BANKA SLOVENIJE

EVROSISTEM

MONTHLY REPORT ON BANK PERFORMANCE WITH COMMENTARY

DECEMBER 2021

BRIEF COMMENTARY

With continuing economic growth which, measured as GDP, exceeded the pre-crisis level, the banks increased corporate and private lending. Growth of both mid-year loans for housing purchases and loans to non-financial corporations have been reported. However, loans to non-financial corporations in particular are also the consequence of last year's relatively low basis and the approval of an increased volume of loans to two corporations. In certain segments, particularly in some service activities and in the segment of consumer lending, the quality of the banks' portfolios deteriorated during the fourth wave of the COVID-19 pandemic. The downward trend of the banks' share of non-performing exposures came to a halt. With households spending more and also diverting savings into more profitable forms of saving, the mid-year saw a halt in the trend of continuous increases in household deposits in banks, which remain the main source of bank financing. The increase in deposits by non-financial corporations also slowed down in recent months, most likely on account of increased financing of deferred investments and new investments. The banks' profit before tax remains relatively high which is mainly a result of the net release of impairments and provisions. Given the further year-on-year decline in net interest income and the stagnation in income, the more long-term sustainability of profit at the current levels remains questionable. Although this year's capital adequacy ratios improved slightly by September, the differences in capital surpluses above the defined capital requirement are still considerable among the banks. The liquidity of the banking system has remained high.

In October, the year-on-year growth in the Slovenian banking system amounted to 8.1% and reached EUR 47.4 billion. The majority of this year's increase on the investment side was the result of the most liquid investments by banks, while on the funding side this increase was the result of the increase in sight deposits and funding of the banks by the ECB in June. In the autumn months the banks deleveraged with banks and the ECB, and decreased liquid forms of investments and securities within their assets at the same time.

With favourable economic conditions and increased private spending, the increase in deposits from households and non-financial corporations (NFCs) slowed down. After a sharp increase in deposits from households in the first six months of 2021, they have been in decline since August (by EUR 132 million in total). Despite this decline, this year's total increase in deposits from households exceeded that of NFCs by a factor of four, as it reached EUR 1.3 billion by October, which was slightly less compared to the same period last year. The decrease in deposits from households is most likely the result of various factors: use of funds for consumption and (deferred) investments, partial diversion to other investments (mutual funds and real estate) and termination of state aid to cope with the consequences of the pandemic. With low interest rates and uncertain epidemiologic conditions, sight deposits have continued to grow both in Slovenia and in other euro area countries.

Lending to the non-banking sector began to increase in year-on-year terms in the second quarter of 2021, reaching 4.5% by October. With a high increase in loans for housing purchases, lending to households has accelerated since the first quarter, although the year-on-year increase slowed down by October, when it stood at 3.8 %. Year-on-year growth in loans for housing purchases has increased sharply, and stood at 8.1% in October, while the year-on-year decline in consumer loans has stabilised and stood at 6.2% in October. A year-on-year increase in loans to NFCs increased sharply in October, when it stood at 5.1%, which was mostly the result of loans granted to individual corporations. Without taking into account an increased volume of loans to two corporations, the year-on-year growth of loans to NFCs would amount to 1.8%, and would be higher than in previous months. Broken down by purpose, loans for fixed capital formation and loans to fund working capital were the major contributors to a total increase. The sectors that recorded the highest growth were information and communication, electricity supply and water supply, and construction. Loans to the wholesale and retail trade sector also increased after declining for more than a year, while the stock of loans to the transportation and storage sector continued to contract in year-on-year terms.

After improving in the first half of 2021, the bank portfolio quality indicators at the system level have remained stable in recent months; however, in certain segments of the portfolio a slight deterioration could be observed. In certain activities, and service activities in particular, the share of exposures with increased credit risk (Stage 2 under the IFRS) has been on the rise again. Consumer and other (non-housing) loans indicators have been deteriorating as well. By the end of October the majority of exposures covered by moratorium matured, while in certain activities this has been accompanied by an increase in the volume of bilateral moratoria. On the one hand, the coverage of non-performing exposures (NPE) with impairments and provisions is improving. On the other hand, the coverage of the performing part of the portfolio is continuing to decline. The coming quarters will see a risk of deterioration in the quality of bank portfolios which results from a high increase in the prices of raw materials, expiry of the remaining debt repayment moratoria, gradual elimination of support policy measures, and potential new waves of the pandemic.

The banking system saw a slight improvement in its income performance in September and October compared with the summer, although net income in the Slovenian banking system is still stagnating. Net interest income is continuing to decline, although the year-on-year decline is slowing, and stood at 3.3% in October. A gradual increase in the growth of lending contributes to positive quantity effects on the movement of net interest, although the negative impact of price effects still strongly prevails. The net interest margin is continuing to decline and amounted to 1.42% over the last 12 months. This year's net non-interest income and the banking system's income were well behind last year's over the same period, which was the result of the merger of two banks that took place in September 2020. In the absence of the merger the non-interest income would be slightly above last year's, while the gross and net income would be on the same levels as last year's over the same period. By October, the banks' operating costs also remained comparable to those of the last year.

By the end of October, the pre-tax profit amounted to EUR 402 million, while pre-tax ROE stood at 9.9%. The profit was down by 11.4% compared to last year's over the same period, which was the result of a high increase in the profit on account of a one-off positive effect of the merger of two banks taking place in September last year. A major factor in the ongoing high profit is that the majority of banks, i.e. eleven out of sixteen credit institutions, recorded a net release of impairments and provisions. The net release of impairments and provisions amounted to EUR 42.1 million at system level, compared with the EUR 108.6 million of net impairments and provisions recorded in the same period last year. In recent years Slovenia has often been one of the few countries in the EU where the banking system has seen a net release of impairments, which also holds true for the first half of 2021. In creating net impairments and provisions at the level of the long-term average, the banks would only achieve just over a third of the actually achieved ROE in 2021.

In the first three quarters of this year the capital adequacy of the banking system improved slightly. However, the differences in the resilience to systemic risks are still considerable among the banks. This year's total capital adequacy at a consolidated level decreased by 0.2 percentage points in September to 18.5%, while the CET1 ratio decreased by 0.3 percentage points to 17.0%. The improvement in capital adequacy ratios is the result of growth in capital outpacing growth in risk-weighted assets. Compared to the euro area, the Slovenia's total capital adequacy ratio remains below the euro area average, while its CET1 ratio is continuing to exceed it. Even though most Slovene banks have improved their capital adequacy since their recovery in 2014, the differences in resilience to potential adverse conditions and stressful events among the banks are still considerable. The differences arise from the different structures of investments and their risk, and consequently from different surpluses of the achieved capital adequacy above the defined capital requirements. At the end of the third quarter of 2021 the surplus[1] of almost two thirds of the banks, which in total corresponds to half of the banking system's balance sheet, was above three percentage points.

The liquidity of the banking system has remained high. With the banks using the funds of the central bank in September and October, the liquidity coverage ratio (LCR) decreased to 317%, but has remained well above the regulatory requirement and among the highest in the euro area. Despite its decline, the share of primary liquidity, which apart from the assets at central bank also encompasses the cash in hand and sight deposits with banks, still accounted for more than one fifth of the balance sheet total in October.

[1] The overall capital requirement (MDA) of Pillars 1 and 2 is taken into account without the P2G requirement.

CONTENTS

ANNEX

Methodological notes:

The data in the tables and figures starting from March 2012 inclusive consist 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]), and not data reported in accordance with the Guidelines on the submissions of monthly reports on balances in accounts (KNB). Changes in items in the statement of financial position have given rise to differences in certain categories.

Item A.V LOANS includes two new sub-items, namely (a) Debt securities, which had previously been reported in part under the sub-items of "Loans to banks" and "Loans to non-bank customers", and (b) Other financial assets, which relates to cheques and other financial receivables, which had previously been reported under item A.XV. OTHER ASSETS.

Item P.IV. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST includes a new sub-item, "Other financial liabilities", which to date has been reported under item P.XI. OTHER LIABILITIES, and in the part relating to unexecuted payments to the rest of the world, under sub-items "Deposits by banks" and "Deposits by non-bank customers".

The data source for the statement of financial position is monthly reporting of accounting items with interest rates for the period since 1 January 2011, and the KNB for the period before this date.

The data source for the income statement is monthly reporting of accounting items with interest rates for the period since 1 May 2011, and the KNB for the period before this date.

In 2020 banks were changing 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. Macroeconomic environment

After a significant recovery in the first half of 2021, GDP exceeded pre-crisis levels in the third quarter, while the year-on-year growth stabilised at 5.0% (Figure 1.1). With the strengthening of foreign demand, the export sector contributed the most to the total year-on-year growth. However, given the significant level of imports, the contribution of net exports was negative. Increased imports were the result of an increase in domestic demand and a significant increase in private spending. Positive contributions to growth were also due to an increase in inventories, gross fixed capital formation and, to a lesser extent, government spending. An increase in production in the manufacturing sector slowed down. Limiting factors reported by companies were mostly observed on the supply side and continued in the last quarter of this year as well. The lack of raw materials and semi-finished products were the most prominent limiting factors, including a shortage of qualified personnel.

In the last quarter of this year the epidemiological situation once again deteriorated significantly, with companies facing secondary effects of the pandemic through disruptions to supply chains and price increases in global commodity markets. In the absence of the strictest restrictive measures this deterioration in epidemiological conditions did not have such a profound negative impact on the economy as the one in the same period last year. The economy adjusted to operating in the pandemic with the amount of remote work going up, thus enabling the majority of the economy to continue to operate smoothly. After having achieved its maximum in June, the economic sentiment indicator declined to the level recorded in December 2019 which is, among other things, the consequence of a decline in the confidence indicator of the manufacturing sector, which is facing the already mentioned secondary effects of the pandemic (Figure 1.2). With uncertainty regarding the development of epidemiological conditions continuing, the consumer confidence indicator declined, while the retail confidence indicator declined even further. In the meantime, the construction confidence indicator and service confidence indicator both went up and so far reached their highest values this year.

Figure 1.1: GDP growth and elements contributing to GDP growth: expenditure side

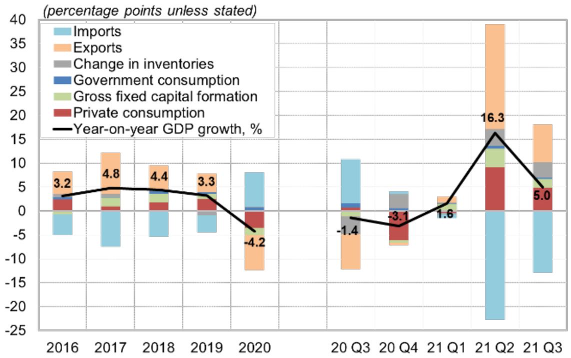
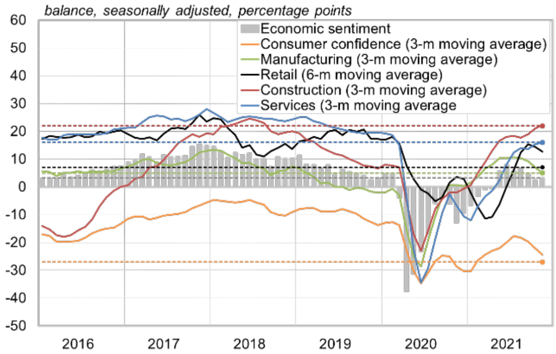


Figure 1.2: Confidence indicators



Note: The confidence indicators in the right figure are illustrated as three- or six-month moving averages (other than the economic sentiment indicator). The dots indicate the latest actual data points (November 2021), while the dashed horizontal lines are there to ease comparison of the latest data points with indicator dynamics in previous periods.

Sources: SORS, Banka Slovenije calculations

A year-on-year increase in consumer prices, as measured with HICP, increased significantly both in the euro area and in Slovenia and stood at 4.9% in November 2021 (Figure 1.3). The reasons for a more rapid growth in prices are mainly transitional in nature, as in addition to the very low basis of last year, higher energy prices were the major contributor to this growth. Even though the borrowing costs went up slightly, given increased inflation and amid expectations of a potential tightening of monetary policies of some central banks, the financing conditions in the euro area are still very favourable. With a continued increase in the workforce in employment and a decrease in the number of unemployed, the conditions in the labour market continued to improve while companies faced an increased shortage of labour force and were more intensively employing foreign workers. The rate of registered unemployment declined to 6.8% by September, i.e. the lowest level since 2008 and the period before the great financial crisis, with the number of unemployed declining below 67,000 in October, despite a typical seasonal increase, and further down to around 65,000 in November. In the third quarter the year-on-year growth in average gross wage was slightly lower than in the previous quarter, with average growth in gross wages, after recording high growth in the previous quarters, slowing down slightly in the public sector and increasing slightly in the private sector. According to provisional figures, the state budget deficit, which in November 2021 stood at over EUR 2.6 billion, slightly exceeded the deficit in the same period last year and would amount to EUR 600 million were there no COVID measures in place. According to the estimate made by the Ministry of Finance, this year's deficit, amounting to almost EUR 4 billion, will exceed last year's by approximately EUR 500 million at the end of the year. In the December macroeconomic projections we find that the high economic growth of 2021, which is expected to amount to 6.7%, is going to continue in 2022 as well, when it is expected to amount to 4.0%[2]

Figure 1.3: Inflation (HICP)

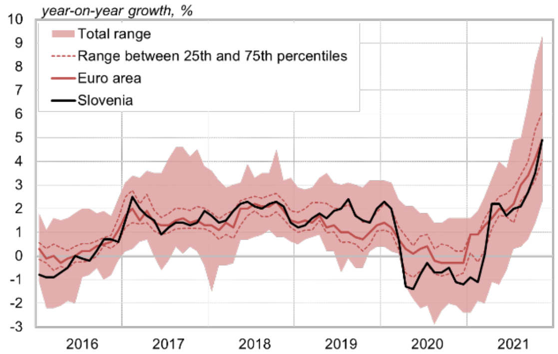
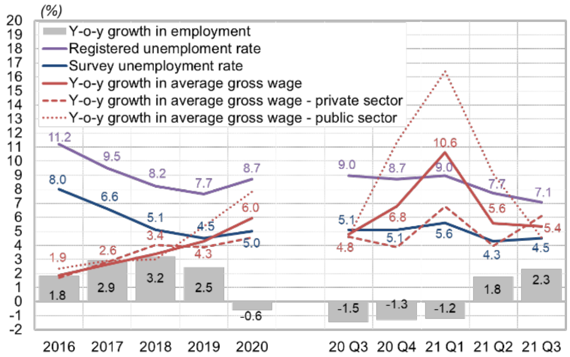


Figure 1.4: Growth in employment, unemployment rate and growth in gross wages



Note: The figures for November in the left figure represent an estimate. The employment growth figures in the right figure are seasonally adjusted and calendar-adjusted. As a result of the measures put in place in connection with the COVID-19 epidemic, there was a break in the time series of the data on wages, with greater variability in the average gross wage in the period after the adoption of the measures, which is also reflected in the year-on-year rates of growth.

Source: Eurostat, SORS, Employment Office, Banka Slovenije calculations.

With containment measures being released, the economy of the euro area recovered above expectations in spring, with solid growth continuing in the third quarter as well. According to seasonally- and calendar-adjusted figures, GDP increased by 3.7% in year-on-year terms in the third quarter, and by 2.2% compared to the previous quarter. With new lock-downs and restrictions put in place in countries with new outbreaks, disruptions to supply chains and an increasing shortage of labour, the supply side of the economy is having difficulties keeping pace with a significant recovery of the demand side. The growth of economic activity is also negatively affected by the growth in energy prices and other commodities in global markets, which is reflected in a year-on-year growth in consumer prices. As measured with HICP, the latter saw a sharp increase in all Member States, with an average increase in the euro area amounting 4.9% in November. The differences between the countries increased significantly, with the Baltic states recording the highest growth. Despite the aforementioned risk factors the economic sentiment and confidence indicators in the euro area remained high in November, which indicates the persistence of a positive economic sentiment and constitutes a favourable outlook for future growth. By the end of the year the ECB forecasts a continued expansion of the euro area economy and in 2021 a 5.1% higher GDP compared to a year earlier, which is 0.1 percentage point higher than forecasted in September. The expansion is set to continue in the coming years as well, with 4.6% growth in 2022 and 2.1% growth in 2023. The forecasts are also accompanied by uncertainties and the risk of economic growth being lower than forecasted.

Box 1: Residential real estate market

Residential real estate prices increased by 4.6% in 2020, but the year-on-year rate of growth surged to 7.3% in the first quarter of 2021 amid the gradual economic recovery in the early part of the year, and to 9.9% in the second quarter (Figure 1.5). Residential real estate prices increased sharply in the first six months of 2021, irrespective of location and type. A significant increase in residential real estate prices was also recorded in the majority of European countries, with the year-on-year rate of the euro area amounting to 6.8% (7.3% in the EU) (Figure 1.6). In certain countries, including

[2] Macroeconomic Projections for Slovenia, December 2021.

larger EU economies such as Germany, Austria, Sweden, Denmark and the Netherlands, the year-on-year growth in residential real estate prices exceeded 10% in the second quarter of 2021, which puts Slovenia in 12th place amongst the EU states by year-on-year growth in residential real estate prices in the second quarter of 2021.

