Outcome of the CNB Bank Board meeting on financial stability issues

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27 November 2025

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Borrower-based measures

Recommended LTV and DTI limits on investment mortgages

Mortgage loan ratios – decision

The Bank Board assessed the situation on the property market and the risks arising from the housing market. It decided to **leave the statutory limits**:

at 80%
(90% for applicants under 36 years for purchases of owner-occupied housing)

deactivated

BANK BOARD VOTE

Votes in favour:

Votes in favour:

Mortgage loan ratios for investment mortgages – decision

- The Bank Board assessed the risks associated with mortgage lending **for investment property**

- It is **now recommended** that banks apply the following limits **with effect from 1 April 2026**:

70%

7

BANK BOARD VOTE

Votes in favour:

Votes in favour:

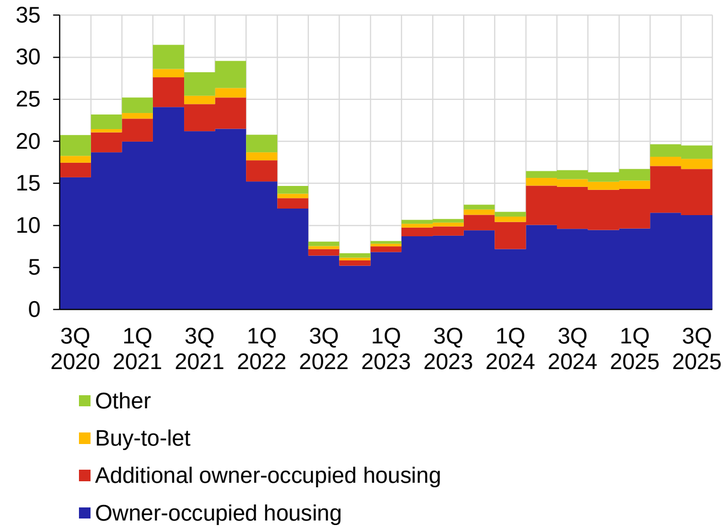
Investment mortgage loans

The share of mortgages that may be of an investment nature has been higher over the last two years and these loans have riskier characteristics. 50% of the volume of mortgages with DTI of more than 9 are of an investment nature.

- In the case of a property price correction amid prolonged adverse economic developments, lenders may face higher losses on their mortgage portfolios.
- The recommendation boosts the long-term stability of mortgage portfolios and mitigates the risk of systemic credit losses.
- If borrowers do not adapt to the new limits, the monthly mortgage volume could fall by around CZK 2.5 billion.

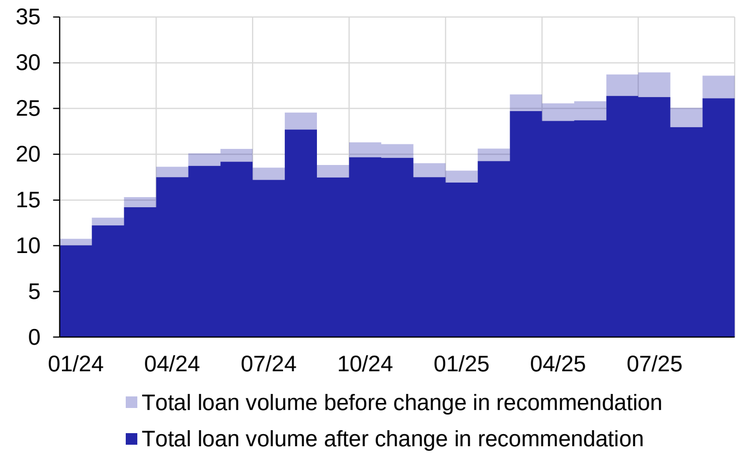
Pure newly negotiated mortgage loans by purpose

thousands



Estimated impact of a change in the recommended LTV and DTI limits for buy-to-let loans and loans for the purchase of a third or additional property on the volume of pure newly negotiated mortgage loans

CZK billions; excluding possible adjustments

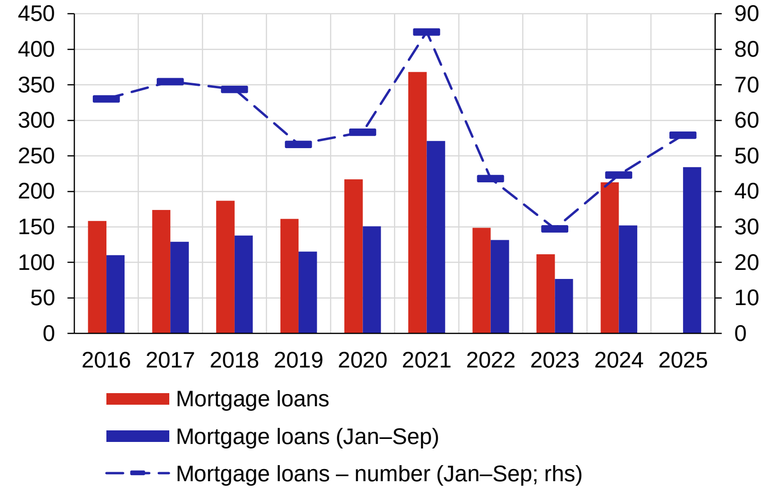


Mortgage loans – total (I)

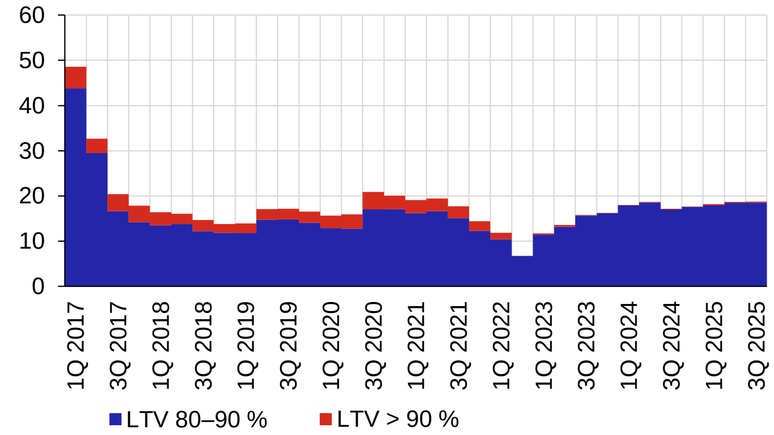
The volume of pure new mortgage loans in January–September 2025 is approaching the record year 2021 **in nominal terms** due to property price growth. The **numbers** of negotiated loans are at their long-term average.

