Macroprudential Commentary

June 2026

Summary

- The financial cycle has now been cooling for two successive quarters, reflecting both a slowdown in corporate lending and decelerating economic growth. In the period ahead, it is expected to level off, with a possible transition into a mild downswing.
- Mortgage lending growth remains stable, although it has likely already peaked and is expected to gradually ease. Consumer credit growth is steadily slowing. Non-performing loan ratios for household loans (excluding consumer credit) remain low.
- Lending to non-financial corporations (NFCs) has maintained only modest growth. The most pronounced decline in borrowing has been among industrial firms. Although the non-performing loan ratio for the NFC portfolio edged up at the turn of the year, it remains close to its historical low.
- The banking sector's aggregate profit is growing year-on-year. Banks continue to benefit from rising net interest income, mainly driven by cheaper customer deposits; however, this potential is already being exhausted. Rising operating costs have weighed on profits. Banks in Slovakia remain well capitalised and liquid.

No change in countercyclical capital buffer (CCyB) rate

The financial cycle has cooled over the past six months. The slowdown in economic growth is starting to be reflected in several areas, most notably in lending to non-financial corporations (NFCs). However, the slowdown in loan growth is not yet broad-based, with demand for borrowing varying across market segments. Lending to industrial firms has slowed the most, while lending to the commercial real estate (CRE) sector remains subdued. Growth in consumer lending to households is also gradually decelerating. On the other hand, smaller and micro firms show stable demand for loans, as do households for mortgages. Interest rates have not changed significantly this year, and lending conditions have also remained broadly unchanged. Non-performing loan (NPL) ratios remain low, despite a slight increase in some segments, and banks' provisioning levels are within normal ranges. Banks are sufficiently well capitalised and remain profitable. Housing prices have continued to record double-digit growth this year.

Risks to the financial sector remain elevated. Uncertainty stems mainly from developments in the war in the Middle East and the extent to which prices – and subsequently interest rates – will rise as a result. Rate increases would increase financing costs and test the debt servicing capacity of banks' customers. In Slovakia, these risks are further compounded by already weak economic growth and the need to continue consolidating public finances in order to bring them to a sustainable level. **In the context of heightened uncertainty and risks, Národná banka Slovenska (NBS) is leaving the countercyclical capital buffer (CCyB) rate unchanged.**

NBS does not envisage adjusting the CCyB rate in the next quarter

Elevated risks and uncertainty are expected to persist in the coming period. In this environment, the financial cycle is likely to level off or transition into a mild downswing. Under such developments in the credit market and the financial sector, risks are not building up to a significant extent.

Importantly, banks are in good shape and able to provide credit to the economy. Hence, there is no need to change the countercyclical capital buffer (CCyB) rate. Should the situation take an adverse turn, banks can also rely on the capital built up through the CCyB.

Mortgage lending continues its growth trend

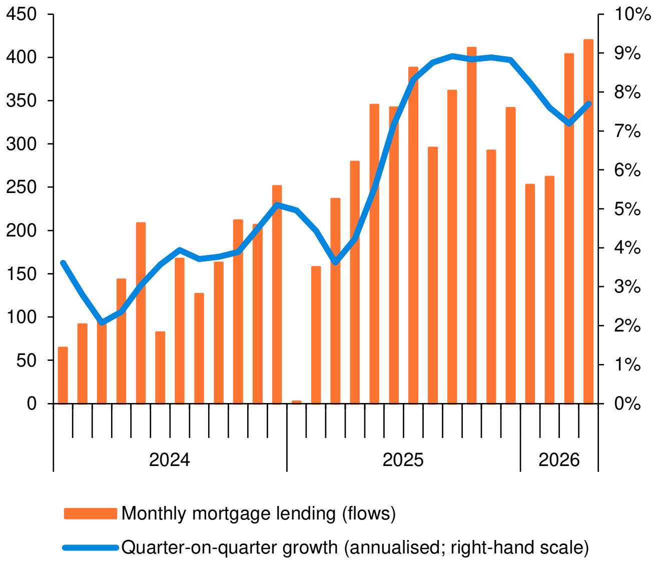
Mortgage market activity remained elevated in the first four months of 2026. The mortgage portfolio's year-on-year growth accelerated from 7.3% in December 2025 to 8.5% in April 2026, with growth rates among the highest in the EU. The recent acceleration reflects not only rising housing prices, but mainly the increase in demand observed already in the first half of 2025.