Figure 1.5: Year-on-year growth in residential real estate prices

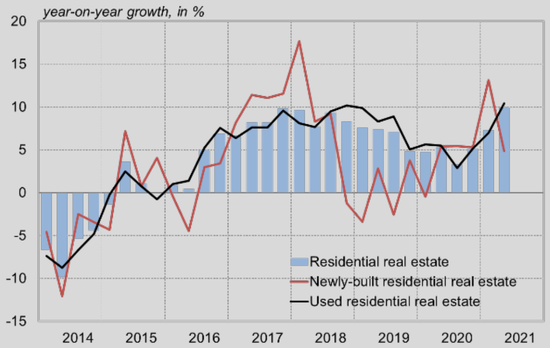
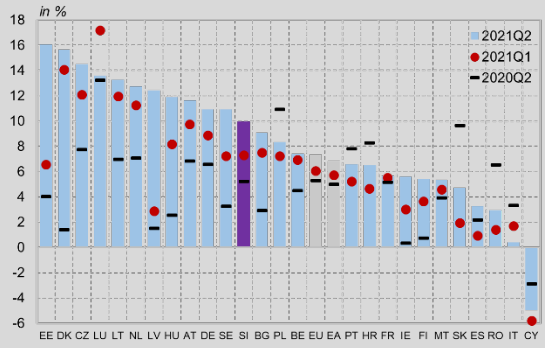


Figure 1.6: Year-on-year growth in residential real estate prices in EU Member States



Sources: SORS, Eurostat.

The accelerated growth in residential real estate prices has also been reflected in the dynamics of indicators of the overvaluation of residential real estate. Given the dynamics of other macroeconomic indicators, most indicators of overvaluation are already reflecting a relative overvaluation of real estate prices by approximately 10% (Figure 1.7). Even though the nominal residential real estate prices have now surpassed their peak from 2008, the real residential real estate prices remain down by approximately 10 percentage points from their peaks in 2007 and 2008. Moderate optimism in the residential real estate market in Slovenia is reflected in the supply side, which in the medium term could contribute to the stabilisation of the residential real estate prices. In the third quarter of 2021 the number of building permits issued increased to 858, which, given the available time series as of 2013 onwards (in the first half of 2021 a quarterly average amounted to 658), is the highest number of issued building permits. The number of transactions remained high in the second quarter of 2021, at 3,993 transactions, which is the highest number in the last four years. However, some of the transactions could represent a compensation for the decreased volume of transactions in a quarter before that (Figure 1.8). Consequently, the value of individual sales also increased in the second quarter of 2021.

Figure 1.7: Various overvaluation indicators of residential real estate

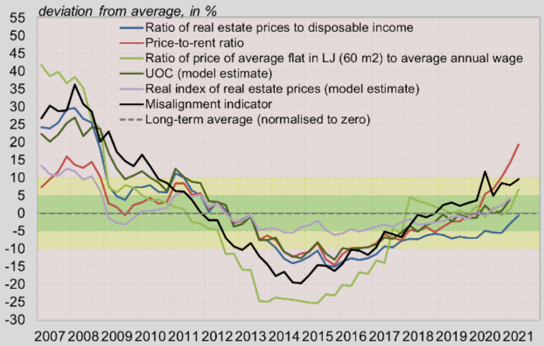
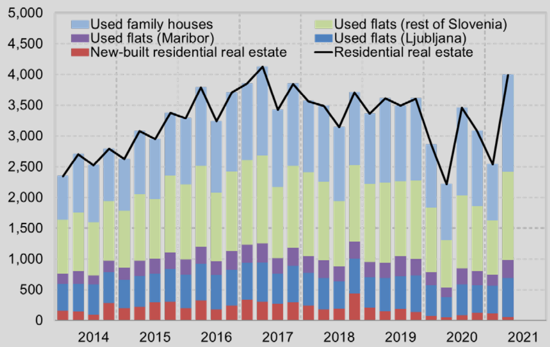


Figure 1.8: Number of transactions in residential real estate



Note: More data on the definitions concerning the calculation of the overvaluation indicators of real estate will be available in the October FSR (2021).
Sources: Eurostat, SORS, SMARS, ECB SDW.

2. Bank funding

An increase in deposits by the non-banking sector has slowed down since February 2021, while the banking system's dependence on other sources of financing has remained low. By October, a year-on-year growth in deposits by the non-banking sector went down to 8.4% (Figure 2.1), but remained higher than before the pandemic had begun in March 2020. Given the high increase in deposits from households and NFCs, the volume of deposits by the non-banking sector increased by EUR 1.8 billion to EUR 36.1 billion by October, which accounts for more than three quarters of the balance sheet total. The significance of other sources of funding decreased even further. In September, some of the banks paid off their liabilities to the Eurosystem, thus decreasing their share in the balance sheet total to 4.9%. With a high volume of liquid assets banks have no need for additional borrowing in wholesale markets. Therefore, they continue to decrease their liabilities to foreign banks.

An increase in private consumption leads to a decline in the volume of deposits from households. Despite more favourable epidemiological conditions and increased opportunities for spending, households, to a large extent, continued to increase deposits at banks in the first half of 2021 with this trend reversing at the beginning of the second half of 2021. From August to October, household deposits declined by EUR 132 million (Figure 2.2), while their year-on-year rate of growth declined to 8.9%. Apart from the seasonal impact (vacations, new academic year), this decline in deposits is most likely also the consequence of accumulated funds for planned major purchases or investments that could not be implemented during the pandemic. In addition, with the measures to cope with the consequences of the pandemic being lifted in the second half of the year, households were no longer entitled to state aid. Consequently, those hit the hardest by the pandemic most probably started to use up their savings at banks. With low interest rates and inflation on the rise, individual households, those with higher savings in particular, most likely diverted part of their funds to other, alternative investments (e.g. mutual funds).[3] An additional incentive for this was probably the introduction of safekeeping fees which some of the banks introduced for those savers whose total amount of savings exceeds a certain amount defined in advance. Despite a decrease in the last few months, household deposits increased by EUR 1.3 billion to EUR 23.7 billion compared to the end of 2020, and constitute the most significant source of funding for the Slovene banks. Their share in the balance sheet total (50%) puts Slovenia in the very top among those states of the euro area.

Figure 2.1: Growth in deposits by sector

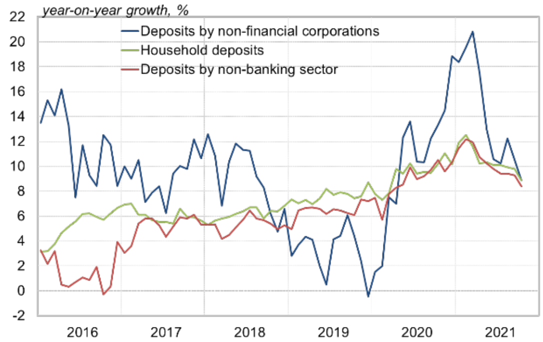
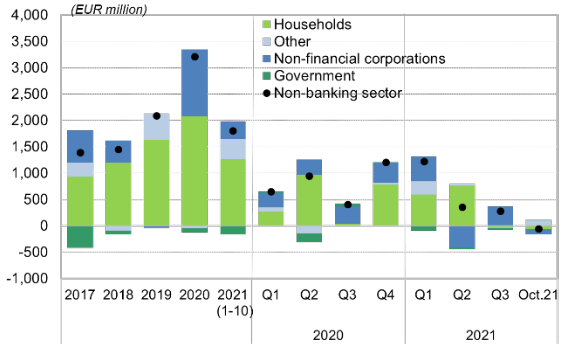


Figure 2.2: Change in stock of deposits by sector



Source: Banka Slovenije

An increase in the deposits from NFCs slowed down to 8.9% in the second half of 2021, yet it still exceeded the pre-pandemic growth by more than four times. Monthly changes in deposits from NFCs remain very volatile, which is the consequence of different liquidity needs the companies have in running their businesses. Apart from that, the savings the companies have on accounts with banks continue to account for a relatively significant additional source of funding for planned investments. By October of this year, deposits from NFCs increased by EUR 327 million to EUR 8.4 billion, equivalent to a mere quarter of the increase in deposits from households in the same period.

With low interest rates and uncertain epidemiological conditions, the banking sector continues to record an increase in sight deposits while fixed-term deposits are in decline. By October, sight deposits increased to 82.0% of total deposits by the non-banking sector, i.e. 62.4% of the balance sheet total. For households this figure is even higher, as it accounted for 86.2% of all household deposits in October. With uncertain epidemiological conditions and low yields, savers continue to leave their deposits on accounts held with banks, which allows them to have the required funds at hand in case they need it. By October, deposits from households had increased in all states of the euro area, with Slovenia continuing to be among those with a high share of sight deposits.

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[3] More data is available in the section Capital market and mutual funds.

3. Bank investments

Year-on-year growth in the Slovenian banking system's balance sheet total stood at 8.1% in October. Since the growth in the banking system's balance sheet total peaked in June when it exceeded 10%, it has slowed down by over two percentage points. This year the volume of the balance sheet total increased by EUR 2,770 million in aggregate and stood at EUR 47.4 billion in October. However, in September and October it decreased by EUR 365 million in total. A decrease which took place in September and October was a result of a decrease in liabilities towards the ECB and liabilities towards banks, which is one of the factors contributing to a decline in the banks' liquid requirements.[4] For the first six months, this year's net increase in the balance sheet total was mostly the result of an increase in (sight) deposits from the non-banking sector, which was reflected in particular in the net increase in most liquid forms of assets, i.e. claims towards the central bank. An additional contributor to the said increase was the June increase in the banks' debt to the ECB. The stock of securities in the balance sheets declined by EUR 454 million this year, i.e. by 5.3% in year-on-year terms. In recent months, loans to the non-banking sector have gone up on account of an increase in loans for house purchase and, in October, loans to NFCs. Banks still hold a significant share of their assets in liquid forms of assets and debt securities, which in aggregate amount to more than 40%.

Lending to the non-banking sector began to increase in year-on-year terms in the second quarter of 2021, with the year-on-year growth reaching 4.5% by October (Figure 3.1). Household lending has been on the rise since the first quarter, the year-on-year rate of growth reaching 3.8% by October, which was mostly a consequence of a significant increase in loans for housing purchases. Year-on-year growth in loans for housing purchases has increased sharply since the first quarter, and stood at 8.1% in September and October. In the meantime, the year-on-year decline in consumer loans slowed down and stood at 6.2% in September and October. In the second half of the year, loans to NFCs recorded low year-on-year rates of growth. However, in October their growth increased sharply and stood at 5.1%. Compared to the other countries in the euro area, the growth in loans to the non-banking sector was close to the average at the beginning of the second half of the year, while in October it already came close to one quarter of the countries with the highest rates of growth (Figure 3.2) which, to a large extent, is also a consequence of the low basis effect in Slovenia.

Figure 3.1: Lending to the non-banking sector

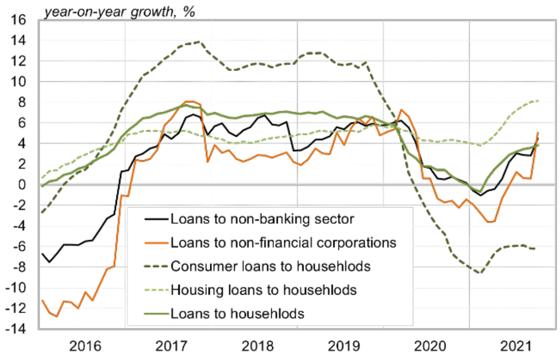
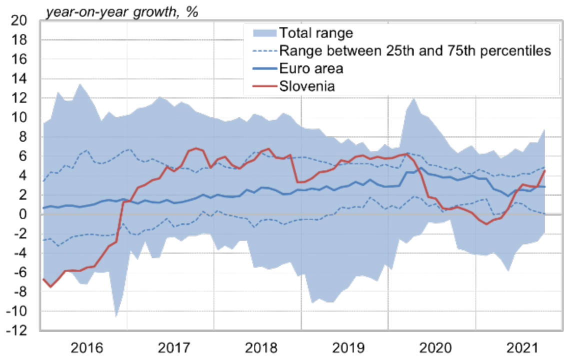


Figure 3.2: Lending to the non-banking sector in Slovenia and the euro area



Source: Banka Slovenije, ECB SDW, Banka Slovenije calculations.

After being in decline for almost a year, loans to NFCs grew at low year-on-year rates in the second half of the year, while in October their growth increased sharply. In September, weak growth amounted to a mere 0.6% in year-on-year terms, and coincided with low demand for such loans.[5] In October, however, it went up as a result of loans granted by some major banks who participated in syndicated financing of fuel and energy suppliers. At the banking system level, the net increase in loans to NFCs amounted to EUR 425 million in October, while the year-on-year growth[6] increased to 5.1%, and stood at 4.4%, measured in gross amounts.[7] Broken down by purpose, loans for fixed capital formation and loans to fund working capital were the major contributors to the total increase in loans to NFCs (Figure 3.3). Loans for commercial real estate purchase and loans for debt-financing purposes

[4] The other two aspects involve a decrease in deposits from households and NFCs and increased lending.
[5] See also the box entitled Bank Lending Survey (BLS).
[6] This concerns the balance of loans according to the banks' balance sheet data.
[7] Loans recorded on a gross basis include the balance sheet value before impairments.

also contributed positively to total growth. Year-on-year rates of growth in loans to NFCs broken down by activities (Figure 3.4) were positive for the majority of activities, with the highest rates of growth being recorded in information and communication activities (25.5%), electricity and water supply activities (23.0%), and construction (15.7%). After they had been in decline for over a year, loans to NFCs increased in October in year-on-year terms for trade as well (3.0%) which is the second largest group with regard to the volume of loans granted, right behind manufacturing. As the third largest group the NFCs in the transportation and storage activities continued to record a year-on-year decline in the volume of loans (–4.6%). NFCs in the electricity and water supply activities and NFCs in manufacturing activities were the major contributors to total growth, while the negative contribution was almost exclusively due to NFCs in the transportation and storage activities.

Figure 3.3: Contributions to credit growth by purpose

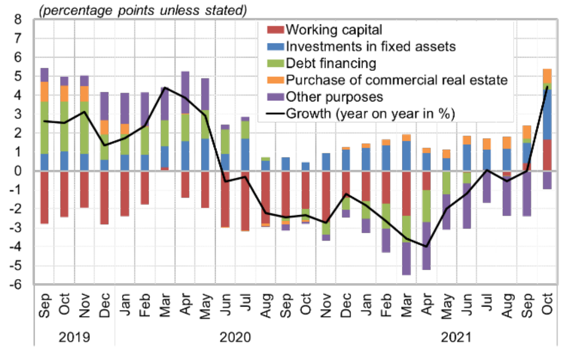
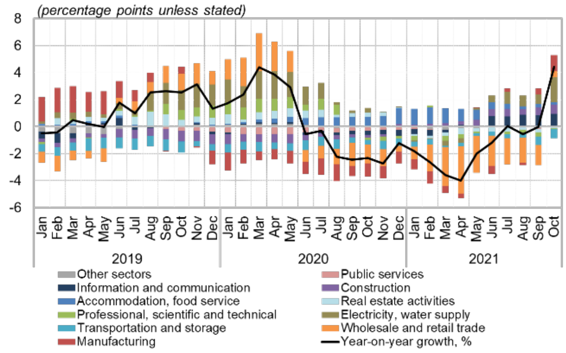


Figure 3.4: Contributions to credit growth by activity



Note: Data is based on gross amounts.
Source: Banka Slovenije

Based on the size of NFCs, loans to NFCs increased in all size categories in year-on-year terms, while in October the year-on-year growth in the category of large NFCs was particularly high due to loans granted to certain large corporations (Figure 3.5). After having declined for more than a year, loans in this particular category went up again in October and increased by 3.1% in year-on-year terms. The volume of loans in other size categories increased as well, with the year-on-year growth of loans to SMEs reaching the highest point this year at 4.1%. Compared to other countries in the euro area, October's growth significantly outpaced the average and was at the level of the 75th percentile of the distribution of all Member States (Figure 3.6), which is a consequence of the low basis in Slovenia.

Figure 3.5: Growth in loans to NFCs by corporate size

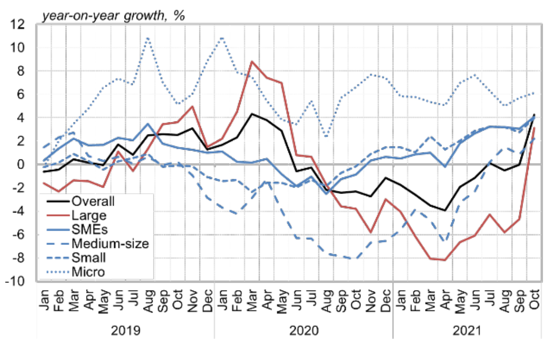
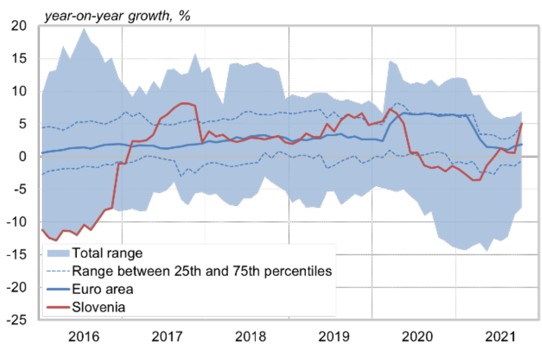


Figure 3.6: Comparison of growth in loans to NFCs between Slovenia and the euro area



Note: Data in the left figure is based on gross amounts.
Source: Banka Slovenije, ECB SDW, Banka Slovenije calculations.

Increases in energy costs might also impact the profit of corporations and their ability to repay their debts. We estimate that liabilities of NFCs to banks whose EBITDA would decrease by more than a half if the energy costs went up by 50% constitute a 4.2% share of all liabilities of NFCs to banks (according to AJPES figures for 2020). The share differs by activity which NFCs engage in, and amounts to 9% for NFCs engaged in manufacturing, 7.3% for NFCs engaged in accommodation and food service activities, 5.5% for NFCs engaged in transportation and storage, and 5.4% for NFCs engaged in construction.

