

FINANCIAL STABILITY REPORT AUTUMN 2025



The Financial Stability Report – Autumn 2025 was discussed by the CNB Bank Board at its regular meeting on financial stability issues on 27 November 2025 and published on 15 December 2025. With a few exceptions, it contains information as of 30 June 2025. It is available in electronic form on the [CNB website](#), where the underlying data for the tables and charts used in this publication are also published. Selected financial stability indicators and a glossary are also available there.

The mandate of the CNB

Maintaining financial stability is defined as one of the CNB's main objectives in Act No. 6/1993 Coll., on the Czech National Bank, as amended:

Article 2

(2) The Czech National Bank shall perform the following tasks:

...

e) set macroprudential policy by identifying, monitoring and assessing risks jeopardising the stability of the financial system and, in order to prevent or mitigate these risks, contribute by means of its powers to the resilience of the financial system and the maintenance of financial stability; where necessary, it shall cooperate with the relevant state authorities in setting macroprudential policy

...

The CNB defines financial stability as a situation where the financial system operates with no serious failures or undesirable impacts on the present and future development of the economy as a whole, while showing a high degree of resilience to negative shocks. According to the CNB's definition, financial stability is disturbed by processes inside the financial sector that lead to the emergence of weak spots, and by strong shocks, which may arise from the external environment, domestic macroeconomic developments, large debtors and creditors, economic policies or changes in the institutional environment. Any interaction between weak spots and shocks can result in the collapse of systemically important financial institutions and in disruption of the financial intermediation and payment functions of the financial system.

The CNB regularly monitors and closely analyses developments in all areas relevant to financial stability. The members of the CNB Bank Board meet with experts from key sections at regular meetings on financial stability issues. A wide range of information on the evolution of risks in the domestic financial system and abroad is presented at these meetings. The position of the Czech economy in the financial cycle is assessed and – if any risks to financial stability are identified – discussions are held regarding the use of regulatory, supervisory and other economic policy tools to suppress such risks or their potential effects.

Cooperation with other national and international institutions is also very important in this area. A debate about effective macroprudential regulation tools for the financial sector as a whole, aimed at preventing financial instability, is ongoing at the international level. The work of the European Systemic Risk Board (ESRB) helps reduce systemic risk in financial systems across EU countries. If it identifies significant risks of a systemic nature, the ESRB issues warnings and recommendations for individual countries and the EU as a whole. CNB representatives are involved directly in the ESRB's work – the CNB Governor and another board member are members of the General Board of the ESRB, and CNB experts participate in its working groups.

The CNB's financial stability objective is to ensure a degree of resilience of the system that minimises the risk of financial instability. To meet this objective, it primarily applies macroprudential instruments. The CNB focuses on prevention and broad communication with the public regarding the potential risks and factors posing a threat to financial stability. This Financial Stability Report is an integral part of such communication.

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FOREWORD

Dear Readers,

It is my pleasure to present the autumn edition of the Financial Stability Report. It describes the current situation in the financial sector and the real economy, identifies ensuing risks to financial stability and evaluates whether the macroprudential instruments used are configured appropriately.

This report is the main input to the Bank Board's assessment of systemic risks in the domestic financial sector and its decisions on the macroprudential policy settings. It also helps raise awareness of systemic risks among other economic policymakers, financial market participants and the general public, thereby helping maintain financial stability.



After a turbulent start to 2025, marked by sweeping tariffs introduced by the US administration, which sparked concerns of an economic slowdown, financial markets calmed somewhat and the outlook for economic activity at home and abroad improved. The immediate risk of events with potentially significant adverse economic and financial consequences has decreased slightly, but it remains elevated in the medium-term outlook – partly due to strained public finances, which in many countries are reducing the fiscal space for responding to adverse developments.

The domestic economy has shifted further into the growth phase of the financial cycle, as reflected in a slight rise in cyclical systemic risks. This was driven mainly by higher mortgage market activity, rising property prices and a modest increase in household and corporate debt. The risks stemmed mainly from the segment of households with mortgage loans for the purchase of investment property. These loans have a riskier profile and the borrowers taking them out may be more prone to cyclical behaviour. The high market share of investment mortgages could therefore trigger or amplify a drop in property prices in bad times. The Bank Board has tightened its recommendation for providers of such loans to prevent excessive market volatility and strengthen long-term financial stability. In particular, they should apply more prudent standards in the area of collateral and when assessing borrowers' income. This step also limits the scope for further accumulation of systemic risks, which could necessitate the reactivation of DTI and DSTI limits across the board in the future.

The report also states that the domestic financial sector is very well prepared for the risk of an economic slowdown. Its strong capital and liquidity position is a result of sustained profitability, reflecting effective risk management and effective application of the CNB's macroprudential and microprudential instruments. These instruments encourage prudent behaviour by banks and other institutions in favourable phases of the financial cycle, while ensuring they remain sufficiently resilient at times of heightened financial stress. The ability of the banking sector to absorb severe adverse shocks is also signalled by a stress test and accompanying sensitivity analyses. Their results indicate that even in an adverse scenario accompanied by additional shocks, its stability would not be disrupted.

The Bank Board is convinced that the measures adopted by the CNB are commensurate with the current economic situation in the Czech Republic and internationally and are sufficient to keep the financial system stable. The CNB will continue to carefully monitor and evaluate the impacts of domestic and international conditions on each sector of the national economy and on the stability of the financial system as a whole.

On behalf of the Czech National Bank

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

Jakub Seidler
Bank Board member

DECISIONS AND ASSESSMENT OF RISKS TO FINANCIAL STABILITY

At its meeting on financial stability issues on 27 November 2025, the CNB Bank Board decided – on the basis of an assessment of cyclical and structural systemic risks – to leave the countercyclical capital buffer rate at 1.25%, to maintain the cap on the LTV ratio at 80% and to keep the upper DSTI and DTI limits deactivated. In response to the evolution of property prices and partial cyclical risks in the mortgage market, the CNB amended parts of its recommendation applying to the management of risks associated with the provision of loans for the purchase of property as an investment.

Global political and economic uncertainty, associated mainly with US trade policy and the ongoing war in Ukraine, remains the primary source of risk to financial stability. Some stabilisation of US trade policy has helped to calm financial markets, but the environment of heightened uncertainty continues to make it difficult for firms and households to make investment decisions and may result in an unexpected economic slowdown in the Czech Republic, which was close to its potential output level in the second half of 2025. Risks associated with a gradual loss of competitiveness persist for the Czech Republic and many other EU countries in the longer run, due to the structural characteristics of their economies. The outlook for public finances is meanwhile deteriorating and the fiscal space for an economic response to highly adverse developments is narrowing globally.

The Czech economy is facing increased systemic structural risks, due to its high sensitivity to developments in other countries, its significant economic sector concentration and its energy intensity. These risks are covered by a systemic risk buffer rate of 0.5%.

The financial situation of households and non-financial corporations in the Czech Republic was stable in the first half of 2025. The credit market recovery was reflected in a slight rise in both sectors' indebtedness, which remained low by international standards. Geopolitical factors and generally cautious investment activity continues to hinder a broader recovery of borrowing in some sectors of non-financial corporations. Household borrowing was slightly above its long-term average. Client mortgage rates fell further. The decline reduced the risks associated with the interest burden of the expected refinancing of a large volume of mortgage loans dating from the period of low interest rates, while at the same time further supporting growth in residential property prices.

According to the assessment, banks and other financial institutions generally remained resilient, profitable and sufficiently capitalised and maintained a good liquidity position. The results of a stress test of the banking sector over a five-year horizon showed that the sector is capable of absorbing even strong adverse shocks from the real

economy. This resilience was underpinned mainly by income on loans and government bonds, the initial quality of the sector's loan portfolios, and its capital position.

The capital stability of the banking sector is further strengthened by the buffer applicable to domestic systemically important financial institutions. Based on a review of the systemic importance of institutions in the Czech Republic conducted in September 2025, the CNB reduced their number to six. It left the capital buffer rates for other systemically important institutions unchanged.

The Czech economy moved further into the growth phase of the financial cycle, while the scale of the cyclical risks in banks' balance sheets increased only slightly. Credit standards were not eased across the board, so new cyclical systemic risks remained at relatively normal levels. Their partial increase was driven primarily by household loans, specifically in the narrow segment of loans for the purchase of property as an investment. Total new defaults and the non-performing loan ratio remained low. According to the CNB's assessment, a countercyclical capital buffer rate of 1.25% is sufficient to cover the cyclical systemic risks.

Activity on the mortgage and property markets strengthened. According to the CNB's regular semi-annual assessment, the general systemic risks associated with mortgage lending are sufficiently mitigated by an LTV cap of 80% (or 90% for applicants under 36 years purchasing owner-occupied housing). The DTI and DSTI ratios could thus remain deactivated.

The share of demand for loans for the purchase of investment residential property is increasing on the mortgage and property markets. In the long term, this could potentially contribute significantly to an escalation of systemic risks in the event of an unexpected financial crisis. The CNB has revised its recommended prudential rules for mortgage lending in order to preventively mitigate emerging risks at their initial stage and boost the resilience of the mortgage portfolio. It now recommends that by 1 April 2026, no consumer loan secured by residential property and provided for investment purposes or for the purchase of a third or subsequent residential

property should exceed an LTV ratio of 70% and a DTI ratio of 7 times net annual income.

The recommended rules have also been revised to limit the risk of circumvention of the LTV cap. It is now recommended that all consumer loan providers prudently assess whether the requested loan is intended to finance the own funds required to obtain a property-secured loan from another provider.

The CNB will publish additional detailed analyses of risks to financial stability and information about the macroprudential policy settings in its *Financial Stability Report – Spring 2026*, which will be the reference document for the spring Bank Board meeting on financial stability issues.

1 THE REAL ECONOMY AND FINANCIAL MARKETS

Markets calmed somewhat after a volatile first half of 2025

So far in 2025, financial market developments have been shaped primarily by the actions of the US administration. The financial markets responded very sensitively to the tariffs imposed on US imports in April. Given the complexity and fluidity of the situation, the range of potential impacts on global growth is very wide.

Thanks to negotiations, as well as the adaptability of economies and trade links, the impacts of the tariffs have so far been close to the most optimistic scenarios, and growth estimates for 2025 have been revised upwards for virtually all major economies compared to the spring (see [Chart 1.1](#)). The US labour market started to show some weakness, a fact reflected in growing expectations that the Federal Reserve would cut rates (see [Chart 1.1 CB](#)). Diminishing inflation pressures generally induced other central banks to lower their rates as well. In the euro area, the decline in rates was a little slower than expected by the financial markets during the year. In response, the longer end of the yield curve rose slightly (see [Chart 1.2](#)).

Since the April turbulence, financial markets have been quite calm in terms of prices and market stress indicators (see [Chart 1.3](#) and [Chart 1.4](#)). Corporate spreads remain close to their long-term averages and credit default swap rates indicate no acute risks (see [Chart 1.2 CB](#)).

Despite the relatively modest impact of the tariffs so far, there is still substantial uncertainty surrounding the stability and direction of the global economy. The institutional framework of the global economy is changing. Economies, institutions and markets around the world are adapting to an environment of greater protectionism, trade fragmentation and weaker medium-term growth prospects which triggers adjustments of macroeconomic policies. The high degree of uncertainty is reflected in gold prices, among other things (see [Chart 1.3](#)). Gold plays the role of a safe asset and its price has repeatedly reached new all-time highs in the second half of 2025.

The global economic and geopolitical uncertainty is currently the main source of risks to financial stability. The materialisation of these risks would lead to repricing of risk premia and a drop in prices of investment assets. The price adjustment could be amplified if current valuations – in particular those of tech companies given the expected further development of AI – turn out to be too optimistic. This would be quickly reflected in global growth, corporate investment and consumer sentiment. Sustained lower corporate investment would in turn have an adverse impact on economic output in the medium term.

Chart 1.1
Economic growth forecasts for selected regions

annual real GDP growth in %; the forecasts for economies outside the Czech Republic are based on the IMF's April and October forecasts; source: IMF, CNB

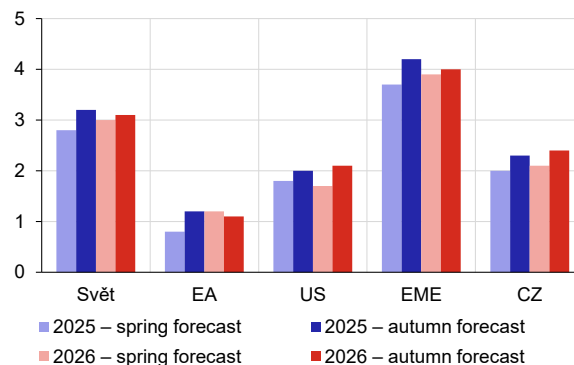


Chart 1.2
Five-year government bond yields for selected countries

%; source: LSEG

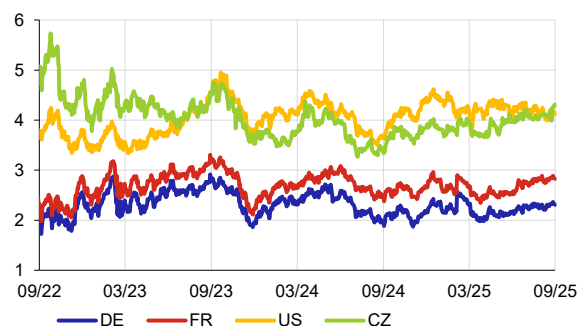
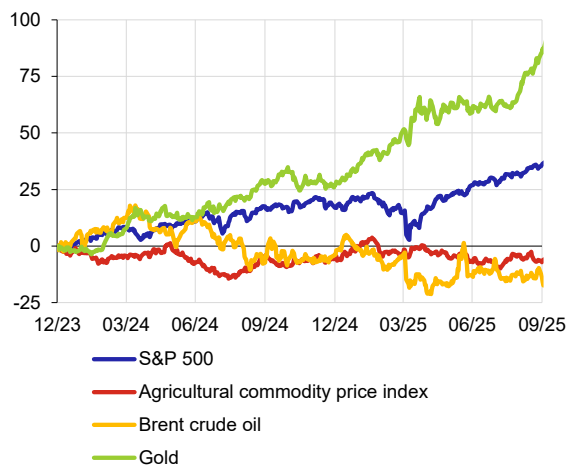


Chart 1.3
Selected financial market indices

performance from 31 December 2023 onwards in %; latest data as of 6 October 2025; source: LSEG



Risks associated with fiscal developments and the structure of economies persist in Europe

Fiscal developments in European countries remain a medium- to long-term risk. After the interest rate environment returned to normal, the debt servicing costs of European governments gradually increased. In some countries, these costs will continue to rise due to growing government debt-to-GDP ratios (see [Chart 1.5](#)), as many European countries will continue to record budget deficits well in excess of nominal growth (see [Chart 1.3 CB](#)) amid relatively high debt levels (see [Chart 1.6](#)). In particular, France may find itself in difficulty – a fact that both financial markets and rating agencies are starting to take into account. The spread between French and German bond yields is gradually widening; it now exceeds the Spanish spread and is similar to the Italian one (see [Chart 1.4 CB](#)). The need for higher defence spending due to geopolitical risks will put an additional burden on the fiscal positions of European countries. Some governments are thus likely to have to significantly restrict their social policies or raise taxes. In the long term, postponing such fiscal consolidation could result in a debt crisis. That would strongly affect the real economy and the stability of the financial sector, as financial institutions generally hold a large proportion of government debt.

The risk arising from the structural characteristics of the European economy and its gradually growing lag behind its main global rivals has recently been overshadowed to some extent by the heightened political uncertainty. In the long term, however, this risk remains substantial. Its potential materialisation will be gradual and is unlikely to take the form of a sudden macrofinancial shock. In the long term, however, it could pose a major structural challenge for the financial sector and may be associated with a higher probability of credit and market losses.

The main risks for the Czech economy are similar to those in other European countries

During 2025, the Czech economy recovered gradually and inflation has remained within the CNB's tolerance band (for details see [MPR – Autumn 2025](#)). The CNB's monetary policy rate stabilised at 3.5% in Q2. Amid solid economic growth and upside risks to inflation, it is likely to stay close to this level for some time, so real rates will remain positive. The Czech financial market (like global markets) underwent a turbulent episode in spring 2025. However, it recovered quite quickly and the PX index was more than 30% higher in October than at the beginning of the year. The solid performance of the economy and foreign trade and the calm financial market situation also caused the koruna to appreciate gradually.

The koruna yield curve for Czech government bonds went up at medium and longer maturities in the second half of the year (see [Chart 1.7](#)), ranging between 3.5% and 5%. As for individual yield components, the risk-neutral return has risen by around 50 basis points to close to 3% in

Chart 1.4
Market stress indicators

points; latest data as of 6 October 2025; source: LSEG

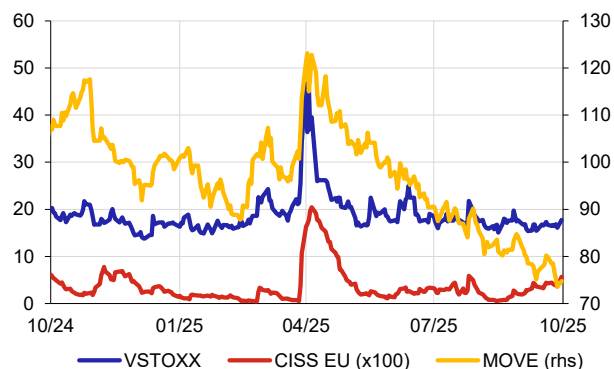


Chart 1.5
Expected growth in government debt by 2030

% of GDP; source: IMF Fiscal Monitor

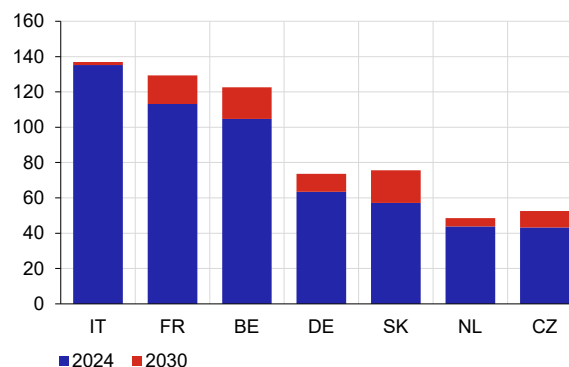
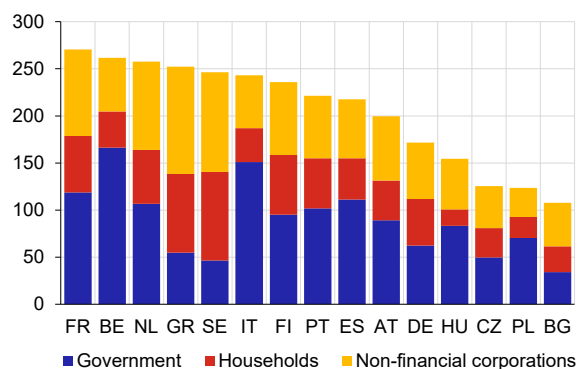


Chart 1.6
Debt ratios of economic agents in selected EU countries

% of GDP as of 30 June 2025; source: ECB, Eurostat



recent months (see [Chart 1.8](#)). This increase reflects market expectations regarding domestic monetary policy – more specifically, expectations that monetary policy rates will stay close to their current level for longer. The term premium was close to its long-term level of 1%, while the spread between Czech government bond yields and interest rate swaps (the sum of the portfolio premium and the credit risk premium) remained very low at 15 basis points. The sustainability of Czech debt is also viewed positively by the financial market based on CDS spreads (see [Chart 1.2 CB](#)), as well as by rating agencies, which confirmed their high-quality ratings of Czech debt.

The short-term risks to the Czech economy and financial market remain closely linked with global developments and are of an external nature. Although the direct impact of developments on foreign financial markets is expected to remain limited, economic growth could be slowed by escalating geopolitical tensions, worsening trade relations or major changes to the design of the global financial system. In the medium term, structural risks are still associated with the sluggish introduction and low efficiency of new technologies in the manufacturing sector, and with the insufficiently diversified energy mix. These factors may persistently reduce the competitiveness of the Czech economy and increase the vulnerability of the real sector.

Residential property prices in the Czech Republic accelerated further in the first half of 2025

Year-on-year growth in residential property prices went up further to more than 10% in the first half of 2025 (see [Chart 1.9](#)). This was due to growth in the apartment segment¹ (see [Chart 1.5 CB](#)). Prices of family houses and building plots rose more moderately, due partly to previous relatively strong growth.

The rapid price increase was driven by strong nominal income growth and a decline in mortgage rates, although the effect of the latter is gradually weakening. The effect of credit conditions, which reflect the average values of credit risk indicators, was broadly neutral (see [Chart 1.10](#)). According to the CNB's current projection, residential property prices will continue to show quite strong, albeit gradually weakening growth in the coming quarters (see [Chart 1.9](#)). The risks of the current projection remain tilted towards faster growth due to increasing investment optimism and potentially higher-than-expected growth in household income. Any potential supportive housing policy of the new government could also push up prices if it stimulates demand.

The price growth has been accompanied by rising transaction activity, mainly reflecting a growing number of debt-financed purchases (see [section 3.2](#)). The total

Chart 1.7
Czech government bond yield curve

%; x-axis: residual maturity in years; source: LSEG, CNB

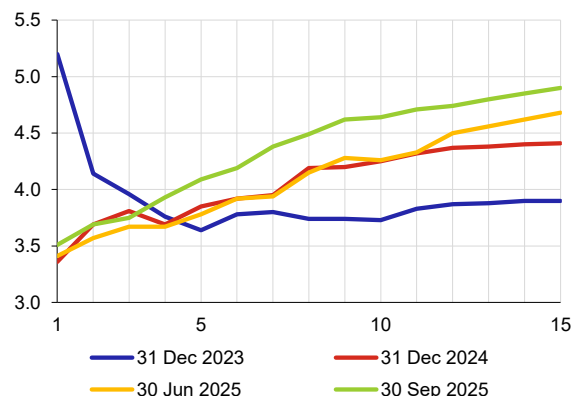


Chart 1.8
Decomposition of the five-year Czech government bond yield

%; source: LSEG, CNB

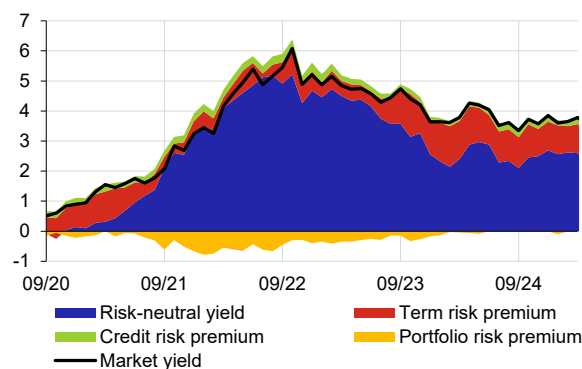
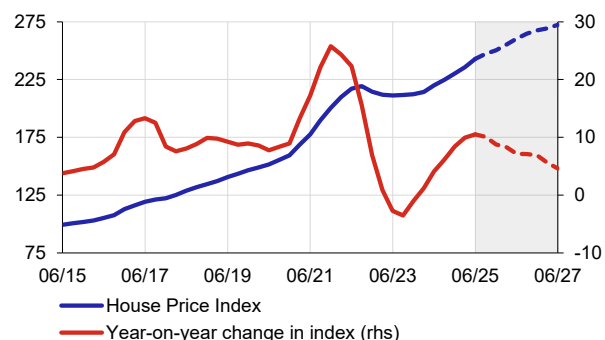


Chart 1.9
Transaction prices of residential property in the Czech Republic

index: 2015 = 100; right-hand scale: %; source: CZSO, CNB



¹ Data on year-on-year growth in the official CZSO statistics and other data sources differ due to methodological differences, but on aggregate they indicate that apartment prices rose at a strong pace in the first half of 2025, with the year-on-year growth rate exceeding 10%.

number of apartment transfers was only slightly below its pandemic peak (see [Chart 1.6 CB](#)).

Despite the rising number of market transactions, their share in the overall size of the housing stock remains fairly small. Most of the housing stock continues to be held by households on a long-term basis (including transfers to children) and does not constitute effective supply. The annual turnover rate of the housing stock is around 2%.² From a regional perspective, market transactions in and around Prague and Brno have a strong effect (see [Chart 1.7 CB](#)).³ The long-term motive for holding onto housing is confirmed by a very low incidence of multiple market transfers of apartments (see [Chart 1.8 CB](#)), which is also linked to some extent with low population mobility.

The affordability of housing remains limited and mixed across regions

Housing affordability remained poor for most households in mid-2025 (see [Chart 1.11](#)). Along with demand factors, this was due to the above-mentioned structural characteristics of limited supply coupled with the long-term retention and persisting weak construction of new apartments (see [Chart 1.9 CB](#)), which is widening the gap between the demand for, and supply of, owner-occupied housing. Efforts by households to finance unaffordable housing using loans remain a risky scenario, as such loans would cause them to become overindebted and put them at increased risk of default. The mismatch between market prices and the safely attainable price of a debt-financed property for the median household in 2025 Q2 was around 58%⁴ (see [Chart 1.11](#)), but the behaviour of households negotiating new mortgages currently signals no major increase in systemic risks associated with this scenario. The situation in Prague and Brno needs to be monitored in the period ahead, as median-income households may potentially take on high risks when entering the mortgage market there (see [Chart 1.12](#)).

Transaction activity on the commercial property market reached record highs in the first half of 2025

Developments in the commercial real estate (CRE) market (see [Chart 1.13](#)) were driven mainly by the office segment. As in the other countries of our region, CRE prices are flat or slightly rising (in the case of industry and logistics) for now. This reflects broadly stable market rents amid flat or slightly falling yields (see [Chart 1.13](#)). By the CNB's estimation, prices were fluctuating around their long-term equilibrium values overall in mid-2025 (see [Chart 1.10 CB](#)). Despite some return of foreign investors

Chart 1.10
Growth in apartment prices and its contributing factors

year-on-year growth in %; contributions in pp

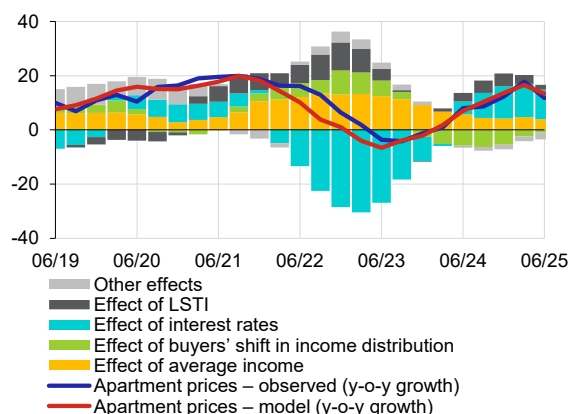


Chart 1.11
Selected apartment affordability and overvaluation indicators

PTI in years; yields in %; right-hand scale: %; source: CZSO, CNB, IRI, Deloitte/Dataligence/Flatzone

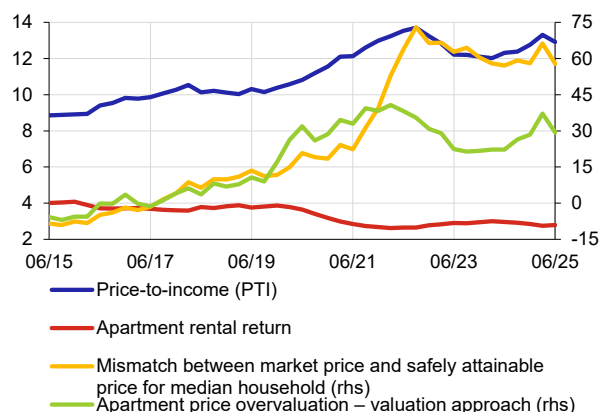
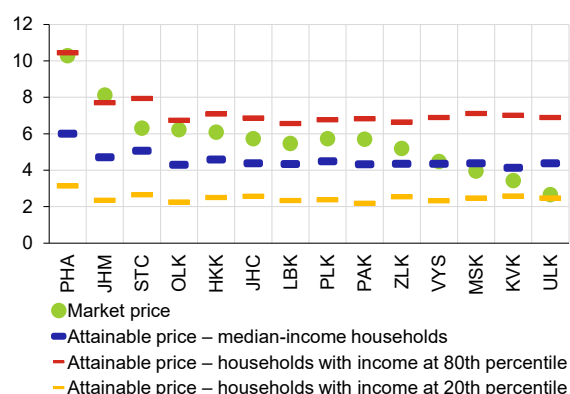


Chart 1.12
Market and safely attainable prices of debt-financed apartments

CZK millions; data for 2025 Q2; source: CZSO, CNB



² In the case of apartments registered in the Land Register, the estimated turnover rate is 2.3%. As regards cooperative apartments and apartments in apartment buildings, which are not registered in the Land Register as individual units, the rate is considerably lower. The same applies to family houses.