Banks were compliant with the LTV limits applicable since April 2022. They used the statutory exemption allowing them to exceed the applicable LTV limit for only 1.5% out of the possible 5% of the volume of new mortgages.

Pure newly negotiated bank loans for house purchase
CZK billions; right-hand scale: thousands; including increases in existing loans



Pure newly negotiated mortgage loans with LTVs of over 80%
share of loans in newly negotiated volume in given quarter in %



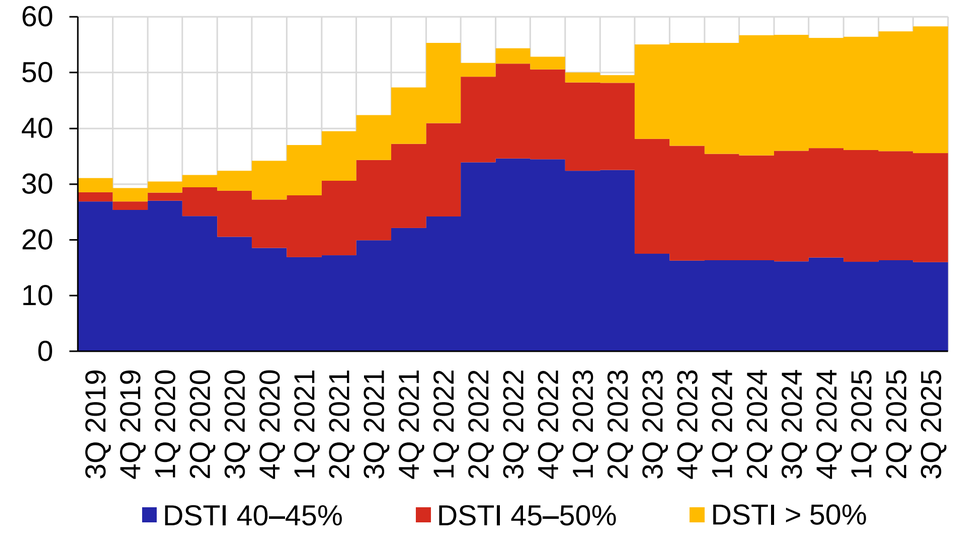
Mortgage loans – total (II)

The share of loans with a DSTI ratio of over 40% is elevated and slightly rising. However, it still does not have potential for the build-up of systemic risks.

Banks and households remain cautious when negotiating mortgage loans. Borrowers with higher DSTIs have sufficient income and financial reserves to repay loans even in worse economic conditions.

Pure newly negotiated mortgage loans with DSTIs of over 40%

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



CNB response

No broad-based systemic risks were identified, so there is no need to activate statutory DTI and DSTI limits.

Aggregate characteristics of new mortgage loans

Average values of the characteristics of pure 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
Total net monthly income of all applicants (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 per mortgage loan	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

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Property market

Property market (I)

Growth in property prices accelerated in the first half of 2025.

- This is due to robust growth in household income and a decrease in rates on mortgage loans.
- We expect the growth rate to moderate in the years ahead.
- The risk of a sudden, sharp drop in prices is low at the moment.

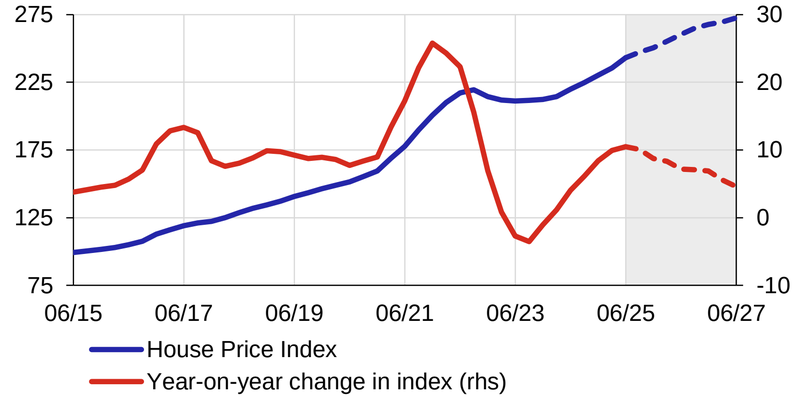
CNB response

LTV

In view of the continued growth in residential property prices, the Bank Board decided to keep the LTV limits unchanged.

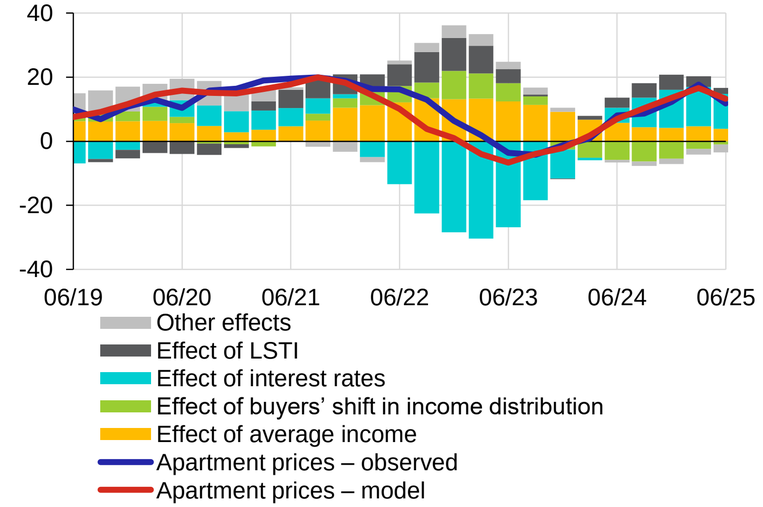
Transaction prices of residential property in the Czech Republic

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



Growth in apartment prices and its contributing factors

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



Property market (II)