Loans for housing purchases recorded high year-on-year rates of growth, while the decline in consumer loans has remained at around 6% for several months now. The stock of loans for housing purchases increased by EUR 500 million in banks' balance sheets over the first ten months. Before October's increase in loans to NFCs, loans for housing purchases were the major contributor to the growth in lending activity. This year's average monthly increase (EUR 50.0 million) more than doubled compared to that of last year (EUR 22.3 million), which may also be the result of last year's deferrals of purchases of real estate on account of the high uncertainty and restrictions in the activities of real estate agents. The increase in growth in loans for housing purchases gradually slowed down by October, yet at 8.1% growth significantly outpaced the average of the euro area (5.5%), and came very close to the 75th percentile of the distribution of growth of all Member States (Figure 3.7). Loans for housing purchases in Austria grew at a similar pace, while in six other countries growth was even higher. Consumer loans continued to decline more than in other countries in the euro area (Figure 3.8). Compared to the beginning of the year, their decline slowed down, yet in October growth stabilised at –6.2%. The decline in consumer loans is thus relatively stable, with this year's stock of newly granted consumer loans being comparable to that of last year. In October, Slovenia was among the countries with the most significant decline in consumer loans.[8]

Figure 3.7: Comparison of growth in housing loans between Slovenia and the euro area

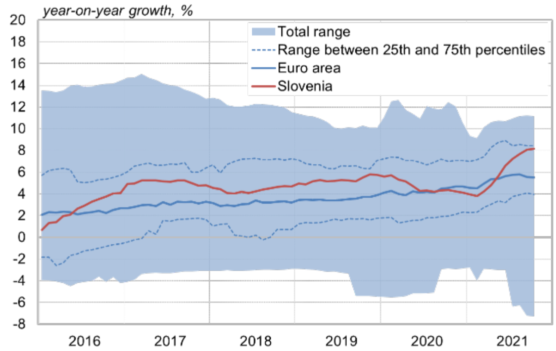
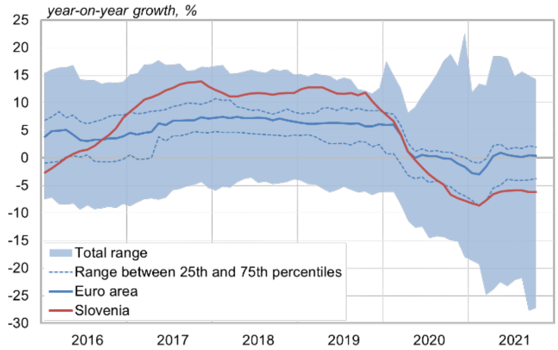
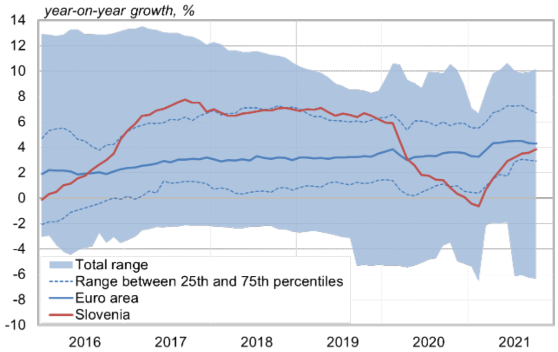


Figure 3.8: Comparison of growth in consumer loans between Slovenia and the euro area



Source: Banka Slovenije, ECB SDW, Banka Slovenije calculations.

Figure 3.9: Comparison of growth in loans to households between Slovenia and the euro area



Source: Banka Slovenije, ECB SDW, Banka Slovenije calculations.

[8] This decline was even more pronounced in the Netherlands, at –20.1%, and in Estonia at –27.2%. Even when looking at average figures for 2021, Slovenia was among the five countries with the most significant decline in consumer loans.

Box 2: Bank Lending Survey (BLS)

According to the Bank Lending Survey (BLS),[9] credit standards have also remained unchanged in the second and third quarters of 2021 for both household and corporate loans. According to the estimates of the reporting banks, general economic conditions no longer had a negative impact on the tightening of standards, as was the case last year. This applied to both the segments of short- and long-term loans for both large and small companies. In the aforementioned survey similar conclusions were also made by the banks regarding the standards for housing and consumer loans. The euro area too, is characterised by unchanged credit standards, where a relatively small share of banks, i.e. less than one tenth, tightened credit standards for housing loans.

Figure 3.10: Corporate demand for loans and factors affecting demand in Slovenia

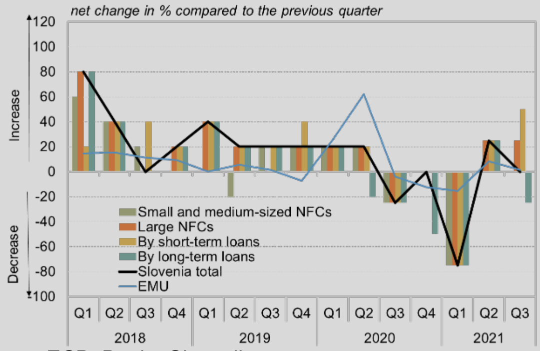
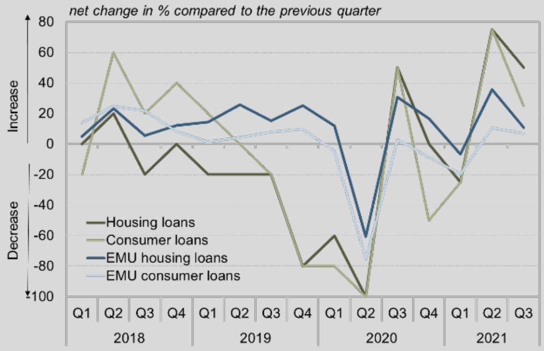


Figure 3.11: Household demand for loans



Source: ECB; Banka Slovenije.

According to the data of the bank lending survey, the demand for corporate loans has remained unchanged while the demand for household loans at banks has seen an additional increase in the third quarter of 2021. All reporting banks have confirmed that the demand for corporate loans in the third quarter of 2021 has remained unchanged for the second quarter in a row, as in the euro area. The third quarter was marked by a somewhat pronounced demand for short-term loans, as reported by two out of four banks. In general, banks forecasted a decreased demand for corporate loans both in the second and third quarters of this year. The banks reported a significant increase in demand for household loans, which was typical for the second quarter in particular, and a little less for the third quarter. The increase in demand, which applies to the second quarter in particular and a little less to the third, was typical for housing loans in the euro area as well (Figure 3.11). The increase in the demand by the reporting banks in the segment of housing loans (with three out of four banks reporting this in the second quarter, and with two banks reporting this in the third) coincided with a significant increase in the growth in housing loans. In the last two quarters, the outlooks for the housing market and level of interest rates are stated by the banks as the most significant factors contributing to the increased demand. The banks named the purchase of durables as among the factors contributing to an increased demand for consumer loans. The increased demand for this type of loan coincides with a stable monthly inflow of new consumer loans, which averaged EUR 68 million over the third quarter.

4. Quality of bank assets

After improving in the first half of 2021, asset quality indicators at the level of the entire portfolio have remained stable in recent months. A decrease in the volume and share of NPEs seen over several years as well as during the pandemic came to a standstill in August, and has since stood at 1.3%. After having declined in the first half of 2021, the share of the stage with increased credit risk (Stage 2 under IFRS), which reflects the changed credit risk of banks during the pandemic better than the share of NPEs, has fluctuated around 5.4% in recent months.

Along with this, the dynamics of NPEs in certain segments of the portfolio continued to vary. Throughout the pandemic, NPEs recorded the largest decline for NFCs, from 4.5% in December 2019 to 2.5% in this year's October, and for the foreign non-banking sector, from 2.2% to 0.7% (Figure 4.1).

[9] The note on page 2 also applies to the BLS: Slovenian reporting banks accounted for 61% of the balance sheet total in October and 58% of loans in the banking system on an individual basis, but it should be reiterated that the number of surveyed banks was small. According to the BLS, only four banks reported data in the third quarter.

However, over the same period NPEs increased sharply for the accommodation and food service sector, from 8.1% to 12.6%. The stock of NPEs in this sector represented almost one fifth of all NPEs in the NFC segment in October, which is three times more than before the pandemic, at 6.3%. As regards consumer loans, the trend of increase in NPEs has been present in the last year (from 2.7% in last year's October to 3.7% in this year's October) where the reasons for their increase cannot be entirely attributed to the consequences of the pandemic and the measures to curb it. New NPEs for consumer loans occur, to a greater extent, for loans granted in the years of their most significant expansion and due to the lowered credit standards before the macroprudential restrictions on household lending were introduced.[10]

Figure 4.1: Stock and share of NPEs for selected segments of the portfolio

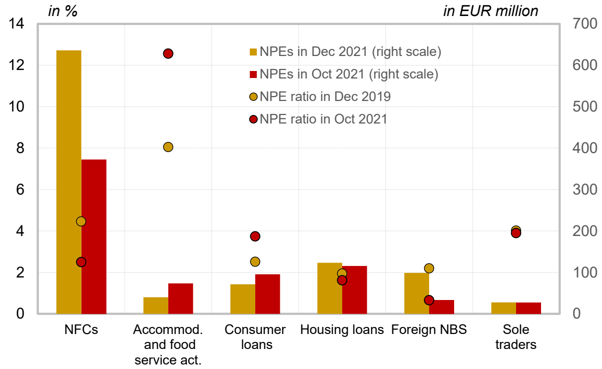
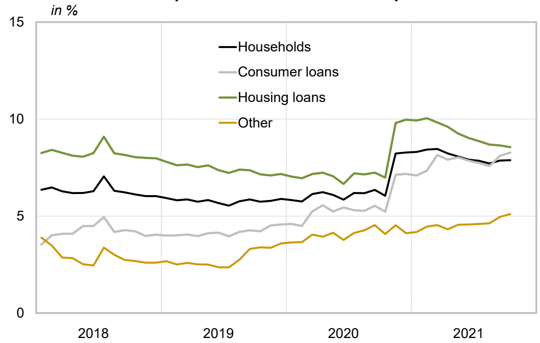


Figure 4.2: Share of Stage 2 exposures in the private individuals portfolio



Note: Foreign non-banking sector (NBS) includes foreign non-financial legal and natural persons (mostly corporations). In this segment, NPEs generally occur for loans granted to foreign companies.
Source: Banka Slovenije.

After an improvement in the first half of the year, exposures to certain sectors have again recorded an increase in the share of the stage with increased credit risk (Stage 2 under the IFRS). In professional, technical and other commercial services as well as in the transportation sector, these shares have been on the rise in the last three or four months. In the retail trade too, their values in October exceeded those from June. In the accommodation and food service sector, as well as in the entertainment sector, culture and recreational sector the upward trend has been present throughout 2021. A reverse trend, i.e. reallocation back to the stage with the lowest credit risk, has been present in manufacturing and construction. It seems that banks are perceiving an increased exposure to credit risk mostly in service activities, which may be connected with uncertainty regarding the future evolution of the pandemic.

In the retail segment the portfolio quality indicators for both consumer and other (non-housing) loans continue to deteriorate. For consumer loans the share of NPEs has been increasing gradually since last December, and stood at 3.7% in October. After a gradual easement in September and October, an increase in the share of Stage 2 (Figure 4.2) is continuing. Throughout the pandemic the share of Stage 2 has been on the rise for other household loans that are growing, especially in the off-balance part (overdrafts and credit facilities). In contrast, for housing loans both indicators are improving, both on account of a decrease in the numerators of indicators (Stage 2 exposure and the stock of NPE) and on account of an increase in the denominator – housing loans in aggregate.

By the end of October the majority of exposures covered by a moratorium towards NFCs matured, while in certain activities this has been accompanied by an increase in the volume of bilateral moratoria. By October 2021, 88% of exposures to NFCs, for which a moratorium on repayment was granted, matured. The share of NPEs in exposures covered by moratoria (matured and active ones) is above-average, i.e. 7.5% compared to 2.5% in total exposure towards NFCs. Those exposures covered by moratoria that have already matured and are not classified among NPEs are being repaid without any major delays. Once the possibility to be granted a moratorium on repayment under the emergency laws expired, the stock of granted bilateral moratoria started to increase, from March to October 2021 by 20% to EUR 272 million[11] (Figure 4.3). Bilateral moratoria to companies in

[10] FRS; October 2021, Box 5.1 (Comparison of behaviour of vintages before and after the introduction of the macroprudential restriction on household lending).
[11] Included were banks and savings banks, without branches of foreign banks.

the accommodation and food service sector have increased in particular. In October they accounted for one quarter of all bilateral moratoria granted to the NFC sector (before March this share amounted to a mere 4%; as regards the structure of moratoria, the prevalent sector in the period from July 2020 to March 2021 was manufacturing, with a 28% share, followed by real estate activities with a 27% share[12]). Otherwise, exposures with a bilateral moratorium constitute a relatively small share of the total exposure of banks towards NFCs, i.e. 1.8% in October.

Figure 4.3: Bilateral moratoria: structure by NFC sector and total stock

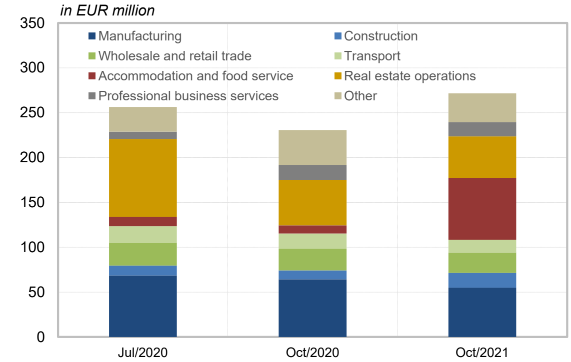
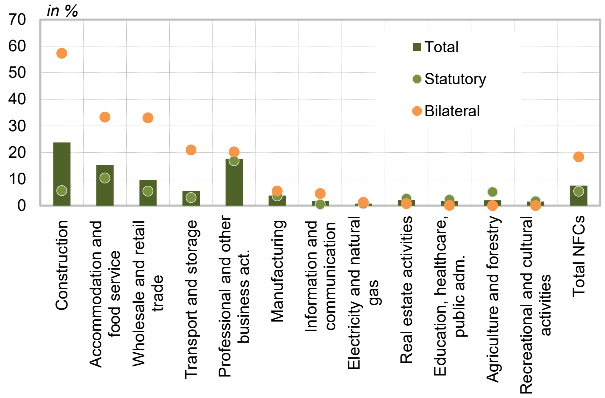


Figure 4.4: NPEs in exposures to NFCs with moratoria by type of moratoria, Oct 2021



Source: Banka Slovenije.

The quality of exposures covered by moratoria, bilateral moratoria in particular, continues to remain poorer than the average exposure to NFCs and thus continues to represent a source of elevated credit risk. In exposures covered by moratoria granted under the emergency laws there were 5.4% of non-performing ones in October, while the share of those covered by bilateral moratoria accounted for 18.3% (Figure 4.4). As for the latter, construction activities stand out sharply, with the share of NPEs covered by bilateral moratoria accounting for 57.3%. These shares are high in the accommodation and food service activities, and in retail trade as well, where they reach one third of the exposure covered by bilateral moratoria, and in the transportation and professional, technical and other commercial activities, with one fifth of NPEs being covered by bilateral moratoria. NPEs in accommodation and food service activities represent 45% of total NPEs covered by bilateral moratoria.

The quality of the NFC portfolio also differs according to the size of NFCs. They also have different trends of reallocation among the credit risk stages. This year, large corporations have tended to be reallocated to the stage with the lowest credit risk, while the opposite trend could be observed for corporations belonging to SMEs (Figure 4.5). In this regard small NFCs are assessed as the riskiest, with a 14% share of Stage 2 credit risk, with a slightly lower share being recorded for small and medium NFCs whose exposures have been assessed as high-risk by banks in recent months. An assessment similar to the one applying to SMEs has been made for sole traders as well. Despite renewed growth of Stage 2 credit risk for SMEs, no additional impairments are being created for this size category (for the time being). All corporate size categories continue to record the trend of a decline in performing exposures (Stages 1 and 2 under the IFRS) being covered by impairments (Figure 4.6).

[12] Data by types of moratoria related to the pandemic is available since July 2020. The share calculated for manufacturing refers to the period from July 2020 to March 2021 and is stable, while for real estate activities it decreased from 31.7% in the period from July to November 2020 to 21.7% in the period from December 2020 to March 2021.

Figure 4.5: Share of Stage 2 exposures by corporate size

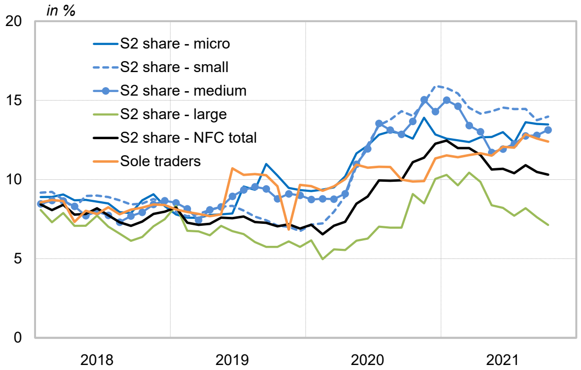
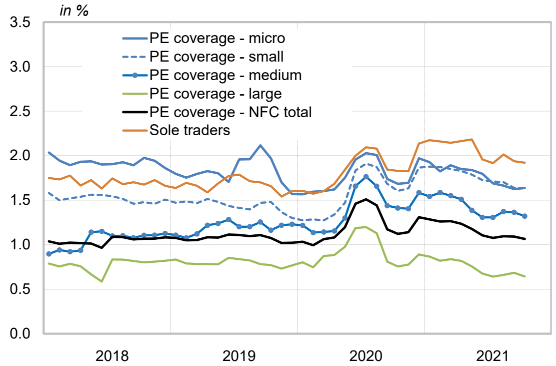


Figure 4.6: Coverage of performing exposures by impairments by corporate size



Note: PE stands for performing exposures.
Source: Banka Slovenije.