³ Some border districts in the Ústí nad Labem and Karlovy Vary regions also have high turnover rates. This may be due to a high proportion of investment transactions driven by low apartment prices and high gross rental yields, combined with high social mobility caused by adverse social factors and with transactions that cannot be easily identified as non-market ones.

⁴ Details on the methodology for estimating the mismatch between the market price and the safely attainable price in debt financing are available in Plašil, M., Andrlé, M. (2019): *Assessing House Price Sustainability*, Thematic Article on Financial Stability 1/2019, CNB.

to the domestic market, domestic investors – especially real estate investment funds – maintain a dominant position in terms of new transactions (as much as 80% in the office segment).⁵

The heightened stress in the CRE segment is easing gradually

The CRE vacancy rate remained low compared to other Central European markets despite continuing to rise gradually in the industrial property segment (see [Chart 1.14](#)). The trend in this segment represents a return to normal levels, not an indication of increased risk in the future. Overall, newly completed space (with the exception of office space) remained at the level observed in previous years (see [Chart 1.14](#)). Together with existing CRE space, total supply is thus relatively limited, reducing the risk of a major increase in the vacancy rate from a long-term perspective and acting as a dampener of significant price swings in the event of adverse shocks. The medium-term risks for the CRE sector remain similar to those observed in previous periods. In particular, they include a low share of energy-efficient buildings and the sector's higher sensitivity to global economic uncertainty.

The profit and investment rates of corporations declined further

The aggregate profit rate of non-financial corporations continued to fall in the first half of 2025, reaching a ten-year low (see [Chart 1.15](#)). The decline was related to strong growth in personnel expenses, as nominal wages were up almost 8% year on year in mid-2025 (see [MPR – Autumn 2025](#)). The investment rate also decreased but remained slightly above its ten-year average.

A persisting investment downturn could make domestic corporations less competitive. Together with falling profitability, this could require banks to be more prudent in assessing credit risk and indirectly limit the room for wage growth, adversely affecting households' financial situation. The CNB currently assesses these risks as medium-term rather than immediate ones.

Borrowing by corporations strengthened, while the debt ratio declined

The monthly volume of pure newly negotiated loans to non-financial corporations stayed relatively low in the first half of 2025, rising to CZK 70 billion only in June (see [Chart 1.16](#)). It remained elevated in Q3, reaching CZK 80 billion in September. The growth in these months was partly due to loans arising from repurchase operations (CZK 11–22 billion a month). Adjusted for these transactions, which are similar in economic terms

Chart 1.13
Yields on commercial property and transaction volumes in the Czech Republic

%; right-hand scale: annual moving totals in EUR billions; prime commercial property; source: iO Partners

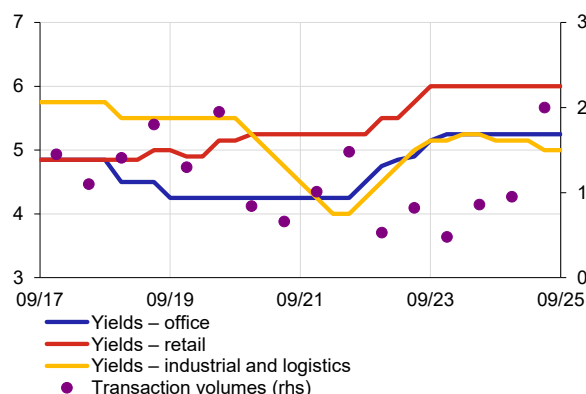


Chart 1.14
Vacancy rates and completed space for commercial property

vacancy rates in %; right-hand scale: space in thousands of m²; source: iO Partners

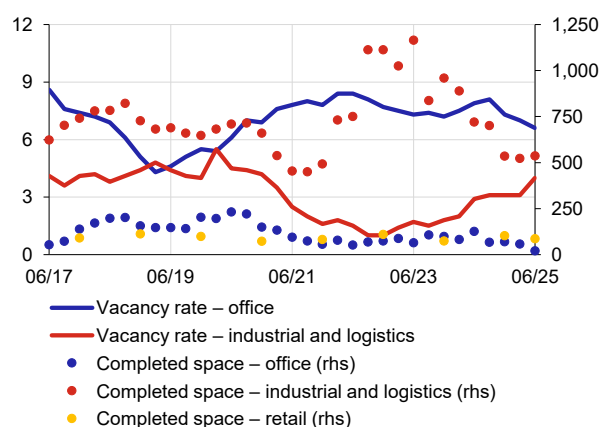
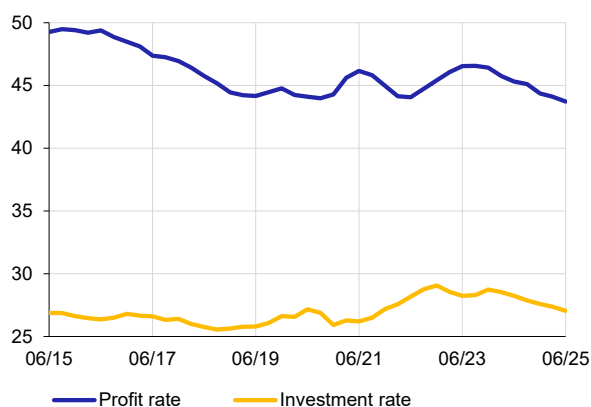


Chart 1.15
Profit rate and investment rate in the non-financial corporations sector

% of gross value added; profit is defined as the annual moving total of gross operating surplus and investment as the annual moving total of gross fixed capital formation; source: CZSO



⁵ The value of property held by real estate funds was around CZK 326 billion at the end of July 2025 (of which funds for qualified investors held CZK 183 billion and real estate collective investment funds held the rest). This figure rose by around one-third year on year. Roughly 92–95% of this property is commercial property and a significant proportion is located outside the Czech Republic.

to revolving loans, the figure would have been below CZK 60 billion.

The growth in newly negotiated loans was partly offset by relatively high loan repayments (CZK 50 billion in July). Year-on-year growth in outstanding bank loans to non-financial corporations thus slowed to 4% at the end of September 2025 (see [Chart 1.17](#)). Foreign currency loans accounted for half of these loans.

The CNB's projection expects the rate of growth to remain at 4–6%, driven by growth in nominal investment. Conversely, a stronger exchange rate dampens the growth slightly over the entire projection period. The year-on-year growth is slightly lower in 2026 because of the observed quarter-on-quarter decline in outstanding amounts as of September.

The debt ratio of non-financial corporations decreased in the first half of 2025 (see [Chart 1.18](#)). This decline was linked with a continued downturn in inter-company loans and a slight fall in loans from non-residents. By contrast, corporations increased their bond issuance and, together with rising loans from domestic banks, continued to use this form of financing in Q3. Bonds thus accounted for around 10% of their financing (see [Chart 1.11 CB](#)).

Greater use of bond financing by corporations may create competitive pressure and foster an easing of banks' credit standards.⁶ To a certain extent, replacing loans with bonds changes the nature of the risks associated with financial stability. As bondholders are mostly non-residents, the significance of default risk for the domestic financial sector is starting to decline (see [Chart 1.12 CB](#)). Corporate financing is meanwhile becoming more sensitive to developments in foreign markets.

The credit activity and debt ratio of households increased

Low unemployment, along with continued growth in wages and household consumption, contributed to a higher volume of pure newly negotiated loans to households for house purchase and consumption. The volume of housing loans negotiated rose to CZK 30 billion in March 2025 and stayed close to this level until September (see [Chart 1.19](#)). A similar trend was recorded for consumer credit, the volume of which fluctuated around CZK 13 billion from March onwards.

The volume of loans negotiated relative to nominal gross disposable income exceeded the long-term average in both categories of loans in March 2025 (see [Chart 1.20](#)). The number of housing loans secured by residential property has remained close to its long-term average, i.e. 6,300 loans a month (see [Chart 3.10](#)).

The growth in consumer credit was closely linked with macroeconomic developments in the household sector,

Chart 1.16
Pure newly negotiated bank loans to non-financial corporations

monthly volumes in CZK billions; includes amount of increase for refinanced and refixed loans

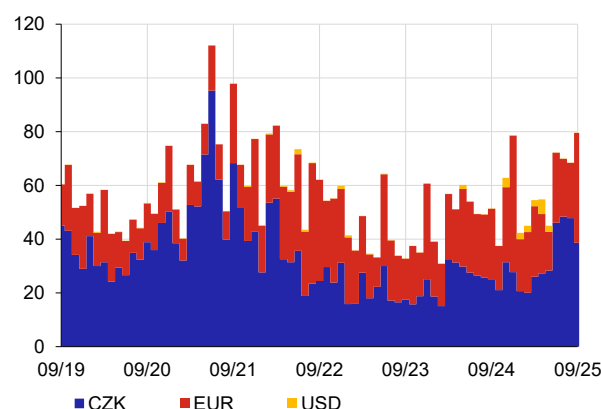


Chart 1.17
Projections of growth of bank loans in the private non-financial sector

year on year in %; the values in the grey area are based on a projection consistent with the CNB's autumn forecast (see [MPR – Autumn 2025](#))

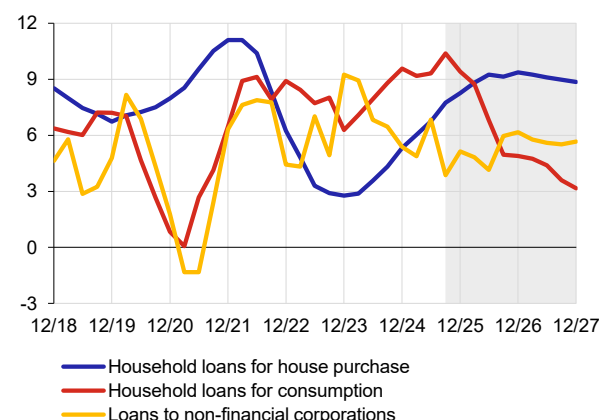
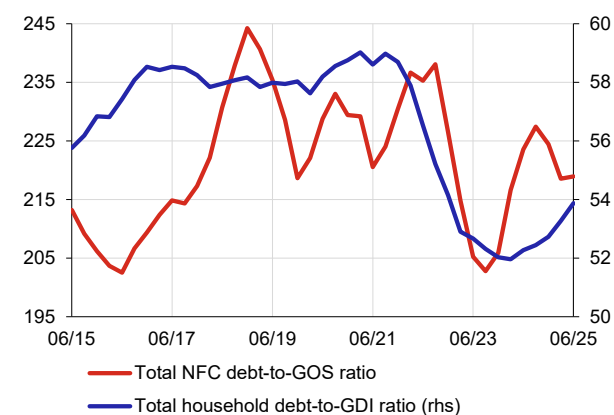


Chart 1.18
Private non-financial sector debt ratio

% of annual income; GOS stands for gross operating surplus and GDI for gross disposable income; source: CNB, CZSO



⁶ [Bank Lending Survey – October 2025](#).

mainly consumption expenditure, wages and consumer basket prices (see [Chart 1.13 CB](#)). Growth was evident across all the main categories of these loans (see [Chart 1.21](#)). Interest rates are meanwhile showing a downward trend, in line with banks' statements that such loans are being provided to lower-risk households.⁶

The growth in newly negotiated loans was reflected in growth in outstanding loans (see [Chart 1.17](#)). The CNB expects this trend to continue in the case of housing loans. The growth rate is expected to rise from 7.8% in September 2025 to more than 9% at the end of 2026 and remain at this level in 2027. The opposite trend is expected for consumer credit. Its growth is expected to slow steadily due to lower wage growth, from the 10.4% recorded in September 2025 to 3% at the end of 2027.

Household debt increased in line with the growth in loans (see [Chart 1.18](#)). The latter occurred in an environment of rising wages and thus reflects fundamental economic developments rather than just sentiment or a broad-based easing of banks' credit standards (see [section 3.2](#)). The household debt ratio is therefore rising gradually and remains below the pre-2022 level.

Default rates on loans to non-financial corporations and households are expected to remain low

The 12M default rate on loans to non-financial corporations fell slightly at the aggregate level in the first half of 2025 (see [Chart 1.22](#)). As regards the sectors most relevant to financial stability, it went up only for real estate activities (from 0.7% at the end of 2024 to 1.1%). The share of loans classified as having increased credit risk fell compared with the end of 2024 in all sectors except energy and manufacturing. The latter is most exposed to tariff measures combined with subdued external demand.

According to the CNB's projection, the default rate of non-financial corporations will initially converge to its ten-year average of around 1.5% (see [Chart 1.22](#)) and then decline to 1.3% (see [MPR – Autumn 2025](#)) in line with the stronger expected economic growth.

The 12M default rate on loans to households for house purchase continued to edge up in the first half of 2025, reaching 0.88% (see [Chart 1.22](#)). The increase so far has been consistent with the rising unemployment rate, which has been gradually returning to its steady-state level (see [MPR – Autumn 2025](#)). Given the structure of the mortgage portfolio, which consists mainly of borrowers with relatively high incomes and professions requiring greater human capital (see [Chart 1.14 CB](#)), the effect of higher cyclical unemployment is not as risky as that of any specific structural unemployment, such as that resulting from the implementation of AI.

According to the CNB's projection, the default rate on housing loans will remain close to its June level.

Chart 1.19
Pure newly negotiated bank loans to households

monthly volumes in CZK billions; includes amount of increase for refixed and refinanced loans

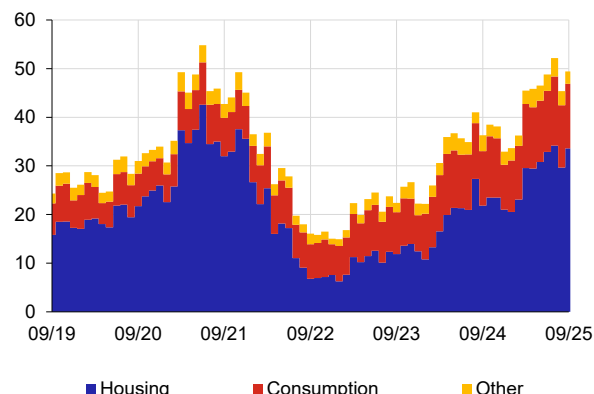


Chart 1.20
Pure newly negotiated loans to households relative to income

monthly in % of gross disposable income; the horizontal lines show the average for 2015–2025; source: CNB, CZSO

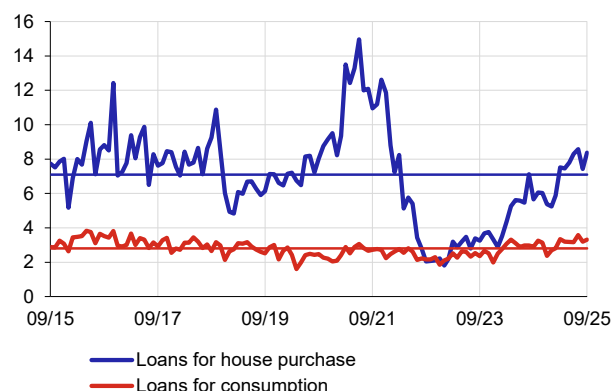
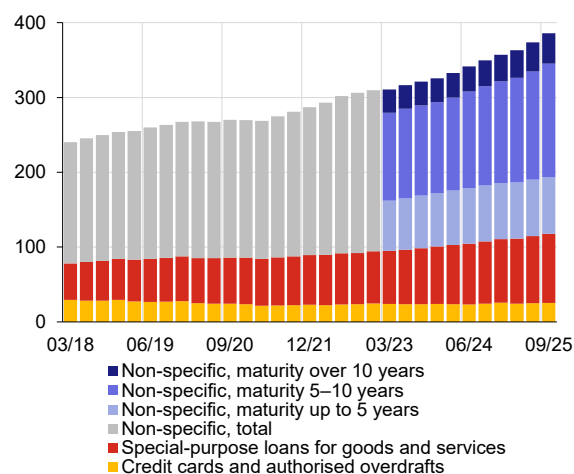


Chart 1.21
Outstanding loans to households for consumption

CZK billions



The consumer credit default rate declined further to 3.2% as of mid-2025 and, according to the CNB's projection, will stay around 3% until the end of 2027 (see [Chart 1.22](#)).

The general government deficit is expected to remain close to 2% of GDP

The CNB's forecast expects a slight improvement in general government finances in 2025 (see [Chart 1.23](#)). This outlook is in line with the November 2025 fiscal forecast of the Ministry of Finance of the Czech Republic, which assumes a steady downward trend in general government deficits (see [Chart 1.23](#)). The expected deficits are mainly the result of a persisting structural public finance imbalance (see [Chart 1.15 CB](#)).

Total government debt will rise gradually, although it should not exceed 46.5% of GDP over the next three years (see [Chart 1.24](#)). The fiscal space will not increase even with faster economic growth over the forecast horizon. The reaching debt brake of 55% of GDP in the event of highly adverse events persists.⁷

These events are linked primarily with the persisting economic and geopolitical uncertainty. International trade turbulence, which could slow economic growth, and geopolitical tensions in Europe and around the world are risk factors for the stability of the government budget. This could also lead to unexpected government expenditure and increase the costs of financing debt. The total debt may thus reach even higher levels than projected over the forecast horizon (see [Chart 1.23](#)).

The market perception of Czech government debt remains stable

During the first three quarters of 2025, the ratings of the largest rating agencies remained unchanged at AA- and Aa3 with a stable outlook. The relatively favourable market position of Czech government bonds was also indicated by the SovCISS.⁸ This composite indicator, based on interest income volatility, risk premia⁹ and the bid-ask spread¹⁰ for government bonds, generally reflects market uncertainty and the pricing of credit and liquidity risk. After reaching a local peak in 2022, the SovCISS has been gradually declining (see [Chart 1.25](#)).

By international comparison, too, the SovCISS confirms the relative stability of the Czech government bond market (see [Chart 1.16 CB](#)). The SovCISS for the Czech Republic remained comparatively low both during the Covid-19 pandemic and after the increase in geopolitical

Chart 1.22
12M default rate on loans in the private non-financial sector

%; the values in the grey area are based on a projection consistent with the CNB's autumn forecast ([MPR – Autumn 2025](#)); source: BRCI, CNB

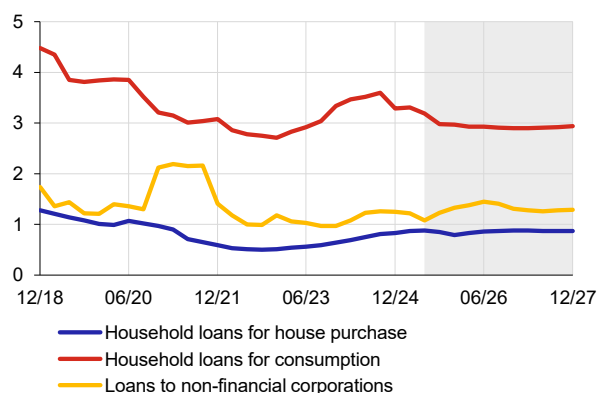


Chart 1.23
General government balance

% of GDP; source: CNB, MF CR

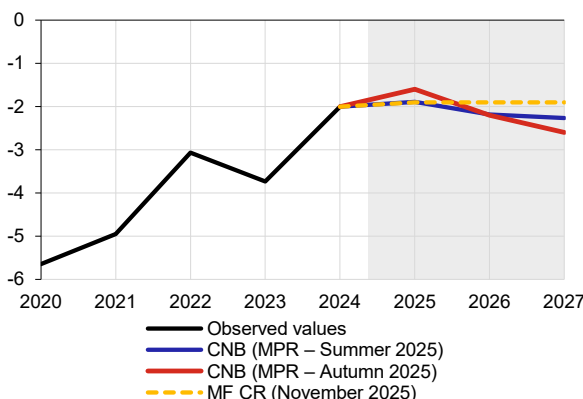
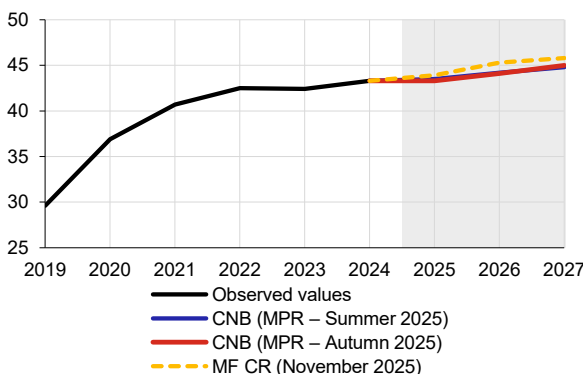


Chart 1.24
General government debt

% of GDP; source: CNB, MF CR



⁷ The general government finance outlook is subject to some uncertainty regarding the fiscal stance of the new Czech government.

⁸ The SovCISS was conceptually developed by the ECB as a broad measure of market stress in the historical context. For details see [Garcia-de-Andoain, C., & Kremer, M. \(2018\). Beyond spreads: measuring sovereign market stress in the euro area. ECB](#). More information on the application of the SovCISS to the Czech Republic will be published in a cnBlog article in the coming months.

⁹ The risk premium is defined here as the difference between the koruna-denominated government bond yield and the koruna interest rate swap with the same maturity. It includes not only the net pricing of credit risk, but also any premia associated with higher or lower demand for Czech government bonds as an investment asset. For this reason, the risk premium was very low in the period before the exchange rate commitment was abandoned in 2017, when Czech government bonds were used as an instrument by foreign investors expecting the koruna to appreciate.

¹⁰ The bid-ask spread for two- and ten-year government bonds. This spread expresses transaction costs and indicates market liquidity – the smaller the spread, the more liquid the market. Conversely, a larger bid-ask spread signals lower trading activity or greater uncertainty about the value of the bonds.

tensions in 2022 (see [Chart 1.25](#)). This may reflect not only the Czech Republic's strong credit rating, but also its still low level of public debt relative to other European countries (see [Chart 1.24](#)).

The growth in government debt is reflected in increasing interconnectedness of the banking and government sectors

The government's borrowing requirement increased year on year in the first three quarters. This was reflected in higher issuance of koruna-denominated Czech government bonds (up 29% year on year). Bonds with maturities of over five years predominated, accounting for 63% of the volume issued (see [Chart 1.17 CB](#)).

From the perspective of bond holdings, the share of non-residents fell to 25% (see [Chart 1.26](#)), while the share held by domestic banks increased. Czech government debt securities accounted for almost 15% of the total assets in banks' balance sheets (see [Chart 1.27](#)), representing one of the highest levels in the EU (see [Chart 1.18 CB](#)). The growing interconnectedness has further amplified the risk of an adverse shock spreading from the general government sector to the banking sector. The CNB has long addressed the systemic dimension of this risk to financial stability and assesses it every spring.¹¹ According to the latest results of the general government stress test (see [FSR – Spring 2025](#)), it is not currently necessary to increase capital to cover this risk.

Chart 1.25
SovCISS for the Czech Republic and its decomposition

0 denotes the minimum and 1 the maximum; higher index values indicate greater market stress; source: LSEG

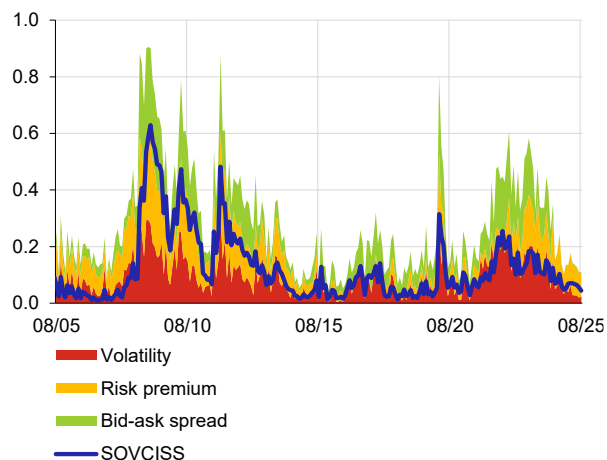


Chart 1.26
Holdings of koruna-denominated Czech government securities

CZK billions

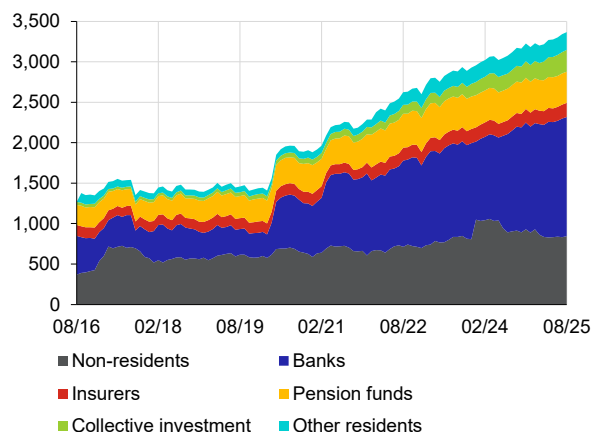
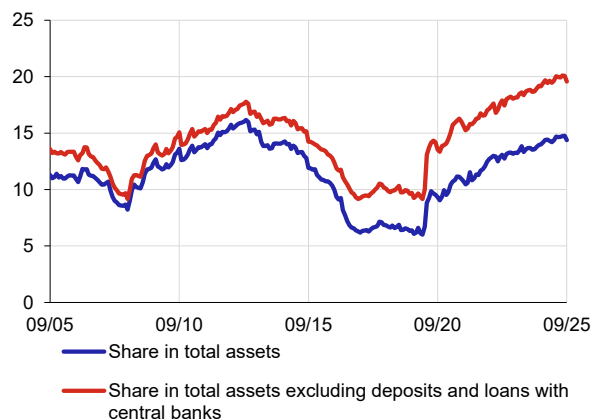


Chart 1.27
Share of Czech general government debt securities in the assets of banks

%



¹¹ For details see [Internal CNB methodology for the review and evaluation of sovereign exposure concentration risk](#).

