

Overview

The financial system in Slovakia remains stable even in a more challenging economic environment

The financial system in Slovakia continues to be stable, profitable and resilient. However, the economic environment is less favourable than in the past, as economic growth is weaker and uncertainty remains elevated.

The main source of risk is still the external environment. The war in the Middle East has intensified geopolitical risks and disrupted global energy markets in particular. Although Slovakia does not import oil or gas directly from the conflict region, nor notably exceed the EU average in terms of oil import dependence, higher energy prices will increase inflation in the country.

The weakening of domestic economic growth is due to a combination of external risks, households' increasing caution, fiscal consolidation, and the low competitiveness of the domestic economy. While consolidation is important for long-term sustainability, it subdues domestic demand in the short term. Slower economic growth is gradually being reflected in lending activity, especially among firms.

Mortgage and housing market activity remained strong in 2025

Lending to households continued to grow strongly in 2025, although mortgage growth appears to have already peaked. Mortgage demand was supported mainly by earlier improvements in interest rate conditions and rising property prices. Looking ahead, however, mortgage growth may slow somewhat owing to a weakening labour market, lower income growth, and a moderate increase in interest rates.

Prices of flats rose at a double-digit pace last year and accelerated slightly in early 2026. Moreover, time to sale in the housing market has decreased. Long-term price growth has been driven by strong demand and a limited supply of new housing. On the other hand, data suggest that increased construction of new flats does not necessarily lead to slower price growth or improved housing affordability for young people. Investment demand is a crucial factor in this regard. Purchases of second or additional properties are increasing as a share of flat purchases. In 2025 alone, more than half of residential real estate purchases fell into that category. Meanwhile, a large number of underused flats are in the housing stock. In Slovakia's larger cities, they account for more than 10% of all flats, and in almost all the cities under review this share is increasing.

Growing demand for investment housing requires increased attention from a financial stability perspective. Of the mortgages granted in 2025, 16% went to borrowers who already owned at least two properties, while another 39% owned one. Loans for investment purchases may contribute to higher risks, since borrowers may be more inclined to sell their properties in a downturn, thereby, in a worst-case scenario, potentially amplifying price declines. At the same time, investment demand may artificially drive up housing prices, making first-time home purchases less affordable.

In response, Národná banka Slovenska proposes adjusting loan-to-value (LTV) limits to better differentiate between different types of housing demand. The limit would be tightened for the financing of third and subsequent properties, helping to mitigate risks associated with investment demand. Conversely, limits would be relaxed for young first-time home buyers, lowering entry barriers to the market. Under this combined approach, the risk profile of bank portfolios should remain unchanged, and overall mortgage growth should not be significantly affected – only its structure is expected to change. That said, housing affordability is a complex issue. Beyond looser financing conditions and more flexible housing supply, it is important to address the growing demand for investment housing.

Households and firms are still able to repay loans, but their sensitivity remains elevated

Some households remain more vulnerable to adverse developments, owing to higher interest rates, slower income growth, and increased living costs. While the share of mortgages that are non-performing remains low, the credit quality of the consumer loan portfolio has deteriorated to its level of four years ago.

Particular attention should be paid to mortgages granted to self-employed persons and entrepreneurs. Their importance in the mortgage portfolio has increased markedly in recent years, with nearly one-fifth of total mortgages now held by such individuals. However, because their income is more volatile and more difficult to verify, these loans carry greater risk, as past data confirm. The income of self-employed borrowers is often estimated based on a portion of revenues, not necessarily giving a precise picture of long-term debt servicing capacity. For these borrowers, banks should therefore carefully assess the quality and stability of income.

Firms' financial situation continues to be relatively sound despite the weaker economic environment. After a good start to 2025, revenue growth slowed and continued to do so into early 2026. Corporate profits declined only slightly year-on-year, with higher wage and tax costs partly offset by lower interest expenses. Non-performing loan ratios remain stable. Corporate lending has slowed, especially to large firms and industrial firms. The commercial real estate sector remains vulnerable, although investment and leasing activity in the sector has picked up.

The automotive industry is currently facing several structural challenges, including high US import tariffs, increasing competition from China, and pressure to transform production models. Given the sector's dominant role in the Slovak economy, these developments are important from a financial stability perspective. There are, however, two mitigating factors, the first being the relatively low exposure of domestic banks to this sector, including its suppliers. The second is carmakers' hitherto ability to adapt and to reroute part of their exports to other markets.

The banking sector remains strong and resilient

The banking sector in Slovakia has maintained robust profitability. Net interest income could be expected to continue growing in the near term, supported mainly by mortgage portfolio growth. Profitability has increased banks' loss-absorption capacity and their ability to finance the economy. Both capital and liquidity positions remain

strong. Cyclical risks are not building up excessively, although uncertainty in the economic environment remains elevated. For this reason, Národná banka Slovenska is keeping the countercyclical capital buffer rate unchanged.

Stress testing has confirmed that banks would be able to withstand even severely adverse developments. Their resilience was demonstrated in a scenario combining a sharp economic slowdown with rising inflation driven by higher energy prices. Any potential economic shock would be reflected in increased credit losses, but thanks to banks' accumulated capital and profitability, the overall impact on the sector would remain limited.

Insurers, investment funds and pension funds are experiencing growth but remain sensitive to financial market developments

The insurance sector's profitability has improved, particularly in the non-life segment. Non-life premiums have been adjusted upwards with a lag to reflect earlier inflation, helping to improve the sector's performance. Stricter regulation regarding uninsured vehicles may also enhance the balance between premiums and claims in motor insurance.

Assets under management in investment and pension funds have increased, driven by both fund performance and inflows of new customers. At the same time, the equity component of portfolios has continued to rise. While this trend boosts potential returns during good times, it also increases sensitivity to any financial market downturns.

In Slovakia, risks across investment and pension funds remain limited compared with certain foreign markets. At the European level, discussions often focus on risks in asset management, such as liquidity mismatches, leverage, and interconnectedness. Overall, the Slovak non-bank financial sector does not exhibit these risk characteristics to any significant extent.