By October 2021, the coverage of PEs by impairments and provisions was decreasing at the level of the entire portfolio, while the coverage of NPEs by impairments was increasing. The latter, after having increased in April by more than 5 percentage points on account of a one-off event, increased to stand at 55.7% in October (Figure 4.7). In contrast, the coverage of PEs by impairments was decreasing and returned to the pre-pandemic level (0.53% in March 2020) in October. During the pandemic the total coverage by impairments and collateral also decreased to 32.3%, with low and declining coverage of performing consumer loans standing out (Figure 4.8).

Figure 4.7: Coverage of NPEs and PEs with impairments and provisions

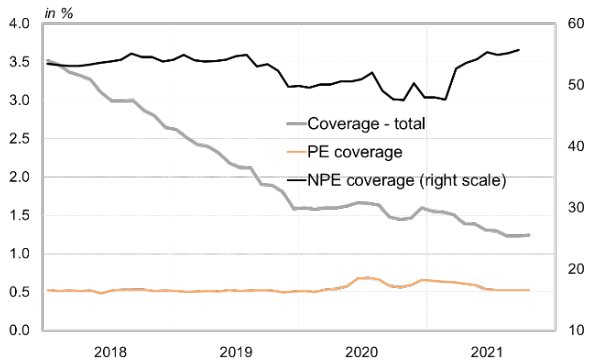
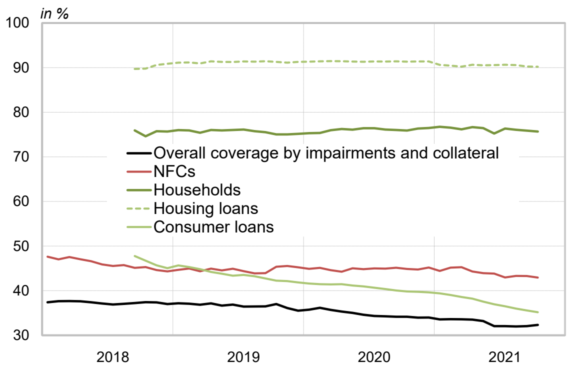


Figure 4.8: Coverage of PEs with impairments and collateral



Note: In the figure on the right the coverage for the entire portfolio is lower than the one for the displayed client segments. This is because it also includes exposures (not displayed in the figure) towards the central bank, which have no collateral, and poorly collateralised exposures towards banks, savings banks and the state.
Source: Banka Slovenije.

5. Bank revenue generation

This year's revenue of the banking system is below last year's over the same period, which is due to a one-off effect of merging two banks. In the absence of this merger the revenue would be comparable to last year's over the same period. Banks are still facing a negative increase in net interest rates with non-interest income, again excluding the already mentioned one-off effect, not indicating any reduction on account of movements in net fees and commissions. This year's banks' operating costs remain comparable to those of last year.

Net interest income is still below last year's, while the net interest margin continues to decrease. Net interest income has been decreasing for the last year and a half, yet in recent months the negative growth has slowed down to some extent, and stood at −3.3% in October in year-on-year terms. However, a comparison of a 12-month period reveals that at −5.2% it is still well below last year's value. Price effects in particular have made a significant contribution to a reduction in net interest income. These have been present for several years now as a consequence of low interest rates. However, on the active side they are being reinforced by the banks competing among each other. On the other hand, with increased credit growth quantity effects are again positively contributing to interest income. In the first half of the year their effect equalled zero. With lending activity continuing to grow, a further improvement of the effects arising therefrom could be expected.[13]The banks' interest income is gradually coming close to the last year's over the same period. Year-on-year growth in loans to the non-banking sector, still recording negative values from the first to the second quarters, has increased in recent months on account of growth in housing loans, in October also on account of loans to NFCs, which in turn will have positive effects on the increase in interest income. Interest expenses have increased by 8.2%, which is mainly the consequence of the banks' excess reserves, partially subject to negative interest rates, and an increase in liabilities through securities, taking place last year, which are more expensive when compared to other sources of funding. Despite this, a decrease in interest income, compared to the increase in interest expenses, still contributed more to the decrease in net interest. The net interest margin calculated for the last 12-month period declined to 1.42% by October 2021, which is the consequence of both a decline in net interest and an increase in the interest-bearing assets of the banks (Figure 5.2).

Figure 5.1: Net interest income, net non-interest income, operating costs and banks' net income

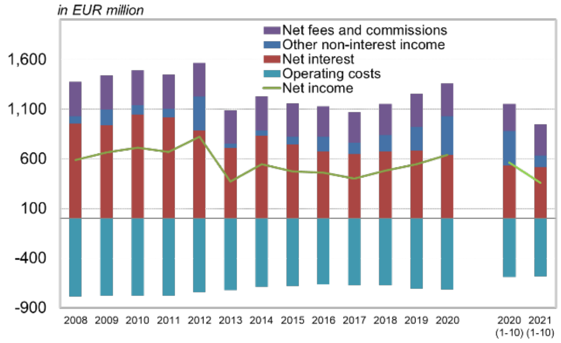
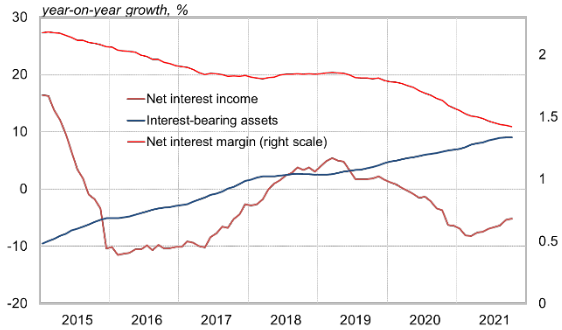


Figure 5.2: Year-on-year growth in net interest income, net interest-bearing assets, and net interest margin



Source: Banka Slovenije

This year's net non-interest income of the banking system was below last year's due to a one-off effect of merging two banks in September, otherwise it would have exceeded it slightly. The growth in non-interest income has been relatively stable in recent months, while in the first few months of the year it was above-average on account of revaluation effects in respect of credits or securities with several banks. Among non-interest income solid growth in net fees and commissions, which constitute the most stable portion of the net interest income, has been preserved and stood at 14.8% in October in year-on-year terms. Consequently, the net commission margin of the banks is increasing and rose up to 0.80% in October (Figure 5.3).

[13] Both total interest income of the banks and income arising from loans remain below last year's figures over the same period, with the first one recording year-on-year growth of –1.5% and the other of –2.3%.

Figure 5.3: Year-on-year growth of net fees and commissions, balance sheet totals and net "commission" margin

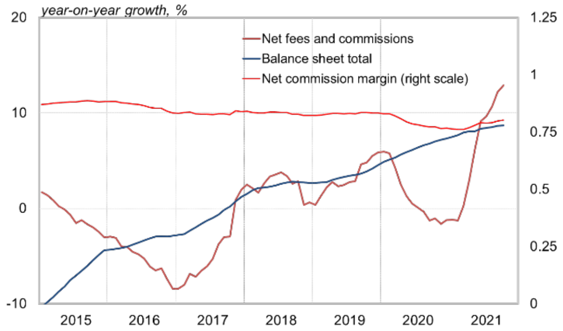
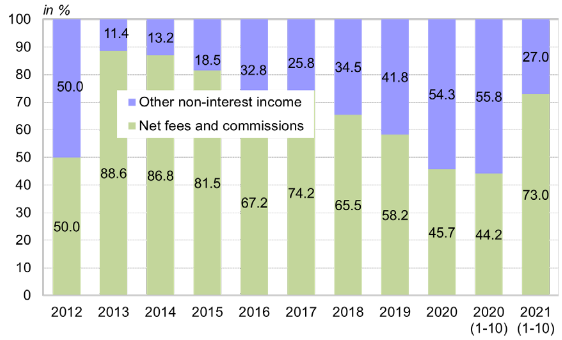


Figure 5.4: Breakdown of non-interest income



Source: Banka Slovenije

Box 3: Non-interest income of banks

In the low interest rate environment the banks are focusing more attention on generating net non-interest income. In recent years banks have been quite active in this area trying to replace the stagnation in the growth of net interest income by increasing the stock of non-interest income. A share of the most significant and most stable source of net non-interest income, i.e. net fees and commissions, in the gross income without taking into account any extraordinary operating revenues[14], has remained at a level of 28% in recent years. This year, however, the share of fees and commissions in the gross income leaped to 33%, which is the result of a minor increase in other net non-interest income and net fees and commissions.

Fee and commission income from payment services is the most important category of fee and commission income. The share of fee and commission income from payment services in total fee and commission income has averaged 77% (Figure 5.5) in recent years. At the same time, the increase in revenues from managing current accounts has been positively affected by the introduction of what are known as bank packages. This policy, however, contributed to a decline in the revenues of some other payment transactions items: e.g. revenues from executed payments, revenues from ATM operations. One additional reason why the revenues from the management of current accounts have increased is the introduction of safekeeping fees. In line with the incomplete survey answers, the share of safekeeping fees is expected to account for around 3.5% of the fee and commission income in July.

Figure 5.5: Structure of fee and commission income: fee and commission income from payment services (paym. serv.)

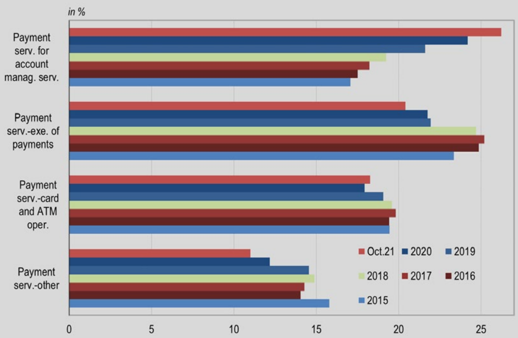
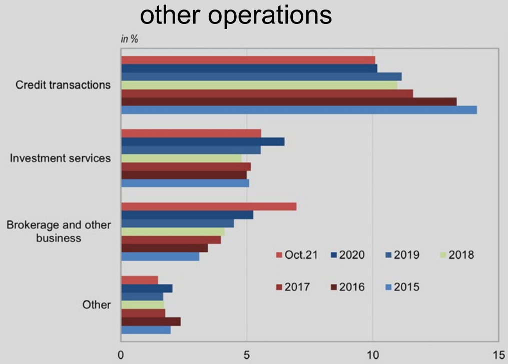


Figure 5.6: Structure of fee and commission income: fee and commission income from credit operations, from the provision of investment services, from brokerage and other operations



Source: Banka Slovenije

[14] Extraordinary operating revenues include the items *Negative good will* and *Net gains/losses on non-current assets held for sale and associated liabilities.*[14]

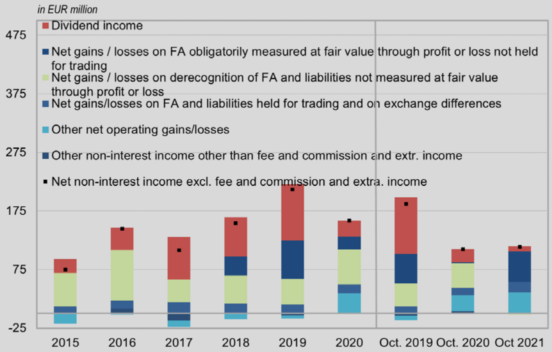
The fee and commission income arising from credit operations has been in decline in recent years and currently constitutes around 10% of total fee and commission income (Figure 5.6). Lower income from granted credit operations and from assumed liabilities from loans was a result of the smaller stock of credit operations. The stock of issued guarantees has increased in recent years. Thus, it could be concluded that the volume of income from guarantees issued is associated mostly with the reduction in the price the banks may charge for this service, which is a consequence of a reduction in the margin for credit risk due to a favourable macroeconomic environment and fiercer competition as non-banking entities, such as insurance companies, are also offering this type of service.

Fee and commission income from investment services accounts for around 5% of all fee and commission income. The main item of stable income from performing ancillary investment services includes revenues from managing clients' accounts of dematerialised securities and performing custodian services under the Market in Financial Instruments Act (ZTFI). Fee and commission income from performing investment services and transactions on behalf of the clients is a little more volatile, and it was this part that contributed the most to this year's reduction in the fee and commission income from performing investment services.

Banks are also very active in providing brokerage services and are increasing the volume of income from this source as well. The share of this income in total fee and commission income accounts for as much as 7% this year. The two most significant items of income from brokerage operations are the income from brokerage in the sale of insurance policies and the income from collective investments. Apart from that, banks also engage in brokerage and debt servicing operations on behalf of third parties and in fiduciary operations. Other income does not account for much, with this year's share accounting for only around 1.5% of total fee and commission income. It includes income from fees and commissions from safekeeping and rental of safe deposit boxes, from the provision of custodian and administrative services related to collective investments, etc.

As in the case of fee and commission income, the largest category of fee and commission expenses is represented by fee and commission expenses from payment transactions, which in recent years represent around 83% of all fee and commission expenses. Banks manage to maintain the ratio between all fee and commission income and fee and commission expenses, which amounts to around 3.7, at a stable level.

Figure 5.7: Other items of non-interest income other than fee and commission income without extraordinary operating revenues



Source: Banka Slovenije

Dividend income constitutes one of the most significant items among non-interest income other than fee and commission income. Income is affected by general economic conditions and fluctuates from year to year. In the years 2017–2018 banks realised an average dividend income of almost EUR 70 million. In 2019 this income increased even further and amounted to EUR 96 million. With the onset of the epidemiological crisis this income plummeted to EUR 27 million in 2020 (Figure 5.7). This year dividend income amounts to EUR 8.9 million.

With the introduction of IFRS 9, the banks' balance sheets now include financial assets obligatorily measured at fair value through profit or loss, which are not held for trading. The revaluation of such assets is included under the item net gain/loss from assets obligatorily measured at fair value through profit or loss, not held for trading. These profits too, reached their highest values in 2019, which is the result of favourable economic conditions. This year's renewed increase in these revenues, compared to the last year, is a result of a major claim being repaid.

An important component of non-interest income also involves net gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss. Since 2018, this item has averaged around EUR 50 million. This year, however, banks have realised a minor net loss under this item. Apart from the realised difference between the selling price and carrying amount on derecognition of debt securities and loans measured at amortised cost and through other comprehensive income, this category of non-interest income also includes a special accounting feature of recognising loans for which the state covers first losses.

Due to changes in accounting policies, since June 2020 the costs in connection with contributions to the resolution fund and the deposit guarantee scheme are no longer recognised by the banks under other operating expenses but under operating costs. Consequently, the sum of values under items *other net operating gains* and *other net operating losses,* which until the adoption of this accounting change was slightly negative, is now positive, with this year's value standing at EUR 35 million. Among net gains/losses from financial assets and liabilities held for trading the majority account for net gains/losses from purchase and sale of foreign currencies.

This year's banks' operating costs remain comparable to those of last year. These remain behind those in the same period last year by 0.6%. The growth of labour costs has also been stable, and has exceeded last year's over the same period by a mere 1.3%. With relatively high growth in the balance sheet total, the share of operating expenses in the balance sheet total continues to decline (Figure 5.8). The cost-to-income ratio (CIR) in the banking system remains comparable to last year's values, with its fluctuations arising mainly from the fluctuations in the banking system's gross income (Figure 5.9).

Figure 5.8: Growth in operating costs and labour costs, and ratio of operating costs to balance sheet total

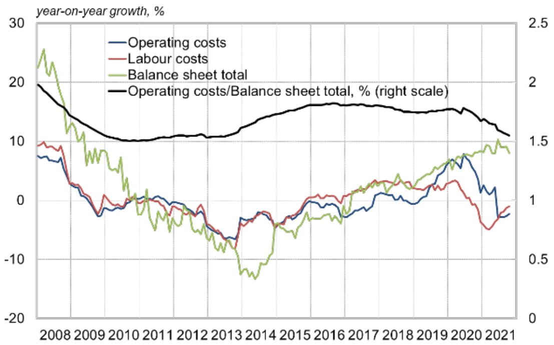
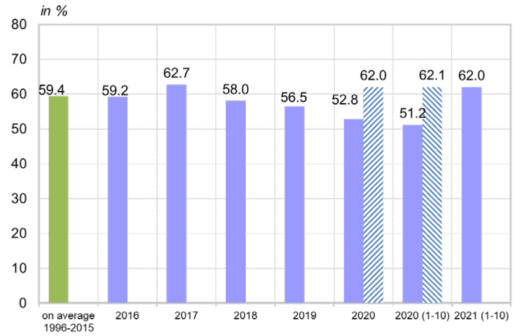


Figure 5.9: Cost-to-Income ratio



Note: Specially marked columns in the right-hand chart represent the value of the ratio, excluding a one-off effect on the non-interest income and the banking system's gross income on account of the merger of two banks which took place in September 2020.
Source: Banka Slovenije

6. Capital adequacy, profitability and liquidity of banks

The Slovene banking system's capital position remained good in the first three quarters of 2021, as the increased credit risk has not been realised yet. This year's total capital adequacy at consolidated level decreased by 0.2 percentage points in September to 18.5%, while the CET1 ratio decreased by 0.3 percentage points to 17.0%.[15] A slight increase is the consequence of the growth in regulatory capital outpacing the growth in risk-weighted assets. Banks mostly increased the CET1 capital, namely by way of earnings retained from the previous financial year and other reserves. The risk-weighted assets increased on account of growth in lending and the associated greater exposure to companies and retail banking. Despite the aggravated epidemiological situation, the increased credit

[15] Total capital adequacy is calculated as a percentage of the regulatory capital in risk-weighted assets, while the CET1 ratio is calculated as the percentage of common equity tier 1 capital in the risk-weighted assets.

risk has not been realised yet, which has also had a positive impact on the capital adequacy of the banking system. The share of NPE even declined during the pandemic[16], which in turn contributed to a decrease in the risk-weighted assets for unpaid and high-risk exposures. At the end of the third quarter of 2021 their share accounted for 3.6% of total risk-weighted assets.