2 THE FINANCIAL SECTOR

Most of the domestic financial sector recorded growth

The financial sector had total assets of CZK 14.9 trillion, or 180.5% of GDP, as of mid-2025. The banking sector with its key position accounted for 76% of the assets of financial system as a whole. All sectors except insurance have been growing since the start of the year, with investment funds enjoying the fastest growth (see Chart 2.1).

2.1 BANKING INSTITUTIONS

The banking sector's total assets rose by 6% year on year

Banks' total assets¹² exceeded CZK 11 trillion as of mid-2025 (see Chart 2.2). On the asset side, the fastest growth (of 15.8%, or CZK 258 billion, year on year) was recorded for claims on general government, followed by exposures to households and non-financial corporations.

On the liability side, securities issued recorded the largest increase (of 31%).¹³ General government deposits and capital also increased significantly, while household deposits rose only slightly year on year.

Turning to the maturity structure of deposits, the share of term account deposits declined further to 20% of total deposits of non-financial corporations and households. The difference in rates on term and demand deposits narrowed to 1.2 pp as of mid-2025.

Banks' profitability also continued to increase

Banks' profit was up CZK 7 billion year on year as of mid-2025 (see Chart 2.3). Profitability as measured by return on assets remained high and virtually unchanged, as assets and profit grew at a similar pace.

The interest rate component remained a key source of profit (see Chart 2.4). Amid interest income of CZK 224 billion, interest profit amounted to CZK 86 billion in the first half of 2025, up CZK 4.5 billion year on year. The growth was linked primarily with the mortgage portfolio, which gradually reflected the current higher interest rates via refixing. Income on the portfolio of loans to households (27%) became the main source of interest income (see Chart 2.5), overtaking the previously dominant income on operations with the CNB and income

Chart 2.1

Rates of growth of sub-sectors of the financial system

%; NFCEs = non-bank financial corporations engaged in lending; the sizes of the circles show the value of the sub-sectors' assets in CZK billions as of 30 June 2025; the banking sector also includes credit unions

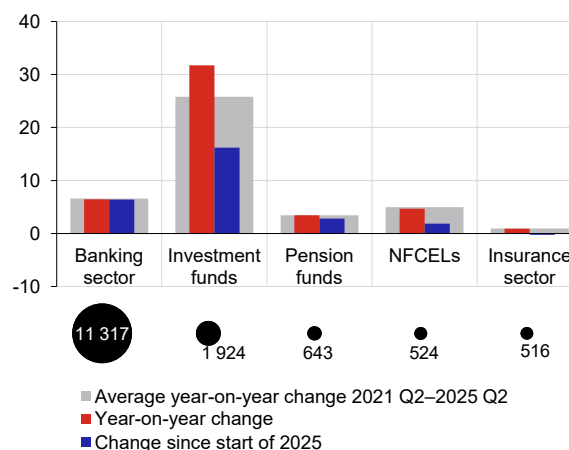


Chart 2.2

Selected items of the banking sector's balance sheet

CZK trillions

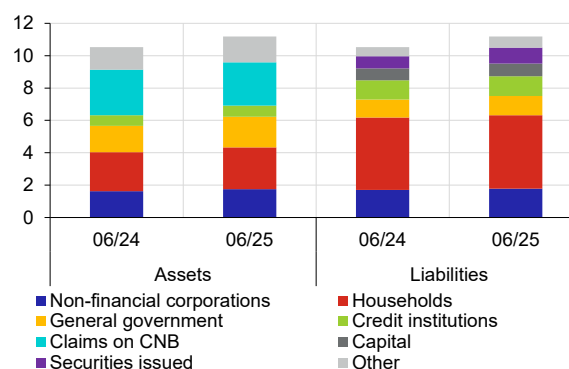
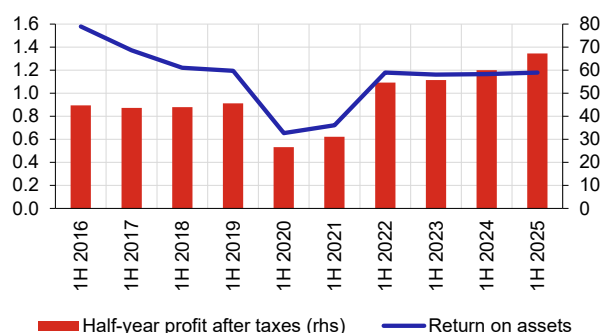


Chart 2.3

Return on assets and profit

%; right-hand scale: CZK billions



¹² The Czech Export Bank and the National Development Bank are excluded from the analysis of the banking sector as a whole in the entire section 2.1. This is because these banks are wholly owned by the Czech state (providing implicit state guarantees for their liabilities) and have different business models and volatile credit portfolios.

¹³ These consisted mainly of deposit certificates, which are used by some domestic banks as a form of financing by foreign parent banks.

on the portfolio of loans to non-financial corporations. Interest costs amounted to CZK 138 billion in the same period. Their structure was unchanged year on year, with households still the most significant sector (39%; see Chart 2.5).

Fees and commissions were another major source of income (CZK 28 billion; +11% year on year). Other significant cost items included administrative expenses (CZK 49 billion; +6% year on year) and taxes (CZK 12 billion). Net asset impairment losses have been generally low since the start of the year, due to still very low default rates (see Chart 1.22). In addition, some banks continued to release the provisions they had prudently created in previous years in connection with the latent risks associated with the Covid pandemic, the outbreak of the war in Ukraine and growth in energy prices (see Chart 2.1 CB).

The banking sector's future profitability will be affected not only by the interest rate environment in the Czech Republic and abroad, but also by global uncertainties (see section 1). The current strong profitability could be adversely affected in future years by the materialisation of some geopolitical risks if accompanied by rising credit losses, a significant decline in interest rates and a deterioration in sentiment leading to a drop in the provision of new loans. The domestic banking sector is regularly stress-tested for similar risks (see section 2.3).

Banks' capitalisation remained high

Solid profitability has long underpinned domestic banks' stable capitalisation (see Chart 2.6). Capital amounted to CZK 713 billion in the first half of 2025. It consisted almost entirely of the highest-quality CET1 capital.

The non-risk-weighted capital ratio (i.e. the leverage ratio) decreased slightly in the first half of 2025 but at 6% remained well above the required minimum of 3% (see Chart 2.2 CB).¹⁴

By contrast, the risk-weighted capital ratio calculated on an individual basis has increased slightly to 23% since the start of the year (see Chart 2.6), with a CZK 207 billion capital surplus accounting for 6.7 pp. Growth in the ratio was fostered by an increase in capital (+0.6 pp) and a decrease in aggregate risk weights (+2.1 pp), while growth in total exposures worked in the opposite direction (-2.3 pp). The domestic banking sector's overall capital ratio on a consolidated basis was 19.9% at the end of 2024, slightly above the average for large European banks (19.5%; for details see the box *Comparison of Czech and large European banks' capital positions*).

Banks' resilience to extreme shocks is also enhanced by the MREL, which the relevant banks meet with eligible liabilities and own funds in accordance with the requirements set by the CNB (see Chart 2.3 CB).

Chart 2.4
Decomposition of the banking sector's interest profit

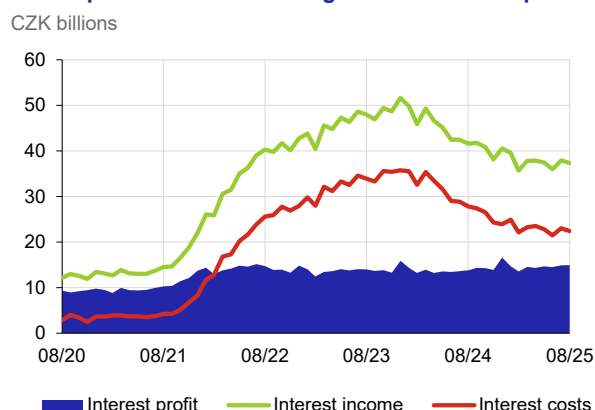


Chart 2.5
Quarterly interest income and costs by counterparty

CZK billions; for each segment, the positive value is its interest income and the negative value its interest costs; as regards instruments, the bonds, loans and deposits of each segment are included; the chart covers around 90% of all interest income and 70% of all interest costs of the banking sector

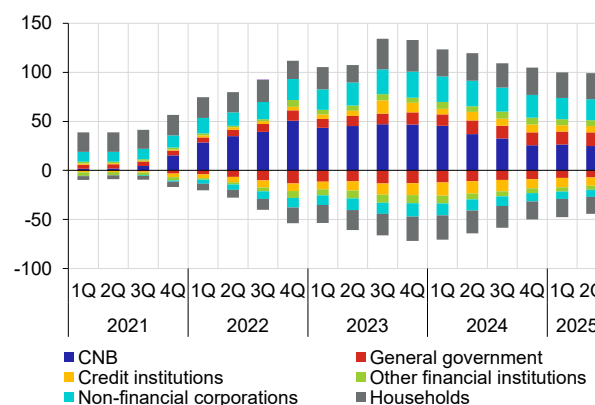
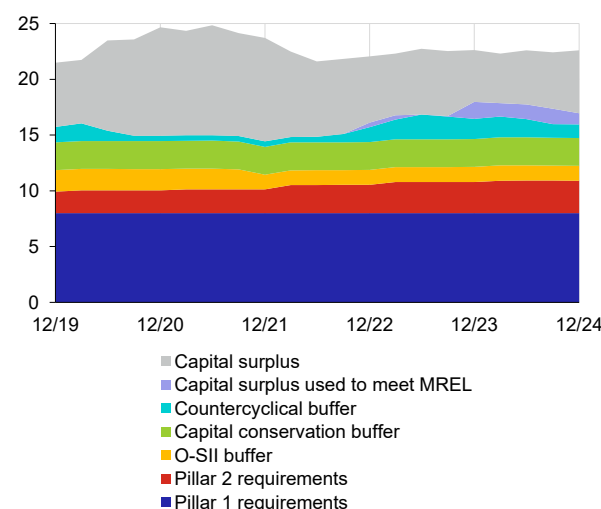


Chart 2.6
Structure of the overall capital ratio

% of total risk exposure amount; individual components in pp



¹⁴ In the domestic banking sector, the leverage ratio is significantly affected by high exposures to the CNB. Adjusted for these exposures, the leverage ratio would have been 8.4% as of mid-2025.

Box Comparison of Czech and large European banks' capital positions

This comparison uses data from EU-wide banking sector stress tests. The data cover all components of the capital requirements and can also be used to compute the capital surplus. The sample comprises 64 large European banks on a consolidated basis, representing around 75% of the European banking sector. With a few exceptions, these are systemically important institutions.

The overall capital ratio of the domestic banking sector at the end of 2024 (19.9%) slightly exceeded the average for large European banks (19.5%). The capital ratio of domestic systemically important institutions was comparable to the European average (see [Chart 1](#)).

At the end of 2024, the required capital ratio of domestic systemically important institutions was 15.8%, above the European average of 14.3%. Above-average levels were observed for all types of capital requirements. The weighted average of the O-SIIB in the Czech Republic was 1.7%, while the European average was 1.2%. The CCyB rate in the Czech Republic was 1.25%, as against a European average of 0.8% (see [Chart 2](#)).¹⁵

The Pillar 2 requirement (P2R) for domestic systemically important institutions was 2.4%, as against a European average of 2%. However, Pillar 2 also contains a non-binding capital recommendation (Pillar 2 guidance; P2G).¹⁶ The P2G level for European banks is not disclosed, but according to available estimates it may be substantially higher than that for important domestic banks.

The capital surplus of domestic systemically important institutions of 3.7% at the end of 2024 was lower than that of the largest European banks (5.2%). The higher surplus of the latter was probably due to preparations for the implementation of new regulations, as the surplus fell markedly to 3.6% net of this factor.¹⁷ The surplus of domestic systemically important institutions was almost unchanged overall as of mid-2025, so the surpluses of domestic and European institutions were equal.

Chart 1 (BOX)

Structure of the overall capital ratio across selected EU countries

% as of the end of December 2024; individual components in pp; the sample contains 64 banks representing 75% of the European banking sector; the values for the Czech Republic include the SyRB in effect since 1 January 2025; source: CNB, EBA

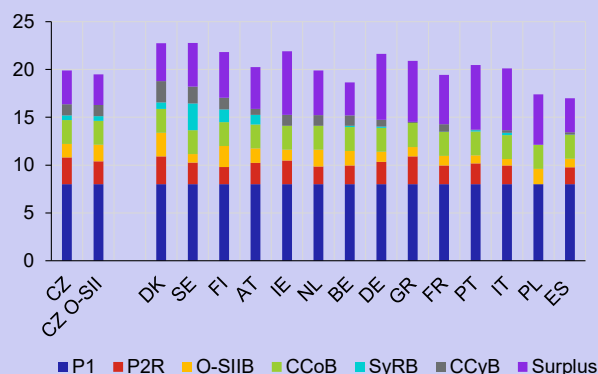
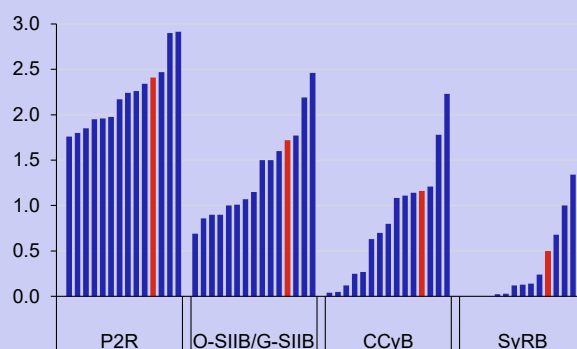


Chart 2 (BOX)

Capital requirements for large European banks and domestic O-SIIs

% as of 31 December 2024; the red values are the averages for domestic O-SIIs; the average values for stress-tested banks from individual countries (2025 EBA test) are in blue; the values for the Czech Republic include the SyRB in effect since 1 January 2025; source: CNB, EBA



¹⁵ An SyRB rate of 0.5% was introduced in the Czech Republic as of 1 January 2025. The average for European banks was 0.3% at the end of 2024.

¹⁶ P2G is a bank-specific recommendation that indicates the level of capital the supervisory authority considers adequate taking into account the bank's business model, its risks and its sources for covering them. A non-zero P2G has only been set for a few small banks in the domestic banking sector. At the European level, P2G is used more frequently, often at 1% or higher. For details see, for example, [a Scope Ratings analysis \(January 2025\)](#).

¹⁷ CRR3/CRD VI contains, among other things, new rules for quantifying risk-weighted exposures, intended to make capital regulation more sensitive to risk actually undertaken. The results of EU-wide stress tests include an assessment of the impact of the entry into effect of this regulation.

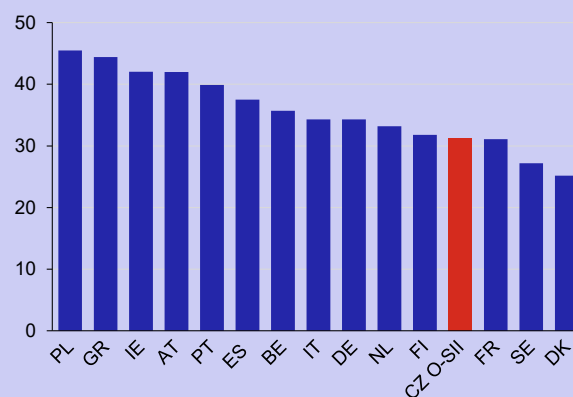
There is considerable heterogeneity across EU countries and across banks within a single country (see [Chart 1](#) and [Chart 2](#)). The required capital ratio in the Nordic countries (DK, FI and SE) exceeded 17% at the end of 2024, while in the southern countries (IT, ES and PT) it was below 14%. The ratio in the largest European economies (FR and DE) was in the range of 14–15%. The value of 16.3% for domestic systemically important banks (taking into account the SyRB as from 1 January 2025) is between the above levels and slightly exceeds those for other small European economies (15.9% for AT, 15.3% for IE and 15.2% for NL and BE).

However, the required capital ratio alone does not provide a comprehensive picture of banks' capital burden. The absolute volume of required capital also depends on aggregate risk weights, which differ across individual countries and across banks within a single country (see [Chart 3](#)). Risk weights are determined by portfolio structure, the riskiness of individual credit segments, historical losses and, where relevant, different configurations of internal models. The capital requirements in countries with lower aggregate risk weights are generally higher (SE, DK, FI and CZ¹⁸), while those for countries with higher weights tend to be lower (PL, GR, PT and ES; see [Chart 3](#)).

Chart 3 (BOX)

Aggregate risk weights of large European banks and domestic O-SIs

%; data as of 31 December 2024; risk weight calculated as ratio of risk-weighted exposure (TREA) to total exposure (TEM); source: EBA



CRR3 introduced stricter rules

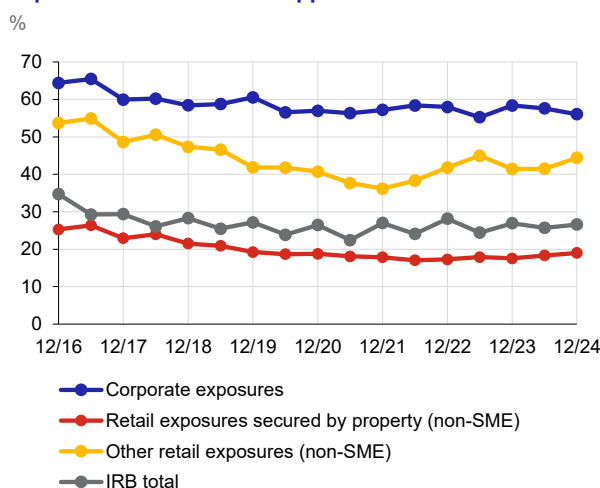
In the first half of 2025, the new CRR3 regulation affected risk weights through a change to the rules for determining risk-weighted exposures. The risk weights of banks using the IRB approach (accounting for 68% of the banking sector's assets) decreased due to the removal of the 1.06 scaling factor and a reduction in the LGD regulatory coefficient for corporate exposures.

In the case of exposures to credit institutions and large corporations, by contrast, risk-weighted exposures increased as a result of migration from the advanced to the foundation IRB approach and the simplification of the rules for operational risk. In addition, minimum values for the parameters used in banks' internal models were set with the aid of the output floor. However, these have not yet affected domestic banks' risk weights. Further growth in risk-weighted exposures may be supported by a gradual increase in the output floor until 2030.¹⁹

The new regulation also adjusts the rules for banks that use the standardised approach to measure credit risk. The aim is to make risk-weighted exposures more sensitive to risk actually undertaken. Risk weights on mortgage loans to households, for example, now depend

Chart 2.7

Average risk weights of the main categories of banks' exposures under the IRB approach



¹⁸ The lower aggregate risk weights in the domestic banking sector are a consequence of higher volumes of exposures to the CNB and government bonds.

¹⁹ Sůvová, H. (2024): [Výstupní práh v CRR3](#) (The output floor in CRR3; available in Czech only)

on the LTV level, while those for exposures to large corporations depend on the rating.

The impact of the new regulation differed significantly from bank to bank, depending on the approach they use to measure credit risk and their portfolio structure. The average risk weights on exposures of banks using the IRB approach fell to 25%, with corporate exposures in particular seeing a decline (see [Chart 2.7](#)). Banks using the standardised approach also recorded a drop in average risk weights to 25%,²⁰ due to a decline in the average risk weights on mortgage loans to households and corporate exposures. The risk weights in these categories approached the levels obtained in the calculation using the IRB approach (see [Chart 2.8](#)).

Credit risks perceived by banks decreased

In the first half of 2025, banks continued to move loans from Stage 2 (increased credit risk) to Stage 1 (no significant increase in credit risk). This pertained primarily to loans to households (see [Chart 2.9](#)), where the risks associated with the elevated macroeconomic uncertainty over the past five years did not materialise. The volume of loans moved from Stage 2 to Stage 1 thus exceeded that of loans migrating in the opposite direction at the end of August 2025 (see [Chart 2.4 CB](#)). In the case of non-financial corporations, a wave of migrations from Stage 2 to Stage 1 had taken place in 2024 (see [Chart 2.10](#)), while in 2025 the opposite trend generally prevailed.

The share of credit-impaired assets remained at a record low

The absolute value of Stage 3 loans (credit-impaired assets) increased slightly year on year for loans to both households and non-financial corporations (see [Table 2.1 CB](#) and [Table 2.2 CB](#)). However, their shares in total loans remained unchanged – at a historical low of 2.3% in the case of non-financial corporations (see [Chart 2.10](#)) and very close to a historical low in the case of households (see [Chart 2.9](#)).

The current and projected share of Stage 3 loans across all loan segments is crucial as regards risks to financial stability. It remains very low. Given the expected default rate (see [Chart 1.22](#)), this share is not expected to change substantially in the near term. The share of non-performing client loans in the Czech Republic is well below the EU average (see [Chart 2.5 CB](#)).

Provisions were unchanged, but the coverage rate declined slightly

Total provisions for household loans and for loans to non-financial corporations remained close to their end-2024 levels at the end of August 2025 (see [Table 2.1 CB](#) and [Table 2.2 CB](#)). However, there were changes between

Chart 2.8

Comparison of risk weights of the main credit portfolio categories under the IRB and STA approaches

%; risk weight density, calculated as the ratio of risk-weighted exposure (TREA) to total exposure (TEM), is used for comparability of the individual IRB and STA portfolios

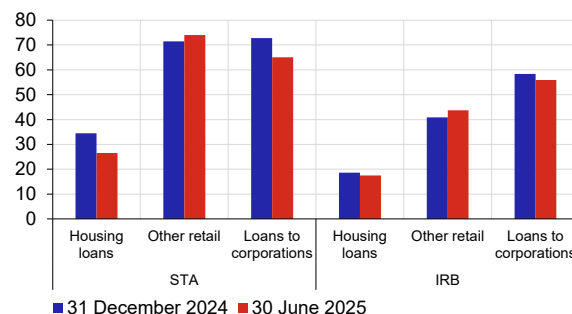


Chart 2.9

Structure of loans to households by credit quality

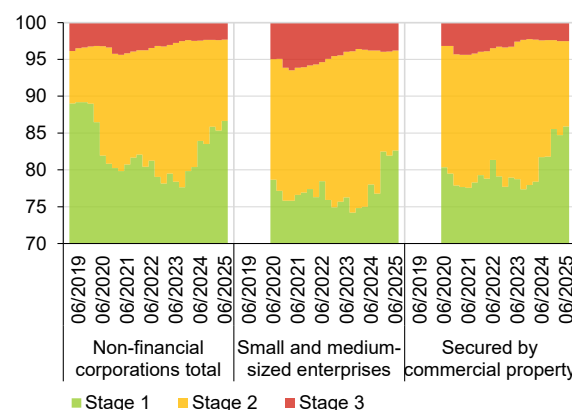
%



Chart 2.10

Structure of loans to non-financial corporations by credit quality

%



²⁰ The STA portfolio is characterised by a higher proportion of less risky categories of exposures – primarily exposures to the central bank and central government – compared to the IRB portfolio.

loan stages. For households, provisions decreased in Stage 2 and rose in Stage 3 in line with the reclassification of credit exposures, while for non-financial corporations, they rose in Stage 1 and fell in Stage 2.

The growth in credit exposures amid unchanged provisions led to a further decline in the coverage rate (see [Chart 2.11](#) and [Chart 2.12](#)). For loans to households, the coverage rate decreased most of all for Stage 1 loans, while for loans to non-financial corporations it decreased in Stages 2 and 3. As regards individual segments, the downward trend in the coverage rate for mortgage loans to households continued across all loan stages. This trend was linked with the very low losses observed in this portfolio, aided by rising house prices in recent years. Secured loans to non-financial corporations also saw a decline in the coverage rate, but only with respect to Stage 2 and Stage 3 loans.

With an aggregate value of just above 50%, the NPL coverage rate in the domestic banking sector remains above the European average (see [Chart 2.6 CB](#)).

The CNB closely monitors loan portfolio quality

The loan portfolio structure returned almost to pre-2020 levels. A large part of the provisions created with a precautionary motive (Covid, war, energy crisis) have been released in the past five years. Despite persisting geopolitical uncertainty (see [section 1](#)), this indicates a more optimistic approach of banks in their assessments of credit risk. This is reflected in a decline in the overall coverage of loans with provisions (see [Chart 2.13](#)), suggesting that the risk of a cliff effect is relevant.²¹

The CNB will continue to monitor the situation and adjust its macroprudential instruments where necessary to safeguard the resilience of the banking sector. In particular, the setting of the CCyB rate is based, among other things, on quantitative methods that compare the current level of provisions and projected impairment losses (see [section 3.1](#)), which means they also take the risk of a cliff effect into account. However, a macro stress test of banks, as well as additional sensitivity analyses, demonstrated that the sector is currently highly resilient even to very adverse scenarios (see [section 2.3](#)).

Banks strengthened their foreign currency liquidity positions

The aggregate LCR²² declined to 187% in June 2025 (see [Chart 2.14](#)). The decline was due to large banks, whose increasing liabilities to their parent companies resulted in expected outflows from financial customers' deposits. The liquid asset portfolio did not change significantly in the same period – either at major banks or at the sector level (see [Chart 2.15](#)).

Chart 2.11
Coverage of loans to households by provisions by credit quality

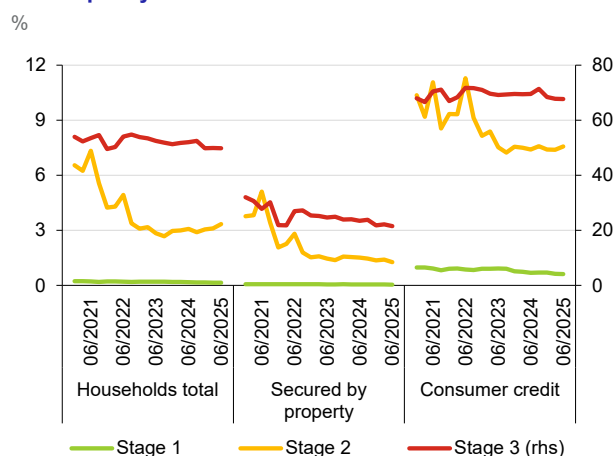


Chart 2.12
Coverage of loans to non-financial corporations by provisions by credit quality

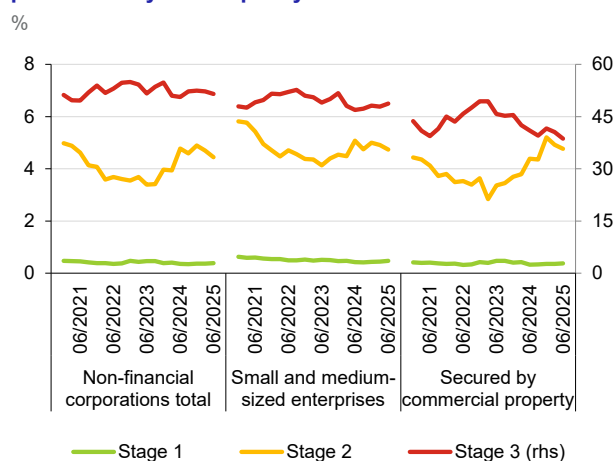
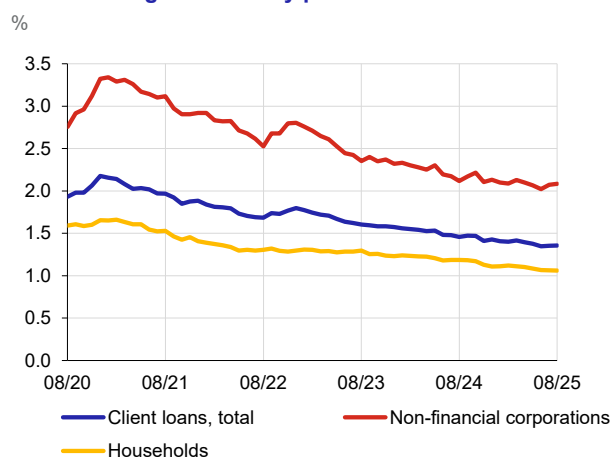


Chart 2.13
Total coverage of loans by provisions



²¹ The cliff effect refers to the sudden migration of large amounts of exposures between risk stages due to unexpected news indicating weakening economic conditions. Such migration is typically associated with a surge in provisions and related impairment losses. For details, see, for example, [FSR 2018/2019](#).

