BANKA SLOVENIJE

EVROSISTEM

Monthly report on bank performance with commentary

December 2022

Contents

Methodological notes:

The data in the tables and figures consists of data reported by banks to Banka Slovenije in accordance with the Guidelines for implementing the Regulation on reporting by monetary financial institutions (report on accounting items with interest rates [PORFI]). In 2020 banks changed over to a new way of disclosing interest on credit-impaired financial assets in accordance with the interpretation of the IFRS Interpretations Committee (IFRIC) of March 2019, and the application of that interpretation to a specific case of 22 July 2019, which can be found online at https://www.ifrs.org/news-and-events/2019/07/ifrs-9-webinar-curing-of-a-credit-impaired-financial-asset/.

1 Summary

The strong economy in Slovenia had a significant impact on the performance of the banking system over the first ten months of 2022. This could deteriorate in the future, given the trend of rising systemic risks. Lending to non-financial corporations has strengthened further in recent months, and year-on-year growth in the stock of household loans also remains high, despite a decline in new housing loans to below its monthly average over the first half of the year. Deposits by the non-banking sector increased over the first ten months of the year, driven by sharp increases in household deposits during the spring and in deposits by non-financial corporations from July on. Income is increasing in the banking system, driven by lending activity and, gradually, by the rise in interest rates on assets, while net non-interest income is also up. Profit and ROE were up slightly on last year, but their developments over the coming months will also depend heavily on net impairments and provisions, which in turn are dependent on the economic situation. The increased lending activity and revaluations of securities portfolios saw capital ratios decline at the majority of banks, but they remained solid. The banking system's liquidity position remained good, despite a decline in primary liquidity.

After slowing for a year, year-on-year growth in deposits by the non-banking sector has been rising again since April. A pronounced increase in household deposits was seen only in the spring, and the stock has been declining slightly since July, most likely on account of a seasonal effect and the rise in the cost of living. At EUR 25 billion, household deposits are nevertheless equivalent to half of the balance sheet total, and remain a stable source of funding for Slovenian banks. After contracting in the first half of the year, deposits by non-financial corporations have strengthened sharply over the remainder of the year. The majority of banks remain reluctant to raise deposit rates, which is causing the share of sight deposits to further strengthen. An uneven rise in interest rates could drive switching of deposits between banks in the future, which necessitates careful monitoring and adaptation to competition in the sector, with the aim of ensuring the stability of funding, which is vitally important to banks.

The banking system's assets increased over the first ten months of the year amid strong lending to the non-banking sector, which notably increased the share of the asset side of the balance sheet accounted for by loans to the non-banking sector, and reduced the share accounted for by the most liquid assets. Year-on-year growth in loans to the non-banking sector increased sharply over the first eight months of the year. It had slowed slightly by October, but nevertheless remained among the highest rates in the euro area at 11.9%. The largest factor in the growth was the intensive lending to non-financial corporations, where growth was broad based across economic sectors and corporate sizes. Loans for financing working capital were the prevalent form. The stock of household loans continued to increase over the first ten months of the year, driven primarily by an increase in housing loans. Year-on-year growth in the latter has begun to slowly ease off as new loans have slowed, but nevertheless remained the fourth-highest rate in the euro area. Consumer loans displayed a rising trend in monthly new loan volume over the first ten months of the year, which left the stock similar to a year earlier. The year-on-year rate of growth remains well below the euro area average. Interest rates on new loans to the non-banking sector have begun to gradually rise, and by October were up significantly on loans to non-financial corporations and household loans.

Bank asset quality remained stable and good over the first ten months of the year, with only a minor part of the portfolio seeing a deterioration. The NPE ratio in the total portfolio stood at 1.2% in October. The NPE ratio in the non-financial corporations portfolio increased in October for the first time since February 2021. The share of Stage 2 exposures (increased credit risk) continued to display a trend of decline, although small increases were seen in certain sectors more dependent on energy. In the wake of the high growth in bank loans, there has been a significant increase in the share of loans to non-financial corporations with a variable interest rate, which has had an adverse impact on firms' debt servicing burden. Even amid the increased uncertainty in the macroeconomic environment and the anticipated economic slowdown, the banks are maintaining low coverage by impairments and provisions, and are actually experiencing a trend of declining coverage in the performing segment of the portfolio. The sole exception is the consumer loans portfolio, where coverage has been increasing since June.

The banking system's net income is up a quarter on the same period last year, as a result of growth in net interest income and net non-interest income, with only a moderate rise in operating costs. Net interest income over the first ten months of the year was up more than a tenth on last year. The relatively large quantity effects are increasingly being joined by positive price effects. Growth in net interest income might slow in the future as the situation worsens in the international and domestic economic environment, and in the event of a more pronounced slowdown in lending activity. Growth in non-interest income has been driven in particular by dividend income, which was absent last year, while growth in net fees and commission has slowed in recent months. Growth in operating costs continues to be outpaced by growth in gross income, and was comparable to growth in the balance sheet total.

Pre-tax profit amounted to EUR 433 million over the first ten months of the year, up just under 8% on the same period last year. The net creation of impairments and provisions in the banking system remained minimal over the first ten months of the year, and accounted for less than 2% of the disposal of gross income. The banks had recorded a net release of impairments and provisions over the same period last year. Pre-tax ROE reached 10.5%, and remains comparable to previous years. Although the environment for generating income is currently good, there is a need to draw attention to the huge uncertainty with regard to future economic developments, and to the fact that bank profitability is partly attributable to the low level of net impairments and provisions.

The Slovenian banking system's capital position remained solid, despite a decline in capital adequacy indicators in the third quarter of 2022. The total capital ratio at the consolidated level declined to 17.0%, slightly less than the euro area average, while the CET1 ratio remains above the euro area average despite declining to 15.5%. The decline in the capital ratios was attributable to a rise in risk-weighted assets driven by strengthened lending activity, and a decline in regulatory capital as a result of revaluations of the bond portfolio. The capital adequacy indicators declined at the majority of the banks, which also reduced their surpluses over their allocated capital requirements, and consequently their capacity to absorb potential negative performance.

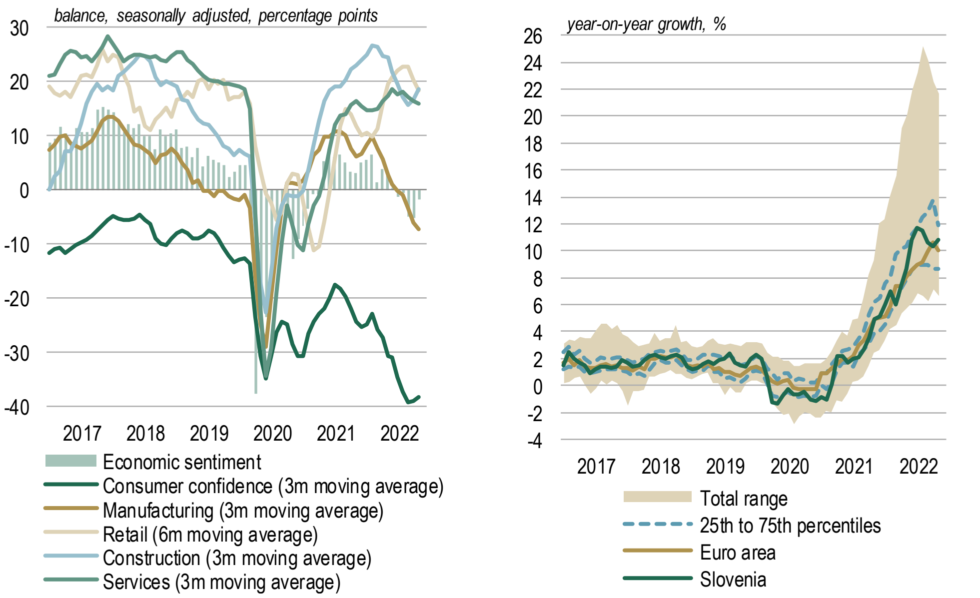
The liquidity of the banking system remained sound, despite a decline in certain indicators. As the inflow of deposits by the non-banking sector has slowed, the banks have directed their holdings of liquid assets at the central bank into increased lending activity and the partial early repayment of liabilities to the Eurosystem (under the TLTRO-III). Primary liquidity, which comprises cash on hand and sight deposits at banks in addition to balances at the central bank, consequently declined over the first ten months of the year, but still accounts for almost a fifth of the balance sheet total, a third higher than its pre-pandemic share. Although the liquidity coverage ratio (LCR) also declined at system level, at 278% it remains well above the regulatory requirement. All the banks exceed the regulatory requirement for LCR, but there remain considerable differences in their liquidity surpluses.

Downside economic growth factors strengthened in the euro area and globally in the second half of 2022, while the outlook worsened as well. Amid great uncertainty, a decline in confidence this year, and persistently high inflation, the global economy is losing impetus. Economic growth this year is forecast to be down more than a half on 2021, which was dominated by the strong post-pandemic recovery, and growth is forecast to slow further in 2023. The Russian military aggression brought sharp rises in certain commodity prices, energy prices in particular, which sharply increased inflationary pressures. Amid persistently high inflation, this year has seen rises in key interest rates by the majority of global central banks, and thus global tightening in the financing conditions. Together with the deterioration in the macroeconomic situation, this has significantly altered the environment in which banks do business. Euro area and EU economies are particularly exposed to a strengthening of downside factors, given the geographical proximity of the war and its humanitarian consequences, and their heavy dependence on energy imports from Russia. Despite the weaker outlook for the final quarter, thanks to the strong growth in the first half of the year the ECB forecast for GDP growth in the euro area in 2022 is higher than forecast in the previous projections, while the forecast for 2023 is lower.[1]

Figure 1: **Confidence indicators and consumer prices**

Confidence indicators: Slovenia

Consumer price inflation (HICP), comparison with the euro area



Note: The confidence indicators in the left figure are illustrated as three-month or six-month moving averages (other than the economic sentiment indicator). The figures for November 2022 in the right figure are estimates.
Sources: SORS, Eurostat, Banka Slovenije calculations

The deterioration in the international situation is being reflected in an increasingly bleak sentiment in the domestic economy, while the outlook is also worsening. The economic sentiment indicator increased slightly in November, but remained in negative territory, which is indicative of further cooling of the economy. The trend of worsening performance continued in manufacturing, as firms reported a decline in order books and output amid a build-up of inventories of final products, and were also more pessimistic with regard to future developments. There was a sharp decline in consumer confidence, which is now close to the lowest levels reached following the

[1] ECB, Eurosystem staff macroeconomic projections for the euro area, December 2022 (2022: 3.4%, 2023: 0.5%, 2024: 1.9%, 2025: 1.8%).

outbreak of the pandemic. The domestic economy contracted by 1.4% in the third quarter, one of the worst growth performances in the euro area. Year-on-year GDP growth also slowed significantly, to 3.9%, but remained above the euro area overall.[2] With consumer confidence extremely low, the largest decline was in the contribution by private consumption. The contribution by foreign trade turned positive again after several quarters in negative territory, while year-on-year growth in gross fixed capital formation and its contribution to aggregate economic growth remained stable. Government consumption meanwhile recorded a decline. Our December forecast for economic growth in Slovenia in 2022 (5.0%) reflects the significant downturn in the economy in the second half of the year. Weak economic growth (0.8%) is forecast for next year.[3]

Year-on-year consumer price inflation slowed slightly in the second half of the year, but remained high and broad based in November, financing conditions have continued to tighten, terms of trade have deteriorated, and the general government position improved with a smaller deficit over the first half of the year. Year-on-year inflation (HICP) was high again in November at 10.8%, when it again exceeded the euro area average after a temporary decline in the previous months.[4] Financing conditions have tightened significantly since the beginning of the year, but the persistently high inflation means that real interest rates have remained significantly negative. The current account deficit is widening amid high import prices of energy and commodities, and the terms of goods trade are deteriorating. The general government position has continued to improve amid the economic growth and the scale-back of extraordinary measures. The 12-month deficit had narrowed by June,[5] but is forecast to widen again as a result of the measures to mitigate high energy prices.

[2] Seasonally adjusted and calendar-adjusted figures. Year-on-year growth according to unadjusted figures stood at 3.4%.

[3] Banka Slovenije, Macroeconomic Projections for Slovenia, December 2022 (2022: 5.0%, 2023: 0.8%, 2024: 2.4%, 2025: 2.3%).

[4] The rate slowed to 10.0% in November in the euro area.

[5] It stood at 3.0% of GDP in June of 2022, compared with 6.4% of GDP in June 2021.

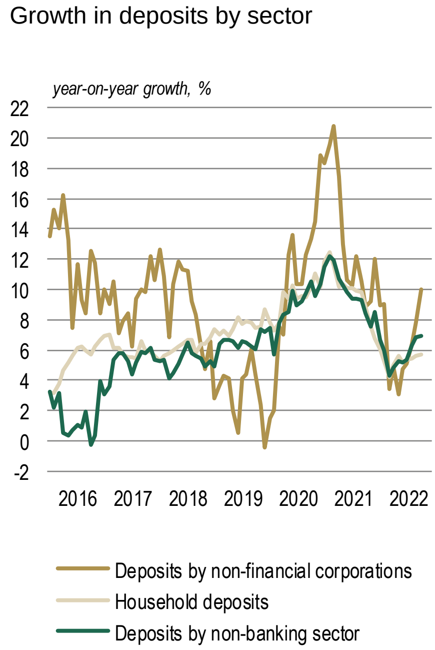
3 Bank Funding

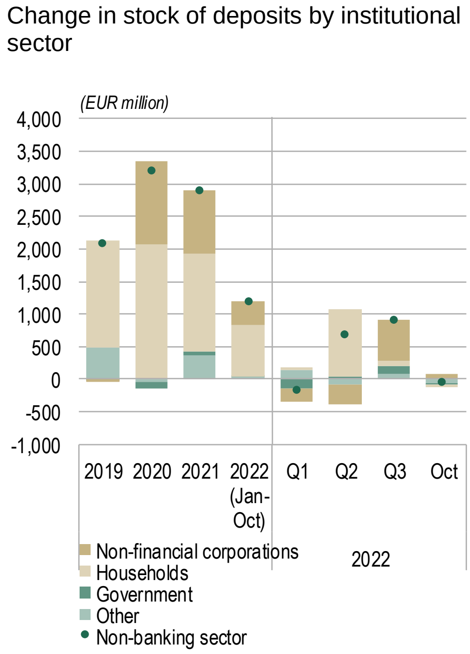
Despite the high inflation and the temporary difficulties suffered by one of the banks in Slovenia in connection with the sanctions against Russia because of the war in Ukraine, deposits by the non-banking sector strengthened over the first ten months of the year, and remained a stable source of funding for the Slovenian banking system. After gradually slowing for a year, year-on-year growth in deposits by the non-banking sector strengthened again between April and October, driven mainly by pronounced inflows of household deposits over the summer and deposits by non-financial corporations from July on. Year-on-year growth in deposits by the non-banking sector picked up to 6.9%, although this was down on the exceptionally high growth seen a year earlier. Deposits by the non-banking sector increased by EUR 1.4 billion over the first ten months of the year. They accounted for the majority (78%) of funding, and bank dependence on other funding remained low. A few of the banks issued debt securities (primarily in order to meet the MREL regulatory requirements[6]), or borrowed from banks in the rest of the world, but given the large stock of liquid assets there is not yet any major need for additional funding.