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 (19.2%).[17] Unlike total capital adequacy, the CET1 ratio continues to exceed the euro area average (15.9%, Figure 6.1), but it remains below the medium values of the CET1 ratios of individual states. A decrease in capital ratios at the system level at the end of 2020 was influenced by a decrease in their values at individual banks alone, which was due to institutional factors (mergers). The majority of Slovene banks had increased their total capital adequacy by September, with almost half recording total capital adequacy which was above the euro area average.

Figure 6.1: Capital ratios compared with the euro area, consolidated basis

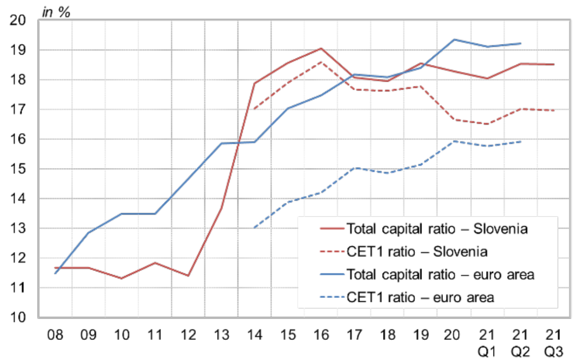
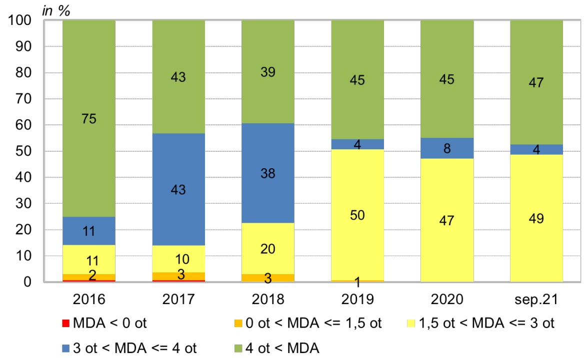


Figure 6.2: Amounts above total capital requirement by individual categories, expressed as a percentage of the balance sheet total on a consolidated basis



Note: MDA in the right-hand figure stands for total capital requirement excluding P2G.
Source: Banka Slovenije, ECB (SDW)

An improved capital position for the majority of Slovene banks has also been observed over a longer period of time, yet there are still considerable differences among the banks. While capital adequacy at the level of the banking system increased by 0.6 percentage points in the period from 2014[18] to the second quarter of 2021, the rates of increase for almost half of the Slovene banks were higher than 3.3 percentage points, which is at the median level of the euro area over the same period. In this regard we reiterate that the differences in capital positions or resilience to potential adverse conditions and stressful events among the Slovene banks are still considerable. Despite improved capital adequacy on average, the differences in resilience among the banks arise from the different structures of investments and their risk, and consequently from different surpluses of the achieved capital adequacy above the defined capital requirements (Figure 6.2). At the end of the third quarter of 2021 the surplus of the achieved total capital adequacy above the defined capital requirements[19] of almost two thirds of the banks, which in total corresponds to half of the banking system's balance sheet, was above three percentage points. Careful assessment of capital adequacy at the level of individual banks will be very important in the future due to the uncertain sustainability of high profitability, with which banks could maintain or strengthen their capital adequacy.

Over the first ten months of 2021 banks generated a relatively high pre-tax profit, mostly as a result of net release of impairments and provisions. With income stagnating, further generation of profit remains uncertain. In the period Jan–Oct 2021 pre-tax profit amounted to EUR 402 million and was in year-on-year terms, despite last year's one-off effect of the increase in non-interest income, only 11.4% lower than last year. In the absence of the above-mentioned one-off effect it would have

[16] More information is available in the section Quality of bank investments.
[17] At the time of drawing up this report the latest available data for the euro area covers the second quarter of 2021; the comparison is made on a consolidated basis.
[18] A considerable improvement in the total capital adequacy of the banking system at the end of 2014 was the result of restructuring of major domestic banks.
[19] The overall capital requirement (MDA) of Pillars 1 and 2 is taken into account without the P2G requirement.

exceeded it significantly. With net income stagnating, a major factor in the ongoing high profit is that the majority of banks and savings banks, i.e. eleven out of sixteen, recorded a net release in impairments and provisions. In total, the banks recorded a net release of EUR 42.1 million, while in the same period last year they recorded a net increase in impairments and provisions (EUR 108.6 million). As such, the profit was down by only one tenth on the same period last year due to the above-mentioned net release of impairments and provisions (Figure 6.3). Despite this, it has to be emphasised that in October banks recorded a net increase in impairments and provisions of EUR 6 million compared to September. Pre-tax ROE at system level stood at 9.85%. Given the stagnation of income, further generation of profit remains uncertain. The net release of impairments and provisions is also unsustainable in the long run. A more long-term comparison shows that in creating net impairments and provisions at the level of the long-term average, the banks would only achieve just over a third of actually achieved ROE (Figure 6.4).

Figure 6.3: Changes in components of profit generation/use, Jan-Oct 2021 relative to Jan-Oct 2020.

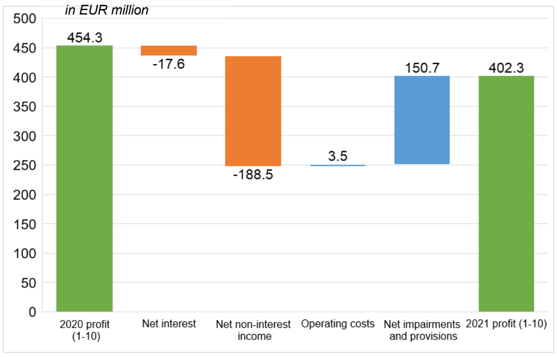
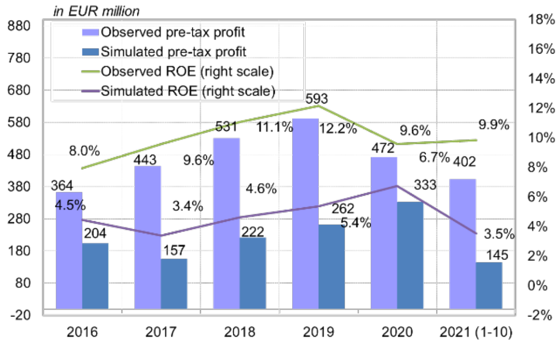


Figure 6.4: A comparison between the banks' actual and simulated profitability while taking account of the long-term average of impairment and provisioning costs.



Source: Banka Slovenije

A comparison with other European states[20] shows that in the first half of this year the Slovene banking system was one of the few with a net release of impairments (Figure 6.6), which means that this year this is still the main driving force of the above-average profitability compared to in other states, while in 2020 Slovenia ranked in the middle as regards the creation of impairments.[21]A comparison of this year's (Figure 6.5) and last year's profitability shows that the Slovene banking system is still in the top quarter compared to the other EU Members States.

Figure 6.5: ROE values for the banking systems of the EU Member States in the first half of 2021

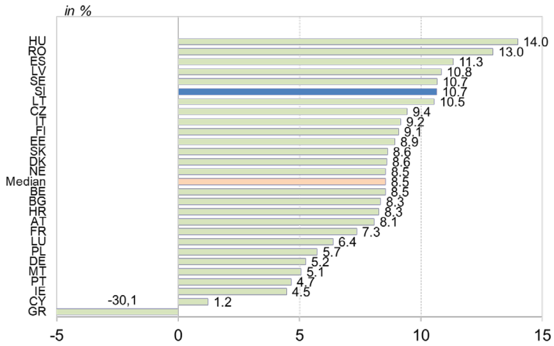
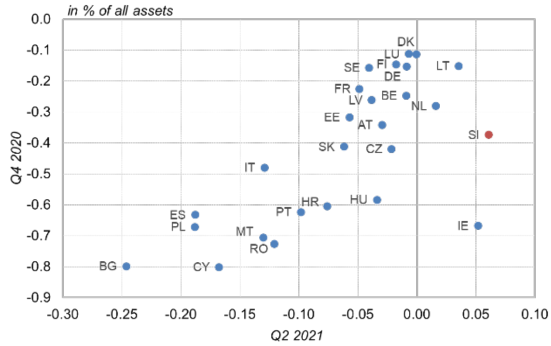


Figure 6.6: Net impairments in terms of the balance sheet total in the EU banking systems



Source: ECB (SDW, CBD) and own calculations

[20] At the end of June 2021 the Slovene banking system was among the four banking systems which recorded a net release of impairments (apart from Slovenia, Lithuania, the Netherlands and Ireland also recorded net releases).

[21] On the other hand, a multiannual comparison of the share of impairments and provisions in terms of the balance sheet total with the euro area as a whole shows that the average values for the Slovene banking system and the entire euro area are very comparable, despite net release of impairments in the Slovene banking system in the period from 2017 to 2019; the reason for this being the relatively high values in 2014 and 2015, i.e. the first and second years after a period when net impairments and provisions (2013) were at their highest levels due to the restructuring of the banking system.

Despite a slight deterioration of some indicators in September and October, the liquidity of the banking system has remained high. The Liquidity Coverage Ratio of the banking system (hereinafter: LCR) was gradually increasing by August. However, on account of a reduction in the liquidity buffer and an increase in net liquidity outflows in September and October it declined by 39 percentage points in total to 317%. In terms of LCR value, Slovenia continues to be among the top five euro area states which significantly exceed the minimum regulatory requirements regarding LCR (100%), and thus maintain high capacity to cover net liquidity outflows in a short-term stress period (Figure 6.8).

Primary liquidity declined in September and October. After the increase in deposits from the non-banking sector slowed down, banks began to use up funds held at the central bank, and most probably diverted them to enhanced lending activity or to repay matured liabilities which *inter alia* also contributed to a reduction in the LCR. Despite its decline, the share of primary liquidity, which apart from the assets at central bank also encompasses the cash in hand and sight deposits with banks, still accounted for more than one fifth of the balance sheet total in October.

Figure 6.7: Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) by banks

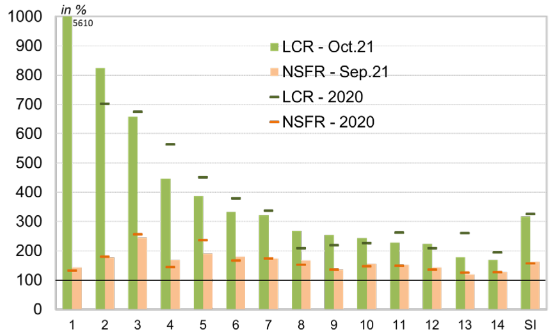
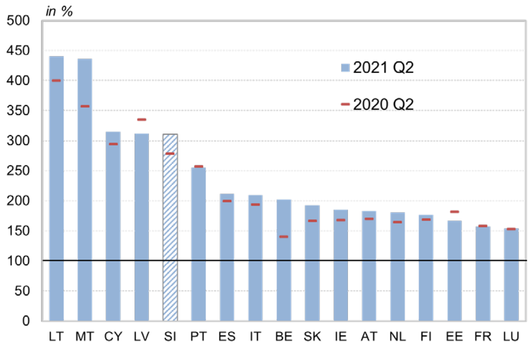


Figure 6.8: Comparison of LCR on a consolidated basis by the states in the euro area



Note: A horizontal blue line denotes the minimum requirement for the LCR (100%) in accordance with the CRR.

Source: Banka Slovenije, ECB (SDW)

All banks are exceeding the minimum requirement of net stable funding ratio (NSFR). In order to ensure the stable financing of the banks and consequently to reduce the pressure on their liquidity, banks must comply with a 100% NSFR requirement starting from June 2021. The banking system's NSFR amounted to 163% at the end of the third quarter, which means that the banking system had 63% more funds available for stable funding than it required over a period of one year under usual and stressful conditions.

Differences in the liquidity position between individual Slovenian banks remain considerable, with careful liquidity management remaining particularly important for banks with lower liquidity surpluses. For more than half of the banks the LCR value decreased in September and October. However, all the banks exceeded the regulatory requirement, with only two banks recording the LCR lower than double the aforementioned requirement (Figure 6.7). Liquidity positions of individual banks could deteriorate in the event of a sudden and significant shift of deposits from the non-banking sector, which constitute the major source of funding for Slovene banks. Careful monitoring of the liquidity position therefore remains very important for banks with lower liquidity surpluses, which would find it more difficult to cope with a potential stressful event.

7. Capital markets and mutual funds

With the prices of oil and other energy products continuing to go up in the third quarter of 2021, inflation was the prime concern on global stock markets. The increase in COVID-19 infections additionally strengthened these concerns, which was only reflected in a decline in growth in share indices. Despite increased investor concerns about possible inflationary pressures (and possible stagflation) and growth in COVID-19 infections, in October and November most global share indices, with reports of good business results for the previous quarter being published, ended up higher than in the third quarter (Figure 7.1). Issues related to the Chinese real estate corporation Evergrande have remained limited to poorer yields of investments in the markets in developing countries. With the onset of a new strain of COVID-19 (Omicron), volatility on stock exchanges increased slightly at the end of

November (Figure 7.2). This, however, was not reflected in the decline in the monthly average return on share indices.

Figure 7.1: Recovery of selected share indices

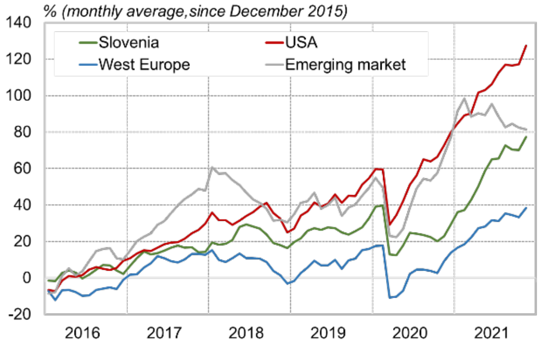
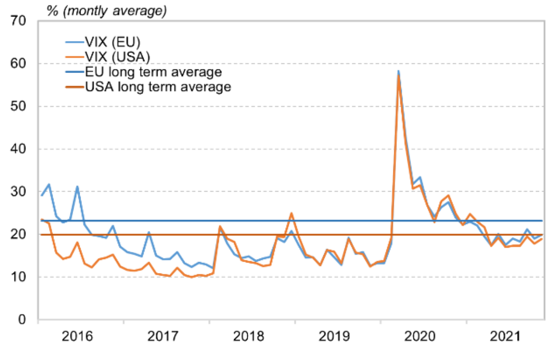


Figure 7.2: Volatility index movement



Note: In the figure on the right the S&P 500 index was selected for the USA, the Euro Stoxx 600 index for Western Europe, and Emerging Markets Net Total Return Index for developing economies. Data in both figures are inclusive of November 2021.

Source: Bloomberg, Banka Slovenije.

Growth in assets and an increased net flow to mutual funds[22] continued both in the third quarter and in October. Due to increased uncertainties on global stock exchanges the net payments in mutual funds decreased slightly in both Slovenia and the euro area (Figure 7.3). Due to revaluations, at the end of October the value of assets in domestic mutual funds increased by 42.5% in year-on-year terms, exceeding the limit of EUR 4 billion. In the first ten months of 2021, the average net monthly flow to domestic mutual funds increased more than threefold in year-on-year terms to account for EUR 27.5 million, while compared to 2019 it increased more than sixfold. Net payments from households (as well as from other sectors) decreased slightly in the third quarter compared to the first half of 2021, with the majority of investments being focused on equity funds. In October the net flow to domestic mutual funds increased to a level last seen in the first half of 2021 (Figure 7.4). The majority of payments were, as in the previous months, made by households and insurance companies (unit-linked life insurances).

Figure 7.3: Changes in assets and net flow in assets, comparison between Slovenia and the euro area

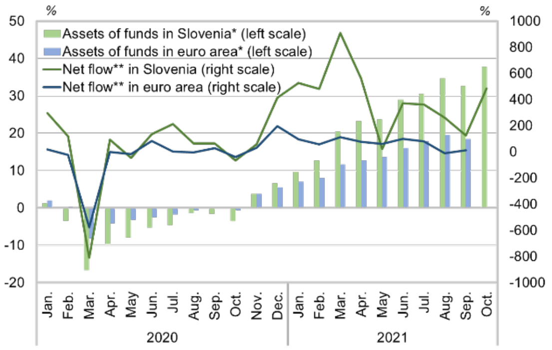
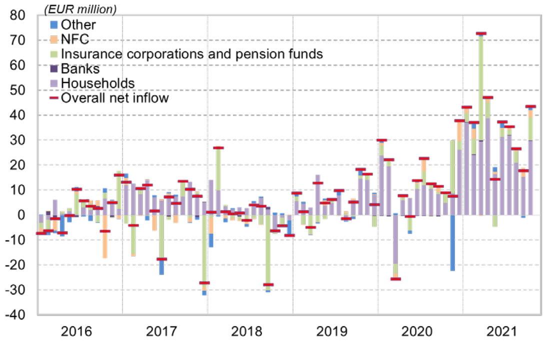


Figure 7.4: Net investments in domestic mutual funds



Note: In the left-hand figure the last two available pieces of data for Slovenia refer to October, and for the euro area to September. For the sake of comparability, assets and investments in monetary funds were not taken into account. *Without taking account of the changed situation compared to December 2019. **Without taking account of the change in respect of the monthly average achieved in 2019. In Slovenia, the net flow was negative in March and May 2020, while in the euro area it was negative in March 2020.

Source: ECB SDW, ATVP, Banka Slovenije.

[22] This part analyses the data for domestic mutual funds. According to the Security Market Agency, the number of managers of alternative investment funds increased by 30% in 2020 to 30 managers, while the funds increased by 34.7% to account for EUR 229 million.