There are increasing signs, however, that mortgage growth may have already peaked. The most notable of these is the evolution of mortgage rates, as the previous downward trend began to reverse in the spring – the decline in mortgage rates came to an end and, in April, the average rate edged up by 0.1 percentage points to 3.5%. Recent updates to banks' standard rates suggest that average mortgage rates may continue to rise slightly in the coming months. This is mainly due to higher government bond yields, which are part of a broader global trend linked to heightened uncertainty stemming from the war in the Middle East. Compared with other EU countries, mortgage rates in Slovakia are around the average. Despite the renewed increase in interest rates, mortgage flows increased in March and April, reaching approximately the level of the previous peak in October 2025. This may partly reflect frontloading of demand ahead of expected rate increases, although this effect was likely only temporary.

Chart 1

Mortgage lending maintains growth

Volume of new mortgage production and quarter-on-quarter growth in mortgage lending (EUR millions; percentages)



Source: NBS, and Register of Bank Loans and Guarantees (RBUZ).
Note: Quarter-on-quarter growth is calculated as the change in the sum of flows over the last three months compared with the sum of flows over the previous three months; the resulting figure is then annualised.

Compared with mortgages, consumer lending has moved in the opposite direction. After a brief stabilisation, year-on-year growth in consumer credit slowed to 5.4%, placing Slovakia broadly at the EU median. The slowdown was mainly linked to repayments of existing loans, while the volume of new consumer loans continued to grow. Average interest rates on consumer loans are around 9%.

Credit risk in the mortgage portfolio is not deteriorating. The non-performing loan (NPL) ratio for the portfolio remains low at 1.1%. As regards the consumer credit portfolio, the NPL ratio is still elevated compared with historical levels, at around 8%, but it was stable in March and April.

Parts of the corporate sector are under pressure from a subdued economic environment

In 2025 growth in total revenues of non-financial corporations (NFCs) gradually moderated, with the slowdown being most pronounced in industry. In the first quarter of 2026, industrial firms continued to face the greatest difficulties in the challenging economic environment, as reflected in their revenues.[1] Other sectors that recorded notably lower revenue growth were motor vehicle sales, and transportation and storage. By contrast, growth in construction and in market services remained solid.[2]

Annual growth in total loans to NFCs stood at 3.7% in April 2026. Compared with the figure for December 2025 (7%), this represents a relatively significant slowdown. However, this was largely due to lending activity concentrated among a small number of the largest corporate borrowers, which reflected not a decline in their demand for financing, but rather a shift towards non-bank forms of financing. The NFC portfolio excluding the largest borrowers recorded modest annual growth, increasing by 6.4% in April. Compared with other central and eastern European countries, this adjusted growth rate is also among the lowest.[3]

1 Industrial firms' revenues for the first quarter of 2026 were 1% lower year-on-year.
2 In the construction sector, revenues for the first quarter of 2026 increased by 12% year-on-year; in selected market services, by 9%; and in information and communication, by almost 14%.
3 The first quartile of annual NFC loan growth in central and eastern European EU countries reached 8% in March, while the median increased to almost 12%.

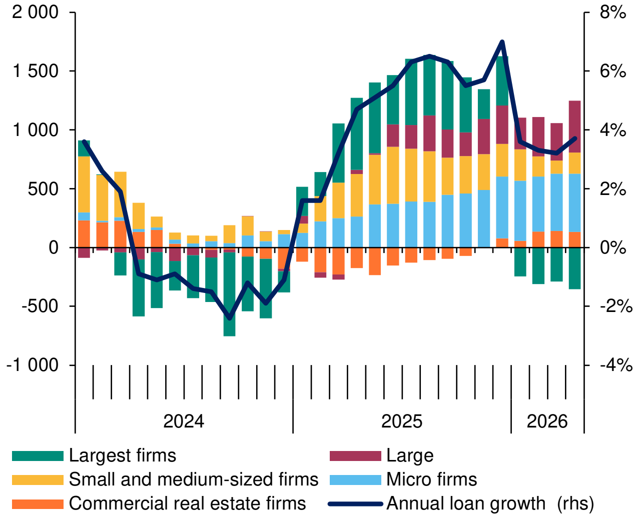
From a sectoral perspective, loan growth has largely mirrored revenue developments. Overall loan growth was driven by lending to selected market services and construction. By contrast, lending to industry remained subdued, as did lending to the commercial real estate (CRE) sector. In terms of firm size, micro firms and large firms were the main contributors to loan growth.