²² The LCR is the ratio of the liquidity buffer to the net liquidity outflow of banks over a 30-day stress horizon as defined by EC Regulation 2015/61.

The LCR ratios of individual banks have held steady above the 100% threshold since the beginning of 2025, confirming the solid resilience of banks to short-term liquidity shocks.

The aggregate NSFR ratio²³ was 174%, with all banks meeting the required threshold. The ratio remained practically unchanged compared to the end of 2024, confirming that the funding of domestic banks was stable at both the sector and individual level (see Chart 2.14).

The euro LCR continued to rise (see Chart 2.16). In the first half of 2025, it held relatively steady above the 100% level, reaching 120% in June. The euro NSFR showed a similar trend, reaching 108%. The domestic financial sector has long been strengthening its resilience to foreign exchange liquidity shocks, which could affect it via a potentially worse market environment (see section 1).

Chart 2.14
NSFR and LCR liquidity ratios

%; the building societies segment was excluded from the overview, as it accounts for less than 1 % of the banking sector's available liquidity in both ratios according to both methodologies; the results take liquidity subgroups into account

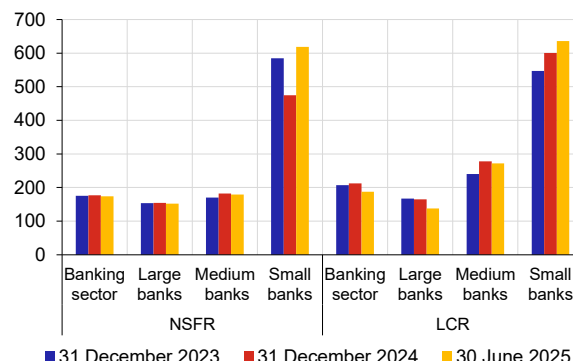


Chart 2.15
Structure of the liquidity buffer

CZK trillions; the required amount is the liquidity buffer with which the banking sector would achieve a 100% LCR in the given period

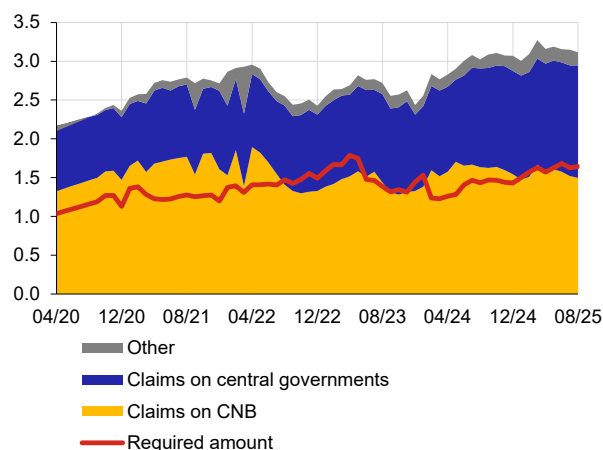
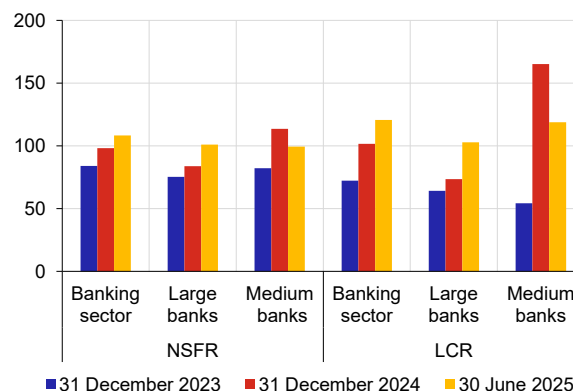


Chart 2.16
Euro NSFR and LCR liquidity ratios

%; building societies and small banks were omitted due to very low or zero euro liabilities; the results take liquidity subgroups into account



²³ The NSFR is the ratio of available stable funding to required stable funding as defined by Basel III. Each asset on the bank balance sheet requires a certain amount of stable funding (required stable funding) and part of each liability on the bank balance sheet is considered to be stable (available stable funding). An NSFR requirement above 100% indicates that the bank should have more available stable funding than required stable funding.

2.2 NON-BANK FINANCIAL CORPORATIONS

Dynamic growth of investment funds is gradually increasing their contribution to systemic risk

Investment funds' total assets continued their upward trend in the first half of 2025 (see [Chart 2.17](#)) despite financial market turbulence (see [section 1](#)). This was aided by a net inflow of funds and positive return on assets (see [Chart 2.18](#)). As regards the type of funds, funds for qualified investors account for the largest share of the growth (see [Chart 2.19](#)). The investment fund segment is likely to continue growing strongly and become increasingly relevant in terms of systemic risk in the period ahead.

Liquidity risk – asset and liability maturity mismatches, high leverage and asset concentration in some markets – ranks among the key risks. However, the sector has long held sufficient liquid assets, and the first half of 2025 was no exception. A quarterly risk assessment of alternative investment funds shows that in terms of the leverage ratio, funds as a whole continue to be prudent²⁴ (see [Table 2.3 CB](#)). As regards concentration risk, funds have quite a significant position on the market for Czech government bonds, holding around 6% of the total. The CNB assesses concentration risk by conducting an annual stress test of investment funds. This year's test, published in the spring Financial Stability Report, did not identify a significant contribution of the sector to systemic risk in this area.

A significant part of funds' investments are allocated to foreign assets (almost 50% of the investments – mostly in equities, investment funds including ETFs, and corporate bonds). These are characterised by high liquidity and a small market footprint,²⁵ eliminating any market impact of sell-offs by Czech funds. Investment funds are also becoming major players in the property market (see [Chart 2.7 CB](#)). Currently, the vast majority of their investment is channelled into the commercial segment, but funds investing in residential property are also gradually emerging.²⁶ Funds' growing buying appetite may contribute to rising house prices, indirectly encouraging riskier behaviour by households in their efforts to attain higher prices by taking out riskier mortgage loans.

Chart 2.17

Main components of domestic non-bank institutional investors' investment assets

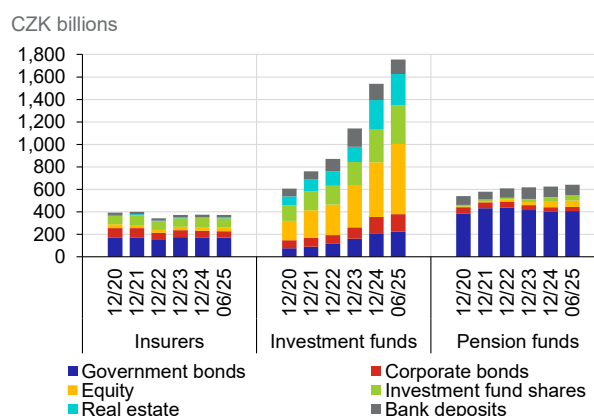


Chart 2.18

Decomposition of the change in the value of investment and pension funds' assets

q-o-q growth in %; factor contributions in pp

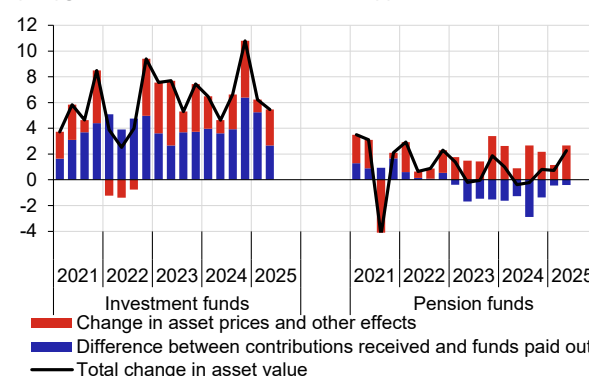
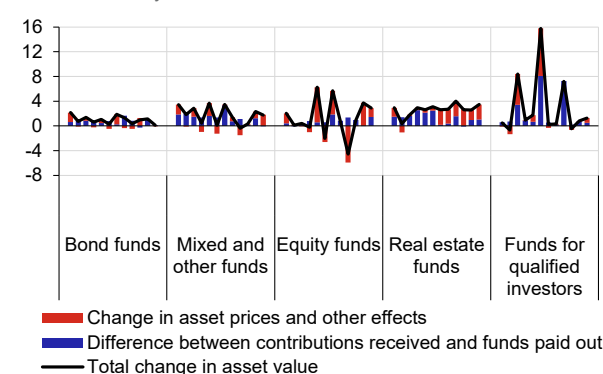


Chart 2.19

Decomposition of the change in the value of investment funds' assets by investment policy

m-o-m growth in %; factor contributions in pp; x-axis: individual months from July 2024 to June 2025



²⁴ The leverage ratios of Czech funds are generally below the averages observed in the EU. In the case of real estate funds, for example, the value of the 95th quantile of leverage in the Czech Republic is 1.84, while the EU average at the 95th quantile is 3.3. Ireland is the only country to have activated the leverage limit for real estate investment funds under Article 25 of the AIFMD. It has set a limit of 2.5.

²⁵ The risk associated with a large market footprint consists in the concentration of a large proportion of a fund's assets in one particular asset. A more detailed description of the risks associated with investment funds is available in the CNB blog post [Vše, co je kdy chtěli vědět o investičních fondech \(a báli jste se zeptat\)](#) (Everything you ever wanted to know about investment funds (but were afraid to ask), in Czech only).

²⁶ According to a CNB estimate, residential property makes up less than 10% of real estate funds' assets, i.e. less than CZK 30 billion.

Participation funds continue to grow, with capital now flowing out of transformed funds

Pensions funds' total assets increased in the first half of 2025 (by CZK 18 billion to CZK 643 billion, of which CZK 370 billion in transformed funds and CZK 273 billion in participation funds; see [Chart 2.8 CB](#)) due to positive returns and a net inflow of clients' funds (see [Chart 2.18](#)) into participation funds, which more than offset the net outflow from transformed funds. The share of participation funds' assets in pension funds' total assets has more than doubled since the end of 2022 (from 21% to 42% of pension funds' total assets).

The gradual outflow of capital from transformed funds – due to recent legislative changes that made them less attractive²⁷ – did not cause any serious problems, thanks to prudent liquidity management. A related change in the overall structure of pension funds' assets caused by the growing relevance of participation funds with riskier investment profiles contributed to a reduction in the high concentration of investment in Czech bonds. The combined capital surplus of the pension fund sector decreased as usual in Q2 due to dividend payouts and the crediting of the previous year's returns to transformed fund planholders. However, it remains safely above the regulatory threshold (see [Chart 2.20](#)).

The absence of guaranteed non-negative returns means that the risks associated with participation funds are similar to those which investment funds face.

The insurance sector remains highly solvent and profitable

Despite a minor decline in assets in the first half of 2025, the sector's situation remained stable (see [Chart 2.17](#)) and its solvency capital ratio stayed above 200% (see [Chart 2.21](#)). In the first half of 2025, the sector did not experience any major events that would have increased aggregate claim settlement costs (such as the floods in 2024). This had an upward effect on the profitability of life and non-life insurance (see [Chart 2.22](#)). Premiums written in non-life insurance are showing a long-term upward trend. Premiums written in life insurance are rising at a slightly lower pace, with growth in risk and investment life insurance products being offset by the maturing of the traditional life insurance portfolio (see [Chart 2.9 CB](#)).

Chart 2.20

Combined capital surplus and capital adequacy of the pension fund sector

%; the combined capital surplus is ratio of the sum of the capital surplus of PMCs and the difference between the assets and liabilities of TFs to the assets of TFs.

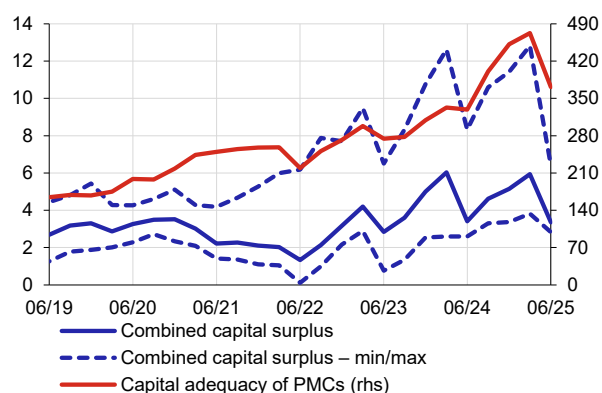


Chart 2.21

Ratio of insurance companies' eligible own funds to the solvency capital requirement

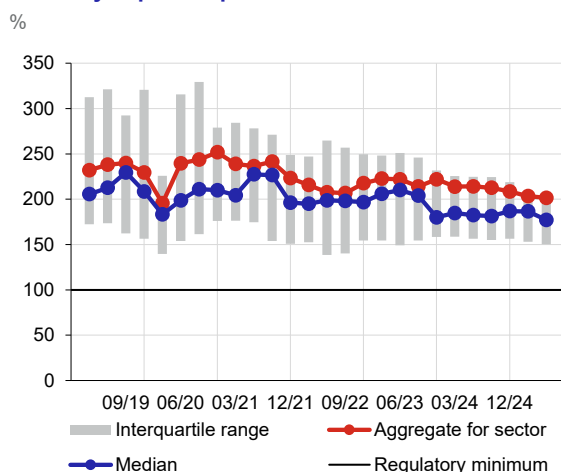
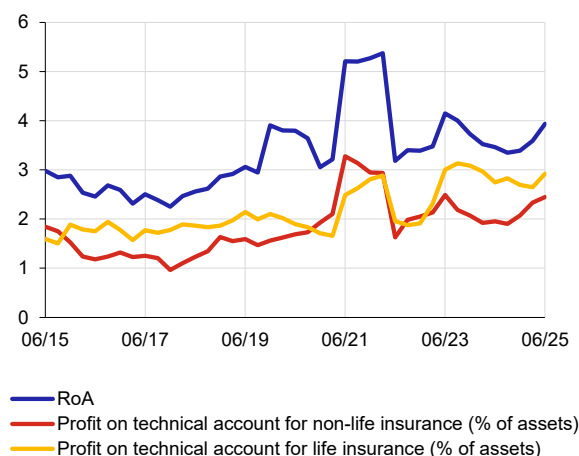


Chart 2.22

Insurance sector profitability

%; annual moving totals



²⁷ Amendments to the pension funds legislation came into force on 1 June 2024. Major changes included an increase in the minimum monthly deposit eligible for a state contribution, the abolition of the state contribution for old-age pensioners and an increase in the minimum saving period from 5 to 10 years.

2.3 STRESS TESTS OF BANKING INSTITUTIONS

The solvency macro stress test confirmed that banks are resilient even to protracted adverse developments

The autumn macro stress test of bank solvency assessed the banking sector's resilience to protracted adverse developments in the domestic economy in the absence of additional risks stemming from climate change or cyber incidents. At the five-year horizon, the test assessed the impacts of two economic scenarios. The *Baseline Scenario*²⁸ captures expected developments based on the CNB's official macroeconomic forecast published in [MPR – Summer 2025](#). The *Adverse Scenario* assumes a deep and long-lasting economic downturn due to escalating geopolitical polarisation and fragmentation of international trade. Projections of key macroeconomic and financial variables in the two scenarios are shown in [Table 2.1](#), [Table 2.2](#) and [Chart 2.10A–D CB](#).

The test results indicate that even if the assumptions of the *Adverse Scenario* were to materialise, no capital reserves would be used at the level of the banking sector as a whole. At the individual level, two systemically unimportant banks with specific banking models would slightly breach the Pillar 1 and Pillar 2 (TSCR) total capital requirement. The sector's high resilience even in strongly adverse conditions is due mainly to robust income from large loan portfolios amid solid loan margins, and to high domestic government bond holdings.

The *Baseline Scenario* assumes stable economic growth and low credit risk

The *Baseline Scenario* assumes continued growth in economic activity. Inflation is close to the target, unemployment remains close to its current low levels, nominal and real wages go up and the exchange rate is relatively stable. Loans to non-financial corporations and households increase rapidly, while credit risk indicators remain low (see [Table 2.1](#)).

The *Adverse Scenario* assumes a protracted deep recession and materialisation of credit risk

In the *Adverse Scenario*, escalating geopolitical tensions coupled with protectionist trade policies would exacerbate the existing geopolitical polarisation and cause global supply chains to fragment. This would result in substantial supply and demand shocks, culminating in a global economic downturn. Euro area GDP would decline by 2% and domestic GDP by 5.0% in the second year of the scenario (see [Table 2.2](#)). The situation would temporarily generate inflation pressures, mainly through rising energy

Table 2.1
Key variables in the *Baseline Scenario*

	Actual value	<i>Baseline Scenario</i>					
	2024	2025	2026	2027	2028	2029	2030
Macroeconomic variables (y-o-y, averages for year in %)							
Real GDP growth	1.1	2.6	2.6	2.9	2.7	2.6	2.5
Inflation rate	2.5	2.6	2.3	2.5	1.7	1.9	2.0
Unemployment rate according to ILO	2.7	2.8	3.0	2.9	2.9	2.8	2.7
Nominal wage growth	8.3	6.6	5.6	5.1	4.7	4.6	4.6
EA real GDP growth	0.3	0.4	0.9	1.5	1.3	1.2	1.2
Growth in loans (y-o-y, averages for year in %)							
Non-financial corporations	6.9	5.6	4.6	5.0	6.1	5.9	5.7
Households for house purchase	4.0	7.2	9.3	9.3	8.9	8.4	7.8
Households for consumption	8.3	9.5	6.0	4.5	4.3	6.2	5.9
Default rate (PD) (averages for year in %)							
Non-financial corporations	1.3	1.3	1.3	1.2	1.4	1.3	1.3
Households for house purchase	0.8	0.8	0.8	0.8	0.7	0.6	0.6
Households for consumption	3.1	3.1	3.1	3.2	3.2	3.3	3.3
Loss given default (LGD) (averages for year in %)							
Non-financial corporations	32	28	27	27	27	27	27
Households for house purchase	14	14	14	15	15	15	15
Households for consumption	42	43	43	44	44	44	44
Asset markets (averages for year in %)							
3M PRIBOR	5.0	3.4	3.4	3.6	3.4	3.2	3.0
5Y IRS CZK	3.6	3.4	3.5	3.7	3.7	3.7	3.7
5Y Czech GB yield	3.8	3.6	3.6	3.7	3.7	3.7	3.6
3M EURIBOR	3.6	2.1	1.9	2.1	2.3	2.3	2.3
5Y IRS EUR	2.6	2.3	2.2	2.2	2.3	2.3	2.3
Residential property (y-o-y)	5.0	9.8	7.4	4.9	5.0	4.8	4.7
Equities (y-o-y)	14.3	8.0	1.7	3.8	1.2	2.0	0.2

28 The time series of variables for the third and subsequent years of the *Baseline Scenario* and all years of the *Adverse Scenario* were created solely for stress testing purposes. For this reason, neither the *Baseline Scenario* beyond the forecast horizon, nor the *Adverse Scenario* is the CNB's official forecast.

prices. Domestic inflation would rise to 6% in the first half of the scenario but then switch to moderate deflation.

Unemployment would increase to 11%, wage growth would gradually slow and the exchange rate would weaken above CZK 32 to the euro at the end of the scenario. Growth in loans to non-financial corporations would slow considerably but would remain positive due to inflation and revaluation of the foreign exchange debt portfolio at a weaker koruna exchange rate. Growth in loans to households for house purchase would fall towards zero, while growth in loans for consumption would turn negative. Default rates and loss given default would rise for both households and non-financial corporations. From a sectoral perspective, default rates would increase the most – given the nature of the scenario – in export-oriented manufacturing sectors and transport, as well as in construction.

In the *Baseline Scenario*, profits increase and the overall capital ratio rises

The decomposition of the change in the overall capital ratio in the *Baseline Scenario* shows that profit to cover losses together with market risk profit and the decline in risk weights substantially exceeds credit losses, tax payments, the effects of growth in exposures and dividend payments (see [Chart 2.24](#)). Over the test horizon, the capital ratio would rise from an initial 23.1% to 24.3% and would be above the Pillar 1 and Pillar 2 capital requirement (TSCR; see [Chart 2.23](#)) and the overall capital requirement (OCR) by a sufficient margin. The banking sector as a whole and all the individual banks would also remain above the binding 3% leverage ratio requirement by a sufficient margin. The minimum requirements for own funds and eligible liabilities (MREL) would also be met.

The sector would remain profitable and comply with all capital requirements in the *Adverse Scenario* as well

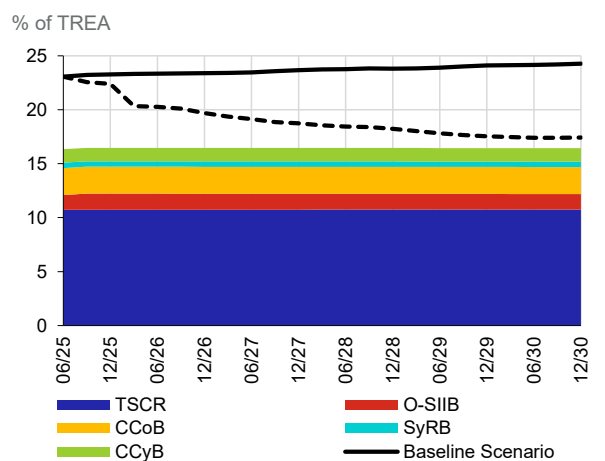
The significant, four-year-long downturn in economic activity in the *Adverse Scenario* would result in a marked decline in the banking sector's pre-tax profit. Even so, it would stay at a solid level of around CZK 60 billion (see [Table 2.3](#)). The drop in profitability would be due to significant materialisation of credit risk and partly market risk. Credit losses would be driven by losses on loans to non-financial corporations and households. Net interest income would have a favourable effect on profitability, mainly due to lower interest expenses, which, amid falling rates, would decline faster than interest income.

The decomposition of the change in the overall capital ratio (see [Chart 2.24](#)) suggests that profit to cover losses would fully cover market risk losses, the increase in risk weights, the increase in exposures and tax payments, as well as the sizeable credit losses. The overall capital ratio would go up from an initial 23.1% to 23.5% over the

Table 2.2
Key variables in the *Adverse Scenario*

	Actual value	Adverse Scenario					
	2024	2025	2026	2027	2028	2029	2030
Macroeconomic variables (y-o-y, averages for year in %)							
Real GDP growth	1.1	2.5	-1.9	-5.0	-4.8	-2.6	2.2
Inflation rate	2.5	2.6	4.1	5.9	2.4	0.1	-0.6
Unemployment rate according to ILO	2.7	2.8	3.4	5.5	8.4	10.6	10.0
Nominal wage growth	8.3	6.4	4.0	3.0	3.8	2.7	1.1
EA real GDP growth	0.3	0.4	-1.5	-2.0	-1.6	-0.9	1.4
Growth in loans (y-o-y, averages for year in %)							
Non-financial corporations	6.9	5.7	6.6	5.5	3.5	1.9	2.2
Households for house purchase	4.0	7.1	7.9	5.4	1.9	0.6	0.0
Households for consumption	8.3	9.5	5.5	3.4	-0.5	-2.5	-2.5
Default rate (PD) (averages for year in %)							
Non-financial corporations	1.3	1.4	2.7	3.7	4.0	3.4	2.8
Households for house purchase	0.8	0.8	0.9	1.5	3.2	5.6	5.5
Households for consumption	3.1	3.2	5.4	7.8	8.3	8.2	7.9
Loss given default (LGD) (averages for year in %)							
Non-financial corporations	32	28	33	36	39	39	38
Households for house purchase	14	14	16	17	18	19	20
Households for consumption	42	43	45	46	47	48	49
Asset markets (averages for given year in %)							
3M PRIBOR	5.0	3.3	2.9	3.5	2.2	1.7	1.2
5Y IRS CZK	3.6	3.3	3.2	3.6	2.8	2.5	2.3
5Y Czech GB yield	3.8	3.5	3.5	4.1	3.4	3.2	2.9
3M EURIBOR	3.6	2.1	3.5	2.6	0.9	-0.6	-0.6
5Y IRS EUR	2.6	2.3	3.0	2.4	1.7	0.6	0.6
Residential property (y-o-y)	5.0	9.4	3.9	-1.3	-3.3	-1.6	-3.3
Equities (y-o-y)	14.3	8.0	-6.2	-23.2	0.8	11.6	0.0

Chart 2.23
Compliance with capital requirements by the banking sector



scenario horizon but would decrease to 17.4% after dividend payouts are taken into account. Overall, the sector as a whole would comply with all the capital requirements even in these conditions (see [Chart 2.23](#)).

At the individual level, however, two systemically unimportant banks would breach the TSCR due to their specific business models and would need a capital injection of CZK 2.0 billion to replenish the buffer. The banking sector as a whole and all the individual banks would remain above the binding 3% leverage ratio requirement by a sufficient margin. As for compliance with the MREL, the significant rise in the TREA in the *Adverse Scenario* would generate a need to replenish the MREL with both own funds and eligible liabilities totalling 1.9% of the TREA.