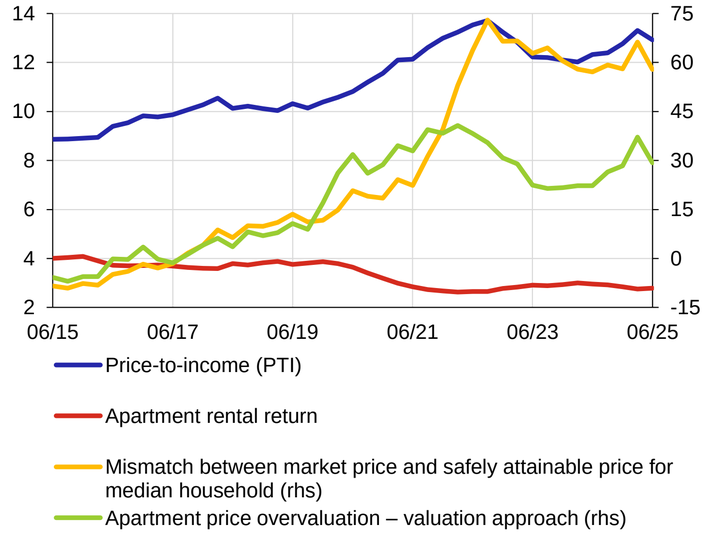
Following a correction in 2022 and 2023, property prices are **rising** swiftly again in the Czech Republic and most European countries.

- Housing affordability has started to deteriorate again.

Median-income households may be at increased risk of default when buying owner-occupied housing:

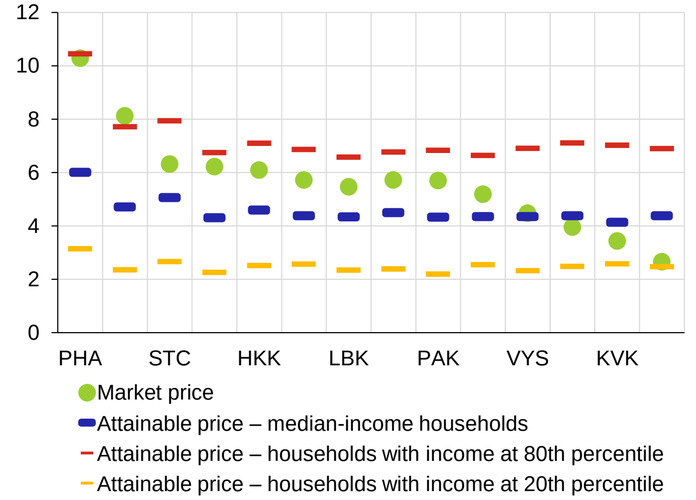
- By the CNB's estimation, apartments were unattainable by around 60% for median-income households *(yellow line in the upper chart)* and by 30% for retail investors from the household sector *(green line)* in 2025 Q2.
- However, apartments are usually purchased by high-income households, so most households taking out a mortgage were not taking on this risk.

Selected apartment affordability and overvaluation indicators
PTI in years; yields in %; right-hand scale: %; source: CZSO, CNB, IRI, Dataligence/Flatzone



Market and safely attainable prices of debt-financed apartments

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



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Capital buffers

Countercyclical capital buffer – decision

The Bank Board assessed the situation in the banking sector and the risks associated with the financial cycle. It decided to leave the countercyclical capital buffer rate at **1.25%**.

BANK BOARD VOTE

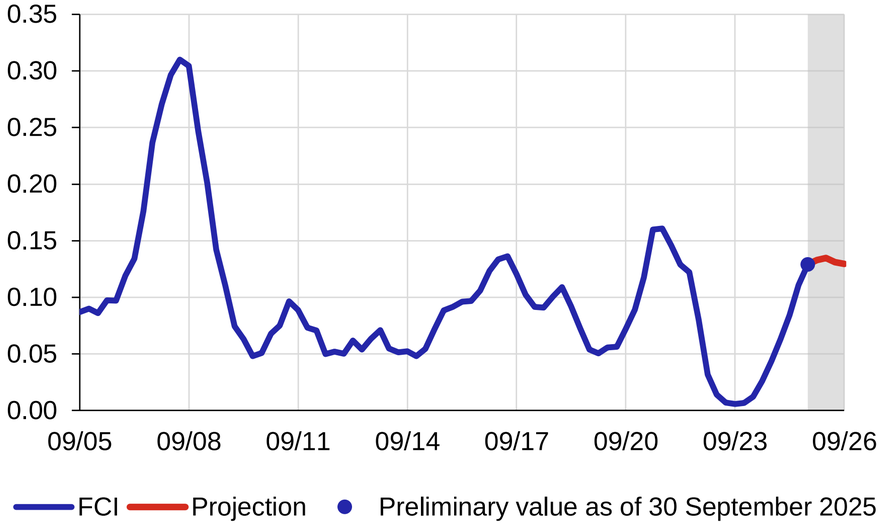
Votes in favour:

Financial cycle

The Czech economy has shifted further into the growth phase of the cycle.

- This was due primarily to a recovery in household borrowing.
- Cyclical systemic risks increased slightly.
- The upward movement of the economy in the financial cycle is expected to moderate.

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



CNB assessment

The current buffer rate remains sufficient to cover the existing cyclical risks. They will also be mitigated by the new recommendation to apply an LTV limit of 70% and a DTI limit of 7 to investment mortgages.

- **The CNB stands ready to increase the buffer rate if the economy continues to move into the growth phase of the financial cycle.**

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Aggregate risk assessment

Aggregate risk assessment – economic environment

Global economy

- The impact of US trade policy on economic growth has been limited so far and forecasts have been revised slightly upwards in most economies.
- However, high uncertainty persists, connected mainly with the geopolitical situation, and markets remain highly sensitive to potential negative information.

European economies

- The ECB has probably reached the end of its monetary policy easing cycle, as inflation is stabilised and the outlook for economic growth has improved.
- Decreasing competitiveness poses a risk to the future of the economy and the financial sector over the medium term.
- Fiscal consolidation may be a challenge amid higher debt service and defence spending.