The pronounced increase in household deposits seen in the second quarter did not continue over the summer. The stock of household deposits actually declined by EUR 61 million in total between August and October, most likely as a result of a seasonal effect and the rising cost of living, which is reducing disposable income and the ability to save. Despite the decline in last few months, household deposits increased by EUR 1.1 billion over the first ten months of the year to reach EUR 25.1 billion due to pronounced inflows in the second quarter, and remain a robust source of funding for Slovenian banks. This is less than the inflows over the same periods of the last two years (2020 and 2021), when the containment measures led to extremely high saving. Year-on-year growth in household deposits slowed to 5.7%, but continued to outpace the euro area average (3.4%), which has also declined over the last year. With wage growth continuing to be outpaced by inflation, and amid the continuing rise in consumer prices, saving can most likely be expected to remain modest in the future, with some of the savings built up at banks being spent.

[6] To meet the minimum requirement for own funds and eligible liabilities (MREL).

Figure 2: **Trends in deposits by the non-banking sector**





Source: Banka Slovenije

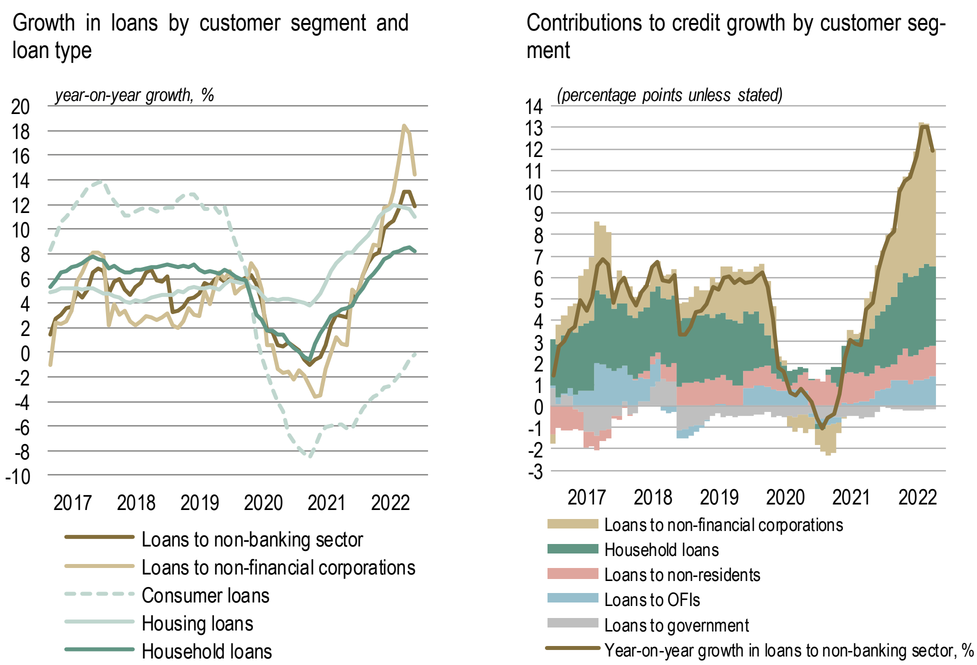
After reducing their savings at banks in the first half of the year, non-financial corporations strongly increased them over the summer and autumn. The stock increased by EUR 717 million between July and October, which was partly attributable to the abolition of custody fees on large balances at banks. After slowing sharply in the first half of the year, year-on-year growth in deposits by non-financial corporations doubled between July and October to reach 10.0%. Non-financial corporations hold EUR 9.2 billion of savings at banks, which remain an important resource that in the future could be used to finance current operations or could be directed into new investment.

Amid low interest rates and an atmosphere of uncertainty, sight deposits have further strengthened. By October the proportion of sight deposits had increased to 83.6% of total deposits by the non-banking sector, and 89.2% of total household deposits. The trend of increase in sight deposits could be slowed in the future by a rise in interest rates on deposits. Alongside the moderate inflow of deposits by the non-banking sector, the banks also have large holdings of liquid assets on their balance sheets, which they can redirect into lending. They therefore have no need to rush into raising deposit rates, and are thus ensuring that interest expenses remain low. The gradual rise in deposit rates at banks could drive deposit switching within the banking system in the future, thereby reducing funding stability, for which reason careful monitoring and adaptation to competition in the sector remains vitally important to banks.

4 Bank Assets

Amid the gradually rising interest rates the asset side of the banking system's balance sheet in the first ten months of the year saw an increase in the share of loans to the non-banking sector, and a decline in the share accounted for by the most liquid assets. By the halfway point of 2022 the increase in loans to the non-banking sector had surpassed the total increase in 2021, the year-on-year rate of growth rising continuously over the first eight months of the year to reach 13.0% in August. The monthly increase averaged EUR 289 million between July and October, significantly more than over the same period last year, although the year-on-year rate of growth slowed slightly to 11.9% in October. Despite the slight slowdown, year-on-year growth in loans to the non-banking sector remained among the highest in the euro area, where the average stood at 5.8% in October. Loans to non-financial corporations were the largest factor in aggregate growth in loans to the non-banking sector. Their monthly increase averaged EUR 160 million between July and October, significantly more than over the same period last year, as the year-on-year growth rate increased to 18.4% in August, before slowing to 14.5% in October. The increase in year-on-year growth in household loans, which was largely driven by strong lending via housing loans, stalled at 8.5% in September. The growth rate then slowed slightly to 8.2% in October, as there was a discernible slowdown in current lending via housing loans in the second half of the year. The monthly increase in household loans averaged EUR 88 million between July and October, slightly higher than over the same period last year. There was a decline in the share of assets accounted for by highly liquid assets, which comprise cash on hand, balances at the central bank and sight deposits at banks.

Figure 3: **Lending to the non-banking sector**



Source: Banka Slovenije

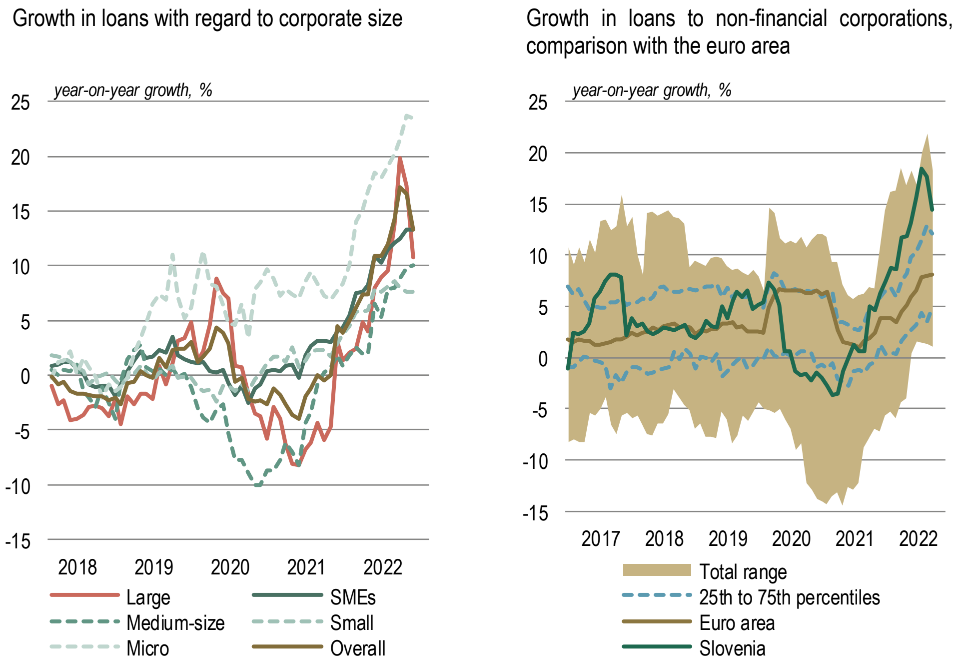
Amid high year-on-year growth and the rise in interest rates, lending to non-financial corporations was broad based, although intensive lending to certain large firms was a major factor in the growth. According to gross figures, year-on-year growth in loans to non-financial corporations stood at 13.5% in October,[7] with

[7] It stood at 14.5% based on loan stock according to balance sheet figures.

loans being raised by firms in the majority of sectors. After a rise in year-on-year growth in loans to firms in the electricity and water supply activities in previous months, these activities had seen the greatest slowdown in growth by October. The contribution to aggregate growth in loans to non-financial corporations by the aforementioned activities in October was also down significantly on the previous months. Of the activities that represent the banks' largest exposures to non-financial corporations, there was a significant slowdown in growth in loans to firms in wholesale and retail trade, and slower growth in loans to manufacturing firms, which also reduced their contribution to aggregate growth in loans to non-financial corporations. While growth in loans to construction firms has continued last year's rising trend, and had strengthened significantly by October 2022, their contribution to aggregate growth has more than doubled over the course of the year. Average interest rates on new fixed-rate loans to non-financial corporations have been rising since April, while those on variable-rate loans have been rising more noticeably since September.[8]

In terms of corporate size, year-on-year growth in loans strengthened in all categories, while the breakdown by loan purpose was also diverse. Loans to large enterprises recorded the highest growth, but the rate declined significantly in October in the wake of large repayments. In terms of loan purpose, the highest year-on-year growth was in loans for financing debt and loans for working capital. Growth in loans for financing working capital actually declined between August and October, but their contribution to aggregate growth remained largest. Growth in loans to non-financial corporations remained well above the euro area average of 8.1%.

Figure 4: **Lending to non-financial corporations**



Note: Gross figures in the left figure. SMEs includes micro, small and medium-size enterprises.
Sources: Banka Slovenije, ECB SDW, Banka Slovenije calculations

Year-on-year growth in household lending declined slightly by October as interest rates rose slightly, but still strongly outpaced the euro area average. At 8.2%, it was 4.0 percentage points above the euro area average, and was also higher than its pre-pandemic level. The high growth was driven by a rise in volume of new housing

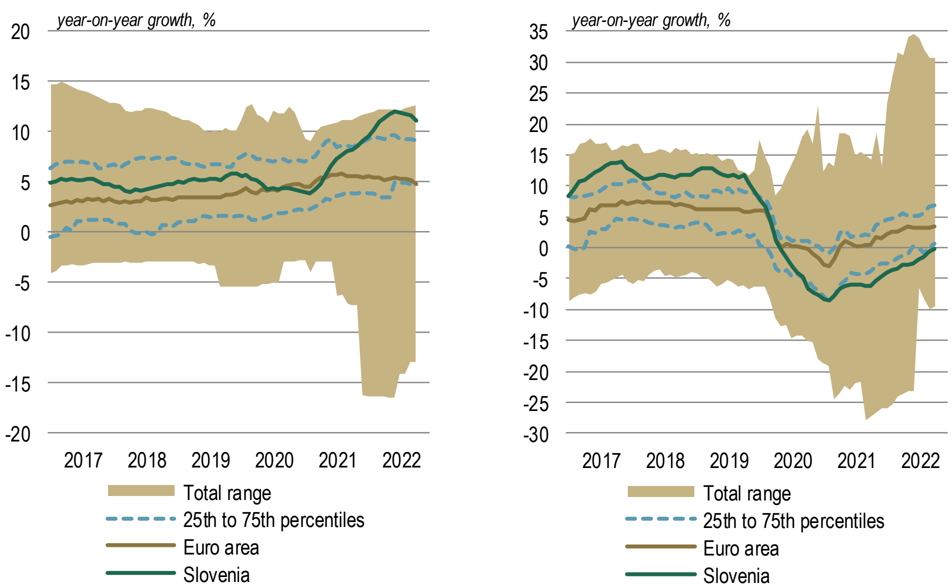
[8] The average fixed interest rate on new loans to non-financial corporations stood at 4.4% in October (the six-month average between November 2021 and April 2022 stood at 1.5%), while the average variable interest rate stood at 3.8% (the six-month average between April and September 2022 was 1.7%).

loans, which began to slow in the second half of the year. The average monthly increase in housing loans has declined significantly in recent months. It stood at EUR 55 million between July and October, less than during the same period last year,[9] and less than the monthly average in the first half of the year.[10] Year-on-year growth in housing loans also slowed, but at 11.0% remained well above the euro area average of 4.8%. Average interest rates on new fixed-rate housing loans have been gradually rising since April, while those on variable-rate loans have been rising since July.[11] There was a trend of increase in new consumer loans over the first ten months of 2022. The monthly increases in the stock of consumer loans also reflected stronger consumer lending as they were positive in all four months of the second half of the year even after the significant repayments of loans raised during the period of above-average growth. The monthly increase averaged EUR 6.0 million over this period, higher than over the same period last year, and by October the stock was down just 0.1% in year-on-year terms. The year-on-year rate of growth remains well below the euro area average of 3.5%, and is one of the lowest rates in the euro area. Fixed and variable interest rates on new consumer loans also rose over the first ten months of the year.[12]

Figure 5: **Household lending**

Growth in housing loans, comparison between Slovenia and the euro area

Growth in consumer loans, comparison between Slovenia and the euro area



Sources: Banka Slovenije, ECB SDW, Banka Slovenije calculations

[9] EUR 63 million.

[10] EUR 78 million.

[11] The average fixed interest rate on new housing loans stood at 3.1% in October (the six-month average between November 2021 and April 2022 stood at 1.7%), while the average variable interest rate stood at 3.2% (the six-month average between February and July 2022 was 1.6%).

[12] The average fixed interest rate on new consumer loans stood at 6.5% in October (the six-month average between April and September 2022 stood at 6.1%), while the average variable interest rate stood at 6.2% (the six-month average between April and September 2022 was 4.6%).

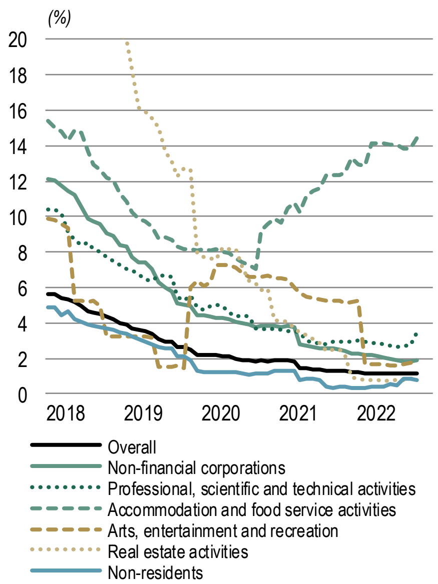
5 Bank Asset Quality

The portfolio quality indicators remain favourable and stable, albeit with signs of deterioration now evident in certain segments. The NPE ratio fluctuated between 1.1% and 1.2% over the first ten months of the year. The NPE ratio increased in the non-financial corporations portfolio in October for the first time since February 2021, by 0.1 percentage points to 1.9%. A decline in NPEs has prevailed in certain sectors since the outbreak of the pandemic, with merely temporary deteriorations in individual months. There has recently been a more evident inflow of NPEs in certain sectors: over the last three consecutive months in professional, scientific and technical activities and in arts, entertainment and recreation, over the last two months in real estate activities and again in accommodation and food service activities, where the NPE ratio of 14.4% remains by far the highest in the non-financial corporations portfolio.