The NPL ratio for the corporate loan portfolio has remained low in 2026.[4] However, the ratio has increased for loans to industry, in particular for small and medium-sized firms.[5]

Chart 2

NFC loan growth still driven 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

Housing prices continue to rise

Asking prices for flats maintained double-digit year-on-year growth during the first four months of this year. The market situation is likely also being shaped by concerns about a possible increase in mortgage rates, which may be prompting some buyers to accelerate their purchasing decisions due to a perceived 'last-chance' effect. In May 2026, asking prices for flats were 14% higher year-on-year, with prices rising in all regions[6] and across all size categories. The sharpest increases were in prices of one-room flats and five-or-more-room flats, which have a relatively lower share in the housing supply. Prices of houses also increased, but their growth has slowed to about half of last year's level, with prices in the first quarter of 2026 being on average just over 4% higher year-on-year.

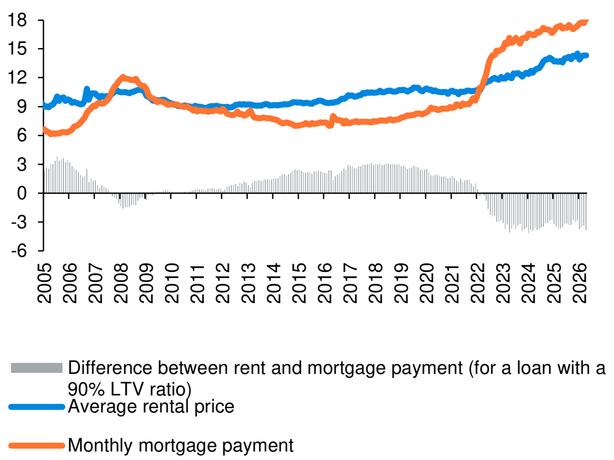
In the new-build market too, price growth continued in the first months of this year, although compared with the resale market it has been slower and less volatile for several quarters. The average asking price of a new-build flat in Bratislava in the first quarter of 2026 was around 4% higher year-on-year.

Chart 3

Rental prices remain lower than mortgage payments for flats in Bratislava

Average rental price per m² for a flat in Bratislava and the average monthly mortgage payment per m² for a flat in Bratislava (assuming a 90% loan-to-value (LTV) ratio)

(EUR/m²)



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

Housing affordability remained at relatively low levels in early 2026. The positive effects of wage growth and lower interest rates were offset by relatively strong price growth. Housing affordability has not improved significantly over the past two years, while renting a flat remains an alternative to mortgage borrowing. This has been the case since the period of rising interest rates in 2022, when rental payments for a flat became cheaper than mortgage payments. Moreover, rental prices have increased by only around 3% over the past year, which is far lower than the cost of buying a flat.

4 The NPL ratio stood at 2.5% as of April 2026.
5 The NPL ratio For loans to industry exceeded 5%.
6 Most notably in the Trenčín, Žilina, and Košice regions.

Banks are stable despite increased uncertainty

The banking sector's aggregate profit for the first four months of 2026 stood at €429 million, representing an increase of 11% year-on-year.[7] However, growth in net interest income continues to slow, as the potential for reducing the cost of customer deposits is being gradually exhausted and growth in interest income from retail loans is slowing. That growth is increasingly dependent on portfolio volume growth rather than increases in average interest rates. The increase in sector net profit was also supported by a reduction in the bank levy rate.[8]