8. Leasing company performance

The improved performance of leasing companies[23] continued in the third quarter of 2021 as well. In the third quarter, the value of new operations was up 13.1%, while in the first nine months it was up 26.1% to account for EUR 858 million (Figure 8.1). The year-on-year growth was influenced by a base effect from the previous year, when the value of new operations declined by 18.6% in the first nine months. Operations involving corporate entities recorded the most significant growth in year-on-year terms. With a 36.7% increase in a year-on-year terms to EUR 400 million, these operations again came close to operations involving households, which recorded a 18.3% increase to EUR 456 million.

Figure 8.1: New leasing transactions

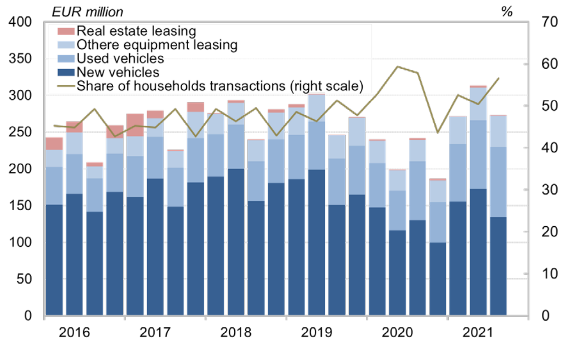
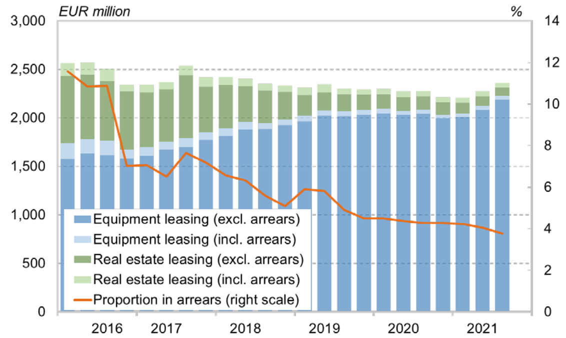


Figure 8.2: Stock of leasing transactions and proportion of claims more than 90 days in arrears



Source: Banka Slovenije.

Increased demand for vehicles was reflected in continued growth of stock of business. The latter increased by 3.7% in year-on-year terms to EUR 2.4 billion in Q3 2021. With a simultaneous reduction in the value of the claims in arrears, the proportion of claims more than 90 days in arrears reduced by 0.5 percentage points to 3.8% (Figure 8.2). Difficulties in repaying corporate liabilities at the end of last year and the first quarter of this year remained limited and stable.

The profitability of leasing companies declined slightly over the first nine months of 2021. The profit of leasing companies decreased by 8.5% in year-on-year terms to EUR 36 million. With the increase in the volume of work, the costs of services and labour increased sharply in year-on-year terms, while revenues from shareholdings in subsidiaries decreased. The costs and services remain at the pre-pandemic level, which indicates that this effect should, at least partially, fade out in the coming quarters, provided no serious aggravation of the situation is experienced on account of COVID-19. An increased volume of operations and enhanced resilience[24] are reflected in the growth in the balance sheet total and capital of leasing companies.

Banks[25] additionally strengthened their direct presence in the financial leasing market in the first nine months of 2021. The value of new financial lease operations decreased by 7.7% to EUR 204 million compared to the same period in 2020, which was due to an extraordinary increase in new operations in the second quarter of 2020 (Figure 8.3). The balance of transactions was up 3.9% in year-on-year terms, at EUR 506 million (Figure 8.4).

[23] Includes companies that report to Banka Slovenije under the Regulation on reporting by institutions pursuing leasing activities.
[24] In line with the macroprudential recommendation of Banka Slovenije, most leasing companies used the profit generated in 2019 and 2021 to increase their capital.
[25] Takes account of banks that report financial lease operations to Banka Slovenije under the Regulation on reporting by monetary financial institutions.

Figure 8.3: New banking transactions – financial lease

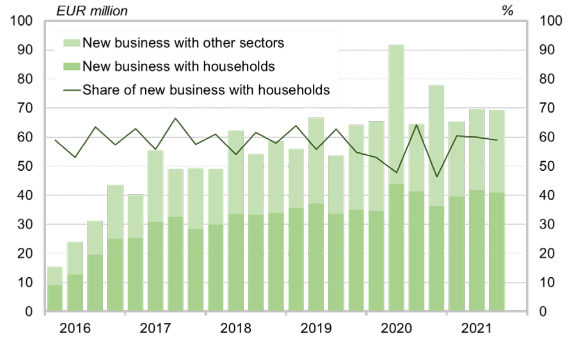
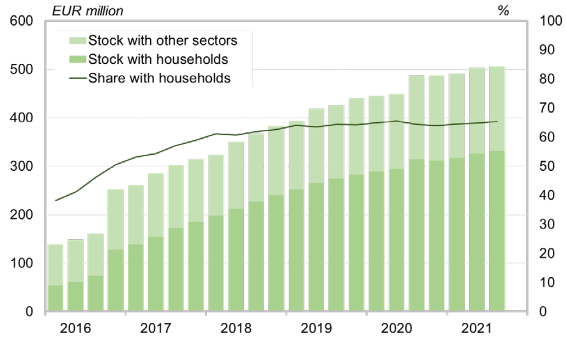


Figure 8.4: Stock of banking transactions – financial lease



Source: Banka Slovenije.

9. Risk and resilience dashboard

In the fourth quarter of 2021 the risks for the financial system remained at the level from the previous quarter (Table 9.1). Banks' resilience to systemic risks in respect of solvency and profitability is assessed as medium, while in respect of liquidity it is assessed as high.

In the third quarter of 2021 the growth in domestic economic activity slowed down slightly, with the macroeconomic risk remaining elevated but continuing to decrease. The risk inherent in the real estate market remains elevated as well, primarily on account of continued high growth in residential real estate prices. Credit risk in the banking system is increased as well, as despite the currently favourable trends on average, the volume and share of NPE may increase in the future, which is also what banks expect. The net income in the banking system declined considerably this year, in particular on account of the base effect, i.e. a one-off high non-interest income resulting from the merger of two banks which took place in September last year. In the absence of this income this year's profit of the banks would be comparable to that of the last year over the same period. In the third quarter of 2021 the capital position of the banking system did not change considerably. However, the differences in capital positions or resilience to potential adverse conditions and stressful events among the Slovene banks are considerable. By October banks generated a relatively high pre-tax profit. However, this was mostly a result of the net release of impairments and provisions. The sustainability of such profitability remains questionable.

Table 9.1: Banka Slovenije's risk and resilience dashboard for the Slovenian financial system

Risk and resilience dashboard	Q4 2019	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Trend of change
Systemic risk							
Macroeconomic risk	moderate	high	high	elevated	elevated	elevated	⇩
Risk inherent in real estate market	elevated	moderate	moderate	moderate	elevated	elevated	⇨
Funding risk in the banking system	moderate	moderate	moderate	moderate	moderate	moderate	⇨
Interest rate risk in the banking system	moderate	moderate	moderate	moderate	moderate	moderate	⇧
Credit risk in the banking system	low	elevated	high	high	elevated	elevated	⇨
Income risk in the banking system	elevated	elevated	elevated	elevated	elevated	elevated	⇧
Risk inherent in leasing companies	low	elevated	elevated	elevated	moderate	moderate	⇨
Resilience to systemic risks							
Solvency and profitability of the banking system	high	high	medium	medium	medium	medium	⇨
Liquidity of the banking system	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 forecast 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 an 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.

The first quarter of 2021 saw a change to the treatment of income risk, which now focuses on the risk to the generation of (net) income, while profitability is addressed together with solvency in the section "The banking system's resilience to systemic risks". The changes were introduced to eliminate duplication in the treatment of risks under income risk and credit risk. Impairments and provisions or their contribution to the consumption of generated (gross) income are now addressed within credit risk alone, and not within income risk, while in terms of resilience it is addressed in respect of profitability.

Source: Banka Slovenije

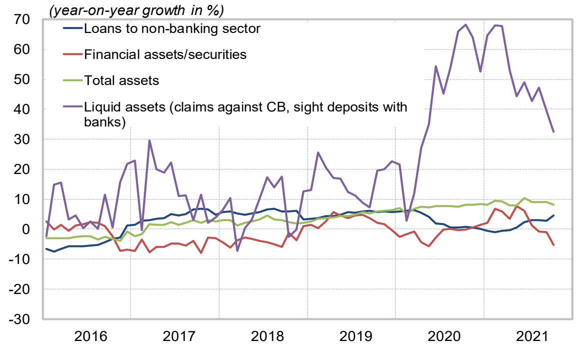
∗ The bank performance data in this publication is based on the banks' own book figures, which differ in methodological terms from the published statistics. The data on loans also differs because the data in this publication includes loans to non-residents, applies the net principle (amounts are minus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

ANNEXES

APPENDICES

1. KEY TRENDS IN THE BANKING SECTOR

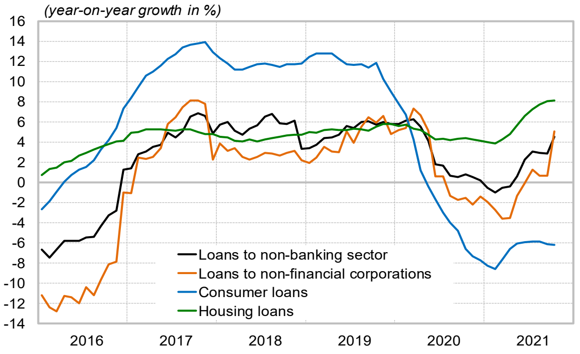
Figure1.1: Growth in bank investments



Note: The category 'Financial assets/securities' also includes debt securities from the category of loans and receivables.

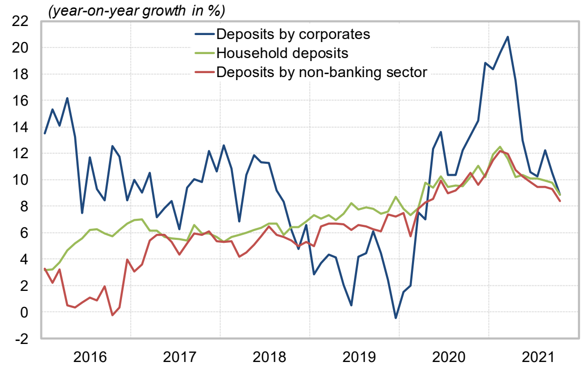
Source: Bank of Slovenia.

Figure1.2: Loans by sector and loan type



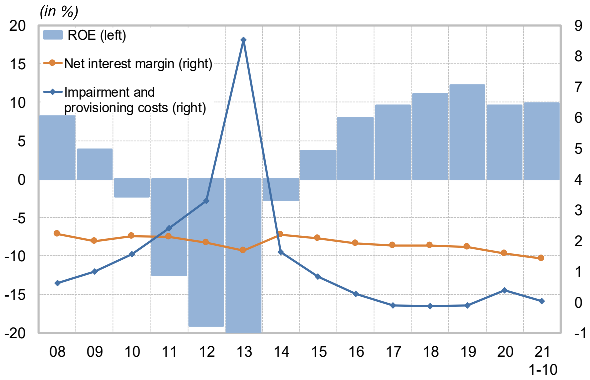
Source: Bank of Slovenia.

Figure 1.3: Deposits by sector



Source: Bank of Slovenia.

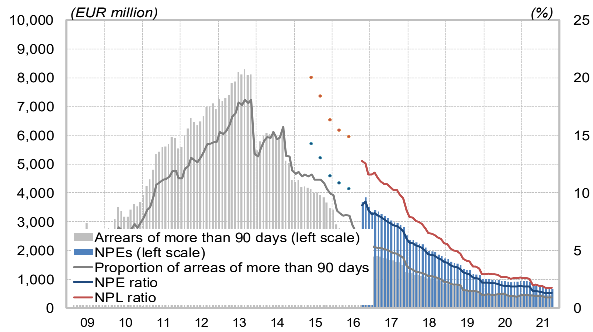
Figure 1.4: ROE, net interest margin, and ratio of impairment and provisioning costs to total assets



Note: The ratios of net interest margin to interest-bearing assets and net impairment and provisioning costs to total assets 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.

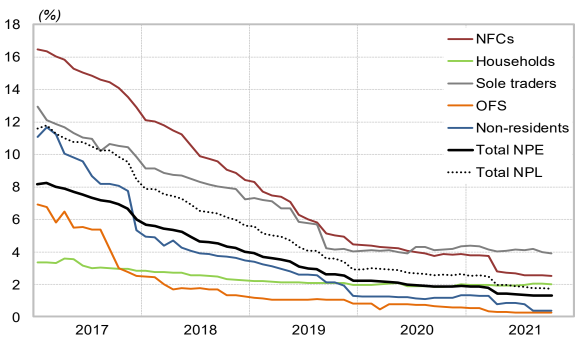
Source: Bank of Slovenia.

Figure 1.5: NPEs, NPLs and claims more than 90 days in arrears, stocks and ratios



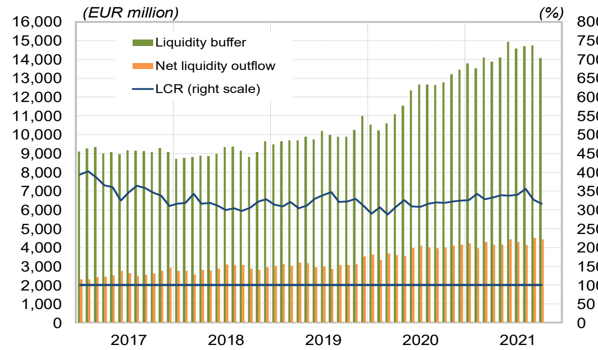
Source: Bank of Slovenia.

Figure1.6: NPE ratio by client segment



Source: Bank of Slovenia.

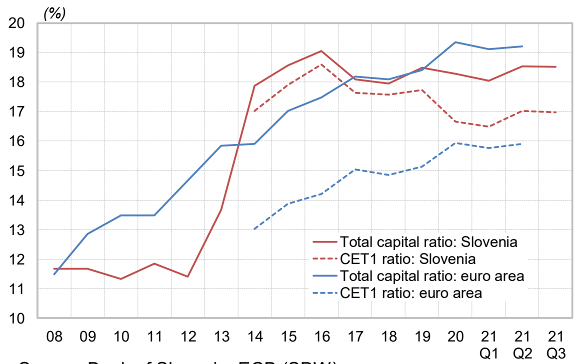
Figure1.7: Liquidity coverage ratio (LCR)



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

Source: Bank of Slovenia.

Figure 1.8: Capital ratios compared with the euro area, consolidated basis



Source: Bank of Slovenia, ECB (SDW).