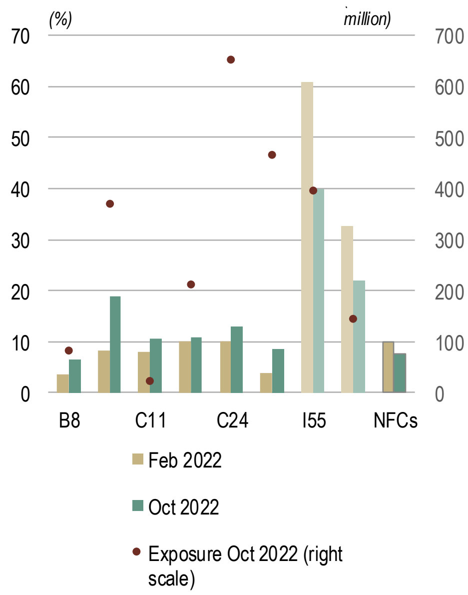
The banks are still reducing their exposures classed as Stage 2 (increased credit risk). The share of Stage 2 exposures at system level had declined to 4.6% by October, the lowest figure since April 2020. The share of Stage 2 exposures has been rising since the final quarter of 2021 in numerous EU Member States and in the EU overall (up to the second quarter, for which the latest data is available). A small increase in the share of Stage 2 exposures is evident at Slovenian banks in certain sectors more dependent on energy, but their share of total bank exposure is relatively small, and is not driving a rise in the share of Stage 2 exposures in the non-financial corporations portfolio as a whole. October's figure of 7.6% in the portfolio was 2.3 percentage points lower than before the outbreak of the war in Ukraine. Accommodation is still notable for the highest share of Stage 2 exposures (40%), although the figure has declined sharply in the wake of the revival of the sector.

Figure 6: **NPE ratios and share of Stage 2 exposures**

NPE ratio for selected portfolio segments



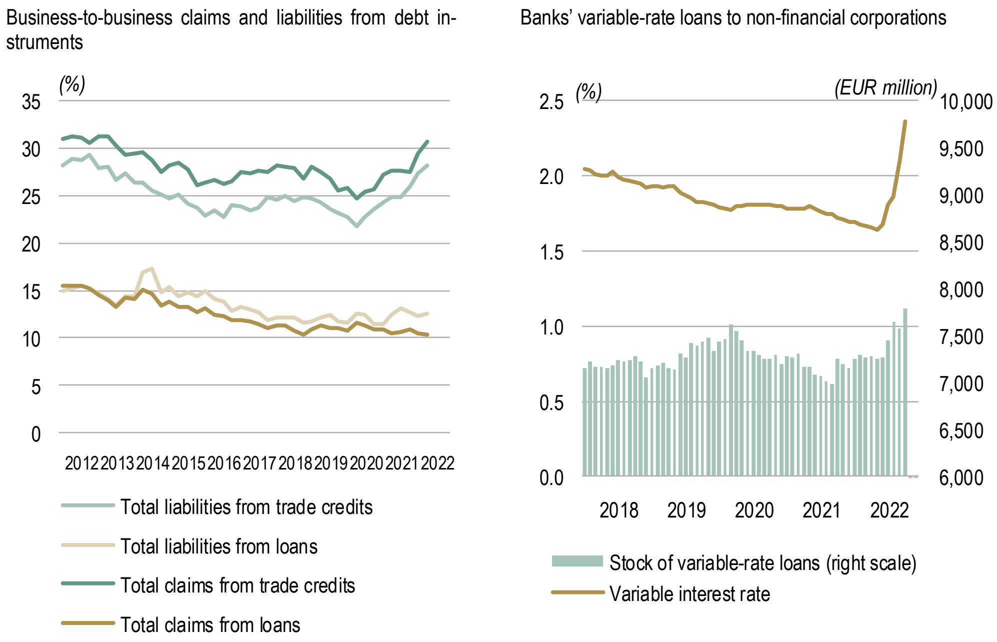
Share of Stage 2 exposures in various sectors of the non-financial corporations portfolio



Key to right figure: B8: Other mining and quarrying; C10: Manufacture of food products; C11: Manufacture of beverages; C23: Manufacture of other non-metallic mineral products; C24: Manufacture of basic metals; F42: Civil engineering; I55: Accommodation; I56: Food and beverage service activities.
Source: Banka Slovenije

In the slowing economy and given the rise in input costs, there is expectation of a deterioration in firms' debt servicing capacity. Firms are increasingly taking financing from other domestic and foreign firms, and are increasing their claims against business partners. Claims from trade credits granted reached the equivalent of 30.7% of GDP in the second quarter of 2022, with a trend of increase since June 2020 (when they stood at 24.7% of GDP). Together with loans granted by other firms, the figure reach 41.1%. The increase in non-financial corporations' claims of this type along with the deterioration in the domestic and international environments is increasing the credit risk of these assets at the firms themselves, which in turn is driving a rise in credit risk at banks. The pressure on non-financial corporations' income is being further increased by the rise in debt servicing costs driven by rising interest rates. The high growth in total loans to non-financial corporations is bringing an increase in new variable-rate loans. Interest rates on the stock of loans to non-financial corporations have risen by 0.7 percentage points over the last five months and the stock of loans is up 7.4% over the same period.

Figure 7: **Non-financial corporations' claims and liabilities**

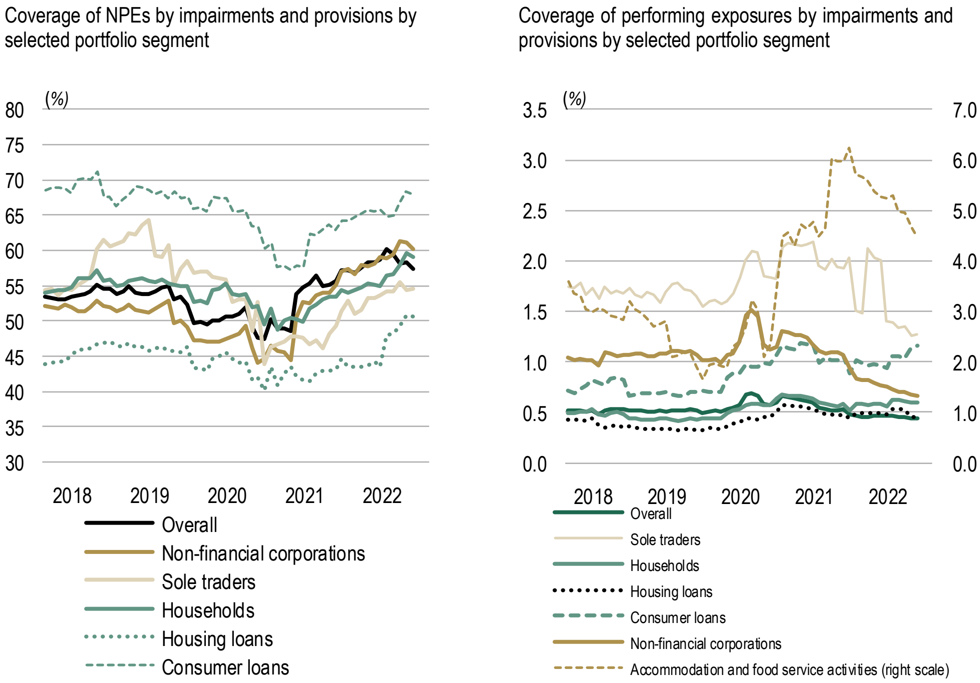


Source: Banka Slovenije

Coverage of NPEs by impairments and provisions remains high. Coverage by impairments and provisions in the non-performing segment of the portfolio had increased to 60.2% by June, the highest figure since September 2017, and ranks the Slovenian banking system in the top quarter of EU Member States according to this metric. Coverage declined to 57.4% by October, just 0.3 percentage points above its level from the end of 2021. The key factors in the decline in coverage were the dynamics in NPEs and in the corresponding impairments in respect of exposures to Russia, Ukraine and Belarus. Coverage of NPEs by impairments has increased this year in other customer segments. Excluding the non-residents portfolio, coverage of the remaining portfolio stood at 59.7% in October, an increase of 3.5 percentage points on the end of last year.

Coverage of performing exposures by impairments and provisions continued its trend of decline. The decline in Stage 2 exposures via reclassification to Stage 1 has resulted in the release of some of the corresponding impairments, and a decline in overall coverage of performing exposures. This is particularly the case in accommodation and food service activities, where this year's decline in Stage 2 exposures has been most pronounced. The opposite trend is evident in the consumer loans portfolio, where coverage of performing exposures by impairments has been increasing since June. This coverage reached 1.2% in October, thus returning to the highest level reached in early 2021 (data is available from Q4 2016). At the same time performing consumer loans have one of the highest coverage rates of any individual portfolio segment. In addition to higher credit risk, the increase in coverage in this portfolio segment is being driven by lower coverage by collateral.

Figure 8: **Coverage by impairments and provisions**



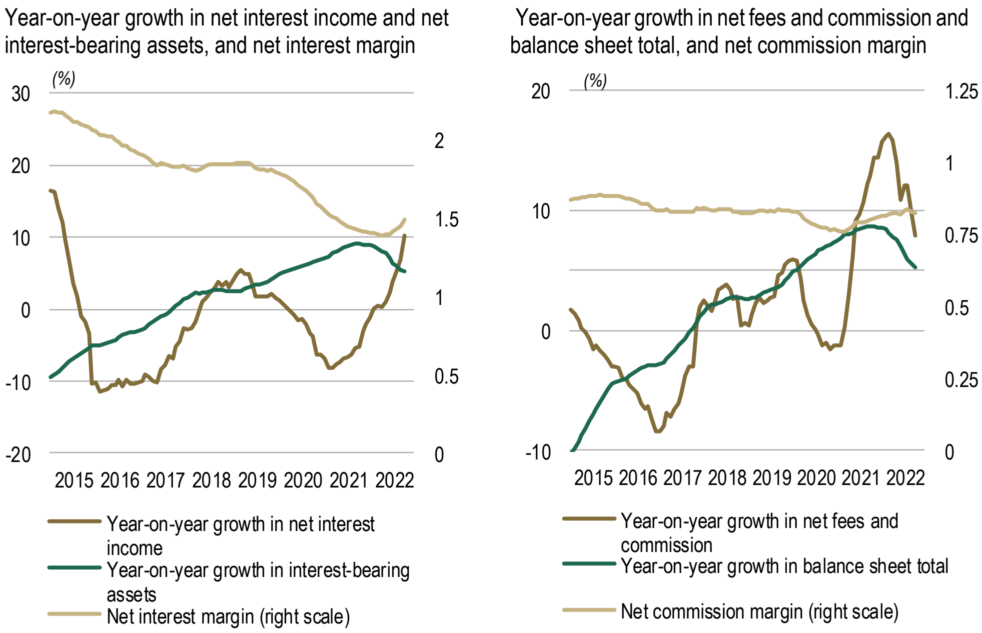
Source: Banka Slovenije

6 Bank Income Generation

The Slovenian banking system's net income over the first ten months of 2022 was up a quarter in year-on-year terms. Growth in the main income categories improved. Growth in net interest is increasing in the wake of increased lending activity and rising interest rates, while growth in net non-interest income remains relatively high. The banking system's gross income over the first ten months of the year was up 12.7% in year-on-year terms, while net income was up 25.2%. Net interest income can be expected to increase further as a result of rising interest rates. The positive trend in income generation might be slowed in the future by a deterioration in the international and domestic economic environments, and the potential for a more pronounced slowdown in lending activity.

Net interest income is increasing. The year-on-year rate of growth reached 11.5% in October, and the net interest margin has also been rising since the second quarter. The growth was driven by lending activity (a quantity effect), while the negative contribution of the price effect diminished rapidly over the course of the year, turning positive by the end of October. Having reached its lowest value in May (1.39%), the net interest margin had increased by just under 0.1 percentage points by October to reach 1.49%. Rising interest rates are expected to bring a further increase in net interest income and net interest margin over the coming months.

Figure 9: **Net interest margin and non-interest margin**



Source: Banka Slovenije

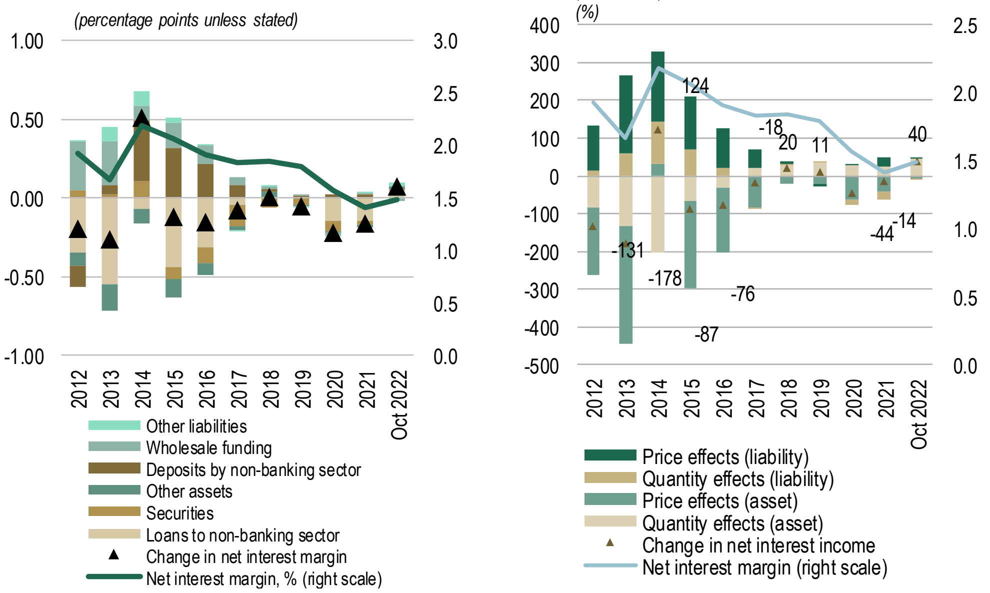
The sharp increase in year-on-year growth in net interest income is being driven by the asset side of the balance sheet. Growth in net interest was negative at the end of 2021, but had hit double-digit levels by October of 2022. This was driven by assets of all forms, most notably interest income from loans to the non-banking sector and from the most liquid assets. Conversely, growth in interest expenses was low, thanks to the high share of sight deposits and the very restrained rise in liability interest rates[13] at banks.

[13] Interest income is up 10.3% on last year. Income from loans is up 8.7%, but there is even higher growth in interest income from securities (13.7%) and from other forms of liquid assets, mainly claims against the central bank (27.7% in total). A year-

Figure 10: **Change in net interest margin and contributions to change in net interest by price effects and quantity effects**

Breakdown of change in net interest margin into asset and liability instruments

Contributions to change in net interest and net interest margin by price effects and quantity effects



Source: Banka Slovenije

Net non-interest income over the first ten months of the year was up 14% on the same period last year. Year-on-year growth in net fees and commission[14] slowed to 7%, on account of the high growth in 2021 and the abolition of custody fees from August. The net commission margin, which had risen from the first quarter of 2021, reached 0.82% in October of 2022, only slightly up on the end of last year. The increase in net non-interest income was mainly attributable to dividend income, which was up fully EUR 76 million on the same period last year.[15] The year-on-year decline in income realised by certain banks on account of one-off income from the revaluation of loans and securities in the early part of 2021 acted to reduce net non-interest income.[16]

Operating costs over the first ten months of the year increased moderately, by 5% in year-on-year terms. Growth in labour costs also remained low, at just 2.4% in year-on-year terms. Growth in operating costs thus continued to be outpaced by growth in gross income, and was comparable to growth in the balance sheet total. The ratio of operating costs to the balance sheet total declined to 1.54%, comparable to the figure from the end of last year, while the increase in income saw the CIR decline by 4.2 percentage points in year-on-year terms to 57.8%, down slightly on its average in recent years of just over 58%. The ratio of operating costs to the balance sheet total at system level in Slovenia over the period of 2016 to 2021 was comparable to the figure at banks of similar size in the EU and the euro area overall, and was higher than the

on-year comparison of the three-month flows in net interest and interest income reveals a sharp increase in the rates of growth, particularly in recent months: the metric of growth in interest income from loans stood at 18.8% in October, while growth in aggregate interest income and net interest income stood at 22.0% and 24.4% respectively. Interest expenses in the Slovenian banking system remain very low: they amounted to EUR 15.9 million over the first ten months of the year, compared with the stock of deposits by the non-banking sector in the amount of EUR 38.6 billion, which corresponds to an effective interest rate on deposits by the non-banking sector of virtually zero.