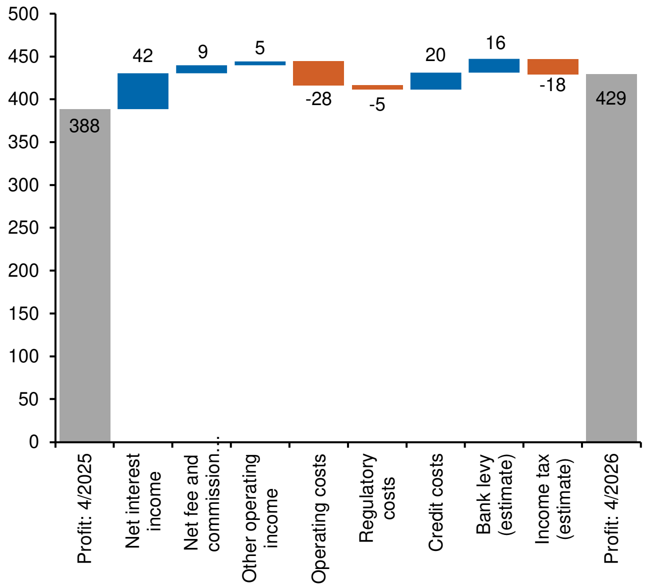
Loan portfolio quality remains stable. The volume of non-performing loans and loans that have experienced a significant increase in credit risk rose slightly from the end of 2025 to April 2026. However, the provisioning coverage ratio for both categories declined.[9] Although most banks increased loan loss provisioning year-on-year, overall provisioning in the sector slowed slightly, due to significant net reversals of provisions at individual banks.

The aggregate capital adequacy ratio (CAR) on a consolidated basis was almost 20.7% as of March 2026, down by 0.15 percentage points compared with December 2025. The decline was driven by an increase in the average risk weight of the portfolio, which occurred despite stable risk weights in the main retail and corporate exposure classes. The increase in capital – primarily due to the inclusion of 2025 profits in own funds – offset about half of the decline in capital adequacy. The leverage ratio rose slightly between December and March to 7.6%. The sector's capital headroom – capital held in excess of all parallel capital requirements, including the minimum requirement for own funds and eligible liabilities (MREL) – remained at €1.7 billion. Expressed in terms of risk-weighted assets, however, it slightly decreased to 3.75%.

Chart 4

Banks' net profit driven mainly by net interest income

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



Source: NBS

Although liquidity ratios have not changed significantly since the end of 2025, liquidity management in this period cannot be described as uneventful. Banks' ability to obtain and maintain funding sources was tested by the need to refinance maturing bonds at a time of heightened geopolitical tensions – and consequent decline in liquid asset values – as well as by another retail issuance of domestic government bonds.[10] This occurred alongside continued growth in the loan portfolio. Bonds issued by domestic banks that matured in the first four months of 2026 amounted to €1.6 billion, while banks' customers used more than €400 million of their deposits to purchase government bonds. At the same time, however, banks managed to issue more than €2.1 billion in new bonds. In addition, customer deposits recorded a net increase of €2.6 billion, while the aggregate loan portfolio grew by €2.1 billion. As a result, the sector's ratio of loans to deposits and issued bonds fell to 86.1% over this period. The liquidity coverage ratio (LCR, a regulatory measure of short-term liquidity) declined slightly between December 2025 and April 2026 (from 191% to 188%), as did the structural net stable funding ratio (NSFR) between December and March (from 135% to 133%).

[7] The profit before bank levy payments and taxation increased by 7% year-on-year.

[8] The bank levy rate for 2026 is set at 20% (almost five percentage points lower year-on-year). The effective tax-and-levy rate is two percentage points lower in 2026 than in 2025, at 32.8%.

[9] The volume of non-performing loans (NPLs) increased between December 2025 and April 2026 from €1.8 billion to €1.9 billion, while their share of the total portfolio rose from 2% to 2.1%. The provisioning coverage ratio for these loans declined from 56% to 55%. As regards performing loans that have experienced a significant increase in credit risk (i.e. Stage 2 loans), their volume and share in the portfolio increased over the same period – by €0.5 billion to €6.8 billion and from 7.1% to 7.5% – while the Stage 2 coverage ratio decreased from 5.6% to 5%.

[10] A further challenge for banks will be refinancing more than €2 billion of maturing bonds in the remainder of 2026. From a profitability perspective, this will be particularly demanding for banks with higher reliance on market funding. Their maturing bonds – not infrequently issued at negative interest rates – will need to be rolled over in an environment where current market rates are almost 3.5 percentage points higher.

