of June – 7 percentage points below its historical high of autumn 2022. The only factor slowing the cycle's upswing in the second quarter of 2025 was weakened economic sentiment. Overall, the financial cycle recovery has maintained a stable pace for a year, though this upswing is more tentative than previous ones.

The current recovery of the financial cycle does not so far pose excessive risks. Loan growth is not outpacing economic fundamentals (economic growth, corporate revenues, wages, and employment) to any significant extent, so indebtedness is rising only slowly. Nor does the outlook through the end of next year indicate any market overheating. Rather, with economic growth subdued, the financial cycle recovery can be expected to slow. The key factor in this regard will be developments in the credit market. For the banking sector, the build-up of risks related to the financial cycle is not expected to reach a level that would present a significant challenge.

Chart 6

Financial cycle recovery still maintaining its pace

Financial cycle indicator (index)



Source: NBS.
Note: Higher financial cyclical indicator values imply a strong build-up of imbalances.

What's new in the world of macroprudential policy

How stablecoins affect US Treasury yields

This relationship is analysed in a paper published by the Bank for International Settlements.[29] Using daily data from 2021 to 2025, the authors examined the impact of dollar-backed stablecoin flows on short-term US Treasury yields. Their estimates from instrumental local projection regressions suggest that a 2-standard deviation inflow into stablecoins lowers 3-month Treasury yields by 2–2.5 basis points within 10 days, with limited to no spillover effects on longer tenors. The study also found evidence of asymmetric effects: stablecoin outflows raise yields by two to three times as much as inflows lower them. Decomposing the yield impact by issuer shows that USDT (Tether) has the largest contribution followed by USDC (Circle), consistent with their relative market size. Stablecoins' growing footprint in safe asset markets has implications for monetary policy transmission, stablecoin reserve transparency, and financial stability.

How to appropriately calibrate the positive neutral countercyclical capital buffer (PN CCyB) rate?

This question is addressed in a new ECB-published paper.[30] The study proposes a novel method to calibrate the PN CCyB rate for the euro area based on the Risk-to-Buffer approach, which is based on the assumption that higher cyclical risk leads to a greater amplification of adverse shocks, leading to more severe macroeconomic outcomes and higher banking sector losses. Hence, the differences in PN CCyB rate calibrations across countries. The calibration using the Risk-to-Buffer approach involves two steps. First, a macroeconomic model is used to generate risk-dependent stress scenarios, In the second step, the losses associated to the different scenarios are mapped to the capital requirements needed to cover them, while the PN CCyB rate is calibrated to address median cyclical systemic risk. The study suggests PN CCyB rates for euro area countries ranging between 1% and 1.5%. By examining the nature of different shocks, the authors found that those associated to the materialisation of domestic financial imbalances, such as credit shocks, warrant a relatively lower importance of the PN CCyB in the overall CCyB calibration. This is because such shocks tend to generate excessive losses that require a buffer rate higher than the positive neutral rate. On the other hand, shocks affecting the real side of the economy (e.g. output and inflation shocks), mostly resulting from factors exogenous to the financial cycle, call for a relatively more important role of the PN CCyB, as it can absorb most of these losses.

Do armed conflicts shape cross-border lending?

A study[31] recently published by the ECB explored this question. Using data on syndicated loans by 14,021 creditors to firms in 179 countries (1989–2020), the authors found that, in conflict countries, foreign banks reduce overall lending relative to domestic banks but significantly increase financing to military and duel-use[32] sectors during conflicts. This reallocation is stronger among lenders less specialised in the conflict country, more specialised in military lending, and domiciled in politically distant or non-aligned countries. These effects are geographically contained and temporarily limited, dissipating post-conflict.

What impact could AI have on productivity in the economy and in the financial sector?

This topic was examined in a recent paper published by the US Federal Reserve.[33] While some inventions, such as the light bulb, temporarily raise productivity growth as adoption spreads, the effect fades when the market is saturated; that is, the level of output per hour is permanently higher but the growth rate is not. In contrast, two types of technologies have longer-lived effects on productivity growth. First, there are general-purpose technologies (GPTs), which are widely adopted, spur abundant knock-on innovations (new goods and services, process efficiencies, and business reorganisation), and show continual improvement, refreshing this innovation cycle; the electric dynamo is an example. Second, there are inventions of methods of invention (IMIs), which increase the efficiency of the research and development process via improvements to observation, analysis, communication, or organisation; the compound microscope is an example. According to the authors, generative AI (genAI) has the characteristics of both a GPT and an IMI, so it may therefore have the potential to raise the *level* of productivity, including in the financial sector. Even so, say the authors, genAI's contribution to productivity *growth* will depend on the speed with which that level, and genAI's widespread adoption, is attained. Historically, integrating revolutionary technologies into the economy is a protracted process.

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[29] Rashad, A. and Aldasoro, A., "Stablecoins and safe asset prices", *BIS Working Papers*, No 1270, Bank for International Settlements, May 2025.
[30] Herrera, L., Pirovano, M. and Scalone, V., "From risk to buffer: calibrating the positive neutral CCyB rate in the euro area", *ECB*\ 3075, July 2025.
[31] De Haas, R., Mamonov, M., Popov, A. and Shala, I., "Violent conflict and cross-border lending", *ECB*\3073, European Central Bank, Frankfurt am Main, July 2025.
[32] A dual-use sector is a sector that produces goods or services intended for civilian use but with a clear capability to perform military functions.
[33] Baily, M.N., Byrne, D.M., Kane, A.T. and Soto, P.E., "Generative AI at the Crossroads: Light Bulb, Dynamo, or Microscope?", *FED*\ 2025-053, June 2025.