[14] Net fees and commission, the most important component of net non-interest income, accounted for 68% of the total so far this year, compared with 73% in the same period last year, and 65% over the whole of 2021.

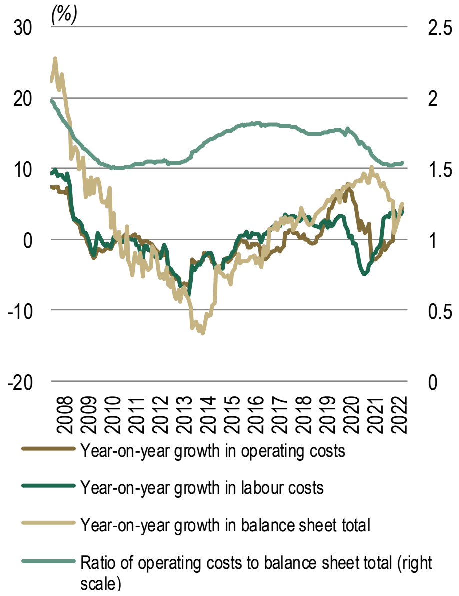
[15] The banking system's dividend income amounted to just EUR 8.9 million over the first ten months of last year, but had increased to EUR 41.1 million by the end of November, and EUR 92.8 million by the end of December. In the absence of any major increase over the following months, growth in net non-interest income will slow on this account by the end of the year.

[16] The spring of 2021 saw an increase in net non-interest income caused by the revaluation of the loan portfolio and securities portfolio at several banks. The category of Net gains/losses on non-trading financial assets mandatorily at fair value through profit and loss recorded a gain of EUR 52.3 million over the first ten months of last year at system level, compared with a loss of EUR 5.5 million this year, which was a major factor acting to reduce net non-interest income.

weighted averages in the EU and the euro area. Meanwhile the CIR figure in Slovenia was actually better than the overall figures in the EU and the euro area.[17]

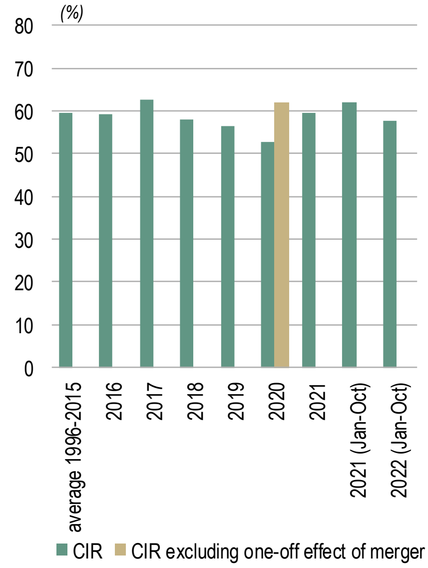
Figure 11: **Operating costs and CIR**

Growth in operating costs, labour costs and balance sheet total, and ratio of operating costs to balance sheet total



Source: Banka Slovenije

Cost to income ratio (CIR)



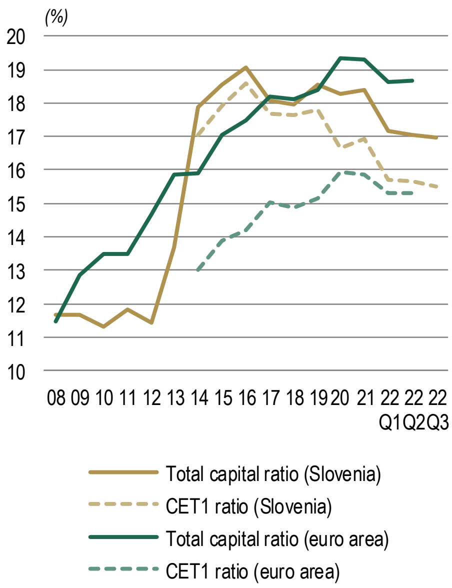
[17] According to consolidated figures (ECB SDW, consolidated banking data), banks in Slovenia have seen the ratio of operating costs to the balance sheet total decline in recent years, from 2.02% in 2016 to 1.65% in 2021. The average over the aforementioned period was 1.82% in Slovenia, compared with 1.94% at banks of comparable size in the EU and 1.30% in the EU overall (and 1.84% and 1.38% respectively in the euro area). The CIR averaged 60.6% over this period, and was thus lower than the figures at banks of comparable size and at all banks in the EU (68.9% and 64.3% respectively) and in the euro area (68.7% and 65.1% respectively).

7 Capital Adequacy, Profitability and Liquidity in the Banking System

Capital ratios in the banking system declined over the first three quarters of the year, primarily as a result of increased lending activity and the impact of revaluations of debt securities. The banking system's total capital ratio on a consolidated basis declined by 1.4 percentage points over the first three quarters of 2022 to 17.0%, while the CET1 ratio declined by 1.4 percentage points to 15.5%. This year's decline in the capital ratios is attributable to an increase in risk-weighted assets, and a decline in regulatory capital. Risk-weighted assets increased as a result of increased lending to non-financial corporations and to households via housing loans. The decline in regulatory capital is primarily attributable to the negative impact of debt securities revaluations. The main factor acting to strengthen regulatory capital has been retained earnings. In addition to strengthening CET1 capital, the banks also issued Tier 2 capital. Only a few banks saw an increase in regulatory capital, which meant that the surpluses over allocated capital requirements declined at the majority of banks. There remains a considerable dispersion among banks in the aforementioned capital surpluses, and thus in their capacity to absorb the adverse effects of any realisation of unexpected systemic risks.

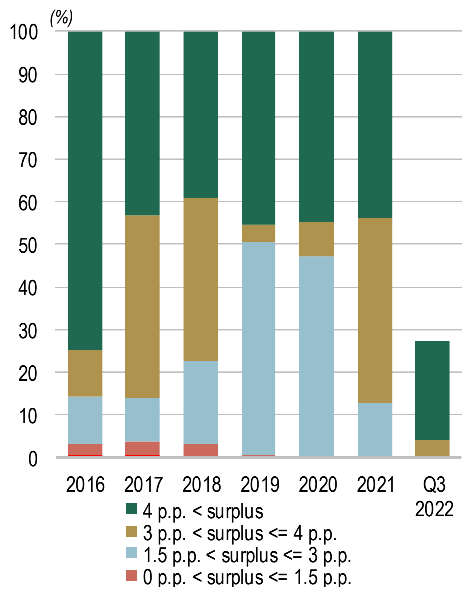
Figure 12: **Capital ratios and surpluses over capital requirements**

Capital ratios, comparison with the euro area, consolidated basis



Sources: Banka Slovenije, ECB SDW, own calculations

Breakdown of capital surpluses over overall capital requirement (excluding P2G) in the banking system expressed as a ratio to the balance sheet total



The total capital ratio of the Slovenian banking system on a consolidated basis has remained below the euro area average since the end of 2020. It stood at 17.0% at the end of the third quarter of 2022, compared with 18.6% in the euro area overall.[18] At 15.5%, the CET1 ratio remains slightly above the euro area average of 15.3%. Capital adequacy indicators are declining in the euro area overall, similarly to the Slovenian banking system.

[18] The Slovenian banking system's total capital ratio on an individual basis declined by 1.6 percentage points to 18.5%, while the CET1 ratio declined by 1.5 percentage points to 16.8%.

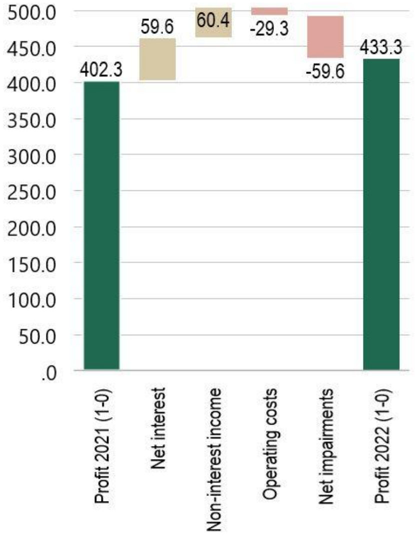
Our expectation is that risk-weighted assets will increase as lending further strengthens, although it should be noted that capital growth at the majority of banks is limited to retained earnings, as access to the capital market is curtailed. Despite the favourable outlook with regard to future developments in net interest income, any deterioration in the quality of the credit portfolio that would be reflected in additional impairments could eat into future profits, thereby reducing the capacity for organic growth in regulatory capital. The careful management of adequate capital levels at individual banks will therefore be vital in the future to ensuring that capital adequacy remains robust.

Pre-tax profit over the first ten months of the year was up 7.7% or EUR 433 million in year-on-year terms, driven primarily by an increase in income. The net creation of impairments and provisions in the banking system remained minimal over the first ten months of the year: it amounted to EUR 17.6 million, and accounted for 1.6% of the disposal of gross income. The banks had recorded a net release of impairments and provisions of EUR 42.1 million over the same period last year. Just over half of the banks and savings banks (nine of 16) saw the net creation of impairments and provisions over the first ten months of the year, compared with a total of five banks in 2021. The share of the disposal of gross income accounted for by impairments and provisions is still well below its long-term average of just over a fifth. Pre-tax ROE over the first ten months of 2022 stood at 10.5%, up just over 0.5 percentage points on the same period last year (9.9%), but down slightly on the whole of 2021 (11.3%). Had the ratio of net impairments and provisions to gross income been at its long-term average, pre-tax profit would have been less than a half of that actually observed.

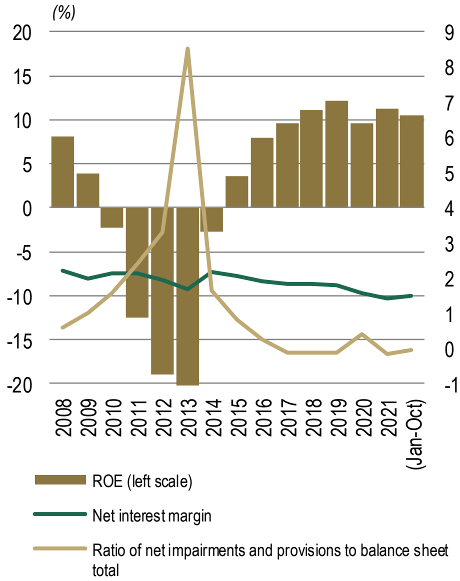
Despite the current strong improvement in the conditions for generating net interest income, which will strengthen further over the short term, it is necessary to draw attention to the gradual rise in the cost of bank funding in the future, the anticipated slowdown in growth in net non-interest income, and the rising cost pressures caused by high inflation. As financing rises in cost for firms and households, and the deterioration in the economy brings a potential increase in defaults, the size of net impairments and provisions at banks will be a major factor in profitability. Amid the realisation of risks in the international environment and the accompanying huge uncertainty, and the downward revisions to macroeconomic forecasts, net impairments and provisions might rise quickly, reducing ROE.

Figure 13: **Changes in components of profit and selected bank performance indicators**

Changes in components of profit, January to October 2021 to January to October 2022



Selected bank performance indicators



Source: Banka Slovenije

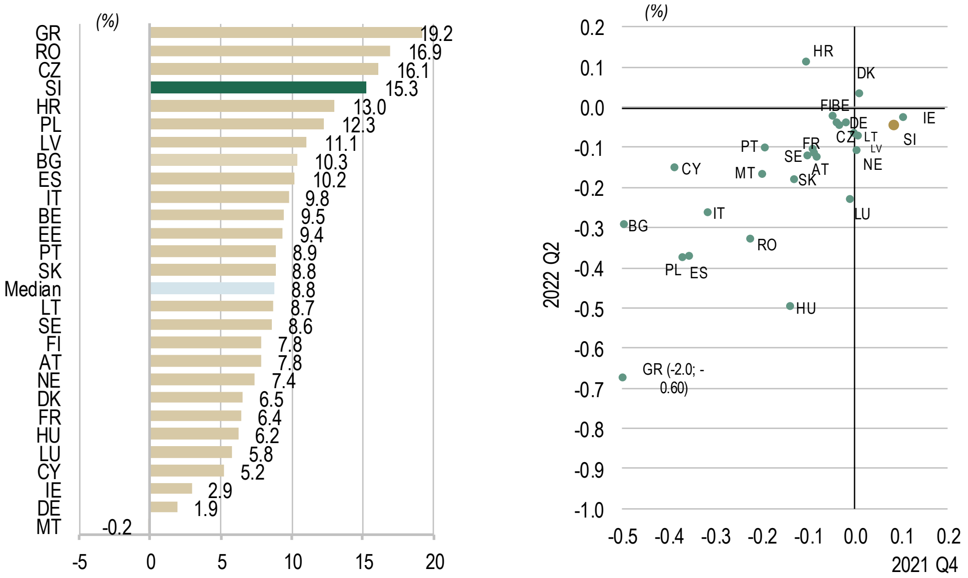
A comparison with other European countries for the first half of 2022 also suggests that a major factor in the relatively high profitability of the Slovenian banking system in recent years was the low level of net impairments and provisions or the net release. The Slovenian banking system has been ranked close to the EU average and EU median in terms of the ratio of net impairments and provisions to the average balance sheet total over the last two years, and in 2021 was one of five countries to record a net release of impairments and provisions. The Slovenian banking system saw a net release of impairments and provisions in four of the years between 2017 and 2021. According to the annualised figures for the first half of 2022, Slovenia was ranked eighth among EU Member States in terms of the ratio of net impairments and provisions of financial assets not measured at fair value to the balance sheet total. Two banking systems saw a net release of impairments and provisions, while five recorded lower ratios than Slovenia.[19]

[19] The data for the first half of 2022 relates to impairments of financial assets not measured at fair value, which account for the largest component of impairments. This data is available on a quarterly basis for individual EU banking systems. The Slovenian banking system's ratio of -0.045% was smaller lower than the arithmetic mean (-0.162%), median (-0.113%) and weighted average (-0.14%) in the EU. Only two countries recorded a net release of impairments and provisions in the first half of 2022.