Additional sensitivity analyses

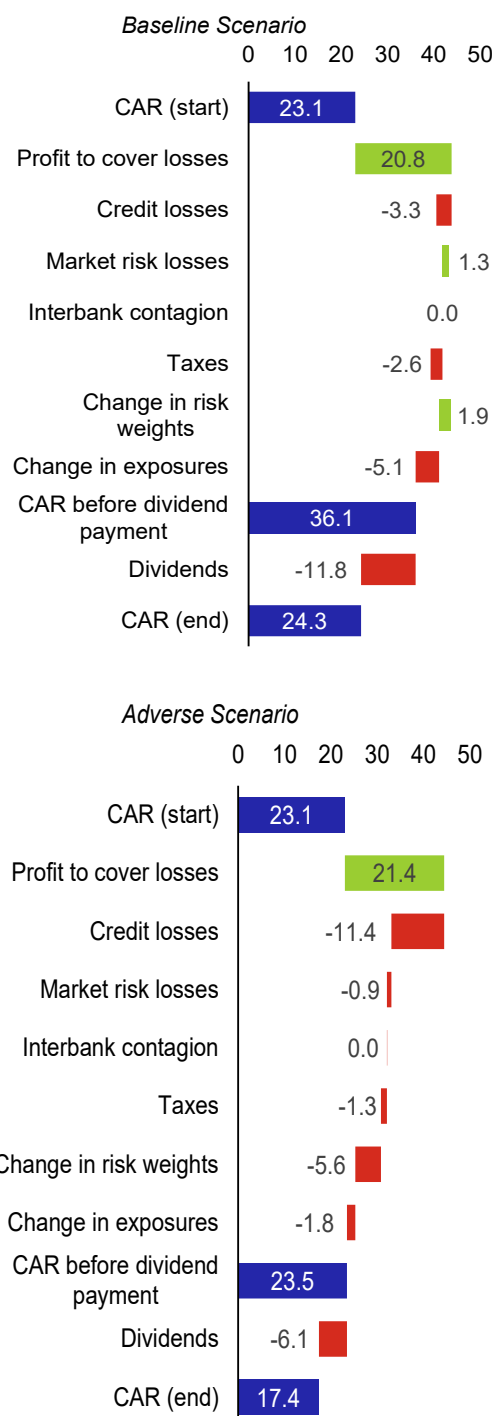
On top of the stress test, two independent sensitivity analyses were conducted to quantify the size of the losses stemming from selected adverse shocks in the domestic economy. The first is an analysis of the failure of the five largest non-financial corporation borrowers of each bank. The share of exposures to the five largest borrowers in total exposures is 10.4% at the aggregate level and has been relatively stable over the past five years. However, in part of the sector, primarily in the smallest banks, the concentration of exposures to the five largest borrowers is considerably higher – as high as 100% in some cases.²⁹

The aggregate losses expressed as the difference between the residual value of the exposure and the value of the collateral amounted to CZK 83 billion. This corresponds to a 2.7 pp decline in the capital ratio. Compared with the results of the analogous analysis in the past five years, this decline is slightly larger due to a falling value of collateral and a modest rise in total exposures to the five largest borrowers.

The second is an analysis of a 25% depreciation of the Czech koruna against the euro to around CZK 31 to the euro, at which level the exchange rate would stay for five years. The sharp depreciation would increase the probability of default of non-financial corporations, which have a large proportion of their loans in euros. However, foreign currency loans are very often backed by natural and financial hedging, which would absorb the impacts of the koruna's sharp depreciation. The default rate would therefore go up only slightly and the ensuing credit losses would run to approximately CZK 9.1 billion, or 0.3 pp of the overall capital ratio.

Chart 2.24
Decomposition of the change in the banking sector's overall capital ratio in the scenarios

pp; CAR = overall capital ratio; items increasing the capital ratio are shown in green and items reducing it are shown in red



²⁹ In five small banks, the value of the collateral exceeds that of the exposure, offsetting their higher concentration.

Table 2.3
Impact of the scenarios on the banking sector

	Actual value	Baseline Scenario						Adverse Scenario					
	2024	2025	2026	2027	2028	2029	2030	2025	2026	2027	2028	2029	2030
Items in P/L statement and OCI (CZK billions)													
Profit to cover losses*	114.2	114.0	110.3	122.1	127.9	134.9	144.2	118.1	145.1	155.6	148.7	145.4	145.1
Credit losses	-1.7	-4.1	-18.2	-19.6	-20.7	-21.8	-23.0	-5.8	-84.0	-93.3	-93.5	-85.5	-60.9
in stages 1 and 2		-1.1	-2.8	-2.9	-1.7	-1.9	-1.9	-1.8	-51.6	-35.8	-10.9	7.3	32.0
in stage 3		-3.4	-15.3	-16.8	-19.0	-19.9	-21.1	-4.5	-32.5	-57.4	-82.6	-92.8	-92.8
Profit from market risks (P/L)	13.1	7.7	0.3	0.5	0.5	0.5	0.0	8.0	-2.4	-2.6	0.9	0.1	0.4
Pre-tax profit	130.7	117.2	92.4	103.0	107.6	113.6	121.1	119.8	58.7	59.7	56.1	60.0	84.6
Profit from market risks (OCI)	0.5	6.5	9.1	8.7	8.3	8.4	-0.1	6.6	-12.3	-28.7	3.3	-2.4	1.1
Interbank contagion		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Balance-sheet items (CZK trillions; end of period)													
Assets	9.8	10.4	10.9	11.5	12.2	12.8	13.6	10.4	10.9	11.3	11.7	11.6	11.8
Client loans (net)	4.7	5.1	5.4	5.7	6.1	6.5	6.9	5.1	5.3	5.5	5.5	5.5	5.5
Debt securities holdings	2.1	2.3	2.4	2.6	2.9	3.0	3.4	2.3	2.4	2.7	3.0	2.9	3.0
Regulatory capital	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.7	0.7	0.7	0.7	0.8	0.8
TREA	3.1	3.1	3.2	3.3	3.4	3.5	3.5	3.2	3.4	3.7	4.0	4.3	4.5
TEM	10.4	11.0	11.4	12.0	12.6	13.2	14.0	11.0	11.5	12.0	12.3	12.3	12.4
Regulatory indicators (% as of end of period)													
Overall CAR (% of TREA)	22.6	23.3	23.4	23.7	23.8	24.1	24.3	22.4	19.7	18.7	18.2	17.5	17.4
CET 1 CAR (% of TREA)	20.3	21.1	21.2	21.6	21.8	22.1	22.3	20.2	17.7	16.9	16.5	15.9	15.9
Leverage ratio (% of TEM)	6.2	6.1	6.1	6.1	6.0	5.9	5.8	6.0	5.4	5.3	5.4	5.7	5.8
MREL* (% of TREA)	31.8	32.5	32.6	32.9	33.0	33.3	33.4	31.6	28.4	27.0	26.1	25.0	24.7
MREL* (% of TEM)	9.4	9.3	9.2	9.0	8.9	8.7	8.5	9.1	8.4	8.3	8.4	8.7	8.9
Other													
Dividends for given year*	91.9	76.7	62.3	70.2	74.6	77.3	80.8	162.0	12.5	8.4	18.2	24.9	49.5
Loss rate* (%)	0.0	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3	-0.1	-1.6	-1.7	-1.6	-1.5	-1.0
RoA* (%)	0.8	0.9	0.7	0.8	0.8	0.8	0.8	1.0	0.5	0.5	0.4	0.5	0.6

* Profit to cover losses represents pre-tax profit adjusted for credit losses and market risk losses. Credit losses (with a minus sign) represent impairment losses due to credit risk. If loss allowances are released, the figure is shown with a plus sign. The MREL is the sum of own funds and eligible liabilities. The loss rate is calculated as credit losses divided by gross average client loans. The dividend for 2024 equals capital earmarked for dividend payouts for 2024. In subsequent years, dividends are paid after the capital requirements and the minimum requirements for own funds and eligible liabilities (MREL) are met. In the *Baseline Scenario*, a dividend equal to the average payout ratio over the last ten years is paid from current accounting period profit. In the *Adverse Scenario*, the maximum possible dividend is paid from current and previous accounting period profit after the capital requirements and the minimum requirements for own funds and eligible liabilities (MREL) are met. RoA is calculated as after-tax profit divided by average assets for the period.

3 MACROPRUDENTIAL POLICY

Pursuant to Article 2 of the Act on the CNB, the CNB maintains financial stability and sees to the sound operation of the financial system in the Czech Republic. In conformity with its [Strategy](#) and an ESRB recommendation,³⁰ it focuses on the fulfilment of intermediate objectives reflecting the existence of different sources of systemic risk and their own transmission mechanisms. To achieve these objectives, it conducts macroprudential policy. To this end, it uses a set of macroprudential instruments focused mainly on the banking sector. In its work, the CNB always carefully takes into account the [specific conditions](#) in the Czech Republic.

Four capital buffers (see [section 3.1](#)) and borrower-based measures (upper limits on credit ratios) are used to mitigate systemic risks in the Czech Republic. Mortgage lenders are also recommended to take other rules into account (see [section 3.2](#)).

3.1 CAPITAL INSTRUMENTS

3.1.1 Summary of the CNB's macroprudential policy capital instruments

Four capital buffers have been set in the Czech Republic

When setting capital buffers, the CNB reflects the extent and expected evolution of the structural and cyclical risks faced by the domestic banking sector. As of December 2025, these risks were covered by a combined capital buffer of 4.25–6.75% (see [Table 3.1](#)). The average combined buffer rate (CBR) of domestic banks was 5.6% as of mid-2025. The average CBR for systemically important institutions was 5.9%. This corresponds to the 77th percentile of the CBR for systemically important institutions in the EU (see [Chart 3.1](#)).³¹

Since 2025, the CNB has been evaluating on an ongoing basis whether risks are being double counted due to the phase-in of the output floor under CRR3 (see [section 2.1](#)). The CNB's approaches to calibrating the relevant capital buffers take into account whether the risk-weighted capital requirements increase for any domestic bank as a result of the output floor.

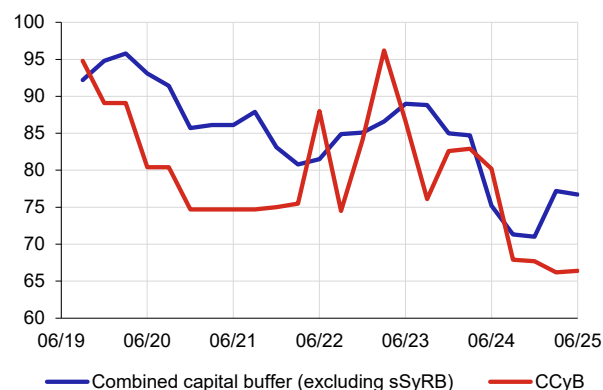
If necessary, the CNB may also increase the absolute capital requirements by applying regulatory instruments to affect risk weights.³² However, based on an assessment (see [section 2.1](#) and [section 3.1.3](#)), it did not find the use of these instruments justified.

Table 3.1
Summary of capital buffers in the Czech Republic

Capital buffer	Settings as of December 2025	Change compared to FSR – Spring 2025
Capital conservation buffer (CCoB)	2.50%	not set by CNB
Countercyclical capital buffer (CCyB)	1.25%	unchanged
Other systemically important institutions buffer (O-SIIB)	0.50–2.50%	change to list of O-SIIs
Systemic risk buffer (SyRB)	0.50%	unchanged

Chart 3.1
Comparison of buffer rates of domestic and European systemically important institutions

percentiles; the sample contains 183 European systemically important banks at the individual level; in the case of domestic O-SIIs, the chart shows the weighted average combined capital buffer/CCyB rate weighted by risk-weighted exposures; the sectoral SyRB does not enter the comparison due to its different calculation base; source: ESRB



³⁰ See the [ESRB Recommendation](#).

³¹ The sample contains 183 European systemically important banks at the individual level.

³² Articles 124, 164 and 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR3).

The usability of capital buffers may be reduced by overlaps between instruments

The CNB regularly analyses the overlaps between the capital buffers and the parallel capital requirements³³ (the leverage ratio and MREL), as the existence of overlaps could in certain circumstances limit the use of the buffers. As of mid-2025, overlaps concerned 12 banks and amounted to CZK 58 billion. There were overlaps with the leverage ratio requirement in particular. Larger overlaps with the MREL were recorded for two institutions.

In the first half of 2025, the usability of the combined capital buffer declined from 74% to 66% (see [Chart 3.2](#)). This was due mainly to a decrease in the aggregate risk weights on the exposures of some large banks owing to the implementation of CRR3 (see [section 2.1](#)).

Based on stress tests, the CNB analyses whether the overlaps identified between instruments represent a major disruption to the usability of the capital buffers for absorbing losses or, if released, for supporting lending to the economy. The results of the analyses³⁴ indicate that most of the overlaps would not lead to an actual reduction in the effectiveness of macroprudential policy in the event of adverse developments.

3.1.2 Capital buffers aimed at structural systemic risks

One institution was removed from the list of O-SIIs; the O-SIIB rates for the remaining institutions remained unchanged

In September 2025, the CNB conducted a review of the systemic importance of institutions operating in the Czech Republic and assessed the O-SIIB rates. For 2026, it identified six institutions (see [Chart 3.3](#)), accounting for around 85% of the total assets of the domestic banking sector, as systemically important. PPF Financial Holdings was removed from the list of O-SIIs due to a decrease in its score.

The O-SIIB rate for Česká spořitelna was left at 2.5% based on a supervisory assessment. The rates for ČSOB and Komerční banka remained lower than the CNB's evaluation methodology would imply, due to the cap on buffer rates for subsidiaries stipulated in EU legislation.

Chart 3.2
Usability of the combined capital buffer

CZK billions; right-hand scale: % of CBR

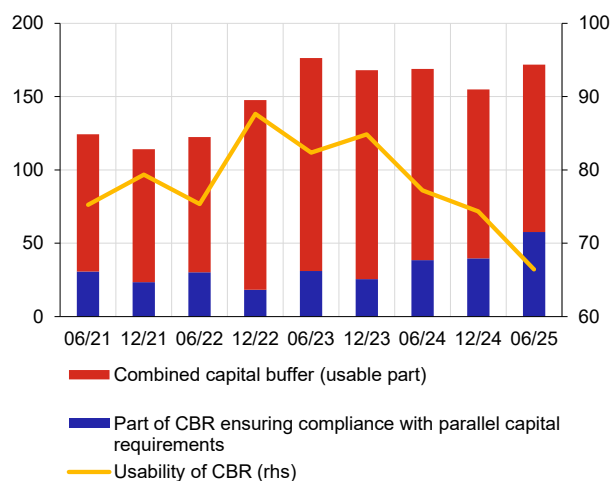
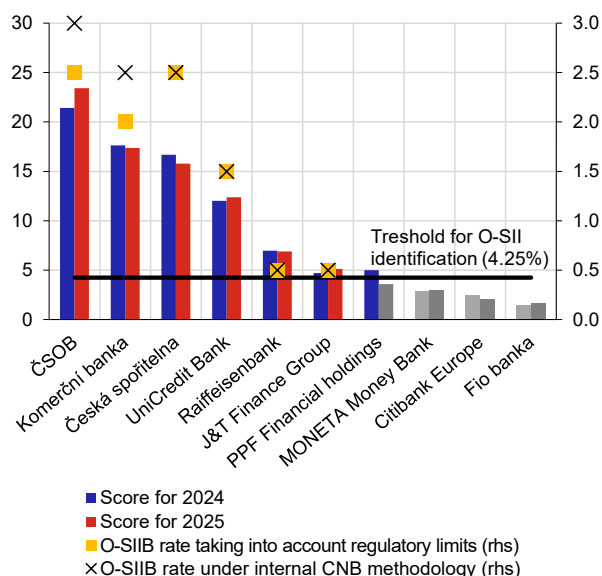


Chart 3.3
Systemic importance scores and O-SIIB rates

score in %; right-hand scale: rate in %; the regulatory limit means a limit of 1 pp above the O-SIIB or G-SIIB rate of the parent institution



³³ Under the current legislation, banks may use the combined capital buffer to meet the leverage ratio requirement and, in certain circumstances, to meet the MREL. This gives rise to overlaps between these requirements and the buffers (for details see *Thematic Articles on Financial Stability* [6/2020](#) and [2/2022](#)).

³⁴ *Financial Stability Report – Spring 2025* (section 4.1) describes the evolution of overlaps in the *Adverse Scenario* of the stress tests, where some overlaps decrease due to increasing risk weights and some may materialise, thus limiting the actual usability of the buffers.

3.1.3 The countercyclical capital buffer

The CNB Bank Board decided to leave the CCyB rate unchanged at 1.25%

In its decision, the Bank Board took into account the current and expected economic situation, the quality of banks' loan portfolios, the results of quantitative methods for determining the CCyB rate, stress test results and the configuration of other macroprudential instruments. The Bank Board agreed that both new and existing cyclical systemic risks are at levels sufficiently covered by the current CCyB rate. At the same time, it stated that the observed elevated cyclical risks continue to stem mostly from the household segment and the housing market. The projection does not expect them to strengthen significantly further over the outlook horizon.

However, the outlooks are subject to many uncertainties and the CNB stands ready to increase the CCyB rate if the economy continues to move into the growth phase of the financial cycle. Conversely, should the economic situation worsen markedly and significant unexpected cyclical credit losses form in the domestic banking sector, the CNB is prepared to lower the rate significantly or release the buffer fully in order to foster smooth lending to the real economy.

The Czech economy moved further into the growth phase of the financial cycle

New cyclical risks, as expressed by the financial cycle indicator (FCI), increased further in 2025 Q2 and Q3. The preliminary FCI value was 0.13 in September 2025 (see Chart 3.5). It should stay close to this level at the one-year horizon if the forecast and the related projections materialise. According to an indicative conversion of the FCI values into the CCyB rate, these new risks should be covered by a rate of 0.75% (see Table 3.1 CB), i.e. 0.25 pp higher than in the previous assessment (see Chart 3.6).

The growth in the FCI was driven mainly by pure newly negotiated loans to households (see Chart 3.1 CB and Chart 1.17), the ratio of which to gross disposable income now exceeded its long-term average (see Chart 1.20). Loans drawn by non-financial corporations, which rose faster than assumed in the summer projection, were another important factor (see Chart 3.2 CB). Growth in the FCI was also fostered by developments in the housing market (see section 1) and a rise in the bank loan debt ratio. This ratio was almost 50% of gross disposable income for households and more than 74% of gross operating surplus for non-financial corporations (see Chart 3.7).

Chart 3.4

Pending and applicable CCyB rate in the Czech Republic

% of total risk exposure

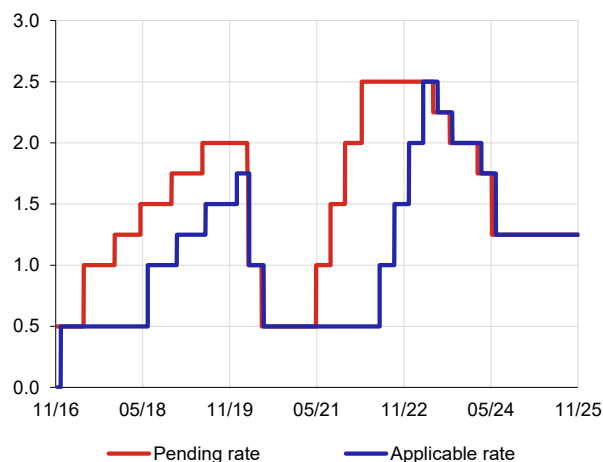


Chart 3.5

Financial cycle indicator

0 minimum, 1 maximum; the projection is based on the CNB's autumn forecast (MPR – Autumn 2025); source: CNB, CZSO

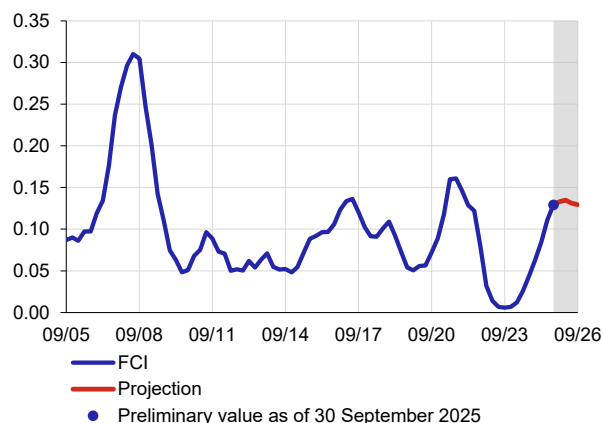
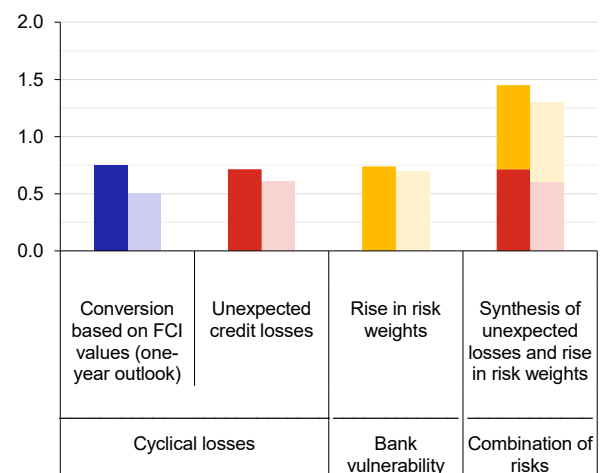


Chart 3.6

CCyB rate covering financial cycle effects monitored

% of total risk exposure; light columns indicate figures from the previous assessment (September 2025)



The FCI is expected to peak at the one-year horizon and decline gradually in the second half of 2026. A projection based on the CNB's autumn forecast expects growth in newly accepted cyclical risks to slow, due mainly to no further acceleration in credit growth in the household and non-financial corporations sectors amid generally improving economic conditions (see [section 1](#)).

Credit risk materialisation remained low

The 12-month default rates of loans to non-financial corporations and loans to households for consumption dropped further in mid-2025, approaching the historical lows recorded in 2022 (see [Chart 1.22](#)). In the case of loans to households for house purchase, the rate increased slightly but remained well below its long-term average. The quality of loan portfolios is helping to maintain the banking sector's relatively high resilience even to the adverse developments considered in the macro stress test (see [section 2.3](#)).

The capital requirement for unexpected losses and cyclical growth in risk weights increased

The estimated unexpected cyclical credit losses arising from the materialisation of systemic cyclical risks were CZK 22.1 billion, up CZK 3.4 billion compared with the previous assessment. The CCyB rate to cover these losses rose to 0.71% (see [Chart 3.6](#)). The 0.11 pp growth in the unexpected cyclical losses component was due primarily to a rise in the estimated maximum losses and a simultaneous drop in provisions in the banking sector in 2025 Q2.

The capital needed to cover the potential increase in risk weights under a highly adverse scenario amounted to CZK 22.9 billion because of growth in the projected probability of default and loss given default, which corresponds to a CCyB rate of 0.74% (see [Chart 3.6](#)). This represents an increase of 0.05 pp compared to the previous assessment, caused mainly by a higher projected probability of default.

The rate is in the middle of the European distribution

The CCyB rate for exposures located in the Czech Republic is currently not far from the rates in other EEA countries, which most often range between 1% and 1.5% (see [Chart 3.8](#)). Many countries have raised their rates in recent years in response to the introduction of a positive neutral CCyB rate, and some are continuing to do so. Five EEA countries have not set a CCyB rate.

Chart 3.7

Ratio of outstanding bank loans to nominal income

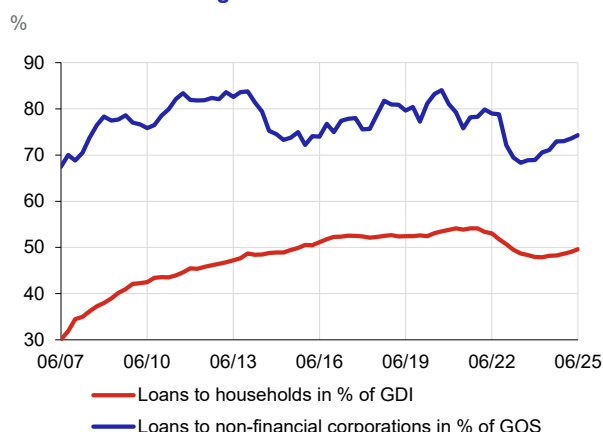
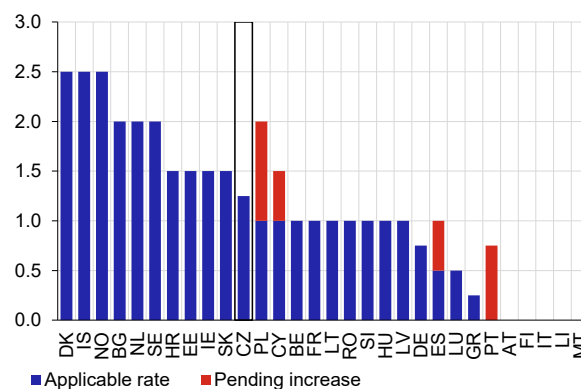


Chart 3.8

CCyB rates in selected European countries

% of total risk exposure; values as of 31 October 2025; source: ESRB



3.2 CREDIT INSTRUMENTS AND RISKS ASSOCIATED WITH MARKETS FOR LOANS SECURED BY PROPERTY

3.2.1 Mortgage loans³⁵ and credit ratios

The Bank Board decided to leave the upper limits on the LTV and DTI ratios unchanged and to change selected provisions of the *Recommendation*³⁶

The Bank Board decided to leave the upper limit on the LTV ratio at 80% (90% for applicants under 36 years financing the purchase of owner-occupied housing).³⁷ It also left in place the recommendation that no mortgage loan should exceed an LTV of 100% and that loans with LTVs of over 80% should be assessed very prudently.

The Bank Board also calls on lenders not to circumvent the LTV cap by providing additional loans to finance mortgage applicants' down payments. In connection with this, it extended the *Recommendation* to advise lenders to prudently assess loans arranged by other institutions and to prevent the use of unsecured loans to finance mortgage applicants' down payments.

The upper DTI and DSTI limits remain deactivated. The Bank Board does not expect the level of systemic risks stemming from the mortgage market to increase significantly in the short term beyond the risks already mitigated by the LTV ratio and the accompanying recommendations. The CNB continues to urge lenders to assess very prudently applications for loans with DSTIs of over 40% and DTIs of more than 8 times net annual income. The CNB continuously monitors the characteristics of loans that exceed these limits and assesses their effect on systemic risk.³⁸ If lenders relax their credit standards more significantly, which could result in higher growth in newly negotiated mortgage loans with riskier characteristics, the Bank Board stands ready to reactivate the DTI and/or DSTI limits.

The Bank Board recommends that lenders comply with the new provision no later than from 1 April 2026. It emphasises that the purpose of deferring the date of effect is to allow lenders sufficient time to adjust their internal methodologies and procedures. It simultaneously calls on lenders not to postpone the alignment of their credit standards and not to relax them temporarily in 2026 Q1 in order to arrange a larger volume of loans that do not meet the recommended criteria.

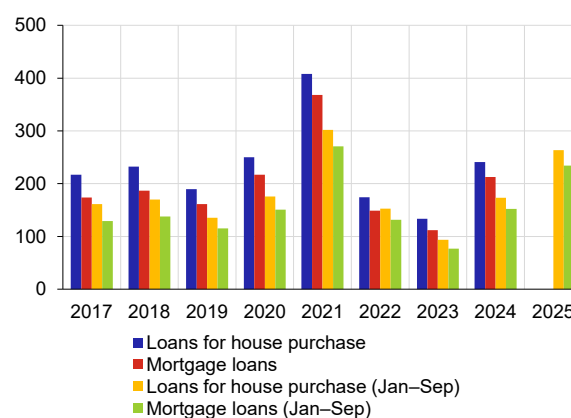
Table 3.2
Summary of macroprudential instruments currently used to mitigate systemic risks arising from the mortgage market

as of November 2025

Instrument	Calibration
Statutory upper limit	LTV of 80% (or 90%) with 5% volume exemption
Prudent limits in <i>Recommendation</i>	DTI of over eight times DSTI of over 40% LTV of over 80%
Upper limit in <i>Recommendation</i>	LTV of 100%
New provisions of <i>Recommendation</i>	Providers of unsecured loans should assess applications with regard to potential circumvention of upper LTV limit Do not provide loans for the purchase of investment property or a third or subsequent residential property with LTV of over 70% and DTI of over 7
Other selected provisions of <i>Recommendation</i>	Stress test borrower's ability to repay loan Do not provide loans with non-standard repayment schedules The term of a housing loan should not exceed the horizon of economic activity of the consumer.