The financial cycle continues to cool

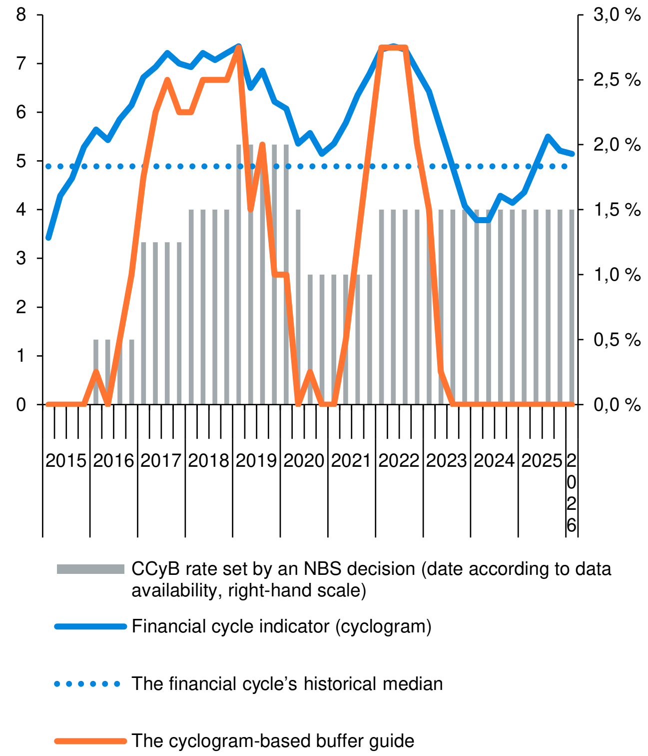
The financial cycle remains in a cooling phase. Its moderation is so far not broad-based but stems mainly from slower credit growth and subdued economic expansion. Although developments across individual lending segments are mixed, caution and uncertainty are currently the main factors shaping the financial cycle. On the other hand, slightly improved economic sentiment – partially correcting the decline at the end of last year – together with continued growth in lending to households and the stabilisation of credit losses had a positive effect on the financial cycle indicator (the 'cyclogram', a composite NBS-developed indicator).

The upswing phase of the financial cycle has come to a halt for the time being. Elevated uncertainty and existing risks are holding back a renewed upturn; rather, the cycle can be expected to level off or transition into a mild downswing in the current environment. The outlook for the coming year points to stagnation around current levels. The plausibility of this scenario is also supported by the outlook for subdued economic growth. After a year of increases, private sector indebtedness measured by the ratio of loans to economic output has slightly declined, mainly owing to slower NFC loan growth. Household indebtedness, however, continues to increase gradually. Under these conditions, risks are not building up to an extent that would imply a need to increase the countercyclical capital buffer (CCyB) rate, as also indicated by the cyclogram. At the same time, non-performing loan ratios remain close to historically low levels and banks have no need to increase provisioning, indicating no pressure to release the CCyB.

Chart 5

Financial cycle no longer in an upswing phase

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



Source: NBS.
Note: Higher values of the financial cycle indicator imply a stronger build-up of imbalances.

According to the results of the most recent NBS stress testing exercise,[11] the Slovak banking sector remains resilient to existing risks. Even in the adverse scenario, banks are able to absorb the resulting credit losses, with the previously built-up CCyB representing an important source of resilience.

[11] Financial Stability Report – May 2026

What's new in the world of macroprudential policy

What are the implications of AI for financial stability?

This question is addressed in a paper recently published by the ECB.[12] Artificial intelligence (AI) is playing a growing role in finance, with AI-based models gradually becoming a standard investment tool. This gives rise to an important question: if AI algorithms begin to replace humans in financial markets, could AI create new risks to financial stability? The analysis compares two approaches used by AI agents to make decisions: (i) reinforcement learning, where decisions are learnt through trial and error, an approach already common in algorithmic trading; and (ii) context-based inference, where decisions are determined by reasoning through the decision problem. In their simulations, the authors implement these approaches using Q-learning (QL) algorithms and large language models (LLMs), respectively. The paper shows that these two classes of AI behave very differently, and that those differences matter for financial stability. The authors analyse the behaviour of these algorithms in the context of mutual fund redemptions under conditions of economic and strategic uncertainty. Over time, QL agents become overly cautious and can exhibit an excessive redemption behaviour even when the underlying fundamentals do not justify it. By contrast, different LLM agents form different beliefs about what others will do, and unlike human investors, they do not naturally share common expectations or conventions that would help them coordinate. As a result, outcomes become less predictable, even though individual decisions are sound and reasonable. The paper shows that AI architecture has first-order implications for financial stability, both at the level of individual investors and for the financial system as a whole.