Figure 14: **Bank profitability in EU Member States and ratio of net impairments to balance sheet total**

ROE in the EU, consolidated basis, first half of 2022

Ratio of net impairments of financial assets not measured at fair value through profit or loss to balance sheet total in the EU, first half of 2022



Source: Banka Slovenije

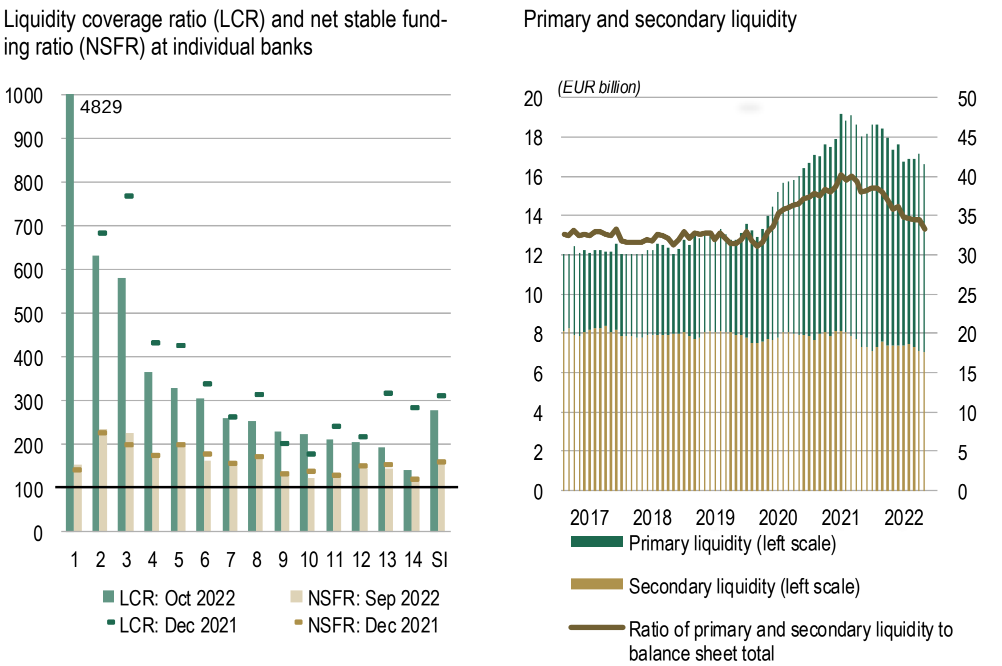
The liquidity of the banking system remained sound, despite a decline in certain indicators. The liquidity coverage ratio (LCR), which illustrates the ability to cover net liquidity outflows over the short term, declined by 34 percentage points over the first ten months of the year to 278%, but remained well above the regulatory requirement of 100%. The decline in the LCR was attributable to an increase in net liquidity outflows, and a simultaneous decline in the liquidity buffer as a result of the use of assets held at the central bank. Despite the decline, Slovenia was ranked in the top third of countries with the highest LCRs at the end of the second quarter of 2022.[20] Due to the growth in loans to the non-banking sector the increase in required stable funding over the first nine months of the year outpaced the increase in available stable funding, which reduced the NSFR by 2.8 percentage points to 159%. Despite the decline, the surplus of 59 percentage points over the minimum regulatory requirement for NSFR indicates that the banking system maintained a good ability to finance its liabilities over a period of one year.

Given the smaller inflow of deposits by the non-banking sector in first ten months of 2022, the banks have also redirected some of the assets held in accounts at the central bank into their lending activity. After a sharp build-up of primary liquidity[21] over the first two years of the pandemic (2020 and 2021), it declined by EUR 1.9 billion over the first ten months of 2022 to EUR 9.5 billion, which is nevertheless almost a fifth of the balance sheet total, and is well above its pre-pandemic level (13% of the balance sheet total). Another factor in the decline of liquid assets was the early repayment of certain liabilities to the Eurosystem (TLTRO-III), which is also likely to drive a decline in primary liquidity in the future as these liabilities gradually fall due.

[20] More recent data was not available at the time of writing. The comparison between countries is made on a consolidated basis.

[21] Primary liquidity comprises cash on hand, balances at the central bank and sight deposits at banks.

Figure 15: **Liquidity indicators**



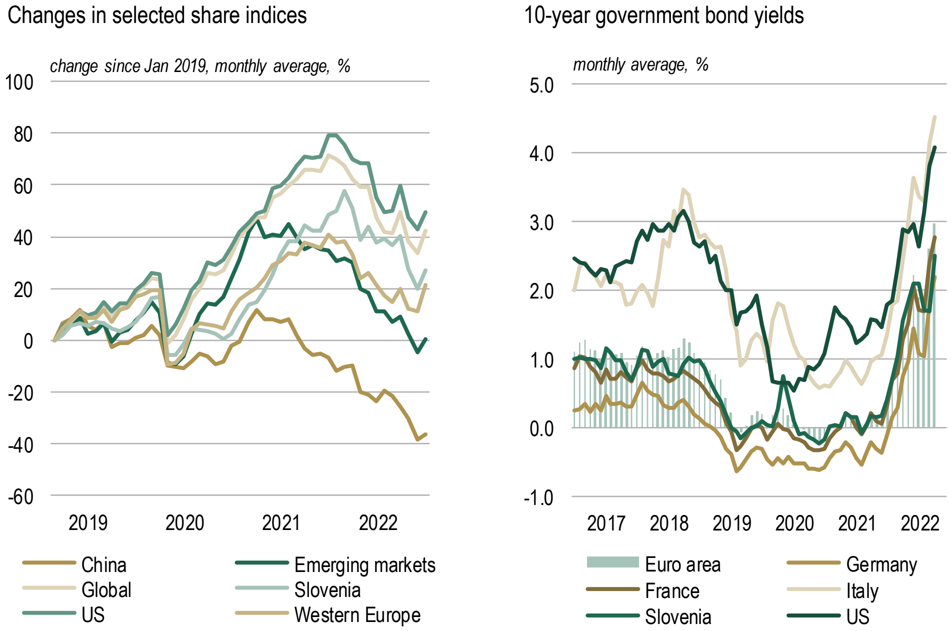
Note: The horizontal blue line in the left figure denotes the minimum requirements for the LCR and the NSFR in accordance with the CRR (100%). Primary liquidity in the right figure comprises cash on hand, balances at the central bank and sight deposits at banks. Secondary liquidity comprises Slovenian government securities and foreign marketable securities rated BBB or higher.
Source: Banka Slovenije

There remain considerable differences in the liquidity surpluses of individual banks, and thus in their resilience to systemic risks. The LCR declined at the majority of banks, primarily as a result of the decline in assets held at the central bank. Although all the banks exceeded the LCR and NSFR requirements, their liquidity positions vary. Careful monitoring of competition in the sector and diligent liquidity management therefore remain vital, particularly at banks with smaller liquidity surpluses, which would find it harder to deal with the consequences of any stress events.

8 Capital Markets and Mutual Funds

Central banks are moving ahead with monetary policy normalisation, with the aim of lowering high inflation. Owing to inflationary pressures, the interest rate on the deposit facility in the Eurosystem has been raised by a total of 2.5 percentage points this year to 2.0%. The Fed is also continuing to raise key interest rates. December's hike of 0.5 percentage points left the target range for the federal funds rate at 4.25% to 4.50%. The euro has depreciated by 9.6% against the US dollar, driven primarily by the difference between the phases of monetary policy tightening in the US and the euro area. The markets expect central banks to raise interest rates further in the future.

Figure 16: **Share indices and government bond yields**



Note: The indices in the left figure are the S&P 500 for the US, the Euro Stoxx 600 for western Europe, the Emerging Markets Net Total Return Index for developing economies, the SBI TOP for Slovenia, the MSCI World Net Total Return Index for global shares, and the Hang Seng for China. Data to October 2022 inclusive.
Sources: Bloomberg, Eurostat, Banka Slovenije

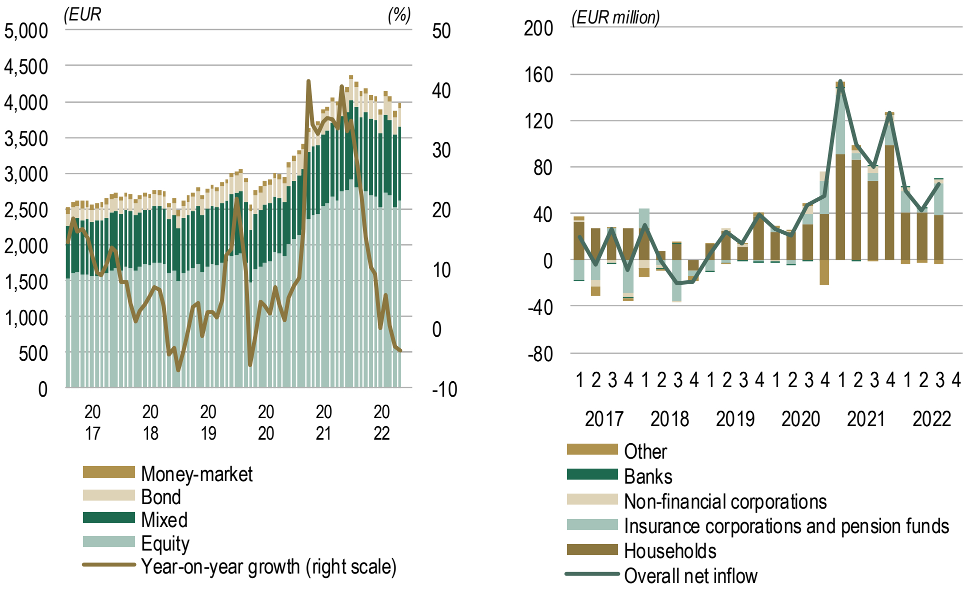
The hikes in key interest rates and the expectations of the further normalisation of monetary policy are having an impact on share markets and government bond yields. The major share indices have fallen sharply, on account of monetary policy tightening and the downgrading of economic growth forecasts. The largest falls have been recorded by shares in tech firms, which are traditionally more sensitive to rises in key interest rates. Investors' expectations with regard to further monetary policy tightening were reflected in a sharp rise in government bond yields. At the end of October the yields on two-year and ten-year US treasuries reached their highest levels since 2007 and 2008 respectively, while the yields on two-year and ten-year German government bonds reached their highest levels since 2008 and 2011 respectively.

Domestic mutual funds' assets under management have declined in early 2022, but net inflows into mutual funds remain positive despite the increased volatility on global equities markets. Mutual funds' assets under management amounted to EUR 3.9 billion in October, down EUR 153 million in year-on-year terms. Equity funds are the prevalent form of mutual fund in Slovenia, and account for 65% of domestic mutual funds' total assets under management. Net inflows into mutual funds remained positive in 2022, with the majority coming from households. Equity funds saw the largest cumulative inflows over the first ten months of the year, while bond funds saw a net outflow. Slovenia's SBI TOP lost more than 20% over this period, while yields on 10-year Slovenian government bonds stood at 2.9%.

Figure 17: **Domestic mutual funds' assets under management and inflows**

Domestic mutual funds' assets under management: stocks and year-on-year change

Net inflows into mutual funds by investor sector

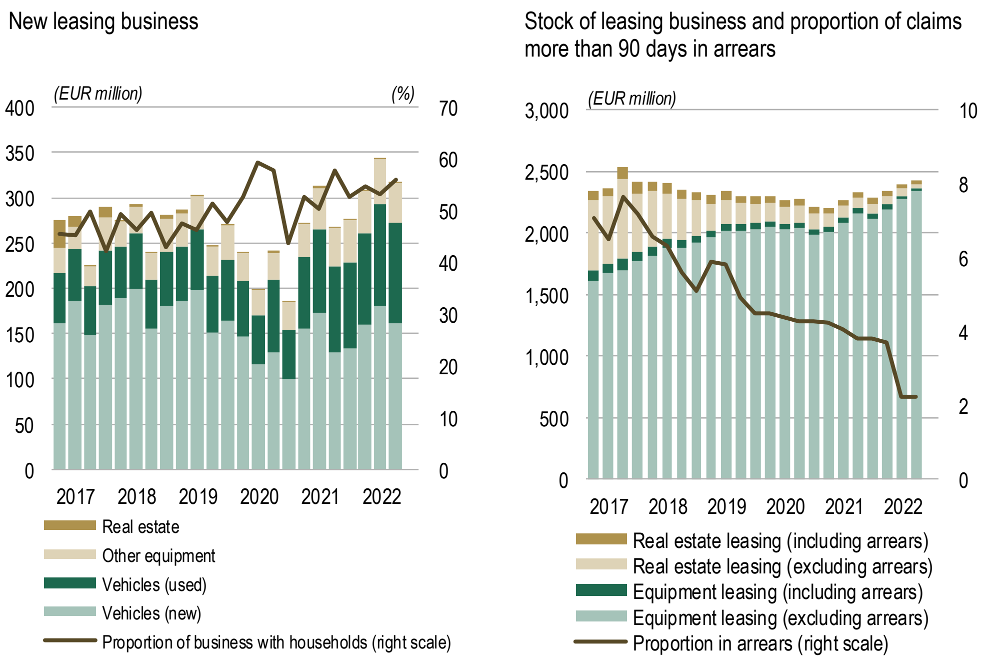


Note: The data in the left figure is up to October 2022 inclusive.
Sources: ECB SDW, SMA, Banka Slovenije

9 Performance of Leasing Companies

The growth in leasing companies' business[22] seen since the spring of 2021 continued over the first three quarters of 2022. Leasing companies approved EUR 967.4 million of new business over the first nine months of the year, up 13.5% on the same period last year. Most business was entered into with households (55.9% of the total) and non-financial corporations (43.3%). As in the past, purchases of cars and of commercial and goods vehicles accounted for the majority of new business. The positive trend in new business is also being reflected in the stock of leasing business. This amounted to EUR 2.4 billion at the end of September 2022, up 4.1% in year-on-year terms. Equipment leasing accounts for the majority of the stock of leasing business, leasing companies having withdrawn from real estate leasing for several years now. Car leasing business accounts for the majority of equipment leasing (59.7% of the total).

Figure 18: **New business, stocks of leasing business, and arrears**



Note: Data to the third quarter of 2022 inclusive.
Source: Banka Slovenije

The proportion of claims more than 90 days in arrears stood at 2.2% in the third quarter of 2022, down again in year-on-year terms. Non-financial corporations accounted for the majority (80%) of the arrears. The arrears remain highly concentrated: three leasing companies account for almost 85% of the arrears. Leasing companies' profitability in the third quarter of 2022 remained broadly unchanged from last year. Leasing companies recorded EUR 34.9 million of total profit, down 1.7% in year-on-year terms. The increase in leasing business and the strengthening of resilience continued to be reflected in a rise in the balance sheet total and equity of leasing companies. Leasing companies' balance sheet total stood at EUR 2.8 billion at the end of September 2022, up 15% in year-on-year terms. Their ROE was up 1.2 percentage points in year-on-year terms at 10.3%.

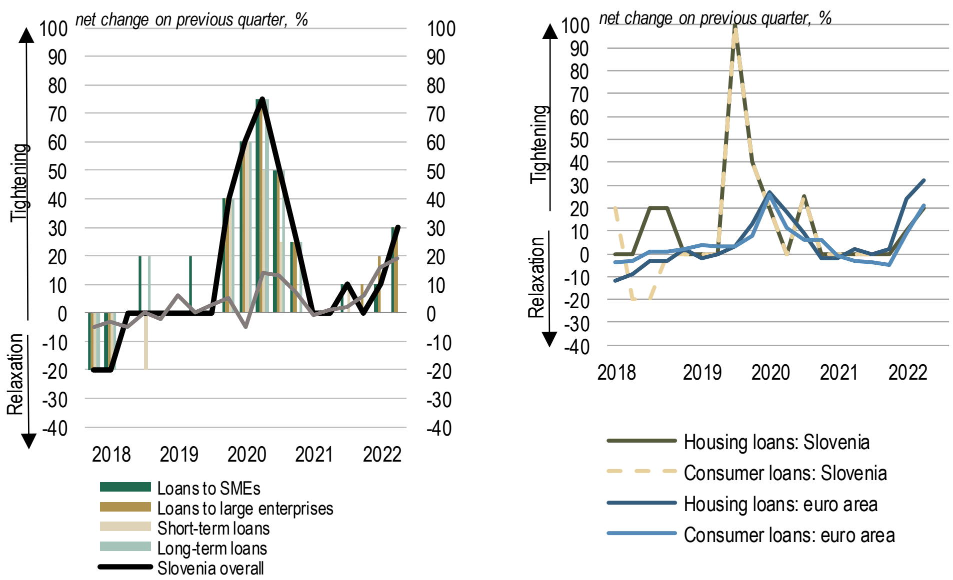
[22] Includes companies that report to Banka Slovenije under the Regulation on reporting by institutions pursuing leasing activities. A new leasing company has been included in the reporting as of this year, and its financial year differs from the calendar year.