Aggregate risk assessment – economic environment

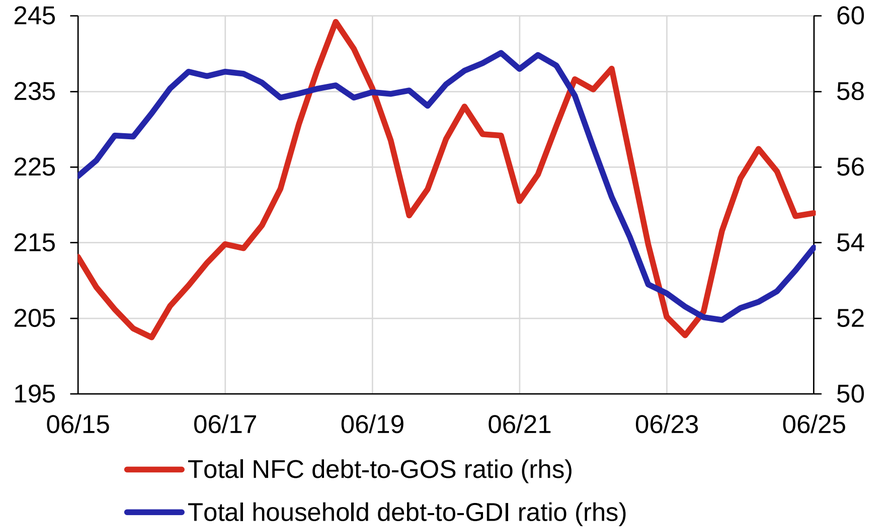
Czech economy

Decreasing interest rates and rising economic activity have supported growth in demand for loans among households and non-financial corporations. Their total debt has increased slightly following a period of decline.

Uncertainty regarding future developments in some industrial sectors may increase the loan defaults of non-financial corporations.

Persisting general government deficits are increasing the sovereign exposures of domestic banks and the related concentration risk in their balance sheets.

Private non-financial sector debt ratio
% of annual income; GOS stands for gross operating surplus and GDI for gross disposable income; source: CNB, CZSO



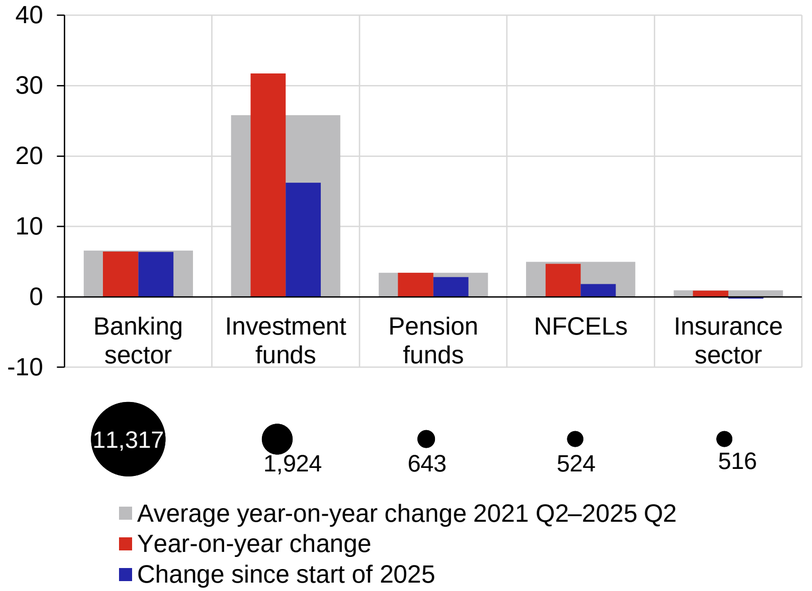
Aggregate risk assessment – financial sector

The profitability of the Czech financial sector remains solid

The situation in the **financial sector** showed favourable trends in the first half of 2025. The sector is stable and sound.

Most of its segments recorded growth in total assets. Their profitability and strong capital and liquidity positions form the foundation of their resilience to adverse shocks.

Rates of growth of segments of the financial sector
%; NFCELs = non-bank financial corporations engaged in lending; the sizes of the circles proportionately show the value of the segments' assets in CZK billions as of 30 June 2025; the banking sector also includes credit unions



Aggregate risk assessment – financial sector

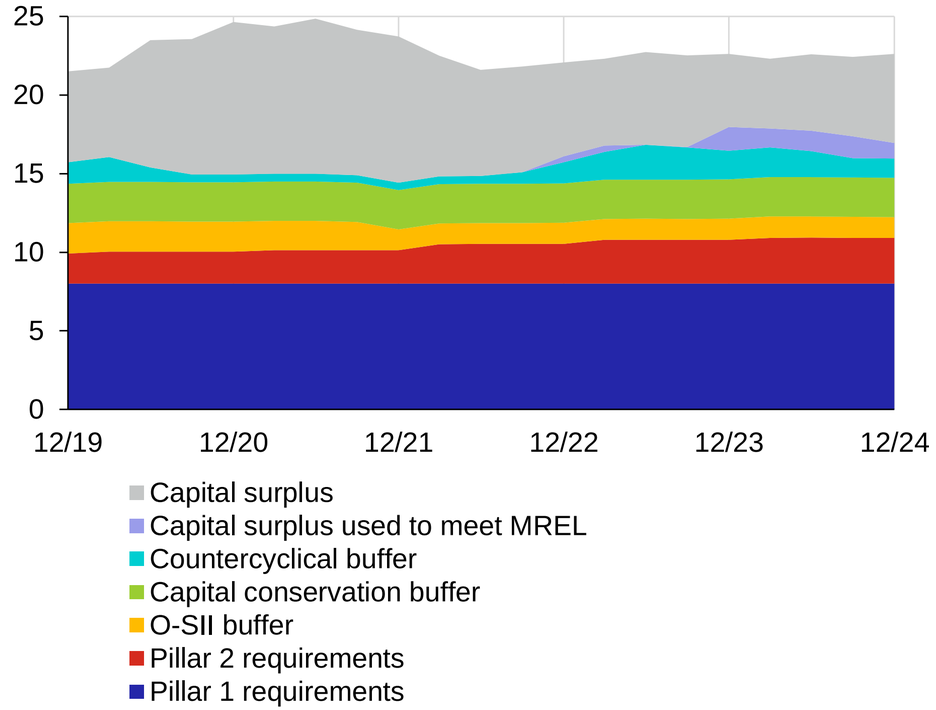
The Czech banking sector is resilient to adverse shocks

Its capitalisation remains robust thanks to capital buffers and capital surpluses in excess of the regulatory requirements.

The profitability of the banking sector stayed solid.

Impairment losses declined.