2. MAIN FEATURES OF BANKS' PERFORMANCE AND FINANCIAL STATEMENTS[1]

Table 2.1: Banking system's assets and liabilities, as at 31 October 2021

	Stock	Breakdown	Stock	Breakdown	Stock	Breakdown	Increase in mio EUR		Growth in October 21, %	
EUR million unless stated, growth rates in %	31.12.2008	(%)	31.12.2020	(%)	31.10.2021	(%)	in October 21	in 2021	monthly	year-on-year
Assets	**47,948**	**100.0**	**44,651**	**100.0**	**47,421**	**100.0**	**-48.7**	**2,769.7**	**-0.1**	**8.1**
Cash in hand, balances at central bank and sight deposits at banks	**1,250**	**2.6**	**8,825**	**19.8**	**10,712**	**22.6**	**-235.0**	**1,887.4**	**-2.1**	**32.5**
Loans to banks at amortised cost (including central bank)	**4,101**	**8.6**	**1,492**	**3.3**	**1,607**	**3.4**	**9.0**	**114.7**	**0.6**	**-4.0**
domestic banks	2,673	5.6	647	1.4	537	1.1	-27.7	-110.2	-4.9	-14.7
foreign banks	1,428	3.0	845	1.9	1,070	2.3	36.7	224.9	3.5	2.5
short-term loans to banks	2,056	4.3	271	0.6	485	1.0	55.1	214.1	12.8	8.9
long-term loans to banks	2,046	4.3	1,222	2.7	1,122	2.4	-46.1	-99.4	-3.9	-8.6
Loans to non-banking sector*	**33,718**	**70.3**	**23,561**	**52.8**	**24,758**	**52.2**	**535.7**	**1,196.9**	**2.2**	**4.5**
of which non-financial corporations	20,260	42.3	8,750	19.6	9,398	19.8	425.6	647.5	4.7	5.1
households	7,558	15.8	10,712	24.0	11,165	23.5	86.0	452.8	0.8	3.8
of which residential			6,760	15.1	7,260	15.3	61.1	499.7	0.8	8.1
consumer			2,591	5.8	2,492	5.3	-4.9	-98.6	-0.2	-6.2
government	506	1.1	1,546	3.5	1,404	3.0	1.2	-142.0	0.1	-8.3
other financial institutions	2,829	5.9	1,202	2.7	1,294	2.7	3.3	91.6	0.3	4.7
non-residents	2,515	5.2	1,323	3.0	1,471	3.1	19.2	148.3	1.3	22.3
Other financial assets classed as loans and receivables (at amortised cost)	**0**	**0.0**	**113**	**0.3**	**182**	**0.4**	**41.8**	**69.5**	**29.8**	**35.7**
Securities / financial assets**	**7,323**	**15.3**	**8,958**	**20.1**	**8,504**	**17.9**	**-402.8**	**-454.4**	**-4.5**	**-5.3**
a) Financial assets held for trading	**1,177**	**2.5**	**61**	**0.1**	**54**	**0.1**	**-1.3**	**-6.6**	**-2.4**	**-12.3**
of which debt securities held for trading	571	1.2	3	0.0	5	0.0	2.2	1.8	68.3	143.6
... government debt securities held for trading	56	0.1	3	0.0	5	0.0	2.2	1.8	68.3	143.6
b) Financial assets measured at fair value through P&L not held for trading	**0**	**0.0**	**92**	**0.2**	**89**	**0.2**	**-5.3**	**-3.1**	**-5.6**	**20.3**
of which debt securities measured at fair value through P&L not held for trading	0	0.0	3	0.0	3	0.0	-5.1	0.2	-64.7	0.0
c) Financial assets designated for measurement at fair value through P&L	**179**	**0.4**	**6**	**0.0**	**0**	**0.0**	**0.0**	**-6.1**	**0.0**	**-100.0**
of which debt securities designated for measurement at fair value through P&L	163	0.3	6	0.0	0	0.0	0.0	-6.1	0.0	-100.0
... government debt securities designated for measurement at fair value through P&L	0	0.0	0	0.0	0	0.0	0.0	0.0	0.0	0.0
d) Financial assets measured at fair value through other comprehensive income	**4,552**	**9.5**	**5,818**	**13.0**	**4,982**	**10.5**	**-299.8**	**-835.5**	**-5.7**	**-15.2**
of which debt securities measured at fair value through other comprehensive income	4,318	9.0	5,625	12.6	4,786	10.1	-298.9	-838.9	-5.9	-15.7
... government debt securities measured at fair value through other comprehensive income	2,875	6.0	3,854	8.6	3,157	6.7	-271.9	-696.3	-7.9	-18.7
e) Debt securities at amortised cost	**1,415**	**3.0**	**2,981**	**6.7**	**3,378**	**7.1**	**-96.4**	**397.0**	**-2.8**	**14.0**
of which government debt securities at amortised cost	1,182	2.5	2,314	5.2	2,373	5.0	-161.2	58.2	-6.4	2.9
Investments in subsidiaries, joint ventures and associates	**627**	**1.3**	**903**	**2.0**	**937**	**2.0**	**9.1**	**33.9**	**1.0**	**81.3**
Other assets	**928**	**1.9**	**799**	**1.8**	**721**	**1.5**	**-6.5**	**-78.3**	**-0.9**	**-10.6**
Equity and liabilities	**47,948**	**100.0**	**44,651**	**100.0**	**47,421**	**100.0**	**-48.7**	**2,769.7**	**-0.1**	**8.1**
Financial liabilities measured at amortised cost (deposits)***	**41,895**	**87.4**	**39,404**	**88.2**	**42,023**	**88.6**	**-21.3**	**2,619.0**	**-0.1**	**8.7**
a) Financial liabilities to central bank (Eurosystem)	**1,229**	**2.6**	**1,380**	**3.1**	**2,328**	**4.9**	**-1.4**	**948.3**	**-0.1**	**68.4**
b) Liabilities to banks	**18,168**	**37.9**	**2,378**	**5.3**	**1,920**	**4.0**	**-72.8**	**-458.0**	**-3.7**	**-24.8**
of which to domestic banks	2,065	4.3	799	1.8	740	1.6	-21.8	-59.2	-2.9	-6.9
of which to foreign banks	16,098	33.6	1,579	3.5	1,180	2.5	-51.1	-398.9	-4.1	-33.0
c) Liabilities to non-banking sector (deposits by NBS)	**20,883**	**43.6**	**34,281**	**76.8**	**36,090**	**76.1**	**-57.2**	**1,809.0**	**-0.2**	**8.4**
of which to non-financial corporations	3,728	7.8	8,031	18.0	8,357	17.6	-99.4	326.5	-1.2	8.9
households	13,407	28.0	22,437	50.2	23,702	50.0	-65.5	1,265.5	-0.3	8.9
government	1,879	3.9	948	2.1	783	1.7	3.2	-165.0	0.4	-18.1
other financial institutions	1,065	2.2	1,172	2.6	1,393	2.9	63.2	220.6	4.7	13.2
non-residents	475	1.0	1,217	2.7	1,351	2.8	49.7	134.6	3.8	12.1
d) Debt securities	**1,276**	**2.7**	**1,058**	**2.4**	**1,235**	**2.6**	**46.6**	**176.9**	**3.9**	**16.2**
e) Other financial liabilities measured at amortised cost****	**1,568**	**3.3**	**307**	**0.7**	**450**	**0.9**	**63.7**	**142.9**	**16.5**	**21.2**
Provisions	**176**	**0.4**	**186**	**0.4**	**159**	**0.3**	**-1.4**	**-26.7**	**-0.9**	**-10.3**
Shareholder equity	**4,010**	**8.4**	**4,805**	**10.8**	**5,043**	**10.6**	**-17.0**	**238.7**	**-0.3**	**5.6**
Other liabilities	**1,867**	**3.9**	**257**	**0.6**	**195**	**0.4**	**-9.1**	**-61.3**	**-4.4**	**-27.4**
BALANCE SHEET TOTAL	**47,948**	**100.0**	**44,651**	**100.0**	**47,421**	**100.0**	**-48.7**	**2,769.7**	**-0.1**	**8.1**

Notes: * Loans to non-banking sector not held for trading comprise "Loans and other financial assets at amortised cost" (from A.VI of the "Methodology for compiling the recapitulation of the statement of financial position", the category of "Loans (and other financial assets) designated for measurement at fair value through profit and loss" (from A.III), the category of "Loans (and other financial assets) designated for measurement at fair value through other comprehensive income" (from A.IV) and the category of "Loans (and other financial assets) measured at fair value through other comprehensive income".

** 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 measured at amortized cost in 2008 also include banks' 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.

Source: Bank of Slovenia.

[1] 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 value adjustments), and does not include non-marketable securities.

Table 2.2: Income statement for 2019, 2020 and 2021

(EUR million unless stated)	2019	Breakdown (%)	2020	Breakdown (%)	2020 Jan.-Oct	Breakdown (%)	2021 Jan.-Oct	Breakdown (%)	Annual growth, % Jan.- Oct. 21/ Jan.- Oct. 20
Interest income	790.0		754.0		631.7		622.0		-1.5
Interest expenses	107.3		114.9		95.2		103.0		8.2
Net interest	**682.7**	**54.4**	**639.1**	**47.0**	**536.5**	**46.5**	**518.9**	**54.7**	**-3.3**
Non-interest income	**573.4**	**45.6**	**721.0**	**53.0**	**617.7**	**53.5**	**429.2**	**45.3**	**-30.5**
of which net fees and commission	333.8	26.6	329.7	24.2	273.0	23.7	313.3	33.0	14.8
of which net gains/losses on financial assets and liabilities held for trading	12.1	1.0	16.0	1.2	12.2	1.1	16.8	1.8	38.6
Gross income	**1,256.1**	**100.0**	**1,360.1**	**100.0**	**1,154.2**	**100.0**	**948.1**	**100.0**	**-17.9**
Operating costs	**-709.3**	**-56.5**	**-718.4**	**-52.8**	**-591.4**	**-51.2**	**-587.9**	**-62.0**	**-0.6**
Net income	**546.8**	**43.5**	**641.6**	**47.2**	**562.9**	**48.8**	**360.2**	**38.0**	**-36.0**
Net impairments and provisions	**45.7**	**3.6**	**-169.6**	**-12.5**	**-108.6**	**-9.4**	**42.1**	**4.4**	**-138.7**
Pre-tax profit	**592.5**	**47.2**	**472.0**	**34.7**	**454.3**	**39.4**	**402.3**	**42.4**	**-11.4**
Taxes	-62.0		-21.7		-25.5		-41.3		61.8
Net profit	530.5		450.3		428.8		361.0		-15.8

Source: Bank of Slovenia.

Table 2.3: Selected performance indicators

in %	2014	2015	2016	2017	2018	2019	2020	2020 Jan.-Oct.	2021 Jan.-Oct.	Oct-20 (last 12 mon.)	Oct-21 (last 12 mon.)
Profitability											
Financial intermediation margin*	3.10	3.05	3.05	2.88	3.01	3.13	3.16	3.25	2.45	3.18	2.50
ROA	-0.27	0.42	0.99	1.19	1.39	1.48	1.10	1.28	1.04	1.17	0.91
ROE	-2.69	3.63	7.96	9.58	11.07	12.16	9.57	11.10	9.85	10.02	8.54
Interest margin on interest-bearing assets	2.18	2.06	1.91	1.83	1.84	1.79	1.57	1.60	1.42	1.63	1.42
Net non-interest income / operating costs	58.05	60.05	68.53	62.67	71.93	80.84	100.35	104.45	73.00	95.01	74.47
Operating costs											
Labour costs / average assets	0.92	0.97	1.01	1.02	1.02	1.00	0.90	0.90	0.83	0.93	0.85
Other costs / average assets	0.81	0.84	0.80	0.78	0.73	0.77	0.77	0.76	0.69	0.80	0.70
Asset quality											
Impairments of financial assets at amortised cost / gross assets	8.98	7.84	5.38	4.09	2.64	1.53	1.59	1.44	1.23	/	/

** Gross income / average assets*

Source: Bank of Slovenia.

3. BANKS' INTEREST RATES

Table 3.1: Comparison of interest rates on new variable-rate loans in Slovenia with those across the euro area, in percentages

	ECB interest rate	Loans: Households, Housing EMU	Housing SLO	Consumer EMU	Consumer SLO	Corporates, up to EUR 1m EMU	up to EUR 1m SLO	over EUR 1m EMU	over EUR 1m SLO	Household deposits: up to 1 year EMU	up to 1 year SLO	over 1 year EMU	over 1 year SLO
Dec-12	0.75	2.9	2.9	5.2	4.9	3.8	5.8	2.3	4.9	2.7	2.2	2.4	4.0
Dec-13	0.25	2.8	3.3	5.5	5.1	3.8	5.5	2.3	4.5	1.6	1.5	1.8	2.8
Dec-14	0.05	2.4	2.9	5.1	4.8	3.1	4.5	1.8	3.4	1.0	0.7	1.2	1.4
Dec-15	0.05	2.0	2.2	4.8	4.2	2.6	2.9	1.6	2.2	0.7	0.3	0.8	0.7
Dec-16	0.00	1.8	2.0	4.7	4.2	2.3	2.5	1.4	2.6	0.4	0.2	0.5	0.5
Dec-17	0.00	1.7	2.0	4.5	4.4	2.1	2.4	1.3	2.0	0.3	0.1	0.5	0.5
Dec-18	0.00	1.6	1.9	4.9	4.6	2.0	2.2	1.3	1.8	0.3	0.2	0.5	0.6
Dec-19	0.00	1.5	1.8	5.4	4.6	1.9	2.2	1.2	1.5	0.2	0.2	0.5	0.3
Jan-20	0.00	1.5	1.8	5.6	4.7	2.0	2.3	1.1	1.3	0.3	0.1	0.5	0.3
Feb-20	0.00	1.4	1.8	5.5	4.6	1.9	2.4	1.1	1.4	0.3	0.0	0.5	0.3
Mar-20	0.00	1.4	1.8	5.5	4.5	1.8	2.3	1.1	1.4	0.3	0.2	0.4	0.3
Apr-20	0.00	1.3	2.0	3.6	4.4	1.4	2.7	1.2	2.0	0.2	0.2	0.5	0.2
May-20	0.00	1.5	2.0	4.1	4.4	1.4	2.4	1.2	1.9	0.2	0.2	0.5	0.3
Jun-20	0.00	1.4	1.9	4.4	4.6	1.6	2.3	1.2	1.5	0.2	0.2	0.5	0.3
Jul-20	0.00	1.4	1.8	4.7	4.6	1.7	2.3	1.2	1.9	0.2	0.2	0.5	0.3
Aug-20	0.00	1.4	1.7	5.3	4.7	1.7	2.2	1.3	2.4	0.2	0.2	0.5	0.3
Sep-20	0.00	1.4	1.7	5.1	4.7	1.8	2.2	1.2	2.0	0.2	0.1	0.5	0.3
Oct-20	0.00	1.4	1.7	5.1	4.6	1.8	2.3	1.3	1.6	0.2	0.1	0.5	0.3
Nov-20	0.00	1.4	1.7	5.0	4.6	1.8	2.4	1.2	1.8	0.2	0.2	0.5	0.3
Dec-20	0.00	1.3	1.8	4.9	4.5	1.8	2.3	1.3	1.8	0.2	0.1	0.5	0.3
Jan-21	0.00	1.4	1.7	4.8	4.7	1.9	2.3	1.2	1.3	0.2	0.1	0.5	0.2
Feb-21	0.00	1.3	1.7	5.0	4.7	1.8	2.2	1.2	1.7	0.2	0.1	0.5	0.2
Mar-21	0.00	1.3	1.6	4.9	4.6	1.8	2.2	1.0	1.6	0.2	0.1	0.5	0.2
Apr-21	0.00	1.3	1.6	5.2	4.5	1.8	2.4	1.3	1.8	0.2	0.1	0.5	0.3
May-21	0.00	1.3	1.6	5.2	4.5	1.8	2.2	1.2	2.1	0.2	0.1	0.5	0.2
Jun-21	0.00	1.3	1.5	5.2	4.6	1.8	2.0	1.2	1.4	0.1	0.1	0.5	0.2
Jul-21	0.00	1.3	1.6	5.3	4.8	1.8	2.0	1.3	1.4	0.2	0.1	0.5	0.2
Aug-21	0.00	1.3	1.6	5.7	4.7	1.7	2.1	1.2	1.2	0.1	0.1	0.5	0.1
Sep-21	0.00	1.3	1.6	5.4	4.6	1.7	2.0	1.3	1.7	0.2	0.1	0.5	0.1
Oct-21	0.00	1.3		5.5		1.8		1.2		0.2		0.5	

Note: Household deposits are broken down by maturity, irrespective of the type of remuneration (fixed and variable interest rates are combined).
Source: Bank of Slovenia, ECB.

Table 3.2: Comparison of interest rates on new fixed-rate loans in Slovenia with those across the euro area, in percentages

	Loans: Households, Housing EMU	Housing SLO	Consumer EMU	Consumer SLO	Corporates, up to EUR 1m EMU	up to EUR 1m SLO	over EUR 1m EMU	over EUR 1m SLO
Dec-12	3.3	5.5	6.8	7.2	3.7	6.9	3.0	5.3
Dec-13	3.2	6.4	6.8	7.2	3.6	5.5	2.9	4.6
Dec-14	2.6	4.4	6.2	6.8	2.9	5.4	2.1	2.9
Dec-15	2.4	3.2	5.9	5.5	2.5	3.8	1.9	3.0
Dec-16	1.8	2.6	5.5	6.0	2.0	3.2	1.6	2.2
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
Jan-20	1.4	2.7	5.7	6.2	1.8	3.1	1.3	1.0
Feb-20	1.4	2.6	5.6	6.1	1.8	3.8	1.3	1.4
Mar-20	1.4	2.6	5.5	6.1	1.7	3.0	1.2	1.3
Apr-20	1.4	2.8	5.5	6.1	1.6	2.9	1.3	2.9
May-20	1.4	2.6	5.3	6.1	1.6	2.8	1.3	1.8
Jun-20	1.4	2.5	5.1	6.1	1.7	2.8	1.4	1.2
Jul-20	1.4	2.4	5.3	6.1	1.7	3.5	1.4	2.3
Aug-20	1.4	2.3	5.4	6.1	1.7	2.9	1.2	1.9
Sep-20	1.4	2.3	5.3	6.0	1.7	3.2	1.3	1.2
Oct-20	1.4	2.2	5.3	6.1	1.7	3.4	1.4	1.4
Nov-20	1.4	2.2	5.3	6.0	1.7	3.0	1.3	1.5
Dec-20	1.3	2.2	5.1	6.0	1.7	3.3	1.3	1.7
Jan-21	1.4	2.1	5.3	6.1	1.7	3.1	1.3	1.7
Feb-21	1.3	2.1	5.3	6.1	1.7	3.4	1.2	1.8
Mar-21	1.3	2.0	5.1	6.0	1.7	2.6	1.2	1.1
Apr-21	1.3	1.9	5.2	5.9	1.7	2.6	1.4	1.6
May-21	1.3	1.9	5.3	6.0	1.7	2.6	1.3	1.2
Jun-21	1.3	1.8	5.2	6.0	1.8	2.7	1.2	1.0
Jul-21	1.3	1.8	5.2	6.0	1.7	2.6	1.2	1.1
Aug-21	1.3	1.8	5.3	6.0	1.7	2.8	1.1	0.9
Sep-21	1.3	1.8	5.2	6.0	1.7	2.4	1.3	1.6
Oct-21	1.3	1.7	5.2	6.0	1.7	2.8	1.2	1.3

Source: Bank of Slovenia, ECB.