According to the Bank Lending Survey,[23] credit standards[24] in Slovenia tightened slightly over the first three quarters of 2022 for household loans and loans to non-financial corporations alike. The factors highlighted by the reporting banks in the third quarter were the general economic situation and outlook, and the industry-specific situation. Standards were tightened for large enterprises, and for SMEs. Standards were also tightened to a lesser extent for housing loans and consumer loans. The main factors in respect of household loans were the margin on riskier loans, the general economic situation and outlook, and housing market prospects, and also the borrower's creditworthiness for consumer loans. Credit standards for the euro area also tightened slightly, most notably for housing loans, and slightly less for loans to non-financial corporations and consumer loans.

Figure 19: **Credit standards for non-financial corporations and households according to the BLS**

Credit standards for loans to non-financial corporations

Credit standards for household loans



Source: Banka Slovenije

Banks in Slovenia reported a decline in demand for loans from non-financial corporations in the survey for the third quarter of 2022. A decline in demand was reported by three banks, who indicated that there had been a decline in demand for loans of this type after reporting an increase in demand for several consecutive quarters in the survey.[25] Banks in the survey were not expecting any major changes in the final

[23] As of 2022 a total of ten credit institutions report for Slovenia in the BLS, with the first data for the final quarter of last year. This is six more banks than previously. They accounted for 84.1% of the banking system in terms of the balance sheet total at the end of December 2021 (compared with 60.5% in June), and for 79.1% of loans to non-financial corporations (up from 51.1%), 90.4% of housing loans (up from 64.5%), and 79.7% of consumer loans (up from 60.4%). The shares are calculated on the basis of data reported to Banka Slovenije on an individual basis.

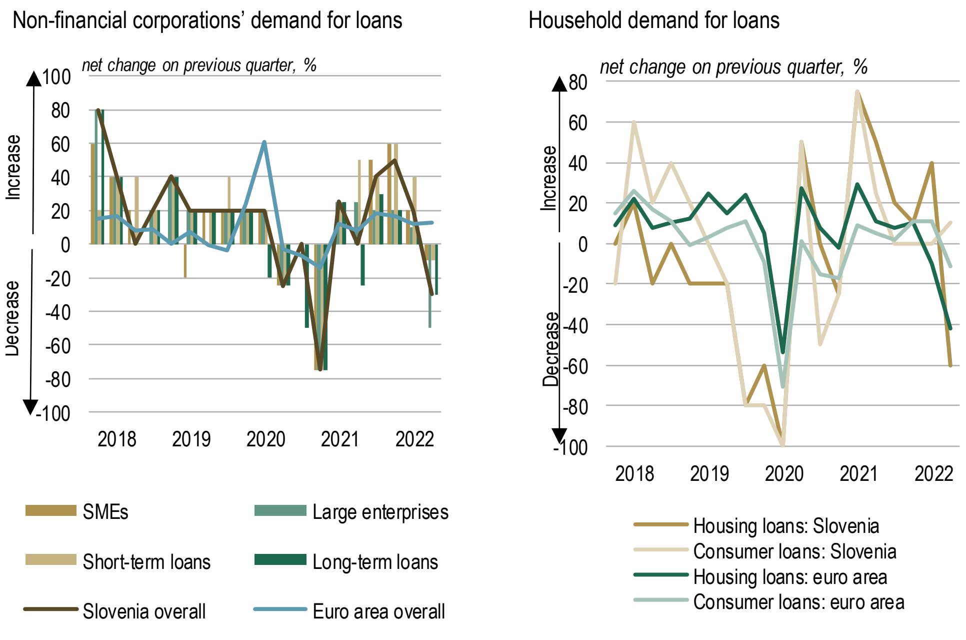
[24] Credit standards are the internal guidelines and criteria according to which a bank approves a loan. They are established before the actual negotiation of loan terms, and before the actual decision to approve or deny a loan. Credit standards according to the BLS for bank loans in the euro area define the required attributes of the borrower (e.g. assets, income situation, age, employment status) based on which a loan can be obtained. The survey also takes account of documented lending policy and its implementation. Credit standards may for example be modified on account of changes in the bank's asset costs and balance sheet situation, changes in competition, changes in the risk perception at the bank, changes in the level of acceptable risk at the bank, and legislative changes.

[25] In the BLS banks report changes in standards, conditions and demand with regard to the previous quarter, for which reason the developments do not necessarily coincide with the year-on-year rates of growth in lending. The changes are illustrated as net percentages defined as the difference between the total percentage of banks reporting for example an increase in demand and the total percentage of banks reporting a decrease in demand, for which reason this illustration may differ for example from growth in loans at system level. The increase in demand in the second quarter was considerably

quarter of 2022. There have been no major changes in demand evident in the euro area: it increased slightly in the second and third quarters, but less than in the two preceding quarters.

Demand for household loans declined sharply in the third quarter of 2022. The banks cited housing market prospects and the general level of interest rates as factors in the decline in demand. A larger number of banks were expecting a further decline in housing loans in the final quarter of 2022, while only a few banks were expecting a decline in demand for consumer loans. Banks in the euro area mainly reported similarly with regard to housing loans.

Figure 20: **Corporate and household demand for loans according to the BLS**



Source: Banka Slovenije

slower than in the two preceding quarters. In the reporting for the third quarter three of the seven banks cited a decline in demand, while the majority did not report any changes in this segment.

11 Risk and Resilience Dashboard

The assessment of systemic risks to financial stability remained elevated in the final quarter of 2022, on account of the prolonged war in Ukraine, the persistence of disruptions to supply chains, and high inflation. Banks' resilience to systemic risks remains medium in the segment of solvency and profitability, and high in the segment of liquidity.

The risk assessment remains unchanged from the previous quarter with regard to the majority of risks. The downside factors faced by the global economy, the euro area economy and the Slovenian economy are strengthening, which means that macroeconomic risk remains elevated, with the possibility of deterioration in the upcoming period of one year. In light of the high share of fixed-rate loans and sight deposits, interest rate risk is assessed as elevated, and is still strengthening as the repricing gap widens further. In a situation of a slowing economy and high inflation, and given the uncertainties present in the domestic and international environments, credit risk remains elevated, with a deterioration anticipated over the upcoming period of one year. The risk inherent in the real estate market remains also elevated, but further deterioration in the period ahead is not anticipated. The assessment of income risk was lowered to moderate with a stable outlook over the upcoming period of one year, amid the gradual improvement in the conditions for generating income. Net interest income can be expected to increase further in the future as a result of rising interest rates, but income generation might slow as the situation might worsen in the domestic and international economic environment, and amid a possible deterioration in lending activity. Although the banking system's capital ratios and certain liquidity indicators deteriorated slightly in the third quarter of 2022, resilience to systemic risks remains medium in the segment of solvency and profitability, and high in the segment of liquidity.

Table 1: **Banka Slovenije's risk and resilience dashboard for the Slovenian financial system**

	Risk and resilience dashboard									
	Q4 2020	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Trend of change**
Systemic risk										
Macroeconomic risk	high	high	elevated	elevated	elevated	elevated	elevated	elevated	elevated	⇧
Risk inherent in the real estate market	moderate	moderate	moderate	elevated	elevated	elevated	elevated	elevated	elevated	⇨
Funding risk in the banking system	moderate	moderate	moderate	moderate	moderate	moderate	moderate	moderate	moderate	⇨
Interest rate risk in the banking system	moderate	moderate	moderate	moderate	moderate	elevated	elevated	elevated	elevated	⇧
Credit risk in the banking system	elevated	high	high	elevated	elevated	elevated	elevated	elevated	elevated	⇧
Income risk in the banking system	elevated	elevated	elevated	elevated	elevated	elevated	elevated	elevated	moderate	⇨
Risk inherent in leasing companies	elevated	elevated	elevated	moderate	moderate	moderate	moderate	moderate	moderate	⇨
Resilience to systemic risks										
Solvency and profitability of the banking system	high	medium	medium	medium	medium	medium	medium	medium	medium	⇩
Liquidity of the banking system	high	high	high	high	high	high	high	high	high	⇩

Colour code:

Risk	low	moderate	elevated	high
Resilience	high	medium	low	very low

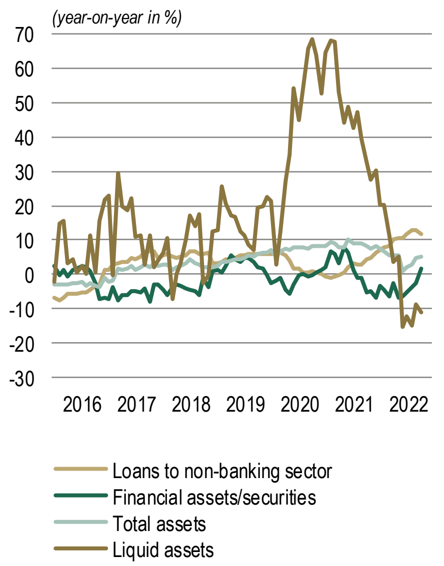
Note: The colour code in the risk and resilience dashboard relates to the assessment for up to one quarter in advance. The arrow illustrates the expected change in risk or resilience in the scale (up or down) over a slightly longer horizon of around one year. For risks, an up arrow means an increase in risk, and vice-versa, while for resilience it means strengthening, and vice-versa. The risk and resilience dashboard is based on analysis of key risks and resilience in the Slovenian banking system, and is defined as the set of quantitative and qualitative indicators for defining and measuring systemic risks and resilience.
Source: Banka Slovenije

12 Appendix

Key trends in the banking system

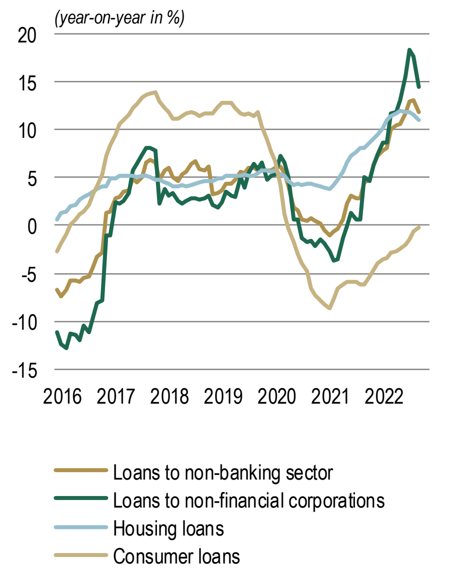
Figure 1: **Assets and loans**

Bank assets



Note: The category "Financial assets / securities" also includes debt securities from the category of loans and receivables.
*SD: sight deposits
Source: Banka Slovenije

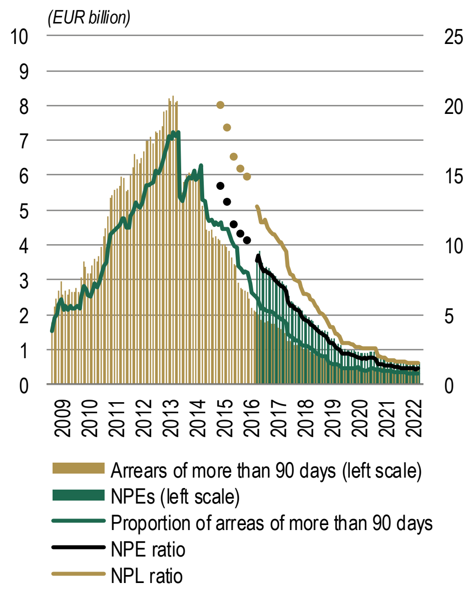
Loans by institutional sector and loan type



Source: Banka Slovenije

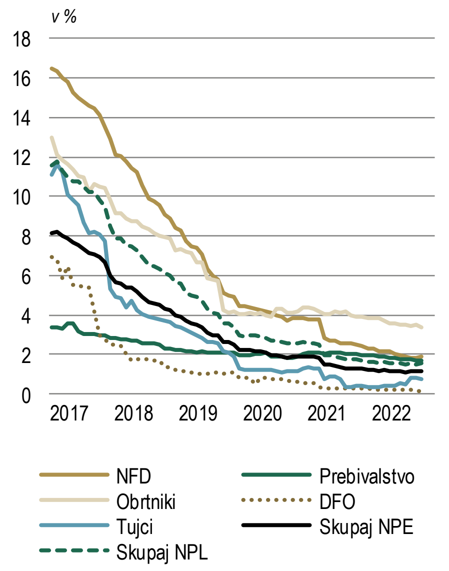
Figure 2: **NPEs at banks**

NPEs, NPLs and claims more than 90 days in arrears, stocks and ratios



Source: Banka Slovenije

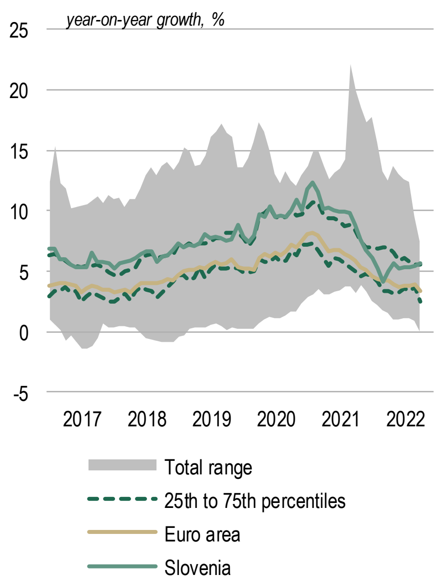
NPE ratios by customer segment



Source: Banka Slovenije

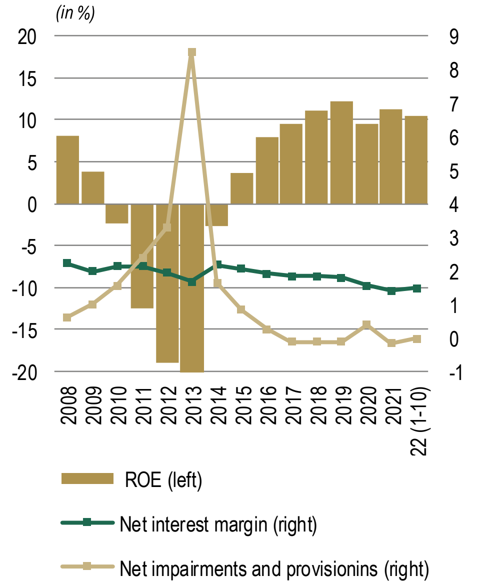
Figure 3: **Deposits and profitability indicators**

Growth in household deposits in Slovenia and the euro area



Source: ECB SDW

ROE, net interest margin, and ratio of impairment and provisioning costs to balance sheet total

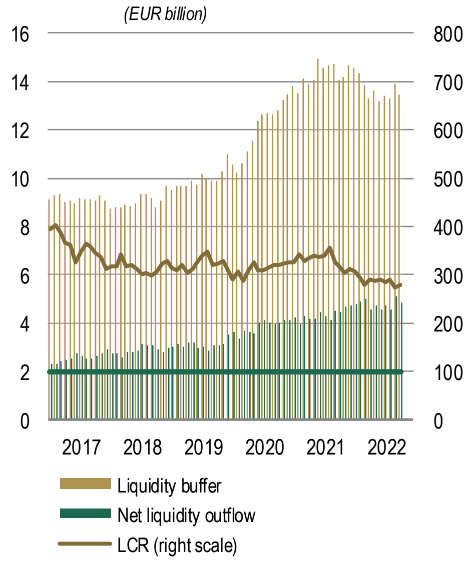


Note: The net interest margin on interest-bearing assets and the ratio of net impairment and provisioning costs to the balance sheet total are always calculated for the preceding 12 months. Pre-tax ROE is calculated during the year on a cumulative basis up to the most recent data available.