Structure of the overall capital ratio
% of total risk exposure amount; individual components in pp



Aggregate risk assessment – financial sector

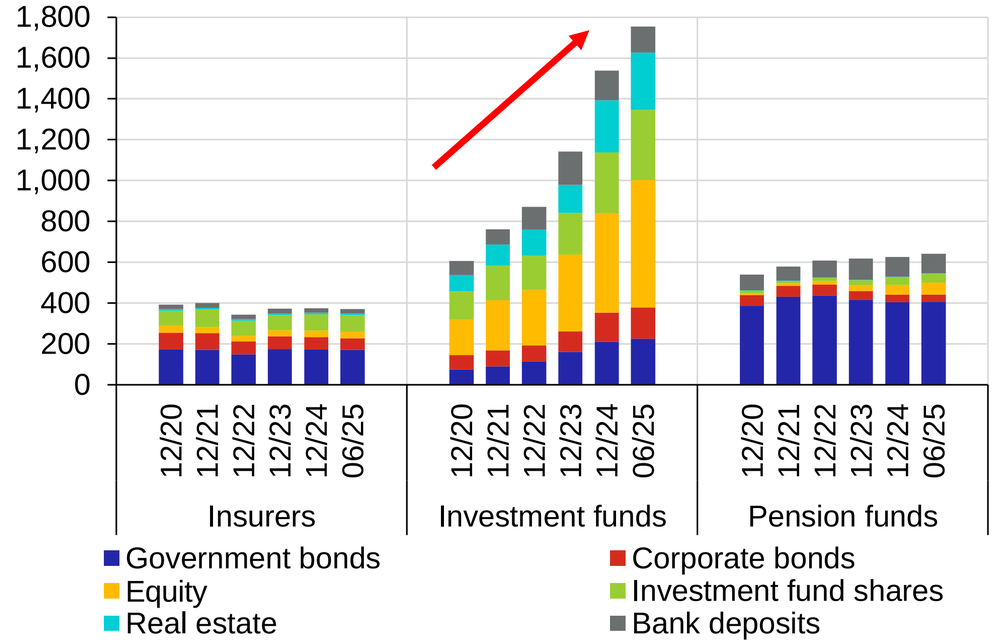
The Czech non-bank financial sector remains stable and resilient

The investment fund sector continues to show dynamic growth despite price volatility on asset markets in the first half of 2025.

Pension funds are recording continued outflows from transformed funds.

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

CZK billions



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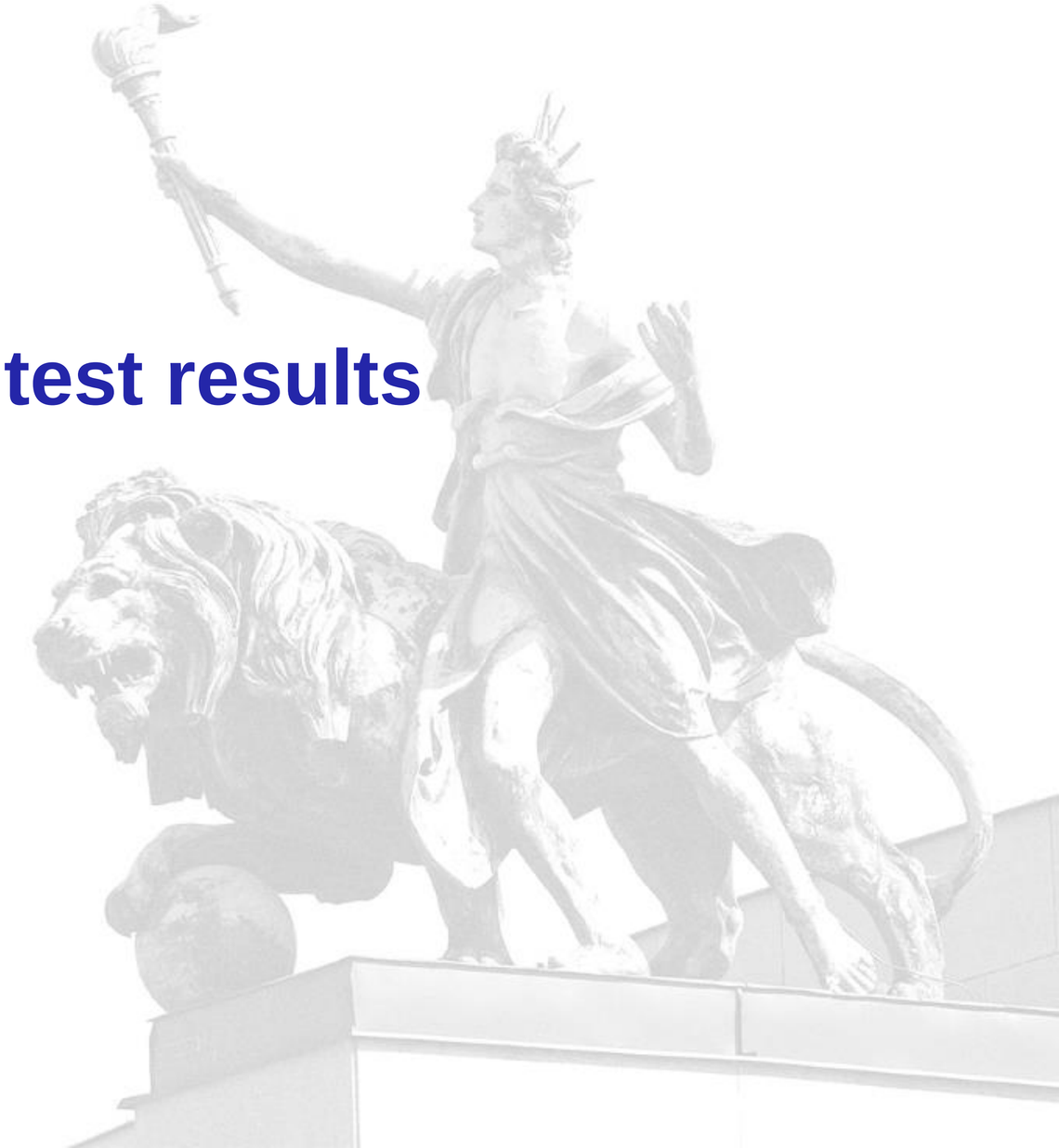
Banking sector and bank stress test results