Chart 3.9
Pure newly negotiated bank loans for house purchase

CZK billions; including increases in existing loans; mortgage loans fall within the category of loans for house purchase



³⁵ In this part of the text, a mortgage loan is defined as a consumer loan secured by residential property.

³⁶ Pursuant to the Official Information of the CNB regarding the recommendation on the management of risks associated with the provision of housing loans.

³⁷ [Provision of a general nature on setting upper limits on credit ratios No. 1/2021](#).

³⁸ For details on the assessment see [The CNB's approach to the calibration of borrower-based measures](#).

The mortgage market recovered amid deteriorating affordability of owner-occupied housing

Pure newly negotiated mortgage loans amounted to CZK 234.2 billion in the first three quarters of 2025 (see [Chart 3.16](#)). In terms of their number, the mortgage market stayed close to its long-term average of around 6,300 loans a month (see [Chart 3.17](#)). Apartment and family house transfers financed through mortgage loans accounted for about one-half of the total number of residential property transactions (see [Chart 3.18](#)).

Although the total number of new mortgages returned to its long-term average, the share of mortgages for construction remained below pre-pandemic levels (see [Chart 3.3 CB](#)). Loans for the purchase of existing properties thus remained predominant, supporting growth in their prices (see [Chart 1.10](#)) and contributing to a further deterioration in the affordability of owner-occupied housing (especially in larger cities). The number of net annual incomes needed to purchase a property financed through a mortgage loan rose further due to growing property prices (see [Chart 3.4 CB](#) and [section 1](#)) despite increasing household income (see [Table 3.2 CB](#) and [Table 3.3 CB](#)).

In recent years, systemic risk has been fostered in part by loans for the purchase of investment or recreational property. They have boosted demand for mortgage loans (see [Chart 3.12](#)) and increased the upward pressure on property prices. Borrowers with investment loans are more likely to behave cyclically and their high share in property purchases could exacerbate a property market downturn in an adverse period. In reaction to this, and in order to avert elevated property market volatility with the potential to undermine financial stability in the future, the CNB recommended that lenders apply stricter upper limits on the credit ratios for this type of loan.

The shares of loans with higher DSTIs and DTIs continued to increase

The average size of a newly negotiated mortgage loan increased by 13% year on year to CZK 4.2 million in 2025 Q3 (see [Table 3.2 CB](#)). The median was CZK 3.5 million (see [Table 3.3 CB](#)). This rise was still driven in part by elevated growth in property prices. Mortgage loan rates meanwhile decreased further to 4.6% on average, while 83% of new loans were negotiated with a three-year fixed-rate period. The higher average loan size outweighed the effect of lower interest rates, so the average monthly instalment rose to CZK 23,100.

This was reflected in the share of newly negotiated mortgage loans with DSTIs of over 40%, which reached 58.3% in Q3 (the highest since 2018; see [Chart 3.13](#)). A large part (22.8% of the total volume) consisted of loans with DSTIs of over 50%. A total of 3,100 such loans – amounting to CZK 18.8 billion – were negotiated in that

Chart 3.10

Number of newly negotiated and refinanced mortgage loans

monthly in thousands; refinanced loans are not taken into account in the chart

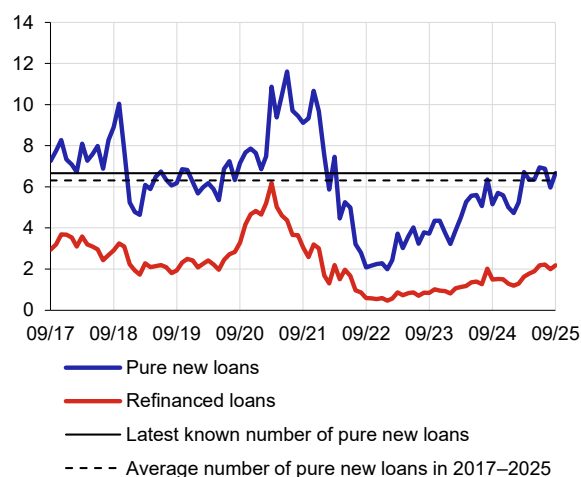


Chart 3.11

Share of apartment and family house transfers financed using mortgage loans

% of total number; half-yearly moving averages; calculated as the ratio of the number of pure new loans for purchasing property according to the *Survey* to the number of transactions registered by COSMC; source: CNB, COSMC

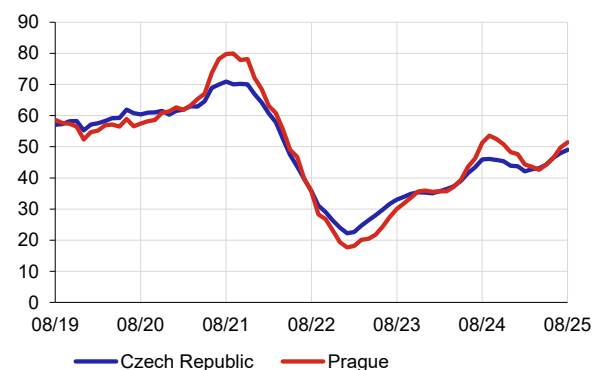
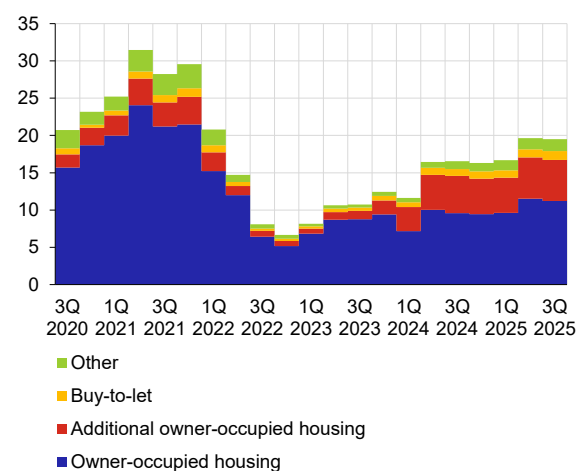


Chart 3.12

Pure newly negotiated mortgage loans by purpose

thousands



quarter. Applicants with DSTIs of over 50% had an average income of CZK 110,000 and an average LTV of 67.4%. At the same time, 83% had additional obligations on top of the mortgage loan.

Almost 45% of loans with DSTIs of over 50% were used to acquire buy-to-let property or additional owner-occupied housing (with an average LTV of 68.3%). The share for loans with DSTIs of up to 50% was 10.6%. Loans with DSTIs of over 60% continued to be negotiated in exceptional cases only (see [Chart 3.6 CB](#)). They totalled CZK 2.9 billion.

The share of loans with DTIs of over 8 times net annual income exceeded 17%. It thus returned to the 2019 level but remained well below the high seen in 2021 (33%; see [Chart 3.14](#)). The rise was due to both a higher volume of loans with DTIs of 8–9 (1,500 loans negotiated in Q3, totalling CZK 9 billion) and continued growth in the volume of loans with DTIs of over 9 (738 loans totalling CZK 5.3 billion). The vast majority of loans with DTIs of over 9 times net annual income were also connected with higher DSTIs.³⁹ At the same time, more than half of the negotiated volume of loans with DTIs of over 9 were buy-to-let loans or loans for additional owner-occupied housing.

The share of newly negotiated mortgage loans with LTVs of over 80% also rose slightly, reaching 18.8% in 2025 Q3 (see [Chart 3.15](#)). More than two-thirds were loans with LTVs of 90% negotiated with applicants under 36 years. Loans with LTVs of over 90% were still very rare and, in accordance with the CNB's recommendation, no loans with LTVs of over 100% were negotiated (see [Chart 3.9 CB](#)).

The statutory 5% volume exemption permitting the upper LTV limit to be exceeded remained largely unused in 2025 Q3. The share of loans falling under the volume exemption fell compared with the previous quarter to 1.5% (see [Chart 3.8 CB](#)). A total of 309 mortgage loans, amounting to CZK 1.6 billion, were negotiated under the volume exemption.

The exemption was taken up primarily by applicants aged 36 or over with an average net monthly income of CZK 97,700 and average DTIs and DSTIs of 5.8 times annual income and 39.5% respectively. More than a quarter of the volume of loans negotiated under the exemption were buy-to-let loans or loans for additional owner-occupied housing.

Systemic risks remain stable

The CNB has long recommended that mortgage lenders pay increased attention to loans with DSTIs of over 40%, DTIs of over 8 and LTVs of over 80%, and regularly stress test borrowers with these loan characteristics. Special

Chart 3.13

Pure newly negotiated mortgage loans with DSTIs of over 40%

share of loans in newly negotiated volume in given quarter in %

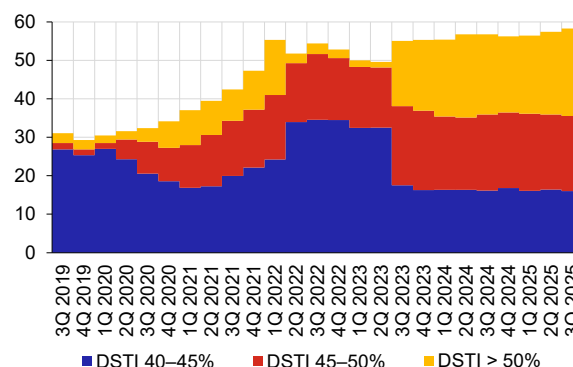


Chart 3.14

Pure newly negotiated mortgage loans with DTIs of over 8

share of loans in newly negotiated volume in given quarter in %

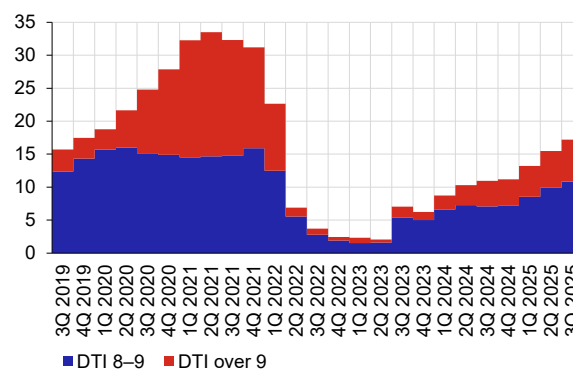
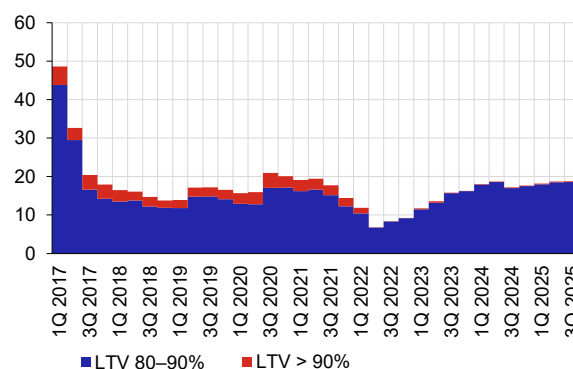


Chart 3.15

Pure newly negotiated mortgage loans with LTVs of over 80%

share of loans in newly negotiated volume in given quarter in %; the chart provides information on current changes in risks taken on from the LTV perspective, not on formal (non-)compliance with the binding rules



³⁹ 95% of loans with DTIs of over 9 negotiated in 2025 Q3 were also in the category of loans with DSTIs of over 50%.

attention should be paid to loans that simultaneously exceed more than one of the aforementioned limits.

The mortgage market recovery, accompanied by falling interest rates and growth in the average size of negotiated loans (see [Table 3.4](#)), was reflected above all in an increase in the volume of loans with DSTIs of over 40% and DTIs of over 8, as well as DSTIs of over 50% and DTIs of over 9 (see [Chart 3.16](#)). These loans accounted for about 17.2% and 6.2% respectively of the total volume of new mortgages, i.e. CZK 14.2 billion (2,200 loans) and CZK 5.1 billion (700 loans) respectively. The situation was similar for the share of loans with DSTIs of over 40% and LTVs of over 80%, as well as DSTIs of over 50% and LTVs of over 80%, which rose, respectively, to 10.5% (1,600 loans totalling CZK 8.7 billion) and 3.3% (400 loans totalling CZK 2.7 billion) of quarterly lending. A significant proportion (48.4% and 27% respectively) of the negotiated volume of loans with DSTIs of over 50% and DTIs of over 9 or LTVs of over 80% were buy-to-let loans or loans for additional owner-occupied housing.

Despite having worsened slightly (see [Chart 3.17](#)), the prudent housing affordability indicator⁴⁰ still does not signal a broad-based easing of credit standards, as its median value remained negative in 2025 Q3. This reflects the fact that mortgage loans around the median were sufficiently collateralised. Their average LTV was 66.7% and their average DSTI 37.1%. Partly due to rising demand for buy-to-let loans and loans for additional owner-occupied housing, the riskier segment of negotiated mortgage loans (the 90th percentile of the indicator) rose slightly, with the average DSTI and DTI reaching 54.1% and 7.4 respectively, with an average LTV of 76.1%.

Overall, these figures suggest that higher DSTI and DTI levels are often connected with higher income of applicants and/or lower LTV. Lenders are thus still not relaxing credit standards across the board, as loans with higher income ratios remain conditional on the applicants' income or wealth.

Macrofinancial indicators do not signal the emergence of new systemic risks

Composite risk perception indicators (see [Chart 3.18](#)), which capture housing market stress⁴¹ through selected macrofinancial indicators (see [Charts 3.11a–h CB](#)), point to persisting potential for the emergence of partial systemic risks. The current risks stem mainly from the structural imbalance in the Czech housing market, exacerbated by rising investment demand, and are reflected in a deviation of the price-to-income and price-to-rent ratios (see [Charts 3.11e–f CB](#)) and the loan-to-

Chart 3.16
Pure newly negotiated mortgage loans with risky characteristics

monthly in CZK billions

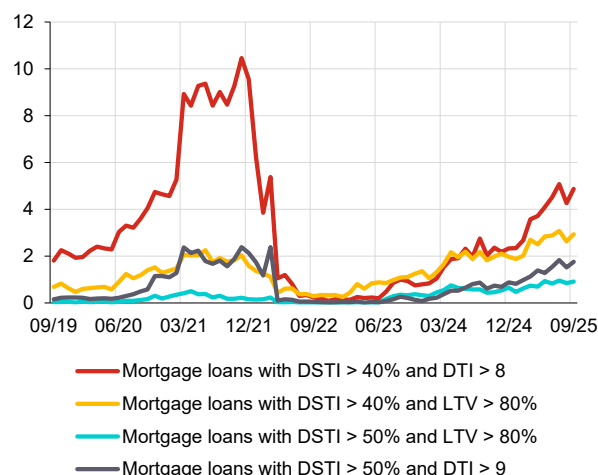


Chart 3.17
Prudent housing affordability indicator for a safe DSTI level of 40%

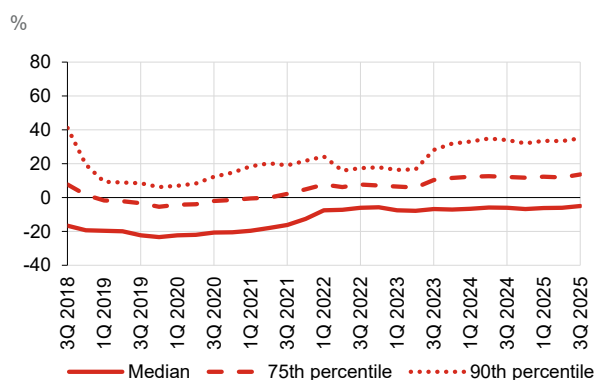
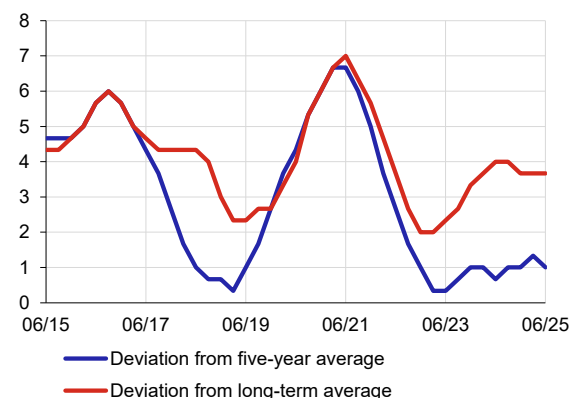


Chart 3.18
Composite risk perception indicators

0 minimum, 8 maximum; number of indicators (see [Chart 3.11 CB](#)) deviating from their averages; the composite indicators are smoothed by the 9-month moving average



⁴⁰ The indicator measures the difference between the price of the property actually purchased and the sum of the down payment and the safely repayable loan size for the specific borrower. A loan with a DSTI of 40% is considered to be safely repayable. Positive values of the prudent housing affordability indicator generally show whether households were negotiating mortgage loans for property purchases in amounts exceeding the sustainable level relative to their incomes in the period under review, thereby potentially exposing themselves to an increased risk of default.

⁴¹ A higher composite indicator value reflects increased market stress.

income ratio (see [Chart 3.11g CB](#)) from their long-term averages. The CNB has long monitored these risks and also reflects them in the level of the upper LTV limit.

Over the horizon of the CNB's autumn forecast, the composite indicators will be affected not only by the aforementioned movements in the ratios, but also by an expected upswing of growth in outstanding consumer credit (see [Chart 3.11a CB](#)). At the same time, however, the forecast expects that the limited room for mortgage rates to fall further will foster a slowdown in pure new mortgage loans and residential property prices over the year ahead (see [section 1](#) and [Charts 3.11 b–c CB](#)).

3.2.2 Risks associated with markets for loans secured by commercial property

The volume of new loans secured by commercial property was flat

The domestic banking sector provided CZK 37 billion of loans to the commercial real estate (CRE) sector in the first half of 2025.⁴² Most of them were used to finance the construction of residential property (see [Chart 3.19](#)). The total volume of new loans is in line with the average over the past 10 years. However, taking into account prices of the various types of commercial property and the increasing amount of outstanding loans secured by CRE, the current volumes are relatively low (see [Chart 3.20](#)). This reflects a gradual decline in loans to finance investment in existing CRE. This area is currently dominated by domestic real estate funds, which finance their investments largely from participants' funds rather than through bank loans. They currently account for around two-thirds of prime market transactions.

The growing role of investment funds as CRE holders may, in certain circumstances, lead to an increase in risks to this sector. However, the relevance of the scenario of an adverse shock leading to liquidity problems in funds, fire sales and sharp price drops is limited in the Czech Republic at the moment, due to the prudent behaviour of domestic funds (see [section 2.2](#)) and the limited size of the domestic CRE segment in their portfolios.

Banks remain cautious in providing loans secured by CRE

Most bank loans secured by CRE are simultaneously used to finance CRE (around 83% in mid-2025). The credit risks associated with them remain relatively low, owing to the prudent approach of banks. This is confirmed by their LTV and DSCR levels (see [Chart 3.21](#) and [Chart 3.22](#)). Some further year-on-year improvement in both ratios towards less risky levels was apparent at the end of 2024.

Chart 3.19
Amount of new loans secured by CRE

CZK billions; I: investment in existing property, C: construction

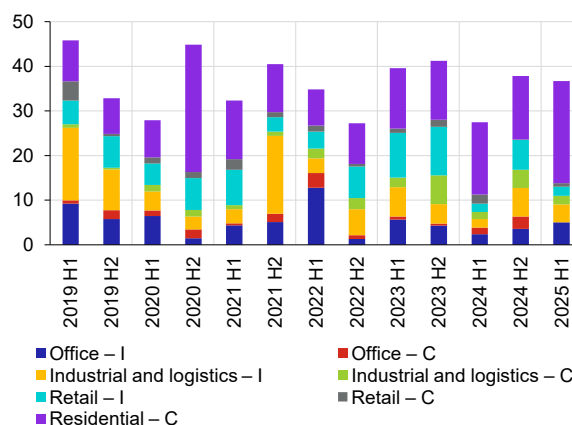


Chart 3.20
Outstanding loans secured by CRE provided by banks to non-financial corporations

CZK billions; I: investment in existing property, C: construction, CRE: commercial real estate

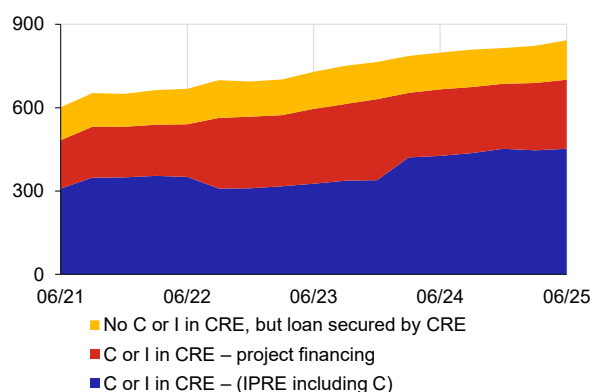
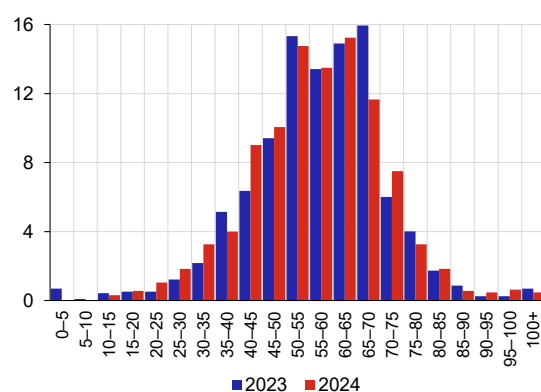


Chart 3.21
LTV distribution of outstanding loans to finance CRE

% of number of loans as of end of given years; x-axis: LTV in %; intervals closed from the left and open from the right



⁴² The results are based on a semi-annual survey of loans secured by commercial property, conducted usually among seven banks covering around 70% of the market. The survey has been conducted since 2015.

Banks continued to apply a prudent approach in the first half of 2025. New loans with LTVs of over 80% were only provided in isolated instances and the share of loans with LTVs of 70–80% was also low (see [Chart 3.23](#)). Banks maintained around the same degree of prudence in terms of LTV in a longer-term comparison (see [Chart 3.12 CB](#)). They also acted prudently overall as regards the DSCR (see [Chart 3.13 CB](#)) and in the case of riskier loans with high LTVs and low DSCRs (see [Chart 3.24](#)).

Chart 3.22

DSCR distribution of outstanding loans to finance CRE

% of number of loans as of end of given years; intervals closed from the left and open from the right

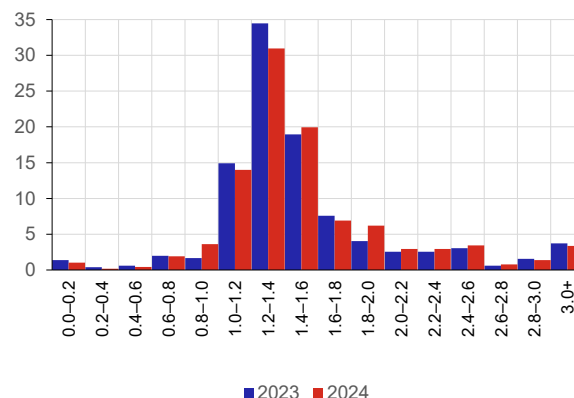


Chart 3.23

LTV distribution of new loans secured by CRE in 2025 H1

CZK billions; x-axis: LTV in %; I: investment in existing property, C: construction; interval closed from the right

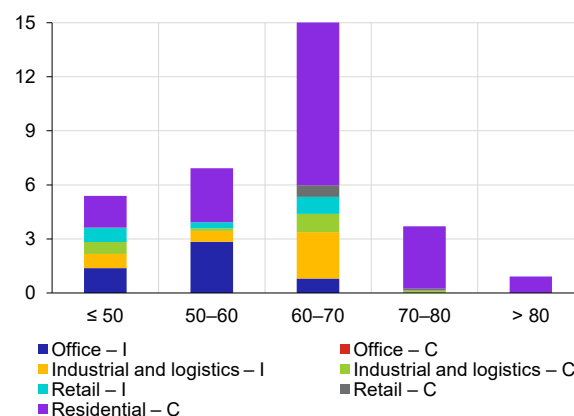
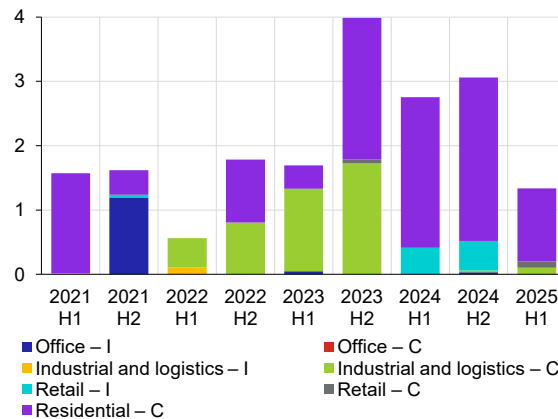


Chart 3.24

Amount of new loans secured by CRE with an LTV of more than 70% and a DSCR of less than 1.2

CZK billions; I: investment in existing property, C: construction; interval closed from the right