Source: Banka Slovenije

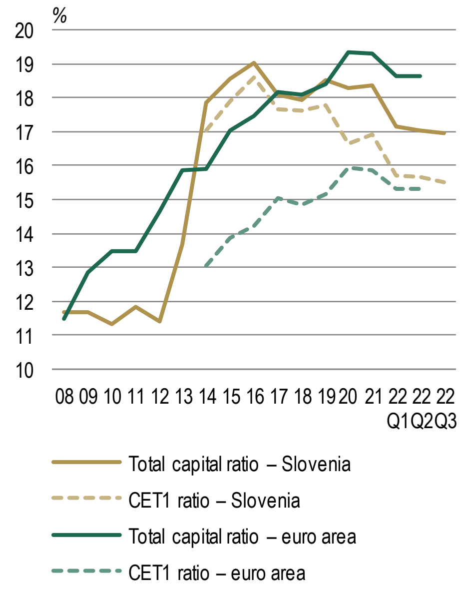
Figure 4: **Liquidity and solvency indicators**

Liquidity coverage ratio (LCR)



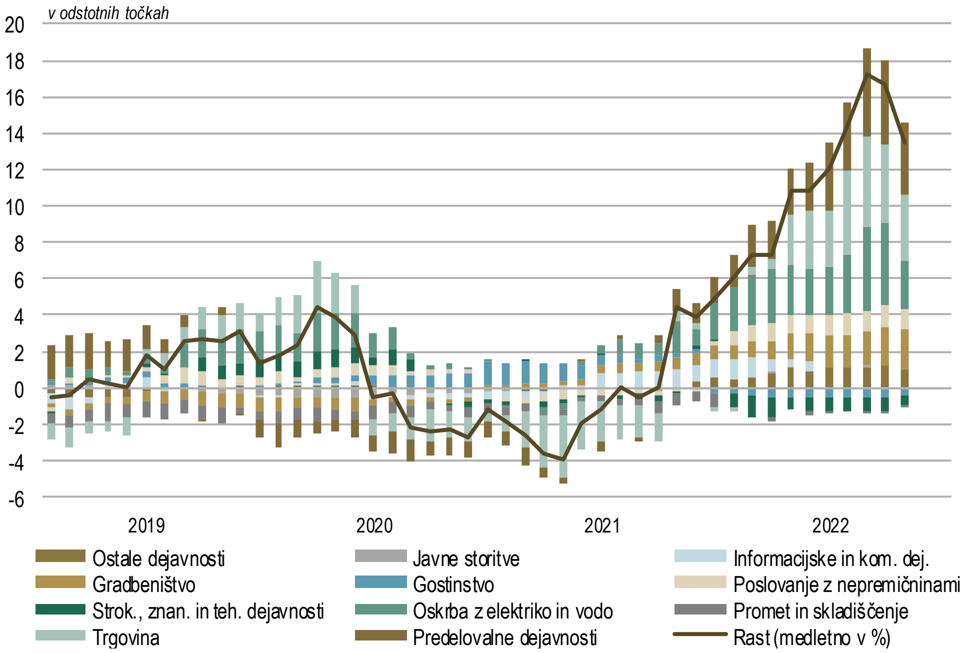
Note: The horizontal line denotes the minimum requirement for the LCR (100%) in accordance with the CRR.
Source: Banka Slovenije

Total capital ratio, consolidated basis, comparison with the euro area



Sources: Banka Slovenije, ECB SDW

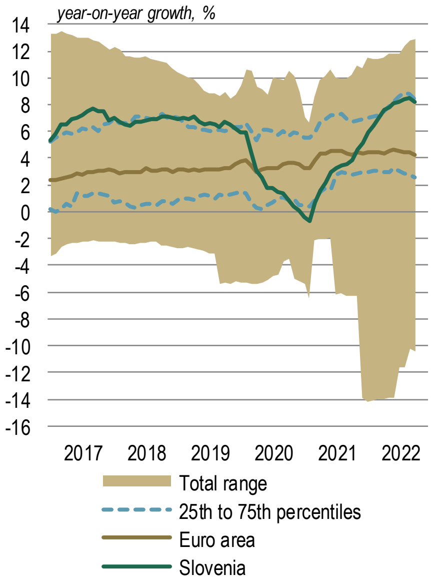
Figure 5: **Contributions to credit growth by economic sector**



Note: Gross figures.
Source: Banka Slovenije

Figure 6: **Household lending**

Growth in household loans, comparison with the euro area



Sources: Banka Slovenije, ECB SDW, Banka Slovenije calculations

Table 1: **Banking system balance sheet as at 31 October 2022**

EUR million unless stated, growth rates in %	Stock dec.08	Breakdown (%)	Stock dec.21	Breakdown (%)	Stock okt.22	Breakdown (%)	Increase in mio EUR okt.22	Increase in mio EUR in 2022	Growth in October 22, % okt.22	Growth in October 22, % year-on-year
Assets	**47,948**	**100.0**	**48,252**	**100.0**	**49,787**	**100.0**	**134.5**	**1,535.4**	**0.3**	**5.0**
Cash in hand, balances at CB and sight deposits at banks	**1,250**	**2.6**	**11,495**	**23.8**	**9,539**	**19.2**	**-444.9**	**-1,956.3**	**-4.5**	**-11.0**
Loans to banks at amortised cost (including central bank)	**4,101**	**8.6**	**1,544**	**3.2**	**1,702**	**3.4**	**153.7**	**157.4**	**9.9**	**5.9**
domestic banks	2,673	5.6	466	1.0	349	0.7	-53.0	-117.3	-13.2	-35.0
foreign banks	1,428	3.0	1,078	2.2	1,353	2.7	206.7	274.7	18.0	26.4
short-term loans to banks	2,056	4.3	426	0.9	739	1.5	179.1	313.0	32.0	52.4
long-term loans to banks	2,046	4.3	1,118	2.3	963	1.9	-25.4	-155.6	-2.6	-14.2
Loans to non-banking sector*	**33,718**	**70.3**	**25,045**	**51.9**	**27,701**	**55.6**	**318.6**	**2,655.9**	**1.2**	**11.9**
of which non-financial corporations	20,260	42.3	9,300	19.3	10,759	21.6	195.5	1,458.9	1.9	14.5
households	7,558	15.8	11,263	23.3	12,082	24.3	60.7	818.5	0.5	8.2
of which residential			7,373	15.3	8,062	16.2	25.5	689.3	0.3	11.0
consumer			2,472	5.1	2,488	5.0	6.0	16.6	0.2	-0.1
government	506	1.1	1,481	3.1	1,371	2.8	5.6	-110.0	0.4	-2.3
other financial institutions	2,829	5.9	1,365	2.8	1,629	3.3	28.7	264.5	1.8	26.0
non-residents	2,515	5.2	1,611	3.3	1,832	3.7	28.7	221.4	1.6	24.6
Other FA classed as loans and receivables (at amortised cost)	**0**	**0.0**	**148**	**0.3**	**348**	**0.7**	**152.6**	**200.2**	**77.9**	**91.2**
Securities / financial assets (FA)**	**7,323**	**15.3**	**8,355**	**17.3**	**8,631**	**17.3**	**-45.9**	**276.0**	**-0.5**	**1.5**
a) FA held for trading	**1,177**	**2.5**	**50**	**0.1**	**149**	**0.3**	**-5.6**	**98.7**	**-3.6**	**175.4**
of which debt securities held for trading	571	1.2	1	0.0	18	0.0	6.2	17.1	51.6	241.6
... government debt securities held for trading	56	0.1	1	0.0	18	0.0	6.2	17.1	51.6	241.6
b) FA measured at FV through P&L not held for trading	**0**	**0.0**	**95**	**0.2**	**84**	**0.2**	**-8.6**	**-10.0**	**-9.3**	**-5.5**
of which debt securities measured at FV through P&L not held for trading	0	0.0	3	0.0	1	0.0	0.0	-1.4	-2.4	-51.5
c) FA designated for measurement at FV through P&L	**179**	**0.4**	**0**	**0.0**	**0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which debt securities designated for measurement at FV through P&L	163	0.3	0	0.0	0	0.0	0.0	0.0	0.0	0.0
... government debt securities designated for measurement at FV through	0	0.0	0	0.0	0	0.0	0.0	0.0	0.0	0.0
d) FA measured at FV through other comprehensive income	**4,552**	**9.5**	**4,941**	**10.2**	**3,817**	**7.7**	**-41.2**	**-1,124.7**	**-1.1**	**-23.4**
of which debt securities measured at FV through other comprehensive income	4,318	9.0	4,743	9.8	3,628	7.3	-43.2	-1,115.6	-1.2	-24.2
... government debt securities measured at FV through other comprehensive income	2,875	6.0	3,140	6.5	2,434	4.9	-25.7	-706.8	-1.0	-22.9
e) Debt securities at amortised cost	**1,415**	**3.0**	**3,269**	**6.8**	**4,581**	**9.2**	**9.4**	**1,312.1**	**0.2**	**35.6**
of which government debt securities at amortised cost	1,182	2.5	2,248	4.7	3,242	6.5	8.3	993.8	0.3	36.6
Investments in subsidiaries, joint ventures and associates	**627**	**1.3**	**945**	**2.0**	**1,062**	**2.1**	**0.0**	**117.4**	**0.0**	**13.4**
Other assets	**928**	**1.9**	**718**	**1.5**	**803**	**1.6**	**0.5**	**84.7**	**0.1**	**11.4**
Equity and liabilities	**47,948**	**100.0**	**48,252**	**100.0**	**49,787**	**100.0**	**134.5**	**1,535.4**	**0.3**	**5.0**
Financial liabilities measured at amortised cost (deposits)***	**41,895**	**87.4**	**42,817**	**88.7**	**44,280**	**88.9**	**87.8**	**1,463.9**	**0.2**	**5.4**
a) Financial liabilities to central bank (Eurosystem)	**1,229**	**2.6**	**2,344**	**4.9**	**1,364**	**2.7**	**-0.1**	**-980.4**	**0.0**	**-41.4**
b) Liabilities to banks	**18,168**	**37.9**	**1,716**	**3.6**	**1,762**	**3.5**	**-184.0**	**46.1**	**-9.5**	**-8.3**
of which to domestic banks	2,065	4.3	649	1.3	560	1.1	-57.7	-89.3	-9.3	-24.3
of which to foreign banks	16,098	33.6	1,066	2.2	1,201	2.4	-126.3	135.4	-9.5	1.8
c) Liabilities to non-banking sector (deposits by NBS)	**20,883**	**43.6**	**37,185**	**77.1**	**38,593**	**77.5**	**-41.3**	**1,407.4**	**-0.1**	**6.9**
of which to non-financial corporations	3,728	7.8	8,998	18.6	9,196	18.5	76.2	198.1	0.8	10.0
households	13,407	28.0	23,953	49.6	25,053	50.3	-43.9	1,099.7	-0.2	5.7
government	1,879	3.9	1,005	2.1	1,021	2.0	-14.8	15.3	-1.4	30.4
other financial institutions	1,065	2.2	1,417	2.9	1,498	3.0	-44.8	81.0	-2.9	7.6
non-residents	475	1.0	1,293	2.7	1,315	2.6	-12.3	21.8	-0.9	-2.7
d) Debt securities	**1,276**	**2.7**	**1,250**	**2.6**	**1,847**	**3.7**	**0.5**	**597.3**	**0.0**	**49.5**
e) Other financial liabilities measured at amortised cost*****	**1,568**	**3.3**	**322**	**0.7**	**716**	**1.4**	**312.6**	**393.7**	**77.5**	**68.6**
Provisions	**176**	**0.4**	**151**	**0.3**	**142**	**0.3**	**0.2**	**-9.8**	**0.1**	**-10.8**
Shareholder equity	**4,010**	**8.4**	**5,061**	**10.5**	**5,086**	**10.2**	**60.6**	**25.6**	**1.2**	**0.8**
Other liabilities	**1,867**	**3.9**	**223**	**0.5**	**278**	**0.6**	**-14.1**	**55.7**	**-4.8**	**26.2**
Balance sheet total	**47,948**	**100.0**	**48,252**	**100.0**	**49,787**	**100.0**	**134.5**	**1,535.4**	**0.3**	**5.0**

Notes: * Loans to non-banking sector not held for trading are defined on the basis of the methodology for producing the recapitulation of the statement of financial position, and comprise loans and other financial assets at amortised cost (from A.VI), at fair value through profit or loss (from A.III) and at fair value through other comprehensive income (from A.IV).
** Financial assets / securities on the asset side comprise total financial assets from A.II, including loans held for trading, while equities and debt securities other than loans are captured from other categories of financial asset (A.III, A.IV and A.V)
*** Total financial liabilities at amortised cost in 2008 also include liabilities to the central bank.
**** Includes subordinated debt until 31 December 2017. Under the IFRS 9 methodology, the item of "subordinated debt" is abolished, and these liabilities are included under liabilities to banks.[26]
Source: Banka Slovenije

[26] The bank performance data in this publication is based on the banks' own book figures, which differ in methodological terms from the published statistics. The data on loans also differs because the data in this publication includes loans to non-residents, applies the net principle (amounts are minus allowances), and does not include non-marketable securities.