Banking sector

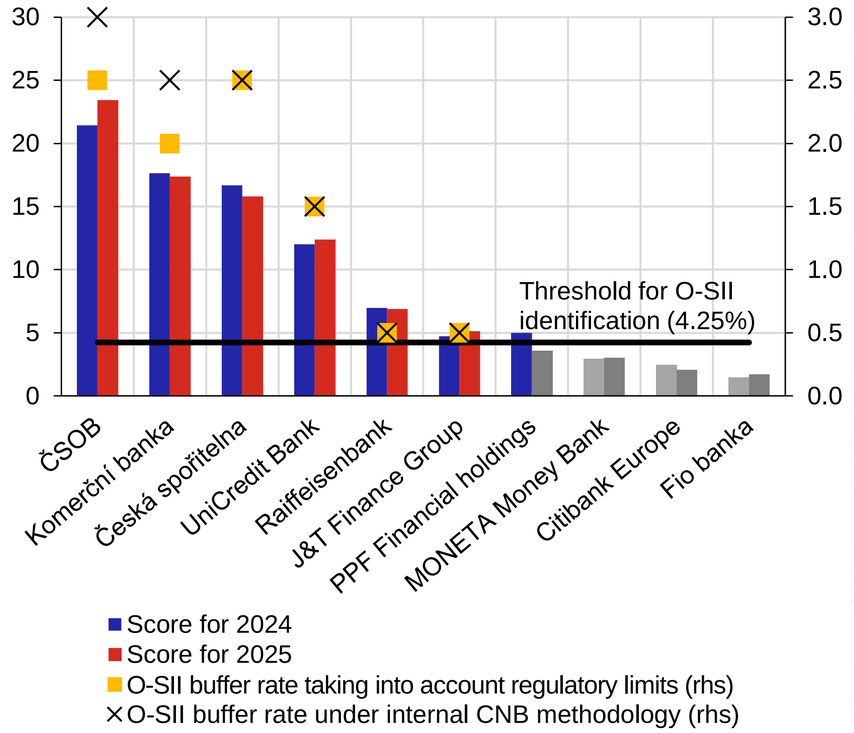
The list of systemically important banks has been shortened

For 2026, six banks in the Czech Republic were identified as systemically important and having a key role in the financing of the economy.

The O-SII capital buffer to strengthen their financial stability ranges from 0.5% to 2.5% of risk-weighted assets and is unchanged year on year.

Systemic importance scores and O-SII buffers

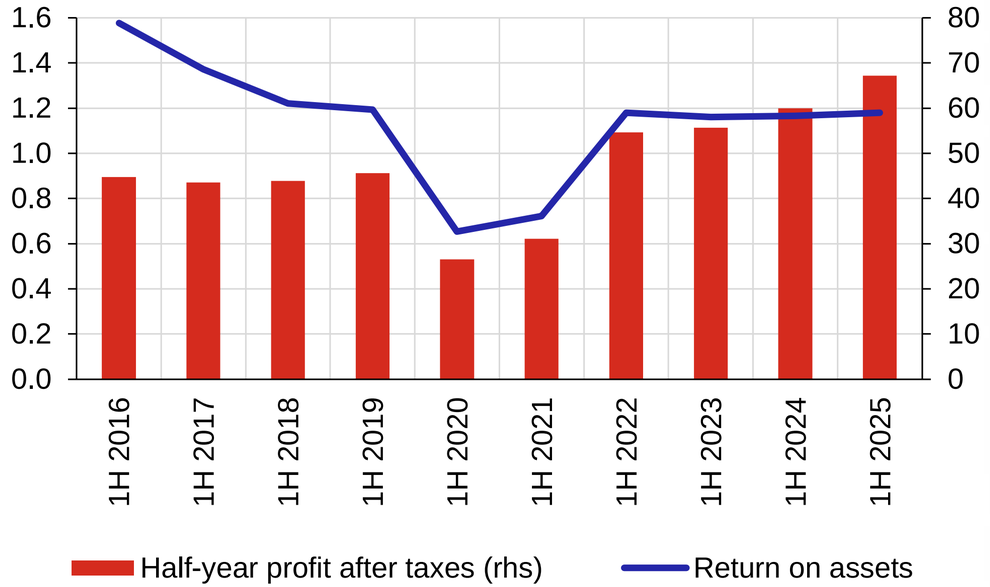
score in %; right-hand scale: rate in %; the regulatory limit means a limit of 1 pp above the O-SIIB or G-SIIB rate of the parent institution