CHARTBOOK

Section 1

Chart 1.1 CB

Expected and actual paths of Fed and ECB policy rates

%; source: LSEG

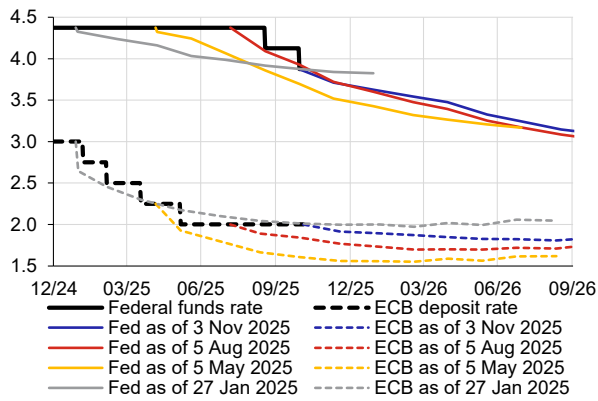


Chart 1.2 CB

Credit default swaps for selected countries

bp; 10-year maturity; source: LSEG

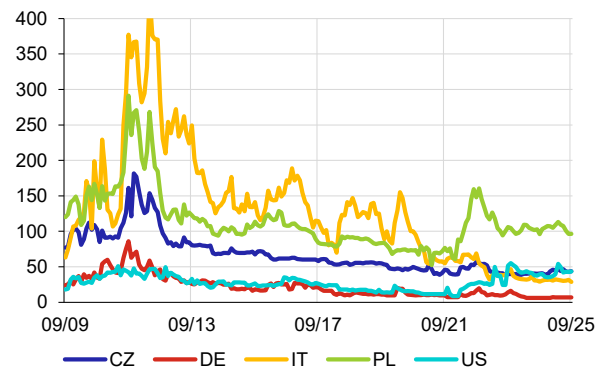


Chart 1.3 CB

Projected public budget balances in selected countries

% of GDP; source: IMF Fiscal Monitor, October 2025

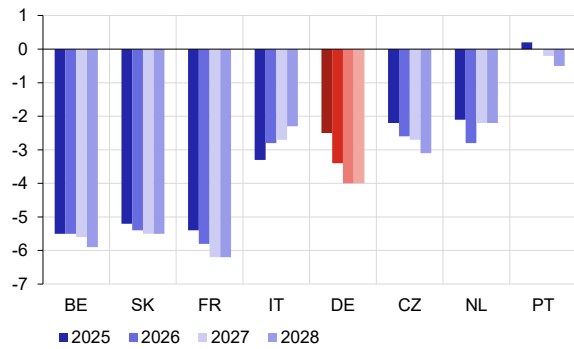


Chart 1.4 CB

Difference in US and German yields

pp; 10-year yield; source: LSEG

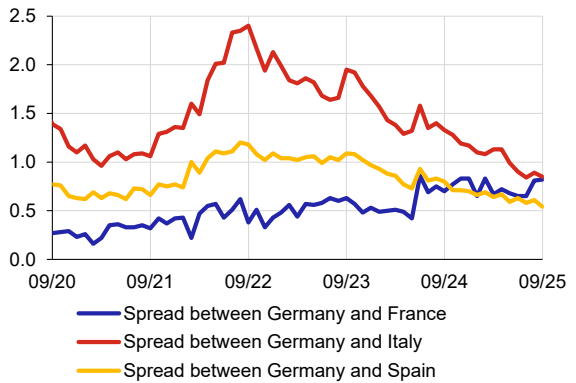


Chart 1.5 CB

Transaction prices by type of property

year-on-year growth in %; source: CZSO, Dataligence/Flatzone, ČSOB

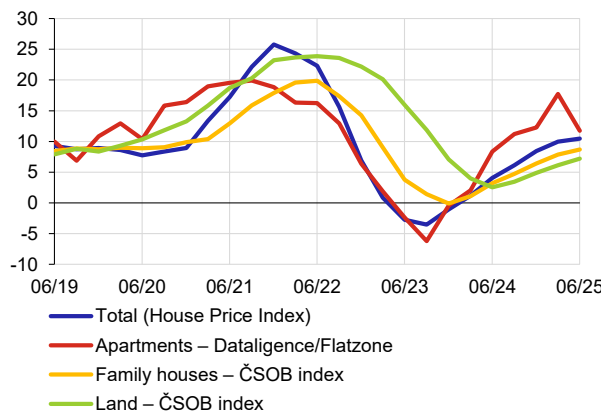


Chart 1.6 CB

Apartment transfers

thousands of transactions; annual moving totals; source: COSMC

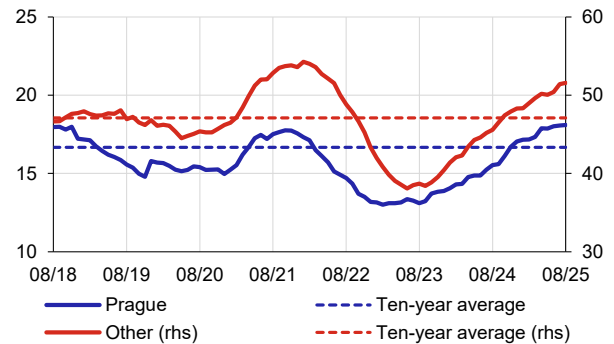


Chart 1.7 CB
Annual rate of sales of existing apartments by district

% of apartment stock in 2021; 2020 Q1–2025 Q3; range of values: 1.04% (lighter) – 4.75% (darker); source: COSMC, CZSO

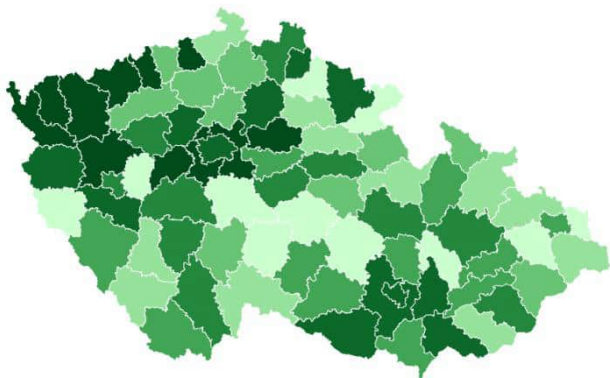


Chart 1.8 CB
Multiple transfers of apartments by district

% of apartment stock in 2021; 2020 Q1–2025 Q3; range of values: 0.14% (lighter) – 1.52% (darker); source: COSMC, CZSO

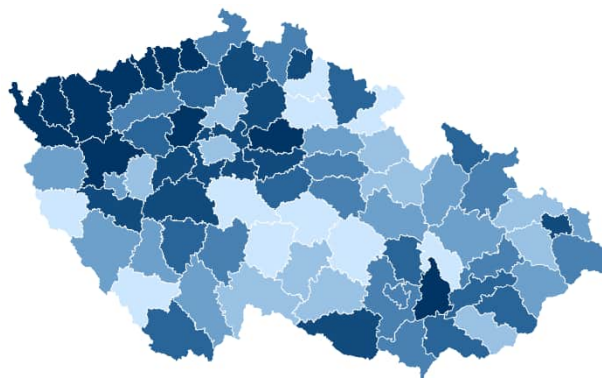


Chart 1.9 CB
Newly completed apartments in 2019–2023

number of apartments per 1,000 inhabitants; average of apartment completions in apartment blocks and family houses in given period; source: Eurostat, EFBS

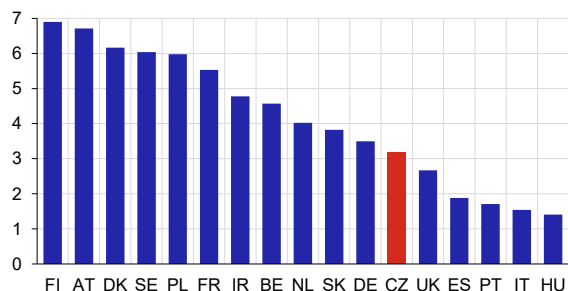


Chart 1.10 CB
Risk premium for yields on commercial property

pp; negative values indicate overvaluation and positive values undervaluation of commercial property



Chart 1.11 CB
Main components of debt of non-financial corporations

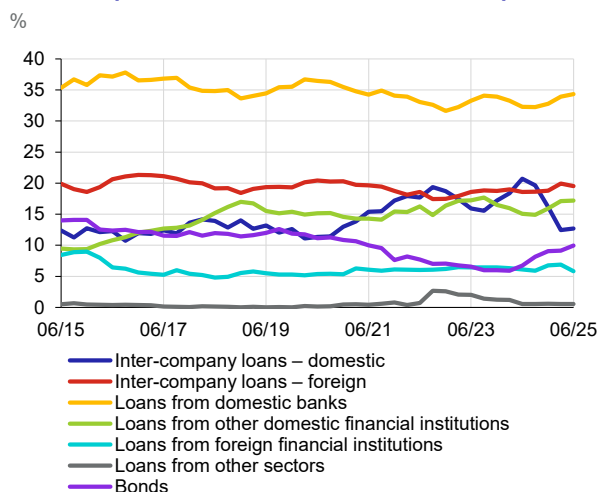


Chart 1.12 CB
Total volume of bonds issued by non-financial corporations by creditor sector

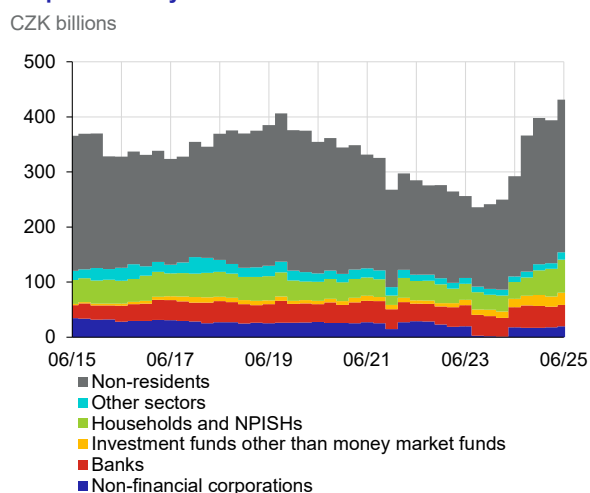


Chart 1.13 CB
Relationship between loans to households for consumption and macroeconomic indicators

2018 = 100

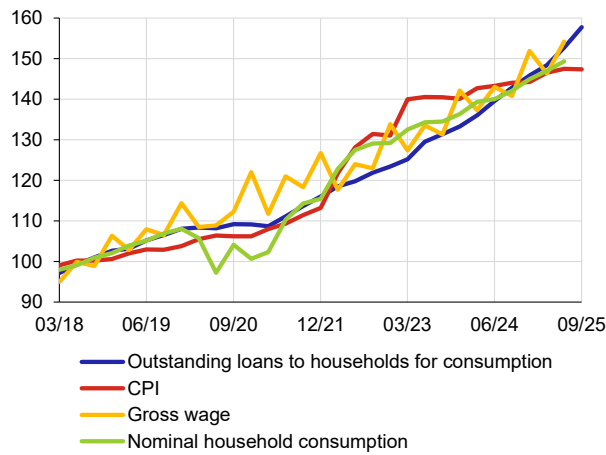


Chart 1.14 CB
Shares of employees and mortgage loan applicants by sector

shares in total number for 2024 in %; the chart only shows sectors where the share of mortgage loans negotiated in the given period exceeds 3% of the total number; source: CNB, CZSO

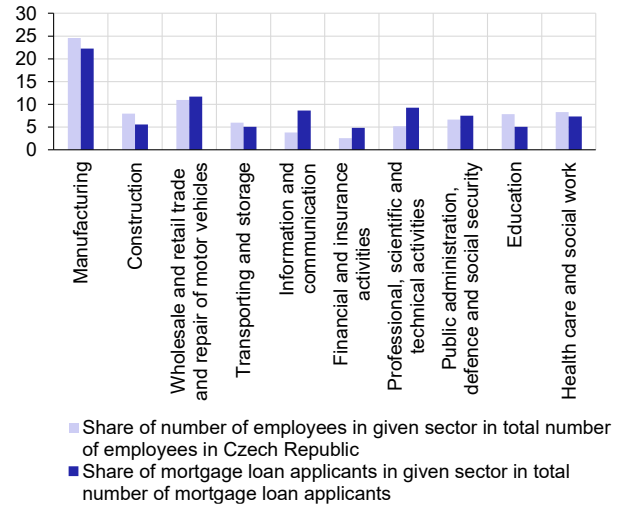


Chart 1.15 CB
General government structural balance

% of GDP; source: CNB, Ministry of Finance of the Czech Republic

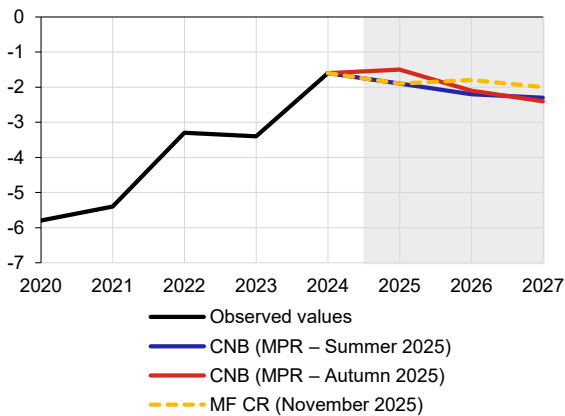


Chart 1.16 CB
Comparison of the SovCISS with selected countries

0 minimum, 1 maximum; higher index values indicate greater market stress; source: ECB, CNB, LSEG

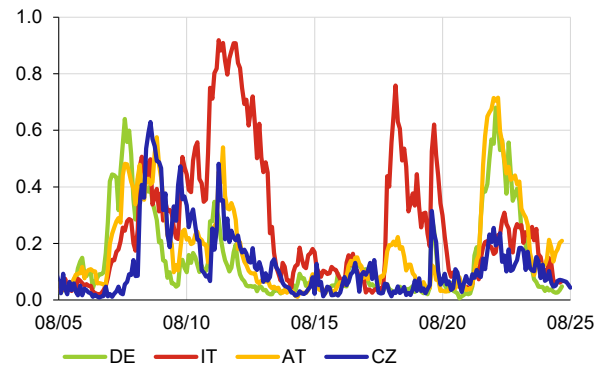


Chart 1.17 CB
New koruna-denominated Czech government bond issue volumes by maturity basket

CZK billions

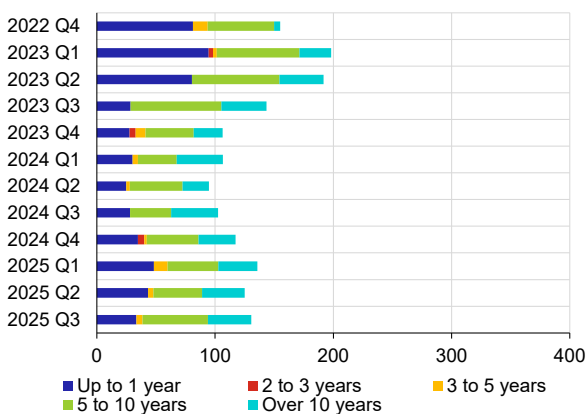
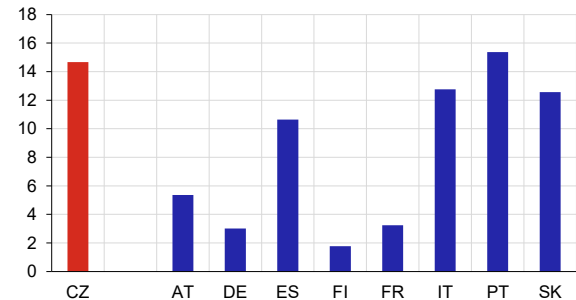


Chart 1.18 CB
Share of government debt in total assets in selected EU countries

%; source: EBA, CNB



Section 2

Chart 2.1 CB
Impairment losses

bp; impairment losses are annualised

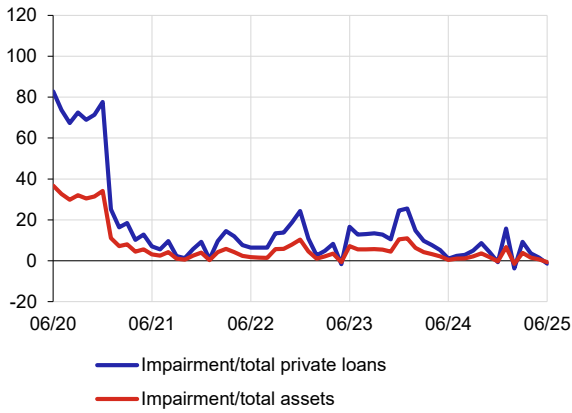


Chart 2.2 CB
Leverage ratio

%; adjusted leverage ratio = Tier 1/total exposures excluding exposures to central banks

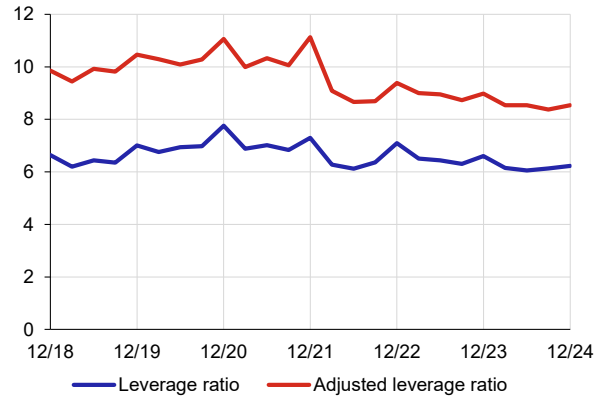


Chart 2.3 CB
MREL recapitalisation amount and loss absorption amount compliance structure

CZK billions

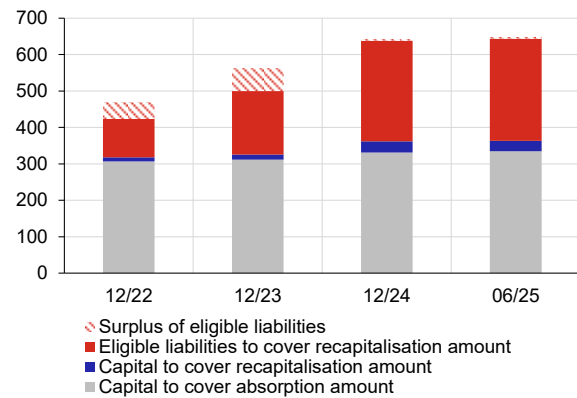


Chart 2.4 CB
Migrations of loans between Stages 1 and 2

CZK billions

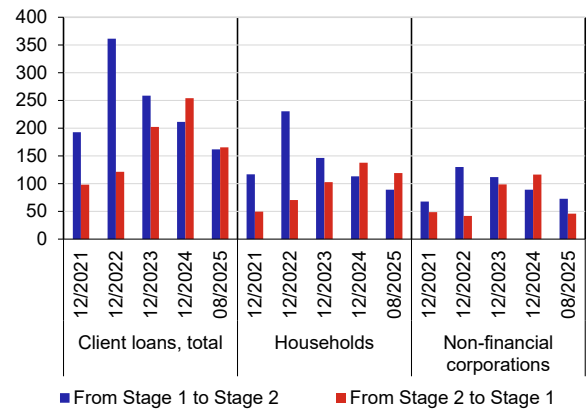


Chart 2.5 CB
Shares of non-performing client loans in selected European countries

%; as of 30 June 2025; source: EBA

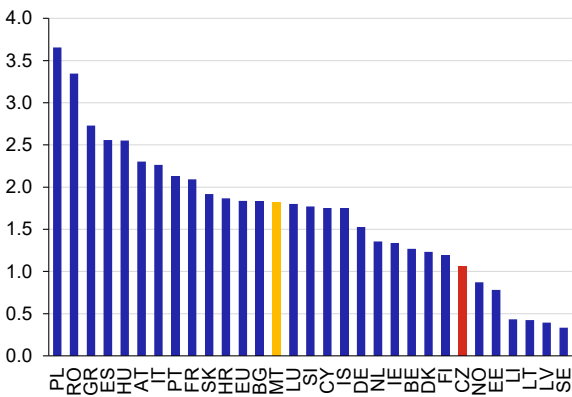


Chart 2.6 CB
Coverage rates of non-performing client loans by provisions in selected European countries

%; as of 30 June 2025; source: EBA

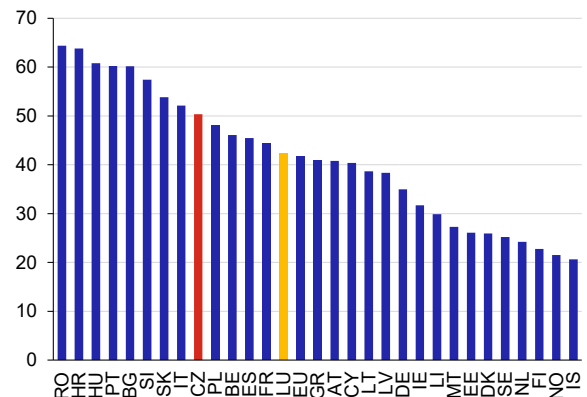


Table 2.1 CB

Exposures, provisions and coverage rates by risk stage in the households segment

Households		Exposures		Provisions		Coverage rate	
Stage	Date	Volume (CZK billions)	Y-o-y change (%)	Volume (CZK billions)	Y-o-y change (%)	Share (%)	Y-o-y change (pp)
Total	12/21	2,165	10.2	30.4	-6.3	1.40	-0.25
	12/22	2,266	4.7	29.4	-3.5	1.30	-0.11
	12/23	2,378	4.9	29.2	-0.4	1.23	-0.07
	12/24	2,525	6.2	28.0	-4.2	1.11	-0.12
	08/25	2,657	7.7	28.1	-3.9	1.06	-0.13
S1	12/21	1,944	8.7	4.2	-0.6	0.22	-0.02
	12/22	1,906	-1.9	3.9	-8.4	0.20	-0.01
	12/23	2,006	5.2	3.8	-2.4	0.19	-0.01
	12/24	2,221	10.7	3.5	-7.1	0.16	-0.03
	08/25	2,409	12.5	3.5	1.1	0.14	-0.02
S2	12/21	188	33.7	8.3	-9.2	4.45	-2.10
	12/22	332	76.8	10.3	23.0	3.09	-1.35
	12/23	342	3.0	10.1	-1.2	2.97	-0.13
	12/24	272	-20.5	8.3	-18.4	3.05	0.08
	08/25	213	-27.4	7.3	-17.9	3.46	0.40
S3	12/21	34	-4.9	17.9	-6.3	53.25	-0.77
	12/22	28	-15.7	15.2	-14.7	53.88	0.64
	12/23	30	5.6	15.3	0.6	51.35	-2.54
	12/24	33	9.0	16.2	5.8	49.86	-1.49
	08/25	35	7.4	17.3	2.4	50.02	-2.45

Table 2.2 CB

Exposures, provisions and coverage rates by risk stage in the non-financial corporations segment

Non-financial corporations		Exposures		Provisions		Coverage rate	
Stage	Date	Volume (CZK billions)	Y-o-y change (%)	Volume (CZK billions)	Y-o-y change (%)	Share (%)	Y-o-y change (pp)
Total	12/21	1,395	3.9	40.7	-8.7	2.92	-0.40
	12/22	1,457	4.4	40.8	0.2	2.80	-0.12
	12/23	1,580	8.4	36.7	-10.2	2.32	-0.48
	12/24	1,654	4.7	35.2	-3.8	2.13	-0.19
	08/25	1,714	4.8	35.7	3.1	2.08	-0.03
S1	12/21	1,145	6.2	4.4	-12.9	0.39	-0.08
	12/22	1,139	-0.5	5.4	21.9	0.47	0.09
	12/23	1,262	10.7	4.9	-8.4	0.39	-0.08
	12/24	1,421	12.6	5.3	7.5	0.37	-0.02
	08/25	1,478	7.6	6.6	34.4	0.45	0.09
S2	12/21	197	-4.8	8.1	-22.0	4.08	-0.90
	12/22	271	37.1	9.6	19.4	3.55	-0.53
	12/23	281	3.8	11.2	16.1	3.97	0.42
	12/24	195	-30.6	9.5	-14.5	4.89	0.92
	08/25	196	-12.2	8.6	-18.7	4.37	-0.35
S3	12/21	52	-8.0	28.3	-3.2	53.93	2.67
	12/22	47	-10.4	25.8	-8.7	54.95	1.02
	12/23	37	-20.2	20.5	-20.4	54.81	-0.14
	12/24	39	3.8	20.4	-0.7	52.44	-2.37
	08/25	40	4.1	20.5	7.2	51.65	1.48

Table 2.3 CB
Leverage ratios of alternative funds based in the Czech Republic

as of 30 June 2025

Quantile	50	75	95	Max	No. of funds
Funds of funds	0.99	1.01	1.59	2.39	51
Real estate funds	1.02	1.20	1.84	17.65	117
Other funds	1.00	1.07	2.10	71.03	415
Private equity funds	0.98	1.12	1.65	1.98	47
Hedge funds	1	1.03	88.46	125.9	7

Chart 2.7 CB
Assets managed by real estate funds

CZK billions

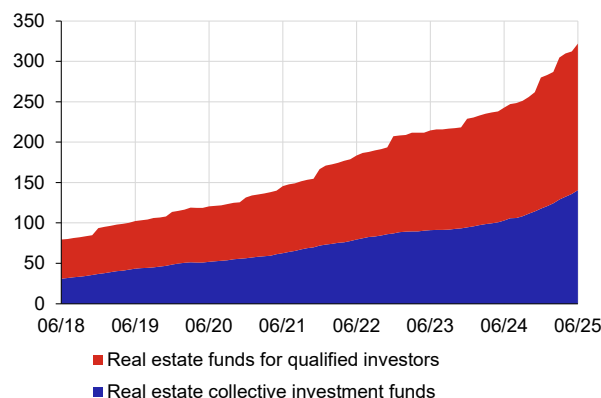


Chart 2.8 CB
Main components of transformed and participation pension funds' investment assets

CZK billions

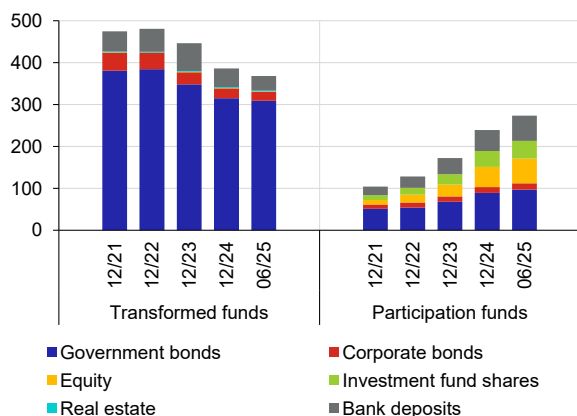


Chart 2.9 CB
Developments in the insurance sector

four-quarter sum; CZK billions; the values are in gross terms, i.e. unadjusted for reinsurers' share

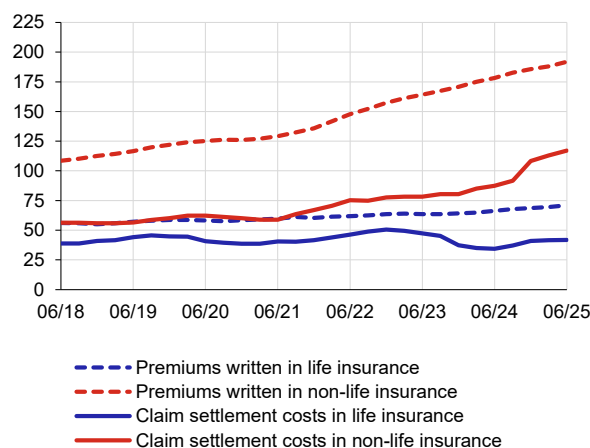


Chart 2.10A CB
Scenarios: real GDP

CZK billions; quarterly data

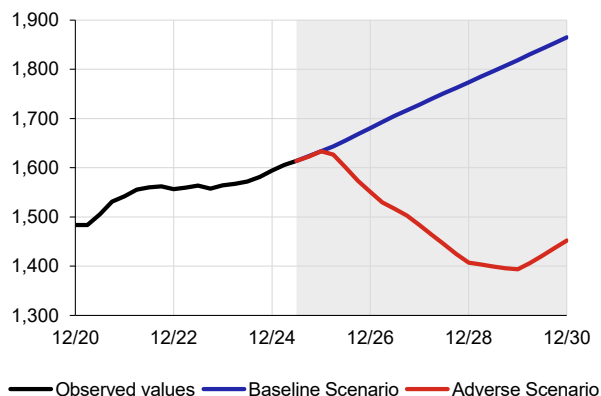


Chart 2.10B CB
Scenarios: unemployment rate

%

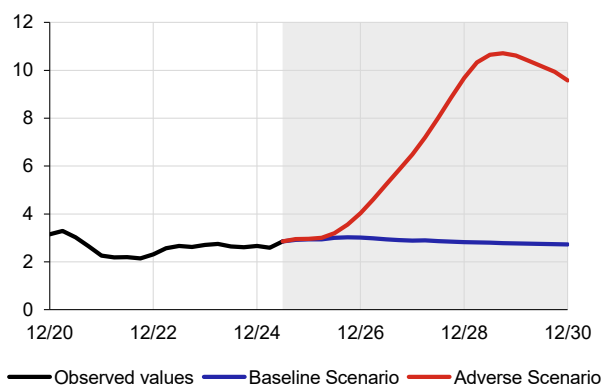


Chart 2.10C CB
Scenarios: inflation

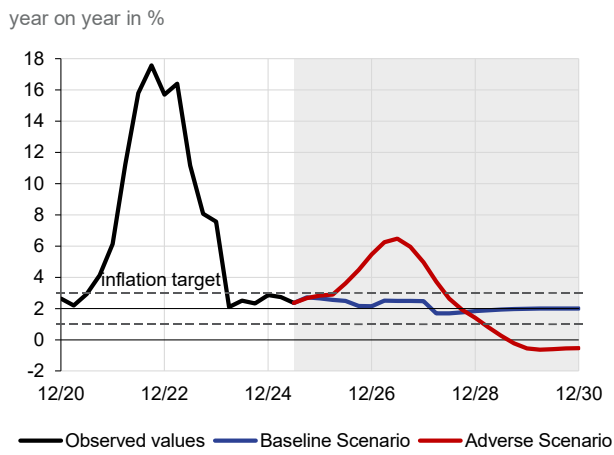
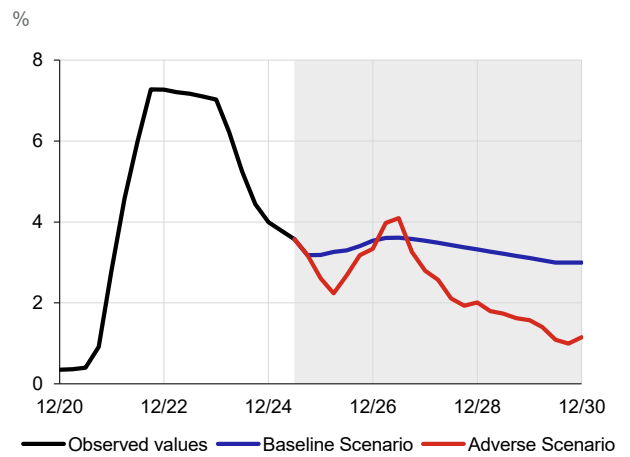