Table 2: **Income statement for 2020, 2021 and 2022**

	2020	Breakdown	2021	Breakdown	2021		2022		Annual growth, %
(EUR million unless stated)		**(%)**		**(%)**	**jan.-okt.**	**(%)**	**jan.-okt.**	**(%)**	**jan.- oct. 22/ jan.- oct. 21**
Interest income	754.0		737.2		622.0		686.1		10.3
Interest expenses	114.9		112.0		103.0		107.6		4.4
Net interest	**639.1**	**47.0**	**625.2**	**51.9**	**518.9**	**54.7**	**578.6**	**54.2**	**11.5**
Non-interest income	**721.0**	**53.0**	**580.5**	**48.1**	**429.2**	**45.3**	**489.5**	**45.8**	**14.1**
of which net fees and commission	329.7	24.2	377.3	31.3	313.3	33.0	335.2	31.4	7.0
of which net gains/losses on financial assets and liabilities held for trading	16.0	1.2	17.7	1.5	16.8	1.8	34.6	3.2	105.1
Gross income	**1,360.1**	**100.0**	**1,205.6**	**100.0**	**948.1**	**100.0**	**1,068.1**	**100.0**	**12.7**
Operating costs	**-718.4**	**-52.8**	**-717.1**	**-59.5**	**-587.9**	**-62.0**	**-617.2**	**-57.8**	**5.0**
Net income	**641.6**	**47.2**	**488.5**	**40.5**	**360.2**	**38.0**	**450.9**	**42.2**	**25.2**
Net impairments and provisions	**-169.6**	**-12.5**	**73.7**	**6.1**	**42.1**	**4.4**	**-17.6**	**-1.6**	**-141.8**
Pre-tax profit	**472.0**	**34.7**	**562.2**	**46.6**	**402.3**	**42.4**	**433.3**	**40.6**	**7.7**
Taxes	-21.7		-36.9		-41.3		-48.2		16.9
Net profit	450.3		525.3		361.0		385.1		6.7

Source: Banka Slovenije

Table 3: **Selected performance indicators**

in %	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**jan.-okt.**	**jan.-okt.**	**(last 12 mon.)**	**(last 12 mon.)**
Profitability										
Financial intermediation margin*	3.05	2.88	3.01	3.13	3.16	2.58	2.45	2.64	2.50	2.73
ROA	0.99	1.19	1.39	1.48	1.10	1.20	1.04	1.07	0.91	1.22
ROE	7.96	9.58	11.07	12.16	9.57	11.33	9.85	10.49	8.54	11.85
Interest margin on interest-bearing assets	1.91	1.83	1.84	1.79	1.57	1.41	1.42	1.50	1.42	1.49
Net non-interest income / operating costs	68.53	62.67	71.93	80.84	100.35	80.95	73.00	79.32	74.47	85.86
Operating costs										
Labour costs / average assets	1.01	1.02	1.02	1.00	0.90	0.85	0.83	0.81	0.85	0.84
Other costs / average assets	0.80	0.78	0.73	0.77	0.77	0.69	0.69	0.71	0.70	0.70
Asset quality										
Impairments of financial assets	5.38	4.09	2.64	1.53	1.59	1.14	1.23	1.10	/	/

** Gross income / average assets*

* Gross income / average assets

Source: Banka Slovenije

Table 4: **Comparison of interest rates on new variable-rate loans in Slovenia with the euro area overall**

									Loans				Household deposits
	Interest rate				Households				Corporates	up to 1 year		over 1 year	
			Housing		Consumer	up to EUR 1m		over EUR 1m					
v %	ECB	EMU	SLO	EMU	SLO	EMU	SLO	EMU	SLO	EMU	SLO	EMU	SLO
dec.17	0.00	1.7	2.0	4.5	4.4	2.1	3.6	1.3	1.1	0.3	0.1	0.5	0.5
dec.18	0.00	1.6	1.9	4.9	4.6	2.0	3.2	1.3	0.7	0.3	0.2	0.5	0.6
dec.19	0.00	1.5	1.8	5.4	4.6	1.9	3.3	1.2	0.9	0.2	0.2	0.5	0.3
dec.20	0.00	1.3	1.8	5.0	4.5	1.8	3.1	1.3	0.3	0.2	0.1	0.5	0.3
dec.21	0.00	1.3	1.6	5.1	4.7	1.7	2.2	1.1	1.1	0.2	0.0	0.5	0.2
jan.22	0.00	1.3	1.5	5.6	4.7	1.8	2.1	1.2	1.7	0.2	0.0	0.4	0.2
feb.22	0.00	1.4	1.6	5.4	4.7	1.7	2.0	1.1	2.7	0.2	0.0	0.4	0.2
mar.22	0.00	1.4	1.5	5.5	4.7	1.7	1.9	1.2	1.2	0.2	0.0	0.4	0.1
apr.22	0.00	1.4	1.5	5.8	4.5	1.8	2.0	1.2	0.7	0.2	0.0	0.5	0.1
maj.22	0.00	1.5	1.5	5.9	4.7	1.7	2.1	1.2	1.4	0.2	0.0	0.5	0.2
jun.22	0.00	1.7	1.6	5.7	4.6	1.8	1.9	1.8	1.4	0.2	0.0	0.6	0.2
jul.22	0.50	1.8	1.8	6.1	4.0	1.9	2.2	1.5	1.7	0.3	0.0	0.8	0.8
avg.22	0.50	2.1	2.0	6.6	5.1	2.1	2.4	1.6	1.7	0.4	0.0	0.9	0.2
sep.22	1.25	2.3	2.5	6.6	5.3	2.5	2.7	2.4	2.2	0.6	0.1	1.2	0.8
okt.22	1.25	2.7	3.2	6.9	6.2	3.0	4.7	2.5	2.8	0.8	0.1	1.6	1.3

Note: Household deposits are itemised by maturity, irrespective of type of remuneration (fixed-rate and variable-rate deposits are combined).
Sources: Banka Slovenije, ECB

Table 5: **Comparison of interest rates on new fixed-rate loans in Slovenia with the euro area overall**

								Loans
				Households				Corporates
		Housing		Consumer	up to EUR 1m			over EUR 1m
v %	EMU	SLO	EMU	SLO	EMU	SLO	EMU	SLO
dec.17	1.9	2.9	5.4	6.1	2.0	3.4	1.5	1.8
dec.18	1.9	2.9	5.5	6.2	2.0	3.3	1.6	1.5
dec.19	1.4	2.7	5.3	6.2	1.7	3.5	1.4	1.1
dec.20	1.3	2.2	5.1	6.0	1.7	3.3	1.3	1.7
dec.21	1.3	1.7	5.1	6.0	1.6	2.2	1.2	1.2
jan.22	1.3	1.7	5.3	6.0	1.7	2.6	1.3	1.1
feb.22	1.4	1.7	5.3	6.0	1.8	2.7	1.5	1.7
mar.22	1.5	1.7	5.3	5.9	1.8	2.4	1.5	1.4
apr.22	1.6	1.8	5.4	6.0	1.9	2.5	1.6	1.3
maj.22	1.8	1.9	5.6	6.1	2.1	2.7	2.0	2.2
jun.22	2.0	2.0	5.6	6.0	2.2	3.0	2.0	1.7
jul.22	2.1	2.3	5.7	6.1	2.4	3.2	2.1	2.9
avg.22	2.2	2.5	5.9	6.3	2.6	3.6	2.2	2.0
sep.22	2.4	2.8	6.0	6.2	2.9	4.2	2.4	3.0
okt.22	2.6	3.1	6.2	6.5	3.2	4.7	2.8	3.3

Sources: Banka Slovenije, ECB

Table 6: **Non-performing exposures by customer segment**

	Exposures		Non-performing exposures (NPEs)							
	EUR million	in %	EUR million				ratio, in %			
	Oct.22	Oct.22	Dec.20	Dec.21	Sep.22	Oct.22	Dec.20	Dec.21	Sep.22	Oct.22
NFCs	16,758	30.7	552	347	301	312	3.9	2.3	1.8	1.9
large NFCs	8,297	15.2	227	71	52	51	3.1	0.9	0.6	0.6
SME	8,130	14.9	325	276	249	261	4.7	3.7	3.1	3.2
OFIs	1,822	3.3	8	4	3	3	0.6	0.2	0.1	0.1
Households	13,530	24.8	255	261	242	242	2.1	2.1	1.8	1.8
sole traders	752	1.4	30	27	26	25	4.3	3.9	3.5	3.4
individuals	12,778	23.4	225	233	216	216	2.0	2.0	1.7	1.7
consumer loans	2,562	4.7	84	94	92	92	3.2	3.7	3.6	3.6
housing loans	8,009	14.7	115	114	99	100	1.7	1.6	1.2	1.2
other	2,207	4.0	25	24	24	24	1.3	1.2	1.1	1.1
Non-residents	9,515	17.4	106	30	77	72	1.3	0.3	0.8	0.8
Government	3,816	7.0	8	0	0	0	0.2	0.0	0.0	0.0
Banks and savings banks	863	1.6	0	0	0	0	0.0	0.0	0.0	0.0
Central bank	8,333	15.3	0	0	0	0	0.0	0.0	0.0	0.0
Total	**54,637**	**100.0**	**929**	**641**	**623**	**629**	**1.9**	**1.2**	**1.1**	**1.2**

Source: Banka Slovenije

Table 7: **Non-performing exposures to non-financial corporations by sector**

	Exposures		Non-performing exposures (NPEs)				NPE ratio			
	EUR million	in %	EUR million				(%)			
	Oct.22	Oct.22	Dec.20	Dec.21	Sep.22	Oct.22	Dec.20	Dec.21	Sep.22	Oct.22
Agriculture, forestry, fishing, mining	149	0.9	3	2	2	2	2.8	1.5	1.2	1.2
Manufacturing	4,646	27.7	93	61	58	57	2.4	1.5	1.2	1.2
Electricity, gas, water, remediation	1,933	11.5	9	8	4	3	0.6	0.5	0.2	0.2
Construction	1,717	10.2	60	41	36	34	4.8	2.8	2.1	2.0
Wholesale and retail trade	2,924	17.4	209	75	58	58	8.1	2.8	2.0	2.0
Transportation and storage	1,616	9.6	25	19	16	15	1.5	1.3	1.0	0.9
Accommodation and food service	545	3.3	61	77	76	79	10.2	13.3	13.8	14.4
Information and communication	642	3.8	5	4	4	4	1.0	0.7	0.6	0.6
Financial and insurance activities	229	1.4	0	0	0	0	0.0	0.1	0.0	0.0
Real estate activities	729	4.3	24	6	6	7	4.1	0.9	0.8	1.0
Professional, scientific and technical	1,382	8.2	50	43	38	48	3.7	2.9	2.7	3.5
Education, health, public admin.	149	0.9	5	4	3	3	3.8	2.8	2.0	1.9
Arts, recreation and entertainment	98	0.6	8	6	2	2	7.1	5.2	1.8	1.9
Total	**16,758**	**100.0**	**552**	**347**	**301**	**312**	**3.9**	**2.3**	**1.8**	**1.9**

Source: Banka Slovenije

Table 8: **Breakdown of exposures by credit risk stage and customer segment**

	Share in %									Exposure to stage 2 amount, EUR million		
	S1			S2			S3					
	Dec 20	**Dec 21**	**Oct 22**	**Dec 20**	**Dec 21**	**Oct 22**	**Dec 20**	**Dec 21**	**Oct 22**	**Dec 20**	**Dec 21**	**Oct 22**
NFCs	84.7	87.5	90.6	12.3	10.2	7.6	3.0	2.3	1.8	1,743	1,549	1,273
large NFCs	88.4	91.9	94.6	10.0	7.2	4.8	1.5	0.9	0.6	718	527	384
SME	80.9	83.1	86.3	14.6	13.3	10.6	4.6	3.6	3.1	1,026	1,022	888
OFIs	99.2	99.5	97.6	0.3	0.2	2.3	0.6	0.2	0.1	4	3	42
Households	89.4	88.4	90.9	8.5	9.5	7.3	2.1	2.1	1.8	1,010	1,199	992
sole traders	84.3	82.3	85.4	11.3	13.8	11.2	4.3	3.9	3.4	78	98	84
individuals	89.7	88.8	91.2	8.3	9.3	7.1	2.0	2.0	1.7	932	1,101	908
consumer loans	89.6	85.1	87.2	7.2	11.2	9.2	3.2	3.7	3.6	189	283	236
housing loans	88.3	89.5	92.4	10.0	8.9	6.4	1.7	1.6	1.3	660	644	509
other	94.6	90.5	91.5	4.1	8.3	7.4	1.3	1.2	1.1	83	174	163
Non-residents	94.5	96.8	97.6	4.6	2.9	1.6	1.0	0.3	0.7	366	251	156
Government	99.2	99.1	98.9	0.6	0.9	1.1	0.2	0.0	0.0	33	39	41
Total	**91.9**	**93.0**	**94.2**	**6.5**	**5.8**	**4.6**	**1.6**	**1.2**	**1.1**	**3,166**	**3,060**	**2,519**

Source: Banka Slovenije

Table 9: **Breakdown of exposures to non-financial corporations by credit risk stage and sector**

	Share in %									Exposure to stage 2 amount, EUR million		
	S1			S2			S3					
	Dec.20	**Dec.21**	**Oct.22**	**Dec.20**	**Dec.21**	**Oct.22**	**Dec.20**	**Dec.21**	**Oct.22**	**Dec.20**	**Dec.21**	**Oct.22**
Agriculture, forestry, fishing, mining	84.8	91.0	89.7	12.0	7.4	9.0	3.2	1.5	1.2	13	10	13
Manufacturing	80.6	86.8	88.5	17.1	11.7	10.3	2.3	1.5	1.2	682	479	478
Electricity, gas, water, remediation	96.1	96.9	97.5	3.2	2.6	2.4	0.6	0.5	0.2	45	40	46
Construction	84.5	90.9	92.9	10.7	6.4	5.2	4.8	2.7	1.9	135	95	89
Wholesale and retail trade	88.0	89.2	92.1	8.2	8.0	5.9	3.8	2.8	2.0	200	210	173
Transportation and storage	93.8	92.2	94.1	4.7	6.5	4.9	1.5	1.3	0.9	77	100	79
Accommodation and food service	43.9	32.6	50.9	46.9	54.5	35.1	9.3	12.8	13.9	288	314	191
Information and communication	92.2	96.8	96.7	6.9	2.5	2.8	0.9	0.7	0.6	39	16	18
Financial and insurance activities	98.7	95.4	99.5	1.2	4.6	0.5	0.0	0.1	0.0	1	6	1
Real estate activities	86.2	91.0	94.5	9.7	8.0	4.5	4.1	0.9	1.0	56	51	33
Professional, scientific and technical	85.5	86.5	89.5	10.8	10.5	7.0	3.7	2.9	3.5	145	155	97
Education, health, public admin.	85.4	88.6	88.5	10.8	8.6	9.6	3.8	2.8	1.9	15	13	14
Arts, recreation and entertainment	47.7	38.6	56.3	45.7	56.2	41.8	6.5	5.2	1.9	48	61	41
Total	**84.7**	**87.5**	**90.6**	**12.3**	**10.2**	**7.6**	**3.0**	**2.3**	**1.8**	**1,743**	**1,549**	**1,273**

Source: Banka Slovenije

Table 10: **Coverage of NPEs and credit risk stages by impairments and provisions by customer segment**

	Credit risk stages									NPE		
	S1			S2			S3					
	Dec.20	**Dec.21**	**Oct.22**	**Dec.20**	**Dec.21**	**Oct.22**	**Dec.20**	**Dec.21**	**Oct.22**	**Dec.20**	**Dec.21**	**Oct.22**
NFCs	0.7	0.4	0.4	5.6	4.4	4.1	52.5	57.2	60.2	46.5	57.4	60.3
OFIs	0.5	0.4	0.2	1.2	1.6	1.0	54.3	92.8	89.4	54.2	92.8	89.4
Households	0.3	0.2	0.0	4.7	4.3	0.0	51.2	53.9	0.0	51.1	53.9	0.0
sole traders	1.0	0.9	0.8	5.8	5.1	5.1	46.4	52.6	54.8	46.4	52.8	54.5
individuals	0.3	0.2	0.3	4.6	4.2	4.7	51.8	54.0	59.1	51.7	54.0	59.1
consumer loans	0.6	0.4	0.5	8.4	6.0	7.7	60.9	64.3	67.8	61.0	64.3	67.9
housing loans	0.2	0.2	0.2	3.7	3.9	3.7	43.4	43.5	50.5	43.5	43.5	50.5
other	0.3	0.2	0.3	3.3	2.7	3.2	58.8	62.8	60.5	58.0	63.6	61.6
Non-residents	0.3	0.2	0.2	3.7	4.3	7.1	78.1	77.2	41.7	65.1	77.2	39.8
Government	0.1	0.1	0.1	3.6	2.8	1.1	93.9	92.8	48.8	93.9	92.8	9.0
Total	**0.3**	**0.2**	**0.2**	**5.1**	**4.3**	**4.4**	**55.0**	**57.0**	**57.7**	**50.3**	**57.1**	**57.4**

Source: Banka Slovenije