4. QUALITY OF THE BANKING SYSTEM'S PORTFOLIO

Table 4.1:[1] Non-performing exposures by client segment

	Exposures		Non-performing exposures (NPEs)							
	amount, EUR million	breakdown, in %	amount, EUR million				ratio, %			
	Oct.21	Oct.21	Dec.19	Dec.20	Sep.21	Oct.21	Dec.19	Dec.20	Sep.21	Oct.21
NFCs	14,925	28.7	636	552	376	373	4.5	3.9	2.5	2.5
- large NFCs	7,592	14.6	261	224	86	86	3.5	3.1	1.1	1.1
- SME	7,224	13.9	374	328	290	287	5.5	4.6	4.1	4.0
OFIs	1,501	2.9	11	8	4	4	0.8	0.6	0.3	0.3
Households	12,503	24.1	247	255	265	264	2.1	2.1	2.1	2.1
sole traders	703	1.4	28	30	28	27	4.0	4.3	4.0	3.9
individuals	11,800	22.7	219	225	238	236	2.0	2.0	2.0	2.0
- consumer loans	2,554	4.9	71	84	95	95	2.5	3.2	3.7	3.7
- housing loans	7,132	13.7	123	115	117	116	1.9	1.7	1.7	1.6
- other	2,114	4.1	24	25	25	24	1.2	1.3	1.2	1.2
Non-residents	8,582	16.5	99	106	31	34	1.3	1.3	0.4	0.4
Government	4,388	8.4	12	8	0	0	0.2	0.2	0.0	0.0
Banks and savings banks	865	1.7	0	0	0	0	0.0	0.0	0.0	0.0
Central bank	9,221	17.7	0	0	0	0	0.0	0.0	0.0	0.0
Total	**51,986**	**100.0**	**1,006**	**929**	**677**	**674**	**2.2**	**1.9**	**1.3**	**1.3**

Table 4.2: Non-performing exposures to non-financial corporations by sector

	Exposures		Non-performing exposures (NPEs)				NPE ratio			
	EUR million	breakdown, in %	EUR million				(%)			
	Oct.21	Oct.21	Dec.19	Dec.20	Sep.21	Oct.21	Dec.1	Dec.20	Sep.21	Oct.21
Agriculture, forestry, fishing, mining	133	0.9	3	3	2	2	2.2	3.0	2.0	1.7
Manufacturing	4,061	27.2	114	93	70	74	2.8	2.3	1.7	1.8
Electricity, gas, water, remediation	1,471	9.9	8	9	9	9	0.6	0.6	0.7	0.6
Construction	1,439	9.6	84	60	47	47	7.3	4.8	3.3	3.3
Wholesale and retail trade	2,623	17.6	229	209	77	76	9.0	8.1	2.9	2.9
Transportation and storage	1,576	10.6	20	25	25	19	1.2	1.5	1.6	1.2
Accommodation and food service	586	3.9	41	62	74	74	8.0	10.0	12.6	12.6
Information and communication	669	4.5	6	5	5	5	0.9	0.9	0.7	0.7
Financial and insurance activities	75	0.5	0	0	0	0	0.7	0.0	0.2	0.2
Real estate activities	596	4.0	46	24	14	14	7.9	4.1	2.4	2.4
Professional, scientific and technical	1,450	9.7	65	50	42	42	4.9	3.7	2.9	2.9
Education, health, public admin.	139	0.9	13	5	4	4	8.9	3.8	3.1	3.1
Arts, recreation and entertainment	108	0.7	7	7	6	6	6.4	6.5	5.3	5.3
Total	**14,925**	**100.0**	**636**	**552**	**376**	**373**	**4.5**	**3.9**	**2.5**	**2.5**

Table 4.3:[1] Exposures by credit risk stages by client segment

	Share in %									Exposure to stage 2		
	S1			S2			S3			amount, EUR million		
	Dec 19	Dec 20	Oct 21	Dec 19	Dec 20	Oct 21	Dec 19	Dec 20	Oct 21	Dec 19	Dec 20	Oct 21
NFCs	89.5	84.7	87.2	6.9	12.3	10.3	3.6	3.0	2.5	976	1,743	1,537
- large NFCs	92.3	88.4	91.8	5.7	10.0	7.1	1.9	1.5	1.1	423	718	526
- SME	86.1	80.9	82.6	8.3	14.6	13.6	5.5	4.6	3.8	553	1,026	1,011
OFIs	98.8	99.2	99.3	0.4	0.3	0.4	0.8	0.6	0.3	5	4	7
Households	91.8	89.4	89.8	6.1	8.5	8.1	2.1	2.1	2.1	720	1,010	1,018
sole traders	86.3	84.3	83.7	9.7	11.3	12.4	4.0	4.3	3.9	67	78	87
individuals	92.1	89.7	90.1	5.9	8.3	7.9	2.0	2.0	2.0	653	932	931
- consumer loans	92.9	89.6	88.0	4.6	7.2	8.3	2.5	3.2	3.7	129	189	211
- housing loans	90.9	88.3	89.8	7.2	10.0	8.6	1.9	1.7	1.6	455	660	610
- other	95.1	94.6	93.6	3.6	4.1	5.2	1.3	1.3	1.2	69	83	109
Non-residents	96.4	94.5	96.9	2.7	4.6	2.7	0.9	1.0	0.4	207	366	230
Government	99.3	99.2	99.8	0.4	0.6	0.2	0.2	0.2	0.0	21	33	8
Total	**93.9**	**91.9**	**93.3**	**4.3**	**6.5**	**5.4**	**1.9**	**1.6**	**1.3**	**1,931**	**3,166**	**2,803**

[1] The data on non-performing exposures is calculated on the basis of the banks' modified reporting under the Guidelines for implementing the Regulation on reporting by monetary financial institutions in accordance with the CRD IV and the EBA definition published in Commission Implementing Regulation (EU) 2015/227 (OJ L 48 of 20 April 2015).

Source: Bank of Slovenia.

Table 4.4: Exposures by credit risk stages by sector

	Share in %									Exposure to stage 2		
	S1			S2			S3			amount, EUR million		
	Dec 19	Dec 20	Oct 21	Dec 19	Dec 20	Oct 21	Dec 19	Dec 20	Oct 21	Dec 19	Dec 20	Oct 21
Agriculture, forestry, fishing, mining	90.6	83.4	84.3	7.2	13.5	14.1	2.2	3.0	1.7	8	15	19
Manufacturing	87.9	80.6	87.3	9.3	17.1	10.8	2.8	2.3	1.8	374	680	440
Electricity, gas, w ater, remediation	94.1	96.1	96.9	5.2	3.3	2.5	0.6	0.6	0.6	68	45	37
Construction	86.2	84.5	89.5	6.7	10.8	7.3	7.2	4.7	3.2	77	137	106
Wholesale and retail trade	91.2	88.0	88.9	4.4	8.2	8.2	4.5	3.8	2.9	106	201	215
Transportation and storage	92.7	93.8	92.6	6.1	4.7	6.2	1.2	1.5	1.2	106	77	97
Accommodation and food service	84.3	43.7	31.7	8.4	46.9	56.3	7.3	9.4	12.1	42	286	328
Information and communication	95.9	92.1	97.3	3.2	7.0	2.0	0.9	0.9	0.7	21	39	14
Financial and insurance activities	78.5	99.1	95.6	20.7	0.8	4.3	0.7	0.0	0.2	13	1	3
Real estate activities	82.8	86.3	88.9	9.3	9.6	8.7	8.0	4.1	2.4	54	56	51
Professional, scientific and technical	89.4	85.6	86.3	5.7	10.7	10.8	4.9	3.7	2.9	75	143	157
Education, health, public admin.	82.7	85.3	86.4	8.3	10.9	10.5	8.9	3.8	3.1	12	15	15
Arts, recreation and entertainment	76.7	47.6	42.4	16.9	45.8	52.4	6.4	6.5	5.3	19	49	56
Total	**89.5**	**84.7**	**87.2**	**6.9**	**12.3**	**10.3**	**3.6**	**3.0**	**2.5**	**976**	**1,743**	**1,537**

Source: Bank of Slovenia.

Table 4.5: Coverage of NPEs and credit risk stages with impairments and provisions

	Credit risk stages											
	S1			S2			S3			NPE		
	Dec.19	Dec.20	Oct.21	Dec.19	Dec.20	Oct.21	Dec.19	Dec.20	Oct.21	Dec.19	Dec.20	Oct.21
NFCs	0.6	0.7	0.6	6.7	5.6	4.8	49.0	52.5	54.9	47.2	46.5	55.1
OFIs	0.2	0.5	0.5	2.8	1.2	0.5	59.6	54.3	94.1	59.5	54.2	94.1
Households	0.3	0.3	0.3	3.7	4.7	4.3	52.4	51.2	53.1	53.1	51.1	53.1
sole traders	0.7	1.0	0.8	5.4	5.8	4.8	50.4	46.4	49.3	56.9	46.4	49.3
individuals	0.2	0.3	0.3	3.6	4.6	4.3	52.7	51.8	53.5	52.7	51.7	53.5
- consumer loans	0.4	0.6	0.5	7.0	8.4	7.3	65.9	60.9	63.0	65.9	61.0	63.0
- housing loans	0.2	0.2	0.2	2.6	3.7	3.4	43.2	43.4	43.2	43.2	43.5	43.2
- other	0.3	0.3	0.2	3.4	3.3	3.3	61.9	58.8	64.2	61.8	58.0	65.1
Non-residents	0.2	0.3	0.2	2.1	3.7	3.4	66.9	78.1	77.4	56.1	65.1	77.5
Government	0.1	0.1	0.1	3.9	3.6	10.4	63.6	93.9	63.4	63.7	93.9	64.2
Total	**0.30**	**0.35**	**0.29**	**5.1**	**5.1**	**4.5**	**51.8**	**55.0**	**55.5**	**49.7**	**50.3**	**55.7**

5. LOANS UNDER MORATORIA AND NEWLY APPROVED LOANS AS A RESULT OF THE COVID-19 EPIDEMIC

Table 5.1: Loans as at 31 October 2021 by sector

	Total loans	Of which: Loans under moratoria		Of which: Loans under legislative moratoria		Of which: Loans under bilaterally agreed moratoria	
	(EUR million)	(EUR million)	in % of total loans	(EUR million)	in % of total loans	(EUR million)	in % of total loans
	(1)	(2)	(3) = (2) / (1)	(4)	(5) = (4) / (1)	(6)	(7) = (6) / (1)
Central banks and credit institutions	11,913	0	0.0	0	0.0	0	0.0
Other financial organizations	1,761	9	0.5	0	0.0	9	0.5
Government	1,446	1	0.0	1	0.0	0	0.0
Non-financial corporations	10,758	1,722	16.0	1,395	13.0	328	3.0
large companies	4,721	634	13.4	579	12.3	55	1.2
micro, small and medium-sized companies	6,037	1,088	18.0	815	13.5	273	4.5
Households	11,483	536	4.7	501	4.4	35	0.3
sole traders	600	81	13.6	63	10.5	18	3.0
other households	10,883	454	4.2	438	4.0	17	0.2
Total	**37,362**	**2,268**	**6.1**	**1,896**	**5.1**	**372**	**1.0**

Note: Balance sheet exposures of banks, savings banks and branches are shown. They also include loans granted to foreigners. Loans under moratoria are loans in which banks have granted borrowers a deferral of payment of obligations under a credit agreement, regardless of whether the moratorium has already expired or not.

Source: Bank of Slovenia.

Table 5.2: Loans to non-financial corporations as at 31 October 2021 by activity

	Total loans	Of which: Loans under moratoria		Of which: Loans under legislative moratoria		Of which: Loans under bilaterally agreed moratoria		Of which: Newly approved loans as a result of the Covid-19 epidemic	
	(EUR million)	(EUR million)	in % of total loans	(EUR million)	in % of total loans	(EUR million)	in % of total loans	(EUR million)	in % of total loans
	(1)	(2)	(3) = (2) / (1)	(4)	(5) = (4) / (1)	(6)	(7) = (6) / (1)	(8)	(9) = (8) / (1)
Agriculture, forestry and fishing	52	2	3.8	2	3.0	0	0.8	1	1.9
Mining and quarrying	88	11	12.4	3	3.6	8	8.8	0	0.1
Manufacturing	3,074	624	20.3	566	18.4	58	1.9	116	3.8
Electricity, gas, remediation	840	1	0.1	1	0.1	0	0.0	0	0.0
Water supply	127	14	10.8	11	8.8	3	2.0	0	0.2
Construction	542	57	10.5	31	5.6	26	4.8	11	2.1
Wholesale and retail trade	1,766	155	8.8	130	7.3	26	1.4	35	2.0
Transport and storage	1,257	99	7.9	85	6.7	15	1.2	15	1.2
Accommodation and food service	566	326	57.7	254	44.9	72	12.8	35	6.2
Information and communication	485	33	6.7	26	5.3	7	1.4	5	1.1
Financial and insurance activities	119	0	0.3	0	0.1	0	0.2	0	0.0
Real estate activities	706	192	27.2	119	16.9	73	10.3	0	0.0
Professional, scientific and tech.	712	55	7.7	51	7.2	4	0.5	7	1.0
Administrative and support service	166	33	19.8	17	10.4	16	9.4	10	5.9
Public admini., defence, soc. sec.	1	1	64.9	1	64.9	0	0.0	0	0.0
Education	21	10	48.9	3	16.5	7	32.3	0	0.2
Health and social security	147	52	35.3	43	28.9	9	6.4	1	0.5
Arts, entertainment and recreation	72	52	71.3	49	67.0	3	4.3	1	0.8
Other services	18	6	33.6	4	22.9	2	10.7	0	2.7
Total	**10,758**	**1,722**	**16.0**	**1,395**	**13.0**	**328**	**3.0**	**237**	**2.2**

Note: Balance sheet exposures of banks, savings banks and branches are shown. They also include loans granted to foreigners. Loans under moratoria are loans in which banks have granted borrowers a deferral of payment of obligations under a credit agreement, regardless of whether the moratorium has already expired or not.

Source: Bank of Slovenia.

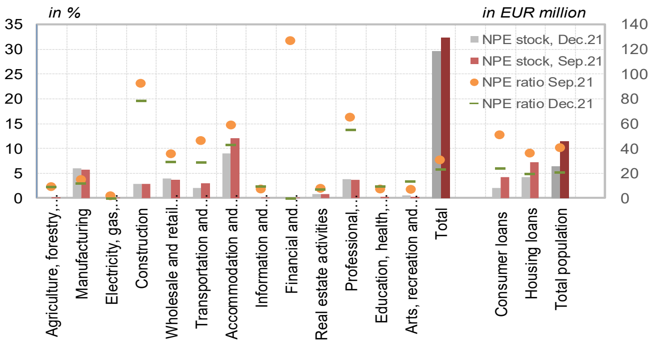
Table 5.3: Loans by moratoria according to the maturity of the deferral as at 31 October 2021 by activity

	Loans under legislative moratoria									Loans under bilaterally agreed moratoria								
		Of which: expired moratoria		Of which: active moratoria							Of which: expired moratoria		Of which: active moratoria					
	in mio EUR	in mio EUR	in % of 'loans under legislative moratoria	in mio EUR	in % of 'loans under legislative moratoria	Of which: Residual maturity of moratoria up to 3 months	Of which: Residual maturity of moratoria 3 - 6 months	Of which: Residual maturity of moratoria 6 - 9 months	Of which: Residual maturity of moratoria above 9 months	in mio EUR	in mio EUR	in % of 'loans under bilaterally agreed moratoria	in mio EUR	in % of 'loans under bilaterally agreed moratoria	Of which: Residual maturity of moratoria up to 3 months	Of which: Residual maturity of moratoria 3 - 6 months	Of which: Residual maturity of moratoria 6 - 9 months	Of which: Residual maturity of moratoria above 9 months
	(1)	(2)	(3) = (2) / (1)	(4)	(5) = (4)/(1)	(6)	(7)	(8)	(9)	(10)	(11)	(12)=(11)/(10)	(13)	(14)=(13)/(10)	(15)	(16)	(17)	(18)
Agriculture, forestry and fishing	2	2	100.0	0	0.0	0	0	0	0	0	0	100	0	0.0	0	0	0	0
Mining and quarrying	3	3	100.0	0	0.0	0	0	0	0	8	8	100	0	0.0	0	0	0	0
Manufacturing	566	505	89.2	61	10.8	54	7	0	0	58	44	76	14	23.7	0	13	1	0
Electricity, gas, remediation	1	1	100.0	0	0.0	0	0	0	0	0	0	0	0	0.0	0	0	0	0
Water supply	11	11	99.4	0	0.6	0	0	0	0	3	3	100	0	0.0	0	0	0	0
Construction	31	30	99.9	0	0.1	0	0	0	0	26	26	100	0	0.4	0	0	0	0
Wholesale and retail trade	130	126	96.7	4	3.3	4	0	0	0	26	21	81	5	18.6	4	0	0	0
Transport and storage	85	83	98.3	1	1.7	1	0	0	0	15	12	81	3	18.7	2	0	0	0
Accommodation and food service	254	242	95.1	12	4.9	12	0	0	0	72	42	58	31	42.5	14	13	4	0
Information and communication	26	25	98.7	0	1.3	0	0	0	0	7	7	99	0	0.7	0	0	0	0
Financial and insurance activities	0	0	100.0	0	0.0	0	0	0	0	0	0	100	0	0.0	0	0	0	0
Real estate activities	119	119	99.6	0	0.4	0	0	0	0	73	73	100	0	0.0	0	0	0	0
Professional, scientific and tech.	51	51	98.6	1	1.4	1	0	0	0	4	4	100	0	0.0	0	0	0	0
Administrative and support service	17	12	69.9	5	30.1	5	0	0	0	16	15	99	0	1.2	0	0	0	0
Public admini., defence, soc. sec.	1	1	100.0	0	0.0	0	0	0	0	0	0	0	0	0.0	0	0	0	0
Education	3	3	98.5	0	1.5	0	0	0	0	7	7	100	0	0.0	0	0	0	0
Health and social security	43	24	56.8	18	43.2	18	0	0	0	9	9	95	0	4.9	0	0	0	0
Arts, entertainment and recreation	49	19	39.0	30	61.0	29	0	0	0	3	2	69	1	31.4	1	0	0	0
Other services	4	4	96.5	0	3.5	0	0	0	0	2	0	15	2	84.7	2	0	0	0
Total	**1,395**	**1,260**	**90.4**	**134**	**9.6**	**127**	**7**	**0**	**0**	**328**	**272**	**83**	**55**	**16.9**	**24**	**26**	**5**	**0**

Note: Loans include on-balance sheet exposures of banks, savings banks and branches of Member State banks. They include loans to non-residents.

Source: Bank of Slovenia.

Figure 5.1: NPEs in exposures under moratoria in NFCs by sector and by type of loans to households



Source: Bank of Slovenia.