The impact of stablecoins on the international monetary and financial system

Widespread use of stablecoins could have an important impact on the international monetary and financial system, particularly for emerging market and developing economies (EMDEs). This is the conclusion of a recent study published by the Bank for International Settlements.[13] Using the framework of international currency functions to analyse the effect of stablecoins,[14] the authors argue that stablecoins are most likely to affect private sector store of value and medium of exchange roles, particularly in economies facing macroeconomic instability. Given that approximately 98% of stablecoins' value is dollar-denominated, they are likely to initially reinforce existing currency hierarchies, particularly dollar dominance. The authors develop three scenarios to explore the range of potential outcomes. In the first scenario, termed 'niche adoption', stablecoins remain primarily instruments for on-chain trading within cryptocurrency ecosystems, with limited penetration into real-economy transactions. The second scenario, 'digital dollarisation', envisions rapid adoption of USD-denominated stablecoins in vulnerable economies (for example, those with persistently higher inflation). This currency substitution at the expense of domestic currencies poses acute risks to monetary sovereignty and financial stability. The third scenario, 'domestic stablecoin integration', sees multiple EMDEs licensing regulated entities to issue local currency stablecoins that interoperate with national payment systems and potentially retail central bank digital currencies (CBDCs). This path offers the possibility of harnessing efficiency gains while preserving policy autonomy but requires regulatory capacity and coordination that may be beyond the reach of many jurisdictions.

Do bank consolidations harm households?

This issue is examined in a paper published by the US Federal Reserve.[15] According to the authors, bank mergers do not worsen conditions in mortgage markets, as market competition remains elevated even after consolidation. They analysed a dataset covering 44 million loans and nearly 5,000 bank mergers in the United States between 1985 and 2020. Over this period, the number of banks controlling half of all banking assets declined from 91 to just 10. The study finds no evidence that consolidation affects mortgage rates, approval rates, or delinquency rates. Local mortgage markets remain remarkably competitive, averaging over 100 active lenders in each county every post-merger quarter. The findings also reveal significant merger selection motives: large acquiring banks target community banks with relationship-intensive, portfolio-lending business models, whereas community banks appear to merge together to gain scale and compete. Overall, the study challenges the view that bank mergers increase market concentration and create market power that harms household borrowers.

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12 Anand, K., Kazinnik, S., Leonello, A. and Panetti, E., "Ex Machina: financial stability in the age of artificial intelligence", *Working Paper Series*, No 3225, European Central Bank, Frankfurt am Main, May 2026.

13 Aldasoro, I., Frost, J. and Ito, H., "The impact of stablecoins on the international monetary and financial system", *BIS Working Papers*, No 170, Bank for International Settlements, May 2026.

14 Stablecoins are privately issued digital tokens designed to maintain a stable value relative to a reference asset, most commonly a sovereign currency (typically the US dollar).

15 Brunetti, C., Harris, J.H. and Spyridopoulos, I., "Does Banking Consolidation Harm Households?", *Finance and Economics Discussion Series*, No 2026-027, Board of Governors of the Federal Reserve System, Washington DC, May 2026.

The June 2026 Macroprudential Commentary was discussed by the Bank Board of Národná banka Slovenska on 22 June 2026.

Do interest rate levels affect credit loss rates?

This question is addressed in a paper published by the Bank for International Settlements.[16] Using annual data for the banking sectors of 113 countries over the past three decades, the authors find that a 1 percentage point increase in policy rates raises loan loss rates, on average, by 0.1 percentage points, with the effect being larger in relative terms in advanced economies than in emerging market economies. According to the study, the effect of rate hikes is strongly state dependent: it intensifies when pre-tightening monetary policy is loose, private debt is high, fiscal policy is contractionary, the economy is in a downturn, and central bank balance sheets are shrinking at the same time. Banks with riskier pre-tightening loan portfolios record larger increases in credit losses. The authors' findings suggest that central banks and prudential authorities should account for the side effects of monetary policy and incorporate credit-risk dynamics into macroprudential and stress-testing frameworks to safeguard financial stability.

[16] Fandi, M., Fišera, B., Geršl, A. and Schmieder, C., "How do interest rate levels affect credit loss rates? A rule of thumb approach", *BIS Working Papers*, No 164, Bank for International Settlements, May 2026.

The June 2026 Macroprudential Commentary was discussed by the Bank Board of Národná banka Slovenska on 22 June 2026.