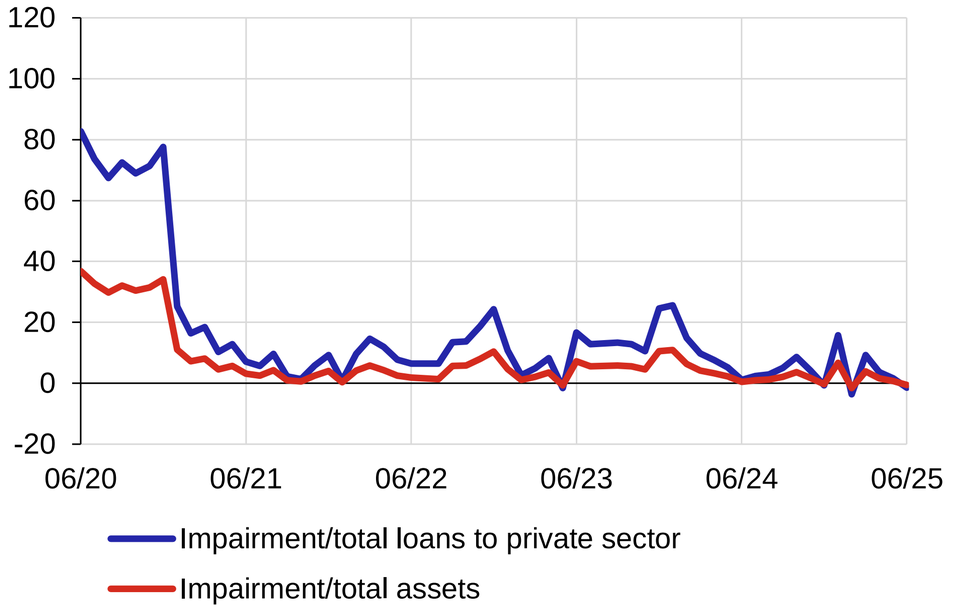
Banking sector

The sector remained profitable and credit losses are low

Return on assets and profit
%; right-hand scale: CZK billions



Asset impairment losses
bp; impairment losses are annualised

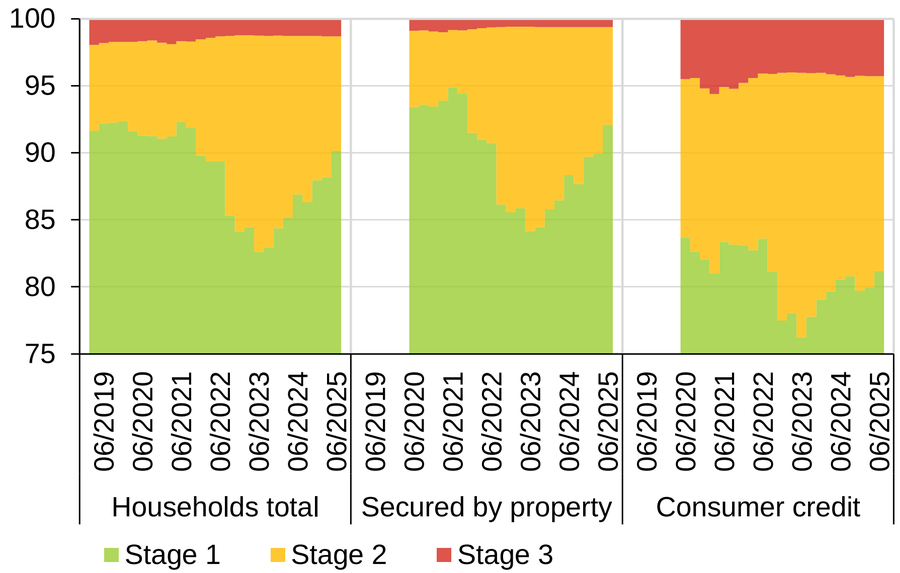


Banking sector

Asset quality is boosting its financial stability

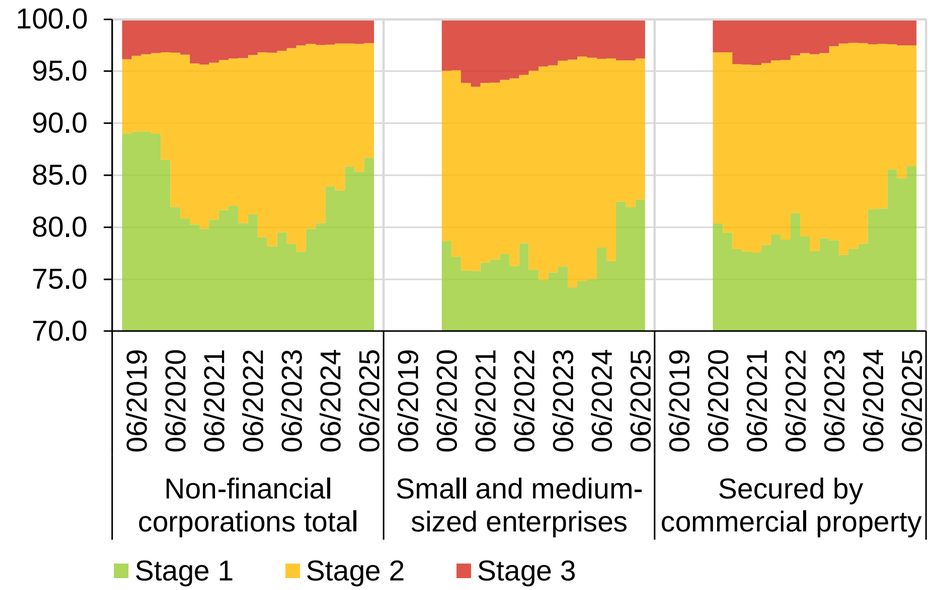
Structure of loans to households by credit quality

%



Structure of loans to non-financial corporations by credit quality

%



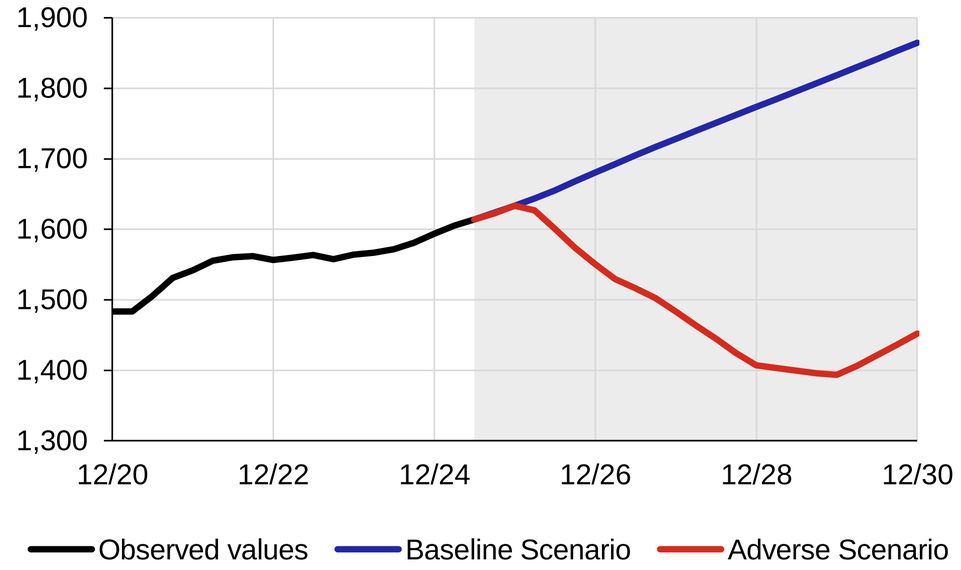
Banking sector stress test

Banks are resilient to sustained adverse developments

The five-year scenario assumes a hypothetical long-lasting economic downturn due to geopolitical tensions and disruptions to trade relations.

Over the horizon of the Adverse Scenario, the economy would face a strong crisis leading to large credit losses.