Chart 2.10D CB
Scenarios: 3M PRIBOR



Section 3

Table 3.1 CB
Conversion of FCI values into the countercyclical capital buffer rate

interval in which FCI lies 12 months ahead is indicated in red

Range of FCI values		CCyB rate
from	to	
0.00	0.09	0.00%
0.09	0.10	0.25%
0.10	0.12	0.50%
0.12	0.14	0.75%
0.14	0.16	1.00%
0.16	0.19	1.25%
0.19	0.21	1.50%
0.21	0.24	1.75%
0.24	0.28	2.00%
0.28	0.31	2.25%
0.31	1.00	2.50%

Chart 3.1 CB
Breakdown of the financial cycle indicator

0 minimum, 1 maximum

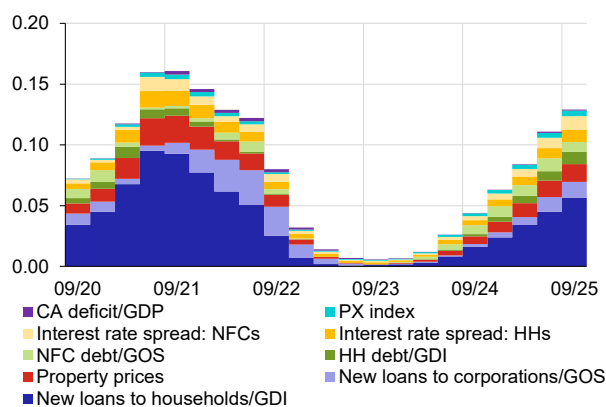


Chart 3.2 CB
Drawdown of loans by non-financial corporations

monthly in CZK billions; drawdown of new loans, including increases in amounts already drawn

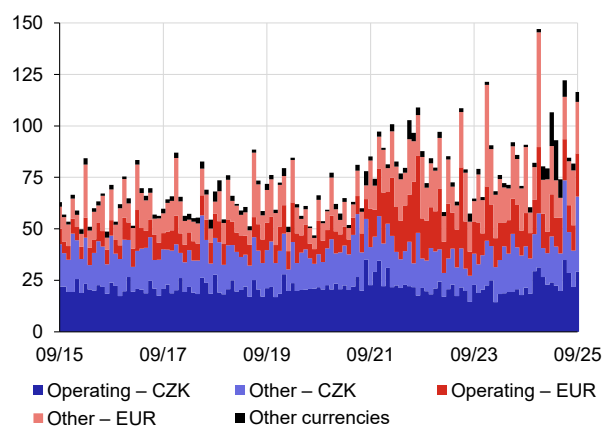


Chart 3.3 CB
Number of pure newly negotiated mortgage loans by purpose

shares in total volume in %

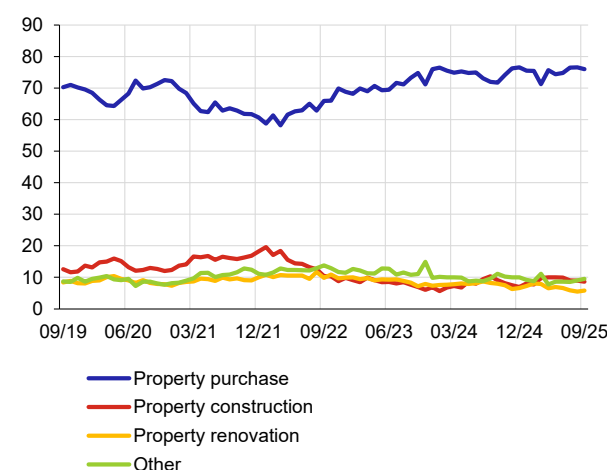


Chart 3.4 CB
Price-to-income ratio

ratio of property price to net annual income; source: CNB, CZSO, Dataligence/Flat Zone

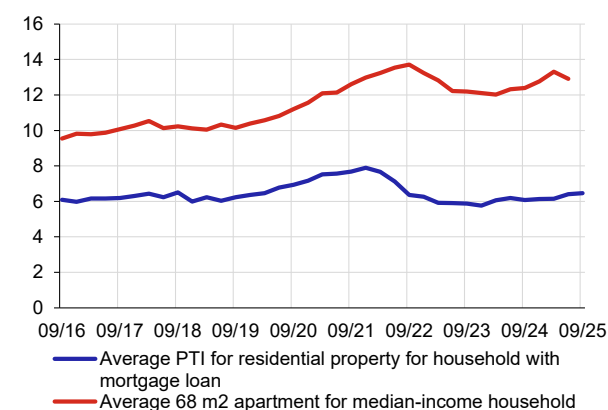


Table 3.2 CB**Average values of the characteristics of newly negotiated mortgage loans and loan applicants**

simple average for given period

	2020	2021	2022	2023	2024	2025		
						Q1	Q2	Q3
Loan size (CZK millions)	2.7	3.3	3.2	3.1	3.6	3.9	4.1	4.2
Interest rate (%)	2.3	2.3	4.7	5.8	5.1	4.8	4.7	4.6
Instalment (CZK thousands)	12.0	15.3	17.4	19.2	21.0	21.8	22.4	23.1
Term (years)	26.2	26.3	26.5	26.2	26.6	26.6	26.7	26.7
Fixed-rate period (years)	6.7	6.1	6.0	4.2	3.0	2.8	2.9	2.9
Collateral value (CZK millions)	4.5	5.5	6.2	5.7	6.3	6.8	7.1	7.4
Number of properties securing loan	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1
LTV (%)	65.9	64.6	61.7	63.2	65.8	65.7	65.7	65.8
DTI (annual incomes)	5.5	5.9	5.3	4.7	5.1	5.3	5.4	5.4
DSTI (%)	32.1	34.2	36.7	36.8	37.9	37.9	38.3	38.6
Net monthly income (CZK thousands)	57.1	64.4	74.6	84.2	87.9	92.5	92.9	95.6
Net monthly income adjusted for instalments (CZK thousands)	39.0	42.9	47.9	53.9	55.1	58.2	58.1	59.4
Number of loan applicants	1.50	1.50	1.51	1.59	1.58	1.57	1.58	1.57
Share of borrowers under 36 years (in %)	53.1	51.1	48.7	48.9	50.0	50.7	50.1	50.3

Table 3.3 CB**Median values of the characteristics of pure newly negotiated mortgage loans and loan applicants**

median for given period

	2020	2021	2022	2023	2024	2025		
						Q1	Q2	Q3
Loan size (CZK millions)	2.3	2.8	2.6	2.5	3.0	3.3	3.5	3.5
Interest rate (%)	2.2	2.3	4.6	5.8	5.1	4.8	4.6	4.5
Instalment (CZK thousands)	9.7	11.5	14.4	15.6	17.3	18.2	18.9	19.4
Term (years)	29.8	29.9	30.0	29.9	30.0	30.0	30.0	30.0
Fixed-rate period (years)	6.9	5.0	5.0	4.9	2.9	2.9	2.9	2.9
Collateral value (CZK millions)	3.8	4.7	5.2	4.8	5.3	5.7	6.0	6.2
Number of properties securing loan	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
LTV (%)	71.4	70.1	67.1	68.4	70.0	70.0	70.0	70.0
DTI (annual incomes)	5.4	5.9	5.3	4.7	5.1	5.3	5.4	5.5
DSTI (%)	32.8	34.8	38.6	38.0	39.0	39.0	39.2	39.7
Net monthly income (CZK thousands)	45.5	51.1	58.8	65.0	69.8	72.4	73.4	75.2
Net monthly income adjusted for instalments (CZK thousands)	30.4	32.9	36.3	40.3	42.2	43.7	44.2	44.8
Number of loan applicants	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0

Chart 3.5 CB
Horizon of economic activity

years; the number of children raised was not taken into account when calculating the statutory retirement age for women; source: CSSA

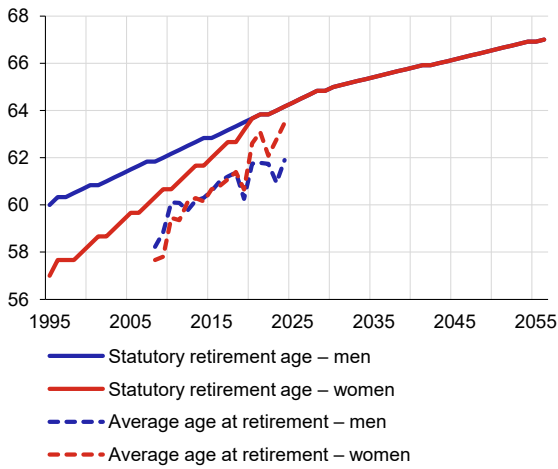


Chart 3.6 CB
DSTI distribution of pure newly negotiated mortgage loans

% of total volume; x-axis: DSTI in %; interval closed from the right; * 2025 data include the first three quarters only

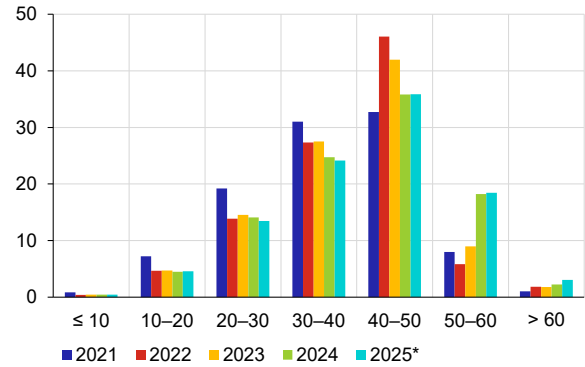


Chart 3.7 CB
DTI distribution of pure newly negotiated mortgage loans

% of total volume; x-axis: DTI in net annual incomes; interval closed from the right; * 2025 data include the first three quarters only

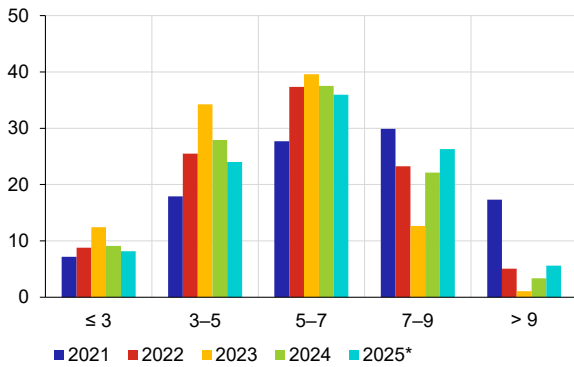


Chart 3.8 CB
LTV distribution of pure newly negotiated mortgage loans

% of total volume; x-axis: LTV in %; interval closed from the right; * 2025 data include the first three quarters only

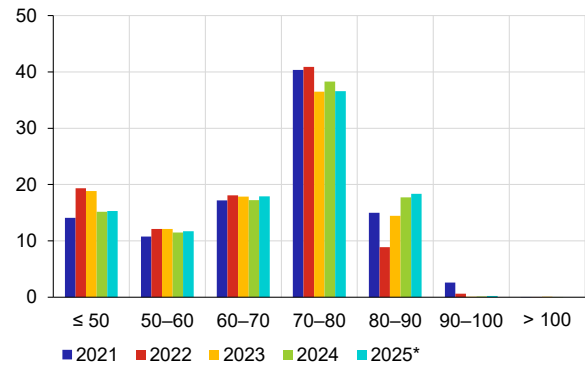


Chart 3.9 CB
Share of pure newly negotiated mortgage loans falling under the volume exemption

%; refers to upper LTV limit only

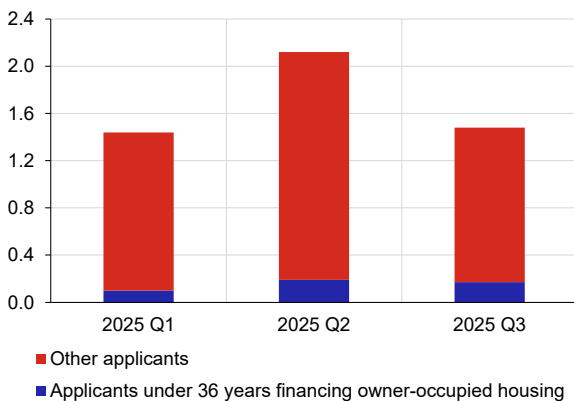


Chart 3.10 CB
Probability of average apartment prices falling by more than 10% over the next two years

%

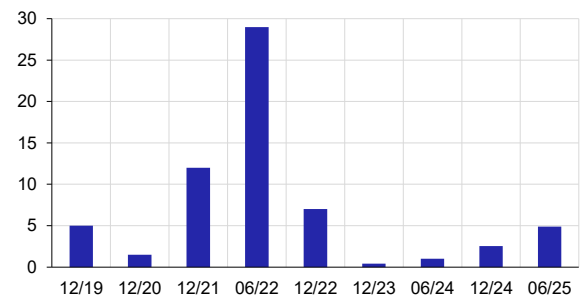


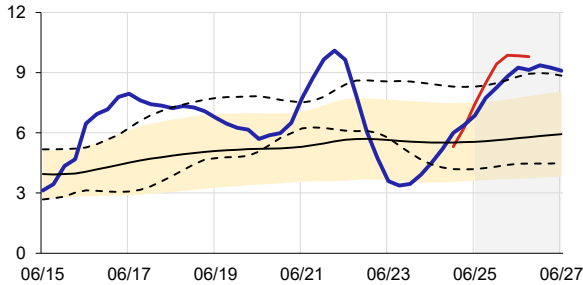
Chart 3.11 CB

Indicators of systemic risk associated with mortgage lending

the dashed black lines show a spread of one standard deviation from the average over the last 20 quarters; the yellow area shows a spread of one standard deviation from the long-term average calculated using data from 2010 onwards (black solid line); the grey area shows the projected values consistent with the autumn forecast (*MPR – Autumn 2025*); the red line shows the spring 2025 projection (*MPR – Spring 2024*)

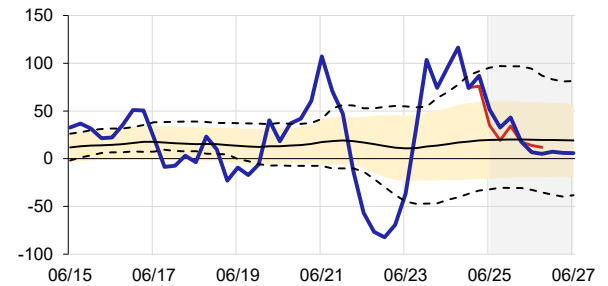
a) Year-on-year change in consumer credit

%; total outstanding consumer credit to households



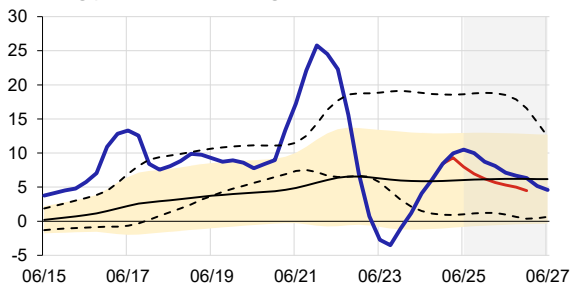
b) Year-on-year change in new mortgage loans

%; pure new mortgage loans for house purchase, including increases



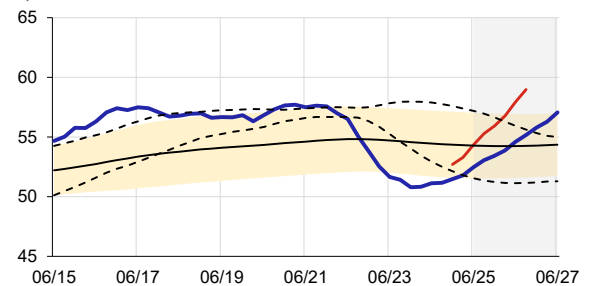
c) Year-on-year change in residential property prices

%; housing price index, including land



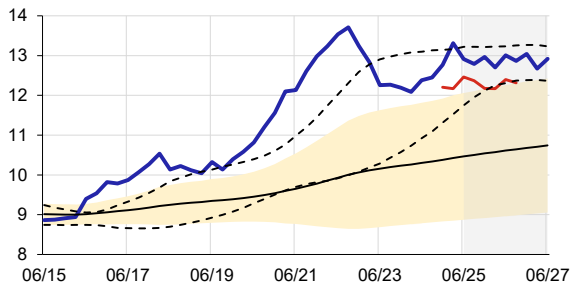
d) Consumer credit-to-disposable income ratio

%; total outstanding consumer credit to households relative to gross disposable income of households



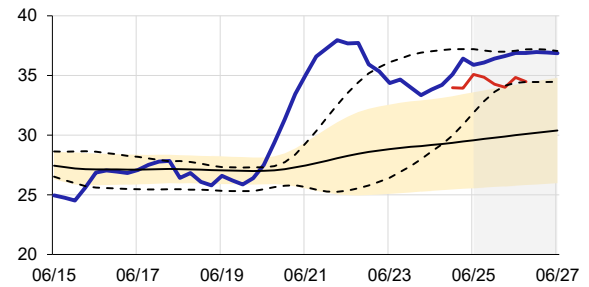
e) Apartment price-to-income ratio

transaction price of 68 m² apartment relative to average gross annual income; the significant deviation from the previous forecast is due to a revision of apartment transaction prices



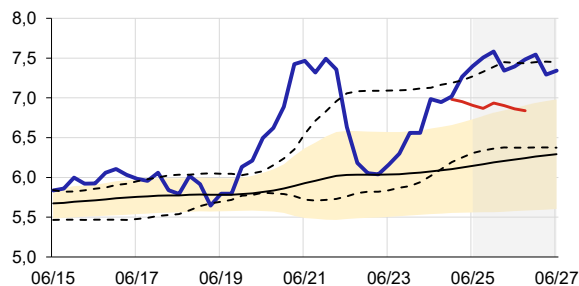
f) Apartment price-to-rent ratio

apartment transaction price per m² relative to annual rent per m²; the significant deviation from the previous forecast is due to a revision of apartment transaction prices



g) Mortgage loan size-to-income ratio

average mortgage loan size relative to average gross annual income



h) Mortgage loan size-to-apartment price ratio

%; average mortgage loan size relative to transaction price of 68 m² apartment; the significant deviation from the previous forecast is due to a revision of apartment transaction prices

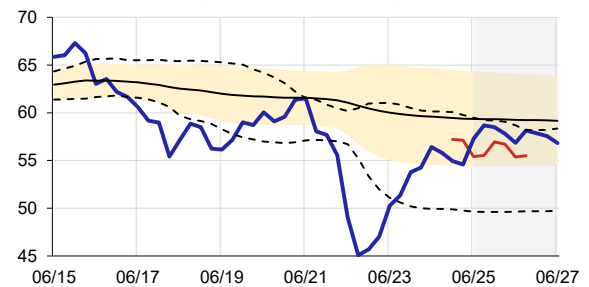


Chart 3.12 CB
LTV distribution of new loans secured by CRE over time

CZK billions; x-axis: LTV in %

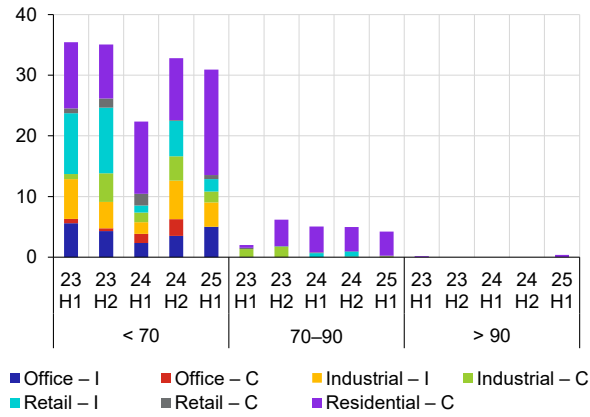
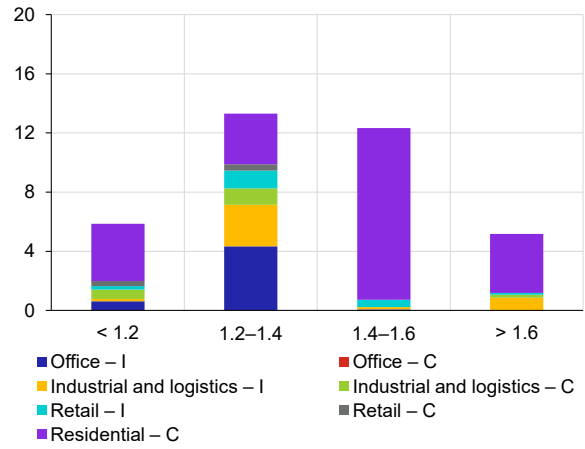


Chart 3.13 CB
DSCR distribution of new loans in 2025 H1

CZK billions; I: investment in existing property, C: construction; interval closed from the right



ABBREVIATIONS

AI	artificial intelligence	GB	government bond
AIFMD	Alternative Investment Fund Managers Directive	GDI	gross disposable income
BIS	Bank for International Settlements	GDP	gross domestic product
bp	basis point	GFSR	Global Financial Stability Report
BRCI	Bank Register of Client Information operated by the Czech Credit Banking Bureau.	GNI	gross national income
CAR	capital adequacy ratio	GOS	gross operating surplus
CB	Chartbook	G-SII	global systemically important institution
CBR	combined buffer requirement	G-SIIB	global systemically important institutions buffer
CCoB	capital conservation buffer	H	half-year
CCyB	countercyclical capital buffer	HHI	Herfindahl–Hirschman index
CDS	credit default swap	IAS	International Accounting Standards
CEB	Czech Export Bank	IFRS	International Financial Reporting Standards
CEE	Central and Eastern Europe	ILO	International Labour Organization
CET 1	Common Equity Tier 1	IMF	International Monetary Fund
CISS	composite indicator of systemic risk	IPFCs	investment and pension funds and companies
CLO	collateralised loan obligation	IPRE	income-producing real estate
CNB	Czech National Bank	IRB	internal rating based approach
CNCB	Czech Non-Banking Credit Bureau	IRI	Institute for Regional Information
Coll.	Collection of Laws	IRS	interest rate swap
COSMC	Czech Office for Surveying, Mapping and Cadastre	ISR	sovereign risk indicator
CRD	Capital Requirements Directive	IT	information technology
CRE	commercial real estate	LAA	loss absorption amount
CRR	Capital Requirements Regulation	LCR	liquidity coverage ratio
ČSOB	Československá obchodní banka	LGD	loss given default
CSSA	Czech Social Security Administration	LSEG	London Stock Exchange Group
CZK	Czech koruna	LSTI	loan service-to-income
CZSO	Czech Statistical Office	LTI	loan-to-income
DSCR	debt service coverage ratio	LTV	loan-to-value
DSTI	debt service-to-income	M	month
DTI	debt-to-income	MF CR	Ministry of Finance of the Czech Republic
EA	euro area	MOVE	Merrill Lynch Option Volatility Estimate Index
EAD	exposure at default	MPR	Monetary Policy Report
EBA	European Banking Authority	MREL	minimum requirement for own funds and eligible liabilities
EC	European Commission	MREL _{TEM}	minimum requirement for own funds and eligible liabilities – total exposure measure
ECB	European Central Bank	MREL _{TREA}	minimum requirement for own funds and eligible liabilities – total risk exposure amount
ECL	expected credit loss	NACE	General Industrial Classification of Economic Activities
EEA	European Economic Area	NBER	National Bureau of Economic Research
EFBS	European Federation of Building Societies	NDB	National Development Bank
EL	expected loss	NFC	non-financial corporation
EMEs	emerging market economies	NFCELs	non-bank financial corporations engaged in lending
ESCB	European System of Central Banks	NPISHs	non-profit institutions serving households
ESRB	European Systemic Risk Board	NPL	non-performing loan
ETF	exchange traded fund	NSFR	net stable funding ratio
EU	European Union	OCI	other comprehensive income
EUR	euro	OCR	overall capital requirement
EURIBOR	Euro Interbank Offered Rate	OECD	Organisation for Economic Cooperation and Development
FCI	financial cycle indicator	OFIs	other financial intermediaries
Fed	Federal Reserve System	O-SII	other systemically important institution
FI	financial institution	O-SIIB	other systemically important institutions buffer
FSR	Financial Stability Report	P2G	Pillar 2 guidance

P2R	Pillar 2 requirement	SovCISS	Sovereign Composite Indicator of Systemic Stress
PD	probability of default	STA	standardised approach to calculating the capital requirement for credit risk
P/L	profit/loss	SyRB	systemic risk buffer
PMC	pension management company	TEM	see MREL _{TEM}
pp	percentage point	TF	transformed fund
PRIBOR	Prague Interbank Offered Rate	TREA	total risk exposure amount
PTI	price-to-income	TSCR	total supervisory review and evaluation process capital requirement
PX	Prague Stock Exchange	ULI	unit linked insurance
Q	quarter	VSTOXX	EURO STOXX 50 Volatility Index
RoA	return on assets	WGI	Worldwide Governance Indicators
RWE	risk weighted exposure	Y	year
S&P	Standard & Poor's	y-o-y	year-on-year
SCR	solvency capital requirement		
SMEs	small and medium-sized enterprises		
SOLUS	Sdružení na ochranu leasingu a úvěrů spotřebitelům (Association for the Protection of Leasing and Loans to Consumers)		

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Na Příkopě 28

115 03 Praha 1

Czech Republic

Contact:

COMMUNICATIONS DIVISION

GENERAL SECRETARIAT

Tel.: +420 224 411 111

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