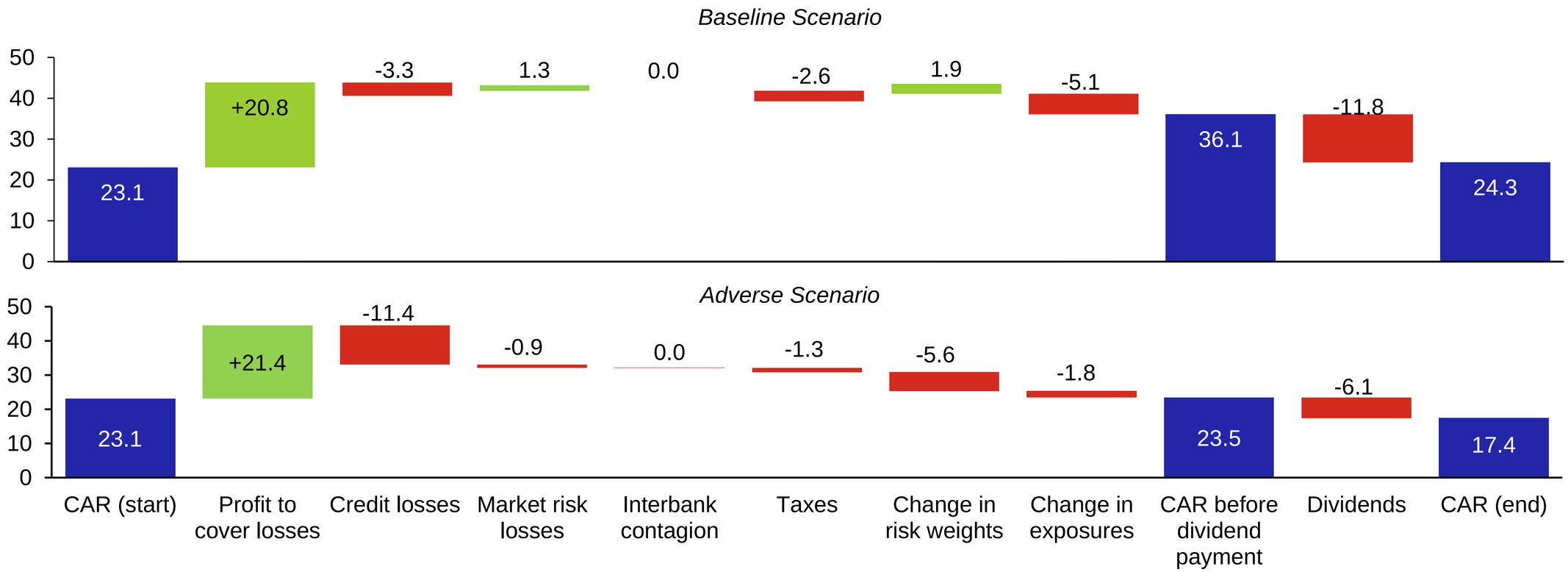
Scenarios: real GDP
CZK billions; quarterly data



Banking sector stress test

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

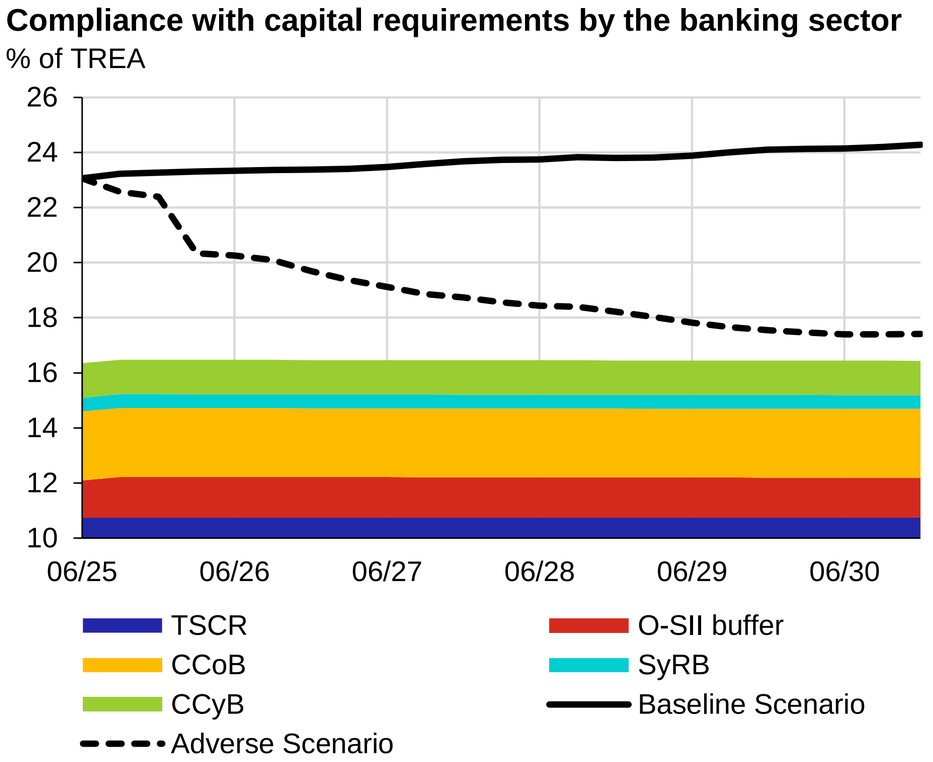
pp; CAR = overall capital ratio; items increasing the capital ratio are shown in green and items reducing it in red



Bank stress test results

In the Adverse Scenario, the banking sector as a whole would still comply with the regulatory capital requirements.

- An increase in loan defaults and a weakening of profitability would lead to the use of capital buffers by some banks.
- The tested sensitivity scenarios of structural risk materialisation could substantially increase credit losses.



Bank stress test results – sensitivity scenarios

The sensitivity scenarios focused on additional risks:

- The risk of credit concentration captured as the default of the five largest debtors of each bank (an additional decline in the capital ratio of 2.7 pp).
- The risk of a sharp weakening of the exchange rate against the euro to CZK 31 (-0.3 pp).
- The individual materialisation of some of the above sensitivity scenarios would lead to the use of the capital buffers.

Thank you for your attention

- **Financial Stability Report – Autumn 2025** will be published on the CNB website at 9 a.m. on Monday 15 December 2025
- It will be accompanied by
  - *Official Information on the countercyclical capital buffer*
  - *Official information – Recommendation on the management of risks associated with the provision of consumer credit for housing*
  - *Minutes of the Bank Board meeting on financial stability issues* complete with attributed arguments of individual CNB Bank Board members.